

Tuesday, 22 February 2022

H1FY22

FINANCIAL RESULTS



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 and Operational Overview



Virtus Health Global Network



126

Fertility Specialists



283

Scientists



1,146

Nurses,
counsellors,
patient support &
operational staff



44

Fertility clinics



Australia: 37
Ireland: 3
Singapore: 1
Denmark: 2
UK: 1



54

Laboratories



Embryology: 25
Andrology: 29



7

Day Hospitals



Queensland: 2
New South Wales: 3
Victoria: 1
Tasmania: 1



10

Diagnostics labs



General pathology: 7
Genetics: 3



5

Countries

H1FY22 Financial Results Overview

Revenue

\$171.3m

(H1FY21: \$169.6m)

Reported EBITDA

\$37.9m

(H1FY21: 59.0m*)

Adjusted EBITDA

\$40.5m

(H1FY21: \$49.7m)

Global Fresh IVF Cycles

12,551

(H1FY21: 12,537)

EPS

18.06 cents

(H1FY21: 37.42 cents)

Interim Dividend

12cps

Fully franked

Reported NPAT

attributable to ordinary equity holders

\$15.1m

(H1FY21: \$29.9m*)

Adjusted NPAT

\$17.0m

(H1FY21: \$23.1m)

H1FY22 Results Highlights

ARS volumes grow on a record comparable period

Industry demand drivers remain strong reinforcing the increasing growth in ARS services

Investment in operational capacity across the group to treat sustained and growing volumes

Investments will position the organisation to realise scale benefits in out-years

Strong revenue growth in Diagnostics with genetic testing contribution

Collaboration agreement and investment in genetic testing capability to drive earnings in H2 FY22 and beyond

Day Hospital revenue increases despite restricted non-IVF activity

Strengthened leadership team and investment in specialised medical equipment to grow in specific acuties

International impacted by ongoing disruption in travel IVF and delays in key strategic initiatives

Ireland Egg Donation Program expected to recommence in H2 FY22 and International patient waiting list growing

Net Debt reduced by \$31.5m from placement and strong operating CF with Leverage now 1.3x (FY21: 1.5x)

Strong balance sheet with funding capacity of \$158m+

Infrastructure projects well advanced for FY23 impact

Investments in capacity in Denmark and Australia to benefit out years

Precision Fertility project underway and on track

Transformative opportunity to change the way the business, staff, and Fertility Specialists deliver success to patients

Segment Performance



Group Activity

Volumes remain resilient across the business units despite varying degrees of pandemic disruption and continue to grow on PCP given the sustaining demand drivers

<i>Activity Volume and Revenue</i>	6 Months to Dec 21 (compared to pcp)	6 Months to Dec 20 (compared to pcp)
Australian fresh cycles	+1.3%	+18.3%
International fresh cycles	(4.1%)	+15.7%
Diagnostics revenue	+8.5%	+9.7%
Day Hospital revenue	+4.3%	+37.5%

Sustaining industry demand drivers

Biological needs, along with improved availability and affordability of ARS, is driving growth



Biological

- **15%** couples wishing to conceive being diagnosed as infertile
- **14%** increase in the average maternal age to 32 years
- **50%** decrease in sperm count in the last 40 years
- Rise in **LGBTQIA+ community starting families**
- **Single parent families** on the rise



Societal

- Rise in availability, affordability and **increasing use of pre-conception genetic testing**
- Acceptance and awareness about IVF/ART growing – **5%-10%** annual increase in use of ART globally
- **Pandemic has accelerated demand** for fertility services
- **Reduced community stigma** of accessing ARS services and greater awareness of IVF in the community.

