



Ascendis
HEALTH

2016

RMB Morgan Stanley

Off Piste

Investor Conference





PRESENTATION OUTLINE



Section	Presenter
Overview	Dr. Karsten Wellner
Financial review	Kieron Futter
Operational performance	Dr. Karsten Wellner
Strategic focus	Dr. Karsten Wellner
Outlook	Dr. Karsten Wellner



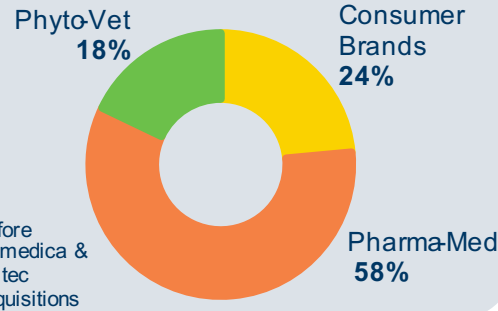
OVERVIEW

ASCENDIS HEALTH AT A GLANCE



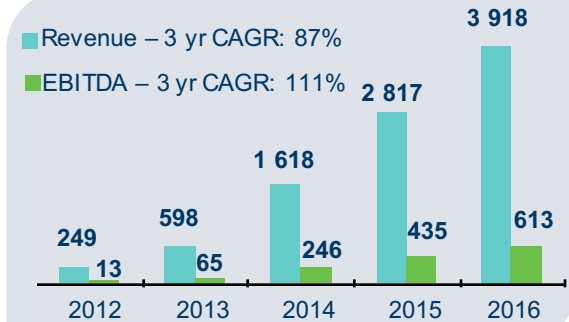
Who are we?

A South African-based health and care brands group 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 (currently exporting products to 52 countries, mainly in Africa & Europe)



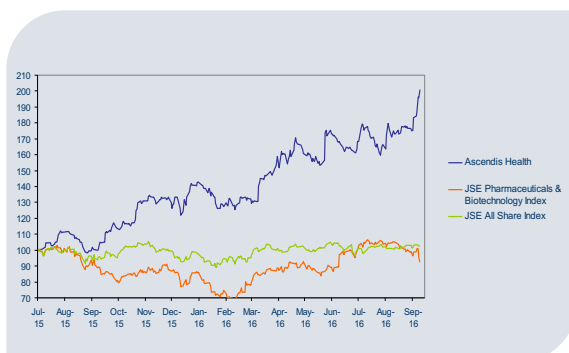
Brands

A portfolio of robust and defensible, market-leading brands, with a focus on owned brands



Management

Strong and experienced management team with a proven track record and entrepreneurial culture



Current market capitalisation

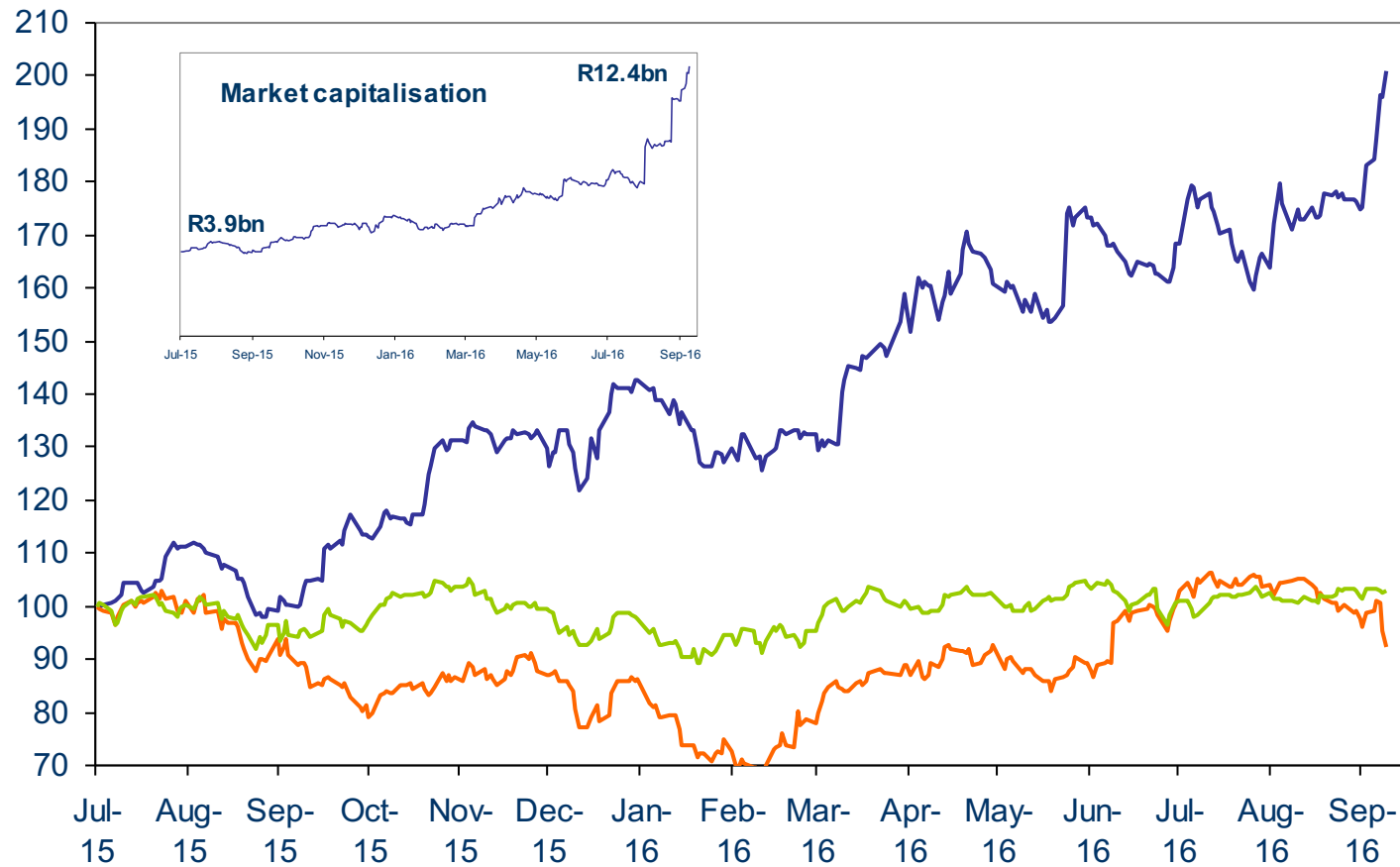
Approx R12 billion



SHARE PRICE PERFORMANCE



Indexed to 100

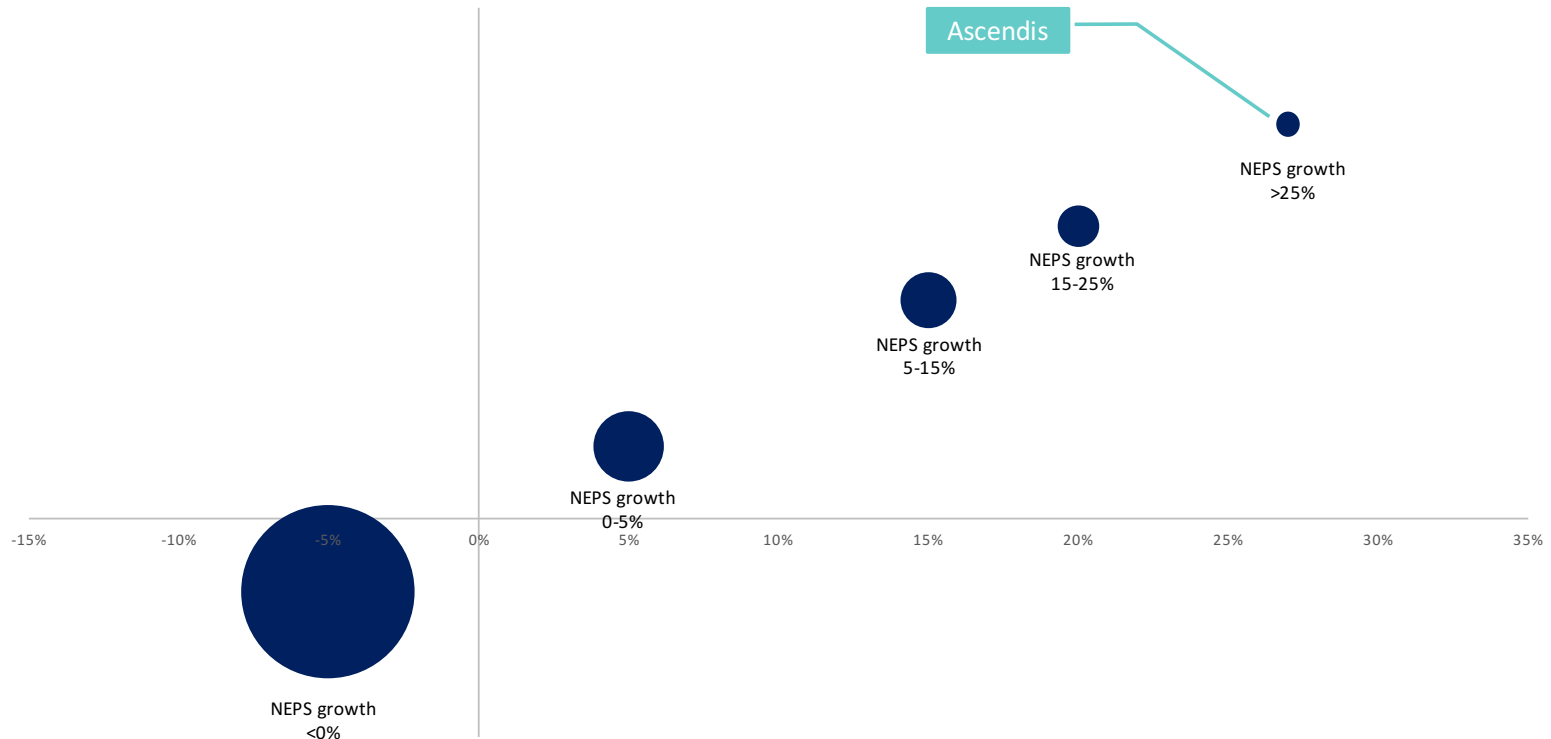


- Ascendis Health
- JSE Pharmaceuticals & Biotechnology Index
- JSE All Share Index

EARNINGS PERFORMANCE ON THE JSE



- Ascendis is one of the few JSE listed companies that have achieved **NEPS growth in excess of 25% per annum for the last 3 consecutive years**
- Companies are bracketed based on their lowest normalised diluted EPS growth rate achieved over the last 3 years



