



Ascendis Health's New Strategic Focus

Investor presentations
September 2018

Presenters

Name	Designation
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Kieron Futter	CFO

CONTEXT

STRATEGY

**FINANCIAL
PLAN**

**EMERGING
RESULTS**

**NEXT
STEPS**



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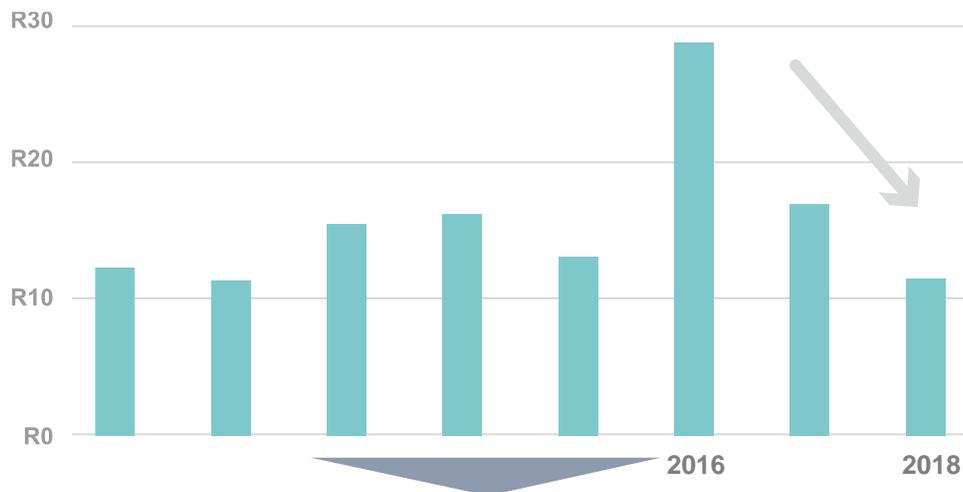
NEXT
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A departure from Ascendis Health’s status quo is necessary to drive sustainable, profitable and targeted growth

Status Quo



Market discounting the stock



Investors’ concerns:

- Lack of strategy (driving a broad, opportunistic portfolio)
- Below-target organic growth/synergies
- High leverage
- Inconsistent cash conversion

Our point of departure



- Status quo not an option - Ascendis Health understands investors’ concerns, and is committed to addressing them



- A complete change is required to maintain sustainable growth, as opposed to incremental, reactive fixes



- To initiate this change, Ascendis Health has embarked on a comprehensive strategic review of the business

Source: Annual Reports, analysts’ reports, expert interviews, secondary research, Roland Berger

The Strategic Review was the first step toward improving Ascendis Health's performance



Dedicated Ascendis Health ExCom members driving initiative



Cross-functional sounding board from across Ascendis Health

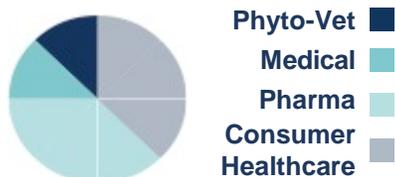


Independent strategy consultancy, Roland Berger

- +/- 120 diverse interviews to build understanding of competitive advantage



- +/- 90 product market segments analysed and scored



- Group strategic position and portfolio strategy developed top down and bottom-up



- Aligned business unit strategies, financial plans and budgets developed

- Finalised Group ambition
- Finalised financial model and strategic scenarios
- Group operating model and capability gaps developed
- Implementation plan created

Learning from the outcomes uncovered, the new strategy aims to address Ascendis Health's challenges and build on its strengths



Key Challenges

- 1 **Unfocused strategy** for the Group, divisions, many subcos and M&A
- 2 **Complexity and divergence** of sectors
- 3 Leadership not aligned to a **Group common vision**
- 4 Complex and confusing **brand/product architectures and ranges**
- 5 **Missing knowledge** on consumers and customers



Strengths

- 1 **Unique selling propositions** in key brands/businesses
- 2 **IP/proprietary assets** (e.g. dossiers, trademarks)
- 3 Experienced **regulatory teams/capabilities**
- 4 Enduring and **personal customer relationships** and support
- 5 Strong and simple **business models** in key business units



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4 central components underpin the new strategy



Simplified and Strengthened Core

**Winning Divisional
Strategies Aligned to Group**

Value-Adding Group Structure

Unified Group Ambition

4 central components underpin the new strategy



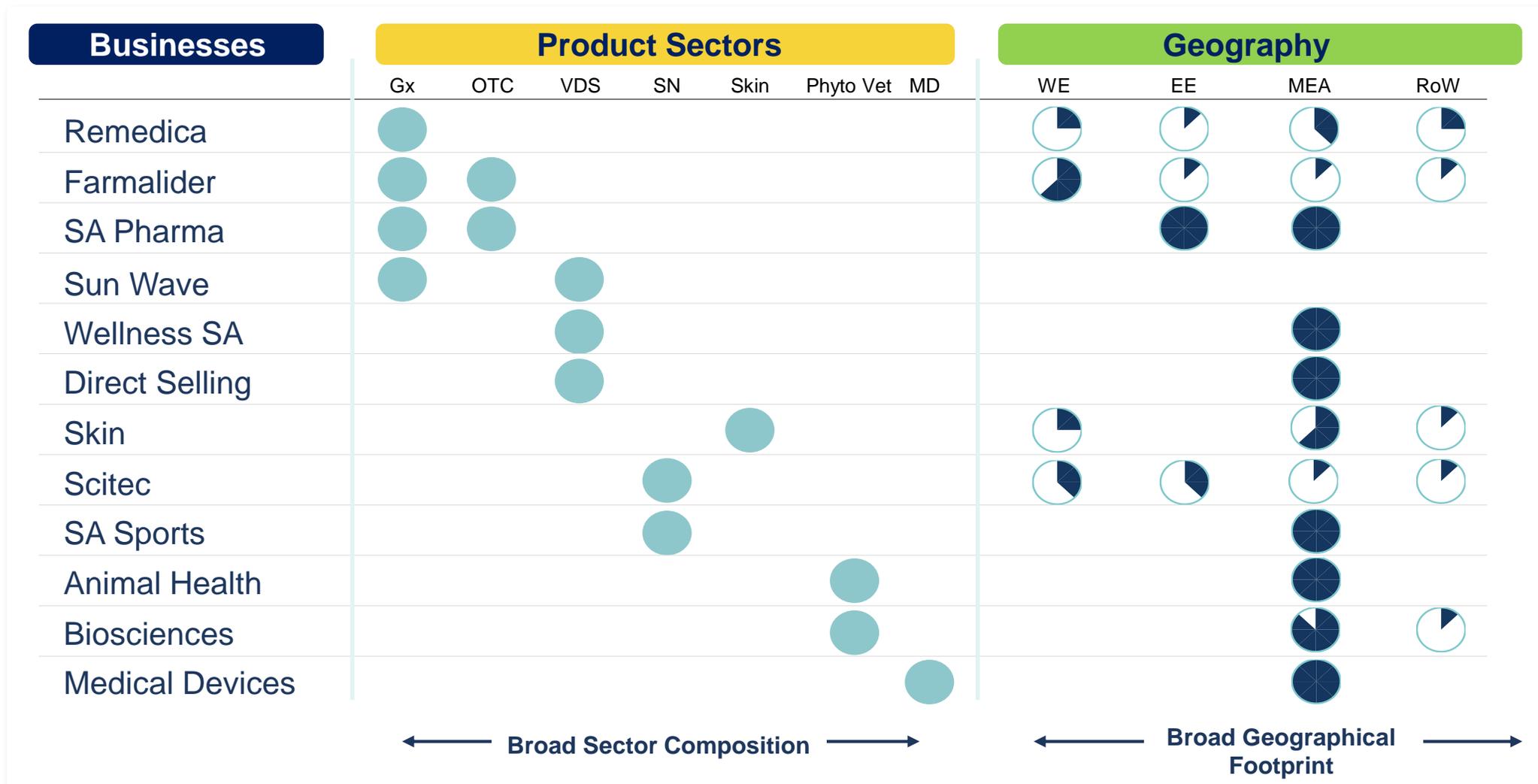
Simplified and Strengthened Core

Winning Divisional
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Unified Group Ambition

