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virtushealth

Tuesday, 22 February 2022

H1FY22

FINANCIAL RESULTS

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Results and Operational Overview

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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

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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)

*Note: FY21 included $7.7M relating to JobKeeper – refer slide 21.

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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 acuities

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

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Segment Performance

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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

Activity Volume and Revenue	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%

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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**

Source: Company filings, The forgotten men, AIHW 2019, Hagai Levine et al 2017, ANZARD 2019.

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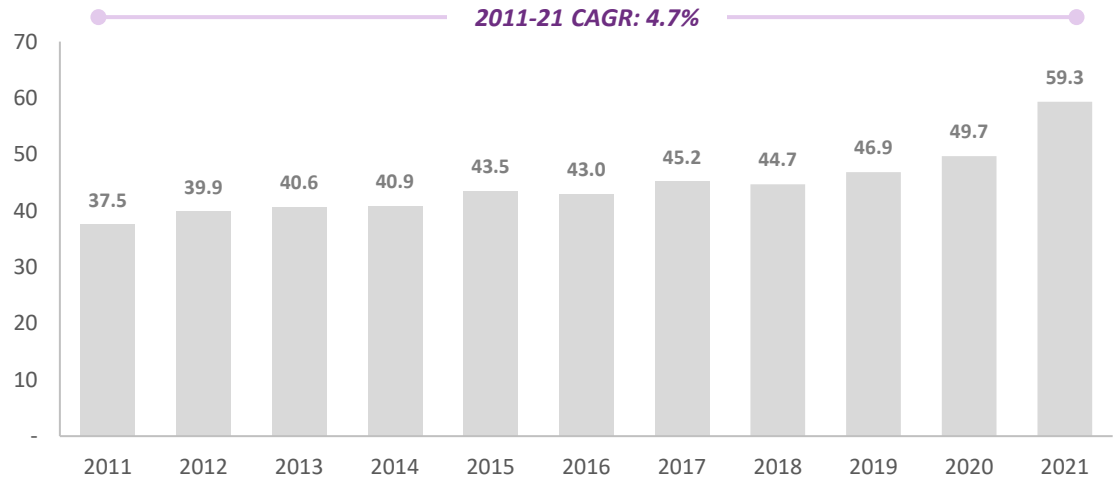
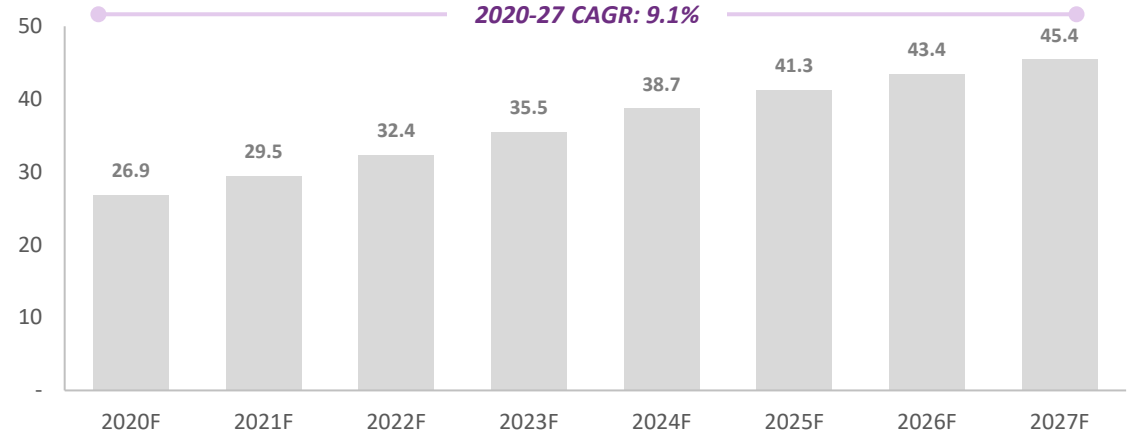
VRT is a market leader in a growing market…

