



Alpha IVF Group Berhad

IPO Note - "Riding on recovery of medical tourism industry"

ACE Market
Health Care Sector
SUBSCRIBE
IPO Price: RM0.32
Fair Value: RM0.37

Valuation / Recommendation

We have a SUBSCRIBE recommendation on Alpha IVF with a fair value price of RM0.37 based on FY24F EPS of 1.5 sen and a peers average PE of 24.8x.

We like the stock for its attractive expansion plan, and proven track record in a niche market on the back of a recovering healthcare travelling industry that has grown at a CAGR of 27.5% from 2020 to 2022 (Vital Factor). The target price represents a potential return of 15.6% over the IPO price.

Investment Highlights

Proven track record with a diverse clientele base. The company has 13 years of clinical experience in provision of assisted reproductive services (ARS) across their three centers in Malaysia and Singapore, serving residents from China, Malaysia, Indonesia, and Singapore. In Malaysia, domestic clients constitute 34.5% while in Singapore, 16.79% as at FPE Oct 2023. While foreign clients, primarily from Indonesia, Singapore, China and Australia, make up 44.9% of the Malaysian clientele. Malaysia contributed RM52.6m (79.8%) and Singapore RM13.4m (20.3%) of their total revenue in FPE Oct 2023. We think the company is well-positioned to benefit from a recovering medical tourism industry and capture larger market share of clients seeking ARS.

Expansion plan and upgrading facilities. The company's domestic expansion plan entails three new specialist centers: Alhaya KL in Kuala Lumpur (5,560 sq. ft) starting Q1 2024, and New Centre A and New Centre B expected by FYE 2025 and FYE 2026. Total setup cost is RM43.0m, with RM11.0m for renovation, equipment, and IT from internal funds, and RM32.0m for New Centre A and New Centre B from IPO proceeds.

Alpha IVF also plans to upgrade its existing facilities through efforts such as: (i) Investing RM8.5m on new lab and medical equipment, funded via IPO proceeds. (ii) Allocating RM4.1m on IT system enhancements, (iii) Renovation and expansion plan for existing facilities in Selangor and Penang, costing RM2.2m increasing space for patient records and waiting areas, (iv) Expansion of existing corporate office with an estimated cost of RM1.0m which set to be completed within 36 months commencing in Q1-Q2 of 2024.

Attractive foreign expansion plan. The company plans to expand their presence overseas via several initiatives: (i) Establishing one specialist centers and four satellite clinics in Indonesia with a total estimated cost of RM24.1m, (ii) Establish one specialist center in either Cambodia or Laos with a total estimated cost of RM13.9m, (iii) Establish sales representative offices in China with a total estimated cost of RM2.8m. All set initiatives are to be funded via IPO proceeds.

Risk factor. (1) Dependency on skilled personnel, (2) Reliance on certain approvals, licenses, permits and certificates, (3) Subject to risks of medical and legal claims, regulatory actions, (4) Dependency on ARS medication suppliers.

Investment Statistics	FY21	FY22	FY23	FY24F	FY25F
Revenue (RM m)	62.1	91.1	137.5	185.6	222.7
EBITDA (RM m)	13.3	38.8	74.3	136.5	155.8
PAT (RM m)	2.3	23.0	54.8	73.4	88.6
PAT Margin (%)	3.7	25.2	39.9	39.5	39.8
EPS (sen)	-15.7	45.4	1.2	1.5	1.8
EPS Growth (%)	-153.9	-389.3	-97.4	30.1	20.7
BV Per Share (sen)	0.01	0.01	0.03	0.04	0.03
PE (x)	624.0	62.6	26.3	21.2	17.6
Net Gearing (%)	Cash	Cash	Cash	Cash	Cash
ROA	2.5	24.0	24.6	31.8	43.5
ROE	4.7	42.1	30.8	41.3	51.0

Business Overview

Alpha IVF is a fertility care specialist operating in Malaysia and Singapore, providing a comprehensive range of assisted reproductive services to individuals facing difficulties conceiving. The company offers diagnostics, treatments, and procedures for infertility, including IVF, intracytoplasmic sperm injection (ICSI), intrauterine insemination (IUI), various diagnostic tests and screenings, as well as cryopreservation of eggs, sperm, and embryos. The company's primary focus is on IVF services, aimed at helping patients achieve clinical pregnancies.

