

Alpha IVF Group Berhad (0303)

Expansion Costs Pressure Margins Despite Revenue Growth

Bloomberg Ticker: ALPHA MK | Investment Horizon: 12 Months

Recommendation

We maintain our BUY call with a lower target price of RM0.36 (from RM0.42), based on an unchanged FY27F PE of 26x, which is 20% premium to the average PE of regional peers and aligned with its historical PE, justified by gaining market share from neighbouring countries and earnings sustainability

Results Review

Alpha's 9MFY26 core earnings of RM39.7mn came in below expectations, representing 65% of our forecast and 67% of consensus estimates. The negative variance was primarily driven by higher expenses arising from pre-operational costs and lower sales assumption on foreign patients due to SST implementation.

On a YoY basis, 9MFY26 revenue increased by 15.5%, supported by stronger sales from both local and foreign patients at the Malaysian centres (+20.5% YoY). However, earnings declined by 4.8% due to pre-operational costs associated with the Group's ongoing expansion initiatives, as EBITDA margin dropped by 4%ppt.

QoQ, 3QFY26 revenue remained flattish, mainly attributable to lower sales from Malaysia (-1.2% QoQ) and Singapore centres (-3% QoQ) partially offset by Indonesia and new contribution from Philippines. This decline was driven by a reduced inflow of foreign patients, likely impacted by the increase in the sales and service tax (SST) of 6%. However, earnings improved slightly by 3.8% thanks to lower pre-operating costs related to expansion initiatives, as its Philippine centre has started running.

Outlook

Moving forward, the Group continues to grow its business by expanding its presence in Indonesia, the Philippines, and locally. We acknowledge that this expansion may create short-term margin pressure due to higher pre-operational costs and extra charges to patients on SST. 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. Accordingly, we are cautiously optimistic about Alpha's outlook, underpinned by (i) strategic international expansion through the broadening of its network of IVF centres and clinics, (ii) the capture of medical tourism growth by attracting a strong influx of foreign patients, and (iii) clinical and technological superiority, leveraging advanced preimplantation genetic testing to achieve industry-leading pregnancy success rates.

Forecast

We cut our FY26F-FY28F earnings forecast by 11%-17% after raising cost assumptions by 5%-11% to reflect higher pre-operational expenses tied to the ongoing expansion. In addition, operating leverage has yet to materialise, as demand from foreign patients has remained largely flat following the implementation of the 6% SST in July 2025.

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 (+33%) ↓

Current Share Price: RM0.27

**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)	1,307.1
Issued Shares (mn)	4,841.1
52W High (RM)	0.35
52W Low (RM)	0.26
Estimated Free Float (%)	34.2
Beta vs FBM KLCI	0.7
3-month Average Vol. (mn)	1.7
Shariah Compliant	Yes

Consensus	FY25A	FY26F	FY27F
EPS (sen)	0.012	0.012	0.014
TP (RM)	High	Mean	Low
	0.42	0.40	0.37
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)	3QFY25	2QFY26	3QFY26	QoQ (%)	YoY (%)	9MFY25	9MFY26	YoY (%)
Revenue	40.6	47.3	47.1	(0.4)	16.1	126.8	146.5	15.5
Gross profit	24.5	28.0	28.1	0.2	14.4	76.5	87.6	14.4
EBITDA	17.3	19.1	20.2	6.0	16.9	59.6	62.9	5.5
Depreciation	-1.5	-2.2	-2.7	23.7	80.8	(4.1)	(7.0)	72.2
EBIT	15.8	16.9	17.5	3.7	10.8	55.5	55.8	0.6
Pretax Profit	15.6	16.5	17.0	3.1	8.9	54.8	54.4	(0.6)
Taxation	-3.5	-4.6	-4.8	4.3	38.0	(12.5)	(15.0)	20.8
Net Profit	12.1	11.8	12.2	2.6	0.5	42.3	39.4	(6.9)
Core PATAMI	12.3	12.0	12.5	3.8	1.5	41.8	39.7	(4.8)
Margin (%)								
GP	60.4	59.2	59.6			60.3	59.8	
EBITDA	42.6	40.4	43.0			47.0	42.9	
Pretax	38.4	34.8	36.0			43.2	37.1	
Core PATAMI	30.2	25.4	26.4			32.9	27.1	
Geographical								
Malaysia	37.3	43.0	42.5	(1.2)	13.8	110.7	133.4	20.5
Singapore	3.3	3.9	3.7	(3.0)	14.7	16.1	11.5	(28.6)
Indonesia	0.0	0.5	0.5	4.7	nm	-	1.2	nm
Philippines	0.0	0.0	0.4	nm		-	0.4	nm

Key Assumption

Revenue Growth	Actual		Before			After		
	FY24A	FY25A	FY26F	FY27F	FY28F	FY26F	FY27F	FY28F
Number of OPU	3,093	3,399	3,889	4,451	5,308	3,661	4,189	4,796
Number of OPU growth	15%	10%	10%	20%	20%	8%	14%	14%
Revenue per OPU (RM)	54,182	52,028	54,109	55,732	57,404	54,109	55,732	57,404
Revenue per OPU growth	6%	-4%	4%	3%	3%	4%	3%	3%