Source: Capital IQ, 7 Sep 2016



HIGHLIGHTS OF THE YEAR



NORMALISED EBITDA ↑ 41% TO R613m



NORMALISED HEPS ↑ 30% TO 121 cps



- **Successful integration of first international acquisition**
- **Remedica and Scitec acquisitions are transformative and earnings accretive from August 2016**
- **Post the Remedica and Scitec acquisitions, Ascendis Health is the second largest listed health company in Africa**



ORGANIC

- Organic revenue growth of 8%, including growing export business
- Focus on strong new product development and launches

INVESTMENT IN GROWTH

- Equity raising of R557m
- Post year end:
- R1.2bn rights issue – three times oversubscribed
 - R1.5bn vendor placement

ACQUISITIONS – INTERNATIONAL FOCUS

- Innovative SA kelp-processing company, Afrikelp
- Long-established Spanish B2B pharma group, Farmalider
- Leading SA pharma manufacturer & distributor, Akacia Healthcare
- €260m* Remedica Holdings, pharma business based in Cyprus
- €170m** European sports nutrition company, Scitec International

* €90m deferred for three years ** €20m deferred for one year



FINANCIAL REVIEW

- Revenue **↑39%** to R3.9bn
- Normalised EBITDA **↑41%** to R613m – margin up 20 bps
- Normalised operating profit **↑41%** to R529m
- Normalised HEPS **↑30%** to 121.1 cps
- HEPS **↓30%** to 55.6 cps
 - Impacted by R150m transaction costs
- Interim dividend 9.5 cps
Final dividend 12.0 cps } 21.5 cps (2015: 19.0 cps)

INCOME STATEMENT

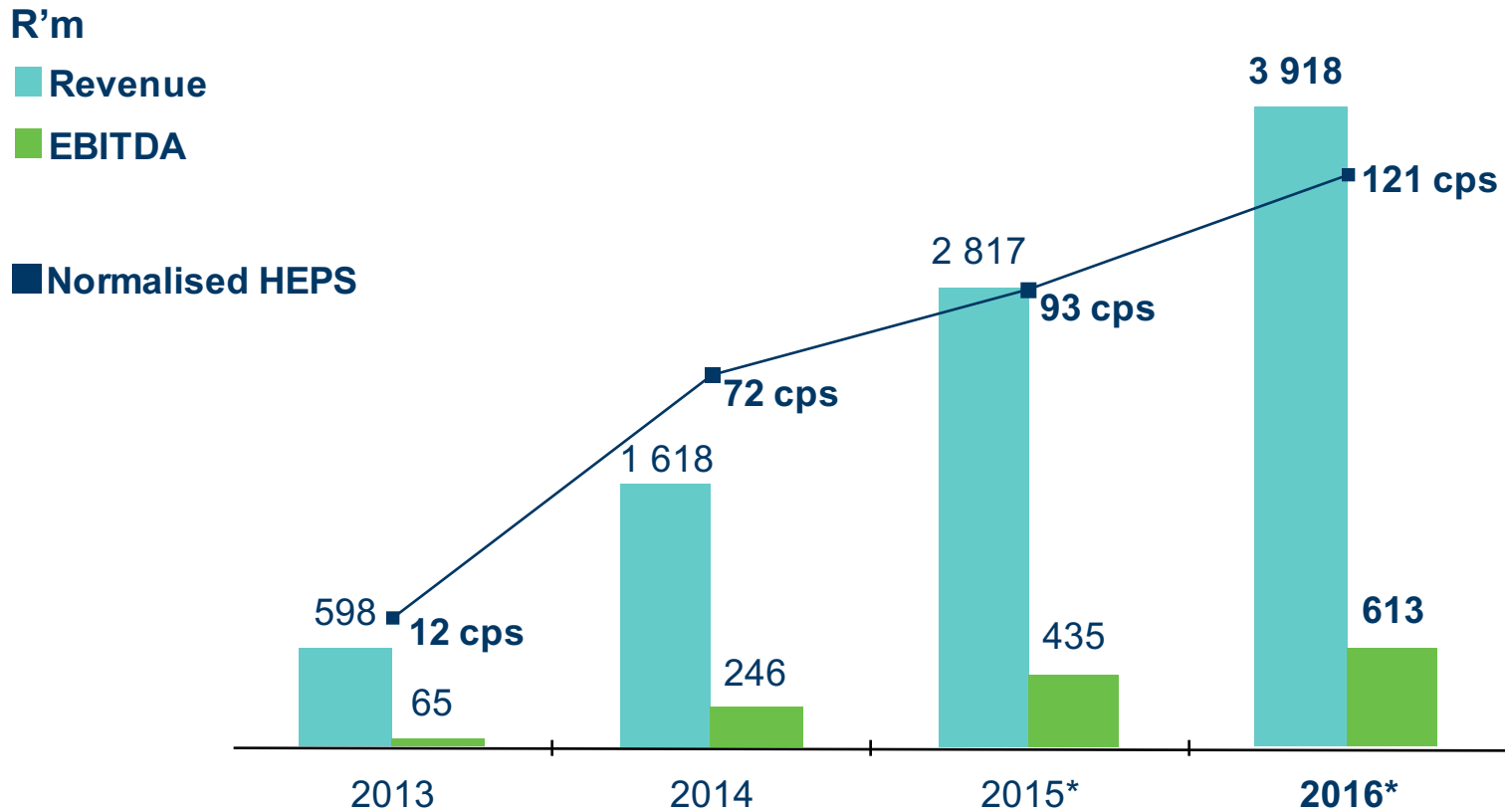


R'm	June 2016	June 2015	% change
Revenue	3 918	2 817	39.1
Cost of sales	2 356	1 588	48.4
Gross profit	1 562	1 229	27.2
Gross profit margin	39.9%	43.6%	
Other income	86	27	>100
Operating expenses (excluding D&A and transaction & restructuring costs)	1 035	821	26.0
Normalised EBITDA	613	435	41.0
EBITDA margin	15.6%	15.4%	
Depreciation	30	23	31.3
Amortisation	53	37	43.8
Normalised operating profit	529	375	41.3
Operating profit margin (excl amortisation)	14.9%	14.6%	
Net finance costs	124	70	79.4
Normalised profit before tax	405	305	32.6
Taxation	68	86	(21.1)
Normalised profit after tax	337	219	53.8
Less: Non-controlling interest	(32)	-	
Attributable normalised profit after tax	305	219	
Net profit on sale of PPE and investment	(4)	(1)	
Add back: Amortisation (net of tax)	35	27	
Normalised headline earnings	336	245	37.4

REVENUE AND EARNINGS GROWTH



3-year CAGR:
 Revenue ↑ 87% p.a. EBITDA ↑ 111% p.a.



* Normalised EBITDA

Excludes acquisitions of Remedica and Scitec



HEPS AND NORMALISED HEPS



R' m	Jun 2016	Jun 2015	% change
Headline earnings	154	209	(26.2)
Transaction and restructuring costs	147	9	
Transaction costs	150	12	
Restructuring costs less deferred vendor liability remeasurement	3		
Tax effect	(6)	(3)	
Amortisation (after tax)	35	27	32.4
Normalised headline earnings	336	245	37.4
Weighted average number of shares in issue ('m)	277.9	263.6	
HEPS (c)	55.6	79.3	(29.9)
Normalised HEPS (c)	121.1	92.9	30.4



BALANCE SHEET – ASSETS



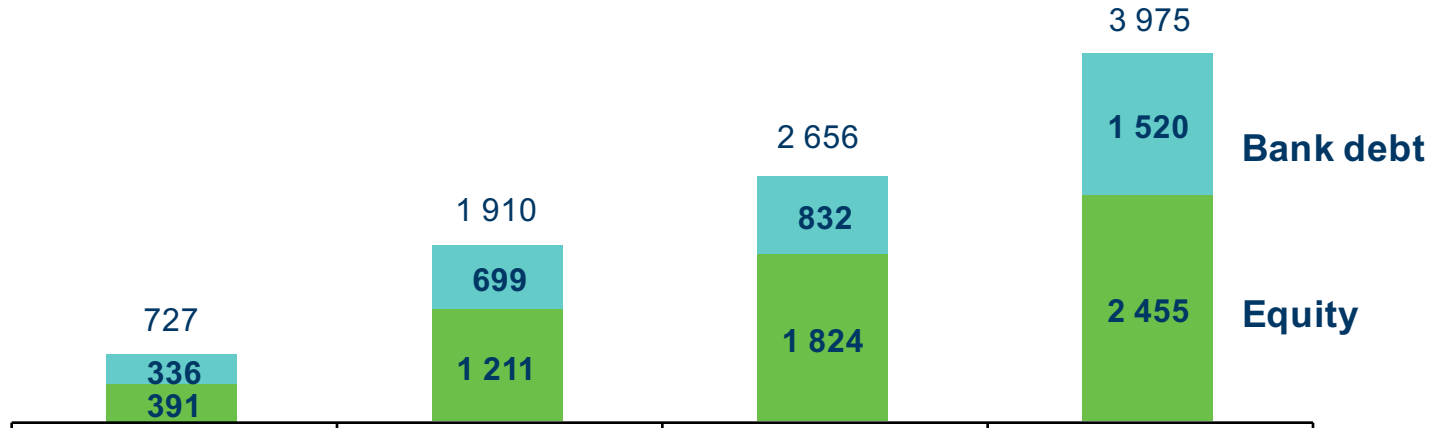
R'm	Jun 2016	Jun 2015	% change
Non-current assets	3 457	2 258	53.2
Property, plant and equipment	365	153	139.4
Goodwill and intangible assets	3 008	2 060	46.0
Other non-current assets	84	45	86.4
Current assets	2 265	1 396	62.0
Inventories	940	582	61.5
Trade and other receivables	1 066	571	86.4
Cash and cash equivalents	199	125	58.6
Other current assets	60	118	(49.7)
Total assets	5 722	3 654	56.5

