

INITIATE COVERAGE

Alpha IVF Group (ALPHA MK)

Fertilising Alpha Growth

A distinguished fertility group, Alpha IVF is poised to extend its established footprint into neighbouring countries. Strategic expansion into underserved markets and segments, alongside favourable industry trends, fuels our projected three-year earnings growth at an impressive three-year CAGR of 19.0% (FY23-36F). Its margins surpass those of its peers, showcasing Alpha IVF's leading capabilities and execution. Initiate coverage with BUY and target price of RM0.40.

- Leading specialists and labs with unparalleled performance.** Alpha IVF's obstetrician and gynaecology specialists, overseeing facilities in Alpha KL, Genesis Fertility Center (Genesis) in Penang and Singapore, collectively possess 126 years of experience. Since 2011, they have had zero attrition due to competitive remuneration and shared interests. This stability enables Alpha IVF to consistently surpass industry benchmarks in assisted reproductive services (ARS). The enduring commitment and expertise of its medical team, coupled with adherence to best practices in the labs, underscore Alpha IVF's excellence and capabilities in reproductive medicine.
- Favourable structural trends.** Malaysia's medical tourism sector is poised for steady growth, with a projected 4.2% CAGR from 2018 to 2025, reaching RM2.0b in revenue by 2025. Alpha IVF, a member of the Malaysian Healthcare Travel Council since 2017, stands to benefit, with over 60% of its revenue coming from foreign patients. Declining fertility rates in Malaysia, Singapore and Indonesia are driving increased demand for ARS, supported by government incentives like Employee Provident Fund withdrawals and tax relief in Malaysia, and co-funding schemes in Singapore.
- Exciting yet low-risk growth.** Alpha IVF's success has been replicated successfully in the past, notably with Alpha Singapore. With Alhaya KL set to launch operations in 2Q24 and two additional specialist centres planned for Malaysia by 2026, expansion is set to extend to Indonesia and Laos/Cambodia. Its facilities are deemed ambulatory care centres that offer favourable economics to hospitals, with more achievable breakeven points, suggesting lower risks.
- Initiate coverage on Alpha IVF with BUY and target price of RM0.40,** based on 28.0x 2025F PE. Its regional IVF peers are trading at an average of 22.8x 2025F PE, but we opine that Alpha IVF deserves a 20% premium to its peers because: a) it has a superior three-year earnings CAGR (FY23-26F) outlook of 19.0%, ahead of its peers' average of 13.4%; b) at its core, Alpha IVF does not only offer attractive growth and palatable valuations but also has leading clinical success rates in the region; and c) its far superior profit margins of 32.0% for FY24-26 are more than double the average of its regional peers (15.3%) and well ahead of the next highest margin (23.7%).

KEY FINANCIALS

Year to 31 May (RMm)	2022	2023	2024F	2025F	2026F
Net Turnover	91	137	164	194	243
EBITDA	38	63	69	93	108
Operating Profit	30	56	62	83	95
Net Profit (Reported/Actual)	14	42	53	64	71
Net Profit (Adjusted)	14	42	53	64	71
EPS (sen)	0.3	0.9	1.1	1.3	1.5
PE (x)	112.1	38.2	30.4	25.0	22.7
P/B (x)	39.6	31.1	8.5	7.5	6.6
EV/EBITDA (x)	37.7	22.8	20.6	15.3	13.3
Dividend Yield (%)	0.5	3.8	2.0	2.4	2.6
Net Margin (%)	15.7	30.5	32.1	33.1	29.1
Net Debt/(Cash) to Equity (%)	(46.3)	(99.3)	(93.4)	(72.9)	(68.0)
Interest Cover (x)	28.1	61.6	141.3	189.8	219.1
ROE (%)	38.6	91.2	43.8	31.8	30.9
Consensus Net Profit	-	-	-	-	-
UOBKH/Consensus (x)	-	-	-	-	-

Source: Alpha IVF, Bloomberg, UOB Kay Hian

BUY

Share Price	RM0.34
Target Price	RM0.40
Upside	+19.4%

COMPANY DESCRIPTION

The company operates renowned fertility centres in the ASEAN region, set up and operated by leading doctors and embryologists responsible for numerous fertility achievements both in the region and worldwide.

STOCK DATA

GICS sector	Healthcare
Bloomberg ticker	ALPHA MK
Shares issued (m)	4,860.0
Market cap (RMm)	1,603.8
Market cap (US\$m)	337.2
3-mth avg daily t'over (US\$m)	n.a.

Price Performance (%)

52-week high/low	n.a.			
1mth	3mth	6mth	1yr	YTD
n.a.	n.a.	n.a.	n.a.	n.a.

Major Shareholders

Dato' Dr. Lee Soon Soo	43.2
Lee Ai Soon	8.9
Ng Wah Peng	8.3

FY24 NAV/Share (RM)	0.04
FY24 Net Cash/Share (RM)	0.04

ANALYST

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This report uses the closing prices of 5 Apr 24

Investment Highlights

LEADING SPECIALISTS AND LABS WITH UNPARALLELED PERFORMANCE

Powerhouse of highly qualified specialists. Alpha IVF’s obstetrician and gynaecology (O&G) medical team consists of 12 O&G specialists across its three facilities in Alpha KL, Genesis (Penang) and Singapore. This does not include two anaesthesiologists and a urologist. Key O&G medical specialists headlining these facilities possess a wealth of experience ranging from 16 to 43 years.

Room for more OPUs. The O&G team performed over 50% of the group’s 2023 oocyte pick-ups (OPU), which is indicative of revenue. Despite the relatively high concentration of OPUs to these headlining doctors, they still possess ample capability to perform at least an additional 30-40% more OPUs than they currently do. Apart from that, with the anticipated opening of new facilities such as Alhaya KL, other doctors will be groomed to headline and be the face of such new facilities. This should placate concerns that the key headlining specialists are a limiting factor to medium-term OPU growth for Alpha IVF.

