

Alpha IVF Group Berhad (0303)

Costs Peak, Pipeline Builds

Bloomberg Ticker: ALPHA MK | Investment Horizon: 12 Months

Recommendation

We maintain our BUY call with a target price of RM0.36, based on an unchanged FY27F PE of 26x, which is a 20% premium to the average PE of regional peers and aligned with its historical PE, justified by market share gains in neighbouring markets and earnings sustainability.

Briefing Review

The briefing reiterated FY26 recorded new high revenue of RM198.6mn, thanks to contribution from Malaysia's operation, with foreign patients still the majority of the MY mix at 67.2% (vs 70% in FY25). Within foreign patient revenue, China was again the standout (+21.8% YoY to RM41.8mn) and the "Others" long tail grew fastest (+34.1% YoY), while Indonesia softened marginally (-2.4% YoY), the drop in Indonesia was due to SST incurred and depreciation of currency, causing a mix shift we consider healthy given it reduces single-source concentration. Meanwhile, core PATAMI dropped due to expansion costs weighed on the bottom line.

Outlook

We remain constructive on Alpha, underpinned by resilient throughput (4Q26 OPU of 973 and full-year OPU of 3,720; FY25: 3,399) and benchmark-exceeding clinical success rates across five markets. The Malaysian core should stay the principal growth engine, with Alpha KL and Alhaya anchoring domestic volumes and the maturing Kota Kinabalu centre broadening the footprint. Singapore, where centre revenue fell 18.1% YoY to RM16.1mn in FY26 after a senior fertility specialist departed, should rebound only once the incoming clinician clears an approximately 17-month training and accreditation runway, a back-end-loaded FY27F-FY28F recovery, given how closely fertility patient flow tracks individual reputations. Indonesia, by contrast, is likely to stay subdued: the 6% Malaysian service tax on non-citizen private healthcare (effective 1 July 2025) and a weaker rupiah have lifted the effective cost of cross-border treatment for Indonesian patients, consistent with the 2.4% YoY softening in Malaysia-operations revenue from Indonesia; the drag is confined to the inbound medical-travel corridor and spares the Indonesian satellite clinics, which are treated locally.

On costs, near-term margins will stay pressured as pre-operational and depreciation charges from the Sabah, Manila, Jakarta, Johor Bahru and Bali build-outs continue to front-run their revenue. The gestation between the opening of a centre and its profitability is the principal reason FY26 PATAMI declined despite record revenue, and the newly disclosed quarterly margin path points to a non-linear FY27F: a likely early-year trough as the next cohort front-loads costs, before operating leverage reasserts at scale. Beyond the cost drag, the newer locations will need time to build up their branding and marketing before patient volumes reach break-even, extending the gestation on the demand side, not only the cost side. The Philippine incentives offer a partial offset: a six-year income tax holiday followed by an Enhanced Deduction Regime at Tuguegarao, and a three-year Local Business Tax exemption at Manila, both of which we will fold into our estimates once contribution timing firms up.

Forecast

We maintain our FY27F-FY29F earnings forecasts unchanged. However, we have revised our FY27F-FY29F OPU projections to reflect the actual FY26 OPU reported during the post-results briefing.

Investment Risk to our Call

(i) talent dependence and succession risk, (ii) executive and operational risk, (iii) competition and pricing pressure, and (iv) high capital expenditure and margin pressure.

BUY ↔

Target Price: RM0.36 (+29%) ↔

Current Share Price: RM0.28

Ace Market
Healthcare

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Company Overview

Alpha IVF Group Berhad (Alpha) is a leading assisted reproductive services provider in Malaysia and Singapore, specialising in in vitro fertilisation (IVF) and advanced genetic testing.

Stock Information

Market Cap (RM'mn)	1,354.4
Issued Shares (mn)	4,837.1
52W High (RM)	0.35
52W Low (RM)	0.24
Estimated Free Float (%)	34.2
Beta vs FBM KLCI	0.5
3-month Average Vol. (mn)	1.8
Shariah Compliant	Yes

Consensus	FY26A	FY27F	FY28F
EPS (sen)	1.1	1.4	1.7
TP (RM)	High 0.36	Mean 0.34	Low 0.33
Ratings	Buy	Hold	Sell
	3	0	0

Category	Score	Materiality	Weighted Score
Environmental	29	45%	2.8
Social	28	25%	1.4
Governance	28	30%	1.7
Total	85	100%	5.9

