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

SHORT FORM ANNOUNCEMENT - UNAUDITED CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

- Group revenue up by 12% to R3.9 billion
- Normalised EBITDA up by 6% to R611 million
- Normalised operating profit 2% lower at R425 million
- Normalised headline earnings for continuing operations down by 9% to R170 million
- Normalised HEPS for continuing operations 9% down at 35.1 cps

Financial performance
The group is reporting normalised results from continuing operations which have been adjusted for once-off transaction-related and restructuring costs in the current and prior reporting period. Following the termination of the negotiations for the sale of Remedica in Cyprus in December 2019, the business is now classified as a continuing operation after being classified as a discontinued operation for the year ended 30 June 2019.

Group revenue increased by 12% to R3.9 billion (Dec 2018: R3.5 billion). International revenue increased by 14% to R2.2 billion (Dec 2018: R2.0 billion) and accounts for 58% of the group's total sales. Revenue generated in South Africa grew by 8% to R1.6 billion (Dec 2018: R1.5 billion).

Revenue growth in the European operations was driven by new tender business secured by Remedica and product launches in Sun Wave Pharma, with both businesses increasing revenue by 30% for the six months. This performance was partly negated by increased competition in Scitec's core markets where revenue was up only 1% and lower licence fee income in Farmalider which contributed to revenue declining by 8%.

In South Africa, Pharma grew revenue by 7% following the recovery from prior year supply challenges, with Medical Devices revenue up 10% on new agency contracts. Consumer Health declined by 5% owing to supply issues due to port strikes and supplier delivery challenges, while revenue in Animal Health was impacted by production challenges in the production animal business.

The group's gross profit increased by 10% to R1.7 billion (Dec 2018: R1.6 billion) with the gross profit margin declining by 80 basis points to 44.5% as a result of increased tender sales to the South African and Mexican governments and higher cost of goods in South Africa driven by currency depreciation against the US dollar.

Operating expenses grew by 11%, including once-off transaction and restructuring costs of R74 million (Dec 2018: R36 million). These costs included extensive legal and advisor fees associated with the restructuring of the senior lender debt, and other once-off costs related to the disposal of Biosciences and the Remedica negotiations, as well as increased finance expenses associated with the interim stability agreement with the senior lenders.

Savings totaling R10 million were generated in the first half following the elimination of the European head office structure, centralised marketing services and the position of chief operating officer in South Africa.

Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 6% to R611 million (Dec 2018: R579 million). This growth was driven by the higher gross profit as a result of the increased revenue, and was partially offset by increased investment in marketing in Europe and South Africa in support of new product launches and higher provisions for legal fees in Farmalider relating to a supplier dispute. The normalised EBITDA margin contracted by 90 basis points to 15.8% due to the higher operating expenses.

The group's normalised operating profit was 2% lower at R425 million, while the group's operating profit was 16% lower at R352 million.

Net finance costs increased by R43 million to R247 million (Dec 2018: R204 million) owing mainly to the costs related to the interim stability agreement with lenders, the impact of the adoption of IFRS 16 and interest on deferred vendor liabilities.

An impairment loss of R24 million was recognised for Ascendis Direct Selling owing to the deterioration in the trading results. High level impairment testing was conducted for all continuing businesses and no impairment of goodwill or intangible assets was raised.

The higher non-operating expenses and impairment contributed to the group's profit after tax for the six months declining by 26% to R153 million.

Normalised headline earnings reduced by R18 million to R170 million, with normalised headline earnings per share 9% lower at 35.1 cents (Dec 2018: 38.7 cents).

Basic earnings per share (EPS) was 45.4 cents which was 7% up on the prior period (Dec 2018: 42.3 cents).
Headline earnings per share (HEPS) was 24.5 cents compared to 37.9 cents in December 2018,

a decrease of 35%.

Gearing and cash management
The group's net bank debt reduced to R5.0 billion from R5.3 billion at the end of June 2019, with the net debt to normalised EBITDA ratio at 6.2x compared to 6.4x at 30 June 2019.

At end December 2019 cash and cash equivalents totalled R204 million, down from R454 million at end June 2019. The group settled bank debt liabilities of R437 million and invested R143 million in capital expenditure. The sale of Biosciences generated net proceeds of R424 million. No dividends were declared or paid during the current or prior reporting period.

Strategy and outlook
The group's short-term priority is to complete the balance sheet restructure. The sale of non-core assets is being accelerated and the group is committed to maximising value from the sale of businesses. Processes and disciplines are being implemented to evaluate the exit value of Remedica as well as addressing potential exit due diligence issues in other businesses.

Management has identified measures to reduce costs and improve liquidity by between R55 million and R125 million over the next 12 months. This includes a headcount freeze, limitation on travel, consolidation of office space across multiple offices, deferral of certain non-critical capital expenditure, inventory reduction, enhanced government debtor collection and a reduction in marketing expenditure.

Mark Sardi	Kieron Futter
Chief Executive Officer	Chief Financial Officer

This short-form announcement is the responsibility of the Ascendis Health directors and is only a summary of the information in the detailed interim results announcement and does not contain full or complete details. The full announcement can be downloaded from https://senspdf.jse.co.za/documents/2020/jse/isse/asc/H12020.pdf or on the group's website at www.ascendishealth.com/investor-relations.

Copies of the full announcement may be requested at the company's registered office and the Johannesburg office of the sponsor at no charge during business hours for a period of 30 calendar days following the date of this announcement. Any investment decision in relation to the company's shares should be based on the full announcement.

Directors: AB Marshall (Chairman)*, MS Bomela*, K Futter (CFO), B Harie#, Dr NY Jekwa*, Dr KS Pather*, MJ Sardi (CEO), J Sebulela*

* Independent non-executive
\# Lead independent non-executive

Bryanston
11 March 2020

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