



Ascendis
HEALTH

Results presentation
for the year ended
30 June 2015



Section	Presenter
Overview	Dr. Karsten Wellner
Financial review	Johan van Schalkwyk
Strategic focus	Dr. Karsten Wellner
Operational performance	Dr. Karsten Wellner
Outlook	Dr. Karsten Wellner



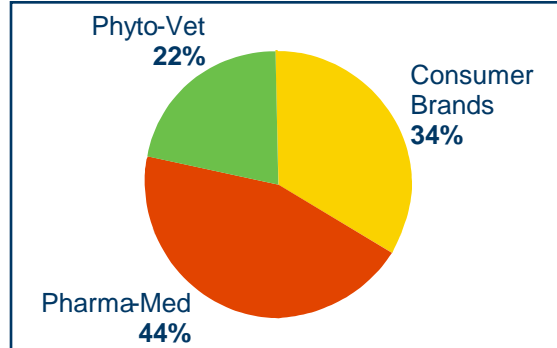
OVERVIEW





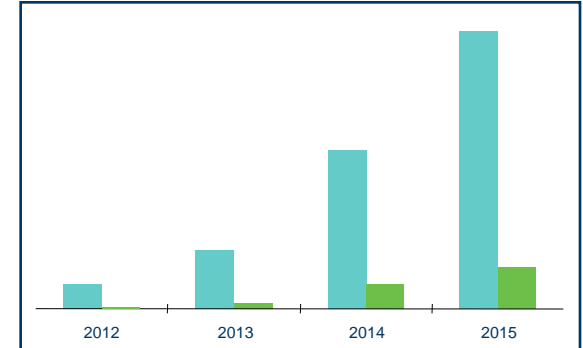
Who are we?

A South African-based health and care brands company that owns and develops strong brands



Diverse revenue streams

Health and care products for people, plants and animals



Growth strategies

Organic, acquisitive, synergistic and international



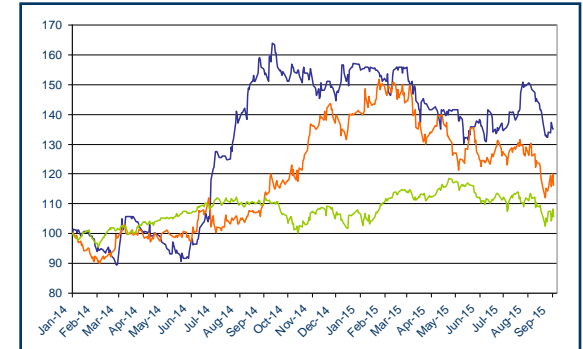
Brands

Resilient, market-leading brands



Management


Strong and experienced management team with a proven track record



Current market capitalisation

R4 billion



-  EBITDA GROWTH OF **71%** TO R422m
-  NORMALISED HEPS UP **31%** TO 94 cps
-  **STRONG H2 PERFORMANCE**
with improved EBITDA margin



ORGANIC

- Organic revenue growth of 11%
- Emphasis on strong new product development and launches

ACQUISITIONS

- Arctic Healthcare brands
- RCA and The Scientific Group acquisitions created a R1bn Ascendis Medical platform

INTERNATIONAL

- 1st international acquisition – Spanish pharmaceutical group Farmalider – to transform Ascendis Pharma, accretive from July 2015

INVESTMENT IN GROWTH

- Successful capital raisings of R480m
- Restructure and strengthening of management

FINANCIAL REVIEW





FINANCIAL HIGHLIGHTS



- Revenue **+74%** to R2.8bn
- EBITDA **+71%** to R422m
- Operating profit **+69%** to R362m
- Normalised HEPS **+31%** to 94 cps
- HEPS **+25%** to 80 cps
- Total dividend **+27%** to 19 cps

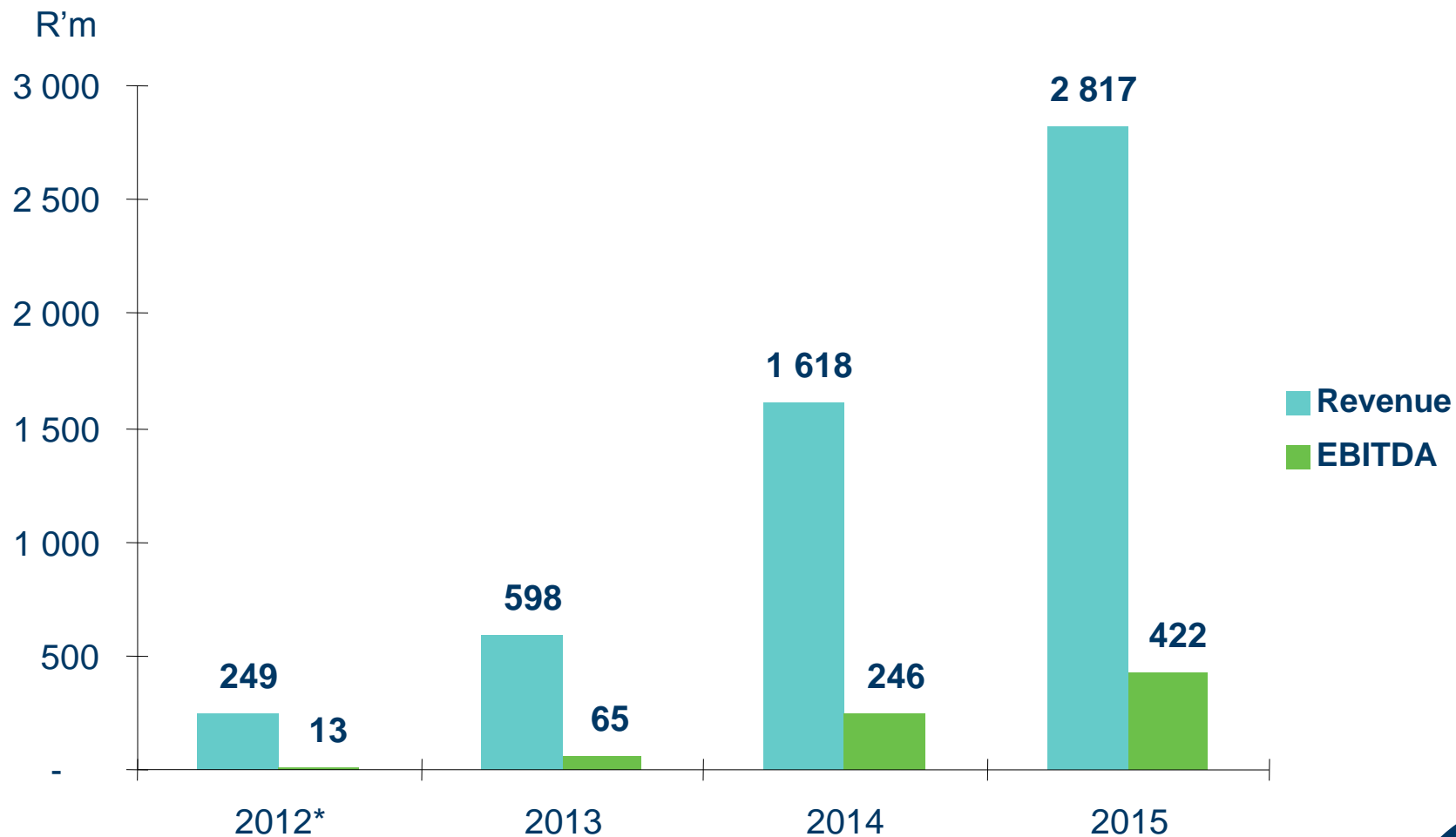
INCOME STATEMENT



R'm	June 2015	June 2014	% change
Revenue	2 817	1 618	74.1
Cost of sales	1 588	890	78.4
Gross profit	1 229	728	68.8
Gross profit margin	43.6%	45.0%	
Other income	27	68	(59.8)
Operating expenses (excl D&A)	834	550	51.6
EBITDA	422	246	71.5
EBITDA margin	15.0%	15.2%	
Depreciation	23	10	>100
Amortisation	37	22	65.0
Operating profit	362	214	69.4
Operating profit margin (excluding amortisation)	14.2%	14.6%	
Net finance costs	69	30	>100
Profit before tax	293	184	59.0
Taxation	83	45	82.1
Profit after tax	210	139	51.5



