



Virtus Health (ASX. VRT)

ANNUAL GENERAL MEETING

Wednesday 22nd November 2017 2.00pm AEDT



DISCLAIMER

The material in this presentation has been prepared by Virtus Health Limited ABN 80 129 643 492 ("Virtus Health") and is general background information about Virtus Health's activities current at the date of this presentation. The information is given in summary form and includes financial and other information and does not purport to be complete. Information in this presentation, including forecast financial information should not be considered as advice or a recommendation to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

Persons needing advice should consult their stockbroker, solicitor, accountant or other independent financial advisor.

The release, publication or distribution of this presentation in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this presentation is released, published or distributed should inform themselves about and observe such restrictions.

This presentation does not constitute, or form part of, an offer to sell or the solicitation of an offer to subscribe for or buy any securities, nor the solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issue or transfer of the securities referred to in this presentation in any jurisdiction in contravention of applicable law. Certain statements made in this presentation are forward-looking statements. These forward-looking statements are not historical facts but rather are based on Virtus Health Limited's current expectations, estimates and projections about the industry in which Virtus Health operates, and beliefs and assumptions. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Virtus Health, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Virtus Health cautions investors and potential investors not to place undue reliance on these forward-looking statements, which reflect the view of Virtus Health only as of the date of this presentation. The forward-looking statements made in this presentation relate only to events as of the date on which the statements are made. Virtus Health will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this presentation except as required by law or by any appropriate regulatory authority.

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation. In addition, a number of figures have been calculated on the basis of assumed exchange rates, as set out in this presentation.

To the maximum extent permitted by law, neither Virtus Health nor its related bodies corporate, directors, officers, employees, agents, contractors, advisers nor any other person, accepts, and each expressly disclaims, any liability, including without limitation any liability arising from fault or negligence, for any errors or misstatements in, or omissions from, this presentation or any direct, indirect or consequential loss arising from the use of this presentation or its contents or otherwise arising in connection with it.

