

A close-up, high-angle photograph of a clear petri dish containing a liquid medium. A pipette is positioned above the dish, with a thin stream of liquid being dispensed into the center. The liquid surface is rippled, and the background is dark and out of focus.

Virtus Health (ASX.VRT) Investor Presentation

Sue Channon and Glenn Powers
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Current & Next Leaders Conference
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Agenda



- Introduction to Virtus Health
- Market Overview
- Operational Highlights
- Financial Profile
- Strategy and Outlook



Introduction to Virtus Health



Overview of Virtus Health



A world leader in Assisted Reproductive Services (ARS)

Market leader and largest provider of ARS in Australia and Ireland with a growing Asian presence in Singapore

One of the largest ARS practices globally

- First publically listed fertility business
- Continued growth via international acquisition and greenfield development



Vertically integrated and diversified model with multiple sources of revenue

- ARS, Day Hospitals and Specialised Diagnostics

Strong financial track record of Revenue and EBITDA growth

- Revenue increased 16% in FY15 to \$233.7m
- Adjusted Group EBITDA increased 4.6% to \$63.1m
- NPAT increased 5.1% to \$33.6m

Reputation for clinical and scientific excellence

- 110 fertility specialists and 1093 professional staff
- Investment in clinical and scientific research and new technologies delivering improved patient outcomes and growth

Overview of Virtus' patient services



ASSISTED REPRODUCTIVE SERVICES

44

FERTILITY CLINICS

Australia	40
Ireland	3
Singapore	1



SPECIALISED DIAGNOSTICS

59

LABORATORIES

Embryology	27
Andrology	26
Endocrinology	4
PGD	2



DAY HOSPITALS

6

DAY HOSPITALS

Use for IVF and non-IVF procedures



110

FERTILITY SPECIALISTS



881

NURSES, COUNSELLORS AND PATIENT SUPPORT



212

SCIENTISTS



Leading minds, leading science



Focus on clinical and scientific-led innovation and patient outcomes drives long term growth

- Industry leader in ARS clinical and scientific practice for over 30 years
- Recognised brands regarded for quality and service
- Track record of attracting and retaining high quality doctors, specialist staff - increasing number of patients
- Advanced sciences, specialised diagnostics and innovation delivers improved patient outcomes & revenue growth
- Experienced clinical and management team with ability to drive practice growth and add value





ARS Market Overview



Overview of Virtus ARS markets



AUSTRALIA

LEADING FERTILITY SERVICES PROVIDER, WITH A NETWORK OF DAY HOSPITALS AND SPECIALIST DIAGNOSTICS

- ARS CAGR - 2.76% since 2010
- Fertility rate of 1.88 in 2013 – in decline
- Average maternal age 30.1
- 3.7% births from ARS – one of the highest rates globally
- Patients receive partial reimbursement from government and private insurers
- Patient IVF Costs \$4500 AUS

IRELAND

SIMS CLINIC ACQUIRES ROTUNDA IVF EXPANDING LOCAL PRESENCE

- Estimated 4-5% growth in ARS since 2011
- Fertility rate 2.01
- Average maternal age 32
- 1% of all births from ARS
- Limited government reimbursement
- Patient IVF Costs €4,600

- Access to ARS up from 1710 in 2005 to ~4000 in 2013
- Total fertility rate 1.19
- Average maternal age 30.3
- 3% of all births from IVF
- Limited government reimbursement for public sector, private sector unfunded
- Central hub for regional patients
- Patient IVF Costs \$10,800 SGD

SINGAPORE

FIRST VIRTUS BRANDED FERTILITY CENTRE OPENS IN JANUARY 2015

Trends driving growth in ARS



Underlying demographic drivers for ARS remain favourable

Demographic & Social Trends

- Growing female populations and rising maternal age
- Rising incidence of conditions impacting fertility e.g. chlamydia and obesity
- Greater awareness and acceptance of ARS
- Same sex & single women

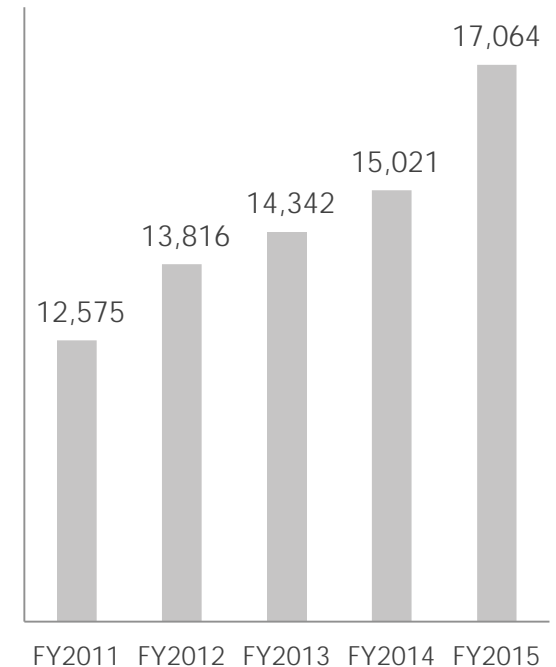
Advancements in Technology

- Improved understanding of genetics in reproductive health
- Specialised diagnostics & scientific advancements improving success rates & opening ARS to new customer segments

