

## ASX ANNOUNCEMENT

**17 December 2021: VIRTUS HEALTH LIMITED (ASX:VRT)**

### **Virtus considers commercial and strategic initiatives without Adora Acquisition**

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On 23 August 2021, Virtus Health Limited ("Virtus", ASX: VRT) announced that it had entered into a share sale agreement to acquire Adora Fertility and three day hospitals ("Adora Services") from Healius Limited (ASX:HLS) for \$45.0 million.

#### **Rationale - Acquisition of Adora Services**

The Adora Services were to be acquired as complementary to Virtus' existing Assisted Reproductive Services (ARS) clinics and Day Hospitals with:

- Four ARS clinics across Australia (WA, NSW, QLD, VIC) with Western Australia a new market for Virtus; and three day hospitals (WA, NSW, VIC);
- FY21 cash EBITDA<sup>1</sup> of \$4.5 million (incl. \$0.3 million net loss from acquired day hospitals);
- Mildly EPS accretive in the first full year post completion of the acquisition.

The acquisition was to be funded through the combination of an underwritten \$35 million institutional placement (as announced on 23 August 2021) and existing cash reserves. Completion of the transaction was expected in Q2 FY22 subject to satisfaction of customary conditions.

#### **ACCC review and proceedings**

As a matter of courtesy, Virtus notified the Australian Competition and Consumer Commission (ACCC) of the acquisition at the time of the announcement. The acquisition was not subject to regulatory approvals.

The ACCC subsequently commenced a public review followed by the commencement of proceedings alleging that the acquisition of the Adora clinics in Brisbane and Melbourne would result in a substantial lessening of competition in breach of the *Competition and Consumer Act 2010*. The ACCC restrained the parties from completing the acquisition and the matter was fixed for a two-week hearing in March 2022 before the Federal Court of Australia.

Over the past 3 months, Virtus has worked continuously, co-operatively and extensively to address the ACCC's prima facie concerns regarding the ownership of the 2 Adora clinics of concern. However, to date the ACCC has not reached a decision to provide clearance for the acquisition despite the submission of extensive materials to support the rationale for Virtus' view that the 2 clinics, supporting the practices of 4 fertility specialists, would not result in a substantial lessening of competition.

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<sup>1</sup> Based on unaudited financial information provided by HLS when conducting due diligence of the Adora Services.

With the continued uncertainty of the outcome of the hearing for shareholders, including the opportunity cost of the management team being distracted from value creating opportunities currently under consideration, as well as the necessity to incur substantial legal costs if the matter proceeds to hearing, Virtus has decided not to proceed with the acquisition.

Virtus has issued a notice of termination under the Share Sale Agreement with Healius, and under that agreement, Virtus does not have an exposure to cost recovery or to damages as a result of the decision to terminate.

### **Capital Management / Strategic and commercial initiatives**

Virtus is disappointed in this outcome and understands that the decision not to acquire the Adora Services will also be disappointing for various stakeholders.

However, Virtus continues to review its capital management options and remains committed to pursuing its strategic growth plans including:

- The implementation and commercialisation of the *Precision Fertility™* Digital Platform;
- Expansion of its capital-lite growth initiatives delivered through the *Virtus as a Service™* model in Asia; and
- The consideration of opportunities for growth in off-shore markets.

In pursuing its long-term strategic initiatives, Virtus continues to focus on improving IVF success rates for patients through innovation and research, and improving clinician and patient engagement, while sustainably and materially reducing operating costs in the medium term.

**-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.