

ASX ANNOUNCEMENT

5 May 2022

VIRTUS HEALTH LIMITED (ASX: VRT)

VIRTUS RELEASES CAPVEST TRANSACTION BOOKLET

Virtus Health Limited (ACN 129 643 492) (**Virtus**) refers to the announcement made earlier today in relation to the revised proposal made by CapVest Partners LLP (**CapVest**) on 10 April 2022 to acquire all of the shares in Virtus by way of a scheme of arrangement (**Scheme**) and a simultaneous takeover bid (**CapVest Takeover**) (together, the **CapVest Transaction**) and the orders made by the Supreme Court of NSW that Virtus convene and hold a meeting of the holders of Virtus Shares (**Virtus Shareholders**) to consider and vote on the Scheme (**Scheme Meeting**) and approving the distribution of the explanatory statement in respect of the Scheme prepared by Virtus, which provides information about the Scheme and includes the notice of Scheme Meeting, (**Transaction Booklet**) to Virtus Shareholders.

Transaction Booklet

Virtus confirms that the Transaction Booklet has been registered by the Australian Securities and Investments Commission (**ASIC**). A copy of the Transaction Booklet is attached to this announcement, including for the purposes of section 633 of the Corporations Act in respect of the bidder's statement¹ and target's statement included in the Transaction Booklet.

The Transaction Booklet sets out the detailed reasons for the Virtus Board's recommendation in respect of the CapVest Transaction, information about the Scheme Meeting and Extraordinary General Meeting (including how to vote at the meetings), as well as other important information about the CapVest Transaction (including a copy of the independent expert's report in respect of the CapVest Transaction (**Independent Expert's Report**) prepared by Deloitte Corporate Finance Pty Limited (**Independent Expert**)). The Transaction Booklet also contains CapVest's bidder's statement, and Virtus' target's statement, in relation to the CapVest Takeover.

Scheme Meeting and Extraordinary General Meeting

¹ For the purposes of the CapVest Takeover, Evergreen BidCo Pty Ltd gives notice under section 633(4) of the Corporations Act that it has set 7:00pm (Sydney time) on 5 May 2022 as the time and date for the purposes of determining the persons to whom information is to be sent under items 6 and 12 of section 633(1) of the Corporations Act.

The Scheme Meeting, at which Virtus Shareholders will vote on the Scheme, will be held as a virtual (online only) meeting at 11.00am (Sydney time) on Monday, 6 June 2022.

The Transaction Booklet also contains an explanatory statement in respect of the Capital Return (as described in the Transaction Booklet) and includes a notice of Extraordinary General Meeting at which Virtus Shareholders will vote on the Capital Return. The Extraordinary General Meeting will be held immediately following the conclusion of the Scheme Meeting.

Shareholders can access the meetings on the day of the meetings using the following link: <https://www.meetings.linkgroup.com/VRTSCHEME>. Further details on how to participate in the meetings via the online meeting platform and teleconference facilities are set out in the Transaction Booklet in the explanatory notes that accompany and form part of the notice of meetings and in the Virtual Meeting Online Guide available in the Transaction Booklet at Attachment C.

It has been determined that, for the purposes of eligibility to vote at the Scheme Meeting, Virtus Shares will be taken to be held by the persons who are registered as members of Virtus as of 11.00am (Sydney time) on Saturday, 4 June 2022.

Virtus Shareholders should read the Transaction Booklet in its entirety before making any decision in relation to the Scheme or Capital Return. Virtus Shareholders are encouraged to seek independent financial, legal, accounting, taxation and/or other professional advice before making any voting or investment decision in relation to their Virtus Shares.

Virtus Board's Recommendation

The Virtus Directors unanimously recommend that you:

- 1. vote in favour of the Scheme at the Scheme Meeting; and**
- 2. accept the CapVest Takeover for all of your Virtus Shares should the Scheme not be approved by Virtus Shareholders or approved by the Court; and**
- 3. vote in favour of the Capital Return at the Extraordinary General Meeting,**

subject to there being no Superior Proposal and the Independent Expert continuing to conclude that, in respect of the Scheme, it is in the best interests of Virtus Shareholders and that, in respect of the CapVest Takeover, it is fair and reasonable.

Furthermore, each Virtus Director intends to:

1. vote all of the Virtus Shares controlled or held by, or on behalf of, that Virtus Director in favour of the Scheme at the Scheme Meeting;
2. accept the CapVest Takeover in respect of all Virtus Shares controlled or held by, or on behalf of, that Virtus Director should the Scheme not be approved by Virtus Shareholders and the Court; and

3. vote all of the Virtus Shares controlled or held by, or on behalf of, that Virtus Director in favour of the Capital Return at the Extraordinary General Meeting, subject to those same qualifications set out above.

On 3 May 2022, Virtus issued its target's statement in response to the off-market takeover offer by entities wholly owned by BGH Capital Pty Ltd (**BGH Takeover**) for all of the Virtus Shares in which BGH does not have a Relevant Interest at an offer price of \$8.00 cash per share.

The Virtus Board has unanimously determined that the BGH Takeover is INFERIOR to the CapVest Scheme and the CapVest Takeover and therefore unanimously recommends that Virtus Shareholders DO NOT ACCEPT the BGH Takeover. Each Virtus Director will not be accepting the BGH Takeover in respect of any Virtus Shares that are held or controlled by or on behalf of them, consistent with their recommendation to Virtus shareholders.

Dispatch of the Transaction Booklet to Virtus Shareholders

Due to the coronavirus pandemic and other relevant issues impacting the timing of postal dispatch of the Transaction Booklet, ASIC has granted Virtus and CapVest relief from the usual requirement under the Corporations Act to send the Transaction Booklet to Virtus Shareholders by post. The Court has made similar orders in relation to dispatch. This means that:

- if you have nominated an email address to receive communications from Virtus, then you will receive an email to your nominated email address with a link to an electronic copy of the Transaction Booklet; and
- if you have made an election to receive communications from Virtus by post, you will receive a hard copy of the Transaction Booklet to your registered postal address.
- if you have not nominated an email address to receive communications from Virtus and have not made an election to receive communications by post, then you will receive a letter from Virtus to your registered postal address, which will contain details of a link to an electronic copy of the Transaction Booklet; and

Virtus Shareholders will also receive a hard copy of the Transaction Booklet which will be sent to them in due course (if in Australia, by pre-paid ordinary post or by courier, or, if outside Australia, by pre-paid airmail post or by courier). If Virtus Shareholders have any questions regarding accessing the Transaction Booklet or do not receive the hard copy of the Transaction Booklet and would like to request one, they should contact the Virtus shareholder information line on 1800 653 805 (within Australia) or +61 1800 653 805 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time).

ASIC has advised that the fact that it has granted this relief in connection with the CapVest Transaction should not be taken as a reflection of ASIC's views on any other aspect of the CapVest Transaction.

This announcement is authorised by the Virtus Board.

-ENDS-

Further information:

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Virtus Health Limited (ASX:VRT) brings together leading clinicians, scientists, researchers and support staff to provide the very best in fertility care and related specialised diagnostic and day hospital services. We have developed one of the most successful ARS collaborations in the world. With 126 of the world's leading fertility specialists supported by over 1300 professional staff, we are the largest network and provider of fertility services in Australia, Ireland and Denmark, Singapore and UK.

Virtus Transaction Booklet

For the proposal by CapVest to acquire all of your shares in Virtus Health Limited by way of a Scheme of Arrangement and a simultaneous Takeover Bid

VOTE IN FAVOUR

YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU:

- VOTE IN FAVOUR OF THE SCHEME OF ARRANGEMENT;
- ACCEPT THE CAPVEST TAKEOVER SHOULD THE SCHEME NOT BE APPROVED; AND
- VOTE IN FAVOUR OF THE CAPITAL RETURN,

IN THE ABSENCE OF A SUPERIOR PROPOSAL AND SUBJECT TO THE INDEPENDENT EXPERT CONTINUING TO PROVIDE A POSITIVE OPINION ON THE CAPVEST TRANSACTION.

This is an important document and requires your prompt attention. You should read this document carefully and in its entirety before deciding whether or not to vote in favour of the resolution to approve the Scheme and Capital Return, and accept the CapVest Takeover. If you are in doubt as to what you should do, you should consult your licenced financial adviser or other suitable professional adviser.

If, after reading this Booklet, you have any remaining questions about the CapVest Transaction or how to vote or accept the CapVest Takeover, please call the Virtus Shareholder Information Line on 1800 653 805 (within Australia) or +61 1800 653 805 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time).

This Booklet is prepared for persons shown on the Virtus Share Register as holding Virtus Shares. If you have recently sold all of your Virtus Shares, please disregard this document.

Financial Advisers

Jefferies Morgan Stanley

Legal Advisers

 GILBERT + TOBIN

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Important notices

Defined terms

Capitalised terms used in this Booklet are defined in the Glossary in Section 14.

Nature of this Booklet

This Booklet is:

- the explanatory statement for the Scheme, as required by section 412(1) of the Corporations Act;
- the bidder's statement (issued by Evergreen BidCo Pty Ltd (ACN 657 613 860) (**CapVest BidCo**)) for the CapVest Takeover, as specified under Part 6.5 Division 2 of the Corporations Act;
- the target's statement (issued by Virtus Health Limited (ACN 129 643 492) (**Virtus**)) for the CapVest Takeover, as required under Part 6.5 Division 3 of the Corporations Act; and
- the explanatory statement for the Capital Return, as required by section 256C(4) of the Corporations Act.

You should read this Booklet carefully and in its entirety before making a decision as to how to vote on the resolutions to be considered at the Meetings and whether to accept the CapVest Takeover. If you are in doubt as to what you should do, you should consult your licenced financial adviser or other suitable professional adviser.

Responsibility for information

Virtus has prepared, and is responsible for, the Virtus Information (as defined in Section 14). Neither CapVest, CapVest BidCo nor any of their respective Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the Virtus Information.

CapVest and CapVest BidCo have prepared, and are responsible for, the CapVest Information (as defined in Section 14). Neither Virtus nor any of its respective Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the CapVest Information.

Deloitte has prepared the Independent Expert's Report (as set out in Attachment A) and takes responsibility for that report. None of Virtus, CapVest, CapVest BidCo nor any of their respective Subsidiaries, directors, officers, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except in relation to the information it has provided to Deloitte.

No investment advice

The information in this Booklet does not constitute financial product advice. This Booklet has been prepared without reference to the investment objectives, financial situation or particular needs of any Virtus Shareholder or any other person. This Booklet should not be relied on as the sole basis for any investment decision. Independent licenced financial and other suitable professional advice should be sought before making any investment decision in relation to your Virtus Shares.

ASIC and ASX involvement

A copy of this Booklet (including the Independent Expert's Report) has been lodged with ASIC and registered for the purposes of section 412(6) of the Corporations Act by ASIC. ASIC has been requested to provide a statement in accordance with section 411(17)(b) of the Corporations Act that ASIC has no objection to the Scheme. If ASIC provides that statement, then it will be produced to the Court on the Court Approval Date.

A copy of this Booklet has been lodged with ASIC for purposes of section 633(1), Item 2 of the Corporations Act. A copy of this Booklet (including the Independent Expert's Report) has been lodged with ASIC for purposes of section 633(1), Item 13 of the Corporations Act. A copy of this Booklet has been lodged with ASIC for purposes of section 256C(5) of the Corporations Act.

Neither ASIC nor any of its officers take any responsibility for the contents of this Booklet.

A copy of this Booklet will be lodged with the ASX. Neither the ASX nor any of its officers take any responsibility for the contents of this Booklet.

Important notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that under subsection 411(1) of the Corporations Act the Court has ordered that a meeting to consider the Scheme be convened and has approved the explanatory statement required to accompany the notice of the Scheme meeting does not mean that the Court:

- a) has formed any view as to the merits of the proposed Scheme or as to how members should vote (on this matter members must reach their own decision); or
- b) has prepared, or is responsible for the content of, the explanatory statement.

The order of the Court that the Scheme Meeting be convened is not, and should not be treated as, an endorsement by the Court of, or any other expression by the Court on, the CapVest Transaction.

Notice regarding Second Court Hearing and if a Virtus Shareholder wishes to oppose the Scheme

The Second Court Hearing to approve the Scheme is expected to be held on Wednesday, 8 June 2022. This hearing will be at 9.15am (Sydney time) at the Supreme Court of New South Wales at Law Courts Building, 184 Phillip Street, Sydney NSW 2000.

Each Virtus Shareholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of the Scheme at the Second Court Hearing. If you wish to oppose in this manner, you must file with the Court and serve on Virtus a notice of appearance in the prescribed form together with any affidavit that you propose to rely on.

Important notices

Disclosure regarding forward-looking statements

This Booklet contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

The forward-looking statements in this Booklet are not based on historical facts, but rather reflect the current views of Virtus or, in relation to the CapVest Information, CapVest and CapVest BidCo, held only as at the date of this Booklet concerning future information and events and generally may be identified by the use of forward-looking words or phrases such as “believe”, “aim”, “expect”, “anticipate”, “intending”, “foreseeing”, “likely”, “should”, “planned”, “may”, “estimated”, “potential”, or other similar words and phrases. Similarly, statements that describe Virtus’, CapVest’s and CapVest BidCo’s objectives, plans, goals or expectations are or should be considered to be forward-looking statements.

The statements in this Booklet about the impact that the Scheme or CapVest Takeover may have on the results of Virtus’ operations, and the advantages and disadvantages anticipated to result from the Scheme or CapVest Takeover, are also forward-looking statements.

Any forward-looking statements included in the Virtus Information have been made on reasonable grounds based on information known at the time. Although Virtus believes that the views reflected in any forward-looking statements included in the Virtus Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

Any forward-looking statements included in the CapVest Information have been made on reasonable grounds based on information known at the time. Although CapVest and CapVest BidCo believe that the views reflected in any forward-looking statements included in the CapVest Information have been made on a reasonable basis, no assurance can be given that such views will prove to have been correct.

These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause either Virtus’, CapVest’s or CapVest BidCo’s actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. Statements as to objectives, plans, goals or expectations can change as circumstances change. Deviations as to future results, performance and achievements and changes to objectives are both normal and to be expected.

Virtus Shareholders should note that the historical financial performance of Virtus is no assurance of future financial performance of Virtus (whether the CapVest Transaction is implemented or proceeds). Virtus Shareholders should carefully review all of the information included in this Booklet. The forward-looking statements included in this Booklet are made only as of the date of this Booklet. None of Virtus, CapVest, CapVest BidCo, nor any of their respective directors, officers, employees or advisors give any representation, assurance or guarantee to Virtus Shareholders that any forward-looking statements will actually occur or be achieved. Virtus Shareholders are cautioned not to place undue reliance on such forward-looking statements.

Subject to any continuing obligations under law or the ASX Listing Rules, Virtus, CapVest and CapVest BidCo do not give any undertaking to update or revise any forward-looking statements after the date of this Booklet to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

Privacy and personal information

Virtus, CapVest and CapVest BidCo and their respective agents and representatives may collect personal information to implement either CapVest Transaction. The personal information may include the names, contact details and details of holdings of Virtus Shareholders, plus contact details of individuals appointed by Virtus Shareholders as proxies, corporate representatives or attorneys at the Meetings. The collection of some of this information is required or authorised by the Corporations Act.

Link advises that personal information it holds about you (including your name, address, date of birth and details of the financial assets) is collected by Link group organisations to administer your investment. Personal information is held on the public register in accordance with Chapter 2C of the Corporations Act. Some or all of your personal information may be disclosed to contracted third parties, or related Link group companies in Australia and overseas. Your information may also be disclosed to Australian government agencies, law enforcement agencies and regulators, or as required under other Australian law, contract, and court or tribunal order. For further details about Link’s personal information handling practices, including how you may access and correct your personal information and raise privacy concerns, visit Link’s website at <https://www.linkmarketservices.com.au/> for a copy of the Link group condensed privacy statement, or contact Link by phone on +61 1800 502 355 (free call within Australia) 9.00am to 5.00pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of Link’s complete privacy policy.

Important notices

The information may be disclosed to print and mail service providers, and to Virtus, CapVest, CapVest BidCo and their respective Related Bodies Corporate and advisers to the extent necessary to effect either CapVest Transaction. If the information outlined above is not collected, Virtus or CapVest BidCo may be hindered in, or prevented from, conducting the Meetings or implementing either CapVest Transaction effectively or at all. In respect of the Meetings, Virtus Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meetings should inform that individual of the matters outlined above and confirm they consent to Virtus or CapVest BidCo discussing matters related to the CapVest Transaction with such appointed representatives.

Notice to persons outside Australia

This Booklet, the Scheme and the CapVest Takeover are subject to Australian disclosure requirements, which may be different from the requirements applicable in other jurisdictions. The financial information included in this document is based on financial statements that have been prepared in accordance with Australian equivalents to International Financial Reporting Standards, which may differ from generally accepted accounting principles in other jurisdictions.

Not an offer

This Booklet, the Scheme and the CapVest Takeover do not in any way constitute an offer of securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Booklet are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Booklet.

Times and dates

Unless otherwise stated, all times referred to in this Booklet are times in Sydney, Australia. All dates following the date of the Meetings are indicative only and are subject to the Court approval process and the satisfaction or, where applicable, the waiver of the Scheme Conditions and the requirements of the Corporations Act in connection with the CapVest Takeover (see Section 4.2).

Currency

The financial amounts in this Booklet are expressed in Australian currency unless otherwise stated. A reference to \$ and cents is to Australian currency, a reference to € is to the currency of the European Union and a reference to £ is to the currency of the United Kingdom, unless otherwise stated.

Date

This Booklet is dated 5 May 2022.

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Overview of the CapVest Transaction

This diagram shows the key features of the proposed Scheme and simultaneous CapVest Takeover (together, **the CapVest Transaction**).

You should carefully read this Booklet in its entirety before making any decision in relation to the Scheme, the CapVest Takeover or the Capital Return.

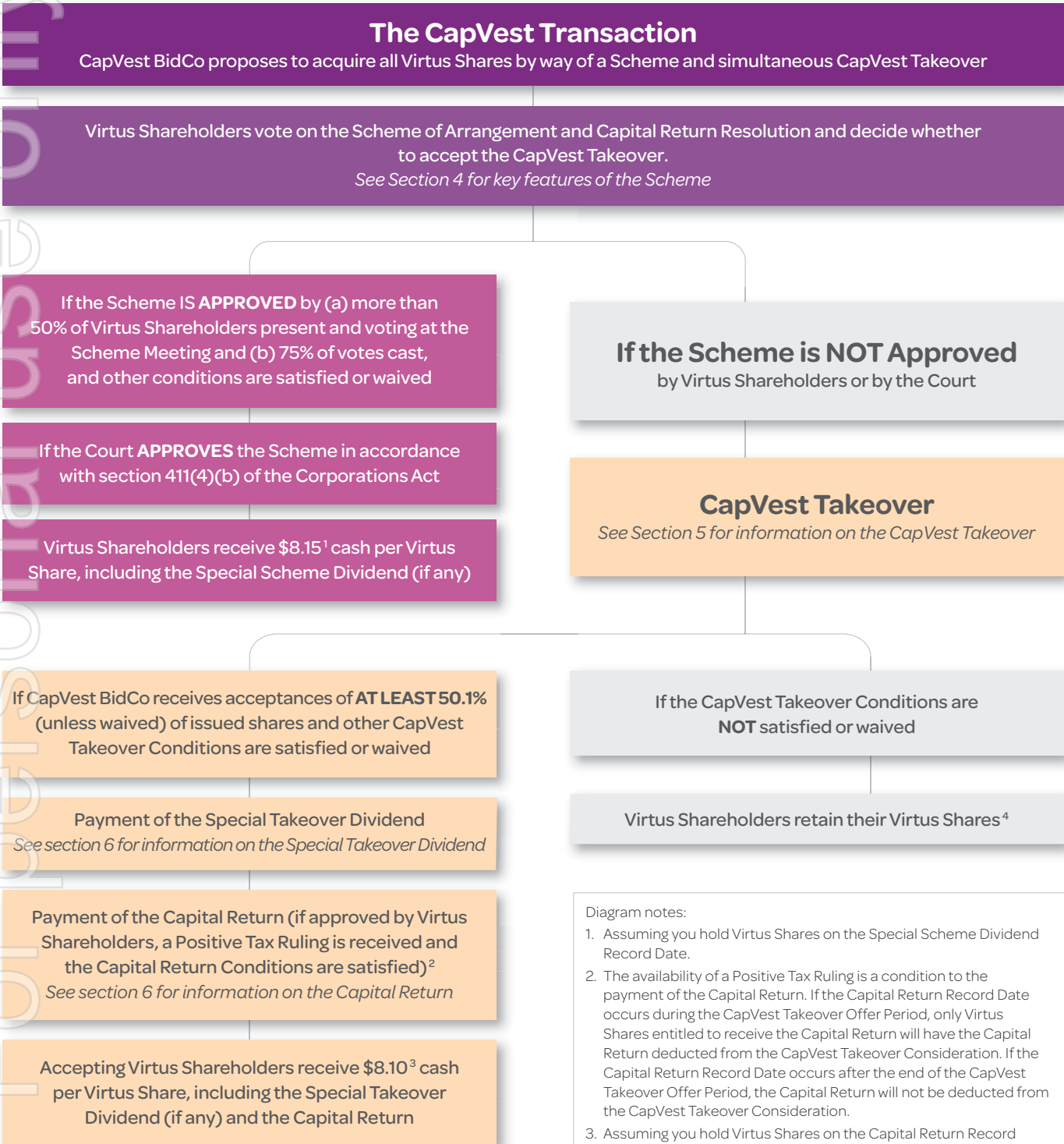


Diagram notes:

1. Assuming you hold Virtus Shares on the Special Scheme Dividend Record Date.
2. The availability of a Positive Tax Ruling is a condition to the payment of the Capital Return. If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration.
3. Assuming you hold Virtus Shares on the Capital Return Record Date and the Special Takeover Dividend Record Date.
4. As an alternative to retaining their Virtus Shares, Virtus Shareholders may be able to accept the BGH Takeover if it is open for acceptance at the relevant time. Your directors encourage you to read Virtus' target's statement in response to the BGH Takeover dated 3 May 2022, which sets out your Board's views and provides all material information on which to make an informed decision on the BGH Takeover. You should note that the consideration being offered under the BGH Takeover is inferior to that available under the CapVest Transaction.

Overview of the CapVest Transaction

The table below summarises the consideration that Virtus Shareholders can receive, and other key features, under the Scheme and CapVest Takeover, as compared with the inferior BGH Takeover.

| Item | CapVest Transaction | | BGH Takeover |
|---|--|---|---|
| | Scheme | CapVest Takeover | |
| Consideration per Virtus Share Consisting of: <ul style="list-style-type: none"> – Special Scheme Dividend or Special Takeover Dividend (if declared) from Virtus – Capital Return (subject to satisfaction of conditions of payment) – Cash from CapVest BidCo (if \$0.44 Special Scheme Dividend or Special Takeover Dividend paid) | \$8.15 Up to \$0.44 ¹ <i>A \$0.44 special dividend could have up to approximately \$0.19 per Virtus Share in franking credits attached and eligible Virtus Shareholders may receive the benefit from any such franking credits, subject to their marginal tax rate. See Section 10.3.</i> Nil \$7.71 | \$8.10 Up to \$0.44 ² – \$3.11 less the amount of any Special Takeover Dividend (\$2.67 to \$3.11, inclusive) – \$4.99 or – \$7.66 depending on the Capital Return Record Date ³ | \$8.00 N/A N/A |
| Key Conditions | <ul style="list-style-type: none"> – 75% of votes cast, and >50% of Virtus Shareholders voting, in favour – No Virtus Prescribed Occurrences – No Material Adverse Change – Court approval | <ul style="list-style-type: none"> – Scheme is not approved by Virtus Shareholders or the Court – 50.1% minimum acceptance condition (waivable by CapVest BidCo) – No Virtus Prescribed Occurrences – No Material Adverse Change – Capital Return Resolution is approved (waivable by CapVest BidCo) | <ul style="list-style-type: none"> – No prescribed occurrences occur in respect of Virtus |
| Timing | <ul style="list-style-type: none"> – Scheme Meeting on 6 June 2022 | <ul style="list-style-type: none"> – Offer opens 6 May 2022; closes on 5 July 2022 unless extended | <ul style="list-style-type: none"> – Offer opened 20 April 2022; closes on 20 May 2022 unless extended |
| When relevant | <ul style="list-style-type: none"> – If Scheme vote is passed and approved by the Court | <ul style="list-style-type: none"> – If Scheme is not approved by Virtus Shareholders or the Court | N/A |
| Virtus Board Recommendation | VOTE IN FAVOUR of the Scheme <i>in the absence of a Superior Proposal and subject to the Independent Expert continuing to provide a positive opinion on the CapVest Transaction</i> | ACCEPT the CapVest Takeover should the Scheme not be approved by Virtus Shareholders or the Court | Take no action and REJECT |

1. Assuming you hold your Virtus Shares on the Special Scheme Dividend Record Date. The payment and the amount of any Special Scheme Dividend remain at the discretion of the Virtus Board.
2. Assuming you hold your Virtus Shares on the Special Takeover Dividend Record Date. The payment and the amount of any Special Takeover Dividend remain at the discretion of the Virtus Board.
3. Depending on the amount of the Special Takeover Dividend and whether the Capital Return is paid, and assuming you hold your Virtus Shares on the Special Takeover Dividend Record Date and the Capital Return Record Date. The availability of a Positive Tax Ruling is a condition to the payment of the Capital Return. If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration. It is also a condition to the payment of the Capital Return that payment is made by 30 September 2022.



Sonia Petering
Chair, Virtus Health Limited

Dear Virtus Shareholder,

On behalf of all of the Virtus Directors, I am pleased to provide you with this Booklet, which contains important information for your consideration in relation to the proposed acquisition of Virtus by CapVest, a London headquartered investment firm with over €5 billion in assets under management.

The structure of the CapVest Transaction involves a simultaneous Scheme and takeover bid, under which you will be entitled to receive:

- cash of \$8.15 per Virtus Share (being \$8.27 per Virtus Share before deducting the \$0.12 Interim Dividend that was paid on 14 April 2022) if the Scheme is approved; or

- cash of \$8.10 per Virtus Share (being \$8.22 per Virtus Share before deducting the \$0.12 Interim Dividend that was paid on 14 April 2022) accepted into the CapVest Takeover if the Scheme is not approved by Virtus Shareholders or the Court and the CapVest Takeover is declared or becomes unconditional,

in each case less the value of any other dividends or distributions (including the Capital Return, if any) declared or paid after the date of this Booklet and before payment of the Scheme Consideration or the CapVest Takeover Consideration.

The CapVest Transaction is the outcome of a bidding contest between CapVest and BGH that began on 13 December 2021 when your Board received an unsolicited non-binding indication of interest from BGH to acquire Virtus by way of scheme of arrangement for total net cash value of \$6.98 per Virtus Share (being \$7.10 per Virtus Share before deducting the \$0.12 Interim Dividend paid on 14 April 2022). Your Board received a total of eight proposals from those parties (including the \$8.00 per Virtus Share BGH Takeover) and carefully reviewed each of those proposals with a focus on maximising value for Virtus Shareholders. Virtus entered into an implementation deed with CapVest on 13 March 2022, which was amended and restated on 13 April 2022 and 4 May 2022 to reflect CapVest's latest improved proposal in response to the BGH Takeover.

The Virtus Board believes that the latest proposal presented by CapVest is compelling and will, if implemented, realise significant value for all Virtus Shareholders.

The two alternative and concurrent transaction structures proposed by CapVest (being the simultaneous Scheme and CapVest Takeover) each involve different approval features and commercial terms, as noted below. While there are two alternative structures for the purposes of implementing CapVest's acquisition of Virtus, only one will proceed. This is explained further below.

Scheme of arrangement

If the Scheme is approved and implemented, you will be entitled to receive \$8.15 cash for each Virtus Share that you hold as at the Scheme Record Date, scheduled to be at 7.00pm on Wednesday, 15 June 2022.

To the extent Virtus announces a Special Scheme Dividend before the Special Scheme Dividend Record Date, the amount you receive from CapVest under the Scheme will be \$8.15 per Virtus Share less the cash amount of that Special Scheme Dividend (however, you will also receive the Special Scheme Dividend amount from Virtus). Virtus intends to pay a fully franked Special Scheme Dividend of up to \$0.44 per Virtus Share,⁴ subject to the necessary approval for the Scheme being obtained. The payment and the amount of any special dividend remain at the discretion of the Virtus Board and will be subject to tax advice based on franking credits available and forecast to the time for payment of the dividend as a result of the earnings performance of Virtus at that time. Virtus is seeking a ruling from the ATO in respect of certain aspects of that Special Scheme Dividend. The ruling from the ATO should be considered routine and customary.

4. A special dividend of this amount could have up to approximately \$0.19 per Virtus Share in franking credits attached and eligible Virtus Shareholders may receive the benefit from any such franking credits, subject to their marginal tax rate. The payment and the amount of any special dividend remain at the discretion of the Virtus Board and will be subject to tax advice based on franking credits available and forecast to the time for payment of the dividend as a result of the earnings performance of Virtus at that time.

Letter from the Chair of Virtus

Scheme of arrangement *continued*

If Virtus announces the Special Scheme Dividend before the Special Scheme Dividend Record Date, Virtus Shareholders who hold Virtus Shares on the Special Scheme Dividend Record Date will be paid the Special Scheme Dividend and the cash consideration per Virtus Share payable under the Scheme will be reduced by the cash amount of the Special Scheme Dividend.

On a like-for-like basis, the total cash amount Virtus Shareholders will receive in connection with the Scheme if the Scheme is approved and implemented (being \$8.15 per Virtus Share), will represent:⁵

- a premium of approximately 60.1% to the dividend-adjusted undisturbed closing share price of \$5.09 on 13 December 2021⁶;
- a premium of approximately 55.5% to the dividend-adjusted 1-month volume weighted average price (“VWAP”)⁷ to 13 December 2021;
- a premium of approximately 51.8% to the dividend-adjusted 3-month VWAP⁸ to 13 December 2021; and
- an implied fully diluted equity value of \$710.5 million⁹ and enterprise value of \$785.7 million¹⁰.

In addition, those Virtus Shareholders who can capture the full benefit of the franking credits associated with the \$0.44 Special Scheme Dividend (if paid), will receive additional value as a result of franking credits of up to \$0.19 per Virtus Share attached to this Special Scheme Dividend.¹¹

The Virtus Directors unanimously recommend that you vote in favour of the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Virtus Shareholders.¹²

The Scheme can only proceed if, amongst other conditions, the requisite majorities of Virtus Shareholders approve the Scheme Resolution. This requires more than 50% of Virtus Shareholders (by number) present and voting at the Scheme Meeting and at least 75% of total number of votes cast at the Scheme Meeting to be in favour of the Scheme Resolution. The Scheme also requires Court approval.

Your Board strongly encourages every Virtus Shareholder to vote at the Scheme Meeting because every vote in favour of the Scheme will increase the likelihood of all Virtus Shareholders receiving the additional \$0.05 of value per Virtus Share available under the Scheme as compared to the CapVest Takeover. This is all the more important because BGH (which as at the date of this Booklet has voting power in 20.02% of all Virtus Shares) has stated that it will vote all Virtus Shares that it owns or controls at the relevant time against the Scheme.

Accordingly, to the extent that BGH continues to own or control 20.02% of Virtus Shares on the date of the Scheme Meeting, at least 20.02% of Virtus Shares is expected to be voted against the Scheme. Given the 75% voting threshold noted above applies in respect of votes cast at the Scheme Meeting, it is important for as many Virtus Shareholders as possible who support the Scheme to cast a vote in its favour (either by proxy (including by corporate representative) or in person (virtually)). A failure to do so could cause the Scheme to be defeated and thereby deny all Virtus Shareholders the ability to receive an extra \$0.05 per Virtus Share of value.

As noted above, BGH is a rival underbidder that is seeking to secure control of Virtus. You should not assume that its interests in opposing the Scheme aligns with the interests of other Virtus Shareholders.

5. The closing price on 13 December 2021 was \$5.21, but this amount has been reduced by the amount of the \$0.12 Interim Dividend to allow a like-for-like comparison against the Scheme Consideration of \$8.15 per Virtus Share (being \$8.27 per Virtus Share before deducting the \$0.12 Interim Dividend). Historical market prices, VWAP and premium metrics are adjusted for Virtus’ Interim Dividend of \$0.12, which was declared on 22 February 2022 with Virtus Shares beginning to trade ex-dividend from 23 March 2022.
6. Being the last closing price before the first announcement that Virtus had received an unsolicited indication of interest from BGH to acquire 100% of the shares in Virtus by way of scheme of arrangement.
7. The 1-month VWAP up to 13 December 2021 was \$5.36, but this amount has been reduced by the amount of the \$0.12 Interim Dividend to allow a like-for-like comparison against the CapVest Scheme Consideration of \$8.15 per Virtus Share (being \$8.27 per Virtus Share before deducting the \$0.12 Interim Dividend).
8. The 3-month VWAP up to 13 December 2021 was \$5.49, but this amount has been reduced by the amount of the \$0.12 Interim Dividend to allow a like-for-like comparison against the CapVest Scheme Consideration of \$8.15 per Virtus Share (being \$8.27 per Virtus Share before deducting the \$0.12 Interim Dividend).
9. Implied fully diluted equity value pre-shareholder loans of \$3.0 million.
10. Assuming net debt of \$76.5 million as at 31 December 2021.
11. Whether any Virtus Shareholder will be in a position to realise the full benefit of franking credits attached to any Special Scheme Dividend will depend on their tax status and specific circumstances – see Section 10.3 of this Booklet. The payment and the amount of any special dividend remain at the discretion of the Virtus Board and will be subject to tax advice based on franking credits available and forecast to the time for payment of the dividend as a result of the earnings performance of Virtus at that time.
12. In considering this recommendation of the Virtus Board, Virtus Shareholders should have regard to the Virtus Directors’ Relevant Interests which are set out in Section 11.1 of this Booklet.

Letter from the Chair of Virtus

CapVest Takeover

The CapVest Takeover, being the alternative proposal to the Scheme, is subject to, amongst other things, the Scheme **not** being approved by Virtus Shareholders or **not** being approved by the Court. The CapVest Takeover will not proceed if the Scheme is approved by Virtus Shareholders and by the Court.

The CapVest Takeover is conditional on (amongst other things) acceptances representing at least 50.1% of Virtus Shares and the Capital Return Resolution being passed. The CapVest Takeover therefore has a different acceptance threshold than that required for the Scheme given the minimum acceptance condition is 50.1% and the Capital Return Resolution is an ordinary resolution that only requires a simple majority of votes cast at the meeting. Further, CapVest retains the discretion to waive the 50.1% minimum acceptance condition and the Capital Return Resolution condition.

Under the CapVest Takeover, accepting Virtus Shareholders are entitled to receive \$8.10 cash per Virtus Share if the CapVest Takeover Conditions are satisfied or waived. This \$8.10 per Virtus Share consideration may (depending on whether the Capital Return or a Special Takeover Dividend is paid) comprise up to three components, being:¹³

- \$4.99 per Virtus Share from CapVest BidCo; plus
- a fully franked Special Takeover Dividend of up to \$0.44 per Virtus Share from Virtus (if declared and assuming you hold your Virtus Shares on the Special Takeover Dividend Record Date);¹⁴ and
- a Capital Return, subject to approval of Virtus Shareholders, of an amount equal to \$3.11 less the amount of any Special Takeover Dividend (i.e. between \$2.67 and \$3.11 (inclusive)) per Virtus Share from Virtus (assuming you hold your Virtus Shares on the Capital Return Record Date and the other conditions to payment are satisfied).

If the Capital Return Record Date occurs after the CapVest Takeover Offer Period, then the \$8.10 cash per Virtus Share consideration payable under the CapVest Takeover will not be reduced by the amount of the Capital Return (but will be reduced by the amount of any Special Takeover Dividend, if so paid). If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration.

On a like-for-like basis, the total cash amount Virtus Shareholders will receive in connection with the CapVest Takeover if it becomes unconditional will represent:¹⁵

- a premium of approximately 59.1% to the dividend-adjusted undisturbed closing share price of \$5.09 on 13 December 2021¹⁶;
- a premium of approximately 54.6% to the dividend-adjusted 1-month VWAP¹⁷ to 13 December 2021;
- a premium of approximately 50.9% to the dividend-adjusted 3-month VWAP¹⁸ to 13 December 2021; and
- an implied fully diluted equity value of \$706.1 million¹⁹ and enterprise value of \$781.3 million²⁰.

In addition, those Virtus Shareholders who can capture the full benefit of the franking credits associated with the \$0.44 Special Takeover Dividend (if paid), will receive additional value as a result of franking credits of up to \$0.19 per Virtus Share attached to the Special Takeover Dividend.²¹

The Capital Return proposed in connection with the CapVest Takeover is to be funded by a new committed refinancing facility, further details of which are provided in Section 11.12.

13. Virtus is seeking a ruling from the ATO in respect of certain aspects of the CapVest Transaction, including the Special Takeover Dividend and the Capital Return. The availability of a Positive Tax Ruling is a condition to the payment of the Capital Return. If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration.

14. A special dividend of this amount could have up to approximately \$0.19 per Virtus Share in franking credits attached and eligible Virtus Shareholders may receive the benefit from any such franking credits, subject to their marginal tax rate. The payment and the amount of any special dividend remain at the discretion of the Virtus Board and will be subject to tax advice based on franking credits available and forecast to the time for payment of the dividend as a result of the earnings performance of Virtus at that time.

15. The closing price on 13 December 2021 was \$5.21, but this amount has been reduced by the amount of the \$0.12 Interim Dividend to allow a like-for-like comparison against the CapVest Takeover Consideration of \$8.10 per Virtus Share (being \$8.22 per Virtus Share before deducting the \$0.12 Interim Dividend). Historical market prices, VWAP and premium metrics are adjusted for Virtus' Interim Dividend of \$0.12, which was declared on 22 February 2022 with Virtus Shares beginning to trade ex-dividend from 23 March 2022.

16. Being the last closing price before the first announcement that Virtus had received an unsolicited indication of interest from BGH to acquire 100% of the shares in Virtus by way of scheme of arrangement.

17. The 1-month VWAP up to 13 December 2021 was \$5.36, but this amount has been reduced by the amount of the \$0.12 Interim Dividend to allow a like-for-like comparison against the CapVest Takeover consideration of \$8.10 per Virtus Share (being \$8.22 per Virtus Share before deducting the \$0.12 Interim Dividend).

18. The 3-month VWAP up to 13 December 2021 was \$5.49, but this amount has been reduced by the amount of the \$0.12 Interim Dividend to allow a like-for-like comparison against the CapVest Takeover consideration of \$8.10 per Virtus Share (being \$8.22 per Virtus Share before deducting the \$0.12 Interim Dividend).

19. Implied fully diluted equity value pre-shareholder loans of \$3.0 million.

20. Assuming net debt of \$76.5 million as at 31 December 2021.

21. Whether any Virtus Shareholder will be in a position to realise the full benefit of franking credits attached to any Special Takeover Dividend will depend on their tax status and specific circumstances – see Section 10.3 of this Booklet. The payment and the amount of any special dividend remain at the discretion of the Virtus Board and will be subject to tax advice based on franking credits available and forecast to the time for payment of the dividend as a result of the earnings performance of Virtus at that time.

Letter from the Chair of Virtus

Virtus Board Recommendation

The Virtus Board has carefully considered the proposal presented in this Booklet and believes that it is in the best interests of Virtus Shareholders.

The Virtus Directors unanimously recommend that you:

- 1) *vote in favour of the Scheme Resolution;*
- 2) *accept the CapVest Takeover for all of your Virtus Shares should the Scheme not be approved by Virtus Shareholders or the Court; and*

- 3) *vote in favour of the Capital Return Resolution,*

*subject to there being no Superior Proposal and the Independent Expert continuing to conclude that, in respect of the Scheme, it is in the best interests of Virtus Shareholders and that, in respect of the CapVest Takeover, it is fair and reasonable.*²²

Furthermore, each Virtus Director intends to:

- 1) vote all of the Virtus Shares controlled or held by, or on behalf of, that Virtus Director in favour of the Scheme Resolution;
- 2) accept the CapVest Takeover in respect of all Virtus Shares controlled or held by, or on behalf of, that Virtus Director should the Scheme not be approved by Virtus Shareholders or the Court; and
- 3) vote all of the Virtus Shares controlled or held by, or on behalf of, that Virtus Director in favour of the Capital Return Resolution, subject to those same qualifications set out above.

The key reasons for the Virtus Board's recommendations are set out below. When considering these recommendations, you should note that Ms Kate Munnings is a Director of Virtus and has previously been issued Virtus Performance Rights under the Virtus Health Limited Executive Option Plan and Specialist Option Plan. If the Scheme is implemented or the CapVest Takeover is declared or becomes unconditional, the Board has determined that, as is customary, the Virtus Performance Rights will vest, and as a result, Virtus Shares will be acquired by Ms Munnings as a result of the vesting and exercise of such Virtus Performance Rights in connection with the CapVest Transaction. This would mean that Ms Munnings would receive a maximum amount of \$3,008,882.20 if the CapVest Transaction is implemented as a result of the vesting and exercise of her Virtus Performance Rights, as described in more detail in Section 11.1. Despite this interest in the outcome of the CapVest Transaction, Ms Munnings considers that, given the importance of the CapVest Transaction and her role as Chief Executive Officer and Managing Director, it is important and appropriate for her to provide a recommendation to Virtus Shareholders in relation to the CapVest Transaction. The Virtus Board (excluding Kate Munnings) also consider that it is appropriate for her to make a recommendation on the CapVest Transaction given her detailed knowledge of the needs of Virtus and all of its key stakeholders, including her leadership role in the management of Virtus' operations and her deep industry knowledge.

The key reasons for the Virtus Board's recommendations are:

- the value provided by CapVest BidCo's proposed \$8.15 Scheme Consideration and \$8.10 CapVest Takeover Consideration is within the fair value range of \$7.31 to \$8.27 assessed by the Independent Expert;
- the value per Virtus Share provided under the CapVest Transaction represents a significant premium to Virtus' recent historical trading prices as follows:

| Period | Scheme value of \$8.15 as a premium (%) | CapVest Takeover value of \$8.10 as a premium (%) |
|---|---|---|
| Dividend-adjusted undisturbed closing price of \$5.09 on 13 December 2021 | 60.1% | 59.1% |
| Dividend-adjusted 1 month VWAP (up to 13 December 2021) of \$5.24 | 55.5% | 54.6% |
| Dividend-adjusted 3 month VWAP (up to 13 December 2021) of \$5.37 | 51.8% | 50.9% |

- the Independent Expert has concluded that the Scheme is in the best interests of Virtus Shareholders in the absence of a superior proposal, that the CapVest Takeover is fair and reasonable, and the Capital Return does not materially prejudice the ability of Virtus to pay its existing creditors;
- the CapVest Transaction is a 100% cash proposal, which provides Virtus Shareholders with the opportunity to realise certain cash value of \$8.15 (under the Scheme, subject to the relevant approvals) or \$8.10 (under the CapVest Takeover, subject to the satisfaction or waiver of the CapVest Takeover Conditions) per Virtus Share now, which may not be achieved if the CapVest Transaction is not implemented or does not proceed, although Virtus Shareholders may still have available to them the inferior BGH Takeover of \$8.00 per Virtus Share if the offer is still open for acceptance at that time;
- it is important to recognise that there are risks associated with Virtus remaining a listed company;

22. In considering this recommendation of the Virtus Board, Virtus Shareholders should have regard to the Virtus Directors' Relevant Interests which are set out in section 11.1 of this Booklet.

23. The value received by Virtus Shareholders will also depend on whether the Virtus Shareholder holds shares on the relevant record dates for the Special Scheme Dividend, Special Takeover Dividend and Capital Return (if paid). Note that if the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration.

Letter from the Chair of Virtus

Virtus Board Recommendation *continued*

- the CapVest Transaction represents the outcome of a bidding contest for control of Virtus between CapVest and BGH that took place over January, February, March and April 2022 and, as at the date of this Booklet, there is no Superior Proposal for Virtus;
- every vote in favour of the Scheme will increase the likelihood of all Virtus Shareholders receiving the additional \$0.05 of value per Virtus Share available under the Scheme as compared to under the CapVest Takeover;
- every Virtus Shareholder's acceptance of the CapVest Takeover increases the likelihood that the 50.1% minimum acceptance condition will be reached and the CapVest Takeover will proceed in the absence of a successful Scheme;²⁴ and
- Virtus' share price may fall, perhaps materially, if the CapVest Transaction is not implemented and in the absence of a Superior Proposal (although the BGH Takeover may limit the extent of any share price fall while it remains open for acceptance).

Although the CapVest Transaction is unanimously recommended by the Virtus Board and the Virtus Board's view is that the CapVest Transaction is in the best interests of Virtus Shareholders, factors which may lead you to consider voting against or not accepting the CapVest Transaction include the following:

- you may disagree with the Virtus Board's recommendation and the opinion of the Independent Expert and consider that the CapVest Transaction is not in your best interests;
- you will not be able to participate in any improvement in the performance of the Virtus business, which may occur in the future;
- you may believe it is in your best interests to maintain your current investment and risk profile;
- the tax consequences for you of the CapVest Transaction may not suit your financial position; and
- you may consider that there is potential for a Superior Proposal to be made in the near future.

Further details on the recommendation given by the Virtus Board are contained in section 2 of this Booklet.

Independent Expert Opinion

The Virtus Board appointed Deloitte as the Independent Expert to assess the merits of the CapVest Transaction.

The Independent Expert has concluded that:

- *the Scheme is fair and reasonable to, and therefore in the best interests of, Virtus Shareholders in the absence of a superior proposal;*
- *the CapVest Takeover is fair and reasonable to Virtus Shareholders;*
- *the Capital Return and Special Takeover Dividend do not materially prejudice the ability of Virtus to pay its existing creditors.*

The Independent Expert has performed a detailed assessment and has concluded that the estimated market value of Virtus is between \$7.31 to \$8.27 per Virtus Share. The full value to Virtus Shareholders offered in connection with both the Scheme and the CapVest Takeover are within this valuation range and above the mid-point (\$7.79) of the Independent Expert's estimate of the market value of a Virtus Share.

The Independent Expert has also considered and concluded that the Capital Return, Special Takeover Dividend, drawdown of new banking facilities and associated regearing of Virtus proposed to be implemented in connection with the CapVest Takeover does not materially prejudice Virtus' ability to pay its existing creditors. Further information regarding the new Refinancing Facilities and associated regearing of Virtus in connection with the CapVest Takeover is provided at Section 11.12.

A complete copy of the Independent Expert's Report is included as Attachment A to this Booklet, and you are encouraged to read that report in full.

Next steps including how to vote and how to accept the CapVest Takeover

Your vote is important and will determine the future ownership of Virtus as well as the availability of the additional \$0.05 value per Virtus Share of consideration under the Scheme as compared to the CapVest Takeover.

You should carefully read this Booklet in its entirety before making any decision in relation to the Scheme, CapVest Takeover or the Capital Return, and if required, seek independent advice if you are in any doubt as to how to respond.

While you may vote in favour of the Scheme Resolution, accept the CapVest Takeover and vote in favour of the Capital Return Resolution at the same time, as the terms of the CapVest Transaction determine whether the Scheme will be implemented or whether the CapVest Takeover will proceed, you should be aware that accepting the CapVest Takeover now will restrict your ability to sell your Virtus Shares to another person unless you are entitled to withdraw your acceptance. However, even where you accept the CapVest Takeover, please make sure you also vote on both the Scheme Resolution and the Capital Return Resolution.

Your vote for the Scheme Resolution, acceptance of the CapVest Takeover and your vote for the Capital Return Resolution is important. As noted above, for Virtus Shareholders to have the ability to receive the additional \$0.05 of value per Virtus Share available under the Scheme (as compared to the CapVest Takeover), you will need to ensure you show your support for the Scheme by voting in favour of the Scheme.

24. CapVest reserves the right to waive the 50.1% minimum acceptance condition.

Letter from the Chair of Virtus

Vote on the Scheme

The Scheme can only be implemented if it is approved by the Court and also approved by Virtus Shareholders by the Requisite Majorities at the Scheme Meeting, which will be held as a virtual (online only) meeting at 11.00am (Sydney time) on Monday, 6 June 2022.

You may vote on the Scheme Resolution by attending the Scheme Meeting in person (virtually) or by proxy or attorney or in the case of a body corporate, by its corporate representative appointed in accordance with section 250D of the Corporations Act.

Decide whether to accept the CapVest Takeover

The CapVest Takeover is currently scheduled to close on Tuesday, 5 July 2022 unless extended or withdrawn.

The offers under the CapVest Takeover made to you may be accepted by completing the Acceptance Form that accompanies this Booklet that is relevant to you (or if you hold your Virtus Shares in a CHESS Holding, by instructing your Controlling Participant (usually your stockbroker) to initiate acceptance on your behalf). Please refer to the instructions outlined in Section 5 (in particular in Section 5.4).

You may also accept online by visiting <https://www.virtushealth.com.au/takeover-acceptance-form> and following the instructions. This will allow you to download a personalised Acceptance Form for you. You may then email your completed Acceptance Form to takeover@linkmarketservices.com.au with the subject line "CapVest Takeover of Virtus Acceptance" or post the hardcopy form to the address specified in the Acceptance Form using the reply paid envelope.

Vote on the Capital Return Resolution

The Capital Return will only proceed if approved by Virtus Shareholders at the Extraordinary General Meeting, which is scheduled to be held immediately following the Scheme Meeting as a virtual (online only) meeting. The CapVest Takeover is conditional on, amongst other things, the Capital Return being approved at the Extraordinary General Meeting. CapVest retains the discretion to waive that condition.

You may vote on the Capital Return Resolution by attending the Extraordinary General Meeting in person (virtually) or by proxy or attorney or, in the case of a body corporate, by its corporate representative appointed in accordance with section 250D of the Corporations Act.

Further information

This Booklet sets out important information relating to the Scheme, the CapVest Takeover and the Capital Return, including the reasons for Virtus Directors' unanimous recommendation, and the Independent Expert's Report. It also sets out some of the reasons why you may wish to vote against the Scheme Resolution, not accept the CapVest Takeover or vote against the Capital Return Resolution.

Please read this Booklet carefully and in its entirety as it contains important information that you should consider before you vote. You should also seek independent licenced financial and other suitable professional advice before making an investment decision in relation to your Virtus Shares.

If you have any questions regarding the CapVest Transaction or this Booklet you should contact the Virtus Shareholder Information Line on 1800 653 805 (within Australia) or +61 1800 653 805 (outside Australia) on Monday to Friday between 8.30am and 7.30pm (Sydney time).

On behalf of all of the Virtus Directors, I thank you for your ongoing support and I look forward to your participation.

Yours sincerely,



Sonia Petering

Chair

Virtus Health Limited

Letter from CapVest Partners LLP

5 May 2022

CAPVEST
BUILDING BUSINESSES

Dear Virtus Shareholder,

Acquisition of Virtus by CapVest Partners LLP

I am delighted to present in this Booklet the terms of our offer to acquire all your Virtus Shares for \$8.15 under the Scheme (or \$8.10 under the CapVest Takeover).²⁵

About CapVest Partners LLP

Founded in 1999,²⁶ CapVest is an international, London-headquartered investment firm with over €5 billion in assets under management. We are experienced investors, having acquired more than 80 companies over the last 20 years and have built a reputation for building strong sustainable companies.

Healthcare is one of our core sectors, representing between 40% and 50% of our investment activity across the world. We have broad healthcare interests, with privately and publicly funded healthcare services representing key themes across several of our investments. These include:

- Rodericks Dental, the 4th largest dental chain in the UK with 143 dental practices;
- Polaris, the 2nd largest nationwide provider of children's services to UK local authorities offering support to over 3,000 children and young people;
- NextPharma, a leading European pharmaceutical manufacturer which supplies its products globally; and
- Curium, a leading global producer of critical nuclear tracers used in diagnostic imaging for 14 million patients a year.

CapVest previously owned the Mater Private, the leading private specialist hospital group in Ireland. At Mater Private, we learned the benefit of deploying a clinician-led governance model, ensuring market leading quality, clinical excellence, and growth.

We are dedicated to conducting our businesses through the highest legal, ethical and professional standards.

Our commitment to Virtus

We have extensively visited and reviewed the operations of Virtus in recent months. We have been thoroughly impressed by the strength of Virtus' operations, and by the passion and dedication of Virtus' leadership, including its outstanding team of expert and caring Fertility Specialists and clinicians. This has confirmed our interest in acquiring Virtus and given us the confidence and conviction to put forward this compelling all cash offer for your consideration.

We sincerely look forward to working closely with the Virtus management team and the Fertility Specialists to support the continuing growth of Virtus' leading fertility businesses in Australia and internationally. We have a successful 20 year track record of partnering with industry leading companies and management teams in healthcare sectors to enhance services provided to healthcare professionals and their patients.

Leveraging our access to capital, multi-jurisdictional investment experience, and deep knowledge of the global fertility market, and the strength of the Virtus business and its team of experienced practitioners we have exciting plans to grow Virtus' position in Australia and support its continued international expansion.

Our commitment to Virtus Shareholders

CapVest strongly encourages every Virtus Shareholder to vote in favour of the Scheme to ensure that the additional \$0.05 per Virtus Share available under the Scheme as compared to the CapVest Takeover is available to all Virtus Shareholders, and to ensure that BGH as a competing underbidder is not able to deprive Virtus Shareholders of this value.

Yours sincerely,



Kate Briant

Senior Partner and founding member

25. In each case less any Special Scheme Dividend, Special Takeover Dividend or Capital Return to be paid (as applicable).

26. A predecessor to CapVest, CapVest Limited, was first established in 1999.

Key dates

| Key Date | Event |
|---|--|
| Wednesday, 4 May 2022 | Court approval for dispatch of this Booklet |
| Friday, 6 May 2022 | CapVest Takeover Offer Period commences |
| 11.00am on Saturday, 4 June 2022, being no later than 48 hours before the commencement of the Scheme Meeting | Meeting proxies – the last date and time by which proxy forms (including proxies lodged online), powers of attorney or certificates of appointment of body corporate representative for the Meetings must be received by the Virtus Share Registry |
| 11.00am on Saturday, 4 June 2022, being not more than 48 hours before the commencement of the Scheme Meeting | Date and time for determining eligibility to vote at the Scheme Meeting |
| 11.00am on Monday, 6 June 2022 | Scheme Meeting |
| Immediately after the conclusion of the Scheme Meeting on Monday, 6 June 2022 | Extraordinary General Meeting (to consider the Capital Return) |
| If the Scheme is approved by Virtus Shareholders | |
| After the conclusion of the Scheme Meeting on Monday, 6 June 2022 | Special Scheme Dividend announced (<i>subject to approval of the Scheme and the determination of the Virtus Board</i>) |
| Wednesday, 8 June 2022 | Second Court Date – date on which Court approval of the Scheme will be sought |
| Thursday, 9 June 2022 | Effective Date – date on which the Scheme becomes Effective <i>Virtus Shares will be suspended from trading at the close of trading on the ASX on the Effective Date. If the Scheme proceeds, this will be the last day that Virtus Shares will trade on the ASX</i> |
| 7.00pm on Tuesday, 14 June 2022 | Special Scheme Dividend Record Date (for the Special Scheme Dividend) (<i>subject to the determination of the Virtus Board</i>) |
| 7.00pm on Wednesday, 15 June 2022 | Scheme Record Date – time and date for determining Virtus Shareholders eligible to participate in the Scheme and to receive the Scheme Consideration |
| Wednesday, 22 June 2022 | Implementation Date – date on which all Scheme Shareholders will be paid the Scheme Consideration to which they are entitled and the Scheme Shares will be transferred to CapVest BidCo Special Scheme Dividend Payment Date – expected date for payment of the Special Scheme Dividend |
| All dates following the date of the Meetings are indicative only and are subject to the Court approval process and the satisfaction or, where applicable, waiver of the conditions precedent to the implementation of the Scheme (see Section 4.2). | |
| If the Scheme is <u>not</u> approved by Virtus Shareholders or the Court and the CapVest Takeover is declared or becomes unconditional and CapVest BidCo has acquired a relevant interest in at least 50.1% of Virtus Shares²⁷ | |
| At least one Business Day before the CapVest Takeover becomes or is declared unconditional | Special Takeover Dividend Record Date (for the Special Takeover Dividend) (<i>subject to the determination of the Virtus Board</i>) |
| 5 Business Days after the Capital Return Resolution is approved and the Capital Return Conditions are satisfied (other than the condition in paragraphs (a) and (d) of Section 6.3) | Capital Return Record Date (for the Capital Return) (<i>assuming the Capital Return Resolution is approved and the Capital Return Conditions are satisfied (other than the condition in paragraphs (a) and (d) of Section 6.3)</i>) <i>Note that if the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration.</i> |
| Tuesday, 5 July 2022 | CapVest Takeover Offer Period closes (unless extended or withdrawn) |

All dates and times, unless otherwise indicated, refer to the date and time in Sydney, Australia. Any changes to the above timetable will be announced to ASX and notified on Virtus' website at <https://www.virtushealth.com.au/>.

27. These times and dates assume CapVest BidCo has obtained a Relevant Interest in at least 50.1% of Virtus Shares (on a fully diluted basis) and that CapVest BidCo has announced the CapVest Takeover to be unconditional. If these assumptions are not met, the dates in relation to the Capital Return and Special Takeover Dividend will be announced by Virtus to the ASX once they are known to Virtus.

1

Action required

For personal use only

1 Action required

Summary of CapVest Transaction

The CapVest Transaction involves alternative transaction structures that will run concurrently. The key features of the CapVest Transaction are summarised below.

| CapVest Transaction | Total cash received per Virtus Share ²⁸ | Key features | Virtus Board Recommendation |
|-------------------------|--|--|--|
| Scheme | \$8.15 | <ul style="list-style-type: none"> – Virtus Shareholders receive \$8.15 per Virtus Share²⁹ in accordance with the Scheme. – Amongst other conditions (which are summarised in Section 4), the Scheme requires approval of the Requisite Majorities, being a vote in favour of the Scheme by: <ul style="list-style-type: none"> – at least 75% of Virtus Shareholders who vote on the Scheme at the Scheme Meeting (in person or by proxy or corporate representative);³⁰ and – over 50% of Virtus Shareholders (by number) who vote (in person or by proxy or corporate representative) on the Scheme (unless the Court orders otherwise). – If the Scheme is approved by the Requisite Majorities and by the Court, CapVest BidCo will acquire all Virtus Shares. | The Virtus Board unanimously recommends that you vote IN FAVOUR of the Scheme Resolution, subject to there being no Superior Proposal and the Independent Expert continuing to conclude that the Scheme is in the best interests of Virtus Shareholders. |
| CapVest Takeover | \$8.10 | <ul style="list-style-type: none"> – Accepting Virtus Shareholders receive \$8.10 per Virtus Share³¹ in connection with the CapVest Takeover. – The CapVest Takeover Conditions are set out in Section 5. – The percentage of Virtus acquired by CapVest BidCo depends on the percentage of accepting Virtus Shareholders: <ul style="list-style-type: none"> – ≥ 50.1% acceptance means that CapVest BidCo could acquire between 50.1% to 100% of Virtus Shares on issue. To achieve 100% ownership under the CapVest Takeover, CapVest BidCo would need to receive acceptances for at least 90% of Virtus Shares on issue.³² – < 50.1% acceptance means no Virtus Shares would be acquired unless CapVest BidCo waives the 50.1% minimum acceptance condition.³³ – If CapVest acquires a Relevant Interest in at least 75% of Virtus Shares, it will not support Virtus' continued listing on ASX. Those Virtus Shareholders who do not accept the CapVest Takeover or sell their Virtus Shares before the Removal Date would face risks associated with the potential reduced liquidity of an unlisted Virtus Share if the conditions for delisting are met. | The Virtus Board unanimously recommends that you: <ul style="list-style-type: none"> – vote IN FAVOUR of the Capital Return Resolution; and – ACCEPT the CapVest Takeover, subject to there being no Superior Proposal and the Independent Expert continuing to conclude that the CapVest Takeover is fair and reasonable, should the Scheme not be approved by Virtus Shareholders or the Court. |

28. Assuming Virtus Shares are held on the relevant record dates for the Scheme, the Special Scheme Dividend (if any), the Special Takeover Dividend (if any) and the Capital Return (if any).

29. Including the cash amount of the Special Scheme Dividend (if any).

30. BGH (which as at the date of this Booklet has voting power in 20.02% of all Virtus Shares) has stated that it will vote all Virtus Shares that it owns or controls at the relevant time against any CapVest proposal to acquire Virtus by way of scheme of arrangement.

31. If the CapVest Takeover becomes or is declared unconditional and including the cash amount of the Special Takeover Dividend (if any). The availability of a Positive Tax Ruling is a condition to the payment of the Capital Return. If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration. It is also a condition to the payment of the Capital Return that payment is made by 30 September 2022.

32. BGH (which as at the date of this Booklet has voting power in 20.02% of all Virtus Shares) has stated that it will not accept into any takeover offer from CapVest with respect to all Virtus Shares that it owns or controls at the relevant time.

33. This condition can be waived by CapVest BidCo.

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1 Action required

Your key decisions

As a Virtus Shareholder you have a number of decisions to make in relation to the Scheme and simultaneous CapVest Takeover. The key decisions for you to make are outlined in the diagram below.

The Virtus Directors unanimously recommend that you follow the purple boxes and bold path in this diagram when making your decisions in relation to the CapVest Transaction.

You should carefully read this Booklet in its entirety before making any decision in relation to the Scheme, the CapVest Takeover or the Capital Return.

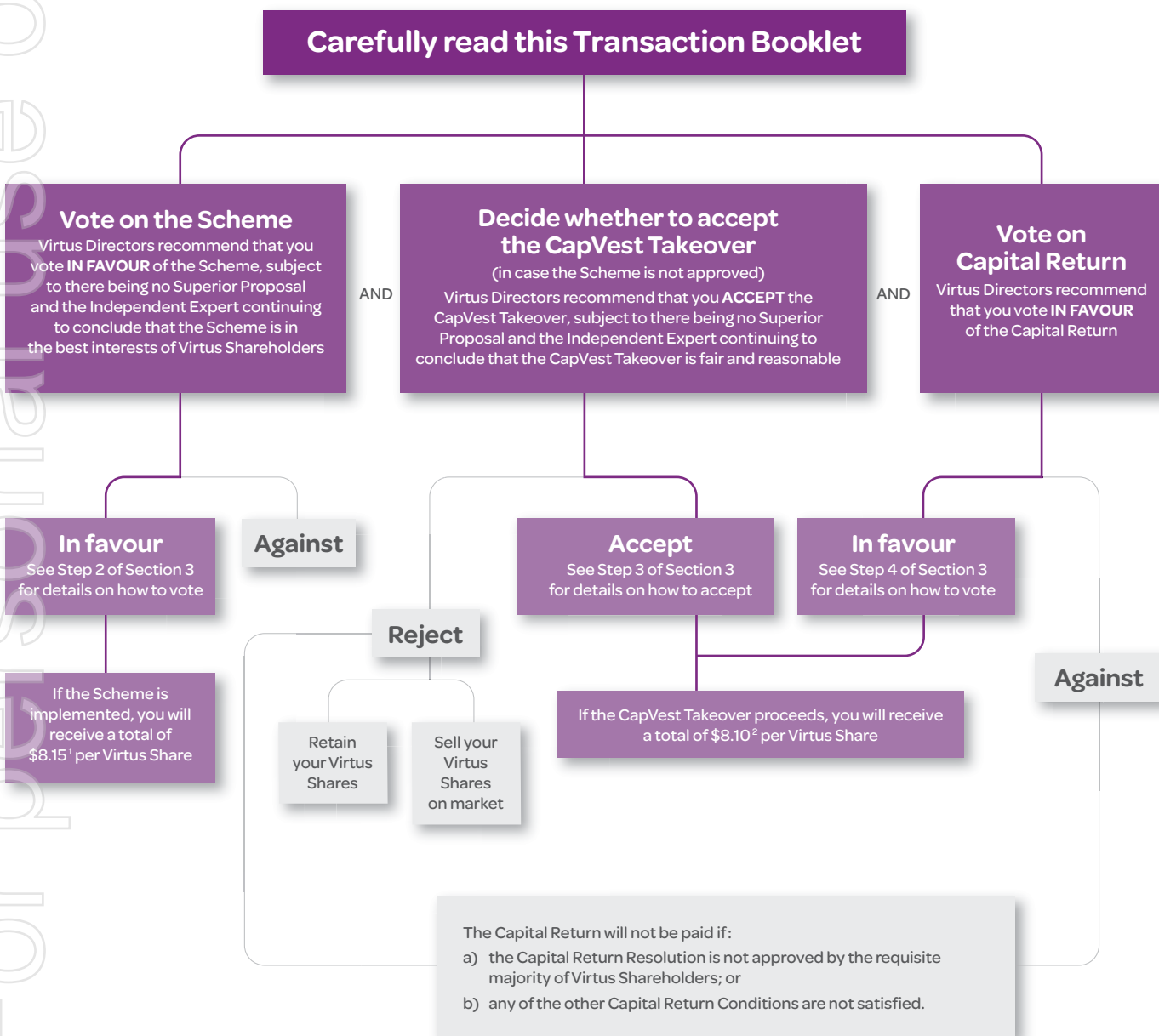


Diagram notes:

1. Assuming you hold Virtus Shares on the Special Scheme Dividend Record Date.
2. Assuming you hold Virtus Shares on the Capital Return Record Date and the Special Takeover Dividend Record Date. The availability of a Positive Tax Ruling is a condition to payment of the Capital Return. If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration.

1 Action required

Next steps

a) Step 1: Read this Booklet

You should carefully read this Booklet in its entirety before making a decision on how to vote on the Scheme and the Capital Return, and whether to accept the CapVest Takeover.

b) Step 2: Vote on the Scheme Resolution

Your vote is important

In order for the Scheme to be implemented and for you to receive an additional \$0.05 per Virtus Share (as compared to the value offered in connection with the CapVest Takeover), the Scheme Resolution must be approved by Virtus Shareholders by the Requisite Majorities at the Scheme Meeting.

For this reason, the Virtus Directors unanimously recommend that you vote in favour of the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Virtus Shareholders.

The Scheme Meeting will be held as a virtual (online only) meeting. Virtus Shareholders (or their proxies, attorneys or corporate representatives) will be able to attend and vote at the Scheme Meeting through an online meeting platform available at <https://meetings.linkgroup.com/VRTScheme>. If you are unable to attend the virtual Scheme Meeting or even if you plan on attending the virtual Scheme Meeting, the Virtus Directors urge you to do the following (as applicable):

- i) if you have elected to receive communications from Virtus electronically, access your personalised online proxy form by following instructions which Link will email to you, or consider and complete the personalised notice of access and proxy form which you will receive via post, and use the reply paid envelope which you will receive from Virtus to return the completed proxy form; or
- ii) if you have elected to receive communications from Virtus by pre-paid post, consider and complete the personalised notice of access and proxy form which you will receive via post, and use the reply paid envelope which you will receive from Virtus to return the completed proxy form.

Who is entitled to vote at the Scheme Meeting?

If you are registered on the Virtus Share Register as a Virtus Shareholder at 11.00am (Sydney time) on Saturday, 4 June 2022, then you will be entitled to attend and vote at the Scheme Meeting. Voting is not compulsory, but you are encouraged to vote as every vote in favour of the Scheme will increase the likelihood of all Virtus Shareholders receiving the additional \$0.05 of value per Virtus Share available under the Scheme as compared to under the CapVest Takeover.

In the case of Virtus Shares held by joint holders, only one of the joint holders is entitled to vote. If more than one Virtus Shareholder votes in respect of jointly held Virtus Shares, only the vote of the Virtus Shareholder whose name appears first in the Virtus Share Register will be counted.

Scheme Meeting

A copy of the Notice of Scheme Meeting is set out in Attachment B to this Booklet.

Section 4.3(b) provides details of the Scheme Resolution and the Requisite Majorities that are required to pass the Scheme Resolution.

How to vote?

You can vote:

- **in person (virtually)**, by attending and voting at the virtual (online only) Scheme Meeting;
- **by proxy**, by lodging a proxy online at <https://www.linkmarketservices.com.au> or by completing, signing and lodging a white proxy form for the Meetings, in accordance with the instructions set out in Attachment B and on the form. To be valid, your online proxy or white proxy form must be received by the Virtus Share Registry by no later than 11.00am (Sydney time) on Saturday, 4 June 2022;
- **by attorney**, by appointing an attorney to attend and vote at the virtual (online only) Scheme Meeting on your behalf and providing a duly executed power of attorney to the Virtus Share Registry by no later than 11.00am (Sydney time) on Saturday, 4 June 2022; or
- **by corporate representative**, in the case of a body corporate which is a Virtus Shareholder, by appointing a corporate representative to attend and vote at the virtual (online only) Scheme Meeting on behalf of that Virtus Shareholder and providing a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to the Scheme Meeting.

Further details on how to vote are contained in Attachment B.

1 Action required

c) Step 3: Decide whether to accept the CapVest Takeover

The Virtus Directors unanimously recommend that you accept the CapVest Takeover, subject to there being no Superior Proposal and the Independent Expert continuing to conclude that the CapVest Takeover is fair and reasonable, should the Scheme not be approved by Virtus Shareholders or the Court.

While you may vote in favour of the Scheme and the Capital Return Resolution and accept the CapVest Takeover at the same time, as the terms of the CapVest Transaction determine whether the Scheme will be implemented or whether the CapVest Takeover will proceed, you should be aware that accepting the CapVest Takeover now will restrict your ability to sell your Virtus Shares to another person unless you are entitled to withdraw your acceptance.

You have three choices currently available to you:

- **Accept the CapVest Takeover (recommended):** to accept the CapVest Takeover, submit your acceptance in accordance with the instructions set out in Section 5.4 and on the Acceptance Form itself (or if you hold your Virtus Shares in a CHESS Holding, by instructing your Controlling Participant (usually your stockbroker) to initiate acceptance on your behalf).
- **Sell your Virtus Shares on market:** if you have not accepted the CapVest Takeover, you can sell your Virtus Shares on market. You may be able to obtain a higher price by selling your Virtus Shares on market as compared to the consideration under the Scheme or CapVest Takeover.

The latest price for Virtus Shares may be obtained from the ASX website (<https://www.asx.com.au/>).

If you sell your shares and cease to be the holder of Virtus Shares at the record date for voting at the Scheme Meeting (11.00am (Sydney time) on Saturday, 4 June 2022), you will not be able to vote on the Scheme and any proxy appointment will cease to be effective. You will also not be entitled to receive the Special Scheme Dividend or the Special Takeover Dividend if you no longer hold your Virtus Shares on the Special Scheme Dividend Record Date or the Special Takeover Dividend Record Date.

- **Reject the CapVest Takeover and retain your Virtus Shares:** if you do not wish to accept the CapVest Takeover or sell your Virtus Shares, you should do nothing.

There are a number of risks associated with an investment in and in retaining your Virtus Shares, as set out in Sections 9.2 and 9.3. If the CapVest Takeover is declared or becomes unconditional and control passes to CapVest BidCo, there will be additional risks as set out in Section 9.5. In that event, Virtus' share price is likely to fall immediately following the end of the CapVest Takeover Offer Period in the absence of a Superior Proposal, liquidity of Virtus Shares may be significantly lower than at present, Virtus may be removed from the official list of ASX and, if CapVest BidCo has a Relevant Interest in 90% or more of the Virtus Shares during or at the end of the CapVest Takeover Offer Period, CapVest BidCo will be entitled to compulsorily acquire any remaining Virtus Shares.

d) Step 4: Vote on the Capital Return Resolution

Your vote is important

If the CapVest Takeover is declared or becomes unconditional and control passes to CapVest BidCo, it is intended that Virtus will:

- pay a special dividend of an amount up to \$0.44 per Virtus Share; and
- make a capital return of an amount between \$2.67 and \$3.11 (inclusive) (i.e. an amount of \$3.11 less the amount of the special dividend) per Virtus Share (provided the Capital Return Resolution is approved and each Capital Return Condition is satisfied).³⁴

The amount of the Capital Return to be paid per Virtus Share will depend on the amount of the Special Takeover Dividend to be paid per Virtus Share.

For the Capital Return to proceed, it is necessary that more than 50% of the votes cast at the Extraordinary General Meeting are voted in favour of the Capital Return Resolution and the other conditions to payment (i.e. the Capital Return Conditions) are satisfied.³⁵

If the Capital Return Record Date occurs after the CapVest Takeover Offer Period, then the \$8.10 cash per Virtus Share consideration payable under the CapVest Takeover will not be reduced by the amount of the Capital Return (but will be reduced by the amount of any Special Takeover Dividend, if so paid). If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration.

34. Virtus will lodge customary class ruling applications with the ATO seeking confirmation on specific Australian tax implications for Virtus Shareholders in relation to certain aspects of the CapVest Transaction, including the Special Takeover Dividend and the Capital Return. The aggregate amount paid to shareholders will not change (provided those Virtus Shareholders hold the Virtus Shares on the relevant record dates, or in the case of the Capital Return, if a Positive Tax Ruling is not received before the time the CapVest Takeover becomes or is declared unconditional). See Section 10 for further information about the franking of the Special Takeover Dividend.

35. The availability of a Positive Tax Ruling is a condition to the payment of the Capital Return. It is also a condition to the payment of the Capital Return that payment is made by 30 September 2022.

1 Action required

d) Step 4: Vote on the Capital Return Resolution *continued*

Who is entitled to vote at the Extraordinary General Meeting?

If you are registered on the Virtus Share Register as a Virtus Shareholder at 11.00am (Sydney time) on Saturday, 4 June 2022, then you will be entitled to attend and vote on the Capital Return Resolution at the Extraordinary General Meeting. Voting is not compulsory but you are encouraged to vote.

However, if you accept the CapVest Takeover before this time and either (i) the CapVest Takeover is declared or becomes unconditional or (ii) CapVest BidCo has a Relevant Interest in at least 50.1% of the Virtus Shares (on a fully diluted basis), CapVest BidCo can vote on your behalf in relation to the Capital Return at the Extraordinary General Meeting and you will not be able to vote at that meeting. This is the case even if the Capital Return remains conditional on the CapVest Takeover becoming unconditional, noting that CapVest retains the right to waive this condition. You should consider this before deciding whether to accept the CapVest Takeover. In these circumstances, CapVest BidCo intends to vote in favour of the Capital Return Resolution on your behalf. If you wish to vote at the Extraordinary General Meeting (for example, to vote against the Capital Return Resolution), you may wish to defer your acceptance into the CapVest Takeover. You should be aware that voting against the Capital Return Resolution may prevent the CapVest Takeover from proceeding.

How to vote?