BALANCE SHEET – EQUITY AND LIABILITIES

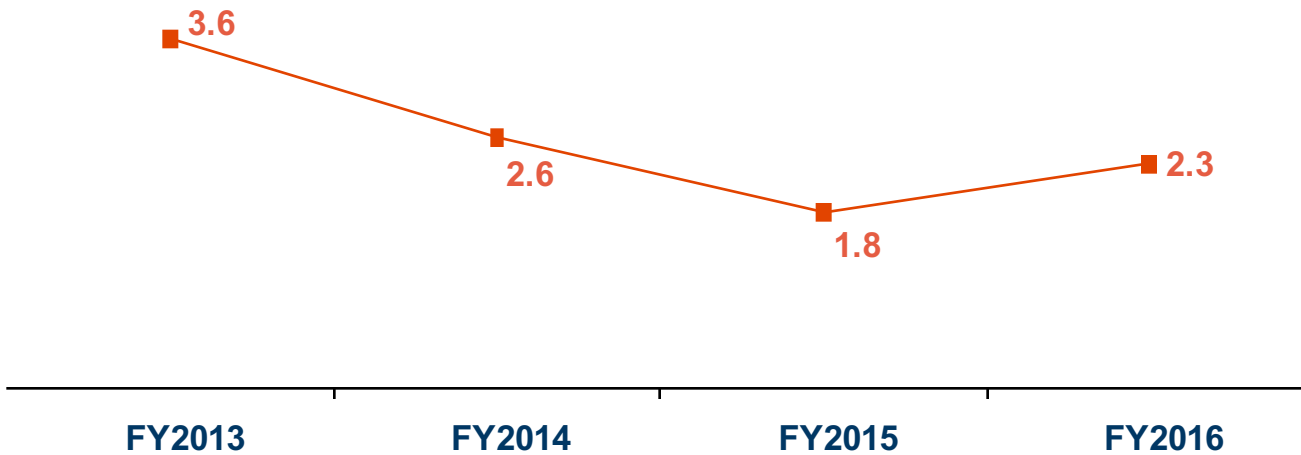


R'm	Jun 2016	Jun 2015	% change
Equity	2 455	1 824	34.6
Non-current liabilities	1 326	975	57.3
Borrowings	1 052	798	31.8
Deferred vendor liabilities	208	37	>100
Other non-current liabilities	274	140	96.0
Current liabilities	1 733	855	>100
Trade and other payables	853	471	81.2
Borrowings	377	38	>100
Deferred vendor liabilities	223	281	(20.8)
Bank overdraft	221	24	>100
Other current liabilities	59	41	42.3
Total liabilities	3 267	1 830	78.4
Total equity and liabilities	5 722	3 654	56.5

BANK DEBT TO
EQUITY

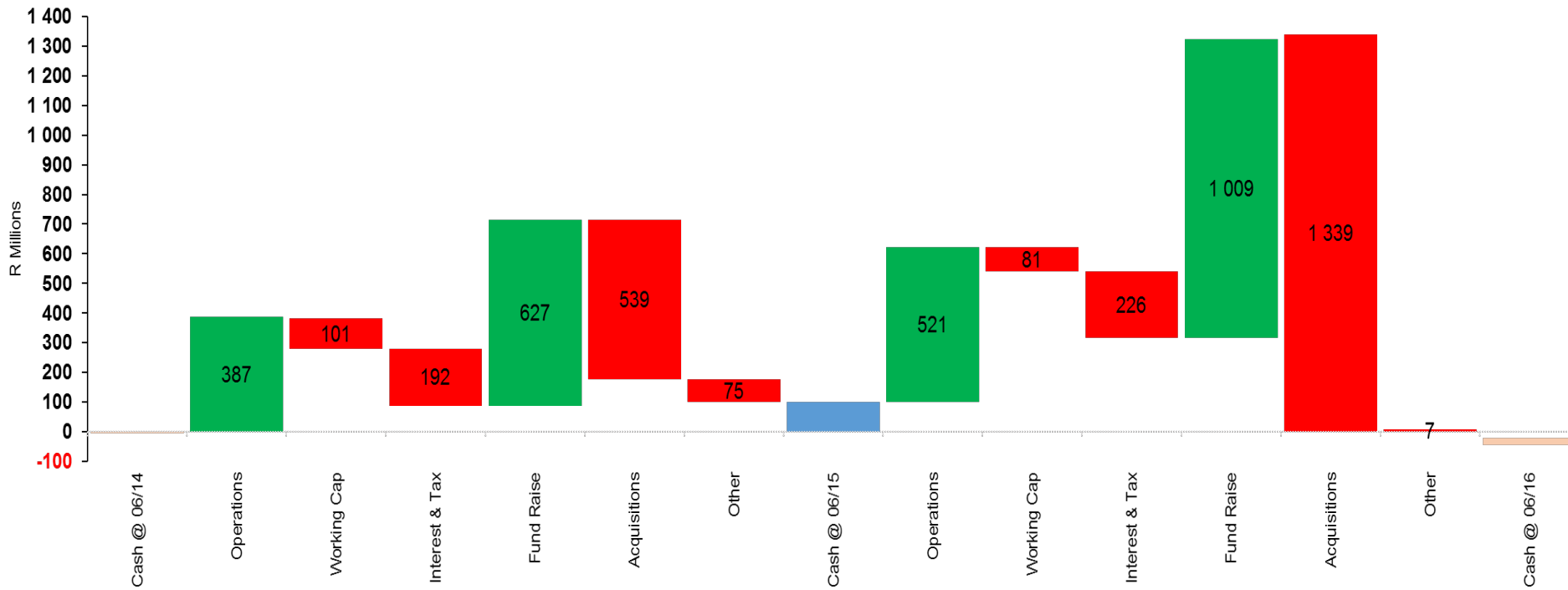


DEBT : EBITDA
RATIO



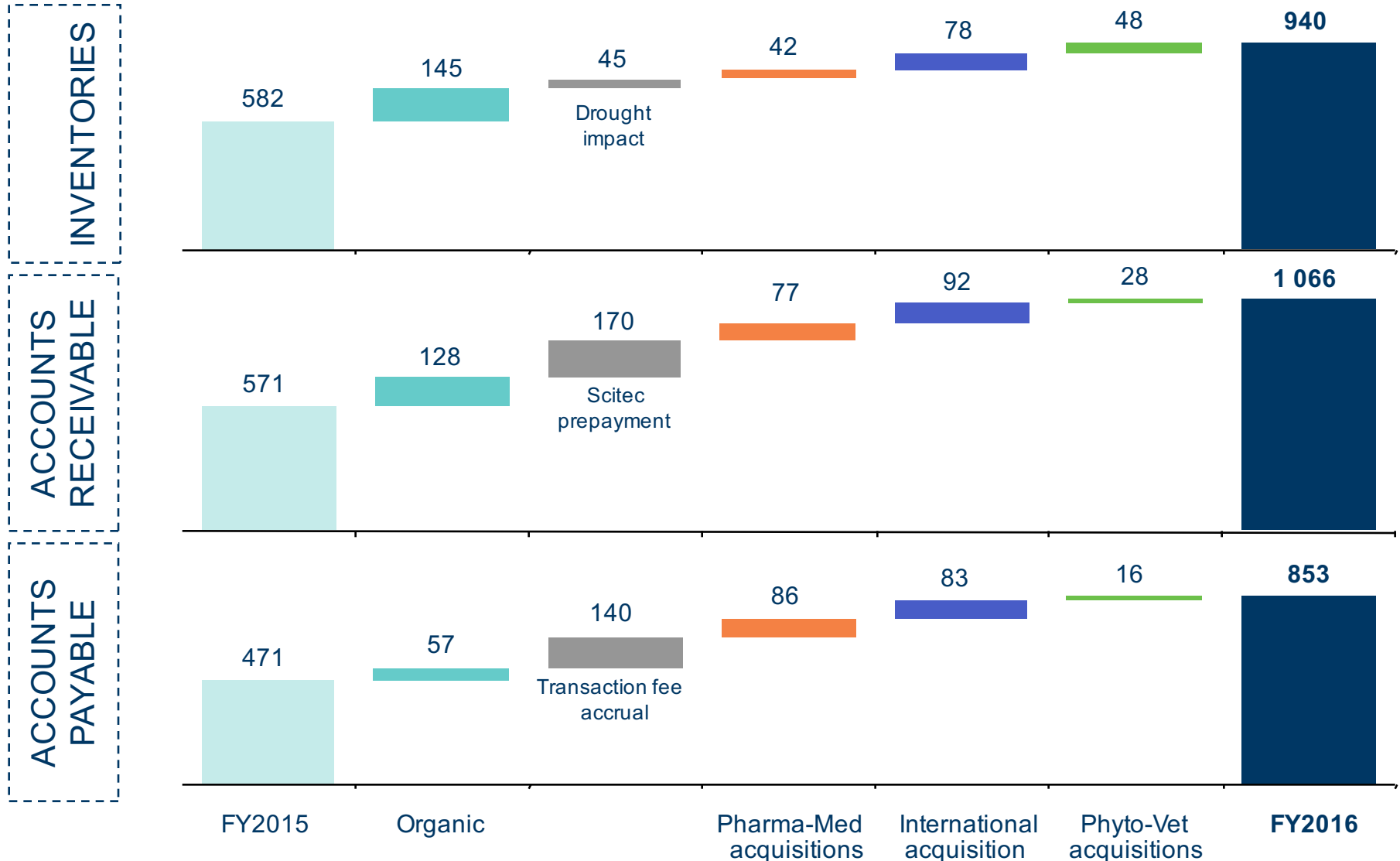


CASH FLOW MOVEMENTS





WORKING CAPITAL MOVEMENTS



KEY RATIOS



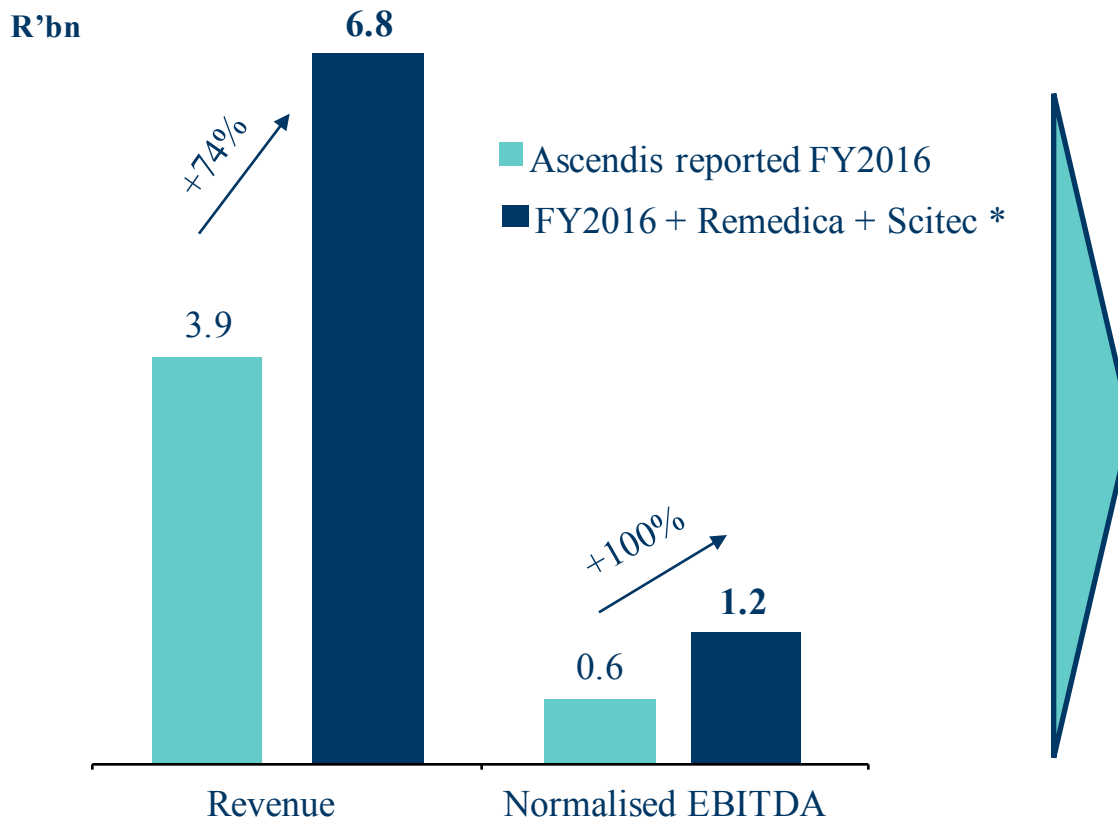
		Jun 2016	Jun 2015
Annualised sales* (R' m)		4 289	3 253
Annualised normalised EBITDA* (R' m)		653	458
Interest cover (times)		4.4	4.8
Debt to EBITDA (times)*		2.3	1.8
Net working capital days*	118 #	131	101
Inventory days	117 #	128	112
Debtor days	58 #	65	58
Creditor days	(57) #	(62)	(69)
ROE (%)		14.3%	15.9%
ROTNA*** (%)		35.1%	37.2%

