



# Financial Results Presentation FY2016

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# Results and Operational Overview FY2016



# FY16 Overview



## Steady growth in Australian operations, capped off by strong performance in international activities

- Total cycles up 9.6% to 18,719 (FY15 17,064)
- Total treatments up 14% to 34,269 (FY15: 30,025)
- **Australian Operations – reported segment EBITDA increased 3.8% to \$71.2m**
  - Treatment numbers increased 10.6% to 29,917 (FY15: 27,056)
  - Good organic growth in full service fertility clinics
  - TFC metro subdued with strong TFC regional growth
- **International Operations – reported segment EBITDA increased 138% to \$5.7m**
  - Treatment numbers increased 46.6% to 4,352 (FY15: 2,969)
  - Ireland: EBITDA up 32.8% (local currency)
  - Singapore: Positive EBITDA result achieved in past four months

\* Total treatments include fresh cycles, frozen embryo transfers and IUIs

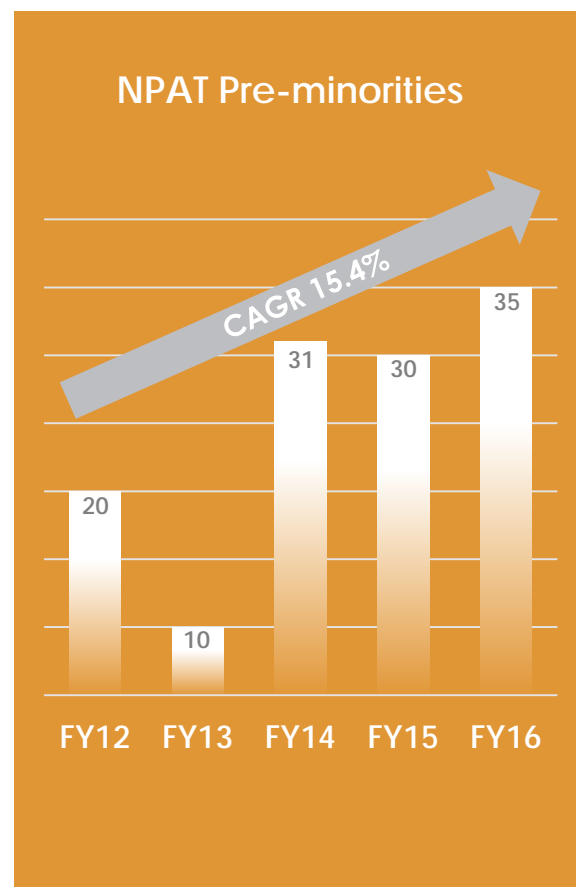
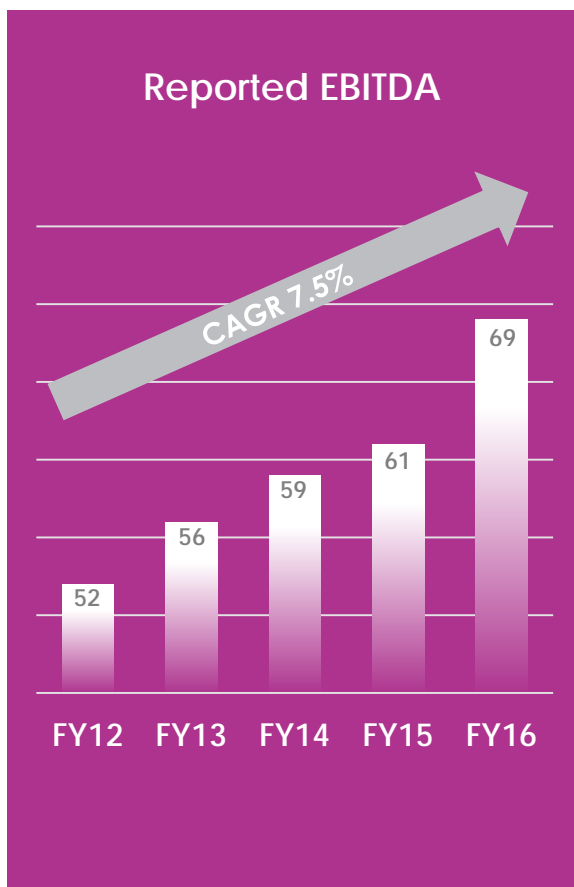
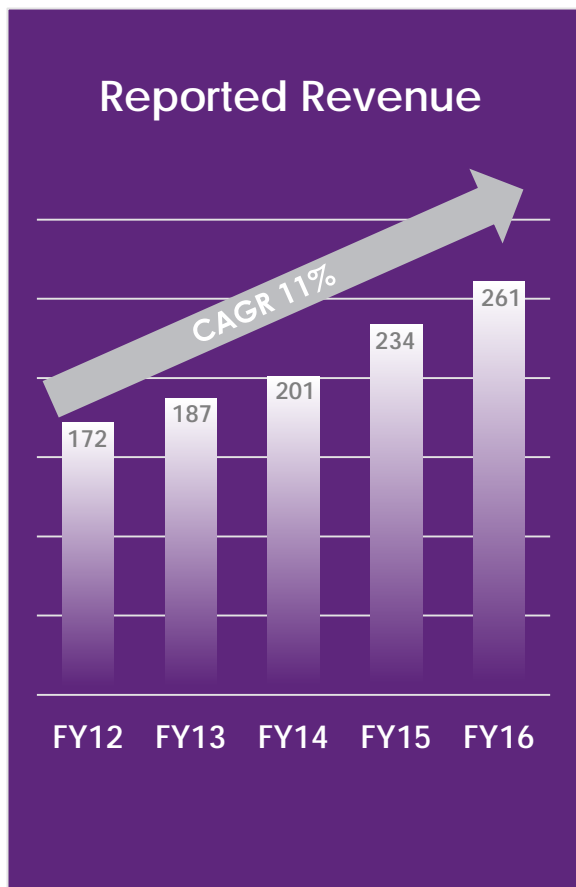
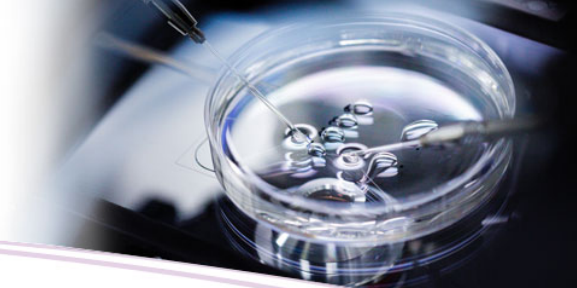
# FY16 Financial Results Overview



