

17 February 2022

1H22 Results Presentation



Monash IVF Group
Leading the future of reproductive care



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Key highlights 1H22

Underlying profit ahead of guidance, underpinned by further market share gains and record ARS Industry volumes

- Adjusted NPAT⁽¹⁾⁽²⁾⁽⁵⁾ of \$13.4m, 11.7% above 1H21
- Continued IVF industry volume growth⁽³⁾⁽⁴⁾ – 3.6% 1H22 growth following 23.8% growth in 1H21
- Above Industry MVF domestic stimulated cycle growth of 6.6% resulting in 0.7% market share growth⁽³⁾⁽⁴⁾
- 11% new Australian patient registration growth in 1H22 compared to 1H21 supporting 2H22 new patient stimulated cycle growth
- 4 new domestic Fertility Specialists attracted during 1H22
- New Singapore IVF clinic to be commissioned during 2H22 with 4 experienced Fertility Specialists commencing with Monash IVF. 200+ stimulated cycles anticipated in Year 1
- Balance Sheet continues to be in a strong position to support organic and non-organic growth aspirations
- Return on Equity improved to 9.1% compared to 8.6% in 1H21
- 2.2 cents per share fully franked interim FY2022 dividend

Attractive industry fundamentals

Supporting volume growth in FY2022 and beyond

Advanced maternal age

- MVF average maternal age is 37 and has remained at high levels since the start of the Pandemic
- Supports maintenance and continued growth in the IVF sector during and post Pandemic

Behavioural change in the community

- 9% increase in new patients accessing MVF's domestic network for stimulated cycles in 1H22 following a 40% increase in FY21

Growth in service offerings and advances in technology

- Pregnancy rates have improved from 32.6% in CY18 to 37.2% in CY21⁽¹⁾
- Continued growth experienced in service offerings including donor services, social egg freezing and genetics
- 11% new patient registration growth during 1H22 supporting further growth in 2H22

Stable and continued government funding

- Stable funding continues to support IVF volume growth and affordability for patients
- Increasing Government support from 1 November 2021 for testing and diagnosis of genetic diseases
- Anticipated funding of broader genetic testing services in the near future



