

Monash IVF Group Limited
Appendix 4D Half year report
ACN 169 302 309

Reporting period:	Half year ended 31 December 2022
Previous corresponding period:	Half year ended 31 December 2021
Release date:	21 February 2023

Results for announcement to the market

				A\$'000
Revenue from ordinary activities	Up	2.3%	to	103,323
Earnings before interest and tax (EBIT)	Down	8.4%	to	16,360
Net profit from ordinary activities after tax attributable to members	Down	11.9%	to	10,642
Underlying Earnings before interest, tax, depreciation (EBITDA) ⁽¹⁾⁽²⁾	Up	0.1%	to	26,801
Underlying Earnings before interest and tax (EBIT) ⁽²⁾	Down	2.8%	to	18,842
Underlying Net profit from ordinary activities after tax attributable to members and minority interest ⁽²⁾	Down	5.7%	to	12,603
<p>(1) EBITDA is earnings before interest, tax, depreciation and amortisation. EBITDA is a non-IFRS measure which is used by the Group as a key indicator of underlying performance. This non-IFRS measure is not subject to audit or review.</p> <p>(2) Underlying include acquisition transaction costs (\$1,057K pre-tax), commissioning costs including lease expenditures (\$1,379K pre-tax) and Fertility Solutions AASB 3 earn-out fair value adjustment (\$46K). Underlying for the previous corresponding period include acquisition transaction costs (\$1,049K pre-tax) and Fertility Solutions Earn Out Fair Value adjustment (\$468K). Refer to page 4 of the Directors Report. Underlying EBITDA, EBIT and NPAT are non-IFRS measures.</p>				
Dividends	Date paid / payable		Amount per security	Franked amount per security
Interim Dividend (current reporting period)	7 April 2023		2.2¢	2.2¢
Interim Dividend (previous corresponding period)	4 April 2022		2.2¢	2.2¢
Final Dividend year ending 30 June 2022	7 October 2022		2.2¢	2.2¢
Record date for determining entitlements to the Interim Dividend:			9 March 2023	

Brief explanation: Please refer to the commentary in the review of operations and activities section of the Directors Report and the 1H23 Results Announcement accompanying this Financial Report.

Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing (per share)	\$0.01	\$0.03
Net assets backing (per share)	\$0.70	\$0.70

Share of net profit/(loss) after tax from associates

Associate	% of holdings	Share of profit/(loss) - \$A'000
Compass Fertility Trust ("trading as Compass Fertility")	25.0%	\$100

Review of the financial report

The financial report has been subject to review by KPMG and no dispute or qualification is contained in the attached Lead Auditor's Independence Declaration on page 9 and the Independent Auditor's Review Report for the six month period ended 31 December 2022.

Monash IVF Group Limited
Directors' Report
for the half year ended 31 December 2022

The Directors present their report together with the consolidated financial report of Monash IVF Group Ltd ('the Group'), being the Company (Monash IVF Group Ltd), its subsidiaries, and the Group's interest in associated entities as at and for the six month period ended 31 December 2022, and the auditor's review report thereon.

Directors

The Directors of the Company at any time during or since the end of the interim period are:

Mr Richard Davis
Ms Zita Peach
Mr Josef Czyzewski
Ms Catherine West
Mr Neil Broekhuizen
Dr Richard Henshaw
Mr Michael Knaap

Principle activity

The Group is a leader in the field of human fertility services and is one of the leading providers of Assisted Reproductive Services (ARS) which is the most significant component of fertility care in Australia and South East Asia. ARS encompass a range of techniques used to assist patients experiencing infertility to achieve a clinical pregnancy. In addition, the Group is a significant provider of specialised women's imaging services.

Operational and Financial Review

The Group reported Underlying NPAT⁽¹⁾⁽²⁾⁽⁶⁾ of \$12.6m, as compared to \$13.4m in pcp.

\$m	1H23	1H22	% Change
Group Revenue	\$103.3	\$101.0	2.3%
Underlying EBITDA ⁽¹⁾⁽²⁾	\$26.8	\$26.8	0.1%
Underlying EBIT ⁽¹⁾⁽²⁾	\$18.8	\$19.4	(2.8%)
Underlying NPAT ⁽¹⁾⁽²⁾⁽⁶⁾	\$12.6	\$13.4	(5.7%)
Reported EBITDA ⁽¹⁾⁽²⁾	\$24.3	\$25.3	(4.0%)
Reported EBIT	\$16.4	\$17.9	(8.4%)
Reported NPAT ⁽⁶⁾	\$10.8	\$12.2	(11.5%)
EPS (cents)	2.7	3.1	(12.9%)
DPS (cents)	2.2	2.2	0.0%
	31 Dec 22	30 June 22	
Net Debt (\$m) ⁽³⁾	\$19.5	\$2.1	
Net Debt to Equity ratio ⁽⁴⁾	7.2%	0.8%	
Return on Equity (pa.) ⁽⁵⁾	7.9%	8.2%	

