

ASX Announcement

Monash IVF Group Limited (ASX:MVF)

26 August 2022

FY2022 Full Year Results

Monash IVF delivers solid revenue growth and attracts 24 new specialists to set foundation for long-term sustainable growth

Monash IVF Group Limited (ASX: MVF, the “Company” or “Monash IVF”), a leader in reproductive and fertility services and with a growing presence in South-East Asia, announces its results for the full year ended 30 June 2022.

Monash IVF has delivered strong revenue growth in FY22 and attracted a number of well-credentialed fertility specialists to the Company, notwithstanding COVID-19 and influenza disruptions in parts of its Business.

As the only fertility provider operating in every state and territory of Australia, and with a growing presence in South-East Asia, Monash IVF has set the foundation for long-term sustainable growth.

FY22 Outcomes

- Revenue increased 4.7% to \$192.3m (FY21: \$183.6m);
- \$22.2m Underlying NPAT⁽¹⁾⁽⁴⁾, in line with Trading Update provided in May 2022;
- Underlying EBITDA⁽¹⁾ of \$48.1m, 0.8% above PCP;
- Final fully franked dividend of 2.2 cents per share, taking total dividends for the year to 4.4 cents per share;
- Strong domestic ARS performance as EBITDA⁽¹⁾ grew by 6.9% compared to pcpc;
- MVF Stimulated Cycles⁽³⁾ market share⁽²⁾ increased by 0.2% in Key Markets to 21.2%;
- 24 new fertility specialists attracted during FY22 from business acquisitions and direct recruitment. Foundation is set to attract further specialists in FY23 and beyond;
- Significant investment in new flagship IVF clinics and day hospitals to support partnering Clinicians, improved patient experience and geographic expansion to enable future growth;
- Progress and momentum in the South East Asia growth strategy with five IVF clinics across the Region.

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

⁽²⁾ MVF Key Markets – Victoria, New South Wales, Queensland, South Australia and Northern Territory

⁽³⁾ MBS items 13200/1

⁽⁴⁾ NPAT including minority interest

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

"I am pleased to report that Monash IVF's domestic ARS business reported a solid result in FY22 as Monash IVF grew its market share in our key domestic markets⁽²⁾ by 0.2% to 21.2% in FY22 as we experienced share growth in NSW, QLD and SA"

"We believe the underlying fundamentals of the IVF industry remain strong and are confident that patient treatments and recent patient activity can be maintained notwithstanding recent short-term factors related to the Pandemic, record influenza season and some macroeconomic uncertainties."

"The most pivotal development in FY22 was the significant investment in future growth and the success of executing on business development opportunities. We recruited 9 new fertility specialists and announced two bolt-on acquisitions, which will add a further 15 doctors in FY23. Monash IVF has now attracted 39 additional fertility specialists since January 2020 providing confidence that Monash IVF is the preferred IVF provider for high quality and appropriately credentialled fertility specialists. We are excited to have PIVET Medical Centre and ART Associates Queensland join our expanding Group. The PIVET Medical Centre acquisition expands Monash IVF's footprint in Perth and Cairns and Monash IVF is the only fertility provider with a presence in every Australian state and territory."

"We also invested significantly in new facilities in Australia and South-East Asia. We have moved to new state-of-art facilities in Darwin and Penrith, and the new Melbourne, Gold Coast and Brisbane flagship sites are scheduled to open in CY23. Our South-East Asian expansion strategy is gaining momentum, with a new clinic in Singapore opened in May 2022 and a new clinic in Bali to open in September 2022."

"Our domestic ultrasound and International IVF businesses faced difficult operating environments due to the ongoing impact of COVID-19. Both these businesses have strong tailwinds once the current challenges subside." Mr Knaap said.

Group Financial Overview

The Company delivered solid revenue growth of 4.7% to \$192.3m revenue in FY2022. The growth was achieved as a result of domestic IVF business performance that delivered Assisted Reproductive Services (ARS) revenue growth of \$5.6m or 3.6% driven by price increases of between 2% to 3% across all domestic IVF markets and market share⁽²⁾ gains in Queensland, New South Wales and South Australia. The Company achieved FY22 Underlying EBITDA⁽¹⁾ of \$48.1m and an EBITDA⁽¹⁾ margin % of 25%. The domestic IVF business grew its EBITDA by 6.9% vs pcp and Margin% which was offset by EBITDA and Margin% decline in the Ultrasound and International IVF businesses. Underlying NPAT⁽¹⁾⁽⁴⁾ was \$22.2m, and in-line with the May 2022 Trading Update.

