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Monash IVF Group Limited (ASX:MVF)

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Monash IVF Group delivers strong 1H24 Revenue and Earnings growth

Monash IVF Group Limited (ASX: MVF, the "Company" or Monash IVF"), a leader in reproductive and fertility services in Australia, with a growing presence in South-East Asia, announces its results for the six-month period ended 31 December 2023.

Monash IVF's Domestic IVF and Ultrasound businesses continued to perform strongly, with positive industry growth and market share gains contributing to the strong performances of these businesses. The compelling performance of the Domestic businesses was partially offset by a small decline in earnings from International due to weaker volumes at KL Fertility.

From a strategic and operational perspective:

- Our market leading success rates increased to 38.9%⁽²⁾;
- Nine new domestic fertility specialists were recruited;
- The acquisition of Fertility North in Perth was announced in December 2023 (and yesterday received ACCC clearance);
- The PIVET Medical Centre acquisition is progressing well; and
- The major infrastructure transformation we have invested in over recent years is nearing completion.

1H24 Financial Outcomes Summary

- Revenue increased 21.7% to \$125.7m (1H23: \$103.3m);
- Underlying Group NPAT^{[1](3)} increased 18.7% to \$15.0m (1H23: \$12.6m);
- Underlying Group EBITDA^[1] increased 20.0% to \$32.2m (1H23: \$26.8m);
- 99% conversion of EBITDA to pre-tax operating cash flow⁽⁵⁾
- Fully franked interim dividend of 2.5 cents per share.

 $^{^{}m [1]}$ Underlying EBITDA, EBIT and NPAT excludes certain non-regular items and is a non-IFRS measure

^[2] Clinical pregnancy rate per embryo transferred for women aged under 43 years

1H24 Domestic Operational Summary

- 1H23 Australian segment Underlying EBIT⁽¹⁾ increased by 22.3% on pcp to \$21.5m;
- Monash IVF domestic Stimulated Cycles^[3] market share grew by 1.8% to 20.9% during 1H24 vs pcp (including acquisitions); Victoria, New South Wales, Queensland and Western Australia all contributed to market share growth;
- Successful integration of PIVET acquisition (eight new doctors, completed May 2023);
- Women's Imaging ultrasound scans in Sydney and Melbourne combined increased by 7.0% in 1H24 vs pcp;
- Significant infrastructure projects completed across IVF and ultrasound, with highlights including the commissioning of the new Melbourne day hospital and laboratory in January 2024, commissioning of the Gold Coast day hospital in October 2023 and new relocated ultrasound clinics to St. Leonards and Northern Beaches in Sydney.

1H24 International Operational Summary

- FY23 International segment Underlying EBIT⁽¹⁾ decreased by \$0.3m;
- FY23 International Stimulated Cycles increased by 4.1% vs pcp;
- Ramp up in volumes in Singapore and Jahor Bahru businesses improved performance but was offset by performance at KL Fertility;
- KL Fertility stimulated cycles decreased by 6.9% which was largely driven by weaker industry
 volumes in the local Kuala Lumpur market. New patient consultations in Kuala Lumpur
 increased by 15% compared to pcp indicating improved performance in 2H24 which has
 commenced well.

Fertility North acquisition update

On 19 December 2023, Monash announced the acquisition of Fertility North, a leading provider of fertility services to Perth's northern suburbs. On 22 February 2024, the Australian Competition and Consumer Commission (ACCC) confirmed that it will not oppose Monash IVF's proposed acquisition of Fertility North. Monash IVF and Fertility North continue to work through the outstanding conditions precedent, with completion expected in March 2024. An additional eight fertility specialists will join the Monash IVF Group on completion of this acquisition.

Michael Knaap, Chief Executive Officer and Managing Director, commented:

"Monash IVF achieved excellent results in 1H24 with Revenue increasing 21.7% and Underlying $EBITDA^{(1)}$ increasing by 20.0%. This is the second consecutive half where we have delivered revenue and Underlying $EBITDA^{(1)}$ growth of 20% or more, which is a very pleasing achievement, and demonstrates the attractive growth profile of our businesses and the benefits of recent strategic investments."

