



MONASH IVF GROUP

*Life starts here*

**Annual General Meeting**  
22 November 2018

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# Chairman's address

## Richard Davis



## Key Achievements

- **Strategic roadmap progressed** which has confirmed our position as a leading premium service provider
- **FY18 was challenging** given departure of CEO and departure of a high volume Victorian Fertility Specialist
- Our Australian ARS Premium Service business remained solid demonstrating **3% Stimulated Cycle growth** (excluding Fertility Specialist departure)
- **Recruitment of eight new fertility specialists** (7 in Australia and 1 in Malaysia)
- Continued **Investment** in our Operations, People, Science, Technology and International Business
- **Growth in Diagnostic Services business**
- **KL Fertility in Malaysia accelerates** growth trajectory post investment in new clinic
- **Continued to explore growth opportunities**, domestically and abroad



## FY2019 Trading Update

- In the first quarter, the Australian Stimulated Cycle market increased by 2.8% compared to PCP, broadly in line with the long-term industry growth rate.
- In the first quarter, Our Australian Stimulated Cycles declined by 8.0%. (Importantly, excluding the departed Victorian Fertility Specialist, our Australian Stimulated Cycles grew by 8.8%).
- Our Malaysian Stimulated Cycles grew by 28.8% in the four months to 31 October 2018.
- We continue to invest in strategic growth initiatives including new fertility specialists, refurbishment of Melbourne fertility clinics, nurse model of care, scientific advancements and partnerships as well as a new flagship Women's Imaging clinic in Sydney CBD.
- Incurred one-off non-recurring expenditure in 1H19 from closure of an under performing clinic in Mosman (\$0.66m NPAT impact) whilst incurring CEO separation costs (\$0.33m NPAT impact).

## FY2019 Outlook

- 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.

## Thank you






- 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 continued support over the past 12 months.

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# Interim CEO presentation Michael Knaap

# Overview of Monash IVF Group

Monash IVF Group is a **market leader** in fertility

ARS	Diagnostic	Ultrasound
<ul style="list-style-type: none"> <li>22 clinics<sup>2</sup></li> <li>5 service centres</li> <li>91 Fertility Specialists</li> <li>7 Australian States/Territories &amp; Malaysia</li> </ul> 	<ul style="list-style-type: none"> <li>2 specialised laboratories (VIC and SA)</li> <li>3 day hospitals (SA, NSW &amp; Malaysia)<sup>2</sup></li> </ul> 	<ul style="list-style-type: none"> <li>18 clinics</li> <li>15 Sonologists</li> <li>4 Australian states</li> </ul> 
<p><b>106</b> Medical Specialists</p>	<p><b>108</b><sup>1</sup> Scientists</p>	<p><b>330</b><sup>1</sup> Nursing &amp; Support Staff</p>

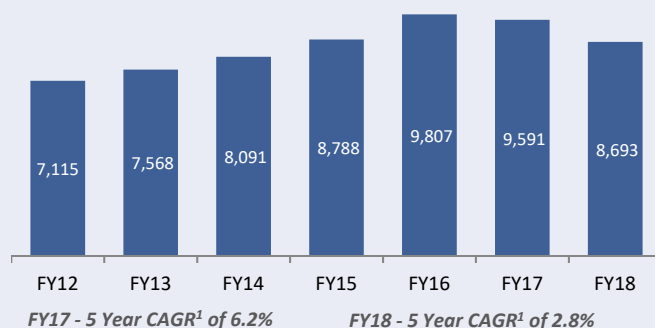
1. Employee numbers represents the full time equivalents  
 2. The overview is as at the end of FY18 and includes the Mosman clinic that will be closed in November 2018



