



Results presentation  
for the six months ended  
31 DECEMBER 2014



## PRESENTATION OUTLINE

Section	Presenter
Overview	Dr. Karsten Wellner
Financial review	Robbie Taylor
Strategic focus	Dr. Karsten Wellner
Divisional performance	Dr. Karsten Wellner
Outlook	Dr. Karsten Wellner
Building the Ascendis brand	Dr. Karsten Wellner



## OVERVIEW

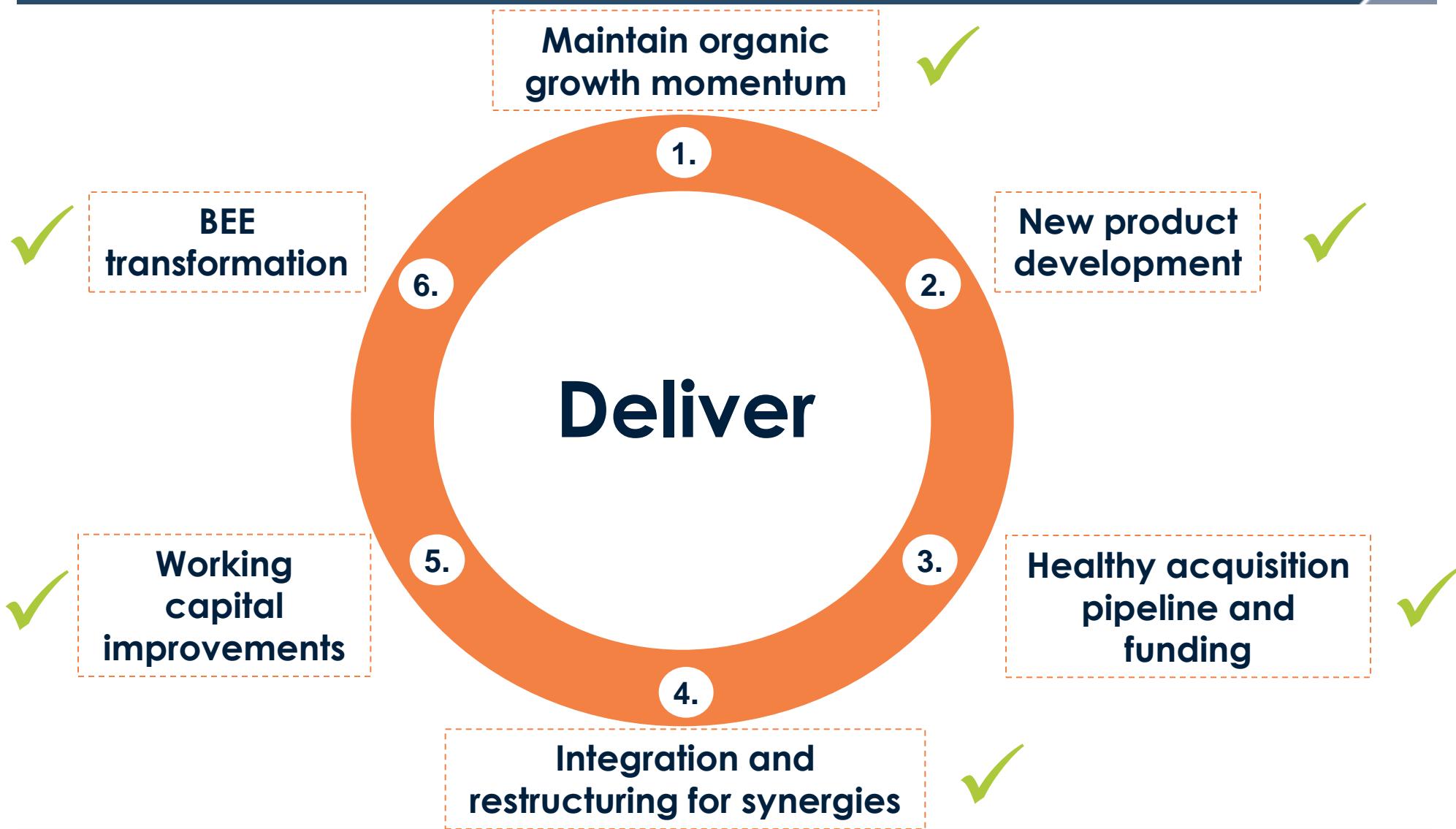


**Ascendis**  
HEALTH

# ASCENDIS HEALTH AT A GLANCE

<b>Who are we?</b>	<ul style="list-style-type: none"><li>• A South African health and care brands company that owns and develops strong brands</li></ul>
<b>Current market capitalisation</b>	<ul style="list-style-type: none"><li>• R4.3bn, listed on JSE main board 22 Nov 2013</li></ul>
<b>Growth strategies</b>	<ul style="list-style-type: none"><li>• Organic, acquisitive, synergistic and international</li></ul>
<b>Brands</b>	<ul style="list-style-type: none"><li>• Resilient, market-leading brands and IPs</li></ul>
<b>Divisions (targeted mix)</b>	<ul style="list-style-type: none"><li>• Consumer Brands (40%), Pharma-Med (40%), Phyto-Vet (20%)</li></ul>
<b>Staff</b>	<ul style="list-style-type: none"><li>• Approx 1 600 (January 2015)</li></ul>

# FOCUS AREAS



## HIGHLIGHTS FOR THE SIX MONTHS TO DECEMBER 2014

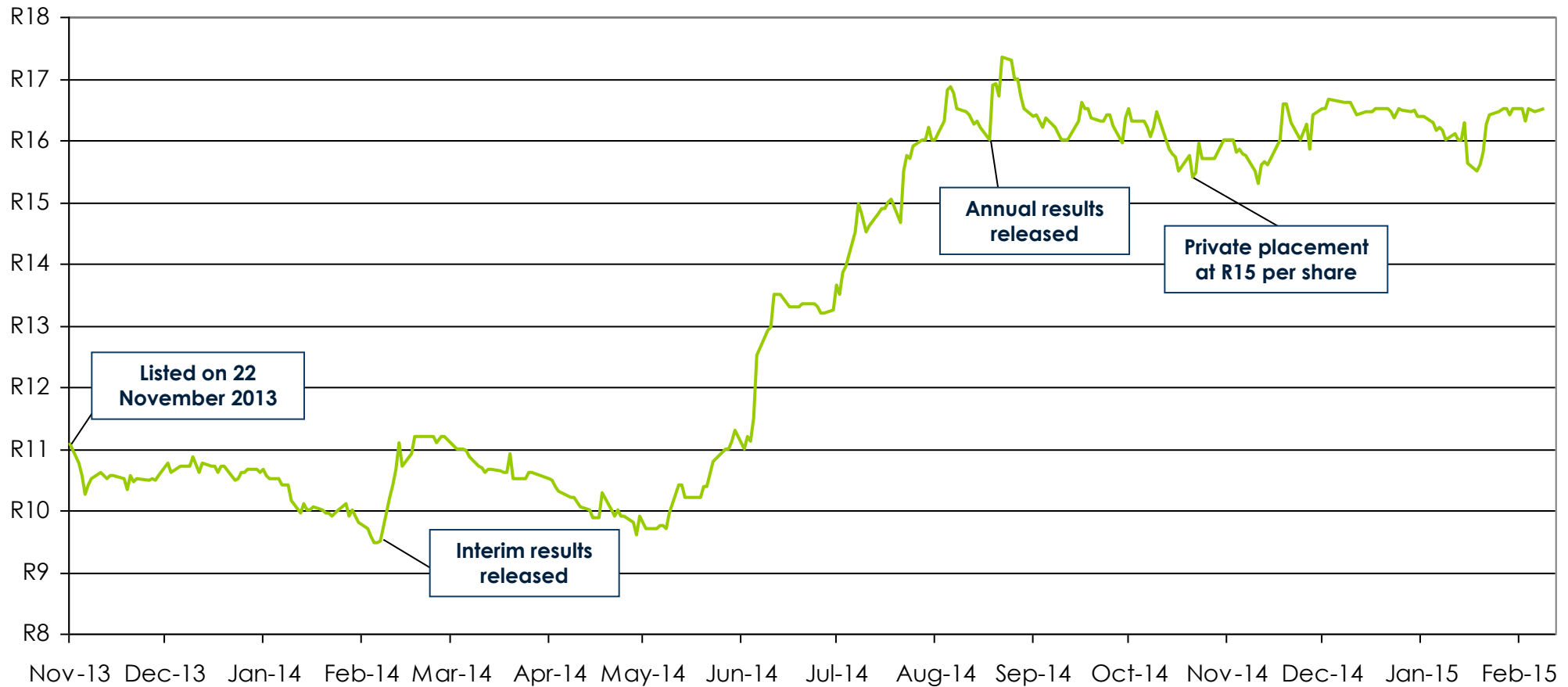
- **Organic** revenue growth of **14.9%** on a comparable basis
- Strong **new product** development and launches (Solal, Nimue, Sports Nutrition, Pharma)
- The Scientific Group **acquisition** will create a R1bn Ascendis Medical platform for further growth
- Successful **capital raise** of R455m in Nov 2014
- **Integration** projects and implementation of matrix organisation
- Reduced **inventories** and improved **debtors** in existing business



