

COMPANY UPDATE

Alpha IVF (ALPHA MK)

Bringing Alhaya To Life

Alpha IVF's new fertility centre Alhaya exhibits early promising signs. Fully operational and equipped with its own lab, operations have already turned profitable within its first month of operations amid minimal marketing activity. Commercial success has been matched with operational success rates. The latter is critical to Alpha IVF replicating its best practices to its wider regional growth ambitions. Maintain BUY and target price of RM0.40.

WHAT'S NEW

- Visiting Alpha IVF's new fertility clinic.** We visited Alhaya, Alpha IVF's new facility. Alhaya means "life" in Arabic. Alhaya is situated within KPJ Healthcare's (KPJ) flagship, premium health-tourism oriented Damansara Specialist Hospital 2. Although it is located just 6 km (a 10-minute drive) from Alpha KL, Alhaya KL targets an underserved segment of the market. As KPJ's centre of excellence for fertility, Alhaya stands to benefit from internal referrals and leverages KPJ's marketing channels to attract foreign medical patients, particularly from the MENA region.
- Nimble headcount to start off.** Alhaya currently has two consultant obstetricians and gynaecologists (O&G), Dr. Haris Hamzah and Dr. Wan Syahirah, two visiting O&Gs and 12 staff. To align interest with its specialists, both the O&Gs own a combined 21% stake in Alhaya while Alpha KL owns 51%. The facility is 5,560 sqft in size, with RM11m in capex.
- Already profitable in first month of operations.** Despite commencing operations only on 8 Apr 24, we gather that Alhaya has already been profitable for the month of April as expected. Furthermore, it has yet to be officially launched and promoted by the likes of Datuk Seri Siti Nurhaliza, its celebrity part-owner. We also note that Alhaya has already enjoyed an internal referral of two patients by KPJ since its launch. Apart from that, marketing efforts have yet to undertaken, with social media influencers part of its efforts.
- Small but reflective of ability to replicate success rates that is critical to eventual regional expansion.** Given that it has turned profitable despite being in its infancy, Alhaya exhibits promising signs. At this juncture, we have conservatively assumed for Alhaya to contribute 0.5% and 4.1% of total group patient volume for FY24-25 respectively. Alhaya is only a small contributor currently but we believe its ability to replicate Alpha IVF's fertilisation and pregnancy rates (proven true thus far) is critical to its wider regional (Indonesia and Laos/Cambodia) growth ambitions.

KEY FINANCIALS

Year to 31 May (RMm)	2022	2023	2024F	2025F	2026F
Net turnover	91	137	164	194	243
EBITDA	38	63	69	93	108
Operating profit	30	56	62	83	95
Net profit (rep./act.)	14	42	53	64	71
Net profit (adj.)	14	42	53	64	71
EPS (sen)	0.3	0.9	1.1	1.3	1.5
PE (x)	110.4	37.6	29.9	24.6	22.3
P/B (x)	39.0	30.6	8.3	7.3	6.5
EV/EBITDA (x)	37.1	22.5	20.3	15.1	13.1
Dividend yield (%)	0.5	3.8	2.0	2.4	2.7
Net margin (%)	15.7	30.5	32.1	33.1	29.1
Net debt/(cash) to equity (%)	(46.3)	(99.3)	(93.4)	(72.9)	(68.0)
Interest cover (x)	28.1	61.6	141.3	189.8	219.1
ROE (%)	38.6	91.2	43.8	31.8	30.9
Consensus net profit	-	-	54	66	73
UOBKH/Consensus (x)	-	-	0.98	0.97	0.97

Source: Alpha IVF, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM0.315
Target Price	RM0.40
Upside	+23.1%

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):	1,579.5
Market cap (US\$m):	333.2
3-mth avg daily t'over (US\$m):	

Price Performance (%)

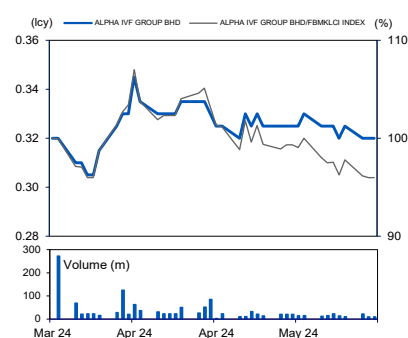
52-week high/low	RM0.345/RM0.305			
1mth	3mth	6mth	1yr	YTD
(1.5)	n.a.	n.a.	n.a.	n.a.

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)

Philip Wong
 +603 2147 1996
 philipwong@uobkayhian.com

STOCK IMPACT

- **4QFY24 should see further sequential growth.** Alpha IVF's 4QFY24 should see sequential earnings growth. Recall 3QFY24 is a seasonal low with few patients during the Chinese New Year festivities and the gradual ramp-up in foreign medical patients which are margin accretive as well. We do not expect Alhaya's commencement of operations to impact financials meaningfully as it remains early in its inception, having just launched in Apr 24. Given this backdrop, earnings should largely meet our estimates and implies a growth of 26% for FY24. FY25's attractive earnings growth of 21% should remain largely driven by organic growth and foreign medical patients. We expect Alhaya to be earnings accretive but largely insignificant to FY25's earnings.

