Ascendis HEALTH

Annual Results

For the year ended 30 June 2018

Presentation outline

Section		Presenter
01	Overview	Thomas Thomsen
02	Financial review	Kieron Futter
03	Operational review	Thomas Thomsen
04	Q & A	Thomas Thomsen & Kieron Futter

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Overview of the last 12 months

- 5% comparable organic revenue growth
- EBITDA margin % in target range, with comparable organic EBITDA growing 2%
- Improvement in cash management and reduction in total gearing position

- In Europe, Remedica and Sun Wave Pharma continue to grow in double digits
- Early wins in Scitec turnaround

- Low economic growth and pressure on consumer spending impacted performance of SA businesses
- Divestment of two SA business units announced in June 2018, now completed

- Normalised HEPS from continuing operations growing 2%
- Strategic review conducted and new strategy approved in Q4

Performance vs target

	FY2018 Guidance	FY2018 Actual
Organic revenue growth (%)	c10%	5.0%
EBITDA margin (%)	17 – 18%	17.3%
Net working capital (days)	125	138
Cash conversion (%)	75%	92%
Gearing (net debt:EBITDA)	3.4	3.4

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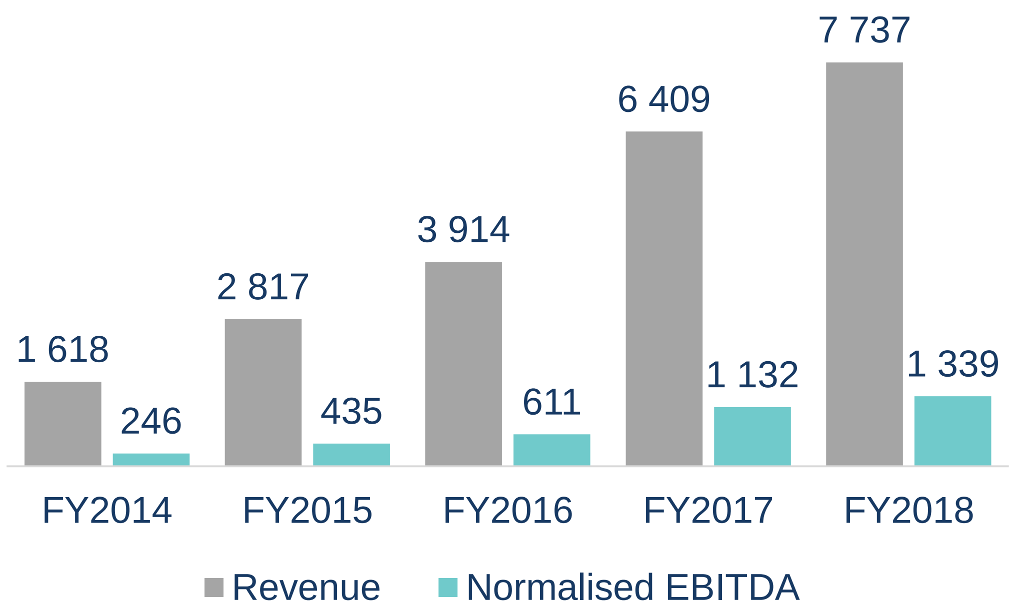
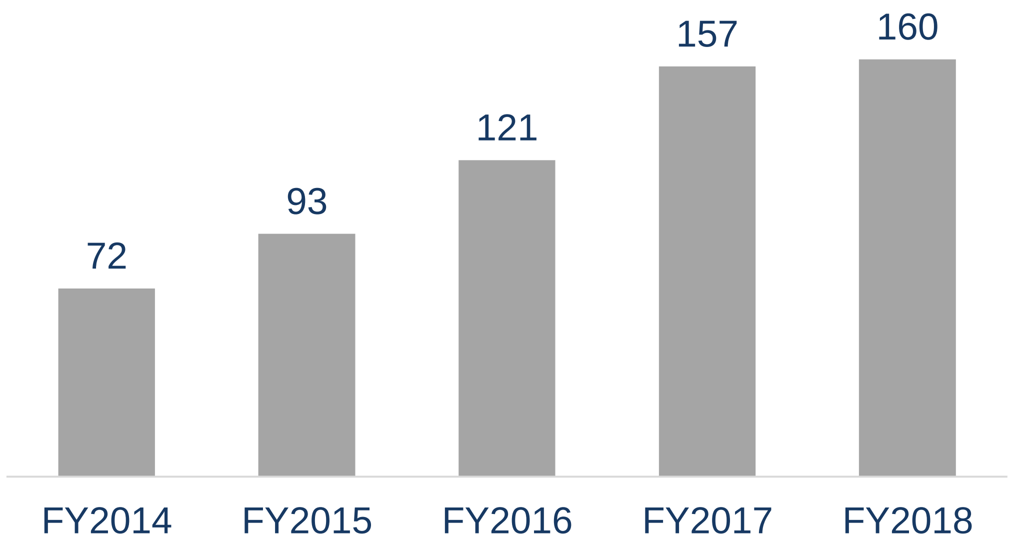
Financial metrics

Revenue and normalised EBITDA, FY2014 – FY2018, (R'm)



Normalised HEPS, FY2014 – FY2018, (cents)



Revenue **+21%** to R7.7bn (**+5%** comparable*)

