

ASX ANNOUNCEMENT

18 November 2021: VIRTUS HEALTH LIMITED (ASX:VRT)

CHAIR ADDRESS TO VIRTUS HEALTH 2021 AGM

The challenges of providing essential services during the COVID pandemic should not be underestimated. Across five countries, our services have endured through profound and constant disruption as COVID-19 lockdowns continued to impact communities globally, destroying lives and livelihoods and tearing families apart.

Admirably, our staff and specialists have again proven themselves to be adaptable, agile and focused on delivering safe patient care. Our patients, too, have been admirable in an unpredictable environment, showing flexibility, understanding and respecting our strict safety measures.

This collective response to an incredibly challenging situation resulted in one of the most successful years in Virtus Health's history.

As we supported record numbers of patients over the course of FY21, our clinical and operational leaders worked together, ensuring our staff and specialists could support every patient through their treatment journey. We are particularly grateful that we have been able to continue to safely operate in the face of the ongoing impacts of border closures, lockdowns and heightened infection control requirements without shutting down any of our services and we extend our deepest thanks to everyone involved.

FY21 results highlights

FY21 was a strong performance across all our services - internationally and in Australia, and it is pleasing to see growth in both geographic segments. We are proud of how our people and the business have performed during this year's challenges.

Our Assisted Reproductive Services activity in FY21 further demonstrated the resilience of IVF as a non-discretionary service. It also confirms the underlying upward community trends towards accessing these services.

In Australia, this translated into revenue growth of 24.4% on pcp to \$259.5m. Segment EBITDA was up 30.1% to \$97.6m and we saw strong diagnostic revenue performance, increasing by 12.8% on pcp.

Pleasingly, we also saw growth in revenue across our Day Hospitals, which was driven by improved utilisation, including an increase in non-IVF revenue. Over the course of FY21 the management of the Day Hospitals was restructured to enhance service planning, improve efficiency and allow for best practice to be implemented nationally, enabling a greater focus on sharing learnings across the different facilities.

Day Hospital 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 accounts for 45% of total day hospital revenue. Non-IVF revenue increased by 65% and revenue from IVF procedures increased by 26% across all Day Hospitals. Day Hospital EBITDA increased by \$3.8m compared to pcp.

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.

Overall, EBITDA in the international segment increased by \$6.2m, a 68.1% increase compared to prior comparable period.

Strategy Update

In August 2020, we embarked on a new chapter of growth, developing a reinvigorated organisational strategy with a focus on delivering enhanced patient outcomes through the application of four key areas:

- **Core:** strengthening our core through our One Lab and One Clinic approach,
- **Genetics:** creating a Centre of Excellence in Fertility Diagnostics and Reproductive Genetics,
- **Digital:** creating a fertility eco-system through digital enablement and
- **Partnerships:** securing strategic partnerships.

Our ambition, when we first announced our new organisational strategy in August 2020, was to deliver it over the next 3 years. A year into that period, we are on track to achieve this, and we are pleased with how we have progressed throughout FY21 despite significant disruptions.

In FY22 and FY23 we have a number of growth investments which are focused on:

- developing the Precision Fertility™ Digital Platform;
- building Reproductive Genetics capability; and
- Infrastructure & Services (Day Hospital optimisation, building Virtus as a Service (VaaS), One Lab, Workforce Management system).

Whilst a portion of Strategic Growth Investments can be capitalised per the accounting standard AASB138 there remains amounts that cannot be capitalised in accordance with the standard and will be expensed as Opex.

The incremental EBITDA expected from these investments is \$5-10M p.a. from FY23, from a mix of revenue growth and efficiency benefits. The margin outlook is a 100-300bps p.a. improvement by FY24 (as part of the EBITDA uplift) from the Precision Fertility™ Digital Platform and operational improvements. There is also benefit expected from diversification with growth in Day Hospitals, Reproductive Genetics, and International opportunities such as VaaS.

Collectively, our strategies are focused on differentiating the IVF success rates that can be achieved at Virtus clinics, so Virtus clinics become the clinic of choice for Fertility Specialists and patients.

Acquisition of Adora and capital management

In August 2021, Virtus announced it had agreed to acquire Adora from Healius Limited (ASX:HLS) for consideration of \$45.0 million, on a cash and debt-free basis. Adora offers a network of 4 fertility clinics and 3 day hospitals in new areas in NSW, VIC, WA and QLD. It has also established a well-regarded team of 11 fertility specialists and 174 senior management, clinical and support staff and modern as well as high-quality facilities with a focus on affordable IVF.

The purchase price of \$45.0 million was partly funded with a \$35.0 million equity placement from institutional investors. Completion of the acquisition was expected to occur in the second quarter of FY22, subject to customary conditions precedent. However, completion of this acquisition has been delayed due to the review being undertaken by the ACCC. We continue to cooperate with the competition regulator.

