



# INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

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Mark Sardi

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# Overview of the six months



- Results confirm that Ascendis is a collection of largely **good businesses with a bad balance sheet**
- **Revenue growth of 12%** confirms the **franchise value** of the underlying businesses
- **Normalised EBITDA up 6%**
- Significant **once-off costs** of R74 million
- **Remedica** sale negotiations terminated and results now included in continuing operations
- **High debt levels** contributing to liquidity and working capital constraints, increased finance costs and growing expenses relating to debt moratorium with lenders
- Focus now on securing **balance sheet flexibility** and appropriate sequencing of asset sales
- Committed to **maximising value** from businesses in an orderly manner

# Presentation outline



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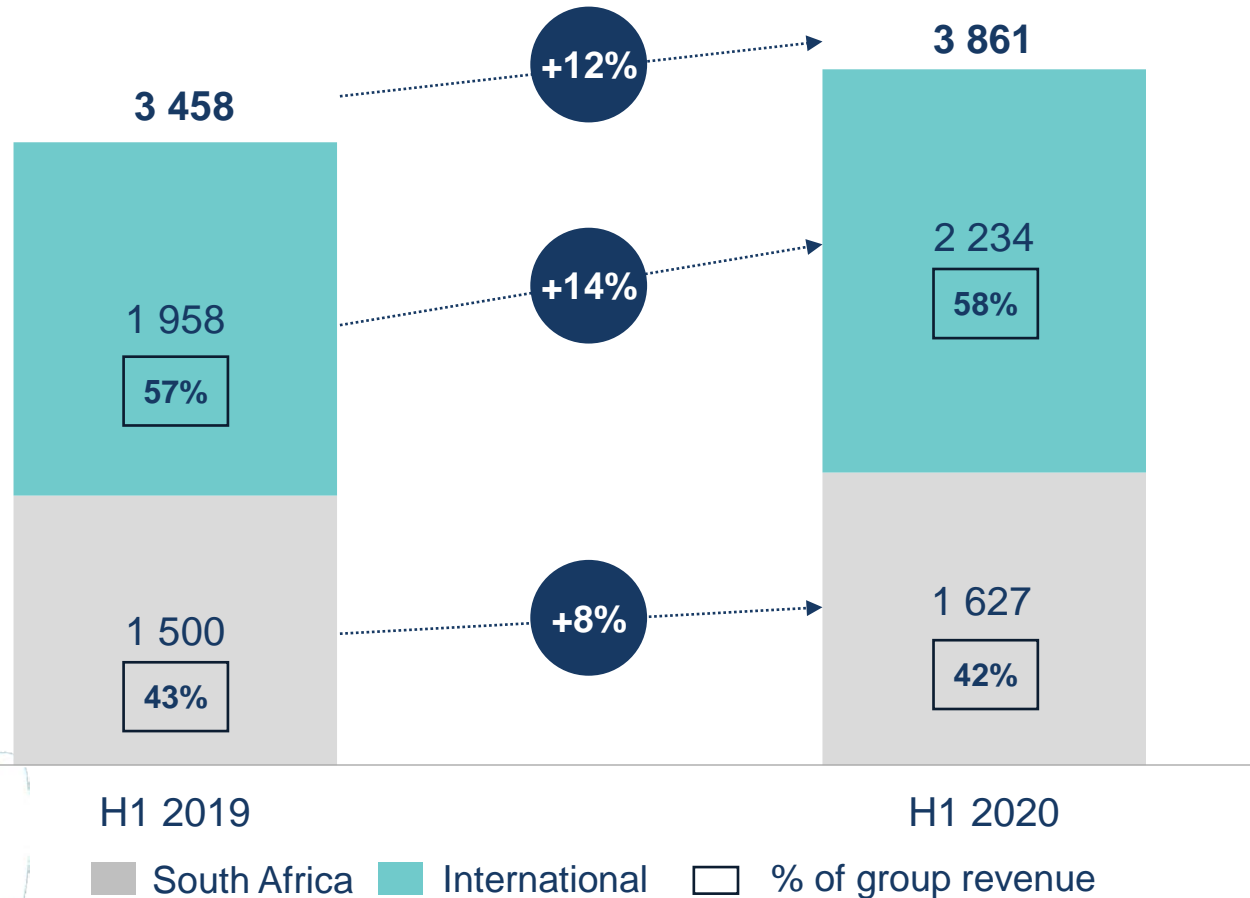
Mark Sardi

05 Q & A

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# Revenue growth

Revenue growth, H1 2019 – H1 2020, (R'm)