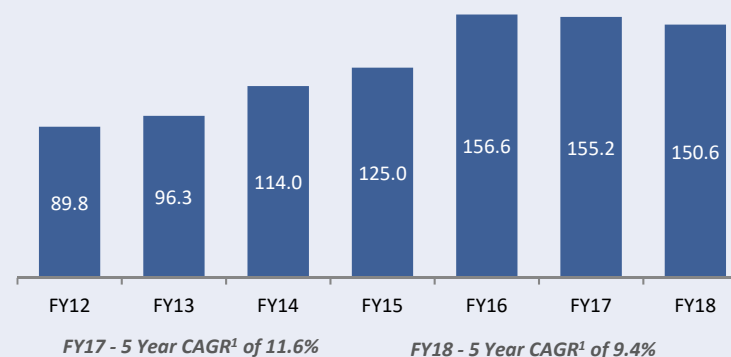
## MVF long term performance

We have had a track record of solid performance against the 5-year Stimulated Cycle industry CAGR of 1.7%, however FY18 activity has been significantly impacted by the departure of a Specialist.

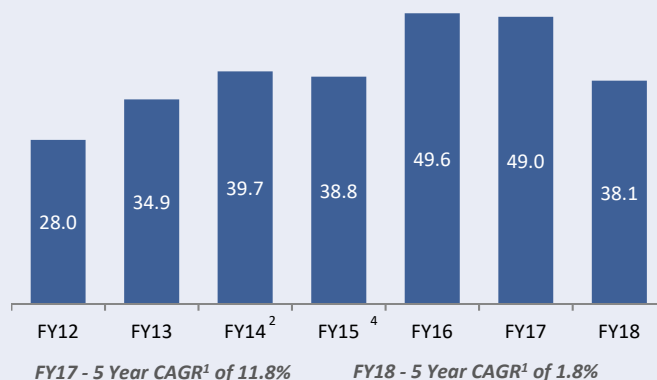
### Stimulated Cycles



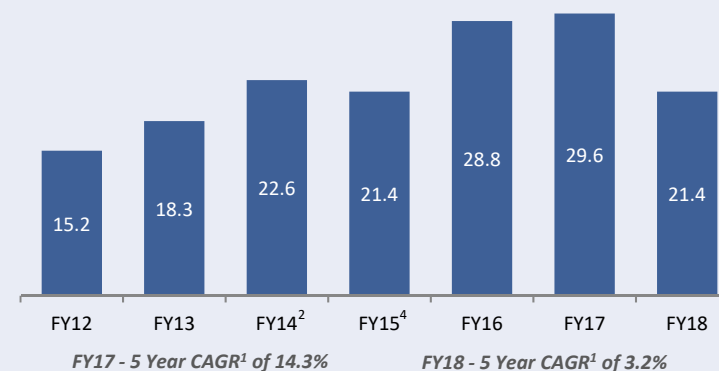
### Revenue (\$m)



### EBITDA<sup>3</sup> (\$m)



### NPAT (\$m)



1. CAGR is Compound Annual Growth Rate
2. FY14 adjusted to exclude IPO costs and restructuring costs
3. 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
4. FY15 earnings were impacted unfavourably by below industry trend growth rates and one off start up & acquisition costs of \$975k (Pre-tax)

A close-up photograph of a hand wearing a blue nitrile glove, holding a pipette tip over a rack of white test tubes. The background is blurred, showing more test tubes and laboratory equipment. The overall color palette is light blue and white.

# Financial and Operational Highlights

## FY18 Financial Summary

### Revenue

**\$150.6m**

FY17 \$155.2m  
Down 2.9%

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

**\$38.1m**

FY17 \$49.0m  
Down 22.2%

### FY18 Dividends

**6.0c**

FY17 8.8 cents  
Down 31.8%

### NPAT<sup>2</sup>

**\$21.4m**

FY17 \$29.6m  
Down 27.9%

### Cash Conversion<sup>3</sup>

**93.3%**

FY17 93.9%  
Down 0.6%

### Basic EPS

**9.1c**

FY17 12.6 cents  
Down 27.8%

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. NPAT attributable to Ordinary Shareholders
3. Pre-tax conversion of operating cash flow to EBITDA calculated as Cash generated from operations divided by EBITDA

# ARS Australia - Operational Performance

Operational performance has been significantly impacted by the departure of a Specialist.

