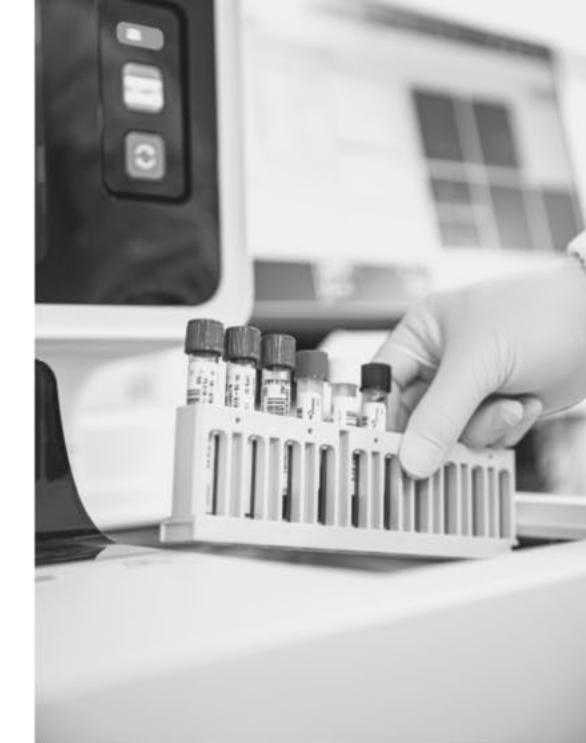


Tuesday 16 February 2021

Financial Results H1FY21

Virtus Health (ASX: VRT)



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Results and Operational Overview H1FY21

H1FY21 Financial Results

Virtus demonstrates resilience in the midst of the COVID-19 pandemic

Revenue

\$169.6m

(H1FY20:\$142.1m)

Reported EBITDA

\$59.0m

(H1FY20: \$39.5m)

Adjusted EBITDA

\$49.7m

(H1FY20: \$38.8m)

NPAT attributable
to ordinary equity
holders

\$29.9m

(H1FY20: \$15.0M)

EPS

37.42 cents

(H1FY20: 18.65
cents)

Interim Dividend

12cps

Fully franked

Adjusted NPAT

\$23.1m

(H1FY20: \$14.5m)

H1FY21 Highlights

Sustained growth across all key markets despite COVID-19 pandemic

Strong revenue performance in Australian operations, including premium cycle growth

Strong cycle growth on pcp in international hubs:
Denmark up 21% and
Singapore up 57%

Growth strategy progressing with investment in innovative digital transformation and global collaborations

Ireland maintained cycle volume despite COVID impact on egg donation program

UK cycle growth strong until COVID lockdown in Dec '20

Cash generation applied to net debt reduction in H1FY21

Group Activity Volumes

| Activity volumes | 6 Months to Dec 19 <i>(compared to pcp)</i> | 6 Months to Dec 20 <i>(compared to pcp)</i> |
|----------------------------|---|---|
| Australian fresh cycles | +2.7% | +18.0% |
| International fresh cycles | (3.3%) | +15.7% |
| Diagnostics revenue | +0.2% | +9.7% |
| Day Hospital revenue | +1.8% | +37.5% |

Business Resilience

01 Effective Cash Management

Liquidity and funding sustainability achieved.

Cash balance: \$37m

Debt repayments of \$10m in H1FY21 (>\$20m since March 2020)

Available debt facilities at healthy levels >\$115m

Leverage ratio 1.7x
(H1FY20: 2.8x)

02 Protecting Jobs

Keeping staff employed throughout the pandemic

JobKeeper subsidy provided income support and allowed the preservation of our highly skilled workforce during COVID-19 lockdowns and shutdowns.

With the workforce retained, Virtus was able to restart services quickly when shutdown was lifted.

03 Thriving business

Strong and sustained growth since restart.

Virtus cycle volumes, exceeded prior year comparative activity in every month.

A strong focus on business growth to achieve margin improvement as well as a focus on key stakeholder engagement have contributed to growth.

Segment Performance

Australian Operations

- Revenue up 21.3% on pcp to \$136.8m
- EBITDA up 49.0% to \$59.2m¹ (H1FY20: \$39.7m)
- Fresh IVF cycles up 18% on pcp

Diagnostics revenue
up 9.7% on pcp

Higher volumes of Pre-implantation Genetic Testing contributed to the increase

H1 Activity demonstrates resilience of IVF as a non-discretionary service

Virtus Australia's premium cycle growth, outperformed cycle growth in the available market; up 24.5%

TFC volumes were down 5.2% due to capacity restrictions from Victorian lockdown in 1H FY21

Day Hospital revenue
up 37.5% on pcp

Improved efficiency and utilization, supported by demand for non IVF procedures and higher IVF volumes

1. Excluding Government assistance from the JobKeeper Program, Australian segment EBITDA is up 30.4%.

Danish Operations

- Revenue up 30.9% on pcp to DKK33.5m
- EBITDA up by 46.8% on pcp to DKK11.1m (H1FY20:DKK7.6m)
- Fresh cycles up by 21.1% on pcp