Agenda

Chairman Address	4
CEO Presentation	5
Formal Business of the Meeting	25



CHAIRMAN'S ADDRESS

Peter Macourt



CEO PRESENTATION

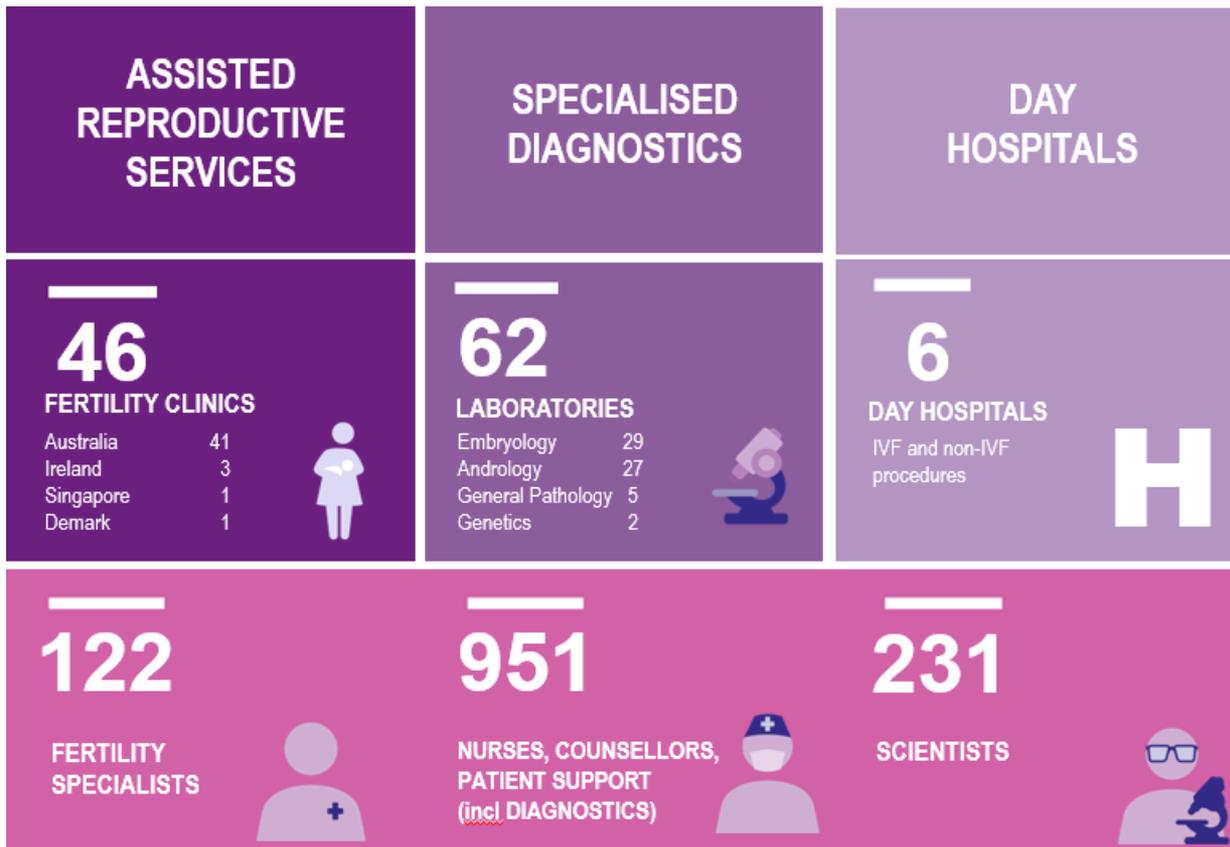
Sue Channon



VIRTUS HEALTH #1 FOR FERTILITY

Creating more chubby cheeks than anyone else

Network of Care



FY17 Financial Results Overview

Challenging domestic ARS conditions; growth in diagnostics & international activities

- Revenue down 1.8% to \$256.5m
 - Group cycles flat at 18,669 (FY16: 18,752)
 - Group treatments including IVF, FET, IUI and cancelled were up 3.6% to 35,360 on pcp
 - Virtus Australian cycles down 3.7% like for like in the available domestic market which is down 0.24%
- Group EBITDA before impairment down 5.9% to \$64.8m
 - Australian segment EBITDA down 7.6% to \$65.8m
 - International segment EBITDA up 24.4% to \$7.1m
- Net Profit after tax (NPAT) attributable to ordinary equity holders down 14.6% to \$28.1m
- Gearing at 2.1X adjusted Group EBITDA
- Cash/Debt Funding capacity ~\$60m (\$51m unused borrowing facility and ~\$9m uncommitted cash)
- Full Year dividend 25cps fully franked (FY16: 28cps)



AUSTRALIAN SEGMENT PERFORMANCE

Australian Operations Fertility

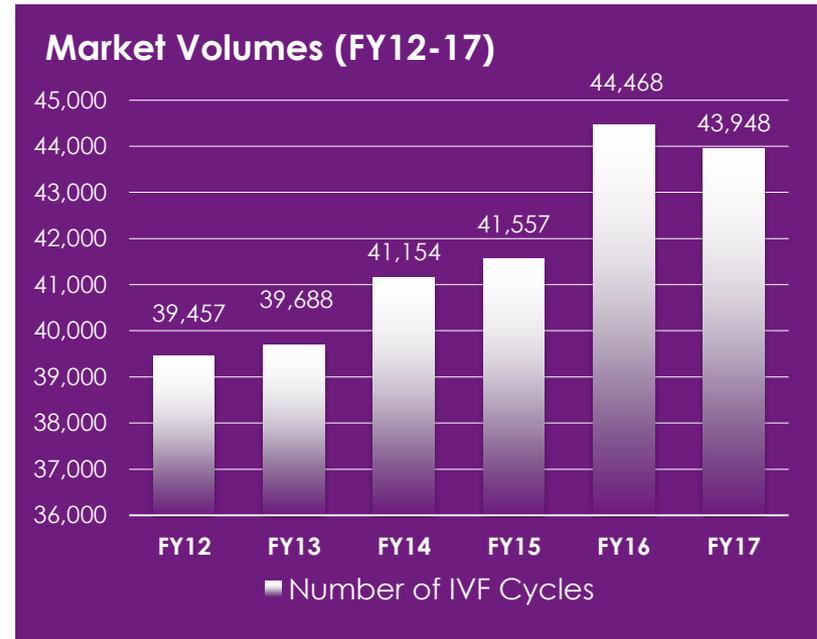
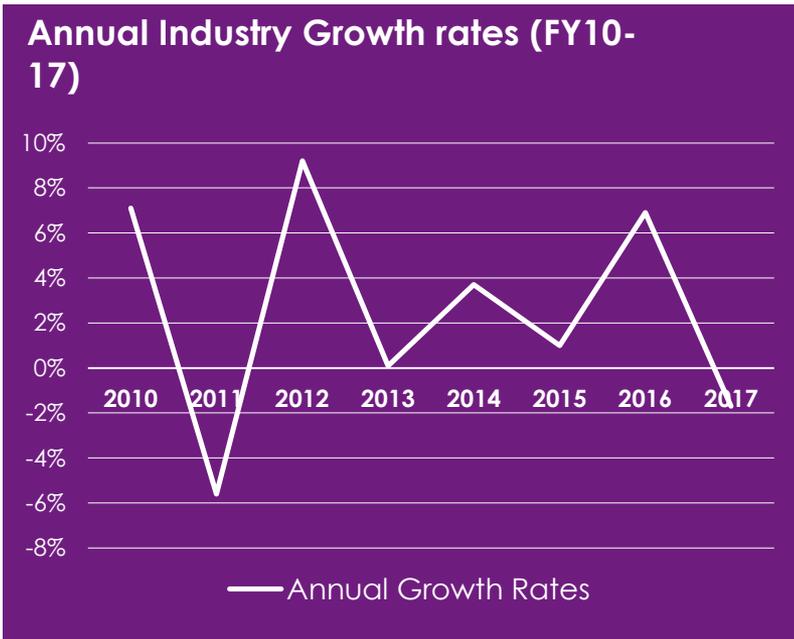


