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VITROLIFE
PRIVATE EQUITY INVESTMENT COMMITTEE PAPER
Business Plan of Vitrolife Group

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Abstract:

The target company, Vitrolife provides Medical Consumables, Technological Devices (C&T) and Genetic Testing services (GT) for in-vitro fertilization. C&T has a market size of SEK 15bn (CAGR of 14.3%) while GT's market size is SEK 41bn (CAGR of 6.7%). Value creation is driven through an AI software partnership, the Eastern Europe Penetration and the acquisition of Virtus Health. Most of the value is driven by inorganic growth (50%). Based on a 16.7x exit multiple and an Enterprise Value of SEK 17,250m, a MM of 3.6x can be realized over the holding period. Sources of funds include SEK 5,693m (5.5x) debt and SEK 12,418m (12x) equity.

Keywords:

Private Equity; Acquisition; Vitrolife; Leveraged Buyout; LBO; Healthcare

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Table of Contents

Group part

1. Company Overview.....	4
1.1 Business Model and Value Chain.....	4
1.2 Product Portfolio.....	4
1.3 Management & Growth Strategy.....	5
2. Financials	6
3. Market Overview.....	7
4. Competitors	9
5. Value Creation Strategies.....	9
5.1 Software – Company	10
5.2 Eastern Europe Penetration	11
5.3 Forward Integration – Clinics.....	12
6. Operating Model	13
7. Valuation	13
8. Capital Structure.....	14
9. Return Analysis	14
10. Exit Strategy.....	15
11. Due Diligence.....	16
12. Conclusion.....	16

Individual Part

1. Introduction.....	16
2. Income Statement.....	17
2.1 Standalone revenue.....	17
2.2 Eastern Europe (EE) and Partnership revenue impact.....	19
2.3 Cost analysis	20
2.4 VH Buy&build Income Statement implications.....	22
3. Balance Sheet.....	24
4. FCF	25
5. Cases and risk scenarios.....	26
6. Final remarks	27
Bibliography.....	28
Appendix	33

Group part

1. Company Overview

The Vitrolife Group (VL), founded in 1994 in Gothenburg, Sweden, is a global developer, manufacturer, and distributor of medical Consumables and Technological devices (C&T), and provides Genetic Testing services (GT) to clinics performing in-vitro fertilization (IVF). Over 1,100 employees work towards the firm's mission of being "the leading valued solution provider in reproductive health and support customers with successful treatment outcomes" (Vitrolife 2022).

1.1 Business Model and Value Chain

VL's activities entail R&D, internal operations, i.e., production and GT diagnostics marketing, (after-) sales and distribution (Appendix 1). The firm has four main competitive advantages: (1) VL's profile as a "One-stop-shop" provider with a high-quality, end-to-end portfolio covering the entire IVF journey, makes it the preferred partner for clinics. VL is uniquely positioned in the market by offering both, C&T as well as GT, allowing the firm to bundle products and realize pricing advantages. (2) VL's extensive R&D capabilities are backed by 15 patents. This enables the firm to be at the forefront of scientific innovation and develop products that increase IVF success rates. (3) VL holds the market leadership in the high-growth Technology sector (CAGR: 20.9%) (Damodaran 2023) due to its in-house developed time-lapse system EmbryoScope. (4) VL has a global physical presence in 25 locations and sales in over 100 countries across EMEA (36% of sales), the Americas (35% of sales) and APAC (28% of sales) (Appendix 2). This allows VL to leverage sales synergies, enhance customer relationships, and address differences in standards of care.

1.2 Product Portfolio

VL has a diversified product portfolio spanning across three business areas (Appendix 3 & 4). The Consumables business unit (2022: SEK 1.3bn; 41% of sales) comprises media, genomic

kits and labware used to secure IVF results. Successful product developments, followed by regulatory approvals are crucial. Recent investments to automate and leverage VL's production capacity enable the firm to meet the increased demand. The biggest market is APAC (39% of sales), while the America witnesses the highest growth (88% YoY) in 2022. The Technology business area (SEK 0.6bn; 17% of sales) covers incubators, time-lapse systems, and other technological devices and software. VL's best-selling product is EmbryoScope, which uses AI-based algorithms (IDAScore), crucial to increase the clinic's workflow efficiency. Assembly takes place in VL's workshop in Denmark. Despite the devices, VL offers after-sales services provided by certified engineers. In this segment, EMEA represents the biggest market (46%), whereas the Americas exhibits the highest growth (81% YoY). Since 2021, through the acquisition of Igenomix, VL has expanded its portfolio by providing Genetic Testing services (SEK 1.4bn; 42% of sales) for all phases of the reproductive cycle (i.e., preconception and -implantation, pre- and postnatal). Diagnostic labs are located in Spain, the US, Brazil, and Dubai, with the Americas representing the biggest market (56% YoY) (Vitrolife 2022).

1.3 Management & Growth Strategy

VL's current management team, led by Thomas Axelsson (since 2011), is highly experienced, both in the role they serve as well as in the healthcare industry. 88% of all members have worked in the corresponding area before. Overseen by a fully independent board which also provides great skills and expertise in healthcare, VL is backed by a very strong leadership which has greatly contributed to the company's growth and success in the past. (Vitrolife 2022; LinkedIn 2023) As of 2023, CEO Axelsson will be replaced by Bronwyn Brophy. Brophy has more than 25 years of expertise in the medical device industry, extensive tech-experience as well as an impressive track record as leader of global life-science and MedTech businesses, having worked in renowned companies such as Thermo Fisher Scientific before (Vitrolife 2023). Due to her great achievements and recognitions, she is considered an outstanding candidate to

execute VL's management and leverage growth. Under the current management, VL's strategy has equally been focused on organic as well as inorganic growth. Organic growth was mainly driven by increased R&D (i.e., development of Ovoil Heavy, Embryo Map), organizational improvements such as investments in sales resources and customer support as well as the favorable market development. Inorganic growth was achieved by acquisitions and agreements. Following this two-lane path, VL was not only able to constantly grow its geographical presence but also to broaden its product offerings to provide customers a holistic product portfolio throughout the entire IVF journey. VL's acquisition of Igenomix in 2021, which transformed the firm into the Vitrolife Group, has proven the company's strong ability to successfully grow inorganically. Thus, acquisitions and agreements will continue to serve as key growth drivers in the future (Vitrolife 2022).

2. Financials

From 2013 to 2022, VL's revenue has exhibited consistent, non-cyclical growth, with a total revenue increase from SEK 453m to SEK 3,235m, representing a robust CAGR of 24%. Key drivers behind this growth include ongoing product innovation, strategic acquisitions, and a favorable market growth in the C&T segment of 14.3%. The company has achieved a consistent gross margin over 60% and an EBITDA margin over 30% during the past five years (Appendix 5). VL's gross margin decreased from 72% in 2018 to 60% in 2022, influenced by three factors. (1) Before 2021, logistical issues and material shortages led to higher prices and increased COGS. (2) In 2020, the Covid-19 pandemic reduced sales, causing negative economies of scale and further margin decline. (3) Additionally, the 2021 acquisition of the genetic service segment faced lower margins due to a lack of economies of scale, competitive pressure on PGT-A tests, and rising inflation in 2022, contributing to a 6p.p. margin drop that year. However, the EBITDA margin decreased by only 7 p.p. from 39% in 2018 to 32% in 2022, showing effective cost management measures. While R&D expenditures presented a marginal 2 p.p. reduction,

sales expenses decreased by 3 p.p. G&A costs increased by 3 p.p., primarily attributable to the business combination of VL and Igenomix (Appendix 6). The normalization of the EBITDA covers non-recurring expenses, such as acquisition-related expenses, VAT or insurance refunds and other non-recurring income and expenses. VL has a conservative capital structure and substantial cash reserves, resulting in a negative net debt and low financial risk. The acquisition of Igenomix in 2021 was partially financed by cash reserves and an additional bank credit, shifting net debt into a positive figure while maintaining the net debt/EBITDA ratio below the target of 3.0x (1.5x in 2022). VL historically weak CCC of 204 days on average, improved significantly after acquiring Igenomix, which brought the combined entity's CCC closer to its peers (Appendix 7). The company's strong profit margins and solid growth in both revenue and EBITDA have driven the unlevered FCF to grow at a CAGR of 33.8% from 2018 until 2022, achieving an EBITDA cash conversion rate of around 50.6%. CapEx in 2022 can be split into maintenance (c. 3% of sales) and investment CapEx (c. 2% of sales) (Vitrolife 2022).

3. Market Overview

VL's core markets (C&T, GT) are both thriving business areas attracting a growing share of private investments due to high growth potential and a recession-resistant demand driven by consistent desires for families (Harris-Williams 2023). According to VL's annual report, the addressable market for C&T is SEK 15bn, the number of treatments per annum is 2m and there are 5,500 clinics in total (Appendix 8). C&T market size is expected to increase to SEK 33.5bn by 2028 based on a CAGR of 14.3% validating its attractiveness (Statista 2023). Consumables makes up 67% of total market while Technology is 33%. Culture Media segment accounts for the largest revenue share (Appendix 9) (Research Nester 2023). APAC has a market share of 25% (Patrizio et al. 2022) as well as Consumables CAGR of 17% and Technologies CAGR of 20.9% (Damodaran 2023). EMEA's market share amounts to 43%. APAC and EMEA, specifically Eastern Europe with a CAGR of 21.5%, are the highest growth regions (Wyns et

al. 2021). Growth in APAC is driven by favorable reimbursement changes, new procreation techniques, and digital medical devices. EMEA's growth is driven by proliferation of fertility clinics, government incentives, growth in medical tourism, and AI (Exactitude Consultancy 2022). Based on these growth rates and country analyses, Japan, Australia, and Czech Republic were identified as attractive regions for expansion (Appendix 10) (IVF worldwide 2008). GT has a market size of SEK 38m with a CAGR of 6.7% (2022-2028) (Market Reports). Growth in hospitals and clinics as end-user is due to high rates of hospitalizations and healthcare insurance (Yahoo Finance 2023). Diagnostic and prenatal testing is expected to be the largest segment (Appendix 11). Currently, North America accounts for the largest market share, followed by EMEA and APAC (Mordor Intelligence 2023). APAC is projected to have the highest CAGR by 2027 due to foreign investments, affordability of genetic tests, prevalence of rare diseases, and advanced genomic technologies (Yahoo Finance 2023).

Promising growth drivers were identified, especially in the Technology sector. VL can capitalize on those drivers to improve its competitive market position. Technological drivers include the adoption of AI to increase the workflow efficiency for clinics, demand for scalability, and standardization of processes as well as technological advancement. Specifically, the new EU medical device regulation enables commercially available IVF procedure AI tools (Niemiec 2022). Furthermore, end-user increasingly demand "One-stop-shop" suppliers, complete product bundles, customizable testing kits, and digitalized offerings (i.e., Subscription). Socio-economic drivers include an ageing population, higher prevalence of male and female infertility rates, and the tendency of women to postpone pregnancies due to better career opportunities. Institutional drivers include an increase in government incentives for reimbursement programs, commercialization of fertility clinics, and growth of medical tourism (Yildiz & Khan 2016). In fact, Turkey and Eastern Europe show a significant competitive advantage in the global provision of IVF services (Coutts et al. 2020). Based on an extensive

country analysis (Appendix 12 & 13), it is recommended that VL increases its presence in Eastern Europe. Advantages include high growth potential (CAGR: 21.5%), limited competition, emergence of cross-border reproduction due to favorable reimbursement, cost-effective IVF treatments, advanced medical techniques as well as favorable proximity of countries (Suarez-Lopez et al. 2021). However, it is crucial to consider EU IVF regulations.

4. Competitors

VL's competitors are C&T firms or GT firms. Only two players offer both, i.e., Cooper Surgical and Genea (Appendix 14). The C&T market is relatively fragmented, driving consolidation and collaboration to leverage R&D capabilities which is very common. The majority of C&T manufacturers are smaller players (Sales: SEK 0.7bn to SEK 2bn), with portfolios solely focused on reproductive health. There are only a few big conglomerates (e.g., Merck), for which IVF products solely represent a fraction of their portfolio (Appendix 15). VL differentiates itself through its very specialized portfolio on human IVF and its portfolio width (Appendix 16). VL has a 5 p.p. lower gross margin below its benchmarks, but a 10 p.p. higher EBITDA margin, with a market share of 12.6% (EMEA: 12%; Americas: 8%; APAC: 20%) (Appendix 17). The GT market is also fragmented, with Natera, Invitae, and Centogene, being VL's main competitors. Revenue levels range from SEK 0.4bn to SEK 7bn (Appendix 18), with all peers having negative EBITDA margins (-75%). A key characteristic are their low cash conversion cycles (29 days; VL: 106 days on avg.), due to low DIOs and high DPOs (Appendix 19). VL differentiates itself by being the only firm covering all phases of the reproductive cycle. Within the GT industry VL has a market share of 3.6% (Appendix 20). The majority of competitors is based in the US (Vitrolife 2022; Competitors 2022; Refinitiv 2023).

5. Value Creation Strategies

To protect VL's current competitive advantage and realize long-term growth, R&D breakthroughs need to be ensured. This is enabled through M&A activities along the entire

value chain with a focus on the high-growth Technology business area. The envisioned value creation strategies are addressed through two parallel paths. For once, VL needs to exploit opportunities within its existing total addressable market (TAM), by (i) increasing its market share where possible and (ii) expanding its software product portfolio through collaborations. Secondly, to drive long-term growth, VL needs to expand its current TAM and leverage R&D capabilities through forward integration by acquiring a new business (i.e., IVF clinics).

5.1 Software – Company

VL has established itself as a market leader in the domain of time-lapse technology and AI-based tools for embryo selection, essential for the field of IVF. With the AI sector expected to substantially grow at a CAGR of 37.3% until 2033, VL is strategically positioned to leverage this trend for further expansion and innovation (Yahoo Finance 2023). In the past, VL has actively engaged in strategic partnerships and collaborations to boost its innovation pipeline. A notable success in this endeavor is the development of IDAScore, achieved through a partnership with Virtus Health. To enter the AI segment, BAIBYS, a company specializing in sperm selection, has been identified for potentially entering into a partnership. BAIBYS provides AI-driven technology for efficient and accurate sperm selection, streamlining the IVF process and addressing the growing challenge of male infertility, which accounts for 50.0% of fertility issues in heterosexual couples (Fainberg 2019). The partnership will enhance VL's existing competencies and broaden its influence in the market, accelerating market availability and cutting down on developmental costs and risks. In turn, BAIBYS benefits from an expanded reach, know-how, and enhanced credibility by associating with the industry leader VL. In the course of the partnership, BAIBYS will grant a total revenue provision of 29% to VL. In return, VL is responsible for marketing BAIBYS' products and being a sparring partner to BAIBYS for constructing consoles. Based on a market CAGR of 4.5% for sperm selection, the estimated market size for the exit year in 2028 is SEK 58,211m (Yahoo Finance 2023). With a

conservatively estimated exit revenue of SEK 990m, this corresponds to a market share of 1.7% in 2028 and an additional EBITDA for VL of SEK 380m (Appendix 21 and 22).

5.2 Eastern Europe Penetration

VL's far-reaching geographical footprint and high logistical presence limits the entry in untapped markets. However, potential exists to increase market share in some regions that exhibit high growth and where VL lacks own presence. Eastern Europe (EE) was chosen as target for forward integration due to a flourishing IVF market, favorable reimbursement scenarios, large AM amplified through fertility tourism, and advanced medical techniques. Out of three forward integration strategies (Appendix 23), acquiring a local distributor was chosen the most suitable strategy for VL. In fact, in an interview with a VL employee it was said that it is in "VL's best interest to expand its presence in EE" (Appendix 24). Through the EE forward integration, VL can realize market expansion, revenue growth, and cost benefits (Appendix 25). To accurately quantify the effects of forward integration, it is assumed that EE market share stands at 12.6% based on EMEA cycles, that the acquired distributor has an EE market share of 11.8% and that growth in EE market share is 2% p.a.. The target distributor is Genetica with a presence in Czech Republic, Hungary and Slovenia and annual revenue of SEK 95m (Genetica Website 2023). Genetica is purchased in 2024 (Y2) for a price of SEK 160m. The respective multiple, based on comparable transactions of distributors in 2016 and 2017 amounts to 1.7x (Appendix 26). Other distributor options to acquire are YBUX, RENIMEDICAL, and Euromedical with annual revenues ranging from SEK 56m to 164m (DNB 2023). The percentage of VL's products sold through the distributors will increase from 5% in 2023 to 35% directly after the acquisition and by 10 p.p. every year thereafter, reaching 75% in 2028. This is because inventory of other brands is sold and replaced gradually by VL's own products due to its gained control over the value chain. Furthermore, a provision of 15% is charged to non-VL products sold through the distributor. Due to this, an EMEA market share of 0.8% can be

realized in Y2, with a 4% market share increase in EE. This comes with an immediate revenue growth of SEK 67m (including a 15% provision). From Y3 to Y6, an additional 2.8% increase in EMEA market share and a total revenue increase of SEK 1,292m can be achieved (Appendix 27). The goal is to further improve the distributor's market share by 2% in Y3 to Y5 due to synergies, leveraging VL's strong brand and expertise, and implementing a bundling strategy, achieving a total EE market share of 13.3%. This comes on top of estimated EE market growth. In total, the strategy will yield a money multiple of 0.2x.

5.3 Forward Integration – Clinics

To drive long-term growth, it is crucial to make VL a more attractive company to future investors. This can be achieved by increasing the firm's TAM while deepening R&D capabilities and driving innovation. Thus, the third value creation strategy consists of a forward integration with Virtus Health (VH), a globally leading clinic group with 44 clinics and 7-day hospitals across five countries (Appendix 29) (Virtus Health 2021). VH is a pioneer in the development of laboratory Technologies. The rationales behind this strategy are: (1) Historically, VL's growth substantially depended on inorganic growth. (2) VL and VH have partnered before, proving a strategic fit and overlapping R&D capabilities in AI development. Jointly, they developed an AI-based algorithm "Ivy" in 2019 (Virtus Health 2021). Fully integrating VH would allow VL to benefit from internal feedback loops, access to patient's data, and leveraged R&D capabilities to drive scientific innovation (Appendix 30). (3) The expansion within VL's current addressable market is limited (Fernandez 2023), amounting to SEK 15bn (Vitrolife 2021). Entering the B2C market by acquiring clinics, increases the total addressable market to SEK 160bn (Appendix 30) (Medical Tourism 2023). Revenue and cost synergies are expected to materialize due to additional sales and reduction in transportation, R&D, and overhead labor costs. Various risk mitigation strategies, such as the implementation of an integration team and close cost monitoring, must be put in place to account for the inherent

integration, financial, and market risks. This value creation strategy represents the biggest growth driver as VL's EBITDA is expected to increase by 41.1%, implying a 0.7x MM (32%).

6. Operating Model

VL's revenue CAGR without any value creation amounts to 11.6% across the investment period. Through the implementation of the three value creation strategies (EE market penetration; BAIBYS partnership; VH acquisition), VL's revenue CAGR amounts to 21.7%. The biggest growth driver is the acquisition of VH. Overall, cost levels are expected to decrease, yielding an EBITDA margin of 34.1% at exit, compared to 32% in 2022 (+2.1p.p.). VL's COGS are expected to decrease due to a higher sales share of the technology business area. Both, R&D and SG&A expenses are forecasted to increase by 2.1p.p and 1.4p.p. respectively, allowing VL to drive scientific research and support BAIBYS go-to-market strategy. VH's lower margin profile decreases margins in 2025, increasing year-by-year thereafter by realizing synergies. VL has a FCF/EBITDA ratio of above 70% across all years, highlighting its strong cash generation capability. While NWC is assumed to decrease due to negotiations with suppliers and VH's lower NWC requirements, maintenance CapEx increases.

7. Valuation

A weighted median valuation returns SEK 17,249.9m as VL's EV with an implied 16.7x EBITDA multiple using the DCF method, comparable companies, and transactions (Appendix 31). The DCF uses a range of assumptions adjusted for the D/V ratio each year, including a WACC ranging from 9.2% to 9.4%, a levered equity beta ranging from 1.3 to 1.0 and 1.5% as terminal growth rate. The derived DCF multiple of 18.4x is the highest due to the consideration of VL's high future growth rates. Multiple valuations are based on comparable peers assigned to C&T and GT (Refinitiv & Bloomberg 2023). The resulting EV/EBITDA 2022 median multiple stands at 16.8x. In comparison, a lower Q1 2023 multiple of 14.5x indicates that investors are taking on a more conservative outlook due to macroeconomic forces such as high

inflation and interest rates. Nine precedent transactions with completion date in the last six years were selected (Mergermarkets 2023) yielding a multiple of 13.8x. This indicates a lower entry multiple, in comparison to CCA, for strategic acquisitions in the industry.

8. Capital Structure

Based on an estimated entry multiple of 16.7x EBITDA and acquisition fees of 5% of the EV, total uses for the LBO amount to SEK 18,112m (Appendix 32). Due to the general economic, geopolitical turmoil, and market volatility impeding the easy raise of capital for corporates (KPMG 2023), the LBO is financed with a realistic leverage ratio of 5.5x EBITDA. Bank debt is assumed to be 4.5x EBITDA, spread among Term Loans A to C with maturities from 6 to 8 years and economically reasonable margins between 500 to 650 bps above the base rate (3M EURIBOR) (KPMG 2023; HSBC expert 2023). Remaining debt is financed by 1.0x EBITDA of Mezzanine debt with a maturity of 9 years as well as a PIK element of 11%. The equity strip is divided into a shareholder loan of SEK 11,091m and ordinary equity of SEK 1,329m. The shareholder loan has a maturity of 9 years and is charged with an interest rate of 12%. Management contributes SEK 106m of sweet equity based on 2x management salary as of 2022 (Appendix 33). To partially finance the add-on acquisition of VH in 2025, additional debt in form of an acquisition CapEx facility of SEK 3,450m (45% of purchase price) is used which will be issued in 2023 and drawn down in the year of the acquisition (Appendix 34).

9. Return Analysis

The estimated exit EV of VL in 2028 is SEK 59,695m, based on an EBITDA of SEK 3,582m and an exit multiple of 16.7x, assuming no multiple arbitrage. After deducting the net debt of SEK 1,789m, the exit equity value stands at SEK 57,906m, corresponding to a created total value of SEK 42,898m over the holding period, yielding a money multiple of 3.4x with an IRR of 25.0% for the investors. The management receives SEK 4,078m in total, leading to a money multiple of 38.4x and an IRR of 83.6% (Appendix 35). The total created value can be broken

down into deleveraging (SEK 3,904m, 9.1% of created value) and EBITDA growth (SEK 38,995m, 90.9% of created value). Main lever for EBITDA growth is organic growth, which mainly stems from the favorable market growth, corresponding to SEK 19,174m, or 49.0% of total EBITDA growth. The acquisition of VH, a key value-adding factor, accounts for 33.0% EBITDA growth, adding another SEK 14,040m to the EBITDA growth. The Eastern Europe penetration as well as the partnership with BAIBYS, both account for 7.0%. The returns are proven to be robust, still yielding a 2.6x MM at a 19% IRR to the investors in the bank scenario.

10. Exit Strategy

Secondary Buyout is the most appropriate exit strategy due to VL's strong operational cash flow with high EBITDA margins, resilient top-line growth, and the overall attractiveness of the sector. Potential for further growth strategies remain after VL's holding period. There is a strong interest by PE firms for companies in the fertility sector observed through relatively high M&A activity (Appendix 36). This is driven by a focus shift of PE firms towards more recession-resilient investments in light of current market sentiment. Private equity is driving consolidation in the IVF market with 41 buyouts worth a total of SEK 71.9bn in 2022 and already 30 buyouts in 2023 totaling to SEK 24.9bn (Stevenson 2023). However, Trade Sale should be considered as a backup exit strategy in case of a worsening private equity buyout environment. For the Secondary Buyout, three main PE firms were selected, KKR, Bain Capital, and Blackstone, due to their M&A activity within the field indicating a potential interest in acquiring VL. Furthermore, future value creation opportunities include investments into tech-based projects (i.e., machine learning for embryo selection) (Karadima 2022). Thus, buy-and-build targets are software companies offering IVF Technologies and AI tools (i.e., Alife Health). Lastly, PE firms can take advantage of notable activity in Asia-Pacific where demand for fertility is expected to grow the strongest. The availability of future value creation opportunities proves the attractiveness of VL's business model.

11. Due Diligence

To proceed the acquisition of VL, several in-depth DD processes need to be conducted. Key areas in the commercial DD will be a thorough analysis of the new management team, particularly of the new leader Brophy, as well as VL's exact customer and supplier split and feasibility of implementing the turnaround strategy. This involves a full DD on the add-on acquisition, VL's capability of penetrating the EE market and the firm's potential to advance in the provision of AI technology to increase its leading position in the field. The assessment of commercial key areas will form the basis to proceed to the financial DD which focuses on the feasibility of future cash flows, revenue, and cost forecasts broken down on product level. Additionally, it is essential to identify the most suitable mix of debt instruments for the LBO while assuring the compliance with negotiated debt covenants at any point in time. On the legal side, it is crucial to analyze VL's regulatory compliance status in Consumables and Technologies, while also deeply looking at VL's patents and other forms of IP.

12. Conclusion

VL is an attractive investment opportunity for private equity investors yielding a 3.6x MM and 26.7% IRR over a six-year investment period. The firm's end-to-end product portfolio, its market leading position in a high-growth market and its promising R&D pipeline make it an attractive target. Through the three value creation strategies VL capabilities are further levered, enhancing its competitive advantage. VL's continuously high margins, compliance with regulatory standards and the ability to adapt to macroeconomic changes, decreases the firms risk profile, implying positive returns even when faced with severe events.

Individual Part – Business Plan

1. Introduction

VL's business plan covers the underlying financial and operational drivers, enabling the firm to achieve its objectives and create investor returns. The business plan has been developed

based on the historic financials of VL, while considering expected market developments and aligning forecasts with the firm's mission and vision. Organic growth is supported by the implementation of three value creation strategies. After providing a detailed analysis of the revenue forecasts a profound cost analysis to derive margins is conducted. Further, balance sheet considerations are discussed, followed by a FCF analysis. The acquisition of VH and its effects on all financial statements is discussed in detail, as it represents the largest value creation strategy. To account for potential changes in market developments or the performance of VL and understand the consequences on the firm's EBITDA, critical for investor returns, the management case is complemented with three additional cases, i.e., a Bank-, upside-, and no value creation case. Further, three different risk scenarios are developed and analyzed to understand severe events adversely affecting VL's operations and highlight the robustness of VL's business model.

2. Income Statement

To derive a systematic analysis of the drivers affecting VL's revenue, growth prospects are first briefly discussed without the implementation of any value creations. Thereafter, the implementation of the Eastern Europe penetration strategy, as well as the Partnership with BAIBYs are analyzed and quantified. Lastly, the Buy and Build with Virtus Health and its implications are considered.

2.1 Standalone revenue

VL's standalone sales forecasts are broken down by the three business segments, to account for the difference in expected growth rates across the investment period. The consumable and technology business segments are further divided into the three regions in which VL operates, i.e., EMEA, the Americas, and APAC, as these also differ substantially in terms of growth prospects, given different levels of competition, socio-economic developments, and varying reimbursement systems affecting the number of performed IVF cycles.

On a standalone basis, without any value creation strategies, VL's revenues are assumed to grow in line with regional market CAGRs within the Consumable and Technology business unit, assuming that VL will keep a constant market share of 12.6% across the investment period (Vitrolife 2022). Five-year revenue CAGRs are derived by taking the median of different forecasts from market research institutes and estimates of the Stern School of Business (Damodaran 2023; GrandView Research 2022; Data Bridge Market Research 2022). Estimates of the Consumable market in EMEA range from 5.4% to 16.7%, yielding an average median of 13.3%. In APAC expected CAGRs range from 10.1% to 20.2%, with a median CAGR of 17.8% and in Americas the median CAGR in the consumable industry amounts to 9% (range from 6.8% to 16.2%). The median expected 5-year CAGR for the technology business amounts to 20.9% (19.3% to 23.1%) across all regions, whereas the genetic testing market has a median global CAGR of 9.6% (4.1% to 9.9%) (Appendix 37). The next five years are expected to be characterized by high growth. As this is not likely to hold in the long-term, post 2028 (after five years) markets are expected to decline in growth. Hence, the consumable and genetic testing markets are expected to grow at 5% p.a. As the implementation of AI algorithms is a key growth driver in the entire industry, the technology industry is assumed grow with 8% p.a., from 2028 onwards. VL has a market share of 13.4% in the consumable market, 11.1% in the technology market and 3.6% in the genetic testing market globally.

To not overestimate VL's revenue growth and to account for further consolidation practices in the industry increasing competition, it is conservatively assumed that VL will not increase its market share, but rather hold it at a constant 12.6% in the C&T sector, while the following seven main drivers underline VL's ability to hold a constant share. (1) VL holds the market leadership in the technology business area with its in-house developed time-lapse system *EmbryoScope* using its AI-based algorithm *IDAScore*. (2) VL has a promising R&D pipeline with 8 products expected to launch in 2023/24 (e.g., Antioxidant media) and more

products in development stages. (3) The acquisition with Igenomix in 2023 allows VL to provide bundles of Consumables, Technologies, and genetic tests. By giving discounts on bundles VL has a pricing advantage, making it more attractive to clinics. (4) The stickiness of its customer base, due to the need for long-term relationships to establish trust, guarantees recurring revenue streams in the future. Hence, losing customers in the short-term is highly unlikely. (5) VL differentiates itself through a continuous optimization of aftersales services in the technology area to support clinics with the correct application and move from preventive towards predictive maintenance. (6) Recent investments into VL's production facility increase automation and capacity, enabling the firm to meet increased demand. Lastly (7) VL is a pioneer in embryo evaluation, with currently developing its "next-generation"-platform. As VL is the only one in the industry combining tests and technology, the firm is able to exploit a first-mover advantage, if successful, driving long-term growth. Within the genetic testing business unit, VL is expected to decrease its market share by 0.4 percentage points (p.p.) within the first two years post-acquisition as clinics have recently in-sourced tests, having a negative effect on firms performing genetic tests. Overall, the highest growth across the investment period is expected in the technology unit with a six-year CAGR of 18.7%. The consumable business area grows at a CAGR of 12.6% The genetic testing unit is expected to grow at a six-year CAGR of 6.7%.

2.2 Eastern Europe (EE) and Partnership revenue impact

The envisioned value creation strategies of the EE market penetration and BAIBYS partnership enable VL to grow above market CAGRs within its existing business units (I.e., Consumables and Technology). Due to the acquisition of the EE distributor *Genetics s.r.o* in 2024, VL is expected to increase its consumable market share in EMEA by 3.6 p.p. (accumulated across the investment period). The strategy enables VL to grow by 2.7 p.p. above the consumable market with a CAGR of 14.6%. Overall, VL increases its market share in the Consumable market by 2.1 p.p. across the investment period (from 13.4% to 15.4%). The technology business area

revenues are affected by both the EE strategy as well as the partnership with BAIBYS. By implementing both, VL is able to secure a market share of 14.7% in 2028 compared to a 11.1% in 2022 (+3.6 p.p.), representing the area with the highest market share increase. Due to the implemented value creation strategies VL is able to grow above the market, with a CAGR of 24.3% (+5.6 p.p. above the market). There are no value creation strategies affecting the genetic testing service business area, as the firm will focus on fully integrating Igenomix and all its operations, before driving additional value creation strategies. The differences in growth rates of the business areas result in a shift in VL's sales split. The technology business area increases by 12 p.p., growing from 17% of total sales to 29% of total sales (Appendix 38).

To conclude, the technology business area grows with the highest CAGR of 24.3%, allowing VL to obtain a market share of 14.7% (+3.6 p.p) followed by the Consumable business area with a CAGR of 14.6% and a market share of 15.4% (+2.1 p.p) and the genetic testing area with a CAGR of 6.7% and a loss in market share of 0.4 p.p. (Appendix 39). In terms of geographical growth rates, VL achieves the highest growth in EMEA with a CAGR of 20.4%, and a market share increase of 4.2 p.p., as it is affected by both the EE and partnership strategies. APAC reports the second highest growth with a CAGR of 17.4%, associated with a market share increase by 0.8 p.p. The Americas grow with the lowest rate of 13.1%, implying additional market share of VL in that region of 0.3 p.p. (Appendix 40 and 41)

2.3 Cost analysis

Standalone cost forecasts are based on three-year historical averages. This is the most reasonable timeframe to consider yearly fluctuations while focusing on the changed cost structure, resulting from the Igenomix acquisition in 2021 (e.g., considerably lower sales expenses). Overall, standalone COGS are expected to decrease slightly, while OPEX are assumed to increase over the investment period (Appendix 42).

COGS are affected by two main developments, partially offsetting each other, resulting in COGS decreasing from 33.7% to 32.2% in 2028. Costs as high as in 2022 (i.e., 39.7%, reflecting expenses of 8% above the previous years) are not assumed to prevail in the future, as VL's Mgmt. has established cross-functional collaboration with other players in the healthcare market to secure critical supplies, making it a one-off cost level (Vitrolife 2022). However, to account for the recent unfavorable developments in terms of logistic bottlenecks and material shortages for media bottles, an additional 1 p.p. above the historical COGS average is added annually. The increase in costs arising from the challenging situation regarding raw material volatility, is offset by favorable developments regarding the sales split of VL, by realizing a higher sales proportion in the technology business area. Historically, VL's gross margin have moved in tandem with the sales proportion of the technology business areas, implying lower COGS (i.e., when technology sales split increased, VL's gross margin increased). This is due to lower material costs for software products, economies of scale and lower direct selling expenses, as VLs sells its software through a SaaS sales model. For every 1 p.p. increase in the technology sales split, COGS as % of sales are assumed to decrease by 0.5 p.p. (based on historical correlation) (Appendix 43). Both developments combined yield an accumulated decrease in COGS of 1.5 p.p. across the investment period.

SG&A costs, mainly consisting of costs for the global sales team and overhead costs for IT, finance and legal, are based on a three-year historical average of 24.5% of sales, increasing annually due to the AI-partnership. To support BAIBYs go-to-market strategy and provide consulting services, SG&A costs of 20% and 2% of sales are assumed, respectively. Overall, this implies an increase in SG&A costs of 1.2 p.p. across the investment period.

Given the importance of VLs R&D capabilities and additional investment requirements to finance (pre-) clinical studies to document products efficacy and safety (based on management announcements at VL Capital Markets Day 2023), R&D expenses are forecasted

to increase annually, resulting in R&D expenses of 6.2% in 2028. Other expenses are assumed to stay constant at a three-year historical average of 0.1% of sales, with a one-off set up cost for the AI-partnership in 2023, amounting to SEK 35m.

The envisioned cost changes, result in a rising gross margin of 7.5 p.p. from 60.3% in 2022 to 67.8% in 2028. Due to higher SG&A and R&D costs, VL's EBITDA margin will increase with a lower rate of 3.4 p.p. across the investment period from 32.5% to 35.9%.

2.4 VH Buy&build Income Statement implications

The acquisition with VH in 2025 provides the highest sales and EBITDA contribution, with additional EBITDA of SEK 1.1 bn in 2028. To derive this number, VH's income statement is forecasted on a standalone basis from 2022 (2021 represents last year of publicly available financials) to 2028. VH's revenue forecasts are based on the firm's estimated market share in 2021, derived from the number of IVF cycles, VH performs compared to the total number of IVF cycles performed in the respective region. Hence, VH has a market share of 18.2% in Australia and 5.8% internationally in 2021. In Australia, VL is expected to grow in line with market CAGRs, as the market is quite mature with VH being able to hold its strong market position, given its good reputation in its home market. Given recent investments into VH's European expansion, VH is expected to increase its market share by 0.5 p.p. in international markets, especially in Denmark and Ireland (Appendix 44).

The differences in VL and VH operations, imply fundamentally different cost structures. VH's COGS as percentage of sales are lower, as operations do not require production expenses, and entail lower cost items, such as fertility specialists performing cycles and costs for consumable purchases. Given that VH's COGS have remained constant over the last four years, they are assumed to stay at the same rate of 27% of sales p.a. throughout the investment period. Compared to a C&T manufacturing company, clinics have higher operational costs, especially in terms of SG&A costs. Employee benefit costs represent the largest cost bucket (43% of

sales). Given these differences, the acquisition results in lower COGS, higher Opex and an overall lower EBITDA margin (Appendix 45 and 46).

By fully integrating VH into the group, revenues and cost synergies are expected to materialize across different time horizons, benefiting the combined firm's EBITDA margin. In the short-term revenue synergies in terms of additional product sales of VL products to VH clinics are expected to materialize one year post acquisition, amounting to 3% of VH's total spendings each year (proportion of spending on Consumables p.a.). This results in additional revenues on the group level of SEK 78m in 2028. Further, SG&A expenses decrease, due to two levers. Firstly, transportation costs are expected to decrease by 1.5 p.p. each year. VH owns laboratories in Australia, Singapore, and Ireland. Thus, genetic tests, VL performs in these countries, do not need to be shipped to distant laboratories, but can be directly analyzed in the respective countries, which reduces transportation costs. Secondly, a reduction in overhead costs can be achieved through the combination of HR, Finance, IT, Legal and the Groups sustainability functions. Assuming a 10% reduction in the required headcount for overhead functions, SEK 9m can be saved p.a., starting two years post-acquisition. Two years after the acquisition, R&D synergies, amounting to SEK 30m, are expected to materialize, by leveraging the two R&D functions and combining costs for (pre-) clinical studies. Long-term synergies are expected to materialize post the investment period in the form of an improved strategic positioning and branding. Further, higher product launches and improved functionality of products can be realized through the combination of the R&D capabilities of the two firms. Direct feedback on the application of Consumables and Technologies as well as access to patient's data will improve product prototyping. Even if this will not translate into monetary effects throughout the investment period, it strengthens VL competitive positioning in the long-term, increasing its attractiveness to future investors. Overall synergies amount to 2.5% of the combined firms' sales, enabling a steadily growing EBITDA margin, post the acquisition from

32.7% in 2025 to 34.1% in 2028. Across the entire investment period EBITDA levels rise from SEK 1,025m to SEK 1,583m at exit (Appendix 47).

3. Balance Sheet

VL's balance sheet is obtained by forecasting key line items. Inventory levels, accounts receivables and payables are forecasted based on historical DIOs, DSOs and DPOs, respectively. PP&E and intangible assets are derived from last-year levels plus CapEx minus depreciation or amortization. Other current assets and liabilities are forecasted based on three-year historical averages of 3.4% and 12.5% of sales, respectively. The difference between the market value of VL and the purchase price paid, is added as goodwill in 2023, of SEK 12.6bn.

VH is acquired using the purchase acquisition accounting method, introduced in 2008 by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) (Deloitte 2021). This method is used as it strengthens the fair market value of VL at the point of the transaction. To obtain the value of both liabilities and assets, VH's P&L items as well as most essential balance sheet components (i.e., PP&E and NWC) are forecasted, based on historical averages, assuming no drastic changes in the firms operations after 2021. The enterprise value and implied EBITDA multiple of VH is derived using eight comparable transactions and nine comparable companies. Based on a forecasted EBITDA in 2025 of SEK 0.6bn and a 14% premium on the multiple to account for the required return BHG capital aims to make through this secondary buyout an enterprise value of SEK 7.4bn is obtained. An additional premium of 19% on the obtained EV is added, resulting in an enterprise value of SEK 7.5bn. Goodwill of SEK 7.2bn is added to the combined balance sheet upon the acquisition of VH, increasing VL's fair market value. The price paid above VH's market value, arises from VH's good brand reputation, its close relationship with customers and the firms proprietary in-house developed technology.

4. FCF

VL's FCF is derived through the combined EBITDA, deducting Taxes, changes in NWC as well as maintenance and acquisition CapEx. On a standalone basis, VL's Trade Working Capital, is expected to decrease, due to two main factors. DIOs are forecasted to decrease, stabilizing at 100 days on avg. to account for the difference in inventory levels due to the acquisition of Igenomix. Genetic testing companies require lower inventory levels, driving the firm closer towards genetic testing peers. Further, DPOs are expected to increase as management announced increased negotiations with suppliers to move closer to benchmark levels of 80 days on avg. With the acquisition of VH, DIOs are further expected to decrease to approximately 75 days on avg., as clinics are characterized by low inventory levels. DPOs are expected to increase to around 75 days on avg., given that clinics receive payments while treatments are performed (Appendix 48). VH's low cash Conversion cycle benefits the firm's cash generation ability. Taxes are assumed to stay at a constant historical average rate of 23%.

CapEx is divided into maintenance and acquisition CapEx (Appendix 49). The majority of VL's maintenance CapEx is related to investments in PP&E, in the form of equipment and tools as well as in intangible assets, mainly related to patents, licenses, production technology and customer relationships. These are essential to VL business. Associated costs are therefore assumed to slightly increase compared to the three-year historical average. Especially, higher investments in patents will be substantial, given higher R&D costs, that would ideally lead to more patents and thus, higher patent expenses. Acquisition CapEx is required for acquiring the Eastern European distributor *Genetics s.r.o.* in 2024 and the acquisition of VH in 2025. The distributors revenue of SEK 95m implies a purchase price of SEK 160m (based on a 1.7x revenue multiple). VH is expected to be acquired for SEK 7.7bn, based on a 12.7x EBITDA multiple and SEK 150m of fees (2% of VH's EV). Overall, FCF/EBITDA levels are above 70% across all years, highlighting VLs strong cash generation ability, driven by low CapEx levels and low NWC requirements, especially after acquiring VH (Appendix 50).

5. Cases and risk scenarios

To account for deviations from the above discussed forecasts, the management case is complemented with three additional cases, i.e., the bank case, upside case and no VC case (Appendix 51 and 52). Further, three risk scenarios are discussed that account for severe events adversely affecting the firm's revenue and EBITDA developments.

For the bank case, a more conservative revenue growth for VL three business areas of 3 p.p. below management case levels, and 2 p.p. for VH sales units is assumed. Lower revenue growth could result from lower market growth, in the case of less IVF cycles or lower adaptation of technological devices than expected. Further, company specific factors, such as a loss in market share could drive these developments. Especially in the Americas, given the fierce competition, a loss in market share could materialize. Despite less favorable revenue developments, both COGS as well as operating costs could be higher than expected, affecting revenue, EBITDA and ultimately returns negatively. For VL, COGS in the bank case are assumed to be 2 p.p. above management cost levels, which could result from a more severe shortage in raw materials than expected. Operational costs are set 1 p.p. higher each year to account for higher selling expenses. For VH, COGS are set at 1 p.p. above the management case level, while 0.5 p.p. are added to all operating costs. Higher employee compensation expenses, due to a shortage of skilled labor, represents the biggest driver of less favorable cost developments. Given these conservative estimations, the bank case results in an EBITDA of SEK 2.8bn, SEK 0.82bn below the management case, showing that even with less favorable developments, VL's EBITDA remains highly positive, with a margin close to 30%.

The upside case represents more favorable developments, in case the market grows higher than expected, which could result from technological breakthroughs boosting IVF success rates. Further, company related upsides, such as scientific breakthroughs and successful clinical studies allowing VL to increase product launches, could result in higher revenue growth. As the management case assumes rather conservative cost developments, there is still

room for upside potential, especially through further integrating Igenomix and leveraging marketing synergies. A margin of 38.5% is achieved in the upside case. In the no value creation case, revenue growth is substantially lower, especially in 2025, due to the lack of VH's sales contribution. In that case EBITDA is SEK 1.53bn below management case levels.

To account for more severe events, three risk scenarios are analyzed in more detail. The highest risks affecting VLs operations are the loss of the firms' competitive advantage and the inability to adapt to changing regulations, leading to revenue reductions. Thus, it is assumed that revenue would decrease by 10% p.a. from 2025 onwards in VL's C&T business area (with stable absolute cost levels). The second risk scenario covers higher-than-expected raw material volatility, which could increase COGS levels over a longer time horizon. It is assumed that COGS are increasing by 2.5 p.p. annually, amounting to 50% COGS as percentage of sales in the year of exit. Thirdly, the acquisition of VH yields risk potential given the difference in business models. To account for this risk flat revenue growth for VH is assumed, while realizing none of the envisioned synergies (Appendix 53). Despite the fact, that in all scenarios the combined firm EBITDA is affected negatively, returns do not drop below 1.6x and in no case are covenants breached and the cash cover remains above 1.0x highlighting the robustness of VL financials. Its diverse revenue streams, combined with an asset-light business model and strong value creation strategies, enables VL to achieve high EBITDA levels.

6. Final remarks

Investor returns strongly depend on VL's performance in the coming six years, which are subject to market developments, the firm's ability to realize scientific innovation and macroeconomic factors driving costs. All forecasts are based on educated assumptions; however, forecasts are not expected to be 100% accurate. Thus, the different cases and risk scenarios provide a holistic picture of VL's performance and show investor potential deviations.

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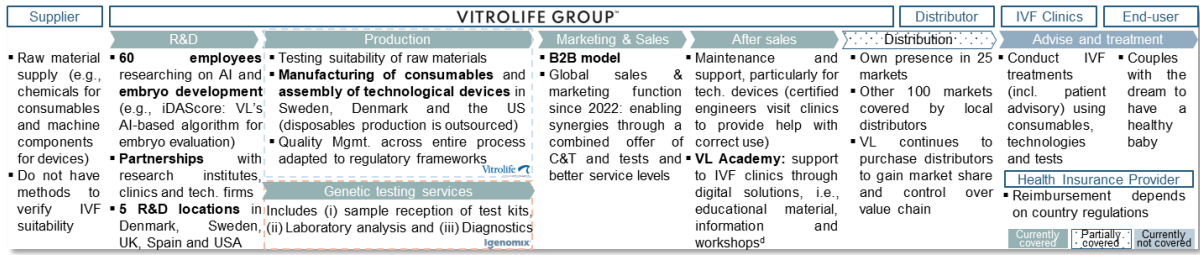
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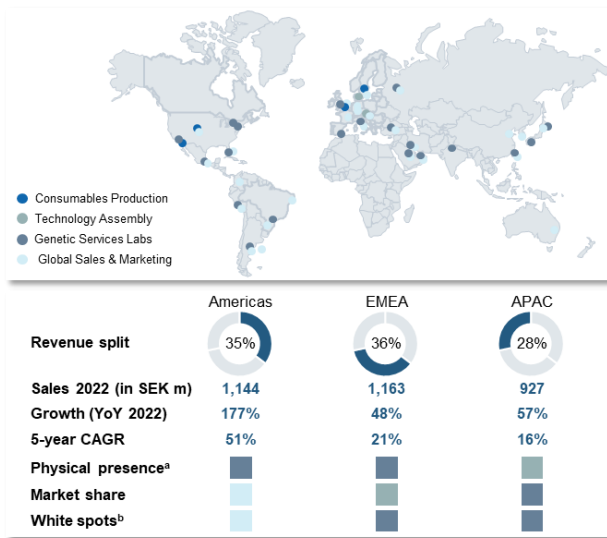
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Appendix

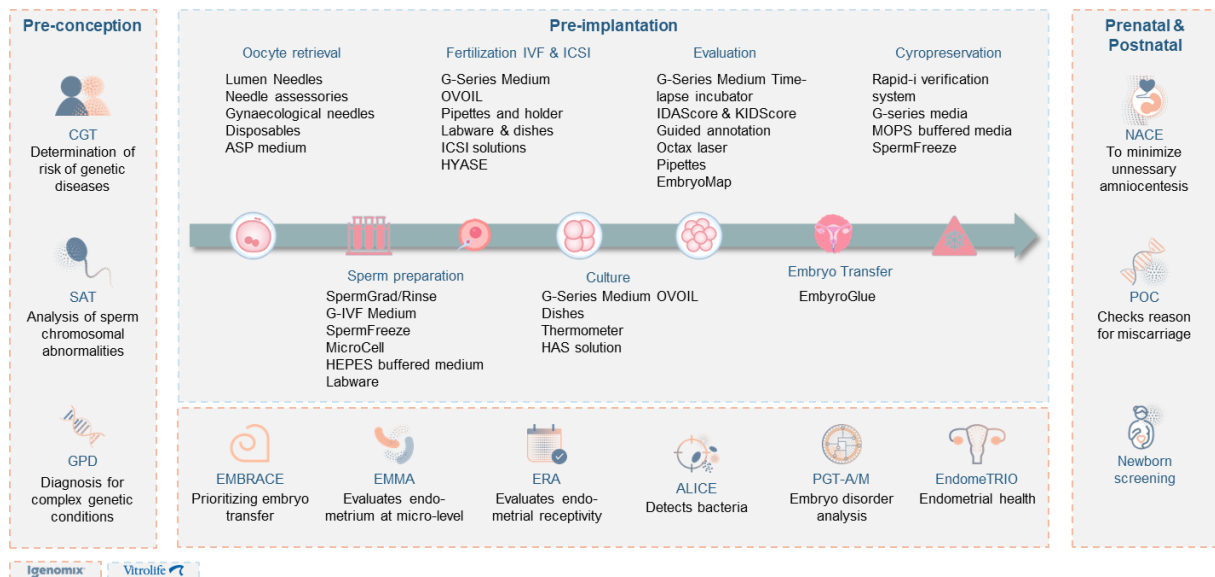
Appendix 1: Vitrolife Value chain (Vitrolife 2022)



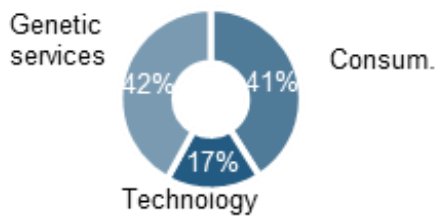
Appendix 2: Vitrolife's Group geographical analysis (Vitrolife 2022)



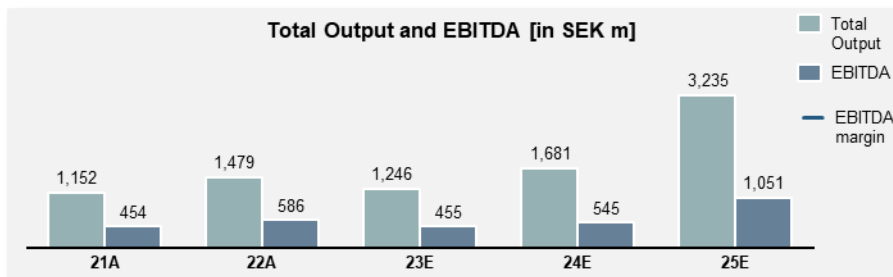
Appendix 3: Vitrolife's product portfolio (Vitrolife 2022)



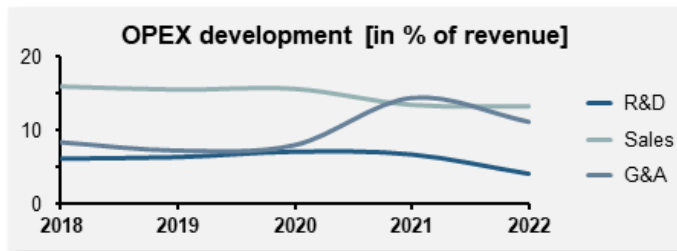
Appendix 4: Sales Split (Vitrolife 2022)



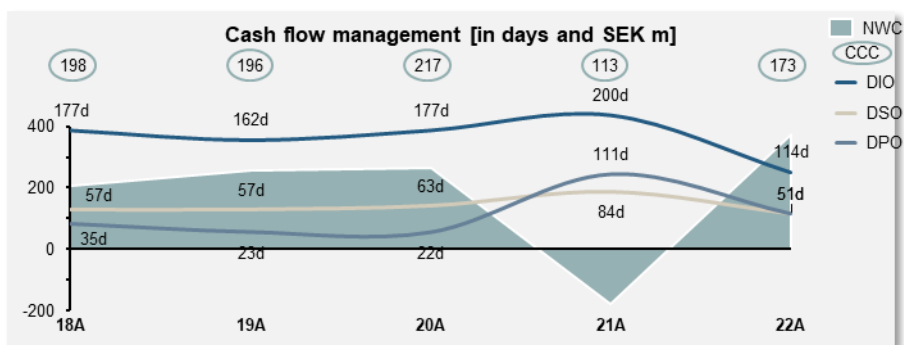
Appendix 5: Vitrolife historical revenue and EBITDA development (Vitrolife 2022)



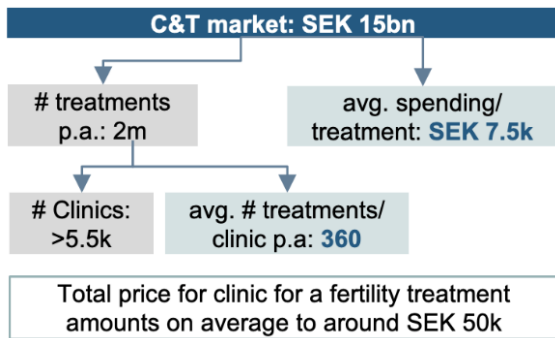
Appendix 6: Vitrolife historical cost development (Vitrolife 2022)



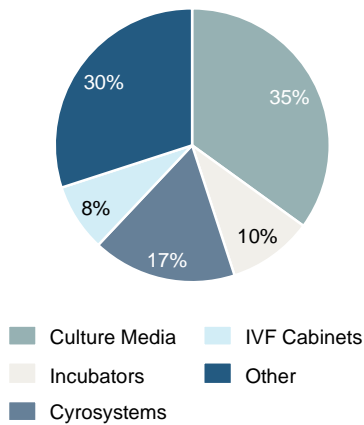
Appendix 7: Vitrolife historical NWC levels (Vitrolife 2022)



Appendix 8: Medical Consumables and Technological Devices Addressable Market (Vitrolife 2021)

