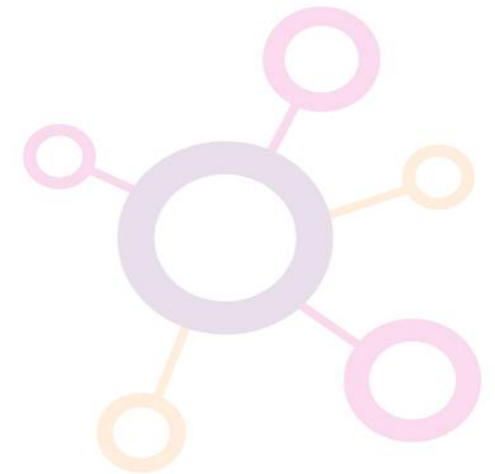


# Virtus Health FY2013 Results Presentation



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# Agenda

1 FY2013 Result Highlights

2 FY2013 Result Detail

3 Strategy and Outlook

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A Appendix



# 1. FY2013 Result Highlights



# FY2013 Financial Highlights

## Pro forma FY2013 financial results<sup>(1)</sup>

Revenue

Vs. FY2012 Pro forma

+9.1%

EBITDA

+8.7%

NPATA<sup>(2)</sup>

+10.2%

EPS (cps)<sup>(3)</sup>

+10.3%



Notes:

1. The appendix includes reconciliation of pro forma financial results to statutory financial results
2. NPATA excludes the amortisation of acquired brand names of \$0.7 million after tax
3. EPS assumes 79,536,601 shares on issue for full year

# Operational Highlights in FY2013

- 1 Continued to expand our geographic footprint and services to patients** – three new full service clinics; five new contracted Fertility Specialists
- 2 Market share improvement** – continued to improve our sales and marketing activities
- 3 Successfully rolled out a low cost model of care (“The Fertility Centre”)** – three new centres opened in New South Wales and Victoria, and expanded our Queensland centre to meet growing demand
- 4 Expanded diagnostic capabilities** – added new tests including chlamydia, Vit D, natural killer cell testing and non invasive prenatal testing
- 5 Continued to focus on the operations of our day hospitals** – theatre utilisation, operational efficiencies and attracting new specialists
- 6 Successfully listed on the ASX** – a significant milestone for Virtus Health

# FY2013 Prospectus Forecasts Delivered

## Pro forma FY2013 financial results<sup>(1)</sup>

	Prospectus	Actual	Variance
Revenue	184.5	187.3	+1.5%
EBITDA	55.3	56.1	+1.4%
NPATA <sup>(2)</sup>	26.6	27.3	+2.6%
EPS (cps) <sup>(3)</sup>	33.4	34.3	+2.7%

**Notes:**

1. The appendix includes reconciliation of pro forma financial results to statutory financial results
2. NPATA excludes the amortisation of acquired brand names of \$0.7 million after tax
3. EPS assumes 79,536,601 shares in issue for full year



## 2. FY2013 Result Detail





# Summary Income Statement

- 1 Continued revenue and earnings growth
- 2 Revenue growth of 9.1%
- 3 EBITDA growth of 8.7% - Virtus benefiting from growth in Assisted Reproductive Services, specialised diagnostics and day hospitals
- 4 NPATA growth of 10.2%

## Pro forma Profit and Loss Statement

June year end, \$ million	Note	FY2013	FY2012	Change
<b>Total revenue</b>		<b>187.3</b>	<b>171.6</b>	<b>9.1%</b>
<b>Total expenses</b>		<b>(131.2)</b>	<b>(120.0)</b>	<b>9.3%</b>
<b>EBITDA</b>		<b>56.1</b>	<b>51.6</b>	<b>8.7%</b>
Depreciation & Amortisation		(8.5)	(7.0)	21.4%
<b>EBIT</b>		<b>47.6</b>	<b>44.6</b>	<b>6.7%</b>
Net interest expense		(9.2)	(9.7)	(5.2%)
<b>Profit before tax</b>		<b>38.4</b>	<b>34.9</b>	<b>10.0%</b>
Income tax expense		(11.1)	(10.2)	8.8%
<b>NPAT</b>		<b>27.3</b>	<b>24.7</b>	<b>10.5%</b>
<b>NPATA</b>	<b>1</b>	<b>28.0</b>	<b>25.4</b>	<b>10.2%</b>

