

Virtus Health

“Exploring Competitive Advantage”

Morgan Stanley Conference – June 2014



Disclaimer

The material in this presentation has been prepared by Virtus Health Limited ABN 80 129 643 492 ("Virtus Health") and is general background information about Virtus Health's activities current at the date of this presentation. The information is given in summary form and includes financial and other information provided by the vendors of SIMS IVF. It does not purport to be complete. Information in this presentation, including forecast financial information should not be considered as advice or a recommendation to investors or potential investors and does not take into account investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

Persons needing advice should consult their stockbroker, solicitor, accountant or other independent financial advisor.

The release, publication or distribution of this presentation in certain jurisdictions may be restricted by law and therefore persons in such jurisdictions into which this presentation is released, published or distributed should inform themselves about and observe such restrictions.

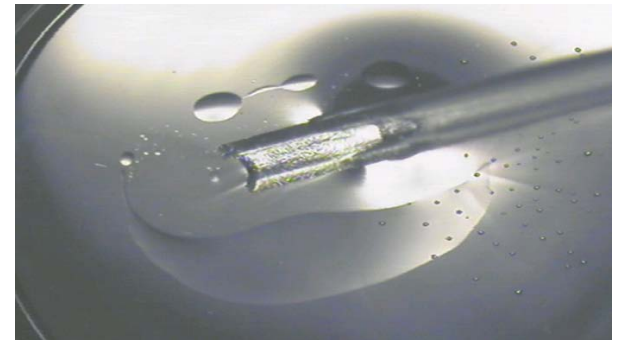
This presentation does not constitute, or form part of, an offer to sell or the solicitation of an offer to subscribe for or buy any securities, nor the solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issue or transfer of the securities referred to in this presentation in any jurisdiction in contravention of applicable law. Certain statements made in this presentation are forward-looking statements. These forward-looking statements are not historical facts but rather are based on Virtus Health Limited's current expectations, estimates and projections about the industry in which Virtus Health operates, and beliefs and assumptions. Words such as "anticipates", "expects", "intends", "plans", "believes", "seeks", "estimates", and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Virtus Health, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. Virtus Health cautions investors and potential investors not to place undue reliance on these forward-looking statements, which reflect the view of Virtus Health only as of the date of this presentation. The forward-looking statements made in this presentation relate only to events as of the date on which the statements are made. Virtus Health will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this presentation except as required by law or by any appropriate regulatory authority.

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation. In addition, a number of figures have been calculated on the basis of assumed exchange rates, as set out in this presentation.

To the maximum extent permitted by law, neither Virtus Health nor its related bodies corporate, directors, officers, employees, agents, contractors, advisers nor any other person, accepts, and each expressly disclaims, any liability, including without limitation any liability arising from fault or negligence, for any errors or misstatements in, or omissions from, this presentation or any direct, indirect or consequential loss arising from the use of this presentation or its contents or otherwise arising in connection with it.

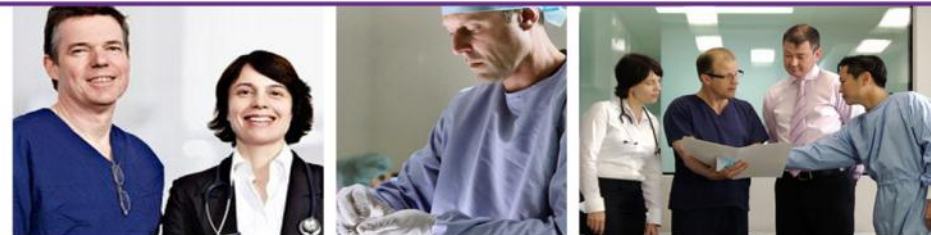
Agenda

- 1 Introduction to Virtus
- 2 IVF market trends
- 3 Virtus' sources of competitive advantage
- 4 Conclusion





1. Introduction to Virtus



Virtus Health – investment highlights

- Australian market leader in a growing area of specialist healthcare with expanding international operations
- SIMS IVF acquisition delivers a controlling stake in the Irish market leader - first step in execution of international growth strategy
- Largest provider of Assisted Reproductive Services in Australia:
 - Full service clinics
 - Low cost model clinics
 - Day hospitals
 - Specialist diagnostics
- Scientific and clinical excellence
- Strong financial track record:
 - Track record of revenue and EBITDA growth
 - Strong cash flow generation
 - Organic, service expansion, and acquisition-driven growth opportunities



Leader in a growing market

Virtus is the largest provider of Assisted Reproductive Services in Australia

- 36% share of IVF cycles performed in Australia⁽¹⁾ and operates in Australia's largest state IVF markets (New South Wales, Victoria and Queensland)
- One of two leading providers in each state in which it operates
- ~25% market share in Ireland via SIMS IVF

Assisted Reproductive Services is a growing area of healthcare

- Growth is supported by growing female population, demographic trend towards increasing maternal age, and increasing use of Assisted Reproductive Services
- The number of IVF cycles in Australia grew at a compound annual growth rate of 4.4% between 2007 and LTM June 2013⁽²⁾
- Patients receive partial reimbursement towards the cost of services in Australia
- Irish IVF market is privately funded



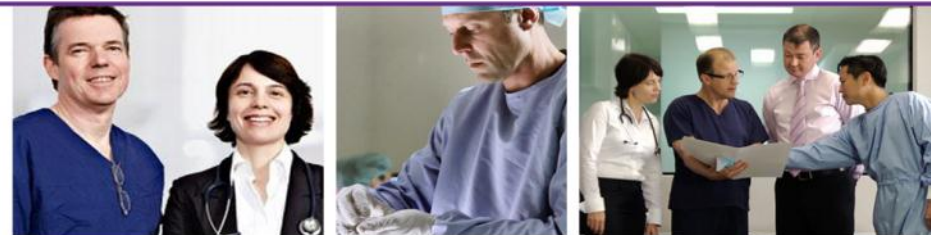
Notes:

