

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 covered with numerous small, clear, spherical droplets. The background is dark and out of focus, suggesting a laboratory setting. The text 'Thermo Plate' is visible on the bottom left edge of the petri dish.

Financial Results Presentation 1H FY2016

Sue Channon and Glenn Powers
23rd February 2016



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 and 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.

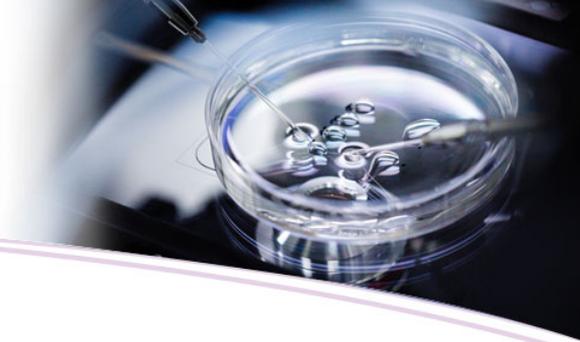
To the maximum extent permitted by law, neither Virtus Health nor its related bodies corporate, directors, officers, employees, agents, contractors, advisers nor any other person, accepts, and each expressly disclaims, any liability, including without limitation any liability arising from fault or negligence, 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.



Results Overview and Operational Highlights 1H FY2016



1H16 Financial Results Highlights



Growth in revenue and earnings driven by underlying ARS cycle growth across all geographies

- Revenue increased by 15.4% to \$132.2m
- Reported Group EBITDA – increased by 10.3% to \$36.2m
- Reported Net profit after tax (NPAT) pre-minorities - increased by 9.2% to \$18.8m
 - Non – recurring expenses of \$0.3m included in reported NPAT
 - Non – cash interest expense of \$0.6m also included in reported NPAT
- Cash/Debt – capacity for investment at \$55m
- Gearing – 2.1 times adjusted EBITDA (LTM)
- Interim dividend 14.00 cents per share (1H15: 13 cents per share), fully franked

1H16 Operational Highlights



Increased ARS activity in the Australian market and continued growth in international operations

- **Australian Operations – reported segment EBITDA increased by 6.2% to \$39.0m**
 - 8,509 fresh cycles performed up 11.0% on pcp
 - Premium clinics organic growth was 3.2% and overall TFC volumes were up 19% on pcp
 - Acquisition of IDS pathology and establishment of new Virtus Diagnostics operating division
- **International Operations – reported segment EBITDA up 98% to \$2.4m (includes Singapore loss of -\$0.6m)**
 - EBITDA from Ireland up 15.6% (local currency)
 - Performed 1,148 cycles in Ireland
 - Singapore utilisation increasing, 124 cycles in first half
- **Clinical and scientific expertise**
 - 112 fertility specialists, 1093 professional staff



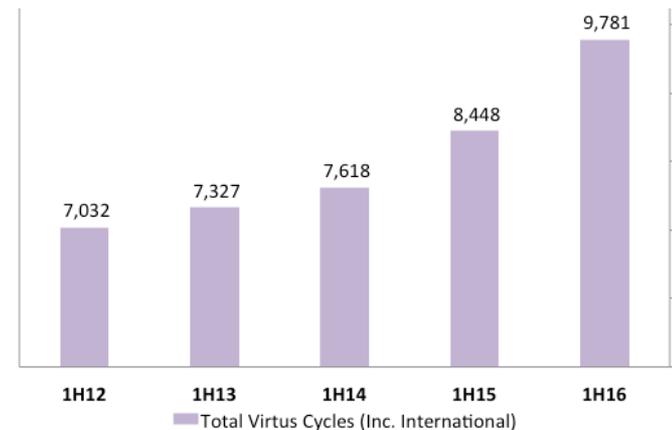
Virtus Market Position



Virtus is the ARS market leader in Australia and Ireland

- Total Virtus cycles 9,781 (includes international)
- Australia
 - Virtus cycles up 11.0% to 8,509
 - Eastern state market share 44.0% compared to 44.4% pcp*
 - TAS included for full 6 months (vs. 1 month in pcp)
 - Mix shift occurring with FET & IUIs at 45% (42% pcp) of all patient treatments
- International
 - Rotunda IVF, Ireland and Singapore included for 6 months (vs. no contribution in pcp)

Total Virtus Cycles



* Market share calculation includes the TAS market and VRT activities in that market for a full 6mths in 1H16 and 1mth in 1H15.



