

COMPANY RESULTS

Alpha IVF (ALPHA MK)

4QFY24: Delivering On Multiple Fronts With More To Come

The quarter's sales rebounded as expected, with peak foreign patient numbers for the year as well. Margins held relatively steady despite the newly-launched profitable but margin-dilutive Alhaya. Ultimately, earnings were broadly within our expectation. FY25 should continue to excite with attractive growth and the launch of regional facilities. We like Alpha IVF for its industry-leading success rates, growth off a low base, and superior margins relative to its peers. Maintain BUY. Target price: RM0.40.

4QFY24 RESULTS

Year to 31 May (RMm)	3QFY24	4QFY24	qoq % chg	FY24	yoy% chg	Comments
Revenue	40.7	46.7	14.8	167.6	21.9	Top-line sequential growth from 3QFY24 seasonal low and Alhaya's contributions.
GP	23.6	28.0	18.3	97.4	27.0	
EBITDA	19.6	20.8	6.3	79.1	5.2	
PBT	18.0	19.4	7.8	72.0	28.7	
Profit	13.8	14.3	3.9	54.1	24.3	Broadly within expectations, at 103% of our estimate.
Core PATAMI	14.1	15.5	10.0	54.8	26.1	
Margins	(%)	qoq ppt chg	(%)	yoy ppt chg		
Gross Profit	58.1	59.8	1.8	58.1	2.4	
EBITDA	48.1	44.5	-3.6	47.2	-7.5	Adjusted margins only softened by 5ppt despite Alhaya's launch.
Eff. tax rate	-23.5	-26.3	-2.7	-24.9	-2.7	
Core Profit	34.5	33.1	-1.5	32.7	1.1	

Source: Alpha IVF, UOB Kay Hian

RESULTS

- Broadly within expectations; margins intact despite launching Alhaya.** Alpha IVF registered a 4QFY24 core profit of RM15.5m (+10.0% qoq). The sequential improvement is largely attributed to the preceding quarter being the seasonal low with fewer patients during the Chinese New Year festivities. Core profit has been adjusted for exceptional expenses that amounted to RM1.43m of IPO expenses. This brought FY24 core profit to RM54.8m and is broadly within our expectation at 103% of our full-year earnings forecast.

KEY FINANCIALS

Year to 31 May (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	137	168	195	247	326
EBITDA	63	77	95	111	148
Operating profit	56	70	85	99	134
Net profit (rep./act.)	42	55	64	71	96
Net profit (adj.)	42	55	64	71	96
EPS (sen)	0.9	1.1	1.3	1.5	2.0
PE (x)	37.1	28.4	24.4	21.8	16.3
P/B (x)	30.1	8.3	7.3	6.4	5.6
EV/EBITDA (x)	22.5	18.2	14.9	12.7	9.5
Dividend yield (%)	3.9	1.4	2.5	2.7	3.7
Net margin (%)	30.5	32.7	32.6	28.9	29.3
Net debt/(cash) to equity (%)	(99.3)	(77.1)	(47.4)	(45.5)	(57.1)
Interest cover (x)	61.6	95.5	193.2	225.9	301.7
ROE (%)	91.2	45.9	31.8	31.4	36.7
Consensus net profit	-	-	54	66	73
UOBKH/Consensus (x)	-	-	1.00	1.00	1.00

Source: Alpha IVF, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM0.32
Target Price	RM0.40
Upside	+25.0%

COMPANY DESCRIPTION

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	Health Care
Bloomberg ticker:	ALPHA MK
Shares issued (m):	4,860.0
Market cap (RMm):	1,628.1
Market cap (US\$m):	340.6
3-mth avg daily t'over (US\$m):	

Price Performance (%)

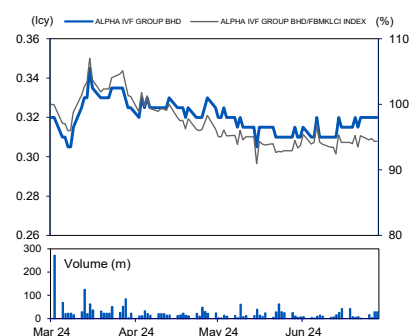
52-week high/low	RM0.345/RM0.305			
1mth	3mth	6mth	1yr	YTD
n.a.	n.a.	n.a.	n.a.	n.a.

