



Ascendis
HEALTH



AVIOR INVESTOR LUNCH, 4th of DECEMBER 2017

Agenda:

1. Scitec (Karsten, CEO)
2. Bolt-on acquisition of Kyron
(Jayen Pather, MD Phyto-Vet division)
3. Rights issue (Kieron, CFO)
4. Q&A

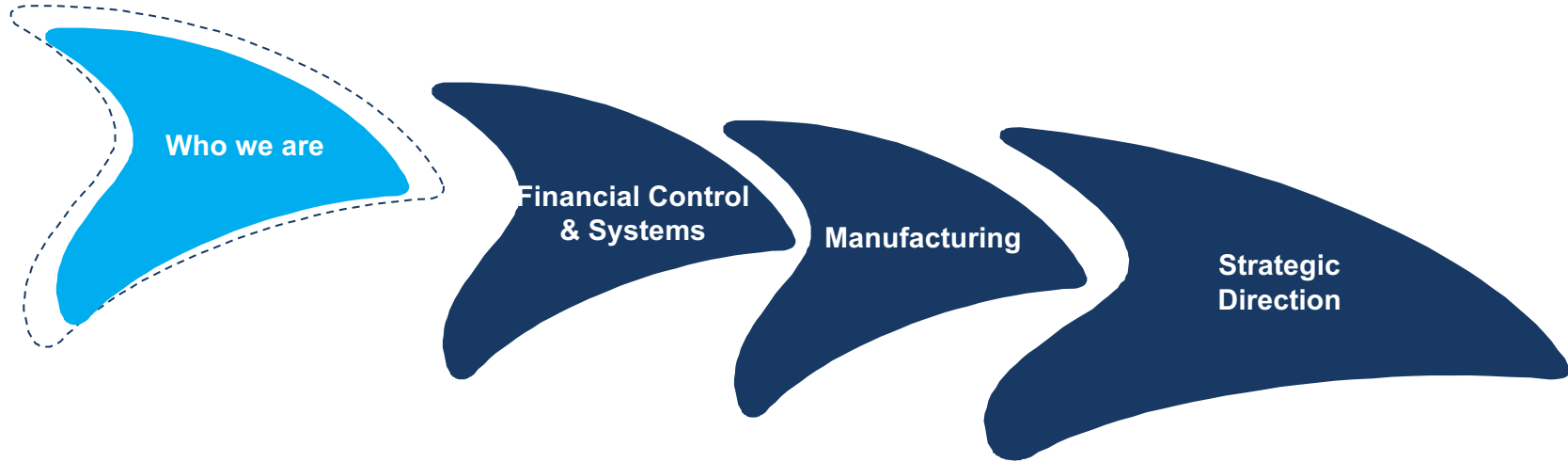




Ascendis
HEALTH

INTRODUCTION TO SCITEC NUTRITION

AGENDA



SCITEC – AT A GLANCE



Andras Gyenes CEO

Role

- Oversees entire business, strategy and budget/business plan implementation
- Joined Scitec in July 2017

Experience

- CCO of Residential at Magyar Telekom (Subsidiary of Deutsche Telekom) (2015-2017)
- MD at Unilever (Hungary and Adria region) – 2011 – 2015
- VP Marketing, Unilever CE (2007-2011)

Attila Seres CFO

Role

- Oversees finance, controlling and treasury as well as IT, including SAP systems
- Joined Scitec in October 2014

Experience

- Global CFO at Graphisoft (2008-2014)
- Head of Business Controlling Department at T-Systems, part of Telekom Group (2006-2008)
- Commercial Finance Manager and other positions at GE Consumer and Industrial Europe (1999-2006)

Zoltan Bor Head of Supply Chain

Role

- Oversees entire supply chain, including procurement, quality, production and logistics
- Joined Scitec in July 2013

Experience

- Group Supply Chain Director at Partner in Pet Food (2009-2013)
- Deputy CEO at Bertrans Logistics (2007-2008)
- Logistics Director CEE and other positions at Mars (1999-2007)





