

ASX Announcement

Monash IVF Group Limited (ASX:MVF)

22 August, 2023

Monash IVF Group delivers 14.7% increase in FY23 Underlying NPAT⁽¹⁾, with growth momentum driving a positive outlook for FY24

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 year ended 30 June 2023.

Monash IVF has delivered a strong result in FY23, driven by the Domestic ARS and Women’s Imaging businesses, partly offset by a weaker result from the International ARS business. Second half growth was particularly high, with 2H23 Group Revenue increasing 20.8% and Underlying Group NPAT increasing by 46.6% on pcp. A return to industry growth, recent market share gains and new patient registrations provides a positive growth trajectory for Monash IVF heading into FY24.

Despite the global uncertainty following the COVID-19 pandemic and current challenging macro conditions, Monash IVF has continued to invest significantly in our businesses. This investment in future growth reflects confidence in the outlook for our Australian and SE Asia businesses, as well as our commitment to continuously improving outcomes and experience for our Patients, Doctors and People.

FY23 Financial Outcomes Summary

- Revenue increased 11.1% to \$213.6m (FY22: \$192.3m);
- Underlying Group NPAT¹ increased 14.7% to \$25.5m (FY22: \$22.2m);
- Underlying Group EBITDA² increased 11.0% to \$53.4m (FY22: \$48.1m);
- Underlying EBITDA⁽¹⁾⁽²⁾ Margin% maintained at 25%;
- Final fully franked dividend of 2.2 cents per share.

FY23 Domestic Operational Summary

- FY23 Australian segment Underlying EBITDA⁽¹⁾ increased by 13.2% on pcp to \$50.5m;

¹ Underlying EBITDA, EBIT and NPAT excludes certain non-regular items and is a non-IFRS measure

² EBITDA is a non-IFRS measure

- Monash IVF Stimulated Cycles³ market share in Key Markets⁴ grew by 1.4% to 22.7% during FY23 vs pcp (including acquisitions) and market share grew by 2.2% to 23.9% during 2H23 vs pcp (including acquisitions);
- Women’s Imaging ultrasound scans increased by 4.9% in FY23, including 2H23 growth in scans of 12.7% on pcp;
- Successful integration of ART Associates Queensland No.2 Pty Ltd (9 new doctors, completed September 2022) and integration of PIVET Medical Centre acquisition (6 doctors, completed May 2023) is progressing well;
- Significant infrastructure projects completed with relocated fertility clinics opened in Melbourne, Gold Coast, Penrith, Darwin and new Gold Coast Day Hospital. In addition, the new Melbourne Day Hospital will open and commence in Q2FY2024.

FY23 International Operational Summary

- FY23 International segment Underlying EBITDA⁽¹⁾ decreased by 18.2% on pcp to \$2.9m;
- FY23 International Stimulated Cycles increased by 19.9% v pcp;
- Short-term earnings decline in the International business due to slower ramp up to sustainable profitability in the Singapore clinic;
- KL Fertility stimulated cycles increased by 3.1%;
- Johor Bahru delivered stimulated cycle growth and margin improvement.

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

“Monash IVF delivered a robust FY23 result, with Revenue and Underlying EBITDA⁽¹⁾⁽²⁾ increasing by 11.1% and 11.0% respectively on the prior year. Second half performance was particularly pleasing, providing an optimistic outlook for FY24. The benefits from our significant recent investment in infrastructure and services are becoming evident, and should underpin above market growth into the future.

Monash IVF’s Australian Business including Ultrasound delivered Underlying NPAT growth of 21.3% on pcp following a 4.7% decline in 1H23. The compelling performance was driven by market share gains of 1.4% to 22.7% in Key Markets⁴, driven largely by the contribution from ART Associates QLD acquisition (completed September 2022) and organic growth. Patient price increases were effective in offsetting cost increases in a high inflationary environment, with EBITDA margin % maintained.

FY23 Key Markets Industry^{3,4} growth rebounded strongly in 2H23, with stimulated cycles increasing by 5.6% on pcp. Despite the current cost of living pressures, the 2H23 industry growth was well above historical average growth, which reaffirms the non-discretionary nature of IVF services. Traditional demand drivers, combined with newer services (including egg freezing and genetics) and growing patient segments (LGBTQI+) provide a positive outlook for industry growth going forward. This is further supported by Monash IVF’s New Patient Registrations growth in FY23 of 12% vs pcp (23% in 2H23 vs pcp including acquisitions).”

