



**Ascendis**  
**HEALTH**

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INVESTEC  
ANNUAL HEALTHCARE CONFERENCE  
7<sup>th</sup> of March

Dr. Karsten Wellner (CEO), Robbie Taylor (CFO)  
Ascendis Health

- Ascendis overview
- Financial review
- Implementation of strategies
- Regulatory environment
- Internationalisation



# Ascendis overview

Sector profile	<ul style="list-style-type: none"> <li>Health and care brands, pharmaceuticals, medical devices</li> </ul>
Current market cap.	<ul style="list-style-type: none"> <li>Approx. R2.4bn (JSE main board)</li> </ul>
Divisions (sales mix <sup>1</sup> )	<ul style="list-style-type: none"> <li>Consumer Brands (40%), Pharma-Med (33%), Phyto-Vet (26%)</li> </ul>
Brands	<ul style="list-style-type: none"> <li>Strong, owned brands and IP across all LSMs, in cons.brands high LSM</li> </ul>
International sales	<ul style="list-style-type: none"> <li>45 countries, 16% of sales<sup>2</sup></li> </ul>
Staff	<ul style="list-style-type: none"> <li>1070</li> </ul>
Forecast	<ul style="list-style-type: none"> <li>Consolidated – June '14 (per PLS)</li> </ul>
Turnover (R)	<ul style="list-style-type: none"> <li>R 1,666 mill - annualised approx. R 2.3 bill (incl. recent acquisitions)</li> </ul>
EBITDA (R)	<ul style="list-style-type: none"> <li>R 212 mill</li> </ul>

1. Based on forecast to 30 June 2014 (sustainable per PLS)

2. Based on 6 months results 2014

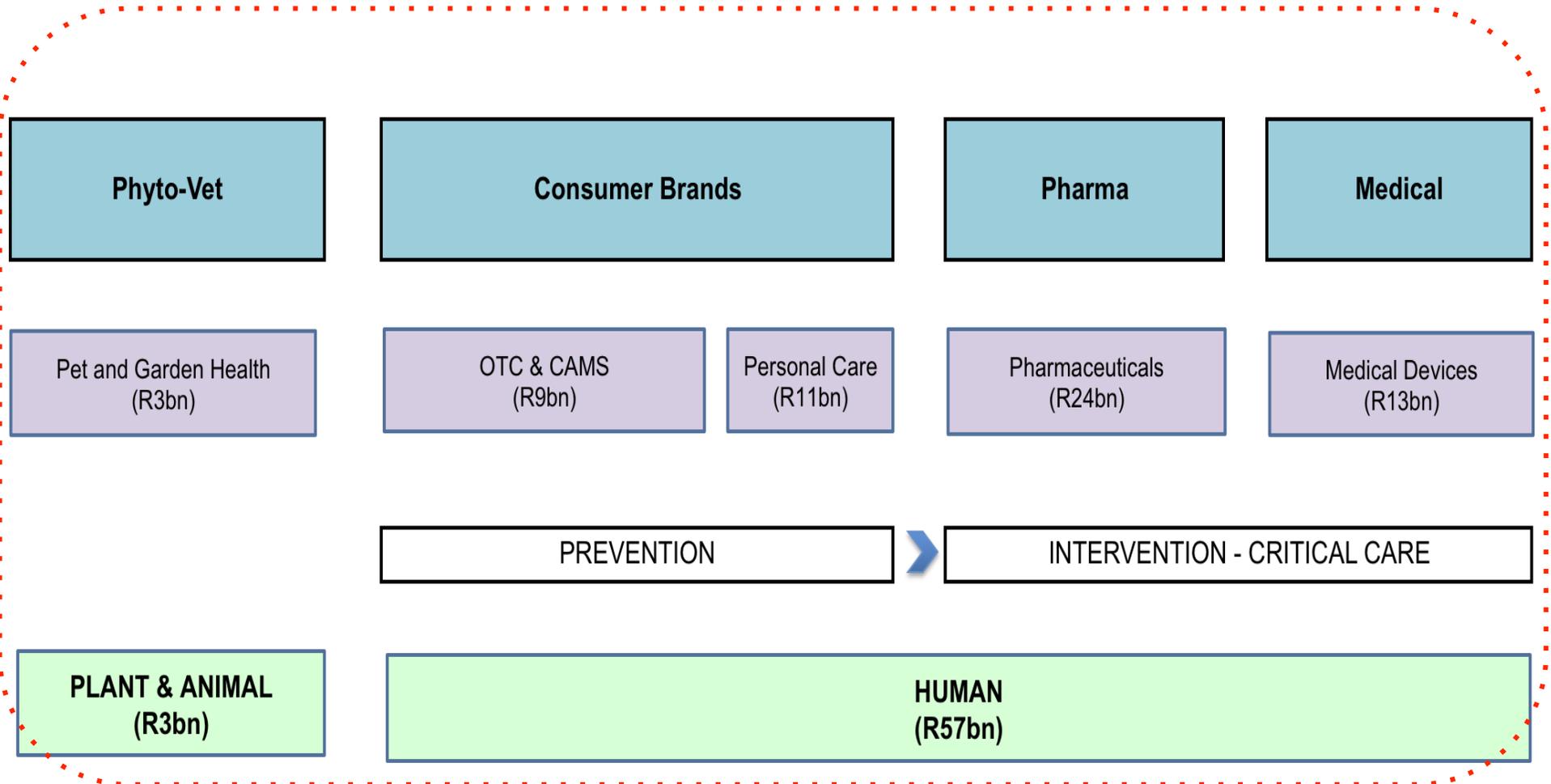
A Health and Care Brands Company  
That Owns and Develops Strong Brands



