



**ASX/Media Release | Half Year Results Announcement**

20 February 2017

**Monash IVF Group delivers an 8.8% increase in reported NPAT, against a softening of ARS Australian industry growth rates in H1FY17**

Monash IVF Group (ASX: MVF), a leading provider and driving force in fertility care, women’s imaging and diagnostics in Australia and Malaysia, today reported an increase of 8.8% in reported net profit after tax (NPAT) to \$15.2m whilst Group revenues were 0.8% down at \$78.7m for the half year ended 31 December 2016 (1H17).

\$m	1H17	1H16	% Change
Group Revenue	\$78.7	\$79.3	(0.8%)
EBITDA <sup>(1)(2)</sup>	\$25.3	\$24.5	3.1%
EBIT	\$23.2	\$22.4	3.5%
NPAT	\$15.2	\$14.0	8.8%
EPS (cents)	6.48	5.95	8.8%
DPS (cents)	4.3	4.0	7.5%
	1H17	2H16	
Net Debt	\$92.8	\$86.5	
Net Debt to Equity ratio <sup>(3)</sup>	58.1%	55.8%	
Return on Equity (pa.) <sup>(4)</sup>	19.4%	19.3%	

<sup>(1)</sup> EBITDA is earnings before interest, tax, depreciation and amortisation

<sup>(2)</sup> EBITDA is a non IFRS measure which is used by the Group as a key indicator of underlying performance. This and any other non IFRS measure is not subject to audit or review.

<sup>(3)</sup> Net Debt to Equity is calculated using Net Debt divided by equity as at 31 December 2016.

<sup>(4)</sup> Return on Equity is calculated using NPAT for the previous 12 month period divided by the average equity in the same period.

The 1H17 NPAT result exceeded by 1.8% Monash IVF Group’s stated guidance of delivering NPAT growth of approximately 7% on its 1H16 reported NPAT result.

Commenting on the results Monash IVF CEO and Managing Director, James Thiedeman said: *“Monash IVF delivered earnings growth in 1H17 despite a decline in patient treatments and associated revenues against strong comparative volume growth in the pcp.”*

*“We continue to highlight our focus to develop industry leading science and technology in the assisted reproductive services and broader women’s health sector so our patients’ prospects to deliver a healthy baby are as strong as possible. This focus is undiminished and is the foundation for the Group’s strategic market positioning as the leading premium service provider in the ARS sector.”*

*“Our 40-year heritage of leadership in science and innovation in ARS and women’s imaging, coupled with the depth of experience of our doctors and clinical team will continue to underpin our future growth so more patients will have the highest chance of success and the most effective and appropriate treatment.”*

### Highlights for the period were:

- NPAT increased 8.8% or \$1.2m to \$15.2m vs pcp.
- The Group Key Markets<sup>5</sup> Stimulated Cycles<sup>6</sup> decreased by 2.4% against overall Key Markets<sup>5</sup> decline of 4.8%;
- The Group Key Markets<sup>5</sup> Stimulated Cycles<sup>6</sup> market share increased to 25.9% from 25.3% in pcp with the Group's Key Markets<sup>5</sup> Patient Treatments<sup>8</sup> market share increasing by 0.1% to 25.8%;
- Although a new low cost competitor entered the Victorian ARS market our market share marginally declined vs pcp reflecting the resilience of our premium brand and services in a competitive market;
- Group experienced market share growth in Queensland and stable market share in New South Wales and South Australia;
- Complementing the Group's women's imaging services, our migration to in-house Non Invasive Prenatal Testing (NIPT) under the NEST brand, was achieved in November 2016, ensuring we maintain leading edge science and capture the full margin;
- Conversion of the Group's Low Intervention clinic in Mosman (Bump) to a full service Monash IVF branded clinic, confirming our strategic market position as a premium service provider;
- Rebranding of our Next Generation Fertility clinic in Parramatta to Monash IVF as a part of our strategy to rationalise and consolidate brands to Monash IVF;
- Balance sheet stable, delivering a Return on Equity of 19.4% pa;
- Successful refinance of total debt facility in June 2016 and lower average debt generated interest savings of \$0.8m in 1H17 vs pcp; and
- The Group Medical Advisory Committee and the Group Medical Executive Committee continued to work effectively.

