

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



ASCENDIS HEALTH ADOPTS NEW STRATEGIC FOCUS

A. INTRODUCTION

Ascendis Health embarked on a strategic review of its business in March 2018 following the appointment of Thomas Thomsen as Chief Executive Officer.

The review was aimed at achieving the following objectives:

- creating a sustainable and leading market position for the business; and
- improving performance by accelerating organic growth, improving cash generation and enhancing profitability.

The review process identified the need for Ascendis Health to become more strategically focused by strengthening the core of the business to facilitate scale and higher returns, while becoming more consumer and people centric. Ascendis Health has a market-leading brand portfolio, successful business units and high quality and passionate people, which together provide a solid foundation to embark on a new strategic direction.

B. NEW STRATEGIC FOCUS

Pharma and Consumer Healthcare have been identified by the group as core focus areas, based on the strategic fit and growth potential of these sectors. The directors believe that increased focus on these sectors will bolster the group's market position and build on Ascendis Health's globally competitive businesses in the Pharma and Consumer Healthcare sectors.

Ascendis Health plans to drive geographic expansion and growth by strengthening its current foothold in Europe, the Middle East and Africa.

Strategic acquisitions will be considered to enhance and complement the core businesses, based on pre-defined investment criteria, including strategic alignment and financial returns.

The core businesses will be complemented by two solid performing divisions, Medical and Animal Health. These businesses are strategically aligned with the rest of the group and management aims to strengthen and scale these businesses to continue to provide stable returns.

Strategic non-core businesses should be divested to ensure greater focus on the core operations. Biosciences has been identified as non-core and the logical next step is for Ascendis Health to divest from the business. As announced on SENS on 25 June 2018, three other assets were identified for divestment, namely Ascendis Sports Nutrition, Ascendis Direct Selling and the group's pharmaceutical manufacturing facility in Isando, Gauteng (refer to paragraph below headed "Divestments" below).

As a consequence of the new focused strategy, the Ascendis Health operating model will shift from the current geographic structure, focused on South Africa and Europe, to a global divisional model comprising Pharma, Consumer Healthcare, Medical and Animal Health. The new structure is aimed at driving stronger organic growth by better meeting consumer and customer needs, creating economies of scale and maximising competitive advantages.

A single global operating model will reduce complexity and allow for a clear strategy with faster decision making and greater accountability. The operating model will, during 2019, be underpinned by

global support functions across finance, risk/legal, technology , human resources, marketing, sales capabilities and communications.

The new strategic focus and business model is targeted at driving sustainable value creation. Through this model, the group's targeted objective is to generate a 7% to 10% organic revenue growth rate and 22% to 25% earnings before interest, tax, depreciation and amortisation ("EBITDA") margin by the 2023 financial year.

C. SUPPORT IN RESPECT OF NEW STRATEGY

Group capabilities are being enhanced to support the new strategic focus, while five core strategies are being consistently implemented across the four business divisions:

- creating focused portfolio and winning brands;
- selecting power geographies, customers and channels;
- driving commercial excellence;
- improving operational efficiency; and
- developing world-class leaders who learn.

Governance has been significantly improved by introducing four Ascendis Health management committees to better manage performance through clearer accountability, rigour and speed of decision making, and transparency. These are the executive committee; divisional management committee; capital, cash and investment committee; and the innovation forum.

Four senior executive appointments have been made to strengthen Ascendis Health's core capabilities.

D. SCITEC TURNAROUND PLAN

The turnaround plan to address the under-performance at Scitec is delivering encouraging early results and the group remains committed to its investment in Scitec. While the business operates in a highly competitive sector, the sports nutrition market is growing at around 4% - 5% per annum and is profitable.

New consumer segments have been identified which will effectively double the size of Scitec's target market, with specific focus on key markets such as Hungary, UK, Germany and the Middle East. Scitec's total brand portfolio has been rationalised with a material reduction already.

Revenue from contract manufacturing has increased by approximately 17% over the past two financial years. The group's objective remains to optimise factory costs and improve operating efficiencies, while Scitec's headcount has been reduced by 10% as at year to date.

E. DIVESTMENTS

Four assets which are either non-core to the longer-term strategy or not performing optimally in the current group structure have been identified for divestment. Proceeds from the disposal of these assets will be reinvested in the business to improve organic revenue growth, reduce gearing and enhance financial returns.

1. Biosciences business

The Biosciences business, comprising Avima/Klub 5, Efekto, Marltons and Afrikelp, is considered non-core to the group's new strategy. In addition, while these businesses are performing well, they serve a different set of customers, and require capabilities and skills that are not core to Ascendis Health.

In the 2018 financial year, the Biosciences businesses contributed revenue of R933 million (12% of group) and EBITDA of R131 million (10% of group).

Management plans to consider the optimum divestment process and shareholders will be advised accordingly.

2. Update on other divestments

2.1 *Ascendis Sports Nutrition, South Africa*

The Ascendis Sports Nutrition business in South Africa has been sold for R54 million and the effective date of the transaction is 1 August 2018. The business was sold as a going concern including the five brands, Evox, SSN, Supashape, Muscle Junkie and Nutrimax.

The group's sports nutrition strategy will, in future, focus solely on its biggest sports nutrition brand, Scitec, in targeted consumer segments and geographies. The Scitec brand was introduced into South Africa in early 2016.

The divestment of the Ascendis Sports Nutrition business is uncategorised in terms of the JSE Listings Requirements.

2.2 *Ascendis Direct*

Agreement has been reached for the sale of Ascendis Direct, the group's direct selling and network marketing business, for R40 million.

The divestment of Ascendis Direct is uncategorised in terms of the JSE Listings Requirements.

2.3 *Supply chain: Isando manufacturing facility*

Ascendis is in the final stages of concluding a sale agreement for the Isando manufacturing facility. The sale will be conditional on Ascendis concluding a supply agreement to continue manufacturing the current products at the Isando factory. Shareholders will be advised when the transaction has been finalised.

Part of the proceeds of this sale will be invested in upgrading production efficiency at the group's other pharmaceutical manufacturing facilities.

INVESTOR PRESENTATION

The group's annual results for the year ended 30 June 2018 and the new strategic focus will be presented to investors in Johannesburg today and in Cape Town tomorrow, 26 September 2018.

The presentation will be webcast from 10:00 today, 25 September 2018, and will be available at the following link: www.corpcam.com/Ascendis25092018. A recording of the webcast will be available at the same link from 14:00 today. The presentation is also available for downloading on the group's website at www.ascendishealth.com/investor-relations/

25 September 2018
Johannesburg

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