



MONASH IVF GROUP

# Invest in life

**Annual General Meeting**

24 November 2017

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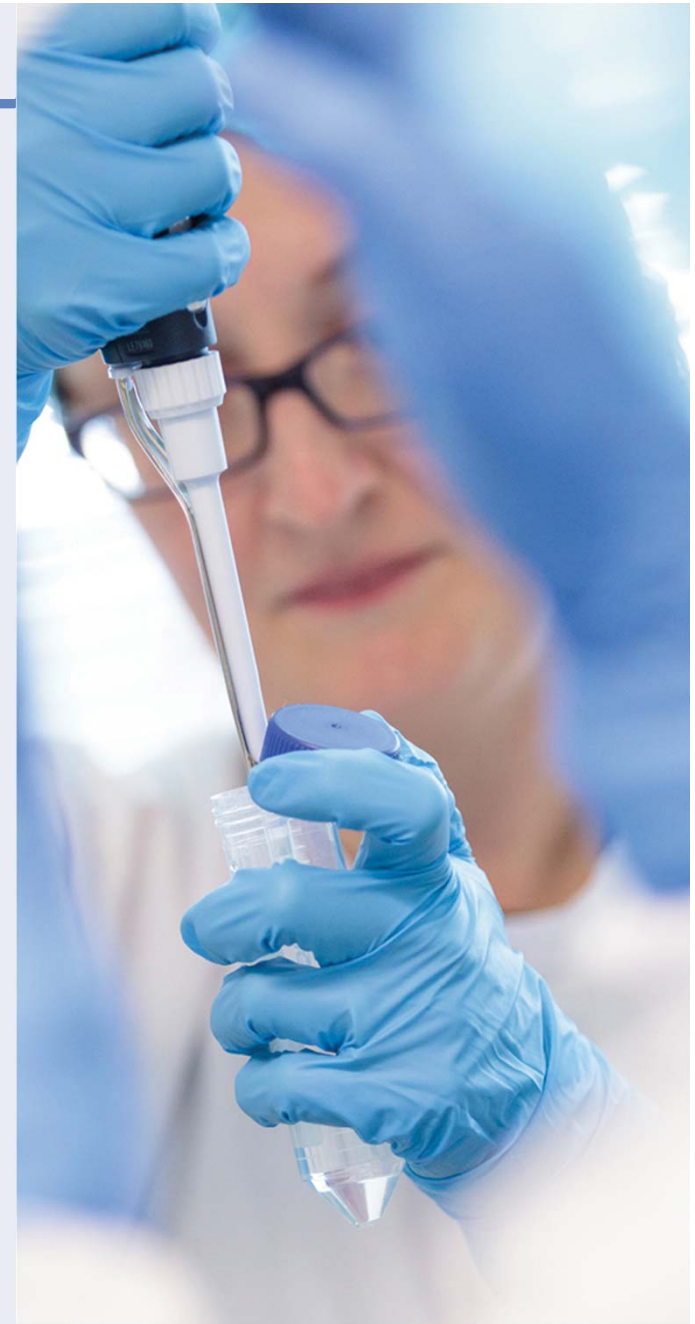