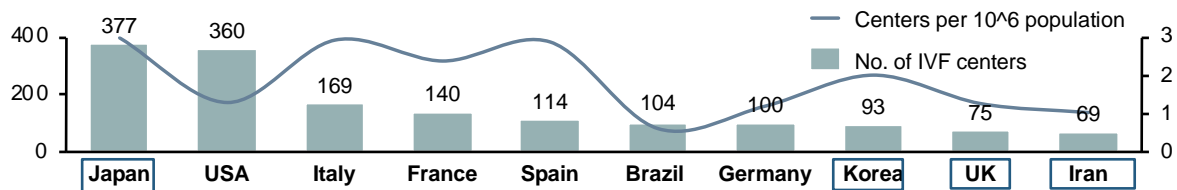


Appendix 9: Revenue Share per C&T Market Segment (2022) (Research Nester 2023)

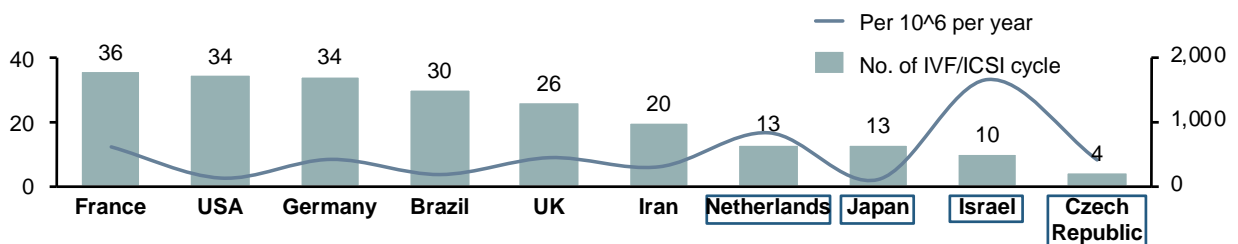


Appendix 10: Country Analysis (IVF worldwide 2008)

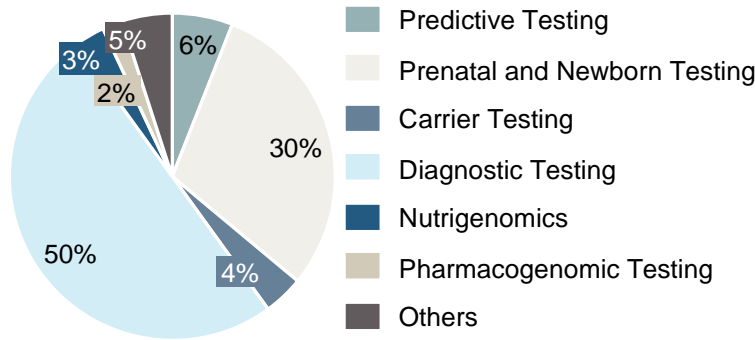
Metric for size of end-customer: IVF-ICSI centers per million for 10 largest countries



Metric for growth in the local IVF market: IVF/ICSI cycles per million per annum (in k cycles)



Appendix 11: Global Genetic Testing Market Share (2022) (Global Markets Insights 2023)



Appendix 12: APAC, EMEA and Americas Analysis

	United States	Europe	APAC	South America	Africa
Market Size	Medium	Medium	Medium	Medium	Medium
Market Growth	Medium	Medium	Medium	Medium	Medium
Regulations	Medium	Medium	Medium	Medium	Medium
Competition	Medium	Medium	Medium	Medium	Medium
Physical Presence	Medium	Medium	Medium	Medium	Medium

APAC
<ul style="list-style-type: none"> Fastest-growing market making it attractive for VL to expand its local presence: 17.7% CAGR IVF Consumables & 20.3% CAGR IVF Technologies^{3,d} Favorable changes in reimbursement services (Japan's expansion of public medical insurance in 2023 & China's removal of one-child policy⁵) High investment in advanced technology Growing public acceptance for IVF⁵ Fertility tourism: Low costs, less stringent regulations Increasing foreign investment to penetrate developing countries⁵ Limited ability to pay since it's a developing region

EMEA
<ul style="list-style-type: none"> 2nd highest expected CAGR due to government incentives, Medical Tourism & AI growth with Eastern Europe as fastest growing region³ Many EU countries have fertility rates of less than 1.5 children per woman, with Germany, France, UK, Italy being major contributor⁵ Eastern Europe exhibits a growth in cross-border reproduction tourism, technological development and cost efficiencies High growth potential in some attractive regions²: Eastern Europe exhibits a CAGR 21.5%⁸ & 12.6% market share of EMEA market⁷ Medical Tourism: Belgium, Israel, Czech Republic are fertility tourism hotspots due to favorable reimbursement scenarios, cost-effective IVF treatments and advanced medical techniques⁵ Limited competition in some regions (Eastern Europe) Favorable proximity of countries (ability to leverage sales synergies, logistics and customer support) Eastern Europe exhibits a growth in cross-border reproduction³ Focus on AI development: New EU medical device regulation standards for AI in IVF procedures EU countries have a more regulated system for IVF treatments compared to America and Asia <p>EU regulations^c: 43 countries have a legal framework for AR^{4,6}</p> <ul style="list-style-type: none"> 11 countries still limit access to heterosexual couples with an infertility diagnosis (Czech Republic, France, Italy) General age limit: Sperm donors (18-40), egg donors (18-35) Legal to donate sperm for IVF in most EU countries, but egg donation is banned in Germany, Turkey, Switzerland, Norway Provide public financial assistance by the government (i.e., Czech Republic, Belgium, Denmark); only 4 countries offer no financial assistance (i.e., Ireland)

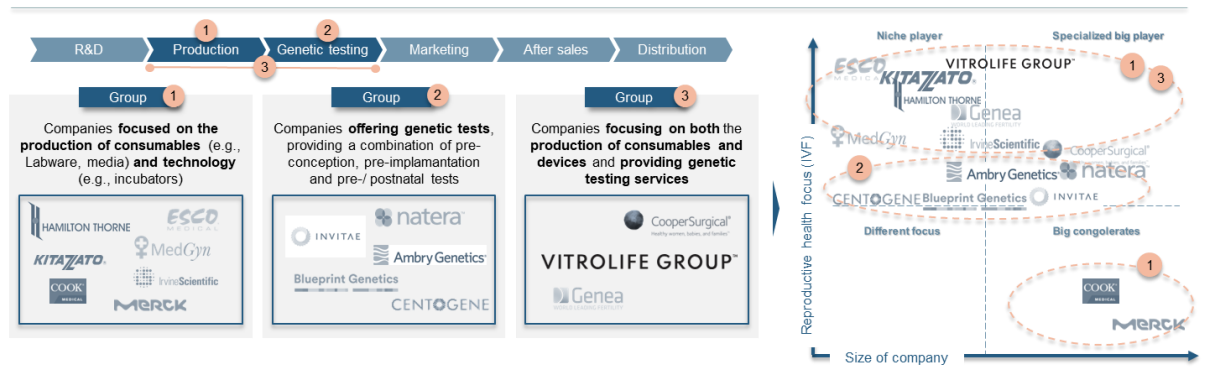
Americas
<ul style="list-style-type: none"> Currently largest market but growth is expected to stagnate in the future Growth is driven by standardization of procedures through automation, regulatory reforms, funding for egg/sperm storage <p>North America</p> <ul style="list-style-type: none"> High demand and availability of IVF Ability to pay for services is high Regulations allow commercialization of sperm & eggs for specific purposes⁵ Highly competitive & saturated landscape (many established players) No Federal law for reimbursement (most patients pay themselves)² Conservative perception: Some states prohibit surrogacy or embryo donation Lack of proximity between states <p>Central & South America</p> <ul style="list-style-type: none"> Low growth & lack of customers Limited availability of egg donors, surrogacy is commercially not available⁵ Considered morally & religiously unacceptable¹ Lack of insurance coverage Lack of national regulation initiates a medical tourism paradise which increases the possibility of abuses, fraud and clinical risk¹

Notes: a) Based on calculations of EE market size growth from 2022 to 2028; b) See [appendix](#) for a country-level analysis; c) See [appendix](#) for an in-depth analysis of the EU regulations; d) CAGRs are from 2022 to 2027; e) based on number of IVF cycles
Source: 1) Suarez-Lopez et al. (2021); 2) IVF Worldwide (2008); 3) From previous market research slides; 4) ESHRE (2020); 5) Patrino et al. (2022); 6) Calhaz-Jorge et al. (2020); 7) Wyns et al. (2021)

Appendix 13: Deep Dive Country Analysis

Country	Availability	Max Age (Women) ¹	Sperm donation ¹	Egg donation ¹	Embryo donation ¹	Surrogacy ¹	Fertility rate	Cost per IVF cycle (own egg)	IVF cycles per million per annum ²	Reimbursement ²	Advantage for Vitrolife
Czech Republic	Infertile heterosexual couples (IHC)	49	Yes	Yes	Yes	Yes	1.67	SEK 23,000-40,000 ³	4,195	100% for up to 4 cycles IVF and six IUI for women aged 22-39 years	Tourism Hotspot, "Eastern Europe highest growth potential for IVF" ⁹
Hungary	IHC Single women	45	Yes (only anonym)	Yes (only from relatives)	Yes (altruistic basis)	No	1.56	SEK 26,000 ³	1,469	Government's ban on private IVF treatment ⁵	Eastern Europe has one of the highest growth rate, strategic position
U.K.	IHC Single women Female & male couples	50	Yes	Yes	Yes	Yes	1.75	average EUR 7,000 ³	25,878	No national policy, reimbursement is up to each Health Authority	
Turkey	IHC	46	No	No	No	No	1.9	average SEK 28,000 ³	2,383		IVF Tourism Hotspot
Belgium	IHC Single women Female & male couples	47	Yes	Yes	Yes	Yes	1.72	SEK 35,000-42,000 ⁸	4,038		IVF Tourism Hotspot: 13 of every hundred IVF cycles was for non-resident ⁶
Denmark	IHC Single women Female couples	45	Yes	Yes	No	No	1.76	SEK 38,000-53,000 ³	3,760	3 cycles reimbursed, but only in public clinics	Location of AI development R&D team
Israel	IHC Single women Female & male couples	45	Yes	Yes	Yes	Yes, but only for IHC	2.97	SEK 44,000-56,000 ³	9,913	Public insurance system provides free IVF treatment for first 2 children to all residents regardless of income, marital status, age ⁷	IVF Tourism Hotspot Government incentives Highest IVF utilization rate globally
Japan	IHC	43	Yes	Yes	No	No	1.44	SEK 44,000 ³	12,754	Not reimbursed, medical costs for OI/UI are reimbursed 70-80%	Second largest market, Government subsidies
Australia	IHC Single women Female & male couples	50	Yes	Yes	Yes	Yes	1.79	SEK 57,000 - 105,000	7,749	Medicare (publicly funded healthcare system) provides rebates for IVF (NSW AD\$2,000 Rebate)	APAC has one of the highest growth rates due to aging population

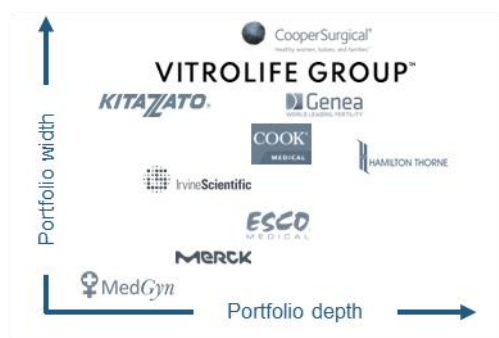
Appendix 14: Competitor analysis Overview (Vitrolife 2022; Competitors 2022; Refinitiv; 2023)



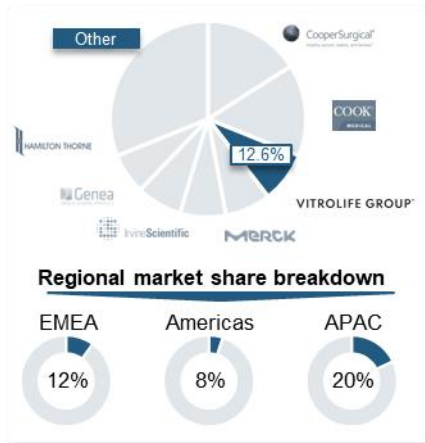
Appendix 15: Competitor analysis - Consumable and Technology market (Vitrolife 2022; Competitors 2022; Refinitiv; 2023)

	VITROLIFE GROUP	CooperSurgical	HAMILTON THORNE	KITAZATO	IviveScientific	COOK	Genea	ESCO	MERCK	MedGyn
HQ	Sweden	USA	USA	Japan	USA	USA	Australia	China	Germany	USA
Markets	125	100+	40	27	n/a	135	60	100+	n/a	1 M
Revenue (SEK bn) ^a	1.9	3	1	0.7	1.7	2.7	1.7	0.8	1.7	0.1
Headcount	1,100	3,000	1,600	250	400	11,000	250	80	n/a	n/a
IVF only	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Focus	Media + time-lapse	None	Embryo, sperm	Media, tools	Labware, media, AI	Labware	Fertility ecosystem	Equipment	Drugs, lab. Tech.	Pipettes, catheter
Clients										
Product similarity										
Laboratories Clinics/Hospitals Pharmaceutical companies Animal breeding										

Appendix 16: Competitor analysis - Consumable and Technology portfolio analysis (Vitrolife 2022; Competitors 2022; Refinitiv; 2023)



Appendix 17: Vitrolife Consumable and Technology market share (Vitrolife 2022; Competitors 2022; Refinitiv; 2023)

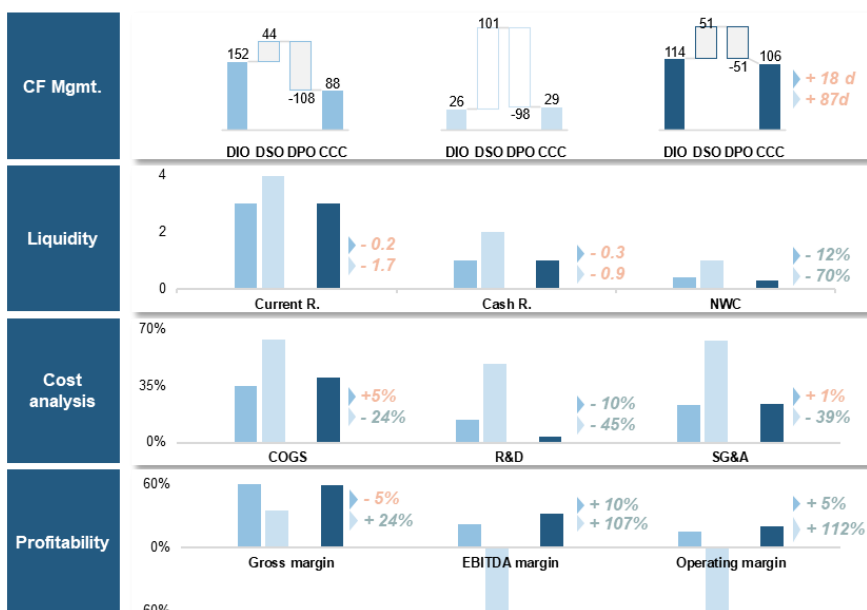


Appendix 18: Competitor analysis – Genetic testing market (Vitrolife 2022; Competitors 2022; Refinitiv; 2023)

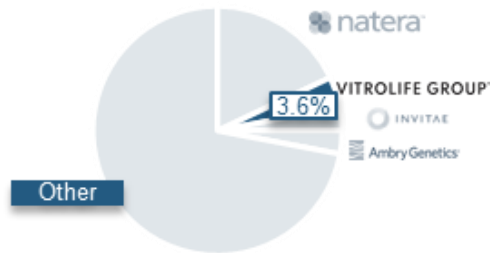
	VITROLIFE GROUP	natera	Genea	CooperSurgical	INVITAE	CENTOGENE	AmbyrGenetics	Blueprint Genetics
HQ								
Markets	125	80+	60	100	10	120+	60	100
Revenue ^a (SEK bn)	3.2	7.0	1.7	3.0	4.6	0.4	1.7	3.0
RH ^b Revenue (SEK bn)	1.3 (41%)	6.8 (97%)	n/a	n/a	0.8 (18%)	n/a	n/a	n/a
Headcount	1,100	3,018	450	3,000	1,700	530	450	3,000
Phase focus								

Test similarity:

Appendix 19: Competitor analysis Financials (Vitrolife 2022; Competitors 2022; Refinitiv; 2023)



Appendix 20: Appendix 14: Vitrolife Genetic testing market share (Vitrolife 2022; Competitors 2022; Refinitiv; 2023)



Appendix 21: Strategic partnership with BAIBYS

Status Quo	Strategy	Levers												
<p>VL holds market leadership in time-lapse technology and AI-based embryo decision support tools</p> <ul style="list-style-type: none"> Due to various research breakthroughs in the past and partnerships with leading AI companies, VL was able to secure a market leading position within the technology sector VL's <i>EmbryoScope</i> is a registered trademark and the product that represents VL's biggest competitive advantage <p>Technology area yields the highest growth potential</p> <ul style="list-style-type: none"> The AI market has an estimated CAGR of 37.3%, signifying one of the most substantial trends within the IVF industry This robust growth underscores the rationale for expansion through strategic partnerships, which are essential for further growth and technological innovation <p>CAGR C&T IVF market vs. AI market</p> <p>14% 37%</p> <p>Recent partnerships of VL</p> <p>2019 illumina</p> <ul style="list-style-type: none"> Licensing and commercialization agreement for genetic testing Total value: SEK 144m² <p>2019 virtus</p> <ul style="list-style-type: none"> Transfer of intellectual property and patent applications for AI technology in time-lapse machines (iDAScore) Total value: SEK 83m² 	<p>Build partnerships with pioneers in the AI-IVF industry</p> <ul style="list-style-type: none"> VL will enter a partnership with BAIBYS™, a company specialized in autonomous sperm selection using AI Partnership will be structured similar to recent partnership with Virtus Health, where VL pays for the transfer of IP and achievement of defined targets <p>BAIBYS™ <i>Select with care</i></p> <p><i>"We are proactively seeking [for] such collaborations and having a dialog with strategics."</i> - CEO, BAIBYS™</p> <p>Why a sperm selection partnership?</p> <ul style="list-style-type: none"> Need for active sperm selection is increasing, as sperm quality is continuously decreasing, resulting in higher infertility amongst men Sperm cells are the smallest cells in the human body and are constantly moving, making the selection process more challenging and time consuming Manual sperm selection costs around SEK 20k⁵, making it an expensive component of the IVF process Market is expected grow at a CAGR of 4.5% to SEK 58,211m by 2028⁵ <p>Partnership with BAIBYS allows VL to get access to a sophisticated sperm selection AI, enabling faster go-to-market while reducing risk and cost of developing an own AI</p> <ul style="list-style-type: none"> BAIBYS will get access to a larger customer base, excellent brand image by working together with a top-player like VL and expertise in constructing consoles and consumables³ 	<p>Share assumptions</p> <table border="1"> <thead> <tr> <th>Region</th> <th>Share</th> <th>Assumptions</th> </tr> </thead> <tbody> <tr> <td>EMEA</td> <td>32%^b</td> <td>Modest share attributed to reducing labor needs and high corresponding costs as well as to VL's strong presence in Europe</td> </tr> <tr> <td>AMER</td> <td>38%^b</td> <td>Highest revenue share in Americas due to reduction in high labor costs and strongest market growth</td> </tr> <tr> <td>APAC</td> <td>30%^b</td> <td>Lowest share due to low effect on labor cost savings and clinics being less developed, thus lacking necessary hardware infrastructure</td> </tr> </tbody> </table> <p>Income assumptions^c</p> <p>Total provision of 29% of revenue</p> <p>Initial set up costs for the partnership of SEK 35m</p> <p>On average selling and marketing expenses to market BAIBYS' products amount to 12% of BAIBYS' total revenue</p> <p>Consulting services for BAIBYS, focusing on the construction and development of complex consoles, will incur fees equivalent to 2% of BAIBYS' total revenue</p> <p>EBITDA forecast</p> <p>ISEK 380m add. EBITDA</p> <p>-35 0 36 82 123 168</p> <p>23E 24E 25E 26E 27E 28E</p> <p>+ 0.1x MM 7%^d</p> <p>Total additional EBITDA</p>	Region	Share	Assumptions	EMEA	32% ^b	Modest share attributed to reducing labor needs and high corresponding costs as well as to VL's strong presence in Europe	AMER	38% ^b	Highest revenue share in Americas due to reduction in high labor costs and strongest market growth	APAC	30% ^b	Lowest share due to low effect on labor cost savings and clinics being less developed, thus lacking necessary hardware infrastructure
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Appendix 22: Expert interview with Dr. Silbermann (CEO of BAIBYS)

Question 1: How do you assess the overall development of AI in the IVF industry?

[YS] To me, it is a classic case of Looking under the lamppost. At this stage, AI and other algorithms are employed very rapidly to improve the IVF process. However, the vast majority of these innovations are directed at tasks where computerizing is the easiest, and not necessarily where it is most needed and can make the most impact. Namely, such algorithms are used to optimize data-driven segments of the IVF process. The primary example is the improvement of protocols for the hormonal treatment phase which will induce ovulation, where ample data linking various protocols to their clinical success (number and quality of retrieved eggs) are available digitally. Another example is the use of AI to improve embryo selection (deciding after the eggs were fertilized by the sperm cells, which of the resulting embryos should be returned to the uterus to induce reception and pregnancy). Embryos are x100 larger than sperm cells and are idle under video cameras, so video tracking can be easily analyzed by AI algorithms. Therefore, in these two domains, of optimization of hormonal protocols and embryo selection, competition is fierce. For example, in Israel alone, five companies apply algorithms for embryo selection (AIVF, Fairtivity, Embryonics, Carmel Diagnostics, and a project in the Tel-Aviv Medical Center incubator), along with others around the world such as Overture, IVF 2.0, and independent developers.

Sperm cells, on the other hand, are the smallest cells in the human body (3x5 micrometers) and are in contact motion in six degrees of freedom (X, Y, Z motion, as well as Roll, Pitch, and Yaw turns), which made it thus far more difficult to generate from their data, and, in turn, difficult to apply innovation. IVF 2.0 makes its first steps into the market and Q-ART is still in the validation phase.

Nevertheless, in light of the global sperm crisis and the rising awareness for male fertility in general (as relatively recent data shows that the sources of fertility problems split evenly between men and women), the competition around providing innovative solutions for male infertility in general and selecting optimal sperm, in particular, may rise.

Question 2: What is your opinion on working together with bigger players in the market, to leverage the impact and speed up the customer acquisition process (Vitrolife, Merck)?

[YS] Absolutely. That is the best way to make an impact. We are proactively seeking such collaborations and having dialogs with several strategies. However, the processes with such large companies are always slow, so the start-up needs to run faster in parallel to these dialogs.

Question 3: Could you elaborate on the decision to market a robotic device instead of a SaaS model for the selection process? Is this choice influenced by specific hardware requirements essential for the operation of your technology?

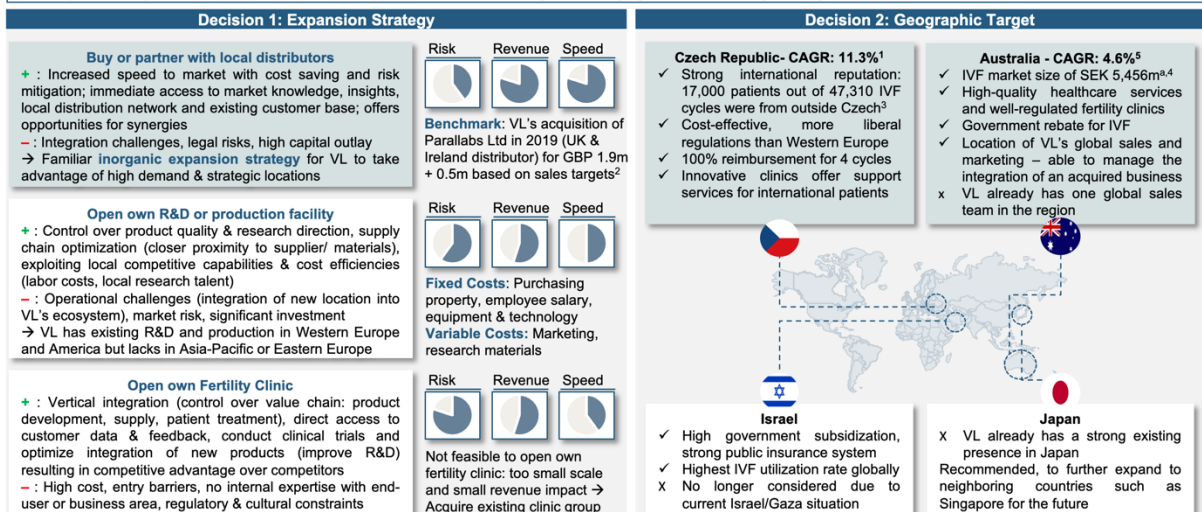
[YS] Good question. It was a significant dilemma and somewhat still is. Yes, technical considerations were a factor. To make sure that a sperm cell is normal, you need to have enough views from all of its sides. This means that you need to keep in the FOV for a couple of seconds. Due to the high magnification, we use, the FOV is very small (~150 microns). Therefore, to make sure that the sperm cell is in the FOV sufficiently long, you need to move the X-Y stage in the counter direction of its movement. For that, you need a computer-controlled motorized stage, which is not the standard in some clinics. In addition, to apply the AI algorithms in real-time, you need a strong (NVIDIA) GPU, which does not exist in every clinic. So, you already have two "must" hardware pieces. We figured that if you must supply this hardware, you better provide an "all-included" closed box that offers a complete solution. However, that was not the key argument. The most precious resource in IVF clinics is the highly trained embryologists, who are trained in ICSI. In addition, to apply the AI algorithms in real-time, you need a strong (NVIDIA) GPU, which does not exist in every clinic. So, you already have two "must" hardware pieces. We figured that if you must supply this hardware, you better provide an "all-included" closed box that offers a complete solution. However, that was not the key argument. The most precious resource in IVF clinics is the highly trained embryologists, who are trained in ICSI. We figured that one of the key values of our system is freeing more of their time. Thus, if we only had a SaaS app that highlights normal cells, but the embryologists would need to stay by the system to "hunt" the selected cells, it would just consume more of their time and it would not be attractive for clinics. On the other hand, if we provide a fully autonomous solution, which actually frees the embryologists even from picking up the cells (and, of course, selects optimal cells) it would be a major benefit for the clinic. Time is money, especially in IVF.

Question 3: How is your service/software priced?

[YS] Console, a couple of tens of thousands of EUR. Cartridges in the low hundreds.

Appendix 23: Expansion Strategy and Geographic Target Analysis

Objective for forward integration to Eastern Europe/Australia: take advantage of favorable government initiatives promoting IVF usage & genetic testing, increased commercialization of fertility clinics, large customer base available in Medical Tourism hotspots and regions with high growth rates, leverage strategic position to improve product chain & customer service



Notes: a) Originally in AUD 500m
Source: 1) Globe Newswire (2021); 2) Vitrolife Press Release (2018); 3) Inctal et al. (2022); 4) Sier (2023); 5) Allied Market Research (2019)

Appendix 24: Expert Interview with Sabrina Ritossa Fernandez; Group Sustainability Business Partner at Vitrolife (Fernandez 2023)

Question 1: What is Vitrolife's competitive advantage? What sets the company apart?

- 1) *Our quality: Clinics really value the high quality of all of our products and processes*
- 2) *Business combination with Igenomix: The recent acquisition of Igenomix has widened our portfolio. Now we are able to offer a more holistic portfolio to clinics and improv pricing. Due to the ability to bundle products we can give discounts on large purchases. Further, we can now offer genetic counselling. Our market leadership in time-lapse technology (EmbryoScope), enabled through our strong R&D capabilities*

Question 2: Can you elaborate more on the value chain of each of the three business areas

[SF]: Consumables: After sourcing the materials needed for production, we manufacture them in one of our production sites and then either ship them directly to clinics or through our distributors, which whom we work in around 100 countries

Technology: We have our assembly workshop in Denmark. We ship the entire ready-assembled machines to our clients. After-sales make up a significant amount of our revenue. Our certified engineers are send out to clinics to show them the correct application of our devices

Genetic testing: After we receive the order we send out a sample kit to doctors (tube with reagent) to distract whatever you need from patient. Then doctors send it pack, we analyze it and then send a pdf with the results. We are always available to follow-up on questions and provide genetic counselling. We do not sell tests one-by-one, but in bundles

Question 3: Can you provide more details on your customers?

[SF]: I can not provide any details on the exact customer split or who they are. I can tell you that we have a diverse and global customer base

Question 4: What are the biggest differences of the regions Vitrolife is operating in?

[SF]: The biggest differences are regulations and a countries culture in terms of conservativeness, a key variable determining testing availability. For example, there is no genetic testing in Germany, while the US, UAE and Spain are very liberal. Japan represents a huge market opportunity.

In terms of expansion, there is room in the US, but competition is quite high there. In Eastern Europe we are rather new, providing room for market share gain..

Question 5: What are your key product within each business segment

[SF]: I can not share exact product sales split, but I can tell you that in the consumable area our media products are very relevant. We have extensive expertise in media development. Overall, the EmbryoScope is our most important product in terms of revenue generation, with IDAScore gaining adaptation.

Question 6: At what level is your current capacity utilization.

[SF]: Unfortunately, I can not share exact numbers, but we have recently invested into our production capacity to be able to meet the high demand

Question 7: Looking ahead: what are strategic moves Vitrolife is going to take in the short- and long-term future?

[SF]: The market of IVF clinics is limited and we are already covering a substantial amount of the market. Despite product development in the short-term, we surely have to consider expanding our total addressable market to ensure growth. There are various options, i.e., entering the women's health business or the B2C market. I mean why would we no enter the B2C market, it yields high growth potential, and we need to get closer to patients to produce better products.

Appendix 25: Rational for Eastern European Strategy

Market Expansion

- Increase in VL's EMEA market share by taking advantage of **EE's large AM^d, medical tourism hotspot & high growth**
- Leverage distributors local status and influence to **acquire more local customers**

Revenue Growth

- Optimization of products by **accessing local knowledge**
- Significant **sales growth** in the region by acquiring the distributors EE market share and increasing VL's share of products sold from **5% pre-purchase to 35% after acquisition**
- Share sold will increase **by 10% each year**, reaching 75% in 2028 as inventory of other brands is sold and replaced gradually by VL products due to control over value chain



Cost Benefits

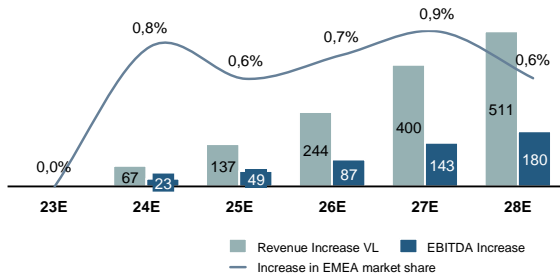
- Good **strategic position of EE** due to being close to existing VL locations (engineers, assembly lines & production), thus low distribution costs and faster product supply
- **Streamline operations** and **optimize supply chain** by eliminating redundancies in operations
- **Procurement savings** due to being able to leverage the distributors local purchasing power to negotiate better deals

Appendix 26: Purchasing multiples based on comparable transactions of distributors in 2016 and 2017

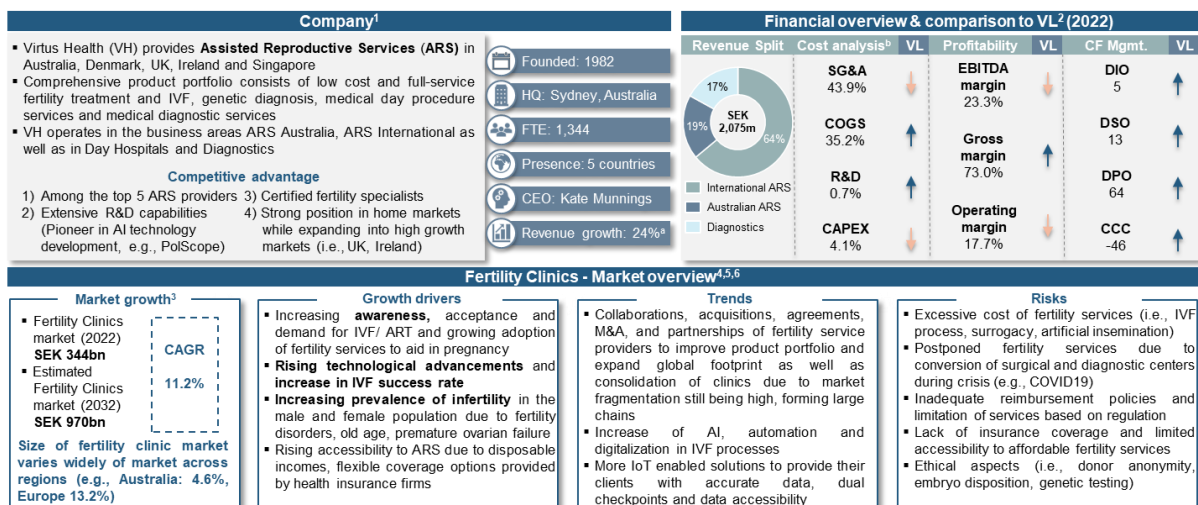
Target Company	Bidder Company	Seller Company	Date	Revenue (m)	EBITDA (m)	x Revenue	x EBITDA
Gynemed GmbH & Co. KG	Hamilton Thorne Ltd	Private investors: Fa	28.04.17	8.8	2.6	1.5795	5.3462
MTG Medical Technology Vertriebs-GmbH	Vitrolife AB (publ)	Private individuals: k	01.06.16	8.5	2	1.7937	7.6233

	x Revenue	x EBITDA
Max	1.79	7.62x
75th	1.74	7.05x
Average	1.69x	6.48x
Median	1.69x	6.48x
25th	1.63	5.92x
Min	1.58	5.35x

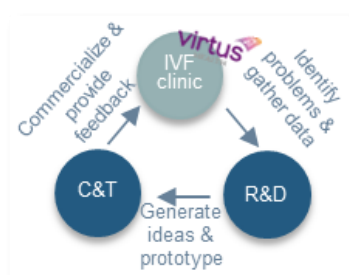
Appendix 27: Eastern Europe Penetration Return Forecast



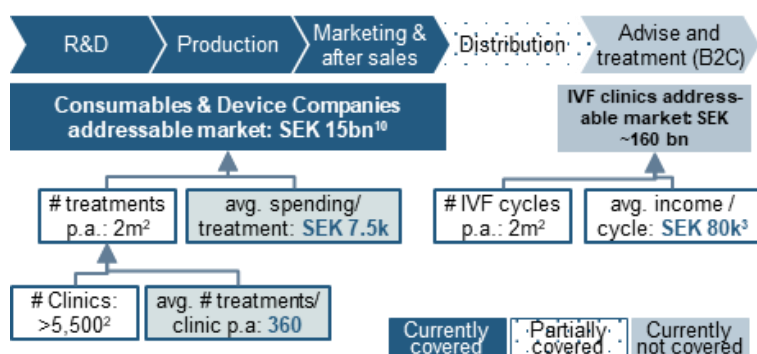
Appendix 28: M&A target Virtus Health overview (Virtus Health 2021)



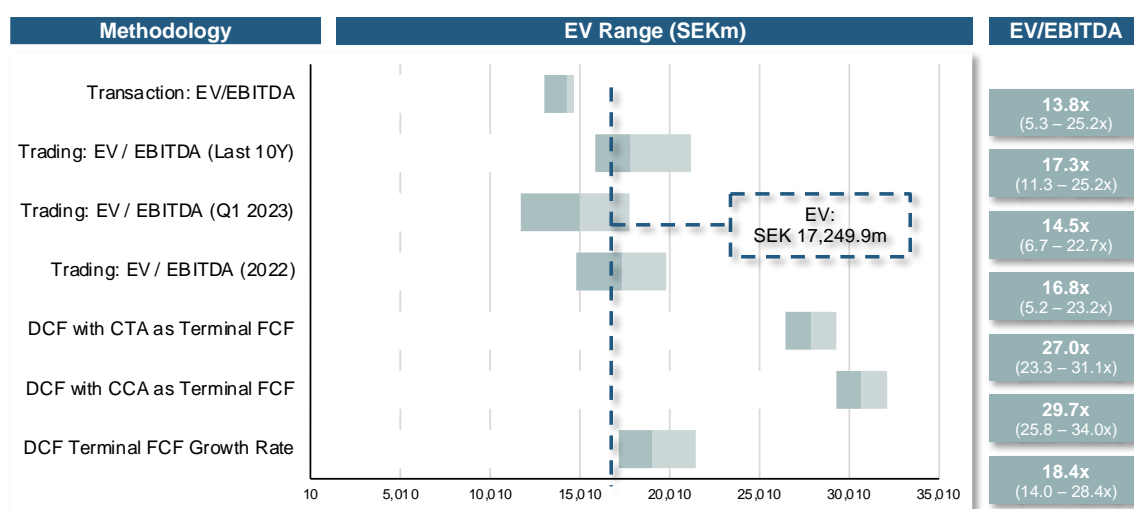
Appendix 29: Acquisition R&D capabilities rational



Appendix 30: VL's current addressable market vs. VL's potential TAM (Vitrolife 2021)



Appendix 31: Valuation Football Field



Appendix 32: Target Company – Sources and Uses

Sources of funds	SEK m	x EBITDA	Uses of Funds	SEK m	x EBITDA
Debt			EBITDA 2022	1,035.0	1.0x
Senior Debt			Multiple	16.7x	0.0x
Term Loan A	1,552.5	1.5x	Enterprise Value	17,249.9	16.7x
Term Loan B	2,070.0	2.0x	Cash	578.0	0.6x
Term Loan C	1,035.0	1.0x	Debt	2,225.0	2.1x
Subordinated Debt			Net debt adjustment	1,647.0	1.6x
Mezzanine Debt	1,035.0	1.0x	Lease liabilities	84.0	0.1x
Total debt	5,692.5	5.5x	NWC	178.9	0.2x
Equity			Total other adjustments	262.9	0.3x
Fixed Return Instrument	11,091.1	10.7x	Equity Purchase Value	15,340.1	14.8x
Ordinary Equity	1,328.9	1.3x	Financing Fees	258.7	0.2x
Institutional Ords/Investor	1,222.5		Other Fees		
Sweet Equity	106.3		DD	345.0	0.3x
Total Equity	12,419.9	12.0x	Arrangement Fee	258.7	0.2x
Total Sources	18,112.4	17.5x	Total Fees	862.5	0.7x
			Total Uses	18,112.4	17.5x

Appendix 33: Sweet Equity - Determination

SEK k		Compensation in FY22 ₁	#Shares VL	Sweet Equity	in %
Bronwyn Brophy ^a	CEO & President	23,963.0	25,000	47,926.0	3.6%
Total others^b		29,191.0		58,382.0	4.4%
Patrik Tolf	Chief Financial Officer (CFO)		8,500		
Claus Bisgaard	Senior VP Technologies		375		
Ricardo Capella	Senior VP Genetic Services		6,000		
Rickard Ericsson	Senior VP Global Sales & Marketing		2,300		
Maria Forss	Senior VP Consumables		1,303		
Karin Koritz Russberg	Senior VP HR & Sustainability		1,300		
Guillermo Ferrando	VP Strategy & Corporate development		8,500		
Total		53,154.0	53,278	106,308.0	8.0%

Appendix 34: Add-on acquisition – Sources and Uses

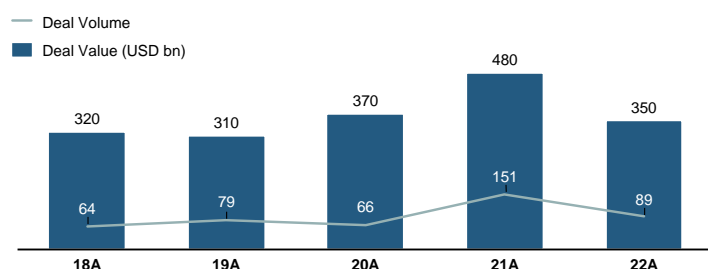
B&B acquisition	
Year of Acquisition	2025
EBITDA (SEK m)	593.7
Multiple	12.7x
EV	7,517.2
Fees	150.3
<i>Fees in %</i>	<i>2.0%</i>
Purchase Price (SEK m)	7,667.6
<i>% debt financing</i>	<i>45.0%</i>
<i>% funded by equity</i>	<i>45.0%</i>
<i>% cash used</i>	<i>10.0%</i>
Amount to borrow (SEK m)	3,450.4
New equity (SEK m)	3,450.4

Sources of funds	SEK m	Uses of Funds	SEK m
Acquisition CAPEX	3,450.40	EV	7,517.22
Cash	766.76	Fees	150.34
Equity Consideration	3,450.40	Total Uses	7,667.56
Total Sources	7,667.56		

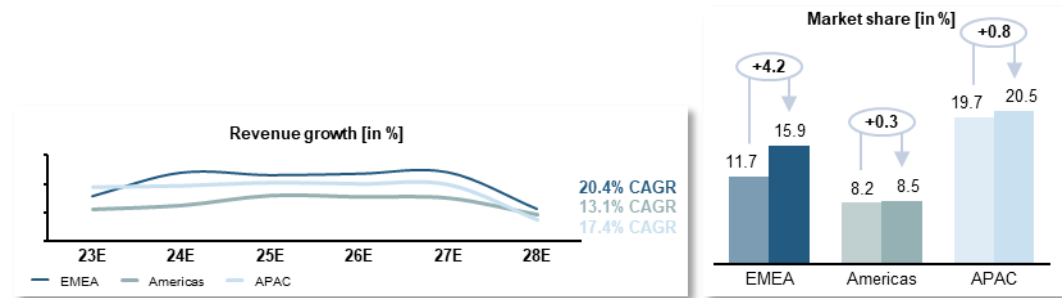
Appendix 35: Returns to the management and investors under the management scenario

Returns with Bonus Consideration	2022A	FY2023E	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E
Management proceeds - exit		123	344	992	1,951	2,874	4,078	4,579	5,173
of which is Bonus		74	190	433	713	1,100	1,631	1,951	2,299
Management equity - entry		106	106	106	106	106	106	106	106
Management MM		1.2x	3.2x	9.3x	18.3x	27.0x	38.4x	43.1x	48.7x
Management IRR		16%	80%	111%	107%	93%	83.6%	71%	63%
Returns institutional investors - exit		15,321	19,087	32,434	40,462	49,234	53,829	59,528	66,474
FRI		12,422	13,913	19,447	21,781	24,394	27,321	31,252	35,731
Ordinary shares		2,898	5,175	12,987	18,681	24,840	26,507	28,276	30,743
Institutional investor equity - entry		12,314	12,314	15,764	15,764	15,764	15,764	15,764	15,764
Institutional returns - MM		1.2x	1.6x	2.1x	2.6x	3.1x	3.4x	3.8x	4.2x
Institutional returns - IRR		24.4%	24.5%	33.0%	30.7%	28.7%	25.0%	22.7%	21.2%

Appendix 36: PE Buyouts in the fertility sector (Stevenson 2023)



Appendix 40: Geographic region growth and market share change (2022 vs. 2028)



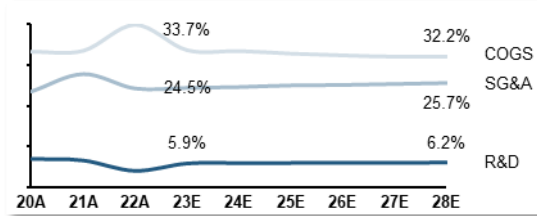
Appendix 41: Revenue model

in SEK m	22A	23E	24E	25E	26E	27E	28E	CAGR
Total revenue (incl. Add-on)	3,235	3,584	4,063	7,598	8,624	9,824	10,509	21.7%
% growth		10.8%	13.4%	87.0%	13.5%	13.9%	7.0%	
Revenue incl. VC	3,235	3,584	4,063	4,747	5,558	6,525	7,051	13.9%
% growth		10.8%	13.4%	16.9%	17.1%	17.4%	8.1%	
Revenues w/o VC	3,235	3,584	3,982	4,536	5,175	5,915	6,253	11.6%
% growth		10.8%	11.1%	13.9%	14.1%	14.3%	5.7%	
Consumables revenue (incl. VC)	1,339	1,526	1,784	2,075	2,422	2,839	3,031	14.6%
% of total revenue	41.4%	42.6%	43.9%	43.7%	43.5%	43.0%	43.0%	
% growth		14%	17%	16%	17%	17%	7%	
EMEA Revenues	497	563	681	809	968	1,165	1,274	17.0%
% growth		13%	21%	16%	20%	22%	9%	
Estimated market size	4,291	4,862	5,509	6,242	7,072	8,012	8,413	11.9%
Market share	11.6%	11.6%	12.4%	13.0%	13.7%	14.5%	15.1%	
Impact due to Eastern Europe penetration	0.0%	0.0%	0.8%	0.6%	0.7%	0.9%	0.6%	
Accumulated impact due to Eastern Europe penetration	0.0%	0.0%	0.8%	1.4%	2.1%	3.0%	3.6%	
Expected market growth		13.3%	13.3%	13.3%	13.3%	13.3%	5.0%	
The Americas revenues	324	353	385	420	457	499	523	8.3%
% growth		9.0%	9.0%	9.0%	9.0%	9.0%	5.0%	
w/o VC	324.0	353.2	384.9	419.6	457.4	498.5	523.4	8.3%
Estimated market size	3,162	3,468	3,761	4,121	4,492	4,897	5,141	
Estimated market share	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	10.2%	
Expected market growth		9.0%	9.0%	9.0%	9.0%	9.0%	5.0%	
APAC revenues	518	610	719	847	997	1,175	1,234	15.6%
% growth		16%	18%	16%	16%	17%	5%	
Estimated market size	2,556	3,010	3,546	4,118	4,921	5,797	6,087	
Estimated market share	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%	20.3%	
Expected market growth		17.8%	17.8%	17.8%	17.8%	17.8%	5.0%	

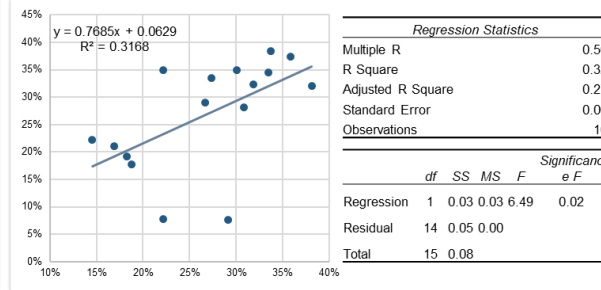
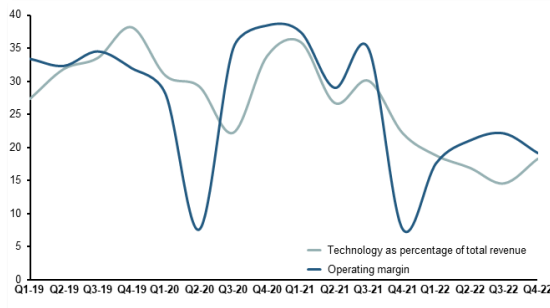
in SEK m	22A	23E	24E	25E	26E	27E	28E	CAGR
Technology revenue (incl. VC)	553	669	847	1,103	1,416	1,801	2,041	24.3%
% of total VL revenue	17.1%	19%	21%	23%	25%	26%	26.9%	
% growth		20.9%	26.6%	30.3%	28.4%	27.2%	13.3%	
EMEA Revenues	253	306	398	522	681	883	1,009	25.9%
% of total VL revenue	7.82%	8.53%	10.01%	11.52%	13.15%	14.94%	16.13%	
% growth		21%	30%	31%	30%	30%	14%	
Estimated market size	2,127	2,571	3,109	3,758	4,544	5,494	5,933	18.6%
Estimated market share	11.9%	11.9%	12.8%	13.9%	15.0%	16.1%	17.0%	
Impact due to Eastern Europe penetration	0.0%	0.0%	0.8%	0.6%	0.7%	0.9%	0.6%	
Accumulated impact due to Eastern Europe penetration	0.0%	0.0%	0.8%	1.4%	2.1%	3.0%	3.6%	
Impact due to partnership	0.0%	0.0%	0.1%	0.5%	0.4%	0.2%	0.3%	
Accumulated impact partnership	0.0%	0.0%	0.1%	0.6%	1.0%	1.2%	1.9%	
Expected market growth		20.9%	20.9%	20.9%	20.9%	20.9%	8.0%	
The Americas revenues	65	79	100	143	192	248	290	28.3%
% of total VL revenue	12%	12%	12%	13%	14%	14%	14%	
% growth		21%	28%	29%	34%	29%	27%	
Estimated market size	1,577	1,907	2,305	2,787	3,370	4,074	4,400	18.6%
Estimated market share	4.1%	4.1%	4.4%	5.1%	5.7%	6.1%	6.6%	
Impact due to partnership	0.0%	0.0%	0.2%	0.8%	0.6%	0.4%	0.5%	
Accumulated impact partnership	0.0%	0.0%	0.2%	1.0%	1.6%	2.0%	2.5%	
Expected market growth		20.9%	20.9%	20.9%	20.9%	20.9%	8.0%	
APAC revenues	235	284	348	438	544	670	742	21.1%
% of total Technology revenue	42%	42%	41%	40%	38%	37%	36%	
% growth		21%	22%	26%	24%	23%	11%	
Estimated market size	1,267	1,531	1,851	2,238	2,706	3,272	3,533	
Estimated market share	18.6%	18.6%	18.8%	19.5%	20.1%	20.5%	21.0%	
Impact due to partnership	0.0%	0.0%	0.2%	0.8%	0.6%	0.4%	0.5%	
Accumulated impact partnership	0.0%	0.0%	0.2%	1.0%	1.5%	1.9%	2.4%	
Expected market growth		20.9%	20.9%	20.9%	20.9%	20.9%	8.0%	
Genetic testing	1,343	1,389	1,432	1,569	1,720	1,885	1,979	6.7%
% of total VL revenue	42%	38.6%	36.0%	34.6%	33.2%	31.9%	28.1%	
% growth		3.4%	3.1%	9.6%	9.6%	9.6%	5.0%	
Global revenues	1343.0	1,389	1,432	1,569	1,720	1,885	1,979	8.8%
Estimated market size	37,794	41,422	45,398	49,757	54,533	59,768	62,757	
Estimated market share	3.6%	3.4%	3.2%	3.2%	3.2%	3.2%	3.2%	
Expected market growth		9.6%	9.6%	9.6%	9.6%	9.6%	5.0%	

Appendix 42: Cost developments Vitrolife (w/o Virtus Heath acquisition)

In SEK m	21A	22A	23E	24E	25E	26E	27E	28E
COGS	(564)	(1,284)	(1,207)	(1,360)	(1,561)	(1,803)	(2,097)	(2,269)
Gross Margin	1,117	1,951	2,377	2,703	3,186	3,755	4,428	4,782
Margin	66.5%	60.3%	66.3%	66.5%	67.1%	67.6%	67.9%	67.8%
R&D	(112)	(132)	(213)	(245)	(288)	(339)	(399)	(434)
as % of sales	6.7%	4.1%	5.9%	6.0%	6.1%	6.1%	6.1%	6.2%
SG&A	(468)	(787)	(877)	(1,003)	(1,190)	(1,399)	(1,659)	(1,809)
as % of sales	27.8%	24.3%	24.5%	24.7%	25.1%	25.2%	25.4%	25.7%
Other costs	(2)	(2)	(39)	(4)	(5)	(5)	(6)	(6)
Total OPEX	(573)	(900)	(1,128)	(1,252)	(1,483)	(1,743)	(2,064)	(2,250)
EBITDA	647	1,035	1,248	1,451	1,704	2,012	2,364	2,532
Margin	38.5%	32.0%	34.8%	35.7%	35.9%	36.2%	36.2%	35.9%



Appendix 43: Correlation between Vitrolife's technology revenue split and its margin

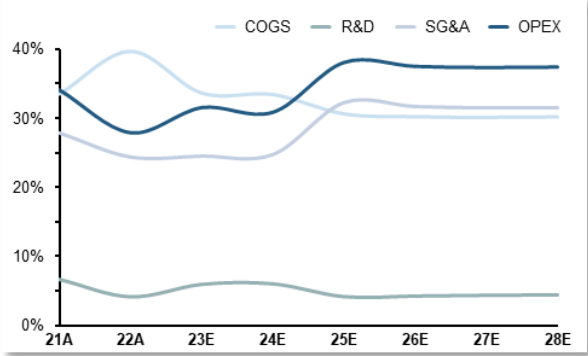


Appendix 44: Virtus Health revenue forecasts

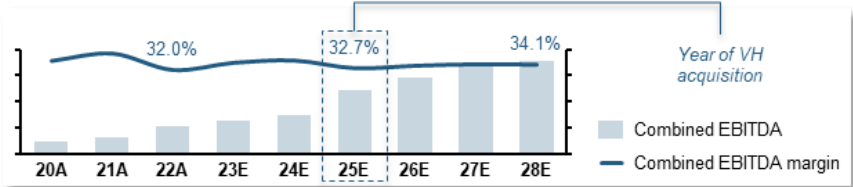
SEK m	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	CAGR
Buy & Build - Virtus Health	0.0	0.0	0.0	0.0	2,787.2	2,997.0	3,226.3	3,380.6	3,542.3	3,711.8	
Virtus health total revenue	2,075	2,219	2,376	2,547	2,787	2,997	3,226	3,381	3,542	3,712	
% growth		7%	7%	7%	9%	8%	8%	5%	5%	5%	
Healthcare Services Australia	1,332	1,393	1,457	1,524	1,595	1,668	1,745	1,825	1,909	1,997	
% growth		4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	
Estimated market size (based on # of beds)	7,306	7,642	7,994	8,361	8,746	9,148	9,569	10,009	10,470	10,951	
Estimated market share	18.2%	18.2%	18.2%	18.2%	18.2%	18.2%	18.2%	18.2%	18.2%	18.2%	
Expected market growth		4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.60%
Healthcare Services International	384	435	493	558	688	779	883	927	973	1,022	
% growth		13%	13%	13%	23%	13%	13%	5%	5%	5%	
Estimated market size	6,675	7,562	8,568	9,708	10,999	12,462	14,119	14,825	15,566	16,345	
Estimated market share	5.8%	5.8%	5.8%	5.8%	6.3%	6.3%	6.3%	6.3%	6.3%	6.3%	0.50%
Expected market growth		13.3%	13.3%	13.3%	13.3%	13.3%	13.3%	5.0%	5.0%	5.0%	13.3%
Hospital and Diagnostic services	359	391	426	464	505	550	599	629	660	693	
% growth		9%	9%	9%	9%	9%	9%	5%	5%	5%	
Expected revenue growth		9%	9%	9%	9%	9%	9%	5.0%	5.0%	5.0%	8.90%

