

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



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## PROPOSED TRANSACTIONS FOR THE FULL RECAPITALISATION OF ASCENDIS HEALTH AND FURTHER CAUTIONARY ANNOUNCEMENT

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### 1. INTRODUCTION

Shareholders of Ascendis ("**Shareholders**") are referred to the announcement published on the Stock Exchange News Service ("**SENS**") on 13 January 2022 ("the **Previous Announcement**") relating to the repayment of debt owed to Emma Healthcare Holdings Limited (the "**Prior Lender**") out of the proceeds of new debt advanced to the Company by Apex Management Services Proprietary Limited ("**Apex Management Services**") and Pharma-Q Holdings Proprietary Limited ("**Pharma-Q**"), in an aggregate amount of R550 million (the "**2022 Debt**"). The 2022 Debt was advanced under the existing Senior Facility Agreement ("**SFA**") and retained the terms, conditions, security and interest rate of the debt owed to the Prior Lender as at 29 December 2021, save that the maturity date had been extended to 31 January 2022. The capitalised terms used in this announcement bear the same meaning as those defined in the Previous Announcement.

The board of directors of the Company ("the **Board**") is pleased to announce that terms have been agreed with each of Apex Management Services and Pharma-Q in respect of the Proposed Disposals (as defined below), with the proceeds of such disposals to be applied in full discharge of the debt advanced by Apex Management Services and Pharma-Q, as applicable, and to provide the Company with cash to reinvest in the rebuild of the Ascendis Group. In order to facilitate the implementation of the Proposed Disposals, the following key terms have been agreed in respect of the 2022 Debt:

- 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; and
- 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.

Ascendis Health SA Holdings Proprietary Limited ("**AHSA**"), a wholly-owned subsidiary of Ascendis Health, has entered 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" and "Ascendis Medical", operate (the "**Pharma Disposal**", the "**Nimue Disposal**" and the "**Medical Disposal**", respectively). Details of the Pharma Disposal, the Nimue Disposal and the Medical Disposal (collectively, "the **Proposed Disposals**") are set out below. The Proposed Disposals are independent of one another, are not inter-conditional and are subject to separate conditions and Shareholder approvals, as set out below.

### 2. RATIONALE FOR THE PROPOSED DISPOSALS

The Proposed Disposals provide a complete solution to the alleviation of the Group's ongoing debt burden allowing the Group to consolidate its position in its core business activities thereby providing the Company with a solid footing to expand going forward. This will leave the business debt-free and with approximately R200m of cash reserves after accounting for costs and deductions, to reinvest into the rebuilding of the Ascendis Group's core operations. Furthermore, the Medical Disposal will alleviate the need for significant catch-up and on-going capital expenditure which would have otherwise been required by Ascendis in order to optimise returns and which would have needed to be funded out of new borrowings which would not be sustainable.

The remaining Consumer Brands business presents a compelling base for the future 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. The Consumer Brands business also has a manufacturing capability and is one of only two South African Health Products Regulatory Authority ("**SAHPRA**") accredited soft gel manufacturers in the country. The Board believes that there is opportunity to optimise

and expand the Company by investing into the wider consumer products sector and build scale once the cash to reinvest is available.

### 3. SALIENT TERMS OF THE PROPOSED DISPOSALS

#### 3.1. The Pharma Disposal

AHSA has entered into a share sale agreement (the “**Pharma Agreement**”) with Pharma-Q and Imperial Logistics Limited (“**Imperial**”) in terms of which it will dispose of the entire issued share capital of Medicine Developers International Proprietary Limited, Pharmachem Pharmaceuticals Proprietary Limited, Alliance Pharma Proprietary Limited and Ascendis Pharma Proprietary Limited (the “**Pharma Sale Companies**”), being the entities through which Ascendis Pharma operates. Imperial and Pharma-Q shall acquire 49% and 51% of the issued shares of these companies, respectively.

