



Monash IVF Group

Goldman Sachs Australia Conference

11 May 2016

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## MVF Overview

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## Assisted Reproductive Services Market

- **Infertility** affects approximately 1 in 6 women of reproductive age (*World Health Organization 2010*)
- Assisted Reproductive Services (ARS) have evolved over the last four decades into a suite of mainstream medical interventions that have resulted in the birth of **more than 6,000,000 children** worldwide (*ICMART 2015*)
- The ARS market in Australia is an established and growing market that delivers approximately 70,000 “Patient Treatments” per year and results in almost **13,000 babies annually** (*ANZARD Annual Report 2015*)
- The ARS market in Australia has grown at ~4% per annum in volume (ie. number of Patient Treatments) over the last several years and today generates approximately \$500m in industry revenues
- Long term volume and value growth is underpinned by demographic and social trends, scientific advancements as well as ongoing government funding
- The sector has an attractive and consolidated market structure, with **two major providers** in each key state and **three providers** accounting for over 70% of the national market
- There exists a **diversified funding environment** in which patients receive partial reimbursement of up to ~60% from the Australian Commonwealth Government
- The Malaysian market, where Monash IVF Group has an established footprint, is expected to continue to be attractive with growth driven by **favourable demographic trends** and increased awareness of ARS treatment options



# Assisted Reproductive Services Market – Volume and Value Drivers

## ARS market

### Volume drivers

- 1 Demographic trends**
  - Fertility rate and birth rate
  - Average mothers' age and ARS key customer age group
- 2 Effectiveness and acceptance of ARS**
  - Success rates of ARS
  - Awareness of ARS and societal acceptance
  - Industry capacity – number of clinics and Fertility Specialists
  - Lack of alternatives
  - Affordability and access to care

### Value drivers

- 3 Increasing price and range of services**
  - Pricing power given inelastic demand and support of government and private health insurance financial assistance
  - Increasing range of services offered
  - Treating larger number of patients as success rates improve and introduction of low intervention/lower cost offerings

# Monash IVF Group Services

## Core Assisted Reproductive Services

- 22 clinics
- 5 service centres
- 85 Fertility Specialists
- 5 Australian states & Malaysia



## Diagnostic and Ancillary Services

- 2 specialised laboratories in Victoria and South Australia
- 2 day hospitals in South Australia and NSW



## Ultrasound

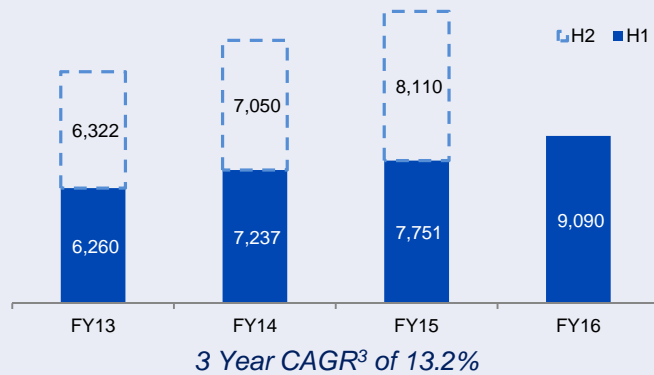
- 17 clinics
- 16 Sonologists
- 2 Australian states



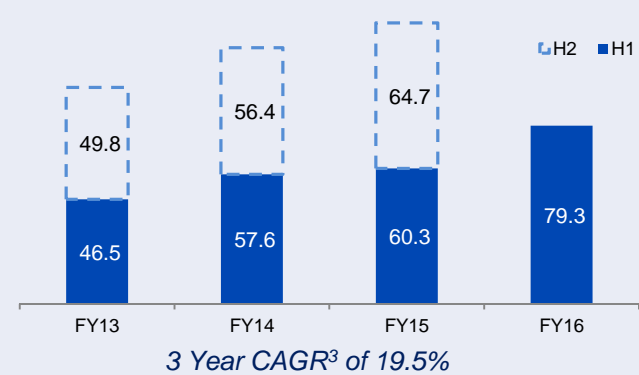
← Monash IVF Group is a market leader in womens health →