Listing Details

Listing date	22 March 2024
New shares (m)	364.5
Offer for sale (m)	1,093.5
Funds raised (m)	116.6

Post Listing

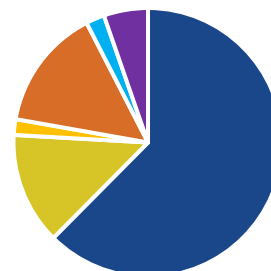
Ordinary shares (m)	4,860.0
Market cap (RM M)	1,555.2
Free float	7.5%
P/E (FY24F)	21.2

Top 3 Shareholders

DDLSS	48.6%
Lee Soon Ai	12.7%
DNPW	11.9%

Utilisation of Proceeds

	RM'mil
Establishing new medical centres, satellite clinics and sales rep offices (within 36 months)	72.8
Expansion & upgrade of existing medical centers, facilities, & corporate office (within 36 months)	15.7
Research & development (within 36 months)	2.2
General working capital (within 36 month)	17.1
General corporate purposes (within 36 month)	2.6
Defraying the listing expenses (within 1 month)	6.2



Source: Mercury Securities, Bloomberg

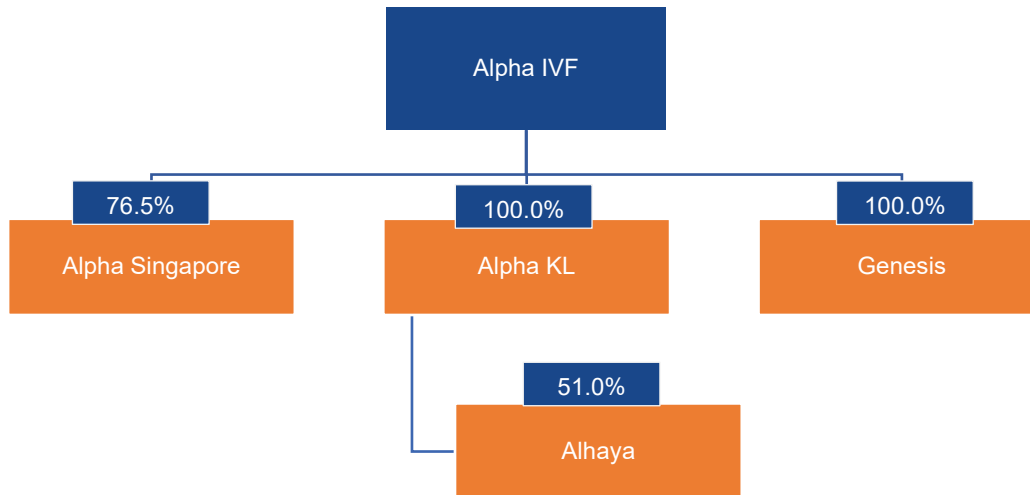


IPO Details

	Offer for sale (m)	Public Issue (m)	Total (m)	(%)
Retail Offering				
Eligible Persons	-	24.3	24.3	0.5
Malaysian Public (Bumiputera)	-	97.2	97.2	2.0
Malaysian Public (Non-Bumiputera)	-	97.2	97.2	2.0
Institutional Offering				
Bumiputera investors approved by the MITI	607.5	-	607.5	12.5
Other institutional and selected investors	486.0	145.8	631.8	13.0
Total	1,093.5	364.5	1,458.0	30.0

Source: Company

Group Structure Post Listing



Source: Company

Peer Comparison

Company	Bloomberg Ticker	Share Price (RM)	Market Cap (RM m)	P/E (x)		EPS (sen)		EPS Growth		P/BV (x)	
				FY23	Current	FY23	Current	FY23	Current	FY23	Current
OPTIMAX	OPTIMAX MK	0.60	325.9	26.2	25.1	0.02	0.02	-12.13	-16.90	0.12	0.12
TMC LIFE SCIENCES	TMCL MK	0.74	1,289.0	26.7	22.6	0.02	0.03	-5.46	159.38	0.49	0.50
KPJ HEALTHCARE	KPJ MK	1.67	7,559.0	22.3	26.7	0.06	0.06	67.9	12.5	0.53	0.53
Average				25.1	24.8						

Source: Mercury Securities, Bloomberg



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