Ascendis Pharma operates primarily within the private and public sectors of the South African pharmaceutical industry and is a marketer and distributor of both prescription and over-the-counter medicines. It owns brands in the gastrointestinal tract, cough and cold, pain, diabetes and niche generical therapeutic segments of the domestic pharmaceutical market. Its customers are retail pharmacies, pharmaceutical wholesalers, private hospital groups, as well as government hospitals and clinics.

The total purchase consideration for the Pharma Sale Companies is R375 million, to be settled by way of set-off against the portion of the 2022 Debt advanced by Pharma-Q and cash (to the extent the 2022 Debt is fully discharged and settled).

The Pharma Disposal remains conditional upon:

- the completion of the pre-transaction steps to be implemented by AHSA and the Pharma Sale Companies in terms of a pre-transaction group restructuring to the reasonable satisfaction of Imperial and Pharma-Q;
- the approval of the Pharma Disposal by the Competition Authorities;
- the notification to the Department of Health in accordance with the special conditions of contract in each current tender in respect of the Pharma Disposal;
- the notification to the chief executive officer of the SAHPRA and the South African Pharmacy Council of the Pharma Disposal; and
- the approval of the Pharma Disposal by Shareholders at a general meeting convened in accordance with the Listings Requirements.

The closing date of the Pharma Disposal is the last date of the calendar month in which the last outstanding condition precedent is fulfilled or waived.

The Pharma Agreement contains terms that are customary for a transaction of this nature.

The Pharma Disposal constitutes a Category 1 disposal in terms of the Listings Requirements and will be subject to the approval of Shareholders at a general meeting which will be called in terms of the notice of general meeting to be attached to the circular referred to in paragraph 7 below (the “**General Meeting**”).

#### 3.2. The Nimue Disposal

AHSA has entered into a share sale agreement (the “**Nimue Agreement**”) with Amka Products Proprietary Limited (“**Amka**”) in terms of which it will dispose of the issued share capital in Ascendis Skin and Body Proprietary Limited which operates the Skin business unit comprising of the Nimue business (“**Nimue**”) to Amka.

The Skin business unit forms part of the Ascendis Health Consumer business and develops, markets and distributes professional and premium skin and body care brands.

The consideration payable in respect of Nimue Disposal is R102 million (cash). Following receipt from Amka, the Company will apply the cash consideration in repayment of the portion of the 2022 Debt advanced by Pharma-Q.

The conditions precedent to the Nimue Disposal are:

- by no later than the tenth business day following the signature date of the Nimue Agreement, the designated employees of Ascendis Consumer who are primarily involved in the business of Nimue signing agreements transferring their employment to Nimue but continuing to devote a portion of their time to Ascendis Consumer for a limited period after the closing date; and
- by 30 April 2022, the completion of the pre-transaction steps to be implemented in terms of a pre-transaction group restructuring to the reasonable satisfaction of Amka.

The other salient terms of the Nimue Agreement include, *inter alia*, Nimue selling its business related to selling Solal branded skincare products to Ascendis Consumer Brands Proprietary Limited prior to the closing date of the Nimue Agreement for a purchase consideration equal to the book value of the Solal stock held by Nimue and other terms that are customary for a transaction of this nature.

The effective date of the Skin Disposal is on or about 30 April 2022. The Nimue Disposal constitutes a Category 2 transaction in terms of the Listings Requirements and is not subject to the approval of Shareholders.

### 3.3. The Medical Disposal

AHSA has entered into an agreement (“the **Medical Agreement**”) with Apex Management Services in terms of which it will dispose of its entire interest in each of The Scientific Group Proprietary Limited (“**TSG**”), Surgical Innovations Proprietary Limited (“**SI**”) and through the sale of SI, Ortho-Xact Proprietary Limited, (“**Ortho-Xact**”), a subsidiary of SI, being the legal entities through which Ascendis Medical operates. TSG, SI, and Ortho-Xact are distributors of mostly imported medical devices, orthopaedic limb reconstruction equipment and in vitro diagnostics (“**IVD**”) equipment and consumables. TSG distributes IVD and life science equipment and consumables to hospitals, research laboratories and research institutes, both locally and regionally. SI distributes diagnostic, acute care therapy, cardiovascular and surgery devices primarily to public and private hospitals in South Africa. Ortho-Xact distributes orthopaedic trauma equipment and consumables to hospitals.