Major Shareholders

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

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

PRICE CHART



Source: Bloomberg

ANALYST(S)

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- Sequential rebound off seasonal low and Alhaya.** 4QFY24 revenue rebounded sequentially by 14.8% qoq, with 3QFY24 being a seasonal low and Alhaya's contributions, having commenced operations in Apr 24. FY25's 16.5% revenue growth is primarily driven by organic growth at its mainstay facilities with Alhaya accounting for 4.1% of FY25's sales. Particularly strong organic growth is attributed to two newly-formed representative offices in China that are expected to facilitate foreign patients to its fertility facility in Kuala Lumpur.
- Positive sequential trend ahead.** The next few quarters should see decent sequential growth from: a) a rebound in patient volume following the Chinese New Year seasonal lull, b) improved foreign patient volume from Indonesia and China, and c) newly-launched Alhaya maturing. Management also noted that treatment demand has not significantly spiked despite 2024 being a year of the Dragon zodiac. Hence, growth should not moderate in FY25 but maintain an organic growth rate of at least mid-single digit.
- Margins holding up despite higher effective tax rate and Alhaya's impact.** Gross margins improved to 59.8%, up by 1.8ppt qoq and lifting cumulative FY24 gross margin to 58.1%. An improvement in patient mix may have contributed to the enhanced margins. A marginally higher effective tax rate (+2.7ppt) and Alhaya's impact (profitable but margin dilutive) lowered 4QFY24 core PATAMI margin to 33.1% or -1.5ppt qoq (FY24: 32.7%). We expect FY25 margins to hold relatively steady as Alhaya's dilutive impact should be balanced by a higher foreign patient mix.

STOCK IMPACT

- Alhaya gestating well.** Alpha IVF's newest facility, Alhaya which commenced operations in Apr 24, has been gaining further traction from what we gather, after breaking even in its first month of operations. Although Alhaya is only a small contributor currently (4.1% of group FY25 patient volume assumption), it is positive that it is gestating well. What is even more important is that it is indicative of Alpha IVF to replicate its fertilisation and pregnancy rates, which is critical to its wider regional growth ambitions in the future.

EARNINGS REVISION/RISK

- No change to earnings.** Key downside risks are execution of new facilities, reputation risk, and key personnel concentration risk.

VALUATION/RECOMMENDATION

- Maintain BUY and target price of RM0.40,** pegged to 28.0x FY25F PE. While its peers are trading at a historical average of 22.8x 2025F PE, we believe Alpha IVF should trade at a 20% premium due to: a) its superior three-year earnings CAGR (FY23-26) outlook of 19.0%, ahead of its peers' average of 13.4%, b) its attractive growth and palatable valuations, as well as leading clinical success rates in the region, and c) its far superior profit margins of 32.0% for FY24-26 which are more than double the average of its regional peers (15.3%) and well ahead of the next highest margin (23.7%).

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

<ul style="list-style-type: none"> Environmental <ul style="list-style-type: none"> - Energy efficiency. Implements energy-efficient equipment and practices to reduce energy consumption within the centres. - Waste management. Implements responsible waste management including proper disposal of medical waste and recycling initiatives. Social <ul style="list-style-type: none"> - Ethical practices. Adheres to ethical and transparent practices in patient interactions, including informed consent, privacy protection and responsible handling of genetic information. - Diversity & inclusion. Fosters a diverse and inclusive work environment, ensuring that all patients and employees are treated with respect and dignity. Governance <ul style="list-style-type: none"> - Board oversight. Ensures that the board of directors or governing body provides effective oversight of the IVF centres' operations, including ESG strategies and performance.
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KEY ASSUMPTIONS

