

ASX ANNOUNCEMENT

VIRTUS HEALTH LIMITED (ASX: VRT)

Thursday 28th June 2018

Virtus Health acquires Trianglen Fertility Clinic, Copenhagen, Denmark for up to DKK202million (AUD43.0million).

Sydney, Australia – Virtus Health ("Virtus", ASX: VRT), Australia's largest Assisted Reproductive Services (ARS) provider, is pleased to announce it has acquired Trianglen Fertility Clinic ("Trianglen"), based in Copenhagen Denmark for a maximum consideration of up to DKK202million (AUD43.0million).

The cash consideration at completion of DKK156.5m comprises DKK141.5m in cash and a Loan Note from the vendor to Virtus Health Europe (an intermediate holding company of Virtus Health) of DKK15m with a coupon of 4% and repayable over four years. At acquisition the business has net cash balances of approximately DKK11m.

In addition an earn out, based on EBITDA in the 12 month period ending 30 June 2020, will be payable up to a maximum value of DKK45.5m dependent on the achievement of agreed EBITDA targets. There is provision for the earn out to be in part satisfied by Virtus Health ordinary shares where the FY20 EBITDA exceeds DKK22.0m and the maximum earn out is payable if the FY20 EBITDA is DKK23.5m. The vendor has agreed any shares received will be held in escrow for a period of at least five years following the earn out period.

"The acquisition of Trianglen reinforces Virtus' international growth strategy supporting our vision for diversification and the expansion of the Virtus model in carefully selected international markets" said Ms Sue Channon, Group CEO.

"Our Danish presence is significantly enhanced by the acquisition of Trianglen, growing Virtus Health's market share to approximately 15% of the Danish market. The Danish IVF market continues to be attractive to Virtus due to its sophistication, its regulatory environment and scientific excellence" said Ms Channon.

Highlights

- Virtus acquires Trianglen on a cash free debt free basis at acquisition of 8.1 times multiple of forecast normalised EBITDA for the financial year ending 30 June 2018;
- Initial cash free debt free consideration and adjustment payment are funded from existing Virtus cash and debt resources, with earn out payable in cash and Virtus shares in Q1FY21; and
- Forecast to be EPS accretive in FY19.

Trianglen was established in 1993 and is one of the leading fertility clinics in Copenhagen, Denmark. Trianglen is located approximately 15 minutes from the Copenhagen city centre in the diplomatic district of Hellerup, easily accessible via car, bus and train for the local community and 30 minutes from the airport for international patients.

Trianglen performed 1,292 cycles resulting in egg retrieval and 366 frozen embryo transfers in FY2017 and Trianglen's comprehensive patient service and leading success rates have contributed to Trianglen's reputation in the Danish market. The clinic offers a full and comprehensive range of fertility treatments and advanced scientific technologies.

"The Trianglen Fertility Clinic under the leadership of Kåre Rygaard, Medical Director, and his team have established a professional patient centric service which provides a natural cultural fit with Virtus Health and our "Leading Minds, Leading Science" philosophy," said Sue Channon. "This team brings another leading IVF provider delivering specialist fertility care to our growing network."

The existing Trianglen management team will continue to oversee the clinic on a day-to-day basis and will work with the Virtus team to develop the business further. "Best practice and operational excellence will continue to be implemented across our platform through effective integration and Kåre Rygaard will work closely with our European Management team through this process," said Sue Channon.

Kåre Rygaard, Trianglen's Medical Director said he was delighted the clinic was joining Virtus and looked forward to working in collaboration with Virtus' Aagaard clinic in Aarhus.

"Trianglen, Aagaard 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 Kåre Rygaard. "Virtus is setting high standards in patient care and leading best practice globally in assisted reproductive services ("ARS") and we want to be part of this for our patients and the Trianglen team," he said.

"We are excited to welcome the dedicated team of Trianglen Fertility Clinic to the Virtus family and we will be working with Kåre and our Aagaard team to develop our ARS for the Danish patient community. 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 Sue Channon.

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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 130 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, UK 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.