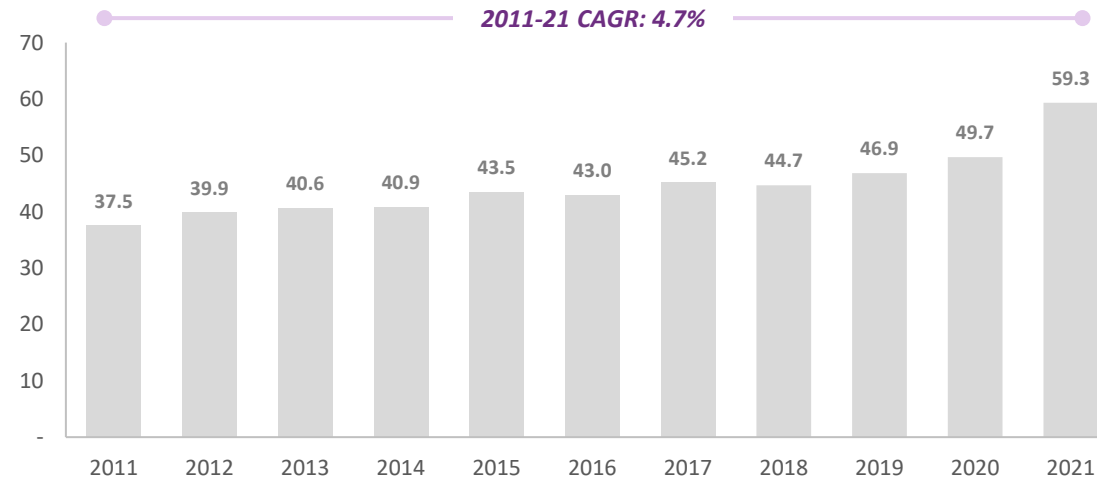


Economic

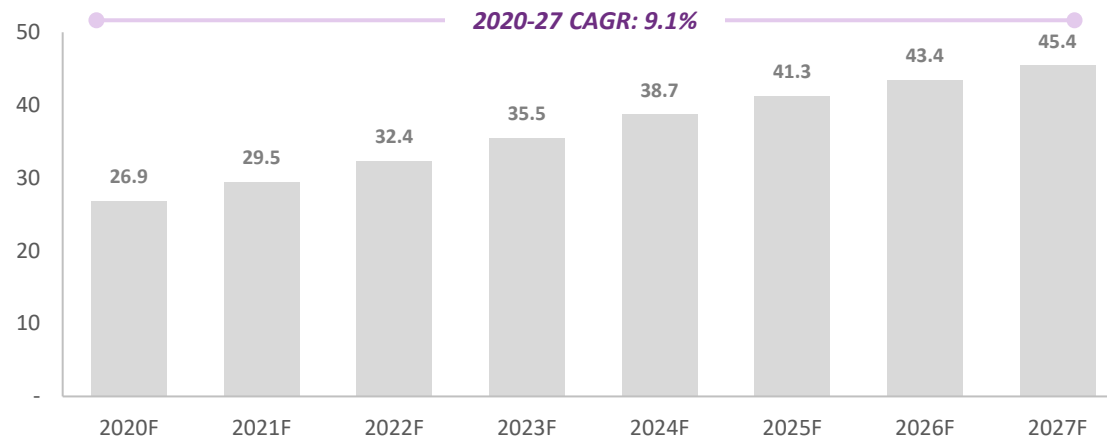
- **Medicare support for patients** making IVF treatments and alternate models of care more affordable
- Private insurance coverage including more ARS options
- Technological innovations and the increase in IVF success rates in last 10 years is **improving the accessibility and affordability of ARS services**

VRT is a market leader in a growing market...

Australia IVF Fresh Cycles ('000s), Calendar Year 2011 - 2021

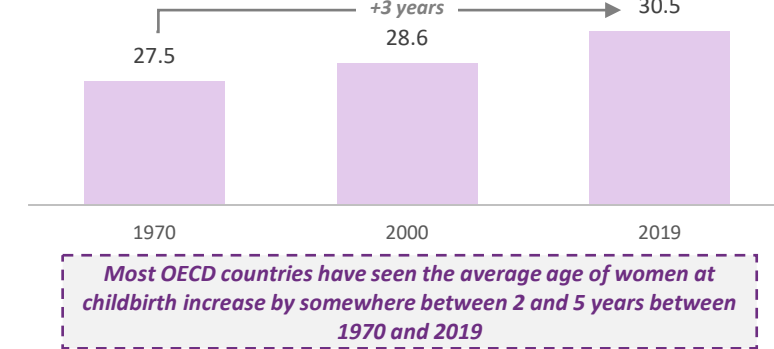


Global IVF market outlook (US\$bn)



Source: Medicare (Items 13200,201,202), HFEA, OECD Family Database, WHO, LEK Analysis.

Mean age of women at birth



...as well as declining fertility rates...

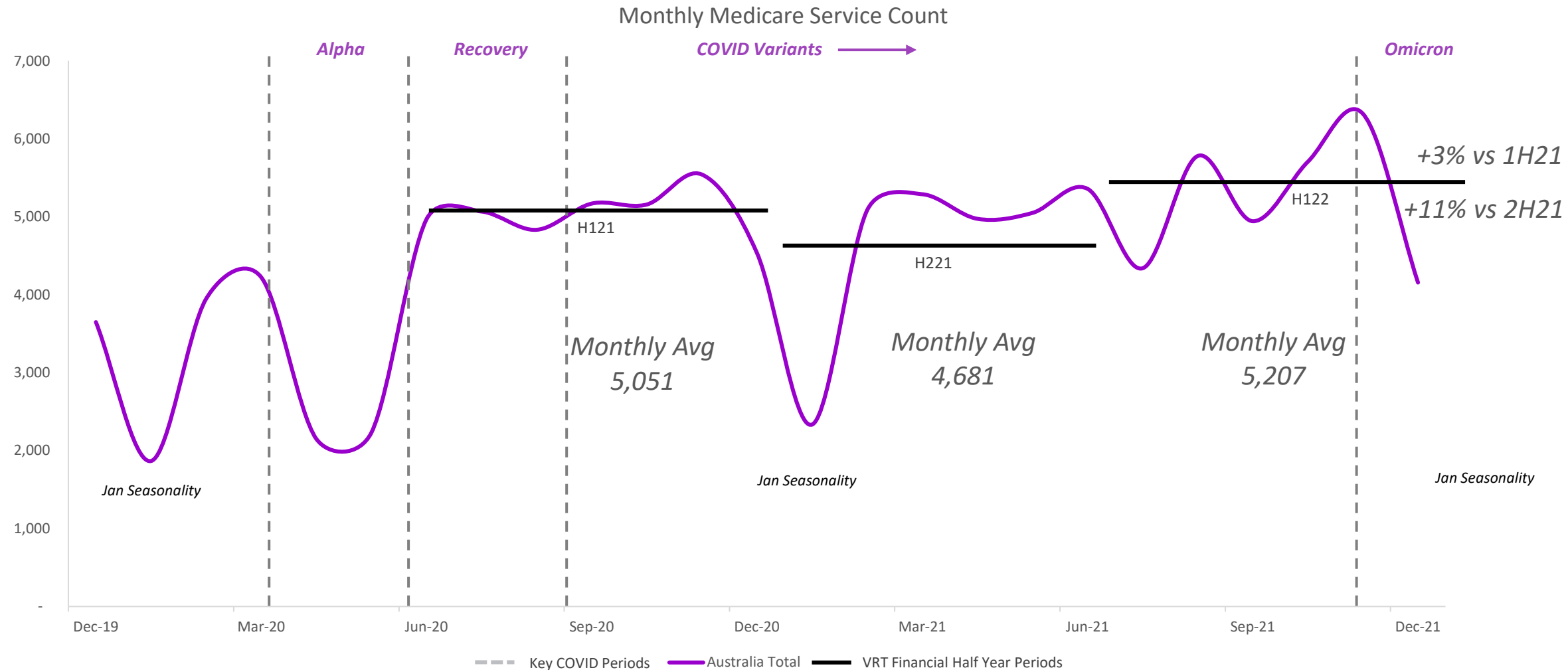
Total fertility rate (avg. children per woman)