**EBITDA GROWTH OF 88% FROM R102m TO R191m**

# SHARE PRICE PERFORMANCE

## Ascendis Health share price



Current market capitalisation: **R4.3bn**



## FINANCIAL REVIEW





# FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS TO DECEMBER 2014

- Revenue **+101%** to R1.3 bn
- EBITDA **+88%** to R191m
- Operating profit **+84%** to R161m
- Normalised HEPS **+29%** to 43.1 cps
- HEPS **+22%** to 35.5 cps
  - 35% increase in weighted average no. of shares
- Interim dividend of **8.0 cps**



# INCOME STATEMENT

R'm	6 months to Dec 2014	6 months to Dec 2013	% change
<b>Revenue</b>	<b>1 333</b>	<b>662</b>	<b>101%</b>
Cost of sales	736	357	106%
<b>Gross profit</b>	<b>597</b>	<b>305</b>	<b>96%</b>
<b>Gross profit margin</b>	<b>44.8%</b>	<b>46.1%</b>	
Other income	26	7	288%
Operating expenses (excl D&A)	432	210	106%
<b>EBITDA</b>	<b>191</b>	<b>102</b>	<b>88%</b>
<b>EBITDA margin</b>	<b>14.3%</b>	<b>15.3%</b>	
Depreciation	10	3	233%
Amortisation	20	11	82%
<b>Operating profit</b>	<b>161</b>	<b>88</b>	<b>84%</b>
<b>Operating profit margin</b>	<b>12.1%</b>	<b>13.2%</b>	
Net finance costs	38	9	314%
Profit before tax	123	79	57%
Taxation	34	23	52%
<b>Profit after tax</b>	<b>89</b>	<b>56</b>	<b>59%</b>

## CALCULATION OF NORMALISED HEPS

R' m	Six months to Dec 2014	Six months to Dec 2013
Headline earnings	89	54
Once-off / abnormal costs (after tax)	4	-
Amortisation (after tax)	15	8
Normalised headline earnings	108	62
Weighted average number of shares in issue ( 'm)	250	185
<b>HEPS (c)</b>	<b>35.5</b>	<b>29.2</b>
<b>Normalised HEPS (c)</b>	<b>43.1</b>	<b>33.4</b>

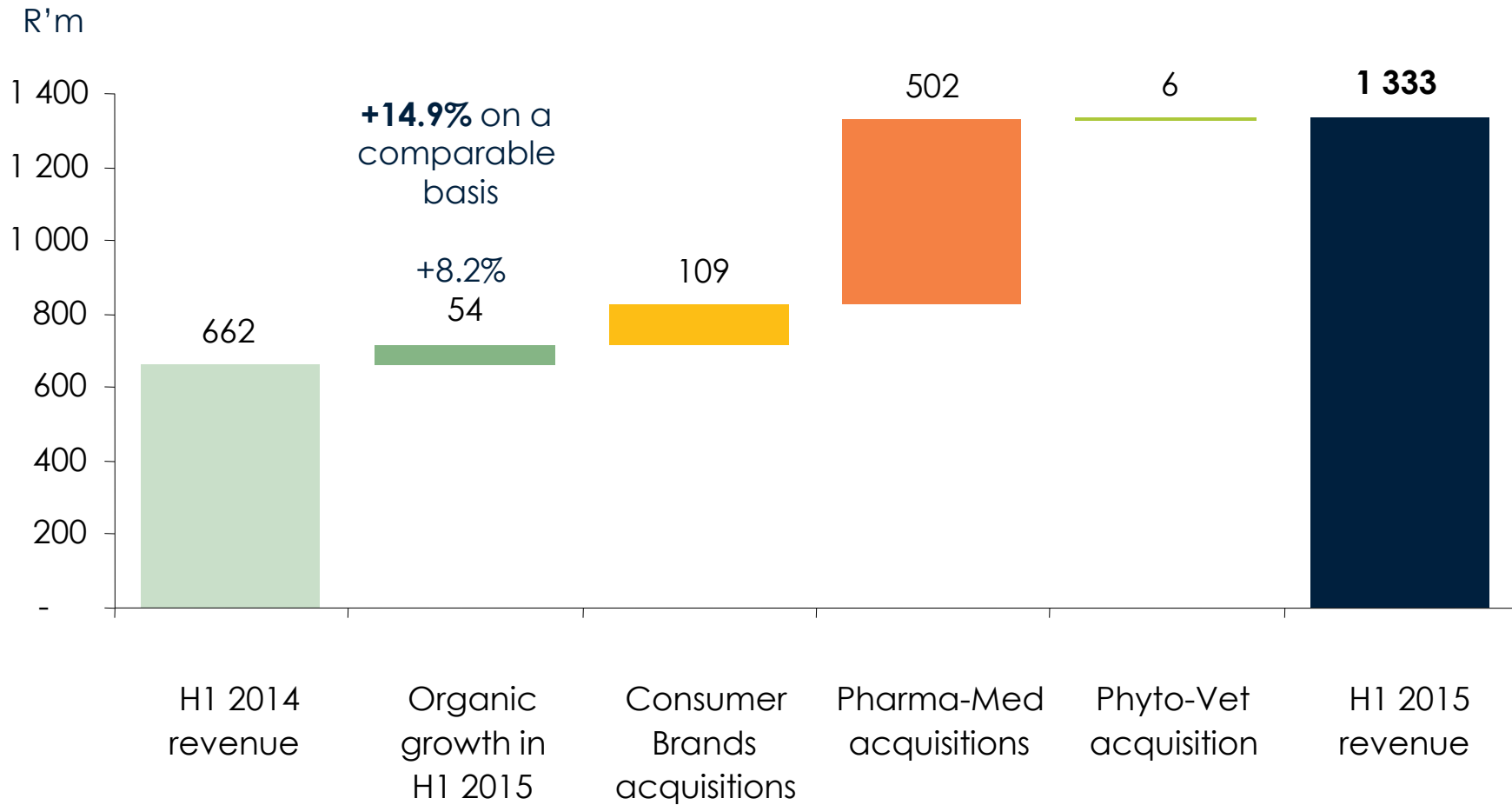
## ONCE-OFF / ABNORMAL COSTS

R'm	Six months to Dec 2014
Professional fees	4.4
Bond raising fees	1.3
<b>Total pre-tax</b>	<b>5.7</b>

Professional fees include:

- Streamlining and rationalising number of companies in the group
- Costs of HR restructuring
- Integration of new businesses into Group Services
- Abnormal audit fees in first year of integration and listing

# REVENUE GROWTH



## FOREIGN EXCHANGE IMPACT

Foreign sales (R'm)	Six months to Dec 2014	Six months to Dec 2013	% change
Consumer Brands	49	24	107%
Pharma-Med	7	1	760%
Phyto-Vet	58	79	(27%)
	<b>114</b>	<b>104</b>	<b>10%</b>

- Foreign sales increased to R114m, 9% of sales (2013: 16%), impacted by local medical device business acquisitions and loss of a malaria tender in Africa
- Exports cover 24% of imported COS (June 2014: 34%)
- Average R/\$ exchange rate devalued by 9.1%\*
- GP margin impact of 2-3% (pre some H2 price increases)

\* Source: Oanda.com

## BALANCE SHEET – ASSETS

R'm	Dec 2014	Dec 2013	% change
<b>Non-current assets</b>	<b>1 839</b>	<b>1 029</b>	<b>79%</b>
Property, plant and equipment	158	57	176%
Goodwill	1 143	557	105%
Intangible assets	443	274	62%
Other non-current assets	95	141	(32%)
<b>Current assets</b>	<b>1 311</b>	<b>913</b>	<b>44%</b>
Inventories	520	345	51%
Trade and other receivables	521	323	61%
Cash and cash equivalents	220	239	(8%)
Other current assets	50	6	785%
<b>Total assets</b>	<b>3 150</b>	<b>1 942</b>	<b>62%</b>

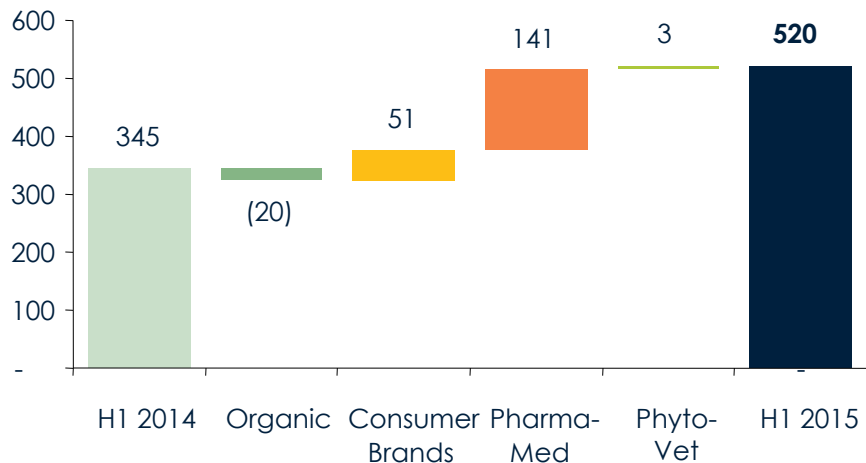
## BALANCE SHEET – EQUITY AND LIABILITIES

