

A close-up, high-magnification photograph of a petri dish containing a liquid medium. A pipette tip is visible on the left, and a thin, dark line, possibly a needle or a microfluidic channel, runs across the center of the dish. The background is dark and out of focus.

Financial Results Presentation H1 FY2015

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Agenda

Highlights
Financial Results
Strategy and Outlook





H1 FY2015 Highlights



H1 Financial FY2015 Highlights



EBITDA growth impacted by weak domestic market and non-recurring expenses

- Revenue increased by 12.9% to \$114.5m
- Group EBITDA increased by 2.6% to \$32.8m
- Segment EBITDA increased by 6.2% to \$38.0m
- Australian segment EBITDA increased by 2.2% to \$36.8m
- International segment EBITDA \$1.2m after charging Singapore operation set-up costs and expenses of \$1.1m
- PBT decreased to \$23.7m from \$24m
 - PBT included non-recurring expenses of \$2.1m
 - PBT before non-recurring expenses was \$25.8m, an increase of 7.5% on pcp
- Interim dividend of 13cps, fully franked up by 8.3%

H1 Operational FY2015 Highlights



Virtus continues to lead the Australian market for Assisted Reproductive Services (ARS) and grows internationally

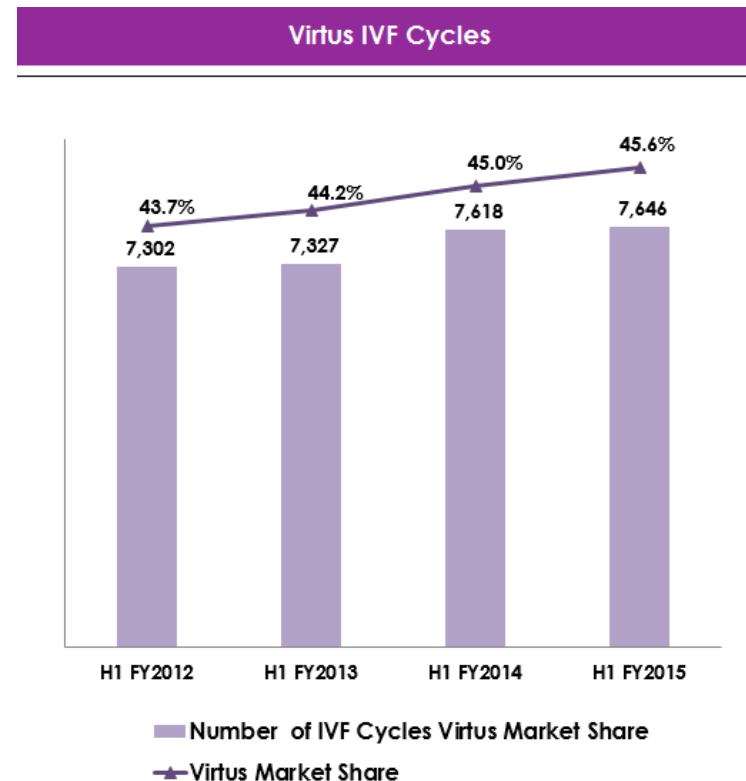
- Domestic and international footprint has increased with three acquisitions and the opening of the first Virtus branded fertility centre
- In Australia, market contraction of 0.9% in NSW, VIC, and QLD
- Virtus market share increased, outpacing an increasingly competitive market
- Increased presence in Ireland from a strong Sims Clinic platform
- Revenue from diagnostics and day hospitals continues to grow
- Genetics recognised as a source of competitive advantage and growth potential
- 103 fertility specialists globally, 91 in Australia, network of 1069 professional staff

Australian Operational Highlights and Market Data



Virtus achieved overall cycle and market share growth in competitive market

- Australian market share 45.6%, up 0.6% in last 12 months on like for like basis
- Overall cycles up 0.4%,
- As scientific and clinical practice evolves the patient journey and revenue mix is changing
- Virtus gained market share in NSW and VIC against broader market movements of:
 - NSW declined by 0.7%
 - VIC declined by 2.1%
 - QLD grew by 0.7%



Australian Operational Highlights



Utilisation of day hospitals continues to increase

- Revenue from day hospitals up 3.7%
- Non-IVF revenue up 8.7% on pcp
- Non-IVF services accounted for 56% of day hospital revenue

Developing genetic technologies deliver benefits to patients and drive revenue growth

- Genetics rapidly evolving area of reproductive medicine
- Virtus is a recognised first mover in PGD (pre-implantation genetic diagnosis) with introduction of Karyomapping
- Next generation sequencing next frontier
- In-house genetic laboratory capability expanding with introduction of new technologies
- Revenue from diagnostics up by 17.3%