Appendix 45: Combined costs of Vitrolife and Virtus Health

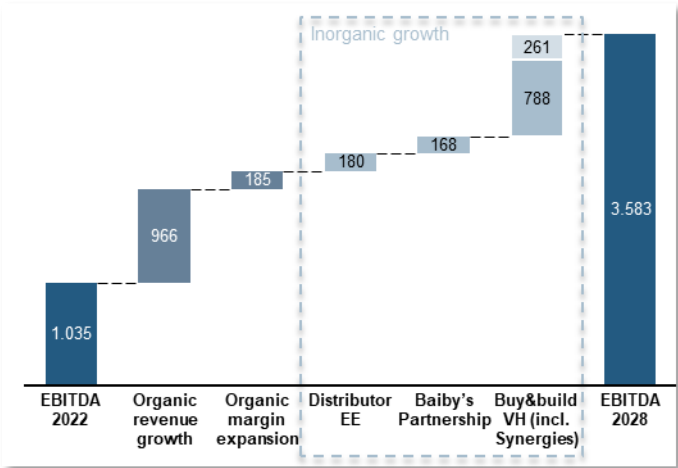
In SEK m	21A	22A	23E	24E	25E	26E	27E	28E
COGS	(564)	(1,284)	(1,207)	(1,360)	(2,312)	(2,612)	(2,967)	(3,181)
Gross Margin	1,117	1,951	2,377	2,703	5,222	6,013	6,858	7,329
Margin	66.5%	60.3%	66.3%	66.5%	69.3%	69.7%	69.8%	69.7%
R&D	(112)	(132)	(213)	(245)	(309)	(361)	(423)	(460)
as % of sales	6.7%	4.1%	5.9%	6.0%	4.1%	4.2%	4.3%	4.4%
SG&A	(468)	(787)	(877)	(1,003)	(2,426)	(2,729)	(3,090)	(3,309)
as % of sales	27.8%	24.3%	24.5%	24.7%	32.2%	31.6%	31.4%	31.5%
Other expenses	(2)	(2)	(39)	(4)	(133)	(143)	(155)	(162)
Total OPEX	(573)	(900)	(1,128)	(1,252)	(2,868)	(3,233)	(3,668)	(3,931)
Synergies					110	123	176	184
EBITDA	647	1,035	1,248	1,451	2,463	2,902	3,366	3,582
Margin	38.5%	32.0%	34.8%	35.7%	32.7%	33.6%	34.3%	34.1%
	46%	60%	21%	16%	70%	18%	16%	6%



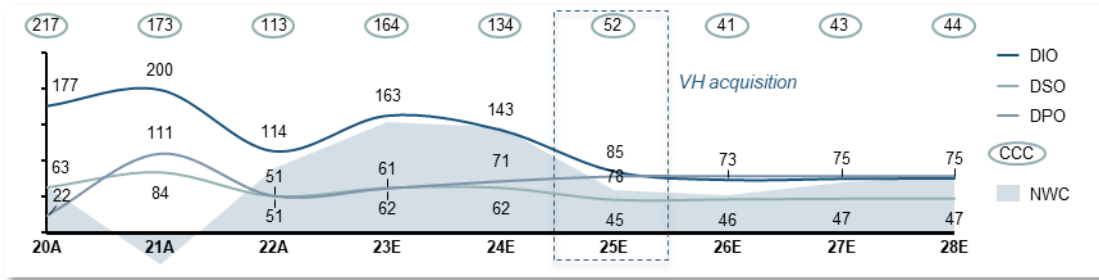
Appendix 46: Combined EBITDA



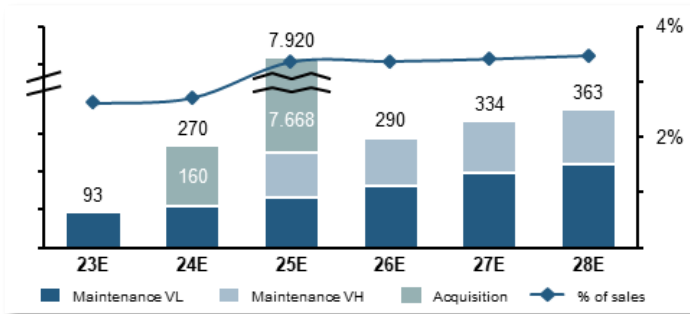
Appendix 47: EBITDA bridge from entry (2022) to exit (2028)



Appendix 48: NWC developments across the investment period



Appendix 49: Maintenance and acquisition CapEx across the investment period



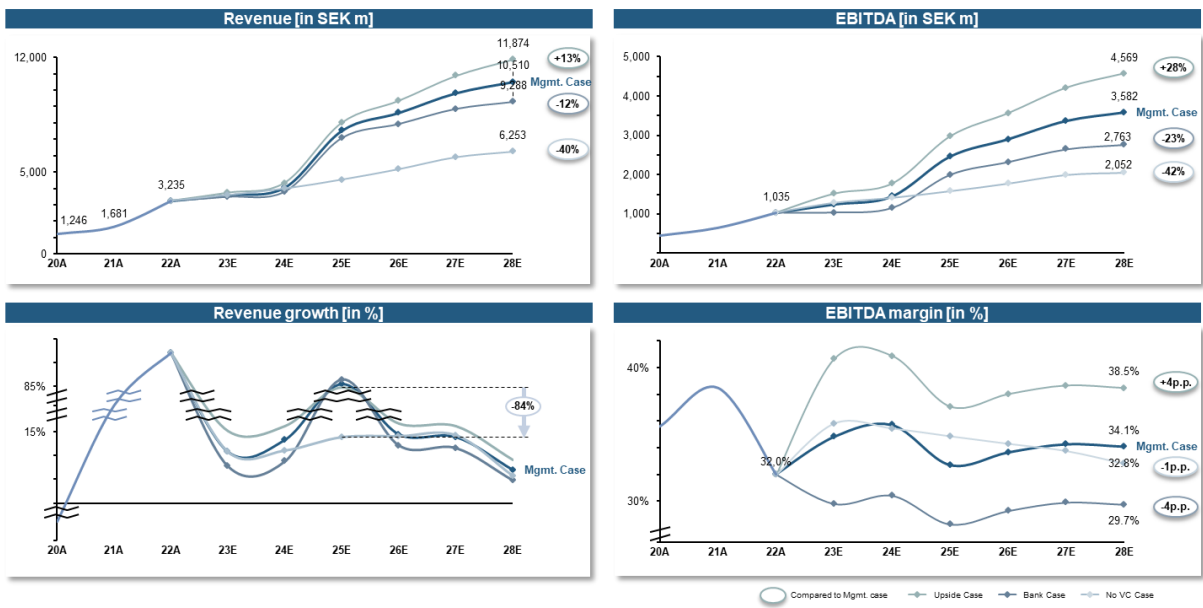
Appendix 50: Free Cash Flow across the investment period

In SEK m	23E	24E	25E	26E	27E	28E
EBITDA	1,248	1,451	2,463	2,902	3,366	3,582
Change in NWC	(261)	31	62	30	(70)	(36)
Tax	(15)	(61)	(198)	(313)	(435)	(501)
Tax Rate	23%	23%	23%	23%	23%	23%
Maintenance CapEx	(93)	(110)	(252)	(290)	(334)	(364)
% of sales	4%	4%	4%	4%	4%	4%
Acquisition CapEx		(160)	(7,668)			
FCF before financing	879	1,151	(5,592)	2,329	2,527	2,681
FCF w/o acquisition	879	1,094	2,076	2,329	2,527	2,681
FCF conversion	70.4%	75.4%	84.3%	80.3%	75.1%	74.8%

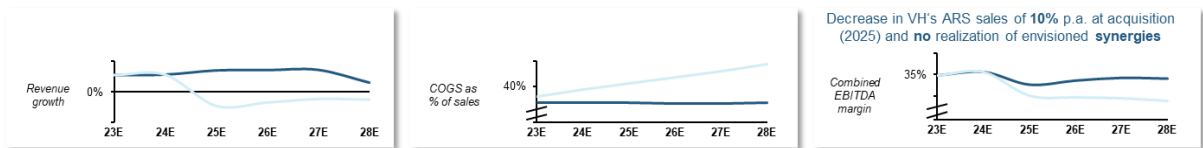
Appendix 51: Four main cases on the P&L figures

Year (SEK M)	Management Case**						Bank Case*						Upside Case*						No Value Creation Case*					
	23E	24E	25E	26E	27E	28E	23E	24E	25E	26E	27E	28E	23E	24E	25E	26E	27E	28E	23E	24E	25E	26E	27E	28E
Total sales*	3,584	4,063	7,534	8,624	9,825	10,510	3,487	3,796	7,078	7,938	8,861	9,288	3,728	4,335	8,010	9,355	10,876	11,874	3,584	3,982	4,536	5,175	5,915	6,253
YoY growth	10.8%	13.4%	85.4%	14.5%	13.9%	7.0%	7.8%	8.9%	86.4%	12.2%	11.6%	4.8%	15.2%	16.3%	84.8%	16.8%	16.3%	9.2%	10.8%	11.1%	13.9%	14.1%	14.3%	5.7%
COGS	(1,207)	(1,360)	(2,312)	(2,612)	(2,967)	(3,181)	(1,244)	(1,351)	(2,281)	(2,521)	(2,805)	(2,940)	(1,155)	(1,361)	(2,333)	(2,691)	(3,122)	(3,422)	(1,207)	(1,348)	(1,553)	(1,791)	(2,067)	(2,231)
Gross Profit	2,377	2,703	5,222	6,013	6,858	7,329	2,243	2,445	4,796	5,417	6,056	6,348	2,572	2,975	5,677	6,664	7,755	8,452	2,377	2,633	2,982	3,384	3,848	4,022
Margin in %	66.3%	66.5%	69.3%	69.7%	69.8%	69.7%	64.3%	64.4%	67.8%	68.2%	68.3%	68.3%	69.0%	68.6%	70.9%	71.2%	71.3%	71.2%	66.3%	66.1%	65.8%	65.4%	65.1%	64.3%
R&D	(213)	(245)	(309)	(361)	(423)	(460)	(242)	(269)	(341)	(387)	(439)	(462)	(182)	(216)	(269)	(326)	(396)	(445)	(213)	(245)	(288)	(339)	(399)	(434)
SG&A	(877)	(1,003)	(2,426)	(2,729)	(3,090)	(3,309)	(923)	(1,015)	(2,411)	(2,664)	(2,966)	(3,121)	(837)	(981)	(2,429)	(2,779)	(3,199)	(3,487)	(877)	(974)	(1,109)	(1,266)	(1,447)	(1,530)
Other Costs	(39)	(4)	(133)	(143)	(155)	(162)	(39)	(4)	(145)	(154)	(163)	(169)	(39)	(4)	(121)	(132)	(145)	(154)	(4)	(4)	(5)	(5)	(6)	(6)
Total OPEX	(1,128)	(1,252)	(2,868)	(3,233)	(3,668)	(3,931)	(1,203)	(1,288)	(2,897)	(3,205)	(3,569)	(3,752)	(1,058)	(1,201)	(2,819)	(3,237)	(3,740)	(4,086)	(1,093)	(1,223)	(1,402)	(1,610)	(1,852)	(1,970)
Cost Synergies			110	123	176	184			104	113	163	167			116	132	191	203						
EBITDA	1,248	1,451	2,902	3,366	3,582		1,039	1,156	2,003	2,326	2,650	2,763	1,515	1,773	2,974	3,559	4,205	4,569	1,283	1,411	1,581	1,775	1,996	2,052
Margin in %	34.8%	35.7%	32.7%	33.6%	34.3%	34.1%	29.8%	30.5%	28.3%	29.3%	29.9%	29.7%	40.6%	40.9%	37.1%	38.0%	38.7%	38.5%	35.8%	35.4%	34.8%	34.3%	33.8%	32.8%

Appendix 52: Visualization of the financial performance of the four cases



Appendix 53: Risk scenarios



VITROLIFE GROUP™

Igenomix® Vitrolife 

Investment Committee Paper

December 2023

Christine Skucha
Emily Pollich
Laura Berg
Vinzenc Mauritius Kalus

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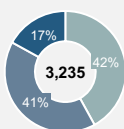
Vitrolife is an attractive investment opportunity yielding an overall 3.6x MM at an IRR of 26.7% across a six-year holding period.

VITROLIFE GROUP™

Executive Summary

1. Vitrolife Overview

Revenues



Gross margin

60.3%

EBITDA margin

32.5%

- Provides medical consumables, technological devices (C&T) and personalized genetic testing services (GT) in the area of in-vitro fertilization
- Consumables:** Tools, labware, media
- Technologies:** AI to analyse embryos
- Genetic Testing:** Services for all phases of the reproduction cycle
- HQ in Gothenburg, Sweden
- Presence in 125 countries, with own locations in 25 markets
- Key customers:** Private and public clinics, hospitals and laboratories

■ Gen. Testing ■ Cons. ■ Tech.

2. Market Overview

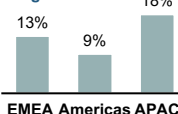
IVF C&T

SEK 15bn '22
SEK 34bn '28
CAGR^a: 14.3%

GT

SEK 38bn '22
SEK 63bn '28
CAGR^a: 6.7%

Region CAGR:



- Strongest growth comes from the technology segment, CAGR of 20%
- APAC & Eastern Europe (CAGR 21.5%) exhibit the highest growth
- Main growth driver: EU approval for AI in IVF service, commercialization of fertility clinics, Medical Tourism, demand for digital & bundling offers
- VL should increase its presence in Eastern Europe to exploit favorable local growth drivers (IVF cycle growth, Medical Tourism)
- VL is uniquely positioned providing C&T products as well genetic tests

3. Investment rationale

Strong position in a growing market: High market CAGR, global operations, ability to serve growing demand

Superior R&D capability: Technology leader, innovation & IP, portfolio covers total IVF journey (one-stop shop)

Solid financials: High top-line growth, profitable with EBITDA margin >30%, positive FCFs due to asset-light model

Growth through M&A: Expand product portfolio, control over value chain, better positioning, e.g.: Igenomix acquisition ('21)

Opportunity for VL to become a leading solution provider in reproductive health by leveraging market momentum and inorganic revenue growth

4. Value Creation

1 Software Company

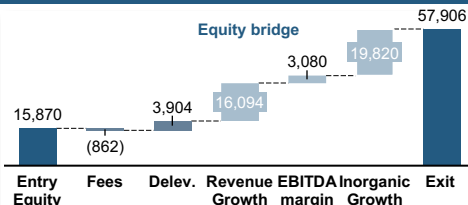
Enter a **partnership agreement** with **BAIBYS™**, a company specialized in autonomous sperm selection, to get **access to a sophisticated AI software**

2 Eastern Europe Penetration

Acquisition of local distributor in Eastern Europe to successfully **expand Global Sales & Marketing** in the respective regions

3 Forward Integration - Clinics

Acquisition of Virtus Health (VH) to **possess own clinics** to increase TAM and benefit from feedback loops and data sharing to leverage R&D capabilities



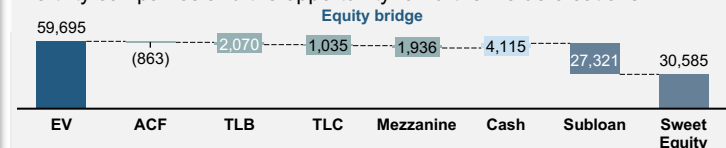
- Most of the value is driven by inorganic growth (50%), which includes the forward integration by acquiring a clinic group (VH), the AI-partnership and the Eastern Europe market penetration
- Revenue growth (35%) is driven by the favorable market growth of the IVF industry

5. Financing, Returns & Exit

Sources of funds	SEK m	xEBITDA	Uses of Funds	SEK m	xEBITDA
Total Debt	5,692.5	5.5x	Enterprise Value	17,249.9	16.7x
Total Equity	12,419.9	12.0x	Total Fees	862.5	0.8x
Total Sources	18,112.4	17.5x	Total Uses	18,112.4	17.5x

An estimated exit multiple of 16.7x, an overall MM of 3.6x as well as an IRR of 26.7% can be realized over the six-year holding period

- Institutional return at exit: 3.4x MM at an IRR of 25.0%**
 - Management return at exit: 38.4x MM at an IRR of 83.6%**
- Exit is most likely a secondary buyout due to existing interest by PEs for fertility companies and the opportunity for further value creations



1 Company Overview

2 Market Overview

3 Value Creation

4 Operating Model

5 Valuation

6 Capital Structure

7 Return Analysis

8 Exit, Due Diligence



The Vitrolife Group provides in-house developed and manufactured labware, technologies and genetic tests to clinics worldwide to enable in-vitro fertilization.

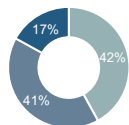
VITROLIFE GROUP

Company Overview

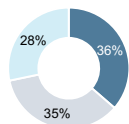
Company¹

- The Vitrolife Group (VL) **develops, manufactures and distributes medical consumables and technological devices (C&T)** and provides **genetic testing services** in the area of **in-vitro fertilization (IVF)**
- Since 2021 the Group consists of **Vitrolife and Igenomix**
- Its customers are **clinics, hospitals and research facilities** across three main regions

Business area



Geography



Founded: 1994



HQ: Gothenburg, Sweden



FTE: +1,100



Presence: 125 countries



CEO: Thomas Axelsson



EBITDA margin: 32.5%

Gen. Testing Cons. Tech.
EMEA Americas APAC

Strategic Focus¹

Mission

To **be the leading valued solution provider in reproductive health** and support customers with successful treatment outcomes

Vision

To fulfil the dream of having a healthy baby

Strategic pillars

Strategic customer experience

Be the preferred partner providing value-added services

Sustainable structure

Scalable global organization and attractive culture

Organizational excellence

Innovative R&D and world-class operations

Extended capabilities

Acquisitions and collaborations to increase portfolio width

Values

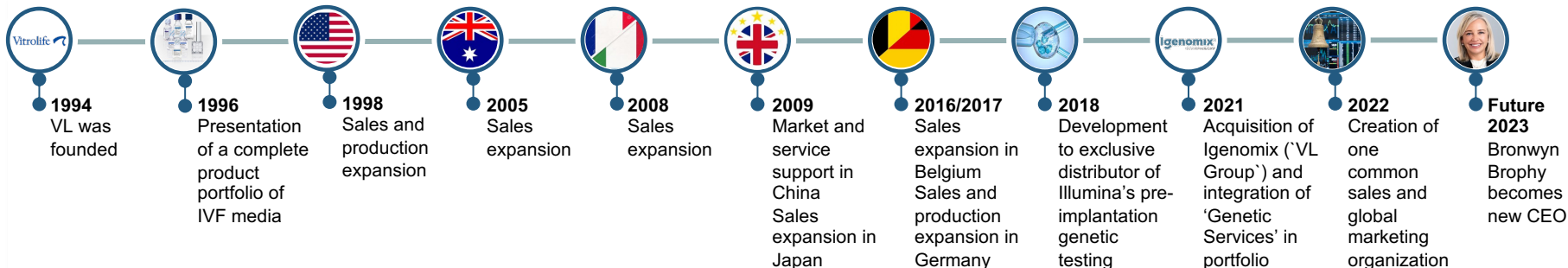
Quality

Contribute

Forward

Together

History¹



Since 1994, VL is dedicated to reproductive health, achieving ongoing growth through product development, groundbreaking research, consistent quality control, and the acquisition of innovative industry firms with the goal to unleash the full potential of reproductive science and technology, reducing the barriers to building a family.

Vitrolife's end-to-end product portfolio, complemented with strong in-house R&D capabilities, especially in technological development, as well as high-quality standards make it the preferred partner for clinics globally.

VITROLIFE GROUP™

Business Model & Value Chain

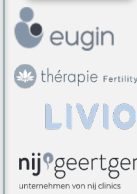
Competitive Advantage^{1,2,e}

- VL's profile as a „One-stop-shop“ with its end-to-end portfolio, offering products across the entire IVF journey, combined with high quality standards...
 - ...makes it a trusted and preferred partner of clinics globally, ensuring reliability, flexibility and more attractive pricing terms than competitors by offering discounts on product bundles.
- VL's profound R&D capabilities backed-up by 15 patents^a and supported by partnerships with academic institutes and foundations to drive innovation...
 - ...enable the firm to realize scientific breakthroughs to increase IVF success rates.
- VL holds the market leadership in the fastest growing technology sector with its in-house developed time-lapse system *EmbryoScope*®, with an AI-based algorithm *IDAScore*...
 - ...enhancing clinics workflow efficiency, representing one of the biggest trends, with increased AI usage expected to transform the entire IVF industry.
- VL is present in over 125 markets, while having own locations in 25 countries...
 - ...allowing VL to leverage sales synergies in regions where both C&T distributors and genetic testing labs are based, while being able to address regional difference in standards of care.

Customer analysis¹

- Key customer groups:** Private and public clinics, hospitals and laboratories (solely B2B, no direct patient interaction)
- Size:** Small local clinics as well as multinational clinic groups (e.g., *Eugin Group* operating over 90 centers in 11 countries)
- Sticky customer base:** Due to high switching costs and importance of long-term relationship to establish trust
- Low customer dependence:** No customer makes up more than 10% of the firm's revenue
- Clinics value "One-stop shop" suppliers ensuring quality
- Clinics spend on avg. **SEK 50k/IVF cycle^b** (Total: SEK 100bn p.a.). **C&T products make up 15% (SEK 15bn)** of these costs. C&T products VL offers, make up 26% of all C&T purchases

Key customers



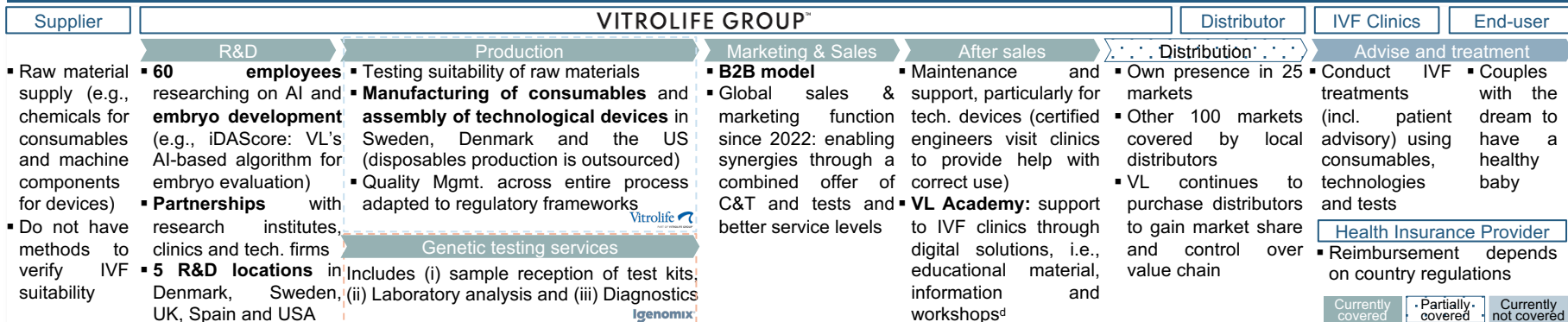
Clinics spend on C&T^c

26%

Clinics spend on C&T VL offers

SEK 15bn

Value chain



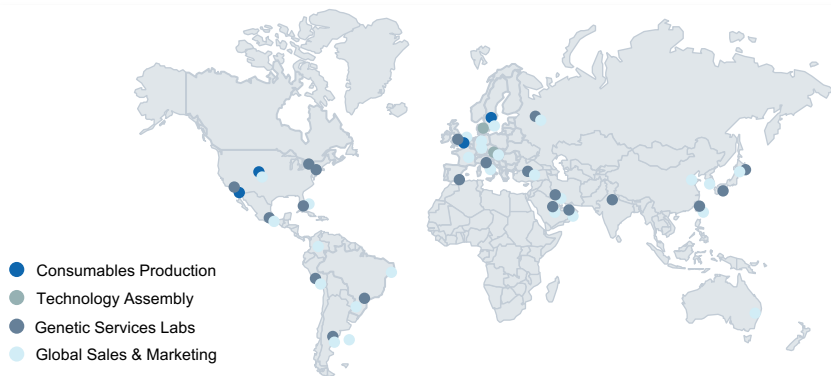
Notes: a) Status 2022; b) Varies greatly between clinics depending on location, labor costs, renting costs and products used; c) See appendix for detailed breakdown; d) With 3,000 registered users and 7,000 online courses started. Source: Vitrolife Group Annual report 2021 and 2022; 2) Interview with Sabrina Fernandez; Group Sustainability Business Partner

With a physical presence in 25 markets and distributors in over 100 markets across three regions, Vitrolife is a global player leveraging sales synergies while benefiting from a diverse customer base.

VITROLIFE GROUP™

Geographical Representation

Geographical distribution and growth¹



Revenue split

Sales 2022 (in SEK m)

Growth (YoY 2022)

5-year CAGR

Physical presence^a

Market share

White spots^b

Americas



1,144

177%

51%



EMEA



1,163

48%

21%



APAC



927

57%

16%



92%
total growth 2022^c

Presence: Sales in 125 countries, with own locations in 25 countries

Historical growth drivers: Increase in market share through a combination of horizontal acquisitions to expand VL's product portfolio and forward integration by buying distributors to gain control over value chain and local markets

Logistic considerations: In regions with concentrated physical presence, VL is able to leverage sales synergies and provide better customer service, due to short travel distances to genomic labs and C&T sites

Biggest market share growth potential exists in areas currently not covered by own site/distributor (i.e., white spot areas) surrounded by regions with a high concentrated physical presence

Deep-dive regions



Despite having the assembly hall and majority of production sites in Europe, VL is currently not present through own sites or own sales channels in the entire Eastern European region.



VL has a strong sales presence and various labs in APAC, with areas such as Malaysia and Thailand currently not being covered through direct distribution channels.

VL was able to grow to a globally operating company through horizontal and vertical integrations, with sales in 125 markets. This limits its growth potential by entering new markets, but still yields potential to increase VL's market share by gaining control over the value chain through further acquisitions, particularly in Eastern Europe and South-East Asia.

Vitrolife is uniquely positioned in the market due to its broad product portfolio spanning over three business areas, while being the market leader with EmbryoScope®, its in-house developed time-lapse technology.

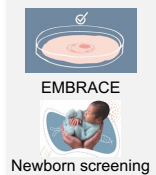
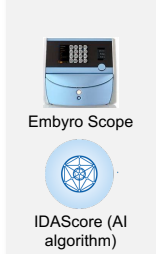
VITROLIFE GROUP™

Business Areas

Description^{1,2}

- Development and production of tools, labware^a and media, used to secure results (embryos) and enable culture evaluation through IVF cycles
- High product width and depth
- Product categories:** Media, genomic kits and disposable devices products
- Facilities:** Sweden, US and the UK

Key products^b



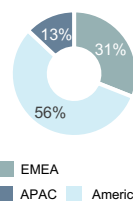
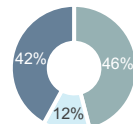
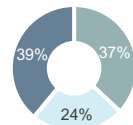
'22 developments

- Product launches in NZ, Australia and China (e.g., GxMedia series)
- SmartBox3 in key markets globally
- Improved service offering

- MDR certification for Time-lapse systems
- NMPA approval for Octax laser
- FDA approval for EmbryoSlide +ic8

- Increased lab capacity to meet demand
- Internationalization of distributor activity
- Divesting China

Market split



EMEA
APAC
Americas

Historical growth

SEK 1.3bn (+23%)^d
14% CAGR

Highest growth:
Americas (88%)

SEK 0.6bn (+16%)^d
12% CAGR

Highest growth:
Americas (81%)

SEK 1.4bn

Highest growth:
n/a

Summary

+92% YoY Total growth in 2022

- Product launches (+approval) have been biggest growth drivers, with the US representing highest growth region



Future growth drivers^{1,2}

- Increased automated consumable production** (doubled needle and media capacity^e)
- End-to-end portfolio provides bundling and cross-selling opportunities**, giving VL pricing advantages
- Promising R&D pipeline** (8 expected product launches in 2023/24)
- Sticky global customer base** ensuring sales growth in the future, as they trust VL's high-standards
- Optimisation of aftersales services** reducing onsite service intervals through predictive maintenance
- Technology market leader** (with EmbryoScope and IDAScore) characterized by rising interest
- Pioneer in embryo evaluation with "next generation"-platform combining technologies and tests

Organic revenue growth will be driven by an increased production capacity, a promising product pipeline and increased adaptation of the time-lapse technology in which VL holds the market leadership with its in-house developed time-lapse system EmbryoScope and an AI-based algorithm.

Vitrolife's management and board members demonstrate great experience in the healthcare industry which, along with their diverse areas of expertise, forms a strong base of leadership.

VITROLIFE GROUP™

Management & Board Overview

Management & Board Overview^{1,2,a}

2011

Thomas Axelsson
CEO & President



Experience

- CEO of several publicly listed & unlisted medical device service companies
- Extensive experience as board member & board chairman of companies in Life-Science sector
- Business Unit Director of a medical device company



2019

Jón Sigurdsson
Board Chairman



Experience

- President & CEO at a developer and manufacturer for orthopaedics
- Chairman & commercial counsellor of several trade organizations
- Previous experience as CFO, Head of Internal Division & Engineer



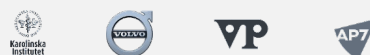
2022

Patrik Tolf
CFO



Experience

- Interim CFO of a medical university
- Deputy CFO & other (senior) management positions of companies in the automotive sector
- Treasury & risk manager for a manufacturing firm for packaging solutions
- Board member of a reserve fund



2023

Bronwyn Brophy^b
CEO



Experience

- Global president of Immundiagnosics & president of EMEA at a medical device service company
- Vice chair & member of the Operations Management Committee at a European trade association
- President of Women's Health at a global leader in medical technology, services & solutions



Management Insights

8 #Members	4.9 years Average tenure at VL	83% Senior members	88% Healthcare industry experience
----------------------	--	------------------------------	--

EXPERTISE

Customer & Strategy Development	Treasury & Risk Management
Management Consulting	Human Resources
Project Management	Operational Optimization
Sales & Marketing	Business Planning & Development

VL is led by a management team that is not only well experienced in the role they serve but almost 90% of members also have experience in the healthcare industry. Along with the board members' skills and expertise, VL demonstrates a very strong leadership team which is critical for the company's growth and success.

Board Insights

6 #Members	4.3 years Average tenure at VL	100% Independency rate	60% Healthcare industry experience
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EXPERTISE

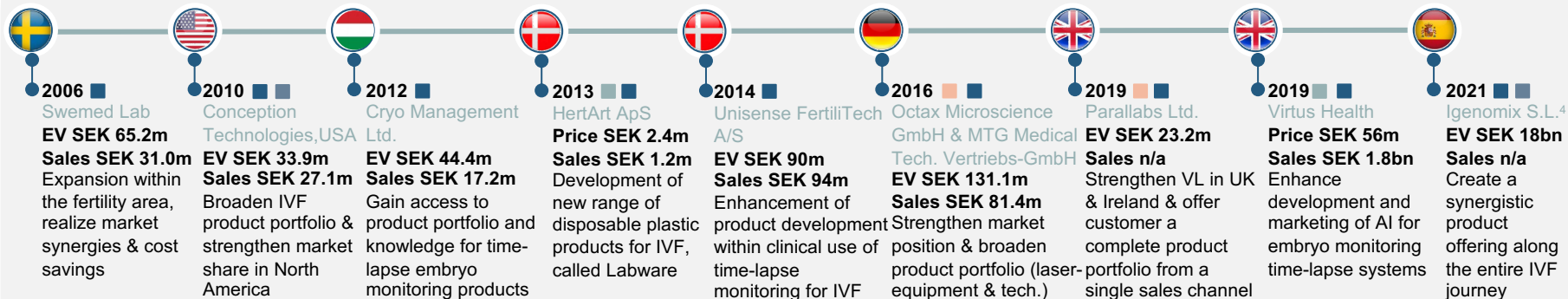
Investment Operations	Financial Industry
Corporate & Business Development	Business Transformation
Management	Consulting

Vitrolife has a long history of M&A activities to broaden its product portfolio and geographic market presence. Strategically, the company has an equal focus on organic and inorganic growth.

VITROLIFE GROUP™

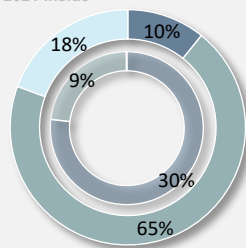
Mergers & Acquisitions

Mergers & Acquisitions^{1,2,3}



Sales growth per type⁵

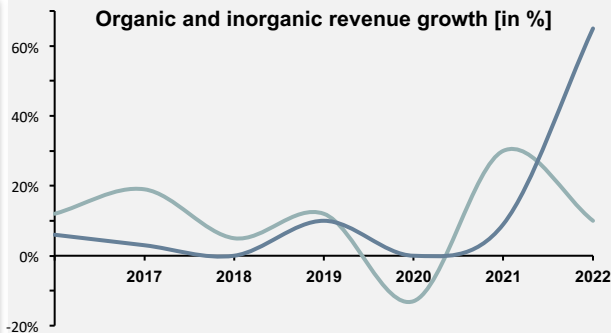
2022 outside
2021 inside



- In 2021, sales growth was mainly driven by organic growth (30%), followed by acquired growth (9%), while currency effects impacted sales negatively (-4%)
- Due to the acquisition of Igenomix in 2021, sales growth in 2022 was mainly driven by acquired growth (65%), whereas organic growth only contributed 10% to overall sales growth
- Currency effects had a positive impact on sales (18%) in 2022

■ Organic Growth ■ Acquired Growth ■ Currency Effect

Organic vs. Inorganic growth^a



























- VL's financial objective is aimed at having a strong capital base to enable continued high growth, organically as well as inorganically, through acquisitions and collaborations
- With organic and inorganic revenue growth following a similar pattern during the past years, VL demonstrates the ability to follow a growth strategy, equally emphasizing external and internal growth
- From 2016 to 2022, the acquisition of Igenomix has contributed the most to VL's acquired growth^b

Throughout the years, VL has been able to highly leverage its revenues not only through organic growth but also through inorganic growth. The majority of M&A activities enables the company to increase its product offerings in order to provide its customers a holistic product portfolio throughout the entire IVF journey.

Notes: a) See [appendix](#) for detailed analysis of inorganic and organic growth; b) See [appendix](#) for details about Igenomix acquisition
Source: 1) News.Cision (2006, 2013, 2019); 2) Businesswire (2012, 2014, 2016); 3) Mb.Cision (2019); 4) Vishnu (2021); 5) Vitrolife Group Annual Report 2022

Regulatory risk and a loss of Vitrolife's competitive advantage represent the biggest sources of risk, while effective mitigation strategies substantially lower the firm's risk profile.

Risk Analysis

	Description ¹	VL Situation	Event risk -	Impact	Total risk
 Regulatory risk	<ul style="list-style-type: none"> The industry is characterized by constantly changing regulations, which differ across regions Globally increasing requirements for medical devices (e.g., EU Medical Device Regulation in '21) 	<ul style="list-style-type: none"> VL is able to quickly adapt to new regulations due to its quality accreditation agenda to receive certificates ensuring continued supply All time-lapse products are already certified under MDR VL has a diversified product portfolio reducing exposure to this risk 			
 Loss of competitive advantage	<ul style="list-style-type: none"> Rapid advancements in the IVF industry require constant innovations to stay competitive A loss of patents or inability to secure further patents puts firm at risk to lose differentiation 	<ul style="list-style-type: none"> Comprehensive testing and collaboration with research foundations, increases R&D success rates and enables faster market acceptance The company was able to obtain 15 patents in the past High R&D investments to stay innovative (SEK 143m in '22) 			
 Profitability risk	<ul style="list-style-type: none"> Reduction in average selling prices due to increased competition for key products (e.g., PGT-A) leads to high price pressure and a reduction in revenues 	<ul style="list-style-type: none"> VL was able to offset the trend by selling more tests and further focuses on laboratory efficiencies and higher customer selectivity to drive growth Diversified portfolio, making VL less dependent on single products VL never fell short on its target EBITDA margin of +30% 			
 Supply chain risks	<ul style="list-style-type: none"> Volatility of raw material availability and supplier dependence yields risk of lacking key materials (e.g., material for media bottles) leading to a cost increase and inability to meet the demand in-time 	<ul style="list-style-type: none"> VL was able to secure critical materials by exploiting new sources of supply Cross-functional collaboration across the industry allows flexibility in sourcing 			
 Reputational risk	<ul style="list-style-type: none"> IVF is highly personal and sensitive Negative public perception of VL's ethics and practices and low-quality products can affect brand reputation and reduce customer trust 	<ul style="list-style-type: none"> Ethical procedures are ensured by high-quality standards, best practice guidelines^a and the supervision of an independent ethics committee Measurable success of products^b and no product recalls in last 2 years Close collaboration with clinics enables optimal application of products 			
 Currency risk ^c	<ul style="list-style-type: none"> VL operates globally entailing cash flow in eight foreign currencies other than Swedish Krona Risk related to reevaluation of foreign assets, long-term loan dominated in euros and equity 	<ul style="list-style-type: none"> Local currency effects had positive impact on EBITDA in 2022 VL uses financial derivatives to hedge risk and distributes net debt across currencies in which Group has revenue (mainly EUR and USD) 			

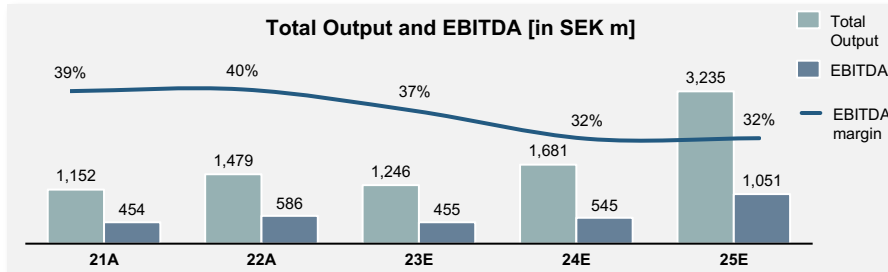
Regulatory risk as well as the **risk of losing its competitive advantage** by being unable to realize R&D successes represent the highest risk factors. Due to strong mitigation measures in place, VL is able to minimize event risk and potential impact, overall reducing the firm's risk profile.

Vitrolife's performance in the last five years has been characterized by ongoing growth due to frequent M&A activities and product expansions with a continuous EBITDA margin above 30%.

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Income Statement

In SEK m ^a	FY18A	FY19A	FY20A	FY21A	FY22A
Consumables	797	990	883	1,093	1,339
<i>Growth</i>		24%	-11%	24%	23%
Technology	355	489	363	474	553
<i>Growth</i>		38%	-26%	31%	17%
Genetic Services	-	-	-	114	1,343
<i>Growth</i>					1078%
Total Net Sales	1,152	1,479	1,246	1,681	3,235
<i>YoY growth in %</i>	10%	28%	-16%	35%	92%
COGS	(328)	(463)	(415)	(564)	(1,284)
Gross Profit	824	1,016	831	1,117	1,951
<i>Margin in %</i>	72%	69%	67%	66%	60%
R & D Expenditures	(71)	(94)	(88)	(112)	(132)
Sales Marketing Advertising	(184)	(230)	(195)	(225)	(427)
General and Administrative	(96)	(106)	(99)	(242)	(360)
Other Income and Expenses	(20)	(0)	5	7	19
EBITDA	454	586	455	545	1,051
<i>Margin in %</i>	39%	40%	37%	32%	32%



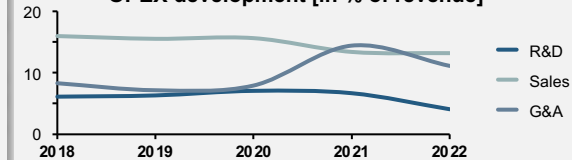
Revenue Development

- VL's past 10 years have been characterized by strong revenue growth (CAGR of 24%), while maintaining an EBITDA-margin of over 30% on average, without any sign of cyclicality
- The new business area "Genetic Services" was launched in December 2021, along with the acquisition of Igenomix, leading to increased sales of 62%
- Consumables experienced the strongest growth with a CAGR of 14%, outperforming the technology stream with a CAGR of 12%
- During the Covid-19 pandemic in 2020, clinics were forced to close and postpone the treatment, leading to an organic decrease of 13%. Local currency fluctuations contributed to an additional decrease of 3%. Revenues quickly recovered after Covid-19
- The significant revenue growth of 92% from FY21 to FY22 is related to 65% acquired growth of Igenomix, 10% organic growth and a 18% growth from positive currency impacts

Margin Development

- Logistic bottlenecks and material shortages for year 2019 to 2022 led to price increases, resulting in growing COGS
- New business segment faces reduced gross margins due to a lack of economies of scale, as each test requires a **significant amount of labor**. Competitive pricing pressure on PGT-A tests and the rising inflation in 2022 were additional factors contributing to the lower margin of 6% in 2022
- Technology segment has the best margin profile¹
- Higher selling expenses in 2021 due launch of genetic services practice
- Historically, OPEX expenses have been on a stable level with only minor percentage changes in the past ten years

OPEX development [in % of revenue]



VL has demonstrated profitability with solid EBITDA margins. A strategic shift towards the more lucrative technology segment could not only enhance margins but also mitigate risks associated with logistics, pricing pressure and broader economic challenges.

Vitrolife demonstrates strong cash flow generation capabilities, enabling further acquisitions, while the challenge lies in optimizing the cash conversion cycle.

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Cash Flow Statement

In SEK m ^a	18A	19A	20A	21A	22A
Normalized EBITDA	499	586	443	647	1.035
Interest Expense	1	(1)	(1)	(9)	(38)
Net Taxes Paid	(95)	(114)	(111)	(144)	(202)
Change in NWC	(35)	(62)	10	(10)	(175)
Adj. CF from Operations	370	410	340	482	620
<i>In % of Norm. EBITDA</i>	74%	70%	77%	75%	60%
Maintenance CapEx	(180)	(87)	(20)	(62)	(82)
Investment CapEx	(2)	(2)	-	(9)	(52)
Acquisition CapEx	-	(24)	-	(6,447)	(10)
Net Cash Flow from Investing Activities	(181)	(113)	(20)	(6,519)	(144)
Dividends Paid	(81)	(92)	-	(88)	(110)
Stock - Issuance/(Retirement)	-	-	-	3,536	-
Debt - Long-Term & Short-Term	(1)	(15)	(16)	2,335	(479)
Other Financing Cash Flow	-	-	(11)	(33)	7
Net Cash Flow from Financing Activities	(81)	(107)	(27)	5,749	(582)
FCF before M&A	189	324	323	438	605
<i>In % of Norm. EBITDA</i>	38%	55%	73%	68%	58%

Cash flow statement

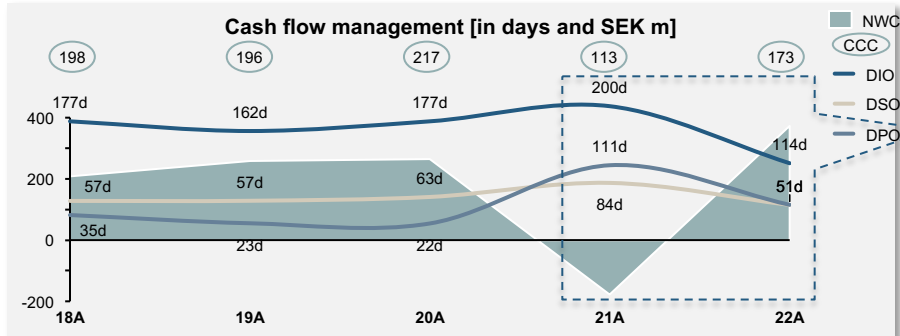
- VL maintained minimal long-term debt, adopting a **conservative capital structure**. The acquisition in 2021, partially financed with debt, resulted in **increased interest expenses**
- Increase in WC due to a **rise in accounts payable** and **safety stock** as a result of the combination of the businesses
- The significant change in consolidated cash and cash equivalents, amounting to -SEK 6.4bn, reflects the **impact of the acquisition**. This involved cash outflows for payments (SEK 5.2bn), debt settlement (SEK 1.4bn), and the inclusion of cash and cash equivalents in the acquired business (SEK 120m)
- Igenomix was partially financed by a new share issuance. **SEK 3.6bn** were directly **issued to institutional investors** while **SEK 9.5bn** were **non-cash shares** directed to the seller
- An **additional SEK 2.4bn** was procured through long-term debt arrangements

Maintenance CapEx^b: 3%^c

Acquisition CapEx: 0%^c

Investment CapEx: 2%^c

Cash flow management



- Before acquisition:** VL has a **high CCC^d** due to **high DIO^e** and **DSO^f** as well as **low DPO^g**. High DSO are caused by customers extending payment deadlines (often clinics), increasing DIO are caused by the growing safety stock against logistic bottlenecks, while the DPO result from payment strategies that are not optimized
- Effect of acquisition:** Negative NWC in 2021 due to short-term borrowings being used for the acquisition of Igenomix
- The acquisition led to a **substantial decrease in CCC**, mainly attributed to a lower DIO
- DIO were affected by the new business, as genetic services have a **lower DIO**
- DSO decreased by 40% due to a **high testing frequency** and **payments being made when test results are available**
- DPO peaked in 2021 due to supply chain issues, leading to **new preliminary payment solutions**

1 Company Overview

2 Market Overview

3 Value Creation

4 Operating Model

5 Valuation

6 Capital Structure

7 Return Analysis

8 Exit, Due Diligence



The fertility market, especially in-vitro-fertilization, is a thriving business, attracting a growing share of private investments due to high growth potential, recession-resistant demand, and its large and global size.

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In Vitro Fertilization Market Analysis

Frame Market

FERTILITY MARKET

Genetic Testing

In-vitro-fertilization

Surrogacy

Fertility Drugs

Sperm/Egg Donation

Other Treatments

Animal IVF & Infertility Treatments

Lead Market

IN-VITRO-FERTILIZATION MARKET

- IVF services are treatments offered to patients to overcome infertility (inability to conceive or carry a full-term pregnancy)
- IVF is a **thriving business for private investors** due to its growth potential, large size, fragmented provider landscape and relatively recession-resistant demand due to the long-term desire to create families¹
- Strategic cooperative ventures or M&A** between existing physician groups and private investors drive the expansion and consolidation of the IVF field utilizing various inventive programs to achieve profit⁷

Target Market #1 VL

CONSUMABLES & TECHNOLOGIES MARKET (C&T)

- 17.5% of the adult population experience infertility (WHO)²
- Since 1978, 5.4 million babies have been born worldwide using IVF²

Market Size^{3,4}: **SEK 15.0bn (2022)**
SEK 33.5bn (2028)

CAGR^{3,b}: **14.3%**

C&T market: SEK 15bn⁴

treatments p.a.: 2m⁴

avg. spending/treatment: **SEK 7.5k**

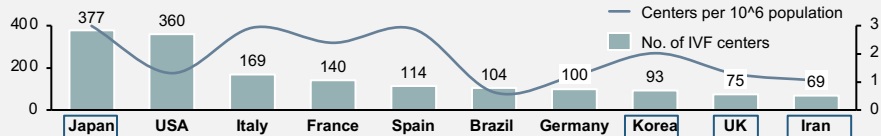
Clinics: >5.5k⁴

avg. # treatments/clinic p.a.: **360**

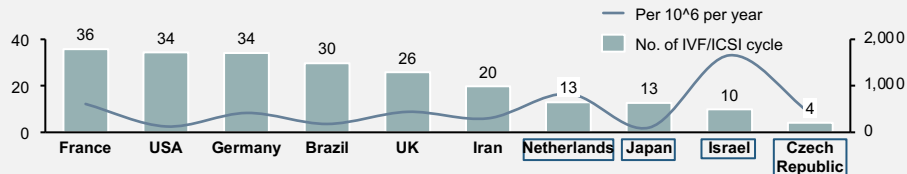
Total price for clinic for a fertility treatment amounts on average to around SEK 50k⁴

IVF Market Metrics

Metric for size of end-customer (clinics): IVF-ICSI centers per million for 10 largest countries⁵



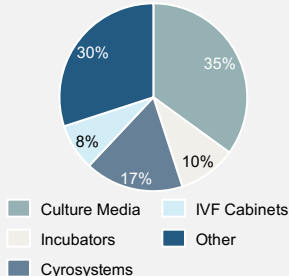
Metric for growth in the local IVF market: IVF/ICSI cycles per million per annum⁵ [in k cycles]



Consumables & Technologies Market

Consumable is 67% of total market & Technology is 33%

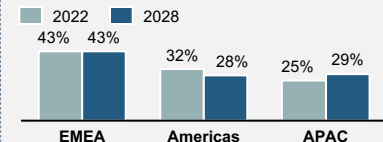
Revenue Share per C&T Market Segment (2022)⁶



Geographic C&T Market

- APAC** (Japan, Australia, Singapore) and **Eastern Europe** are the **highest growth markets for C&T**^a
- APAC** highest growth due to favorable reimbursement system changes, aging population, growth in digital medical devices and new procreation techniques²
- EMEA** has the 2nd highest CAGR due to government incentives, Medical Tourism & AI growth²

C&T Market Share^a [in %]



Region CAGR^{3,b}:
 EMEA (C): 13%
 Americas (C): 9%
 APAC (C): 18%
 Technologies for all regions: 20.9%

Notes: a) See [appendix](#) for selected country analysis; b) six year CAGR from 2022-2028; Source: 1) Harris-Williams (2023); 2) Exactitude Consultancy (2022); 3) derived from median of different CAGR from market research reports; 4) Vitrolife Annual Report (2021); 5) IVF Worldwide (2008); 6) Research Nester (2023); 7) Patrizio et al. (2022)

Vitrolife gains 42%^e of its revenue from the Genetic Testing Market which is expected to grow at a CAGR of 9.6% with the segment of prenatal testing as well as hospitals and clinics as end-users.

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Genetic Testing Market Analysis

Frame Market

Lead Market

Target Market #2 VL

FERTILITY MARKET

Genetic Testing

In Vitro Fertilization

Surrogacy

Fertility Drugs

Sperm/Egg Donation

Other Treatments

Animal IVF & Infertility Treatments

IN VITRO FERTILIZATION MARKET

GENETIC TESTING MARKET

- Genetic testing involves the process of analyzing the changes in DNA that can potentially lead to chronic illnesses such as mutations and variations. This process provides crucial information that can help predict, diagnose and treat different types of diseases
- Genetic testing has **application in various healthcare areas**: Analyzing likelihood of parents passing genetic mutation onto offspring, identifying tumor genomes and conducting newborn tests
- In 2023, **consumables & reagents segment** (offering) and **hospitals & clinics segment** (end-user) is expected to account for the **largest share** of the market²
- Growth in hospitals & clinics** is attributed to factors such as the availability of advanced tests and devices, high rates of hospitalizations in cases of cancer and related rare diseases, and government and private insurance schemes for healthcare in developed and developing countries²

Market Size^b:
SEK 38bn (2022)
SEK 63bn (2028)

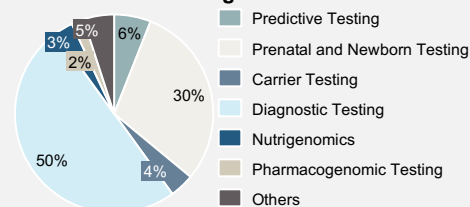
CAGR^{b,c}:
6.7%

Genetic Test Types

Diagnostic and prenatal testing is expected to be the largest segment among test types²:

- Diagnostic Testing to confirm or rule out conditions and diseases
- Prenatal and Newborn Testing to identify various disorders in newborn such as down syndrome and heart diseases

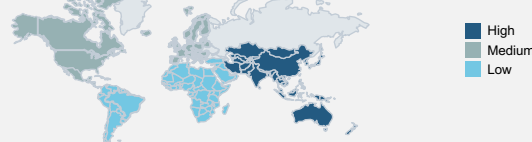
Global Genetic Testing Market Share 2023³



Regional Market Analysis

- Currently, North America accounts for the largest market share, followed by Europe, Asia-Pacific, Latin America²
 - Increasing product approvals by US Drug Administration
- Asia-Pacific is projected to have the highest CAGR** due to high investments, affordability of genetic testing, high prevalence of rare diseases, large pool of geriatric population and growing adoption of advanced genomics technologies²
- Level of conservativeness of countries influences the frequency of testing (high in Japan, low in Germany)

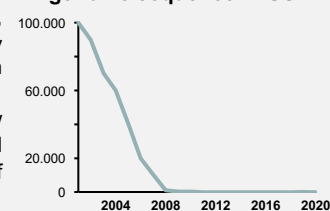
Genetic Testing Market – Growth Rate by Region (2022)¹



End User & Price Analysis

- End User: Hospital & Clinics, Diagnostic Laboratories, Academic & Research Institutes, Pharmaceutical & Biotechnology Companies, Contract Research Organization²
- Sequencing costs can be as low as USD 1k and can be delivered in days or weeks instead of years⁴

Cost (USD k) per human genome sequence in USA⁴



Growth Opportunities

- Growing potential of **Direct-to-Consumer Testing**
- Customized testing kits** for niche therapeutic areas
- Governments regulation** to grant market approval for GT
- Movement to **non-invasive GT** and whole genome sequencing

Increased adoption of AI to lever clinic's workflow efficiency, higher infertility rates, Medical Tourism and EU approval for AI are major growth drivers Vitrolife can capitalize on, especially in the technology sector.