1. **Organic growth** from long established, strong, resilient brands
2. **Acquisitive growth** by acquiring and integrating complementary businesses and brands
3. **Synergetic growth**: Vertical (value chain) and horizontal (bolt-ons)
4. **Internationalisation**



## OUR MARKET SEGMENTS





DIVISIONS:

**CONSUMER BRANDS**



Nutraceuticals, vitamins, sports nutrition, specialist skin care, direct selling brands

**PHARMA-MED**



Prescription drugs and medical devices

**PHYTO-VET**



Plant and animal health



*Dr Karsten Wellner - CEO (53)*

▶ PhD Economics  
Over 20 years' experience in health markets  
Former MD, Fresenius Kabi SA



*Robbie Taylor - CFO (44)*

▶ CA (Zim)  
17 years' experience as FD  
Former CFO, Country Bird Holdings



*Richard Crouse – CJO (39)*

▶ B.Com. (Honours)  
Former MTN Head of Strategy and Business  
Planning, MD of Chempure

- Long-established, well-known, owned brands
- Mostly targeted at higher LSM consumers (8-10)
- Typically sold through retailers in South Africa and through international network
- Opportunity to leverage off brands to expand product range
- Expansion through alternative selling platforms and online
- Huge international potential



# CONSUMER BRANDS

## BRAND

## STRENGTHS

Solal



- Established brand (12 years)
- IP in 200 products
- Premium brand, high LSM
- Management retained and invested in Ascendis

Nimue



- Established brand (15 years)
- IP in 200 products
- Premium brand, high LSM
- Sold in 20 countries
- Management retained and invested in Ascendis

Evox, SSN and Muscletech



- Established brands (15 years)
- IP in products
- Large shelf-presence
- Complementary sports nutrition brands

Sportron and Swissgarde



- Established brands (24 years)
- Direct selling networks
- Strong brand loyalty
- Defensible
- Access to high growth emerging market

Atka Pharma



- Established brands (6 years),
- Markets over 20 product lines (BioBalance range)
- API produced in South Africa

