

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.

Results Review

Alpha's FY26 core PATAMI of RM53.6mn came in within expectations, representing 101% of our forecast and 100% of consensus estimates. The Group declared a second interim DPS of 0.60 sen, bringing total FY26 DPS to 1.10 sen against our 1.0 sen forecast.

On a YoY basis, FY26 revenue rose 12.3% to RM198.6mn, underpinned by the Malaysian centres (+13.8% YoY) on stronger local and foreign patient volumes, alongside maiden contributions from Indonesia (RM1.8mn) and the Philippines (RM2.0mn). This was partially offset by Singapore, where revenue contracted 18.1% YoY to RM16.1mn. However, core PATAMI declined by 7.8% due to higher administrative expenses and pre-operational costs associated with the Group's ongoing expansion initiatives, while EBITDA margin dropped by 3.9ppt.

QoQ, 4QFY26 revenue rose 10.5% to RM52.1mn, driven by a recovery in Malaysia (+6.8% QoQ), a sharp rebound in Singapore (+22.2% QoQ) and a scale-up in the Philippines to RM1.5mn from RM0.4mn as the Manila centre progressed through ramp up. Gross margin recovered 0.7ppt to 60.3%, and EBITDA rose 11.8% QoQ to RM22.6mn. Core PATAMI also rose by 11.6% on better operational efficiency and a favourable package mix.

Outlook

The pre-operating drag has peaked. Management has framed FY26 as the trough of a heavy setup cycle, and we agree the shape is right: the Sabah and Manila centres have been operational since December 2025 and are progressing through ramp-up, while the Medan and Surabaya satellite clinics continue to feed cross-border referrals into the Malaysian centres. As utilisation at these centres builds, we expect operating leverage to begin re-asserting itself from FY28F.

Moving forward, the Group continues to grow its business by expanding its presence in Indonesia, the Philippines and Malaysia. We acknowledge that this expansion may create short-term margin pressure due to higher pre-operational costs and the pass-through of SST to patients. However, these investments position the Group for sustainable long-term growth, supported by higher revenue per patient, improved patient retention as individuals return for subsequent treatments or additional children, and superior margins relative to peers. On balance, we remain cautiously optimistic on the medium term, underpinned by (i) the regional platform now spanning four markets, (ii) structural demand from delayed parenthood and declining fertility rates, and (iii) clinical and technological superiority in preimplantation genetic testing sustaining industry-leading pregnancy success rates.

Forecast

We maintain our FY27F–FY28F earnings forecasts and introduce FY29F earnings.

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 (+38%) ↔

Current Share Price: RM0.26

**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)	1,233.5
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)	1.5
Shariah Compliant	Yes

Consensus	FY26A	FY27F	FY28F
EPS (sen)	1.2	1.1	1.4
TP (RM)	High	Mean	Low
	0.42	0.37	0.33
Ratings	Buy	Hold	Sell
	3	0	0

Category	Score	Materiality	Weighted Score
Environmental	22	30%	1.4
Social	34	40%	3.2
Governance	34	30%	2.1
Total	90	100%	6.6

Results Summary

FYE 31 May (RM'mn)	4QFY25	3QFY26	4QFY26	QoQ (%)	YoY (%)	FY25	FY26	YoY (%)
Revenue	50.0	47.1	52.1	10.5	4.1	176.8	198.6	12.3
Gross profit	30.6	28.1	31.4	11.9	2.5	107.2	119.0	11.0
EBITDA	23.5	20.2	22.6	11.8	(3.6)	83.0	85.5	3.0
Depreciation	-1.7	-2.7	-3.0	9.1	74.7	(5.8)	(10.0)	73.0
EBIT	21.8	17.5	19.6	12.2	(9.7)	77.2	75.5	(2.3)
Pretax Profit	21.4	17.0	19.4	14.5	(9.1)	76.1	73.9	(3.0)
Taxation	-5.1	-4.8	-5.6	15.5	8.7	(17.6)	(20.6)	17.3
Net Profit	16.3	12.2	13.9	14.1	(14.7)	58.6	53.2	(9.1)
MI	-0.2	-0.3	-0.03	90.1	83.7	0.4	(0.4)	nm
Core PATAMI	16.4	12.5	13.9	11.6	(15.4)	58.2	53.6	(7.8)
Margin (%)								
GP	61.3	59.6	60.3			60.6	59.9	
EBITDA	46.9	43.0	43.4			46.9	43.0	
Pretax	42.7	36.0	37.3			43.1	37.2	
Core PATAMI	32.9	26.4	26.7			32.9	27.0	
Geographical								
Malaysia	46.4	42.5	45.4	6.8	(2.3)	157.2	178.8	13.8
Singapore	3.5	3.7	4.6	22.2	30.4	19.6	16.1	(18.1)
Indonesia	0.1	0.5	0.6	25.5	>100	0.1	1.8	>100
Philippines	0.0	0.4	1.5	>100		-	2.0	nm