Well remunerated, aligned interest and zero attrition. Alpha IVF has had zero attrition across its O&G medical specialists since its establishment in 2011. We also gather that only a handful of embryologists have left the group since its establishment. Also, the group’s medical specialists appear to be well remunerated with take-home pay averaging RM896,000/1,056,000/1,438,000 for FY21-23, notwithstanding the equity stakes of key specialists at selected fertility centres. Key specialists have equity stakes at key subsidiaries, particularly Alhaya KL and Alpha Singapore, to further align their interests.

Excellence across key industry standards. Across key ARS benchmarks, Alpha IVF surpasses the gold standard for its ICSI fertilisation, blastulation, blastocyst/embryo cryosurvival and implantation rates at 81.4%, 77.1%, 100.0% and 62.7% respectively. This is reflective of Alpha IVF’s medical specialists and labs’ stability, best practices to achieve excellence and outstanding capabilities. Despite Alpha IVF’s fertilisation rate of 81.4% which appears marginally above the gold standard of 80%, the law of diminishing returns suggests that even small increments are extremely noteworthy.

FIGURE 3: KEY ARS BENCHMARKS AGAINST ALPHA IVF’S SUCCESS RATES

TECHNICAL KPIS	2017 INTERNATIONAL CONSENSUS ⁽¹⁾ (COMPETENCY LEVEL)	2017 INTERNATIONAL CONSENSUS ⁽¹⁾ (BENCHMARK LEVEL) GOLD STANDARD	ALPHA IVF 2022 RATES
1 ICSI FERTILISATION RATE	≥65%	≥80%	81.4%
2 BLASTULATION RATE / 2PN	≥40%	≥60%	77.1%
3 BLASTOCYST / EMBRYO CRYOSURVIVAL RATE	≥90%	≥99%	100.0%
4 IMPLANTATION RATE	35%	≥60%	62.7%

Source: Alpha IVF, The Vienna Consensus

FAVOURABLE STRUCTURAL TRENDS

Medical tourism. Malaysia’s medical tourism is anticipated to grow at a seven-year CAGR (2018-25F) of 4.2% to top revenue of RM2.0b by 2025. This implies a mid-teens yoy growth in 2024-25. Fertility treatment is among the top 11 most commonly sought-after treatments for healthcare travellers in Malaysia. Alpha IVF is an esteemed member of the Malaysian Healthcare Travel Council since 2017. More than 60% of Alpha IVF’s Malaysia operations revenue is derived from foreigners. The group’s long-established reputation and marketing channels should help Alpha IVF benefit from the anticipated structural growth in healthcare tourism. Among the advantages are: a) Malaysia’s regulations which allow for Preimplantation Genetic Testing-A, a cutting edge procedure used to identify genetic abnormalities in embryos, improving impregnation success rates, unlike Singapore; and b) cost-efficient treatment with high success rates in the region.

FIGURE 1: KEY O&G MEDICAL SPECIALISTS

		Years of Experience
DDLSS	Group Managing Director & Medical Director of Alpha KL	41
Dr. Ng Peng Wah	Medical Director of Genesis	43
Dr. Leong Wai Yew	Medical Consultant	25
Dr. Tan Heng Heo	Medical Director of Alpha Singapore	17

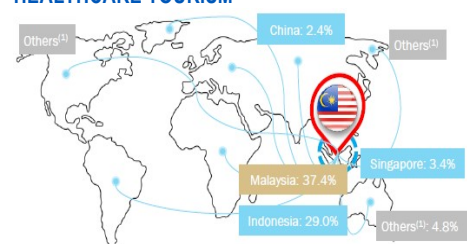
Source: Alpha IVF

FIGURE 2: KEY O&S MEDICAL SPECIALISTS

	FY20	FY21	FY22	FY23
Medical Consultants	12	12	13	15
Embryologists	21	28	26	28
Geneticists	2	1	2	2

Source: Alpha IVF

FIGURE 4: >60% OF REVENUE FROM HEALTHCARE TOURISM



Source: Alpha IVF

Rising demand for ARS due to declining fertility rates and implied rising infertility rates. In Malaysia and Singapore, the mean childbearing age is 30.9 and 31.3 years of age respectively. Highly populous Indonesia is not far behind at 28.2 years of age. Fertility rates may be declining as a result of smaller households but also a rise in the average age of women in marriage. The former could also be reflective of rising infertility. This is exhibited by Singapore's trend. The number of assisted reproductive technology (ART) cycles increased throughout 2015-19 amid declining live births, suggesting rising infertility among Singapore's population.

Multiple government incentives for ARS. The Malaysia government has two policies to ease the financial burden of couples seeking fertility treatments. Firstly, Employee Provident Fund allows members to make withdrawals for fertility treatments. Secondly, there is an income tax relief of up to RM10,000 for those having undergone fertility treatments. Similarly, Singapore offers a few financing schemes in relation to ARS. The government offers eligible couples up to 75% in co-funding, covering a maximum of six cycles from approved providers. Alpha Singapore is one of 10 approved providers. Secondly, ARS patients may utilise up to S\$15,000 of their (or spouse's) MediSave to fund their ARS procedures. MediSave is a national medical savings scheme intended to help individuals set aside part of their income to meet healthcare needs.

EXCITING YET LOW-RISK GROWTH

Replicable success. Alpha IVF's leading success rates are attributed to its experienced medical consultants and its labs that have developed, honed and finetuned their processes and procedures. This blueprint of success has been replicated in the past with Alpha Singapore. Alhaya KL will be the next facility in the pipeline, slated to commence operations by 2Q24. Two additional specialist centres are due to be rolled out in Malaysia over FY25 and FY26 as well.

Growth off a low base. This allows management to replicate its success in new facilities regionally as well, especially Indonesia (one specialist centre and four satellite clinics) and Laos/Cambodia (one specialist centre). The rollout of specialist centres is off a low base with an existing facility count of three. Over FY24-26, 1/3/1 new specialist centres are expected to be rolled out. This represents a growth of 33/75/14% over the respective periods. Furthermore, the three existing facilities have ample capacity to scale up. On average, Alpha IVF's facilities (in terms of max OPU) are only 39% utilised as of FY23. The existing facilities are due to be expanded as well.