Virtus Health Australia Segment Performance



Australia - Operational Highlights



Improved cycle growth and shift in cycle mix driving revenue growth



Full 6 month contribution
vs. 1 month in pcp



Full 6 month contribution from
Sunshine Coast vs. 2 months in pcp



Launceston Fertility Clinic
extends TasIVF network

Revenue in day hospitals continues to grow



Revenue in day
hospitals up 3.0%



Non-IVF revenue
up 0.4% on pcp



53% day hospital
revenue from non-
IVF services



Continued focus on
utilisation and
efficiency

Period of investment in specialised diagnostics



Revenue from
Australian diagnostics
up by 0.6%



Acquisition of IDS
Pathology
Laboratory



New operating division
focused on expanding
diagnostic offering

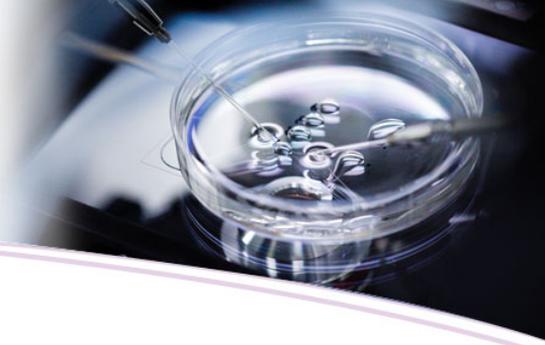




Virtus Health International Segment Performance



Ireland Operations



Irish operations deliver cycle and earnings growth

- 1,148 cycles performed in HY2016 across all Irish operations
- 7% contribution to segment EBITDA – up from 6%
- Three clinics operational: Sims IVF in Dublin and Cork, and Rotunda IVF (“RIVF”) in Dublin
- EBITDA margin lower at 18% due to temporary specialist supply shortage at RIVF and increased revenue from lower margin pharmacy distribution (mix)