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Market Trends



Technological Growth Driver

High

Low

Investment in Artificial Intelligence:

- **Integration of AI in IVF** (e.g. for identification of an embryo, sophisticated sperm selection technology) is bolstering the growth of the C&T market
- New EU medical device regulation standards have enabled the development of a **commercially available AI tool**, boosting the success rate of IVF procedures⁴

Demand for innovative IVF technology & automation:

- Increase in same-sex marriage and fertility issues trigger **innovations in procreation techniques**
- Research is focused on innovative lab equipment such as aided hatching, vitrification, egg/sperm processing
- Advancements in the use of genetic testing & **procedure standardization through automation**
- More adoption of technological devices leads to higher IVF success rates (33%) and more demand for IVF⁸

Demand for subscription offering and bundling:

- Subscription for medical services accelerates adoption, builds long-term client relationship and data exchange
- Rising demand for **complete bundles** of IVF treatment

Consolidation of clinics requires standardization:

- Due to consolidation of clinics, there is a need for **scalability and standardization of processes** which can be achieved through technological devices⁹
- Labor & skill shortage drive adoption of technological devices replacing manual work, improving efficiency⁹



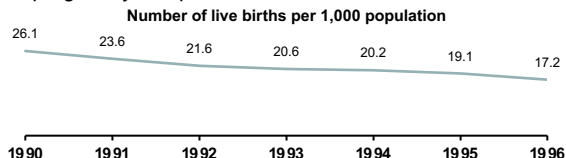
Socio-economic Growth Driver

High

Low

Higher median age for first-time mothers:

- Cultural shift to having children later in life due to effective contraception and women pursuing higher education, having better career opportunities, larger presence in the workforce, delaying marriage and effective contraception
- Chance of conceiving starts to reduce after the age of 32 and drops by half by 40 and comes with high risk of pregnancy complication¹



Higher infertility due to lifestyle changes:

- Increasing **prevalence of chronic conditions**, obesity, stress, lack of exercise, insufficient nutrition, rise in pollution leads to a **higher infertility in males and females** (1 in 6 people globally⁷)

Changing Social Norms:

- Larger fraction of same-sex couples wanting children (16% of same-sex households are raise kids¹) which leads to growing demand for **advanced sperm selection techniques & donation**
- Growing societal acceptance of non-traditional families (same-sex/LGBTQ parents) drive IVF usage



Institutional Growth Driver

High

Low

Government initiatives & insurance coverage:

- Government initiatives for **public reimbursement programs & fertility clinics** due to decline in birth rates
- Initiatives by major international healthcare providers
- **Commercial insurance coverage & employee benefit programs** in job markets (2/3 of the largest employers offer fertility coverage: Google, Apple, Meta, Unilever)⁵

Commercialization of fertility clinics:

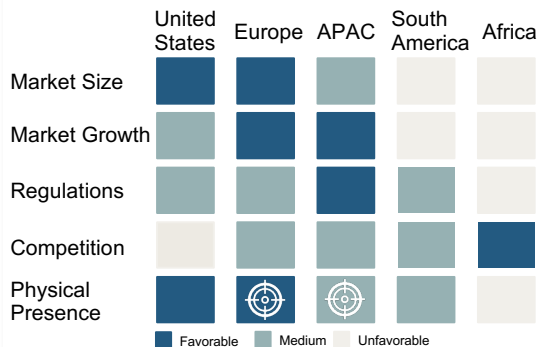
- Absence of insurance coverage made IVF a thriving **fee-for-service** (patient paid) commercial business
- **Fertility centers are a growing end-user** segment due to its scalable platforms & partnerships
- Sell company-branded products to patients, offer new services & procedures fast, refer in-house specialists⁵
- Customers value **"one-stop-shop"** suppliers due to high quality and transparency
- **Strategic M&A** between physician groups and private investors drive the expansion of the IVF field⁵

Medical Tourism:

- Individuals **travel to another country** to receive medical treatments due to non-availability of services locally, lack of insurance coverage or lower cost⁶
- 93% of couples undergoing fertility treatment have considered going abroad due to lower costs³
- Czech Republic, Turkey and Israel show significant competitive advantage in the provision of IVF³

Vitrolife should further increase its presence in the EMEA and APAC region to take advantage of favorable country growth drivers despite strict regulations in Europe.

Expansion Potential



APAC

- **Fastest-growing market** making it attractive for VL to expand its local presence: 17.8% CAGR IVF Consumables & 20.9% CAGR IVF Technologies^{3,d}
- ✓ Favorable changes in **reimbursement services** (Japan's expansion of public medical insurance in 2023 & China's removal of one-child policy^b)⁵
- ✓ High investment in **advanced technology**
- ✓ Growing public acceptance for IVF⁵
- ✓ **Fertility tourism**: Low costs, less stringent regulations
- ✓ Increasing **foreign investment** to penetrate developing countries⁵
- x Limited ability to pay since it's a developing region

EMEA

- 2nd highest expected CAGR due to government incentives, Medical Tourism & AI growth with **Eastern Europe as fastest growing region**³
- Many EU countries have fertility rates of less than 1.5 children per woman, with Germany, France, UK, Italy being major contributor⁵
- Eastern Europe exhibits a growth in **cross-border reproduction tourism**, technological development and cost efficiencies
- ✓ **High growth potential** in some attractive regions^b: Eastern Europe exhibits a CAGR 21.5%^a & 12.6% market share of EMEA market^{a,7}
- ✓ **Medical Tourism**: Belgium, Israel, Czech Republic are fertility tourism hotspots due to favorable reimbursement scenarios, cost-effective IVF treatments and advanced medical techniques⁵
- ✓ Limited competition in some regions (Eastern Europe)
- ✓ Favorable **proximity of countries** (ability to leverage sales synergies, logistics and customer support)
- ✓ Eastern Europe exhibits a growth in cross-border reproduction³
- ✓ Focus on **AI development**: New EU medical device regulation standards for AI in IVF procedures
- x EU countries have a more regulated system for IVF treatments compared to America and Asia

EU regulations^c: 43 countries have a legal framework for AR^{4,6}

- 11 countries still limit access to heterosexual couples with an infertility diagnosis (Czech Republic, France, Italy)
- General age limit: Sperm donors (18-40), egg donors (18-35)
- Legal to donate sperm for IVF in most EU countries, but egg donation is banned in Germany, Turkey, Switzerland, Norway
- Provide public financial assistance by the government (i.e., Czech Republic, Belgium, Denmark); only 4 countries offer no financial assistance (i.e., Ireland)

Americas

- Currently largest market but growth is expected to stagnate in the future
- Growth is driven by standardization of procedures through automation, regulatory reforms, funding for egg/sperm storage

North America

- ✓ **High demand** and availability of IVF
- ✓ **Ability to pay** for services is high
- ✓ Regulations allow commercialization of sperm & eggs for specific purposes⁵
- x Highly **competitive & saturated** landscape (many established players)
- x **No Federal law for reimbursement** (most patients pay themselves)²
- x Conservative perception: Some states prohibit surrogacy or embryo donation
- x Lack of proximity between states

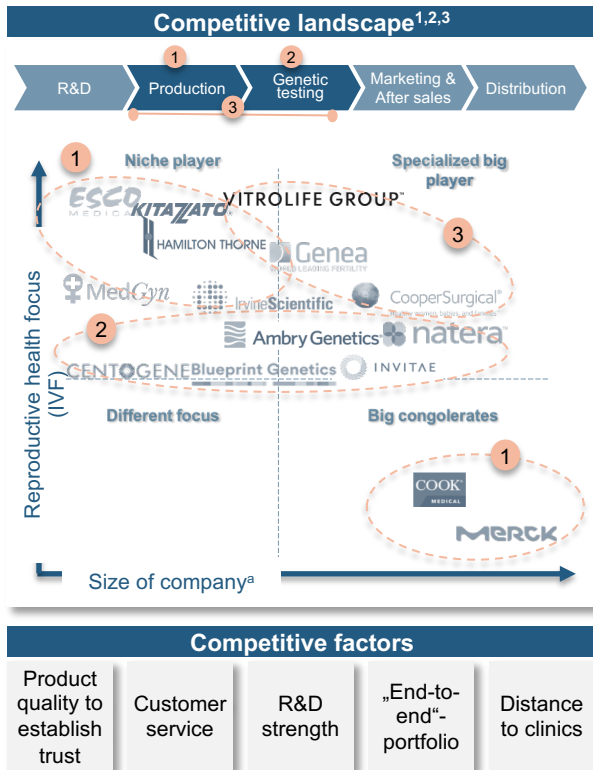
Central & South America

- x Low growth & **lack of customers**
- x Limited availability of egg donors, surrogacy is commercially not available⁵
- x Considered **morally & religiously unacceptable**¹
- x **Lack of insurance coverage**
- x Lack of national regulation initiates a medical tourism paradise which increases the possibility of abuses, fraud and clinical risk¹

Vitrolife is uniquely positioned as one of the only companies offering consumables, technologies as well as genetic tests combined in one of the widest product portfolios, thus achieving EBITDA margins above peers.

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Competitors

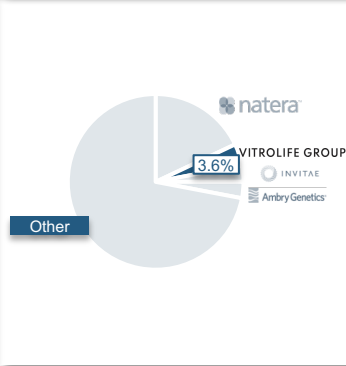
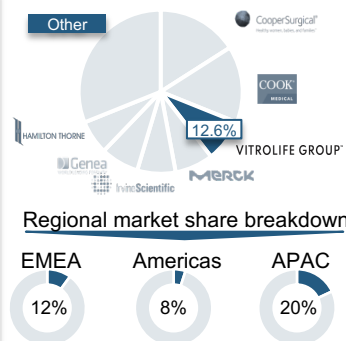


Trends

- **Relatively fragmented** (no player with >20% market share), but **high consolidation** efforts continuously **reduce the amount of players**
- Vertical and horizontal M&A activity and R&D collaboration to gain market share and expand product portfolio, especially in AI development to improve workflows
- VL is **3rd biggest player** with the biggest market share in APAC
- Most competitors are US based, (highest competition market)

- Fragmented market with the biggest player Natera having a market share of 18%
- Key drivers to grow market share: **Ability to develop efficient and effective tests**, with a high ease of use and a low price
- **License and Commercialization agreements** are common
- Clinics' in-housing tests represents risk factor, which yields potential to reduce a firm's market share

Market share



Differences

- **Portfolio width^b**: VL offers one of the widest end-to-end portfolios
- **IVF focus**: VL focuses on IVF, whereas competitors also cover other fertility solutions (e.g., surrogacy, donor egg)
- **Specialty**: Majority of competitors offer consumables (i.e., labware and media), while only a few offer technologies (i.e., time-lapse incubator, AI solutions)
- Only 2 competitors also offer genetic tests representing VL's **biggest differentiator**

-5% Gross mgn. ^d	+10% EBITDA mgn.	+18d CCC
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- **Portfolio width^b**: Majority of competitors focus on few reproductive tests, whereas VL covers all phases of the reproductive journey with 12 different types of tests
- **Reproductive health focus**: VL solely focuses on reproductive health, whereas peers also cover other areas
- **Focus**: Pre-conception tests are most commonly provided

+24% Gross mgn. ^d	+107% EBITDA mgn.	+87d CCC
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The market is dominated by smaller niche players with a specialized portfolio solely focusing on IVF. VL is uniquely positioned through a focused reproductive portfolio, combining both, C&T and genetic testing services.

1 Company Overview

2 Market Overview

3 Value Creation

4 Operating Model

5 Valuation

6 Capital Structure

7 Return Analysis

8 Exit, Due Diligence



A combination of horizontal and vertical M&A activities drive technological and scientific innovation by leveraging R&D capabilities further strengthening Vitrolife's market leading position in the IVF C&T sector.

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Value Creation Overview

Overarching rationale^a

- To realize VL's mission of „**Being the leading valued solution provider in reproductive health**“, the firm continuously needs to protect its current competitive advantage by ensuring R&D successes, enabled through M&A along the value chain, particularly in the high-growth technology business area (AI-IVF)
- To stay competitive in the short-term, while realizing long-term growth, value is created along two parallel paths^b:

1

Exploiting opportunities within the existing TAM^c, by (i) increasing VL's market share where possible and (ii) expand its software product portfolio through collaborations

2

Expand VL's current TAM and leverage R&D capabilities as well as synergies by purchasing a clinic group

1

BAIBYs Partnership

0.2x

1

Eastern Europe (EE) Penetration

0.2x

2

Forward Integration – VH clinic

0.8x

Underlying factors

Competitive advantage: VL is strategically positioned as market leader in the high-growth IVF technology sector with in-house developed AI-based algorithms for embryo evaluation

Market driver:

- Increased integration of AI solutions into clinic's workflow to improve efficiency and effectiveness of IVF cycles
- Partnerships along the value chain enable leveraging synergies, R&D capabilities and drive innovation

Competitive advantage: VL's far-reaching geographical footprint (sales in 125 markets and physical locations in 25 markets) allows the firm to leverage sales synergies and provide better customer support addressing regional differences in standards of care

Market driver:

- High IVF cycle growth in large EE market driven through medical tourism and favorable incentive programs
- Acquisition of distributors to gain control over value chain

Competitive advantage: Profound R&D capabilities and profile as “One-stop-shop” supplier. 3rd biggest player in the C&T market with a constant market share of 12.6%

Market driver:

- Forward integration: C&T manufacturers purchase clinics to increase total addressable market, get access to patient's data and leverage R&D capabilities
- High R&D investments and collaboration to drive innovation and increase IVF success rates

Hypotheses

- The technology business area has the highest expected CAGR of 20.9%^d
- A long-term competitive advantage can be secured through strengthening presence in AI-IVF market by expanding product portfolio (i.e., AI sperm selection)
- A partnership with a firm offering other AI-IVF products is suitable, given the strategic uncertainty, high urgency and sequential synergies implied^a

- VL's extensive presence in 125 markets limits potential to enter new geographical areas for further expansion
- There is further potential to increase VL's market share in regions where VL is only present through distributors by acquiring them, thus gaining control over value chain and improving customer relationships through direct contact
- EE is most attractive region, given the strategic location (close to other sites), high growth expectations and VL's lack of own sites/distributors in the region

- Buying a global clinic group enables VL to enter the B2C market, thus increasing its TAM
- Expanding to the B2C market is necessary to ensure sustainable long-term growth given limitations in the B2B market (C&T: SEK 15bn; B2C: SEK 160bn)
- Direct proximity to end-user (patients) provides data accessibility and feedback loops, beneficial for VL's ability to realize technological and scientific innovation
- VH is pioneer in technological development

Strategy

Enter a **partnership agreement** with **BAIBYS™**, a company specialized in autonomous sperm selection, to get **access to a sophisticated AI software**

Acquisition of local distributors in EE to successfully **expand Global Sales & Marketing** in the respective regions

Acquisition of Virtus Health to possess own clinics to increase TAM and benefit from feedback loops and data sharing to leverage R&D capabilities

Feasibility

Risk

Return

Feasibility

Risk

Return

Feasibility

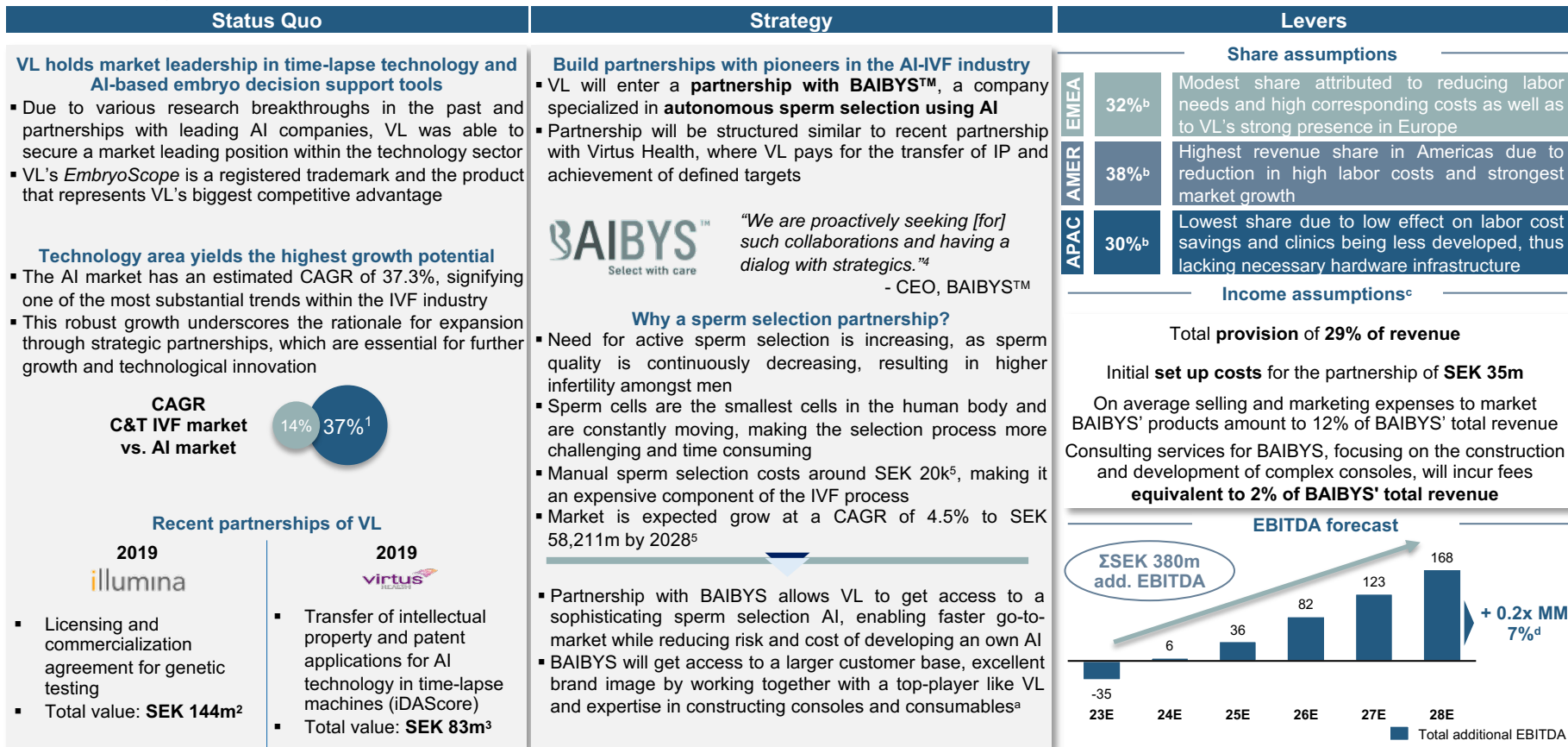
Risk

Return

The partnership with BAIBYS generates SEK 380m additional EBITDA over the investment period corresponding to a 0.2x contribution to the exit multiple.

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Value Creation | Software shift



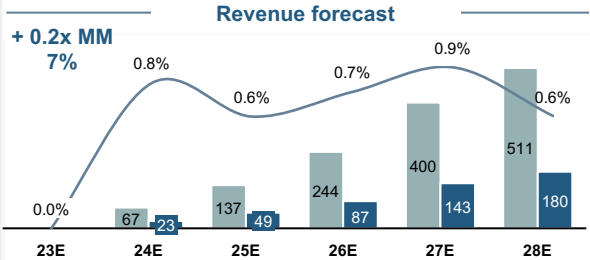


Notes: a) See [appendix](#) for further information of BAIBYS products; b) In % of BAIBYS revenue c) Based on CEO interview and bottom-up calculation, see [appendix](#) for further information d) In % of total returns
Source: 1) Yahoo Finance (2023); 2) Company website; 3) Vitrolife Group Annual report 2022; 4) See CEO interview ([appendix](#)) 5) Infertility Houston (2018)

The Eastern Europe market penetration strategy, by acquiring the local distributor Genetics s.r.o., enables Vitrolife to expand its Global Sales & Marketing, yielding an additional EBITDA of SEK 180bn at exit.

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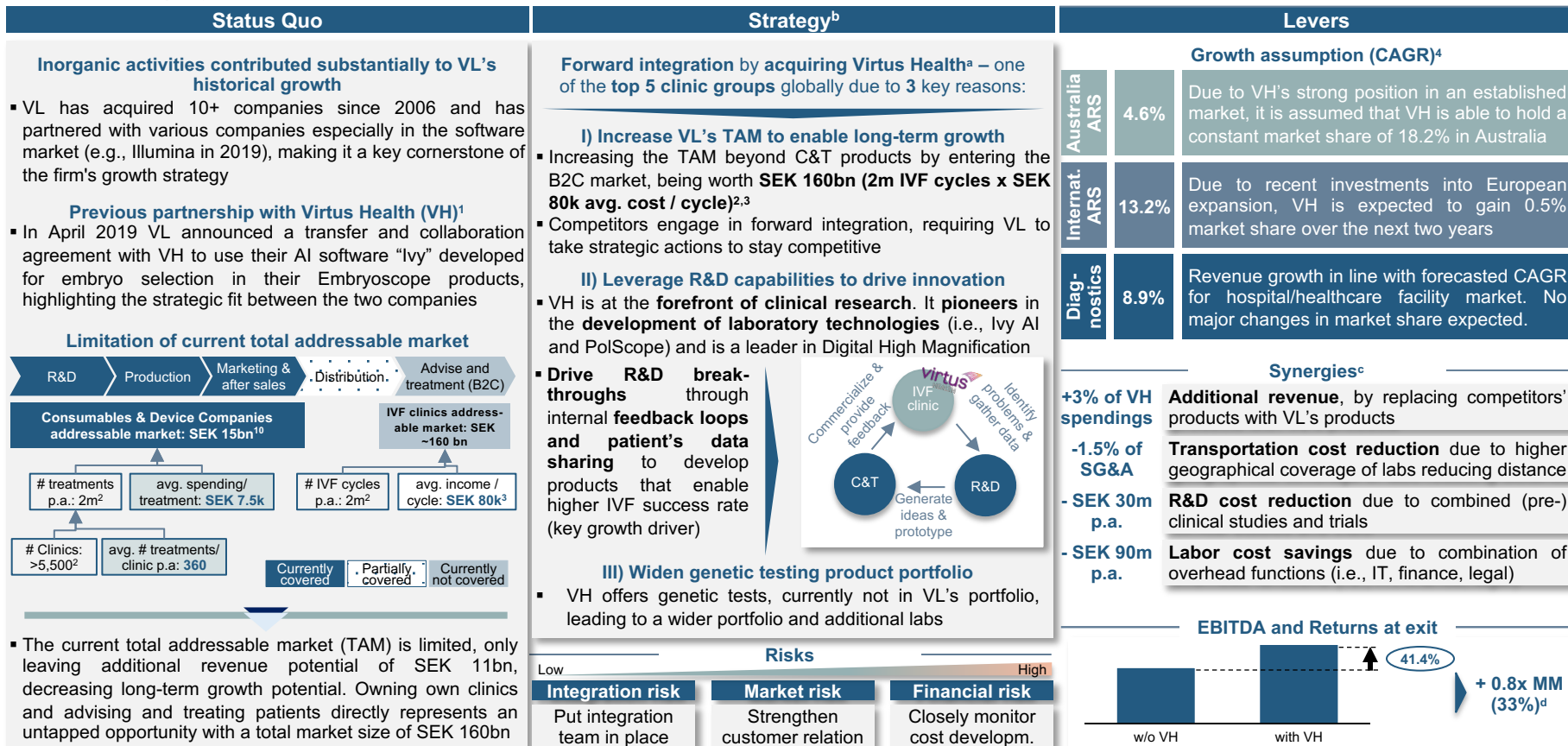
Value Creation | Eastern Europe Penetration

Status Quo	Strategy	Levers																																		
<p>Current VL distributor location</p> <ul style="list-style-type: none"> VL Global Sales & Marketing (distributors) in 25 locations, most concentrated in Central Europe, Americas, Japan¹ VL historically followed the growth strategy of purchasing existing distributors (i.e., Parallabs Ltd) <p>→ VL's extensive presence in 125 markets limits the entry in untapped markets but there is potential to increase market share in high-growth regions through distributor acquisitions to gain control over value chain in underrepresented regions</p> <p>Regions where VL lacks representation (red circles)</p>  <p>VL logistic presence:</p> <ul style="list-style-type: none"> Consumables Production Technologies Genetic Services Labs Global Sales & Marketing <p>white spots without VL own sales or distributors</p> <p>Based on market & country analysis^a</p> <ul style="list-style-type: none"> Eastern Europe (EE) (i.e., Czech Republic, Hungary, Slovenia) is attractive due to a flourishing IVF market, growing at a CAGR of 21.5%^b, favorable reimbursement scenarios, a large addressable market (AM) due to fertility tourism and advanced medical techniques EE makes up 12.6% of the European IVF market, based on the reported number of IVF cycles^c. The share is expected to grow by 2% p.a. <p><i>"It is in Vitrolife's best interest to expand its presence within Eastern Europe."</i></p> <p>- Sustainability Business Partner, Vitrolife^d</p>	<p>VL will purchase distributors in EE to increase market share and strengthen operational control^a</p> <ul style="list-style-type: none"> Assumption: Target distributor has a market share of 11.8% in EE (2022) and a revenue of SEK 95m (Genetica s.r.o) SEK 160m purchase price based on 1.7x revenue multiple^e <p>Market Expansion</p> <ul style="list-style-type: none"> Increase in VL's EMEA market share by taking advantage of EE's large AM^f, medical tourism hotspot & high growth Leverage distributor's local status and influence to acquire more local customers <p>Revenue Growth</p> <ul style="list-style-type: none"> Optimization of products by accessing local knowledge Significant sales growth in the region by acquiring the distributor's EE market share and increasing VL's share of products sold from 5% pre-purchase to 35% post-acquisition Share sold will increase by 10 p.p.^g each year, reaching 75% in '28 as inventory of other brands is sold and gradually replaced by VL's products due to control over value chain  <p>Cost Benefits</p> <ul style="list-style-type: none"> Good strategic position of EE due to being close to existing locations of VL (engineers, assembly lines & production), thus low distribution costs and faster product supply Streamline operations and optimize supply chain by eliminating redundancies in operations Procurement savings due to being able to leverage the distributor's local purchasing power to negotiate better deals 	<p>Target distributor: Genetica (CZ, HU, SI), revenue: SEK 95m Alternatives: YBUX, RENIMEDICAL (SVK, CZ), Euromedical (PL, CZ, SK, EE, LV, LT), annual revenue SEK 56m-164m²</p> <p>Growth assumptions</p> <table border="1"> <tr> <td data-bbox="1284 333 1313 540">Y 2 (2024)</td> <td data-bbox="1313 333 1400 540">EMEA Market share growth 0.8%</td> <td data-bbox="1400 333 1877 540">Immediate revenue growth of SEK 67m as VL takes over an additional 30% of distributor's market share to sell its own product range, compared to 5% pre-purchase. This includes a 15% provision for non-VL products 4% EE market share increase in Y2 which levers VL's total EE market share to 4.1%</td> </tr> <tr> <td data-bbox="1284 546 1313 753">Y 3-6</td> <td data-bbox="1313 546 1400 753">EMEA Market share growth 2.8%</td> <td data-bbox="1400 546 1877 753">Goal is to further increase the distributor's market share by 2% in Y3-Y5 due to synergies, leveraging VL's strong brand & expertise as well as implementing a bundling strategy. This comes on top of the estimated EE market growth VL's EE market share increases to 13.3% and total revenue increases to SEK 1,292m (Y3-6)</td> </tr> </table> <p>Revenue forecast</p>  <p>+ 0.2x MM</p> <table border="1"> <tr> <th>Year</th> <th>Revenue Increase VL</th> <th>EBITDA Increase</th> <th>Increase in EMEA market share</th> </tr> <tr> <td>23E</td> <td>0.0%</td> <td>0.0%</td> <td>0.0%</td> </tr> <tr> <td>24E</td> <td>67</td> <td>23</td> <td>0.8%</td> </tr> <tr> <td>25E</td> <td>137</td> <td>49</td> <td>0.6%</td> </tr> <tr> <td>26E</td> <td>244</td> <td>87</td> <td>0.7%</td> </tr> <tr> <td>27E</td> <td>400</td> <td>143</td> <td>0.9%</td> </tr> <tr> <td>28E</td> <td>511</td> <td>180</td> <td>0.6%</td> </tr> </table>	Y 2 (2024)	EMEA Market share growth 0.8%	Immediate revenue growth of SEK 67m as VL takes over an additional 30% of distributor's market share to sell its own product range, compared to 5% pre-purchase. 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Y 2 (2024)	EMEA Market share growth 0.8%	Immediate revenue growth of SEK 67m as VL takes over an additional 30% of distributor's market share to sell its own product range, compared to 5% pre-purchase. This includes a 15% provision for non-VL products 4% EE market share increase in Y2 which levers VL's total EE market share to 4.1%																																		
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28E	511	180	0.6%																																	

Forward integration allows Vitrolife to realize long-term growth by increasing its addressable market, while driving innovation through leveraged R&D capabilities crucial for the firm's competitive advantage.

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Value Creation | Buy & Build



Notes: a) See [appendix](#) for alternative target companies b) See [appendix](#) for detailed forward integration rationale; c) See [appendix](#) for synergy rationales, d) of total returns, Source: 1) Virtus Health website (2019); 2) Vitrolife Group Annual report 2021; 3) Website: Medical Tourism, 4) Market research reports

Virtus Health is a market leader in the Assisted Reproductive Service market, being present in five countries. With a revenue growth of 24%, the company shows a strong financial performance.

VITROLIFE GROUP™

Value Creation | Buy & Build

Company¹

- Virtus Health (VH) provides **Assisted Reproductive Services (ARS)** in Australia, Denmark, UK, Ireland and Singapore
- Comprehensive product portfolio consists of low cost and full-service fertility treatment and IVF, genetic diagnosis, medical day procedure services and medical diagnostic services
- VH operates in the business areas ARS Australia, ARS International as well as in Day Hospitals and Diagnostics



Founded: 1982



HQ: Sydney, Australia



FTE: 1,344



Presence: 5 countries



CEO: Kate Munnings



Revenue growth: 24%^a

Competitive advantage

- Among the top 5 ARS providers
- Extensive R&D capabilities (Pioneer in AI technology development, e.g., PolScope)
- Certified fertility specialists
- Strong position in home markets while expanding into high growth markets (i.e., UK, Ireland)

Financial overview & comparison to VL² (2022)

Revenue Split	Cost analysis ^b	VL	Profitability	VL	CF Mgmt.	VL
	SG&A 43.9%	↓	EBITDA margin 23.3%	↓	DIO 5	↑
	COGS 35.2%	↑	Gross margin 73.0%	↑	DSO 13	↑
	R&D 0.7%	↑	Operating margin 17.7%	↓	DPO 64	↑
	CapEx 4.1%	↓			CCC -46	↑

Fertility Clinics - Market overview^{4,5,6}

Market growth³

- Fertility Clinics market (2022) **SEK 344bn**
- Estimated Fertility Clinics market (2032) **SEK 970bn**

CAGR
11.2%

Size of fertility clinics market varies widely across regions (e.g., Australia: 4.6%, Europe 13.2%)

Growth drivers

- Increasing **awareness**, acceptance and demand for IVF/ ART and growing adoption of fertility services to aid in pregnancy
- Rising technological advancements** and **increase in IVF success rate**
- Increasing prevalence of infertility** in the male and female population due to fertility disorders, old age, premature ovarian failure
- Rising accessibility to ARS due to disposable incomes, flexible coverage options provided by health insurance firms

Trends

- Collaborations, acquisitions, agreements, M&A, and partnerships of fertility service providers to improve product portfolio and expand global footprint as well as consolidation of clinics due to market fragmentation still being high, forming large chains
- Increase of AI, automation and digitalization in IVF processes
- More IoT enabled solutions to provide their clients with accurate data, dual checkpoints and data accessibility

Risks

- Excessive cost of fertility services (i.e., IVF process, surrogacy, artificial insemination)
- Postponed fertility services due to conversion of surgical and diagnostic centers during crisis (e.g., Covid-19)
- Inadequate reimbursement policies and limitation of services based on regulation
- Lack of insurance coverage and limited accessibility to affordable fertility services
- Ethical aspects (i.e., donor anonymity, embryo disposition, genetic testing)

VH has a market leading position in the ARS market which is driven by biological needs, along with improved availability and affordability of ARS. Virtus Health has an EBITDA margin of 25% (2021), a continuously growing top-line (6% CAGR '17-'21) as well as a negative CCC, making it an attractive Buy & Build target.

1 Company Overview

2 Market Overview

3 Value Creation

4 Operating Model

5 Valuation

6 Capital Structure

7 Return Analysis

8 Exit, Due Diligence



Vitrolife's diversified portfolio and lean cost structure enable the firm to achieve an EBITDA margin of 34.1%, even having attractive financial figures in the bank and no value creation case (29.7% and 32.8%).

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Overview Business Plan

Year (SEK M)	Management Case ^{a,e}						Bank Case ^a						Upside Case ^a						No Value Creation Case ^a					
	23E	24E	25E	26E	27E	28E	23E	24E	25E	26E	27E	28E	23E	24E	25E	26E	27E	28E	23E	24E	25E	26E	27E	28E
Total sales^b	3,584	4,063	7,534	8,624	9,825	10,510	3,487	3,796	7,078	7,938	8,861	9,288	3,728	4,335	8,010	9,355	10,876	11,874	3,584	3,982	4,536	5,175	5,915	6,253
YoY growth	10.8%	13.4%	85.4%	14.5%	13.9%	7.0%	7.8%	8.9%	86.4%	12.2%	11.6%	4.8%	15.2%	16.3%	84.8%	16.8%	16.3%	9.2%	10.8%	11.1%	13.9%	14.1%	14.3%	5.7%
COGS	(1,207)	(1,360)	(2,312)	(2,612)	(2,967)	(3,181)	(1,244)	(1,351)	(2,281)	(2,521)	(2,805)	(2,940)	(1,155)	(1,361)	(2,333)	(2,691)	(3,122)	(3,422)	(1,207)	(1,348)	(1,553)	(1,791)	(2,067)	(2,231)
Gross Profit	2,377	2,703	5,222	6,013	6,858	7,329	2,243	2,445	4,796	5,417	6,056	6,348	2,572	2,975	5,677	6,664	7,755	8,452	2,377	2,633	2,982	3,384	3,848	4,022
Margin in %	66.3%	66.5%	69.3%	69.7%	69.8%	69.7%	64.3%	64.4%	67.8%	68.2%	68.3%	68.3%	69.0%	68.6%	70.9%	71.2%	71.3%	71.2%	66.3%	66.1%	65.8%	65.4%	65.1%	64.3%
R&D	(213)	(245)	(309)	(361)	(423)	(460)	(242)	(269)	(341)	(387)	(439)	(462)	(182)	(216)	(269)	(326)	(396)	(445)	(213)	(245)	(288)	(339)	(399)	(434)
SG&A	(877)	(1,003)	(2,426)	(2,729)	(3,090)	(3,309)	(923)	(1,015)	(2,411)	(2,664)	(2,966)	(3,121)	(837)	(981)	(2,429)	(2,779)	(3,199)	(3,487)	(877)	(974)	(1,109)	(1,266)	(1,447)	(1,530)
Other Costs	(39)	(4)	(133)	(143)	(155)	(162)	(39)	(4)	(145)	(154)	(163)	(169)	(39)	(4)	(121)	(132)	(145)	(154)	(4)	(4)	(5)	(5)	(6)	(6)
Total OPEX	(1,128)	(1,252)	(2,868)	(3,233)	(3,668)	(3,931)	(1,203)	(1,288)	(2,897)	(3,205)	(3,569)	(3,752)	(1,058)	(1,201)	(2,819)	(3,237)	(3,740)	(4,086)	(1,093)	(1,223)	(1,402)	(1,610)	(1,852)	(1,970)
Cost Synergies			110	123	176	184			104	113	163	167			116	132	191	203	-	-	-	-	-	-
EBITDA	1,248	1,451	2,463	2,902	3,366	3,582	1,039	1,156	2,003	2,326	2,650	2,763	1,515	1,773	2,974	3,559	4,205	4,569	1,283	1,411	1,581	1,775	1,996	2,052
Margin in %	34.8%	35.7%	32.7%	33.6%	34.3%	34.1%	29.8%	30.5%	28.3%	29.3%	29.9%	29.7%	40.6%	40.9%	37.1%	38.0%	38.7%	38.5%	35.8%	35.4%	34.8%	34.3%	33.8%	32.8%

- SEK 0.82bn

+ SEK 0.99bn

- SEK 1.53bn

Driver

21.7% revenue CAGR

- Shows organic growth as well as sales realized through the value creation strategies, i.e., BAIBYS partnership, Eastern Europe market penetration and forward integration with VH
- COGS and OPEX are based on three-year historical averages, adjusted by a decrease in COGS, due to a higher share of the technology business unit and rising R&D costs to enable growth
- VH is characterized by a lower EBITDA margin, affecting financials (from 2025)
- Cost synergies in form of overhead cost reduction, transportation and R&D savings of 1.8% of combined revenues

19.2% revenue CAGR

- All organic revenue streams of VL are expected to grow 3p.p.^d below Mgmt. case levels annually, which could result from overall lower market growth or firm specific factors (e.g., loss in market share), VH's revenues are assumed to grow 2p.p. below Mgmt. case levels
- COGS are adjusted by 2p.p. above the Mgmt. case for VL and 1p.p. for VH, (e.g., to account for more severe raw material shortages or higher labor costs, due to a shortage of skilled staff)
- OPEX are assumed to be 1p.p. higher (0.5p.p. for VH), accounting for higher sales costs needed to support growth

24.2% revenue CAGR

- Favorable market developments (e.g., more IVF cycles globally) or gaining a higher market share yields 3p.p. revenue growth potential p.a. above Mgmt. case levels across all business areas for VL and 2p.p. for VH
- COGS and all operational expenses are assumed to be lower by 2p.p. and 1p.p. respectively (-1p.p. and -0.5p.p. for VH), as unrealized synergies of Igenomix' integration could materialize in the future (e.g., combination of overhead functions)

11.6% revenue CAGR

- Without the effects of the value creation strategies, especially the lack of additional VH revenues, revenue growth is substantially lower in 2025 amounting to 13.9% instead of 85.4%
- No synergies are realized
- Lower Gross as well as EBITDA margins, compared to the Management and Upside case

Notes: a) See [appendix](#) for visualization; b) Includes all value creation strategies and revenue synergies; c) See [appendix](#) for additional risk scenarios; d) percentage points; e) Used as base case

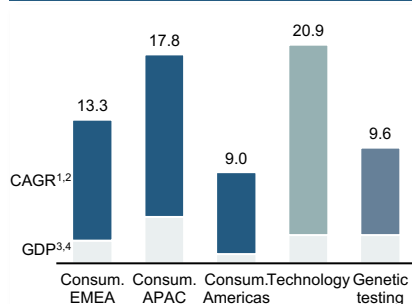
A combination of high market growth, Vitrolife's ability to keep its market share in the C&T business and the three value creation strategies yield an overall CAGR of 21.7% across the investment period.

VITROLIFE GROUP™

Revenue Model

In SEK m	21A	22A	23E	24E	25E	26E	27E	28E	CAGR
Vitrolife	1,681	3,235	3,584	4,063	4,747	5,558	6,525	7,051	13.9%
<i>YoY growth</i>	35%	92%	10.8%	13.4%	16.8%	17.1%	17.4%	8.1%	
1 Consumables	1,093	1,339	1,526	1,784	2,075	2,422	2,839	3,031	14.6%
<i>of which EE</i>	0	0	0	43	86	149	237	300	
2 Technology	474	553	669	847	1,103	1,416	1,801	2,041	24.3%
<i>of which EE</i>				24	52	95	163	211	
<i>of which BAIBYS</i>				14	74	139	210	287	
Genetic Services	114	1,343	1,389	1,432	1,569	1,720	1,885	1,979	6.7%
3 Virtus Health					2,787	2,997	3,226	3,381	6.6%
<i>YoY growth</i>					7.5%	7.7%	4.8%		
ARS Australia					1,595	1,668	1,745	1,825	4.6%
ARS International					688	779	883	927	10.5%
Diagnostics					505	550	599	629	7.6%
Rev. Synergies						69	74	78	
Total Revenue	1,681	3,235	3,584	4,063	7,534	8,624	9,825	10,510	21.7%
<i>YoY growth</i>	35%	92%	10.8%	13.4%	85.4%	14.5%	13.9%	7.0%	

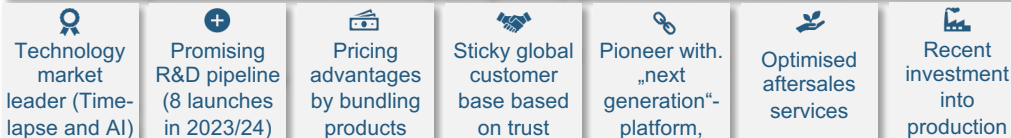
Market CAGR's^b [in %]



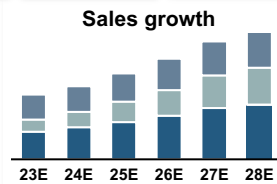
- Sales forecasts are broken down by segment (and geography for consumables) to account for differences in growth expectations
- High **market momentum**, due to globally rising IVF cycles and success rates driven by tech. advancements, socio-economic trends and favorable reimbursement system changes
- CAGR's shown for 2022-2027 period (high growth period)

VL's revenue growth^a

- VL is expected to lose market share in the genetic testing market of 0.4p.p. (3.6% to 3.2%) in the first two years after the acquisition, due to an increased trend of major clinics in-sourcing tests
- VL is expected to grow in line with market CAGR's in the C&T unit for 5 years (2022-2027) across all regions (thereafter sales growth falls to 5% and 8% in technology business unit)
- The following drivers rationalize VL's ability to organically grow in line with the market:

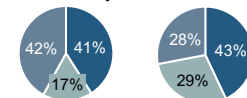


- 1 Consumables | Add-on (+SEK 300m in 2028)**
Eastern European penetration (EE): Acquisition of local distributor *Genetics s.r.o.* yields an additional cumulated market share of 3.6p.p. in EMEA through higher product sales and better customer support
 → EE strategy enables VL to grow by 2.7p.p. above the consumable market with a **CAGR of 14.6%** across the investment period



- 2 Technology | Add-on (+SEK 498m in 2028)**
Partnership: License and commercialization agreement with BAIBYS, (29% provision on sales) strengthens VL's position in the AI-IVF market
Eastern Europe strategy: see above
 → Both strategies combined enable VL to grow above technology market forecasts with a **CAGR of 24.3%** across the investment period

Sales split '22 vs. '28



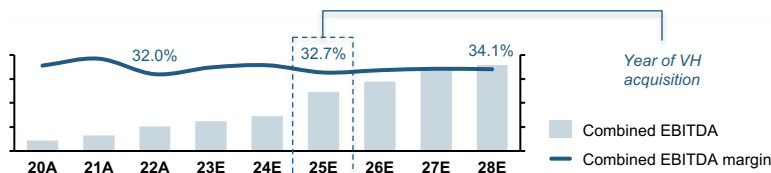
Buy & Build: Virtus Health

- Australian ARS and Diagnostic units are expected to grow in line with market CAGR of 4.6% and 8.9%, respectively (until 2027^c), due to VH's strong market position in its matured home market
- VH is expected to realize a 0.5p.p. market share gain in the international ARS market, due to recent investments into its European expansion strategy, making it the strongest growing segment (10.5%)
- Revenue synergies expected to materialize from 2026 onwards, as VH sources a higher share of VL C&T products, assuming additional revenues of 3% of VH's total expenses

Growing Gross profits and operational cost synergies expected to materialize through the Buy & Build strategy are the main driver contributing to a growing EBITDA margin of 34.1% at exit. VITROLIFE GROUP™

Cost Structure & Profitability

In SEK m	21A	22A	23E	24E	25E	26E	27E	28E
Sales VL	1,681	3,235	3,584	4,063	4,747	5,558	6,525	7,051
Combined Sales	1,681	3,235	3,584	4,063	7,534	8,624	9,825	10,510
<i>YoY growth</i>	35%	92%	10.8%	13.4%	85.4%	14.5%	13.9%	7.0%
1 COGS VL	(564)	(1,284)	(1,207)	(1,360)	(1,561)	(1,803)	(2,097)	(2,269)
<i>% of sales</i>	33.5%	39.7%	33.7%	33.5%	32.9%	32.4%	32.1%	32.2%
Gross Profit VL	1,117	1,951	2,377	2,703	3,186	3,755	4,428	4,782
COGS VH 4					(752)	(808)	(870)	(912)
Combined Gross Profit	1,117	1,951	2,377	2,703	5,222	6,013	6,858	7,329
<i>Margin</i>	66%	60%	66.3%	66.5%	69.3%	69.7%	69.8%	69.7%
2 R& VL	(112)	(132)	(213)	(245)	(288)	(339)	(399)	(434)
<i>% of sales</i>	6.7%	4.1%	5.9%	6.0%	6.1%	6.1%	6.1%	6.2%
3 SG&A VL	(468)	(787)	(877)	(1,003)	(1,190)	(1,399)	(1,659)	(1,809)
<i>% of sales</i>	27.8%	24.3%	24.5%	24.7%	25.1%	25.2%	25.4%	25.7%
Other VL	7	19	(39)	(4)	(5)	(5)	(6)	(6)
OPEX VL	(573)	(900)	(1,128)	(1,252)	(1,483)	(1,743)	(2,064)	(2,250)
<i>% of sales</i>	34.1%	27.8%	31.5%	30.8%	31.2%	31.4%	31.6%	31.9%
EBITDA VL	545	1,051	1,248	1,451	1,704	2,012	2,364	2,532
OPEX VH 4					(1,386)	(1,490)	(1,604)	(1,681)
5 Cost Synergies					110	123	176	184
Combined EBITDA^a	647	1,035	1,248	1,451	2,463	2,902	3,366	3,582
<i>Combined margin</i>	38.5%	32.0%	34.8%	35.7%	32.7%	33.6%	34.3%	34.1%
<i>YoY growth</i>	46%	60%	21%	16%	70%	18%	16%	6%



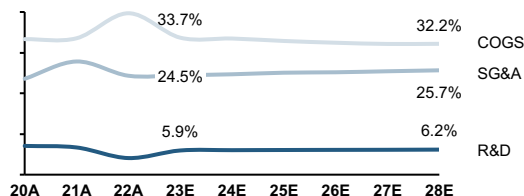
Standalone cost structure of VL (incl. EE and Partnership)

- COGS**

 - High costs in 2022 are assumed to not prevail in the future, as VL's mgmt. has established cross-functional collaborations to secure critical supplies, making it a one-off cost level
 - Decrease^b**: Due to the envisioned change in VL's product mix, with the sales split of the technology unit rising by 12p.p. (characterized by lower production costs, economies of scale and SaaS sales model). For every p.p.^c increase, COGS decrease by 0.5p.p.
 - Declining effect is partially offset by rising COGS of 1p.p. annually to account for rising difficulties regarding logistic bottlenecks and raw material shortages
- R&D**

 - Increase^b**: Based on three-year historical avg. of 5.9% plus a 2p.p. increase across the investment period, to support R&D capabilities, essential for VL's competitive advantage
 - BAIBYS partnership does not require additional R&D costs
- SG&A**

 - Increase^b**: Rising expenses from BAIBYS partnership. 20% of provision for sales initiatives to support go-to-market strategy and 2% of provision for consulting services



Logistic bottlenecks, increased R&D investments and additional selling costs for AI-partnership increase costs, while a change in VL's product mix towards more technology reduces costs levels, overall having a positive effect on VL's EBITDA margin

Buy & Build cost structure

- COGS + OPEX**

 - Higher gross margin than VL due to nature of business, as clinics have lower material and production costs. Historically COGS have been stable at 27% with no changes expected
 - Higher OPEX as % of sales, compared to VL, due to higher SG&A costs (44% of sales), for employee compensation costs, assumed to grow based on 4-year historical average
- Synergies**

 - Includes proposed R&D and SG&A synergies, due to savings in transportation costs, due to geographical proximity, combination of (pre-) clinical studies and a combination of overhead costs, overall amounting to cost savings of 1.8% of combined revenues

Vitrolife's strong cash generation capability, highlighted by its FCF ratio continuously being above 70%, is driven by low CapEx levels and low NWC requirements, especially after acquiring Virtus Health.

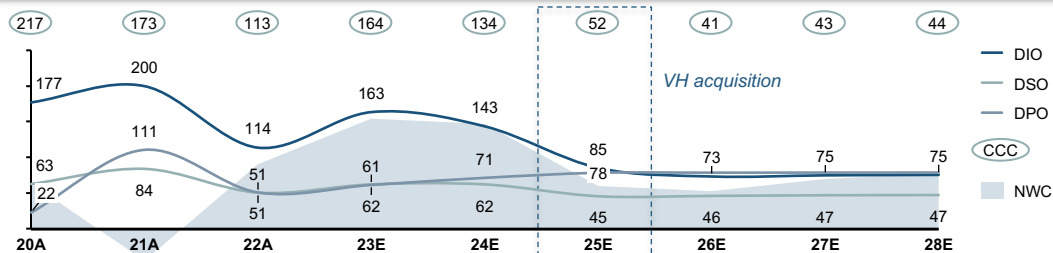
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Free Cash Flow

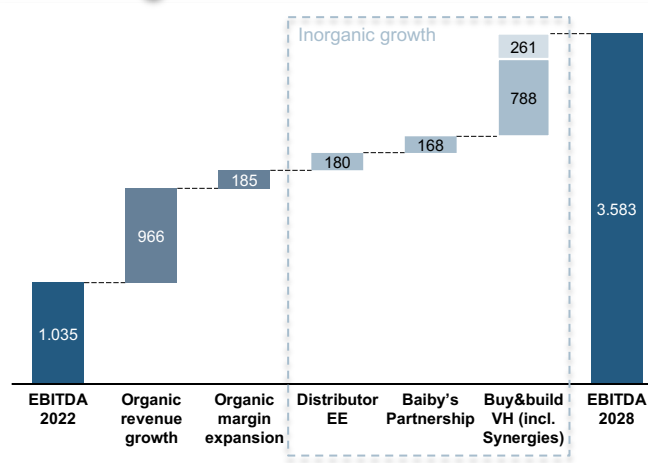
In SEK m	23E	24E	25E	26E	27E	28E
EBITDA	1,248	1,451	2,463	2,902	3,366	3,582
Change in NWC	(261)	31	62	30	(70)	(36)
Tax	(15)	(61)	(198)	(313)	(435)	(501)
<i>Tax Rate</i>	23%	23%	23%	23%	23%	23%
Maintenance CapEx	(93)	(110)	(252)	(290)	(334)	(364)
<i>% of sales</i>	4%	4%	4%	4%	4%	4%
Acquisition CapEx		(160)	(7,668)			
FCF before financing	879	1,151	(5,592)	2,329	2,527	2,681
FCF w/o acquisition	879	1,094	2,076	2,329	2,527	2,681
<i>FCF conversion</i>	70.4%	75.4%	84.3%	80.3%	75.1%	74.8%

NWC

- 2 Pre-Buy & Build:** The acquisition of Igenomix leads to changing NWC requirements in the short-term, due to the different nature of the two firms' business models. Genetic testing firms are characterized by low CCCs (no C&T production inventory). Thus, VL's three-year historical DIO and DPO averages are assumed to move closer to genetic testing peers. DIOs are assumed to drive towards 100 days on avg., while DPOs increase to 80 days on avg. Further, management has announced negotiations with suppliers to further increase DPOs in the future
- 3 Post-Buy & Build:** By acquiring VH, NWC requirements decrease substantially p.a., as VH has a negative CCC given that clinics do not require product inventory, patients pay throughout the treatment cycle and VH has on average two months time to pay C&T providers. Overall, this positively affects the combined firms' NWC levels

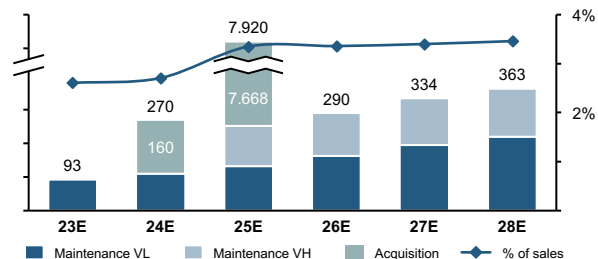


EBITDA Bridge (in SEK m)



CapEx

- 4 Maintenance CapEx:** Accumulated increase of 1p.p. of sales, in line with rising R&D expenses, as maintenance CapEx is needed for intangible assets, especially patents
- 5 Acquisition CapEx:** Inorganic growth strategy of VL entails acquisition of Eastern European distributors in 2024 for a total purchase price of SEK 160m (based on Comparable transaction multiple of 1.7x). Further, in 2025 VH is acquired for SEK 7.7bn^a



1 Company Overview

2 Market Overview

3 Value Creation

4 Operating Model

5 Valuation

6 Capital Structure

7 Return Analysis

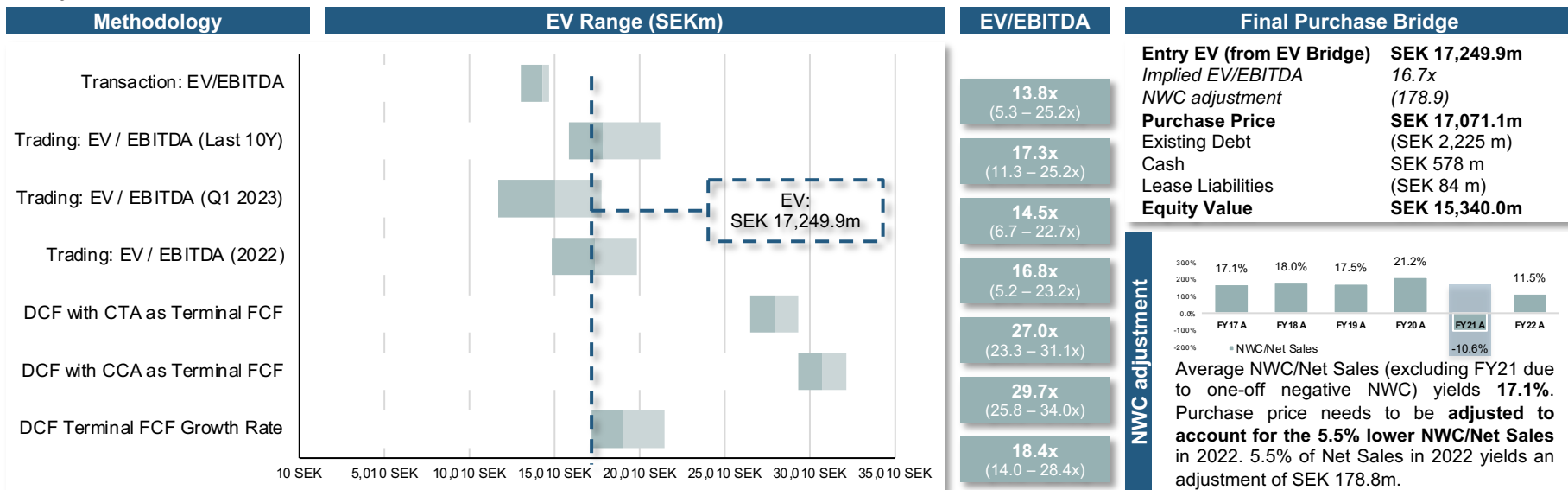
8 Exit, Due Diligence



A weighted methodology valuation has resulted in an enterprise value of SEK 17,249.9m at a multiple of 16.7x.

