



ASX Announcement

Monash IVF Group Limited (ASX: MVF)

24 August 2021

Monash IVF Group delivers a 61.5% increase in Adjusted NPAT⁽¹⁾⁽²⁾ amid record IVF demand in Australia

Monash IVF Group Limited (ASX: MVF, the “Company” or “Monash IVF”), a leader in reproductive and fertility services in Australia and with a growing presence in South-East Asia, announces its full year results for the year ended 30 June 2021 (FY21).

FY21 Highlights:

- Revenue increased 26.3% to \$183.6m (FY20: \$145.4m)
- Adjusted EBITDA⁽¹⁾⁽²⁾ increased 37.1% to \$47.7m (FY20: \$34.8m)
- \$23.3m Adjusted NPAT⁽¹⁾⁽²⁾, an increase of 61.5% and ahead of profit guidance (\$21m-\$23m) provided in February 2021
- Reported NPAT of \$25.5m (FY20:11.8m), an increase of 116.9%
- \$32.8m Free Cash Flow generation including 100% conversion of EBITDA to pre-tax operating cash flows
- MVF Australian FY21 Stimulated Cycles (STIMS) increased by 36.6% due to industry growth of 31.1% and 0.6% market share gains
- International STIMS increased 25.1% or 208 cycles
- Ultrasound scan volumes increased by 12.9% or 10,623 scans
- Appointment of five experienced Fertility Specialists and a Medical Director of Genetics
- Opening of Sydney CBD flagship clinic, with further new clinics in pipeline for FY22
- Record Doctor Engagement NPS scores demonstrating a “culture of success”

Michael Knaap, Chief Executive Officer, commented: *"Our FY21 financial performance was strong and ahead of market expectations and was driven not just by strong industry growth, but also through implementing our own growth initiatives to increase our market share and build for future sustainable growth. With a growing pipeline of new patient enquiries and registrations, we are confident and well placed for sustainable future growth. FY21 started strongly due to the pent-up demand/deferred treatment resulting from an initial COVID-19 related shutdown of services in Q4FY20, and this momentum continued into Q2 resulting in strong volume growth throughout the year. We believe there is a fundamental shift in the community whereby the on-going Pandemic has changed the mindset of our patient cohort, leading to greater focus on family, health and wellbeing and resulting in re-direction of priorities towards family extension. This shift is driving industry growth and is expected to continue."*

(1) Reported EBITDA and NPAT adjusted for certain non-regular items. Refer to Appendix 4E (announced on 24 August 2021) and specifically the Directors Report page 7
(2) Non-IFRS measure



Since 2018, we have improved our clinical pregnancy rates by 4.5% following a huge amount of effort put into improving outcomes for our patients including harmonisation of laboratory protocols and new innovation. Our passionate scientific workforce are key drivers of these improvements. Relationships and engagement with our fertility specialists and sonologists have never been stronger whereby NPS scores are at record levels demonstrating a 'culture of success.' In FY21, we attracted five new experienced fertility specialists and four of our trainee specialists have converted to Monash IVF practicing fertility specialists and will support future growth.

Looking ahead, the investments we've made in our Business and in our network of fertility specialists and workforce means that Monash IVF is well positioned to capitalise on the strong industry fundamentals, grow market share in Australia and expand in Asia, as we continue to focus on providing an exceptional patient experience, optimal pregnancy outcomes and a great and safe environment for our people to work."

Financial and Operational Overview

The Company delivered strong FY21 revenue growth of 26.3% to total revenue of \$183.6m, buoyed by market share gains and strong industry volumes. STIM cycle market share grew by 0.6% to 21.0% in MVF's Key Markets⁽³⁾ underpinned by an increase in marketing investment which is growing the short-term and long-term patient pipelines. Other contributors in the year included the attraction of new fertility specialists in NSW, QLD and Victoria and expansion in certain jurisdictions including the new Sydney CBD fertility clinic and the full year contribution from the Fertility Solutions acquisition.

In Q1FY21, Monash IVF serviced the pent-up demand/deferred treatment created by the initial COVID-19 related temporary suspension of IVF services. Notwithstanding on-going and sporadic COVID-19 related lockdowns, IVF services have been largely undisrupted and as a result, growth continued throughout the year. Market Share gains were achieved in Victoria, New South Wales, Queensland and Northern Territory whilst the exceptionally high level of market share in South Australia was maintained above 60%. STIM industry growth of 31.1% supported the strong volume growth across the Group bringing the 5-year annual CAGR to 5.6%.

The Group achieved an Adjusted EBITDA⁽¹⁾⁽²⁾ of \$47.7m, up by 37.1% with EBITDA⁽¹⁾⁽²⁾ margin % improving from 23.9% to 26.0%. EBITDA⁽²⁾ Margin % improved following leverage gained from the increase in volumes which was partly offset by a 12% increase in marketing expenditure and patient communication digitisation activities and approximately \$1.7m of additional costs related to the suspension of the Ni-PGT genetic testing program.

