Monday, 23 August 2021

Financial Results Presentation FY21

Virtus Health (ASX: VRT)

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Virtus Health Network

virtushealth

128 Fertility Specialists

261 Scientists

1,083 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

Results and operational overview

FY21 Financial Results Overview

Virtus strong results position the company to invest in growth

Global Fresh IVF Cycles
Up 26.4% to
23,994
(FY20: 18,981)

Revenue
Up 25.4% to
$324.6m
(FY20:$258.9m)

Adjusted EBITDA[1]
Up 44.2% to
$84.1m
(FY20: $58.3m[1])

Reported EBITDA
Up >100% to
$93.4m
(FY20: $46.2m)

Reported NPAT
Up >100.0% to
$43.8m
(FY20: $0.9m)

Adjusted NPAT[1]
Up >100% to
$37.0m
(FY20: $15.7m) [1]

Reported NPAT
attributable to ordinary equity holders
Up >100.0% to
$43.1m
(FY20: $0.5m)

Operating Cash Flow[2]
Down 0.9% to
$65.8m
(FY20: $66.4m)

1. Refer to page 19
2. Operating Cash Flow growth is in line with FY21 increased profitability excluding deferred tax payments from FY20 paid in FY21.

FY21 Results Highlights

Sustained growth across all markets throughout FY21 post a strong 1Q21 rebound

Strong growth in all markets…

- Strong revenue performance in Australian and International operations with **ARS recovery and progressive market growth**
- Correspondingly **strong revenue in Diagnostics & Day Hospitals** across the network

…has further strengthened Balance Sheet…

- **Net debt reduced** by $19.0m from $126.0m to $107.1m
- **Leverage ratio improved** to 1.5x at 30 June 2021, down from 2.2x pcp
- Funding capacity at 30 June 2021 $112m

… to continue investing in the Virtus growth strategy

FY21 Results provide for investment in future growth:

- **Optimising the core** – New clinics in Nepean, Copenhagen & Brisbane
- **Expanding capability** – Enhanced capability in Fertility Diagnostics & Reproductive Genetics
- **Precision Fertility Digital Platform** - to enable innovation & efficiency

Segment Performance

ARS Growth Themes

- International ARS industry volumes recovered through FY21 from COVID impact and continued historical growth trend
- Industry growth factors observed:
  - COVID initially delayed treatment and interrupted access to services*
  - Community trends indicate a refocus on home & family
  - ARS services are continuing to trend on becoming more widely accepted due to maternal age, greater fertility choices and improving success rates
  - Diverse patient groups are accessing services more readily: same sex, single parents, genetic screening to avoid passing on conditions

*Australian Institute of Family Studies (Impacts of COVID-19 on pregnancy and fertility intentions, July 2021)

Virtus Growth Activity

Activity volume growth	12 Months to June 21 *(compared to pcp)*	12 Months to June 20* *(compared to pcp)*
Australian fresh cycles (%)	25.7%	(15.1%)
International fresh cycles (%)	28.8%	(13.3%)
Diagnostics revenue ($)	12.8%	(4.0%)
Day Hospital revenue ($)	41.4%	(4.4%)

*Includes COVID-19 impact from restrictions during FY20

Australian Operations

- Revenue up 24.4% on pcp to $259.5m
- EBITDA up 30.1% to $97.6m*
- Fresh cycles up 25.7% to 18,589

- Strong revenue performance in all Australian IVF clinics >25% growth over pcp
- Demand for full service cycle performance saw >28% growth over pcp

- >40% Day Hospital revenue growth driven by growth in both IVF and non-IVF procedures
- Diagnostics revenue driven by higher IVF volumes and higher volumes of Preimplantation Genetic Testing

FY22 Focus:

- New clinic developments in Nepean & Spring Hill
- Growth in Reproductive Genetics Centre of Excellence
- Further growth in non IVF utilisation of Day Hospitals

* EBITDA includes $7.7m (FY20:$7.7m) of COVID-19 related Government assistance (that assisted the consolidated entity to preserve employee relationships through the pandemic by minimising employee stand downs and permanent job losses, providing a stable platform to allow the group to continue to provide access and treatment to patients throughout FY2021).

Danish Operations

- Revenue up 36.4% on pcp to DKK68.1m (AUD$14.6m)
- EBITDA up 20.3% to DKK17.6m (AUD$3.8m)
- Fresh cycles up 23.0 % to 2,029

- Strong domestic growth compensating for loss of international cycles
- Long public sector waiting lists resulting in patients considering private treatment

- Refreshed leadership team delivering stability & value in FY21
- Investment in marketing and increased donor activity

FY22 Focus:

- Clinic relocation in FY22 to expand capacity
- Regain and grow international patient base as COVID travel restrictions ease

Singapore Operations

- Revenue up 55.6% on pcp to SGD$9.3m (AUD$9.3m)
- EBITDA up >100% to SGD$3.2m (AUD$3.2m)
- Fresh cycles up 55.3% to 643

- Refreshed leadership team delivering stability & value in FY21 and beyond
- Creation of greater clinic capacity, including improved scheduling and staffing expansion

- Maintained excellent reputation of laboratory in local market with superior success rates
- Springboard for growth into Asia with capital light opportunities

FY22 Focus:

- Continued focus on business development
- Expansion of Andrology Services including additional lab space
- Build on regional strategic relationships to expand services

Irish Operations

- Revenue up 24.8% on pcp to €20.6m (AUD$32.9m)
- EBITDA up 83.9% to €4.0m (AUD$6.4m)
- Fresh cycles up 24.6% to 2,190

- Strong domestic growth
- Successful relocation of Rotunda IVF to Swords clinic improved the geographical reach of Irish operations and assisted in volume growth in its first year

- Investment in doctor team has improved operating capacity and helped grow cycle volume despite COVID-19 impact on egg donation program

FY22 Focus:

- Leveraging Swords clinic & satellites to further broaden the geographic reach
- New egg donor programme introduced

UK Operations

- Revenue up 46.8% on pcp to £4.6m (AUD$8.3m)
- EBITDA up >100% to £1.0m (AUD$1.9m)
- Fresh cycles up 45.6% to 543

- Increased focus on private patients resulting in higher revenue case mix
- Tactical investment in more staff to facilitate growth

- Improved Donor activity
- Expansion of satellite units to Chichester & Portsmouth (in addition to Bournemouth) increasing geographic reach

<u>FY22 Focus:</u>

- Further expanding within UK to facilitate further growth
- Improved operating processes to enhance productivity
- Investment in Business Development to focus on the NHS landscape

Financial Results FY21

Group Summary Segment Results

Strong growth in key metrics across all segments

$millions	Revenue			Segment EBITDA			Fresh Cycles		
Segment	FY21	FY20	% change	FY21	FY20	% change	FY21	FY20	% change
Healthcare Services Australia	259.5	208.6	24.4%	97.6	75.0	30.1%	18,589	14,786	25.7%
- Danish Operations	14.6	11.0	32.7%	3.8	3.2	18.8%	2,029	1,650	23.0%
- Singapore Operations	9.3	6.4	45.3%	3.2	1.6	100%	643	414	55.3%
- Irish Operations	32.9	27.0	21.9%	6.4	3.4	88.2%	2,190	1,758	24.6%
- UK Operations	8.3	5.9	40.7%	1.9	0.9	>100%	543	373	45.6%
Healthcare Services Int'l	65.1	50.3	29.4%	15.3	9.1	68.1%	5,405	4,195	28.8%
Total Group	324.6	258.9	25.4%	112.9	84.0	34.4%	23,994	18,981	26.4%

Minor differences may arise due to rounding

Group Summary Financial Results

Earnings uplift from revenue performance as leverage recovered

Summary ($millions)	FY21	FY20	% Chng
Revenue	**324.6**	258.9	**25.4%**
EBITDA	**93.4**	46.2	**>100%**
Adjusted EBITDA(1)	**84.1**	58.3	**44.2%**
EBIT	**69.3**	21.2	**>100%**
NPAT	**43.8**	0.9	**>100%**
Adjusted NPAT(1)	**37.0**	15.7	**>100%**
Operating Cash Flow	**65.8**	66.4	**(0.9%)**
Net debt ($m)	**107.1**	126.0	**(15.0%)**
Basic EPS (cents)	**53.86**	0.59	**>100%**
ROE (%)(2)	**13.0%**	**5.6%**	
Dividend per share – interim (cents)	**12.00**	**12.00**	
Dividend per share – final (cents)	**12.00**	NIL	

