



AmInvestment Bank

Company report

ALPHA IVF GROUP

(ALPHA MK EQUITY)

25 Ap 2024

The Alpha in IVF landscape

BUY

(Initiation)

Chee Kok Siang

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03-2036 2290

Rationale for report: Initiation

Price	RM0.325
Fair Value	RM0.42
52-week High/Low	RM0.345/RM0.30

Key Changes

Fair value	Initiation
EPS	Initiation

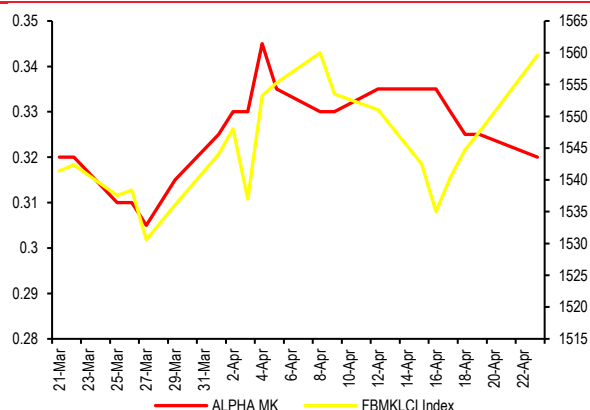
YE to Dec	FY23	FY24F	FY25F	FY26F
Revenue (RM mil)	137.5	174.7	225.0	295.8
Core net profit (RM mil)	42.0	54.7	67.9	75.0
FD Core EPS (sen)	0.9	1.1	1.4	1.5
FD Core EPS growth (%)	192.3	30.2	24.2	10.4
Consensus Net Profit (RM mil)	0.0	53.0	64.0	71.0
DPS (sen)	0	0.6	0.8	0.9
PE (x)	38.2	29.3	23.6	21.4
EV/EBITDA (x)	21.2	19.7	14.7	10.3
Div yield (%)	0.0	1.9	2.5	2.8
ROE (%)	74.0	44.1	32.5	30.8
Net Gearing (%)	nm	nm	nm	nm

Stock and Financial Data

Shares Outstanding (million)	4,860.0
Market Cap (RMmil)	1,579.5
Book Value (RM/share)	0.0
P/BV (x)	8.4
ROE (%)	44.1
Net Gearing (%)	nm

Major Shareholders	Dr. Colin Lee (34.2%) ACE Specialists (9.2%) Lee Soon Ai (8.9%)
Free Float	48.4%
Avg Daily Value (RMmil)	52.6

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



Investment Highlights

- We initiate coverage on Alpha IVF Group (Alpha) with BUY recommendation at a fair value (FV) of RM0.42/share, which offers a total potential return of 31% (29% potential capital gain and 2% dividend yield).
- The FV is based on an CY25F target PE of 28x at a 13%-37% premium compared to the average valuation of 25x of local peers and 21x of regional peers. Nevertheless, this implies a PEG ratio of 1.8, which is lower than local peers' average of 3.0 and comparable to regional peer Monash IVF's 1.7.
- Hence, we believe the premium is justified given Alpha's strategic advantage in a region with low in-vitro fertilisation (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 healthcare market. We ascribe a neutral 3-star ESG rating to the company.
- Alpha is a fertility care specialist focusing on the provision of assisted reproductive services (ARS), especially IVF services with 3 specialist centres in Malaysia and one in Singapore. The ARS segment is the largest revenue contributor to Alpha at 94% for FY23.
- We believe Alpha is an investment-worthy stock for the following reasons:
 - In the ARS industry, Alpha is widely considered to be the top fertility centre in the region. This is evidenced by Alpha commanding the largest revenue share of 38% for fertility services in Malaysia and top 3 in Singapore.

Its strong reputation is supported by Alpha's remarkably high IVF clinical pregnancy rate/success rate of up to 87.5%, which is substantively better than industry average. The outstanding success rate stems from Alpha's in-house proprietary System of Systems (SoS).

- Alpha commands a superior FY23 PAT margin of 32% as compared to domestically-listed healthcare facilities' 7%-19% and regionally-listed peers' 4%-22%.
- Ambitious expansion plans ahead locally and regionally to drive future growth. Remarkably, we are optimistic on Alpha being selected as a fertility care partner at Health Tourism Special Economic Zone (KEK Sanur) in Bali, Indonesia despite competition from global peers.

This signifies Alpha's ability to surpass its global competitors and grants the group access to the Indonesian healthcare market, endowed with favourable exemptions, and an opportunity to ride on Indonesia's "World Class Medical & Wellness Destination" ambition. This opportunity is hardly available to locally-listed healthcare facility providers.

- All in, we project Alpha's earnings to improve with a CAGR of 22% in FY23-26F, which is premised on a revenue CAGR of 29% mainly driven by (a) continued recovery of foreign patients, (b) commencement of 51%-owned Alhaya International Women's Specialists Sdn Bhd (Alhaya), and (c) local and overseas expansions.
- The stock currently trades at an attractive PEG of 1.4 vs. local peers of 3.0.

COMPANY OVERVIEW

□ Top fertility care specialist focusing on IVF in Malaysia and Singapore

Alpha was first incorporated in Malaysia under the Companies Act 2016 on 10 February 2021 as a private limited company under the name of Alpha IVF Group Sdn Bhd and was subsequently converted to a public limited company on 21 August 2023. Subsequently, Alpha was listed in Ace Market Bursa Malaysia on 22 Mar 2024.

Alpha is principally an investment holding company and engaged in the provision of management services. Through its subsidiaries, Alpha is a fertility care specialist focusing on the provision of ARS, especially IVF services. Alpha also provides other assisted reproductive procedures, including intracytoplasmic sperm injection (ICSI), intrauterine insemination (IUI), various diagnostics, testing and screening procedures and cryopreservation of eggs, sperms and embryos to support ARS.

For now, Alpha has 3 specialist centres in Malaysia - Alpha International Women's Specialists (Alpha KL), Alhaya and Genesis Specialists (Genesis) as well as a specialist centre in Singapore named Alpha International Women's Specialists (Alpha Singapore).

The group's oocyte pick-up (OPU) capacity is 8,000 per annum, in which Alpha KL has a capacity of 4,000, Alhaya 1,000, Genesis 2,000 and Alpha Singapore 1,000. Both Alpha KL and Alpha Singapore are Reproductive Technology Accreditation Committee (RTAC)-certified centres by Fertility Society of Australia (FSA). This prestigious accreditation is obtained only after a fertility centre is audited by an independent certification body that is approved by the Joint Accreditation System of Australia and New Zealand (JAS-ANZ). As of 4 Feb 2024, Alpha consists of 15 medical specialists, 30 embryologists, 2 geneticists and 30 nurses.

The ARS segment was the largest revenue contributor to Alpha at 94% for FY23. Alpha performed 2,230 OPU in 9MFY24 (Exhibit 2). The balance 6% stemmed from providing specialist medical services, commonly obstetrics and gynaecological services at third-party hospitals.

Malaysian operations accounted ~80% of 9MFY24 revenue with Singapore the balance 20%, similar to FY23. It is noteworthy that foreign patients account for a significant portion of Alpha's revenue (ie. 47% of 9MFY24 revenue), mostly in Malaysian operations. Indonesians accounted for the highest proportion (72%) of total foreign exposures, followed by Chinese (13%), Singaporeans (5%) and others (10%).

Notably, the revenue intensity of foreign patients is typically greater than that of domestic patients, as they prefer higher success rate packages after a long journey. Notably, foreign patient exposures are immaterial in the Singaporean operation.

In Malaysia, Alpha KL historically commands a higher revenue intensity (ARS revenue per OPU) than Genesis. For instance, Alpha KL's 9MFY24 revenue intensity was RM56K/OPU compared to Genesis' RM37k/OPU. This was

mainly due to KL having higher living standards than Penang. Alhaya, which started operation on 8 Apr 2024, will command a revenue intensity lower than Alpha KL by <10% as its business model is mainly targeting the Muslim market in Malaysia. In Singapore, Alpha Singapore command a 9MFY24 revenue intensity of SG\$36K-37K/OPU (RM126K/OPU), 2.3x-3.4x of Malaysian operations mainly due to higher living standards in Singapore.

In the ARS landscape, fertility care specialists primarily compete on the clinical pregnancy rate of IVF treatments. Notably, Alpha is able to achieve up to 87.5% in IVF clinical pregnancy rate vs. an average of 72.6% in Malaysia, 64.9% in Singapore and 61.4% among regional listed peers.

According to Alpha, IVF clinical pregnancy rate is defined as the number of clinical pregnancies divided by the number of embryo transfer cycles. A clinical pregnancy is confirmed by both high levels of human chorionic gonadotropin (hCG) (pregnancy hormone) and ultrasound confirmation of a gestational sac or heartbeat.