## Growth in revenue and earnings driven by strong performance in the international and domestic premium services

- Total revenue increased 11.6% to \$261.2m
- Adjusted Group EBITDA increased 8.5% to \$67.6m
  - Reported Group EBITDA increased 12.3% to \$68.9m
- Reported NPAT Pre-minorities increased 14.5% to \$34.8m
  - Net non recurring gain of \$0.2m incurred in FY16
- Cash/debt capacity for investment at \$70m
- Gearing 1.9 times adjusted EBITDA
- Final dividend 15 cents per share (FY15: 14 cents per share), fully franked
- Full year dividend 29 cents per share (FY15: 27 cents per share) fully franked, increase of 7.4%

# Solid Financial Track Record



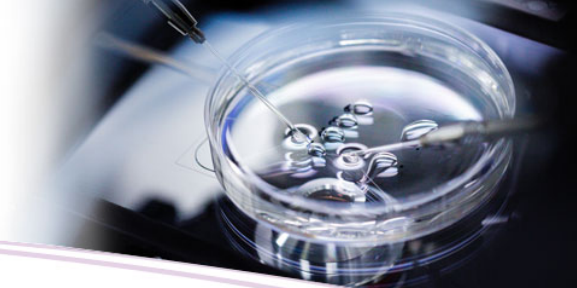
Note: Charts are on a reported basis. NPAT pre minorities.



# Virtus Health Australian Segment Performance



# Australian Operations



## Virtus remains market leader in an expanding market with increased competition

- Absolute cycle numbers increased 6.6% to 16,097 cycles

### Premium Clinics

- Strong growth in NSW premium clinics
- TAS and QLD clinic growth in line with the market
  - Tas IVF included for full 12 months (vs. 7 months in pcp)
  - QLD regional clinics delivered growth for the first time in three years
- VIC premium clinic cycle volume unchanged
- Canberra Fertility Centre acquired May 2016