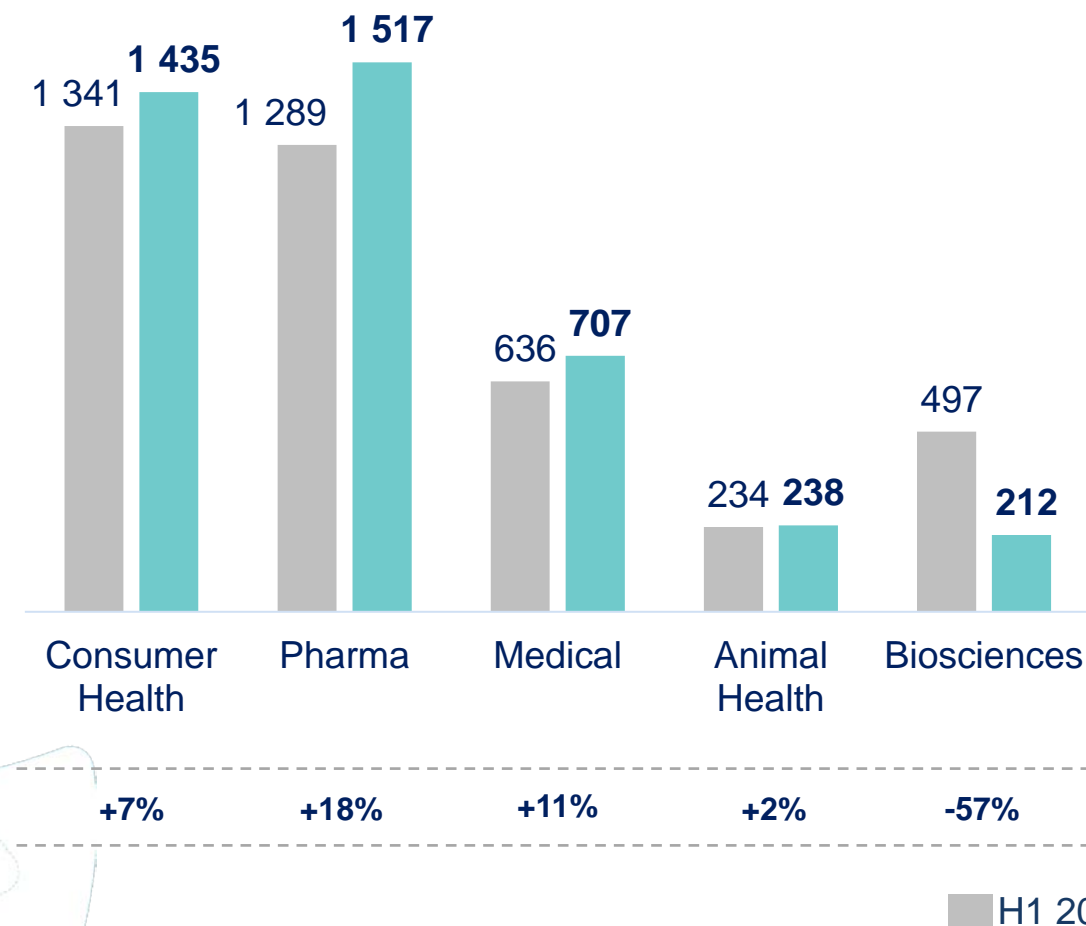


- Organic growth in Europe driven by new tender business in Remedica and new product launches in Sun Wave Pharma. This was partly negated by increased market competition in Scitec and lower licence fee revenue in Farmalider.
- Organic growth in SA businesses due to recovery from prior year supply issues, new agency business and new tender awards in Medical Devices.

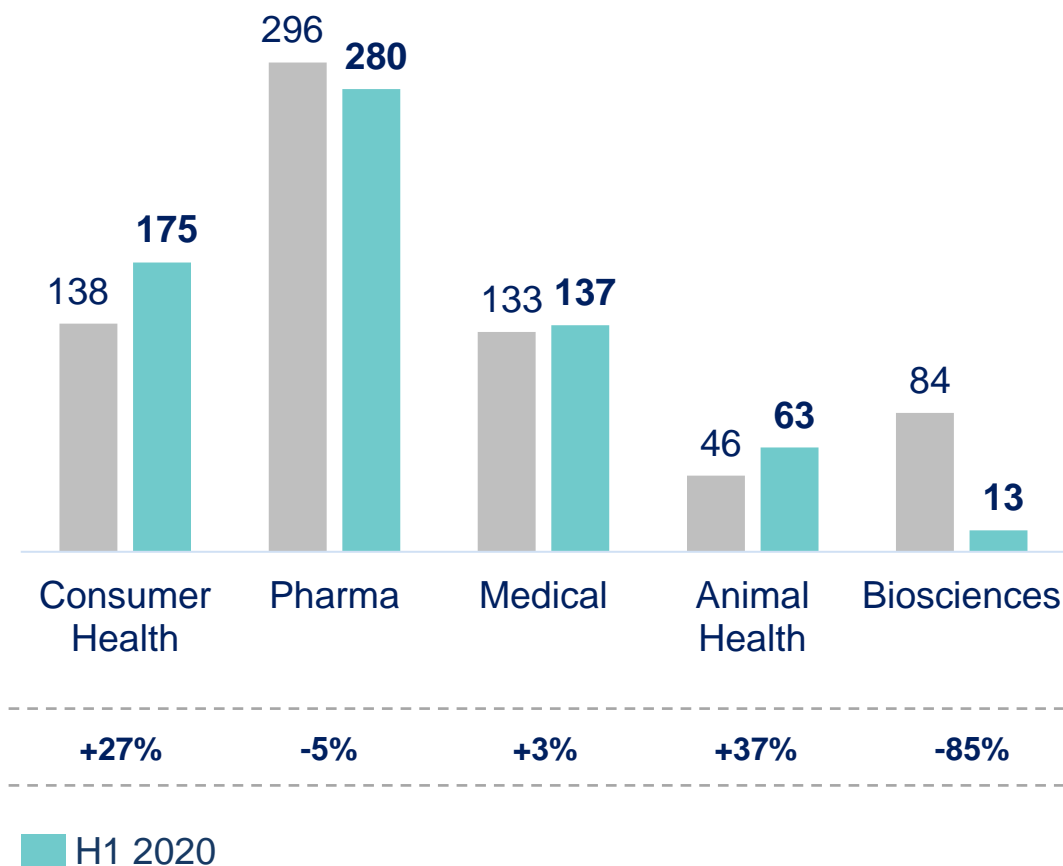
Continuing operations only; H1 2019 restated

# Segment performance

Revenue growth, H1 2019 – H1 2020, (R'm)



EBITDA growth, H1 2019 – H1 2020, (R'm)



External revenue & EBITDA from total operations; H1 2019 restated

# Income statement



Continuing operations (R'm)	Dec 2019	Dec 2018*	% change
<b>Revenue</b>	<b>3 861</b>	<b>3 458</b>	<b>12%</b>
Cost of sales	2 141	1 890	13%
<b>Gross profit</b>	<b>1 720</b>	<b>1 568</b>	<b>10%</b>
<b>Gross profit margin</b>	<b>44.5%</b>	<b>45.3%</b>	
Other income	8	17	(52%)
Operating expenses	1 117	1 006	11%
Total expenses	1 377	1 185	
Less: depreciation and impairments	(186)	(144)	
Less: once-off transaction-related and restructuring costs	(74)	(36)	
<b>Normalised EBITDA</b>	<b>611</b>	<b>579</b>	<b>6%</b>
<b>EBITDA margin</b>	<b>15.8%</b>	<b>16.7%</b>	

