



**Ascendis  
HEALTH**

**Jefferies  
London Healthcare  
Conference  
16/17<sup>th</sup> of Nov. 2016**





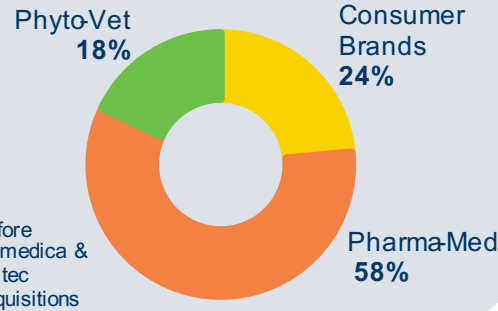
# BASICS AND THE BUSINESS MODEL

# ASCENDIS HEALTH AT A GLANCE



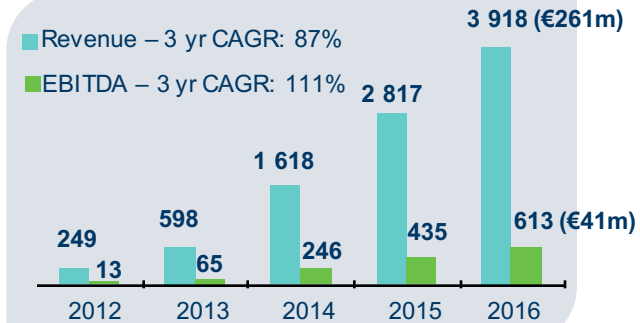
## Who are we?

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)



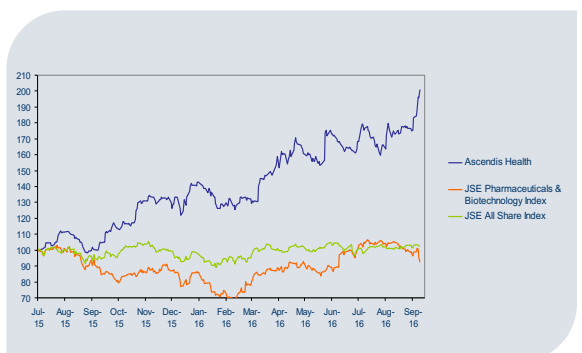
## Brands

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

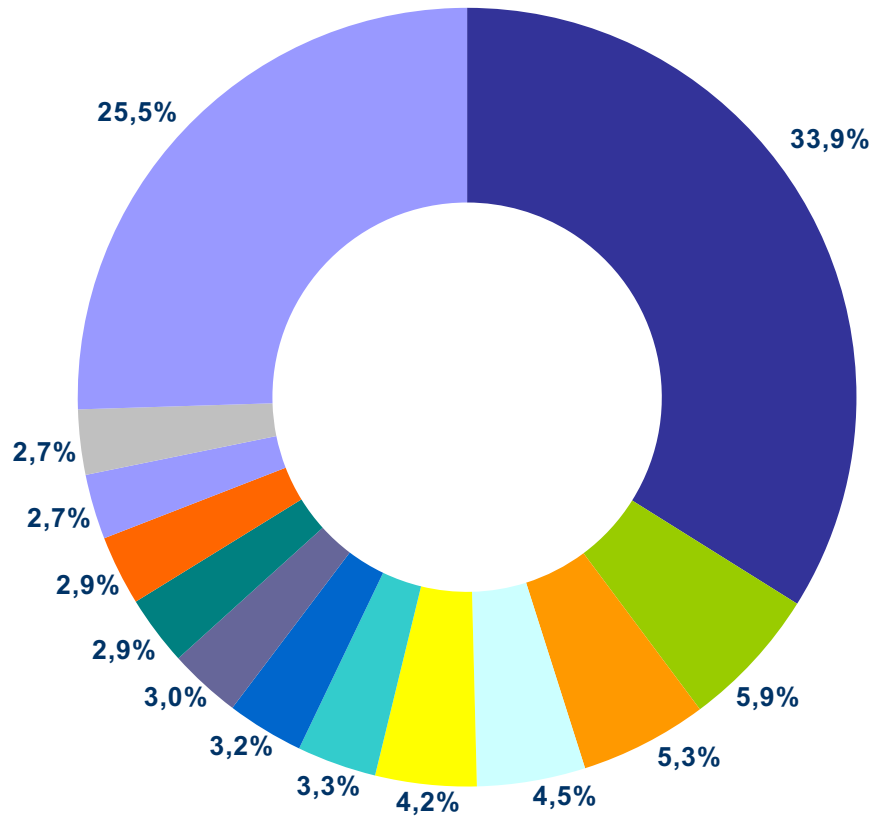


## Market capitalisation beg of Nov 16

R12.2 billion (approx €810m)



# SHAREHOLDER STRUCTURE

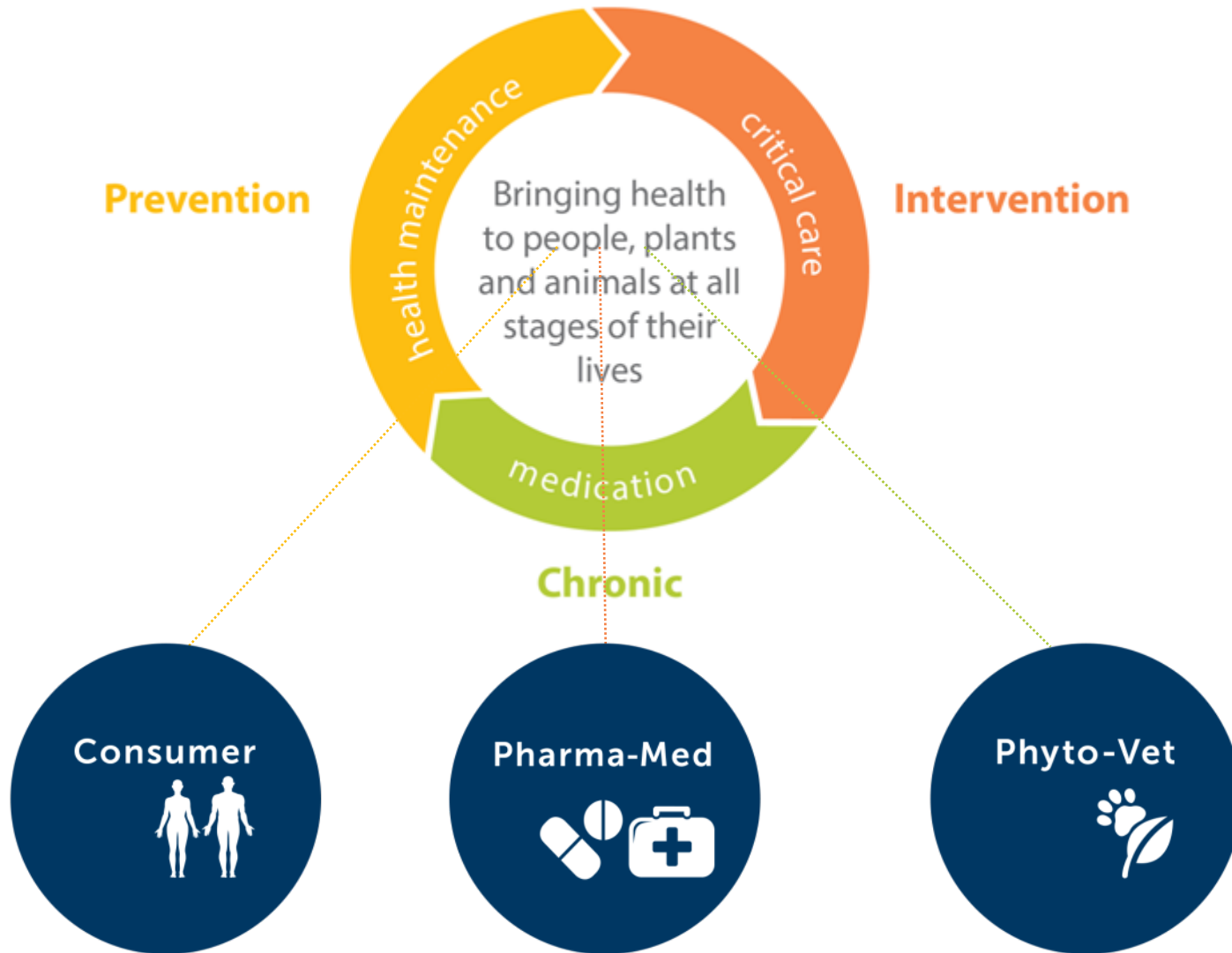


Holdings at 1 September 2016

Coast2Coast & staff	33.9%
Ascendis management	5.9%
Kefolile Health Investments	5.3%
Sentio Capital Management	4.5%
International Finance Corporation (IFC)	4.2%
WBD Investment Holdings	3.3%
Mineworks Investment Company	3.2%
Fairtree Capital	3.0%
36ONE Asset Management	2.9%
Old Mutual Group	2.9%
Investec Group	2.7%
International sovereign fund	25.5%
Other fund managers and shareholders	2.7%

- Increased international holding from approx 5% Jan 2016 to 16.3% in September 2016

# VISION – A HOLISTIC VIEW ON HEALTH





# CONSUMER BRANDS DIVISION



Consumer



# Wellness



Helping families live healthier, active lives.



