



# Virtus Health

## SIMS IVF, Ireland Acquisition

### May 2014

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# Agenda

- 1 Overview of Acquisition
- 2 About SIMS IVF
- 3 Strategic Rationale
- 4 Conclusion



# 1. Overview of Acquisition



# Overview of Acquisition

- Virtus has acquired a 70% stake in SIMS IVF, the leading provider of fertility services in Ireland, for €15.49 million (cash free, debt free)
- Funded from existing debt facilities and cash resources
- SIMS IVF generated revenue of €12.4 million and normalised EBITDA of €2.85 million in the year to 31 December 2013
- Acquisition price represents a multiple of 7.75 times 2013 maintainable EBITDA
- SIMS IVF is debt free



# Overview of Acquisition

- Dr Anthony Walsh (Managing Director) and clinic co-founder, Dr David Walsh (Medical Director) will retain 30% ownership in the company
- Virtus has the right to acquire the remaining shares in SIMS IVF in two tranches in 2017 and 2019
- For year ended 31<sup>st</sup> December 2013, SIMS IVF acquisition would have increased Virtus' normalised basic EPS by approximately 1.98 cents per share (assuming exchange rate of €0.67: AUD1.00 and interest rate on funding of 5%)





## 2. About SIMS IVF



# SIMS IVF – Pro-forma financials

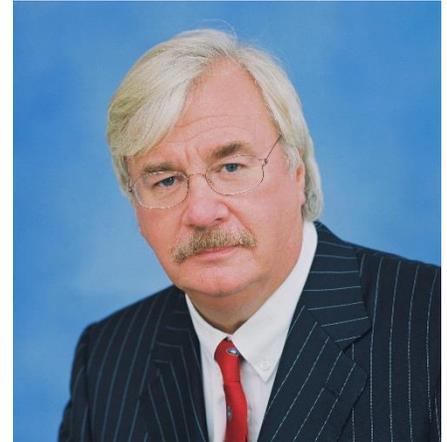
- Turnover grew by 4% between 2012 and 2013, driven by the introduction of added value services
- Maintainable pro-forma EBITDA FY13 of €2.85 million
- Maintainable pro-forma EBITDA FY13 margin of 23%
- SIMS IVF debt free at acquisition
- Pro-forma adjustments primarily relate to normalisation of shareholder bonus and pension contributions to future agreed levels

€ million	Pro-forma FY2013	Pro-forma FY2012	Change
<b>Total revenue</b>	<b>12.44</b>	<b>11.94</b>	4.2%
Gross Profit	8.75	7.63	14.7%
Expenses	(5.90)	(5.30)	11.3%
<b>EBITDA</b>	<b>2.85</b>	<b>2.33</b>	22.3%
Depreciation & Amortisation	(0.24)	(0.35)	(31.4%)
<b>EBIT</b>	<b>2.61</b>	<b>1.98</b>	<b>31.8%</b>

# SIMS IVF - Background

- SIMS IVF has 25%\* of Ireland's IVF market and undertook more than 1000 cycles in 2013
- SIMS IVF is a pioneer in the delivery of IVF services in Ireland
- Ireland is an attractive market and forms the platform for further acquisitions in the region
- Excellent management team committed to implementing a number of identified growth strategies in Ireland:
  - geographical footprint expansion
  - drug distribution
  - blood testing
  - egg donation

\*Note: Precise market data is not available; estimate is made by SIMS IVF management team



