

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")



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## Disposals of Dezzo Trading and Ascendis Direct Selling

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### **Disposal of Dezzo Trading**

#### **1. Introduction**

Shareholders are advised that on 21 September 2020, an agreement ("**Sale Agreement**") was entered into between Ascendis Pharma Holdings Proprietary Limited ("**Seller**"), a wholly-owned subsidiary of Ascendis Health, Austell Pharmaceuticals Proprietary Limited ("**Purchaser**"), Ascendis Pharma Proprietary Limited ("**Ascendis Pharma**"), a wholly-owned subsidiary of Ascendis Health and Dezzo Trading 392 Proprietary Limited, a wholly-owned subsidiary of Ascendis Health ("**Dezzo Trading**") (collectively "**the Parties**") in terms of which the Seller will dispose of the entire issued share capital of Dezzo Trading to the Purchaser ("**the Disposal**").

#### **2. Description of the Dezzo Trading business**

Dezzo Trading procures and sells generic pharmaceuticals and over-the-counter products to government hospitals (via tender contracts), dispensing doctors and the private sector.

#### **3. Rationale for the Disposal**

The board of directors of the Company ("**Board**") has concluded that the disposal of non-core assets, such as Dezzo Trading, will assist in reducing the debt levels of the Ascendis Health group, and thereby enhance its balance sheet and liquidity position, and has therefore resolved to dispose of Dezzo Trading.

The cash proceeds from the Disposal will be applied to reduce the Ascendis Health group debt levels and to fund working capital.

#### **4. Consideration**

The total consideration for the Disposal ("**the Consideration**"), which is payable in cash by the Purchaser to the Seller will comprise the following:

- **Initial Purchase Consideration** (payable on the Closing Date of the Disposal being the first business day after the inventory schedule has been agreed in writing between the Parties)

Value of sale inventory, calculated pursuant to a stock valuation conducted in accordance with an agreed methodology:

Less 12 months of staff costs;

Less R1.93 million (adjustment for third party ownership share of sale asset);

Less outstanding balance sheet liabilities of Dezzo Trading as at the Closing Date

- **Deferred Purchase Consideration**

Value of short-dated inventory sold post-closing by the Purchaser, less 15% fee for the Purchaser

The estimated Consideration is R25 million.

The Consideration is capped at a maximum value of R80 million ("**Consideration Cap**").

#### **5. Effective date of the Disposal**

The effective date of the Disposal will be the last business day of the month in which all but one of the conditions precedent have been fulfilled or waived, as the case may be, or such other date as may be agreed by the Parties.

## 6. Conditions precedent

The Sale Agreement is subject to conditions precedent that are required to be satisfied by no later than 28 February 2021, which may be waived or extended, as the case may be, by the Parties and contains, *inter alia*, the following material conditions:

- approval of the Disposal by the South African competition authorities, to the extent required;
- The Lender Consortium of Ascendis Health approving the Disposal and the release of security held by them in relation to Dezzo Trading; and
- certain pre-Disposal steps being completed to the reasonable satisfaction of the Purchaser.

## 7. Other Salient Terms of the Disposal

The other salient terms of the Sale Agreement include, *inter alia*:

- the trade debtors, certain creditors, certain inventory and certain balance sheet assets and liabilities of Dezzo Trading are carved out of the Disposal and are retained by Ascendis Health; and
- warranties and indemnities given by the Seller and Ascendis Pharma in favour of the Purchaser that are customary and appropriate for transactions of this nature.

## 8. Financial information

The net asset value (“NAV”) of Dezzo Trading as at 30 June 2020, was R86,333,342<sup>(1,3)</sup> and the loss after tax attributable to Dezzo Trading for the period ended 30 June 2020, was R55,441,284<sup>(2)</sup>.

The above financial information was derived from management accounts of Dezzo Trading for the period ended 30 June 2020, which were prepared in terms of International Financial Reporting Standards.

Ascendis Health is satisfied with the quality of the management accounts.

Notes:

1. Comprises the stand-alone NAV and loss after tax of Dezzo Trading, excluding net intercompany loan liabilities to the value of R503,017,842, Non-current Investments to the value of R82,065,744 and financial guarantee liabilities to the value of R2,804,859,864.
2. Comprises the stand-alone loss after tax of Dezzo Trading, excluding fair value adjustment of the financial guarantee liability to the value of R1,664,766,118 and an intercompany ECL adjustment to the value of R49,512,469.
3. The NAV includes net assets with a book value as at 30 June 2020 of R41,484,809 which will not form part of the Disposal and will accordingly be transferred into another Ascendis Group company prior to the Disposal.

## 9. JSE categorisation

Having regard to the Consideration Cap, the Disposal constitutes a Category 2 transaction for Ascendis Health as contemplated in the Listings Requirements of the JSE Limited (“**Listings Requirements**”) and therefore does not require shareholder approval. No related parties are involved in this transaction.

### Disposal of Ascendis Direct Selling

Shareholders are advised that a sale agreement was entered into between, *inter alia*, Ascendis Health and Healthgarde International Proprietary Limited (“**Healthgarde International**”), on 31 July 2020, in terms of which Ascendis Health agreed to dispose of its direct selling business, comprising Ascendis Health Direct Proprietary Limited, Sportron International Proprietary Ltd, Heritage Resources Limited and K2012021382 (South Africa) Proprietary Limited to Healthgarde International (“**the Direct Selling Transaction**”). Shareholders are further advised that the Direct Selling Transaction has become unconditional as all conditions precedent have been fulfilled.

The total cash consideration of the Direct Selling Transaction is R10.5 million which has been received by Ascendis Health and was applied to reduce the Ascendis Health group debt levels. The effective date of the Direct Selling Transaction was 31 August 2020.

The Direct Selling Transaction is an uncategorised transaction in terms of the Listings Requirements and is therefore not subject to shareholder approval.

21 September 2020  
Bryanston

Sponsor



Questco Corporate Advisory Proprietary Limited