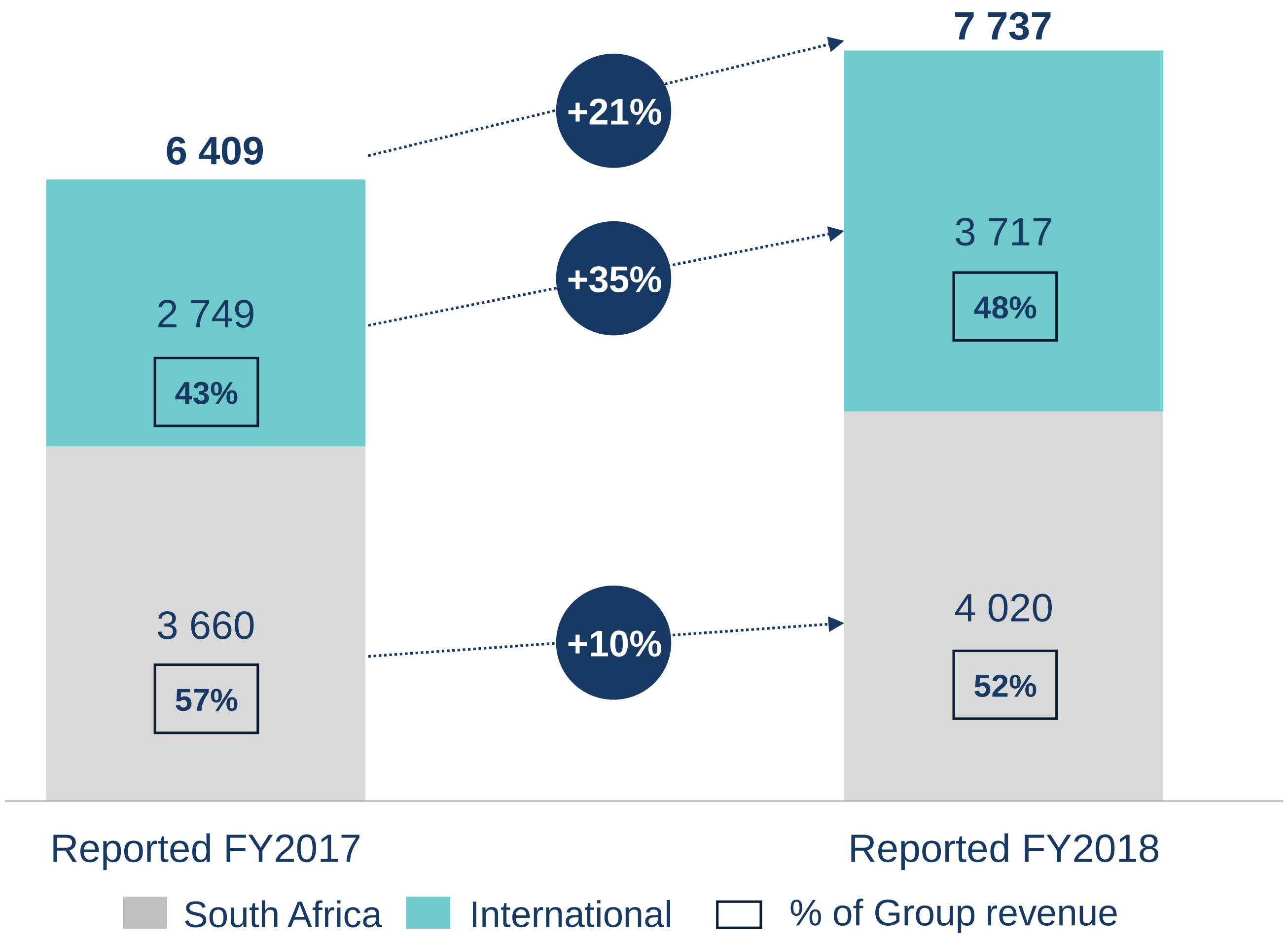
Normalised EBITDA **+18%** to R1.4bn (**+2%** comparable*)

Notes
1. ***FY2017 and FY2018 are results of continuing operations only***
2. ***Normalised numbers are adjusted for once-off transaction-related costs and restructuring costs to streamline, rationalise and structure companies***

* *Comparable growth is the performance of the businesses vs a full twelve months in the prior year*

Revenue growth

Reported revenue growth, FY2017 – FY2018, (R'm)



- High growth businesses in Europe providing hedge against ZAR weakness
- Cipla and Sunwave acquisitions in June 2017
- Kyron acquired in March 2018, complementing existing Animal Health business

Continuing operations only

Income statement

Continuing operations (R'm)	Jun 2018	Jun 2017*	% change
Revenue	**7 737**	**6 409**	20.7%
Cost of sales	4 268	3 747	13.9%
Gross profit	**3 469**	**2 662**	30.4%
Gross profit margin	44.8%	41.5%	
Other income	34	60	
Operating expenses	2 164	1 590	36,1%
Total expenses	2 564	1 988	
Less: depn, amortisation and impairments	(345)	(251)	
Less: once-off transaction-related and restructuring costs	(55)	(147)	
Normalised EBITDA	**1 339**	**1 132**	18.3%
EBITDA margin	17.3%	17.7%	

Increase in operating expenses driven by:		
2017 and 2018 acquisitions	470	**30%**
Investments in marketing and head office	56	**2%**
Inflation and other	68	**4%**

** Restated for discontinued operations*

Income statement (continued)

