

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



Disposal of Afrikelp, Efekto and Marltons businesses within the Ascendis Biosciences division

1. INTRODUCTION AND RATIONALE

Shareholders are referred to the announcement released on the Stock Exchange News Service of the JSE on 25 September 2018, in terms of which shareholders were advised that Ascendis Health had embarked on a strategic review of its business, with the objective of improving performance through focusing on organic growth, improved cash generation and enhanced profitability including the divestment of non-core assets and businesses. The Ascendis Biosciences division was considered as non-core to the Group's strategy and was accordingly identified for divestment.

The board of directors of Ascendis Health is pleased to advise shareholders that the Company has, on 2 May 2019 ("**Signature Date**"), entered into agreements ("**Agreements**") with a consortium comprising RMB Ventures Seven Proprietary Limited, Nedbank Private Equity and certain members of the management of the Ascendis Biosciences division (together, the "**Consortium**"), in respect of which the Ascendis Biosciences division will be restructured (set out in further detail below) and disposed of ("**the Transaction**").

The following businesses are to be disposed of by Ascendis Health as part of the Transaction:

- 100% of the issued share capital of and, if any, the sale claims against, Efekto Zambia Limited, registration number 220180000042 ("**Efekto Sale Shares**");
- 100% of the issued share capital of and, if any, the sale claims against, Agro-Serve Proprietary Limited, registration number 1973/000868/07 ("**Agro-Serve**") ("**Agro-Serve Sale Shares**");
- 100% of the issued share capital of and, if any, the sale claims against Afrikelp Holdings Proprietary Limited, registration number 1971/009291/07 ("**Afrikelp**") ("**Afrikelp Sale Shares**");
- the entire business conducted by Efekto Care Proprietary Limited, registration number 2009/006357/06 ("**Efekto Care Business**"); and
- the entire business conducted by Marltons Pets and Products Proprietary Limited, registration number 2013/114411/07 ("**Marltons Business**");

("the Disposal Businesses").

Two of the remaining businesses in the Ascendis Biosciences division, being Avima Proprietary Limited ("**Avima**") and Klub M5 Proprietary Limited, may be considered for divestment in the short to medium term. Shareholders will be advised accordingly of further details as appropriate.

The Agreements comprise an overall Framework Agreement, governing the Transactions, as well as an individual Sale of Business Agreement in respect of the Marltons Business and the Efekto Care Business, and an individual Share Sale Agreement in respect of the Efekto Sale Shares, the Agro-Serve Sale Shares and the Afrikelp Sale Shares.

2. THE TRANSACTION

2.1 Transaction Structure

The Transaction has been structured as follows:

- 2.1.1 The Consortium will incorporate Bachique 746 Proprietary Limited, registration number 2018/624159/07 ("**BidCo**");
- 2.1.2 BidCo, in turn, will incorporate Jaxson 750 Proprietary Limited, registration number 2019/124661/07 ("**SPV1**") and Bioko 751 Proprietary Limited, registration number 2019/125150/07 ("**HoldCo**") as wholly owned subsidiaries;
- 2.1.3 SPV1, in turn, incorporates Cambrose 755 Proprietary Limited, registration number 2019/181632/07, a special purpose vehicle ("**SPV1A**") as a wholly owned subsidiary;
- 2.1.4 HoldCo, in turn, incorporates Bioko 752 Proprietary Limited, registration number 2019/28803/07 ("**SPV2**") as a wholly owned subsidiary;
- 2.1.5 BidCo to establish a further special purpose vehicle, Jaxson 748 Proprietary Limited, registration number 2019/124613/07 ("**OpCo**") which will be wholly owned by HoldCo and which will acquire the Marltons Business;
- 2.1.6 SPV1A will acquire the Afrikelp Sales Shares;
- 2.1.7 SPV2 will acquire the Agro-Serve Sale Shares, and in turn will own all the shares in Agro-Serve Namibia Proprietary Limited, registration number F/1973/00868/07, a wholly-owned subsidiary of Agro-Serve;
- 2.1.8 Agro-Serve then acquires the Efekto Sale Shares and the Efekto Care Business, through a sale of shares and sale of business arrangement, respectively.
- 2.1.9 The **Sellers** are:
 - in relation to the Efekto Sale Shares and the Agro Serve Sale Shares, Ascendis Biosciences;
 - in relation to the Afrikelp Sale Shares, Avima; and
 - in relation to the Efekto Care Business and the Marltons Business, Efekto Care and Marltons, respectively (jointly referred to as "**the Seller Group**").
- 2.1.10 The **Purchasers** are:
 - in relation to the Efekto Sale Shares, Agro-Serve;
 - in relation to the Agro-Serve Sale Shares, SPV2;
 - in relation to the Afrikelp Sale Shares, SPV1A;
 - in relation to the Efekto Care Business, Agro-Serve; and
 - in relation to the Marltons Business, Opco.
- 2.1.11 The **Target Group** comprises the Afrikelp Group, Efekto Care, Marltons, Efekto Zambia and Agro-Serve.