	FY25F	FY26F	FY27F
Revenue (RMm)	195.2	246.7	326.2
Growth yoy (%)	16.5	26.4	32.2
Number of OPU			
Existing Centre OPU	3493	3685	3888
Growth yoy (%)	12.5	5.5	5.5
New Centres OPU	150	1050	2500
Growth yoy (%)	900	600	138
Total OPU	3643	4735	6388
Growth yoy (%)	16.8	30.0	34.9
# of New Centres	0	4	1
Blended Revenue per OPU (RM'000)	50.4	49.0	48.0
Growth yoy (%)	1.7	-2.8	-2.0

Source: UOB Kay Hian

GROWTH AND MARGIN OUTLOOK

	FY25F	FY26F	FY27F
Revenue (RMm)	195.2	246.7	326.2
Growth yoy (%)	16.5	26.4	32.2
EBITDA (RMm)	98.9	115.0	152.3
Growth yoy (%)	20.1	16.3	32.4
Core PATAMI (RMm)	63.7	71.2	95.7
Growth yoy (%)	16.2	11.8	34.3
EBITDA Margin (%)	50.7	46.6	46.7
Core PATAMI Margin (%)	32.6	28.9	29.3

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 May (RMm)	2024	2025F	2026F	2027F
Net turnover	168	195	247	326
EBITDA	77	95	111	148
Deprec. & amort.	8	11	12	14
EBIT	70	85	99	134
Total other non-operating income	3	4	4	4
Associate contributions	0	0	0	0
Net interest income/(expense)	(1)	0	0	0
Pre-tax profit	72	88	102	138
Tax	(18)	(21)	(25)	(33)
Minorities	(1)	(3)	(6)	(9)
Net profit	55	64	71	96
Net profit (adj.)	55	64	71	96

CASH FLOW

Year to 31 May (RMm)	2024	2025F	2026F	2027F
Operating	59	49	81	105
Pre-tax profit	74	72	102	138
Tax	(16)	(21)	(25)	(33)
Deprec. & amort.	8	6	12	14
Associates	0	0	0	0
Working capital changes	(2)	(4)	(1)	(2)
Other operating cashflows	(5)	(3)	(7)	(11)
Investing	(37)	(52)	(27)	5
Capex (growth)	(31)	(56)	(35)	(7)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	(6)	4	8	12
Financing	74	(43)	(45)	(60)
Dividend payments	(31)	(38)	(43)	(57)
Issue of shares	117	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	3	0	0
Others/interest paid	(12)	(8)	(2)	(2)
Net cash inflow (outflow)	96	(46)	9	50
Beginning cash & cash equivalent	56	151	105	114
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	151	105	114	164

BALANCE SHEET

Year to 31 May (RMm)	2024	2025F	2026F	2027F
Fixed assets	24	75	98	91
Other LT assets	42	56	56	56
Cash/ST investment	151	105	114	164
Other current assets	11	16	19	23
Total assets	228	253	287	334
ST debt	7	1	1	1
Other current liabilities	17	17	18	20
LT debt	0	3	3	3
Other LT liabilities	14	13	12	10
Shareholders' equity	187	213	241	280
Minority interest	2	5	11	20
Total liabilities & equity	228	253	287	334

KEY METRICS

Year to 31 May (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	46.2	48.7	45.0	45.5
Pre-tax margin	43.0	45.0	41.4	42.3
Net margin	32.7	32.6	28.9	29.3
ROA	33.8	26.5	26.4	30.8
ROE	45.9	31.8	31.4	36.7
Growth				
Turnover	21.9	16.5	26.4	32.2
EBITDA	23.6	22.7	16.9	33.6
Pre-tax profit	7.1	22.0	16.3	34.9
Net profit	30.6	16.2	11.8	34.3
Net profit (adj.)	30.6	16.2	11.8	34.3
EPS	30.6	16.2	11.8	34.3
Leverage				
Debt to total capital	3.4	2.0	1.7	1.4
Debt to equity	3.6	2.0	1.8	1.6
Net debt/(cash) to equity	(77.1)	(47.4)	(45.5)	(57.1)
Interest cover (x)	95.5	193.2	225.9	301.7

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