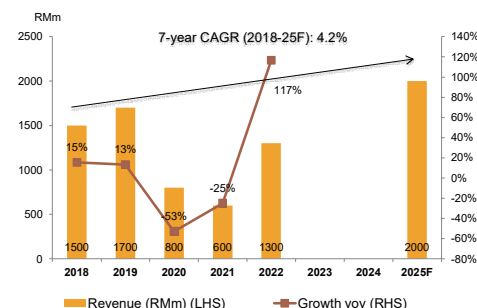
Healthcare minus the intensive capex of a hospital. Alpha IVF's facilities are ambulatory care centres (ACC), offering no overnight stay and operating as a standalone facility in a hospital. For ACCs, regulatory requirements are significantly lower compared to a hospital. Thus, the capex and operational requirements are significantly lower. Capex per new facility including equipment is close to RM15m.

Achievable breakeven point suggests low risk. Given the more favourable economics of an ACC, we estimate it could take 150-180 OPU per year or 12-15 OPU per month to break even. We understand that Alpha Singapore broke even within its first month of operations but such facilities typically take 2-3 years to fully mature. This suggests the downside risk to earnings growth is limited.

Alhaya: Headway into a different segment. Alhaya KL is relatively close to Alpha KL, with both situated in the Klang Valley region and only 7km apart. However, the former targets an underpenetrated segment of the market and medical tourism-oriented patients.

Siti Nurhaliza is a minority stake holder in Alhaya KL through Serene Image Sdn Bhd. She has had a personal journey with Alpha IVF. Seeing her position and influence as the pop darling of Malaysia with 9.1m followers on social media app Instagram, she could be a marketing draw for Alhaya KL to accelerate its gestation.

FIGURE 5: HEALTHCARE TOURISM 7-YEAR CAGR OF 4.2% BUT IMPLIES MID-TEENS GROWTH OVER NEAR TERM



Source: Malaysia Healthcare Travel Council

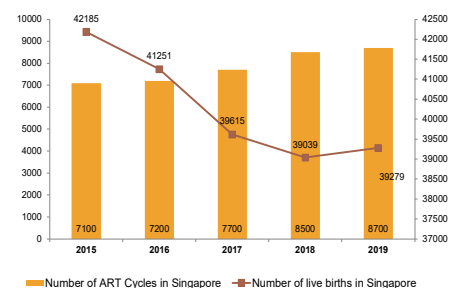
FIGURE 6: MORE DEVELOPED COUNTRIES DISPLAYING OLDER CHILDBEARING AND AGE OF FIRST MARRIAGE TRENDS

	Average Childbearing Age (2015)	Fertility Rate (2021)	Average Age of Women at Marriage
South Korea	32.3	0.88	31.3
Japan	31.3	1.30	29.5
Singapore	31.3	1.02	29.3
Malaysia	30.9	1.80	26.0
Indonesia	28.2	2.17	22.4
Vietnam	27.6	1.94	24.0
China	27.6	1.16	28.0
Thailand	27.3	1.33	22.5
Cambodia	27.0	2.34	21.5

Note: Rank based on average childbearing age

Source: United Nations, World Bank, Statista, National Bureau of Statistics

FIGURE 7: RISING ART CYCLES AMID DECLINING LIVE BIRTHS IN SINGAPORE



Source: Ministry of Health Singapore, Department of Statistics Singapore

Valuation

Initiate coverage with a **BUY** call and target price of **RM0.40**, pegged to 28.0x 2025F PE. While its peers are trading at an average of 22.8x 2025F PE, we believe Alpha IVF should trade at a 20% premium due to its:

- **Significantly more attractive earnings growth outlook.** Its ambitious expansion and onboarding of specialists (enabled by its operational excellence and track record) underpin our forecast for Alpha IVF to grow earnings at a three-year CAGR in FY23-26F by 19.0%. This is ahead of its regional IVF peers (15.7%) and local healthcare providers (13.4%).
- **Leading clinical success rates in the region.** At its core, Alpha IVF exhibits leading clinical success rates relative to its peers in the region (Thailand, Malaysia, Singapore and Australia). While its success rate is 1ppt higher relative to its next highest IVF peer Safe Fertility's (which displays rounded numbers, suggesting potential bias to its exhibited success rates) 60%, they are both head and shoulders ahead of the rest of the pack in the region. Furthermore, based on the law of diminishing returns, even the marginal +1ppt relative to Safe Fertility is reflective of the exponential excellence and best practices developed and practised by Alpha IVF.
- **Superior margins, double of IVF peers'.** Given Alpha IVF's track record, fertility success rates, operational efficiency and market positioning, it is no wonder that it commands premium PATAMI margins against all its regional peers. We expect Alpha IVF's PATAMI margins to average 32.0% over FY24-26. This is almost double the average of its regional peers at 15.3% and far superior to the next highest in the region, Safe Fertility of Thailand with a projected 23.7%. Needless to say, local healthcare providers offer an inferior 9.5%. Furthermore, these projections already factor in Alpha IVF's margin dilution attributed to an almost doubling of its facilities slated to commence operations in 2026.