* Annualisation provides more meaningful ratio analysis

** Excludes goodwill and intangibles

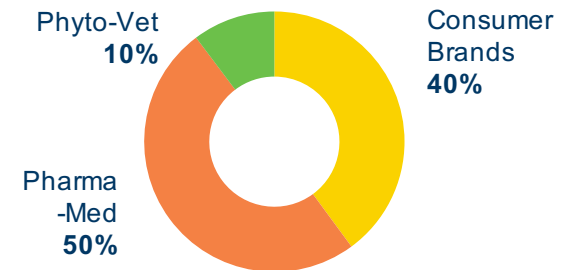
Excludes Farmalider and IFRS adjustments

Including Remedica and Scitec acquisitions (pro-forma, no forecast):



Ascendis Health

- Global company
- Perfect Rand hedge
- Lower tax rates
- Well diversified



2016 Ascendis revenue + Remedica + Scitec: R6.8bn

* Using management accounts from Remedica and Scitec for January – June 2016 annualised, using average exchange rate






OPERATIONAL PERFORMANCE

DIVISIONAL PERFORMANCE



June 2016

	Consumer 	Pharma-Med* 	Phyto-Vet 
Revenue	R922m	R2 295m	R701m
Adjusted revenue growth	-2.9%	+83.9%	+13.1%
EBITDA	R207m	R370m	R96m
EBITDA margin	+25.9%	+58.7%	+17.9%
EBITDA margin	22.4%	16.1%	13.7%

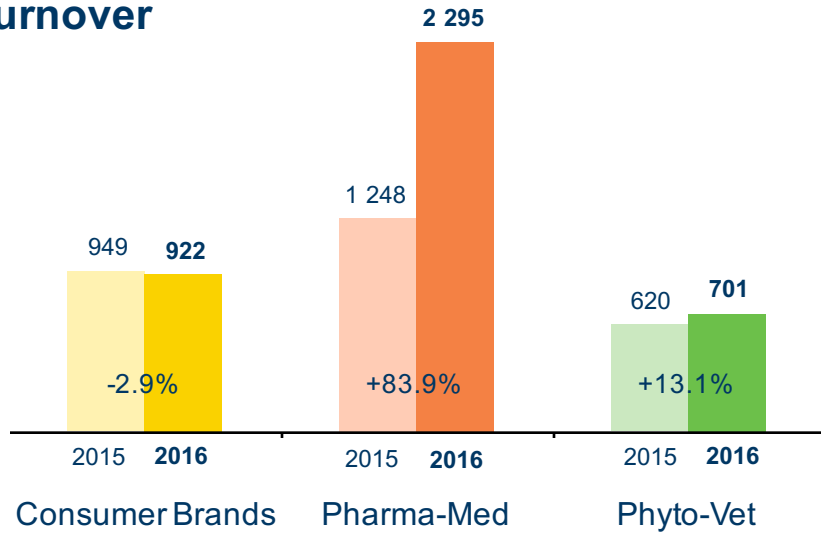
* Includes International segment



DIVISIONAL CONTRIBUTION

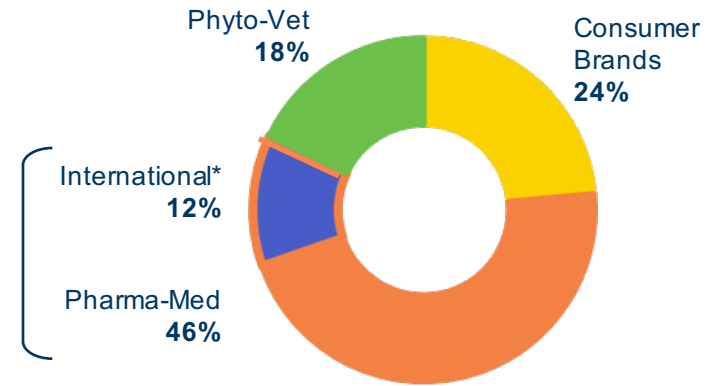


Turnover

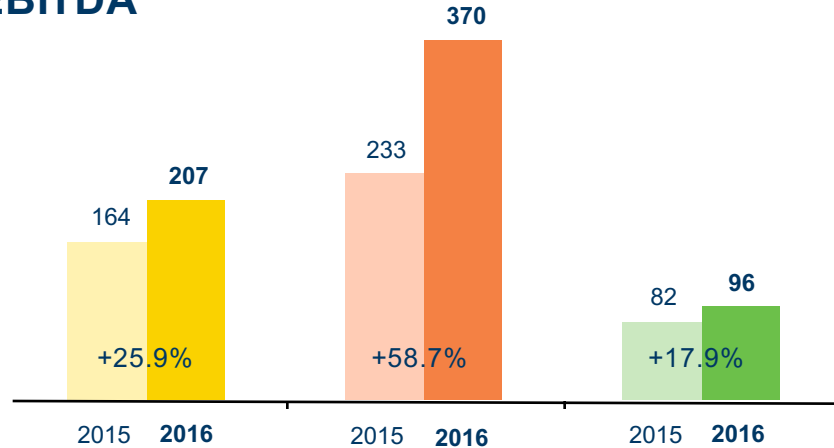


June 2016

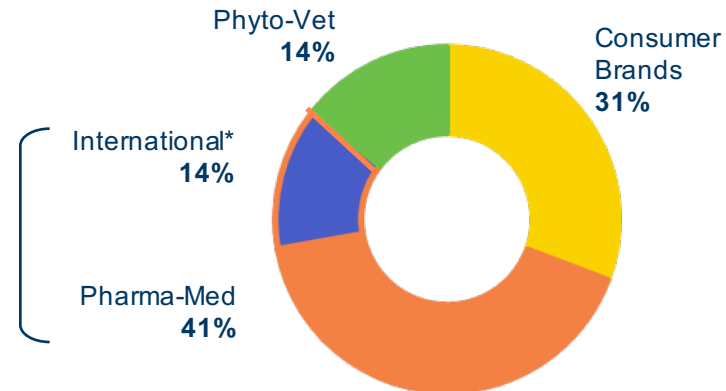
Total Pharma-Med
58%



EBITDA



Total Pharma-Med
55%

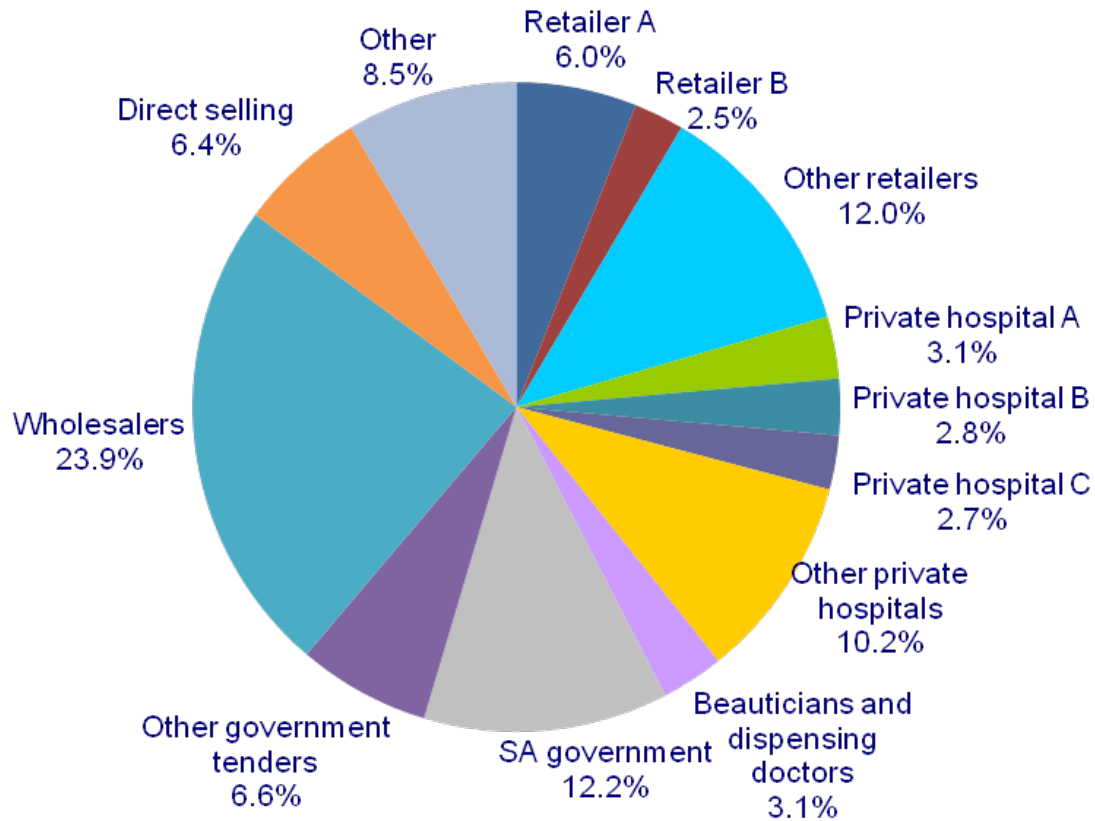




DIVERSIFICATION OF THE BUSINESS



Turnover breakdown by customer



Total revenue for FY2016: **R3918m**

MARKET-LEADING BRANDS



Solal
(healthy ageing)



Ascendis Sports Nutrition



Nimue
(beauty salon market)