Domestic Expansion Strategy



Domestic footprint expanded with two acquisitions

- TasIVF and Sunshine Coast IVF performed 850 cycles in FY2014
- Sunshine Coast identified as a key growth area will operate two models:
 - Full Service QFG Buderim
 - “The Fertility Centre”– Virtus’ low cost IVF solution in Kawana
 - Acquired remaining 80% for \$1.2m
- TasIVF is Tasmania’s leading IVF provider based in Hobart
 - Acquired 70% majority stake
 - \$16.1m transaction was funded via cash resources and existing bank facilities
 - EPS accretive based on normalised earnings in FY2014
- Consult / monitoring facility established at Sydney Adventist Hospital following successful tender

Ireland

Organic and Acquisitive Growth



Ireland operations continue to consolidate with addition of Cork and expand with acquisition of Rotunda IVF (formerly HARI) clinic

- Sims Clinic is the market leader in Ireland
- 683 cycles performed in H1FY2015
- Ireland contributed €7.2m to revenue in H1 FY2015
- Margin improvement to 23% from 20%
- Integration virtually complete, cost synergies achieved
- Full service clinic in Cork, operational from January 2015

Ireland

Organic and Acquisitive Growth



Acquisition of second fertility clinic in Ireland completed

- The clinic (formerly known as the HARI clinic) is located in the Rotunda Hospital, the world's oldest working maternity hospital and a nationally recognised training institution
- €6 million transaction completed on a cash free, debt free basis
- Funding for the transaction maintains Virtus' ownership of its Ireland activities at 70%
- Over 700 cycles performed in CY2014
- €4.5m revenue in CY2014
- Added value and procurement saving opportunities
- Three fertility specialists
- Complementary referral base and geographic location

Virtus Fertility Clinic, Singapore



The first Virtus branded fertility centre now operational

- Purpose-built clinic established within budget of AU\$3.5m
- Clinic, theatre and embryology laboratory 'one stop centre' based in prestigious Scotts Medical Center
- First clean room embryology laboratory in Singapore (RFID witnessing & automated monitoring systems)
- First patients treated in January 2015
- The three fertility specialists associated with the centre undertake about 350 cycles per annum
- Small earnings dilution of approximately 1% forecast for FY2015





Financial Results



Financial Results Overview



A\$ million	H1 FY15	H1 FY14	Variance	FY14
Revenue	114.5	101.4	12.9%	201.2
PBT	23.7	24.0	(1.2%)	43.8
NPAT⁽¹⁾	16.7	16.9	(1.2%)	30.9
NPATA⁽¹⁾	17.2	17.3	(0.5%)	31.6
EPS (cps)⁽²⁾	20.9	21.3	(1.7%)	38.80
Fully Diluted EPS (cps)⁽³⁾	20.7	21.2	(2.4%)	38.48

Notes:

- 1) NPAT & NPATA FY14 is stated after deduction of amounts due to non-controlling interest.
- 2) EPS assumes 79,758,294 ordinary shares for HY15 and 79,536,601 ordinary shares for HY14.
- 3) Fully diluted EPS assumes 80,897,954 ordinary shares for HY15 and 80,647,712 ordinary shares for HY14.