FIGURE 8: AGGREGATED IVF CLINICAL SUCCESS RATES IN THE REGION (MORE DETAILED BREAKDOWN IN APPENDIX II)

	Average (35 years and above)*
Alpha IVF (Malaysia)	61%
Safe Fertility (Thailand) [^]	60%
Sunfert International (Malaysia)	58%
Monash IVF (Australia)	50%
KL Fertility & Gynecology Centre (Malaysia)	50%
Sincere International (Singapore)	49%
Virtus Fertility (Singapore)	40%
Genesis Fertility (Thailand)	No success rates published
Metro Healthcare (Malaysia)	No success rates published

* Due to success rates by varied age groups and the lack of disclosure for success rates for those aged <30 by Alpha IVF, we opted to average the success rates for those aged 35 and above

[^] Success rates appear to have been rounded, suggesting some kind of potential bias

Source: Alpha IVF, respective companies

FIGURE 9: ALPHA IVF'S PEER COMP

Company	Ticker	Share Price 5 Apr 24 (local currency)	Market Cap (US\$m)	PE		EV/EBITDA		P/B 2024F (x)	Dividend Yield 2024F (%)	3-year PAT CAGR (2023-26F)	3-year Avg PAT Margin (2024-26F)
				2024F (x)	2025F (x)	2024F (x)	2025F (x)				
Local Healthcare Providers											
IHH Healthcare	IHH MK	6.05	11,224	37.6	33.9	18.8	17.9	1.8	0.8	10.4	7.1
KPJ Healthcare	KPJ MK	1.94	1,784	29.4	26.5	10.7	10.1	3.3	1.6	13.0	8.2
Optimax Holdings	OPTIMAX MK	0.69	79	23.0	20.3	12.7	9.8	5.9	0.9	16.7	13.1
Regional IVF Peers											
Monash IVF	MVF AU	1.43	367	18.3	17.0	13.9	9.3	2.0	3.1	9.0	12.3
Safe Fertility	SAFE TB	20.10	171	22.6	18.9	11.8	9.7	3.0	1.6	29.2	23.7
Bundamedik	BMHS IJ	332.00	180	49.6	36.9	12.0	10.1	1.8	0.3	(3.4)	3.6
Genesis Fertility Center	GFC TB	11.00	66	23.2	18.5	18.2	11.1	3.6	1.5	27.8	21.6
Average											
Local Healthcare Providers			4,362	30.0	26.9	14.1	12.6	3.7	1.1	13.4	9.5
Regional IVF Peers			196	28.4	22.8	14.0	10.0	2.6	1.6	15.7	15.3
Alpha IVF	ALPHA MK	0.34	337	28.5	24.5	18.7	15.3	8.2	2.1	19.0	32.0

Source: Bloomberg, UOB Kay Hian

Earnings Outlook

Forecasting revenue CAGR of 21.0% for FY23-26F. We expect Alpha IVF to achieve sturdy revenue growth initially underpinned by organic growth among its three existing centres. Only in FY26 will revenue growth be projected to be significantly bolstered by its new centres. In totality, we project revenue to grow 19.5/17.9/25.6% for FY24-26 respectively, driven by OPU cases growth of 15.6/16.3/29.6% for the respective period. In particular, the resounding OPU growth in FY26 of 29.6% can be attributed to the four new centres that are expected to commence operations by end-FY25. Organic growth should contribute >95% of total revenue for FY24-25, before moderating to 82% in FY26 due to a surge in inorganic contributions. Blended revenue per OPU is relatively steady and could decline 3.1% in FY26 due to the lower-priced treatments at its new regional centres. Ultimately, we anticipate revenue to grow at a three-year CAGR (FY23-26F) of 21.0%.

Margins should rise further before being tempered by new facilities in FY26. As of FY23, OPUs performed made up only 39% of Alpha IVF's total output. This scalability and potential economies of scale underpin the projected expansion of operating margins to 46.5/47.6/50.2% over FY23-25F. Operating margin could decline by 4.3ppt to 45.9% in FY26 as a result of the influx of new facilities both domestic and regional. The 18.2% sales contribution from new facilities with breakeven margins is set to potentially dilute overall margins. That said, margins should recover thereafter.

Profit CAGR of 19.2% but best is yet to come. PATAMI margins are largely expected to track operating margins. Consequently, we expect net earnings to grow at a three-year CAGR (FY23-6F) of 19.0%. The attractive growth slightly undershoots revenue CAGR of 21.0% due to the influx of new facilities. It is nevertheless attractive given the sustained growth and penetration into lucrative and highly-populous regional markets in Indonesia, Laos/Cambodia and China. Once established and gestated with similar success rates, explosive growth is potentially in store beyond our forecast period.

Dividend policy of 60% payout ratio. Alpha IVF has a target dividend payout ratio of at least 60% of its net profit. Based on this, we expect Alpha IVF to provide yields of 2.0%/2.5%/2.7% over FY23-26F. Every additional 10% payout would yield an additional 0.4%/0.4%/0.5% to our base-case assumptions.

Capex of RM15m per specialist facility. Going forward, capex will be largely tied to the rollout of specialist facilities, particularly in FY25-26. On average, each specialist facility requires close to RM15m in capex. In total, we have projected a capex spend of RM15m/56m/35m for FY24-26F respectively. This translates to 9/29/14% of revenue over the respective forecast period.

Highly robust balance sheet due to cash-based and highly-profitable operations. Thanks to Alpha IVF's cash-based sales, highly-profitable operations and fast breakeven period, it is highly cash generative. Operational cash flow is expected to grow at a three-year CAGR (FY23-26F) of 10.2%. In view of this, coupled with its healthy net cash and net gearing of -0.94/-0.74/0.70x over FY23-26F, we do not rule out Alpha IVF potentially increasing its dividend payout from 60% following the capex-intensive FY25 and maturing of new operations.

FIGURE 10: REVENUE DRIVERS ASSUMPTIONS

	FY24F	FY25F	FY26F
Revenue (RMm)	164.4	193.8	243.3
Growth yoy (%)	19.5	17.9	25.6
Number of OPU			
Existing Centre OPU	3,105	3,478	3,651
Growth yoy (%)	15.0	12.0	5.0
New Centres OPU	15	150	1,050
Growth yoy (%)	n.a.	900	600
Total OPU	3,120	3,628	4,701
Growth yoy (%)	15.6	16.3	29.6
# of New Centres	1	0	4
Blended Revenue per OPU (RM'000)			
	49.5	50.2	48.6
Growth yoy (%)	3.5	1.4	-3.1