You can vote:

- **in person (virtually)**, by attending and voting at the virtual (online only) Extraordinary General Meeting;
- **by proxy**, by lodging a proxy online at <https://www.linkmarketservices.com.au/> or by completing, signing and lodging a white proxy form for the Meetings, in accordance with the instructions set out in Attachment B and on the form. To be valid, your online proxy or white proxy form must be received by the Virtus Share Registry by 11.00am (Sydney time) on Saturday, 4 June 2022;
- **by attorney**, by appointing an attorney to attend and vote at the virtual (online only) Extraordinary General Meeting on your behalf and providing a duly executed power of attorney to the Virtus Share Registry by 11.00am (Sydney time) on Saturday, 4 June 2022; or
- **by corporate representative**, in the case of a body corporate which is a Virtus Shareholder, by appointing a corporate representative to attend and vote at the virtual (online only) Extraordinary General Meeting on behalf of that Virtus Shareholder and providing a duly executed certificate of appointment (in accordance with sections 250D and 253B of the Corporations Act) prior to the Extraordinary General Meeting.

Further details on how to vote are contained in Attachment B.

e) Seek further information

If you have any questions in relation to the CapVest Transaction, how to vote or accept the CapVest Takeover, the number of Virtus Shares you hold or other questions about your Virtus shareholdings, please call the Virtus Shareholder Information Line on 1800 653 805 (within Australia) or +61 1800 653 805 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time).

If you have any doubts as to the actions you should take or you have further questions, please contact your licenced financial adviser or other suitable professional adviser.

1 Action required

f) Why you should vote

As a Virtus Shareholder, you have a say in whether CapVest BidCo will acquire all of the issued shares in Virtus. This is your opportunity to play a role in deciding the future of Virtus.

The Scheme needs to be approved by the Requisite Majorities of Virtus Shareholders at the Scheme Meeting, which are:

- a majority in number (more than 50%) of Virtus Shareholders present and voting (in person (virtually), or by proxy, attorney or corporate representative); and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting.

Your Board strongly encourages every Virtus Shareholder to vote at the Scheme Meeting because every vote in favour of the Scheme will increase the likelihood of all Virtus Shareholders receiving the additional \$0.05 of value per Virtus Share available under the Scheme as compared to the CapVest Takeover.

This is all the more important because BGH (which as at the date of this Booklet has voting power in 20.02% of all Virtus Shares) has stated that it will vote all Virtus Shares that it owns or controls at the relevant time against the Scheme. Accordingly, to the extent that BGH continues to own or control 20.02% of Virtus Shares on the date of the Scheme Meeting, at least 20.02% of Virtus Shares is expected to be voted against the Scheme. Given the 75% voting threshold noted above applies in respect of votes cast at the Scheme Meeting, it is important for as many Virtus Shareholders as possible who support the Scheme to cast a vote in its favour (either by proxy or in person (virtually)). A failure to do so could cause the Scheme to be defeated and thereby deny all Virtus Shareholders the ability to receive an extra \$0.05 of value per Virtus Share as compared to the CapVest Takeover.

BGH is a rival underbidder that is seeking to secure control of Virtus. You should not assume that its interests in opposing the Scheme aligns with the interests of other Virtus Shareholders.

Your Board strongly encourages every Virtus Shareholder to vote at the Extraordinary General Meeting to satisfy one of the conditions attached to the CapVest Takeover, and therefore increase the likelihood of the CapVest Takeover becoming unconditional if the Scheme is not approved by Virtus Shareholders or the Court.

2

Key considerations in relation to the CapVest Transaction

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2 Key considerations in relation to the CapVest Transaction

2.1 Background

On 13 March 2022, Virtus entered into the Implementation Deed with CapVest BidCo, an entity owned by CapVest Fund V, under which CapVest BidCo proposes to acquire 100% of Virtus Shares by way of Scheme, and a simultaneous off-market CapVest Takeover. Entry into the Implementation Deed was the outcome of a bidding contest between CapVest and BGH that began on 13 December 2021. The background to the bidding contest for Virtus (and other relevant announcements) to date is set out below:

- a) On 13 December 2021, BGH tabled a non-binding indication of interest to acquire Virtus by scheme of arrangement for total net cash value of \$6.98 per Virtus Share (being \$7.10 per Virtus Share before deducting the \$0.12 Interim Dividend paid on 14 April 2022) less the value of any other dividends or distributions declared, proposed or paid after that date. This non-binding indication of interest was received following BGH acquiring a Relevant Interest in 19.99% of Virtus Shares.
- b) On 20 January 2022, CapVest tabled a non-binding indicative offer to acquire Virtus by scheme of arrangement for total net cash value of \$7.48 per Virtus Share (being \$7.60 per Virtus Share before deducting the \$0.12 Interim Dividend paid on 14 April 2022) less the value of any other dividends or distributions declared, proposed or paid after that date. CapVest also indicated that if the scheme was not successfully implemented, it would be willing to proceed with an alternative transaction structure with a lower acceptance threshold, such as an off-market takeover bid with a 50.1% minimum acceptance condition, for total net cash value of \$7.38 per Virtus Share (being \$7.50 per Virtus Share before deducting the \$0.12 Interim Dividend paid on 14 April 2022) less the value of any other dividends or distributions declared, proposed or paid after that date. Virtus and CapVest entered into a process deed at this time, which was amended by order of the Takeovers Panel following an application by BGH on 2 February 2022 (as to which see Section 11.13).
- c) On 22 February 2022, Virtus announced that an interim dividend of \$0.12 per Virtus Share would be paid on 14 April 2022.
- d) On 28 February 2022, BGH tabled a revised non-binding indicative proposal to acquire Virtus by scheme of arrangement for total net cash value of \$7.53 per Virtus Share (being \$7.65 per Virtus Share before deducting the \$0.12 Interim Dividend paid on 14 April 2022) less the value of any other dividends or distributions declared, proposed or paid after that date, conditional on Virtus agreeing to certain conditions set out in Virtus' announcement to ASX of 28 February 2022.
- e) On 1 March 2022, CapVest tabled a revised non-binding indicative proposal to acquire Virtus by way of scheme of arrangement for total net cash value of \$7.68 per Virtus Share (being \$7.80 per Virtus Share before deducting the \$0.12 Interim Dividend paid on 14 April 2022) less the value of any other dividends or distributions declared, proposed or paid after that date. CapVest also indicated that if the scheme was not successfully implemented, it would be willing to consider an alternative transaction structure with a lower acceptance threshold, such as an off-market takeover bid with a 50.1% minimum acceptance condition, for total net cash value of \$7.58 per Virtus Share (being \$7.70 per Virtus Share before deducting the \$0.12 Interim Dividend paid on 14 April 2022) less the value of any other dividends or distributions declared, proposed or paid after that date. BGH made a second application to the Takeovers Panel on 4 March 2022 but the Takeovers Panel declined to conduct proceedings (as to which see Section 11.13).
- f) On 10 March 2022, BGH tabled a revised non-binding indicative proposal to acquire Virtus by scheme of arrangement for total net cash value of \$7.98 per Virtus Share (being \$8.10 per Virtus Share before deducting the \$0.12 Interim Dividend paid on 14 April 2022) less the value of any other dividends or distributions declared, proposed or paid after that date, conditional on Virtus not signing an implementation deed with CapVest and other matters outlined in Virtus' announcement to ASX on 14 March 2022.
- g) On 13 March 2022, CapVest BidCo and Virtus signed an implementation agreement following an improvement in CapVest's proposal to acquire Virtus by way of scheme of arrangement for total net cash value of \$8.13 per Virtus Share (being \$8.25 per Virtus Share before deducting the \$0.12 Interim Dividend paid on 14 April 2022) less the value of any other dividends or distributions declared, proposed or paid after that date and simultaneous takeover offers for total net cash value of \$7.98 per Virtus Share (being \$8.10 per Virtus Share before deducting the \$0.12 Interim Dividend paid on 14 April 2022) less the value of any other dividends or distributions declared, proposed or paid after that date.
- h) On 6 April 2022, related entities of BGH made an unsolicited announcement of their intention to make an off-market takeover offer to acquire all Virtus Shares in which BGH does not already have a relevant interest of \$8.00 per Virtus Share less the value of any other dividends or distributions declared, proposed or paid after that date other than the \$0.12 Interim Dividend paid on 14 April 2022.
- i) On 10 April 2022, CapVest improved its proposal to acquire Virtus by way of scheme of arrangement for total net cash value of \$8.15 per Virtus Share, and simultaneous takeover offers for total net cash value of \$8.10 per Virtus Share, in each case less the value of any other dividends or distributions (including the Capital Return, if any) declared, proposed or paid after that date other than the \$0.12 Interim Dividend paid on 14 April 2022. CapVest and Virtus signed an amendment and restatement of the Implementation Deed on 13 April 2022 and again on 4 May 2022 to reflect the revised proposal. This is the CapVest Transaction.
- j) On 3 May 2022, Virtus issued its target's statement in relation to the BGH Takeover. The Virtus Board unanimously determined that the BGH Takeover is inferior to the CapVest Transaction and therefore unanimously recommends that Virtus Shareholders do not accept the offers under the BGH Takeover.

The purpose of this Booklet is to explain the terms of the proposed CapVest Transaction and provide you, as a Virtus Shareholder, with information on the CapVest Transaction to assist you in your voting decision in respect of the Scheme Resolution and the Capital Return Resolution, and your decision as to whether to accept the CapVest Takeover.

2 Key considerations in relation to the CapVest Transaction

2.1 Background *continued*

Voting will take place at the virtual (online only) Meetings to be held at 11.00am (Sydney time) on Monday, 6 June 2022. You should read this Booklet in full before deciding how to vote. The CapVest Transaction has a number of advantages, disadvantages and risks, which may affect Virtus Shareholders in different ways depending on their individual circumstances. Virtus Shareholders should seek professional advice on their particular circumstances, as appropriate.

2.2 The CapVest Transaction and consideration under the CapVest Transaction

Under the Implementation Deed:

- a) Virtus has agreed to propose a **Scheme**, under which CapVest BidCo would acquire all of the Virtus Shares under the Scheme for the \$8.15 per Virtus Share Scheme Consideration, which is:
- i) if the Special Scheme Dividend of \$0.44 per Virtus Share is paid in full, \$7.71 cash per Scheme Share on top of the Special Scheme Dividend³⁶; or
 - ii) if the Special Scheme Dividend is not declared, \$8.15 cash per Scheme Share,
- meaning Virtus Shareholders on the Virtus Share Register on the Scheme Record Date will receive a **total value of \$8.15 in cash in respect of their Virtus Shares if the Scheme proceeds to implementation.**

In addition, those Virtus Shareholders who can capture the full benefit of the franking credits associated with the \$0.44 Special Scheme Dividend (if paid)³⁷, will receive additional value as a result of franking credits of up to \$0.19 per Virtus Share attached to the Special Scheme Dividend. Whether any Virtus Shareholder will be in a position to realise the full benefit of franking credits attached to any Special Scheme Dividend will depend on their tax status and specific circumstances.

- b) CapVest has agreed to make the **CapVest Takeover**, under which CapVest BidCo has agreed to make takeover offers for the CapVest Takeover Consideration, which is:
- i) \$8.10 cash per Virtus Share from CapVest BidCo; or
 - ii) if the Special Takeover Dividend³⁸ is declared and/or the Capital Return³⁹ is approved and payable, \$8.10 comprising:
 - a) \$4.99 cash per Virtus Share from CapVest BidCo; plus
 - b) a Special Takeover Dividend of up to \$0.44 per Virtus Share from Virtus; plus
 - c) a Capital Return of an amount equal to \$3.11 less the amount of any Special Takeover Dividend (i.e. between \$2.67 and \$3.11 (inclusive)) per Virtus Share from Virtus,

meaning Virtus Shareholders (or if the Special Takeover Dividend or the Capital Return is paid, Virtus Shareholders on the Virtus Share Register on the Special Takeover Dividend Record Date and the Capital Return Record Date⁴⁰ and who accept the CapVest Takeover) will receive a **total value of \$8.10 in cash in respect of their Virtus Shares if the CapVest Takeover is declared or becomes unconditional.**

In addition, those Virtus Shareholders who can capture the full benefit of the franking credits associated with the \$0.44 Special Takeover Dividend (if paid)⁴¹, will receive additional value as a result of franking credits of up to \$0.19 per Virtus Share attached to the Special Takeover Dividend. Whether any Virtus Shareholder will be in a position to realise the full benefit of franking credits attached to any Special Takeover Dividend will depend on their tax status and specific circumstances.

Relevantly, the CapVest Takeover is subject to a 50.1% minimum acceptance condition, approval of the Capital Return Resolution and other conditions similar to the conditions of the Scheme, and is proposed in parallel with but not in substitution of the Scheme (i.e. it is a simultaneous but alternative proposal). CapVest BidCo retains the discretion to waive the 50.1% minimum acceptance condition, the Capital Return Resolution condition, and each other CapVest Takeover Condition other than the condition that the Scheme not be approved.

36. If a Special Scheme Dividend of less than \$0.44 per Virtus Share is paid, this \$8.15 per Virtus Share will be reduced by the amount of that Special Scheme Dividend. You will receive the Special Scheme Dividend in respect of those Virtus Shares you hold on the Special Scheme Dividend Record Date.
37. The payment and the amount of any special dividend remain at the discretion of the Virtus Board and will be subject to tax advice based on franking credits available and forecast to the time for payment of the dividend as a result of the earnings performance of Virtus at that time.
38. The amount of the Special Takeover Dividend is up to \$0.44 per Virtus Share.
39. The amount of the Capital Return will depend on the amount of the Special Takeover Dividend, i.e. If a Special Takeover Dividend of less than \$0.44 per Virtus Share is paid, the Capital Return amount of \$3.11 per Virtus Share will be reduced by the amount of that Special Takeover Dividend. The availability of a Positive Tax Ruling is a condition to the payment of the Capital Return. If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration. It is also a condition to the payment of the Capital Return that payment is made by 30 September 2022.
40. The availability of a Positive Tax Ruling is a condition to the payment of the Capital Return. If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration. It is also a condition to the payment of the Capital Return that payment is made by 30 September 2022.
41. The payment and the amount of any special dividend remain at the discretion of the Virtus Board and will be subject to tax advice based on franking credits available and forecast to the time for payment of the dividend as a result of the earnings performance of Virtus at that time.

2 Key considerations in relation to the CapVest Transaction

2.3 Recommendation and voting intentions

Your Virtus Directors' recommendations in relation to the CapVest Transaction are as follows:

| Proposed CapVest Transaction | Recommendation | Context of recommendation | Independent Expert's opinion | Qualifications to recommendation |
|------------------------------|--|--|--|--|
| Scheme | <p>The Virtus Board unanimously recommends that Virtus Shareholders vote in favour of the Scheme Resolution at the Scheme Meeting.</p> <p>The Virtus Board believes that the reasons for Virtus Shareholders to vote in favour of the Scheme outweigh the reasons to vote against the Scheme or not vote at all. The reasons and other relevant considerations are set out in Section 2.5.</p> | <p>If the Scheme is approved by the Requisite Majorities and by the Court, the Scheme will be implemented and the CapVest Takeover will lapse.</p> | <p>The Independent Expert has concluded that the Scheme is in the best interests of Virtus Shareholders.</p> | <p>The Virtus Board's unanimous recommendation is subject to there being no Superior Proposal and the Independent Expert continuing to conclude that the Scheme is in the best interests of Virtus Shareholders.</p> |
| CapVest Takeover | <p>The Virtus Board unanimously recommends that Virtus Shareholders accept the CapVest Takeover should the Scheme not be approved by Virtus Shareholders or the Court.</p> <p>The Virtus Board believes that the reasons for Virtus Shareholders to accept the CapVest Takeover outweigh the reasons not to accept the CapVest Takeover. The reasons and other relevant considerations are set out in Section 2.7.</p> | <p>The CapVest Takeover will lapse if the Scheme is approved by the Requisite Majorities and by the Court.</p> <p>You should be aware that accepting the CapVest Takeover now will restrict your ability to sell your Virtus Shares to another person unless you are entitled to withdraw your acceptance.</p> | <p>The Independent Expert has concluded that the CapVest Takeover is fair and reasonable to Virtus Shareholders.</p> | <p>The Virtus Board's unanimous recommendation is subject to there being no Superior Proposal and the Independent Expert continuing to conclude that the CapVest Takeover is fair and reasonable to Virtus Shareholders.</p> |
| Capital Return | <p>The Virtus Board unanimously recommends that Virtus Shareholders vote in favour of the Capital Return Resolution at the Extraordinary General Meeting.</p> <p>The Virtus Board believes that the reasons for Virtus Shareholders to vote in favour of the Capital Return Resolution outweigh the reasons to vote against the Capital Return Resolution. The reasons and other relevant considerations are set out in Section 2.10.</p> | <p>The Capital Return will not proceed if the Scheme is approved by the Requisite Majorities and the Court and is subject to the Takeover Recommendation continuing to be made.</p> | <p>The Independent Expert has concluded that the Capital Return does not materially prejudice Virtus' ability to pay its existing creditors.</p> | <p>The Virtus Board's unanimous recommendation is subject to there being no Superior Proposal and the Takeover Recommendation continuing to be made.</p> |

When considering these recommendations, you should note that Ms Kate Munnings is a Director of Virtus and has previously been issued Virtus Performance Rights under the Virtus Health Limited Executive Option Plan and Specialist Option Plan. If the Scheme is implemented or the CapVest Takeover is declared or becomes unconditional, the Board has determined that, as is customary, the Virtus Performance Rights will vest, and as a result Virtus Shares will be acquired by Ms Munnings as a result of the vesting and exercise of such Virtus Performance Rights held by Ms Munnings in connection with the CapVest Transaction. This would mean that Ms Munnings would receive a maximum amount of \$3,008,882.20 if the CapVest Transaction is implemented as a result of the vesting and exercise of her Virtus Performance Rights, as described in more detail in Section 11.1. Despite this interest in the outcome of the CapVest Transaction, Ms Munnings considers that, given the importance of the CapVest Transaction and her role as Chief Executive Officer and Managing Director, it is important and appropriate for her to provide a recommendation to Virtus Shareholders in relation to the CapVest Transaction. The Virtus Board (excluding Kate Munnings) also consider that it is appropriate for her to make a recommendation on the CapVest Transaction given her role in the operation and management of Virtus and her deep industry knowledge.

2 Key considerations in relation to the CapVest Transaction

2.4 Scheme Recommendation

The Virtus Directors unanimously recommend that Virtus Shareholders vote in favour of the Scheme Resolution at the Scheme Meeting in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Virtus Shareholders. Subject to the same qualification, each Virtus Director intends to vote all Virtus Shares held or controlled by them, or on their behalf, in favour of the Scheme at the Scheme Meeting. The Relevant Interests of Virtus Directors in Virtus Shares as at the date of this Booklet are set out in Section 11.1. See also the disclosure in Section 2.3 above in relation to Kate Munnings.

Your Board strongly encourages every Virtus Shareholder to vote at the Scheme Meeting because every vote in favour of the Scheme will increase the likelihood of all Virtus Shareholders receiving the additional \$0.05 of value per Virtus Share available under the Scheme as compared to the CapVest Takeover. This is all the more important because BGH (which as at the date of this Booklet has voting power in 20.02% of all Virtus Shares) has stated that it will vote all Virtus Shares that it owns or controls at the relevant time against the Scheme. Accordingly, to the extent that BGH continues to own or control 20.02% of Virtus Shares on the date of the Scheme Meeting, at least 20.02% of Virtus Shares is expected to be voted against the Scheme. Given the 75% voting threshold noted above applies in respect of votes cast at the Scheme Meeting, it is important for as many Virtus Shareholders as possible who support the Scheme to cast a vote in its favour (either by proxy or in person (virtually)). A failure to do so could cause the Scheme to be defeated and thereby deny all Virtus Shareholders the ability to receive an extra \$0.05 of value per Virtus Share as compared to the CapVest Takeover.

BGH is a rival underbidder that is seeking to secure control of Virtus. You should not assume that its interests in opposing the Scheme aligns with the interests of other Virtus Shareholders.

2.5 Reasons to vote in favour of the Scheme

a) The Virtus Board has unanimously recommended that you vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Virtus Shareholders

In reaching its conclusion that the Scheme is in the best interests of Virtus Shareholders, the Virtus Board has assessed the Scheme having regard to the reasons to vote in favour of, or against, the Scheme, as set out in this Booklet.

The Virtus Directors consider that the Scheme Consideration recognises the value and future growth potential of Virtus.

The Virtus Directors unanimously recommend that Virtus Shareholders vote in favour of the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Virtus Shareholders. Subject to the same qualification, each Virtus Director intends to vote all Virtus Shares controlled or held by them, or on their behalf, in favour of the Scheme. The Relevant Interests of Virtus Directors in Virtus Shares as at the date of this Booklet are set out in Section 11.1. See also the disclosure in Section 2.3 in relation to Kate Munnings.

b) Independent Expert concluded that the Scheme is in the best interests of Virtus Shareholders in the absence of a superior proposal

Your Directors appointed the Independent Expert, Deloitte, who has significant experience in these matters, to prepare the Independent Expert's Report, including an opinion as to whether the Scheme is in the best interests of Virtus Shareholders. The Independent Expert concluded that the Scheme is in the best interests of Virtus Shareholders in the absence of a superior proposal. The Independent Expert, in arriving at this opinion, assessed whether the Scheme was fair and reasonable to Virtus Shareholders.

The basis for this conclusion is that the Scheme Consideration of \$8.15 per Virtus Share is within the valuation range (as concluded by the Independent Expert) of \$7.31 to \$8.27 per Virtus Share.

A complete copy of the Independent Expert's Report is included in Attachment A to this Booklet and your Directors encourage you to read that report in its entirety.

c) The Scheme Consideration represents an attractive premium to the trading levels of Virtus Shares on the ASX prior to the commencement of the bidding contest between BGH and CapVest which began on 13 December 2021

The Scheme Consideration represents:⁴²

- i) a 60.1% premium to the dividend-adjusted undisturbed closing price on 13 December 2021 of \$5.09;
- ii) a 55.5% premium to the dividend-adjusted 1-month VWAP to 13 December 2021 of \$5.24; and
- iii) a 51.8% premium to the dividend-adjusted 3-month VWAP to 13 December 2021 of \$5.37.

42. Historical market prices, VWAP and premium metrics are adjusted for Virtus' Interim Dividend of \$0.12, which was declared on 22 February 2022 with Virtus Shares beginning to trade ex-dividend from 23 March 2022.

2 Key considerations in relation to the CapVest Transaction

2.5 Reasons to vote in favour of the Scheme *continued*

d) Franking credits attaching to Special Scheme Dividend

Eligible Virtus Shareholders may be entitled to the additional benefit of franking credits attached to any Special Scheme Dividend that is paid. Those Virtus Shareholders who can capture the full benefit of the franking credits associated with the Special Takeover Dividend (if paid)⁴³, will receive additional value as a result of franking credits of up to \$0.19 per Virtus Share attached to the Special Scheme Dividend. Whether eligible Virtus Shareholders will be in a position to realise the full benefit of franking credits attached to any Special Scheme Dividend will depend on their tax status and specific circumstances. Virtus Shareholders should seek independent professional taxation advice in this regard.

e) You will receive certain value of \$8.15 per Virtus Share for your investment in Virtus

The Scheme Consideration provides certainty of value for your Virtus Shares (subject to the Scheme becoming Effective) and the opportunity for you to realise certain value in the near term which may not be achieved if the Scheme does not proceed. The Scheme also provides an opportunity for you to sell all your Virtus Shares at once, with no associated brokerage costs.

In contrast, if the Scheme does not proceed and only the CapVest Takeover is available, you will only have the opportunity to receive consideration under the CapVest Takeover if it becomes unconditional, which is \$0.05 per Virtus Share less than the consideration under the Scheme.

Further, if the Scheme does not proceed and the CapVest Takeover does not become unconditional, you may still have available to you the inferior BGH Takeover if the offer is still open for acceptance at that time, which is \$0.15 per Virtus Share less than the Scheme Consideration. If it is not and you retain your Virtus Shares, you will continue to be exposed to the risks of being a Virtus Shareholder and a number of other factors which may impact the trading price of Virtus Shares in the absence of the CapVest Transaction and the BGH Takeover. Further details on these risks are set out in Section 9.

Figure 1: Virtus share price performance (last 12 months as at 3 May 2022)



The above trading data has been sourced from Capital IQ and referenced in this Booklet without their consent.

f) No Superior Proposal has been received by the Virtus Board as at the date of this Booklet

Since the announcement of the CapVest Transaction as described in this Booklet, no Superior Proposal has been received by the Virtus Board.

g) The Scheme allows you to dispose of your entire shareholding in Virtus Shares

The Scheme provides you with an opportunity to dispose of all your Virtus Shares in a single transaction for certain cash value, with no associated brokerage costs.

h) If the Scheme does not proceed, and no Competing Proposal or Superior Proposal continues or emerges, Virtus' share price may fall

Virtus' share price may fall, perhaps materially, if the CapVest Transaction is not implemented and in the absence of a Superior Proposal (although the BGH Takeover may limit the extent of any share price fall while it remains open for acceptance).

43. The payment and the amount of any special dividend remain at the discretion of the Virtus Board and will be subject to tax advice based on franking credits available and forecast to the time for payment of the dividend as a result of the earnings performance of Virtus at that time.

2 Key considerations in relation to the CapVest Transaction

2.5 Reasons to vote in favour of the Scheme *continued*

i) No brokerage will be payable by you on the transfer of your Virtus Shares

You will not incur any brokerage on the transfer of your Virtus Shares to CapVest BidCo under the Scheme.

If you sell your Virtus Shares on the ASX (rather than disposing of them as part of the Scheme), you may incur brokerage charges (and potentially GST on those charges).

j) If the Scheme is not approved, outcomes under the CapVest Takeover are less favourable to Virtus Shareholders

If the Scheme is not approved by the Requisite Majorities of Virtus Shareholders or by the Court, Virtus Shareholders will have the option of selling their shares under the CapVest Takeover, subject to the CapVest Takeover Conditions being satisfied or waived.

The value of the consideration you could receive under the CapVest Takeover is \$8.10 per Virtus Share⁴⁴. This means that, if you accept the CapVest Takeover and the CapVest Takeover is declared or becomes unconditional, or if your Virtus Shares are compulsorily acquired during or following the CapVest Takeover, you will receive \$0.05 less consideration per Virtus Share than the Scheme Consideration.

In addition, if you do not accept the CapVest Takeover in circumstances where CapVest BidCo acquires control of Virtus under the CapVest Takeover, but is unable to compulsorily acquire your Virtus Shares, you will be exposed to the consequences of minority ownership, including those set out in Section 9.5(a).

2.6 Reasons why you may choose to vote against the Scheme

Although the Virtus Directors unanimously recommend that you vote in favour of the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Virtus Shareholders, factors which may lead Virtus Shareholders to vote against the Scheme include:

a) You may disagree with the Virtus Board's recommendation and the opinion of the Independent Expert and consider that the Scheme is not in your best interests

Despite the recommendation of the Virtus Board and the opinion of the Independent Expert that the Scheme is in the best interests of Virtus Shareholders in the absence of a Superior Proposal, you may believe that the Scheme is not in your best interests or that of Virtus Shareholders.

b) You may prefer to realise the potential value of Virtus over the long term, and may consider that the Scheme does not capture Virtus' long term potential

If the Scheme is approved and implemented, it is expected to complete on Wednesday, 22 June 2022. This time frame may not be consistent with your investment objectives.

You may consider that Virtus has stronger long term growth potential and that the Scheme Consideration does not fully reflect your view on long term value. You may therefore prefer to retain your Virtus Shares and realise the value of your Virtus Shares over the longer term. However, you will continue to be subject to the risks associated with holding Virtus Shares, including those set out in Section 9 as well as the risks involved in becoming a minority shareholder in Virtus if CapVest acquires control of Virtus under the CapVest Takeover, including those set out in Section 9.5(a).

c) You may believe it is in your best interests to maintain your current investment and risk profile

You may wish to keep your Virtus Shares as you may want to preserve your investment in a publicly listed company with the specific characteristics of Virtus. In particular, you may consider that, despite the risks relevant to Virtus' potential future operations (including those set out in Section 9), Virtus may be able to return greater value from its assets by remaining independent, or seeking alternative commercialisation strategies.

d) The tax consequences of the Scheme may not suit your current financial position

Implementation of the Scheme may trigger taxation consequences for Virtus Shareholders. A general guide to the taxation implications of the Scheme is set out in Section 10. This guide is expressed in general terms only and Virtus Shareholders should seek professional taxation advice regarding the tax consequences applicable to their own circumstances.

e) You may believe that there is potential for a Superior Proposal to be made in the foreseeable future

You may believe that there is a potential for a Superior Proposal to be made in the foreseeable future. As at the date of this Booklet, the BGH Takeover is offering \$0.15 per Virtus Share less than the Scheme Consideration.

You should be aware that the Implementation Deed contains a customary fiduciary out provision, which allows the Virtus Board to consider any Competing Proposals that are or may reasonably be expected to lead to a Superior Proposal. In addition, Virtus may terminate the Implementation Deed and not proceed with the CapVest Transaction in the event a Superior Proposal is received and not matched by CapVest BidCo (see Section 11.10 for details).

As at the date of this Booklet, no Superior Proposal has been received by the Virtus Board.

44. Including the cash amount of the Special Takeover Dividend (if any) and the Capital Return.

2 Key considerations in relation to the CapVest Transaction

2.7 Takeover Recommendation

The Virtus Directors unanimously recommend that Virtus Shareholders accept the CapVest Takeover in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the CapVest Takeover is fair and reasonable, should the Scheme not be approved by Virtus Shareholders or the Court. Subject to the same qualification, each Virtus Director intends to accept the CapVest Takeover in respect of all Virtus Shares controlled or held by, or on behalf of, that Virtus Director should the Scheme not be approved by Virtus Shareholders or the Court.

You should be aware that accepting the CapVest Takeover now will restrict your ability to sell your Virtus Shares to another person unless you are entitled to withdraw your acceptance.

The Relevant Interests of Virtus Directors in Virtus Shares as at the date of this Booklet are set out in Section 11.1. See also the disclosure in Section 2.3 in relation to Kate Munnings.

2.8 Reasons to accept the CapVest Takeover

In case the Scheme is not approved by Virtus Shareholders or by the Court, CapVest BidCo is making a simultaneous CapVest Takeover.

The reasons why you should accept the CapVest Takeover are similar to the reasons why you should vote in favour of the Scheme, as set out in Section 2.5. In particular:

- the Virtus Directors unanimously recommend that, in addition to voting in favour of the Scheme, you accept the CapVest Takeover, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the CapVest Takeover is fair and reasonable, should the Scheme not be approved by Virtus Shareholders or the Court;
- each Virtus Director intends to accept the CapVest Takeover with respect to all the Virtus Shares they hold or control, subject to the above qualifications;
- the Independent Expert has concluded that the CapVest Takeover is fair and reasonable to Virtus Shareholders;
- the value of the consideration under the CapVest Takeover of \$8.10⁴⁵ cash per Virtus Share represents:
 - > a premium of approximately 59.1% to the dividend-adjusted undisturbed closing share price of Virtus Shares on 13 December 2021⁴⁷;
 - > a premium of approximately 54.6% to the dividend-adjusted 1-month VWAP⁴⁸ to 13 December 2021;
 - > a premium of approximately 50.9% to the dividend-adjusted 3-month VWAP⁴⁹ to 13 December 2021;
- those Virtus Shareholders who can capture the full benefit of the franking credits associated with the \$0.44 Special Takeover Dividend (if paid),⁵⁰ will receive additional value as a result of franking credits of up to \$0.19 per Virtus Share attached to the Special Takeover Dividend;⁵¹
- the CapVest Takeover Consideration also provides certain value with no associated brokerage costs (subject to the CapVest Takeover becoming unconditional);
- no Superior Proposal has emerged as at the date of this Booklet (as at the date of this Booklet, the BGH Takeover is offering \$0.10 per Virtus Share less than the CapVest Takeover Consideration);
- if the Scheme is not implemented and CapVest BidCo does not receive sufficient acceptances under the CapVest Takeover to achieve control of Virtus, then Virtus' share price may fall, perhaps materially, in the absence of a Superior Proposal (although the BGH Takeover may limit the extent of any share price fall while it remains open for acceptance); and
- accepting the CapVest Takeover removes your exposure to:
 - > an uncertain future market price for your Virtus Shares;
 - > the risk of remaining a shareholder in Virtus and being exposed to the market, strategic, financial and operational risks that Virtus is exposed to (as to which see Section 9); and
 - > the consequences of minority ownership in circumstances where CapVest BidCo acquires control of Virtus under the CapVest Takeover but is unable to move to compulsorily acquire your Virtus Shares (and the Virtus Shares of any other Virtus Shareholder that does not accept the CapVest Takeover), including those consequences set out in Section 9.5(a).

45. Including the cash amount of the Special Takeover Dividend (if any) and any Capital Return paid.

46. The closing price on 13 December 2021 was \$5.21, but this amount has been reduced by the amount of the \$0.12 Interim Dividend to allow a like-for-like comparison against the CapVest Takeover Consideration of \$8.10 per Virtus Share (being \$8.22 per Virtus Share before deducting the \$0.12 Interim Dividend). Historical market prices, VWAP and premium metrics are adjusted for Virtus' Interim Dividend of \$0.12, which was declared on 22 February 2022 with Virtus Shares beginning to trade ex-dividend from 23 March 2022.

47. Being the last closing price before the first announcement that Virtus had received an unsolicited indication of interest from BGH to acquire 100% of the shares in Virtus by way of scheme of arrangement.

48. The 1-month VWAP up to 13 December 2021 was \$5.36, but this amount has been reduced by the amount of the \$0.12 Interim Dividend to allow a like-for-like comparison against the CapVest Takeover consideration of \$8.10 per Virtus Share (being \$8.22 per Virtus Share before deducting the \$0.12 Interim Dividend).

49. The 3-month VWAP up to 13 December 2021 was \$5.49, but this amount has been reduced by the amount of the \$0.12 Interim Dividend to allow a like-for-like comparison against the CapVest Takeover consideration of \$8.10 per Virtus Share (being \$8.22 per Virtus Share before deducting the \$0.12 Interim Dividend).

50. The payment and the amount of any special dividend remain at the discretion of the Virtus Board and will be subject to tax advice based on franking credits available and forecast to the time for payment of the dividend as a result of the earnings performance of Virtus at that time.

51. Whether eligible Virtus Shareholders will be in a position to realise the full benefit of franking credits attached to any Special Takeover Dividend will depend on their tax status and specific circumstances – see Section 10.3 of this Booklet. Virtus Shareholders should seek independent professional taxation advice in this regard.

2 Key considerations in relation to the CapVest Transaction

2.9 Reasons why you may choose to reject the CapVest Takeover

The reasons why you may consider rejecting the CapVest Takeover are similar to the reasons why you may consider voting against the Scheme, as set out in Section 2.6.

In particular:

- you may disagree with the Virtus Directors' unanimous recommendation or with the Independent Expert's conclusion;
- you may believe that there is potential for a Superior Proposal to be made in the future, although you should be aware that the Implementation Deed contains a customary fiduciary out provision, which allows the Virtus Board to consider any Competing Proposals that are or may reasonably be expected to lead to a Superior Proposal, and that Virtus may terminate the Implementation Deed and not proceed with the CapVest Transaction in the event a Superior Proposal is received and not matched by CapVest BidCo (see Section 11.10 for details);
- you may wish to remain a Virtus Shareholder to be able to participate in the future financial performance of Virtus; and
- you may want to sell your Virtus Shares on ASX if you expect the net proceeds to be higher or that you will be paid sooner. If you sell your Virtus Shares on market, you:
 - > will receive the price on market, which may be higher or lower than the CapVest Takeover Consideration;
 - > will lose the ability to accept the CapVest Takeover or any other offer which may eventuate;
 - > will not be entitled to receive any increased consideration if CapVest BidCo subsequently increases the CapVest Takeover Consideration; and
 - > may incur brokerage.

2.10 Recommendations in relation to the Capital Return

The purpose of the Capital Return is to distribute surplus capital to Virtus Shareholders which will exist following completion of the Refinancing of the Virtus Group, and to ensure that the Virtus Group has an appropriate capital structure (i.e. the split of equity capital invested by Virtus Shareholders and the level of bank debt) in line and commensurate with a CapVest portfolio company, and typical for private companies owned by private equity investors such as CapVest.

In proposing the CapVest Transaction, CapVest required as a condition that the Capital Return be proposed by Virtus. Virtus requested that part of that amount include the possible Special Takeover Dividend in order for eligible Virtus Shareholders to benefit from franking credits to the extent available thereby potentially increasing further the value of the CapVest Transaction. Therefore, the Virtus Directors agreed to propose the Capital Return Resolution and to unanimously recommend that Virtus Shareholders vote in favour of it, subject to the Takeover Recommendation continuing to be made.

As outlined in Section 6, payment of the Capital Return is conditional on a number of things, including the approval of Virtus Shareholders, a Positive Tax Ruling being available, the reconstitution of the Virtus Board so that persons nominated by CapVest BidCo comprise a majority of the Virtus Directors and the payment of the Capital Return continuing to satisfy the requirements of section 256B of the Corporations Act.

The Virtus Directors unanimously recommend that Virtus Shareholders vote in favour of the Capital Return Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the CapVest Takeover is fair and reasonable. Each Virtus Director intends to vote all Virtus Shares controlled or held by, or on behalf of, that Virtus Director in favour of the Capital Return Resolution, subject to the same qualifications.

See Section 6 for further information in relation to the Capital Return.

2 Key considerations in relation to the CapVest Transaction

2.11 BGH's statement concerning the CapVest Transaction

On 28 February 2022 and in response to CapVest's first non-binding indicative offer (of 20 January 2022), BGH tabled a revised non-binding indication of interest and requested Virtus to release the following statement authorised by BGH, which was repeated in BGH's bidder's statement dated 6 April 2022:

"BGH will vote all Virtus shares that it owns or controls at the relevant time against any CapVest proposal to acquire Virtus by way of scheme of arrangement, and BGH will not accept into any takeover offer from CapVest with respect to all Virtus shares that it owns or controls at the relevant time".

This statement has been extracted from Virtus' ASX announcement dated 28 February 2022 titled "BGH Capital Pty Ltd tables updated non-binding indication of interest".

Even though BGH made this statement before it knew the final amount that CapVest may be prepared to pay to acquire Virtus Shares and in the context of a contest for control that resulted in a further 4 competing proposals being received, BGH may now be held to this statement. This means that BGH, which as at the date of this Booklet has voting power in 20.02% of Virtus Shares, is expected to vote all Virtus Shares that it continues to own or control on the Scheme Record Date against the Scheme and is expected to not accept the CapVest Takeover. While it may be open to BGH to sell its shares on-market or to a party other than CapVest outside of the CapVest Takeover once the BGH Takeover offer period has closed, BGH is not required to, and you should not assume that it would, do so.

BGH is a rival underbidder that is seeking to secure control of Virtus. Accordingly, you should not assume that BGH's interests in announcing that it would oppose the Scheme and not accept the CapVest Takeover aligns with the interests of other Virtus Shareholders.

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Frequently asked questions

3 Frequently asked questions

This Booklet contains detailed information regarding the CapVest Transaction. This Section provides summary answers to some questions you may have and will assist you to locate further detailed information in this Booklet. It is not intended to address all relevant issues for Virtus Shareholders. This Section should be read together with the other parts of this Booklet.

| Question | Answer | More information |
|---|--|---|
| OVERVIEW OF THE CAPVEST TRANSACTION | | |
| Why did this process begin? | On 13 December 2021, Virtus received an unsolicited, non-binding indication of interest from BGH to acquire 100% of Virtus for total net cash value of \$6.98 per Virtus Share (being \$7.10 per Virtus Share before deducting the \$0.12 Interim Dividend paid on 14 April 2022) less the value of any other dividends or distributions declared, proposed or paid after that date. This set off a bidding contest between BGH and CapVest. The Virtus Board received a total of eight proposals from those parties. The process resulted in Virtus entering into an implementation deed with CapVest on 13 March 2022, which was amended and restated on 13 April 2022 and again on 4 May 2022 to reflect CapVest's latest improved proposal in response to the BGH Takeover. | Letter from the Chair of Virtus and Section 2.1 |
| What should I do now? | <p>This Booklet has been sent to you because you are a Virtus Shareholder (or will become a Virtus Shareholder as a result of the vesting and exercise of Virtus Performance Rights) and Virtus Shareholders have decisions to make in relation to the CapVest Transaction.</p> <p>For the reasons (and subject to the qualifications) set out in this Booklet, the Virtus Directors unanimously recommend that you:</p> <ul style="list-style-type: none"> – vote in favour of the Scheme; – accept the CapVest Takeover for all of your Virtus Shares, should the Scheme not be approved by Virtus Shareholders or the Court; and – vote in favour of the Capital Return, <p>in the absence of a Superior Proposal and subject to the Independent Expert continuing to provide a positive opinion on the CapVest Transaction.</p> <p>You should carefully read this Booklet in its entirety before making any decision in relation to the CapVest Transaction.</p> | <p>Proxy Form, Acceptance Form (relevant to you) and Virtual Meeting Online Guide</p> <p>You may also access your Acceptance Form by following the instructions via the online link: https://www.virtushealth.com.au/takeover-acceptance-form.</p> |
| What is the CapVest Transaction? | The CapVest Transaction is a proposal from CapVest BidCo, an entity owned by CapVest Fund V, to acquire all of your Virtus Shares by way of Scheme and a simultaneous proposal from CapVest BidCo to acquire all of your Virtus Shares by way of a CapVest Takeover. | Section 2 |
| Why is there a Scheme and a simultaneous CapVest Takeover? | <p>The Scheme can only proceed if, among other Conditions, the Requisite Majorities of Virtus Shareholders (being more than 50% in number present and voting and at least 75% of votes cast) vote in favour of the Scheme.</p> <p>The simultaneous CapVest Takeover can proceed with a different and lower acceptance threshold that may be waived, namely if acceptances from Virtus Shareholders holding at least 50.1% of the Virtus Shares are received (and the satisfaction or waiver of the other CapVest Takeover Conditions).</p> <p>The CapVest Takeover enhances the possibility of delivering value to Virtus Shareholders by increasing the prospects of a successful CapVest acquisition should the Scheme not be approved by the Requisite Majorities or by the Court.</p> | N/A |

3 Frequently asked questions

| Question | Answer | More information |
|--|---|------------------|
| OVERVIEW OF THE CAPVEST TRANSACTION | | |
| Who is CapVest and CapVest BidCo? | <p>CapVest is an international, London-headquartered investment firm with over €5 billion in assets under management.</p> <p>CapVest has a proven capability of growing its companies and a particular focus on investing in the healthcare sector across the world.</p> <p>CapVest BidCo is an indirect wholly owned subsidiary of CapVest Fund V (a fund managed by CapVest) that has been incorporated specifically for the purpose of holding Virtus Shares pursuant to the Scheme and the CapVest Takeover.</p> <p>Please refer to the letter from Kate Briant, Senior Partner and founding member of CapVest on page 12. Further information about CapVest is available at https://www.capvest.co/.</p> | Section 8 |
| How is CapVest funding the Scheme and CapVest Takeover Consideration? | CapVest BidCo intends to fund the Scheme Consideration and CapVest Takeover Consideration (respectively) through a combination of equity committed by CapVest Fund V and third party debt financing. | Section 8 |
| Why is a tax ruling needed? | <p>It is customary to seek a tax ruling from the ATO in transactions involving special dividends and capital returns paid by listed companies.</p> <p>The tax ruling will confirm the treatment of the Special Scheme Dividend, Special Takeover Dividend and the Capital Return to assist Virtus Shareholders.</p> <p>A tax ruling is not a condition of either the Scheme or the CapVest Takeover.</p> <p>However, the availability of a Positive Tax Ruling in relation to the Capital Return is a condition to the payment of the Capital Return.</p> <p>If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration. It is also a condition to the payment of the Capital Return that payment is made by 30 September 2022.</p> | Section 10 |
| What is the value of the franking credits in connection with the Special Scheme Dividend and the Special Takeover Dividend? | <p>Virtus Shareholders who can capture the full benefit of the franking credits associated with the \$0.44 Special Scheme Dividend or Special Takeover Dividend (if paid)⁵², will receive additional value as a result of the franking credits of up to \$0.19 per Virtus Share attached to the Special Scheme Dividend or the Special Takeover Dividend.</p> <p>Whether any Virtus Shareholder will be in a position to realise the full benefit of franking credits attached to any Special Scheme Dividend or the Special Takeover Dividend will depend on their tax status and specific circumstances.</p> | N/A |

52. The payment and the amount of any special dividend remain at the discretion of the Virtus Board and will be subject to tax advice based on franking credits available and forecast to the time for payment of the dividend as a result of the earnings performance of Virtus at that time.

3 Frequently asked questions

| Question | Answer | More information |
|---|---|---|
| THE SCHEME | | |
| What is the Scheme? | <p>A scheme of arrangement is a statutory procedure that is commonly used to enable one company to acquire another company.</p> <p>The Scheme is a scheme of arrangement between Virtus and its shareholders and involves CapVest BidCo acquiring your Virtus Shares in exchange for the Scheme Consideration.</p> <p>The Scheme requires a vote in favour of the Scheme by the Requisite Majorities of Virtus Shareholders at the Scheme Meeting and Court approval of the Scheme at the Second Court Hearing.</p> | Section 4 and Scheme of Arrangement annexed as Attachment D |
| What is the Scheme Consideration? | <p>The Scheme Consideration is \$8.15 per Virtus Share.</p> <p>This may comprise up to two payments:</p> <ul style="list-style-type: none"> – a fully franked Special Scheme Dividend of up to \$0.44 per Virtus Share from Virtus; and – \$8.15 per Virtus Share from CapVest BidCo less the amount of any Special Scheme Dividend, being \$7.71 if the maximum Special Scheme Dividend is paid. <p>You will receive the Special Scheme Dividend for each Virtus Share held on the Special Scheme Dividend Record Date, and the Scheme Consideration for each Virtus Share held on the Scheme Record Date.</p> | Section 4.1 |
| What is the Special Scheme Dividend? | <p>The Special Scheme Dividend is a payment, by way of a fully franked dividend, to Virtus Shareholders of up to \$0.44 per Virtus Share. The Special Scheme Dividend will only be paid to the holders of Virtus Shares as at the Special Scheme Dividend Record Date.</p> <p>The Special Scheme Dividend will not be paid if the Scheme does not become Effective.</p> | Section 4.1 |
| When and how will I receive my Scheme Consideration and Special Scheme Dividend? | <p>If the Scheme becomes Effective, the Scheme Consideration and any Special Scheme Dividend will be paid on the Implementation Date (currently expected to be Wednesday, 22 June 2022).</p> <p>If you have validly registered your bank account details with the Virtus Share Registry by the Special Scheme Dividend Record Date, the Scheme Consideration and any Special Scheme Dividend will be sent directly to your bank account by electronic funds transfer. If you have not registered your bank account details with the Virtus Share Registry, the Scheme Consideration and any Special Scheme Dividend will be sent by cheque to your address as shown on the Virtus Share Register as at the Special Dividend Record Date and Scheme Record Date (as applicable).</p> <p>You can provide or update your bank account details by visiting the Virtus Share Registry's website at https://www.linkmarketservices.com.au. You will need to have your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) to login for the first time.</p> | Sections 4.4 |
| What are CapVest BidCo's intentions if the Scheme is implemented? | <p>CapVest looks forward to working closely with the Virtus management team and Fertility Specialists to support the continuing growth of Virtus' industry leading fertility business in Australia and internationally.</p> <p>CapVest has a 20-year track record of partnering with industry leading companies and management teams in the healthcare sector to enhance services provided to healthcare professionals and their patients.</p> <p>CapVest intends to combine its access to capital, international investment experience, and knowledge of the global fertility market with the strength of the Virtus business and its team of experienced practitioners to grow Virtus' position in Australia and support its continued international expansion.</p> | Section 8.5 |

3 Frequently asked questions

| Question | Answer | More information |
|---|---|------------------|
| THE SCHEME | | |
| Are there any conditions that must be satisfied or waived in order for the Scheme to be implemented? | <p>Implementation of the Scheme is subject to the following outstanding conditions precedent:</p> <ul style="list-style-type: none"> – no court or Government Agency restrains or prevents implementation of the Scheme; – approval of the Scheme by the Requisite Majorities of Virtus Shareholders at the Scheme Meeting; – approval of the Scheme by the Court at the Second Court Hearing; – no Virtus Prescribed Occurrence occurs; – no Material Adverse Change occurs; – the Independent Expert does not change or publicly withdraw the conclusion set out in the Independent Expert's Report that in its opinion the Scheme is in the best interests of Virtus Shareholders; – arrangements have been put in place to deal with any options and performance rights in existence, such that no options or performance rights are in existence on the Scheme Record Date; and – the representations and warranties given by CapVest BidCo in relation to funding are true and correct. <p>The Scheme was also subject to CapVest BidCo receiving FIRB approval in connection with the Scheme. This Condition has been satisfied.</p> <p>As at the date of this Booklet the Virtus Board is not aware of any Material Adverse Change or Virtus Prescribed Occurrence having occurred.</p> | Section 4.2 |
| When will the Scheme become Effective and be implemented? | Subject to the satisfaction or waiver (as applicable) of the Scheme Conditions, the Scheme will become Effective on the Effective Date (currently expected to be Thursday, 9 June 2022) and will be implemented on the Implementation Date (currently expected to be Wednesday, 22 June 2022). | Section 4 |
| Why is the Special Scheme Dividend being proposed? | <p>If the Special Scheme Dividend of up to \$0.44 is paid, those Virtus Shareholders who are entitled to the franking credits attached to the Special Scheme Dividend may be entitled to an Australian tax offset of up to approximately \$0.19 per Virtus Share.</p> <p>Whether you will be entitled to the franking credits attached to any Special Scheme Dividend, and whether the receipt of franking credits attached to any Special Scheme Dividend is beneficial to you, will depend on your own specific circumstances. Virtus Shareholders should seek independent taxation advice in respect of this matter and refer to Section 10.</p> | Section 10 |
| What is required for the Scheme to become Effective? | <p>The Scheme will only become Effective if:</p> <ul style="list-style-type: none"> – the Scheme is approved by the Requisite Majorities of Virtus Shareholders at the Scheme Meeting; – the Court approves the Scheme at the Second Court Hearing; and – all other Scheme Conditions are satisfied or waived (as applicable). | Section 4.3 |
| What happens if the Scheme does not become Effective? | <p>If the Scheme does not become Effective:</p> <ul style="list-style-type: none"> – Virtus Shareholders will not receive the Scheme Consideration or the Special Scheme Dividend; – the CapVest Takeover will become the primary offer available to Virtus Shareholders from CapVest BidCo; – Virtus Shareholders will continue to hold Virtus Shares (unless they accept the CapVest Takeover and the CapVest Takeover is declared or becomes unconditional); – a break fee of approximately \$7.19 million (excluding GST) may be payable by Virtus to CapVest BidCo under certain circumstances (unless the CapVest Takeover is declared or becomes unconditional)⁵³; and – in the absence of a party acquiring control of Virtus and seeking its delisting, Virtus will continue as an ASX-listed entity with management continuing to implement the business plan, and financial and operating strategies it had in place prior to 13 March 2022. | N/A |

53. The break fee will not be payable as a result of the Scheme not receiving the requisite shareholder approval. See also section 11.10(c).

3 Frequently asked questions

| Question | Answer | More information |
|---|--|--|
| THE SCHEME | | |
| When and where will the Scheme Meeting be held? | <p>The Scheme Meeting will be held as a virtual (online only) meeting on Monday, 6 June 2022 at 11.00am (Sydney time).</p> <p>You (or your proxy, attorney or, if you are a body corporate, your duly appointed corporate representative) may virtually attend the Scheme Meeting by using a web browser at https://www.meetings.linkgroup.com/VRTSCHEME on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Edge, Internet Explorer or Firefox. Please ensure your browser is compatible.</p> <p>To participate and vote online, you will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of their holding statement or proxy form) and your postcode (or country code if outside Australia). Proxyholders will need their proxy code, which will be emailed to them prior to the meeting.</p> <p>Please refer to the Virtual Meeting Online Guide available at Attachment C for further details.</p> <p>The online meeting platform enables participants to view the Scheme Meeting live, ask questions online and vote on the Scheme Resolution in real time.</p> <p>Virtus strongly encourages Virtus Shareholders to consider lodging a directed proxy in the event that they are not able to participate in the virtual (online only) Scheme Meeting for an unexpected reason.</p> <p>Even if you plan to attend the Scheme Meeting virtually, you are still encouraged to lodge a directed proxy in advance of the Scheme Meeting so that your votes can still be counted if for any reason you cannot attend (for example, if there is an issue with your internet connection on the day of the Scheme Meeting).</p> | Notice of Meetings contained in Attachment B |
| What will Virtus Shareholders be asked to vote on at the Scheme Meeting? | Virtus Shareholders will be asked at the Scheme Meeting to vote on the Scheme Resolution (set out in Attachment B) to approve the Scheme. | Notice of Meetings contained in Attachment B |
| What is the Virtus Shareholder approval threshold for the Scheme? | <p>The Scheme needs to be approved by the Requisite Majorities of Virtus Shareholders at the Scheme Meeting, which are:</p> <ul style="list-style-type: none"> – a majority in number (more than 50%) of Virtus Shareholders present and voting (in person (virtually) or by proxy, attorney or corporate representative); and – at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting. <p>Your Board strongly encourages every Virtus Shareholder to vote at the Scheme Meeting because every vote in favour of the Scheme will increase the likelihood of all Virtus Shareholders receiving the additional \$0.05 of value per Virtus Share available under the Scheme as compared to the CapVest Takeover. This is all the more important because BGH (which as at the date of this Booklet has voting power in 20.02% of all Virtus Shares) has stated that it will vote all Virtus Shares that it owns or controls at the relevant time against the Scheme. Accordingly, to the extent that BGH continues to own or control 20.02% of Virtus Shares on the date of the Scheme Meeting, at least 20.02% of Virtus Shares is expected to be voted against the Scheme. Given the 75% voting threshold noted above applies in respect of votes cast at the Scheme Meeting, it is important for as many Virtus Shareholders as possible who support the Scheme to cast a vote in its favour (either by proxy or in person (virtually)). A failure to do so could cause the Scheme to be defeated and thereby deny all Virtus Shareholders the ability to receive an extra \$0.05 of value per Virtus Share as compared to the CapVest Takeover.</p> <p>BGH is a rival underbidder that is seeking to secure control of Virtus. You should not assume that its interests in opposing the Scheme aligns with the interests of other Virtus Shareholders.</p> | Section 4.3(b) |

3 Frequently asked questions

| Question | Answer | More information |
|---|---|--|
| THE SCHEME | | |
| Am I entitled to vote at the Scheme Meeting? | You will be entitled to vote at the Scheme Meeting if you are registered as a Virtus Shareholder on the Virtus Share Register at 11.00am (Sydney time) on Saturday, 4 June 2022, irrespective of whether you have accepted the CapVest Takeover. | Notice of Meetings contained in Attachment B |
| How can I vote if I cannot attend the Scheme Meeting? | If you would like to vote but cannot attend the Scheme Meeting in person (virtually), you can vote by appointing a proxy, attorney or corporate representative (if applicable) to attend virtually and vote on your behalf, including by lodging your proxy online at https://www.linkmarketservices.com.au/ . | Notice of Meetings contained in Attachment B |
| When will the results of the Scheme Meeting be known? | The results of the Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meeting and will be announced to ASX (https://www.asx.com.au/) once available. | Section 4.3(b) |
| What are the potential outcomes for Virtus Shareholders in connection with the Scheme? | The potential outcomes for Virtus Shareholders in connection with the Scheme are: <ul style="list-style-type: none"> – the Scheme is implemented and all Virtus Shareholders will receive the Scheme Consideration and the Special Scheme Dividend (if declared). Virtus will be acquired by CapVest BidCo and be delisted from ASX. In this scenario, the CapVest Takeover will not proceed; and – the Scheme is not implemented and Virtus Shareholders will not receive the Scheme Consideration nor the Special Scheme Dividend and will retain their Virtus Shares. In this scenario, the CapVest Takeover will be available, subject to any CapVest Takeover Conditions (see further questions and answers below regarding the CapVest Takeover). | Letter from the Chair of Virtus |
| What happens to my Virtus Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective and is implemented? | If you do not vote, or you vote against the Scheme, and the Scheme becomes Effective and is implemented, any Scheme Shares held by you on the Scheme Record Date (currently expected to be 7.00pm on Wednesday, 15 June 2022) will be transferred to CapVest BidCo and you will be sent the Scheme Consideration, despite not having voted or having voted against the Scheme. You will also be paid the Special Scheme Dividend (if declared) for each Virtus Share you hold on the Special Scheme Dividend Record Date. | Section 4.3(b) |
| If the Scheme is implemented, when will Virtus Shares cease trading on ASX? | Virtus intends to apply to ASX for Virtus Shares to be suspended from official quotation on the ASX from the close of trading on the Effective Date. Following the Implementation Date, Virtus will apply for termination of the official quotation of Virtus Shares on ASX and for Virtus to be removed from the official list of ASX. | Sections 4.3(d) and 4.8 |

3 Frequently asked questions

| Question | Answer | More information |
|--|--|------------------|
| CAPVEST TAKEOVER AND CAPITAL RETURN | | |
| What is the CapVest Takeover? | <p>A takeover is a form of offer regulated by the Corporations Act under which an offer is made to acquire your Virtus Shares.</p> <p>CapVest BidCo is making the CapVest Takeover simultaneously with the Scheme so that you have the opportunity to sell your Virtus Shares to CapVest BidCo if the Scheme does not become Effective.</p> <p>Importantly, the CapVest Takeover is subject to a 50.1% minimum acceptance condition (among other conditions), which is a different and lower acceptance threshold to the Requisite Majorities for approval of the Scheme and this condition may be waived by CapVest BidCo.</p> | Section 5 |
| What is the CapVest Takeover Consideration? | <p>You will be entitled to receive total net cash value of \$8.10 per Virtus Share (being \$8.22 per Virtus Share before deducting the \$0.12 Interim Dividend that was paid on 14 April 2022) held by you if you accept into the CapVest Takeover and the CapVest Takeover Conditions are satisfied or waived.</p> <p>This may (depending on whether the Capital Return or a Special Takeover Dividend is paid) comprise up to three payments:⁵⁴</p> <ul style="list-style-type: none"> – \$4.99 per Virtus Share from CapVest BidCo; plus – a fully franked Special Takeover Dividend of up to \$0.44 per Virtus Share from Virtus (if declared and assuming you hold your Virtus Shares on the Special Takeover Dividend Record Date);⁵⁵ plus – a Capital Return, subject to approval of Virtus Shareholders, of an amount equal to \$3.11 less the amount of any Special Takeover Dividend (i.e. between \$2.67 and \$3.11 (inclusive)) per Virtus Share from Virtus (assuming you hold your Virtus Shares on the Capital Return Record Date and the Capital Return Conditions are satisfied).⁵⁶ <p>If the Capital Return Record Date occurs after the CapVest Takeover Offer Period, then the \$8.10 cash per Virtus Share consideration payable under the CapVest Takeover will not be reduced by the amount of the Capital Return (but will be reduced by the amount of any Special Takeover Dividend, if so paid). If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration.</p> | Section 5.1 |
| Can I accept the CapVest Takeover now? | <p>Yes. You may accept the CapVest Takeover at any time during the CapVest Takeover Offer Period, including before the Scheme Meeting.</p> <p>While you may vote in favour of the Scheme and the Capital Return and accept the CapVest Takeover at the same time, as the terms of the CapVest Transaction determine whether the Scheme will be implemented or whether the CapVest Takeover will proceed, you should be aware that accepting the CapVest Takeover now will restrict your ability to sell your Virtus Shares to another person unless you are entitled to withdraw your acceptance (see the question “<i>If I accept the CapVest Takeover, can I withdraw my acceptance?</i>” below).</p> <p><i>However, even where you accept the CapVest Takeover, please make sure you also vote on both the Scheme Resolution and the Capital Return Resolution.</i></p> | N/A |

54. If a Special Takeover Dividend is payable, or a Capital Return is payable, you will receive \$8.10 per Virtus Share provided you hold the Virtus Shares which are accepted into the CapVest Takeover on the relevant record dates.

55. A special dividend of this amount could have up to approximately \$0.19 per share in franking credits attached and eligible Virtus Shareholders may receive the benefit from any such franking credits, subject to their marginal tax rate. The payment and the amount of any special dividend remain at the discretion of the Virtus Board and will be subject to tax advice based on franking credits available and forecast to the time for payment of the dividend as a result of the earnings performance of Virtus at that time.

56. The availability of a Positive Tax Ruling is a condition to the payment of the Capital Return. It is also a condition to the payment of the Capital Return that payment is made by 30 September 2022.

3 Frequently asked questions

| Question | Answer | More information |
|---|--|------------------|
| CAPVEST TAKEOVER AND CAPITAL RETURN | | |
| What is the Special Takeover Dividend? | The Special Takeover Dividend is a payment, by way of a fully franked dividend, to Virtus Shareholders of up to \$0.44 per Virtus Share. If declared, the Special Takeover Dividend will be paid to the holders of Virtus Shares as at the Special Takeover Dividend Record Date. | Section 6.1 |
| What is the Capital Return? | <p>The Capital Return is a payment, by way of a capital return, to Virtus Shareholders of an amount equal to \$3.11 less the amount of any Special Takeover Dividend (i.e. between \$2.67 and \$3.11 (inclusive)) per Virtus Share, subject to the Capital Return Conditions being satisfied.</p> <p>This means:</p> <ul style="list-style-type: none"> – if a Special Takeover Dividend of \$0.44 per Virtus Share is paid, the Capital Return will equal \$2.67 per Virtus Share; – if no Special Takeover Dividend is paid, the Capital Return will equal \$3.11 per Virtus Share; or – if a Special Takeover Dividend of less than \$0.44 is paid, the Capital Return will equal \$3.11 less the amount of the Special Takeover Dividend paid. <p>The Capital Return will only be paid to the holders of Virtus Shares as at the Capital Return Record Date. If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration.</p> <p>Under the Corporations Act, the Capital Return requires Virtus Shareholder approval. Shareholder approval is required by ordinary resolution, requiring more than 50% of the total number of votes cast on the Capital Return Resolution at the Extraordinary General Meeting. If you accept into the CapVest Takeover and CapVest BidCo acquires a relevant interest in at least 50.1% of Virtus Shares under the CapVest Takeover, CapVest BidCo will be appointed as your proxy to vote at the Extraordinary General Meeting and intends to vote in favour of the Capital Return Resolution on your behalf.</p> <p>The Capital Return will only be paid if the following additional conditions are satisfied:</p> <ul style="list-style-type: none"> – the Capital Return is paid by 30 September 2022; – the persons nominated by CapVest BidCo being appointed as directors of Virtus such that the Virtus Board is reconstituted with a majority of directors that are directors nominated by CapVest BidCo; – a Positive Tax Ruling becomes available; and – the payment of the Capital Return continuing to satisfy the requirements of section 256B of Corporations Act. | Section 6 |
| Why are the Capital Return and Special Takeover Dividend being proposed? | <p>The purpose for the Capital Return is to enable CapVest to distribute surplus capital to Virtus Shareholders as a result of the Refinancing of the Virtus Group once CapVest BidCo has acquired control of Virtus as a result of the CapVest Takeover. This is to ensure that the Virtus Group has an appropriate capital structure (i.e. split between equity from CapVest Fund V and debt) to maximise returns to equity holders, commensurate to that of a CapVest portfolio company and typical of private companies owned by private equity owners such as CapVest.</p> <p>In proposing the CapVest Transaction, CapVest required that the Capital Return be proposed by Virtus. Virtus requested that part of that amount include the possible Special Takeover Dividend.</p> | Section 6.1 |

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3 Frequently asked questions

| Question | Answer | More information |
|---|---|---|
| CAPVEST TAKEOVER AND CAPITAL RETURN | | |
| Am I entitled to vote at the Extraordinary General Meeting? | <p>Subject to the qualifications below, you will be entitled to vote at the Extraordinary General Meeting if you are registered as a Virtus Shareholder on the Virtus Share Register at 11.00am (Sydney time) on Saturday, 4 June 2022, irrespective of whether you have accepted the CapVest Takeover.</p> <p>CapVest BidCo will have certain proxy voting rights in relation to your Virtus Shares (including to vote on your behalf) if you accept the CapVest Takeover and it is declared or becomes unconditional, or if CapVest BidCo has a Relevant Interest in at least 50.1% of the Virtus Shares (on a fully diluted basis) before this date. You should consider this before deciding whether to accept the CapVest Takeover. In these circumstances, CapVest BidCo intends to vote in favour of the Capital Return Resolution on your behalf. If you wish to vote at the Extraordinary General Meeting (for example, to vote against the Capital Return Resolution), you may wish to defer your acceptance into the CapVest Takeover. You should be aware that voting against the Capital Return Resolution may prevent the CapVest Takeover from proceeding.</p> | Section 5.13 and Notice of Meetings contained in Attachment B |
| When and where will the Extraordinary General Meeting be held? | <p>The Extraordinary General Meeting will be held immediately following the Scheme Meeting.</p> <p>You (or your proxy, attorney or, if you are a body corporate, your duly appointed corporate representative) may virtually attend the Extraordinary General Meeting by using a web browser at https://www.meetings.linkgroup.com/VRTSCHEME on your smartphone, tablet or computer. You will need the latest versions of Chrome, Safari, Edge or Firefox. Please ensure your browser is compatible.</p> <p>You can access the Extraordinary General Meeting using the following link: https://www.meetings.linkgroup.com/VRTSCHEME</p> <p>To participate and vote online, you will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) (which is shown on the front of your holding statement or proxy form) and your postcode (or country code if outside Australia). Proxyholders will need their proxy code, which will be emailed to them prior to the Extraordinary General Meeting.</p> <p>Please refer to the Virtual Meeting Online Guide at Attachment C for further details.</p> <p>The online meeting platform enables participants to view the Extraordinary General Meeting live, ask questions online and vote on the Capital Return Resolution in real time.</p> <p>Virtus strongly encourages Virtus Shareholders to consider lodging a directed proxy in the event that they are not able to participate in the virtual (online only) Extraordinary General Meeting for an unexpected reason.</p> <p>Even if you plan to attend the Extraordinary General Meeting virtually, you are still encouraged to lodge a directed proxy in advance of the Extraordinary General Meeting so that your votes can still be counted if for any reason you cannot attend (for example, if there is an issue with your internet connection on the day of the Extraordinary General Meeting).</p> | Notice of Meetings contained in Attachment B |
| How can I vote if I cannot attend the Extraordinary General Meeting? | <p>If you would like to vote but cannot attend the virtual (online only) Extraordinary General Meeting in person (virtually), you can vote by appointing a proxy, attorney or corporate representative (if applicable) to attend virtually and vote on your behalf, including by lodging your proxy online at https://www.linkmarketservices.com.au/.</p> | Notice of Meetings contained in Attachment B |

3 Frequently asked questions

| Question | Answer | More information |
|--|--|------------------------------------|
| CAPVEST TAKEOVER AND CAPITAL RETURN | | |
| When will the results of the Extraordinary General Meeting be known? | The results of the Extraordinary General Meeting will be available as soon as possible after the conclusion of the Extraordinary General Meeting and will be announced to ASX (https://www.asx.com.au/) once available. | N/A |
| What choice do I have as a Virtus Shareholder in respect of the CapVest Takeover? | <p>As a Virtus Shareholder, you have the following choices in respect of your Virtus Shares in respect of the CapVest Takeover:</p> <ul style="list-style-type: none"> – accept the CapVest Takeover (which is what the Virtus Board recommends you do in the absence of a Superior Proposal and subject to the Independent Expert continuing to recommend that the CapVest Takeover is fair and reasonable, should the Scheme not be approved by Virtus Shareholders or the Court); – sell your shares on ASX (unless you have previously accepted the CapVest Takeover or the BGH Takeover and you have not validly withdrawn your acceptance); or – do nothing. <p>There are several implications in relation to each of these choices. A summary of these implications is set out in Section 1 (Step 3).</p> | Section 1 (Step 3) |
| How do I accept the CapVest Takeover? | <p>You may accept the CapVest Takeover in one of the following ways:</p> <ul style="list-style-type: none"> – depending on whether you hold your Virtus Shares in a CHESS Holding or issuer-sponsored register, complete the enclosed Acceptance Form that is relevant to you in accordance with Step 3 of Section 1 of this Booklet ("<i>Decide whether to accept the CapVest Takeover</i>") and instructions in Section 5.4 and on the Acceptance Form and return it by email to takeover@linkmarketservices.com.au with the subject line "CapVest Takeover of Virtus Acceptance" or post the hardcopy form to the address specified in the Acceptance Form using the enclosed pre-addressed envelope. <p>Your Acceptance Form must be emailed (or if sent by post, sent and post-marked) before the end of the CapVest Takeover Offer Period, or if you hold your Virtus Shares in a CHESS Holding, then it must be received in sufficient time for your Controlling Participant to act on your instruction before the end of the CapVest Takeover Offer Period.</p> <p>If you hold your Virtus Shares in a CHESS Holding, you can alternatively instruct your Controlling Participant (usually your stockbroker) to initiate acceptance of the offers under the CapVest Takeover on your behalf directly.</p> <p>To accept the CapVest Takeover for Takeover Shares which are not held in your name, but to which you are entitled to be registered as holder, you must contact the Virtus Shareholder Information Line on 1800 653 805 (within Australia) or +61 1800 653 805 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time) to obtain the appropriate Acceptance Form.</p> <p>You can also access your Acceptance Form by logging into https://www.virtushealth.com.au/takeover-acceptance-form and following the instructions. This will allow you to download a personalised Acceptance Form relevant to you. As noted above, you will need to email your completed Acceptance Form to takeover@linkmarketservices.com.au with the subject line "CapVest Takeover of Virtus Acceptance" or post the hardcopy form to the address specified in the Acceptance Form using the enclosed pre-addressed envelope.</p> | Section 1 (step 3) and Section 5.4 |

3 Frequently asked questions

| Question | Answer | More information |
|---|---|------------------|
| CAPVEST TAKEOVER AND CAPITAL RETURN | | |
| Can I accept the CapVest Takeover for part of my holding? | No. You can only accept the CapVest Takeover for all of your Virtus Shares. | N/A |
| What are the consequences of accepting the CapVest Takeover now? | <p>You will be entitled to payment of the CapVest Takeover Consideration if you have accepted the CapVest Takeover and the CapVest Takeover becomes or is declared unconditional.</p> <p>Virtus Shareholders will be notified when this occurs via an announcement to the ASX. Unless withdrawal rights are available (see below), you will give up your right to sell your Virtus Shares on ASX or otherwise deal with your Virtus Shares.</p> | Section 5.6, 5.7 |
| Can I accept the CapVest Takeover before the Scheme Meeting? | <p>Yes. You may accept the CapVest Takeover at any time during the CapVest Takeover Offer Period, including before the Scheme Meeting.</p> <p>While the Virtus Board encourages you to accept the CapVest Takeover (in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the CapVest Takeover is fair and reasonable) should the Scheme not be approved by Virtus Shareholders or the Court, you should be aware that doing so will restrict your ability to sell your Virtus Shares to another person unless you are entitled to withdraw your acceptance (see the next question).</p> | Section 5 |
| If I accept the CapVest Takeover, can I withdraw my acceptance? | You may only withdraw your acceptance if the CapVest Takeover remains subject to the CapVest Takeover Conditions and CapVest BidCo varies the CapVest Takeover in a way that postpones the time when CapVest BidCo is required to satisfy its obligations under the CapVest Takeover by more than one month. | Section 5.6 |
| When does the CapVest Takeover Offer Period close? | The CapVest Takeover Offer Period is presently scheduled to close at 7.00pm on Tuesday, 5 July 2022, but it can be extended in certain circumstances. | Section 5.3 |
| What are the conditions to the CapVest Takeover? | <p>The outstanding conditions to the CapVest Takeover are:</p> <ul style="list-style-type: none"> – no Virtus Prescribed Occurrence before the end of the CapVest Takeover Offer Period; – no court or Government Agency restrains or prevents implementation of the CapVest Takeover before the end of the CapVest Takeover Offer Period; – either the Scheme is not approved at the Scheme Meeting by the Requisite Majorities or following approval at the Scheme Meeting by the Requisite Majorities the Court does not approve the Scheme; – CapVest BidCo has a Relevant Interest in at least 50.1% of the Virtus Shares (on a fully diluted basis); – Virtus Shareholders approve the Capital Return Resolution; – no Material Adverse Change occurs before the end of the CapVest Takeover Offer Period; and – the Implementation Deed is not terminated by CapVest BidCo before the end of the CapVest Takeover Offer Period. <p>Other than the condition relating to the Scheme, each of these conditions can be waived by CapVest BidCo in its absolute discretion.</p> <p>As at the date of this Booklet the Virtus Board is not aware of any Material Adverse Change or any Virtus Prescribed Occurrence having occurred.</p> | Section 5.8 |

3 Frequently asked questions

| Question | Answer | More information |
|---|--|----------------------|
| CAPVEST TAKEOVER AND CAPITAL RETURN | | |
| What happens if the conditions to the CapVest Takeover are not satisfied or waived? | <p>If the CapVest Takeover Conditions are not satisfied or waived before the end of the CapVest Takeover Offer Period, the CapVest Takeover will lapse and any acceptances into the CapVest Takeover will be void.</p> <p>In those circumstances, Virtus Shareholders who have accepted the CapVest Takeover will continue to hold their Virtus Shares and be free to deal with them as if the CapVest Takeover had not been made.</p> | Section 5.9 |
| When will I receive payment under the CapVest Takeover? | <p>Subject to the Corporations Act and the terms of the CapVest Takeover, if you accept your Virtus Shares into the CapVest Takeover, you will be sent the CapVest Takeover Consideration from CapVest BidCo on or before the earlier of:</p> <ul style="list-style-type: none"> – one month after the date of your acceptance or, if the CapVest Takeover is subject to a condition when you accept the CapVest Takeover, within one month after the CapVest Takeover is declared or becomes unconditional; and – if the CapVest Takeover is declared or becomes unconditional, 21 days after the end of the CapVest Takeover Offer Period. | Section 5.7 |
| When will I receive payment of the Capital Return and the Special Takeover Dividend (if paid)? | The Special Takeover Dividend and the Capital Return will be paid, subject to satisfaction of the conditions to payment (as applicable) on a date to be determined by the Virtus Board. | N/A |
| What if the Scheme does not become Effective and I accept the CapVest Takeover? | <p>If the Scheme does not become Effective and the CapVest Takeover is declared or becomes unconditional, you will receive the CapVest Takeover Consideration (which is \$8.10, reduced by the amount of the Capital Return and Special Takeover Dividend) for each Virtus Share that you accept into the CapVest Takeover.</p> <p>You will receive the Capital Return for each Virtus Share you hold on the Capital Return Record Date and the Special Takeover Dividend for each Virtus Share you hold on the Special Takeover Dividend Record Date.⁵⁷</p> | N/A |
| What if the Scheme does not become Effective and I do not accept the CapVest Takeover? | You will continue to hold your Virtus Shares, unless they are compulsorily acquired or you sell them. Depending on the level of acceptances received this may result in you remaining a shareholder in an unlisted company. | N/A |
| What happens if CapVest BidCo receives acceptances under the CapVest Takeover of 90% or more? | If CapVest BidCo receives acceptances under the CapVest Takeover of 90% or more of the Virtus Shares, CapVest BidCo intends to compulsorily acquire your Virtus Shares and you may be forced to receive consideration under the compulsory acquisition provisions of the Corporations Act equal to the CapVest Takeover Consideration, although you are likely to receive the consideration later than if you had accepted the CapVest Takeover. | Section 8 and 9.5(c) |

57. In each case, if paid. The availability of a Positive Tax Ruling is a condition to the payment of the Capital Return. If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration. It is also a condition to the payment of the Capital Return that payment is made by 30 September 2022.