**SOLAL**  
HEALTHY AGING SPECIALISTS

**foodstate**  
nutritional intelligence

**HOMEOFORCE**

**Bettaway**

DR. RECKEWEG & CO

*Naturally better.*  
**biobalance**

**JUNGLEVITES**  
For Kids on the Go!

**Similasan**

**MenaCal.7**  
MENA7™ + CALCIUM + VITAMIN D3

**CHELA-FER**  
IRON SUPPLEMENT

**Mg CHELA MAG**

**vitaforce**  
Be More

**OSTEOflex**



# CONSUMER BRANDS DIVISION



Consumer



# Skin



To provide advanced skincare products and treatments to maintain a healthy skin



**nimue** SKIN TECHNOLOGY      **SOLAL** HEALTHY AGING SPECIALISTS

**pHformula**  
DERMATOLOGICAL SKIN RESURFACING



Consumer



# Sports Nutrition



We help people  
look, feel and  
perform at their  
best







# CONSUMER BRANDS DIVISION



Consumer



# Direct



Creating health  
through wealth



Pharma-Med



Pharma



Provision of  
quality,  
affordable  
healthcare for all



Biosulin R :::: Biosulin 30/70 ::::

Biosulin L :::: Biosulin N ::::



Pharma-Med



Medical



We provide  
patients with  
better healthcare  
throughout Africa



RGA

Phyto-Vet



- Beautiful gardens
- Food security
- Pest free homes
- Prevention of infectious diseases

Phyto



Phyto-Vet



Vet



Helping people  
have happy  
healthy pets



# 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

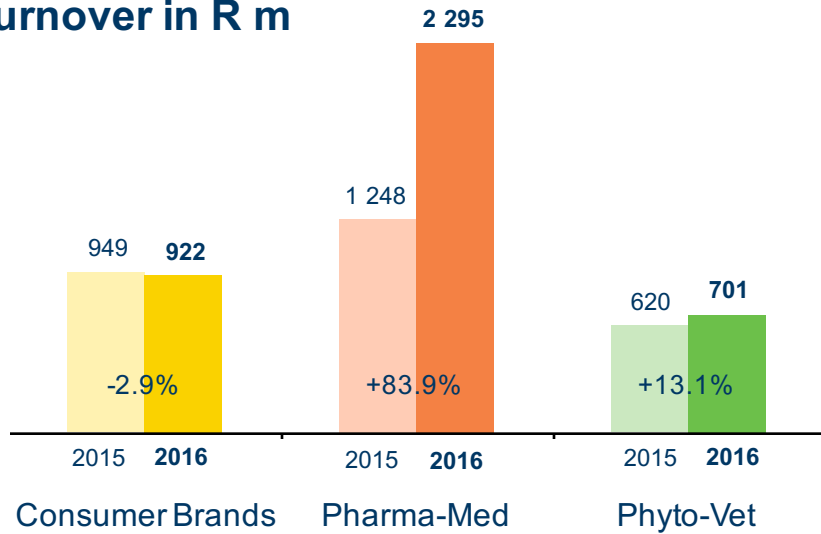
**No 2**  
SA market segment



# DIVISIONAL CONTRIBUTION

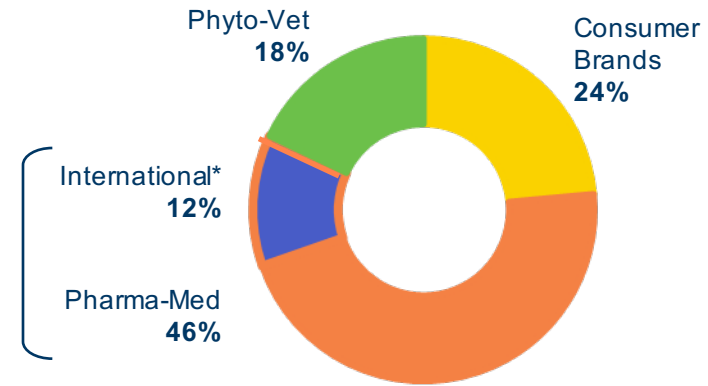


## Turnover in R m

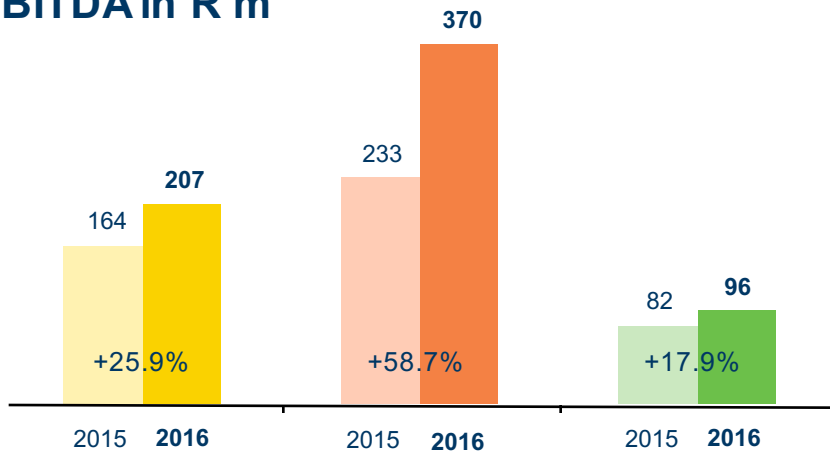


June 2016

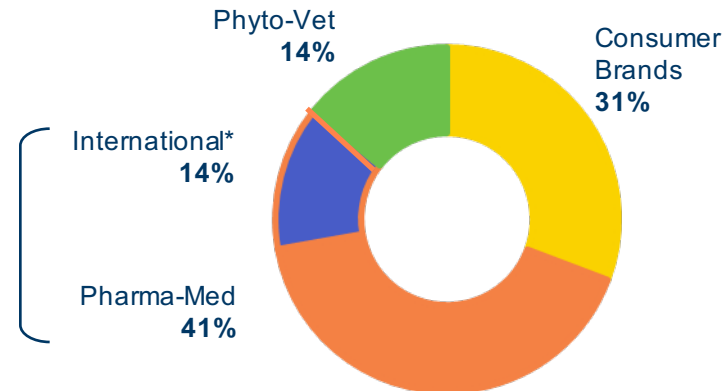
Total Pharma-Med  
58%



## EBITDA in R m



Total Pharma-Med  
55%



\* Excluding exports from SA

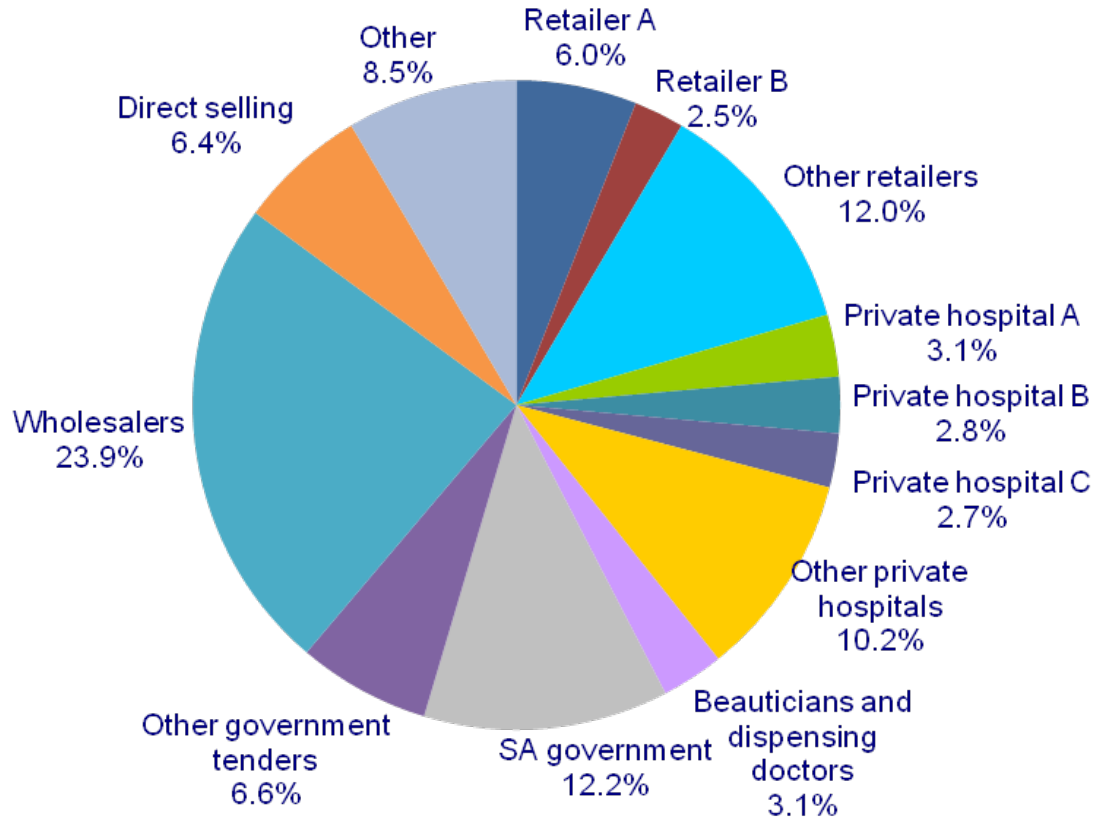




# DIVERSIFICATION OF THE BUSINESS



## Turnover breakdown by customer



Total revenue for FY2016: **R3918m**



# BUSINESS MODEL



Consumer

Pharma-Med

Phyto-Vet

ROUTE TO MARKET

Pharmacies, retailers, beauticians, doctors, direct selling, exports

Pharmacies, private hospitals, dispensing doctors, government

Nurseries, exports, retailers, pet and vet shops

BRANDS

Evox, Muscletech, SSN, Nimue, Solal, Sportron, Arctic, Swissgarde, Atka Pharma

Pharmachem, Surgical Innovations, RCA, The Scientific Group, Reuterina, Sinucon

Efekto, Marltons, Avima, Afrikelp

MANUFACTURING

Manufacturing (GMP plant: PharmaNatura)

Manufacturing (GMP plant: PharmaNatura; Akacia plant - ex Roche)

Manufacturing (Avima, Afrikelp)

RAW MATERIALS

Raw materials supply (Chempure)

Raw materials supply (Chempure)