^[3] NPAT including minority interests

^[4] MBS items 13200/1

⁽⁵⁾ Non-IFRS measure

Michael Knaap, Chief Executive Officer and Managing Director, commented (continued):

"Industry growth was in excess of 5% for the second consecutive half, which is a pleasing outcome given the cost of living pressures and macro uncertainty that continues to impact many industries. The decision to have IVF is usually time critical which supports the non-discretionary nature of our services. Our domestic ARS business delivered growth in stimulated cycles of 15.1%, resulting in an increase in Australian market share of 1.8% to 20.9%."

"We have welcomed a number of new fertility specialists into the Monash IVF family, with nine new domestic fertility specialists joining and a further eight fertility specialists will join following the completion of the Fertility North acquisition. As well as focussing on attracting new specialists, we are also heavily engaged with existing specialists to ensure we evolve and tailor our offering to them over their career life cycle."

"The Medicare rebate supporting genetic carrier screening was introduced in November 2023, which has resulted in a strong increase in our carrier screening testing volumes, which will continue to build as patient awareness increases. We believe the provision of high quality genetic testing is a complementary service to our premium IVF offering, as a further tool to give our patients the best opportunity of conceiving a healthy baby.

"Monash IVF has invested significantly in its clinics, day hospitals, laboratories and supporting infrastructure over the past 4 years. The benefits of these investments have started to become evident over the last 12 months, with significant further upside expected in the coming years. The completion of the Brisbane clinic relocation is the last major project in our infrastructure transformation, which will have delivered four new flagship sites in Sydney, Melbourne, Gold Coast and Brisbane, and significant upgrades to a number of other clinics."

"Kuala Lumpur stimulated cycles declined during the period due to industry weakness and competitive pressures in the local Kuala Lumpur market but the Clinic has commenced well early in 2H24 following strong new patient consultations in 1H24. This overshadowed positive growth in Singapore, Johor Bahru and Bali."

"We are on a positive trajectory heading into the second half, with new patient registrations indicating domestic growth will continue, and the benefits of recent infrastructure investments will contribute positively to profit. Furthermore, performance of KL Fertility and Singapore are showing positive signs, which should lead to growth in our International segment."

Balance Sheet and Cash flow

Notwithstanding the significant infrastructure investment of recent years, Monash IVF has maintained a solid balance sheet to fund future growth opportunities.

Net debt as at 31 December 2023 was \$37.1m, with a net debt to equity ratio of 13.2% and significant headroom remaining under key banking covenants. On 20 February 2024, the Syndicated Debt Facility was renewed and extended to February 2027. The Facility size was also increased to \$70m from \$50m.

Cash flow conversion from EBITDA⁽⁵⁾ to pre-tax operating cashflows was strong at 99% compared to 89% in pcp.

Outlook

The Australian IVF Industry and Monash IVF will continue to be a beneficiary of underlying structural demand drivers whilst supplemented by emerging services such as genetics and egg freezing, growing patient segments, in particular the LGBTQIA+ segment and new patient acquisition channels.

Whilst macroeconomic conditions in Australia including cost of living and monetary policy is impacting affordability of certain services and goods, it is not currently impacting Monash IVF's new patient registrations to date.

FY2024 Underlying Group NPAT⁽¹⁾⁽³⁾ is expected to between \$29.0m and \$30.0m compared to \$25.5m in the prior comparative period (excluding contribution from the Fertility North acquisition). Non regular items in FY2024 will include acquisition costs, commissioning of new premises including day hospital operations, class action related costs and non-cash AASB16 Lease Accounting expenditure.

The key drivers of revenue and earnings growth in 2H24 compared to 2H23 are:

- Full Year contribution from the PIVET Medical Centre acquisition which occurred in May 2023;
- Contribution from new fertility specialists attracted during 2H23 and 1H24 which will drive growth in activity in 2H24. The Group will continue to focus on attraction of suitable fertility specialists;
- On-going and sustainable conversion of IVF new patient registrations growth experienced during 1H24 and February 2024 YTD;
- Growth in reproductive genetic carrier screening which will lead to onward referrals to IVF;
- Commencement and contribution from new day hospital operations;
- Continued improvement in the Ultrasound businesses;
- Further progress in South-East Asia including Singapore and Kuala Lumpur.

Authorised by the Board of Directors.

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