

ASX ANNOUNCEMENT

18 August 2020: VIRTUS HEALTH LIMITED (ASX: VRT)

VIRTUS DEMONSTRATES RESILIENCE IN THE MIDST OF THE COVID-19 PANDEMIC

Sydney, Australia - Virtus Health, ("Virtus", ASX: VRT) a market-leading provider of assisted reproductive services ("ARS") in Australia, Singapore, Ireland, Denmark and the UK, today reports its financial results for the full year ended 30 June 2020.

Key points

- Reported earnings before interest, tax, depreciation and amortisation ("EBITDA") is \$46.2m;
- Adjusted earnings before interest, tax, depreciation amortisation and impairment is \$66.0m;
- Reported and adjusted EBITDA includes \$14.8m gain from adoption of AASB 16 'Leases';
- Estimated gross profit impact from COVID-19 restrictions (\$14.6m), partially mitigated by government support of \$7.7m;
- Reported NPAT attributable to equity holders is \$0.5m after non-cash impairment charge of \$25m;
- Net debt reduced by \$29m in FY20 to \$127m with a normalised leverage ratio of 2.2x at 30 June 2020; debt funding capacity of over \$100m as at 30 June 2020; covenant normalisation agreed with bank group up to December 2020;
- New Group CEO commenced in March 2020, refreshing strategy and leadership structure;
- No final dividend for FY20; deferred FY20 interim dividend to be paid 30 November 2020 (subject to trading conditions);
- Virtus clinics rebound as business operations return.

"While we all felt the impact of COVID-19 on our services, Virtus achieved a great deal in FY20. Our results show the resilience of assisted reproduction and I am proud of how our leadership and operational teams navigated the events of 2020," Kate Munnings, Group CEO, said.

"FY20 was a transitional year for the business and despite the global pandemic, we have strengthened our operations through refreshed team structures and refocused on the future through developing strategic growth opportunities. The investments made in the latter half of FY20 were in people and capability, which will underpin everything we do looking forward."

Business Outlook

Trading activity in the two months to July 2020, compared to pcp, showed a strong rebound in services across Virtus operations, providing confidence for FY21.

"Throughout the COVID-19 shutdown period, we achieved liquidity and funding sustainability and developed an effective plan for restart utilising tele-health consultations to build patient pipelines. As a result, when patient activity resumed Virtus clinics exceeded prior year comparative activity in all areas of the business, reaffirming the inherent demand for ARS," Ms Munnings said.

Australian ARS

Virtus Australian segment revenue was down 6.2% on pcp to \$208.6m and segment EBITDA up 22.7% to \$74.9m, arising from the adoption of AASB 16 'Leases'. Pre-AASB 16 'Leases' adoption, Australian segment EBITDA increased 3.4% to \$63.2m.

"Due to effective planning, our operations have recovered strongly and we are currently experiencing above-market cycle growth in Australia. Although Victoria is faced with a second wave of COVID-19, IVF has been identified as an essential service and Virtus clinics continue to operate at 75% capacity," Ms Munnings said.

Diagnostics

Virtus Diagnostics revenue decreased 3.5% over pcp, in line with lower Australian IVF volumes.

"Virtus Diagnostics is one of our growth opportunities as genetic science is becoming of greater importance in the ARS sector. The focus in FY21 is to leverage our capability in preconception screening, disease avoidance and diagnosis of fertility issues," said Ms Munnings.

Day Hospitals

Virtus Specialist Day Hospitals were impacted by elective surgery restrictions and saw a decline in non-IVF procedure revenue of 9.1% on pcp across all seven facilities. However, Alexandria and Hobart EBITDA continues to improve due to the recruitment of additional specialty surgeons resulting in an increase of endoscopy, gynaecological and laparoscopic procedures.

"We have built strong interest from specialty surgeons in FY20 and increased utilisation by existing surgeons. We also reviewed and refreshed operational efficiencies within our Day Hospital portfolio, resulting in improved margins," said Ms Munnings.