**Note:**

1. NPATA excludes the amortisation of acquired brand names of \$0.7 million after tax

# IVF Cycle Performance

## IVF Cycles increased 3.8% to 14,342 in FY2013

### 1 Virtus IVF Cycles increased 3.8%

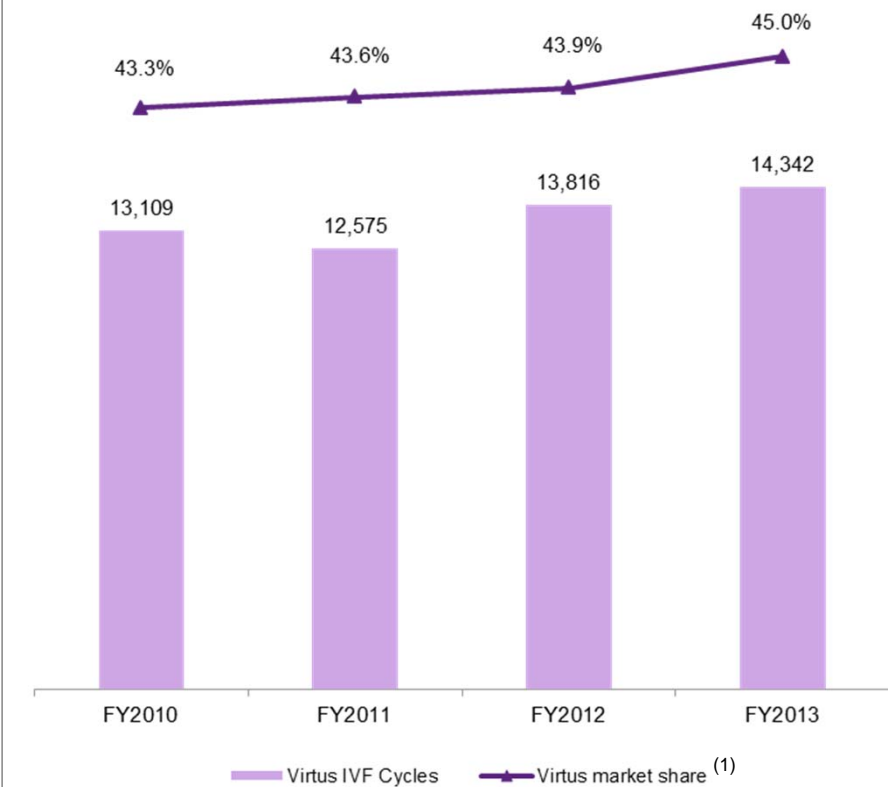
- Virtus taking market share
- Ramp-up of The Fertility Centre progressing well
- IVF Cycles at Full Service clinics continue to grow – strong growth among new contracted Fertility Specialists<sup>(2)</sup>

### 2 Overall East Coast market mixed – Virtus benefiting from scale across markets

- Queensland – very strong first half which has moderated in 2H FY2013
- New South Wales – 10% growth in 4Q FY2013 following weaker 1H FY2013
- Victoria – market flat but seeing continued growth in new patient registrations

### Virtus IVF Cycles

Number of IVF Cycles



**Note:** (1) Represents Virtus' implied share of the IVF Cycles conducted in New South Wales, Victoria and Queensland based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201 and 13202.

(2) New contracted Fertility Specialists are defined as those Fertility Specialists contracted by Virtus from FY2010 onwards

