



MONASH IVF GROUP

LIFE STARTS HERE

FY18 Full Year Results Presentation

27 August 2018

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FY18 Financial Summary

Revenue

\$150.6m

FY17 \$155.2m
Down 2.9%

EBITDA¹

\$38.1m

FY17 \$49.0m
Down 22.2%

NPAT²

\$21.4m

FY17 \$29.6m
Down 27.9%

Cash Conversion³

93.3%

FY17 93.9%
Down 0.6%

Basic EPS

9.1 cents

FY17 12.6 cents
Down 27.8%

FY18 Dividends

6.0c

FY17 8.8 cents
Down 31.8%

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

FY18 Executive Summary

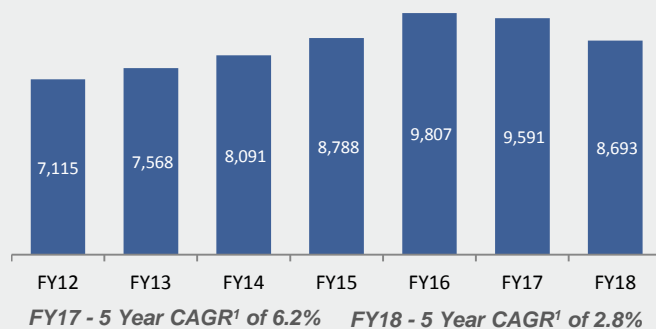
- **ARS Australia** Business has been significantly impacted by the **departure of a Victorian Fertility Specialist (“Specialist”)** in September 2017
- ARS Australia Premium Service Business (excluding departure of a Specialist) remains solid **demonstrating Stimulated Cycle growth of 3.0%** in FY18 vs FY17
- **8 Fertility Specialists recruited** across Australia and Malaysia
- **ARS International growth continues to be strong** demonstrating Stimulated Cycle growth of 23.2% in FY18 vs FY17 and contributed 5.8% of Group revenue
- **Diagnostic services have grown** including NIPT volume growth of 32.4% and Ultrasound scan volume growth of 0.9%. We continue to build our in-house capabilities and expand our Ultrasound footprint
- **NPAT is down 27.9%**, which is broadly inline with guidance provided in February 2018



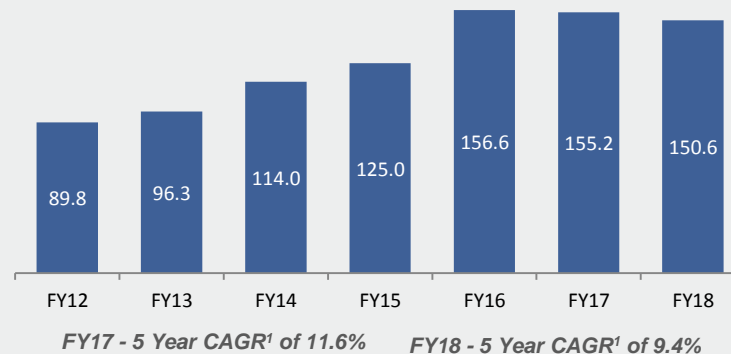
MVF Long-Term Performance

We have had a track record of solid performance, however FY18 has been significantly impacted by the departure of a Specialist.

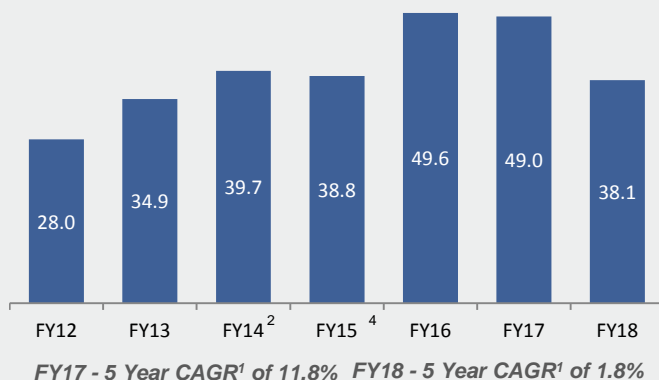
Stimulated Cycles



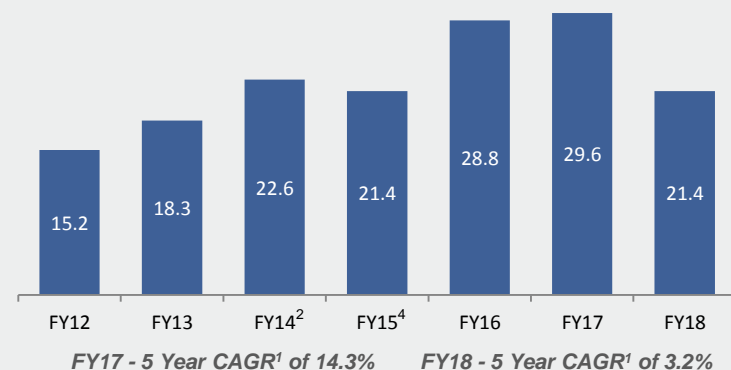
Revenue (\$m)



