



# FY2018 PRE-CLOSE PRESENTATION AND UPDATE ON STRATEGIC BUSINESS REVIEW

June 2018



# Presentation outline

1

Share learnings and progress from the CEO's first 90 days

2

Discuss immediate actions flowing from the strategic review

3

Update on a few key drivers of organic growth

4

Feedback on cash and capital management

# First 90 days: key learnings

Clarifying the **group, Business unit and M&A strategy** will add significant value

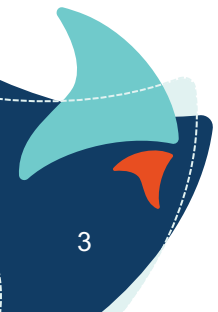
Enhancing systems will improve **efficiency** and **business intelligence**

Increasing **cash conversion** is essential to fund **reinvestment** and **service debt**

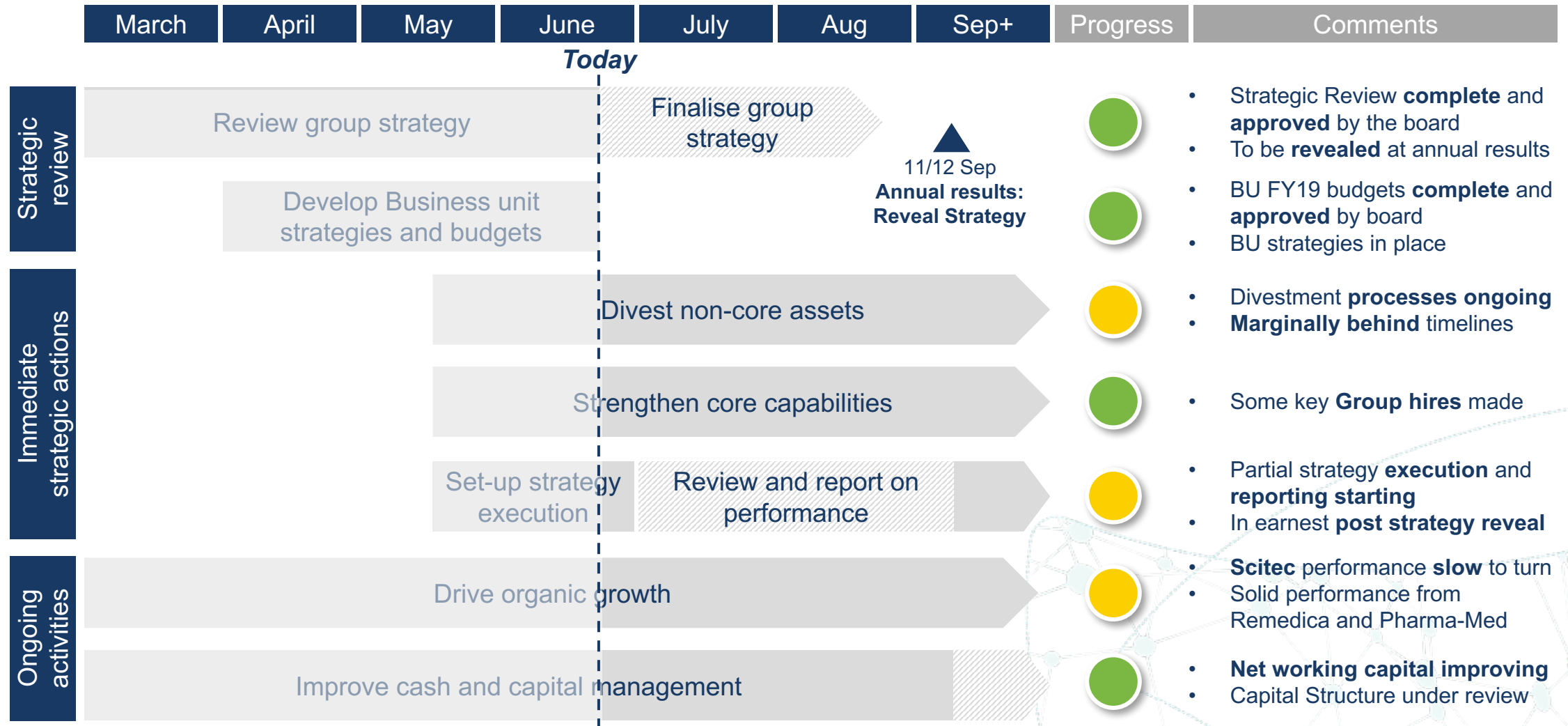
Business units have many **pockets of competitive advantage** for the group to build on