# Track record of strong financial performance

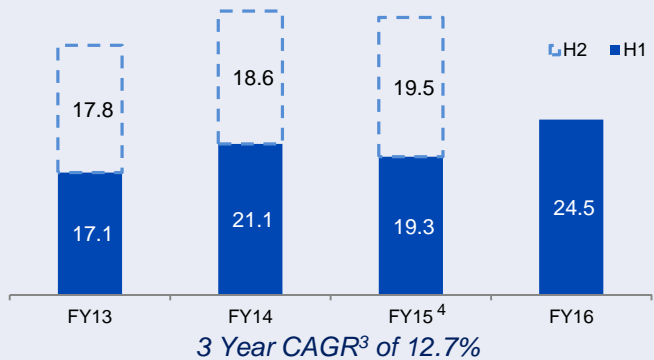
## Number of Patient Treatments<sup>1</sup>



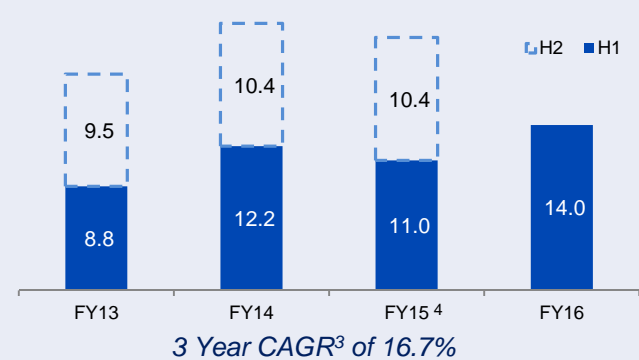
## Revenue



## EBITDA<sup>2</sup>



## NPAT<sup>2</sup>



## Strong growth across all key metrics in 1H16

Notes:

1. Based on the combined number of Patient Treatments in Victoria, South Australia, Queensland, Northern Territory and regional market of Albury (New South Wales). Patient Treatments are the sum of fresh and cancelled cycles and frozen embryo transfers
2. 1H13 & 1H14 Financials reflect restated numbers based on prospectus
3. CAGR is Compound Annual Growth Rate applied to the first half of each financial year.
4. 1H15 earnings were impacted unfavourably by below industry trend growth rates and one off start up & acquisition costs of \$975k (Pre-tax)

## 1H FY2016 Highlights

- **Revenues** increased \$19.0m (31.6%) to \$79.3m vs pcp
- **Ultrasound revenues** grew >200% on pcp driven by the acquisition of Sydney Ultrasound for Women in June 2015
- **NPAT** increased \$3.0m (27.6%) to \$14.0m vs pcp
- **Total IVF Patient Treatments** increased 1,339 (17.3%) to 9,090 vs pcp
- **Overall Group IVF Patient Treatment market share** increased 0.9% to 39.0% in Australian Key Markets<sup>1</sup>
- **Strong cash flow** management saw Net Debt reduced by \$3.6m after \$1.6m capital expenditure, \$2.6m acquisition payments and \$8.7m dividend payment
- **Fully franked interim dividend** increased 23.1% to 4.0 cents per share vs pcp
- **Strong balance sheet** with improved net debt to equity ratio of 62.4% vs pcp 67.2% and enhanced ROE to 17.1% vs pcp 15.9%