\* Restated

# Income statement (continued)

Continuing operations (R'm)	Dec 2019		Dec 2018*	% change
	Basic earnings	Normalised headline earnings	Normalised headline earnings	
<b>EBITDA</b>	<b>538</b>	<b>611</b>	<b>579</b>	<b>6%</b>
Depreciation & impairments	(186)	(186)	(144)	29%
<b>Operating profit</b>	<b>352</b>	<b>425</b>	<b>435</b>	<b>(2%)</b>
Net finance costs & assoc income	(247)	(247)	(204)	21%
Taxation	(14)	(25)	(24)	4%
<b>Profit after tax</b>	<b>91</b>	<b>153</b>	<b>207</b>	<b>(26%)</b>
Non-controlling interest	15	15	(15)	
<b>Attributable profit after tax</b>	<b>106</b>	<b>168</b>	<b>192</b>	<b>(12%)</b>
Capital items	1	2	(4)	
<b>Headline earnings</b>	<b>107</b>	<b>170</b>	<b>188</b>	<b>(9%)</b>
WANOS ('m)	484.8	484.8	484.8	
<b>HEPS (c)</b>	<b>22.2</b>	<b>35.1</b>	<b>38.7</b>	<b>(9%)</b>

\* Restated

# Discontinued operations & restatements

R'm	Total group	Discontinued operations				Change in accounting policy Isando operations loss	Continuing operations
		Sports Nutrition	Direct Selling	Bio-sciences	Total discontinued		
<b>H1 2020</b>							
Revenue	4 113		(40)	(212)	<b>(252)</b>		<b>3 861</b>
Normalised EBITDA	619		5	(13)	<b>(8)</b>		<b>611</b>
EBITDA margin	15.0%						<b>15.8%</b>
<b>H1 2019</b>							
	Previously reported						
Revenue	4 005	(3)	(47)	(497)	<b>(547)</b>		<b>3 458</b>
Normalised EBITDA	667	9	8	(84)	<b>(67)</b>	(21)	<b>579</b>
EBITDA margin	16.7%						<b>16.7%</b>

## IFRS 16 - Leases

### Accounting treatment changes

- Effective FY2020
- Almost all leases to be recognised on statement of financial position, as distinction between operating and finance leases are removed
- Recognition of right-of-use assets and lease liabilities
- Increase in EBITDA due to operating lease payments being removed and replaced by an increase in depreciation and interest paid
- Transition – Cumulative catch-up approach

### FY2020 financial impact

- Recognised right-of-use asset of R211 million
  - Recognised lease liability of R231 million
  - Increase in EBITDA of R26 million
  - Increase in depreciation of R25 million and interest of R17 million
- Previously recognised operating leases
- Net earnings decrease of R16 million

# Transaction-related and restructuring costs

		R'm
Acquisition costs	Farmalider	0.4
Disposal costs	Remedica	25.7
	Biosciences	2.1
	Other	2.9
Retrenchments	Scitec	2.4
Debt/capital restructuring	Group	40.1
<b>Total costs</b>		<b>73.6</b>