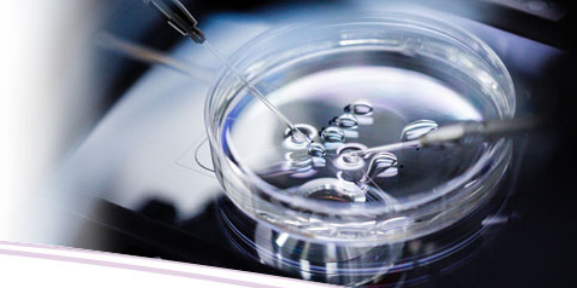


### The Fertility Centre

- TFC clinics in regional locations performed strongly offset by slowdown in metro TFC
- FY16 includes first full year contribution from Sunshine Coast and Wollongong



# Australian Operations



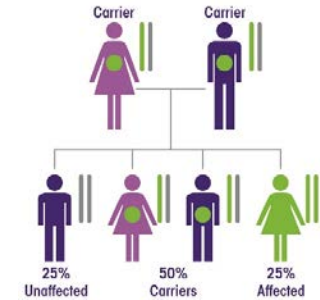
## Strong specialised diagnostics platform for growth



Revenue from Australian diagnostics up 5.1%



Acquisition of IDS Category G Pathology Lab ensures Pathology revenue optimised across ARS value chain



Genetic technologies improving success rates in ARS and extending services to fertile population

## Day hospital revenue in line with FY15



Modest growth in revenue in 5 of 6 Day Hospitals



# Virtus Health International Segment Performance



# Ireland Operations



## Ireland delivers strong cycle and earnings growth

- Maintains leadership position
- 2,321 cycles performed in FY16 across all Irish operations (FY15: 1,878)
- Treatment numbers increased 31.3% to 3,688 (FY15: 2,809)
- EBITDA growth of 32.8%
- 8.1% contribution to group segment EBITDA up from 6.0% FY 15
- Three clinics operational: Sims IVF and Rotunda IVF ("RIVF") in Dublin and Sims IVF in Cork



# Singapore Operations



## Singapore cycles increasing – positive EBITDA performance

- 301 cycles performed in Singapore in FY16 (FY15: 86)
- Treatment numbers increased to 664 (FY15: 160)
- \$0.5m EBITDA loss in FY16 reduced from \$1.9m EBITDA loss FY15
- Positive EBITDA last four months of FY16
- Clinical success and patient care has built a strong reputation
- Expect to see further improvement in FY17 with expanded clinical team of contracted and associated specialists