### International growth

The KL Fertility business in Malaysia continued to deliver strong growth in Patient Treatments of 17.6% during 1H17. EBITDA remained stable in 1H17 at \$1.1m (1H16: \$1.1m) as the benefits of strong volume growth were offset by a weakening currency and the upfront investment to support the transition to a new state of the art purpose built clinic and day surgery, to accommodate demand growth experienced in Malaysia.

### Capital Management

The Group's balance sheet remained solid with a net debt to equity ratio<sup>(3)</sup> of 58.1% at 31 December 2016 (55.8% at 30 June 2016) and a leverage ratio<sup>4</sup> of 1.84x at 31 December 2016 (1.75x at 30 June 2016).

The Group's net operating cash flow reduced by \$9.9m to \$9.1m at 31 December 2016 (31 December 2015 \$19.0m), net debt was increased by \$6.3m to \$92.8m at 31 December 2016 (30 June 2016 \$86.5m). These metrics were primarily impacted by a one off anticipated corporate tax payment for FY16 of \$9.5m in 1H17.

Furthermore, interest cover<sup>(5)</sup> increased to 14.2x at 31 December 2016 (30 June 2016 11.8x) and the Group has debt capacity to support strategic growth opportunities of \$58.0m.

### Dividends

The Board has declared a fully franked interim final dividend of 4.3 cents per share (FY16: 4.0cps) representing a 7.5% increase on pcp and a dividend payout ratio of 66.4%. The record date for determining this entitlement is 3 March 2017 and the payment date is 7 April 2017.

(4) Leverage ratio is calculated as net debt divided by EBITDA

(5) Victoria, New South Wales, South Australia, Queensland and Northern Territory. NSW included in Key Markets as MVF hold ~8% market share in the largest Australian state-based ARS market

(6) Stimulated Cycles exclude Cancelled Cycles

(7) Interest cover is calculated as EBITDA divided by interest expense

## Outlook

We anticipate the reported FY17 NPAT will be above the prior year, the quantum of which is dependent on Stimulated Cycles<sup>6</sup> market growth rates, particularly in 4Q17. We continue to benefit from cost control and improved capital management, however there has been no apparent reversion of ARS industry growth rates to long term market trend growth rates in the first two months of 2H17.

Monash IVF Group is well positioned to grow its revenues and earnings in the future as a result of:

- Strong underlying demand fundamentals for IVF and women's imaging services;
- Market leading success rates and a highly respected doctor group;
- Clear strategy to focus on our premium services and brands;
- Effective cost management and leverage from its international and domestic business; and
- Acquisitive growth strategy, both domestically and internationally.

James Thiedeman said: *"Monash IVF continues to focus on two key areas for growth and performance; to continue to leverage its heritage of scientific and technological excellence to maintain leading pregnancy success rates in the industry; and continue to capture growth through further acquisition opportunities in Australia and abroad based on its premium position in the sector"*

...Ends...

## Investor Conference Call

Investors are invited to join CEO and MD James Thiedeman and CFO Michael Knaap on a conference call on **Monday 20 February 2017 at 11:00hrs AEST.**

**Participants Dial-in: +61 2 8038 5271**

**Participants Passcode: 53781568**

### International dial in:

<b>Location</b>	<b>Number</b>	<b>Location</b>	<b>Number</b>
Australia	1800 148 258	Malaysia	1800 180 708
Australia MOBILE	1300 157 230	New Zealand	800 667 018
Canada	18 668 374 489	Philippines	1800 161 200 05
China	108 006 110 127	Singapore	800 616 2170
Hong Kong	800 965 808	United Kingdom	800 056 9662
India	800 100 7048	United States	186 658 628 13
Japan	663 306 2118		

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### About Monash IVF Group

Monash IVF Group is a leading provider of assisted reproductive services and specialist women's imaging and diagnostic services in Australia and Malaysia. The Group is a driving force in the development of assisted reproductive technologies and has many Australian and world firsts since the work of our pioneers who achieved the first IVF pregnancy in the world in 1973.