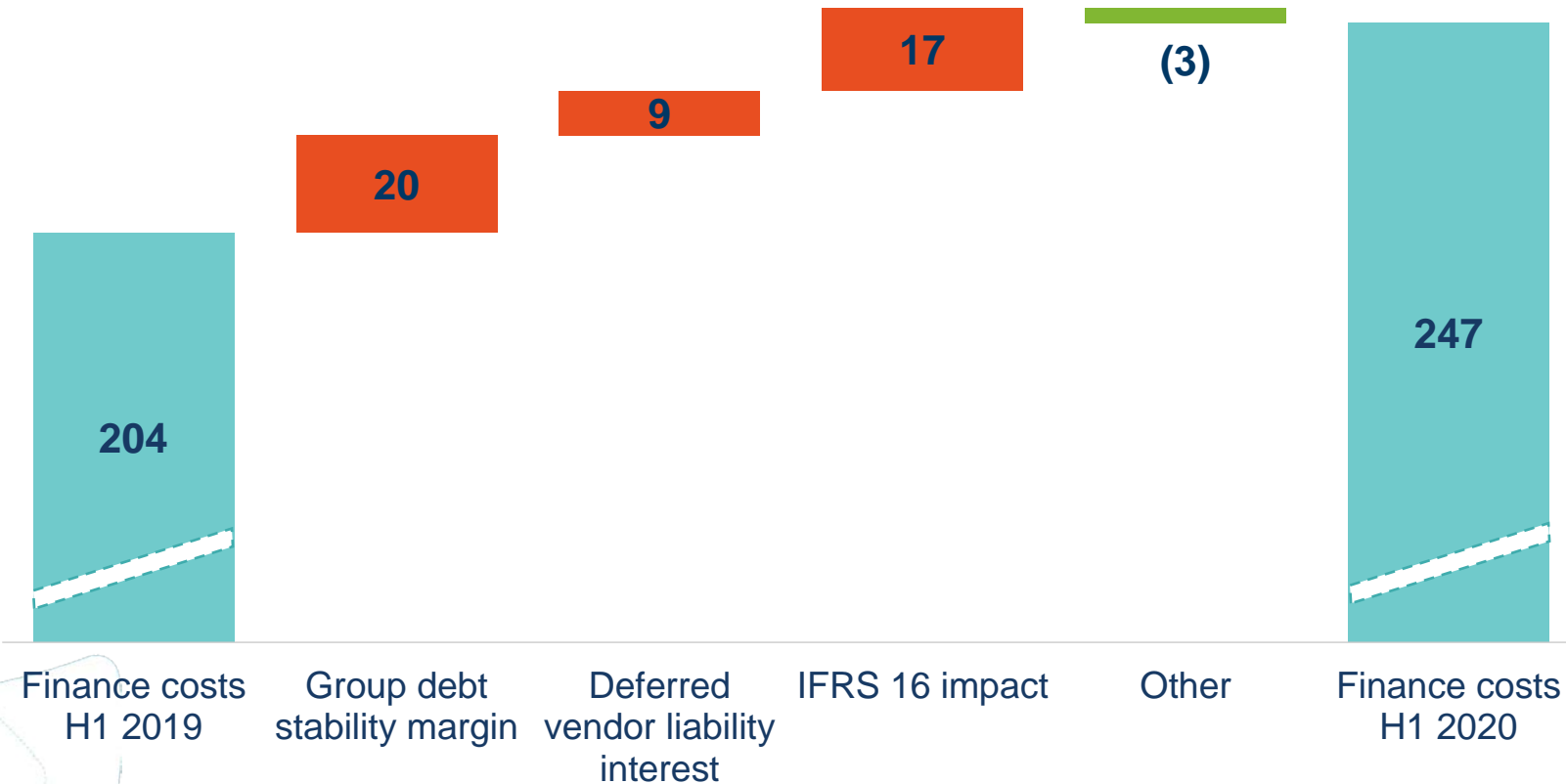
# Head office expenses

## Increase in head office expenses, H1 2019 – H1 2020, (R'm)

	R'm	% of base
<b>Head office expenses – H1 2019</b>	<b>50</b>	
Bonus provision	5	
Tax and corporate governance consulting fees	7	
Removing EU head office structure	(6)	
Reducing shared services costs	(4)	
Other/inflation	3	
<b>Head office expenses – H1 2020</b>	<b>55</b>	<b>10%</b>

# Finance costs

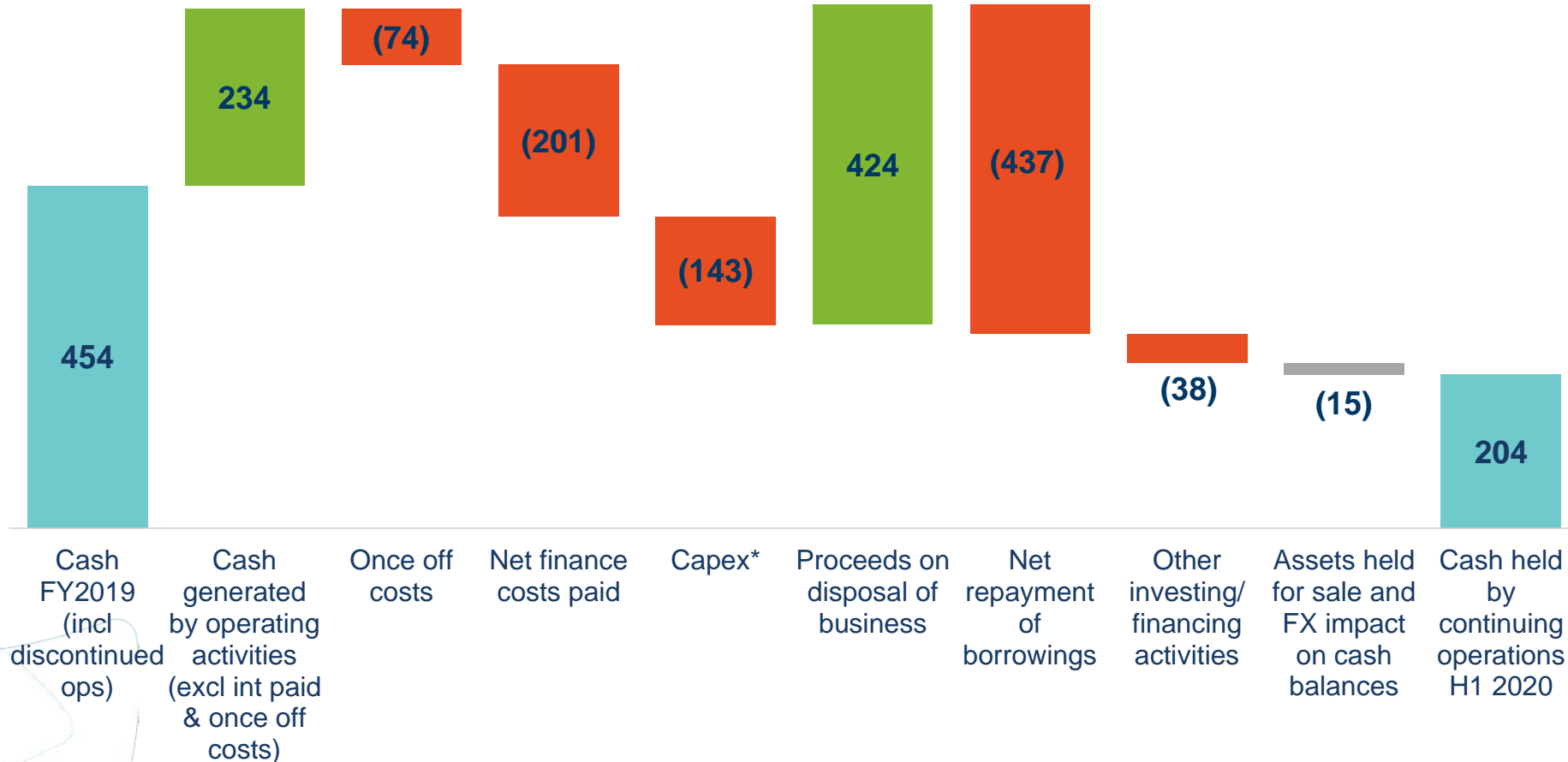
## Net finance costs, H1 2019 – H1 2020, (R'm)



- Increase in 1% margin related to the interim stability agreement with the Senior Debt Providers
- Penalty interest paid on overdue deferred vendor liabilities for Remedica, SunWave Pharma and Kyron
- Total weighted average cost of debt increased to 6.9%