3 Frequently asked questions

| Question | Answer | More information |
|---|--|-----------------------|
| RECOMMENDATIONS AND INTENTIONS | | |
| What happens if CapVest BidCo receives acceptances under the CapVest Takeover for greater than 50%, but less than 90%? | <p>If CapVest BidCo becomes the holder of more than 50% but less than 90% of the Virtus Shares pursuant to the CapVest Takeover, CapVest BidCo will acquire a majority shareholding in Virtus but will not be able to compulsorily acquire the Virtus Shares which have not been accepted into the CapVest Takeover.</p> <p>In addition, if CapVest BidCo acquires at least 75% of the Virtus Shares, it will be able to pass a special resolution of Virtus. This will enable CapVest BidCo to, among other things, change Virtus' constitution.</p> <p>In these circumstances, CapVest BidCo is also not supportive of Virtus' continued listing on ASX. While the decision to apply for removal of Virtus from ASX lies with the Virtus Board, CapVest BidCo will actively encourage Virtus to apply for removal of Virtus from ASX to the extent that it is able to do so consistently with ASX guidance.</p> <p>In these circumstances, CapVest BidCo will also implement the intentions in Section 8 to the extent possible. CapVest BidCo will continue to deal with its stake in Virtus with a view to maximising its returns.</p> | Sections 8 and 9.5(a) |
| What do the Virtus Directors recommend in relation to voting on the Scheme? | The Virtus Directors unanimously recommend that you vote in favour of the Scheme Resolution to approve the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Virtus Shareholders. | Section 2.4 |
| What do the Virtus Directors recommend in relation to the CapVest Takeover? | The Virtus Directors unanimously recommend that you accept the CapVest Takeover, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the CapVest Takeover is fair and reasonable, should the Scheme not be approved by Virtus Shareholders or the Court. | Section 2.7 |
| What do the Virtus Directors recommend in relation to the Capital Return? | The Virtus Directors unanimously recommend that you vote in favour of the resolution to approve the Capital Return, in the absence of a Superior Proposal and subject to the Takeover Recommendation continuing to be made. | Section 2.10 |
| What do the Virtus Directors intend to do? | <p>Each Virtus Director intends to:</p> <ul style="list-style-type: none"> – vote in favour of the Scheme, subject to there being no Superior Proposal and the Independent Expert continuing to conclude that the Scheme is in the best interests of Virtus Shareholders; – accept the CapVest Takeover, subject to there being no Superior Proposal and the Independent Expert continuing to conclude that the CapVest Takeover is fair and reasonable, should the Scheme not be approved by Virtus Shareholders or the Court; and – vote in favour of the Capital Return in the absence of a Superior Proposal and subject to the Takeover Recommendation continuing to be made. | Section 2 |

3 Frequently asked questions

| Question | Answer | More information |
|---|--|------------------|
| OTHER QUESTIONS | | |
| What happens if a competing proposal is received? | Under the Implementation Deed, Virtus is bound by certain exclusivity obligations, including in relation to a Competing Proposal. Subject to Virtus' exclusivity obligations under the Implementation Deed, the Virtus Directors will carefully consider a Competing Proposal and advise you of their recommendation. | Section 11.10(b) |
| Is there a break fee payable by Virtus? | Virtus must pay CapVest BidCo a break fee of approximately \$7.19 million (excluding GST) in certain circumstances. The break fee will not be payable as a result of the Scheme not receiving approval by the Requisite Majorities. | Section 11.10(c) |
| Is there a reverse break fee payable by CapVest? | CapVest BidCo must pay Virtus a reverse break fee of approximately \$7.19 million (excluding GST) in certain circumstances. | Section 11.10(d) |
| Can I sell my Virtus Shares now? | Yes. Provided you have not already accepted the CapVest Takeover or the BGH Takeover, you can sell your Virtus Shares on-market at any time before the close of trading on the ASX on the Effective Date (assuming the Scheme is approved by Virtus Shareholders at the Scheme Meeting) at the prevailing on-market price at that time (which may vary from the Scheme Consideration and the CapVest Takeover Consideration), or in the takeover bid context, at any time. If you do so, you will not receive the Scheme Consideration or the CapVest Takeover Consideration (nor any Special Scheme Dividend, Special Takeover Dividend nor Capital Return, as applicable, unless you held the Virtus Shares on the relevant record dates for those dividends or distributions) and you may incur brokerage costs. | N/A |
| Why have I received a bidder's statement from BGH? | BGH has made an unsolicited takeover bid for all of the Virtus Shares at \$8.00 per Virtus Share, which is \$0.15 per Virtus Share less than the Scheme Consideration, and \$0.10 per Virtus Share less than the CapVest Takeover Consideration. BGH's bidder's statement contains the terms of, and certain information from BGH in relation to, that offer. It does not contain all information Virtus Shareholders require to make an informed decision on the BGH Takeover. <i>Your Directors strongly recommend that you reject the BGH Takeover and take no action in relation to the BGH Takeover</i> until you have received and considered Virtus' target's statement in response to the BGH Takeover dated 3 May 2022, which sets out your Board's views and provides all material information on which to make an informed decision on the BGH Takeover. The BGH Takeover is offering less value to Virtus Shareholders than will be available under the CapVest Transaction. | N/A |
| FURTHER INFORMATION | | |
| What if I want further information? | If you have any questions in relation to the CapVest Transaction, the number of Virtus Shares you hold or other questions about your Virtus shareholdings or if you would like additional copies of this Booklet, please call the Virtus Shareholder Information Line on 1800 653 805 (within Australia) or +61 1800 653 805 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time). For information about your individual financial or taxation circumstances please consult your licensed financial adviser or other suitable professional adviser. | N/A |

4

Overview of the Scheme

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4 Overview of the Scheme

4.1 Scheme Consideration

The terms of the proposed Scheme provide that Virtus Shareholders will receive from CapVest \$8.15 cash per Virtus Share (\$8.27 per Virtus Share less the \$0.12 Interim Dividend declared on 22 February 2022 and paid on 14 April 2022) less the amount of any Special Scheme Dividend.

Virtus intends to pay a fully franked Special Scheme Dividend of up to \$0.44 per Virtus Share, subject to the necessary approvals for the Scheme being obtained. If Virtus announces a Special Scheme Dividend of up to \$0.44 per Virtus Share before the Special Scheme Dividend Record Date, Virtus Shareholders who hold Virtus Shares as at the Special Scheme Dividend Record Date will be paid the Special Scheme Dividend and the cash consideration per Virtus Share payable under the Scheme will be reduced by the cash amount of the Special Scheme Dividend.

If the Special Scheme Dividend is declared and the Scheme becomes Effective:

- the Scheme Consideration to be paid by CapVest BidCo to Scheme Shareholders under the terms of the Scheme will be \$8.15 per Virtus Share less the cash amount of the Special Scheme Dividend; and
- Virtus Shareholders will receive from Virtus a fully franked Special Scheme Dividend for each Virtus Share that they hold on the Special Scheme Dividend Record Date.

Virtus Shareholders who can capture the full benefit of the franking credits associated with the \$0.44 Special Scheme Dividend (if paid)⁵⁸, will receive additional value as a result of franking credits of up to \$0.19 per Virtus Share attached to the Special Scheme Dividend. Whether any Virtus Shareholder will be in a position to realise the full benefit of franking credits attached to any Special Scheme Dividend will depend on their tax status and specific circumstances.

The Special Scheme Dividend will not be paid if the Scheme does not become Effective.

4.2 Scheme Conditions

Implementation of the Scheme is subject to the following conditions precedent:

- Restraints:** no restraining order, injunction or other order that would prevent or materially restrict the Scheme made by a court of competent jurisdiction or Government Agency is in effect at 8.00am on the Second Court Date;
- Shareholder approval:** Virtus Shareholders approve the Scheme at the Scheme Meeting by the Requisite Majorities;
- Court approval:** the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- No Virtus Prescribed Occurrence:** no Virtus Prescribed Occurrence occurs between (and including) 13 March 2022 and 8.00am on the Second Court Date;
- No Material Adverse Change:** there is no Material Adverse Change between (and including) 13 March 2022 and 8.00am on the Second Court Date;
- Independent Expert's Report:** the Independent Expert provides an Independent Expert's Report to Virtus, stating that in its opinion the Scheme is in the best interests of Virtus Shareholders, and the Independent Expert does not change or publicly withdraw this conclusion prior to 8.00am on the Second Court Date;
- Warranties:** the representations and warranties given by CapVest BidCo in relation to funding are true and correct at all times between (and including) 13 March 2022 and 8.00am on the Second Court Date; and
- Performance Rights and Options:** before 8.00am on the Second Court Date, arrangements have been put in place to deal with any options and performance rights on terms acceptable to CapVest BidCo, such that no options or performance rights are in existence on the Scheme Record Date.

The Scheme was subject to CapVest BidCo receiving FIRB approval in connection with the Scheme. This Condition has been fully satisfied as announced by Virtus to ASX on 25 March 2022.

The Scheme will not proceed unless all of the Scheme Conditions are satisfied or waived (as applicable) in accordance with the Implementation Deed.

As at the date of this Booklet, none of the Virtus Directors nor CapVest BidCo are aware of any circumstances which would cause any Scheme Condition not to be satisfied.

As at the date of this Booklet the Virtus Board is not aware of any Material Adverse Change or any Virtus Prescribed Occurrences having occurred.

58. The payment and the amount of any special dividend remain at the discretion of the Virtus Board and will be subject to tax advice based on franking credits available and forecast to the time for payment of the dividend as a result of the earnings performance of Virtus at that time.

4 Overview of the Scheme

4.3 Key steps for implementing the Scheme

a) Preliminary steps

Virtus and CapVest BidCo entered into the Implementation Deed on 13 March 2022 (as amended and restated on 13 April 2022 and again on 4 May 2022), pursuant to which, among other things, Virtus agreed to propose the Scheme.

CapVest BidCo has executed the Deed Poll, pursuant to which CapVest BidCo, subject to the Scheme becoming Effective, agrees to provide the Scheme Consideration to which each Scheme Shareholder is entitled under the terms of the Scheme in consideration for the transfer of each Scheme Share.

A copy of the proposed Scheme is set out in Attachment D to this Booklet.

A copy of the Deed Poll is set out in Attachment E to this Booklet.

b) Scheme Meeting

The Court has ordered that the Scheme Meeting be held at 11.00am (Sydney time) on Monday, 6 June 2022 for the purposes of approving the Scheme Resolution. The Notice of Scheme Meeting for Virtus Shareholders which sets out the Scheme Resolution is included in Attachment B to this Booklet.

Each Virtus Shareholder who is registered on the Virtus Share Register at 11.00am (Sydney time) on the date which is two days before the Scheme Meeting (two days prior is currently expected to be Saturday, 4 June 2022) is entitled to attend and vote at the Scheme Meeting, either in person (virtually) or by proxy, by attorney or in the case of a body corporate, by its corporate representative appointed in accordance with section 250D of the Corporations Act.

Instructions on how to attend and vote at the Scheme Meeting in person (virtually), or to appoint a proxy to attend and vote on your behalf, are set out on page 17 of this Booklet.

The Scheme Resolution must be approved by the Requisite Majorities, being:

- i) a majority in number (more than 50%) of Virtus Shareholders present and voting at the Scheme Meeting (whether in person (virtually), by proxy, by attorney or, in the case of corporate Virtus Shareholders, by a corporate representative) (the **Headcount Test**); and
- ii) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting.

It should be noted that the Court has the power to waive the Headcount Test.

Your Board strongly encourages every Virtus Shareholder to vote at the Scheme Meeting because every vote in favour of the Scheme will increase the likelihood of all Virtus Shareholders receiving the additional \$0.05 of value per Virtus Share available under the Scheme as compared to the CapVest Takeover. This is all the more important because BGH (which as at the date of this Booklet has voting power in 20.02% of all Virtus Shares) has stated that it will vote all Virtus Shares that it owns or controls at the relevant time against the Scheme. Accordingly, to the extent that BGH continues to own or control 20.02% of Virtus Shares on the date of the Scheme Meeting, at least 20.02% of Virtus Shares is expected to be voted against the Scheme. Given the 75% voting threshold noted above applies in respect of votes cast at the Scheme Meeting, it is important for as many Virtus Shareholders as possible who support the Scheme to cast a vote in its favour (either by proxy or in person (virtually)). A failure to do so could cause the Scheme to be defeated and thereby trigger the CapVest Takeover and deny all Virtus Shareholders the ability to receive an extra \$0.05 of value per Virtus Share as compared to the CapVest Takeover.

BGH is a rival underbidder that is seeking to secure control of Virtus. You should not assume that its interests in opposing the Scheme aligns with the interests of other Virtus Shareholders.

Voting is not compulsory. However, the Virtus Directors unanimously recommend that Virtus Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Virtus Shareholders.

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majorities of Virtus Shareholders and the Court. If this occurs, your Virtus Shares will be transferred to CapVest BidCo and you will receive the Scheme Consideration in respect of Virtus Shares you hold on the Scheme Record Date even though you did not vote on, or voted against, the Scheme.

The results of the Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meeting and will be announced to ASX (<https://www.asx.com.au/>) once available.

4 Overview of the Scheme

4.3 Key steps for implementing the Scheme *continued*

c) Second Court Hearing

In the event that:

- i) the Scheme Resolution is approved by the Requisite Majorities of Virtus Shareholders at the Scheme Meeting; and
- ii) all Scheme Conditions have been satisfied or remain capable of being satisfied, or waived (if applicable),

Virtus will apply to the Court for orders approving the Scheme at the Second Court Hearing.

The Court has a broad discretion whether or not to approve the Scheme under section 411(4)(b) of the Corporations Act. The Second Court Hearing is scheduled to occur on the Second Court Date (currently expected to be 9.15am (Sydney time) on Wednesday, 8 June 2022). Each Virtus Shareholder has the right to appear and be heard at the Second Court Hearing and may oppose the approval of the Scheme at the Second Court Hearing. If you wish to oppose in this manner, you must file with the Court and serve on Virtus a notice of appearance in the prescribed form together with any affidavit that you propose to rely on.

d) Effective Date

If the Court makes orders approving the Scheme and all other Scheme Conditions have been satisfied or waived (where capable of waiver), then Virtus will lodge with ASIC an office copy of the Court orders given under section 411(4)(b) of the Corporations Act approving the Scheme. As soon as copies of the Court orders approving the Scheme are lodged with ASIC, the Scheme will become Effective. It is anticipated that this will occur on the Business Day immediately following the Court Approval Date.

If the Scheme becomes Effective:

- i) CapVest BidCo will become bound to pay the Scheme Consideration to the Scheme Shareholders on the Implementation Date;
- ii) if the Special Scheme Dividend has been declared, Virtus will become bound to pay the Special Scheme Dividend to the Scheme Shareholders who hold Virtus Shares on the Special Scheme Dividend Record Date (this is expected to occur on the Implementation Date); and
- iii) subject to payment of the aggregate Scheme Consideration by CapVest BidCo as referred to in Section 4.4(a) of this Booklet below, Virtus will become bound to take the steps required for CapVest BidCo to become the holder of all Virtus Shares.

Virtus will, on the Scheme becoming Effective, give notice of that event on the ASX. Virtus intends to apply to the ASX for Virtus Shares to be suspended from the official quotation on the ASX from the close of trading on the Effective Date.

4.4 Implementation of the Scheme – payment of Scheme Consideration

On the Implementation Date, currently expected to be Wednesday, 22 June 2022, the Scheme will be implemented by Virtus and CapVest BidCo undertaking the following steps.

a) Deposit of aggregate Scheme Consideration by CapVest BidCo

Before midday on the Business Day before the Implementation Date, CapVest BidCo will deposit (or will procure the deposit of) the aggregate Scheme Consideration payable to all Scheme Shareholders in cleared funds to an account nominated by Virtus to be held on trust by Virtus for Scheme Shareholders.

b) Transfer of all Virtus Shares to CapVest BidCo

Subject to payment of the aggregate Scheme Consideration by CapVest BidCo as referred to in paragraph (a), all of the Virtus Shares will be transferred to CapVest BidCo by Virtus (on behalf of all Scheme Shareholders) and Virtus will enter the name of CapVest BidCo in the Virtus Share Register in respect of all Virtus Shares.

4 Overview of the Scheme

4.4 Implementation of the Scheme – payment of Scheme Consideration *continued*

c) Payment of Scheme Consideration and Special Scheme Dividend

The Scheme Consideration will be paid by Virtus by either:

- i) sending a cheque for the Scheme Consideration that you are entitled to receive under the Scheme to your address shown in the Virtus Share Register as at the Scheme Record Date; or
- ii) making a payment to your nominated bank account with the Virtus Share Registry as at the Scheme Record Date.

If the Special Scheme Dividend is declared, it will be paid by Virtus in the same way that you have previously elected to receive dividends from Virtus. Accordingly, Virtus Shareholders are encouraged to elect to receive their dividend entitlements via electronic funds transfer. If you have not previously notified the Virtus Share Registry of your nominated bank account or you would like to change your existing nominated bank account, you should contact the Virtus Share Registry online at <https://www.linkmarketservices.com.au/> or on 1800 653 805 (within Australia) or +61 1800 653 805 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time) before the Special Scheme Dividend Record Date (which will be before the Scheme Record Date).

If a Scheme Shareholder has not nominated a bank account and their whereabouts are unknown as at the Special Scheme Dividend Record Date (which will be before the Scheme Record Date), the Scheme Consideration and Special Scheme Dividend (if any) will be paid into a separate bank account and held by Virtus on trust for you until claimed or applied under laws dealing with unclaimed money. If you wish to confirm your current address details with the Virtus Share Registry, you may do so using the link or contact details above.

If any amount (**Withholding Amount**) is required under any Australian law or by any Government Agency, to be:

- i) withheld from any consideration otherwise payable to you under the Scheme and paid to a Government Agency; or
- ii) retained by CapVest BidCo out of any consideration otherwise payable to you under the Scheme,

the payment or retention by CapVest BidCo of the Withholding Amount (as applicable) will constitute full discharge of CapVest BidCo's obligations to pay the consideration to you to the extent of the Withholding Amount.

4.5 Determination of persons entitled to Scheme Consideration

a) Dealings on or prior to the Scheme Record Date

For the purpose of establishing the persons who are Scheme Shareholders, dealings in Virtus Shares will only be recognised if:

- i) in the case of dealings of the type to be effected by CHESS, the transferee is registered on the Virtus Share Register as a holder of the relevant Virtus Shares as at the Scheme Record Date; and
- ii) in all other cases, registrable transfers or transmission applications are received at the place where the Virtus Share Register is maintained by 5.00pm (Sydney time) on the Scheme Record Date (in which case, Virtus must register such transfers or transmission applications before 5.00pm (Sydney time) on the Scheme Record Date).

Virtus will not accept for registration nor recognise for the purpose of establishing the persons who are Scheme Shareholders any transmission application or transfer in respect of Virtus Shares received after such times or received prior to such times but not in actionable or registrable form (as appropriate).

b) Dealings after the Scheme Record Date

For the purposes of determining entitlements to Scheme Consideration, Virtus will maintain the Virtus Share Register in accordance with the terms of the Scheme until the Scheme Consideration has been paid to Scheme Shareholders and the name and address of CapVest BidCo has been entered in the Virtus Share Register as the holder of all the Virtus Shares. The Virtus Share Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- each entry on the Virtus Share Register relating to the Scheme Shares will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of such Scheme Shares; and
- all statements of holding for Scheme Shares will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of such Scheme Shares.

4 Overview of the Scheme

4.6 Determination of persons entitled to Special Scheme Dividend (if declared)

For the purpose of determining entitlements to the Special Scheme Dividend, dealings in Virtus Shares will only be recognised if:

- a) in the case of dealings of the type to be effected by CHES, the transferee is registered on the Virtus Share Register as a holder of the relevant Virtus Shares as at the Special Scheme Dividend Record Date; and
- b) in all other cases, registrable transfers or transmission applications are received at the place where the Virtus Share Register is maintained by 5.00pm (Sydney time) on the Special Scheme Dividend Record Date (in which case, Virtus must register such transfers or transmission applications before 5.00pm (Sydney time) on the Special Scheme Dividend Record Date).

Virtus will not accept for registration nor recognise for the purpose of establishing the persons who are Scheme Shareholders any transmission application or transfer in respect of Virtus Shares received after such times or received prior to such times but not in actionable or registrable form (as appropriate).

4.7 Deed Poll

CapVest BidCo has executed the Deed Poll, under which CapVest BidCo has undertaken, in favour of each Scheme Shareholder to provide the Scheme Consideration to each Scheme Shareholder which is entitled to receive the Scheme Consideration under the Scheme, and to perform its obligations under the Scheme, subject to the Scheme becoming Effective.

A copy of the Deed Poll is contained in Attachment E to this Booklet.

4.8 Delisting of Virtus

Following the implementation of the Scheme, Virtus will apply for termination of the official quotation of Virtus Shares on the ASX, and for Virtus to be removed from the official list of the ASX.

4.9 End date

If the Scheme has not become Effective on or before the End Date, either Virtus or CapVest BidCo is able to terminate the Implementation Deed. If the Implementation Deed is terminated, the Scheme will not proceed.

4.10 Further questions

If you have any questions in relation to the CapVest Transaction, the number of Virtus Shares you hold or other questions about your Virtus shareholdings, please call the Virtus Shareholder Information Line on 1800 653 805 (within Australia) or +61 1800 653 805 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time).

5

**Overview of the
CapVest Takeover**

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5 Overview of the CapVest Takeover

5.1 Introduction

In addition to the Scheme, CapVest BidCo is making a simultaneous CapVest Takeover. Under the CapVest Takeover (which is conditional on a number of items, including the Scheme not becoming Effective), CapVest BidCo is offering to acquire your Takeover Shares on the terms and conditions set out in Sections 5.2 to 5.20 of this Section 5. This Section 5 has been prepared by, and is the responsibility of, CapVest BidCo.

CapVest Takeover Consideration

You will be entitled to receive \$8.10 cash for each Virtus Share (being \$8.22 per Virtus Share before deducting the \$0.12 Interim Dividend that was paid on 14 April 2022) held by you that you accept into the CapVest Takeover and the CapVest Takeover Conditions are satisfied or waived.⁵⁹

This may (depending on whether the Capital Return or a Special Takeover Dividend is paid) comprise up to three payments, being:

- \$4.99 per Virtus Share from CapVest BidCo; plus
- a fully franked special dividend of up to \$0.44 per Virtus Share from Virtus (assuming you hold your Virtus Shares on the Special Takeover Dividend Record Date);⁶⁰ plus
- a capital return of an amount equal to \$3.11 less the amount of any Special Takeover Dividend (i.e. between \$2.67 and \$3.11 (inclusive)) per Virtus Share from Virtus (assuming you hold your Virtus Shares on the Capital Return Record Date).⁶¹

If the Capital Return Record Date occurs after the CapVest Takeover Offer Period, then the \$8.10 cash per Virtus Share consideration payable under the CapVest Takeover will not be reduced by the amount of the Capital Return (but will be reduced by the amount of any Special Takeover Dividend, if so paid). If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration.

In addition, those Virtus Shareholders who can capture the full benefit of the franking credits associated with the \$0.44 Special Takeover Dividend (if paid)⁶², will receive additional value as a result of franking credits of up to \$0.19 per Virtus Share attached to the Special Takeover Dividend. Whether any Virtus Shareholder will be in a position to realise the full benefit of franking credits attached to any Special Takeover Dividend will depend on their tax status and specific circumstances.

Accepting the CapVest Takeover

To accept the CapVest Takeover you should comply with the procedures set out in Section 5.4 below. This means:

- **Issuer Sponsored:** For Virtus Shares held in your name on Virtus' issuer sponsored sub-register (in which case your Shareholder Reference Number (SRN) will commence with an "I") – **complete and sign** the relevant Acceptance Form and return the relevant Acceptance Form using the enclosed reply paid envelope as follows:
 - > by emailing your completed Acceptance Form to takeover@linkmarketservices.com.au with the subject line "CapVest Takeover of Virtus Acceptance". Your Acceptance Form must be emailed before the end of the CapVest Takeover Offer Period; or
 - > by mailing your completed Acceptance Form to the address specified in the relevant Acceptance Form using the enclosed pre-addressed envelope. Your Acceptance Form must be sent and post-marked before the end of the CapVest Takeover Offer Period.
- **CHES Holding:** For Virtus Shares held in a CHES Holding (in which case your Holder Identification Number (HIN) will commence with an "X") you can either:
 - > **instruct** your Controlling Participant (usually your stockbroker) to **initiate acceptance** on your behalf; or
 - > complete and sign the relevant Acceptance Form and return the relevant Acceptance Form using the enclosed reply paid envelope as follows:
 - by emailing your completed Acceptance Form to takeover@linkmarketservices.com.au with the subject line "CapVest Takeover of Virtus Acceptance". Your Acceptance Form must be emailed before the end of the CapVest Takeover Offer Period in sufficient time for your Controlling Participant to act on your instruction before the end of the CapVest Takeover Offer Period; or
 - by mailing your completed Acceptance Form to the address specified in the relevant Acceptance Form using the enclosed pre-addressed envelope. Your Acceptance Form must be received before the end of the CapVest Takeover Offer Period in sufficient time for your Controlling Participant to act on your instruction before the end of the CapVest Takeover Offer Period.

59. If a Special Takeover Dividend is payable, or a Capital Return is payable, you will receive \$8.10 per Virtus Share provided you hold the Virtus Shares which are accepted into the CapVest Takeover on the relevant record dates.

60. A special dividend of this amount could have up to approximately \$0.19 per share in franking credits attached and eligible Virtus Shareholders may receive the benefit from any such franking credits, subject to their marginal tax rate. The payment and the amount of any special dividend remain at the discretion of the Virtus Board and will be subject to tax advice based on franking credits available and forecast to the time for payment of the dividend as a result of the earnings performance of Virtus at that time.

61. The availability of a Positive Tax Ruling is a condition to the payment of the Capital Return. If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration. It is also a condition to the payment of the Capital Return that payment is made by 30 September 2022.

62. The payment and the amount of any special dividend remain at the discretion of the Virtus Board and will be subject to tax advice based on franking credits available and forecast to the time for payment of the dividend as a result of the earnings performance of Virtus at that time.

5 Overview of the Takeover Bid

5.1 Introduction *continued*

If you do return your completed Acceptance Form to Link instead of your Controlling Participant, Link will endeavour to contact your Controlling Participant on your behalf and relay your instructions but makes no guarantee that it will do so. It is your Controlling Participant's responsibility to acknowledge and accept these instructions so please ensure you allow sufficient time to do so. Neither CapVest BidCo nor Link will be responsible should your Controlling Participant not acknowledge and accept your instructions.

– Other:

- > For Takeover Shares which are not held in your name, but to which you are entitled to be registered as holder, you must contact the Virtus Shareholder Information Line on 1800 653 805 (within Australia) or +61 1800 653 805 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time) to obtain the appropriate Acceptance Form.
- > To accept the CapVest Takeover offer made to you for any distinct parcel of Virtus Shares, follow the instructions in section 5.16(c) below.
- > If your Virtus Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee, you should contact that party for assistance in accepting into the CapVest Takeover.
- > If you need another copy of your Acceptance Form, you can also access your Acceptance Form by logging into <https://www.virtushealth.com.au/takeover-acceptance-form> and following the instructions. This will allow you to download a personalised Acceptance Form relevant to you. As noted above, you will need to email your completed Acceptance Form to takeover@linkmarketservices.com.au with the subject line "CapVest Takeover of Virtus Acceptance" or post the hardcopy form to the address specified in the Acceptance Form using the enclosed pre-addressed envelope.

You may vote in favour of the Scheme and the Capital Return and accept the CapVest Takeover at the same time, as the terms of the CapVest Transaction determine whether the Scheme will be implemented or whether the CapVest Takeover will proceed.

However, please make sure you also vote on the Scheme Resolution and the Capital Return Resolution, and be aware that accepting the CapVest Takeover early will restrict your ability to sell your Virtus Shares to another person unless you are entitled to withdraw your acceptance. You may only withdraw your acceptance if the CapVest Takeover remains subject to the CapVest Takeover Conditions and CapVest BidCo varies the CapVest Takeover in a way that postpones the time when CapVest BidCo is required to satisfy its obligations under the CapVest Takeover by more than one month.

CapVest Takeover Conditions

The CapVest Takeover Conditions are set out in full in Section 5.8 below. Key CapVest Takeover Conditions include:

- either the Scheme is not approved at the Scheme Meeting by the Requisite Majorities or following approval at the Scheme Meeting by the Requisite Majorities the Court does not approve the Scheme;
- CapVest BidCo has a Relevant Interest in at least 50.1% of the Virtus Shares (on a fully diluted basis); and
- Virtus Shareholders approve the Capital Return Resolution.

Waiver of the CapVest Takeover Condition relating to the Scheme Meeting requires the consent of Virtus. CapVest BidCo is free to waive any of the other CapVest Takeover Conditions in its absolute discretion.

Key Dates

| | |
|---|------------------------------|
| Date of CapVest Takeover offers | 6 May 2022 |
| Closing Date (unless extended or withdrawn) | 7.00 pm, Tuesday 5 July 2022 |

Payment under CapVest Takeover

Subject to the Corporations Act and the terms of the CapVest Takeover (see Section 5.7 below), if you accept your Virtus Shares into the CapVest Takeover, you will be sent the CapVest Takeover Consideration due to you from CapVest BidCo on or before the earlier of:

- one month after the date of your acceptance or, if the CapVest Takeover is subject to a CapVest Takeover Condition when you accept into the CapVest Takeover, within one month after the CapVest Takeover is declared or becomes unconditional; and
- if the CapVest Takeover is declared or becomes unconditional, 21 days after the end of the CapVest Takeover Offer Period.

5.2 The CapVest Takeover

- a) CapVest BidCo offers to acquire all (but not some only) of your Takeover Shares, on and subject to the terms and conditions set out in this Section 5.
- b) The consideration per Virtus Share under the CapVest Takeover offers is the CapVest Takeover Consideration.
- c) By accepting the CapVest Takeover, you undertake to transfer to CapVest BidCo not only the Takeover Shares to which the CapVest Takeover relates, but also all Rights attached to your Takeover Shares. Essentially, the effect of this is that the CapVest Takeover Consideration will be reduced by the cash amount of any Special Takeover Dividend, and any Capital Return to which you become entitled.

5 Overview of the Takeover Bid

5.2 The CapVest Takeover *continued*

- d) The offers under the CapVest Takeover are made to each person registered as the holder of Virtus Shares in the Virtus Share Register on the Takeover Register Date.
- e) The offers under the CapVest Takeover also extend to:
 - i) holders of securities that come to be Virtus Shareholders during the period from the Takeover Register Date to the end of the CapVest Takeover Offer Period (inclusive) due to the conversion of, or exercise of rights conferred by, such securities (including the exercise or vesting of Virtus Performance Rights) and which are on issue as at the Takeover Register Date;
 - ii) any person who becomes registered, or entitled to be registered, as the holder of Virtus Shares during the CapVest Takeover Offer Period; and
 - iii) any person referred to in Section 5.16.
- f) The CapVest Takeover is dated 6 May 2022.

5.3 CapVest Takeover Offer Period

- a) Unless withdrawn, the offers under the CapVest Takeover will remain open for acceptance during the period commencing on the date of the CapVest Takeover (6 May 2022) and ending at 7.00pm (Sydney time) on the later of:
 - i) the date that is 20 Business Days after the date of the Scheme Meeting (currently expected to be Tuesday 5 July 2022); or
 - ii) any date to which the CapVest Takeover Offer Period is extended.
- b) CapVest BidCo reserves the right, exercisable in its sole discretion, to extend the CapVest Takeover Offer Period in accordance with the Corporations Act.
- c) If, within the last seven days of the CapVest Takeover Offer Period, either of the following events occur:
 - i) the CapVest Takeover is varied to improve the consideration offered; or
 - ii) CapVest BidCo's Voting Power in Virtus increases to more than 50%,the CapVest Takeover Offer Period will be automatically extended so that it ends 14 days after the relevant event in accordance with section 624(2) of the Corporations Act. CapVest BidCo must give Virtus and each Virtus Shareholder who has not accepted the CapVest Takeover written notice that the extension has occurred within three days after that event.
- d) Despite anything else in this Section 5, the CapVest Takeover Offer Period must not expire prior to the date that is 20 Business Days after the date of the Scheme Meeting.

5.4 How to accept the CapVest Takeover

a) General

- i) Subject to Sections 5.16(b) and 5.16(c), you may accept the CapVest Takeover for all (and not some only) of your Takeover Shares.
- ii) You may accept the CapVest Takeover at any time during the CapVest Takeover Offer Period.
- iii) CapVest BidCo may establish an institutional acceptance facility to facilitate the acceptance of offers under the CapVest Takeover by institutional Virtus Shareholders.
- iv) When accepting the CapVest Takeover, you should also forward for inspection:
 - a) if the relevant Acceptance Form is executed by an attorney, a certified copy of the power of attorney; and
 - b) if the relevant Acceptance Form is executed by the executor of a will or the administrator of the estate of a deceased Virtus Shareholder, the relevant grant of probate or letters of administration.
- v) If some of your Takeover Shares are in different holdings, your acceptance of the offers under the CapVest Takeover will require action under Sections 5.4(b) to 5.4(d) (as applicable) in relation to each of your holdings.

b) Issuer sponsored holdings – Acceptance Form

To accept the CapVest Takeover for Takeover Shares held in your name on Virtus' issuer sponsored sub register (in which case your Shareholder Reference Number will commence with an 'I'), you must:

- i) **complete and sign** the relevant Acceptance Form in accordance with the terms of the CapVest Takeover and the instructions on the relevant Acceptance Form; and
- ii) **ensure** that the relevant Acceptance Form (including any documents required by the terms of the CapVest Takeover and the instructions on the Acceptance Form) is sent:
 - a) if by email, sent to takeover@linkmarketservices.com.au with the subject line "CapVest Takeover of Virtus Acceptance" before the end of the CapVest Takeover Offer Period; and
 - b) if by post only, sent and postmarked before the end of the CapVest Takeover Offer Period, at the address shown on the Acceptance Form.

5 Overview of the Takeover Bid

5.4 How to accept the CapVest Takeover *continued*

c) CHES Holdings – Acceptance Form

If your Takeover Shares are held in a CHES Holding (in which case your Holder Identification Number will commence with an 'X'), to accept the CapVest Takeover you must do one of the following:

- i) **instruct** your Controlling Participant (usually your stockbroker) to initiate acceptance of the offers under the CapVest Takeover on your behalf, so as to be effective before the end of the CapVest Takeover Offer Period; or
- ii) **complete and sign** the relevant Acceptance Form in accordance with the instructions on it and return it together with all other documents required by those instructions on it, so that they are:
 - a) if sent by email, sent to takeover@linkmarketservices.com.au with the subject line "CapVest Takeover of Virtus Acceptance"; and
 - b) if sent by post only, to the address specified in the relevant Acceptance Form using the enclosed pre-addressed envelope, in each case sent and received in sufficient time for your Controlling Participant to act on your instruction before the end of the CapVest Takeover Offer Period. This will authorise CapVest BidCo to initiate, or alternatively to instruct your Controlling Participant to initiate, acceptance of the offers under the CapVest Takeover on your behalf, so as to be effective before the end of the CapVest Takeover Offer Period. You must ensure that the relevant Acceptance Form (and the other required documents) are received in sufficient time for CapVest BidCo to give instructions to your Controlling Participant, and for your Controlling Participant to carry out those instructions, before the end of the CapVest Takeover Offer Period.

If you do return your completed Acceptance Form to Link instead of your Controlling Participant, Link will endeavour to contact your Controlling Participant on your behalf and relay your instructions but makes no guarantee that it will do so. It is your Controlling Participant's responsibility to acknowledge and accept these instructions so please ensure you allow sufficient time to do so. Neither CapVest BidCo nor Link will be responsible should your Controlling Participant not acknowledge and accept your instructions.

However, if you are the Controlling Participant in respect of your Takeover Shares, to accept the CapVest Takeover ***you must initiate acceptance of the offers under the CapVest Takeover before the end of the CapVest Takeover Offer Period.***

d) Takeover Shares to which you are entitled to be registered

- i) To accept the CapVest Takeover for Takeover Shares which are not held in your name, but to which you are entitled to be registered as holder, you must contact the Virtus Shareholder Information Line on 1800 653 805 (within Australia) or +61 1800 653 805 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time) to obtain the appropriate Acceptance Form.
- ii) To accept the CapVest Takeover, you must:
 - a) **complete and sign** that Acceptance Form in accordance with the terms of the CapVest Takeover and the instructions on that Acceptance Form; and
 - b) **ensure** that the Acceptance Form (including any documents required by the terms of the CapVest Takeover and the instructions on that Acceptance Form) is emailed to takeover@linkmarketservices.com.au with the subject line "CapVest Takeover of Virtus Acceptance" or if sent by post only, sent and postmarked before the end of the CapVest Takeover Offer Period, to one of the addresses shown on that Acceptance Form.

e) Acceptance Forms and other documents

- i) The Acceptance Forms form part of the CapVest Takeover.
- ii) If your Acceptance Form (including any documents required by the terms of the CapVest Takeover and the instructions on the Acceptance Form) is returned by email, it will be deemed to be received when the email is sent (unless you receive an automated message confirming that the email has not been sent) or if it is returned by post, it will be deemed to be received in time if the envelope in which it is sent is postmarked before the end of the CapVest Takeover Offer Period, even if it is received after that date.
- iii) When using the Acceptance Form to accept the CapVest Takeover in respect of Takeover Shares in a CHES Holding, you must ensure that the Acceptance Form (and any documents required by the terms of the CapVest Takeover and the instruction on the Acceptance Form) are received (by email or by post) by the recipient specified on that Acceptance Form before the end of the CapVest Takeover Offer Period, in sufficient time for CapVest BidCo to give instructions to your Controlling Participant, and for your Controlling Participant to carry out those instructions.
- iv) The email, postage and transmission of the Acceptance Forms and other documents are at your own risk. No acknowledgement of receipt of any such documents will be given to you by or on behalf of CapVest BidCo.

5 Overview of the Takeover Bid

5.5 Validity of acceptances

- a) CapVest BidCo may determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the CapVest Takeover and time of receipt of an acceptance of the CapVest Takeover. The determination of CapVest BidCo will be final and binding on all parties.
- b) CapVest BidCo may, in its sole discretion, at any time and without further communication to you, deem any Acceptance Form it receives to be a valid acceptance in respect of Takeover Shares, even if a requirement for acceptance has not been complied with but the payment of the consideration in accordance with the CapVest Takeover may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by CapVest BidCo.
- c) Where you satisfy the requirement for acceptance in respect of only some of your Takeover Shares, CapVest BidCo will be entitled, in its sole discretion, to regard the CapVest Takeover to be accepted in respect of those Takeover Shares but not the remainder.
- d) If at any time during the CapVest Takeover Offer Period some of your Takeover Shares are subject to transfer restrictions imposed by Virtus (for example, if they are in escrow), then you may accept as if a separate offer in the form of the CapVest Takeover had been made in relation to the balance of your Takeover Shares.

5.6 The effect of acceptance

- a) Where you have accepted the CapVest Takeover, you will:
 - i) not be able to revoke your acceptance of an offer under the CapVest Takeover and the contract resulting from your acceptance will be binding on you; and
 - ii) not be able to withdraw your Takeover Shares from the CapVest Takeover or otherwise dispose of your Takeover Shares, except as permitted under the Corporations Act as follows:
 - a) in circumstances where the CapVest Takeover is deemed automatically void or acceptances under the CapVest Takeover are rescinded as contemplated by Section 5.9; or
 - b) if the CapVest Takeover is subject to one or more of the CapVest Takeover Conditions in Section 5.8 and CapVest BidCo varies the CapVest Takeover in a way that postpones for more than 1 month the time when it is required to meet its obligations under the CapVest Takeover, then you may be able to withdraw your acceptance in respect of your Takeover Shares in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.
- b) By signing and returning your Acceptance Form, or otherwise accepting the CapVest Takeover pursuant to Section 5.4, you will be deemed to have:
 - i) accepted the CapVest Takeover (and any variation of it) in respect of, and, subject to all of the CapVest Takeover Conditions in Section 5.8 being satisfied or waived, agreed to transfer (or consented to the transfer in accordance with the ASX Settlement Operating Rules) to CapVest BidCo, all your Takeover Shares (even if the number of Takeover Shares specified on the relevant Acceptance Form or online differs from the number of Takeover Shares) and all Rights attached to those Takeover Shares (excluding those Rights for which a deduction has been made as a result of any Capital Return or Special Takeover Dividend payable in respect of that Virtus Share);
 - ii) represented and warranted to CapVest BidCo, as a fundamental condition going to the root of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of your Takeover Shares (including any relevant Rights) to CapVest BidCo is registered, that your Takeover Shares are and will be fully paid and free from all mortgages, charges, liens, encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept the CapVest Takeover and to sell and transfer the legal and beneficial ownership in your Takeover Shares (including any relevant Rights) to CapVest BidCo, and that you have paid to Virtus all amounts which at the time of acceptance have fallen due for payment to Virtus in respect of your Takeover Shares;
 - iii) irrevocably authorised CapVest BidCo (or any director, secretary or nominee of CapVest BidCo) to alter the relevant Acceptance Form on your behalf by inserting correct details of your Takeover Shares, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by CapVest BidCo to make it an effective acceptance of the CapVest Takeover offers or to enable registration of your Takeover Shares in the name of CapVest BidCo;
 - iv) if you signed the relevant Acceptance Form in respect of Takeover Shares which are held in a CHESS Holding, irrevocably authorised CapVest BidCo (or any director, secretary, nominee or agent of CapVest BidCo) to:
 - a) initiate, or alternatively instruct your Controlling Participant to initiate, acceptance of the CapVest Takeover offers in respect of your Takeover Shares in accordance with Rule 14.14 of the ASX Settlement Operating Rules; and
 - b) give any other instructions in relation to your Takeover Shares to your Controlling Participant, as determined by CapVest BidCo acting in its own interests as a beneficial owner and intended registered holder of those Takeover Shares;

5 Overview of the Takeover Bid

5.6 The effect of acceptance *continued*

- v) irrevocably authorised and directed Virtus to pay to CapVest BidCo, or to account to CapVest BidCo for, all Rights in respect of your Takeover Shares (excluding those Rights for which a deduction has been made as a result of any Capital Return or Special Takeover Dividend payable in respect of that Virtus Share), subject, if the CapVest Takeover is withdrawn, to CapVest BidCo accounting to you for any such Rights received by CapVest BidCo;
 - vi) irrevocably authorised CapVest BidCo to notify Virtus on your behalf that your place of address for the purpose of serving notices upon you in respect of your Takeover Shares is the address specified by CapVest BidCo in the notification;
 - vii) agreed to do all such acts, matters and things that CapVest BidCo may require to give effect to the matters the subject of this Section 5.6(b) (including the execution of a written form of proxy to the same effect as this Section 5.6(b) which complies in all respects with the requirements of the constitution of Virtus) if requested by CapVest BidCo;
 - viii) agreed to indemnify CapVest BidCo in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or Shareholder Reference Number or in consequence of the transfer of your Takeover Shares to CapVest BidCo being registered by Virtus without production of your Holder Identification Number or your Shareholder Reference Number for your Takeover Shares;
 - ix) represented and warranted to CapVest BidCo that, unless you have notified it in accordance with Section 5.16(c)(ii), your Takeover Shares do not consist of separate parcels of Takeover Shares;
 - x) irrevocably authorised CapVest BidCo (and any nominee) to transmit a message in accordance with Rule 14.17 of the ASX Settlement Operating Rules to transfer your Takeover Shares to CapVest BidCo's Takeover Transferee Holding (as defined in the ASX Settlement Operating Rules), regardless of whether it has paid the consideration due to you under the CapVest Takeover;
 - xi) where, at that time, you have a right to be registered as a holder of the Takeover Shares the subject of your acceptance as the result of an on-market purchase (but are not a Virtus Shareholder):
 - a) agreed to use best endeavours to procure the delivery of the Takeover Shares the subject of your acceptance to CapVest BidCo in accordance with your acceptance (including giving CapVest BidCo all documents necessary to vest those Takeover Shares in CapVest BidCo or otherwise to give CapVest BidCo the benefit or value of those Takeover Shares);
 - b) agreed not to do or omit to do anything which may frustrate your acceptance of the CapVest Takeover, or otherwise obstruct registration of the transfer of the Takeover Shares the subject of your acceptance to CapVest BidCo;
 - c) irrevocably assigned to CapVest BidCo all contractual rights and recourse against the vendor in respect of your on-market purchase which contractual rights and recourse may arise by reason of that person's failure to complete that trade;
 - d) agreed to assign to CapVest BidCo (without any further action being required) all rights in respect of your on-market purchase immediately on any failure by you to complete that trade, including irrevocably assigning to CapVest BidCo the right to (at CapVest BidCo's sole discretion) complete that trade on your behalf and agreed that CapVest BidCo may deduct from the consideration otherwise payable to you (pursuant to a valid acceptance of the CapVest Takeover offers and the delivery of the Takeover Shares the subject of that acceptance) any amount paid by CapVest BidCo in order to settle that on-market purchase on your behalf. If CapVest BidCo does not, or cannot, make such a deduction, you must pay such amount to CapVest BidCo; and
 - e) agreed that if you are unable to assign to CapVest BidCo any of the rights and recourse specified under Sections 5.6(b)(xi)(C) and 5.6(b)(xi)(D), you will assign such rights and recourse as soon as you are legally able to; and
 - xii) agreed, subject to the CapVest Takeover Conditions in Section 5.8 being satisfied or waived, to execute all such documents, transfers and assurances, and do all such acts, matters and things that CapVest BidCo may consider (acting reasonably) necessary or desirable to convey your Takeover Shares registered in your name and Rights (excluding those Rights for which a deduction has been made as a result of any Capital Return or Special Takeover Dividend payable in respect of that Virtus Share) to CapVest BidCo.
- c) The representations, warranties, indemnity, undertakings and authorities referred to in Section 5.6(b) will remain in force after you receive the consideration for your Takeover Shares and after CapVest BidCo becomes registered as the holder of your Takeover Shares.
- d) By accepting the CapVest Takeover, you will be deemed to have agreed to the matters set out in Section 5.6(b), notwithstanding where the CapVest Takeover has been caused to be accepted in accordance with ASX Settlement Operating Rules.

5 Overview of the Takeover Bid

5.7 Payment of consideration

- a) Subject to this Section 5.7 and the Corporations Act, if you have accepted the CapVest Takeover, CapVest BidCo will provide the CapVest Takeover Consideration due to you for your Takeover Shares on or before the earlier of:
- i) one month after the date of your acceptance or, if the CapVest Takeover is subject to a CapVest Takeover Condition when you accept the CapVest Takeover, within one month after the CapVest Takeover is declared or becomes unconditional; and
 - ii) if the CapVest Takeover is declared or becomes unconditional, 21 days after the end of the CapVest Takeover Offer Period.
- b) Where an additional document is required by your Acceptance Form or otherwise to be delivered with your Acceptance Form (such as a power of attorney):
- i) if that document is given with your Acceptance Form, CapVest BidCo will provide the consideration in accordance with Section 5.7(a);
 - ii) if that document is given after your Acceptance Form and before the end of the CapVest Takeover Offer Period while the CapVest Takeover is subject to a CapVest Takeover Condition, CapVest BidCo will provide the consideration due to you on or before the earlier of:
 - a) one month after the CapVest Takeover is declared or becomes unconditional; and
 - b) 21 days after the end of the CapVest Takeover Offer Period;
 - iii) if that document is given after your Acceptance Form and before the end of the CapVest Takeover Offer Period while the CapVest Takeover is not subject to a CapVest Takeover Condition, CapVest BidCo will provide the consideration due to you on or before the earlier of:
 - a) one month after that document is given to CapVest BidCo; and
 - b) 21 days after the end of the CapVest Takeover Offer Period; and
 - iv) if that document is given after your Acceptance Form and after the end of the CapVest Takeover Offer Period, and the CapVest Takeover is not subject to a CapVest Takeover Condition, CapVest BidCo will provide the consideration due to you within 21 days after that document is given to CapVest BidCo.
- c) Payment of any cash amount to which you are entitled under the CapVest Takeover will be made by:
- i) electronic funds transfer to the bank account validly registered with the Virtus Share Registry before the end of the CapVest Takeover Offer Period; or
 - ii) cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail (or, if you are overseas, by airmail) to the address as shown on your Acceptance Form. For the purpose of compliance with any timing requirement of the CapVest Takeover or the Corporations Act, payment of any cash amount to which you are entitled under the CapVest Takeover will be deemed to be made once the cheque is posted to the address as shown on your Acceptance Form.
- d) If at the time you accept the CapVest Takeover, any consent, authority or clearance is required for you to receive any consideration under the CapVest Takeover including, but not limited to consent, authority or clearance of:
- i) the Minister for Foreign Affairs (whether under the *Charter of the United Nations Act 1945 (Cth)*, the *Charter of United Nations (Dealing with Assets) Regulations 2008 (Cth)* or any other regulations made under the above legislation, or otherwise);
 - ii) the Reserve Bank of Australia (whether under the *Banking (Foreign Exchange) Regulations 1959 (Cth)* or otherwise);
 - iii) the Australian Taxation Office; or
 - iv) any other person required by any other law of Australia or regulation under the Charter of the United Nations that would make it unlawful for CapVest BidCo to provide any consideration for your Takeover Shares,
- then acceptance of the CapVest Takeover will not create or transfer to you any right (contractual or contingent) to receive (and you will not be entitled to receive) any consideration for your Takeover Shares until all requisite authorities, clearances or approvals have been received by CapVest BidCo.
- e) If any amount (**Withholding Amount**) is required under any Australian law or by any Government Agency, to be:
- i) withheld from any consideration otherwise payable to you under the CapVest Takeover offers and paid to a Government Agency; or
 - ii) retained by CapVest BidCo out of any consideration otherwise payable to you under the CapVest Takeover,
- the payment or retention by CapVest BidCo of the Withholding Amount (as applicable) will constitute full discharge of CapVest BidCo's obligations to pay the consideration to you to the extent of the Withholding Amount.
- f) If you are entitled to receive a fraction of a cent under the CapVest Takeover, then the fractional entitlement will be rounded to the nearest whole cent, with any such fractional entitlement of less than 0.5 being rounded down to the nearest whole cent, and any such fractional entitlement of 0.5 or more being rounded up to the nearest whole cent.
- g) Under no circumstances will interest be paid on the consideration payable under the CapVest Takeover, regardless of any delay in paying the consideration or any extension of the CapVest Takeover.

5 Overview of the Takeover Bid

5.8 CapVest Takeover Conditions

Subject to Section 5.9, the completion of the CapVest Takeover and any contract that results from the acceptance of the CapVest Takeover offers will be subject to each of the following conditions (and no other defeating conditions):

- a) **No Virtus Prescribed Occurrence:** no Virtus Prescribed Occurrence occurring between 13 March 2022 and the end of the CapVest Takeover Offer Period;
- b) **Restraints:** no law, statute, ordinance, regulation, rule, temporary restraining order, preliminary or permanent injunction or other judgment, order or decree issued by any Court of competent jurisdiction or Government Agency or other legal restraint or prohibition preventing or materially restricting the CapVest Takeover is in effect at the end of the CapVest Takeover Offer Period;
- c) **Scheme fails:** either:
 - i) the Scheme is not approved at the Scheme Meeting by the requisite majority of Virtus Shareholders under subparagraph 411(4)(a)(ii)(B) of the Corporations Act; or
 - ii) following the approval of the Scheme at the Scheme Meeting by the requisite majority of Virtus Shareholders under subparagraph 411(4)(a)(ii)(B) of the Corporations Act, the Court does not approve the Scheme in accordance with section 411(4)(b) of the Corporations Act;
- d) **Minimum acceptance:** CapVest BidCo has a Relevant Interest in at least 50.1% of the Virtus Shares (on a fully diluted basis);
- e) **Approval of Capital Return Resolution:** Virtus Shareholders approve the Capital Return Resolution;
- f) **No Material Adverse Change:** no Material Adverse Change occurs between (and including) 13 March 2022 and the end of the CapVest Takeover Offer Period;
- g) **Termination of Implementation Deed:** the Implementation Deed is not terminated by CapVest BidCo under clause 13.1(a) of the Implementation Deed before the end of the CapVest Takeover Offer Period.

5.9 Nature and waiver of CapVest Takeover Conditions

- a) Each of the CapVest Takeover Conditions are conditions subsequent. The non-fulfilment of any condition subsequent does not, until the end of the CapVest Takeover Offer Period (or in the case of the CapVest Takeover Condition in Section 5.8(a), until the end of the third Business Day after the end of the CapVest Takeover Offer Period), prevent a contract to sell Takeover Shares from arising, but will entitle CapVest BidCo by written notice to Virtus Shareholders, to rescind the contract resulting from Virtus Shareholders' acceptance of the CapVest Takeover.
- b) Subject to the Corporations Act and Section 5.9(c) below, CapVest BidCo may declare the CapVest Takeover to be free from any CapVest Takeover Condition by giving written notice to Virtus declaring the CapVest Takeover to be free from the relevant CapVest Takeover Condition or CapVest Takeover Conditions specified, in accordance with section 650F of the Corporations Act. This notice may be given:
 - i) in the case of the CapVest Takeover Condition in Section 5.8(a) (No Virtus Prescribed Occurrence), not later than three business days after the end of the CapVest Takeover Offer Period; and
 - ii) in the case of all the other CapVest Takeover Conditions, not less than 7 days before the end of the CapVest Takeover Offer Period.
- c) The CapVest Takeover Condition in Section 5.8(c) (Scheme fails) may only be waived by CapVest BidCo with the prior written consent of Virtus (in its absolute discretion).
- d) If, at the end of the CapVest Takeover Offer Period (or in the case of the CapVest Takeover Condition in Section 5.8(a) (*No Virtus Prescribed Occurrence*), at the end of the third business day after the end of the CapVest Takeover Offer Period), the CapVest Takeover Conditions have not been fulfilled and CapVest BidCo has not declared the CapVest Takeover (or it has not become) free from those CapVest Takeover Conditions, all contracts resulting from the acceptance of the CapVest Takeover offers will be automatically void.

5 Overview of the Takeover Bid

5.10 Withdrawal of the CapVest Takeover

- a) CapVest BidCo may withdraw the CapVest Takeover with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, CapVest BidCo will give notice of the withdrawal to ASX and to Virtus and will comply with any other conditions imposed by ASIC.
- b) If, at the time the CapVest Takeover is withdrawn, all the CapVest Takeover Conditions have been freed, all contracts arising from acceptance of the CapVest Takeover offers before they were withdrawn will remain enforceable.
- c) If, at the time the CapVest Takeover is withdrawn, the CapVest Takeover remains subject to one or more of the CapVest Takeover Conditions, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).
- d) A withdrawal pursuant to this Section 5.10 will be deemed to take effect:
 - i) if the withdrawal is not subject to conditions imposed by ASIC, on and after the date on which that consent in writing is given by ASIC; or
 - ii) if the withdrawal is subject to conditions imposed by ASIC, on and after the date on which those conditions are satisfied.

5.11 Notice on status of conditions

The date for giving the notice on the status of the CapVest Takeover Conditions required by section 630(1) of the Corporations Act is Monday, 27 June 2022 (subject to extension in accordance with section 630(2) of the Corporations Act if the CapVest Takeover Offer Period is extended).

5.12 Variation of the CapVest Takeover

CapVest BidCo will be entitled to vary the CapVest Takeover in accordance with the Corporations Act:

- a) by extending the CapVest Takeover Offer Period;
- b) by increasing the consideration payable under the CapVest Takeover; or
- c) with the written consent of ASIC, and subject to any conditions specified by ASIC in that consent, in the manner that ASIC permits.

5.13 Power of attorney

- a) Immediately upon the CapVest Takeover being declared or becoming unconditional and until Virtus registers CapVest BidCo as the holder of your Takeover Shares in the Virtus Share Register, where you have accepted the CapVest Takeover, you:
 - i) are deemed to have appointed CapVest BidCo as your attorney and agent (and directed CapVest BidCo in each such capacity) to appoint any director, officer, secretary or agent nominated by CapVest BidCo as your sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to your Takeover Shares registered in your name and sign any shareholders' resolution or document on your behalf;
 - ii) must not vote at any of those meetings or sign any resolutions, whether in person (virtually), by proxy, or by corporate representative (other than pursuant to Section 5.13(a)(i));
 - iii) must take all other actions in the capacity of the registered holder of your Takeover Shares as CapVest BidCo reasonably directs; and
 - iv) acknowledge and agree that in exercising the powers referred to in Section 5.13(a)(i), CapVest BidCo and any director, officer, secretary or agent nominated by CapVest BidCo under Section 5.13(a)(i) may act in the best interests of CapVest BidCo as the intended registered holder of your Takeover Shares.

5 Overview of the Takeover Bid

5.13 Power of attorney *continued*

- b) Immediately upon CapVest BidCo obtaining a Relevant Interest in at least 50.1% of the Virtus Shares (on a fully diluted basis) and until Virtus registers CapVest BidCo as the holder of your Takeover Shares in the Virtus Share Register, where you have accepted the CapVest Takeover, you:
- are deemed to have appointed CapVest BidCo as your attorney and agent (and directed CapVest BidCo in each such capacity) to appoint any director, officer, secretary or agent nominated by CapVest BidCo as its sole proxy and, where applicable or appropriate, corporate representative to attend the Extraordinary General Meeting, exercise the votes attaching to your Takeover Shares at the Extraordinary General Meeting (including by voting in favour of the Capital Return Resolution (in person (virtually), by proxy, or by corporate representative)) and sign any shareholders' resolution, proxy form or other related document on your behalf;
 - must not vote at the Extraordinary General Meeting or sign any resolutions related to the Capital Return Resolution, whether in person (virtually), by proxy, or by corporate representative (other than pursuant to Section 5.13(b)(i)); and
 - acknowledge and agree that in exercising the powers referred to in Section 5.13(b)(i), CapVest BidCo and any director, officer, secretary or agent nominated by CapVest BidCo under Section 5.13(b)(i) may act in the best interests of CapVest BidCo.

If this Section 5.13(b) applies to you and CapVest BidCo is appointed to exercise voting rights as your proxy, it will no longer be entitled to do so on your behalf on receipt of a notice validly provided by you in accordance with section 650E of the Corporations Act.

5.14 Return of documents

If the CapVest Takeover does not become unconditional or any contract arising from the CapVest Takeover is rescinded by CapVest BidCo on the grounds of a breach of a condition of that contract, CapVest BidCo will, at its election, either return by post to you any Acceptance Form and any other documents sent with it by you, or destroy those documents and notify the ASX of this.

5.15 Rights

- If CapVest BidCo becomes entitled to any Rights as a result of your acceptance of the CapVest Takeover, it may require you to give to CapVest BidCo all documents necessary to vest title to those Rights in CapVest BidCo.
- If you do not provide those documents to CapVest BidCo, or if you have received or are entitled to receive (or any previous holder of the relevant Takeover Shares received or is entitled to receive) the benefit of those Rights, CapVest BidCo will be entitled to deduct the amount (or value as reasonably assessed by CapVest BidCo) of such Rights (excluding the value of any franking credit) from any consideration otherwise payable to you.
- If CapVest BidCo does not, or cannot, make such a deduction, you (having accepted the CapVest Takeover) will be required to pay that amount to CapVest BidCo.

5.16 Offerees

a) Registered holders

The offers under the CapVest Takeover are being made to those persons referenced in Sections 5.2(d) and 5.2(e).

b) Transferees

If at any time during the CapVest Takeover Offer Period another person is able to give good title to a parcel of your Virtus Shares and you have not already accepted the CapVest Takeover for your Virtus Shares, then that person may accept the CapVest Takeover as if they held your Virtus Shares on the Takeover Register Date and for this purpose:

- a corresponding offer on the same terms and conditions as the CapVest Takeover will be deemed to have been made to that other person in respect of those Virtus Shares;
- a corresponding offer on the same terms and conditions as the CapVest Takeover will be deemed to have been made to you in respect of any other Virtus Shares (other than those referenced in Section 5.16(b)(i) above) that you hold to which the CapVest Takeover relates; and
- the CapVest Takeover offer made to you (other than that referenced in Section 5.16(b)(ii) above) will be deemed to have been withdrawn immediately at that time.

5 Overview of the Takeover Bid

5.16 Offerees *continued*

c) **Trust and nominees**

If you hold Virtus Shares in two or more separate parcels (within the meaning of section 653B of the Corporations Act, for example, because a person is a trustee or nominee for several distinct beneficial owners), in accordance with section 653B of the Corporations Act:

- i) CapVest BidCo will be taken to have made separate offers under the CapVest Takeover for each separate parcel of Virtus Shares; and
- ii) to validly accept the CapVest Takeover offer made to you for any distinct parcel of Virtus Shares you must:
 - a) give CapVest BidCo notice that the Virtus Shares consist of separate parcels (for Virtus Shares not in a CHESS Holding, in writing or for Virtus Shares in a CHESS Holding, in any form approved by the ASX Settlement Operating Rules); and
 - b) specify in your Acceptance Form the number of Virtus Shares in each separate parcel to which the acceptance relates.

If, for the purposes of complying with that procedure, you require additional copies of this Booklet and/or your Acceptance Form, please call the Virtus Shareholder Information Line on 1800 653 805 (within Australia) and +61 1800 653 805 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time), or visit <https://www.linkmarketservices.com.au>.

If your Virtus Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee, you should contact that party for assistance in accepting into the CapVest Takeover.

5.17 Foreign Laws

- a) CapVest BidCo will not be required to register the CapVest Takeover in any jurisdiction outside Australia (unless an applicable foreign law treats it as registered as a result of this Booklet being lodged with ASIC).
- b) It is your sole responsibility to satisfy yourself that you are permitted by any foreign law applicable to you to accept the CapVest Takeover.

5.18 Stamp duty or brokerage

- a) CapVest BidCo will pay any stamp duty on the transfer of the Takeover Shares. As long as those Takeover Shares are registered in your name and you deliver them directly to CapVest BidCo, you will not incur any brokerage in connection with your acceptance of the CapVest Takeover.
- b) If your Takeover Shares are registered in a CHESS Holding or you hold your Takeover Shares through a bank, custodian or other nominee, you should ask your Controlling Participant (usually your broker), or the bank, custodian or other nominee whether it will charge any transaction fees or service charges in connection with your acceptance of the CapVest Takeover.

5.19 Notices

a) **Service on Virtus**

CapVest BidCo may give a notice to Virtus under the CapVest Takeover by leaving it at, or sending it by prepaid ordinary post to, the registered office of Virtus.

b) **Service on CapVest BidCo**

You or Virtus may give a notice to CapVest BidCo under the CapVest Takeover by leaving it at or sending it by prepaid ordinary post to CapVest BidCo at the address set out on your Acceptance Form.

c) **Service on you**

CapVest BidCo may give a notice to you under the CapVest Takeover by email, by leaving it at or sending it by prepaid ordinary post or by airmail (if your address is outside Australia), to your address given to CapVest BidCo by Virtus under section 641 of the Corporations Act.

5.20 Governing law

The CapVest Takeover and any contract that results from an acceptance of an offer under the CapVest Takeover will be governed by the laws in force in New South Wales, Australia.

6

Capital Return

For personal use only

6 Capital Return

6.1 Overview of the Capital Return

The Corporations Act provides⁶³ that a company may reduce its share capital, including by returning capital if the reduction:

- a) is fair and reasonable to the company's shareholders as a whole;
- b) does not materially prejudice the company's ability to pay its creditors; and
- c) is approved by shareholders under the Corporations Act.⁶⁴

In proposing the CapVest Transaction, CapVest required that the Capital Return Resolution be proposed by Virtus.

The Virtus Board has resolved to implement the Capital Return on the terms described in this Booklet, subject to the Capital Return Conditions having been satisfied, including the payment of the Capital Return continuing to satisfy the requirements set out in (a) to (c) above.

Virtus may also pay a fully franked Special Takeover Dividend of up to \$0.44 per Virtus Share, subject to the CapVest Takeover being declared or becoming unconditional. If Virtus announces a Special Takeover Dividend, Virtus Shareholders who hold Virtus Shares as at the Special Takeover Dividend Record Date will be paid the Special Takeover Dividend and the cash consideration per Virtus Share payable under the CapVest Takeover will be reduced by the cash amount of the Special Takeover Dividend (in addition to the reduction by the cash amount of the Capital Return assuming a Capital Return is payable and those Virtus Shares are also held on the Capital Return Record Date).⁶⁵

The purpose for the Capital Return and the Special Takeover Dividend is to enable CapVest to distribute surplus capital to Virtus Shareholders as a result of the Refinancing of the Virtus Group (see Section 11.12 for further information regarding the Refinancing), and to ensure that the Virtus Group has an appropriate level of debt to maximise returns to equity holders, commensurate for a CapVest portfolio company.

The Capital Return is not payable in connection with the Scheme.

The amount of the Capital Return payable per Virtus Share will be equal to \$3.11 less the amount of any Special Takeover Dividend (i.e. between \$2.67 and \$3.11 (inclusive)). This means:

- if a Special Takeover Dividend of \$0.44 per Virtus Share is paid or payable, the Capital Return will equal \$2.67 per Virtus Share;
- if no Special Takeover Dividend is paid or payable, the Capital Return will equal \$3.11 per Virtus Share; or
- if a Special Takeover Dividend of less than \$0.44 is paid or payable, the Capital Return will equal \$3.11 less the amount of the Special Takeover Dividend.

The Capital Return will be paid subject to the Capital Return Conditions being satisfied and in accordance with the terms of the Capital Return Resolution (if approved at the Extraordinary General Meeting).

6.2 Shareholder approval of Capital Return

Shareholder approval of the Capital Return will be sought at the Extraordinary General Meeting. The Notice of Extraordinary General Meeting for Virtus Shareholders which sets out the Capital Return Resolution is included in Attachment B to this Booklet.

Each Virtus Shareholder who is registered on the Virtus Share Register at 11.00am (Sydney time) on Saturday, 4 June 2022 is entitled to attend and vote at the Extraordinary General Meeting, either in person (virtually), by proxy or attorney or in the case of a body corporate, by its corporate representative appointed in accordance with section 250D of the Corporations Act.

Instructions on how to attend and vote at the Extraordinary General Meeting in person (virtually), or to appoint a proxy or attorney (or in the case of a body corporate, a corporate representative) to attend and vote on your behalf, are set out in Section 1 (Step 4) and in Attachment B of this Booklet.

The Capital Return Resolution must be approved by ordinary resolution, being more than 50% of the total number of votes cast on the Capital Return Resolution at the Extraordinary General Meeting.

The results of the Extraordinary General Meeting will be available as soon as possible after the conclusion of the Extraordinary General Meeting and will be announced to ASX (<https://www.asx.com.au/>) once available.

63. Section 256B(1), Corporations Act.

64. Section 256C, Corporations Act.

65. The availability of a Positive Tax Ruling is a condition to the payment of the Capital Return. If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration. It is also a condition to the payment of the Capital Return that payment is made by 30 September 2022.

6 Capital Return

6.3 Additional conditions to payment of the Capital Return

Virtus will pay the Capital Return to each Virtus Shareholder in respect of each Virtus Share it holds on the Capital Return Record Date if the following additional conditions are satisfied:

- a) the Capital Return being paid by 30 September 2022;
- b) the persons nominated by CapVest BidCo being appointed as directors of Virtus such that the Virtus Board is reconstituted with a majority of directors that are directors nominated by CapVest BidCo;
- c) a Positive Tax Ruling becoming available; and
- d) the payment of the Capital Return continuing to satisfy the requirements of section 256B of the Corporations Act,

(the **Capital Return Conditions**).

The Capital Return Record Date will be the fifth Business Day following both the Capital Return Resolution having been approved and the Capital Return Conditions having been satisfied (other than the condition as to payment in paragraphs (a) and (d) of the Capital Return Conditions in Section 6.3).

If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration.

If the Capital Return Resolution is not approved by the requisite majority of Virtus Shareholders or if any of the Capital Return Conditions are not satisfied, the Capital Return will not be paid.

The CapVest Takeover will not become unconditional unless the CapVest Takeover Condition relating to the Capital Return Resolution is waived. CapVest BidCo reserves the right to waive this condition.

As further discussed in Section 8.5, if the CapVest Takeover is declared or becomes unconditional, it is intended that within three Business Days of CapVest BidCo acquiring a Relevant Interest in at least 50.1% of Virtus Shares, the Virtus Board will be reconstituted so that persons nominated by CapVest BidCo will comprise a majority of the Virtus Board.

6.4 Impact of the Capital Return on the CapVest Takeover Consideration

Whether you will be paid the Capital Return or not will depend on whether you hold Virtus Shares on the Capital Return Record Date. The Capital Return will only be paid to Virtus Shareholders in respect of each Virtus Share registered to that Virtus Shareholder on the Capital Return Record Date (i.e. the fifth Business Day following both the Capital Return Resolution having been approved and the Capital Return Conditions having been satisfied (other than the condition as to payment in paragraphs (a) and (d) of the Capital Return Conditions in Section 6.3).

If the Capital Return is approved and the Capital Return Conditions have been satisfied, the \$8.10 cash per Virtus Share offered by CapVest BidCo under the CapVest Takeover will be reduced by the Capital Return payable per Virtus Share (in addition to being reduced by the amount of the Special Takeover Dividend (if any)) with respect to any Virtus Share entitled to receive the Capital Return.

This means that, for each Virtus Share that you accept into the CapVest Takeover:

- if no Special Takeover Dividend or Capital Return is declared or determined to be paid, you will receive in aggregate \$8.10 for each Virtus Share;
- if the Special Takeover Dividend and the Capital Return are declared or determined to be paid (as applicable):
 - > if you hold Virtus Shares on the Capital Return Record Date and the Special Takeover Dividend Record Date, you will receive in aggregate \$8.10 for each Virtus Share held on the Capital Return Record Date and Special Takeover Dividend Record Date;
 - > if you acquire Virtus Shares after the Special Takeover Dividend Record Date, you will not receive the amount of the Special Takeover Dividend (however, you may still receive the Capital Return as the Capital Return Record Date will be after the Special Takeover Dividend Record Date); and
 - > if you do not hold Virtus Shares on the Capital Return Record Date (i.e. you acquire Virtus Shares after the Capital Return Record Date which will be after the Special Takeover Dividend Record Date), you will receive \$4.99 for each Virtus Share (i.e. the \$8.10 cash per Virtus Share payable under the CapVest Takeover less the amount of the Special Takeover Dividend and the Capital Return).

6 Capital Return

6.4 Impact of the Capital Return on the CapVest Takeover Consideration *continued*

For each Virtus Share that is not accepted into the CapVest Takeover:

- if you hold Virtus Shares on the Special Takeover Dividend Record Date and the Capital Return Record Date, you will receive both the Special Takeover Dividend and the Capital Return;
- if you acquire Virtus Shares after the Special Takeover Dividend Record Date, you will not receive the amount of the Special Takeover Dividend (however, you may still receive the Capital Return as the Capital Return Record Date will be after the Special Takeover Dividend Record Date); and
- if you acquire Virtus Shares after the Capital Return Record Date, you will not receive the amount of the Capital Return nor the Special Takeover Dividend.

As noted above, if the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration.

6.5 Impact of the Capital Return on Virtus

If paid, the Capital Return will, based on the pro forma financial information as at 31 December 2021:

- reduce Virtus' total paid up capital from \$277.8 million to an amount between \$58.7 million (assuming the Capital Return is an amount equal to \$2.67 per Virtus Share) and \$20.3 million (assuming the Capital Return is an amount equal to \$3.11 per Virtus Share);
- reduce Virtus' net assets by approximately an amount between \$298.0 million (assuming the Capital Return is an amount equal to \$2.67 per Virtus Share) and \$336.3 million (assuming the Capital Return is an amount equal to \$3.11 per Virtus Share), to approximately between \$42.3 million and \$4.0 million; and
- increase the gearing (debt to equity) ratio of Virtus.

See Section 6.7 for Virtus' pro forma financial information, which shows the reduction in Virtus' paid up capital and net assets as a result of the payment of the Capital Return.

Having regard to the capital structure of Virtus following the proposed Refinancing, CapVest BidCo considers it would not be likely at least within the next 3 – 5 years that dividends would be paid until Virtus' debt levels are substantially reduced. Any decision to pay dividends in the future would be a matter for the Virtus Board at the relevant time.

Payment of the Capital Return is conditional on the Capital Return continuing to satisfy the requirements of section 256B of the Corporations Act.

6.6 How to receive the Capital Return and Special Takeover Dividend

As noted in Section 6.4, whether you will be paid the Capital Return will depend on whether the Capital Return Resolution is approved, whether the Capital Return Conditions are satisfied and whether you hold Virtus Shares on the Capital Return Record Date.⁶⁶ Whether you will be paid the Special Takeover Dividend will be subject to the CapVest Takeover being declared or becoming unconditional and whether you hold Virtus Shares on the Special Takeover Dividend Record Date.

If the Capital Return is payable, the Capital Return will be paid by Virtus by either:

- sending a cheque for the Capital Return to your address shown in the Virtus Share Register as at the Capital Return Record Date; or
- making a payment to your nominated bank account with the Virtus Share Registry as at the Capital Return Record Date.

If the Special Takeover Dividend is declared, it will be paid by Virtus in the same way that you have previously elected to receive dividends from Virtus. Accordingly, Virtus Shareholders are encouraged to elect to receive their dividend entitlements via electronic funds transfer.

66. The availability of a Positive Tax Ruling is a condition to the payment of the Capital Return. If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration.

6 Capital Return

6.6 How to receive the Capital Return and Special Takeover Dividend *continued*

The Special Takeover Dividend will be paid by Virtus by either:

- sending a cheque for the Special Takeover Dividend to your address shown in the Virtus Share Register as at the Special Takeover Dividend Record Date; or
- making a payment to your nominated bank account with the Virtus Share Registry as at the Special Takeover Dividend Record Date.

If you have not previously notified the Virtus Share Registry of your nominated bank account or you would like to change your existing nominated bank account, you should contact the Virtus Share Registry on 1800 653 805 (within Australia) or +61 1800 653 805 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time) before the Special Takeover Dividend Record Date (which will be before the Capital Return Record Date).

If a Virtus Shareholder has not nominated a bank account and their whereabouts are unknown as at the Capital Return Record Date or the Special Takeover Dividend Record Date (as the case may be), the Capital Return and Special Takeover Dividend (if any) will be paid into a separate bank account and held by Virtus until claimed or applied under laws dealing with unclaimed money. If you wish to confirm your current address details with the Virtus Share Registry, you may do so using the contact details above.

6.7 Pro forma financial information

This Section sets out pro forma historical consolidated balance sheet information for the Virtus Group as at 31 December 2021.