REVENUE AND EBITDA GROWTH



* Pro forma and not audited due to change in year end





HEPS AND NORMALISED HEPS



R' m	Jun 2015	Jun 2014	% change
Headline earnings	209	137	53.1
Once-off acquisition and retrenchment costs (after tax)	9	-	
Amortisation (after tax)	27	16	
Normalised headline earnings	245	153	60.3
Annualisation of The Scientific Group "TSG" acquisition (after tax)	16		
Normalised (incl TSG) headline earnings	261		
Weighted average number of shares in issue ('m)	260.5	212.2	22.8
HEPS (c)	80.2	64.3	24.7
Normalised HEPS (c)	94.0	72.0	30.5
Normalised (incl TSG) HEPS (c)	100.0		

BALANCE SHEET – ASSETS

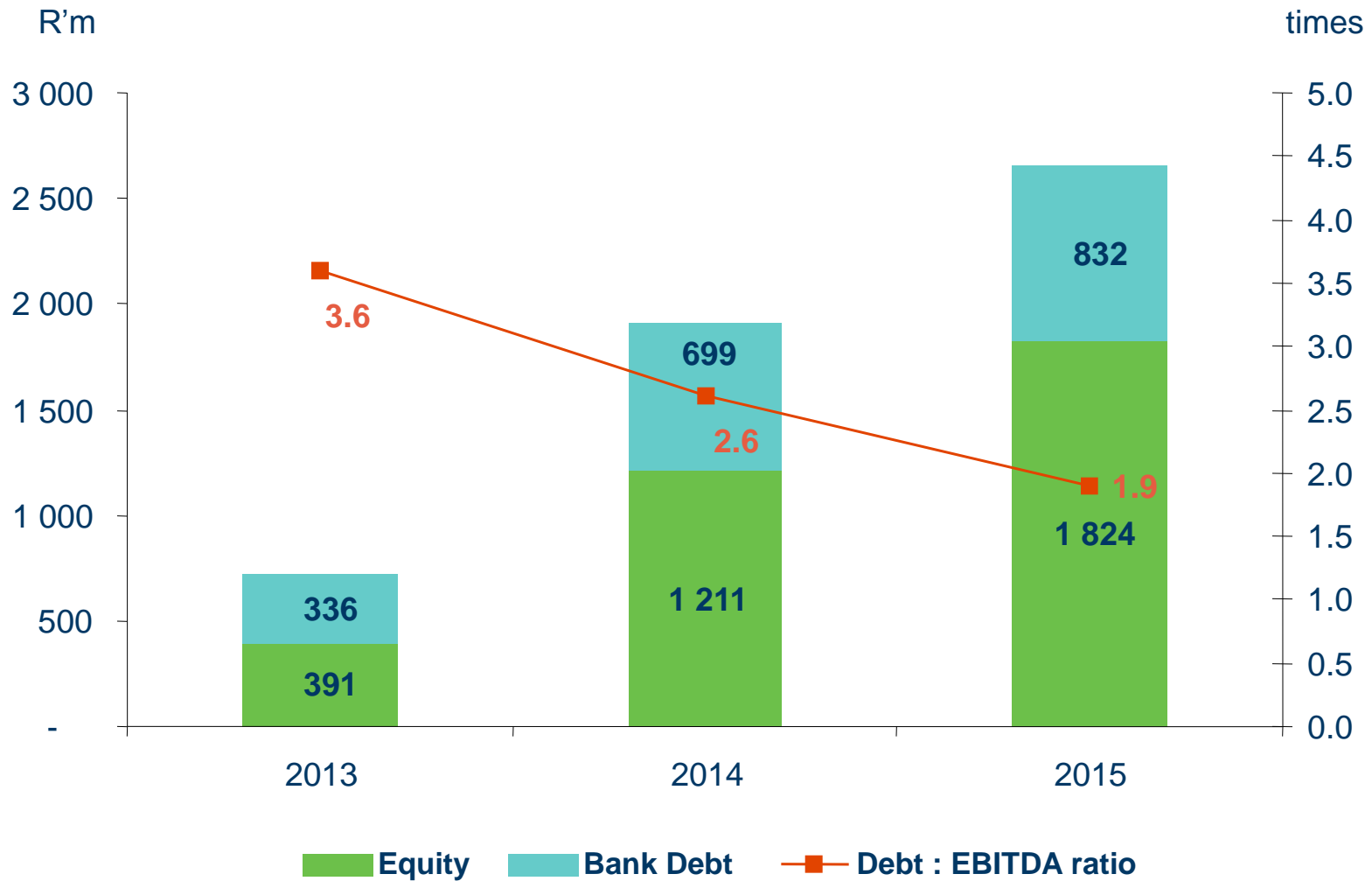


R'm	Jun 2015	Jun 2014	% change
Non-current assets	2 247	1 522	47.6
Property, plant and equipment	149	87	72.2
Goodwill and intangible assets	2 054	1 372	49.7
Other non-current assets	44	63	(31.3)
Current assets	1 401	1 090	28.5
Inventories	585	414	41.2
Trade and other receivables	572	476	20.2
Cash and cash equivalents	125	95	32.2
Other current assets	119	105	12.3
Total assets	3 648	2 612	39.6

BALANCE SHEET – EQUITY AND LIABILITIES



R'm	Jun 2015	Jun 2014	% change
Equity	1 824	1 211	50.7
Non-current liabilities	975	540	80.6
Borrowings	798	415	92.2
Other non-current liabilities	177	125	41.7
Current liabilities	849	861	(1.5)
Trade and other payables	463	427	8.4
Borrowings	39	231	(83.4)
Deferred vendor liabilities	281	16	>100
Bank overdraft	24	101	(76.0)
Other current liabilities	42	86	(51.4)
Total liabilities	1 824	1 401	30.1
Total equity and liabilities	3 648	2 612	39.6





CASH GENERATION



R'm	Jun 2015	Jun 2014
Profit before tax	293	184
Non-cash adjustments	95	113
Operating profit before working capital changes	388	297
Working capital changes	(102)	(123)
Net interest paid	(69)	(29)
Tax paid	(123)	(44)
Cash generated by operations	94	101
Cash conversion ratio (pre-tax and interest)	98%	94%



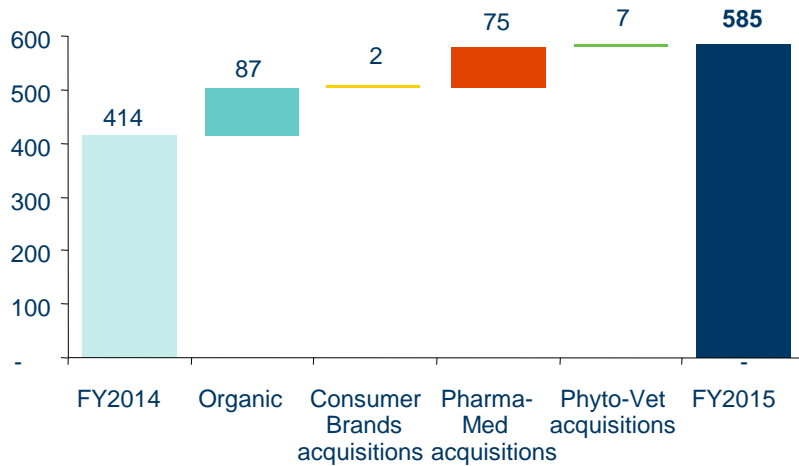
CASH UTILISATION

R'm	Jun 2015	Jun 2014
Cash generated by operations	94	101
Dividends paid	(62)	-
Acquisitions	(539)	(772)
Net proceeds of share issue	479	366
Net increase in borrowings	148	233
Other financing activities	(13)	(58)
Net increase/(decrease) in cash	107	(130)