# Revenue Growth

Pro forma revenue increased 9.1% to \$187.3 million in FY2013

**1 Revenue growth underpinned by IVF Cycle growth and an increase in total revenue per IVF Cycle**

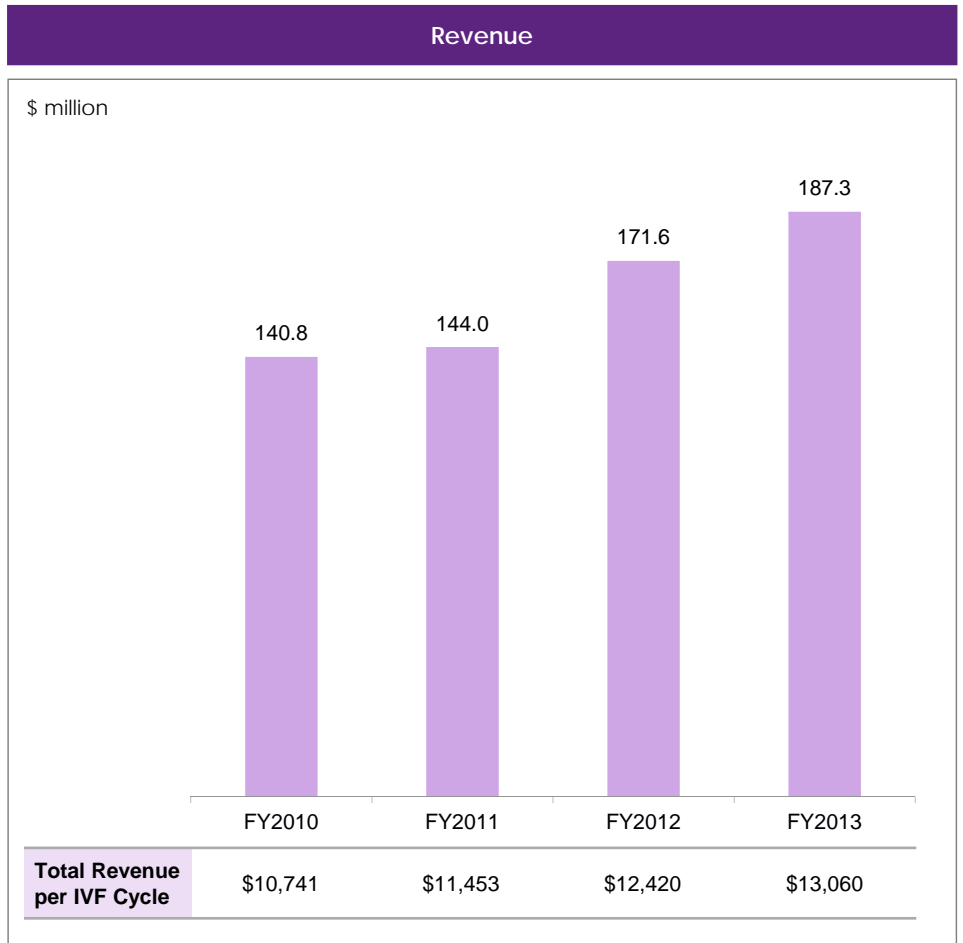
- IVF Cycle growth of 3.8%
- Average revenue per IVF Cycle increased by 5.2%

**2 Specialised diagnostics revenue continued to grow**

- Consistent with historic trends, Virtus saw higher usage of specialised diagnostic testing by Fertility Specialists to patients

**3 Day hospital revenue continued to grow**

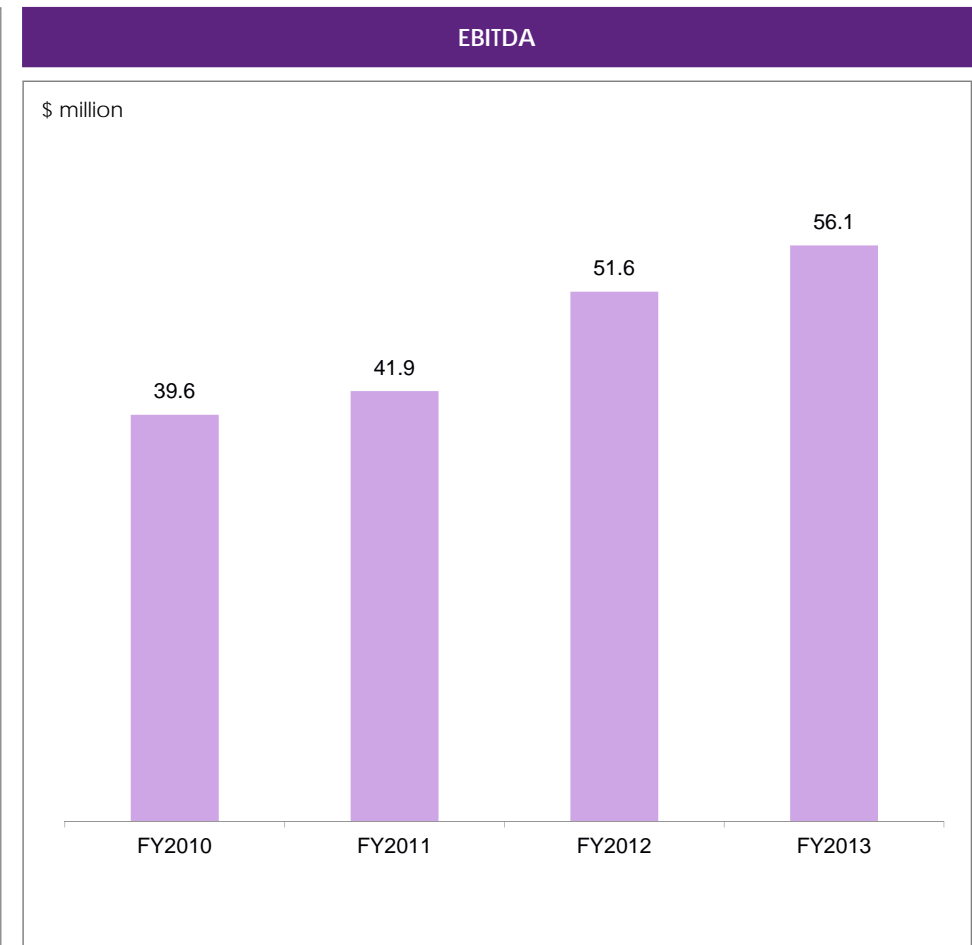
- Growth primarily driven by higher throughput from Assisted Reproductive Services and other medical specialties