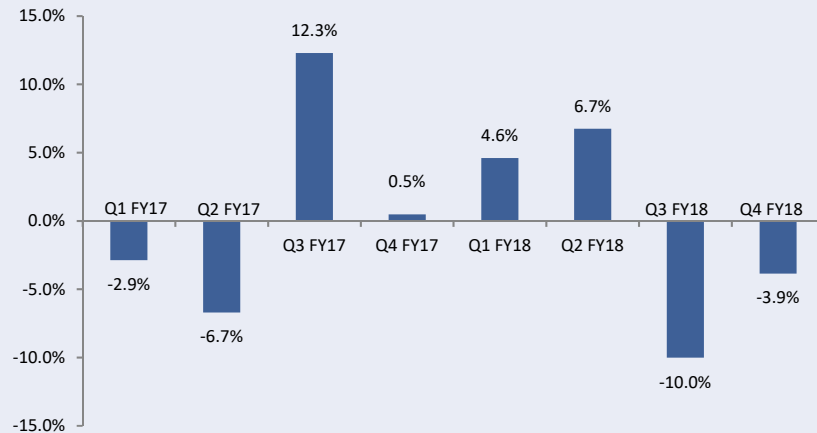
- **Premium Full Service business** (excluding the impact from a departing Specialist) remains solid, demonstrating 3.0% Stimulated Cycle growth in our Key Markets<sup>1</sup> in FY18 vs FY17.
- **7 new Fertility Specialists** recruited in FY18, bringing total Specialists in Australia to 85.
- **ARS Australian Stimulated Cycle market declined** by 0.3% in FY18 compared to PCP with 2H18 declining by 6.4%.
- **Stimulated cycles** decreased by 11.9% driven by the departure of a Specialist and as a result, FY18 market share in Our Key Markets<sup>1</sup> decreased from 25.2% to 22.3% compared to PCP.
- **Frozen embryo transfers** decreased by 4.5% as the decline in Stimulated cycles has had a direct impact on frozen embryo transfers.
- **Victoria:** Our Stimulated Cycle activity (excluding the impact from a departing Specialist) increased by 4.2% in FY18 vs FY17.
- **South Australia:** Our Stimulated Cycles increased by 2.2% during FY18 including an 18.4% increase in 2H18 due to new Fertility Specialists commencing. As a result, our market share increased in FY18 vs FY17.
- **Queensland (Premium Service):** We maintained our Stimulated Cycle volume in FY18 vs FY17 notwithstanding disruption by a bulk bill service provider. As a result, our market share increased in 2H18.
- **New South Wales:** Our market share decreased due to transition of the Mosman clinic to a Premium Service clinic. Subsequently we have decided to close and consolidate into both the Parramatta and Bondi Junction clinics.
- **Tasmanian IVF unit** (35% minority holding) is demonstrating strong growth and has gained market share in FY18.
- **Australian Segment Revenue and EBITDA** (including Diagnostic services) declined by 4.7% and 26.1% respectively compared to PCP.

1. Key Markets of New South Wales, Victoria, South Australia, Queensland and Northern Territory

# Australian IVF market movement and growth

Stimulated Cycles in Key Markets<sup>1</sup> declined by 0.6% in FY18 vs FY17. Our view is that the long-term Stimulated Cycle growth rate will be approximately 2.0%.