Advanced
maternal age



Innovation/
technology

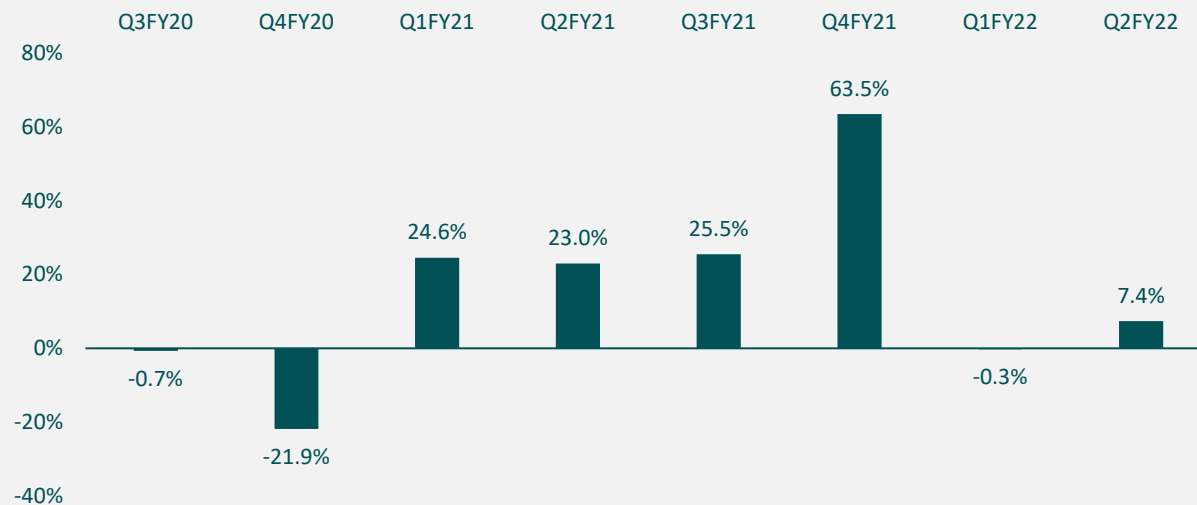


Awareness
and support

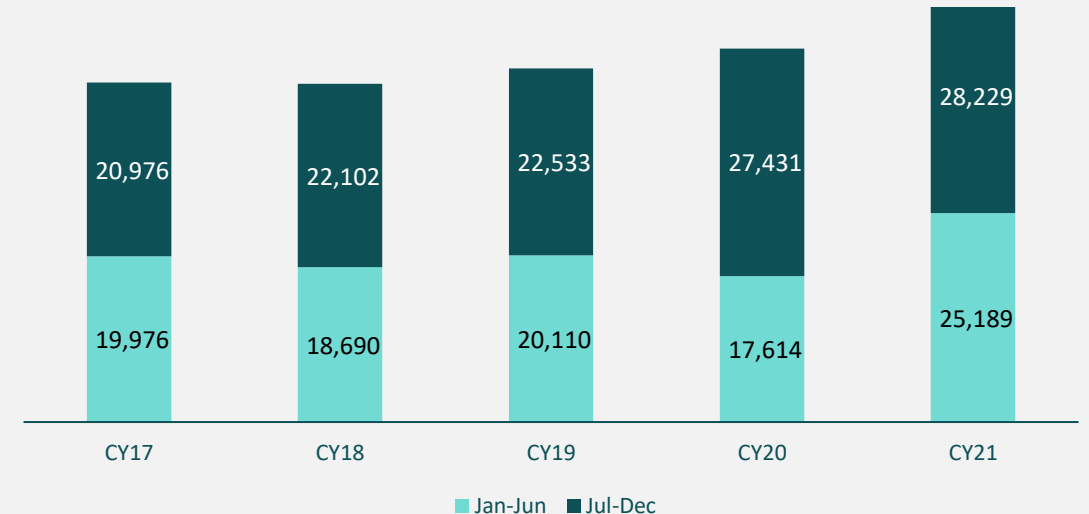
Industry Volumes – ARS Australia

FY21 record growth in ARS services is sustainable following further Industry growth in 1H22

Key Markets⁽²⁾ Stimulated Cycles⁽¹⁾ quarterly growth



Number of Australian Stimulated Cycles⁽¹⁾ half on half



- 1H22 Key Markets⁽²⁾ stimulated cycles⁽¹⁾ grew by 3.6% compared to pop following 23.8% stimulated cycle growth in 1H21 compared to 1H20;
- Our view remains that following strong industry growth, a new baseline for stimulated cycles has been created and ARS Industry volumes can grow by 2-3% per annum as awareness for donor services, social fertility treatment and genetic disease prevention testing grows. In addition, continued community recognition of the importance of family.

(1) Stimulated cycles are MBS items 13200/1

(2) Victoria, New South Wales, Queensland, South Australia and Northern Territory

MVF Market Share - ARS Australia

MVF stimulated cycle growth more than doubled Industry growth

Volume	Market Share
Stimulated cycles ⁽¹⁾ 5,257 1H21 4,933 Up 6.6%	Key Markets ⁽³⁾ Market Share Stimulated Cycles ⁽²⁾ 20.8% 1H21 20.1% Up 0.7%
Frozen Embryos ⁽²⁾ 3,740 1H21 3,309 Up 13.0%	Key Markets ⁽³⁾ Market Share Frozen Embryos ⁽²⁾ 19.9% 1H21 18.3% Up 1.6%