Virtus Fertility Clinic, Singapore



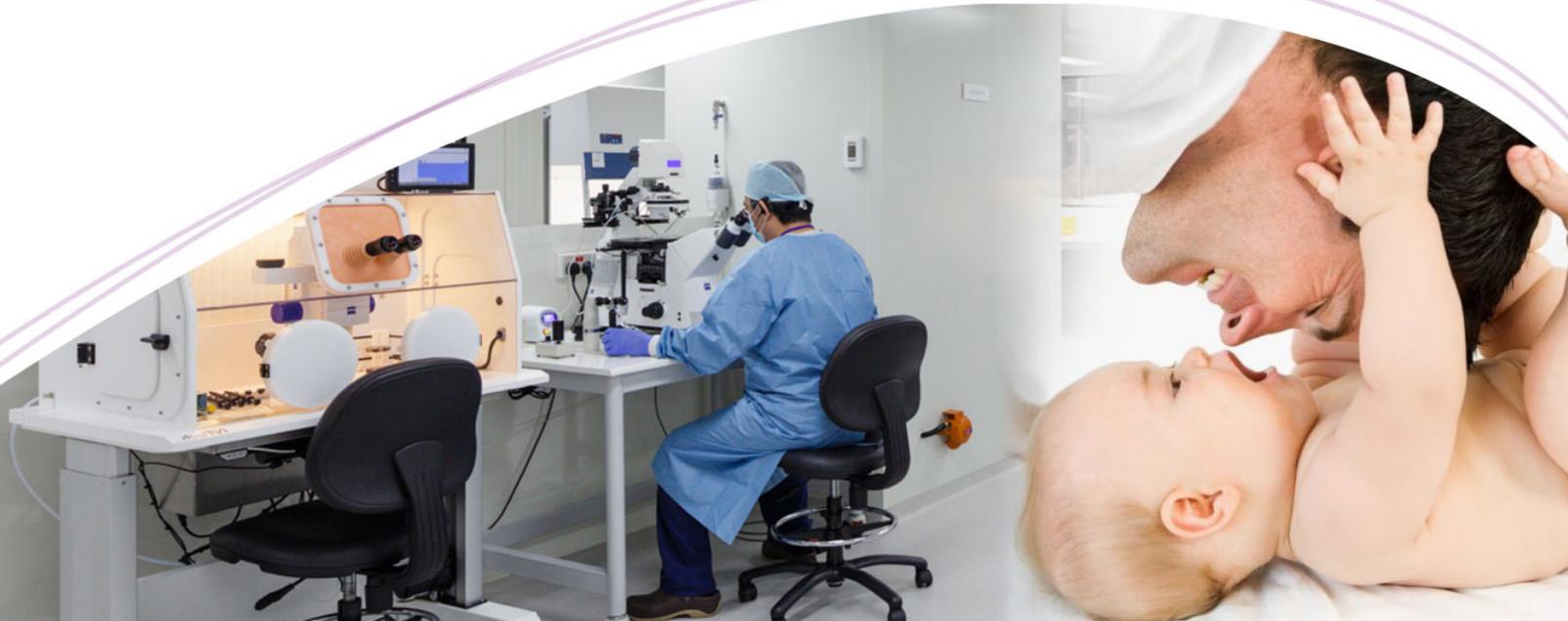
Cycles increasing but still below break-even

- 124 cycles performed in Singapore in H1 FY16 (compared to 86 in FY15)
- \$0.6m EBITDA loss in H1 FY16
- Priority focus on:
 - building profile; word of mouth and reputation enhanced by patient experience and success rates
 - increasing doctor utilisation
 - conversion of IUI patient base to full cycles





Financial Results



Summary Income Statement



Group EBITDA up 10.3% on pcp

Reported Profit and Loss Summary (\$Am)	1H16 (A\$m)	1H15 (A\$m)	Variance (%)
Revenue	132.2	114.5	15.4%
Segment EBITDA	41.4	38.0	9.0%
Group EBITDA	36.2	32.8	10.3%
D&A	5.6	4.5	23.9%
EBIT	30.6	28.3	8.1%
Interest	4.4	4.6	(5.2%)
PBT	26.2	23.7	10.7%
Tax	7.4	6.5	14.7%
NPAT (pre-minorities)	18.8	17.2	9.2%
NPAT (post-minorities)	17.9	16.7	7.0%
Fully diluted EPS (cents)	22.13	20.71	6.9%
Adjusted ROE, based on average NA	15.6%	14.9%	0.7%
Net Cash Flow from Operations	20.3	21.5	(5.6%)
DPS – interim	14.0	13.0	7.7%

- Segment EBITDA up 9.0%, Group EBITDA up 10.3%
- NPAT growth pre-minorities of 9.2%
- Singapore NPAT loss of \$0.9m restricting group earnings growth
- Income tax expense at 28.4% benefits from R&D credits and lower tax rate in Ireland
- Cash flow decline following move to monthly corporate tax payments

Non-recurring and normalisation expenses



NREs and non-cash interest after tax represented a \$0.8m drag on reported earnings in 1H16

