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

SUMMARISED AUDITED PROVISIONAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021

SHORT-FORM ANNOUNCEMENT

Key features (continuing operations)

- Revenue +1% to R2.2 billion
- Gross profit +10% to R931 million
- Gross profit margin +340 bps to 41.8%
- Normalised EBITDA^{PM} of R14.2 million compared to Normalised loss before interest, tax, depreciation and amortisation^{PM} of R69.7 million
- Normalised operating loss improvement +74% to -R176 million
- Headline loss per share 42% lower at -325.9 cents
- Normalised headline loss per share of -273.1 cents

Overview

Ascendis Health Limited and its subsidiaries ("the group") released a circular to shareholders on 3 September 2021 relating to the group recapitalisation (refer to details below) and the disposals of Animal Health and Respiratory Care Africa ("RCA"). Post the group recapitalisation, the group will comprise of the three South African businesses namely Medical Devices (excluding RCA), Pharma and Consumer Health ("New Ascendis Health" or "continuing operations").

There has been positive momentum in the overall total group performance as evidenced by the Normalised EBITDA^{PM} compound annual growth rate ("CAGR") of 32% between the 2019 and 2021 financial years, despite difficult trading conditions resulting from the Covid-19 pandemic. The positive momentum in performance is also evident in the remaining assets that will comprise the New Ascendis Health.

This has contributed to the group being able to negotiate the group recapitalisation while retaining a set of core assets that have more value than what was previously envisaged in the divestment programme mandated by the previous Senior Facilities Agreement ("SFA") as signed on 5 June 2020. Under that programme the lenders required the group to sell all the assets in the group except for Farmalider, Pharma South Africa and Consumer South Africa.

The current group recapitalisation proposal offers improved value prospects for shareholders due to the shared upside on the disposal of Farmalider, together with exclusive access to Farmalider's value enhancing product portfolio. The licensing agreement concluded as part of the disposal process gives Pharma access to all Farmalider products, 40 of which have been identified for commercialisation. The Farmalider licensing agreement grants the Pharma division indefinite and exclusive access and rights to market Farmalider's portfolio of products for 14 Southern African Development Community countries (including South Africa) and 11 other African countries.

In addition, the current group recapitalisation proposal enables the group to retain the three remaining businesses in Medical Devices (excluding RCA) which would not have been included under the previous lender-led divestment programme.

The current period results reflect the performance of the New Ascendis Health as continuing operations, and the rest of the subsidiaries are reflected as discontinued operations in line with the requirements of IFRS 5: Non-current assets held for sale and discontinued operations. The comparative results disclosed for the period ended 30 June 2020 ("the prior corresponding period") have been restated accordingly.

Financial performance
Continuing operations
Revenue increased by 1% to R2 229 million (2020: R2 203 million) as all three businesses were adversely impacted by Covid-19. Segmental performance is summarised in the table below:

Continuing operations	**June 2021 Revenue (R'm)**	**June 2020 Revenue (R'm)**	**Revenue growth (%)**	**June 2021 Normalised EBITDA (R'm)**	**June 2020 Normalised EBITDA (R'm)**	**Normalised EBITDA growth (%)**
Medical Devices (ex RCA)	983	869	13	60	58	3
Pharma*	578	700	(17)	(6)	(45)	87
Consumer Health	668	634	5	85	59	44
Total	**2 229**	**2 203**	**1**	**139**	**72**	**94**

** The results of Pharma include revenue from Dezzo of R276 million (2020: R426 million) and normalised EBITDA^{PM} loss of -R26 million (2020: - R52 million).*

Medical Devices (excluding RCA) increased revenue by 13% due mainly to the strong performance from The Scientific Group ("TSG") which supplies PCR diagnostic kits (used to test for COVID-19) and diagnostic equipment to public and private hospitals. The growth in TSG was partially offset by the results from Surgical Innovations and Ortho-Xact which were negatively impacted due to the decline in demand for elective medical procedures and the reduction in trauma cases during the pandemic. Normalised EBITDA^{PM} was negatively impacted by write-off arising due to a working capital optimisation programme that commenced in the prior year, as well as start-up costs relating to the newly formed cardiology division. These start-up costs and write-offs are not adjusted for in Normalised EBITDA^{PM} but the extent of them is non-recurring. The segment results reflect a marginal improvement in Normalised EBITDA^{PM} of 3% to R60 million.

Revenue in Pharma declined by 17% due to the absence of the normal winter cold and flu season in 2020, reduced consumer spending during lockdown periods and private hospitals reducing elective surgeries which contributed to slow growth in key brands. Excluding Dezzo, the public sector tender and dispensing doctor business, which was sold on 28 February 2021, revenue in Pharma increased by 10%. Despite the slower revenue growth, leading brands such as Reuterina, Sinucon and Sinuend increased market share within very competitive market segments. Sales increased in May and June 2021 with the country's third wave of infections, particularly in probiotics and cold medications.