Key Assumptions

Revenue Growth	Actual		Before			After		
	FY25A	FY26A	FY27F	FY28F	FY29F	FY27F	FY28F	FY29F
Number of OPU	3,399	3,661	4,189	4,796	New	4,189	4,796	5,486
Number of OPU growth	10%	8%	14%	14%	New	14%	14%	14%
Revenue per OPU (RM)	52,028	54,109	55,732	57,404	New	55,732	57,404	58,552
Revenue per OPU growth	-4%	4%	3%	3%	New	3%	3%	2%

Key Financial Metrics

FYE 31 May	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Revenue (RM'mn)	176.8	198.6	233.5	275.3	321.2
EBITDA (RM'mn)	82.8	85.5	103.5	123.0	140.6
Pretax profit (RM'mn)	76.1	73.9	88.3	107.4	125.8
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)	22.4	24.6	19.5	16.1	13.9
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	15.6
Core PER (x)	22.8	24.5	19.7	16.2	14.1
Net DPS (sen)	1.0	1.1	1.0	1.0	1.0
Dividend Yield (%)	3.7	4.1	3.7	3.7	3.7
ROE (%)	29.0	28.3	31.2	32.8	32.0
P/BV (x)	6.4	6.7	5.8	6.5	5.3

Financial Exhibits

Income Statement

FYE 31 May (RM'mn)	FY2025A	FY2026A	FY2027F	FY2028F	FY2029F
Revenue	176.8	198.6	233.5	275.3	321.2
Operating expenses	(94.0)	(113.1)	(130.0)	(152.4)	(180.6)
EBITDA	82.8	85.5	103.5	123.0	140.6
Depreciation	(5.8)	(10.0)	(12.4)	(12.8)	(13.1)
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	125.8
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	35.8	37.5	39.0
Other long term assets	63.6	70.4	68.9	68.9	68.9
Total non-current assets	77.4	106.3	104.7	106.4	107.9
Cash and equivalents	34.4	37.0	21.7	30.5	42.6
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	87.2	111.4	145.5
Total current assets	173.4	148.6	113.5	147.4	194.5
Payables	2.8	1.0	2.6	3.0	3.5
Short term borrowings	-	-	-	-	-
Other current liabilities	21.0	26.6	18.1	18.1	18.1
Total current liabilities	23.8	27.7	20.8	21.2	21.7
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	213.2	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	72.0	76.1	73.9	88.3	107.4
Depreciation & amortisation	6.3	5.8	10.0	12.4	12.8
Working capital changes	(1.3)	(4.8)	5.7	2.6	(0.3)
Cash tax paid	(16.7)	(17.6)	(20.5)	(21.2)	(25.8)
Others	(1.3)	(4.7)	(2.3)	0.0	0.0
C/F from operation	59.0	54.9	66.7	82.2	94.1
Capex	(8.4)	(7.3)	(27.3)	(10.0)	(10.0)
Others	(60.6)	37.8	32.6	0.0	0.0
C/F from investing	(69.1)	30.4	5.3	(10.0)	(10.0)
Debt raised/(repaid)	(6.8)	(3.3)	(11.9)	0.0	0.0
Dividends paid	(31.4)	(46.2)	(48.5)	(48.6)	(48.6)
Others	111.8	2.1	(3.6)	0.0	0.0
C/F from financing	73.6	(47.4)	(64.0)	(48.6)	(48.6)
Net change in cash flow	63.5	38.0	8.0	23.6	35.5
Free Cash Flow	50.6	47.6	39.5	72.2	84.1



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