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Entry Valuation



Comments

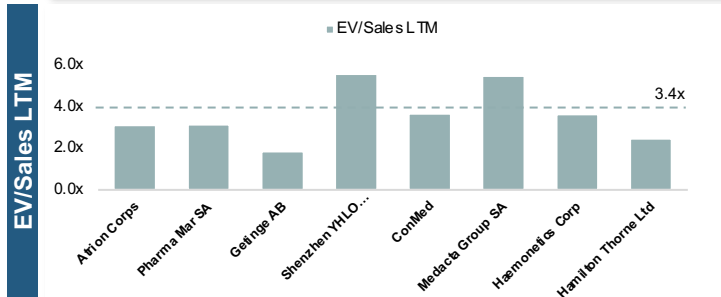
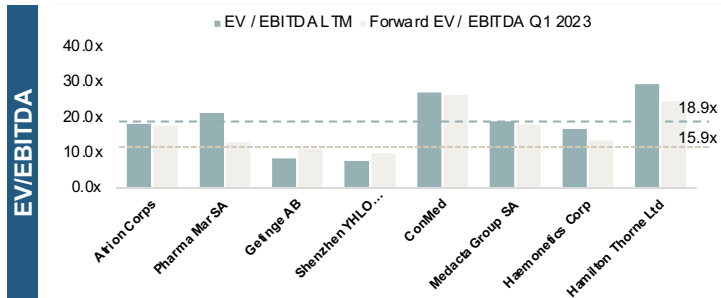
- A weighted valuation^a yields an **EV of SEK 17,249.9m** for VL at an implied **EV/EBITDA multiple of 16.7x**
- Multiple valuations are based on comparable peers assigned to VL's two segments (IVF C&T and Genetic Testing) to conduct a sum-of-divisions valuation. Selection for peer groups were based on trading comparables shown by financial platforms^{1,2,3} and direct competitors^b similar to VL
- A higher CCA EV/EBITDA last 10Y multiple suggests that historical performance has been strong while a lower Q1 2023 multiple might indicate that investors are taking on a more conservative outlook for the future due to macroeconomic forces and geopolitical dynamics i.e., skyrocketing energy prices, labor concerns, high inflation and interest rates
- Lower CTA EV/EBITDA multiple than other valuation methods indicates a lower entry multiple upon strategic acquisitions
- DCF^c uses a range of assumptions adjusted for the D/V & E/V ratio for each year, WACC ranges from 9.18% - 9.36% with an average of 9.27%, levered equity beta ranges from 1.28 to 1.01 and uses a 1.5% terminal growth rate. Derived DCF multiple is the highest due to the consideration of VL's future growth rates & long-term intrinsic value instead of reflecting only current market sentiments and financial performance
- Additionally, a DCF analysis with CCA and CTA as TV is calculated to reflect expected business dynamics at the start of the terminal period

The comparable company analysis yields a sum-of-parts EV/EBITDA multiple ranging from 14.5x (Q1 2023) to 17.3x (Last 10 years).

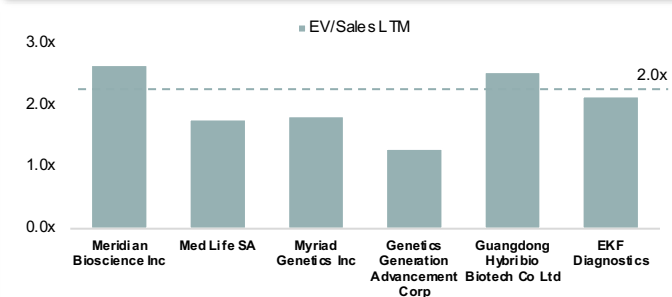
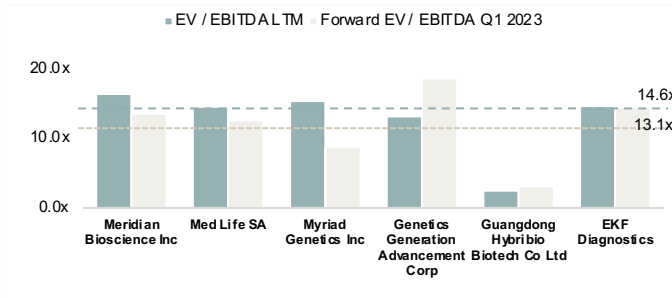
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Company Comparable Analysis

IVF C&T Market^{1,2,a}



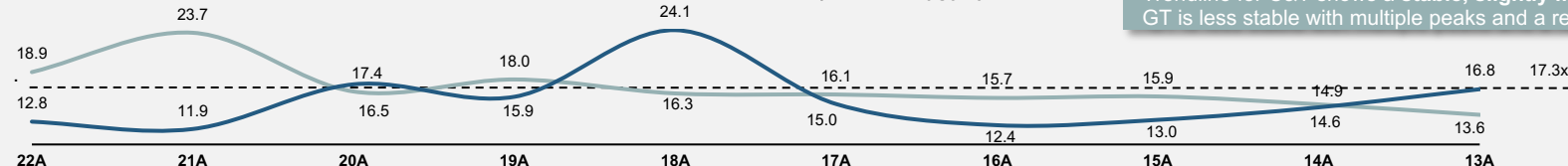
Genetic Testing^{1,2}



Comment

- Separate peer groups for both industries are evaluated due to distinct market dynamics and competitive landscape, a **sum-of-parts valuation** is conducted to derive an average multiple
- EV/EBITDA multiples for IVF C&T are higher than GT, suggesting that **investors perceive C&T as less risky** with more promising and more stable growth levels
- A higher EV/EBITDA last 10Y than EV/EBITDA LTM & Q1 2023 shows a **maturing industry** (IVF/GT turned into an established healthcare concept, lower growth than during initial boom, more competition) and **reflects current market sentiments** (high interest rates, lower valuations)
- EV/Sales is excluded in the final valuation since it is not an accurate indicator for VL's current business model life cycle position

EV/EBITDA Last 10Y



Trendline for C&T shows a stable, slightly increasing trajectory
GT is less stable with multiple peaks and a recent downturn

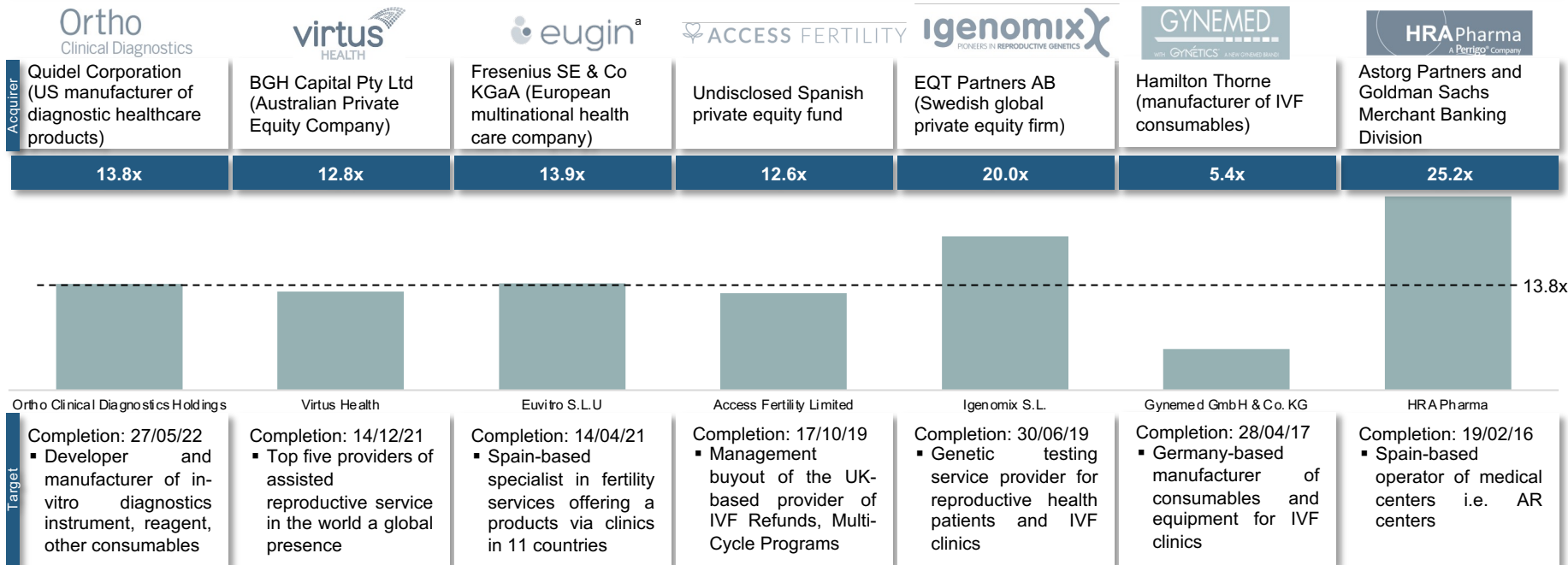
--- Median
— Comparables IVF C&T
— Comparables Genetic Testing

A representative selection of nine comparable transactions yields a median EV/EBITDA multiple of 13.8x.

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Comparable Transaction Analysis

- **Nine precedent transactions** are selected which have an entry date within the last six years (2016-2022) while operating in the IVF C&T or GT industry¹. A **wider time frame** is considered due to many transactions with **undisclosed multiples** and **current precarious market conditions** including high interest rates, dried up credit markets and labor concerns
- 13.8x, which is lower compared to other valuation methods, indicates a tendency in the industry for a **lower entry multiple upon strategic acquisitions** and reflects current market sentiments **warranting lower valuation** as sellers may be less able to show earnings growth and durability.



Additional Transactions included to derive the median multiple of 13.8x: Elucigene acquisition by Yourgene Health (9.1x) (25.04.19) and Quiron Hospitales by HELIOS Kliniken (14.2x) (06.02.17)

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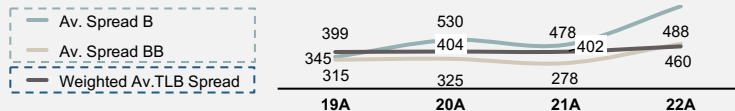
Despite rising interest rates and decreasing issuance readiness in the current debt market, Vitrolife can achieve a credit rating of BB/Ba2 due to its strong financials and favourable firm characteristics.

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Deal Financing

European debt market analysis – Status Quo 2022^{1,2}

- Considerable economic activity despite geopolitical volatility, energy price shocks, commodity price surges, resulting in multi-decade inflation highs
- Steepest interest rates hikes in 4 decades and total issuance fell to recession-like degree, still debt market remained open for business
- **High Yield Bonds:** Lowest volume since GFC³ in 2008 (82% YoY decline), high financing costs, average BB spread at 488 bps (peak at end of 2022)
- **Sponsored Loans:** Total of 84 transactions (SEK 378.8bn), decline in annual M&A activity by 60% due to M&A financing decline, decline in buyout activity Q4/2022 by 92% (YoY) and leveraged buyouts Q4/2022 by 64% (YoY), TLB spread at 460 bps



Comparable transaction: Natus Medical Inc.³

natus Provider of healthcare products used for screening, detection, treatment, monitoring and tracking of common medical ailments. **Acquisition by ArchiMed SAS for SEK 12.3bn (12.6x) in 07/2022**

- Industry: Medical equipment and healthcare services
- Geography: USA
- EBITDA 2021: SEK 526m
- Exp. leverage 2022 (2023): 6.4x (5.4x)
- Exp. operating CF 2023: SEK 210m

Debt Type	Size (SEK m)	Issue Date	Moody's Rating:	S&P Rating:
RCF	512	07/2022	B3	B
First Lien TL	4,222	07/2022		

Rationale S&P: Favourable growth outlook, solid projected FCFs, leverage expected to remain at 5.0x-6.5x EBITDA due to acquisition appetite of sponsor

B Rating used as starting point for VL

Factors influencing VL's credit rating⁴

FACTOR	STATUS	IMPACT
Firm size	Large cap firm with an EV at entry of SEK 17,250m as well as an EBITDA of SEK 1,035m and sales of SEK 3,235m.	➔
Governance	Good governance due to effective monitoring mechanisms and right current (i.e., performance-based salary) & future (i.e., sweet equity, bonus) incentives.	➔
Diversification	Products and services within three different segments are offered in more than 125 countries, indicating high regional and portfolio diversification.	➔
Leverage	Leverage is expected to be around 0.5x EBITDA at exit while historical leverage is 1.5x EBITDA, showing VL's strong ability to manage its debt obligations.	➔
Cash generation	Strong cash flow generation capabilities with further potential to optimizing the CCC.	➡
Asset Base	Asset base mostly consists of intangible assets (i.e., customer relationships, prod. tech., patents) and only few hard assets (i.e., buildings, plant, equipment).	➡
Market/ Industry	Strong market position in a highly growing market with potential to increase TAM through forward integration or B2C business model to leverage growth.	➔
M&A	Add-on acquisition will be mainly financed by using additional debt (45%) and equity (45%). Remaining price is paid by cash (10%).	➡

KEY TAKE-AWAYS

- Acquisition of Natus Medical Inc. is good starting point to project current healthcare debt market to estimate appropriate debt instruments and corresponding pricing
- Compared to Natus, VL is larger in size and product diversification and has a more conservative level of leverage chosen for the LBO (5.5x)
- Still, general economic and geopolitical turmoil as well as market volatility impede raising capital and drive interest rates to extreme highs, especially end of 2022
- Based on VL's strong financials, operating and firm characteristics, the analysis of the comparable transaction combined with the average spreads in the debt market, a reasonable spread of 500-650bps over 3-month EURIBOR (base rate) at a credit rating of BB/Ba2 can be achieved for the leveraged buyout of VL

Valued with an EV of 16.7x EBITDA, Vitrolife's acquisition is funded with a considerable leverage of 5.5x EBITDA divided into three senior tranches as well as a junior tranche.

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Sources & Uses Target Company

Sources and Uses Target Company (2023)

Sources of funds	SEK m	x EBITDA	Uses of Funds	SEK m	x EBITDA
Debt			EBITDA 2022	1,035.0	1.0x
Senior Debt			Multiple	16.7x	0.0x
Term Loan A	1,552.5	1.5x	Enterprise Value	17,249.9	16.7x
Term Loan B	2,070.0	2.0x	Cash	578.0	0.6x
Term Loan C	1,035.0	1.0x	Debt	2,225.0	2.1x
Subordinated Debt			Net debt adjustment	1,647.0	1.6x
Mezzanine Debt	1,035.0	1.0x	Lease liabilities	84.0	0.1x
			NWC	178.9	0.2x
Total debt	5,692.5	5.5x	Total other adjustments	262.9	0.3x
			Equity Purchase Value	15,340.1	14.8x
Equity			Financing Fees	258.7	0.2x
Fixed Return Instrument	11,091.1	10.7x	Other Fees		
Ordinary Equity	1,328.9	1.3x	DD	345.0	0.3x
Institutional Ords/Investor	1,222.5		Arrangement Fee	258.7	0.2x
Sweet Equity	106.3				
Total Equity	12,419.9	12.0x	Total Fees	862.5	0.7x
Total Sources	18,112.4	17.5x	Total Uses	18,112.4	17.5x

COMMENT

- The deal requires **total uses** of SEK 18,112m of which SEK 17,250m are paid for the EV and SEK 862m for financing and other fees
- The EV results from an estimated **entry multiple** of 16.7x EBITDA^a
- The deal is funded by **5.5x EBITDA** (SEK 5,693m) of **leverage** and an **equity contribution** of 12.0x EBITDA (SEK 12,420m)
- Leverage is made available through **three senior tranches**, with Tranche A making up 1.5x EBITDA, Tranche B 2.0x EBITDA and Tranche C 1.0x EBITDA, as well as **junior debt** (Mezzanine 1.0x EBITDA)^b
- Besides Tranche A, all debt instruments are repaid with a **100% bullet at maturity** to **maintain sufficient liquidity** for future acquisitions
- The equity strip is divided into a **shareholder loan** of SEK 11,091m and **ordinary equity** of SEK 1,329m whereby management contributes SEK 106m of **sweet equity**
- In 2025, additional debt will be used in form of an **acquisition CapEx facility** of SEK 3,450m to partially finance the add-on acquisition of Virtus Health (45%)

Overview financing Instruments

DEBT INSTRUMENTS

Term Loan A	Tranche A 1.5x EBITDA 3M EURIBOR ^c + 500 bps 6 years maturity	<ul style="list-style-type: none"> ▪ Lowest spread as amortization (10-20%) and short maturity reduce risk for lender ▪ Low leverage to decrease repayments and maintain liquidity for future acquisitions
Term Loan B	Tranche B 2.0x EBITDA 3M EURIBOR + 575 bps 7 years maturity	<ul style="list-style-type: none"> ▪ Higher spread due to bullet repayment and longer maturity increasing repayment risk ▪ Higher leverage as lack of amortization increases liquidity
Term Loan C	Tranche C 1.0x EBITDA 3M EURIBOR + 650 bps 8 years maturity	<ul style="list-style-type: none"> ▪ Higher spread due to bullet repayment and longer maturity increasing repayment risk ▪ Lower leverage due to higher margins
Mezzanine Debt	Junior unsec. 1.0x EBITDA PIK interest of 11% 9 years repayment	<ul style="list-style-type: none"> ▪ Higher spread due to bullet repayment, longer maturity and unsecured debt nature ▪ Accrued deferred interest component (PIK) instead of cash interest to maintain liquidity ▪ Similar maturity as TLB, thus same spread
Acquisition CapEx	SEK 3,475m in 2025 3M EURIBOR + 575 bps 4 years repayment	<ul style="list-style-type: none"> ▪ 45% of total CapEx requirement for acquisition of Virtus Health ▪ Ensures sufficient liquidity for the deal

EQUITY INSTRUMENTS

Shareholder loan (FRI)	Junior unsec. 11.7x EBITDA Debt-like form of financing 9 years maturity	<ul style="list-style-type: none"> ▪ Accrued deferred interest component of 12% (PIK Element) due to long maturity and repayment senior to ordinary shares
Institutional Ords (Sponsor)	92% of total ordinary equity	<ul style="list-style-type: none"> ▪ PE fund's equity claim after debt is fully paid ▪ Not secured
Sweet Equity (Management)	8% of total ordinary equity	<ul style="list-style-type: none"> ▪ Initial investment of SEK 106m equal to 2x management salary 2022 for 8% of shares

To ensure strong management engagement in implementing the turnaround strategy, management does not only receive a considerable stake of ordinary shares but also a performance-based bonus.

Management Participation Package

SWEET EQUITY

- Sweet Equity is based on 2x management salary as of 2022
- With a total of 8% of Ordinary Shares, Sweet Equity is below the usual level of 10-20%
- Still, management receives a return of around 47% IRR even in the bank case (incl. bonus)

EQUITY VESTING

- As strong management engagement is crucial for ensuring the implementation of the designed value creation strategies, Sweet Equity is progressively vested throughout the holding period
- To maximize management lock-in, shares are only fully vested in the exit year 2028

BONUS

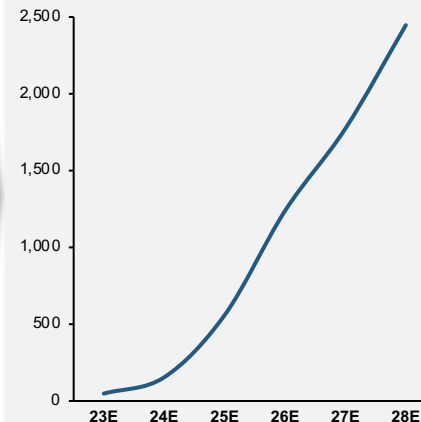
- In addition to the Sweet Equity component, management is offered a performance-based bonus linked to the IRR as an incentive to achieving higher returns at exit
- This means that management obtains 20% of the fund's return over 22% IRR
- The bonus is offered to increase the fund's overall return while sharing a small portion of the proceeds
- The bonus is capped at an IRR of 25%

SEK k		Compensation in FY22:	#Shares VL	Sweet Equity	in %
Bronwyn Brophy,	CEO & President	23,963.0	25,000	47,926.0	3.6%
Total others:		29,191.0		58,382.0	4.4%
	Patrik Tolf		8,500		
	Chief Financial Officer (CFO)		375		
	Claus Bisgaard		6,000		
	Senior VP Technologies		2,300		
	Ricardo Capella		1,303		
	Senior VP Genetic Services		1,300		
	Rickard Ericsson		8,500		
	Senior VP Global Sales & Marketing				
	Maria Fors				
	Senior VP Consumables				
	Karin Kortz Russberg				
	Senior VP HR & Sustainability				
	Guillermo Ferrando				
	VP Strategy & Corporate development				
Total		53,154.0	53,278	106,308.0	8.0%

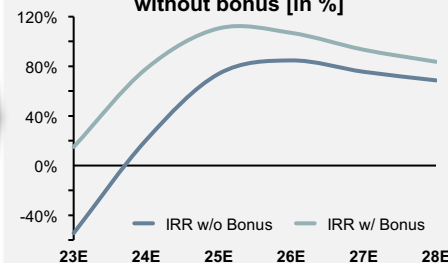
SEK m	23E	24E	25E	26E	27E	28E
Sweet Equity Stake (w/o vesting)	8%					
Value of ordinary Shares at exit	3,021.3	5,519.0	13,978.6	20,631.9	27,713.6	30,584.9
Sweet Equity at exit	241.7	441.5	1,118.3	1,650.6	2,217.1	2,446.8
Vesting Schedule						
% Sweet Equity Vested	20%	35%	50%	75%	80%	100%
Sweet Equity Stake (w/ vesting)	2%	3%	4%	6%	6%	8%
Management Proceeds w/ vesting	48.3	154.5	559.1	1,237.9	1,773.7	2,446.8
Thomas Axelsson	45.1%	21.8	69.7	252.1	558.1	799.6
Total others*	54.9%	26.5	84.9	307.1	679.8	1,343.7

SEK m	23E	24E	25E	26E	27E	28E
IRR before sharing	25.0%	25.1%	33.6%	31.3%	29.3%	26.7%
Hurdle	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
Returns after Management bonus						
Management proceeds - exit	122.2	337.0	992.0	1,950.7	2,874.2	4,078.0
Change (absolut)	73.9	182.5	432.8	712.8	1,100.5	1,631.2
Management MM	1.1x	3.2x	9.3x	18.3x	27.0x	38.4x
Change	0.7x	1.7x	4.1x	6.7x	10.4x	15.3x
Management IRR	15.0%	78.1%	110.5%	107.0%	93.4%	83.6%
Change (pp)	69.5%	57.5%	36.6%	22.2%	17.8%	15.0%
Returns institutional investors - exit	15,321.1	19,094.6	32,433.3	40,461.4	49,233.3	53,828.0
Change (absolut)	-73.9	-182.5	-432.8	-712.8	-1,100.5	-1,631.2
Institutional returns - MM	1.2x	1.6x	2.1x	2.6x	3.1x	3.4x
Change	0.0x	0.0x	0.0x	0.0x	-0.1x	-0.1x
Institutional returns - IRR	24.4%	24.5%	33.0%	30.7%	28.7%	25.0%
Change (pp)	-0.6%	-0.6%	-0.7%	-0.6%	-0.6%	-1.6%

Management proceeds w/ vesting [in SEK m]



Management IRR with and without bonus [in %]



For the add-on acquisition of Virtus Health in 2025, Vitrolife is able to raise an acquisition CapEx facility, covering 45% of the purchase price, while the remaining price is paid by additional equity and cash.

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Sources & Uses Add-On Acquisition

Sources and Uses Add-on Acquisition (2025)

B&B acquisition		M&A Debt Repayment Schedule	
Year of Acquisition	2025	Acquisition CapEx facility (SEK m)	
EBITDA (SEK m)	593.7	Maximum CapEx need	7,667.56
Multiple	12.7x	% funded by facility	45%
EV	7,517.2	CapEx facility commitment (SEK m)	3,450.40
Fees	150.3	Margin	5.8%
Fees in %	2.0%	Commitment fee	2.0%
Purchase Price (SEK m)	7,667.6	Drawdown period	3
% debt financing	45.0%	Repayment period	4
% funded by equity	45.0%		
% cash used	10.0%		
Amount to borrow (SEK m)	3,450.4		
New equity (SEK m)	3,450.4		
Sources of funds		Uses of Funds	
	SEK m		SEK m
Acquisition CapEx	3,450.40	EV	7,517.22
Cash	766.76	Fees	150.34
Equity Consideration	3,450.40		
Total Sources	7,667.56	Total Uses	7,667.56

COMMENT

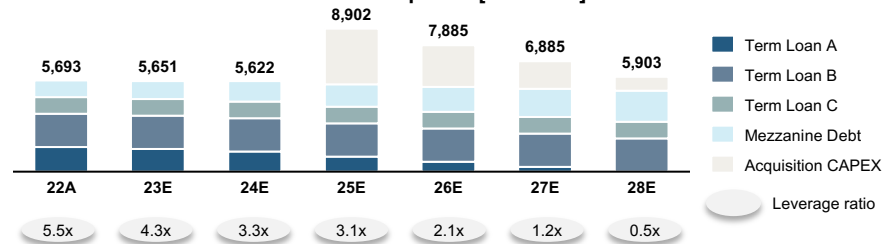
- The add-on acquisition of Virtus Health will be carried out in **2025**
- The deal requires **total uses** of **SEK 7,668m** of which **SEK 7,517m** are paid for the **EV** and **SEK 150m** for **transaction fees**
- The EV results from an estimated **transaction multiple of 12.7x EBITDA^a**
- 45% of the total purchase price are funded by an **acquisition CapEx facility**, 45% are funded by **additional equity** and the remaining 10% are funded by cash
- The debt instrument (SEK 3,450m) will be drawn down in the year of the add-on acquisition (2025) and will be amortized throughout a period of 4 years, starting 2026
- Before the drawdown, a commitment fee of 2% p.a. will be charged for the acquisition CapEx facility, whereas the interest rate by the time of the drawdown will be 7.9%, which equals the interest rate of TLB, as both instruments have the same maturity
- The **equity strip** fully consists of a **shareholder loan** (SEK 3,450m) additionally granted in 2025 with the same terms as the fixed return instrument being issued in the beginning of the LBO (2023)

Notes: a) See [appendix](#) for valuation of VH

Debt development

- The following graph demonstrates VL's strong deleveraging capability during the investment period under the chosen financing structure, decreasing from 5.5x EBITDA at entry until a minimum leverage of 0.5x EBITDA at exit
- Due to the strong financial performance of the add-on acquisition company, Virtus Health, VL is likely to even manage a decrease in leveraging in the year of the acquisition (2025)

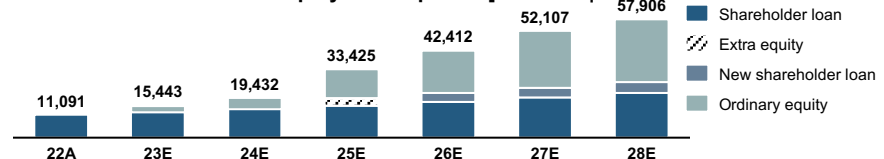
Debt Development [in SEK m]



Equity development

- Equity does not only rise due to an increase of VL's firm value but also due the rise in FRI value every year that the investment is hold caused by its PIK element
- Acquiring VH in 2025 requires shareholders to provide a second shareholder loan of SEK 3,450m which leads to an additional increase of equity in the corresponding year

Equity Development [in SEK m]



Due to its strong financial performance, Vitrolife is able to service its debt obligations and comply with existing leverage cover covenants, even in the conservative bank case.

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Debt & Covenants



Covenants

Covenant Structure

- Lenders of senior secured financing instruments wish to include several financial and non-financial covenants in the Inter Credit Agreement & Senior Facilities Agreement as protection against a change in the company's financial condition in their disadvantage

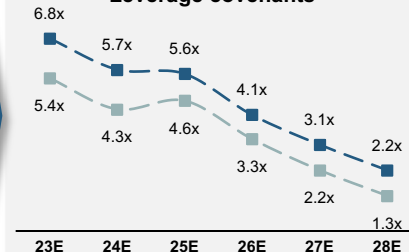
Financial Covenants

- To equally protect all senior lenders while also providing some protection to junior debt lenders, thus assuring the provision with funds necessary to support operations and growth, it is recommended to implement the following financial covenants:
 - (i) Net Senior Leverage Cover, (ii) Total Net Leverage Cover
- Both net leverage covenants have an initial headroom of 20% increasing to 25% until exit
- The SFA additionally specifies permitted acquisitions, payments, indebtedness as well as standard LBO restrictions

Non-Financial Covenants

- In addition to the financial covenants typical non-financial covenants are implemented, including Change of Control as well as Information Undertakings and Event of Defaults (incl. Cross Defaults and Material Adverse Changes clauses)

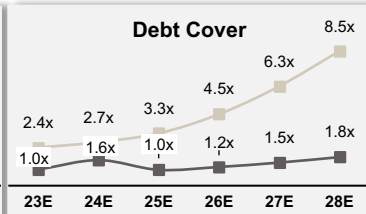
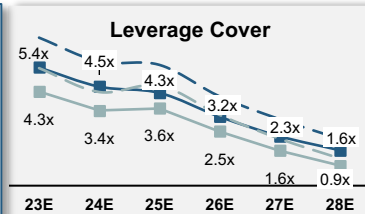
Leverage covenants¹⁾



Covenant Testing^{a, b}

BANK CASE

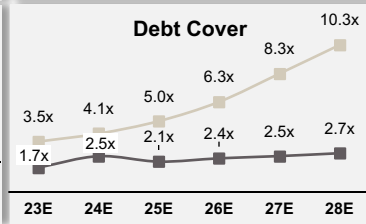
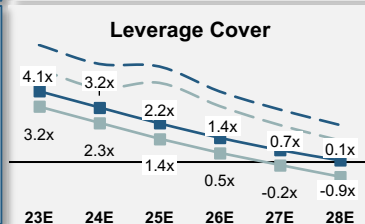
- **Net Leverage Cover:** Even with more conservative revenue growth estimations of 11% p.a., VL does not breach any of its debt covenants while showing a strong deleveraging profile, with only a slight increase in the year of the add-on acquisition
- **Cash Cover:** VL is fully able to serve its debt obligations with cash cover constantly being over 1.0x, indicating a strong cash flow generation
- **Interest Cover:** High increasing EBITDA margins enable VL to continuously increase its interest cover throughout the holding period
- **Returns:** Assuming conservative growth generates an IRR of 47.0% and MM of 10.1x for management as well as an IRR of 19.0% and MM 2.6x of for the sponsor



Returns
Mgmt MM 10.1x
Mgmt IRR 47.0%
Sponsor MM 2.6x
Sponsor IRR 19.0%

NO VC CASE

- **Net leverage cover:** Assuming that VL does not implement any of the value creation strategies, the firm shows a linear deleveraging profile. In 2027, VL's cash on balance is even expected to exceed senior debt leading to an implied negative leverage of 0.2x
- **Cash Cover:** Cash cover is constantly high, ensuring VL's debt service obligations
- **Interest Cover:** Interest cover will steadily increase since VL's manages to continuously increase its EBITDA even without a value creation strategy
- **Returns:** Without any additional value creation, VL management receives an IRR of 44.7% and MM of 9.2x while the sponsor gets 18.3% IRR and 2.7x MM



Returns
Mgmt MM 9.2x
Mgmt IRR 44.7%
Sponsor MM 2.7x
Sponsor IRR 18.3%

1 Company Overview

2 Market Overview

3 Value Creation

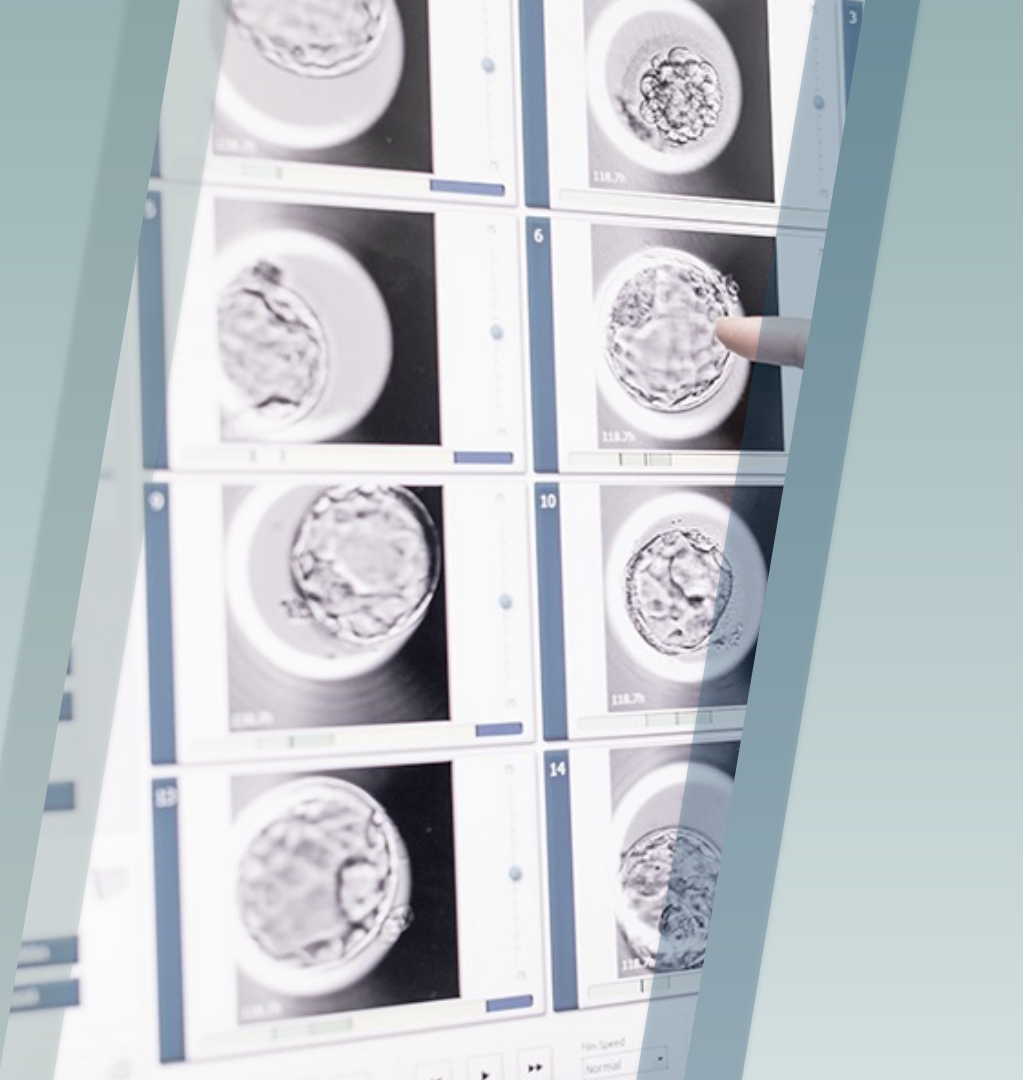
4 Operating Model

5 Valuation

6 Capital Structure

7 Return Analysis

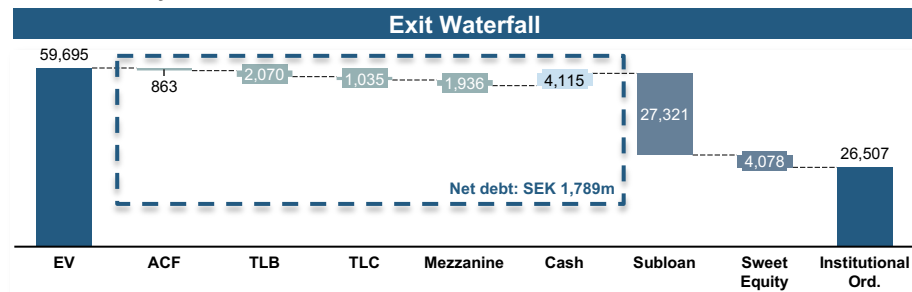
8 Exit, Due Diligence



The management case estimates an overall MM of 3.6x and an IRR of 26.7% after a six-year holding period.

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Return Analysis



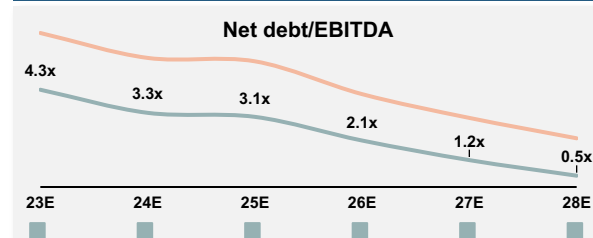
- The exit is planned for 2028 after an investment period of six years, providing sufficient time to implement and leverage the key value creation strategies
- Multiple arbitrage is not assumed due to the high entry multiple and the dependence on exogenous factors for multiple changes, resulting in an exit multiple of 16.7x
- With an estimated exit EBITDA of SEK 3,582m, the estimated EV at sale is SEK 59,695m

Institutional & Management Returns^a

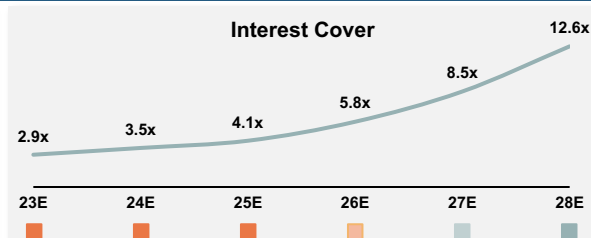
Returns w Bonus (in SEKm)	23E	24E	25E	26E	27E	28E	29E
Management proceeds - exit	123	344	992	1,951	2,874	4,078	4,579
of which is Bonus	74	190	433	713	1,100	1,631	1,951
Management entry equity	106	106	106	106	106	106	106
Management MM	1.2x	3.2x	9.3x	18.3x	27.0x	38.4x	43.1x
Management IRR	16%	80%	111%	107%	93%	83.6%	71%
Institutional investors - exit	15,321	19,087	32,433	40,461	49,233	53,828	59,527
Institutional investor entry equity	12,314	12,314	15,764	15,764	15,764	15,764	15,764
Institutional returns - MM	1.2x	1.6x	2.1x	2.6x	3.1x	3.4x	3.8x
Institutional returns - IRR	24.4%	24.5%	33.0%	30.7%	28.7%	25.0%	22.7%

- At exit in 2028, management receives proceeds of **SEK 4,078m**, including a bonus of **SEK 1,631m** to better align interests, while achieving a MM of 38.4x and an IRR of 83.6%
- The institutional investor receives **SEK 53,828m**, yielding a MM of **3.4x** and an IRR of **83.6%**. A late exit in 2029 returns a MM of **3.8x** and an IRR of **22.7%** to the investors
- Overall, the case yields a MM of **3.6x** and an IRR of **26.7%**

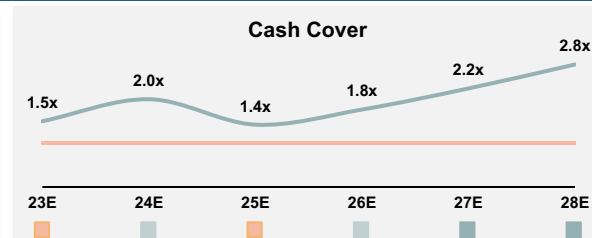
Credit Statistics



- Net Debt/EBITDA is decreasing over the investment period to 0.5x in the anticipated exit year
- The driving factor for this decrease is a **reduction in Net Debt** and increase in EBITDA



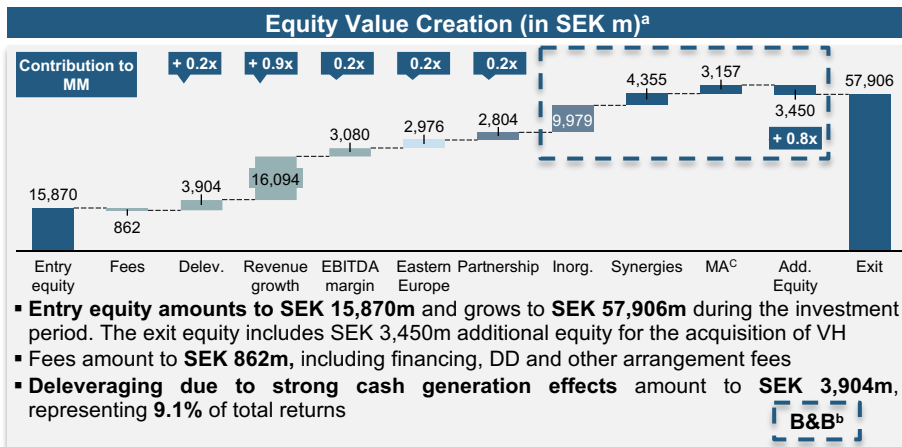
- Cash interest increases over the investment period, due to the lack of amortization and the PIK element
- Increasing **EBITDA offsets increasing cash interest**, leading to an interest cover growth to 12.6x



- Main lever for the increasing cash cover ratio is the **increasing FCF** over the investment period
- Slight decrease in 2025 due to the acquisition of Virtus health

Buy & Build accounts for 33% of the total value creation, being the most impactful value creation strategy contributing 0.7x to the exit multiple.

Return Analysis



- Vitrolife**
- **Revenue growth (37.5%)** is driven by the favorable market growth of the IVF and genetic testing industry
 - **EBITDA margin (7.2%)** mainly results from the growing technology segment, which has higher margins, increasing VL's overall EBITDA margin

- Inorganic**
- **EE penetration (6.9%)** yields an additional SEK 179m at exit, contributing **0.2x** to exit MM of the investors
 - **Partnership (6.5%)** yields an additional SEK 168m, contributing another **0.2x** to exit MM of the investors

- Add-on**
- **Inorganic growth (23.3%)** driven by the additional EBITDA of VH at exit amounts to SEK 788m
 - **Synergies (10.2%)** are driven by revenue and cost synergies
 - **Multiple arbitrage (7.4%)** as VH is bought at a multiple of 12.7x and sold at the exit multiple of VL at 16.7x contributes 3,157 to the exit equity
 - The acquisition of VH is partially paid by **additional equity (-8.0%)**

Entry/Exit Multiple sensitivity analysis

Entry EV/EBITDA Multiple	Exit EV/EBITDA Multiple					Exit EV/EBITDA Multiple				
	15.7x	16.2x	16.7x	17.2x	17.7x	15.7x	16.2x	16.7x	17.2x	17.7x
	15.7x	3.4x	3.6x	3.7x	3.8x	3.9x	25.4%	26.1%	26.8%	27.5%
16.2x	3.3x	3.4x	3.5x	3.6x	3.8x	24.5%	25.2%	25.9%	26.6%	27.2%
16.7x	3.2x	3.3x	3.4x	3.5x	3.6x	23.6%	24.3%	25.0%	25.7%	26.3%
17.2x	3.2x	3.2x	3.3x	3.4x	3.5x	23.7%	23.5%	24.2%	24.9%	25.5%
17.7x	3.1x	3.2x	3.3x	3.3x	3.4x	23.0%	23.6%	24.1%	24.1%	24.7%

- To test the impact of changes on the entry/exit multiple, a sensitivity analysis on the institutional MM and IRR is performed
- The MM ranges from 3.1x to 3.9x and the IRR from 23.0% to 28.1%. Higher entry multiples require higher equity funds to finance the deal. Consequently, the fund needs to increase the FRI while leverage ratio decreases, overall reducing the institutional investor's returns
- Sponsors achieve solid returns with entry and exit multiples of 17.7x and 15.7x, yielding a MM at 3.1x, and IRR at 23% when entry multiples are at 17.7x. FRI's substantial equity share provides robustness, offering less sensitivity to market shifts with priority repayment

Additional Value Creation Options

- **Bundling of products:** Enhance sales and customer value by cross-selling bundled products, improve inter-divisional collaboration for seamless customer experiences, streamline inventory with product bundling for competitive pricing
- **Net working capital improvement:** VL can improve its working capital ratios, which lag behind competitors, by enhancing customer relationships to encourage prompt payments and implementing measures to enforce timely settlement of dues
- **User App^d:** The strategy focuses on launching a user app to break into the B2C market, aimed at boosting customer and data acquisition to inform business decisions and tailor consumer experiences

1 Company Overview

2 Market Overview

3 Value Creation

4 Operating Model

5 Valuation

6 Capital Structure

7 Return Analysis

8 Exit, Due Diligence



Three strategies are analysed as potential exits, whereby Secondary Buyout is deemed the most appropriate strategy for Vitrolife due to the growing trend of private investment activities in the fertility sector.

Exit Strategy

Trade Sale

Attractive acquisition target due to VL's market leadership, strong financials, high in-house R&D capabilities, portfolio width and high market growth rates. Strategic buyers pay premium due to synergy effects.

Advantages:

- Potential buyers can create **value through synergies**, leverage economies of scale and access new markets
- Operates in **attractive market** with high growth rates (global demand, AI trend, government incentives)
- Increase in **M&A activity** by large industry players within healthcare, specifically assisted reproductive
- Existence of **many potential acquirers** in the industry interested in expanding their AR/IVF clinics portfolio
- Immediate and **complete exit** without regulatory costs

Threats:

- Time consuming process with high uncertainty
- Broad, differentiated and global portfolio (IVF C&T, Genetic Testing, Fertility Clinics) might be too complex for strategic buyers, can **lead to partial Trade Sale**
- Many legal, tax and commercial considerations

Potential Buyers for (Partial) Trade Sale



Secondary Buyout

VL's strong operational cash flow with high EBITDA margins, resilient top-line growth and the attractiveness of the AR sector makes this a viable exit strategy. Potential for further growth strategies remains after holding period.

Advantages:

- Attractive market with high growth potential especially with the **scalability of AI/ genetic testing** & large AM
- Value creations (i.e., Virtus Health) have **long-term effects**, some synergies will be realised post-exit
- Ability to **exploit further value creation** due to market potential, internationalization, Buy & Build into new healthcare areas (animal IVF, sperm donation)
- Growing trend of **private investment firms** investing in the fertility sector, indicating increased M&A activity
 - 41 buyouts worth a total of USD8.4bn in 2022¹

Threats:

- PE focus on short-term developments and cost cutting which could **harm the business in the long-run**
- Potential difficulty in defining a rationale of VL's fit for portfolio companies
- PE buyout industry might experience future downturn

Potential Buyers for Secondary Buyout



Initial Public Offering

IPO's typically result in higher valuations than other possible exits. This exit has the lowest potential due to **high costs and scrutiny associated with the IVF market**.

Advantages:

- Provides increased **future liquidity**: Easier to achieve a full exit from initial investment in a shorter period
- Quickly gain **widespread visibility** with minimal risk¹
- Ability to utilize IPO proceeds to pay down debt, fund expansion, finance R&D, acquire or develop new technology to strengthen position in IVF & AI market
- Process allows **more flexibility**: ability to raise capital or exit through a secondary offering at different points
- Advantages for cross-border listings

Threats:

- High transaction costs, time-consuming (4-6 months)
- Success of IPO depends on **market condition**: stock prices may be subject to fluctuations due to volatility
- No full exit possible
- Subject to extensive **rules and regulations**, hinders flexibility and agility to adapt to new market conditions

Potential IPO Listing



Existing interest for fertility companies in the Private Equity sector indicates high attraction for Vitrolife with a variety of future value creation opportunities.

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Preferred Exit Strategy via Secondary Buyout

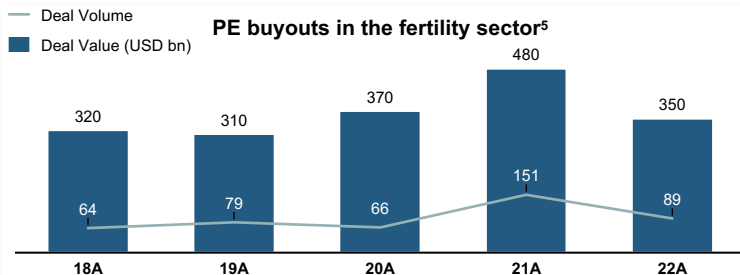
M&A environment of secondary buyouts

- Overall healthcare PE buyout activity declined, still 2022 was the second biggest year, valued at over USD 500m¹
- Shift in PE interest towards more **recession-resilient investments** (IVF)¹
- Continuing growth** is driven by **immutable trends** such as rise of chronic diseases & aging population which leads to lasting optimism for PE's¹
- PE landscape should be re-evaluated closer to exit on whether the conditions remain favourable, otherwise partial trade sale is an option

Biggest buyouts in 2022 [in USD bn]¹



PE buyouts in the fertility sector⁵



Secondary buyout is an attractive exit as PE is driving consolidation in the IVF market with 41 buyouts worth a total of USD 8.4bn in 2022 and already 30 buyouts in 2023 totaling USD 2.9bn⁵

KKR

American global investment company involved in healthcare investments including medical devices, services, pharma

USD 28.3bn in assets

M&A activity

- KKR-owned fertility group IVIRMA recently acquired Fresenius' fertility business Eugin Group for EUR 500m²
- Acquired fertility group IVIRMA in 2022 for EUR 3bn (largest EMEA fertility deal)²

VL's unique value proposition can be complementary to KKR's recent fertility related acquisitions, pushing for leader status in the field.

BainCapital

American private investment firm which has historically been active in the healthcare industry

USD 180bn in assets

M&A activity

- Acquired Evident in 2022, a manufacturer of microscopes for life science, videoscopes and test equipment³

Bain capital has been active in healthcare, VL could be key in expanding to the IVF/genetic testing sector & highly attractive fertility clinics market.

Blackstone

Private equity business has been one of the largest investors in leveraged buyouts in the last three decades

USD 1tn in assets

M&A activity

- USD 5bn investment in Advarra, provider of life-science R&D technology solutions, in 2022 with CPP investments¹

VL's competitive advantage in IVF technology sector can complement and strengthen Blackstone's recent acquisitions.












Future opportunities for PE's with VL:

- Future investments in the fertility sector include **tech-based projects** related to egg freezing, machine learning for embryo selection, artificial wombs for premature babies, sperm count, diagnostic apps⁴
- Attractive buy-and-built opportunities for **software companies** offering IVF technologies and companies building AI tools related to IVF (i.e., Alife Health)
- Take advantage of **notable activity in Asia-Pacific** where demand for fertility is growing strong⁵
- Strategy for **partial trade sale** should be prepared in case of unfavorable secondary buyout conditions

In the course of the LBO, several due diligence procedures will be conducted, with the main focus on a thorough analysis of customers and suppliers, the add-on acquisition as well as the estimated forecasts.