Pro forma adjustments have been made to the historical consolidated balance sheet as at 31 December 2021 to reflect:

- the Refinancing;
- a Capital Return of an amount between \$2.67 and \$3.11 (inclusive) per Virtus Share;
- a Special Takeover Dividend of up to \$0.44 per Virtus Share; and
- costs associated with the CapVest Transaction.

The pro forma historical consolidated balance sheet has been prepared for illustrative purposes only in order to assist Virtus Shareholders in understanding the impact of the Refinancing, Capital Return and Special Takeover Dividend on the historical financial position of the Virtus Group. This is explained on a pro forma consolidated basis reflecting the adjustments made to the historic consolidated balance sheet as at 31 December 2021 in the table below. Consequently the pro forma consolidated balance sheet does not reflect the actual financial position, but rather a financial position that would have occurred had those transactions been in effect as at 31 December 2021.

In addition, the pro forma consolidated balance sheet does not provide pro forma historical information as to the financial performance or cash flow impacts that would have occurred if those transactions had been in effect for the six month period ending on 31 December 2021.

The pro forma historical consolidated balance sheet is presented in an abbreviated form. This means that it does not include all the disclosures, statements and comparative information required by Australian accounting standards applicable to financial reports prepared in accordance with the Corporations Act.

The actual historical half year financial reports and full year financial reports of Virtus are available at <https://www.virtushealth.com.au/> or on the ASX website at <https://www.asx.com.au/>.

6 Capital Return

6.7 Pro forma financial information *continued*

Virtus Health Limited: Pro forma historical consolidated balance sheet as at 31 December 2021 (\$'000)

| | Actual 31 Dec 2021 | Target facilities | Interim dividend | Special dividend and capital return | Other pro forma adjustments | Pro forma 31 Dec 2021 |
|--------------------------------------|-----------------------|----------------------|---------------------|--|-----------------------------------|--------------------------|
| Assets | | | | | | |
| <i>Current assets</i> | | | | | | |
| Cash and cash equivalents | 18,478 | 320,000 | (10,259) | (271,122) | (37,889) | 19,208 |
| Trade and other receivables | 12,124 | – | – | – | – | 12,124 |
| Inventories | 1,538 | – | – | – | – | 1,538 |
| Other | 6,464 | – | – | – | – | 6,464 |
| Total current assets | 38,604 | 320,000 | (10,259) | (271,122) | (37,889) | 39,334 |
| <i>Non-current assets</i> | | | | | | |
| Investments | 1,788 | – | – | – | – | 1,788 |
| Property, plant and equipment | 39,955 | – | – | – | – | 39,955 |
| Right-of-use assets | 70,638 | – | – | – | – | 70,638 |
| Intangibles | 427,242 | – | – | – | – | 427,242 |
| Deferred tax | 10,907 | – | – | – | 5,040 | 15,947 |
| Other | 337 | – | – | – | – | 337 |
| Total non-current assets | 550,867 | – | – | – | 5,040 | 555,907 |
| Total assets | 589,471 | 320,000 | (10,259) | (271,122) | (5,040) | 595,241 |
| Liabilities | | | | | | |
| <i>Current liabilities</i> | | | | | | |
| Trade and other payables | 34,834 | – | – | – | – | 34,834 |
| Lease liabilities | 11,488 | – | – | – | – | 11,488 |
| Derivative financial instruments | 923 | – | – | – | (923) | – |
| Income tax | 3,800 | – | – | – | – | 3,800 |
| Provisions | 4,870 | – | – | – | – | 4,870 |
| Other financial liabilities | 394 | – | – | – | – | 394 |
| Unearned income | 14,758 | – | – | – | – | 14,758 |
| Total current liabilities | 71,067 | – | – | – | (923) | 70,144 |
| <i>Non-current liabilities</i> | | | | | | |
| Borrowings | 94,350 | 320,650 | – | – | (15,275) | 399,725 |
| Lease liabilities | 74,961 | – | – | – | – | 74,961 |
| Derivative financial instruments | 693 | – | – | – | (693) | – |
| Deferred tax | 599 | – | – | – | – | 599 |
| Provisions | 7,492 | – | – | – | – | 7,492 |
| Other financial liabilities | – | – | – | – | – | – |
| Total non-current liabilities | 178,095 | 320,650 | – | – | (15,968) | 482,777 |
| Total liabilities | 249,162 | 320,650 | – | – | (16,891) | 552,921 |
| Net assets | 340,309 | (650) | (10,259) | (271,122) | – | 42,320 |

6 Capital Return

6.7 Pro forma financial information *continued*

Virtus Health Limited: Pro forma historical consolidated balance sheet as at 31 December 2021 (\$'000) *continued*

| | Actual 31 Dec 2021 | Target facilities | Interim dividend | Special dividend and capital return | Other pro forma adjustments | Pro forma 31 Dec 2021 |
|---|-----------------------|----------------------|---------------------|--|-----------------------------------|--------------------------|
| Equity | | | | | | |
| Issued capital | 277,780 | – | – | (271,122) | 13,679 | 20,337 |
| Reserves | 12,012 | – | – | – | (8,801) | 3,211 |
| Retained profits / losses | 48,861 | (650) | (10,259) | – | (20,836) | 17,116 |
| Equity attributable to the owners of Virtus Health | 338,653 | (650) | (10,259) | (271,122) | (15,958) | 40,664 |
| Non-controlling interest | 1,656 | – | – | – | – | 1,656 |
| Total equity | 340,309 | (650) | (10,259) | (271,122) | (15,958) | 42,320 |

Notes to pro forma adjustments:

- i) **Target facilities adjustments:** Adjustments reflect gross debt to be drawn, net extinguishment of existing facility;
- ii) **Interim dividend adjustments:** Adjustments relate to the payment of the Interim Dividend declared in February 22, equal to \$0.12 per Virtus Share;
- iii) **Special dividend and capital return adjustments:** Adjustments relate to the payment of the proposed special dividend, up to \$0.44 per Virtus Share, and the proposed Capital Return, equal to \$2.67 per Virtus Share (up to \$3.11 per Virtus Share);
- iv) **Other pro forma adjustments:** Adjustments relate to tax-adjusted transaction costs, transaction costs of debt financing (estimated at approximately \$15 million), extinguishment of existing interest rate swaps on existing facility (current and non-current portions), unexpensed portion of the remaining performance rights that will vest upon transaction and the issue of shares for the outstanding performance rights; and
- v) **Leverage:** As a result of these adjustments, leverage, on the basis of CY21 EBITDA pre-AASB16 over net debt, increases from 1.23x as at 31 December 2021 to 6.38x on a proforma basis.

Cash and cash equivalents reconciliation

A reconciliation of the pro forma adjustments within cash and cash equivalents is set out below:

| Cash and cash equivalents pro forma reconciliation | REF | Currency: AUD '000s |
|--|-----------|---------------------|
| In flows | | |
| New debt drawn | | 415,000 |
| Total in flows | A | 415,000 |
| Out flows | | |
| Existing facilities extinguishment | | (95,000) |
| Interim dividend | | (10,259) |
| Special dividend and capital return | | (271,122) |
| Other PF adjustments (inc. financing costs, transaction costs and extinguishment of existing derivative liabilities) | | (37,889) |
| Total out flows | B | (414,270) |
| Net pro forma movement | C = A – B | 730 |
| Statutory balance – 31 December 2021 | | 18,478 |
| Pro forma balance – 31 December 2021 | | 19,208 |

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Information on Virtus

7 Information on Virtus

7.1 Overview of Virtus

Virtus is the fifth largest Assisted Reproductive Services (ARS) provider globally, and the market leader in Australia, Denmark, Ireland and Singapore and nascent operations in the United Kingdom. Virtus employs approximately 1,500 people globally across its network.

Virtus is headquartered in Sydney and is listed on the ASX (ASX:VRT).

Virtus provides healthcare services to people in Australia which includes fertility services, surgical day procedure services and fertility diagnostic services. In Denmark, United Kingdom, Ireland and Singapore, Virtus provides fertility services.

Australia is Virtus' home market, and Virtus offers a model of healthcare that includes full service and affordable fertility services, world-class embryology and andrology services, the leading reproductive genetics service, supported by specialist day hospitals.

7.2 Overview of operations

Assisted Reproductive Services

Virtus offers patients a wide range of Assisted Reproductive Services that can treat a variety of infertility conditions. Assisted Reproductive Services provided by Virtus include IVF Cycles, cryostorage of frozen embryos and gametes, frozen embryo transfers, intra-uterine insemination and other forms of treatment.

As part of the IVF Cycles that Virtus offers, Virtus offers a range of additional services which are available to patients for increasing their chances of success in having a family. These include but are not limited to the use of sperm injection technology ("ICSI") in the laboratory environment (selection of single sperm for injection into the egg); digital sperm microscopy; pre implantation genetic diagnosis; cryopreservation of embryos, eggs and semen; use of donor sperm and eggs and counselling support.

Specialised Diagnostics

Virtus offers patients specialised diagnostic testing prior to and during their IVF Cycles. These services assist Fertility Specialists to understand and improve the diagnosis of patients' fertility conditions. The services are focused on three main areas: andrology (testing of semen), endocrinology (testing of blood and urine) and genetics (analysis of chromosome structure). Apart from some routine blood testing, analysis of almost all specialised diagnostic tests are conducted at Virtus' laboratories.

Day Hospitals

Virtus operates 7 day hospitals which are used for a variety of procedures, with procedures in relation to Assisted Reproductive Services being the single largest medical specialty area performed in Virtus' day hospitals. Procedures in relation to Assisted Reproductive Services include egg collection, embryo transfers and other related services. Other procedures that may take place at Virtus' day hospitals include those in the medical fields of ophthalmology, endoscopy, plastic surgery, gynaecology, urology, dental and other surgical specialties.

7.3 Board and senior management

a) Virtus Directors

At the date of this Booklet, the Virtus Board is comprised of the following directors:

Name

Current position

Sonia Petering

Chair

Kate Munnings

Chief Executive Officer and Managing Director

Lyndon Hale

Executive Director and Medical Representative

Gregory Couttas

Non-executive Director

Catherine Aston

Non-executive Director

Priscilla Rogers

Non-executive Director

7 Information on Virtus

7.3 Board and senior management *continued*

b) Virtus senior management

As at the date of this Booklet, Virtus' executive management team is comprised of the following members:

| Name | Current position |
|----------------|--|
| Kate Munnings | Chief Executive Officer and Managing Director |
| Matthew Prior | Chief Financial Officer |
| Ava Bentley | Chief Legal & Risk Officer and Company Secretary |
| Lee Bakerman | Chief People Officer |
| Jorge Silveira | Chief Digital Health Officer |
| Richard Banks | Chief Strategy Officer & European Managing Director |
| Teena Pisarev | Chief Operating Officer & Managing Director – NSW / ACT, Diagnostics & Singapore |
| Chris Smedley | Managing Director – QLD |
| Adurty Rao | Managing Director – VIC / TAS |

7.4 Virtus Directors' intentions

If the Scheme becomes Effective, CapVest BidCo may replace some or all members of the Virtus Board and Virtus Group company boards with nominees of CapVest on the Implementation Date (or thereafter). If the CapVest Takeover is declared or becomes unconditional and CapVest BidCo acquires at least 50.1% of the Virtus Shares it will be entitled to appoint the members to the Virtus Board. Accordingly, it is not possible for the Virtus Directors to provide a statement of their intentions regarding:

- the continuation of the business of Virtus or how Virtus' existing business will be conducted;
- any major changes to be made to the business of Virtus, including any redeployment of the fixed assets of Virtus; or
- the future employment of the present employees of Virtus,

in each case, after the Scheme is implemented or the CapVest Takeover is declared or becomes unconditional and CapVest BidCo acquires at least 50.1% of the Virtus Shares.

If the Scheme is implemented, CapVest BidCo will own all of the Virtus Shares and CapVest will be the ultimate controller of Virtus. If the CapVest Takeover is declared or becomes unconditional and CapVest BidCo acquires at least 50.1% of the Virtus Shares, CapVest will be the ultimate controller of Virtus. CapVest's intentions in relation to Virtus and its directors and employees in the event that the Scheme becomes Effective or it acquires at least 50.1% of the Virtus Shares under the CapVest Takeover are set out in Section 8.5.

In the event that neither the Scheme nor the CapVest Takeover proceed, the Virtus Directors intend to govern Virtus in the ordinary course of business of Virtus.

7.5 Recent Virtus Share price performance

Virtus Shares are listed on the ASX under the ticker "VRT".

On 14 December 2021, Virtus announced it had received an unsolicited, non-binding indication of interest from BGH to acquire 100% of the issued, and to be issued, shares of Virtus by way of scheme of arrangement for total net cash value of \$6.98 per Virtus Share (being \$7.10 per Virtus Share before deducting the \$0.12 Interim Dividend paid on 14 April 2022). The closing share price on 13 December 2021, being the undisturbed trading price on the last trading day prior to announcement of the proposal, was \$5.21 per Virtus Share (being \$5.09 per Virtus Share after deducting the \$0.12 Interim Dividend paid on 14 April 2022).

During the three months ended 13 December 2021:⁶⁷

- the 1-month VWAP was \$5.36 per Virtus Share (being \$5.24 per Virtus Share after deducting the \$0.12 Interim Dividend paid on 14 April 2022); and
- the 3-month VWAP was \$5.49 per Virtus Share (being \$5.37 per Virtus Share after deducting the \$0.12 Interim Dividend paid on 14 April 2022).

On 14 March 2022, Virtus announced it had entered into a binding Implementation Deed with CapVest. The closing price on 10 March 2022, being the last trading day prior to the announcement of the Implementation Deed was \$7.70 per Virtus Share (being \$7.58 per Virtus Share after deducting the \$0.12 Interim Dividend paid on 14 April 2022).

67. Historical trading data referenced are shown prior to deducting the Interim Dividend of \$0.12, which was declared on 22 February 2022 with Virtus Shares beginning to trade ex dividend from 23 March 2022.

7 Information on Virtus

7.5 Recent Virtus Share price performance *continued*

During the three months ended 10 March 2022:

- the highest recorded daily closing price was \$7.80 per Virtus Share (being \$7.68 per Virtus Share after deducting the \$0.12 Interim Dividend paid on 14 April 2022), on 1 March 2022;
- the lowest recorded daily closing price was \$5.21 per Virtus Share (being \$5.09 per Virtus Share after deducting the \$0.12 Interim Dividend paid on 14 April 2022), on 13 December 2021;
- the 1-month VWAP was \$7.53 per Virtus Share (being \$7.41 per Virtus Share after deducting the \$0.12 Interim Dividend paid on 14 April 2022); and
- the 3-month VWAP was \$7.06 per Virtus Share (being \$6.94 per Virtus Share after deducting the \$0.12 Interim Dividend paid on 14 April 2022).

The closing price of Virtus Shares on the ASX on 3 May 2022, being the Last Practicable Trading Date was \$8.17 per Virtus Share.

During the three months ended 3 May 2022:

- The highest recorded daily closing price was \$8.28 per Virtus Share (being \$8.16 per Virtus Share after deducting the \$0.12 Interim Dividend paid on 14 April 2022), on 14 March 2022; and
- The lowest recorded daily closing price was \$7.20 per Virtus Share (being \$7.08 per Virtus Share after deducting the \$0.12 Interim Dividend paid on 14 April 2022), on 27 January 2022.

Figure 2 below shows the Virtus Share price performance over the last 12 months to 3 May 2022:



The above trading data has been sourced from Capital IQ and referenced in this Booklet without their consent.

7.6 Historical financial information

a) Basis of preparation

This Section sets out the historical financial information about the Virtus Group for FY20, FY21 and H1FY22. The financial information in this Section is a summary only and is prepared for the purpose of this Booklet. It does not contain all the disclosures, presentations, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. The information has been extracted from the audited financial reports of Virtus for FY20 and FY21 and the reviewed accounts for the half year ended 31 December 2021. The financial information has not been subject to further review by an independent accountant.

Further details on Virtus' financial performance and financial statements for FY20, FY21 and H1FY22 as announced to the ASX can be found at <https://asx.com.au/>.

7 Information on Virtus

7.6 Historical financial information *continued*

b) Historical statement of profit or loss and other comprehensive income

Below is a summary of Virtus' consolidated statements of profit or loss or other comprehensive income for FY20, FY21 and H1FY22.

| Consolidated | FY20 \$'000 | FY21 \$'000 | H1FY22 \$'000 |
|--|------------------------|------------------------|--------------------------|
| Revenue | 258,932 | 324,602 | 171,298 |
| Share of profits of associates accounted for using the equity method | 403 | 1,060 | 210 |
| Other income | 15,040 | 10,915 | 717 |
| Expenses | | | |
| Fertility specialists, consumables and associated costs | (70,754) | (89,552) | (49,069) |
| Employee benefits expense | (100,177) | (117,328) | (61,820) |
| Depreciation and amortisation expense | (25,017) | (24,086) | (12,084) |
| Impairment of goodwill | (24,587) | – | – |
| Impairment of brand | (388) | – | – |
| Occupancy expense | (6,026) | (6,576) | (3,833) |
| Advertising and marketing | (3,970) | (4,214) | (2,163) |
| Practice equipment expenses | (2,645) | (3,349) | (1,590) |
| Professional and consulting fees | (4,839) | (4,452) | (2,379) |
| Other expenses | (14,748) | (17,668) | (13,408) |
| Finance costs | (10,792) | (8,954) | (4,374) |
| Profit before income tax expense | 10,432 | 60,398 | 21,505 |
| Income tax expense | (9,486) | (16,596) | (6,245) |
| Profit after income tax expense for the year | 946 | 43,802 | 15,260 |
| Other comprehensive income / (loss) | | | |
| Net change in the fair value of cash flow hedges taken to equity, net of tax | (862) | 774 | 708 |
| Foreign currency translation | 1,394 | (3,169) | (1,247) |
| Other comprehensive income / (loss) for the year, net of tax | 532 | (2,395) | (539) |
| Total comprehensive income for the year | 1,478 | 41,407 | 14,721 |
| Profit for the year is attributable to: | | | |
| Non-controlling interest | 477 | 667 | 134 |
| Owners of Virtus Health Limited | 469 | 43,135 | 15,126 |
| | 946 | 43,802 | 15,260 |
| Total comprehensive income for the year is attributable to: | | | |
| Non-controlling interest | 524 | 729 | 131 |
| Owners of Virtus Health Limited | 954 | 40,678 | 14,590 |
| | 1,478 | 41,407 | 14,721 |
| | Cents | Cents | Cents |
| Basic earnings per share | 0.59 | 53.86 | 18.06 |
| Diluted earnings per share | 0.59 | 53.17 | 17.91 |

7 Information on Virtus

7.6 Historical financial information *continued*

c) Historical statement of financial position

Below is a summary of Virtus' consolidated statement of financial position as at FY20, FY21 and H1FY22.

| Consolidated | 2020 \$'000 | 2021 \$'000 | H1FY22 \$'000 |
|---|------------------------|------------------------|--------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | 38,047 | 37,008 | 18,478 |
| Trade and other receivables | 13,372 | 12,086 | 12,124 |
| Inventories | 1,399 | 1,313 | 1,538 |
| Prepayments | 3,149 | 4,563 | 6,464 |
| Total current assets | 55,967 | 54,970 | 38,604 |
| Non-current assets | | | |
| Investments accounted for using the equity method | 1,489 | 1,489 | 1,788 |
| Property, plant and equipment | 34,913 | 39,914 | 39,955 |
| Right-of-use assets | 89,719 | 69,082 | 70,638 |
| Intangibles | 433,694 | 428,357 | 427,242 |
| Deferred tax | 10,329 | 11,188 | 10,907 |
| Other | 306 | 312 | 337 |
| Total non-current assets | 570,450 | 550,342 | 550,867 |
| Total assets | 626,417 | 605,312 | 589,471 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 41,538 | 31,626 | 34,834 |
| Lease liabilities | 10,661 | 12,076 | 11,488 |
| Derivative financial instruments | 1,148 | 1,166 | 923 |
| Income tax | 9,662 | 7,603 | 3,800 |
| Provisions | 4,396 | 4,886 | 4,870 |
| Other financial liabilities | 2,374 | 823 | 394 |
| Unearned income | 20,032 | 21,098 | 14,758 |
| Total current liabilities | 89,811 | 79,278 | 71,067 |
| Non-current liabilities | | | |
| Borrowings | 164,087 | 144,090 | 94,350 |
| Lease liabilities | 92,137 | 71,442 | 74,961 |
| Derivative financial instruments | 2,586 | 1,462 | 693 |
| Deferred tax | 799 | 599 | 599 |
| Provisions | 7,510 | 7,429 | 7,492 |
| Other financial liabilities | 1,284 | 399 | – |
| Total non-current liabilities | 268,403 | 225,421 | 178,095 |
| Total liabilities | 358,214 | 304,699 | 249,162 |
| Net assets | 268,203 | 300,613 | 340,309 |
| Equity | | | |
| Issued capital | 240,785 | 242,342 | 277,780 |
| Reserves | 16,004 | 12,745 | 12,012 |
| Retained profits | 10,617 | 44,000 | 48,861 |
| Equity attributable to the owners of Virtus Health Limited | 267,406 | 299,087 | 338,653 |
| Non-controlling interest | 797 | 1,526 | 1,656 |
| Total equity | 268,203 | 300,613 | 340,309 |

7 Information on Virtus

7.6 Historical financial information *continued*

d) Historical statement of changes in equity

Below is a summary of Virtus' consolidated statement of changes in equity for FY20, FY21 and H1FY22.

| Consolidated | Issued Capital \$'000 | Reserves \$'000 | Retained profits \$'000 | Non- controlling interest \$'000 | Total equity \$'000 |
|--|----------------------------------|----------------------------|--|---|------------------------------------|
| Balance at 1 July 2019 | 241,890 | 5,159 | 29,336 | 10,453 | 286,838 |
| Profit after income tax expense for the year | – | – | 469 | 477 | 946 |
| Other comprehensive income for the year, net of tax | – | 485 | – | 47 | 532 |
| Total comprehensive income for the year | – | 485 | 469 | 524 | 1,478 |
| Transactions with owners in their capacity as owners: | | | | | |
| Put option exercise | – | 9,571 | – | (9,571) | – |
| Dividends payable by subsidiary to non-controlling interest | – | – | – | (609) | (609) |
| Transfer of shares to participants pursuant to share based payment schemes | 463 | (463) | – | – | – |
| Share based payment expense | – | 1,252 | – | – | 1,252 |
| Settlement of partly paid shares | 416 | – | – | – | 416 |
| Purchase of treasury shares | (1,984) | – | – | – | (1,984) |
| Dividends paid | – | – | (19,188) | – | (19,188) |
| Balance at 30 June 2020 | 240,785 | 16,004 | 10,617 | 797 | 268,203 |
| Balance at 1 July 2020 | 240,785 | 16,004 | 10,617 | 797 | 268,203 |
| Profit after income tax expense for the year | – | – | 43,135 | 667 | 43,802 |
| Other comprehensive income for the year, net of tax | – | (2,457) | – | 62 | (2,395) |
| Total comprehensive income for the year | – | (2,457) | 43,135 | 729 | 41,407 |
| Transactions with owners in their capacity as owners: | | | | | |
| Transfer of shares to participants pursuant to share based payment schemes | 2,701 | (2,701) | – | – | – |
| Share based payment expense | – | 1,899 | – | – | 1,899 |
| Settlement of partly paid shares | 1,135 | – | – | – | 1,135 |
| Purchase of treasury shares | (2,279) | – | – | – | (2,279) |
| Dividends paid | – | – | (9,752) | – | (9,752) |
| Balance at 30 June 2021 | 242,342 | 12,745 | 44,000 | 1,526 | 300,613 |
| Balance at 1 July 2021 | 242,342 | 12,745 | 44,000 | 1,526 | 300,613 |
| Profit after income tax expense for the half-year | – | – | 15,126 | 134 | 15,260 |
| Other comprehensive income for the half-year, net of tax | – | (535) | – | (4) | (539) |
| Total comprehensive income for the half-year | – | (535) | 15,126 | 130 | 14,721 |
| Transactions with owners in their capacity as owners: | | | | | |
| Shares issued pursuant to institutional placement (net of transaction costs and tax) | 34,262 | – | – | – | 34,262 |
| Purchase of treasury shares | (864) | – | – | – | (864) |
| Settlement of partly paid shares | 78 | – | – | – | 78 |
| Issue of shares pursuant to share based payment schemes | 1,962 | (1,962) | – | – | – |
| Share-based payment expenses | – | 1,764 | – | – | 1,764 |
| Dividends paid | – | – | (10,265) | – | (10,265) |
| Balance at 31 December 2021 | 277,780 | 12,012 | 48,861 | 1,656 | 340,309 |

7 Information on Virtus

7.6 Historical financial information *continued*

e) Historical statement of cash flows

Below is a summary of Virtus' consolidated statements of cash flow for FY20, FY21 and H1FY22.

| | 2020 | 2021 | H1FY22 |
|--|-----------------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | 262,820 | 323,972 | 164,045 |
| Payments to suppliers (inclusive of GST) | (193,273) | (243,140) | (131,262) |
| | 69,547 | 80,832 | 32,783 |
| Other revenue | 8,258 | 13,317 | 1,458 |
| Interest and other finance costs paid | (6,132) | (4,784) | (2,164) |
| Lease interest paid | (3,440) | (3,464) | (1,640) |
| Income taxes paid | (1,850) | (20,080) | (9,737) |
| Net cash from operating activities | 66,383 | 65,821 | 20,700 |
| Cash flows from investing activities | | | |
| Payments for new investment | – | – | (299) |
| Payment of acquisition of non-controlling interest | (7,109) | – | – |
| Payments for property, plant and equipment and intangibles | (7,921) | (14,855) | (6,350) |
| Payment of security deposits | (19) | (17) | – |
| Proceeds from disposal of property, plant and equipment and intangibles | – | 30 | – |
| Interest received | 28 | 39 | – |
| Associate distributions received | 382 | 750 | – |
| Other investing activities | – | – | 422 |
| Net cash used in investing activities | (14,639) | (14,053) | (6,227) |
| Cash flows from financing activities | | | |
| Shares issued pursuant to institutional placement (net of transaction costs) | – | – | 33,945 |
| Proceeds from partly paid shares | 416 | 1,135 | 78 |
| Payment of dividends | (9,647) | (19,293) | (10,265) |
| Dividend paid to non-controlling interest in subsidiaries | (609) | – | – |
| Repayment of borrowings | (11,000) | (20,000) | (50,000) |
| Proceeds from borrowings | 1,000 | – | – |
| Payment of finance facility fees in relation to refinancing | – | (545) | – |
| Repayment of lease liabilities | (10,812) | (11,554) | (5,843) |
| Purchase of treasury shares | (1,984) | (2,279) | (864) |
| Net cash used in financing activities | (32,636) | (52,536) | (32,949) |
| Net increase / (decrease) in cash and cash equivalents | 19,108 | (768) | (18,476) |
| Cash and cash equivalents at the beginning of the financial year | 18,831 | 38,047 | 37,008 |
| Effects of exchange rate changes on cash and cash equivalents | 108 | (271) | (54) |
| Cash and cash equivalents at the end of the financial year | 38,047 | 37,008 | 18,478 |

7.7 Material changes to the financial position of VRT since 31 December 2021

So far as the Virtus Board is aware, the financial position of Virtus has not materially changed since 31 December 2021, as reported in the Virtus H1 FY2022 Interim Report for the financial half year ended 31 December 2021, other than:

- as a result of payment of the Interim Dividend;
- the accumulation of profits in the ordinary course of trading;
- as disclosed to ASX by Virtus; or
- as disclosed in this Booklet.

A copy of the Virtus H1 FY2022 Interim Report for the financial half-year ended 31 December 2021 is available on Virtus' website (<https://www.virtushealth.com.au/>).

7 Information on Virtus

7.8 Q3FY22 trading update

As foreshadowed in the “H2FY22 Outlook” commentary in the “Virtus H1FY22 Result Investor Presentation”⁶⁸, Virtus’ operating performance in Q3FY22 has continued to be impacted by the COVID-19 Omicron variant both in Australia and internationally.

Throughout the quarter, Virtus has experienced deferrals in patient volumes and high staff sick leave across its international operations, with a disproportionate COVID-related impact in Australia. February and March saw the disruption from community spread of the Omicron variant easing with differing degrees of local market impact and differing Government health policy responses. By the end of March 2022, patient volumes were recovering and revenue had returned to a level comparable to the prior year, although this was not at a level sufficient to offset the impact from disruption experienced in January, February and early March.

This has resulted in group revenue for the Q3FY22 being negatively impacted by -4% compared with the prior year, albeit with a monthly profile showing resilience of the business over the quarter. Consequently, whilst the cost base was managed to reduce the impact of lower patient volume and revenue, the operating costs required to sustain the business and provide for recovered demand resulted in EBITDA also being impacted. This EBITDA profile is recovering with the improvement of revenue performance and consistency.

The risk of further COVID-19 disruption remains in H2FY22. In addition, there is a risk to performance in H2FY22 due to the ongoing disruption caused by the competing change of control proposals from BGH and CapVest and the uncertainty created by the contested future ownership of Virtus.

7.9 Virtus equity structure

The equity structure of Virtus at the date of this Booklet is as follows:

| Type of security | Number of securities |
|---|----------------------|
| Virtus Shares (i.e. fully paid ordinary shares) ⁶⁹ | 85,536,996 |
| Virtus Performance Rights (i.e. each convertible into one Virtus Share) | 1,689,028 |

See Section 11.2(b) for further information on the treatment of Virtus Performance Rights in connection with the Scheme.

7.10 Substantial Shareholders

Based on substantial shareholder notice filings to the ASX⁷⁰ and information in the Virtus Share Register, the substantial holders of Virtus Shares as at the Last Practicable Trading Date are:

| Substantial shareholder | Number of Virtus Shares ⁷¹ | Percentage of issued capital |
|--|---------------------------------------|------------------------------|
| BGH (via Oceania Equity Investments Pty Ltd and its associates ⁷²) | 17,098,846 | 19.99% ⁷³ |
| Paradice Investment Management Pty Ltd | 8,350,158 | 9.76% |
| Yarra Capital Management Limited and its associates ⁷⁴ | 5,449,088 | 6.37% |
| Mitsubishi UFJ Financial Group, Inc. | 4,285,839 | 5.01% |
| Dimensional Fund Advisors LP and its associates ⁷⁵ | 4,273,405 | 5.00% |

Information in regard to substantial holdings arising, changing or ceasing after the date of this Booklet or in respect of which the relevant announcement is not available on ASX’s website (<https://www.asx.com.au/>) is not included above.

68. Available on Virtus’ website at <https://www.virtushealth.com.au/>.

69. Includes 48,485 treasury Virtus Shares.

70. These substantial shareholder notices can be found on the ASX website at <https://www2.asx.com.au/>.

71. This refers to the number of Virtus Shares in which the person or any associate has a Relevant Interest as noted in the substantial holder notices released to the ASX or information in Virtus Share Register, which was available to Virtus as at the Last Practicable Trading Date.

72. See Form 604 notice of change of interests in substantial holder as announced on ASX, 6 April 2022.

73. From information made available to Virtus, it is understood that as at the date of this Booklet, BGH has a Relevant Interest in 20.02% of issued capital in Virtus.

74. See Form 604 notice of change of interests in substantial holder as announced on ASX, 16 December 2021.

75. See Form 603 notice of initial substantial holder as announced on ASX, 3 May 2019.

7 Information on Virtus

7.11 Shareholder loans

As at the date of this Booklet, there are eleven shareholder loans on foot with an aggregate outstanding balance of \$2,965,711.05. These loans were made by Virtus to certain shareholders in 2012, prior to Virtus listing on the ASX, and have been steadily paid down since that time. It is intended that these shareholder loans will be paid out on implementation of the Scheme or completion of the CapVest Takeover.

7.12 Risks relating to Virtus' business

There are existing risks relating to Virtus' business and an investment in Virtus which will continue to be relevant to Virtus Shareholders if the Scheme does not become Effective and Virtus Shareholders do not accept the CapVest Takeover or the CapVest Takeover does not proceed, for example, because the CapVest Takeover Conditions are not satisfied or waived. A summary of the key risks relating to Virtus' business and an investment in Virtus is set out in Section 9.3.

7.13 Publicly available information

Virtus is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on the ASX, Virtus is subject to the ASX Listing Rules which require (subject to certain exceptions) continuous disclosure of any information Virtus has that a reasonable person would expect to have a material effect on the price or value of Virtus Shares.

ASX maintains files containing publicly disclosed information about all companies listed on the ASX. Information disclosed to ASX by Virtus is available on ASX's website at <https://www.asx.com.au/>.

In addition, Virtus is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Virtus may be obtained from an ASIC office.

Virtus Shareholders may obtain a copy of:

- Virtus' 2021 Annual Report (being the last full financial statements given to ASX) and the H1 FY2022 Interim Report (being the most recent financial reports recently lodged with ASX before registration of this Booklet with ASIC); and
- any announcements given to ASX by Virtus after the lodgement by Virtus of the H1 FY2022 Interim Report and before the date of this Booklet, on ASX's website at <https://www.asx.com.au/>, free of charge, by calling the Virtus Shareholder Information Line on 1800 653 805 (within Australia) or +61 1800 653 805 (outside of Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time), or from ASX's website at <https://www.asx.com.au/>.

A substantial amount of information about Virtus, including financial information and releases to ASX, is available in electronic form on Virtus' website at <https://www.virtushealth.com.au>.

For personal use only



Information on CapVest

8 Information on CapVest

8.1 Introduction

This Section 8 has been prepared by, and is the responsibility of, CapVest BidCo.

This Section 8 contains information relating to CapVest and CapVest BidCo and outlines how CapVest and CapVest BidCo is funding both the Scheme Consideration and CapVest Takeover Consideration. It also includes an explanation of CapVest and CapVest BidCo's intentions regarding the business of Virtus under the CapVest Transaction.

Although CapVest and CapVest BidCo believe that the statements regarding their intentions concerning future events reflected in this Section 8 have been made on a reasonable basis, no assurance can be given that such intentions will not change in the future.

8.2 Overview of CapVest ownership structure

CapVest BidCo is a special purpose Australian proprietary company limited by shares incorporated specifically for the purpose of holding Virtus Shares pursuant to the Scheme or CapVest Takeover (as applicable). CapVest BidCo is indirectly 100% wholly owned by CapVest Equity Partners V SCSp (**CapVest Master Fund V**) through intermediate special purpose holding companies incorporated in Australia and the United Kingdom.

CapVest Master Fund V is a special limited partnership domiciled in Luxembourg. The managing general partner of CapVest Master Fund V is CapVest Private Equity V S.à.r.l, a Luxembourg limited liability company (**CapVest Fund V General Partner**).

Limited partners invest into CapVest Master Fund V directly or indirectly through feeder funds that together comprise CapVest Fund V. The limited partners of CapVest Fund V are international institutional investors and high-net worth individuals (including CapVest executives). Each of the feeder funds invests into CapVest Master Fund V, thereby pooling all of the limited partners' commitments in the entities that constitute CapVest Fund V.

Pursuant to an alternative investment fund management agreement, CapVest Irish Partners Limited (**CapVest Manager**), an Ireland incorporated limited company, acts as the manager to CapVest Fund V. Under a separate investment management agreement CapVest Manager delegates the day-to-day management of CapVest Fund V to CapVest, a United Kingdom limited liability partnership. CapVest's management of CapVest Fund V is advised and supported by an investment committee (**CapVest IC**). The individuals who comprise the CapVest IC are set out in Section 8.4(b).

Each of CapVest, CapVest Manager and CapVest Fund V General Partner are ultimately owned and controlled by CapVest executives.

8.3 Overview of CapVest

Founded in 1999,⁷⁶ CapVest is an international, London-headquartered investment firm with over €5 billion in assets under management. CapVest is an experienced investor, having acquired over 80 companies over the last 20 years across many countries. CapVest seeks to invest in highly resilient industries where the demand driver for the respective product and service is non-discretionary. Across its portfolio companies, CapVest seeks to achieve economies of scale through organic and inorganic growth.

CapVest commenced raising CapVest Fund V in September 2021 and, as at the date of this Booklet, CapVest Fund V has more than €2.8 billion in total commitments. CapVest Fund V will likely close its fundraising efforts once it reaches €3.0 billion, which CapVest expects will occur in the next few months. CapVest funds, including CapVest Fund V seek to invest in market leading, cash generative companies with enterprise values typically greater than €500 million. CapVest focusses its investment in situations that present the potential for transformation, over a 3-5 year period, in companies that benefit from non-discretionary and non-cyclical customer demand for their products or services and have strong and experienced management teams in place who are well equipped to manage the business as it grows.

Notable current, as well as prior, healthcare companies owned by CapVest through its investment funds include:

- **Mater Private Healthcare:** Ireland's leading specialist private hospital group with more than 190 specialist consultants and over 800 employees;
- **Curium:** a leading global producer of critical nuclear diagnostic and imaging products, with operations in France, the Netherlands, the United States, the United Kingdom, and emerging operations in Asia;
- **Rodericks Dental:** a UK-based leading provider of dental services to the NHS and private patients with over 140 practices and more than 680 practising specialist dentists;
- **Polaris:** the second-largest children's service provider in the UK to local authorities, supporting over 3,000 children in fostering, residential and educational settings with outright leadership in quality metrics; and
- **NextPharma:** a pan-European manufacturer of pharmaceutical products for world leading companies with operations across Germany, France, Austria, and Switzerland, with planned expansion into the United States.

Further information on CapVest is available at www.capvest.co.

76. A predecessor to CapVest, CapVest Limited, was first established in 1999.

8 Information on CapVest

8.4 Director profiles

a) CapVest BidCo

As at the date of this Booklet, the CapVest BidCo directors are Kate Briant, Frederick Raikes, Timothy Colson, and Mathew Zauner.

The profiles of these directors are set out below:

| Name | Profile |
|---------------------------------------|---|
| Penelope Kate Briant | <p>Kate Briant is a Senior Partner and founding member of CapVest. Mrs Briant is a member of CapVest's Investment Committee, currently chairs Curium and Inspired Pet Nutrition and is a board director at Polaris. Mrs Briant was formerly Chairman of Scandi Standard and Reno Norden, and was a director at Valeo Foods Group, Vaasan & Vaasan and Mater Private. Mrs Briant has over 28 years of experience in private equity across Europe and North America in healthcare, consumer and business services sectors. Earlier in her career she gained structured finance, and financial advisory experience having worked at BT Capital, Bankers Trust, and Deloitte & Touche.</p> <p>Mrs Briant is a member of the South African Institute of Chartered Accountants. She holds a Bachelor of Commerce (Hons) from the University of Cape Town.</p> |
| Timothy Lambert Colson | <p>Timothy Colson is a Partner at CapVest, having joined the team in 2012. Mr Colson is currently the Chairman of Lakeview and sits on the board of Datasite. He was previously on the boards of Scandza, Curium and Eight Fifty Food Group. Mr Colson has over 10 years of experience in private equity. Prior to CapVest, Mr Colson worked in the mergers and acquisition advisory team of Barclays in London.</p> <p>Mr Colson holds a Bachelor of Arts from the University of Western Ontario.</p> |
| Frederick Robert Raikes | <p>Frederick Raikes is a Principal at CapVest, having joined the team in 2020. He is a director of Rodericks Dental. Mr Raikes has over 10 years of experience in private equity, having previously worked as an investment director at private equity firm Oakley Capital where he was involved in their investments in the consumer, TMT, software, and business services sectors. Prior to Oakley Capital, Mr Raikes was part of the debt advisory and restructuring team at PwC.</p> <p>Mr Raikes is qualified as a chartered accountant and holds a Bachelor of Arts (Hons) in Business and Management from Exeter University.</p> |
| Mathew Shane Zauner | <p>Mathew Zauner has been a member of the board of CapVest BidCo since its incorporation. He has held numerous external board appointments across a wide range of industry sectors, since 2017.</p> <p>Mr Zauner also currently acts as sole trustee in respect of a fund established by a large Australian mining company. Mr Zauner was previously a senior tax lawyer at MinterEllison and a senior manager at KPMG, both in Australia.</p> <p>He holds a Master of Taxation from the University of New South Wales, Bachelor of Laws (Hons) from Bond University, and a Certificate in Applied Taxation from the Tax Institute of Australia. Mathew Zauner is also a solicitor of the High Court of Australia, an Associate of the Governance Institute of Australia, and a member of the Australian Institute of Company Directors.</p> |

8 Information on CapVest

8.4 Director profiles *continued*

b) CapVest

As at the date of this Booklet, the CapVest IC members are Seamus FitzPatrick, Kate Briant, Christopher Campbell and Jason Rodrigues who possess an average tenure at CapVest of 20 years.

The profiles of these members, except for Kate Briant which has been provided in Section 8.4(a) above, are provided below.

| Name | Profile |
|-----------------------------|---|
| Seamus FitzPatrick | <p>Seamus FitzPatrick is the Managing Partner and a founding member of CapVest. Mr FitzPatrick has been a member of the CapVest Investment Committee since inception and was formerly chairman of Young's Bluecrest, FoodVest, Valeo Foods Group, Vaasan & Vaasan and Mater Private. Mr FitzPatrick has over 31 years of experience in private equity and investment banking, having worked at BT Capital, Chase Capital Partners and Morgan Stanley.</p> <p>Mr FitzPatrick holds an honours degree in English and Psychology from Trinity College Dublin and is a member of the Trilateral Commission.</p> |
| Christopher Campbell | <p>Christopher Campbell is a Senior Partner of CapVest, having joined the team in 2000 shortly after CapVest's founding. Mr Campbell is currently the chairman of NextPharma and Datasite and is a director of Lakeview. He has also previously acted as chairman of United Coffee and Scandza and as a director of FoodVest, Findus Group, Young's, and Vaasan & Vaasan. Mr Campbell has 26 years of experience in private equity and investment banking roles, having previously worked at Merrill Lynch both in New York and London and Chase Securities.</p> <p>Mr Campbell holds a Bachelor of Arts from the University of Pennsylvania.</p> |
| Jason Rodrigues | <p>Jason Rodrigues is a Partner of CapVest, having joined the team in 2008. Mr Rodrigues currently serves on the board of Rodericks Dental and as a director of NextPharma.</p> <p>Mr Rodrigues was formerly the chairman of Eight Fifty Food Group and served as a director of Valeo Foods and Mater Private. Mr Rodrigues has over 17 years of experience in principal investing and structured financing, having previously worked at European Capital and UBS' European leveraged finance team.</p> <p>Mr Rodrigues holds a Masters of Chemistry (Hons.) from the University of Oxford.</p> |

8.5 CapVest's intentions following implementation of the Scheme or conclusion of the CapVest Takeover Offer Period

The following references to CapVest in this Section 8.5 should be read as a reference to include CapVest BidCo as the bidder under the CapVest Takeover, as the context requires.

a) Introduction

This Section 8.5 sets out the present intentions of CapVest in relation to the following:

- the continuation of the business of Virtus;
- any major changes to be made to the business of Virtus, including any redeployment of fixed assets of Virtus; and
- the future employment or engagement of Virtus' present employees and contractors.

These intentions have been formed on the basis of facts and information concerning Virtus and the general business and economic environment which are known to CapVest at the time of issuing this Booklet. Any final decisions about any major changes to the future commercial operating plan and management organisation of Virtus will only be made by CapVest in light of all material facts and circumstances at the relevant time. Accordingly, statements set out in this Section 8.5 are statements of current intention only and may change if and as any new information becomes available or circumstances change.

8 Information on CapVest

8.5 CapVest's intentions following implementation of the Scheme or conclusion of the CapVest Takeover Offer Period *continued*

b) Intentions upon the Scheme becoming Effective or CapVest holding a Relevant Interest in 90% or more of the Virtus Shares under the CapVest Takeover

CapVest's current intentions if the Scheme becomes Effective or if CapVest acquires a Relevant Interest in 90% or more of Virtus Shares pursuant to the CapVest Takeover and may proceed to compulsory acquisition of the outstanding Virtus Shares are set out below:

Compulsory Acquisition

The CapVest Takeover will only proceed if the Scheme does not become Effective. If the CapVest Takeover proceeds and CapVest becomes entitled to do so under the Corporations Act, it intends to give notices to Virtus Shareholders to compulsorily acquire any outstanding Virtus Shares (including any new Virtus Shares which are issued as a result of the vesting and exercise of Virtus Performance Rights) in accordance with Part 6A.1 of the Corporations Act. If CapVest compulsorily acquires the remaining Virtus Shares under this procedure, the applicable Virtus Shareholders will receive the CapVest Takeover Consideration.

ASX listing

CapVest currently intends for Virtus to be removed from the official list of ASX after the implementation of the Scheme or completion of the CapVest Takeover and for Virtus to be subsequently converted into a proprietary company limited by shares.

Board composition

If the Scheme becomes Effective and subject to CapVest having paid the Scheme Consideration in accordance with the Scheme, CapVest will nominate persons to be appointed to the Virtus Board and to the board of any Virtus Group Member on the Implementation Date (or thereafter). CapVest may also nominate Virtus Directors and directors of the board of any Virtus Group Member to resign effective on the Implementation Date. It is CapVest's intention in this scenario that its director nominees will represent a majority of the directors on the Virtus Board and on the board of each Virtus Group Member.

If CapVest becomes entitled to proceed to compulsory acquisition under the CapVest Takeover, CapVest may take steps to remove any remaining non-CapVest nominated directors on the Virtus Board and on the board of any Virtus Group Member.

See also CapVest's intentions in relation to the composition of the Virtus Board where it has acquired a Relevant Interest in at least 50.1% of the Virtus Shares prior to this time at section 8.5(c) below.

Virtus' business, assets and employees

Following implementation of the Scheme, or during or at the end of the CapVest Takeover Offer Period, if CapVest is entitled to compulsorily acquire outstanding Virtus Shares (including any new Virtus Shares which are issued as a result of the vesting and exercise of Virtus Performance Rights), CapVest intends to continue to support the current strategic direction of Virtus under the leadership of the current executive team.

CapVest very much looks forward to working closely with the Virtus management team and Fertility Specialists to support the continuing growth of Virtus' industry leading fertility business in Australia and internationally. CapVest has a 20-year track record of partnering with industry leading companies and management teams in healthcare sectors to enhance services provided to healthcare professionals and their patients.

With CapVest's access to capital, technical expertise and knowledge of the global fertility market, combined with the strength of the Virtus health business and its team of experienced practitioners CapVest intends to grow Virtus' position in Australia and support its continued international expansion.

In that regard CapVest further intends to conduct a broad-based general review of Virtus' strategic, financial and commercial operations to:

- evaluate the relative performance, profitability and prospects of Virtus and its respective business units/ sites/ regions; and
- identify opportunities for operational improvement and areas of investment for growth.

Final decisions on these matters will only be made following implementation of the Scheme or completion of the CapVest Takeover Offer Period based on all material facts and circumstances at the relevant time.

CapVest acknowledges there is significant value, knowledge, and expertise in the existing Virtus doctor network and incumbent senior management team and these personnel are critical to the ongoing success of the Virtus business. The broad-based general review of Virtus operations noted above will also include specific consideration of the retention arrangements for Virtus doctor and senior management teams. Subject to this review, CapVest's intention is to maintain Virtus' key personnel and maintain current levels of employment and personnel arrangements.

Following implementation of the CapVest Transaction, CapVest intends to establish a customary equity incentive plan for the Virtus doctor and senior management team members, to ensure talent is attracted and retained for the benefit of Virtus.

8 Information on CapVest

8.5 CapVest's intentions following implementation of the Scheme or conclusion of the CapVest Takeover Offer Period *continued*

c) Intentions upon CapVest becoming the holder of less than 90% of the Virtus Shares under the CapVest Takeover

If, after the CapVest Takeover Offer Period, CapVest becomes the holder of less than 90% of the Virtus Shares then CapVest cannot compulsorily acquire the Virtus Shares of Virtus Shareholders that have not accepted into the CapVest Takeover.

In these circumstances, and where the CapVest Takeover becomes or is declared unconditional, CapVest will implement the intentions outlined in Section 8.5(b) above to the extent possible, and as modified by the current intentions of CapVest described below.

ASX Listing

CapVest will not be supportive of the continued listing of Virtus on ASX. While the decision to apply for removal of Virtus from ASX lies with the Virtus Board, CapVest will actively encourage Virtus to apply for removal of Virtus from ASX to the extent that it is able to do so consistently with ASX guidance.

ASX Guidance Note 33 sets out ASX's policy in relation to a request for removal from the official list of ASX. ASX Guidance Note 33 indicates that Virtus Shareholder approval would not usually be required for the removal of Virtus from the official list of ASX if the following factors are satisfied:

- CapVest and its related bodies corporate own or control at least 75% of Virtus Shares but do not meet the conditions for compulsory acquisition under the Corporations Act;
- excluding CapVest and its related bodies corporate, the number of Virtus Shareholders having holdings with a value of at least \$500 (being a marketable parcel) is fewer than 150;
- CapVest has foreshadowed in this Booklet that it intends, if it secures control of Virtus, to cause Virtus to apply for removal from the official list;
- the CapVest Takeover offers remain open for at least two weeks following CapVest and its related bodies corporate having attained ownership or control of at least 75% of Virtus Shares; and
- Virtus applies for removal no later than one month after the end of the CapVest Takeover Offer Period.

If these factors are satisfied and shareholder approval for the delisting of Virtus is not required, CapVest intends to procure Virtus to send a written or electronic communication to all remaining Virtus Shareholders advising them of the nominated time and date at which Virtus would be removed from the official list of ASX (**Removal Date**), being a date not earlier than three months after the date the notice was given to Virtus Shareholders (**Removal Date**).

The notice to the remaining Virtus Shareholders would also state that:

- if they wish to sell their Virtus Shares on ASX, they will need to do so before the Removal Date; and
- if they do not sell their Virtus Shares before the Removal Date, thereafter, they will only be able to sell their Virtus Shares off market.

Those remaining Virtus Shareholders who do not sell their Virtus Shares on ASX before the Removal Date would face risks associated with the reduced liquidity of an unlisted Virtus Share.

If the factors in ASX Guidance Note 33 are not satisfied, CapVest may still request that ASX remove Virtus from the official list of ASX. Guidance Note 33 indicates that ASX's decision to act on CapVest's request may be subject to the satisfaction of certain conditions. The ASX imposed conditions ensure that the interests of the remaining Virtus Shareholders are not unduly prejudiced by the removal and that trading in Virtus Shares takes place in an orderly manner up to the date of its removal from the official list.

ASX Guidance Note 33 indicates that (in some cases), these conditions may include, if Virtus Shareholder approval is sought within 12 months of the end of the CapVest Takeover Offer Period, the approval of Virtus Shareholders to the proposed removal and CapVest and its associates may be excluded from voting. Where more than 12 months have lapsed since the CapVest Takeover Offer Period, ASX Guidance Note 33 indicates that ASX would generally permit CapVest and its associates to vote on a resolution approving Virtus' removal from the official list.

Any decision by CapVest to apply to ASX for removal from the official list would need to be made by the Virtus Board, not CapVest. The Virtus Board, including any of CapVest's nominees on the Virtus Board, could only decide to seek a delisting if it is in the interest of Virtus to do so at the relevant time.

8 Information on CapVest

8.5 CapVest's intentions following implementation of the Scheme or conclusion of the CapVest Takeover Offer Period *continued*

Board composition

If the CapVest Takeover is declared or becomes unconditional (see Section 5.8 for further information on the CapVest Takeover Conditions) and CapVest has a Relevant Interest in at least 50.1% of Virtus Shares, CapVest must nominate persons to be appointed to the Virtus Board such that a majority of the directors of Virtus are directors nominated by CapVest. It is intended that these appointments to the Virtus Board will occur no later than 3 Business Days after such persons are nominated by CapVest.

CapVest intends for its nominees on the Virtus Board to be:

- Penelope Kate Briant;
- Timothy Lambert Colson; and
- Frederick Robert Raikes.

Following that time CapVest would also intend to nominate additional persons to be appointed to the Virtus Board so that its representation on the Virtus Board is proportionate to its percentage shareholding in Virtus.

Capital structure

If the CapVest Takeover is declared or becomes unconditional, Virtus may pay the Capital Return and Special Takeover Dividend (see Section 6 for further information relating to the payment of the Capital Return and Special Takeover Dividend and the relevant conditions to payment).

The Capital Return will be funded by Virtus through recourse to the Refinancing. Consequently CapVest intends for Virtus to enter into the Refinancing Facilities Agreements described in Section 11.12 as soon as practicable following the reconstitution of the Virtus Board as described above.

The pro forma impact of the Refinancing, Capital Return and Special Takeover Dividend are set out in Section 6.7.

As noted above, CapVest intends to grow Virtus' position in Australia and support its continued international expansion. CapVest would intend that growth is supported through access to both equity and debt funding as considered appropriate from time to time. Where equity funding is required CapVest would propose equity generally be raised through pro rata capital raisings from Virtus Shareholders. To the extent a Virtus Shareholder did not elect to participate in a pro rata capital raising they would face dilution of their percentage shareholding in Virtus.

Further acquisitions of Virtus Shares

CapVest may acquire additional Virtus Shares under the 'creep' provisions of the Corporations Act. These provisions permit CapVest and its associates to acquire up to 3% of Virtus Shares every six months provided certain criteria are met.

Dividends

The payment of any dividends will be at the sole discretion of the Virtus Board after its reconstitution as described above. CapVest intends to review (through its nominees to the Virtus Board) the dividend policy of Virtus if the CapVest Takeover is declared or becomes unconditional and CapVest holds at least 50.1% of Virtus Shares.

Having regard to the capital structure of Virtus following the proposed Refinancing, CapVest BidCo considers it would not be likely at least within the next 3 – 5 years that dividends would be paid until Virtus' debt levels are substantially reduced.

Continuation of Virtus' business and assets

Other than as set out in this Section 8.5, it is the present intention of CapVest that:

- the Virtus business will be conducted in substantially the same manner in which it currently operates;
- no major changes will be made to the Virtus business (including as to the future employment of the present employees of Virtus); and
- there will be no redeployment of the fixed assets of Virtus.

Overall, CapVest intends to continue to support the current strategic direction of Virtus and the various initiatives underway to further develop the Virtus business and support the Virtus doctors to grow their practices under the existing clinical framework.

8 Information on CapVest

8.5 CapVest's intentions following implementation of the Scheme or conclusion of the CapVest Takeover Offer Period *continued*

Limitations on intentions

CapVest's ability to implement the intentions set out in this Section 8.5 will be subject to and limited by:

- the law (including the Corporations Act and the ASX Listing Rules), including (but not limited to) in relation to conflicts of interests and related party transactions; and
- the legal obligations of the Virtus Board at the relevant point in time, including any nominees of CapVest, to act in good faith in the best interest of Virtus Shareholders, for proper purposes and to have regard to the interests of all Virtus Shareholders.

This Section 8.5 must be read and understood on the basis that these obligations and requirements may restrict CapVest's ability to implement any of the intentions set out in this Section 8.5, or may require the approval of Virtus Shareholders (other than CapVest) in order to implement these intentions.

8.6 Funding of the Scheme Consideration and CapVest Takeover Consideration

This section summarises the equity commitments and debt commitments available to CapVest BidCo for the purposes of funding the Scheme Consideration and the CapVest Takeover Consideration. Debt commitments available to Virtus for the purposes of payment of the Capital Return and the Refinancing are summarised separately in section 11.12.

a) Maximum Scheme Consideration and CapVest Takeover Consideration payable by CapVest BidCo

If the Scheme is implemented, the maximum amount of Scheme Consideration CapVest BidCo may be required to pay to Scheme Shareholders under the Scheme is approximately \$710,496,943 (assuming the Special Scheme Dividend is not paid). This figure includes the Scheme Consideration payable in respect of all Virtus Shares which are converted as a result of the vesting and exercise of Virtus Performance Rights prior to the Scheme Record Date.

The maximum amount of CapVest Takeover Consideration CapVest BidCo may be required to pay under the CapVest Takeover is approximately \$706,138,066 (assuming that all Virtus Performance Rights are vested and exercised into Virtus Shares and accepted into the CapVest Takeover) assuming that the Capital Return and the Special Takeover Dividend are not paid.

The maximum amount CapVest BidCo may be required to pay under the CapVest Takeover if the Capital Return and Special Takeover Dividend are paid is approximately \$435,015,920 (assuming that all Virtus Performance Rights are vested and exercised into Virtus Shares and accepted into the CapVest Takeover).

b) Cash funding arrangements

CapVest BidCo intends to fund the Scheme Consideration through a combination of:

- Equity Commitments, as described in Section 8.6(c); and
- third party debt financing, as described in Section 8.6(d).

CapVest BidCo intends to fund the CapVest Takeover Consideration through the Equity Commitments described in Section 8.6(c). If for any reason the Capital Return were not to be paid, CapVest BidCo has available to it the benefit of the Contingent Equity Commitment Letter (described in further detail in Section 8.6(c) below).

c) Equity Commitments

CapVest Private Equity V S.à r.l. acting in its own capacity and as managing general partner (associé gérant commandité) of CapVest Equity Partners V SCSp has executed legally binding equity commitment letters in favour of CapVest BidCo and Virtus pursuant to which it undertakes to, among other things, have available and commits to provide to CapVest BidCo:

- at or before the time required under the Implementation Deed:
 - if the Scheme becomes Effective, an amount of \$429,140,802; and
 - if the CapVest Takeover becomes free of CapVest Takeover Conditions and provided the CapVest Takeover is not withdrawn in accordance with the Implementation Deed, an amount of \$435,015,920,these commitments (each an **Equity Commitment**) may only be used by CapVest BidCo for the purpose of funding the Scheme Consideration or the CapVest Takeover Consideration (as applicable).

The Equity Commitment will be reduced to the extent that CapVest BidCo does not require the full amount of the Equity Commitment in order to satisfy its obligations in accordance with the Implementation Deed and the Deed Poll; and
- if no Capital Return is paid in connection with the CapVest Takeover or the Capital Return is otherwise deferred, an amount up to \$271,122,147 to fund additional amounts payable under the CapVest Takeover (**Contingent Equity Commitment Letter**).

8 Information on CapVest

8.6 Funding of the Scheme Consideration and CapVest Takeover Consideration *continued*

d) Third party debt financing

CapVest BidCo has entered into:

- i) a syndicated facility agreement (**Syndicated Facility Agreement**) with amongst others, Goldman Sachs Mortgage Company, Morgan Stanley Senior Funding, Inc. and ING Bank N.V., London Branch as original lenders and underwriters (**Senior Underwriters**); and
- ii) a second lien notes subscription agreement (**Second Lien Loan Note Subscription Agreement**) with amongst others, Goldman Sachs International and Morgan Stanley Senior Funding, Inc. as original lenders and underwriters (**Second Lien Underwriters** and together with the Senior Underwriters, **Underwriters**).

Under the Syndicated Facility Agreement and the Second Lien Loan Note Subscription Agreement, subject to the satisfaction of the conditions precedent under the respective agreements, including those described in Section 8.6(f), loan and loan note subscription facilities in an aggregate amount of up to \$485,000,000 may be made available to CapVest BidCo.

e) Summary and purpose of the Scheme Facilities

The Scheme Facilities (comprising a "Term Facility B", "Revolving Facility" and "Second Lien Facility") make available to CapVest BidCo facilities of up to \$485,000,000.

f) Summary of conditions precedent to initial drawdown of the Scheme Facilities

The availability of the Scheme Facilities is subject to the satisfaction of certain conditions precedent to initial drawdown, which are customary for facilities of this kind and include:

- i) confirmation from an authorised signatory of CapVest BidCo that:
 - a) the Effective Date has or will occur on the date of the first drawdown under the Scheme Facilities;
 - b) all conditions precedent to implementation of the Scheme have been, or will on the date of the first drawdown under the Scheme Facilities, be satisfied or amended or waived in a manner which is not materially adverse to the interests of the providers of the Scheme Facilities;
 - c) the Scheme Consideration has not been decreased (other than any adjustments to account for dividends) and any consideration payable other than in the form of cash does not require any interest to be paid and is subordinated in right of payment to the Scheme Facilities.
- ii) confirmation from an authorised signatory of CapVest BidCo that the equity contribution to the overall purchase price is no less than \$170,000,000;
- iii) execution of definitive documentation and related security documents for the Scheme Facilities;
- iv) provision to the facility agents of copies of CapVest BidCo's and its holding company's constitutional documents, board resolutions and directors' certificates and a customary legal opinion; and
- v) finalisation of reasonable know your customer checks.

As at the date of this Booklet, CapVest BidCo is not aware of any reason why any of the conditions precedent to the Scheme Facilities will not be satisfied, and is confident they will be satisfied in time to allow payment in full of the Scheme Consideration as and when due under the terms of the Scheme. In addition, CapVest BidCo has received written confirmation from the facility agents on behalf of the Underwriters that the certificates for the confirmations set out in (i) and (ii) above are in agreed form and each other condition precedent in (iii) to (v) above is either satisfied or in agreed form.

g) Conditions to further funding

Additional conditions precedent customary to arrangements of this type apply to future drawdowns, including requirements that there are no ongoing events of default.

h) Term of facilities

The Scheme Facilities terminate between 5 and 8 years after first drawdown.

8 Information on CapVest

8.6 Funding of the Scheme Consideration and CapVest Takeover Consideration *continued*

i) Events of default

The Scheme Facilities will be subject to events of default (**Events of Default**) which are common for a facility of this nature and include:

- i) failure to pay or failure to perform other obligations under the Scheme Facilities (including any breach of the financial covenant);
- ii) misrepresentation;
- iii) cross payment default / cross acceleration; and
- iv) insolvency, insolvency proceedings (including appointment of an administrator at CapVest BidCo or another borrower), creditor's process and invalidity and unlawfulness.

Events of Default will be subject to grace periods and cure rights customary for facilities of this kind.

As at the date of this Booklet, CapVest BidCo is not aware of the occurrence of any Events of Default.

j) Certain Funds availability

The Scheme Facilities may be drawn down once the relevant facility agent has notified CapVest BidCo and the lenders that it has received confirmation of the satisfaction or waiver of all conditions precedent to the initial drawdown.

For the duration of the Certain Funds Period (as defined below), the lenders under the Scheme Facilities can only refuse to make available the Scheme Facilities if the initial conditions precedent to drawdown referred to in Section 8.6(f) above are not satisfied or waived, it is unlawful for the relevant lender to participate in the Scheme Facilities, there is a change of control of CapVest BidCo or there is a major default.

The **Certain Funds Period** is the period from the date of the Syndicated Facility Agreement or Second Lien Loan Note Subscription Agreement (as applicable) to (and including) 11.59pm (Sydney time) on the earlier of:

- i) 31 October 2022;
- ii) the earlier of:
 - a) the date CapVest BidCo notifies the relevant agent in writing of conclusive termination of the Implementation Deed prior to the Implementation Date; and
 - b) the date on which the Scheme is not approved by the Requisite Majorities at the Scheme Meeting or is not approved by the Court; and
- iii) the date that is 20 business days after the date of initial drawdown under the relevant Scheme Facilities.

A **major default** is defined as:

- i) a non-payment of interest or principal event of default under the facility;
- ii) a misrepresentation event of default under the facility as it relates to major representations (representations going to the status, binding obligations, non-conflict with other obligations and power and authority of CapVest BidCo or, to the extent applicable to CapVest BidCo's holding company, that entity) in any material respect;
- iii) a breach of obligations event of default under the facility as it relates to major undertakings (undertakings relating to financial indebtedness, restricted payments, liens, mergers and consolidations made by CapVest BidCo or, to the extent applicable to CapVest BidCo's holding company, that entity and undertakings given in connection with the Scheme and CapVest Takeover) in any material respect;
- iv) an insolvency or insolvency proceedings event of default under the facility in respect of CapVest BidCo or, to the extent applicable to CapVest BidCo's holding company, that entity; and
- v) an invalidity or unlawfulness event of default under the facility.

k) Conclusion

On the basis of the arrangements described above, CapVest BidCo believes it has reasonable grounds for holding the view, and holds the view, that CapVest BidCo will be able to satisfy its obligation to fund the Scheme Consideration or CapVest Takeover Consideration as and when each may be due and payable under the terms of the Scheme or CapVest Takeover.

8 Information on CapVest

8.7 Additional information concerning CapVest and CapVest BidCo

a) Interest in Virtus Shares

As at the date of the offers made under the CapVest Takeover:

- the Voting Power of CapVest, CapVest BidCo and their associates in Virtus is 0%; and
- CapVest, CapVest BidCo and their associates have no Relevant Interest in any Virtus Shares or any other class of securities of Virtus.

b) Dealings in Virtus Shares in the previous four months

None of CapVest, CapVest BidCo nor any of their respective associates has provided, or agreed to provide, consideration for Virtus Shares under a purchase or agreement during the period of four months before the date of the offers made under the CapVest Takeover except for the Scheme Consideration which CapVest or CapVest BidCo have agreed to provide under the Scheme (as reflected in the Implementation Deed and the Deed Poll) or the CapVest Takeover Consideration which CapVest has agreed to provide under the CapVest Takeover.

c) No inducing benefits given during previous four months

In the opinion of CapVest and CapVest BidCo, none of CapVest, CapVest BidCo nor any of their respective associates, during the period of four months before the date of the offers made under the CapVest Takeover, gave, or offered to give or agreed to give, a benefit to another person which was likely to induce the other person, or an associate, to:

- vote in favour of the Scheme;
- accept the CapVest Takeover; or
- dispose of Virtus Shares,

and which benefit was not offered to all Virtus Shareholders under the Scheme or the CapVest Takeover (as applicable).

d) No escalation agreements

None of CapVest or CapVest BidCo nor any of their associates has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

e) Benefits to Virtus Directors

Except as set out in this Booklet, neither CapVest nor CapVest BidCo will be making any payment or giving any benefit to any current Virtus Director as compensation or consideration for, or otherwise in connection with, their resignation from the Virtus Board where the Scheme becomes effective or the CapVest Takeover is declared or becomes unconditional and the Virtus Board is accordingly reconstituted, other than as required under the relevant person's employment contract with Virtus.

f) No interest of CapVest and CapVest BidCo directors in Virtus Shares

As at the date of this Booklet, none of CapVest and CapVest BidCo, nor any of their directors has a Relevant Interest in any securities of Virtus Shares.

g) No other agreements or inducements

Except as set out in this Booklet, none of CapVest nor CapVest BidCo has made any agreement or arrangement with a Virtus Director in connection with or conditional on the outcome of the Scheme or the CapVest Takeover.

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9

Risks

9 Risks

9.1 Introduction

There are a number of potential risks that Virtus Shareholders should be aware of when considering the CapVest Transaction and deciding how to vote on the Scheme and Capital Return and whether to accept the CapVest Takeover.

This Section outlines:

- general risks as well as specific risks related to Virtus, each of which could have a materially adverse effect on the future business and operational performance of Virtus (see Sections 9.2 and 9.3); and
- risks related to the CapVest Takeover becoming unconditional (see Section 9.5).

The risks outlined in this Section 9 will only continue to be relevant to you if you retain your Virtus Shares, either because:

- the Scheme is **not** implemented and the CapVest Takeover **does not** become unconditional;
- the Scheme is **not** implemented and you have **not accepted** the CapVest Takeover and CapVest BidCo is unable to compulsorily acquire your Virtus Shares; or
- you choose not to sell your Virtus Shares.

This Section is not intended to provide a list of every risk that may be related to the CapVest Transaction or an investment in Virtus at any time. This Section only provides a brief summary of the risks that may be applicable to Virtus Shareholders, and should not be considered exhaustive. These risks do not take into account your individual circumstances including your investment objectives, financial situation or taxation position.

You should carefully consider the risks mentioned in this Section 9, as well as the other information contained in this Booklet before voting on the Scheme and Capital Return or deciding to accept the CapVest Takeover. You should also consult a licenced financial adviser or other suitable professional adviser if you are uncertain about any matters in this Booklet.

9.2 General risks

Virtus Shares carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX. If you retain your Virtus Shares, the market price of Virtus Shares (assuming Virtus remains listed) and future distributions made to Virtus Shareholders will be influenced by a number of factors beyond the control of the Virtus Directors and management, including:

- changes in investor sentiment and overall performance of the Australian and international stock markets;
- changes in general economic conditions (both domestically and internationally) including inflation (including wage inflation), interest rates, exchange rates and consumer demand;
- failure to make or integrate any future acquisitions or business combinations (including the realisation of synergies), significant one-time write-offs or restructuring charges, and unanticipated costs and liabilities;
- changes in government and to fiscal, monetary and regulatory policies;
- changes in accounting standards which affect the financial performance and position reported by Virtus;
- changes in taxation laws (or their interpretation by relevant courts or authorities);
- geopolitical events such as an outbreak or exacerbation of hostilities, acts of terrorism, conflict and declaration of war (including the current war in Ukraine); and
- natural disasters such as fires and floods and catastrophes, whether on a global, regional or local scale.

9 Risks

9.3 Risks specific to the business and operations of Virtus

A number of the risks specifically relevant to Virtus and which could result in a materially adverse effect on Virtus' future operating and financial performance have been listed below. You will only continue to be exposed to these risks if the Scheme is not implemented and either the CapVest Takeover does not become unconditional, or you do not accept the CapVest Takeover and you retain your Virtus Shares.

a) 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 with Government measures in Australia, the other geographies where Virtus 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, the imposition of restrictions on access to hospitals for certain procedures following community transmission of COVID-19 and disruption to staffing levels and treatment cancellations due to compliance with requirements regarding isolation of COVID-19 positive case and their close contacts) there would be a likely degree of impact on the Assisted Reproductive Services market globally.

The outbreak of the COVID-19 Omicron variant from December 2021 has resulted in some restrictions in elective surgery, including a suspension of IVF treatments in Victoria for a 2 week period in January 2022. While access to ARS treatment and elective surgeries has recommenced in all states; heightened infection control and safety protocols, including a strict requirement for Virtus' 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 have delayed the commencement of the egg donation program in Ireland (which was expected to commence in January 2022 but which commenced in April 2022) and the Virtus ARS "hub" strategy in Denmark. However, there remains confidence 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 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 operates its businesses, could have an adverse impact on Virtus' business and financial position.

b) Regulatory risks

Virtus operates in a highly regulated industry globally and its 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 have an adverse effect on Virtus' reputation and ability to attract patients. Changes to regulation can negatively impact Virtus' business.

There is a risk that these requirements become increasingly burdensome in the future. If this was to happen, Virtus could potentially be required to dedicate more time and expenditure to ensuring Virtus complies with these regulations.

c) Change in Commonwealth Government funding arrangements for assisted reproductive services

In Australia, Virtus' patients receive partial reimbursement for some of Virtus' services through Commonwealth Government programs, including the Commonwealth Government's Medicare Benefits Schedule and the Extended Medicare Safety Net. If the level of reimbursement provided by these programs for Virtus' services were to change, Virtus' patients may face higher out of pocket expenses for its services. This may result in reduced demand for Virtus' services, potentially leading to a reduction in Virtus' revenue and profitability.

9.3 Risks specific to the business and operations of Virtus *continued*

d) Changes to the private health insurance industry

Also in Australia, part of Virtus' day hospital services are funded (either directly or via reimbursement to Virtus' patients) by private health insurers. Virtus is indirectly susceptible to factors adversely affecting the membership and profitability of private health insurers. 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. Patients wishing to use Virtus' services without private health insurance may experience higher out-of-pocket expenses, which may adversely affect the affordability and demand for Virtus' services. A decline in the profitability of health insurance funds or the inability of health insurance funds to obtain premium increases may result in Virtus' 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.

e) Relationships with Fertility Specialists

Virtus relies on Fertility Specialists (who are medically qualified doctors) to provide the medical component of ARS and play a role in attracting patients. If one or more of Virtus' Fertility Specialists ceased to perform these services for Virtus, Virtus 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.

Virtus relies on maintaining its relationship with existing Fertility Specialists, as well as attracting new Fertility Specialists so as to achieve growth and also to replace any Fertility Specialists who retire or leave. If Virtus cannot successfully maintain its relationship with existing Fertility Specialists or contract and grow IVF Cycles for new Fertility Specialists, this may adversely impact Virtus' revenue generation and profitability.

The unexpected departure of Fertility Specialists, or a failure of Virtus to recruit and retain appropriately skilled and qualified Fertility Specialists, could each have an adverse effect on Virtus' reputation, patient services and its profitability. Given that changes of control of companies can affect the engagement and ongoing commitment of some stakeholders, it is possible that the ongoing commitment of one or more Fertility Specialists could be affected by the impact of a change in control and/or identity of the new owner. This could result in the unexpected departure of one or more Fertility Specialists which could have an adverse effect on Virtus' reputation, patient services and its profitability.

f) Failure to recruit and retain key executives and employees

In addition to Fertility Specialists, key executives, employees and directors play an integral role in the operation of Virtus' business and its pursuit of strategic objectives. The unexpected departure of an individual in a key role, or a failure of Virtus to recruit and retain appropriately skilled and qualified persons into these roles, could each have an adverse effect on the Virtus Group's business, prospects, reputation, financial performance or financial condition. In particular, Virtus employs a large number of scientific staff across the scientific fields of andrology, cytogenetics and embryology. The expertise of Virtus' scientific staff allows Virtus to offer patients and Fertility Specialists high quality, safe and efficient clinical services. If Virtus lost several of its scientific staff Virtus 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 provides to its patients and Fertility Specialists, which may potentially impact Virtus' reputation, success rate for patients and its profitability.

g) 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' 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 to Virtus' service could potentially impact Virtus' relationship with general practitioners and other medical specialists. This could in turn affect their behaviour in referring patients to Virtus' Fertility Specialists or recommending Virtus' services. General practitioners and other medical specialists have no contractual obligations or economic incentives to refer patients to the Virtus Group'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 and Virtus' revenue generation and profitability.

h) 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 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.

9 Risks

9.3 Risks specific to the business and operations of Virtus *continued*

i) Risk of increased competition

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

- existing competitors (e.g. expanding their operations, undertaking aggressive marketing campaigns, offering financial inducements to attract Fertility Specialists 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 ARS, specialised diagnostics or day hospital procedures.

If Virtus were to experience increased competition (which may arise as a result of the uncertainty caused by this transaction), it may adversely impact on the financial performance, market position and future prospects of Virtus.

j) Execution risk

A key strategic initiative for Virtus is its investment in the development of the Precision Fertility™ Digital Platform. The existing patient management system that exists across Virtus is at end of life and is no longer fit for purpose. Instead of replacing it with an off the shelf, software as a service solution, Virtus has developed an innovative solution which includes a patient portal, provider portal, research wizard and data warehouse that will differentiate the services that Virtus can offer to Fertility Specialists and patients in the future. The Precision Fertility™ Digital Platform is expected to deliver significant benefits to Virtus in that its capability is lead generating; it will improve IVF outcomes via its interoperability with technologies such as AI; and it will enhance data insights and enable research. It will also significantly increase efficiency across Virtus' operations and may be commercialised by Virtus creating a new business line.