EBITDA³ (\$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)

ARS Australia – Operational Performance

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

- **Premium Service business** (excluding the impact from a departing Specialist) remains solid, demonstrating 3.0% Stimulated Cycle growth in our Key Markets¹ in FY18 vs. FY17
- **7 new Fertility Specialists** recruited in FY18, bringing total Specialists in Australia to 85
- **Stimulated cycles** decreased by 11.9% driven by the departure of a Specialist
- **FY18 Market share** for MVF Key Markets¹ Stimulated Cycles decreased from 25.2% to 22.3%
- **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
- **Tasmanian IVF unit (35% minority holding)** is demonstrating strong growth and has gained market share in FY18

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

ARS Australia – Volume and Market Share

Stimulated Cycles

7,844

FY17 8,902
Down 11.9%

Frozen Embryos

5,913

FY17 6,194
Down 4.5%

Patient Treatments ²

14,553

FY17 16,064
Down 9.4%

Market Share ¹ Stimulated Cycles

22.3%

FY17 25.2%
Down 2.9%

Australian Market Share of 19.8%

Market Share ¹ Frozen Embryos

25.8%

FY17 28.2%
Down 2.4%

Australian Market Share of 22.2%

Market Share ¹ Patient Treatments

23.7%

FY17 26.4%
Down 2.7%

Australian Market Share of 20.8%

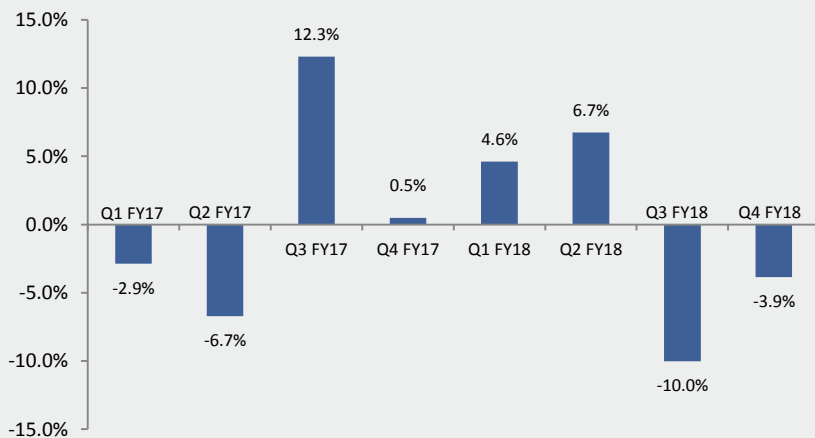
¹ Market share in our Key Markets of Victoria, New South Wales, Queensland, South Australia and Northern Territory

² Patient Treatments include Stimulated Cycles, Frozen Embryo Transfers and Cancelled Cycles

ARS Australia Market Movement and Growth

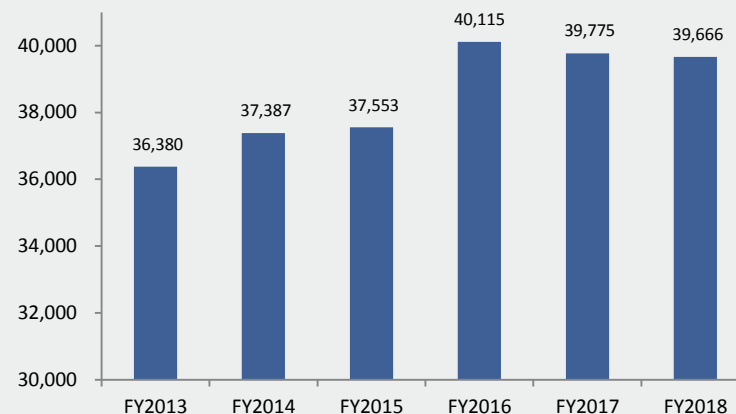
Stimulated Cycles in Key Markets¹ declined by 0.6% in FY18 vs FY17. Our view is that the long-term Stimulated Cycle growth rate will be approximately 2.0%.

