

## ASX ANNOUNCEMENT

22 August 2017: VIRTUS HEALTH LIMITED (ASX: VRT)

### **VIRTUS LIFTS PERFORMANCE IN SECOND HALF DESPITE CHALLENGING DOMESTIC ARS MARKET; DELIVERS GROWTH IN DIAGNOSTICS & INTERNATIONAL ACTIVITIES**

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Sydney, Australia - Virtus Health, ("Virtus", ASX: VRT) Australia and Ireland's largest Assisted Reproductive Services (ARS) provider, today reports its financial results for the full year ended 30 June 2017.

"The results reflect a challenging year in our core Australian fertility operations with an improved performance in the second half FY17 and continued growth in Diagnostics and our international activities," said Ms Sue Channon, Virtus Health, Group CEO.

#### Highlights

- Revenue down 1.8% to \$256.5m on prior corresponding period (pcp);
- Group earnings before interest, tax, depreciation, amortisation and impairment ("EBITDA") down 5.9% to \$64.8m;
  - Australian segment EBITDA down 7.6% to \$65.8m
  - Significant operational enhancements completed in FY17 leading to Diagnostics EBITDA growth of 37%
  - International segment continues to deliver earnings and cycle growth; EBITDA up 24.4% to \$7.1m
- NPAT attributable to ordinary equity holders down 14.6% to \$28.1m
- Final dividend 12 cents per share fully franked

"Virtus Group segment EBITDA increased in H2 FY17 compared to pcp as a result of operational efficiencies and cost savings achieved by material changes to the Australian business, and our diversified model. Virtus participates across all ARS segments, from full service to low cost enabling us to provide care for any fertility patient," explained Ms Channon.

"Our overseas business performance was broadly in line with expectations and strong profit growth was achieved in our diagnostic service," said Ms Channon.

#### Australian Segment

In the Australian eastern state markets in which Virtus operates there was an overall market volume decrease of 0.2% for Assisted Reproductive Services ("ARS"). While cycle volume in Virtus clinics decreased by 3.7% like for like, growth was achieved in Queensland and Tasmania, and Virtus NSW clinics achieved a better result than the NSW market which declined 5% in FY17. Virtus remains the overall market leader with 42.1% share of the Australian eastern states market.

"The performance of Melbourne IVF highlighted at the half year was a key reason for the decline in profitability of the Australian segment. An organisational re-structure with new leadership and significant reductions in operating expenses has seen improvements in Victorian profitability in the last quarter."

Volumes in Virtus' The Fertility Centre ("TFC") clinics increased by 3.9% in FY17 and this reflected changes made to the pricing and service model in the second half of the year.

#### Diagnostics

Diagnostic revenue increased by nearly 9% in FY17, delivering an EBITDA improvement over the prior year of 37% largely driven by the new applications of genetic testing and screening in reproductive medicine which are improving success rates for patients and providing access to new patients, including the fertile population.

"With a restructured footprint and new testing platforms fully commissioned in FY17 Virtus Diagnostics is delivering an efficient and comprehensive testing service to Virtus clinicians and external referrers as evidenced by the growth in testing and screening revenue," Ms Channon said.

### International Segment

Virtus' international operations reported continued growth with segment EBITDA increasing 24.4% to \$7.1m.

"Our strategy to drive the Virtus collaborative model in carefully selected international markets is achieving results and we will continue to pursue acquisition opportunities in the UK and Europe," said Ms Channon.

"Our Irish clinics continue to be market leader and while performance was solid the full year result was impacted by a six week closure of the Rotunda IVF clinic for laboratory upgrades and a disruption to services in Cork as a result of delays in doctor recruitment, both of which have been resolved," said Ms Channon.

Singapore delivered a positive EBITDA in H2FY17 with the full year EBITDA loss improving to S\$120,000 compared to pcp loss of S\$637, 000 (local currency). The Singapore team's clinical success and patient care continues to attract more patients with eight fertility specialists now using the service. A profitable performance in the new financial year is anticipated.

"The integration of the Aagaard fertility clinic in Aarhus Denmark which was acquired in November 2016 has been successful and this acquisition delivered a solid result contributing Kr 4.4m to group EBITDA," Ms Channon said.

### Capital management

Total expenditure on tangible and intangible assets was \$9.8m in FY17 (H1FY16 \$9.6m). The largest investment related to the continued development and rollout of the company's patient management software in Australia which is now largely complete. The annualised leverage ratio is 2.1 times adjusted Group EBITDA at 30<sup>th</sup> June 2017.

Basic earnings per share (EPS) decreased 15.0% to 35.00 cps with diluted EPS also decreasing 14.7% to 34.79 cps. Virtus declared a final dividend of 12cps fully franked (FY16: 15.00cps), to be paid on 13 October 2017 to shareholders on the registry at 15 September 2017.

### Key financial results

Metric	FY2017 (A\$m)	FY2016 (A\$m)	Variance (%)
Revenue	256.5	261.2	(1.8)
Group EBITDA Reported	64.8	68.9	(5.9)
PBT Reported	42.8	49.0	(12.7)
NPAT Pre-minorities Reported	30.0	34.9	(14.0)
NPAT Reported	28.1	32.9	(14.6)
Basic EPS (cps)	35.00	41.18	(15.0)
Diluted EPS (cps)	34.79	40.79	(14.7)

-ENDS-

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### Investor Conference Call and Webcast

Investors are invited to join a conference call and webcast presentation hosted by Sue Channon, Group CEO, and Glenn Powers, CFO and Company Secretary on **Tuesday 22 August, 9:15am AEST**. To access the call and webcast, please use the log in details below.

#### Conference ID: 5436 7717

#### Conference Call Toll-Free Access Numbers

Conference ID: 5436 7717	Conference Call Toll-Free Access Numbers
Australia	1800 123 296 or 02 8038 5221
Canada	1855 5616 766
China	4001 203 085
Denmark	8025 1313
Hong Kong	800 908 865
India	1800 3010 6141
Ireland	1800 551 316
Japan	0120 477 087
New Zealand	0800 452 782
Singapore	800 616 2288
United Kingdom	0808 234 0757
United States	1855 293 1544
All other international locations	+61 2 8038 5221

The presentation & audio can be accessed via a webcast: <http://webcast.openbriefing.com/3812/>

### About Virtus Health Limited

Virtus Health Limited (ASX:VRT) brings together leading clinicians, scientists, researchers and support staff to provide the very best in fertility care and related specialised diagnostic and day hospital services. We have developed one of the most successful medical collaborations in the world. With 122 of the world's leading fertility specialists supported by nearly 1200 professional staff, we are the largest network and provider of fertility services in Australia and Ireland, with a growing international presence in Singapore and Denmark.

Our combined expertise creates a unique and powerful body of knowledge which when combined with the collegial team approach of our specialists and scientists, means we are able to find new and advanced solutions for achieving success for our patients.