The previous opportunistic M&A strategy has created a complex collection of independent businesses



Source: Roland Berger Ascendis Health Strategy Review Acronyms: Gx = Generic Pharmaceuticals; OTC = Over the Counter; VDS = Vitamins and Dietary Supplements; SN = Sports Nutrition; MD = Medical Devices

Peer review suggests that adopting a core focus would help strengthen competitive position

Ascendis Health vs. peer comparison by division



Takeaways

	Revenue	Pharma	Consumer Healthcare	Medical	Animal Health	Plant
Ascendis HEALTH	€0.4bn					
BAYER	€35bn					
adcock ingram	€0.4bn					
aspen	€3bn					
gsk	€26bn					
AstraZeneca	€16bn					

- Ascendis Health operates in a very broad range of divisions compared to some peers
- Players with similar breadth are significantly larger than Ascendis Health – companies normally succeed by focusing on a core
- Ascendis Health needs to simplify its breadth and scale in areas where it has a sustainable competitive advantage

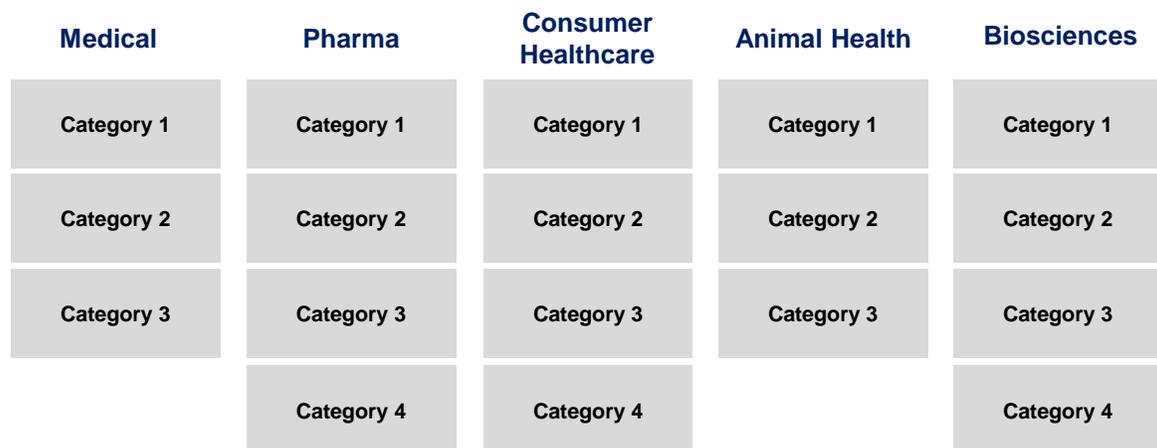
Source: Peer company websites

Adopting a more focused core will enable Ascendis Health to strengthen its market position and allow the company to grow profitably

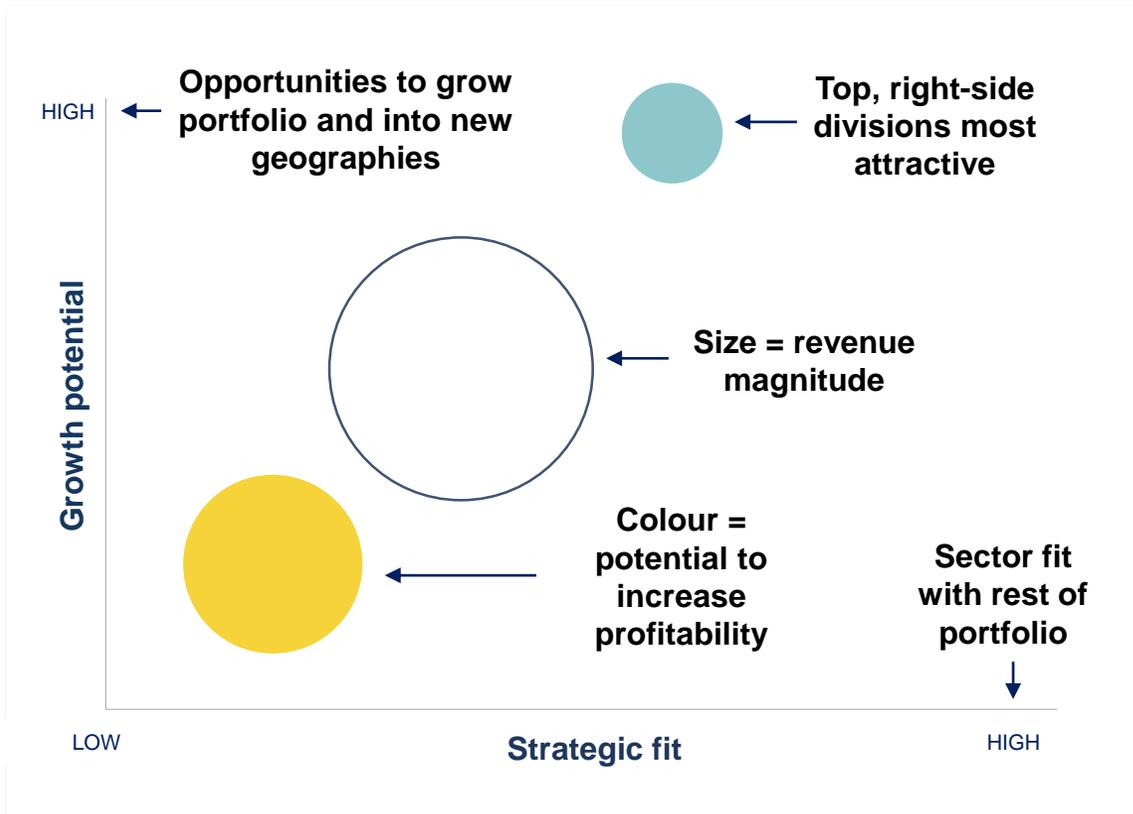
Strengthening the core requires less breadth and more depth