(1) EBITDA and Underlying NPAT are non-IFRS measures

(2) Refer to earnings reconciliation on page 4 for Underlying vs Reported EBITDA, EBIT and NPAT

(3) Debt less cash balances

(4) Net debt to equity is debt divided by equity

(5) Return on equity is Underlying NPAT for the twelve-month period to 31 December 2022 divided by closing equity

(6) Attributable to ordinary shareholders and non-controlling interest

Group Underlying Results

The Group delivered underlying NPAT⁽³⁾⁽⁴⁾ of \$12.6m which is inline with profit guidance provided at the November 2022 Annual General Meeting. Underlying EBITDA⁽³⁾ was inline with the prior comparative period notwithstanding a challenging operating environment in July 2022 (due to COVID-19) and Domestic IVF Industry stimulated cycles declined⁽¹⁾⁽²⁾⁽⁵⁾ by 6.6% compared to pcp. The Group delivered revenue growth of 2.3% to \$103.3m revenue in 1H23 due predominately to:

- stimulated cycle market share gains in Queensland and South Australia (including acquisitions) notwithstanding declines in Victoria. Victorian new patient registrations were strong and above pcp in Q2FY2023 indicating improvement in performance during 2H23;
- price increases of 3%+ across all services and markets;
- recovery of activity in Kuala Lumpur and ramp-up of activity in the new Singapore IVF clinic;
- increase in day hospital and genetics income;
- partly offset by 3.8% decline in domestic stimulated cycles vs. 6.6% industry volume declines.

The Group achieved 1H23 Underlying EBITDA⁽³⁾ of \$26.8m and an EBITDA⁽³⁾ margin % of 26% which were largely inline with pcp. The Group EBITDA⁽³⁾ and margin % remained solid notwithstanding the IVF industry decline and cost base inflation pressures which were primarily below CPI increases. Domestic IVF EBITDA⁽³⁾ declined by \$0.7m or 3% which was driven by:

- \$1.1m EBITDA increase due to market share gains in Queensland and South Australia including Q2 contribution from the ART Associates QLD acquisition;
- \$0.3m net EBITDA benefit from price increases, mix of services partly offset by cost base inflation from Enterprise Bargaining Agreements for Nursing and Scientific workforces and supplier price increases. Labour cost for Nursing and Scientific workforces increased by 3-4% and is agreed to increase between 3-4% pa until FY26;
- \$2.1m negative EBITDA impact as a result of the 6.6% decline in Industry stimulated cycles having the most profound impact in the Victorian IVF business;
- \$0.4m EBITDA increase following recovery in the Ultrasound business which returned to scan growth of 3.6% during Q2FY2023 compared to 7.4% decline during Q1FY2023. Cost base reductions compared to pcp ensured EBITDA⁽³⁾ grew on pcp notwithstanding the volatility in scan volumes during Q1 and Q2;
- \$0.3m EBITDA increase following recovery in the Kuala Lumpur IVF business and ramp up of stimulated cycles in the Singapore IVF clinic which was profitable in November and expected to be profitable during 2H23.

From an operational perspective, the Group attracted six clinicians including three trainees (excluding acquisitions) for retirement and trainee attrition purposes. The eight clinicians attracted via the ART Associates QLD acquisition have been integrated into our existing Brisbane business and are outperforming initial expectations. Clinical pregnancy rates per embryo transfer in CY2022 (Jan to Oct 2022) increased to 38.0% from 37.0% in CY2021 and is 5.4% higher than CY2018. Improvements to clinical pregnancy outcomes is driven by highly trained and skilled scientific workforces across our vast number of clinics, upgrades to technology and equipment and standardisation of processes and protocols across the Network. Domestic New Patient Registrations during 1H23 were inline with pcp and Q2 demonstrated 14% growth compared to pcp in Q2 (6% growth excluding ART Associates QLD acquisition). The Ultrasound business returned to scan growth during Q2 FY2023 as sonographer capacity limitations were resolved which impacted Q1. Further sonographer capacity is anticipated in Q4FY2023. During 1H23, the Group progressed its new clinical infrastructure program and upgrades including completion of relocated premises in Darwin and Penrith and progressed construction of new clinics and day hospitals in Cremorne (VIC) and Gold Coast.

(1) MBS items 13200/1

(2) MBS item 13202

(3) Underlying EBITDA and NPAT are non-IFRS measures

(4) NPAT including minority interest

(5) Key markets are Victoria, New South Wales, Queensland, South Australia and Northern Territory

The Company's South-East Asian (SEA) expansion strategy progressed with the opening of a new Bali IVF clinic which performed its first procedure in January 2023. The Singapore IVF clinic, which opened in June 2022, generated its first profitable month in November 2022 and is expected to be profitable during 2H23. The existing Kuala Lumpur IVF clinic is recovering with stimulated cycles growing by 6.1% vs pcp with earnings growing by 5.4%.

Net Finance Costs increased to \$1.6m, \$0.9m higher than pcp which included \$0.6m impact for non-cash interest on Lease Liabilities (under IFRS16) and \$0.3m increase due to a higher BBSY rate and average value of borrowings during the period.

