



AmInvestment Bank

ALPHA IVF

(ALPHA MK EQUITY, ALPH.KL)

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Company Report

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03-2036 2280

Rationale for report: Company Update

BUY

(Maintained)

Price	RM0.325
Fair Value	RM0.42
52-week High/Low	RM0.35/RM0.30

Key Changes

Fair value	↔
EPS	↔

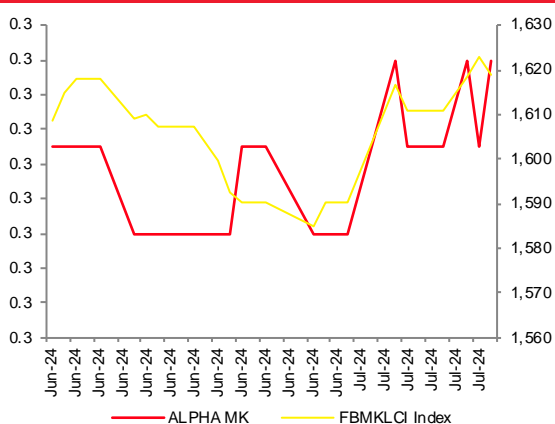
YE to May	FY24	FY25F	FY26F	FY27F
Revenue (RMmil)	167.6	225.0	295.8	338.4
Core net profit (RMmil)	52.9	67.9	75.0	87.1
FD Core EPS (Sen)	1.1	1.4	1.5	1.8
FD Core EPS growth (%)	(0.6)	28.3	10.4	16.1
Consensus Net Profit (RMmil)	-	66.0	73.0	91.6
DPS (Sen)	0.4	0.8	0.9	1.1
PE (x)	29.8	23.3	21.1	18.1
EV/EBITDA (x)	20.4	15.8	11.1	10.1
Div yield (%)	1.4	2.6	2.9	3.4
ROE (%)	44.3	33.8	32.6	33.2
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	4,860.0
Market Cap (RMmil)	1,555.2
Book Value (RM/Share)	0.04
P/BV (x)	8.3
ROE (%)	44.3
Net Gearing (%)	-

Major Shareholders	Dr. Colin Lee (34.2%) ACE Specialists (9.2%) Lee Soon Ai (8.9%)
Free Float	48.4
Avg Daily Value (RMmil)	5.8

Price performance	3mth	6mth	12mth
Absolute (%)	(3.0)	-	-
Relative (%)	(8.6)	-	-



Investment Highlights

- We maintain **BUY** on Alpha IVF Group (Alpha) with an unchanged fair value (FV) of RM0.42/share, based on an CY25F target PE of 28x at a 13%-37% premium compared to the average valuation of 25x of local peers and 19x for regional peers. This implies a PEG ratio of 1.7, which is lower than local peers' average of 2.9. We ascribe a neutral 3-star ESG rating to the company.
- Our forecasts are maintained following an analyst briefing yesterday with these salient highlights:
 - FY24 net profit of RM52.9mil includes listing expenses of RM2.4mil (which mainly drove up administration expenses by 72% YoY). If excluded, FY24 net profit translates to RM55.3mil and 1% above our earlier forecast instead of 3% below.
 - FY24 revenue rose 22% YoY to RM168mil in tandem with a 15% increase in oocyte pick up (OPU) to 3,093 and increase in revenue share of foreign patients to 60.4% from 50.9% in FY23 as medical tourists tend to select more procedures and being billed higher consequently.
 - Revenue from Indonesian patients increased 44% YoY to RM57mil while China surged 3.8x to RM12.6mil, which is still half of pre-pandemic levels. Chinese medical tourists are expected to continue growing as the country's IVF (In Vitro Fertilisation) technology lags Alpha's due to the government's strict policy on gender selection.
 - 4QFY24 gross profit margins rose to 59.8% from 57.4% in 1QFY24 due to the higher billing premium from foreign tourists together with improved economies of scale from a higher revenue base.
 - Expected to be revealed over the next 1-3 months, management has identified 2 potential sites for its fourth domestic IVF centre which could cover an area of 8k-9k sq feet and cost RM9-10mil,
 - Likewise, Alpha has won the competition to set up an IVF centre of excellence at the healthcare special economic zone in Sanur, Bali, beating rivals from Australia, Korea, Indonesia and Thailand. This full-fledged clinic, expected to cost RM27mil and built on a 1.5-acre land with a 30-year lease, is expected to be profitable in the first quarter of operation.
 - Alpha's IVF centres will grow from 3 currently to 5 by end-FY25 and 8 over the next 2 years. These include another domestic IVF centre and 2 more in Southeast Asia by end-FY26F. To date, Alpha has only spent RM6mil of the RM116mil raised from IPO proceeds. Hence, management expects the capex for these expansions to be internally funded.

