Ascendis HEALTH

ANNUAL RESULTS

FOR THE YEAR ENDED 30 JUNE 2021

Presentation outline

Section		Presenter
01	Overview	Mark Sardi
02	Operational review	Mark Sardi
03	Financial review	Cheryl-Jane Kujenga
04	Strategic options	Mark Sardi
05	Q & A	Mark Sardi & Cheryl-Jane Kujenga

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Performance highlights

Normalised **EBITDA**[PM] CAGR (FY19-FY21)

↑ **32%**
to R1 446m (total operations)

Gross profit

↑**10%**
to R931m
(continuing operations)

Normalised **EBITDA**[PM]

↑**120%**
to R14m
(continuing operations)

Normalised EBITDA[PM] **:** *Normalised EBITDA is not a term defined by IFRS and may accordingly differ from company to company. The board believes that normalised EBITDA is a relevant performance measure as it provides a measure of sustainable earnings. The normalised EBITDA figures have been calculated per Ascendis Health's methodology for the calculation as set out on the company's website.*

Strategy review

Strong group performance since 2019 and implementation of optimisation strategies were key to preserving value

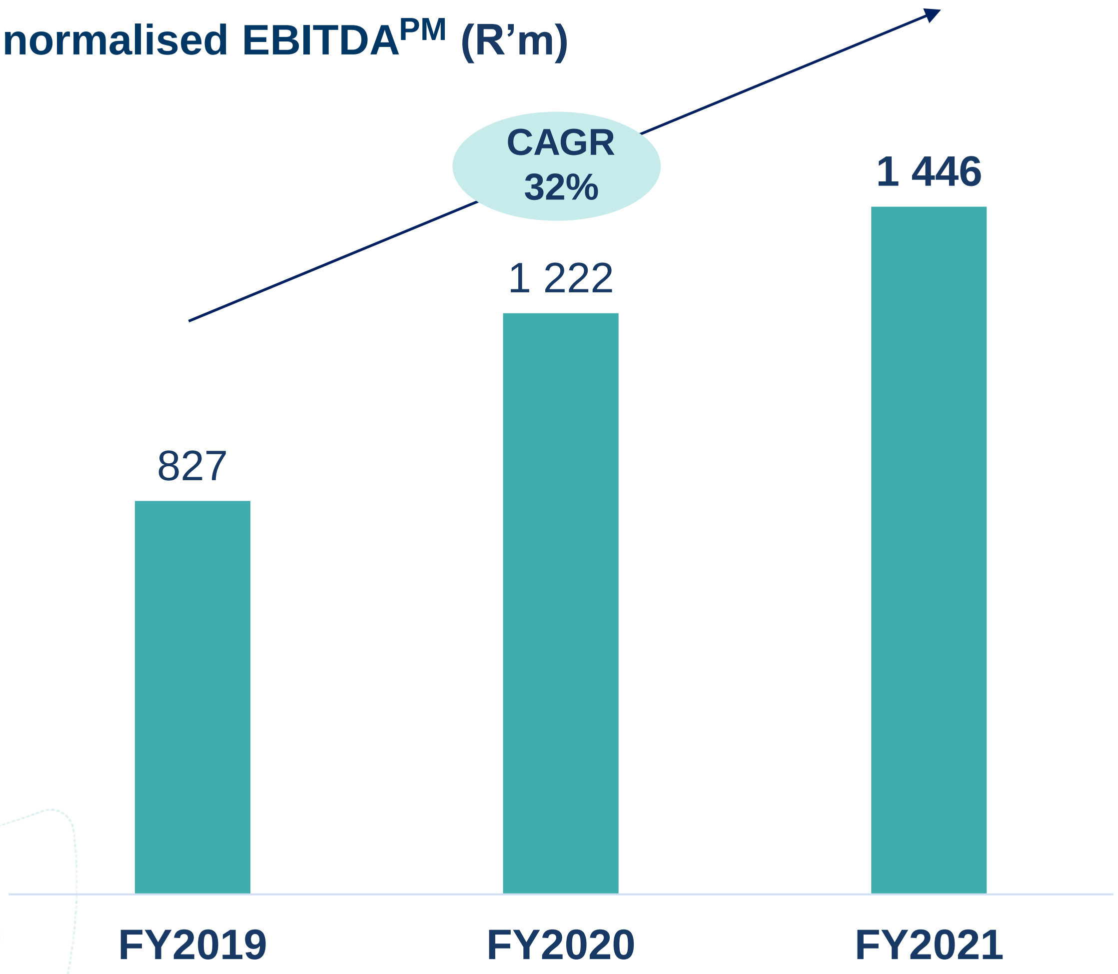
Stabilise	Optimise	Monetise
▪ Total group EBITDA performance between 2019 and 2021 set the platform for value preservation ▪ The company has pursued a number of alternatives before deciding recapitalisation was the best alternative ▪ The recapitalisation will permanently reset an untenable capital structure ✓ ✓	▪ Made significant progress on business optimisation and 'clean up' initiatives in remaining SA businesses ▪ Quality of earnings for remaining SA assets have improved materially as a result ▪ Head office cost optimisation programme on track ✓	▪ Concluded 3-year strategic business plans for all remaining businesses which will inform value maximisation path to monetisation of SA assets ▪ Optimisation initiatives well progressed across the remaining SA businesses ▪ Animal Health and RCA transactions will close shortly; Biosciences and Dezzo sold in H2; and Farmalider sold shortly after year end
Fix the balance sheet	**Right-size and set the platform**	**Focus on value maximisation**

Turnaround complete, accelerated pivot into the 'Monetise' strategic pillar

Group performance

Strong underlying operating turnaround has preserved value

Total normalised EBITDA[PM] (R'm)