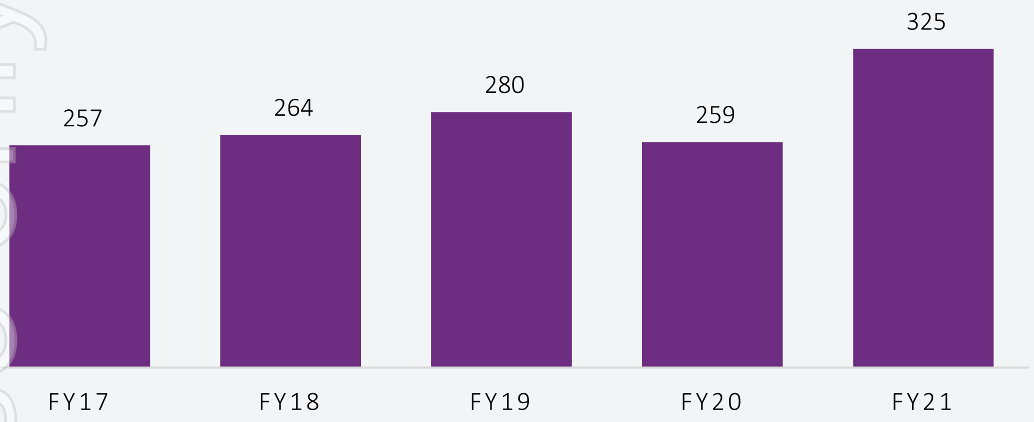
Minor differences may arise due to rounding

Notes:

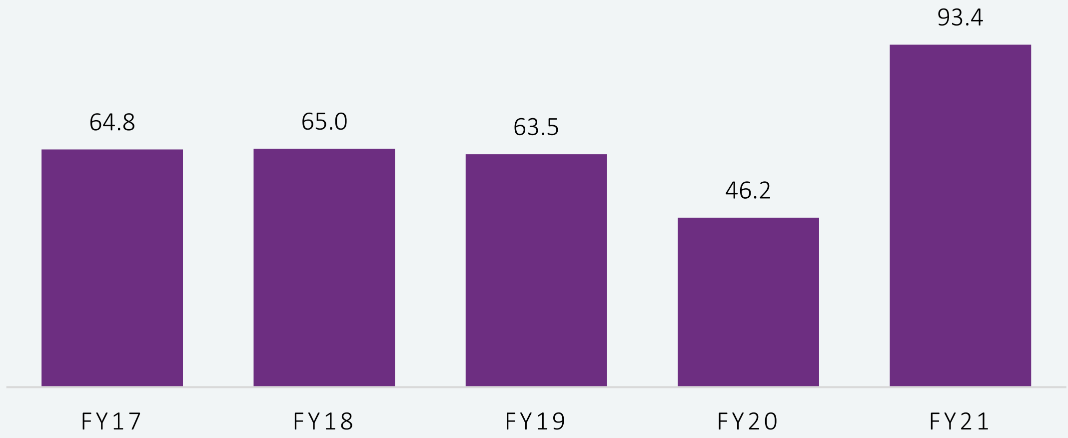
1. Adjusted EBITDA and NPAT is calculated after adjusting for items detailed on page 20
2. ROE is calculated based on Adjusted NPAT for the year ended 30 June 2021 (FY20: year ended 30 June 2020) divided by the average of shareholders' equity in June each year and the 12 months earlier

Key Revenue and EBITDA Drivers for FY21

FY17-21 REVENUE



FY17-21 GROUP EBITDA



FY21 Revenue increase driven by:
- Strong rebound post severe disruption from the COVID-19 pandemic during Q4 of FY20
  - Australian ARS revenue up 24.7% on pcp
  - International ARS revenue up 29.4% on pcp
  - Day Hospital revenue up 41.4% on pcp
  - Diagnostics revenue up 12.8% on pcp

FY21 EBITDA increase driven by:
- Strong IVF cycle activity, resulting in overall Gross Margin contribution increase, and growth in Day Hospitals

FY21 EBITDA increase driven by (continued):
- PCP included non trading items of net $20m expense (Impairment charges and fair value adjustments) vs $1.6m income (reversal of contingent consideration) in FY21, net positive of $21.6m

Partially offset by:
- Employment costs increased by $17.2m driven mostly by higher volumes (additional FTEs to support volumes and the group's digital health strategy), reduced employee leave taken during FY21, higher overall employee costs
- $1.5m increase in infrastructure and IT security compliance costs; $0.9m increase in insurance costs; $0.6m increase in occupancy costs

Note: Virtus adopted AASB16 'Leases' effective 1 July 2019. FY20 and FY21 Group EBITDA above reflects the impacts on the adoption which resulted in an increase of EBITDA of $14.9 m in both years.

Summary Income Statement

Statutory and Adjusted Results

$millions	Statutory Results* FY21	Statutory Results* FY20	Adjustment FY21	Adjustment FY20	Adjusted Results FY21	Adjusted Results FY20
Revenue	**324.6**	**258.9**			**324.6**	**258.9**
Segment EBITDA	112.9	84.0	(7.7)	(7.7)	105.2	76.3
EBITDA	**93.4**	**46.2**	**(9.3)**	**12.1**	**84.1**	**58.3**
Depreciation and amortisation	(24.1)	(25.0)			(24.1)	(25.0)
EBIT	**69.3**	**21.2**	**(9.3)**	**12.1**	**60.0**	**33.3**
Interest	(8.9)	(10.8)	0.2	0.6	(8.7)	(10.2)
Profit before income tax	**60.4**	**10.4**	**(9.1)**	**12.7**	**51.3**	**23.1**
Income tax expense	(16.6)	(9.5)	2.3	2.1	(14.3)	(7.4)
Profit after income tax	**43.8**	**0.9**	**(6.8)**	**14.8**	**37.0**	**15.7**
Profit after income tax attributable to non-controlling interest	(0.7)	(0.5)			(0.7)	(0.5)
Profit after income tax attributable to ordinary equity holders	**43.1**	**0.4**	**(6.8)**	**14.8**	**36.3**	**15.2**
Earnings per share (cents)	**53.86**	0.59			**45.33**	18.98
Diluted earnings per share (cents)	**53.17**	0.59			**44.76**	18.79

* Per IFRS disclosures FY21/20. Refer to next page for reconciliation of detailed adjustments from Statutory Results to Adjusted Results.

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	FY21	FY20
Profit after income tax attributable to ordinary equity holders	**43.1**	**0.4**
Impairment of Intangible assets[1]	-	25.0
Fair Value Adjustment to contingent consideration and transaction put liabilities[2]	(1.6)	(6.0)
CEO transition and recruitment costs	-	0.8
Non-cash Interest[3]	0.2	0.6
Government Assistance (COVID-19 related)	(7.7)	(7.7)
Tax effect on relevant adjustments including Job Keeper receipts	2.3	2.1
Adjusted Profit after income tax attributable to ordinary equity holders	**36.3**	**15.2**

Notes:

1. FY20 Non-cash impairment charges in relation to Tasmania & Denmark
2. Non-cash fair value adjustments in relation to the contingent consideration and put option liability true up reflecting final settlement
3. Relates to the unwinding of discount on other financial liabilities

Cash Performance

Free Cash Flow $millions	FY21	FY20
Group EBITDA	93.4	46.2
Changes in other operating assets/liabilities	0.5	11.4
Net financial costs paid	(4.8)	(6.1)
Lease interest paid	(3.5)	(3.4)
Income tax paid	(20.1)	(1.9)
Other non cash items (net)	0.3	20.2
Operating cash flow	65.8	66.4
Lease principal payments	(11.6)	(10.8)
Net CAPEX	(14.8)	(7.9)
Free cash flow	39.4	47.7
Dividends paid	(19.3)	(9.6)
Free cash flow after dividends	20.1	38.1

Minor differences may arise due to rounding

Operating cash flow

- **Decreased by $0.6m mostly as a result of:**
    - Unwind of agreed deferral mechanisms provided by ATO, and payment of direct tax of $9.0m during FY21
    - Negative working capital movements from unwinding of other deferred payables from Q4 of FY20 into FY21 to preserve liquidity

  Offset by:
    - Higher EBITDA from strong cycle volumes in FY21
    - Lower interest charges of $1.3m due to lower debt levels and interest costs

Free cash flow

- **Decreased by $18m mostly as a result of:**
- The payment deferred FY20 Interim Dividend of $9.5m during FY21
- Higher CAPEX from the relocation of the Rotunda IVF clinic in FY21

Dividend

- 2H21 Final dividend of 12.00 cps is a Payout Ratio of 45%
- Forward target dividend payout ratio on a full year basis will be in the range of 45-55% (historically 60-70%) to enhance internal funding for the investment in numerous growth initiatives

Statement of Financial Position

$millions	FY21	FY20
Cash	37.0	38.0
Trade and other receivables	12.1	13.4
Inventories	1.3	1.4
Equity accounted investments	1.5	1.5
Other financial assets	4.9	3.5
PP&E	39.9	34.9
Deferred tax assets	11.2	10.3
Right-of-use assets	69.1	89.7
Intangible assets	428.3	433.7
Total assets	**605.3**	**626.4**
Trade and other payables	31.6	41.6
Deferred revenue	21.1	20.0
Borrowings	144.1	164.1
Deferred tax liability	0.6	0.8
Provisions	12.3	11.9
Lease liabilities	83.5	102.8
Current tax liabilities	7.6	9.6
Other financial Liabilities	3.9	7.4
Total liabilities	**304.7**	**358.2**
Net assets	**300.6**	**268.2**