Strengthened Medical team

Recruitment of additional medical capacity plus a **new Medical Director for Aagaard** facilitated improved activity and revenues in H1

Refreshed growth strategy

Growth strategy includes a focus on **positioning Virtus Danish Clinics as a European hub for Fertility patients**

Minimal shutdown and early mobilisation

Strong marketing and planning resulted in **Virtus Danish clinics being the first in Denmark to fully re-mobilise following shutdown with subsequent high demand**

Singapore Operations

- Revenue up 49.4% on pcp to SG\$4.6M
- EBITDA up 100% to SG\$1.4m (H1FY20:SG\$0.7m)
- Fresh cycles increase by 56.7% on pcp

Refreshed growth strategy

Growth strategy includes a focus on positioning Virtus' Singapore Clinic as a South East Asian hub for Fertility patients, supported by virtual technologies

Strong volume growth and management restructure in FY20 delivers strong EBITDA growth

Virtus Singapore introduced **AI enhanced embryo selection capability**, a first in Singapore

Additional space being sourced to cater for volume growth

H1 activity demonstrates resilience of service against the impact of COVID-19

Clinic remained open with limited restrictions

Irish Operations

- Revenue down 2.8% on pcp to €10.2m
- EBITDA €2.2m in line with pcp (H1FY20: €2.3m)
- Fresh cycles in line with pcp

Volume growth restricted by constraints on egg donation program and new lockdowns

Irish Clinics mobilised early following prolonged shutdown resulting in strong demand in Q1 but Q2 growth hampered by recent lockdowns

Cycle volume virtually unchanged in H1 despite loss of egg donation volumes and early closure of Rotunda clinic in December (relocation related)

Slight slowdown in activity during Dec '20/Jan '21 as a consequence of new lockdowns

Rotunda clinic successfully relocated to new location in Swords, Dublin

Some disruption experienced during relocation but well managed

Clinic operational in January 2021

UK Operations

- Revenue up 21.8% on pcp to £2.2m
- EBITDA up 66.7% on pcp to £0.5m (H1FY20: £0.3m)
- Fresh cycles increase by 29.3% on pcp

Margin and operational efficiencies targeted for FY21

Consolidation of finance department with Ireland operations and further practice sharing planned for FY21

COVID-19 planning and early mobilisation

Despite recent UK lockdown following earlier lockdowns during the first wave of COVID-19,

EBITDA up £0.2m on pcp in H1FY21

Detailed operational planning resulted in UK operations being the **first private clinic to be approved for re-opening** following lockdown

Cycle volume increase in H1 at approximately 29% compared to pcp

Slight slowdown in activity during December 20/January 21 as a consequence of recent UK lockdowns

Financial Results H1FY21

Summary Income Statement

Statutory and adjusted results

| \$Millions | Statutory Results | | Adjustment | | Adjusted Results | |
|--|-------------------|--------------|--------------|--------------|------------------|--------------|
| | H1FY21 | H1FY20 | H1FY21 | H1FY20 | H1FY21 | H1FY20 |
| Revenue | 169.6 | 142.1 | (7.7) | | 161.9 | 142.1 |
| Segment EBITDA ¹ | 67.2 | 46.5 | (7.7) | | 59.5 | 46.5 |
| EBITDA | 59.0 | 39.5 | (9.3) | (0.8) | 49.7 | 38.8 |
| Depreciation and amortisation | (12.0) | (12.6) | | | (12.0) | (12.6) |
| EBIT | 47.0 | 26.9 | (9.3) | (0.8) | 37.7 | 26.2 |
| Interest | (4.6) | (5.5) | 0.2 | 0.2 | (4.4) | (5.3) |
| Profit before income tax | 42.4 | 21.4 | (9.1) | (0.5) | 33.3 | 20.9 |
| Income tax expense | (12.1) | (5.9) | 2.3 | | (9.8) | (5.9) |
| Profit after income tax | 30.3 | 15.5 | (6.8) | (0.5) | 23.5 | 15.0 |
| Profit after income tax attributable to non-controlling interest | (0.4) | (0.5) | | | (0.4) | (0.5) |
| Profit after income tax attributable to ordinary equity holders | 29.9 | 15.0 | (6.8) | (0.5) | 23.1 | 14.5 |
| Earnings per share (cents) | 37.42 | 18.65 | | | | |
| Diluted earnings per share (cents) | 36.98 | 18.48 | | | | |

1- Shaded area indicates IFRS disclosures H1FY21 Financial Statements; refer next page for reconciliation of detailed adjustments from statutory profit to adjusted profit.