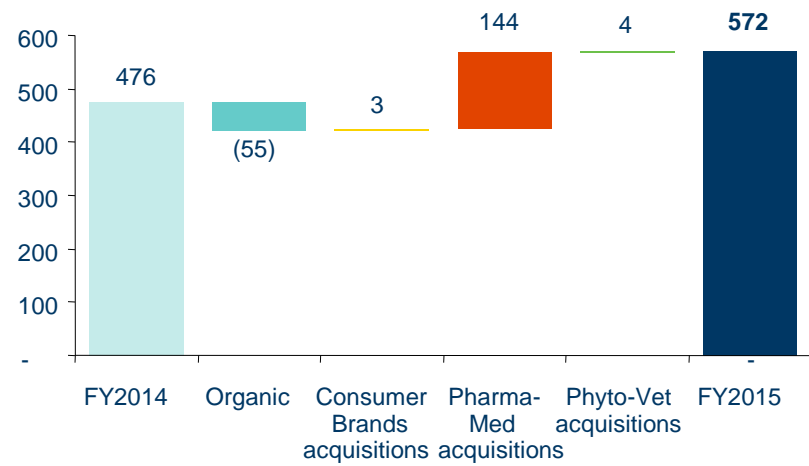


WORKING CAPITAL MOVEMENTS

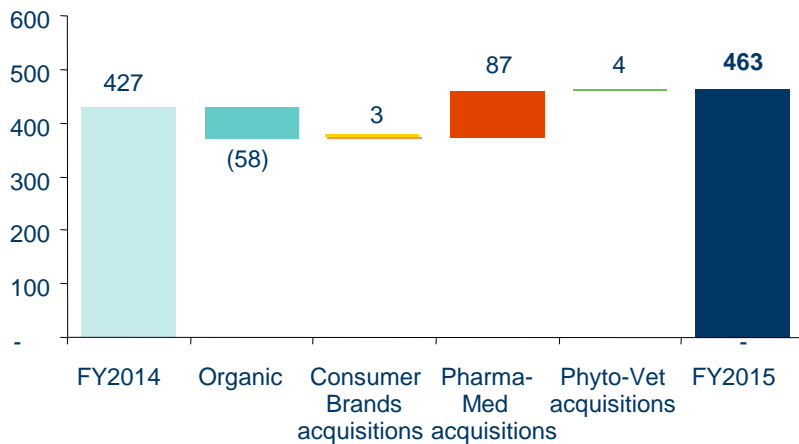
Inventories



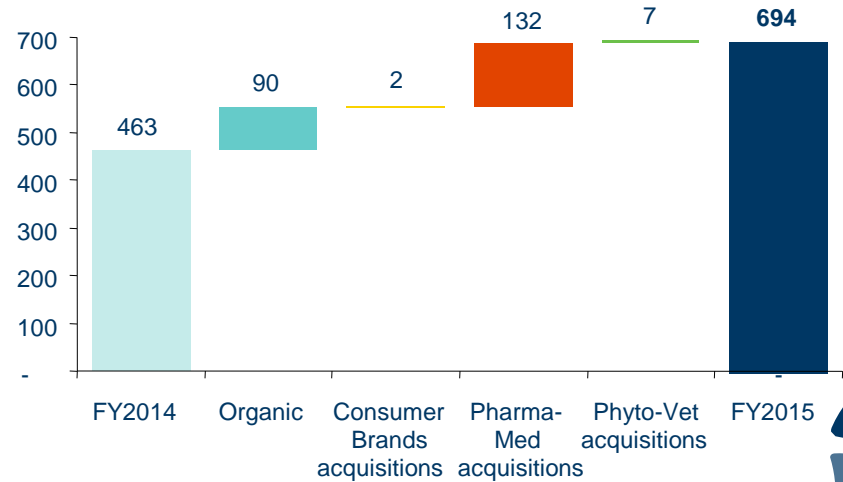
Accounts Receivable



Accounts Payable



Net Working Capital



KEY RATIOS

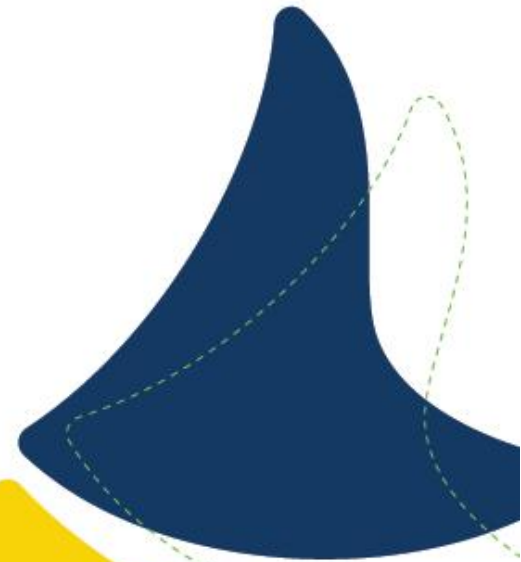
	Jun 2015	Jun 2014
Annualised sales* (R' m)	3 253	2 231
Annualised EBITDA* (R' m)	445	287
Interest cover (times)	4.8	5.2
Debt to EBITDA (times)*	1.9	2.6
Net working capital days*	101	90
Inventory days	112	90
Debtor days	58	66
Creditor days	(69)	(66)
ROE** (%)	15.9%	13.4%
ROTNA*** (%)	37.2%	23.9%

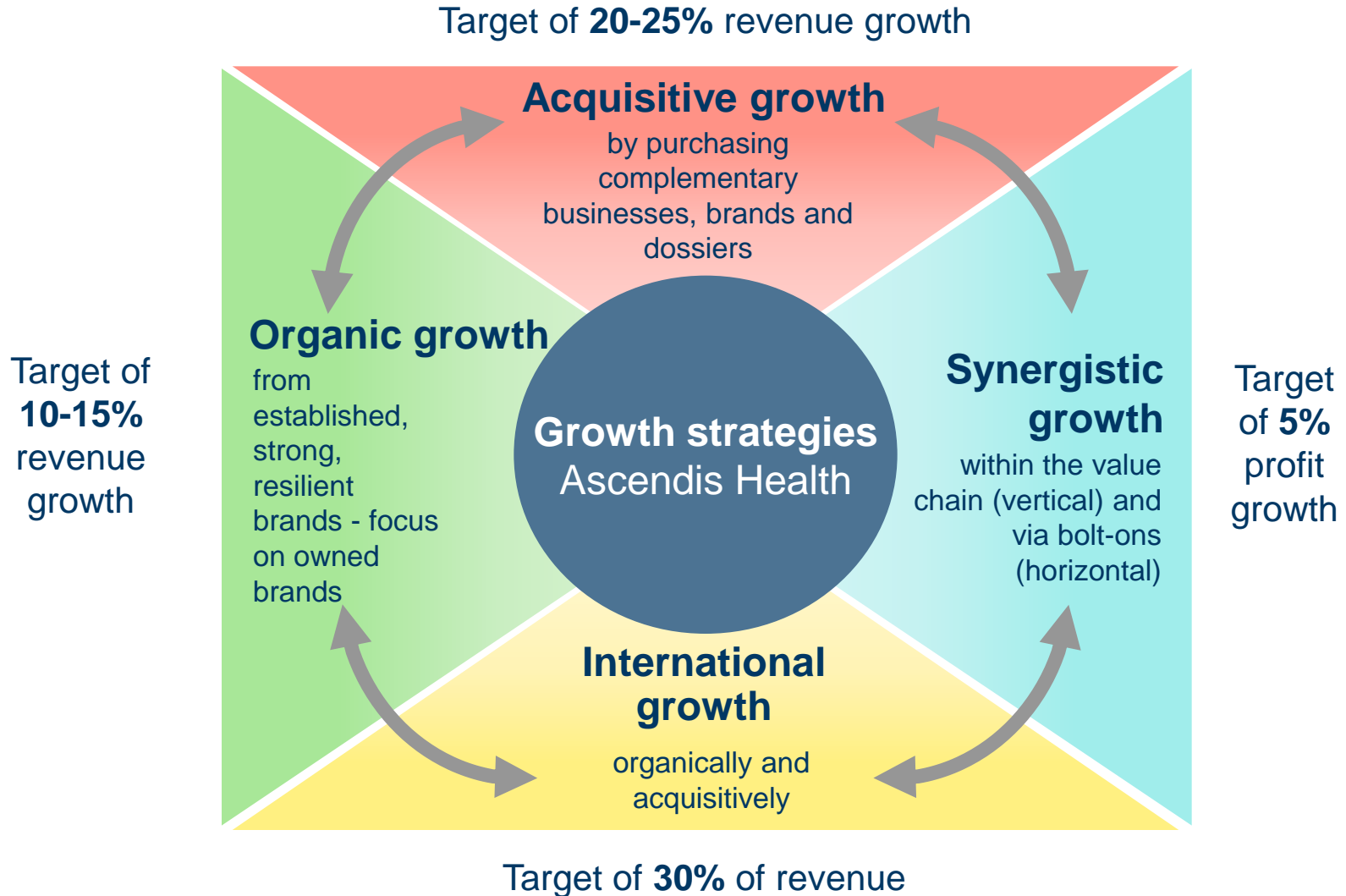
* Annualisation provides more meaningful ratio analysis. Excludes Farmalider which was acquired in July 2015.

