

ASX ANNOUNCEMENT

16 February 2021: VIRTUS HEALTH LIMITED (ASX: VRT)

VIRTUS DEMONSTRATES STRONG AND SUSTAINED GROWTH POST-LOCKDOWN

Sydney, Australia - Virtus Health, ("Virtus", ASX: VRT) the market-leading provider of assisted reproductive services ("ARS") in Australia, Singapore, Ireland, Denmark and the UK, today reports its financial results for the half year ended 31 December 2020.

Key points

- Group revenue \$169.6m (H1FY20: \$142.1m);
- Reported earnings before interest, tax, depreciation and amortisation ("EBITDA") is \$59.0m (H1FY20: \$39.5m);
- Reported NPAT attributable to equity holders is \$29.9m (H1FY20: \$15.0m);
- Debt repayments of \$10m in H1FY21 (>\$20m since March 2020), with a leverage ratio of 1.7x at 31 December 2020 (FY20: 2.1x);
- Refreshed growth strategy driving digital enablement to deliver organisational-wide value and improved IVF pregnancy rates; and
- Interim dividend for H1FY21, 12cps fully franked;

"While we all felt the impact of COVID-19 on our services, our clinics have responded strongly. I am proud of how our team mobilised post the initial COVID-19 global shutdown, and how they have been able to continue to provide our essential services safely during the numerous lockdowns that have been experienced since then. We have experienced record levels of activity since restarting in mid-2020, demonstrating the resilience of assisted reproductive services. The Government support provided across multiple countries, allowed the preservation of our highly skilled workforce and enabled us to swiftly recommence providing safe and effective services to people who wish to become parents," Kate Munnings, Group CEO, said.

Australian Segment

Revenue was up 21.3% on pcp to \$136.8m and segment EBITDA up 49.0% to \$59.2m (H1FY20: \$39.7m). Excluding Government assistance from the JobKeeper Program, Australian segment EBITDA is up 30.4%.

"Due to effective planning and Government support, our services have recovered strongly and we have experienced significant growth in our Australian operations in H1FY21," Ms Munnings said.

Virtus Australia's premium cycle growth in H1FY21 outperformed cycle growth in the available market, being up 24.5% while TFC volumes were down 5.2% as a result of capacity restrictions during the Victorian lockdown in 1H FY21.

"Our ARS activity in 1H demonstrates resilience of IVF as a non-discretionary service," said Ms Munnings.

Virtus Diagnostics revenue increased 9.7% on pcp, reflecting improved Preconception Genetic Testing (PGT) volumes from IVF cycles.

"Our reproductive genetics service is one of our growth opportunities as more people look to genetic testing for disease avoidance and diagnosis of fertility issues," said Ms Munnings.

Virtus Specialist Day Hospitals saw revenue increase by 37.5% on pcp due to an increase in demand for both non-IVF procedures and higher IVF volumes.

"We increased utilisation of our day hospital facilities from existing surgeons and recruited new specialist surgeons throughout H1FY21. We also improved operational efficiencies within our Day Hospital portfolio, resulting in improved margins," said Ms Munnings.

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International Segment

Virtus' international operations also performed well with:

- Danish clinic revenue up 30.9% on pcp to DKK33.5m; EBITDA up 46.8% on pcp to DKK11.1m, with fresh cycles up 21% on pcp;
- Singapore revenue up 49.4% on pcp to SG\$4.6M; EBITDA up 100% on pcp to SG\$1.4m, with fresh cycles up 57% on pcp;
- Irish revenue down 2.8% on pcp to €10.2m; EBITDA in line with pcp at €2.2m, with fresh cycle volume virtually in line with pcp despite loss of egg donation volumes and temporary closure of Rotunda clinic in December 2020 due to a planned relocation to a new modern facility; and
- UK EBITDA increased to £0.5m; revenue up 21.8% on pcp to £2.2m, with fresh cycles up 29% on pcp.

"Results across our International businesses were pleasing, with some areas recording significant growth, despite ongoing challenges due to COVID-19 outbreaks resulting in lockdowns across the UK and Europe," said Ms Munnings.

Capital Management

During December 2020, the Group successfully extended its existing three-year bank facilities, amounting to A\$92m now maturing in October 2023, aligning with the maturity of its five-year facilities.