- (1) Based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201 and 13202 in FY2013. Difference between aggregate figure and the state market shares is due to rounding error. Remaining IVF cycles conducted in the Australian Capital Territory
- (2) (2) For FY2013 financial year, based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201 and 13202

sum of individual



2. IVF market trends

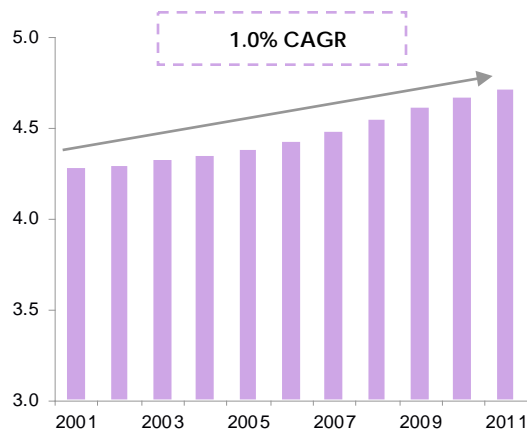


Industry growth

Growth in the Assisted Reproductive Services industry is underpinned by demographic and social trends

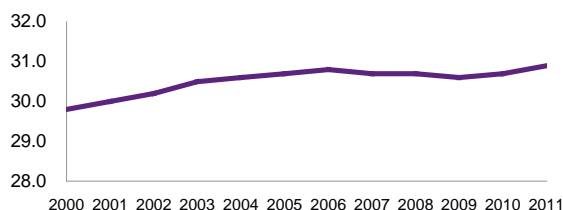
Female population growth

Number of Australian women aged 25-54 (million)⁽¹⁾

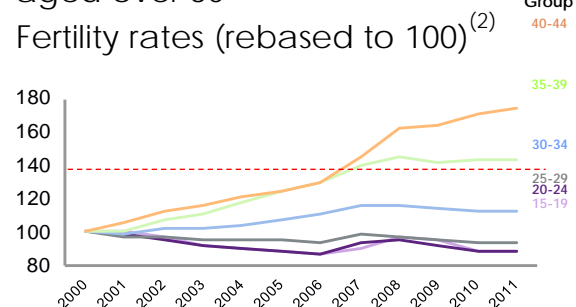


Maternal age

Median age of mothers⁽²⁾



Growth in fertility rates for women aged over 30



As women age, the number of egg follicles that remain in their body declines...impacting fertility

Use of Assisted Reproductive Services

Increasing social awareness and acceptability

Increasing accessibility of fertility clinics

Increasing willingness of general practitioners and medical specialists to refer patients to a fertility clinic

Improving success rates and efficacy of Assisted Reproductive Services

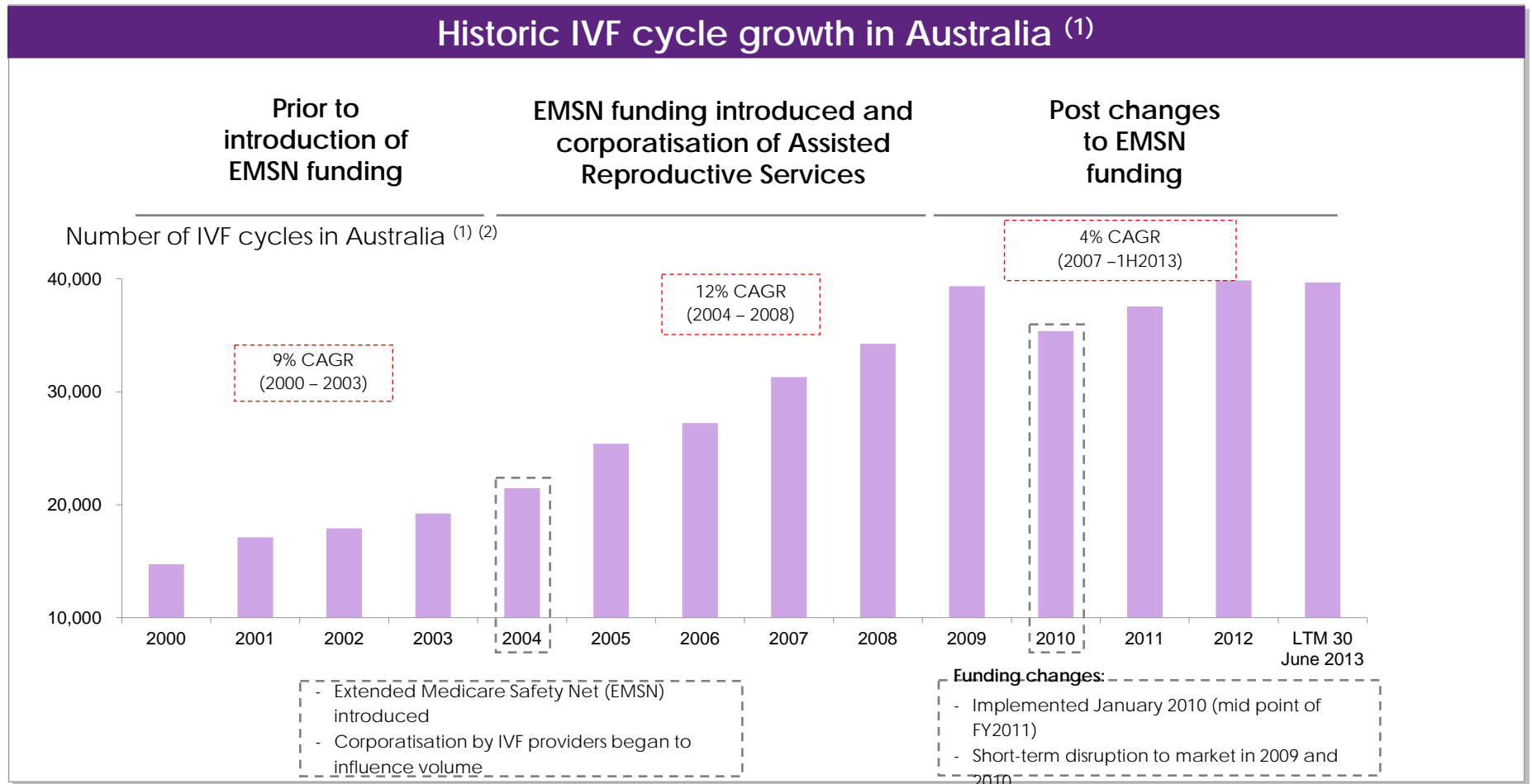
(Scientific advancements enabling treatment of patients not previously treatable)