In addition to the disposal of Dezzo, focused operational cost rationalisation in Pharma resulted in a return to profitability during the fourth quarter. As a result, the business significantly reduced its Normalised EBITDA^{PM} loss from R45 million in 2020 to R6 million. This result includes a Normalised EBITDA^{PM} loss from Dezzo of R26 million (2020: R52 million). Adjusting for this historic loss the final Normalised EBITDA^{PM} of the Pharma segment of R20 million reflects a substantial turnaround from 2020 and is indicative of strong growth prospects in the business.

After declining by 2% in the first half, Consumer Health reported a stronger second half and grew revenue by 5% for the year. Strong demand for immunity building vitamins, minerals and supplements during the pandemic was offset by the closure of approximately 25% of the salon base impacting the Skin business, reduced contract manufacturing volumes, disrupted supply of raw materials and the factory closure for six weeks during lockdown due to Covid-19.

Execution of management's strategic priorities has underpinned the Consumer turnaround over the past two years. These priorities are ongoing and include SKU rationalisation to support margin improvement and reduce complexity; a review of the manufacturing options; improving in-fill rates and leveraging e-commerce and digitalisation. This was supported by a cost containment programme resulting in a 44% improvement in Normalised EBITDA^{PM} to R85 million (2020: R59 million).

Segmental performance culminated in gross profit from continuing operations increasing by 10% to R931 million, and gross profit margin improving by 340 bps to 41.8% (2020: 38.4%).

Operating expenses increased by 5% to R1 347 million and include transaction-related once-off costs of R274 million (2020: R227 million). Operating expenses include R143 million head office costs (2020: R142 million). The group is transitioning from a global business with eight segments to a local group with three segments and whose primary strategic objective is to unlock shareholder value in the shortest period possible. The head office is being restructured in line with this so as to reduce its overall cost to the New Ascendis Health.

Notwithstanding the improvement in gross margin, the group reported a loss after tax from continuing operations of R1 616 million (2020: R1 562 million). The deterioration in the loss from continuing operations was driven predominantly by increased once-off costs related to disposal and restructuring transactions as well as increased finance costs.

Finance costs increased to R1 085 million (2020: R792 million) largely because of the payment-in-kind ("PIK") margin that is charged by the lenders on the senior debt.

Normalised earnings before interest, tax, depreciation and amortisation (Normalised EBITDA^{PM}) from continuing operations increased by 120% to R14 million (2020: -R70 million), enabling the continuing operations to break even at a Normalised EBITDA^{PM} margin level.

The loss per share from continuing operations was -343.1 cents (2020: -316.7 cents) and normalised headline loss per share^{PM} from continuing operations at -273.1 cents (2020: -193.7 cents).

Total group
Loss after tax from total operations is R1 055 million (2020: R1 015 million). Normalised EBITDA^{PM} from total operations increased by 18% to R1 437 million (2020: R1 222 million).

The loss per share from total operations was -226.5 cents (2020: -202.3 cents) and normalised headline loss per share[PM] from total operations at -25.9 cents (2020 normalised headline profit[PM]: 6.5 cents).

Cash and capital management
Continuing operations generated cash from operating activities of R8 million. The group repaid borrowings of R99 million, including deferred vendor payments of R12 million in relation to Sun Wave Pharma and Klub M5. The disposals of Scitec and Direct Selling generated net proceeds of R79 million.

Cash generated by discontinued operations amounted to R811 million. As part of the group recapitalisation, a short-term loan of R1 010 million will be instated to facilitate transfer of the disposal proceeds from RCA and Animal Health to the lenders. Any excess cash from the South Africa discontinued operations will also be applied towards settlement of this short-term loan, therefore the group continues to drive high cash conversion metrics in these businesses.

Senior debt totalled R7 633 million on 30 June 2021 (2020: R7 963 million), reflecting debt under the senior facilities agreement of R6 792 million (2020: R6 825 million) and deferred vendor liabilities of R841 million (2020: R1 137 million).

No dividends were declared or paid during the current or prior reporting period.

Group recapitalisation
In February 2021 the board and management of Ascendis Health began consensual negotiations with two of the senior lenders, Blantyre Capital Limited ("Blantyre") and L1 Health GP SARL ("L1 Health") aimed at achieving an optimal outcome for all stakeholders. The group recapitalisation aims to restore balance sheet stability by reducing the group's unsustainably high debt levels, addressing the need for short-term funding and maximising the long-term strategic value of the business.

The group recapitalisation results in the transfer of certain of the group's assets to the majority lenders in exchange for certain existing debt obligations being extinguished and the provision of new debt facilities.