** Adjusted for average equity and R104m of capital raise paid away post year end for Farmalider

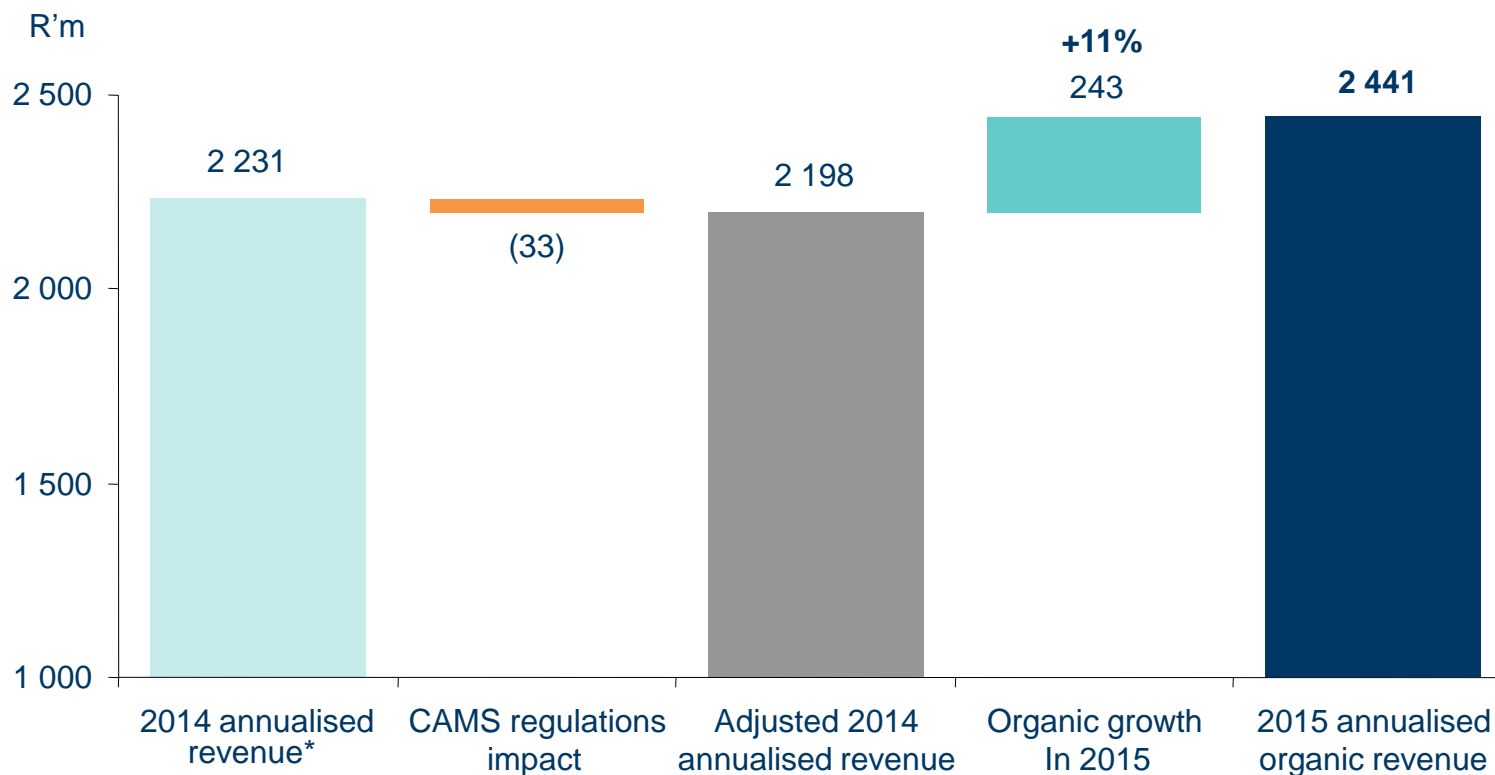
*** Excludes goodwill and intangibles

STRATEGIC FOCUS





ORGANIC SALES GROWTH

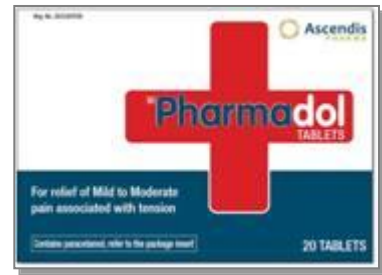


- Strong growth in Medical division
- Excellent performance by Sportron and PharmaNatura
- Strong growth in Efekto and Marltons

* Annualised number for businesses owned at 1 July 2014



NEW PRODUCT LAUNCHES





SYNERGIES & OPTIMISATION PROJECTS



- **Matrix implementation** for Finance (Nov 2014), Supply Chain (Jan 2015) and Marketing (Jul 2015)
- Various **synergy projects** (savings of R18m p.a.)
 - Warehouses finalised and production project for Sports Nutrition (SSN and Evox) at PharmaNatura (in progress) – R7m p.a. saving
 - Merging of three sports nutrition businesses into one
 - Direct selling warehousing and offices combined: R1m p.a. saving
 - Organisational changes (savings of R10m p.a.)

Strengthening of management and restructuring

- Creation of position of MD of SA operations – Cliff Sampson (Jul 2015)
 - Allows CEO to focus more on strategy, international expansion and IR
- Kieron Futter appointed CFO (Oct 2015)
- New head of Marketing – Julliette Morrison (Feb 2015)
- New head of Skin division – Véronique Moreau (Aug 2015)
- Restructuring of business to improve efficiencies and reduce costs
 - Consolidation of platforms
 - Focus on strict cost control



GROUP STRUCTURE



HEALTH & CARE BRANDS



Consumer



Pharma-Med



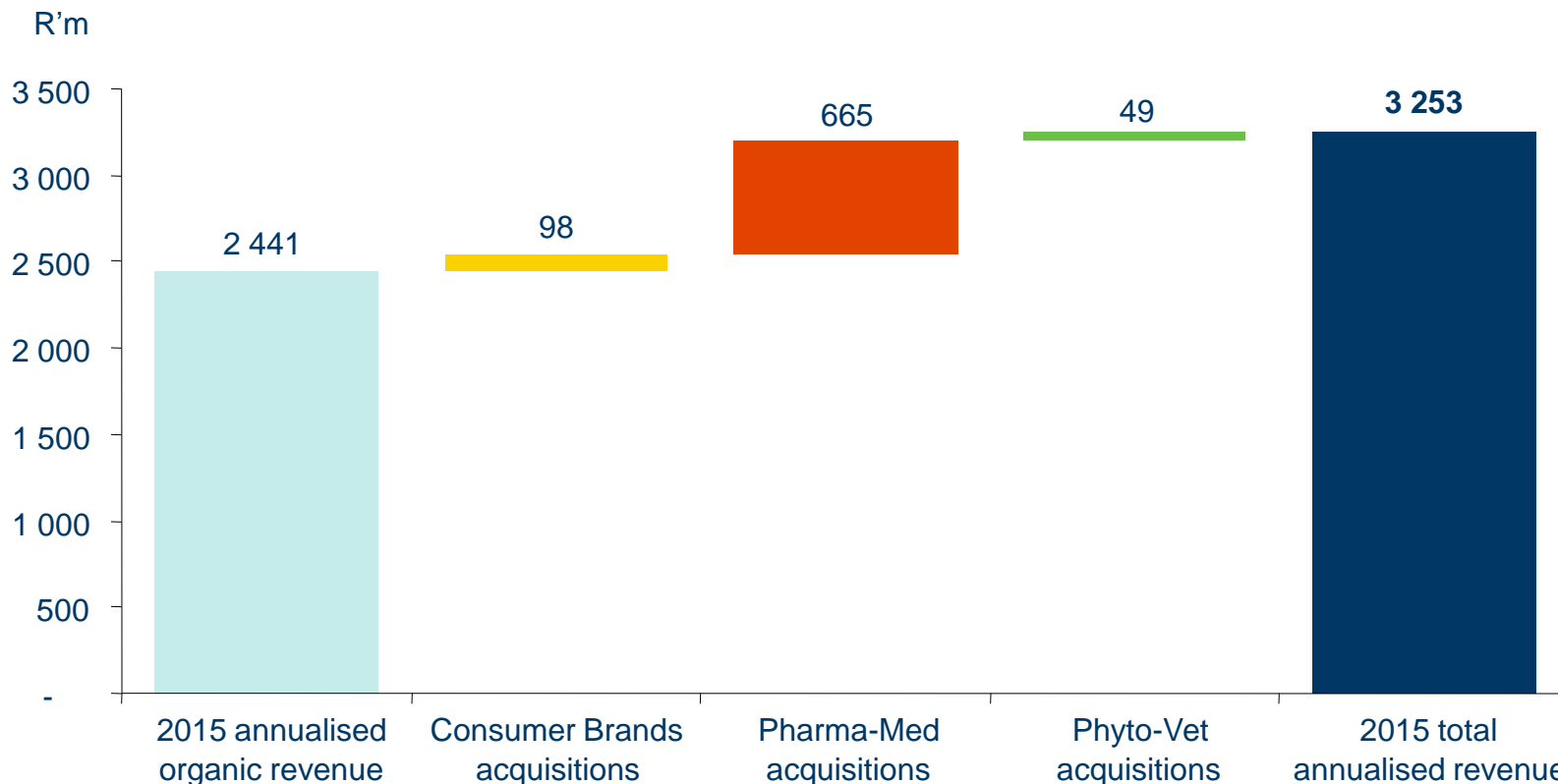
Phyto-Vet



GROUP SERVICES:

