



Virtus Health (ASX. VRT)

ANNUAL GENERAL MEETING

Wednesday 22nd November 2017 2.00pm AEDT



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CHAIRMAN'S ADDRESS

Peter Macourt



CEO PRESENTATION

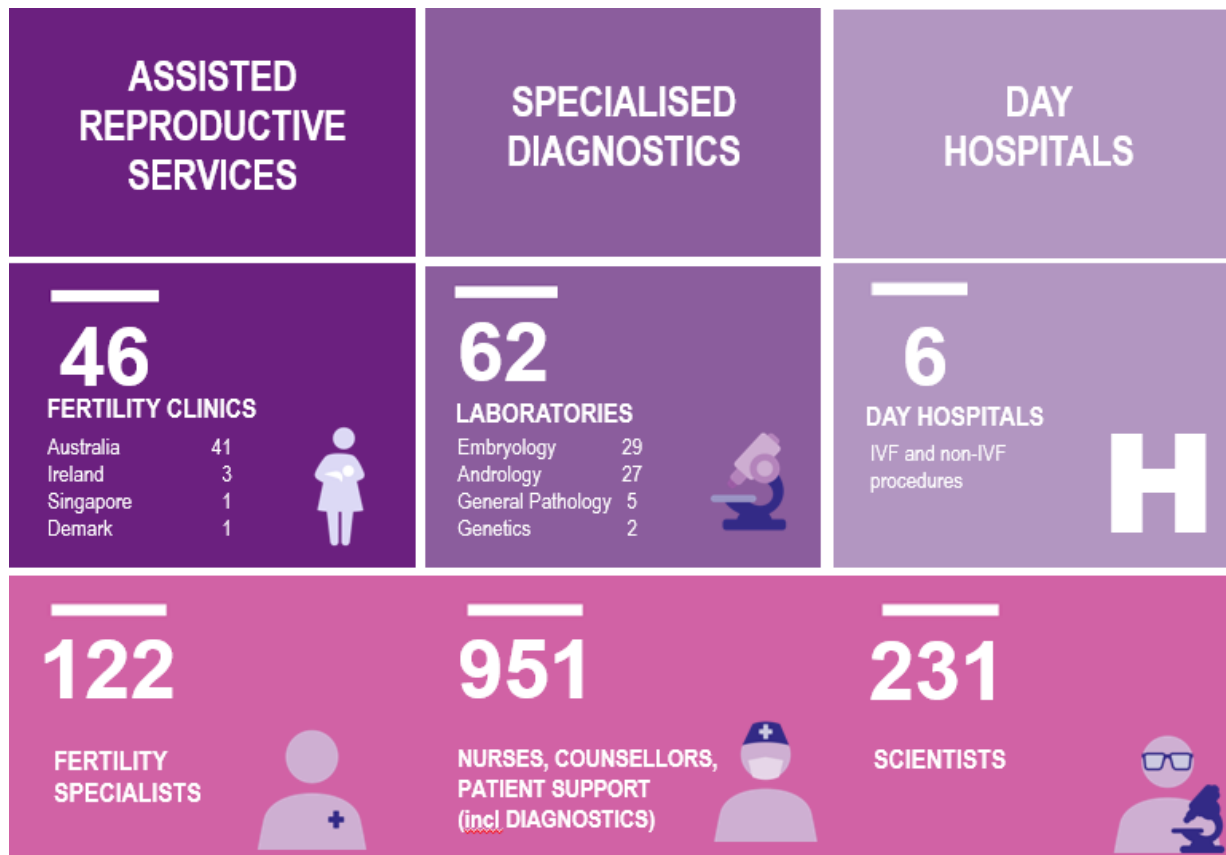
Sue Channon



VIRTUS HEALTH #1 FOR FERTILITY

Creating more chubby cheeks than anyone else

Network of Care



FY17 Financial Results Overview

Challenging domestic ARS conditions; growth in diagnostics & international activities