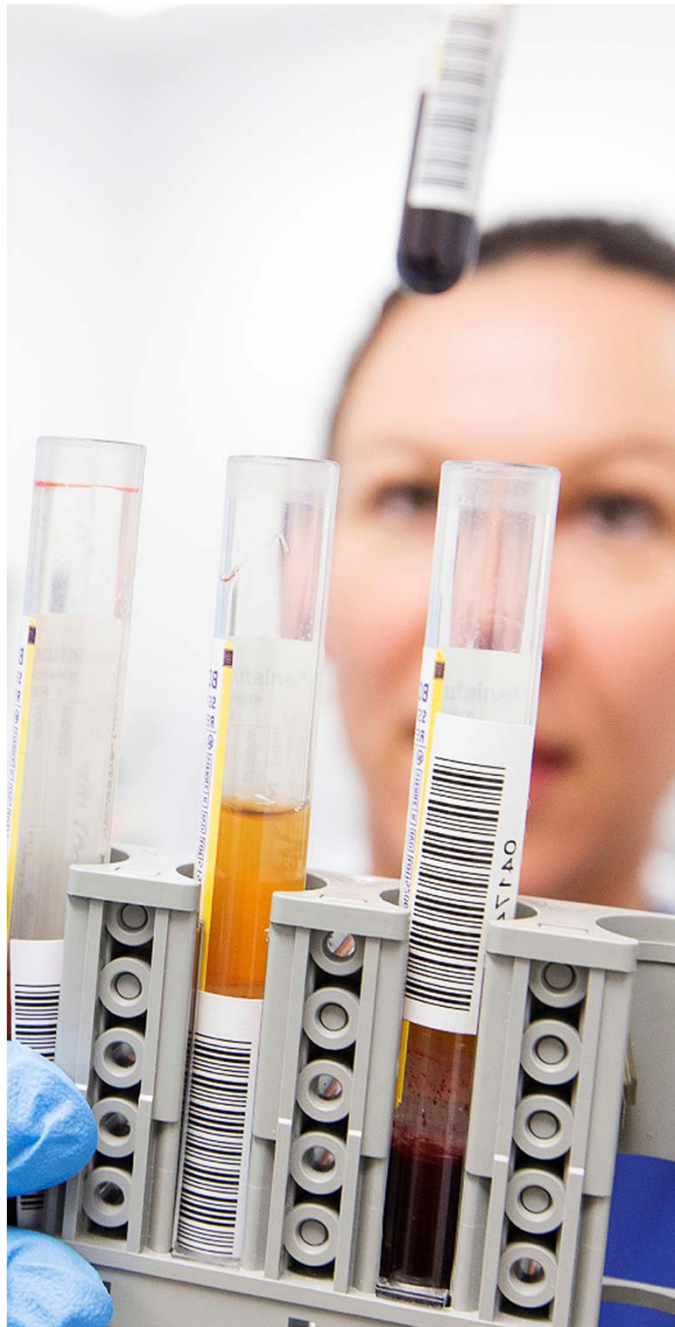
**Chairman's address**  
**Richard Davis**



## Key Achievements

- ✓ **Focus on developing industry leading science & technology**
- ✓ **Strategic positioning as the leading premium service provider**
- ✓ **Earnings increase despite decline in Patient Treatments**
- ✓ **KL Fertility in Malaysia continues growth trajectory – Investment to support**
- ✓ **Market share only declined marginally in a competitive market**
- ✓ **Committed to our premium service offering strategy with rebranding of low intervention clinic to premium full service**
- ✓ **Diversification through women's imaging expansion**
- ✓ **Successful launch of Non Invasive Prenatal Test**
- ✓ **Exploring growth opportunities domestically & abroad**