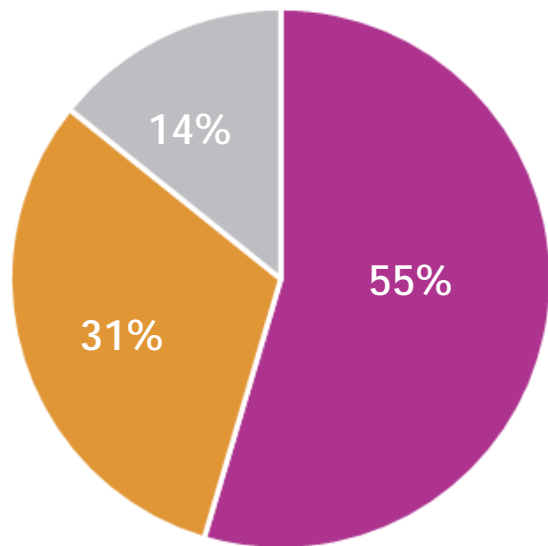


# Virtus Market Position



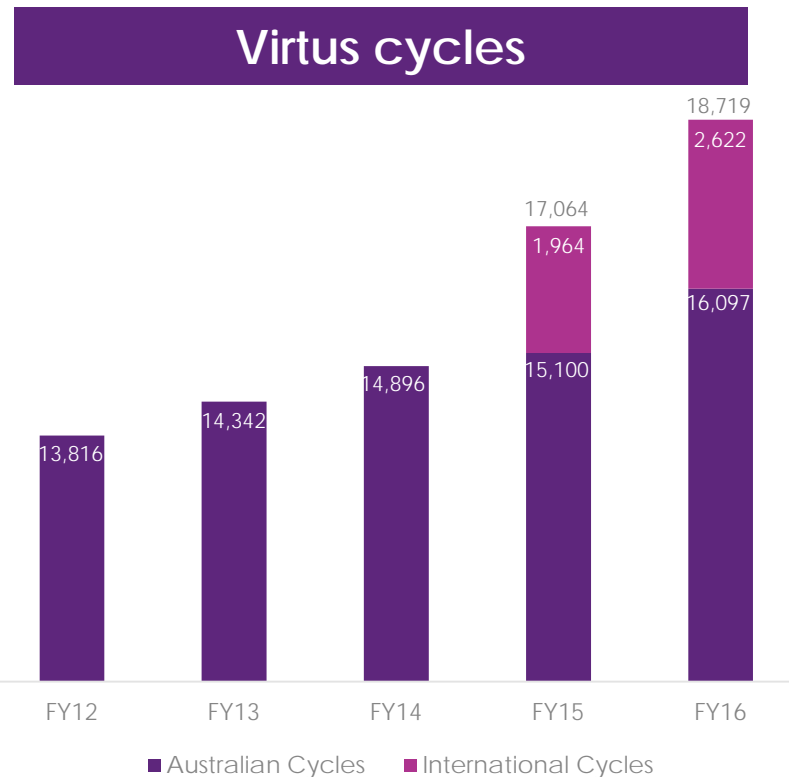
Market leader in Australia and Ireland, growing presence in Singapore

Treatment Mix



■ Cycle ■ Frozen ■ AI/OI

FET & IUIs at 45% (43% pcp) of all patient treatments



# Regulatory Environment



## Australia

- Federal Health Department review of Medicare Benefits Schedule expected within twelve months
- National Health and Medical Research Council (“NHMRC”) reviewing Australian regulations for sex selection for family balancing (not currently permitted) and donor services

## Ireland

- Government considering funding for fertility services – currently privately funded
- Proposed change to egg donation anonymity

## Singapore

- Alignment with Australia’s RTAC
- Conservative environment growing interest in PGD/S access in Singapore





# Financial Results



# Summary Income Statement



## Statutory and Adjusted results

A\$ Million	Statutory Results		Adjustment		Adjusted Results	
	FY16	FY15	FY16	FY15	FY16	FY15
Revenue	261.2	234.1			261.2	234.1
Segment EBITDA	76.9	71.0			76.9	71.0
<b>EBITDA</b>	<b>68.9</b>	<b>61.4</b>	<b>(1.3)</b>	<b>0.9</b>	<b>67.6</b>	<b>62.3</b>
Depreciation and amortisation	(11.2)	(10.0)			(11.2)	(10.0)
<b>EBIT</b>	<b>57.7</b>	<b>51.4</b>	<b>(1.3)</b>	<b>0.9</b>	<b>56.4</b>	<b>52.3</b>
Interest	(8.7)	(8.9)	1.1	1.6	(7.6)	(7.3)
<b>Profit before income tax</b>	<b>49.0</b>	<b>42.5</b>	<b>(0.2)</b>	<b>2.5</b>	<b>48.8</b>	<b>45.0</b>
Income tax expense	(14.2)	(12.1)		(0.2)	(14.2)	(12.3)
<b>Profit after income tax</b>	<b>34.8</b>	<b>30.4</b>	<b>(0.2)</b>	<b>2.3</b>	<b>34.6</b>	<b>32.7</b>
Profit after income tax attributable to Non-controlling interest	(1.9)	(1.0)			<b>(1.9)</b>	(1.0)
<b>Profit after income tax attributable to ordinary equity holders</b>	<b>32.9</b>	<b>29.4</b>	<b>(0.2)</b>	<b>2.3</b>	<b>32.7</b>	<b>31.7</b>
Earnings per share (cents)	41.18	36.86				
Diluted Earnings per share (cents)	40.79	36.54				



# Statutory profit reconciliation to adjusted profit



Net gain from NREs - \$0.2million

A\$ Million	FY16	FY15
<b>Profit after income tax attributable to ordinary equity holders</b>	<b>32.9</b>	<b>29.4</b>
Fair Value Adjustment to put liabilities	(2.2)	-
Non Cash Interest	1.1	1.0
Transaction costs	0.9	1.2
Gain on investment in Sunshine coast	-	(0.3)
Write-off for unamortised Bank facility fees	-	0.6
Tax-effect	-	(0.2)
<b>Adjusted NPAT</b>	<b>32.7</b>	<b>31.7</b>