SCITEC LEADERSHIP TEAM TODAY

Győző Bencsik Marketing Director

Role

- ⦿ Oversees entire Marketing, Market & Consumer Insights and Portfolio Management
- ⦿ Joined Scitec in September 2017

Experience

- ⦿ Head Of Global OTC Marketing at Egis Pharmaceuticals (2016-2017)
- ⦿ Marketing Director Foods (Hungary and Adria region) at Unilever (2015-2017)
- ⦿ Various Marketing Manager roles Hungary, Czech Republic and Adria region) at Unilever (2008-2015)

Dénes Lukács Sales Director

Role

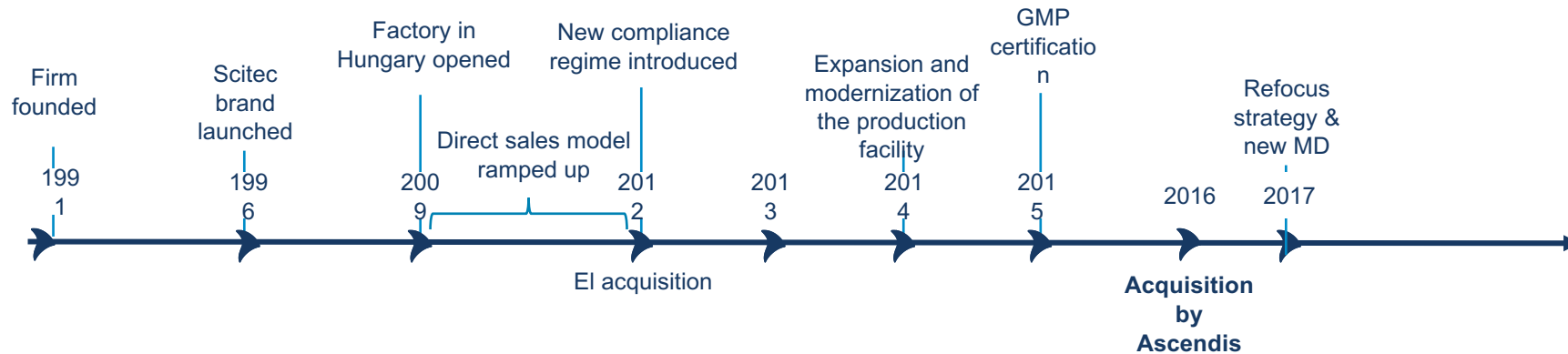
- ⦿ Oversees entire Sales, Customer Marketing and Business Development
- ⦿ Joined Scitec in September 2017

Experience

- ⦿ Central European Sales Director at Unilever (2016-2017)
- ⦿ Modern Trade Sales Director and Ice Cream Out-of-Home Business Unit Director at Unilever Hungary (2014-2016)
- ⦿ Ice Cream Out-of-Home Business Unit Director at Unilever Hungary (2012-2014)



SCITEC HISTORY



Start-up and entrepreneurial phase

- Brand established in 1996, with first production capacities located in the US
- Development of the direct sales model from 2002, gearing up to higher speed from 2009 after Hungarian production starts
- Roll-out from EU to non-EU markets from 2011

Professionalization

- Management team expanded, professionalization
- Expanded and modernized production facilities
- Introduced industry-leading compliance standards, best practice quality assurance processes and functions

Platform for growth

- Further potential to increase share in the markets currently served: continuous sales model development
- Realize synergies with Ascendis
- Focus on new user segments as consumer adoption evolves per market
- M&A opportunities to consolidate markets