# Total Expenses and EBITDA Growth

Pro forma EBITDA increased 8.7% to \$56.1 million in FY2013

- 1 Total expenses increased 9.3% to \$131.2 million in FY2013**
- 2 Labour costs increased 11.8% to \$55.8 million in FY2013**
  - Increase reflects opening of new clinics in FY2013, and full year cost of FY2012 new clinic openings
- 3 Provider fees increased 7.3% to \$29.4 million in FY2013**
  - Fee increases in line with pricing and volume
- 4 Other operating expenses increased 2.1% to \$14.4 million in FY2013**
  - Marketing expenses increased by 12.8% to support new TFCs and full service clinics



# Balance Sheet

Operating cash flow and growth in earnings has resulted in a slight reduction in leverage

## 1 Cash Balance

- Closing cash balance of \$12.5 million and \$5 million undrawn funding available in existing facilities

## 2 Working Capital

- Normal level of negative working capital at end of June

## 3 Gearing

- Pro forma historic leverage ratio is 2.3x

## 4 Dividend

- Per Prospectus, no dividend declared in respect of FY2013
- It is the Board's current intention to pay Virtus' first interim dividend in respect of the half-year ending 31 December 2013

## 5 Capex

- Expenditure in FY2013 on PP&E was \$9.9 million
- QFG relocation and expansion is \$4.25 million of capex

### Summary balance sheet

A\$ million	Pro forma Dec-12	Statutory Jun-13
Cash	1.5	12.5
Trade and other receivables	12.0	12.4
Inventories	0.1	0.3
Equity accounted investments	2.3	1.5
Other financial assets	0.2	0.2
PP&E	22.4	26.6
Deferred tax assets	8.1	6.9
Intangible assets	325.8	325.0
<b>Total assets</b>	<b>372.4</b>	<b>385.4</b>
Trade and other payables	14.4	17.5
Deferred revenue	2.0	3.1
Derivative financial liabilities	-	-
Borrowings	144.7	144.2
Provisions	5.5	6.0
Current tax liabilities	0.1	-
<b>Total liabilities</b>	<b>166.7</b>	<b>170.8</b>
<b>Net assets</b>	<b>205.7</b>	<b>214.6</b>



### 3. Strategy and Outlook



# Strategy and Outlook

Virtus remains focused on its strategy outlined in the Prospectus

<b>Market share</b>	<ul style="list-style-type: none"><li>▪ Expansion of fertility clinic network and capacity among newly contracted Fertility Specialists positions Virtus to maintain and expand market share in the regions in which it operates</li></ul>
<b>Low-cost IVF</b>	<ul style="list-style-type: none"><li>▪ Successfully expanded low cost model of care in FY2013. Focus on ramp-up of existing centres in FY2014</li></ul>
<b>Specialised Diagnostics</b>	<ul style="list-style-type: none"><li>▪ Executing a number of strategies to grow specialised diagnostics services revenue</li></ul>
<b>Day Hospitals</b>	<ul style="list-style-type: none"><li>▪ Focus on increasing throughput and improving operational efficiency</li></ul>
<b>Potential Acquisitions and Investments</b>	<ul style="list-style-type: none"><li>▪ Disciplined approach to considering potential acquisition and investment opportunities both in Australia and internationally</li></ul>

