

ASCENDIS HEALTH

MEDIA RELEASE



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ASCENDIS PROFIT UP 18% ON STRONG INTERNATIONAL GROWTH
New strategy to focus on pharma and consumer healthcare sectors

Johannesburg – Ascendis Health, the South African-based international health and wellness company, increased normalised operating profit by 18% to R1.2 billion in the year to June 2018 as revenue grew by 21% to R7.7 billion.

International revenue increased by 35% to R3.7 billion and accounts for 48% of the group's total sales which was boosted by the acquisitions of Remedica (Cyprus), Scitec (Hungary) and Sun Wave Pharma (Romania) in the past two years.

The group's gross margin strengthened by 330 basis points to 44.8%, mainly due to the acquisition of higher margin businesses including Sun Wave Pharma, Cipla Vet and Cipla Agrimed.

Normalised headline earnings rose by 14% to R738 million while normalised HEPS were 2% higher, impacted by the increased number of shares in issue due to a rights issue and private placements during the year. Cash generated from operations increased by 56% to R1.2 billion.

Ascendis Health today also announced a new strategy, with Pharma and Consumer Healthcare being identified as the group's new core focus areas.

Thomas Thomsen, who was appointed CEO in March this year, said a strategic review was undertaken over the past six months aimed at creating a sustainable market position for Ascendis, accelerating organic revenue growth, improving cash generation and enhancing profitability.

"Increasing our focus on Pharma and Consumer Healthcare will strengthen the group's market position by building on our globally competitive positions in these attractive sectors. Strategic acquisitions will be considered to complement our core businesses.

"The Medical and Animal Health divisions remain key to our portfolio and we will look for opportunities to scale these businesses," he said.

Geographic expansion will focus mainly on strengthening the group's current foothold in Europe, the Middle East and Africa.

The new strategic focus is targeted to generate annual organic revenue growth of 7-10% and EBITDA growth of 22-25% by the 2023 financial year.

Thomsen said strategic non-core businesses are being divested to ensure greater focus on the core operations.

Ascendis Health's Biosciences business, which includes the Avima, Efekto, Marltons and Afrikelp brands, has been identified as non-core to Ascendis Health "and the logical next step is to divest from this business," said Thomsen. "While this business is performing well, it serves different customers and requires capabilities and skills that are not core to Ascendis Health." In the 2018 financial year, Biosciences contributed 12% of group revenue and 10% of earnings.

In June 2018 Ascendis Health announced plans to divest three smaller local non-core businesses. Ascendis Sports Nutrition, which houses the five South African sports nutrition brands, has been sold for R54 million and agreement has been reached for the sale of Ascendis Direct for R40 million. Ascendis is in the final stages of concluding an agreement for the sale of the group's pharmaceutical manufacturing facility in Isando, Gauteng.

The group's sports nutrition strategy will now focus solely on the biggest brand, Scitec. Hungary-based Scitec, which was acquired by Ascendis Health in 2016, is one of the leading sports nutrition brands in Europe and exports products to over 50 countries worldwide. Scitec was introduced into the local market in 2016.

Thomsen said the Ascendis Health operating model will move from the current geographic structure, focused on South Africa and Europe, to a global divisional model comprising four divisions during 2019.

"We are confident that our market-leading brand and product portfolio, successful business units and high quality passionate people provide a solid platform from which to embark on this new strategic direction, underpinned by solid financial performance as demonstrated in our 2018 financial results," concluded Thomsen.

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Issued by Tier 1 Investor Relations on behalf of Ascendis Health

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