

ASX Announcement

Monash IVF Group Limited (ASX: MVF)

17 February 2022

Monash IVF Group delivers strong first half performance with an 11.7% increase in NPAT⁽¹⁾⁽²⁾⁽³⁾

Monash IVF Group Limited (ASX: MVF, the “Company” or “Monash IVF”), a leader in reproductive and fertility services and with growing presence in South-East Asia, announces its results for the half year ended 31 December 2021.

1H22 Highlights

- Revenue increased 11.2% to \$101.0m (1H21: \$90.8m)
- Adjusted EBITDA⁽¹⁾⁽²⁾ increased 8.5% to \$26.8m (1H21: \$24.7m)
- \$13.4m Adjusted NPAT⁽¹⁾⁽²⁾⁽³⁾, 11.7% above pcp and ahead of profit guidance provided in November 2021
- Interim dividend of 2.2 cents per share, fully franked and above the 2.1 cents per share declared for 1H21
- Stimulated Cycles market share increased 0.7% in Key Markets⁽⁴⁾ to 20.8% following 6.6% MVF stimulated cycle growth
- 3.6% IVF Industry⁽⁴⁾ growth in 1H22 following 23.8% growth in 1H21
- Balance Sheet continues to remain in a strong position to support future growth aspirations
- Appointment of four new domestic Fertility Specialists during 1H22
- Good progress in South-East Asia expansion strategy headlined by new Singapore IVF clinic to open in Q4FY22 with four new experienced Fertility Specialists anticipated to perform 200+ cycles in Year 1.

Michael Knaap, Chief Executive Officer, commented:

“It is pleasing to report a strong financial performance in the first half of FY22, ahead of market expectations. The growth in earnings has been driven by strong industry growth and our own increasing market share.”

¹ Non IFRS measures

² Adjusted for \$1m pre-tax acquisition related transaction costs (pursued but did not complete) and \$0.5m AASB3 Business Combination earn-out provision increase

³ NPAT including minority interest

⁴ Victoria, New South Wales, Queensland, South Australia and Northern Territory

⁵ Free cash flow is operating activities less investing activities

⁶ 1H21 excludes \$7.4m receipt of Job Keeper Subsidies during 1H21

“MVF has continued its strategy of investing in growth, adding four new domestic fertility specialists, expanding our service offerings and investing in new and updated clinical infrastructure and advances in technology. Since 2018, we have improved our clinical pregnancy rates from 32.6% to 37.2% and continue to focus on scientific leadership to improve patient outcomes.”

“Our efforts and focus on growth have been rewarded with a market share increase in 1H22 of 0.7%, resulting in an overall market share of 20.8% in our key domestic markets⁽⁴⁾. Positive industry momentum has continued this half with industry⁽⁴⁾ volume growth at 3.6% and MVF recording above-industry growth of 6.6%. We continue to see a fundamental behavioral shift in the mindset of our patient cohort as they increasingly focused on family, health and wellbeing. This has resulted in an IVF baby boom as more people redirect their priorities towards family creation and extension.”

“We remain focused on improving our business objectives and outcomes which are aligned to our Vision 2026 Strategy. Core to our business growth is providing exceptional patient experience, optimal pregnancy outcomes and a great and safe environment for our people to work. With a well aligned Strategy and a strong balance sheet, we are confident we can capitalise on the strong industry fundamentals and a growing pipeline of new patients.”

Financial and Operational Overview

The Company delivered strong 1H22 revenue growth of 11.2% with total revenue of \$101.0m as domestic stimulated cycles increased by 6.6%. Of the domestic stimulated cycle growth, new patients accessing our Network increased by 9%. This, in addition to an 11% increase in 1H22 New Patient Registrations, is providing support for continued growth beyond 1H22.

The Company achieved an Adjusted EBITDA⁽¹⁾⁽²⁾ of \$26.8m, up by 8.5% noting volume leverage gained from increased domestic IVF activity which was partly offset by:

- Short-term margin declines experienced in Ultrasound and Kuala Lumpur
- Additional costs related to the Pandemic including health & safety measures and protocols
- \$1.0m increase in medical malpractice and D&O liability insurance reflecting appropriate insurance policies in the current settings

Adjusted NPAT⁽¹⁾⁽²⁾⁽³⁾ of \$13.4m was ahead of the \$13.0m guidance provided in November 2021 and 11.7% above pcp.

Cash flow performance was strong with Free Cash Flow increasing by 51.6%⁽⁵⁾⁽⁶⁾ to \$9.7m, driven by 83% cash conversion of EBITDA to pre-tax operating cash flows. Capital expenditure of \$3.6m was spent across key growth initiatives, including laboratory assets for capacity growth and expansion, regular replacement asset program, a new clinic in Melbourne and IT infrastructure.

International

The Company's South-East Asian (SEA) expansion strategy continued to progress in 1H22 despite COVID-19 challenges. Recovery is in progress at the Kuala Lumpur fertility clinic, with new patient consultations up to 29.2% compared to Q2 pcp following a weak performance in Q1.

In Q4FY22, a new IVF clinic in the highly attractive Singapore IVF market is opening with four new experienced fertility specialists attracted and we anticipate that 200+ cycles will occur in Year 1. In addition, a new Bali fertility clinic is expected to open by the end of FY22.

These new clinics will complement our recent expansion in the SEA region bringing total SEA IVF clinics to 5, once completed.

Diagnostics

During 1H22, implications of COVID-19 related lockdowns and penetration of COVID-19 cases has impacted efficiencies in our ultrasound clinics, workforce flexibility and patient willingness to enter a clinical setting. These factors have reduced patient demand and profitability. We anticipate that as we enter a more COVID-19 normal environment, the demand for services will stabilise to expected levels and efficient work practices will return.

Monash IVF launched the first at home Reproductive Carrier Screening test in November 2021, allowing anyone in Australia, not just IVF patients, to identify potential genetic conditions in a child prior to conception. This is a new non-fertility related patient recruitment channel supporting stimulated cycle growth into the future.

Balance Sheet

The Balance Sheet continues to be in a strong position to support organic and non-organic growth aspirations including building and refreshing our clinical infrastructure in Melbourne, Gold Coast, Brisbane, Darwin and Penrith, in addition to new markets in Singapore and Bali. Day hospitals are being constructed in Melbourne and the Gold Coast, providing further diversification in our revenue streams.

Outlook

The Company will continue to focus on initiatives that support future growth, including attracting new fertility specialists, opening new clinics, converting new and returning patient pipelines to treatment, improving pregnancy rates and patient experience, investing in marketing, and expanding our service offerings. In addition, focus remains on South-East Asia expansion plans.

Given the impact of the Victorian elective surgery suspension in January 2022 and the general Omicron surge across the Australian Eastern States, financial performance in January 2022 has been adversely impacted in both the IVF and Ultrasound businesses.

Notwithstanding the impact in January 2022 and subject to any further adverse impact from the ongoing Pandemic, the Company remains confident revenue and earnings (before non-regular items) can continue to grow in 2H22.

Approved by Board of Directors

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About Monash IVF Group Limited

Monash IVF Group is a leading provider of assisted reproductive services and specialist women's imaging and diagnostic services in Australia and South East Asia. The Group is a driving force in the development of assisted reproductive technologies and has many Australian and world firsts since the work of our pioneers who achieved the first IVF pregnancy in the world in 1973.