Based on current information, the Company maintains its FY2014 pro forma financial forecasts as outlined in the Prospectus



# Appendix





# Pro forma - Statutory Profit and Loss Reconciliation

FY2013, \$ million	Note	
<b>Statutory revenue</b>		<b>192.9</b>
Interest received	1	(0.5)
Pro forma impact of historical acquisitions	2	0.6
Net gain on acquisition of CESDH	8	(5.7)
<b>Pro forma revenue</b>		<b>187.3</b>

FY2013, \$ million	Note	
<b>Statutory NPAT</b>		<b>10.1</b>
Pro forma impact of historical acquisitions and other one-off costs	2	1.1
Net gains on acquisition of CESDH	8	(5.7)
Historical share-based payment expenses	3	6.8
Public company costs	4	(1.2)
IPO transaction costs	5	10.7
Debt structure	6	11.6
Amortisation	7	0.8
Income tax effect	9	(6.9)
<b>Pro forma NPAT</b>		<b>27.3</b>

## Notes:

- Interest received** – an adjustment has been made to the Historical Statutory Results and Forecast Statutory Results to remove interest income from revenue.
- Pro forma impact of historical acquisitions** – an adjustment has been made to the Historical Statutory Results to reflect the acquisition of the Queensland Fertility Group, Hunter IVF, Fertility Gold Coast and City East Specialist Day Hospital, as if the acquisitions had been made as of 1 July 2009. The pre acquisition income statements of both Virtus and these entities have been adjusted to eliminate non-recurring items associated with these acquisitions and/or items not relevant to the operations of these entities post their acquisition by Virtus.
- Share-based payments expenses** – an adjustment has been made to the Historical Statutory Results and Forecast Statutory Results to remove the AASB 2 share-based payments expenses in respect of Virtus' option incentive schemes applicable to management, scientists and Fertility Specialists prior to Completion of the IPO.
- Public company costs** – an adjustment has been made to include Virtus' estimate of the incremental annual costs that it will incur as a public company. These incremental costs include Director and executive remuneration (including share-based payments expenses), additional audit and tax costs, listing fees, share registry fees, Directors' and officers' insurance premiums, as well as annual general meeting and annual report costs.
- IPO transaction costs** – total expenses of the Offer are estimated at \$16.9 million, of which \$10.7 million (\$7.5 million net of tax) is expensed in the Forecast Statutory Results relating to the sale of Existing Shares. The remaining \$6.2 million (\$4.4 million net of tax) is directly attributable to the issue of new Shares and hence is offset against equity raised in the Offer.

# Pro forma - Statutory Profit and Loss Reconciliation (cont'd)

6. **Debt structure** – the net interest expense included in the Historical Statutory Results has been adjusted to reflect the anticipated debt profile of and interest rates applicable to Virtus under the terms of the New Banking Facilities following Completion of the Offer.
7. **Amortisation** – brand names are the primary finite life intangible asset that have been recognised as a result of Virtus' acquisitions over the historical period. Virtus' policy is to amortise these brands on a straight line basis over a 10 year period. This adjustment assumes that all of the acquisitions made by Virtus were effective 1 July 2009. In addition, an adjustment has been made to eliminate the impact of historical amortisation expense relating to the historical capitalisation of development costs associated with one of Virtus' patient management software systems that is fully amortised in FY2013. The tax impact of these amortisation adjustments is reflected in the income tax adjustment. Amortisation costs associated with all other capitalised software development costs (as well as brand names) remain in the Pro Forma Historical Results and Pro Forma Forecast Results.
8. **Net gain on acquisition of CESDH** – this adjustment relates to the elimination of the accounting gain of \$5.7 million that arose on acquiring control of the City East Specialist Day Hospital.
9. **Income tax effect** – this reflects the income tax impact of the above adjustments.