Statutory Profit Reconciliation to Adjusted Profit

Net movement from significant items and non-cash acquisition related items

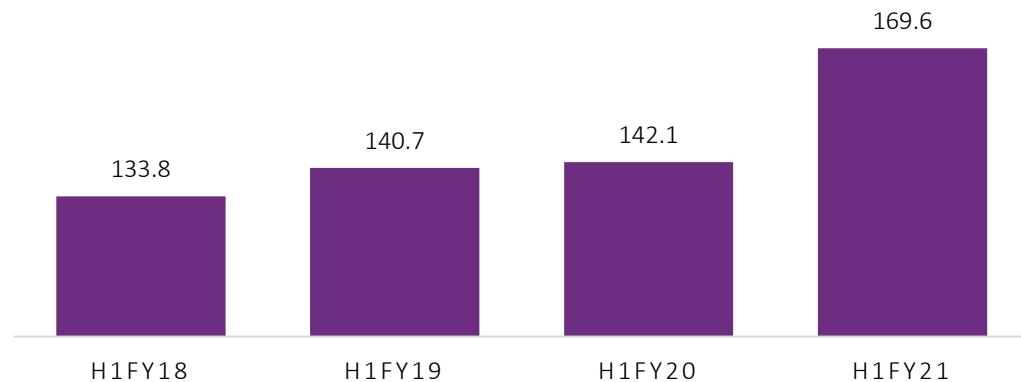
| \$Millions | H1FY21 | H1FY20 |
|---|-------------|-------------|
| Profit after income tax attributable to ordinary equity holders | 29.9 | 15.0 |
| Non-cash Interest ¹ | 0.2 | 0.2 |
| Fair value Adjustment to contingent consideration | (1.6) | (1.5) |
| CEO transition and recruitment costs | - | 0.8 |
| Government assistance (COVID-19 related) | (7.7) | - |
| Tax effect on relevant adjustments | 2.3 | - |
| Adjusted NPAT | 23.1 | 14.5 |

Notes:

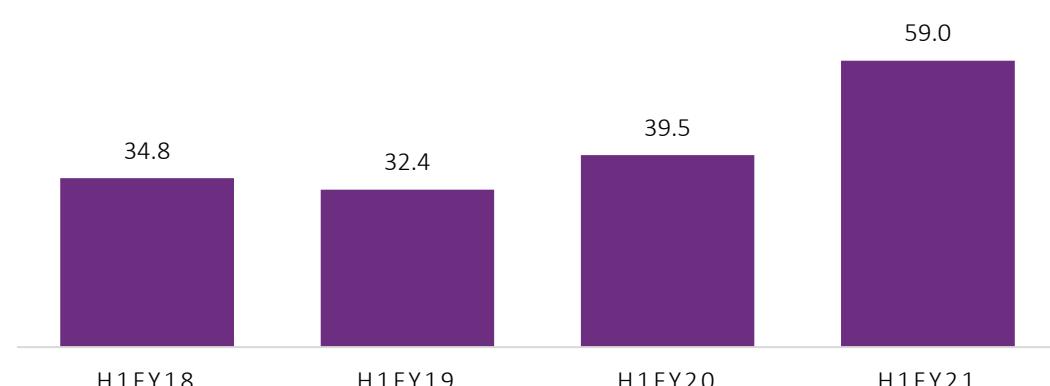
1- Non-cash interest relates to the unwinding of the discount on the put liabilities and contingent consideration

Key Revenue and EBITDA Drivers for H1FY21

H1FY18-21 REVENUE



H1FY18-21 GROUP EBITDA



H1FY21 Revenue driven by:

- Strong rebound post severe disruption from the COVID-19 pandemic during Q4 of FY20
 - Australian cycles up 18% on pcp
 - International cycles up 15.7% on pcp
 - Day Hospital revenue up 37.5% on pcp
 - Diagnostics revenue up 9.7% on pcp

H1FY21 EBITDA driven by:

- Strong IVF cycle activity across the group with a favourable mix shift to premium cycles in Australia which outperformed available market growth, resulting in overall gross margin contribution increase of \$20.2m, including resulting growth in Day Hospitals
- Government assistance of \$7.7m which enabled Virtus to participate in market rebound by minimising employee standdowns and redundancies

Partially offset by:

- \$6.6m in higher employment costs, to reflect increased activity, lower employee leave taken during H1 and other strategic investments to support future digital growth strategy
- \$1.7m increase in infrastructure and IT security compliance costs

Cash Performance

Operating cash flow

| Summary | H1FY21 (A\$m) | H1FY20 (A\$m) |
|---|------------------|------------------|
| Group EBITDA | 59.0 | 39.5 |
| Changes in other operating assets/liabilities | (7.1) | (2.3) |
| Net financial costs | (2.4) | (3.3) |
| Lease interest | (1.8) | (1.7) |
| Income tax | (15.0) | (7.7) |
| Other non cash items (net) ⁽¹⁾ | (0.6) | (0.9) |
| Operating cash flow | 32.1 | 23.6 |
| Lease principal payments | (5.9) | (5.7) |
| Net CAPEX | (7.2) | (2.8) |
| Free cash flow | 19.0 | 15.1 |
| Dividends paid | (9.6) | (9.6) |
| Free cash flow after dividends | 9.4 | 5.5 |