The salient terms of the group recapitalisation are as follows:
- The lenders will receive the net disposal proceeds related to the sale of Animal Health, RCA, Biosciences and Farmalider. A short-term loan facility of R1 010 million with a term of 6 months will be instated for this purpose. These entities have been disclosed as discontinuing as of 30 June 2021. The disposals of Biosciences and Farmalider have subsequently been concluded and the net disposal proceeds have been applied to reduce the debt. Agreements have been concluded for the disposals of both Animal Health and RCA and these transactions will be proposed to shareholders for approval at the general meeting. The disposal of Animal Health will enable the related deferred vendor liability to be repaid.
- The lenders will take ownership of the 100% shareholding in Remedica and Sun Wave. These entities have been disclosed as discontinuing as of 30 June 2021.
- The outstanding SFA debt and the Remedica deferred vendor liability will be extinguished.
- Debt of €15 million will be reinstated by way of a two-year facility provided by the lenders.

On the successful completion of the group recapitalisation, the lenders will also provide a new two-year draw down term loan facility to the group in the Rand equivalent amount of €20 million. This facility can be accessed and utilised by the group as required to fund future operational and working capital requirements.

Auditor's opinion

PricewaterhouseCoopers Inc. (PwC) have audited the consolidated annual financial statements of Ascendis Health Limited from which the summarised consolidated financial results have been extracted and issued an unqualified opinion with an emphasis of matter related to going concern as follows: the group's current liabilities exceeded its current assets by R40.1 million as at 30 June 2021 and that the group incurred a net loss before taxation from continuing operations of R1 531 million during the year then ended. Furthermore, the group's total level of debt continues to increase and its ability to repay its debt as it becomes due is dependent on the successful implementation of the group recapitalisation. These events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter. The independent auditor's report includes a section on key audit matters. The details of the directors' considerations related to going concern are included below.

This announcement itself is not audited. Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' report together with the accompanying financial information, which is available on the company's website https://ascendishealth.com/wp-content/uploads/2021/09/Annual-Financial-statement-2021.pdf and is available for inspection at the company's registered office.

Going concern assessment

The group annual financial statements have been prepared on a going concern basis. The directors acknowledge the group's precarious financial position due to the high level of debt and compounding effect of the cost of debt, and the relevance of the going concern assessment in the context of the ongoing group recapitalisation. The progress and advanced engagement with the lenders on the group recapitalisation, the implications of the successful completion of this transaction as well as the consequences of a failed group recapitalisation have also been considered.

The directors have also considered the group's post-recapitalisation structure and the strategic options that are available for the remaining entities. The directors have concluded that the group can continue to operate as a going concern subject to the successful implementation of the group recapitalisation.

New Ascendis Health

The board acknowledges that post the group recapitalisation the business finds itself at a critical strategic juncture and needs to determine and implement the optimal path for shareholder value creation.

The directors are considering whether to remain a listed group owing to the significantly reduced scale of New Ascendis Health, the costs associated with being listed and limited capital availability for growth opportunities in the remaining businesses.

As previously advised, the board has engaged with various parties that have expressed interest in the remaining assets. The directors are assessing the viability and value proposition of a sale of the remaining businesses over the short-to-medium term, including the option of taking the remaining group private.

Andrew Marshall Chairman	Mark Sardi Chief executive officer	Cheryl-Jane Kujenga Chief financial officer

Bryanston
30 September 2021

Directors' responsibility

This short-form announcement is the responsibility of the directors of Ascendis Health and has been prepared under the supervision of the chief financial officer, Cheryl-Jane Kujenga CA (SA), CA (Z). The announcement is a summary of the detailed annual results announcement released on SENS on 30 September 2021 ("Full Announcement") and does not contain full or complete details. Any investment decision should be based on consideration of the Full Announcement which may be downloaded from:

https://senspdf.jse.co.za/documents/2021/jse/isse/asc/FY21.pdf

or from the group's website at:

https://ascendishealth.com/wp-content/uploads/2021/09/Summarised-provisional-financial-results-2021.pdf

A copy of the Full Announcement may be requested via email from the Company Secretary at mpeo.nkuna@ascendishealth.com.

Performance measures

Performance measures ("PMs") are not defined or specified per the requirements of the International Financial Reporting Standards ("IFRS") but are derived from the financial statements prepared in accordance with IFRS. They are consistent with how the group's performance is measured and reported internally to assist in providing meaningful analyses. The PMs are used to improve comparability of information between reporting periods and segments by adjusting for infrequent items. The key PMs used by the group are Normalised EBITDA, Normalised operating profit and Normalised headline earnings per share and Adjusted EBITDA. PMs disclosed may not be comparable with similar labelled measures and disclosures provided by other entities and users should not use them in isolation or as a substitute for other measures. They are not intended to be projections or forecasts of future results. The directors confirm that that there has been full compliance with the JSE's practice note 4/2019 as it relates to the PMs being presented. Detailed disclosure of the performance measures is included on the Ascendis Health website: https://ascendishealth.com/wp-content/uploads/2020/09/Ascendis-Health-Performance-Measures-30-June-2020.pdf

Directors: AB Marshall (Chairman)*, B Harie#, CJ Kujenga (CFO)^, SS Ntsaluba*, Dr KS Pather*, MJ Sardi (CEO), J Sebulela*

**Independent non-executive*
 # Lead independent non-executive
^ Appointed 1 December 2020

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