- Underlying **operating performance has been strong**
- **Normalised EBITDA[PM] CAGR of 32% p.a. from FY19 to FY21** despite:
  - COVID-19 driven disruptions
  - Significant leverage and associated liquidity constraints
- Enabled the recent Group Recapitalisation process in a way that **preserves equity value for shareholders** while materially **de-leveraging the balance sheet**
- **Managed to retain**
  - **upside on Farmalider** proceeds
  - the valuable **Farmalider pipeline**
  - the **remaining Medical Devices business** (ex-RCA)
- **If not for sustained earnings traction,** these assets likely to have gone to the lenders as envisaged in the SFA

Group Recapitalisation update

Key recapitalisation milestones

- **25 Jan:** Blantyre Capital and L1 Health advised they represent >33% of lender consortium
- **2 Feb:** Blantyre and L1 Health increase collective exposure to >75% of the lender consortium
- **10 Mar:** Forbearance agreement concluded with interest standstill
- **12 May:** Announce terms of agreed Group Recapitalisation
- **12 May:** Sale of Biosciences (R85m)
- **26 May:** Sale of RCA (R450m)
- **25 Jun:** Sale of Farmalider (€5m)
- **19 Jul:** Sale of Animal Health (R770m)
- **3 Sep:** Posting of Circular

Overview of Group Recapitalisation

Asset portfolio implications:

EUROPE	SOUTH AFRICA
Remedica	Medical Devices (excl RCA)
Sun Wave Pharma	Consumer Health
Farmalider	Pharma
Scitec	RCA
	Dezzo
	Biosciences
	Animal Health

Assets retained by Ascendis
Assets exchanged for debt relief
Assets sold to repay debt

Balance sheet implications:

Before recap

- Total existing debt €444m

After recap

- Reinstated term loan € 15m
- New draw down facility € 20m

Benefits of recapitalisation

- ✓ Total debt reduced by €429m
- ✓ New facility ensures ASC has adequate future liquidity to optimise value of assets
- ✓ Enabled the orderly sale of four assets for c.R1.4bn
- ✓ Group retains Medical Devices (ex RCA) previously identified for disposal
- ✓ Group locked in royalty free Farmalider pipeline
- ✓ Protects the value of the South African assets and enables ASC to monetise these assets
- ✓ Provides certainty for all key stakeholders

Provided the best available outcome given the financial position of Ascendis

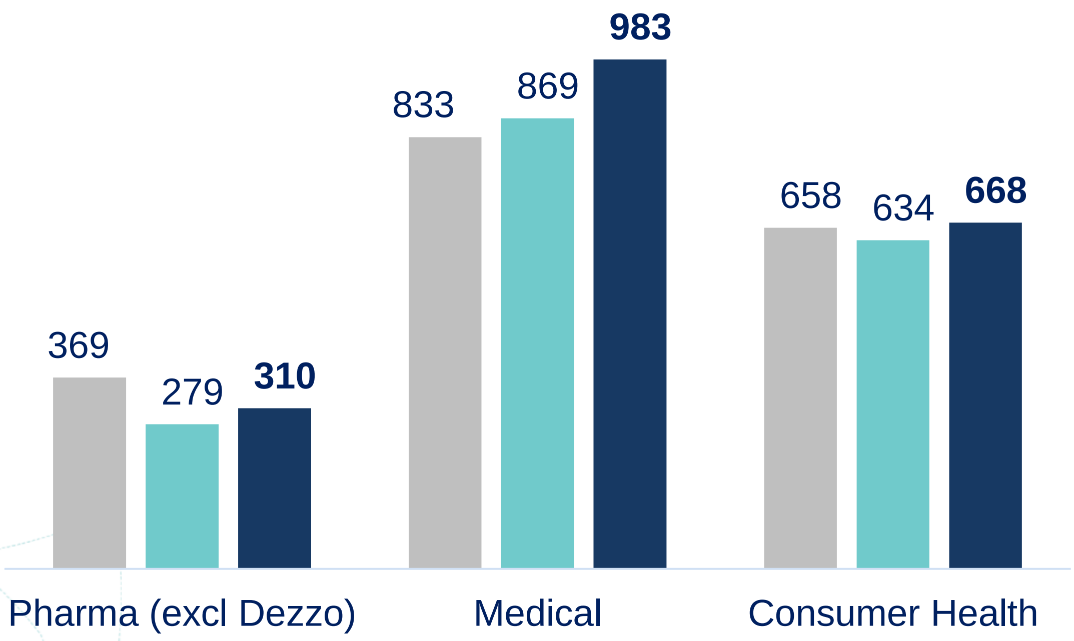
Presentation outline

Segment performance

Optimisation initiatives have significantly improved quality of earnings in SA remaining assets

Revenue from continuing operations (R'm)

