ASCENDIS HEALTH

MEDIA RELEASE

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STRONG LOCAL AND INTERNATIONAL REVENUE GROWTH IMPACTED BY HIGHER FINANCE COSTS

Johannesburg – Ascendis Health today reported a strong operational performance for the six months to December 2020, with revenue across its domestic and international operations increasing by 33% to R4 billion and normalised operating profit growing by 27% to R486 million.

Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 50% to R794 million, with the EBITDA margin expanding by 230 basis points to 19.9%.

However, the robust operating performance was negatively impacted by the group's rising debt and the resultant higher finance costs, increased tax expenses and impairments.

Net finance costs more than doubled to R545 million, the tax expense increased by R125 million while impairment losses totalled R246 million for the half year. This contributed to the group posting a normalised headline loss for the six months of R43 million compared to profit of R138 million in the previous year.

Chief executive Mark Sardi said the group benefited from its largely COVID-19 defensive portfolio and grew international revenue by 35%, with revenue from the South African operations increasing by 30%.

Growth in the European operations was driven mainly by Cyprus-based Remedica which increased revenue by 42% and remains the largest contributor in the group.

Medical Devices was the strongest performing South African business, increasing revenue by 59% through its supply of high-demand ventilators, respirators and testing products during the COVID-19 pandemic. The benefit of these COVID-19 related sales was partly offset by restrictions on elective surgeries in hospitals and fewer trauma cases during the lockdown period.

"We successfully met high levels of patient demand during the pandemic and played a meaningful role in addressing the humanitarian crisis in South Africa."

Sardi said while the second wave of COVID-19 in the latter stages of the 2020 calendar year was less disruptive on the group than the initial outbreak, all countries in which Ascendis operates were impacted.

“While there is still uncertainty in relation to the future impact of COVID-19, our priorities remain to protect the health and safety of employees and stakeholders, maintain business continuity and ensure the availability of life saving products to assist in combatting the pandemic and ‘making tomorrow healthier’.

“Although vaccination roll-out programmes are gaining momentum in European Union countries, the slow start to the vaccine roll-out in South Africa remains a major concern as the risk of a third wave of infection increases,” he said.

The group continues to progress its non-core asset disposal programme. In the six months to December 2020, the group successfully divested Scitec International in Hungary for R90 million and Ascendis Direct Selling for R10.5 million. Earlier this month the group sold its pharma tender and dispensing doctor business, Dezzo Trading. The disposal of the Animal Health and Biosciences businesses are both in advanced stage negotiations.

In January 2021 Ascendis announced plans to recapitalise its balance sheet. UK-based Blantyre Capital and L1 Health, two members of the lender consortium holding the company’s debt, advised they had collectively increased their exposure to more than 75% of the debt. These lenders also expressed the view that the divestment of core assets being undertaken by Ascendis was not in the best long-term interests of the company and its stakeholders.

Sardi said Blantyre and L1 Health proposed a recapitalisation to allow the group to reduce its unsustainably high debt levels, address the need for short-term funding and maximise the long-term strategic value of the business. “Our board and management entered into consensual negotiations with Blantyre and L1 Health on recapitalising the company and we aim to reach agreement on the recapitalisation structure by the end of April 2021,” he added.

Ends

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