



Ascendis
HEALTH

GROUP RECAPITALISATION

MARCH 2021



Lender-driven disposal process to deleverage balance sheet



- Embarked on a disposal process in June 2020 to **sell the majority of assets**
- **Disposal process was challenging** and further complicated by the debt overhang
 - High execution risk from running multiple sales processes in parallel
 - Process highly regulated by senior facilities agreement with lenders
 - Complexity of outstanding DVLs
- Process was **focused on returning capital to lenders**, not value maximisation
- Unclear if **material value would have been returned to shareholders** through this process
- **Indicative offers** received for Remedica and Sun Wave Pharma were **below initial expectations**
 - Majority of lenders therefore opted to sell their debt to Blantyre and L1 Health; increased to >75%
 - Blantyre and L1 Health advised they would no longer support the disposal process
 - Sales processes for Remedica and Sun Wave Pharma were therefore terminated



Group recapitalisation update



June 2020 – January 2021

Lender-driven deleveraging process

| EUROPE | SOUTH AFRICA |
|-----------------|-----------------|
| Remedica | Medical Devices |
| Sun Wave Pharma | Consumer Health |
| Farmalider | Pharma |
| Scitec | Dezzo |
| | Biosciences |
| | Animal Health |

Assets identified for disposal

Planned sale of assets before 31 December 2021 when debt repayment due

January – March 2021

- Jan: Blantyre Capital and L1 Health advised that they represent >33% of lender consortium
- Propose recapitalisation to maximise value of assets
- Feb: Blantyre and L1 Health increase collective exposure to >75% of the lender consortium
- Enter consensual negotiations on recapitalisation structure
- Mar: Forbearance agreement concluded for interest standstill

Benefits of recapitalisation

- Ensures ASC has sufficient future liquidity
- Avoids the risk of undervaluing assets through fire sale disposals which could result in residual debt
- Enables ASC to monetise and optimise value from assets
- Provides certainty for all key stakeholders



Key principles of the group recapitalisation



- Engage on a **consensual basis** with Blantyre and L1 Health
 - Aim to achieve an optimal outcome for all stakeholders, acknowledging the legacy capital structure
- Restore **balance sheet stability** through the following:
 - Reduce the high level of gearing and short-term maturity obligations; debt is due in >12 months
 - Address the need for short-term funding given working capital requirements
 - Create a sustainable capital structure to optimise the value of the business
- Senior facilities agreement with the lender consortium remains binding on ASC
- Continue the disposal of non-core assets that are at advanced stage negotiations
- Recapitalisation to be structured as an **exchange of debt for interests in operating subsidiaries**
- **Shareholder approval** will be required for the eventual group recapitalisation to proceed



Forbearance agreement



- **Short-term funding required** for working capital purposes, particularly to meet COVID-19 driven demand in Medical Devices
- **Forbearance agreement concluded** with Blantyre and L1 Health until 30 April 2021
 - Provides for an interest standstill which improves short term liquidity by R79 million
 - Interest standstill agreement may be extended by further agreement
- If agreement is not reached on a **consensual recapitalisation transaction by 30 April 2021**, risk that forbearance may not be extended and enforcement action could follow
- Should the **recapitalisation transaction not be approved by shareholders**, risk that senior lenders may then proceed with enforcement action



Non-consensual restructuring



- A **non-consensual outcome** will occur in the following cases:
 - The parties do not reach agreement on a consensual transaction by 30 April 2021, or
 - The group recapitalisation is not approved by 75% of shareholders
- In both cases, Ascendis will then enter a **business rescue (BR) process**
- A BR practitioner will initiate an orderly **sale of assets to settle debt with creditors**
- In a BR process, **shareholders rank behind all other creditors**
- In an accelerated asset disposal process, the **outstanding debt may exceed the proceeds** from a distress sale of assets
- In this scenario, **shareholders are likely to receive minimal to zero value.**



Transaction governance



Professional team advising on the group recapitalisation

| Entity | Role |
|--------------------------------|------------------------------------|
| Rothschild and Co South Africa | Transaction advisor |
| Allen & Overy | Legal advisors |
| Questco Corporate Advisory | JSE sponsor |
| PricewaterhouseCoopers | Reporting accountants and auditors |

- PSG Capital appointed as the independent expert to provide fair and reasonable opinion



Group recapitalisation timeline



| Programme | Timing |
|--|------------------|
| Agreement with Blantyre/L1 Health on consensual transaction structure <ul style="list-style-type: none">Final terms of group recapitalisation to be announced on SENS immediately after parties reach agreement | By 30 April 2021 |
| Circular on consensual transaction distributed to shareholders <ul style="list-style-type: none">Will include notice of general meeting and voting instructionsWill outline the implications for shareholders of a non-consensual transaction | By 30 June 2021 |
| General meeting to vote on group recapitalisation | By 31 July 2021 |



Thank you



Investor relations contacts



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