R'm	Dec 2014	Dec 2013	% change
<b>Equity</b>	<b>1 740</b>	<b>1 013</b>	<b>72%</b>
<b>Non-current liabilities</b>	<b>709</b>	<b>579</b>	<b>22%</b>
Borrowings	548	579	(5%)
Other non-current liabilities	161	-	
<b>Current liabilities</b>	<b>701</b>	<b>350</b>	<b>101%</b>
Borrowings	177	15	>1 000%
Trade and other payables	367	281	31%
Other current liabilities	157	54	192%
<b>Total liabilities</b>	<b>1 410</b>	<b>929</b>	<b>52%</b>
<b>Total equity and liabilities</b>	<b>3 150</b>	<b>1 942</b>	<b>62%</b>

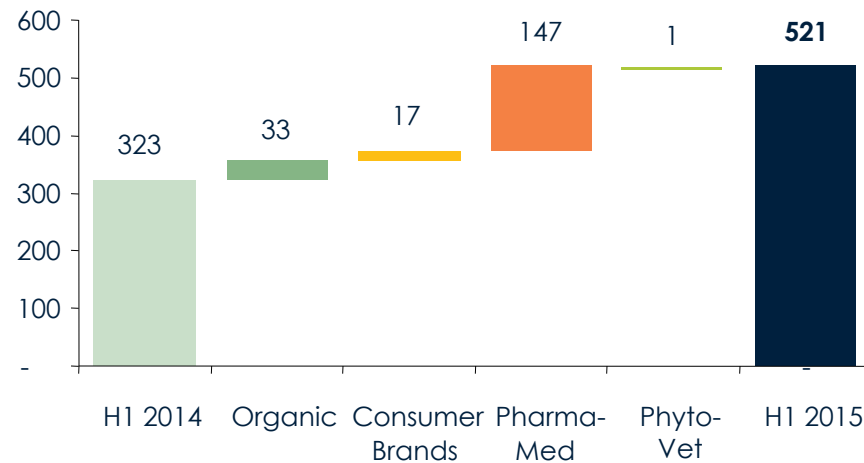


# WORKING CAPITAL MOVEMENTS

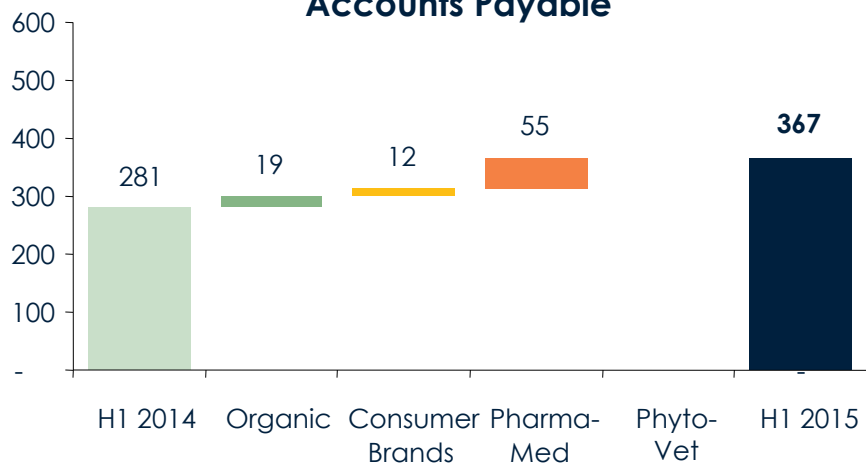
## Inventories



## Accounts Receivable



## Accounts Payable



## KEY RATIOS

	Dec 2014	Dec 2013
Normalised sales* (R' m)	1 441	955
Interest cover (times)	4.7	11.1
Net debt to EBITDA (times)*	1.2	1.6
Net working capital days*	104	149
Inventory days	114	148
Debtor days	65	107
Creditor days	(75)	(106)

\* Income statement measures use a full six months of results for all companies in the group, irrespective of the actual date of consolidation. This provides more meaningful ratio analysis.

## CASH GENERATION

R'm	Dec 2014	Dec 2013
Profit before tax	121	79
Non-cash adjustments	63	24
<b>Operating profit before working capital changes</b>	<b>184</b>	<b>103</b>
Working capital changes	(63)	(174)
Net interest and tax	(71)	(15)
Net dividends	(41)	-
<b>Cash generated by/(utilised in) operations</b>	<b>9</b>	<b>(86)</b>

## CASH UTILISATION

R'm	Dec 2014	Dec 2013
<b>Cash generated by/(utilised in) operations</b>	<b>9</b>	<b>(86)</b>
Acquisitions	(289)	(479)
Net proceeds of share issue	455	400
Repayment of borrowings	(97)	-
Net movements on group loans	15	268
Other financing activities	102	-
<b>Net increase in cash</b>	<b>195</b>	<b>103</b>

## GROUP SERVICES

- Group-wide structures now in place for:
  - Treasury ✓
  - Finance ✓
  - Information Technology ✓
  - Human Resources ✓
  - Legal ✓
- Capital (debt/equity) structure in place ✓
  - Adequate war chest for acquisitions in H2





Rosecare3

WELL-GIVEN PAWL & SYSTEMIC IMMUNE

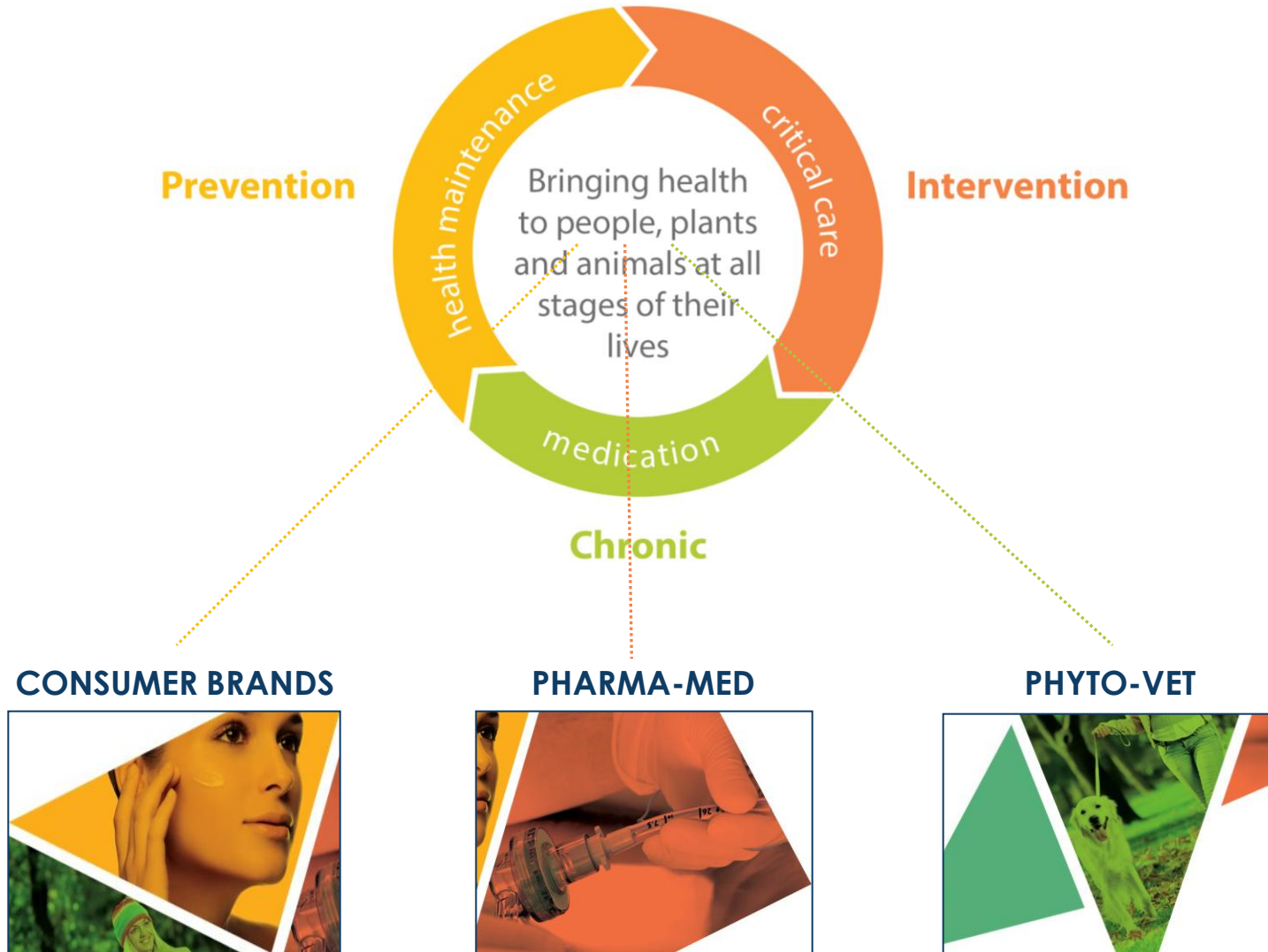
Protein-based and other ingredients  
support your dog's immune system, skin  
health, energy and overall wellness