Source: UOB Kay Hian

FIGURE 11: REVENUE BY TYPE OF GROWTH

	FY24F	FY25F	FY26F
Revenue Breakdown			
Organic (RMm)	153.8	175.1	186.9
Growth yoy (%)	19.0	13.9	6.8
Inorganic (RMm)	0.7	7.0	41.7
Growth yoy (%)	n.a.	917.0	495.6
% of Total Revenue			
Organic (%)	99.6	96.2	81.8
Inorganic (%)	0.4	3.8	18.2

Source: UOB Kay Hian

FIGURE 12: GROWTH AND MARGIN OUTLOOK

	FY24F	FY25F	FY26F
Revenue (RMm)	164.4	193.8	243.3
Growth yoy (%)	19.5	17.9	25.6
EBITDA (RMm)	78.2	97.2	111.6
Growth yoy (%)	22.2	24.4	14.8
Core PATAMI (RMm)	52.8	64.2	70.8
Growth yoy (%)	25.9	21.6	10.2
EBITDA Margin (%)	47.6	50.2	45.9
Core PATAMI Margin (%)	32.1	33.1	29.1

Source: UOB Kay Hian

FIGURE 13: HEALTHY BALANCE SHEET

(RMm)	FY24F	FY25F	FY26F
Operational Cash Flow	56.2	73.4	81.0
Free Cash Flow	41.2	17.4	46.0
Cash	181.2	161.2	169.9
Net Cash/(Debt)	176.8	156.9	165.6
Net Gearing (x)	-0.94	-0.74	-0.70

Source: UOB Kay Hian

Risk Factors

Invaluable medical specialist experience. Apart from DDLSS, Dr. Leong Wai Yew, Dr. Ng Peng Wah and Dr. Tan Heng Hao are O&G medical specialists that headline Alpha IVF’s facilities in Kuala Lumpur, Penang and Singapore. They are among 12 O&G medical specialists in the group and collectively possess 126 years of relevant medical experience between the four of them and have performed more than 50% of the group’s OPU’s. The concentration risk should gradually diminish as Alpha IVF grows across its facilities and increases its number of foreign medical patients.

In addition, Dr. Ng Peng Wah and DDLSS are 69 and 66 years of age respectively. However, based on guidelines by the Malaysian Medical Council (MMC), age should not be a criterion for retirement from active practice. Throughput of OPU’s being performed could diminish with age though.

Dependent on highly-trained embryologists. Alpha IVF has 30 embryologists within the group across its three facilities in Penang, KL and Singapore. Among the functions of the embryologists are the: a) selection of matured eggs for fertilisation; b) injection of sperm into matured eggs; c) fertilisation, culture and incubation of fertilised eggs; d) monitoring of embryo development; and e) selection of embryos for transfer or cryopreservation. Aside from the best lab practices that have been developed and fine-tuned over the years, we deem Alpha IVF’s embryologists a key success factor of Alpha IVF’s leading fertility and impregnation rates. Embryologists are key to the number of OPU’s performed at the group level as well, with each embryologist being able to process 100-150 OPU’s per year.

Among the mitigating factors to this key risk are a typical bond at a minimum of four years upon undergoing embryology training and an employment contract that contains a non-compete clause for a year after leaving Alpha IVF. We gather that the group’s embryologists have exhibited extremely low rates of attrition since the group was formed, which is a reflection of Alpha IVF’s conducive working culture and fair compensation.

Replicating success in new facilities. Establishing high group-wide fertility and impregnation rates is dependent on Alpha IVF reproducing its best lab practices and procedures and training its embryologists. That said, Alpha Singapore has replicated such successes given that it is effectively the first regional facility. On top of that, these facilities will need to draw in affluent customers and on-board O&G medical specialists, which come hand-in-hand. We estimate that a new facility typically requires 150-180 OPU’s per year to break even. Alhaya KL, the new and upcoming facility, is within a 7km proximity to Alpha KL and treatments are priced at a 10% discount to the latter. While it is a strategic pricing to position and appeal to a large segment of the market, there could be some potential cannibalisation of Alpha KL.

FIGURE 14: KEY O&G MEDICAL SPECIALISTS

		Years of Experience
DDLSS	Group Managing Director & Medical Director of Alpha KL	41
Dr. Ng Peng Wah	Medical Director of Genesis	43
Dr. Leong Wai Yew	Medical Consultant	25
Dr. Tan Heng Heo	Medical Director of Alpha Singapore	17

Source: Alpha IVF

FIGURE 15: EMBRYOLOGIST BREAKDOWN ACROSS ALPHA IVF’S OPERATIONS

	Alpha KL	Genesis (Penang)	Alpha Singapore
Embryologists	12	8	2
Trainee Embryologists	3	3	4

Source: Alpha IVF

Financial Statement

FIGURE 16: PROFIT & LOSS

Year to 31 May (RMm)	2022	2023	2024F	2025F	2026F
Revenue, Net	91	137	164	194	243
Operating Expenses	(61)	(82)	(102)	(111)	(148)
EBIT	30	56	62	83	95
Other Non-operating Income	1	13	2	4	4
Associate Contributions	0	0	0	0	0
Net Interest Income/(Expense)	(1)	(1)	(0)	(0)	(0)
Pre-tax Profit	30	67	64	86	99
Tax	(7)	(12)	(16)	(19)	(22)
Minorities	(9)	(2)	(2)	(3)	(6)
Extraordinary Items	0	(11)	6	0	0
Net Profit(Reported/Actual)	14	42	53	64	71
Net Profit (Adjusted)	14	42	53	64	71
Depreciation & Amortisation	8	7	8	11	12
EBITDA	38	63	69	93	108
Per Share Data (sen)					
EPS - Diluted	0.3	0.9	1.1	1.3	1.5
Reported EPS - Diluted	0.3	0.9	1.1	1.3	1.5
Book Value Per Share (BVPS)	0.8	1.1	3.9	4.4	5.0
Dividend Per Share (DPS)	0.2	1.2	0.7	0.8	0.9

