ASCENDIS HEALTH

MEDIA RELEASE

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STRONG OPERATIONAL RESULTS OFFSET BY HIGHER FINANCE COSTS AND IMPAIRMENTS

Johannesburg – Health and wellness business Ascendis Health posted a strong operational performance for the year to June 2020, increasing revenue by 19% to R7 billion with normalised operating profit growing by 114% to R161 million.

Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 58% to R1.2 billion, with the EBITDA margin expanding by 410 basis points to 16.9%.

The operational performance was adversely impacted by a significant increase in finance costs which more than doubled to R856 million. Impairment losses of R965 million were recognised due mainly to deteriorating trading conditions in the wake of the Covid-19 pandemic.

The higher expenses and impairments contributed to the group reporting a normalised loss for the year of R682 million, improving from a loss of R1 677 million in the prior year.

International revenue, which accounted for 53% of the group’s total sales, increased by 28% to R3.7 billion. Cyprus-based Remedica increased revenue by 30% after securing new tender business in Mexico and benefiting from the introduction of the national health system in Cyprus. New product launches contributed to Sun Wave Pharma in Romania growing revenue by 16%.

South African revenue increased by 10% to R3.3 billion. Sales in the medical devices business grew 16% through new agency export business in Africa and the supply of ventilators and respirators during the Covid-19 pandemic. The benefit of Covid-19 related sales was partly negated by restrictions on elective surgeries in hospitals during the lockdown period.

Ascendis Health concluded a R6.9 billion debt refinancing agreement in June 2020, extending its repayment obligations until December 2021. The group also secured new debt facilities of R464 million, including R100 million ahead of the refinancing agreement to fund Covid-19 related inventory.

Chief executive Mark Sardi said: “Our primary focus this year has been on stabilising the business, which we believe has been achieved through the refinancing of existing debt and raising further debt to restore liquidity and operational flexibility.”

“The refinancing was a remarkable outcome given the tight Covid-19 liquidity environment, providing the group with much-needed breathing space to enable us to pursue our asset disposal strategy.”

Sardi said the group’s asset disposal programme is being accelerated and the group is committed to “maximising value from the sale of its businesses to restore the stability of the balance sheet”. Advisers have been appointed on key proposed asset disposals.

The sale of three businesses in the Biosciences division generated net proceeds of R424 million. After the reporting period, Scitec International in Hungary was sold for R100 million and Ascendis Direct Selling for R10.5 million, with the funds being applied to reducing the group’s debt levels.

Sardi said the group’s diversified health and wellness offering has not only assisted in offsetting the negative commercial impact of Covid-19 but has also enabled Ascendis Health to play a meaningful role in the country’s efforts to combat the spread of the disease.

“Our businesses were generally Covid-19 defensive, with the vitamins and supplements brands proving beneficial to supporting patients’ immunity levels. The pharma portfolio of anti-infective medication, pain management and chronic medication also played an important role in ensuring patient compliance to reduce co-morbidities during the pandemic.”

He said the group’s business units were highly innovative in developing new product and service solutions when other revenue streams were restricted due to lockdown regulations.

“The Covid-19 crisis demonstrated that our products and services not only enhance health and wellbeing, but also save lives,” concluded Sardi.

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