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Due Diligence (DD)

DD	AREA	FOCUS	RED FLAG	PRIO
COMMERCIAL	Management	Analysis of strategic focus of new CEO Brophy and fit to VL's current strategy	Challenges in terms of quality and efficiency of cooperation between new CEO and management team and strategic consensus	
	Customer/suppliers	Assess exact customer and supplier split, complete lists and contracts to identify customer lock-in and dependence on key suppliers	Regional concentration of customers / suppliers could negatively affect VL's operations due to geographic factors driving growth and costs	
	Fertility Costs	Evaluate commercialization potential to reduce costs and development of coverage and reimbursement to increase access to IVF treatments	Limited scalability due to individual treatments including high costs may restrict access to IVF treatments for many people, hindering growth	
	M&A	Full DD on VH to evaluate fit, synergies, growth potential and BGH's willingness to sell for an appropriate price & identification of alternatives	Failed deal due to disagreement on purchase price or overestimation of synergies and incorrect forecast of business plan	
	Expansion Potential	Evaluation of feasibility and extent of entering EE market with regard to competition as well as potential to leverage sales	Possibility of regulatory restrictions in the EE market hindering VL's establishment and thus growth potential in the market	
	Partnership	Evaluation of feasibility and effectiveness of partnership to getting access to AI technology and clear estimation and elaboration of price and contract terms	Failed partnership due to disagreement on agreement terms hindering VL's advancement in providing AI technology and increasing its leading position in the respective field	
FINANCIAL	Forecasts	Verification of revenue and costs as well as feasibility of future cash flows, revenue and cost forecasts broken down on product level	Overestimation of revenue growth and underestimation of cost increases could substantially lower EBITDA levels and reduce returns	
	Entry valuation	Verify entry valuation and consider rapid changes in financing (debt) costs	DCF is highly assumption based, lack of accurate data, many undisclosed transaction multiples might distort the accuracy of the valuation, inclusion of bias in the substitutability of comparables	
	Covenants	Precise analysis of debt instruments to achieve the best terms and feasibility to comply with agreed covenants, even in downside scenarios	Insufficient cash flow generation to repay debt, thus breaching covenants	
LEGAL	Regulatory Requirements	Identification of current and upcoming regulatory requirements and analysis of VL's regulatory compliance status in consumables and technologies	Weak growth due to slow or missing adaption to regulatory requirements in current and target markets	
	Intellectual Property	In-depth analysis of current patents and other forms of IP with regard to expiration dates as well as analysis of ongoing lawsuits regarding patent infringement	Patent expiration might decrease VL's competitive advantage while unforeseen lawsuits against patent infringement might decrease VL's profitability as there are no provisions for these cases	

APPENDIX



1

Company Overview

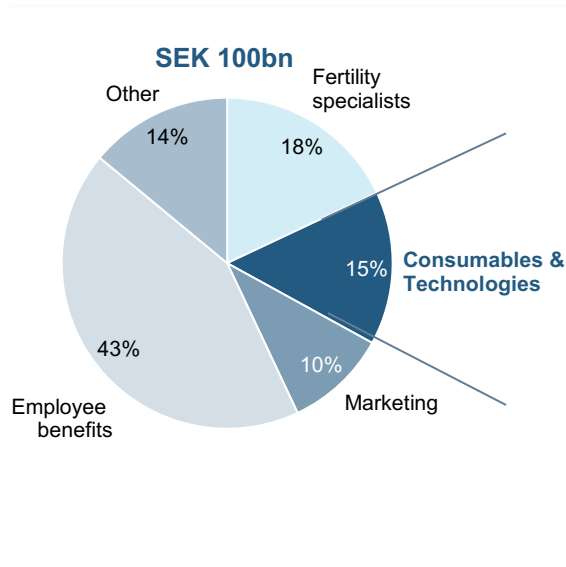


Vitrolife's current total addressable market amounts to SEK 15bn. Product expansion yields the biggest growth opportunity in Vitrolife's current market of additional SEK 11bn.

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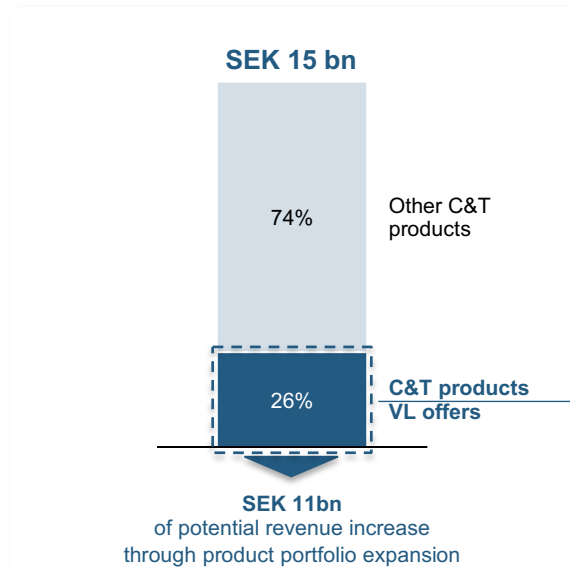
Total Addressable Market

IVF Clinic's total spend^{1,2,3}



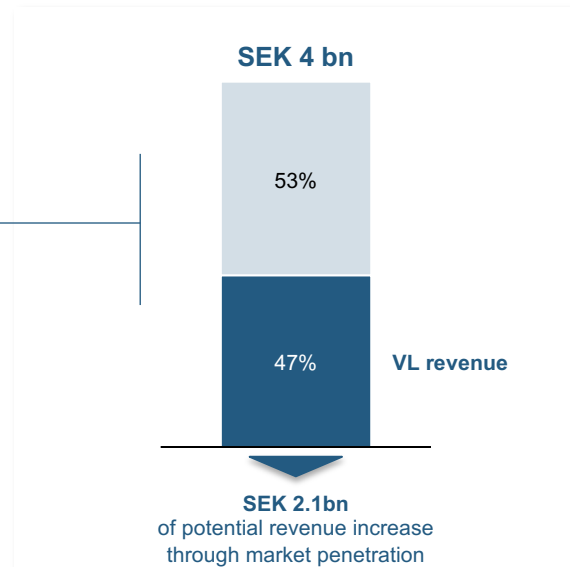
- Around **2m IVF cycles** are performed globally p.a. with a per cycle spending of clinics of SEK 50k
- **Total clinic costs** p.a. amount to **SEK 100bn**
- **15% of clinics costs** are spent on **Consumables and technological devices**

Clinic's spend on C&T¹



- VL offers C&T that make up **26% of the total clinics' spends on C&T**
- VL covers the entire IVF journey, but does not offer particular products, such as workstations or catheter
- **Biggest growth potential:** AI-IVF products

Clinic's spend on VL's C&T¹



- Within the products and services that VL sells, it **makes up almost half of the entire global sales**
- Given high revenue, growth potential is limited
- **Biggest growth potential:** Higher volumes in regions, where VL currently is not physically present (e.g., EE)

Vitrolife is uniquely positioned in the market with an end-to-end portfolio, selling products across the entire IVF journey while providing Genetic Testing services for all phases of the reproductive cycle.

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Product Portfolio¹

Pre-conception



CGT

Determination of risk of genetic diseases



SAT

Analysis of sperm chromosomal abnormalities



GPD

Diagnosis for complex genetic conditions

Pre-implantation

Oocyte retrieval

Lumen Needles
Needle accessories
Gynaecological needles
Disposables
ASP medium

Fertilization IVF & ICSI

G-Series Medium
OVOIL
Pipettes and holder
Labware & dishes
ICSI solutions
HYASE

Evaluation

G-Series Medium Time-lapse incubator
IDAScore & KIDScore
Guided annotation
Octax laser
Pipettes
EmbryoMap

Cyropreservation

Rapid-i verification system
G-series media
MOPS buffered media
SpermFreeze



Sperm preparation

SpermGrad/Rinse
G-IVF Medium
SpermFreeze
MicroCell
HEPES buffered medium
Labware

Culture

G-Series Medium OVOIL
Dishes
Thermometer
HAS solution

Embryo Transfer

EmbryoGlue



EMBRACE

Prioritizing embryo transfer



EMMA

Evaluates endometrium at micro-level



ERA

Evaluates endometrial receptivity



ALICE

Detects bacteria



PGT-A/M

Embryo disorder analysis



EndomeTRIO

Endometrial health

Prenatal & Postnatal



NACE

To minimize unnecessary amniocentesis



POC

Checks reason for miscarriage



Newborn screening

With Bronwyn Brophy entering in the role of the CEO, Vitrolife gains a strong and highly experienced leader with a proven track record which has potential to further leverage the company's growth.

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Management Transformation

Deep Dive: Bronwyn Brophy^{1,2,3}

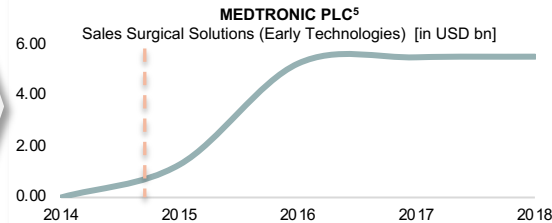
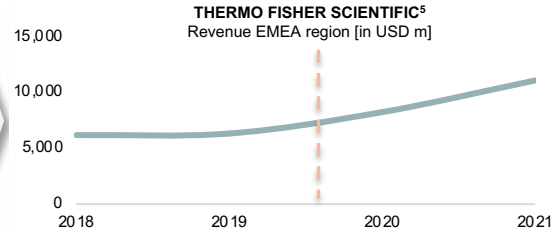


PREVIOUS EXPERIENCE

- 2023 **Vitrolife Group**
CEO
- 2021 **MedTech Europe**
Vice Chair & Member of OMC^a
 - Address healthcare challenges & make healthcare delivery more patient-centric, innovative & financially sustainable
- Thermo Fisher Scientific**
Global President | Immundiagnostics
 - Full P&L responsibility for business with all key functions incl. R&D, Operations, QARA, HR, Finance & Commercial teams reporting
- 2020 **President** | EMEA
 - Responsibility for aligning commercial strategies to support customers, leveraging power of extensive product portfolio & accelerating growth across all businesses in the region
- 2018 **Medtronic PLC**
Global Vice President | Women's Health
 - Leading global expansion into women's health space through a variety of organic & inorganic investments
- 2014 **Vice President** | Early Technologies EMEA
 - Accelerate commercialization of strategic bets to enable meaningful growth and profit contribution
 - Acquire early-stage med-tech companies for value creation & execution of dispassionate portfolio management
 - Optimize existing strategic investments to maximize market development & profitability of growth engines requiring incubation

Company success under Brophy

- With Brophy as VP of early tech. in the EMEA region, Medtronic **expected a large growth rate** reaching a portfolio of USD 30bn. By 2016, the division has already reached **total sales of USD 0.6bn**, demonstrating Brophy's strong capabilities
- With Brophy as president, Thermo Fisher managed to grow its EMEA revenue at a **CAGR of appr. 30%**



Expertise & Recognitions

EXPERTISE

- Healthcare Innovation Leader
- Strategic Growth Architect
- Experienced Corporate Leader
- Global Expansion Strategist
- Commercialization Expert
- Med-Tech M&A Expert
- Market Optimization Specialist
- Innovative Business Developer
- Expert across Medical Device & Life Science Industry

RECOGNITIONS⁴

- ★ Voted *One of the 25 Most Powerful Women in Ireland* by Women's Executive Network
- ★ Named one of the most powerful women in med-tech industry by Silicon Republic

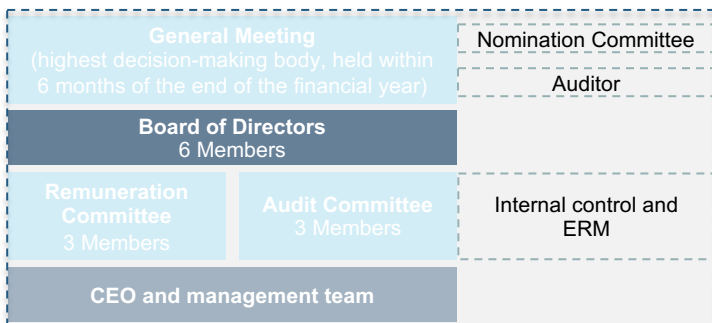
With more than 25 years of expertise in the medical device industry and a lot of tech-experience, Brophy demonstrates an impressive track record as a leader of global Life-science and MedTech businesses. She is an outstanding candidate to execute VL's strategy, unlocking the company's complete potential and ultimately enhancing shareholder value.

Vitrolife has a well-structured Corporate Governance with effective monitoring mechanisms for controlling the management in addition to the right incentives to avoid conflicts of interest and leverage efficiency.

VITROLIFE GROUP™

Corporate Governance

Governance Structure¹



Deep Dive Governance Structure¹

- Corporate Governance policies applied are based on Swedish legislation (primarily the Companies Act, Annual Accounts Act and Nasdaq Stockholm AB's rules)
- Board Remuneration: policies for remuneration and employment conditions for the CEO and other senior executives consists of basic salary, variable remuneration, pensions, and other remuneration
 - Policy is evaluated every year and submitted to the AGM

What makes a good corporate governance?

- ✓ **External Board Evaluation during the year**
 - The evaluation showed that the board outperformed the benchmark and is functioning in good manner
- ✓ **Effective Internal Control Environment**
 - Board's responsibility for internal control is regulated by the Companies Act and the Swedish Corporate Governance Code
 - Internal Financial Control ensures that the financial reporting is correct and aims to create an efficient decision-making process where requirements, targets and frameworks are defined
- ✓ **Continuous risk assessment to identify potential sources of errors**
 - Group works continuously with risk analyses to identify potential sources of error in the financial reporting
- ✓ **According to the Swedish Corporate Governance Code, majority of directors of the board are independent from the company and executive management**
 - All directors of the board of VL are independent from the company and executive management overcoming the agency-principal issue
- ✓ **Minimum of two directors are independent from major shareholder**
 - Out of the six members of the Board of Directors, only two are not independent as defined by the Swedish Corporate Governance Code (Henrik Blomqvist and Jon Sigurdsson)
- ✓ **Salary of management is performance-based**
 - Variable remuneration (lower than 75% of annual salary for CEO and 50% for senior executives)
 - Based on the outcome of two quantitative parameters related to VL's growth in sales and profit (EBITDA)

Corporate Governance/ Management/ Board evaluation

CONSIDERATIONS

Management Transformation: Due to Axelsson's resigning as CEO and Brophy entering as new one, the company is in a transition phase. Quality, efficiency and degree of cooperation between new CEO and management team as well as Board of directors are still unclear

Board independency: Although all Board members are independent from the company and its management, 2 of them (Sigurdsson, Blomqvist) are CEO's of companies owned by VL's two largest shareholders, William Demant and Bure, leaving doubt on full independency

EVALUATION

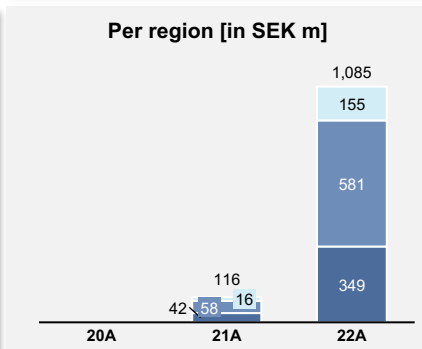
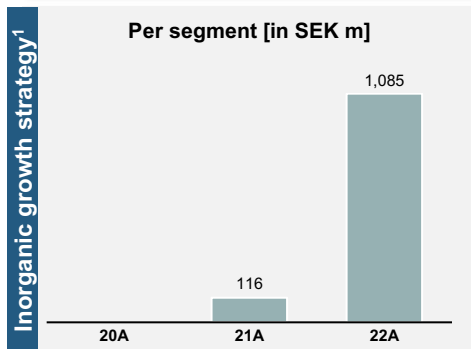
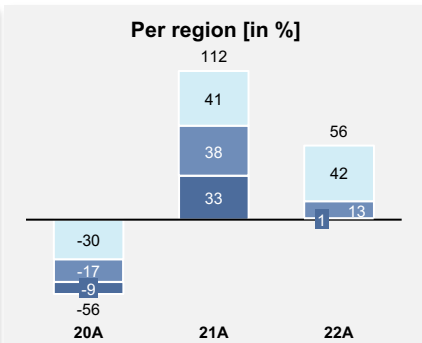
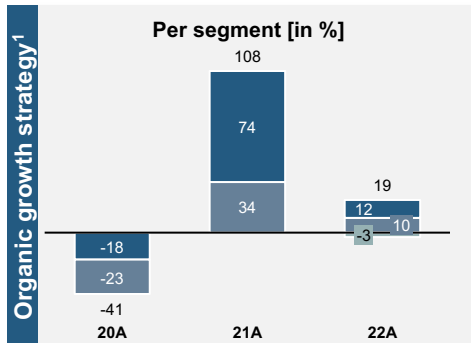
Due to Brophy's incredible track record in the MedTech industry as well as her great reputation among (former) colleagues it can be assumed that she will be a great value-add to leverage VL's success and growth

Board independency is still in line with the Swedish Corporate Governance Code, however, it should be secured to keep shareholder-dependent member to a minimum to keep the board's credibility

Inorganic growth contributes significantly to historical revenue, representing a key strategy of Vitrolife to expand its portfolio.

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Organic vs. Inorganic Growth



Increased R&D

- Through increased investments in R&D, VL was able to constantly develop & market new products & services (e.g., Consumables: Ovoil Heavy, EmbryoMap)

Organizational improvements

- Investments have been made in sales resources & customer support to establish one global sales & marketing organization, thus leveraging synergies and customer relationships
- Service offerings, quality and cost control have been improved

Favorable market development

- VL has profited from the favorable IVF market development, increasing sales, especially in Consumables (e.g., genetic kits) and Technologies (e.g., time-lapse)

Acquisitions

- During the past years, VL has been growing inorganically through several acquisitions, enhancing its market presence and improving its sales channel (e.g., UK and Ireland distributor Parallabs)
- Further acquisitions have enabled VL to set up new business segments in order to offer a holistic product portfolio, thus increasing sales and profitability (e.g., Igenomix in 2021)

Agreements








- By entering into several collaboration agreements, VL was able to develop and market new technology, services and products (e.g., AI algorithm together with Virtus Health)
- Establishing Licensing and Commercialization Agreements has further enabled VL build new business units to broaden its product portfolio (e.g., Illumina)

Due to the pandemic, 2020 has been a year of negative organic growth for VL, followed by high organic growth in 2021 and inorganic growth in 2022. While region-wise VL was organically growing (shrinking) evenly throughout the years, growth was especially recorded in the segments Consumables in 2021 while Consumables and Technology contributed most to organic growth in 2022. Inorganic growth was solely spurred through the segment Genetic Services resulting from the acquisition of Igenomix in 2021 and had the largest effect in the Americas region followed by EMEA region.

Igenomix allowed Vitrolife to expand its product portfolio, now offering Genetic Testing services, while growing in size as well as globally.

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Acquisition of Igenomix

Igenomix		Vitrolife	
Business overview^{1,2}			
 Product Service	Portfolio of IVF genetic services covers all phases of reproductive cycle: (i) preconception, (ii) pre-implantation, (iii) pre-natal	 Product offering covers all stages of IVF process: Pre-implantation	
 FTE	560 employees	413 employees	
Financials [in SEK m and %]			
 Sales	1,252 (LTM 06/2021)	1,246 (2020)	
 CAGR	37% (2017-2021)	17% (2017-2021)	
 EBITDA	365 (LTM 06/2021)	405 (2020)	
Global reach (as of 2020)			
 Product Service	<ul style="list-style-type: none"> 26 labs across 16 countries Covers +80 countries with products and services 	<ul style="list-style-type: none"> 12 offices Customers on every continent Sales in appr. 100 markets 	






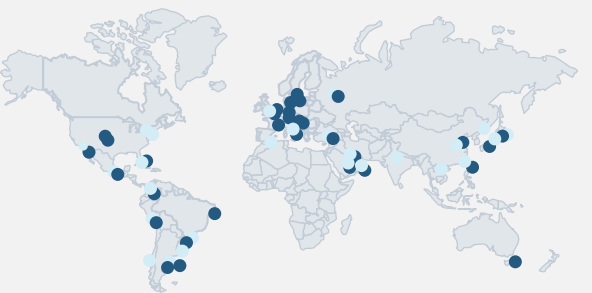
2022: Acquisition of Igenomix

ACQUISITION OVERVIEW²

- **Sellers:** EQT and other minor shareholders
- **Purchase Price:** SEK 12.7bn for 100%
- **Financing:**
 - SEK 6.4bn through issue of 17,251,312 ordinary shares directed to the sellers
 - SEK 3.6bn through a directed share issue of 9,645,303 ordinary shares to institutional investors
 - SEK 2.8bn through current cash balance and new committed debt facilities

INTENTION AND EXPECTATIONS

- Better service to customers across the entire IVF journey: Consumables, Technologies, Genetic Services
- Marginal effect on VL's EBITDA per share during 2021
- Strengthen VL's cash flow generation and provide additional financial flexibility
- Net debt/EBITDA ratio will remain below 3x

VITROLIFE GROUP™			
Business overview		Financials	
 Product Service	Product offering covers all stages of IVF process: (i) evaluation, (ii) embryo transfer, (iii) cryopreservation	 Sales	3,234 (2022)
 FTE	1,100 employees	 CAGR	92% (2021-2022)
		 EBITDA	1,050 (2022)
Combined global reach			
<ul style="list-style-type: none"> ● VL presence before the acquisition ● Igenomix Laboratories 			
			
<ul style="list-style-type: none"> ▪ Service availability in 125 markets through local distributors ▪ Located in 25 countries through own presence 			

With Igenomix, VL acquired a company of similar size and a very strong financial performance with a 4-year revenue CAGR of 37% in the year before the acquisition. The acquisition enabled VL to expand its product portfolio and global reach, improve its Net debt/EBITDA ratio (1.5x in 2022) and leverage its cash flow generation. Through the acquisition, VL has transformed into a uniquely positioned firm, now being one of the few player offering C&T as well as Genetic Testing.

Management interview with Sabrina Ritossa Fernandez, Group Sustainability Business Partner at Vitrolife.

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Interview Vitrolife C-Suite

Expert

**Sabrina Ritossa
Fernandez**
Group Sustainability
Business Partner

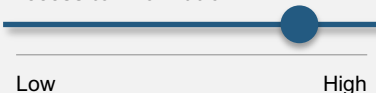


- Group Sustainability Partner at Vitrolife (since September 2022)
- Master's degree from NOVA SBE
- 8+ years professional experience in ESG reporting

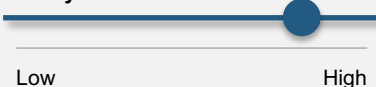
Responsiveness



Access to information



Clarity of information



Interview questions

Question 1: What is Vitrolife's competitive advantage? What sets the company apart?.

- 1) *Our quality: Clinics really value the high quality of all our products and processes.*
- 2) *Business combination with Igenomix: The recent acquisition of Igenomix has widened our portfolio. Now we are able to offer a more holistic portfolio to clinics and improve pricing. Due to the ability to bundle products we can give discounts on large purchases. Further, we can now offer genetic counselling. Our market leadership in time-lapse technology (EmbryoScope), enabled through our strong R&D capabilities.*

Question 2: Can you elaborate more on the value chain of each of the three business areas

[SF]: Consumables: After sourcing the materials needed for production, we manufacture them in one of our production sites and then either ship them directly to clinics or through our distributors, which whom we work in around 100 countries.

Technology: We have our assembly workshop in Denmark. We ship the entire ready-assembled machines to our clients. After-sales make up a significant amount of our revenue. Our certified engineers are sent out to clinics to show them the correct application of our devices.

Genetic testing: After we receive the order we send out a sample kit to doctors (tube with reagent) to distract whatever you need from patient. Then doctors send it back, we analyze it and then send a pdf with the results. We are always available to follow-up on questions and provide genetic counselling. We do not sell tests one-by-one, but in bundles.

Question 3: Can you provide more details on your customers?

[SF]: I can not provide any details on the exact customer split or who they are. I can tell you that we have a diverse and global customer base.

Question 4: What are the biggest differences of the regions Vitrolife is operating in?

[SF]: The biggest differences are regulations and a country's culture in terms of conservativeness, a key variable determining testing availability. For example, there is no Genetic Testing in Germany, while the US, UAE and Spain are very liberal. Japan represents a huge market opportunity.

In terms of expansion, there is room in the US, but competition is quite high there. In Eastern Europe we are rather new, providing room for market share gain..

Question 5: What are your key product within each business segment

[SF]: I can not share exact product sales split, but I can tell you that in the consumable area our media products are very relevant. We have extensive expertise in media development. Overall, the EmbryoScope is our most important product in terms of revenue generation, with IDAScore gaining adaptation.

Question 6: At what level is your current capacity utilization.

[SF]: Unfortunately, I can not share exact numbers, but we have recently invested into our production capacity to be able to meet the high demand.

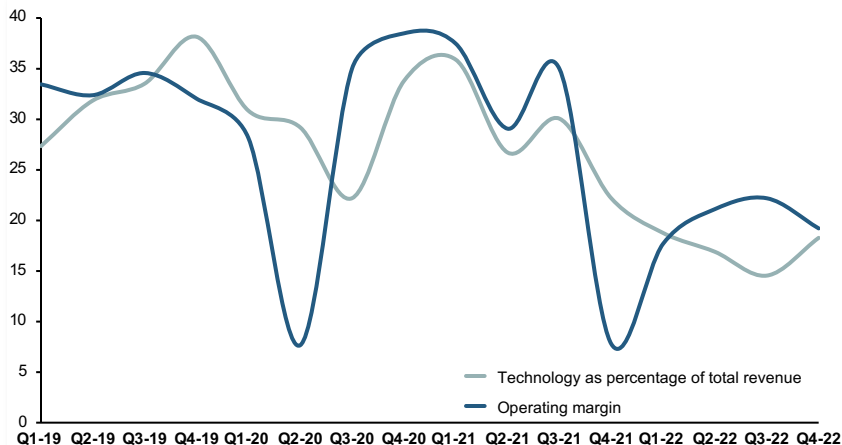
Question 7: Looking ahead: what are strategic moves Vitrolife is going to take in the short- and long-term future?

[SF]: The market of IVF clinics is limited and we are already covering a substantial amount of the market. Despite product development in the short-term, we surely have to consider expanding our total addressable market to ensure growth. There are various options, i.e., entering the women's health business or the B2C market. I mean why would we not enter the B2C market, it yields high growth potential, and we need to get closer to patients to produce better products.

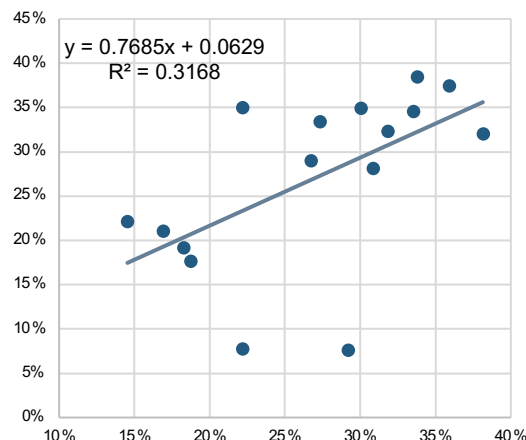
Margins decline in tandem with decrease in technology revenue, suggesting a higher margin in the technology segment.

Margin Analysis

Prediction



Regression Analysis



Regression Statistics

Multiple R	0.56
R Square	0.32
Adjusted R Square	0.27
Standard Error	0.06
Observations	16

	df	SS	MS	F	Significance F
Regression	1	0.03	0.03	6.49	0.02
Residual	14	0.05	0.00		
Total	15	0.08			

- **Problem:** VL withholds specific margin breakdowns to prevent competitors from identifying their most profitable products
- To ascertain the most profitable revenue segment, dependencies were analyzed
- Observed trend: Margins decline in tandem with decreases in technology revenue, suggesting higher technology revenues may bolster margins due to lower associated costs
- To verify this observation, a regression analysis was performed, with the following hypothesis: There is a statistically significant relationship between technology revenue (Y) and operating margin (X), where a decrease in technology revenue is associated with a decrease in operating margins, indicating higher margins

- The F-statistic is 6.49, and the significance F (p-value for the F-statistic) is 0.02, which is less than 0.05, indicating **the model is statistically significant on a 5% significance level**

THE TECHNOLOGY REVENUE STREAM YIELDS THE HIGHEST MARGINS

All business units indicate a strong double-digit CAGR with slight changes in margins, mainly due to increased pricing pressure and higher raw material needs and prices.

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Detailed Income Statement

In SEKm	13A	14A	15A	16A	17A	18A	19A	20A	21A	22A
Consumables			585	658	714	797	990	883	1,093	1,339
<i>Growth</i>							24%	-11%	24%	23%
Technology		n.a.	138	199	331	355	489	363	474	553
<i>Growth</i>							38%	-26%	31%	17%
Genetic Services									114	1,343
<i>Growth</i>										1078%
Total Net Sales	453	511	722	856	1,046	1,152	1,479	1,246	1,681	3,235
<i>YoY growth in %</i>		13%	41%	19%	22%	10%	28%	-16%	35%	92%
COGS	(144)	(161)	(238)	(248)	(304)	(328)	(463)	(415)	(564)	(1,284)
<i>in % of revenue</i>	32%	32%	33%	29%	29%	28%	31%	33%	34%	40%
Gross Profit	308	349	485	608	742	824	1,016	831	1,117	1,951
<i>Margin in %</i>	68%	68%	67%	71%	71%	72%	69%	67%	66%	60%
R & D Expenditures	(59)	(42)	(56)	(62)	(69)	(71)	(94)	(88)	(112)	(132)
<i>in % of revenue</i>	13%	8%	8%	7%	7%	6%	6%	7%	7%	4%
Sales/Marketing/Advertising Expenses	(95)	(112)	(140)	(148)	(164)	(184)	(230)	(195)	(225)	(427)
<i>in % of revenue</i>	21%	22%	19%	17%	16%	16%	16%	16%	13%	13%
General and Administrative Expenses	(56)	(60)	(80)	(94)	(99)	(96)	(106)	(99)	(242)	(360)
<i>in % of revenue</i>	12%	12%	11%	11%	9%	8%	7%	8%	14%	11%
Other Operating Income/Expenses	3	8	17	(1)	(2)	5	(0)	5	7	19
<i>in % of revenue</i>	-1%	-2%	-2%	0%	0%	0%	0%	0%	0%	-1%
EBITDA	102	144	227	303	408	479	586	455	545	1,051
<i>Margin in %</i>	23%	28%	31%	35%	39%	42%	40%	37%	32%	32%
Amortization	-					(54)	(70)	(51)	(73)	(317)
Depreciation	(21)			(54)	(66)	(30)	(29)	(33)	(33)	(79)
EBIT	81	144	227	249	341	395	487	371	436	655
<i>Margin in %</i>	18%	28%	31%	29%	33%	34%	33%	30%	26%	20%
Financial income/(loss)	(1)	4	1			5	5	(4)	25	(117)
EBT	80	147	227	249	341	399	492	367	461	538
<i>Margin in %</i>	18%	29%	31%	29%	33%	33%	33%	29%	27%	17%
Income Taxes	(23)	(37)	(43)	(58)	(76)	(88)	(109)	(78)	(116)	(143)
Net Income after Tax	57	110	184	192	265	312	383	289	344	395
<i>Margin in %</i>	13%	22%	25%	22%	25%	27%	26%	23%	20%	12%

**CAGR
18-22**
COMMENT

- No revenue breakdown available before FY15. Instead, revenues are reported as total net sales
- VL has experienced consistent revenue growth over the past decade, with the sole exception of a downturn of **-16.0 p.p.** in FY20 due to the macroeconomic effects of the pandemic
- Stable but slight decrease in gross margin, caused by the increased pricing pressure in the Genetic Testing industry, highlighting the importance of focusing more on the technology sector
 - Increase in COGS is related to the new business segment genetic services, which has higher raw material need and personnel costs than the Technology and Consumables segment
- Decreasing Sales/Marketing/Advertising expenses partly attributed to i) forward integration with distributor ii) reviewed sales channels strategy and unified sales team achieving synergies and iii) established brand name of VL
- Other operating income/expenses mainly include foreign exchange gains, insurance refunds and tax refunds
- No D&A breakdown available. For FY14 and FY15, D&A are included in COGS and OPEX
- Significant increase in non-cash items, due to higher D&A expenses (+409%) mainly caused by higher D&A expenses for SG&A and amortization of cost in revenues

Low leverage ratio over the past ten years, with acquisitions mainly being financed through new stock issuance and cash reserves.

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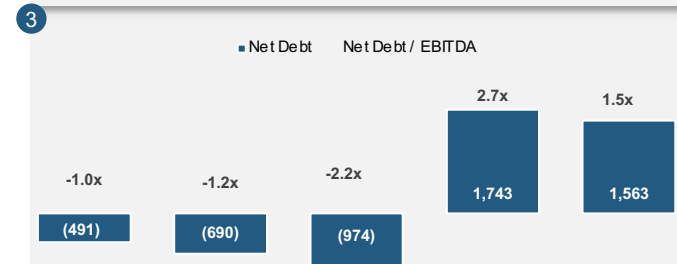
Detailed Balance Sheet

In SEKm	13A	14A	15A	16A	17A	18A	19A	20A	21A	22A
ASSETS										
Goodwill	183	365	350	403	409	422	426	403	12,995	13,874
Other intangible assets	23	197	165	250	203	312	358	314	4,553	4,648
Property, Plant & Equipment	86	92	90	94	84	94	173	142	333	318
Other financial assets	5	10	10	5	5	18	27	25	49	36
Deferred taxes	-	33	30	22	11	1	4	6	92	103
Total Non-Current Assets	298	697	645	774	713	847	988	891	18,022	18,979
Inventories	60	92	102	146	151	161	209	204	313	405
Trade Accounts & Trade Notes Receivable	61	85	100	126	148	181	233	216	391	454
Current tax assets	-	8	-	2	-	4	1	6	17	48
Other receivables	12	10	4	5	5	4	6	3	22	40
Prepaid Expenses	-	7	8	8	10	9	12	11	32	47
Cash & Short-Term Investments	54	108	200	189	396	491	690	974	630	578
Total Current Assets	187	309	414	477	710	851	1,150	1,414	1,407	1,572
Total Assets	485	1,006	1,059	1,251	1,422	1,697	2,139	2,305	19,429	20,551
Liabilities & Equity										
Shareholders' Equity	314	701	843	1,018	1,226	1,493	1,794	2,013	15,322	16,736
Minority Interest - Equity	2	2	2	2	3	3	4	4	19	4
Total Shareholders' Equity	316	703	845	1,020	1,229	1,496	1,798	2,017	15,341	16,740
Provisions	4	4	5	9	7	12	17	22	28	33
Deferred tax liabilities	19	60	42	61	51	29	27	16	1,069	1,102
Borrowings	22	60	36	-	-	-	-	-	1,944	1,988
Lease liabilities	-	-	-	-	-	-	61	49	82	55
Other Non-Current Liabilities	25	20	-	-	-	8	34	25	11	12
Total Non-Current Liabilities	70	143	83	71	59	49	139	111	3,134	3,190
Borrowings	17	26	12	37	-	-	-	-	429	153
Lease liabilities	-	-	-	-	-	-	15	14	27	29
Trade payables	16	22	22	24	31	32	29	26	173	181
Current tax liabilities	10	29	35	22	18	27	30	9	25	27
Other Current Liabilities	55	16	4	13	13	11	18	25	59	51
Accrued expenses and deferred income	2	67	58	63	74	82	110	104	242	180
Total Current Liabilities	100	160	131	159	135	152	202	177	954	621
Total Liabilities & Equity	485	1,006	1,059	1,251	1,422	1,697	2,139	2,305	19,429	20,551

COMMENT

1 Increase is attributed to the acquisition of licensing rights for an embryo transfer technology from CrossBay Medical Inc.

2 The goodwill from the business combination totaled to SEK 12,995m, with SEK 9,653m allocated to Genetic Services, SEK 2,125m to Media, SEK 711m to time-lapse, SEK 463m to Disposable Devices, SEK 42m to ART Equipment, and SEK 1m to Genomics



4 The conservative capital structure and substantial cash reserves of VL historically resulted in a negative net debt. However, the 2021 acquisition, partially financed by these cash reserves and additional bank credit, shifted the net debt into a positive figure

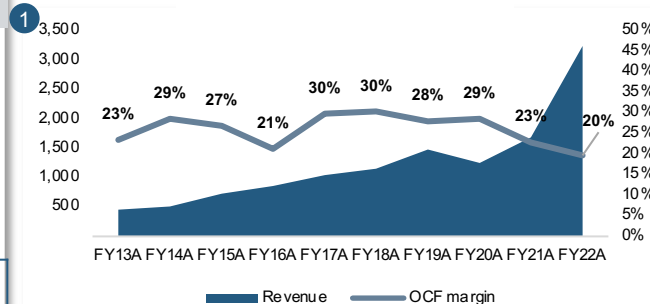
4 Issuance of new shares to sellers of Igenomix (SEK 9.5bn) and institutional investors (SEK 3.6bn) to finance the purchase price

Historically, VL has strong cash flow generating capabilities that could be further improved by TWC improvements.

Detailed Cash Flow Statement

In SEKm	13A	14A	15A	16A	17A	18A	19A	20A	21A	22A
Operating Cash Flow - Indirect										
EBT	80	147	227	249	341	399	493	366	460	537
Net taxes paid	(12)	(18)	(46)	(83)	(84)	(95)	(114)	(111)	(144)	(202)
Other Non-Cash Items & Reconciliation Adjustments	1	12	(19)	1	(2)	81	96	15	(36)	70
Depreciation, Depletion & Amortization including Impairment	35	-	53	54	67	-	-	84	109	396
Financial Assets - Unrealized Gain/(Loss)	-	-	-	-	-	-	-	(9)	(0)	-
Share Based Payments	-	-	-	-	-	-	-	1	5	10
Change Accounts Receivables	(7)	3	(4)	(18)	(24)	(34)	(49)	15	(6)	(56)
Change Inventories	2	5	(10)	(26)	(9)	(4)	(44)	(4)	(47)	(71)
Change Accounts Payable	5	(3)	(7)	5	23	4	31	(1)	42	(48)
Net Cash Flow from Operating Activities	106	146	194	181	312	349	413	356	384	636
Maintenance CapEx	(8)	(9)	(23)	(14)	(10)	(180)	(87)	(20)	(62)	(82)
Property, Plant & Equipment	7	6	10	10	9	18	19	7	25	82
Intangible Assets	2	3	13	4	1	162	68	13	38	-
Acquisition CapEx	(2)	(68)	(9)	(117)	-	-	(24)	-	(6,447)	(10)
Investment CapEx	(4)	(1)	-	(1)	-	(2)	(2)	(0)	16	-
Other Investing Cash Flow	-	-	-	-	-	-	-	-	(25)	(52)
Net Cash Flow from Investing Activities	(14)	(78)	(31)	(131)	(10)	(181)	(113)	(20)	(6,519)	(144)
Dividends Paid	(12)	(20)	(33)	(53)	(57)	(81)	(92)	-	(88)	(110)
Stock Issuance/(Retirement)	-	-	-	-	-	-	-	-	3,536	-
Debt Issuance/(Retirement)	(37)	1	(37)	(12)	(37)	(1)	(15)	(16)	2,335	(479)
Other Financing Cash Flow - Increase/(Decrease)	-	-	1	1	1	-	-	(11)	(33)	7
Net Cash Flow from Financing Activities	(49)	(20)	(69)	(64)	(93)	(81)	(107)	(27)	5,749	(582)
Foreign Exchange Effects - Cash Flow	(0)	5	(1)	3	(2)	8	5	(26)	42	39
Net Change in Cash - Total	42	54	92	(10)	207	95	199	284	(343)	(51)

COMMENT



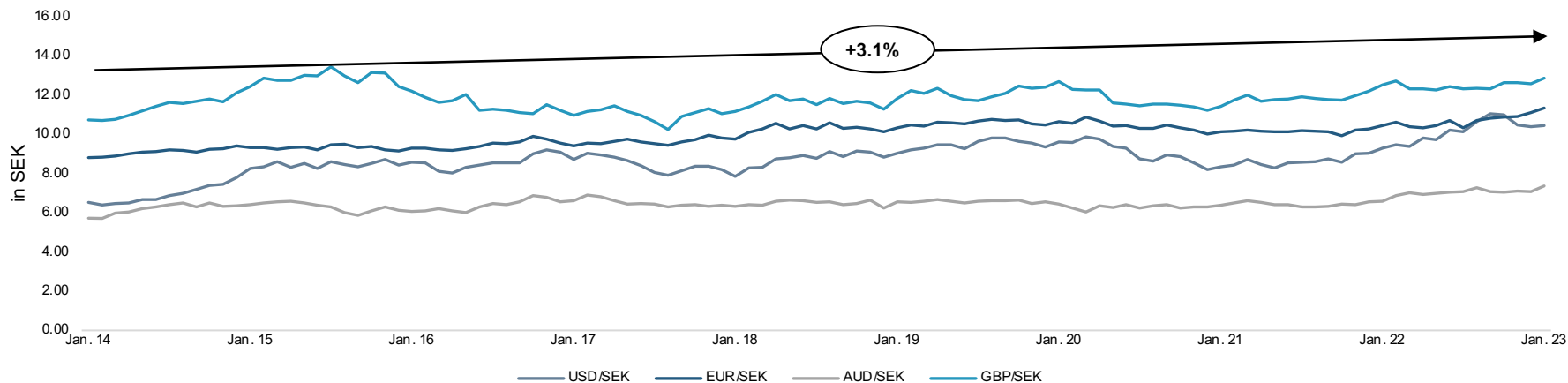
- Constant operating cash flow margin of over 20%. The decrease in FY21 and FY22 is attributed to the increase in accounts receivable, increase in inventories due to the built up of safety stock and the repayment of accounts payable in FY22
- Investments of SEK 162m for the acquisition of licensing rights for embryo transfer from CrossBay Medical (SEK 41m) and a one-time payment to Illumina Inc. for a licensing and commercialization agreement
- Acquisition of Octax and MTG in 2016, leading providers in laser technology for IVF
- Negative changes in cash only occurring in periods where acquisition occurred. The acquisition in FY21 was VL's largest acquisition, causing negative cash flows in the following periods due to debt repayments

Vitrolife is exposed to currency fluctuations, as the majority of its business is operating in foreign currencies.

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Currency Risk

Currency exchange rate development of the four key currencies



- Shown are the four currencies where VL has the highest transaction exposure
- In general, an increase in SEK against the currencies would reduce the Group's revenue, while a decrease would have the opposite effects
- In 2022, a change in SEK against the key currencies of +/- 10% would have an impact on the operating profit of SEK 105m
- Items related to currency risk of VL are:
 - Contracted payment flows
 - Revaluation of foreign subsidiaries' assets and liabilities in foreign currencies
 - Financial exposure of currency risks in payment flows for loans and investments
 - Future mergers and acquisitions in foreign currency

VL needs to continue enforcing countermeasures to reduce the impact of foreign currency fluctuations on its operating profit

- Centralize currency management
- Increase natural currency hedging
- Use financial derivatives to hedge risk
- Distribute net debt to across key currencies

2

Market Overview



Eastern Europe and APAC are the highest growth markets with Czech Republic, Israel, Australia and Japan among the most attractive countries.

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Country Deep-Dive

Country	Availability	Max Age (Women) ¹	Sperm donation ¹	Egg donation ¹	Embryo donation ¹	Surrogacy ¹	Fertility rate	Cost per IVF cycle (own egg)	IVF cycles per million per annum ²	Reimbursement ²	Advantage for Vitrolife
Czech Republic	Infertile heterosexual couples (IHC)	49	Yes	Yes	Yes	Yes	1.67	SEK 23,000-40,000 ³	4,195	100 % for up to 4 cycles IVF and six IUI for women aged 22-39 years	Tourism Hotspot, "Eastern Europe highest growth potential for IVF" ⁹
Hungary	IHC Single women	45	Yes (only anonym)	Yes (only from relatives)	Yes (altruistic basis)	No	1.56	SEK 26,000 ³	1,469	Government's ban on private IVF treatment ⁶	Eastern Europe has one of the highest growth rate, strategic position
U.K.	IHC Single women Female & male couples	50	Yes	Yes	Yes	Yes	1.75	average EUR 7,000 ³	25,878	No national policy, reimbursement is up to each Health Authority	
Turkey	IHC	46	No	No	No	No	1.9	average SEK 28,000 ³	2,383		IVF Tourism Hotspot
Belgium	IHC Single women Female & male couples	47	Yes	Yes	Yes	Yes	1.72	SEK 35,000-42,000 ⁸	4,038		IVF Tourism Hotspot: 13 of every hundred IVF cycles was for non-resident ⁸
Denmark	IHC Single women Female couples	45	Yes	Yes	No	No	1.76	SEK 38,000-53,000 ³	3,760	3 cycles reimbursed, but only in public clinics	Location of AI development R&D team
Israel	IHC Single women Female & male couples	45	Yes	Yes	Yes	Yes, but only for IHC	2.97	SEK 44,000-56,000 ³	9,913	Public insurance system provides free IVF treatment for first 2 children to all residents regardless of income, marital status, age ⁷	IVF Tourism Hotspot Government incentives Highest IVF utilization rate globally
Japan	IHC	43	Yes	Yes	No	No	1.44	SEK 44,000 ³	12,754	Not reimbursed, medical costs for OI/IUI reimbursed 70-80%	Second largest market, Government subsidies
Australia	IHC Single women Female & male couples	50	Yes	Yes	Yes	Yes	1.79	SEK 57,000 - 105,000	7,749	Medicare (publicly funded healthcare system) provides rebates for IVF (NSW AD\$2,000 Rebate)	APAC has one of the highest growth rates due to aging population

Source: 1) Calhaz-Jorge et al. (2020); 2) IVF Worldwide (2008); 3) Wiecki (2023); 4) Van Hoof et al. (2013); 5) Interview with VL; 6) Rutai (2022); 7) Gershoni & Low (2021); 8) Bernardo et al. (2021)

The bargaining power of suppliers and competitive rivalry combined with strong regulations impose the biggest market risk factors, while substitution or new entrants are less likely to affect operations.

Market Assessment

Regulatory Bodies & Guidelines

EU Medical devices regulation 2017/745

Medical Device Regulation (MDR)^{1,2}:

- Reclassification of devices according to risk, contact duration, and invasiveness
- Valid conformity assessment certification
- Provisions regarding combinations of medicinal products with medical devices (requires CE certified)
- Stringent technical documentation requirements
- Strict post-market surveillance authority by Notified Body
- Measures to prevent potential medical device shortages
- Stringent requirements for medical device safety for patients and users (requirements for clinical evidence)
- Unique device identification mechanisms for devices

VL's operations are quality-certified by ISO 13485 (design and manufacturer of medical devices)

Quality Control

Customers' quality control and regulatory environments require periodic repair and recalibration or certification of instrument products and old chain monitoring systems

1976 Medical Device Amendment

Consequences



Increased regulatory application necessity and high market entry barriers give strong selling position to established players



High sensitivity of reputational consequences upon issues with quality control increases pricing power for established players towards customers leading to annual price increases



Through high historical & forecasted M&A efforts, established players are able to tackle competitive pricing

Porters Five Forces

Bargaining power of suppliers – HIGH

- Have significant power due to a high degree of specialization
- As treatment is relatively novel, lack of sufficient providers and clinics allow existing players to charge higher prices

Bargaining power of customers – LOW

- Buyer switching costs are relatively high due to complexity of treatments or technology and high associated costs

Threat of new entrants – LOW

- Difficulty of establishing a reputable network of doctors and clinics
- Entry requires vast knowledge, experience and investment in R&D
- Ability of large legacy insurance providers to enter the market due to existing network & financial resources

Threat of substitute products – MEDIUM

- Depends on type of products; consumables are easier to substitute, while technologies and specific AI software is more customized
- Threat is low due to high cost of IVF products and services

Competitive Rivalry – MEDIUM

- Fragmented competitive landscape
- Few publicly traded companies
- Most firms offer one service/product from one aspect of the value chain




























CONCLUSION

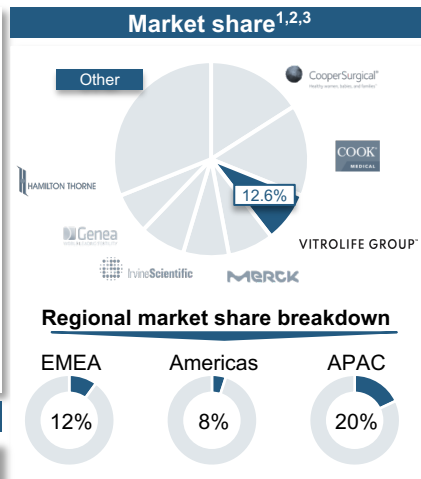
- VL needs to maintain a good relationship with suppliers and distributors
- VL needs to focus on research and development as well as technological advancements to stay ahead of its competition

With a market share of 12.6%, Vitrolife is the third biggest player in a fragmented market, setting itself apart through its wide product portfolio and sole focus on IVF products.

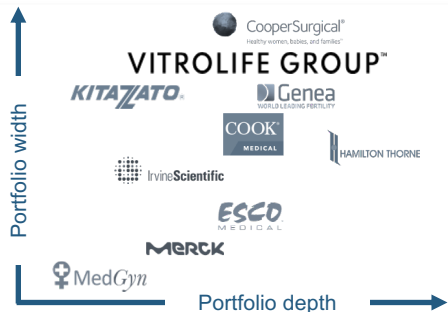
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Competitive Landscape | Consumables & Technology

	VITROLIFE GROUP	CooperSurgical	HAMILTON THORNE	KITAZATO	IrvineScientific	COOK MEDICAL	Genea	ESCO MEDICAL	MERCK	MedGyn
HQ	Sweden	USA	USA	Japan	USA	USA	Australia	China	Germany	USA
Markets	125	100+	40	27	n/a	135	60	100+	n/a	1 M
Revenue (SEK bn) ^a	1.9	3	1	0.7	1.7	2.7	1.7	0.8	1.7	0.1
Headcount	1,100	3,000	1,600	250	400	11,000	250	80	n/a	n/a
IVF only	☑	☒	☒	☑	☑	☒	☒	☑	☒	☒
Focus	Media + time-lapse	None	Embryo, sperm	Media, tools	Labware, media, AI	Labware	Fertility ecosystem	Equipment	Drugs, lab. Tech.	Pipettes, catheter
Clients	 	 	  		  		  	   		 
Product similarity										
 Laboratories  Clinics/Hospitals  Pharmaceutical companies  Animal breeding  Patients										



Portfolio analysis



- **Portfolio width:** The majority of competitors have a lower product range, as VL covers the entire IVF journey and has products for each procedure. M&A activity represents key portfolio expansion driver
- **Portfolio depth:** Most competitors equal VL by having a couple of versions for the same procedure, representing a medium portfolio depth
- **IVF Focus:** Whereas VL only focuses on IVF, majority of competitors also cover other fertility solutions (i.e., surrogacy, donor egg)
- **Speciality:** The majority of competitors provide consumables (i.e., labware and media), while only a few offer technological solutions (i.e., time-lapse incubator, AI solutions)

- The C&T market is still **relatively fragmented**, but **high consolidation** in the market continuously **reduces the amount of players**
- No firm has a market share of >20%
- High M&A activity and R&D collaboration
- VL is the **3rd biggest player** with the biggest market share in APAC, as most competitors are headquartered in the US, where competition is the strongest

VL has a strong position, differentiating itself from its competitors due to its sole focus on IVF, its product portfolio width and by offering AI software for its time-lapse technology. APAC yields highest growth potential, given VL strong market share.

Vitrolife is uniquely positioned, offering the highest number of tests compared to other players while covering all phases of the reproductive journey.