To date this initiative is on time and on budget but the implementation phase is due to commence from November 2022. In the event that the implementation is delayed or the change management and implementation is not executed successfully, there could be negative financial implications for Virtus. The existing patient management system could fail rendering clinical services unable to be provided; efficiency dividends forecast to be delivered with the implementation of the Precision Fertility™ Digital Platform may not be realised and Virtus' relationship with its Fertility Specialists may deteriorate given the substandard performance of the current patient management system and the expectations of the new platform.

k) Medical indemnity claims, disputes and associated costs

Virtus may be involved from time to time in disputes or claims of medical indemnity or similar claims and litigation with current or former patients. These disputes may lead to legal and other proceedings, and may cause Virtus to suffer additional costs to the extent that the claim is not covered by insurance. Subject to indemnity insurance arrangements, future medical malpractice litigation, or threatened litigation, could have an adverse impact on the financial performance, position and future prospects of Virtus (and therefore the price and liquidity of Virtus Shares). Further, even if such matters are successfully disposed of without direct adverse financial effect, they may have an adverse effect on Virtus' reputation and divert resources and management attention.

l) Insurance

Virtus maintains professional indemnity and public liability insurance in respect of a range of events within coverage ranges determined in accordance with the Virtus 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.

m) Cyber-security risk

Virtus operates in an environment that is increasingly exposed to heightened cyber-attack threats and data breach risks. Virtus 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 also undertakes cyber security awareness training for its staff. Despite the measures and plans implemented by Virtus, it may not be able to prevent a cyber-attack or a data breach, which could lead to the interruption of Virtus' systems and operations, additional costs and reputational damage.

9.4 Risk from BGH not voting in favour of the Scheme

BGH (which as at the date of this Booklet has voting power in 20.02% of all Virtus Shares) has stated that it will vote all Virtus Shares that it owns or controls at the relevant time against the Scheme (see Section 2.11 for further details).

The Scheme needs to be approved by the Requisite Majorities of Virtus Shareholders at the Scheme Meeting, which are:

- a majority in number (more than 50%) of Virtus Shareholders present and voting (in person (virtually) or by proxy, attorney or corporate representative); and
- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting.

Accordingly, to the extent that BGH continues to own or control 20.02% of Virtus Shares on the date of the Scheme Meeting, at least 20.02% of Virtus Shares is expected to be voted against the Scheme, and it is possible that BGH would be able to defeat the Scheme.

However, despite BGH's 20.02% interest in Virtus, it is still possible for the Scheme to be approved, so it is important for as many Virtus Shareholders as possible who support the Scheme to cast a vote in its favour (either by proxy or in person (virtually)).

A failure to do so could cause the Scheme to be defeated and thereby deny all Virtus Shareholders the ability to receive an extra \$0.05 of value per Virtus Share under the Scheme as compared to the CapVest Takeover.

9.5 Risks to Virtus Shareholders associated with the CapVest Takeover becoming unconditional

This Section outlines some of the risks to Virtus Shareholders associated with the CapVest Takeover being or becoming unconditional. The CapVest Takeover will only become unconditional if the Scheme is not implemented and the other CapVest Takeover Conditions have been satisfied or waived.

a) Minority ownership (if CapVest BidCo acquires more than 50% but less than 90% of Virtus Shares)

If CapVest BidCo acquires more than 50% but less than 90% of the Virtus Shares then CapVest BidCo will acquire a majority shareholding in Virtus but will not be entitled to compulsorily acquire the outstanding Virtus Shares. In this situation, Virtus Shareholders who do not accept the CapVest Takeover will become minority shareholders in Virtus. This has a number of possible implications, including:

- Virtus Shareholders who do not accept the CapVest Takeover will continue to hold Virtus Shares, unless sold on-market (provided Virtus remains an ASX-listed entity), and will remain exposed to the general risks set out in Section 9.2 and the specific risks relating to Virtus' business and operations set out in Section 9.3;
- CapVest BidCo will be in a position to cast the majority of votes at a general meeting of Virtus. This will enable it to control the composition of the Virtus Board of directors and senior management, which would allow its nominees on the Virtus Board to determine Virtus' dividend policy and control the strategic direction of the businesses of the Virtus Group;
- CapVest BidCo expects that the nominees it appoints to the Virtus Board would cause Virtus to refinance its existing debt financing facilities and increase the bank debt present in its capital structure, which will expose the Virtus Group to greater financial risks than they currently face arising from their increased financial leverage, including risk from higher interest rates and the possibility that cash flows may not be sufficient to support debt repayments, leading to insolvency;
- having regard to the capital structure of Virtus following the proposed Refinancing it would not be likely at least within the next 3 – 5 years that dividends would be paid until Virtus' debt levels are substantially reduced, with the result that the future Virtus dividend policy when CapVest BidCo is the majority shareholder may vary significantly from the current Virtus dividend policy;
- Virtus' share price is likely to fall immediately following the end of the CapVest Takeover Offer Period in the absence of the BGH Takeover, a further takeover offer from CapVest BidCo or a third party and it is unlikely that the price of Virtus Shares will contain any takeover premium;
- the Virtus business will remain subject to a number of listing and other compliance costs associated with Virtus remaining an ASX-listed company, assuming that it remains an ASX-listed entity;
- liquidity of Virtus Shares may be lower than at present and there is a risk that Virtus could be fully or partially removed from certain S&P/ASX market indices due to lack of free float and/or liquidity; and
- if the number of Virtus Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing then CapVest BidCo has stated that it intends to seek to have Virtus removed from the official list of ASX. If this occurs, Virtus Shares will not be able to be bought or sold on ASX.

See Section 8.5 for CapVest's intentions relating to Virtus if CapVest BidCo acquires more than 50% but less than 90% of Virtus Shares.

b) Special resolutions and ASX delisting (if CapVest BidCo acquires at least 75% but less than 90% of Virtus Shares)

If CapVest BidCo acquires at least 75% but less than 90% of Virtus Shares then all of the risks outlined in Section 9.5(a) will apply. In addition, if CapVest BidCo acquires at least 75% of the Virtus Shares, then it will be able to pass a special resolution of Virtus. This will enable CapVest BidCo to, among other things, change Virtus' constitution. Virtus may also be removed from the official list of ASX.

See Section 8.5 for CapVest's intentions relating to Virtus if CapVest BidCo acquires at least 75% but less than 90% of Virtus Shares.

9.5 Risks to Virtus Shareholders associated with the CapVest Takeover becoming unconditional *continued*

c) Compulsory acquisition (if CapVest BidCo acquires at least 90% of the Virtus Shares)

If CapVest BidCo acquires at least 90% of the Virtus Shares, then CapVest BidCo will be entitled to compulsorily acquire any Virtus Shares in respect of which it has not received an acceptance of its CapVest Takeover on the same terms as the CapVest Takeover. In this situation, regardless of whether Virtus Shareholders have accepted the CapVest Takeover, it is possible that their Virtus Shares may be compulsorily acquired in accordance with the Corporations Act and they will be forced to receive the CapVest Takeover Consideration.

See Section 8.5 for CapVest's intentions relating to Virtus if CapVest BidCo acquires at least 90% of Virtus Shares.

9.6 Risks to Virtus Shareholders associated with the Special Scheme Dividend or Special Takeover Dividend

The Virtus Board may determine to pay a fully franked Special Scheme Dividend or Special Takeover Dividend of up to \$0.44 in cash:

- in the case of the Special Scheme Dividend, on or prior to the Special Scheme Dividend Record Date (which will be at least one Business Day prior to the Scheme Record Date);
- in the case of the Special Takeover Dividend, on or after the CapVest Takeover is declared or becomes unconditional (with the record date being at least one Business Day prior to the date on which the CapVest Takeover is declared or becomes unconditional),

in each case which could release up to approximately \$0.19 per Virtus Share (if the dividend amount of \$0.44 per Virtus Share is declared)⁷⁷ in franking credits attached to the relevant dividend.

If Virtus pays a Special Scheme Dividend or Special Takeover Dividend of the amount of \$0.44 per Virtus Share, those Virtus Shareholders who are entitled to the franking credits attached to the Special Scheme Dividend or Special Takeover Dividend may receive additional value as a result of franking credits of up to \$0.19 per Virtus Share attached to this Special Scheme Dividend or Special Takeover Dividend. Whether you will be able to receive the full benefit of the franking credits attached to the Special Scheme Dividend or Special Takeover Dividend will depend on your personal circumstances and whether a favourable class ruling is obtained from the ATO⁷⁸.

There is a risk that the ATO may use certain powers in the tax law to deny a Virtus Shareholder the benefit of the franking credits attached to the Special Scheme Dividend or Special Takeover Dividend. Virtus is seeking a ruling on behalf of the Virtus Shareholders in relation to, among other things, whether the ATO will exercise its discretion to deny access to the franking credits.

You should consult your own taxation adviser to determine the tax consequences relevant to your specific circumstances.

9.7 Risks to Virtus Shareholders associated with the Capital Return

Virtus has agreed that subject to the approval of the Capital Return Resolution and the Capital Return Conditions being satisfied (see Section 6 for further information), it will pay a Capital Return equal to \$3.11 less the amount of the Special Takeover Dividend (i.e. an amount between \$2.67 and \$3.11 (inclusive)) per Virtus Share.

The availability of a Positive Tax Ruling is a condition to the payment of the Capital Return. If the Capital Return Record Date occurs during the CapVest Takeover Offer Period, only Virtus Shares entitled to receive the Capital Return will have the Capital Return deducted from the CapVest Takeover Consideration. If the Capital Return Record Date occurs after the end of the CapVest Takeover Offer Period, the Capital Return will not be deducted from the CapVest Takeover Consideration.

The Capital Return must be paid by 30 September 2022. The tax treatment of the Capital Return may vary depending on the nature and characteristics of each Virtus Shareholder and their specific circumstances. Virtus Shareholders should seek professional advice in relation to their particular circumstances.

There is a risk that the ATO may use certain powers in the tax law to treat some or all of the Capital Return as an unfranked dividend. Virtus is seeking a ruling on behalf of Virtus Shareholders from the ATO in relation to, among other things, whether the ATO will exercise its discretion to treat some or all of the Capital Return as an unfranked dividend. The availability of a Positive Tax Ruling is a condition to payment of the Capital Return.

77. The maximum benefit associated with the franking credits will be less if the Special Scheme Dividend or Special Takeover Dividend (as applicable) is less than \$0.44 per Virtus Share.

78. The maximum benefit associated with the franking credits will be less if the Special Scheme Dividend or Special Takeover Dividend (as applicable) is less than \$0.44 per Virtus Share.

10

Tax implications

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10 Tax implications

10.1 Overview

This Section 10 provides a summary of the general Australian income tax consequences for Virtus Shareholders in relation to the Scheme, the CapVest Takeover and the Capital Return, and should be considered in conjunction with the rest of this Booklet.

The information contained in this Section 10 is only a general guide and is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of any Virtus Shareholder and should not be relied upon by Virtus Shareholders as tax advice. Virtus Shareholders are strongly advised to seek their own professional advice with respect to the tax implications of the Scheme and CapVest Takeover.

The following is a general summary of the Australian income tax implications for Virtus Shareholders who hold their Virtus Shares on capital account of participating in the Scheme (where the Scheme is implemented) or accepting the CapVest Takeover and receiving the Capital Return (where the CapVest Takeover is declared or becomes unconditional).

This summary does not apply to all Virtus Shareholders, including those who:

- acquired their Virtus Shares pursuant to an employee share plan;
- hold their Virtus Shares as revenue assets, as trading stock, or are subject to the Taxation of Financial Arrangements provisions in Division 230 of the *Income Tax Assessment Act 1997* or other special taxation rules;
- are financial institutions, insurance companies, partnerships, tax exempt organisations or dealers in securities;
- are shareholders who changed their tax residency while holding their Virtus Shares; or
- are foreign shareholders who own their Virtus Shares through a permanent establishment in Australia.

This summary has been prepared on the basis of Australian income tax law and administrative practice as at the date of this Booklet, including the ATO's practices in previous, comparable transactions. References to Australian resident Virtus Shareholders are to Virtus Shareholders who are residents of Australia for Australian income tax purposes and are not tax resident in any other jurisdiction.

10.2 Tax ruling

Virtus is seeking class rulings from the ATO seeking confirmation on specific Australian tax implications for Virtus Shareholders of either implementing the Scheme or accepting the CapVest Takeover and receiving the Capital Return (where the CapVest Takeover is declared or becomes unconditional).

Specifically, the class ruling applications seek the ATO's confirmation:

- on the CGT implications for Virtus Shareholders of participating in the Scheme or CapVest Takeover;
- that the Special Scheme Dividend and Special Takeover Dividend do not constitute part of the capital proceeds received for the disposal of Virtus Shares;
- of the tax implications for Virtus Shareholders of the receipt of the Special Scheme Dividend or Special Takeover Dividend, and any associated franking credits;
- of the tax implications for Virtus Shareholders of the receipt of the Capital Return in connection with the CapVest Takeover; and
- whether the ATO will seek to apply any of the relevant integrity measures to the Special Scheme Dividend, Special Takeover Dividend and/or Capital Return.

Based on previous, comparable transactions, it is anticipated that the views in the class rulings should be consistent with the summary in this Section 10, although it is possible that the ATO's views may differ from this summary.

Only one final class ruling is expected to be issued, depending on whether the Scheme is implemented or the CapVest Takeover proceeds. The final class ruling is only expected to be issued after implementation of the Scheme or the end of the CapVest Takeover Offer Period (as applicable). When published, the final class ruling will be available on the ATO's website (<https://www.ato.gov.au/>) and Virtus' website (<https://www.virtushealth.com.au/>).

A tax ruling is not a condition of either the Scheme or the CapVest Takeover. However, the availability of a Positive Tax Ruling in relation to the Capital Return is a condition to the payment of the Capital Return.

10.3 Australian income tax implications of the Special Scheme Dividend and Special Takeover Dividend

a) Australian resident individuals, companies and complying superannuation entities

The Special Scheme Dividend and Special Takeover Dividend, if paid by Virtus, should constitute assessable income of an Australian resident Virtus Shareholder that is an individual, a company (including a trust that is a corporate tax entity) or a complying superannuation entity. Such Australian resident Virtus Shareholders should include the Special Scheme Dividend or Special Takeover Dividend (as applicable) in their assessable income in the year that the Special Scheme Dividend or Special Takeover Dividend (as applicable) is paid, together with any franking credits attached to the Special Scheme Dividend or Special Takeover Dividend (subject to certain conditions, outlined below).

Such Virtus Shareholders should be entitled to a tax offset equal to any franking credits attached to the Special Scheme Dividend or Special Takeover Dividend (as applicable) that is paid by Virtus (subject to certain conditions, outlined below). Where the tax offset exceeds the tax payable on the Virtus Shareholder's taxable income, those Virtus Shareholders that are individuals or complying superannuation entities (but not those that are companies) may be entitled to a tax refund for the amount of the excess.

b) Australian resident trusts

Virtus Shareholders who are trustees of a trust (other than a trust that is a corporate tax entity or a trustee of a complying superannuation entity) must include the amount of the Special Scheme Dividend or Special Takeover Dividend (as applicable), together with any franking credits received on the Special Scheme Dividend or Special Takeover Dividend (as applicable), in determining the net income of the trust for the income year in which the Special Scheme Dividend or Special Takeover Dividend (as applicable) is paid. The applicable laws relating to the treatment of dividends, and in particular franked dividends, for trusts are complex but, provided that certain conditions are satisfied, both the liability to pay tax on the Special Scheme Dividend or Special Takeover Dividend (as applicable) (and any franking credits) and the tax offset provided by any franking credits should be able to flow through to the beneficiaries of the trust.

c) Entitlement to utilise franking credits

In order to be entitled to claim a tax offset for franking credits paid on the Special Scheme Dividend or Special Takeover Dividend (as applicable), an Australian resident Virtus Shareholder must have held their Virtus Shares "at risk" for a period of at least 45 continuous days during the relevant qualification period (not including the date of acquisition or the date of disposal of the Virtus Shares within the relevant qualification period).

Under the Scheme, the relevant qualification period commences 45 days before the Special Scheme Dividend Record Date and ends on the day before the Scheme Record Date, that is from 1 May 2022 to 14 June 2022, inclusive.

Under the CapVest Takeover, the relevant qualification period commences 45 days before the Special Takeover Dividend Record Date and ends on the day before the CapVest Takeover is or becomes unconditional.

d) Application of dividend franking integrity measures

The ATO may apply certain integrity measures to prevent a Virtus Shareholder from being entitled to a tax offset for the franking credits attached to the Special Scheme Dividend or Special Takeover Dividend (as applicable). The class ruling applications seek the ATO's confirmation that it will not apply any of those integrity measures in relation to the Special Scheme Dividend or Special Takeover Dividend (as applicable).

In the event that the ATO seeks to apply these integrity measures, the ATO may issue a determination that no franking credits are available to a Virtus Shareholder in respect of the Special Scheme Dividend or Special Takeover Dividend (as applicable); however, the franking credits would also not be included in a Virtus Shareholder's assessable income. Based on previous, comparable transactions, the ATO is not expected to apply these integrity measures, although it is possible that the ATO's views may differ from this summary.

e) Non-resident Virtus Shareholders

Non-resident Virtus Shareholders should not be subject to Australian income tax on, including by way of having tax withheld from, the Special Scheme Dividend or Special Takeover Dividend (as applicable) unless the ATO applies the integrity measures referred to above.

10.4 Australian income tax implications of the Scheme

a) Australian capital gains tax (CGT)

The disposal of Virtus Shares by a Virtus Shareholder under the Scheme should constitute a CGT event for Australian income tax purposes on the Implementation Date.

Virtus Shareholders should:

- make a capital gain if the proceeds from the disposal of their Virtus Shares are greater than the cost base of their Virtus Shares; or
- make a capital loss if the capital proceeds from the disposal of their Virtus Shares are less than the reduced cost base of their Virtus Shares.

Capital proceeds

The capital proceeds from the disposal of Virtus Shares under the Scheme should be the Scheme Consideration (which for the avoidance of doubt is reduced by the amount of any Special Scheme Dividend in respect of each Virtus Share).

Neither the Interim Dividend declared on 22 February 2022 and paid on 14 April 2022 nor the Special Scheme Dividend paid by Virtus should constitute capital proceeds from the disposal of Virtus Shares.

Consequently, the capital proceeds should be equal to \$7.71 per Virtus Share under the Scheme, assuming the full \$0.44 Special Scheme Dividend is paid.

Cost base

The cost base and reduced cost base of Virtus Shares should generally include the amount paid to acquire the Virtus Shares and the market value of any property given to acquire the Virtus Shares, plus any incidental costs of acquisition (for example, brokerage fees).

CGT discount

Generally, Australian resident Virtus Shareholders who are individuals, trusts, or complying superannuation entities that have held their Virtus Shares for at least 12 months (excluding the dates of acquisition and disposal) at the time of their CGT event should be entitled to the CGT discount in calculating the amount of capital gain on disposal of their Virtus Shares.

The CGT discount is applied after available capital losses have been offset to reduce the capital gain.

The applicable CGT discount which should reduce a capital gain arising from the disposal of Virtus Shares is as follows:

- 50% for individuals and trusts; and
- 33⅓% for a complying superannuation entity.

The CGT discount is not available for Australian resident Virtus Shareholders who are companies. In addition, the Federal Government has announced that the tax law will be amended with retrospective effect from 1 July 2020 so that trusts that are managed investment trusts and attribution managed investment trusts will be prevented from applying the CGT discount at the trust level (however, the discount may still be available at the unitholder level).

Non-resident Virtus Shareholders may be entitled to the CGT discount on part of their capital gains if they acquired their Virtus Shares before 9 May 2012, but see below.

b) Australian resident Virtus Shareholders

Australian resident Virtus Shareholders who make a capital gain on disposal of their Virtus Shares will be required to aggregate the capital gain with any other capital gains the Virtus Shareholder may have in that income year. Any resulting net capital gain (after offsetting any available capital losses from the current income year or brought forward from prior income years) should be reduced by any applicable CGT discount and any remaining discounted net capital gain for the income year should be included in the Virtus Shareholder's assessable income and should be subject to tax at the Virtus Shareholder's applicable rate of tax.

Australian resident Virtus Shareholders who make a capital loss on the disposal of their Virtus Shares can only offset the capital loss against capital gains realised in the same income year. Any resulting net capital loss may be carried forward and offset against taxable capital gains in subsequent income years. Specific loss recoupment rules apply to companies and trusts, and may restrict their ability to utilise any such capital losses in a future period.

c) Non-resident Virtus Shareholders

Non-resident Virtus Shareholders should be entitled to disregard any capital gain made on the disposal of their Virtus Shares as the Virtus Shares should not be considered to be "indirect Australian real property interests" as the value of Virtus' interest in Australian land is not more than the value of Virtus' other assets.

10 Tax implications

10.5 Australian income tax implications of the Capital Return in connection with the CapVest Takeover

a) Not a dividend

The Capital Return should not constitute a dividend for Australian income tax purposes.

The ATO may apply certain integrity measures to deem the Capital Return to be a dividend.

The class ruling applications seek the ATO's confirmation that none of those integrity measures will be applied in relation to the Capital Return.

If the ATO determines that it will apply one or more integrity measures, Virtus Shareholders will be taxed on the dividend component of the Capital Return in the same way as the Special Scheme Dividend or Special Takeover Dividend (see Section 10.3 for more information). Based on previous, comparable transactions, the ATO is not expected to apply these integrity measures, although it is possible that the ATO's views may differ from this summary.

b) Australian capital gains tax

The receipt of the Capital Return by a Virtus Shareholder should constitute a CGT event for Australian income tax purposes on the date that Virtus distributes the Capital Return to Virtus Shareholders.

Virtus Shareholders who hold their Virtus Shares on both the Capital Return Record Date and on the day the Capital Return is distributed should:

- have the cost base of each of their Virtus Shares reduced by the Capital Return where the Capital Return is less than the cost base of each of their Virtus Shares; or
- make a capital gain if the Capital Return is greater than the cost base of each of their Virtus Shares, with the capital gain equal to the excess. The cost base of the Virtus Shareholder's Virtus Shares should also be reduced to nil.

Virtus Shareholders who hold their Virtus Shares on the Capital Return Record Date but who dispose of their Virtus Shares before the Capital Return is distributed should realise a taxable capital gain equal to the total amount of the Capital Return received in respect of the Virtus Shares held on the Capital Return Record Date.

If the ATO determines that it will apply one or more integrity measures to treat part of the Capital Return as a dividend, the CGT implications described above only apply to the part of the Capital Return that is not determined to be a dividend.

An Australian resident Virtus Shareholder who makes a capital gain from the Capital Return is entitled to apply capital losses and the CGT discount to reduce the amount of the gain that is taxable. Please see Section 10.4 above for more information.

Non-resident Virtus Shareholders should be entitled to disregard any capital gain made on the Capital Return as the Virtus Shares should not be considered to be "indirect Australian real property interests" as the value of Virtus' interest in Australian land is not more than the value of Virtus' other assets.

10.6 Australian income tax implications of the disposal of Virtus Shares under the CapVest Takeover

The disposal of Virtus Shares by a Virtus Shareholder will constitute a CGT event for Australian income tax purposes.

The CGT event should occur:

- for a Virtus Shareholder who has agreed to sell their Virtus Shares by accepting the CapVest Takeover prior to the CapVest Takeover becoming unconditional, when the CapVest Takeover becomes or is declared unconditional; or
- for a Virtus Shareholder who subsequently sells their Virtus Shares as part of the CapVest Takeover upon the CapVest Takeover being or becoming unconditional, when the Virtus Shareholder accepts the CapVest Takeover from CapVest BidCo to acquire their Virtus Shares; or
- for a Virtus Shareholder whose Virtus Shares are compulsorily acquired, when the Virtus Shareholder ceases to be the registered shareholder of those Virtus Shares.

The capital proceeds for the CGT event arising from the disposal of Virtus Shares under the CapVest Takeover should be the CapVest Takeover Consideration (which for the avoidance of doubt is reduced by the amount of the Special Takeover Dividend and Capital Return in respect of each Virtus Share if such amounts are paid).

The Special Takeover Dividend to be paid by Virtus should not constitute capital proceeds from the disposal of Virtus Shares.

In other respects, the Australian income tax implications described in Section 10.4 above apply in the same way.

10.7 Foreign resident capital gains tax withholding

As the Virtus Shares should not be considered to be “indirect Australian real property interests” as the value of Virtus’ interest in Australian land is not more than the value of Virtus’ other assets, CapVest and CapVest BidCo should not withhold any tax from the payment of the Scheme Consideration and the CapVest Takeover Consideration on account of foreign resident capital gains tax withholding subject to the requirement for a declaration below.

However, CapVest BidCo may require certain (but not all) Virtus Shareholders to provide a declaration to the effect that either they are a resident of Australia for tax purposes or the shares in Virtus are not “indirect Australian real property interests”. If you are required to provide such a declaration and you do not by the time specified by CapVest BidCo, CapVest may withhold up to 12.5% of the Scheme Consideration.

Virtus will not withhold any tax from the payment of the Capital Return for the same reason.

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Additional information

11 Additional information

11.1 Interests of Virtus Directors in Virtus securities

The table below lists the Relevant Interests of Virtus Directors in Virtus Shares as at the date of this Booklet.

| Virtus Director | Position | Relevant Interest in Virtus Shares |
|-------------------------|---|------------------------------------|
| Sonia Petering | Chair | 45,000 |
| Kate Munnings | Chief Executive Officer and Managing Director | 108,025 |
| Lyndon Hale | Executive Director | 826,572 |
| Gregory Couttas | Non-executive Director | 10,000 |
| Catherine Aston | Non-executive Director | nil |
| Priscilla Rogers | Non-executive Director | nil |

The table below lists the interests of Virtus Directors in Virtus Performance Rights as at the date of this Booklet.

| Virtus Director | Position | Virtus Performance Rights |
|-------------------------|---|---------------------------|
| Sonia Petering | Chair | nil |
| Kate Munnings | Chief Executive Officer and Managing Director | 369,188 |
| Lyndon Hale | Executive Director | nil |
| Gregory Couttas | Non-executive Director | nil |
| Catherine Aston | Non-executive Director | nil |
| Priscilla Rogers | Non-executive Director | nil |

See Section 11.2(b) for details regarding the treatment of the Virtus Performance Rights in connection with the CapVest Transaction.

Virtus Directors who hold Virtus Shares as at 11.00am (Sydney time) on the date which is two days before the Scheme Meeting (two days prior is currently expected to be Saturday, 4 June 2022), will be entitled to vote at the Scheme Meeting and receive the Scheme Consideration along with the other Scheme Shareholders.

Each Virtus Director intends to vote all Virtus Shares held or controlled by them, or on their behalf, in favour of the Scheme, in the absence of a Superior Proposal and the Independent Expert continuing to conclude that the Scheme is in the best interests of Virtus Shareholders.

Each Virtus Director intends to accept the CapVest Takeover in respect of all Virtus Shares controlled or held by, or on behalf of, that Virtus Director in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the CapVest Takeover is fair and reasonable, should the Scheme not be approved by Virtus Shareholders or the Court.

You should note that Ms Kate Munnings is a Director of Virtus and has previously been issued Virtus Performance Rights under the Virtus Health Limited Executive Option Plan and Specialist Option Plan. If the Scheme is implemented or the CapVest Takeover is declared or becomes unconditional, the Board has determined that, as is customary, the Virtus Performance Rights will vest, and as a result Virtus Shares will be acquired by Ms Munnings as a result of the vesting and exercise of such Virtus Performance Rights held by Ms Munnings in connection with the CapVest Transaction. This would mean that Ms Munnings would receive a maximum amount of \$3,008,882.20 if the CapVest Transaction is implemented as a result of the vesting and exercise of her Virtus Performance Rights (see Section 11.2(b) for details regarding the treatment of the Virtus Performance Rights in connection with the CapVest Transaction). Despite this interest in the outcome of the CapVest Transaction, Ms Munnings considers that, given the importance of the CapVest Transaction and her role as Chief Executive Officer and Managing Director, it is important and appropriate for her to provide a recommendation to Virtus Shareholders in relation to the CapVest Transaction. The Virtus Board (excluding Kate Munnings) also consider that it is appropriate for her to make a recommendation on the CapVest Transaction given her role in the operation and management of Virtus and her deep industry knowledge.

11 Additional information

11.2 Virtus Performance Rights

a) Overview

As at the date of this Booklet, Virtus has 1,689,028 Virtus Performance Rights on issue, which were granted to Virtus management and Fertility Specialist contractors under the Virtus Health Limited Executive Option Plan and Specialist Option Plan.

Each Virtus Performance Right vests and exercises into one fully paid Virtus Share.

b) Intended treatment of Performance Rights in connection with the CapVest Transaction

As at the date of this Booklet, the Virtus Board has, in exercise of the discretions granted to it under the Virtus Health Limited Executive Option Plan and Specialist Option Plan, passed resolutions, which provide for all existing Virtus Performance Rights to vest and be exercised in time for the holders of the Virtus Performance Rights to acquire Virtus Shares to ensure that there will be no Virtus Performance Rights in existence on the Scheme Record Date.

11.3 Interests in CapVest Group held by Virtus Directors

No Virtus Director holds any interest in a CapVest Group Member.

No Virtus Director acquired or disposed of a Relevant Interest in any shares in a CapVest Group Member in the 4 month period ending on the date immediately before the date of this Booklet.

11.4 Interests held by Virtus Directors in contracts of a CapVest Group Member

No Virtus Director has an interest in any contract entered into by a CapVest Group Member.

11.5 Other interests of Virtus Directors

Other than as noted in this Section 11, no Virtus Director has any other interest, whether as a director, member or creditor of Virtus or otherwise, which is material to the CapVest Transaction, other than in their capacity as a holder of Virtus Shares or Virtus Performance Rights.

11.6 Agreements or arrangements with Virtus Directors

Following implementation of the CapVest Transaction, CapVest intends to establish a customary equity incentive plan for the Virtus doctor and senior management team members (including Kate Munnings and Dr Lyndon Hale), to ensure talent is attracted and retained for the benefit of Virtus.

Save as noted above and in clause 11.2(b), there is no agreement or arrangement made between any Virtus Director and any other person, including a CapVest Group Member, in connection with or conditional upon the outcome of the CapVest Transaction.

11.7 Payments and other benefits to directors, secretaries or executive officers of Virtus

No payment or other benefit is proposed to be made or given to a director, secretary or executive officer of Virtus or any member of Virtus Group as compensation for loss of, or as consideration for or in connection with their retirement from, office in Virtus or any member of Virtus Group as a result of the CapVest Transaction.

11.8 Suspension of trading of Virtus Shares

If the Court approves the Scheme, Virtus will immediately notify ASX. It is expected that suspension of trading on ASX in Virtus Shares will occur at the close of business on the Effective Date.

11.9 Warranty by Scheme Shareholders about their Virtus Shares

The effect of clause 9.4(a) of the Scheme is that all Scheme Shareholders, including those who vote against the Scheme and those who do not vote, will be deemed to have warranted to CapVest BidCo and Virtus that their Virtus Shares are fully paid and not subject to any of the encumbrances specified in that clause, and that they have full power and capacity to sell and transfer their Virtus Shares to CapVest BidCo together with any rights attaching to those Virtus Shares. The Scheme is annexed as Attachment D to this Booklet.

11.10 Summary of Implementation Deed

a) Overview

On 13 March 2022, Virtus and CapVest BidCo entered into a binding Implementation Deed, which governs the conduct of the Scheme and CapVest Takeover (and associated Capital Return) and related transactions. The Implementation Deed was amended and restated on 13 April 2022 and again on 4 May 2022.

A summary of the key elements of the Implementation Deed is set out below. A full copy of the Implementation Deed was released to ASX on 5 May 2022 and can be obtained from <https://www.asx.com.au/> or <https://www.virtushealth.com.au/>.

b) Exclusivity

Under the Implementation Deed, Virtus is subject to exclusivity arrangements in favour of CapVest BidCo. These provisions are set out in clause 10 of the Implementation Deed, and are summarised as follows:

- i) **(No existing discussions)** Virtus represents and warrants that neither it, nor any of the Virtus Group Members, nor any of Virtus' Authorised Persons are party to an agreement or arrangement in connection with a Competing Proposal, nor are in negotiations or discussions in connection with, or that could reasonably be expected to lead to, any Competing Proposal.
- ii) **(No shop)** Virtus must not, and must ensure that its Related Bodies Corporate and their respective Authorised Persons do not solicit, invite, initiate or encourage any Competing Proposal nor any enquiries, offers, expressions of interest, proposals, discussions or negotiations with any person in relation to, or which may reasonably be expected to lead to, a Competing Proposal, nor communicate any intention to do any of those things.
- iii) **(No talk)** Virtus must not, and must ensure that its Related Bodies Corporate and their respective Authorised Persons do not negotiate or enter into or participate in negotiations or discussions with any person, or communicate any intention to do any of these things, in relation to a Competing Proposal (or which may reasonably be expected to lead to one).
- iv) **(No due diligence)** Virtus must not, and must ensure that its Related Bodies Corporate and their respective Authorised Persons do not solicit, invite, initiate, or encourage any person to undertake due diligence investigations, make available to any person or give access to any person any non-public information relating to any member of the Virtus Group or any of their businesses and operations, any access to any premises of the Virtus Group or to any officers or employees of the Virtus Group, in connection with a Competing Proposal (or the formulation, development or finalisation of one).
- v) **(Notification obligation)** If Virtus becomes aware of any approach, inquiry or proposal made by any person to Virtus, any of its Related Bodies Corporate or any of their respective Authorised Persons, to initiate any discussions or negotiations that concern an actual, proposed or potential Competing Proposal or receives any request for any information relating to Virtus, its Related Bodies Corporate, or any of their businesses and operations, in connection with such person formulating, developing or finalising, or assisting in the formulation, development or finalisation of, an actual, proposed or potential Competing Proposal, Virtus must promptly notify CapVest BidCo (and in any event within 1 Business Day). Such notice must include the material terms and conditions of the Competing Proposal and the identity of the proposed bidder or acquirer. Virtus must also provide CapVest BidCo with a copy of any material non-public information relating to Virtus, its Related Bodies Corporate, or any of their businesses and operations that were made available or received by any person in connection with a Competing Proposal (or the formulation, development or finalisation of one).
- vi) **(Matching rights)** Before Virtus enters into a legally binding agreement to give effect to a Competing Proposal and before any Virtus Director changes their recommendation of or voting intention statement in respect of the Scheme or CapVest Takeover, the following conditions must be satisfied:
 - a) the Virtus Board must determine that the Competing Proposal is or may reasonably be expected to lead to a Superior Proposal;
 - b) Virtus must notify CapVest BidCo for the purposes of CapVest BidCo's matching right, and such notice must contain the material terms and conditions of the Competing Proposal and the identity of the proposed bidder or acquirer;
 - c) CapVest BidCo has 5 Business Days from the date Virtus notifies CapVest BidCo for the purposes of CapVest BidCo's matching right to provide Virtus with a counter proposal to the Competing Proposal (a **Counter Proposal**); and
 - d) CapVest BidCo does not announce or provide a Counter Proposal within 5 Business Days, or provides a Counter Proposal which the Virtus Board finds does not provide a matching or superior outcome for Virtus Shareholders compared to the Competing Proposal (after having a further 2 Business Day period to amend its Counter Proposal).

If CapVest BidCo submits a Counter Proposal and the Virtus Board, acting in good faith, determines the Counter Proposal provides a matching or superior outcome for Virtus Shareholders, then Virtus and CapVest BidCo must use their reasonable endeavours to amend the Implementation Deed to reflect the Counter Proposal and to procure that each Virtus Director recommends the Counter Proposal to Virtus Shareholders and not recommend the applicable Competing Proposal.

11 Additional information

11.10 Summary of Implementation Deed *continued*

However, Virtus is not required to comply with its obligations under the 'No Talk' and 'No Due Diligence' provisions in the Implementation Deed in relation to a genuine bona fide Competing Proposal, provided that:

- i) the Virtus Board determines, after receiving legal and financial advice, that such Competing Proposal is, or could reasonably be expected to lead to, a Superior Proposal and complying with those provisions would, or would be reasonably likely to, be a breach of the fiduciary or statutory duties owed by the Virtus Directors;
- ii) Virtus promptly notifies CapVest BidCo of its and its Authorised Persons' actions or inactions in reliance on this exception to its obligations under the 'no talk' and 'no due diligence' provisions; and
- iii) before any disclosure of non-public information to a third party, the third party has entered into a confidentiality agreement with Virtus on customary terms.

c) Break fee payable by Virtus

Virtus has agreed to pay CapVest BidCo a break fee of approximately \$7.19 million (excluding GST) if:

- i) **Change in recommendation:** the Virtus Board:
 - a) fails to recommend, withdraws or adversely modifies their recommendation that Virtus Shareholders vote in favour of the Scheme and the Capital Return, and accept the CapVest Takeover or their intention statement that they will vote all Virtus Shares held or controlled by them in favour of the Scheme and the Capital Return, and accept the CapVest Takeover;
 - b) makes a public statement indicating that the Virtus Board no longer supports the Scheme, the CapVest Takeover or the CapVest Transaction;
other than where:
 - c) in case of the Scheme, the Independent Expert concludes that the Scheme is not in the best interests of Virtus Shareholders;
 - d) in case of the CapVest Takeover, the Independent Expert concludes that the CapVest Takeover is not fair and reasonable, other than where the reason for that conclusion is as a result of a Competing Proposal;
- ii) **Competing Proposal announced and subsequently completed:** a Competing Proposal is announced before the End Date and, within 9 months of that occurring, a person or persons (other than a member of the CapVest Group):
 - a) obtains Control of Virtus;
 - b) merges or amalgamates with Virtus;
 - c) acquires an interest in all or a substantial part of the business or assets of the Virtus Group; or
- iii) **Material breach:** CapVest BidCo terminates the Implementation Deed due to a material breach by Virtus and the CapVest Transaction does not complete or proceed.

However, the break fee is not payable if the Scheme becomes effective or if CapVest BidCo becomes the holder of a Relevant Interest of not less than 50.1% of the Virtus Shares and the CapVest Takeover has been declared or becomes unconditional.

For full details of the break fee, see clause 11 of the Implementation Deed.

d) Reverse break fee payable by CapVest BidCo

CapVest BidCo has agreed to pay Virtus a break fee of approximately \$7.19 million (excluding GST) where Virtus terminates the Implementation Deed as a result of CapVest BidCo being in material breach of the Implementation Deed.

For full details of the reverse break fee, see clause 12 of the Implementation Deed.

11 Additional information

11.10 Summary of Implementation Deed *continued*

e) Termination rights

Either Virtus or CapVest BidCo may terminate the Implementation Deed if:

- i) at any time prior to the later of 8.00am on the Second Court Date and the end of the CapVest Takeover Offer Period if the other party is in material breach of the Implementation Deed (including any breach of a representation and warranty given by either Virtus or CapVest BidCo where such breach is material in the context of the CapVest Transaction as a whole) and the relevant circumstances continue to exist for 10 Business Days from the time the non-breaching party's notice of intention to terminate is given;
- ii) in circumstances where a Condition is not satisfied or becomes incapable of being satisfied:
 - a) which is not waived in accordance with the Implementation Deed by the time or date specified in the Implementation Deed for the satisfaction of the relevant Condition; or
 - b) by the time and date specified in the Implementation Deed for satisfaction of that Condition, and after consulting in good faith, Virtus and CapVest BidCo are unable to reach an agreement on the terms on which the party with the benefit of the relevant Condition will waive that Condition, to proceed with the CapVest Transaction by alternative means, extend the relevant time for satisfaction of the Condition, change the date of the Second Court Hearing or extend the End Date;
- iii) the Effective Date for the Scheme has not occurred, or will not occur, on or before the End Date and CapVest BidCo withdraws the CapVest Takeover or it lapses; and
- iv) the Control Date has not occurred on or before the End Date.

Virtus may terminate the Implementation Deed at any time prior to the end of the CapVest Takeover Offer Period if, at any time before then, a majority of the Virtus Board has changed, withdrawn or modified their recommendation that Virtus vote in favour of the Scheme, the Capital Return Resolution and accept the CapVest Takeover on the basis that:

- i) Virtus receives a Competing Proposal and determines that, after all of CapVest BidCo's matching rights have been exhausted, the Competing Proposal constitutes a Superior Proposal; or
- ii) the Independent Expert opines that the Scheme is not in the best interests of Virtus Shareholders and the Capital Return and CapVest Takeover are not fair and reasonable to Virtus Shareholders.

CapVest BidCo may terminate the Implementation Deed at any time prior to the end of the CapVest Takeover Offer Period if, at any time before then, the Virtus Board recommends or supports a Competing Proposal or any Virtus Director:

- i) fails to make a recommendation that Virtus Shareholders vote in favour of the Scheme and the Capital Return;
- ii) withdraws or adversely modifies their recommendation to Virtus Shareholders to vote in favour of the Scheme or the Capital Return;
- iii) fails to recommend to Virtus Shareholders to accept the CapVest Takeover;
- iv) withdraws or adversely modifies their recommendation to Virtus Shareholders to accept the CapVest Takeover; or
- v) makes a public statement indicating they no longer support the Scheme, the CapVest Takeover, the Capital Return or the CapVest Transaction.

11.11 Effect of the CapVest Transaction on Virtus' material contracts

Virtus is a party to a number of contracts and agreements with a broad range of suppliers, service providers and landlords.

Some contract counterparties have a right to terminate contracts in certain circumstances, including where a change of control provision is triggered or where Virtus is in material breach of the contract. In addition, some contracts contain a right for the counterparty to terminate for convenience at any time during the contract term.

If the Scheme is implemented or the CapVest Takeover is declared or becomes unconditional, a change of control in Virtus will occur. It is possible that material contracts to which Virtus is a party may be subject to termination rights upon this change of control including in relation to banking arrangements.

In particular, the change of control provisions in Virtus' facility agreement will be triggered by the CapVest Transaction and give rise to termination rights of the counterparty. However, this risk is mitigated as CapVest has put in place commitment letters for a new facility for the purposes of the Refinancing which will be available upon the CapVest Takeover becoming unconditional and CapVest BidCo having received acceptances in respect of at least 50.1% of Virtus Shares (amongst other conditions) – see Section 11.12 for further details.

Whilst Virtus will seek to mitigate the risk of termination of any other contracts triggered by the CapVest Transaction, Virtus cannot guarantee that any necessary consents to a change of control will be forthcoming or, if forthcoming, that such consents will not be subject to conditions that are unfavourable to Virtus.

11 Additional information

11.12 Overview of Refinancing Facilities

a) Summary and Purpose of the Refinancing Facilities

To facilitate the Refinancing and the Capital Return as described in Section 6, CapVest BidCo entered into a binding debt commitment letter (**Debt Commitment Letter**) with Goldman Sachs Mortgage Company, Goldman Sachs International, Morgan Stanley Senior Funding, Inc. and ING Bank N.V., London Branch as underwriters (**Underwriters**).

Under the Debt Commitment Letter, the Underwriters have agreed to provide certain debt facilities to Virtus for the purposes of funding the Capital Return and the refinancing of Virtus' existing bank debt.

If the Scheme is not implemented, the Debt Commitment Letter requires that the Underwriters facilitate Virtus' entry into a syndicated facility agreement and a second lien notes subscription agreement (**Refinancing Facilities Agreements**) on two Business Days' notice, to make available funds of up to \$485,000,000. The Refinancing Facilities Agreements will comprise:

- a First Lien Term Facility of \$330,000,000;
- a First Lien Revolving Facility of \$70,000,000 (together with the First Lien Term Facility, the **First Lien Refinancing Facilities**); and
- a Second Lien Loan Note Subscription Facility of \$85,000,000, (together the **Refinancing Facilities**).

It is contemplated that the Refinancing Facilities Agreements will be entered into by Virtus following the CapVest Takeover becoming unconditional and the change in the composition of the Virtus Board as described in Section 8.5(c).

Virtus and certain subsidiaries of Virtus (as determined in accordance with the Refinancing Facility Agreements) will guarantee and grant security interests for the benefit of the lenders under, and to secure repayment of, the Refinancing Facilities.

Amounts drawn under the First Lien Term Facility and Second Lien Loan Note Subscription Facility are able to be put towards purposes which include payment of the Capital Return and/or a capital return to shareholders of Virtus to be paid on or after the date of the initial drawdown of the facilities in one or more payments (in each case, including drawing the proceeds of such facilities onto the balance sheet to fund such payments) and the refinancing of debt of Virtus and its restricted subsidiaries. The First Lien Revolving Facility is able to be drawn for purposes which include financing or refinancing for general corporate purposes and/or the working capital requirements of Virtus and its restricted subsidiaries.

Interest rates payable under the Refinancing Facilities will be a variable rate in nature. At current interest rates, average interest rate costs would be higher than the current average interest rates under the existing loan facilities of the Virtus group. Interest rate hedges are likely to be entered into by the Virtus group to cap the interest cost on the debt under the Refinancing Facilities.

b) Summary of conditions precedent to initial drawdown

The availability of the Refinancing Facilities are subject to the satisfaction of certain conditions precedent to initial drawdown, which are customary for facilities of this kind and include:

- i) confirmation from an authorised signatory of Virtus that:
 - a) the CapVest Takeover has become unconditional in all respects and CapVest BidCo has received acceptances in respect of at least 50.1% of the Virtus Shares unless the providers of the financing agree otherwise;
 - b) the Scheme was not approved by the Requisite Majorities at the Scheme Meeting or was not approved by the Court; and
 - c) the bid price per Virtus Share has not been decreased (other than any adjustments to account for dividends) and any consideration payable other than in the form of cash does not require any interest to be paid and is subordinated in right of payment to the Refinancing Facilities;
- ii) confirmation from an authorised signatory of CapVest BidCo that:
 - a) the equity contribution that has been or will be made to CapVest BidCo to fund the cash consideration payable by CapVest BidCo under the CapVest Takeover is not less than A\$170,000,000;
 - b) CapVest BidCo has complied with undertakings given in connection with the Scheme and CapVest Takeover; and
 - c) representations and warranties given by CapVest BidCo in respect of the information memorandum and base case model provided in connection with the syndication of the Refinancing are true and correct (but such representations and warranties and whether or not such representations and warranties are true or accurate or not misleading in any respect will not be a condition or a drawstop during the Certain Funds Period described below);

11.12 Overview of Refinancing Facilities *continued*

- iii) execution of definitive documentation and related security documents for the Refinancing Facilities;
- iv) provision to the facility agents of copies of Virtus' constitutional documents, board resolutions and directors' certificates and a customary legal opinion; and
- v) finalisation of reasonable know your customer checks.

CapVest Bidco has received written confirmation from the Underwriters that the certificates for the confirmations set out in (i) and (ii) above are in agreed form and each other condition precedent in (iii) to (v) above is either satisfied or in agreed form.

c) Conditions of further funding

Additional conditions precedent customary to arrangements of this type apply to future drawdowns, including requirements that there are no ongoing events of default.

d) Facility term

The Refinancing Facilities terminate:

- i) 7 years after the First Lien Term Facility is first drawn in respect of the First Lien Term Facility;
- ii) 5 years after the First Lien Term Facility is first drawn in respect of the First Lien Revolving Facility; and
- iii) 8 years after the Second Lien Loan Note Subscription Facility is first drawn in respect of the Second Lien Loan Note Subscription Facility.

e) Events of default

The Refinancing Facilities will be subject to events of default (**Events of Default**) in respect of Virtus and certain of its subsidiaries, which are common for a facility of this nature and include:

- i) failure to pay or failure to perform other obligations under the Refinancing Facilities (including any breach of the financial covenants);
- ii) misrepresentation;
- iii) cross payment default / cross acceleration; and
- iv) insolvency, insolvency proceedings (including appointment of an administrator at Virtus or another borrower), creditor's process and invalidity and unlawfulness.

Events of Default will be subject to grace periods and cure rights customary for facilities of this kind.

f) Certain funds availability

The Refinancing Facilities may be drawn down once the relevant facility agent has notified Virtus and the lenders that it has received confirmation of all of the conditions precedent to the initial drawdown under the Refinancing Facilities.

For the duration of the Certain Funds Period (as defined below), the lenders under the Refinancing Facilities can only refuse to make available the Refinancing Facilities if the initial conditions precedent to drawdown referred to in paragraph (b) above are not satisfied, it is unlawful for the relevant lender to participate in the relevant Refinancing Facilities or drawdown, there is a change of control of Virtus (other than where CapVest BidCo obtains control) or there is a major default.

The **Certain Funds Period** is the period from the date of the Refinancing Facilities Agreements to (and including) 11.59pm (in Sydney) on the earlier of:

- i) 31 October 2022;
- ii) the earlier of:
 - a) the date on which the Scheme is approved by the Court so that the CapVest Takeover Condition concerning the Scheme fails to be satisfied;
 - b) the date that the CapVest Takeover Offer Period closes without acceptances being received in respect of at least 50.1% of Virtus Shares (unless the Arrangers agree otherwise) or without the CapVest Takeover being declared, or otherwise becoming unconditional; and
 - c) the date that Virtus notifies the relevant agent in writing of conclusive termination of the Implementation Deed prior to the CapVest Takeover becoming unconditional; and
- iii) the date that is 20 business days after the date of initial drawdown under the relevant Refinancing Facilities.

11 Additional information

11.12 Overview of Refinancing Facilities *continued*

A major default is defined as:

- i) a non-payment of interest or principal event of default under the facility;
- ii) a misrepresentation event of default under the facility as it relates to major representations (representations going to the status, binding obligations, non-conflict with other obligations and power and authority of Virtus) in any material respect;
- iii) a breach of obligations event of default under the facility as it relates to major undertakings (undertakings relating to financial indebtedness, restricted payments, liens, and mergers and consolidations made by Virtus) in any material respect;
- iv) an insolvency or insolvency proceedings event of default under the facility in respect of Virtus; and
- v) an invalidity or unlawfulness event of default under the facility.

g) Undertakings

The Refinancing Facilities will be subject to undertakings that are customary for facilities of this kind and include:

- Financial indebtedness may not be incurred, as defined in accordance with the Refinancing Facilities Agreements and subject to certain exceptions as set out in the Refinancing Facilities Agreements. Those exceptions include:
 - > ability to include additional indebtedness subject to compliance with certain leverage ratios and/or the fixed charge coverage ratio as defined and calculated in accordance with the Refinancing Facilities Agreements; and
 - > additional baskets including general debt basket, acquisition/acquired debt basket, capitalised lease / purchase money basket, factoring and receivables financing basket, and working capital and local facilities basket.
- A restriction on restricted payments (as defined in the Refinancing Facilities Agreements, which includes the payment of dividends, the return of capital and the buyback of shares, investments and repayment of junior or subordinated debt including the Second Lien Loan Note Subscription Facility), subject to certain exceptions as set out in the Refinancing Facilities Agreements. Those exceptions include:
 - > ability to make restricted payments subject to compliance with certain leverage ratios and/or the fixed charge coverage ratio up to an amount determined based on cumulative consolidated net income or excess cash flow as defined and calculated in accordance with the Refinancing Facilities Agreements; and
 - > additional baskets including management incentive plan basket and general restricted payment basket.
- A restriction on the giving of liens and security interests over the assets of Virtus and its restricted subsidiaries, as defined in accordance with the Refinancing Facilities Agreements and subject to certain exceptions as set out in the Refinancing Facilities Agreements.
- In respect of the First Lien Refinancing Facilities only, subject to customary exceptions for facilities of this kind, a requirement that a percentage of excess cash flow is applied in prepayment of the First Lien Refinancing Facilities which will vary based on the pro forma senior secured net leverage ratio as demonstrated by the annual financial statements of Virtus for each financial year (commencing with the first complete financial year after first drawdown under the First Lien Refinancing Facilities).
- Subject to customary exceptions for facilities of this kind, the proceeds of asset dispositions have to be applied within a specified period or in the case of investment in additional assets, committed to be applied and then spent within a specified period, as follows:
 - > to repay senior secured indebtedness or non-obligor indebtedness, or any other indebtedness secured by a lien (other than a permitted collateral lien) on property or assets of Virtus or a restricted subsidiary; or
 - > to invest in additional assets.

h) Financial covenants

Solely for the benefit of the lenders participating in the First Lien Revolving Facility in that capacity only, and subject to the terms of the relevant Refinancing Facility Agreement, if the First Lien Revolving Facility is drawn beyond a certain level on a test date, Virtus shall ensure that the senior secured net leverage ratio will not exceed 9.00:1 (as defined and determined in accordance with the Refinancing Facilities Agreements). The financial covenant will be tested quarterly (or whilst Virtus is listed on the ASX, semi-annually) from and including the period ending on the first quarter date (or, half year date as applicable) falling after the third complete financial quarter following the initial drawdown of the First Lien Refinancing Facilities.

11.13 Takeovers Panel Proceedings

There have been a number of recent applications to the Takeovers Panel involving BGH, CapVest and Virtus.

The first application was made by BGH on 2 February 2022. BGH submitted, amongst other things, that entry into a process deed between Virtus and CapVest constituted unacceptable circumstances. The process deed, which was terminated on entry into the Implementation Deed, contained certain exclusivity and cost recovery protections in favour of CapVest and outlined the framework under which CapVest was willing to proceed with its first non-binding indicative offer in response to the initial unsolicited indication of interest from BGH. On 23 February 2022, the Takeovers Panel made a declaration of unacceptable circumstances and made orders that, amongst other things, effectively required the process deed to be amended to clarify the fiduciary out and non-public information provisions. On the same day, Virtus and CapVest amended the process deed consistent with the Takeovers Panel's orders.

On 4 March 2022, BGH brought a second application submitting, amongst other things, that circumstances hindered the acquisition of control of Virtus taking place in an efficient, competitive and informed market, and deprived Virtus Shareholders of the opportunity to participate in the benefits of a proposal. On 10 March 2022, the Takeovers Panel announced that it had declined to conduct proceedings in relation to that application on the basis there was no reasonable prospect that it would make a declaration of unacceptable circumstances because it would not be willing to second guess the decision of the Virtus Board as to whether it should engage with BGH after CapVest had submitted a superior proposal.

On 8 April 2022 (following announcement of the BGH Takeover on 6 April 2022), CapVest made an application to the Takeovers Panel submitting that BGH's bidder's statement allows BGH to instruct its broker to acquire Virtus shares above \$8.00 per Virtus Share without first announcing to the ASX that the offer price under the BGH Takeover be varied to a higher price contrary to Rule 5.13.1 of the ASIC Market Integrity Rules and the principle in the Corporations Act that the acquisition of control of Virtus takes place in an efficient, competitive and informed market. On 11 April 2022, the Takeovers Panel made interim orders effectively prohibiting BGH from acquiring on market any Virtus shares above BGH's Takeover bid price unless it had made certain disclosures to the market. On 22 April 2022, the Takeovers Panel announced that it had accepted an undertaking from BGH and declined to make a declaration of unacceptable circumstances. Later on 22 April 2022, CapVest sought the consent of the Panel President, which was granted, to have that decision reviewed by a newly constituted Takeovers Panel. CapVest sought orders to the effect that BGH's broker not be permitted to acquire Virtus shares on behalf of BGH at a price higher than the BGH Takeover bid price until it has announced the price it proposes to acquire them at and ASX Operating Procedures have been complied with and until after 9.00am (London time) following the announcement of the higher price. On 4 May 2022 the review Panel announced that it had declined to commence proceedings.

On 29 April 2022, Virtus made an application to the Takeovers Panel submitting that the circumstances caused by BGH dispatching a defective bidder's statement at a time when it was on notice of the material inaccuracies or omissions in that document (including the superior CapVest Transaction) has the effect of hindering, or is likely to hinder, the acquisition of control of Virtus taking place in an efficient, competitive and informed market and is inconsistent with section 602 of the Corporations Act. Virtus is seeking interim orders that BGH be restrained from processing acceptances under the BGH Takeover until the conclusion of the Panel proceedings and be required to keep the BGH Takeover open for acceptances until the conclusion of the Panel proceedings. Virtus is seeking final orders that BGH must offer withdrawal rights to Virtus Shareholders for a period of not less than 10 trading days with such period starting from the date on which a supplementary bidder's statement (in a form approved by ASIC and the Panel) is dispatched to Virtus Shareholders, and must extend the BGH takeover offer period so that it remains open until the earliest date it could have closed if BGH had sent a replacement bidder's statement, instead of dispatching the BGH bidder's statement, without the consent of Virtus. At the date of this Booklet, a sitting Panel has not been appointed and no decision has been made whether to conduct proceedings.

Further information is available on the Takeovers Panel website at <https://www.takeovers.gov.au/>.

11 Additional information

11.14 ASIC relief

ASIC has made decisions in-principle to grant the following relief in relation to the CapVest Transaction:

- Paragraph 8302(h) of Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cth) requires an explanatory statement to set out whether, within the knowledge of the Virtus Directors, the financial position of Virtus has materially changed since the date of the last balance sheet laid before Virtus Shareholders in accordance with section 314 or 317 of the Corporations Act, being 30 June 2021. ASIC has granted Virtus relief from this requirement so that this Booklet only needs to set out whether, within the knowledge of the Virtus Directors, the financial position of Virtus has materially changed since 31 December 2021 (being the last date of the period to which the financial statement for the half-year ended 31 December 2021 relate).
- Paragraph 8302(d) of Part 3 of Schedule 8 of the Corporations Regulations 2001 (Cth) requires this Booklet to set out particulars of any payment or benefit made or given to any Virtus Director, secretary or executive officer of Virtus or a Related Body Corporate as compensation for loss of, or consideration for or in connection with their retirement from, office in Virtus or a Related Body Corporate. ASIC has granted Virtus relief from this requirement so that this Booklet need only set out particulars of any payment or benefit made or given to any Virtus Director, secretary or executive officer of Virtus in relation to their resignation or retirement from office where those proposed payments or benefits are made in connection with or are materially affected by the implementation of the CapVest Transaction. Under the relief granted, Virtus may also describe such payments or benefits on an aggregated (rather than individual) basis and, unless that person is a Virtus Director, refrain from disclosing the name of any director, secretary or executive officer who will lose office or retire from office in connection with the CapVest Transaction.

ASIC has made decisions in-principle to grant the following relief in relation to the CapVest Transaction:

- Section 648C of the Corporations Act requires takeover documents to be sent to shareholders by post or courier. ASIC has granted Virtus and CapVest BidCo relief from this requirement so that this Booklet (and any supplementary booklet) can be despatched electronically to those Virtus Shareholders who have nominated an email address for the purposes of receiving communications from Virtus and for those Virtus Shareholders who have not nominated an email address, to be despatched by sending a letter which outlines how those shareholders can access an electronic copy or hard copy of this Booklet.
- ASIC Corporations (Virtual-only Meetings) Instrument 2022/129 (Instrument) allows certain companies and registered schemes to hold virtual-only meetings until 31 May 2022, subject to a condition that the company pass a resolution to the effect that, in the opinion of the directors voting for the resolution, it would be unreasonable for the company or registered scheme to hold a meeting of its members wholly or partially, at one or more physical venues due to the impact of the COVID-19 pandemic. The Extraordinary General Meeting is expected to be held after the Instrument expires, on Monday, 6 June 2022. ASIC has granted Virtus relief to hold the Extraordinary General Meeting as a virtual (online only) meeting. The Scheme Meeting is to be convened by order of the Court.
- ASIC has provided confirmation in relation to the extension of the CapVest Takeover to all Virtus Shares that are issued after the Takeover Register Date upon vesting or exercise of Virtus Performance Rights on issue.

11.15 Consents

- a) The following parties have given, and have not withdrawn before the date of this Booklet, their consent to be named in this Booklet in the form and context in which they are named:
 - i) Jefferies as financial adviser to Virtus;
 - ii) Morgan Stanley as financial adviser to CapVest and CapVest BidCo; and
 - iii) Link as the manager of the Virtus Share Registry;
 - iv) Deloitte as the Independent Expert;
 - v) Gilbert + Tobin as legal adviser to Virtus; and
 - vi) Ashurst as legal adviser to CapVest and CapVest BidCo.
- b) The Independent Expert has given and has not withdrawn its consent to be named in this Booklet and to the inclusion of the Independent Expert's Report in Attachment A to this Booklet and to the references to the Independent Expert's Report in this Booklet being made in the form and context in which each such reference is included.
- c) CapVest has given and has not withdrawn its consent to be named in this Booklet and in relation to the inclusion of the CapVest Information in this Booklet in the form and context in which that information is included.
- d) This Booklet includes or is accompanied by statements which are made in reliance on or based on statements made in documents lodged with ASIC or on the company announcement platform of ASX. As noted above, under the terms of ASIC Class Order 13/521, the parties making those statements being included in this Booklet are not required to consent to, and have not consented to, those statements being included in this Booklet. If you would like to receive a copy of any of those documents please contact Virtus Share Registry on 1800 653 805 (within Australia) or +61 1800 653 805 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time) and you will be sent copies free of charge within 2 business days of your request.

11 Additional information

11.15 Consents *continued*

- e) In addition, as permitted by ASIC Corporations (Consents to Statements) Instrument 2016/72, this Booklet contains trading data sourced from S&P Capital IQ and IRESS without their consent, statements from official persons without their consent, extracts from public official documents and statements which have already been published in a book, journal or comparable publication.
- f) Each person named in this Section 11.15:
- has not authorised or caused the issue of this Booklet;
 - does not make, or purport to make, any statement in this Booklet or any statement on which a statement in this Booklet is based, other than as specified in this Section 11.15; and
 - to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Booklet, other than a reference to its name and the statement (if any) included in this Booklet with the consent of that party as specified in this Section 11.15.

11.16 Documents available

An electronic version of this Booklet including the Independent Expert's Report and the Implementation Deed are available for viewing and downloading online at Virtus' website at <https://www.virtushealth.com.au/investor-centre>.

11.17 Supplementary information

If Virtus becomes aware of any of the following between the date of lodgement of this Booklet for registration with ASIC and the close of the CapVest Takeover Offer Period:

- a material statement in this Booklet is false or misleading;
- a material omission from this Booklet;
- a significant change affecting a matter in this Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Booklet if known about at the date of lodgement with ASIC,

depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Virtus may circulate and publish any supplementary document by:

- making an announcement to ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting the supplementary document to Virtus Shareholders at their registered address as shown in the Virtus Share Register; or
- posting a statement on Virtus' website at <https://www.virtushealth.com.au/>,

as Virtus in its absolute discretion considers appropriate.

11.18 Other

a) Registration of Booklet with ASIC

This Booklet was registered with ASIC on 5 May 2022 in accordance with:

- section 411(2)(b) of the Corporations Act;
- section 633(1), Item 2 of the Corporations Act;
- section 633(1), Item 13 of the Corporations Act; and
- section 256C(5) of the Corporations Act.

b) Other material information

Other than as contained or referred to in this Booklet, including the Independent Expert's Report and the information that is contained in the Attachments to this Booklet:

- there is no other information that is material to the making of a decision by a Virtus Shareholder whether or not to vote in favour of the Scheme Resolution to approve the Scheme or whether or not to vote in favour of the Capital Return Resolution to approve the Capital Return, being information that is known to any Virtus Director and which has not previously been disclosed to Virtus Shareholders; and
- there is no other information that is material to the making of a decision by a Virtus Shareholder whether or not to accept the CapVest Takeover, being information that is known to CapVest or CapVest BidCo and which has not previously been disclosed to Virtus Shareholders.

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Approval of bidder's statement

12 Approval of bidder's statement

This Booklet (to the extent it comprises a bidder's statement) has been approved by a resolution of the directors of Evergreen BidCo Pty Ltd ACN 657 613 860 in accordance with section 637(1)(a)(i) of the Corporations Act.



Kate Briant

on behalf of the board of Evergreen BidCo Pty Ltd ACN 657 613 860

Dated: 5 May 2022

For personal use

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Approval of target's statement

13 Approval of target's statement

This Virtus Information in this Booklet has been approved by a resolution of the directors of Virtus Health Limited (ACN 129 643 492). All Virtus Directors voted in favour of that resolution.

The Virtus Information (to the extent it comprises a target's statement) has been approved by a resolution of the directors of Virtus Health Limited (ACN 129 643 492) in accordance with section 639(1)(a) of the Corporations Act. All Virtus Directors voted in favour of that resolution.



Sonia Petering

on behalf of the Board of Virtus Health Limited (ACN 129 643 492)

Dated: 5 May 2022

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Glossary

In this Booklet unless the context otherwise requires:

2021 Annual Report means Virtus' annual report for the financial year ended 30 June 2021.

Acceptance Form means the relevant acceptance form enclosed with this Booklet (or the acceptance form accessible via <https://www.virtushealth.com.au/takeover-acceptance-form>), as the context requires.

Adviser means any person who is engaged to provide professional advice of any type (including legal, accounting, consulting or financial advice) to Virtus or CapVest BidCo.

Arranger means each of Goldman Sachs Australia Pty Ltd, Morgan Stanley Senior Funding, Inc. and ING Bank N.V., London Branch.

ASIC means the Australian Securities and Investments Commission.

Assisted Reproductive Services or **ARS** means treatments that involve the application of laboratory or clinical techniques to gametes and/or embryos for the purpose of reproduction. Common treatments include IVF Cycles, frozen embryo transfers, cryostorage of frozen embryos and intra-uterine insemination.

ASX means ASX Limited ACN 008 624 691 or, as the context requires, the financial market operated by it.

ASX Listing Rules means the official listing rules, from time to time, of ASX.

ASX Settlement means ASX Settlement Pty Ltd (ACN 008 504 532) or the clearing and settlement facility operated it (as the context requires).

ASX Settlement Operating Rules means the operating rules of ASX Settlement.

ATO means Australian Taxation Office.

Authorised Person means, in respect of a person:

- a) a director, officer, contractor, agent or employee of the person;
- b) an Adviser of the person; and
- c) a director, officer or employee of an Adviser of the person.

BGH means BGH Capital Pty Ltd, its wholly owned and controlled entities, and funds managed or advised by it, as the context requires.

BGH Takeover means the off-market takeover offers dated 20 April 2022 by entities wholly owned by BGH Capital Fund I to acquire all of the Virtus Shares for \$8.00 per Virtus Share.

Booklet means this booklet in relation to the CapVest Transaction.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales and London, England.

Capital Return means a capital return payable per Virtus Share of an amount equal to \$3.11 less the amount of any Special Takeover Dividend (if any), subject to the Capital Return Conditions being satisfied (other than the condition in paragraphs (a) and (d) of Section 6.3) and to be paid in accordance with the terms of the Capital Return Resolution (if approved at the Extraordinary General Meeting).

Capital Return Conditions has the meaning given in Section 6.3.

Capital Return Record Date means the date that is the fifth Business Day following the satisfaction of all of the following:

- a) the Capital Return Resolution having been approved; and
- b) the Capital Return Conditions having been satisfied (other than the condition in paragraphs (a) and (d) of Section 6.3).

Capital Return Resolution means the resolution set out in Attachment B to be considered at the Extraordinary General Meeting by Virtus Shareholders in relation to the Capital Return.

CapVest means CapVest Partners LLP.

CapVest BidCo means Evergreen BidCo Pty Ltd (ACN 657 613 860).

CapVest Fund V means CapVest Equity Partners V SCSp and its affiliated feeder funds, each acting through their managing general partner CapVest Private Equity V S.à.r.l.

CapVest Fund V General Partner means CapVest Private Equity V S.à.r.l.

CapVest Group means CapVest, CapVest Fund V, CapVest BidCo and their Related Bodies Corporate and **CapVest Group Member** means any of them.

CapVest Information means: the information prepared by CapVest BidCo for inclusion in this Booklet and for which CapVest

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BidCo is responsible, being the following:

- a) "Letter from CapVest Partners LLP";
- b) Section 5;
- c) Section 6 (other than sections 6.5 and 6.7);
- d) Section 8;
- e) Section 11.12.

CapVest Manager means CapVest Irish Partners Limited.

CapVest Master Fund V means CapVest Equity Partners V SCSp.

CapVest Takeover means the off-market takeover bid constituted by the despatch of the offers for Virtus Shares by CapVest BidCo under the terms and conditions set out in Section 5, and in accordance with the Corporations Act.

CapVest Takeover Conditions means the conditions to the CapVest Takeover set out in Section 5.8.

CapVest Takeover Consideration means \$8.10 per Virtus Share less the value of any Capital Return or Special Takeover Dividend paid or payable per Virtus Share.

CapVest Takeover Offer Period means the period during which offers under the CapVest Takeover will remain open for acceptance in accordance with Section 5.3.

CapVest Transaction means the Scheme and the CapVest Takeover and either the Scheme or the CapVest Takeover (as the context requires).

Certain Funds Period has the meaning given in Section 8.6(j), or Section 11.12(f) (as applicable).

CGT means capital gains tax.

CHES means the Clearing House Electronic Subregister System, which provides for electronic share transfers in Australia.

CHES Holding means a holding of Virtus Shares on the CHES subregister of Virtus (usually a CHES Holding will be through a Controlling Participant).

Conditions means the Scheme Conditions and the CapVest Takeover Conditions, and **Condition** means any one of them.

Controlling Participant means in relation to your Virtus Shares has the same meaning as in the ASX Settlement Operating Rules. Usually your Controlling Participant is a person, such as a stockbroker, with whom you have a sponsorship agreement (within the meaning of the ASX Settlement Operating Rules).

Competing Proposal means any offer, proposal, agreement, arrangement or transaction, whether existing before, on or after 13 March 2022 (including for the avoidance of doubt any offer, proposal, agreement, arrangement or transaction arising out of or in connection with the BGH Proposal (as that term is defined in the Implementation Deed) but excluding any Virtus Shares that BGH acquired or agreed to acquire before 13 April 2022 while that shareholding is less than 20%), which, if entered into or completed, could mean that a person other than CapVest BidCo or its associates would:

- a) directly or indirectly acquire Voting Power (as that term is defined in the Corporations Act) in, or have a right to acquire a legal, beneficial or economic interest in, or control of, more than 20% of the securities in any member of the Virtus Group;
- b) acquire Control of any member of the Virtus Group;
- c) directly or indirectly acquire or become the holder of, or otherwise acquire or have a right to acquire a legal, beneficial or economic interest in, or control of, all or substantially all or material part of the business or assets of any member of the Virtus Group;
- d) otherwise directly or indirectly acquire, be stapled with or merge with Virtus; or
- e) require CapVest BidCo to abandon, or otherwise fail to proceed with, the CapVest Transaction,

whether by way of a takeover bid, scheme of arrangement, shareholder approved acquisition, capital reduction, buy back, sale, lease or purchase of shares, other securities or assets, assignment of assets or liabilities, joint venture, dual listed company (or other synthetic merger), deed of company arrangements, any debt for equity arrangement or other transaction or arrangement.

Control has the meaning given under section 50AA of the Corporations Act.

Control Date means the date on which CapVest BidCo acquires a Relevant Interest in 50.1% or more of all Virtus Shares on issue and either:

- a) the CapVest Takeover becomes or is declared unconditional; or
- b) the Scheme has been implemented.

Corporations Act means the *Corporations Act 2001* (Cth), as amended from time to time.

Court means the Supreme Court of New South Wales or any other court of competent jurisdiction under the Corporations Act

agreed to in writing by Virtus and CapVest.

Court Approval Date means the date when the Court grants its approval to the Scheme under section 411(4) of the Corporations Act.

Deed Poll means the deed poll in the form of Attachment E to this Booklet, executed by CapVest BidCo in favour of Scheme Shareholders.

Deloitte means Deloitte Corporate Finance Pty Limited.

Disclosure Letter means the letter so entitled from Virtus provided to CapVest BidCo on or prior to 13 March 2022 and countersigned by CapVest BidCo.

Due Diligence Materials means the information in relation to the Virtus Group disclosed in writing by or on behalf of Virtus to CapVest BidCo and its representatives prior to 13 March 2022 in:

- a) the Online Data Room; and
- b) any written answers to requests for further information made by CapVest BidCo and its representatives as contained in the Online Data Room.

EBITDA means earnings before interest, tax, depreciation and amortisation.

Effective means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.

Effective Date means the date on which the Scheme becomes Effective.

End Date means the later of:

- a) the date that is 6 months after 13 March 2022, which is 13 September 2022; and
- b) such other date and time agreed in writing between CapVest BidCo and Virtus.

Equity Commitment has the meaning given in Section 8.6(c).

Extraordinary General Meeting means the extraordinary general meeting of Virtus Shareholders convened to consider the Capital Return Resolution.

Fairly Disclosed to a party means disclosed in writing to any of that party or any of its Authorised Persons in good faith and in sufficient detail so as to reasonably apprise a party (or one of its Authorised Persons) as to the nature and scope of the relevant matter, event or circumstance.

Fertility Specialists means the doctors with whom Virtus has contracts in place to provide Assisted Reproductive Services at its fertility clinics and day hospitals and **Fertility Specialist** means one of them.

FIRB means the Foreign Investment Review Board.

FY20 means the financial year ended 30 June 2020.

FY21 means the financial year ended 30 June 2021.

Government Agency means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister, ASIC, ASX and any regulatory organisation established under statute or any stock exchange.

GST means a goods and services tax or similar value added tax levied or imposed under the GST Law.

GST Law has the meaning given to it in the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

H1FY22 means the half year ended 31 December 2021.

H1 FY2022 Interim Report means Virtus' half year report for the H1FY22.

H2FY22 means the half year ended 30 June 2022.

Headcount Test has the meaning given to it in Section 4.3(b) of this Booklet.

Implementation Date means the fifth Business Day, or such other Business Day as Virtus and CapVest BidCo may agree, following the Scheme Record Date.

Implementation Deed means the Implementation Deed dated 13 March 2022 between Virtus and CapVest BidCo as amended and restated on 13 April 2022 and again on 4 May 2022, and as released to ASX on 5 May 2022 and can be obtained from <https://www.asx.com.au/> or <https://www.virtushealth.com.au/>.

Independent Expert means the expert appointed by Virtus, being Deloitte.

Independent Expert's Report means the report prepared by the Independent Expert, a copy of which is set out in Attachment

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A to this Booklet.

Interim Dividend means the \$0.12 dividend declared by Virtus on 22 February 2022 and paid on 14 April 2022.

IVF means in vitro fertilisation, being the process by which an egg is fertilised by a sperm outside the body.

IVF Cycle means a treatment where fertility drugs are administered in preparation for collection of eggs for IVF.

Jefferies means Jefferies (Australia) Pty Ltd (ACN 623 059 898).

Last Practicable Trading Date means Tuesday, 3 May 2022, being the last practicable trading date before the date this Booklet was approved by the Court.

Link means Link Market Services Limited (ABN 54 083 214 537).