Operating cash flow increase of \$8.5m driven by:

- Higher EBITDA from strong cycle volumes in H1FY21
- Lower interest charges of \$0.9m due to lower debt levels
- Offset by:
 - Unwind of agreed deferral mechanisms provided by ATO, and payment of direct tax of \$9.0m during Q2 of FY21
 - Negative working capital movements from unwinding of other deferred payables (normal seasonal movement)

Free cash flows up by \$3.9m, mostly as a result of:

- Higher operating cash flows (noted above) offset by higher CAPEX from the relocation of the Rotunda IVF clinic

1. Non cash items mostly include share based payments of \$1.0m offset by non cash fair value gains of \$1.6m

Statement of Financial Position

| \$millions | Statutory Dec 20 | Statutory Jun 20 |
|------------------------------|---------------------|---------------------|
| Cash | 37.1 | 38.0 |
| Trade and other receivables | 10.9 | 13.4 |
| Inventories | 1.4 | 1.4 |
| Equity accounted investments | 1.5 | 1.5 |
| Other financial assets | 4.9 | 3.5 |
| PP&E | 37.4 | 34.9 |
| Deferred tax assets | 13.6 | 10.3 |
| Right-of-use assets | 85.8 | 89.7 |
| Intangible assets | 429.6 | 433.7 |
| Total assets | 622.2 | 626.4 |
| Trade and other payables | 29.0 | 41.6 |
| Deferred revenue | 15.0 | 20.0 |
| Borrowings | 153.9 | 164.1 |
| Deferred tax liability | 3.5 | 0.8 |
| Provisions | 12.2 | 11.9 |
| Lease liabilities | 99.5 | 102.8 |
| Current tax liabilities | 7.4 | 9.6 |
| Other financial Liabilities | 5.0 | 7.4 |
| Total liabilities | 325.5 | 358.2 |
| Net assets | 296.7 | 268.2 |

Key movements

Cash balance – maintained at June 20 levels, up \$24.6m compared to December 19, supported by strong operating performance in H1 (see cash performance slide)

Trade and other payables – reduction mostly reflects payment of deferred FY20 Interim dividend of \$9.6m paid in November 2020

Deferred revenue – decrease is seasonal variation however June 20 balance also reflected strong pipeline of patient bookings from the pent up demand in Q4 of FY20 as COVID-19 restrictions started easing

Current tax liabilities – decrease reflects payments of agreed deferrals of corporate tax instalments in FY20

Other financial liabilities – reduction is mostly a result of write back of contingent consideration relating to the acquisition of Fertilitesklinikken Trianglen Aps

Dividend proposed – 12 cps (pcp 12cps), fully franked payable on 15 April 2021

Gearing

- Reduction in borrowings as a result of voluntary debt repayments of \$10m
- Leverage ratio of 1.7x (FY20: 2.1x) adjusted group EBITDA (LTM)
- Full compliance with sufficient head room under both interest and leverage ratios
- Funding capacity available, >\$115m reflecting \$102m of unused facilities and \$15m of uncommitted cash
- Net debt \$117.9m (FY20: \$126.9m)

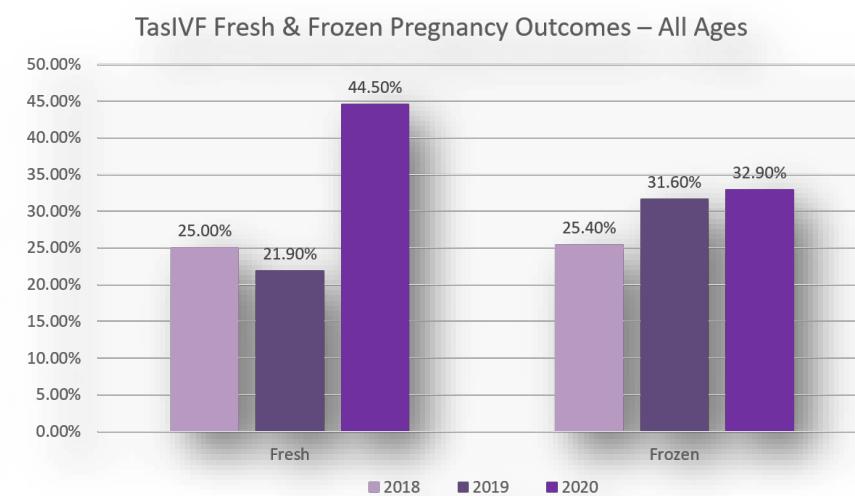
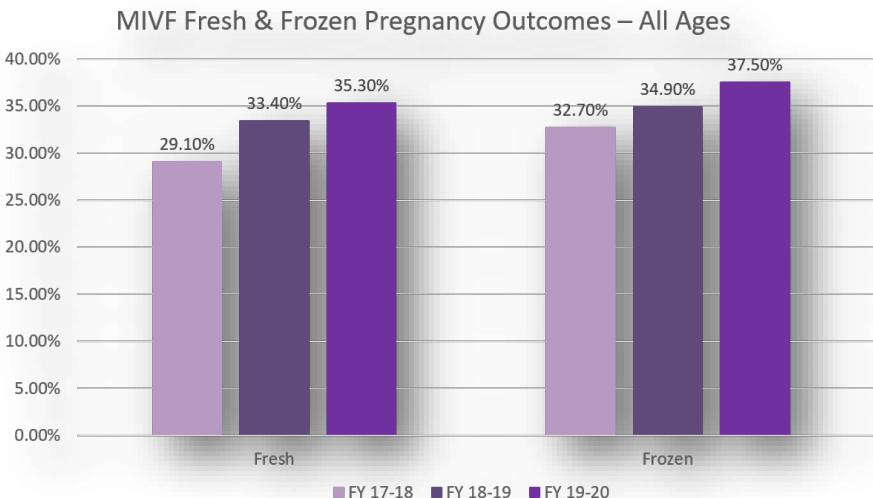
Strategic Update