Continuing operations (R'm)	Jun 2018		Jun 2017*	% change
	Basic earnings	Normalised headline earnings	Normalised headline earnings	
EBITDA	**1 285**	**1 339**	**1 132**	**18.3%**
Depreciation	118	118	94	25.2%
Amortisation and impairments	227	-	-	
Operating profit	**940**	**1 221**	**1 038**	**17.7%**
Net finance costs	376	376	280	34.0%
Taxation	68	82	91	(10.2%)
Profit after tax	**496**	**763**	**667**	**14.7%**
Non-controlling interest	(25)	(25)	(25)	
Attributable profit after tax	**471**	**738**	**642**	**15.2%**
Capital items	11	-	5	
Headline earnings	**482**	**738**	**647**	**14.0%**
WANOS ('m)	462.0	462.0	412.3	12.0%
HEPS (c)	**104.4**	**159.7**	**157.0**	**1.7%**

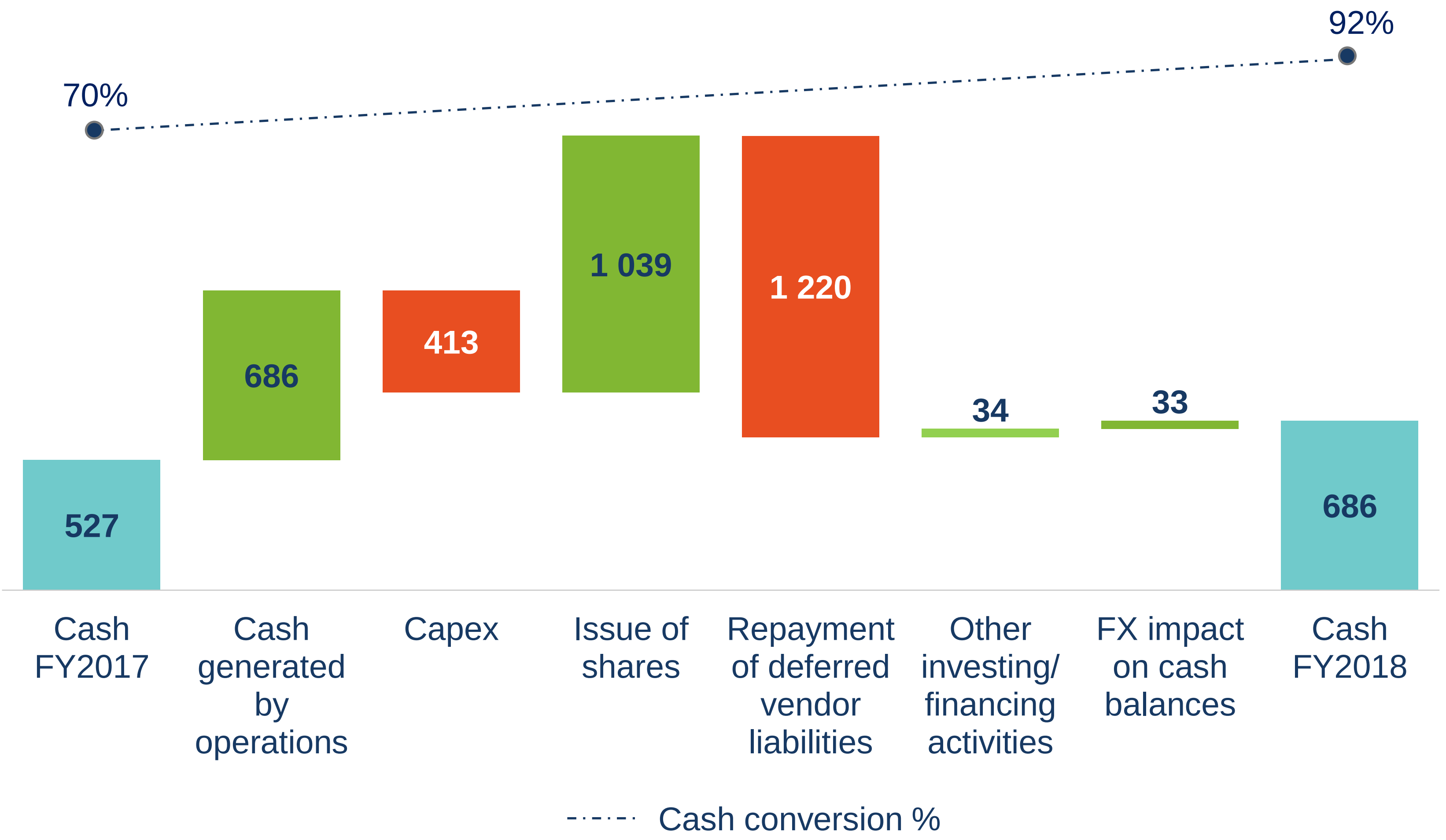
** Restated for discontinued operations and normalisation definition change*

Discontinued operations

R'm	Total group	Discontinued operations: Wynberg	Isando	Sports Nutrition	Direct Selling	Total discontinuing	Continuing operations
FY2018							
Revenue	7 955			(129)	(89)	(218)	**7 737**
Normalised EBITDA	1 259			79	1	80	**1 339**
EBITDA margin	15.8%						**17.3%**
FY2017	**Previously reported**						
Revenue	6 435	209		(151)	(84)	(26)	**6 409**
Normalised EBITDA	1 086	(52)	38	53	7	46	**1 132**
EBITDA margin	16.9%						**17.7%**

