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ASX Announcement

Monash IVF Group Limited (ASX:MVF)

21 February 2023

Half Year FY2023 Results

Monash IVF provides positive outlook for FY2023 as its strategic growth drivers continue to gather momentum.

Monash IVF Group Limited (ASX: MVF, the "Company" or Monash IVF"), a leader in reproductive and fertility services in Australia, with a growing presence in South-East Asia, announces its results for the half year ended 31 December 2022.

Monash IVF has delivered a solid result in 1H23, with market share gains delivered in its Domestic IVF Key Markets[1] including acquisitions, progress in its expanding South-East Asian presence and improvements in its Womens' Imaging business notwithstanding challenging industry conditions due to COVID-19 in July 2022 and a 6.6% decline in IVF Industry[1] stimulated cycle[2] activity.

Over the past 18 months, Monash IVF has invested significantly in future growth activities through acquisitions, doctor attraction, new clinical infrastructure and new services. This investment, together with the positive on-going industry fundamentals and demand drivers, sets the foundation for long-term sustainable growth across Monash IVF's business in Australia and South-East Asia.

1H23 Financial Outcomes Summary

- Revenue increased 2.3% to $103.3m (1H22: $101.0m);
- $12.6m Underlying Group NPAT[3];
- Underlying Group EBITDA[3][4] of $26.8m, in line with PCP;
- Underlying EBITDA Margin[3] % maintained at 26% reflecting effective cost control and minimising inflationary cost base pressures;
- Interim FY2023 fully franked dividend of 2.2 cents per share.

1H23 Domestic Operational Outcomes Summary

- Monash IVF Domestic Stimulated Cycles[2] market share increased by 0.7% in Key Markets[1] to 21.5% following Monash IVF Stimulated Cycles[2] declining by 3.8% compared to 6.6% decline in Industry activity[1][2];
- Womens' Imaging ultrasound scans declined by 2.1% compared to PCP as Q1 activity declined by 7.4% and Q2 activity returned to growth of 3.6% compared to PCP;
- Successful integration of ART Associates Queensland acquisition (including eight new doctors). PIVET Medical Centre acquisition planned to complete by end of Q3FY2023;

1. Victoria, New South Wales, Queensland, South Australia and Northern Territory
2. MBS items 13200/1
3. Underlying NPAT excludes certain non-regular items and is a non-IFRS measure
4. EBITDA is a non-IFRS measure (Earnings before interest, tax, depreciation and amortisation)
5. January to October 2022

- 1% improvement in clinical pregnancy rates per embryo in CY22[5] compared to CY21;
- New flagship IVF clinics in Melbourne, Gold Coast and Brisbane progressing to completion.

1H23 International Operational Outcomes Summary

- Monash IVF International stimulated cycles increased by 36.4% compared to PCP as new Singapore IVF clinic ramped up to profitable in November 2022;
- Kuala Lumpur IVF clinic records 6.1% stimulated cycle growth compared to PCP;
- Progress and momentum of the South-East Asia growth strategy with five IVF clinics across the Region including Bali commencing operations in January 2023.

Michael Knaap, Chief Executive Officer and Managing Director, commented:

"Monash IVF's 1H23 EBITDA[4] was in line with the prior year, which is an excellent result given the short-term volatility in the Australian IVF market, and inflationary cost pressures across all businesses and industries.

"Monash IVF's Domestic ARS business reported a solid result in 1H23 with market share in Key Markets[1][2] increasing by 0.7% to 21.5% including acquisitions, further building on the market share gains in previous years.

Whilst industry volumes in Key Markets declined in 1H23, we do not believe the underlying positive fundamentals of the IVF industry have changed. Volumes in the later part of the half and Monash IVF's levels of New Patient Registrations suggest the IVF market is poised to return to growth. Advanced maternal age, growth in services and new technologies and a stable Government funding environment are all expected to underpin industry growth going forward. As we move beyond COVID-19, industry volumes have normalised well above pre-COVID levels.

The benefits of Monash IVF's significant recent investment in future growth started to deliver in 1H23, with the full benefits to build over the coming years. New doctors and the successful acquisition and integration of ART Associates Queensland helped Monash IVF withstand the industry weakness in 1H23, with Monash IVF recording an EBITDA[4] in line with pcp, which was a solid result.

The next 12 months will round out a very transformational period for Monash IVF's clinic infrastructure, with four new flagship clinics – Sydney (completed), Melbourne (2H23), Gold Coast (2H23) and Brisbane (FY24). These new clinics and related day surgeries (excluding Brisbane) will enhance the patient experience and support our existing and new doctors."

In commenting on Monash IVF's other businesses, Mr Knaap said "The Womens' Imaging business has been impacted due to the Pandemic and skilled staff shortages. This impact has subsided by the end of 1H23 and we are poised to further improve during 2H23.

We are particularly pleased with the turnaround in KL Fertility, and the performance of our new Singapore IVF clinic. We now operate five clinics in SE Asia and are committed to further expansion to take advantage of the attractive growth profile for fertility services in the region," Mr Knaap said.

Balance Sheet and Cash flow

The Balance Sheet continues to be in a solid position to support the Company's new clinical infrastructure commitments and plans in Melbourne, Brisbane, Gold Coast and progressing its presence in South-East Asia. Following $13.7m of capital expenditure in 1H23, a further $10m to $15m capital expenditure is expected in 2H23 including progress/completion of the new flagship IVF clinics in Melbourne, Gold Coast and Brisbane (including on-going medical and laboratory equipment replacement program).

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Cash flow generation from pre-tax EBITDA to operating cash flows (non-IFRS measure) was strong compared to PCP at 89% compared to 83% in 1H22 and 82% in 1H21. In addition to capital expenditure, $4.8m payments were made relating to acquisitions including $3.9m up-front payment for ART Associates Queensland No.2.

Outlook

The favourable underlying demand dynamics of the IVF Industry remains unchanged notwithstanding Industry declines during 1H23.

Advanced maternal age and access to broader service offerings (including donor, egg freezing and genetics) are expected to underpin long-term industry growth supported by strong MVF inbound inquiry levels during Q2FY2023. In addition, new patient registrations during Q2FY2023 increased by 14% (including acquisitions) and this momentum has continued into 2H23.

In FY22 and 1H23, MVF made significant investments in future growth including recent acquisitions, attraction of new fertility specialists and further expansion into South-East Asia. The ART Associates QLD acquisition completed in October 2022 and will have a full six-month contribution of earnings in 2H23. In addition, the PIVET Medical Centre acquisition is expected to complete during Q3FY23.

From a cost perspective, we expect the cost base to remain at manageable levels. Wage rates (Salaries & Wages are the largest expense for MVF) are expected to increase by 3-4% per annum as Nursing & Scientific Enterprise Agreements are in-place until FY26. In addition, low to moderate growth is expected in other expenditure categories on a comparable basis (excluding acquisitions).

Accordingly, we anticipate FY2023 Underlying[3] Net Profit After Tax of $25.5m or 15% growth compared to FY2022 (subject to any further Pandemic related disruption and/or worsening macro-economic conditions impacting IVF Industry activity).

Authorised by Monash IVF Group's Chairman and Managing Director.

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-Ends-

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