Source: Alpha IVF, UOB Kay Hian

FIGURE 17: BALANCE SHEET

Year to 31 May (RMm)	2022	2023	2024F	2025F	2026F
Cash/Near Cash Equivalent	32	56	181	161	170
Accounts Receivable/Debtors	1	1	2	2	2
Stocks	2	3	6	7	8
Other Current Assets	11	3	3	3	3
Current Assets	47	62	192	173	183
Fixed Assets	24	22	30	75	98
Investments	9	9	9	9	9
Other Financial Assets	28	2	2	2	2
Total Non-current Assets	60	33	41	86	109
Total Assets	107	96	233	259	292
Accounts Payable/Creditors	7	8	8	8	10
Short-term Debt/Borrowings	5	1	1	1	1
Other Current Liabilities	12	11	11	11	10
Current Liabilities	24	21	20	20	21
Long-term Debt	9	3	3	3	3
Deferred Tax Liability	0	0	0	0	0
Other Non-current Liabilities	15	18	15	13	12
Total Non-current Liabilities	24	21	18	17	15
Total Liabilities	48	41	39	37	36
Minority Interest - Accumulated	19	3	5	7	13
Shareholders' Equity	40	52	189	215	243
Liabilities & Shareholders' Funds	107	96	233	259	292

Source: Alpha IVF, UOB Kay Hian

FIGURE 18: CASH FLOW

Year to 31 May (RMm)	2022	2023	2024F	2025F	2026F
Operating Cashflows	34	61	56	73	81
Pre-tax Profit	30	67	70	86	99
Tax	(5)	(11)	(16)	(19)	(22)
Depreciation & Amortisation	8	7	8	11	12
Associates	0	0	0	0	0
Working Capital Changes	1	9	(4)	(1)	(1)
Others	1	(11)	(2)	(3)	(7)
Cash from Investing Activities	(1)	(0)	(13)	(52)	(27)
Capex (Growth)	(0)	(1)	(15)	(56)	(35)
Proceeds from Sale of Assets	0	0	0	0	0
Others	(1)	1	2	4	8
Cash from Financing Activities	(11)	(38)	82	(41)	(45)
Dividend Payments	0	0	(32)	(39)	(42)
Issue of Shares	0	1	117	0	0
Proceeds from Borrowings	0	0	0	0	0
Loan Repayment	(2)	(9)	0	0	0
Others/Interest Paid	(9)	(30)	(3)	(3)	(2)
Net Increase/(Decrease) in Cash	22	23	126	(20)	9
Beginning Cash	10	32	56	181	161
Changes Due to Forex Impact	0	1	0	0	0
End Cash	32	56	181	161	170

Source: Alpha IVF, UOB Kay Hian

FIGURE 19: KEY METRICS

Year to 31 May (%)	2022	2023	2024F	2025F	2026F
Growth					
Turnover	46.8	50.9	19.5	17.9	25.6
EBITDA	243.1	65.1	10.9	34.4	15.4
Pre-tax Profit	519.1	124.6	(5.0)	35.0	14.7
Net Profit	126.4	193.3	25.9	21.6	10.2
Net Profit (Adjusted)	n.a.	193.3	25.9	21.6	10.2
EPS	126.4	193.3	25.9	21.6	10.2
Profitability					
EBITDA Margin	41.7	45.6	42.3	48.2	44.3
EBIT Margin	32.8	40.5	37.7	42.8	39.2
Gross Margin	51.1	55.7	57.8	57.5	54.4
Pre-tax Margin	32.9	48.9	38.9	44.5	40.6
Net Margin	15.7	30.5	32.1	33.1	29.1
ROE	38.6	91.2	43.8	31.8	30.9
ROA	14.4	41.4	32.2	26.1	25.6
ROIC	26.0	24.4	24.6	26.1	28.9
RONTA	24.1	24.1	24.6	26.7	29.8
Leverage					
Interest Cover (x)	28.1	61.6	141.3	189.8	219.1
Debt to Total Capital	18.8	7.4	2.2	1.9	1.7
Debt to Equity	33.7	8.4	2.3	2.0	1.8
Net Debt/(Cash) to Equity	(46.3)	(99.3)	(93.4)	(72.9)	(68.0)
Current Ratio (x)	2.0	3.0	9.5	8.5	8.6

Source: Alpha IVF, UOB Kay Hian

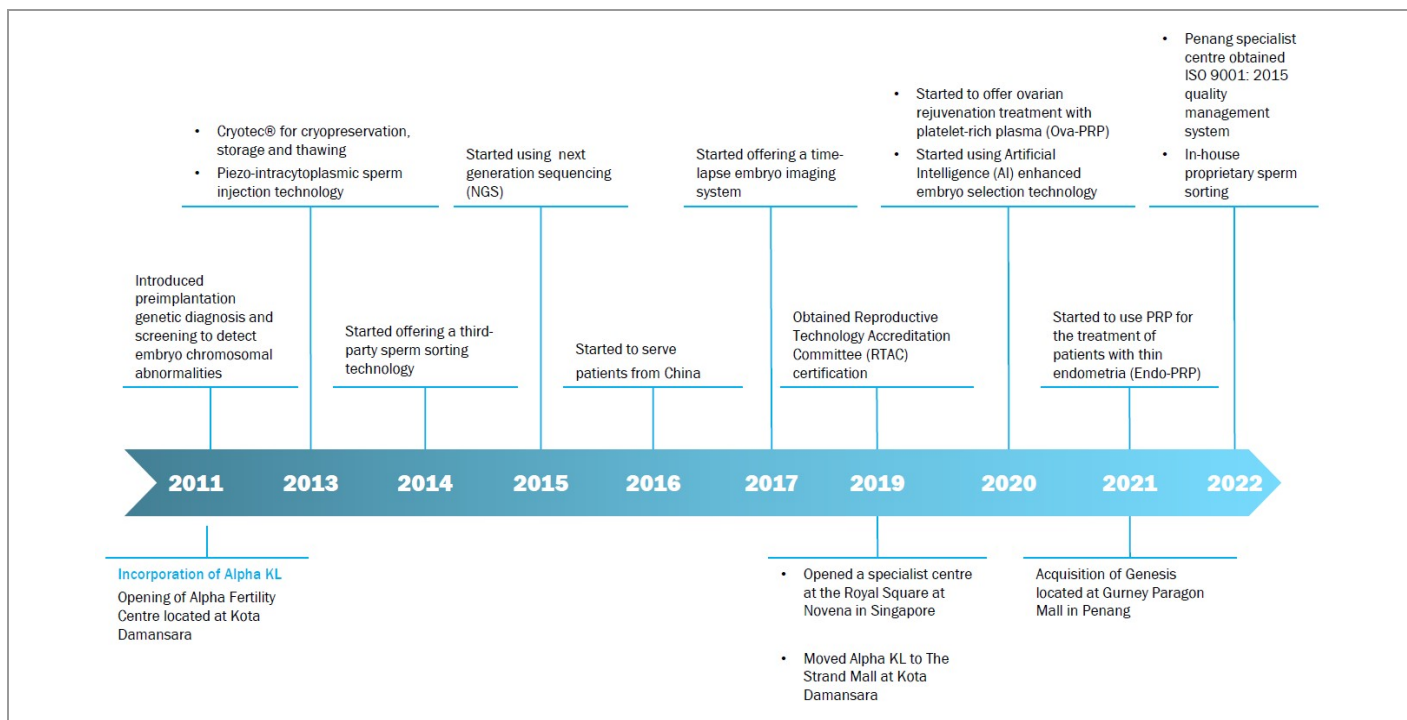
Appendix I: Directors And Key Milestones

