

Ascendis Health Limited
(Incorporated in the Republic of South Africa)
(Registration number 2008/005856/06)
JSE Share Code: ASC
ISIN: ZAE000185005
("Ascendis Health" or the "Company" or "the Group")



CATEGORY 1 TRANSACTION ANNOUNCEMENT RELATING TO THE PROPOSED DISPOSAL OF RCA

1. INTRODUCTION

Shareholders of Ascendis Health ("**ASC Shareholders**") are referred to the announcement published on 12 May 2021 regarding a proposed transaction for the recapitalisation of Ascendis Health ("**the Group Recapitalisation**") ("**the Group Recapitalisation Announcement**"), which referred to the potential disposal of non-core assets and Respiratory Care Africa Proprietary Limited ("**RCA**"). In line with this strategy, ASC Shareholders are advised that a sale of shares agreement ("**SPA**") has been concluded between Surgical Innovations Proprietary Limited ("**the Seller**") (a wholly-owned subsidiary of Ascendis Health), RCA (a wholly-owned subsidiary of the Seller) and K2021519417 (South Africa) Proprietary Limited, indirectly owned by the Ata Fund III Partnership, an *en commandite* partnership managed by Ata Capital Proprietary Limited ("**Ata**") and the current management of RCA ("**the Purchaser**"), for the disposal of all the shares in RCA (the "**Sale Shares**") ("**the Disposal**"). The Disposal is subject to the fulfilment of the conditions precedent detailed in paragraph 4.3 below.

2. NATURE OF THE RCA BUSINESS

RCA is a supplier of respiratory, monitoring, radiology and other medical equipment and consumables used in the treatment of patients at hospitals (with a focus in high care, ICU, operating theatre and maternity wards) and in the home. It also provides technical support and services in relation to the medical equipment it supplies.

RCA has been instrumental in the fight against COVID-19 in having been a leading supplier of ventilators and high-flow nasal oxygen equipment (and associated consumables) into both public and private hospitals since the onset of COVID-19 last year.

3. RATIONALE FOR THE DISPOSAL

The Company's board of directors ("**the Board**") has previously communicated its commitment to reduce the Group's unsustainable debt levels. The Disposal is in line with the Group Recapitalisation. RCA has performed strongly through COVID, selling significant quantities of equipment into the market and it is anticipated that trading will normalise once COVID has subsided. Ascendis Health believes that current trading provides a sound foundation for the Disposal.

4. SALIENT TERMS OF THE DISPOSAL

4.1. Purchase Consideration

- 4.1.1 With effect from the Closing Date (defined in paragraph 4.4 below), the Seller will sell the Sale Shares to the Purchaser for cash consideration equal to R 450,000,000 (four hundred and fifty million Rand) which will be adjusted for any surplus (or shortfall) in net working capital in excess of (or below) R 160,000,000 (one hundred and sixty million Rand) and any net debt assumed by the Purchaser on the Closing Date (“**Purchase Consideration**”).
- 4.1.2. The Purchaser will fund the Purchase Consideration using the proceeds of finance provided to it by Ata and Absa Bank Limited (“**Absa**”).
- 4.1.3. Notwithstanding the signature date of the SPA, all risk, benefit and ownership of the Sale Shares will pass to the Purchaser with effect from the Closing Date.

4.2. Use of Proceeds

As detailed in paragraph 3 above, Ascendis Health will use the net proceeds of the Disposal to reduce the Group’s debt as was explained in the Group Recapitalisation Announcement.

4.3 Conditions Precedent

The Disposal is subject to the fulfilment or waiver (to the extent permissible) of the conditions precedent contained in the SPA, including:

- 4.3.1 ASC Shareholders approving the ‘category 1’ ordinary resolution if required in terms of section 9 of the JSE Limited (“**JSE**”) Listings Requirements;
- 4.3.2 the finance being provided by Ata to the Purchaser to fund the Purchase Consideration shall be paid into an escrow account and held in such account until implementation of the Disposal;
- 4.3.3 the funding agreement in relation to the Absa acquisition funding becoming unconditional;
- 4.3.4 approval and/or notification being given by or to the South African Health Products Regulatory Authority (“**SAHPRA**”) and other relevant suppliers, to the extent required;
- 4.3.5 the approval of the relevant competition and regulatory authorities in relation to the Disposal.

4.4 Closing Date

The Disposal will be implemented on the Closing Date, which is expected to take place in the third quarter of the 2021 calendar year. The Closing Date shall be determined as the last business day of the calendar month in which the last condition precedent is fulfilled or waived or if the last business day of such calendar month is less than five business days after all of the conditions precedent have been fulfilled or waived, as the case may be, the Closing Date shall be the last business day of the following calendar month (“**Closing Date**”).