Progress

Facilities	4Q26 (As of 20th July 2026)	2027
Alpha IVF KL	In Operation	In Operation
Genesis IVF PG	In Operation	In Operation
Alpha IVF SG	In Operation	In Operation
Alhaya IVF KL	In Operation	In Operation
Sales Rep Office in China No 1 (Shanghai)	In Operation	In Operation
Sales Rep Office in China No 2 (Guangzhou)	In Operation	In Operation
Satellite Clinics in Indonesia No 1 (PIK Jakarta)	In Operation	In Operation
Satellite Clinics in Indonesia No 2 (Surabaya)	In Operation	In Operation
IVF Centre in SEA No 1 (Philippines, Manila)	In Operation	In Operation
IVF Centre in Malaysia No 1 (Kota Kinabalu)	In Operation	In Operation
Satellite Clinics in Indonesia No 3 (Medan)	In Operation	In Operation
IVF Centre in SEA No 2 (Philippines, Tuguegarao)	Renovation in progress with 60% completion rate. Target operational by October 2026.	In Operation
IVF Centre in SEA No 3 (Indonesia, Jakarta)	Renovation in progress. Target operational by October 2026.	In Operation
IVF Centre in Malaysia No 2 (JohorBahru)	On track to begin operations by end of 2026.	In Operation
IVF Centre in SEA No 4 (Indonesia,Bali)	Construction progressing ahead of schedule. Target operational by mid-2027.	In Operation
Total Facilities in Operation	11	15
Total Facilities in Operation/under Reno	15	15

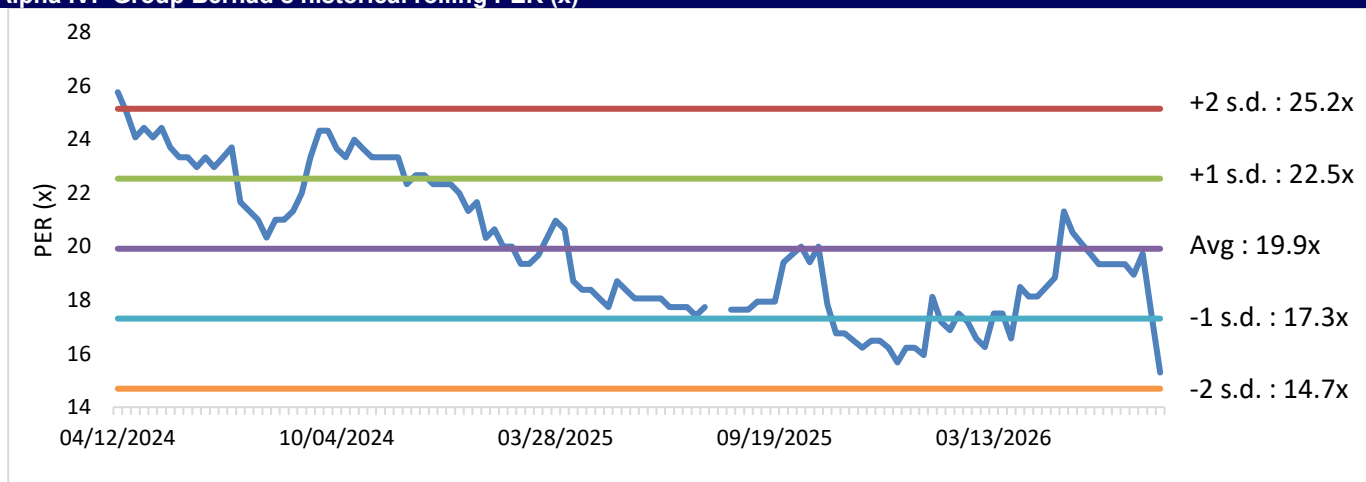
Key Assumption

Revenue Growth	Actual		Before			After		
	FY25A	FY26A	FY27F	FY28F	FY29F	FY27F	FY28F	FY29F
Number of OPU	3,399	3,720	4,189	4,796	5,486	4,247	4,862	5,560
Number of OPU growth	10%	9%	14%	14%	14%	14%	14%	14%
Revenue per OPU (RM)	52,028	53,384	55,732	57,404	58,552	54,985	56,635	57,768
Revenue per OPU growth	-4%	3%	3%	3%	2%	3%	3%	2%