Material Adverse Change means:

- a) a counterparty does not provide the relevant approval, waiver, or confirmation in respect of a change of control provision in a contract which is agreed between Virtus and CapVest BidCo to be a key contract;
- b) an event, occurrence or matter that occurs after 13 March 2022, and which (individually or when aggregated with other events, occurrences or matters) has or is reasonably likely to have the effect of:
 - i) diminishing the net assets of the Virtus Group by \$34,000,000 or more, as compared to what the net assets of the Virtus Group could reasonably be expected to have been but for the relevant event, occurrence or matter; or
 - ii) diminishing the annual EBITDA of the Virtus Group (on a recurring basis) by at least \$6,500,000 (calculated after taking into account any event, occurrence or matter after the date of this deed that has or could reasonably be expected to have a positive effect on consolidated annual EBITDA), as compared to what the consolidated annual EBITDA of the Virtus Group (on a recurring basis) could reasonably be expected to have been but for the relevant event, occurrence or matter,

in each case other than an event, occurrence or matter:

- c) required to be done or procured by Virtus under the Implementation Deed or the CapVest Transaction (including the payment of a Special Scheme Dividend or Special Takeover Dividend) or relating to the third party debt financing provided or intended to be provided to CapVest Group as described in Section 8.6(d) or the Capital Return;
- d) to the extent that it was Fairly Disclosed in the Disclosure Letter or the Due Diligence Materials;
- e) to the extent it was Fairly Disclosed to the ASX in the 2 years before 13 March 2022 or in a document lodged with ASIC in the 18 months before 13 March 2022 or which may arise from an event, occurrence or matter which was so disclosed;
- f) to the extent it was actually known to CapVest BidCo prior to 13 March 2022 (which does not include knowledge of the risk of an event, matter or circumstance occurring);
- g) which CapVest BidCo has previously approved or requested in writing;
- h) relating to costs and expenses incurred by Virtus associated with the CapVest Transaction process, including all fees payable to external advisers of Virtus, to the extent such amounts are Fairly Disclosed in the Disclosure Letter or the Due Diligence Materials; or
- i) which arise from:
 - i) changes in exchange rates or interest rates;
 - ii) general economic, political or business conditions, including changes or disruptions to, or fluctuations in, domestic or international financial markets;
 - iii) acts of terrorism, war (whether or not declared), natural disaster or adverse weather conditions or the like;
 - iv) general outbreaks of illness (including COVID-19 or any mutation, variation or derivative) or the like, or from any law, order, rule or direction of any Government Agency in relation thereto (excluding any change in any law, or rule or regulation of any Government Agency in respect of fertility treatment and health or impacting the market or business in which the Virtus Group operates); or
 - v) changes to accounting standards or policies or the interpretation of them, applicable laws or policies of a Government Agency in Australia.

Medicare Levy Surcharge means a levy on payers of Australian tax who do not have private health insurance with hospital cover and who earn above a certain income.

Meetings means:

- a) the Scheme Meeting; and
- b) the Extraordinary General Meeting.

Online Data Room means the documents and information (including, for the avoidance of doubt, information and responses

to questions or requests for information from CapVest BidCo and its representatives provided by Virtus or its representatives via the “Q&A” function) contained in the Ansarada online data room entitled “Project Elton” to which CapVest BidCo and its representatives were given access prior to 13 March 2022, an electronic copy of which has been provided to CapVest BidCo by Virtus or its representatives on or before 13 March 2022.

Positive Tax Ruling means a positive class ruling from the Commissioner of Taxation to the effect that:

- a) no part of the Capital Return is a “dividend” as defined under paragraph 6(1) of the *Income Tax Assessment Act 1936* or assessable to Virtus Shareholders as a dividend; and
- b) the Commissioner of Taxation will not make a determination under subsection 45A(2) or subsection 45B(3) of the *Income Tax Assessment Act 1936* that section 45C applies to deem any of the Capital Return as an unfranked dividend.

Private Health Insurance Rebate means a rebate from the Australian Government to help cover the cost of premiums for private health insurance in Australia.

Q3FY22 means the quarter year ended 31 March 2022.

Refinancing means the refinancing of Virtus indebtedness described in Section 11.12.

Refinancing Facilities has the meaning given in Section 11.12.

Refinancing Facilities Agreements has the meaning given in Section 11.12.

Removal Date has the meaning given in Section 8.5(c).

Related Body Corporate has the meaning it has in the Corporations Act.

Relevant Interest has the same meaning as given by sections 608 and 609 of the Corporations Act.

Requisite Majorities means the threshold for approval of the Scheme Resolution set out in Section 4.3(b) of this Booklet, being votes in favour of the resolution received from:

- a) a majority in number (more than 50%) of Virtus Shareholders present and voting at the Scheme Meeting (whether in person (virtually), by proxy, by attorney or, in the case of corporate Virtus Shareholders, by a corporate representative); and
- b) at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting.

Rights means all rights or benefits attaching or arising from Virtus Shares directly or indirectly after 13 March 2022, including but not limited to, all dividends or other distributions, other than:

- a) voting rights attaching to Virtus Shares during the period expiring at the later of the end of the Scheme Meeting and on the day after the date on which all of the CapVest Takeover Conditions have been satisfied or waived; and
- b) the Interim Dividend, and any franking credits attaching to the Interim Dividend, Special Scheme Dividend and Special Takeover Dividend.

Scheme means a members’ scheme of arrangement pursuant to Part 5.1 of the Corporations Act between Virtus and Scheme Shareholders, on the terms described in Attachment D to this Booklet, subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act.

Scheme Conditions means the conditions summarised in Section 4.2.

Scheme Consideration means, the total cash consideration of \$8.15 per Virtus Share if the Scheme becomes Effective such amount reduced by the amount of the Special Scheme Dividend (if paid), being an amount of \$7.71 cash per Virtus Share if the maximum Special Scheme Dividend is paid.

Scheme Meeting means the meeting of Virtus Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act in relation to the Scheme, and includes any adjournment of that meeting.

Scheme Record Date means 7.00pm (Sydney time) on the third Business Day following the Effective Date, or such other date as Virtus and CapVest BidCo agree.

Scheme Resolution means a resolution of Virtus Shareholders to approve the Scheme, the form of which is set out in the Notice of Scheme Meeting in Attachment B to this Booklet.

Scheme Shareholder means a holder of Virtus Shares on the Scheme Record Date.

Scheme Share means a Virtus Share held by a Scheme Shareholder on the Scheme Record Date.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the

Corporations Act approving the Scheme is heard (or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard), with such hearing being the **Second Court Hearing**.

Special Scheme Dividend means the fully franked cash dividend of up to \$0.44 per Virtus Share held by a Virtus Shareholder on the Scheme Record Date which is intended to be declared by the Virtus Board (payable by Virtus).

Special Scheme Dividend Record Date means any day that is at least one Business Day prior to the Scheme Record Date.

Special Scheme Dividend Payment Date means the Implementation Date.

Special Takeover Dividend means the fully franked cash dividend of up to \$0.44 per Virtus Share held by a Virtus Shareholder on the Special Takeover Dividend Record Date which is intended to be declared by the Virtus Board (payable by Virtus).

Special Takeover Dividend Record Date means any date that is at least one Business Day prior to the CapVest Takeover being declared or becoming unconditional.

Special Takeover Dividend Payment Date means any date that is a Business Day determined by the Virtus Board promptly following the Special Takeover Dividend Record Date.

Subsidiary of an entity (the 'first body') means an entity which is a 'subsidiary' (within the meaning of section 46 of the Corporations Act) of the first body, or an entity which is Controlled (within the meaning of the Corporations Act) by the first body (and a trust may be a subsidiary, for the purpose of which a unit or other beneficial interest will be regarded as a share (notwithstanding the operation of section 48(2) of the Corporations Act).

Superior Proposal means a bona fide Competing Proposal (and not resulting from a breach by Virtus (or any of its Authorised Persons, affiliates or representatives) of any of its obligations under clause 10 of the Implementation Deed) which the Virtus Board determines in good faith and in order to satisfy what the Virtus Board reasonably considers to be its fiduciary or statutory duties, would, after taking advice from its legal and financial advisers, if completed substantially in accordance with its terms, be likely to result in a transaction more favourable to Virtus Shareholders than the CapVest Transaction (including the latest proposal provided by CapVest BidCo to Virtus) having regard to matters including consideration, conditionality, funding, certainty, timing and the identity, reputation and financial condition of the proponent.

Takeover Recommendation is the recommendation set out in Section 2.7.

Takeover Register Date means the date set by CapVest BidCo under section 633(2) of the Corporations Act, being 7.00pm on 5 May 2022.

Takeover Share means a Virtus Share:

- a) held by a Takeover Shareholder as at the Takeover Register Date; or
- b) held by a person who is able to give good title at the time of acceptance of the CapVest Takeover offers during the CapVest Takeover Offer Period.

Takeover Shareholder means each person who is

- a) recorded in the Virtus Share Register as at the Takeover Register Date; or
- b) able to give good title at the time of acceptance of the CapVest Takeover during the CapVest Takeover Offer Period.

Takeovers Panel means the Takeovers Panel constituted under the *Australian Securities and Investments Commission Act 2001* (Cth).

Virtus means Virtus Health Limited (ACN 129 643 492).

Virtual Meeting Online Guide means the user guide available at Attachment C.

Virtus Board or **your Board** means the board of directors of Virtus.

Virtus Director or **your director** means a director of Virtus as at the date of this Booklet.

Virtus Group means Virtus and each of its Subsidiaries, and **Virtus Group Member** means any of those entities.

Virtus Information means all information included in this Booklet, other than the CapVest Information, the Independent Expert's Report and any other report or opinion prepared by an external adviser to Virtus.

Virtus Performance Right means a performance right or option issued under an employee incentive plan (including the Virtus Health Limited Executive Option Plan and Specialist Option Plan) which confers on the holder a right to acquire a Virtus Share.

Virtus Prescribed Occurrence means the occurrence of any of the following matters:

- a) Virtus converts all or any of its shares into a larger or smaller number of shares;
- b) Virtus resolves to reduce its share capital in any way;
- c) Virtus:
 - i) enters into a buy-back agreement; or
 - ii) resolves to approve the terms of a buy-back agreement under subsections 257C(1) or 257D(1) of the Corporations Act;
- d) any member of the Virtus Group issues shares, or grants a performance right or an option over its shares, or agrees to make such an issue of shares or grant such a right or an option;
- e) any member of the Virtus Group issues, or agrees to issue, convertible notes or any instruments or securities convertible into shares other than where the securities are issued, or agreed to be issued to a member of the Virtus Group;
- f) any member of the Virtus Group making any change to its constitutive documents;
- g) Virtus declaring, paying or distributing any dividend, bonus or other share out of its profits or assets, other than the Interim Dividend, the Special Takeover Dividend or the Special Scheme Dividend;
- h) any member of the Virtus Group disposes, or agrees to dispose, of the whole, or a substantial part, of the business or property of the Virtus Group;
- i) any member of the Virtus Group creates or agrees to create any mortgage, charge, security interest, lien or other encumbrance over the whole, or a substantial part, of its business or property, other than in the usual and ordinary course of business consistent with past practice; or
- j) any member of the Virtus Group becomes Insolvent (as that term is defined in the Implementation Deed);

in each case provided that a Virtus Prescribed Occurrence will not include any matter:

- k) expressly required to be done or procured by Virtus pursuant to the Implementation Deed or the CapVest Transaction;
- l) to the extent it is publicly Fairly Disclosed in filings of Virtus with the ASX in the 2 years before 13 March 2022 or in a document lodged with ASIC in the 18 months before 13 March 2022;
- m) to the extent it is Fairly Disclosed in the Disclosure Letter or the Due Diligence Materials;
- n) required by law or by an order of a court or Government Agency; or
- o) the undertaking of which CapVest BidCo has previously approved in writing.

Virtus Share means a fully paid ordinary share issued in the capital of Virtus.

Virtus Share Register means the register of Virtus Shareholders kept by Virtus and **Virtus Share Registry** means the manager from time to time of the Virtus Share Register (currently Link).

Virtus Shareholder Information Line means 1800 653 805 (within Australia) or +61 1800 653 805 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time).

Virtus Shareholder means each person who is registered in the Virtus Share Register as the holder of Virtus Shares.

Voting Power has the meaning given to it in the Corporations Act.

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Independent Expert's Report



Virtus Health Limited

Independent expert's report and Financial Services Guide in respect of the
CapVest Offers

5 May 2022

For personal use only



Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Why are we providing this FSG to you?

Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) (AFSL 241457) has been engaged by Virtus Health Limited (Virtus) to prepare an independent expert's report (our Report) in connection with the proposed acquisition of all the issued shares in Virtus by way of scheme of arrangement (Proposed CapVest Scheme) or the proposed acquisition of at least 50.1% of the issued shares in Virtus by way of a takeover offer (Proposed CapVest Takeover) (collectively the CapVest Offers). Virtus will provide our Report to you.

Our Report provides you with general financial product advice. This FSG informs you about the use of general financial product advice, the financial services we offer, our dispute resolution process and our remuneration. Our contact details are in the document that accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

We are providing general financial product advice

In our Report, we provide general financial product advice as we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. You should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. You are not responsible for our fees.

We will receive a fee of approximately AUD 350,000 exclusive of GST in relation to the preparation of our Report. This fee is not contingent on the outcome of the CapVest Offers.

Apart from these fees, Deloitte Corporate Finance, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

5 May 2022

Deloitte Corporate Finance Pty Limited, ABN 19 003 833 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

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We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls Deloitte Corporate Finance. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

In the last 2 years Deloitte has provided advice and services to Virtus that are not connected with the CapVest Offers. Deloitte Corporate Finance has prepared an IER in respect of the Proposed BGH Takeover (the BGH Takeover IER). None of the individuals who were involved in preparing the IERs were involved in providing the advice or services. Further information on the BGH Takeover IER is contained in that IER which is annexed to the Target's Statement sent to shareholders on 3 May 2022.

What should you do if you have a complaint?

If you have a concern about our Report, please contact us:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220
complaints@deloitte.com.au
Fax: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Australian Financial Complaints Authority (AFCA). AFCA provides fair and independent financial services dispute resolution free to consumers.

www.afca.org.au
1800 931 678 (free call)
Australian Financial Complaints Authority Limited
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

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The Directors
Virtus Health Limited
Level 3
176 Pacific Highway
Greenwich NSW 2065

5 May 2022

Dear Directors

Re: Independent expert's report in respect of the CapVest Offers

Introduction

On 14 March 2022 Virtus Health Limited (Virtus) announced that it had entered into a Transaction Implementation Deed with an entity controlled by CapVest Partners LLP (CapVest). On 11 April 2022, CapVest announced the terms of a revised proposal by which it will undertake to:

- acquire 100% of Virtus by a scheme of arrangement (Proposed CapVest Scheme) for AUD 8.15 cash per share excluding a Permitted Dividend of AUD 0.12 per share
- make a simultaneous off-market takeover offer, conditional on the Proposed CapVest Scheme failing and a 50.1% minimum acceptance condition¹ (Proposed CapVest Takeover) for AUD 8.10 cash per share excluding the Permitted Dividend of AUD 0.12 per share.

(collectively referred to as the CapVest Offers).

An overview of the CapVest Offers is provided in Section 1 of our detailed report, and full details are included in the Transaction Booklet issued by Virtus.

On 20 April 2022 entities associated with BGH Capital Pty Ltd (BGH) made an off-market takeover offer for Virtus whereby they would seek to acquire all the shares in Virtus they did not own for AUD 8.00 cash per share (Proposed BGH Takeover). Full details of the Proposed BGH Takeover are included in the bidder's statement lodged on 6 April 2022 and despatched to shareholders on 20 April 2022 by BGH (the BGH Bidder's Statement) and the target's statement issued by Virtus (the Target's Statement).

We prepared an Independent Expert's Report (the BGH Takeover IER) evaluating the Proposed BGH Takeover. A copy of the Proposed BGH Takeover IER has been included in the target's statement prepared by Virtus in response to the Proposed BGH Takeover and lodged on 3 May 2022 (the Target's Statement).

Purpose of the report

Whilst an independent expert's report in respect of the CapVest Offers is not required to meet any statutory obligations, the directors of Virtus (the Directors) have requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) provide an independent expert's report advising whether, in our opinion:

- the Proposed CapVest Scheme is in the best interests of Shareholders
- the Proposed CapVest Takeover is fair and reasonable so far as Shareholders are concerned
- the capital return proposed by CapVest under the Proposed CapVest Takeover (together with the Special Dividend, the Proposed Capital Return) does not materially prejudice the ability of Virtus to pay its creditors.

¹ CapVest has reserved the right to waive this condition



This report is to be included in the Transaction Booklet to be sent to Shareholders and has been prepared for the exclusive purpose of assisting Shareholders in their consideration of the Proposed CapVest Scheme and the Proposed CapVest Takeover. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than Shareholders and Virtus, in respect of this report, including any errors or omissions however caused.

Basis of evaluation

In preparing this report, we have had regard to ASIC Regulatory Guide 111 in relation to the content of expert's report and ASIC Regulatory Guide 112 in respect of the independence of experts.

To assess whether the Proposed CapVest Scheme is in the best interests of Shareholders and whether the Proposed CapVest Takeover is fair and reasonable, we have adopted the test of whether the Proposed CapVest Scheme or the Proposed CapVest Takeover is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

Further information on the basis of evaluation is set out in Section 2.

Our evaluation

In evaluating and forming our opinions as to whether:

- the Proposed CapVest Scheme is fair and reasonable to, and therefore in the best interests of, Shareholders
- the Proposed CapVest Takeover is fair and reasonable to Shareholders
- the Proposed Capital Return does not materially prejudice the ability of Virtus to pay its existing creditors.

we have had regard to the following factors.

The Proposed CapVest Scheme and the Proposed CapVest Takeover are both fair

According to ASIC Regulatory Guide 111, in order to assess whether the Proposed CapVest Scheme or the Proposed CapVest Takeover is fair, the independent expert is required to compare the market value of a Virtus share on a control basis with the consideration offered.

The Proposed CapVest Scheme or the Proposed CapVest Takeover are fair if the value of the consideration is equal to or greater than the value of a Virtus share. Set out in the table below is that comparison:

Table 1: Comparison of our valuation of a Virtus share to the Consideration

| AUD | Section | Low | High |
|---|---------|------|------|
| Estimated market value of one Virtus share | 5.1 | 7.31 | 8.27 |
| Cash consideration under the Proposed CapVest Scheme ¹ | | | 8.15 |
| Cash consideration under the Proposed CapVest Takeover ¹ | | | 8.10 |

Notes:

1. Excludes Permitted Dividend of AUD 0.12 per share
Source: Deloitte Corporate Finance analysis

The Consideration being offered by CapVest under the CapVest Offers is above the mid-point (AUD 7.79) of our estimate of the market value of a Virtus share. It is our opinion that the Proposed CapVest Scheme and the Proposed CapVest Takeover are both fair.

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Valuation of a Virtus share

We have estimated the enterprise value of Virtus by applying the market multiples approach and also considered the discounted cash flow approach.

Table 2: Valuation summary

| | Section | Unit | Low | High |
|------------------------------------|---------|--------------|--------------|--------------|
| Market multiples approach | 5.3 | AUD m | 850.0 | 935.0 |
| Discounted cash flow approach | 5.4 | AUD m | 820.0 | 960.0 |
| Enterprise value (selected) | | AUD m | 850.0 | 935.0 |
| Add: Surplus assets | 5.5 | AUD m | 1.8 | 1.8 |
| Less: Net debt | 5.6 | AUD m | (204.2) | (204.2) |
| Less: Minority interests | 5.7 | AUD m | (10.3) | (11.3) |
| Equity value | | AUD m | 637.3 | 721.3 |
| Number of shares | 5.8 | m | 87.2 | 87.2 |
| Value per share | | AUD | 7.31 | 8.27 |

Source: Deloitte Corporate Finance analysis

Under the market multiples approach we have assessed the maintainable EBITDA to be AUD 85m, as outlined in Section 5.3.1, based on our analysis of a normalised EBITDA and having regard to the current market environment and management's plans for the business.

The selected earnings multiple of 10x to 11x (on a control basis) was based on the earnings multiples of various listed companies and recent transactions involving companies in the assisted reproductive services sector and broader health services industry.

The discounted cash flow approach requires the determination of an appropriate discount rate and the projection of future cash flows. We selected a nominal after tax discount rate in the range of 8.25% to 9.25% to discount the estimated future cash flows to their present value. We considered a number of future cash flow scenarios having regard to industry trends and government support with respect to medium-term and long-term projections in the current environment. The range under the discounted cash flow approach is therefore wide. Consequently, we only consider it appropriate to use it as a secondary approach and we have selected our enterprise value range based on the market multiples approach. In our opinion our market multiples approach is supported by our discounted cashflow approach.

We made adjustments to the selected enterprise value for some investments (surplus assets), net debt and minority interests in subsidiaries which are not 100% owned by Virtus, to arrive at the equity value. The equity value divided by the number of shares on issue calculates the value of a Virtus share.

Further details of our valuation of Virtus are set out in Section 5.

The proposed Consideration

CapVest has proposed different consideration under the Proposed CapVest Scheme and the Proposed CapVest Takeover. If the Proposed CapVest Scheme is approved Shareholders will receive AUD 8.15 cash per share (excluding the Permitted Dividend of AUD 0.12 per share). If the Proposed CapVest Takeover is accepted by Shareholders who own at least 50.1% of the shares on issue (or this condition is waived), then the Proposed CapVest Takeover will proceed and those Shareholders who have accepted the Proposed CapVest Takeover will receive AUD 8.10 cash per share (excluding the Permitted Dividend of AUD 0.12 per share).

The proposed Consideration contains a number of different components. Further details are set out in Section 1. Some components of the Consideration may have differing tax consequences for Shareholders and these tax consequences will be dependent on their individual circumstances. Our assessment has not taken account of the tax consequences.

The Proposed CapVest Scheme and the Proposed CapVest Takeover are both reasonable

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed CapVest Scheme and the Proposed CapVest Takeover are reasonable.

We also highlight the following factors that Shareholders may wish to consider in their assessment of the Proposed CapVest Scheme and the Proposed CapVest Takeover.

The Consideration under the Proposed CapVest Scheme and the Proposed CapVest Takeover is greater than the that under the Proposed BGH Takeover

The Consideration under the Proposed CapVest Scheme is AUD 8.15 per share (excluding any Permitted Dividend) as compared to the Proposed CapVest Takeover where it is AUD 8.10 per share (excluding any Permitted Dividend) and the Proposed BGH Takeover where it is AUD 8.00 per share (excluding any Permitted Dividend).

Shareholders will receive a substantial premium to the share price of Virtus prior to the announcement of the initial approach from BGH

The consideration of AUD 8.15 per share (excluding the Permitted Dividend of AUD 0.12 per share) being offered to Shareholders under the Proposed CapVest Scheme and the consideration of AUD 8.10 per share (excluding the Permitted Dividend of AUD 0.12 per share) being offered to Shareholders under the Proposed CapVest Takeover represents a significant premium to trading prices in Virtus shares throughout the 12-month period prior to the announcement of the initial approach from BGH, as highlighted in the table below:

Table 3: Implied premium of the consideration to trading prices in Virtus shares

| | Proposed CapVest Scheme | Proposed CapVest Takeover |
|--|-------------------------|---------------------------|
| Consideration ¹ (AUD) | 8.15 | 8.10 |
| 1 day VWAP prior to the initial BGH offer | 56% | 55% |
| 1 week VWAP prior to the initial BGH offer | 56% | 55% |
| 1 month VWAP prior to the initial BGH offer | 52% | 51% |
| 3 month VWAP prior to the initial BGH offer | 48% | 47% |
| 6 month VWAP prior to the initial BGH offer | 37% | 36% |
| 12 month VWAP prior to the initial BGH offer | 37% | 36% |

Notes:

There may be other references to the implied premium of the consideration to trading in Virtus shares within the Transaction Booklet. The numbers quoted may be different due to differing sources of the underlying data or basis on which they have been calculated.

1. Excludes Permitted Dividend of AUD 0.12 per share

Sources: S&P Capital IQ, Deloitte Corporate Finance analysis

The premium implied by the consideration to recent share trading prices is significant and higher than the normal range of premiums observed in the Australian market.

Subject to the satisfaction (or waiver) of the conditions, there is certainty in the cash consideration

The Proposed CapVest Scheme and the Proposed CapVest Takeover represent an opportunity for Shareholders to realise their investment in Virtus without incurring any transaction costs. This is also the case with the Proposed BGH Takeover. However, there are no notable conditions to the Proposed BGH Takeover whereas the Proposed CapVest Scheme and Proposed CapVest Takeover have notable conditions.

At this stage, there is little difference in the timing of the payment of the Consideration under the different offers:

- Shareholders are likely to be paid the Consideration under the Proposed BGH Takeover on or after 3 June 2022
- Shareholders are likely to be paid the Consideration under the Proposed CapVest Scheme in late June 2022
- If the Proposed CapVest Scheme is not approved, Shareholders who accept the Proposed CapVest Takeover can expect to be paid the Consideration under the Proposed CapVest Takeover in late July 2022.

The likelihood of an alternative superior offer emerging is low

Prior to entering into the agreement with CapVest, Virtus had received an initial offer from BGH and subsequently CapVest and BGH made competing, higher offers. As such the market value of Virtus (including controlling interests) is well informed.

Since the announcement of Virtus entering into the Transaction Implementation Deed, BGH has announced an off-market takeover offer at a price of AUD 8.00 cash per share after adjustment for a Permitted Dividend.

Whilst we consider the likelihood of a superior proposal emerging to be low, there is nothing to prevent BGH or another party from submitting a superior offer.

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The share price of Virtus is likely to fall if the CapVest Offers are not successful and no superior offer emerges

It is common for the share price of a target company that is subject to a takeover offer to trade at or around the price of the takeover offer during the offer period, particularly if the market has formed the view that the takeover will proceed at that price. Since the announcement of the CapVest Offers, shares in Virtus have traded at a small discount to the price being offered under the CapVest Offers.

If the CapVest Offers are not successful, the current offer from BGH will mitigate against any potential decrease in the share price. In the absence of an alternative offer and the BGH offer, the Virtus share price is likely to experience a significant short-term decline.

The tax outcomes under the various offers are likely to be different depending on the individual circumstances of Shareholders

Whilst the cash consideration under the various offers is as described above, the nature of the payment under the various offers differs.

Under the Proposed BGH Takeover, shareholders will receive a cash payment from BGH and this will be subject to tax based on their individual circumstances.

The form of the Consideration under the Proposed CapVest Scheme and Proposed CapVest Takeover could result in different tax outcomes for different shareholders based on their individual circumstances. In particular, the Proposed CapVest Scheme and the Proposed CapVest Takeover propose a special franked dividend which may be of value to certain shareholders. Given that any benefit will be unique to each individual shareholder we have did not attempt to value these different outcomes.

Fertility specialists who contract with Virtus have indicated their support of CapVest's ownership

The business and activities are dependent on the relationship Virtus has with its fertility specialists. These fertility specialists have indicated their support of CapVest's ownership of Virtus. To the extent that uncertainty over the future ownership of Virtus is prolonged, it could disrupt these relationships and impact future profitability.

BGH has indicated that it will vote against the Proposed CapVest Scheme

BGH, which at the time of this report holds 19.99% of the shares in Virtus, has stated it will vote against the Proposed CapVest Scheme in respect of any Virtus shares it holds. Given the shareholding of BGH, and based on precedents, there is a significant risk the Proposed CapVest Scheme will not be approved. If this is the case, shareholders will not be able to realise the benefit of the higher consideration under the Proposed CapVest Scheme.

However, at that point, shareholders will still have the opportunity to sell their shares into the Proposed CapVest Takeover, subject to the 50.1% minimum acceptance condition. Since BGH is unlikely to accept the Proposed CapVest Takeover, this means that other shareholders owning more than 60% of the remaining shares not owned by BGH would need to accept the Proposed CapVest Takeover unless CapVest waives this minimum acceptance condition.

This risk that the minimum acceptance condition is not satisfied or CapVest does not waive this condition should be considered together with the timing of the payment to be made under the Proposed BGH Takeover which is discussed above.

If the CapVest Offers do not proceed, and in the absence of an alternative offer, Shareholders will continue to be subject to the risks and opportunities associated with Virtus and general market risks

In the event the CapVest Offers do not proceed, Virtus will continue its business activities in line with its current stated strategy. In addition, and in the absence of a successful offer from BGH or another party, Virtus will remain a listed entity which will expose Shareholders to general investment risks such as market volatility, general economic conditions and the demand for listed securities.

The CapVest Offers eliminate these risks for Shareholders by allowing them to sell their investment in Virtus at a significant premium to the share price achieved prior to the announcement date of the initial approach from BGH.

Additional considerations if Shareholders chose not to accept the Proposed CapVest Takeover

If the Proposed CapVest Scheme is not successful, then the Proposed CapVest Takeover will be relevant. The Proposed CapVest Takeover requires minimum acceptance of Shareholders who own at least 50.1% of the issued shares of Virtus (CapVest has reserved the right to waive this condition). Therefore, it is possible that CapVest could own between 50.1%, and less than 90.0% of the issued shares of Virtus.

If this occurs, CapVest will have control of Virtus and is likely to exercise its rights over control of Virtus by implementing a number of changes. CapVest's intentions are set out in section 8.5 of the Transaction Booklet. Shareholders who decide to not accept the Proposed CapVest Takeover and therefore retain their shares in Virtus should be aware of the following key considerations:

- Whilst Virtus shares are currently capable of being traded on the ASX, CapVest has indicated that it will apply to delist Virtus from the ASX if it acquires more than 75% of the issued shares. If this occurs, it will be very difficult for continuing Shareholders to trade or sell their shares. If Virtus shares continue to trade on the ASX, continuing Shareholders will own shares with lower levels of liquidity on the ASX
- CapVest will nominate persons to be appointed to the Virtus Board proportionate to their percentage shareholding in Virtus
- CapVest intends to review (through its nominees to the Virtus Board) the dividend policy. As a consequence of the anticipated changes to the capital structure as discussed further below, CapVest has indicated that it would be unlikely that any dividends would be paid until the debt is substantially reduced
- CapVest will request that Virtus increase its borrowings, with the proceeds used to pay the Proposed Capital Return to all Shareholders. The refinancing involves Virtus extinguishing its existing bank debt (estimated to total AUD 103m (excluding lease liabilities) at Implementation Date) and debt facilities and taking on new debt (estimated to be AUD 415m (excluding lease liabilities) at Implementation Date) and debt facilities. The new debt has been sourced by CapVest on behalf of Virtus and whilst it only has a springing financial covenant applying to the revolving credit facility (which would only come into effect if more than a certain portion of the revolving credit facility is drawn), it is significantly larger than the existing debt and attracts higher interest rates. Virtus will also incur a cost of AUD 15m to enter into these facilities.

Whilst the interest rates will be variable in nature (linked to the market-based bank bill swap rate or equivalent instrument), it is our understanding that CapVest intends to request Virtus to enter into interest rate hedges to cap the interest cost on this debt. Such hedges are likely to result in Virtus incurring additional costs.

The proceeds from the refinancing will be used by Virtus to pay the Proposed Capital Return and related costs. As such, whilst Shareholders will receive proceeds from the Proposed Capital Return, the value of any shares in Virtus they continue to hold will decrease in value (theoretically by an equivalent amount to the Proposed Capital Return, adjusted for the related costs).

Further detail on the above considerations is set out in Section 6.

In the event the Proposed CapVest Scheme is not successful and the Proposed CapVest Takeover results in CapVest securing more than 50.1% of the shares of Virtus, the financial risks associated with ownership of a share in Virtus will increase substantially. We encourage Shareholders to consider these risks carefully and whether they are aligned with their investment objectives.

Impact on the ability of Virtus to pay its existing creditors as a result of the Proposed Capital Return

Under the Proposed CapVest Takeover, the Proposed Capital Return will result in Virtus having substantially higher debt and gearing than is currently the case.

Our analysis is discussed in detail in Section 6 and is summarised as follows:

- Based on the information provided by CapVest, forecast EBITDA is not anticipated to be materially different under a CapVest control scenario, as compared to the current expectations for Virtus
- Shareholder equity will decrease as a result of the capital reduction, but Shareholders will receive a payment equal to the capital reduction. Virtus will retain substantial shareholder equity
- The enterprise value implied by the Proposed CapVest Takeover relative to the debt under the Proposed Capital Return suggest there is sufficient financial capacity to pay existing creditors
- Virtus current ratio² will not be impacted as a result of the Proposed Capital Return, and is expected to remain within the range observed for the peer companies
- Although it is not possible to rely on any one ratio, the following impacts on ratios are observed:
 - Virtus net debt to enterprise value ratio is expected to increase following the Proposed Capital Return
 - Virtus total leverage ratio (net debt to EBITDA) is expected to increase following the Proposed Capital Return
 - Virtus interest coverage ratio is expected to decrease substantially following the Proposed Capital Return

² Defined as current assets over current liabilities



It is not possible to draw definitive conclusions based on the relativity of Virtus' ratios to listed peers. However, the ratios are within the ranges observed for recent private equity backed transactions in the Australian healthcare sector and more broadly leveraged buyouts (LBOs) in the US market

- Our analysis also considered redacted draft term sheets of the proposed financing, and the expected impact of the Proposed Capital Return. Our analysis suggests that:
 - There is flexibility in the terms to allow the business to explore a cure in the event of a reasonable downside scenario
 - With the anticipated surplus cash flows after debt servicing, the interest coverage and total leverage ratios would decrease over a five-year period.

Based on the above, we consider that the Proposed Capital Return does not materially prejudice the ability of Virtus to pay its existing creditors.

Opinion

In our opinion:

- the Proposed CapVest Scheme is fair and reasonable to, and therefore in the best interests of, Shareholders in the absence of a superior proposal
- the Proposed CapVest Takeover is fair and reasonable to Shareholders
- the Proposed Capital Return does not materially prejudice the ability of Virtus to pay its existing creditors.

An individual shareholder's decision in relation to the Proposed CapVest Scheme, the Proposed CapVest Takeover or the Proposed BGH Takeover may be influenced by their particular circumstances. If in doubt the shareholder should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings. It should also be read in conjunction with the BGH Takeover IER which is contained in the Target's Statement that was sent to Shareholders.

Yours faithfully

Tapan Parekh

Authorised Representative (Number 461009)

Deloitte Corporate Finance Pty Limited (AFSL Number 241457)

Glossary

| Reference | Definition | Reference | Definition |
|-------------------------------|---|---------------------------------|--|
| ABS | Australian Bureau of Statistics | | the event the Proposed CapVest Takeover is successful |
| ARS / ART | Assisted reproductive services / Assisted reproductive treatment | Permitted Dividend | The dividend of AUD 0.12 per share declared on 22 February 2022 and paid on 14 April 2022 |
| ASIC | Australian Securities and Investments Commission | Proposed BGH Takeover | The proposed acquisition of Virtus by way of off-market takeover by BGH for AUD 8.00 per share excluding any Permitted Dividend |
| BGH | Entities associated with BGH Capital | Proposed CapVest Scheme | The proposed acquisition of 100% of Virtus by way of scheme of arrangement by CapVest for AUD 8.15 per share excluding any Permitted Dividend |
| BGH Bidder's Statement | Bidder's Statement lodged on 6 April 2022 and despatched to shareholders on 20 April 2022 by BGH | Proposed CapVest Takeover | The proposed acquisition of Virtus by way of off-market takeover by CapVest, conditional on the Proposed CapVest Scheme failing, for AUD 8.10 per share excluding any Permitted Dividend |
| bn | Billion | Revolver | The revolving credit facility sourced for Virtus by CapVest in the event the Proposed Capital Return proceeds |
| CapVest | Entities associated with CapVest Partners LLP | Second Lien Term Loan | The debt with second lien claims against Virtus' assets and undertakings, sourced for Virtus by CapVest in the event the Proposed Capital Return proceeds |
| CapVest Offers | Refers to the Proposed CapVest Scheme and Proposed CapVest Takeover collectively | Scheme Implementation Date | The date whereby all Virtus shares, together with all rights and entitlements attached to them, will be transferred to CapVest in return for the scheme consideration and currently anticipated to be 22 June 2022 |
| Cash Distribution Record Date | The date whereby Virtus shareholders will receive the Capital Return under the Proposed CapVest Takeover | Scheme Record Date | The date whereby all current Virtus shareholders will become entitled to receive the scheme consideration in respect of their shares |
| Consideration | AUD 8.15 per share in the case of the Proposed CapVest Scheme and AUD 8.10 per share in the case of the Proposed CapVest Takeover | Shareholder | Holder of Virtus shares |
| COVID-19 | Novel Coronavirus | Special Dividend | The Virtus Board is permitted to pay a special dividend of up to AUD 0.44 per share in cash, on or shortly before implementation of the Proposed CapVest Scheme or the Proposed CapVest Takeover |
| Deloitte | Deloitte Touche Tohmatsu | Target's Statement | The target's statement prepared by Virtus in response to the Proposed BGH Takeover and lodged on 3 May 2022 |
| Deloitte Corporate Finance | Deloitte Corporate Finance Pty Ltd | Transaction Implementation Deed | The binding agreement entered into between CapVest and Virtus on 13 March 2022 and announced to the market by Virtus on 14 March 2022, including the amendments made on 13 April 2022 and 4 May 2022 |
| EBITDA | Earnings before interest, tax, depreciation and amortisation | Virtus | Virtus Health Limited |
| EV | Enterprise value | VWAP | Volume-weighted average price |
| First Lien Term Facility | The debt facility with first lien claims against Virtus' assets and undertakings, sourced for Virtus by CapVest in the event the Proposed Capital Return proceeds | | |
| FY | Financial year ended 30 June | | |
| H1FYxx | First half of financial year ended 30 June 20xx | | |
| H2FYxx | Second half of financial year ended 30 June 20xx | | |
| Implementation Date | The Scheme Implementation Date in the case of the Proposed CapVest Scheme or the Cash Distribution Record Date in the case of the Proposed CapVest Takeover, and depending on whichever is successful | | |
| IVF | In-vitro fertilisation | | |
| m | Million | | |
| Management | Virtus management | | |
| NPAT | Net profit after tax | | |
| Proposed Capital Return | The capital return, together with the Special Dividend, proposed by Virtus in | | |

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1 Overview of the CapVest Offers

1.1 Background to the CapVest Offers

On 14 March 2022 Virtus announced that it had entered into a Transaction Implementation Deed with CapVest. On 11 April 2022, CapVest announced the terms of a revised proposal by which it will undertake to:

- acquire 100% of Virtus by a scheme of arrangement (Proposed CapVest Scheme) for AUD 8.15 cash per share excluding a Permitted Dividend of AUD 0.12 per share
- make a simultaneous off-market takeover offer, conditional on the Proposed CapVest Scheme failing and 50.1% minimum acceptance condition³ (Proposed CapVest Takeover) for AUD 8.10 cash per share excluding a Permitted Dividend of AUD 0.12 per share.

(collectively referred to as the CapVest Offers).

Under the Proposed CapVest Scheme and the Proposed CapVest Takeover, CapVest has also allowed Virtus to pay a Special Dividend of up to AUD 0.44 per share in cash, on or shortly before implementation of the Proposed CapVest Scheme and Proposed CapVest Takeover.

Under the Proposed CapVest Takeover, but subject to various conditions including a positive tax ruling from the Australian Taxation Office and the Virtus board being reconstituted after CapVest acquires a relevant interest of 50.1% of Virtus shares and the Proposed CapVest Takeover is unconditional, Virtus intends to pay a capital return of AUD 3.11 less the amount of any Special Dividend (of up to AUD 0.44 per share) and the amount of the Special Dividend. The capital return will require approval of Shareholders and must be paid before 30 September 2022.

The components of the Consideration are summarised in the table below.

Table 4: Components of the Consideration under the CapVest Offers

| | Proposed CapVest Scheme | | Proposed CapVest Takeover | |
|---|-------------------------|-------------|---------------------------|-------------|
| | Low | High | Low | High |
| Special Dividend (paid by Virtus) | - | 0.44 | - | 0.44 |
| Capital return (paid by Virtus) | - | - | 3.11 | 2.67 |
| Payment by CapVest | 8.15 | 7.71 | 4.99 | 4.99 |
| Total consideration paid to Shareholders | 8.15 | 8.15 | 8.10 | 8.10 |

Source: Transaction Booklet

The Special Dividend will be franked and as such there may be additional benefits shareholders are able to realise with the value of those franking credits subject to the circumstances of each individual shareholder. It is proposed that, if the Australian Taxation Office has not confirmed that 100% of the capital return payment will be treated as a capital return it will not be paid (and will not be deducted from the AUD 8.10 per share consideration under the Proposed CapVest Takeover).

Further detail on the CapVest Offers is set out in section 4 and section 5 of the Transaction Booklet.

1.2 Timeline of the CapVest Offers

On 14 December 2021, Virtus announced that it had received an unsolicited, non-binding indication of interest from BGH to acquire 100% of Virtus for AUD 7.10 per share less Permitted Distributions by way of scheme of arrangement. BGH also disclosed that, inclusive of a total return swap, they had a beneficial interest of 19.99% of the issued capital.

On 20 January 2022, Virtus announced that it had received a non-binding indicative offer from CapVest to acquire 100% of Virtus for AUD 7.60 per share less Permitted Distributions, by way of scheme of arrangement. Under the offer, if the scheme was not successfully implemented, CapVest indicated they were willing to proceed with an alternative transaction structure offering AUD 7.50 per share less Permitted Distributions, with a 50.1% minimum acceptance condition³.

³ CapVest has reserved the right to waive this condition



The Virtus Board also announced that it had entered into a Process Deed with CapVest, granting them exclusive due diligence in order to allow the development of a binding proposal capable of being recommended to Shareholders.

On 23 February 2022 and following receipt by the Australian Takeovers Panel of an application from BGH, the Australian Takeovers Panel made the declaration that certain exclusivity arrangements in the Process Deed were anti-competitive and therefore determined to be of no force and effect. In addition, CapVest were prohibited from entering into a scheme implementation agreement to acquire Virtus for 10 business days.

On 28 February 2022, Virtus announced it had received a revised non-binding indicative proposal from BGH to acquire 100% of Virtus for AUD 7.65 per share less Permitted Distributions, by way of scheme of arrangement.

On 1 March 2022, Virtus announced it had received a revised non-binding indicative proposal from CapVest to acquire 100% of Virtus for AUD 7.80 per share less Permitted Distributions. The offer under the alternative transaction was also revised to AUD 7.70 per share less Permitted Distributions.

On 10 March 2022 BGH revised their non-binding indicative proposal to acquire Virtus for AUD 8.10 per share less Permitted Distributions.

On 13 March 2022, CapVest increased their offer to AUD 8.25 cash per share and after adjustment for a Permitted Dividend, AUD 8.13 per share. The offer under the alternative transaction increased to AUD 8.10 cash per share, and after excluding the Permitted Dividend, AUD 7.98 per share. Virtus then entered into the Transaction Implementation Deed.

On 6 April 2022, BGH announced its intention to make an off-market takeover offer at AUD 8.00 cash per share (excluding the Permitted Dividend).

On 11 April 2022, CapVest increased their offer in line with the terms outlined in Section 1.1.

On 20 April 2022 and in line with the announcement on 6 April 2022, BGH announced an off-market takeover offer at AUD 8.00 cash per share (excluding the Permitted Dividend).

1.3 Background to CapVest

CapVest is a private equity firm founded in 1999 with in excess of EUR 5bn in assets under management. It specialises in sectors which display non-discretionary demand, including the food & beverages, healthcare and energy sectors.

CapVest focuses on investments with a pathway to transformation through organic and inorganic growth. Their investment strategy has been characterised by a strong preference for majority ownership, considering themselves as principal investors. CapVest favours active ownership, supporting management teams to execute organic and/or acquisition-led growth.

Further information about CapVest is contained in Section 8 of the Transaction Booklet.

1.4 Key conditions of the CapVest Offers

The Proposed CapVest Scheme is subject to customary conditions, including:

- No material adverse changes as defined in the Transaction Implementation Deed and as set out in the Transaction Booklet
- shareholder approval, including the majority of shareholders present and voting and 75% of the votes cast supporting the resolution
- Court approval
- no court or government agency issuing a temporary or permanent restraint on the Proposed CapVest Scheme.

Further detail on the conditions of the Proposed CapVest Scheme are set out in Section 4.2 of the Transaction Booklet. Should the Proposed CapVest Scheme not proceed, similar conditions (with the exception of a requirement for shareholder approval) would apply to the Proposed CapVest Takeover, however a minimum shareholder acceptance condition of 50.1% would apply and the capital return referred to in Section 1.1 being approved by shareholders. Under the Proposed CapVest Takeover, CapVest has the right to waive all of those conditions.

Virtus or CapVest is liable for a break fee of AUD 7.2m, payable under certain prescribed conditions. The break fee conditions are set out in Section 11 and Section 12 of the Transaction Implementation Deed.

1.5 Intentions if the CapVest Offers are successful

Whilst the outcome of the Proposed CapVest Scheme and Proposed CapVest Takeover are likely to be similar, the implications for Shareholders will vary.

1.5.1 The Proposed CapVest Scheme is approved

If the Proposed CapVest Scheme proceeds, CapVest will own all of the shares in Virtus. CapVest intends to grow the business by leveraging its capital, technical expertise and knowledge of the fertility market, enabling growth both domestically and internationally.

If the Proposed CapVest Scheme is approved, all current Shareholders will no longer own shares in Virtus and will have received cash of AUD 8.15 per share (exclusive of the AUD 0.12 per share Permitted Dividend) for every share they did own in Virtus.

Further information about CapVest's intentions is contained in Section 8.5 of the Transaction Booklet.

1.5.2 The Proposed CapVest Takeover completes

If the Proposed CapVest Scheme is not successful, then the conditions of the Proposed CapVest Takeover will apply. There are a number of possible scenarios that could eventuate:

1. CapVest obtains acceptance of the Proposed CapVest Takeover from shareholders who represent 90% or more of the shares of Virtus – this scenario, although unlikely, will eventually result in CapVest securing 100% of the shares of Virtus and the outcomes under that scenario would not be that different to that under the Proposed CapVest Scheme with the exception that Shareholders will receive AUD 8.10 per share (exclusive of the AUD 0.12 per share Permitted Dividend). As mentioned, we consider this scenario unlikely as Shareholders would be better off voting in favour of the Proposed CapVest Scheme and receiving the higher cash consideration of AUD 8.15 per share (exclusive of the AUD 0.12 per share Permitted Dividend)
2. CapVest obtains acceptance of the Proposed CapVest Takeover from Shareholders who represent less than 50.1% of the shares in Virtus – in this scenario, the Proposed CapVest Takeover will not proceed unless CapVest waives the 50.1% acceptance condition. Virtus shares will continue to trade on the ASX and Shareholders will continue to own shares in Virtus
3. CapVest obtains acceptance of the Proposed CapVest Takeover from Shareholders who represent between 50.1% and 90% of the shares of Virtus - in this scenario, Shareholders who have accepted the offer will receive cash consideration of AUD 8.10 per share (exclusive of the AUD 0.12 per share Permitted Dividend). Shareholders who don't accept the offer will continue to own shares in Virtus.

The AUD 8.10 per share (exclusive of the AUD 0.12 per share Permitted Dividend) consideration Shareholders will comprise a number of different components as set out in Table 4.

The total payment to Shareholders who accept the Proposed CapVest Takeover will not change but the manner in which it is paid will vary and as such there may be different tax consequences for Shareholders. Further detail of the tax consequences for Shareholders are set out in section 10 of the Transaction Booklet.

If the Proposed CapVest Takeover results in CapVest acquiring between 50.1% and 90% of the shares, there will also be implications for shareholders who decide not to accept the Proposed CapVest Takeover and therefore retain their shares in Virtus. Our assessment of these consequences is set out in Section 6.

2 Basis of evaluation

2.1 Guidance on evaluating the Proposed CapVest Scheme and Proposed CapVest Takeover

Schemes of arrangement can include many different types of transactions, including being used as an alternative to a Chapter 6 takeover bid. The basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction.

Section 640 of the Corporations Act 2001 (Section 640) requires an independent expert's report in connection with a takeover offer to state whether, in the expert's opinion, the takeover offer is fair and reasonable. Where the scheme of arrangement has the same effect as a takeover, the form of analysis used by the expert should be substantially the same as for a takeover bid, however, the opinion reached should be whether the proposed scheme is 'in the best interests of the members of the company'. Accordingly, if an expert were to conclude that a proposal was 'reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the proposed scheme is in the best interests of the members of the company.

ASIC Regulatory Guide 111

This regulatory guide provides guidance in relation to the content of independent expert's reports prepared for a range of transactions.

ASIC Regulatory Guide 111 refers to a 'control transaction' as being the acquisition (or increase) of a controlling stake in a company that could be achieved, for example, by way of a takeover offer, scheme of arrangement, approval of an issue of shares using item 7 of s611, a selective capital reduction or selective buy back under Chapter 2J.

In respect of control transactions, under ASIC Regulatory Guide 111 an offer is:

- fair, when the value of the consideration is equal to or greater than the value of the shares subject to the proposed scheme. The comparison must be made assuming 100% ownership of the target company.
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should accept the offer under the proposed scheme, in the absence of any higher bids before the close of the offer.

To assess whether the Proposed CapVest Scheme is in the best interests of Shareholders, we have adopted the tests of whether the Proposed CapVest Scheme is either fair and reasonable, not fair but reasonable, or neither fair nor reasonable, as set out in ASIC Regulatory Guide 111.

ASIC Regulatory Guide 112 primarily focuses on the independence of experts and provides little guidance on evaluating transactions.

2.1.1 Fairness

ASIC Regulatory Guide 111 defines an offer as being fair if the value of the offer price is equal to or greater than the value of the securities subject to the offer. The comparison must be made assuming 100% ownership of the target company. Accordingly, we have assessed whether the CapVest Offers are fair by comparing the consideration offered with the value of a share in Virtus on a control basis.

The Virtus shares have been valued at market value, which we have defined as the amount at which the shares would be expected to change hands between a knowledgeable and willing but not anxious buyer and a knowledgeable and willing but not anxious seller, neither of whom is under any compulsion to buy or sell.

Special purchasers may be willing to pay higher prices to reduce or eliminate competition, to ensure a source of material supply or sales, or to achieve cost savings or other synergies arising on business combinations, which could only be enjoyed by the special purchaser. Our valuation of a Virtus share has not been premised on the existence of a special purchaser.

We have assessed whether the CapVest Offers are fair by comparing the value of a Virtus share to the value of the Consideration to be received from CapVest. We have assessed the value of each Virtus share by estimating the current equity value of Virtus on a control basis and dividing this value by the number of shares on issue.

From the perspective of the market value of a Virtus share, there is no difference as to whether we are evaluating the Proposed CapVest Scheme or the Proposed CapVest Takeover. However, the value of the Consideration does vary between the Proposed CapVest Scheme and the Proposed CapVest Takeover and therefore our assessment of fairness has had regard to this variation.

2.1.2 Reasonableness

ASIC Regulatory Guide 111 considers an offer in respect of a control transaction, to be reasonable if either:

- the offer is fair
- despite not being fair, but considering other significant factors, shareholders should accept the offer in the absence of any higher bid before the close of the offer.

To assess the reasonableness of the CapVest Offers, we considered the following factors in addition to determining whether the CapVest Offers are fair:

- the likely market price and liquidity of Virtus shares in the absence of the Proposed CapVest Scheme or the Proposed CapVest Takeover
- the likelihood of an alternative offer being made
- the advantages and disadvantages of the Proposed CapVest Scheme or the Proposed CapVest Takeover
- other implications associated with Shareholders rejecting the Proposed CapVest Scheme or Proposed CapVest Takeover.

2.2 Guidance on evaluating the impact of the Proposed Capital Return on existing creditors

In evaluating whether the Proposed Capital Return associated with the Proposed CapVest Takeover materially prejudices the ability of Virtus to pay its existing creditors, we have considered the following:

- The nature of existing creditors of Virtus
- The terms of the facilities that have been secured by CapVest
- The impact of the Proposed Capital Reduction on the credit ratios of Virtus:
 - at Implementation Date and immediately following the Proposed Capital Return
 - over time and based on CapVest's expectations for the business
 - as compared to various peers
- The impact of the Proposed Capital Reduction on the financial position of Virtus.

2.3 Limitations

This report should be read in conjunction with Appendix 4.

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3 Profile of Virtus

3.1 Company overview

Virtus is an Australian healthcare services company that was established in 2008 through the combination of key state fertility clinic groups in New South Wales, Victoria and Queensland. Virtus employs over 1,555 fertility specialists, scientists, nurses and other support staff in 44 fertility clinics, 64 laboratories and diagnostic labs and 7 day hospitals across Australia, Ireland, Singapore, Denmark and the UK.

Virtus' core business involves the provision of Assisted Reproductive Services (ARS), most commonly in-vitro fertilisation (IVF) cycles and frozen embryo transfers. Virtus also provides additional patient services through the fertility treatment process, including fertility consultation, specialised diagnostic testing and day hospital services.

Virtus has expanded through a combination of acquisitions, opening new locations in existing geographies and strategic partnerships with other ARS companies. Virtus' strategy involves capability growth in ARS treatment, known as assisted reproductive treatment (ART), through these avenues, as well as increased efficiency through a focus on development of ART and genetic technology.

As at 13 December 2021 (the day prior to the initial indication of interest from BGH), Virtus had a market capitalisation of AUD 444m.

3.1.1 Company history

Key milestones in Virtus' history are set out in the table below.

Table 5: Corporate timeline

| Year | Events |
|------|---|
| 2002 | IVFAustralia formed from the merger of 4 leading Sydney based IVF clinics |
| 2008 | Quadrant, an Australian private equity group, established IVF Holdings Group through acquisition of IVFAustralia Acquisition of Melbourne IVF |
| 2009 | Acquisition of Queensland Fertility Group |
| 2011 | Acquisition of Queensland-based Fertility Gold Coast and regional NSW-based Hunter IVF |
| 2013 | Undertook an IPO at an implied market capitalisation of AUD 452m thereby listing on the ASX with a portfolio of 33 fertility clinics, 41 laboratories, 6 day hospitals and over 900 employees |
| 2014 | Expansion into Ireland with acquisition of 70% share in SIMS IVF Ireland for EUR 15.5m Acquisition of remaining 80% share in Queensland-based IVF Sunshine Coast for AUD1.2m and 70% share in Tasmanian IVF provider TasIVF for AUD 16.0m Expansion to Singapore with opening of new Virtus Fertility Centre Virtus Diagnostics was established |
| 2015 | Acquisition of Irish fertility centre, the HARI clinic, for EUR 6.0m by SIMS IVF Ireland Acquisition of IDS Pathology Lab, a Sydney-based business with seven test collection centres |
| 2016 | Acquisition of Canberra Fertility Centre for a transaction value of up to AUD 3.5m Expansion to Denmark with acquisition of Aagaard Fertility Clinic for up to AUD 16.5m |
| 2017 | Acquisition of further 15% share in SIMS IVF Ireland for EUR 4.8m |
| 2018 | Expansion to UK with acquisition of 90% share in Complete Fertility Centre for AUD 9.0m Expansion to Denmark with acquisition of Trianglen Fertility Clinic for up to AUD 43.0m Agreement for transfer and collaboration with Vitrolife (Sweden-based health services company) and Harrison.AI (Australian company specialised in artificial intelligence) relating to Ivy artificial intelligence system |
| 2019 | Acquisition of remaining 15% share in SIMS IVF Ireland for EUR 4.1m |
| 2020 | Emergence of COVID-19 pandemic leading to a pause on elective surgery across Virtus' international clinic portfolio from March 2020 |
| 2021 | Proposed acquisition of Adora Fertility for AUD 45.0m in August 2021, to be partially funded by AUD 35.0m institutional placement. The proposed acquisition was terminated following the failure of the ACCC to provide clearance, with proceeds from the institutional placement used to reduce debt Takeover offers received from BGH and CapVest |
| 2022 | Latest offer received from CapVest as detailed in Section 1.1 BGH lodges Bidder's Statement thereby formally making a takeover offer at AUD 8.00 per share |

Sources: Virtus Health website, Virtus Health 2020 Annual Report, ASX announcements, Deloitte Corporate Finance analysis

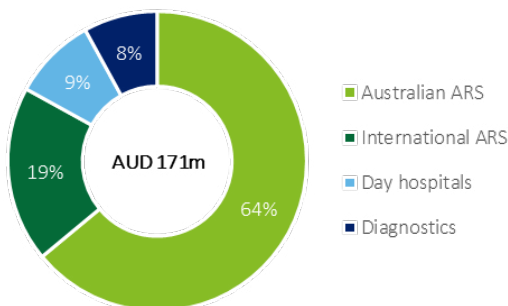
3.2 Operational overview

Virtus derives revenue from the following key activities:

- Assisted Reproductive Services
- specialised diagnostics
- day hospitals.

The proportion of revenue generated from each activity is summarised below.

Figure 1: Revenue by operating activity (H1FY22)

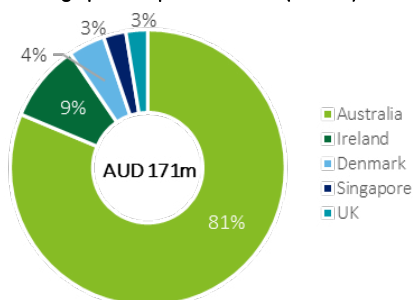


Source: Virtus H1FY22 investor presentation

3.2.1 Geographical footprint

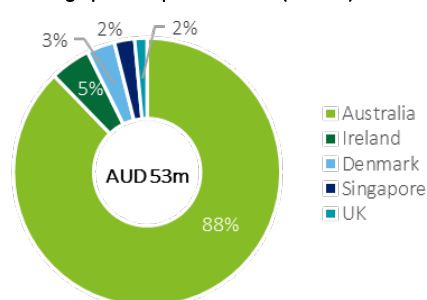
The figures below set out the geographical footprint of the business:

Figure 2: Geographical footprint – revenue (H1FY22)



Source: Virtus H1FY22 investor presentation

Figure 3: Geographical footprint – EBITDA (H1FY22)



Source: Virtus H1FY22 investor presentation

Virtus' geographic exposure has remained relatively stable since FY19, with the greatest concentration in Australia.

In Australia, Virtus has 34 clinics across Eastern Australia, with the majority of its portfolio in New South Wales (16 clinics) and Queensland (11 clinics). Virtus also operates clinics in Victoria (7 clinics), Tasmania (2 clinics) and the Australian Capital Territory (1 clinic).

Internationally, Virtus operates 3 clinics in Ireland, 2 in Denmark, 1 in the United Kingdom and 1 in Singapore.

3.2.2 Assisted Reproductive Services

Virtus conducts the majority of ART operations through the IVF cycle. A typical cycle encompasses patient orientation to the treatment plan, patient monitoring, egg collection, fertilisation, embryo transfer and a pregnancy test. Virtus also provides ovulation induction and interuterine insemination treatments as part of its ART offerings, as well as optional services such as cryostorage and use of donor sperm that may increase chances of successful fertilisation.

ARS revenue is driven by the number of clinics and laboratories, the number of cycles and treatments undertaken, the average revenue per cycle or treatment and the number of fertility specialists.

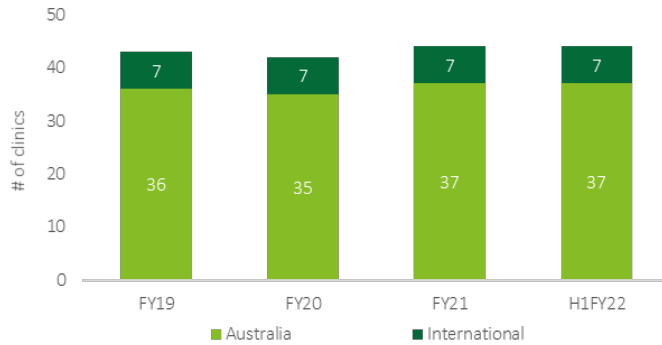
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Operational footprint

Virtus is one of the largest global ARS providers, with operations across Australia, Singapore and Europe. In Australia, Virtus is the leading ARS provider with a market share of 37%⁴. Virtus also has a leading market presence in Ireland (c. 39% of market) and Denmark (c. 12% of market) with a growing presence in the UK and Singapore⁵.

Since entry into the UK and expansion of the Danish operations in 2018, Virtus has maintained a consistent portfolio of clinics and laboratories. It has chosen to expand operations through strategic partnerships with other ARS businesses and development of technology as discussed in section 3.10. The change in Virtus' portfolio of clinics is shown in the charts below.

Figure 4: Fertility clinics



Sources: Virtus investor presentations for FY19, FY20, FY21, H1FY22

The decrease in the number of clinics from FY19 to FY20 relates to consolidation of clinics, without reducing overall service capacity. Following strong performance during COVID-19, Virtus made several investments to expand their service capacity, including the commissioning of a new Western Sydney clinic and the relocation to improved facilities, in Brisbane and Trianglen (Denmark), amongst others.

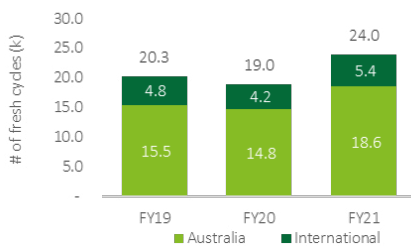
Cycle and treatment volume

Virtus provides IVF cycle treatments which involve the preparation for and collection of eggs for clinical fertilisation. Embryos are monitored in laboratory conditions before being transferred to the patient. The process takes approximately 35 days to complete and is known as a fresh cycle. Fresh IVF cycles are the most common form of ART, comprising 57% of treatment volumes in H1FY22 and are used as a metric to measure current industry demand and business performance due to their short cycle length.

Another form of treatment is frozen cycles, which involve the thawing of cryopreserved embryos in laboratories for transfer to the patient. Other less common forms of fertility treatment include ovulation induction, which is the administration of medication to regulate ovulation for a greater chance of pregnancy, or intra-uterine insemination, which involves the injection of semen directly into the uterus for fertilisation.

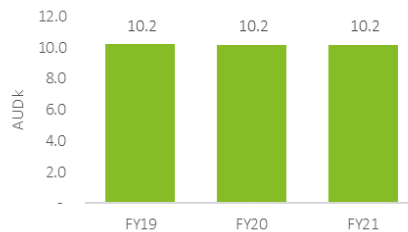
The figures below present the fresh cycles growth and revenue per cycle of Virtus from FY19 to FY21.

Figure 5: Number of fresh cycles



Sources: Virtus investor presentations for FY19, FY20, FY21

Figure 6: Revenue per fresh cycle



Note: Revenue per fresh cycle is calculated as IVF revenue divided by total fresh cycles in each period
Source: Management

⁴ Virtus Health H1FY22 Financial Results Investor Presentation, based on the Australian markets Virtus operates in

⁵ Virtus Health H1FY22 Financial Results Investor Presentation

In respect of the number of fresh cycles, we highlight the following:

- fresh cycle volume has increased at a CAGR of 8.7% from FY19 to FY21
- revenue per fresh cycle is driven by additional premium services provided during a cycle. In FY22F, average revenue per cycle is forecast at AUD 10.4k which is higher compared to average revenue per cycle of AUD 10.2k from FY19 to FY21. This represents upwards pressure on pricing due to growth in demand, as well as patient uptake of premium products as technological investments allow for higher success rates of conception as discussed in section 4
- Australian fresh cycles comprise 77% of total fresh cycle volumes from FY19 to FY21. This corresponds directly with the proportion of Australian clinics as provision of IVF cycles is driven by availability of clinics
- Australian fresh cycle growth has been supported by technological developments (refer to section 3.10) to improve the quality of patient services
- the decline in fresh cycle volumes in FY20 can be attributed to the impacts of the COVID-19 pandemic, which led to a pause on non-essential procedures and a reduction in patient demand
- the higher volume from FY20 to FY21 can be attributed to pent up patient demand following COVID-19 lockdowns and the easing of travel restrictions.

3.2.3 Diagnostics and day hospitals

Virtus supports IVF cycles with additional specialised diagnostic and day hospital services. Upon consultation with fertility specialists, patients may elect to receive these services through a more personalised treatment that will improve chances of fertilisation.

Specialised diagnostic services are all linked to ART, or post-ART, procedures and involve andrology (testing of semen), endocrinology (testing of blood and urine), genetics (analysis of chromosome structure and genetic sequence) and general pathology (general testing for disease) which are conducted at Virtus laboratories by scientists and diagnostic professionals. Revenue is generated for each additional service performed.

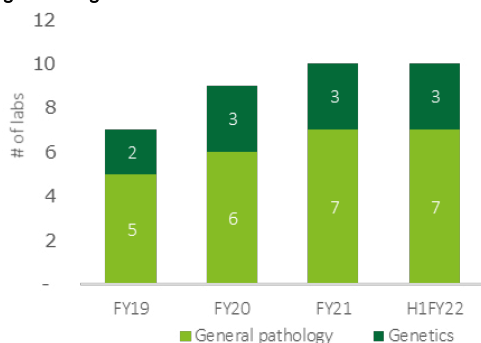
Day hospitals mainly support Virtus' ART procedures including egg collection and embryo transfers, offering a consolidated space for both ART operating procedures and diagnostic testing to occur. Day hospitals also service other medical fields such as ophthalmology and endoscopy and this represented 45% of Virtus day hospital revenue in FY21. Day hospital revenue is generated for procedures performed, with the majority of revenue relating to ART procedures.

Operational footprint

Virtus operates 10 diagnostic labs across Eastern Australia in close proximity to fertility clinics. As diagnostic tests are performed upon consultation during an IVF cycle, diagnostic lab service volumes are driven by availability of labs and IVF cycle volumes. The expansion of labs between FY19 and H1FY22 is set out in the chart below.

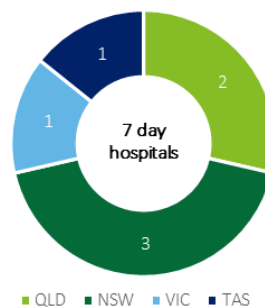
Virtus operates 7 day hospitals which provide direct IVF procedures and complementary medical services to support the core ART business. The presence of hospitals in each Australian state is shown below. Virtus has not increased the number of day hospitals since FY19, instead increasing its operational footprint by expanding adjacent medical services such as urology and endoscopy to compliment the core business.

Figure 7: Diagnostic labs



Sources: Virtus investor presentations for FY19, FY20, FY21, H1FY22

Figure 8: Day hospitals (H1FY22)



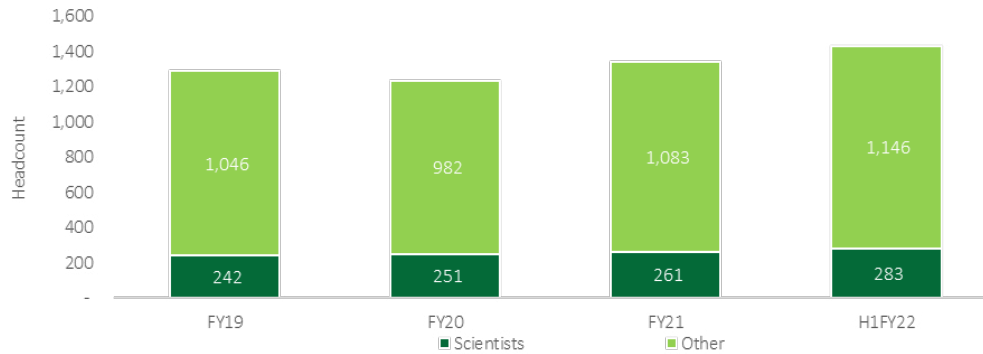
Source: Virtus investor presentation for H1FY22

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3.3 Operating workforce

The provision of ART is heavily dependent on the workforce to attract patients and provide consultation and procedures. The figure below shows the operational workforce, comprising scientists and other staff including nurses, counsellors, patient support and operational staff. We highlight that fertility specialists, who Virtus needs to provide ART to its patients, are largely contracted by Virtus and not employees of the company.

Figure 9: Operating workforce



Note: Excludes Fertility specialists which are mostly contracting doctors, as detailed in Section 3.3.1
Sources: Virtus investor presentations for FY19, FY20, FY21

Scientists include embryologists who specialise in the development and care of embryos and qualified professionals who support the provision of diagnostic services during IVF cycles. The number of scientists employed at Virtus has increased consistently from FY19 as additional embryologists have been recruited to service growing demand.

Other staff comprise nurses, counsellors, patient support, sales and marketing and other administrative staff who support the core business. The headcount of other staff has increased in line with fresh cycle volumes as shown in Figure 5. In FY21, employee expenses associated with scientists and other staff comprised 48% of total operating expenses.

3.3.1 Fertility specialists

Fertility specialists are the core of the Virtus business model. Virtus provides the necessary infrastructure and other services to allow fertility specialists to conduct their practices but, as mentioned earlier, Virtus could not provide its services without fertility specialists.

Fertility specialists are highly trained medical professionals who commence their careers with at least 12 years of formal medical education and accreditation in obstetrics and gynaecology. At that stage, specialists are able to perform ART services. Specialists may opt to complete further accreditation in reproductive endocrinology and infertility to become sub-specialists in fertility, which leads them to be able to address more complex fertility and reproduction issues. Fertility specialists undertake medical training with economic support by Virtus.

Due to the high level of expertise required for specialist entry into ARS, fertility specialists are critical to Virtus' core business in three main ways:

- clinical assessment of patients: the standards of education and accreditation required to specialise in fertility services mean that no other medical specialist can diagnose patients in relation to fertility issues
- provision of treatment: fertility specialists are essential to provide the core treatments that a patient requires in IVF cycles, including interventional treatment (egg collection and embryo placement) and prescription of hormone stimulation medication
- ability to bill services: the billing of Medicare services requires provider numbers. Provider numbers are a unique non-transferrable number granted to eligible individual health professionals to allow them to access Medicare services. The Virtus fertility clinic network relies upon the provider numbers of its fertility specialists to bill for Medicare services provided.

Virtus attracts and retains fertility specialists with a flexible contracting model whereby they are able to practice non-IVF services independently of Virtus. Furthermore, Virtus offers a network of infrastructure, including staff support and labs, which facilitates the provision of ART services to patients. Virtus also provides value to fertility specialist through established brands, marketing and business development which generate patient volumes for the specialist.

In Australia and Singapore, fertility specialists' contractual terms outline a commission per service, which is either a fixed dollar value per procedure or a percentage of total patient billings and varies between region depending on the complexity of the procedure and staff support required. Virtus also rewards fertility specialist performance through equity incentives as set out below:

- new fertility specialists may receive a grant depending on their service of a minimum level of fresh cycles based on a 3 year vesting period
- specialists may receive an annual performance grant depending on their service of pre-determined base fresh cycle numbers for each year over a 3 year period
- loyalty grants are provided to fertility specialists based on individual contribution of a pre-determined number of fresh cycles in the year preceding the grant.

Grants are rewarded in the form of performance rights and options as discussed in section 3.7.

Fertility specialists are able to terminate their contract by giving a minimum of 3 months notice in writing, or alternatively by making a payment, if both parties agree, in lieu of notice equivalent to the value of 3 months average monthly fees (the monthly amount is calculated with reference to fees earned over the prior 12 months of their engagement with Virtus)⁶. Following the date of termination, fertility specialists are subject to a non-solicitation period of 6 months, during which specialists are not permitted to poach and/or solicit patients or staff.

The nature of Virtus' flexible business model has led to a high retention rate amongst fertility specialists.

In Ireland, Denmark and the UK, fertility specialists are employees who are remunerated on a salary basis. The differences in the model (contractor versus employee) reflects the nature of those geographical markets and the regulations present in those markets.

⁶ Notwithstanding this notice period, both parties may agree to reduce the notice period to a period of less than 3 months

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3.4 Key management

Virtus' strategic direction is facilitated by the extensive expertise of the management team. Virtus introduced a number of new roles during FY21 following the departure of the previous Chief Executive Officer and Chief Financial Officer and the development of several strategic development pathways as outlined in section 3.10. Set out below are key management, along with their experience:

Table 6: Management team

| Name and current position | Experience | Time in role |
|--|--|--------------|
| Kate Munnings Chief Executive Officer | <ul style="list-style-type: none"> Chief Operating Officer of Ramsay Health Care Chief Executive, Operations at Transfield Board member of the South Eastern Sydney Local Health District | 2 years |
| Matt Prior Chief Financial Officer | <ul style="list-style-type: none"> Head of Strategy, Vice President Finance and Commercial Operations – Asia Pacific at Cochlear Head of Healthcare Equities Research Asia Pacific at Bank of America Merrill Lynch Head of Equities Research Australia at Evans and Partners | 9 months |
| Richard Banks Chief Strategy Officer and Managing Director, Europe | <ul style="list-style-type: none"> Extensive experience as NHS Director in the UK, management consultant and private hospital director Significant experience working with executive teams in healthcare | 5 years |
| Teena Pisarev Chief Operating Officer and Managing Director, NSW/ACT, Singapore and Diagnostics | <ul style="list-style-type: none"> Over 20 years' experience in private healthcare in hospital, diagnostics, pathology and outpatient services Chief Executive Officer and Regional CEO of Icon Cancer Care, leading the Icon expansion into South East Asia | 3 years |
| Adury Rao Managing Director, Victoria and Tasmania | <ul style="list-style-type: none"> Australian executive team member at Ramsay Health Care 14 years' experience in leadership positions across healthcare groups | 1.5 years |
| Chris Smedley Managing Director, Queensland | <ul style="list-style-type: none"> Chief Executive Officer of Assure Programs General Manager of BUPA, Queensland Over 20 years' experience working in healthcare organisations | 2 years |
| Ava Bentley Chief Legal and Risk Officer and Company Secretary | <ul style="list-style-type: none"> Corporate and litigation lawyer in private practice and in-house roles Risk and leadership roles in medical defence and insurance | 1.9 years |
| Jorge Silveira Chief Digital Health Officer | <ul style="list-style-type: none"> Implementation support for projects such as the Australian-first Stroke Telemedicine program and the Victorian-first digital electrocardiogram Chair of the Victorian Health Sector CIO Cybersecurity Working Group | 1.5 years |
| Lee Bakerman Chief People Officer | <ul style="list-style-type: none"> HR and Industrial Relations workstream lead for Broadspectrum Vice President Human Resources across Asia Pacific for AREVA T&D, Alstom T&D and Norfolk Group | 1.5 years |

Source: Virtus website

Virtus also has a team of 11 Medical Directors who lead the portfolio of fertility clinics with extensive educational and management experience in fertility, obstetrics and gynaecology.

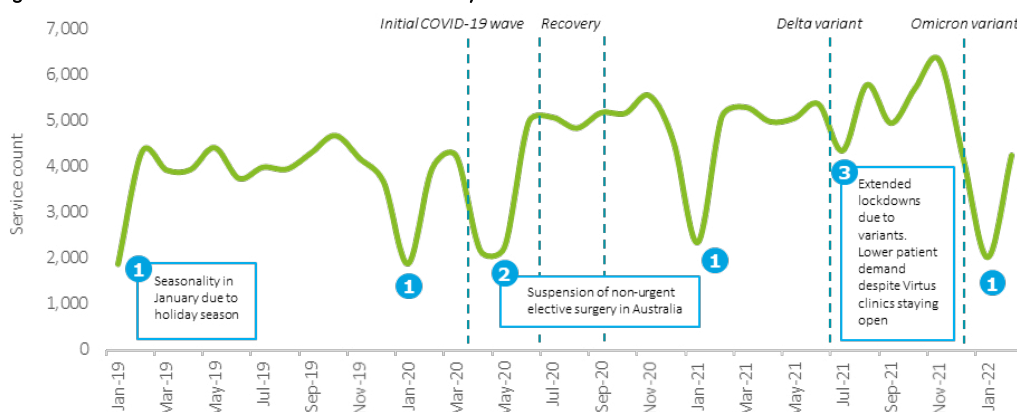
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3.5 Impact of the COVID-19 pandemic

In January 2020, Australia recorded its first case of COVID-19 followed by rapid growth in infection rates both locally and worldwide, leading the World Health Organisation to declare a global pandemic in March 2020, causing widespread extended lockdowns in 2020. Mutation of the COVID-19 virus caused a more transmissible strain, known as the Delta variant, to spread worldwide in mid-2021. This was followed by another mutation with a greater rate of transmission, known as the Omicron variant, which spread internationally in late 2021. With each outbreak, governments enforced policies to limit transmission, particularly in hospitals, which affected the ARS industry.