Strategic Growth and Value Creation

| | | | |
|---|---|-----------------------------|--------------------------------------|
| Vision | The global leader in Precision Fertility | | |
| Growth Priorities | Optimise Core | Grow capability in Genetics | Develop and grow Precision Fertility |
| <p>Process harmonisation with One Lab, One Clinic - improving IVF pregnancy rates Harmonised processes being digitalised for greater efficiency & access to insights, delivering Virtus-wide best practices</p> <p>Grow genetic testing capability – developing a centre of excellence ARS growing as an option for families looking to avoid passing on genetic conditions</p> <p>Implement digital-enablement solutions to drive organisation-wide value Augment clinical and scientific experience with insights from a unique dataset via AI Commercialise Virtus as a Service for capital light international growth</p> | | | |
| Benefits | <ul style="list-style-type: none"> Digital Patient portal will deliver best in class IVF pregnancy rates and patient experience Digital Provider portal will augment clinical and scientific experience with insights from a unique dataset via AI Digital research wizard will enable our leadership in translational research and innovation Harmonisation, digitalisation and automation will deliver operational efficiencies Increase reach, increase efficiencies and improve patient and clinician services via virtual services Enables model for capital light international expansion, commercialisation of Precision Fertility and opportunistic acquisitions | | |
| Underpinned by | Our values of respect, innovation, success and teamwork | | |

Optimising the Core

One Lab approach proven to improve IVF pregnancy rates in Victoria and Tasmania



- One Lab has delivered improvements in pregnancy rates & efficiencies via:
 - Harmonised lab work instructions for key processes
 - Optimised design for all new & replacement labs
 - Time lapse incubators being introduced across labs
- Embryologists have access to AI-enhanced embryo selection decision support, developed by Virtus + Harrison.ai
- 2019 IVF pregnancy rates now published across all Virtus brands' websites

Melbourne IVF improved pregnancy rates over the past three years - now the firm IVF leader in Victoria, as demonstrated in the most recent VARTA report

Virtus clinics continuing to innovate to improve IVF pregnancy rates as One Lab is adopted across the Group

One Lab, One Clinic & Virtual Clinics to benefit from digital platform to further optimise harmonisation of processes across the Virtus Health Group

Grow capability in Genetics

Virtus driving value by building a fertility ecosystem

Collaboration agreement executed with international provider of fertility and genomic solutions, Cooper-Surgical

Virtual care partnerships being scoped for remote monitoring & testing services

Collaboration continues with Harrison.ai to integrate AI decision support into new digital platform



- New partnerships being developed in key areas of the IVF journey, including:
 - Donor
 - Diagnostics
 - Genetics
 - Cryopreservation
 - Surrogacy
 - R&D
 - AI

Virtus Genetics Service now structured to grow

Virtus is differentiated through leadership in reproductive genetics innovation

Developing a Centre of Excellence, focusing on reproductive genetic testing, research and innovation

Genetics increasingly core to our fertility service delivery and the improvement of fertility outcomes



- Formal review of genetics and diagnostics services completed
 - Negotiation of a new pathology partnership underway
 - New genetics website live
 - Horizon scanning for opportunities and potential test development

Precision Fertility – digital enablement that will differentiate

| | Example of features | Benefits |
|---|--|---|
|  Patient Portal | <ul style="list-style-type: none">• eConsents & Education• Virtual emotional Support• Access to clinical information | <ul style="list-style-type: none">• Improved efficiency and patient outcomes• Improving psychological support• Clinical information accessible 24/7, allowing people to be more engaged in their treatment |
|  Provider Portal | <ul style="list-style-type: none">• Test results accessible virtually• Clinical information enhanced via AI• Automation of Care Team Tasks | <ul style="list-style-type: none">• Real-time data analysis; rapid decision-making for the care team• Real-time care plan setting and sharing, further personalising peoples care• Enriched clinical information & decision with insight & AI systems embedded in workflows |