Stimulated Cycle Growth Rates in our Key Markets¹



FY18 Key Markets¹ Stimulated Cycles reduced by 0.6% compared to FY17 (1H18 was 5.7% growth whilst 2H18 was a 6.7% decline)

Number of Australian Stimulated Cycles² 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



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** to support long-term growth and succession planning bringing total Specialists to 6 in Malaysia
- **International Business Development Manager** continues to review opportunities with a particular focus on expansion of Fertility and Diagnostic services in Asia Pacific



FINANCIAL OVERVIEW

FY18 Profit and Loss Overview

Whilst NPAT is down 27.9%, the underlying Business remains solid as we invest in strategic initiatives and absorb one-off costs.

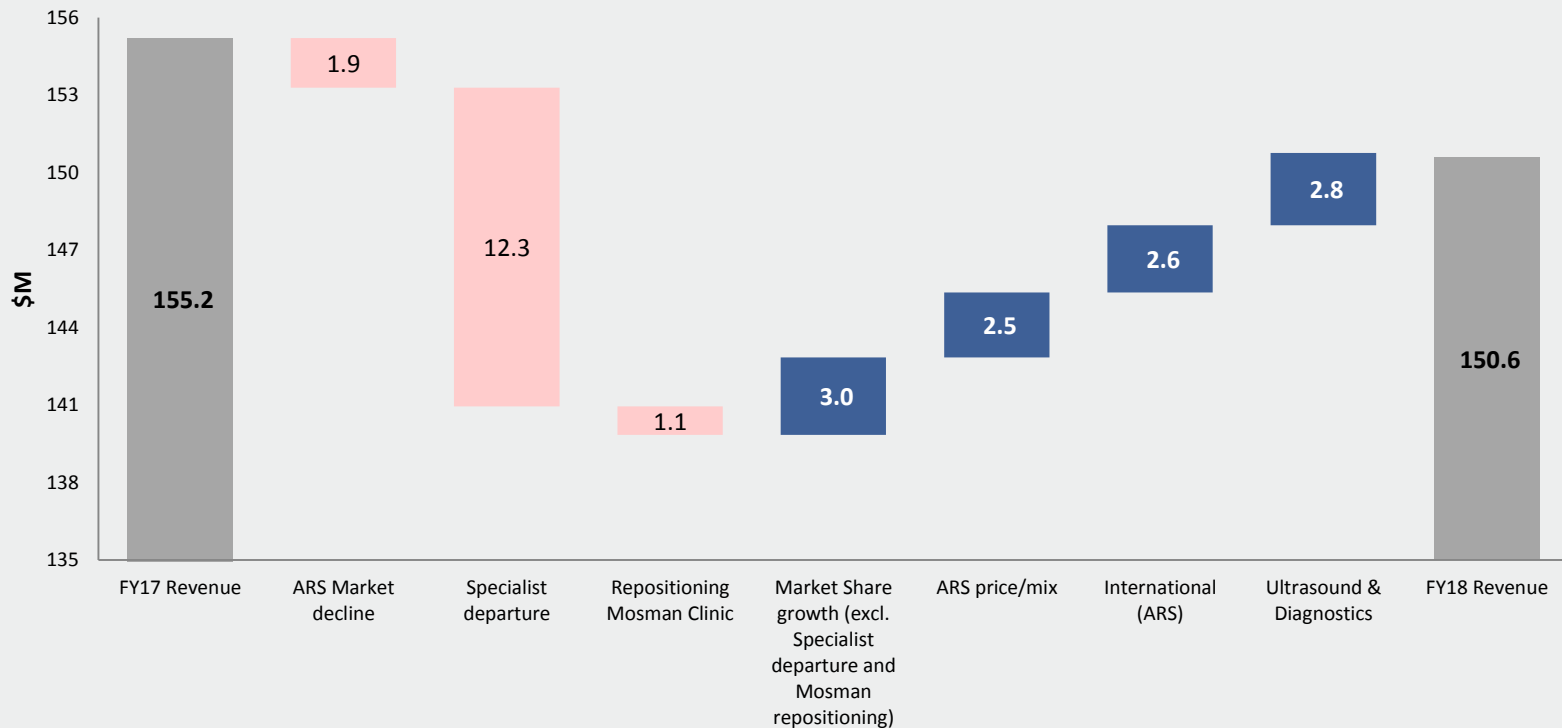
\$m	FY18	FY17	% change
Group revenues	150.6	155.2	(2.9%)
EBITDA⁽¹⁾⁽²⁾	38.1	49.0	(22.2%)
<i>EBITDA Margin %</i>	<i>25.3%</i>	<i>31.6%</i>	
Depreciation & amortisation	5.0	4.4	(13.6%)
Net Finance expenses	3.6	3.5	(2.9%)
Profit before Tax	29.6	41.2	(28.2%)
Income tax expense	8.4	11.5	27.0%
Net Profit after tax	21.2	29.6	(28.4%)
Net Profit after tax <i>(attributable to shareholders)</i>	21.4	29.6	(27.9%)

