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Financial Results Presentation FY2015

Sue Channon and Glenn Powers
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Agenda



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- Results Overview and Operational Highlights
 - Australian Segment Performance
 - International Segment Performance
- Financial Results
- Strategy

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Results Overview and Operational Highlights FY2015



FY15 Financial Results Highlights



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Revenue increased by 16.1%

- Revenue increased by 16.1% to \$233.7m
- EBITDA (Group) – increased by 3.3% to \$61.4m
 - Adjusted EBITDA growth of 4.6% to \$63.1m
- Net profit after tax (NPAT) pre-minorities - decreased by 1.7% to \$30.4m
 - Non – recurring expenses of \$2.2m included in reported NPAT
 - Non – cash interest expense of \$1.0m also included in reported NPAT
 - Adjusted NPAT pre-minorities growth of 5.1% to \$33.6m
- Cash/Debt – capacity for investment at \$55m
- Gearing – 2.1 times adjusted EBITDA
- Final dividend 14 cents per share (FY14: 14 cents per share), fully franked
 - Full year dividend 27 cents per share (FY14: 26 cents per share), fully franked

FY15 Operational Highlights



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Domestic/international expansion and diversification strategy driving revenue growth

- **Australian Operations** – reported segment EBITDA increased by 1.9% to \$68.6m
 - 15,100 fresh cycles performed; Australian market leader
 - Domestic footprint expanded via – acquisition and greenfield
 - Specialised diagnostics, including genetics, delivering growth
- **International Operations** – reported segment EBITDA of \$2.4m AFTER Singapore loss of \$1.9m
 - Market leader in Ireland with 1,878 cycles performed
 - Rotunda integration complete
 - Cork clinic commissioned in January
 - Singapore fully operational, additional doctors utilising clinic
- **108 Fertility specialists, 1093 professional staff**



Virtus Market Position



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Virtus is the IVF market leader in Australia and Ireland

Eastern state market share 44.1% (excl. TAS)
compared to 45.5% pcp

Virtus eastern state cycles down 1.6% (excl. TAS)

Virtus Australia total cycles up 1.4% to 15,100 (incl. TAS)

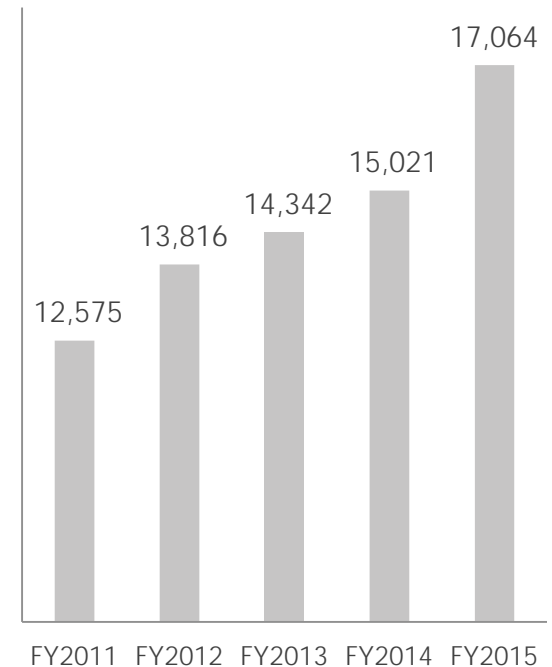
Total Virtus cycles 17,064 (includes international)

TAS included for 7 months

Rotunda and Singapore included for 6 months

Mix shift occurring with FET & IUIs at 44% (43% pcp) of all patient treatments

Total Virtus IVF Cycles



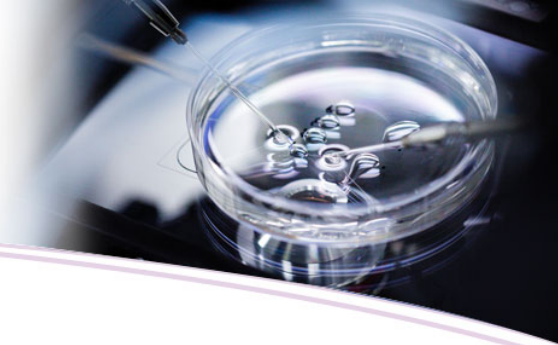
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Virtus Health Australia Segment Performance