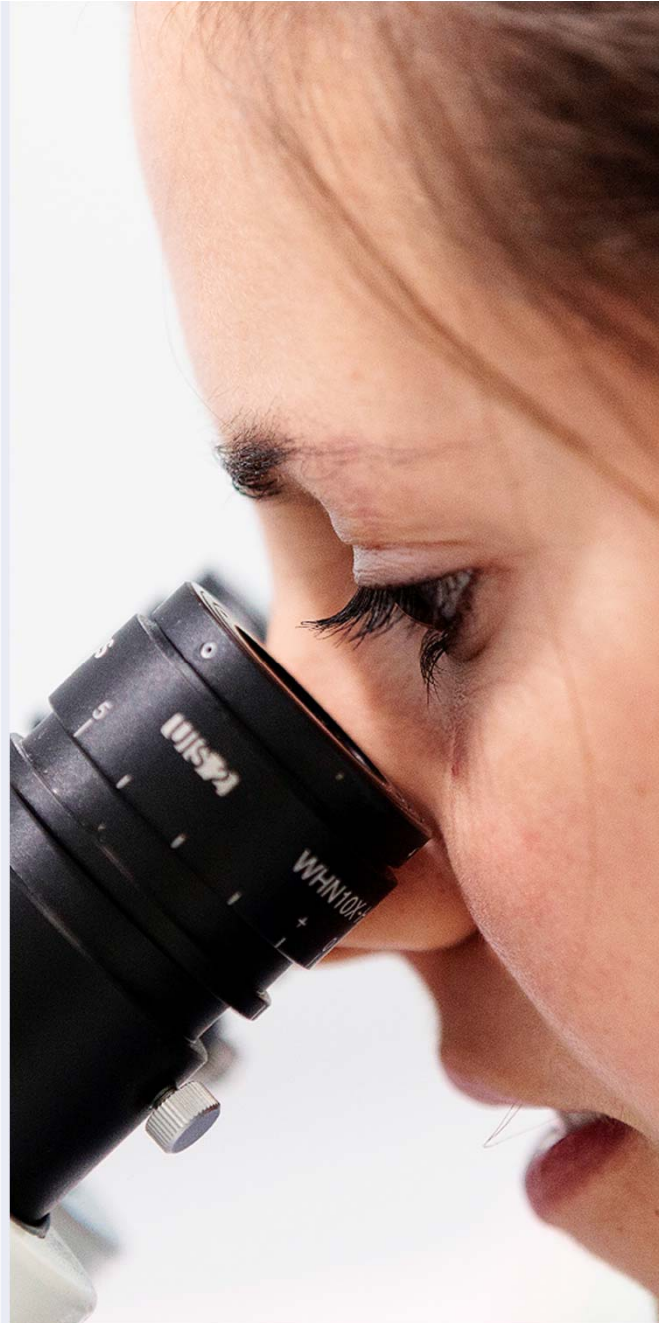


## FY2018 Trading Update

- Australian stimulated cycles market increased by 4.3% in the first quarter predominately from low-cost IVF sector that we strategically don't participate in
- Our Australian stimulated cycles market share declined by 2.5% in the first quarter representing a 6.6% decline in our Australian stimulated cycles
- We continue to invest in long term sustainable growth through leading science & new technologies, international business development and our people
- Incurred one-off expenditure relating to legal costs and CEO recruitment
- Doctor departure in Victoria with comprehensive plan to provide a smooth transition and continuity of care for our patients. The speed of this transition will impact our 1H18 financial performance

## H1FY2018 Outlook

As a result of the factors outlined above, including one-off expenditure, and subject to trading in the remaining months, we anticipate reported NPAT for H1FY18 will be approximately 20% down on the previous corresponding period. Further guidance on the full year earnings will be provided at our half year results announcement.



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## Thank you

- **Senior Management Team**
- **Our passionate doctors, nurses, scientists and support staff providing superior patient care**
- **Shareholders for continued support**

## Welcome

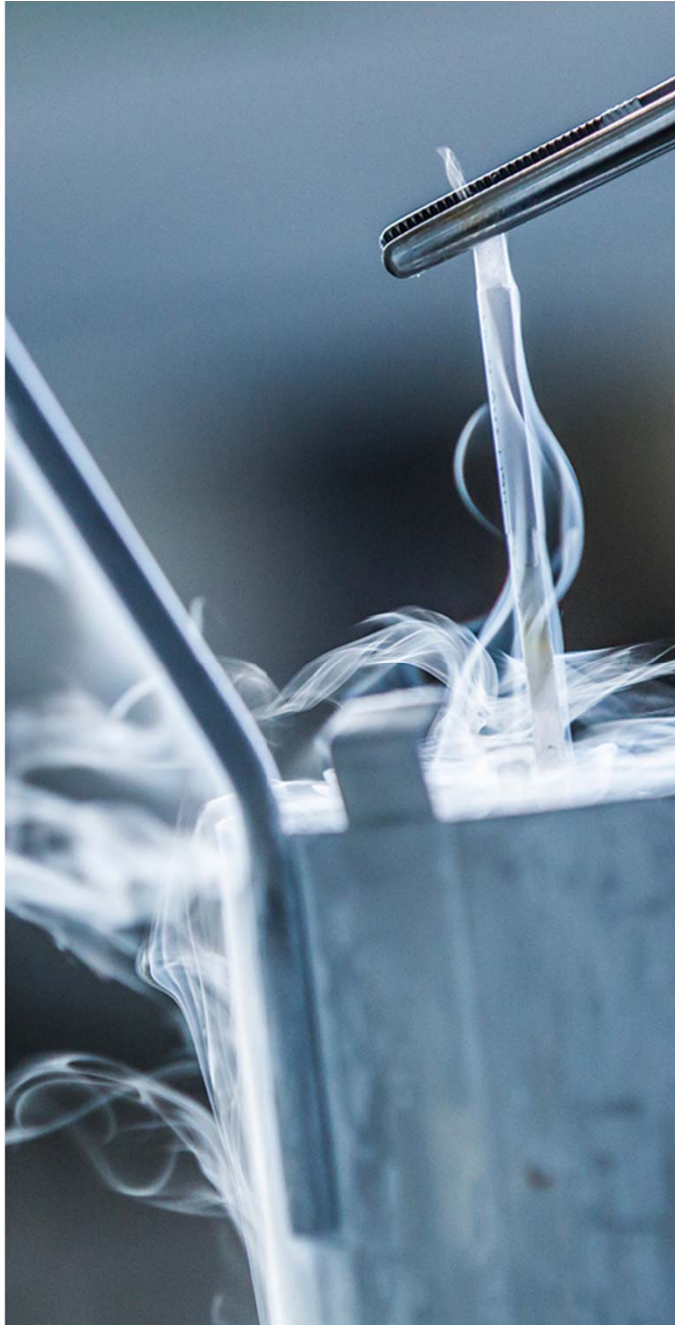
- **David Morris – Commenced 13/11/17**
- **Experience in healthcare, international business development and strategy setting & execution**



