

Monash IVF Group Ltd

Increased volumes and market-share gains

Monash IVF (ASX:MVF) is an assisted reproductive services (ARS) and specialised women's imaging services company with operations in VIC, QLD, SA, NT, ACT, NSW, Singapore and Malaysia, and a growth strategy underway in SE Asia. MVF is focused on tapping into the recent trends of a focus on family, increasing maternal age, growth in service offerings and new technologies, and stable and continued government funding for IVF affordability, and testing and diagnosis of genetic diseases. These trends have led to the H1 FY22 results which indicate growth in market share and revenue. MVF experienced 11% revenue growth following 3.6% IVF industry growth, 0.7% market share growth and 2-3% average price increases which was partly offset by revenue decline in its international business. The primary product, IVF stimulated cycles increased by 6.6% compared to pcp with activity growing in all domestic markets. New patient registrations, an indicator for future growth, grew 11% in H1 FY22 compared to H1 FY21. MVF declared a 2.2cps dividend in the half. Adjusted NPAT of \$13.4m grew 11.7% compared to the pcp, notwithstanding negative COVID-19-related impacts on the business due to Melbourne and Sydney health safety protocols, increased sick leave, lower annual leave taken and increased insurance expense.

Business model

MVF aims for best-in-class fertility solutions, diagnostics, genetics and pathology globally, with a 2026 vision to be "the most admired reproductive care provider in the world". Monash IVF consists of the IVF Group Australia and international divisions, as well as Ultrasound Scans, and Non-invasive Prenatal Testing (NIPT). Reporting segments include ARS Australia, ARS International, Diagnostics and Women's Ultrasound. MVF has an expansion strategy in SE Asia, with a new Singapore IVF clinic due in H2 FY22 and an additional four fertility specialists in Singapore. MVF has both organic and non-organic growth aspirations including new clinic infrastructure and attraction of new clinicians as well as domestic and international non-organic opportunities. MVF is also focussed on developing new technologies through research and collaborations to support improved success rates, benefitting the industry.

H1 FY22 commentary and milestones

MVF had NPAT of A\$13.4m in H1 FY22, which was above guidance of \$13.0m, and declared a 2.2cps dividend. IVF's cycle growth for the domestic business responded to favourable industry conditions, including a focus on family health and wellbeing, advancing maternal age, and innovation in technology. Adjusted EBITDA was up 8.5% to \$26.8m, while margins declined slightly primarily due to increased costs related to COVID-19-related impacts and insurances. The Diagnostic Ultrasound and International IVF businesses were negatively impacted by COVID-19 regulations, staffing and movement restrictions. In H1 FY22, Australian IVF patient treatments were up 10% and international treatments down 17.3%. The \$40m syndicated debt facility was extended by three years until December 2024.

Sector is well placed - corporate activity continuing

Virtus Health (ASX:VRT), which provides fertility care and specialised diagnostic and day hospital services across Australia, Ireland, Denmark, Singapore and the UK, has had an unsolicited takeover offer from BGH Capital and separately a proposal from CapVest Partners. In addition, Healius Ltd's low cost IVF business, Adora IVF has been publicly for sale. MVF is currently the second largest ASX-listed ARS provider and is actively seeking non-organic growth opportunities, which may become more prevalent with competition potentially delayed by integration following any takeover.

Historical earnings and ratios (In A\$m unless otherwise stated)

Year end	Revenue	EBITDA adj.*	NPAT adj.	NPAT rep.	EPS adj.	EPS rep.	EV/Revenue (x)^	EV/EBITDA(x)^	PER (x)^
06/18a	150.6	38.1	21.4	21.4	0.09	0.09	2.8	11.2	12.3
06/19a	152.0	37.8	20.9	19.8	0.08	0.08	2.8	11.3	13.9
06/20a	145.5	34.8	14.4	11.7	0.05	0.05	2.9	12.3	22.2
06//21a	183.6	47.7	23.3	25.5	0.06	0.06	2.3	9.0	18.5

Source: Company data *EBITDA, NPAT and EPS adjusted for one-time, non-cash items

^calculated using current enterprise value and share price

Health Care Equipment & Services

11th March 2022

Share Details

ASX code	MVF
Share price	\$1.11
Market capitalisation	\$432.5M
Shares on issue	389.6M
Net cash at 31-Dec- 2021	\$3.9M
Free float	89.2%

Share Performance (12 months)



Upside Case

- Corporate activity in the sector
- Favourable regulatory & funding impacts
- Technology breakthroughs

Downside Case

- Further COVID impacts on US & International
- Competition from new entrants
- Lack of non-organic growth opportunities

Catalysts

- Full Year Result August 2022
- AGM November 2022

Comparable companies (Aust/NZ)

Virtus Health (ASX:VRT), Memphasys (ASX:MEM),
Apiam Animal Health (ASX:AHX)

Board and Management

Richard Davis	Ind. Non-Executive Chair
Michael Knaap	Managing Director/CEO
Dr Richard Henshaw	Executive Officer
Neil Broekhuizen	Ind. Non-Executive Director
Jozef Czyzewski	Ind. Non-Executive Director
Zita Peach	Ind. Non-Executive Director
Catherine West	Ind. Non-Executive Director

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FINANCIAL SERVICES GUIDE

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AFSL 456663

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