DIRECTORS

Name	Position	Description
Dato' Dr. Tan Kee Kwong	Independent Non-Executive Chairman	Dato' Dr. Tan Kee Kwong serves as the Independent Non-Executive Chairman on the board. He earned his Bachelor of Medicine and Bachelor of Surgery from the University of Malaya in 1973. Dr. Tan began his career as a Medical Officer in Malaysia and later with the British National Health Service. He volunteered in Southern Sudan from 1981 to 1983. Subsequently, he worked in various medical capacities until 1999 when he became a Deputy Minister until 2004. He served as a Member of Parliament for Segambut, Kuala Lumpur from 1995 to 2008 and later for Wangsa Maju, Kuala Lumpur from 2013 to 2018. Dr. Tan was an Independent Director of TMC Life Sciences until 2019 and currently holds positions such as President of Victoria Institution Old Boys' Association and Independent Non-Executive Director of Malayan United Industries.
Dato' Dr. Lee Soon Soo, Colin (DDLSS)	Non-independent Executive Director and Group Managing Director	DDLSS holds multiple roles at Alpha KL, including Promoter, Substantial Shareholder, Non-Independent Executive Director, Group Managing Director, and Medical Director. He joined the board in Feb 21 after graduating from the University of New South Wales in 1983 and obtaining various medical qualifications. With over 40 years of experience in the medical field, he began his career in Australia before moving to Malaysia and Singapore. He founded Damansara Fertility Clinic and later established TMC Fertility Centre and Tropicana Medical Centre, both part of TMC Life Sciences. During his tenure at TMC Life Sciences, he oversaw its successful listing on the stock market and led its expansion. In 2011, he founded Alpha KL, where he serves as Medical Director and Group Managing Director, overseeing administrative management and clinical practices. He remains deeply involved in improving policies, procedures, and ensuring the implementation of best practices throughout Alpha KL.
Dr. Ng Peng Wah (DNPW)	Non-independent Executive Director and Medical Director of Genesis	DNPW serves as the Promoter, Substantial Shareholder, Non-Independent Executive Director, and Medical Director of Genesis, joining the board in Jan 23. He holds a Bachelor of Medicine and Bachelor of Surgery from the University of Malaya and a Master of Medicine in Obstetrics and Gynaecology from the National University of Singapore. With over 42 years of experience in medicine, he began his career at General Hospital Penang, then worked at University Hospital Kuala Lumpur and National University Hospital, Singapore. He became a Consultant Specialist in Obstetrics and Gynaecology at Hospital Lam Wah Ee, Penang, where he established the department of in-vitro fertilisation. Since Jun 17, he has served as the Medical Director at Genesis, overseeing clinical practices and policymaking to ensure consistent best practices. His expertise includes training embryologists, maintaining IVF laboratory quality, and implementing new technologies for optimal pregnancy outcomes.
Datuk Lee Say Tshin	Independent Non-Executive Director	Datuk Lee Say Tshin serves as an Independent Non-Executive Director, joining the board in Aug 23. He holds a Bachelor of Economics (Hons) from University Malaya and boasts nearly 48 years of experience in banking, notably with HSBC Bank Malaysia. He retired in Jun 13 as the Managing Director of Strategic Business Development. Presently, he holds key positions such as Vice Chairman, Strategic Initiatives for HSBC Bank Malaysia, and chairs the Investor Relations & Strategic Partnership Committee of the Malaysia-China Business Council. Additionally, he serves as the Independent Non-Executive Chairman of CJ Century Logistics Holdings, Independent Non-Executive Director of Padini Holdings, and Independent Non-Executive Director of IGB REIT Management. His vast experience and roles signify his significant contributions to various sectors, especially in strategic planning and business development.
Sia Bee Keng	Independent Non-Executive Director	Sia Bee Keng serves as an Independent Non-Executive Director, having been appointed to the Board on 21 Aug 23. She graduated with a Bachelor of Laws (Hons) from the University of Malaya in Aug 83 and became an Advocate and Solicitor of the High Court of Malaya in Mar 84, maintaining her membership with the Malaysian Bar since then. With over 39 years of experience in the legal field, she completed her pupillage at L.S. Tan & Co. in Mar 83 and began her career as a Legal Assistant there before joining Nazri Aziz & Wong as a Legal Associate in Aug 84. Rising through the ranks, she became a Partner in Jan 90 and has continued her practice with the firm ever since. Throughout her career, she has handled various legal matters, including financing documentation and land-related issues.
Tung Fook Heng	Independent Non-Executive Director	Tung Fook Heng serves as an Independent Non-Executive Director, appointed to the Board on 21 Aug 23. He obtained his A-Levels from the Associated Examining Board, UK, and a Diploma in Accounting from The London Chamber of Commerce & Industry in 1980. He holds various professional certifications including Chartered Management Accountant, Chartered Global Management Accountant, ASEAN Chartered Professional Accountant, Chartered Accountant under MIA, and Professional Member of the Institute of Internal Auditors Malaysia. His career spans across diverse roles such as Assistant Accountant at Hewlett Packard Malaysia, Financial Controller at Bayview Hotel and Universal Furniture China, and General Manager of Finance at Khaleda Agroprima Malindo in Indonesia. He also served as Chief Financial Officer at Honda Myanmar Company. Currently, he holds the position of Independent Non-Executive Director at Ni Hsin Group, showcasing his extensive experience in finance, accounting and management across various industries.