**\$79.3m**  
**Revenue**  
 1H FY15 \$60.3m  
 Up 31.6% on pcp

**\$14.0m**  
**NPAT**  
 1H FY15 \$11.0m  
 Up 27.6% on pcp

**\$24.5m**  
**EBITDA**  
 1H FY15 \$19.3m  
 Up 26.8% on pcp

**94.5%**  
**Cash Conversion<sup>2</sup>**  
 1H FY15 90.7%  
 Up 4.2% on pcp

**4.0c**  
**Interim Dividend**  
 1H FY15 3.25 cents  
 Up 23.1% on pcp

**5.95 cents**  
**Basic EPS**  
 1H FY15 4.75 cents  
 Up 25.3% on pcp

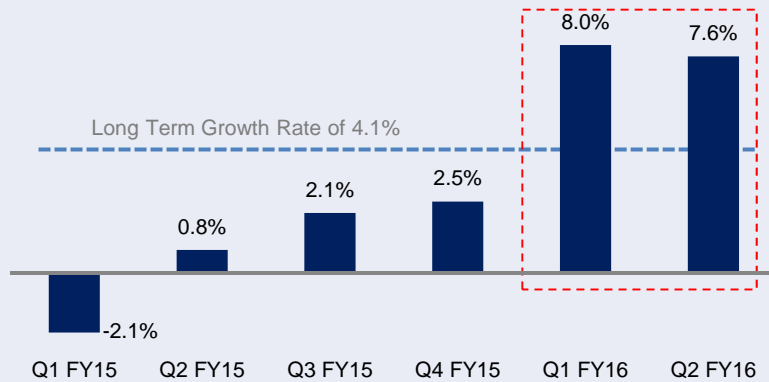
Notes:

1. Based on the combined number of Patient Treatments in Victoria, South Australia, Queensland, Northern Territory and regional market of Albury (New South Wales). Patient Treatments are the sum of fresh and cancelled cycles and frozen embryo transfers
2. Pre-tax conversion of operating cash flow to EBITDA. Have used pre-tax conversion for comparison purposes as tax payments in 1H16 were \$4.1m vs \$0.8m in the pcp due to pre-IPO structuring



# Australian IVF market movement

## IVF Patient Treatment Growth Rates in Key Markets<sup>1</sup>



✓ We are experiencing a reversion to long term market trend growth rates

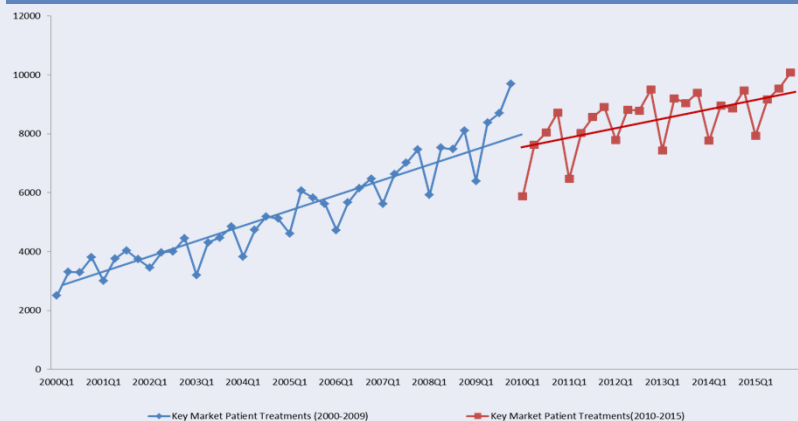
✓ Total MVF Key Market<sup>1</sup> IVF Patient Treatments increased as a result of underlying growth in the overall market

✓ MVF delivered a growth in Australian total IVF Patient Treatments of 17.5% in 1H16

✓ Industry Growth rates in our Key Markets in 1H16 of 7.8% are well above long term averages

↕↕ Market growth rate will fluctuate from time to time<sup>2</sup>

## Number of IVF Patient Treatments by Quarter



Source: Medicare Benefit Schedule Item Statistics Reports [13200, 13201, 13202 & 13218], Commonwealth Department of Health and Ageing)

Notes:

1. Based on the combined number of Patient Treatments in Victoria, South Australia, Queensland, Northern Territory and regional market of Albury (New South Wales). Patient Treatments are the sum of fresh and cancelled cycles plus frozen embryo transfers
2. Refer to Monash IVF Group Limited Prospectus, Sections 2.5 and 5.2.10



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## Financial Highlights

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## 1H16 Profit and Loss Analysis