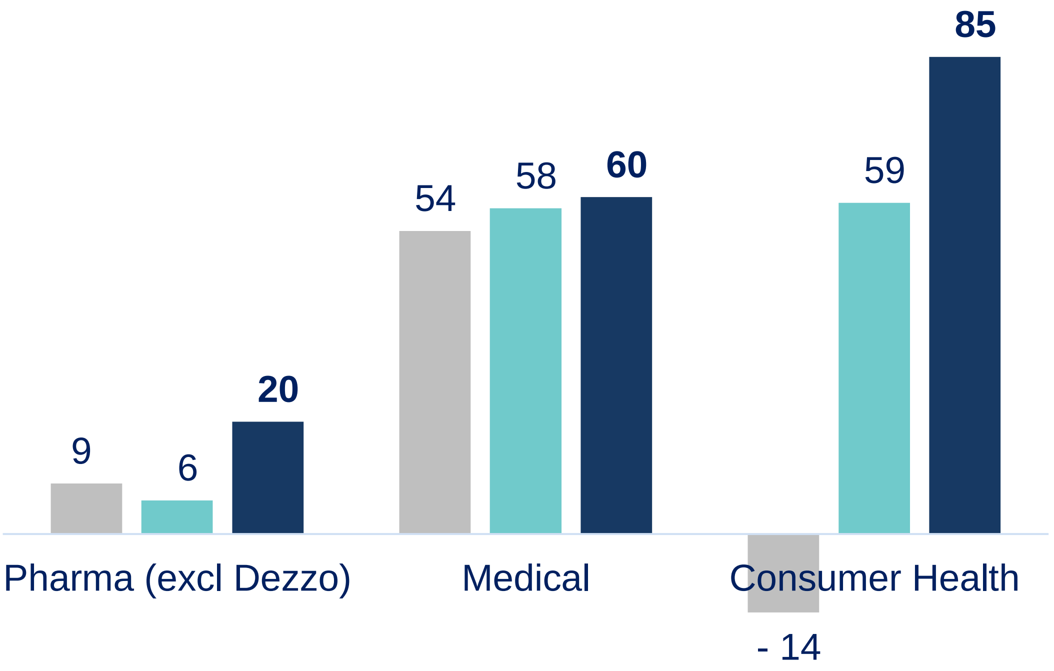
2-year CAGR: 3%



Normalised EBITDA[PM] from continuing operations (R'm)

(before HO costs)

2-year CAGR: 84%



FY2019 (restated) FY2020 (restated) FY2021

Pharma (excluding Dezzo)

Summary P&L

R'm	Jun 2021	Jun 2020	% change
Revenue	**310**	279	11%
Normalised EBITDA[PM]	**20**	6	229%
Normalised EBITDA[PM] margin	**6.4%**	2.2%	

Overview

Ascendis Pharma operates within the private and public sectors of the local pharmaceutical market, selling and distributing generic pharmaceuticals and OTC medicines to retail pharmacies, dispensing doctors, pharmaceutical wholesalers, private hospital groups and government hospitals.

Performance

- Dezzo, the low margin, highly capital consumptive public sector tender and dispensing business, was sold in Feb.
- Remaining businesses adversely impacted by COVID-19 trading conditions
- The private pharmaceutical market was in decline for most of the year due in part to the absence of a normal cold and flu season
- Despite the slower revenue growth, leading brands such as Reuterina, Sinucon and Sinuend achieved share gains within very competitive market segments
- Settled a long outstanding legal claim as part of "clean-up" / optimisation of the remaining business

Outlook

- Developed a five-year new product launch plan for priority molecules
- Concluded licensing agreement for all Farmalider products, with 40 identified for commercialisation
- Agreement grants indefinite and exclusive access and rights to market Farmalider's portfolio of products for 14 SADC (including SA) and 11 other countries
- Product pipeline coupled with rationalisation benefits will set a strong platform for the business

Medical (excluding RCA)

Summary P&L

R'm	Jun 2021	Jun 2020	% change
Revenue	**983**	869	13%
Normalised EBITDA[PM]	**60**	58	4%
Normalised EBITDA[PM] margin	**6.1%**	6.7%	

Overview

Leading medical devices, consumables and in vitro diagnostic (IVD) product supplier in SA, comprising three integrated businesses: Surgical Innovations (surgical and interventional), The Scientific Group (IVD) and Ortho-Xact (orthopaedic)

Performance

- Sustained sales growth through FY21 despite impact of COVID-19 on the Surgical Innovations (SI) and Ortho Xact (OrthoX) businesses which resulted in a reduction in elective procedures and trauma cases
- Offset by strong performance in The Scientific Group (TSG), which pivoted into in-demand PCR testing for COVID-19, and the launch of Philips and Microport agencies in the cardiological category
- We have implemented several operational optimisation strategies focused on:
  - the warehouse environment and net working capital, including enhancements to warehouse operations
  - introduction of an updated demand planning system, integration of ERP systems and improved governance

Outlook

- Revenue growth in the SI and OrthoX businesses is expected to be driven by a recovery in elective procedures as vaccination roll out gains momentum. This is expected to be further supported by growth in the new cardiology agencies within SI.
- In TSG, expect ongoing demand for PCR testing (as travel and in-person business interactions begin to normalise). TSG is also in the process of renewing and expanding contracts with key customers which should support further growth in the business.
- To sustain and expand the significant platform built over many years, investment will be required to modernise and grow equipment in the market through capex spend as well as investment through joint ventures being explored with key agencies

Consumer Health

Summary P&L

R'm	Jun 2021	Jun 2020	% change
Revenue	**668**	634	5%
Normalised EBITDA^{PM}	**85**	59	44%
Normalised EBITDA^{PM} margin	**12.8%**	9.3%	

Overview

The Ascendis Consumer portfolio comprises seven key vitamin, mineral and supplement (VMS) brands and three skincare brands. The business is the third largest VMS supplier in South Africa, with Solal, Vitaforce and Bettaway among the most established and recognised brands in the domestic VMS market.

