ASCENDIS HEALTH

MEDIA RELEASE

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ASCENDIS HEALTH TO BE DEBT FREE FOLLOWING RIGHTS OFFER AND SALE OF PHARMA BUSINESS

Johannesburg – Ascendis Health today reported a resilient performance for the year to June 2022 as revenue from existing operations increased by 4% to R1.9 billion and normalised EBITDA grew by 136% to R66 million.

Acting CEO Carl Neethling said the group has gone from being burdened with mounting debt of almost R8 billion a year ago and facing business rescue, to entering the 2023 financial year with a near complete debt solution.

This follows the successful completion of the group recapitalisation in October 2021, further debt restructuring and corporate activity. The disposals of Farmalider, Respiratory Care Africa, Animal Health and Ascendis Skin and Body generated a profit of over R1 billion.

The group's outstanding senior debt reduced from R7.6 billion at 30 June 2021 to R498 million at year end in June 2022, while the cost of the senior debt reduced by R613 million in 2022.

Neethling said following the restructuring of the board in May, the directors have salvaged a great deal of value following the near-disastrous decisions made earlier.

"Over the past four months we have achieved significant wins. These include negotiating a R57 million increase in the offer price for the Pharma business from Austell Pharmaceuticals to R432 million, relative to the R375 million offer received from Pharma Q/Imperial. The disposal of Pharma is at an advanced stage, with the shareholder vote scheduled for October 2022. Improved debt financing terms were also negotiated with Austell which resulted in a material interest saving.

"We retained the Medical Devices business which was previously identified for sale. The board believes the business has significantly more value than reflected in the offer received in January this year.

“In August we successfully raised R101 million in cash through an oversubscribed rights offer,” he said.

Neethling said the significant de-gearing post year-end has created a clear pathway to extinguishing the debt and creating a sustainable capital structure. “The proceeds from the rights offer and the Pharma disposal will result in Ascendis being in a cash surplus position for the first time in many years,” he said.

Discussing the operating performance for the past year, Neethling said the Pharma business had been well positioned to benefit from the post Covid-19 normalisation, with the return of the annual flu season. Strong performances from the key brands Reuterina, Sinuend and Sinucon contributed to sales growth of 24% to R384 million and normalised EBITDA increasing by R30 million to R53 million.

Group revenue from continuing operations decreased by 15%. Consumer Health was impacted by a reduction in vitamin and supplement sales following a solid performance during Covid-19. The Scientific Group, which forms part of Medical Devices, was negatively impacted by the change in use of NGO funding in the rest of Africa from COVID related diagnostics.

Despite the reduction in revenue, the group improved its gross profit margin from continuing operations from 38.0% to 40.9%, driven mainly by a favourable sales mix in Medical Devices.

On the outlook for the group for the year ahead, Neethling said that following the de-gearing of the balance sheet, right-sizing of the cost base and optimising the operations, the businesses will be well placed to drive their long postponed strategic growth plans.

“We are now single-mindedly focused on creating further value for shareholders by optimising and growing the Consumer Health and Medical Devices businesses.”

Medical Devices, which incorporates the three operating businesses The Scientific Group, Surgical Innovations and Ortho-Xact, has long-standing relationships and exclusive agency agreements with major multinational suppliers, and a network of blue chip and government clients.

The Consumer Health business is one of the largest vitamin, mineral and supplement suppliers in South Africa, with brands such as Solal, Vitaforce, Menacal, Bettaway and Junglevite being among the most established and recognized in their categories.

“The finalisation of the head office rationalisation in the first half of the 2023 financial year will ensure that a sustainable cost structure is embedded in the group. The conclusion of the corporate activity and debt restructuring means that the group will no longer be haemorrhaging money on advisors and legal costs,” added Neethling.

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For further information kindly contact

Carl Neethling
Acting CEO
Ascendis Health
082 938 4447
carl.neethling@ascendishealth.com