EXHIBIT 1: ALPHA'S MILESTONES

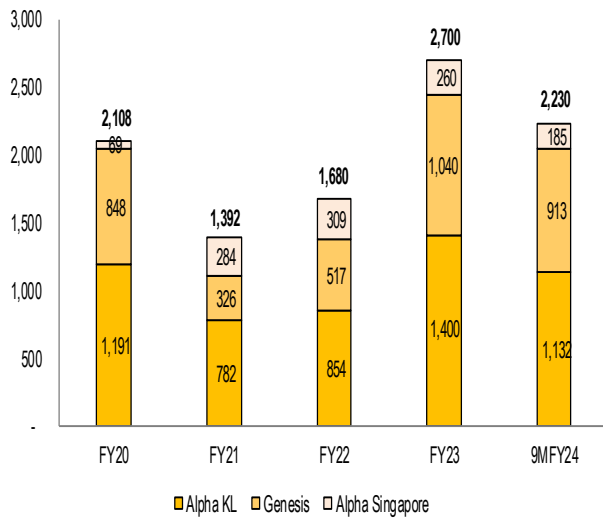
2011	Incorporation of Alpha International Women's Specialists Sdn Bhd (Alpha KL) in Mar 2011 and commenced operation of Alpha Fertility Centre located at Dataran Sunway, Selangor. Introduction of preimplantation genetic diagnosis and screening to detect embryo chromosomal abnormalities.
2013	Introduction of Cryotec®, a third-party proprietary technology and equipment developed in Japan, for eggs and embryo cryopreservation, storage and thawing. Introduction of Piezo-intracytoplasmic sperm injection technology (Piezo-ICSI) to assist in the injection of a sperm into the nucleus of the egg.
2014	Started offering a third-party sperm sorting technology.
2015	Started using next generation sequencing (NGS) to identify embryos with monogenic diseases and abnormalities.
2016	Started to serve patients from China.
2017	Started offering a time-lapse embryo imaging system to assess and observe embryo development on a time-lapse basis, allowing the selection of the best embryos for transfer.
2019	Opened a specialist centre at the Royal Square at Novena, Singapore. Obtained RTAC certification from the FSA for the Singapore branch.
2020	Moved Alpha KL to The Strand Mall at Kota Damansara, Selangor. Obtained RTAC certification from FSA for Alpha KL. Started offering ovarian rejuvenation treatment with platelet-rich plasma (Ova-PRP) for patients. Started using Artificial Intelligence (AI)-enhanced embryo selection technology to identify the best embryos for transfer.
2021	Started using PRP for the treatment of patients with thin endometria (Endo-PRP). Acquisition of Genesis located at Gurney Paragon Mall in Penang.
2022	Penang specialist centre obtained ISO 9001:2015 quality management system for providing a range of fertility and gynae treatment.
2024	Alpha was listed in Ace Market Bursa Malaysia on 22 Mar 2024. Alhaya started operations on 8 Apr 2024.

Source: Alpha, AmlInvestment Bank Bhd

Based on our estimates, Alpha is the largest fertility care specialist (Exhibit 3) in Malaysia and top 3 in Singapore, supported by the leading revenue share of 38% for fertility services in Malaysia and 25% in Singapore, despite only having commenced operations in Singapore since Nov

2019, compared to Sincere Healthcare Group in 2010 and Thomson Fertility Centre in 1987.

EXHIBIT 2: NUMBER OF OPU PERFORMED



^{^^}Despite the acquisition of Genesis as a wholly-owned subsidiary was completed on 22 March 2021 (FY21), the numbers of OPU performed in FY20 and FY21 were fully consolidated in this chart.

Source: Alpha, AmlInvestment Bank Bhd

EXHIBIT 3: ALPHA'S REVENUE SHARE IN MALAYSIA AND SINGAPORE

Companies	FYE	Revenue (RM mil)	Revenue Share (%)
Malaysia's operations:			
Alpha (Malaysia's operations)	May-23	107.1	38%
Sunfert International Fertility Centre	Mar-23	61.1	22%
Metro Healthcare	Dec-23	44.7	16%
KL Fertility & Gynaecology	Jun-23	30.2	11%
TMC Women's Specialist Holdings	Jun-23	14.7	5%
Sihat Kinabalu ¹	Dec-22	6.2	2%
Saixu (M) ²	Sep-22	5.7	2%
Star Fertility Penang	Nov-22	5.4	2%
Ecofiesta ³	Dec-22	3.2	1%
Singapore's operations:			
Sincere Healthcare Group (SG) ⁴	Dec-22	35.4	29%
Thomson Fertility Centre	Jun-23	30.9	25%
Alpha Singapore	May-23	30.4	25%
Virtus Fertility Centre Singapore	Jun-22	25.9	21%
Monash IVF Asia	Jun-21	0.3	0%

1. Involved in the operation of SabahCare Fertility Centre.

2. Involved in the operation of Ever Link Fertility Centre.

3. Involved in the operation of Victory IVF Fertility Centre.

4. Involved in the operation of Sincere IVF Centre and O&G Partners Fertility Centre.

Source: Vital Factor Consulting, AmlInvestment Bank Bhd

INVESTMENT THESIS

□ Reputable brand-name underpinned by high success rate driven by in-house proprietary SoS

Alpha is widely considered to be among the top fertility centre within the industry. This is supported by group's leading revenue share of 38% for fertility services in Malaysia and among the top 3 in Singapore, despite only having commenced operations in Singapore since Nov 2019 (Exhibit 3), compared to Sincere Healthcare Group in 2010 and Thomson Fertility Centre in 1987.

Its strong reputation is well-supported by Alpha's remarkably high IVF clinical pregnancy rate of up to 87.5%, which is relatively higher than the industry average - 72.6% in Malaysia, 64.9% in Singapore and 61.4% regionally (Exhibit 4).

The driver behind Alpha's leading pregnancy rate in the industry is Alpha's in-house proprietary SoS which is underpinned by these 5 pillars (Exhibit 5):

- (a) leading medical specialists,
- (b) highly-skilled embryologists,
- (c) continuous research and development for further enhancements,
- (d) innovative and effective techniques and standards of procedures (SOPs), and
- (e) state-of-art laboratory and equipment.

SoS enables Alpha to be the best in terms of pregnancy rate while also establishing a high barrier to entry for newcomers as SoS requires a combination of human capital (medical experience and technical know-how) and state-of-art laboratory and equipment that has been customised by Alpha.

EXHIBIT 4: ALPHA'S PREGNANCY RATE COMPARED TO LOCAL AND REGIONAL PEERS

Companies	IVF Clinical Pregnancy Rate (%) ¹
Malaysia's peers:	
Alpha	≤87.5 ²
KL Fertility & Gynaecology	≤80.0
TMC Women's Specialist Holdings	≤73.0
Sunfert International Fertility Centre	≤50.0
Metro Healthcare	n/a
Sihat Kinabalu	n/a
Saixu (M)	n/a
Star Fertility Penang	n/a
Ecofiesta	n/a
Average (Malaysia)	≤72.6
Singapore's peers:	
Alpha	≤87.5 ²
Thomson Fertility Centre	≤80.0 ³
Virtus Fertility Centre Singapore	≤60.0
Monash IVF Asia	≤57.1
Sincere Healthcare Group (SG)	≤40.0
Average (Singapore)	≤64.9
Regional listed peers:	
Safe Fertility (Thailand)	≤72.5
Morula IVF (Indonesia)	≤71.0 ⁴
JinXin Fertility (China and USA)	≤55.6 ⁵
Monash IVF (Australia)	≤46.6
Average (Regional)	≤61.4

1. Refers to the success rate of a full IVF treatment with/without frozen embryo and with/without PGT-testing for women in the age of <35, depending on data availability.

2. JE Ng, AYY Lim, Lee CSS. Presented at 19th International Conference on Preimplantation Genetics (PGDIS) 2022.

3. Thomson Fertility Centre defines IVF clinical pregnancy rate as clinical pregnancy rate per egg collection.

4. Monthly success rate in 2020 for women in the age of <35, sourced from Frost & Sullivan.

5. This is the clinical pregnancy rate of the overall group in 2022, extracted from JinXin Fertility's sustainability report.

Source: Company filings and websites, AmlInvestment Bank Bhd

EXHIBIT 5: 5 PILLARS OF ALPHA'S IN-HOUSE PROPRIETARY SOS

5 Pillars of SoS	Remarks
Leading medical specialists	<p>Alpha owns a team of highly qualified and pioneering medical specialists in the field of ARS. They are:</p> <ul style="list-style-type: none"> • Dr. Colin Lee has over 40 years of experience in the ARS industry. He was the founder of TMC Fertility Centre and Thomson Hospital back in 1997. • Dr Haris Hamzah is credited with establishing the 1st IVF facility as well as the birth of the 1st IVF baby in Malaysia. • Dr Leong Wai Yew has over 16 years of experience in the ARS industry. • Dr. Ng Peng Wah or Dr. Ng has 43 years of experience in the ARS industry. • Dr Tan Heng Hao has 17 years of experience in the ARS industry.
Highly-skilled embryologists	<p>All 29 Alpha's embryologists are led by Alpha's group chief embryologist, Ms. Low Sin Yee, with 21 years of experience in relevant field.</p>
Continuous research & development	<p>The team that now Alpha comprises has published over 200 scientific papers and innovative procedures over the past years, elevating Alpha's profile and reputation within the global ARS market.</p> <p>Alpha's research capability is further supported by an external panel of IVF pioneers who sit on Alpha's scientific board. They are:</p> <ul style="list-style-type: none"> • Professor Emeritus Bruno Lunenfeld: World pioneer in the development and deployment of human menopausal gonadotrophin (HMG) for the treatment of infertility since 1961. • Professor Emeritus Alan Trounson: Pioneered the world's first human IVF pregnancy in 1973 and first pregnancy following a freeze thaw of embryos. He also pioneered in cryopreservation of embryos and blastocysts, embryo biopsy and in-Vitro Maturation (IVM). • Dr John Keith: Co-creator of the world's first structured training manual for embryologists and professional body for embryologists, namely, Association of Clinical Embryologists (ACE). • Dr Michelle Perugini: She is a health-tech entrepreneur with extensive experience in healthcare and advanced AI technologies. She is the co-founder and CEO of an AI healthcare company, which developed a suite of applications for embryo assessment to improve pregnancy outcomes in IVF, that is being used in fertility clinics globally.
Innovative and effective techniques and SOPs	<p>Alpha possesses robust in-house capabilities to enhance pregnancy rates, such as:</p> <ul style="list-style-type: none"> • Piezo-ICSI method: This in-house method uses a finer and blunt injection tip without deforming the eggs during penetration. This is designed to minimise damage to matured eggs to increase the chances of fertilisation by 81.5%¹. • Ova-PRP: Patients' own PRP will be treated and directly injected into the ovaries to (i) rejuvenate ovarian tissues, (ii) instigate ovulation to release the eggs ready for fertilisation, (iii) encourage the development of matured eggs, and (iv) improve quality of eggs. • Endo-PRP: To improve the thickness of the endometrium to help with the implantation of embryos into the uterus wall lining.
State-of-the-art laboratory and equipment	<p>Alpha possesses cutting-edge technologies to further enhance success rates, such as:</p> <ul style="list-style-type: none"> • Ion Torrent™ NGS: An advanced technique that does all 3 testing of the preimplantation genetic testing for aneuploidies (PGT-A), PGT-M and human leukocyte antigen (PGT-HLA) concurrently from a single biopsy. This will increase the pregnancy rate by 82.9%² as compared conventional PGT. • CRYOTEC® Method: Cooling eggs and embryos to cryogenic temperature without forming ice crystals, with 100%³ post-warmed survival rate. • AI-enhanced embryo selection services: Microscopic images of each blastocyst uploaded into Alpha's AI software and within minutes, an AI score will be generated based on implantation potential and likelihood pregnancy. This technology increases pregnancy rate.