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

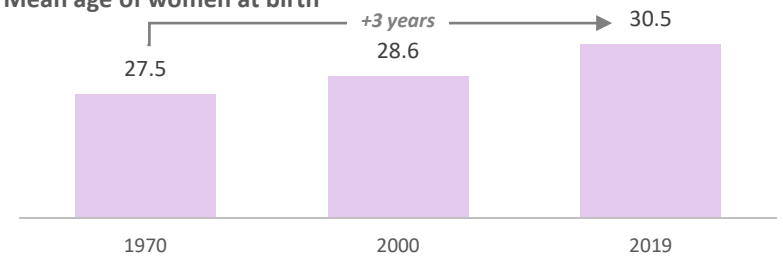


Global IVF market outlook (US$bn)



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

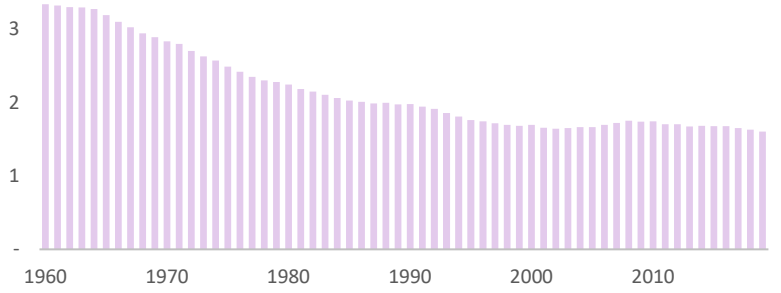
Mean age of women at birth



Most OECD countries have seen the average age of women at childbirth increase by somewhere between 2 and 5 years between 1970 and 2019

…as well as declining fertility rates…

Total fertility rate (avg. children per woman)



Fertility rate has declined markedly across OECD countries, falling on average from 2.8 children per woman in 1970 to 1.6 in 2019

…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

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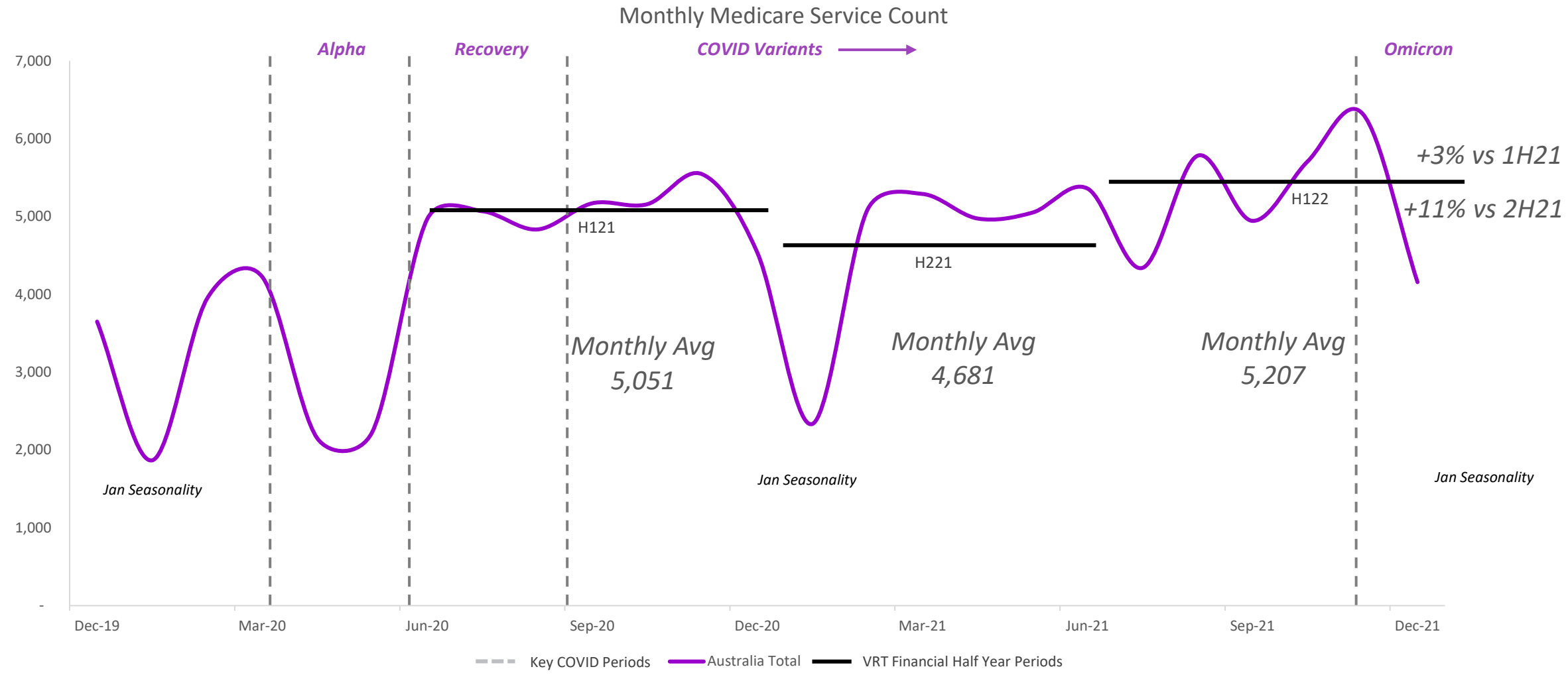
Australian COVID-19 impact and recovery profile