Source: Alpha IVF

KEY MILESTONES



Source: Alpha IVF

Appendix II: IVF Peers' Clinical Success Rates

IVF Centre						Average (35 years and above)*
Alpha IVF (Malaysia)	<35 years 63%	35-37 years 62%	38-39 years 63%	40-41 years 58%	>41 years 50%	61%
Safe Fertility (Thailand)	<35 years 80%	35-37 years 70%	38-40 years 60%	41-42 years 50%	>42 years 50%	60%
Sunfert International (Malaysia)		<35 years 50%	35-39 years 55%	40-44 years 68%		58%
Monash IVF (Australia)	<30 years 44%	30-34 years 51%	35-39 years 52%	40-44 years 47%		50%
KL Fertility and Gynecology Centre (Malaysia)	<30 years 80%	30-34 years 61%	35-39 years 49%	40-44 years 50%		50%
Sincere International (Singapore)	<30 years 57%	30-34 years 64%	35-39 years 61%	>40 years 36%		49%
Virtus Fertility (Singapore)	<30 years 67%	31-34 years 62%	35-39 years 55%	40-42 years 41%	43-45 years 24%	40%
Genesis Fertility (Thailand)	No success rates published					
Metro Healthcare (Malaysia)	No success rates published					

* Due to success rates by varied age groups and the lack of disclosure for success rates for those aged <30 by Alpha IVF, we opted to average the success rates for those aged 35 and above
Source: Alpha IVF, respective companies

Appendix III: Expansion Pipeline

OVERVIEW OF ALPHA IVF'S EXISTING AND NEW FACILITIES

Existing					
		Built-up Area (sf)	Expansion (sf)		
Alpha KL		26,221	3,500		
Genesis (Penang)		11,931	3,700		
Alpha Singapore		5,297			
Expansion Pipeline					
		Built-up Area (sf)	End FY24	End FY25	End FY26
Malaysia	Alhaya KL	5,560	✓		
	Specialist Centre #2	TBD		✓	
	Specialist Centre #3	TBD			✓
Indonesia	Specialist Centre	10,660		✓	
	Satellite Clinic #1	1,500		✓	
	Satellite Clinic #2	1,500		✓	
	Satellite Clinic #3	1,500			✓
	Satellite Clinic #4	1,500			✓
Laos/Cambodia	Specialist Centre	8,000		✓	
China	Sales Representative Office #1*		✓		
	Sales Representative Office #2*		✓		

* By end-24
Source: Alpha IVF

Appendix IV: IPO Details

PRIMARY/SECONDARY SPLIT

New/Existing Shares	No. of Shares (m)	Value (RMm)	% of Enlarged Share Base Upon IPO
New Shares	364.5	116.6	7.5
Existing Shares	1,093.5	349.9	22.5
Total Public Issue	1,458.0	466.6	30.0

Source: Alpha IVF

PRINCIPAL DETAILS OF ALPHA IVF'S IPO

Type of Offering	No. of Shares (m)	% of Enlarged Share Base Upon IPO
Institutional Offering	631.8	13.0
Bumiputera Investors Approved by the Ministry of International Trade and Industry (MITI)	607.5	12.5
Retail Offering	194.4	4.0
Eligible directors, employees, persons who have contributed to the success of the group	24.3	0.5
Total	1,458.0	30.0

Source: Alpha IVF

USE OF PROCEEDS

Details of Use of Proceeds	(RMm)	% of Raised Proceeds	Estimated Time Frame
Establishing new medical centres, satellite clinics and sales representative offices	72.8	62.4	Within 36 months
Expansion and upgrade of existing medical centres, facilities and corporate office	15.7	13.5	Within 36 months
Research and development	2.2	1.9	Within 36 months
General working capital	17.1	14.7	Within 36 months
General corporate purposes	2.6	2.2	Within 36 months
Defraying the listing expenses	6.2	5.3	Within 1 month
Total	116.6	100.0	

Source: Alpha IVF

Appendix V: ESG

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Energy efficiency. Implement energy-efficient equipment and practices to reduce energy consumption within the centres. - Waste management. Implement responsible waste management including proper disposal of medical waste and recycling initiatives. - Water conservation. Implement water-saving practices to reduce water consumption.
<ul style="list-style-type: none"> • Social <ul style="list-style-type: none"> - Ethical practices. Adhere to ethical and transparent practices in patient interactions, including informed consent, privacy protection and responsible handling of genetic information. - Diversity & inclusion. Foster a diverse and inclusive work environment, ensuring that all patients and employees are treated with respect and dignity. - Community engagement. Engage with the local community and contribute to public awareness about fertility issues, reproductive health, blood donation and related topics.
<ul style="list-style-type: none"> • Governance <ul style="list-style-type: none"> - Compliance and ethics. Establish governance structures and codes of conduct to ensure compliance with legal and ethical standards in healthcare. - Board oversight. Ensure that the board of directors or governing body provides effective oversight of the IVF centre's operations, including ESG strategies and performance. - Data security and privacy. Ensure strict data security and patient privacy measures in compliance with applicable regulations such as the Personal Data Protection Act 2010.

Source: Alpha IVF

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