

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")



THE PROPOSED DISPOSAL OF THE ASCENDIS ANIMAL HEALTH DIVISION

1. INTRODUCTION

Shareholders of Ascendis Health ("**ASC Shareholders**") are referred to the announcements published on 12 May 2021 and 23 June 2021 regarding a proposed transaction for the recapitalisation of Ascendis Health ("**the Group Recapitalisation**") ("**the Group Recapitalisation Announcements**"), which referred to the potential disposal of non-core assets. Terms defined in the Group Recapitalisation Announcements bear the same meaning in this announcement.

In line with this strategy, ASC Shareholders are advised that a sale of shares agreement ("**SPA**") has been concluded between, *inter alia*, the Company, Ascendis Health SA Holdings Proprietary Limited, a wholly owned subsidiary of the Company (the "**Seller**"), Acorn Agri & Food Limited ("**AAF**"), through its nominee, Sun Valley Estates Proprietary Limited (the "**Purchaser**") and AAF Invest Proprietary Limited, a wholly-owned subsidiary of AAF (the "**Guarantor**"), for the disposal of the entire issued share capital of the companies comprising the Ascendis Animal Health Division ("**Animal Health**" or the "**Target Companies**"), being:

- Ascendis Vet Proprietary Limited ("**Ascendis Vet**");
 - Ascendis Animal Health Proprietary Limited ("**Ascendis Animal**"); and
 - Kyron Prescriptions Proprietary Limited and Kyron Laboratories Proprietary Limited (collectively "**Kyron**"),
- (collectively, the "**Disposal**").

The Disposal is subject to the fulfilment or waiver, as the case may be, of the conditions precedent detailed in paragraph 4.3 below.

2. NATURE OF THE ANIMAL HEALTH BUSINESS

Animal Health consists of three niche businesses that develop, import and manufacture medications across both the production (cattle, pigs, sheep, goats and poultry) and companion (cats, dogs, horses) animal health markets. Animal Health leverages its expertise in the disciplines of both veterinary sciences and agriculture.

Ascendis Animal was established in 2004 and focuses on the distribution and marketing of production animal medicines and livestock remedies. It has 69 registered products covering a wide range of indications for use in cattle, sheep, goats, poultry, pigs and wildlife. The Ascendis Animal facilities, including warehousing, are located in Pretoria.

Ascendis Vet was established in 2001 and provides a range of companion animal products, both prescription and over-the-counter (“**OTC**”), aimed at helping pets live long and healthy lives. Its sales offices are based in Cape Town.

Kyron was established in 1990 and is a leading manufacturer and marketer of branded pet care products. It offers over 50 OTC products and a comprehensive range of veterinary instruments, supplied to pet shops, veterinary hospitals and veterinary pharmacies. Kyron’s facilities are based in Johannesburg.

Animal Health has a cross border market presence, with well-established distribution channels across Southern Africa.

3. RATIONALE FOR THE DISPOSAL

The Company’s board of directors has previously communicated its commitment to reduce the Group’s unsustainable debt levels. The Disposal is in line with the objectives of the Group Recapitalisation.

In accordance with the aforementioned objective, the Company took the strategic decision to dispose of Animal Health due to the business being non-core to the Company’s long-term strategy.

4. SALIENT TERMS OF THE DISPOSAL

4.1. Purchase consideration

4.1.1. A preliminary cash value of R770 186 959 (seven hundred and seventy million, one hundred and eighty six thousand, nine hundred and fifty nine Rand) has been placed on the Animal Health business for purposes of the SPA (“**Preliminary Purchase Consideration**”).

4.1.2. The final cash purchase price payable for Animal Health (“**Final Purchase Consideration**”) is calculated in accordance with the following formula:

$$A = B - C + (D - E) - G;$$

where

A = the Final Purchase Consideration, which shall never be less than zero;

B = the Preliminary Purchase Consideration of R770 186 959 (seven hundred and seventy million, one hundred and eighty six thousand, nine hundred and fifty nine Rand);

C = an amount equal to the actual aggregate net debt of the Target Companies, as at the Closing Date;

D = the actual net working capital ("**Actual Net Working Capital**") of the Target Companies, as at the Closing Date;

E = the target net working capital, being the amount calculated as follows: where Actual Net Working Capital equals or exceeds R140 000 000, an amount of R140 000 000; where Actual Net Working Capital equals or is less than R130 000 000, an amount of R130 000 000; and where Actual Net Working Capital exceeds R130 000 000 and is less than R140 000 000, an amount equal to the Actual Net Working Capital; and

G = the capital expenditure (“**Capex**”) shortfall, being the amount calculated as follows: the budgeted Capex to be spent during the period from 1 July 2020 until the Closing Date less the actual Capex spent by the Target Companies during that period, (which cannot be a negative amount).