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. EBITDA includes \$1.2m of one-off expenditure on legal fees, recruitment and organisation restructure.
3. Key Markets of New South Wales, Victoria, South Australia, Queensland and Northern Territory

- **Revenues** decreased \$4.6m (-2.9%) to \$150.6m vs pcp due to:
 - A Specialist departure in Victoria
 - Overall market decline of 0.6% in Stimulated Cycles in our Key Markets¹
 - Partially offset by average price increase impact of 2.0%, strong International growth and increased non-invasive prenatal testing income
- **EBITDA¹ Margin** decline to 25.3% due to
 - leverage impact from volume decline in Victoria
 - Building foundation for future growth through continued investment in our Operations, People, Science & Technology and International business
 - **One-off costs** incurred were associated with Fertility Specialist departure in Victoria and restraint legal proceedings, recruitment of key personnel and organisation restructure (\$1.2m)
- **Income tax rate at 28.5%**
- **NPAT** is \$21.4m, down 27.9% on pcp and is broadly inline with February 2018 guidance

FY18 Revenue Analysis

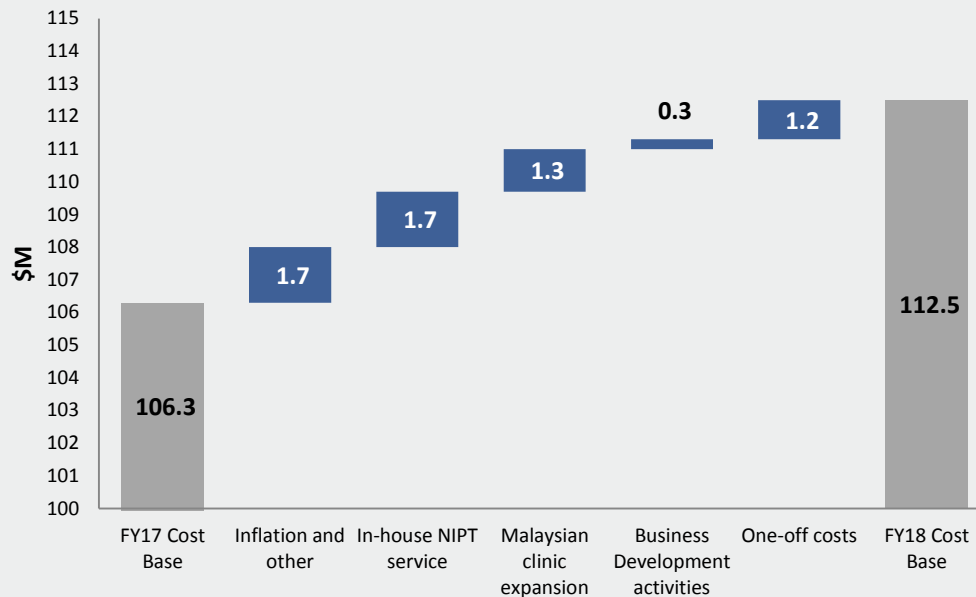
Group Revenue has been impacted by a Specialist departure, a decline in the Australian ARS market, partly offset by underlying market share growth¹, price increases, strong growth in our Malaysian clinic and expanding our revenue base through our non-invasive prenatal testing offering.



1. Excludes a Specialist departure and repositioning of Mosman clinic to a Premium Service clinic

FY18 Expenditure Analysis

Our cost base has predominately increased by investment in strategic growth initiatives and one-off costs.



- \$1.7m expenditure increase from inflationary costs, impact from Scientific Enterprise Agreement and annual property increases partly offset by other efficiency based reductions
- \$1.7m expenditure increase to deliver our in-house NIPT offering, which generated additional \$2.4m revenue
- \$1.3m expenditure increase to support the new Malaysian clinic
- \$0.3m expenditure increase in International Business Development activities
- \$1.2m expenditure increase due to one-off costs associated with recruitment of CEO and other Executive roles, doctor restraint legal case and restructuring activities

Capital Management Overview

We have debt capacity to support strategic growth initiatives.