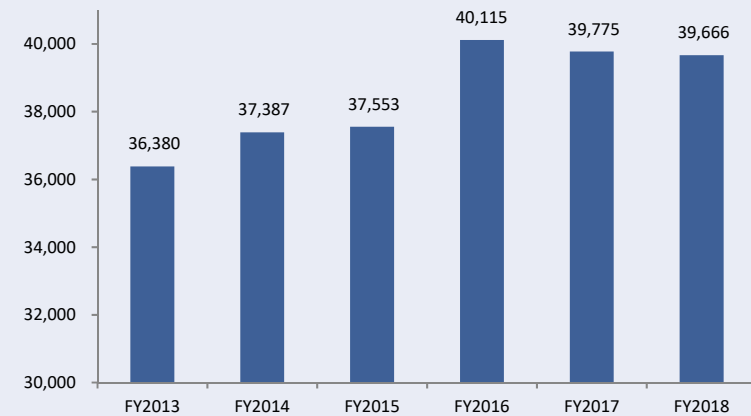
## Stimulated Cycle Growth Rates in our Key Markets<sup>1</sup>



*FY18 Key Markets<sup>1</sup> Stimulated Cycles reduced by 0.6% compared to FY17*

*2H18 decline was 6.7% as compared to **Monash IVF Stimulated Cycle increase of 2.1% (excluding departure of Specialist) in the same period***

## Number of Australian Stimulated Cycles<sup>2</sup> by FY



*The total Australian Stimulated Cycle Market reduced by 0.3% as compared to FY17.*

1. Key Markets of New South Wales, Victoria, South Australia, Queensland and Northern Territory  
 2. Medicare Benefit Schedule Item Statistics Reports [13200, 13201], Commonwealth Department of Health and Ageing

## Diagnostics Performance

Diagnostics continues to grow as we build our in-house capabilities and leverage our Ultrasound footprint.

- **NIPT volumes** increased by 32.4% from 9,834 to 13,017 of which 99.1% was performed in-house (37.3% pcp). This has enhanced our Ultrasound service offering
- **NIPT revenue** contributed an additional \$2.4m of revenue and earnings is in line with expectations
- **Pre-implantation genetic screening/diagnosis** decreased by 14.4% from 1,750 to 1,498 commensurate with the IVF Stimulated Cycle decline. Penetration rate to Stimulated Cycles remains stable at 19.1% compared to FY17
- **Ultrasound Scan** volumes increased by 0.9% from 74,808 to 75,457 with 2H18 delivering 1.8% growth on pcp
- **Plan to expand our genetic testing capability** and breadth of service across the reproductive cycle



SYDNEY ULTRASOUND FOR WOMEN



# ARS International Performance

ARS International EBITDA grew 50.2% and now represents 9.9% of Group EBITDA.

- **ARS revenue** increased by 40.5% from \$6.2m to \$8.8m as Stimulated Cycles increased by 23.2% from 689 to 849. Total Patient Treatments increased by 24.2% from 1,346 to 1,672
- **EBITDA** increased by 50.2% to \$3.77m from \$2.51m
- **EBITDA Margin** increased by 2.7% to 43.0%, as incremental volumes leverage the cost base
- **The new state-of-the-art facility** in KL provides the capacity to meet growth in demand and deliver a positive customer experience
- **A New Experienced Fertility Specialist commenced**, supporting long-term growth and succession planning bringing total Specialists to 6 in Malaysia
- Continue to review **International opportunities** with a particular focus on expansion of Fertility and Diagnostic services in Asia Pacific



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# FY19 – Strategy and Trading Update





## Strategic priorities

Our strategic priorities will drive growth and create sustainable shareholder value...

**Fertility**  
(Women and Men)

**Premium Offerings**

**Diagnostics**  
(Ultrasound and Genetics)

**Australia  
and International**  
(Asia Pacific)

**Premium Fertility  
Solutions**

Focus on our Premium Fertility offering for women and men; including holistic Fertility Solutions

**Fertility and  
Diagnostics**

Increase the integration of our Fertility and Diagnostics (Ultrasound and Genetics) operations

**Balanced Business  
Portfolio**

Establish a more balanced business portfolio across Australia, increasing our focus in underpenetrated markets

**International  
Expansion**

Pursue International opportunities, with a particular focus on expansion of Fertility and Diagnostic services in Asia Pacific

## Operating priorities

We continue to focus on operating priorities of Scientific Leadership, Clinical Excellence and Customer (Patient) Experience.