Cash & cash conversion

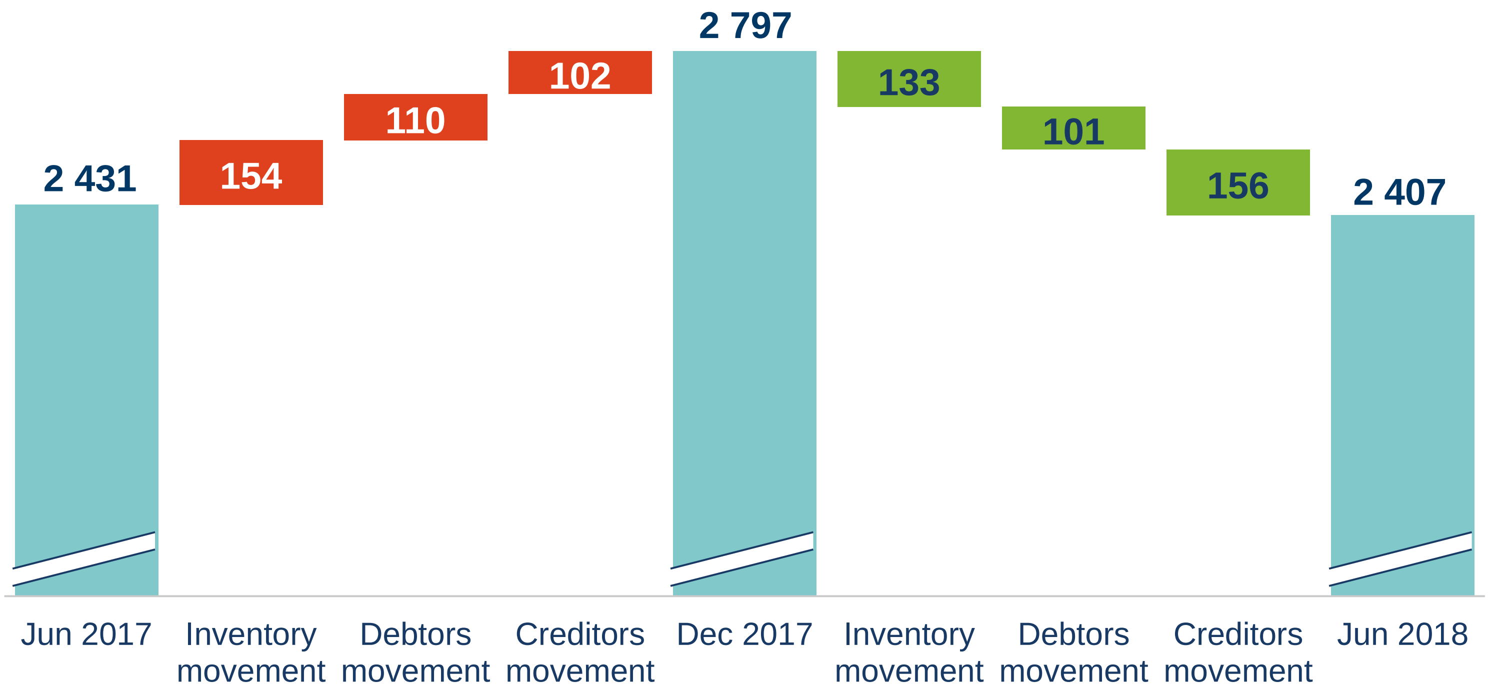
Cash & cash conversion, FY2017 – FY2018, (R’m)



- Cash conversion increase to 92% driven by improvement in net working capital
- Rights issue in Dec 2017 used to decrease total leverage
- R1.2bn to settle deferred vendor liabilities
- Purchase of Kyron in March 2018

Working capital

Group net working capital (NWC), H1 & H2 2018, (R'm)