In Australia, non-urgent elective surgery was suspended between 25 March 2020 and 26 April 2020, which caused a delay in new diagnoses and treatments. Procedure numbers in day hospitals also reduced significantly as the public responded to growing concern for infections. Furthermore, patient demand for fertility treatments waned during COVID-19 driven by financial concerns and job insecurity, societal concerns and health risks associated with the pandemic⁷. The impact of COVID-19 on the Australian ARS industry is set out in the figure below.

Figure 10: Medicare service count for Australian fresh IVF cycle and related services



Sources: Medicare Benefits Schedule items 13200, 13201, 13202, Virtus ASX announcements

While demand decreased significantly during the initial COVID-19 lockdown in March 2020, the industry recovered quickly, returning to regular levels of demand by June 2020 owing to a backlog of treatments during lockdown and a social trend towards family values. Industry demand also experienced fast recovery following the Delta and Omicron outbreaks, attributed to the aforementioned factors and more lenient restrictions allowing ARS clinics to remain open.

In Singapore, IVF was considered an essential service and therefore Virtus activities were not severely impacted. The Singaporean Government introduced some restrictions for elective treatments in May and June 2020 which led to weaker treatment numbers in May 2020. However, activity throughout COVID-19 remained strong with generation of revenue in line with previous years.

In Europe, restrictions on medical procedures were enforced in March 2020 which impacted all new ART procedures and led to clinic closures. Virtus offered telehealth consulting services with fertility specialists in the interim. Virtus clinics resumed operations in Denmark in April 2020, followed by Irish clinics in early May 2020 and the UK clinic in mid-May 2020.

As a result of clinic closures, employees in Australia and Europe were stood down during the pandemic, however Virtus increased recruitment activity to restore employee levels to service regular levels of patients. In FY20, Management estimated a loss of AUD 14.6m related to the COVID-19 pandemic, partially offset by AUD 7.7m of Government assistance payments (including JobKeeper) received. During the period, an impairment of intangible assets of AUD 25m was recognised in the Tasmania and Denmark CGUs, for the impacts of COVID-19 amongst other factors.

⁷ AIFS Impacts of COVID-19 on pregnancy and fertility intentions July 2021

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3.6 Interests in other entities

The table below summarises Virtus' interests in entities that are not wholly owned.

Table 7: Interests in entities <100% owned

| Entity | Interest | Accounting treatment | Material to group? |
|---|----------|------------------------------|--------------------|
| Virtus Andrology Laboratory Singapore | 67% | Consolidated | No |
| Virtus Fertility Centre Singapore | 67% | Consolidated | Yes |
| Complete Fertility | 90% | Consolidated | Yes |
| Obstetrics & Gynaecological Imaging Australia | 50% | Equity interest in associate | No |
| City West Specialist Day Hospital | 50% | Equity interest in associate | No |

Sources: Virtus Annual Report 2021, ASX announcements

A brief description of these entities is as follows:

- Virtus Andrology Laboratory Singapore and Virtus Fertility Centre Singapore are the operating entities for the Virtus Fertility Centre in Singapore
- Complete Fertility relates to Virtus' UK fertility centre. The remaining 10% ownership was retained by two vendors upon Virtus' acquisition of Complete Fertility in 2018
- Obstetrics & Gynaecological Imaging Australia and City West Specialist Day Hospital relate to the joint venture for the refurbishment and management of the City West Specialist Day Hospital located in Westmead, NSW. Obstetrics & Gynaecological Imaging Australia is currently in the process of being deregistered.

3.7 Shareholders and capital structure

3.7.1 Substantial shareholders

As at 31 March 2022, substantial shareholders accounted for 41.1% of total ordinary shares on issue.

Table 8: Substantial shareholders

| Holder | Securities held (m) | Ownership (%) |
|---------------------------------------|---------------------|---------------|
| BGH | 17.1 | 20.0% |
| Paradice | 8.4 | 9.8% |
| Yarra Capital | 5.4 | 6.4% |
| Dimensional Fund Advisors | 4.3 | 5.0% |
| Subtotal – Substantial holders | 35.2 | 41.1% |
| Other shareholders | 50.4 | 58.9% |
| Total ordinary shares on issue | 85.5 | 100.0% |

Note: Numbers may not reconcile due to rounding.

Sources: Virtus, Substantial Shareholder notices, Deloitte Corporate Finance analysis

BGH acquired its interests in December 2021 as part of its proposed takeover offer. Other shareholders comprise a number of fund managers with holdings of less than 4.0% each. Fertility specialists own approximately 9% of the shares.

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3.7.2 Capital structure

Issued equity as at 31 December 2021 is set out below.

Table 9: Equity in Virtus

| Security type | Total number of securities (m) |
|--------------------------------|--------------------------------|
| Ordinary shares | 85.5 |
| Performance rights and options | 1.7 |
| Treasury shares | (0.0) |
| Total securities | 87.2 |

Source: Virtus

Virtus offers fertility specialists and senior executives a share option plan at the Board's discretion. The plan grants senior executives with rights and options based on financial performance metrics (relative total shareholder return and return on equity) and based on operational metrics (number of IVF cycles successfully performed) for fertility specialists. Performance rights are granted annually and vest over three-year performance periods, after which they have an exercise period of ten years. Of the 1.7m performance rights and options at 31 December 2021, 46% related to fertility specialists with the balance related to senior executives.

As part of the CapVest Offers, Virtus is obliged to ensure there are no outstanding performance rights by the Scheme Record Date. To comply with this obligation, Virtus may cause outstanding performance rights to vest to allow the holders to participate in the Proposed CapVest Scheme. Vesting of outstanding rights is not permitted before the Proposed CapVest Takeover is declared unconditional or the Proposed CapVest Scheme becomes effective, unless agreed to by CapVest. Treasury shares relate to shares held for the purpose of providing shares for selected Virtus equity plans.

As at 31 December 2021, Virtus had AUD 261.6m in committed bank debt facilities, of which AUD 95.0m was drawn. The facility has a maturity of October 2023, with interest based on bank bill swap bid rate (BBSY) plus a margin, which differs based on Virtus' total leverage ratio but sits at 1.45% based on current total leverage ratio. Virtus has two interest rate swaps with a total notional principal amount totalling AUD 60m and an expiry date of October 2023. The swaps effectively result in Virtus paying a fixed base rate of c. 2.0% to 2.2% on the hedged amount.

3.7.3 Trading in Virtus shares

The figure below illustrates movements in the share price since July 2019.

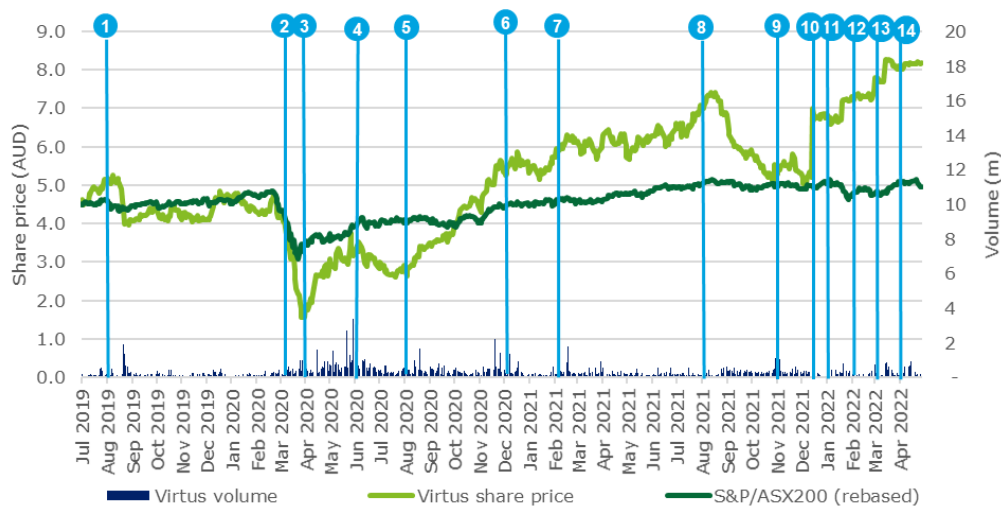


Figure 11: Virtus' share price movements

Sources: S&P Capital IQ, ASX announcements, Deloitte Corporate Finance analysis

82% of the share capital had traded in the twelve-month period to 13 December 2021, the day prior to the initial BGH offer.

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Table 10: Key events and announcements

| # | Date | Announcement |
|----|--------|---|
| 1 | Aug 19 | Reported earnings results for FY19 with an EBITDA decrease of 2.3% compared to FY18, mainly attributed to a shift in revenue mix away from higher margin premium services towards low cost procedures. This decrease was also driven by an increase in compliance costs associated with diagnostics procedures |
| 2 | Mar 20 | The World Health Organisation announced a global COVID-19 pandemic which led governments to enforce lockdowns and restrictions on non-urgent elective procedures. As a provider of ARS services, Virtus operations were delayed or cancelled and Virtus closed its European clinics |
| 3 | Apr 20 | Following the re-opening of Australian clinics, Virtus reported capex deferrals and staff redundancies in an effort to mitigate costs during lockdowns. Virtus also announced delay of the payment of dividends until November 2020 |
| 4 | Jun 20 | Virtus continued to provide ARS services throughout the initial lockdown. Following public health advice, Virtus re-opened European clinics throughout April to June, with all Virtus clinics returning to regular operations in June 2020 |
| 5 | Aug 20 | Reported earnings for FY20 which detailed a decrease in EBITDA by 27% relative to FY19. The results reflected the impact of clinic closures and weak demand as a result of public health orders during the COVID-19 pandemic |
| 6 | Dec 20 | The ARS industry experienced recovery from COVID-19 owing to provision of delayed services and greater patient demand following a social focus on health and family during the pandemic. Several private equity transactions in the health care industry also fuelled positive investor perceptions, including a significant minority stake investment in Fullerton Health Australia by Quadrant Private Equity and the BGH acquisition of the Healius medical centres |
| 7 | Feb 21 | Virtus released H1FY21 earnings results, announcing 19% revenue growth and 49% EBITDA growth relative to the prior corresponding period. This was attributed to strong cycle volumes in all geographies and investment in technology to enhance patient services |
| 8 | Aug 21 | Release of FY21 earnings results which outlined growth of over 100% in reported EBITDA, mainly due to strong IVF cycle growth of 26%, three new clinics and the expansion of capabilities in specialised diagnostics Announced entry into a share sale agreement for the acquisition of Adora Fertility at a transaction value of AUD 45m, to be partially funded by AUD 35.0m institutional placement |
| 9 | Nov 21 | ACCC proceedings continued in relation to Virtus' proposed acquisition of Adora Fertility |
| 10 | Dec 21 | Virtus received an unsolicited non-binding indication of interest from BGH Still awaiting ACCC approvals in regards to the proposed Adora Fertility, Virtus terminated the agreement to acquire Adora Fertility |
| 11 | Jan 22 | Virtus received a non-binding indicative offer from CapVest, at a price of AUD 7.60 per share |
| 12 | Feb 22 | Virtus released H1FY22 financial results, which indicated resilience across the business despite ongoing pandemic disruptions. Revenue remained consistent, growing 1% on the prior comparable period, whilst EBITDA fell 36%, largely attributable to a reduction in government grants and increased operating costs tied to investments in growth initiatives |
| 13 | Mar 22 | Virtus received several revisions of indicative offers from BGH and CapVest. On 14 March 2022, Virtus entered into a binding Transaction Implementation Deed with CapVest |
| 14 | Apr 22 | Virtus receives a revised offer from CapVest and accordingly amends the Transaction Implementation Deed BGH announces off-market takeover offer at a price of AUD 8.00 per share |

Sources: S&P Capital IQ, ASX announcements, Deloitte Corporate Finance analysis

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3.8 Financial performance

We have summarised the profit and loss statements for the periods ended 30 June 2020 to 31 December 2021.

Table 11: Financial performance

| AUD m (unless otherwise stated) | Audited FY20 | Audited FY21 | Reviewed H1FY22 |
|---|-----------------|-----------------|--------------------|
| Revenue | 258.9 | 324.6 | 171.3 |
| Other income | 15.0 | 10.9 | 0.7 |
| Total operating revenue | 273.9 | 335.5 | 172.0 |
| Fertility specialists, consumables and associated costs | (70.8) | (89.6) | (49.1) |
| Employee costs | (100.2) | (117.3) | (61.8) |
| Other expenses ¹ | (32.2) | (36.3) | (23.4) |
| Total operating expenses | (203.2) | (243.1) | (134.3) |
| Operating EBITDA | 70.8 | 92.3 | 37.7 |
| Share of profit of associates | 0.4 | 1.1 | 0.2 |
| Depreciation and amortisation ² | (25.0) | (24.1) | (12.1) |
| Impairment expense | (25.0) | - | - |
| Net finance expense | (10.8) | (8.9) | (4.3) |
| Income tax expense | (9.5) | (16.6) | (6.2) |
| NPAT | 0.9 | 43.8 | 15.3 |
| EPS (AUD cents)³ | 0.59 | 53.17 | 17.91 |
| Interim dividend per share (AUD cents) | 12.00 | 12.00 | 12.00 |
| Final dividend per share (AUD cents) | - | 12.00 | n.a. |

| Operating metrics | | | |
|--------------------------------------|--------|--------|-------------------|
| Fresh cycles (No.) | 18,981 | 23,994 | 12,551 |
| Revenue per fresh cycle ⁴ | 13,640 | 13,527 | 13,646 |
| Revenue growth (%) | (7.5%) | 25.4% | 5.5% ⁵ |
| EBITDA margin (%) | 27.3% | 28.5% | 22.0% |
| Number of operating staff (No.) | 1,353 | 1,472 | 1,555 |

Notes:

n.a. = Not applicable

- Other expenses include occupancy expense, advertising and marketing, practice equipment expenses, professional and consulting fees and other costs
- Includes ROU depreciation. AASB 16 Leases was adopted from 1 July 2019
- Basic EPS
- Revenue per fresh cycle is calculated as revenue divided by number of fresh cycles
- Based on annualised H1FY22 revenue (without seasonality adjustments).

Sources: FY20 - FY21 annual reports, H1FY22 financial statement, Deloitte Corporate Finance analysis

Growth in operating revenue was driven by the general recovery of the industry, following the challenges of a COVID-19 impacted FY20. In FY21, the provision of core services, as is indicated by the number of fresh cycles, achieved record results. This was aided by shifting consumer patterns that looked to prioritise family and homelife, as well as a backlog of demand created by COVID-19 restrictions. Pricing remained relatively constant, with revenue per fresh cycle marginally lower in FY21 than in FY20, but slightly higher in H1FY22 in line with upward price pressure as a result of more demand than the prior comparable period.

Other income includes Government grants of AUD 7.7m relating the Federal Government's Job Keeper scheme in FY20 and FY21. Other income also includes fair value gains on contingent consideration relating to the acquisition of Fertilitetskliniken Triangeln Aps (Triangeln Fertility Clinic, Denmark) in 2018. Gains of AUD 4.5m and AUD 1.6m were recognised in FY20 and FY21, respectively.

Total operating expenses increased in FY21, in line with the recovery of core services post-COVID-19. Employee costs increased by 17.2%, as management ramped up staff to cater for the recovery in fresh cycle volumes. Further investment in the group's digital health strategy (detailed in Section 3.10), and a reduction in leave taken during FY21 also contributed to higher employee costs. Practice equipment expenses also increased in FY21, largely attributable to general maintenance works that had been deferred during FY20. Newly implemented COVID-19 safety protocols also resulted in an increase in costs. Professional and consulting fees decreased by AUD 0.4m, as strategic reviews and support relating to COVID-19 were primarily absorbed during FY20. Occupancy costs comprise property charges which are not covered by AASB 16.

Impairment expenses in FY20 arose due to restructuring within the Tasmania CGU (AUD 15.0m) in addition to the goodwill write-down of the Denmark CGU as a result of COVID-19 uncertainty (AUD 9.9m).

In H1FY22, revenue growth and EBITDA margins returned to levels that existed prior to the COVID-19 pandemic. Revenue growth in H1FY22 was in line with growth in FY18 (3.6%) and FY19 (6.4%), prior to the COVID-19 pandemic. EBITDA margins are lower than in FY20 and FY21, as these periods were supported by the Government's JobKeeper scheme, and H1FY22 earnings were also impacted by costs related to investment in ongoing growth and maintaining COVID-19 safe protocols.

Dividends paid were influenced by the uncertainty surrounding COVID-19. In FY20 no final dividend was paid, with the Board citing ongoing economic uncertainty.

3.8.1 Normalisation of EBITDA

Normalisation adjustments for FY20 to H1FY22 are presented in the table below.

Table 12: Normalised EBITDA

| AUD m | FY20 | FY21 | H1FY22 |
|---------------------------------|-------------|-------------|-------------|
| Operating EBITDA | 70.8 | 92.3 | 37.7 |
| Deduct: Government assistance | (7.7) | (7.7) | - |
| Deduct: Fair value adjustments | (6.0) | (1.6) | - |
| Addback: Transaction costs | - | - | 2.6 |
| Addback: CEO transition | 0.8 | - | - |
| Normalised EBITDA | 57.9 | 83.0 | 40.3 |
| <i>Normalised EBITDA margin</i> | 21.7% | 25.3% | 23.4% |

Sources: FY20 – FY21 annual reports, H1FY22 financial statement, Deloitte Corporate Finance analysis

In respect of the non-recurring adjustments, we highlight the following:

- the normalisations do not adjust for the volume impacts of the COVID-19 pandemic, which includes a decrease in revenue due to the deferral or cancellation of procedures and additional operating costs. Management have estimated the gross profit impact of COVID-19 to be AUD 14.6m in FY20, however we have not included this adjustment due to the difficulties associated with an offsetting adjustment (removal of pent-up demand) in future periods. Additional costs associated with compliance with COVID-19 protocols were immaterial
- Virtus received payments in both FY20 and FY21 from Australian Government's JobKeeper program or similar programs in other countries in relation to COVID-19 pandemic
- the non-cash fair value adjustments include the following:
 - gains of AUD 4.5m in FY20 and AUD 1.6m in FY21 related to the contingent consideration for the acquisition of Fertilitetsklinikken Trianglen Aps in 2018, which was settled in FY21
 - gains of AUD 1.5m in FY20 in relation to the put option liabilities, which were exercised in FY20. The options originated from the acquisitions of SIMS Clinic Limited and TasIVF Pty Ltd in 2019 and were held by non-controlling interests.
- transaction costs adjustment relates to the due diligence and legal costs of the withdrawn acquisition of Adora Fertility and three day hospitals
- CEO transition adjustment includes separation and recruitment costs associated with the departure of Sue Channon and arrival of Kate Munnings.

3.9 Financial position

Table 13: Financial position

| AUD m | Audited FY20 | Audited FY21 | Reviewed H1FY22 |
|---|----------------|----------------|-----------------|
| Trade and other receivables | 13.4 | 12.1 | 12.1 |
| Trade and other payables | (32.0) | (31.6) | (34.8) |
| Unearned income | (20.0) | (21.1) | (14.8) |
| Other current assets and liabilities | (9.5) | (6.6) | (0.7) |
| Net working capital | (48.2) | (47.3) | (38.1) |
| Property, plant and equipment | 34.9 | 39.9 | 40.0 |
| Intangible assets | 433.7 | 428.4 | 427.2 |
| ROU assets | 89.7 | 69.1 | 70.6 |
| Other assets and liabilities ¹ | 2.3 | 3.5 | 3.2 |
| Funds employed | 560.7 | 540.8 | 541.0 |
| Investments accounted for using the equity method | 1.5 | 1.5 | 1.8 |
| Cash and cash equivalents | 38.0 | 37.0 | 18.5 |
| Borrowings | (164.1) | (144.1) | (94.4) |
| Lease liabilities | (102.8) | (83.5) | (86.4) |
| Other financial assets and liabilities ² | (16.9) | (3.9) | (2.0) |
| Net cash/(debt) | (245.8) | (194.5) | (164.3) |
| Net assets | 268.2 | 300.6 | 340.3 |
| <i>Attributable to Virtus shareholders</i> | <i>267.4</i> | <i>299.1</i> | <i>338.7</i> |
| <i>Attributable to non-controlling interests</i> | <i>0.8</i> | <i>1.5</i> | <i>1.7</i> |

Notes:

- Includes deferred tax assets & liabilities and other non-current assets and liabilities
 - Includes interest rate swaps, dividends payable, loan notes and other financial liabilities
- Sources: FY20 and FY21 annual reports, H1FY22 financial statement, Deloitte Corporate Finance analysis

Patient fees for most treatments are received in advance and recognised as unearned income. Unearned income is seasonal and tends to dip over the summer months due to a reluctance of patients to enter into exhaustive medical procedures. Furthermore, clinics tend to operate for fewer hours as staff on leave increases. Lows have historically occurred during December and January, explaining the smaller amount in H1FY22. Services are generally provided to patients within the average IVF cycle life of 3 to 8 weeks after payment. Unearned income is also recorded in relation to cryostorage of embryos. Virtus charges storage fees 6 to 12 months in advance and amortises the fees over the year.

Trade and other payables are mostly comprised of the purchase of good and services, which result from normal operations. These operating items have historically been very consistent, with the slight increase in the payables balance in H1FY22 a reflection M&A transaction costs arising from the withdrawn Adora Fertility acquisition, that were paid in the new calendar year.

Property, plant and equipment comprises leasehold improvements, furniture and fittings, office equipment and medical equipment. The moderate increase in the balance of PPE between FY20 and FY21 is a result of AUD 5.3m spent on the relocation of the Irish operation, Rotunda IVF.

Intangible assets in FY21 of AUD 428m are primarily comprised of goodwill (AUD 422m), brand names (AUD 4.5m) and software (AUD 1.8m). The decrease in book value is attributed to the amortisation of brand and software assets, as well as the decrease in value of the Denmark and Ireland CGUs due to unfavourable exchange rate movements.

The decrease in the right-of-use asset (and corresponding lease liability) between FY20 and FY21 reflects depreciation (principal and interest repayments) and reversal of options.

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Cash and net proceeds from a capital raising undertaken in August 2021 were used to reduce debt in H1FY22. As at 31 December 2021, net debt (including lease liabilities) was AUD 164.3m. Management anticipate that, at or around the date of payment of the Consideration, net debt will be c. AUD 205m with the increase attributable to the opening of a new clinic at Nepean and a new larger clinic in Spring Hill that will consolidate existing Brisbane facilities during H2FY22.

Other financial assets and liabilities fluctuated between FY20 and FY21 as a result of movements in the dividends payable balance. In February 2020, Virtus declared an interim dividend which was deferred as a result of uncertainty surrounding the impact COVID-19 would have on the business. By delaying the payment date to November 2020, an additional payable of AUD 9.5m was owing at the end of FY20.

3.10 Strategy and outlook

Virtus has a strong market position in the Australian market and a growing market share in the various international markets that it is has operations. Management intends to grow the business and profitability through strategic initiatives that can be summarised as follows:

Organic growth

- In the next 12 months Virtus anticipates opening/relocating clinics at the following sites:
 - **Nepean:** a new fertility clinic in NSW with ART and diagnostics capabilities which is expected to open in April 2022. The site is expected to ramp up over a period of 5 years
 - **Spring Hill:** a new clinic in Queensland which will consolidate the existing fertility clinic on Little Edward Street and the day hospital and IVF lab on St Andrew's Place in Spring Hill. The site is expected to open in January 2023 and will be a consolidated clinic with ART, diagnostics and day hospital services with a fresh cycle capacity of 3,000 cycles
 - **Trianglen:** Virtus' Danish clinic, Trianglen, which was acquired in 2018, will be relocated to a new, modern and larger facility during 2022. The new site is expected to have a fresh cycle capacity of 4,500.

Optimise the core

- implementation of a new workforce management system to improve productivity. The system is expected to result in the replacement of existing technology and improve rostering and attendance efficiency thereby reducing staff idle time. This is expected to deliver net annual cost savings of AUD 1.3m in the first year of uptake and AUD 2.0m annually thereafter over a 5-year period
- implementation of the One Lab (and One Clinic) approach to standardise processes and ensure compliance with best practice procedures in an effort to improve operational efficiency
- provision of a centre-led donor service to complement the existing fertility services
- optimising day hospitals through the delivery of non-IVF procedures that complement ARS

Grow capabilities in genetics

- growth of diagnostics capabilities through research into rapid genetic techniques and investment in patient data systems to optimise diagnostic testing procedures and increase the mix of higher margin specialised diagnostics revenue

Development and growth of precision fertility

- development of Precision Fertility, an integrated digital workflow optimisation system that will manage patient information in one consolidated system and provide data insights to facilitate strategic and operational analysis. This platform is expected to improve efficiency and deliver synergies in future transactions, which will aid their expansion within target regions, Australia, Asia and Indonesia. Virtus intends to launch individual modules of Precision Fertility from FY22 with the full integrated system launched in FY23
- capitalising on Virtus' data and information with the development of strategic partnerships with other businesses.

3.10.1 Equity research analysts' perspectives

The table below sets out the equity research analysts' consensus estimates for Virtus based on broker reports available to us as at 16 March 2022.

Table 14: Summary of equity research analysts' consensus estimates (average for FY22, FY23 and FY24)¹

| AUD m | Audited FY21 | Consensus estimates FY22 | Consensus estimates FY23 | Consensus estimates FY24 |
|---------------------------|--------------------|--------------------------|--------------------------|--------------------------|
| Revenue | 327.8 ¹ | 335.9 | 351.2 | 366.2 |
| EBITDA | 83.0 ² | 78.2 | 85.2 | 92.4 |
| <i>Revenue growth (%)</i> | 19.7% | 2.5% | 4.5% | 4.3% |
| <i>EBITDA margin (%)</i> | 25.3% | 23.3% | 24.3% | 25.2% |

Notes:

1. Only considers equity research analysts who published forecasts after the release of the half-year results

2. Normalised to exclude Government assistance of AUD 7.7m

3. Normalised EBITDA per Section 3.8.1.

Sources: S&P Capital IQ, FY21 financial statements, Broker reports, Deloitte Corporate Finance analysis

The consensus estimates are based on coverage by four equity research analysts' reports published on or after 18 November 2021. We highlight the following:

- FY22 consensus revenue growth is anticipated to be minimal. The sustained COVID-19 impacts in FY20 led to outperformance in FY21, which is not forecast to be achieved in FY22
- projected revenue growth is anticipated to be driven by recruitment of new fertility specialists in Singapore and Ireland which will increase international cycle volumes. Revenue growth is anticipated in the immediate forecast due to a backlog of delayed procedures as a result of the Omicron variant, and is expected to continue thereafter as patients are able to travel internationally to receive treatments, with Virtus' Denmark operations a notable beneficiary
- decrease in the EBITDA margin in FY22F is driven by an increase in employee costs in H1FY22 to support high IVF cycle volumes and an increase in corporate costs in line with strategic investments. Virtus also experienced COVID-19 related disruptions including cancellations and deferrals in H1FY22 and January 2022. Brokers note that Management expects regular levels of demand to return both domestically and internationally, however Virtus may not be able to fulfil the entire backlog of treatment volumes by H2FY22F
- the EBITDA margin is anticipated to increase, assisted by investment in ongoing growth and a reduction in the cost associated with COVID-19 safe protocols
- more generally, brokers expect that the ARS and IVF markets will see continual growth owing to increased social awareness surrounding ARS and socio-behavioural shifts towards a focus on family over the medium to long term.

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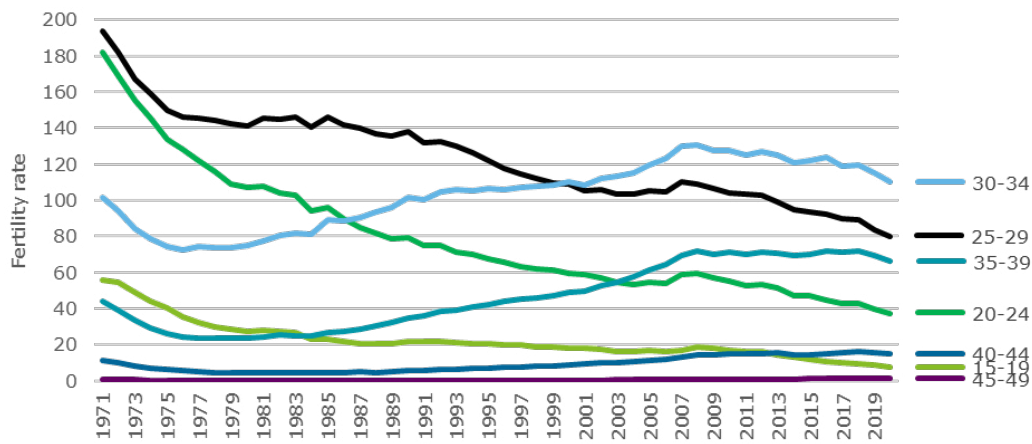
4 Industry considerations

The following sections summarise key themes impacting the ARS industry in Australia.

4.1 Australia's childbearing age is increasing

In 2020, the ABS reported the lowest total fertility rate⁸ on record⁹. Although driven in part by COVID-19 disruptions, the result reflects a long-term decline in the fertility of younger mothers, as women shift toward childbearing later in life. This change has been driven by modern social trends, which have seen more female workforce participation, same-sex couples and single parents wishing to raise a family. In 2020, the median age of an Australian mother was 31.6 years, compared to 26.5 in 1979 and 29.7 in 1999. This trend is illustrated in the figure below.

Figure 12: Fertility rate¹ in Australia (calendar year)



Notes:

1. Fertility rate is a measure of births per 1,000 women.

Sources: ABS Births, Australia, Deloitte Corporate Finance analysis

Successful conception is often more challenging later in life, consequentially, an opportunity exists in the ARS industry, which key operators such as Virtus, Monash IVF and Genea have benefited from. The majority of ART targets women aged between 30 and 44 years¹⁰, which, as set out in the figure above, are showing the highest levels of growth relative to other age brackets.

4.2 In Australia, the industry is concentrated

Competition

The Australian ARS industry is highly concentrated, with the three largest operators, Virtus Health, Monash IVF and Genea accounting for more than three quarters of industry revenue in FY22. Concentration within the industry is protected by a challenging regulatory environment and the rate of technological innovation (which, often, requires substantial investment). Consolidation within the industry has been significant and can be anticipated to continue over the next 5 years, albeit perhaps only for certain market participants and with a backdrop of competition scrutiny.

Industry participants tend to compete on the breadth and quality of services and fertility specialists, sales and marketing activities and the location and accessibility of clinics. These dynamics underlie the high concentration of the industry, as larger firms have a competitive advantage due to the scale of their operations.

⁸ Measured as the average number of babies born to a woman throughout her reproductive life.

⁹ Australian Bureau of Statistics, 2021, *Australian fertility rate hits record low*, viewed 21 March 2022, <<https://www.abs.gov.au/media-centre/media-releases/australian-fertility-rate-hits-record-low>>

¹⁰ IBIS World, *Fertility Clinics in Australia*, September 2021

Competition from outside the industry has lessened over time. Adoption and to a lesser extent surrogacy arrangements, which require IVF, have often been considered a form of external competition to the ARS industry. However, adoption figures have fallen by over 50% in the past 25 years, with only 310 adoptions recorded in FY19¹¹, compared to 15,158 IVF births in CY19¹². Likewise, complex domestic regulation that prohibits commercial surrogacy, and increasingly strict international laws have made surrogacy an unattractive alternative.

Low-cost IVF

Increasing inter-industry competition has seen the evolution of a low-cost model of care, as high costs and out-of-pocket expenses associated with ART has developed an increasingly price conscious customer base. In January 2012, Virtus established Australia's first low-cost model of ARS under their brand The Fertility Centre, opening a clinic in Springwood, Queensland. The brand currently has six locations. In July 2014, Primary Healthcare (now known as Healius) established Australia's first Medicare bulk-billable IVF service, Adora Fertility. Firms have continued to invest in these low-cost solutions, as increasing competition within the industry drives an effort to broaden client bases through improved accessibility, especially in regions with lower average incomes.

More recently, State Governments have also invested in low-cost solutions. From January 2020, the NSW Government announced a rebate for fertility testing and the expansion of the availability of low-cost ART services in IVF clinics at three public hospitals across NSW until June 2023. In May 2021, the Victorian State Government also announced its investment in free IVF treatment cycles and other fertility care services, as well as construction of the first public health care facility in Victoria. These Government initiatives further contribute to the shift towards a low-cost treatment model.

Listed operators

Of the Australian ARS operators, the top 3 participants have an estimated 77% of the market share. Virtus and Monash IVF are currently listed on the ASX, and Genea is privately owned. Set out below is a comparison of these three participants:

Table 15: Comparison of ASX listed ARS operators

| | Unit | Virtus | Monash IVF | Genea |
|--|-------|---------------------------------------|-----------------------|-------------------------|
| Market capitalisation (13 Dec 2021) | AUD m | 444.2 | 366.3 | n.a. |
| Service revenue (FY21) ¹ | AUD m | 324.6 | 183.6 | 93.7 |
| Market share ² | % | 39.5% | 25.3% | 12.6% |
| ART clinics | No. | 44 | 27 | 12 ³ |
| Fertility specialists | No. | 128 | 105 | 38 ³ |
| Service revenue CAGR (FY19 to FY21) | % | 7.7% | 9.9% | 0.5% |
| Service revenue CAGR (FY21 to FY23) ⁴ | % | 4.0% | 7.0% | n.a. |
| EBITDA margin (FY21) ⁵ | % | 25.9% | 26.0% | 13.1% |
| Cycles (FY21) ⁶ | No. | 23,994 | 10,815 | 8,864 |
| Revenue per cycle ⁷ | AUD | 13,528 | 16,977 | 10,567 |
| Cycle per fertility specialist (FY21) | No. | 187 | 103 | 216 |
| International operations (30 June 2021) | | Ireland Denmark Singapore UK | Malaysia Indonesia | Thailand UK Spain |
| % international revenue (FY21) | % | 20.1% | 5.8% | 12.4% |
| Australian footprint | | | | |

Notes:

n.a. = Not applicable

1. Service revenue is measured at the group level
2. Based on IBISWorld estimates
3. Genea's clinic and specialist numbers refer only to their Australian operations
4. Based on broker consensus estimates
5. EBITDA has been adjusted to remove the impact of one-off items
6. Virtus (fresh cycles), Monash IVF (stimulated cycles) and Genea (cycles at large) measure their cycle numbers on different bases
7. Revenue per cycle is calculated as service revenue divided by number of cycles

Sources: Management, FY20, FY21, H1FY22 annual reports and investor presentations, IBISWorld, ASX, Deloitte Corporate Finance analysis

¹¹ Australia Institute of Health and Welfare, Adoptions Australia, December 2019

¹² University of New South Wales, Assisted reproductive technology in Australia and New Zealand 2019, September 2021

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As measured by market capitalisation, market share, service revenue, cycles and the number of fertility clinics, Virtus is larger than its closest competitors. All three companies provide ART services, with additional diagnostics testing to support the core ART business. However, Monash IVF and Genea also generate a portion of their revenue through ultrasound services and research and development, respectively. By comparison to Virtus, Monash IVF's ultrasound services create the appearance of additional revenue per cycle, but rather reflect a more diverse service offering. Likewise, Genea's research and development business, Genea Biomedx, distorts the revenue per cycle comparison as it provides less incremental revenue than Virtus' and Monash IVF's ancillary services. Furthermore, the Genea Biomedx operating segment achieved a negative adjusted EBITDA result in FY21, creating a drag on the EBITDA margin result at the group level.

While Monash IVF is active in South-East Asia, its presence is growing with new clinics in Malaysia and Indonesia and a Singapore clinic to be commissioned in H2FY22. In FY21, 5.8% of Monash IVF's service revenue was generated from its international operations, far less than Virtus, who have a larger and more established international presence, which contributed 20.1% of their service revenue in FY21. Genea began FY21 with operations in five countries, however disposed of its interest in the New Zealand based Genea Oxford Fertility Limited in March 2021, after a number of loss-making years. Genea's international operations are heavily concentrated in the UK, which comprised 82.7% of its international service revenue in FY21.

Brokers forecast Virtus' service revenue to grow at a CAGR of 4.0% from FY21 to FY23, compared to 7.0% for Monash IVF (forecasts are not available for Genea given it is privately owned). Brokers note that Monash IVF has a high rate of conversion from patient registration to ART service and invested in a new marketing campaign in H1FY22 which led to an increase in patient registration numbers and strong cycle growth. Monash IVF also expects high levels of fertility specialist recruitment and will open new clinics in Victoria, Queensland, Singapore and Indonesia across FY22 and FY23. Analysts note that these factors, underpinned by strong H1FY22 performance, support a stronger pipeline and growth for Monash IVF.

4.3 The sector is underpinned by technology advancements

The ARS sector is underpinned by advancements in technology which improve the success of detecting and treating infertility. Current treatment options are able to offer a better chance of successful conception, with the live birth rate per IVF fresh cycle in women aged 35 to 39 increasing from 32.5% to 35.1% between 2009 and 2019, an 8% increase in relative success, according to the 2019 Assisted Reproductive Technology in Australia and New Zealand report which summarised a study conducted by the University of New South Wales. Across all age groups, live births per IVF fresh cycle increased from 23.0% to 25.3% in the ten years to 2019. Moreover, the development of single embryo transfer technology has significantly lowered the risk of multiple births, which occurred in 2.9% of births in 2019 compared to 8.2% in 2009. Technology also allows medical professionals to better select healthy embryos, with techniques developed to identify chromosome abnormalities.

Collectively, these advancements in ART technology provide a more cost-effective and safe form of achieving clinical pregnancy, and have resulted in an increase in ART adoption as evident in Figure 13 in Section 4.6 below.

4.4 Regulation of the sector is high

The industry operates under a stringent regulatory framework. Ethical and social concerns regarding fertility treatments have continually driven the development of regulation within the industry, with changes also being made to keep pace with improvements in technology. The industry's first piece of legislation was Victoria's Infertility (Medical Procedures) Act 1984. This was driven by Monash IVF (then part of Monash University), delivering the world's first frozen embryo birth in 1983. Other states followed suit throughout the 1990s, targeting various forms of ART.

No Commonwealth legislation directly regulates Australia's ARS industry, rather regulation is enacted on a state-by-state basis. Currently, four states (New South Wales, Victoria, South Australia and Western Australia) regulate ART through the provision of licenses to clinics, pursuant to this regulation, operators are required to satisfy a number of professional and commercial requirements and guidelines. Compliance with regulation is costly and is a key risk for the industry going forward.

4.5 Recent transactional activity

The Australian ARS industry has demonstrated a continued appetite for consolidation, as larger players look to build scale and access new technologies. New entrants often lack the full suite of services provided by major participants, and rather look to provide price-competitive alternatives to specific offerings. By specialising in niche solutions such as egg or sperm freezing, intrauterine insemination and counselling, these new entrants present as attractive M&A opportunities for an established operator looking to improve the quality of their services or expand their service offering.

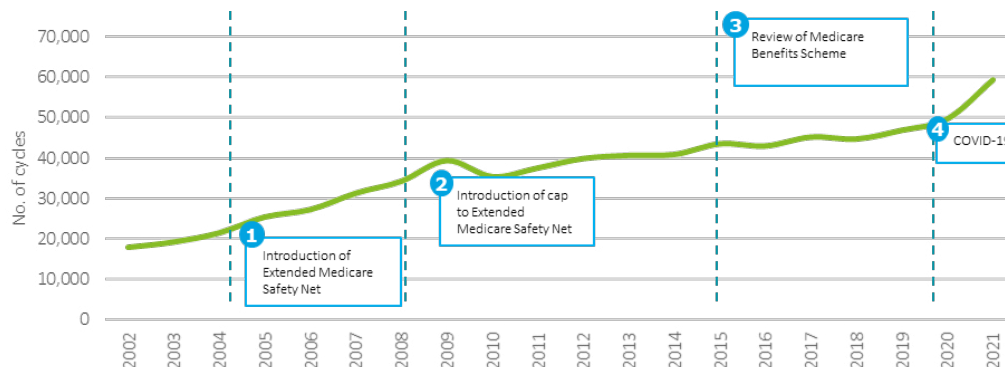
With the market share held by the two largest participants, Virtus and Monash IVF, it may be the case that they will experience challenges with undertaking acquisitions in the Australian market.

On 25 March 2022, Healius announced it had entered into a binding agreement to sell Adora Fertility to Liverpool Partners for AUD 30.5m. In 2018, Genea was acquired by an Asian consortium of investors.

4.6 Growth and outlook

IVF cycle growth has historically shown a level of variability, driven by economics conditions, natural disasters and regulatory changes. The number of IVF Cycles undertaken in Australia over the past 20 years is set out in the figure below.

Figure 13: IVF cycles in Australia (calendar year)



Sources: MBS Item Statistic Reports for items 13200, 13201, 13202, Deloitte Corporate Finance analysis

Government funding is one of the most important drivers of demand for ART. From 2000 to 2003 the number of IVF cycles undertaken in Australia grew at an annual rate of 9%. Following the introduction of the Extended Medicare Safety Net (EMSN) in March 2004, which offered to reimburse 80% of out-of-pocket payments above a given threshold for ART, the growth rate increased to 12% p.a. through 2008. In May 2009, it was announced that caps would be placed on the safety net payments for ART, coming into effect in 2010. Facing higher out-of-pocket payments, prospective mothers took advantage of the existing system, as IVF Cycles increased by 15% in 2009, falling 10% the following year when the caps came into effect. With little change in government funding for the industry in the following 10 years (2011 to 2020), annual growth remained steady at 3%. However, as part of a review of the Medicare Benefits Schedule (MBS) undertaken from 2015 to 2020, the Federal Government is now progressively considering and implementing changes for the industry. The review's report on gynaecology items represents a potential threat to the industry, with an array of recommendations suggesting potential cuts to ART funding.

Similarly, socio-economic factors have the potential to swing demand for ART. Treatment volumes increased by 6% in 2020, a year heavily disrupted by COVID-19, and 19% in 2021. The higher level of volume growth in FY21 is largely a result of fulfilment of pent-up demand created by public health concerns during lockdowns and the suspension of ART on a state-by-state basis in March and April 2020.

Given the childbearing age trends discussed in section 4.1, growth in the female population aged between 25 to 45 years is a key determinant for the demand of ART services. Australia's female population aged 25 to 44 years is predicted to grow by 0.6% p.a., between 2021 to 2031¹³, providing moderate growth in the industry's target market.

Opportunities for growth in Australia's ARS industry are available through global expansion. Australia has been at the forefront of technological development and adoption of ART and Australian companies such as Virtus and Monash have sought to expand into international markets. Forecasts of growth for the industry globally are estimated to be 8.2%¹⁴ as compared to 2.5%¹⁵ in Australia over the same period.

¹³ .id, 2021, *National to State tops-down forecast*, viewed 22 March 2021, <Population and age structure | Australia | Population forecast (id.com.au)>

¹⁴ Mordor Intelligence, *In Vitro Fertilization Market*, viewed 30 March 2022, <In Vitro Fertilization Market | Growth, Trends, COVID-19 Impact, and Forecasts (2022 - 27) - Mordor Intelligence>

¹⁵ IBIS World, *Fertility Clinics in Australia*, September 2021

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5 Valuation approach and assumptions

5.1 Valuation summary

We have estimated the enterprise value of Virtus to be in the range of AUD 850.0m to AUD 935.0m. After adding surplus assets and deducting net debt and minority interests, this implies a value of between AUD 7.31 and AUD 8.27 per share. A summary of our valuation is set out in the following table:

Table 16: Valuation summary

| | Section | Unit | Low | High |
|------------------------------------|---------|--------------|--------------|--------------|
| Market multiples approach | 5.3 | AUD m | 850.0 | 935.0 |
| Discounted cash flow approach | 5.4 | AUD m | 820.0 | 960.0 |
| Enterprise value (selected) | | AUD m | 850.0 | 935.0 |
| Add: Surplus assets | 5.5 | AUD m | 1.8 | 1.8 |
| Less: Net debt | 5.6 | AUD m | (204.2) | (204.2) |
| Less: Minority interests | 5.7 | AUD m | (10.3) | (11.3) |
| Equity value | | AUD m | 637.3 | 721.3 |
| Number of shares | 5.8 | m | 87.2 | 87.2 |
| Equity value per share | | AUD | 7.31 | 8.27 |

Source: Deloitte Corporate Finance analysis

In estimating the enterprise value, we have had primary regard to the application of the market multiples approach but also had regard to the discounted cash flow approach. Our rationale for selecting these approaches is as follows:

- The market multiples approach confers the benefit of having the valuation reference point of a highly comparable listed business. However, it still requires exercise of judgement to reflect the differences between the businesses
- The discounted cash flow approach allows for significantly more flexibility in medium to long-term financial projections. However, it presents challenges with respect to being able to accurately project medium to long-term cash flows, especially due to difficulties with forecasting the impact of the growth initiatives
- Given the above challenges associated with the application of the discounted cash flow approach, we consider it is more appropriate to place greater emphasis on the outcomes of the market multiples approach in selecting our enterprise value range.

We have selected an enterprise value range of between AUD 850.0m and AUD 935.0m.

We have added to this enterprise value the value of assets which are not reflected in our valuations utilising the discounted cash flow or market multiples approaches and deducted the estimated value of net debt and minority interests to arrive at the equity value of Virtus. These items are discussed in Section 5.5, 5.6, and 5.7.

The equity value has then been translated into a value per Virtus share based on the number of shares on issue.

The analysis supporting the valuation is set out in the following sections.

5.2 Selection of valuation methodologies

We estimated the enterprise value of Virtus using the market multiples method, before adding the value of surplus assets and deducting net debt and minority interests. Refer to Appendix 1 for a detailed discussion on the various valuation methodologies which can be adopted in valuing entities and businesses. The market multiples approach involves applying a multiple to estimated earnings. In this regard, we note:

- there exists a listed company in Australia (Monash IVF), and various transactions concerning businesses with operations sufficiently comparable to Virtus from which a meaningful comparison can be made and an appropriate multiple can be ascertained

- Virtus is a relatively mature business and is not required to undertake any significant capital expenditure in the near future, making the market multiples an appropriate methodology.

We also undertook a discounted cash flow analysis having regard to the 3-year budget developed by Virtus management. We extended the cash flow projections to FY26 and considered various scenarios to account for the uncertainty related to industry trends. However, given the challenges associated with the application of the discounted cash flow approach, we consider it was more appropriate to place greater emphasis on the outcomes of the market multiples approach and only use the discounted cash flow approach as a secondary approach.

Our valuation of Virtus has been undertaken on a control basis, consistent with the requirements of ASIC RG111.

5.3 Market multiples approach

Set out below is a summary of the outcome of the market multiples approach.

Table 17: Valuation based on earnings multiple

| | Section | Unit | Low | High |
|-------------------------|---------|--------------|--------------|--------------|
| EBITDA | 5.3.1 | AUD m | 85.0 | 85.0 |
| Earnings multiple | 5.3.2 | Times | 10.0x | 11.0x |
| Enterprise value | | AUD m | 850.0 | 935.0 |

Source: Deloitte Corporate Finance analysis

We have selected EBITDA as an appropriate measure of earnings because earnings multiples based on EBITDA are less sensitive to different financing structures, depreciation and amortisation accounting policies and effective tax rates than multiples based on EBIT or NPAT. This allows a better comparison with earnings multiples of other comparable companies. In addition, EBITDA is an earnings measure monitored by Management, and is more commonly and consistently forecast by equity research analysts and thus also results in more accurate implied multiples for the comparable companies which form our market benchmarks.

5.3.1 Assessment of normalised EBITDA

In selecting the normalised EBITDA, we have considered the following:

- the historical financial performance of Virtus in FY20 and FY21, adjusted for abnormal or non-recurring revenue and expenses, as set out in Table 12. We also considered the impact of the COVID-19 pandemic and how it has impacted historical earnings
- Management's FY22 budget and outturn having regard to the half year performance for H1FY22
- Management's projected FY23 and FY24 outlook
- FY22 and FY23 consensus estimates forecast by equity research analysts covering Virtus, as set out in Table 14
- the expected full-year earnings contributions of new clinics in Nepean, Spring Hill, and Trianglen opened in the next 12 months, which were only partially reflected in FY22 budget
- the growth initiatives planned in FY22 to reduce costs or generate revenue, such as the investment in a new workforce management system and Precision Fertility. These initiatives are expected to improve EBITDA by between AUD 5m to AUD 10m from FY23 onwards
- the potential to reduce costs that Virtus currently incurs by being a listed company.

We also highlight the following in respect of our assessment of EBITDA:

- no future acquisitions or disposals have been factored into maintainable earnings
- the financials for both historical and future periods exclude rent expenses, and therefore the maintainable earnings are selected on a post-AASB 16 basis.

Based on the above considerations, we have adopted an EBITDA of AUD 85.0m. The selected EBITDA is:

- slightly higher than the normalised EBITDA for FY21 of AUD 83.0m, to recognise that the maintainable earnings of Virtus is expected to benefit from the new clinics and growth initiatives
- higher than the annualised H1FY22 normalised EBITDA of AUD 80.6m and the FY22 consensus EBITDA of AUD 78.2m. Whilst these periods include a nominal contribution from the new clinics, they were impacted by the breakout of the COVID-19 Omicron variant and do not include the benefit of the growth initiatives
- broadly comparable with FY23 consensus EBITDA of AUD 85.2m, based on current analyst reports and represents the expected earnings after a normalisation following the impacts of COVID-19.

5.3.2 Assessment of earnings multiple

In selecting an appropriate earnings multiple for Virtus, we have considered earnings multiples observed from share market prices of listed companies with operations comparable to Virtus and the implied multiple paid to acquire companies with operations similar to Virtus.

Earnings multiples derived from share market trading do not reflect the market value for control of a company as they are for portfolio holdings. The difference between the market value of a controlling interest and a minority interest is referred to as the premium for control.

The owner of a controlling interest has the ability to do many things that the owner of a minority interest does not. These include:

- control the cash flows of the company, such as dividends, capital expenditure and compensation for management
- determine the strategy and policy of the company
- make acquisitions, or divest operations
- control the composition of the board of directors.

Whilst Australian studies indicate takeover premiums range between 20% and 40% of the portfolio holding value, these figures are influenced by a number of factors of which, control is just one.

Selection of comparable companies and transactions

There is one listed ARS company in Australia that we consider highly comparable to Virtus, being Monash IVF. We have also identified certain transactions involving businesses in the ARS sector of developed economies, the most relevant ones, which are set out in the table below:

Table 18: Selected valuation metrics

| | Metric type | Revenue (AUD m) | EBITDA margin | EBITDA multiple | |
|-------------------------------|----------------|-----------------|--------------------|-----------------|---------|
| | | Historical | Historical | Historical | Current |
| Monash IVF | Listed company | 184 | 26.0% | 10.9x | 9.9x |
| Fertility Associates (Dec-21) | Transaction | 44 | 31.8% | 12.0x | n.a |
| Adora Fertility (n.a) | Transaction | 29 ¹ | 15.5% ¹ | n.a. | n.a |
| Genea (May-20) | Transaction | 93 | 17.9% | 12.6x | n.a |

Notes:

1. Based on disclosures made by Virtus at the time of Virtus' bid for Adora.

Sources: Company announcements, S&P Capital IQ, broker reports, news articles, Deloitte Corporate Finance analysis

A side-by-side comparison of Virtus and Monash IVF is set out in Table 15 in Section 4.2. Information on valuation multiples is presented in Appendix 2. We highlight our key considerations below:

- Virtus operates 44 clinics, with a total of 128 fertility specialists. It generated AUD 325m of service revenue from c. 24,000 fresh cycles in FY21
- Monash IVF operates 27 clinics with 105 fertility specialists. It generated AUD 184m of service revenue from c. 11,000 fresh cycles in FY21
- Virtus is more geographically diversified than Monash IVF, with operations in Ireland, Denmark, Singapore and the United Kingdom representing c. 20% of service revenue. Monash IVF operates in Malaysia and Indonesia, representing c. 6% of revenue, however, has plans to increase its international presence by opening a new clinic with 4 specialists in Singapore in H2FY22

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- Monash IVF also generates substantial revenue from other activities, namely the provision of ultrasound and other related services. On the other hand, Virtus generates revenue from its 7 day hospitals
- Both companies were similarly impacted by COVID-19 restrictions. Virtus estimated a lost gross profit of AUD 14.6m (c. 6% of revenue) in FY20 due to temporary suspensions of procedures, whereas Monash IVF estimated it lost revenue of AUD 7.8m (c. 5% of revenue) in FY20. The two companies also saw the number of fresh cycles decline by c. 7% from FY19 to FY20. Following the omicron variant outbreak, while Virtus recorded no growth in the number of fresh cycles for H1FY22 compared to H1FY21, Monash IVF posted 4% of fresh cycle growth over the same period due to investment in marketing campaign and a new clinic and recruitment of new fertility specialists
- Despite the differences noted above, Virtus and Monash IVF achieve similar EBITDA margins of c. 26%
- Brokers project a higher revenue growth rate from FY21 to FY23 for Monash IVF (c. 7%) compared to Virtus (c. 4%). Equity research analysts attribute this growth to 4 new clinics planned by Monash IVF, accelerated recruitment of fertility specialists, continued marketing efforts and the resilience of the business during the Omicron variant outbreak as compared to Virtus.

We have also considered other companies that operate in the broader healthcare services sector, for example companies that provide hospital, dental and other health services, as set out in Table 21. In the current environment, we consider the comparability of this group to Virtus, or more broadly the ARS sector, is limited given the different impacts of COVID-19. Some of these companies, such as Sonic Healthcare and Healius, have benefited from the pandemic by providing COVID-19 testing services, while some others have been impacted by the government restrictions. We also note that companies, such as Ramsay operate capital-intensive hospitals, which have higher operating and financial leverage compared to IVF clinics. Notwithstanding, the median EBITDA margins based on analysts' forecast are broadly similar to that of Virtus. The median EBITDA multiple of these companies is 10.7x historical (FY21) earnings, and 11.1x current (FY22) earnings.

Of the comparable transactions in the ARS sector identified after 2020, we consider the following three to be most comparable:

- A 70% equity ownership of Fertility Associates was acquired in Dec 2021 by a consortium of investors, which include Pioneer Capital, New Zealand Superannuation Fund and White Cloud. Fertility Associates operates the largest chain of fertility clinics in New Zealand, with a small presence in Malaysia. This transaction implied a multiple of c. 12.0x historical EBITDA
- Adora Fertility operates 4 fertility clinics across Australia and 3 day hospitals. Relative to Virtus, Adora Fertility is a smaller operator and operates under a low-cost model, thereby generating lower margins, which suggests a lower valuation multiple would be warranted for the business. Conversely, the focus on the low-cost model which has a favourable outlook with potentially higher growth prospects which could warrant a higher multiple.

In March 2022 Liverpool Partners entered into a binding agreement to acquire Adora Fertility for a price of AUD 30.5m. Whilst the financials of Adora Fertility have not been publicly disclosed, Virtus' public disclosure of Adora's financial performance suggests that the multiple implied in Liverpool Partners' purchase price is c. 7x. We consider that Liverpool Partners, not having pre-existing operations in the ARS sector or healthcare services industry, would not have the same level of synergistic benefits from integrating Adora Fertility as would have been the case with Virtus and therefore we consider that the multiple implied in Liverpool Partners' acquisition is likely to have been higher than c. 7x

- In May 2020, a subsidiary of NWS Holdings acquired a 34% interest in TT Holdings Limited, an entity which owns a 55.2% interest in Genea, for a price of USD 23m. This transaction which involved the acquisition of a non-controlling interest implied an EBITDA multiple of 12.6x¹⁶. Genea is the third largest IVF operator in Australia. Relative to Virtus, Genea is significantly smaller, has lower historical EBITDA margins, lower historical revenue growth as well as lower international diversification. The profitability of Genea is impacted by the loss generating Biomedx business, which designs, manufactures and sells IVF equipment, consumables and media, and consequently the multiple attributable to the core IVF business is likely to be slightly lower.

We also considered international transactions concerning fertility clinics in developed markets. The multiples from these transactions were in the range of 13x to 18x EBITDA. However, we considered this evidence at a high level given the different markets in which the businesses operate, the higher perceived growth in these markets, the differing regulatory and funding model, the differing contractual arrangements with fertility specialists (in particular, in a lot of European markets, the fertility specialists are employed by the company), different level of COVID-19 impacts, as well as the limited availability of information from which the transaction multiples were based.

Selected multiple

We have selected an EBITDA multiple in the range of 10.0x to 11.0x on a control basis, having regard to the following:

- Virtus is larger than Monash IVF, based on various key operating metrics, such as service revenue and the number of cycles and clinics. Virtus also generates significantly higher revenue than the identified comparable transactions
- Virtus has a more diversified geographical presence and generates higher number of cycles per fertility specialist relative to its listed counterpart

¹⁶ The calculation of the multiple is limited by the availability of information surrounding the consolidation of Genea in TT Holdings Limited.

- Virtus and Monash IVF generate similar EBITDA margins at c. 26%. The EBITDA margin of Genea is not directly comparable as its results are affected by loss-making non-IVF segments
- we also considered the higher growth prospects as approximated by the 4 new clinics planned by Monash IVF in FY22 and FY23, in comparison to Virtus
- the growth prospects of Virtus, driven by the strategic growth initiatives beyond FY23, in particular in relation to the Precision Fertility initiative which provides a platform for growth in terms of improving success rates and performance of existing operations, as well as the opportunity for exploitation in global markets over the medium to long term.

5.4 The discounted cash flow method

The discounted cash flow approach estimates enterprise value by discounting a company's future cash flows to their net present value provided that the future cash flows that are expected to be derived from a business are capable of being estimated with a reasonable degree of confidence.

The discounted cash flow method requires the determination of the following:

- future cash flows of the business
- an estimate of the terminal value growth rate
- an appropriate discount rate to be applied to the future cash flows.

Our considerations on each of these factors are presented below.

5.4.1 Future cash flows

In developing their budget, Management undertakes a detailed review of operations and financial performance. The Virtus budgeting process typically commences prior to the financial year end, when budgets are prepared at a business unit level, considering a set of broader market expectations and assuming a 'business as usual' basis. Following inputs from each business unit and direction from Management, strategic growth initiatives are developed. A high-level 3-year outlook of the business is also prepared to demonstrate business prospects and supplement the analysis on the growth initiatives. All budgets are developed in local currency, and converted to AUD. These budgets are then consolidated with the budgets of other business units and support functions and reviewed by the CFO and CEO, before being presented to the board.

Set out below are the key considerations in Management's development of the budget:

- growth in fresh cycles is the key underlying assumption of the forecast. The growth assumption is based on the overall expected market growth and market share improvement. Some business units may have a higher or lower growth rate, after accounting for the specific situation in each state, such as lockdown restrictions or new clinics. Overseas clinics, which have been heavily affected by COVID-19, are forecast to grow at a higher rate than Australian clinics
- slight reduction of margins in FY22 driven by higher expenses in employee and IT infrastructure. The margins are forecast to improve and stabilise FY23 onwards
- adjustments to remove rent expenses in order to present the budget on a post-AASB 16 basis
- discontinuation of government COVID-19 support payments
- capital expenditure in FY23 is expected to be lower than in FY22, albeit slightly higher than the historical average, due to the investment in clinic relocation and growth initiatives. Capital expenditure in the latter years is expected to decline as investment in the growth initiatives reduces
- EBITDA contributions of the growth initiatives which is expected to materialise from FY23 onwards.

We included certain adjustments, including:

- a corporate tax rate of 28.4% which reflects a weighted average tax rate for the jurisdictions in which that Virtus operates
- lease sustaining capital expenditure in line with the adoption of a post-AASB16 EBITDA assessment.

We projected the cash flows for a further 2 years from the 3-year outlook on the expectation that the growth rate and the earnings contribution from and capital expenditure requirement for the growth initiatives would reduce to a normalised level over this period. As compared to the core business, the growth initiatives carry a higher level of risk and consequently, we have had regard to a sensitivity analysis set out in Section 5.4.4 below.

5.4.2 Terminal growth rate

We have estimated a terminal value at the end of the forecast period using the perpetuity growth formula. Our assessment of the long-term growth rate has had regard to long term growth rates for the geographies that Virtus operates in (Australia, Denmark, Ireland, Singapore and the UK) and the long-term outlook for the sector.

5.4.3 Discount rate

The discount rate used to equate the future cash flows to a present value reflects the risk adjusted rate of return demanded by a hypothetical investor. We have selected a base case nominal after tax discount rate in the range of 8.25% to 9.25% to discount the future cash flows to their present value. In selecting these discount rates, we considered the following:

- the required rate of return of comparable companies
- the debt-to-equity ratio of comparable companies.

We also used the Capital Asset Pricing Model as a frame of reference for the calculation of these rates and used the following inputs in applying this model:

- a cost of equity of 9.8% to 11.1% based on:
 - a risk-free rate of 2.8% based on the five-day average of the zero-coupon ten-year Australian government bond
 - an equity market risk premium of 6.25%
 - a levered beta of 1.1 to 1.2 having regard to the betas of the companies identified in Appendix 2, particularly the betas of Virtus, Monash IVF and published industry betas. We had regard to the betas of comparable companies prior to COVID-19 to adjust for the operational uncertainty and market volatility due to lockdown restrictions and public health concerns
 - company specific risk premium of nil to 0.5% to reflect the risk associated with the strategic growth initiatives
- a net debt to enterprise value ratio of 25.0% based on gearing observed for comparable companies
- a pre-tax cost of debt of 5.5%. We had regard to the spread of BBB-rating debt as published by Reserve Bank of Australia and the current margin on Virtus' existing debt facility
- a corporate tax rate of 28.4% which reflects a weighted average of the jurisdictions that Virtus operates in.

The cost of capital of 8.25% to 9.25% is an estimate of the rate of return an investor would demand for investing in an ARS business such as Virtus. Having regard to the risks and opportunity cost of capital, we consider this range to be reasonable.

5.4.4 Conclusion on discounted cash flow valuation

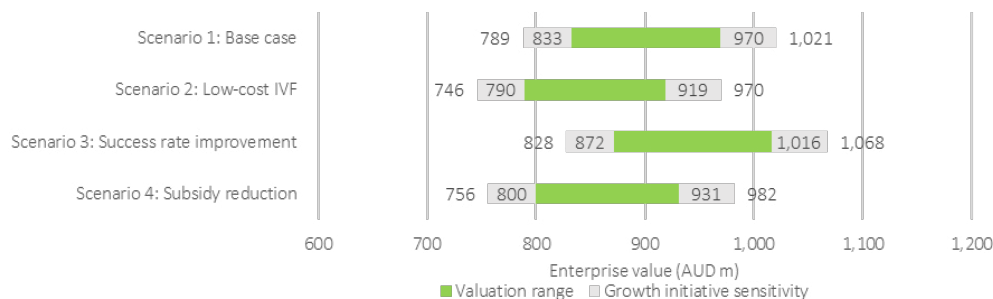
Given the uncertainty in the financial projections of the business, particularly surrounding the industry trends and government support, we have considered a variety of scenarios with a probability weighting applied to those scenarios. We consider this approach more appropriate and, accordingly, have set out below the various scenarios we considered:

- **Scenario 1 – Base case:** assumes revenue growth broadly in line with broker consensus in FY23 and FY24, before moderating thereafter. This is assumed to be driven by volume growth, however, a low level of price growth is expected from FY25 onwards. This scenario also assumes the cost of service provision and operating expenses will grow largely in line with inflation
- **Scenario 2 – Low cost IVF:** considers the move toward a low-cost market model over the medium to long-term. This scenario assumes revenue per cycle progressively decreases, however is partially offset by an increase in cycle volumes (due to higher demand at a lower price point). We also assume a lower cost of service provision under a low-cost operating model, reflecting the benefits of some of the strategic growth initiatives being executed by the group
- **Scenario 3 – Success rate improvement:** assumes the successful implementation of new lab designs and protocols, supported by the Precision Fertility platform, resulting in an increase in the success rate. An improved success rate is expected to reduce volume growth as the average number of cycles required for a successful pregnancy reduces, partially offset by additional customers opting for Virtus (and more broadly ART) given the higher success rate. This will also drive a higher revenue per cycle. This scenario also assumes a higher operating cost base through more complex procedures and a higher quality service offering
- **Scenario 4 – Subsidy reduction:** considers the possibility that government funding provided to patients through the MBS and EMSN will reduce. We assume the growth in number of cycles to decrease over the medium and long-term, reflecting a decline in the affordability of ARS. Moreover, we assume the decline in affordability will be partially absorbed by ARS providers, reflected through a decline in revenue per cycle. However, we also assume that the business would reduce its cost structure in response to the lower cycle volume and revenue per cycle.

The valuation range for the above scenarios assumes 50% of the expected cash flows generated by the growth initiatives. In the figure below, we have also provided a sensitivity of +/-20% contribution for these initiatives.



Figure 14: Outputs of discounted cash flow valuation



Source: Deloitte Corporate Finance analysis

We consider a weighting of 60%, 20%, 10% and 10% for scenarios 1 to 4, respectively, is reasonable based on the likelihood of the scenarios eventuating. The resulting enterprise value using the discounted cash flow approach is AUD 820m to AUD 960m. We emphasise that given the uncertainty associated with projecting future cash flows for the business and noting the availability of comparable company multiples (which increases the utility of the market multiples approach), we consider this approach suitable as a secondary approach.

5.5 Surplus assets

Assets not captured by our enterprise valuation comprise investments in entities that are not controlled by Virtus (namely entities accounted for using the equity method), as noted in section 3.9. The book value of these investments as at H1FY22 was 1.8m and Management have advised that the book value is likely to approximate the market value.

5.6 Net debt

Virtus' net debt position, inclusive of lease liabilities and the impact of the Permitted Dividends, is projected to be AUD 204.2m at or around the date of payment of the Consideration.

5.7 Minority interests

Adjustments associated with the minority interests are required to reflect the partial ownerships in three entities, as noted in section 3.9. We have had regard to the book value of the minority interests, the size and FY21 financial performance of the entities and the original acquisition of Complete Fertility in 2018. Based on these factors, we have adopted a similar EBITDA multiple of 10.0x to 11.0x, resulting in a minority interest equity value in the range of AUD 10.3m to AUD 11.3m.

5.8 Number of shares outstanding

As discussed in section 3.7 above, the number of shares issued is anticipated to be 87.2m at or around the date of payment of the Consideration. We have assumed that all the outstanding performance rights will vest.

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6 Additional considerations in respect of the Proposed CapVest Takeover

6.1 Introduction

If the Proposed CapVest Takeover results in CapVest acquiring between 50.1% and 90% of the shares, CapVest will have control of Virtus and is likely to exercise its rights over control of Virtus by implementing a number of changes.

Shareholders who decide not to accept the Proposed CapVest Takeover and therefore retain their shares in Virtus should be aware of the following key considerations arising from these changes.

6.2 CapVest's intentions

CapVest has announced the following intentions in respect of the affairs of Virtus if the Proposed CapVest Takeover results in it acquiring between 50.1% and 90% of the shares:

- Whilst Virtus shares are currently capable of being traded on the ASX, CapVest has indicated that it will apply to delist Virtus from the ASX if it acquires more than 75% of the issued shares. If this occurs, it will be very difficult for continuing Shareholders to trade or sell their shares. If Virtus shares continue to trade on the ASX, continuing Shareholders will own shares with lower levels of liquidity on the ASX
- CapVest will nominate persons to be appointed to the Virtus Board proportionate to their percentage shareholding in Virtus
- CapVest intends to review (through its nominees to the Virtus Board) the dividend policy. As a consequence of the anticipated changes to the capital structure as discussed further below, CapVest has indicated that it would be unlikely that any dividends would be paid until the debt is substantially reduced

CapVest will request that Virtus increase its borrowings, with the proceeds used to pay the Proposed Capital Return to all Shareholders. The refinancing involves Virtus repaying its existing bank debt (estimated to total AUD 103m (excluding lease liabilities) at Implementation Date) and debt facilities and taking on new debt (estimated to be AUD 415m (excluding lease liabilities) at Implementation Date) and debt facilities. The new debt has been sourced by CapVest on behalf of Virtus and whilst it only has a springing financial covenant applying to the revolving credit facility (which would only come into effect if more than a certain portion of the revolving credit facility is drawn), the facilities are significantly larger than the existing debt and attract higher interest rates. Virtus will also incur fees of approximately AUD 15m to enter into these facilities.

Whilst the interest rates will be variable in nature (linked to the market-based bank bill swap rate or equivalent instrument), it is our understanding that CapVest intends to request Virtus to enter into interest rate hedges to cap the interest cost on this debt. Such hedges are likely to result in Virtus incurring additional costs.

The proceeds from the refinancing will be used by Virtus to pay the Proposed Capital Return and related costs. As such, whilst Shareholders who do not accept the takeover offer will receive proceeds from the Proposed Capital Return, the value of any shares in Virtus they continue to hold will decrease in value (theoretically by an equivalent amount to the Proposed Capital Return, adjusted for the related costs).

Further information about CapVest's intentions is contained in Section 8.5 of the Transaction Booklet.

6.3 Implications of the Proposed Capital Return from the perspective of the creditors of Virtus

6.3.1 Background to the creditors of Virtus

Existing creditors of Virtus can be broken down as follows:

1. Trade creditors – as at 31 December 2021, trade creditors and accruals were AUD 34.8m and reflected outstanding liabilities associated with expenses incurred in the normal course of the business. Such trade creditors are typically paid within 2 to 3 months and before the Proposed Capital Return is paid they will have the opportunity to reassess whether they wish to continue to grant credit to Virtus
2. Lease liabilities – as at 31 December 2021, lease liabilities were AUD 86.4m. Lessors are protected through ownership of the underlying assets (primarily land & buildings) that they are leasing to Virtus
3. Unearned income – as at 31 December 2021, unearned income was AUD 14.8m and reflected deposits by clients for ART services to be provided by Virtus. Such liabilities are typically extinguished through the provision of services by Virtus within 1 to 2 months

4. Borrowings – the current borrowings will be refinanced and consequently repaid
5. Other liabilities and provisions – as at 31 December 2021, the balance of other liabilities amounted to AUD 18.8m and this related to tax liabilities and provisions.

6.3.2 Implications of the Proposed Capital Return

The Proposed Capital Return will result in Virtus having substantially higher levels of debt than is currently the case. This debt has been sourced by CapVest and comprises a First Lien Term Facility, a Second Lien Term Loan and a Revolver Facility totalling AUD 485m. CapVest does not intend to draw upon the Revolver Facility. The First Lien Term Facility and the Second Lien Term Loan will be secured against all the assets and undertakings of Virtus and its subsidiaries, subject to customary exceptions.

There is no contractual requirement for Virtus to repay the facilities until their maturity which is 7 years, 8 years and 5 years, respectively. As customary, the First Lien Term Facility and Second Lien Term Loan require certain mandatory prepayments, including (i) in the case of the First Lien Term Facility a percentage of excess cash flow (starting with the first full financial year after closing) and (ii) asset sales. These requirements are subject to customer exceptions and in particular the calculation of excess cash flows is sufficiently flexible to allow the business to pursue its strategies.

The First Lien Term Facility and the Second Lien Term Loan do not have any financial covenants attached to them. The Revolving Facility only has a springing financial covenant which would only come into effect if more than a certain portion of the Revolving Facility is drawn. CapVest currently do not have any expectation of drawing down the Revolving Facility in excess of this threshold, however, if the Revolving Facility is drawn beyond a certain level on a test date, Virtus shall ensure that the senior secured net leverage ratio will not exceed 9.00:1.

The proposed new facilities in aggregate attract substantially higher interest rates as compared to the interest rates attaching to the current facilities. This is not unusual given the higher levels of debt Virtus will be required to service. As mentioned earlier, it is our understanding that CapVest intends to request Virtus to enter into interest rate hedges to cap the interest cost.

Summarised in the table below is a comparison of the existing debt to the new debt proposed by CapVest:

Table 19: Implications of the Proposed Capital Return for Virtus

| | As at Implementation Date | Immediately following the Proposed Capital Return |
|---|---------------------------|---|
| Drawn debt (AUD) | 103m ¹ | 415m |
| Current ratio ² | 0.5x | 0.5x |
| Net debt to Proposed CapVest Takeover enterprise value ³ | 10.4% ⁴ | 51.4% |
| Net debt to FY22 EBITDA ⁵ | 1.3x ⁴ | 6.4x |
| FY22 EBITDA ³ to interest ⁶ | 16.1x | 2.1x |

Notes

1. Based on projected debt at Implementation Date as provided by Virtus executives
 2. Calculated as current assets over current liabilities as at 31 December 2021
 3. Enterprise value has been calculated excluding lease liabilities at the Proposed CapVest Takeover price
 4. Net debt has been calculated based on projected debt and cash at Implementation Date as provided by Virtus executives
 5. EBITDA is based on equity research analysts' consensus as set out in Section 3.10, adjusted for lease rental, to be on a pre-AASB 16 basis
 6. Interest expense is based on weighted average interest rate applied to the drawn debt and excludes interest income on surplus cash
- Sources: Information provided by CapVest, Transaction Booklet, Deloitte Corporate Finance analysis

Total assets as at 31 December 2021 exceed the drawn debt following the Proposed Capital Return by AUD 174m, and the enterprise value implicit in the Proposed CapVest Takeover (AUD 788m¹⁷) exceeds the drawn debt following the Proposed Capital Return by AUD 373m. This compares to total creditors excluding lease creditors and debt as at 31 December 2021 of AUD 68.4m.

The Proposed Capital Return does not have any impact on the current ratio (the ratio by which current assets exceed current liabilities). Whilst the current ratio is at the lower end of the range of listed peers¹⁸ (0.4 times to 1.2 times with a median of 0.8 times¹⁹), it is not unreasonable given the nature of Virtus' business operations.

¹⁷ Excluding minority interests and investments in associates

¹⁸ Being the companies identified in Appendix 2

¹⁹ Based on calculations made from data sourced from Capital IQ

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However, the Proposed Capital Return results in the financial leverage and the associated ratios increasing substantially. Whilst, based on our analysis, the leverage is higher than peer companies that are listed on the ASX, this level of leverage is broadly consistent with recent private equity backed acquisitions in the health sector.

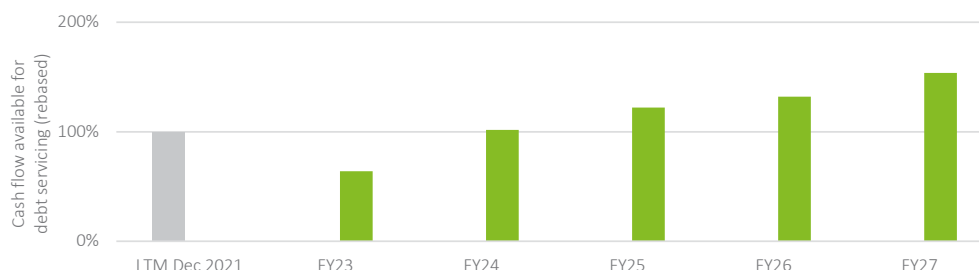
6.3.3 Future impacts of the Proposed Capital Return

The projected financial performance of Virtus anticipates the business generating operating cash flows that would enable the net debt to be substantially reduced over time. Set out in the figures below are the key debt metrics based on the projected financial performance of the business as provided by Virtus. CapVest have informed us that these underlying operating cash flow projections, which have been provided to us, represent their expectations of the financial performance of the business.