2.2 Transaction Consideration

The total consideration payable to Ascendis Health for the Disposal Businesses is a base price of R480 million ("**Base Price**"). The Base Price has been adjusted pre-signature for net working capital and debt-like items, to an aggregate purchase price of R459.6 million ("**Aggregate Purchase Price**"). The Aggregate Purchase Price may be adjusted upwards or downwards (as the case may be) on closing of the Transaction for certain other costs, including, *inter alia*:

- (a) additional proceeds at 6.25% in favour of the Sellers on the value of the Aggregate Purchase Price between the effective date and closing date;
- (b) leakage costs between the Signature Date and the Closing Date;
- (c) agreed working capital funding provided by members of the Seller Group to members of the Target Group after the Signature Date, being R5 million; and
- (d) any other payments made after the Signature Date by any member of the Seller Group on behalf of the Target Group, which adjustment is capped at a maximum of R10 million.

2.3 Effective date

Notwithstanding the Signature Date of the Agreements, the effective date of the Transaction is 31 March 2019 (“**Effective Date**”).

2.4 Conditions Precedent

The Transaction is subject to the fulfilment and/or waiver, where appropriate, of certain material conditions precedent including, *inter alia*:

2.4.1 within ten business days of the Signature Date:

2.4.1.1 Ascendis Health delivering copies of the written approval by the senior debt lenders of the Seller Group in respect of the Transaction;

2.4.1.2 Ascendis Health delivering copies of the written consent of the senior debt lenders with regards to the release of all security required under the Agreements, as may be required to implement the Transaction on the **Closing Date** (being the last business day of the month in which all the conditions precedent have been fulfilled or waived);

2.4.2 the following agreements being entered into:

2.4.2.1 a transitional services agreement being entered into between *inter alia* the Sellers, Ascendis Health and BidCo, which provides for *inter alia* information technology transfer and support, for a period of up to 6 (six) months after the Closing Date and at a similar fee that such services are rendered as at the Signature Date; and

2.4.2.2 supply and distribution agreements being entered into between:

2.4.2.2.1 Avima and Efekto Care; and

2.4.2.2.2 Marltons and Ascendis Vet,

2.4.3 the Transaction being approved by the relevant competition authorities; and

2.4.4 by no later than the date of fulfilment or waiver of the last of the conditions precedent, as applicable, Bidco notifying Ascendis Health that it is satisfied with the outcome of regulatory processes required to be followed by Ascendis Health in terms of the Agreements.

2.5 Brief description of the business carried on by each of the Disposal Businesses

- Afrikelp specialises in natural growth stimulants for green plants, extracted from the giant South African brown seaweed *Ecklonia maxima*, that improves the quality and quantity of agricultural crops;
- Agro-Serve is a retail and wholesale agent distributor of home and garden care products and related services;

- Efekto Care manufactures, supplies and distributes various and wide-ranging home and garden pesticides, garden fertiliser and plant food products to several large and small customers, primarily within Southern Africa; and
- The Marltons Business conducts the import, sale, supply and distribution of a wide range of pet snacks and similar food products, as well as pet healthcare products and pet accessories, within Southern Africa.

2.6 Application of sale proceeds

The cash proceeds from the Transaction will be applied by the Company to reduce debt levels and fund working capital.

2.7 Warranties and indemnities

The Agreements contain warranties and indemnities that are customary for agreements of this nature.

2.8 Other significant terms of the Agreements

- *Long-stop date*

The Long-Stop Date is 30 June 2019, provided that this date shall be extended by an additional three months if the approval of the competition authorities is not obtained by that date or such other date as may be agreed between the parties in writing.

- *Restraints and competing businesses*

A restraint period of 24 months from the Effective Date has been imposed on the Target Group and the Purchasers to provide protection against unfair competition upon termination of shareholding and that in the circumstances it is fair and reasonable, and necessary for the protection of the interests of the Target Group.

3. FINANCIAL INFORMATION

The net asset values (“NAV”) and net profit after taxation, per entity and/or assets and liabilities comprising the Disposal Businesses are set out below:

Name of entity	NAV (Rand)	Profit after taxation (Rand)
Efekto Zambia Limited	0	0
Agro-Serve ¹	(11 529 719)	1 152 647
Afrikelp Investments ²	(2 532 953)	1 061 013
Afrikelp ³	(50 261 113)	8 043 754
Marltons Assets and Liabilities	73 796 085	1 739 357
Efekto Assets and Liabilities	191 538 185	11 267 003
Total	201 010 485	23 263 774

Notes:

1. Comprises the consolidated NAV and profit after tax of Agro-Serve and its wholly owned subsidiary, being Ago-Serve Namibia.

2. Comprises the consolidated NAV and profit after tax of Afrikelp Investments and its subsidiaries, being Taurus Chemical Namibia, Rotaq, Akusa (USA) and Taurus Chemicals Cape Kelp.
3. Comprises the stand-alone NAV and profit after tax of Afrikelp Proprietary Limited. The NAV however includes an investment into Ascendis Animal Health (Pty) Ltd with a book value of R160,056,202 which will not form part of the Disposal Businesses, and will accordingly be transferred into another Ascendis Group company prior to the Transaction.

The financial information disclosed above has been extracted from each entities' respective unaudited consolidated interim financial results for the six-month period ended 31 December 2018 which were prepared in accordance with International Financial Reporting Standards.

4. JSE CATEGORISATION

The Transaction is categorised as a category 2 transaction in terms of the JSE Listings Requirements and accordingly is not subject to approval by the shareholders of the Company.

Johannesburg

2 May 2019

Sponsor



Questco Corporate Advisory Proprietary Limited