SCITEC IS A PREMIUM SPORT NUTRITION BRAND THAT HAS BEEN HIGHLY SUCCESSFUL WITH BODYBUILDERS



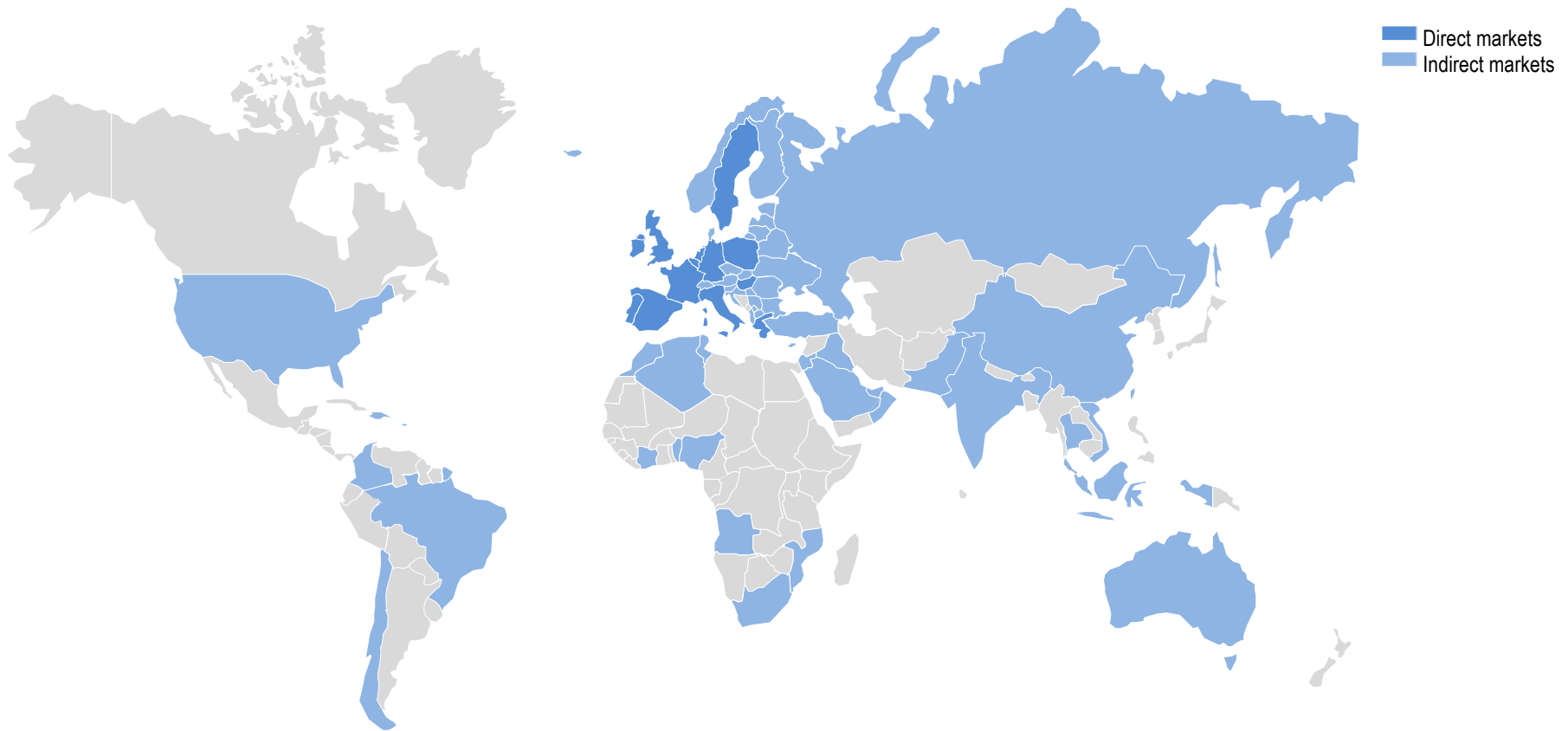
SCITEC OFFERS A COMPLETE PORTFOLIO OF SPORTS NUTRITION PRODUCTS AND DELIVERY FORMATS



