

### COMPANY RESULTS

#### Alpha IVF (ALPHA MK)

1QFY25: Softer Sales Due To Moderation

The quarter's sales softened as patient volume moderated from a high base. China patient continues to recover but high agent fees weighed on margins. This should be abated by the establishment of sales representative offices in China. Additionally, Alpha IVF's inaugural satellite clinic in Indonesia is expected to enhance the foreign patient mix. We continue to like Alpha IVF for its industry-leading success rates and superior margins relative to its peers. Maintain BUY. Target price: RM0.40.

#### 1QFY25 RESULTS

Year to 31 May (RMm)	1QFY24	4QFY24	1QFY25	qoq % chg	yoy % chg	Comments
Revenue	41.6	46.7	43.0	-8.0	3.4	Top-line sequential weakness as patient volume moderates.
GP	23.9	28.0	25.7	-8.2	7.6	
EBITDA	20.0	20.8	19.4	-6.9	-2.9	
PBT	17.9	19.4	19.0	-2.1	5.9	
Profit	13.5	14.3	14.9	4.4	10.5	Within expectations, at 23% and 22% of our and consensus estimates respectively.
Core PATAMI	13.1	15.5	14.4	-7.0	9.6	
Margins (%)				qoq ppt chg	yoy ppt chg	
Gross Profit	57.4	59.8	59.7	-0.1	2.3	
EBITDA	48.0	44.5	45.1	0.5	-2.9	Adjusted margins softened by 2.4ppt as China agent fee cuts.
Eff. tax rate	-24.6	-26.3	-21.4	4.9	3.3	
Core Profit	31.5	33.1	33.4	0.4	1.9	

Source: Alpha IVF, UOB Kay Hian

### RESULTS

- **Within expectations as margins expand.** Alpha IVF registered a 1QFY25 core profit of RM14.4m (+9.6% yoy, -7.0% qoq). This is within expectations, with earnings accounting for 23% and 22% of our and consensus full-year estimates respectively. We expect earnings to improve sequentially throughout the remainder of the year. The establishment of a sales representative office in China and a satellite clinic in Indonesia in 2QFY25 should provide patient volume uplift.

### 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)	41.7	31.9	27.5	24.6	18.3
P/B (x)	33.9	9.3	8.2	7.2	6.3
EV/EBITDA (x)	26.4	21.4	17.4	14.9	11.1
Dividend yield (%)	3.5	1.3	2.2	2.4	3.3
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	-	-	66.0	73.0	91.6
UOBKH/Consensus (x)	-	-	0.97	0.98	1.05

Source: Alpha IVF, Bloomberg, UOB Kay Hian

### BUY

(Maintained)

Share Price	RM0.37
Target Price	RM0.40
Upside	+9.6%

### 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):	1,749.6
Market cap (US\$m):	406.8
3-mth avg daily t'over (US\$m):	1.1

### Price Performance (%)

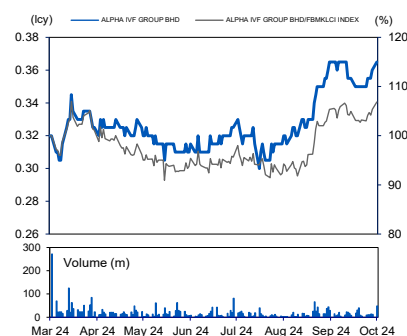
52-week high/low	RM0.375/RM0.295			
1mth	3mth	6mth	1yr	YTD
(1.4)	12.5	12.5	n.a.	n.a.

### Major Shareholders

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

FY25 NAV/Share (RM)	0.04
FY25 Net Cash/Share (RM)	0.29

### PRICE CHART



Source: Bloomberg

### ANALYST

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- Patient volume moderated on a sequential basis as foreign patient mix improved.** 1QFY25 revenue dipped sequentially by 8.0% qoq (+3.4% yoy) despite a full quarter's contribution from Alhaya (operations commenced in Apr 24) as domestic patient volume moderated after 4QFY24, which benefitted from pent-up demand. 1QFY25 also saw foreign patient mix reach >70% (4QFY24: >60%). Going forward, the commencement of a sales representative in China and a satellite clinic in Jakarta, Indonesia should further facilitate the growth in foreign patient volume, and the gestation of Alhaya should drive patient volume growth.
- Positive sequential trend firmly intact.** The next few quarters should continue to see decent sequential growth on the back of: a) increased patient volume from China following the newly launched sales representative office (which is strategically located across a leading women's hospital that is in collaboration with Alpha IVF) in Shanghai, b) the commencement of a satellite clinic in Jakarta, Indonesia that facilitates the treatment of Indonesian patients to Alpha KL, and c) the maturing of newly-launched Alhaya.
- High China agent fee cuts into margins.** Adjusted gross margins softened to 59.7% or -3.2ppt qoq (+2.3ppt yoy). Despite the higher foreign patient mix, gross margin was marginally softer due to the quarter enjoying a disproportionate surge in China patients, which incurs a higher agent fee (30-40% commission). As a result, adjusted EBITDA margin declined by 2.4ppt qoq to 45.1%. The establishment of the sales representative office in China reduces the reliance on external agents that command lucrative commissions. Thus, margins should improve going forward as well.

### STOCK IMPACT

- Alpha IVF's colossal undertaking is gaining momentum.** To summarise, Alpha IVF operates one fertility centre each in Malaysia, Indonesia, and Laos/Cambodia (which has since pivoted to the Philippines), along with two satellite clinics in Indonesia and two sales representative offices in China. All are on track to commence operations by the end of FY25. The monumental undertaking comes off its recently-launched Malaysia facility, Alhaya, in April that broke even within its first month of operations and has tracked the fertility success rates of the overall group. More recently, it has gained momentum with its representative office in China and satellite clinic in Indonesia commencing operations.

### 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 with a target price of RM0.40,** based on 28.0x FY25F PE. While its peers trade at a historical average of 22.8x 2025F PE, we believe Alpha IVF warrants a 20% premium due to its attractive growth prospects, leading clinical success rates in the region, superior profit margins, and ongoing international expansion. Valuations could be catalysed over the near term seeing that the rollout of its fertility clinics across the region will be taking place over the next 12 months.

### ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

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