Source: Virtus analysis, Medicare Benefits Schedule – All Australian States & Territories 13200, 13201, 13202

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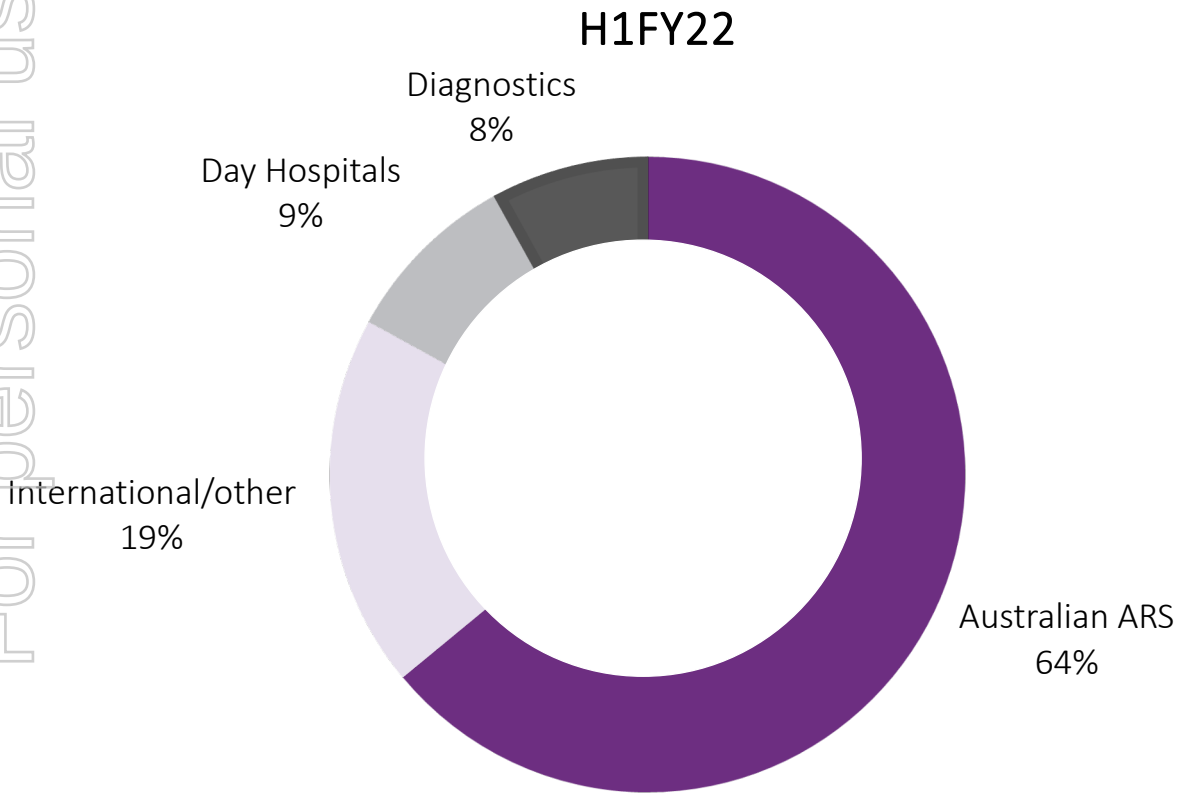