...with infertility being a global public health issue

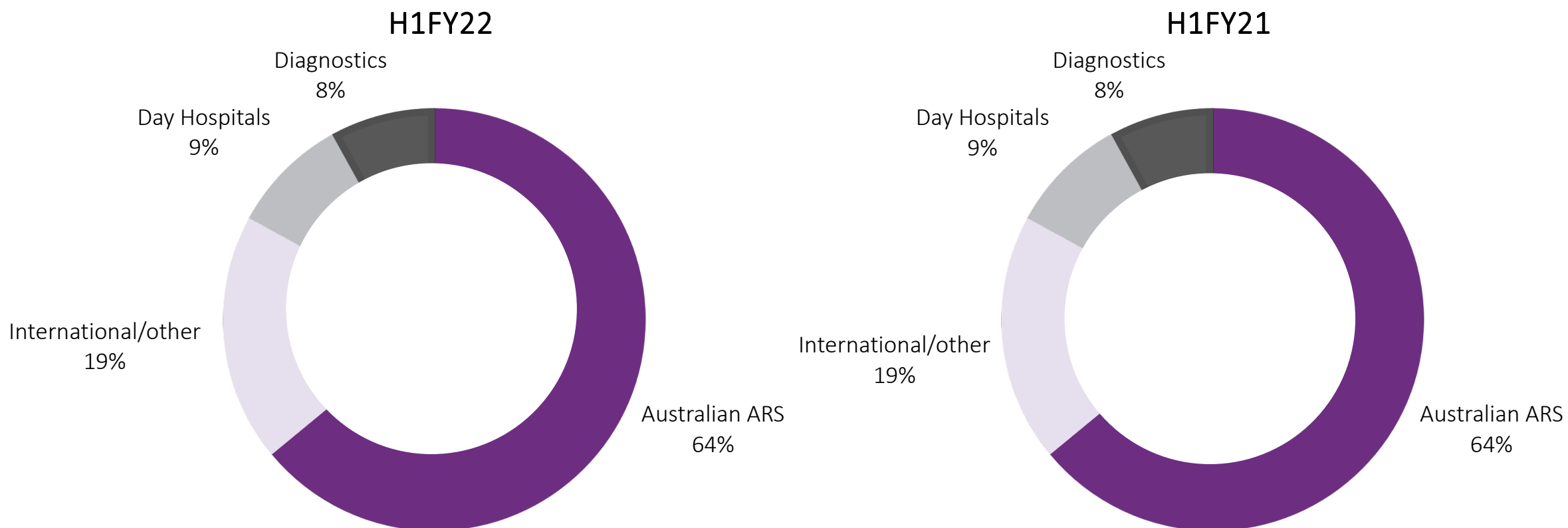
WHO estimates over 10% of women suffer from infertility and/or subfertility
50% of infertility is related to male factors

Australian COVID-19 impact and recovery profile



Virtus Group

Group portfolio diversity has been strategically valuable in navigating market conditions and despite different factors proportionality has remained consistent compared with PCP



Australian Operations

Investments in staffing levels, donor resourcing, business development, state of the art medical equipment, and genetic skillset expansion to drive future growth

- Revenue up 1.8% on pcp to \$139.3m
- EBITDA* down 21% to \$46.6m (H1FY21: \$59.2m)
- Fresh IVF cycles up 1.3% on pcp

Fresh cycle growth of +1.3% a highlight given the Omicron Dec-21 impact and high comparable. Gross Margins impacted by increased cancellations / deferrals and EBITDA impacted by investments to sustain volume growth and maintain COVID-19 safe protocols

All clinics remained open despite several COVID-19 related disruptions

Higher Diagnostics revenue from increase in genetic testing with general pathology outsourcing via collaboration agreement

Investment in genetic capabilities to drive further growth and reduced general pathology mix to improve EBITDA margins in FY22 H2 and onwards

Day Hospital improved EBITDA during the period despite rolling disruptions to non-IVF procedures

Investments in state-of-the-art medical equipment and strengthened leadership team positions Specialist Day hospitals to uplift growth in non-IVF revenue base

*EBITDA in prior period included \$7.7m of JobKeeper subsidy. Adjusting for this would change growth to -9.5%.

Singapore Operations

Winner Best Fertility Medical Centre of the Year in Asia Pacific 2021 Global Health Awards

- Revenue down 4.4% on pcp to SG\$4.4m
- EBITDA down 18% to SG\$1.3m (H1FY21: SG\$1.6m)
- Fresh IVF cycles down 16% on pcp

Volumes impacted by departure of key clinician due to unexpected illness and clinician no longer practicing

New doctors recruited and expected to regain lost volumes

Expansion of andrology lab and refurbishment completed

Business unit well placed to expand and compete locally

Singapore well placed for organic growth both locally and as a hub

Singapore is now resourced and structured to support Virtus-as-a-Service

Danish Operations

Denmark remains an important hub for international patients

- Revenue up 3.9% on pcp to DKK34.8m
- EBITDA down 24% to DKK8.4m (H1FY21: DKK11.1m)
- Fresh IVF cycles down 8.4% on pcp

H1 COVID-19 related travel restrictions/
reluctance impacted international
volumes

High revenue Donor and PGD cycles
partially mitigated volume shortfall

Salary pressures from limited pool,
increased utilities and consumables
costs impacted EBITDA

Command of large proportion of doctors
plus successful egg donor recruitment
campaigns primed for additional growth

Increased interest from international
patients reflects a strong pipeline

A new, larger, and more modern facility
in Copenhagen is being built for opening
in FY23 - Denmark remains an important
hub for travel IVF

Irish Operations

Expansion of footprint into Northern Ireland, the EDE program, and doctor recruitment to drive growth

- Revenue down 3.1% on pcip to €9.9m
- EBITDA down 14% to €1.7m (H1FY21: €1.9m)
- Fresh IVF cycles up 0.8% on pcip

Activity levels maintained at pcip levels despite new market entrants

Irish patients not travelling internationally for travel IVF supports local IVF demand in Ireland

Egg Donation Program (EDE) and Pre-Genetic Screening (PGS) roll out delays impacting revenue per cycle/EBITDA

Both initiatives are expected to (re)commence in H2 FY22

Strategic initiatives successfully implemented to stay ahead of a more competitive market