NWC % of revenue

38%	35%	31%

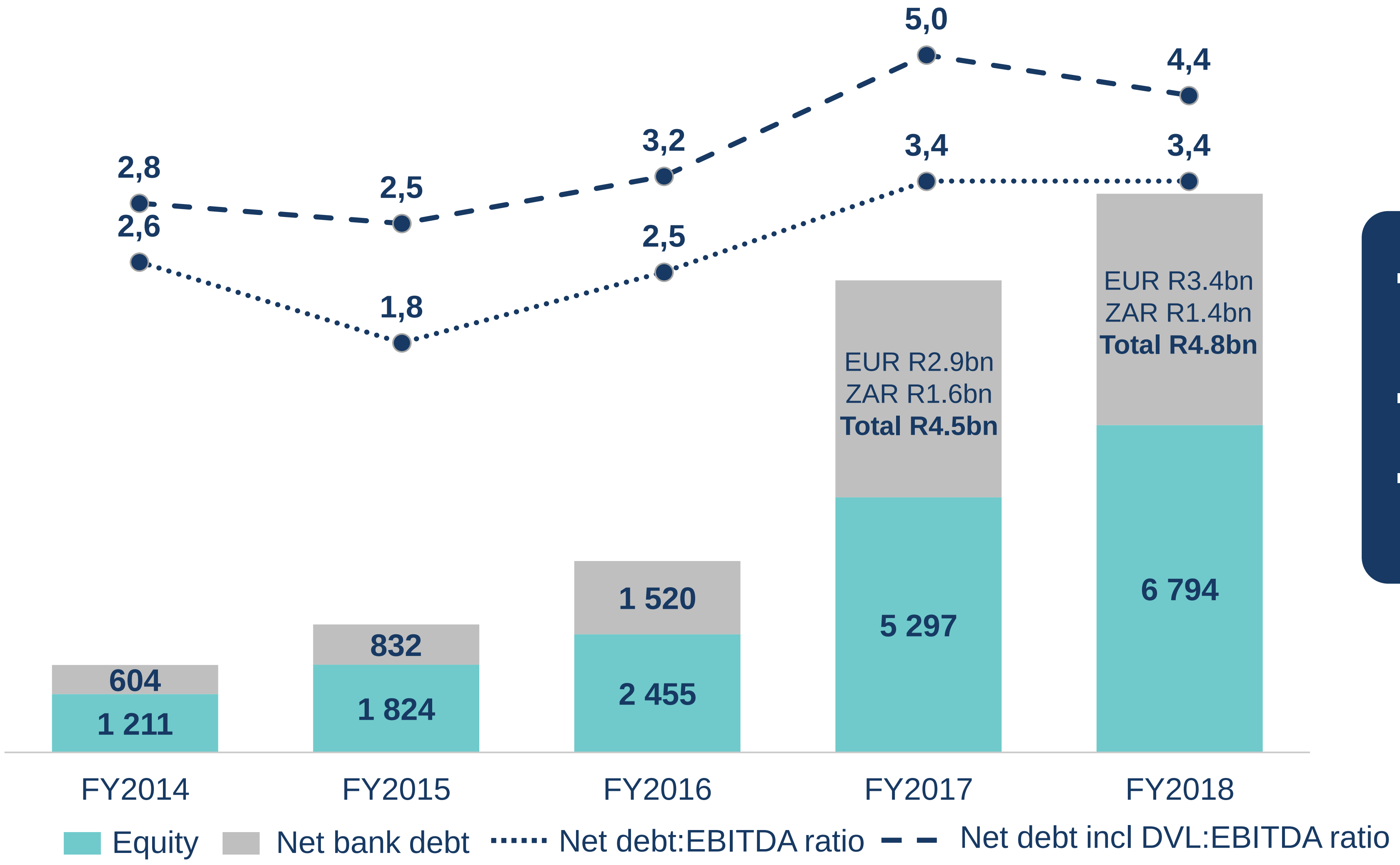
Cash conversion rate

70%	50%	92%

- Aggressive collection of private and Government debts
- SKU rationalisation across all Business Units
- Forecasting and procurement process improvement
- Negotiated better creditor payment terms

Gearing

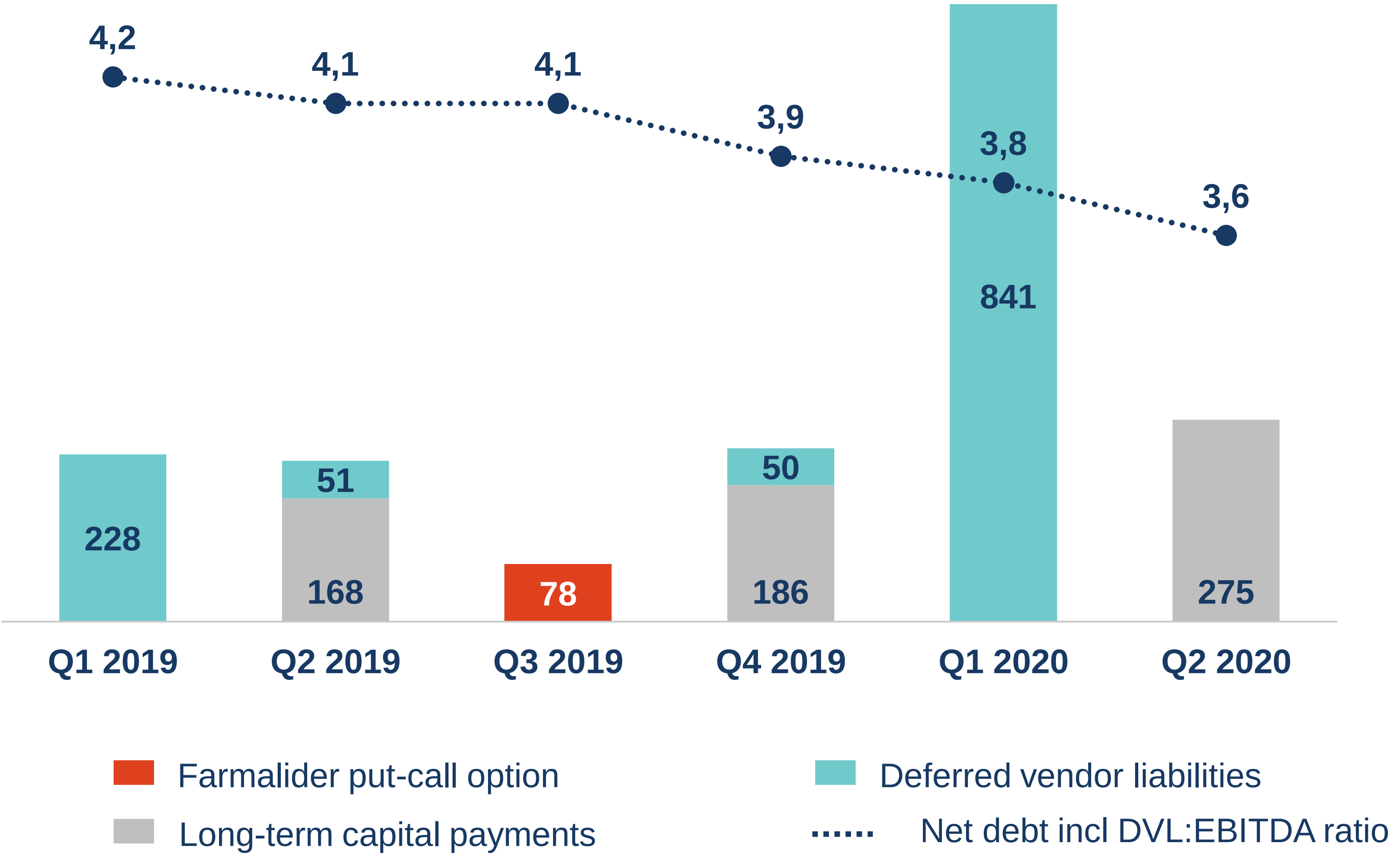
Equity, net debt and debt:EBITDA, FY2014 – FY2018, (R'm)



