

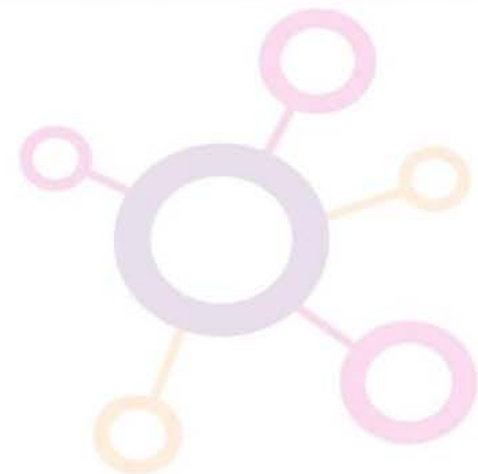


## Virtus Health

Annual General Meeting – CEO Presentation

6 November 2013

Sue Channon



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# Virtus Health Overview

- **Australian leader in Assisted Reproductive Services as well as specialised diagnostics and day hospital services**

- Assists ~4,000 couples each year to achieve their dream of having a baby
- Rich history of scientific and clinical excellence



- **Assisted Reproductive Services is a growing area of healthcare**

- Multiple demographic and social trends driving increasing use of Assisted Reproductive Services
- IVF Cycles in Australia grew at a compound annual growth rate of 4.4% between 2007 and LTM to June 2013<sup>(1)</sup>



- **Virtus is the largest provider of Assisted Reproductive Services in Australia**

- 36% share of IVF Cycles performed in Australia<sup>(2)</sup> and operates in Australia's largest states for IVF Cycles
- One of two leading providers in each state in which it operates
- Increased collective market share across NSW, Vic and Qld from 43.9% in FY2012 to 45.0% in FY2013



- **Strong financial track record with market capitalisation of ~\$650M**

- Track record of revenue and EBITDA growth with strong cash flow generation
- Number of current and future growth opportunities



**Notes:** (1) Based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201 and 13202 (2) For FY2013 financial year, based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201 and 13202

# Operational Highlights in FY2013

- 1 **Continued to expand our geographic footprint and services to patients** – three new full service clinics; five new contracted Fertility Specialists
- 2 **Market share improvement** – continued to improve our sales and marketing activities
- 3 **Successfully rolled out a low cost model of care (“The Fertility Centre”)** – three new centres opened in New South Wales and Victoria, and expanded our Queensland centre to meet growing demand
- 4 **Expanded diagnostic capabilities** – added new tests including Vit D, natural killer cell testing and non invasive prenatal testing
- 5 **Continued focus on improving the operations of our day hospitals** – theatre utilisation, operational efficiencies and attracting new specialists
- 6 **Successfully listed on the ASX** – a significant milestone for Virtus Health

# FY2013 Financial Highlights

## Pro forma FY2013 financial results<sup>(1)</sup>

Revenue

Vs. FY2012 Pro forma

+9.1%

EBITDA

+8.7%

NPATA<sup>(2)</sup>

+10.2%

EPS (cps)<sup>(3)</sup>

+10.3%



### Notes:

1. The appendix includes reconciliation of pro forma financial results to statutory financial results
2. NPATA excludes the amortisation of acquired brand names of \$0.7 million after tax
3. EPS assumes 79,536,601 shares on issue for full year

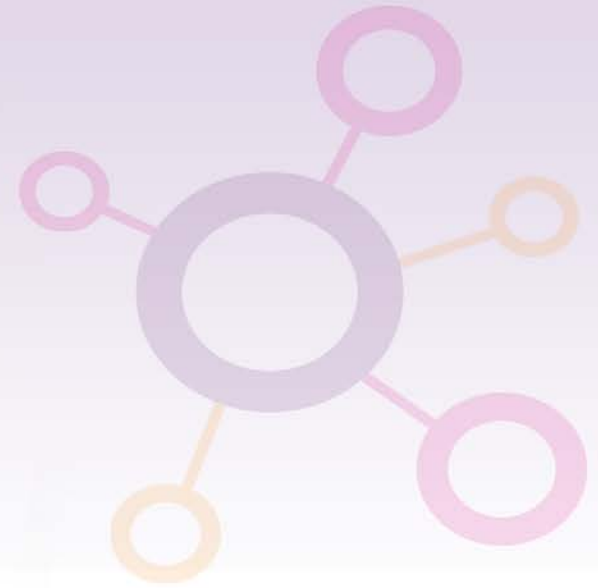
# FY2013 Prospectus Forecasts Delivered

## Pro forma FY2013 financial results<sup>(1)</sup>

	Prospectus	Actual	Variance
Revenue	184.5	187.3	+1.5%
EBITDA	55.3	56.1	+1.4%
NPATA <sup>(2)</sup>	27.3	28.0	+2.6%
EPS (cps) <sup>(3)</sup>	33.4	34.3	+2.7%