Precision Fertility – digital enablement that will innovate

| | Example of features | Benefits |
|--|---|--|
|  Research Platform | <ul style="list-style-type: none">• Research Wizard | <ul style="list-style-type: none">• Simpler procedure to access & process complex data elements• Rapid development & presentation of new research insight• Leverage & optimize use of unique and significant dataset |
|  Data Store | <ul style="list-style-type: none">• Data linkage across the Virtus Group globally | <ul style="list-style-type: none">• Ready-to-use data sets with minimal manual intervention• Rapid development of new insight dashboards• Consolidated source for Artificial Intelligence learning and AI/ML outputs |
|  Digital Interoperability | <ul style="list-style-type: none">• Application Development Interfaces• Industry information-sharing standards | <ul style="list-style-type: none">• Securely access to more comprehensive clinical & corporate information from various sources• Enables inter-connectivity with legacy & future applications |

Outlook

We anticipate normalisation of growth rates heading into H2 FY2021

Factors that may impact on activity include changing consumer sentiment, relaxation of international travel restrictions, future pandemic lockdowns and vaccination rollout effectiveness

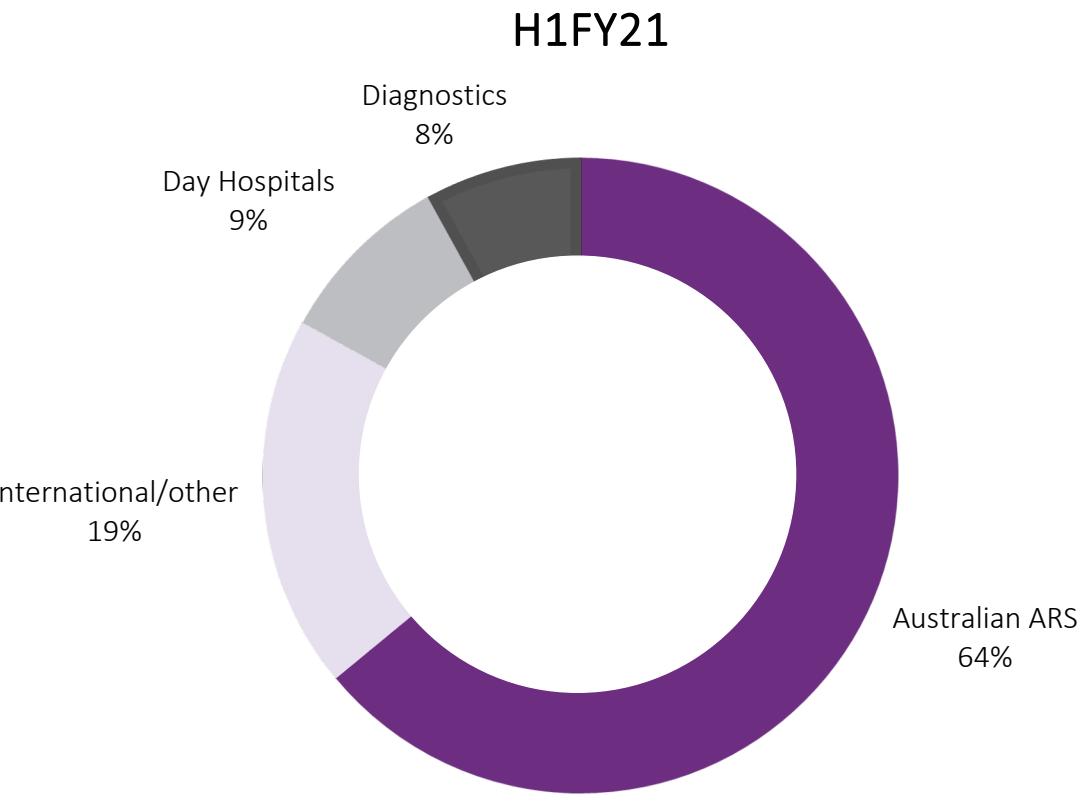
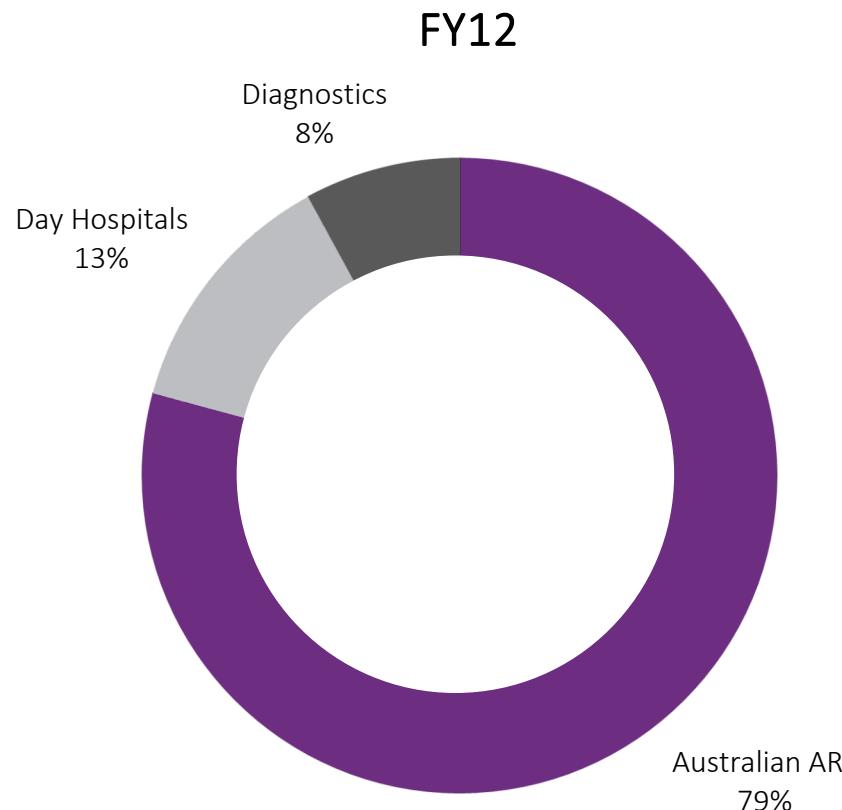
Rising COVID-19 cases in UK & Europe has led to the imposition of stricter restrictions in UK and Ireland. This could impact activity in Q3 FY2021