Balance Sheet (\$m)	30 Jun 18	30 Jun 17	% change
Cash and cash equivalents	3.9	3.5	11.4%
Other current assets	12.8	11.6	(10.3%)
Current liabilities	(21.8)	(25.0)	12.8%
Net working capital	(5.1)	(9.9)	48.5%
Borrowings	(98.0)	(95.5)	(2.6%)
Goodwill & Intangibles	256.1	254.7	0.5%
Property Plant & Equipment	16.9	16.8	0.6%
Other assets/(liabilities)	(3.0)	(2.5)	(20.0%)
Net assets	166.9	163.5	2.1%

Capital Metrics	30 Jun 18	30 Jun 17	+/-
Net Debt (\$m)	94.1	92.0	(2.1)
Leverage Ratio (Net Debt / EBITDA) ¹	2.46x	1.88x	(0.58x)
Interest Cover (EBITDA / Interest) ¹	11.1x	14.8x	(3.7x)
Net Debt to Equity Ratio ²	56.4%	56.3%	(0.1%)
Return on Equity³	12.8%	18.6%	(5.8%)
Return on Assets⁴	7.3%	10.3%	(3.0%)

- **Balance Sheet strength softened** with Net Debt to Equity ratio stable at 56.4%
- **Long-term Debt Facility** in-place with a blend of 3,4 & 5 year term debt with 1st tranche expiring in FY20
- **Debt capacity** of \$57.0m remains available
- **Significant headroom in Debt Covenants**
- **Key Capital Return Metrics** of ROE 12.8% and ROA of 7.3%
- **Total Dividend payout ratio** of 65.9% vs policy guidance of 60% to 70% of NPAT
- **FY18 Final Fully Franked Dividend** of 2.6 cents per share bringing total FY18 dividends per share to 6.0 cents (FY17: 8.8 cents) with a record date on 7 September 2018 and payment date on 12 October 2018 (Total FY18 dividends reduction is broadly inline with NPAT decline)

Notes:

1. EBITDA is a non IFRS measure which is used by the Group as a key indicator of underlying performance
2. Debt, net of cash balance, divided by equity at balance date
3. NPAT for the previous 12 month period divided by average equity in the same period
4. NPAT for the previous 12 month period divided by average assets in the same period

Cash Flow Overview

Net operating cash flow post-tax was stable supporting our capital investments and dividend payments.

\$m	FY18	FY17	% change
Net operating cash flow (pre-tax)	35.5	46.0	(22.8%)
Net operating cash flow (post-tax)	25.9	25.9	0.0%
Cash flow from investing activities	(6.6)	(7.0)	(5.7%)
Cash flow from financing activities	(19.3)	(23.6)	(18.2%)
Net cash flow movement	0.1	(4.7)	
Closing cash balance	3.9	3.5	11.4%
Free cash flow ¹	19.3	18.9	2.1%

- **Net operating cash flows** is stable at \$25.9m although pre-tax operating cash flow declined by 22.8%
- **Pre-tax conversion** of operating cash flow to EBITDA is 93.3%, an improvement compared to 1H18 (85%)
- **Capital investments** of \$6.6m includes patient management system enhancements, and investment in new scientific equipment and upgrades
- **Financing activities** include \$18.6m fully franked dividends paid and funding costs
- **Free cash flow**⁽¹⁾ increased by \$0.4m or 2.1% as pre-tax operating cash flow declines are offset by corporate tax reductions as we moved to more normalised tax instalment arrangements

1. Free cash flow is Net operating cash flow (after tax) less cash flow from investing activities

STRATEGY & OUTLOOK

Strategic Priorities

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



Operating Priorities

...we continue to focus on our 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 including Non-invasive PGS

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.

Customer (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 Customers; 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.



We anticipate delivering NPAT growth in FY19 on pcp.

However, 1H19 NPAT is expected to decline by approximately 15% on pcp, as 1H18 included one quarter of ARS activity from a departed Specialist.