EFEKTO

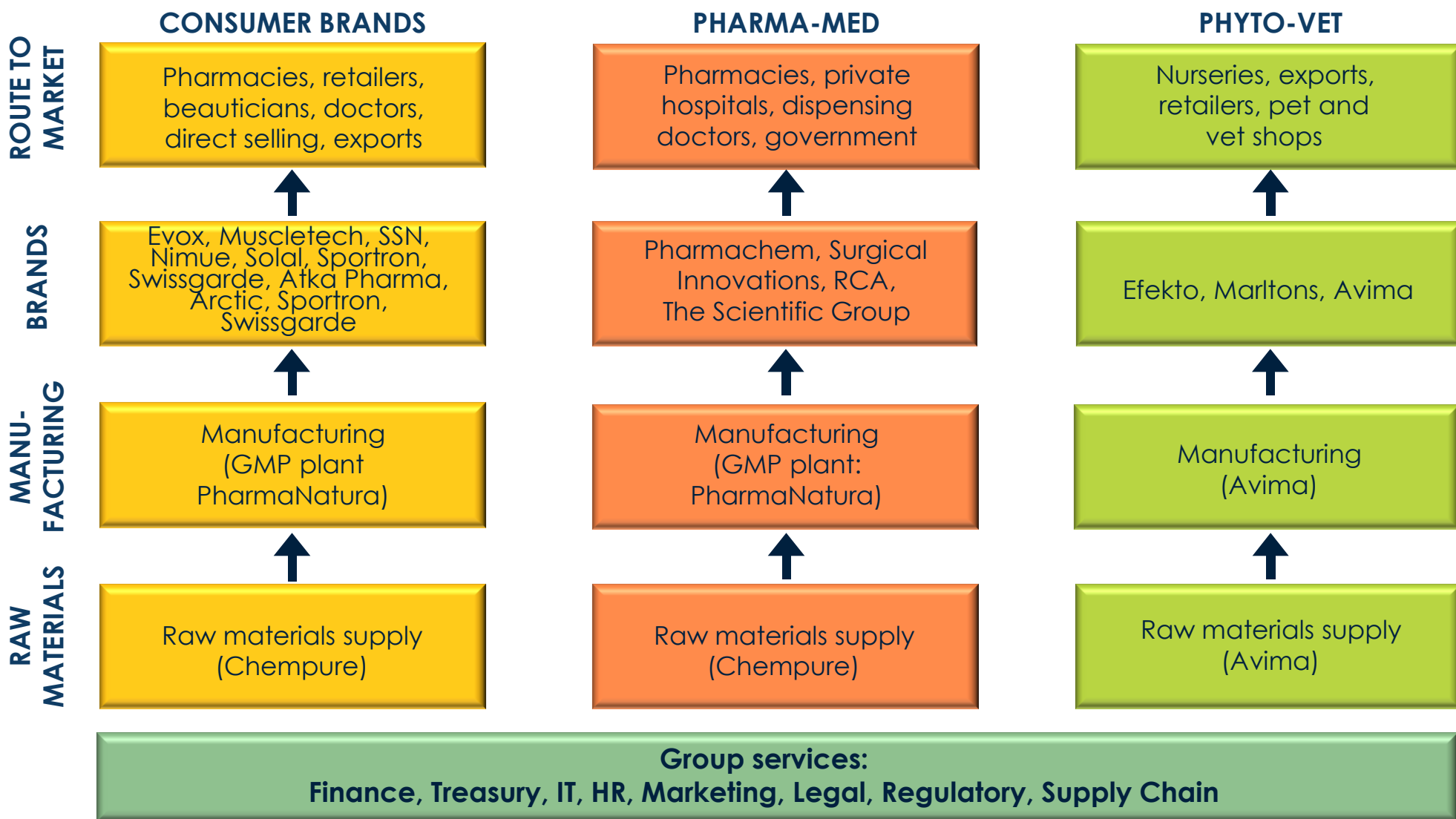
# STRATEGIC FOCUS



# VISION – HEALTHY HOME, HEALTHY YOU



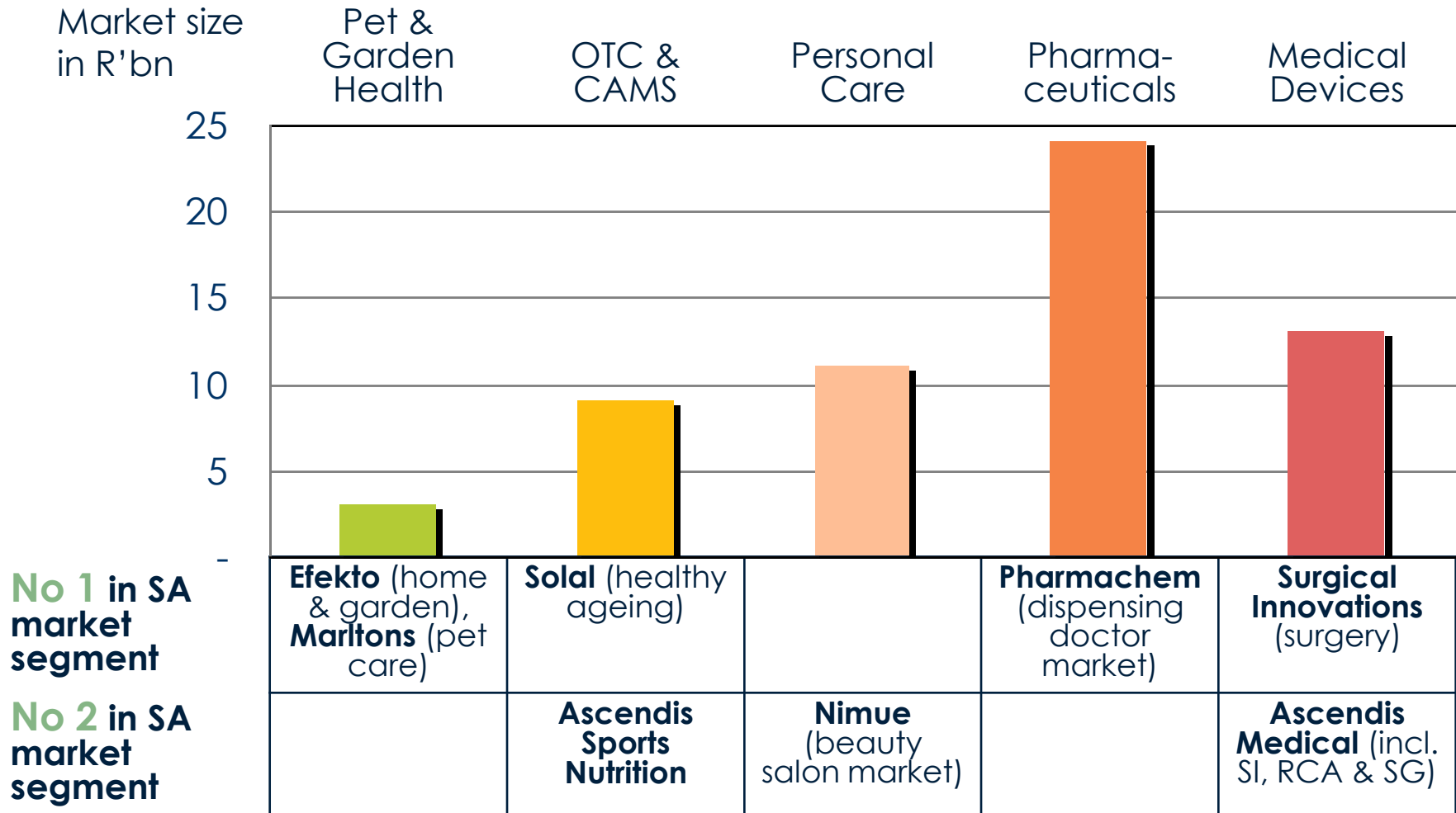
# BUSINESS MODEL: INTEGRATION ALONG THE VALUE CHAIN





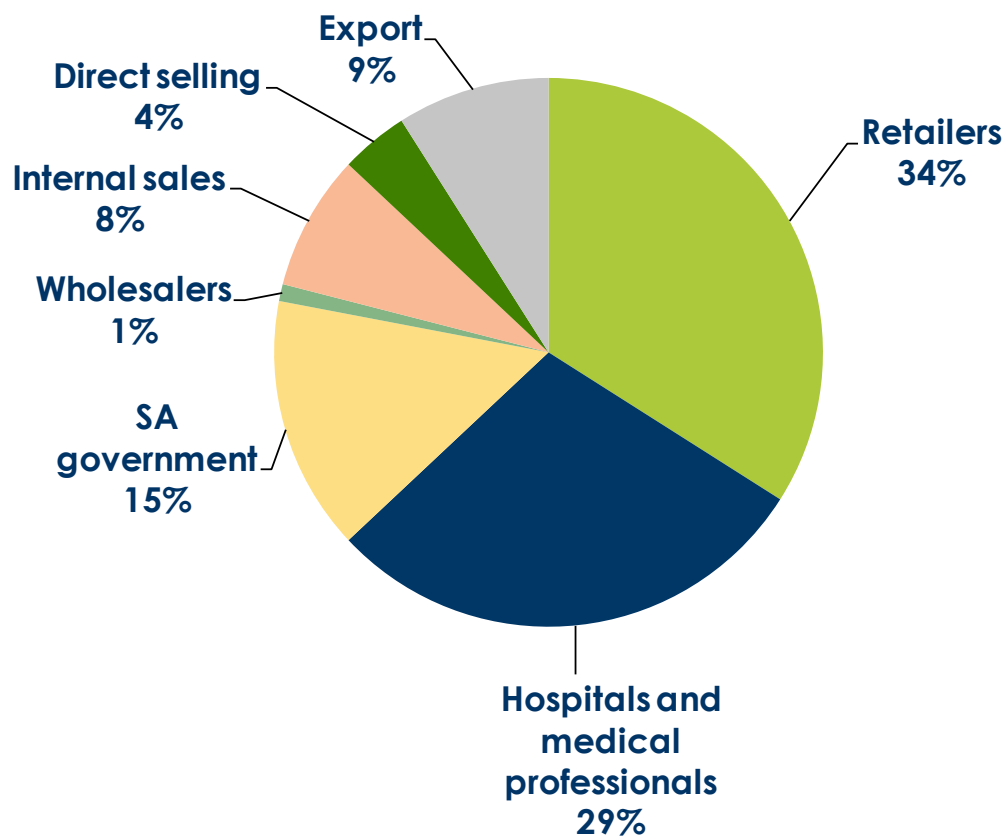
# BUSINESS MODEL: STRONG BRANDS

## HEALTH AND CARE MARKETS IN SOUTH AFRICA



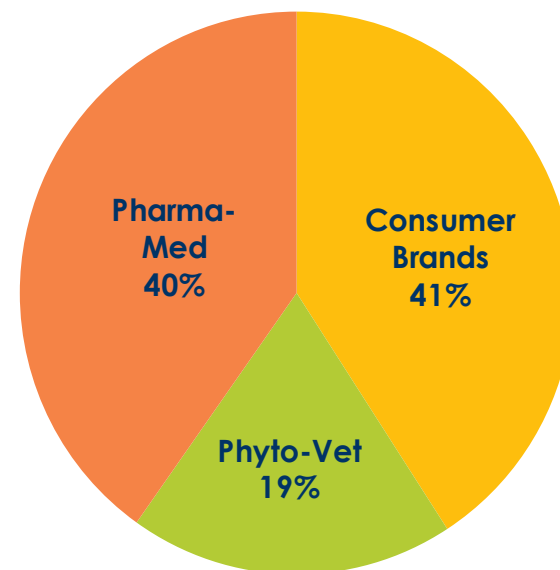
# BUSINESS MODEL: DIVERSIFICATION

## Turnover breakdown by customer



Total revenue for H1 2015: **R1 333m**

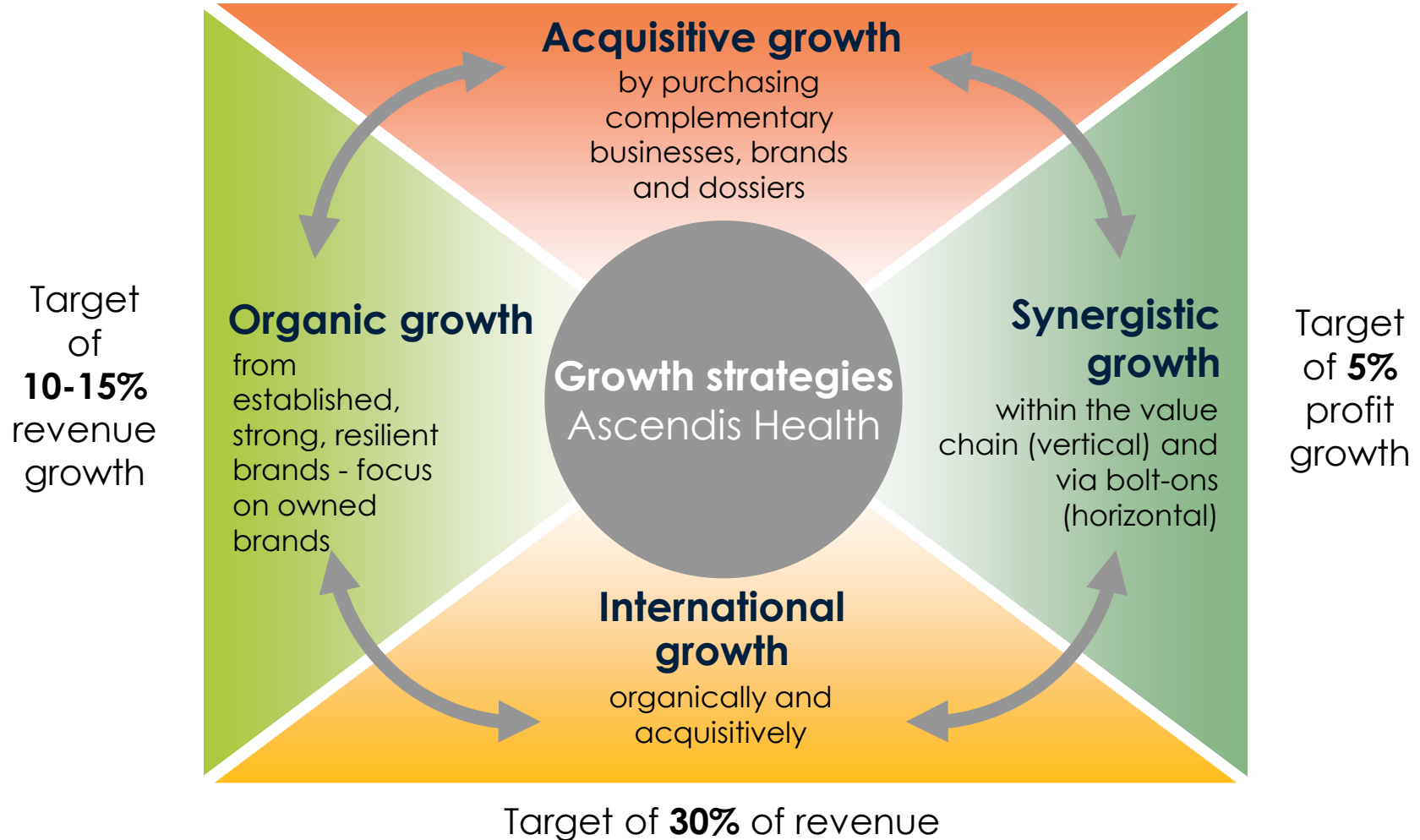
## EBITDA per segment



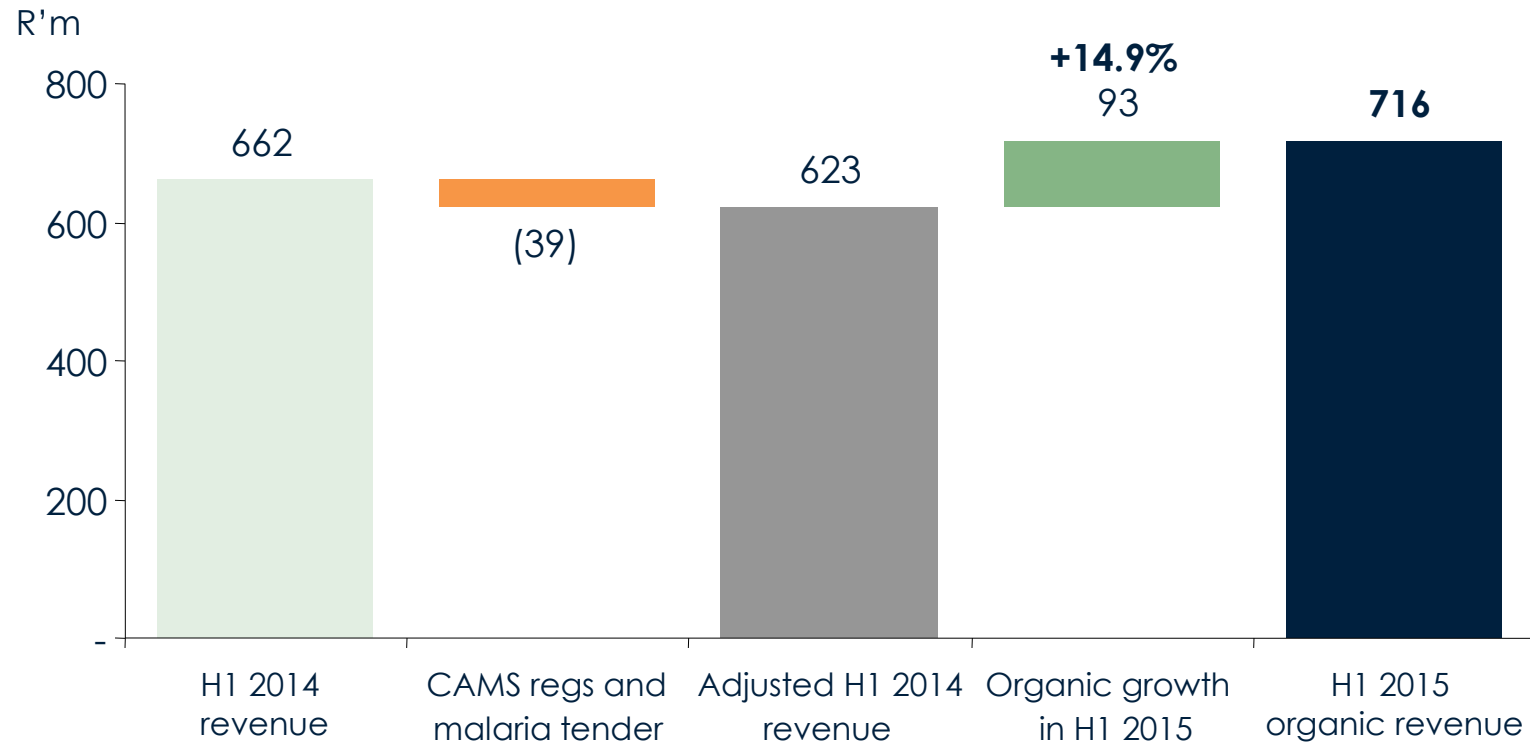
Total EBITDA for H1 2015: **R191m**

# BUSINESS MODEL: MEDIUM-TERM GROWTH STRATEGIES

Target of **20-25%** revenue growth

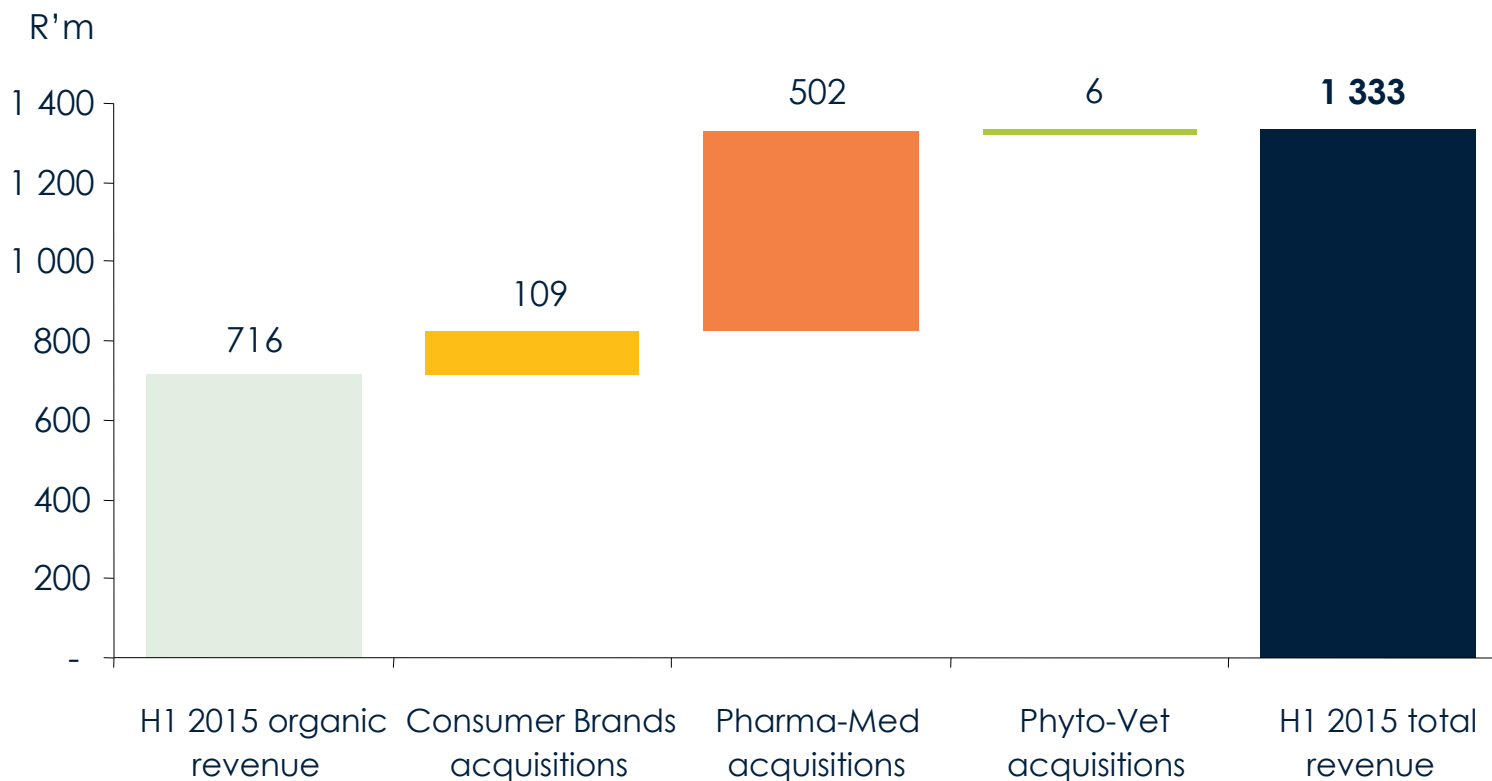


# ORGANIC GROWTH



- CAMS regulations impacting Solal
- Avima - loss of Africa malaria tender
