

## ASX ANNOUNCEMENT

21 August 2018: VIRTUS HEALTH LIMITED (ASX: VRT)

### **VIRTUS DELIVERS HEADLINE EARNINGS GROWTH OF 9.4%**

---

Sydney, Australia - Virtus Health, ("Virtus", ASX: VRT) Australia and Ireland's largest Assisted Reproductive Services (ARS) provider, with a growing UK, Danish and Singapore presence today reports its financial results for the full year ended 30 June 2018.

"Virtus Health delivered a consistent Australian Assisted Reproductive Services performance, continued growth in Diagnostics and our international activities, supported by effective cost management despite a softening in the Australian ARS market in the second half," said Ms Sue Channon, Virtus Health, Group CEO.

#### **Highlights**

- Revenue up 2.2% to \$262.1m on prior corresponding period (pcp);
- Group earnings before interest, tax, depreciation, amortisation and impairment ("EBITDA") unchanged at \$65.0m;
  - Australian segment EBITDA up 1.6% to \$66.8m
  - Significant operational enhancements completed in FY18 resulted in Virtus Diagnostics EBITDA growth of 9.1%
  - Virtus NSW & VIC ARS volume and market share growth
  - International segment continues to deliver earnings and cycle growth; EBITDA up 29.5% to \$9.2m
- NPAT attributable to ordinary equity holders up 9.4% to \$30.8m
- Final dividend 12 cents per share fully franked

"Consistent with our stated strategy for growth through diversification, our international presence continues to grow with targeted acquisitions in the UK and Denmark which saw international EBITDA growing 29.5% to \$9.2m," said Ms Channon.

"During FY18 Virtus' investment in clinical and scientific research saw the early adoption of advanced technologies. Our research into artificial intelligence and the subsequent launch of "Ivy", to improve patient outcomes positions Virtus for long term growth."

#### **Australian Segment**

Virtus delivered a consistent Australian ARS performance despite a softening of the domestic market in the second half, with the Australian eastern state markets in which Virtus operates declining 0.7%. Cycle volume in Virtus Australian clinics decreased 3.4% impacted by low cost competition in Queensland's economically challenged market and new competition in a contracting Tasmanian market.

Virtus' IVFAustralia, Melbourne IVF and "The Fertility Centre" ("TFC") clinics in New South Wales and Victoria achieved cycle volume and market share growth and we remain the only fertility provider participating across all ARS demographics in Australia, from full service to low cost," said Ms Channon.

#### **Diagnostics**

Diagnostic revenue increased 3.6% in FY18, delivering an EBITDA improvement over the prior year of 9.1% largely driven by an increase in the internal utilisation of genetic testing and screening in ARS, an expanding pathology testing platform and collection centre footprint and significant operational improvements.

"Our commitment and continued focus on delivering specialist diagnostic testing in reproductive health and obstetrics, coupled with the capability and expertise to deliver general pathology, continues to grow diagnostic referral volume and enhance performance," Ms Channon said.

### Day Hospitals

Virtus Day Hospitals experienced a quieter year despite an increase in IVF activity of 6.6% from strong IVF H1 volumes and higher frozen embryo transfers. A weakness in non-IVF revenue down 5.3% across our Queensland day hospitals was the major reason for the relatively flat financial performance.

“During FY18 we have undertaken two significant infrastructure development projects to grow Day Hospital capacity from six to seven specialist day hospitals with capacity increasing by an additional three operating theatres,” said Ms Channon.

### International Segment

Virtus' international operations reported continued growth with revenue increasing 17.6% to \$44m. “Our strategy to drive the Virtus collaborative model in carefully selected international markets is achieving results with Virtus welcoming Complete Fertility (UK) and Trianglen (Denmark) to the group during FY18; both forecast to be EPS accretive in FY2019,” said Ms Channon.

“Our acquisitions provide an important extension of our international diversification strategy, and bring the Virtus international portfolio to six clinics in the Northern Hemisphere and one in Singapore.”

“The acquisition of Complete Fertility in Southampton, marks Virtus' entry into the UK, establishing a platform for further expansion in both the public and private ARS markets in the UK. The addition of Trianglen Fertility Centre in Copenhagen, increases our Danish market presence to approximately 15% presenting opportunities for operational synergies between our two Danish clinics,” said Ms Channon.

Virtus extended ownership in the Sims Group in Ireland to 85%, during FY18. “Virtus Ireland remains a market leader, positioned appropriately to support the growing demands of the community. The introduction of PGS and a strong donor program are key contributors to Sims revenue growth” said Ms Channon.

Virtus' Singapore operation delivered a profitable performance with FY18 delivering a positive EBITDA of SG\$350,000 (AUD \$321,000) compared to a prior year EBITDA loss of SG\$144,000 (AUD \$120,000).

“International revenue now sits at 17% of Virtus' total revenue, our ambition is for this to reach 30% through organic growth in our international clinics and our continued targeted strategy of international acquisitions in the UK and Europe where they make sense to do so,” said Ms Channon.

### Capital Management

Total expenditure on tangible and intangible assets was \$15.5m in FY18 (FY17 \$9.8m). The largest investment related to Australian infrastructure development projects in Alexandria, NSW and Hobart to increase capacity, patient services and revenue.

The annualised leverage ratio is 2.4 times adjusted Group EBITDA at 30 June 2018. Basic earnings per share (EPS) increased 9.3% to 38.26 cps with diluted EPS also increasing 9.2% to 37.98 cps. Virtus has declared a final dividend of 12 cps fully franked (FY17: 12.00cps), to be paid on 12 October 2018 to shareholders on the registry at 14 September 2018.

### Key Financial Results

Metric	FY2018 (A\$m)	FY2017 (A\$m)	Variance (%)
Revenue	262.1	256.5	2.2
Group EBITDA Reported	65.0	64.8	0.3
PBT Reported	44.9	42.8	4.9
NPAT Pre-minorities Reported	32.0	30.0	6.7
NPAT Reported	30.8	28.1	9.4
Basic EPS (cps)	38.26	35.00	9.3
Diluted EPS (cps)	37.98	34.79	9.2

-ENDS-

For further information contact: Kyahn Williamson, WE Buchan, t: +61 3 9866 4722 or + 61 (0)401018828 / [kwilliamson@we-buchan.com](mailto:kwilliamson@we-buchan.com)

### 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 21 August, 9:15am AEST**. To access the call and webcast, please use the log in details below.

**Conference ID: 9845919**

#### Conference Call Toll-Free Access Numbers

Australia	1800 123 296
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:** <https://webcast.openbriefing.com/4714/>

### 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 126 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 international presence in the UK, Denmark and Singapore.

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.