Introduction of a new patient app, satellite units in the north and west of Ireland to drive volume growth in H2 FY22 and beyond

UK Operations

Strongest performance in Europe for H1 with resilient activity and clinic momentum

- Revenue up 6.4% on pcp to £ 2.4m
- EBITDA down 11% to £0.40m (H1FY21: £0.45m)
- Fresh IVF cycles up 6.8% on pcp

Resilient activity & revenue
FY21 surge has continued into H1 FY22
with elevated local demand

EBITDA impacted by higher staffing costs
from interim change in leadership team
& increased salary pressures

Clinic Director recruited (commencing
Q3) with a strong focus in improving
clinical outcomes

Q2 experienced high number of patients
deferrals from self isolation
requirements

Deferred treatments expected to return
in Q3 onwards

Market Position

Market Leader in several markets (Top 5 Globally)



Australia Total

~37%

Market Cycles ~27K¹



Ireland

~39%

Market Cycles ~9K²



Denmark

~12%

Market Cycles ~27K⁴

High growth potential in other markets – including VaaS partnerships



UK

~1%

Market Cycles ~69K³



Singapore

~4%

Market Cycles ~8.7K⁵



Virtus as a Service

5-10 Partnership
opportunities across
Asia

Financial Results



Group Summary Segment Results

\$millions	Revenue			Segment EBITDA			Fresh Cycles		
Segment	H1FY22	H1FY21	% change	H1FY22	H1FY21	% change	H1FY22	H1FY21	% change
Healthcare Services Australia	139.3	136.8	1.8%	46.6	59.2	(21.2%)	9,947	9,822	1.3%
- Danish Operations	7.4	7.4	-	1.8	2.4	(25.0%)	942	1,028	(8.4%)
- Singapore Operations	4.5	4.7	(4.3%)	1.3	1.6	(18.8%)	273	326	(16.3%)
- Irish Operations	15.7	16.7	(6.0%)	2.6	3.2	(18.8%)	1,092	1,083	0.8%
- UK Operations	4.4	4.0	10.0%	0.8	0.8	-	297	278	6.8%
Healthcare Services Int'l	32.0	32.8	(2.4%)	6.5	8.0	(18.8%)	2,604	2,715	(4.1%)
Total Group	171.3	169.6	1.0%	53.1	67.2 ¹	(20.9%)	12,551	12,537	0.1%

1 – unadjusted for JobKeeper \$7.7M

Minor differences may arise due to rounding

Summary Income Statement

Statutory and adjusted results

\$Millions	Results		Adjustment		Adjusted Results	
	H1FY22	H1FY21	H1FY22	H1FY21	H1FY22	H1FY21
Revenue	171.3	169.6		(7.7)	171.3	161.9
Segment EBITDA ¹	53.2	67.2		(7.7)	53.2	59.5
EBITDA	37.9	59.0	2.6	(9.3)	40.5	49.7
Depreciation and amortisation	(12.1)	(12.0)			(12.1)	(12.0)
EBIT	25.8	47.0	2.6	(9.3)	28.4	37.7
Interest	(4.3)	(4.6)	0.1	0.2	(4.2)	(4.4)
Profit before income tax	21.5	42.4	2.7	(9.1)	24.2	33.3
Income tax expense	(6.3)	(12.1)	(0.8)	2.3	(7.1)	(9.8)
Profit after income tax	15.2	30.3	1.9	(6.8)	17.1	23.5
Profit after income tax attributable to non-controlling interest	(0.1)	(0.4)			(0.1)	(0.4)
Profit after income tax attributable to ordinary equity holders	15.1	29.9	1.9	(6.8)	17.0	23.1
Earnings per share (cents)	18.06	37.42			20.30	28.88
Diluted earnings per share (cents)	17.91	36.98			20.12	28.56

1 - Shaded area indicates IFRS disclosures H1FY22 Financial Statements; refer next page for reconciliation of detailed adjustments from statutory profit to adjusted profit.

Minor differences may arise due to rounding

Statutory Profit Reconciliation to Adjusted Profit

Net movement from significant items and non-cash acquisition related items

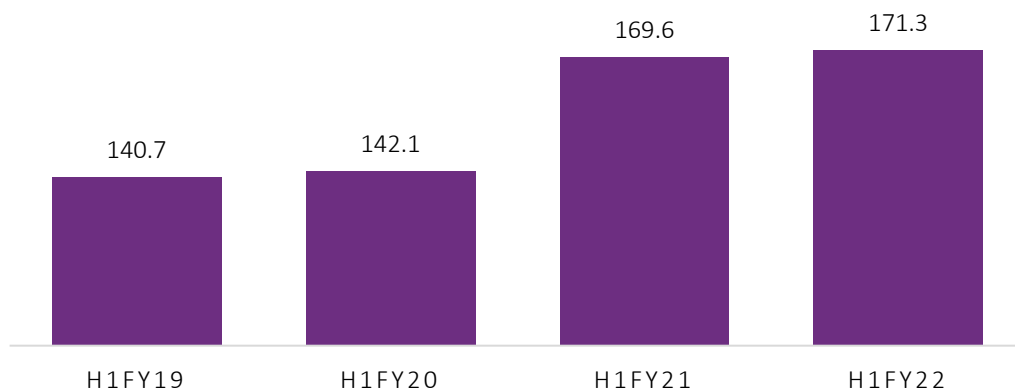
\$Millions	H1FY22	H1FY21
Profit after income tax attributable to ordinary equity holders	15.1	29.9
Transaction costs ¹	2.6	-
Fair value Adjustment to contingent consideration	-	(1.6)
Government assistance (COVID-19 related)	-	(7.7)
Non-cash Interest	0.1	0.2
Tax effect on relevant adjustments	(0.8)	2.3
Adjusted NPAT	17.0	23.1

Notes:

1 - Transaction costs in relation to M&A activities with the majority of these costs relating to the withdrawn acquisition of Adora Fertility and 3 Day Hospitals (15-December).