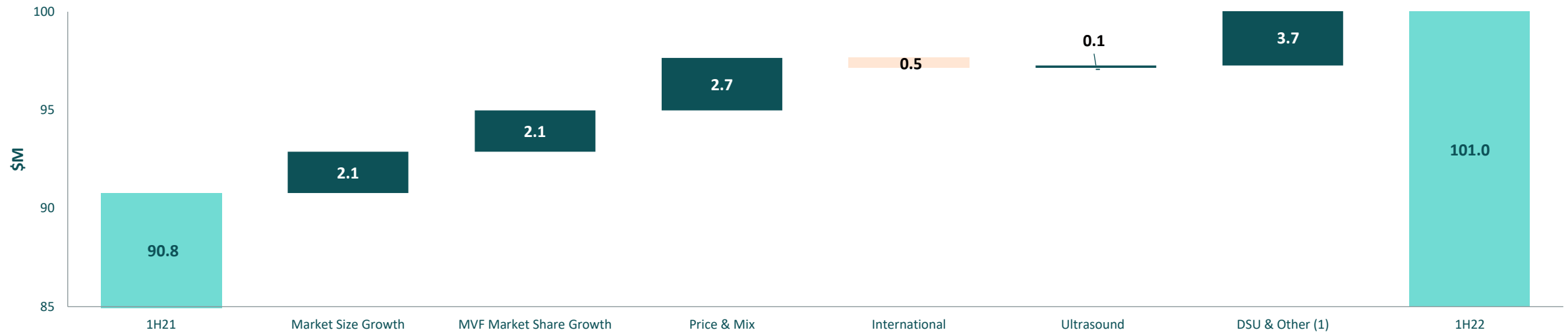
- MVF Australian 1H22 Stimulated Cycles⁽¹⁾ increased by 6.6% due to IVF industry⁽³⁾ growth of 3.6% and market share gains in MVFs Key markets⁽³⁾;
- MVF Stimulated Cycles⁽¹⁾ market share in Key Markets⁽³⁾ grew by 0.7% to 20.8% during 1H22 due to:
 - creative marketing campaigns and substantial investment
 - Contribution from new fertility specialists attracted in previous 12 months
 - Contribution from new Sydney CBD clinic
 - Market share gains in SA, QLD and NSW whilst VIC was stable;
- MVF Frozen Embryo Transfers increased by 13.0% following strong stimulated cycle growth in FY21.
 - Market Share increased by 1.6% to 19.9% compared to pcp.

Financial Results



1H22 Revenue Analysis

\$10.2m or 11.2% revenue growth driven by market share gains, industry growth and extension of revenue streams through day hospital income



- 3.6% IVF Industry⁽¹⁾⁽²⁾ growth increased MVF revenue by \$2.1m or 2.3%
- 0.7% MVF Market Share⁽¹⁾⁽²⁾ growth increased ARS revenue by \$2.1m or 2.3% driven by market share gains in QLD, NSW and SA and stable market share in Victoria
- 4.4% average ARS revenue per stimulated cycle increase compared to pcp which drove \$2.7m or 3.0% ARS revenue growth following 2-3% price increases across all domestic Markets and lower Ni-PGT patient remediation cycles compared to pcp
- Whilst International Revenue declined by \$0.5m, Q2 Kuala Lumpur Revenue increased by 15% following a 30% decline in Q1 due to weak macroeconomic conditions in Kuala Lumpur following COVID-19 restrictions in Q1
- \$3.7m Day Surgery & Other revenue growth including full period impact from the Sydney CBD day hospital. In addition, \$1.8m revenue recognized for insurance recovery relating to Ni-PGT which offset approximately \$1.0m of costs incurred during 1H22

1H22 Profit & Loss overview

Adjusted NPAT growth of 11.7% compared to pcp

Adjusted (\$m)	1H22	1H21 ⁽⁴⁾	% change
Group revenue	101.0	90.8	11.2%
Adjusted EBITDA ⁽¹⁾⁽²⁾	26.8	24.7	8.5%
Adjusted EBIT⁽¹⁾⁽²⁾	19.4	18.6	4.5%
Adjusted NPAT⁽¹⁾⁽²⁾⁽³⁾	13.4	12.0	11.7%
Reported (\$m)			
Reported EBITDA⁽¹⁾	25.2	28.7	(12.2%)
Depreciation & amortisation	(7.3)	(6.1)	19.7%
Reported EBIT	17.9	22.6	(20.8%)
Net finance costs	(0.7)	(1.4)	(50.0%)
Reported Profit before tax	17.2	21.2	(18.9%)
Income tax expense	(5.0)	(6.4)	(21.9%)
Reported NPAT⁽³⁾	12.2	14.8	(17.6%)