Key movements

PP&E – increase mostly reflects the capital expenditure in relation to the **relocation of the Rotunda IVF clinic**

Right of use assets – decrease reflects the annual amortisation charges during the year and any write downs as a result of reassessing useful lives net of any additional new leases during the year

Lease liability – reduction reflects the principal repayments and any remeasurement of the liabilities in relation to the groups existing leases net of any additional new leases during the year

Gearing

- Reduction in borrowings as a result of $20m in debt repayments
- Leverage ratio of 1.5x (FY20: 2.2x)
- Funding capacity available, ~$112m
- Net debt $107.1m (FY20: $126.0m)

Trade and other payables – reduction mostly reflects payment of deferred FY20 Interim dividend of $9.6m paid in November 2020

Other financial liabilities – reduction as a result of write back of contingent consideration and annual repayment of the existing vendor loan note relating to the past acquisition of Fertilitesklinikken Trianglen Aps

Acquisition of Adora and Capital Raising

Acquisition of Adora and Capital Raising

Acquisition of Adora

- Virtus has agreed to acquire Adora from Healius for consideration of $45.0 million, on a cash and debt-free basis
- As part of the transaction Virtus will enter into various agreements, including:
  - Transition Services Agreement, to facilitate the orderly transition and integration of Adora with Virtus
  - Pathology Services Agreement, to enable Healius to have an ongoing preferred pathology relationship with Adora’s clinics
  - Westside Private Hospital Access Deed, enabling ongoing access to Healius’ day hospital in Taringa, Brisbane, QLD

Compelling growth opportunity

- Adora offers a network of 4 fertility clinics and 3 day hospitals in new areas in NSW, VIC, WA and QLD
- Clinical fit with Virtus and meets Virtus’ investment criteria
- Well regarded team of 11 fertility specialists and 174 senior management, clinical and support staff
- Modern, high-quality facilities with a focus on affordable IVF
- Attractive financial metrics:
  - FY21 revenues of $29.1 million for Adora, with Adora Business cash EBITDA of $4.5 million (incl. $0.3 million net loss from the acquired day hospitals) (1)
  - Cost saving net synergies, focused on procurement, offering upside of $1.5m in the first 12 months post acquisition
  - On an annualised basis, inclusive of run-rate net synergies, mildly EPS accretive to Virtus in the first full year post completion

Funding and completion

- $45.0 million consideration funded with:
  - $35.0 million equity placement at $6.80 per share, a discount of 5.4% to Friday, 20 August closing share price of $7.19, with approximately 5.147 mm new shares to be issued, representing 6.4% of Virtus Health’s existing share capital
  - $10.0 million existing cash reserves
- Completion expected to occur by 2QFY22, subject to customary conditions precedent, including:
  - Consents to changes in control for key leasehold interests at clinic sites
  - The entry into two services agreements, one of which is with Healius and the other of which is with Montserrat in relation to the fourth day hospital. In addition, the process of separation of Adora from Healius must occur prior for completion to occur

(1) Based on unaudited financial information provided in due diligence: Cash EBITDA is a non-statutory measure representing earnings before interest, tax, depreciation and amortisation (contractual relationship intangibles), adjusted for cash rental payments (occupancy).

Overview of Adora

Business overview

- Established in 2014, Adora has a footprint of four integrated fertility clinics and 3 day hospitals, within or near major metropolitan cities in NSW, VIC, WA & QLD
- Supported by a well-regarded team of 11 fertility specialist contractors and an experienced team of 174 clinical and administrative staff
- Strong framework and track record of clinical governance with well established National Clinical Governance Committee
- Provides Assisted Reproductive Services ("ARS") at integrated fertility clinics:
  - Access to three acquired, co-located day hospitals and a fourth day hospital through a long-term partnership with Montserrat Day Hospitals
  - Portfolio of well-invested clinics comprising modern and conveniently located facilities
  - Clinic network has well-equipped Assisted Reproductive Technology ("ART") laboratories and equipment
  - Long term leases across all sites

Operational metrics

11 Fertility specialists 9 GPs	33 Scientists
45 Corporate & Support Staff	96 Clinical & Nurse Staff(1)

Financial – FY 2021

$29.1m Business Revenues	$4.8m Fertility Cash EBITDA(2)
15.5% Business Cash EBITDA margin (%)(3)	$4.5m Business Cash EBITDA(3)

(1) Nurse, Sonographer and Patient Services / admin and Adora Fertility head office staff
(2) Based on unaudited financial information provided in due diligence: Cash EBITDA is a non-statutory measure representing earnings before interest, tax, depreciation and amortisation (contractual relationship intangibles), adjusted for cash rental payments (occupancy), excluding (-$0.3m) net losses on acquired day hospitals, pre-synergies
(3) As per Footnote (2), including (-$0.3m) net losses on acquired day hospitals

Investment Highlights

1. Multi-site network of integrated fertility clinics offering affordable IVF in key areas
2. Strong integrated team and culture with leading fertility specialists, senior management, clinicians and support staff
3. Complementary to Virtus' investment in capabilities
4. Value and EPS accretive to Virtus shareholders:
   - On an annualised basis, inclusive of run-rate net synergies, mildly EPS accretive to Virtus in the first full year post completion
5. Opportunity to realise upsides through various initiatives
   - Cost savings in procurement, overhead and support costs
   - Reproductive and genetic pathology work
   - Enhanced capabilities, focus and investment in the clinics and the day hospitals network

Acquisition metrics

Key metric	Multiple
EV / EBITDA Adora Fertility (FY21)[(1)]	9.4x
EV / EBITDA Adora Businesses (incl. Day Hospitals) (FY21)	10.0x

Note: multiples exclude net synergies of $1.5m p.a.

(1) Based on unaudited financial information provided in due diligence: Cash EBITDA is a non-statutory measure representing earnings before interest, tax, depreciation and amortisation (contractual relationship intangibles), adjusted for cash rental payments (occupancy), excluding (-$0.3m) net losses on acquired day hospitals, pre-synergies.

Equity raising overview

Sources & Uses of funds

Sources	A$m	Uses	A$m
Institutional Placement	35	Cash consideration for acquisition of Adora	45
Cash on hand	12	Transaction costs	2
Total	**47**	**Total**	**47**

Placement

- Fully underwritten Placement to raise approximately $35 million at a fixed price of $6.80 per new share ('Placement Shares')
- The price represents a:
  - 5.4% discount to the last traded price of $7.19 on 20 August 2021
  - 6.5% discount to the 5-day VWAP[1] of $7.27 based on the last trading day of 20 August 2021
  - 7.0% discount to the 10-day VWAP[1] of $7.31 based on the last trading day of 20 August 2021
- Approximately 5.147 million Placement Shares to be issued, representing 6.4% of Virtus existing shares on issue

Ranking

- New shares issued under the Placement will rank equally with existing shares on issue
- As the new shares will be allotted before the ex-dividend date, they will be entitled to the FY21 Final dividend of 12.00 cents per share

Underwriting

- The Placement is fully underwritten by Jefferies (Australia) Limited[2]

(1) Volume weighted average price
(2) Refer to slide 45 for a summary of the key terms and conditions of the underwriting arrangements

Equity raising – timetable[1]

Event	Date[2]
Trading halt and announcement of the Placement	Monday, 23 August 2021
Placement bookbuild	Monday, 23 August 2021
Announcement of the outcome of the Placement	Tuesday, 24 August 2021
Trading halt lifted and resumption of trading on ASX	Tuesday, 24 August 2021
Settlement of New Shares to be issued under the Placement	Thursday, 26 August 2021
Issue and allotment of new shares	Friday, 27 August 2021
Placement shares begin trading on a normal settlement basis	Friday, 27 August 2021

(1) This timetable is indicative and subject to variation. Virtus reserves the right to alter the timetable as its absolute discretion and without notice, subject to ASX Listing Rules and Corporation Act 2001 (Cth) and other applicable law and where otherwise requested by ASX
(2) All dates and times refer to Sydney, Australia time

Strategic Growth Update

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 datasets** 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 datasets 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		

Optimising the Core

- Investments in the growth of the Virtus ARS clinic network are being made in:
  - Nepean, NSW – Located in **Nepean Health Hub** which is co-located with Nepean Public & Private Hospitals; part 1 floor approx, 600m2; includes 1 procedure room; **~1500 cycle capacity** (agreement for lease signed).
  - Trianglen, Denmark – Located in **Hellerup**, Copenhagen; 2 floors approx, 1500 m2; **~4500 cycle capacity** (agreement for lease signed).
  - Spring Hill, QLD – Located on Boundary Street, **opposite St Andrews Private**; 4 floors approx, 3800m2; includes a state of the art **3 theatre Day Hospital** & medical suites; **~3500 cycle capacity** (heads of agreement signed, agreement for lease under negotiation).
- **One Lab embryology & andrology laboratories have been designed with world leading partners & are being introduced across Virtus Health's global network;**
- **One Lab equipment & work instructions** being rolled out across **Virtus Health's global network** of embryology & andrology laboratories;
- **One Lab best practices being shared** across Virtus Health's Global network via **International Embryology Forum** & Employee networks.