- When the Bali centre and 4 satellite clinics in Indonesia have been established and operate at higher selling price points relative to Malaysia, management does not expect cannibalisation of Indonesian medical tourists to Alpha's domestic centres in Penang or Kota Damansara. These facilities in Indonesia are targeted for patients in the hinterland and Surabaya who do not wish to travel outside of the country.
- Alpha's declared DPS of 0.45 sen and pre-IPO dividend of 0.698 sen translates to a FY24 total payout of 100.8%. Management continues to guide for a minimum distribution policy of 60% going forward, which is in line with our assumptions.
- With a net cash of RM151mil (10% of market cap), the stock currently trades at an attractive PEG of 1.4 vs. local peers of 2.9. We believe this is unjustified given Alpha's strategic advantage in a region with low IVF penetration rates, best-in-class clinical pregnancy rate and superior PAT margin compared to local and regional peers, as well as opportunity to tap into Indonesia's substantively larger healthcare market.

EXHIBIT 1: PEER COMPARISON

Companies	Price / share	Mkt Cap ('mil)	FYE	PE (x)		NP Growth (%)		PEG (x)		ROE (%)	EVEBITDA (x)		P/BV (x)	Div. Yld (%)	
				CY24F	CY25F	CY24F	CY25F	CY24F	CY25F		CY24F	CY25F		CY24F	CY25F
Alpha IVF (MYR)	0.32	1,555	May	25.2	21.6	27.5	16.8	0.9	1.3	43.3	16.2	12.0	8.3	2.4	2.8
Local peers (MYR)															
DC Healthcare	0.22	219	Dec	n/a	n/a	n/a	n/a	n/a	n/a	24.6	5.1	3.5	3.3	n/a	n/a
Optimax	0.70	380	Dec	23.5	20.2	25.6	16.0	0.9	1.3	26.2	9.3	7.6	6.5	2.7	3.4
Cengild	0.31	254	Jun	n/a	n/a	n/a	n/a	n/a	n/a	8.4	n/a	n/a	2.4	n/a	n/a
IHH Healthcare	6.34	55,836	Dec	33.3	30.0	8.4	11.2	4.0	2.7	4.6	13.3	12.5	2.0	1.3	1.4
KPJ Healthcare	1.88	8,205	Dec	27.5	26.1	6.1	5.4	4.5	4.8	8.2	14.1	13.2	3.6	1.8	2.0
TMC Life Sciences	0.66	1,150	Jun	n/a	n/a	n/a	n/a	n/a	n/a	6.1	n/a	n/a	1.3	n/a	n/a
Simple Avg.				28.1	25.4	13.4	10.9	3.1	2.9	13.0	10.5	9.2	3.2	1.9	2.3
Regional peers															
Monash IVF (AUD)	1.31	510	Jun	16.3	14.7	14.2	10.3	1.1	1.4	8.2	9.4	8.8	1.9	4.2	4.7
JinXin Fertility (HKD)	2.75	7,584	Dec	15.6	13.2	3.2	17.8	4.8	0.7	4.4	8.6	7.4	0.8	1.4	1.8
Bundamedik (IDR)	292	2,512,193	Dec	46.5	32.8	623.8	41.7	0.1	0.8	2.7	13.1	10.7	1.4	0.3	0.7
Safe Fertility (THB)	16.90	5,136	Dec	18.5	15.6	37.5	18.6	0.5	0.8	12.7	7.6	6.3	3.1	0.6	7.7
Simple Avg.				24.2	19.1	169.7	22.1	1.6	1.0	7.0	9.7	8.3	1.8	1.6	3.7
Overall Simple Avg.				25.9	21.8	102.7	17.3	2.3	1.8	10.6	10.1	8.8	2.6	1.8	3.1

Source: AmlInvestment Bank, Bloomberg

EXHIBIT 2: ESG MATRIX

	Environmental assessment	Parameters	Weightage	Rating				Rationale
1	Energy efficiency	Adoption of measures to ensure energy efficiency	33%	*	*	*		Implement energy-efficient equipment and practices to reduce energy consumption within centres.
2	Waste management	Adoption of measures to minimise waste production	33%	*	*	*		Implement proper waste management measures eg. proper disposal of medical waste and recycling.
3	Water and effluent management	Adoption of measures to optimise water consumption	33%	*	*	*		Implement water-saving practices to reduce water consumption.
Weighted score for environmental assessment			100%	*	*	*		
Social assessment								
1	Responsibility to patients	Education to patients	33%	*	*	*		Provide comprehensive education to patients about the IVF process, potential risks and alternatives, promoting informed decision-making.
2	Patient support	Services provided to support patients emotionally/psychologically	33%	*	*	*		Offer emotional and psychological support for patients undergoing IVF treatment, recognising and supporting the emotional transition process of patients.
3	Ethical practices	Adherence to ethical practices	33%	*	*	*		Adhere to ethical and transparent practices in patient interactions, including informed consent, privacy protection, and responsible handling of genetic information.
Weighted score for social assessment			100%	*	*	*		
Governance assessment								
1	Board age diversity	% under 60 years old	25%	*				0%, board members are in the age range of 65-77.
2	Board women representation	% of total board directors	25%	*	*			17% representation, lower than min 30% recommended by MCGG.
3	Independent board directors	% of total board directors	25%	*	*	*	*	67% - independent non-exec, higher than min 50% recommended by MCGG.
4	Remuneration to directors	% of total staff costs	25%	*	*			Estimated RM3.4mil in FY24F - 10% of FY24F staff costs
Weighted score for governance assessment			100%	*	*	*		
Overall ESG Score								
	Environmental score		33%	*	*	*		
	Social score		33%	*	*	*		
	Governance score		33%	*	*	*		
	Overall ESG Score		100%	*	*	*		