Finance, Treasury, IT, HR, Marketing, Legal, Regulatory, Supply Chain

ACQUISITIVE SALES GROWTH



- Consumer Brands acquisitions: Arctic Healthcare
- Pharma-Med acquisitions: Respiratory Care Africa, The Scientific Group
- Phyto-Vet acquisition: Koi Country



MAJOR RECENT ACQUISITIONS



■ The Scientific Group (accretive from Feb 2015)

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



MAJOR RECENT ACQUISITIONS



■ Farmalider (accretive from July 2015)

- Established developer and manufacturer (28 years) of generic pharmaceutical products in Spain

- R43m PAT (pre-interest) in 2014

- Acquisition of 49% for R210m

- 1st option 31% (Dec 2018), 2nd option 20% (Dec 2020)

- Founder and top management committed to business at least until 2020

- 200 pharma dossiers, registrations in 25 countries

- Good cross licensing opportunities for Farmalider and Ascendis



FOREIGN REVENUE



Foreign sales (R'm)	Jun 2015	Jun 2014	% change
Consumer Brands	97	90	7.8
Pharma-Med	57	8	657.2
Phyto-Vet	105	89	17.8
	259	187	38.7

- International sales now 21% of revenue (including Farmalider)
- Most international brands: Swissgarde (63%), Avima (55%), Nimue (47%), The Scientific Group (approx 30%)
- Foreign revenue covers 26% of imported COS (June 2014: 34%)



INTERNATIONAL EXPANSION



- Search for international distribution channels (agencies and distributors) for Ascendis Consumer brands and Phyto-Vet brands
- Setting up new agents in selected markets in Europe, Dubai and Australia for Ascendis Sports Nutrition
- Integration of The Scientific Group with its southern African footprint into Ascendis Medical
- Appointed Europe-based internationally experienced head of Skin business unit (Nimue)
- Appointment of experienced export manager within Ascendis Pharma division (no extra cost – internal redeployment)

A circular diagram with a central blue circle containing the text "Growth strategies Ascendis Health". Four arrows point outwards from the center to four colored quadrants: top (orange) labeled "Acquisitive growth", right (grey) labeled "Synergistic growth", bottom (yellow) labeled "International growth", and left (grey) labeled "Organic growth".

ACQUISITION PIPELINE



International

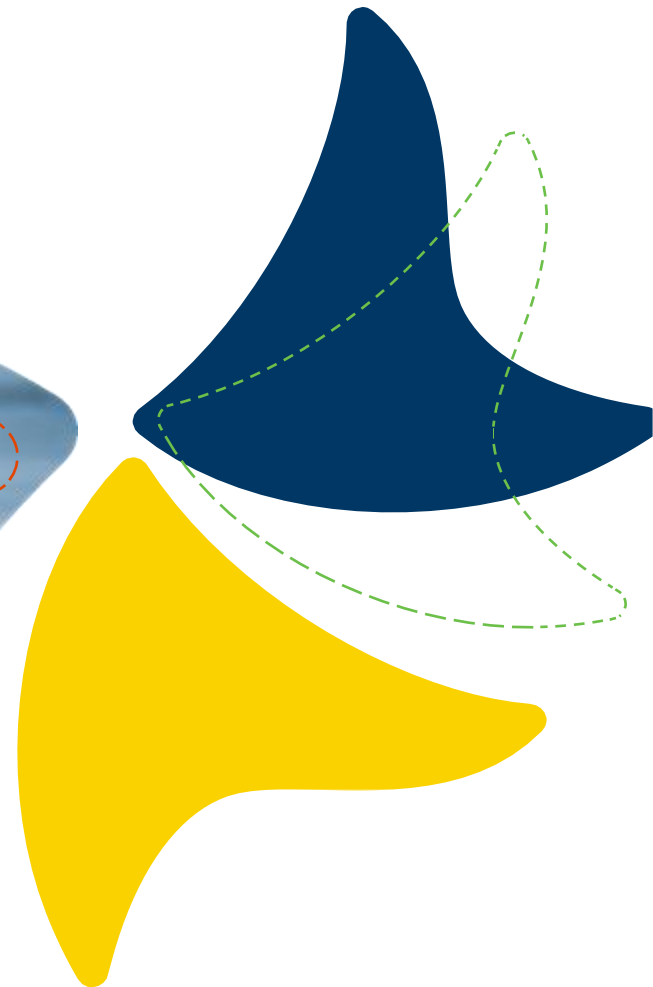
- Development of specific international acquisition strategy
- Setting up deal team office in Australia and active search for targets in all business units
- Ongoing search for targets in Europe, US and Africa in all business units

South Africa

- 5 deals in various stages of negotiations
- Several deals in all divisions being evaluated

➤ **Very strong pipeline with more global focus on platform companies**

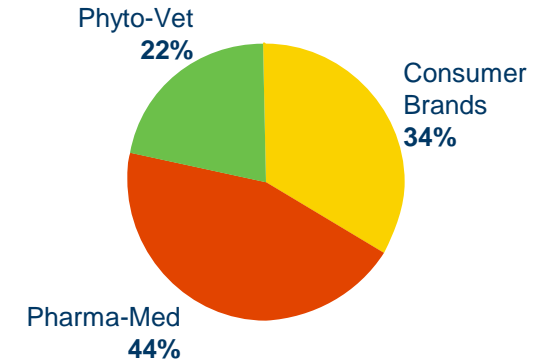
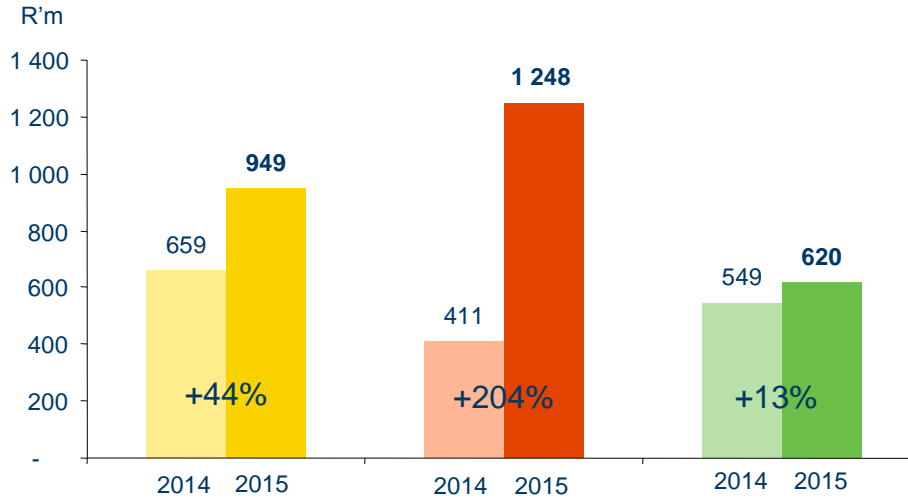
OPERATIONAL PERFORMANCE