- **Adjusted NPAT⁽¹⁾⁽²⁾⁽³⁾ of \$13.4m ahead of \$13.0m profit guidance and 11.7% higher than 1H21**
- Revenue of \$101.0m, an increase of 11.2%, largely driven by Group stimulated cycles increase of 6.6%, average ARS revenue per stimulated cycle increase of 4.4% partly offset by decline in Ultrasound scan volumes;
- Adjusted EBITDA⁽¹⁾⁽²⁾ of \$26.8m, up 8.5%, with margin of 26.5% as volume leverage gained from strong domestic IVF activity was partly offset by:
 - short-term margin decline in Ultrasound and Kuala Lumpur (Pandemic related) and commencement of the Sydney CBD day hospital
 - Increased cost base to support health & safety measures and protocols
 - \$1.0m increase in medical malpractice and D&O liability insurance
- \$0.7m Net Financial Cost decline primarily due to lower average carrying value of debt (\$0.5m impact);
- Reported EBITDA⁽¹⁾⁽²⁾ and Reported NPAT includes \$1.0m (pre-tax) of costs associated with discontinued Acquisition opportunities
- Reported NPAT declined by 17.6% due primarily to receipt of Job Keeper subsidies in 1H21

1H22 Cash flow overview

Solid operating cash flow generation continues

\$m	1H22	1H21 ⁽³⁾	% change
Reported EBITDA	25.2	28.7	(12.2%)
Movement in working capital	(4.3)	(5.0)	(14.0%)
Income taxes paid	(6.3)	(3.0)	110.0%
Net operating cash flow (post-tax)	14.6	20.7	(29.50)%
Capital expenditure	(3.6)	(6.2)	(41.9%)
Payments for businesses/minority interest	(1.3)	(0.7)	(85.7%)
Cash flow from investing activities	(4.9)	(6.9)	(29.0%)
Free Cash flow ⁽¹⁾	9.7	13.8	(29.7%)
Dividends paid	(8.2)	(5.0)	64.0%
Interest on borrowings ⁽²⁾	(0.5)	(0.5)	-
Payments of lease liabilities	(4.3)	(3.8)	(3.2%)
Proceeds / (repayment) of borrowings	1.4	(12.2)	(111.5%)
Other	-	0.2	(100%)
Cash flow from financing activities	(11.6)	(21.3)	(45.5%)
Net cash flow movement	(1.9)	(7.5)	(74.7%)
Closing cash balance	6.9	7.6	(9.2%)

- **Free cash flow⁽¹⁾ of \$9.7m**, an increase of \$3.3m or 52% excluding Job Keeper Subsidy receipts in 1H21
- **Pre-tax conversion of EBITDA to operating cash flow was solid** at 83% and consistent with pcp
- \$3.6m capital expenditure including **laboratory assets for greater capacity and expansion**, commencement of new IVF clinic and Day Hospital in Melbourne and IT infrastructure (including cyber security)
- **\$8.2m final FY21 dividend paid** in October 2021
- \$6.3m income tax payments including \$3.9m relating to the FY2021 tax return submission
- \$1.3m earn-out payment relating to the Fertility Solutions acquisition in FY19 following out-performance during FY21

Capital Management Overview

Positioned for organic and non-organic growth opportunities

Balance Sheet (\$m)	31-Dec-21	30 June 21 ⁽⁶⁾	% change
Cash and cash equivalents	6.9	8.8	(21.60%)
Other current assets	16.1	13.7	17.50%
Current lease liabilities	(5.2)	(5.8)	(10.3%)
Current liabilities	(28.7)	(33.6)	(14.6%)
Current borrowings	-	(1.6)	(100.0%)
Net working capital	(10.9)	(18.6)	(41.4%)
Non current borrowings	(3.0)	-	100.0%
Goodwill & Intangibles	259.7	260.0	(0.1%)
Right of use assets	40.9	42.4	(3.5%)
Lease liabilities	(37.7)	(38.5)	(2.10%)
Plant & Equipment	25.1	25	0.80%
Other assets/(liabilities)	(1.6)	(1.2)	33.30%
Net assets	272.5	268.9	1.30%