1. S.Y. Low, A.Y.X. Lim, C.S.S. Lee. *Human Reproduction*. 2023;37(S1).

2. Lee C.S.S., Low S.Y., Lim Y.X., Keith J. Presented at 24th Congress of the Obstetrical and Gynaecological Society of Malaysia. 2016.

3. Fong Y.S., Lee C.S. Presented at 28th International Congress of the Obstetrical & Gynaecological Society of Malaysia. 2021.

□ **Superior profit margin compared to locally-listed healthcare facilities and regionally-listed ARS providers**

Alpha commands a superior PAT margin of 32% as compared to domestically listed-healthcare facilities, spanning from single-discipline medical centres (14%-19%) to multi-disciplinary hospitals (7%-13%), as well as regionally listed ARS providers (4%-22%) (Exhibit 6).

We attribute this to 2 primary advantages that Alpha possesses:

- (a) In contrast to multi-disciplinary hospitals, Alpha is a group of specialty medical centres focusing on a single discipline namely, ARS, which is typically more cost-efficient from 2 perspectives.

Firstly, hospitals tend to have higher fixed costs per patient given their business nature is capital-intensive, such as buying the land, constructing new hospital buildings and procuring medical devices and equipment to cater to a wide variety of disciplines. In general, not every discipline in a hospital can achieve sufficient patients for economies of scale.

Secondly, Alpha's skilled personnel and nurses are able to concentrate on the similar job scopes on a day-to-day basis, which subsequently allow them to achieve better efficiencies in delivering those services and generate cost savings from minimising unnecessary mistakes. This was evidently illustrated by locally-listed hospital operators commanding lower PAT margins of 7%-13%, compared to single-disciplinary medical centres of 14%-32%, where Alpha is positioned at the highest end.

- (b) We believe Alpha's leading PAT margin among local single-disciplinary peers and regional ARS providers stems from the group's ability to charge 1.4x-2.5x premium pricing per OPU cycle as compared its domestic ARS competitors and 1.7x-2.5x premium in Singapore, based on our channel checks. The premium pricing Alpha has been enjoying stems from its relatively high success rate.

All in, we believe the normalised above-average profit margin is sustainable (excluding all accelerated depreciation and staff costs related to expansions) given Alpha's relatively lean single-disciplinary cost structure and outstanding IVF clinical pregnancy rate as compared to domestic and regional peers.

EXHIBIT 6: PAT MARGINS AMONG DOMESTICALLY AND REGIONALLY LISTED HEALTHCARE FACILITIES

Companies	PAT Margin (%) ²
Single-disciplinary centres	
Alpha	31.7 ¹
DC Healthcare Holdings	18.4
Optimax Holdings	14.3
Cengild Medical	18.9
Metro Healthcare	13.5
Multi-disciplinary hospitals	
IHH Healthcare	8.2
KPJ Healthcare	7.2
TMC Life Sciences	12.6
Regional ARS providers	
Monash IVF	10.3
JinXin Fertility	6.0
Bundamedik	3.6
Safe Fertility	21.9
Average	14.8

1. Calculated based on Alpha's FY2023 group core PAT and revenue. Our core PAT has been adjusted for the fair value gains of RM11.2mil arising from revaluation of 26mil units of redeemable convertible cumulative preference shares (RCCPS) held by Alpha KL on 29 Aug 2022.

2. PAT margins for peers are estimated in similar timeframe ie. Jul 2022-Jun 2023 for better comparison.

Source: Company filings, AmlInvestment Bank Bhd

EXHIBIT 7: ALPHA'S CURRENT OPERATIONAL FACILITIES

Facility	Function	Location	OPU capacity per annum
Malaysia:			
Alpha KL	Head office, healthcare facility, laboratories & wellness centre	Kota Damansara, Selangor	4,000
Genesis	Fertility & day care centre	Gurney Paragon Mall, Penang	2,000
Alhaya	Fertility centre	KPJ Damansara Specialist Hospital 2, Kuala Lumpur	1,000
Singapore:			
Alpha Singapore	Healthcare facility, laboratories & wellness centre	Royal Square at Novena, Singapore	1,000

Source: Alpha, AmlInvestment Bank Bhd

EXHIBIT 8: ALPHA'S UPCOMING OPERATIONAL FACILITIES

Facility	Function	Location	OPU capacity per annum ¹
Malaysia:			
New Centre A	Upcoming fertility centre	TBD ²	1,200 - 1,700
New Centre B	Upcoming fertility centre	TBD	1,200 - 1,700
Indonesia:			
Alpha Indonesia	Upcoming fertility centre	Bali, Indonesia	1,800
4 satellite clinics	Upcoming sales offices	TBD	n/a
Cambodia/Laos:			
Alpha Cambodia/Laos	Upcoming fertility centre	TBD	1,300
China:			
2 sales representative offices	Upcoming sales offices	TBD	n/a

1. OPU capacity per annum is estimated by AmlInvestment Bank Bhd.

2. TBD refers to "to be determined".

Source: Company filings, AmlInvestment Bank Bhd

❑ **Ambitious expansion plans ahead**

Going forward, Alpha plans to expand domestically and regionally beyond its current facilities (Exhibit 7 & 8). This signifies not only an expansion of revenue base, but also a regional diversification of customers.

Domestic expansion plans:

Alpha has recently launched Alhaya, a 51%-owned full-fledged ARS specialist centre, with an annual OPU capacity of 1,000 (+12.5% of existing group OPU capacity of 8,000) at KPJ Damansara Specialist Hospital 2, Kuala Lumpur on 8 Apr 2024.

“Alhaya” translates to “Life” in as this specialist centre primarily caters to the Muslim market domestically (largest population group in Malaysia at 63.5% in 2020) and internationally (Indonesia and Middle Eastern nations). Hence, the primary distinction between Alhaya and Alpha KL is that Alhaya caters to the Muslim market, an area in which Alpha KL falls short, through the provision of Muslim-friendly IVF services such as Muslim doctors and no 3rd party donor.

Currently, there are 2 obstetrics and gynaecology (O&G) medical specialists stationed there, namely, Dr Haris Hamzah and Dr Wan Syahirah. Notably, Dr Hamzah is credited with establishing the 1st IVF facility as well as the birth of the 1st IVF baby in Malaysia, while Dr Syahirah was recognised with awards like the Malaysian Book of Records (2022) for pioneering *INVOCell* study.

We are positive on the timing of launching Alhaya in early-Apr 2024 to capitalise on the upcoming influx of Chinese Muslims from China. The Islamic Tourism Centre of Malaysia (ITC) has found a marked increase in Muslim tourists from China with 26,534 arrivals last year and is anticipating 40,172 of them for 1QCY24. China has a strong 30mil Muslim population vs. Malaysia’s total population of 34mil.

Recently, *The Star* on 13 Apr reported that Malaysia’s travel industry is seeking to attract more Chinese Muslim tourists in view of recent significant uptick in arrivals from this demographic, which will be among Malaysia’s emerging new markets. The top reasons why Chinese Muslims visit Malaysia are illustrated in Exhibit 9.

Based on our understanding, there is a shortage of Muslim-friendly ARS specialist centres in China, which coupled with their relatively lower industry clinical pregnancy rate of 51.5%, present an opportunity for Muslim-friendly Alhaya.

EXHIBIT 9: TOP 5 REASONS WHY CHINESE MUSLIMS VISIT MALAYSIA



Source: *The Star*, AmInvestment Bank Bhd

Separately, Alpha plans to set up another 2 new full-fledged centres - New Centres A by end-FY25F and B by end-FY26F. Each of them could command a floor space ranging from 7,000-10,000 sq ft (implying an estimated annual capacity of 1,200-1,700 OPU or +15%-21% of existing group OPU capacity of 8,000 each), with facilities including consultation rooms, counselling rooms, laboratories, operating theatres, post-operative day care facilities and the necessary laboratory equipment/medical devices. Currently, Alpha is still in the process of identifying suitable locations for New Centres A and B.

In our assumptions, we assume the shareholding structure for A and B to be 75% owned by Alpha and 25% owned by resident O&G medical specialists/business partners. This is consistent with Alpha Singapore’s structure while similar in revenue intensity to Alpha KL.

Regional expansion plans:

Indonesia

Alpha will be setting up a new full-fledged ARS specialist centre and 4 satellite clinics in Indonesia. The new centre will have an estimated floor space of 10,660 sq ft (implying an estimated annual capacity of 1,800 OPU or 23% of existing group OPU capacity of 8,000) with facilities including consultation rooms, counselling rooms, laboratories, operating theatres, post-operative day care facilities and the necessary laboratory equipment/medical devices.

In Dec 2023, Alpha and the state-owned PT Hotel Indonesia Natour (HIN) entered into an agreement reserve the leasing of a plot of land with a total land area of 6,000 sq metres in KEK Sanur in Bali, Indonesia, where the new centre would be constructed.

HIN operates in the field of hospitality services under the state-owned holding company, PT Aviawi Wisata Indonesia (Injourney), that oversees the tourism and aviation industry in Indonesia.

