



AmInvestment Bank

Company Report

ALPHA IVF

(ALPHA MK EQUITY, ALPH.KL)

18 Jul 2024

Solid revenue growth from domestic and Singapore

BUY

(Maintained)

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Rationale for report: Company Result

Price	RM0.32
Fair Value	RM0.42
52-week High/Low	RM0.35/RM0.30

Key Changes

Fair value	↔
EPS	↔

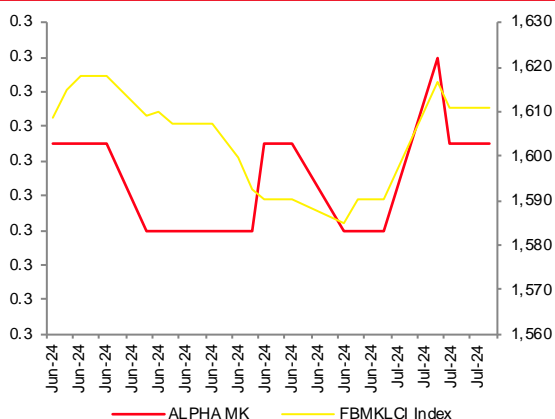
YE to May	FY24	FY25F	FY26F	FY27F
Revenue (RMmil)	167.6	225.0	295.8	338.4
Core net profit (RMmil)	52.9	67.9	75.0	87.1
FD Core EPS (Sen)	1.1	1.4	1.5	1.8
FD Core EPS growth (%)	(0.6)	28.3	10.4	16.1
Consensus Net Profit (RMmil)	53.9	66.0	73.0	n/a
DPS (Sen)	0.7	0.8	0.9	1.1
PE (x)	29.4	22.9	20.7	17.9
EV/EBITDA (x)	20.0	15.6	11.0	9.9
Div yield (%)	1.4	2.6	2.9	3.4
ROE (%)	44.3	33.8	32.6	33.2
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash

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 as Alpha's FY24 net profit were in line with expectations, coming in just 3% below our full-year estimate and 2% of consensus. An interim dividend of 0.45 sen was declared, which translates to a payout of 41%.
- FY24 core net profit rose 26% YoY to RM52.9mil, supported by revenue growth of 22% to RM168mil driven by Malaysia (+27%) while Singapore accounted for 19% of group revenue. This was further aided by EBITDA margin rising by 2.5%, partly offset by effective tax rate normalising by 6%-point to 24.9%.
- On a sequential comparison, 4QFY24 net profit increased by a slight 3% to RM14mil despite revenue rising by a faster pace of 15% to RM47mil as Singapore rose by +20% while domestic trailed at +14%. Even so, the strong revenue growth was largely offset by increased administration expenses (+72%) from Alpha's listing exercise on 22 March 2024 together with a 2.7%-point increase in effective tax rate.
- We introduce FY27F net profit with a growth of 16% premised on revenue growth of 14% and slightly-improved pretax margin of 37%. All in, we are projecting Alpha's FY23-FY27F CAGR earnings growth at 20%, premised on revenue CAGR of 25% that is underpinned by: i) continued recovery of foreign patients, ii) launch of 51%-owned Alhaya International Women's Specialists on 8 April this year, and iii) organic local and overseas expansions.
- Besides setting up a new full-fledged assisted reproductive services centre in Bali as well as 4 satellite clinics in Indonesia, Alpha plans for 2 new full-fledged domestic centres by end-FY25F and end-FY26F, which could each expand by 15%-20% of the existing group OPU capacity of 8,000. Currently, Alpha is still in the process of identifying suitable locations for these 2 centres.
- Amongst the healthcare stocks under our coverage, Alpha is our preferred pick. 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 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.

EXHIBIT 1: RESULTS SUMMARY

FY 31 May (RM mil)	1QFY24	2QFY24	3QFY24	4QFY24	QoQ (%)	FY23	FY24	YoY (%)
Revenue	41.6	38.5	40.7	46.7	14.8	137.5	167.6	21.9
COGS	(17.7)	(16.6)	(17.1)	(18.8)	10.0	(60.8)	(70.2)	15.4
Gross Profit	23.9	21.9	23.6	28.0	18.3	76.6	97.4	27.0
Other Income	0.5	0.6	0.6	1.3	97.4	12.6	2.9	(76.5)
Admin Expenses	(4.7)	(5.0)	(5.4)	(9.3)	72.4	(17.3)	(24.5)	41.8
Other Expenses	(1.5)	(0.6)	(0.7)	(0.3)	(56.2)	(3.7)	(3.0)	(18.5)
EBIT	18.1	16.9	18.2	19.6	7.8	68.2	72.8	6.7
Depreciation & Amortisation	(1.9)	(1.9)	(1.4)	(1.2)	(13.1)	(6.7)	(6.3)	(6.1)
EBITDA	20.0	18.8	19.6	20.8	6.3	61.5	79.1	28.6
Net Interest Costs	0.2	0.3	0.3	1.1	>100	(0.1)	1.9	>100
Pretax profit	17.9	16.6	18.0	19.4	7.8	67.2	72.0	7.1
Income Tax	(4.4)	(4.2)	(4.2)	(5.1)	20.4	(12.4)	(17.9)	44.4
PAT	13.5	12.5	13.8	14.3	3.9	54.8	54.1	(1.3)
NCI	(0.4)	(0.2)	(0.2)	(0.3)	65.2	(1.5)	(1.1)	(26.8)
PATAMI	13.1	12.2	13.6	14.0	3.1	53.2	52.9	(0.6)
Exceptional item	0.0	0.0	0.0	0.0		11.2	0.0	
Core PATAMI	13.1	12.2	13.6	14.0	3.1	42.0	52.9	26.0
Gross margin (%)	57.4	56.8	58.1	59.8		55.7	58.1	
EBITDA margin (%)	48.0	48.7	48.1	44.5		44.7	47.2	
Pretax margin (%)	43.1	43.2	44.3	41.5		48.9	43.0	
Effective tax rate	24.6	25.1	23.5	26.3		18.5	24.9	
Net profit margin (%)	31.5	31.7	33.4	30.0		38.7	31.6	
Segmental Revenue								
Malaysia	33.7	30.4	33.4	38.0	13.8	107.1	135.5	26.6
Singapore	7.9	8.1	7.3	8.7	19.8	30.4	32.1	5.4

Source: Bursa Malaysia

EXHIBIT 2: 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 3: 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 4: 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)	(31.8)	(40.8)	(45.0)	(52.2)
Others	(1.0)	(0.8)	(1.3)	(2.0)	(1.7)
Cash flow from financing	(37.9)	75.0	94.0	135.2	102.9
Net cash flow	20.6	123.4	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	60.0	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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