Each division evaluated to determine future role in the group

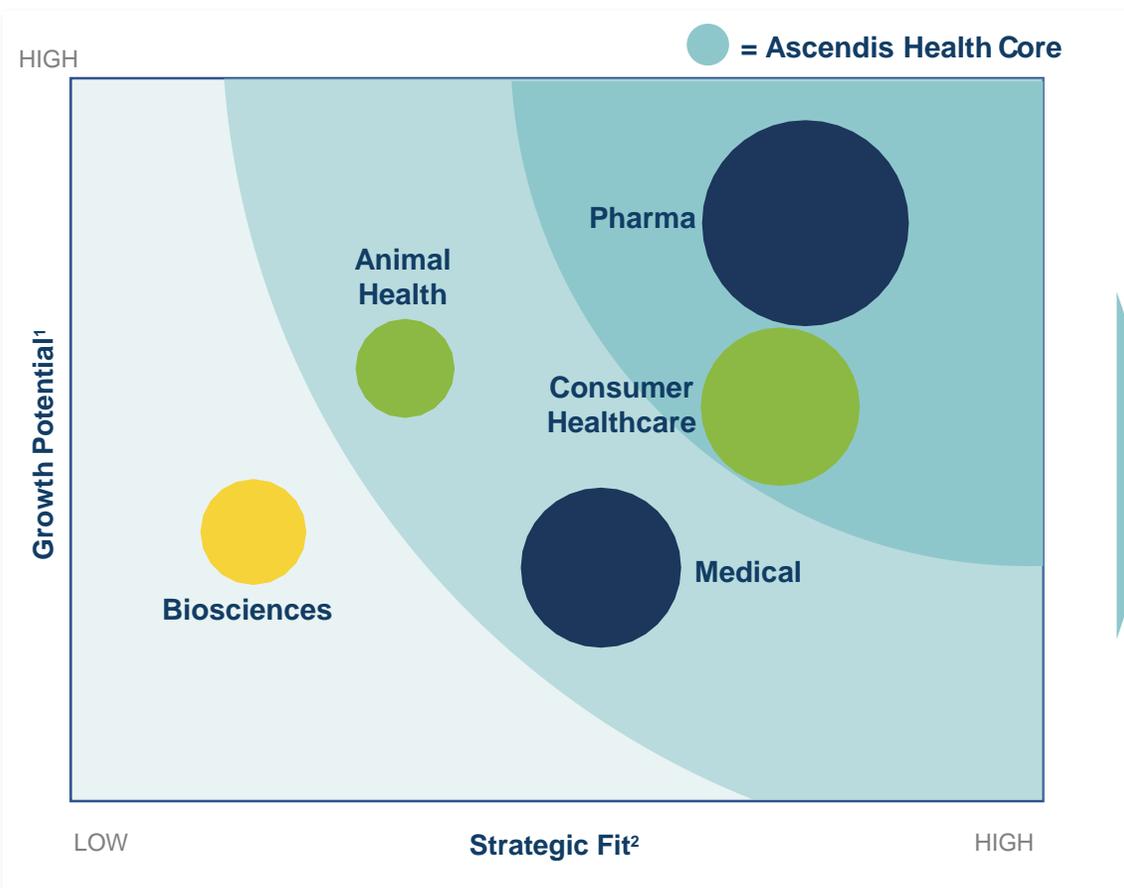
Reduce breadth of division...



...to drive depth and scale in key categories



Assessment concludes Ascendis Health's core to be around Pharma and Consumer Healthcare



- Bubble size = FY18 revenue
- Strong profitability and profit growth³
- Good profitability and profit growth³
- Low profitability and profit growth³

Interpretation and implications on future strategy

Pharma and Consumer Healthcare	<ul style="list-style-type: none"> • Core divisions • Scale globally to full potential
Animal Health and Medical	<ul style="list-style-type: none"> • Strong foothold in SA • Providing stable returns • Optimise and manage returns / market position
Biosciences	<ul style="list-style-type: none"> • Since Biosciences is considered non-core, divestment is a logical step • Limited strategic Ascendis Health fit (customer, capability, cost overlap)

1) Function of (geographical scalability, market attractiveness, attractiveness of growth opportunities, positioning sustainability) 2) Function of sector fit with rest of portfolio
 3) Index of: FY18 EBITDA Margin % and FY18-23 EBITDA Margin % point change – Excludes minor businesses already planned for divestment

The decision to divest Biosciences is a logical next step for Ascendis Health to stay strategically focused and streamline the business

Strategic context

Ascendis Health's future strategy relies on a greater core focus centred around Pharma and Consumer Healthcare

Simplifying the portfolio will allow Ascendis Health to focus on higher priority opportunities that will drive sustainable growth

Divestment of Biosciences and Marltons is now a logical next step



Key drivers of decision

Biosciences

- Low strategic fit: different customers, highly specialised science, market dominated by large-scale players necessitating large investment
- Better suited to organisation with, for instance, agricultural focus that will provide a stronger platform for growth

Marltons

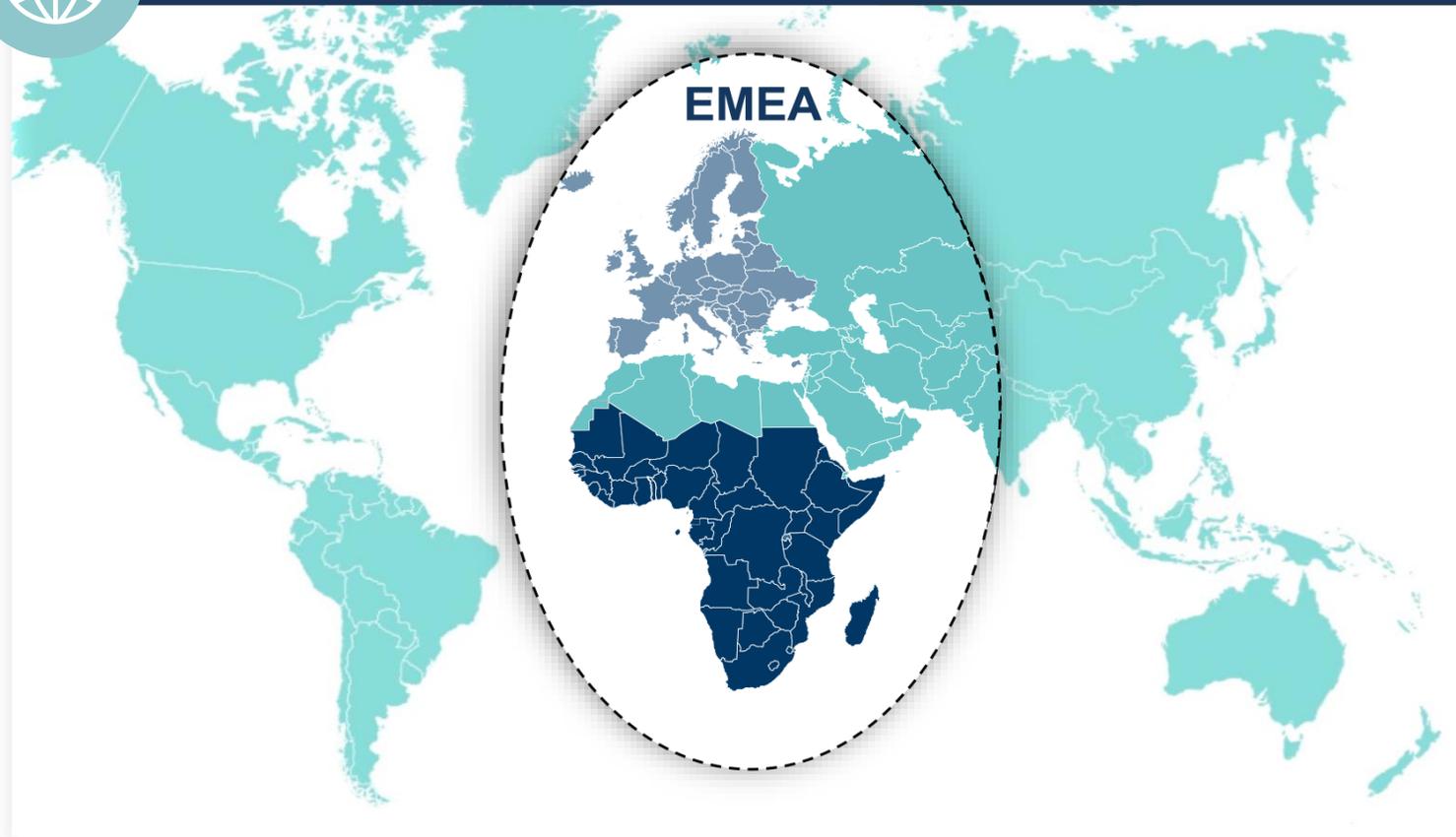
- Managed by Bioscience team and significantly interlinked with Biosciences business
- Low strategic fit with Animal Health division or other Ascendis Health divisions