Australian ARS Market



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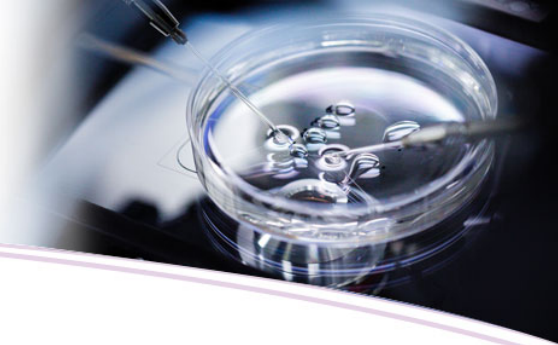


Eastern state market annual growth based on IVF cycles performed (incl. TAS)



- NSW up 4.5% - market continues to grow, entry of bulk billing increased overall market
- QLD up 0.1%, VIC down 1.3% - market conditions remain weak
- Economic conditions continue to impact
- Clinical practice changes influencing cycle mix and volumes
- Demographic drivers for fertility treatment remain favourable

Australia - Operational Highlights



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Domestic expansion – mix of full service and TFC



EPS accretive



Sunshine Coast acquisition and re-brand/full service maintained



Addition of TFC Wollongong

Revenue in day hospitals continues to grow



Revenue in day hospitals up 4.3%



Non-IVF revenue up 8.7% on pcp



56% day hospital revenue from non-IVF services



Continued focus on utilisation and efficiency

Specialised diagnostics drives revenue growth



Revenue from Australian diagnostics up by 14.6%



Advanced technology delivers improved patient outcomes; karyomapping, next generation sequencing

Domestic Strategy



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Focus on clinical and scientific-led innovation and patient outcomes will drive long-term growth

Continue to invest in the premium brand

- An innovation led offering attracts patients and doctors
- Specialised footprint plus size and scale – a competitive advantage
- Specialist diagnostics helping to grow premium offering
- Continue to expand via greenfield and acquisition

Provide a mix of services to optimise market share

- Offer TFC in selected geographies
- Mix of full service and low cost enables us to maximise market penetration
- Actively identify new customer segments and service needs – donor services, fertility preservation – donor cycle activity increased by 9.8% over pcp

Increase adoption of specialised diagnostics

- Specialised diagnostics driving improved patient outcomes and revenue growth e.g. karyomapping, time lapse imaging, next generation gene sequencing, automation of PCR and semen analysis

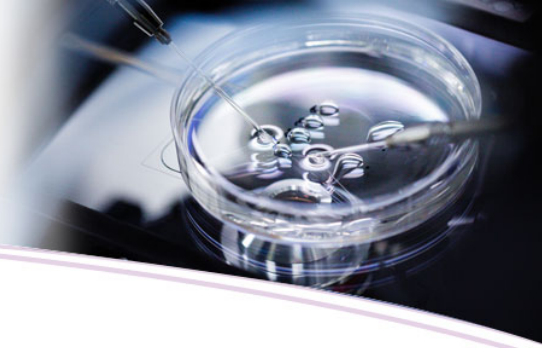
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Virtus Health International Segment Performance



Ireland Operations



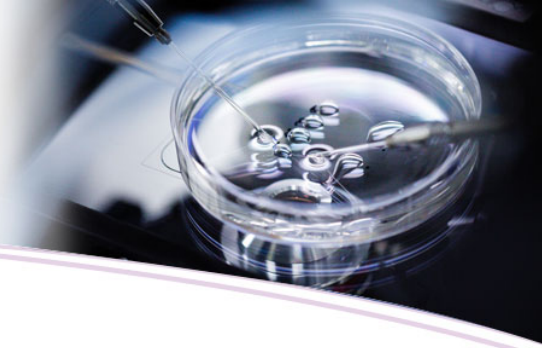
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Irish operations deliver cycle and earnings growth