Ascendis Direct Selling
(nutraceuticals)



No 1
SA market segment

No 2
SA market segment

PharmaNatura



MARKET-LEADING BRANDS continued



Pharma

Pharmachem
(dispensing doctor market)



Akacia



Akacia

(cold and flu)



Medical

Surgical Innovations
(surgery)



Ascendis Medical Devices



Phyto

Efekto and Wonder



Afrikelp



Vet

Marltons
(pet care)



No 1
SA market segment

No 2
SA market segment



R'm	%ch 2016 vs 2015	Jun 2016	Jun 2015	Jun 2014
Revenue	(2.9%)	922	949	659
Adjusted revenue growth	2.4%			
EBITDA	25.9%	207	164	113
EBITDA margin		22.4%	17.3%	17.1%

- New leadership in Wellness division from March showing first positive results
- Short period of sales disruption owing to consolidation of 3 manufacturing facilities, countered by lower operating costs in Sports Nutrition
- Impact on direct selling businesses from oil price effect on Nigerian consumers
- Integration cost savings resulting in higher EBITDA margin
- Strong performance by Nimue
- Investment to relocate and upgrade compounding pharmacy



PHARMA-MED (INCLUDING INTERNATIONAL)



R'm	% ch 2016 vs 2015	Jun 2016	Jun 2015	Jun 2014
Revenue	83.9%	2 295	1 248	411
EBITDA	58.7%	370	233	103
EBITDA margin		16.1%	18.7%	25.1%

- Integration of Akacia acquisition (accretive from April 2016) with synergies and backwards integration of Ascendis Pharma; ongoing work with in-sourcing of production
- Higher value of pharma tenders with lower margin increased sales of Pharma-Med division but reduced overall operating margin
- Medical division had another good year and achieved its target
- Farmalider (Spain) accretive from August 2015; performed above expectations



R'm	%ch 2016 vs 2015	Jun 2016	Jun 2015	Jun 2014
Revenue	13.1%	701	620	549
EBITDA	17.9%	96	82	49
EBITDA margin		13.7%	13.2%	8.9%

- Improved margins for Efekto and Marltons (successful synergy projects and ongoing SKU rationalisation project)
- Continued profitable growth in Marltons
- Drought in southern Africa had negative impact on Efekto and Avima (approximately R75m in sales)
- Afrikelp accretive from February 2016; focus on growing export opportunities (Europe and US)