Executing the core-focus strategy sustainably requires Ascendis Health to build in regions with strong presence – EMEA



Heatmap of revenue generated by geographical region, FY18



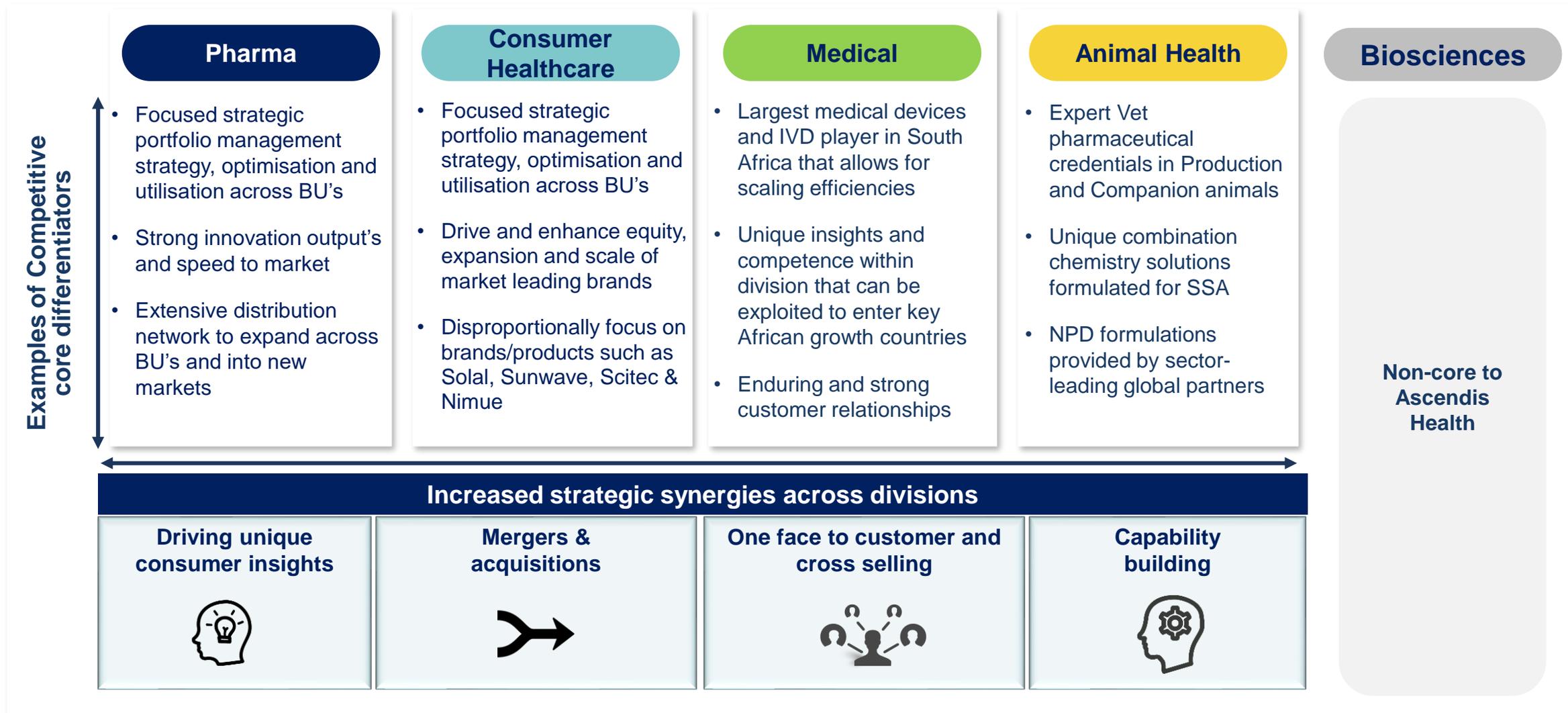
Implications on strategy

- Keeping with the core-focused strategy, Ascendis Health will build on its strong position in the EMEA market to drive geographical growth
- We will be selectively expanding and entering into other regions



> 50% of sales
 45 – 50 % of sales
 0 – 5 % of sales

Simplified core will be strengthened around key sources of differentiation



4 central components underpin the new strategy



Simplified and Strengthened Core

**Winning Divisional
Strategies Aligned to Group**

Value-Adding Group Structure

Unified Group Ambition

There are 5 core strategies that are being consistently implemented across the divisions



A

Create focused portfolio and winning brands

Key priority

What is the strategy?

Why does it matter?

Create a focused portfolio of brands and businesses

	Chiefs	Futures	Milkaways	Cliffhangers	New portfolio classification system
Opportunity to win	●	●	◐	○	
Product relevance	●	●	◐	○	
Growth upside + scalability	●	●	◐	○	
Accretive ¹	✓	✓	✓	✗	
ROI model	●	◐	◑	◒	
Share of Revenue	●	◐	◑	◒	

- High potential to simplify portfolio after opportunistic M&A
- Opportunities for resources across the Group to be re-allocated based on priority
- Strong brands lend themselves to more scalability opportunities
- Winning brands / businesses command premiums and are defensible



1, (GM%, Contribution%)

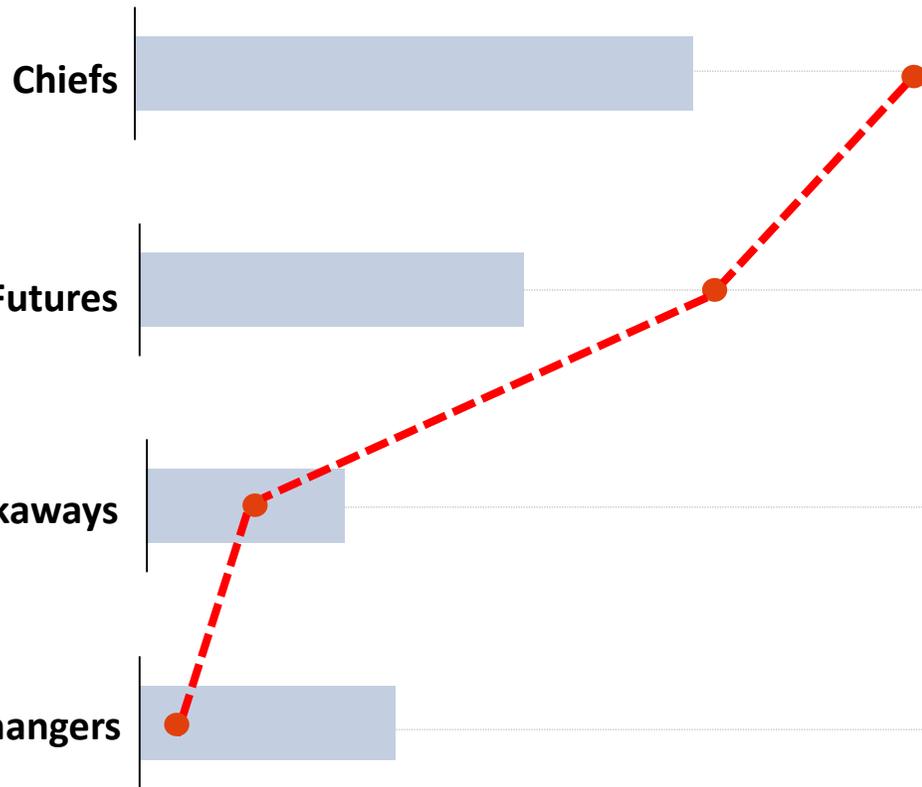
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Revised portfolio classification system allows Ascendis Health to prioritise their brand portfolio and allocate resources optimally