Underlying NPAT⁽³⁾⁽⁴⁾ was \$12.6m whilst Reported NPAT was \$10.8m. Reported NPAT includes certain non-regular items relating to acquisition costs, new premise commissioning costs and acquisition earn-out adjustments. Refer to page 4 for further information.

Segment analysis

\$m	Australia			International		
	1H23	1H22	% change	1H23	1H22	% change
Revenue	96.28	96.01	0.3%	7.04	4.97	41.6%
Underlying EBIT ⁽³⁾⁽⁶⁾	17.57	18.10	(2.9%)	1.27	1.29	(1.6%)
Underlying NPAT ⁽³⁾⁽⁴⁾⁽⁶⁾	11.84	12.43	(4.7%)	0.76	0.94	(19.1%)
Reported NPAT ⁽⁴⁾⁽⁶⁾	10.20	11.22	(9.1%)	0.64	0.94	(31.9%)

Australia

Australia revenue increased by \$0.3m or 0.3% to \$96.3m due to the following:

- \$2.8m revenue growth from market share gains in Queensland and South Australia (including acquisitions) which was partly offset by market share decline in Victoria and New South Wales;
- \$2.8m revenue growth from 3%+ price increases across all domestic markets and services;
- Partly offset by 5.3m revenue decline as a result of a 6.6% IVF Industry volume decline⁽¹⁾⁽²⁾⁽⁵⁾.

The Australia CGU achieved 1H23 Underlying EBIT⁽³⁾⁽⁶⁾ of \$17.6m, a decline of \$0.5m which includes a \$0.7m increase in depreciation and amortisation mainly due to the addition of 5 embryoscopes, laboratory growth assets and new clinics (Darwin, Penrith). Underlying NPAT⁽³⁾⁽⁴⁾⁽⁶⁾ declined by \$0.6m or 4.7% to \$11.8m.

International

International Revenue increased by \$2.1m or 41.6% to \$7.0m. Stimulated cycles increased by 36.4% in 1H23 due to a 6.1% increase in Kuala Lumpur stimulated cycles and the new Singapore IVF clinic performed 87 stimulated cycles during 1H23. Underlying EBIT⁽³⁾⁽⁶⁾ marginally declined by 1.6% to \$1.3m as the Singapore IVF clinic progressed to breakeven in October and was profitability in November. Underlying NPAT⁽³⁾⁽⁴⁾⁽⁶⁾ declined by \$0.2m or 19.1% to \$0.8m compared to prior comparative period.

(1) MBS items 13200/1

(2) MBS item 13202

(3) Underlying EBITDA and NPAT are non-IFRS measures

(4) NPAT including minority interest

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

(6) Refer to earnings reconciliation on page 4 for Underlying vs Reported EBITDA, EBIT and NPAT

Earnings reconciliation

The table below provides a reconciliation of 1H23 Underlying EBIT and NPAT to the reported statutory metrics:

\$m	EBITDA	EBIT	1H23 NPAT	1H22 NPAT
Reported Statutory	24.3	16.3	10.8	12.2
Acquisition transaction costs	1.0	1.0	0.7	0.7
Commissioning costs	1.4	1.4	1.0	-
Acquisition earn-out fair value adjustment	0.1	0.1	0.1	0.5
Adjusted	26.8	18.8	12.6	13.4

A total of \$2.5m in pre-tax items are included in the reconciliation of Reported Statutory to Underlying, which fall under the following three main categories:

- \$1.0m acquisition costs including completion activities for the PIVET Medical Centre and ART Associates Queensland acquisitions and stamp duty provision for the ART Associates QLD acquisition;
- \$1.4m commissioning costs related to pre-opening expenditure for new fertility clinics and day hospitals including Cremorne (VIC), Penrith, Gold Coast, Darwin and Bali. These costs include lease expenditure under IFRS 16 lease accounting;
- \$0.1m increase to AASB3 Business Combinations earn-out provision for the Fertility Solutions acquisition that occurred in FY19. The earn-out period for Fertility Solutions ends in FY23.

1H22 included non-regular items that increased Adjusted EBITDA, EBIT and NPAT by \$1.5m pre-tax and \$1.2m post-tax.

Statement of Financial Position and Capital Metrics

Balance Sheet (\$m)	31 Dec 22	30 June 22	% change
Cash and cash equivalents	7.4	7.9	(6.3%)
Other current assets	22.9	17.7	29.4%
Current lease liabilities	(5.7)	(7.1)	19.7%
Other current liabilities	(31.6)	(31.0)	(1.9%)
Net working capital	(7.0)	(12.5)	(44.0%)
Borrowings (excluding capitalised fees)	(26.9)	(9.8)	(174.5%)
Goodwill & Intangibles	269.7	258.9	4.2%
Right of use assets	55.8	64.7	(13.8%)
Lease liabilities	(52.8)	(60.3)	12.4%
Property Plant & Equipment	40.0	30.4	31.6%
Other assets/liabilities	(6.6)	(1.5)	(340.0%)
Net assets	272.2	269.9	0.9%