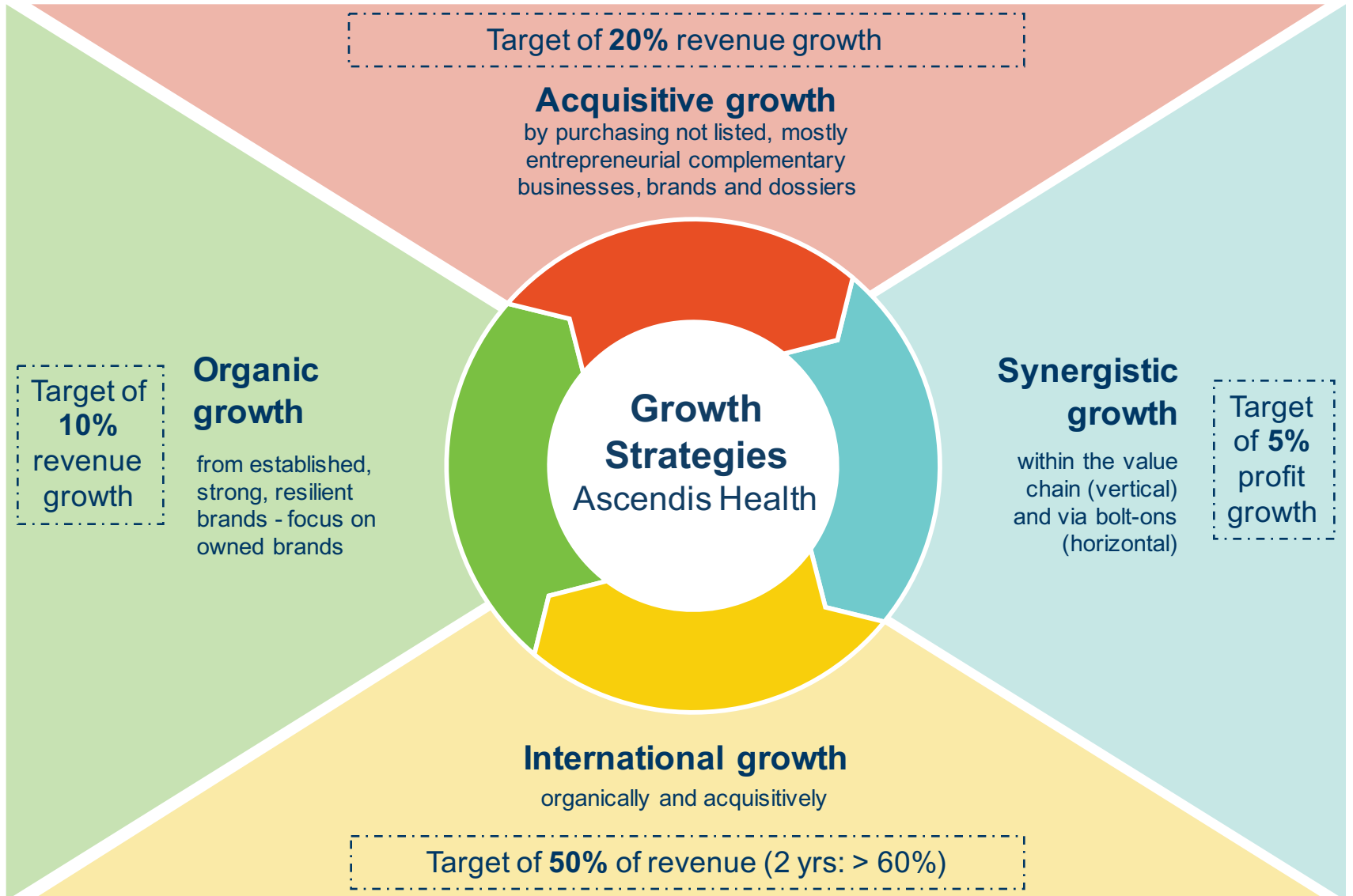
Raw materials supply (Avima, Afrikelp)

## GROUP SERVICES:

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



# MEDIUM TERM GROWTH STRATEGIES





# FINANCIAL REVIEW FOR FINANCIAL YEAR 2016 (until end of June 2016)

- ▶ **NORMALISED EBITDA ↑ 41% TO R613m (€41m\*)**
- ▶ **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 (€37m)
- Post year end:
- R1.2bn (€80m) rights issue – three times oversubscribed
  - R1.5bn (€100m) 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

- Revenue **↑39%** to R3.9bn (€260m)
- Normalised EBITDA **↑41%** to R613m (€41m), margin up 0.2%
- 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



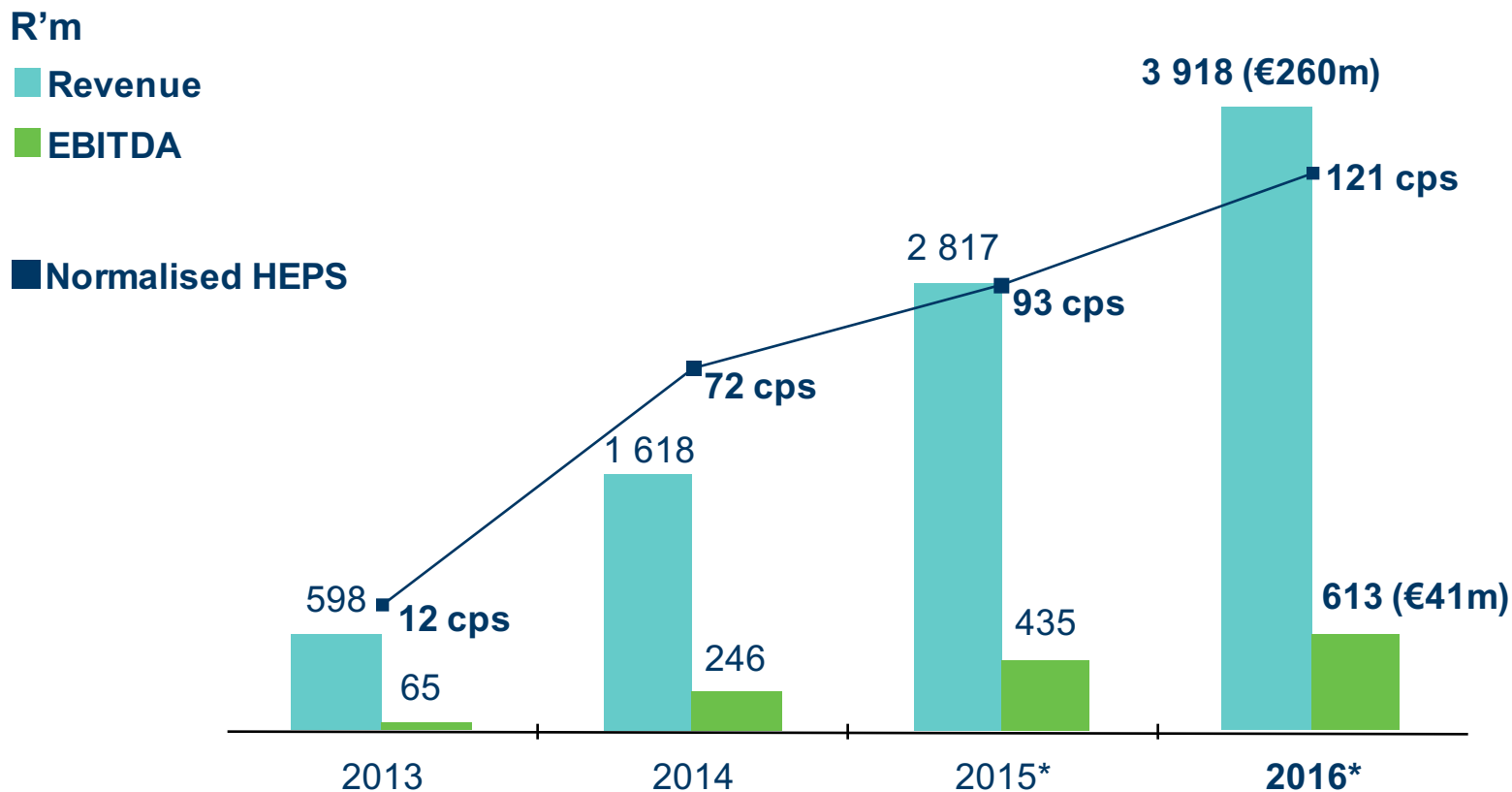
R'm	June 2016	June 2015	% change
<b>Revenue</b>	<b>3 918</b>	<b>2 817</b>	<b>39.1</b>
Cost of sales	2 356	1 588	48.4
<b>Gross profit</b>	<b>1 562</b>	<b>1 229</b>	<b>27.2</b>
<b>Gross profit margin</b>	<b>39.9%</b>	<b>43.6%</b>	
Other income	86	27	>100
Operating expenses (excluding D&A and transaction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



# 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
<b>Normalised headline earnings</b>	<b>336</b>	<b>245</b>	<b>37.4</b>
Weighted average number of shares in issue ('m)	277.9	263.6	
HEPS (c)	55.6	79.3	(29.9)
<b>Normalised HEPS (c)</b>	<b>121.1</b>	<b>92.9</b>	<b>30.4</b>



## BALANCE SHEET – ASSETS



R'm	Jun 2016	Jun 2015	% change
<b>Non-current assets</b>	<b>3 457</b>	<b>2 258</b>	<b>53.2</b>
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
<b>Current assets</b>	<b>2 265</b>	<b>1 396</b>	<b>62.0</b>
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)
<b>Total assets</b>	<b>5 722</b>	<b>3 654</b>	<b>56.5</b>