### Scientific Leadership

Scientific Practices

Harmonise scientific methods and invest in laboratories with state of the art technology and equipment to continue to support our market leading success rates

Diagnostic Services

Expand our Diagnostic services in Ultrasound and Genetics, increasing referral between Fertility and Diagnostic services

Research and Development

Enhance our Research and Development capabilities to focus on advancing good science, clinical practice and commercialisation of new technologies

### Clinical Excellence

Partner with Fertility Specialists

Strengthen our partnership with the Fertility Specialists increasing our focus on marketing, referrals, clinical service and scientific research.

Recruit Fertility Specialists

Recruit Fertility Specialists to expand our operations in Australia. This will help build a balanced State portfolio and succession planning for existing Fertility Specialists.

Clinical Practices

Harmonise routine and agile clinical procedures that are compliant and scalable. Continue to upgrade facilities and information technology.

### Patient Experience

Brand Positioning

Optimise our brand position and marketing activities to generate increased awareness of our heritage, our Fertility Specialists, our clinic network our good science and our successful fertility outcomes.

Omni Channel Strategy

Enhance and integrate our channels to increase access and improve our interaction with Patient; including online, social media, phone and face to face.

National Donor Programme

Establish a national Donor programme, that supports people in need of sperm, eggs and embryos.

# Operating priorities

Strategic Roadmap progressed to deliver sustainable growth in our Organisation

## Scientific Leadership

- World-first internal roll out of non-invasive PGS
- The 'Monash Way'
- Time lapse incubator trial
- Progress AI capability
- Progress commercialisation of sperm selection device



## Clinical Excellence

- Investment in our facilities
- Clinician recruitment
- Clinician forums and research partnerships
- Enhancements to Nurse Care Model and paper-less
- Increasing network infrastructure



## Patient Experience

- Patient Journey review
- Implementation of Net Promotor System (NPS)
- 24/7 contact centre
- New Mobile APP and website enhancements
- Better patient funding to access treatment



# FY19 Trading Update

Key Markets<sup>1</sup> Stimulated Cycle market grows inline with long-term growth rate during Q1FY19

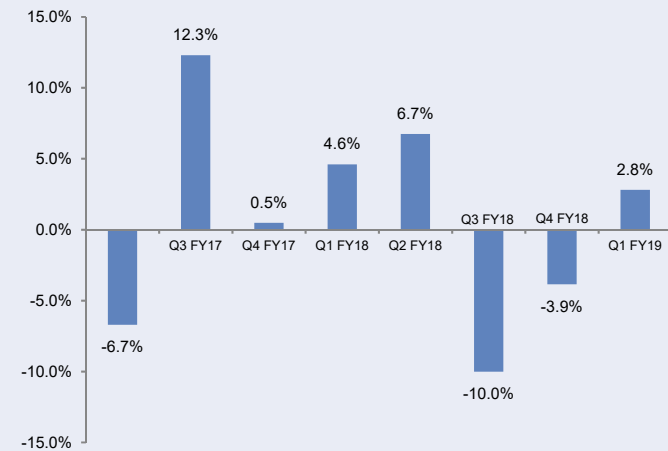
- **Total Key Markets<sup>1</sup> Stimulated Cycle market has grown by 2.8%** during Q1FY19 as compared to the prior corresponding period (PCP), which is broadly inline with the long-term industry growth rate. Market growth occurred in all Key Markets<sup>1</sup> except for New South Wales.
- **Our Australian Stimulated Cycles declined by 8.0%** during Q1FY19 as compared to PCP. The decline is due to the departure of a Victorian fertility specialist in September 2017.
- **Excluding departure of a Victorian Fertility Specialist, Our Australian Stimulated Cycles grew by 8.8%** as compared to the PCP. Strong growth achieved in South Australia, New South Wales and Queensland.