Spring Hill, Brisbane

Trianglen, Copenhagen

Nepean, Western Sydney

Grow capability in Genetics

Throughout FY21, Virtus Fertility Diagnosis & Reproductive Genetics Service has been re-structured to grow

- Supervision, via the recruitment of **high performing clinicians** is in place, allowing **Virtus Fertility Diagnostics (in cycle hormone & andrology) and Reproductive Genetics** service to grow & offer services to third parties.
- Virtus now has enhanced genetic expertise with a **Genetic Pathologist** recruited to Virtus Genetics Service, and another offer pending, positioning **Virtus as the leading Reproductive Genetics service in Australia**.
- A **National Genetic Counselling Services** has been established, allowing for direct referrals.
- A **simplified preconception carrier screening test** has been developed and is available via GP's or Specialists.
- **Non invasive prenatal testing** is being insourced to **improve service and data capture**.
- Investment & research **collaborations with start ups**, such as *23 Strands* and *Drop Bio* allows Virtus to participate in innovative developments in fertility diagnostics.
- Development of **Southern Hemisphere Genetic Centre of Excellence** under planning, location to be determined.

Precision Fertility Digital Platform (PFDP)

Strategic Progress Update

PatientPortal	ProviderPortal	ResearchPlatform	DataStore	DigitalInteroperability

Project Deployment

- Business case Board approved
- Technical vendor selected and contract signed
- Project Manager appointed
- Project Kick-off delivered
- Clinical & other co-creation workshops underway

Global Patient and Provider Portal

- Development of platform content commenced
- Virtus educational materials and electronic consent
- Portal architecture design completed
- Mapping of digital feature sets for patient, workforce and partners completed

Global Fertility Insights

- Data warehouse establishment for all Australian operations nearing completion
- Virtus-wide strategic and operational dashboards being designed
- Research and Data wizard scope agreed, specifications completed, building in progress

Global Commercialisation

- Global business requirements for solution gathered and endorsed
- Global fertility terminology, data sets and dictionary being developed
- Global due diligence for jurisdiction regulatory compliance completed
- Internationalisation requirements incorporated into solution architecture completed

Business Outlook

Virtus well positioned to deliver on its growth strategy

Market growth drivers medium term
- Demand for ARS has continued into FY22
- Market remains competitive and fragmented

COVID considerations near term
- Some patients & staff disruption being experienced
- Demand deferred not lost, disruption so far not material

Investments in digital technology to deliver growth
- Deployment of the *Precision Fertility* Digital Platform is a key investment in FY22/23

Investments in state-of-the- art clinics & labs
- Investments in new clinics to support growth
- One Lab deployed to further improve IVF success rates

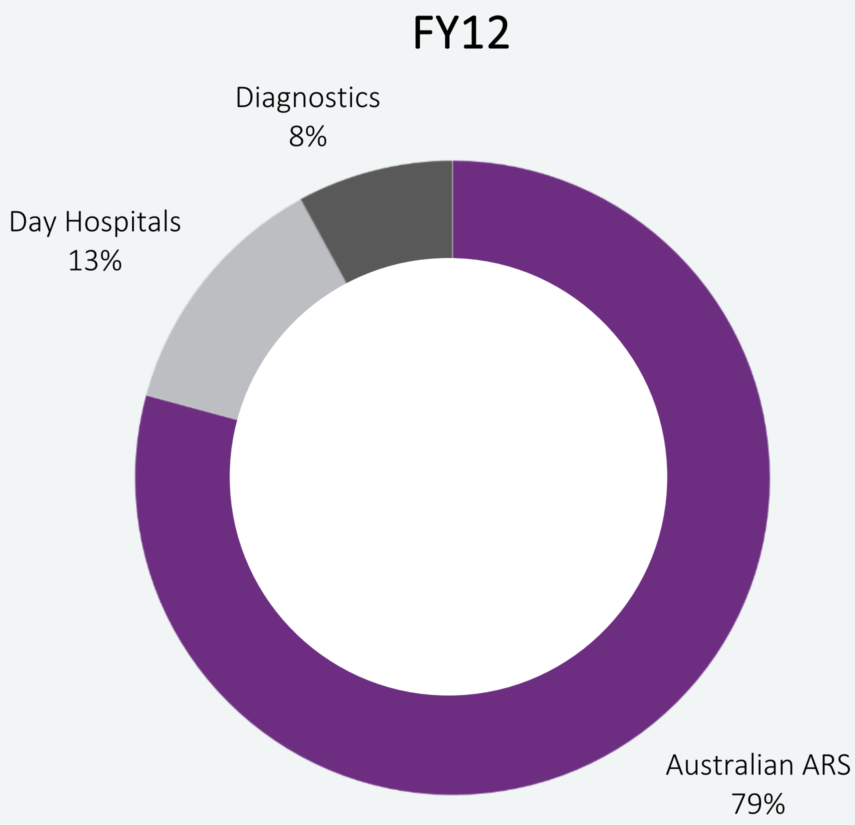
Diverse Opportunities
- Building an ecosystem with investments in new operating models (capital light VaaS) & collaborations with start ups to develop new tests and technologies

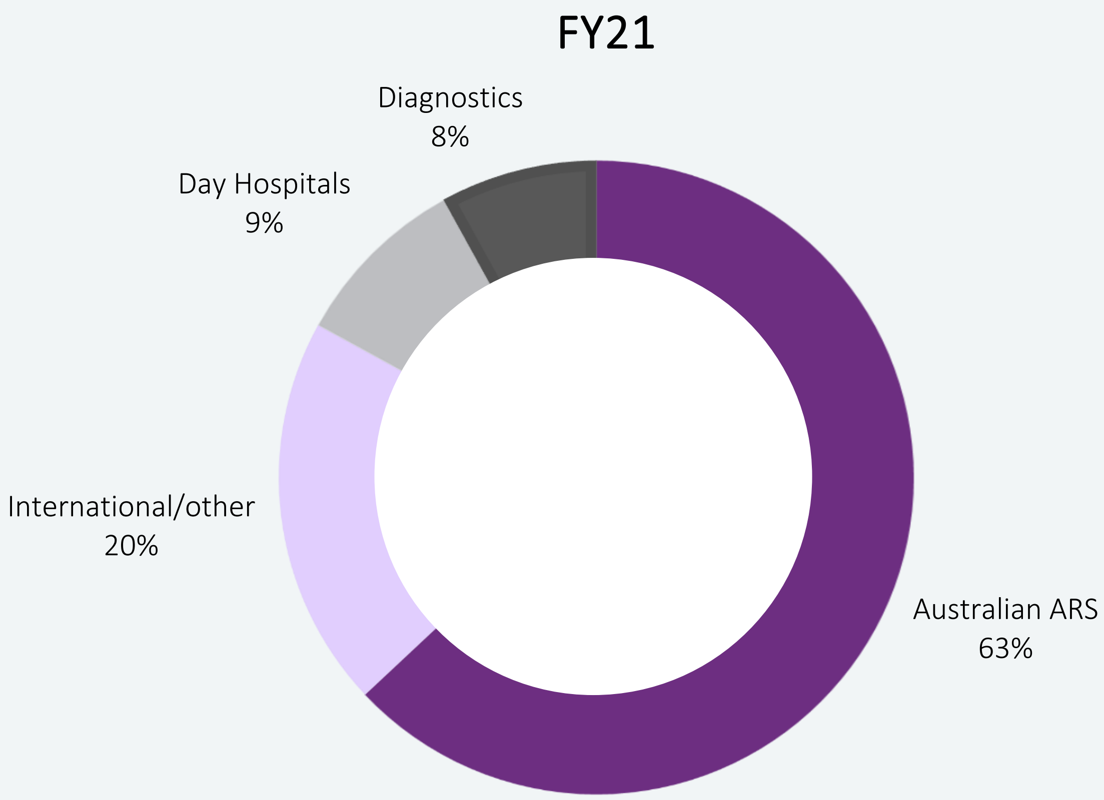
Focus on stakeholders
- Long term success of VRT comes from alignment of Doctors, Staff & Patients
- Board update: 2 new appointments imminent