# BALANCE SHEET – EQUITY AND LIABILITIES

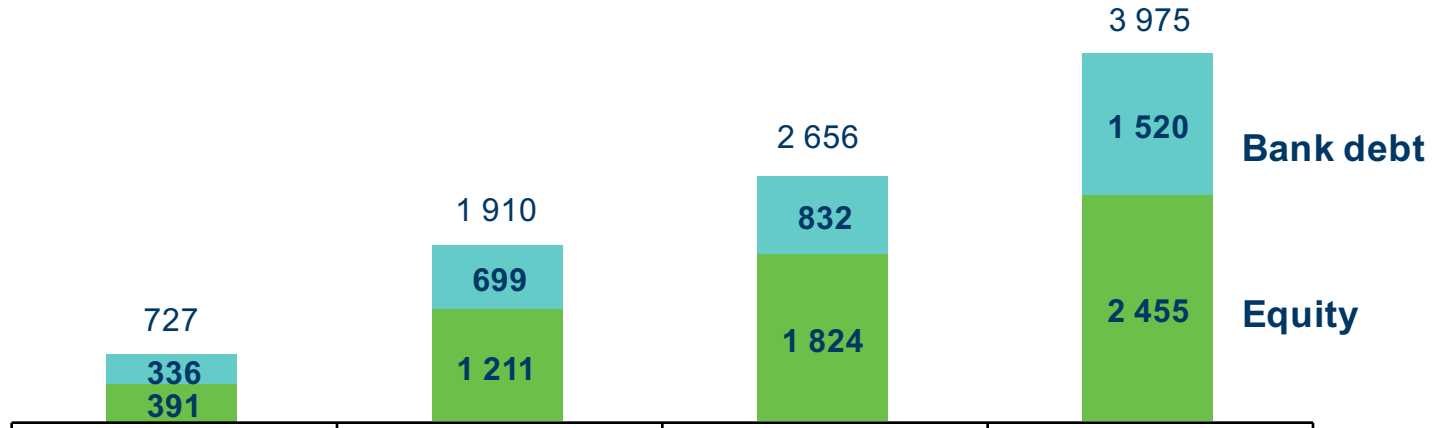


R'm	Jun 2016	Jun 2015	% change
<b>Equity</b>	<b>2 455</b>	<b>1 824</b>	<b>34.6</b>
<b>Non-current liabilities</b>	<b>1 326</b>	<b>975</b>	<b>57.3</b>
Borrowings	1 052	798	31.8
Deferred vendor liabilities	208	37	>100
Other non-current liabilities	274	140	96.0
<b>Current liabilities</b>	<b>1 733</b>	<b>855</b>	<b>&gt;100</b>
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
<b>Total liabilities</b>	<b>3 267</b>	<b>1 830</b>	<b>78.4</b>
<b>Total equity and liabilities</b>	<b>5 722</b>	<b>3 654</b>	<b>56.5</b>

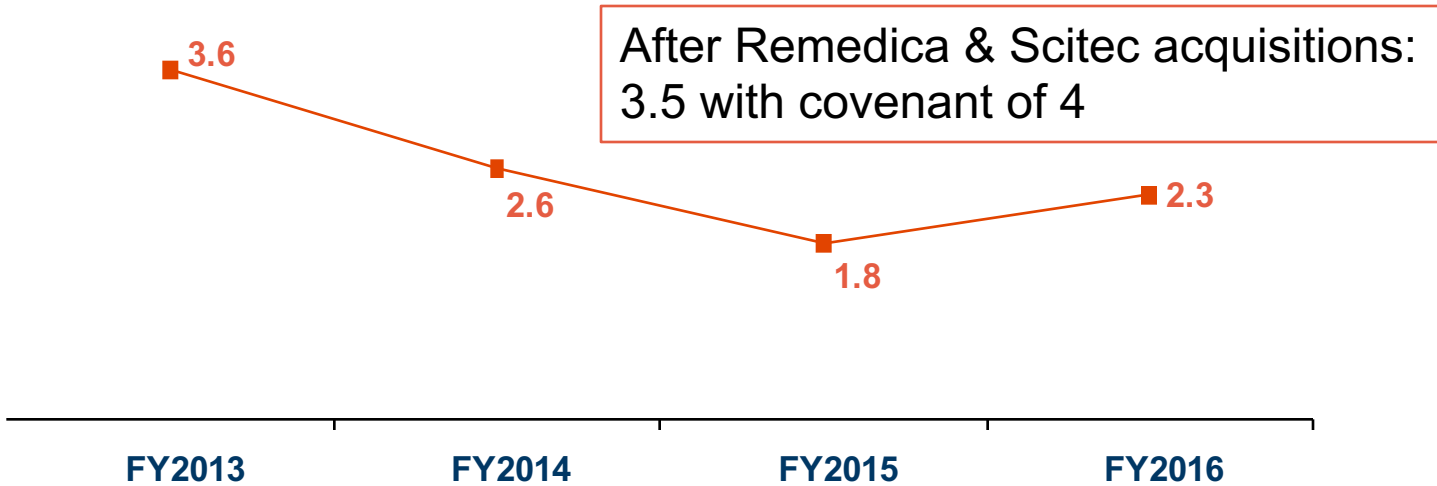
# DEBT (before Remedica & Scitec acquisitions)