## SEGMENT

Pharmaceutical



Medical devices



## STRENGTHS

- Generics
- Access to doctor and pharmacy network
- Strong position in self-dispensing doctors' market
- Ability to compete for government tenders
- Well positioned for NHI

- Strong earnings growth
- Exclusive agency agreements in place with respected international brands including Olympus, Maquet, Medrad, Applied Medical, Merit
- Well positioned for NHI



- Strong, market-leading, long-established owned brands
  - Efekto has approximately 70% market share
- Over 240 registered products with good pipeline in registration process
- Avima exports over 60% of sales to 25 African countries – provides platform for other brands into Africa
- Horizontal and vertical integration projects between businesses in implementation enabling best practice:
  - manufacturing, regional warehouses, distribution,
  - sales force, merchandising

## BRAND

## STRENGTHS

Efekto



- Established business (45 years)
- IP in more than 800 products
- Premium brands
- 2-3 year registration process

Wonder



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

Avima



- Defensible 2-3 year registrations (70 registered products) (52 years)
- >60% of sales to 25 other African countries
- Vertical integration with Efekto

Marltons



- Market leading pet care brand (25 years)
- Synergies with Efekto (1500 common customer doors)
- Sales are 60% retail chainstores and 40% pet/vet stores



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## FINANCIAL REVIEW

- Revenue +114% to R662m
- Operating profit +366% to R88m
- Exports 16% of revenues (10% per PLS)
- Operating margin up from 6% to 13%
- Headline earnings up from –R4m to R54m

R'm	6 months December 2013	6 months December 2012	% change
<b>Revenue</b>	<b>662</b>	<b>310</b>	114%
Cost of sales	357	180	98%
<b>Gross profit</b>	<b>305</b>	<b>130</b>	<b>135%</b>
<b>Gross profit margin</b>	<b>46%</b>	<b>42%</b>	
Other income	7	1	617%
Operating expenses (excl D&A)	210	108	94%
<b>EBITDA</b>	<b>102</b>	<b>23</b>	<b>348%</b>
Depreciation and amortisation	14	4	265%
<b>Operating profit</b>	<b>88</b>	<b>19</b>	<b>366%</b>
<b>Operating profit margin</b>	<b>13%</b>	<b>6%</b>	
Finance costs	9	23	(60%)
Profit/(loss) before tax	79	(4)	
Taxation	23	5	435%
<b>Profit/(loss) after tax</b>	<b>56</b>	<b>(9)</b>	

	R'm
Forecast PAT per PLS to 30 June 2014	112
Add listing costs (after tax)	12
Forecast PAT to 30 June 2014	124
Pre-acquisition profit of acquired businesses	19
PAT - Had we owned the businesses for 12 months	143
Divide by 2 for six months:	÷ 2
Expected half FY operating profit	71
Less: pre-acquisition profit of acquired businesses	(19)
<b>Expected first half FY PAT</b>	<b>52</b>
<b>Actual PAT</b>	<b>56</b>

- On track to achieve the PLS forecast of R124m profit after tax (and after capitalising listing fees)
- Surgical Innovations and further acquisitions not included above but will contribute in 2nd half of FY14

