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" or "the Company")

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**UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021**

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## Key features

- Group Recapitalisation completed, resulting in a R7.7 billion debt reduction
- Revenue from continuing operations increased by 6% (excluding Dezzo which was disposed of in February 2021)
- Revenue from continuing operations including Dezzo decreased by 40%
- Normalised EBITDA[PM] from continuing operations, improved by 74% to a loss of R14 million
- Normalised EBITDA[PM] from remaining SA operations excluding head office costs, improved by 43% to R119 million
- Reduction in head office costs of 30% to R46 million
- Normalised operating loss improved 49% to a loss R94 million
- Basis loss per share improved 29% to 102.1 cents
- Headline loss per share improved 18% to 114.6 cents
- Normalised headline loss strengthened by 23% to a loss of R438 million (including Group Recapitalisation finance costs of R366 million)
- Normalised headline loss per share[PM] improved 23% to 91 cents

## Financial performance

Ascendis Health Group is reporting normalised results from total operations which have been adjusted for once-off transaction-related and restructuring costs in the current and prior reporting periods.

The Group Recapitalisation was concluded in October 2021 and the disposals of Animal Health and Respiratory Care Africa ("**RCA**"), were completed shortly thereafter. Therefore, the following entities are included in these results until their respective effective dates of disposal:

- Remedica and Sunwave – effective close date 21 October 2021;
- Farmalider – effective close date 7 July 2021;
- RCA – effective close date 31 October 2021; and
- Animal Health – effective close date 30 November 2021.

Post the Group Recapitalisation, the Group comprised of the three South African businesses namely Medical Devices (excluding RCA), Pharma and Consumer Brands (collectively referred to as "**Remaining SA Operations**").

The results of the Remaining SA Operations follow:

| SA operations | December 2021<br><br>Revenue<br><br>(R'm) | December 2020<br><br>Revenue<br><br>(R'm) | Revenue Growth<br><br>(%) | December 2021<br><br>Normalised EBITDA$^{PM}$<br>(R'm) | December 2020<br><br>Normalised EBITDA$^{PM}$<br>(R'm) | Normalised EBITDA Growth<br><br>(%) |
|---|---|---|---|---|---|---|
| Medical Devices | 479 | 535 | (10%) | 52 | 68 | (24%) |
| Pharma* | 181 | 348 | (48%) | 2 | (15) | 292% |
| Consumer Brands** | 340 | 338 | 1% | 38 | 31 | 24% |
| **Total operations** | **1 000** | **1 221** | **(18%)** | **119** | **8** | **43%** |
| **Head office** | **-** | **-** | | **(46)** | **(67)** | **(31%)** |
| **Net** | **1 000** | **1 221** | **(18%)** | **73** | **16** | **356%** |

** The comparatives of Pharma include revenue from Dezzo of R215 million and normalised EBITDA loss of R9 million. The divestment of Dezzo was completed effective 28 February 2021.*

*** The results of Consumer Brands include revenue from Nimue Skin of R41 million (2020: R52 million) and normalised EBITDA$^{PM}$ of R9 million (2020: R14 million).*

The period under review saw a post-lockdown resurgence in elective surgery and trauma cases that has resulted in improved performances by Surgical Innovations and Ortho-Xact within Medical Devices. This was tempered by underperformance in The Scientific Group, which has been impacted by the reallocation of donor funding in the rest of Africa to Covid-19 vaccine procurement and distribution, and away from diagnostic testing.

Pharma delivered strong sales growth following a market recovery to pre-Covid-19 levels and market share gains in key brands such as Reuterina, Sinuend and Sinucon. This was further supported by positive EBITDA$^{PM}$ performance driven by improved margins and the benefits of cost cutting initiatives.

Consumer Brands encountered headwinds in contract manufacturing and the slower than expected reopening of beauty salons and some going out of business. Port strikes and global supply chain challenges also impacted the strategic procurement business, Chempure. However, a continued focus on SKU rationalisation and cost optimisation ensured that the business delivered 24% improvement in Normalised EBITDA$^{PM}$.

Operating expenses decreased by 69%, excluding once-off transaction-related and restructuring costs of R61 million (H1 2021: R118 million). These once-off costs include professional and advisory fees associated with lender agreements and planned disposal projects. Head office costs decreased by 30% to R46 million as the restructure progresses, with savings on fixed costs, decreased staff costs and lower audit fees due to the reduced size of the Group.

Impairment losses totalling R257 million were recognised for the half year which all relate to discontinued operations.

Net finance costs decreased by 21% or R497 million to R391 million due to the reduced debt balance, and improved financing terms post the Group Recapitalisation.

Normalised headline earnings from continuing operations increased by 17% to a loss of R552 million (H1 2021: loss of R672 million), with a normalised headline loss per share of 91 cents for the first half (H1 2021: 118.5 cents loss per share).

The basic loss per share from continuing operations was 102.1 cents compared to the prior period basic loss per share of 144 cents. Headline loss per share was 114.6 cents compared to headline loss per share of 140 cents in the prior period.

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

Bank debt totaled R582 million at 31 December 2021 (30 June 2021: R6.7 billion).