Adjusted NPAT⁽¹⁾⁽²⁾ of \$23.3m was 61.5% higher than FY2020 noting Adjusted NPAT excludes the impact from Job Keeper Subsidies in FY21, commissioning costs associated with the new Sydney CBD fertility clinic and adjustments to Business Combination earn-out provisions.

(3) Key Markets are Victoria, New South Wales, Queensland, South Australia and Northern Territory



Cash flow performance was strong with Free Cash Flow increasing by 60% to \$32.8m driven by 100% cash conversion of EBITDA⁽²⁾ to pre-tax operating cash flows. \$44.1m of post-tax operating cash flows allowed for investment expenditure to be focused on future growth initiatives including new clinical infrastructure (\$5.3m), new state-of-the-art laboratory assets and technology (\$2.1m) and \$0.6m minority investment in a new Jakarta based fertility clinic which opened in February.

Going into FY22 and notwithstanding the on-going Pandemic, the Balance Sheet is well positioned to withstand any potential impact the Pandemic may present and is positioned to execute and capitalise on potential growth opportunities.

International

The Company's South East Asian expansion strategy continued to progress in FY21 despite Covid-19 challenges. Whilst Kuala Lumpur (KL) stimulated cycles increased by 21.6% compared to FY2020, they remained below pre-COVID levels declining by 2.5% compared to FY2019. This was in part due to the impact of the Malaysian Government's Movement Control Orders which continue to be in-place. Revenue in KL increased by 5.0% to \$10.4m compared to FY2020, and total international NPAT increased by 11% to 3.1m compared to FY20.

The Johor Bahru, Malaysia fertility business acquired in June 2020 has been restricted by the closed border between Singapore and Johor Bahru during FY21. Similarly, the minority owned greenfield fertility clinic in Jakarta which opened in partnership with Mitra Keluarga in February has been restricted by COVID-19 conditions in the region. In June 2021, the Group entered into an agreement to build and operate a new fertility clinic in Bali, Indonesia with a private hospital group, Kasih Ibu. The Company will have majority ownership and the Clinic is expected to open in late FY2022.

Diagnostics

The positive diagnostics ultrasound performance in FY21 was driven by obstetrics growth and a shift of activity from public to privately owned clinics. Ultrasound scan volumes in the period increased by 12.9% to 92,776 compared to pcp and Non-invasive Pre-natal testing (NIPT) increased by 17.8% to 15,877.

A key hire made in the period was the appointment of a Genomic Pathologist to the position of Medical Director of Genetics. The appointment is at a crucial time for the Company as the new NPAAC Laboratory supervision guidelines come into effect for all IVF laboratories from August 2021. This ensures the continuity of in-house genetic service offerings and provides a platform for expansion of our genetics suite of offerings in the future.

The Company will soon commence the distribution of a new, innovative reproductive genetic screening (RGS) kit that will be available online and through obstetricians, gynecologists, and fertility specialists. This new product is an important strategic growth driver that will lead to future stimulated cycle growth to prevent genetic diseases in children as awareness for the service grows. IVF activity growth is anticipated following growing awareness of genetic abnormality inheritance which can be identified and eliminated through embryo selection. Pleasingly, from 1 November 2021, there will be new Medicare subsidisation for certain genetic testing applicable to carriers of known genetic disorders.



Outlook

We believe there is a fundamental shift in the Community whereby the on-going Pandemic has changed the mindset of our patient cohort with greater focus on family, health and wellbeing resulting in re-direction of priorities towards family extension. This shift has driven strong industry growth in FY2021 and is expected to be maintained in FY2022.

The Group's current strong balance sheet positions it well to continue to navigate through the COVID-19 Pandemic and optimise future earnings through strategic and operational gains made during FY2021. Factors that will support future growth includes:

- Attraction of new fertility specialists In FY2021 will drive further volume growth in FY2022 and the Company is well placed to attract further experienced fertility specialists;
- Opening of new clinical infrastructure in the latter part of FY2022 including new projects that are well advanced in Melbourne, Gold Coast and Penrith;
- Conversion of the current strong new patient and returning patient pipelines. 2H21 new domestic patient registrations were 8% higher than 1H21 and 35% higher than 2H20;
- Sustainable marketing investment that is expected to continue to grow the new patient pipeline;
- Expansion of genetics capabilities and service offerings such as the soon to be commercialised reproductive genetic screening kits;
- Continuous improvements to pregnancy rates and patient experience;
- Identify and execute on non-organic growth opportunities in Australia and abroad;
- Continue expansion into South East Asia noting implementation and benefits derived from the Strategy will not materialise for a number of years.

Subject to an adverse impact from the on-going Pandemic, the Group is confident revenue and earnings can grow in FY2022. An update will be provided at the 2021 Annual General Meeting.

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 Malaysia. 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.