Key Financial Metrics

FYE 31 May	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue (RM'mn)	167.6	176.8	198.1	233.5	275.3
EBITDA (RM'mn)	79.1	82.8	79.8	99.6	119.5
Pretax profit (RM'mn)	72.0	76.1	70.4	89.1	108.2
Net profit (RM'mn)	54.1	58.6	53.5	67.7	82.2
EPS (sen)	1.1	1.2	1.1	1.4	1.7
PER (x)	24.3	22.4	24.5	19.4	16.0
Core net profit (RM'mn)	52.9	57.5	52.9	67.0	81.4
Core EPS (sen)	1.1	1.2	1.1	1.4	1.7
Core EPS growth (%)	(0.6)	8.5	(7.9)	26.7	21.4
Core PER (x)	24.8	22.8	24.8	19.6	16.1
Net DPS (sen)	0.45	1.0	1.0	1.0	1.0
Dividend Yield (%)	1.7	3.7	3.7	3.7	3.7
ROE (%)	28.2	29.0	26.1	30.2	31.8
P/BV (x)	0.8	6.4	6.3	5.7	5.0

Financial Exhibits

Income Statement

FYE 31 May (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Revenue	167.6	176.8	198.1	233.5	275.3
Operating expenses	(88.5)	(94.0)	(118.3)	(133.9)	(155.8)
EBITDA	79.1	82.8	79.8	99.6	119.5
Depreciation	(6.3)	(5.8)	(7.5)	(8.5)	(9.4)
EBIT	72.8	77.0	72.3	91.1	110.1
Net int income/(expense)	(0.8)	(0.9)	(1.9)	(1.9)	(1.9)
Exceptional gains / (losses)	0.0	0.0	0.0	0.0	0.0
Associates' contribution	0.0	0.0	0.0	0.0	0.0
Pretax profit	72.0	76.1	70.4	89.1	108.2
Tax	(17.9)	(17.6)	(16.9)	(21.4)	(26.0)
Minority interest	1.1	1.1	0.5	0.7	0.8
Net profit	54.1	58.6	53.5	67.7	82.2
Core PATAMI	52.9	57.5	52.9	67.0	81.4

Balance Sheet Statement

FYE 31 May (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Fixed assets	9.1	13.8	19.5	24.2	28.0
Other long term assets	56.6	63.6	61.9	61.9	61.9
Total non-current assets	65.7	77.4	81.4	86.1	89.9
Cash and equivalents	22.9	34.4	33.9	38.3	46.4
Inventories	2.9	2.8	2.9	3.4	3.9
Receivables	1.0	1.6	1.1	1.3	1.5
Other current assets	135.7	134.6	129.6	140.1	162.2
Total current assets	162.5	173.4	167.5	183.0	214.0
Payables	2.5	2.8	2.2	2.6	3.0
Short term borrowings	-	-	-	-	-
Other current liabilities	21.5	21.0	14.0	14.0	14.0
Total current liabilities	24.0	23.8	16.3	16.7	17.0
Long term borrowings	0.0	1.2	1.2	1.2	1.2
Other long term liabilities	14.5	21.7	21.7	21.7	21.7
Total long term liab.	14.5	22.9	22.9	22.9	22.9
Shareholders' Funds	187.4	198.0	203.1	222.2	255.8
Minority Interest	2.3	6.1	6.6	7.3	8.1

Cash Flow Statement

FYE 31 May (RM'mn)	FY2024A	FY2025A	FY2026F	FY2027F	FY2028F
Pretax Profit	72.0	76.1	70.4	89.1	108.2
Depreciation & amortisation	3.5	2.6	4.3	5.3	6.2
Working capital changes	(1.3)	(4.8)	(0.2)	(0.3)	(0.3)
Cash tax paid	(16.7)	(17.6)	(16.9)	(21.4)	(26.0)
Others	1.5	(1.1)	3.2	3.2	3.2
C/F from operation	59.0	55.3	60.8	76.0	91.3
Capex	(8.4)	(7.3)	(10.0)	(10.0)	(10.0)
Others	(60.6)	41.5	0.0	0.0	0.0
C/F from investing	(69.1)	34.2	(10.0)	(10.0)	(10.0)
Debt raised/(repaid)	(6.8)	(2.8)	0.0	0.0	0.0
Dividends paid	(31.4)	(46.2)	(48.6)	(48.6)	(48.6)
Others	111.8	2.1	0.0	0.0	0.0
C/F from financing	73.6	(46.9)	(48.6)	(48.6)	(48.6)
Net change in cash flow	63.5	42.5	2.2	17.4	32.7
Free Cash Flow	50.6	47.9	50.8	66.0	81.3

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