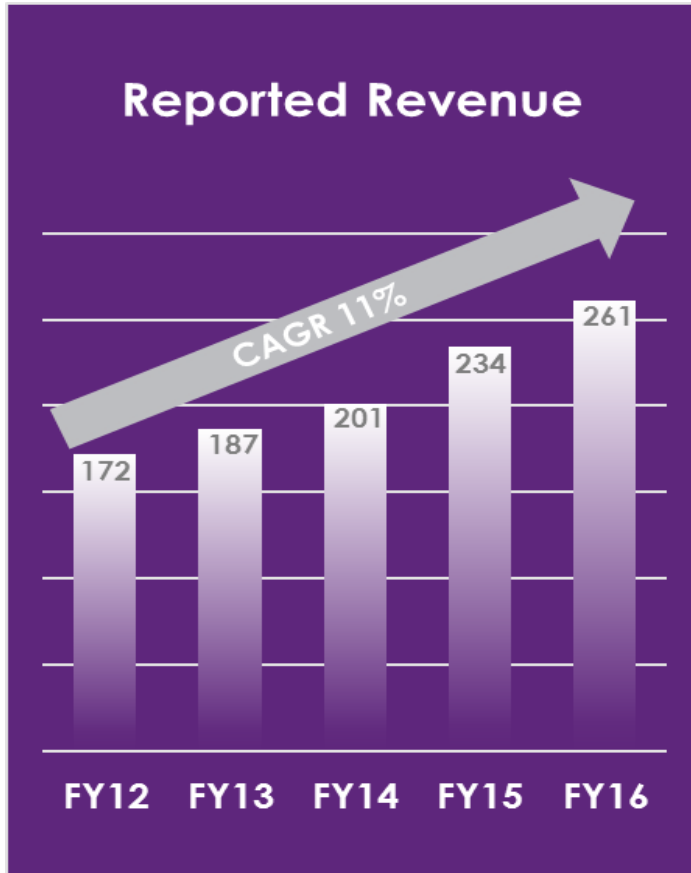
Notes:

1. Fair value adjustment relates to put options relating to remaining interests in acquired entities
2. Non cash interest relates to the unwinding of the discount on the put liabilities

# Revenue



Revenue up 11.6% to \$261.2m



Australian segment revenue increased 6.0% driven by:

- Full service cycle growth increase in all Australian states
- Regional based TFC clinics performed strongly however Melb and Sydney based TFC clinics experienced slowdown
- Revenue includes 12 months of Sunshine Coast (vs. 8 months in pcp), 12 months of Tasmania (vs. 7 months in pcp)
- Diagnostic growth of 5.1% - price deflation in NIPT/PGD offset by volume increase of 93.7% in PGD/PGS which has a positive impact on full service cycles
- Day Hospital revenue in line with FY15

International segment revenue up 44.6% to \$39.3m. Includes 12 months of Singapore and Rotunda IVF (vs. 6 month contribution in pcp)

- Sims IVF cycle growth 23.6%

# Expenses and Segment EBITDA



## Reported Group EBITDA up 12.3%



EBITDA growth driven by:

- Steady Australian full service activity
- Strong performance in international operations

Fixed expenses

- Underlying fixed cost expense increase is 5.9%, on like for like basis (adjusted for acquisition timing)

Australian reported segment EBITDA margin on total revenue 32% in FY16 compared to 32.8% in pcp, reflecting the volume decline in TFC's, day hospitals and increased costs in Tasmania with the opening of Launceston

# Cash Performance



## Operating Cash Flow up 17.0% on pcp

Reported Profit and Loss Summary (A\$m)	FY16 (A\$m)	FY15 (A\$m)
<b>Group EBITDA</b>	<b>68.9</b>	<b>61.4</b>
Working Capital Movement	0.6	(1.6)
Net Finance Costs	(6.9)	(7.0)
Income Tax	(16.3)	(12.3)
Other	1.4	0.1
<b>Operating Cash Flow</b>	<b>47.7</b>	<b>40.6</b>
Net CAPEX	(9.6)	(12.3)
Free Cash Flow	<b>38.1</b>	<b>28.3</b>
Dividends	(22.1)	(21.3)
<b>Free Cash Flow after dividends</b>	<b>16.0</b>	<b>7.0</b>

Strong earnings growth converted to cash which was used to fund:

- Acquisitions of \$5.8m
- Net Debt reduced by \$8.8m
- Voluntary debt repayment of \$5m
- \$9.6m CAPEX in FY16

# Statement of Financial Position



A\$ million	Statutory June 16	Statutory June 15
Cash	22.2	18.4
Trade and other receivables	11.3	13.6
Inventories	0.6	0.3
Equity accounted investments	1.5	1.5
Other financial assets	2.3	1.8
PP&E	30.3	30.8
Deferred tax assets	6.0	8.1
Intangible assets	399.0	390.7
<b>Total assets</b>	<b>473.2</b>	<b>465.2</b>
Trade and other payables	26.5	23.1
Deferred revenue	5.8	5.4
Borrowings	147.4	152.3
Provisions	9.6	8.4
Current tax liabilities	-	4.3
Other Financial Liability	25.9	25.4
<b>Total liabilities</b>	<b>215.2</b>	<b>218.9</b>
<b>Net assets</b>	<b>258.0</b>	<b>246.3</b>

## Cash balance

- At normal level after utilisation of excess cash on acquisitions

## Gearing

- Leverage ratio of 1.9 adjusted group EBITDA (LTM)
- Full compliance with sufficient head room under both interest cover and leverage ratios
- Funding capacity available, \$70m

## Dividend

- 15cps, (PCP 14cps) fully franked payable on 14 October 2016

## Tax Losses

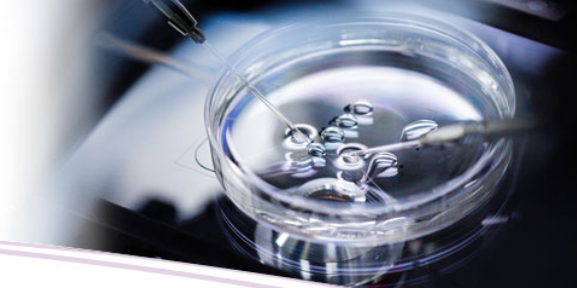
- Potential tax benefit of \$0.7m for tax losses relating to Singapore not recognised and can be utilised in the future



# Strategy



# Virtus Health Strategy



Vision: To help women and men achieve their aspirations to create a family

## Operational imperatives to deliver on strategy

### Ambition

To be a leading global provider of ARS based on;

- Clinical & scientific effectiveness
- Breadth of capability across ARS value chain
- Market leadership in chosen geographies & market segments
- Our patients being at the centre of everything we do

### Growth Strategy

**ARS**  
(Domestic & International)

Market penetration by acquisition, greenfield & organic growth.