International Segment

Virtus' international operations represented 19% of group revenues in FY20 (21% in FY19). Key features of the result were:

- Danish clinic revenue is 5.1% below FY19 pcp;
 - Trianglen impacted by relaxing of regulatory restrictions in Swedish IVF sector;
 - Aagaard results improved, recording a 4.8% volume increase;
- Irish revenue is down 24.5% in FY20, the result of a longer COVID-19 shutdown period;
- UK EBITDA saw growth of £0.2m despite a weakening of cycle volumes due to COVID-19; and
- Singapore cycle volumes grew 8.9% in FY20 and saw minimal impact from COVID-19.

"Our International businesses recorded strong growth in fresh IVF cycles in June and July 2020, following the easing of significant and prolonged COVID-19 restrictions in Europe," said Ms Munnings.

Capital Management

At 30 June 2020, the group is in compliance with its debt covenants following a period of strong cash generation. Virtus agreed appropriate normalisations to covenant calculations for periods up to December 2020 demonstrating that liquidity and immediate funding needs may be accommodated without the need for additional funding. Virtus has debt funding capacity of over \$100m as at 30 June 2020. Having regard to the uncertainty in the current environment, the Board has decided not to declare a final dividend for FY20.

Strategy and Growth

Following the appointment of Kate Munnings to the position of Group CEO in March 2020, in Q4 Virtus Health embarked on a seven-week program to redefine its strategic direction.

"Given Virtus Health is in the top five ARS groups worldwide, our strategy is to be the global leader in Precision Fertility. This strategy focuses on optimising existing operations and leveraging our existing geographical footprint by further developing the virtual clinic technologies introduced over the past four months. Building on this will enhance our reach initially in Australia, Asia and Scandinavia, reduce the need for "bricks and mortar" investment and drive significant efficiencies, while allowing our people to provide the value adding support that our patients require.

"Differentiating our services via Precision Fertility will be delivered by our increasing ability to augment clinical and scientific experience and decisions, with insights from our unique dataset. To this end, we are progressing our relationship with our collaborators in building Ivy, Harrison.ai, with the intent of co-creating additional AI solutions that will enhance many of the decisions our clinical teams make. From this work, patient outcomes will become more predictable and success rates will increase as the algorithms are applied to our datasets to better determine the precise treatment that is optimal for a specific individual or couple.

"Precision fertility will also benefit from our continuing investment in fertility related genetic services which is an area of rapid innovation that also offers growth and differentiation opportunities via preconception testing, fertility diagnosis and disease avoidance. Our role in genetics and innovation places Virtus in a strong position to capture growth in ARS which will increasingly come as families look to avoid passing potential genetic disease to their children," Ms Munnings said.

Key Financial Results

Metric	FY2020 (A\$m)	FY2019 (A\$m)	Variance (%)
Revenue	258.9	280.1	(7.5%)
Group EBITDA Reported	46.2	63.5	(27.2)
Group EBITDA Adjusted	66.0	57.1	15.6
PBT Reported	10.4	40.2	(74.0)
NPAT Pre-minorities Reported	0.9	29.0	(96.7)
NPAT attributable to Virtus owners	0.5	28.4	(98.4)
NPAT attributable to Virtus owners adjusted	20.6	24.3	(15.2)
Basic EPS (cps)	0.59	35.37	(98.3)
Diluted EPS (cps)	0.59	34.97	(98.3)

-ENDS-

Investor Conference Call and Webcast

Investors are invited to join a conference call and webcast presentation hosted by Kate Munnings, Group CEO, and Glenn Powers, Group CFO and Company Secretary on **Tuesday 18 August, 9:00am AEST**. To access the call and webcast, please use the log in details below.

- **Conference Call Registration:** <https://s1.c-conf.com/diamondpass/10009072-invite.html>
Please note: upon registering online, you will receive a confirmation with phone numbers to dial into the conference call together with a unique passcode.
- **Webcast:** <https://webcast.openbriefing.com/6398/>

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 120 of the world's leading fertility specialists supported by over 1200 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.