



Ascendis
HEALTH

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022



Presentation outline



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02 Operational review

03 Financial review

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The numbers in context

The group we took charge of late last year is not the group we see today

Key findings of 2022:

As at June / July 2022 - **Ascendis was on a path which would in all likelihood have resulted in a zero equity value scenario for shareholders.**

- **All value** recovered post group recapitalization was **flowing to debt holders; management and advisors** through costly legacy agreements and perverse incentive schemes.
- The strategy of **retaining the Consumer business only would have had disastrous consequences** given the state of the market.
- General **corporate mentality was not shareholder orientated** – lack of accountability.
- **Group liquidity materially strained** given payments due to 3rd parties and management – **direct impact on remaining operations which had to be managed.** Effects have continued through to early 2023.



The numbers in context

The group we took charge of late last year is not the group we see today

Key findings of 2022 (continued):

Certain key interventions have successfully salvaged value for shareholders:

- Decision to **retain Medical Device businesses** – maintained scale and diversified revenue stream
- **Additional proceeds** negotiated for divestment of **Pharma** – R69m incremental net cash realized
- Proactive intervention to prevent a **near certain liquidity crisis** – Successful rights offer, negotiating extended credit terms with suppliers /agencies; managing timing and magnitude of payments to advisors and management; actively managing group treasury
- **Driving down head office and shared service costs** to decelerate the group cash burn
- **Business level intervention** to turn around underlying operations

The group now has a steady base to build off and is on the path to driving value through efforts within the underlying portfolio businesses. Although the progress may take time to reflect, management is confident in the ongoing initiatives.



Performance highlights

Revenue **maintained**
at R777m

Medical Devices
revenue **+13%**

Head office
headcount reduced
from 34 to 14

Operational cost
savings of R74m

External advisory
costs reduced by
R26m

Operating loss **more**
than halved to
R123m

Headline loss per
share **improved 75%**
to -29.4 cents

Net asset value per
share **increased** by
34%* following the
sale of Pharma

Group solvency ratio
improved by **51%***

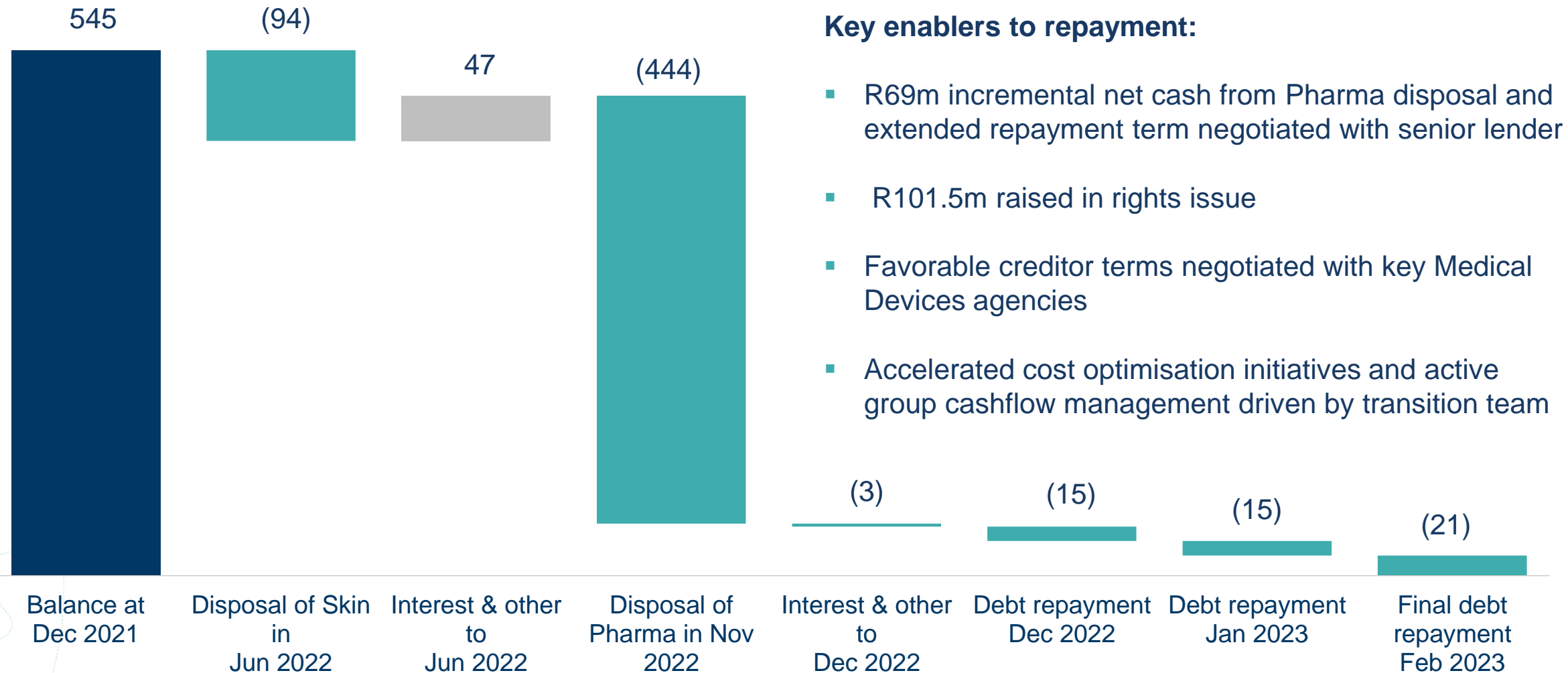
Group liquidity ratio
improved by **55%***