FY18 Portfolio Classification

Opportunities

FY19 Resource Allocation



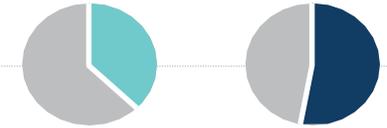
■ Current¹ - - - Target

Focus on increasing chiefs

Build more futures and turn into chiefs

Potential to turn milkaways into futures or divest

Actively divest cliffhangers



■ % FTEs allocated (FY19)

■ % Marketing spend allocated (FY19)

¹, Management assessment

Key priorities

Invest in the right geographies, customers, channels

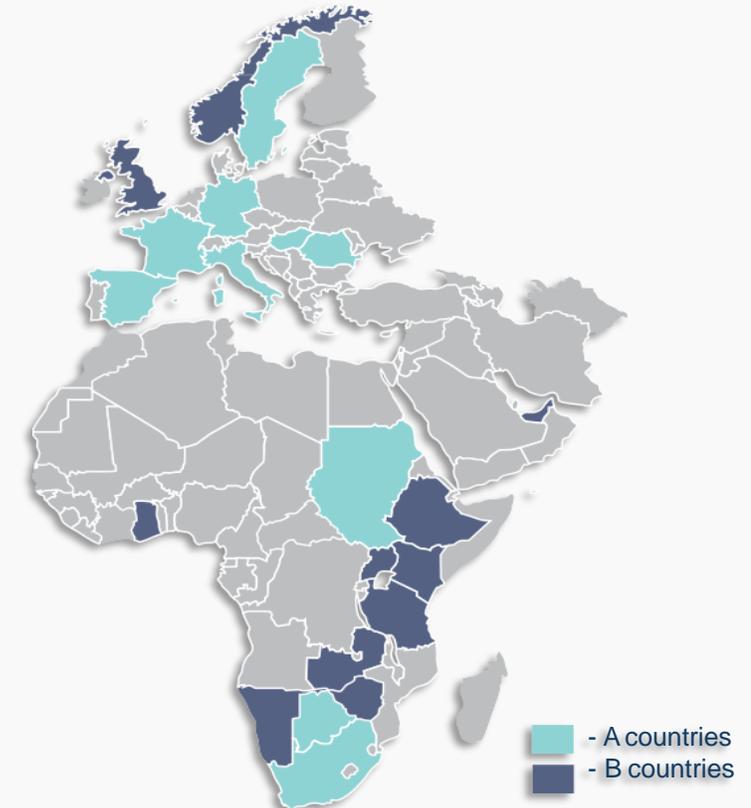
Extreme emphasis on increasing distribution/penetration

Embed one face to the customer

Example approach: Investing in the right geographies

Countries are ranked from A-D using methodology similar to chiefs, futures etc.

This allows the business to understand where the highest growth opportunities are, as well as where exit plans need to be considered on an ongoing basis





Drive commercial excellence

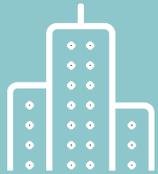


Innovate

Fewer, Bigger, Better

Why it matters?

- Core driver of brand sustainability and growth
- Significant lever to increase margins
- Allocate resources to highest ROI opportunities



Brand Build 4 Equity

Drive omni-channel brand building based on consumer journeys

- Consumer behaviour changing
- Consumer insights increasingly a competitive advantage
- Brands / products respond to digital and social touch points



Repeat@Scale

Validate success models and embrace incremental new models

- Scaling requires a validated brand model
- Strong entrepreneurial flair of the organisation to capitalise for insights





Focusing on fewer, bigger, better innovations increase chances of success

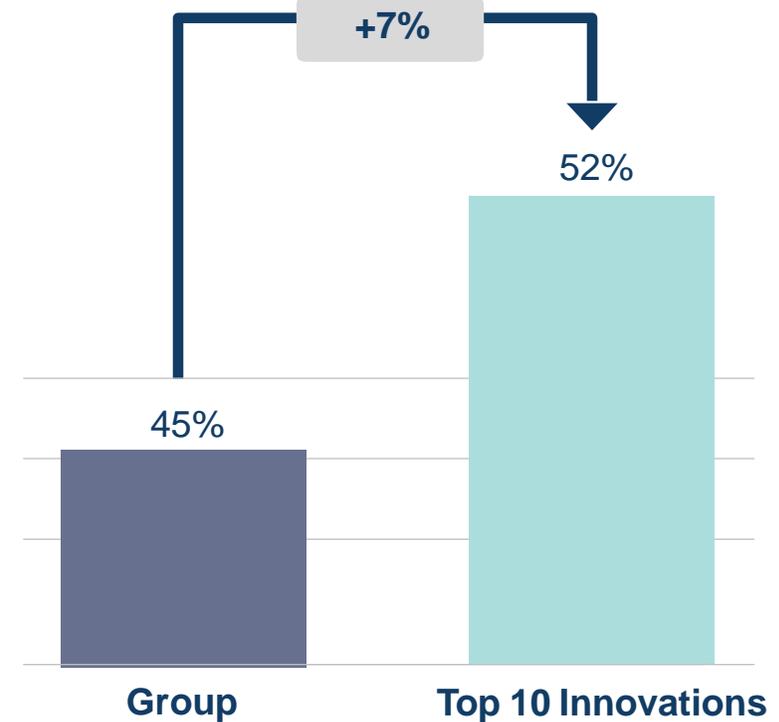
Consistent hurdle criteria for all innovation

Criteria

- 1 Fit with brand/business strategy
- 2 **Accretive margin model**
- 3 ~~Fit with brand/business strategy~~
- 4 ~~Significant market potential~~
- 5 ~~Return on investment (ROI) > 15%~~
- 6 ~~Scientific~~

Example of criteria rationale: Accretive margin model

Top innovation projects gross margin¹ (GM) % vs Group²

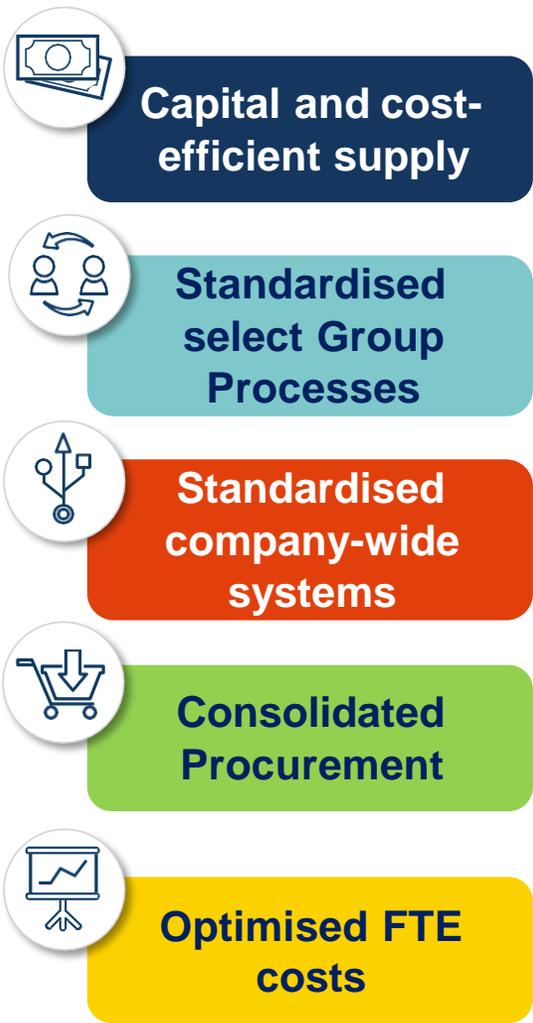


1) FY19-FY23 2) FY18

D

Improve operational efficiencies

Top 5 priorities



- Optimised in-sourcing vs. outsourcing of manufacturing activities to improve cost-effectiveness
- Revised spend thresholds and CCIC forum introduced to control spend and reduce unwarranted cost escalation
- Historic M&A resulted in fragmented businesses on independent systems – Group wide new ERP system rollout planned
- Stronger centralisation of Group procurement to leverage buying power and generate cost savings e.g. consolidated sourcing of raw and wrap in SA
- Optimised centralisation of Group functions to reduce duplicated functions in divisions