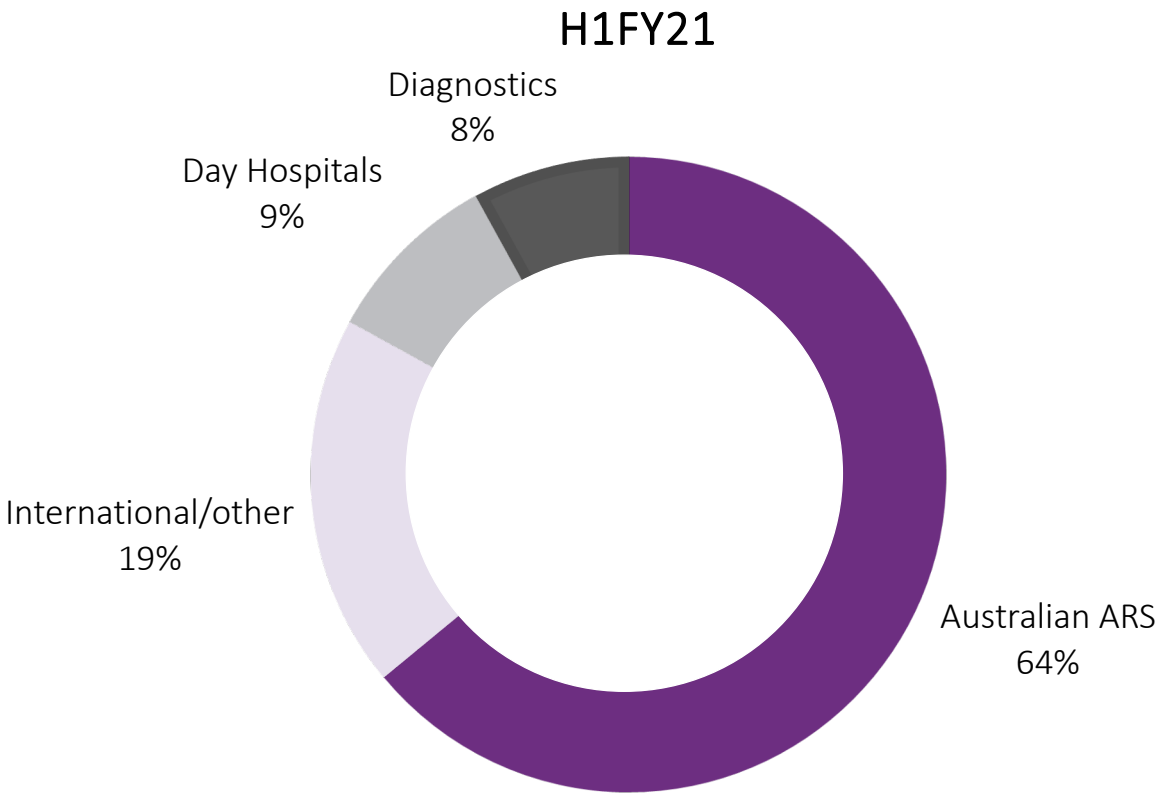
Virtus Group

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





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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%.