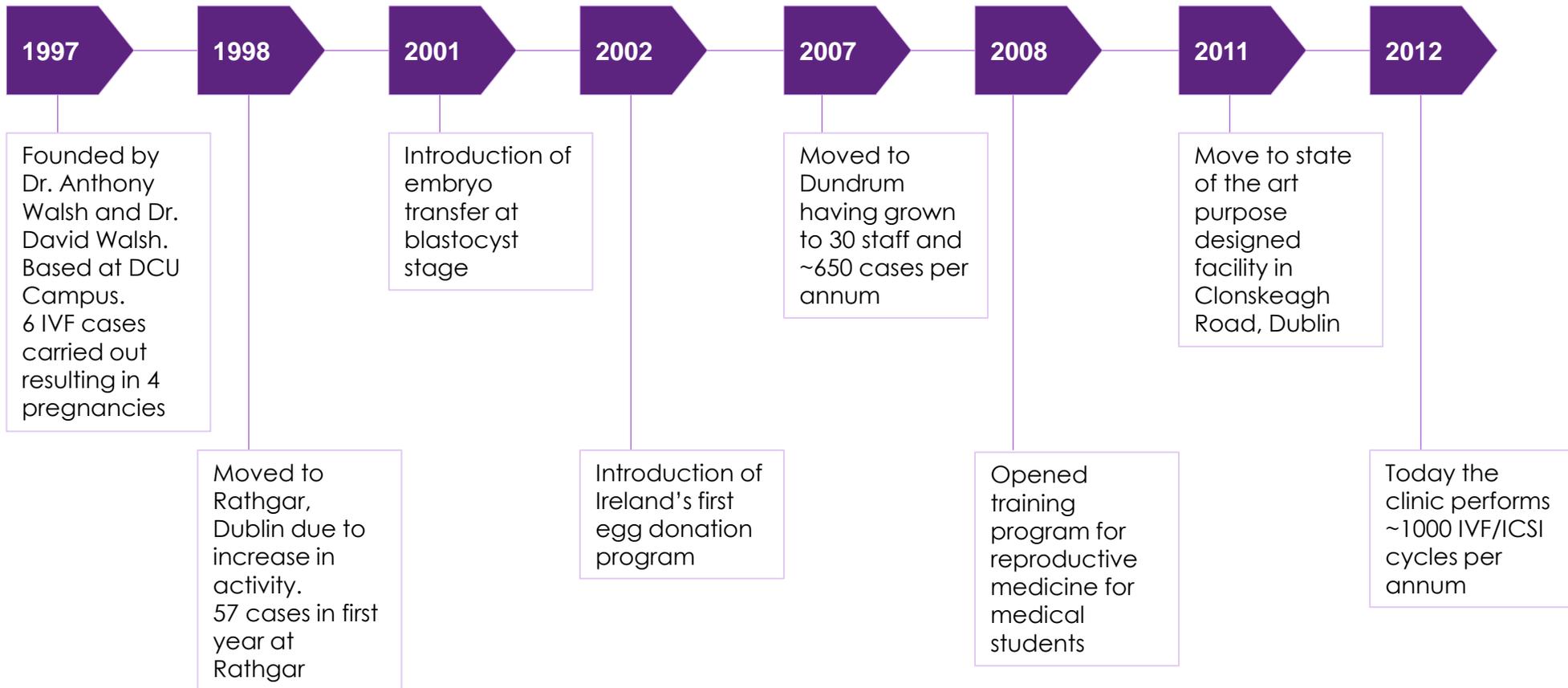
Dr Anthony Walsh



Dr David Walsh

# SIMS IVF - Background

**SIMS IVF employs more than 60 staff (including scientific, nursing, counseling, administration and management) and seven fertility specialists**



# SIMS IVF - Operations

## SIMS IVF operates a similar integrated business model to Virtus

- SIMS IVF offers integrated patient care and a seamless journey from first consultation to pregnancy
- SIMS IVF is renowned for its scientific and clinical excellence
- SIMS IVF provides a full range of fertility associated patient tests in-house. Some routine and general diagnostic tests are referred out
- 60% of patients self refer to the clinic
- 40% of patients referred by medical professionals
- Experienced management team locally capable of supporting regional opportunities



