

ASX ANNOUNCEMENT

23 August 2021: VIRTUS HEALTH LIMITED (ASX: VRT)

VIRTUS' STRONG RESULTS POSITION THE COMPANY TO INVEST IN GROWTH

Sydney, Australia - Virtus Health, ("Virtus", ASX: VRT) a leading global Assisted Reproductive Services (ARS) provider in Australia, with a growing international presence in the UK, Ireland, Denmark and Singapore, today reports its financial results for the full year ended 30 June 2021.

Key points

- Group revenue \$324.6m (FY20: \$258.9m);
- Reported earnings before interest, tax, depreciation and amortisation ("EBITDA") is \$93.4m (FY20: \$46.2m);
- Reported NPAT attributable to equity holders is \$43.1m (FY20: \$0.5m);
- An improved leverage (Net Debt / Adjusted EBITDA) ratio of 1.5x at 30 June 2021 (FY20: 2.2x);
- Progress against refreshed growth strategy continued with the business cases approved for 3 new clinics; the restructure of Virtus Fertility Diagnostics & Reproductive Genetics service and the *Precision Fertility* Digital Platform; and
- A final dividend for 2HFY21, 12cps fully franked.

Commenting on the results, Virtus Group CEO, Kate Munnings said, "It was a very strong performance across all our services globally, in the face of the ongoing COVID-19 impacts of border closures, lockdowns and heightened infection control requirements. The challenges of providing essential services in the current conditions should not be underestimated and the strong results are a testament to all Virtus Health staff and specialists who have worked extremely hard throughout the year".

Australian Segment

Revenue was up 24.4% on pcp to \$259.5m and segment EBITDA up 30.1% to \$97.6m. Key factors contributing to this increase:

- Doctor and staff availability and detailed planning for the restart of elective surgery enabled Virtus to leverage the buoyancy in market activity in FY21;
- Consumer behavioural shifts during the COVID-19 pandemic, to a focus on home and family, have resulted in a higher proportion of new patients commencing ARS, contributing to the increased volumes over the past 12 months;
- Increased cycle activity in ARS clinics resulted in an improvement in IVF EBITDA of \$17.5m with improvements achieved by all Australian ARS clinics;

- Specialist diagnostic revenue increased 12.8% in FY21 compared to pcp reflecting improved IVF volumes and Pre-Implantation Genetic Testing (PGT) activity from premium service cycles. This contributed to an increase in EBITDA of approximately \$1.4m in FY21 compared to pcp; and
- In Day Hospitals, revenue increased by 41.4%, in part due to the increase in IVF activity mentioned above. Of note, there was significant improvement in demand for non-IVF procedures which now account for 45% of total day hospital revenue. Non-IVF procedures revenue increased by 65% and revenue from IVF procedures increased by 26% across all Day Hospitals. The management of Day Hospitals was also restructured during FY21 contributing to improvements in operating efficiency. Day Hospital EBITDA increased by \$3.8m compared to pcp.

“Despite the ongoing challenges presented by COVID-19, our ARS activity in FY21 demonstrated the resilience of IVF as a non-discretionary service as well the underlying community trends towards accessing ARS services. This translated into revenue growth of greater than 25% in all Australian ARS clinics and strong diagnostic revenue performance.”

“What was also pleasing was the growth in revenue across our Day Hospitals which was driven by improved utilisation, including an increase in non-IVF revenue. The management of the Day Hospitals has also been restructured to enhance service planning, improve efficiency and allow for best practice to be shared”, said Ms Munnings.

International Segment

Virtus' international operations also performed well and overall EBITDA in the International segment increased by \$6.2m (68.1% increase compared to pcp):

- Danish clinic revenue up 36.4% on pcp to DKK68.1m; EBITDA up 20.3% on pcp to DKK17.6m;
- Singapore revenue up 55.6% on pcp to SGD\$9.3m; EBITDA up >100% on pcp to SGD\$3.2m;
- Irish revenue up 24.8% on pcp to €20.6m; EBITDA up 83.9% to €4.0m, despite a fall in egg donation volumes and the temporary closure of the Rotunda clinic in December 2020 due to a planned relocation to a new modern facility; and
- UK revenue up 46.8% on pcp to £4.6m; EBITDA up >100% to £1.0m.

“Results across our International services were equally strong, reflecting progress in operating efficiency and capacity as well as investments in doctor teams, donor programs, and marketing” said Ms Munnings.

Capital Management

During the financial year, Virtus successfully extended its existing three-year bank facilities, amounting to A\$92m, now maturing in October 2023, aligning with the maturity of its \$170m five-year facilities.

At 30 June 2021, the group is in compliance with its debt covenants following a period of strong cash generation. Virtus has debt funding capacity of \$112m as at 30 June 2021.