- Reduction in gross leverage to 4.4x
- 70% debt in EUR
- Weighted average cost of debt decreased to 6.3%

Cash flow planning

Committed cash obligations, Q1 2019 – Q2 2020, (R'm)



Future cash requirements to be serviced by:

- Cash generated by operations (>75% of EBITDA)
- Further improvements in working capital
- Proceeds from sale of Sports Nutrition, Direct Selling and Isando Factory

Debt refinance planned to support organic growth and improve certainty

Presentation outline

Ascendis HEALTH

Revenue analysis by business

Continuing operations	Reported 12 months to Jun 2018	Reported 12 months to Jun 2017**	Reported % change vs Jun 2017	Comparable 12 months to Jun 2017*	Comparable % change vs Jun 2017*
INTERNATIONAL (€'m)					
Remedica	87	67	29%	74	18%
Sun Wave Pharma	36	3	>100%	25	44%
Scitec	85	85	(1%)	93	(9%)
Farmalider	36	32	13%	32	13%
Total International - €'m	**244**	**187**	31%	**224**	9%
Total International - R'm	**3 717**	**2 749**	35%	**3 322**	12%
SOUTH AFRICA (R'm)					
Pharma-Med	2 261	2 265	-	2 338	(3%)
Consumer Brands	918	919	-	917	-
Biosciences	933	941	(1%)	941	(1%)
Animal Health (Cipla and Kyron)	370	20	>100%	305	21%
Intercompany elimination	(462)	(485)	(5%)	(466)	(1%)
Total South Africa - R'm	**4 020**	**3 660**	10%	**4 035**	-
Total group - R'm	**7 737**	**6 409**	21%	**7 357**	5%

* *Full twelve months for Remedica & Scitec (acquired Aug 2016) and Sun Wave & Cipla (Jun 2017), and prior revenue for Ortho-Xact (Apr 2017) and Kyron (Mar 2018)*

** *Restated for discontinued operations*

EBITDA analysis by business

Continuing operations	Reported 12 months to Jun 2018	Reported 12 months to Jun 2017**	Reported % changed vs Jun 2017	Comparable 12 months to Jun 2017*	Comparable % change vs Jun 2017*
INTERNATIONAL (€'m)					
Remedica	28	21	30%	22	26%
Sun Wave Pharma	8	1	>100%	6	27%
Scitec	6	11	(43%)	12	(46%)
Farmalider	6	6	11%	6	11%
Total International - €'m	**48**	**39**	22%	**46**	4%
Total International - R'm	**736**	**582**	27%	**678**	9%
SOUTH AFRICA (R'm)					
Pharma-Med	390	368	6%	387	1%
Consumer Brands	91	117	(23%)	117	(23%)
Biosciences	131	137	(4%)	137	(4%)
Animal Health (Cipla and Kyron)	74	4	>100%	66	12%
Total South Africa - R'm	**686**	**626**	10%	**707**	(3%)
Group head office costs – R'm	(83)	(76)	10%	(76)	10%
Total group - R'm	**1 339**	**1 132**	18%	**1 309**	2%

** Full twelve months for Remedica & Scitec (acquired Aug 2016) and Sun Wave & Cipla (Jun 2017), and prior revenue for Ortho-Xact (Apr 2017) and Kyron (Mar 2018)*

*** Restated for discontinued operations*

Consumer Brands

CONSUMER BRANDS (SA)

R'm	Jun 2018	Jun 2017	% change
Revenue	**918**	917	-
EBITDA	**91**	117	(23%)
EBITDA margin	**9.9%**	12.8%	
RONA	**19%**		

Wellness

- MenaCal and Vitaforce have shown double digit sales growth and market share increases
- Leadership changed instituted to address issues in supply chain
- Solal RX range being launched Q1 FY19

Skin & Body

- SA discretionary spending down in H1 2018, contributing to decline in luxury goods
- Aggressive expansion strategy in SA and UK focusing on new distribution opportunities
- Discontinued 2 low margin agency brands in Q4 2018 to focus on core brands
- Launched new Agewell brand in retail channel to improve availability and target new consumer audience

SCITEC

€'m	Jun 2018	Jun 2017*	% change
Revenue	**85**	93	(9%)
EBITDA	**6**	12	(46%)
EBITDA margin	**7.6%**	12.8%	
RONA	**17%**		

- Drop in revenue due to strong competition from online in Western Europe, resulting in lower volumes
- Launched own online business in UK and partnered with Amazon in 5 key EU markets
- Increased investment in key account management capability and marketing support to build brand equity
- Turnaround plan kicked off in H2 2018
- Restructuring in H2 2018 with 15% reduction in indirect staff

SUN WAVE PHARMA

€'m	Jun 2018	Jun 2017**	% change
Revenue	**36**	25	44%
EBITDA	**8**	6	27%
EBITDA margin	**21.8%**	24.8%	
RONA	**41%**		