Evolution of Clinical Practice & Service Delivery

- Virtus experience supporting delivery of clinical practice to achieve deeper market penetration – eg two brands

Total Virtus IVF Cycles

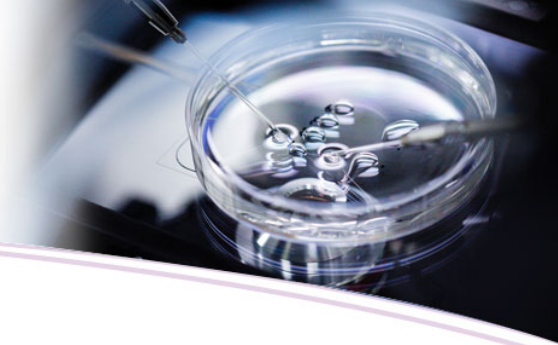




Operational Highlights



Australia - Operational Highlights



Australian segment continues to deliver growth



Segment EBITDA up 1.9% to \$68.6m in FY15



15,100 fresh cycles performed in FY15
Market leader with ~37% market share

Domestic ARS expansion – mix of full service and lower cost



EPS accretive



- Sunshine Coast acquisition re-brand/full service maintained
- Addition of TFC Wollongong

Revenue in day hospitals continues to grow



Revenue in day hospitals up 4.3%



Non-IVF revenue up 8.7% on pcp



56% day hospital revenue from non-IVF services



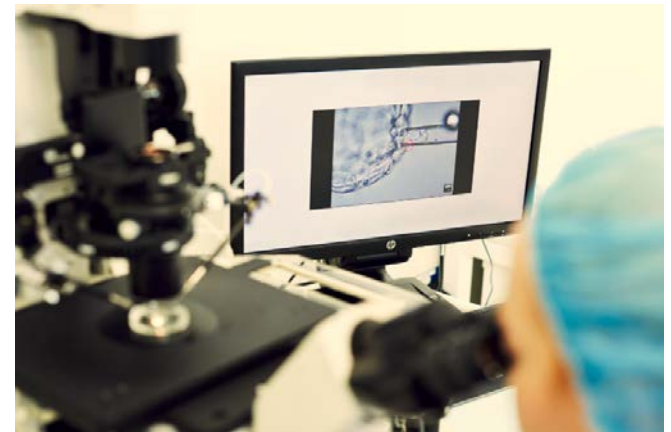
Continued focus on utilisation and efficiency

Virtus Health Specialist Diagnostics

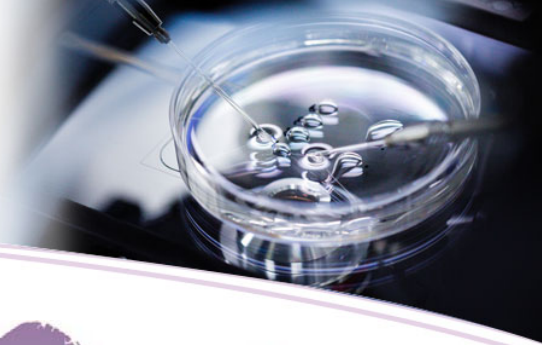


Specialised diagnostics & scientific advancements improving success rates & delivering ARS to new patient segments

- Diagnostics is delivering year on year double digit revenue growth – 14.6% in FY15
- Virtus a first mover in adopting new gene based technologies
 - Virtus delivers Australia’s first babies using karyomapping in 2015
 - Introduction of fertility panel and preconception gene screening
- New operating division Virtus Health Specialist Diagnostics established in FY15
- General pathology lab acquired in September 2015
 - Diversifies inhouse testing capability and enables greater capture of revenue
- Offering spans entire spectrum of reproductive health (pre-pregnancy to pre-natal screening)



International Operations



Irish operations deliver cycle and earnings growth

- 1,878 cycles performed in FY2015 across all Irish operations– market leader
- 6.0% contribution to adjusted segment EBITDA
- Three clinics operational: Sims Clinic Dublin, Cork, and Rotunda IVF, integration progressing well
- EBITDA margin improvement from 20% to 21% in spite of Cork start-up and launch costs



The first Virtus branded fertility centre now fully operational

- 86 cycles performed in Singapore in FY15
- Two year full license in place, clinic volumes improving
- \$1.9m EBITDA loss in FY2015 including \$0.9m start-up costs
- Three contracted doctors, additional doctors utilising services
- Active marketing program in place – very high levels of consumer interest



Financial Profile



FY15 Financial Results Highlights



Revenue increased 16.1% to \$233.7m

- EBITDA (Group) - increased 3.3% to \$61.4m
 - Adjusted EBITDA growth of 4.6% to \$63.1m
- Net profit after tax (NPAT) pre-minorities - decreased 1.7% to \$30.4m
 - Non-recurring expenses of \$2.2m included in reported NPAT
 - Non-cash interest expense of \$1.0m also included in reported NPAT
 - Adjusted NPAT pre-minorities growth of 5.1% to \$33.6m
- Cash/Debt - capacity for investment at \$55m
- Gearing - 2.1 times adjusted EBITDA
- Final dividend 14 cents per share (FY14: 14 cents per share), fully franked
 - Full year dividend 27 cents per share (FY14: 26 cents per share), fully franked