Research driven service development

**Diagnostics**  
(Domestic)

Leverage fertility, genetics & general pathology testing across the business

**Day Hospitals**  
(Domestic)

Optimise utilisation & efficiency

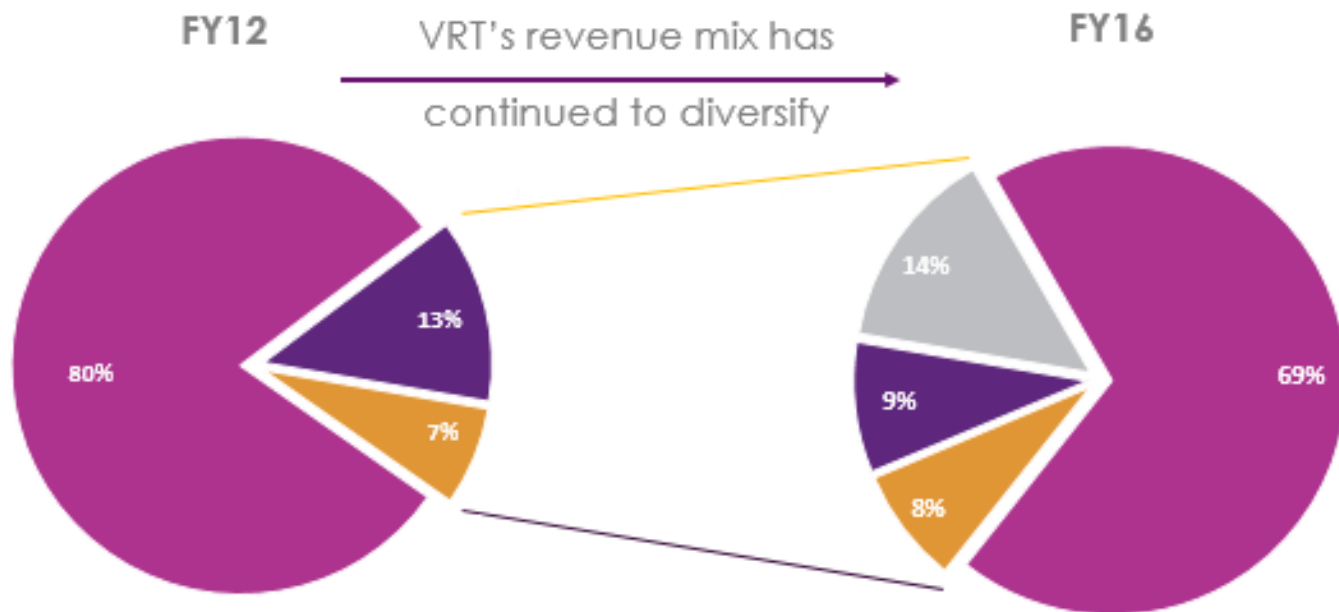
Opportunistic domestic acquisition

Leading minds, leading science

# Diversified Revenue Mix



## Multiple Sources of Revenue



■ Fertility Australia ■ Specialised Diagnostics Australia ■ Day Hospitals Australia ■ International





# Appendices



# KPIs – Australian segment



KPIs	Note	FY16	FY15	Change
Number of IVF Cycles in Virtus Australia		16,097	15,100	6.6%
Number of IVF Cycles in NSW, QLD, TAS, VIC market	1	36,643	33,667	8.8%
East States market share (Inc. Tas)	1	43.9%	44.9%	(1.0)%
National Market Share	2	36.2%	37.2%	(1.0)%
Treatment volume	3	29,917	27,056	10.6%
Average Number of Fertility Specialists		100	91.8	8.9%
Average number of cycles per Fertility Specialist		161	164	(1.8)%
Average age of Fertility Specialists		50	50	-
Average total revenue per cycle (A\$)		\$13,784	\$13,835	(0.3)%
Labour as a % of total revenue		30.0%	29.4%	(0.6)%
Provider fees as a % of total revenue		15.1%	15.0%	(0.1)%
Reported segment EBITDA margin %		32.0%	32.8%	(0.8)%

- Average sales revenue reduction reflects mix change towards QLD and TAS (lower priced full service) and small growth in diagnostic revenue
- Fertility specialist movement is net of two retirements

Note1: Implied market share is based on fresh and cancelled cycles in NSW, VIC, QLD and TAS (TAS market and Virtus activity in TAS is included for 12mths in FY16 and 7mths in FY15)

Note 2: National market share KPI assumes Virtus owned TASIVF at 01 July 2014

Note 3: Total treatments includes fresh cycles, cancelled cycles, IUIs and FETs

# Australian ARS Market



Eastern state market FY16 growth based on IVF cycles performed (incl. TAS)



- NSW up 11.1% - market continues to grow, new entrants increased overall market
- QLD up 6.0%, VIC up 4.9% - solid improvement on the subdued activity in the prior year
- Demographic drivers for ARS remain favourable

# Sector Outlook



## Demographic and social trends driving growth

- Growing female population and rising maternal age
- Rising incidence of conditions impacting fertility e.g. Obesity, Chlamydia
- Greater awareness and acceptance of available treatment options
- Increasing numbers of same sex and single women starting families
- Global fertility rates in decline
- Advancements in genetic technologies improving success rates for infertile and extending services to the fertile population
- Young adults increasingly living with parents

The Australian Bureau of Statistics shows a rise in the number of young people sticking with their parents with almost one in four people aged between 20 and 34 failing to launch.

About 18 per cent of women were still living at home compared to 24 per cent of males.

# Virtus Health Network of Care



## ASSISTED REPRODUCTIVE SERVICES

45

### FERTILITY CLINICS

Australia	41
Ireland	3
Singapore	1



## SPECIALISED DIAGNOSTICS

60

### LABORATORIES

Embryology	28
Andrology	26
Endocrinology	4
PGD	2



## DAY HOSPITALS

6

### DAY HOSPITALS

IVF and non-IVF procedures



116

### FERTILITY SPECIALISTS



1028

### NURSES, COUNSELLORS, PATIENT SUPPORT (incl DIAGNOSTICS)



223

### SCIENTISTS

