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")

Trading statement for the six months ended 31 December 2019

In terms of paragraph 3.4(b) of the JSE Limited Listings Requirements, companies are required to publish a trading statement as soon as they are satisfied, with a reasonable degree of certainty, that the financial results for the period to be reported upon next will differ by at least 20% from those of the previous corresponding reporting period.

As reported in the voluntary trading update published on SENS on 5 February 2020, the expected increase in revenue relative to the prior period has been driven by higher sales in Europe due to new tender business secured by 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. In South Africa, revenue growth is due to the recovery from prior year supply issues in Pharma, and new agency business in Medical Devices.

Growth in normalised earnings before interest, tax, depreciation and amortisation (normalised EBITDA[PM]) was driven by higher gross profit as a result of higher revenue which was partially offset by increased provisions for legal fees in Farmalider and increased investment in marketing in Europe and South Africa.

The group incurred extensive consulting and professional fees associated with the restructuring of the senior lender debt, and other once-off costs related to the disposal of Biosciences and the planned disposal of Remedica as well as a considerable increase in finance expenses associated with the interim stability agreements with the senior lenders.

An impairment loss of R24 million was recognised in respect of the Direct Selling business driven by the deterioration of its trading results.

These additional costs and impairments have had an adverse effect on profit after tax compared to the prior period, with the majority of earnings per share measures decreasing as indicated below.

The board of directors of Ascendis Health ("Board") advises shareholders that it is reasonably certain that the interim results for the period ended 31 December 2019, when compared with the published results for the interim period ended 31 December 2018, are expected to differ as follows:

	Six months ended 31 Dec 2019 Expected ranges	**Six months ended 31 Dec 2018 Restated[(1)]**	**% change Expected ranges based on Restated**	**Six months ended 31 Dec 2018 Reported**	**% change Expected ranges based on Reported**
Revenue					
Group revenue – continuing operations (R'm)	3 755 – 3 949	3 458	9% - 14%	3 955	(5%) – (0%)
Earnings per share					
Continuing operations					
Normalised headline earnings[PM] (R'm)	156 - 182	188	(17%) – (3%)	351	(56%) – (48%)
Basic earnings per share (cents)	20.1 – 23.4 cents	35.6 cents	(44%) – (34%)	45.8 cents	(56%) – (49%)
Headline earnings per share (cents)	20.3 – 23.7 cents	31.4 cents	(35%) – (25%)	41.4 cents	(51%) – (43%)
Normalised headline earnings per share[PM] (cents)	32.2 – 37.5 cents	38.7 cents	(17%) – (3%)	72.5 cents	(56%) – (48%)
Total operations					
Normalised headline earnings[PM] (R'm)	167 - 194	224	(25%) – (13%)	335	(50%) – (42%)
Basic earnings per share (cents)	41.6 – 48.4 cents	42.3 cents	(2%) – 14%	42.3 cents	(2%) – 14%
Headline earnings per share (cents)	22.5 – 26.2 cents	37.9 cents	(41%) – (31%)	37.9 cents	(41%) – (31%)
Normalised headline earnings per share[PM] (cents)[(2)]	34.3 – 40.0 cents	46.2 cents	(26%) – (13%)	69.0 cents	(50%) – (42%)

Notes on restatements:

(1) The following additional businesses have been classified as discontinued operations, resulting in the restatement of the comparative information:
   - the Afrikelp, Efekto and Marltons businesses in the Biosciences division, with the sale completed on 31 July 2019; and
   - the two remaining businesses in the Biosciences division, Avima and Klub M5, are being considered for divestment.

(2) The accounting policy for normalised headline earnings per share[PM] has been amended in the 2019 financial period resulting in the restatement of the reported comparative period, for the following:
   - now adding back costs incurred to restructure the debt and equity structure of the group;
   - now adding back settlement of product-related litigation;
   - no longer add back the amortisation of intangible assets that arise upon business combinations; and
   - no longer add back the operational profits or losses that will not form part of the future of the group that have not been recognised as a discontinued operation in terms of International Financial Reporting Standards (IFRS 5).

PM (Performance Measures): Shareholders are advised that normalised EBITDA, normalised headline earnings and normalised headline earnings per share are not terms defined by International Financial Reporting Standards and may accordingly differ from company to company. The Board however believes that normalised EBITDA, normalised headline earnings and normalised headline earnings per share are relevant performance measures as it provides a measure of sustainable earnings. The normalised EBITDA, normalised headline earnings and normalised headline earnings per share figures have been calculated consistently with Ascendis Health's methodology for the calculation of normalised EBITDA, normalised headline earnings and normalised headline earnings per share as set out on the Company's website:

https://ascendishealth.com/wp-content/uploads/2020/02/Ascendis-Health-Performance-Measures-Jan-2020.pdf

The financial information on which this trading statement is based has not been reviewed or reported on by the Company's external auditors.

5 March 2020
Bryanston

Sponsor

questco CORPORATE ADVISORY

Questco Corporate Advisory Proprietary Limited