- Revenue down 1.8% to \$256.5m
 - Group cycles flat at 18,669 (FY16: 18,752)
 - Group treatments including IVF, FET, IUI and cancelled were up 3.6% to 35,360 on pcp
 - Virtus Australian cycles down 3.7% like for like in the available domestic market which is down 0.24%
- Group EBITDA before impairment down 5.9% to \$64.8m
 - Australian segment EBITDA down 7.6% to \$65.8m
 - International segment EBITDA up 24.4% to \$7.1m
- Net Profit after tax (NPAT) attributable to ordinary equity holders down 14.6% to \$28.1m
- Gearing at 2.1X adjusted Group EBITDA
- Cash/Debt Funding capacity ~\$60m (\$51m unused borrowing facility and ~\$9m uncommitted cash)
- Full Year dividend 25cps fully franked (FY16: 28cps)



AUSTRALIAN SEGMENT PERFORMANCE

Australian Operations Fertility



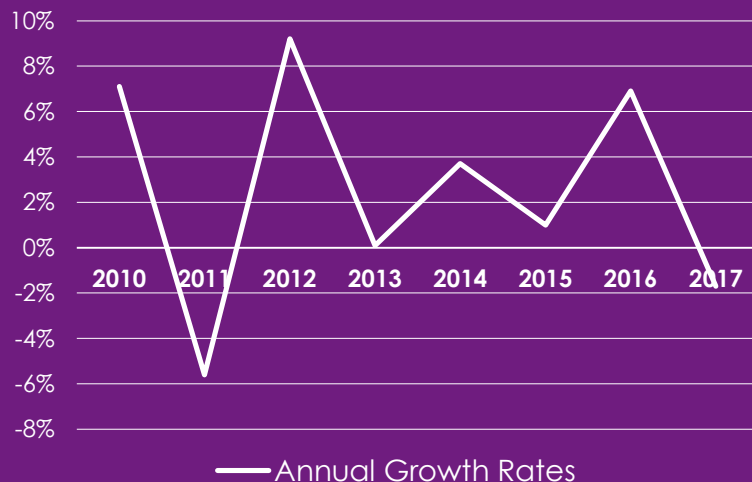
Virtus is the market leader in Australia

- Overall market volume along eastern seaboard down 0.24% on pcp
- Virtus cycle activity in FY17 down 3.7% to 15,776 cycles on a like for like basis
- Virtus full service activity declined 3.1%
 - Growth achieved in TAS & QLD
 - Virtus NSW outperformed declining NSW market
 - Business & clinical strategy arrested VIC decline; market share stable in last quarter
- TFC clinics increased 3.9% on a like for like basis
 - Service model and pricing review resulted in 24% cycle growth in H2FY17
 - H2 FY17 EBITDA variance declined compared to pcp
 - TFCs represent ~15% of overall Virtus Australian activity
- Revenue down 1.1% to \$217.1m (FY16: \$219.5m)
- Australian segment EBITDA down 7.6% to \$65.8m (FY16: \$71.2m)