- Strengthening it's No.1 nutraceutical company in Romania
- Double digit volume growth in Cardio, Derma, Gastro, Neuro and Respiratory
- New product launches in 2018 represents 5% of the growth
- Increased sales force and marketing focus with healthcare specialists driving top line growth

* *Including 1 month of revenue and earnings prior to acquisition*

** *Including 11 months of revenue and earnings prior to acquisition*

Pharma-Med

REMEDICA

€'m	Jun 2018	Jun 2017*	% change
Revenue	**87**	74	18%
EBITDA	**28**	22	26%
EBITDA margin	**32.4%**	30.2%	
RONA	**29%**		

- Out-licensing revenue increased by 87% : 7 new products launched in Q1 18
- Expansion volume growth in SE Asia and Middle East negated currency issues in key African markets
- Revenue from NGO increased 29% versus PY
- Recovery from prior year API supply shortage
- Improved working capital in H2 - debtors collections; creditor payment term renegotiations

FARMALIDER

€'m	Jun 2018	Jun 2017	% change
Revenue	**36**	32	13%
EBITDA	**6**	6	11%
EBITDA margin	**17.5%**	17.9%	
RONA	**41%**		

- Robust revenue growth driven by innovation in OTC products and license fees for Ibuprofen Infusion, sticks and Sildenafil
- EBITDA margin flat due to global Ibuprofen API shortage and outsource supplier breach
- Continuing focus on innovation in OTC and pain treatment
- Increasing in-house manufacturing capacity (currently 20% of total COGS)

PHARMA-MED (SA)

R'm	Jun 2018	Jun 2017**	% change
Revenue	**2 261**	2 338	(3%)
EBITDA	**390**	387	1%
EBITDA margin	**17.3%**	16.5%	
RONA	**42%**		

Medical Devices

- Successful integration of orthopaedic business purchased in 2017
- RT2 tender boosted RCA business
- Surgical devices business improved working capital in H2

SA Pharma

- Private sector: business grew at +12%, 4% ahead of the market
- Public sector: discontinued low margin tender products and increasing focus on higher margin products
- Rationalisation of tail-end/dormant dossiers and products.
- In process of selling manufacturing operations in Isando

* *Including 1 month of revenue and earnings prior to acquisition*

** *Including Ortho-Xact prior to acquisition*

Phyto-Vet

ANIMAL HEALTH

R'm	Jun 2018	Jun 2017*	% change
Revenue	**370**	305	21%
EBITDA	**74**	66	12%
EBITDA margin	**20.0%**	21.6%	
RONA	**44%**		

- Integration of companion animal and veterinary businesses from Cipla successfully completed
- Acquisition of Kyron in March 2018
- Expected EBITDA margin decrease due to increase in administrative costs that arose out of FY18 Cipla acquisition
- Entry into the SA Ruminants and Poultry vaccines market high priority over the next 12 months

BIOSCIENCES

R'm	Jun 2018	Jun 2017	% change
Revenue	**933**	941	(1%)
EBITDA	**131**	137	(4%)
EBITDA margin	**14.0%**	14.6%	
RONA	**40%**		

- Stock overhang in trade due to drought also impacted revenue unfavourably.
- Treasury issues in Zimbabwe, Zambia and Mozambique impacted revenue from SSA in pesticide and fertiliser businesses
- SKU rationalisation in Marltons and Efekto initiated
- Afrikelp business continuing to grow strongly

* *Including 11 months of Cipla revenue and earnings prior to acquisition and 4 months of Kyron revenue and earnings*

Presentation outline

Thank you

Q&A

When opportunity knocks, we'll be ready …….

Ascendis Health New Strategy reveal after the break

Additional Information

Key ratios

	Jun 2018	Jun 2017
Annualised sales* (R'm)	**7 917**	7 459
Annualised EBITDA* (R'm)	**1 393**	1 326
Interest cover (times)	**3.8**	3.8
Net debt to EBITDA (times)*	**3.4**	3.4
Cash conversion ratio (%)	**92%**	70%
Net working capital days*	**138**	147
Inventory days	**132**	138
Debtor days	**75**	80
Creditor days	**(69)**	(71)
ROTNA** (%)	**30.1%**	34.1%
ROE*** (%)	**12.1%**	14.3%

** Income statement measures use a full twelve months of results for all companies in the group, irrespective of the actual date of consolidation. This provides more meaningful ratio analysis.*

*** Excludes goodwill and intangibles* **** Adjusted for average equity*

Operating expenses

Continuing operations	R'm	% of base
Operating expenses – FY2017	**1 590**	
2017 acquisitions	454	29%
2018 acquisitions	16	1%
Investment in marketing	40	3%
Investment in head office	16	1%
Synergy savings	(20)	(1%)
Inflation and other	68	4%
Operating expenses – FY2018	**2 164**	**36%**

Number of shares in issue

'm	Jun 2018	Jun 2017	% change
Opening number of shares in issue	435.9	298.9	
Rights issue in August 2016		55.7	
Vendor placement in August 2016		77.6	
BEE transaction in October 2016		3.7	
Private placements in November 2017	12.4		
Private placement in December 2017	3.7		
Rights issue in December 2017	37.5		
Closing number of shares in issue	**489.5**	**435.9**	**12.3**
Weighted average number of shares in issue	**462.0**	**412.3**	**12.1**