The purchase consideration in respect of the Medical Disposal was determined with reference to a base amount of R550 million, which will be adjusted downwards to take into consideration the agreed signature date capital expenditure requirement of R200 million and the excess rental incurred of up to a maximum of R25 million. The R200 million includes the significant backlog of capital expenditure referred to in paragraph 2 above, customary working capital and net debt adjustments at the effective date (“the **Medical Consideration**”). The Medical Consideration will be settled by way of set-off against the portion of the 2022 Debt advanced by Apex Management Services and cash (to the extent the 2022 Debt is fully discharged and settled).

The Medical Disposal remains conditional upon:

- AHSA and the Company (if applicable) having passed all such shareholder resolutions as may be required to (i) enter into the Medical Agreement and (ii) approve and implement the Medical Disposal and all other agreements and transactions contemplated therein, at the general meeting;
- the provision by AHSA to Apex Management Services of: (a) the “Pre-Transaction Steps Document” and Apex Management Services (acting reasonably) confirming in writing that it is acceptable; and (b) reasonable documentary evidence that the transaction steps contemplated in the “Pre-Transaction Steps Document” have been fully implemented;
- The provision of the audited annual financial statements in respect of each SI, TSG and Ortho-Xact for the financial year ended 30 June 2021;
- AHSA providing notice to SAHPRA in relation to permits held by SI, TSG and Ortho-Xact under the Medicines and Related Substances Act, No. 101 of 1965 (“**Medicines Act**”);
- AHSA providing notice to, and obtaining written waivers from, various counterparties in respect of the change of control of SI, TSG and Ortho-Xact as a result of the implementation of the Medical Disposal; and
- The unconditional approval of the Medical Disposal by the Competition Authorities in terms of the Competition Act, No. 89 of 1998.

The effective date of the Medical Disposal is the last date of the calendar month in which the last outstanding condition precedent is fulfilled or waived. The Medical Agreement contains terms that are customary for a transaction of this nature.

The Medical Disposal constitutes a Category 1 disposal in terms of the Listings Requirements and will be subject to the approval of Shareholders at the general meeting.

## 4. OUTLOOK

The Board’s focus will be to optimise the current operations by maximising infill rates, eliminating unnecessary costs, increasing production and operational efficiencies within the business, and investing more into marketing and product development. Further, the Head Office cost reduction program will be progressed over the next six to nine months.

This optimisation strategy will be supported by a growth strategy focused on expanding into the broader consumer products sector by acquiring earnings enhancing businesses which have a high return on equity, high operating margins and strengthen the Company’s market position. Acquisitions will be made using a combination of available cash, debt at a conservative level and equity.

## 5. FINANCIAL INFORMATION

The relevant financial information relating to Ascendis Medical, Ascendis Pharma and Nimue, respectively, will be contained in an announcement on SENS that will accompany the publication of the Circular as set out in paragraph 7 below.

## 6. RELATED PARTIES

The Proposed Disposals do not constitute transactions with related parties.

## 7. CIRCULAR

A circular providing full details of the Medical Disposal and the Pharma Disposal and incorporating, *inter alia*, a notice of the General Meeting will be posted to Shareholders within 60 calendar days from the date of publication of this announcement (the "**Circular**"). Further details of each Proposed Disposal, including, *inter alia*, the pro forma financial effects of the Proposed Disposals, will be included in the Circular.

## 8. FURTHER CAUTIONARY ANNOUNCEMENT

Shareholders are advised that, until the financial information referred to in paragraph 5 above is published, they should continue to exercise caution when dealing in Ascendis Health securities.

01 February 2022

Bryanston

Sponsor

Questco Proprietary Limited