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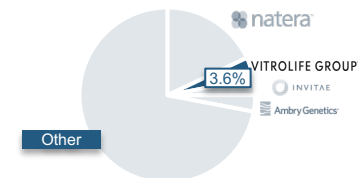
Competitive Landscape | Genetic Testing

	VITROLIFE GROUP ^a	natera ^b	Genea ^b	CooperSurgical ^b	INVITAE ^b	CENTOGENE ^b	Ambry Genetics ^b	Blueprint Genetics ^b
HQ								
Markets	125	80 +	60	100	10	120 +	60	100
Revenue ^a (SEK bn)	3.2	7.0	1.7	3.0	4.6	0.4	1.7	3.0
RH ^b Revenue (SEK bn)	1.3 (41%)	6.8 (97%)	n/a	n/a	0.8 (18%)	n/a	n/a	n/a
Headcount	1,100	3,018	450	3,000	1,700	530	450	3,000
Phase focus								

Test similarity

Pre-conception Pre-implantation Pre-natal Post-natal

Market share¹



- The reproductive genetic testing market is quite fragmented with the biggest player Natera having a market share of 18%

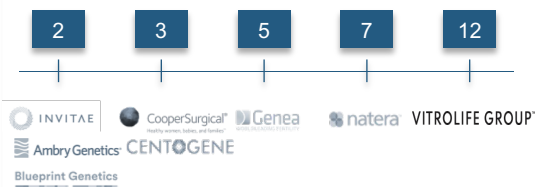
- Key drivers to increase market share are the **ability to develop efficient and effective tests**, offering tests at a **low price** and with a high ease of use

- License and Commercialization agreements are common

- Clinics in-housing tests represents risk factor, which yields potential to reduce a firm's market share

Portfolio analysis

No. of tests



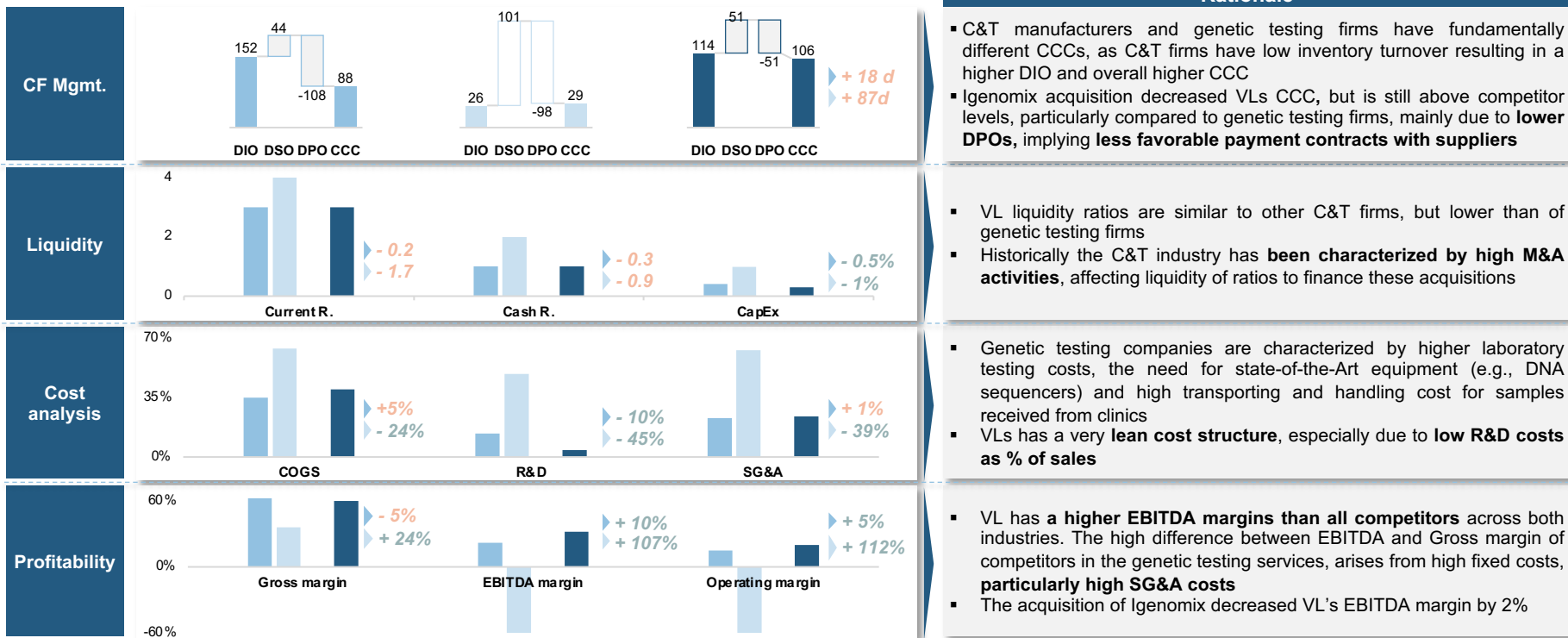
- **Portfolio width:** Majority of competitors focus on few reproductive tests, whereas VL is uniquely positioned by covering all phases of the reproductive journey with 12 different types of tests
- **Reproductive health focus:** Majority of players provide other types of tests (e.g., oncology, organs health), whereas VL solely focuses on reproductive health
- **Focus:** Pre-conception tests are most commonly provided

▶ VL's competitive advantage is the breadth and depth of its service and product portfolio, as the firm is one of the only provider of postnatal testing services, provides testing services across all phases of the reproduction cycle, and furthermore combines the offering of these services with consumables and technological devices

Vitrolife is highly profitable with room for improvement in terms of its cash flow management.

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Financial Comparison



VL has unfavorable DPOs than its competitors, leaving room for improvements to decrease the pressure on the firm's CFs. The firm excels due to its lean cost structure, leading to an EBITDA margin above competitors. Further integration of the two businesses, could enable further SG&A savings for overhead and marketing costs.

3

Value Creation



Inorganic growth strategies enable Vitrolife to stay competitive in the short-term while realizing long-term growth by leveraging R&D capabilities with other players in the industry.

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Value Creation Strategy

	Existing product	New product
Existing market	Penetration 	Product development
New market	Market development 	Diversification

The value creations with the highest strategic fit, as well as top-line growth potential, short-term effects and practicability are (1) the acquisition of a distributor, (2) a partnership to introduce a new product and (3) forward integration by buying clinics. All strategies represent inorganic growth strategies, an essential cornerstone of VL's historic growth strategy, allowing VL to stay competitive in the short-term while realizing long-term growth.

Strategy	Description	Top line growth	Margin expan.	Strategic fit	Invest. need	Un-certainty	Short-term	Practica bility
SSC in low-wage country	Open an SSC in a low-wage country for all overhead functions (e.g., Accounting, HR)							
Pricing and cross-selling	Discounts on bundles of complementary products across business areas (e.g., EmbryoGlue + test)							★
Reduce acc. receivables	Realize better payment terms through new contract negotiations							
1 New production facility	Build/rent new production facility for Consumable products to service higher demand							
Acquisition of distributor	Acquire distributor in existing market to increase market share							★
New IVF product (organic)	Develop, launch and get approval for new product (e.g., Catheter, products for endometrial flora)							
New fertility procedure (organic)	Launch new service area (e.g., egg/sperm donation)							
2 Animal IVF	Expand into Animal IVF							
New IVF product (Acquisition)	Acquire a firm offering additional products for IVF							
New IVF product (Partnership)	Establish license and commercialization agreement with firm to sell their products							★
3 Internationalization	Exploit untapped markets by entering new regions							
B2C strategy	Develop patient journey through own website / app (e.g., booking appointments, getting results)							★
4 Forward Integration	Buy clinics							★

favorable

neutral/medium

unfavorable



Chosen value creation



Back-up value creation

Deep-dive into the rationale behind the partnership with BAIBYS™ and how the partnership is structured.

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Value Creation | Software Shift

Current products of BAIBYS¹

The product – Background & Motivation

- Sperm selection poses unique challenges due to the three-dimensional, highly dynamic nature of sperm movement and their minuscule size, making them more difficult to analyze compared to the relatively static and larger embryos
- Need for a specific hardware, like a motorized stage for precise movement and a powerful GPU for real-time AI processing, adds to this complexity
- Offering a fully autonomous solution that saves embryologists' time by selecting and retrieving optimal sperm cells in advance can provide significant value to IVF clinics, especially given the rise in male fertility increasing the current demand for innovative solutions

Monetization

- BAIBYS' monetization strategy includes the sale of consoles as a one-time purchase and generating recurring revenue through the sale of disposables

Software



- BAIBYS has developed an AI-based autonomous sperm selection system that offers increased speed, objectivity, higher accuracy, and consistent performance

Console



- Due to the challenging nature of sperm selection, BAIBYS offers a complete console containing all necessary hardware to run the software and conduct the selection process
- Additionally, the console is able to not only select the best cell, but also to **pick up the cell**. This frees up valuable time of the highly trained embryologists and is a unique feature

Disposables



- Disposables mainly contain cartridges that serve not only for storing sperms but also for containing preservative liquids, enhancing their utility and market ability



High entry barriers due to sophisticating technology and complicated selection process due to the nature of sperms



BAIBYS' product speeds up the complete sperm selection process while increasing the success rate



Recurring revenue generated by software subscriptions and disposables will provide stable and predictable cash flows



Attractive margin profile of SaaS products will enable further growth and access to more customers

Expert interview Dr. Yaaron Silbermann, CEO of BAIBYS™.

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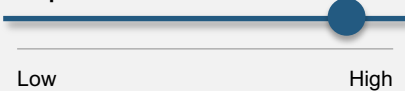
Interview Partnership

Expert

Dr. Yaaron Silbermann
CEO

- CEO of BAIBYS
- PhD in AI, MBA
- 25+ years in BioMed business roles

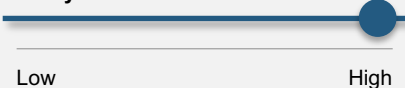
Responsiveness



Access to information



Clarity of information



Interview questions

Question 1: How do you assess the overall development of AI in the IVF industry?

[YS] To me, it is a classic case of Looking under the lamppost. At this stage, AI and other algorithms are employed very rapidly to improve the IVF process. However, the vast majority of these innovations are directed at tasks where computerizing is the easiest, and not necessarily where it is most needed and can make the most impact. Namely, such algorithms are used to optimize data-driven segments of the IVF process. The primary example is the improvement of protocols for the hormonal treatment phase which will induce ovulation, where ample data linking various protocols to their clinical success (number and quality of retrieved eggs) are available digitally. Another example is the use of AI to improve embryo selection (deciding after the eggs were fertilized by the sperm cells, which of the resulting embryos should be returned to the uterus to induce reception and pregnancy). Embryos are x100 larger than sperm cells and are idle under video cameras, so video tracking can be easily analyzed by AI algorithms. Therefore, in these two domains, of optimization of hormonal protocols and embryo selection, competition is fierce. For example, in Israel alone, five companies apply algorithms for embryo selection (AIVF, Fairtility, Embryonics, Carmel Diagnostics, and a project in the Tel-Aviv Medical Center incubator), along with others around the world such as Overture, IVF 2.0, and independent developers.

Sperm cells, on the other hand, are the smallest cells in the human body (3x5 micrometers) and are in contact motion in six degrees of freedom (X, Y, Z motion, as well as Roll, Pitch, and Yaw turns), which made it thus far more difficult to generate from their data, and, in turn, difficult to apply innovation. IVF 2.0 makes its first steps into the market and Q-ART is still in the validation phase.

Nevertheless, in light of the global sperm crisis and the rising awareness for male fertility in general (as relatively recent data shows that the sources of fertility problems split evenly between men and women), the competition around providing innovative solutions for male infertility in general and selecting optimal sperm, in particular, may rise.

Question 2: What is your opinion on working together with bigger players in the market, to leverage the impact and speed up the customer acquisition process (Vitrolife, Merck)?

[YS] Absolutely. That is the best way to make an impact. We are proactively seeking such collaborations and having dialogs with several strategies. However, the processes with such large companies are always slow, so the start-up needs to run faster in parallel to these dialogs.

Question 3: Could you elaborate on the decision to market a robotic device instead of a SaaS model for the selection process? Is this choice influenced by specific hardware requirements essential for the operation of your technology?

[YS] Good question. It was a significant dilemma and somewhat still is. Yes, technical considerations were a factor. To make sure that a sperm cell is normal, you need to have enough views from all of its sides. This means that you need to keep in the FOV for a couple of seconds. Due to the high magnification, we use, the FOV is very small (~150 microns). Therefore, to make sure that the sperm cell is in the FOV sufficiently long, you need to move the X-Y stage in the counter direction of its movement. For that, you need a computer-controlled motorized stage, which is not the standard in some clinics. In addition, to apply the AI algorithms in real-time, you need a strong (NVIDIA) GPU, which does not exist in every clinic. So, you already have two "must" hardware pieces. We figured that if you must supply this hardware, you better provide an "all-included" closed box that offers a complete solution. However, that was not the key argument. The most precious resource in IVF clinics is the highly trained embryologists, who are trained in ICSI. We figured that one of the key values of our system is freeing more of their time. Thus, if we only had a SaaS app that highlights normal cells, but the embryologists would need to stay by the system to "hunt" the selected cells, it would just consume more of their time and it would not be attractive for clinics. On the other hand, if we provide a fully autonomous solution, which actually frees the embryologists even from picking up the cells (and, of course, selects optimal cells) it would be a major benefit for the clinic. Time is money, especially in IVF.

Question 3: How is your service/software priced?

[YS] Console, a couple of tens of thousands of EUR. Cartridges in the low hundreds.

The rationale behind the partnership with BAIBYS as well as the structure of the partnership is derived using old frameworks as a benchmark.

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Value Creation | Software Shift

Advantages of a partnerships

Why would BAIBYS enter a partnership with VL?



Brand leverage: BAIBYS will gain a well-established international brand recognition due to partnering with VL, potentially accelerating market entry and trust-building, which is essential for start-ups in the healthcare sector



Customer growth: A partnership will provide BAIBYS with access to customers all around the globe, speeding up customer acquisition



Cost reduction: Having access to VL's supplier infrastructure and getting guidance in developing consoles minimizing development errors, leads to cost cuttings, both in the developing process as well as on the buy side



Expertise gain: BAIBYS can benefit from VL's extensive experience in assembling medical machines and consoles, enhancing its own technical knowledge and speeding up product development

Why would VL enter a partnership with BAIBYS?¹



Risk: The sperm selection process requires significantly more knowledge than embryo selection. Instead of developing a respective software in-house, a partnership limits the development risk for VL while speeding up VL's go-to-market duration



Experience: Through multiple previous partnerships, VL has extensive knowledge in partnering with other companies to boost sales and profitability



Competitive advantage: The sperm selection is associated with significant cost savings on client side (e.g. labor costs) and a higher profitability on VL's end

Structure of the partnership

Additional contract details based on previous partnerships²

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Sales

15%

BAIBYS™
Select with care

Expertise

10%

Brand

4%

Total revenue
provision of 29%

Provision

Contract length: The contract length of the partnership will be set to six years. VL will continue to get revenue provisions from customers that have been acquired through them

Sales: VL commits to make a total investment of SEK 260m to promote the new product offering, by actively approaching new clients and leverage their brand name to launch the new product

Acquisition option: VL will be granted the exclusive right to acquire BAIBYS after the end of the partnership

The forward integration of buying a distributor in Eastern Europe is the most suitable strategy for Vitrolife, whereby a further expansion to leverage the fertility market in Australia is also attractive.

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Value Creation | Eastern Europe Penetration

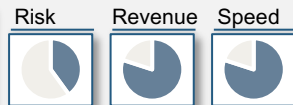
Objective for forward integration to Eastern Europe/Australia: Take advantage of **favorable government initiatives** promoting IVF usage & genetic testing, **increased commercialization of fertility clinics**, **large customer base** available in **Medical Tourism** hotspots and regions with high growth rates, leverage strategic position to improve product chain & customer service

Decision 1: Expansion Strategy

Buy or partner with local distributors

+ : Increased speed to market with cost saving and risk mitigation; immediate access to market knowledge, insights, local distribution network and existing customer base, offers opportunities for synergies

- : Integration challenges, legal risks, high capital outlay
→ Familiar **inorganic expansion strategy** for VL to take advantage of high demand & strategic locations

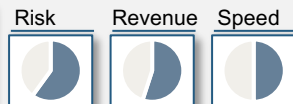


Benchmark: VL's acquisition of Parallabs Ltd. in 2019 (UK & Ireland distributor) for GBP 1.9m + 0.5m based on sales targets²

Open own R&D or production facility

+ : Control over product quality & research direction, supply chain optimization (closer proximity to supplier/ materials), exploiting local competitive capabilities & cost efficiencies (labor costs, local research talent)

- : Operational challenges (integration of new location into VL's ecosystem), market risk, significant investment
→ VL has existing R&D and production in Western Europe and America but lacks in Asia-Pacific or Eastern Europe

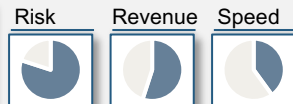


Fixed Costs: Purchasing property, employee salary, equipment & technology
Variable Costs: Marketing, research materials

Open own Fertility Clinic

+ : Vertical integration (control over value chain: product development, supply, patient treatment), direct access to customer data & feedback, conduct clinical trials and optimize integration of new products (improve R&D) resulting in competitive advantage over competitors

- : High cost, entry barriers, no internal expertise with end-user or business area, regulatory & cultural constraints



Not feasible to open own fertility clinic: too small scale and small revenue impact → Acquire existing clinic group

Decision 2: Geographic Target

Czech Republic - CAGR: 11.3%¹

- ✓ Strong international reputation: 17,000 patients out of 47,310 IVF cycles were from outside Czech³
- ✓ Cost-effective, more liberal regulations than Western Europe
- ✓ 100% reimbursement for 4 cycles
- ✓ Innovative clinics offer support services for international patients

Australia - CAGR: 4.6%⁵

- ✓ IVF market size of SEK 5,456m^{a,4}
- ✓ High-quality healthcare services and well-regulated fertility clinics
- ✓ Government rebate for IVF
- ✓ Location of VL's global sales and marketing – able to manage the integration of an acquired business
- x VL already has one global sales team in the region



Israel

- ✓ High government subsidization, strong public insurance system
- ✓ Highest IVF utilization rate globally
- x No longer considered due to current Israel/Gaza situation

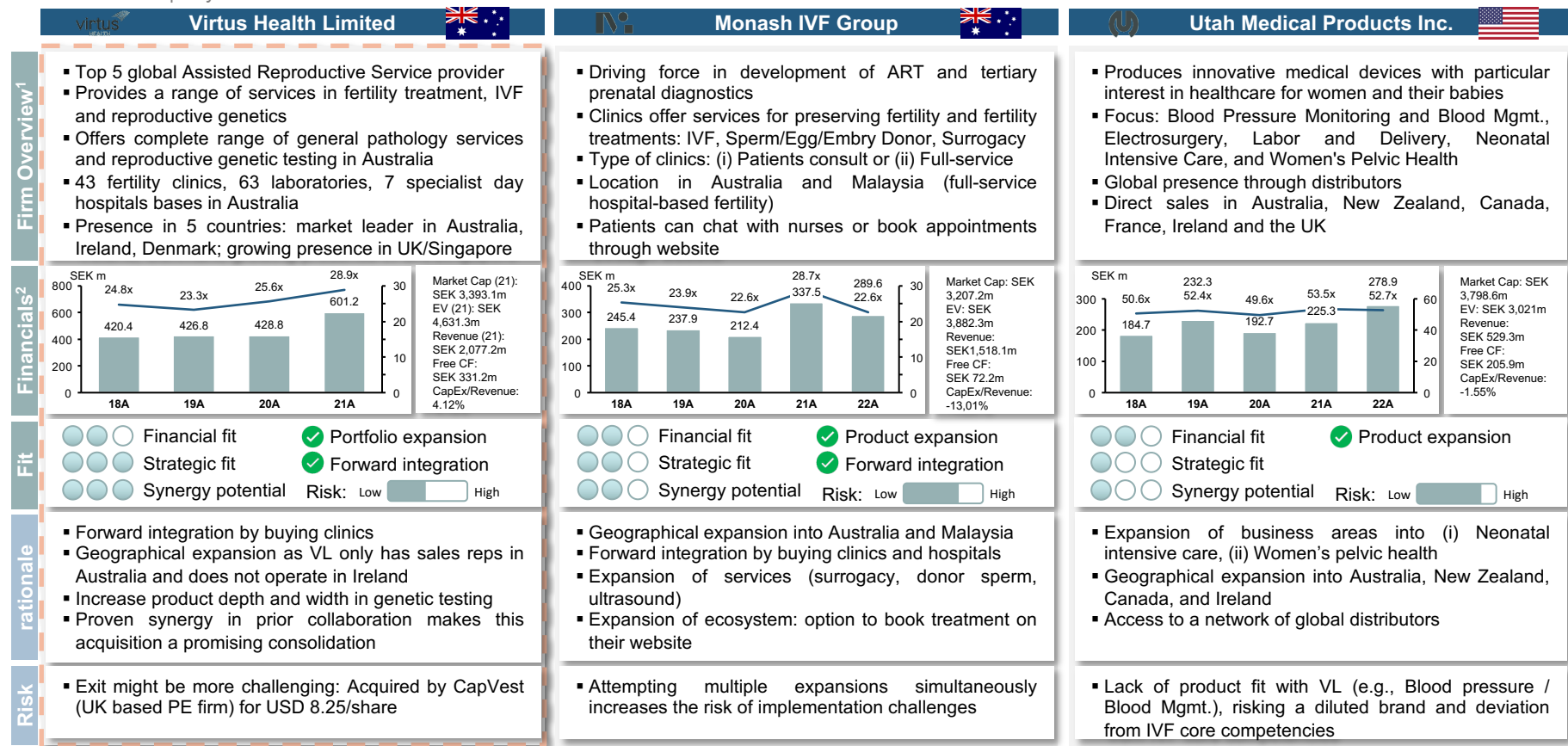
Japan

- x VL already has a strong existing presence in Japan
- Recommended to further expand to neighboring countries such as Singapore for the future

Analysis of different Buy & Build targets with a focus on increasing VL's total addressable market to drive long-term growth (Part 1).

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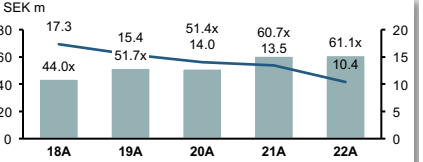
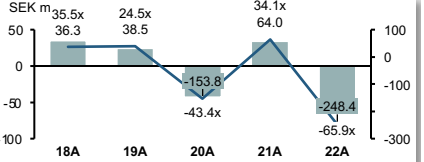
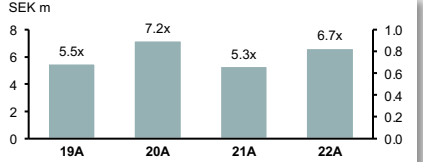
Value Creation | Buy & Build



Analysis of different Buy & Build targets with a focus on increasing VL's total addressable market to drive long-term growth (Part 2).

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Value Creation | Buy & Build

	Hamilton Thorne 	UCrest Berhad 	CryoCell 	Cryo Cell 
Firm Overview ¹	<ul style="list-style-type: none"> Develops and manufactures Sperm Analyzers, Imaging and Laser systems and equipment for IVF Consumables and devices for clinics, pharma and biotech companies, research and animal centers, including embryo culture and sperm processing media Has distribution presence in more than 75 countries HQ in the US 	<ul style="list-style-type: none"> Leading provider of advanced cloud hospital and mobile health service Personal health management app Mission: enable patients with chronic diseases to be able to take measurement of their vital signs, ECG, Ultrasound a blood tests on a chip at home that is currently done in the hospital Operates in Singapore, Malaysia, China with partners in USA, Taiwan and Vietnam 	<ul style="list-style-type: none"> World's first private cord blood bank (state-of-the-art laboratory and storage facility) Offers cord blood banking (stem cell banking): process of collecting the cord blood (blood that remains in placenta post-delivery), extracting and cryogenically freezing its stem cells for future medical use More than 500,000 patients from 87 countries 	
Financials ²				
Fit	<ul style="list-style-type: none"> Financial fit <input checked="" type="checkbox"/> Strategic fit <input type="checkbox"/> Synergy potential <input type="checkbox"/> Portfolio expansion <input checked="" type="checkbox"/> Risk: Low <input type="checkbox"/> High <input type="checkbox"/> 	<ul style="list-style-type: none"> Financial fit <input type="checkbox"/> Strategic fit <input type="checkbox"/> Synergy potential <input type="checkbox"/> Geographic expansion <input checked="" type="checkbox"/> Portfolio expansion <input checked="" type="checkbox"/> Risk: Low <input type="checkbox"/> High <input type="checkbox"/> 	<ul style="list-style-type: none"> Financial fit <input type="checkbox"/> Strategic fit <input type="checkbox"/> Synergy potential <input type="checkbox"/> Product expansion <input checked="" type="checkbox"/> Risk: Low <input type="checkbox"/> High <input type="checkbox"/> 	
rationale	<ul style="list-style-type: none"> Animal IVF is a new business area for VL Ability to widen and deepen product portfolio (Technology devices for Computer Assisted Sperm Analysis, workstations) Broaden customer base: biotech and pharmaceutical companies, animal breeding centers 	<ul style="list-style-type: none"> Able to buy an app that offers possibility to store patient information and valuable data Testing at home enables direct contact with patients and collection of end-user data Strengthening positioning in the APAC region 	<ul style="list-style-type: none"> Expand into new business area of cord cell, which would increase the total addressable market 	
Risk	<ul style="list-style-type: none"> Animal IVF can be perceived as unethical, might have a negative influence on the perception of VL's brand Exhibits a low CAGR (~5-6%) 	<ul style="list-style-type: none"> Currently tests are only for chronic diseases, need to verify that tests could also work for genetic testing 	<ul style="list-style-type: none"> Very new business with limited synergy potential 	

Forward integration with Virtus Health enables Vitrolife to drive innovation and improve its strategic positioning in a market environment highly dependent on successful M&A activity.

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Value Creation | Deep-Dive

Trends	Details	Example	Hypothesis	Synergies
Extensive R&D collaboration	Key drivers in the industry are increased IVF success rates , which require scientific innovation. Leveraging R&D capabilities with players across the value chain is essential to ensure better treatment outcomes by enhancing product quality and developing next generation technologies	<p>Clinical pregnancy rate [in %]</p> <p>VL's <i>Embryo Glue</i> increased live birth rates from 33.3% to 40.2%, representing one additional baby born per week^{a,1}</p>	<ul style="list-style-type: none"> Acquiring VH, a player with high R&D expertise (Pioneer in <i>AI</i>, <i>PolScope</i> and <i>Digital High Magnification</i>²), allows VL to benefit from the firm's IVF treatment knowledge and expertise, essential to drive growth Gaining access to VH expertise and patient data base enables VL to develop products that provide higher IVF success rate tailored to patients needs 	<ul style="list-style-type: none"> SEK 30m R&D costs p.a. from 2027 onwards by combining (pre-clinical) studies^b Quicker product launches and improved functionality drives sales growth (not materialized through investment period)
Forward integration ³	C&T companies acquire fertility clinics to increase their total addressable market, expand their geographical footprint and commercialize clinics to benefit from growing industry	<p>acquired acquired acquired</p>	<ul style="list-style-type: none"> By following the forward integration industry trend VL is able to secure its competitive positioning in the long-term by increasing its total addressable market, gaining control over the value chain and improving its strategic positioning through better branding 	<ul style="list-style-type: none"> +3% revenue by selling more VL products to VH -1.5%^c transportation cost, as tests can be analyzed in new locations SEK 5m p.a. SG&A costs from 2027 by combining overhead functions^d
Workflow efficiency	Automation of clinic's workflows is becoming increasingly important to decrease labor costs and realize economies of scale while improving patient outcomes, achieved through the increased utilization of (time-lapse) technology and AI	<p>Daily time spent on embryo evaluation [in hours]</p> <p>Manual with time-lapse</p> <p>Check Evaluation</p>	<ul style="list-style-type: none"> By acquiring VH, VL is able to better understand clinic's bottlenecks and can develop technologies tailored to their needs 	<ul style="list-style-type: none"> SEK 4m savings in labor costs, by improving clinic's workflow efficiencies and driving scalability as less clinic staff is needed to do tasks

Notes: a) For a clinic with 700 cycles p.a.; b) The avg. capitalized (pre-launch) R&D costs to bring new product to the market amounts to SEK 3bn (1% savings are assumed); c) Of combined revenue; d) salary of 5% of overhead emp. lyees can be saved
Source: 1) Vitrolife website; 2) Virtus Health website; 3) Mergermarkets

Using past transactions, comparable companies and secondary buyout premia as benchmarks, an EV of SEK 7,517m for VH is estimated, implying an EV/EBITDA multiple of 12.7x.

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Virtus Health | Valuation

Multiple Valuation

Implied multiple

	25th	Median	75th
CTA: EV/EBITDA	8.11x	11.50x	13.82x
CCA: EV/EBITDA	9.20x	10.23x	12.80x
Median	8.66x	10.87x	13.31x

Implied EV Valuation

(in SEKm)	25th	Median	75th
CTA: EV/EBITDA	4,817	6,829	8,204
CCA: EV/EBITDA	5,462	6,076	7,600
Median	5,140	6,453	7,902

Implied equity value

(in SEKm)	25th	Median	75th
CTA: EV/EBITDA	4,499	6,511	7,887
CCA: EV/EBITDA	5,145	5,758	7,282
Median	4,822	6,135	7,585

8

8 comparable transactions¹ have been identified to estimate VH's EV. Using the median EV/EBITDA multiple of 11.5x, results in an estimated EV of SEK **6,829m**

9

9 comparable companies² have been identified to estimate VH's EV. Using the median EV/EBITDA multiple of 10.2x, results in an estimated EV of SEK **6,076m**

Premium for secondary buyouts – BGH capital

▪ A premium is accounted on the estimated EV, as VH has been acquired by the private equity firm BGH capital in 2021. To reflect this premium and the required return BGH capital wants to achieve, 14% premium is added on the multiple and a 19% premium on the estimated enterprise value³

Assumptions

Premium EV/EBITDA multiple	14%
New EV/EBITDA multiple	12.39x
New EV	7,356
New equity value	7,038

Premium on EV	19%
New EV	7,679
New equity value	7,361

Median EV	7,517
Implied Median equity value	7,200
Implied Multiple	12.7x

▪ Both premia are added to the respective value. Out of the two new estimated EV's, the median EV is calculated. The outcomes are pictured below. The impact on the MM and IRR is analyzed in the VC section

		Median EV					
Median EV/EBITDA	9.9x	6,708	6,767	6,826	6,884	6,943	
	10.4x	7,048	7,110	7,171	7,233	7,294	
	10.9x	7,388	7,453	7,517	7,582	7,646	
	11.4x	7,728	7,796	7,863	7,931	7,998	
	11.9x	8,068	8,138	8,209	8,279	8,350	

Premium on EV

		17%	18%	19%	20%	21%
Median EV/EBITDA	9.9x	6,855	6,913	6,972	7,031	7,089
	10.4x	7,202	7,264	7,325	7,387	7,448
	10.9x	7,549	7,614	7,679	7,743	7,808
	11.4x	7,897	7,964	8,032	8,099	8,167
	11.9x	8,244	8,315	8,385	8,456	8,526

Premium on EV/EBITDA

		12%	13%	14%	15%	16%
Median EV/EBITDA	9.9x	6,562	6,620	6,679	6,738	6,796
	10.4x	6,894	6,956	7,017	7,079	7,141
	10.9x	7,227	7,291	7,356	7,420	7,485
	11.4x	7,559	7,627	7,694	7,762	7,829
	11.9x	7,892	7,962	8,033	8,103	8,174

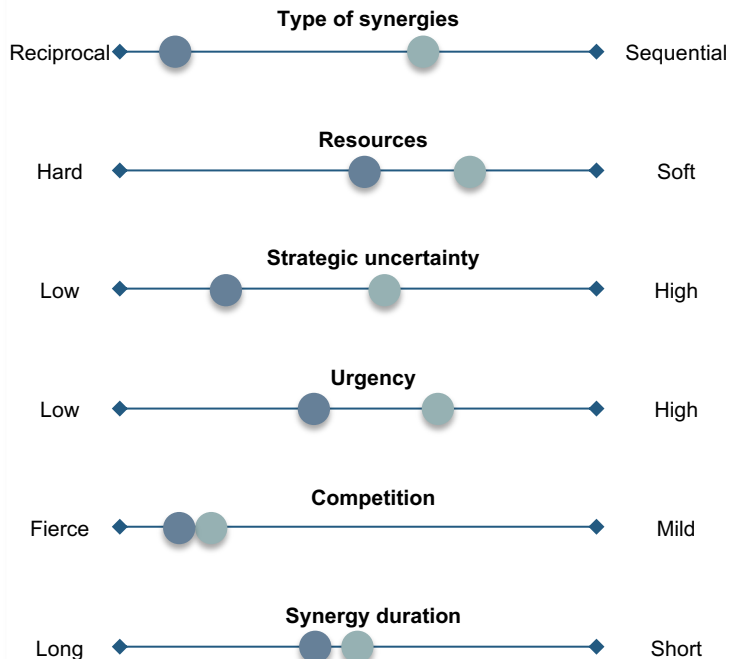
The decision between an acquisition or partnership is influenced by synergies, strategic uncertainty and urgency, highlighting the need to acquire Virtus Health while partnering with BAIBYS.

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Value Creation | Deep-Dive

ACQUISITION

ALLIANCE



Details

Synergies arising from VH acquisition are of **reciprocal nature**, meaning that **close interaction and knowledge sharing is crucial**, realized through a combination of R&D capabilities and patient data. In the case of BAIBYS', synergies are more of **sequential nature**, as commercialization of developed sperm selection product does not require heavy interaction along the entire value chain

In both cases **soft resources**, i.e., workforce and knowledge, **need to be combined** to realize envisaged synergies. Due to VH being an established player, the integration of the business also **proposes synergy realization through hard resources** (e.g., buildings for overhead business)

Given its new product and lack of existing customers, **BAIBYS faces higher market uncertainty**. VH is an established player in a high-growth market, providing **higher certainty in terms of legal, market, technological and competitive developments**. Furthermore, VL has partnered with VH before, reducing uncertainty

The strategic move around VH is based on **long-term growth pillars**, representing a relatively **low urgency** for complementary resources. To **obtain a first-mover advantage** in the developing sperm selection sector, VL needs to **ensure quick access to BAIBYS' product**

Competition in terms of M&A activity is **quite high for both firms**, given **the recent high consolidation of clinics and C&T manufacturers** expanding their product portfolio by **partnering or acquiring targets with expertise in the AI-IVF industry**

Despite **immediate synergies** (e.g., overhead functions), the integration of VH further provides substantial room for **long-term synergies** in the form of **improved brand awareness** and **higher frequency of product launches** through combined R&D capabilities. Revenue synergies to be materialized with BAIBYS in terms of higher growth, can be realized quicker, still leaving room for potential long-term synergies

Reciprocal synergies, a low strategic uncertainty, medium urgency and fierce competition highlight the need to acquire VH. As BAIBYS is in a different maturity stage and operates in a newly developing market a partnership is more suitable, especially to realize first-mover advantage and minimize strategic uncertainty.

Value Creation additional creative idea: Entering B2C market through App Development.

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Value Creation | Additional Creative Idea

Outlook m-health^a tech market

- M-health technology (e.g., mobile apps) increasingly used in medical contexts to support patients through complex & emotionally challenging treatments
- Revenue in global Contraception & Fertility Apps market projected to grow at 8.89% (CAGR '23-'28) reaching USD 383.3m by 2028,
- Mobile based fertility apps to support patients during IVF journeys experienced considerable growth during past decades

Competitor's offerings & market gap

- Recent conservative estimations assume number of available fertility apps to be at +400 (2022) with high variety in functions
- Out of VL's 14 core competitors (Disposables and Genetic Services), only one company offers an app for patient support during the IVF journey
- Current products mainly offer practical features, with some incorporating coping support, thus mainly lacking in providing professional emotional patient support as well as peer support which is highly demanded by fertility patients

App-development

- App development will be conducted by an external software developer highly experienced in m-health
- Software service engineer and developer taking care of maintenance service and app development will be employed
- Acquisition of VH provides access strong AI technology, which will enhance the services provided through the app, such as the access to real-time pictures of the embryo development pre- and post-transfer to deliver high level of transparency
- Collaboration with existing customer clinics as well as other clinics provides access to treatment results, reports, medication, etc.

MONETIZATION

- B2C business as subscription-based model
- Payments of end-users for utilization on a monthly basis
- Services offered as basic package and premium package, depending on patient's preferences and needs

B2C

rationaleE



Superior growth due to high demand



New market entrance (B2C)



Broader product portfolio

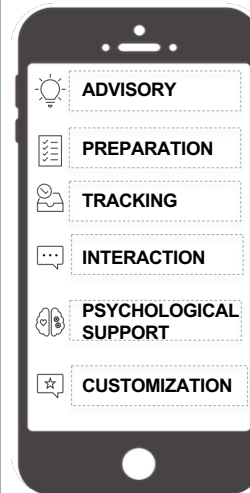


Customer acquisition due to unique product



Data acquisition

- Virtual (pre-) treatment consultation from fertility advisor to address questions & general concerns about the IVF treatment*
- Financing advisory



- Overview over personalized journey timeline
- Information what to expect at each step of the treatment process
- Educational blog articles

- Alarms for appointments, medication, To-Do's & visualization of medical plans
- Record of results, symptoms, notes and costs

- Interaction with supportive community of peers to compare with women with similar diagnoses
- Interaction with clinics

- Virtual sessions with experienced psychologist to get emotional support in different phases and in case of anxiety or general doubts

- Add personalized procedures or remove optional steps from personal timeline
- Input of past procedures and results to precisely reflect the IVF journey (past & present)



Data security



Regulatory Compliance

4

Operating Model

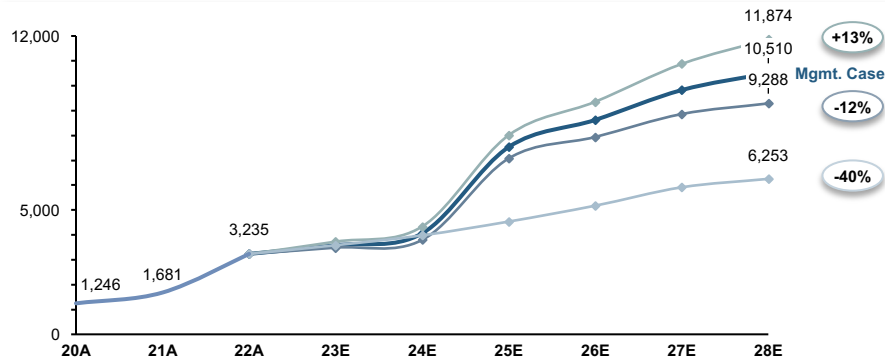


The envisioned value creation strategies yield an additional EBITDA of SEK 1.5bn, with an implied margin expansion of 4%. With favorable market developments Vitrolife is able to make an EBITDA margin of 38.5%

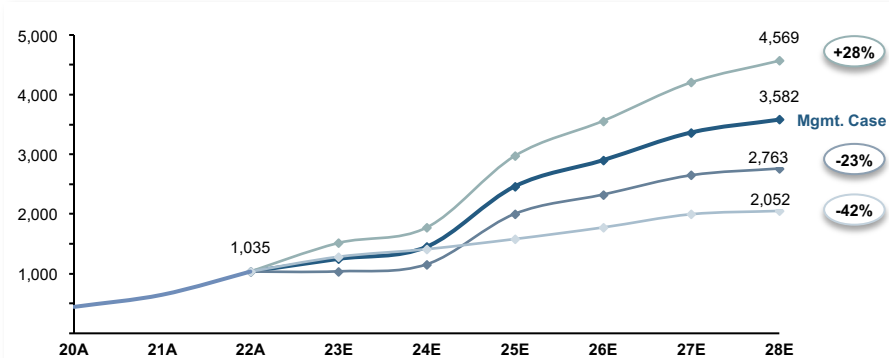
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Overview Cases

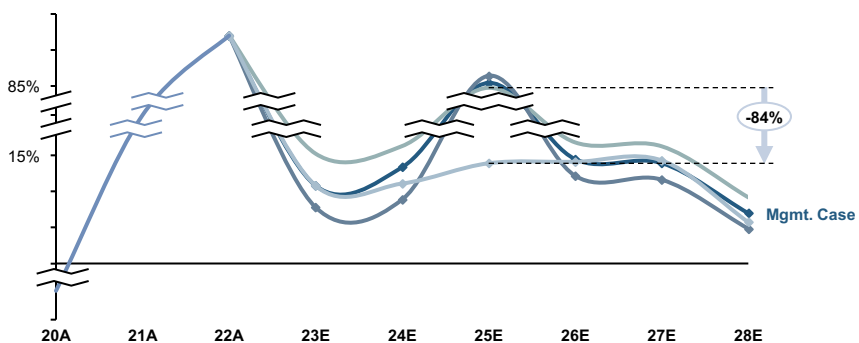
Revenue [in SEK m]



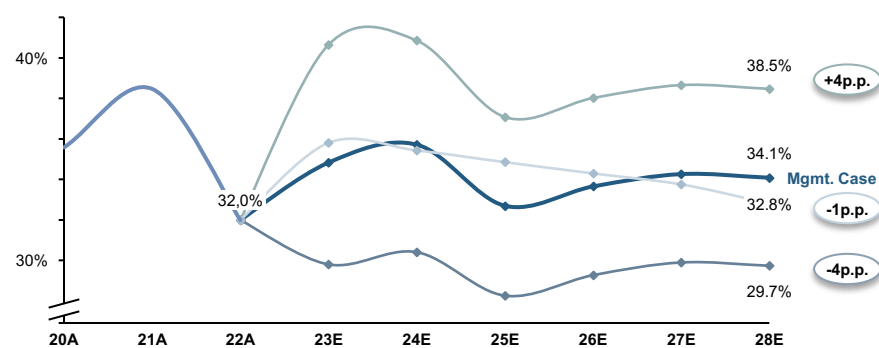
EBITDA [in SEK m]



Revenue growth [in %]



EBITDA margin [in %]

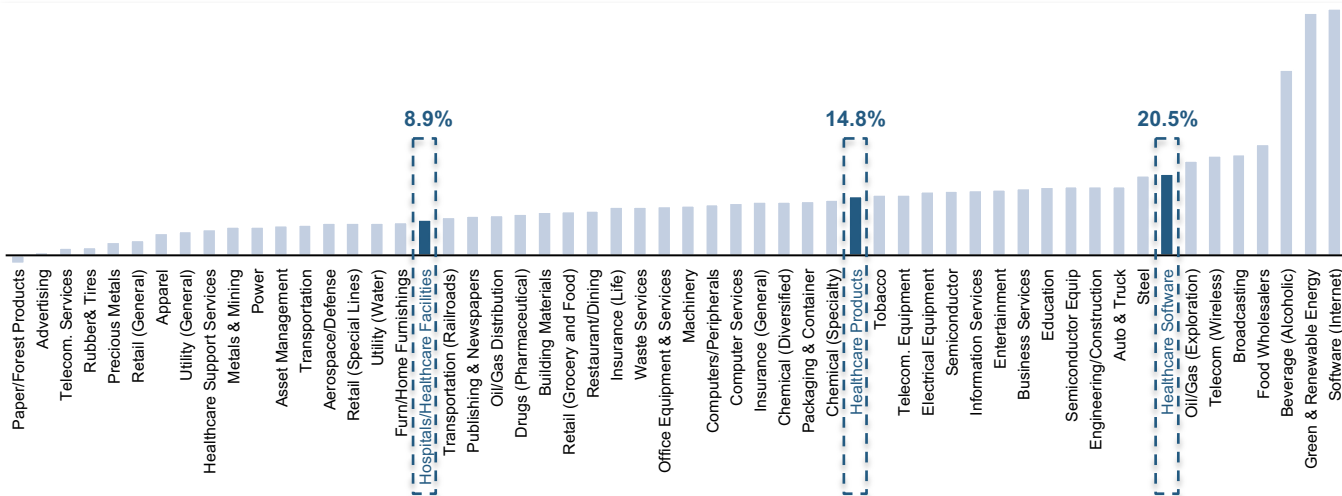


The Consumable business area yields 5-year revenue forecasts between 9% in Americas and 17.7% in APAC, while Technology business area shows forecasts with the highest CAGR of 20.9%.

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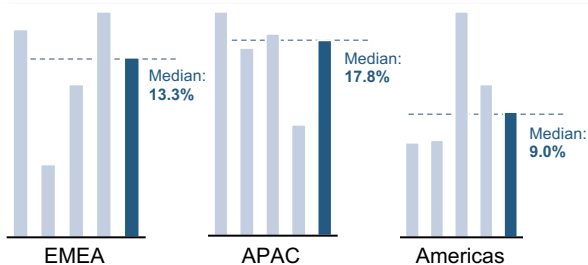
Revenue Model | CAGR Forecast

Industry CAGR¹

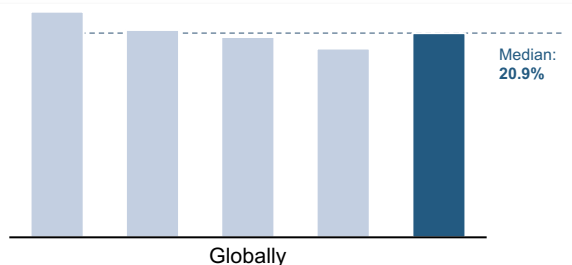


- VL's Consumables unit has an expected **5-year revenue CAGR of 14.8%**, laying in the upper half of all industry CAGR's
- To account for the **software technology** VL is offering, the industry CAGR for the Healthcare Software application industry is used, amounting to **20.5%**, being one of the **highest growing industries**
- Healthcare facilities and hospitals** have a considerably lower expected **5-year revenue CAGR of 8.9%**
- To substantiate CAGR's used for VL's sales forecast, the analysis is deepened by taking the median of four CAGR's from different market research reports
- Given high geographical differences, especially for Consumable products, the analysis for this business area is further broken down by region

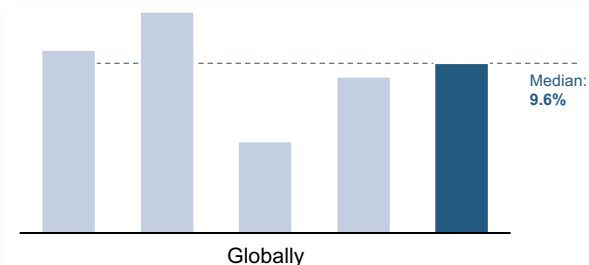
Consumables CAGR^{1,2}



Technologies CAGR^{1,2}



Genetic Testing CAGR^{1,2}



The acquisition of Virtus Health is the biggest contributor to revenue growth, increasing revenue by SEK 3.4 bn in 2028. Further, highest growth is expected to materialize in EMEA and the technology business unit.

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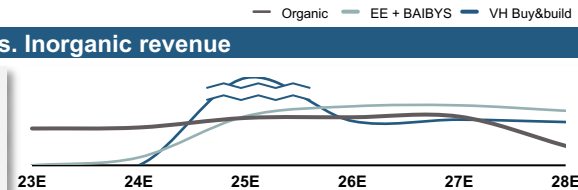
Revenue Model

In SEK m	21A	22A	23E	24E	25E	26E	27E	28E	CAGR
Vitrolife	1,681	3,235	3,584	4,063	4,747	5,558	6,525	7,051	13.9%
<i>YoY growth</i>	35%	92%	10.8%	13.4%	16.8%	17.1%	17.4%	8.1%	
Consumables	1,093	1,339	1,526	1,784	2,075	2,422	2,839	3,031	14.6%
EMEA	422	497	563	681	809	968	1,165	1,274	17.0%
<i>of which EE</i>			-	43	86	149	237	300	
Americas	203	324	353	385	420	457	499	523	8.3%
APAC	468	518	610	719	847	997	1,175	1,234	15.6%
Technology	474	553	669	847	1,103	1,416	1,801	2,041	24.3%
EMEA	227	253	306	398	522	681	883	1009	25.9%
<i>of which EE</i>				24	52	95	163	211	
<i>of which BAIBYS</i>				-	5	24	45	67	
Americas	36	65	79	100	143	192	248	290	28.3%
<i>of which BAIBYS</i>				5	28	53	80	109	
APAC	211	235	284	348	438	544	670	742	21.1%
<i>of which BAIBYS</i>				4	22	42	63	86	
Genetic Services	114	1,343	1,389	1,432	1,569	1,720	1,885	1,979	6.7%
Virtus Health					2,787	2,997	3,226	3,381	7.1%
<i>YoY growth</i>					7.5%	7.7%	4.8%		
ARS Australia					1,595	1,668	1,745	1,825	4.6%
ARS International					688	779	883	927	10.5%
Diagnostics					505	550	599	629	7.6%
Rev. synergies						69	74	78	
Total revenue	1,681	3,235	3,584	4,063	7,534	8,624	9,825	10,510	21.7%
<i>YoY growth</i>	35%	92%	10.8%	13.4%	85.4%	14.5%	13.9%	7.0%	

Note: a) Including Partnership and EE value creation

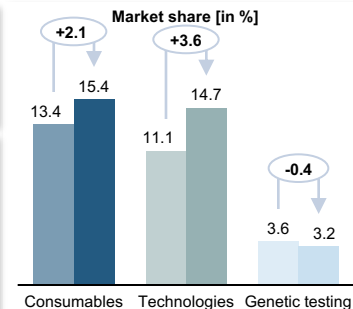
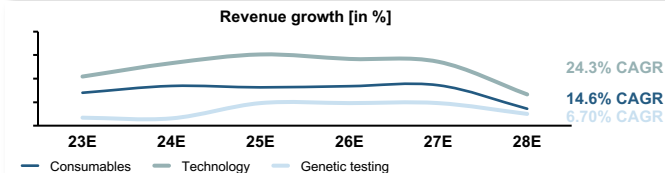
Organic vs. Inorganic revenue

Historically, VL has grown equally organically and inorganically. This is expected to continue throughout the investment period, with VH representing the biggest contributor to revenue growth (+ SEK 3.4bn revenue at exit).



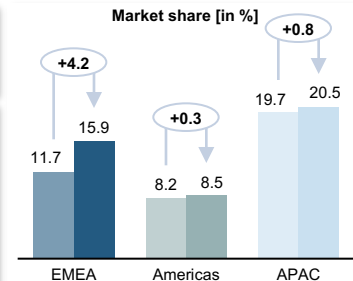
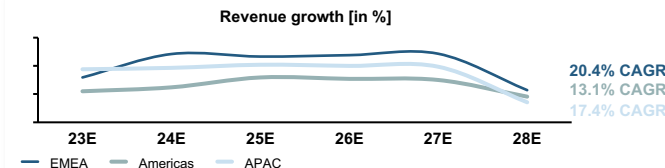
Business area growth

The Technology unit is expected to grow with the highest CAGR of 24.3%^a, given that AI-based technologies, enhancing clinic's workflows, are adapted more and more. Further, the partnership and EE value creation strategies leverage growth within this area.



Geographic region growth

EMEA represents the strongest growth region (20.4% CAGR), driven by VL's EE market strategy, followed by APAC, which benefits from favorable reimbursement system changes.



Virtus Health's lower EBITDA margin leads to a decrease in the combined firm's margin upon acquisition, quickly recovering by materializing R&D and SG&A synergies.

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Cost analysis

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In SEK m	21A	22A	23E	24E	25E	26E	27E	28E
COGS	(564)	(1,284)	(1,207)	(1,360)	(1,561)	(1,803)	(2,097)	(2,269)
Gross Margin	1,117	1,951	2,377	2,703	3,186	3,755	4,428	4,782
<i>Margin</i>	66.5%	60.3%	66.3%	66.5%	67.1%	67.6%	67.9%	67.8%
R&D	(112)	(132)	(213)	(245)	(288)	(339)	(399)	(434)
<i>as % of sales</i>	6.7%	4.1%	5.9%	6.0%	6.1%	6.1%	6.1%	6.2%
SG&A	(468)	(787)	(877)	(1,003)	(1,190)	(1,399)	(1,659)	(1,809)
<i>as % of sales</i>	27.8%	24.3%	24.5%	24.7%	25.1%	25.2%	25.4%	25.7%
Other costs	(2)	(2)	(39)	(4)	(5)	(5)	(6)	(6)
Total OPEX	(573)	(900)	(1,128)	(1,252)	(1,483)	(1,743)	(2,064)	(2,250)
EBITDA	647	1,035	1,248	1,451	1,704	2,012	2,364	2,532
<i>Margin</i>	38.5%	32.0%	34.8%	35.7%	35.9%	36.2%	36.2%	35.9%

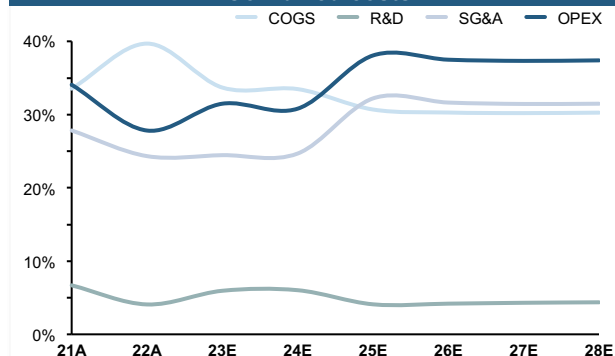


In SEK m	21A	22A	23E	24E	25E	26E	27E	28E
COGS	(573)	(599)	(641)	(687)	(752)	(808)	(870)	(912)
Gross Margin	1,502	1,621	1,735	1,860	2,035	2,189	2,356	2,469
<i>Margin</i>	72.4%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%	73.0%
R&D	(14)	(17)	(18)	(19)	(21)	(22)	(24)	(25)
<i>as % of sales</i>	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
SG&A	(869)	(984)	(1,054)	(1,130)	(1,236)	(1,329)	(1,431)	(1,500)
<i>as % of sales</i>	41.9%	44.4%	44.4%	44.4%	44.4%	44.4%	44.4%	44.4%
Other costs	(99)	(102)	(109)	(117)	(128)	(138)	(149)	(156)
Total OPEX	(982)	(1,103)	(1,181)	(1,266)	(1,386)	(1,490)	(1,604)	(1,681)
EBITDA	520	517	554	594	650	699	752	788
<i>Margin</i>	25.1%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%	23.3%

Combined

In SEK m	21A	22A	23E	24E	25E	26E	27E	28E
COGS	(564)	(1,284)	(1,207)	(1,360)	(2,312)	(2,612)	(2,967)	(3,181)
Gross Margin	1,117	1,951	2,377	2,703	5,222	6,013	6,858	7,329
<i>Margin</i>	66.5%	60.3%	66.3%	66.5%	69.3%	69.7%	69.8%	69.7%
R&D	(112)	(132)	(213)	(245)	(309)	(361)	(423)	(460)
<i>as % of sales</i>	6.7%	4.1%	5.9%	6.0%	4.1%	4.2%	4.3%	4.4%
SG&A	(468)	(787)	(877)	(1,003)	(2,426)	(2,729)	(3,090)	(3,309)
<i>as % of sales</i>	27.8%	24.3%	24.5%	24.7%	32.2%	31.6%	31.4%	31.5%
Other expenses	(2)	(2)	(39)	(4)	(133)	(143)	(155)	(162)
Total OPEX	(573)	(900)	(1,128)	(1,252)	(2,868)	(3,233)	(3,668)	(3,931)
Synergies					110	123	176	184
EBITDA	647	1,035	1,248	1,451	2,463	2,902	3,366	3,582
<i>Margin</i>	38.5%	32.0%	34.8%	35.7%	32.7%	33.6%	34.3%	34.1%
	46%	60%	21%	16%	70%	18%	16%	6%

Combined costs



Comments

- Forecasts are made from 2021 onwards, as this is the last available financial data available
- VH's COGS, R&D and SG&A expenses are forecasted to grow at a 4-year historical average of 27.0%, 0.7% and 44.4% respectively, as historically cost levels have been stable, given that clinics are not exposed to major cost changes (such as e.g., raw material cost changes)
- Stable EBITDA margin of 23.3%, considerably lower than VL's EBITDA margin
- VL's cost forecasts are based on 3-year historical averages, to consider developments while putting the highest weight on cost levels including Igenomix, as this has changed COGS as well as operating costs substantially
- COGS are affected by two factors: (i) product mix change, i.e., higher technology revenue split, representing the unit with the leanest cost structure (ii), partially set-off by rising COGS of 1% p.a. to account for raw material shortages
- R&D costs as % of sales are expected to increase based on mgmt. assessment of needs going forward to support growth
- SG&A costs as % of sales are expected to increase due to selling expenses and consulting costs to support go-to-market strategy of BAIBYS' software
- Cost synergies in the form of transportation savings lower R&D investments and savings in overhead function salary

5

Valuation



For the estimation of Vitrolife's entry multiple, a weighted valuation of several valuation methods is used, putting the biggest weight on CTA EV/EBITDA (40%).