BANK DEBT TO EQUITY

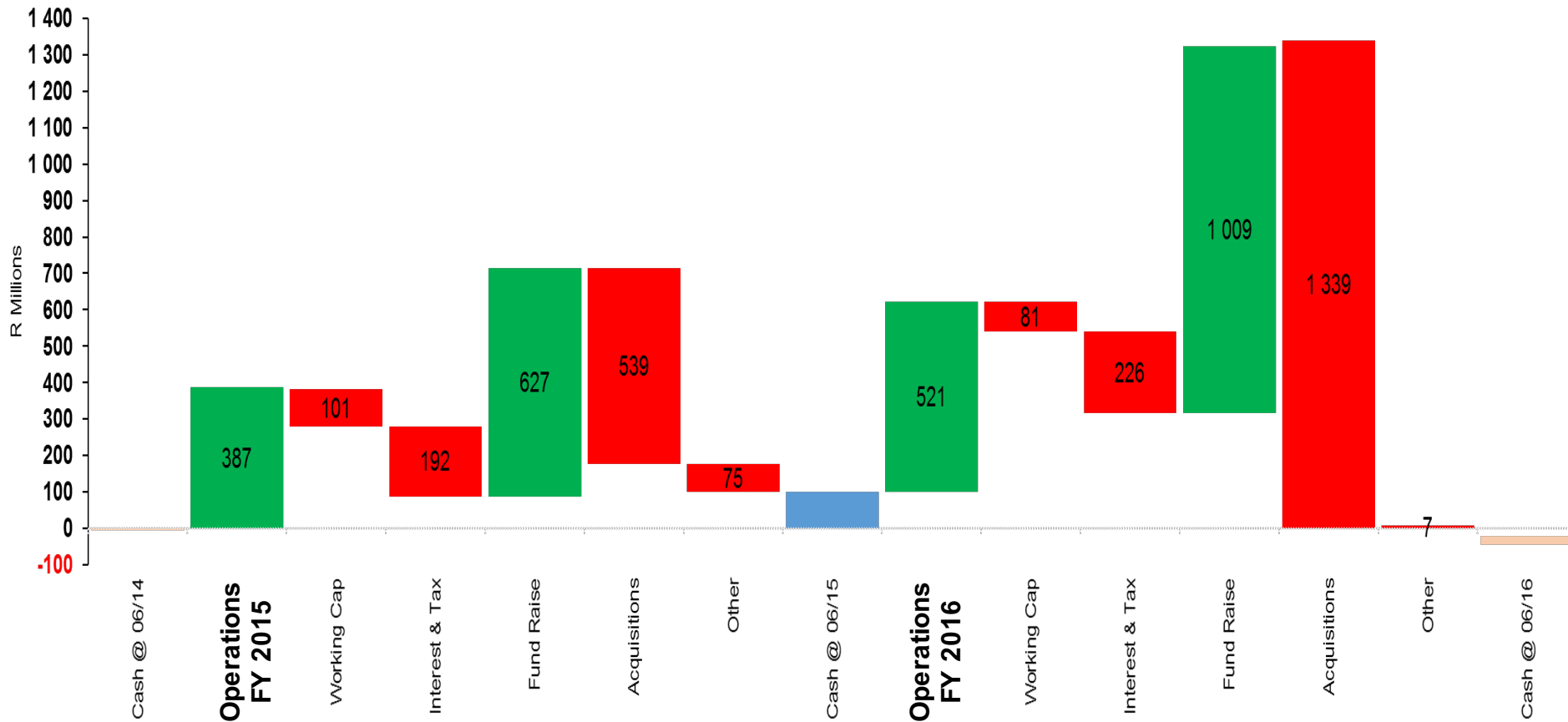


DEBT : EBITDA RATIO



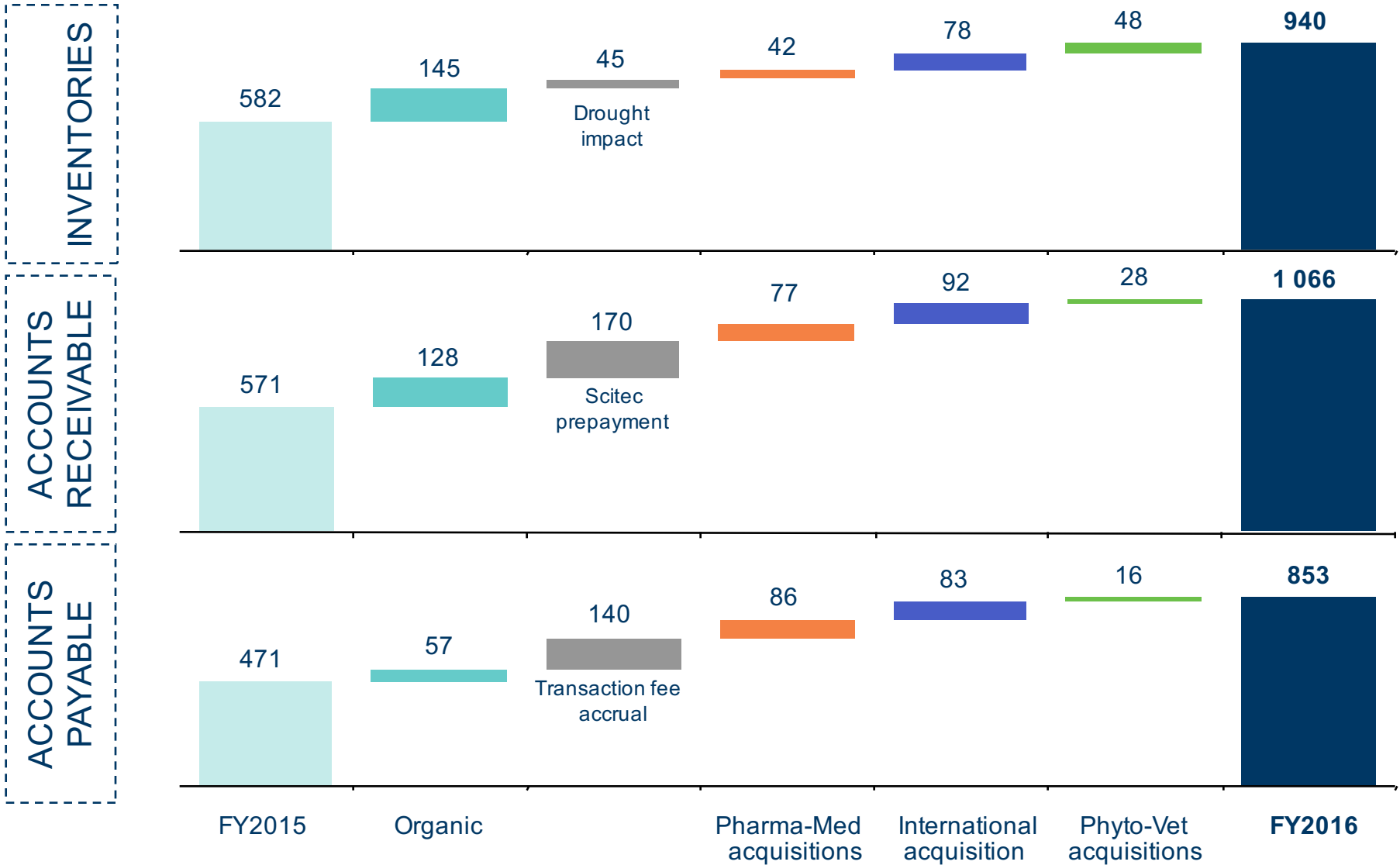


# CASH FLOW MOVEMENTS








# WORKING CAPITAL MOVEMENTS



# DIVISIONAL PERFORMANCE



	Consumer 	Pharma-Med* 	Phyto-Vet 
<b>June 2016</b>			
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%
	22.4%	16.1%	13.7%

\* Includes International segment



# KEY RATIOS (before Scitec & Remedica acquisitions)



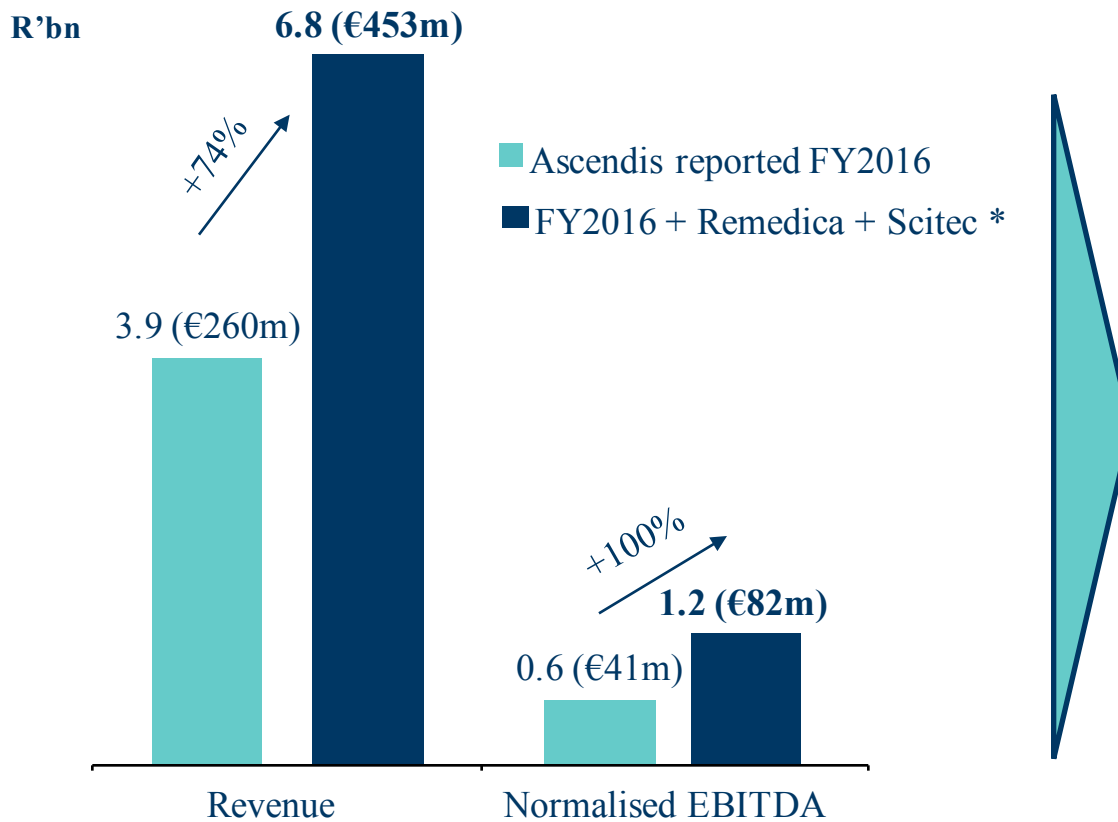
		Jun 2016	Jun 2015
Annualised sales* (R' m)		4 289	3 253
Annualised normalised EBITDA* (R' m)		653	458
Interest cover (times)		4.4	4.8
Debt to EBITDA (times)*		2.3	1.8
Net working capital days*	118 #	131	101
Inventory days	117 #	128	112
Debtor days	58 #	65	58
Creditor days	(57) #	(62)	(69)
ROE (%)		14.3%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

\* Annualisation provides more meaningful ratio analysis

\*\* Excludes goodwill and intangibles

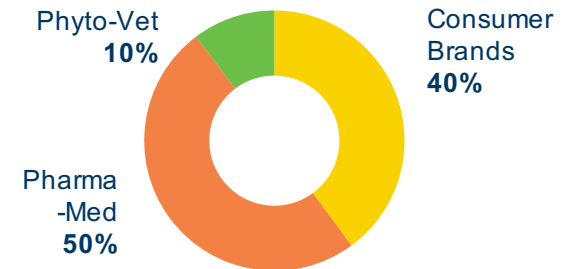
# Excludes Farmalider and IFRS adjustments

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**

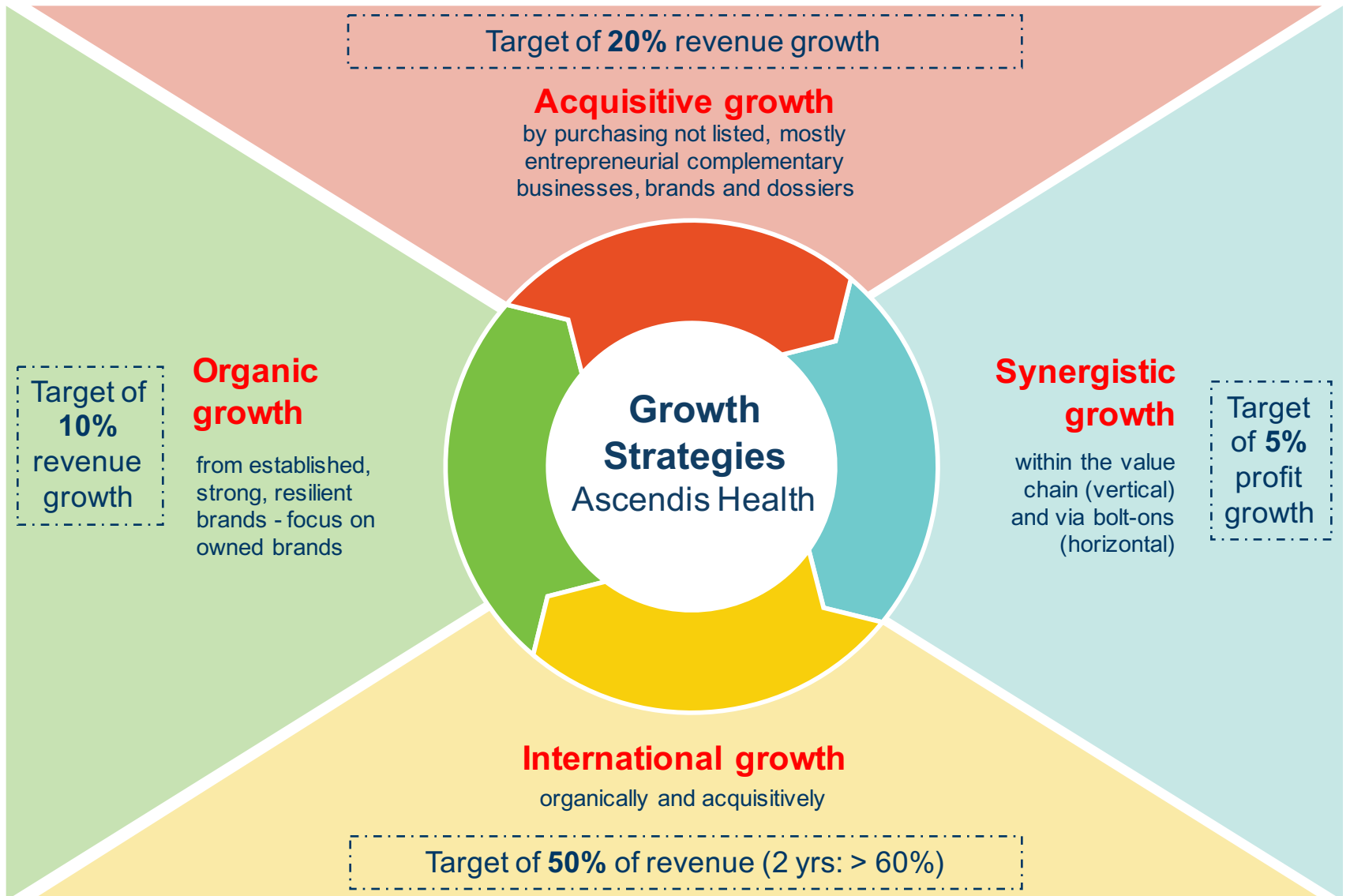
\* Using management accounts from Remedica and Scitec for January – June 2016 annualised, using average exchange rate