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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

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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

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Irish Operations

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

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

Activity levels maintained at pcp 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

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Market Position

Market Leader in several markets (Top 5 Globally)

Australia Total
~37%
Market Cycles ~27K[1]

Ireland
~39%
Market Cycles ~9K[2]

Denmark
~12%
Market Cycles ~27K[4]

High growth potential in other markets – including VaaS partnerships

UK
~1%
Market Cycles ~69K[3]

Singapore
~4%
Market Cycles ~8.7K[5]

Virtus as a Service

5-10 Partnership opportunities across Asia

Source: (1) Australia Medicare Statistics MBS (Medicare Benefits Schedule item number 13200,13201,13202) for all states that Virtus participates/ 1HFY22. (2) Lincoln International Estimate for Ireland market / FY2021. (3) UK HFEA (Human Fertilisation & Embryology Authority) / 2019. (4) Allied Market Research estimates for Denmark / 2021. (5) Market cycles for SGP as referred in Business Times article / 2019.

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Financial Results

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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

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Summary Income Statement

Statutory and adjusted results

	Results		Adjustment		Adjusted Results	
$Millions	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

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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).

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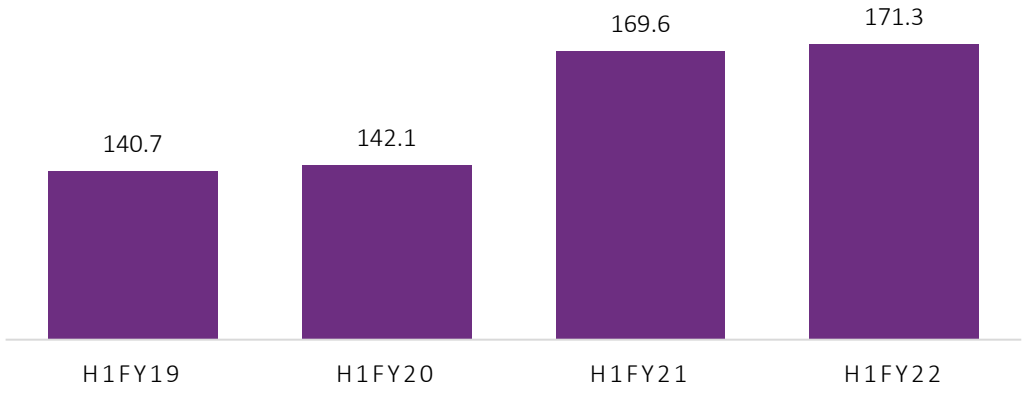
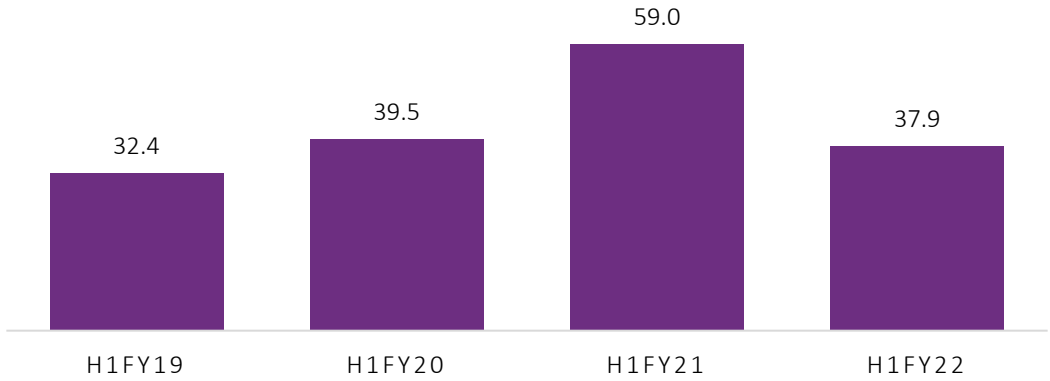
Key Revenue and EBITDA drivers for H1FY22

H1FY19-H1FY22 REVENUE



H1FY19-H1 FY22 GROUP EBITDA



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.