Performance

- Strong demand for immunity-building products during the pandemic was partly offset by:
  - the closure of 25% of the salon base, which impacted the Skin business
  - reduced contract manufacturing volumes,
  - port strikes and the global supply chain crisis (affecting the supply of raw materials), and
  - factory closure for six weeks during lockdown due to COVID-19
- Despite these challenges, performance momentum increased in H2 resulting in higher EBITDA margins driven by:
  - optimisation initiatives (SKU rationalisation; improving in-fill rates to customers; and digitisation)

Outlook

- Further SKU rationalisation and margin enhancement initiatives have been identified to maintain current quality of earnings
- Growing the Skin business internationally is a capital-light expansion strategy and should gain momentum post COVID-19
- An increased consumer focus on health and wellness underpins predictable and growing demand for these products

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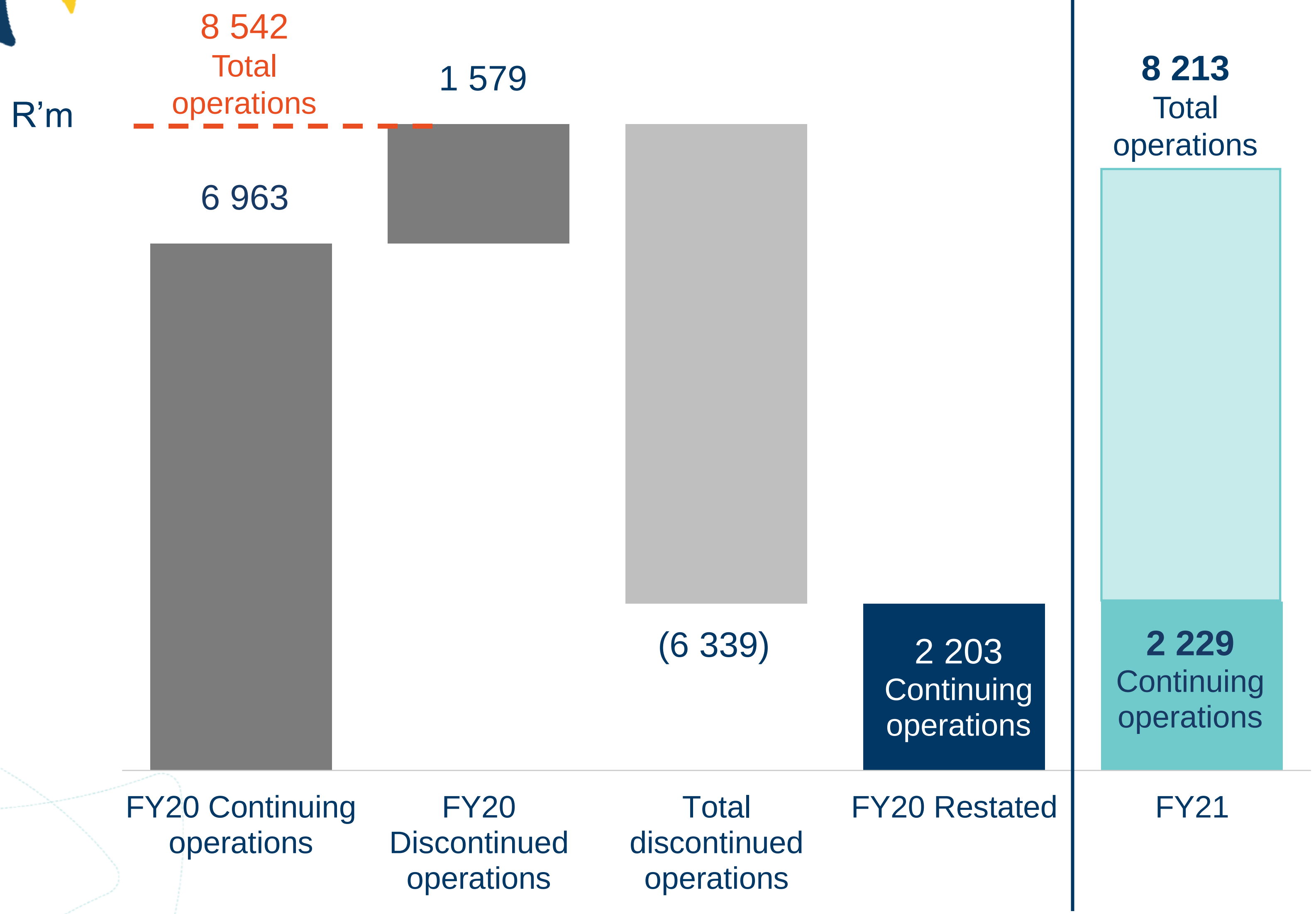
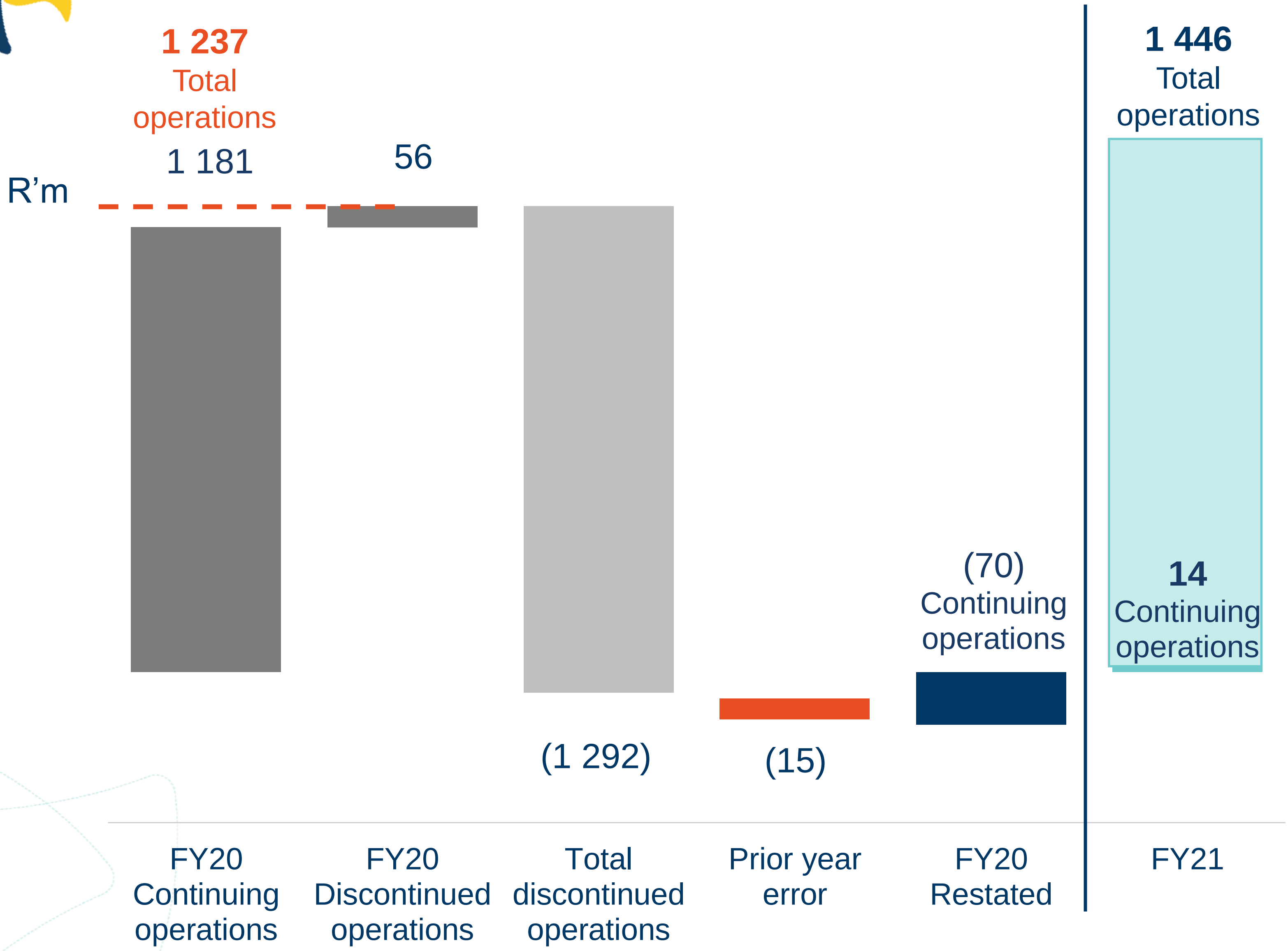
Impact of discontinued operations on revenue