**Recapitalisation Plan**

On 12 January 2022 Apex Management Services and Pharma-Q Holdings ("**New Lenders**") advanced a new facility of R550 million ("**New Loan**") to the Group, with the proceeds utilised to settle the debt owed to L1 Health and Blantyre. The New Loan was originally advanced under the existing senior facilities agreement and retained the terms, conditions, security and interest rate of the debt owed to L1 Health and Blantyre as of 29 December 2021, save that the maturity date was extended to 31 January 2022 in order to finalise a recapitalisation plan being agreed between the New Lenders and the board of directors of Ascendis Health (the "**Board**"), (the "**Recapitalisation Plan**").

The Recapitalisation Plan was signed on 31 January 2022 and entailed Ascendis Health SA Holdings Proprietary Limited, a wholly owned subsidiary of Ascendis Health, entering into three separate sale agreements in terms of which it will dispose of its direct and indirect interests in the entities through which the businesses known as "Ascendis Pharma", "Nimue Skin" and "Ascendis Medical", operate (collectively, "**Proposed Disposals**").

To facilitate the implementation of the Proposed Disposals, the following key terms were agreed in respect of the New Loan:

- The term has been extended to the earlier to occur of (i) the date on which the last of the Proposed Disposals is implemented and (ii) 30 June 2022.
- The applicable interest rate has been reduced by 4% (resulting in a rate of JIBAR plus 8.33%). In the event of a default, a ratchet of 4% will be applied retrospectively. In addition, a further 2% increase will apply prospectively if shareholders do not approve any requisite resolutions to implement the Proposed Disposals.

If the Group is unable to implement the Recapitalisation Plan, it will need to find an alternative mechanism to ensure the debt can be repaid in full by 30 June 2022 or face the risk that the lenders will enforce their security. The enforcement action will result in a business rescue process, during which, shareholders rank behind creditors. Furthermore, in an accelerated business rescue-driven asset disposal process, it is likely that lower proceeds will be realised given the distressed circumstances in which divestments take place and additional tax liabilities and costs will be incurred which will rank ahead of the claims of shareholders.

Following the Recapitalisation Plan with the New Lenders, which was announced after the end of the reporting period, the results of Pharma, Medical Devices and Nimue Skin (which forms part of Consumer Brands) are reported under discontinued operations.

## Outlook

Following the completion of the Recapitalisation Plan the Board will focus on rebuilding the Group through a sustainable growth strategy supported by stringent capital allocation metrics. The strategy will be based on the following pillars:

1. Optimising Consumer Brands: The remaining Consumer Brands business presents a compelling base for the growth prospects of the Group. The current brand portfolio within Consumer Brands comprises seven key vitamin, mineral and supplement ("**VMS**") brands. It is one of the largest VMS suppliers in South Africa, with brands such as Solal, Vitaforce, Menacal, Bettaway and Junglevite being among the most established and recognised in their categories. Consumer Brands also has a manufacturing capability and is one of only two South African Health Products Regulatory Authority ("**SAHPRA**") accredited soft gel capsule manufacturers in the country.
2. Expansion through acquisitive growth: The Board is exploring opportunities to acquire scalable, earnings enhancing businesses in the broader consumer products sector. These acquisitions will be funded by a combination of cash (generated through the Recapitalisation Plan), equity and debt (within the parameters of a conservative and well-defined capital allocation framework)
3. Fit for purpose head office: Transition head office into an investment holding company model responsible for strategic, capital allocation and M&A support, with a leaner, more focused head office team.

The Recapitalisation Plan provides an opportunity for the Group to be debt-free with excess cash for reinvestment into optimising Consumer Brands and rebuilding the Group. The Recapitalisation Plan will be subject to, *inter alia*, shareholders voting in accordance with the Companies Act and/or the JSE Listings Requirements as applicable.

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| Cheryl-Jane Kujenga<br>CFO and interim CEO | Harry Smit<br>Chairman |

Bryanston
18 February 2022

## Directors' responsibility

This short-form announcement is the responsibility of the directors of Ascendis Health and is a summary of the detailed interim results announcement released on SENS on 18 February 2022 ("**Full Announcement**") and does not contain full or complete details. The Full Announcement is available at https://senspdf.jse.co.za/documents/2022/jse/isse/asc/H22021.pdf and on the Company's website at www.ascendishealth.com/investor-relations and may be requested via email from the Company Secretary at mpeo.nkuna@ascendishealth.com. Copies may also be requested at the Company's registered office and the Johannesburg office of the sponsor at no charge during business hours for a period of 30 calendar days following the date of this announcement.

Any investment decision should be based on the Full Announcement.

This announcement does not include the information required pursuant to paragraph 16A (j) of IAS 34. The full interim report is available on the issuer's website and at the issuer's registered offices upon request as mentioned above.

### Performance Measures

Performance measures (PMs) are not defined or specified per the requirements of 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

**Corporate Information**

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| Registered office | 31 Georgian Crescent East, Bryanston, Gauteng<br>PostNet Suite #252, Private Bag X21, Bryanston, 2021 |
| Contact details | +27 (0)11 036 9600 / info@ascendishealth.com |
| Sponsor | Questco Corporate Advisory (Pty) Ltd |
| Auditors | PricewaterhouseCoopers Inc |
| Transfer secretaries | Computershare Investor Services (Pty) Limited |
| Company secretary | Mpeo Nkuna |
| Directors | HJ Smit (Chairman)*^, GJ Shayne^, K Wellner*^, RW Dawes*^, LS Mulaudzi^, CJ Kujenga (CFO and Interim CEO)<br>* *Independent non-executive*<br>^ *Appointed 20 December 2021* |

**www.ascendishealth.com**