Smaller **non-core assets should be divested** to simplify the operations and focus on the right areas

**Core capabilities need to be strengthened** to deliver organic growth and improve communication



# First 90 days: progress



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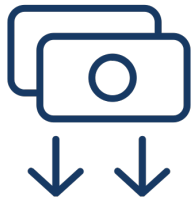
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# A few immediate actions emerging from the strategic business review

A

## Divest non-core assets

- Sports Nutrition, SA
- Ascendis Direct Selling, SA
- Isando factory, SA



B

## Strengthen core capabilities



C

## Set-up strategy execution



A

# Divest: South African Sport Nutrition brands to focus on Scitec, the group's biggest brand



## Business potentially divested

- Ascendis Sports Nutrition, South Africa (to be sold as a going concern)



## Rationale

- Strategy to **focus solely on Scitec** (biggest sports nutrition brand) in targeted consumer segments and geographies
- Sports Nutrition South Africa is a **small group contributor** and therefore requiring disproportionate management effort
- There are **too many, small South African brands** which **require investment** to perform (FY18H1 Revenue -20% vs comparable prior period with an EBITDA loss of -R26m)<sup>1)</sup>

## Progress to date

- Multi-bidder sale **process underway**

## Next steps

- Receive offers, conduct due diligence and finalise sale agreement
- Expecting to conclude the transaction in July 2018



# Divest: Ascendis Direct, the smallest stand-alone division (limited integration with Ascendis)

## Business potentially divested

- Ascendis' direct selling / network marketing business (to be sold as a going concern)



## Rationale

- Smallest stand-alone division** in the group, **operating in South Africa and Nigeria (a non-core country)** for the Ascendis group), and therefore requiring disproportionate management effort
- Limited integration** with the rest of the Ascendis, given Ascendis Direct's own management, head office and supply chain
- The direct selling **business model and compensation system requires specialised capabilities** which may be better supported by a different owner

## Progress to date

- Multi-bidder sale **process underway**

## Next steps

- Conduct due diligence and finalise sale agreement
- Expecting to conclude the transaction in September 2018





# Divest: Isando manufacturing facility to effectively consolidate and synergise the Wynberg plant



## Business potentially divested

- The **GMP pharmaceutical manufacturing operations and staff** of Ascendis Pharma (ex-Akacia), based in Isando, Johannesburg
- Sale expected to be **conditional on a supply agreement** with the buyer to continue manufacturing products currently made at the factory

## Rationale

- Ascendis has two GMP approved **pharmaceutical and food supplement manufacturing sites** in Johannesburg – one in the Wynberg area and one in the Isando area
- The board originally decided to consolidate manufacturing at Isando, however the strategic review revealed it is more **financially and operationally beneficial to retain Wynberg**
- Wynberg has a **competitive advantage** in key technologies used in many SA business units; **capex is planned** to improve efficiency and in-fill rates for core brands

## Progress to date

- Multi-bidder sale **process underway**
- **Non-binding offers received** with valuation and preliminary terms of supply agreement

## Next steps

- Conduct a due diligence and finalise offers and supply agreements
- Expecting to conclude the transaction in September 2018

# **B** Capabilities: Key hires made to strengthen Ascendis' core capabilities



**Interim COO South Africa**  
*Marnus Sonnekus*

- **Potent skillset and diverse experience** in a number of industries and roles, including **private equity, management consulting** and **auditing**
- Previously **Director** of Portfolio Improvement at **Coast2Coast Capital** and **Associate Principal** at **McKinsey & Company**