Capital Metrics	31 Dec 22	30 June 22	+/-
Net Debt (\$m)⁽¹⁾	19.5	2.1	17.4
Leverage Ratio (Net Debt / EBITDA ⁽²⁾)	0.50x	0.05x	0.45x
Interest Cover (EBITDA ⁽²⁾ / Interest)	62.7x	113.2x	(50.5x)
Net Debt to Equity Ratio ⁽³⁾	7.2%	0.8%	6.4%
Return on Equity⁽⁴⁾	7.9%	8.2%	(0.3%)
Return on Assets⁽⁵⁾	5.4%	5.8%	(0.4%)

Significant headroom remains available in key banking covenants. The key Net Leverage Ratio is at 0.50x and well within the 3.5x covenant requirement. The Interest Cover Ratio is at 62.7x and well above the 3.0x covenant requirement.

Key capital metrics marginally reduced with Return on Equity decreasing from 8.2% to 7.9% and Return on Assets decreasing from 5.8% to 5.4%.

(1) Net debt is debt less cash balances (excluding capitalised bank fees)

(2) EBITDA is based on normalized EBITDA excluding AASB16 lease impact for covenant purposes as defined in the Syndicated Debt Facility Agreement. EBITDA is not an IFRS measure

(3) Net debt divided by equity at the balance date

(4) NPAT for the previous 12-month period divided by closing equity at the balance date

(5) NPAT for the previous 12-month period divided by closing assets at the balance date

Statement of Cash Flows

Cash Flows (\$m)	1H23	1H22	Change%
EBITDA	24.3	25.2	(3.6%)
Movement in working capital	(2.6)	(4.3)	39.5%
Income taxes paid	(6.2)	(6.3)	1.6%
Net operating cash flows (post-tax)	15.5	14.6	6.2%
Capital expenditure	(13.7)	(3.6)	(280.6%)
Payments for businesses	(4.8)	(1.3)	(269.2%)
Cash flows used in investing activities	(18.5)	(4.9)	(277.6%)
Free cash flow⁽¹⁾	(3.0)	9.7	(130.9%)
Dividends paid	(8.6)	(8.2)	(4.9%)
Interest on borrowings	(0.5)	(0.5)	0.0%
Payments of lease liabilities	(5.4)	(4.3)	(25.6%)
Proceeds/(Repayment) of borrowings	17.0	1.4	1114.3%
Cash flows used in financing activities	2.5	(11.6)	(121.6%)
Net cash flow movement	(0.5)	(1.9)	(73.7%)
Closing cash balance	7.4	6.9	7.2%

(1) Free cash flow is a non-IFRS measure used by the Group as a key indicator of cash generated from operating and investing activities and is not subject to audit or review. Calculated as Net cash flow generated from operating activities less Net cash flows used in investing activities.

- Pre-tax conversion of EBITDA to operating cash flow was 89%, exceeding 1HFY22 of 83% and 1HFY21 of 82%;
- \$13.7m capital expenditure including new fertility clinics (Cremorne WIP (VIC) and Gold Coast WIP, Penrith, Bali and Darwin completed), IT infrastructure including cyber security assets and medical equipment;
- Further \$10m-\$15m CAPEX expected in 2H23 subject to timing to complete/commence new fertility clinics including Cremorne (VIC), Gold Coast and Brisbane;
- \$4.8m payments for business acquisitions includes \$3.9m for up-front cash consideration of ART Associates Qld, \$0.4m payment for Fertility Solutions Earn Out relating to FY22 and \$0.4m payments for non-recurring acquisition costs (completion activities for ART Associates QLD and PIVET);
- \$17m debt drawdown primarily for committed infrastructure projects and acquisition payments;
- Payment of lease liabilities increased by \$1.1m driven primarily by rental payments for new completed IVF clinics (Penrith, Darwin and Singapore) and rental payments for yet to be completed clinics (Cremorne (VIC) and Gold Coast).
- \$8.6m dividend payments for the 2.2 cps FY22 final dividend paid in October 22.

Pivet Medical Centre Acquisition

The PIVET Medical Centre acquisition announced during FY2022 is expected to complete by end of Q3 FY2023 when appropriate regulatory approval and licensing arrangements will be obtained and granted by the Western Australian Government Department of Health.

Matters subsequent to the end of the financial year

On 21 February 2023, a fully franked interim dividend of 2.2 cents per share was declared. The record date for the dividend is 9 March 2023 and the payment date for the dividend is 7 April 2023.

Except as disclosed above, there has not arisen in the interval between the end of the period and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

Commitment and Contingencies

As announced to the ASX on 23 December 2020, Monash IVF Group became aware that it and certain of its subsidiaries have been named as defendants in proceedings filed in the Supreme Court of Victoria in relation to, or in connection with, the Group's non-invasive pre-implantation genetic screening technology (Ni-PGT or cell-free PGT-A). The proceedings filed makes a series of allegations against Monash IVF Group in relation to the Ni-PGT testing including those patients who had embryos classified as aneuploid as a result of Ni-PGT testing may have had embryos destroyed or did not proceed to embryo transfer. Ni-PGT testing was suspended in October 2020.