Notes:

(1) Australian Bureau of Statistics, Population, 2001-2011,

(2) Australian Bureau of Statistics, Births Australia, 2011

Historic industry growth



Notes:

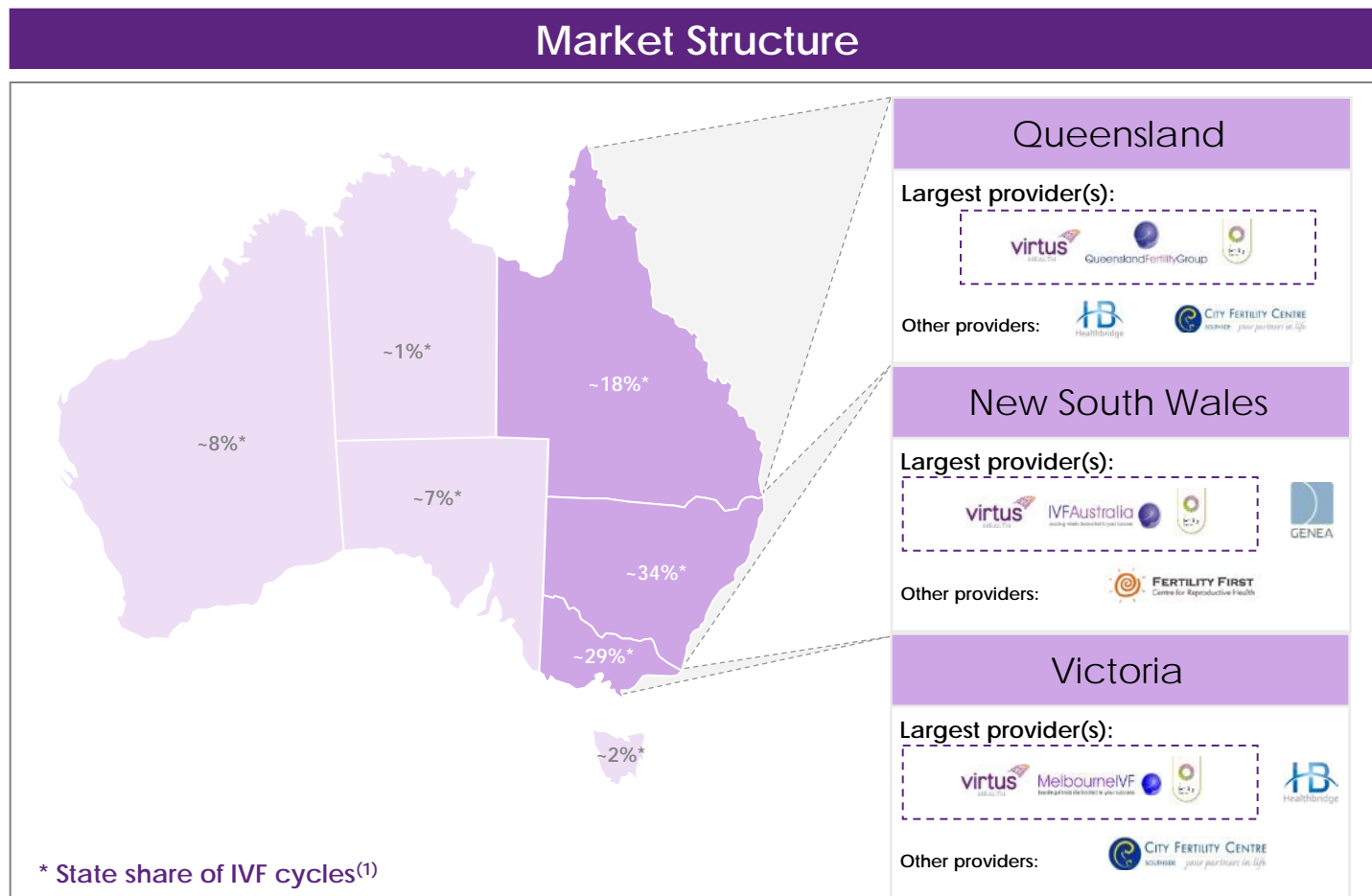
(1) Over the period 2000 to LTM June 2013

(2) Based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201 and 13202 in FY2013

Market structure: Australia

Virtus is one of the two largest providers in New South Wales, Victoria and Queensland

- New South Wales, Victoria and Queensland are the largest markets and accounted for approximately 80% of IVF cycles ⁽¹⁾
- Virtus and one competitor account for the majority of IVF cycles in each of these markets
- Virtus accounted for ~36% of IVF cycles conducted in Australia in FY2013 ⁽¹⁾