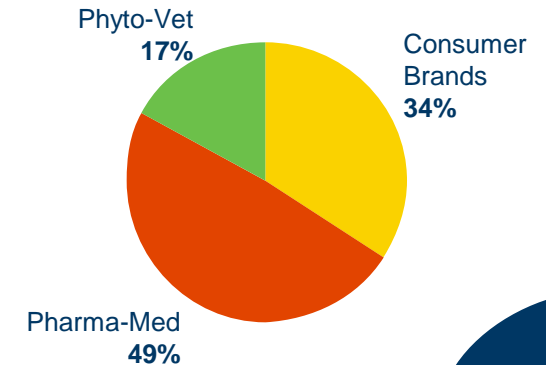
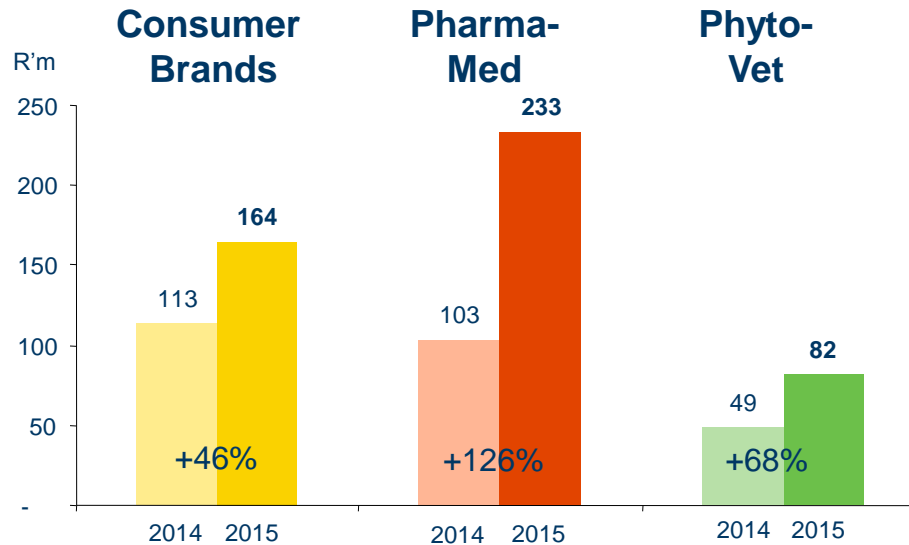


DIVISIONAL PERFORMANCE

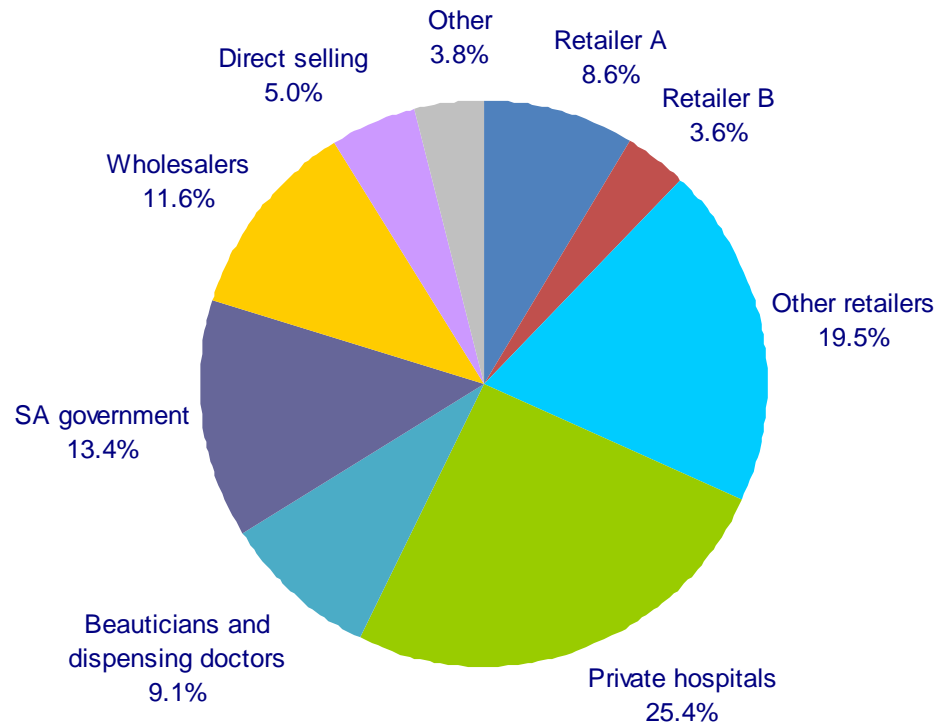
Turnover



EBITDA



Turnover breakdown by customer



Total revenue for 2015: **R2 817m**

MARKET-LEADING BRANDS

WELLNESS

SPORTS NUTRITION

SKIN

DIRECT SELLING

No 1 in SA market segment

Solal
(healthy ageing)



Ascendis Direct Selling
(nutraceuticals)



No 2 in SA market segment

PharmaNatura



Ascendis Sports Nutrition



Nimue
(beauty salon market)



**No 1 in SA
market
segment**

PHARMA

Pharmachem
(dispensing doctor
market)



**MEDICAL
DEVICES**

**Surgical
Innovations**
(surgery)



**HOME AND
GARDEN**

**Efeko and
Wonder**



**PET AND
VET**

**No 2 in SA
market
segment**

**Ascendis
Medical Devices**



Marltons
(pet care)





R'm	%ch 2015 vs 2014	Jun 2015	Jun 2014	Jun 2013
Revenue	44.2%	949	659	261
EBITDA	45.6%	164	113	33
EBITDA margin		17.3%	17.1%	12.7%

- Full year of PharmaNatura and Biobalance, plus Atka brands from Aug 2014
- Integration of three sports nutrition companies into Ascendis Sports Nutrition in progress, with ongoing synergies (manufacturing, packaging, logistics, exports)
- Excellent performance by PharmaNatura (brands & contract manufacturing)
- Push for organic growth by adding new wellness brands via agency agreements





R'm	% change	Jun 2015	Jun 2014	Jun 2013
Revenue	203.9%	1 248	411	-
Annualised revenue	111.5%	1 523	720	-
EBITDA	125.9%	233	103	-
EBITDA margin		18.7%	25.1%	-

- FY2015 includes 11 months of RCA and five months of The Scientific Group
- Acquisitions in 2015 slightly margin dilutive (guidance given was 14-18%)
- Weaker Rand impacting GP, but improved efficiencies in the Pharma business
- Strong performance of the Medical division
- Farmalider acquisition: major step in internationalisation of division going forward





R'm	%ch 2015 vs 2014	Jun 2015	Jun 2014	Jun 2013
Revenue	12.9%	620	549	337
EBITDA	67.8%	82	49	36
EBITDA margin		13.2%	8.9%	10.7%

- Strong performance in Efekto and Marltons
- Supply chain restructure successfully finalised at Efekto
- Improved margins for Efekto and Marltons (successful synergy projects)



OUTLOOK



EVOLUTION OF THE GROUP



FY2013

**Foundations
and
platforms in
South Africa**



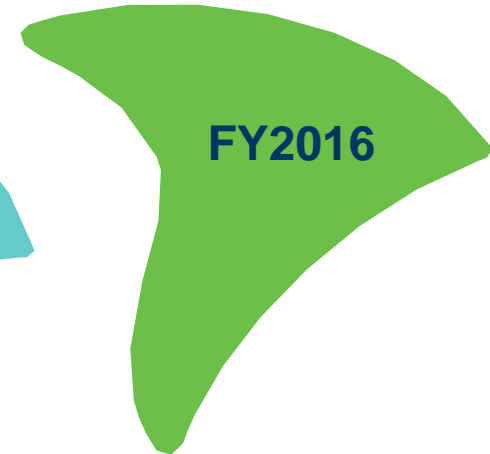
FY2014

**Listing
Integration
of
acquisitions**



FY2015

**New product
development
Restructuring &
integration
Upscaling of
talent**



FY2016

**Further cost
efficiencies
Product
innovation
International
platforms**

ORGANIC AND ACQUISITIVE GROWTH



- Focus on efficiencies and cost control to **improve margins** at all levels
 - Increased local and/or in-house production
- Continue **new product** development and innovation
- Strong focus on **internationalisation** of all three divisions



Leading Health and Care Brands Company

Healthy Home. Healthy You.