**Group Programme Director**  
*Martin Edgerton*

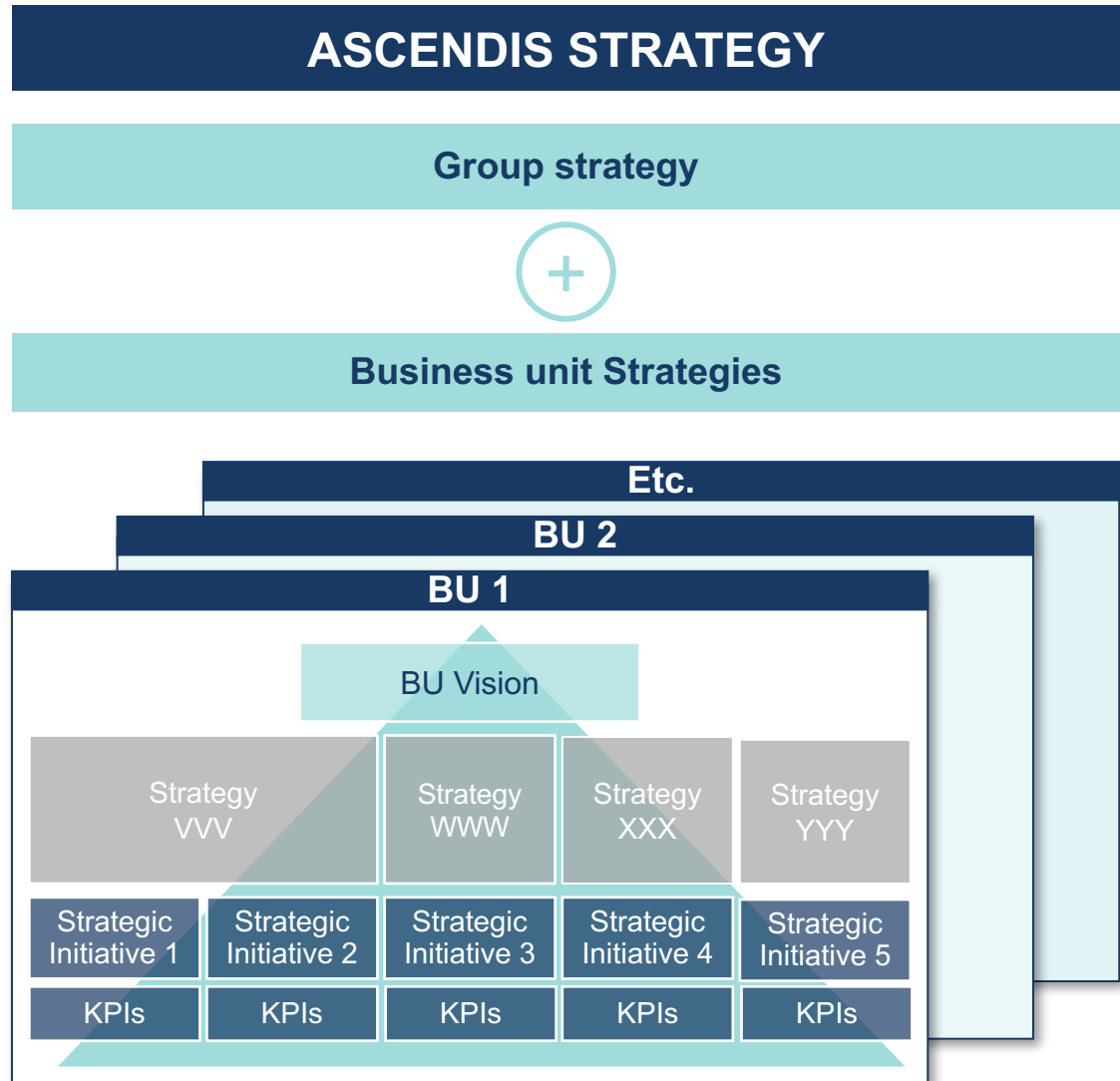
- Deep experience in implementing robust **strategy execution** and **transformational change programmes** in various industries
- Previously **Executive Director** of Customer Services at **CityWest Homes**, **Head of Transformation** at **Tesco** and **Executive Director** of Commissioning at **NHS Luton**



**Group Communication Director**  
*Malini Merkofer*

- Extensive **corporate communications experience**, primarily in financial services
- Previously an independent **strategic communication consultant** and held several roles at **Zurich Insurance Group**, including **Communications Partner** for a global function

# © Execute: Strategy execution managed methodically with dedicated resources



## EXECUTED METHODICALLY

- **Approach:** strategic initiatives developed for each business unit head using a consistent approach
- **Implementation plans:** created for each strategic initiative with clear milestones and KPIs
- **Reporting:** progress vs strategic initiatives integrated with business-as-usual reporting
- **Resources:** dedicated programme and project management resources to ensure delivery

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# Updates on a few key business units

