



Investment Idea



22 March 2024

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Investment Idea / IPO Note

Alpha IVF Group Berhad

Renowned Fertility Expert

By Rakuten Trade Research Team

Alpha IVF Group Bhd (Alpha,0303) is set to make its debut on Bursa Ace Market today. Alpha is a fertility care specialist, providing assisted reproductive services (“ARS”), focusing on in-vitro fertilisation (“IVF”) in Malaysia and Singapore. Premised on its (i) ability to ride the recovery of medical tourism, particularly from Indonesia and China; (ii) exponential expansion plans locally and regionally; (iii) additional headcount of medical specialist team, we expect Alpha to register core net earnings of RM53.8m and RM65.5m for FY24 and FY25, respectively. BUY with a FV of RM0.34 based on 25x over FY25 EPS, which aligns with Bursa Malaysia healthcare service providers.

Revenue contribution from foreign patients to its operations in Malaysia accounted for approximately 40% in FY23, primarily from Indonesia and China. This trend underscores Alpha's capability in attracting foreign patients, supported by its stringent regulation adherence, comprehensive service quality, competitive package offerings, and linguistic accessibility. The exponential jump in earnings for FY23 clearly illustrates the importance of foreign patients post-Pandemic thus the potential for further improvements since Alpha has appointed 62 medical tourism facilitators to help coordinate foreign customers.

With a track record spanning 13 years, Alpha's ARS business is supported by 3 specialist centres located in Selangor, Penang, and Singapore. Alpha intends to further expand its core competency in IVF by setting up (i) 3 ARS specialist centres in Malaysia, with Alhaya KL, already licensed and targeted to commence operations in 1QCY24; (ii) 1 new specialist centre and 4 satellite clinics in Indonesia, aim to commence operation between the end of FY25 and FY26; (iii) 1 specialist centre in either Cambodia or Laos by end of FY25; (iv) 2 sales representative offices in China by the end of CY24.

Alpha plans to hire an additional medical specialist and 18 other personnel to support the opening of New Centre A and B in Malaysia, scheduled to commence operations by the end of FY25. The additional medical specialist is expected to drive the growth for ARS, including Oocyte Pick-Ups (“OPUs”) and embryo transfer procedures.

Alpha is currently in a net cash position with RM27.5m and has healthy cash flow generation capabilities. We expect Alpha to pay dividends of 0.7 sen and 0.8 sen for FY24 and FY25 respectively, which translates into yields of 2.1% and 2.5%.



BUY

IPO Price: RM0.32
Fair Value: RM0.34

KLCI	1,541.4
YTD FBM KLCI change	6.0%
YTD FBM SC Index change	5.1%

Stock Information

Market Cap Upon Listing (RM'm)	1,555.2
Enlarged Share Capital (m)	4,860.0
Shariah Compliant	No

IPO Proceeds (RM'm)

Establishing new medical centres, satellite clinics and sales representative offices	72.8
Expansion and upgrade of existing medical centres, facilities and corporate office	15.7
Research and development	2.2
General working capital	17.1
General corporate purposes	2.6
Estimated listing expenses	6.2
Total	116.6

Major Shareholders

Dato' Dr. Lee Soon Soo, Colin	34.0%
Lee Soon Ai	8.9%
Dr. Ng Peng Wah	8.3%
ACE Specialists SB	9.2%
Dr. Leong Wai Yew	6.6%

Summary Earnings Table

FY May (RM'm)	2023A	2024F	2025F	2026F
Revenue	137.5	156.7	191.2	206.5
EBIT	68.2	70.3	85.6	92.9
Pretax profit	67.2	70.8	86.2	93.5
Net profit	54.8	53.8	65.5	71.1
Core net profit	54.8	53.8	65.5	71.1
Consensus	NA	NA	NA	NA
Core EPS (sen)	1.1	1.1	1.35	1.5
EPS growth (%)	138.4%	-1.8%	21.7%	8.5%
DPS (sen)	NA	0.7	0.8	0.9
PER (x)	28.4	28.9	23.8	21.9
BV/Share (RM)	0.01	0.01	0.02	0.03
ROE (%)	96.5%	89.1%	81.1%	65.8%
Div. Yield (%)	NA	2.1%	2.5%	2.7%

Sources: Prospectus, Rakuten Trade Research

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COMPANY	Definition
Buy	The stock return is expected to exceed the KLCI benchmark by more than 10% over the next 6-12 months.
Trading Buy	Short-term positive development on the stock that could lead to a re-rating in the share price and translate into an absolute return of 10% over the next 3-6 months. Trading Buy is generally for investors who are willing to take on higher risks.
Take profit	The stock return previously recommended has gained by >10%
Hold	The stock return is expected to be in line with the KLCI benchmark (+/- 5%) over the next 6-12 months.
Sell	The stock return is expected to underperform the KLCI benchmark by more than 10% over the next 6-12 months.
SECTOR	
Overweight	Industry expected to outperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Neutral	Industry expected to perform in-line with the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.
Underweight	Industry expected to underperform the KLCI benchmark, weighted by market capitalization, over the next 6-12 months.

Scoring model:

The in-house scoring model is derived from Rakuten Trade Research valuation matrix based on earnings growth, earnings visibility, business model, valuation, balance sheet, technical analysis, and shareholder value creation. Each parameter is given a specific weighting.

All buy calls are based on the research team's judgement. Investing is risky and trading is at your own risk. We advise investors to:

- read and understand the contents of the disclosure document or any relevant agreement or contract before investing;
- understand the risks involved in relation to the product or service;
- compare and consider the fees, charges and costs involved; and
- make your own risk assessment and seek professional advice, where necessary.

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Published:



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