- 1,878 cycles performed in FY2015 across all Irish operations
- 6.0% contribution to adjusted segment EBITDA
- Three clinics operational: Sims Clinic Dublin, Cork, and Rotunda, integration progressing well
- EBITDA margin improvement from 20% to 21% in spite of Cork start-up and launch costs



Virtus Fertility Clinic, Singapore



The first Virtus branded fertility centre now fully operational

- 86 cycles performed in Singapore in FY15
- Two year full license in place, clinic volumes improving
- \$1.9m EBITDA loss in FY2015 including \$0.9m start-up costs
- Three contracted doctors, additional doctors utilising services
- Active marketing program in place – very high levels of consumer interest



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Financial Results



Summary Income Statement



Adjusted Segment EBITDA up 5.9% on pcp

Profit and Loss Summary (\$Am)	Note	FY2015 (A\$m)	FY2014 (A\$m)	Variance (%)
Revenue		233.7	201.2	16.1%
Segment EBITDA	- Adjusted	71.9	67.9	5.9%
	- Reported	71.0	67.9	4.6%
EBITDA	- Adjusted	63.1	60.4	4.6%
	- Reported	61.4	59.4	3.3%
EBIT	- Adjusted	53.1	52.2	1.8%
	- Reported	51.4	51.2	0.3%
PBT	- Adjusted	45.8	44.9	2.2%
	- Reported	42.5	43.8	-3.1%
NPAT (pre-minorities)	- Adjusted	33.6	32.0	5.1%
	- Reported	30.4	31.0	-1.7%
Fully diluted EPS	- Adjusted	40.46	39.73	1.8%
	- Reported	36.54	38.48	-5.0%
Adjusted ROE, based on average NA		13.8%	13.6%	
Net Cash Flow from Operations		40.6	52.5	-21.1%
DPS – full year		27.0	26.0	3.8%

- Adjusted Segment EBITDA growth is 5.9%
- Adjusted Group EBITDA growth is 4.6%
- Adjusted NPAT growth pre-minorities is 5.1% (reported NPAT pre-minorities is negative 1.7%)
- Income tax expense benefits from R&D credits and lower tax rate in Ireland

See Appendix for more detailed P&L

Non-recurring and normalisation expenses



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NREs and non-cash interest after tax represented a \$3.2m drag on reported earnings in FY2015

Non recurring and normalisation expenses	A\$M
Singapore start-up costs	-0.91
Acquisition transaction costs	-1.15
Write-off for unamortised Bank facility fees	-0.65
Gain on investment in Sunshine Coast	0.30
Non-cash interest on put call liability	-0.96
Tax-effect on all adjustments	0.20
Total non recurring and normalisation expenses after tax	-3.17

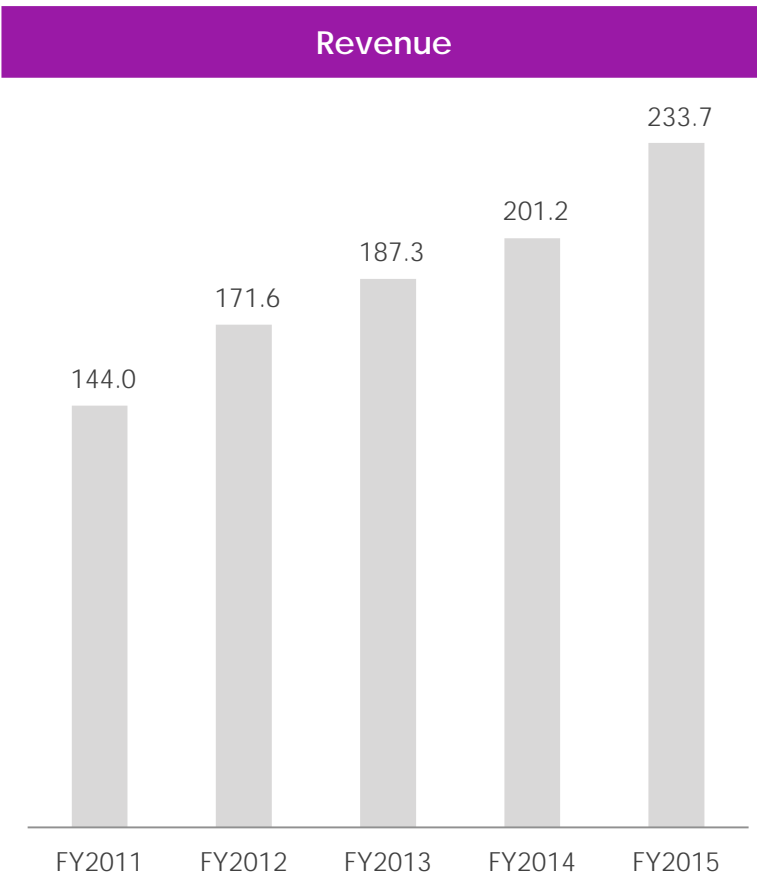
- Start – up costs of \$0.9m part of total loss in Singapore of \$1.9m for FY2015, this appears in reported segment EBITDA
- Tax effect of various adjustments was \$0.2m positive in FY2015
- Non - cash interest items totalled \$1.6m