KEK Sanur is Indonesia's 1st health tourism special economic zone to be developed into a "World Class Medical & Wellness Destination". It is built on an area of 41 hectares owned by HIN with an investment value of US\$664mil. In addition to park facilities, hotels and commercial centers, there are 6 areas in the special economic zone that are specifically dedicated to healthcare services (Exhibit 10).

2 of these areas have been leased for the construction of an international-class hospital, Sanur International Hospital, managed by Indonesia Healthcare Corporation (IHC) and scheduled to open by 3Q2024.

Meanwhile, 4 other areas are available for investors who specialise in accordance with the predetermined master plan, such as aesthetics/plastic surgery, stem cell research center, fertility service, geriatrics, senior residence, hair transplant, eye service and oriental medicine.

In its recent result 3QFY24 briefing, we gathered that Alpha and HIN are in the process of finalising the definitive agreement. Upon completion, construction will start and the IVF centre could be operational by end-FY25F.

In this special economic zone, Alpha will be able to enjoy:

- (1) a corporate tax holiday of 10+2 years (first 10 years paying zero corporate tax, followed by half of the corporate tax in the additional 2 years),
- (2) Alpha can bring in O&G medical specialists, ARS-related machines and technologies into Bali from Malaysia,
- (3) exempted from the Omnibus Health Law 2023 (Law no. 17 of 2023)'s requirement of buying pharmaceuticals

from local suppliers, allowing Alpha to bring in its own favoured drugs to maintain the success rate.

We are positive on Alpha being selected as a fertility care partner in KEK Sanur in the face of international competition. This not only signifies Alpha's ability to surpass its global competitors, but also grants the group access to the Indonesian healthcare/fertility market (endowed with favourable exemptions) and an opportunity to ride on Indonesia's "World Class Medical & Wellness Destination" ambition. This opportunity is hardly available to locally-listed healthcare facility providers.

In terms of shareholding structure, we gather that the new centre will be 75%-owned by Alpha and 25% owned by Indonesian partners. In terms of pricing, Alpha intends to establish pricing that is comparable to Indonesia's incumbent Morula IVF (a subsidiary of Bundamedik). Based on 2022-23 data, Morula IVF's average revenue/OPU was IDR95mil/OPU (RM28K/OPU). In FY26F, we forecast Alpha's Indonesian operation's revenue intensity at RM30K/OPU with the assumption of 2 years of inflation. According to Frost & Sullivan, Morula registered a clinical pregnancy rate of 71% among women who are younger than 35 years.

For the 4 satellite clinics, they will be established in various cities in Indonesia (Java, Sumatra, Sulawesi or Bali, and Nusa Tenggara) with an estimated floor space of 1,500 sq ft each. The main business function of these clinics is to generate leads to both Malaysian operations and the new centre. They will provide convenient access to essential services such as consultation, preliminary assessment and medication dispensary services for patients.

Hence, each of them is equipped with a consultation room, medicine dispensary counter, nurse counter and basic medical equipment. The first 2 satellite clinics are expected to commence operation by end-FY25F and the other 2 to commence operation by end-FY26F.

We have separately done further research on Indonesia's fertility market in Industry Outlook on page 13.

EXHIBIT 10: HEALTH AND TOURISM SPECIAL ECONOMIC ZONE (KEK SANUR)



Source: AmlInvestment Bank Bhd

Cambodia/Laos

Alpha will be setting up of a new ARS specialist centre in either Cambodia or Laos. The new centre will be a full-fledged centre with an estimated floor space of 8,000 sq ft (implying an estimated annual capacity of 1,300 OPU or 19% of existing group OPU capacity of 7,000) with facilities including consultation rooms, counselling rooms, laboratories, operating theatres, post-operative day care facilities, laboratory equipment and medical devices. Alpha is still in the process of deciding on a suitable country and timeline.

In our assumptions, we will assume the shareholding structure for this new centre to be 75%-owned by Alpha and 25%-owned by resident O&G medical specialists/business partners, consistent with Alpha Singapore's structure.

In terms of revenue intensity, we conservatively assume at RM12K/OPU in FY26F given Cambodia's/Laos' GDP per capital is 60% lower than Indonesia.

China

Alpha will be setting up of 2 new sales representative offices in China. The 2 new sales representative offices will promote Alpha's ARS in China by providing preliminary consultation services to potential patients and generate leads to Malaysia's operations.

The 2 new sales representative offices will have an estimated floor space of 1,000 sq ft each, with facilities including reception, consultation rooms, waiting rooms and office. They are planned to be established by end-FY24F.

Efficient and experienced management team - shareholder interests aligned with Alpha's key management

Alpha is run by a team of efficient and qualified management with vast experience within their respective roles. Group managing director and founder, Dr. Colin Lee, was also the founder of TMC Fertility Centre and Thomson Hospital back in 1997, is responsible for the overall administrative management and operations. He owns the largest effective equity stake of 40% (including his stake in ACE Specialists) in Alpha. Additionally, he holds the position of medical director at Alpha KL, a position that entails oversight of clinical practice and overall care.

Dr. Colin is supported by several other capable personnel:

- Dr. Ng Peng Wah (Executive Director) (Dr. Ng): Formerly from Hospital Lam Wah Ee in Penang, Malaysia, he is the medical director of Genesis with 42 years of experience in ARS. He joined Alpha since Jun 2017 and owns the second largest individual effective

stake of 9.8% equity stake (including his stake in ACE Specialists) in Alpha.

- Siddhartha Mishra (Group Chief Operating Officer): Responsible for developing, establishing and ensuring adherence to operating policies and procedures of Alpha. He joined Alpha since Jan 2024.
- Lee Soon Ai (Director of Operations of Alpha Singapore): Responsible for providing value-added services and direction to all departments of Alpha Singapore. She joined Alpha since July 2011.
- Berlinda Soo Ching Ching (Chief Financial Officer): Responsible for overseeing the accounting and finance operations of Alpha, with 27 years of relevant experience. She joined Alpha KL since Dec 2022.
- Siska Dewanty Hernando (Business Development Manager): Responsible for developing growth strategy for Alpha focusing on market expansion with 17 years of relevant experience. She joined Alpha KL in May 2013, briefly left and then re-joined in Sep 2015.

Alpha's shareholder interests are aligned with key managers as Dr. Colin and Dr. Ng having substantial equity stakes in Alpha. Hence, they are dedicated to maximise shareholder values. This can be highlighted by Alpha's highest revenue per clinic in Malaysia and 2nd highest among Singapore's peers (Exhibit 11), despite Alpha Singapore being established later in Nov 2019 compared to Thomson Fertility Centre in 1987.

EXHIBIT 11: REVENUE PER CLINIC IN MALAYSIA AND SINGAPORE

Companies	FYE	Revenue (RM mil)	No. of clinics	Revenue / clinic (RM mil)
Malaysia's operations				
Alpha (Malaysia's operations)	May-23	107.1	2	53.5
KL Fertility & Gynaecology	Jun-23	30.2	1	30.2
Sunfert International Fertility Centre	Mar-23	61.1	4	15.3
Sihat Kinabalu	Dec-22	6.2	1	6.2
Saixu (M)	Sep-22	5.7	1	5.7
Star Fertility Penang	Nov-22	5.4	1	5.4
Metro Healthcare	Dec-23	44.7	13	3.4
Ecofiesta	Dec-22	3.2	1	3.2
TMC Women's Specialist Holdings	Jun-23	14.7	5	2.9
Singapore's operations				
Thomson Fertility Centre	Jun-23	30.9	1	33.9
Alpha Singapore	May-23	30.4	1	30.4
Virtus Fertility Centre Singapore	Jun-22	25.9	1	25.9
Sincere Healthcare Group (SG)	Dec-22	35.4	2	17.1
Monash IVF Asia	Jun-21	0.3	1	0.3

Source: Vital Factor Consulting's report, company websites, AmlInvestment Bank Bhd

INDUSTRY OUTLOOK

❑ *Riding on the dwindling fertility rate in Malaysia and Singapore*

According to the Department of Statistics Malaysia (DOSM), the fertility rate in Malaysia for 2022 has reached its lowest level in 50 years, declining to 1.6 children per woman aged 15 to 49, down from 1.7 in 2021 (Exhibit 12) and a material decrease from 4.9 in 1970. Between 2019 and 2022, the fertility rate declined at an average annual rate of 4.0%. Notably, Malaysia's fertility rate has fallen below the replacement level of 2.1 since 2013.

The declining fertility rate corresponds to an average annual decline of 5.0% in the number of live births in 2019-2022 (Exhibit 12). Both declining trends can be attributed to several factors, such as increasing education and workforce participation of women, which may result in women delaying marriage and, consequently, childbearing. According to United Nation, the mean age of childbearing in Malaysia increased from 29.5 years in 1970 to 31 years in 2022 (Exhibit 13).