- Pharmachem slowed state tender business due to higher input costs from weaker Rand

# ACQUISITIVE GROWTH



- Consumer Brands acquisitions: Atka Pharma, PharmaNatura, Arctic Healthcare
- Pharma-Med acquisitions: Surgical Innovations, Respiratory Care Africa
- Phyto-Vet acquisition: Koi Country
- H2: The Scientific Group acquisition accretive from Feb/Mar 2015; considering pursuit of international acquisitions; and various projects in Phyto-Vet and Consumer Brands

## MAJOR RECENT ACQUISITIONS

### ■ **Respiratory Care Africa (accretive from Aug 2014)**

- Medical devices for operating theatres, ICU and trauma in state and private hospitals
- Exclusive agent for well-known international principals (CareFusion, Fisher & Paykel, Mindray, Hill-Rom)
- Integration/merger with Surgical Innovations on track



### ■ **Arctic Healthcare (accretive from Sep 2014)**

- Market-leading vitamin & mineral brand dossiers (Chela-Fer, Menacal7, Chela-Preg, Chela-Mag, Supa Chewz)
- Full integration into Ascendis Consumer Brands from 1 Mar 2015



### ■ **Enlarged C2C deal team with pharma and international M&A know-how**

## MAJOR RECENT ACQUISITIONS

### ■ **The Scientific Group (accretive from Feb/Mar 2015)**

- Established diagnostics product business (>30 years), historical R32.8m PAT
- Well known international principals and diversified customer base
- 40% of sales are exports - particularly strong in Botswana and Zambia
- Diagnostics is a growing market – NHI, HIV and in vitro
- To be integrated into Ascendis Medical – total turnover >R1bn, second largest medical device company in SA
- Attractive margin enhancement for the group
- Providing channels to accelerate Ascendis' African strategy
- Opportunities for Surgical Innovations and RCA to enter new markets