# PERFORMANCE vs STRATEGIC GROWTH STRATEGIES

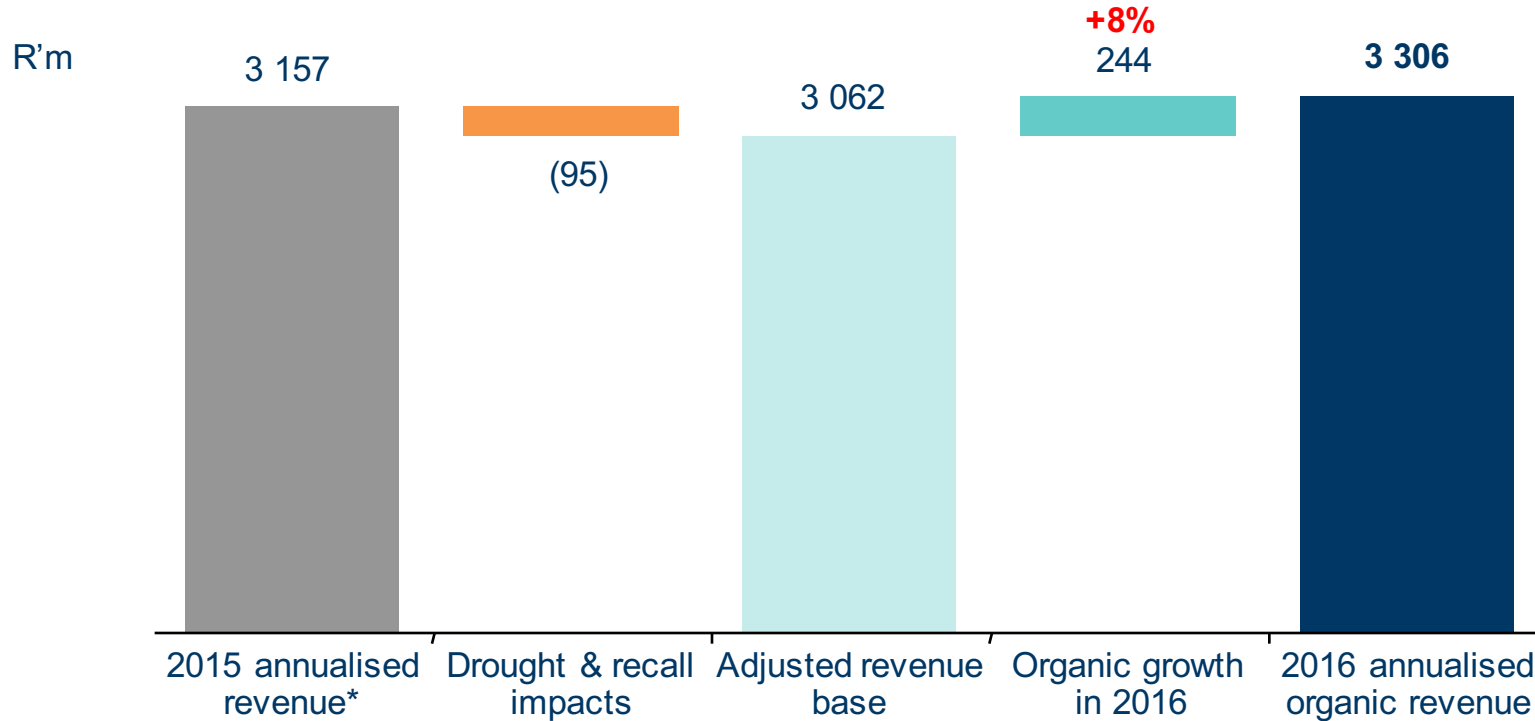


# MEDIUM TERM GROWTH STRATEGIES



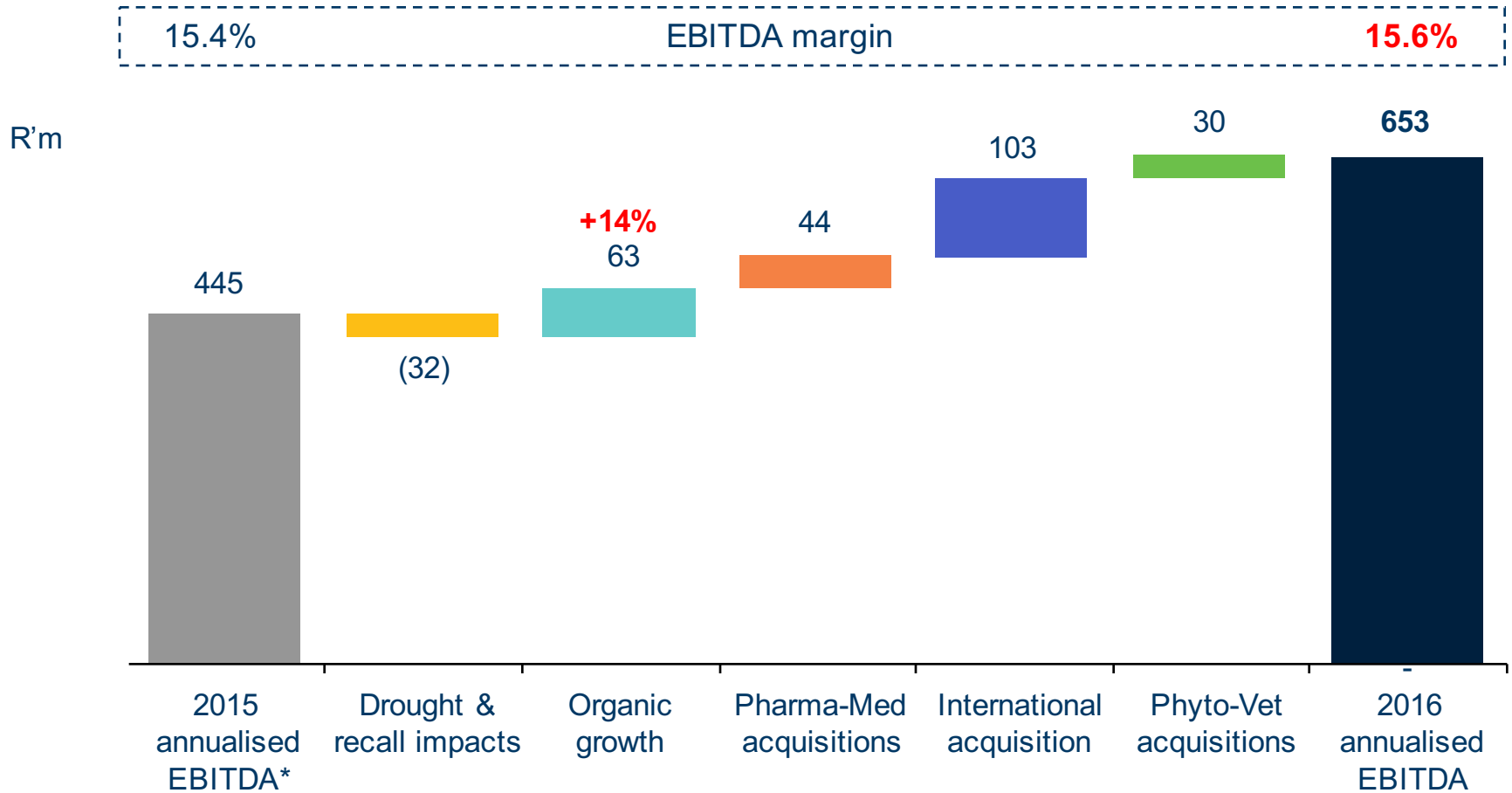


# ORGANIC SALES GROWTH



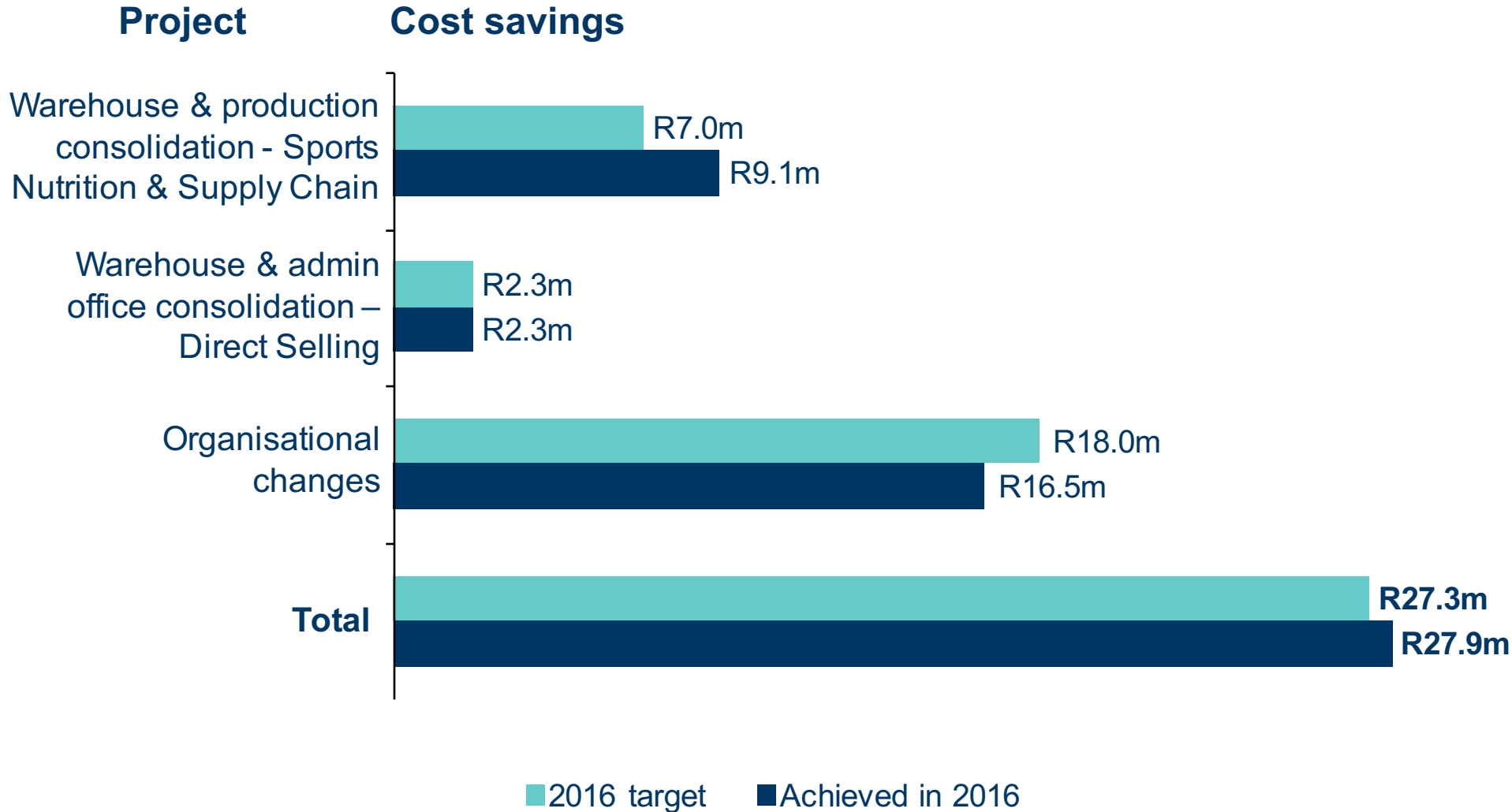
- Drought, consol. of sports nutrition and delay in supply of a medical device product had negative impact on sales
- Successful projects to counter effects (cost control, synergies, value chain improvements)
- Strong growth in pharma and medical products for surgery and diagnostics