**Notes:**

1. The appendix includes reconciliation of pro forma financial results to statutory financial results
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## 2. FY2013 Result Detail



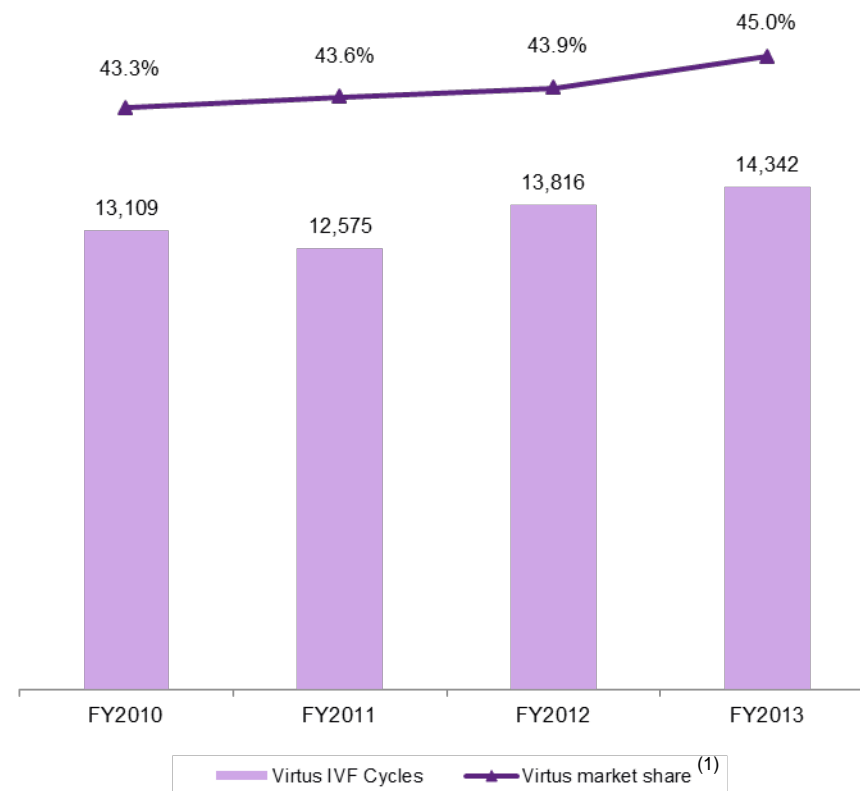
# IVF Cycle Performance

## IVF Cycles increased 3.8% to 14,342 in FY2013

- 1** **Virtus IVF Cycles increased 3.8%**
  - Virtus taking market share
  - Ramp-up of The Fertility Centre progressing well
  - IVF Cycles at Full Service clinics continue to grow – strong growth among new contracted Fertility Specialists<sup>(2)</sup>
- 2** **Overall East Coast market mixed – Virtus benefiting from scale across markets**
  - Queensland – very strong first half which has moderated in 2H FY2013
  - New South Wales – 10% growth in 4Q FY2013 following weaker 1H FY2013
  - Victoria – market flat but seeing continued growth in new patient registrations

Virtus IVF Cycles

Number of IVF Cycles



**Note:** (1) Represents Virtus' implied share of the IVF Cycles conducted in New South Wales, Victoria and Queensland based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201 and 13202.  
(2) New contracted Fertility Specialists are defined as those Fertility Specialists contracted by Virtus from FY2010 onwards