Virtus is the market leader in Australia

- Overall market volume along eastern seaboard down 0.24% on pcp
- Virtus cycle activity in FY17 down 3.7% to 15,776 cycles on a like for like basis
- Virtus full service activity declined 3.1%
 - Growth achieved in TAS & QLD
 - Virtus NSW outperformed declining NSW market
 - Business & clinical strategy arrested VIC decline; market share stable in last quarter
- TFC clinics increased 3.9% on a like for like basis
 - Service model and pricing review resulted in 24% cycle growth in H2FY17
 - H2 FY17 EBITDA variance declined compared to pcp
 - TFCs represent ~15% of overall Virtus Australian activity
- Revenue down 1.1% to \$217.1m (FY16: \$219.5m)
- Australian segment EBITDA down 7.6% to \$65.8m (FY16: \$71.2m)

Variability in Australian Market Growth

Annual growth rate variability is normal and historical activity has improved following periods of market downturn



- 5 year market CAGR to June 2017 is 2.2%
- FY17 reflects a market contraction of 1.2% over pcp to 43,948 cycles. H2 volumes improved over H1 with an increase in some states (H1 contraction was 6.4%)

Virtus Australia Achievements

Virtus is well placed to respond to industry challenges and variability

Australian Fertility Business

Victoria

- Organisational re-structure completed with new leadership team in place
- Continued focus on efficiency and process re-engineering to manage growth and costs
- Strengthened scientific leadership - Prof David Gardner IVF pioneer

Changes forecast to deliver annualised OPEX reduction of \$3.5m in FY18

TFC (Service Models)

- Continuously improving clinical and service delivery models to respond to low cost market;
- Pricing & packaging development delivers volume improvement in H2 on pcp

Operating Expenses

- Effective cost management (Diagnostic & Marketing restructure)
- Key supplier & consulting costs reduced

**Changes forecast to deliver annualised OPEX reduction of \$1.5m in FY18
(in addition to Victoria)**

Diagnostics

- Vertical integration optimised with centralised lab accreditation and oversight
- Additional collection centres
- Strong profit growth from diagnostics; particularly genetic screening

\$5m of forecast annualised savings for FY18

Australian Operations Diagnostics



Strong revenue and EBITDA growth

- Diagnostic revenue increased 8.7%
- Significant operational enhancements completed in FY17 leading to EBITDA growth of 37%
- Revenue up 37% in PGD/PGS activity - utilisation at 14% of fresh cycles (H1FY17: 12.3%)
- Continued growth expected;
 - Genetic screening
 - An expanded testing platform including serology and early obstetric pathology testing
 - Expanded collection centre footprint
- Plan to extend services into Tasmania & ACT

Australian Operations Day Hospitals



Day Hospital revenue decreased 7.2%

- Impacted by softer IVF activity
- Decrease in Non-IVF procedure revenue of 9.2% on pcp across all day hospitals
- Continued focus on Non-IVF surgical relationships & services to improve utilisation in FY18



INTERNATIONAL SEGMENT PERFORMANCE

Virtus International Expansion

International Diversification

Multiple Sources of Revenue



Danish Operations

Virtus newest member Aagaard Fertility Clinic Denmark delivers

- Successful integration with Virtus demonstrating value of collaborative medical & scientific model
- EPS accretive on a full year 2017 basis contributing Kr4.4m to Group EBITDA (7 months)
- Additional doctor appointed 1 July to support growth
- Leading Danish fertility clinic outside Copenhagen with highest national reported success rates *
- This acquisition opens further Scandinavian opportunities



* Danish Fertility Society: ART årsrapport 2015

Irish Operations

Business performs in line with strategic objectives

- Sims IVF Group remains market leader
- 2,294 cycles performed in FY17 (FY16: 2,321) consistent result considering six week closure for Rotunda IVF upgrade & Cork doctor changes
- Revenue down 1.4% to €21.8m (local currency)
- EBITDA (local currency) in line with pcp
- New Medical Director