		SCITEC	REMEDICA	PHARMA-MED
Recap: FY18 H1 Interim Results <sup>1)</sup>	Revenue	-8% vs prior period	+17% vs prior period	+9% vs prior period
	EBITDA	-45% vs prior period	+14% vs prior period	+4% vs prior period
Last few months	Performance	 <ul style="list-style-type: none"> <li>• Turnaround slower than expected</li> <li>• Whey <b>protein price decline</b> providing some relieve</li> </ul>	 <ul style="list-style-type: none"> <li>• Solid growth from out-licensed <b>Oncology</b> drugs</li> <li>• Strong <b>tender</b> performance</li> </ul>	 <ul style="list-style-type: none"> <li>• Pressure on <b>state tender</b> businesses</li> <li>• Strong performance from <b>private sector</b></li> </ul>
	Key activities	<ul style="list-style-type: none"> <li>○ Strengthening position in <b>bodybuilding segment</b></li> <li>○ Enter <b>new consumer segment</b></li> <li>○ Renew <b>country focus</b> and sales model</li> <li>○ Focused <b>channel</b> expansion</li> </ul>	<ul style="list-style-type: none"> <li>○ Focus on <b>cash flow</b> generation</li> <li>○ Upgrade of existing <b>dossiers</b></li> <li>○ Company <b>re-organisation</b> and continued capability building</li> <li>○ <b>New market</b> entries</li> </ul>	<p><u>Pharma:</u></p> <ul style="list-style-type: none"> <li>○ <b>Isando sale</b> (EBITDA % improvement expected)</li> <li>○ Maintaining <b>tender volumes</b></li> </ul> <p><u>Medical:</u></p> <ul style="list-style-type: none"> <li>○ <b>Integration</b> (aiming for Dec 2018 completion)</li> <li>○ Improving <b>conversion of Government debt</b> to cash</li> </ul>

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# Focused cash and capital mgmt. to improve net working capital and review the capital structure



NET WORKING CAPITAL		CAPITAL STRUCTURE
ACTIONS IMPLEMENTED TO IMPROVE	EXPECTED OUTCOMES	
<p><b>Enhanced focus</b></p> <ul style="list-style-type: none"> <li>• <b>Senior mgmt. meetings:</b> raise awareness on an ongoing basis</li> <li>• <b>Training:</b> Top 200 managers trained on best practice, case studies, etc.</li> <li>• <b>Group-wide campaigns:</b> E.g., drive to collect debt with weekly scorecards</li> </ul>	<p>Management remain committed to achieve the 75% target for FY18 cash conversion</p> <p><b>Progress to date</b></p> <p><b>Inventory</b></p> <ul style="list-style-type: none"> <li>• Reduced inventory</li> <li>• <b>Improved purchasing discipline</b> (right SKUs and the quantities)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Capital structure under revision</b> (to ensure capacity to meet future vendor debt liabilities)</li> <li>• Ascendis will <b>not be contemplating any form of equity capital raise</b></li> </ul>
<p><b>SMART initiatives + targets</b></p> <ul style="list-style-type: none"> <li>• <b>Priority BUs:</b> co-developed targets; support provided for big ticket items</li> <li>• <b>Other BUs:</b> co-developed targets; initiatives executed by BUs</li> </ul>	<p><b>Receivables</b></p> <ul style="list-style-type: none"> <li>• Reduced receivables</li> <li>• Improved <b>private collections</b></li> <li>• Successful settlement negotiated with <b>Government</b></li> </ul>	
<p><b>Improved planning &amp; monitoring</b></p> <ul style="list-style-type: none"> <li>• <b>FY19 Budget:</b> target flow through to FY19 budgeting process</li> <li>• <b>KPI monitoring:</b> group level and BU reporting tools with cascaded NWC KPIs</li> <li>• <b>Treasury:</b> improved planning and sweeping of excess cash</li> </ul>	<p><b>Payables</b></p> <ul style="list-style-type: none"> <li>• Reduced payables</li> <li>• More <b>disciplined (reduced) purchasing</b> of stock</li> <li>• <b>Timely payments</b> executed</li> </ul>	



# Investor relations contacts



Contact	Designation	Office tel	Email
Thomas Thomsen	CEO	+44 20 8050 7412	thomas.thomsen@ascendishealth.com
Kieron Futter	CFO	+27 11 036 9480	kieron.futter@ascendishealth.com



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