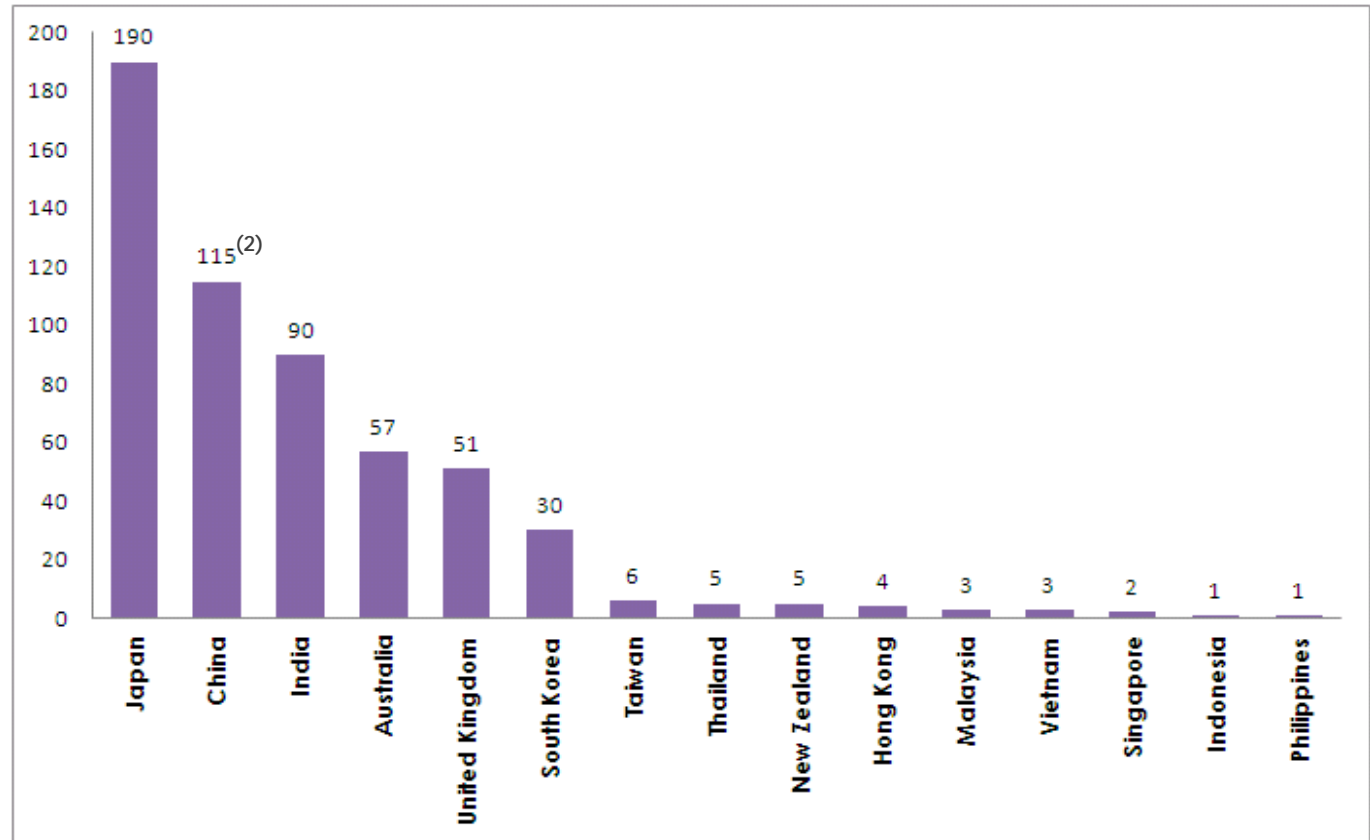
Note:

- (1) Based on Medicare Benefit Schedule Item Statistic Reports for items 13200, 13201 and 13202 in FY2013. Difference between aggregate figure and the sum of individual state market shares is due to rounding error. Remaining IVF cycles conducted in the Australian Capital Territory

International markets: IVF cycle growth

- Developed countries with low fertility rates tend to have relatively higher number of cycles per clinic and per capita
- Markets deemed attractive by Virtus have similarities in regulatory system, show good cycle growth, present opportunities for consolidation or improving efficiencies

IVF cycles per country in thousands⁽¹⁾



Number of cycles	613	300+	500+	70	58	~100	~25	~30	7	8	~25	13	9	8	3
Cycles per clinic	310	~380	180	813	874	300	240	167	715	502	120	231	222	125	167

*Notes: Source: US Census Bureau International Database (2010)

(1) Estimate of total cycles including fresh or frozen / FET cycles

(2) Estimated figure between 100-130₁

International markets

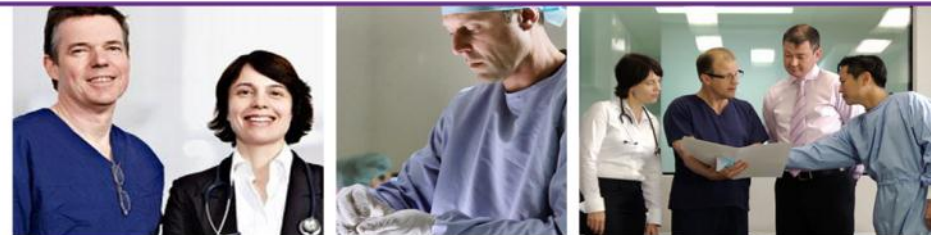
Government funding impacts market penetration of IVF

Country	Cycles per million of population
Ireland	750
Denmark	2,159
Australia	1,642
Netherlands	1,017
UK	724
Germany	604

*ESHRE fresh cycle data from 2009 which is latest available



3. Virtus' sources of competitive advantage



Sources of competitive advantage

Business Model

- Vertically integrated business model
- Breadth of service offerings, seamless patient experience
- Size and scale