## SYNERGISTIC GROWTH

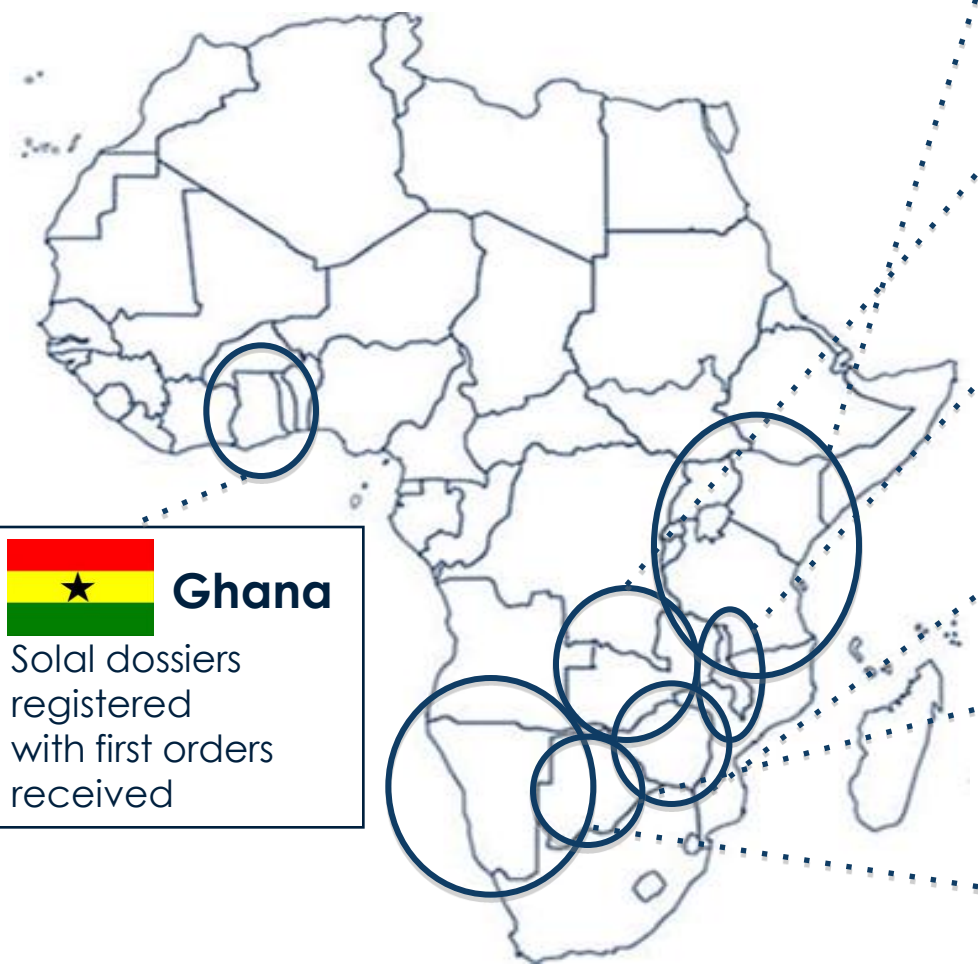
- **Integration** of Respiratory Care Africa and Arctic Healthcare
- **Matrix implementation** for Finance (Nov 2014) and Supply Chain (Jan 2015)
- Various **synergy projects** (savings of R10m p.a.)
  - Warehouses and production project for Sports Nutrition (SSN and Evox) at PharmaNatura (in progress) – R7m p.a. saving
  - IT and telecom projects - R1.5m p.a. saving
  - Group insurance consolidation: R0.5m p.a. saving
  - Direct selling warehousing and offices into one: R1m p.a. saving
  - Centralised hedging via Iquad



# INTERNATIONAL EXPANSION

- **R114m, +10% growth in exports**
- **Excluding loss of Avima malaria tender, +44%**
  - **Consumer Brands: +107%; Pharma-Med: +760%; Phyto-Vet: +5%**
- **Consumer Brands**
  - New agencies and distributors
  - New registrations and sales in Africa and Europe
  - Recently opened Nimue office in Barcelona
- **Pharma-Med**
  - Licensing in of new dossiers with export potential quoted for southern African tenders (Ascendis Pharma)
  - Setting up Africa strategy for Ascendis Medical
  - Considering pursuit of international acquisitions
- **Phyto-Vet**
  - Opening new markets in southern Africa
  - Diversification of Avima business to seed treatment and less tender dependency
  - Ongoing internationalisation on the back of SA retailers

# CONSUMER BRANDS: AFRICAN STRATEGY\*




**Kenya** / **Tanzania**


Dossiers are being prepared for Solal products


**Zambia**

Atka/Solal distribution in place with further dossier submission scheduled for 2015


**Malawi**

Solal available in first pharmacies


**Zimbabwe**

Solal dossiers have been submitted


**Botswana** / **Swaziland**


Solal distribution set up and first sales happening


**Namibia**

Distribution channel for Atka, Solal, Foodstate & Similasan set up and first sales happening


**Ghana**

Solal dossiers registered with first orders received

\*Further activities in: Uganda, Angola, Seychelles, Mauritius



**MALARIA**  
TEST DEVICE

RAPID TEST FOR FALCIPARUM PARASITES (PF, PV)

Ascendis

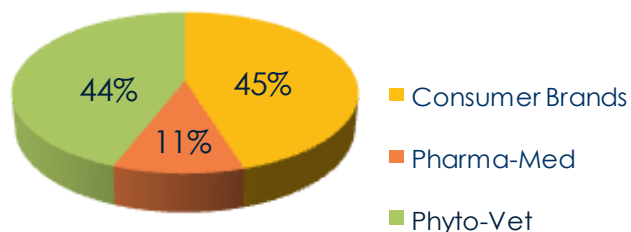
Ascendis

# DIVISIONAL PERFORMANCE

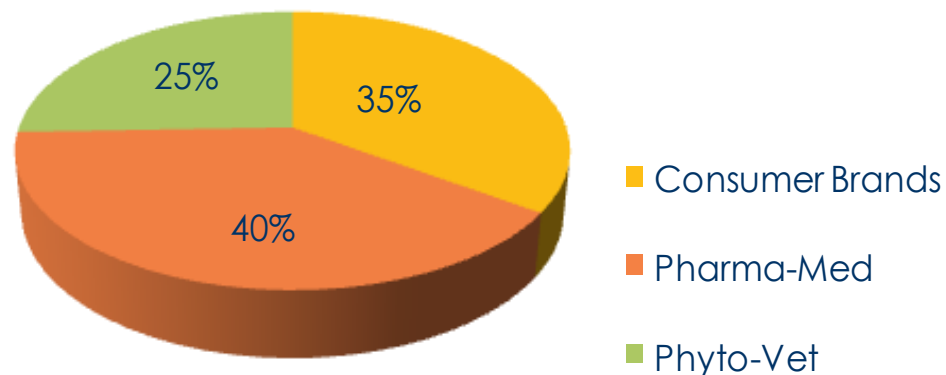
 **Ascendis**  
HEALTH

# DIVISIONAL CONTRIBUTION

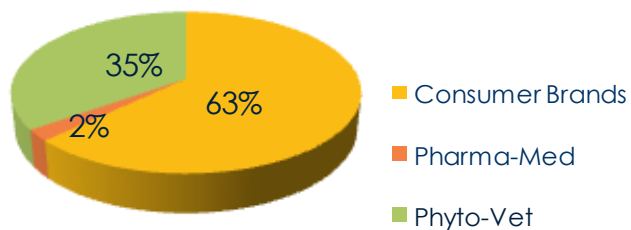
**Dec 2013**  
**Revenue R662m**



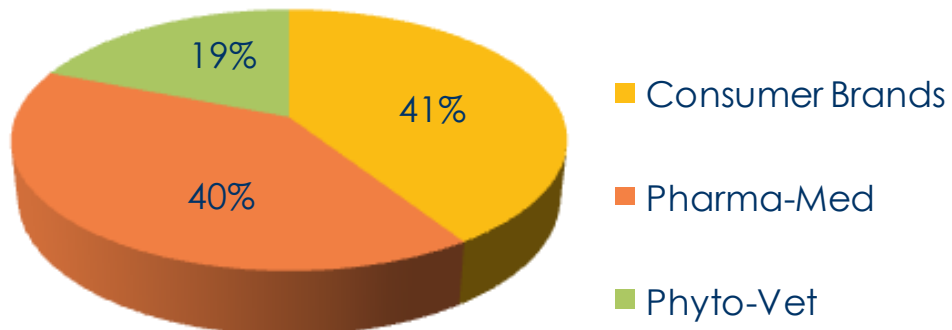
**Dec 2014**  
**Revenue R1.3bn**



**Dec 2013**  
**EBITDA R102m**



**Dec 2014**  
**EBITDA R191m**



## CHALLENGES DURING THE PERIOD

CHALLENGES	RESPONSES
Forex influence on divisional performances – GP margin impact of 2-3%	Some further price increases expected for H2 (SEP increase in Pharma 7.5% from Apr 2015)
CAMS regulations: discontinued products from end June 2014 – sales impact of R15m in H1 (Solal)	Export initiatives in Solal
	Product reformulations
	New product development
	Product launches (Solal: 18 new products launched recently and further 23 planned in 2015 calendar year)

# CONSUMER BRANDS

R'm	Dec 2014	Dec 2013	% change
Revenue	462	299	55%
EBITDA	89	71	26%
EBITDA margin	19.2%	23.6%	

- Margin impact from CAMS regulations forcing Solal to discontinue R33m in product sales p.a.
- Further impact on margin due to acquisition mix
- Nimue Barcelona office established to better support European distributors
- Integration of three sports nutrition companies into Ascendis Sports Nutrition in progress, with ongoing synergies (manufacturing, packaging, logistics, exports)



# PHARMA-MED

R'm	Dec 2014	Dec 2013	% change
Revenue	531	70	654%
EBITDA	88	3	>1 000%
EBITDA margin	16.5%	3.6%	

- H1 2014 only includes two months of Pharmachem
- Acquisitions of Surgical Innovations (Jan 2014) and RCA (Aug 2014 – lower margin tender business)
- Weaker Rand impacting GP
- First products with Ascendis packaging
- The Scientific Group acquisition finalised end Feb 2015
- Licensing and acquisition of new pharma dossiers in progress



R'm	Dec 2014	Dec 2013	% change
Revenue	340	292	16%
EBITDA	41	39	5%
EBITDA margin	12.1%	13.4%	

- R24m loss in Avima revenue due to loss of Africa malaria tender
  - Excluding this, sales and EBITDA grew by 27% and 52% respectively, with an EBITDA margin of 10.1% in H1 2014
- Strong performance in rest of Avima business
- Improved margins for Marltons (successful synergy projects)
- Supply chain streamlined at Efekto
- Bayer Animal Health - access to global registrations for Efekto and Marltons
- Healthy organic growth in sales and comparable profit