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# CEO Introduction David Morris





## Introduction

- Honoured and excited to join such an innovative company that is at the forefront of fertility treatment.
- Passionate about Life Sciences and Healthcare.
- Energised when I am working for a cause; especially one that changes people's lives.
- Build on our success based on good science and technology, a strong clinic network and talented people with abundant capabilities and deep experience.
- Work together with all our stakeholders to deliver positive patient, clinician and commercial outcomes.
- I look forward to leading Monash IVF Group through its next phase of growth, and to help bring life to the world.





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# CFO Presentation Michael Knaap

# Overview of Monash IVF Group

## Core Assisted Reproductive Services

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



## Diagnostic and Ancillary Services

- 2 specialised laboratories in Victoria and South Australia
- 3 day hospitals in South Australia, NSW & Malaysia



## Ultrasound

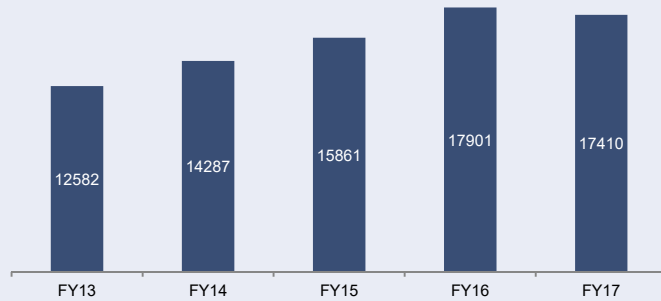
- 17 clinics
- 17 Sonologists
- 3 Australian states



Monash IVF Group is a market leader in women's health

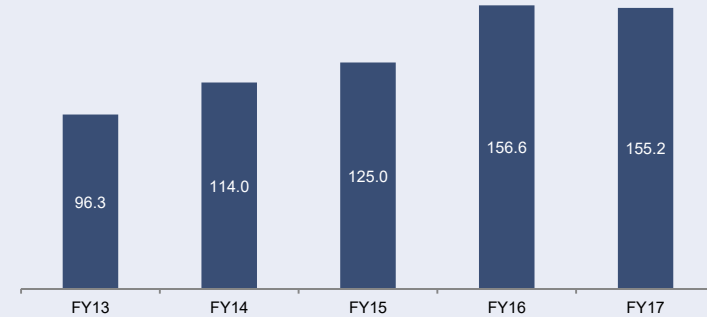
# Track record of strong financial performance

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



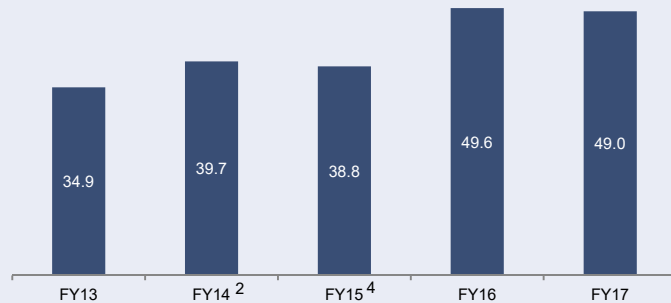
4 Year CAGR<sup>3</sup> of 8.5%

## Revenue (\$m)



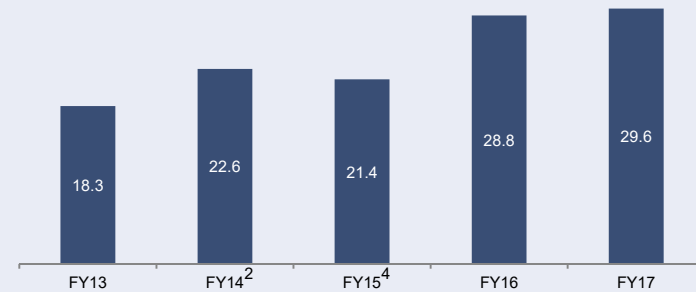
4 Year CAGR<sup>3</sup> of 12.7%

## EBITDA<sup>5</sup> (\$m)



4 Year CAGR<sup>3</sup> of 8.9%


## NPAT (\$m)



4 Year CAGR<sup>3</sup> of 12.8%

## Strong long term growth across all key metrics

1. Patient Treatments are the sum of stimulated and cancelled cycles and frozen embryo transfers
2. FY14 adjusted to exclude IPO costs and restructuring costs
3. CAGR is Compound Annual Growth Rate
4. FY15 earnings were impacted unfavourably by below industry trend growth rates and one off start up & acquisition costs of \$975k (Pre-tax)
5. Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-IFRS measure which is used by the Group as a key indicator of underlying performance and is not subject to audit or review