Appendices

Virtus International

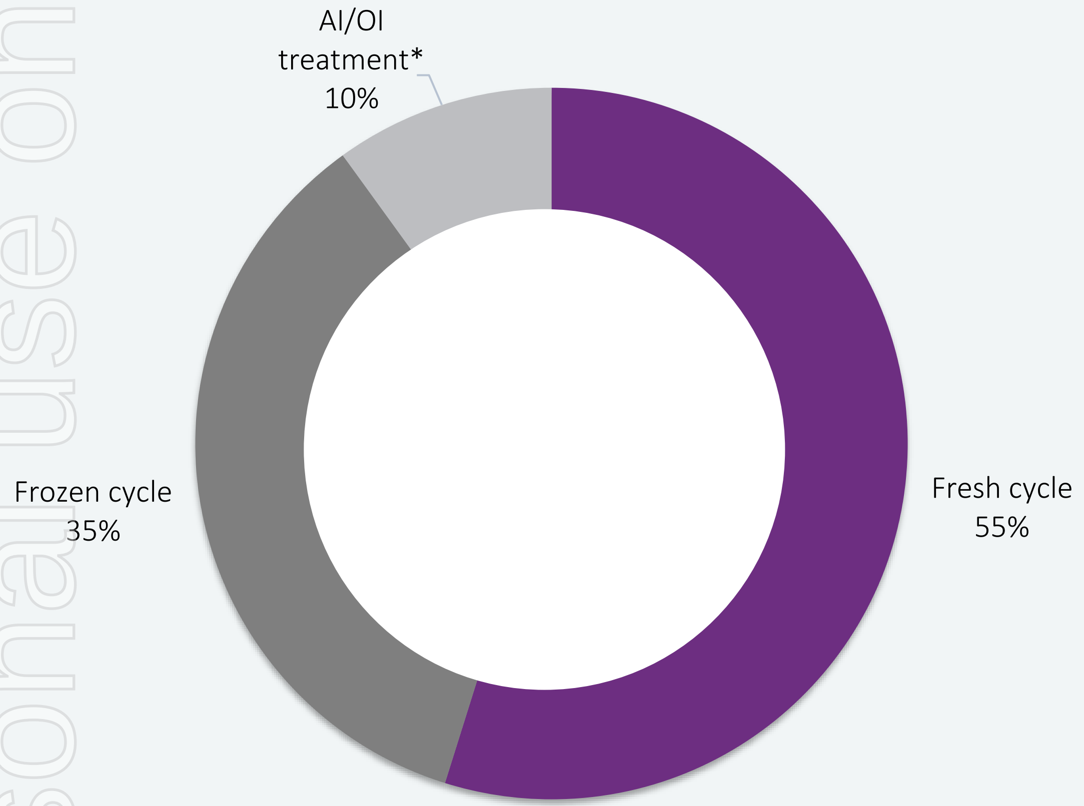
International operations are 20% of Group revenue





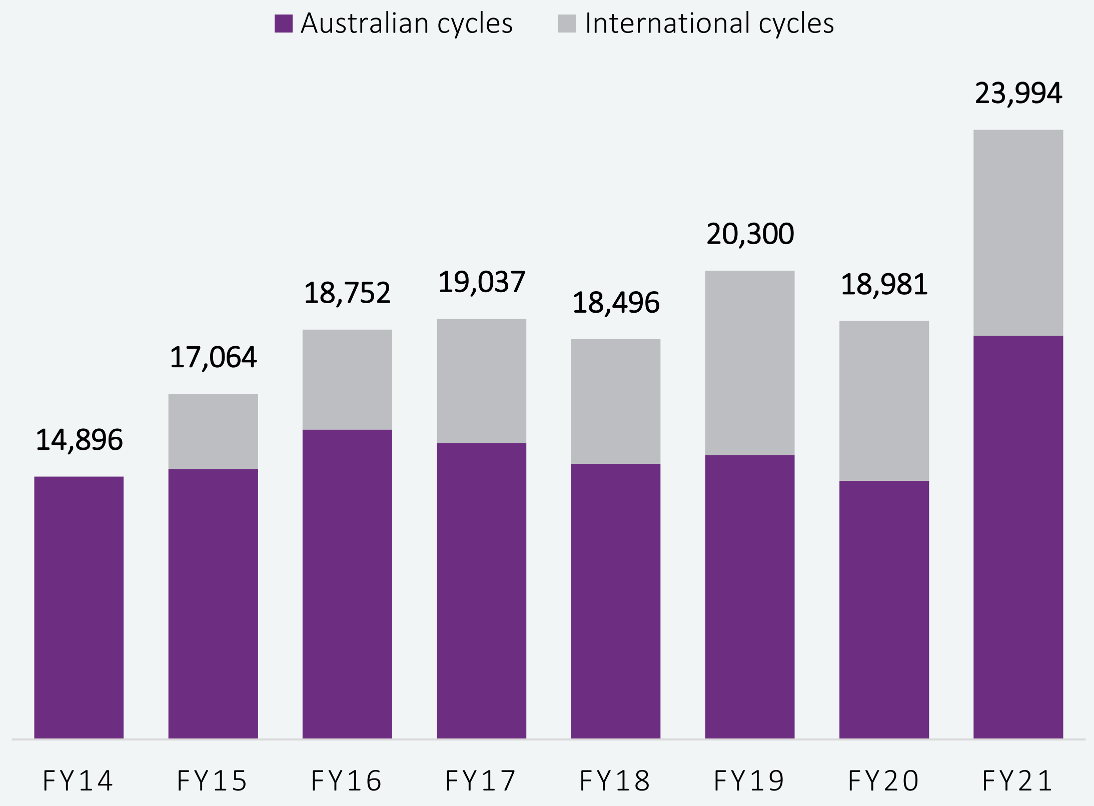
Treatment Analysis

Treatment Mix



*AI/OI Artificial insemination / ovulation induction treatment

Virtus Global Cycles



Disclosures & Risks

Key risks

- This section discusses some of the key risks associated with any investment in Virtus Health together with risks relating to participation in the Placement, which may affect the value of Virtus Health shares. The risks set out below are not listed in order of importance and do not constitute an exhaustive list of all risks involved with an investment in Virtus Health.
- Before investing in Virtus Health you should be aware that a number of risks and uncertainties, which are both specific to Virtus Health and of a more general nature, may affect the future operating and financial performance of Virtus Health and the value of Virtus Health's shares.
- Before investing in Virtus Health shares, you should carefully consider the risk factors and your personal circumstances. Potential investors should consider publicly available information on Virtus Health (such as that available on the ASX website) and seek professional advice from an adviser who is licensed by ASIC to give that advice before making an investment decision.
- Nothing in this presentation is financial product advice and this presentation has been prepared without taking into account your investment objectives or personal circumstances.

Risks specific to the Acquisition

Completion risk

Completion of the Acquisition is conditional on various matters, including Healius Limited ("Healius") obtaining certain consents from third parties and will also require the completion of the process of separation of the Adora Businesses from Healius as a completion deliverable. The parties also may terminate the Acquisition in certain limited circumstances, including a right by Virtus Health to terminate if specific limited adverse business events occur.

If any of the conditions are not satisfied or waived, or any of the completion deliverables are not delivered, or a termination right is triggered, completion of the Acquisition may be delayed or may not occur on the current terms or at all. If completion does not occur as a result of a failure to satisfy conditions (or otherwise), Virtus Health will need to consider alternative uses for the proceeds from the Placement, or ways to return such proceeds to shareholders. If completion is delayed, Virtus Health may incur additional costs and it may take longer than anticipated for Virtus Health to realise the benefits of the Acquisition. Any failure to complete, or delay in completing, the Acquisition could materially and adversely affect the price of Virtus Health's shares.

Reliance on information provided

Virtus Health undertook a due diligence process in respect of the Acquisition, which relied in part on the review of financial, technical, legal, operational and other information which was provided to Virtus Health by Healius and its representatives. Despite making reasonable efforts, Virtus Health has not been able to verify the accuracy, reliability or completeness of the information which was provided to it.

If any of the information provided to and relied upon by Virtus Health in its due diligence process and preparation of this presentation proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of Adora (and the financial position and performance of Virtus Health following the Acquisition) may be materially different to the expectations and targets

There is also a risk that due diligence conducted has not identified issues that would have been material to the decision to enter into the Acquisition. A material adverse issue that was not identified prior to entry into the Acquisition could have an adverse impact on the reputation, financial performance or operations of Virtus Health. Due diligence cannot uncover all potential issues or historical non-compliance by an acquisition target, and reliance has, by necessity, been placed on the accuracy of information and confirmations provided Healius and its representatives. Further, as is usual in undertaking acquisitions, the due diligence process undertaken by Virtus Health identified a number of risks associated with Adora, which Virtus Health had to evaluate and manage. Certain risks cannot be voided or managed appropriately (for example, because it was not always possible to negotiate indemnities or representations and warranties from Healius to cover all potential risks) and the mechanisms used to manage these risks included in certain circumstances the acceptance of the risk as tolerable on commercial grounds such as materiality. There is a risk that the approach taken by Virtus Health may be insufficient to mitigate the risk, or that the materiality of these risks may have been underestimated or unforeseen or for which there is no contractual protection, and hence they may have a material adverse impact on Virtus Health's operations, earnings and financial position.

Separation and integration

Adora is integrated within the Healius group, including with respect to its operational and information systems. The operational separation of Adora from the Healius group will not be fully completed before completion of the Acquisition, so that Virtus Health will need to rely on transitional services to be provided by the Healius group and by certain of its critical third-party suppliers while it undertakes the integration of Adora onto its own operational and information systems.

Healius and Adora will enter into a Transitional Services Agreement as contemplated by the Share Sale Agreement pursuant to which certain transitional services will be provided by, or procured by, Healius to Adora and that certain separation activities will be performed by, or procured by, Healius, if those separation activities have not been performed prior to Completion.