ADDITIONAL INFORMATION



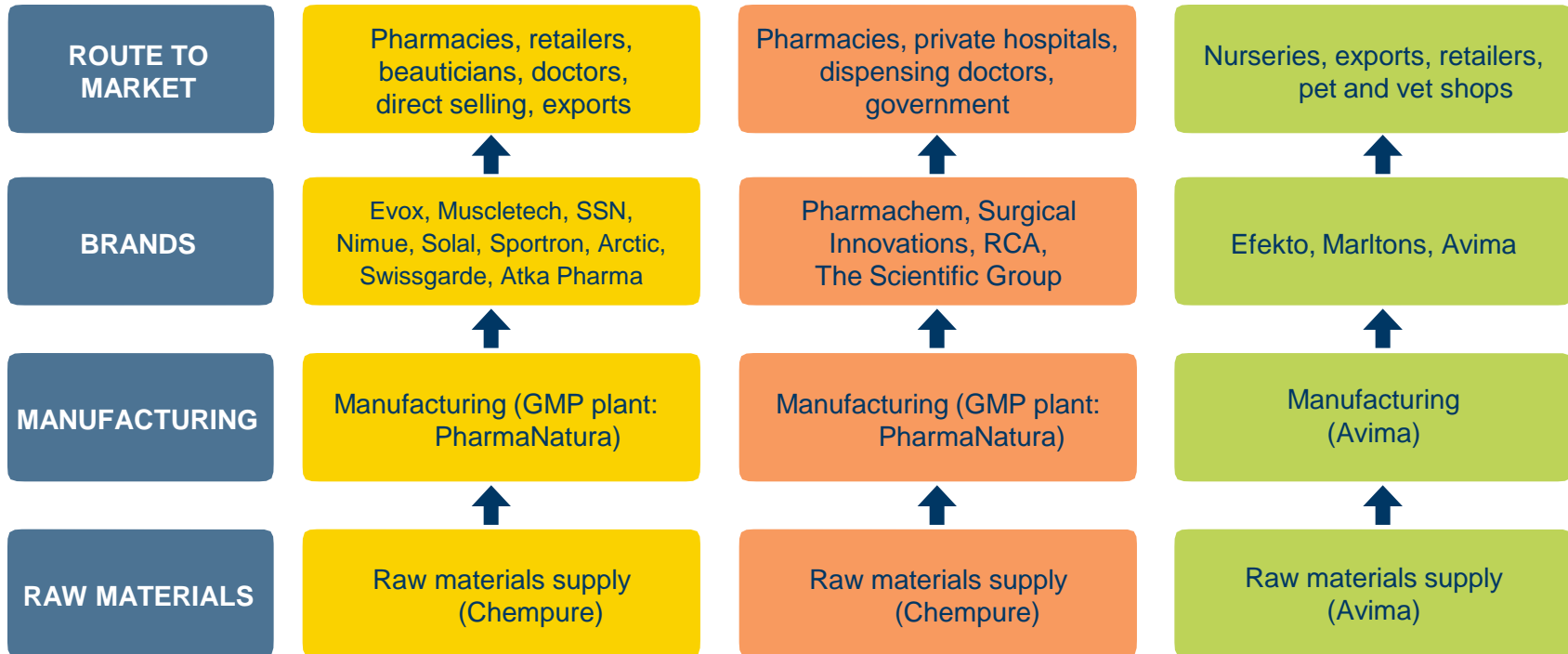


BUSINESS MODEL

Consumer

Pharma-Med

Phyto-Vet



GROUP SERVICES:
 Finance, Treasury, IT, HR, Marketing, Legal, Regulatory, Supply Chain





BRANDS

► **SOLAL, VitaForce, Bettaway, Foodstate, Junglevites, Arnica, Homeoforce, Dr Reckeweg, Similasan, Menacal, Chela range and Biobalance**

► **Nimue, SOLAL, & pH formula**

► **Evox, SSN & Muscletech, Bolus & Supashape**

► **Sportron & Swissgarde**

STRENGTHS

- Solal - established healthy ageing brand (>10 years)
- IP in 200 products
- Premium brands
- Mid- high LSM
- Similasan – strong homeopathic eye care range
- Market-leading vitamin and mineral brand dossiers
- Own API
- Long established brand with GMP manufacturing site for Vitaforce and Bettaway

- Nimue - established dermo-cosmeceutical brand in salons
- Own IP
- Premium brand
- High LSM
- Sold in 20 countries

- Established sports nutrition brands (>15 years)
- IP in most 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





BRANDS

► Ascendis Pharma

- Trusted, long-established generic medicines
- Access to doctor and pharmacy network
- Strong position in self-dispensing doctors' market
- Ability to compete for government tenders
- Strong pipeline off new dossiers



► Farmalider

- Established Spanish pharmaceutical group
- Strong presence in Spain and opportunities in Europe
- Own GMP accredited manufacturing site
- Strong cross licensing opportunities with Ascendis Pharma
- Product offering includes generic drugs, OTC, ethical products, dermocosmetics and dietary supplements



BRANDS

► **Surgical
Innovations**

- 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

► **RCA**

- 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

► **The Scientific
Group**

- Complementary diagnostics product range
- Strong export footprint
- Exclusive agency agreements with Horiba ABX, Becton Dickinson, Ortho Capital Diagnostics, Sakura Finetek and Corning
- Biggest clients are NHLS (National Health Laboratory Service), the three largest private pathology service providers in SA (Ampath, Lancet and Pathcare), Botswanan Ministry of Health and the Zambian Ministry of Health.



BRANDS

STRENGTHS

▶ Efekto

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

▶ Wonder

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

▶ Avima

- 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

▶ Marltons, Koi Country

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



R' m	Jun 2015	Jun 2014
Earnings used for ROE calculation	256.4	152.7
Normalised (including annualisation of TSG acquisition) headline earnings	260.8	152.7
Deduct: Saving in interest cost from Farmalider equity (R104m * 10% * 0.72 * 7/12)	(4.4)	-
Equity used for ROE calculation	1 615.7	1 135.7
Closing equity per balance sheet	1 824.2	1 204.0
Less: 50% of headline earnings for the year (to average equity)	(104.5)	(68.3)
Less: Equity capital reserved for Farmalider	(104.0)	-
ROE*	15.9%	13.4%

* The ROE is expected to improve as the fixed overhead costs that come with a listing and head office becomes a smaller percentage of the total costs of the group in the future

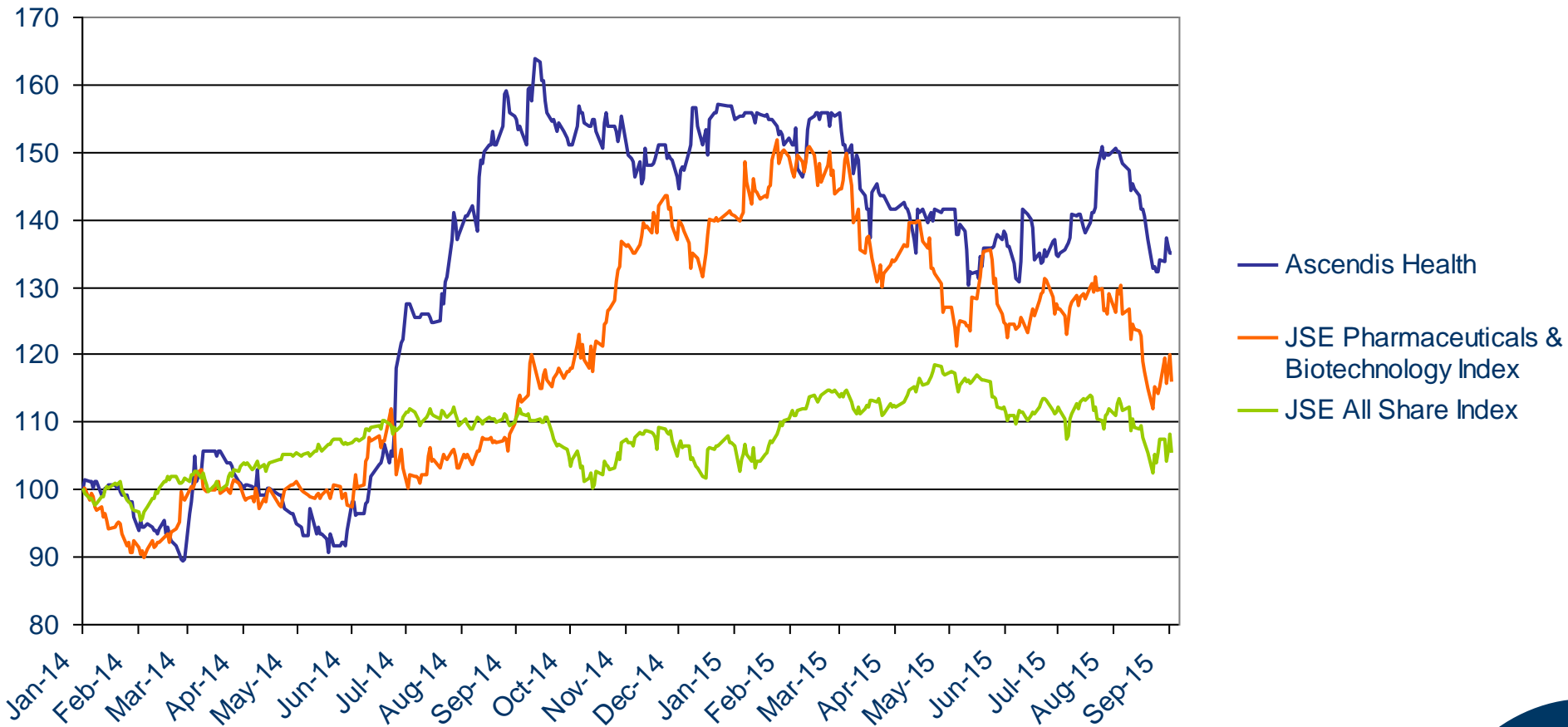


ROE OF TYPICAL ACQUISITION

R' m	Example
Earnings before interest and tax (EBIT)	10.0
Profit after tax	7.2
PE multiple	8.0
Price	57.6
Debt (at 2.5 x EBIT)	25.0
Equity portion	32.6
Post acquisition:	
EBIT	10.0
Finance cost at 10.5%	(2.5)
Taxation	(2.1)
Profit after tax	5.4
ROE in books of Ascendis	16.6%