Capital Metrics	31-Dec-21	30-Jun-21	+/-
Net Cash ¹ (\$m)	3.9	7.2	(3.3)
Leverage Ratio (Net Debt / EBITDA ²)	Cash positive	Cash positive	-
Interest Cover (EBITDA ² / Interest)	168.8x	55.7x	113.1x
Net Debt to Equity Ratio ³	Cash positive	Cash positive	-
Return on Equity ⁴	9.10%	8.60%	0.50%
Return on Assets ⁵	7.00%	6.60%	0.40%

- Balance Sheet continues to be in a strong position to support organic and non-organic growth aspirations including;
 - Organic growth - new clinic infrastructure in Melbourne, Gold Coast, Brisbane, Penrith, Darwin, Singapore, Bali and attraction of new suitable clinicians;
 - Non-organic growth – both domestic and abroad;
- Net Cash of \$3.9m;
- \$40m Syndicated Debt Facility extended by 3 years and not due until December 2024. \$40m Accordion Facility remains in-place to support growth initiatives;
- Significant headroom remains available in key banking covenants;
- 2.2 cents per share fully franked interim FY22 dividend declared reflecting payout ratio of 64% compared to policy range of 60% - 70% of Adjusted NPAT;
- Continued improvement in Key capital return metrics with ROE up by 0.5% and ROA up by 0.4%

Operational Review



Domestic ARS operations Update

Clinical pregnancy rates continue to improve across the Group growing from 32.6% in CY18 to 37.2%⁽¹⁾

The “Monash Way” as developed by our Group Scientific Advisory Committee is well established across our Group and a key driver of improvements in pregnancy rates

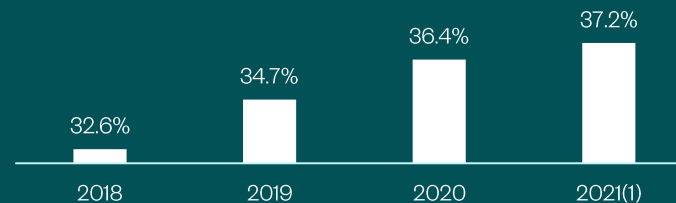
Initiatives to drive future improvements include:

- PIEZO clinical trial (a gentler form of microinjection) phase 2 recruitment continuing with utilization of the technology on poor prognosis patients
- Sperm selection device development (Felix) in partnership with Memphasys (ASX:MEM) progressing with multi-site clinical trial to commence in March 2022
- Rollout of Embryoscope technology across clinic network resulting in less embryo touch points during development stage
- Commenced validation of Embryomap (new pre-implantation genetic screening platform) after participation in a trial to decrease touch points to optimize genetic workflows



Scientific
Leadership

Monash IVF Australia –
Clinical pregnancy (per embryo
transferred)



Domestic ARS operations Update

- Focus remains on ensuring strong Doctor Engagement is maintained and grown through our value proposition to Doctors including patient experience, doctor experience and patient acquisition marketing activities
- Four new Fertility Specialists joined Monash IVF to deliver future growth and succession planning including two trainee clinicians credentialed following completion of the Monash IVF training program during 1H22
- Fifteen additional Fertility Specialists added since 1 January 2020 supporting current volumes, future growth and succession
- Onboarding of four new clinical geneticists building and supporting our Genetics offerings and capabilities to deliver best-in-class outcomes
- Focus remains on attracting and onboarding new and experienced fertility specialists with outstanding clinical competencies, industry reputation and cultural fit

Domestic ARS operations Update

New and updated clinical infrastructure is paramount to execution of our strategic growth objectives