Despite these arrangements, the integration of any business carries risk, including potential delays or costs in implementing necessary changes and difficulties in integrating various operations and systems.

The success of the Acquisition, and the ability to realise the expected benefits of the Acquisition outlined in this presentation, is dependent on the effective and timely integration of Adora into Virtus Health's business following completion of the Acquisition. For example, the separation of the existing IT systems of Adora and integration with Virtus Health's IT systems may encounter unanticipated or higher than expected costs or extensive delays in the planned upgrades, migration, integration and decommission of IT systems and platforms, or there may be default in the provision (or quality of provision) of services under the [Transitional Services Agreement], either of which may affect the timing of the rollout of Virtus Health's' digital strategy to Adora. There is a risk that integration could take longer, be more complex or cost more than expected, encounter unexpected challenges or issues (including differences in corporate culture between the businesses being integrated or loss of, or reduction in, key personnel, expert capability or employee productivity, or failure to procure or retain employees of Adora) or divert the attention of management, which impact on the integration process (which in turn could cause the anticipated benefits and synergies of the integration of Adora into Virtus Health being less than estimated).

Key risks

Risks specific to the Acquisition (cont.)

Impairment of intangible assets

As part of the Acquisition, Virtus Health will need to perform a fair value assessment of the assets of Adora, including its intangibles, and liabilities. In the event that goodwill or any other intangible assets are required to be impaired in future periods under the Australian Accounting Standards ("AAS") following completion of the Acquisition, this will result in an additional expense in the income statement of the Virtus Health group.

Historical liabilities

If the Acquisition completes, Virtus Health may become directly or indirectly exposed to liabilities (including those resulting from non-compliance with law or regulation) that Adora may have incurred or are liable for in the past as a result of prior acts or omissions, including liabilities which were not identified during Virtus Health's due diligence or which are greater than expected, or for which Virtus Health was unable to negotiate sufficient protection in the share purchase agreement entered into between Virtus Health and Healius or accepted as a tolerable risk. Such liabilities may adversely affect the financial performance or position of Virtus Health after the Acquisition.

Analysis of Acquisition opportunity

Virtus Health has undertaken financial, tax, legal and commercial analysis of Adora in order to determine its attractiveness to Virtus Health and whether to proceed with the Acquisition. It is possible that despite such analysis and the best estimate assumptions made by Virtus Health, the conclusions drawn are inaccurate or are not realised. To the extent that the actual results achieved by the Acquisition are different to those indicated by Virtus Health's analysis, there is a risk that the performance of Virtus Health following the Acquisition may be different (including in a materially adverse way) from what is reflected in this presentation. There is also a risk that Virtus Health's assessment of matters such as the taxation consequences of the Acquisition is challenged by revenue authorities, which can involve future expenditure to consider and defend such challenges or to meet any additional costs or claims.

Underwriting risk

Virtus Health will pay cash for the whole of the purchase price for the Acquisition of which $35 million will be sourced from the proceeds of the Placement.

The Placement is underwritten by Jefferies (Australia) Pty Ltd pursuant to the terms of the Underwriting Agreement summarised in an appendix of this presentation. Under the Underwriting Agreement, the Underwriter has agreed to manage and underwrite the Placement, subject to the terms and conditions of the agreement. If certain conditions are not satisfied or certain customary termination events occur, the Underwriter may terminate the underwriting agreement. Those termination events are summarised in an appendix of this presentation. Termination of the Underwriting Agreement would have an adverse impact on the amount of proceeds raised under the Placement, or result in the Placement not proceeding at all.

If the Underwriting Agreement is terminated, this could result in Virtus Health needing to fund the purchase price for the Acquisition through existing cash reserves or drawing down on available debt facilities, which would result in Virtus Health incurring additional costs (for example, by way of a higher level of interest payments on debt), [reduce the scope to utilise headroom under existing facilities to deal with other cash flow needs of the business in the near term], and/or restrictions being imposed on the manner in which Virtus Health conducts its business and deals with its assets (for example, by way of restrictive covenants binding upon Virtus Health). Any of these outcomes could have a material adverse impact on Virtus Health's financial position, prospects and reputation.

Key risks associated with Virtus Health's business

COVID-19

On 11 March 2020, the World Health Organisation declared a pandemic following the emergence of a severe acute respiratory illness caused by a novel coronavirus (COVID-19).

The COVID-19 pandemic had a sudden and significant adverse effect on global markets, operations and activity generally. As government measures in Australia, the other geographies where Virtus Health operates and globally continue to be aimed at controlling the spread of COVID-19 such as travel and border restrictions, closure of certain businesses and facilities (including bans on elective surgery at certain hospitals), restrictions on public gatherings and social distancing, it is expected that these measures will continue to have a prolonged negative impact on global economic activity. This has resulted in and is likely to further result in increased volatility and negative investor sentiment in financial, capital and retail markets both in Australia and globally.

The expected duration and magnitude of COVID-19 and its potential impacts on the economy and financial markets remains unclear. However, should the impact of the COVID-19 pandemic be severe or prolonged (including the risk of ongoing geographical lockdowns and imposition of restrictions on access to hospitals for certain procedures following community transmission of COVID-19) there would be a likely degree of impact on the ARS market globally. This was demonstrated in the Australian assisted reproductive services market's severe disruptions in Q4 of FY20. However, detailed planning for the successful restart of services and a change in consumer focus on the importance of home and family provided mitigation and contributed to the positive performance in FY21 with demand for ARS expected to continue into FY22.

The most recent outbreak of the COVID-19 Delta variant has resulted in lockdowns of various magnitudes across most Australian states since 26 June 2021. While access to ARS treatment and elective surgeries has continued in all states during lockdowns; heightened infection control and safety protocols, including a strict requirement for our doctors and staff to self-isolate when displaying symptoms or being identified as a casual or close contact; is contributing to some deferral of certain treatments.

International ARS markets continue to operate with high numbers of COVID-19 cases and border closures. These conditions are delaying the commencement of egg donation program in Ireland and the Virtus ARS "hub" strategy in Denmark. However, there remains confidence that both initiatives will commence in FY22 and that any of the near term impacts of COVID-19 on demand will be reflected as deferred, not lost, demand for ARS services.

All of the above, together with any other epidemics or pandemics that may arise in the future, have the ability to impact the Virtus Health Group's financial performance, financial position, capital resources and prospects.

Further lockdowns and other restrictions in the future, if applied by the Governments in Australia and the other jurisdictions in which Virtus Health operates its businesses, could have an adverse impact on Virtus Health's business and financial position.

Key risks

Key risks associated with Virtus Health's business (cont.)

Inability to recruit and retain fertility specialists

Virtus Health relies on fertility specialists (who are medically qualified doctors) to provide the medical component of its assisted reproductive services, including invitro fertilisation (IVF), and play a role in attracting patients. If one or more of Virtus Health's fertility specialists (including the fertility specialists of Adora who form part of the businesses to be acquired) ceased to perform these services, Virtus Health may not be able to treat the same number of patients which may result in a lower number of IVF cycles and negatively impact the profitability of Virtus Health.

Virtus Health relies on maintaining its relationship with existing fertility specialists, as well as attracting new fertility specialists so as to achieve growth also to replace any fertility specialists who retire or leave. If Virtus Health cannot successfully maintain its relationship with existing fertility specialists or attract new fertility specialists, Virtus Health may not be able to achieve its growth projections or maintain its market share. This may adversely impact Virtus Health's revenue generation and profitability.

Failure to recruit and retain key executives, employs and Directors

In addition to fertility specialists, key executives, employees and directors play an integral role in the operation of both Virtus Health's and Adora's business and its pursuit of strategic objectives. The unexpected departure of an individual in a key role (including in connection with the Acquisition), or a failure of either Virtus Health or Adora to recruit and retain appropriately skilled and qualified persons into these roles, could each have an adverse effect on the Virtus Health group's business, prospects, reputation, financial performance or financial condition. In particular, Virtus Health employees a large number of scientific staff across the scientific fields of andrology, cytogenetics and embryology. The expertise of Virtus Health's scientific staff allows Virtus Health to offer patients and fertility specialists high quality, safe, efficient clinical services. If Virtus Health lost several of its scientific staff Virtus Health would lose highly specialised clinical expertise and experience. Given the level of training and specialisation required for andrology, cytogenetics and embryology there is not a large number of trained scientists in these fields in Australia and it may be difficult to recruit appropriately qualified replacements. This may affect the clinical outcomes Virtus Health provides to its patients and fertility specialists, which may potentially impact Virtus Health's reputation and its profitability.

Damage to relationships with general practitioners and other medical specialists

General practitioners and other medical specialists (for example, obstetricians and gynaecologists) have the ability to influence patients' selection of an assisted reproductive services provider. A number of factors, including Virtus Health's reputation, the retirement or loss of certain fertility specialists or other key personnel, the activities of competitors or the introduction of a competing service that is perceived by general practitioners and other medical specialists to be superior could potentially impact Virtus Health's relationship with general practitioners and other medical specialists. This could in turn affect their behaviour in referring patients to Virtus Health's fertility specialists or recommending Virtus Health's services. General practitioners and other medical specialists have no contractual obligations or economic incentives to refer patients to Virtus Health's fertility specialists. A deterioration in the relationship with general practitioners and other medical specialists could adversely impact the number of patients treated by Virtus Health and Virtus Health's revenue generation and profitability.