The Group has filed its defence in accordance with the Court's directions and the discovery process is continuing. The Group has notified its insurers of the claim. The Group has provided for associated costs expected to be incurred in defending the claim. The claim does not specify an amount of damages and it is not currently possible to determine the ultimate impact of this claim, if any, on the Group.

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⁽¹⁾ 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).

Environmental regulations

The Group is not subject to any significant environmental regulations under Commonwealth or State legislation.

(1) Underlying is adjusted for certain non-regular items including acquisition related costs, new premise commissioning costs and AASB3 Business Combination adjustments

Likely developments

The Group remains committed, prudent and focused on profitably growing the Business through leveraging its scientific capabilities and scale across the clinic network both domestically and internationally.

Indemnification and insurance of officers and auditors

Since the end of the previous financial period, the Group has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an officer or auditor of the Group.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 9 and forms part of the directors' report for the six month period ended 31 December 2022.

This report is made in accordance with a resolution of the directors.



Richard Davis
Chairman



Michael Knaap
Chief Executive Officer and Managing Director

Dated in Melbourne this 21st day of February 2023



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Monash IVF Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Monash IVF Group Limited for the half-year ended 31 December 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.



KPMG

Chris Sargent

Partner

Melbourne

21 February 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half year ended 31 December 2022

	Note	Consolidated 31 December	
		2022 \$'000	2021 \$'000
Revenue from services		103,323	100,975
Employee benefits expense		(35,278)	(34,154)
Clinician fees		(18,361)	(17,668)
Raw materials and consumables used		(11,354)	(10,000)
IT and communications expense		(2,388)	(2,305)
Depreciation and amortization expense		(7,959)	(7,379)
Property expense		(2,219)	(1,942)
Marketing and advertising expense		(3,304)	(3,308)
Professional and other fees		(3,254)	(3,737)
Other expenses		(2,846)	(2,612)
Operating profit		16,360	17,870
Net finance costs	6	(1,603)	(739)
Profit before tax		14,757	17,131
Income tax expense		(3,917)	(4,962)
Profit for the period		10,840	12,169
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		40	9
Other comprehensive income for the period, net of tax		40	9
Total comprehensive income for the period		10,880	12,178
Profit attributable to:			
Owners of the Company		10,642	12,085
Non-controlling interests		198	84
Profit for the period		10,840	12,169
Total comprehensive income attributable to:			
Owners of the Company		10,682	12,094
Non-controlling interests		198	84
Total comprehensive income for the period		10,880	12,178
Earnings per share			
Basic earnings per share (cents)		2.7	3.1
Diluted earnings per share (cents)		2.7	3.1

The condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position
for the half year ended 31 December 2022

	Note	Consolidated	
		31 December 2022	30 June 2022
		\$'000	\$'000
Current assets			
Cash and cash equivalents		7,430	7,874
Trade and other receivables		15,649	12,516
Current tax receivable		898	-
Inventory		6,169	5,254
Total current assets		30,146	25,644
Non current assets			
Equity accounted investment		1,051	1,052
Trade and other receivables		167	169
Plant and equipment		40,015	30,394
Right of use assets		55,815	64,666
Intangible assets		269,708	258,893
Total non current assets		366,756	355,174
Total assets		396,902	380,818
Current liabilities			
Trade and other payables		17,808	19,237
Lease liabilities		5,685	7,131
Current tax liability		-	457
Contingent consideration		2,652	483
Employee benefits		10,998	10,867
Total current liabilities		37,143	38,175
Non current liabilities			
Borrowings		26,886	9,764
Lease liabilities		52,780	60,335
Contingent consideration		6,000	488
Employee benefits		1,301	1,432
Deferred tax liability		587	731
Total non current liabilities		87,554	72,750
Total liabilities		124,697	110,925
Net assets		272,205	269,893
Equity			
Share capital		506,786	506,786
Reserves		(136,811)	(136,796)
Profits reserve		62,904	60,662
Retained earnings		(162,735)	(162,735)
Total equity attributable to Owners of the Company		270,144	267,917
Non-controlling interests		2,061	1,976
Total equity		272,205	269,893

The condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity
for the half year ended 31 December 2022

