

VIRTUS HEALTH 2018 ANNUAL GENERAL MEETING

CHAIRMAN'S ADDRESS

Results for the financial year ended 30 June 2018 reflected a challenging year in our core Australian fertility operations and continued growth from our international activities reaffirming the strategic vision of Virtus Health.

FY2018 resulted in Virtus Health delivering a consistent Australian performance, continued growth in diagnostic and international activities supported by effective cost management despite softening in the Australian Assisted Reproductive Services ("ARS") market in the second half.

Group revenue increased 2.2% to \$262.1 million. Revenue growth was impacted by market volume weakness and price pressure in a competitive Australian market where revenue declined by 0.5%. International revenue increased by 17.6% assisted by a favourable foreign exchange translation impact on our euro earnings, growth in Singapore, the full year contribution of Aagaard Fertility Clinic Denmark and a three month contribution from Complete Fertility Centre, Southampton.

For the year ended 30 June 2018 the Directors announced a final dividend of 12.0 cents per share fully franked and this resulted in a full year dividend payout of 26.0 cents per share fully franked; this was an increase on the prior year reflecting increased earnings.

The Virtus International presence continues to grow with targeted acquisitions in the United Kingdom and Denmark consistent with our international growth strategy. We continued to drive further improvement from our international activities with EBITDA growing 30% to \$9.2m with Ireland continuing to deliver solid results. In Singapore financial performance continued to improve and we achieved a full year positive EBITDA for the first time.

Financial performance in the first four months of FY19 is slightly below expectations and prior year levels. In the first quarter the Australian ARS market (available to Virtus) has experienced volume growth of 0.8%; in the same period Virtus achieved volume growth of 1.9%. Virtus Health growth was achieved in low cost and blended model services and premium service volume was flat.

As I highlighted in the Annual Report, the New South Wales Maroubra site relocated its IVF laboratory, clinic and day hospital to Alexandria. This is one of two major relocations and facility upgrades completed in the last three months; we also relocated our Hobart facility in September. Each of these major projects has resulted in some disruption to our operating performance in the last three months although we expect to see improvement in performance from each business unit during the second half.

Combining the impact of the significant operational changes and revenue growth favouring our low cost and blended IVF model, our margin for the four months ended October 2018 is lower than the same period last year.

Shareholders will also note that we successfully completed refinancing of our existing debt facilities maturing in September 2019, with a combination of 3 and 5-year debt.

Following the early refinancing, the Group has total facilities of A\$261M through new syndicated debt facilities, an increase of \$50M. The replacement of the five-year debt facility with a combination of three-year and five-year facilities provides more flexibility and lower ongoing interest costs on a like for like basis.

I would like to thank the Board and in particular Peter Turner. Peter joined the Board at IPO and I would like to thank him for his contribution over the last five years. I also thank our staff, fertility specialists and management teams who contribute daily to the success of Virtus Health in a changing clinical and business environment.

Thank you.

Peter Macourt
Chairman
Virtus Health Limited
21 November 2018