

## ASX ANNOUNCEMENT

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

### Virtus Health - Outperforming market growth in Australia

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Sydney, Australia - Virtus Health, ("Virtus", ASX: VRT) Australia and Ireland's largest Assisted Reproductive Services (ARS) provider, with a presence in the UK, Denmark and Singapore, today reports its financial results for the half year ended 31<sup>st</sup> December 2019.

#### Highlights

- Revenue up 1% to \$142.1m on the prior corresponding period (pcp);
- Group earnings before interest, tax, depreciation and amortisation ("EBITDA") up 21.9% to \$39.5m (\$7.4m increase in segment EBITDA resulting from adopting AASB 16 'Leases');
- Australian IVF clinic EBITDA increased 4.5% (excluding AASB 16 impact) compared to pcp;
- Net Profit after tax increased 3.7% to \$15.5m and was impacted by CEO transition and restructure costs;
- Basic earnings per share increased 2.4%; and
- An interim dividend of 12.00 cents per share fully franked will be paid on 16 April 2020 to shareholders on the register at 26 March 2020.

"Virtus has demonstrated resilience in changing market conditions and outperformed overall market growth in Australia. We have focused on improving profitability through our cost reduction initiatives and our investments in infrastructure in FY19 have facilitated business development opportunities and growth" said Ms. Sue Channon, Group Chief Executive Officer, Virtus Health.

"Virtus' diversified model, scale & geographical reach provides an unrivalled platform for participation in all key fertility segments both domestically and internationally," said Ms Channon.

#### Australian Assisted Reproductive Services ("ARS")

Virtus cycle activity in Australia in the half year increased 2.7% compared to an increase in Virtus' available market of 1.2%. Virtus' Victorian and Queensland cycle activity grew by 10% and 6% respectively, while Virtus' NSW and Tasmanian business activity reflected local market weakness. Virtus volume from The Fertility Centre ("TFC") low priced network increased 30.2% with growth achieved in every TFC clinic. TFC activity now represents 22% of Virtus Australian cycle activity compared to 17.3% in the pcp.

"Virtus' core ARS business outperformed market growth and we remain the only provider participating across all patient demographics in Australia," said Ms Channon.

#### Diagnostics

Virtus Diagnostics revenue increased 0.2% and EBITDA decreased 30.2% over pcp due to a less favourable revenue mix, which included lower Preimplantation Genetic Testing (PGT) volumes following a previously reported clinical practice change, and increased compliance costs.

#### Day Hospitals

Virtus Specialist Day Hospital revenue increased 2.9%, a consequence of improved demand for non-IVF procedures which now account for 50% of total day hospital revenue. Non-IVF procedure revenue increased 6.8% on the pcp across all Virtus Specialist Day Hospitals. EBITDA improvement from non-IVF procedures was offset by lower premium IVF procedures in NSW.

"Alexandria Specialist Day Hospital EBITDA improved by \$0.3m as more non-IVF surgical specialists utilised the day hospital. We expect a further improvement in utilisation to continue across day hospitals especially Alexandria and Hobart where endoscopy services have now commenced and business development continues," said Ms. Channon.

#### International Segment

Virtus' international business continues to represent 21% of group revenues affirming the company's diversification strategy.

In Ireland Virtus clinics experienced a stronger first half primarily related to effective cost management with EBITDA in local currency increasing 17.1% in spite of a small cycle volume decline. In the UK, Complete Fertility increased revenue 13.4% and this resulted in an EBITDA performance more than double that of the pcp.

Virtus Danish clinics experienced a difficult six months with cycles down 8.7% impacted by a reduction in cycles from Swedish based patients following the relaxation of donor regulations in Sweden and under resourcing of specialists in the Aagaard clinic. Danish EBITDA declined 45% compared to pcp. The specialist resourcing issues have been addressed as at 31 December 2019 and we are seeing an improvement in cycle activity in the second half.

Virtus' Singapore operation delivered an 18.2% increase in cycle volume and an EBITDA increase of 77.4% compared to pcp.

"We have made good progress through the half and our international operations continue to contribute positively to the diversification of our revenue. We are well positioned for earnings improvement across all international territories," said Ms Channon.

### Capital Management

Total expenditure on tangible and intangible assets was \$2.8m in H1 FY2020 (H1 FY2019; \$9.0m). Basic earnings per share increased 2.4% to 18.65 cents per share (H1 FY2019: 18.21 cents per share). Diluted earnings per share increased 2.1% to 18.48 cents per share (H1 FY2019: 18.10 cents per share). An interim dividend of 12.00 cents per share fully franked (April 2019: 12.00 cents per share) will be paid on 16 April 2020 to shareholders on the register at 26 March 2020.

### CEO Change

Sue Channon's 16 year tenure with the business concludes 29<sup>th</sup> February and Kate Munnings will commence as CEO on 4<sup>th</sup> May with Glenn Powers, CFO, acting as interim CEO during March & April 2020.

### Key Financial Results

Metric	H1FY2020 (A\$m)	H1FY2019 (A\$m)	Variance (%)
Revenue	142.1	140.7	1.0
Group EBITDA	39.5	32.4	21.9 <sup>1</sup>
PBT	21.4	20.9	1.9
NPAT Pre-minorities	15.5	14.9	3.7
NPAT	15.0	14.6	2.3
Basic EPS (cps)	18.65	18.21	2.4
Diluted EPS (cps)	18.48	18.10	2.1

<sup>1</sup> – Group EBITDA excludes \$7.4m of lease repayments reclassified to depreciation and interest charges on adoption of AASB 16 'Leases' for H1FY20

This announcement has been authorised for release by the Board.

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### **Investor Conference Call and Webcast**

Investors are invited to join a conference call and webcast presentation hosted by Sue Channon, Group CEO, and Glenn Powers, Group CFO and Company Secretary at **9.00am AEDT on Tuesday 18<sup>th</sup> February 2020**. To access the call and webcast, please use the log in details below.

To pre-register for the call please follow this link:

<https://s1.c-conf.com/diamondpass/10003895-invite.html>

You will receive a diary note and PIN for fast-track access to the call.

To register to participate via webcast please follow this link: <https://webcast.openbriefing.com/5826/>

**The presentation & audio can be accessed via a webcast:** <https://webcast.openbriefing.com/5826/>

### **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 125 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.