# Cash management

## Cash, FY2019 – H1 2020, (R'm)

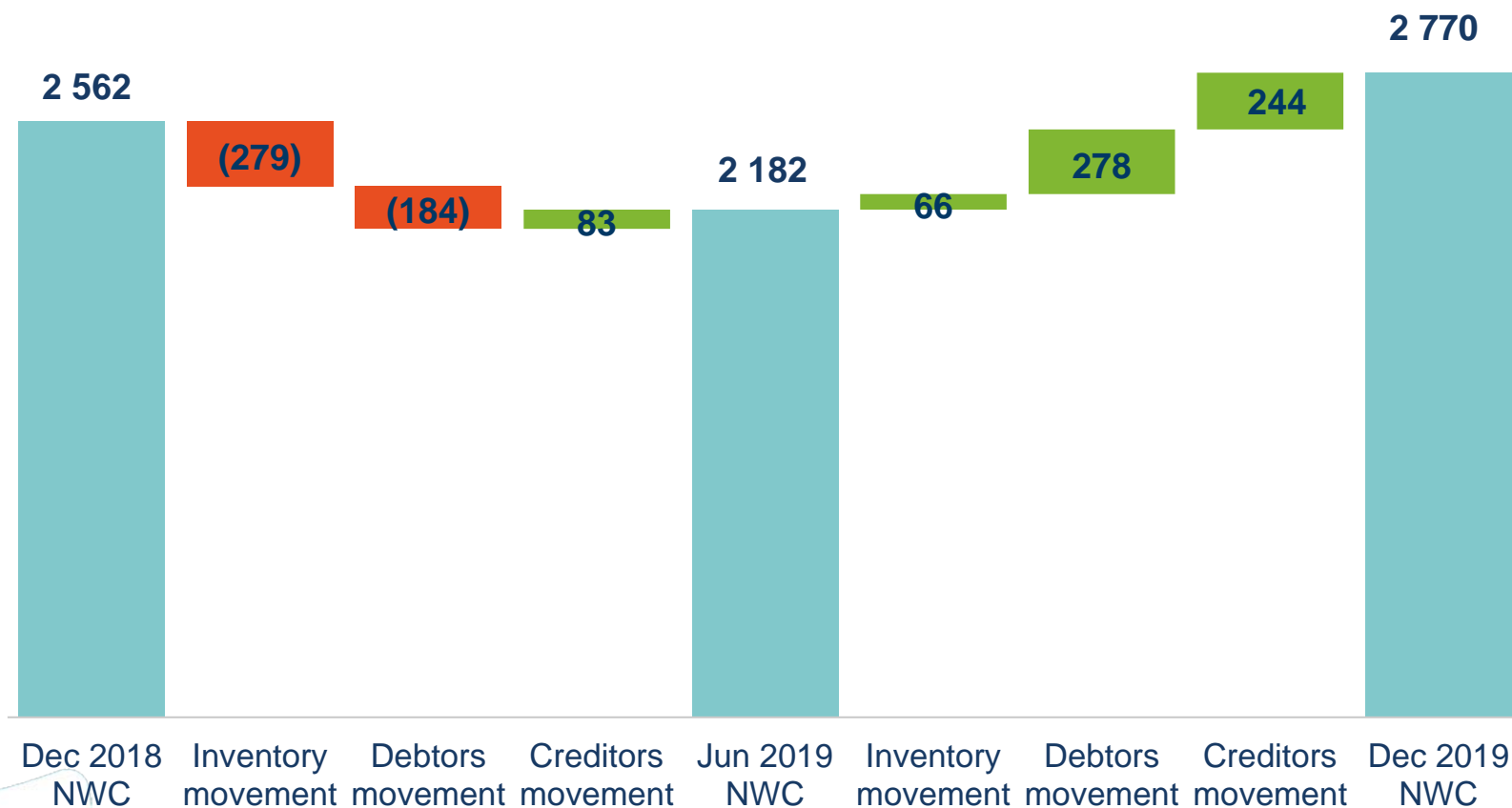


\* PPE – R100m; Intangibles – R43m

- Once off cash costs of R74 million mainly related to disposals (R31 million) and debt restructuring (R40 million) negatively affected Continuing operations cash generation
- Capex investment into compliance in EU and SA. Expansion capex for intangible assets in EU and demo equipment for Medical Devices
- Proceeds from sale of Bio1 in July 2019 used to repay bridge loan of R360 million