4.5 Other Significant Terms

The SPA contains certain representations and warranties which are standard for a transaction of this nature. A transitional services arrangement has also been executed to ensure continuity in the operation of RCA post the Closing Date, for a limited period.

5. FINANCIAL INFORMATION

5.1 Net Asset Value (NAV)

The net asset / (liability) value of RCA as at 31 December 2020, being the date of the last unaudited (six-month interim) financial information of RCA, was (R 1,308,000,765) ^(Note 1 and 2).

5.2 Profit After Tax

- The unaudited profit after tax attributable to RCA for the six months ended 31 December 2020 was R 53,620,108 ^(Note 1).
- The unaudited loss after tax attributable to RCA for the twelve months ended 30 June 2020 was R 868,161,825 ^(Note 1 and 3).
- The audited loss after tax attributable to RCA for the twelve months ended 30 June 2019 was R 596,001,858 ^(Note 1 and 4).

5.3 EBITDA^{PM}

- The unaudited EBITDA^{PM} attributable to RCA for the six months ended 31 December 2020 was R 143,845,927 ^(Note 1).
- The unaudited EBITDA^{PM} attributable to RCA for the twelve months ended 30 June 2020 contributed a loss of R 776,929,395 ^(Note 1 and 3).
- The unaudited EBITDA^{PM} attributable to RCA for the twelve months ended 30 June 2019 contributed a loss of R 533,239,986 ^(Note 1 and 4).

Notes on Financial information:

- 1) As a stand-alone entity, not consolidated with its subsidiaries, as the subsidiaries do not form part of the disposal package. Management is satisfied with the quality of the unaudited financial information of RCA.
- 2) The net liabilities value includes a financial guarantee liability in respect of the Ascendis Health Group's senior debt of (R 1,402,429,932), shareholder loans of (R 552,347,515) and an investment in subsidiaries asset of R 328,962,460. RCA will be released from this financial guarantee liability and the shareholder loans will be capitalised prior to the Disposal. The investment in subsidiaries asset will not form part of the disposal of RCA, thus remaining as part of the Ascendis Health Group.
- 3) Attributing to the loss after tax and EBITDA^{PM} for the twelve months ended 30 June 2020 is a remeasurement of financial guarantee liability expense of R 832,383,059 and provision for intercompany expected credit losses (ECL) expense of R 14,266,150, which are intra-group transactions eliminated at an Ascendis Health Group level.
- 4) Attributing to the loss after tax and EBITDA^{PM} for the twelve months ended 30 June 2019 is a remeasurement of financial guarantee liability expense of R 570,046,873 and provision for intercompany ECL expense of R 5,191,168, which are intra-group transactions eliminated at an Ascendis Health Group level.

PM) Shareholders are advised that EBITDA is a Performance Measure (PM) and is not a term defined by International Financial Reporting Standards (IFRS) and may accordingly differ from company to

company. EBITDA has been calculated consistently with Ascendis Health's methodology for the calculation of EBITDA as set out on the Company's website:

<https://ascendishealth.com/wp-content/uploads/2020/02/Ascendis-Health-Performance-Measures-Jan-2020.pdf>

The Profit After Tax and Net Asset/(Liability) value was calculated in accordance with International Financial Reporting Standards. The pro forma financial effects of the Disposal will be detailed in the Circular (referred to in paragraph 7 below).

6. CLASSIFICATION OF THE DISPOSAL

The Disposal meets the definition of a category 1 transaction as contemplated in the JSE Listings Requirements. As a result, the Disposal is required to be approved by an ordinary resolution of ASC Shareholders, which will require the support of more than 50% (fifty per cent) of the votes exercised thereon.

7. CIRCULAR

A circular setting out additional details of the Disposal ("the **Circular**") will be distributed to ASC Shareholders in due course. Further details of the Disposal, together with, *inter alia*, the pro-forma financial effects of the Disposal, will be included in the Circular. This Circular will incorporate a notice convening a general meeting of the ASC Shareholders ("**General Meeting**") at which ASC Shareholders will be requested to vote on the relevant resolutions. At the same time, the salient dates and times of the Disposal, including the date of the General Meeting, will be announced on SENS.

8. REFERRAL TO RENEWAL OF CAUTIONARY ANNOUNCEMENT

ASC Shareholders are referred to the Group Recapitalisation Announcement and are advised to continue to exercise caution when trading in their Ascendis Health shares until a further announcement is made.

26 May 2021
Bryanston

Financial Advisor to Ascendis Health



Rothschild & Co South Africa

Financial Advisor to the Purchaser



Sapila Capital Proprietary Limited

**Transaction Sponsor and Regulatory
Advisor**



Questco Corporate Advisory Proprietary

Legal Advisor to Ascendis Health



**Edward Nathan Sonnenbergs
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Legal Advisor to the Purchaser



Falcon & Hume Inc Attorneys