

Ascendis Health Limited
(Incorporated in the Republic of South Africa)
(Registration number 2008/005856/06)
Share code: ASC
ISIN: ZAE000185005
("Ascendis" or "the group")



INVESTOR UPDATE ON STRATEGIC BUSINESS REVIEW AND CHANGE IN DIRECTORS

Ascendis initiated a strategic business review in March 2018 following the appointment of Thomas Thomsen as chief executive officer ("CEO"). The strategic review is primarily aimed at creating a sustainable market position for the business, accelerating organic growth across the group following the completion of several local and international acquisitions, improving cash generation and enhancing profitability.

As previously advised, the outcome of the strategic review will be announced and presented in conjunction with the group's annual results presentations on 11 and 12 September 2018.

UPDATE ON STRATEGIC REVIEW

Management provides the following update to the investment community on the progress to date with the strategic review ahead of the group commencing its year-end closed period on 1 July 2018.

A. Asset divestments

During the initial phase of the strategic review management identified three assets for divestment which are either non-core to the longer-term strategy or not performing optimally in the current group structure.

Proceeds from the disposal of these assets will be reinvested in the business to further improve organic revenue growth and financial returns.

1. Ascendis Sports Nutrition, South Africa

Following a review of the sports nutrition business the group has decided to focus solely on its biggest sports nutrition brand, Scitec, in targeted consumer segments and geographies. The group therefore no longer plans to offer its local portfolio of five sports nutrition brands in the South African market.

The group has decided to divest Ascendis Sports Nutrition ("ASN") in South Africa and has initiated a sale process to dispose of the business.

ASN is an established supplier of sports nutrition products in the South African market across its leading brands Evox, SSN, Supashape, Muscle Junkie and Nutrimax.

It is planned for ASN to be sold as a going concern and it is expected that all of its staff will transfer to the new owners.

The transaction is expected to be completed by the end of July 2018.

2. Ascendis Direct

Ascendis Direct (“AD”) is the group’s direct selling and network marketing business selling Sportron and Swissgarde products, operating in southern Africa and Nigeria.

AD is the smallest stand-alone division in the group and has limited integration with Ascendis. AD operates its own management structure, head office and supply chain, while the AD model is not applied anywhere else in the group.

Management has therefore initiated a process to dispose of AD as a going concern and has invited offers from potential buyers. The sale process is expected to be completed by end of September 2018.

3. Supply chain: Isando manufacturing facility

In May 2017 the board of directors of Ascendis (“the board”) made a decision to consolidate the group’s supply chain manufacturing activities into the Ascendis Pharma plant based in Isando, Johannesburg (as referred to in the group’s interim results for the six months ended 31 December 2017). As part of the planned restructuring, redundant assets would have been sold to external third parties over the next 12 months. This was considered to be a discontinued operation, and as a result, assets and liabilities which were not to be consolidated into Ascendis Pharma were classified as being held for sale.

However, following the strategic review, the group has undertaken to retain its good manufacturing practice (“GMP”) approved pharmaceutical manufacturing facility located in Wynberg, Johannesburg, rather than Isando as initially planned. This retention is expected to result in cost savings and manufacturing synergies across the group. Further capital investment is planned to enhance production efficiency at the Wynberg plant, which will also strengthen core brands.

Consequently, the group plans to sell its 23 000 m² GMP pharmaceutical manufacturing facility in Isando. The facility was acquired through the group’s purchase of Akacia Healthcare in 2015.

A disposal process is currently underway with potential buyers having submitted non-binding offers to purchase. The sale will be conditional on

Ascendis concluding a supply agreement with the buyer to continue manufacturing the current products at the Isando factory. The sale process is expected to be concluded by the end of September 2018.

B. Appointment of interim chief operating officer, South Africa

As advised to shareholders on SENS on 31 October 2017, Cliff Sampson will be retiring as an executive director and managing director of the group's South African operations on 30 June 2018.

Management has decided to appoint an interim chief operating officer ("COO") to lead the South African business until the strategic review process has been completed and any potential changes to the operating model or group structure have been adopted.

The group has pleasure in announcing the appointment of Marnus Sonnekus as interim COO South Africa with effect from 1 July 2018, based in Johannesburg. Marnus is a chartered accountant with a strong and diverse background in private equity, management consulting and accounting. His career includes eight years with global management consulting firm McKinsey & Company where he gained exposure to several sectors and industries. He has been a director of Coast2Coast Capital for the past two years responsible for value creation, and recently resigned to join Ascendis. He will report to the group CEO Thomas Thomsen.

C. Cash and capital management

Improving cash generation and reducing gearing levels are strategic and financial priorities for the group. A cross-functional team, together with business unit heads, has focused on generating cash and the more efficient utilisation of assets to improve cash conversion and ultimately enhance the group's return on tangible net assets.

Specific projects have focused on the collection of debt from state entities and the private sector, optimising inventory levels in Pharma-Med and Consumer Brands, including the rationalisation of stock ranges, as well as the implementation of regular review measures with aggressive goals for each business unit.

Significant progress has been made in improving cash generation and management remains committed to achieving its published cash conversion target of 75% for the 2018 financial year.

The group is currently reviewing its capital structure to ensure capacity to meet future vendor debt liabilities and will not be contemplating any form of equity capital raise.

D. Strengthening of the group's core capabilities

Over the past few months the group has started to strengthen its capabilities in areas which will focus and drive business unit organic growth initiatives, and improve external communication with investors, the media and other stakeholders.

CHANGE IN DIRECTORS

In accordance with section 3.59 of the JSE Listings Requirements, Ascendis shareholders are advised that Cris Dillon has resigned as a non-executive director with effect from 22 June 2018. The board would like to thank Mr Dillon for his contribution and dedicated service to Ascendis and wishes him well in the future.

The directors are pleased to announce the appointment of Dr Yoza Jekwa as a non-executive director with effect from 22 June 2018. Dr Jekwa holds a medical degree (MB BCh) and a Masters in Business Administration, and has 13 years' experience in the financial services industry where she has held senior positions at Rand Merchant Bank and Nedbank Capital. She is currently a director of Coast2Coast Capital. Before entering corporate finance, Dr Jekwa worked in the medical field in South Africa and in the UK.

FALSE MEDIA REPORTS ON ASCENDIS

Recent media reports have alleged that Ascendis made a payment to an associate of Dr Matjila of the Public Investment Corporation. This allegation is not true and management conducted an internal investigation which confirmed that no payments had been made to this party. Ascendis also confirms that Lawrence Mulaudzi, who has been named in the media as a representative of Ascendis in relation to these alleged payments, is not and has never been a director, employee or representative of Ascendis.

AVAILABILITY OF INVESTOR PRESENTATION

An investor presentation providing an update on the strategic business review and recent developments within the group will be available from 13:00 today at www.ascendishealth.com/investor-relations/

RELEASE OF ANNUAL RESULTS AND STRATEGY DAY

The outcome of the strategic business review and the group's new strategic focus will be presented to investors together with the annual results for the year ending 30 June 2018, scheduled for release on SENS on 11 September 2018. Investor presentations will be held in Johannesburg (on 11 September) and Cape Town (on 12 September) and will also be accessible via webcast. Further details on the presentations will be made available on the group's website.

25 June 2018
Johannesburg

Sponsor



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