Clinical
Infrastructure

- Transformation of Melbourne footprint is well advanced with new fertility clinic and day hospital expected to open in Cremorne towards early FY23. This will consolidate four existing locations and introduce a new day hospital revenue stream
- Relocation of existing Penrith, NSW and Darwin, NT fertility clinics is expected by end of FY22
- Relocation of the existing Gold Coast fertility clinic and build of a brand new Gold Coast day hospital is expected in early FY23 bringing a further new revenue stream at the day hospital



Domestic ARS operations Update

Continued investment in Brand & Marketing driving future patient pipeline

- Marketing strategy continues to focus on creative direct to consumer patient marketing activities that will continue to build the Monash IVF brand identity and value proposition for current and future fertility specialists



Brand & Marketing

- The *One in 6* advertising campaign continues to build awareness of Monash IVF
- The new Monash IVF brand identify has been acknowledged with two Healthcare Industry design awards



People Engagement

- Our Principles continue to support our manoeuvring through the current environment whilst maintaining our high employee engagement and a culture of success
- Our newly created and established Learning and Development Framework is supporting leadership continuity, retention and development of critical business skills and intellectual capital and property
- Monash IVF supports a diverse and inclusive workplace. In 2021, the Group established the first collaborative Diversity and Inclusion council to continue building our inclusive culture and values

Diagnostic Ultrasound Performance

Ultrasound scan activity impacted by COVID-19 in Sydney and Melbourne

- FY2022 ultrasound volumes declined by 4.2% to 42,118 compared to pop and Non-invasive Pre-natal testing (NIPT) declined by 2.1% to 7,769. Margin decline largely due to health & safety protocols to ensure a safe environment is in-place for Staff and Patients;
- Sydney Ultrasound business partly recovered during Q2 FY22 as scan volumes declined by 2.1% in Q2 FY22 compared to pop. This was following a 6.0% decline during Q1 FY22;
- Melbourne Ultrasound business demand for pregnancy related scans and other screening tests continue to be solid, however Q2 FY22 activity was heavily impacted by COVID-19 related capacity constraints resulting in a 6.5% decline in scans compared to pop;
- Monash IVF's branded Reproductive Carrier Screening test kit (RGS) offering commenced in November, allowing couples to identify potential genetic conditions in a child prior to conception. RGS is available online and in our Clinics. Launch of RGS kit expected to be a new non-fertility related patient recruitment channel for stimulated cycle growth (website link [Genetic Carrier Screening Test | Monash IVF Australia](#))
- Regarding Group proceedings against Monash IVF as announced in December 2020, the Company continues to defend the alleged claims. The matters specific to the claims made continue to be indemnified by insurers.





ARS International Operational Performance

South East Asian expansion strategy progressing despite continued COVID-19 challenges

- KL Fertility continued to be impacted by weak macroeconomic conditions and Q1 FY22 movement control orders in Kuala Lumpur in response to the COVID-19 situation;
- Q2 KL recovery with Revenue growth of 15% following a 30% decline in Q1 compared to pcp. As a result, International Stimulated cycles declined by 106 or 19.4% compared to pcp;
- **New KL patient consultations were encouraging in Q2 FY22, up by 29.2% compared to pcp, providing solid platform for growth in 2H22;**
- EBIT declined by \$0.6m or 33.0% compared to pcp whilst NPAT declined by \$0.5m or 33.7%;
- **New Singapore IVF clinic to be commissioned and open in Q4 FY22** in a highly attractive Singapore market
 - Four experienced fertility specialists have been attracted to support the Clinic
 - 200+ stimulated cycles anticipated in Year 1
- Construction of the new fertility clinic in Bali, Indonesia is progressing and is expected to be commissioned and operational by end of FY22.
- New clinics will complement our recent expansion in Johor Bahru (Malaysia) and Jakarta (Indonesia) **bringing total SEA clinics to 5** when completed;
- The Group remains well placed and committed to executing on acquisition and partnership opportunities in the SEA region.

Strategy and Outlook



Our Mission

We help bring
life to the world

Vision 2026

The most admired
reproductive care
provider in the world

Best in class fertility solutions, diagnostics,
genetics and pathology.