Scientific and clinical excellence

- Strong IP underpins the business
- Innovation leads to new service offerings that benefit patients and deliver new sources of revenue

Doctors and staff

- Attractive contractual model aligned to growth
- Excellent record in attraction and retention

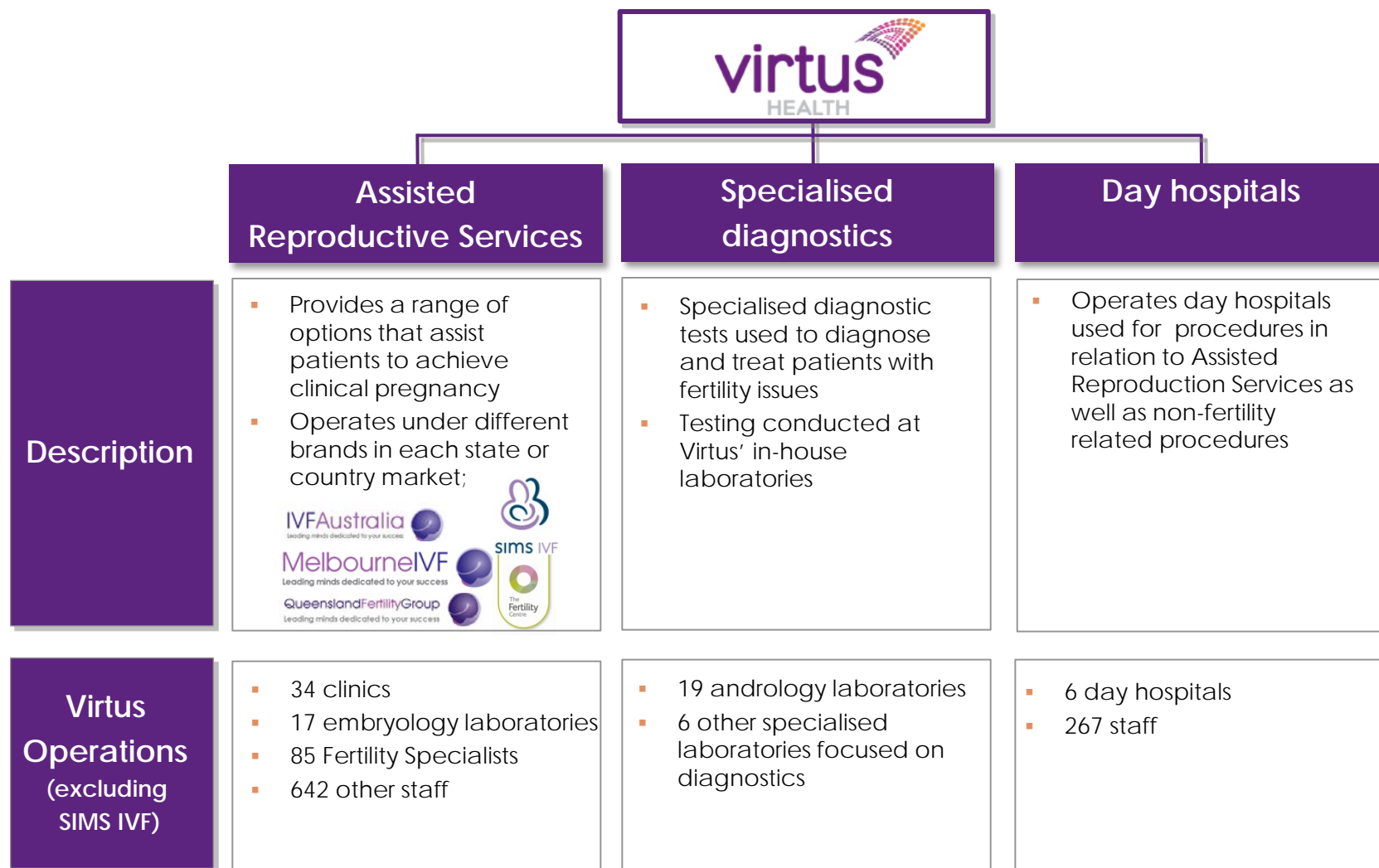
Marketing and Brand

- Customer experience underpins strong brand reputation
- Marketing aimed at referrers and patients