- The group is transitioning from being a c**R8bn international group** with operations in multiple geographies to a c**R2bn South African** domiciled business
- In FY20 discontinuing operations: **Biosciences, Scitec and Direct Selling**
- FY21 additional discontinuing operations: **European entities, Animal Health, RCA**
- Year on year, revenue from continuing operations increased by 1%

Impact of discontinued operations on Normalised EBITDA^{PM}



- FY20 Normalised EBITDA for total operations was **R1.2bn compared to the current year R1.4bn – 18% growth**
- FY20 Normalised EBITDA for continuing operations was a loss of (R70m) compared to earnings of R14m, **reflecting the positive impact of the operational turnaround in business**
- FY20 numbers have also been adjusted for an error identified on accounts payable of R15m

Income statement

Continuing operations (R'm)	Year to Jun 2021	Year to Jun 2020*	% change	Adjusted** normalised Year to Jun 2021
Revenue	**2 229**	**2 203**	1%	**1 961**
Cost of sales	(1 298)	(1 357)	(4%)	(1 703)
Gross profit	**931**	**846**	10%	**888**
Gross profit margin	*42%*	*38%*		*45%*
Other income	40	16	147%	40
Operating expenses	(957)	(932)	(3%)	(775)
Normalised EBITDA^{PM}	**14**	**(70)**	120%	**153**
Normalised EBITDA^{PM} margin	*1%*	*(3%)*		*8%*
Transaction & restructuring costs	(274)	(226)	21%	-
Depreciation & amortisation	(190)	(600)	(68%)	(101)
Operating (loss)/profit	**(450)**	**(896)**	50%	**52**

** Restated* *** Adjusted to exclude Dezzo, normalise funding costs and normalise head office costs; adjusted financial information has not been reviewed or reported on by the external auditors*

Income statement (*continued*)

Continuing operations (R'm)	Year to Jun 2021		Year to Jun 2020*	Year to Jun 2021
	As reported	Normalised headline earnings	Normalised headline earnings	Adjusted** normalised headline earnings
Operating (loss)/profit	**(450)**	**(176)**	**(670)**	**52**
Operating margin	*(20%)*	*(8%)*	*(30%)*	*3%*
Net finance costs	(1 081)	(1 081)	(788)	(67)
Taxation	(85)	(111)	81	2
Loss after tax	**(1 616)**	**(1 368)**	**(1 377)**	**(13)**
Non-controlling interest	(36)	(36)	49	-
Attributable loss after tax	**(1 652)**	**(1 404)**	**(1 328)**	**(13)**
Add back: capital items	83	89	403	-
Headline loss	**(1 569)**	**(1 315)**	**(925)**	**(13)**
WANOS ('m)	481.5	481.5	477.5	
EPS (c)	**(343.1)**	**(291.6)**	**(278.0)**	
HEPS (c)	**(325.9)**	**(273.1)**	**(193.7)**	