E Develop world class leaders who learn

4 Areas



Leader Development



Performance Management



Talent Management & succession planning



Capability Building & Employee Engagement



2019 Focus

- Tier 1 leaders in key positions by June 2019
- High-performing, diverse and aligned executive committee (ExCom)

- Fully cascaded performance management rewarding high performers by H1 2019
- Market competitive LTI programme H1 2019

- Talent retention and management
- Succession planning for top 100 in place

- Building employee engagement as key component of change programme
- Fill key capability gaps incl. digital

4 central components underpin the new strategy

1

Simplified and Strengthened Core

2

Winning Divisional
Strategies Aligned to Group

3

Value-Adding Group Structure

4

Unified Group Ambition

Group adds value by setting the direction and providing the support structures required to achieve objectives

Sets the strategic direction

- Sets group ambition
- Determines financial goals
- Defines the group strategy



Enables support structures

- Deploys capabilities
- Ensures swift resource allocation to drive strategic value creation
- Consolidates select back-office/support functions



Governs and monitors progress

- Strategy execution
- In-market and financial performance
- People engagement and impact



The operating model will be re-designed to facilitate global scale

Status Quo
(FY18)

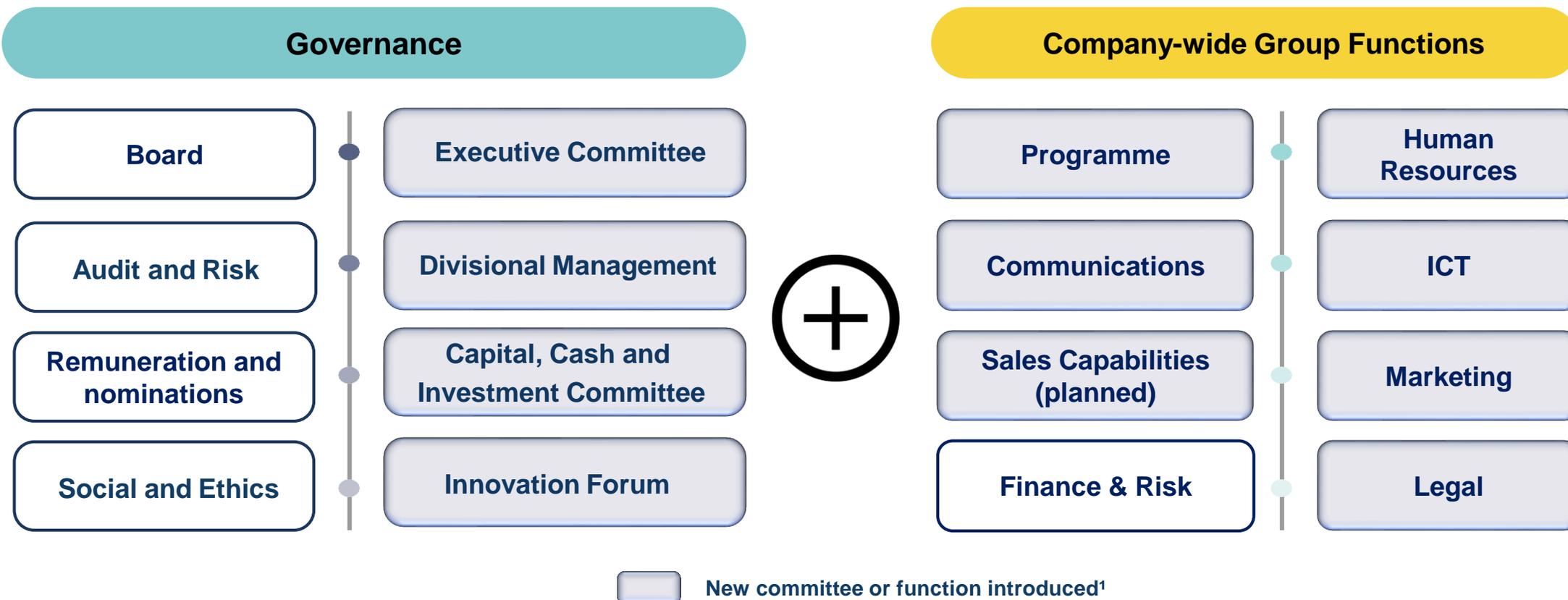


FY19



XX For divestment

Governance and Group Functions have been enhanced to support the new strategy effectively



New Governance and Group Functions introduced / enhanced to deliver the capabilities and support required for a successful strategy

¹, Already introduced or planned for FY19

4 central components underpin the new strategy



Simplified and Strengthened Core

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Purpose

We believe that a healthy life is a happy life. So we work to understand people's lives and needs in order to provide the best offerings that promote their health and well-being

Vision

To be people's first choice on their health and well-being journey

All elements of the strategy complement one another to form one holistic direction moving ahead