# Financial and Operational Highlights



## FY17 Financial Highlights

### Revenue

**\$155.2m**

FY16 \$156.6m  
Down 0.9% on pcp

### EBITDA<sup>1</sup>

**\$49.0m**

FY16 \$49.6m  
Down 1.2% on pcp

### Total FY17 Dividend

**8.8c**

FY16 8.5 cents  
Up 3.5% on pcp

### NPAT

**\$29.6m**

FY16 \$28.8m  
Up 2.9% on pcp

### Cash Conversion<sup>2</sup>

**93.9%**

FY16 \$99.1%  
Down 5.2% on pcp

### Basic EPS

**12.6c**

FY16 12.2 cents  
Up 3.3% on pcp

Notes:

1. Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-IFRS measure which is used by the Group as a key indicator of underlying performance and is not subject to audit or review.
2. Pre-tax conversion of operating cash flow to EBITDA calculated as cash generated from operations divided by EBITDA.

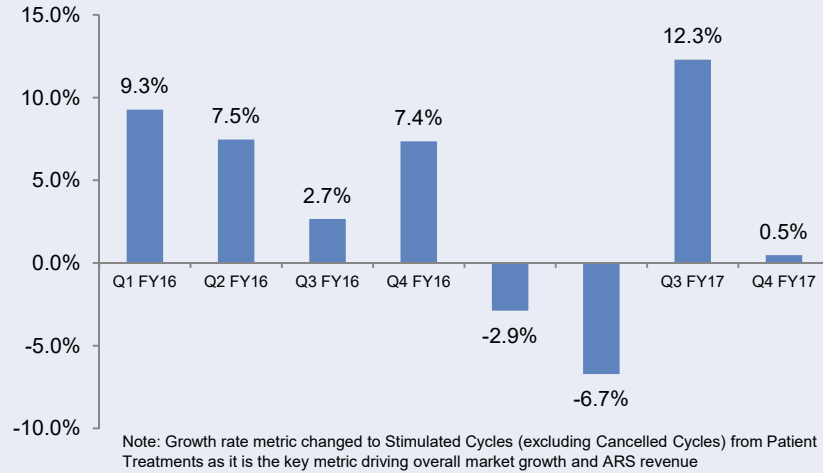
## FY2017 Operational Highlights

- Monash IVF's Australian IVF market share only declined marginally in FY17, demonstrating the strength and resilience of its premium offering
- Monash IVF's ultrasound scan volumes declined in FY17
- Strong cost control and efficient work practices limited EBITDA margin erosion (to 10bp)
- Continued investment in science and research demonstrates Monash IVF's commitment to leading edge technology and innovation in the provision of fertility services
- KL Fertility moved to a new, state of the art facility in May 2017 – feedback from patients and clinicians is excellent, which is flowing through to strong demand growth
- Conversion and rebranding of “Bump” (Mosman) to a Monash IVF full service site demonstrates our commitment to a premium service offering;
- All Sydney clinics now operate under the Monash IVF brand (compared to three different brands at beginning of FY17)
- Monash IVF brand awareness and consideration has further increased over the last two years

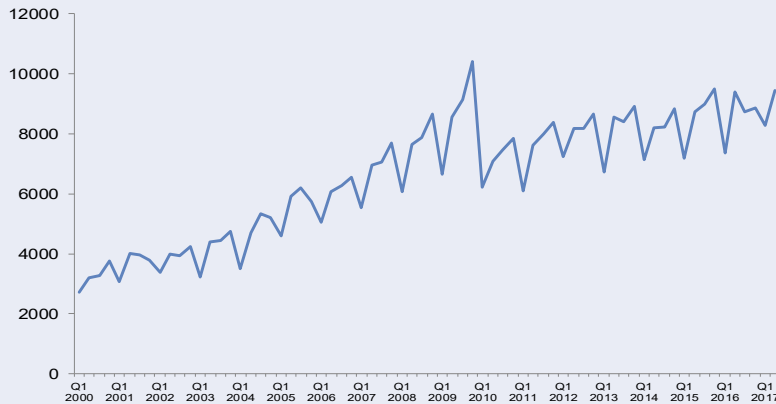


# Australian IVF market movement

## Stimulated Cycle Growth Rates in Key Markets<sup>1</sup>



## Number of Stimulated Cycles<sup>1</sup> by Quarter



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

- The Australian IVF Market softened in FY17 against very strong comparative volumes in the pcp
- Total Key Markets<sup>1</sup> Stimulated Cycles increased by 0.2% in FY17 vs pcp (compared to FY16 growth of 6.8% on pcp)
- Total Australian Stimulated Cycles declined by 0.8% in FY17 vs pcp (compared to FY16 growth of 6.8% vs pcp)
- The volatility by quarter in FY17, and the significantly lower growth in FY17 following the period of very high growth in FY16, demonstrates the variable and oscillating nature of IVF market growth rates in the short term