Exchange rate impact

Illustrative impact on twelve months of earnings (R'm)	ZAR strengthens by 10%	ZAR weakens by 10%
Translation effect		
Euro-based business earnings	(48.0)	48.0
Transaction effect		
Imported COGS (SA)	124.9	(124.9)
Export sales from SA	(34.9)	34.9
Total	**90.0**	**(90.0)**
Net effect	**42.0**	**(42.0)**
Earnings impact mitigation		
SA Business Price increase:		
Average of 2%		23.1
Average of 4%		46.2
Average of 6%		69.2

Average exchange rates:

H1 2018 : R15.74/€

H2 2018 : R14.85/€

FY 2018 : R15.28/€

Mitigated by group hedging policy for known commitments of:

0-3 months : 100% hedged

4-6 months : 75% hedged

7-9 months : 50% hedged

10-12 months : 25% hedged

FX-sensitivity by currency

A 1% appreciation/depreciation of the Rand against all other currencies would decrease/increase sales on an annual basis by some R42 million and EBITDA before special items by about R9 million.

Return on capital

R’m	Per AFS	ROE	ROTNA
Earnings:			
Normalised headline earnings	738		
Add: annualised Kyron earnings less interest	25		
Add: annualised interest saved on capital raise	14		
	777	777	
Normalised EBITDA	1 339		
Deduct: depreciation	(118)		
Deduct: once-off transaction/restructuring costs	(55)		
	1 166		1 166
Balance sheet:			
Average shareholder funds		6 445	
Average tangible net assets			3 868
Return – FY2018		**12.1%**	**30.1%**
Return – FY2017		14.3%	34.1%

ROE impacted by de-risking of balance sheet

Balance sheet – assets

R'm	Jun 2018	Jun 2017*	% change
Non-current assets	**11 110**	**10 304**	**7.8**
Property, plant and equipment	1 127	1 060	**6.3**
Intangible assets and goodwill	9 834	9 172	**7.2**
Other non-current assets	149	72	**>100**
Current assets	**4 767**	**4 240**	**12.4**
Inventories	1 619	1 598	**1.4**
Trade and other receivables	1 872	1 882	**(0.5)**
Cash and cash equivalents	768	635	**21.0**
Other current assets	148	125	**18.4**
Current assets held for sale	360	-	
Total assets	**15 877**	**14 544**	**9.2**

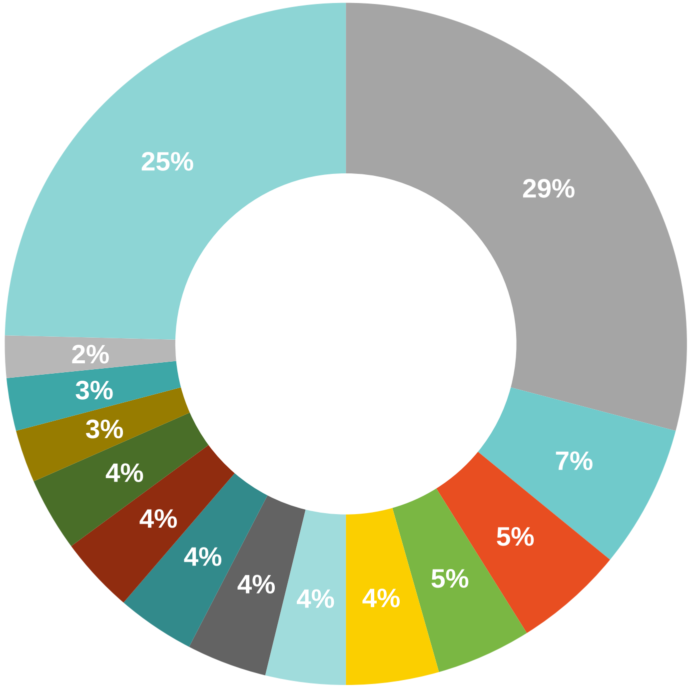
** Restated*

Balance sheet – equity and liabilities

R'm	Jun 2018	Jun 2017*	% change
Equity	**6 794**	**5 297**	28.3
Non-current liabilities	**5 968**	**6 115**	(12.5)
Borrowings	4 554	4 003	13.8
Deferred vendor liabilities	876	1 497	(41.5)
Other non-current liabilities	538	615	(12.6)
Current liabilities	**3 115**	**3 132**	(1.0)
Trade and other payables	1 322	1 250	5.7
Borrowings	939	1 027	(8.5)
Deferred vendor liabilities	423	651	(35.1)
Bank overdraft	81	108	(24.4)
Other current liabilities	287	96	>100
Current liabilities held for sale	63	-	
Total liabilities	**9 083**	**9 247**	(0.7)
Total equity and liabilities	**15 877**	**14 544**	9.2

** Restated*

Shareholding structure



Holdings at	Jun 2018	Jun 2017
Coast2Coast and staff	29.1%	31.3%
Kefolile Health Investments	6.8%	6.1%
WBD Investment Holdings	5.2%	4.1%
Mineworkers Investment Company	4.5%	3.5%
Public Investment Corporation	4.4%	5.0%
Blakeney Management	3.8%	3.5%
Laurium Capital	3.8%	-
International Finance Corporation	3.7%	4.2%
Sentio Capital	3.6%	4.7%
Jupiter Asset Management	3.5%	-
Mazi Capital	2.5%	1.7%
GIC Private Limited	2.5%	2.7%
Old Mutual	2.0%	2.6%
Other shareholders	24.6%	30.6%

22.7% international holding (20.7% at Jun 2017)

31.8% BEE holding (28.2% at Jun 2017), including 14.4% black female ownership

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