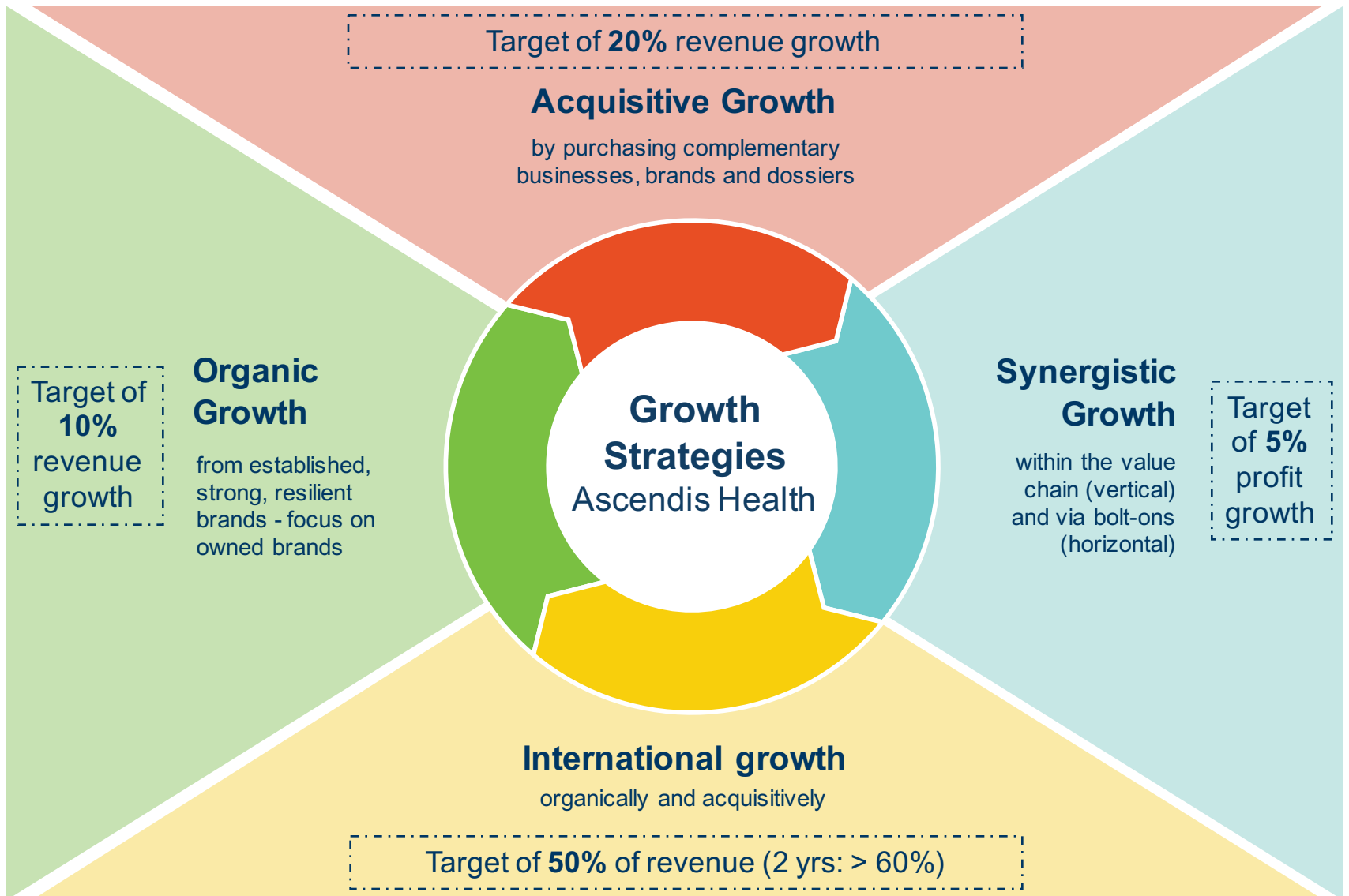




STRATEGIC FOCUS

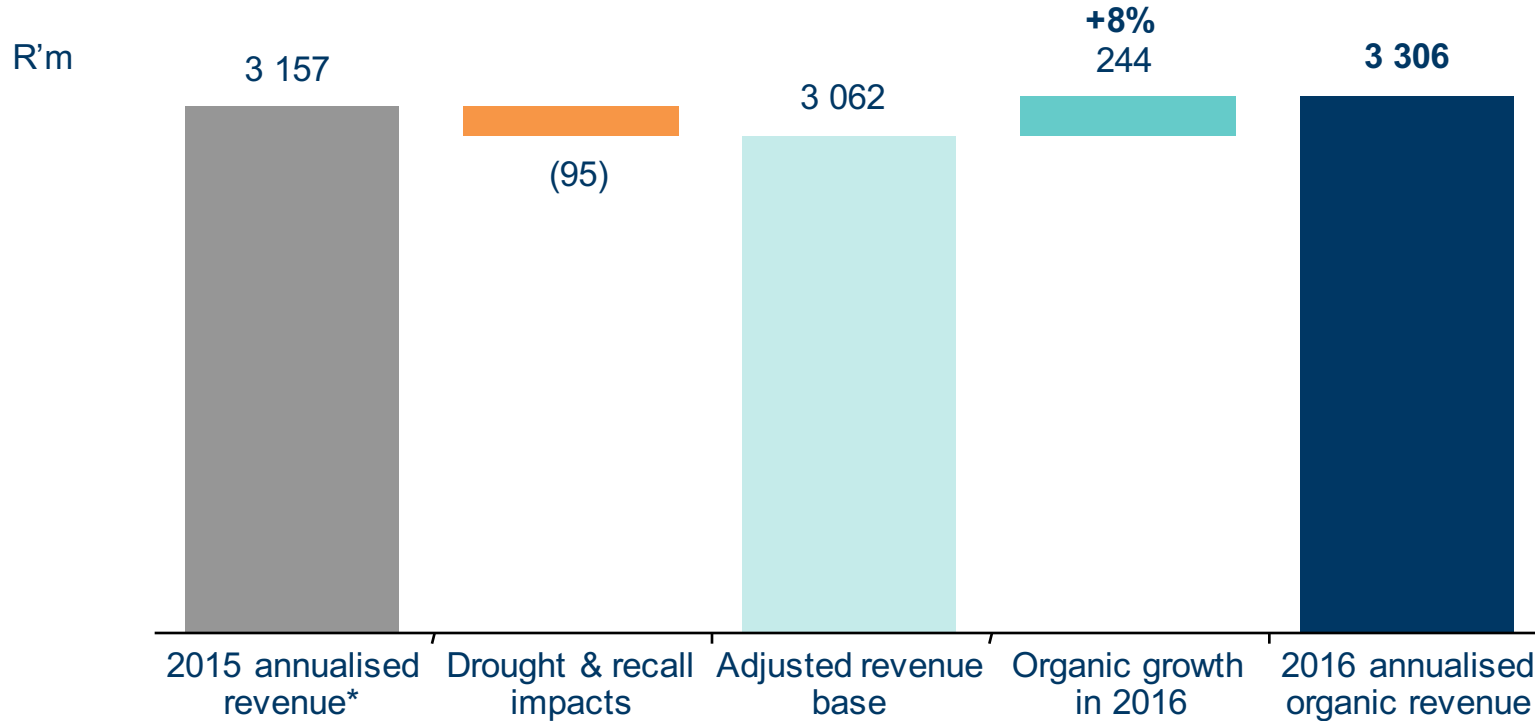


MEDIUM TERM GROWTH STRATEGIES



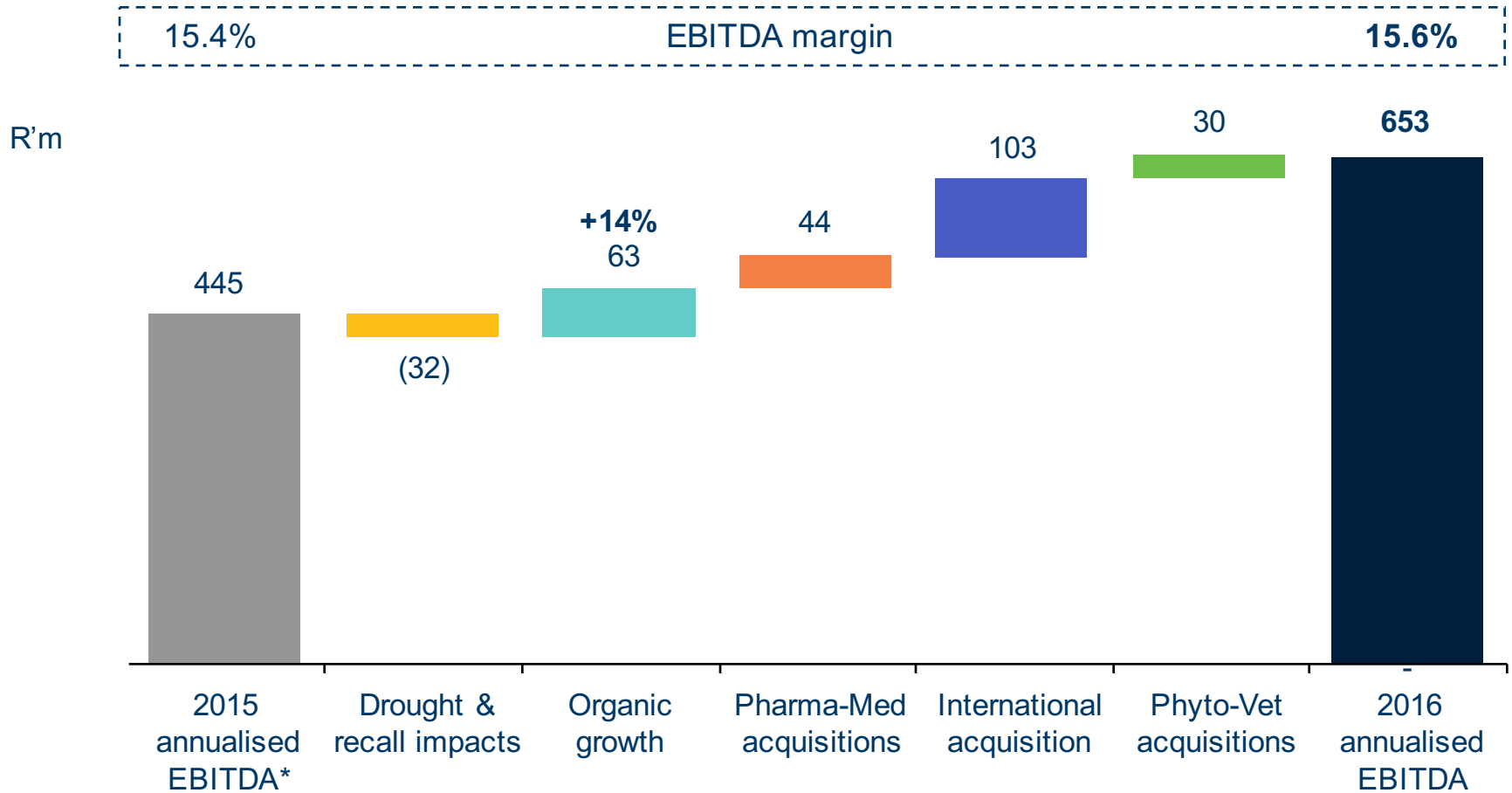


ORGANIC SALES GROWTH



- Drought, consol. of sports nutrition and delay in supply of a medical device product had negative impact on sales
- Successful projects to counter effects (cost control, synergies, value chain improvements)
- Strong growth in pharma and medical products for surgery and diagnostics
- Excellent growth in contract manufacturing at PharmaNatura plant
- Strong growth in Phyto-Vet division in non-drought influenced brands