1. RTD = ready to drink



SCITEC PRODUCTS ARE DISTRIBUTED GLOBALLY

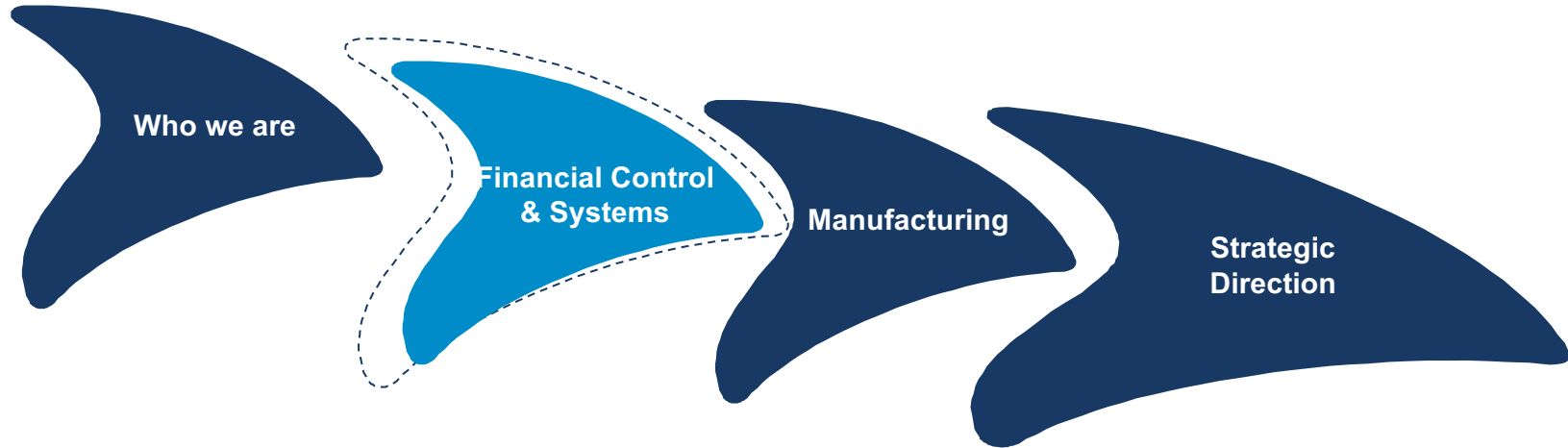


1. FY 2015E
Source: company data





AGENDA



FINANCIAL CONTROL AND SYSTEMS

Team and Knowledge

- ▶ Strong, experienced financial leadership and team
- ▶ Team with strong corporate background
- ▶ Business partnership and control
- ▶ Drive operational excellence and efficiency
- ▶ Financial risk management
- ▶ Full transparency
- ▶ Strong alignment with Ascendis.Finance

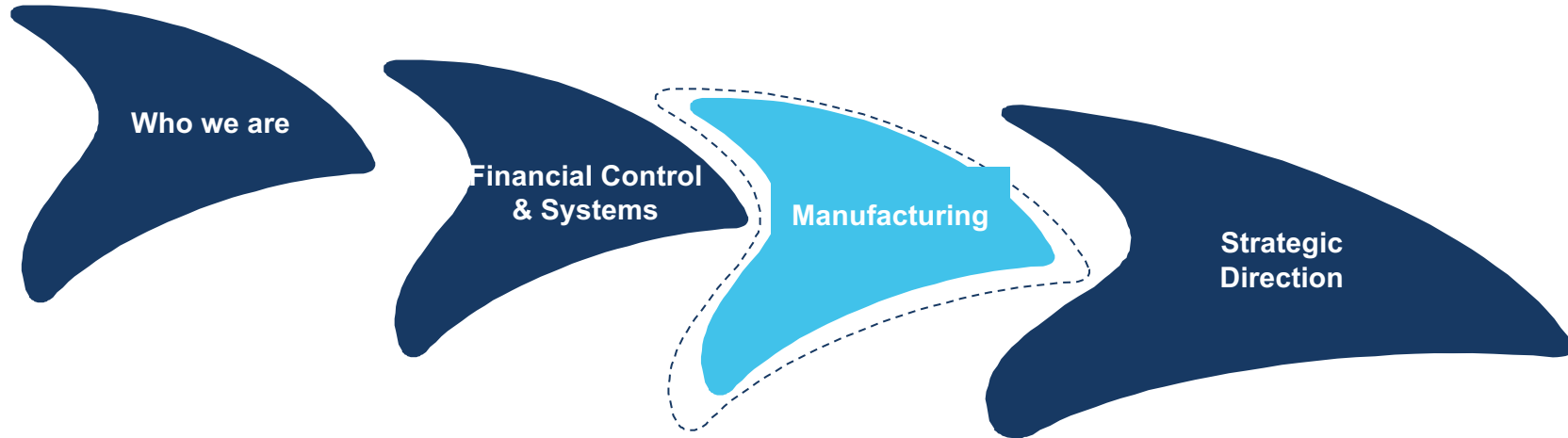
Systems and Processes

- ▶ Fully implemented SAP
- ▶ Robust systems and processes
- ▶ Enable efficient operational management
- ▶ Control
- ▶ Support business growth strategy