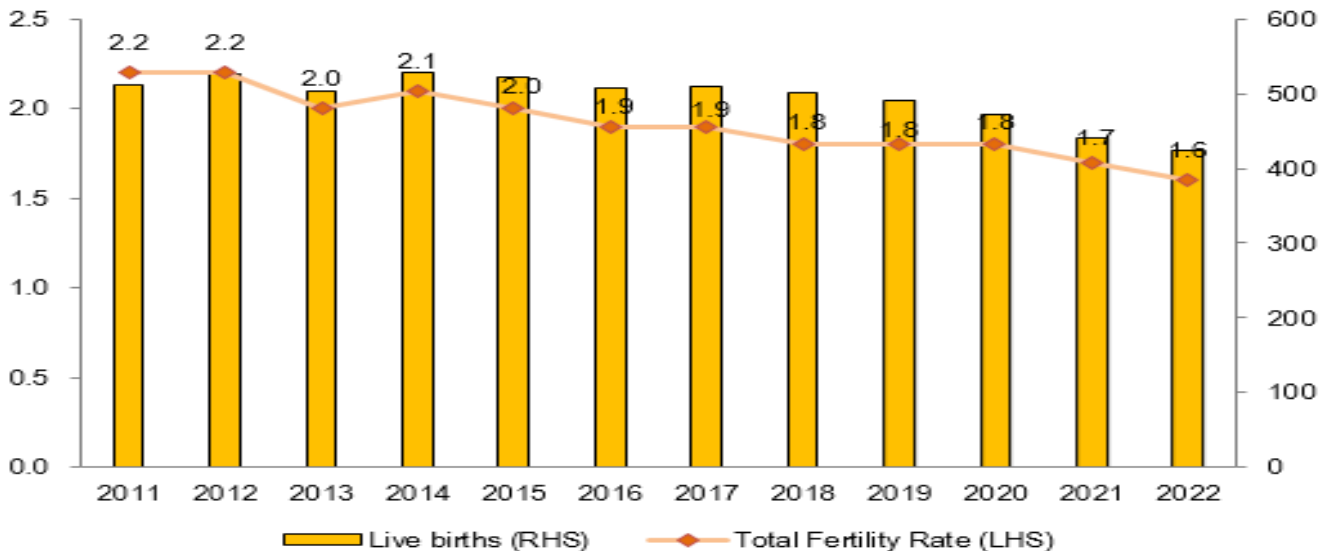
According to American College of Obstetricians and Gynecologists, a woman's most fertile years are between her late-teens and late-20s. At the age of 30, fertility begins to decline. This decline accelerates once she reaches mid-30s. By the time a woman reaches the age of 45, her fertility

has diminished to the point where conceiving naturally is unlikely. This implies that the ongoing decline in Malaysia's fertility rate as a result of delayed marriage and childbearing portends an increase in demand for ARS in the future, which is positive for Alpha's Malaysia's operations.

Similarly, Singapore's fertility rate has been decreasing at an average annual rate of 2.8% in 2020-22 (Exhibit 14). This corresponds to the decline at an average annual rate of 2.9% in live births during the same period. Similar to Malaysia, the declining fertility rate and live births were largely attributed to increasing delayed marriage and childbearing.

This is evidenced by the mean age of childbearing in Singapore increasing from 28.9 years in 1970 to 31.9 years in 2022 (Exhibit 15). Hence, continued declining fertility in Singapore will act as a catalyst for demand for ARS, which will benefit Alpha's Singaporean operation.

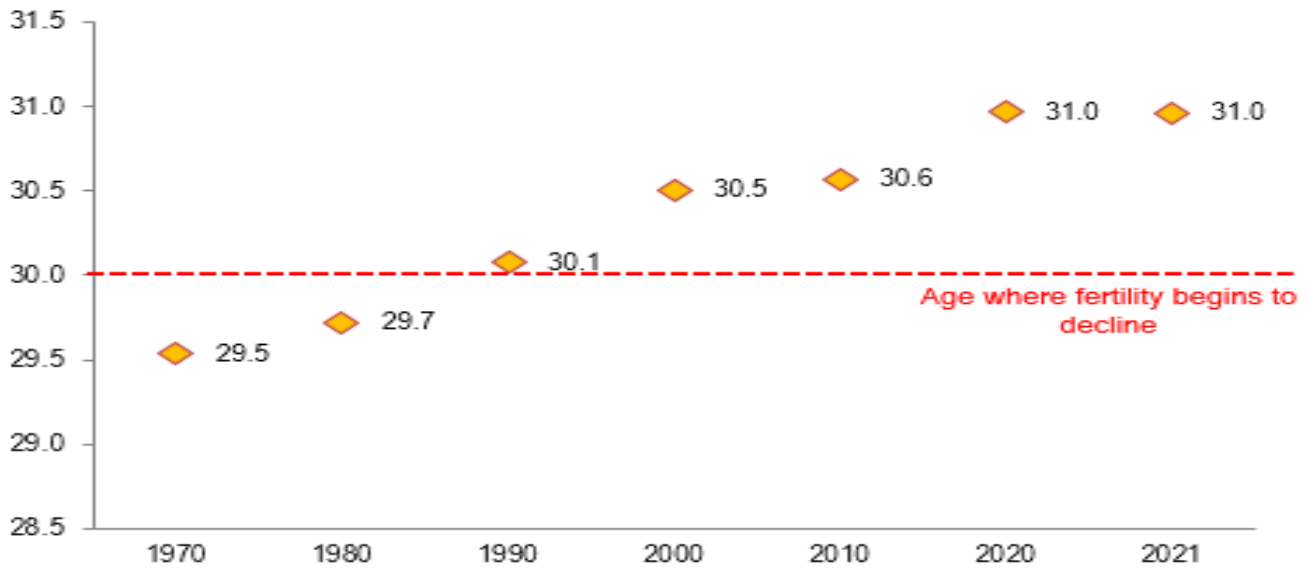
EXHIBIT 12: TOTAL FERTILITY RATE¹ AND LIVE BIRTHS ('000) IN MALAYSIA



1. Total fertility rate of woman aged 15-49 years.

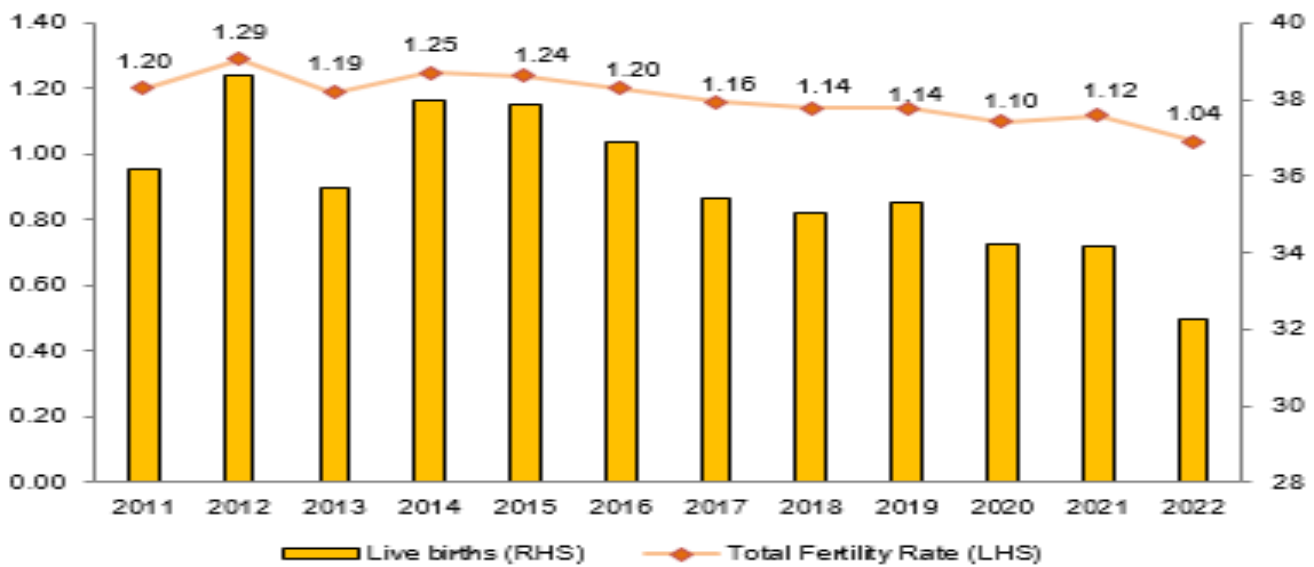
Source: DOSM, AmlInvestment Bank Bhd

EXHIBIT 13: MEAN AGE CHILDBEARING (YEARS) IN MALAYSIA



Source: Department of Economic and Social Affairs, United Nation, AmlInvestment Bank Bhd

EXHIBIT 14: TOTAL FERTILITY RATE¹ AND LIVE BIRTHS² ('000) IN SINGAPORE

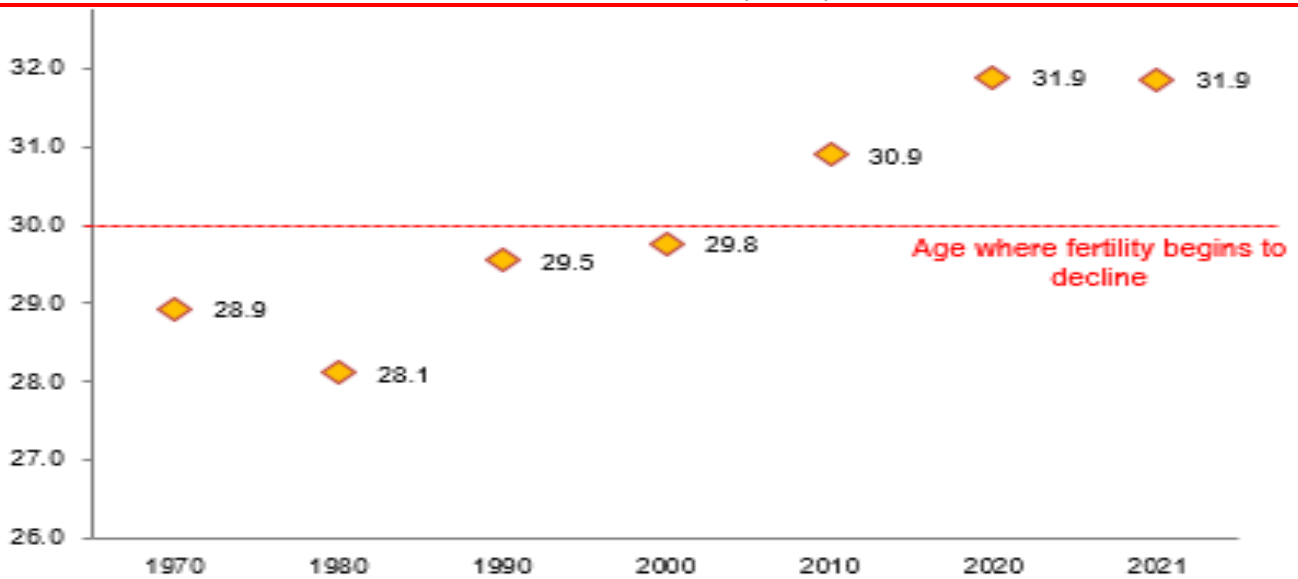


1. Total fertility rate of woman aged 15-49 years.

2. Refers to births where at least 1 parent is a Singapore citizen or permanent resident.

Source: Singapore Department Statistics (SDOS), AmlInvestment Bank Bhd

EXHIBIT 15: MEAN AGE CHILDBEARING (YEARS) IN MALAYSIA



Source: Department of Economic and Social Affairs, United Nation, AmlInvestment Bank Bhd

Capitalising on sustained recovery of healthcare tourism in Malaysia

In Malaysia, medical tourism has a substantial impact upon demand for fertility services, as fertility treatments are the 11 most commonly sought-after treatments for healthcare travellers in Malaysia. According to the Malaysia Healthcare Travel Council (MHTC), the high success rate for IVF clinical pregnancy of middle-aged women and the affordable pricing per IVF cycle contributed to the country's popularity.