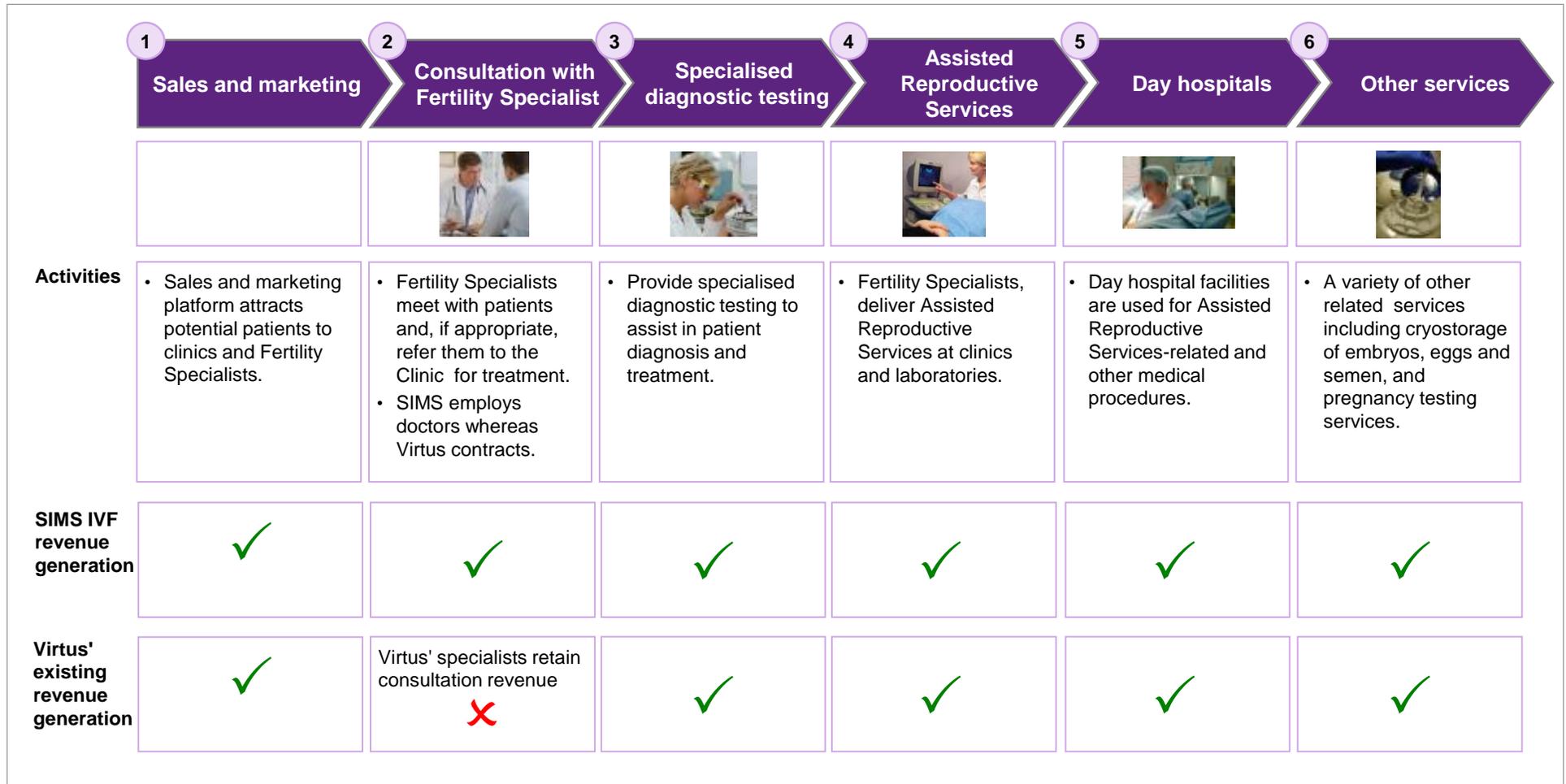
# SIMS IVF - Operations

- Doctors engaged through employment contracts, a model that exists across whole of UK and Ireland
- IVF clinical pregnancy rate of 39% on average across all age groups – higher than average rate for Ireland of 32% and the European Union average of 33 % and UK average of 34%



# SIMS IVF - Vertically Integrated Business Model

Similar to Virtus' business model, SIMS IVF provides services at several points along the value chain – SIMS collects additional revenue at consultation phase





### 3. Strategic Rationale



# Strategic Rationale

- Acquisition provides Virtus with the opportunity to partner with the market leader
- Ireland is a growing market with operational and regulatory similarities to Australia, including a legislative framework for Assisted Reproductive Services ("ARS")
- Similar cultures; extensive due diligence undertaken
- Growth has been achieved within patient funded ARS (i.e. no Government funding)