While we expect to see sporadic disruptions from local and international COVID-19 outbreaks, we remain optimistic that Virtus clinics will continue to maintain their resilience to these developments

Appendices

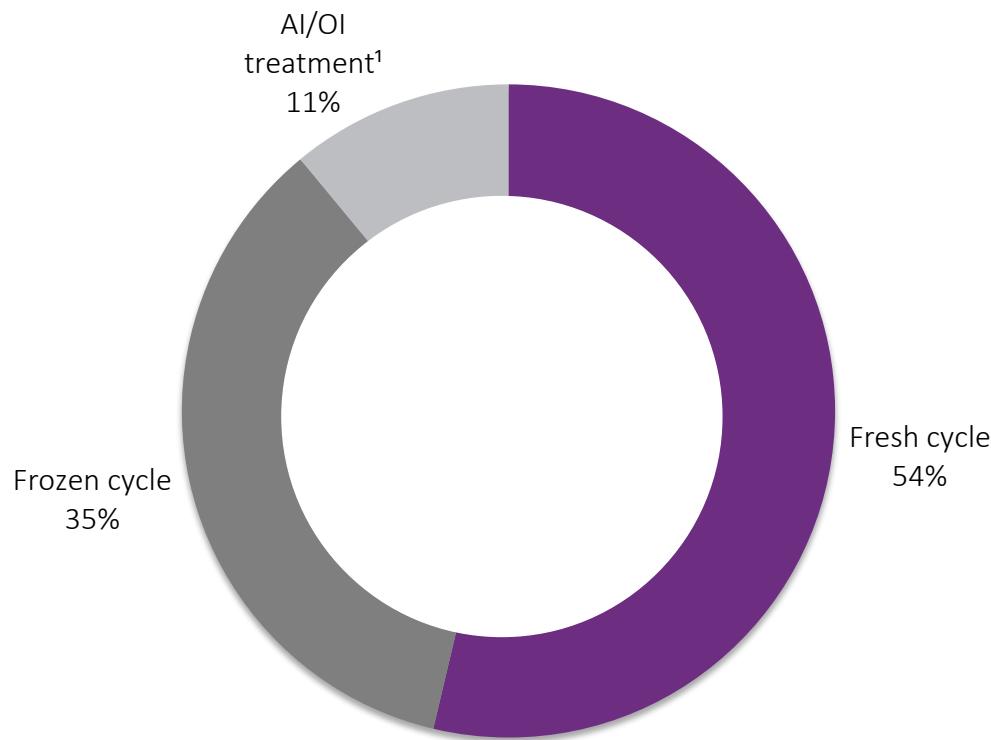
Virtus International

International operations are 19% of Group revenue

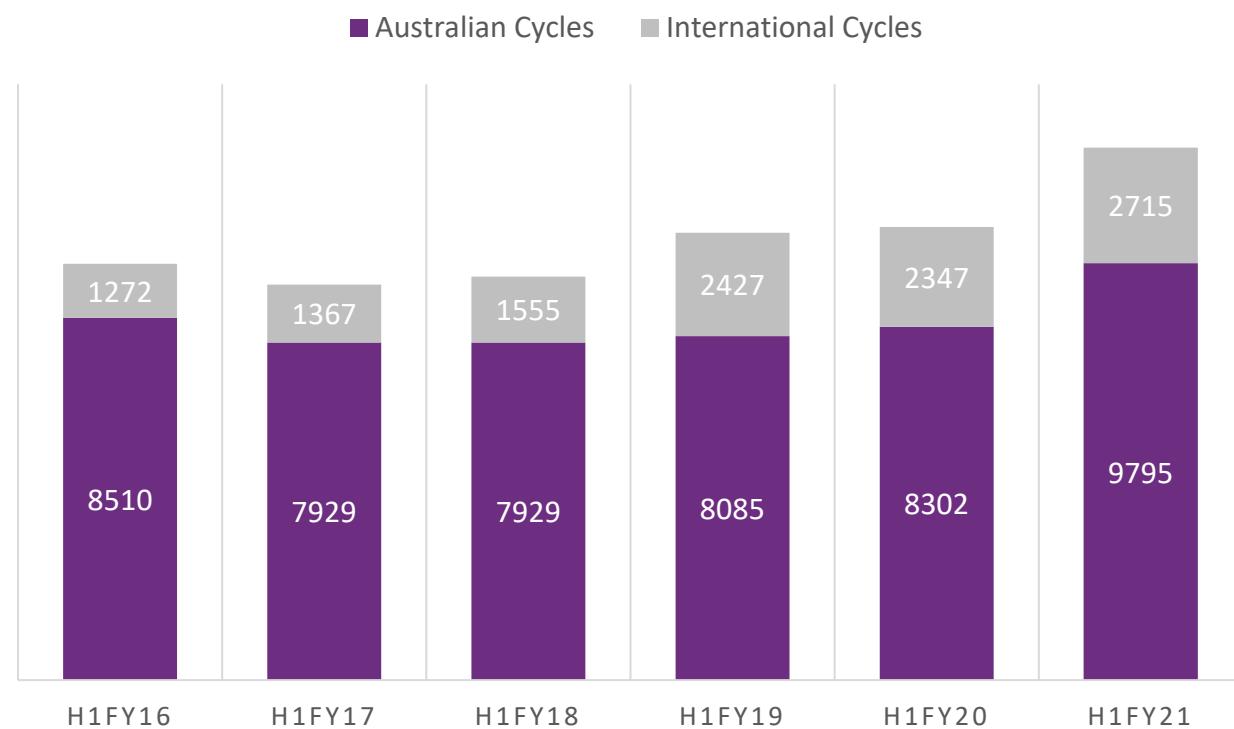


Treatment Analysis

Treatment Mix



Virtus Cycles



1. Artificial Insemination and Ovulation Induction treatments

Regulatory Environment

Australia

- The government-funded *YourIVFSuccess* website, which publicly reports clinic-specific IVF pregnancy rates, launching w/c 15 February 2021
- Proposed changes implemented by National Pathology Accreditation Advisory Council (NPAAC) have placed an additional cost impost on businesses in relation to pathologist supervisory requirements

Ireland

- Proposed changes to donor legislation, removing anonymity for donors and the potential for public funding of IVF are still to play out; no timeframe articulated on these matters
- New dedicated Fertility Regulator expected to be introduced in 2020. Now delayed due to COVID timeframe for inception unclear.

UK

- A proposed National IVF tariff - a “Guidelines for Commissioning Fertility Services” paper has been released by the HFEA to clinical commissioning groups. This includes a proposed tariff for IVF - there is no information on when this might be introduced and it is likely to be contested by clinics.