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 22.8x 2025F PE, we believe Alpha IVF should trade at a 20% premium due to: a) its superior three-year earnings CAGR (FY23-26F) outlook of 19.0%, ahead of its peers' average of 13.4%; b) Alpha IVF's 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 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.

KEY ASSUMPTIONS

	FY24F	FY25F	FY26F
Revenue (RMm)	164.4	193.8	243.3
Growth yoy (%)	19.5	17.9	25.6
Number of OPU			
Existing Centre OPU	3,105	3,478	3,651
Growth yoy (%)	15.0	12.0	5.0
New Centres OPU	15	150	1,050
Growth yoy (%)	n.a.	900	600
Total OPU	3,120	3,628	4,701
Growth yoy (%)	15.6	16.3	29.6
# of New Centres	1	0	4
Blended Revenue per OPU (RM'000)	49.5	50.2	48.6
Growth yoy (%)	3.5	1.4	-3.1

Source: UOB Kay Hian

GROWTH AND MARGIN OUTLOOK

	FY24F	FY25F	FY26F
Revenue (RMm)	164.4	193.8	243.3
Growth yoy (%)	19.5	17.9	25.6
EBITDA (RMm)	78.2	97.2	111.6
Growth yoy (%)	22.2	24.4	14.8
Core PATAMI (RMm)	52.8	64.2	70.8
Growth yoy (%)	25.9	21.6	10.2
EBITDA Margin (%)	47.6	50.2	45.9
Core PATAMI Margin (%)	32.1	33.1	29.1

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 May (RMm)	2023	2024F	2025F	2026F
Net turnover	137	164	194	243
EBITDA	63	69	93	108
Deprec. & amort.	7	8	11	12
EBIT	56	62	83	95
Total other non-operating income	13	2	4	4
Associate contributions	0	0	0	0
Net interest income/(expense)	(1)	0	0	0
Pre-tax profit	67	64	86	99
Tax	(12)	(16)	(19)	(22)
Minorities	(2)	(2)	(3)	(6)
Net profit	42	53	64	71
Net profit (adj.)	42	53	64	71

CASH FLOW

Year to 31 May (RMm)	2023	2024F	2025F	2026F
Operating	61	56	73	81
Pre-tax profit	67	70	86	99
Tax	(11)	(16)	(19)	(22)
Deprec. & amort.	7	8	11	12
Associates	0	0	0	0
Working capital changes	9	(4)	(1)	(1)
Other operating cashflows	(11)	(2)	(3)	(7)
Investing	0	(13)	(52)	(27)
Capex (growth)	(1)	(15)	(56)	(35)
Investments	0	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	1	2	4	8
Financing	(38)	82	(41)	(45)
Dividend payments	0	(32)	(39)	(42)
Issue of shares	1	117	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	(9)	0	0	0
Others/interest paid	(30)	(3)	(3)	(2)
Net cash inflow (outflow)	23	126	(20)	9
Beginning cash & cash equivalent	32	56	181	161
Changes due to forex impact	1	0	0	0
Ending cash & cash equivalent	56	181	161	170

BALANCE SHEET

Year to 31 May (RMm)	2023	2024F	2025F	2026F
Fixed assets	22	30	75	98
Other LT assets	11	11	11	11
Cash/ST investment	56	181	161	170
Other current assets	7	11	12	14
Total assets	96	233	259	293
ST debt	1	1	1	1
Other current liabilities	19	19	19	20
LT debt	3	3	3	3
Other LT liabilities	18	15	14	12
Shareholders' equity	52	189	215	243
Minority interest	3	5	7	14
Total liabilities & equity	96	233	259	293

KEY METRICS

Year to 31 May (%)	2023	2024F	2025F	2026F
Profitability				
EBITDA margin	45.6	42.3	48.2	44.3
Pre-tax margin	48.9	38.9	44.5	40.6
Net margin	30.5	32.1	33.1	29.1
ROA	41.4	32.2	26.1	25.6
ROE	91.2	43.8	31.8	30.9
Growth				
Turnover	50.9	19.5	17.9	25.6
EBITDA	65.1	10.9	34.4	15.4
Pre-tax profit	124.6	(5.0)	35.0	14.7
Net profit	193.3	25.9	21.6	10.2
Net profit (adj.)	193.3	25.9	21.6	10.2
EPS	193.3	25.9	21.6	10.2
Leverage				
Debt to total capital	7.4	2.2	1.9	1.7
Debt to equity	8.4	2.3	2.0	1.8
Net debt/(cash) to equity	(99.3)	(93.4)	(72.9)	(68.0)
Interest cover (x)	61.6	141.3	189.8	219.1

Disclosures/Disclaimers

This report is prepared by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser in Singapore.

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities.

This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. Advice should be sought from a financial adviser regarding the suitability of the investment product, taking into account the specific investment objectives, financial situation or particular needs of any person in receipt of the recommendation, before the person makes a commitment to purchase the investment product.