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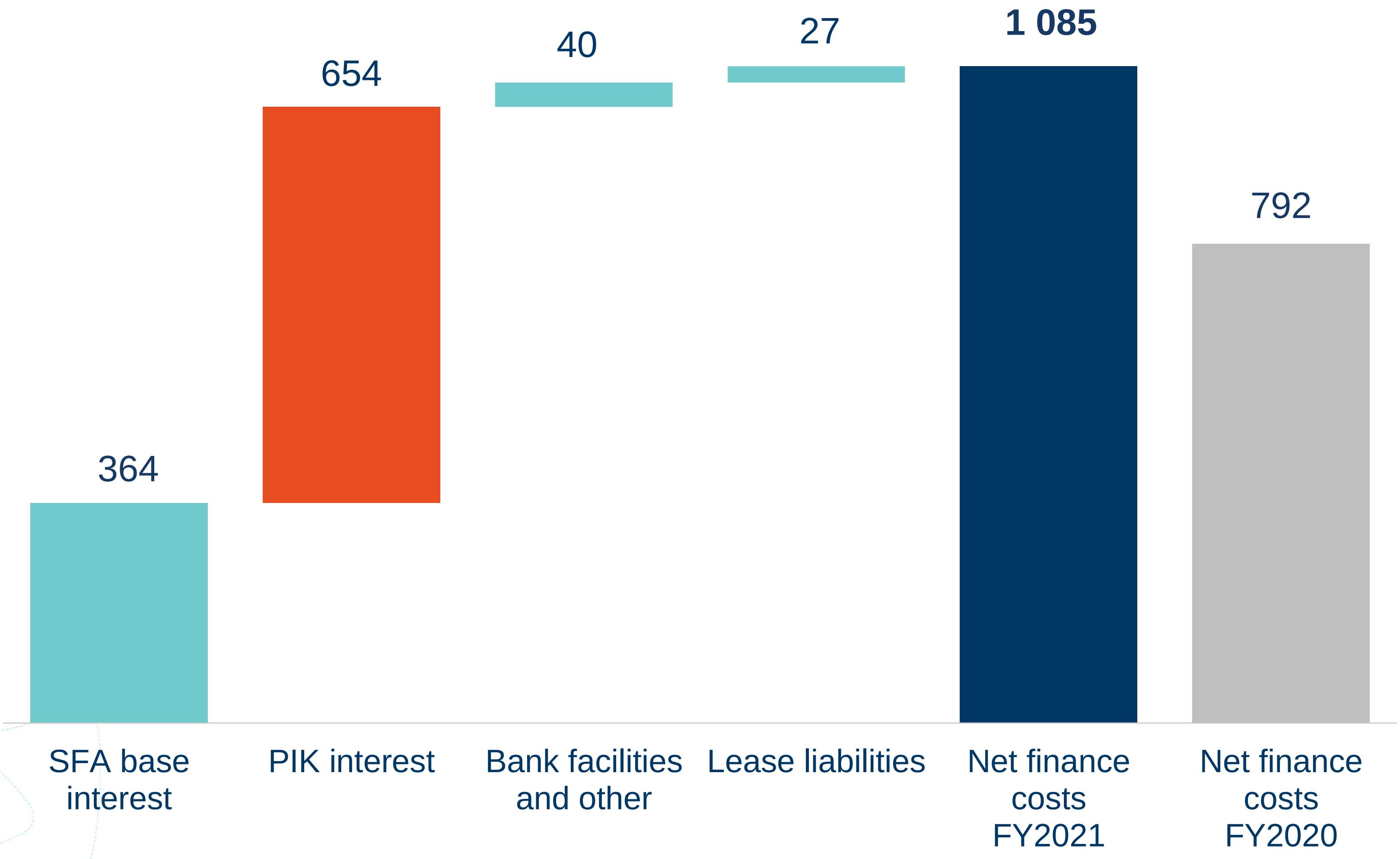
Finance costs

Total finance costs (R'm)



- Base interest on SFA of **R364m**
- Annual PIK interest is **R583m**
- PIK strike of an additional 2.5% from Feb 2021 resulted in an additional **R71m** interest
- **Q3 and Q4 cash interest of R151m was not paid due to the Forbearance Agreement** → forms a significant portion of the €15m reinstated debt

Balance sheet – assets

R'm	As reported Jun 2021	Held for sale Jun 2021	Total Jun 2021	Jun 2020*	% change
Intangible assets and goodwill	364	4 662	**5 026**	5 675	(11%)
Trade and other receivables	407	1 607	**2 014**	2 322	(13%)
Inventories	454	966	**1 420**	1 583	(10%)
Property, plant and equipment	200	886	**1 086**	1 039	5%
Cash and cash equivalents (net)	366	176	**542**	344	58%
Right-of-use assets	158	110	**268**	320	(16%)
Tax-related assets	94	112	**206**	151	36%
Other financial assets	14	28	**42**	56	(25%)
Total assets	**2 057**	**8 547**	**10 604**	**11 490**	**(8%)**

** Restated*

Balance sheet – liabilities and equity

R'm	As reported Jun 2021	Held for sale Jun 2021	Total Jun 2021	Jun 2020*	% change
Borrowings	6 792	328	**7 120**	6 825	4%
Deferred vendor liabilities	117	724	**841**	1 138	(26%)
Trade and other payables	523	792	**1 315**	1 576	(17%)
Tax-related liabilities	106	314	**420**	297	41%
Other liabilities	257	137	**394**	487	(19%)
Total liabilities	**7 795**	**2 295**	**10 090**	**10 323**	(2%)
Equity			**514**	1 167	
Total liabilities and equity			**10 604**	**11 744**	**(10%)**

** Restated*

Borrowings

R'm	Jun 2021	Jun 2020
Euro denominated facilities (€259.7m at Jun 2021)	4 409	4 362
Rand denominated facilities	2 308	1 949
Total SFA debt	**6 717**	**6 311**
Deferred vendor liabilities	841	908
Remedica	724	801
Kyron	117	107
Total senior debt	**7 558**	**7 219**
Net cash	(366)	(344)
Net debt	**7 192**	**6 875**

Current Debt Terms:
Euribor + 12.5% to 16.5% (4% - 5% cash + **7.5% - 12.5% PIK**)
Jibar + 12.5% to 16.7% (3.75% - 5% cash + **7.5% - 12.5% PIK**)

Debt is held in South Africa, Luxembourg, Malta and Cyprus.

Operating entities in the group are specifically identified as guarantors under the SFA.