Key Revenue and EBITDA drivers for H1FY22

H1FY19-H1FY22 REVENUE



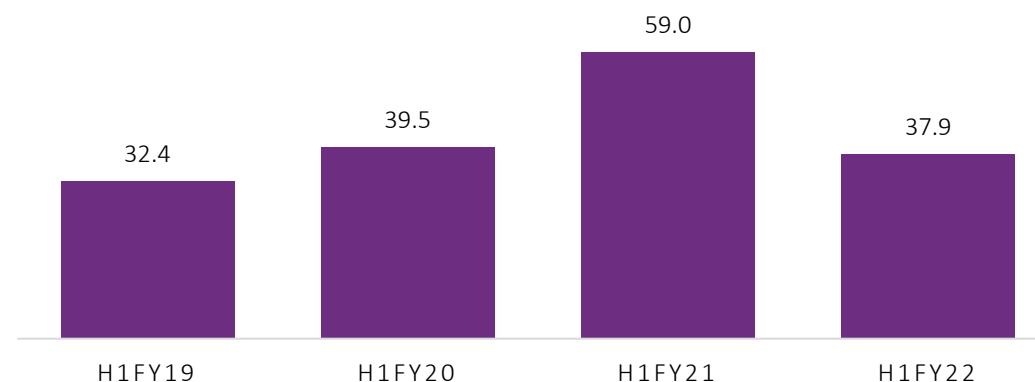
H1FY22 Revenue driven by:

- Australian segment revenue up 1.8% on pcp driven mostly by growth in ARS volumes and Genetics revenue in the Australian Diagnostics business.

Partially offset by:

- International segment revenue down 2.4% on pcp driven mostly from Ireland which was impacted by delays in recommencement of the Egg Donation program. Return of COVID-related travel restrictions/ reluctance negatively impacted volumes in Denmark.

H1FY19-H1 FY22 GROUP EBITDA



H1FY22 EBITDA decrease driven by:

- Previous period includes a \$7.7m of COVID-19 related Government assistance and a fair value gain of \$1.6m on a contingent consideration. Current period includes \$2.6m in transaction costs for M&A activities. This combined contributes to \$11.9m of the decrease.
- Operating Expenses were approximately \$7.4m higher than pcp reflecting investments in human capital and infrastructure (including IT) that provides capacity for the future growth. The increased operating expenses also included increased costs associated with COVID-19 safety related precautions.
- Balance of the decrease resulted from margin erosion from cancelled/deferred cycles during the period & higher costs of COVID-19 PPE consumables.

Cash Performance

Operating cash flow

Summary	H1FY22 (A\$m)	H1FY21 (A\$m)
Group EBITDA	37.9	59.0
Changes in other operating assets/liabilities	(5.5)	(7.1)
Net financial costs	(2.2)	(2.4)
Lease interest	(1.6)	(1.8)
Income tax	(9.7)	(15.0)
Other non cash items (net) ⁽¹⁾	1.8	(0.6)
Operating cash flow	20.7	32.1
Lease principal payments	(5.8)	(5.9)
Net CAPEX	(6.4)	(7.2)
Free cash flow	8.5	19.0
Dividends paid	(10.3)	(9.6)
Free cash flow after dividends	(1.8)	9.4

Operating cash flow decrease of \$11.4m mostly driven by:

- Lower EBITDA (see EBITDA commentary). H1FY21 also included \$7.7m in Job Keeper subsidy.
- Offset partially by lower (normal) tax payments. Prior period included unwind of agreed deferral mechanisms provided by ATO, and payment of direct tax of \$9.0m during Q2 of FY21.

Free cash flows down by \$11.2m, mostly as a result of lower operating cash flows noted above.

1. Non cash items in H1 FY22 include share based payments of \$1.8m.

Statement of Financial Position

\$millions	Statutory Dec 21	Statutory Jun 21
Cash	18.5	37.0
Trade and other receivables	12.1	12.1
Inventories	1.5	1.3
Investments	1.8	1.5
Other financial assets	6.9	4.9
PP&E	40.0	39.9
Deferred tax assets	10.9	11.2
Right-of-use assets	70.6	69.1
Intangible assets	427.2	428.3
Total assets	589.5	605.3
Trade and other payables	34.8	31.6
Deferred revenue	14.8	21.1
Borrowings	94.4	144.1
Deferred tax liability	0.6	0.6
Provisions	12.4	12.3
Lease liabilities	86.4	83.5
Current tax liabilities	3.8	7.6
Other financial Liabilities	2.0	3.9
Total liabilities	249.2	304.7
Net assets	340.3	300.6

Key movements:

Cash balance – excess cash was applied to debt reduction

Trade and other payables – increase mostly reflects accrual for M&A transaction costs paid after year end

Deferred revenue – decrease is seasonal variation from June through to December which is a slower month leading into the holiday break for both our clinicians and patients

Other financial assets – larger prepayment balance resulting from rental deposit on new lease; higher insurance balance and pre ordering of PPE and Consumables

Other financial liabilities – reduction is mostly a result of reduction in derivative liabilities of \$1.1m and repayments in relation to loan owing to the vendors of Fertilitesklinikken Trianglen Aps of \$0.9m