# Revenue Growth

Pro forma revenue increased 9.1% to \$187.3 million in FY2013

**1 Revenue growth underpinned by IVF Cycle growth and an increase in total revenue per IVF Cycle**

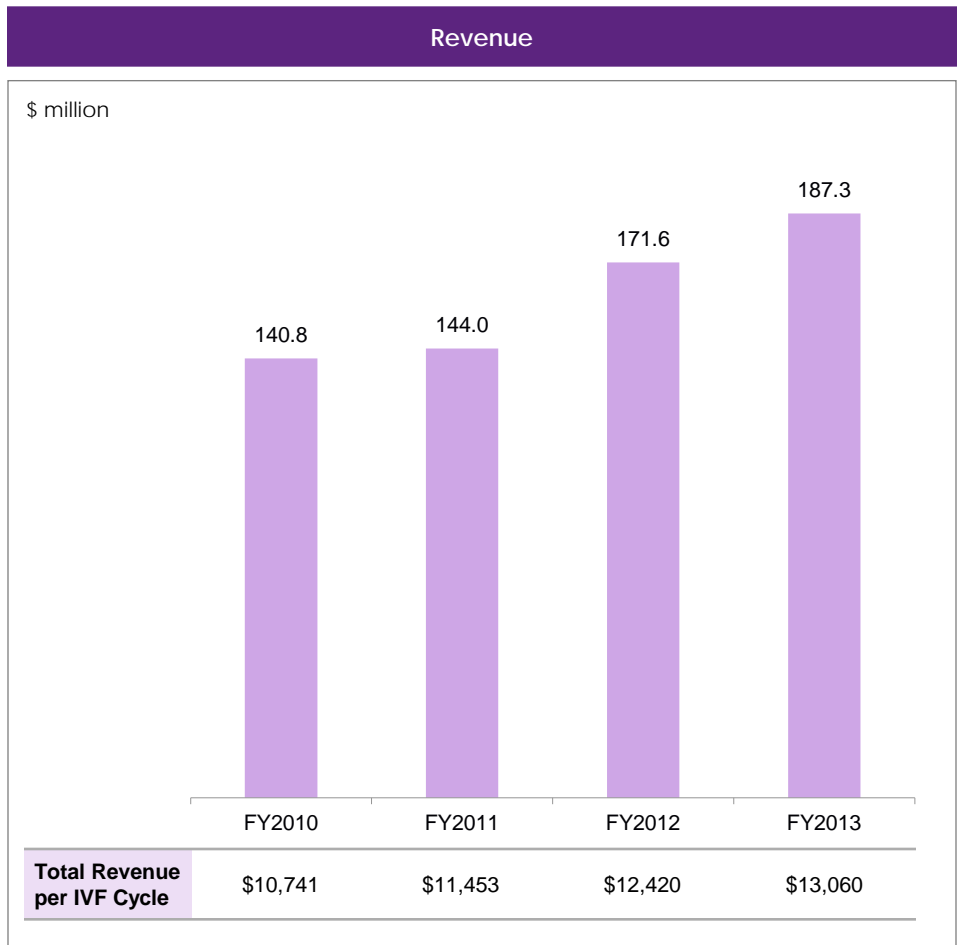
- IVF Cycle growth of 3.8%
- Average revenue per IVF Cycle increased by 5.2%

**2 Specialised diagnostics revenue continued to grow**

- Consistent with historic trends, Virtus saw higher usage of specialised diagnostic testing by Fertility Specialists to patients

**3 Day hospital revenue continued to grow**

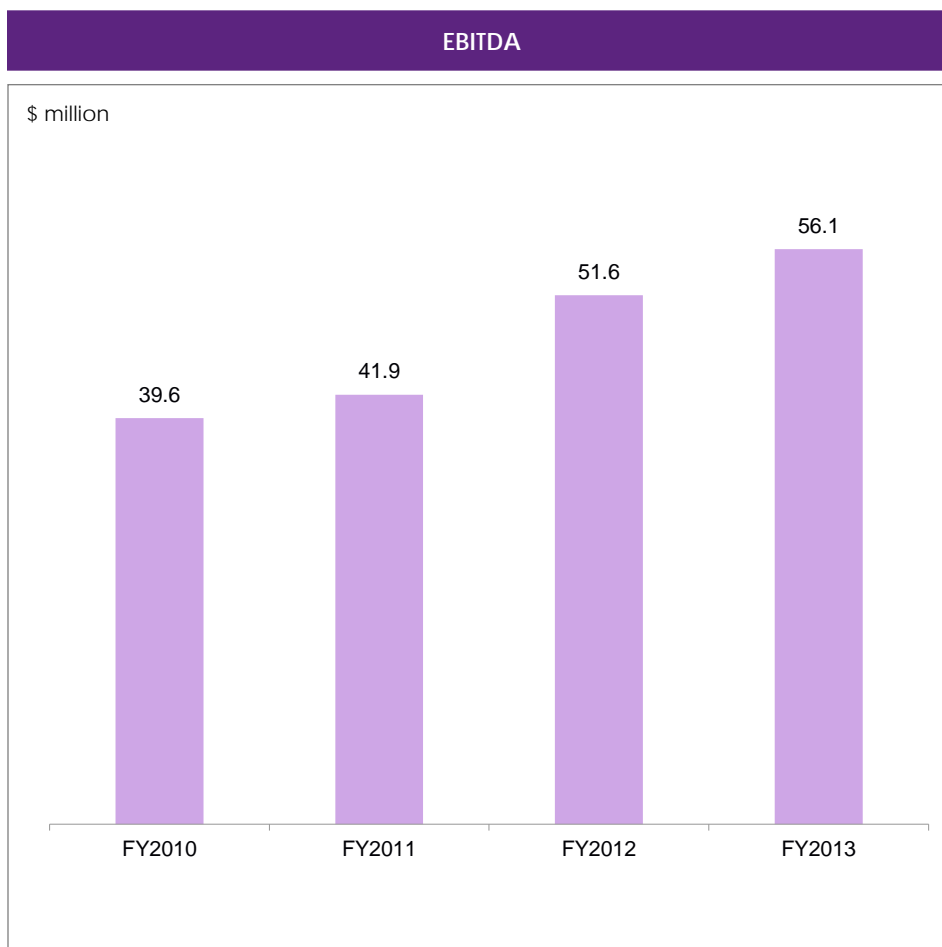
- Growth primarily driven by higher throughput from Assisted Reproductive Services and other medical specialties