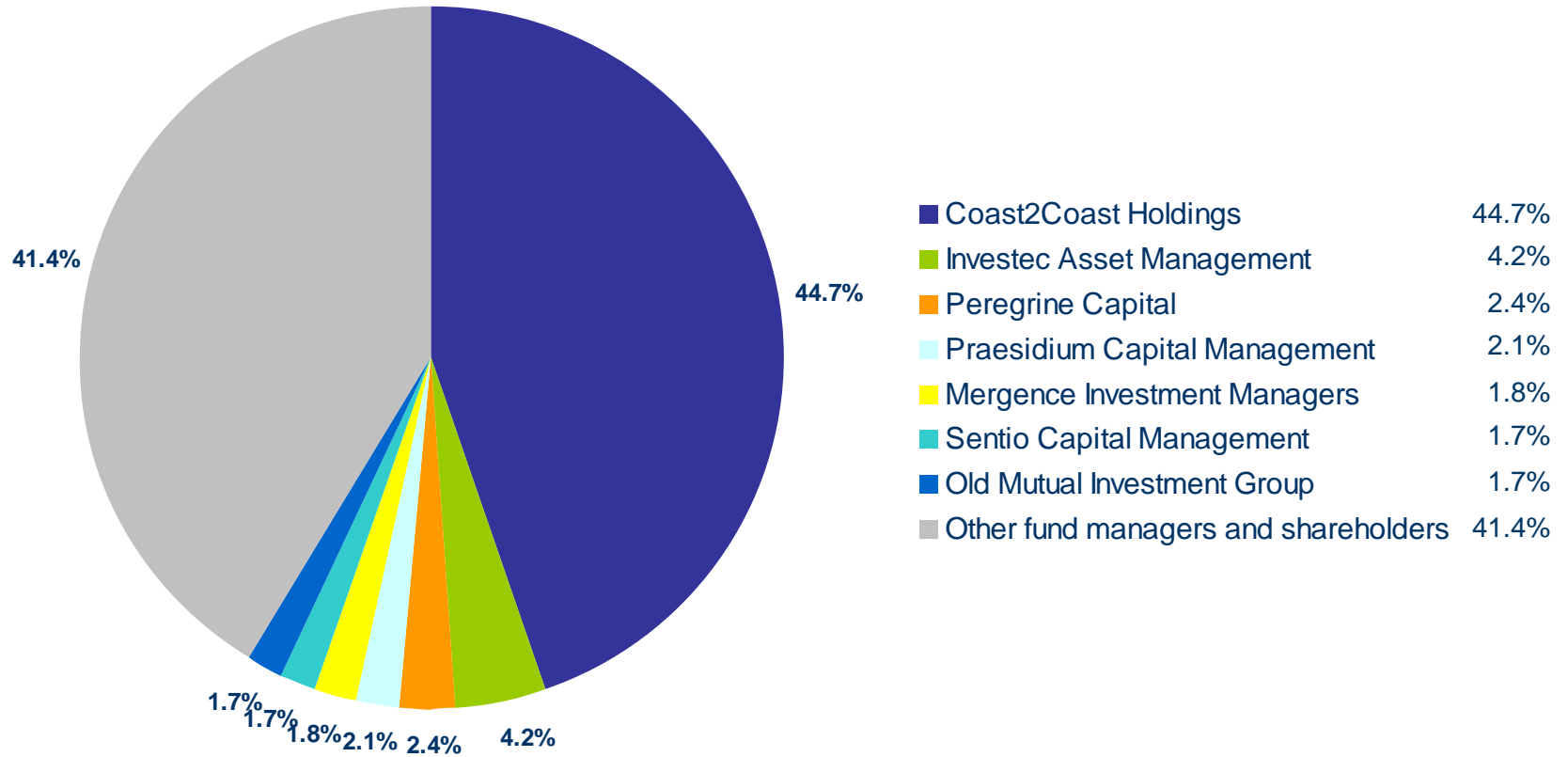


SHARE PRICE PERFORMANCE





SHAREHOLDER STRUCTURE

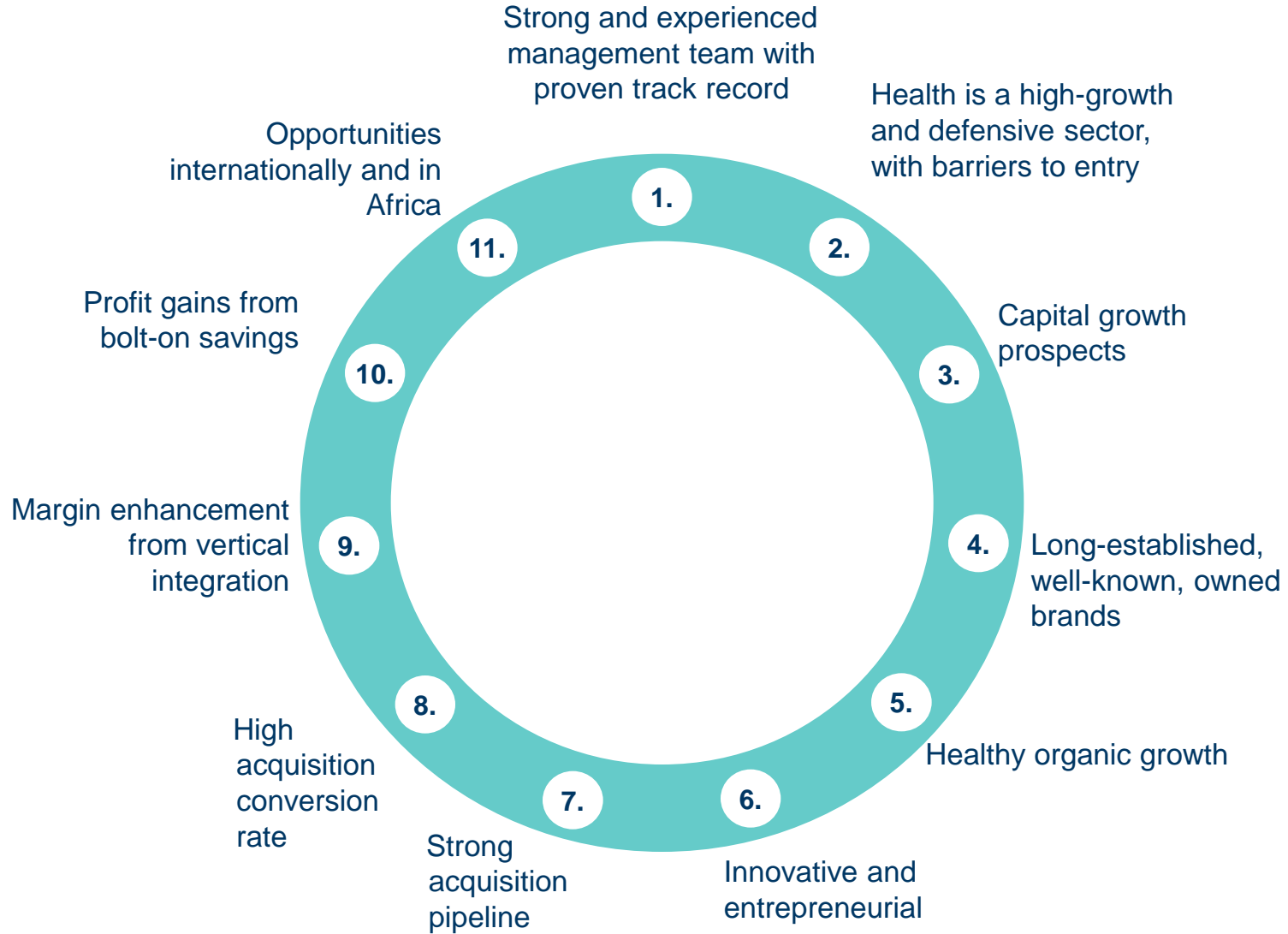


- 3.4% international holding
- 12.8% BEE holding





INVESTMENT CASE



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