

## **ASCENDIS HEALTH LIMITED**

(Incorporated in the Republic of South Africa)  
(Registration number 2008/005856/06)  
ISIN: ZAE000185005 JSE share code: ASC  
("Ascendis" or "the Company")

## **ACQUISITION OF PHARMA NATURA PROPRIETARY LIMITED ("PHARMA NATURA")**

### **1. Introduction**

Ascendis shareholders are advised that the Company has entered into two inter-conditional agreements dated 27 February 2014 ("the Agreement/s") in terms of which Ascendis will acquire:

- 100% of the issued ordinary share capital of Pharma Natura from Guy Wertheim Aymes Family Holdings Proprietary Limited ("GWAFFH"); and
- the immovable properties constituting the manufacturing facility, warehousing and offices of Pharma Natura, situated at erf 1115 and erf 1114 in Marlboro Extension 1, Gauteng ("the Properties") from Natmed Proprietary Limited ("Natmed"), a wholly-owned subsidiary of GWAFFH (GWAFFH and Natmed collectively referred to as "the Sellers"),

(collectively, "the Acquisition"), with effect from the date of fulfilment or waiver of the last of the conditions precedent set out in paragraph 4 below ("the Effective Date").

### **2. Rationale for the Acquisition**

Pharma Natura was established more than 50 years ago and is a leading manufacturer and distributor of nutraceuticals. The Company specialises in herbal and homeopathic medicine, tissue salts, and nutritional supplements, through its leading consumer brands namely, Vitaforce, Junglevites, Bettaway, Herbaforce and Homeoforce.

Pharma Natura not only manufactures, distributes and sells its own established consumer brands but also manufactures products for recognised third parties under license. Collectively, this enhances Ascendis' brand positioning to both the retail market and provides the necessary manufacturing scale which will allow Ascendis to unlock significant vertical integration benefits for its existing businesses.

The factory comprises 12 000m<sup>2</sup> of Good Manufacturing Practices ("GMP") certified and Medicine Control Council ("MCC") licenced manufacturing capacity and forms part of Ascendis' vertical integration strategy which includes, where advantageous, bringing the manufacture of group products in-house and thereby optimising synergies and margins.

Ascendis intends integrating the Pharma Natura brands, namely Vitaforce, Junglevites, Bettaway, Herbaforce and Homeoforce, into its existing Consumer Brands Division. By leveraging off Ascendis' existing health and care platforms and resources, Ascendis intends to further develop the Pharma Natura business into a market-leading manufacturer and distributor in South Africa. This strategy includes increased market penetration, expanding product lines and further consolidation of Ascendis' consumer brands' manufacturing requirements.

### **3. Terms of the Acquisition**

- 3.1 The purchase price for the Acquisition is R121 million ("the Purchase Consideration") comprising:

- 3.1.1 R41 million in cash for the acquisition of the Properties payable as follows:
  - 3.1.1.1 R10 million payable in cash on the fifth business day following the Effective Date (“the Closing Date”);
  - 3.1.1.2 R30 million payable against registration of the Properties in the name of the Company; and
  - 3.1.1.3 R1 million payable at the end of February 2015; and
- 3.1.2 R80 million for the acquisition of the shares in Pharma Natura payable on the Closing Date as follows:
  - 3.1.2.1 R60 million in cash;
  - 3.1.2.2 R20 million to be settled by the issue of so many Ascendis shares as is equal in value to R20 million, divided by the 30-day volume weighted average price (“VWAP”) for the period ending on the Effective Date (“the Deal Share/s”), subject to a floor price of R11.00 per Deal Share (“Floor Price”), which shares cannot be traded from the Closing Date as set out in paragraph 3.2 below; and
  - 3.1.2.3 to the extent that the value of the Deal Shares on the Effective Date multiplied by the 30-day VWAP is less than R20 million, then the shortfall will be paid in cash to GWAFH on the Closing Date (“Cash Top-Up”).
- 3.2 Due to existence of the reciprocal put and call options referred to in paragraph 4.4.1 below, the Deal Shares may not be traded or otherwise disposed of by GWAFH until the said options have been exercised. The periods for the exercise of the options are 31 March 2015 to 30 April 2015 (for 50% of the Deal Shares) and 31 March 2016 to 30 April 2016 (for the remaining 50% of the Deal Shares).
- 3.3 The Acquisition is subject to warranties which are normal for a transaction of this nature.

#### 4. **Outstanding conditions precedent**

The Acquisition is subject to the following outstanding conditions precedent which are required to be fulfilled and/or waived by no later than the 120th day following the signature date of the Agreement:

- 4.1 the approval of the Acquisition by the Competition Authorities subject to conditions which are acceptable to both the Company and the Sellers;
- 4.2 the approval of the listing of the Deal Shares by the JSE Limited (“JSE”);
- 4.3 the conclusion, to the satisfaction of Ascendis, of a due diligence investigation of Pharma Natura and the Properties;
- 4.4 the majority shareholder of Ascendis, Coast2Coast Investments Proprietary Limited (“C2C”), entering into two agreements with GWAFH (as set out in paragraphs 4.4.1 and 4.4.4 below) in terms of which:

