Alpha IVF (ALPHA MK)

4QFY26: Within Expectations As New Facilities Undergo Gestation

BUY (Maintained)	
Share Price	RM0.26
Target Price	RM0.33
Upside	26.9%

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Highlights

- Earnings came in within expectations as regional operations saw increased contributions, supporting revenue growth.
- Gestating facilities against the absence of start-up costs incurred in the preceding quarter led to a partial recovery in margins.
- Maintain BUY as Alpha IVF offers exciting regional growth. Unchanged target price of RM0.33.

4QFY26 Results

Year to 31 May (RMm)	4QFY26	qoq % chg	yoy % chg	FY26	yoy % chg	Comments
Revenue	52.1	10.5	4.1	198.6	12.3	Contributions from newly launched facilities aided growth.
GP	31.4	11.9	2.5	119.0	11.0	
EBITDA	22.6	11.8	-3.6	85.5	3.0	
PBT	19.4	14.5	-9.1	73.9	-3.0	
Profit	13.9	14.1	-14.7	53.2	-9.1	
Core PATAMI	13.9	11.6	-13.5	53.6	-10.6	Within expectations.
Margins	(%)	qoq ppt chg	yoy ppt chg	(%)	qoq ppt chg	
Gross Profit	60.3	0.8	-1.0	59.9	-0.7	
EBITDA	43.4	0.5	-3.5	43.0	-3.9	Margins see partial recovery following the absence of unmatched start-up costs.
Eff. tax rate	-28.6	-0.2	-4.7	-27.9	-4.8	
Core Profit	26.7	0.3	-5.4	27.0	-6.9	

Source: Alpha IVF, UOB Kay Hian

Analysis

- **Within expectations.** Alpha IVF registered a 4QFY26 core profit of RM13.9m (-13.5% yoy, 11.6% qoq). This brought FY26 core profit to RM53.6m (-10.6% yoy). This is within expectations, with earnings accounting for 100% and 101% of our and consensus full-year estimates respectively. Highlights for the quarter include improved contributions from Singapore and margins seeing a partial recovery following the gestation of newly launched IVF facilities amidst the absence of start-up costs incurred in the preceding quarter.

Key Financials

Year to 31 May (RMm)	2025	2026	2027F	2028F	2029F
Net turnover	176.8	198.6	253.7	321.2	421.8
EBITDA	79.3	79.5	98.9	125.3	161.7
Operating profit	70.8	69.5	88.0	112.3	147.5
Net profit (rep./act.)	57.4	53.6	65.6	86.4	108.8
Net profit (adj.)	57.4	53.6	65.6	86.4	108.8
EPS	1.2	1.1	1.4	1.8	2.2
PE	22.8	24.5	20.0	15.2	12.1
P/B	6.6	6.9	6.6	6.2	5.7
EV/EBITDA	14.7	14.9	12.1	9.6	7.3
Dividend yield	3.7	3.7	4.2	5.6	7.0
Net margin	32.5	27.0	25.9	26.9	25.8
Net debt/(cash) to equity	(78.7)	(70.8)	(61.0)	(57.5)	(63.7)
Interest cover	73.2	49.6	n.a	n.a	n.a
ROE	26.9	25.6	30.6	39.2	47.5
Consensus net profit			59.2	77.9	97.8
UOBKH/Consensus (x)			0.9	0.8	0.9

Source: Alpha IVF, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Healthcare
Bloomberg ticker	ALPHA MK
Shares issued (m)	4,860.0
Market cap (RMm)	1,457.6
Market cap (US$m)	359.2
3-mth avg daily t'over (US$m)	0.3

Price Performance (%)

52-week high/low				RM0.34/RM0.27
1mth	3mth	6mth	1yr	YTD
2.0	(3.3)	(12.6)	(8.9)	(15.0)

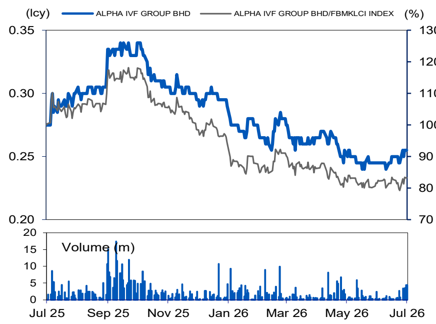
Major Shareholders

	%
Dato' Dr. Lee Soon Soo	43.2

Balance Sheet Metrics

FY27 NAV/Share (RM)	0.04
FY27 Net Debt/Share (RM)	0.02

Price Chart



Source: Bloomberg

Company Description

Renowned fertility treatment provider with 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.

- **Growth off increased regional contributions.** 4QFY26 revenue grew by 4.1% yoy. This is attributed to: a) gestation of IVF centres in Sabah, Malaysia and Manila, the Philippines, both of which were launched in the preceding quarter, and b) increased contributions from its Singapore operations. It was partially offset by subdued Indonesian patient volumes following the weaker Indonesian rupiah vis-à-vis the ringgit, higher flight cost and SST implementation on foreign patients.
- **Margins see some sequential recovery.** Gross margin improved sequentially by 0.8ppt (-1.0ppt yoy) to 60.3% due to the SST now being equally borne by its China intermediaries. EBITDA margins improved by 0.5ppt qoq, partially reversing the margin dilution in the preceding quarter that was attributed to start-up cost for its new IVF facilities then (Sabah and Manila). We gather that its IVF facility in Manila, the Philippines has turned profitable. Increased depreciation and effective tax rate (+4.7ppt yoy to 28.6%) moderated core margin to 26.7% or -5.4ppt yoy (+0.3% qoq).
- **Three upcoming facilities by year end.** Going forward, three new IVF facilities are due to commence operations by the end of the year. These are in Johor, Malaysia, Tugegarao, the Philippines and Jakarta, Indonesia. In addition, Alpha IVF recently raised its stake in its Singapore subsidiary, AIWSS, to 96.5% from 76.5% through a RM3.6m rights subscription funded internally. It reflects well on management's confidence in turning around its Singapore operations.