	Contributed equity	Other equity reserve ⁽¹⁾	Profits reserve ⁽²⁾	Retained earnings	Other reserves ⁽³⁾	Total	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Consolidated balance at 30 June 2021⁽⁵⁾	506,786	(136,811)	59,009	(162,735)	(63)	266,186	2,256	268,442
Profit/(loss) for the period	-	-	12,085	-	-	12,085	84	12,169
Total other comprehensive income/(loss)	-	-	-	-	9	9	-	9
Total other comprehensive income for the period	-	-	12,085	-	9	12,094	84	12,178
Transactions with owners in their capacity as owners directly in equity								
Share-based payment transactions	-	-	-	-	208	208	-	208
Dividends paid	-	-	(8,177)	-	-	(8,177)	(173)	(8,350)
Consolidated balance at 31 December 2021	506,786	(136,811)	62,917	(162,735)	154	270,311	2,167	272,478
Consolidated balance at 30 June 2022	506,786	(136,811)	60,662	(162,735)	15	267,917	1,976	269,893
Profit/(loss) for the period	-	-	10,642	-	-	10,642	198	10,840
Total other comprehensive (loss)/income	-	-	-	-	40	40	-	40
Total other comprehensive income for the period	-	-	10,642	-	40	10,682	198	10,880
Transactions with owners in their capacity as owners directly in equity								
Share-based payment transactions	-	-	-	-	117	117	-	117
Dividends paid	-	-	(8,572)	-	-	(8,572)	(113) ⁽⁴⁾	(8,685)
Consolidated balance at 31 December 2022	506,786	(136,811)	62,732	(162,735)	172	270,144	2,061	272,205

(1) The Other Equity Reserve represents the difference between the Issued Capital in Healthbridge Enterprises Pty Ltd and the consideration paid to acquire Healthbridge Enterprises Pty Ltd on 26 June 2014.

(2) The profits reserve comprises the transfer of net profit for the period and characterises profits available for distribution as dividends in future periods.

(3) Other reserves include share-based payments and foreign currency translation.

(4) \$113K dividend declared and paid to non controlling interest holders in KL Fertility.

(5) The 30 June 2021 amounts have been restated due to the IFRS Interpretations Committee decision in relation to accounting for Software as a Service.

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows
for the half year ended 31 December 2022

	Note	Consolidated 31 December	
		2022 \$'000	2021 \$'000
Cash flows from operating activities			
Receipts from customers		105,018	101,869
Payments to suppliers and employees		(83,312)	(80,980)
Cash generated from operations		21,706	20,889
Income taxes paid		(6,163)	(6,255)
Net cash flows from operating activities		15,543	14,634
Cash flows from investing activities			
Payments for plant and equipment and intangible assets		(13,693)	(3,646)
Payments for business acquisitions (including transaction costs)		(4,762)	(1,257)
Net cash flows used in investing activities		(18,455)	(4,903)
Cash flows from financing activities			
Proceeds of borrowings		17,000	1,370
Net interest paid on borrowings		(545)	(454)
Payments of lease liabilities		(5,415)	(4,373)
Dividends paid		(8,572)	(8,177)
Net cash flows used in financing activities		2,468	(11,634)
Net movement in cash		(444)	(1,903)
Cash and cash equivalents at the beginning of the period		7,874	8,761
Effects of exchange rate changes on foreign currency cash		-	1
Cash and cash equivalents at the end of the period		7,430	6,859

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

1. Reporting entity

Monash IVF Group Limited (the 'Company') is a for profit company primarily involved in the area of assisted reproductive services and the provision of specialist women's imaging services. The Company is incorporated in Australia and listed on the Australian Stock Exchange (ASX: MVF). These condensed consolidated interim financial statements as at and for the half-year ended 31 December 2022 comprises the Company and its subsidiaries (collectively referred to as the 'Group'). The consolidated annual financial statements of the Group as at and for the year ended 30 June 2022 are available on the Company's website: www.monashivfgroup.com.au and upon request from the Company's registered office at Level 1, 21-31 Goodwood Street, Richmond, Victoria.

2. Basis of preparation

This condensed consolidated interim financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*, the Corporations Act 2001 and IAS 34 *Interim Financial Reporting*. This condensed consolidated interim financial report does not include all notes of the type normally included within the annual financial report and accordingly should be read in conjunction with the annual financial report for the year ended 30 June 2022.

These interim financial statements were authorised for issue by the Board of Directors on 21 February 2023.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going concern

As at 31 December 2022, the Group has a net current asset deficiency of \$6,997,000 (30 June 22: \$12,531,000). The Directors consider that there are reasonable grounds to believe the Group will be able to pay its debts as and when they fall due based on forecast operating cash flows which indicate that cash reserves are sufficient to fund operations, the availability of committed but undrawn external debt facilities, and given certain current liabilities such as employee entitlements and deferred revenue will not be fully settled in the short term to cause a liquidity shortfall.

The Directors have considered forecast cash flow scenarios for at least the twelve-month period from the date of approval of these financial statements. As a result, the Directors consider that the Group is able to pay its debts as and when they are due and these financial statements can be prepared on a going concern basis.

3. Use of estimates and judgements

In preparing these interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 June 2022, except for the application of AASB 3 Business Combinations as described in Note 10.

There are no new accounting standards that have a material impact on the Group's interim financial report for this financial year.

4. Seasonality of operations

The Group's operating segments are not materially subject to seasonality factors that may result in fluctuations in revenues and profitability between 1 July to 31 December and 1 January to 30 June in each period.