**OUTLOOK**



**Ascendis**  
HEALTH

## OUTLOOK

- Leading South African brands with great export potential
- Focus on gross margin improvements
- Focus on synergy projects and cost control
- Continue new product development and innovation
- Emphasis on growing export markets
- Continue acquisitions, including international



**DELIVER ON ORGANIC AND ACQUISITIVE GROWTH**



## BUILDING THE ASCENDIS BRAND

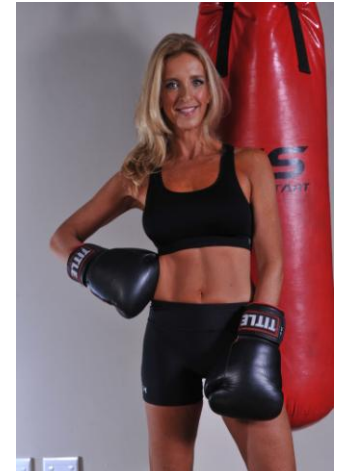


# “HEALTHY HOME – HEALTHY YOU” - LIVING OUR PHILOSOPHY DAILY

## The **supashape** Challenge

- On 1 September 2014 175 Ascendites started the 100-day challenge (internet-supported, low carb, high protein diet and fitness programme centred around our Supashape brand)
  - Collectively they lost 700kg
  - Building team spirit while getting fit
- DionWired has accepted the Supashape challenge: over 500 staff are participating from Feb 2015

### WINNERS BEFORE AND AFTER



# TEAM ASCENDIS HEALTH

- A professional ladies mountain biking team managed by South African cycling icon **Malcolm Lange**
- Sponsored by Ascendis, Nimue, Supashape, Solal and Coast2Coast; Co-sponsors: UTI, Dis-Chem, Scott, Craft and Compendium
- The team: **Robyn de Groot**, South African national mountain-bike champion, and **Jennie Stenerhag**, Sweden's national marathon champion
- Goal to complete in over 50 races in 2015 with a podium finish at the ABSA **Cape Epic**, the “Tour de France” of mountain biking
- **Excellent branding opportunity for Ascendis Health and some of its brands**



# THANK YOU





# ADDITIONAL INFORMATION



# CONSUMER BRANDS

## BRANDS

Solal,  
Similasan



Atka Pharma,  
Arctic Health,  
PharmaNatura



Nimue



Ascendis Sports Nutrition  
Evox, SSN & Muscletech



Ascendis Direct Selling  
Sportron & Swissgarde



## STRENGTHS

- Established healthy ageing brand (>10 years)
- IP in 200 products
- Premium brand
- High LSM
- Prescribed by doctors
- Similasan – strong homeopathic eye care range

- Market-leading vitamin and mineral brand dossiers
- Own API, strong growth
- Long established brand with GMP manufacturing site

- Established dermo-cosmeceutical brand (>15 years)
- Own IP
- Premium brand
- High LSM
- Sold in 20 countries

- Established sports nutrition brands (>15 years)
- IP in products
- Large shelf-presence
- Number 2 in SA market

- Established nutraceutical and personal care brands (>20 years)
- Direct selling networks
- Strong brand loyalty
- Defensible
- Access to high growth emerging and international markets



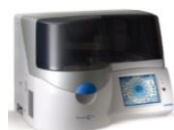
# PHARMA-MED

## SEGMENT

Ascendis Pharma



Ascendis Medical



## STRENGTHS

- Trusted, long-established generic medicines
- Access to doctor and pharmacy network
- Strong position in self-dispensing doctors' market
- Ability to compete for government tenders
- Defensible business due to 5-year registration process
- Potential for further licensing in of dossiers

- 
- Medical equipment for surgery
  - Strong in private hospitals
  - Exclusive agency agreements in place with respected international brands including Olympus, Maquet, Medrad, Applied Medical and Merit
  - Turn-key projects for hospitals

- 
- Medical equipment for ICU and trauma
  - Focus on state and private hospitals
  - Exclusive agency agreements with international principals like CareFusion, Hill-Rom, Mindray, Fisher & Paykel
  - Turn-key projects for hospitals

- 
- Complementary diagnostics product range
  - Strong export footprint

# PHYTO-VET

## BRANDS

**Efekto**



**Wonder**



**Avima**



**Marltons,  
Koi Country**



## STRENGTHS

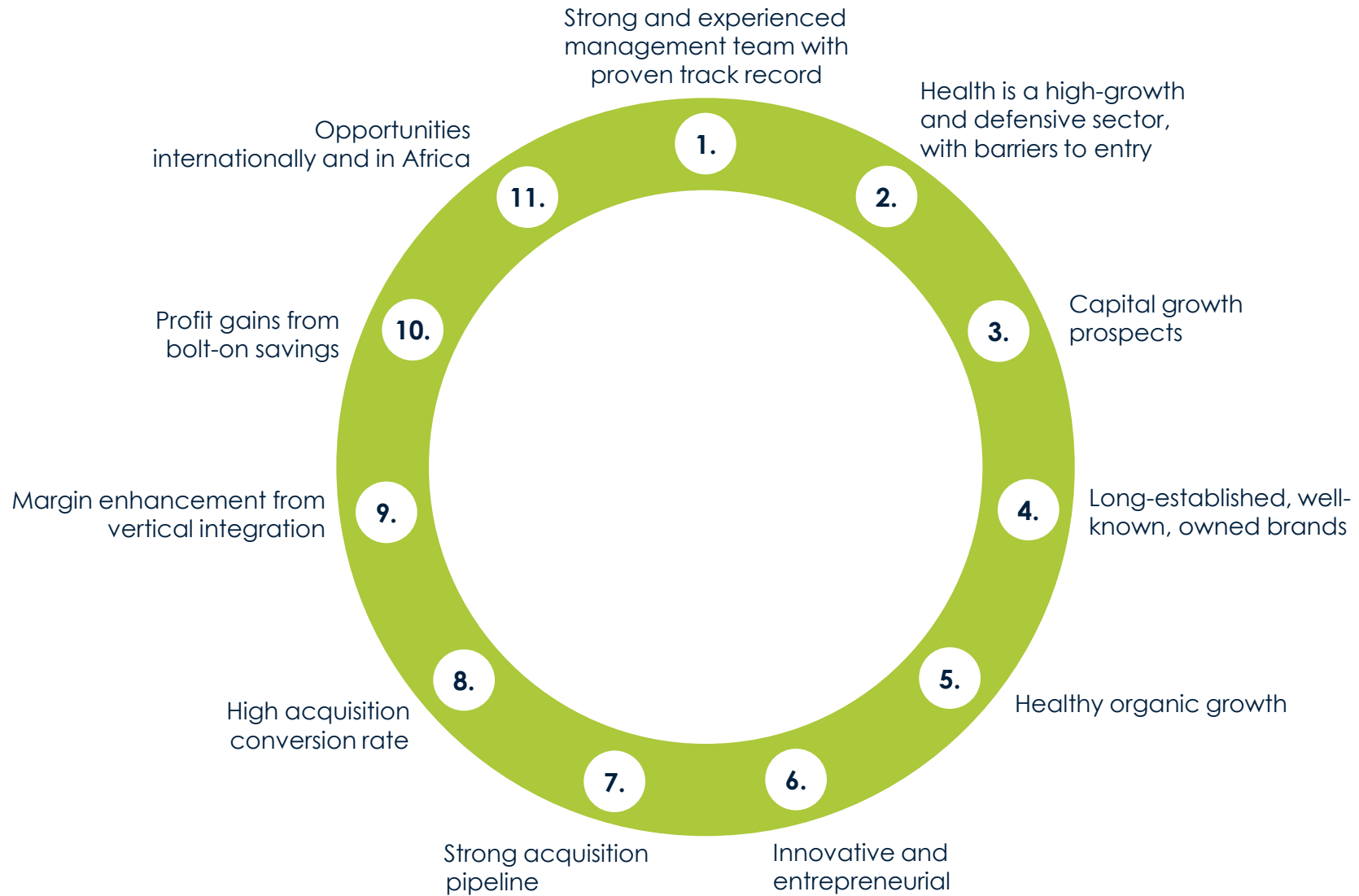
- Established home and garden protection business (>45 years)
- IP in more than 800 products
- Premium brands
- Defensible 3-year registration process

- Number 1 brand in plant nutrition (>45 years)
- Strong shelf-presence and track record

- Agri-chemical business for crop protection and public health
- Defensible 3-year registration process (70 registered products) (>50 years)
- 55% of sales to 21 other African countries
- Vertical integration with Efekto

- Market leading pet care brand (>25 years)
- Synergies with Efekto (1 500 common customer doors)
- Sales are 60% retail chainstores and 40% pet/vet stores
- Koi Country - complementary bolt-on business

# INVESTMENT CASE



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Given the aforementioned uncertainties, current and prospective investors are cautioned not to place undue reliance on any of these projections, future plans and expectations, strategy and forward-looking statements.

# CONTACT DETAILS

## Ascendis Health

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