Revenue



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Revenue grew by 16.1% to \$233.7m



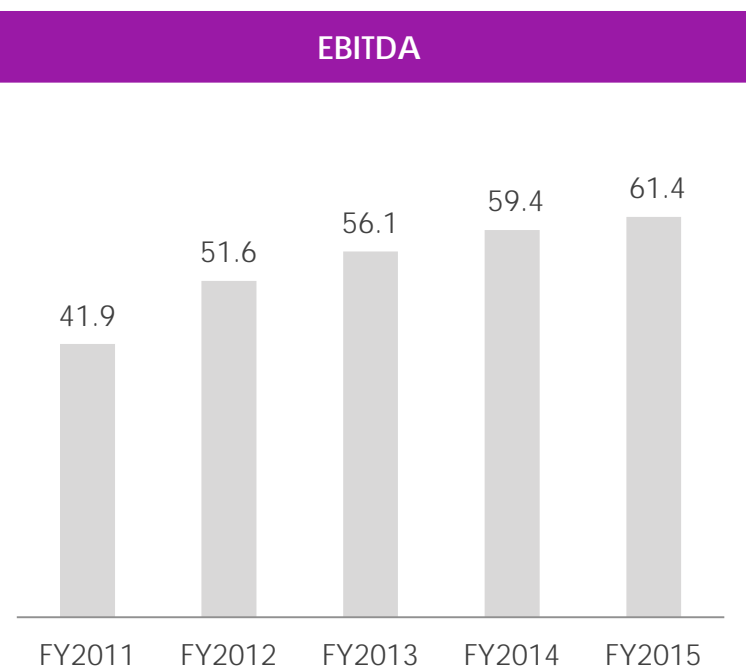
- Australian segment revenue increase is 2.2% and includes:
 - TFC growth exceeds expectations
 - Full service cycle decline in VIC as a result of clinical practice change; success rates improved, revenues decline by \$3m as a result
 - Revenue includes 8 months of Sunshine Coast, 7 months of Tasmania
 - Diagnostic growth of 14.6%
 - Day Hospital revenue growth of 4.3%
- International segment revenue is \$27.2m, includes 6 months of Singapore and Rotunda
- Sims Clinic cycle growth, 11%.

Expenses and Segment EBITDA



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Reported Group EBITDA increases by 3.3% (after NREs)



- EBITDA growth driven by:
 - Australian TFC activity
 - Sims Clinic 12 month contribution
- Fixed expenses
 - Underlying fixed cost expense increase is 5.0%, on like for like basis (adjusted for acquisition timing); rate of increase is reducing
 - Singapore start-up costs of \$0.9m, total loss for year \$1.9m
- Australian reported segment EBITDA margin on total revenue, 32.8% in FY2015 compared to 32.9% in pcp