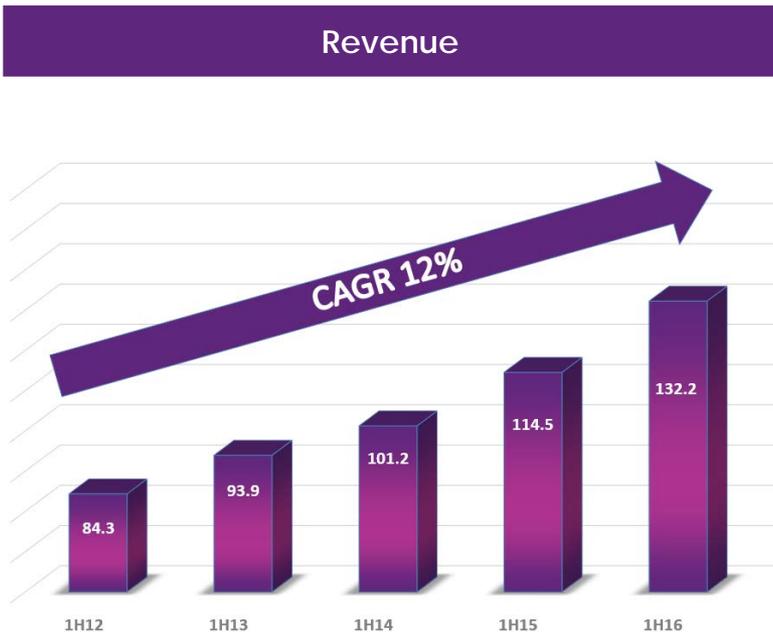
Non recurring and normalisation expenses	1H16 A\$M	1H15 A\$M
Acquisition transaction costs	-0.27	-0.86
Write-off for unamortised Bank facility fees	-	-0.65
Gain on investment in Sunshine Coast	-	0.30
Non-cash interest on put call liability	-0.56	-0.37
Tax-effect on all adjustments	-	0.20
Total non recurring and normalisation expenses after tax	-0.84	-1.38

- Pre-tax adjustments totaled -\$0.8m in 1H16
- Non - cash interest expense totaled -\$0.6m in 1H16

