



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

21 August 2017

**Monash IVF Group delivers a 2.9% increase in reported NPAT, against a softening in industry growth rates in FY17**

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 2.9% in reported net profit after tax (NPAT) to \$29.6m whilst Group revenues were 0.9% down at \$155.2m for the year ended 30 June 2017 (FY17).

\$m	FY17	FY16	% Change
Group Revenue	\$155.2	\$156.6	(0.9%)
EBITDA <sup>1, 2</sup>	\$49.0	\$49.6	(1.2%)
EBIT	\$44.6	\$45.4	(1.7%)
NPAT	\$29.6	\$28.8	2.9%
EPS (cents)	12.6	12.2	3.3%
DPS (cents)	8.8	8.5	3.5%
	FY17	FY16	
Net Debt	\$92.0	\$86.5	
Net Debt to Equity ratio <sup>3</sup>	56.3%	55.9%	
Return on Equity (pa.) <sup>4</sup>	18.6%	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 30 June 2017.

<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 FY17 NPAT result delivered on Monash IVF Group’s stated guidance in February 2017 of delivering NPAT growth above prior year.

Commenting on the results Monash IVF CEO and Managing Director, James Thiedeman said: *“Monash IVF delivered earnings growth in FY17 despite a decline in patient treatments and associated revenues against strong comparative volume growth in the pcp.*

*We continue to focus on developing 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 the foundation for the Group’s strategic market positioning as the leading premium service provider in the Assisted Reproductive Services (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.”*

Monash IVF Chairman, Richard Davis said: *“The board and management are committed to driving further earnings growth, both domestically and abroad, through a well defined strategy.*

*Furthermore, the search for a new CEO and Managing Director is well underway and we anticipate making an announcement during Q2FY18.”*

#### **Highlights for the period were:**

- NPAT increased 2.9% or \$0.8m to \$29.6m vs pcp.
- 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;
- Strong cost control and efficient work practices ensured EBITDA margins were relatively stable at 31.6% despite the challenging revenue environment;
- The conversion of a 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”;
- Commencing IVF services in Hobart, Tasmania as a minority shareholder in “Fertility Tasmania” in December 2016;
- The Group Australian Stimulated Cycles<sup>5</sup> decreased by 3.1% against overall Australian Market decline of 0.8%;
- The Group Australian Stimulated Cycles market share decreased to 22.4% from 22.9% in pcp with the Group’s Australian Patient Treatments<sup>6</sup> market share decreasing by 0.6% to 23.2%;
- As a result of a low cost competitor entering the Victorian ARS market our market share declined vs pcp, however this trend reversed for Monash IVF in Q4 recording a slight increase in market share, reflecting the resilience of our premium brand and services in a competitive market;
- Stable market share in Queensland and New South Wales;
- Capital expenditure of \$6.6m with particular emphasis on maintaining our premium market position through clinic refurbishment, broadening in-house services and enhancing patient management systems;
- A stable balance sheet, delivering a Return on Equity of 18.6% pa; and
- Successful refinancing of total debt facility in June 2016 on more favourable terms generated interest savings of \$1.3m in FY17 vs pcp.

#### **International growth**

The KL Fertility business in Malaysia continued to deliver strong growth in Patient Treatments of 10.1% during FY17. EBITDA increased in FY17 to \$2.5m (FY16: \$2.4m) 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. The transition to the new clinic was complete in May 2017 with positive initial feedback from patients and strong volume growth on pcp.

#### **Capital Management**

The Group’s balance sheet remained solid with a net debt to equity ratio<sup>7</sup> of 56.3% at 30 June 2017 (55.9% at 30 June 2016) and a leverage ratio<sup>8</sup> of 1.88x at 30 June 2017 (1.75x at 30 June 2016).

The Group’s net operating cash flow reduced by \$18.3m to \$25.9m at 30 June 2017 (30 June 2016 \$44.2m), net debt increased \$5.5m to \$92.0m at 30 June 2017 (30 June 2016 \$86.5m). These metrics were primarily impacted in FY17 by a one off anticipated corporate tax payment for FY16 (\$9.5m) and subsequent transition to monthly corporate tax instalments (additional \$5.6m).

<sup>5</sup> Stimulated Cycles exclude Cancelled Cycles

<sup>6</sup> Includes stimulated cycles, cancelled cycles and frozen embryo transfers

<sup>7</sup> Net Debt to Equity is calculated using Net Debt divided by equity as at 30 June 2017

<sup>8</sup> Leverage ratio is calculated as net debt divided by EBITDA

Furthermore, interest cover<sup>9</sup> increased to 14.8x at 30 June 2017 (30 June 2016 11.8x) and the Group has debt capacity to support strategic growth opportunities of \$59.5m.

### **Dividends**

The Board has declared a fully franked final dividend of 4.5 cents per share (FY16: 4.5cps). Therefore the total fully franked dividend per share for FY17 is 8.8cps (FY16: 8.5cps) representing a 3.5% increase on pcp and a dividend payout ratio of 69.8%. The record date for determining this entitlement is 7 September 2017 with a payment date of 13 October 2017.

### **Outlook**

We anticipate the reported FY18 NPAT will be broadly in line with FY17. We expect market growth initiatives, effective cost control, and well developed patient transition strategies, will offset any downside risk of a doctor departure in Victoria. 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 FY18.

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

- Strong underlying demand fundamentals for ARS 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...**

<sup>9</sup> Interest cover is calculated as EBITDA divided by interest expense

## Investor Conference Call

Investors are invited to join CEO and MD James Thiedeman and CFO Michael Knaap on a conference call on **Monday 21 August 2017** at **11:00hrs AEST**.

**Participants Dial-in: +61 (0)2 9193 3706**

**Participants Passcode: 7450366**

### International dial in:

<i>Location</i>	<i>Number</i>	<i>Location</i>	<i>Number</i>
Australia	1 800 573 793	Malaysia	1800 806 802
Australia Sydney	+61 (0)2 9193 3706	New Zealand	0800 423 970
China	4001 209 101	Singapore	+65 6320 9025
Hong Kong	800 961 105	United Kingdom	+44 (0)330 336 9105
India	000 800 100 8160	United States/Canada	866 548 4713
Japan	0120 001 836	United States/LA	+1 323 794 2093

### Investor and media enquiries:

James Thiedeman  
Chief Executive Officer and Managing Director  
Monash IVF Group  
+61 3 9420 8235

Michael Knaap  
Chief Financial Officer and Company Secretary  
Monash IVF Group  
+61 3 9420 8235

### 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.