- Excellent growth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

# EBITDA GROWTH

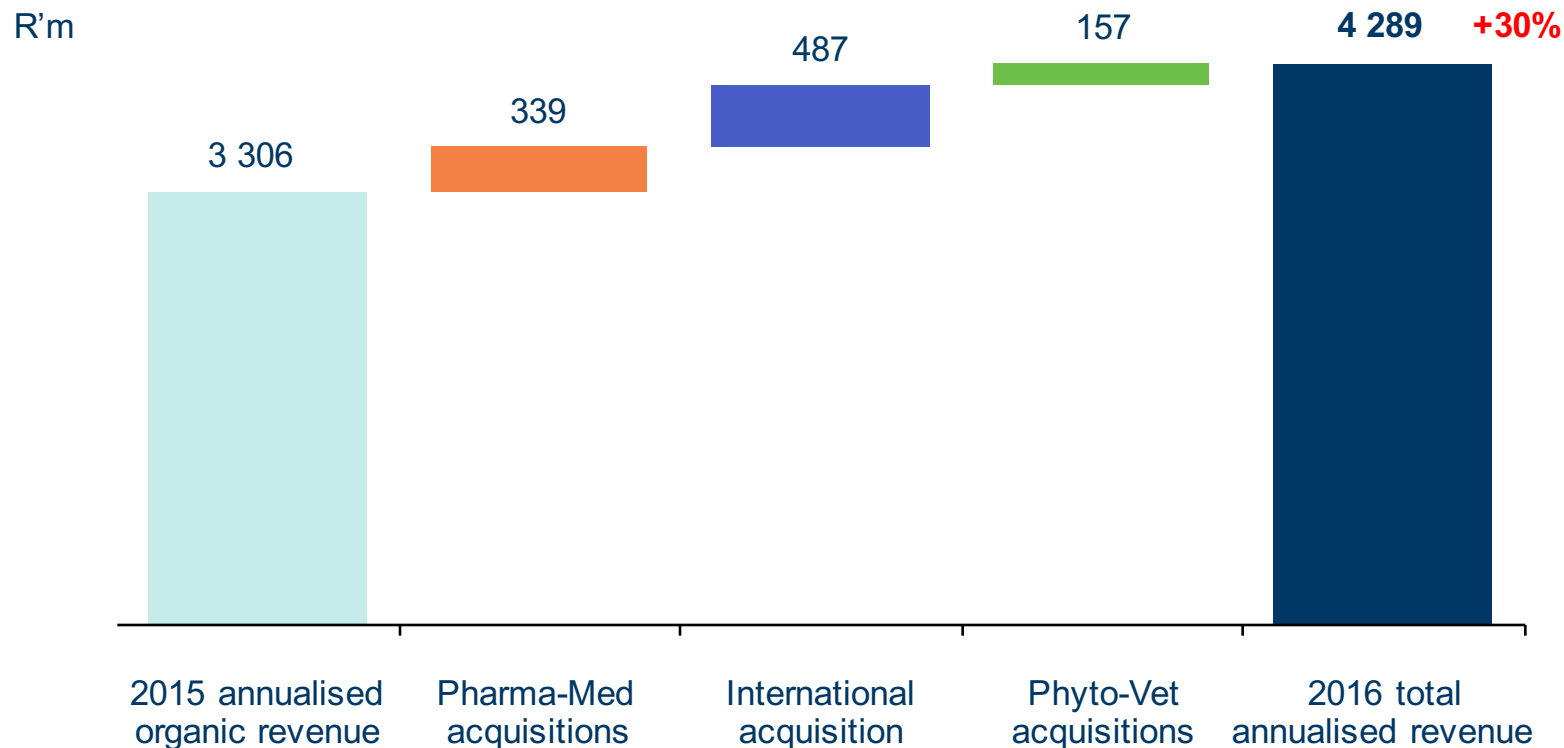


\* Annualised number for businesses owned at 1 July 2015

# SYNERGY PROJECTS



# ACQUISITIVE SALES GROWTH



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



# CURRENT ACQUISITION PIPELINE



- 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

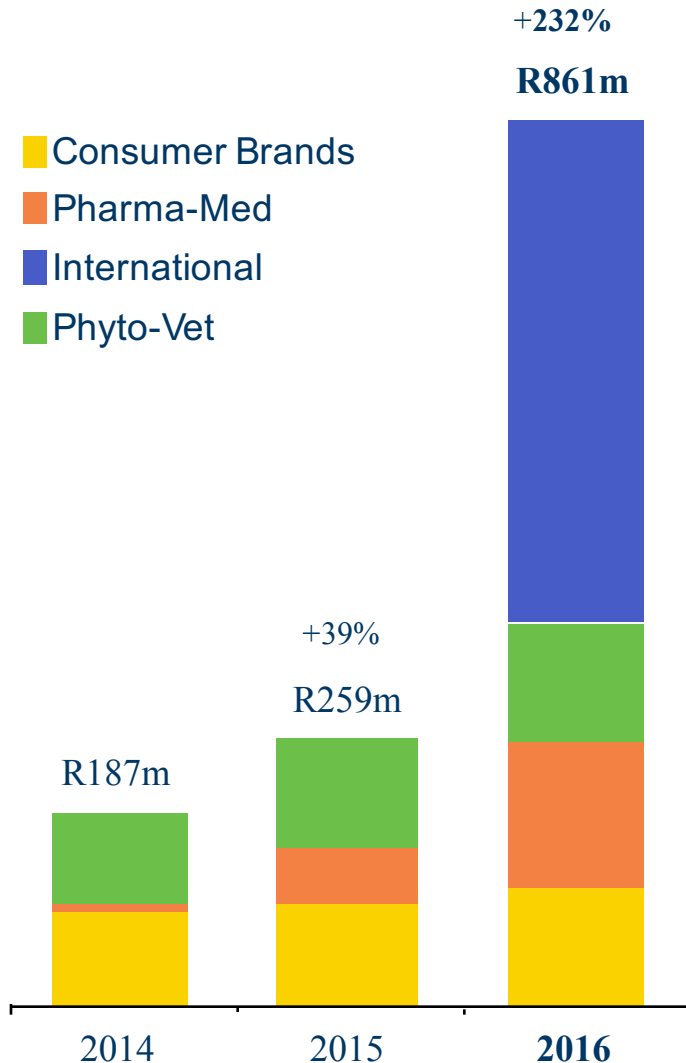
INTERNATIONAL

- 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%)