The key debt metrics are presented assuming base case expectations of future financial performance. This is broadly aligned with available equity analysts' consensus estimates.

The implications for cash flow after debt service relative to last twelve months (LTM) to 31 December 2021 under the current leverage is set out in the figure below:

Figure 15: Cash flow available for debt servicing (Rebased to LTM December 2021)

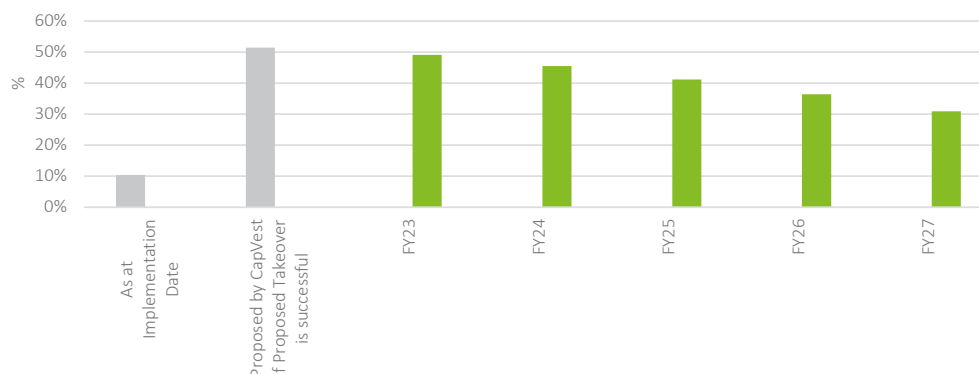


Sources: Financial reports, Information provided by CapVest, Deloitte Corporate Finance analysis

Cash flow available for debt servicing is expected to decrease in FY23, however, it is expected to increase above LTM to 31 December 2021 levels under the base case.

We have also analysed the typical debt metrics before the Proposed Capital Return and over time following the Proposed Capital Return. As can be seen in the figures below, the leverage ratios (net debt to enterprise value, and net debt to EBITDA) increase significantly following the Proposed Capital Return. Over the following 5 years, these ratios are expected to reduce as the business generates cash from operations. Similarly, the interest coverage ratio (EBITDA to interest) reduces following the Proposed Capital Return and then is projected to increase over time.

Figure 16: Net debt to Proposed CapVest Takeover enterprise value



Notes:

Net debt includes drawn debt, less cash and cash equivalents but excludes lease liabilities

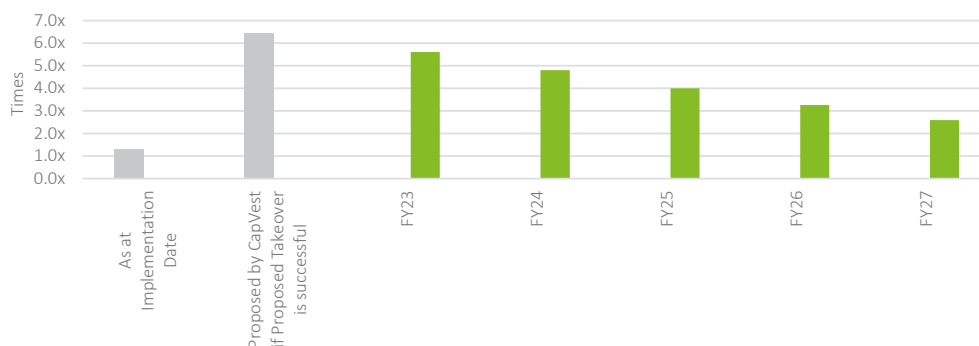
The enterprise value used in the above analysis has been calculated based on the price under the Proposed CapVest Takeover offer. It would not be unreasonable to assume that as EBITDA grows over time, enterprise value will grow, reducing the net debt to enterprise value ratio.

Sources: Information provided by CapVest, Management, Deloitte Corporate Finance analysis

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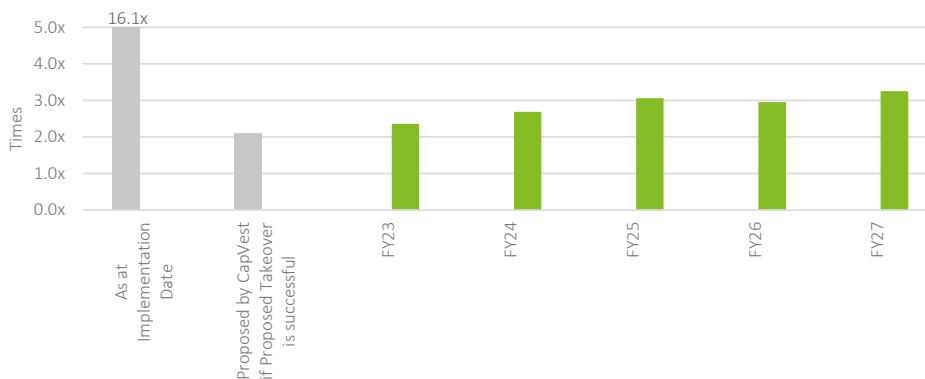


Figure 17: Net debt to EBITDA



Notes:
 Net debt includes drawn debt, less cash and cash equivalents but excludes lease liabilities
 EBITDA presented on a pre-AASB16 basis
 Sources: Information provided by CapVest, Management, Deloitte Corporate Finance analysis

Figure 18: EBITDA to interest



Notes:
 EBITDA presented on a pre-AASB16 basis
 Interest calculated on drawn debt and excludes interest income on surplus cash
 Sources: Information provided by CapVest, Management, Deloitte Corporate Finance analysis

Our analysis has also had regard to a downside scenario which assumes a decrease in revenue and EBITDA margins, as well as no upside from the business growth initiatives. This analysis suggests that whilst the various financial metrics are stressed, there is flexibility in the terms of the debt facilities to allow the business to explore a cure in the event of a reasonable downside scenario.

6.3.4 Impacts of Proposed Capital Return as compared to peers

The above ratios are more aggressive than listed peers, who maintain more conservative levels of debt. However, they are in line with recent private equity backed transaction metrics. As such, we have focussed on private equity metrics in our analysis below.

Recently, there have been a number of recent private equity acquisitions in the healthcare services sector which have been supported by similar leverage levels to that shown by Virtus after the Proposed Capital Return. Set out in the table below are some publicly disclosed precedents:

Table 20: Leverage associated with recent private equity backed Australian healthcare services acquisitions

| Date | | Enterprise value implied in transaction (AUD m) | Debt to EBITDA |
|-----------|-------------|---|----------------|
| Mar 2022 | Icon Group | n.a. | 6.6x |
| June 2019 | Healthscope | 5,526 | 5.20x to 5.30x |
| Feb 2018 | I-Med | 1,250 | c. 4.5x |

Notes:
 n.a. = Not available

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Sources: S&P Capital IQ, Refinitiv, Deloitte Corporate Finance analysis

The above benchmarks also align with anecdotal evidence that we have received which suggests that debt to EBITDA multiples in respect of leveraged buy outs involving private equity backed acquisitions of healthcare services businesses are in the range of 5.0x to 6.5x.

The above benchmarks also align with leverage levels in the US market. Total leverage in LBO transactions rose to 6.75 times in the first quarter of 2022 with slightly less than 70% of deals being levered at more than 6 times EBITDA. Total leverage in large corporate LBOs averaged 7.15 times in the first quarter of 2022 with almost 80% of deals being levered at more than 6 times EBITDA.²⁰

We consider that the leverage under the Proposed Capital Return of 6.4x is supported by leverage in other similar transactions, and therefore provides evidence of market acceptance of the ability of a business in the healthcare services sector to pay its creditors.

6.4 Conclusion on the ability of Virtus to pay its existing creditors

We note the following in regard to the analysis above:

- Based on the information provided by CapVest, forecast EBITDA is not anticipated to be materially different under a CapVest control scenario, as compared to the current expectations for Virtus
- Shareholder equity will decrease as a result of the capital reduction, but Shareholders will receive a payment equal to the capital reduction. Virtus will retain substantial shareholder equity
- The enterprise value implied by the Proposed CapVest Takeover relative to the debt under the Proposed Capital Return suggests there is sufficient financial capacity to pay existing creditors
- Virtus current ratio²¹ will not be impacted as a result of the Proposed Capital Return, and is expected to remain within the range observed for the peer companies
- Although it is not possible to rely on any one ratio, the following impacts on ratios are observed:
 - Virtus net debt to enterprise value ratio is expected to increase following the Proposed Capital Return
 - Virtus total leverage ratio (net debt to EBITDA) is expected to increase following the Proposed Capital Return
 - Virtus interest coverage ratio is expected to decrease substantially following the Proposed Capital Return

It is not possible to draw definitive conclusions based on the relativity of Virtus' ratios to listed peers. However, the ratios are within the ranges observed for recent private equity backed transactions in the Australian healthcare sector and more broadly LBOs in the US market

- Our analysis also considered redacted draft term sheets of the proposed financing, and the expected impact from the Proposed Capital Return. Our analysis suggests that:
 - There is flexibility in the terms to allow the business to explore a cure in the event of a reasonable downside scenario
 - With the anticipated surplus cash flows after debt servicing, the interest coverage and total leverage ratios would decrease over a five-year period.

Based on the above, we consider that the Proposed Capital Return does not materially prejudice the ability of Virtus to pay its existing creditors.

²⁰ Sourced from Refinitiv

²¹ Defined as current assets over current liabilities

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Appendix 1: Valuation methodologies

Common market practice and the valuation methodologies which are applicable to corporate entities and businesses can be categorised under one of the following three approaches.

Market approach

The market approach involves the determination of market value having regard to pricing and other metrics implied by market trading or transactions of comparable assets. Valuation methods commonly adopted under the market approach include:

- earnings multiples
- analysis of an entity's recent share trading history
- industry specific methods.

The market multiple method estimates market value as the product of an entity's earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market trading and/or transactions involving comparable companies. The earnings multiple method is appropriate where the entity's earnings are relatively stable.

The most recent share trading history provides evidence of the market value of the shares in an entity where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally, rules of thumb provide less persuasive evidence of the market value of an entity than other valuation methods because they may not account for entity specific factors.

Income approach

The income approach involves the determination of market value based on the present value of future amounts. The discounted cash flow method estimates market value by discounting an entity's future cash flows using an appropriate cost of capital to reflect the risks of the cash flows, to a net present value. This method is appropriate where a projection of future cash flows can be made with a reasonable degree of confidence, and is commonly used to value early stage companies or projects with a finite life.

Other methods under the income approach include option pricing models (such as Black Scholes-Merton formula or a binomial model) and the multi-period excess earnings method in the case of valuing intangible assets.

Cost approach

The cost approach involves the determination of market value based on the cost of replacement. Valuation methods under the cost approach estimate the market value of an entity's shares based on the realisable value of its identifiable net assets, and typically comprise:

- orderly realisation of assets method
- liquidation of assets method
- net assets on a going concern basis.

The orderly realisation of assets method estimates market value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner. The liquidation method is similar to the orderly realisation of assets method, except that it assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not necessarily be appropriate. The net assets on a going concern basis method estimates the market value of the net assets of an entity, after deduction for the costs of operating the net assets of the business, but does not take account of realisation costs.

These methods ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill which may not be recognised on the balance sheet. Asset based methods are appropriate when companies are not profitable, or a significant proportion of an entity's assets are liquid, or for asset holding companies.



Appendix 2: Comparable entities

We identified the following companies whose securities are traded on Australian Securities Exchange which we consider broadly comparable:

Table 21: Comparable company financial performance and valuation metrics

| Name | Type of healthcare service provision | EV ¹ (AUD m) | Net Debt / EV ¹ (%) | Revenue Growth ² | EBITDA margin (%) ¹ | | EBITDA multiple ¹ | | |
|---------------------------------------|--------------------------------------|----------------------------|-----------------------------------|-----------------------------|--------------------------------|--------------|------------------------------|--------------|--------------|
| | | | | | FY21 ³ | FY22 | FY21 ³ | FY22 | |
| Australian ART | | | | | | | | | |
| Monash IVF | IVF clinics | 522 | 7.4% | 7.0% | 26.0% | 26.3% | 10.9x | 9.9x | 9.4x |
| Australian healthcare services | | | | | | | | | |
| Ramsay Health Care ⁴ | Private hospitals | 28,287 | 28.9% | 5.8% | 15.7% | 14.6% | 13.5x | 13.9x | 11.9x |
| Sonic Healthcare | Pathology | 20,089 | 12.4% | -3.7% | 29.3% | 30.5% | 7.8x | 7.1x | 10.6x |
| Healius | Pathology | 3,999 | 34.1% | 2.9% | 26.9% | 33.9% | 7.8x | 4.8x | 7.2x |
| Australian Clinical Labs | Pathology | 1,283 | 18.6% | 4.2% | 34.2% | 39.5% | 5.6x | 3.3x | 6.3x |
| Integral Diagnostics | Radiology | 1,268 | 23.2% | 13.0% | 24.1% | 22.5% | 15.0x | 14.8x | 11.3x |
| Pacific Smiles | Dentistry | 446 | 19.8% | 11.2% | 24.7% | 9.7% | 11.7x | 31.2x | 12.4x |
| Capitol Health | Radiology | 415 | 15.8% | 7.4% | 23.7% | 23.3% | 9.8x | 9.2x | 8.5x |
| Healthia | Allied health | 402 | 31.6% | 37.1% | 23.7% | 14.6% | 12.3x | 12.9x | 9.4x |
| Median | | | 19.8% | 6.6% | 24.4% | 22.9% | 10.7x | 11.1x | 10.0x |

Notes:

- EV, Net Debt, and EBITDA are presented on a "post-AASB16" basis, i.e. including lease liabilities in EV, and excluding rent expense from EBITDA.
 - Forecast annualised growth from FY21 to FY23.
 - Where possible, EBITDA is presented exclusive of non-recurring items, such as JobKeeper payments.
 - Subject to a takeover approach and therefore enterprise value and EBITDA multiples include a takeover premium.
- Sources: Publicly available announcements, S&P Capital IQ, Deloitte Corporate Finance analysis.

Appendix 3: Comparable transactions

We identified the following publicly available acquisitions of ART services since 2020. The availability of information for the comparable transactions has meant that the enterprise value does not include lease liabilities, and in most instances, it is not clear whether the EBITDA is on a pre- or post-AASB16 (or international equivalent) basis.

Table 22: Comparable transaction valuation metrics

| Completion date | Country | Target | Acquirer | Enterprise value (AUD m) | Enterprise value / EBITDA | Notes |
|---|-------------|-------------------------|---|--------------------------|---------------------------|-------|
| Australian/New Zealand fertility clinics | | | | | | |
| Dec-21 | New Zealand | Fertility Associates | NZ Super Fund, White Cloud Capital, Pioneer Capital | c. 200 | c. 12.0x | 1 |
| n.a. | Australia | Adora Fertility | Liverpool Partners | 31 | n.a. | 2 |
| May-20 | Australia | Genea | NWS Holdings | 170 | 12.6x | 3 |
| International fertility clinics | | | | | | |
| Jan-22 | Italy | Tecnobios Procreazione | Generalife | 47 | 17.6x | 4 |
| Nov-21 | Spain | Generalife | KKR & Co. | 629 | 13.3x | 4 |
| Jul-21 | UK | Create Health | IVIRMA Global | 189 | 14.0x | |
| Jul-21 | US | CCRM Management Company | Unified Women's Healthcare | 1,028 | c. 15.5x | 1,4 |
| Apr-21 | Spain | Eugin (NMC) | Fresenius SE | 693 | 13.9x | |

Notes:

n.a. = not available

All transactions are presented on a historical and pre-AASB16 basis, unless indicated otherwise.

1. Based on broker reports

2. Transaction multiple not disclosed

3. Transaction involved a 34% interest in TT Holdings, which indirectly had 55% ownership in Genea Limited

4. Based on news articles.

Sources: News articles, company announcements, broker reports, S&P Capital IQ, MergerMarket, Deloitte Corporate Finance analysis

Appendix 4: Context to this report

The report has been prepared at the request of the directors of Virtus and is to be included in the Transaction Booklet to be provided to Shareholders for approval of the Proposed CapVest Scheme or the Proposed CapVest Takeover. Accordingly, it has been prepared only for the benefit of the directors of Virtus and those persons entitled to receive the Transaction Booklet in their assessment of the Proposed CapVest Scheme or the Proposed CapVest Takeover and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Shareholders and the directors of Virtus, in respect of this report, including any errors or omissions however caused.

The report represents solely the expression by Deloitte Corporate Finance of its opinion as to whether the Proposed CapVest Scheme is fair and reasonable to, and is the best interests of, Shareholders and whether the Proposed CapVest Takeover is fair and reasonable so far as Shareholders are concerned.

The report has been prepared having regard to professional standard APES 225 Valuation Services issued by the Accounting Professional and Ethical Standards Board Limited.

Individual circumstances

We have evaluated the CapVest Offers for Shareholders as a whole and have not considered the effect of the Proposed CapVest Scheme or the Proposed CapVest Takeover on the particular circumstances of individual Shareholders. Due to their particular circumstances, individual Shareholders may place a different emphasis on various aspects of the Proposed CapVest Scheme or the Proposed CapVest Takeover from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed CapVest Scheme is fair and reasonable, and in their best interests and/or whether the Proposed CapVest Takeover is fair and reasonable. If in doubt, Shareholders should consult an independent adviser, who should have regard to their individual circumstances.

Limitations

Our opinion is based on the prevailing economic, market and other conditions as at the date of this report. Such conditions can change significantly over relatively short periods of time.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by Virtus and CapVest and their officers, employees, agents or advisors. Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to the executives of Virtus for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by Virtus and CapVest and their officers, employees, agents or advisors, Virtus has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which Virtus may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by Virtus or CapVest and their officers, employees, agents or advisors or the failure by Virtus or CapVest and their officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed CapVest Scheme or the Proposed CapVest Takeover.

To the extent that this report refers to prospective financial information, we have considered the prospective financial information and the basis of the underlying assumptions. The procedures involved in Deloitte's consideration of this information consisted of enquiries of Virtus and CapVest executives and their officers, employees, agents or advisors and analytical procedures applied to the financial data. These procedures and enquiries did not include verification work nor constitute an audit or a review engagement in accordance with standards issued by the AUASB or equivalent body and therefore the information used in undertaking our work may not be entirely reliable.

Based on these procedures and enquiries, Deloitte Corporate Finance considers that there are reasonable grounds to believe that the prospective financial information for Virtus included in this report has been prepared on a reasonable basis consistent with the requirements of ASIC Regulatory Guide 111. In relation to the prospective financial information, actual results may be different from the prospective financial information of Virtus referred to in this report since anticipated events frequently do not occur as expected and the variation may be material. The achievement of the prospective financial information is dependent on the outcome of the assumptions. Accordingly, we express no opinion as to whether the prospective financial information will be achieved.

Qualifications

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu.



The employee of Deloitte Corporate Finance principally involved in the preparation of this report was Tapan Parekh, Partner, B.Bus, M.Comm, CA, F.Fin. Tapan has many years' experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert's reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- Virtus proposes to issue the Transaction Booklet in respect of the Proposed CapVest Scheme and the Proposed CapVest Takeover
- the Transaction Booklet will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Transaction Booklet for review
- it is named in the Transaction Booklet as the 'independent expert' and the Transaction Booklet includes its independent expert's report as Attachment A to the Transaction Booklet.

On the basis that the Transaction Booklet is consistent in all material respects with the draft Transaction Booklet received, Deloitte Corporate Finance Pty Limited consents to it being named in the Transaction Booklet in the form and context in which it is so named, to the inclusion of its independent expert's report as Attachment A to the Transaction Booklet and to all references to its independent expert's report in the form and context in which they are included, whether the Transaction Booklet is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Transaction Booklet and takes no responsibility for any part of the Transaction Booklet, other than any references to its name and the independent expert's report as included as Attachment A.

Sources of information

In preparing this report we have had access to the following principal sources of information:

- Virtus annual reports and investors presentations for the year ending 30 June 2018, 30 June 2019, 30 June 2020 and 30 June 2021
- Virtus half year reports and investors presentations for the year ending 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021
- The contents of a dataroom made available to CapVest
- The Transaction Implementation Deed
- Draft Transaction Booklet
- The Bidder's Statement
- The Target's Statement
- Information provided by CapVest with respect to the post Proposed CapVest Takeover debt and related arrangements
- Information published by third party subscription providers such as Thomson Research, S&P Capital IQ, Mergermarket and IBIS World
- other publicly available information, media releases and broker reports on Virtus, the comparable companies and the IVF sector and broader health industry.

In addition, we corresponded with and had discussions with the Directors and executives of Virtus and CapVest (and their representatives) in relation to the above information, the current operations and prospects of Virtus and the Proposed CapVest Scheme and/or the Proposed CapVest Takeover.

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B

Notice of Meetings

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1 Notice of Scheme Meeting

Virtus Health Limited (ACN 129 643 492)

Notice is hereby given that by an order of the Supreme Court of New South Wales (**Court**) made on 4 May 2022 pursuant to section 411(1) of the Corporations Act 2001 (Cth) (**Corporations Act**) a meeting of Virtus Shareholders will be held as a virtual (online only) meeting at 11.00am (Sydney time) on Monday, 6 June 2022.

Shareholders can access the meeting using the following link: <https://www.meetings.linkgroup.com/VRTSCHEME>. Further details on how to participate in the Scheme Meeting via the online meeting platform and teleconference facilities are set out in the explanatory notes that accompany and form part of this notice and in the Virtual Meeting Online Guide available at Attachment C.

The Supreme Court of New South Wales (**Court**) has also directed that Ms Sonia Petering act as Chairperson of the meeting or failing her Mr Gregory Couttas, and has directed the Chairperson to report the result of the meeting to the Court if the resolution is approved.

Virtus Shareholders are encouraged to consider appointing a proxy to attend and vote at the Scheme Meeting via the online meeting platform on their behalf in the event they are not able to participate in the virtual (online only) Scheme Meeting. Further details on how to appoint a proxy are provided in the explanatory notes to this Notice of Meeting.

Business of the meeting – Scheme Resolution

At the Scheme Meeting, Virtus Shareholders will be asked to consider, and if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

“That, pursuant to and in accordance with section 411 of the Corporations Act, the Scheme, the terms of which are contained in and more particularly described in the Booklet (of which this Notice of Scheme Meeting forms part) is agreed to (with or without modification or conditions agreed to in writing between CapVest BidCo and Virtus or any modifications or conditions as approved by the Court to which CapVest BidCo and Virtus agree).”

Virtus Board Recommendation

For the reasons set out in this Booklet, the Virtus Board unanimously recommends that Virtus Shareholders vote in favour of the Scheme Resolution in the absence of a Superior Proposal subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Virtus Shareholders.

By Order of the Court and the Virtus Board



Ava Bentley
Company Secretary
5 May 2022

2 Notice of Extraordinary General Meeting

Notice is hereby given that a meeting of Virtus Shareholders will be held immediately following the conclusion of the virtual (online only) Scheme Meeting which will commence at 11.00am (Sydney time) on Monday, 6 June 2022.

Shareholders can access the meeting using the following link: <https://www.meetings.linkgroup.com/VRTSCHEME>. Further details on how to participate in the Extraordinary General Meeting via the online meeting platform and teleconference facilities are set out in the explanatory notes that accompany and form part of this notice and in the Virtual Meeting Online Guide available at Attachment C.

Virtus Shareholders are encouraged to consider appointing a proxy to attend and vote at the Extraordinary General Meeting via the online meeting platform on their behalf in the event they are not able to participate in the virtual (online only) Extraordinary General Meeting. Further details on how to appoint a proxy are provided in the explanatory notes to this Notice of Meeting.

Business of the meeting – Capital Return Resolution

At the Extraordinary General Meeting, Virtus Shareholders will be asked to consider and, if thought fit, to pass the following ordinary resolution:

“That, subject to and conditional on:

- 1 the Capital Return being paid no later than 30 September 2022;*
- 2 the persons nominated by CapVest BidCo being appointed as directors of Virtus such that the Virtus Board is reconstituted with a majority of directors that are directors nominated by CapVest BidCo;*
- 3 a Positive Tax Ruling becoming available; and*
- 4 the payment of the Capital Return continuing to satisfy the requirements of section 256B of the Corporations Act, and for the purpose of section 256C(1) of the Corporations Act and for all other purposes, Virtus’ share capital be reduced by the aggregate amount of the Capital Return by applying the Capital Return equally against all Virtus Shares on issue on the Capital Return Record Date.”*

Virtus Board Recommendation

For the reasons set out in this Booklet, the Virtus Board unanimously recommends that Virtus Shareholders vote in favour of the Capital Return Resolution in the absence of a Superior Proposal and subject to the Takeover Recommendation continuing to be made.

Explanatory notes to the Notices of Meetings

1 General

To enable you to make an informed decision on the Scheme Resolution and Capital Return Resolution, further information on the Scheme, the CapVest Takeover and the Capital Return is set out in this Booklet, of which this Notice of Scheme Meeting and Notice of Extraordinary General Meeting forms part. Terms used in this Notice of Scheme Meeting and Notice of Extraordinary General Meeting have the same meaning as set out in the Glossary in Section 14 of this Booklet.

These notes should be read in conjunction with the Notice of Scheme Meeting and Notice of Extraordinary General Meeting.

2 Chairperson

The Court has directed that Ms Sonia Petering is to act as Chairperson of the Scheme Meeting and the Extraordinary General Meeting (and that, if Ms Petering is unable or unwilling to attend, Mr Gregory Couttas is to act as Chairperson of the Scheme Meeting and the Extraordinary General Meeting).

3 Requisite Majorities

3.1 Scheme Resolution

In accordance with section 411(4)(a)(ii) of the Corporations Act, the Scheme Resolution must be approved by:

- a majority in number of the holders of Virtus Shares present and voting (either in person (virtually), by proxy, by attorney or in the case of a corporate holder, by duly appointed corporate representative) at the Scheme Meeting; and
- at least 75% of the votes cast on the Scheme Resolution.

3.2 Capital Return Resolution

In accordance with section 256C of the Corporations Act, the Capital Return Resolution must be approved by ordinary resolution of Virtus Shareholders.

Explanatory notes to the Notices of Meetings *continued*

4 Entitlement to vote

It has been determined that, for the purposes of the Scheme Meeting and the Extraordinary General Meeting, Virtus Shares will be taken to be held by the persons who are registered as members of Virtus as of 11.00am (Sydney time) on Saturday, 4 June 2022. Accordingly, transfers registered after this time will be disregarded in determining entitlements to vote at the Scheme Meeting.

5 Voting at the Meetings

You can vote in the following ways:

- by virtually attending the Scheme Meeting scheduled to commence at 11.00am on Monday, 6 June 2022 and the Extraordinary General Meeting scheduled to commence immediately after the Scheme Meeting on Monday, 6 June 2022 via the online meeting platform (details of which are set out below); or;
- by appointing a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative to virtually attend and vote on your behalf.

If Virtus Shares are jointly held, either one of the joint shareholders is entitled to vote. If more than one joint shareholder votes in respect of jointly held shares, only the vote of the shareholder whose name appears first in the Virtus Share Register will be counted.

Voting will be conducted by poll.

6 Participating at the Meetings

You will be able to attend and vote at the Meetings online from your computer or mobile device by entering the following URL in your browser: <https://www.meetings.linkgroup.com/VRTSCHEME>. You will need the latest versions of Chrome, Safari, Edge or Firefox. Virtus Shareholders who participate in the Meetings via the online meeting platform will be able to listen to proceedings and ask questions or make comments.

You can log into the Meetings by entering:

- your Shareholder Reference Number (SRN) or Holder Identification Number (HIN); and
- your postcode registered to your holding if you are an Australian shareholder. Overseas shareholder should select the country of their registered address from the dropdown list. Proxyholders will be emailed their unique proxy code prior to the Meetings.

You may also appoint a proxy, attorney or corporate representative (if applicable) to attend virtually and vote on your behalf, including by lodging your proxy online at <https://www.linkmarketservices.com.au/> or by emailing your completed form to vote@linkmarketservices.com.au.

Please refer to the Virtual Meeting Online Guide available at Attachment C.

If you attend the virtual Meetings and vote in your capacity as a Virtus Shareholder, any votes cast by your proxy or attorney (if any) will not be counted.

7 Proxies

If you are unable to attend the online Meetings, you can appoint a proxy to attend online and vote on your behalf. If you wish to appoint a proxy, please complete the enclosed proxy form.

Virtus Shareholders are notified that:

- You may appoint not more than two proxies to attend and act for you.
- A proxy need not be a holder of Virtus Shares. If 2 proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes.
- If you do not instruct your proxy on how to vote, your proxy may vote as he or she sees fit.

A proxy form may be submitted in the manner as described below at paragraph 10.

8 Voting by attorney

Certified copies of powers of attorney must be received by the Virtus Share Registry by no later than 11.00am (Sydney time) on Saturday, 4 June 2022 (or if the Scheme Meeting and/or Extraordinary General Meeting is adjourned, at least 48 hours before the resumption of the Scheme Meeting and/or Extraordinary General Meeting (as applicable) in relation to the resumed part of that meeting). A certified copy of a power of attorney may be submitted in the manner as described below at paragraph 10.

The sending of a power of attorney will not preclude a Virtus Shareholder from attending and voting at the virtual (online only) Scheme Meeting and Extraordinary General Meeting if the Virtus Shareholder is entitled to attend and vote.

Explanatory notes to the Notices of Meetings *continued*

9 Voting by corporate representative (in the case of a body corporate)

If you are a body corporate, you can appoint a corporate representative to attend and vote at the online Scheme Meeting and Extraordinary General Meeting on your behalf. The appointment must comply with section 250D of the Corporations Act.

To vote by corporate representative, a corporate representative must provide written evidence of their appointment by obtaining and completing an 'Appointment of Corporate Representative' form from Link or online at <https://www.linkmarketservices.com.au/>. Corporate representative forms must be provided to the Virtus Share Registry by no later than 11.00am (Sydney time) on Saturday, 4 June 2022 (or if the Scheme Meeting and/or Extraordinary General Meeting is adjourned, at least 48 hours before the resumption of the Scheme Meeting and/or Extraordinary General Meeting (as applicable) in relation to the resumed part of that meeting). A corporate representative form may be submitted in the same manner as described below at paragraph 10.

A validly appointed corporate representative wishing to attend and vote at the online Meetings will require the name, Shareholder Number and postcode of the body corporate that appointed it in order to access the online meeting platform.

10 Lodgement of proxies and queries

Proxy forms, powers of attorney and authorities must be received by no later than 11.00am (Sydney time) on Saturday, 4 June 2022 (or if the Scheme Meeting and/or Extraordinary General Meeting is adjourned, at least 48 hours before the resumption of the Scheme Meeting and/or Extraordinary General Meeting (as applicable) in relation to the resumed part of that meeting). The proxy forms, powers of attorney and authorities should be sent to Virtus at the address specified on the enclosed reply paid envelope or to the address specified below:

Address: **Virtus Health Limited**
C/- Link Market Services Limited
Locked Bag A14, Sydney South NSW 1235

Facsimile: +61 2 9287 0303 (fax)
+61 2 9287 0309 (fax for proxy voting)

Online: <https://www.linkmarketservices.com.au>

Email: vote@linkmarketservices.com.au

Login to the <https://www.linkmarketservices.com.au> website using the details as shown on the proxy form. Select 'Voting' and follow the prompts to lodge your vote. To use the online voting facility, Virtus Shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).

Holders of Virtus Shares should contact the Virtus Share Registry on 1800 653 805 (within Australia) or +61 1800 653 805 (outside Australia) Monday to Friday between 8.30am and 7.30pm (Sydney time) with any queries regarding the number of Virtus Shares held, how to vote and lodgement of proxy forms.

11 Court approval of Scheme

If the Scheme Resolution is approved at the Scheme Meeting by the Requisite Majorities, the implementation of the Scheme (with or without modification) will be subject, among other things, to the subsequent approval of the Court.

12 Changes to the current arrangement

Virtus may be required to make changes to the arrangements for the Scheme Meeting and Extraordinary General Meeting. If there are any updates, Virtus will ensure that Virtus Shareholders are given as much notice as possible. Further information will also be made available on the Virtus website at <https://www.virtushealth.com.au/>.

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Virtual Meeting Online Guide



Virtual Meeting Online Guide

Before you begin

Ensure your browser is compatible. Check your current browser by going to the website: **whatismybrowser.com**

Supported browsers are:

- Chrome – Version 44 & 45 and after
- Firefox – 40.0.2 and after
- Safari – OS X v10.9 & OS X v10.10 and after
- Internet Explorer 9 and up
- Microsoft Edge - 92.0 and after

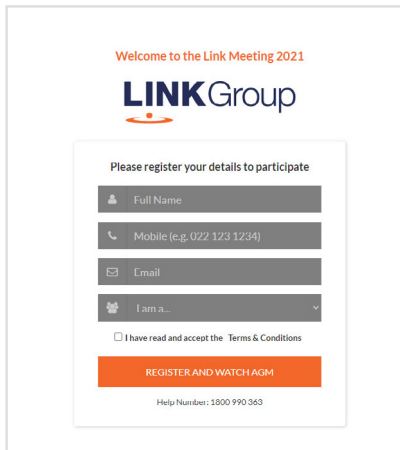
To attend and vote you must have your securityholder number and postcode.

Appointed Proxy: Your proxy number will be provided by Link before the meeting.

Please make sure you have this information before proceeding.

Corporate Markets

Virtual Meeting Online Guide



Step 1

Open your web browser and go to <https://www.meetings.linkgroup.com/VRTSCHEME>

Step 2

Log in to the portal using your full name, mobile number, email address, and participant type.

Please read and accept the terms and conditions before clicking on the blue **'Register and Watch Meeting'** button.

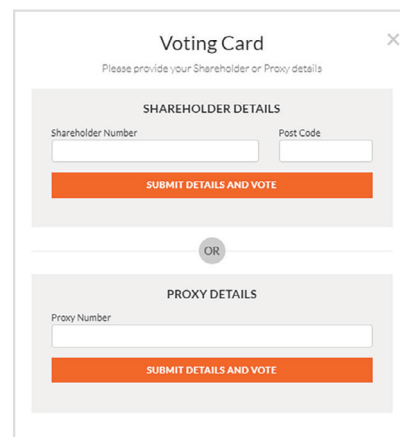
- On the left – a live audio webcast of the Meeting
- On the right – the presentation slides that will be addressed during the Meeting
- At the bottom – buttons for 'Get a Voting Card', 'Ask a Question' and a list of company documents to download

Note: If you close your browser, your session will expire and you will need to re-register. If using the same email address, you can request a link to be emailed to you to log back in.

1. Get a Voting Card

To register to vote – click on the 'Get a Voting Card' button.

This will bring up a box which looks like this.



If you are an individual or joint securityholder you will need to register and provide validation by entering your securityholder number and postcode.

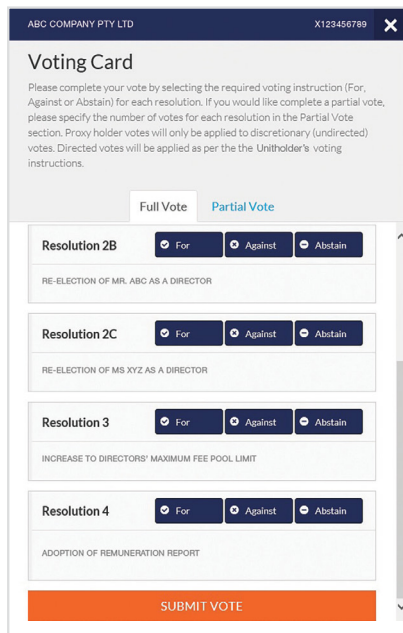
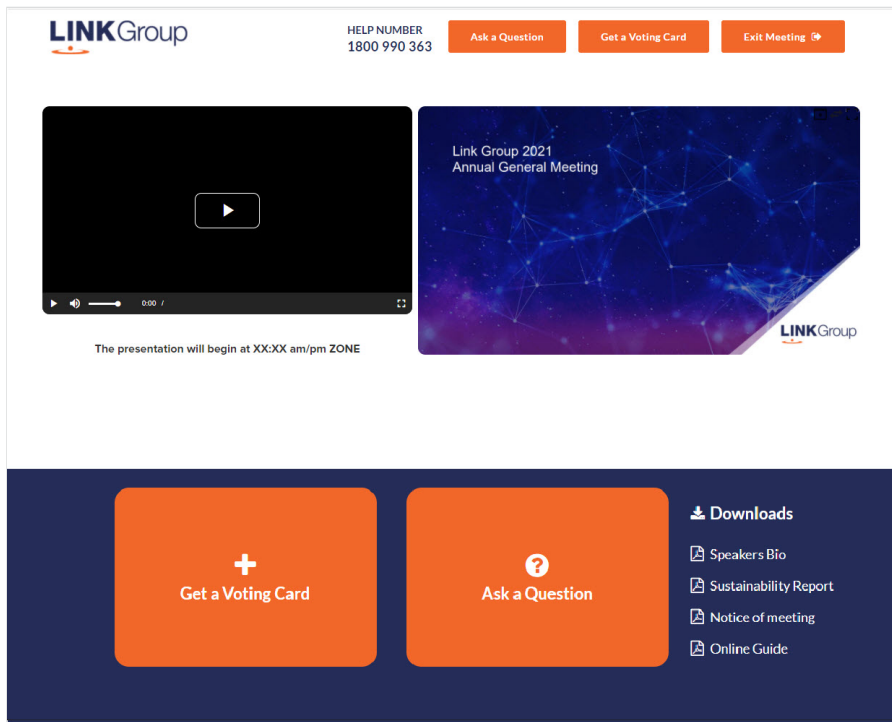
If you are an appointed Proxy, please enter the Proxy Number issued by Link in the PROXY DETAILS section. Then click the **'SUBMIT DETAILS AND VOTE'** button.

Once you have registered, your voting card will appear with all of the resolutions to be voted on by securityholders at the Meeting (as set out in the Notice of Meeting). You may need to use the scroll bar on the right hand side of the voting card to view all resolutions.

Securityholders and proxies can either submit a Full Vote or Partial Vote.

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Full Votes

To submit a full vote on a resolution ensure you are in the **'Full Vote'** tab. Place your vote by clicking on the **'For'**, **'Against'**, or **'Abstain'** voting buttons.

Partial Votes

To submit a partial vote on a resolution ensure you are in the **'Partial Vote'** tab. You can enter the number of votes (for any or all) resolution/s. The total amount of votes that you are entitled to vote for will be listed under each resolution. When you enter the number of votes it will automatically tally how many votes you have left.

Note: If you are submitting a partial vote and do not use all of your entitled votes, the un-voted portion will be submitted as No Instruction and therefore will not be counted.

Once you have finished voting on the resolutions scroll down to the bottom of the box and click on the **'Submit Vote'** or **'Submit Partial Vote'** button.

Note: You can close your voting card without submitting your vote at any time while voting remains open. Any votes you have already made will be saved for the next time you open up the voting card. The voting card will appear on the bottom left corner of the webpage. The message **'Not yet submitted'** will appear at the bottom of the page.

You can edit your voting card at any point while voting is open by clicking on **'Edit Card'**. This will reopen the voting card with any previous votes made.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide windows advising the remaining voting time. Please make any changes and submit your voting cards.

Once voting has been closed all submitted voting cards cannot be changed.

Virtual Meeting Online Guide continued

2. How to ask a question

Note: Only securityholders are eligible to ask questions.

If you have yet to obtain a voting card, you will be prompted to enter your securityholder number or proxy details before you can ask a question. To ask a question, click on the 'Ask a Question' button either at the top or bottom of the webpage.

The 'Ask a Question' box will then pop up with two sections for completion.

In the 'Regarding' section click on the drop down arrow and select the category/resolution for your question.

Click in the 'Question' section and type your question and click on 'Submit'.

A 'View Questions' box will appear where you can view your questions at any point. Only you can see the questions you have asked.

If your question has been answered and you would like to exercise your right of reply, you can submit another question.

Note that not all questions are guaranteed to be answered during the Meeting, but we will do our best to address your concerns.

3. Downloads

View relevant documentation in the Downloads section.

4. Voting closing

Voting will end 5 minutes after the close of the Meeting.

At the conclusion of the Meeting a red bar with a countdown timer will appear at the top of the Webcast and Slide screens advising the remaining voting time. If you have not submitted your vote, you should do so now.

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5. Phone Participation

What you will need

- a) Land line or mobile phone
- b) The name and securityholder number of your holding/s
- c) To obtain your unique PIN, please contact Link Market Services by 11:00am (AEST) Friday, 3 June 2022 on +61 1800 990 363.

Joining the Meeting via Phone

Step 1

From your land line or mobile device, call: 1800 798 136 and +61 2 9189 1102 (if calling from overseas).

Step 2

You will be greeted with a welcome message and provided with instructions on how to participate in the Meeting. Please listen to the instructions carefully.

At the end of the welcome message you will be asked to provide your PIN by the moderator. This will verify you as a securityholder and allow you to ask a question on the resolutions at the Meeting.

Step 3

Once the moderator has verified your details you will be placed into a waiting room where you will hear music playing.

Note: If your holding cannot be verified by the moderator, you will attend the Meeting as a visitor and will not be able to ask a question.

Step 4

At the commencement of the Meeting, you will be admitted to the Meeting where you will be able to listen to proceedings.

Asking a Question

Step 1

When the Chairman calls for questions on each resolution, you will be asked to **press *1** on your keypad should you wish to raise your hand to ask a question.

Step 2

Please advise if your question relates to an item of business or General Business. The moderator will make a note and ask if you have any additional questions.

Step 3

When it is time to ask your question, the moderator will introduce you to the meeting, your line will be unmuted and you can then start speaking.

Note: If at any time you no longer wish to ask your question, you can lower your hand by **pressing *2** on your key pad. If you have also joined the Meeting Online, we ask that you mute your laptop, desktop, tablet or mobile device while you ask your question.

Step 4

Your line will be muted once your question has been answered.

Contact us

Australia
T +61 1800 990 363
E info@linkmarketservices.com.au

1487.7 04/21 ISS2

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**Scheme made under
section 411 of the
Corporations Act**

Scheme of arrangement

Virtus Health Limited
Each person who holds one or more Scheme Shares

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Date:

Parties

- 1 **Virtus Health Limited** (ACN 129 643 492) of Level 3, 176 Pacific Highway, Greenwich, NSW 2065 (**Virtus**)
 - 2 Each person who holds one or more Scheme Shares (**Scheme Shareholders**)
-

1 Defined terms and interpretation

1.1 Definitions in the Dictionary

A term or expression starting with a capital letter:

- (a) which is defined in the Dictionary in Schedule 1, has the meaning given to it in the Dictionary; and
- (b) which is defined in the Corporations Act, but is not defined in the Dictionary, has the meaning given to it in the Corporations Act.

1.2 Interpretation

The interpretation clause in Schedule 1 sets out rules of interpretation for this deed.

2 Preliminary matters

- (a) Virtus is a public company limited by shares and is admitted to the official list of ASX.
- (b) As at 13 April 2022, Virtus had on issue or had granted (as applicable):
 - (i) 85,536,996 Virtus Shares; and
 - (ii) 1,666,273 Virtus Performance Rights;
- (c) Evergreen BidCo Pty Ltd (ACN 657 613 860) (**Bidder**) is a proprietary company limited by shares incorporated in Australia.
- (d) On 13 March 2022, Bidder and Virtus entered into the Implementation Deed pursuant to which, amongst other things, Virtus has agreed to propose this Scheme to the Scheme Shareholders, and each of Virtus and Bidder have agreed to take certain steps to give effect to this Scheme. The Implementation Deed was amended and restated on 13 April 2022 and 4 May 2022.
- (e) If this Scheme becomes Effective, then all the Scheme Shares and all of the rights and entitlements attaching to them on the Implementation Date will be transferred to Bidder, and the Scheme Consideration will be provided to the Scheme Shareholders in accordance with the provisions of this Scheme and the Deed Poll.
- (f) Bidder has entered into the Deed Poll for the purposes of covenanting in favour of Scheme Shareholders to perform all actions attributed to it under this Scheme.

3 Conditions

3.1 Conditions to this Scheme

This Scheme is conditional upon, and will have no force or effect until, the satisfaction of each of the following:

- (a) as at 8.00am on the Second Court Date, each of the conditions set out in clause 3.1 of the Implementation Deed (other than the condition relating to the approval of the Court set out in clause 3.1(d) of the Implementation Deed) have been satisfied or waived in accordance with the terms of the Implementation Deed;
- (b) as at 8.00am on the Second Court Date, neither the Implementation Deed nor the Deed Poll have been terminated in accordance with their terms;
- (c) the Court approves this Scheme under section 411(4)(b) of the Corporations Act either unconditionally or subject to any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and that are agreed to by Bidder and Virtus (such agreement not to be unreasonably withheld or delayed); and
- (d) the coming into effect of the Scheme Order, in accordance with section 411(10) of the Corporations Act, on or before the End Date.

3.2 Certificate

Virtus and Bidder will each provide to the Court on the Second Court Date certificates signed by Bidder and Virtus (or such other evidence as the Court requests) confirming (in respect of matters within their knowledge) whether or not the conditions in clauses 3.1(a) and 3.1(b) of this Scheme have been satisfied or waived in accordance with the terms of the Implementation Deed as at 8.00am on the Second Court Date.

4 The Scheme

- (a) Subject to clause 3.1, this Scheme takes effect for all purposes on and from the Effective Date.
- (b) This Scheme will lapse and be of no further force or effect if:
 - (i) the Effective Date has not occurred on or before the End Date; or
 - (ii) the Implementation Deed or the Deed Poll is terminated in accordance with its terms unless Virtus and Bidder otherwise agree in writing.

5 Implementation of the Scheme

5.1 Lodgement of Scheme Order with ASIC

If the conditions in clauses 3.1(a) to 3.1(c) are satisfied or waived, Virtus must lodge with ASIC, in accordance with section 411(10) of the Corporations Act, an office copy of the Scheme Order approving this Scheme as soon as possible after, and in any event by 5.00pm on the first Business Day after, the day on which the Court approves this Scheme.

5.2 Transfer of Scheme Shares

Subject to this Scheme becoming Effective, the following actions will occur (in the order set out below):

- (a) Bidder will deposit (or procure the deposit of) the Scheme Consideration in the manner contemplated by clause 6.2(a); and
- (b) on the Implementation Date:
 - (i) the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, will be transferred to Bidder, without the need for any further act by any Scheme Shareholder (other than acts performed by Virtus as attorney and agent for Scheme Shareholders under clause 9) by:
 - (A) Virtus delivering to Bidder a duly completed Scheme Transfer (and one or more Scheme Transfers can be a master transfer of all or part of all of the Scheme Shares), executed on behalf of the Scheme Shareholders by Virtus; and
 - (B) Bidder duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to Virtus for registration; and
 - (ii) immediately following receipt of the Scheme Transfer in accordance with clause 5.2(b)(i)(B) or the transfer being effected under section 1074D of the Corporations Act (as the case may be), Virtus must enter, or procure the entry of, the name of Bidder in the Virtus Register in respect of all the Scheme Shares transferred to Bidder in accordance with this Scheme.

6 Scheme Consideration

6.1 Entitlement to Scheme Consideration

Subject to the terms of this Scheme, on the Implementation Date, in consideration for the transfer to Bidder of the Scheme Shares, each Scheme Shareholder will be entitled to the provision of the Scheme Consideration in respect of each of their Scheme Shares in the manner contemplated by clause 6.2.

6.2 Provision of Scheme Consideration

- (a) Bidder must, by no later than midday on the Business Day before the Implementation Date, deposit (or procure the deposit) in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to the Scheme Shareholders into the Trust Account, provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account.
- (b) Subject to Bidder having complied with clause 6.2(a), Virtus must, on the Implementation Date and from the Trust Account, pay or procure the payment to each Scheme Shareholder the Scheme Consideration attributable to that Scheme Shareholder, based on the number of Scheme Shares held by that Scheme Shareholder as at the Scheme Record Date.

- (c) Virtus' obligation under clause 6.2(b) will be satisfied by Virtus (in its absolute discretion):
- (i) where a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Virtus Share Registry to receive dividend payments from Virtus by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount of Australian currency by electronic means in accordance with that election;
 - (ii) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Shareholder by an appropriate authority from the Scheme Shareholder to Virtus; or
 - (iii) whether or not the Scheme Shareholder has made an election referred to in clause 6.2(c)(i), dispatching, or procuring the dispatch of, a cheque in Australian currency to the Scheme Shareholder by prepaid post to their address shown in the Virtus Register as at the Scheme Record Date, such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 6.3), for the relevant amount.
- (d) If, following satisfaction of Bidder's obligations under clause 6.2(a) but prior to the occurrence of all of the events described in clause 5, this Scheme lapses under clause 4(b):
- (i) Virtus must immediately repay (or cause to be repaid) to or at the direction of Bidder the funds that were deposited in the Trust Account plus any interest on the amounts deposited (less bank fees and other charges);
 - (ii) the obligation to transfer Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, to Bidder under clause 5 will immediately cease;
 - (iii) Bidder must return the Scheme Transfers, if provided pursuant to clause 5; and
 - (iv) Virtus is no longer obliged to enter, or procure the entry of, the name of Bidder in the Virtus Register in accordance with clause 5.

6.3 Joint holders

In the case of Scheme Shares held in joint names:

- (a) any cheque required to be paid to Scheme Shareholders will be payable to the joint holders and will be forwarded to the holder whose name appears first in the Virtus Register on the Scheme Record Date or to the joint holders; and
- (b) any other document required to be sent under this Scheme will be forwarded to the holder whose name appears first in the Virtus Register as at the Scheme Record Date or to the joint holders.

6.4 Unclaimed monies

- (a) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in section 7 of the *Unclaimed Money Act 1995* (NSW)).
- (b) Virtus may cancel a cheque issued under clause 6.2(c) if the cheque:
 - (i) is returned to Virtus; or
 - (ii) has not been presented for payment within six months after the date on which the cheque was sent.
- (c) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Virtus (or the Virtus Share Registry) (which request may not be made until the date which is 20 Business Days after the Implementation Date), Virtus must reissue a cheque that was previously cancelled under this clause 6.4.

6.5 Remaining monies (if any) in Trust Account

To the extent that, following satisfaction of Virtus' obligations under the provisions of clause 5 and this clause 6 and provided Bidder has by that time acquired the Scheme Shares in accordance with this Scheme, there is a surplus in the Trust Account, then subject to compliance with applicable laws, the other terms of this Scheme, the Deed Poll and the Implementation Deed, that surplus (less any bank fees and related charges) shall be paid by Virtus (or the Virtus Share Registry on Virtus' behalf) to Bidder.

6.6 Orders of a Court or Governmental Agency

- (a) If written notice is given to Virtus (or the Virtus Share Registry) of an order or direction made by a court or Governmental Agency that:
 - (i) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by Virtus in accordance with clause 5, then Virtus shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
 - (ii) prevents Virtus from providing consideration to any particular Scheme Shareholder in accordance with clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, Virtus shall be entitled to (as applicable) retain an amount equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration until such time as payment in accordance with this clause 6 is permitted by that (or another) order or direction or otherwise by law.
- (b) To the extent that amounts are so deducted or withheld in accordance with clause 6.6(a), such deducted or withheld amounts will be treated for all purposes under this Scheme as having been paid to the person in respect of which such deduction and withholding was made.

7 Dealings in Virtus Shares

7.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Virtus Shares or other alterations to the Virtus Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Virtus Register as the holder of the relevant Virtus Shares on or before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received on or before the 5.00pm on the date that is the Scheme Record Date at the place where the Virtus Register is kept,

and Virtus will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Shareholders nor for any other purpose (other than a transfer to Bidder pursuant to this Scheme and any subsequent transfer by Bidder or its successors in title), any transfer or transmission application in respect of Virtus Shares received after such times, or received prior to such times but not in registrable or actionable form (as appropriate).

7.2 Register

- (a) Virtus will, until the Scheme Consideration has been provided and the name and address of Bidder has been entered in the Virtus Register as the holder of all of the Scheme Shares, maintain, or procure the maintenance of, the Virtus Register in accordance with the provisions of this clause 7.2. The Virtus Register in this form and the terms of the Scheme will solely determine entitlements to the Scheme Consideration.
- (b) As from the Scheme Record Date, each entry in the Virtus Register (other than entries in the Virtus Register in respect of Bidder and subsequent transferees) will cease to have effect, except as evidence of the entitlements of Scheme Shareholders to the Scheme Consideration in respect of those Virtus Shares.
- (c) As soon as possible after the Scheme Record Date, and in any event within two Business Days after the Scheme Record Date, Virtus will ensure that details of the names, registered addresses and holdings of Virtus Shares for each Scheme Shareholder as shown in the Virtus Register as at the Scheme Record Date are available to Bidder.

7.3 Effect of share certificates and holding statements

As from the Scheme Record Date (and other than for Bidder following the Implementation Date), all share certificates and holding statements for Scheme Shares (other than statements of holding in favour of Bidder) will cease to have effect as documents of title in respect of those Scheme Shares.

7.4 No disposals after Scheme Record Date

If this Scheme becomes Effective, each Scheme Shareholder, and any person claiming through that Scheme Shareholder, must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them after 5.00pm on the Scheme Record Date (other than to Bidder in accordance with this Scheme and any subsequent transfers by

Bidder to its successors in title), and any attempt to do so will have no effect and Virtus shall be entitled to disregard any such disposal, purported disposal or agreement.

8 Quotation of Virtus Shares

- (a) Virtus must apply to ASX to suspend trading of Virtus Shares on the ASX with effect from the close of trading on the Effective Date.
- (b) Virtus must apply:
 - (i) for termination of the official quotation of Virtus Shares on the ASX; and
 - (ii) to have itself removed from the official list of the ASX,in each case with effect on and from the close of the trading day immediately following the Implementation Date or on such other date as determined by Bidder.

9 General Scheme provisions

9.1 Appointment of agent and attorney

- (a) On this Scheme becoming Effective, each Scheme Shareholder, without the need for any further act by that Scheme Shareholder, irrevocably appoints Virtus as its agent and attorney for the purposes of:
 - (i) doing all things and executing and delivering all deeds, instruments, transfers or other documents as may be necessary or desirable to give effect to the terms of this Scheme and the transactions contemplated by it, including, without limitation, the effecting of a valid transfer or transfers (or the execution and delivery of any Scheme Transfer);
 - (ii) enforcing the Deed Poll against Bidder,and Virtus accepts such appointment.
- (b) Virtus, as agent and attorney of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 9.1 to all or any of its directors and officers (jointly, severally, or jointly and severally).

9.2 Enforcement of Deed Poll

Virtus undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Bidder (as applicable on behalf of and as agent and attorney for the Scheme Shareholders).

9.3 Scheme Shareholders' agreements

Under this Scheme:

- (a) each Scheme Shareholder irrevocably agrees to the transfer of their Scheme Shares, together with all rights and entitlements attaching to those Scheme Shares other than any right to receive a Permitted Special Dividend (if any), to Bidder in accordance with the terms of this Scheme;

- (b) each Scheme Shareholder irrevocably acknowledges that this Scheme binds Virtus and all Scheme Shareholders (including those who did not attend the Scheme Meeting and those who did not vote, or voted against this Scheme, at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Virtus; and
- (c) each Scheme Shareholder irrevocably consents to Virtus and Bidder doing all things and executing all deeds, instruments, transfers or other documents as may be necessary, incidental or expedient to the implementation and performance of this Scheme,

without the need for any further act by that Scheme Shareholder.

9.4 Warranty by Scheme Shareholders

- (a) Each Scheme Shareholder is deemed to have warranted to Bidder, and to the extent enforceable, to have appointed and authorised Virtus as that Scheme Shareholder's agent and attorney to warrant to Bidder, that:
- (i) all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) will, at the date of the transfer of them to Bidder pursuant to this Scheme, be fully paid and free from all mortgages, charges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)), liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind; and
- (ii) they have full power and capacity to sell and to transfer their Scheme Shares (together with all rights and entitlements attaching to those Scheme Shares) to Bidder pursuant to this Scheme.
- (b) Virtus undertakes in favour of each Scheme Shareholder that it will provide such warranty, to the extent enforceable, to Bidder on behalf of that Scheme Shareholder.

9.5 Title to Scheme Shares

- (a) Immediately upon the deposit of the Scheme Consideration in the manner contemplated by clause 6.2(a), Bidder will be beneficially entitled to the Scheme Shares transferred to it under this Scheme pending registration by Virtus of Bidder in the Virtus Register as the holder of the Scheme Shares.
- (b) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Bidder will, at the time of transfer of them to Bidder, vest in Bidder free from all mortgages, charges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)), liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind.

9.6 Appointment of sole proxy

From the time that Bidder has satisfied its obligations in clauses 6.2(a) until Bidder is registered in the Virtus Register as the holder of all Scheme Shares, each Scheme Shareholder:

- (a) without the need for any further act by that Virtus Shareholder, irrevocably appoints Bidder as its proxy to (and irrevocably appoints Bidder as its attorney and agent for the purpose of appointing any director or officer of Bidder as that Virtus Shareholder's proxy and, where appropriate, its corporate representative to):
- (i) attend shareholders' meetings of Virtus;
 - (ii) exercise the votes attaching to the Virtus Shares registered in the name of the Virtus Shareholder; and
 - (iii) sign any Virtus Shareholders' resolution;
- (b) acknowledges that no Scheme Shareholder may itself attend or vote at any meetings of Virtus Shareholders or sign any Virtus Shareholders' resolution, whether in person, by proxy or by corporate representative (other than pursuant to clause 9.6(a));
- (c) must take all other actions in the capacity of Virtus Shareholder as Bidder reasonably directs; and
- (d) acknowledges and agrees that in exercising the powers conferred in clause 9.6(a), Bidder and any person nominated by Bidder under clause 9.6(a) may act in the best interests of Bidder as the intended registered holder of the Scheme Shares.

9.7 Notices

- (a) Where a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Virtus, it will not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Virtus' registered office or at the Virtus Share Registry as the case may be.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Virtus Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

9.8 Inconsistencies

This Scheme binds Virtus and all Virtus Shareholders, and to the extent of any inconsistency, overrides the Virtus constitution.

9.9 No liability when acting in good faith

Neither Virtus nor any director, officer, secretary or employee of Virtus will be liable for anything done or omitted to be done in good faith in the performance of this Scheme.

9.10 Further assurance

Each Scheme Shareholder and Virtus will do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the terms of this Scheme and the transactions contemplated by it.

9.11 Alterations and conditions

If the Court proposes to approve this Scheme subject to any alterations or conditions under section 411(6) of the Corporations Act, Virtus may, by its counsel or solicitors, and with the prior consent of Bidder:

- (a) consent on behalf of all persons concerned, including each Virtus Shareholder, to those alterations or conditions; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which Virtus has consented to.

9.12 Consent

Each of the Scheme Shareholders consents to Virtus doing all things necessary or incidental to the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Virtus or otherwise.

9.13 Duty

Bidder will:

- (a) pay all duty (including stamp duty and any related fines and penalties) payable on or in connection with the Deed Poll and any instrument executed under or any transaction evidenced by the Deed Poll (including, the transfer by Scheme Shareholders of the Scheme Shares to Bidder pursuant to this Scheme); and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.13(a).

9.14 Governing Law

- (a) This Scheme is governed by and will be construed according to the laws of New South Wales.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of New South Wales and of the courts competent to determine appeals from those courts. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process have been brought in an inconvenient forum.

Schedule 1 Dictionary

1 Dictionary

In this deed:

ADI means an authorised deposit-taking institution (as defined in the *Banking Act 1959* (Cth)).

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, if the context requires, the financial market operated by it.

Business Day means a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney, New South Wales or London, England.

CHES means the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.

Corporations Act means the *Corporations Act 2001* (Cth), as amended by any applicable ASIC class order, ASIC legislative instrument or ASIC relief.

Court means the Supreme Court of New South Wales or any other court of competent jurisdiction under the Corporations Act as the parties may agree in writing.

Deed Poll means the deed poll dated 27 May 2022 under which Bidder covenants in favour of the Scheme Shareholders to perform all actions attributed to it under this Scheme.

Effective means, when used in relation to the Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to that Scheme.

Effective Date means the date on which this Scheme becomes Effective.

End Date means the date that is 6 months after the date of the Implementation Deed (or such other date and time agreed in writing between Bidder and Virtus).

Excluded Shareholder means any Virtus Shareholder who is Bidder or a wholly owned subsidiary of Bidder.

Governmental Agency means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister, Australian Taxation Office, Foreign Investment Review Board, ASIC, ASX and any regulatory organisation established under statute or any stock exchange.

Implementation Date means the fifth Business Day, or such other Business Day as Bidder and Virtus agree, following the Scheme Record Date.

Implementation Deed means the transaction implementation deed dated 13 March 2022 between Bidder and Virtus, as amended or restated from time to time.

Permitted Special Dividend has the meaning given to that term in the Implementation Deed.

Scheme means this scheme of arrangement pursuant to Part 5.1 of the Corporations Act proposed between Virtus and the Virtus Shareholders as set out in this document together with any alterations or conditions made or required by the Court under section 411(6) of the Corporations Act and that are agreed to by Bidder and Virtus.

Scheme Consideration means the consideration to be provided to each Virtus Shareholder for the transfer to Bidder of each Scheme Share being, in respect of each Scheme Share, a cash amount of \$8.15 less the amount of any Permitted Special Dividend paid by Virtus pursuant to clause 7.2 of the Implementation Deed.

Scheme Meeting means the meeting of Virtus Shareholders ordered by the Court to be convened under section 411(1) of the Corporations Act to consider and vote on the Scheme and includes any adjournment or postponement of that meeting.

Scheme Order means the orders of the Court made under section 411(4)(b) of the Corporations Act (and, if applicable, section 411(6) of the Corporations Act) in relation to this Scheme.

Scheme Record Date means, in respect of this Scheme, 7.00pm on the third Business Day (or such other Business Day as the parties agree in writing) following the Effective Date.

Scheme Share means a Virtus Share on issue as at the Scheme Record Date other than any Virtus Share then held by an Excluded Shareholder (but including any such Virtus Share held on behalf of one or more third parties or otherwise in a fiduciary capacity).

Scheme Shareholder means each person who holds one or more Scheme Shares.

Scheme Transfer means, in relation to each Scheme Shareholder, a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, which may be a master transfer of all or part of all of the Scheme Shares.

Second Court Date means the first day on which an application made to the Court for an order under section 411(4)(b) of the Corporations Act approving this Scheme is heard or scheduled to be heard or, if the application is adjourned for any reason, means the date on which the adjourned application is heard or scheduled to be heard.

Subsidiary has the meaning given to that term in section 46 of the Corporations Act.

takes effect or taking effect means on and from the first time when an office copy of the Scheme Order approving the Scheme pursuant to section 411(4)(b) of the Corporations Act is lodged with ASIC pursuant to section 411(10) of the Corporations Act.

Trust Account means an Australian dollar denominated trust account with an ADI operated by or on behalf of Virtus as trustee of the Scheme Shareholders for the purpose of paying the Scheme Consideration to applicable Scheme Shareholders in accordance with clause 6.2.

Virtus Performance Right means a performance right issued under an employee incentive plan which confers on the holder a right to acquire a Virtus Share.

Virtus Register means the register of members of Virtus maintained by or on behalf of Virtus in accordance with section 168(1) of the Corporations Act.

Virtus Share means a fully paid ordinary share in the capital of Virtus.

Virtus Shareholder means each person who is registered in the Virtus Register as a holder of Virtus Shares.

Virtus Share Registry means Link Market Services Limited of Level 12, 680 George Street, Sydney NSW 2000, or any replacement share registry services provider to Virtus.

2 Interpretation

In this Scheme, except where the context otherwise requires:

- (a) headings are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and vice versa;
- (c) words that are gender neutral or gender specific include each gender;
- (d) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;
- (e) the words 'such as', 'including', 'particularly' and similar expressions are not used as, nor are intended to be, interpreted as words of limitation;
- (f) a reference to:
 - (i) a person includes a natural person, partnership, joint venture, government agency, association, corporation, trust or other body corporate;
 - (ii) a thing (including, but not limited to, a chose in action or other right) includes a part of that thing;
 - (iii) a party includes its agents, successors and permitted assigns;
 - (iv) a document includes all amendments or supplements to that document;
 - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or party, schedule or attachment to this Scheme;
 - (vi) this Scheme includes all schedules and attachments to it;
 - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity and is a reference to that law as amended, consolidated or replaced;
 - (viii) a statute includes any regulation, ordinance, by-law or other subordinate legislation made under it;
 - (ix) an agreement other than this Scheme includes an undertaking, or legally enforceable arrangement or understanding, whether or not in writing; and
 - (x) a monetary amount is in Australian dollars;
- (g) an agreement on the part of two or more persons binds them jointly and each of them severally;

- (h) when the day on which something must be done is not a Business Day, that thing must be done on the following Business Day;
- (i) a reference to time is to Sydney, Australia time; and
- (j) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this Scheme or any part of it.

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Deed Poll

Deed poll

Evergreen BidCo Pty Ltd

In favour of each person registered as a holder of Virtus Shares as at the Scheme Record Date

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Date: 27 April 2022

This deed poll is made by

Evergreen BidCo Pty Ltd (ACN 657 613 860) of Level 16, 80 Collins Street South Tower, Melbourne, VIC 3000 (**Bidder**)

in favour of

each person registered as a holder of Virtus Shares as at the Scheme Record Date (**Scheme Shareholders**).

Background

- A Bidder and Virtus Health Limited (ACN 129 643 492) of Level 3, 176 Pacific Highway, Greenwich, NSW 2065 (**Virtus**) have entered into the Implementation Deed.
- B In the Implementation Deed, Bidder agreed to make this deed poll.
- C Bidder is executing this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform its obligations under the Implementation Deed and the Scheme.

This deed poll provides as follows:

1 Defined terms and interpretation

1.1 Defined terms

In this deed poll:

- (a) **Implementation Deed** means the transaction implementation deed dated 13 March 2022 between Virtus and Bidder relating to the implementation of the Scheme (as amended and restated on 13 April 2022);
- (b) **Scheme** means the scheme of arrangement under Part 5.1 of the Corporations Act between Virtus and the Scheme Shareholders, the form of which is set out in Schedule 6 to the Implementation Deed, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Bidder and Virtus; and
- (c) unless the context otherwise requires, terms defined in the Implementation Deed have the same meaning when used in this deed poll.

1.2 Interpretation

Clause 1.2 of Schedule 1 of the Implementation Deed applies to the interpretation of this deed poll, except those references to 'this deed' are to be read as references to 'this deed poll'.

1.3 Nature of deed poll

Bidder acknowledges that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, from the Effective Date, each Scheme Shareholder irrevocably appoints Virtus and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder.

2 Conditions

2.1 Conditions

This deed poll and the obligations of Bidder under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of Bidder under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms before the Effective Date; or
- (b) the Scheme is not Effective on or before the End Date,

unless Virtus and Bidder otherwise agree.

2.3 Consequences of termination

If this deed poll terminates under clause 2.2 then, in addition and without prejudice to any other rights, powers or remedies available to the Scheme Shareholders:

- (a) Bidder is released from its obligations to further perform this deed poll except those obligations contained in clause 6.1; and
- (b) each Scheme Shareholder retains the rights and remedies they have against Bidder in respect of any breach of this deed poll which occurred before it was terminated.

3 Scheme obligations

Subject to clause 2, Bidder undertakes in favour of each Scheme Shareholder to:

- (a) deposit, or procure the deposit of, in cleared funds by no later than midday on the Business Day before the Implementation Date, an amount equal to the aggregate Scheme Consideration payable to all Scheme Shareholders under the Scheme into an Australian dollar denominated trust account operated by Virtus as trustee for the Scheme Shareholders, except that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account; and
- (b) undertake all other actions attributed to it under the Scheme,

subject to and in accordance with the terms of the Scheme.

4 Warranties

Bidder represents and warrants in favour of each Scheme Shareholder, in respect of itself, that:

- (a) it is a corporation validly existing under the laws of its place of incorporation;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance by it of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and is enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.2.

6 General

6.1 Duty

Bidder will:

- (a) pay all duty (including stamp duty and any related fines, penalties and interest) payable in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under the Scheme and this deed poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 6.1(a).

6.2 Governing law and jurisdiction

- (a) This deed poll is governed by the laws in force in New South Wales.
- (b) Bidder irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts competent to determine appeals from those courts in respect of any proceedings arising out of or in connection with this deed poll. Bidder irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

6.3 Notices

- (a) Any notice or other communication to Bidder in connection with this deed poll must be:
- (i) in legible writing in English;
 - (ii) signed by the person making the communication or that person's duly authorised agent; and
 - (iii) given by hand delivery, pre-paid post, facsimile or email in accordance with the details set out below:

Bidder

Attention: Neil Radia
Chief Financial Officer c/o CapVest Partners LLP
Address: 100 Pall Mall, St. James's, London SW1Y 5NQ
Email: nradia@capvest.co.uk

with a copy (for information purposes only) to:

anton.harris@ashurst.com and greg.golding@ashurst.com (by email)

- (b) Subject to clause 6.3(c), any notice or other communication given in accordance with clause 6.3(a) will be deemed to have been duly given as follows:
- (i) if delivered by hand, on delivery;
 - (ii) if sent by pre-paid post, on the 6th Business Days after the date of postage, or if to or from a place outside Australia, on the 10th Business Day after the date of postage; and
 - (iii) if sent by email:
 - (A) when the sender receives an automated message confirming delivery;
 - (B) the time that the intended recipient confirms receipt of the email by reply email; or
 - (C) two hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered,whichever happens first.
- (c) Any notice or other communication that, pursuant to clause 6.3(b), would be deemed to be given:
- (i) other than on a Business Day or after 5.00pm on a Business Day is regarded as given at 9.00am on the following Business Day; and
 - (ii) before 9.00am on a Business Day is regarded as given at 9.00am on that Business Day,

where references to time are to time in the place the recipient is located.

6.4 Waiver

- (a) Bidder may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) No Scheme Shareholder may rely on words or conduct of Bidder as a waiver of any right unless the waiver is in writing and signed by Bidder.
- (c) The meanings of the terms used in this clause 6.4 are set out below.

| Term | Meaning |
|----------------|--|
| conduct | includes a failure or delay in the exercise, or partial exercise, of a right. |
| right | any right arising under or in connection with this deed poll (including a breach of, or default under this deed poll) and includes the right to rely on this clause. |
| waiver | includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel. |

6.5 Variation

A provision of this deed poll or any right created under it may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by Virtus; or
- (b) if on or after the First Court Date, the variation is agreed to by Virtus and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Bidder must enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

6.6 Cumulative rights

The rights, powers and remedies of Bidder and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

6.7 Assignment

- (a) The rights created by this deed poll are personal to Bidder and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Bidder.
- (b) Any purported dealing in contravention of clause 6.7(a) is invalid.

6.8 Further action

Bidder must, at its own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

Execution page

Executed as a deed poll

Signed, sealed and delivered by **Evergreen BidCo Pty Ltd** in accordance with section 127 of the *Corporations Act 2001* (Cth) by:

Signature of director

Kate Briant


Name of director (print)

Signature of director/secretary

Timothy Colson

Name of director/secretary (print)

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F

Sample Proxy Form

For personal use only



Virtus Health Limited
ACN 129 643 492

| LODGE YOUR VOTE | |
|-----------------|--|
| | ONLINE www.linkmarketservices.com.au |
| | EMAIL Email form to: vote@linkmarketservices.com.au |
| | BY MAIL Virtus Health Limited C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235 Australia |
| | BY FAX +61 2 9287 0309 |
| | BY HAND Link Market Services Limited Level 12, 680 George Street, Sydney NSW 2000 |
| | ALL ENQUIRIES TO Telephone: 1800 653 805 Overseas: +61 1800 653 805 |

SCHEME MEETING AND EXTRAORDINARY GENERAL MEETING

PROXY FORM
I/We being a member(s) of Virtus Health Limited and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

the Chair of the Meeting (mark box) **OR** if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name and email of the person or body corporate you are appointing as your proxy

Name
Email

or failing the person or body corporate named, or if no person or body corporate is named, the Chair of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Scheme Meeting of the Company to be held at **11:00am (AEST) on Monday, 6 June 2022 and the Extraordinary General Meeting of the Company to be held immediately after the Scheme Meeting** (together, the Meetings) and at any postponement or adjournment of the Meetings.

The Meetings will be conducted as a virtual meeting and you can participate by logging in online at <https://meetings.linkgroup.com/VRTScheme> (refer to details in the Virtual Meeting Online Guide). The Virtual Meeting Online Guide is available in the Virtus Transaction Booklet that you received together with this Proxy Form.

The Chair of the Meetings intends to vote undirected proxies in favour of each Resolution.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received by 11:00am (AEST) on Saturday, 4 June 2022, being no later than 48 hours before the commencement of the Meetings.

Please read the voting instructions overleaf before marking any boxes with an

| Resolutions | For | Against | Abstain* |
|-----------------------------|--------------------------|--------------------------|--------------------------|
| 1 Scheme Resolution | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 Capital Return Resolution | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

i * If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf and your votes will not be counted in computing the required majority.

STEP 3

SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

| | | |
|--|--|--|
| Shareholder 1 (Individual) <input type="text"/> | Joint Shareholder 2 (Individual) <input type="text"/> | Joint Shareholder 3 (Individual) <input type="text"/> |
| Sole Director and Sole Company Secretary | Director/Company Secretary (Delete one) | Director |

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

VRT PRX2201N



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HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chair of the Meetings as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chair of the Meetings as your proxy, please write the name and email of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

DEFAULT TO CHAIR OF THE MEETINGS

Any directed proxies that are not voted on a poll at the Meetings will default to the Chair of the Meetings, who is required to vote those proxies as directed. Any undirected proxies that default to the Chair of the Meetings will be voted according to the instructions set out in this Proxy Form.

VOTING ON RESOLUTIONS – DIRECTED PROXY

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the Resolutions, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meetings and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

- Individual:** where the holding is in one name, the holder must sign.
- Joint Holding:** where the holding is in more than one name, either shareholder may sign.
- Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001 (Cth)*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meetings virtually the appropriate "Certificate of Appointment of Corporate Representative" must be received at registrars@linkmarketservices.com.au prior to admission in accordance with the Notice of Scheme Meeting and Notice of Extraordinary General Meeting. A form of the certificate may be obtained from the Company's share registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received via one of the methods given below by **11:00am (AEST) on Saturday, 4 June 2022**, being no later than 48 hours before the commencement of the Meetings. Any Proxy Form received after that time will not be valid for the scheduled Meetings.

Proxy Forms may be lodged using the reply paid envelope or:



ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your proxy. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN)..



BY MOBILE DEVICE

Our proxy website is designed specifically for lodging a proxy online. You can now lodge your proxy by scanning the QR code adjacent or enter the link www.linkmarketservices.com.au into your mobile device. Log in using the Holder Identifier and postcode for your shareholding.

QR Code



To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.



EMAIL

Email form to: vote@linkmarketservices.com.au



BY MAIL

Virtus Health Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia



BY FAX

+61 2 9287 0309



BY HAND

delivering it to Link Market Services Limited*
Level 12
680 George Street
Sydney NSW 2000

* during business hours (Monday to Friday, 9:00am–5:00pm)

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