At 31 December 2020, the group is in compliance with its debt covenants following a period of strong cash generation. Virtus has debt funding capacity of over \$115m as at 31 December 2020.

An interim dividend of 12.00 cents per share fully franked (April 2020: 12.00 cents per share) will be paid on 15 April 2021 to shareholders on the register at 25 March 2021.

Future Growth

Following the announcement of a refreshed and ambitious growth strategy in August 2020, Virtus has progressed its One Lab strategy to further improve IVF pregnancy rates; secured additional valuable partnerships; and developed a digital strategy to underpin future growth.

"We will continue to differentiate our services to drive further improvements in IVF pregnancy rates, via the One Lab approach, which was prototyped and implemented in Victoria, and resulted in IVF pregnancy rates increasing by 15% in the last three years. Melbourne IVF is now the clear leader in IVF pregnancy outcomes in Victoria, as demonstrated in the VARTA 2020 Annual Report published in December 2020.

"As one of the top five ARS groups worldwide, our strategy focuses on further optimising existing operations and leveraging our geographical reach by harmonisation, digitalisation and automation of our best practice processes. Therefore, we have developed a digital strategy that will not only optimise our core business, but it will also support our growth and innovation into the future.

"Our *Precision Fertility* platform will include a digital Patient portal which will support our efforts to deliver best in class IVF pregnancy rates and patient experience; a digital Provider portal which will augment clinical and scientific experience with insights from a unique dataset via AI, and a digital research wizard which will accelerate our leadership in translational research and innovation. Our relationship with Harrison.ai continues as we develop our *Precision Fertility* platform," Ms Munnings said.

Virtus is also building its global fertility ecosystem and to that end, has entered into a collaboration agreement with international provider of fertility and genomic solutions, CooperSurgical.

"We are developing plans to build on our current leading reproductive genetic capability by investing in reproductive genetic testing, research and innovation. Virtus is in a strong position to enhance our assisted reproductive services via our growing genetics capability which supports both fertility diagnosis as families look to avoid passing potential genetic disease to their children," Ms Munnings said.

Key Financial Results

Metric	H1FY21 (A\$m)	H1FY20 (A\$m)	Variance (%)
Revenue	169.61	142.05	19.4%
Reported EBITDA	58.97	39.54	49.1%
PBT	42.39	21.35	98.6%
NPAT Pre-minorities Reported	30.28	15.47	95.7%
NPAT attributable to Virtus owners	29.93	14.97	100.0%
Basic EPS (cps)	37.42	18.65	100.6%
Diluted EPS (cps)	36.98	18.48	100.1%

Outlook

Virtus Health has demonstrated resilience and has recovered strongly in H1 FY2021, from the severe disruptions of the COVID-19 pandemic. However, we anticipate normalisation of growth rates heading into H2 FY2021.

"The timing and extent of this normalisation will be a function of a number of factors including consumer sentiment, availability of international travel, future pandemic lockdowns and vaccination rollout effectiveness," Ms Munnings said.

Rising COVID-19 cases in the UK and Europe has led to the imposition of stricter restrictions in UK and Ireland which also could impact activity in Q3 FY2021 and beyond.

"We expect to see sporadic disruptions from local and international COVID outbreaks for some time yet but remain optimistic that our clinics will continue to maintain their resilience."

Authorised by the Board of Directors of Virtus Health Limited.

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Investor Conference Call and Webcast

Investors are invited to join a conference call and webcast presentation hosted by Kate Munnings, Group CEO, and Glenn Powers, Group CFO and Company Secretary on **Tuesday 16 February 2021 at 9:30am AEDT**. To access the call and webcast, please use the log in details below.

- Conference Call Registration:** <https://s1.c-conf.com/diamondpass/10012337-ue7rnx.html>
Please note: upon registering online, you will receive a confirmation with phone numbers to dial into the conference call together with a unique passcode.
- Webcast:** <https://webcast.openbriefing.com/7128/>

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 123 of the world's leading fertility specialists supported by over 1300 professional staff, we are the largest network and provider of fertility services in Australia, Ireland and Denmark with a presence in Singapore and UK.

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