\$m	1H16	1H15	% change
Group revenues	79.3	60.3	↑ 31.6%
EBITDA <sup>(1)(2)</sup>	24.5	19.3	↑ 26.8%
EBITDA %	30.9%	32.1%	
Depreciation & amortisation	(2.1)	(1.6)	↑ 26.4%
Net Finance expenses	(2.5)	(2.4)	↑ 4.2%
Profit before Tax	19.9	15.3	↑ 30.3%
Income tax (expense) / benefit	(5.9)	(4.3)	↑ 37.2%
Net Profit for the period	14.0	11.0	↑ 27.6%
Revenue excluding acquisitions <sup>(3)</sup>	69.2	57.3	↑ 20.8%

- **Revenues** increased \$19.0m (31.6%) to \$79.3m vs pcp including:
  - 14.7% from organic growth
  - 16.9% derived from acquisitions
- **NPAT** increased \$3.0m (27.6%) to \$14.0m vs pcp
- **EBITDA<sup>1</sup> growth of 26.8% whilst margins slightly moderated due to:**
  - Anticipated margin dilution due to Sydney Ultrasound for Women acquisition
  - Low intervention IVF growth at lower than average margins

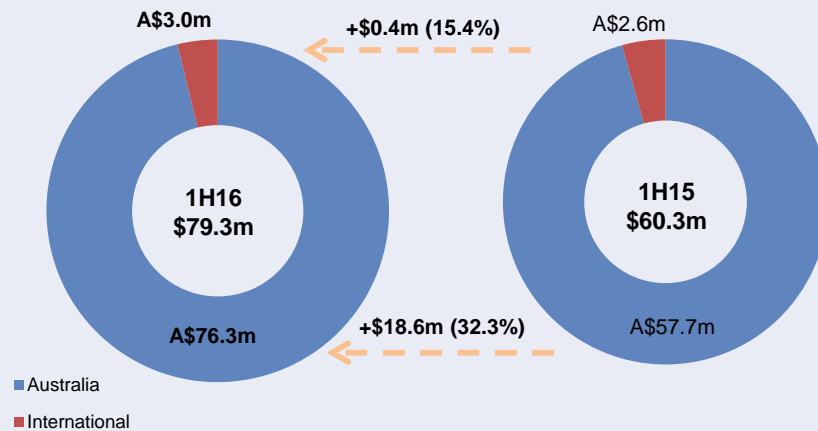
**Strong performance driven by organic growth and acquisitions**

## Notes:

1. EBITDA is a non IFRS measure which are used by the Group as a key indicator of underlying performance.
2. EBITDA is earnings before interest, tax, depreciation and amortisation.
3. Excludes Sydney Ultrasound for Women and Monash IVF Bondi Junction.

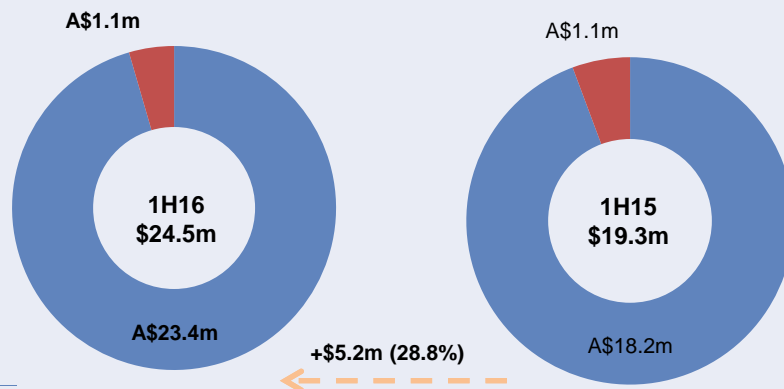
# Segmental Earnings

## Revenue



- **Australia Revenues** increased by \$18.6m (32.3%) to \$76.3m vs pcp driven by:
  - Market share growth in Key Markets and NSW
  - Reversion to trend IVF market growth rates
  - Acquisition growth from Monash IVF Bondi Junction (previously Fertility East) and Sydney Ultrasound for Women.
  - Ramp up of lower intervention volumes, particularly BUMP IVF