Dividend proposed – 12 cps (pcp 12cps), fully franked payable on 14 April 2022

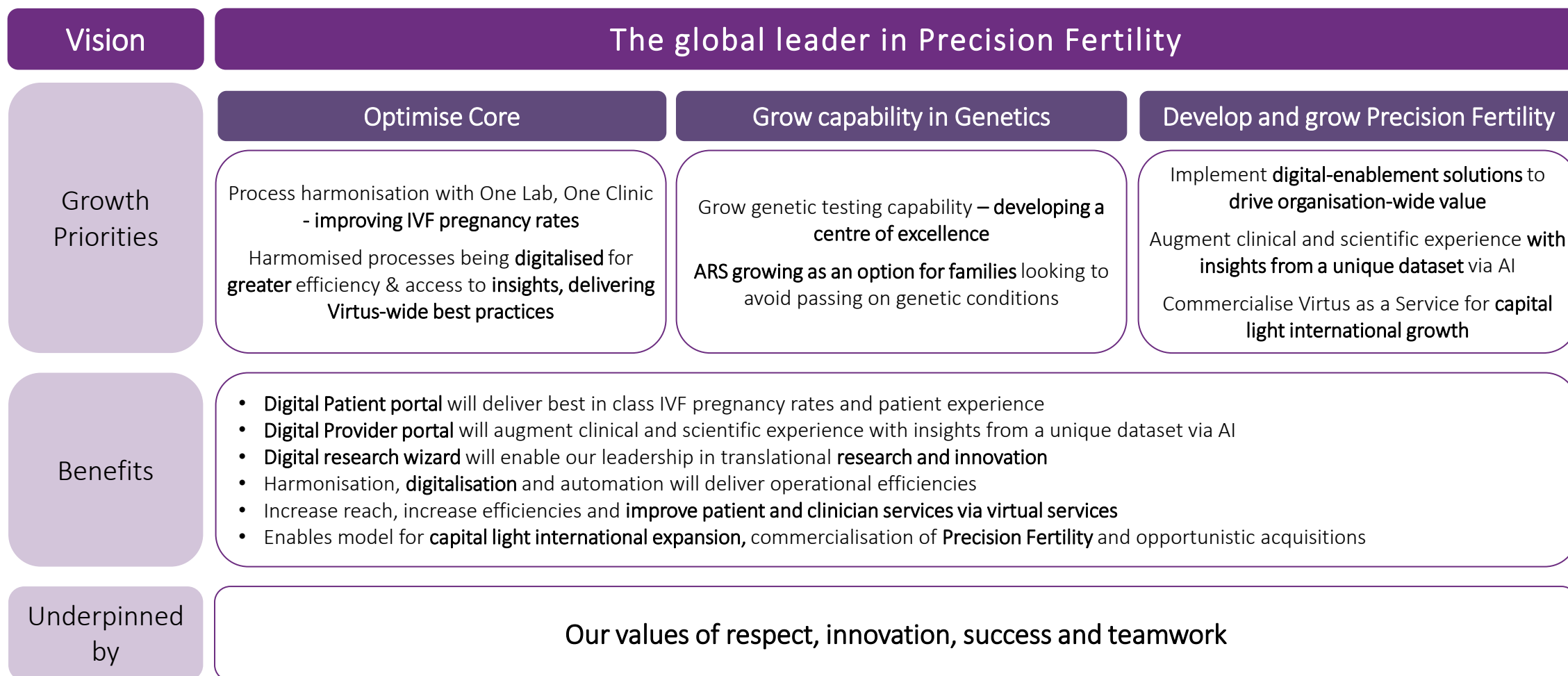
Gearing

- As the proposed Adora acquisition did not proceed, Net placement proceeds of \$34m and excess cash of \$16m generated from strong operating cashflows were used to reduce debt by \$50m during H1 FY2022
- Leverage ratio of 1.3x (FY21: 1.5x) adjusted group EBITDA (LTM)
- Full compliance with sufficient head room under both interest and leverage ratios
- Funding capacity available, >\$158m from unused debt facilities
- Net debt \$76.5m (FY21: \$108.0m)

Strategic Update



Strategic Growth and Value Creation

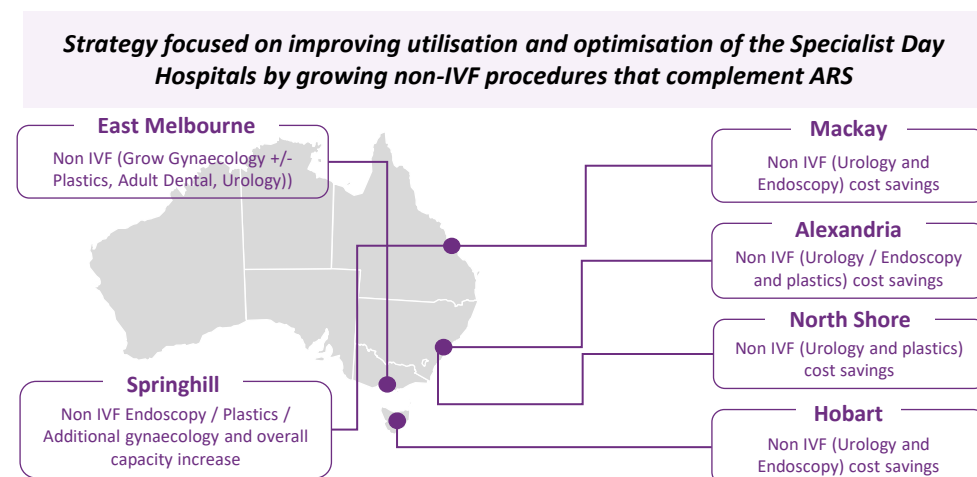


Optimising the core - operational excellence

HRIS – Workforce Management

- The benefits include increased productivity and reduced leakage by automating the current manual workforce management processes
- The HR Management system will include rostering; payroll; time & attendance; recruitment, onboarding & workforce management; compliance with EA's; learning & development and reporting. It will also enable continuous improvement & innovation
- Ceridian is the technology partner, and the implementation is scheduled to be completed by the end of 2022
- Total Net Savings Benefits (Direct and Indirect savings minus annual running costs) is over \$1.25m in Year 1 and this increases to approximately \$2m from Year 2 onwards.