EBITDA GROWTH



* Annualised number for businesses owned at 1 July 2015

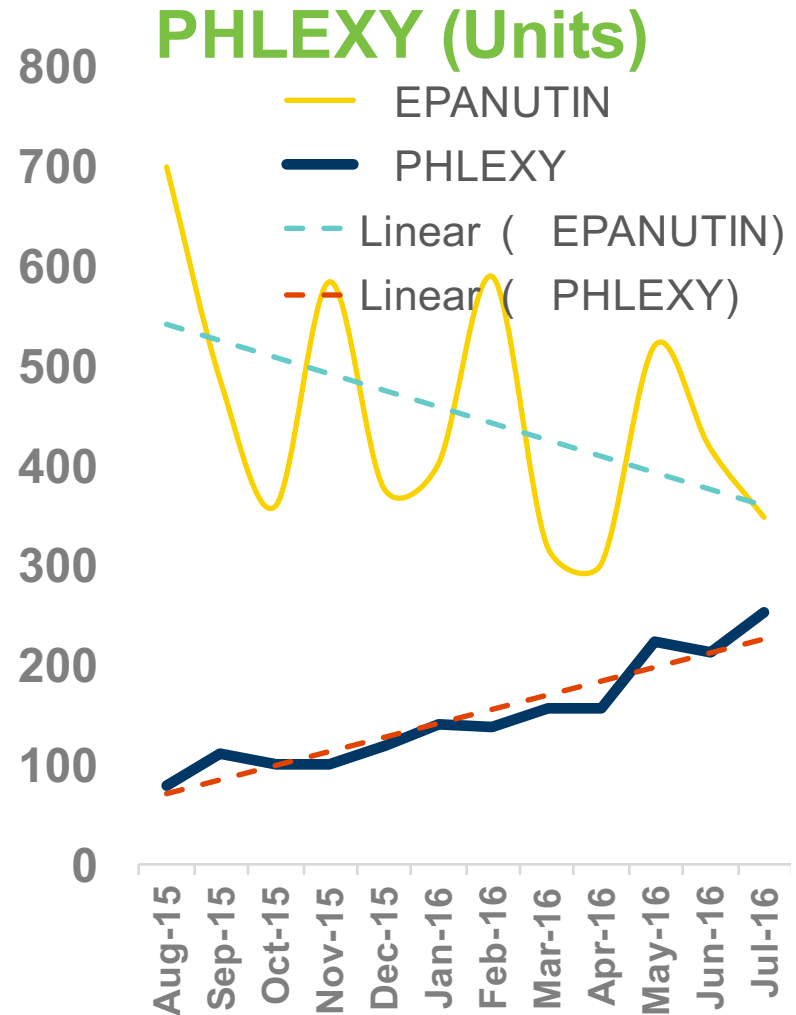
NEW PRODUCT LAUNCHES



NEW PRODUCT LAUNCHES - NIMUE



NEW PRODUCT LAUNCHES - PHARMA



HEALTH & CARE BRANDS



Consumer



Pharma-Med



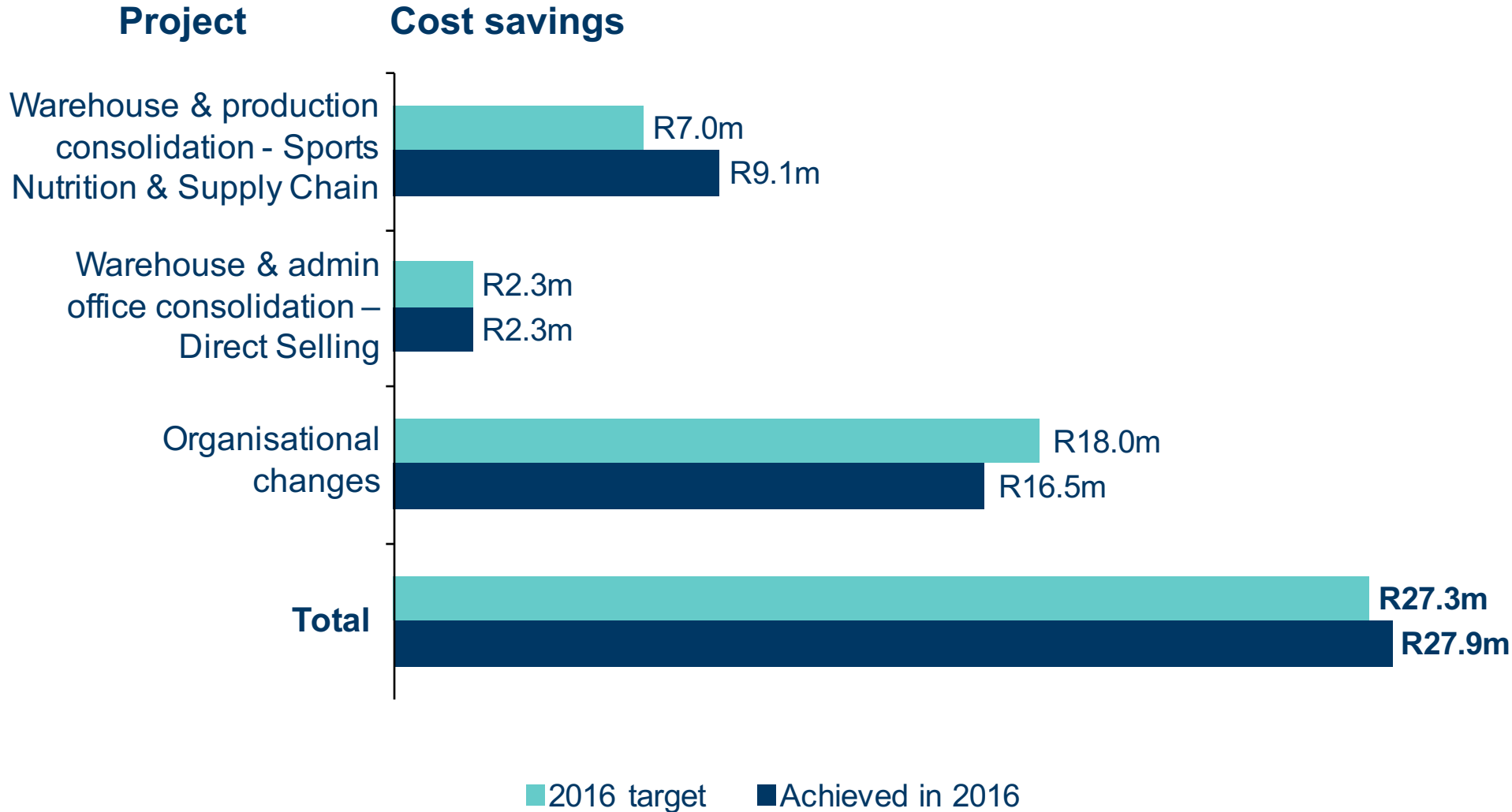
Phyto-Vet



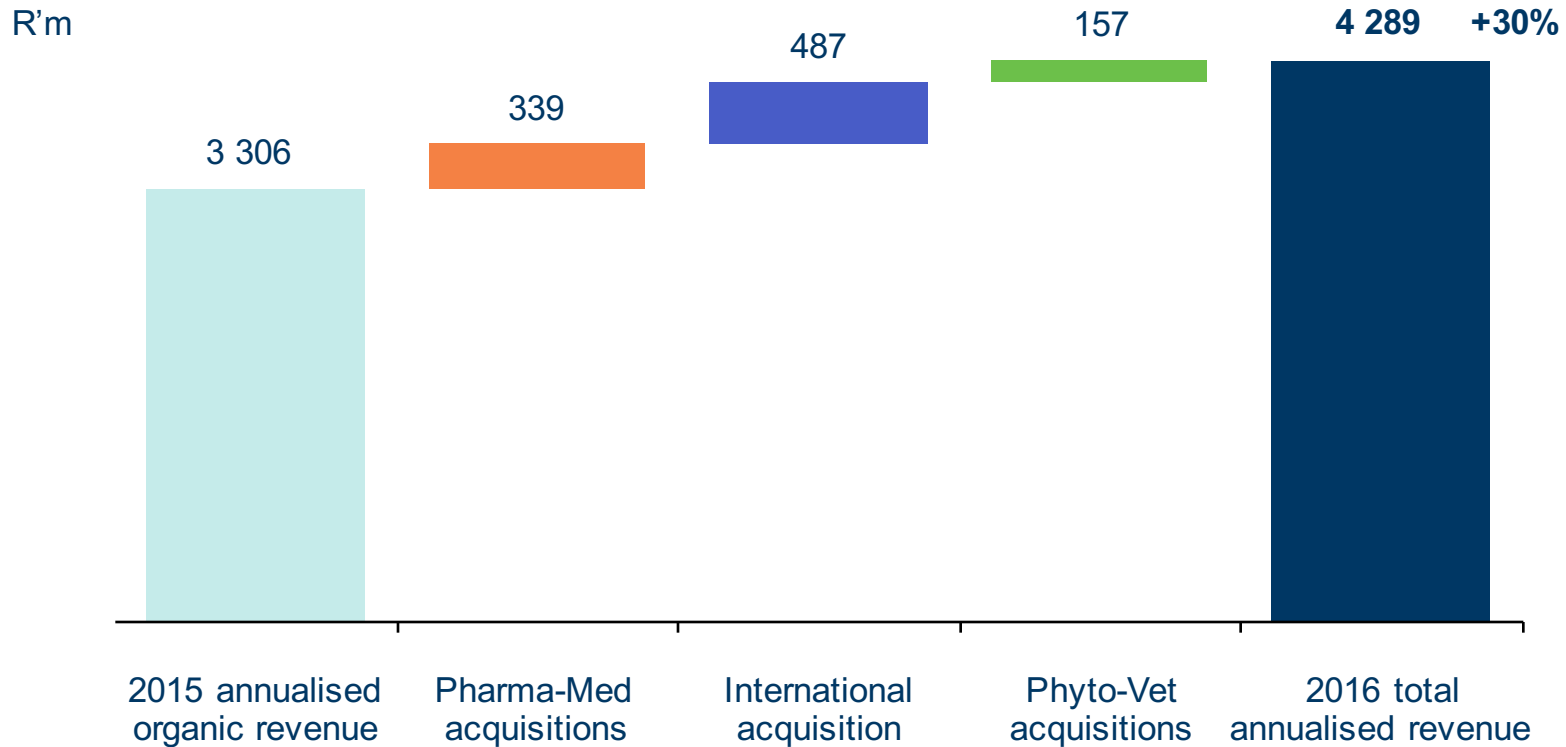
GROUP (SHARED) SERVICES:

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

SYNERGY PROJECTS



ACQUISITIVE SALES GROWTH



- Pharma-Med acquisitions: Akacia Healthcare, Sandoz dossiers
- International acquisition: Farmalider
- Phyto-Vet acquisitions: Afrikelp, Klub M5

DESCRIPTION
DEAL STRUCTURE
RATIONALE

- Leading SA seaweed-processing company (active ingredient: *ecklonia maxima*), established in 1971, specialising in collecting, cultivating, sustainably harvesting and processing seaweeds for the production of natural growth stimulants in agriculture and horticulture.
- Sales mostly export-driven, distributing to 70 countries mainly through partnership with a German consumer brand company
- Total purchase price of R175m (part cash, part shares and part deferred)
- Accretive from February 2016
- Provides Ascendis with a strong platform to grow and expand its agricultural business both domestically and internationally
- Synergies with Efekto



ACQUISITIONS – AKACIA HEALTHCARE



DESCRIPTION

DEAL STRUCTURE

RATIONALE

- Leading SA manufacturer, marketer and distributor of pharmaceutical products, specialising in branded generics, OTC medicines and complementary medicines
- Reuterina is the market-leading probiotic; Sinucon and Sinuend brands are in top three of cold and flu OTC market



- Acquired for R245m + R100m for manufacturing facility (ex Roche plant)
- Accretive from April 2016



- Ascendis Pharma-Med division to benefit from entry into new channels, administrative synergies (backwards integration of Pharma division) and vertical integration of manufacturing locally
- First 3 months sales and profit meeting expectations

- R600m available for acquisitions – target to add R100m PAT once deployed into acquisitions, with no further equity raise

SA

- Search and negotiations for bolt-on deals in all divisions
- Focus on businesses/brands with existing exports or export potential of brands

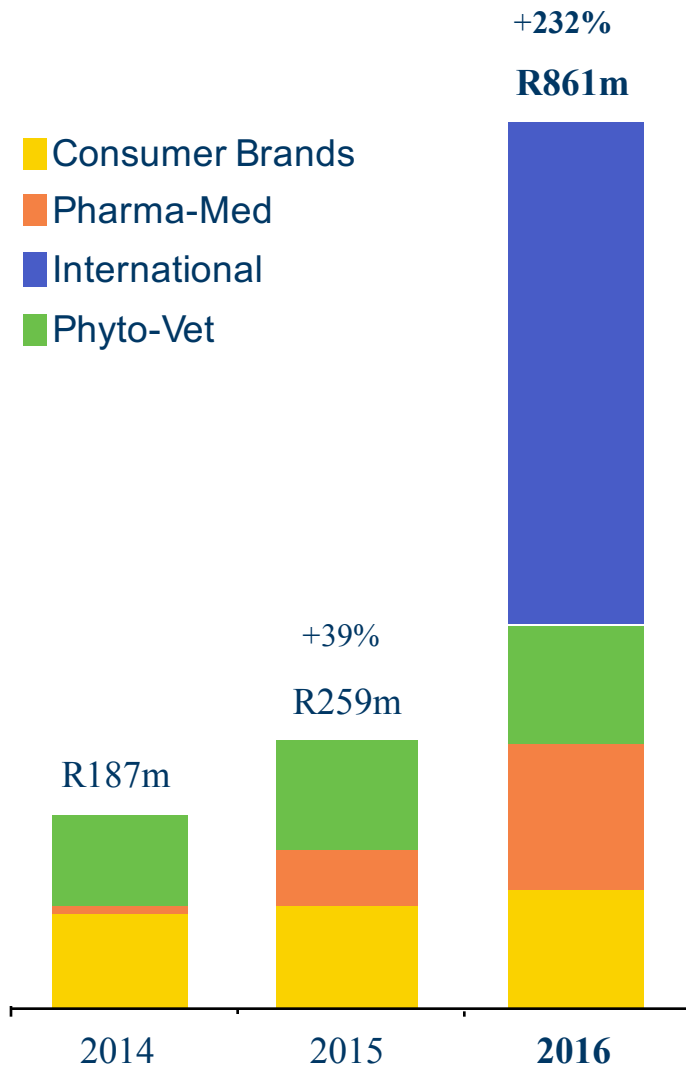
INTERNATIONAL

- Two successful platform acquisitions for Pharma (Remedica) and Sports Nutrition (Scitec) accretive from August 2016
- Search for bolt-on opportunities for Remedica and Scitec, and further strategic businesses in Europe (especially Eastern Europe) and emerging markets

Strong pipeline with more global focus on platform companies



INTERNATIONALISATION / FOREIGN REVENUE



- International sales now 22% of revenue*
- Most international brands: Afrikelp (80%), Swissgarde (63%), Avima (34%), Nimue (59%), The Scientific Group (36%)
- Foreign revenue covers 54% of imported COS (June 2015: 26%)

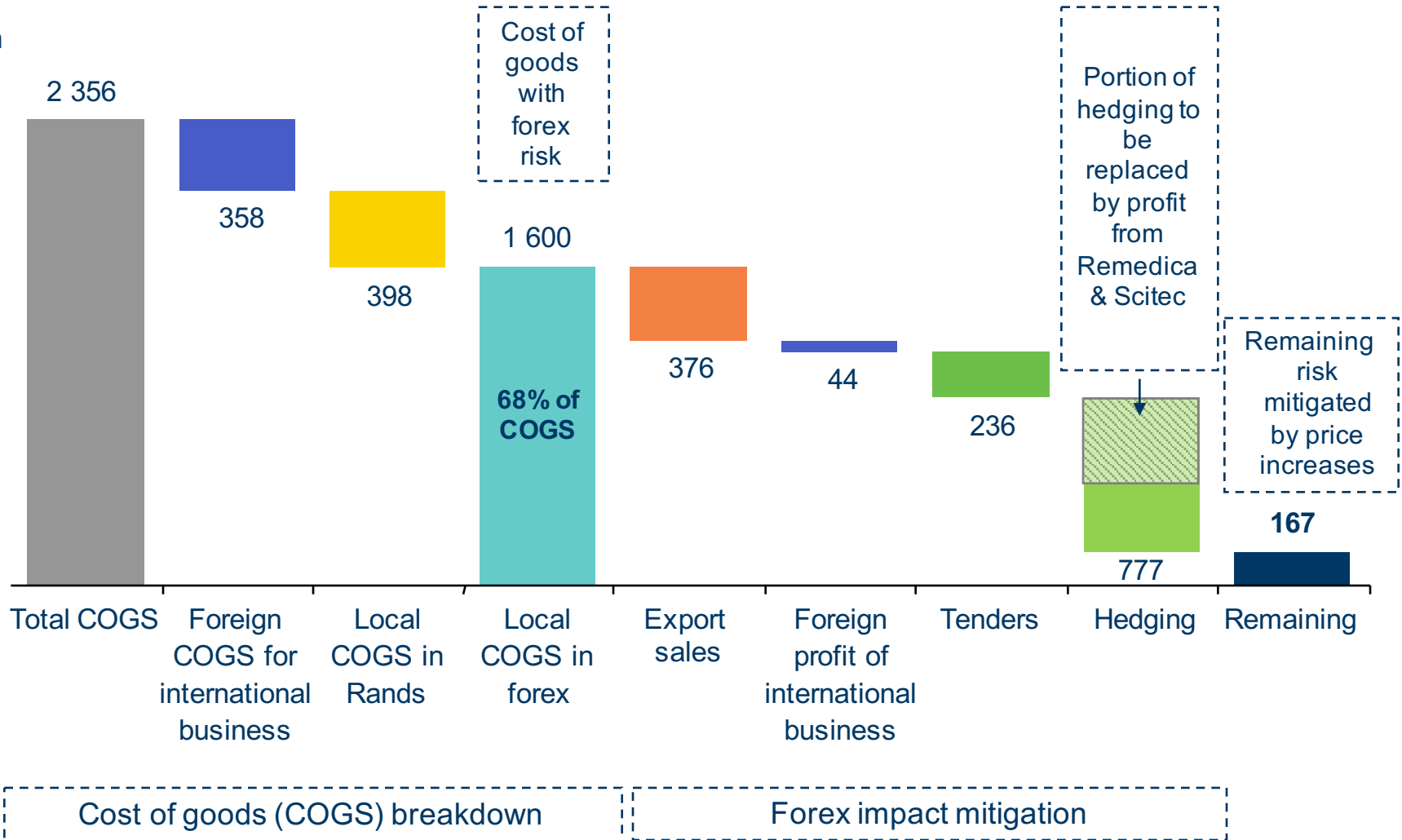
* Before Remedica and Scitec acquisitions