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Weighted Valuation Methodology

Valuation Technique	Multiple	Implied EV (median)	Weight	Weighted EV	Weighted Multiple
DCF using Gordons Growth as terminal value	18.4x	SEK 19,037m	10.00%	SEK 1,904m	1.8x
DCF using CCA Multiple as terminal value	29.7x	SEK 30,707m	5.00%	SEK 1,535m	1.5x
DCF using CTA Multiple as terminal value	27.0x	SEK 27,903m	5.00%	SEK 1,395m	1.3x
CCA EBITDA 2022	16.8x	SEK 17,373m	13.33%	SEK 2,316m	2.2x
CCA EBITDA (10Y)	17.3x	SEK 17,870m	13.33%	SEK 2,383m	2.3x
CCA EBITDA Q1 2023	14.5x	SEK 15,021m	13.33%	SEK 2,003m	1.9x
CTA EV/EBITDA	13.8x	SEK 14,284m	40.00%	SEK 5,714m	5.5x
SUM			100,00%	SEK 17,249.9m	16.7x

Analysis/Comments

- All valuation methodologies have been considered to find a realistic range of entry multiples and enterprise value
- EV/Sales for CCA was analyzed due to its relevance for the healthcare industry but not considered in the final weighted multiple since it is not an accurate indicator for VL's industry and current business model life cycle position as opposed to operational profitability
- A weighted technique was applied to the median EV and EV/EBITDA multiple of each valuation methodology to account for accuracy and relevance
- Equal weight has been attributed to precedent transactions (40% weight) and trading comparable (40% weight). CTA and CCA are deemed the most accurate by means of reflecting the purchase price as they are based on actual market prices and transactions of similar asset and reflect how investors/markets value companies in the current dynamic market environment. Variations of EV/EBITDA multiple was used for CTA and CCA
- DCF has the lowest weight attributed, since it is assumption heavy, relies on making accurate future projections and does not fully reflect the purchase price. However, it is still crucial to understand the valuation of the firm without impact from market conditions. Less weight was attributed to DCF using CCA and CTA multiples as terminal value as these were used as supportive metrics for the DCF using Gordons Growth as terminal value
- Based on the assumption that VL is private, no other methodologies such as earning based multiples or share price premium were applied

The DCF analysis implies multiples ranging from 18.4x to 29.7x.

Discounted Free Cash Flow (DCF)

DCF Calculations

Period				0	1	2	3	4	5	6	6	6
SEKm	2020A	2021A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	TV	Transactions as TV	Trading as TV
Revenue	1,246.00	1,681.00	3,235.00	3,584.13	4,062.73	4,746.85	5,558.35	6,524.74	7,051.23			
Growth YoY	n/a	34.9%	92.4%	10.8%	13.4%	16.8%	17.1%	17.4%	8.1%			
EBITDA	443.26	646.60	1,035.00	1,248.23	1,451.01	1,703.63	2,011.68	2,363.53	2,532.25		2,532.25	2,532.25
in % of Revenue	35.6%	38.5%	32.0%	34.8%	35.7%	35.9%	36.2%	36.2%	35.9%			
Growth YoY % of Revenue	n/a	8.1%	-16.8%	8.9%	16.2%	17.4%	18.1%	17.5%	7.1%			
EBIT	359.19	537.69	639.00	612.24	807.69	1,054.08	1,355.91	1,701.52	1,864.01			
in % of Revenue	28.8%	32.0%	19.8%	17.1%	19.9%	22.2%	24.4%	26.1%	26.4%			
Growth YoY % of Revenue	n/a	11.0%	-38.2%	-13.5%	31.9%	30.5%	28.6%	25.5%	9.5%			
NOPAT	275.74	412.76	490.53	469.99	620.03	809.17	1,040.87	1,306.19	1,430.92			
Plus depreciation	32.74	36.33	79.00	27.43	34.77	41.00	47.23	53.46	59.69			
in % of Revenue	-2.6%	-2.2%	-2.4%	-0.8%	-0.9%	-0.9%	-0.8%	-0.8%	-0.8%			
Plus amortization	51.33	72.58	317.00	464.80	464.80	464.80	464.80	464.80	464.80			
in % of Revenue	4.1%	4.3%	9.8%	13.0%	11.4%	9.8%	8.4%	7.1%	6.6%			
Less CapEx	- 19.84	- 62.14	- 82.00	-93.47	-110.01	-133.29	-161.63	-196.26	-219.14			
in % of Revenue	-1.6%	-3.7%	-2.5%	-2.6%	-2.7%	-2.8%	-2.9%	-3.0%	-3.1%			
Less: Delta NWC	9.85	- 10.21	- 175.00	-282.45	-12.49	-27.48	-67.61	-184.13	-100.95			
in % of Revenue	0.8%	-0.6%	-5.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%			
FCF	349.82	449.32	629.53	586.30	997.09	1,154.21	1,323.66	1,444.06	1,635.32	21,109.47	34,948.57	42,505.00
PV				586.30	912.86	967.29	1,014.08	1,010.74	1,045.32	13,493.50	22,339.66	27,169.84
Enterprise Value										19,030.08	27,876.25	32,706.43
Implied Multiple										18.39x	26.93x	31.60x

Assumptions

Case	Management (Base) Case
Tax-rate	23.2% (average last 3Y) ¹
Rf-rate	2.45% (Sweden 10Y Government Bond) ¹
Debt cost of capital	3.20% (Damodaran Spread + rf-rate)
Equity cost of capital	9.6% – 11.5% adjusted for D/V ratio each year (with CAPM: MRP of 7.11%, mean unlevered equity beta of comparables: 0.98)
D/V ratio	range from 3.0% - 25.8%
WACC	range from 9.18% - 9.36%
GG-rate	1.5%
CTA multiple	15.5x (derived from CTA valuation)
CCA multiple	13.8x (derived from CCA valuation)

Sensitivities for WACC & Gordon Growth (EV)

Perpetual Growth Rate	Cost of Capital							
	7.86%	8.36%	8.86%	9.36%	9.86%	10.36%	10.86%	
3.00%	29,353	26,620	24,363	22,468	20,856	19,470	18,266	
2.50%	27,033	24,732	22,801	21,158	19,745	18,517	17,442	
2.00%	25,110	23,141	21,466	20,026	18,774	17,678	16,711	
1.50%	23,489	21,782	20,313	19,037	17,920	16,934	16,058	
1.00%	22,104	20,607	19,306	18,167	17,162	16,269	15,472	
0.50%	20,908	19,582	18,420	17,396	16,485	15,672	14,942	
0.00%	19,864	18,679	17,634	16,706	15,877	15,133	14,461	

Sensitivities for WACC & CCA as TV

CCA	Cost of Capital							
	7.86%	8.36%	8.86%	9.36%	9.86%	10.36%	10.86%	
14.0x	29,979	29,397	28,830	28,279	27,742	27,220	26,712	
14.5x	30,847	30,244	29,658	29,088	28,534	27,994	27,469	
15.0x	31,714	31,092	30,486	29,898	29,325	28,767	28,225	
15.5x	32,581	31,939	31,315	30,707	30,116	29,541	28,981	
16.0x	33,449	32,787	32,143	31,517	30,907	30,314	29,737	
16.5x	34,316	33,634	32,971	32,326	31,698	31,088	30,493	
17.0x	35,183	34,482	33,799	33,135	32,489	31,861	31,249	

Sensitivities for WACC & CTA as TV

CTA	Cost of Capital							
	7.86%	8.36%	8.86%	9.36%	9.86%	10.36%	10.86%	
12.3x	27,009	26,494	25,994	25,506	25,033	24,571	24,123	
12.8x	27,876	27,342	26,822	26,316	25,824	25,345	24,879	
13.3x	28,744	28,189	27,650	27,125	26,615	26,118	25,635	
13.8x	29,611	29,037	28,478	27,935	27,406	26,892	26,391	
14.3x	30,478	29,884	29,306	28,744	28,197	27,665	27,147	
14.8x	31,345	30,732	30,135	29,554	28,988	28,439	27,903	
15.3x	32,213	31,579	30,963	30,363	29,780	29,212	28,659	

6

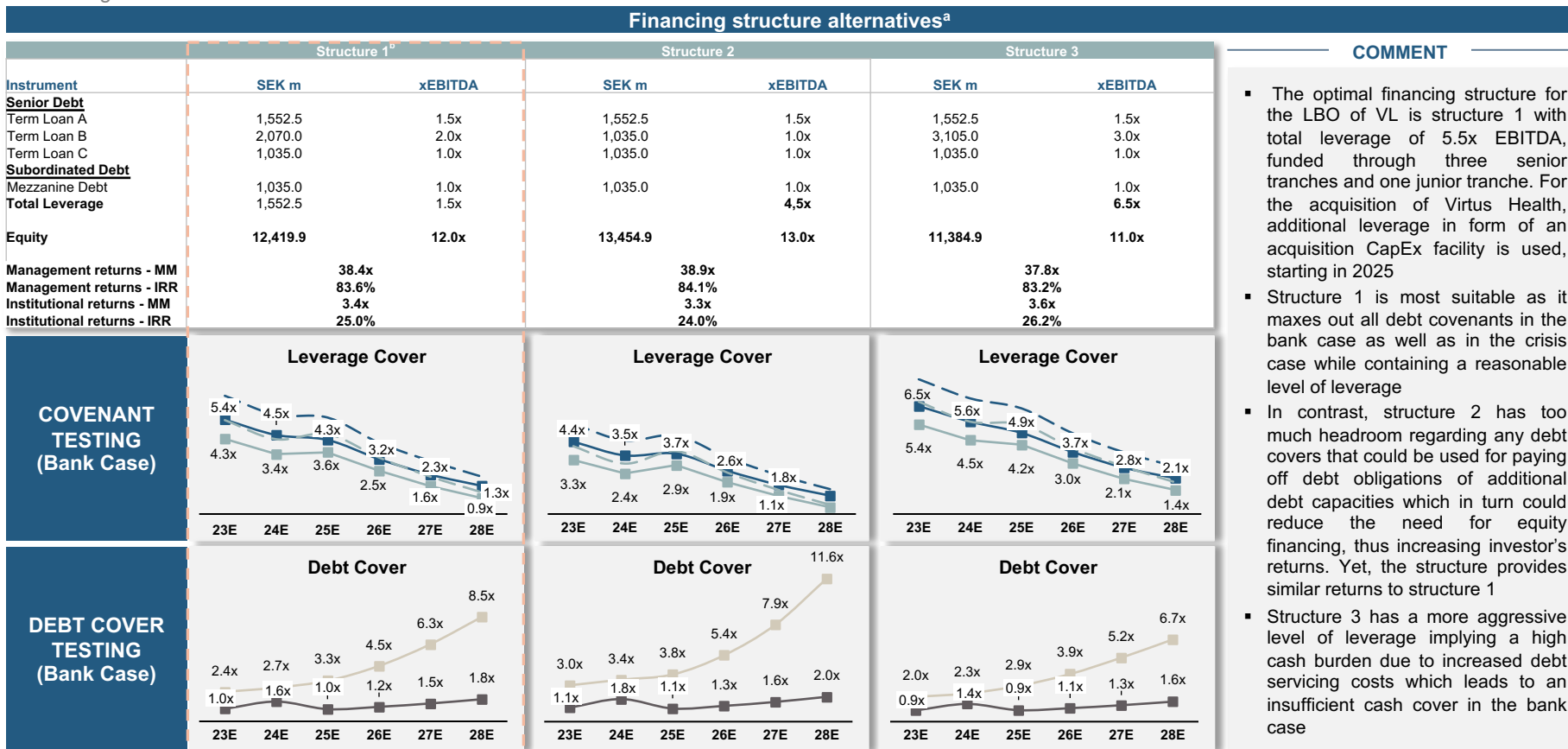
Capital Structure



Determining the optimal financing structure for the LBO of Vitrolife results in a leverage level of 5.5x, maxing out financial covenants while ensuring constant deleveraging.

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Financing Structures



COMMENT

- The optimal financing structure for the LBO of VL is structure 1 with total leverage of 5.5x EBITDA, funded through three senior tranches and one junior tranche. For the acquisition of Virtus Health, additional leverage in form of an acquisition CapEx facility is used, starting in 2025
- Structure 1 is most suitable as it maxes out all debt covenants in the bank case as well as in the crisis case while containing a reasonable level of leverage
- In contrast, structure 2 has too much headroom regarding any debt covers that could be used for paying off debt obligations of additional debt capacities which in turn could reduce the need for equity financing, thus increasing investor's returns. Yet, the structure provides similar returns to structure 1
- Structure 3 has a more aggressive level of leverage implying a high cash burden due to increased debt servicing costs which leads to an insufficient cash cover in the bank case

Notes: a) For simplicity all three structures assume the same credit spreads; b) Returns and structure as per management case

— Total Net Leverage Cover Covenant
 ■ Actual Total Net Leverage Cover
 — Net Senior Leverage Cover Covenant
 ■ Actual Net Senior Cover
 ■ Cash Cover
 ■ Interest Cover

As a result of a potential crisis in 2024, causing a revenue drop by 5.5%, Vitrolife will still be able to serve its debt obligations, further showing a strong performance regarding its debt cover development.

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Debt & Covenants



Covenant Testing^a

Crisis

In the past, the world's economy had to face several crisis and periods of recession which in the worst case caused a company's insolvency. Until now, VL has not been heavily affected by any crises, e.g., by the Covid19 pandemic, thus proving the company's overall resistance to market downturns. Still, it is crucial to test if the company is also able to get through a potential crisis in the future taking into account its highly-levered capital structure coming with high debt service obligations. The considered crisis scenario is based on the management case with an assumed revenue drop by 5% in 2024, resulting from ongoing geopolitical turmoil. In particular, the crisis leads to a drop of revenues in consumables by 10%, technologies by 12% as well as genetic testing by 3%. Similar to the Covid19 pandemic, where VL showed a strong revenue growth of 35% in 2021 after having suffered a considerable drop in revenues the year before, it is assumed that VL will again be able to quickly recover from a future crisis. Consequently, a revenue increase of 26.5% is estimated for the year after the crisis. The following analysis shows VL's performance and compliance with negotiated covenants in case of the crisis.

CRISIS CASE

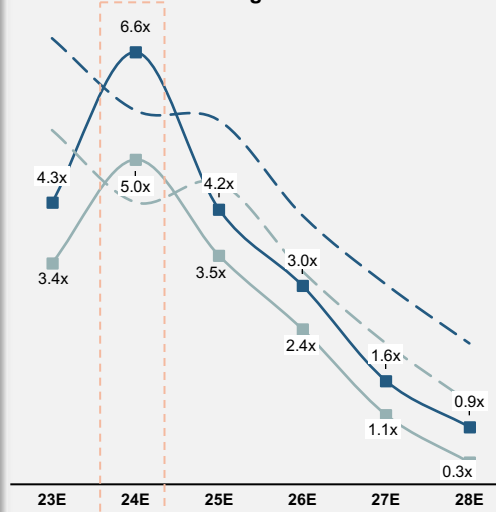
▪ **Net leverage cover:** In the event of a revenue drop by 5.5% in 2024, VL will breach both of its net leverage covenants in the respective year. In detail, net total leverage will be exceeded by 0.9x while net senior leverage will be 0.7x above the negotiated covenant. However, as VL will continue strong deleveraging in the following years, agreeing on a covenant holiday or negotiating new covenants is likely to take place

▪ **Cash Cover:** Cash cover will not fall below 1.0x, ensuring VL's capability to serve its debt obligations

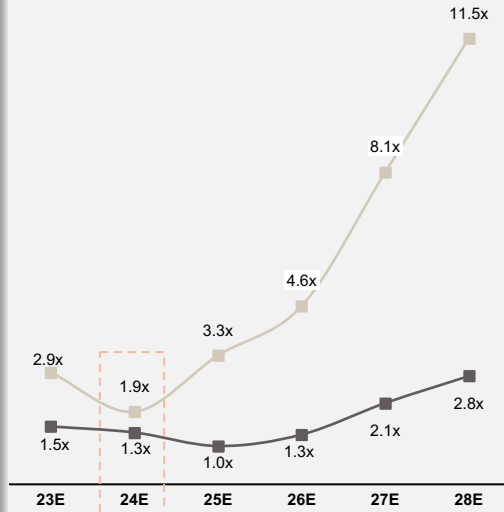
▪ **Interest Cover:** After the year of the revenue drop interest cover increases again, remaining sufficient throughout the whole investment period

▪ **Returns:** Assuming that the crisis only affects a single year, VL can generate high returns with an IRR 82.5% and 24.6% and a MM of 36.9x and 3.3x for the fund and the management, respectively

Leverage Cover



Debt Cover



Returns

Mgmt MM
36.9x

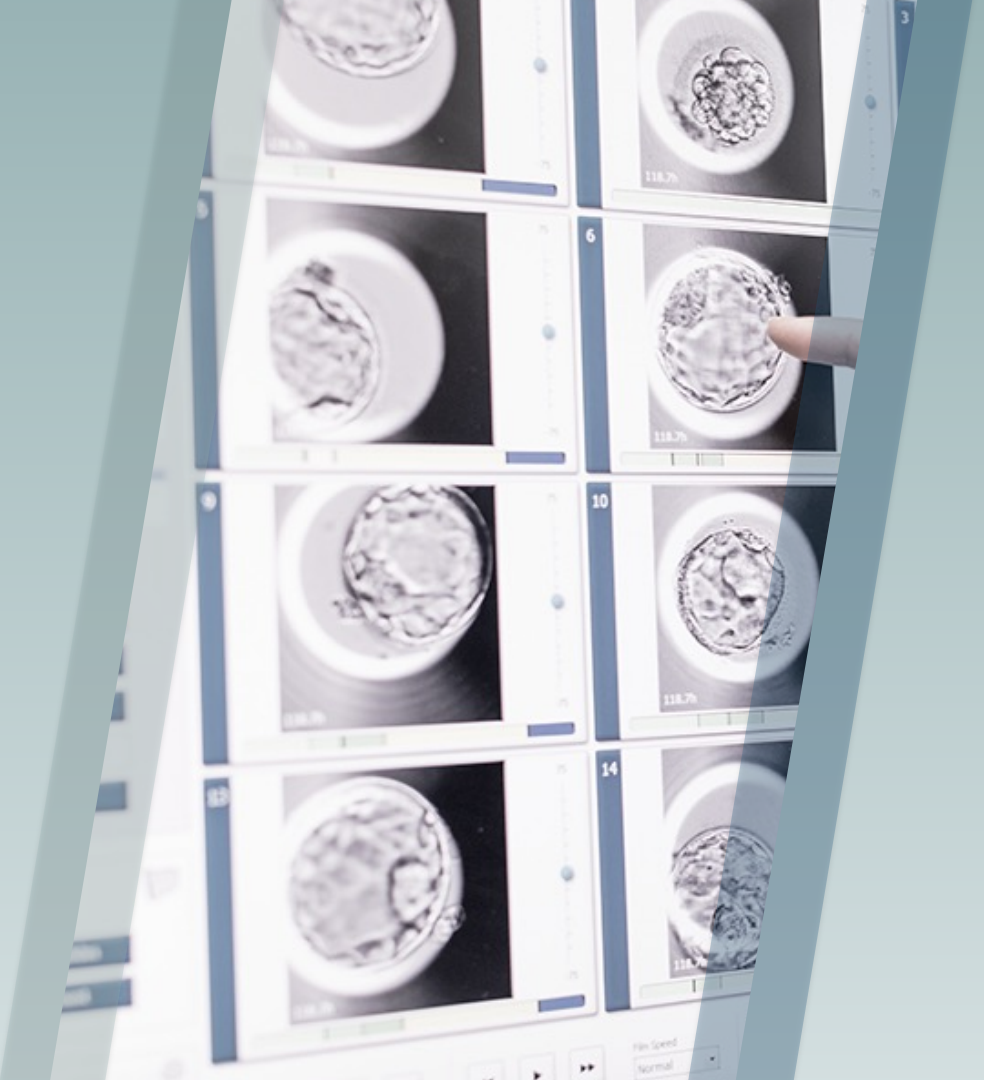
Mgmt IRR
82.5%

Sponsor MM
3.3x

Sponsor IRR
24.6%

7

Return Analysis



The value creation strategies are robust to changes, creating returns of at least 2.9x MM and an IRR of 22.1%.

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MM and IRR Sensitivities on Key Value Drivers

Partnership

2028 market share	CAGR sperm selection					CAGR sperm selection				
	2.5%	3.5%	4.5%	5.5%	6.5%	2.5%	3.5%	4.5%	5.5%	6.5%
	0.8%	3.3x	3.3x	3.3x	3.3x	3.3x	23.9%	24.0%	24.1%	24.1%
1.1%	3.3x	3.3x	3.3x	3.3x	3.3x	24.2%	24.3%	24.4%	24.5%	24.6%
1.4%	3.3x	3.4x	3.4x	3.4x	3.4x	24.5%	24.6%	24.7%	24.8%	24.9%
1.7%	3.4x	3.4x	3.4x	3.4x	3.5x	24.8%	24.9%	25.0%	25.1%	25.3%
2.0%	3.4x	3.4x	3.5x	3.5x	3.5x	25.1%	25.2%	25.3%	25.5%	25.6%

- The main dependencies of the partnership are the achieved market share of BAIBYS in 2028 and the overall CAGR of the sperm selection market
- The analysis shows that the partnership is robust to changes in assumptions, still yielding reasonable returns at an achieved market share of 0.8% and an assumed market CAGR of 2.5%

Eastern Europe penetration

Assumed share of VL products	Entry EV/Revenue multiple					Entry EV/Revenue multiple				
	1.2x	1.7x	2.2x	2.7x	3.2x	1.2x	1.7x	2.2x	2.7x	3.2x
	30%	3.3x	3.3x	3.3x	3.3x	3.3x	24.4%	24.4%	24.4%	24.3%
45%	3.4x	3.3x	3.3x	3.3x	3.3x	24.6%	24.6%	24.6%	24.6%	24.5%
60%	3.4x	3.4x	3.4x	3.4x	3.4x	24.8%	24.8%	24.8%	24.8%	24.7%
75%	3.4x	3.4x	3.4x	3.4x	3.4x	25.0%	25.0%	25.0%	25.0%	25.0%
90%	3.5x	3.4x	3.4x	3.4x	3.4x	25.3%	25.2%	25.2%	25.2%	25.2%

- The main levers of the EE penetration strategy are the initial buying price of the supplier and the achieved share of the products sold from VL by the acquired distributor
- The strategy is robust to changes in assumptions, as it yields an IRR of 24.3% with a MM of 3.3x in the worst scenario, where the entry multiple is 88% higher and the assumed share of VL's products sold through the distributor is at only 30%

Buy & Build

Entry EV/EBITDA	Revenue growth					Revenue growth				
	3.3%	5.3%	7.3%	9.3%	11.3%	3.3%	5.3%	7.3%	9.3%	11.3%
	10.7x	3.2x	3.3x	3.6x	3.9x	4.2x	23.1%	24.0%	25.7%	27.4%
11.7x	3.1x	3.2x	3.5x	3.8x	4.1x	22.9%	23.6%	25.3%	27.1%	28.8%
12.7x	3.1x	3.3x	3.4x	3.7x	4.0x	22.6%	24.0%	25.0%	26.7%	28.4%
13.7x	3.0x	3.2x	3.3x	3.6x	3.9x	22.3%	23.7%	24.6%	26.4%	28.1%
14.7x	2.9x	3.1x	3.2x	3.5x	3.8x	22.1%	23.5%	24.2%	26.0%	27.8%

- The identified main levers for the B&B strategy are the entry multiple and the annual revenue growth of VH, impacting EBITDA and synergies
- Assuming an actual entry multiple of 14.7x (12.7x) and a revenue growth over the holding period of 3.3% (7.3%), the case still yields a MM of 2.9x and an IRR of 22.1%

Standalone growth

Exit EV/EBITDA	Revenue growth					Revenue growth				
	10.6%	11.1%	11.6%	12.1%	12.6%	10.6%	11.1%	11.6%	12.1%	12.6%
	15.7x	3.0x	3.2x	3.2x	3.4x	3.5x	22.3%	23.3%	23.5%	24.7%
16.2x	3.1x	3.2x	3.3x	3.5x	3.7x	22.8%	23.8%	24.2%	25.4%	26.6%
16.7x	3.2x	3.2x	3.4x	3.6x	3.8x	23.4%	23.7%	25.0%	26.1%	27.2%
17.2x	3.2x	3.3x	3.5x	3.7x	3.9x	23.9%	24.4%	25.6%	26.8%	27.9%
17.7x	3.2x	3.4x	3.6x	3.8x	4.0x	23.7%	25.0%	26.2%	27.4%	28.6%

- The estimated revenue growth has a significant impact on the created value of the exit value and returns
- A revenue growth of 10.6% (11.6%) with an exit EV/EBITDA multiple of 15.7x would yield a MM of 3.0x MM with a corresponding IRR of 22.3%.

A late exit in 2029 yields a MM of 3.8x with an IRR of 22.5%, making the investment also attractive for a later exit.

Detailed Sensitivity Analysis on Exit Year and Exit Multiple

		Management Case						Upside Case						Bank Case					
Investors	IRR	Exit Year						Exit Year						Exit Year					
		2026	2027	2028	2029	2030	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030			
		Exit EV/EBITDA	15.7x	28.2%	26.9%	23.6%	21.6%	20.3%	17.3x	37.1%	34.0%	29.7%	26.5%	24.3%	14.3x	18.5%	19.4%	17.5%	16.3%
16.2x	29.5%	27.8%	24.3%	22.1%	20.6%	17.8x	38.2%	34.9%	30.4%	27.0%	24.7%	14.8x	19.9%	20.4%	18.3%	16.9%	16.2%		
16.7x	30.7%	28.7%	25.0%	22.5%	21.0%	18.3x	39.3%	35.7%	31.0%	27.6%	25.1%	15.3x	21.3%	21.4%	19.0%	17.5%	16.7%		
17.2x	31.9%	29.6%	25.7%	22.9%	21.4%	18.8x	40.4%	36.4%	31.6%	28.1%	25.6%	15.8x	23.3%	22.9%	19.7%	18.5%	17.2%		
17.7x	33.0%	30.4%	26.3%	23.3%	21.7%	19.3x	41.4%	37.2%	32.2%	28.5%	26.0%	16.3x	24.3%	23.6%	20.4%	19.0%	17.7%		
Management	MM	Exit Year						Exit Year						Exit Year					
		2026	2027	2028	2029	2030	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030			
		15.7x	2.4x	2.9x	3.2x	3.6x	4.0x	17.3x	3.1x	3.8x	4.3x	4.7x	5.2x	14.3x	1.8x	2.2x	2.4x	2.6x	2.9x
16.2x	2.5x	3.0x	3.3x	3.7x	4.1x	17.8x	3.2x	3.9x	4.4x	4.8x	5.3x	14.8x	1.9x	2.3x	2.5x	2.7x	3.0x		
16.7x	2.6x	3.1x	3.4x	3.8x	4.2x	18.3x	3.3x	4.1x	4.5x	4.9x	5.4x	15.3x	1.9x	2.4x	2.6x	2.8x	3.1x		
17.2x	2.7x	3.2x	3.5x	3.9x	4.3x	18.8x	3.4x	4.2x	4.6x	5.1x	5.6x	15.8x	2.1x	2.5x	2.7x	3.0x	3.2x		
17.7x	2.7x	3.3x	3.6x	4.1x	4.4x	19.3x	3.5x	4.3x	4.7x	5.2x	5.7x	16.3x	2.1x	2.6x	2.7x	3.0x	3.3x		
Investors	IRR	Exit Year						Exit Year						Exit Year					
		2026	2027	2028	2029	2030	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030			
		15.7x	102.2%	90.4%	81.4%	69.5%	61.6%	17.3x	125.5%	106.6%	94.6%	73.0%	61.6%	14.3x	38.2%	43.5%	41.4%	34.1%	30.2%
16.2x	104.6%	91.9%	82.6%	72.2%	63.7%	17.8x	127.6%	108.0%	95.6%	76.1%	62.5%	14.8x	44.0%	47.1%	44.3%	36.7%	32.3%		
16.7x	107.0%	93.4%	83.6%	74.7%	65.7%	18.3x	129.7%	109.3%	96.6%	78.9%	63.3%	15.3x	49.2%	50.4%	47.0%	38.9%	34.2%		
17.2x	109.2%	94.8%	84.7%	76.9%	67.5%	18.8x	131.8%	110.6%	97.6%	81.5%	64.2%	15.8x	54.0%	53.4%	49.4%	41.0%	36.0%		
17.7x	111.4%	96.2%	85.7%	80.6%	69.1%	19.3x	133.8%	111.9%	98.5%	83.8%	66.7%	16.3x	58.3%	56.2%	51.6%	42.9%	37.6%		
Management	MM	Exit Year						Exit Year						Exit Year					
		2026	2027	2028	2029	2030	2026	2027	2028	2029	2030	2026	2027	2028	2029	2030			
		15.7x	16.7x	25.0x	35.7x	40.1x	46.6x	17.3x	25.9x	37.7x	54.3x	80.7x	110.4x	14.3x	3.6x	6.1x	8.0x	7.8x	8.2x
16.2x	17.5x	26.0x	37.0x	44.9x	51.7x	17.8x	26.9x	39.0x	56.1x	82.5x	112.5x	14.8x	4.3x	6.9x	9.0x	8.9x	9.4x		
16.7x	18.3x	27.0x	38.4x	49.6x	56.8x	18.3x	27.9x	40.2x	57.7x	84.4x	114.5x	15.3x	5.0x	7.7x	10.1x	10.0x	10.5x		
17.2x	19.2x	28.0x	39.7x	54.3x	61.8x	18.8x	28.9x	41.5x	59.5x	86.3x	116.5x	15.8x	5.6x	8.5x	11.1x	11.1x	11.7x		
17.7x	20.0x	29.1x	41.1x	62.7x	66.9x	19.3x	29.9x	42.8x	61.2x	88.1x	118.6x	16.3x	6.3x	9.3x	12.2x	12.2x	12.8x		

Management returns are more sensitive to changes in the entry and exit multiples, as the sweet equity stake is paid after the FRI, amplifying the effect of these multiples on their compensation.

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Detailed Sensitivity Analysis on Exit Year and Exit Multiple

		Management Case					Upside Case					Bank Case							
		Exit EV/EBITDA					Exit EV/EBITDA					Exit EV/EBITDA							
IRR		15.7x	16.2x	16.7x	17.2x	17.7x	17.3x	17.8x	18.3x	18.8x	19.3x	14.4x	14.9x	15.4x	15.9x	16.4x			
Investors	Entry EV/EBITDA	15.7x	25.4%	26.1%	26.8%	27.5%	28.1%	17.3x	31.3%	32.0%	32.6%	33.2%	33.8%	14.4x	19.3%	20.1%	20.9%	21.4%	21.9%
		16.2x	24.5%	25.2%	25.9%	26.6%	27.2%	17.8x	30.5%	31.1%	31.8%	32.4%	33.0%	14.9x	18.4%	19.2%	19.9%	20.7%	21.2%
		16.7x	23.6%	24.3%	25.0%	25.7%	26.3%	18.3x	29.7%	30.3%	31.0%	31.6%	32.1%	15.4x	17.5%	18.3%	19.0%	19.8%	20.5%
		17.2x	23.0%	23.5%	24.2%	24.9%	25.5%	18.8x	28.9%	29.6%	30.2%	30.8%	31.4%	15.9x	16.7%	17.5%	18.2%	18.9%	19.6%
		17.7x	22.4%	22.9%	23.5%	24.1%	24.7%	19.3x	28.2%	28.8%	29.4%	30.0%	30.6%	16.4x	15.9%	16.7%	17.4%	18.2%	18.9%
Investors	MM	15.7x	3.4x	3.5x	3.7x	3.8x	3.9x	17.3x	4.5x	4.7x	4.8x	4.9x	5.0x	14.4x	2.6x	2.7x	2.8x	2.8x	2.9x
		16.2x	3.3x	3.4x	3.5x	3.6x	3.8x	17.8x	4.4x	4.5x	4.6x	4.8x	4.9x	14.9x	2.5x	2.6x	2.7x	2.8x	2.8x
		16.7x	3.2x	3.3x	3.4x	3.5x	3.6x	18.3x	4.3x	4.4x	4.5x	4.6x	4.7x	15.4x	2.4x	2.5x	2.6x	2.7x	2.7x
		17.2x	3.2x	3.2x	3.3x	3.4x	3.5x	18.8x	4.1x	4.2x	4.4x	4.5x	4.6x	15.9x	2.3x	2.4x	2.5x	2.6x	2.7x
		17.7x	3.1x	3.2x	3.3x	3.3x	3.4x	19.3x	4.0x	4.1x	4.2x	4.4x	4.5x	16.4x	2.2x	2.3x	2.4x	2.5x	2.6x
Management	Entry EV/EBITDA	15.7x	81.9%	83.0%	84.1%	85.1%	86.2%	17.3x	94.9%	95.9%	96.9%	97.9%	98.8%	14.4x	45.9%	48.4%	50.7%	60.1%	65.1%
		16.2x	81.7%	82.8%	83.9%	84.9%	86.0%	17.8x	94.8%	95.8%	96.8%	97.7%	98.7%	14.9x	43.7%	46.4%	48.9%	51.2%	59.2%
		16.7x	81.4%	82.6%	83.6%	84.7%	85.7%	18.3x	94.6%	95.6%	96.6%	97.6%	98.5%	15.4x	41.5%	44.4%	47.0%	49.4%	51.7%
		17.2x	77.8%	82.3%	83.4%	84.5%	85.5%	18.8x	94.4%	95.5%	96.5%	97.4%	98.4%	15.9x	39.0%	42.2%	45.0%	47.6%	50.0%
		17.7x	73.8%	78.2%	82.1%	84.3%	85.3%	19.3x	94.3%	95.3%	96.3%	97.3%	98.2%	16.4x	36.3%	39.8%	42.8%	45.6%	48.1%
Management	MM	15.7x	36.2x	37.6x	38.9x	40.3x	41.6x	17.3x	54.9x	56.6x	58.3x	60.0x	61.7x	14.4x	9.6x	10.7x	11.7x	16.8x	20.3x
		16.2x	36.0x	37.3x	38.7x	40.0x	41.3x	17.8x	54.6x	56.3x	58.0x	59.8x	61.5x	14.9x	8.8x	9.9x	10.9x	11.9x	16.3x
		16.7x	35.7x	37.0x	38.4x	39.7x	41.1x	18.3x	54.3x	56.0x	57.7x	59.5x	61.2x	15.4x	8.0x	9.1x	10.1x	11.1x	12.2x
		17.2x	31.6x	36.8x	38.1x	39.5x	40.8x	18.8x	54.0x	55.8x	57.5x	59.2x	60.9x	15.9x	7.2x	8.3x	9.3x	10.3x	11.4x
		17.7x	27.6x	32.0x	36.5x	39.2x	40.5x	19.3x	53.8x	55.5x	57.2x	58.9x	60.7x	16.4x	6.4x	7.5x	8.5x	9.5x	10.6x

The upside case yields a 31.0% IRR with a MM of 4.5x to the investors.

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Return Overview | Upside Case

Exit Waterfall (in SEK m)

	22A	23E	24E	25E	26E	27E	28E	29E
Total Revenue	3,235	3,728	4,335	8,010	9,355	10,876	11,874	12,953
Revenue growth	92.4%	15.2%	16.3%	84.8%	16.8%	16.3%	9.2%	9.1%
EBITDA	1,035	1,515	1,773	2,974	3,559	4,205	4,569	4,956
EBITDA margin	32.0%	40.6%	40.9%	37.1%	38.0%	38.7%	38.5%	38.3%

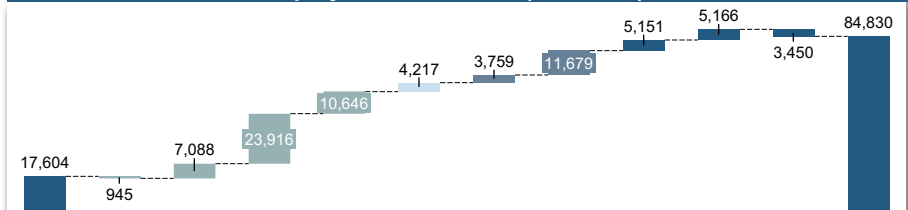
Investors Proceeds

Total invested	SEK 17,498m
IRR	31.0%
MM	4.5x
Proceeds	SEK 78,734m

Management Proceeds

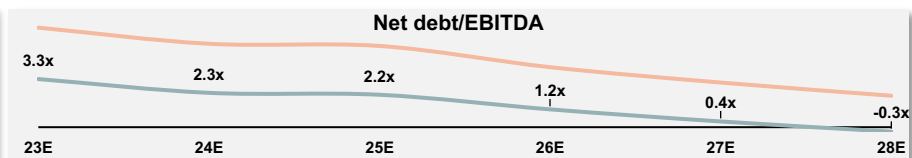
Total invested	SEK 106m
IRR	96.6%
MM	57.7x
Proceeds	SEK 6,138m

Equity Value Creation (in SEK m)



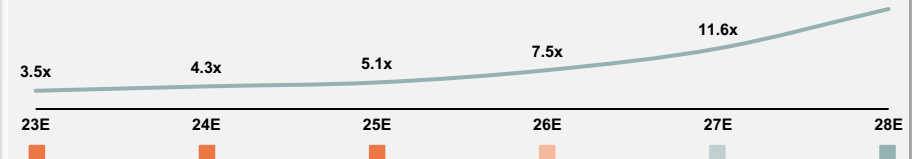
Investor returns	Entry EV/EBITDA Multiple	Exit EV/EBITDA Multiple					Exit EV/EBITDA Multiple				
		17.3x	17.8x	18.3x	18.8x	19.3x	17.3x	17.8x	18.3x	18.8x	19.3x
17.3x	4.5x	4.7x	4.8x	4.9x	5.0x	31.3%	32.0%	32.6%	33.2%	33.8%	
17.8x	4.4x	4.5x	4.6x	4.8x	4.9x	30.5%	31.1%	31.8%	32.4%	33.0%	
18.3x	4.3x	4.4x	4.5x	4.6x	4.7x	29.7%	30.3%	31.0%	31.6%	32.1%	
18.8x	4.1x	4.2x	4.4x	4.5x	4.6x	28.9%	29.6%	30.2%	30.8%	31.4%	
19.3x	4.0x	4.1x	4.2x	4.4x	4.5x	28.2%	28.8%	29.4%	30.0%	30.6%	

Credit statistics



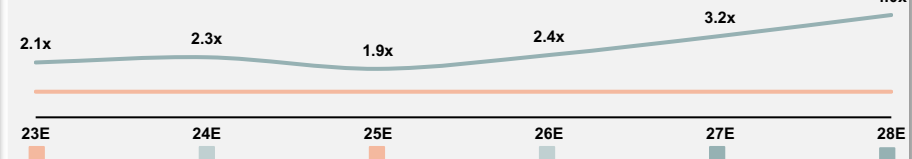
- The upside case yields a stronger EBITDA, decreasing the overall Net debt/EBITDA ratio

Interest Cover



- The upside case yields a stronger EBITDA, offsetting rising interest rates from the PIK and increasing the overall interest cover over the investment period

Cash Cover



- Higher Cash Cover ratio due to stronger cash flow generation, with a minor decline in 2025 due to the acquisition of VH

The bank case yields an IRR of 19.0% with a MM of 2.6x to the investors, without breaching any covenants.

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Return Overview | Bank Case

Exit Waterfall (in SEK m)

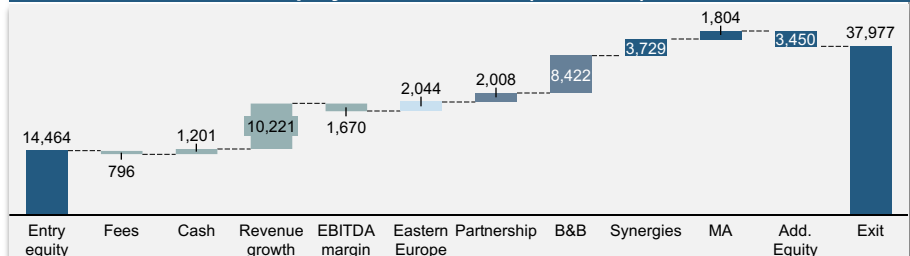
	22A	23E	24E	25E	26E	27E	28E	29E
Total Revenue	3,235	3,487	3,796	7,078	7,938	8,861	9,288	9,738
Revenue growth	92.4%	7.8%	8.9%	86.4%	12.2%	11.6%	4.8%	4.8%
EBITDA	1,035	1,039	1,156	2,003	2,326	2,650	2,763	2,879
EBITDA margin	32.0%	29.8%	30.5%	28.3%	29.3%	29.9%	29.7%	29.6%

Investors Proceeds

Total invested	SEK 14,358m	Total invested	SEK 106m
IRR	19.0%	IRR	47.0%
MM	2.6x	MM	10.1x
Proceeds	SEK 36,902m	Proceeds	SEK 1,075m

Management Proceeds

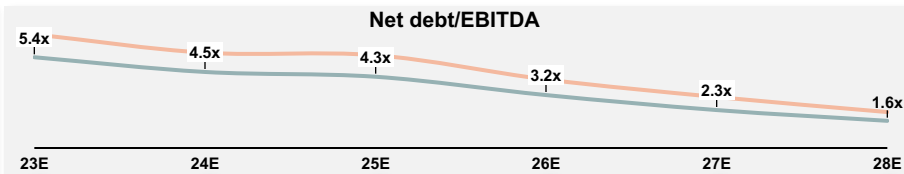
Equity Value Creation (in SEK m)



Investor returns

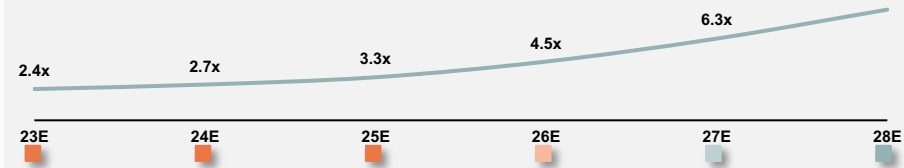
	Entry EV/EBITDA Multiple	Exit EV/EBITDA Multiple					Exit EV/EBITDA Multiple				
		14.4x	14.9x	15.4x	15.9x	16.4x	14.4x	14.9x	15.4x	15.9x	16.4x
14.4x	2.6x	2.7x	2.8x	2.9x	3.0x	19.3%	20.1%	20.9%	22.3%	22.8%	
14.9x	2.5x	2.6x	2.7x	2.8x	2.9x	18.4%	19.2%	19.9%	20.7%	22.1%	
15.4x	2.4x	2.5x	2.6x	2.7x	2.7x	17.5%	18.3%	19.0%	19.8%	20.5%	
15.9x	2.3x	2.4x	2.5x	2.6x	2.7x	16.7%	17.5%	18.2%	18.9%	19.6%	
16.4x	2.2x	2.3x	2.4x	2.5x	2.6x	15.9%	16.7%	17.4%	18.2%	18.9%	

Credit statistics



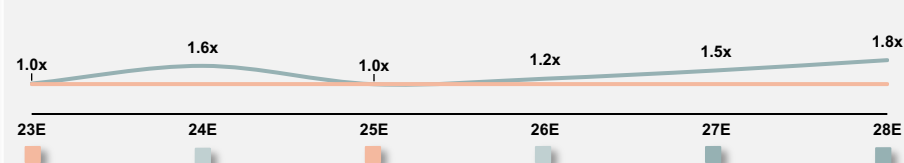
- Given the assumptions of reduced growth and increased costs, the projected financials of the bank case indicate an increased Net debt/EBITDA ratio, primarily attributable to the decrease in EBITDA

Interest Cover



- The interest coverage ratio has experienced the smallest growth, which is attributable to the gradual rise in EBITDA

Cash Cover



- The cash coverage ratio reaches the threshold level of 1.0x in 2023 and 2025, remaining in compliance with all financial covenants

The no value creation case yields an 18.3% IRR with a MM of 2.7x to the investors.

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Return Overview | No Value Creation

Exit Waterfall (in SEK m)

	22A	23E	24E	25E	26E	27E	28E	29E
Total Revenue	3,235	3,584	3,982	4,536	5,175	5,915	6,253	6,612
Revenue growth	92.4%	10.8%	11.1%	13.9%	14.1%	14.3%	5.7%	5.7%
EBITDA	1,035	1,283	1,411	1,581	1,775	1,996	2,052	2,108
EBITDA margin	32.0%	35.8%	35.4%	34.8%	34.3%	33.8%	32.8%	31.9%

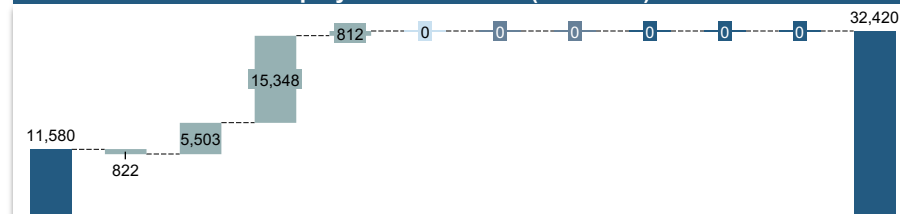
Investors Proceeds

Total invested	SEK 11,479m
IRR	18.3%
MM	2.7x
Proceeds	SEK 31,455m

Management Proceeds

Total invested	SEK 106m
IRR	44.7%
MM	9.2x
Proceeds	SEK 975m

Equity Value Creation (in SEK m)

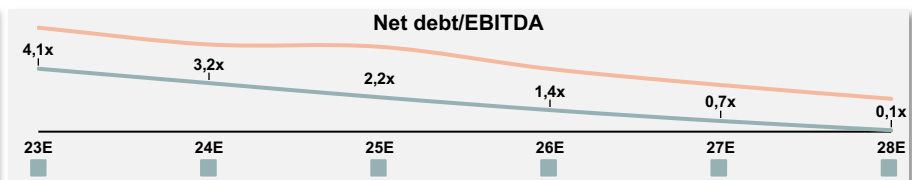


	Entry equity	Fees	Cash	Revenue growth	EBITDA margin	Eastern Europe	Partnership	B&B	Synergies	MA	Add. Equity	Exit

Investor returns

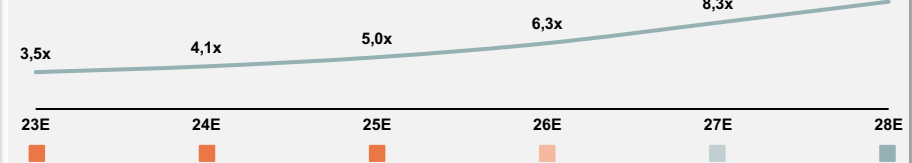
	Entry EV/EBITDA Multiple	Exit EV/EBITDA Multiple					Exit EV/EBITDA Multiple				
		14.9x	15.4x	15.9x	16.4x	16.9x	14.9x	15.4x	15.9x	16.4x	16.9x
14.9x	2.8x	2.9x	3.0x	3.1x	3.2x	18.9%	19.5%	20.1%	20.7%	21.5%	
15.4x	2.7x	2.8x	2.9x	3.0x	3.0x	18.0%	18.6%	19.2%	19.8%	20.3%	
15.9x	2.6x	2.7x	2.7x	2.8x	2.9x	17.1%	17.7%	18.3%	18.9%	19.4%	
16.4x	2.5x	2.5x	2.6x	2.7x	2.8x	16.2%	16.8%	17.4%	18.0%	18.6%	
16.9x	2.4x	2.4x	2.5x	2.6x	2.7x	15.4%	16.0%	16.6%	17.2%	17.8%	

Credit statistics



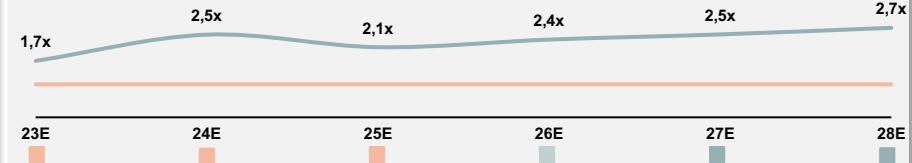
- No value creation case leads to steady reduction in Net debt/EBITDA ratio, as TLA is amortized and EBITDA grows organically during the holding period as a result from the growing market

Interest Cover



- Moderate increase in interest cover, due to increasing EBITDA

Cash Cover



- Highest cash cover out of the three cases, as there is no additional debt taken on in year 2025 for the acquisition

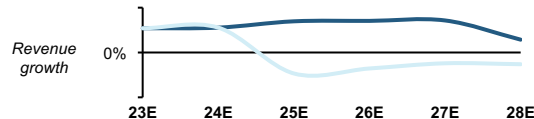
All risk scenarios, comply with the covenants while MM does not fall below 1.6x at exit, due to Vitrolife's strong cash generation and diversified revenue base, highlighting the investments low risk level.

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Business Plan
— Mgmt. case — Risk scenario

Description
Risk scenario 1: Top-line reduction

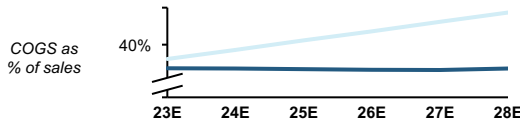
The C&T business area is highly dependent on technological and scientific innovations while needing to comply with constantly changing regulations. The failure to innovate or inability to adapt to new regulations would negatively affect VL's top-line growth in the long-term, as the company would lose its competitive advantage.

Revenue decline by **10% p.a.** from 2025 onwards in the Consumable and Technology business unit^b


Risk scenario 2: Increase in COGS

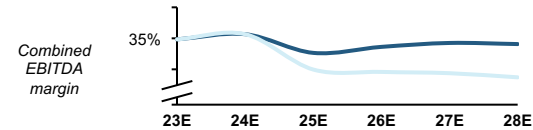
The challenging macroeconomic situation in terms of geopolitical risks leads to a high volatility of raw materials and supply chain bottlenecks. Further, rarity of highly skilled labor prevails, which could result in increases in COGS (labor costs).

Increase in COGS of **2.5 p.p** annually from 2023 onwards


Risk scenario 3: M&A failure

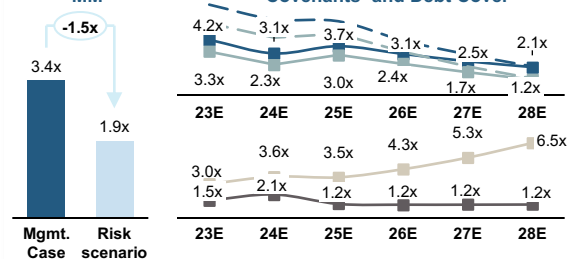
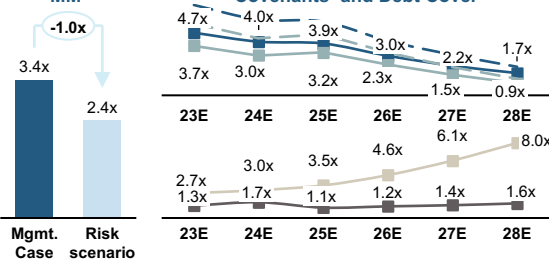
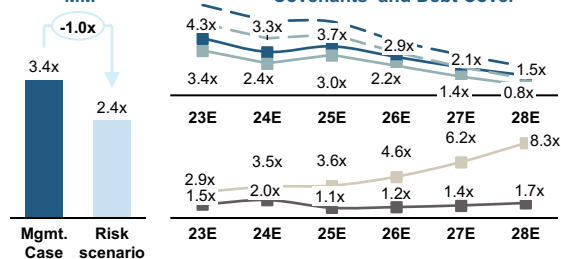
The acquisition of VH contains risks, such as the inability to realize projected synergies, i.e., failure to combine (pre-) clinical studies or realize higher revenue. Other integration issues (e.g., cultural clash) could adversely affect VH's operations and decrease top-line growth.

Decrease in VH's ARS sales of **10% p.a.** at acquisition (2025) and **no realization of envisioned synergies**


Assessm.
Likelihood
ST effect
LT effect

Likelihood
ST effect
LT effect

Likelihood
ST effect
LT effect

Outcome
MM
Covenants^b and Debt Cover

MM
Covenants^b and Debt Cover

MM
Covenants^a and Debt Cover


Notes: a) With stable absolute cost levels; b) Covenants based on bank case

— Total Net Leverage Cover Covenant

■ Actual Total Net Leverage Cover

— Net Senior Leverage Cover Covenant

■ Net Senior Leverage Cover

■ Cash Cover

■ Interest Cover

○ Low effect ○ High effect

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