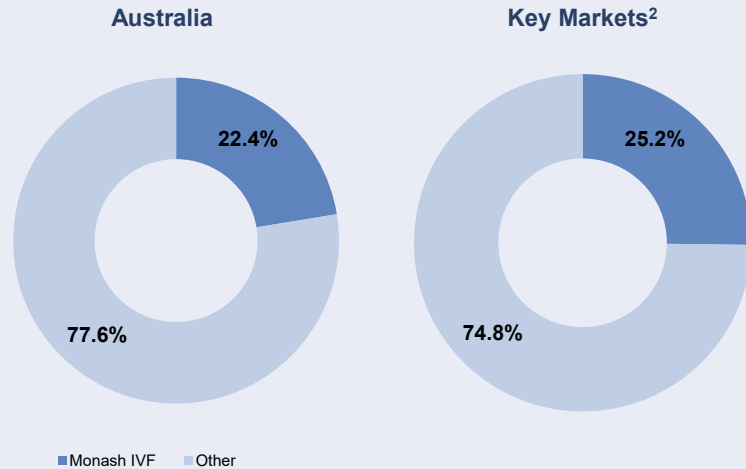
**Market growth rate will fluctuate from time to time. We maintain our view that the long term Stimulated Cycles growth rate is expected to be approximately 3% per annum**

Notes:

1. Based on the combined number of Stimulated Cycles (excluding Cancelled Cycles) in New South Wales, Victoria, South Australia, Queensland and Northern Territory.

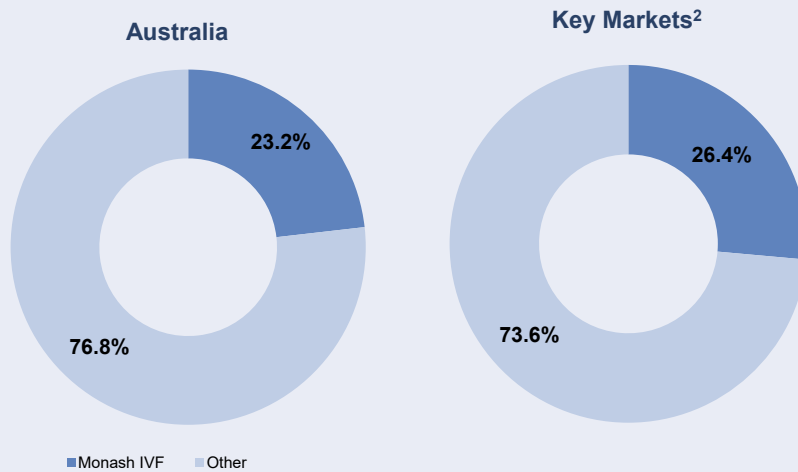
# Australian market share – IVF

## Stimulated Cycle<sup>3</sup> Market Share



- **Stimulated Cycle<sup>3</sup> market share in Australia** decreased by 0.5% to 22.4% vs pcp; Stimulated Cycle market share in Key Markets<sup>2</sup> decreased by 0.9% to 25.2% vs pcp;

## Patient Treatment<sup>1</sup> Market Share



- **Patient Treatment<sup>1</sup> market share in Australia** decreased by 0.6% to 23.2% vs pcp; Patient Treatments<sup>1</sup> market share in Key Markets<sup>2</sup> decreased by 0.9% to 26.4% vs pcp

Notes:

1. IVF Patient Treatments are the sum of fresh and cancelled cycles and frozen embryo transfers consistent with historical reporting metrics
2. Victoria, South Australia, Queensland, Northern Territory and New South Wales
3. Stimulated cycles (excluding Cancelled Cycles)



## Expanding domestic & brand consolidation

### Acquisitions, New Locations & Medical Specialists



- New Monash Ultrasound for Women clinic opened in Berwick, Melbourne in August 2016
- New women's ultrasound services commenced in Adelaide, South Australia from November 2016 and Gold Coast from July 2017
- Commenced IVF services in Hobart, Tasmania as a minority shareholder (35%) in Fertility Tasmania in December 2016
- In-housing of NIPT capability in November 2016 available across all women's ultrasound practices
- Medical specialists grew to 106 (89 Fertility Specialists & 17 Sonologists)