Revenue



Revenue up 15.4% to \$132.2m

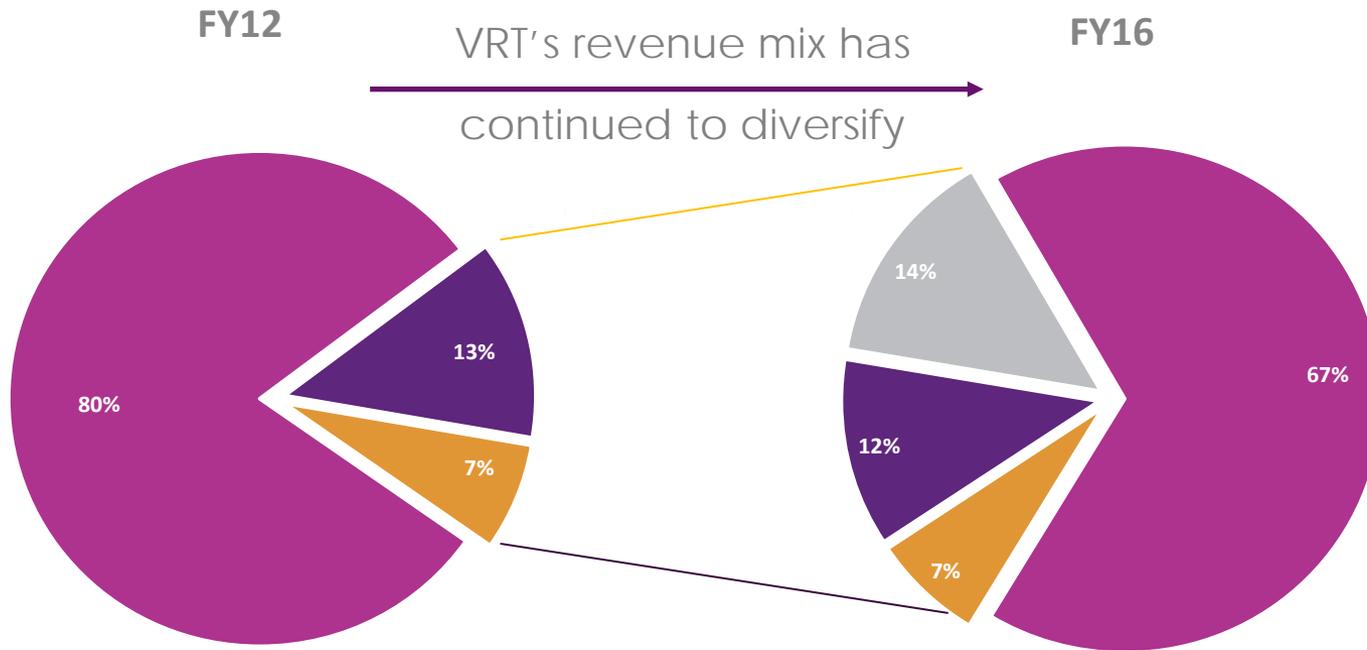


- Australian segment revenue increased 9.2% driven by:
 - Cycle growth in all states
 - Full service cycle growth increase in all Australian states
 - TFC in Sydney volume loss as a result of increased competition
 - Revenue includes 6 months of Sunshine Coast (vs. 2 months in pcp), 6 months of Tasmania (vs. 1 month in pcp)
 - Diagnostic growth of 0.6% - price deflation in NIPT/PGD/Endocrinology offset by volume increase of 54% in PGD/PGS which has positive impact on full service cycles
 - Day Hospital revenue growth of 3.0%
- International segment revenue up 77% to \$18.5m. Includes 6 months of Singapore and Rotunda IVF (vs. no contribution in pcp)
- Sims IVF Clinic cycle growth, 3.3%

Revenue



Diversifying Revenue Mix

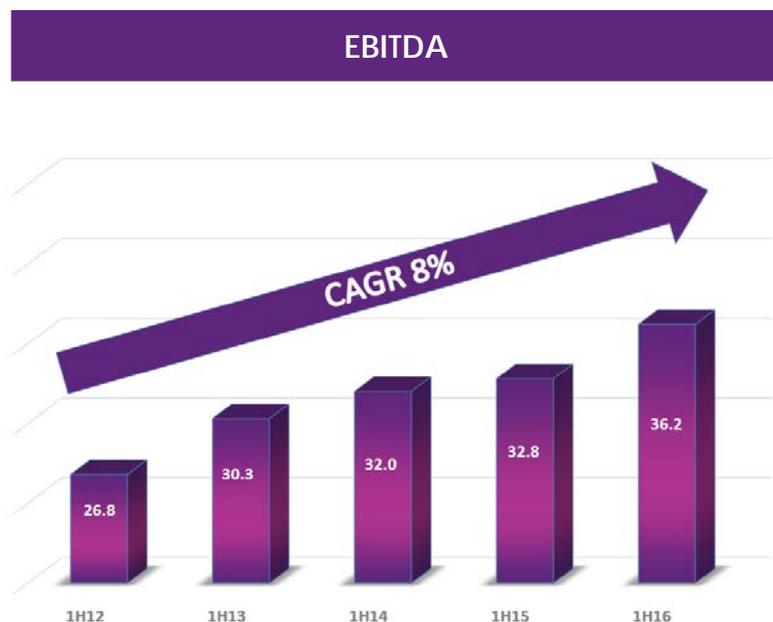


- ARS Australia
- Specialised Diagnostics Australia
- Day Hospitals Australia
- International

Expenses and Segment EBITDA

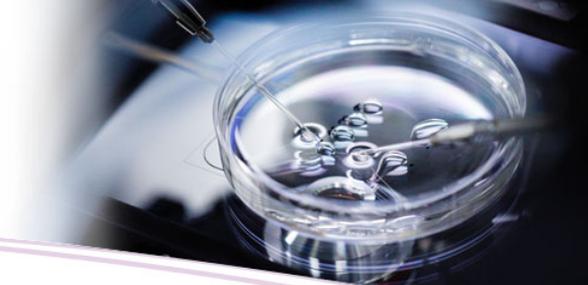


Reported Group EBITDA up 10.3% (after NREs)