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.

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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.

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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)

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Strategic Update

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Strategic Growth and Value Creation

Vision	**The global leader in Precision Fertility**		
Growth Priorities	**Optimise Core**	**Grow capability in Genetics**	**Develop and grow Precision Fertility**
	Process harmonisation with One Lab, One Clinic - **improving IVF pregnancy rates** Harmomised processes being **digitalised** for **greater** efficiency & access to **insights, delivering Virtus-wide best practices**	Grow genetic testing capability – **developing a centre of excellence** **ARS growing as an option for families** looking to avoid passing on genetic conditions	Implement **digital-enablement solutions** to **drive organisation-wide value** Augment clinical and scientific experience **with insights from a unique dataset** via AI Commercialise Virtus as a Service for **capital light international growth**
Benefits	• **Digital Patient portal** will deliver best in class IVF pregnancy rates and patient experience • **Digital Provider portal** will augment clinical and scientific experience with insights from a unique dataset via AI • **Digital research wizard** will enable our leadership in translational **research and innovation** • Harmonisation, **digitalisation** and automation will deliver operational efficiencies • Increase reach, increase efficiencies and **improve patient and clinician services via virtual services** • Enables model for **capital light international expansion,** commercialisation of **Precision Fertility** and opportunistic acquisitions		
Underpinned by	**Our values of respect, innovation, success and teamwork**		

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Optimising the core - operational excellence

HRIS – Workforce Management

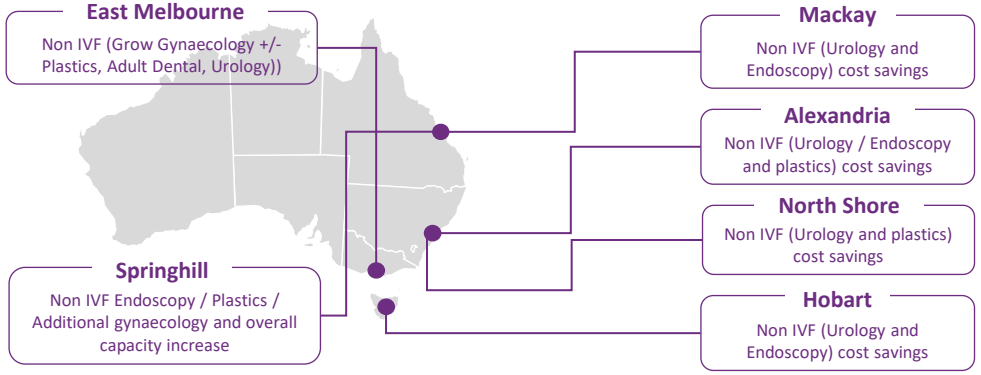
- The benefits include increased productivity and reduced leakage by automating the current manual workforce management processes
- The HR Management system will include rostering; payroll; time & attendance; recruitment, onboarding & workforce management; compliance with EA's; learning & development 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.

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).

Day Hospital optimisation

Strategy focused on improving utilisation and optimisation of the Specialist Day Hospitals by growing non-IVF procedures that complement ARS



State-by-State growth & optimisation

NSW

- Increase in cycle capacity of ~750 cycles for IVFA by opening a new affordable ARS service in Nepean
- Demography based identification opportunity (~244 cycles)

VIC

- Examples include Nurse Scanning model (driving cycle growth and cost savings)
- Affordable IVF growth strategy

QLD

- New state of art ARS clinic and Day Hospital investment, driving ~3,500 cycles
- Designed to enhance patient experience and clinical outcomes

TAS

- Examples include donor hub model for Tasmanian IVF and review of Launceston clinic (and associated cost savings)

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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

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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 harmonsiation, 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 commercalisation of Precision Fertility™
- **Positioning Virtus as the partner of choice** for start ups, global medical device groups as well reproductive health opportunities more broadly

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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

