



ASX Announcement

Monash IVF Group Limited (ASX: MVF)

22 November 2018

MONASH IVF GROUP ANNUAL GENERAL MEETING: ADDRESS BY CHAIRMAN, MR RICHARD DAVIS

Good afternoon and welcome to the Monash IVF Group's fifth AGM since listing on the ASX in 2014.

Today I will focus on the 2018 financial year, provide an operational update before handing over to Michael Knaap, interim CEO who will be providing further detail on key achievements during FY18.

Throughout FY18, our focus has been on our strategic roadmap created around our premium fertility offering, diagnostics services, and domestic and international expansion. The roadmap has provided clear direction for delivering growth and sustainable shareholder value. It has also guided us in developing and implementing our four operational priorities: Scientific Leadership, Clinical Excellence, Patient Experience and People Engagement. Significant progress has been made in these areas and Michael will provide more information in his presentation to follow.

Our Strategic Roadmap does not include furthering our low cost presence in the Australian domestic ARS market. Our current insight and modelling of the segment does not support sustainable value for shareholders. Our reputation as world leaders which has been built over several decades, ensures our patients are given the best chance to have a healthy baby which our clinicians, nurses, scientists and researchers are striving to make possible every day. We are focused on refining, improving and delivering on our premium service offering and value proposition to our patients and Fertility Specialists.

The 2018 Financial Year was a challenging period for the Monash IVF Group. The year commenced knowing that our CEO since prior to IPO was due to depart in November 2017 and departure of a high volume Victorian Fertility Specialist in September 2017.

The 2018 Financial Year saw a decline in Group revenue, which was down by 2.9% on the prior comparative period (PCP), whilst NPAT was down 27.9% on PCP. Our margins have declined due to the high leverage impact from lower Stimulated Cycles in Victoria, continued investment in our Operations, People, Science, Technology and International Business. In addition, one-off non-

recurring costs were incurred associated with a Specialist departure and restraint legal proceedings, recruitment of key personnel and an organisational restructure. We had strong cash conversion of 93.3% and fully franked dividends of 6.0 cents per share.

Our Assisted Reproductive Services (ARS) Australia Business was significantly impacted by the departure of a Victorian fertility specialist in September 2017. This was partly offset by underlying market share growth outside Victoria, price increases, and expanding our revenue base through our non-invasive prenatal testing offering. Our ARS Australia Premium Service Business remained solid (excluding the departure of the fertility specialist), demonstrating Stimulated Cycle growth of 3% over PCP across our Key Markets, notwithstanding the overall Key Markets ARS Stimulated Cycle market declined by 0.6% over PCP. In particular, the Key Markets ARS Stimulated Cycle market contracted by 6.7% during the second half, as compared to a 2.1% increase in Our Stimulated Cycles.

We also recruited seven new fertility specialists in Australia in FY18, bringing our total here to 85.

Our Diagnostic Services business has grown including non-invasive pre-natal testing volume growth of 32.4% and Ultrasound scan volume growth of 0.9%. Ultrasound scan growth was achieved in light of competition from generalist radiology and the public sector. Our state-of-the-art genetic testing services, supported by 14 genetic scientists, are now available at three additional sites at Sunshine in Melbourne and in the regional centres of Geelong in Victoria and Rockhampton in Queensland. The expansion has made PGT-A and PGT-M services, which assess embryos for chromosomal abnormalities and single gene disorders, more accessible for more of our patients. We will continue to explore, invest and develop complementary and ancillary services to our ARS business and expand our Diagnostics footprint.

Stimulated Cycles in our new state-of-the-art Kuala Lumpur clinic which opened in May 2017, grew by 23.2% as compared to PCP. Since 2014, this clinic has increased its Stimulated Cycles by more than 60% which is well ahead of our expectations and is demonstrating what can be achieved by clinics in our key strategic International growth markets. To support continued growth in Malaysia, we recruited a new experienced Fertility Specialist to support long-term growth and succession planning, which increased our number of Specialists in Malaysia to 6.

We continue to review International opportunities with a particular focus on expansion of Fertility and Diagnostic services in Asia Pacific.

I would like to provide some insight into the first half of the 2019 financial year.

In the first quarter of FY19, industry Stimulated Cycles in the key markets we operate in increased by 2.8% compared to PCP which is broadly in-line with the long-term industry growth rate. In this same period, Monash IVF's Australian Stimulated Cycles declined by 8.0%. Importantly, excluding the departed Victorian Fertility Specialist, our Stimulated Cycles grew by 8.8%.

Our Malaysian clinic is continuing to grow, increasing Stimulated Cycles by 28.8% in the four months to 31 October 2018.

We continue to invest in strategic growth initiatives including new Fertility Specialists to facilitate growth and mitigating the impact from anticipated retirements, refurbishment of Melbourne fertility clinics, new nurse model of care, scientific advancements and partnerships, as well as a new flagship

Women's Imaging Clinic in the Sydney CBD. It should be noted that we will be incurring one-off non-recurring expenditure in 1H19 from closure of an under-performing clinic in Mosman (\$0.66m NPAT) whilst incurring CEO separation costs (\$0.33m NPAT), with a total NPAT impact of approximately \$0.99m.

As a result of factors outlined above, excluding \$0.99m of one-off non-recurring expenditure, and subject to trading in the remaining months, we anticipate underlying NPAT in H1FY19 to be in-line with previous guidance of approximately 15% down on PCP.

In H2FY19, we anticipate returning to NPAT growth of greater than 15% compared to PCP. As a result, we anticipate moderate underlying Full Year FY19 NPAT growth compared to PCP, subject to the ARS market growing at approximately 2% in H2FY19, as well as our market share improving compared to PCP.

Further guidance on the full year earnings will be provided at our half-year results announcement.

As advised upon the resignation of Mr. David Morris, we are fortunate to have an experienced executive of the caliber of Michael Knaap to lead the group in this interim period. Michael and the Senior Management Team are equipped and well advanced in executing our strategy, which is underpinned by ensuring that our Group continues to deliver exceptional care to our patients.

In closing prior to handing over to Mr. Michael Knaap, the last 18 months have been a tumultuous period for the business with the loss of a specialist and departure of two CEOs. I would like to thank the Management Team, dedicated specialists, nurses, scientists and other staff for continuing to provide our patients with exceptional care, supporting the Monash IVF Group through this period, with a focus on returning the business to growth. Thanks must also go to our external shareholders for their support over the past 12 months.

On behalf of my fellow Directors, we look forward to updating you on our achievements in 2019 and beyond.