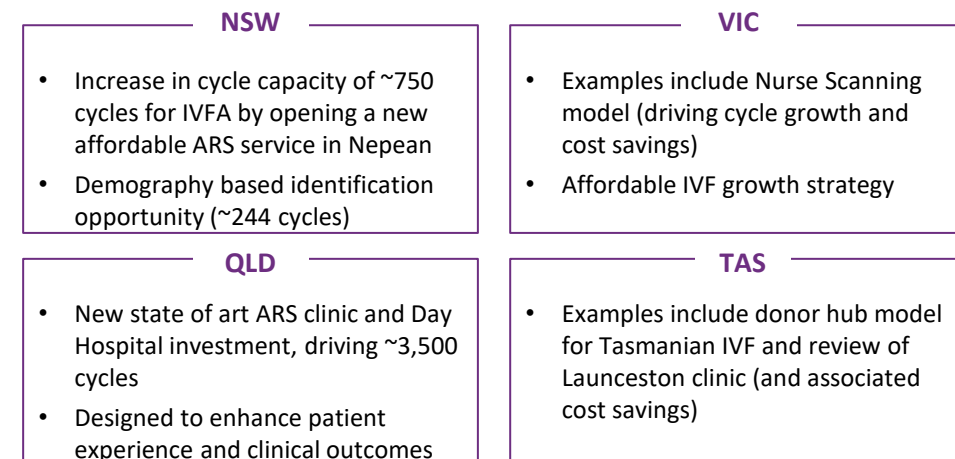
Day Hospital optimisation



Growing our egg & sperm donor service

- There is a significant market for donor services in ARS globally with increasing maternal age, the reduction in sperm count over the past 20 years and the increase in demand from same sex couples and single women
- Implementation of centre-led donor strategy to optimise and co-ordinate this service will drive an increase in revenue and cycles
- By collaborating with the individual state & country programs, the patient and donor experience will be improved and will create a greater access to donor gametes
- This is a key part of 2022 growth strategy – lead generation for ARS via increased awareness through GP engagement, advertising and new user interface (website).

State-by-State growth & optimisation



Growing capability - Fertility Diagnostics and Genetics

Fertility Diagnostics: overview of services

Andrology

- In Australia, the current andrology service provided by Virtus is widely considered best-in-class
- Virtus andrology service enables Virtus to maintain category B laboratory NATA accreditation which enables patients to gain access to Government funding (via Medicare rebates) for this service

Fertility hormones

- Collaboration agreement with Australian Clinical Laboratory (ACL), one of the large pathology providers in Australia, to assist with general pathology services and transition these services to ACL to focus on reproductive and genetic testing
- Virtus has labs at fertility practices to maintain appropriate turnaround time of hormones for stimulated cycles
- Virtus is monitoring the status of emerging and 'nurse operated' technologies for hormone testing in fertility treatments
- Virtus is well placed to import and adopt to drive innovation in point of care hormonal testing technologies

Reproductive Genetics: overview of services

Cytogenetics

- Virtus has advanced capabilities in the cytogenetics laboratories in Brisbane and Melbourne with plans to expand this capability
- Virtus, as the Australian leader in cytogenetics, is well respected for this capability in Asia

Pre – Genetic Testing (PGT)

- Preimplantation Genetic Testing (PGT) is a significant service provided by Virtus to the general pathology providers and other ARS clinics as funding (MBS) introduced in Nov-21, requires that service must be provided in Australia
- Virtus has recently been a partner in the ground-breaking McKenzie's Mission, a project funded by the Australian Government to evaluate pre-conception screening and preimplantation genetic testing of affected couples

Molecular genetics

- Molecular genetics laboratory has been located in Brisbane, but will be located to Sydney in 2022
- The molecular genetics lab capability will be expanded and NIPT assessed
- Reimbursement for carrier screening was announced in MYEFO 2021 (Dec) for Government funding (MBS) in May 2022

Precision Fertility - growth through innovation



Technology

- Virtus is developing a digital platform, Precision Fertility™ that will **harmonise processes and drive sustainable operational efficiency** and **deliver synergies in any future M&A**
- The digital platform will be **interoperable with technologies AI, genomic sequencing, IoMT** which will **augment clinical and scientific experience & improve patient outcomes**
- **Opportunity for commercialisation** as modules or as a single solution



Science

- Virtus has the **leading Australian team** of embryologists with our **One Lab strategy** substantially improving IVF success rates
- Virtus has the **leading Australian team** of Clinical Geneticists, Genetic Counsellors, **Genetic Pathologists** and Scientists
- The reproductive genetics & fertility diagnostics services **enhances Virtus' ARS offering via offering the full range of services**



Innovation

- Virtus has demonstrated capability in innovation in ARS via its co-creation of the embryo selection IVY technology
- Virtus also has a team of clinicians and embryologist **who collectively have the highest h-index** and who have authored pioneering research



Scale and portfolio

- Capabilities across diagnostics and genetics with strong specialist Day Hospital presence (with actionable levers for growth in these areas)
- Significant international presence across Europe with capacity to grow and sufficient foothold in Asia via Singapore hub
- Market leader in IVF across key markets of operations

Examples of strategic partnerships

LUMINAR

AUSTRALIAN
Clinical
Labs

drop

23strands

Vitrolife   CooperSurgical®

- Combining Virtus' unique clinical data set and technology to improve IVF success rates and time to pregnancy, thereby differentiating Virtus in the market
- Enhancing patient and clinician experience, thereby attracting and retaining more patients and clinicians
- Delivering sustainable efficiency dividends via harmonisation, digitalisation and automation across an ARS provider of scale & enhancing any M&A synergies
- Enabling revenue growth from health services as well as revenue growth from technology through the commercialisation of Precision Fertility™
- Positioning Virtus as the partner of choice for start ups, global medical device groups as well reproductive health opportunities more broadly

H2FY22 Outlook

Virtus continues to invest in scalability and innovation to help more people become parents

Australian cycle growth impacted in Jan-22 but resilient in demand outlook

Sustaining demand drivers (e.g. average cycle age increasing and waiting lists) supports H2 catch up profile

International cycle growth to return as travel resumes

Travel IVF remains suppressed across Europe but clinic inquiries ramping back up with Omicron impact subsiding

Day Hospitals and Diagnostics showing increasing potential

Investment in specialist equipment (such as endoscopy) and capability (such as genetics) will increase forward growth profile

Opex investment flattening out / leverage to resume

Increased Opex across the last 12 months provides for capacity to sustain growth but with greater fixed cost margin leverage going forward

Investment in initiatives building towards FY23 growth

Investment in infrastructure (Denmark / Australia) and systems (Precision Fertility / HRIS) to start contributing to the business from FY23

H2 started with a disrupted Jan-22 due to Omicron, primarily in Australia in Dec-21 & Jan-22, with International impacted to a lesser but longer extent over Q2 & Jan-22. We have confidence in the ongoing resilience of the sector, but deferrals and cancellations may not all be caught up within H222.