CONTEXT

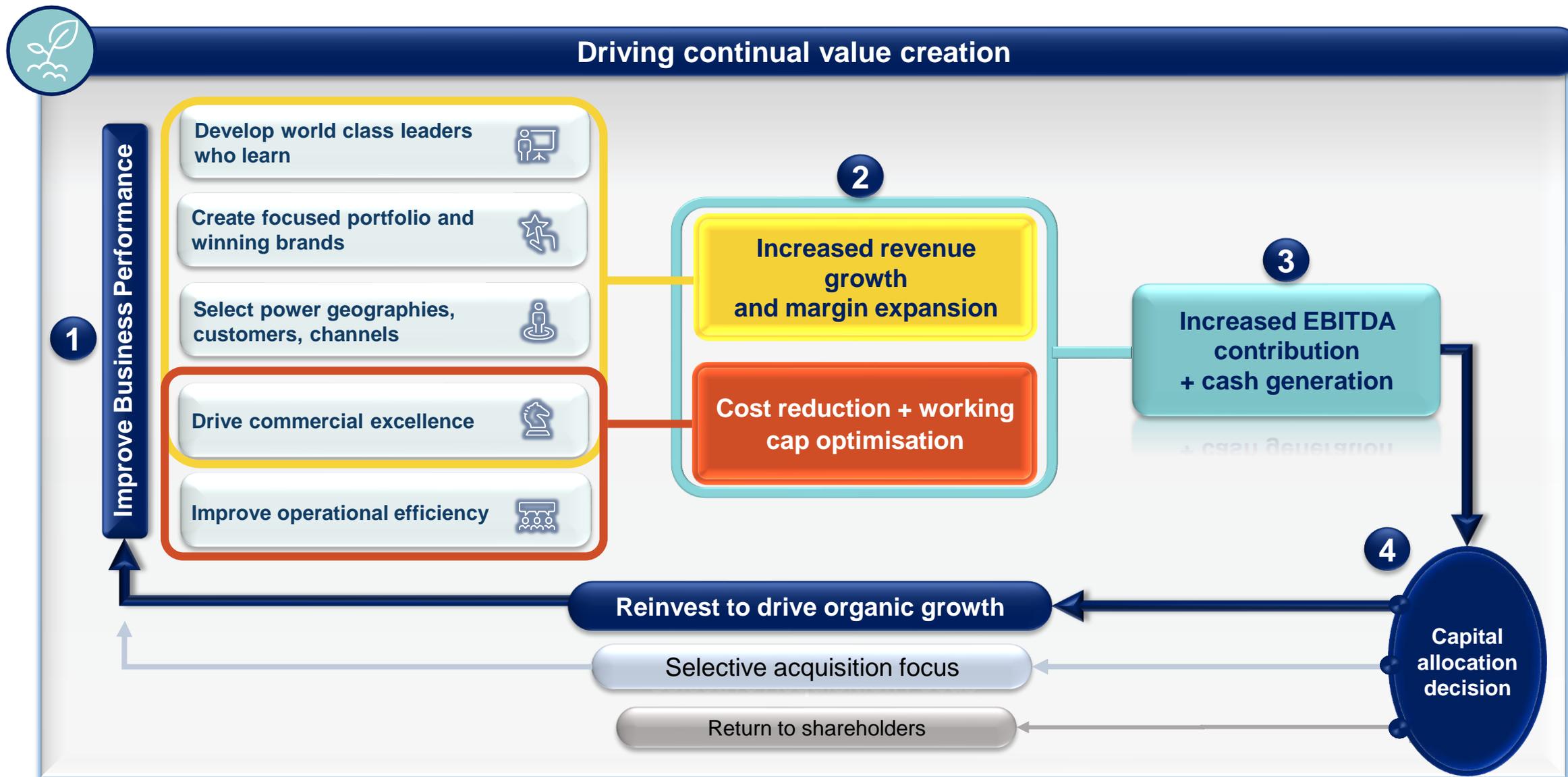
STRATEGY

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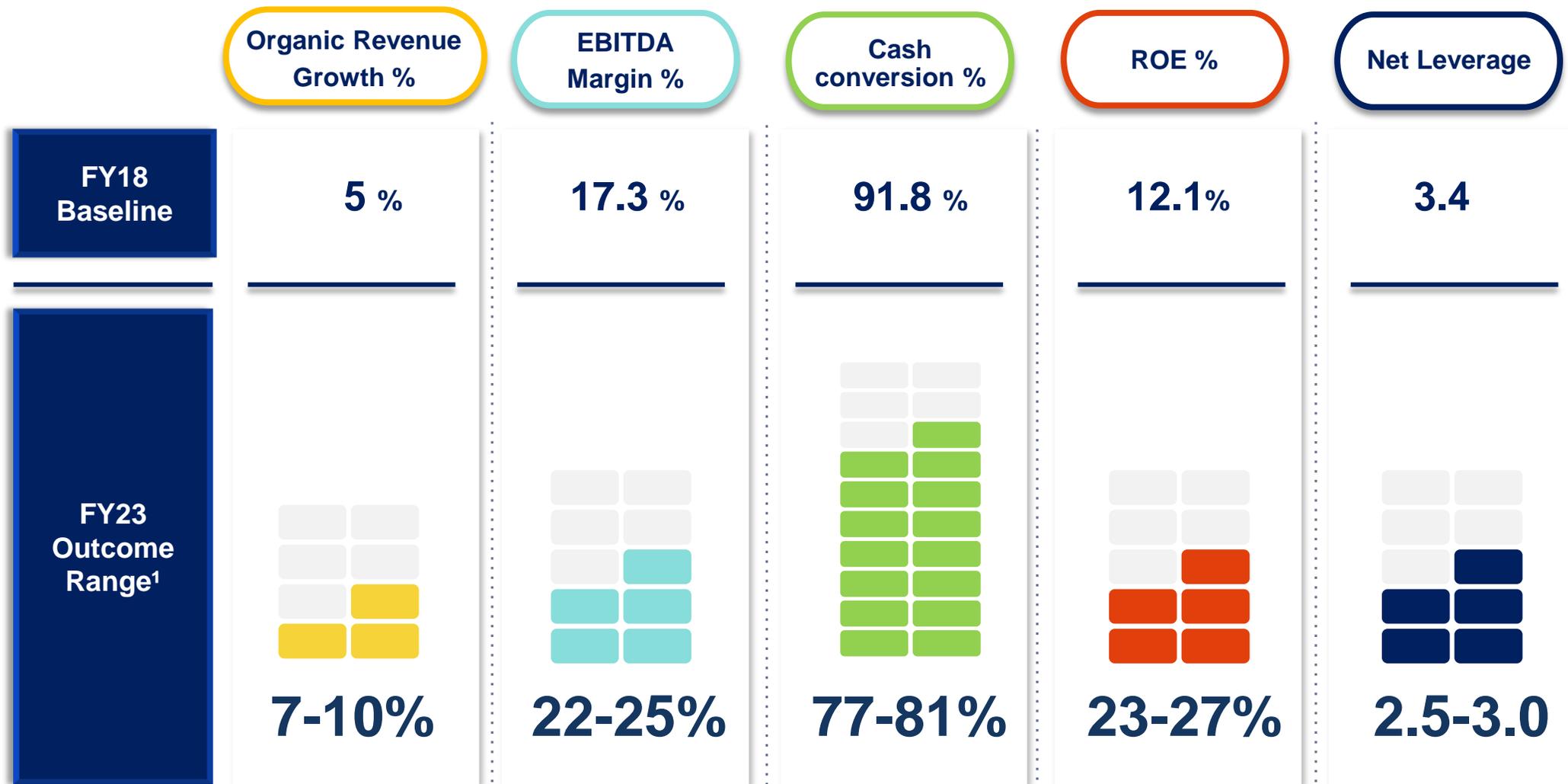
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The Ascendis Health Business Model