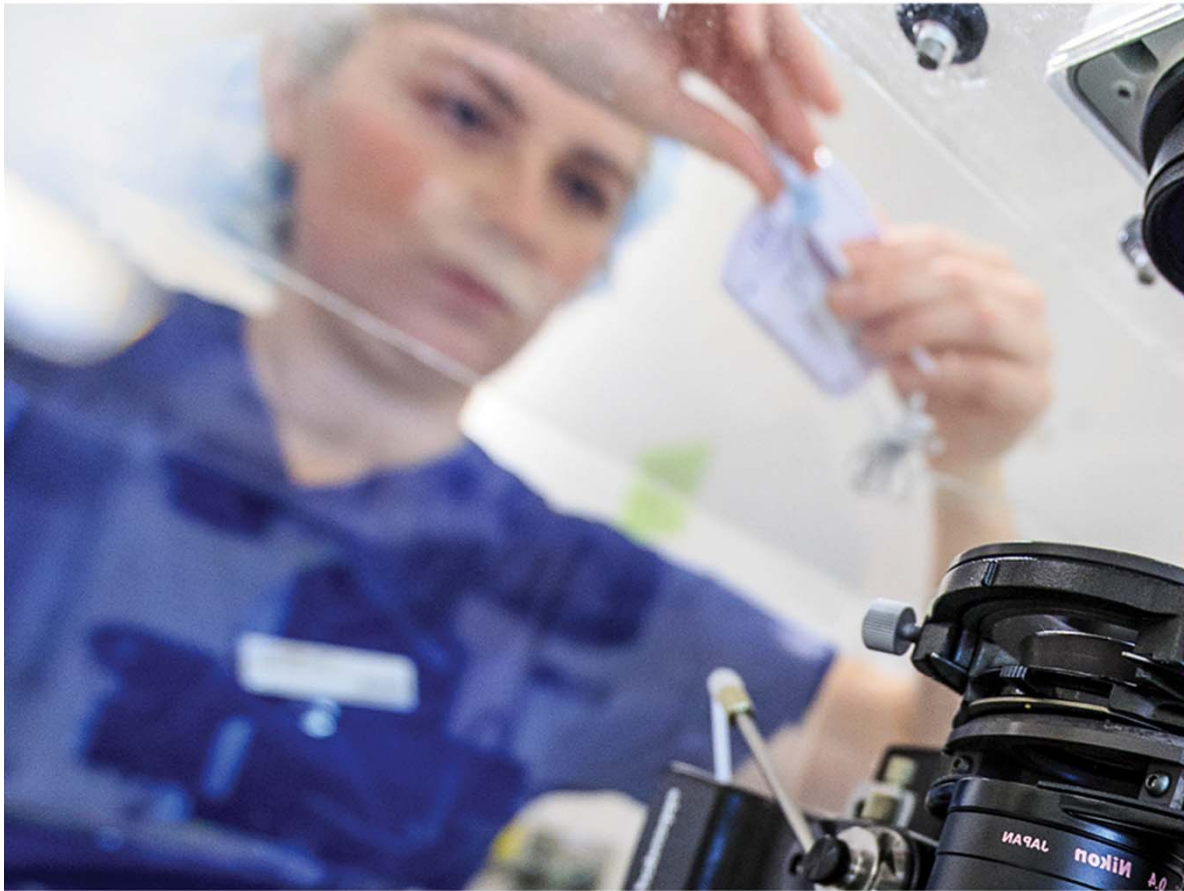
## EBITDA<sup>(1)(2)</sup>



- **International Revenues** increase by 15.4%, however, some margin dilution due to the introduction of GST and investment in clinic capacity.
- **Australia EBITDA** growth of \$5.2m (28.8%)

Notes:

1. EBITDA is a non IFRS measure which are used by the Group as a key indicator of underlying performance.
2. EBITDA is earnings before interest, tax, depreciation and amortisation.