AGENDA





MODERN PRODUCTION FACILITY ALLOWS SCITEC TO EXCEL IN PRODUCT QUALITY



Scitec
Production
Plant

- ▶ **Location:** Dunakeszi (north of Budapest), next to M0 highway
- ▶ **Built in:** 2008 Q2-Q4
- ▶ **Total size:** 6,114 sqm on 3 levels (of which 4,524 sqm production area)
- ▶ **Land Plot:** 16,000 sqm
- ▶ **Ownership:** Scitec owned



Capacity

- ▶ **Powder mixing:** 14,500t/year
- ▶ **Bottle and sachet filling:** 14,000t/year
- ▶ **Capsules:** 374m pieces/year
- ▶ **Tablets:** 336m pieces/year
- ▶ **Capsule and tablets packing:** 5.1m units/year



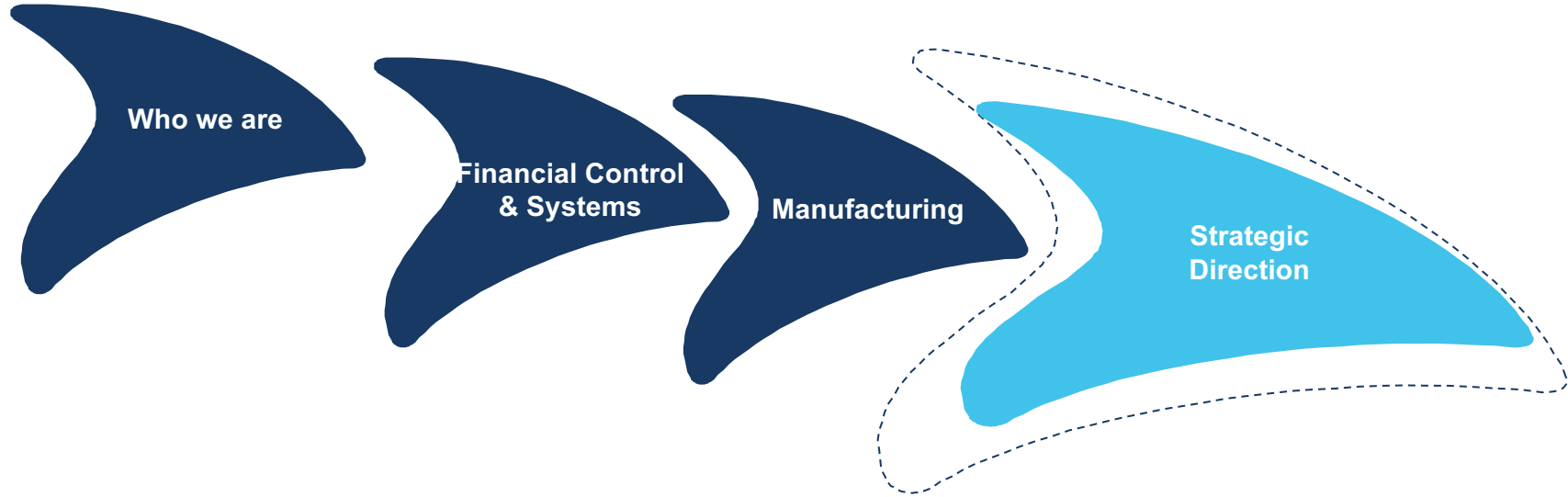
Quality assurance

- ▶ **IFS Logistics** – 2017
- ▶ **IFS Food** – 2016
- ▶ **FSSC** – 2016
- ▶ **FDA registration (USA)** - 2015
- ▶ **GMP (International Alliance of Dietary Supplement Associations)** – 2014
- ▶ **HACCP** – 2010
- ▶ **ISO 9001** – 2012