We accord a discount/premium of -6%, -3%, 0%, +3% and +6% on fundamental fair value based on the overall ESG rating as appraised by us, from 1-star to 5-star

Source: AmlInvestment Bank

EXHIBIT 3: FINANCIAL DATA

Income Statement (RMmil, YE 31 May)	FY23	FY24	FY25F	FY26F	FY27F
Revenue	137.5	167.6	225.0	295.8	338.4
EBITDA	74.0	76.5	99.5	136.9	146.0
Depreciation	(6.7)	(6.3)	(10.4)	(35.1)	(28.4)
Operating income (EBIT)	67.3	70.1	89.2	101.8	117.6
Other income & associates	-	-	-	-	-
Net interest	(0.1)	1.9	4.5	4.8	6.4
Exceptional items	-	-	-	-	-
Pretax profit	67.2	72.0	93.7	106.6	124.0
Taxation	(12.4)	(17.9)	(21.7)	(24.0)	(28.0)
Minorities/pref dividends	(1.5)	(1.1)	(4.1)	(7.6)	(9.0)
Net profit	53.2	52.9	67.9	75.0	87.1
Core net profit	53.2	52.9	67.9	75.0	87.1
Balance Sheet (RMmil, YE 31 May)	FY23	FY24	FY25F	FY26F	FY27F
Fixed assets	22.4	24.1	84.3	73.4	67.6
Intangible assets	8.9	8.9	8.9	8.9	8.9
Other long-term assets	2.2	32.7	32.7	32.7	32.7
Total non-current assets	33.5	65.7	126.0	115.1	109.2
Cash & equivalent	28.5	22.9	6.9	54.9	103.4
Stock	2.7	2.9	4.4	6.3	7.4
Trade debtors	1.3	1.0	3.0	3.7	4.5
Other current assets	29.9	135.7	122.9	122.9	122.9
Total current assets	62.4	162.5	137.2	187.7	238.3
Trade creditors	3.2	2.5	4.9	6.9	8.0
Short-term borrowings	1.3	-	-	-	-
Other current liabilities	16.1	21.5	24.0	25.3	26.2
Total current liabilities	20.6	24.0	29.0	32.2	34.2
Long-term borrowings	3.0	-	-	-	-
Other long-term liabilities	17.6	14.5	13.1	11.9	10.9
Total long-term liabilities	20.7	14.5	13.1	11.9	10.9
Shareholders' funds	51.6	187.4	214.6	244.6	279.4
Minority interests	3.0	2.3	6.5	14.0	23.0
BV/share (RM)	0.01	0.04	0.04	0.05	0.06
Cash Flow (RMmil, YE 31 May)	FY23	FY24	FY25F	FY26F	FY27F
Pretax profit	67.2	72.0	93.7	106.6	124.0
Depreciation	6.7	6.3	10.4	35.1	28.4
Net change in working capital	8.8	1.0	(0.4)	0.2	(0.1)
Others	(22.4)	(19.8)	(26.2)	(28.8)	(34.4)
Cash flow from operations	60.3	59.5	77.5	113.1	117.9
Capital expenditure	(0.9)	(13.8)	(50.8)	(19.2)	(19.2)
Net investments & sale of fixed assets	-	-	-	-	-
Others	(1.0)	2.7	5.8	6.8	8.1
Cash flow from investing	(1.8)	(11.1)	(45.0)	(12.4)	(11.1)
Debt raised/(repaid)	(11.5)	(6.7)	136.0	182.2	156.9
Equity raised/(repaid)	1.0	114.2	-	-	-
Dividends paid	(26.3)	(21.7)	(40.8)	(45.0)	(52.2)
Others	(1.0)	(0.8)	(1.3)	(2.0)	(1.7)
Cash flow from financing	(37.9)	85.1	94.0	135.2	102.9
Net cash flow	20.6	133.5	126.5	235.8	209.8
Key Ratios (YE 31 May)	FY23	FY24	FY25F	FY26F	FY27F
Revenue growth (%)	50.9	21.9	34.3	31.5	14.4
EBITDA growth (%)	90.8	3.3	30.2	37.5	6.7
Pretax margin (%)	48.9	43.0	41.6	36.0	36.6
Net profit margin (%)	38.7	31.6	30.2	25.3	25.7
Interest cover (x)	1,103.0	nm	nm	nm	nm
Effective tax rate (%)	18.5	24.9	23.1	22.5	22.6
Dividend payout (%)	114.1	41.0	60.0	60.0	60.0
Debtors turnover (days)	4	2	3	4	4
Stock turnover (days)	6	6	6	7	7
Creditors turnover (days)	7	6	6	7	8

Source: Company, AmlInvestment Bank Bhd estimates

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