# Strategic Rationale

## Ireland is an attractive market for Virtus

- Ireland population growth rate has been at between 1 and 1.1% per annum over the last 10 years
- Approximately 15% of couples in Ireland will experience subfertility and require medical help
  - Estimated that at least 1% of all births result from ARS
- Primary demographic indicators are similar to Australia
  - Mean age of first birth of child in 2013 was 29.8, marginally lower than in Australia
  - Fertility rate of 2.10, slightly higher than in Australia
  - Birth rates have been declining since 2003, with the fertility decline most marked in women age 20-29
- SIMS IVF estimate the total number of IVF/ICSI/IMSI cycles that took place in Ireland to be approximately ~3900 in 2013
- The Irish market has averaged 4 to 5% growth over the past four years

# Strategic Rationale

- Future growth expected from the increased penetration of IVF supports this opportunity:

Country	Cycles per million of population
Ireland	750
Denmark	2,159
Australia	1,642
Netherlands	1,017
UK	724
Germany	604

\*ESHRE fresh cycle data from 2009 which is latest available

# Strategic Rationale

- SIMS IVF will continue to operate with its current management team.
- Integration will look at longer term opportunities to generate synergies from:
  - sharing market leading science, world leading technologies and research and value added technologies
  - introducing Virtus' existing successful integration model
- Provides a platform to support Virtus' growth aspirations in the region



# Acquisition consistent with Virtus' Corporate Strategy

## Market share

- Expansion of fertility clinic network and capacity among newly contracted Fertility Specialists

## Low-cost IVF

- Marketing focus on existing centres in H1 FY2014
- Ongoing expansion of the low cost model of care in 2014

## Specialised Diagnostics

- Executing a number of strategies to grow specialised diagnostics services revenue

## Day Hospitals

- Focus on increasing throughput and improving operational efficiency

## Potential Acquisitions and Investments

- Continue to explore acquisition and investment opportunities both in Australia and internationally

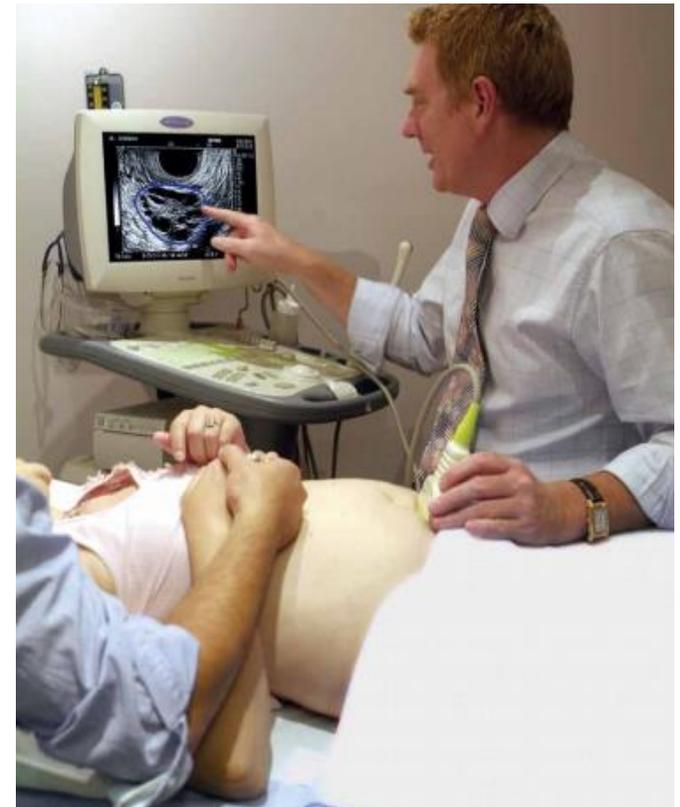


## 4. Conclusion



# Conclusion

- The acquisition is in line with Virtus' growth strategy communicated at the time of IPO and provides a platform for future international expansion
- Acquisition is immediately EPS accretive
- Virtus will continue to seek value accretive opportunities to expand our network with leading IVF businesses in our target regions of Europe and Asia
- These opportunities complement the organic growth that we're seeing through our existing fertility clinics, day hospitals and diagnostic services





**Thank you**