- EBITDA growth driven by:
 - Australian full service activity
 - TasIVF/Rotunda IVF 6 month contribution
- Fixed expenses
 - Underlying fixed cost expense increase is 4.6%, on like for like basis (adjusted for acquisition timing); rate of increase continues to reduce
- Australian reported segment EBITDA margin on total revenue 34.4% in 1H16 compared to 35.3% in pcp
- Singapore remains key headwind for group margin

KPIs – Australian segment



KPIs	Note	1H16	1H15	Change
Number of IVF Cycles in Virtus Australia		8,509	7,663	11.0%
Number of IVF Cycles in NSW, QLD,TAS,VIC market		19,347	17,217	12.4%
East States market share	1	44.0%	44.4%	(0.4%)
National Market Share	2	36.5%	37.2%	(0.7%)
Treatment volume	3	15,455	13,236	16.8%
Average Number of Fertility Specialists		98.0	84.0	16.7%
Average number of cycles per Fertility Specialist		88.0	91.0	(3.3%)
Average total revenue per cycle (A\$)		\$13,352	\$13,575	(1.6%)
Labour as a % of total revenue		28.7%	28.5%	0.2%
Provider fees as a % of total revenue		15.2%	14.7%	0.5%
Reported segment EBITDA margin %		34.4%	35.3%	(0.9%)

- Average sales revenue reduction reflects mix change towards QLD and TAS (lower priced full service) and zero growth in diagnostic revenue
- Provider fee % increase reflects mix change towards QLD/TAS/New TFCs
- Fertility specialist movement is net of one retirement

Note1: Implied market share is based on fresh and cancelled cycles in NSW,VIC, QLD and TAS (TAS market and Virtus activity in TAS is included for 6mths in 1H16 and 1mth in 1H15)

Note 2: National market share KPI assumes Virtus owned TASIVF at 01 July 2014

Note 3: Total treatments includes fresh cycles, cancelled cycles, IUIs and FETs

Statement of Financial Position



A\$ million	Statutory Dec 15	Statutory June 15
Cash	19.1	18.4
Trade and other receivables	12.3	13.6
Inventories	0.5	0.3
Equity accounted investments	1.5	1.5
Other financial assets	2.8	1.8
PP&E	30.5	30.8
Deferred tax assets	6.6	8.1
Intangible assets	395.6	390.7
Total assets	468.9	465.2
Trade and other payables	21.3	23.1
Deferred revenue	4.3	5.4
Borrowings	152.3	152.3
Provisions	9.0	8.4
Current tax liabilities	0.5	4.3
Other Financial Liability	26.8	25.4
Total liabilities	214.2	218.9
Net assets	254.7	246.3

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 adjusted group EBITDA (LTM)
- Funding capacity available, \$55m

