

## ASX ANNOUNCEMENT

### VIRTUS HEALTH LIMITED (ASX: VRT)

23 February 2018

#### **Virtus Health exchanges contracts for the acquisition of 90% of Complete Fertility Limited, Southampton, United Kingdom for approximately £5 million (AUD \$8.8 million)**

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Sydney, Australia – Virtus Health (“Virtus”, ASX: VRT), Australia’s largest Assisted Reproductive Services (ARS) provider, is pleased to announce it has exchanged contracts for the acquisition of 90% of the ordinary share capital of Complete Fertility Limited (“CFL”) based at the Princess Anne Hospital Southampton for a cash free debt free consideration of approximately £5.0 million (AUD \$8.8million), a multiple of approximately 7.0 times normalised FY17 EBITDA.

The transaction includes an agreement for CFL to acquire the business and assets relating to the provision of fertility services by the University Hospital Southampton NHS Foundation Trust (“UHS”). The parties have entered a 30-day Contract Award notification period (published in the Official Journal of the European Union) as is required by UK NHS procurement rules. Completion is expected to be finalised at the end of March subject to finalising regulatory compliance requirements.

“The UK is a target market for Virtus and this acquisition adds to Virtus’ international growth strategy reaffirming our vision for diversification and expansion of the Virtus model in carefully selected international markets. The UK market meets the Virtus expansion criteria for being well regulated with excellent scientific capability,” said Ms Sue Channon, Group CEO, Virtus Health.

“CFL is highly regarded in the UK providing fertility treatments to NHS and private patients and its clinicians are at the forefront of research and development in the area of ARS,” added Ms Channon.

#### **Highlights**

- Virtus acquires 90% of CFL on approximately 7 times multiple of normalised EBITDA for LTM ended 31 March 2017 (£795K);
- The consideration of £5M is the cash free debt free consideration payable for 90% of the ordinary shares of CFL. Final consideration payable is dependent on the value of certain assets and liabilities at completion;
- A significant proportion of the consideration will be applied to acquire the fertility business and assets of the University Hospital Southampton NHS Foundation Trust; the balance is payable to three vendors of CFL, two of whom will remain with the business and hold a combined shareholding of 10% of CFL;
- The cash free debt free consideration is funded from existing cash and debt resources;
- Forecast to be EPS accretive in FY2019.

CFL was established in 2011 when the UHS Trust established a joint venture agreement with two fertility specialists and an embryologist working within the fertility centre. The centre is a leading fertility clinic on the south coast of Britain with approximately 50% of the regional market share. Southampton is a prosperous city that lies in the county of Hampshire which has a regional population of 1.8 million and offers significant opportunity for future growth.

The clinic offers a full and comprehensive range of fertility treatments and advanced scientific technologies including time lapse imaging of embryos, a highly successful egg donation programme and innovative procedures including ovarian tissue cryopreservation and in-vivo embryo culture.

CFL performed 420 fresh IVF cycles in the year ended 31 March 2017 and has achieved further growth during the nine months to December 2017. These services are provided from a well-appointed facility located within the Princess Anne Hospital. CFL will continue to operate from its current location and will maintain a close working relationship with UHS.

The existing CFL management team will continue to oversee the business on a day-to-day basis and will work with the Virtus European management team to grow the business further. Led by Professor Ying Cheong and Julia Paget, founding directors, the centre is recognised as one of the National Training centres for ARS and hosts training programs for reproductive scientists and clinicians.

CFL's academic and innovative credentials coupled with its close affiliation and location within the University NHS Trust means it is well placed to attract clients from the NHS Trust and also patients seeking care from high profile fertility specialists who are academically accredited, trusted, compassionate and practise an evidence-based approach to treatment.

Virtus' CEO Sue Channon said, "Our collaboration with CFL is another opportunity to leverage our leading minds, leading science philosophy for the benefit of patients, professional development of our teams and ultimately shareholder return. We will leverage our experience from working with public fertility services in Australia and Ireland and we look forward to strengthening the patient service already proved by CFL and UHS."

"Complete Fertility has established a professional patient centric service which provides a natural cultural fit with Virtus Health," said Ms Channon. "This collaboration brings another leading IVF provider delivering specialist fertility care to our growing network. Effective integration will support best practice and operational excellence."

"We are excited to welcome the dedicated team at Complete Fertility to the Virtus family and we look forward to supporting their ongoing research and development aspirations."

"Virtus will continue to seek value accretive opportunities to expand our network with leading IVF businesses in our target regions of Europe and Asia," said Ms Channon.

The CFL Medical Director Professor Ying Cheong and the management team and founders said they are delighted the clinic is collaborating with Virtus.

"Complete Fertility and Virtus share many common values. The foundations of both organisations are built on providing the best possible treatment and care for those trying to have a baby and create the family they desire," said Professor Cheong.

"Virtus is setting high standards in ARS and leading best practice globally and we want to be part of this for our patients and the Complete Fertility team. We are excited by these opportunities," concluded Professor Cheong.

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## 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 124 of the world's leading fertility specialists supported by over 1200 professional staff, we are the largest network and provider of fertility services in Australia and Ireland, with a growing 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.