Market share gains were achieved due to contribution from new fertility specialists attracted in the previous 12 months and positive investment in creative marketing campaigns. Stimulated cycles⁽³⁾ in FY2022 were in-line with the prior comparative period although impacted by temporary suspension of IVF services in Victoria as a result of the surge in Omicron COVID-19 sub-variant during Q3FY2022. Omicron has had varied treatment deferral impact on all domestic IVF markets.

Implications of COVID-19 related lockdowns and penetration of COVID-19 cases has had a significant impact on our ultrasound clinics from a capacity, efficiency and short-term demand perspective. FY22 ultrasound scan volumes declined by 8% to 85,327, compared to FY21 and non-invasive pre-natal testing declined by 7% to 14,789. Patient activity reduced as a

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(2) MVF Key Markets – Victoria, New South Wales, Queensland, South Australia and Northern Territory

(3) MBS items 13200/1

(4) NPAT including minority interest

result of restrictions on elective surgery in Melbourne, staff shortages caused by high levels of sick and personal leave resulting in room/clinic closures, lower room capacity per day and patient hesitation to attend clinical settings.

The Company's South-East Asian (SEA) expansion strategy continued during FY22 with the opening of a new Singapore IVF clinic in May 2022 with four fertility specialists expected to perform approximately 200 stimulated cycles in the next twelve months. The Johor Bahru IVF clinic in Malaysia which was acquired during FY20, has returned to profitability in 2H22 following the re-opening of the international border between Singapore and eastern Malaysia. Investment and construction of an IVF clinic in Bali, Indonesia commenced in late FY22 and as a result, MVF will have five IVF clinics in SEA.

The Kuala Lumpur IVF clinic is showing signs of improvement as new patient consultations in 2H22 increased by 23% compared to the prior corresponding period. FY22 declined by 14% compared to FY21 but remained 5% above FY20 as the Malaysia economy is gradually recovering from COVID-19 restrictions.

Balance Sheet and Cash flow

Balance Sheet continues to be in a strong position with minimal Net Debt and supports the Company's aggressive new clinical infrastructure commitments and plans in Melbourne, Brisbane, Gold Coast and Bali which complements completed infrastructure projects in Penrith, Darwin and Singapore. Anticipated capital expenditure in FY23 is ~\$30m and committed acquisitions payments is expected to be ~\$15m. Since April 2020 and to end of FY2023, the April 2020 Equity Raising enabled on-going trading during disruption caused by the Pandemic and also supports uninterrupted planned growth investments of ~\$70m.

Free cash flow for FY22 was \$16.7m following solid conversion of EBITDA to pre-tax operating cash flows of 97% compared to 100% in the prior comparative period. Capital expenditure for FY22 was \$11.8m which included the new Penrith, Darwin and Singapore IVF clinics and building works commenced for the new Melbourne and Gold Coast IVF clinics which will include day hospital services. Payments for businesses included \$1.3m in Fertility Solutions earn-out payments related to FY22 performance and \$2.1m of acquisition transaction payments for executed and discontinued acquisitions during FY22.

Outlook

Whilst the ongoing COVID-19 Pandemic and macro uncertainty created volatility in the Australian IVF market in 2H22, the favourable underlying demand dynamics are unchanged. Advanced maternal age and access to broader service offerings (including donor, egg freezing and genetics) are expected to underpin long-term industry growth.

In FY2022, MVF made significant investments in future growth including recent acquisitions, attraction of new fertility specialists and further expansion into South East Asia. In addition, further ~\$45m of capital expenditure investment and acquisition payments are anticipated to be made during FY2023 that will continue to drive future growth and improve service delivery.

The recent acquisitions of PIVET Medical Centre and ART Associates Queensland are expected to complete by end of September 2022 and will contribute to earnings growth in FY2023. Accordingly, subject to further adverse impact from the on-going Pandemic, we anticipate FY2023 Underlying⁽⁵⁾ Net Profit After Tax to grow in-excess of 10% compared to FY2022.

(5) Underlying excludes certain non-regular items relating to acquisition costs, new clinic commissioning costs and AASB3 fair value adjustments.

Authorised by the board of directors.

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