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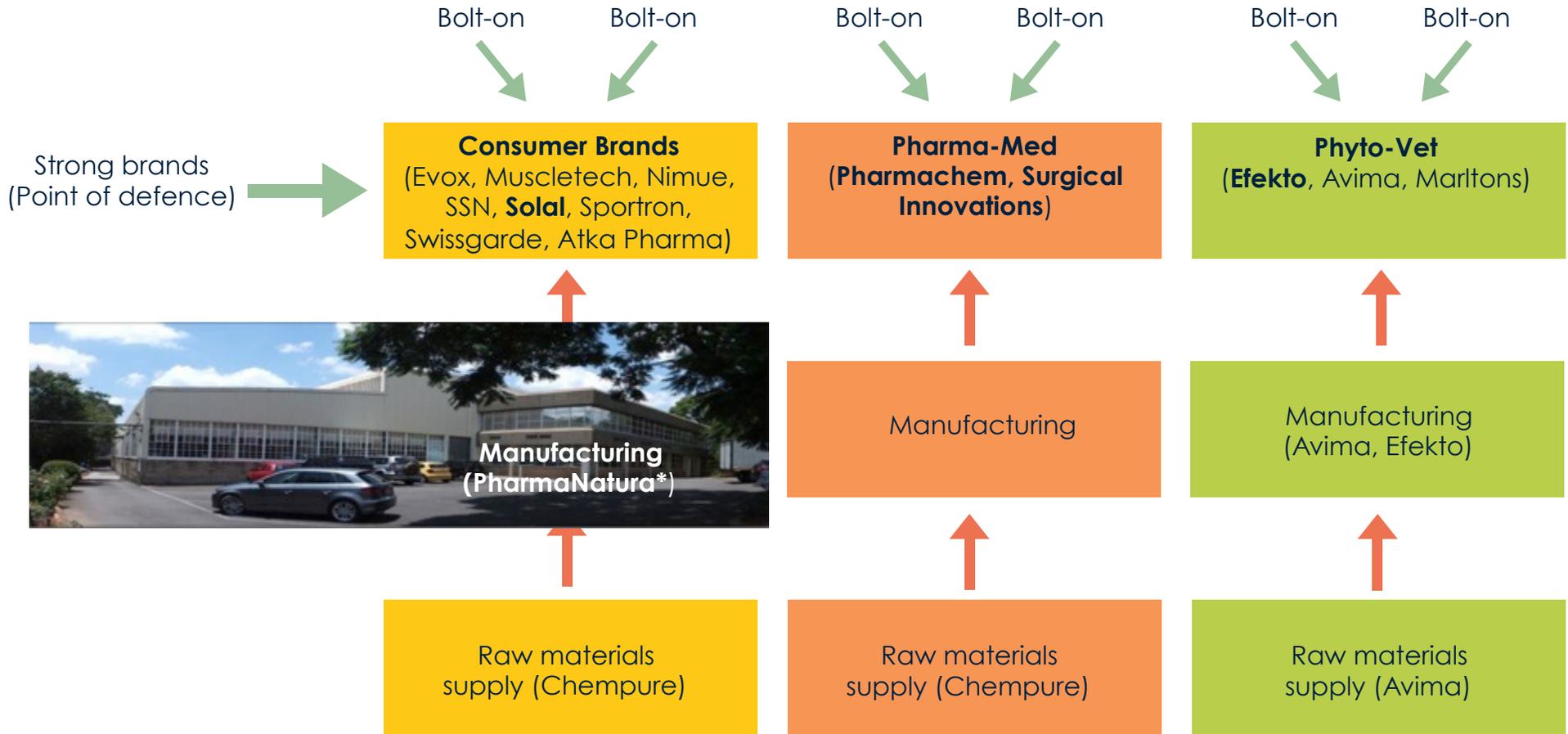
# IMPLEMENTATION OF STRATEGIES



- Leverage strong market positions in South Africa for organic growth, 12%
- Existing export business growing (16% of turn-over), +209%
- Strong, resilient, owned brands like Solal, Evox, Marltons Atka Pharma offer further potential for internationalisation
- Building of platforms for synergies in selling & marketing
- High LSM focus locally
- Pharmachem generics with low LSM focus well positioned for NHI
- Use Surgical Innovations route to market to expand in new business segments in Medical Devices