A final dividend of 12.0 cents per share fully franked has been declared (FY20: nil cents) bringing the total dividends for the year to 24.0 cents per share. The final dividend will have a record date of 11 October 2021 and will be payable on 29 October 2021. The final dividend represents a payout ratio of 45% with the target forward dividend payout ratio on a full year basis to be in the range of 45-55% (historically 60-70%) to enhance balance sheet flexibility for investment in organic and inorganic growth initiatives.

Strategy & Future Growth

In FY21 Virtus has progressed its refreshed strategy with:

- i) The business case being approved, and the 18 month program of work commencing for the development of the *Precision Fertility* Digital Platform which will enhance patient and clinician experience, improve clinical outcomes and deliver operational efficiency;
- ii) Investments in the growth of the Virtus ARS clinic network with approval of business cases for three new clinics that incorporate the One Lab embryology & andrology laboratories, designed with world leading partners, and
- iii) The restructuring of the Virtus Fertility Diagnostics & Reproductive Genetics Service with the recruitment of enhanced genetic expertise with a Genetic Pathologist joining Virtus Genetics Service, and another offer pending, positioning Virtus as a leader in Reproductive Genetics service in Australia.

Collectively, these strategic initiatives will provide for greater company growth opportunities and improve pregnancy success rates for Virtus patients.

Ms Munnings added “Our FY21 results have positioned Virtus to invest in future growth including by developing new clinics in Nepean, Copenhagen & Brisbane; enhancing our capability in Fertility Diagnostics & Reproductive Genetics and by developing the *Precision Fertility Digital Platform* to enable innovation and efficiency”.

Key Financial Results

Metric	FY21 (A\$m)	FY20 (A\$m)	Variance (%)
Revenue	324.6	258.9	25.4
Reported EBITDA	93.4	46.2	>100
PBT	60.4	10.4	>100
NPAT Pre-minorities Reported	43.8	09	>100
NPAT attributable to Virtus owners	43.1	0.5	>100
Basic EPS (cps)	53.86	0.59	>100
Diluted EPS (cps)	53.17	0.59	>100

Business Outlook

The Australian ARS market demonstrated resilience in FY21 from the severe disruptions of the COVID-19 pandemic which impacted Q4 of FY20. Detailed planning for the successful restart of services and a change in consumer focus on the importance of home and family contributed to the positive performance. We expect demand for ARS to continue into FY22, however market conditions remain competitive and fragmented.

The most recent outbreak of the COVID-19 Delta variant has resulted in lockdowns of various magnitudes across most Australian states since 26 June 2021. While access to ARS treatment and elective surgeries has continued in all states during lockdowns; heightened infection control and safety protocols, including a strict requirement for our doctors and staff to self-isolate when displaying symptoms or being identified as a casual or close contact; is contributing to some deferral of certain treatments.

International ARS markets continue to operate in the context of the high numbers of COVID-19 cases and border closures. These conditions are delaying the commencement of our egg donation program in Ireland and our ARS “hub” strategy in Denmark. However, we are confident both initiatives will commence in FY22 and that any of the near term impacts of COVID-19 on demand will be reflected as deferred, not lost, demand for ARS services.

Virtus continues to invest in state-of-the-art clinics and labs with new clinics under development in FY22 to support growth in Nepean, Brisbane and Copenhagen. Our *One Lab* also continues to be deployed to further improve success rates.

The Board has also approved the business case for the deployment of the *Precision Fertility* Digital Platform which will be a key investment in FY22/23 and thereafter will support growth and drive efficiencies.

The demand for ARS in FY22 and beyond will be influenced by a number of factors including, in the near term, consumer sentiment being focused on home and family, future pandemic lockdowns and vaccination rollout effectiveness. In the medium term, ARS demand will continue to be influenced by trends in maternal age, greater fertility choices and improvements in success rates. Virtus is well positioned to service the ongoing demand for ARS as well as to further diversify revenue via growth in its Day Hospitals and its Fertility Diagnostic and Reproductive Genetics services.

Board update

Non-executive director Shane Solomon has advised Virtus that he does not intend to stand for re-election at this year’s AGM. We thank Shane for his time, service, and contribution to the organisation.

In addition, Virtus intends to appoint 2 additional independent non-executive directors to the Board ahead of the AGM.”

Investor Conference Call and Webcast

Investors are invited to join a conference call and webcast presentation hosted by Kate Munnings, Group CEO, and Matthew Prior, Group CFO on **Monday 23 August 2021 at 11:00am AEST**. To access the call and webcast, please use the log in details below.

- **Conference Call Registration:** <https://s1.c-conf.com/diamondpass/10016145-dspaler6.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/7795/>

Authorised by the Board of Directors of Virtus Health Limited.

-ENDS-

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 ARS collaborations in the world. With 128 of the world's leading fertility specialists supported by over 1300 professional staff, we are the largest network and provider of fertility services in Australia, Ireland and Denmark, Singapore and UK.