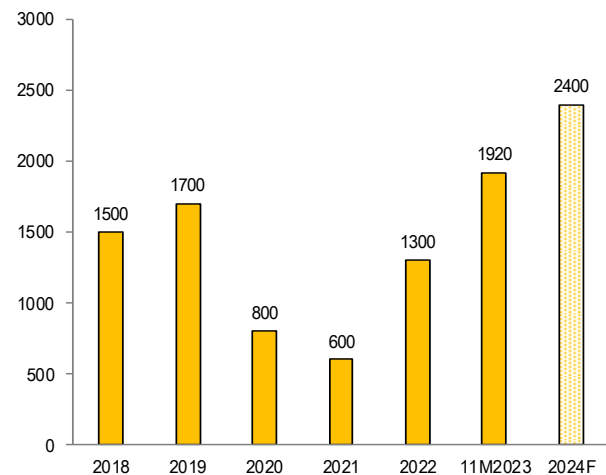
Separately, according to industry documents quoted by The Edge Malaysia, up to 70% of inbound patients to Malaysia are from Indonesia, primarily Sumatra and the Central Region, followed by the Middle East, India and China. This is underscored by 47% of Alpha's 9MFY24 revenue originating from foreign patients, primarily from Indonesia.

Notably, Penang has been the leading contributor (>50%) to medical tourism revenue in Malaysia during the pre-pandemic era, wherein Alpha has exposure via its wholly-owned Genesis operation. Genesis contributed 28% of Alpha's revenue in 9MFY24.

In 11MCY23, total revenue from healthcare travellers in Malaysia reached RM1.92bil. This means that the total revenue exceeded the initial 2023 target of RM1.7bil and reached the Malaysia Healthcare Travel Industry Blueprint 2021-2025 target of RM2bil albeit 2 years earlier.

In 2022, the medical tourism revenue was RM1.3bil exceeding MHTC's initial forecast of RM800mil. This robust recovery in 2023, has prompted MHTC to forecast a revenue of RM2.4bil in 2024 (Exhibit 16).

EXHIBIT 16: TOTAL REVENUE FROM MALAYSIA HEALTHCARE TRAVELLERS (RM MIL)



Source: MHTC, AmlInvestment Bank Bhd

Favourable ARS-related incentives in Malaysia and Singapore

In Malaysia, the government has established the following incentives to ease the financial burden on couples seeking fertility treatments:

- EPF health withdrawal facility allows eligible members to make withdrawals for fertility treatments such as IVF, IUI and ICSI, subject to the availability of their savings in a specified account; and
- Income tax relief of up to RM10K for fertility treatments under Budget 2024.

These are expected to provide opportunities for ARS providers such as Alpha's Malaysian operations.

In Singapore, the government has introduced several financing schemes to support the costs of conception for Singaporeans, which could benefit Alpha Singapore. These include:

- (a) Government Co-funding Scheme for preimplantation genetic testing for monogenic diseases (PGT-M) and chromosomal structural rearrangements (PGT-SR), which offers eligible couples up to 75% in co-funding, covering a maximum of 6 PGT-M or PGT-SR cycles from approved providers, which include Alpha in Singapore; and
- (b) Medisave for assisted conception procedures and PGT-M/PGT-SR, where patients may utilise up to SGD15K of their MediSave or spouse's MediSave to fund IVF and IUI procedures at both private and public ARS centres. Couples who are clinically eligible for PGT-M and PGT-SR may also use their MediSave to offset the costs of the procedures. MediSave is a national medical savings scheme intended to help individuals set aside part of their income to meet healthcare needs.

These schemes are expected to ease costs for Singaporeans, which will make ARS more accessible, thus benefitting operators in the industry.

❑ **Leveraging on Indonesia's demographics as well as low and declining clinical pregnancy rate**

Indonesia has a population of 277.5mil in 2023, which is the most populous country in South East Asia and 3rd in Asia. In addition, Indonesia is experiencing declining fertility rates ie. Indonesia registered a negative CAGR of -1.5% in the total fertility rate in 2011-2020 according to *Statista*.

Consequently, the number of embryo transfer cycles increased from 2,627 in 2011 to 8,999 in 2020 or CAGR of 15%. We believe the trend will continue to grow in the coming years.

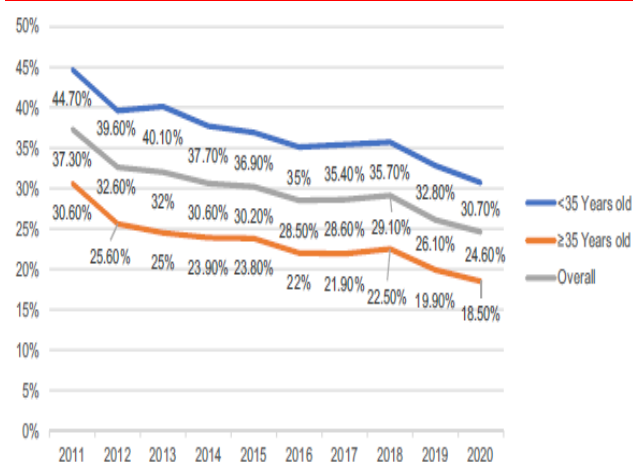
On the supply side, the number of fertility clinics in Indonesia increased from 14 in 2011 to 41 in 2020, with the majority

located in Java island (32 clinics or 78% of the country). Hence, IVF clinics were not accessible in the majority of Indonesian regions. This grants opportunities to Alpha increase market share via the setting up satellite clinics and a new centre.

Despite the increasing number of fertility clinics, clinical pregnancy success rates demonstrated a declining trend from 37.3% in 2011 to 24.6% in 2020 (Exhibit 17). This could be due to the increasing number of sub-par IVF specialist centres.

Notably, the industry average success rate for the age group of <35 years old was 30.7% in 2020 which is much lower than Alpha's 87.5%. This gives us cause for optimism regarding Alpha's upcoming centre in Bali.

EXHIBIT 17: IVF CLINICAL PREGNANCY RATE IN INDONESIA IN 2011-2020



Source: Indonesian Association for In Vitro Fertilization (IA-IVF).

FINANCIAL PERFORMANCE

❑ **Proven track record over the past 3 years with core PATAMI growing at a commendable CAGR of 21% for next 3 years**

Alpha recorded a decent revenue CAGR of 26% in FY20 to FY23, primarily driven by stronger contribution from Alpha Singapore since FY21, after gaining traction following its maiden commencement in Nov 2019 (mid-FY20), full-year recognition of Genesis in FY22 as Alpha's acquisition was completed in Mar 2021 (late-FY21), together with strong recovery of foreign patients, especially from Indonesia in FY23.

Going forward, we project the group's revenue to expand with a CAGR of 29% in FY23-26F (Exhibit 18), driven by multiple factors:

- (a) In FY24F, the primary revenue driver will be sustained recovery of foreign patients, particularly from Indonesia in both Alpha KL and Genesis,
- (b) In FY25F, we expect (1) the continued recovery of foreign patients from China in both Alpha KL and Genesis, (2) the commencement of 51%-owned Alhaya in early-Apr 2024 (late-FY24F). Alhaya has an OPU capacity of 1K/annum, accounting 12.5% of Alpha's existing OPU capacity of 8K/annum, and (3) the employment of an additional O&G medical specialist for Alpha Singapore. On average, each O&G medical specialist is capable of performing 300-400 OPU per year. At present, Alpha Singapore has only 1 resident medical specialist.
- (c) FY26F revenue growth will be driven by: (1) leads generated by the 2 newly set-up satellite clinics in Indonesia to Malaysian operations, (2) Increasing

traction from the newly-hired medical specialist in Alpha Singapore, and (3) contribution from the newly-established full-fledged centres in Malaysia (Centre A), Indonesia, and Cambodia/Laos.

In tandem with the increase in revenue in FY20-23, Alpha posted a robust core PATAMI CAGR of 1.7x. For our core PATAMI calculation, we excluded RM9.4mil loss on re-measurement of Genesis' equity shares held by Alpha in FY21 and RM11.3mil fair value gain on RCCPS related to KL Wellness City in FY23.

Compared to revenue growth, the relatively stronger core PATAMI increase in FY20-23 was due primarily to the substantial 28%-point increase in PATAMI margin from 3% in FY20 to 31% in FY23. This was a result of:

- (a) economies of scale from higher revenue base vs. fixed operational costs, and
- (b) more efficient cost management at the group level, particularly for administrative expenses.

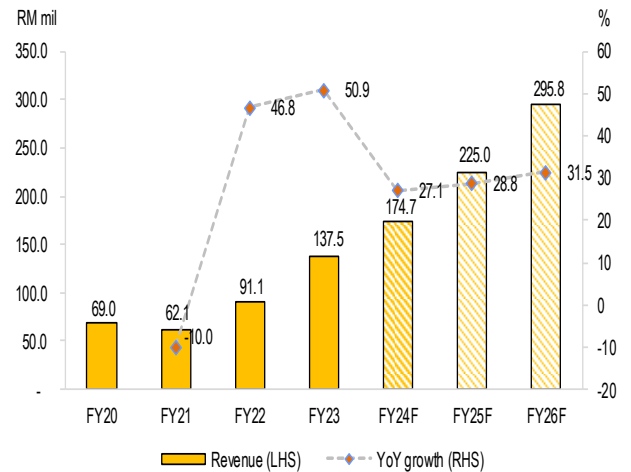
For FY23 to FY26F, we are forecasting Alpha to register an impressive core PATAMI CAGR of 22% (Exhibit 19), bolstered mainly by robust revenue growth.