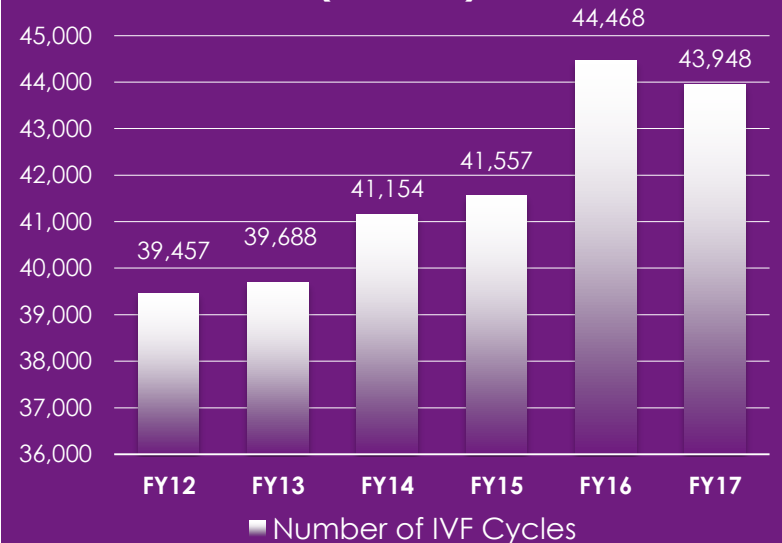
Variability in Australian Market Growth

Annual growth rate variability is normal and historical activity has improved following periods of market downturn

Annual Industry Growth rates (FY10-17)



Market Volumes (FY12-17)



- 5 year market CAGR to June 2017 is 2.2%
- FY17 reflects a market contraction of 1.2% over pcip to 43,948 cycles. H2 volumes improved over H1 with an increase in some states (H1 contraction was 6.4%)

Virtus Australia Achievements

Virtus is well placed to respond to industry challenges and variability

Australian Fertility Business

Victoria

- Organisational re-structure completed with new leadership team in place
- Continued focus on efficiency and process re-engineering to manage growth and costs
- Strengthened scientific leadership - Prof David Gardner IVF pioneer

Changes forecast to deliver annualised OPEX reduction of \$3.5m in FY18

TFC (Service Models)

- Continuously improving clinical and service delivery models to respond to low cost market;
- Pricing & packaging development delivers volume improvement in H2 on pcp

Operating Expenses

- Effective cost management (Diagnostic & Marketing restructure)
- Key supplier & consulting costs reduced

**Changes forecast to deliver annualised OPEX reduction of \$1.5m in FY18
(in addition to Victoria)**

Diagnostics

- Vertical integration optimised with centralised lab accreditation and oversight
- Additional collection centres
- Strong profit growth from diagnostics; particularly genetic screening

\$5m of forecast annualised savings for FY18

Australian Operations Diagnostics



Strong revenue and EBITDA growth

- Diagnostic revenue increased 8.7%
- Significant operational enhancements completed in FY17 leading to EBITDA growth of 37%
- Revenue up 37% in PGD/PGS activity - utilisation at 14% of fresh cycles (H1FY17: 12.3%)
- Continued growth expected;
 - Genetic screening
 - An expanded testing platform including serology and early obstetric pathology testing
 - Expanded collection centre footprint
- Plan to extend services into Tasmania & ACT

Australian Operations Day Hospitals



Day Hospital revenue decreased 7.2%

- Impacted by softer IVF activity
- Decrease in Non-IVF procedure revenue of 9.2% on pcp across all day hospitals
- Continued focus on Non-IVF surgical relationships & services to improve utilisation in FY18



INTERNATIONAL SEGMENT PERFORMANCE

Virtus International Expansion

International Diversification

Multiple Sources of Revenue



Danish Operations

Virtus newest member Aagaard Fertility Clinic Denmark delivers

- Successful integration with Virtus demonstrating value of collaborative medical & scientific model
- EPS accretive on a full year 2017 basis contributing Kr4.4m to Group EBITDA (7 months)
- Additional doctor appointed 1 July to support growth
- Leading Danish fertility clinic outside Copenhagen with highest national reported success rates *
- This acquisition opens further Scandinavian opportunities



* Danish Fertility Society: ART årsrapport 2015

Irish Operations

Business performs in line with strategic objectives

- Sims IVF Group remains market leader
- 2,294 cycles performed in FY17 (FY16: 2,321) consistent result considering six week closure for Rotunda IVF upgrade & Cork doctor changes
- Revenue down 1.4% to €21.8m (local currency)
- EBITDA (local currency) in line with pcp
- New Medical Director