Capex/Acquisitions

- \$4.9m CAPEX in 1H16
- \$3.7m acquisition

Dividend proposed

- 14.0cps, (pcp 13.0cps) fully franked



Strategy



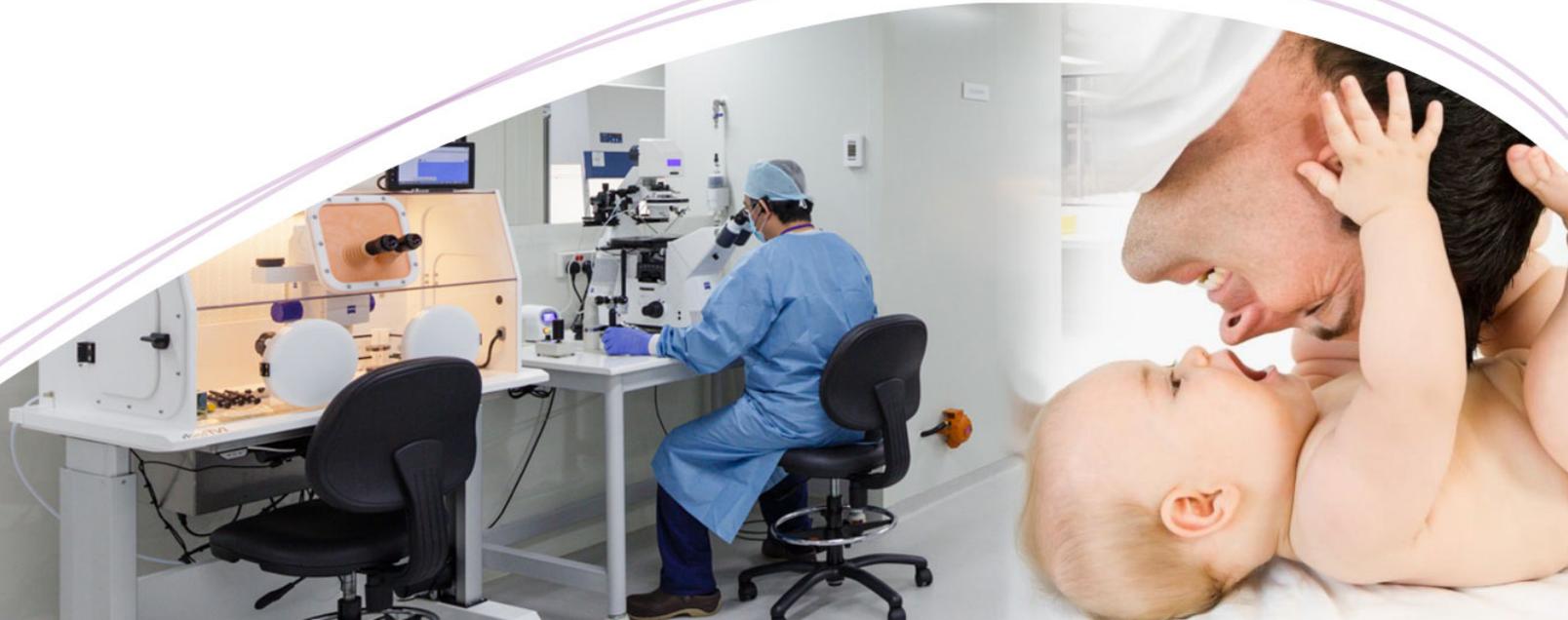
Virtus Health Strategy



Purpose	To help women and men achieve their aspirations to create a family
Ambition	To be a leading international provider of ARS based on; <ul style="list-style-type: none">• Clinical & scientific effectiveness• Breadth of capability across ARS value chain• Market leadership in chosen geographies & market segments• Our patients being at the centre of everything we do
Growth Strategy	Distinctive, diversified and vertically integrated model with multiple sources of revenue <ul style="list-style-type: none">• Assisted Reproductive Services (Domestic & International)<ul style="list-style-type: none">- Market penetration by acquisition, greenfield & organic growth- Research driven service development• Day Hospitals (Domestic)<ul style="list-style-type: none">- Optimise utilisation & efficiency; opportunistic domestic acquisition• Diagnostics (Domestic)<ul style="list-style-type: none">- Leverage fertility, genetic & general pathology & imaging services



Thank you and
questions



Appendix



Australian ARS Market



Eastern state market 1H16 growth based on IVF cycles performed (incl. TAS)



- NSW up 16.2% - market continues to grow, entry of bulk billing increased overall market
- QLD up 7.2%, VIC up 4.5% - an improvement on the subdued activity in the prior 2 halves
- Clinical practice changes influencing cycle mix and volumes improving patient outcomes
- Demographic drivers for ARS remain favourable