Even so, Alpha's core PATAMI margins are anticipated to decline by 1%-point YoY in FY25F and 5%-point YoY in FY26F (Exhibit 20). This decline will be primarily attributable to depreciation and initial start-up expenses associated with Alhaya, new Centre A and the new centres in Indonesia and IndoChina.

Alpha aims to distribute at least 60% of annual audited PATAMI as dividends annually, after accounting for future profitability, working capital requirements, capital expenditure plans, availability of cash and covenants in Alpha's loan agreements. We gathered that the dividend payout ratio of 60% may commence in FY24F.

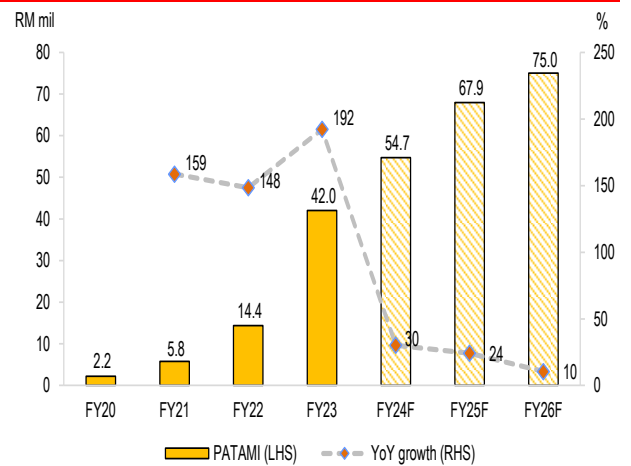
Based on our earnings projections, a 60% payout ratio will translate into FY24F/FY25F/FY26F dividends of RM30mil/41mil/45mil. This translates into a decent dividend yield of 2%-3% in FY24F-26F vs. its local healthcare peers' 1%-3% in CY24F.

EXHIBIT 18: Revenue projections



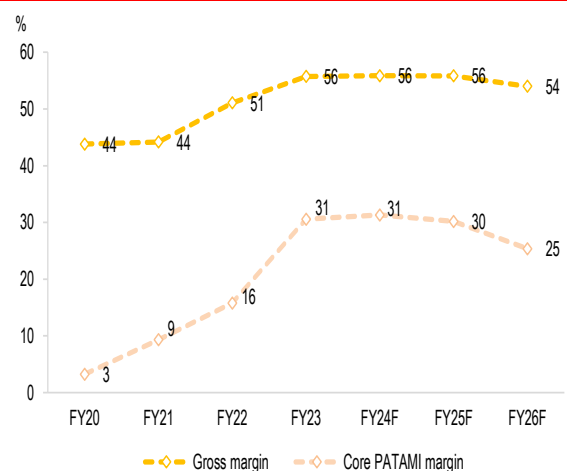
Source: Alpha, AmInvestment Bank Bhd

EXHIBIT 19: core patami projections



Source: Alpha, AmInvestment Bank Bhd

EXHIBIT 20: gross and core patami margin trend



Source: Alpha, AmInvestment Bank Bhd

VALUATION

□ *Initiate BUY with fair value of RM0.42/share*

We initiate coverage on Alpha with BUY recommendation at a FV of RM0.42/share, based on CY25F P/E multiples of 28x. We adopt PE ratio as the preferred valuation methodology given Alpha's strong earnings growth expectations. No ESG-related FV adjustment based on an neutral 3-star rating (Exhibit 25).

This implies a premium of up to 11% to the average CY25F P/E of 25x for local healthcare facility providers, and up to 37% premium to regional ARS peers' 21x (Exhibit 21).

Nevertheless, we believe the premium is considered justifiable from multiple perspectives when compared to both local and regional peers in Exhibit 21.

Firstly, Alpha is more strategically positioned to capitalise on the relatively low IVF penetration rates in Malaysia (6-8 IVF cycles/1K women aged 25-44) and Singapore (7-9/1K women), in contrast to Australian-based Monash IVF (20-40/1K women) and Chinese-based JinXin Fertility (7-9/1K women) (Exhibit 22).

Additionally, developing markets typically demonstrate a lower IVF penetration rate (4-6/1K women) than developed markets (10-20/1K women). This implies that ARS providers that focus on developing markets for their growth strategies may be able to leverage on a potential 2.5x-3x increase in the addressable market, in tandem with economic expansion.

By end-FY25F, Alpha will set up a new full-fledged fertility care centre and 2 satellite clinics in Indonesia, which is one of the developing countries with the lowest IVF penetration rate ie. 2-3/1K women. Likewise, Alpha intends to expand into Laos or Cambodia.

Secondly, Alpha distinguishes itself from other regionally-listed ARS providers via its strong brand name within the industry, underpinned by a comparatively higher success rate of up to 87.5%, higher than Monash IVF's 46.6%, JinXin Fertility's 55.6%, Bundamedik's 71%, and Safe Fertility's 72.5%.

This exceptionally high success rate is backed by Alpha's proprietary SoS, which is difficult for competitors to replicate, while Alpha can easily deploy elsewhere to ensure that the success rate is maintained for each new centre set up by the group.

Thirdly, Alpha delivered an exceptional FY23 PAT margin of 31.7% as opposed to regionally-listed IVF players' average of 11% (Alpha is 3x higher) and locally-listed healthcare service providers' 13% (2.4x). This was primarily attributed to Alpha's ability in commanding a premium pricing in ARS industry as a result of its relatively high success rate, coupled with a leaner cost structure as a single-disciplinary medical centre. These factors validate Alpha's current above-average profit margin and ensure its long-term sustainability (excluding accelerated depreciation and staff costs related to expansions).

Fourthly, Alpha has been selected as a fertility care partner in KEK Sanur in the face of international competition. This not only signifies Alpha's ability to surpass its global competitors, but also grants the group access to the huge Indonesian healthcare/fertility market (endowed with favourable exemptions) and an opportunity to ride on Indonesia's "World Class Medical & Wellness Destination" ambition. This is not the case with other Malaysian-listed healthcare facility providers.

Lastly, Alpha is helmed by an efficient and qualified management with key leaders ie. Dr. Colin and Dr. Ng dedicated to maximise shareholder values as they are also substantial shareholders of the company. This is supported by Alpha's highest revenue per clinic in Malaysia and 2nd highest in Singapore among ARS peers listed by Vital Factor Consulting's report in its Prospectus.

Additionally, we highlight that our target CY25F PE multiple implies a PEG ratio of 1.8x, which is still substantively lower than KPJ Healthcare's 5.1 and IHH Healthcare's 2.6, but comparable to regional peer Monash IVF's 1.7.

INVESTMENT RISK

The key risk factors to Alpha are:

- i) Over-dependence on executive directors and key skilled personnel,
- ii) Risk of medical litigation claims,
- iii) Risk of adverse changes in the regulatory regime relating to the healthcare industry,
- iv) Reliance on approvals, licenses, permits and certificates, and
- v) Delays in expansion plans.

EXHIBIT 21: PEERS COMPARISON

Companies	Price / share*	Mkt Cap ('mil)	PAT Margin (%)	IVF Clinical Pregnancy Rate** (%)	NP Growth (%)		PE (x)		PEG	Div. Yld (%)
					CY24F	CY25F	CY24F	CY25F		
Alpha (MYR)	0.325	1,580	31.7	≤87.5	25.9	15.6	25.3	21.9	1.4	2.7
Local peers (MYR)										
DC Healthcare Holdings	0.29	289	18.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Optimax Holdings	0.65	353	14.3	n/a	25.6	16.0	21.8	18.8	1.2	3.7
Cengild Medical	0.305	254	18.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a
IHH Healthcare	6.20	54,603	8.2	n/a	8.4	11.2	32.9	29.3	2.6	1.4
KPJ Healthcare	2.00	8,729	7.2	n/a	6.1	5.4	29.2	27.7	5.1	1.9
TMC Life Sciences	0.70	1,219	12.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Simple Avg.			13.3	n/a	13.4	10.9	27.9	25.3	3.0	2.3
Regional peers										
Monash IVF (AUD)	1.51	588	10.3	≤46.6	14.2	10.3	18.7	17.0	1.7	4.0
JinXin Fertility (HKD)	2.48	6,839	6.0	≤55.6	3.2	17.8	14.1	11.9	0.7	2.0
Bundamedik (IDR)	310.0	2,667,054.0	3.6	≤71.0	650.6	42.9	47.6	33.3	0.8	0.7
Safe Fertility (THB)	21.40	6,503	21.9	≤72.5	37.5	18.6	23.4	19.8	1.1	2.0
Simple Avg.			10.5	≤61.4	176.4	22.4	26.0	20.5	1.0	2.2
Overall simple Avg.			12.1	≤61.4	106.5	17.5	26.8	22.5	1.9	2.2

*As of 24 April 2024.