This report is confidential. This report may not be published, circulated, reproduced or distributed in whole or in part by any recipient of this report to any other person without the prior written consent of UOBKH. This report is not directed to or intended for distribution to or use by any person or any entity who is a citizen or resident of or located in any locality, state, country or any other jurisdiction as UOBKH may determine in its absolute discretion, where the distribution, publication, availability or use of this report would be contrary to applicable law or would subject UOBKH and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by UOBKH to be reliable. However, UOBKH makes no representation as to the accuracy or completeness of such sources or the Information and UOBKH accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. UOBKH and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of UOBKH and its connected persons are subject to change without notice. UOBKH reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) UOBKH, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) UOBKH, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; (3) the officers, employees and representatives of UOBKH may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business"); and (4) UOBKH may otherwise have an interest (including a proprietary interest) in the subject corporation(s) referred to in this report.

As of the date of this report, no analyst responsible for any of the content in this report has any proprietary position or material interest in the securities of the corporation(s) which are referred to in the content they respectively author or are otherwise responsible for.

IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by UOBKH, a company authorized, as noted above, to engage in securities activities in Singapore. UOBKH is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution by UOBKH (whether directly or through its US registered broker dealer affiliate named below) to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All US persons that receive this document by way of distribution from or which they regard as being from UOBKH by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through UOB Kay Hian (U.S.) Inc ("UOBKHUS"), a registered broker-dealer in the United States. Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through UOBKH.

UOBKHUS accepts responsibility for the contents of this research report, subject to the terms set out below, to the extent that it is delivered to and intended to be received by a U.S. person other than a major U.S. institutional investor.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person of UOBKHUS and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

Analyst Certification/Regulation AC

Each research analyst of UOBKH who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of UOBKH or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including UOBKH's total revenues, a portion of which are generated from UOBKH's business of dealing in securities.

Reports are distributed in the respective countries by the respective entities and are subject to the additional restrictions listed in the following table.

General	This report is not intended for distribution, publication to or use by any person or entity who is a citizen or resident of or located in any country or jurisdiction where the distribution, publication or use of this report would be contrary to applicable law or regulation.
Hong Kong	This report is distributed in Hong Kong by UOB Kay Hian (Hong Kong) Limited ("UOBKHHK"), which is regulated by the Securities and Futures Commission of Hong Kong. Neither the analyst(s) preparing this report nor his associate, has trading and financial interest and relevant relationship specified under Para. 16.4 of Code of Conduct in the listed corporation covered in this report. UOBKHHK does not have financial interests and business relationship specified under Para. 16.5 of Code of Conduct with the listed corporation covered in this report. Where the report is distributed in Hong Kong and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKHHK (and not the relevant foreign research house) in Hong Kong in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Hong Kong who is not a professional investor, or institutional investor, UOBKHHK accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Indonesia	This report is distributed in Indonesia by PT UOB Kay Hian Sekuritas, which is regulated by Financial Services Authority of Indonesia ("OJK"). Where the report is distributed in Indonesia and contains research analyses or reports from a foreign research house, please note recipients of the analyses or reports are to contact PT UOBKH (and not the relevant foreign research house) in Indonesia in respect of any matters arising from, or in connection with, the analysis or report.
Malaysia	Where the report is distributed in Malaysia and contains research analyses or reports from a foreign research house, the recipients of the analyses or reports are to contact UOBKHM (and not the relevant foreign research house) in Malaysia, at +603-21471988, in respect of any matters arising from, or in connection with, the analysis or report as UOBKHM is the registered person under CMSA to distribute any research analyses in Malaysia.
Singapore	This report is distributed in Singapore by UOB Kay Hian Private Limited ("UOBKH"), which is a holder of a capital markets services licence and an exempt financial adviser regulated by the Monetary Authority of Singapore. Where the report is distributed in Singapore and contains research analyses or reports from a foreign research house, please note: (i) recipients of the analyses or reports are to contact UOBKH (and not the relevant foreign research house) in Singapore in respect of any matters arising from, or in connection with, the analysis or report; and (ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, UOBKH accepts legal responsibility for the contents of the analyses or reports only to the extent required by law.
Thailand	This report is distributed in Thailand by UOB Kay Hian Securities (Thailand) Public Company Limited, which is regulated by the Securities and Exchange Commission of Thailand.
United Kingdom	This report is being distributed in the UK by UOB Kay Hian (U.K.) Limited, which is an authorised person in the meaning of the Financial Services and Markets Act and is regulated by The Financial Conduct Authority. Research distributed in the UK is intended only for institutional clients.
United States of America ('U.S.')	This report cannot be distributed into the U.S. or to any U.S. person or entity except in compliance with applicable U.S. laws and regulations. It is being distributed in the U.S. by UOB Kay Hian (US) Inc, which accepts responsibility for its contents. Any U.S. person or entity receiving this report and wishing to effect transactions in any securities referred to in the report should contact UOB Kay Hian (US) Inc. directly.

Copyright 2024, UOB Kay Hian Pte Ltd. All rights reserved.

<http://research.uobkayhian.com>

RCB Regn. No. 197000447W