Our calculations reflect that in the non-consensual, there is a **probability that the value breaks in the debt** i.e., in the event of an enforcement:

a) the **lenders can take ownership of the European assets**,
b) the **lenders are entitled to the proceeds from RCA and Animal Health**, and
c) business rescue over the remaining **South African assets might yield a lower quantum** that will not fully settle the debt.

There is also risk of **material tax leakages** in this process.

Net asset value of discontinued operations

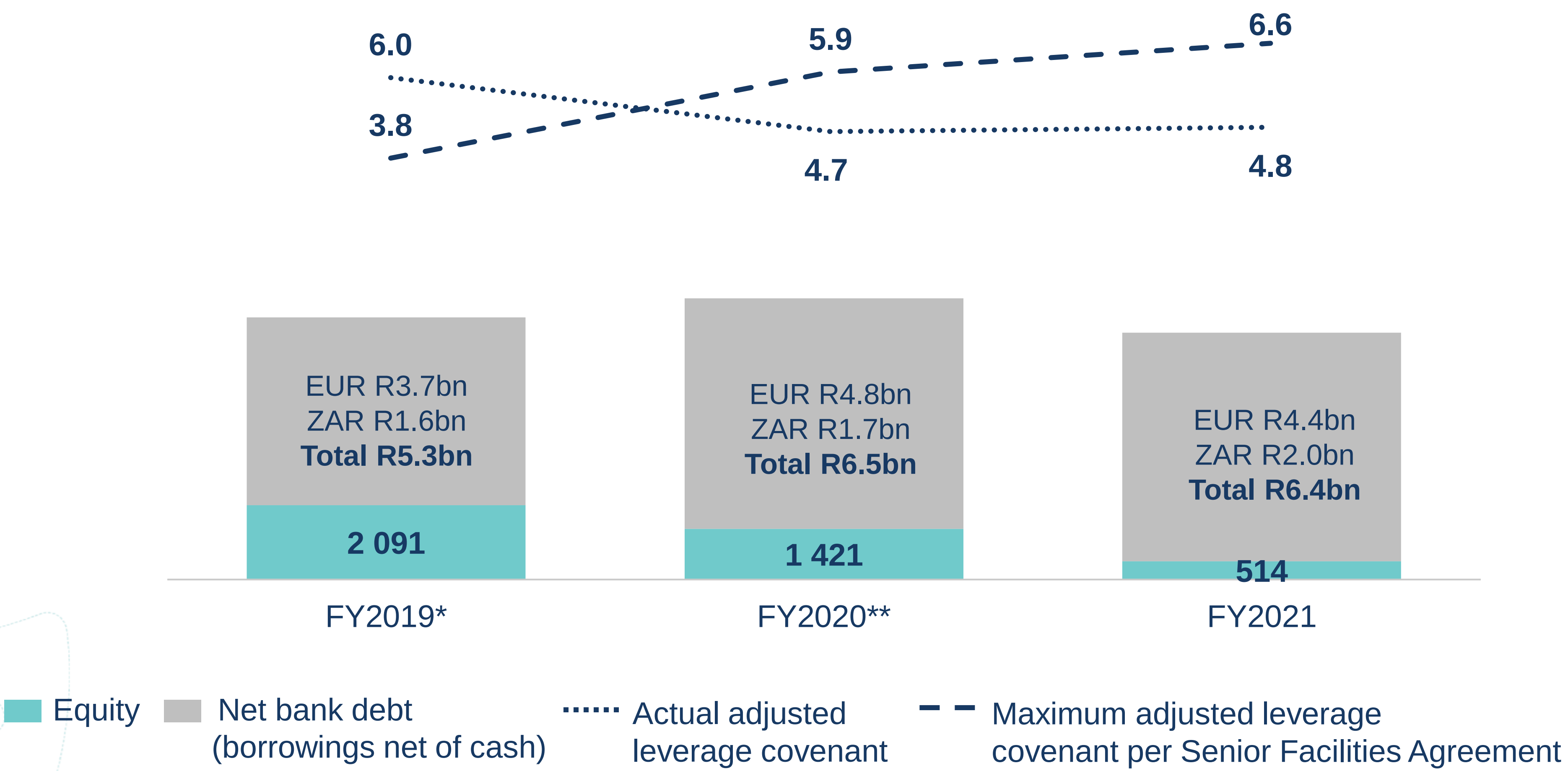
R'm	Animal Health	RCA	Farmalider	AHIH Group	Total
Assets held for sale	780	381	594	6 823	8 578
Liabilities held for sale	(196)	(90)	(424)	(1 616)	(2 326)
Net assets	**584**	**291**	**170**	**5 207**	**6 252**
Biosciences disposal proceeds					81
Total					**6 333**
Total debt at 30 June 2021					(7 558)
SFA debt					(6 717)
Deferred vendor liabilities					(841)
Net liability not covered by balance sheet of disposed assets					**(1 225)**

- Total debt as part of the recapitalisation is €444 million (cR7.7bn)
- NAV of the assets that are part of the Group Recapitalisation is R6.3bn – reflecting an accounting shortfall of R1.2bn
- In a distressed situation or a business rescue, this further reflects the risk that enforcement may take place at a discount to market value or NAV

** Restated*

Gearing and covenants

Equity, net debt and debt:normalised EBITDA^{PM} (R'm)



**   Pre-IFRS 16*
*** Restated*
12 month rolling normalised EBITDA^{PM} used in line with covenant calculations

Post-recap borrowings

R'm	New Facility	Terms
Reinstated debt (ZAR equivalent of €15m): 2-year facility *Sized to accommodate unpaid interest (Q3, Q4 FY21 + Q1 FY22) of approx. R230m as well as some transaction costs*	255	Jibar + 9% PIK, no early repayment penalties
New draw down facility (ZAR equivalent of €20m): 2-year facility *Sized to accommodate estimated working capital requirements, transaction costs, head office scale down cost*	340	Jibar + 6.3% (3.3% cash + 3% PIK), no early repayment penalties
6-month bridge facility *Sized to accommodate the estimated disposal proceeds from RCA and Animal Health*	1 010	To be repaid by RCA and Animal Health net proceeds on divestment and cash generated by these assets