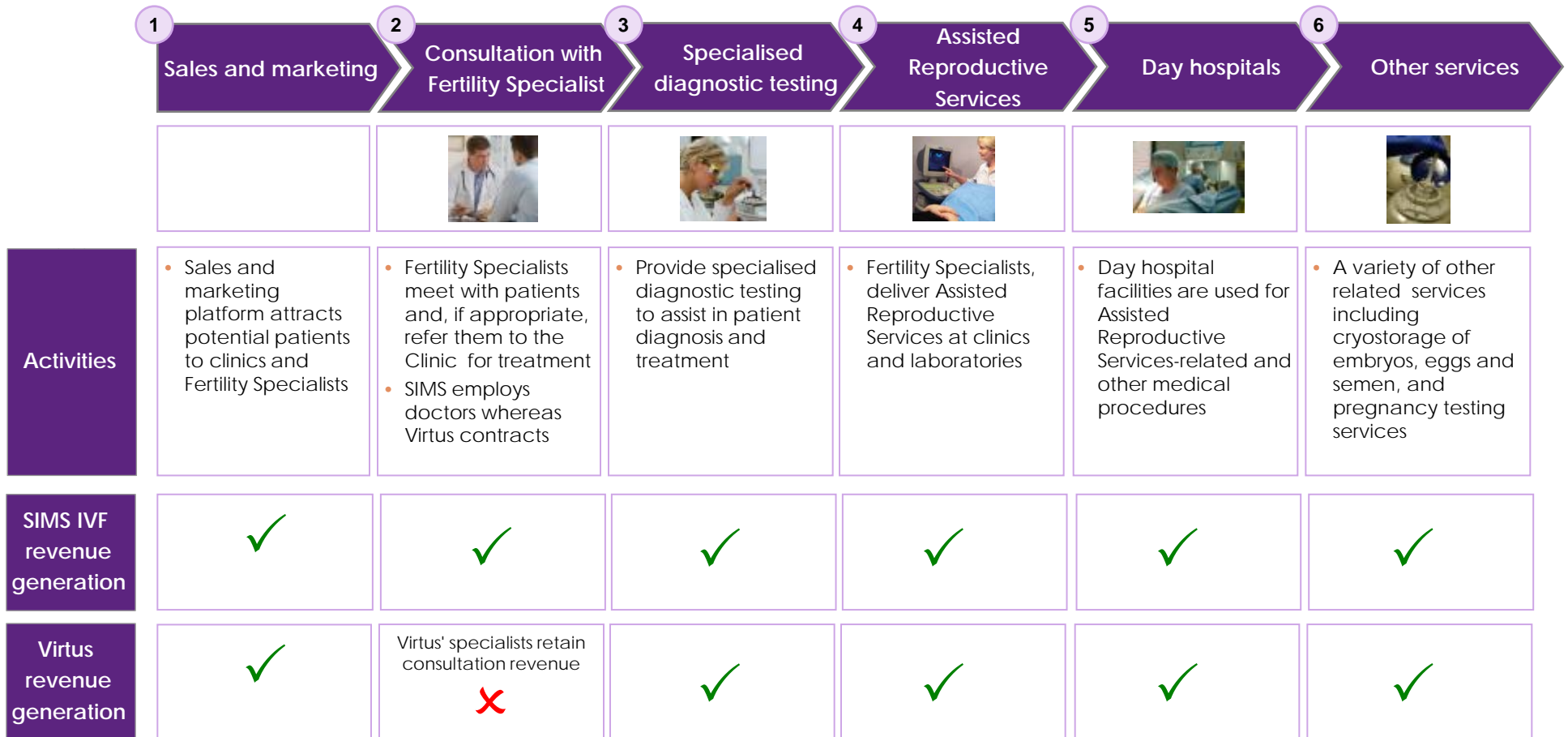
Expansion strategy

- Exploring acquisition and investment opportunities in both Australia and internationally
- Enhances size and scale

Overview of Virtus' patient services



Vertically Integrated Business Model



Sources of competitive advantage

Business Model

- Vertically integrated business model
- Breadth of service offerings, seamless patient experience
- Size and scale

Scientific and clinical excellence

- Strong IP underpins the business
- Innovation leads to new service offerings that benefit patients and deliver new sources of revenue

Doctors and staff

- Attractive contractual model aligned to growth
- Excellent record in attraction and retention

Marketing and Brand

- Customer experience underpins strong brand reputation
- Marketing aimed at referrers and patients

Expansion strategy

- Exploring acquisition and investment opportunities in both Australia and internationally
- Enhances size and scale

Virtus is a global scientific leader

Virtus is an international scientific leader in multiple sub-fields of IVF

- Unrivalled leadership position across a broad range of areas
- Leadership position verified and supported by large number of published research papers that have been peer reviewed
- Continuing \$3MM+ R&D program means Virtus will continue to remain at the forefront of scientific development

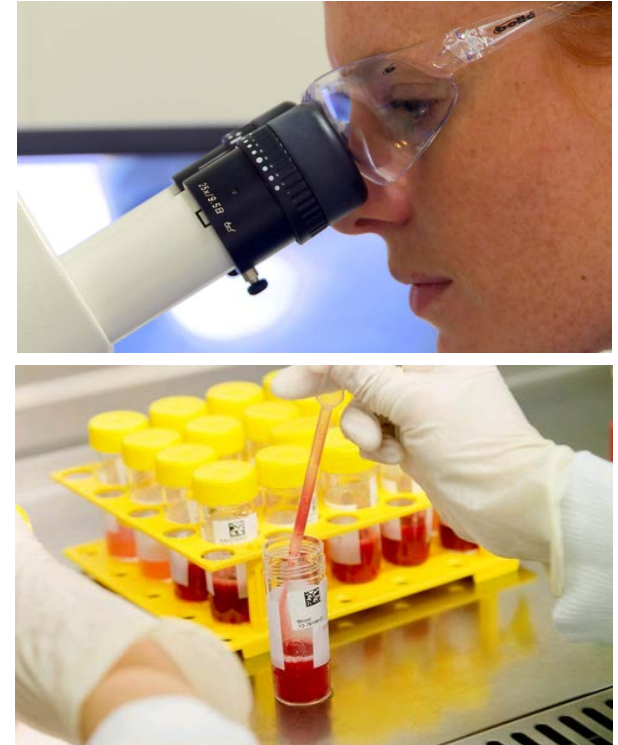
Virtus' Key Areas of Scientific Leadership