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2022

5. Segment reporting

31 December 2022	Monash IVF Group Australia \$'000	Monash IVF Group International \$'000	Total \$'000
Total Revenue - external	96,284	7,039	103,323
Adjusted EBIT⁽¹⁾	17,577	1,265	18,842
Acquisition costs ⁽¹⁾	(397)	-	(397)
Stamp Duty ⁽¹⁾	(660)	-	(660)
Commissioning costs ⁽¹⁾	(1,226)	(153)	(1,379)
Earn Out Fair Value Adjustment ⁽¹⁾	(46)	-	(46)
Reported EBIT	15,248	1,112	16,360
Net finance costs	(1,566)	(37)	(1,603)
Profit before income tax expense	13,682	1,075	14,757
Income tax expense	(3,486)	(431)	(3,917)
Profit for the period	10,196	644	10,840
Depreciation and amortisation expense	(7,654)	(305)	(7,959)
Segment assets	380,774	16,128	396,902
Acquisition of plant and equipment and intangibles	12,387	1,306	13,693
Segment liabilities	117,121	7,576	124,697

31 December 2021	Monash IVF Group Australia \$'000	Monash IVF Group International \$'000	Total \$'000
Total Revenue - external	96,009	4,966	100,975
Adjusted EBIT⁽²⁾	18,096	1,291	19,387
Acquisition costs ⁽²⁾	(1,049)	-	(1,049)
Earn Out Fair Value Adjustment ⁽²⁾	(468)	-	(468)
Reported EBIT	16,579	1,291	17,870
Net finance costs	(691)	(48)	(739)
Profit before income tax expense	15,888	1,243	17,131
Income tax expense	(4,664)	(298)	(4,962)
Profit for the period	11,224	945	12,169
Depreciation and amortisation expense	(6,981)	(398)	(7,379)
Segment assets	335,921	14,202	350,123
Acquisition of plant and equipment and intangibles	3,569	77	3,646
Segment liabilities	73,847	3,798	77,645

(1) Non-regular items include transaction costs on acquisition opportunities (\$397K pre-tax), stamp duty (\$660K pre-tax), commissioning costs include lease expenditure for premises prior to operating commencement (\$1,379K pre-tax) and Fertility Solutions Earn Out Fair Value adjustment (\$46K).

(2) Non-regular items include transaction costs on discontinued acquisition opportunities (\$1,049K pre-tax) and Fertility Solutions Earn Out Fair Value adjustment (\$468K).

Notes to the Condensed Consolidated Financial Statements
for the half-year ended 31 December 2022

6. Expenses

Consolidated 31 December	2022 \$'000	2021 \$'000
Net finance costs		
Interest expense	512	203
Interest on lease liabilities	1,093	537
Less interest revenue	(2)	(1)
Net finance costs	1,603	739

Tax expense

The Group's consolidated effective tax rate in respect of continuing operations for the period ended 31 December 2022 was 26.5% (31 December 2021: 29.0%). The 31 December 2022 tax rate is consistent with the tax rates applicable in each jurisdiction the Group operates in.

7. Dividends

Dividends during the half year	Franking	Payment Date	Per share (cents)	2022 \$'000	2021 \$'000
Final dividend in respect of the 2022 financial year	Fully franked	7 October 2022	2.2	8,572	
Final dividend in respect of the 2021 financial year	Fully franked	8 October 2021	2.1		8,177
Paid in cash during the year				8,572	8,177

Dividends not recognized at half year end

Since 31 December 2022, the Directors have approved a fully franked interim dividend of 2.2 cents per fully paid share which is payable on 7 April 2023 with a record date of 9 March 2023.

The aggregate amount of the proposed dividend expected to be paid out of retained profits at 31 December 2022, but not recognized as a liability at half year end:	(\$8,571,966)
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There is no dividend reinvestment plan in place.

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

8. Share capital and Earnings per share

Share Capital	Number of shares issued	\$'000
Opening balance at 1 July 2022	389,634,840	506,786
Closing balance at 31 December 2022	389,634,840	506,786

Earnings per share (cents)	Consolidated 31 December	
	2022	2021
Basic earnings per share	2.7	3.1
Diluted earnings per share	2.7	3.1

	2022 \$'000	2021 \$'000
Profit attributable to ordinary shareholders		
Profit after income tax attributable to the ordinary shareholders used in calculating basic and diluted earnings per share	10,642	12,085

	2022 Number	2021 Number
Weighted average number of shares (basic)		
Weighted average number of ordinary shares	389,634,840	389,634,840
Adjustments for calculation of diluted earnings per share	3,203,777	2,322,056
Weighted average number of ordinary shares (diluted)	392,838,617	391,956,896

Basic earnings per share

The calculation of basic earnings per share has been based on profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

Diluted earnings per share

The calculation of diluted earnings per share has been based on profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

9. Financial instruments

Carrying amounts and fair value

Valuation methodology of financial instruments

For financial instruments measured and carried at fair value, the Group uses the following to categorise the method used:

- Level 1: fair value is calculated using quoted prices in active markets;
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

All of the Group's financial instruments carried at fair value were valued using market observable inputs. For financial instruments that are carried at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1, Level 2 and Level 3 during the period. There were no Level 3 financial instruments held at 31 December 2022.