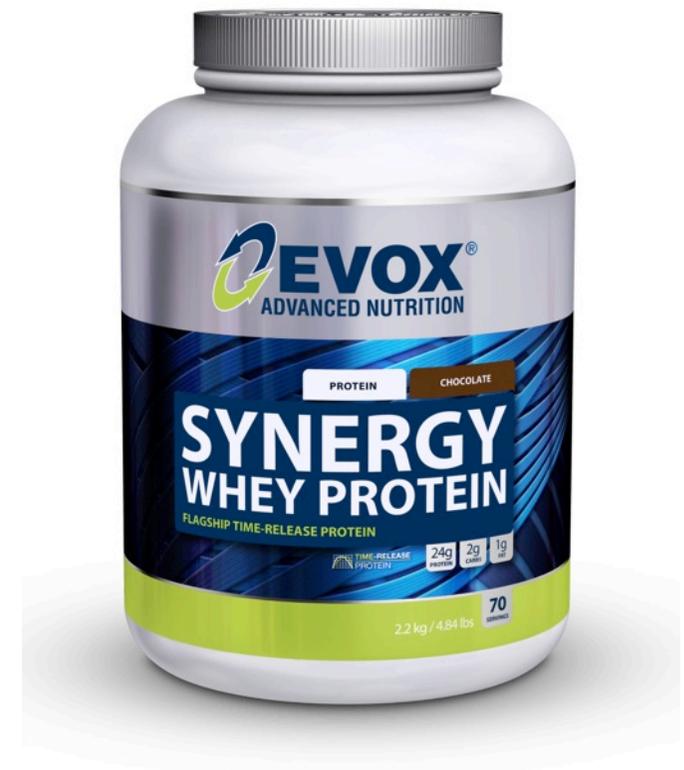
- Acquire businesses to vertically integrate or to bolt-on to the existing platforms to increase operating margins
- Sound track record of acquiring established healthy businesses with strong brands
- Acquisitions since listing:
  - Consumer Brands:
    - PharmaNatura - awaiting regulatory approval (vertical integration)
    - Atka Pharma (horizontal integration)
  - Pharma-Med: Surgical Innovations
- Strong acquisition pipeline in all divisions





\* Awaiting regulatory approval

- Procurement
- Warehousing and distribution
- Manufacturing
- Merchandising
- R & D and product innovation
- Office space
- Finance department
- Human resources
- Legal department
- Group contracts (insurance, telecoms, IT)



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# REGULATORY ENVIRONMENT



- Increased regulations create barriers to entry
- Huge administrative burden but:
- New CAMs regulations will change the market (2013: approx 10 bill R market)
  - concentration of market participants
  - products now in category A (scheduled medicines), category D (homeopathy, herbal, ayurveda, chinese medicine, acupuncture, chiropractic, phytotherapy..) or food supplements
  - Less claims, new packaging, new labelling, dossiers needed
  - Production license (22C, GMP) and responsible pharmacist needed
- Ascendis well positioned to leverage pharma expertise and existing strong CAMs brands to adapt to new regulations
- Engaging with Medicines Control Council (MCC) on implementation of new regulations for CAMs

- Scheduled medicines have a long registration process with the MCC (3 - 5 years): protection from new entrants – but time to market long and cumbersome
- Draft policy for new SA'n patent laws
- New Single Exit Price regulations?
- Home and garden products require registration with Department of Agriculture (2 - 3 years) or in some african countires: DoH
- Well positioned with Pharma-Med division to take advantage of changes in local health environment towards NHI
  - Recapitalisation of clinics and state hospitals
  - Continued growth of generics
  - Government drive to more affordable and accessible healthcare



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# INTERNATIONALISATION

- Well positioned to grow international footprint: sales + 209% (6 months 2014) – aim for 30% of total sales in mid-term
- Own strong brands
- “Forex hedge”
- Strong interest by international distributors in Ascendis products
- International strategy: exports, own representation and acquisitions
- Currently distributors in over 20 countries outside Africa
- Sale of phyto-vet products in 25 African countries (paid in \$)
- In early stages of first international acquisition-projects



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# OUTLOOK



- Resilient brands, mostly price maker, export potential
- Average 8% price increase from March
- Healthy acquisition pipeline
- Divisional synergy projects
- Bond issue in the second half of FY
- **Confident of achieving pre-listing full year forecasts  
(plus additional recent and new acquisitions)**





# Healthy home – healthy you



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