FY23+ Strategy Roadmap

Strategic focus area

Key objectives

Roadmap and key initiatives

Outcome and KPIs

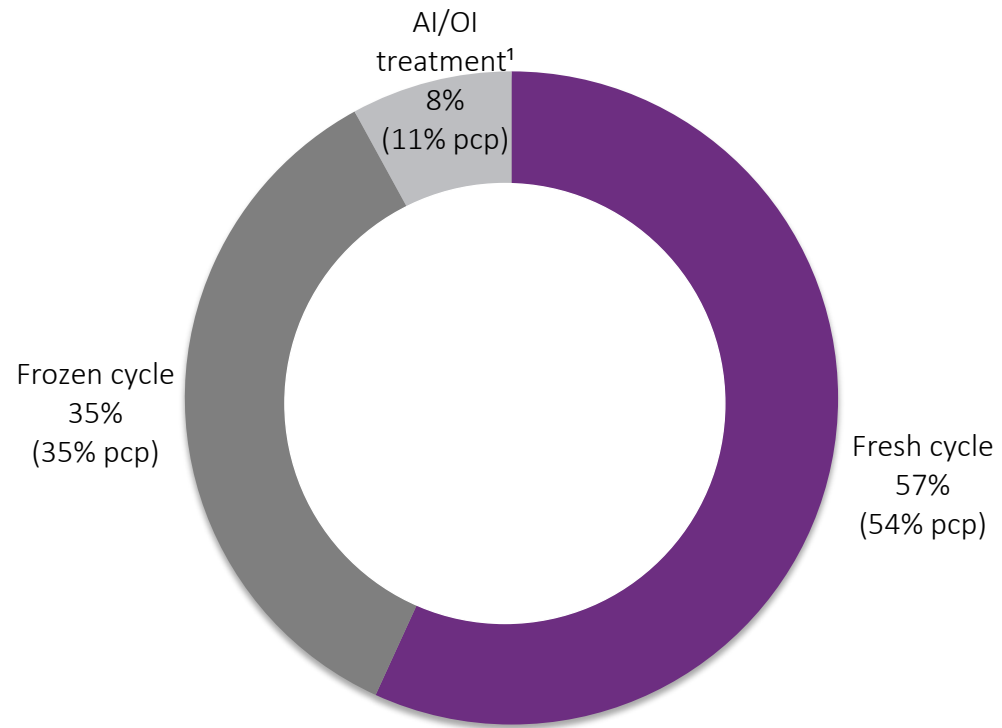
		FY21	FY22	FY23	
Optimise Core	<ul style="list-style-type: none"> Enhance patient experience Improve IVF success rates Retain best specialist Deliver material efficiency dividend Enhance staff experience Diversify revenue (Day Hospital) 	<ul style="list-style-type: none"> Investments in growth of the clinic network ✓ One Lab embryology and andrology laboratories designed ✓ Lab practices & collaboration enhanced across Virtus network ✓ Recruit new leadership team ✓ 	<ul style="list-style-type: none"> Grow via partnerships, capital light Virtus as a Services opportunities & bolt on acquisitions ✓ Continue harmonisation & collaboration to optimise efficiency across all services ✓ 	<ul style="list-style-type: none"> Realise Operational efficiency achieved by harmonised processes & collaboration Offer a differentiation value proposition for patients & clinicians via enhanced IVF success rates & outcomes 	<ul style="list-style-type: none"> Growth investments – in FY22 and FY23 focused on: <ul style="list-style-type: none"> Precision Fertility™ Genetics capability Infrastructure & Services (Day Hospitals, VaaS™ & One Lab) Return on Investments - collective incremental EBITDA of \$5-10m p.a. from FY23+ from a mix of Revenue and Efficiency Margin Outlook – 100 – 300bps p.a. improvement by FY24 (as part of EBITDA uplift) from Precision Fertility™ and operational improvements Diversification – with growth in Day Hospitals, Genetics, and International opportunities (such as Virtus As A Service) Patient Success – all strategies are focused on meaningfully improving IVF success rates so Virtus clinics become the clinic of choice for Fertility Specialists and patients
Grow capabilities in Genetics	<ul style="list-style-type: none"> Differentiate & enhance Fertility Services Diversify revenue sources Lead research & innovation in genetics Become a global leader in genetic services 	<ul style="list-style-type: none"> Decision to focus on fertility diagnostics & reproductive genetics only ✓ Medical Director Genetics recruited ✓ Non-invasive prenatal testing insourced ✓ 	<ul style="list-style-type: none"> Restructuring of general pathology business ✓ Established National Genetic Counselling Services Developing Centre of Excellence in Reproductive Genetics ✓ Appointment of new GM Genetics ✓ 	<ul style="list-style-type: none"> Grow Fertility Diagnostics & Reproductive Genetic services and continue to insource crucial tests Initiate norther hemisphere CoE plans and development 	
Develop and grow Precision Fertility™	<ul style="list-style-type: none"> Enhance patient experience Deliver material efficiency dividend Improve IVF success rates via integrated AI genomics biomarkers etc Commercialise Precision Fertility™ 	<ul style="list-style-type: none"> Business case approved ✓ Clinicians engaged in development ✓ eConsent & Education module completed ✓ Vendor selected & engaged ✓ Data warehouse module scoped ✓ 	<ul style="list-style-type: none"> The following modules to go live progressively <ul style="list-style-type: none"> Research wizard ✓ Data analytics & dashboard eConsent & Education & Patient Portal resource ✓ Global Data warehouse 	<ul style="list-style-type: none"> Precision Fertility™ Provider and Patient Portal to go live Synchronised lab and genetics systems Integrated systems providing significant data insights Commercialisation in play 	

Appendices



Treatment Analysis

Treatment Mix - Fresh cycles mix increase



1. Artificial Insemination and Ovulation Induction treatments

Virtus Fresh Cycles - sustained volume post H1FY21