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

Fair values

The carrying amounts and estimated fair values of all the Group's financial instruments including borrowings, recognised in the financial statements are materially the same. The valuation category, methods and assumptions used to estimate the fair value of financial instruments are as follows:

Cash

The carrying amount is fair value due to the asset's liquid nature.

Receivables/payables

Due to the short-term nature of these financial rights and obligations, carrying amounts are estimated to represent fair values.

Interest-bearing loans and borrowings

The carrying amount approximates fair value given these are floating rate borrowings.

The Group's activities expose its financial instruments to a variety of market risks. The interim financial report does not include all risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial report for the year ended 30 June 2022. There have been no significant changes in risk management factors or policies since 30 June 2022.

10. Acquisitions and disposals

Acquisition of ART Associates Queensland

On 1 July 2022, Monash IVF Group Limited announced the acquisition of ART Associates Queensland No.2 Pty Ltd (ART Associates Queensland) in Brisbane, Queensland by way of a share purchase agreement for initial cash consideration of \$3.9m on a debt free basis. ART Associates Queensland is a specialist fertility clinic in Brisbane performing IVF clinical patient services and processes including nursing, phlebotomy, ultrasound and other related services. The acquisition includes the potential for the Vendors to achieve additional contingent payments of \$8.1m, subject to future performance of the business, over a seven year period from completion. The identifiable assets acquired and liabilities assumed have been determined at their provisional fair values. The Group is currently in the process of finalising the fair values of the assets and liabilities acquired and the associated goodwill.

In this half-year financial report, ART Associates Queensland contributed \$2m of revenue and net profit after tax of \$0.4m to the consolidated results. If the acquisition had occurred on 1 July 2022, Management estimated that consolidated revenue would have been \$105.3m and consolidated profit after tax for the period would have been \$11.2m.

The Group incurred acquisition related costs of \$0.7m relating to external legal fees, due diligence and stamp duty costs. These costs are included in 'professional and other fees' in the Group's statement of profit or loss and other comprehensive income.

Sale of Hobart IVF Pty Ltd

On 31 October 2022, a share sale agreement was executed for the sale of Monash IVF Group's majority shareholding of 57.4% to the sole minority shareholder for no cash consideration. This resulted in a full loss of control for Monash IVF Group Ltd with a \$146K loss with disposal. Accordingly, the loss with disposal and derogation of assets and liabilities of the subsidiary has been reported in the half-year financial statements.

Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2022

Accounting policy for business combinations

The acquisition method of accounting is used to account for business combinations. The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. The difference between the acquisition date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets and liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition date. The measurement period ends on either the earlier of (i) twelve months from the date of the acquisition or (ii) when the acquirer received all the information possible to determine fair value.

11. Events occurring after the balance sheet date

On 21 February 2023, a fully franked interim dividend of 2.2 cents per share was declared. The record date for the dividend is 9 March 2023 and the payment date for the dividend is 7 April 2023.

Except as disclosed above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

12. Commitments and contingencies

As announced to the ASX on 23 December 2020, Monash IVF Group became aware that it and certain of its subsidiaries have been named as defendants in proceedings filed in the Supreme Court of Victoria in relation to, or in connection with, the Group's non-invasive pre-implantation genetic screening technology (Ni-PGT or cell-free PGT-A). The proceedings filed makes a series of allegations against Monash IVF Group in relation to the Ni-PGT testing including those patients who had embryos classified as aneuploid as a result of Ni-PGT testing may have had embryos destroyed or did not proceed to embryo transfer. Ni-PGT testing was suspended in October 2020.

The Group has filed the defence in accordance with the Court's directions and the discovery process is continuing. The Group has notified its insurers of the claim. The Group has provided for associated costs expected to be incurred in defending the claim. The claim does not specify an amount of damages and it is not currently possible to determine the ultimate impact of this claim, if any, on the Group.

In the opinion of the directors of Monash IVF Group Limited (the "Company"):

1. The condensed consolidated financial statements and notes that are set out on pages 10 to 19 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the six month period ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declaration made to the directors for the half year ended 31 December 2022 in accordance with the 4th edition of the ASX Corporate Governance Principles & Recommendations.

Signed in accordance with a resolution of directors:



Mr Richard Davis
Chairman



Mr Michael Knaap
Chief Executive Officer and Managing Director

Dated in Melbourne this 21st day of February 2023



Independent Auditor's Review Report

To the shareholders of Monash IVF Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Monash IVF Group Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Monash IVF Group Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2022 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2022
- Condensed consolidated statement of profit or loss and other comprehensive income, Condensed consolidated statement of changes in equity and Condensed consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Monash IVF Group Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

The **Half-year Period** is the 6 months ended on 31 December 2022.

Basis for Conclusion

We conducted our review in accordance with *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

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Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

Chris Sargent

Partner

Melbourne

21 February 2023