Singapore Operations

Singapore delivers increased cycles and improved EBITDA

- 341 cycles performed in Singapore in FY17 (FY16: 301)
- H2 FY17 EBITDA positive
- Full year EBITDA loss improves to S\$120,000 compared to pcp loss of S\$637,000 (local currency)
- Market reputation continues to build
- Four contracted doctors plus four associated specialists utilising the facility



Virtus Health Strategy

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

Leading minds, leading science

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

Other diversification opportunities

Day Hospitals (Domestic)

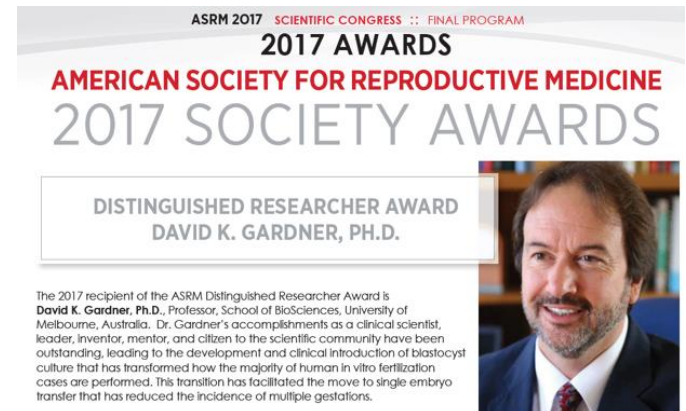
Optimise utilisation & efficiency

Opportunistic domestic acquisition

Leading Minds, Leading Science

One of the most successful medical collaborations internationally

- Virtus attracts & retains leading minds to drive scientific leadership – Professor David Gardner
- Virtus' investment in clinical and scientific research
- Virtus Research Fund & PhD Scholarship in Reproductive Science
- Early adopter of new technologies is delivering improved patient outcomes and growth eg new gene based technologies



Innovation: Advanced Technology

RF witness system safeguarding every step of the IVF process

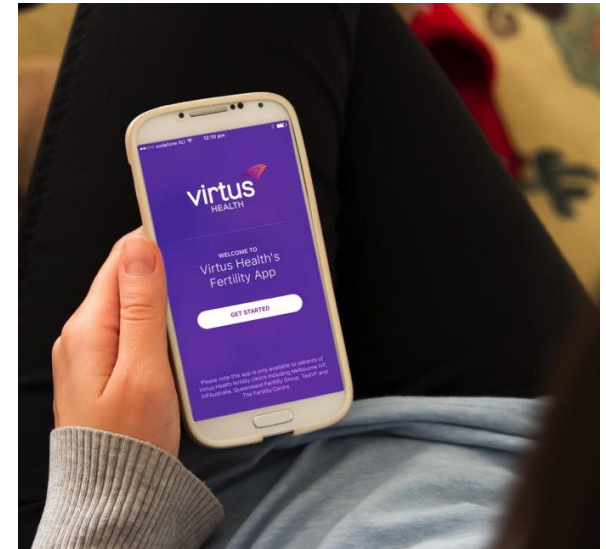
- Radio Frequency Identification (RFID) to detect and monitor activity in the IVF Laboratory is being introduced across all Virtus embryology laboratories
- Extra peace of mind for patients and embryology staff alike



Innovation: Digital Transformation

Culture of scientific innovation extends to digital transformation supporting patient care and driving efficiency

- Roll out of patient management system across Virtus Health
- Integration with Fertility Specialist private practice software for doctor, patient and entire patient care team efficiency
- Diagnostics LIMS
- Patient App



Summary

ARS is a long-term growth market

- Virtus diversified model, scale & geographical reach provides an unrivalled platform for participation in all key fertility segments
- Significant operational changes improve domestic position
- International operations continue to perform in line with expectation
- Strong profit growth from diagnostics particularly genetic screening
- Early adoption of technology, advances in science and operations for patient, doctor and employee value
- Demographic drivers for ARS growth remain favourable globally

Virtus is well positioned to grow



THANK YOU