- 4.1.3. The Preliminary Purchase Consideration less the amounts to be paid to the escrow accounts shall be paid in cash to the Seller on the Closing Date.
- 4.1.4. The Final Purchase Consideration will be determined within 30 (thirty) days of the Closing Date using the amounts set out in the unaudited Closing Date management accounts of Animal Health ("**Closing Date Account**"), which have, *inter alia*, been prepared by the Seller and thereafter reviewed by the auditors of the Target Companies.
- 4.1.5. Pursuant to finalisation of the Closing Date Accounts and the Final Purchase Consideration, to the extent applicable, if the Final Purchase Consideration is (i) more than the Preliminary Purchase Consideration, the Purchaser shall be required to pay the Seller the difference or (ii) less than the Preliminary Purchase Consideration, the Seller shall be required to pay the Purchaser the difference in accordance with the provisions of the SPA.

4.2. Use of proceeds

Ascendis Health will use the net proceeds of the Disposal to reduce the Group's debt, as was explained in the Group Recapitalisation Announcements.

4.3. Conditions precedent

The Disposal remains subject to the fulfilment or waiver (to the extent permissible) of the following conditions precedent contained in the SPA:

- 4.3.1. ASC Shareholders approving the 'category 1' ordinary resolution required in terms of section 9 of the JSE Limited ("**JSE**") Listings Requirements;
- 4.3.2. the approval of the Disposal and release of security by the Ascendis Health lender group as required under Ascendis Health's senior facilities agreement (SFA) having been given;
- 4.3.3. the approval of relevant competition authorities in relation to the Disposal having been obtained;
- 4.3.4. the Seller, Purchaser and the relevant party acting as an escrow agent have concluded the escrow agreement and such agreement has become unconditional;
- 4.3.5. change of control consent, waiver and/or notices, as the case may be, being obtained or delivered, as the case may be from or to, as the case may be, the relevant counterparties to the lease agreements;
- 4.3.6. no material adverse change occurring in the Animal Health business during the interim period between signature of the SPA and the Closing Date, or, to the extent that a material adverse change has occurred, the Purchaser confirming that it wishes to proceed with the Disposal.

4.4. Closing date

The Disposal will be implemented on the Closing Date, which is expected to take place in the fourth quarter of the 2021 calendar year. The Closing Date will 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, the last business day of the following calendar month.

4.5. Other significant terms

The SPA contains certain representations and warranties, and material adverse change clauses which are standard for a transaction of this nature, as well as certain specific tax-related indemnities. All key Animal Health management and employees will be retained by the Purchaser.

Further, the Guarantor has provided a guarantee to the Seller for the performance of the obligations of the Purchaser under the SPA.

5. FINANCIAL INFORMATION

The net asset value of Animal Health as at 31 December 2020, being the date of the last published (six month interim) financial information of Ascendis Health, was R567 386 197 (five hundred and sixty seven million, three hundred and eighty six thousand, one hundred and ninety seven Rand). The unaudited profit after tax attributable to Animal Health for the six months ended 31 December 2020 was R32 847 543 (thirty two million, eight hundred and forty seven thousand, five hundred and forty three Rand). The financial information was prepared in accordance with International Financial Reporting Standards and the Companies Act. 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 ("**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 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. REMINDER TO EXERCISE CAUTION

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

19 July 2021

Bryanston

Financial Advisor and Transaction Sponsor
Absa Bank Limited, acting through its
Corporate and Investment Banking Division



JSE Sponsor and Regulatory Advisor
Questco Corporate Advisory Proprietary Limited



Legal Advisor to Ascendis Health
Edward Nathan Sonnenbergs Incorporated



Joint Legal Advisor to the Purchaser
Webber Wentzel



Joint Legal Advisor to the Purchaser
Werksmans

