

## ASX ANNOUNCEMENT

20 August 2019: VIRTUS HEALTH LIMITED (ASX: VRT)

### VIRTUS INVESTS TO DRIVE GROWTH

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Sydney, Australia - Virtus Health, ("Virtus", ASX: VRT) Australia and Ireland's largest Assisted Reproductive Services (ARS) provider, with a presence in the UK, Denmark and Singapore, today reports its financial results for the full year ended 30 June 2019.

#### Highlights

- Revenue up 6.1% to \$280.1m on the prior corresponding period (pcp);
- Group earnings before interest, tax, depreciation, amortisation and impairment ("EBITDA") down 2.3% to \$63.5m
- Intellectual property commercialisation delivered \$4.1m EBITDA
- Revenue mix change impacted EBITDA margins in core domestic fertility market;
- International operations grow to 21% of Group revenue
- Final dividend 12 cents per share fully franked

"Virtus has achieved cycle and revenue growth, however, additional costs relating to technology and infrastructure investment, targeted expansion in the Australian lower margin segments, and a slower than expected performance in international operations impacted the full year FY19 results," said Virtus Health Group CEO Sue Channon.

"FY19 set the foundation for improving productivity and, ultimately, advancing market share. We are confident the investments made will facilitate business development opportunities and growth through our competitive service offerings in FY20."

"During FY19 Virtus agreed the commercialisation of our "Ivy" Artificial Intelligence (AI) Technology including a three year collaboration with our development partners, further demonstrating our commitment to improving patient outcomes."

#### Australian ARS

Underlying Australian segment revenue (excluding \$4.1m from sale of Ivy intellectual property) was in line with the pcp at \$218m despite the overall ARS mix change. Virtus continues to proactively target the low price segment with model and pricing reviews and delivered a volume increase in this segment of 25.6%; this sector represents 17.9% of Virtus Australian cycle activity compared with 14.5% in the pcp.

"We remain the only fertility provider participating across all ARS demographics in Australia, from full service to low cost," said Ms Channon.

#### Diagnostics

Virtus Diagnostics revenue and EBITDA decreased 2.5% and 30% respectively over the pcp due to regulatory changes driving compliance costs and lower Preimplantation Genetic Testing (PGT) utilisation following a clinical practice change.

"Virtus Diagnostics relocated its main pathology laboratory to new premises, and the appointment of additional pathology and genetics specialists during FY19 is enabling an enhanced scope of testing and capacity for future growth," said Ms Channon

"Furthermore, advanced technologies for non-invasive PGT and molecular genetics are currently under scientific evaluation."

#### Day Hospitals

Virtus Specialist Day Hospitals EBITDA reduced by approximately \$1.5m in FY19 due to relocation costs and disruption to non-IVF activities in the two biggest infrastructure projects commissioned in FY19, Alexandria (formerly Maroubra) and Hobart. Virtus now has seven specialist day hospitals.

“Improved utilisation is the focus for Alexandria and Hobart Specialist Day Hospitals, and we expect to see improved results from our business development activities including the recruitment of additional surgeons in FY20,” said Ms. Channon.

### International Segment

Virtus' international diversification strategy is achieving results with revenue growing by 25.2% to reach 21% of group revenues.

“International segment EBITDA increased by 9.3% to \$10.1m supported by a first-year contribution from our new Danish clinic Trianglen and continued growth in Singapore,” said Ms Channon.

Trianglen, acquired in June 2018 exceeded expectations. However, this was partially offset by Aagaard which suffered a short-term clinical resource issue resulting in cycle volume reductions of 23.2% compared to prior year.

In Ireland our clinics remain the market leader with revenue up by \$1.4m. EBITDA reduced by \$0.5m as a result of restructuring and other one-off costs.

Virtus' Singapore operation delivered a 3.0% improvement in cycle volume and an EBITDA increase of \$0.2m over the pcp.

### Capital Management

Total expenditure on tangible and intangible assets was \$14.5m in FY19 (FY18 \$15.5m). The largest investments related to Australian infrastructure development projects in Alexandria, NSW and Hobart and the continued investment in time lapse incubators in our major clinics.

The annualised leverage ratio is 2.8 times adjusted group EBITDA at 30 June 2019. Basic earnings per share (EPS) decreased 7.6% to 35.37 cps. Virtus has declared a final dividend of 12 cps fully franked (FY18: 12.00cps), to be paid on 25 October 2019 to shareholders on the registry at 4 October 2019.

### Board Change

Peter Macourt, Chairman will be stepping down from the Board at the Annual General Meeting in November. An independent recruitment firm conducted a process with the remaining independent Directors who unanimously nominated Sonia Petering as the Chair elect, commencing as Chair from 20 November 2019.

### Key Financial Results

Metric	FY2019 (A\$m)	FY2018 (A\$m)	Variance (%)
Revenue	280.1	263.9	6.1%
Group EBITDA Reported	63.5	65.0	(2.3%)
PBT Reported	40.2	44.9	(10.5%)
NPAT Pre-minorities Reported	29.0	32.0	(9.4%)
NPAT attributable to Virtus owners	28.4	30.8	(7.6%)
Basic EPS (cps)	35.37	38.26	(7.6%)
Diluted EPS (cps)	34.97	37.98	(7.9%)

-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, Group CFO and Company Secretary on **Tuesday 20 August, 9:00am AEST**. To access the call and webcast, please use the log in details below.

Conference ID: 10001435

**Conference Call Toll-Free Access Numbers (Australia 1800 558 698)**

Australia	1800 558 698
Canada / United States	1855 336 4664
China	4001 200 641
Denmark	8025 3610
Hong Kong	800 906 986
India	0008 0010 08069
Ireland	1800 948 608
Japan	005 3116 1306
New Zealand	0800 480 392
Singapore	800 852 3140
United Kingdom	0808 168 3761
All other international locations	+61 2 9007 3187

**The presentation & audio can be accessed via a webcast:** <https://webcast.openbriefing.com/5411/>

**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 127 of the world's leading fertility specialists supported by over 1300 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.