Our Pillars



Doctor
Partnerships



Patient
Experience



Scientific
Leadership



People
Engagement



International
Expansion



Digital
Transformation



Brand &
Marketing



Clinical
Infrastructure

Our Outcomes



Engagement
Patients, Doctors,
People, Regulators



**Local & International
Market Share**



**Market Leading
Success Rates**



**Value
Creation**

Our Principles

Care | Commitment | Communicate | Collaborate | Create

Strategy & Outlook

Although the COVID-19 Pandemic continues to evolve and present challenges, there remains a fundamental shift in the Community whereby the mindset of our patient cohort continues to focus on family, health and wellbeing resulting in prioritization of family creation and extension. This sustainable shift has driven strong industry growth since June 2020 and is expected to be maintained in FY2022.

Initiatives that will support future growth includes:

- Attraction of new fertility specialists in last twelve months will drive volume growth in 2H22 and the Group is well placed to attract additional experienced fertility specialists;
- Opening of new clinical infrastructure in the latter part of FY22 and early FY23 including new projects that are well advanced in Melbourne, Gold Coast, Brisbane, Darwin and Penrith;
- 11% increase in domestic New patient Registrations and strong returning patient pipeline;
- Sustainable marketing investment that is expected to continue to grow the new patient pipeline;

- Expansion of genetics capabilities and service offerings such as the newly commercialized reproductive genetic screening kits launched in November 2021;
- 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 including new Singapore clinic to be operational during 2H22 and build of new clinic in Bali.

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 on-going Pandemic, the Company remains confident revenue and earnings (before non-regular items) can continue to grow in 2H22.

Appendices



Treatment Mix

IVF Treatment numbers	1H22	1H21	% change
Monash IVF Group – Australia			
Stimulated cycles	5,257	4,933	6.60%
Cancelled cycles	601	480	25.10%
Frozen embryo transfers	3,740	3,309	13.00%
Total Australian Patient Treatments	9,598	8,722	10.00%
Monash IVF Group – International			
Stimulated cycles	440	546	(19.4%)
Cancelled cycles	27	25	8.00%
Frozen embryo transfers	426	509	(16.3%)
Total International Patient Treatments	893	1,080	(17.3%)
Total Group Patient Treatments	10,491	9,802	7.00%
Stimulated cycles as a % of Total Patient Treatments	54.30%	55.90%	
Other Treatment numbers	1H22	1H21	% change
Ultrasound Scans	42,118	43,964	(4.2%)
Non-Invasive Prenatal Testing (NIPT)	7,769	7,932	(2.1%)

1H22 Earnings reconciliation

Statutory earnings adjusted for certain non-regular items

\$m	EBITDA	EBIT	1H22 NPAT	1H21 NPAT
Reported Statutory	25.3	17.9	12.2	14.7
Acquisition transaction costs	1.0	1.0	0.7	-
Acquisition Earn-out fair value	0.5	0.5	0.5	0.2
Job Keeper Subsidy	-	-	-	(3.5)
Sydney CBD fertility clinic commissioning costs	-	-	-	0.6
Adjusted	26.8	19.4	13.4	12.0

- \$1.0m pre-tax acquisition related transaction costs including domestic and international business acquisitions that were pursued but did not complete.
- \$0.5m increase to AASB3 Business Combinations earn-out provision for increase to estimated purchase price payments to Fertility Solutions vendors as a result of stronger than anticipated performance during 1H22. Earn-out period ends at 30 June 2023.

Overview of Monash IVF Group

Monash IVF Group is a market leader in reproductive care

ARS Australia

24 clinics & 3 services centres
98 Fertility Specialists
(9 trainees)
7 Australian States / Territories



ARS International

4 clinics
15 Fertility Specialists
(1 trainee)
4 international cities



Diagnostics

2 specialised laboratories
(VIC and SA)
3 day hospitals
(SA, NSW and Malaysia)



Womens Ultrasound

17 clinics
16 Sonologists
(1 trainee)
4 Australian states



129 Medical Specialists

127¹ Scientists

408¹ Nursing and Support Staff

1. Employee numbers represents the full time equivalents