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## Operational Highlights

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## Australian market share - IVF

Market share - IVF	1H16	1H15	% change
Number of Monash Group IVF Patient Treatments <sup>1</sup> in Monash Group's Key Markets <sup>2</sup>	7,480	6,810	9.8%
Monash Group market share in Monash Group's Key Markets <sup>2</sup> – IVF Patient Treatments	39.0%	38.1%	0.9%
Number of Monash Group IVF Patient Treatments <sup>1</sup> performed in Australia	8,523	7,254	17.5%
Monash Group market share in Australia – IVF Patient Treatments <sup>1</sup>	23.3%	21.4%	1.9%

- **Overall market share** in Australian Key Markets<sup>1</sup> increased to 39.0% vs 38.1% pcp
- **Total Australian market share** increased to 23.3% from 21.4% in the pcp
- **Strong growth in IVF Patient Treatments** of 17.5% vs pcp (including acquisitions) well above industry growth rates. (On a like for like basis growth was 12.2% vs pcp)
- **Victorian market share** was stable as we maintained market leadership
- **South Australian market share recovery** is well advanced, driving clear market leadership
- **New South Wales market share grew** to 8% vs 3.9% pcp as we gain traction with recent acquisitions and low intervention IVF



Notes:

1. IVF Patient Treatments are the sum of fresh and cancelled cycles and frozen embryo transfers
2. Based on the combined number of Patient Treatments in Victoria, South Australia, Queensland, Northern Territory and regional market of Albury (New South Wales)

## Pricing and Treatment Mix

IVF Treatment numbers	1H16	1H15	% change
<b>Monash Group – Australia</b>			
IVF Cycles <sup>1</sup>	5,229	4,421	18.3%
Frozen embryo transfers	3,294	2,833	16.3%
<b>Total IVF Patient Treatments</b>	<b>8,523</b>	<b>7,254</b>	<b>↑ 17.5%</b>
<b>Monash Group – International</b>			
IVF Cycles <sup>1</sup>	326	295	10.5%
Frozen embryo transfers	241	202	19.3%
<b>Total IVF Patient Treatments</b>	<b>567</b>	<b>497</b>	<b>↑ 14.1%</b>
<b>Total Monash Group</b>			
IVF Cycles <sup>1</sup>	5,555	4,716	17.8%
Frozen embryo transfers	3,535	3,035	16.5%
<b>Total IVF Patient Treatments</b>	<b>9,090</b>	<b>7,751</b>	<b>↑ 17.3%</b>
<b>IVF Cycles<sup>1</sup> as a % of Total Patient Treatments</b>	<b>61.1%</b>	<b>60.8%</b>	

- **IVF Cycles and Frozen Embryo Transfers (FETs)** patient treatment mix settled at 61.1%
- **Treatment Shift** to FETs steadied as the change in clinical practice matures
- **Volumes increased** 108.4% on pcp for Preimplantation Genetic Screening/Diagnosis (PGS/D)
- **Group offers world's best technology** through "Next Generation Sequencing"
- **IVF Revenue per Patient Treatment** increased with price increases and additional PGS/D revenue. Partially offset by growth in low intervention IVF services

## Notes:

1. IVF Cycles is the sum of fresh and cancelled cycles.

## Expanding Domestic Footprint

### Acquisitions, New Locations & additional Medical Specialists



- Sydney Ultrasound For Women network (11 practices across Sydney, acquired June 2015). Integration with Monash Ultrasound for Women in advanced stages
- Monash IVF (Bondi Junction, Sydney) (acquired December 2014) rebranding to Monash IVF completed and integrated into our NSW footprint strengthening our presence
- New Monash Ultrasound for Women clinics opening in Sunshine and Berwick
- Additional IVF Service Centre (consulting and monitoring) established (Southern suburbs, Melbourne)
- Investment in relocation and expansion of our Gold Coast ARS clinic to deliver an improved patient experience and clinic capacity to support increased demand
- Medical specialists grew to 101 (85 Fertility Specialists & 16 Sonologists)