Valuation/Recommendation

- **Maintain BUY and target price of RM0.33**. External headwinds have coincided with the ramp-up of new facilities that would initially incur start-up costs, weighing on the immediate financial performance. However, Alpha IVF's fundamental prospects are firmly intact as the new additional facilities widen its footprint across the region and materially expand the group's presence, up from a low base of just four existing IVF centres. Our target price is based on a PE peg of 24x, in line with Alpha IVF's regional IVF peers.

Earnings Revision/Risk

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

Key Assumptions

	FY27F	FY28F	FY29F
Revenue (RMm)	253.7	321.2	421.8
Growth yoy (%)	27.7	26.6	31.3
Number of OPU			
Existing Centre OPU	3104	3135	3167
Growth yoy (%)	2.0	1.0	1.0
New Centres OPU	1656	2906	4980
Growth yoy (%)	173	75	71
Total OPU	4760	6041	8147
Growth yoy (%)	30.4	26.9	34.8
Blended Revenue per OPU (RM'000)			
Growth yoy (%)	-3.2	-0.2	-2.6

Source: UOB Kay Hian

Growth And Margin Outlook

	FY27F	FY28F	FY29F
Revenue (RMm)	253.7	321.2	421.8
Growth yoy (%)	27.7	26.6	31.3
EBITDA (RMm)	104.5	131.0	167.4
Growth yoy (%)	22.3	25.3	27.8
Core PATAMI (RMm)	65.6	86.4	108.8
Growth yoy (%)	22.4	31.7	25.8
EBITDA Margin (%)	46.7	40.8	39.7
Core PATAMI Margin (%)	29.3	26.9	25.8

Source: UOB Kay Hian

Environmental, Social, Governance (ESG)

Environmental

- 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

- 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

- Board oversight. Ensures that the board of directors or governing body provides effective oversight of the IVF centres' operations, including ESG strategies and performance.

Profit & Loss

Year to 31 May (RMm)	2026	2027F	2028F	2029F
Net turnover	199	254	321	422
EBITDA	80	99	125	162
Deprec. & amort.	10	11	13	14
EBIT	70	88	112	147
Total other non-operating income	6	6	6	6
Associate contributions	0	0	0	0
Net interest income/(expense)	(2)	0	0	0
Pre-tax profit	74	94	118	153
Tax	(21)	(26)	(28)	(37)
Minorities	0	(2)	(3)	(8)
Net profit	54	66	86	109
Net profit (adj.)	54	66	86	109

Balance Sheet

Year to 31 May (RMm)	2026	2027F	2028F	2029F
Fixed assets	76	74	86	82
Other LT assets	31	47	47	47
Cash/ST investment	134	122	122	146
Other current assets	14	12	16	20
Total assets	255	255	271	295
ST debt	0	0	0	0
Other current liabilities	28	37	38	39
LT debt	0	0	0	0
Other LT liabilities	32	11	9	8
Shareholders' equity	190	200	213	229
Minority interest	6	8	11	19
Total liabilities & equity	255	255	271	295

Cash Flow

Year to 31 May (RMm)	2026	2027F	2028F	2029F
Operating	67	72	97	112
Pre-tax profit	74	94	118	153
Tax	(21)	(26)	(28)	(37)
Deprec. & amort.	10	11	13	14
Associates	0	0	0	0
Working capital changes	5	(4)	(2)	(3)
Other operating cashflows	(2)	(3)	(3)	(15)
Investing	(24)	(27)	(22)	5
Capex (growth)	(27)	(30)	(25)	(10)
Investments	(6)	0	0	0
Proceeds from sale of assets	0	0	0	0
Others	9	3	3	15
Financing	(64)	(57)	(75)	(94)
Dividend payments	(49)	(56)	(73)	(92)
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	0	0	0	0
Others/interest paid	(16)	(2)	(1)	(1)
Net cash inflow (outflow)	(22)	(13)	1	24
Beginning cash & cash equivalent	156	134	122	122
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	134	122	122	146

Key Metrics

Year to 31 May (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	40.0	39.0	39.0	38.3
Pre-tax margin	37.2	36.9	36.7	36.3
Net margin	27.0	25.9	26.9	25.8
ROA	19.5	23.9	30.6	36.9
ROE	25.6	30.6	39.2	47.5
Growth				
Turnover	12.3	27.7	26.6	31.3
EBITDA	(0.3)	22.3	25.3	27.8
Pre-tax profit	(3.0)	26.8	26.0	29.8
Net profit	(9.1)	26.8	32.8	29.8
Net profit (adj.)	(9.1)	26.8	32.8	29.8
EPS	(9.1)	26.8	32.8	29.8
Leverage				
Debt to total capital	0.0	0.0	0.0	0.0
Debt to equity	0.0	0.0	0.0	0.0
Net debt/(cash) to equity	(70.8)	(61.0)	(57.5)	(63.7)