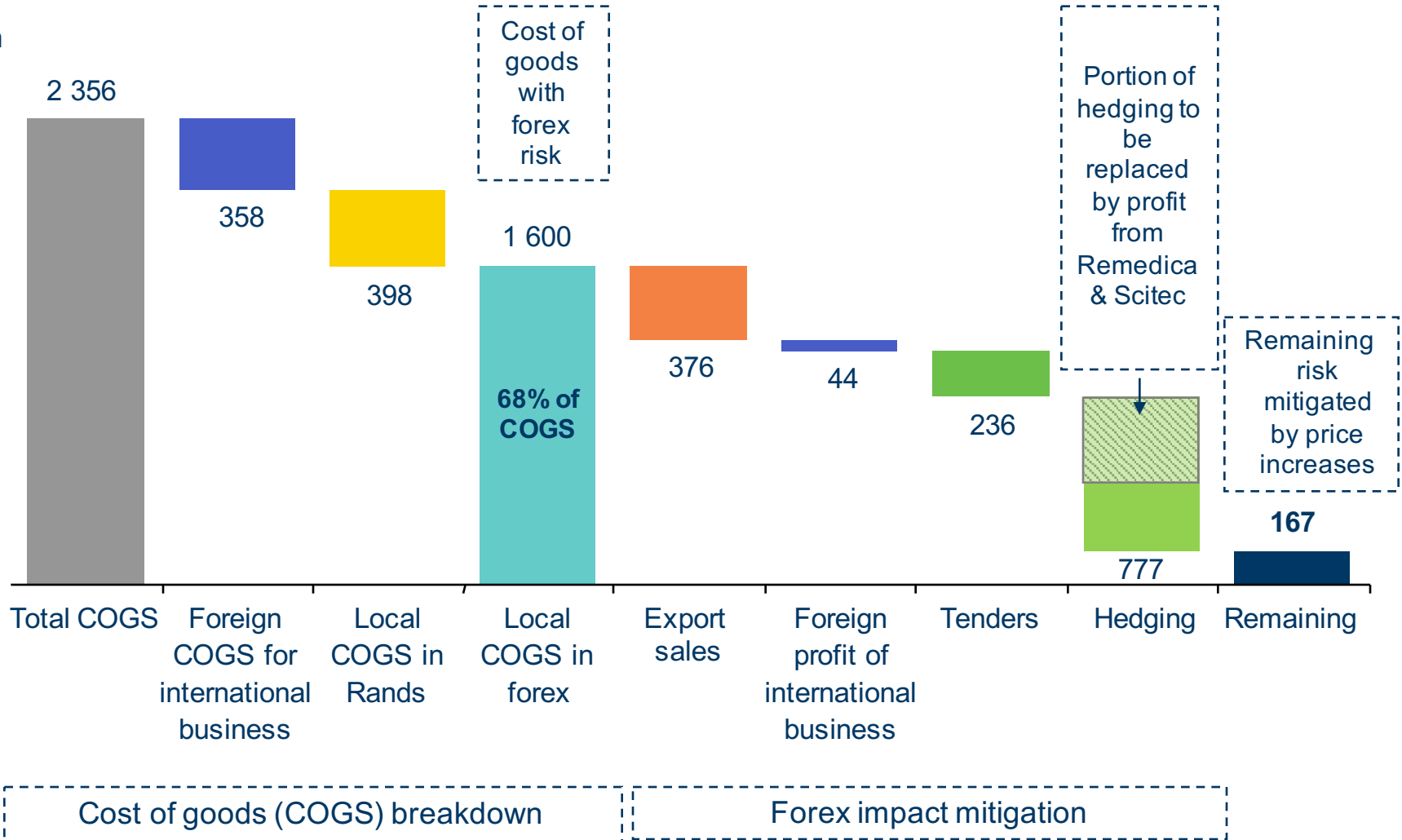
\* Before Remedica and Scitec acquisitions



# MITIGATION OF FOREX IMPACT



R'm



- 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

## FY 2017 (Aug 2016): INTERNATIONAL ACQUISITION - REMEDICA



- European pharmaceutical company, operating for >50 years

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 000m<sup>2</sup> in total size

RATIONALE

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



# INTERNATIONAL ACQUISITION - 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\*
- 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)



Headquarters

# FY 2017 (Aug 2016): INTERNATIONAL ACQUISITION - SCITEC



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 and sports nutrition product strategy, providing an international platform with cross selling opportunities





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\*
- 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

\* Audited (before add backs)

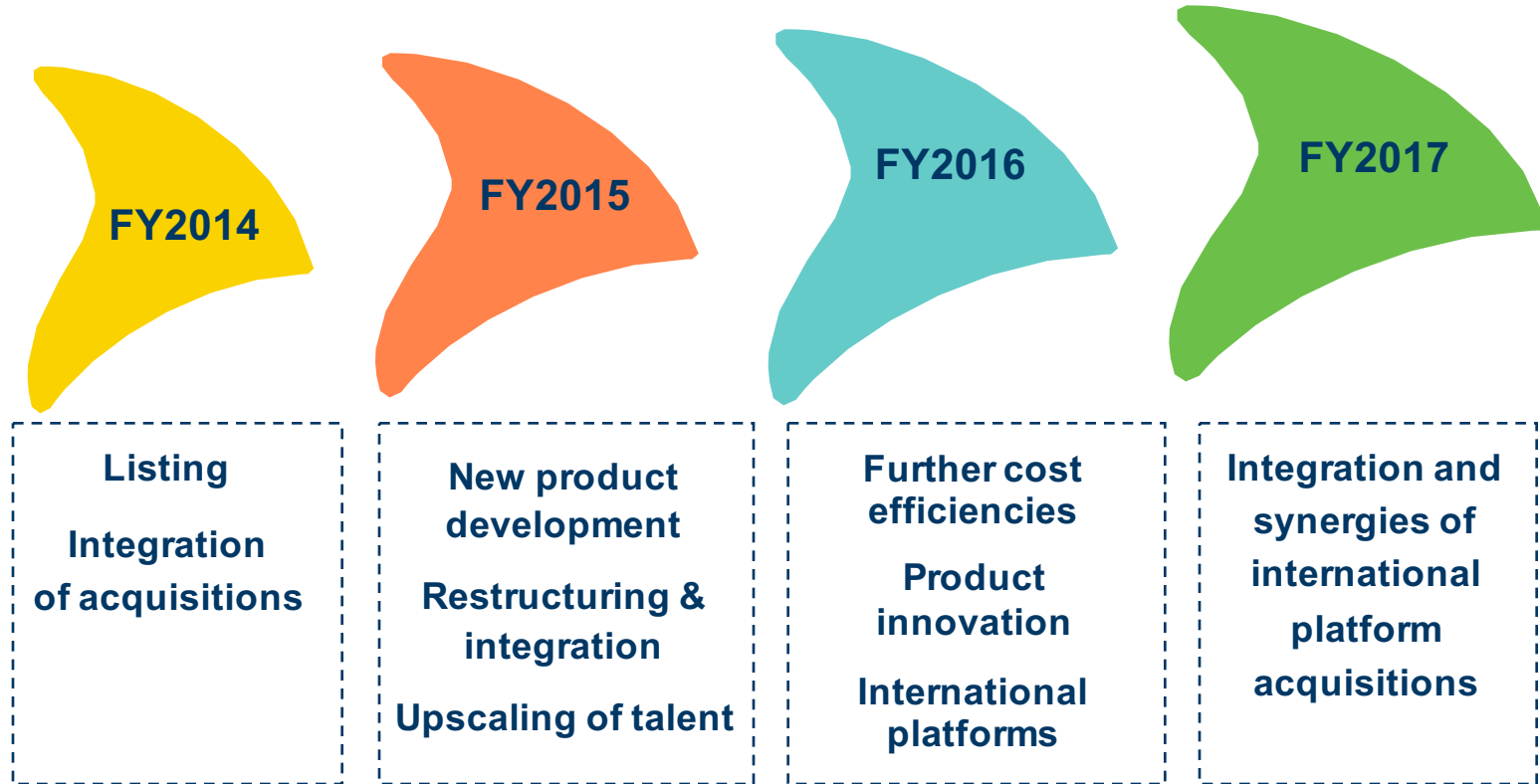




**OUTLOOK**



# EVOLUTION OF THE GROUP



## ORGANIC AND ACQUISITIVE GROWTH

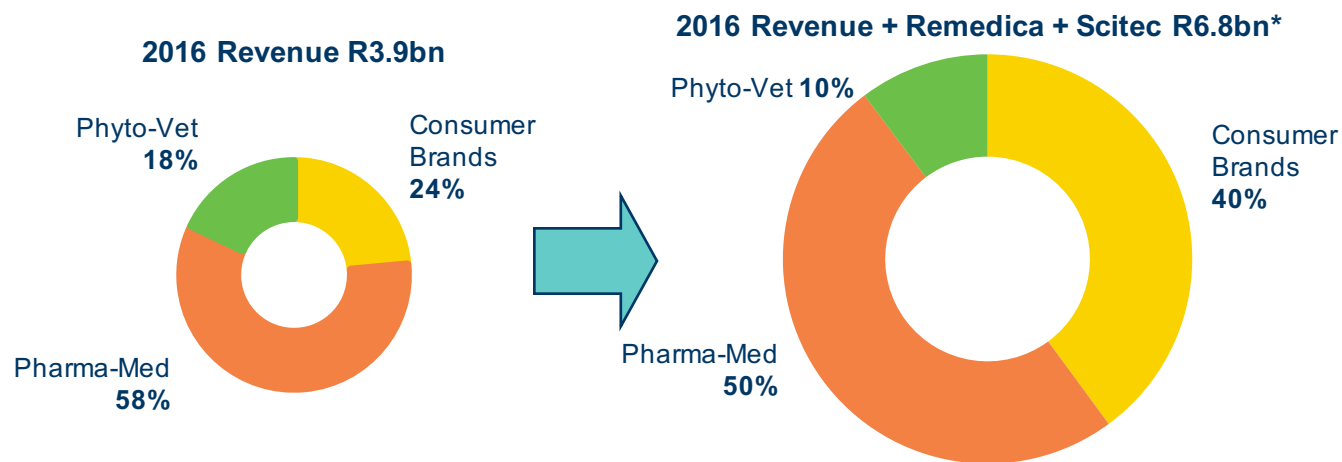


- Focus on **integration and synergies** of European acquisitions Remedica and Scitec
- Focus on efficiencies and cost control to **improve margins** in production of pharma products



- 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 (€810m) 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 multiplied by two



**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	<a href="mailto:karsten@ascendis.co.za">karsten@ascendis.co.za</a>
Kieron Futter	CFO	+27 (0)11 036 9480	+27 (0)83 678 6250	<a href="mailto:kieron.futter@ascendis.co.za">kieron.futter@ascendis.co.za</a>