MITIGATION OF FOREX IMPACT



R'm





INTERNATIONAL EXPANSION



- Phyto-Vet: Strong European growth for Afrikelp
- Business development manager in Australia employed
- Setting up of enlarged and reorganised export department in Johannesburg for all consumer brands
- African offices of The Scientific Group showing further growth (exports up from 30% to 36%)
- Nimue: new agent in Denmark and in process of entry into new territories; bottom-up approach in UK with own sales team
- Cross-selling opportunities between Farmalider, Remedica and SA Pharma, and Scitec and SA consumer brands expected in FY2017

DESCRIPTION

- European pharmaceutical company, operating for >50 years
- Dedicated to the development, production and sale of high quality and efficacious generic pharmaceuticals (including oncology products)
- Supplies more than 300 products from over 200 active pharmaceutical ingredients to 100 countries (95% exports)
- Manufactures products in 5 state-of-the-art manufacturing facilities, over 40 000m² in total size

RATIONALE

- Provides a credible platform for Ascendis to expand internationally in both Europe and emerging markets



INTERNATIONAL ACQUISITIONS - REMEDICA



DEAL STRUCTURE

- Purchase price of €260m in cash and shares, including deferment of €90m over three years (plus up to an additional earn-out* of €75m based on EBITDA performance)
- Accretive from August 2016

PERFORMANCE

- PAT Y/E December 2015: €14.5m*
- Business performance six months to June 2016 in line with expectations, EBITDA up 13%** vs 6 months to June 2015
- Maximum corporate tax rate: 12.5%
- Integration projects started with Ascendis Shared Services (SA)
- First synergy projects with Farmalider initiated in August 2016

* Audited (before add backs)

** Unaudited



Headquarters

DESCRIPTION

- A leading European sports nutrition company, selling products in nearly 90 countries worldwide
- Focused on the production, distribution and marketing of a wide variety of sports nutrition products targeted at strength training, functional fitness and well-being
- Vertically integrated, manufacturing over 280 products in a GMP certified and FDA registered facility

RATIONALE

- The acquisition complements Ascendis' wellness product strategy, providing an international platform for Evox and SSN to expand abroad, as well as an opportunity for Scitec to grow in Africa



DEAL
STRUCTURE

- Purchase price of €170m cash (with €20m deferred for 1 year)
- Accretive from August 2016

PERFORMANCE

- PAT Y/E December 2015: €10.6m*
- Business performance for six months to June 2016 in line with expectations, EBITDA up 7%** vs 6 months to June 2015
- Maximum corporate tax rate: c.20%
- First synergy projects on cross-selling, production and R&D initiated in August 2016
- Scitec staff induction to Ascendis and its core values end of August 2016

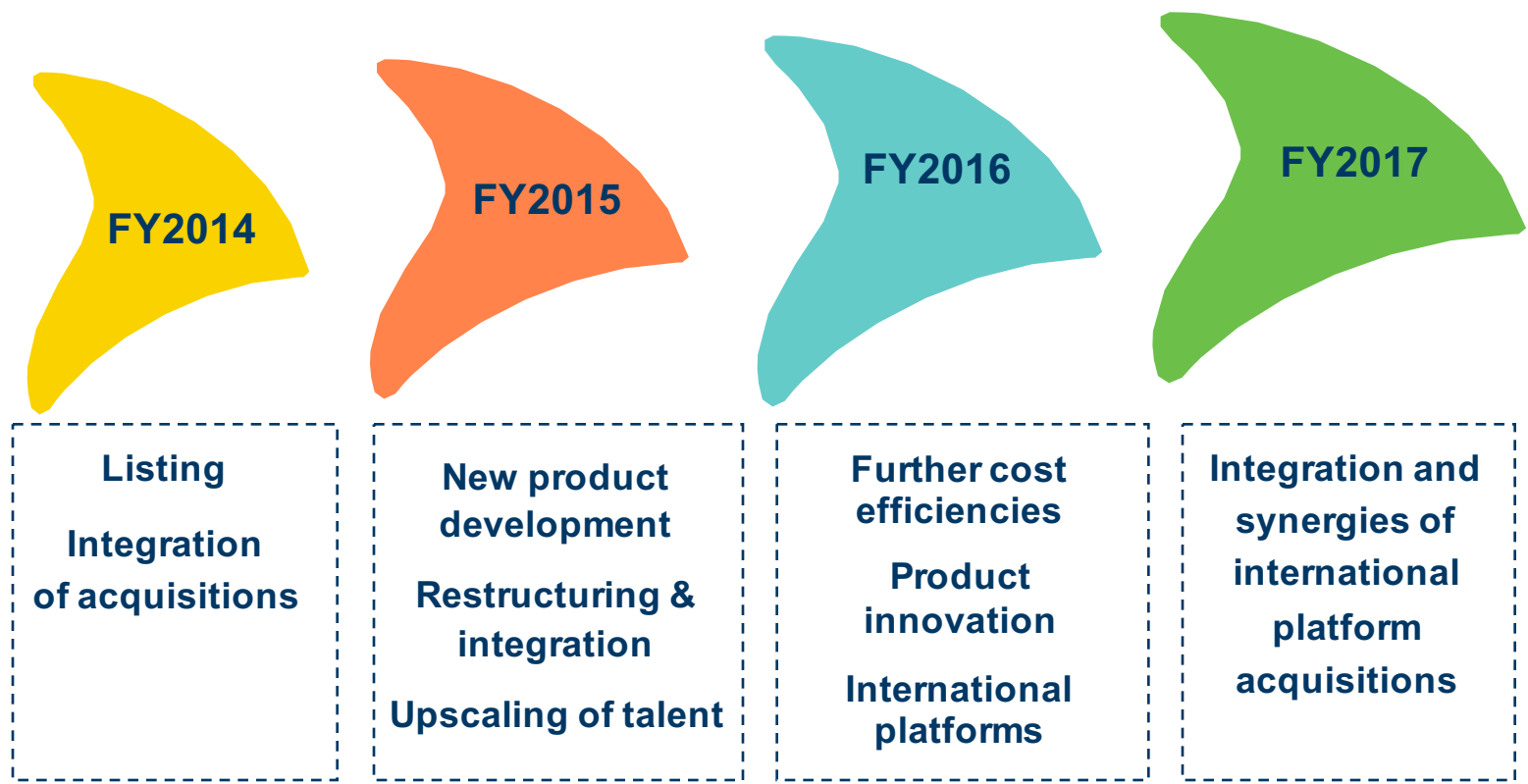




OUTLOOK



EVOLUTION OF THE GROUP



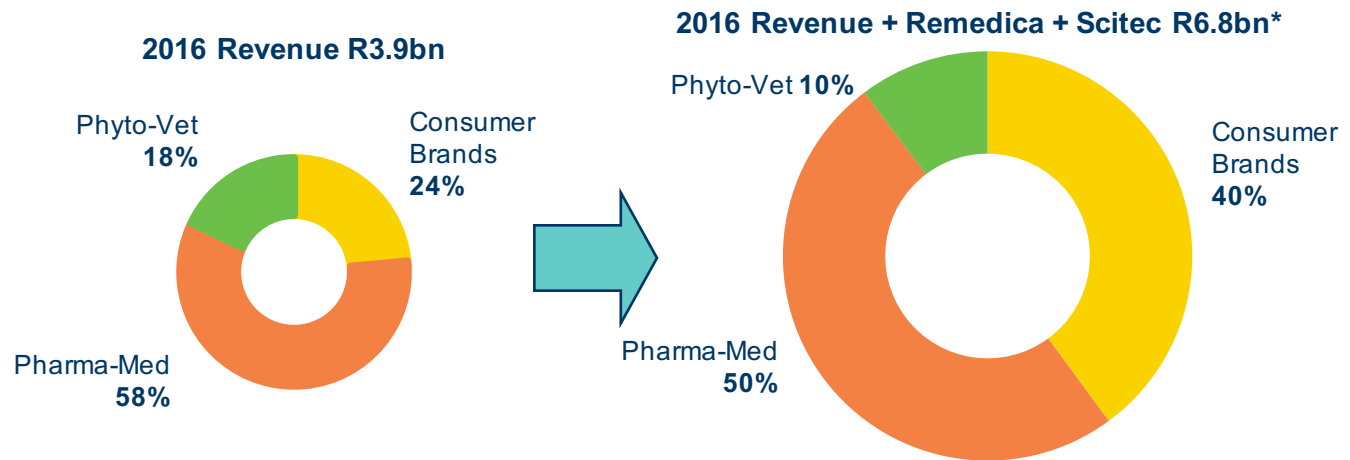
ORGANIC AND ACQUISITIVE GROWTH



- Focus on **integration and synergies** of European acquisitions Remedica and Scitec
- Focus on efficiencies and cost control to **improve margins** in production of pharma products
 - Continue **new product** development and innovation
 - Focus on profitable **organic growth** including export initiatives
 - Further **internationalisation** of Ascendis with strategic acquisitions



- Remedica and Scitec transforming Ascendis into a > R12 billion market cap company
- Highly earnings-accretive deals with strong support from funders



- Increased EBITDA margin >2%*
- **3 312 Ascendites dedicated to health and profitable growth**

* Ascendis Health reported FY2016 plus Remedica and Scitec for January – June 2016 annualised



**Leading Health and Care
Brands Company**

*Healthy Home. Healthy You.
Healthy Life.*

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CONTACT DETAILS



Contact	Designation	Office	Mobile	Email
Dr. Karsten Wellner	CEO	+27 (0)11 036 9433	+27 (0)83 386 4033	karsten@ascendis.co.za
Kieron Futter	CFO	+27 (0)11 036 9480	+27 (0)83 678 6250	kieron.futter@ascendis.co.za