### Lower Intervention



- Total low intervention treatments for the period represented 5.5% of Group IVF Patient Treatments compared to 1.9% in pcp
- Margins are lower for this category of service
- There is no evidence of cannibalisation of full service business
- Our low intervention clinics continue to gain momentum and are making an improved contribution to the Group, whilst we continue to enhance the patient experience and commercial returns



## International – KL Fertility

- **Continued strong growth in volumes** achieved by new Fertility Specialists in the face of a challenging local economic climate
- **EBITDA margin compression** as these specialists gain traction and the introduction of a GST is felt
- **Building clinic capacity** through a relocation to accommodate demand growth
- **Further international opportunities** are being reviewed

Profit and loss	1H16	1H15	% change
Revenue	\$3.0m	\$2.6m	↑ 15.4%
EBITDA <sup>(1)</sup>	\$1.1m	\$1.1m	0.0%
EBITDA margin	36.7%	42.3%	↓
Patient treatments	567	497	↑ 14.1%

(1) EBITDA is a non IFRS measure



**KL FERTILITY CENTRE**  
towards parenthood



## Sydney Ultrasound for Women (SUFW)

- **Increased Group Revenues** by 14.6% or \$8.8m
- **Delivered an EBITDA<sup>(1)(2)</sup>** contribution of \$2.0m with an EBITDA margin of 22.6%
- **Ultrasound Scan volumes increased** by 236.5% vs pcp
- **Increased scale** of specialist operations through SUFW, growing presence in Sydney
- **16.4% of Group's overall revenues** represented by womens imaging, providing greater diversification of earnings
- **Synergies** between existing Monash Ultrasound for Women business and SUFW are being implemented



**New revenue stream with synergistic and diversification benefits**

## Notes:

1. EBITDA is a non IFRS measure which are used by the Group as a key indicator of underlying performance.
2. EBITDA is earnings before interest, tax, depreciation and amortisation.



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## FY16 Outlook

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## FY16 Full Year Outlook

As a result of our **ARS Patient Treatment growth** continuing in the first two months of 2H16 and the impact of the acquisitions into the Monash IVF Group in FY15, and subject to trading in the remaining months of FY16, we anticipate the reported NPAT for FY16 will be in the range of **25% to 30% up** on the previous corresponding period



## Strategy FY16 and Beyond...

Our strategy remains consistent and focused, to profitably grow our business through leveraging our scientific capabilities across the clinic network

1

### Science, technology and patient success

- Continue to develop industry leading science and technology
- Deliver patients clinically superior services and increase market penetration
- Promote Monash IVF Group's scientific and clinical excellence with doctors and potential patients

2

### Clinic expansion and acquisitions

- Review opportunities to increase Monash IVF Group's scale and market position in women's health, including ARS and imaging services in Australia
- Consider adjacent business opportunities in women's health
- Continue to look at international growth opportunities that meet our investment criteria, particularly building on our Asian hub

3

### Lower intervention

- MyIVF (Brisbane) and BUMP IVF (Sydney) ramping up and making an improved contribution
- Monash IVF Group will continue to refine our low intervention model and consider expansion in suitable locations for additional low intervention clinics
- Strategic intent to grow to less than 10% of IVF Patient Treatments (currently 5.5%)



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## Summary

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## Summary

- ✓ **Track record** of strong long term financial performance
- ✓ **Delivered a strong performance in 1H16** with revenue growth (31.6%) and NPAT growth (27.6%)
- ✓ **Acquisitions** providing earnings growth in FY16
- ✓ **1H16 results** impacted positively by a reversion to normal long term industry growth rates
- ✓ **New Patient Registrations** indicating that Patient Treatment growth rates are to be retained in 2H16
- ✓ **Fundamental drivers** for the industry are solid, as demonstrated by the 1H16 Patient Treatment growth
- ✓ **Forecast long run Patient Treatment growth** expected to be ~4.1% per annum
- ✓ **Recent acquisitions** to be fully integrated over the course of 2H16
- ✓ **Currently considering acquisition** opportunities both domestically and internationally





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