Key Financial Metrics

FYE 31 May	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Revenue (RM'mn)	176.8	198.6	233.5	275.4	321.2
EBITDA (RM'mn)	82.8	85.5	105.3	126.2	145.1
Pretax profit (RM'mn)	76.1	73.9	88.3	107.4	125.7
Net profit (RM'mn)	58.6	53.2	67.1	81.6	94.3
EPS (sen)	1.2	1.1	1.4	1.7	1.9
PER (x)	23.2	25.6	20.3	16.7	14.4
Core net profit (RM'mn)	57.5	53.6	66.5	80.8	93.4
Core EPS (sen)	1.2	1.1	1.4	1.7	1.9
Core EPS growth (%)	8.5	(6.6)	23.9	21.6	15.5
Core PER (x)	23.7	25.4	20.5	16.8	14.6
Net DPS (sen)	1.0	1.1	1.0	1.0	1.0
Dividend Yield (%)	3.6	3.9	3.6	3.6	3.6
ROE (%)	29.0	28.3	31.2	32.8	32.0
P/BV (x)	6.7	7.0	6.2	5.4	4.5

Alpha IVF Group Berhad's historical rolling PER (x)



Financial Exhibits

Income Statement

FYE 31 May (RM'mn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Revenue	176.8	198.6	233.5	275.4	321.2
Operating expenses	(94.0)	(113.1)	(128.2)	(149.1)	(176.1)
EBITDA	82.8	85.5	105.3	126.2	145.1
Depreciation	(5.8)	(10.0)	(14.2)	(16.1)	(17.6)
EBIT	77.0	75.5	91.1	110.1	127.5
Net int income/(expense)	(0.9)	(1.6)	(2.7)	(2.7)	(2.7)
Exceptional gains / (losses)	0.0	0.0	0.0	0.0	0.0
Associates' contribution	0.0	0.0	0.0	0.0	1.0
Pretax profit	76.1	73.9	88.3	107.4	125.7
Tax	(17.6)	(20.6)	(21.2)	(25.8)	(31.4)
Minority interest	1.1	(0.4)	0.7	0.8	0.9
Net profit	58.6	53.2	67.1	81.6	94.3
Core PATAMI	57.5	53.6	66.5	80.8	93.4

Balance Sheet Statement

FYE 31 May (RM'mn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Fixed assets	13.8	35.9	44.0	52.5	59.4
Other long term assets	63.6	70.4	68.9	68.9	68.9
Total non-current assets	77.4	106.3	112.9	121.4	128.3
Cash and equivalents	34.4	37.0	19.6	26.8	37.5
Inventories	2.8	3.6	3.4	3.9	4.6
Receivables	1.6	2.1	1.3	1.5	1.8
Other current assets	134.6	105.9	127.0	144.8	173.4
Total current assets	173.4	148.6	151.3	177.1	217.3
Payables	2.8	1.0	2.6	3.0	3.5
Short term borrowings	-	-	-	-	-
Other current liabilities	21.0	26.6	10.1	10.1	10.1
Total current liabilities	23.8	27.7	12.7	13.1	13.6
Long term borrowings	1.2	1.3	1.3	1.3	1.3
Other long term liabilities	21.7	30.4	30.4	30.4	30.4
Total long term liab.	22.9	31.6	31.6	31.6	31.6
Shareholders' Funds	198.0	189.7	213.3	246.3	292.0
Minority Interest	6.1	5.9	6.6	7.4	8.3

Cash Flow Statement

FYE 31 May (RM'mn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Pretax Profit	76.1	73.9	88.3	107.4	125.7
Depreciation & amortisation	5.8	10.0	14.2	16.1	17.6
Working capital changes	(4.8)	5.7	2.6	(0.3)	(0.4)
Cash tax paid	(17.6)	(20.5)	(21.2)	(25.8)	(31.4)
Others	(4.7)	(2.3)	0.0	0.0	0.0
C/F from operation	54.9	66.7	84.0	97.4	111.5
Capex	(7.3)	(27.3)	(20.0)	(20.0)	(20.0)
Others	37.8	32.6	0.0	0.0	0.0
C/F from investing	30.4	5.3	(20.0)	(20.0)	(20.0)
Debt raised/(repaid)	(3.3)	(11.9)	0.0	0.0	0.0
Dividends paid	(46.2)	(48.5)	(48.6)	(48.6)	(48.6)
Others	2.1	(3.6)	0.0	0.0	0.0
C/F from financing	(47.4)	(64.0)	(48.6)	(48.6)	(48.6)
Net change in cash flow	38.0	8.0	15.4	28.8	42.9
Free Cash Flow	47.6	39.5	64.0	77.4	91.5



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TRADING BUY: Total stock return expected to exceed +10% over 6-month period

TRADING SELL: Total stock return expected to below -10% over a 6-month period

IPO Note:

SUBSCRIBE: Total stock return expected to exceed +15% over 12-month period

NEUTRAL: Total stock return expected to below +15% over 12-month period