Summary Income Statement



Non-recurring items reduce PBT by \$2.1m net

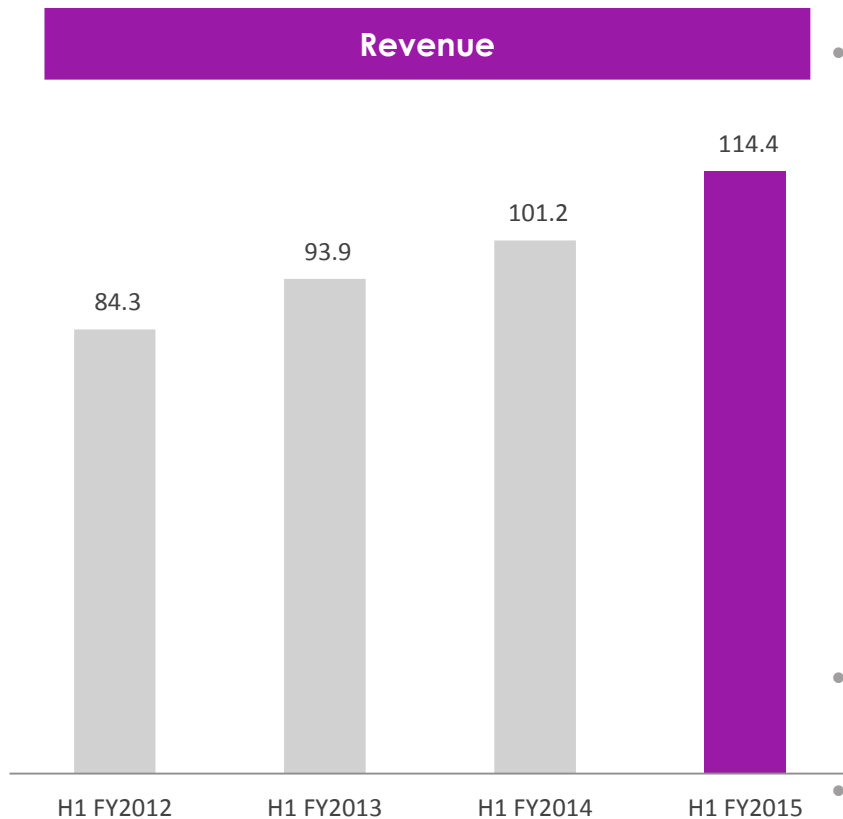
A\$ million	Actual H1 FY2015	Actual H1 FY2014	Change	FY2014
Total revenue	114.5	101.4	12.9%	201.2
Total expenses	(76.5)	(65.6)	16.6%	(133.4)
Segment EBITDA	38.0	35.8	6.1%	67.8
Corporate & non-trading	(5.2)	(3.8)	36.8%	(8.4)
Depreciation & Amortisation	(4.5)	(4.1)	9.8%	(8.2)
EBIT	28.3	27.9	1.4%	51.2
Net interest expense	(4.6)	(3.9)	17.9%	(7.4)
Profit before tax	23.7	24.0	(1.2%)	43.8
Income tax expense	(6.5)	(7.1)	8.5%	(12.9)
NPAT pre-minority	17.2	16.9	1.8%	31.0
NPATA pre-minority	17.7	17.3	2.3%	32.7

- Segment EBITDA growth is 6.1%
- Headline EBITDA growth is 2.6%
- Headline NPAT growth is 1.8%
- Non-recurring expenses in H12015 include:
 - Transaction costs of \$0.9m,
 - Bank fee write-off of \$0.6m,
 - Singapore start-up of \$0.9m and investment gain of \$0.3m
- Income tax expense benefits from R&D credits and lower tax rate in Ireland

Revenue



Revenue grew by 12.9% to \$114.5m

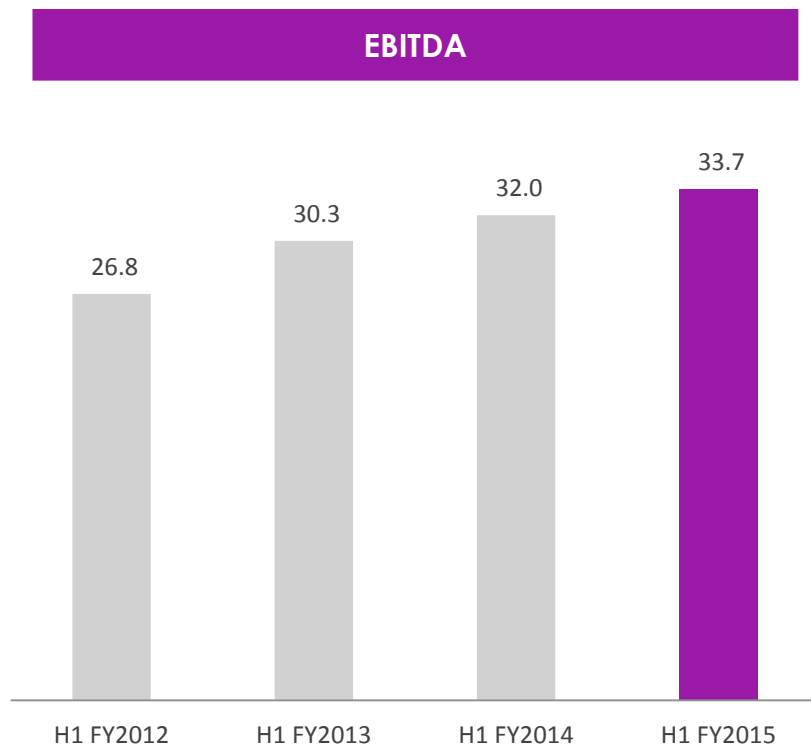


- Australian segment revenue increase is 2.5% and includes:
 - TFC growth exceeds expectations
 - Full service cycle decline in VIC as a result of clinical practice change; success rates improve, frozen cycle revenues decline by \$1m as a result
 - H1FY2015 includes two months of Sunshine, one month of Tasmania
 - Diagnostic growth of 17.3%
 - Day Hospital growth of 3.7%
- International segment revenue first time contribution of \$10.4m
- Sims cycle growth, 25% in H1