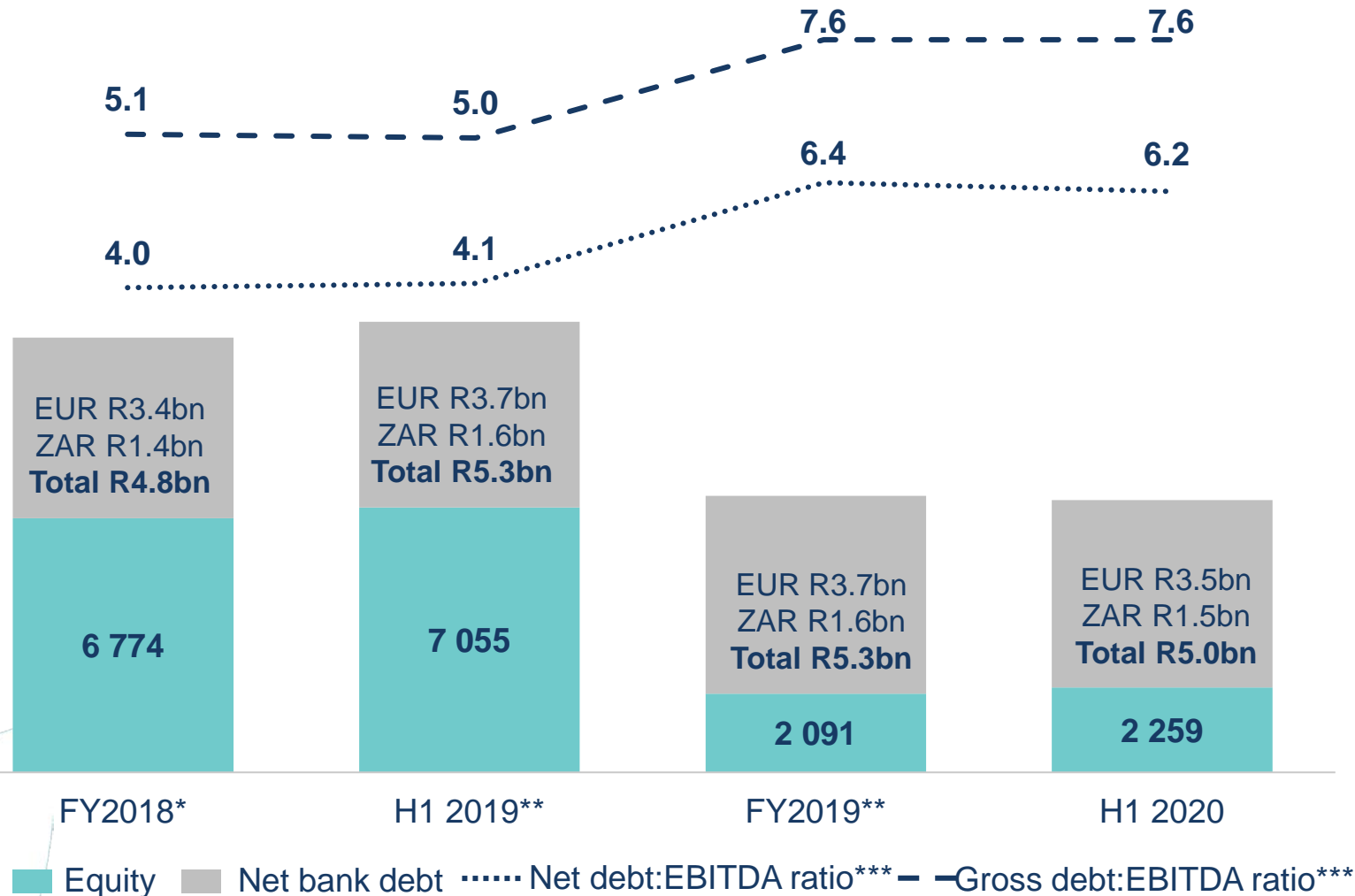
# Net working capital

## Net working capital (NWC), H1 2019 – H1 2020, (R'm)



- Inventory increase driven by:
  - Scitec new product launch delay
  - Investment in new Medical Device agency (Qiagen)
  - Stock build for Animal Health to mitigate CIPLA tech transfer
- SKU rationalisation across all Business Units in progress (300 SKU's in Scitec – 25% removed YTD)
- Carrying R20 million Government debt from March 2018. To be settled May 2020 per signed AoD
- Trade debtor and creditor stretch over the Festive period

Equity, net debt and debt:EBITDA, FY2018 – H1 2020, (R'm)



- 71% of Bank debt in EUR
- 83% of DVL in EUR
- Interim Stability Agreement negotiation with Senior Lenders with absolute waiver of all covenants and capital repayment holiday
- Negotiating restructure of senior debt to be completed early Q4 FY2020
- Further asset disposals are planned to reduce debt within the next 18 months

\* Pre-IFRS 16

\*\* Restated

\*\*\* Based on LTM total group normalised EBITDA

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# Revenue analysis by business

Continuing operations	6 months to Dec 2019	6 months to Dec 2018*	% change
<u>INTERNATIONAL (€m)</u>			
Remedica	55.5	42.8	30%
Sun Wave Pharma	26.8	20.6	30%
Scitec	38.1	37.7	1%
Farmalider	16.7	18.1	(8%)
Other	0.2	0.5	(60%)
<b>Total International - €m</b>	<b>137.3</b>	<b>119.7</b>	<b>15%</b>
<b>Total International - R'm</b>	<b>2 234</b>	<b>1 958</b>	<b>14%</b>
<u>SOUTH AFRICA (R'm)</u>			
Pharma	361	336	7%
Medical	702	638	10%
Consumer Health	469	492	(5%)
Biosciences	222	517	(57%)
Animal Health	239	245	(2%)
Intercompany elimination	(109)	(181)	(40%)
<b>Total South Africa - R'm</b>	<b>1 884</b>	<b>2 047</b>	<b>(8%)</b>
Less: discontinued operations	(257)	(547)	
<b>Total continuing operations - R'm</b>	<b>3 861</b>	<b>3 458</b>	<b>12%</b>

\* Restated

# EBITDA analysis by business

Continuing operations	6 months to Dec 2019	6 months to Dec 2018*	% change
<u>INTERNATIONAL (€m)</u>			
Remedica	17.0	14.0	21%
Sun Wave Pharma	7.4	5.8	28%
Scitec	1.2	0.9	33%
Farmalider	-	4.2	(100%)
Other	0.4	(0.1)	500%
<b>Total International - €m</b>	<b>26.0</b>	<b>24.8</b>	<b>5%</b>
<b>Total International - R'm</b>	<b>423</b>	<b>405</b>	<b>4%</b>
<u>SOUTH AFRICA (R'm)</u>			
Pharma	3	(2)	250%
Medical	137	133	3%
Consumer Health	34	29	17%
Biosciences	13	84	(85%)
Animal Health	63	46	37%
<b>Total South Africa - R'm</b>	<b>250</b>	<b>290</b>	<b>(14%)</b>
Group head office costs	(55)	(50)	10%
Less: discontinued operations	(7)	(66)	
<b>Total continuing operations - R'm</b>	<b>611</b>	<b>579</b>	<b>6%</b>

\* Restated

## Remedica

Summary P&L

€m	Dec 2019	Dec 2018	% change
Revenue	55.5	42.8	30%
EBITDA	17.0	14.0	21%
EBITDA margin	30.6%	32.7%	

## Commentary

Performance

- Increase in both revenue and EBITDA driven by new Mexican tender and introduction of NHI in Cyprus
- New revenue streams resulted in dilution of gross profit margin

Priorities

- Optimisation of inventory and trade receivables levels
- Enhancing in-market intelligence to determine optimal price points and revenue optimisation

## Farmalider

€m	Dec 2019	Dec 2018	% change
Revenue	16.7	18.1	(8%)
EBITDA	-	4.2	(100%)
EBITDA margin	0%	23.2%	

## Commentary

- Revenue and EBITDA decline driven by supplier issues related to implementation of EU serialisation regulations
- Decrease in licence fee revenue (100% GP) driven by delays in health authority approvals
- Increase in costs due to reversal of legal fees provision in FY19 and provision for another legal dispute in FY20

- Addition of alternative manufacturing sites in China and India to increase capacity and de-risk supply
- Close agreements with major multinational customers for pain management innovations

## Scitec

Summary P&L	€m	Dec 2019	Dec 2018	% change
	Revenue	38.1	37.7	1%
	EBITDA	1.2	0.9	33%
	EBITDA margin	3.2%	2.4%	

## Commentary

Performance
<ul style="list-style-type: none"> <li>Volumes and sales price growth despite increased competitor activity and loss of key customer in Portugal</li> <li>Increase in contract manufacturing business</li> <li>61 headcount reduction was implemented (direct and indirect)</li> </ul>

