ASCENDIS HEALTH

MEDIA RELEASE

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ASCENDIS HEALTH'S STRONG REVENUE GROWTH OFFSET BY HIGHER EXPENSES AND FINANCE COSTS

Johannesburg – Health and wellness business Ascendis Health today reported revenue growth of 12% to R3.9 billion for the six months to December 2019 with normalised operating profit 2% lower at R425 million.

International revenue increased by 14% and accounts for 58% of the group's total sales. The South African businesses proved resilient in the current economic and consumer slowdown and grew sales by 8%.

The group's gross profit increased by 10% to R1.7 billion with the gross profit margin declining by 80 basis points to 44.5% as a result of increased government tender sales and the impact of the depreciation of the Rand relative to the US dollar.

Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) grew by 6% to R611 million.

Operating expenses grew by 11%, including once-off transaction and restructuring costs of R74 million. Net finance costs increased by R43 million to R247 million. The higher expenses, together with an impairment of R24 million, impacted the group's earnings, with normalised headline earnings reducing by R18 million to R170 million. Normalised headline earnings per share were 9% lower at 35.1 cents.

Chief executive Mark Sardi said: "The performance for the first half of the year confirms that Ascendis Health is a collection of mainly good businesses with a poor balance sheet. The 12% increase in revenue confirms the franchise value of the underlying businesses, with Remedica in Cyprus and Sun Wave Pharma in Romania the standout performers both increasing revenue by 30% for the six months. This was partly offset by Scitec in Hungary growing revenue by only 1% and Farmalider in Spain where revenue declined by 8%."

In the domestic market, the Pharma business grew revenue by 7% following the recovery from supply challenges, with Medical Devices revenue up 10% on securing 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.

The group's net bank debt reduced to R5.0 billion from R5.3 billion in the previous year, with the net debt to normalised EBITDA ratio at 6.2 times compared to 6.4 times at June 2019.

Sardi said the group settled bank debt liabilities of R437 million, with the sale of the Efekto, Marltons and Afrikelp businesses in the Biosciences division in July 2019 generating net proceeds of R424 million.

The group's focus in the short-term according to Sardi will be on completing the balance sheet restructure and accelerating the sale of selected assets.

"We are committed to reducing debt levels by maximising value from the sale of certain businesses in our portfolio. We are also evaluating the exit options for Remedica, our pharmaceutical business in Cyprus, as well as addressing potential exit due diligence issues in other businesses."

He added that management has identified measures to reduce costs and improve liquidity by between R55 million and R125 million over the next twelve months.

Ends

Issued by Tier 1 Investor Relations on behalf of Ascendis Health

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