### Premium Service Model



- Monash IVF's business model is based on the very best science and technology, the very best nursing and patient care, the very best safety protocols, and utilises highly experienced clinicians and scientific staff
- The resilience of Monash IVF's market share in light of competition from low cost / bulk billing providers, shows patients are willing to pay for this premium service
- Consolidation to Monash IVF brand in the NSW market focusing on full service IVF offering
- Rebranding low-cost "Bump" brand in Mosman, NSW to "Monash IVF" highlighting our focus on the premium market position
- Rebrand of "Next Generation Fertility" in Parramatta, NSW to "Monash IVF"
- Now have five full service IVF clinics across NSW
- One-Monash IVF brand in NSW will deliver in a stronger brand presence and a more compelling story to potential patients and general practitioners
- "MyIVF" medium-cost brand remains part of our strategy to understand the low cost / low intervention non-premium market

# International FY17 overview

- **KL Fertility**

- **Continued strong growth in volumes** achieved as new fertility specialists continue to gain traction – Patient Treatments up 10.1%
- **Relocated to state of art new IVF facility in May 2017** – signs are very positive, reflected through patient feedback and strong demand growth since opening
- **EBITDA<sup>(1)(2)</sup> margin increased by 90bp** through leverage from incremental volumes

- **New dedicated International Business Development Manager** is actively reviewing further international growth opportunities

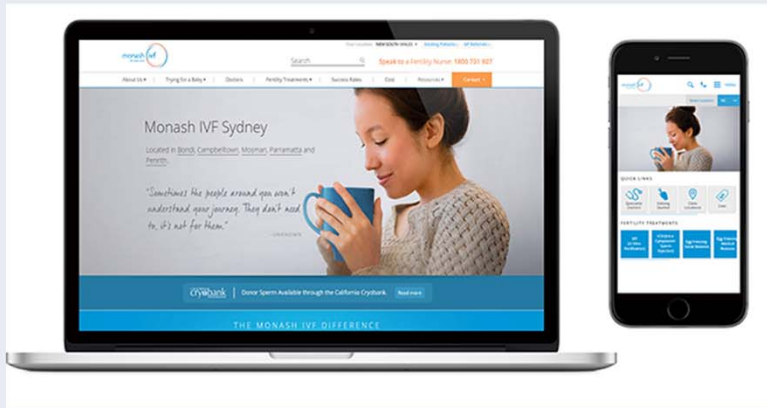
Profit and loss	FY17	FY16	% change
Revenue	\$6.3m	\$6.2m	↑ 1.3%
EBITDA <sup>(1)(2)</sup>	\$2.5m	\$2.4m	↑ 3.3%
EBITDA margin	40.3%	39.4%	↑ 90bp
<b>IVF treatment numbers</b>			
Stimulated cycles	689	617	+11.7%
Cancelled cycles	54	67	(19.4%)
Frozen embryo transfers	603	539	+11.9%
<b>Patient Treatments</b>	<b>1,346</b>	<b>1,223</b>	<b>+10.1%</b>

Notes:

1. 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 and review.
2. EBITDA is earnings before interest, tax, depreciation and amortisation.



# Our Brands and Marketing



New Monash IVF website



Ultrasound marketing



Social Egg Freezing



Maximising our digital footprint



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# FY18 - Trading Update



# FY2018 Trading Update

## Australian Stimulated Cycle market grows above long-term growth rate in Q1FY18, driven by low cost IVF sector

- Total Key Market<sup>1</sup> Stimulated Cycles increased by 4.6% in Q1FY18 vs pcp (decline of 2.9% in Q1FY17 vs pcp). Victoria, New South Wales and Queensland grew whilst SA and NT declined
- Monash IVF Group - Australia Stimulated Cycles declined by 6.6% vs total Key Market<sup>1</sup> increase of 4.6% in Q1FY18. The decline is a result of market weakness in South Australia, transition of the Mosman, NSW clinic from low cost to premium full service and low cost IVF providers capturing growth, particularly in QLD
- Monash IVF Group frozen embryo transfer (FET) cycles increased by 1.5% vs the total Key Market<sup>1</sup> increase of 9.7% in Q1FY18