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Strategic focus area	Key objectives	Roadmap and key initiatives		
		FY21	**FY22**	**FY23**
Optimise Core	▪ Enhance patient experience ▪ Improve IVF success rates ▪ Retain best specialist ▪ Deliver material efficiency dividend ▪ Enhance staff experience ▪ Diversify revenue (Day Hospital)	▪ 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 ✓	▪ Grow via partnerships, capital light Virtus as a Services opportunities & bolt on acquisitions ✓ ▪ Continue harmonisation & collaboration to optimise efficiency across all services ✓	▪ Realise Operational efficiency achieved by harmonised processes & collaboration ▪ Offer a differentiation value proposition for patients & clinicians via enhanced IVF success rates & outcomes
Grow capabilities in Genetics	▪ Differentiate & enhance Fertility Services ▪ Diversify revenue sources ▪ Lead research & innovation in genetics ▪ Become a global leader in genetic services	▪ Decision to focus on fertility diagnostics & reproductive genetics only ✓ ▪ Medical Director Genetics recruited ✓ ▪ Non-invasive prenatal testing insourced ✓	▪ Restructuring of general pathology business ✓ ▪ Established National Genetic Counselling Services ▪ Developing Centre of Excellence in Reproductive Genetics ✓ ▪ Appointment of new GM Genetics ✓	▪ Grow Fertility Diagnostics & Reproductive Genetic services and continue to insource crucial tests ▪ Initiate norther hemisphere CoE plans and development
Develop and grow Precision Fertility™	▪ Enhance patient experience ▪ Deliver material efficiency dividend ▪ Improve IVF success rates via integrated AI genomics biomarkers etc ▪ Commercialise Precision Fertility™	▪ Business case approved ✓ ▪ Clinicians engaged in development ✓ ▪ eConsent &Education module completed ▪ Vendor selected & engaged ✓ ▪ Data warehouse module scoped ✓	▪ The following modules to go live progressively – Research wizard ✓ – Data analytics & dashboard – eConsent & Education & Patient Portal resource centre ✓ – Global Data warehouse	▪ Precision Fertility™ Provider and Patient Portal to go live ▪ Synchronised lab and genetics systems ▪ Integrated systems providing significant data insights ▪ Commercialisation in play

Outcome and KPIs

- **Growth investments –** in FY22 and FY23 focused on:
  - 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