Expenses and Segment EBITDA



Segment EBITDA increases by 6.2% after charging Singapore start-up expenses



- EBITDA growth driven by:
 - Australian TFC activity
 - Sims first time contribution
- Fixed expenses
 - Underlying fixed cost expense increase is 5.5%, on like for like basis (adjusted for acquisition timing)
 - Singapore start-up costs of \$0.9m
- Facility and Occupation costs - Australia
 - 1.6% increase overall
- Australian segment EBITDA margin on sales revenue, 35.5% compared to 35.7% pcp

KPIs – Australian segment



Half year KPIs	Note	ACTUAL H1 FY2015	ACTUAL H1 FY2014	Change
Number of IVF Cycles in NSW/VIC/QLD		7,586	7,618	(0.4%)
Number of IVF Cycles in NSW/VIC/QLD		17,150	17,303	(0.9%)
Implied market share	1	44.2%	44.0%	0.2%
LTM Market Share	1	45.6%	45.0%	0.6%
Average Number of Fertility Specialists excl. acquisitions		84.0	83.0	1.2%
Average number of cycles per Fertility Specialist		90.3	91.7	(1.5%)
Average sales revenue per cycle (A\$)		13,496	13,238	1.9%
Labour as a % of sales revenue		28.6%	27.1%	1.5%
Provider fees as a % of sales revenue		14.8%	15.1%	(0.3%)
Segment EBITDA %		35.5%	35.7%	(0.2%)

- Market share position – small improvement in H1, in NSW & VIC
- Average revenue improvement in spite of weak QFG cycles and lower Frozen Embryo Transfers in VIC
- Segment EBITDA margin slightly lower due to weak full service revenue performance

Note 1: Implied and LTM (last twelve months) market share is based on fresh and cancelled cycles in NSW, VIC and QLD

Statement of Financial Position



A\$ million	Statutory Dec-14	Statutory Jun-14	Statutory Dec-13
Cash	9.7	21.5	19.4
Trade and other receivables	13.1	13.8	12.7
Inventories	0.3	0.2	0.2
Equity accounted investments	1.5	1.5	1.5
Other financial assets	0.3	0.3	0.4
PP&E	30.5	28.2	25.6
Deferred tax assets	8.4	8.1	9.4
Intangible assets	391.4	356.1	324.4
Total assets	455.2	429.7	393.6
Trade and other payables	21.6	23.5	15.4
Deferred revenue	4.0	3.6	2.8
Borrowings	147.8	139.5	131.3
Provisions	8.0	7.1	6.3
Current tax liabilities	5.0	4.5	1.7
Other Financial Liability	23.2	11.9	-
Total liabilities	209.6	190.1	157.5
Net assets	245.6	239.6	236.1

- Cash balance
 - at low point after utilisation of excess cash on acquisitions
- Working Capital
 - small reduction in negative position
- Gearing
 - leverage ratio of 2.1 on adjusted EBITDA LTM basis
- Dividend
 - 13.00cps, (H12014, 12.00cps) fully franked, increase of 8.3%
- Capex
 - \$6.0m in H1 FY2015 including \$3.0m for Singapore clinic



Strategy and Outlook



Strategy and Outlook



A focus on patient outcomes and the collective experience of our team underpins our continued growth

- Leading minds, leading science
 - Virtus' unique Assisted Reproductive Service collaboration drives patient outcomes and our ability to enter/grow in new markets
- Fertility solutions
 - Reproductive medicine/science continues to evolve changing optimal treatment
 - Our network of care enables delivery of best practice and optimal market penetration
- Expansion
 - Further international and domestic opportunities under review
 - Focus on profitability of international operations is a high priority
- Diversification: Day Hospital and Specialist Diagnostics
 - Multiple sources of revenue will drive additional organic growth

Guidance



No change to guidance

- Key assumptions
 - Limited recovery in Australian IVF sector in H2FY2015
 - Initial six month contributions from Sunshine IVF, TasIVF and Rotunda IVF
- Guidance

Current expectation is for low to mid teens NPAT growth before non-recurring items of \$2.1m



Thank you and
questions