- The Competition and Markets Authority (CMA) has made a series of recommendations to ensure that fertility providers are meeting their obligations under consumer law, areas include:
 - Clarity in relation to limits and exclusions of liability and pricing plans in patient contracts
 - Patient information for patients to assist with their decision before and after treatment
 - Provision of ‘add on’ treatments
 - Marketing and advertising standards including the publication of data

Singapore

- The Ministry of Health (MOH) announced that, effective 1 May 2021, pre-implantation genetic testing (PGT) will be added as a specialised procedure in the Private Hospitals and Medical Clinics Regulations. All licensed Assisted Reproduction centres offering PGT, and clinical laboratories that conduct the testing, will have to seek MOH approval to offer the service, and approved licensees will be subjected to relevant Regulatory Terms and Conditions.
- The Government has announced a one-off Baby Support Grant of SG\$3,000 for all newborns from January 2021 to 30 September 2021

Denmark

- No regulatory updates at the current time

Virtus Health Network



123

Fertility
Specialists



272

Scientists



1,045
Nurses,
counsellors,
patient support &
operational staff



43
Fertility clinics



55
Laboratories



7
Day Hospitals



9
Diagnostics labs



5
Countries

Australia: 36
Ireland: 3
Singapore: 1
Denmark: 2
UK: 1

Embryology: 27
Andrology: 28

Queensland: 2
New South Wales: 3
Victoria: 1
Tasmania: 1

General pathology: 6
Genetics: 3

Thank you