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Appendices

Treatment Analysis

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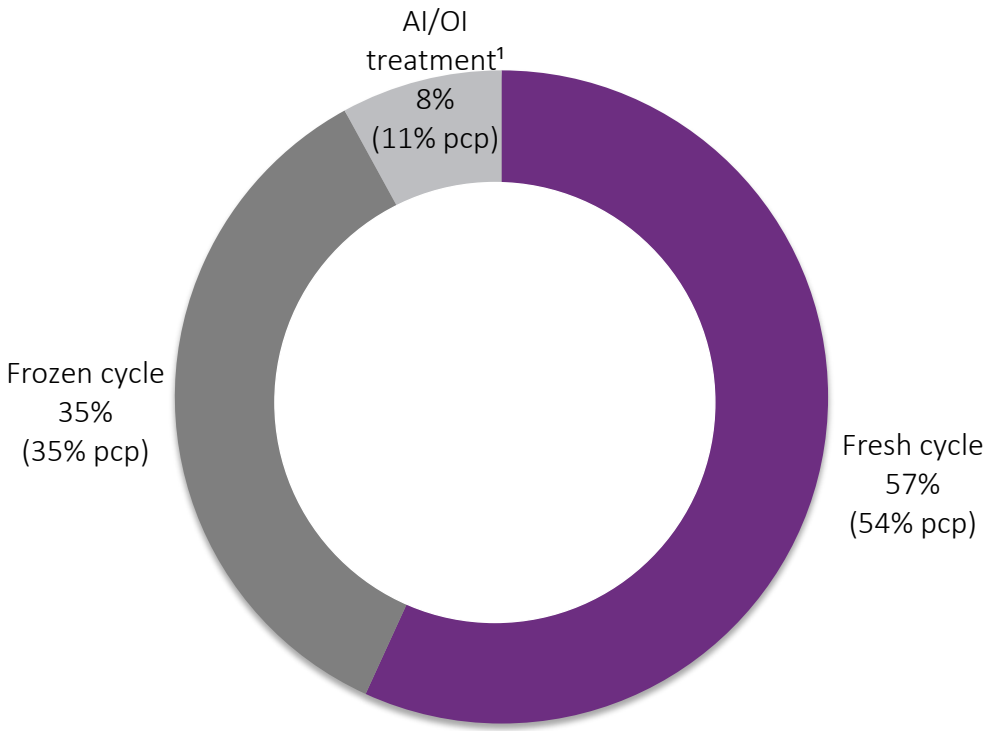
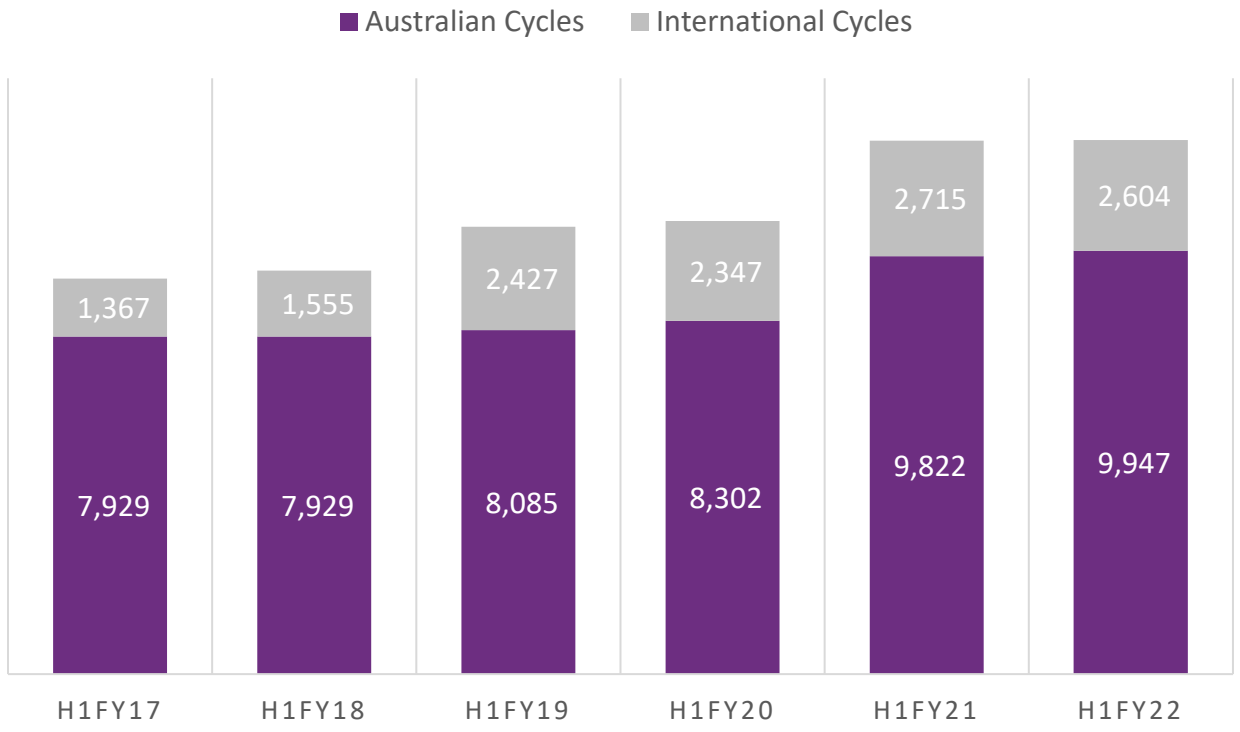
Treatment Mix - Fresh cycles mix increase



1. Artificial Insemination and Ovulation Induction treatments

Virtus Fresh Cycles - sustained volume post H1FY21