

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”)

## VOLUNTARY ANNOUNCEMENT: ACQUISITION OF 100% OF KYRON LABORATORIES PROPRIETARY LIMITED

### 1. Introduction

Ascendis shareholders are advised that the Company has entered into an agreement in terms of which Ascendis will acquire, directly or indirectly, the entire issued share capital and loan accounts of Kyron Laboratories Proprietary Limited (“Kyron” or the “Business”) for a consideration of R396.4 million upfront plus a performance-based deferred portion (the “Purchase Consideration”), from Nixsim Proprietary Limited (the “Seller”) (the “Proposed Transaction”).

Kyron is a specialist vertically-integrated animal health company founded in 1990, which manufactures and markets a wide range of market leading pharmaceutical and nutritional products supplied mainly through wholesalers to over 1,000 veterinary practices in South Africa and Sub-Saharan Africa. Kyron focuses on three main categories:

- Consumer pet products sold through veterinary practices;
- Veterinary pharmaceutical products and practice aids; and
- Equipment and instruments used by veterinarians and farmers.

Kyron has a leading market presence in the animal mobility, probiotics and health and grooming categories. It is the foremost supplier of compounding pharmaceutical products for veterinarians and its key brands include Mobiflex, Protexin, Ultrum, Antezole, Shoo-fly and Mirra-Cote.

Kyron is a strategic bolt-on to the Ascendis Phyto-Vet division and demonstrates strong free cash flow generation and EBITDA margins which are expected to enhance the overall margins of the Phyto-Vet division.

### 2. Strategic rationale

The Proposed Transaction is an excellent strategic fit for Ascendis Animal Health as the Business covers complementary therapeutic areas. Ascendis Phyto-Vet, which incorporates Ascendis Animal Health and Ascendis Biosciences, leverages expertise in the areas of entomology, horticulture, veterinary sciences and agronomy to drive its competitive advantage. The conclusion of the Proposed Transaction will place Ascendis Animal Health as one of the leading local holistic animal healthcare players in the South African market, offering a wide range of prescription and OTC medicines, health and grooming products and surgical equipment for both the farming and companion animal markets.

Ascendis’ strategy is to create a synergistic group of health brands that cover the value chain from import of raw materials to manufacture and distribution of products to consumers via retail and direct selling channels, spanning across human, plant and animal health.

Key features of the Proposed Transaction include:

- Acquisition of well-known brands developed on the back of innovation and attention to customer needs and trends, such as the compounding pharmacy service for veterinarians providing specialised prescription products and the supply of surgical equipment directly to veterinarians;
- Strengthens the manufacturing capability of the Ascendis Phyto-Vet division;
- A significant portion of Kyron’s sales stem from products registered in line with the Department of Agriculture’s Act 36, which is regarded as a strong barrier to entry;

- Further expansion into the profitable and growing animal health industry to complement Ascendis Phyto-Vet's recent acquisition of the Cipla animal health business;
- Entering the health and grooming market for companion animals to complement the existing Marltons pet accessories business into the FMCG channel; and
- Expansion into the FMCG and co-operative channel for Kyron through cross-selling products into the existing channels of the Phyto-Vet business.

### **3. Salient terms of the Proposed Transaction**

The Purchase Consideration is limited to a maximum of R450 million and will be settled as follows:

- 3.1 R396.4 million ("Day 1 Payment") paid to the Seller, which will be settled on the closing date of the Proposed Transaction ("Closing Date") as follows:
  - i. R304.6 million cash plus interest accrued from 1 October 2017 until the Closing Date; and
  - ii. R91.8 million through the issue of Ascendis ordinary shares at the applicable 30 day volume weighted average price on closing, subject to a minimum of R18.00 per share;
- 3.2 Two further payments based on the performance of a specific portion of the Business, to be paid on the first and second anniversaries of the Closing Date (respectively).

As at the date of this announcement, the Proposed Transaction remains subject to conditions precedent which are usual and customary for a transaction of this nature.

### **4. Financial Information**

The profit after tax of Kyron was R47.6 million (excluding once-off profits of R11.9 million) for the financial year ending 28 February 2017 and the net asset value was R52.6 million as at 28 February 2017.

### **5. Categorisation of the Proposed Transaction**

At the time of signing on 15 September 2017 the Proposed Transaction was not categorised in terms of the JSE Limited Listings Requirements ("Listings Requirements") and therefore this announcement is made on a voluntary basis.

28 November 2017

Johannesburg

Corporate Advisor and Financial Advisor

Coast2Coast Capital Proprietary Limited

Sponsor

Investec Bank Limited