RCA* net disposal proceeds	482
Animal Health* net disposal proceeds	621
- Before deferred vendor liability	*738*
- Deferred vendor liability at 30 June 2021	*(117)*
Total proceeds	**1 103**

** Balances per circular, final numbers will be subject to the net working capital adjustments as explained in the circular*

Going concern

The financial statements have been prepared on a going concern basis taking into account the following:

- The quantum of debt and ability to repay the outstanding amounts in line with the funding agreements presents a material uncertainty

- Factors that mitigate that uncertainty:
  - Ability to conclude a successful recapitalisation
  - Disposal process for RCA and Animal Health
  - Availability of liquidity post the recapitalisation
  - Ability to execute on the next phase of the strategy

Completed but subject to shareholder approval

The Board has therefore concluded that the group remains a going concern, ***subject to the successful completion of the Group Recapitalisation***

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Unlocking value post-recapitalisation

OVERVIEW OF FY2021 RESULTS

R'm	Revenue	Normalised EBITDA[PM]	Margin
Medical (ex RCA)	983	60	6.1%
Consumer Health	668	85	12.8%
Pharma (ex Dezzo)	310	20	6.4%
Total	**1 961**	**165**	**8.4%**

Key operational focus areas

- Improve Medical and Pharma margins – target 10% EBITDA margin
- Reduce head office costs

Two key strategic options

Option 1

Remain a listed platform

Option 2

Provide a path to liquidity for shareholders

Option 1 – Remain a listed platform

Option 1

Remain a listed platform

OVERVIEW	KEY CONSIDERATIONS
▪ **Retain listing** of significantly smaller group ▪ Ascendis Medical ▪ Pharma ▪ Consumer Health ▪ **Reduce HO costs and implement a longer-term growth strategy** ▪ 3 year+ horizon to **drive value creation strategies** in the businesses	▪ **Costs of maintaining a listing** are likely to be a **material relative to** the remaining business' **normalised EBITDA**[PM] ▪ **Royalty free Farmalider pipeline** provides good organic growth options in Pharma ▪ The €20m new money facility from lenders provides support post the Group Recapitalisation, **but does not leave significant headroom to invest in the growth of the remaining business**

Option 2 – Provide a path to liquidity for shareholders

Ascendis HEALTH

	OVERVIEW	KEY CONSIDERATIONS

Option 2
 	
Provide a path to liquidity for shareholders
	▪ Embark on a programme to return value to shareholders
	
	▪ Can be done either by the
	  ▪ **sale of individual business units;** or
	  ▪ **A take private of the Ascendis Group**
		▪ We have **tested market interest for the remaining assets**
		
		▪ **Engagements have been positive but still early stage**
		  ▪ Significant interest in individual BUs
		  ▪ Some interest in acquiring multiple /all remaining assets
		
		▪ **Values supported by good operating momentum when normalising for COVID-19 context**
		
		▪ **Risk being left with stranded assets** and ongoing head office costs **if we do not sell all the assets**

Immediate next steps

- Should the Group Recapitalisation be successfully implemented, Ascendis will continue **engagements with all interested parties**

- Will continue to focus on maintaining positive momentum in the remaining businesses
  - **2-year EBITDA CAGR of 84% (FY19 – FY21)**

- Regardless of the preferred option, Ascendis **will implement a material reduction in its head office structure and associated costs**

Presentation outline


Thank you
Q&A

Additional Information

Revenue / normalised EBITDA[PM] – continuing operations

	R'm	Year to Jun 2021	Year to Jun 2020*	% change
REVENUE	Pharma excluding Dezzo	310	279	11%
	Dezzo	268	421	
	Pharma as reported	578	700	(17%)
	Medical	983	869	13%
	Consumer Health	668	634	5%
	Total continuing operations	**2 229**	**2 203**	1%
Normalised EBITDA[PM]	Pharma excluding Dezzo	20	6	229%
	Dezzo	(26)	(51)	
	Pharma as reported	(6)	(45)	86%
	Medical	60	58	4%
	Consumer Health	85	59	44%
	Total	**139**	**72**	94%
	Group head office costs**	(125)	(142)	12%
	Total continuing operations	**14**	**(70)**	120%

** Restated*   *** Cash head office costs in FY2021 were R143m*

Revenue / normalised EBITDA^{PM} – discontinued operations

R'm	Year to Jun 2021		Year to Jun 2020*		R'm % change
	€'m	R'm	€'m	R'm	
REVENUE					
Remedica	123.1	2 268	124.0	2 176	4%
Sun Wave Pharma	58.0	1 063	51.5	877	21%
Farmalider	34.5	634	35.8	619	2%
RCA		986		595	66%
Animal Health		572		489	17%
Biosciences		324		336	(4%)
Total – group recapitalisation		**5 847**		**5 092**	15%
Scitec and Direct Selling		137		1 247	
Total discontinued operations		**5 984**		**6 339**	(6%)
Normalised EBITDA^{PM}					
Remedica	32.7	611	41.6	731	(16%)
Sun Wave Pharma	16.6	308	14.6	246	25%
Farmalider	5.0	90	3.4	64	39%
RCA		213		70	204%
Animal Health		148		125	18%
Biosciences		47		18	161%
Total – group recapitalisation		**1 417**		**1 254**	13%
Scitec and Direct Selling		14		38	
Total discontinued operations		**1 431**		**1 292**	11%

* Restated

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