Area	Expertise	Evidence
Array CGH	<ul style="list-style-type: none">▪ Virtus worked with Cambridge Blue Gnome to apply technology to IVF▪ Virtus conducts 800+ Array CGH cycles p.a.	<ul style="list-style-type: none">▪ 3 Journal Articles
Cryopreservation	<ul style="list-style-type: none">▪ Virtus' cryopreservation techniques involve the highly efficient frozen storage and preservation of human reproductive material/potential (embryos, eggs, ovarian tissue)	<ul style="list-style-type: none">▪ 10 Journal Articles
Polyscope	<ul style="list-style-type: none">▪ Virtus has been involved in Polyscope since its inception in 2002. It has used the technology to help differentiate potential oocyte related issues, mostly around the presence of an intact spindle that is needed for successful fertilisation	<ul style="list-style-type: none">▪ 5 Journal Articles
Natural Killer Cells	<ul style="list-style-type: none">▪ Virtus has led the successful development of one of the most complex tests to identify recurrent miscarriage▪ Virtus is one of only three labs in the world to offer the service	<ul style="list-style-type: none">▪ NA
Cytogenetics	<ul style="list-style-type: none">▪ Virtus is the only lab in Australia offering sperm FISH, both for translocations and 5 probe aneuploidy screening▪ Three key areas of Virtus' cytogenetic leadership include: sperm screening by aneuploidy FISH, sperm translocation FISH, cystic fibrosis	<ul style="list-style-type: none">▪ 5 Journal Articles
Other	<ul style="list-style-type: none">▪ Virtus also has world leading expertise in high magnification digital sperm imaging, sperm DNA testing and anti-mullerian hormone testing	<ul style="list-style-type: none">▪ NA

Specialised diagnostics: Delivering a healthy baby

Diagnostics provide a point of difference, additional sources of revenue, and deliver benefits to patients

- Diagnostics:
 - Expand testing for Infectious Diseases
 - Chlamydia
 - Vitamin D
 - Varicella
- Genetics and gene sequencing:
 - NIPT (screening for Trisomy 21, 18 and 13) – non-invasive, safer diagnostic tool – to be licensed in-house.
 - Next generation gene sequencing (NGS): Three panel test to screen for cystic fibrosis, fragile X and SMA
 - ERA (Endometrial Receptivity Array)
 - Karyomapping for PGD
 - Pre-natal testing for 180 most common diseases by NGS
 - Genetics Working Party established to formulate a long term view and strategy for Virtus in the rapidly changing field of human genetics



Sources of competitive advantage



Why do fertility specialists contract with Virtus?

Virtus has an excellent track record in retention and attraction of doctors and staff

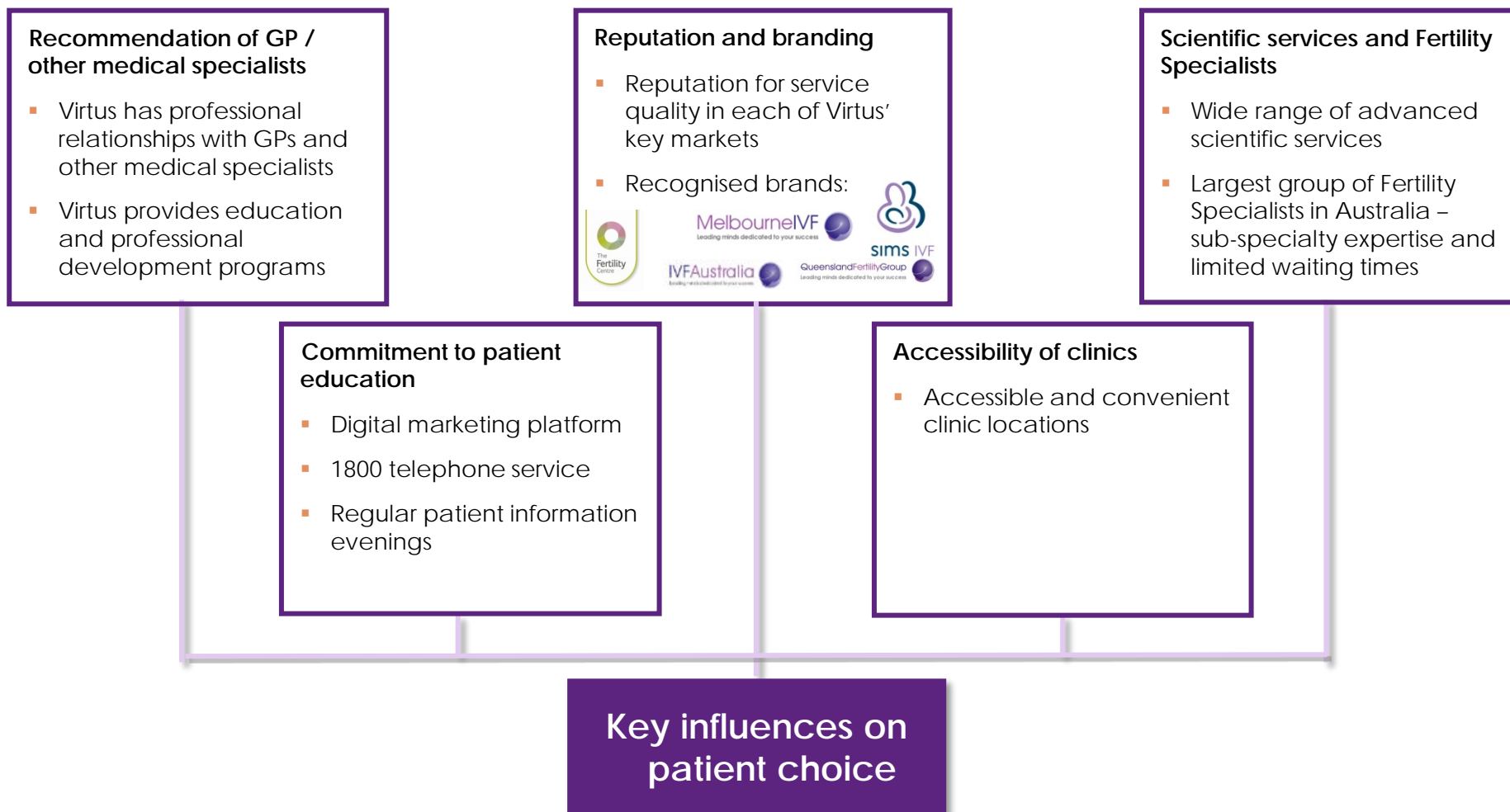
- Flexibility:
 - In Australia, exclusively contracted to Virtus Health for ARS with flexibility to manage own practice in other fields of medicine (eg obstetrics)
- Support of the Virtus infrastructure:
 - Clinical guidelines
 - Sales and marketing
 - Diagnostics and day hospital infrastructure
 - Scientific expertise
 - Management of accreditation and licensing
 - Opportunity to work with industry leaders and conduct research
- Remuneration:
 - Competitive, volume based remuneration
 - Long-term equity incentive program aligned to growth
 - In Ireland, where fertility specialists are employees of the organisation, equity incentive program provides a key differentiator