While the cash consideration for Adora is currently reserved in anticipation of this transaction, all capital management options, including a share buyback, remain open to the company and are being actively considered.

Q1 FY22 Trading Update

Q1 FY22 has seen positive cash flow generation reflective of trading across the business.

Cycle growth continued in Virtus' Australian clinics in Q1, with growth being up 3.5% vs pcp (a high growth comparable period in FY21), which was well ahead of the addressable market growth of 0.6%. This growth in volume also included a positive mix of new patients receiving treatment.

International cycle growth was flat for Q1 with Ireland, UK and Singapore seeing volume growth in excess of 8% offset by Denmark that saw reduced patient volumes as the country reopened and treatments were deferred. The Q2 pipeline across all clinics remains strong.

Diagnostic revenue saw strong growth in Q1 which was boosted by an increase in genetic testing. The Q2 outlook looks positive with the introduction of further Medicare reimbursement and Virtus' engagement to provide genetic testing services to other industry participants.

Day Hospitals revenue growth benefitted from the growth in IVF procedures however this was in part offset by a reduction in non-IVF procedures due to State specific Health Orders in Q1. The Q2 activity is expected to return as the Health Ordered restrictions are eased.

The cost impact of COVID-19 during Q1 is expected to alleviate over the course of FY22 & those costs, plus the one-off acquisition costs incurred in relation to Adora will be reported with the H1 Results.

Strengthening our Executive Leadership Team

Throughout FY21 we appointed a number of positions to not only drive forward our new strategic direction, but also to strengthen our executive leadership team, bringing in-house our People & Culture and Legal & Risk capabilities, establishing a Digital Health team, and bringing our Australian Day Hospitals under one national umbrella.

In May 2021, we said farewell to our Chief Financial Officer, Glenn Powers after nearly 13 years of tenure.

And, on 28 June 2021, we welcomed Matt Prior to Virtus Health as our new CFO. Matt has strong industry experience, having been an executive at Cochlear Limited (ASX:COH) since 2015, initially as Head of Strategy and then as Vice President Finance & Commercial Operations - Asia Pacific. Matt also brings to Virtus Health a deep understanding of the value drivers in healthcare, having covered healthcare stocks for

close to a decade as an equities analyst at Deutsche Bank; and as Head of Healthcare Equities Research Asia Pacific at Bank of America Merrill Lynch.

Board Updates

The Board has guided progress on the implementation of the new strategic direction for the company, including importantly, approving the business cases for key strategic developments such as the Precision Fertility™ Digital Platform; a new workforce management system and new, state of the art clinics and equipment to cater for future growth.

The Board has also overseen the publication of our first Modern Slavery Statement, outlining our framework and actions to manage the risk of modern slavery in our operations and supply chain.

There have been a number of changes to the Virtus Health Board in FY21, following the retirement of Dr Michael Stanford in February 2021. I am pleased to report that Board renewal was implemented successfully from 1 September 2021 with the appointment of two new independent Non-Executive Directors; Ms Cathy Ashton and Dr Priscilla Rogers. Both Cathy and Priscilla come from diverse career backgrounds and experience, and will each bring valuable perspectives, skills and expertise to Virtus Health. As both Cathy and Priscilla were appointed by the Board, both directors present to shareholders for election at today's AGM.

Dr Lyndon Hale stepped down from his role as Medical Director for Victoria on 1 January 2021 but remains a Director of Virtus.

As previously advised, Mr Shane Solomon did not stand for re-election to the Board this year. I would like to thank Shane for his valuable contribution to Virtus Health during his tenure with the Company including chairing the Board Risk Committee and for his constructive challenge, insights, guidance and support and wish him well in the future.

Looking Forward

We are optimistic at what can be achieved in FY22. Our financial results in FY21 have positioned us to remain at the forefront of assisted reproductive services globally, as we continue to improve our services and progress our strategic priorities – core, genetics, digital and partnerships.

We believe that demand drivers for assisted reproductive treatments will be sustained, and we remain confident that we can continue to perform strongly in FY22, both clinically and operationally, despite the ongoing impacts of COVID-19. That confidence has been validated by our Q1FY22 results which Kate will take you through next.

We are also committed to maintaining strong capital management strategies that will enable us to successfully manage risks and take advantage of the future opportunities, delivering long term shareholder value.

Once again, I extend our deepest thanks to our patients for putting their trust in us, our staff and specialists for their drive and commitment, and our senior executive team and the Virtus Board for their leadership. We have a strong team and we look forward to continuing the important work that we do every day - helping people all around the world become parents.

-ENDS-

Authorised by the Board of Directors of Virtus Health.

For further information, please contact:

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About Virtus Health Limited

Virtus Health Limited (ASX:VRT) brings together leading clinicians, scientists, researchers and support staff to provide exceptional fertility care and related specialised diagnostic and day hospital services. We have a successful medical collaboration, with 128 leading fertility specialists, supported by over 1,300 professional staff.