

ASX ANNOUNCEMENT

VIRTUS HEALTH LIMITED (ASX: VRT)

19 February 2019

VIRTUS EARNINGS IMPACTED BY GROWTH INITIATIVES

Sydney, Australia - Virtus Health, ("Virtus", ASX: VRT) Australia and Ireland's largest Assisted Reproductive Services (ARS) provider, today reports its financial results for the half year ended 31 December 2018.

"Virtus earnings were impacted by the short term cost impact of targeted growth initiatives and infrastructure developments," said Ms Sue Channon, Virtus Health Group Chief Executive Officer. "Virtus' platform and investment in facilities, technology and people reinforces our competitive position."

Key Features

- Revenue up 5.1% to \$140million on prior corresponding period (pcp);
- Group earnings before interest, tax, depreciation and amortisation ("EBITDA") down 6.8% to \$32.4million;
- NPAT attributable to ordinary equity holders down 11.7% to \$14.6million;
- Australian segment EBITDA decreased 7.3% to \$33.4million
- International segment continues to deliver earnings and cycle growth; EBITDA up 20.7% to \$5.5million;
- Interim dividend 12 cents per share fully franked (H1FY18: 14 cps).

Australia

Virtus fresh cycle activity in Australia in this half year increased by 2.0%. Key aspects of the volume movements compared to pcp were:

- Premium fertility service volumes reduced by 0.8% with growth in Queensland volume offset by declines in New South Wales; and
- The Fertility Centre (TFC) volumes increased by 17.1%, the result of a targeted campaign to improve market share in the low price IVF sector.

Overall, EBITDA in the Australian segment declined by approximately \$2.6m with three main factors contributing to this result:

- As Virtus responded to low cost competition there was a change in revenue mix favouring The Fertility Centre (TFC) and an increase in lower margin premium service cycles in Queensland, accounting for a decline of approximately \$0.9m;
- Virtus Diagnostics revenue decreased by 0.9% in H1FY19 reflecting decreases in genetic testing utilisation driven by a change in clinical practice. The profitability of the diagnostic activity was also impacted by increased supervision costs resulting from new regulatory requirements; and
- Virtus Day Hospital EBITDA was impacted by the relocation costs and disruption to non-IVF activities related to the move to new facilities in Alexandria (NSW) and Hobart (Tasmania).

"Our patient centric approach drives Virtus' investment in clinical and scientific research and adoption of advanced technologies such as *IVY Artificial Intelligence*. Our initial internal data is demonstrating improvements in patient outcomes from IVY," said Ms Channon.

“Our diversified model, scale and geographical reach provides an unrivalled platform for participation in all key fertility segments in the targeted markets in which we operate. Coupled with our Diagnostics and Day hospital businesses we will continue to care for patients in a competitively distinctive way,” she said.

“We have secured a site for Virtus Diagnostics’ main laboratory relocation and additional scientific and pathologist supervision will service the growing Pathology testing platform and footprint. We continue to explore new technologies for non-invasive PGT and molecular genetics,” said Ms Channon.

International

Virtus’ international segment EBITDA increased 20.7% to \$5.5million. “International activity remains key to our growth and diversification strategy. We continue to actively pursue opportunities in Europe and the UK in a disciplined way,” said Ms Channon.

Trianglen Fertility Clinic in Denmark, acquired in June 2018, exceeded expectations and produced a strong EBITDA result. Operational synergies in business development and clinic management within Virtus Denmark are now being pursued.

Ireland maintained its solid earnings performance and Complete Fertility in the UK achieved a positive EBITDA although the quantum was below expectations due to planned refurbishment of clinic facilities which took longer than expected and caused some disruption to operations in the first quarter.

Capital management

Total expenditure on tangible and intangible assets was \$9.0 million in H1FY2019 (H1FY2018 \$5.6million). This mostly relates to the completion of the Alexandria and Hobart Specialist Day Hospital developments and the deployment of time lapse imaging incubator technology in major Virtus laboratories enabling the roll out of Virtus artificial intelligence tool “IVY”. Capex is expected to revert to normal levels in H2FY19.

Basic earnings per share (EPS) decreased 11.7% to 18.21cps with diluted EPS decreasing 11.6% to 18.10cps. Virtus declared an interim dividend of 12 cps fully franked (H1FY18: 14.00 cps), to be paid on 18th April 2019 to shareholders on the register at 30 March 2019.

Key financial results

| Metric | H1FY2019 (A\$m) | H1FY2018 (A\$m) | Variance (%) |
|---------------------|--------------------|--------------------|-----------------|
| Revenue | 140.7 | 133.8 | 5.1 |
| Group EBITDA | 32.4 | 34.8 | (6.8) |
| PBT | 20.9 | 24.8 | (15.4) |
| NPAT Pre-minorities | 14.9 | 17.3 | (13.8) |
| NPAT | 14.6 | 16.6 | (11.7) |
| Basic EPS (cps) | 18.21 | 20.62 | (11.7) |
| Diluted EPS (cps) | 18.10 | 20.48 | (11.6) |

-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 19 February, 9:00am AEDT**. To access the call and webcast, please use the log in details below.

Conference ID: 913554

Conference Call Toll-Free Access Numbers

| | |
|----------------|------------------------------|
| Australia | 1800 123 296 or 02 8038 5221 |
| Canada | 1855 5616 766 |
| China | 4001 203 085 or 8008 702 411 |
| 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 |

The presentation & audio can be accessed via: <http://webcast.openbriefing.com/4174/>

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 125 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 Denmark, UK 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.