Summary Income Statement



Adjusted Segment EBITDA up 5.9% on pcp

Profit and Loss Summary (\$Am)	Note	FY2015 (A\$m)	FY2014 (A\$m)	Proforma FY2013 (A\$m)
Revenue		233.7	201.2	187.3
Segment EBITDA	- Adjusted - Reported	71.9 71.0	67.9 67.9	62.1 48.2
EBITDA	- Adjusted - Reported	63.1 61.4	60.4 59.4	56.1 43.4
EBIT	- Adjusted - Reported	53.1 51.4	52.2 51.2	47.6 34.7
PBT	- Adjusted - Reported	45.8 42.5	44.9 43.8	38.4 14.4
NPAT (pre-minorities)	- Adjusted - Reported	33.6 30.4	32.0 31.0	27.3 10.1
Fully diluted EPS	- Adjusted - Reported	40.46 36.54	39.73 38.48	34.32 16.78
Adjusted ROE, based on average NA		13.8%	13.6%	12.4%
Net Cash Flow from Operations - Reported		40.6	52.5	27.8
DPS - full year		27.0	26.0	N/A

- Adjusted Segment EBITDA growth is 5.9%
- Adjusted Group EBITDA growth is 4.6%
- Adjusted NPAT growth pre-minorities is 5.1% (reported NPAT pre-minorities is negative 1.7%)
- Income tax expense benefits from R&D credits and lower tax rate in Ireland

Statement of Financial Position



A\$ million	Statutory June 15	Statutory June 14	Statutory June 13
Cash	18.4	21.5	12.5
Trade and other receivables	15.1	13.8	12.4
Inventories	0.3	0.2	0.3
Equity accounted investments	1.5	1.5	1.5
Other financial assets	0.3	0.3	0.2
PP&E	30.8	28.2	26.6
Deferred tax assets	8.1	8.1	6.9
Intangible assets	390.7	356.1	325.0
Total assets	465.2	429.7	385.4
Trade and other payables	23.1	23.5	17.5
Deferred revenue	5.4	3.6	3.1
Borrowings	152.3	139.5	144.2
Provisions	8.4	7.1	6.0
Current tax liabilities	4.3	4.5	0.0
Other Financial Liability	25.4	11.9	0.0
Total liabilities	218.9	190.1	170.8
Net assets	246.3	239.6	214.6

Cash balance

- At normal level after utilisation of excess cash on acquisitions

Working Capital

- Small negative change reflecting impact of acquisitions

Gearing

- Leverage ratio of 2.1 on adjusted group EBITDA
- Funding capacity available, \$55m

Capex

- \$12.6m in FY2015 including \$3.4m for Singapore clinic

Dividend proposed

- 14.00cps, (Final FY2014, 14.00cps) fully franked



Strategy and Outlook



Strategy and Outlook



A Strong Foundation For Future Growth

- Leading provider of ARS services in Australia and Ireland, Singapore entry into Asia
- At the forefront of fertility treatment; helping patients conceive healthy babies
- Mix of premium and a clearly differentiated lower cost offering utilising fertility specialist expertise to optimise market share
- Vertically integrated across three key activities – ARS, Diagnostics, Day Hospitals

Looking Forward

- International expansion - UK an attractive market for a buy and build strategy, South East Asian markets under review
- Australia – selective greenfield investment and/or in-fill acquisitions for ARS and day hospitals
- Invest in diagnostic capability; increase utilisation across infertile and fertile patient couples
- Actively identify and grow new ARS customer segments (e.g. donor services, fertility preservation)



Thank you and Questions



Appendix



Profit and Loss Summary (\$Am)		FY2015 (A\$m)	FY2014 (A\$m)	Proforma FY2013 (A\$m)
Revenue		233.7	201.2	187.3
Group EBITDA	- Adjusted	63.1	60.4	56.1
	- Reported	61.4	59.4	43.4
D&A		(10.0)	(8.2)	(8.7)
EBIT	- Adjusted	53.1	52.2	47.6
	- Reported	51.4	51.2	34.7
Net interest	- Adjusted	(7.3)	(7.3)	9.2
	- Reported	(8.9)	(7.4)	20.3
PBT	- Adjusted	45.8	44.9	38.4
	- Reported	42.5	43.8	14.4
Tax	- Adjusted	(12.2)	(12.9)	(11.1)
	- Reported	(12.1)	(12.9)	(4.3)
NPAT (Pre Minorities)	- Adjusted	33.6	32.0	27.3
	- Reported	30.4	31.0	10.1
Minorities		(1.0)	(0.1)	0.0
NPAT (Post Minorities)	- Adjusted	32.6	31.9	27.3
	- Reported	29.4	30.9	10.1
NPATA (Post Minorities)	- Adjusted	33.6	32.5	28.0
	- Reported	30.5	31.5	10.8