KPIs – Australian segment



KPIs	Note	FY2015	FY2014	Change
Number of IVF Cycles in Virtus Australia		15,100	14,896	1.4%
Number of IVF Cycles in NSW, QLD, TAS, VIC market		33,667	33,553	0.3%
Eastern States market share (Inc. TAS)	1	44.9%	44.4%	0.5%
National Market Share	1	37.1%	36.2%	0.9%
Average Number of Fertility Specialists		91.8	83.5	9.9%
Average number of cycles per Fertility Specialist		164	178	(7.9%)
Average total revenue per cycle (A\$)		\$13,835	\$13,722	0.8%
Labour as a % of total revenue		29.4%	30.2%	(0.8%)
Provider fees as a % of total revenue		15.0%	15.1%	(0.1%)
Reported segment EBITDA %		32.8%	32.9%	

- Average sales revenue improvement in spite of: weak QFG cycles; lower frozen embryo transfers in VIC; and dilutive effect of TFCs and acquisitions
- National market share increase results from acquisitions;
- Average number of specialists includes clinicians added through acquisitions of 4.3 (7 in total)

Note1: Implied market share is based on fresh and cancelled cycles in NSW, VIC, QLD and TAS (TAS market and Virtus activity in TAS is included for last 7 months). National market share KPI assumes Virtus owned TASIVF at 01 July 2014.

Statement of Financial Position



A\$ million	Statutory June 15	Statutory June 14
Cash	18.4	21.5
Trade and other receivables	15.1	13.8
Inventories	0.3	0.2
Equity accounted investments	1.5	1.5
Other financial assets	0.3	0.3
PP&E	30.8	28.2
Deferred tax assets	8.1	8.1
Intangible assets	390.7	356.1
Total assets	465.2	429.7
Trade and other payables	23.1	23.5
Deferred revenue	5.4	3.6
Borrowings	152.3	139.5
Provisions	8.4	7.1
Current tax liabilities	4.3	4.5
Other Financial Liability	25.4	11.9
Total liabilities	218.9	190.1
Net assets	246.3	239.6

Cash balance

- At normal level after utilisation of excess cash on acquisitions

Working Capital

- Small negative change reflecting impact of acquisitions

Gearing

- Leverage ratio of 2.1 on adjusted group EBITDA
- Funding capacity available, \$55m

Capex

- \$12.6m in FY2015 including \$3.4m for Singapore clinic

Dividend proposed

- 14.00cps, (Final FY2014, 14.00cps) fully franked

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Strategy



Strategy



A Strong Foundation For Future Growth

- Leading provider of IVF services in Australia and Ireland, with an established footprint in Singapore
- At the forefront of fertility treatment; helping patients conceive healthy babies
- Mix of premium and a clearly differentiated low cost offering utilising fertility specialist expertise to optimise market share
- Vertically integrated across three key activities – ARS, Diagnostics, Day Hospitals

Looking Forward

- International expansion - UK an attractive market for a buy and build strategy, South East Asian markets under review
- Invest in diagnostics capability
- Australia – selective greenfield investment and/or in-fill acquisitions for IVF and day hospitals

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Thank you and
questions



Appendix



Profit and Loss Summary (\$Am)		FY2015 (A\$m)	FY2014 (A\$m)	Variance (%)
Revenue		233.7	201.2	16.1%
Group EBITDA	- Adjusted	63.1	60.4	4.6%
	- Reported	61.4	59.4	3.3%
D&A		(10.0)	(8.2)	22.0%
EBIT	- Adjusted	53.1	52.2	1.8%
	- Reported	51.4	51.2	0.3%
Net interest	- Adjusted	(7.3)	(7.3)	0.0%
	- Reported	(8.9)	(7.4)	20.6%
PBT	- Adjusted	45.8	44.9	2.2%
	- Reported	42.5	43.8	(3.1%)
Tax	- Adjusted	(12.2)	(12.9)	(5.1%)
	- Reported	(12.1)	(12.9)	(6.4%)
NPAT (Pre Minorities)	- Adjusted	33.6	32.0	5.1%
	- Reported	30.4	31.0	(1.7%)
Minorities		(1.0)	(0.1)	
NPAT (Post Minorities)	- Adjusted	32.6	31.9	2.2%
	- Reported	29.4	30.9	(4.7%)
NPATA (Post Minorities)	- Adjusted	33.6	32.5	3.3%
	- Reported	30.5	31.5	(3.4%)