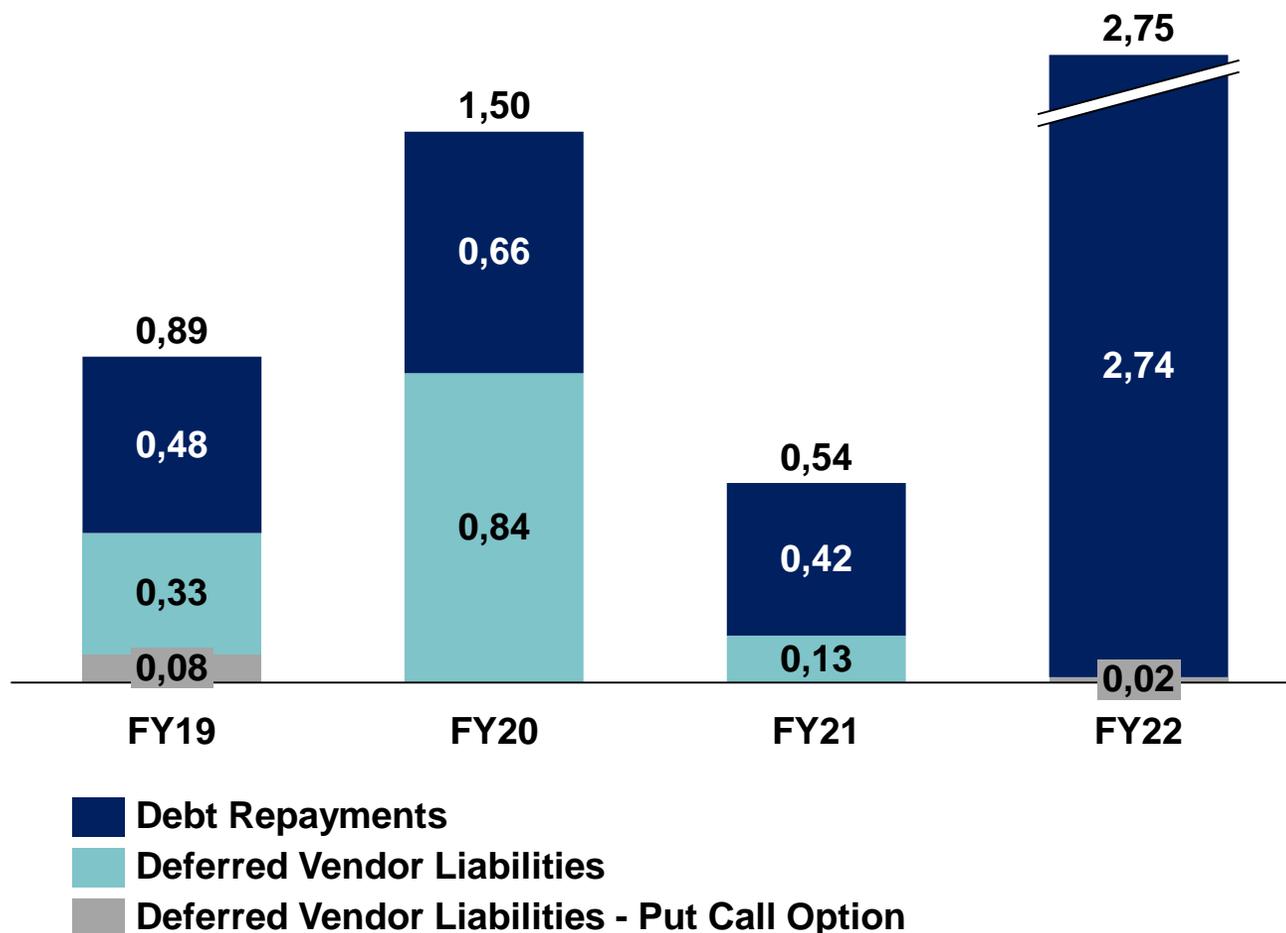
Ascendis Health's new strategy and business model expects to deliver superior returns



1) Future targets or objectives that Ascendis Health would like to achieve

Debt Refinance planned to support organic growth and improve certainty

Committed cash obligations, FY19 – FY22, (R'bn)



Implications

- EUR40m (R840m) Deferred Vendor Payment (DVP) for Remedica due in Aug 2019 will create a liquidity challenge
- Cash received from proposed disposals to be used to both deleverage and selectively re-invest in strategic acquisitions
- Bullet debt payment of R2.7bn due in FY22
- Debt refinance would finance the upcoming DVP and improve cashflow flexibility until such time that the proposed disposals are completed



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Emerging results are positive and indicate steady progress

Key Progress Results	Strategic Link	Impact
<ul style="list-style-type: none"> Developed and launched c.90 strategic initiatives across divisions 		<ul style="list-style-type: none"> Driving winning divisional strategies aligned to Group to improve performance across divisions
<ul style="list-style-type: none"> New short-term incentive (STI) and long-term incentive (LTI) scheme launched 		<ul style="list-style-type: none"> Higher people retention and performance incentivisation
<ul style="list-style-type: none"> 4 divisions being divested plus multiple Cliffhangers (smaller non-core brands) 		<ul style="list-style-type: none"> Improved core-focus, debt leverage and financial performance
<ul style="list-style-type: none"> Scitec turnaround underway with encouraging results 		<ul style="list-style-type: none"> Improved financial performance, scalability and operational efficiencies
<ul style="list-style-type: none"> 4 critical Group hires made in last 6 months 		<ul style="list-style-type: none"> Major capability gaps to execute strategy addressed

 Detailed next

Major divestments and operational changes are being made to simplify and strengthen the core

Divestment	Status	Transaction value ¹
<p>Biosciences (incl. Marltons)</p> 	<p>Logical next step</p>	<p>TBC</p>
<p>Sports Nutrition, SA</p> 	<p>Transaction completed</p>	<p>R54m</p>
<p>Direct Selling SA + 4 non-core wellness brands</p> 	<p>SPA signed</p>	<p>R50m</p>
<p>Isando Factory, SA</p> 	<p>Final stages</p>	<p>TBC</p>

1. Approximate / rounded figures

A turnaround plan has been initiated at Scitec to improve performance

Strategic Link

Improvement areas identified through independent diagnostic¹



Approach

3 investment approaches reviewed:

- **Over invest:** Invest upfront (little profit) for long-term growth
- **Focus and invest:** Balance investment, profit and growth
- **Conservative:** Preserve immediate profit (no 5Y growth)

Focus and invest option selected

While Scitec operates in a highly competitive space, the market is still considered to be fast-growing (4-5% p.a.²) and profitable, benefitting from alignment with consumer trends, limited regulation, and rising digitisation



1) Independent diagnostic. Data points shown not exhaustive 2) 2017 – 2022 CAGR

Early results already indicate a strong start and growing momentum



Tapping further into a growing category

- Comprehensive Usage and Attitude consumer study complete
- Scitec target market size now doubled to circa 1.6 Billion EUR
- Launching Scitec Gym (c100 SKU) and Endurance (c100SKU) – targeting new consumers



Strengthening brand equity & relevance

- Consumer journey exploration of insights and touch points
- Launch of Scitec Institute, delivering new scientific evidence and comparative data
- Significantly increased marketing support to support the differentiated new ranges



Excellence in portfolio management

- SKU number already reduced by ~20% YTD
- Launch of 2 new ranges on targeted for Feb 2019



Focus markets & channels

- Key markets (UK, GE, HU, AU) segmented
- 8% of sales now driven by Amazon (vs only 1.25% PY)
- Deployment of local KAM with relevant networks in key markets to launch mass and sports retail channels



Delivering Operating efficiencies

- >17% increase in contract manufacturing revenue (FY16-FY18), optimising factory costs
- 10% FTE headcount reduction already achieved YTD

SCITEC[®]
NUTRITION



Value-adding group capabilities have been hired



Interim COO SA

Marnus Sonnekus

- **Director at Coast2Coast Capital**
- **Associate Principal at McKinsey & Company**



Group Head of Programme Management

Martin Edgerton

- **Executive Director at CityWest Homes**
- **Head of Transformation – Tesco**
- **Executive Director at NHS Luton**



Group Head of Communication

Malini Merkofer

- **Independent strategic communication consultant**
- **Communications Partner at Zurich Insurance Group**



Group Head of Human Resources

Ilona Kratochvilova

- **European Head of HR & Communication at Office Depot International Group**
- **CHRO at Penta Hospital International**

Experience

Key Next Steps

- Launch new strategy
- Revised governance forums initiated
- Smaller divestments complete



- Operating model design complete and implementation phase initiated
- Phasing of divisional reporting lines introduced



SEPT FY19

OCT FY19

FEB FY19

Q1 FY20



- New Operating model process kick-off
- Change management programme kick-off



- New operating model live
- FY20 strategic planning cycle completed

In summary we are very excited to enter the new phase of Ascendis Health – 6 key take away points

By 2023 Ascendis Health is targeting 7-10%¹ CAGR organic revenue growth and EBITDA % of 22-25%¹

Ascendis Health will become far more focused, streamlined, consumer and people centric

Strengthening Ascendis Healths' core : Pharma & Consumer Healthcare

Operating model from a geographical to a divisional structure

Divesting three smaller SA divisions and divesting Bioscience is a logical next step

The company growth strategy is driven by five company and cross-divisional strategies



1) Future targets or objectives that Ascendis Health would like to achieve

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