Variability of growth

The growth in patient demand and IVF cycles has historically experienced variability over short-term periods notwithstanding the long-term social and demographic trends driving patient demand for assisted reproductive services. Variability in the historic growth in IVF cycles over short-term periods has been attributable to changes in local economic conditions, natural disasters and regulatory changes. Whilst Virtus Health is diversified across regional and international markets, the consolidated entity's revenue generation and profitability can be positively and negatively affected in the short term by variability in the growth in IVF cycles in the regional and international markets in which it operates.

Risk of increased competition

Virtus Health is subject to competition in all markets in which it operates. Virtus Health may face increased competition from:

- existing competitors; for example, expanding their operations, undertaking aggressive marketing campaigns, product innovation or price discounting;
- new competitors that frequently enter the market;
- consolidation between existing competitors; and
- new technologies or scientific advances that replace or reduce the requirement for assisted reproductive services, specialised diagnostics or day hospital procedures.

If Virtus Health were to experience increased competition, it may adversely impact on the financial performance, market position and future prospects of Virtus Health.

Key risks

Key risks associated with Virtus Health's business (cont.)

Compliance with applicable laws, regulations and professional standards

Virtus Health's activities, operations and corporate practices are governed by a significant number of laws and regulations, including those related to its status as an ASX-listed entity as well as laws regulating patient treatment, privacy, data protection and professional accreditation. Failure to meet these regulations and laws may negatively impact its competitive position or its ability to attract finance via investment markets. In addition, Virtus Health is regulated by a number of professional and industry bodies. Failure to comply with the relevant professional standards and accreditations could have an adverse effect on Virtus Health's reputation and ability to attract patients.

Cyber-security risk

Virtus Health operates in an environment that is increasingly exposed to heightened cyber-attack threats and data breach risks. Virtus Health has in place measures and plans aimed at preventing or mitigating the risk of cyber-attack or data breach, including systems to monitor emails and web traffic for viruses, spam and malware, as well as firewalls and other systems which are aimed at preventing or limiting malicious activity. Virtus Health also undertakes cyber security awareness training for its staff.
Despite the measures and plans implemented by Virtus Health, it may not be able to prevent a cyber-attack or a data breach, which could lead to the interruption of Virtus Health's systems and operations, additional costs and reputational damage.

Change in Commonwealth Government funding arrangements for assisted reproductive services

Virtus Health's patients receive partial reimbursement for some of Virtus Health's services through Commonwealth Government programs, including the Commonwealth Government's Medicare Benefits Schedule (MBS) and the Extended Medicare Safety Net (EMSN). This is also a critical source of revenue for the Adora business. If the level of reimbursement provided by these programs for Virtus Health's services were to change, Virtus Health's patients may face higher out-of-pocket expenses for its services. This may result in reduced demand for Virtus Health's services, potentially leading to a reduction in Virtus Health's revenue and profitability.

Changes to the private health insurance industry

Membership of private health insurance funds in Australia is supported by a number of Commonwealth Government policies, including the Private Health Insurance Rebate and Medicare Levy Surcharge. To the extent that these policies change, or new policies are enacted, this may reduce incentives to hold private health insurance and the level of private health insurance in Australia may fall. A decline in the profitability of health insurance funds or the inability of health insurance funds to obtain premium increases may result in Virtus Health's inability to achieve growth in the funding it receives from health insurance funds or the inability to renew contracts with health insurance funds on suitable terms.

Increasing out-of-pocket expenses

The price charged by Virtus Health for IVF cycles and other assisted reproductive services has historically increased faster than the level of reimbursement provided by the Commonwealth Government and private health insurance. This has caused patient out-of-pocket expenses to increase at a faster rate than the increase in the price charged by Virtus Health. If this continues, the level of patient out-of-pocket expense will continue to increase faster than the increase in the price charged by Virtus Health which may adversely affect the affordability and demand for Virtus Health's services. A reduction in demand for Virtus Health's services may result in a reduction in Virtus Health's revenue and profitability.

Virtus Health may be involved in litigation or other disputes

Virtus Health may be involved from time to time in disputes or claims of medical indemnity or similar claims and litigation with current or former patients, employees and other stakeholders and third parties. These disputes may lead to legal and other proceedings against the entity and employees and may cause Virtus Health to suffer additional costs if those disputes are not covered by insurance. The contracted fertility specialists are responsible for maintaining their own professional indemnity insurance and are separately insured for claims against them.

If future medical malpractice litigation, or threatened litigation, against Virtus Health were to result in damages being awarded against Virtus Health, it could have an adverse impact on the financial performance, position and future prospects of Virtus Health if insurance cover is not available (and, therefore, its share price or the liquidity of its shares).

Virtus Health maintains professional indemnity and public liability insurance in respect of a range of events within coverage ranges determined in accordance with the Virtus Health board's review and decision. Fertility specialists are also required to maintain their own professional indemnity insurance. However, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover any or all claims or that it will respond to such claims.

In addition, a claim by a current or former patient, employee or other stakeholder or third party may have a negative impact on Virtus Health's reputation.

Virtus Health may also have disagreements with regulatory bodies in the course of its operations which could result in its accreditations being revoked. This may prevent Virtus Health from claiming Medicare benefits.

Key risks

Key risks associated with Virtus Health's business (cont.)

Reputational damage

The reputation of Virtus Health and its individual brands is important in attracting patients, fertility specialists and key employees.

Reputational damage could arise due to a number of circumstances, including inadequate service, unsatisfactory clinical outcomes for patients, error, malpractice or negligence of Virtus Health employees or fertility specialists or litigation or other claims against Virtus Health.

A significant number of Virtus Health's patients are referred by general practitioners and other medical specialists or approach Virtus Health on the basis of personal recommendations. Negative publicity could adversely impact Virtus Health's reputation with general practitioners, other medical specialists and members of the public. If this were to happen, it may potentially result in a fall in the number of patients seeking treatment at Virtus Health and impinge on Virtus Health's ability to maintain relationship with existing fertility specialists, contract new fertility specialists and attract key employees. If this were to occur, Virtus Health's financial performance may be negatively impacted.

Demographic trends

There is a risk that there is a reduction in the demand for assisted reproductive services. This could be due to changes in a number of key demographic trends, including lower maternal ages, decline in the female population, improved fertility, a change in social acceptability of assisted reproductive services, changes to technology and other factors.

If this were to occur, the demand for assisted reproductive services may not continue to grow as expected and Virtus Health may not meet its financial forecasts.

Lack of patent protection

Virtus Health does not currently have registered patents and does not regularly conduct patent searches to identify any third party patent infringement risks or to investigate its freedom to operate.

Key risks associated with the Placement and investing in shares in Virtus Health

Market risks

The price of Virtus Health shares (including the shares to be issued pursuant to the Placement) on the ASX will be affected by the financial performance of Virtus Health and may rise or fall due to numerous often unpredictable factors, including:

- Australian and international general economic conditions, including inflation rates, the level of economic activity, interest rates and currency exchange rates;
- tensions and acts of terrorism in Australia and around the world;
- the impact of COVID-19; and
- investor perceptions in the local and global markets for listed stocks

Changes in global economic conditions (including changes in interest rates, inflation, foreign exchange rates and labour costs) as well as general trends in the Australian and overseas equity markets may affect the trading price of Virtus Health's shares on the ASX. One or more of these factors may cause its shares to trade below current prices and may adversely affect Virtus Health's financial position and/or performance. In addition, changes in the value of Virtus Health's shares may be unrelated or disproportionate to the actual operating performance of Virtus Health.

Virtus Health's shares (including the shares to be issued pursuant to the Placement) may trade at higher or lower prices than the price at the time of this presentation and no assurances can be given that Virtus Health's market performance will not be adversely affected by any such market fluctuations or factors. No member of Virtus Health, nor any of their directors nor any other person guarantees Virtus Health's market performance.