Priorities
<ul style="list-style-type: none"> <li>New leadership appointed</li> <li>Launch two new Scitec sub-brands</li> <li>Further COGS and overhead costs reduction</li> </ul>

## Sun Wave Pharma

Summary P&L	€m	Dec 2019	Dec 2018	% change
	Revenue	26.8	20.6	30%
	EBITDA	7.4	5.8	28%
	EBITDA margin	27.6%	28.2%	

## Commentary

<ul style="list-style-type: none"> <li>Strong performance in both revenue and EBITDA driven by focus on top brands and increase in sales heads and medico-marketing activities</li> <li>New products successfully launched in FY19 supported by clinical trial results and media promotion</li> <li>Increase in Marketing investment</li> </ul>
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<ul style="list-style-type: none"> <li>4 new products to be launched</li> <li>Consumer campaigns to boost brand equity and complement the winning HCP approach</li> </ul>
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## Pharma (SA)

Summary P&L

R'm	Dec 2019	Dec 2018	% change
Revenue	<b>361</b>	336	7%
EBITDA	<b>3</b>	(2)	250%
EBITDA margin	<b>0.8%</b>	(0.6%)	

## Commentary

Performance

- Revenue for state and tender business benefited by recovery from prior year supply issues
- GP margin % increase due to discontinuation of lower margin products
- Decreased fixed costs post sale of Isando factory

Priorities

- Grow export market into SADC and West Africa
- Improving sales from high-margin private sector and OTC brands

## Medical (SA)

R'm	Dec 2019	Dec 2018	% change
Revenue	<b>702</b>	638	10%
EBITDA	<b>137</b>	133	3%
EBITDA margin	<b>19.5%</b>	20.8%	

## Commentary

- Sales growth driven by improved exports in TSG and new Qiagen agency, partly offset by loss of Merit agency
- Forex impact drove 3% increase of COGS, with impact directly felt on GP margin
- Increase in costs driven by investment in sales heads and training for newly acquired agency partly negated by savings realised from premises integration.

- Optimisation of inventory and trade receivables levels
- Ramping up sales from newly acquired Qiagen agency in East Africa
- New RT2 tender for RCA

## Consumer Health (SA)

Summary P&L	R'm	Dec 2019	Dec 2018	% change
	Revenue	469	492	(5%)
	EBITDA	34	29	17%
	EBITDA margin	7.3%	5.9%	

## Commentary

Performance	<ul style="list-style-type: none"> <li>▪ Sales drop driven by supply issues due to port strikes and third party supplier delivery challenges</li> <li>▪ Discontinuation of low margin brands in Wellness drove lower sales but helped improve GP% margin</li> <li>▪ Challenging environment for SA salon market resulted in lower Skin sales</li> <li>▪ Integration of Wellness, Skin, Supply Chain &amp; Chempure business units resulted in lower payroll costs</li> </ul>
Priorities	<ul style="list-style-type: none"> <li>▪ Improvement in procurement and manufacturing service levels</li> <li>▪ Resumption of advertising and promotion activities</li> <li>▪ Continuing to drive sales expansion in UK market</li> <li>▪ Launching Agewell products into online channel</li> </ul>

## Animal Health

Summary P&L	R'm	Dec 2019	Dec 2018	% change
	Revenue	239	245	(2%)
	EBITDA	63	46	37%
	EBITDA margin	26.4%	18.8%	

## Commentary

Performance	<ul style="list-style-type: none"> <li>Production animal business sales impacted by production challenges. This is expected to be recovered in H2 with a government tender awarded to Agrimed.</li> <li>Improved EBITDA margin due to improved GP% margin in Companion Animal businesses and decreased marketing expenses.</li> </ul>	

Priorities	<ul style="list-style-type: none"> <li>Continue to drive sales in Agrimed and Vet businesses while extracting further synergies from Kyron</li> <li>Expansion into other markets in SADC and East Africa</li> </ul>	

## Biosciences – Avima and Klub M5 (disclosed as discontinued ops)

Summary P&L	R'm	Dec 2019	Dec 2018	% change
	Revenue	222	517	(57%)
	EBITDA	13	84	(85%)
	EBITDA margin	5.9%	16.3%	

## Commentary

Performance	<ul style="list-style-type: none"> <li>Decrease in revenue and EBITDA driven by Bioscience 1 disposal successfully concluded in July 2019</li> <li>Existing Avima business negatively affected by banning of products used in Zimbabwean tobacco farming</li> </ul>	

Priorities	<ul style="list-style-type: none"> <li>Reregistration of affected KM5 products</li> <li>Relaunch of Dicorzal</li> </ul>	

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## History

2019

2020 +

- Ascendis was built via a set of opportunistic acquisitions
- Complex collection of independent, entrepreneur led businesses
- Limited operational synergies between the acquired businesses
- Combination of sub-optimal organic growth, cash conversion resulted in a highly-leveraged Holding Company where liquidity continually swept from high performing businesses



- New strategy (Pharma and Consumer core) launched September 2018 but stopped due to capital structure and liquidity issues
- Early 2019, Group enters into Standstill with Lenders and embarks on sale of Remedica to fix the balance sheet
- Group delivers poor FY19 results
- Remedica transaction terminated in December 2019
- Unpaid DVP liabilities further exacerbate tensions within the Group and threaten stability



- Current leverage and liquidity is unsustainable
- Management needs time to focus less on 'fire fighting' and more on the important 'fix / invest / divest' decisions required to reduce debt and generate value
- Operating model to align with Holdco reality

**Listed Holdco: Focus on niche, geographically dispersed pharma / consumer businesses**

# Three pillar strategy

## Stabilise

- Set the medium term portfolio strategy – which companies we should keep and which we should sell
- Restructure existing debt to match portfolio strategy (particularly the divestment profile) and remove ‘forced seller’ label
- Restore operational flexibility and ability to execute ‘Optimise’ Pillar

Fix the balance sheet

## Optimise

- Set the operating model to align with portfolio strategy and reduce complexity
- Implement Project Office discipline to address potential ‘exit’ due diligence issues, drive efficiencies and margin management in each Business Unit
- Create Business Unit specific incentivization programmes and develop owner-manager mindsets