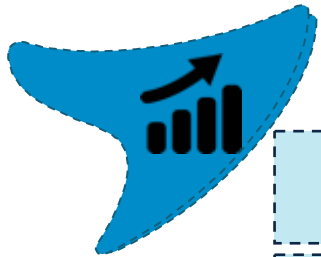
Source: company data, capacity utilization in FY 2015E



AGENDA



▶ THE SPORTS NUTRITION MARKET IS REACHING A NEW PHASE IN DEVELOPED COUNTRIES



MARKET TRENDS...

- ▶ Heavy users are still the **biggest customer segment** on the market, but their share of the market is shrinking
- ▶ **General fitness enthusiasts** become more interested in sports nutrition products
- ▶ Other segments are growing faster as the „sporty look” **becomes desirable**
- ▶ Sports nutrition products are now **attractive to a wider audience** through **mass retail** distribution and **online sales**



WE SEE THREE DISTINCTIVE CUSTOMER SEGMENTS ON THE SPORTS NUTRITION MARKET



Source: Roland Berger estimate of current customer spend on sport nutrition products, Helen King: Sports Nutrition on the European Market





MARKET AND CONSUMER CHANGES HIGHLIGHTED THE NEED FOR A STRATEGY ADJUSTMENT



Acquisition agreement
signed in June
2016



Scitec moved
from a
**financial to a
strategic
investor**



Sports nutrition
**markets are
changing
globally**

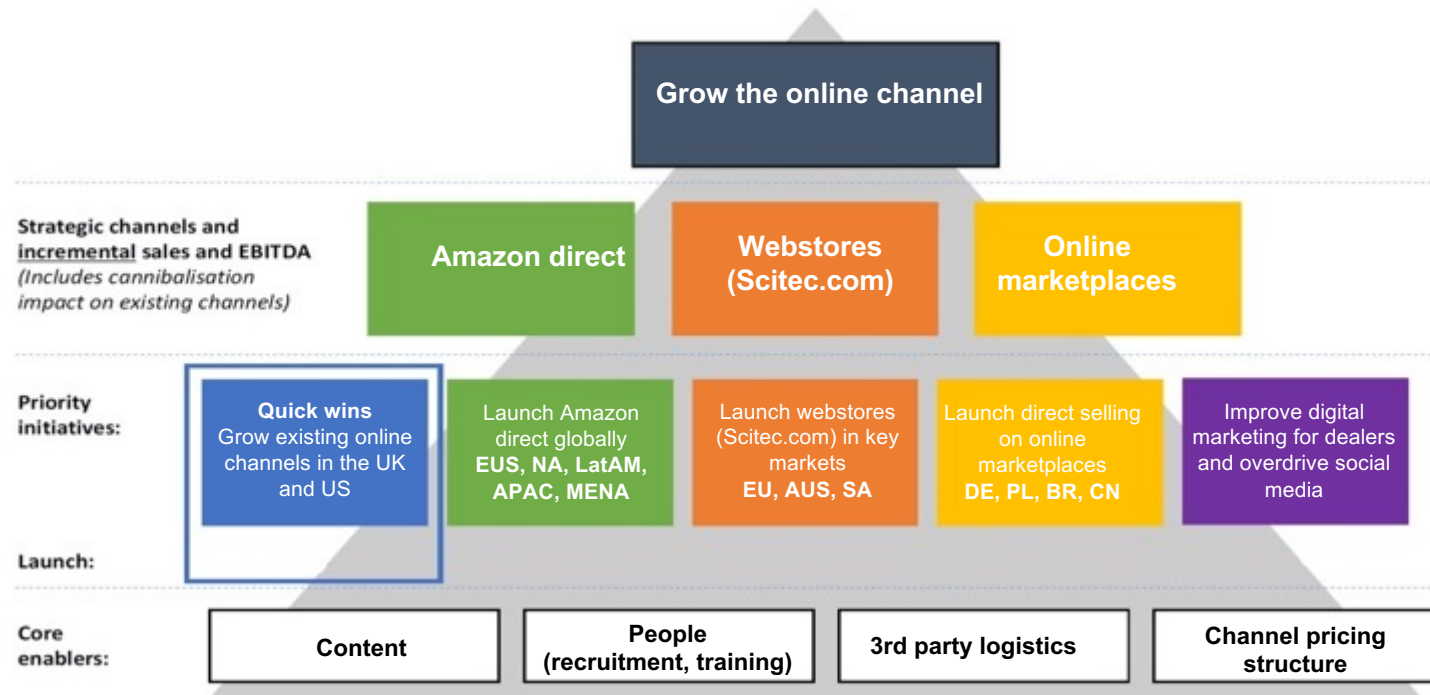


**We adjust
our strategy
to identify
sources of
growth for
2017-2020**

2018 FOCUS STRATEGY

- ▶ Focused Portfolio Strategy & Marketing Renewal
- ▶ Implement performance based G2M & Sales Renewal
- ▶ Winning online
- ▶ Efficient and ROI improved Supply Chain
- ▶ Build strong, aligned and motivated organisation

ONE GROWTH EXAMPLE: ONLINE PLAN IN-PLACE TILL 2020 WITH DETAILED ACTIVITIES FOR FY18



▶ WE ARE VERY OPTIMISTIC ABOUT OUR FUTURE



1.

We are proud of our heritage: Quality, Compliance, Expertise

2.

We have a great team on Board

3.