International offer restrictions

This document does not constitute an offer of new ordinary shares ("**New Shares**") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any of the contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) of Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) an "accredited investor" (as defined in the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Summary of material agreements in connection with the Acquisition and Placement

Term / Agreement	Description
Share Sale agreement	
Total amount payable	The total amount payable by Virtus in connection with the acquisition of 100% of Adora is $45 million, subject to post completion adjustments for any divergence from target net working capital.
Conditions precedent	Conditions precedent to completion of the Acquisition are as follows: a) obtaining certain consents from third parties in connection with change of control provisions in certain leases of key clinic sites; and b) the entry into two services agreements, one of which is with Healius and the other of which is with Montserrat in relation to the fourth day hospital. If the conditions precedent are not satisfied or waived within six months of signing, the share sale agreement may be terminated by either party. In addition, the completion of the process of separation of Adora from Healius must occur prior to completion.
Termination	Virtus has the right to terminate the Acquisition in the event of insolvency of Healius as well as due to the occurrence of specific adverse business events. Healius has the right to terminate in the event of insolvency of Virtus.
Completion and pre-completion conduct	Completion is expected to occur in 2QFY22 but could take longer subject to the timely satisfaction of the conditions precedent. For the period up to Completion, Adora must carry on its business materially in the ordinary course and is subject to customary restrictions and undertakings.
Warranties and indemnities	The SSA contains customary warranties including with respect to Adora, its business, tax and other matters. Healius indemnifies Virtus in relation to specified matters and breach of warranty. Any such claims by Virtus are subject to customary limitations, qualifications and exceptions.
Other transaction agreements	
Transitional services agreement	Adora will enter into a Transitional Services Agreement with Healius in relation to the operational separation of the Adora Business from Healius after Completion, pursuant to which Healius will continue to provide certain services for a period of up to 12 months following Completion at agreed costs.
Underwriting agreement	
Purpose	The Company has appointed Jefferies (Australia) Pty Ltd ("Underwriter" or "Lead Manager") to manage and underwrite the Offer pursuant to the terms of an Underwriting Agreement entered into between the parties on or before the date of this announcement.
Conditions precedent	The obligations of the Underwriter are subject to the satisfaction of certain conditions precedent documented in the Underwriting Agreement.
Termination events	If certain conditions are not satisfied or the certain events occur, the Underwriter may terminate the Underwriting Agreement. The events which may trigger termination of the Underwriting Agreement include (but are not limited to) the following: a) (*) the Company is in breach of the Underwriting Agreement or any of the Company's representations or warranties in the Underwriting Agreement is not true or correct when made or taken to be made; b) (*) if any of the obligations of the relevant parties under any of the contracts that are material to the business of the Virtus group, are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager) or if all or any part of any of such contracts is amended or varied in a material respect without the consent of the Lead Manager (not to be unreasonably withheld or delayed) or is terminated, breached in a material respect, ceases to have effect (otherwise than in accordance with its terms) or is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal;

Summary of material agreements in connection with the Acquisition and Placement

Term / Agreement		Description
Underwriting agreement		
Termination events	c)	if any of the obligations of the relevant parties under the Share Sale Agreement are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager) or if all or any part of any of such contracts is amended or varied in a material respect without the consent of the Lead Manager (not to be unreasonably withheld or delayed) or is terminated, breached in a material respect, ceases to have effect (otherwise than in accordance with its terms) or is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, rescinded or avoided or of limited force and affect, or its performance is or becomes illegal;
	d)	(*) a Group Member, breaches, or defaults under any provision, undertaking, covenant or ratio of a material debt or financing arrangement or any related documentation to which that entity is a party which is not promptly waived by the relevant financier or financiers, and the effect of which has or is likely to have a material adverse effect;
	e)	(*) an event of default or event which gives a lender or financier the right to accelerate or require repayment of the debt or financing, or other similar material event occurs under or in respect to any such debt or financing arrangement or related documentation which is not promptly waived by the relevant financier or financiers, the effect of which has or is likely to have a material adverse effect; or
	f)	(*) any financing or related arrangement referred to in the offer materials is not or will not be refinanced, terminated, amended or entered in to (or a consent or waiver is or will not be given in relation to any such financing or related arrangement) in the manner or by the time described in the offer materials, or a condition precedent, or condition to funds being available for draw down, under any such arrangement is not or will not be, or is incapable of being, satisfied by the time and in the manner required;
	g)	the Company is unable or unlikely to be able to issue the Placement shares on the Issue Date specified in the agreed timetable;
	h)	any event specified in the agreed timetable is delayed for more than one business day without the prior written consent of the Lead Manager;
	i)	the Company alters its capital structure (other than as contemplated in the Underwriting Agreement), or the constitution without the prior consent of the Lead Manager;
	j)	any member of the Virtus group is or becomes the subject of an Insolvency Event;
	k)	there is a material adverse effect when compared to the position disclosed in the offer materials or otherwise disclosed by the Company to the ASX on or prior to the date of the Underwriting Agreement;
	l)	the Company or its respective directors or officers (as these terms are defined in the Corporations Act) engage in any fraudulent conduct or activity in connection with the Placement;
	m)	a change in certain members of senior management of the Company occurs or is announced;
	n)	(*) other than as disclosed in the offer materials, a change in the board of directors of the Company occurs or is announced;
	o)	there are not, or there ceases to be, reasonable grounds for any statement or estimate by the Company in the offer materials (including any financial forecasts);
	p)	(*) responses to the due diligence questionnaire or any other information supplied by or on behalf of the Company to the Lead Manager in relation to the Virtus group or the Placement is, or becomes, false or misleading or deceptive, or likely to mislead or deceive, including by way of omission;
	q)	a material statement contained in the offer materials is, or the Lead Manager becomes aware that such a statement was at the time it was made, false, misleading or deceptive (including by way of omission);
	r)	ASIC issues, or threatens in writing to issue, proceedings or commences any inquiry or investigation in relation to the Placement which becomes public or is not withdrawn within a period of time;
	s)	the ASX makes any official statement to any person, or indicates to the Company, or the Lead Manager (whether or not by way of an official statement) that the existing shares in the Company will be suspended from quotation, the Company will be removed from the official list of ASX, or that quotation of all of the Placement shares will not be granted by ASX or such approval has not been given before the close of business on the last date on which the Placement shares may be allotted or such suspension from quotation occurs which becomes public or is not withdrawn within a period of time;
	t)	(*) any Government Agency commences any public action against an officer of the Company in his or her capacity as an officer of the Company or announces that it intends to take any such action or an officer of the Company is charged with an indictable offence or is disqualified from managing a corporation under the Corporations Act;

Summary of material agreements in connection with the Acquisition and Placement

Term / Agreement	Description
Underwriting agreement	
Termination events	u) (*) any Government Agency commences any public action against an officer of the Company in his or her capacity as an officer of the Company or announces that it intends to take any such action or an officer of the Company is charged with an indictable offence or is disqualified from managing a corporation under the Corporations Act;
	v) any Government Agency issues proceedings or commences any action, inquiry, investigation or hearing against or in respect of the Company or the Virtus group, or announces that it intends to take any such proceedings or action;
	w) (*) hostilities not presently existing at the date of the Underwriting Agreement commence (whether war has been declared or not) or a major escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States of America, the Republic of Ireland, Hong Kong, Japan, Singapore, the Peoples' Republic of China or the United Kingdom or a terrorist act is perpetrated on any of those countries or any diplomatic, military or political establishment of any of those countries elsewhere in the world;
	x) (*) the Lead Manager becomes aware of a contravention by the Company of an applicable law;
	y) (*) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law or regulatory directive (either in Australia or in any jurisdiction to which the Placement shares will be marketed), or the Reserve Bank of Australia, or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement); or
	z) (*) any of the following occurs:
	(i) a general moratorium on commercial banking activities in certain jurisdictions is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
	(ii) trading in all securities quoted or listed on certain stock markets is suspended or limited in a material respect for one day (or a substantial part of one day) on which that exchange is open for trading; or
	(iii) there is any adverse change to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in certain countries, or the international financial markets or any prospective adverse change in national or international political, economic or financial conditions.
	For those termination events above marked with an asterisk (*), the Underwriter may not terminate the Underwriting Agreement unless, in the reasonable opinion of the Underwriter, the event:
	a) has had or is likely to have a materially adverse effect on the marketing, outcome, success or settlement of the Placement, the likely price at which the Company's shares will trade on the ASX or the willingness of investors to subscribe for shares in the Placement; or
	b) has given or is likely to give rise to a liability of the Underwriter under any applicable law; or
	c) has given or would likely to give to give rise to a contravention by the Underwriter or the Underwriter being involved in a contravention of the Corporations Act or any applicable law.

Summary of material agreements in connection with the Acquisition and Placement

Term / Agreement	Description
Underwriting agreement	
Warranties	Virtus Health gives customary representations and warranties in connection with (among other things) the Placement.
Undertakings	Virtus Health gives customary undertakings to the Underwriter, including that (subject to certain exceptions) it will not issue further equity securities, and will conduct its business in the ordinary course, for a period of time following completion of the Placement.
Indemnities	Subject to certain exceptions, Virtus Health has agreed to indemnify the Underwriter, its affiliates and each of their respective directors, officers, employees, partners, agents and advisers (each an "Indemnified Party") from and against all losses directly or indirectly suffered or incurred by an Indemnified Party in connection with the Placement and the appointment of the Underwriter pursuant to the Underwriting Agreement. Virtus Health also releases each Indemnified Party against claims made by the Company as a result of the participation of that Indemnified Party in the preparation of the offer materials or in relation to the Placement, except to the extent of certain agreed carve outs related to the Underwriter's culpability for the loss.
Underwriting fees	The Underwriter will be paid underwriting and offer management fees of an agreed percentage of the proceeds of the Placement (which is disclosed in the Appendix 3B lodged by Virtus today). The Company must also reimburse the Underwriter for certain expenses (including legal expenses) incurred in connection with their role as Underwriter.

Thank you