## Market share – Q1 FY19

- **Market share growth in Stimulated Cycles achieved in all Key Markets<sup>1</sup> in Q1FY19** except for Victoria.
- **Key Markets<sup>1</sup> Stimulated Cycle market share** reduced to 21.3% from 23.8% in the PCP
- The above market share decline is as a result of the departure of a Victorian fertility specialist.

1. Key Markets of New South Wales, Victoria, South Australia, Queensland and Northern Territory

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

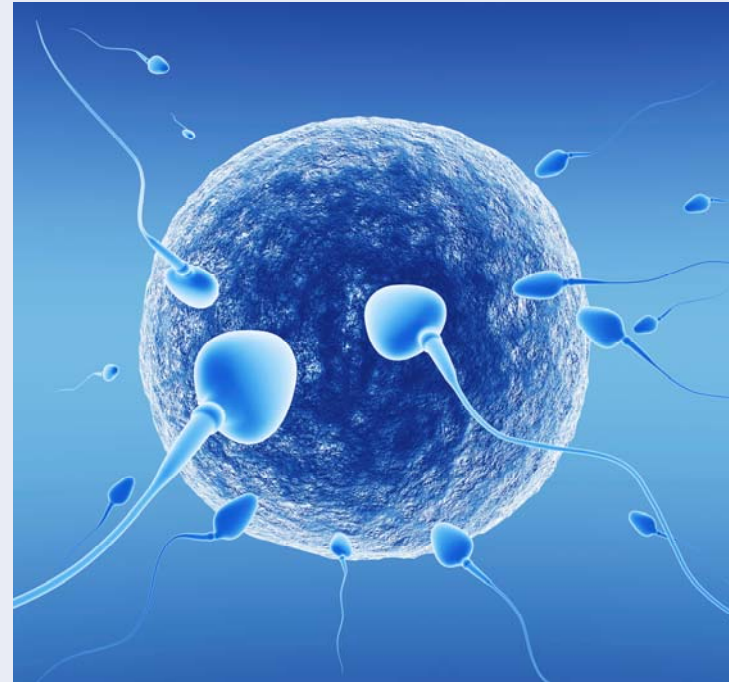


*As previously stated ARS industry growth rates fluctuate from time to time. We maintain our view the long-term Stimulated Cycle growth rate is expected to be approximately 2% per annum in the Premium Full Service ARS market*

## FY19 Trading Update - *Continued*

### Monash IVF Group is well positioned to return to growth

- Fertility Specialist recruited – eight new specialists attracted during FY18 contributing to Q1FY19 growth in SA, NSW and Malaysia
- 17.6% Stimulated Cycle growth achieved in Q1FY19 outside of Victoria
- Victorian Stimulated Cycles are down 26.5% compared to Q1 PCP. Q1 is the final quarter of comparative impact from the Victorian Fertility Specialist departure in September 2017.
- 28.8% growth in Malaysia in the four months to 31 October 2018
- Cost base initiatives to build further efficiency including closure of under-performing clinics such as the Mosman premium service clinic in Sydney, redirecting patients to the Bondi Junction clinic
- Progress and deliver on our Operating Priorities
- Acquisition/JV targets (domestic and international) which must meet our strict investment criteria





## Summary

- ✓ **FY18 earnings impacted from departure of Fertility Specialist**
- ✓ **Industry Stimulated Cycles declined in FY18 with a large decline in H2FY18**
- ✓ **Strategic Roadmap progressed to deliver sustainable shareholder growth**
- ✓ **Australian Premium Full Service Business fundamentals remain strong**
- ✓ **Diagnostics Business grew from in-house NIPT service**
- ✓ **Malaysian clinic continues to demonstrate growth**
- ✓ **Anticipate to return to earnings growth in FY19**