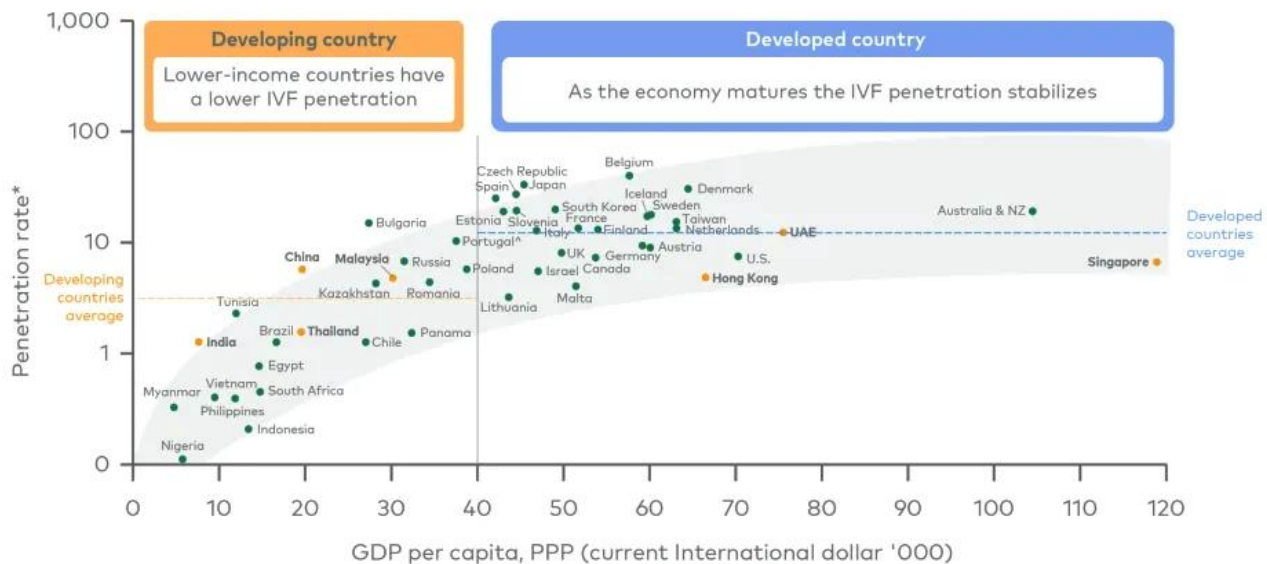
**Refers to the success rate of a full IVF treatment with/without frozen embryo and with/without PGT-testing for women in the age of <35, depending on data availability.

^^ PAT margins are estimated in similar timeframe ie. Jul 2022-Jun 2023 for better comparison.

The CY25 PEG ratios are estimated using NP growth in CY25 rather than CY26, mainly due to lack of reliable NP data for some peers in CY26. From the perspective of estimating the PEG benchmark for Alpha, we consider it conservative to hold the assumption that CY26 NP growth is equivalent to CY25 for all the companies.

Source: AmlInvestment Bank Bhd, Bloomberg, Alpha

EXHIBIT 22: IVF PENETRATION RATE AND GDP PER CAPITA BY GEOGRAPHY



Note:

1. IVF penetration rate refers to IVF cycle per 1K women aged 25-44 in 2021 for orange dots and in 2019 for green dots.

2. Developed countries are classified based on International Monetary Fund's guidance.

Source: L.E.K. Research & Analysis, AmlInvestment Bank Bhd

EXHIBIT 23: SWOT ANALYSIS

Strength

Reputable brand-name with unparalleled IVF clinical pregnancy rate.

Superior profit margin compared to locally-listed healthcare facilities.

Qualified and experienced medical team.

Weaknesses

Highly dependent on executive directors, key senior management team and skilled personnel.

Reliant on approvals, licenses, permits and certificates.

Opportunities

Dwindling fertility rate regionally, especially in Malaysia, Singapore and China.

Sustained recovery of healthcare tourism in Malaysia and Singapore.

Favourable government-supported incentives and drivers in Malaysia and Singapore.

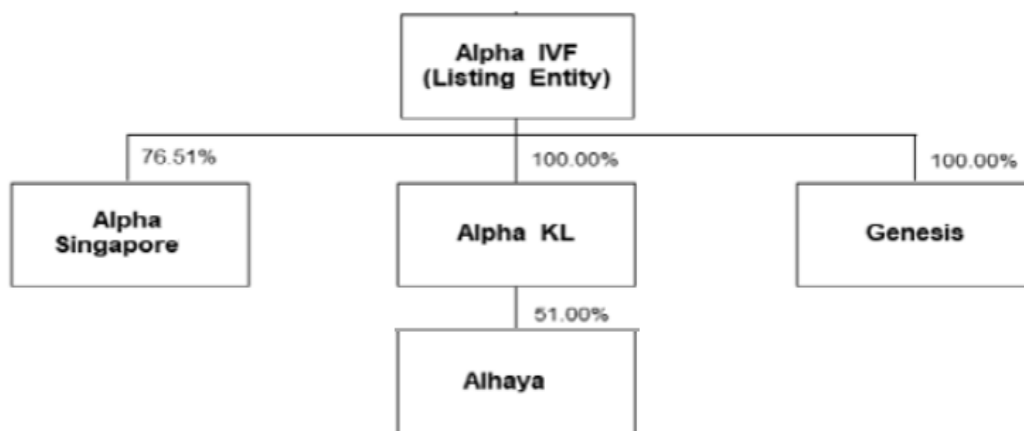
Threats

Risk of medical litigation claims.

Risk of adverse changes in the regulatory regime relating to the healthcare industry.

Global pandemics which could curb admissions to clinics.

EXHIBIT 24: CORPORATE STRUCTURE



Source: Alpha, AmlInvestment Bank Bhd

EXHIBIT 25: 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%	*	*	*		
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 26: FINANCIAL DATA

Income Statement (RMmil, YE 31 May)	FY22	FY23	FY24F	FY25F	FY26F
Revenue	91.1	137.5	174.7	225.0	295.8
EBITDA	38.8	74.0	73.0	99.5	137.0
Depreciation/Amortisation	(8.0)	(6.7)	(5.9)	(10.4)	(35.1)
Operating income (EBIT)	31.3	68.2	70.8	94.9	108.6
Other income & associates	0.0	0.0	0.0	0.0	0.0
Net interest	(0.8)	(0.1)	2.7	4.5	4.8
Exceptional items	0.1	(11.2)	4.0	0.0	0.0
Pretax profit	29.9	67.2	69.8	93.7	106.6
Taxation	(6.9)	(12.4)	(17.0)	(21.7)	(24.0)
Minorities/pref dividends	(8.7)	(1.5)	(2.1)	(4.1)	(7.6)
Net profit	14.3	53.2	50.7	67.9	75.0
Core net profit	14.4	42.0	54.7	67.9	75.0
Balance Sheet (RMmil, YE 31 May)	FY22	FY23	FY24F	FY25F	FY26F
Fixed assets	7.8	4.2	14.4	57.2	44.8
Intangible assets	8.9	8.9	8.9	8.9	8.9
Other long-term assets	43.6	20.4	19.7	29.2	30.8
Total non-current assets	60.4	33.5	43.0	95.4	84.5
Cash & equivalent	32.4	55.6	192.3	191.8	261.8
Stock	1.8	2.7	3.8	4.4	6.2
Trade debtors	1.5	1.3	2.5	3.0	3.7
Other current assets	11.0	2.8	2.8	2.8	2.8
Total current assets	46.7	62.4	201.5	202.0	274.5
Trade creditors	2.1	3.2	3.9	4.9	6.9
Short-term borrowings	4.8	1.3	3.3	6.0	11.4
Other current liabilities	17.0	16.1	19.3	22.9	25.7
Total current liabilities	23.9	20.6	26.5	33.8	43.9
Long-term borrowings	8.8	3.0	7.7	14.0	26.6
Other long-term liabilities	15.4	17.6	16.7	24.8	26.1
Total long-term liabilities	24.2	20.7	24.4	38.8	52.7
Shareholders' funds	59.0	54.6	193.6	224.9	262.4
Minority interests	18.5	3.0	5.1	9.2	16.7
BV/share (RM)	0.01	0.01	0.04	0.04	0.05
Cash Flow (RMmil, YE 31 May)	FY22	FY23	FY24F	FY25F	FY26F
Pretax profit	29.9	67.2	69.8	93.7	106.6
Depreciation/Amortisation	8.0	7.0	5.9	10.4	35.1
Net change in working capital	1.0	8.8	1.2	2.1	2.0
Others	(4.7)	(22.4)	(19.8)	(26.2)	(28.8)
Cash flow from operations	34.3	60.6	57.2	80.0	114.9
Capital expenditure	(0.4)	0.9	(13.8)	(50.8)	(19.2)
Net investments & sale of fixed assets	0.0	0.0	0.0	0.0	0.0
Others	(1.0)	(1.0)	3.7	5.8	6.8
Cash flow from investing	(1.4)	(0.1)	(10.1)	(45.0)	(12.4)
Debt raised/(repaid)	(4.1)	(11.5)	4.4	6.6	14.5
Equity raised/(repaid)	0.0	1.0	116.6	0.0	0.0
Dividends paid	(5.6)	(26.3)	(30.4)	(40.8)	(45.0)
Others	(1.3)	(1.0)	(1.0)	(1.3)	(2.0)
Cash flow from financing	(10.9)	(37.9)	89.6	(35.5)	(32.5)
Net cash flow	22.0	22.6	136.7	(0.5)	70.0
Net cash/(debt) b/f	10.3	32.4	55.6	192.3	191.8
Net cash/(debt) c/f	32.4	55.6	192.3	191.8	261.8
Key Ratios (YE 31 May)	FY22	FY23	FY24F	FY25F	FY26F
Revenue growth (%)	46.8	50.9	27.1	28.8	31.5
EBITDA growth (%)	192.0	90.8	-1.4	36.4	37.6
Pretax margin (%)	32.9	48.9	40.0	41.6	36.0
Net profit margin (%)	15.7	38.7	29.0	30.2	25.4
Interest cover (x)	39	1,119	nm	nm	nm
Effective tax rate (%)	23.2	18.5	24.4	23.1	22.5
Dividend payout (%)	nm	nm	60.0	60.0	60.0
Debtors turnover (days)	5.9	3.4	5.3	4.9	4.5
Stock turnover (days)	14.7	16.1	17.8	16.2	16.7
Creditor turnover (days)	17.3	19.0	18.3	18.2	18.5

Source: Company, AmlInvestment Bank Bhd estimates

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