Right-size and set the platform

## Monetise

- Structure to ensure ‘decoupling’ flexibility
- Deleveraging strategy to take onto account the interim cash conversion profiles of the underlying business
- Remain flexible to access attractive market windows

Focus on value maximisation

**Create an owner-led culture with capability to support**

- Finalise refinance agreement with lender consortium
- Complete balance sheet restructure
- Accelerate sale of identified assets
- Apply project office disciplines to address potential exit due diligence issues
- Address opportunities to maximise exit value for Remedica, including dossier due diligence
- Optimise stock management and operating model of Ascendis Medical
- Adopt 'Business Unit first' operating model without compromising governance and compliance
- Deliver projects to reduce costs and improve liquidity with potential run rate savings of R55 million – R125 million over next 12 months

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**Thank you**

**Q&A**

# Additional Information



# Balance sheet – assets

R'm	Dec 2019	Dec 2018*	% change
<b>Non-current assets</b>	<b>6 712</b>	<b>11 483</b>	<b>(42%)</b>
Property, plant and equipment	1 074	1 288	(17%)
Intangible assets and goodwill	5 234	10 030	(48%)
Right-of-use asset	300	-	
Other non-current assets	104	165	(37%)
<b>Current assets</b>	<b>4 432</b>	<b>4 688</b>	<b>(5%)</b>
Inventories	1 599	1 812	(12%)
Trade and other receivables	2 192	2 199	(0%)
Cash and cash equivalents	273	385	(29%)
Other current assets	88	162	(46%)
Current assets held for sale	280	130	
<b>Total assets</b>	<b>11 144</b>	<b>16 171</b>	<b>(31%)</b>

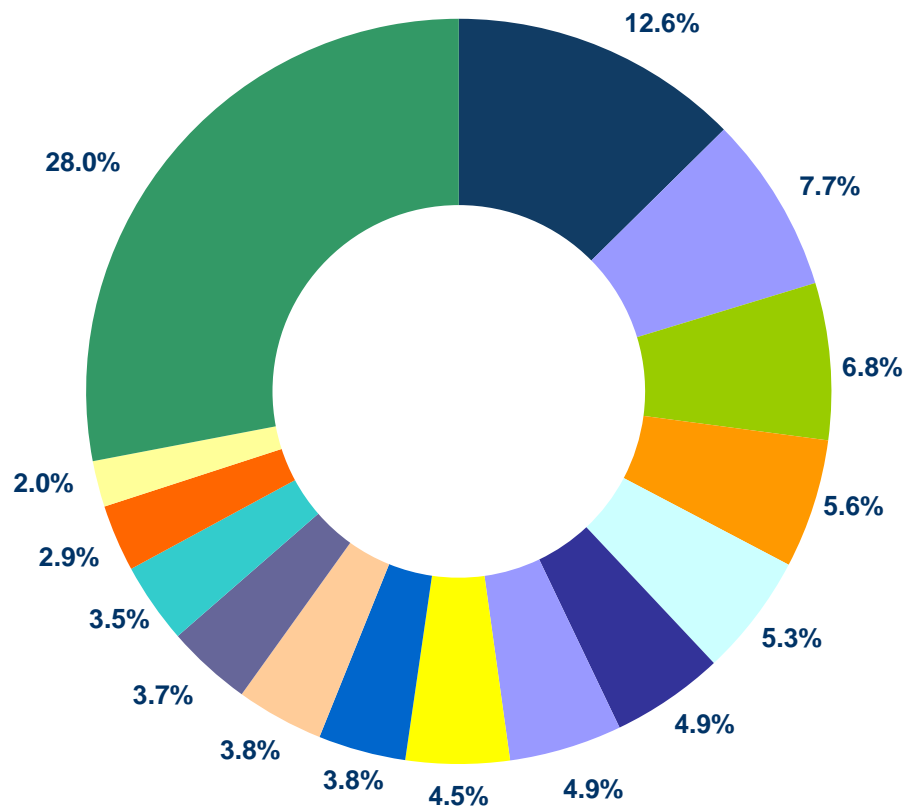
\* Restated

# Balance sheet – equity and liabilities

R'm	Dec 2019	Dec 2018*	% change
<b>Equity</b>	<b>2 259</b>	<b>7 055</b>	<b>(68%)</b>
<b>Non-current liabilities</b>	<b>924</b>	<b>5 199</b>	<b>(82%)</b>
Borrowings	57	4 480	(99%)
Deferred vendor liabilities	156	179	(13%)
Finance lease liabilities	290	25	1 060%
Other non-current liabilities	421	515	(18%)
<b>Current liabilities</b>	<b>7 961</b>	<b>3 917</b>	<b>103%</b>
Trade and other payables	1 444	1 540	(6%)
Borrowings	5 146	1 039	395%
Deferred vendor liabilities	912	937	(3%)
Finance lease liabilities	28	13	115%
Bank overdraft	68	147	(54%)
Other current liabilities	251	211	19%
Current liabilities held for sale	112	30	
<b>Total liabilities</b>	<b>8 885</b>	<b>9 116</b>	<b>(3%)</b>
<b>Total equity and liabilities</b>	<b>11 144</b>	<b>16 171</b>	<b>(31%)</b>

\* Restated

# Shareholding structure



## Holdings at

Dec 2019

Dec 2018

Holder	Dec 2019	Dec 2018
International Finance Corporation (IFC)	12.6%	3.7%
Mergence Investment Managers	7.7%	0.4%
Kefolile Health Investments	6.8%	6.8%
WBD Investment Holdings	5.6%	5.6%
Mineworkers Investment Company (MIC)	5.3%	4.5%
Coast2Coast	4.9%	25.5%
Coutts & Co	4.9%	0.9%
Public Investment Corporation (PIC)	4.5%	4.4%
Jupiter Asset Management	3.8%	3.8%
Old Mutual Investment Group	3.8%	2.0%
Blakeney Management	3.7%	3.7%
Laurium Capital	3.5%	4.0%
Sentio Capital Management	2.9%	3.3%
Legae Peresec Equities	2.0%	2.1%
Other fund managers and shareholders	28.0%	29.3%



**32.2%** international holding  
(22.5% at Dec 2018)

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