We will win by tapping into the huge market opportunity (Active Consumers, Mass Retail, Online)





What we do...



PUBLIC HEALTH



CROP PROTECTION



PEST CONTROL



SEED ENHANCEMENT



**PLANT NUTRITION
& FERTILISATION**



**ANIMAL HEALTH &
VETERINARY SCIENCES**





KYRON: BUSINESS OVERVIEW



Description	<ul style="list-style-type: none">▪ Founded in 1990, over 100 employees▪ Manufactures & markets pharmaceutical & nutritional products for farming & companion animals▪ Capabilities incl. liquids, powders, creams and sterile & non-sterile injections
Product categories	<ul style="list-style-type: none">• Consumer pet-care• Veterinary pharmaceuticals• Surgical equipment & instruments used by vets & farmers
Key brands	<ul style="list-style-type: none">• Mobiflex• Protexin• Antezole• Shoo-fly• Mirra-Cote
Route to market & Geography	<ul style="list-style-type: none">• Wholesalers to veterinary practices• SA (90% of sales) & Southern Africa





KYRON: ACQUISITION OVERVIEW



Terms

- Day 1 payment: R396.4m
- Deferred payment on performance

Rationale

- Enhances manufacturing capability of Phyto-Vet division, enabling greater capture of the value chain
- Good strategic fit for Ascendis Animal Health
- Complements Cipla Vet therapeutic areas & Marltons pet business











Management

- 2 of 3 founding shareholders have retired and emigrated to NZ
- M.Beneke (B.Pharm (Wits) been since inception and will continue as MD for at least 3years
- S.Grobler (head sales & marketing) – 30 years experience (Qualified in Zoology & Genetics)

Financials

- PAT of R47.6m (excl. one-off profits of R11.9m) for FY ending 28 Feb 2017
- EBITDA margin >30%
- NAV R62.6m as at 28 Feb 2017