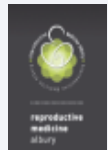
APPENDIX

Overview of Monash IVF Group

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

ARS

- 22 clinics
- 5 service centres
- 91 Fertility Specialists
- 7 Australian States/Territories & Malaysia



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KL FERTILITY CENTRE
towards parenthood

Diagnostic

- 2 specialised laboratories (VIC and SA)
- 3 day hospitals (SA, NSW & Malaysia)



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KL FERTILITY CENTRE
towards parenthood

Ultrasound

- 18 clinics
- 15 Sonologists
- 4 Australian states



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SYDNEY ULTRASOUND for WOMEN



106 Medical Specialists

108¹ Scientists

330¹ Nursing & Support Staff

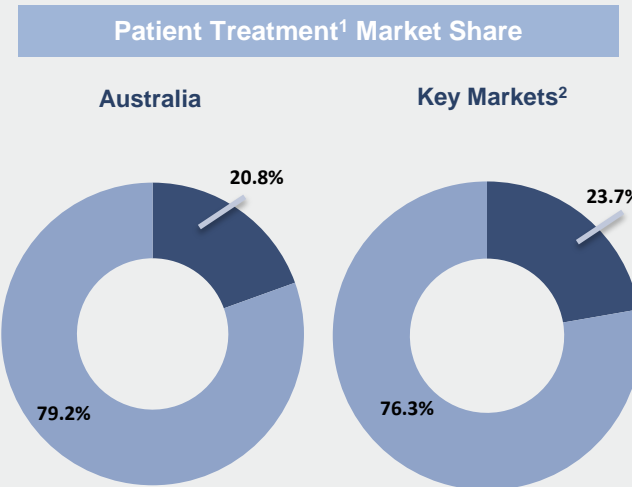
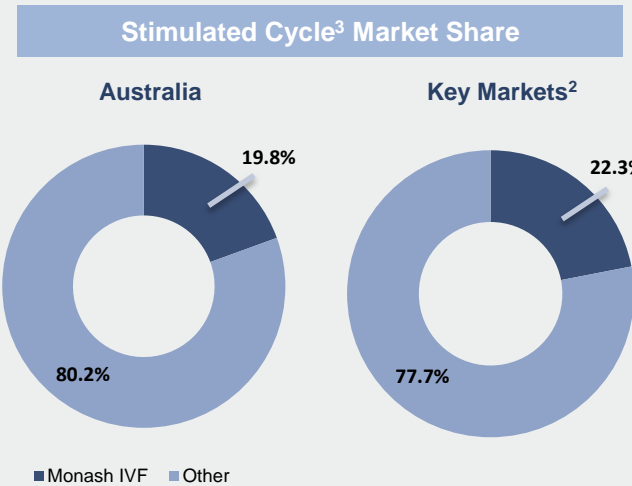
1. Employee numbers represents the full time equivalents

Treatment Mix

IVF Treatment numbers	FY18	FY17	% change
Monash IVF Group – Australia			
Stimulated cycles	7,844	8,902	(11.9%)
Cancelled cycles	796	968	(17.8%)
Frozen embryo transfers	5,913	6,194	(4.5%)
Total Australian Patient Treatments	14,553	16,064	(9.4%)
Monash IVF Group – International			
Stimulated cycles	849	689	23.2%
Cancelled cycles	67	54	24.1%
Frozen embryo transfers	756	603	25.4%
Total International Patient Treatments	1,672	1,346	24.2%
Total Group Patient Treatments	16,225	17,410	(6.8%)
Stimulated cycles as a % of Total Patient Treatments	53.6%	55.1%	
Other Treatment numbers	FY18	FY17	% change
Total Monash IVF Group			
Ultrasound Scans	75,457	74,808	0.9%
Preimplantation Genetic Screening / Diagnosis	1,498	1,750	(14.4%)
Non-Invasive Prenatal Testing (NIPT)	13,017	9,834	32.4%

Australian market share - ARS

Market share – IVF	FY18	FY17	% change
Stimulated Cycles³			
MVF Stimulated Cycles ³ in Australia	7,844	8,902	(11.9%)
MVF market share in Australia	19.8%	22.4%	(2.6%)
MVF Stimulated Cycles ³ in Key Markets ²	7,844	8,902	(11.9%)
MVF market share in Key Markets ²	22.3%	25.2%	(2.9%)
Patient Treatments¹			
MVF Patient Treatments ¹ in Australia	14,553	16,064	(9.4%)
MVF market share in Australia	20.8%	23.2%	(2.4%)
MVF IVF Patient Treatments ¹ in Key Markets ²	14,553	16,064	(9.4%)
MVF market share in Key Markets ²	23.7%	26.4%	(2.7%)



Notes:

1. IVF Patient Treatments are the sum of Stimulated 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)

QUESTIONS