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")

AUDITED ABRIDGED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2019

- Revenue up 1% to R5.6 billion
- Impairment charge of R4.2 billion
- Normalised operating profit R58 million (2018: R514 million)
- Normalised loss after tax from continuing operations R459 million (2018: profit of R93 million)
- Normalised HEPS from continuing operations (99.9) cps (2018: 21.7 cps)
- Remedica negotiations with preferred bidder at an advanced stage

Overview
The group experienced an extremely challenging year, particularly in the second half, which is reflected in the poor financial and operational performance. The results were impacted by the tough macroeconomic and consumer environment in South Africa, liquidity constraints and related supply challenges, higher operating expenses and further once-off costs.

Impairments of goodwill, intangible assets and property, plant and equipment were raised on all the group's operating units, totalling R4.2 billion.

Remedica, the group's pharmaceutical business in Cyprus, the Biosciences division, Ascendis Sports Nutrition SA and Ascendis Direct Selling have been classified as discontinued operations and are therefore not included in the group's results.

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.

Continuing operations
Group revenue increased by 1% to R5.6 billion (2018: R5.5 billion). International revenue increased by 8% to R2.6 billion and accounts for 46% of the group's total sales. Revenue generated in South Africa declined by 4% to R3.0 billion.

The group's gross margin declined from 46.0% to 42.9% owing to inventory write-offs in SA and Europe, a shift in sales mix due to stock shortages and cash constraints, deterioration in the Scitec margin owing to increased competition from online retailers and the implementation of the European Union serialisation directive which negatively impacted Farmalider.

Operating expenses grew by 19%, excluding once-off transaction and restructuring costs of R120 million. These costs related mainly to the restructuring of the group's debt, the proposed bond issue which was not launched, costs for the disposal of Biosciences and the proposed disposal of Remedica, and restructuring and retrenchment costs.

Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) reduced by 63% to R279 million (2018: R752 million). The EBITDA margin contracted to 5.0% (2018: 13.6%) due to the higher operating expenses.

Impairments totalled R4.2 billion, with Scitec and the SA Pharma business being fully impaired. The significant reduction in the group's share price is an indicator of impairment. The impairments were affected by the adverse economic trading conditions which impacted the group's performance in the current year. The weighted average cost of capital discount rate applied in determining the impairments was increased from 10.3% in 2018 to 15.1% in 2019 due to the higher cost of equity, the change in the group's debt/equity structure and an increased SA risk premium.

Normalised operating profit fell 89% from R514 million to R58 million and the group reported a loss after tax for the year of R459 million (2018: profit of R93 million).

The normalised headline loss was R484 million with headline earnings per share reducing from 21.7 cents to (99.9) cents.

No dividends were declared or paid during the year under review or during the previous financial year.

Total operations
Group revenue from total operations increased by 1% to R5.6 billion (2018: R5.5 billion). The group reported an operating loss of R4.3 billion compared to an operating profit of R480 million in the prior year. The headline loss per share was 39.6 cps compared to headline earnings per share of 78.5 cps in 2018. The group's loss per share for total operations was 963.3 cps relative to earnings per share of 55.7 cps in 2018.

Disposal of Remedica
Shareholders are advised that the Company has entered into an exclusivity agreement with the preferred bidder in respect of the disposal of the Remedica business in Cyprus. Negotiations are at an advanced stage and the Company expects to make a further announcement in due course.

Focus areas
The group's immediate priorities will be on completing the Remedica disposal, following a 'fix the basics' strategy to turnaround the group's performance and creating an efficient capital structure post the Remedica sale.

In the months ahead the group will focus on revenue growth, cost control, cash and working capital management, while restoring investor confidence following the disappointing performance in 2019.

The group has made a strong start to the 2020 financial year, reporting revenue growth of 13% for the first 14 weeks of the new year.

Mark Sardi	Kieron Futter
Chief Executive Officer	Chief Financial Officer

This short-form announcement is the responsibility of the Ascendis Health directors and is a summary of the information in the detailed annual results announcement and does not contain full or complete details. The full announcement can be downloaded from https://senspdf.jse.co.za/documents/2019/jse/isse/asc/FYE2019.pdf or on the group's website at www.ascendishealth.com/investor-relations. Copies 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
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Johannesburg
30 October 2019

Sponsor
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