Singapore Operations

Singapore delivers increased cycles and improved EBITDA

- 341 cycles performed in Singapore in FY17 (FY16: 301)
- H2 FY17 EBITDA positive
- Full year EBITDA loss improves to S\$120,000 compared to pcp loss of S\$637,000 (local currency)
- Market reputation continues to build
- Four contracted doctors plus four associated specialists utilising the facility



Virtus Health Strategy

Purpose: To help women and men achieve their aspirations to create a family

Leading minds, leading science

Ambition

To be a leading global provider of ARS based on;

- Clinical & scientific effectiveness
- Breadth of capability across ARS value chain
- Market leadership in chosen geographies & market segments
- Our patients being at the centre of everything we do

Growth Strategy

ARS (Domestic & International)

Market penetration by acquisition, greenfield & organic growth

Research driven service development

Diagnostics (Domestic)

Leverage fertility, genetics & general pathology testing across the business

Other diversification opportunities

Day Hospitals (Domestic)

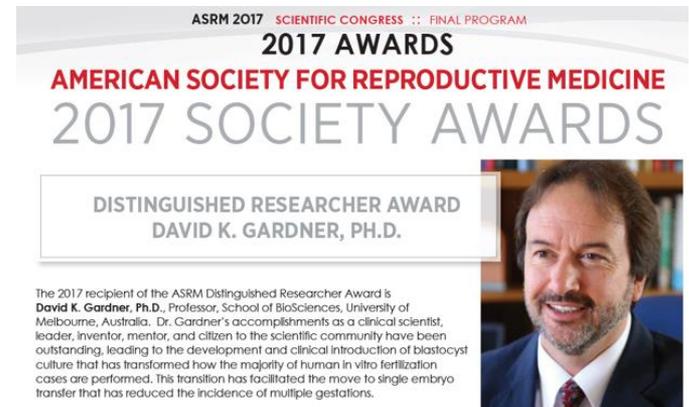
Optimise utilisation & efficiency

Opportunistic domestic acquisition

Leading Minds, Leading Science

One of the most successful medical collaborations internationally

- Virtus attracts & retains leading minds to drive scientific leadership – Professor David Gardner
- Virtus' investment in clinical and scientific research
- Virtus Research Fund & PhD Scholarship in Reproductive Science
- Early adopter of new technologies is delivering improved patient outcomes and growth eg new gene based technologies



Innovation: Advanced Technology

RF witness system safeguarding every step of the IVF process

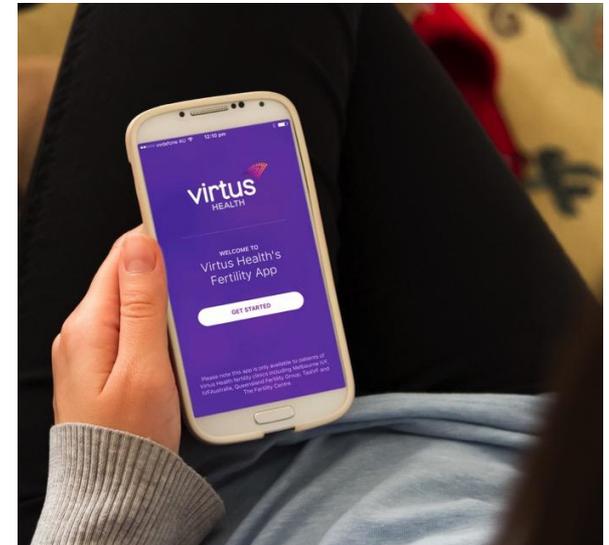
- Radio Frequency Identification (RFID) to detect and monitor activity in the IVF Laboratory is being introduced across all Virtus embryology laboratories
- Extra peace of mind for patients and embryology staff alike



Innovation: Digital Transformation

Culture of scientific innovation extends to digital transformation supporting patient care and driving efficiency

- Roll out of patient management system across Virtus Health
- Integration with Fertility Specialist private practice software for doctor, patient and entire patient care team efficiency
- Diagnostics LIMS
- Patient App



Summary

ARS is a long-term growth market

- Virtus diversified model, scale & geographical reach provides an unrivalled platform for participation in all key fertility segments
- Significant operational changes improve domestic position
- International operations continue to perform in line with expectation
- Strong profit growth from diagnostics particularly genetic screening
- Early adoption of technology, advances in science and operations for patient, doctor and employee value
- Demographic drivers for ARS growth remain favourable globally

Virtus is well positioned to grow



THANK YOU