## Australian Market Share position (Q1FY18)

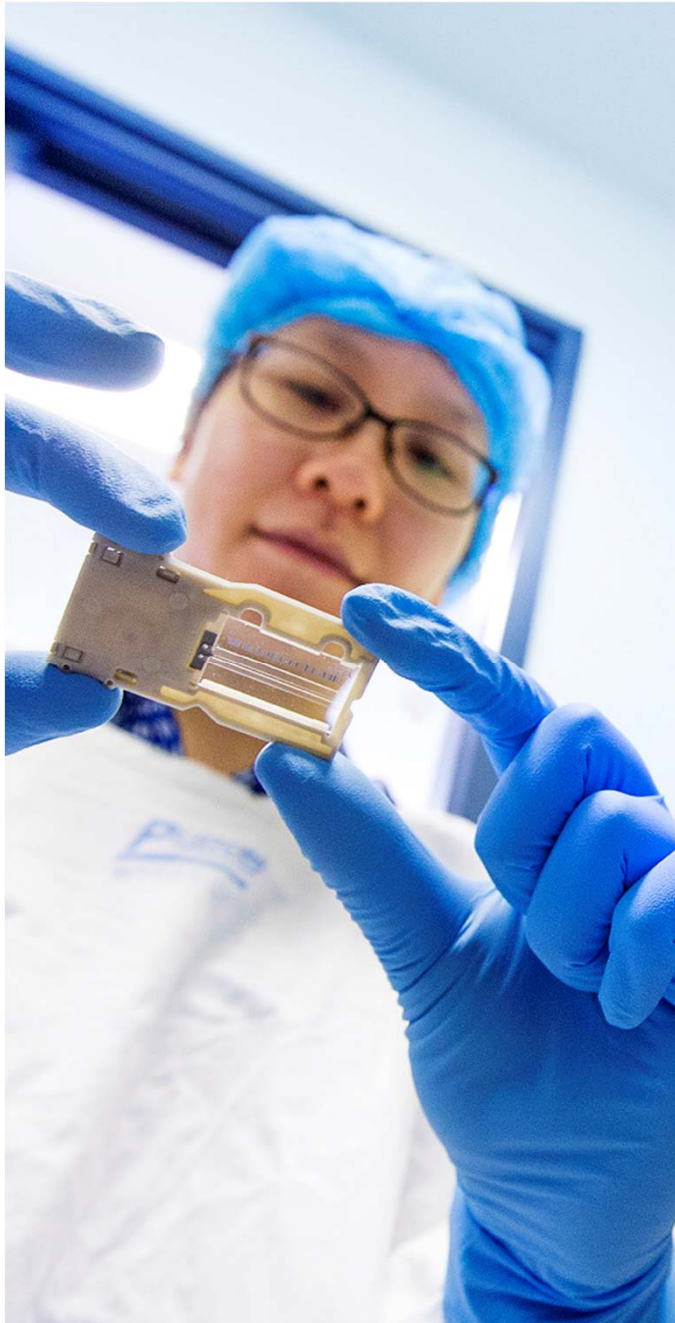
- Total Australian Stimulated Cycle market share reduced to 21.1% from 23.6% in the pcp
- Monash IVF Group market share in its Key Markets<sup>1</sup> reduced to 23.8% from 26.7% in the pcp
- We experienced market share declines due to competitive pressures in Victoria, Queensland and South Australia whilst New South Wales declined due to transitioning the Mosman clinic from low cost to a premium full service

## Stimulated Cycle Growth Rates in Key Markets<sup>1</sup>



*As previously stated IVF industry growth rates fluctuate from time to time. We maintain our view the long term Stimulated Cycle growth rate is expected to be approximately 3% per annum in the premium full service IVF market.*

*Note<sup>1</sup>: Based on the combined number of Stimulated Cycles in Victoria, South Australia, Queensland, Northern Territory and New South Wales.*



## FY18 Trading Update - *Continued*

- KL Fertility in Malaysia is settled in the new, state of the art facility which is flowing through to strong demand growth in Q1FY18
- Complementing MVF's women's imaging services, our investment to in-house Non Invasive Prenatal Testing (NIPT) is delivering to plan with expected earnings contribution in Q1FY18 ensuring we maintain leading edge science
- To ensure long term sustainability and growth prospects are maximised, we are continuing to invest in:
  - Leading science and new technologies
  - International business development
  - The right human resource and remuneration structures
- Non-recurring expenditure will be absorbed in H1FY18 financials including legal costs regarding a departing clinician in Victoria and recruitment costs of a new CEO.
- As a result of the departing clinician in Victoria a comprehensive plan is being managed to provide a smooth transition and continuity of care for our patients, however the speed of that transition will impact our H1FY18 results.





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