Sources of competitive advantage



Why GPs and patients choose Virtus



Sources of competitive advantage

Business Model

- Vertically integrated business model
- Breadth of service offerings, seamless patient experience
- Size and scale

Scientific and clinical excellence

- Strong IP underpins the business
- Innovation leads to new service offerings that benefit patients and deliver new sources of revenue

Doctors and staff

- Attractive contractual model aligned to growth
- Excellent record in attraction and retention

Marketing and Brand

- Customer experience underpins strong brand reputation
- Marketing aimed at referrers and patients

Expansion strategy

- Exploring acquisition and investment opportunities in both Australia and internationally
- Enhances size and scale

Acquisition and international expansion strategy

- Exploring opportunities for growth through acquisition in five key markets:
 - Domestic (Australia)
 - UK and Ireland
 - Singapore
 - Hong Kong
- Attractiveness of opportunities influenced by:
 - Underlying market fundamentals
 - Alignment in cultures / regulatory considerations
 - Opportunity for consolidation
 - Ability to add value by improving efficiency
 - Greenfields sites to be considered in some markets



SIMS IVF Ireland: First international acquisition

- In May 2014 Virtus acquired a 70% stake in SIMS IVF, the leading provider of fertility services in Ireland, for €15.49 million (cash free, debt free)
- Funded from existing debt facilities and cash resources
- SIMS IVF generated revenue of €12.4 million and normalised EBITDA of €2.85 million in the year to 31 December 2013
- Acquisition price represents a multiple of 7.75 times 2013 maintainable EBITDA
- SIMS IVF is debt free
- SIMS IVF employs more than 60 staff (including scientific, nursing, counseling, administration and management) and six fertility specialists
- Fertility specialists engaged through employment contracts
- Operates a similar business model to Virtus - integrated patient care and a seamless journey from first consultation to pregnancy



Overview of SIMS IVF acquisition

- Dr Anthony Walsh (Managing Director) and clinic co-founder, Dr David Walsh (Medical Director) will retain 30% ownership in the company
- Virtus has the right to acquire the remaining shares in SIMS IVF in two tranches in 2017 and 2019
- For year ended 31st December 2013, SIMS IVF acquisition would have increased Virtus' normalised basic EPS by approximately 1.98 cents per share (assuming exchange rate of €0.67: AUD1.00 and interest rate on funding of 5%)



Strategic rationale: Why SIMS IVF?

- An opportunity to partner with the market leader - SIMS IVF has 25%* of Ireland's IVF market and undertook more than 1000 cycles in 2013
- Renowned for its scientific and clinical excellence - SIMS IVF is a pioneer in the delivery of IVF services in Ireland with 39% success rate (higher than average in Ireland, EU and UK)
- Ireland is an attractive market and forms the platform for further acquisitions in the region
- Excellent management team committed to implementing a number of identified growth strategies in Ireland:
 - geographical footprint expansion
 - drug distribution
 - blood testing
 - egg donation

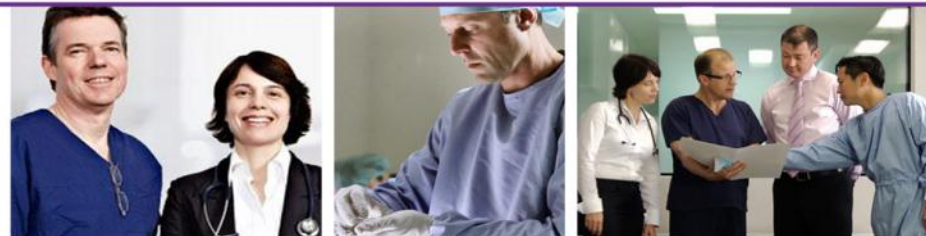
***Note:**

(1) Precise market data is not available; estimate is made by SIMS IVF management team





4. Conclusion



Corporate strategy: Multiple avenues for growth

Competitive advantages aligned with our growth strategy

Market share

- Expansion of fertility clinic network and capacity among newly contracted Fertility Specialists

Low-cost IVF

- Marketing focus on existing centres in H1 FY2014
- Ongoing expansion of the low cost model of care in 2014

Specialised Diagnostics

- Executing a number of strategies to grow specialised diagnostics services revenue

Day Hospitals

- Focus on increasing throughput and improving operational efficiency

Potential Acquisitions and Investments

- Continue to explore acquisition and investment opportunities both in Australia and internationally

Conclusion: Virtus a leader in ARS

Virtus' size and scale enables it to invest in services and innovations that attract both doctors and patients

- Size and scale:
 - 'Hub and spoke' structure enables the provision of specialist diagnostics at internal 'centres of excellence'
 - Ability to diversify into the low cost offering, supported by a flagship clinic and trusted brand
 - High barriers to entry
- World class diagnostic and scientific capability:
 - Driving advancement in diagnostics and analysis, eg molecular diagnostics and cytogenetic testing
 - Ultimately benefits patients and creates new sources of revenue
 - 22 PhD scientists in-house
 - Strong IP underpinning the business
- Strong track record of doctor attraction and retention:
 - Attractive employment / contracting model including equity ownership aligned to growth





Thank you