In summarising the outlook for the Domestic IVF business, Mr Knaap said *“Our Domestic ARS business is on an exciting growth trajectory, underpinned by the buoyant industry outlook and recent major investment in infrastructure. science and patient experience to drive market share gains.”*

In commenting on Monash IVF’s other businesses, Mr Knaap said *“The Women’s Imaging business delivered an encouraging turnaround in FY23, with both Sydney Ultrasound for Women and Monash*

³ MBS items 13200/1

⁴ MVK Key Markets – Victoria, New South Wales, Queensland, South Australia and Northern Territory

Ultrasound for Women delivering robust scan and EBITDA growth. The growth was skewed towards 2H23 with scans up 12.7%, providing positive momentum heading into FY24.

Monash IVF's SE Asia ARS business delivered solid growth in cycles of 19.9% in FY23, however the new Singapore clinic was a drag on earnings due to a slower ramp up in volumes than expected. Notwithstanding the underperformance of Singapore in FY23, our views on the attractiveness of the SE Asia market are unchanged, and our recent investment in scientific, clinic and nursing capabilities provides a sustainable platform to leverage growth in the region."

Balance Sheet and Cash flow

Monash has maintained a strong balance sheet to fund future growth opportunities, including infrastructure upgrades, bolt-on acquisition opportunities and further expansion in South-East Asia.

FY23 capital expenditure was \$27.8m, which included investment in new fertility clinics in Melbourne, Gold Coast, Darwin and Penrith, new day hospitals in Melbourne and Gold Coast and ongoing upgrades in laboratory equipment, technology and systems. In addition to capital expenditure, \$12.7m was spent on acquisitions, including ART Associates and PIVET.

Net debt as at 30 June 2023 was \$31.0m, with a net debt to equity ratio of 11.3% and significant headroom remaining under key banking covenants.

Cash flow generation from pre-tax EBITDA⁽²⁾ to operating cashflows (non-IFRS measure) was high at 100%.

Outlook

We continue to believe and are optimistic that there is a fundamental shift in the Community and the mindset of our patient cohort with greater focus on family, health and wellbeing resulting in re-direction of priorities towards family extension and creation. This was highly evident during the Pandemic whereby FY23 Australian Stimulated Cycle⁽³⁾⁽⁴⁾ Industry activity was higher than FY19 by 22.3%. Based on Monash IVF's new patient registration pipeline going into FY24, we are confident that current Industry activity is sustainable and will continue to grow in FY24.

Whilst macroeconomic conditions in Australia including cost of living and monetary policy is impacting affordability of certain services and goods, it is not currently impacting new patient registrations (NPR) to date, with NPR up strongly on prior year between January and July 2023.

The Group is confident revenue and underlying NPAT⁽¹⁾ will grow in FY24 noting the following:

- Full Year contribution from ART Associates QLD No.2 Pty Ltd and PIVET Medical Centre acquisitions;
- Commencement of new fertility clinics and day hospital operations in Cremorne (VIC) and Gold Coast (QLD) during 1H24, in addition to relocation of existing IVF clinic in Sunshine (VIC);
- Conversion of strong new patient registrations generated in FY23;
- Domestic IVF and Ultrasound patient pricing will increase during 1H24 across all State based markets which is anticipated to offset cost base increases;
- New fertility specialists attracted in FY23 will drive further volume growth in FY24 and the Company will continue to focus on recruitment of suitable fertility specialists;

- Capitalising on growth opportunity in Reproductive Genetic Screening (RGS);
- Continued optimisation of Ultrasound operations, particularly in Melbourne, following operating challenges during the Pandemic;
- Further progress in South-East Asia growth strategy including ramp up of activity in the Singapore and Bali fertility clinics.

Authorised by the Board of Directors.

For further information please contact:

Michael Knaap

Chief Executive Officer & Managing Director
Monash IVF Group
T: +61 3 9420 8235

Malik Jainudeen

Chief Financial Officer & Company Secretary
Monash IVF Group
T: +61 3 9420 8235