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ASX Announcement

Monash IVF Group Limited (ASX: MVF)

28 November 2019

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

During the year, the Board and Management Team refined the Group's business strategy and vision. Our strategy is clear and focused to deliver continued, profitable growth in the coming years.

The strategy optimises our deep knowledge and experience within the Assisted Reproductive Services market and capitalises on the significant opportunities that exist in Australia and overseas. Our focus remains being a best-in-class fertility provider.

We have already begun to make inroads into our domestic and international expansion plans, by acquiring Fertility Solutions in Queensland which has expanded our domestic footprint. In addition, we remain focussed on expanding our footprint offshore in growth markets that demonstrate strong underlying growth characteristics such as South East Asia. A number of opportunities are progressing in several South East Asian countries.

Our FY19 revenue increased by $1.4m or 0.9% which reflects pleasing performance in our South Australian, New South Wales and Queensland fertility businesses who demonstrated 11.3% growth in Stimulated Cycles combined.

Our Kuala Lumpur clinic continued to grow from strength to strength, delivering 21.8% Stimulated Cycle growth, contributing additional revenues of $2.8m. This Clinic has now demonstrated year-on-year volume growth since acquisition in 2013.

Our Diagnostics business's Ultrasound activity was relatively flat compared to pcp as a result of the shift of patients to the public sector, particularly in our Sydney business.

Our FY19 underlying EBITDA was down by $0.3m or 0.8% however, second half EBITDA was up 6.7% on pcp growing full year EBITDA margin to 24.9%, compared to 23.5% in 2H18. Margin improvement was largely achieved through both volume leverage and cost reductions.

Cost base initiatives included a need to re-align our Victorian cost base given lower activity, whilst the closure of the Mosman clinic in Sydney and transition of its activity to Bondi Junction was a success.

A focus on our cost base was critical in funding our long-term plans for growth including an increase of almost $1m in marketing expenditure, investment into greater capacity while improving our service delivery and value proposition to patients, specialists and staff.

Cash flow outcomes were strong with net operating cash flow before tax up by $4.4m or 12.3% and free cash flow up by $7.3m or 37.2%. Pre-tax conversion of EBITDA to operating cash flow increased to 107.1% compared to 93.3% in pcp.

Engagement with our employees and fertility specialists continues to be a significant focus. The implementation of new programs and initiatives saw our overall employee engagement scores increase by 11%. During FY19, we attracted nine new fertility specialists which will continue to provide for succession planning and additional growth capacity.

We also continued to invest in world leading science, giving our patients the best possibility of having a healthy baby. In FY19 our Monash IVF scientists developed a non-invasive, pre implementation genetic screening technology. A number of other key innovations are also well progressed and geared towards our unrelenting focus on delivering better patient outcomes.

I'd now like to restate and update our FY20 financial and operational performance that was announced on 18 November 2019.

On 22 August 2019, the Company stated that it had been notified that five Victorian based fertility specialists will cease using services from Monash IVF from September 2019. Management estimated the NPAT impact would be approximately $1.5m to $2.5m if all Doctors ceased referring to the Company at the end of 1Q20. As per our Announcement on 18 November, the Doctors have departed and the Company has been ensuring patients interests are put first as we continue to support patients through the transition process over coming months.

Our Australian Stimulated Cycles during Q1FY20 have been in-line with pcp however, we are seeing downward pressure on our stimulated cycle volumes in Q2FY20 vs pcp.

As a result, the Company's NPAT before non-regular items for the six month period ending 31 December 2019 is now expected to be in the range of $8.5m to $9.0m.

The Company now estimates FY20 NPAT before non-regular items for the year ended 30 June 2020 will be in the range of $18.0m to $19.0m.

The Company remains well positioned to optimise future earnings through strategic and operational momentum gained during this calendar year and Michael Knaap, our CEO will provide more detail on performance and initiatives that have us well placed to continue this momentum.

Our fertility specialists, nurses, scientists and administrative teams have been integral to our performance and achievements. The passion and commitment from our team is incredible. I continue to be humbled by the empathy, care and support that our people show every day to our patients and I thank them for their contribution throughout the year.

I would like to thank our new CEO, Michael Knaap and our new CFO, Malik Jainudeen and the rest of the Management Team for their leadership during 2019.

Overseeing one of the world's best fertility solutions providers, the Board and l are excited about our future. We are looking forward to continuing to deliver exceptional care for our patients in partnership with our doctors and strong financial results into the future.