BROAD PORTFOLIO OF STRONG BRANDS

Product	Product description	Registration	Product	Product description	Registration
ARNICA ICE 	Gel-based pain killer for the temporary relief of aches and pains of muscles and joints associated with sprains, strains or arthritis. For humans and horses	CAMS	ANTEZOLE 	Dog & cat dewormer that treats roundworm, tapeworm, whipworm and hookworm infections	Act 36 G-registration
MOBIFLEX 	Mobiflex is indicated for the relief of pain and inflammation in osteoarthritis and rheumatoid arthritis. Joint supplement for dogs and cats	Act 36 V-registration	SHOO-FLY 	A pleasant smelling solution which contains permethrin, esbiothrin, piperonyl butoxide and aromatic oils for effective protection against all flies, especially biting flies. For dogs and horses	Act 36 G-registration
PROTEXIN 	Palatable multi-strain probiotic powder which helps to ensure a beneficial balance of digestive tract micro-organisms in all animals	Act 36 V- and G-registration	MIRRA-COTE 	Dietary supplement for dogs, cats and horses containing a high concentration of Essential Fatty Acids, evening primrose oil, flaxseed oil, vitamins and a balanced blend of marine and plant oils to bring gloss to coats. Yields an Omega-6 to Omega-3 ratio of 10:1.	Act 36 V-registration
EUTHA-PENT 	Euthanasia solution for pets	Registration to be completed post moving production to Akacia	PURL 	Shampoo with lanolin for dogs, cats and horses. Leaves coat soft, lustrous and pleasant smelling. It lathers richly and helps reduce offensive skin odours.	Not required
ULTRUM 	Tick and flea spray / powder for dogs and cats	Re-instatement of registration in progress	FLEXUS 	Colourful, non-woven, latex-free bandages for companion animals and humans	Not required

Note: the above excludes compounding pharma



KEY INVESTMENT HIGHLIGHTS



Market leader in many niche products

- ✓ **Well known brands** developed on the back of innovation and attention to customer needs and trends providing a one-stop shop for veterinarians (compounding pharmacy, surgical supplies, speed of delivery)
- ✓ **Leading player** in the OTC health and beauty, mobility and probiotics categories for companion animals
- ✓ **Go-to supplier of compounding pharmacy products** for vets – specialised products made up for vets on a request basis such as game capture tranquilizers with animal-specific requirements

Healthy margins and strong financials

- ✓ Sales volumes have increased for all major SKU's
- ✓ Business achieved healthy margins despite tough macro economic and operating environment from 2015
- ✓ **EBITDA margins of >30%** over past 3 years due to ability to pass on raw material price increases
- ✓ Low capex due to asset light model (capex spend at ~2% of sales) and strong cash conversion

High Barriers to Entry and limited competition in focus segments

- ✓ **Cumbersome and lengthy registration process** presents a significant barrier to entry for new entrants
- ✓ Multinational pharma players focus on bigger product categories especially re production animals allowing **Kyron to focus on smaller niche markets and offerings**
- ✓ Only 1 other company competing in compounding pharmacy

Stable and diversified customer base

- ✓ No loss of key customers in previous 3 years - **hard to displace incumbent supplier**
- ✓ Vets are **loyal due to strength of brand and recommends products to customers**

Synergy opportunities with Phyto Vet

- ✓ Platform business for **Ascendis Phyto to enter the Vet Health and Beauty market** in Southern Africa
- ✓ **Cross-selling opportunities** of the Kyron products into the FMCG channel for Ascendis Phyto-Vet
- ✓ Introduction of Kyron animal health products into Co-Op channels and distribution networks
- ✓ Complimentary to Cipla portfolio of mainly Act 101 Vet products and strong presence in Co-ops

DURABLE COMPETITIVE ADVANTAGE FOR ASCENDIS ANIMAL HEALTH



- Scheduled (Act 101) registrations
 - high barriers to entry
 - high margins and
 - limited number of competitors
- Strong & trusted brands in market leading positions
- Experienced marketing team with industry leading skills in leveraging scientific product evidence



- Strong integrated and multidisciplinary business in Southern Africa to form a platform into the rest of Africa and similar markets
- Sales organisation equal to the top multinationals which do business in the SADC region
- A culture of innovation
- Entrepreneurial management style



- Trusted Pet Care Experts offering innovative solutions for companion animals
- Accessible in Retail and Specialist Channels
- Preferred partner for leading international pet brands
- Defendable registered range claims



KEY PRIORITIES FOR ASCENDIS HEALTH IN THE NEXT MONTHS



1

Execute organic growth plans

2

Deliver the synergies and value add

3

Focus on operations and bedding down acquisitions

4

Complementary acquisition: Kyron

5

Focus on free cash generation and reducing gearing levels: underwritten rights issue

6

Ensure improved profitability for Ascendis Health overall

Q&A