- 4.4.1 C2C and GWAFH will have reciprocal put and call options over the Deal Shares (“Options”), in terms of which the Deal Shares may be transferred to C2C in two equal tranches over the periods 31 March 2015 to 30 April 2015 and 31 March 2016 to 30 April 2016 respectively (collectively, the “Settlement Dates”). The purchase price payable by C2C for each tranche of Deal Shares will be R15 million plus interest of 7% per annum from the Effective Date (“the Option Price”). For illustrative purposes, should the Deal Shares be issued at the Floor Price on the Effective Date, the Option Price payable by C2C on the Settlement Dates will in effect be equal to a price of R16.50 per Deal Share plus interest of 7% per annum;
- 4.4.2 should the Cash-Top in terms of paragraph 3.1.2.3 above become payable, then the amount payable by C2C for the first tranche of the Options will be reduced by an amount equivalent to the Cash Top-Up;
- 4.4.3 if any dividends are paid to GWAFH in relation to the Deal Shares before the Options are exercised then the dividends received by GWAFH will be deducted from the Option Price payable by C2C; and
- 4.4.4 as security for its obligations referred to above, C2C will furthermore cede and pledge so many Ascendis shares as, when multiplied by the 30-day VWAP at the relevant effective date, is equal to R10 million; and
- 4.5 obtaining the consent of New Clicks South Africa Proprietary Limited (“Clicks”) to the change in control in Pharma Natura in so far as it is required in terms of the manufacturing and supply agreement between Clicks and Pharma Natura.

## 5. Unaudited *pro forma* financial effects (“Financial Effects”) of the Acquisition

The table below sets out the Financial Effects of the Acquisition on the Company’s earnings per share (“EPS”), headline earnings per share (“HEPS”), fully diluted earnings per share (“Diluted EPS”), net asset value per share (“NAV”) and net tangible asset value per share (“NTAV”). The Financial Effects and the preparation thereof, which is the responsibility of the directors of Ascendis, have been prepared for illustrative purposes only, and because of their nature, may not give a fair reflection of the Company’s financial position and results of operations, nor the effect and impact of the Acquisition on Ascendis going forward.

	<b>Pro forma 30 June 2013 - Before the Acquisition (cents)</b>	<b>Pro forma 30 June 2013 - After the Acquisition (cents)<sup>4</sup></b>	<b>Change (%)</b>
HEPS <sup>1,3,4,5,7,8</sup>	49	52	6
EPS <sup>1,3,4,5,7,8</sup>	49	52	6
Diluted EPS <sup>1,3,4,5,7,8</sup>	49	52	6
NAV <sup>2,3,6,7</sup>	617	622	1
NTAV <sup>2,3,6,7</sup>	235	223	-5
Weighted average and total shares in issue <sup>3,7</sup>	159 607 515	161 425 697	1

Notes:

- For the purposes of calculating HEPS, EPS and Diluted EPS, the amounts in the “Pro forma 30 June 2013 - Before the Acquisition” column are based on Ascendis’ *pro forma* statement of comprehensive income for the year ended 30 June 2013, as contained in the pre-listing statement dated 15 November 2013 (“Pre-Listing Statement”).

2. For the purposes of calculating NAV and NTAV, the amounts in the “*Pro forma* 30 June 2013 - Before the Acquisition” column are based on Ascendis’ *pro forma* statement of financial position at 30 June 2013 as contained in the Pre-Listing Statement.
3. The weighted average and total shares in issue of 159 607 515, used for purposes of calculating HEPS, EPS, Diluted EPS, NAV and NTAV in the “*Pro forma* 30 June 2013 - Before the Acquisition” column, are based on Ascendis’ *pro forma* statement of comprehensive income and *pro forma* statement of financial position for the year ended, and as at, 30 June 2013 as contained in the Pre-Listing Statement.
4. The amounts in the “*Pro forma* 30 June 2013 - After the Acquisition” column have been calculated using the audited financial statements of Pharma Natura for the twelve months ended 28 February 2013 (and after taking account of the R6.565 million (after tax) implied interest expense adjustment detailed in Note 5 below). These accounts have been adjusted for inter-company lease payments relating to the Properties being acquired, as well as a headline earnings adjustment of R1 million relating to the loss on disposal of an asset. A tax rate of 28% is assumed for all “*Pro-forma* 30 June 2013 - After the Acquisition” column adjustments.
5. For the purposes of calculating the “*Pro-forma* 30 June 2013 - After the Acquisition” HEPS, EPS and Diluted EPS, it was assumed that the Acquisition was effective on 1 July 2012 and that the cash settled portion of the Purchase Consideration of R 101 million was settled using debt at a post-tax lending rate of 6.5%, resulting in an implied interest expense of R6.565 million (after tax).
6. For the purposes of calculating the “*Pro-forma* 30 June 2013 - After the Acquisition” NAV and NTAV, it was assumed that the Acquisition was effective on 30 June 2013 and that the net debt position is increased by an amount equal to the cash settled portion of the Purchase Consideration. The allocation of the Purchase Consideration resulted in an increase of intangible assets of R34.4 million.
7. “*Pro-forma* 30 June 2013 - After the Acquisition” HEPS, EPS, Diluted EPS, NAV and NTAV have been calculated using the *pro forma* weighted average and total number of shares in issue, as applicable, for the year ended 30 June 2013 of 159 607 515 shares as per the Pre-Listing Statement together with the Deal Shares to be issued at the Floor Price. The Company had no treasury shares in issue as at 30 June 2013.
8. Ascendis will account for Pharma Natura’s earnings from the Effective Date, therefore the consolidated accounts for Ascendis for the year ending 30 June 2014 will not reflect the full year of Pharma Natura’s earnings.
9. The Financial Effects exclude the acquisition of Surgical Innovations Proprietary Limited announced on 25 November 2013.

## 6. JSE implications

The Acquisition is categorised as a Category 2 transaction in terms of the JSE Listings Requirements and therefore does not require approval by Ascendis shareholders.

As a result of the Acquisition, Pharma Natura will become a subsidiary of Ascendis and as such the Company will ensure compliance with paragraph 10.21 of Schedule 10 of the JSE Listings Requirements.

**27 February 2014**

Cape Town

Investment Bank and Sponsor

Nedbank Capital