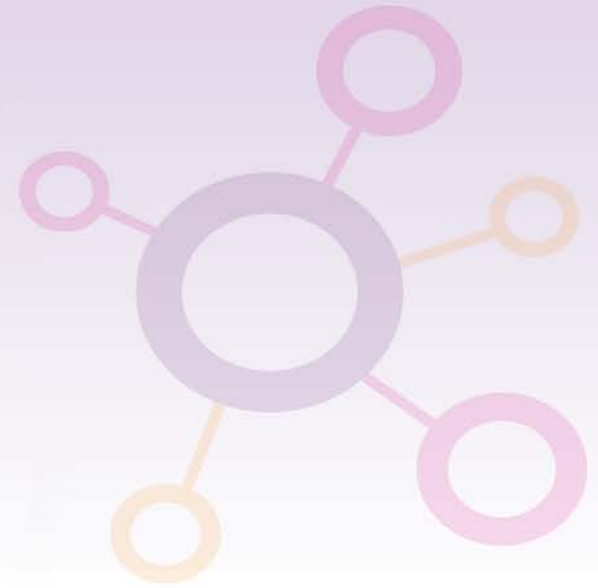


# Total Expenses and EBITDA Growth

Pro forma EBITDA increased 8.7% to \$56.1 million in FY2013

- 1 Total expenses increased 9.3% to \$131.2 million in FY2013**
- 2 Labour costs increased 11.8% to \$55.8 million in FY2013**
  - Increase reflects opening of new clinics in FY2013, and full year cost of FY2012 new clinic openings
- 3 Provider fees increased 7.3% to \$29.4 million in FY2013**
  - Fee increases in line with pricing and volume
- 4 Other operating expenses increased 2.1% to \$14.4 million in FY2013**
  - Marketing expenses increased by 12.8% to support new TFCs and full service clinics





### 3. Strategy and Outlook



# Strategic Focus for Virtus

## Strategic focus for Virtus in FY2014

### Market share

- Expansion of fertility clinic network and capacity among newly contracted Fertility Specialists positions Virtus to maintain and expand market share in the regions in which it operates
- Recently completed \$4.25M relocation and expansion of main Queensland Fertility Group Brisbane CBD clinic

### Low-cost IVF

- Focus on increasing activity in existing centres in FY2014
- Commenced expansion of TFC Springwood in Queensland to meet increased patient demand for this service
- Review opportunities for additional TFC clinics

### Specialised Diagnostics

- Executing a number of strategies to grow specialised diagnostics services revenue
- Adding new tests to Virtus' diagnostics platforms including those developed through internal innovation (e.g. natural killer cell testing)
- Expand range of genetic tests and continue roll-out of newly developed Non-Invasive Prenatal Testing capabilities

### Day Hospitals

- Focus on increasing throughput and improving operational efficiency
- Expect to see the benefits of recent investments in modernisation and expansion programs
- Explore acquisition opportunities

### Potential Acquisitions and Investments

- Disciplined approach to considering potential acquisition and investment opportunities both in Australia and internationally

# Business Outlook

- 1 1QFY2014 **market volume** across the Group **has increased ~3% year-on-year**
- 2 **TFC growth is ahead of expectations**
- 3 **Diagnostic revenue growing** at double digit pace
- 4 **FY14 forecast in Prospectus – reconfirmed**



Thank You