** Compared to 30 June 2022*



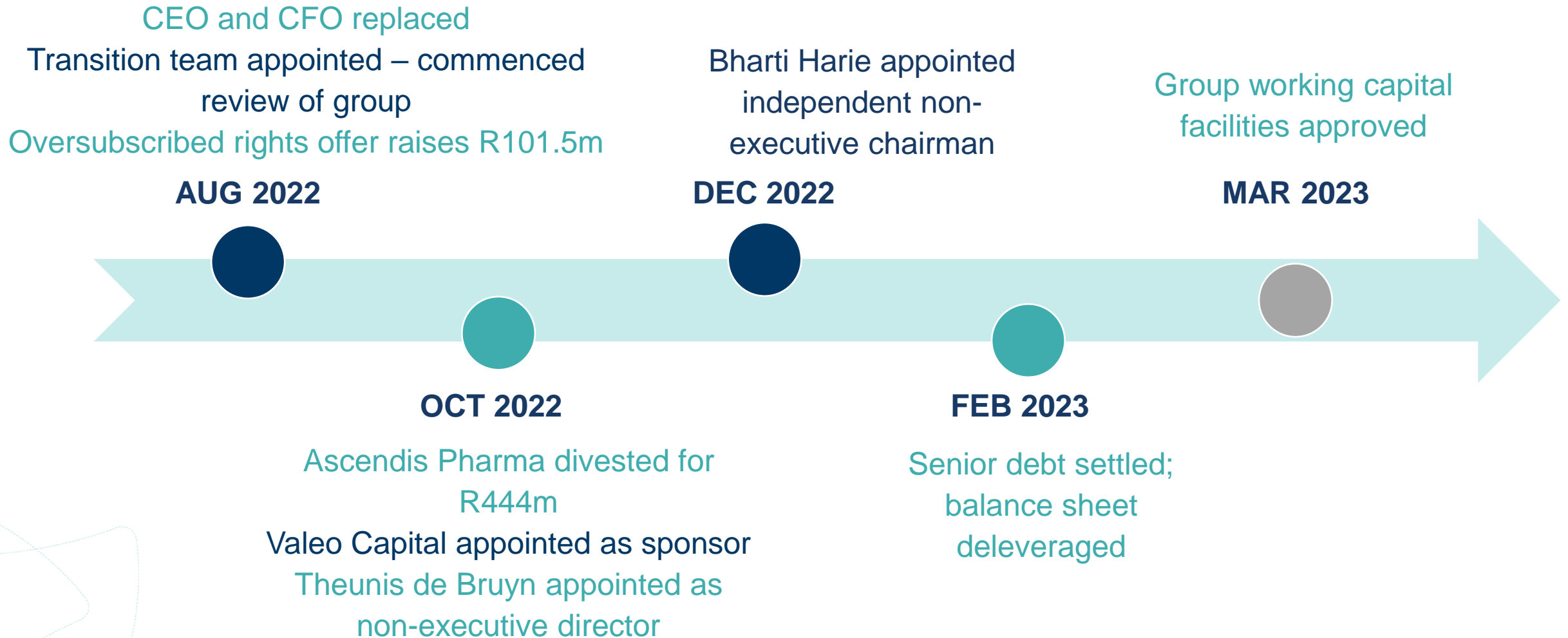
Evolution of senior debt

Post the settlement of debt in February 2023 the group is unleveraged – very beneficial in current high interest rate environment





Fundamental change across the business in last 6 months





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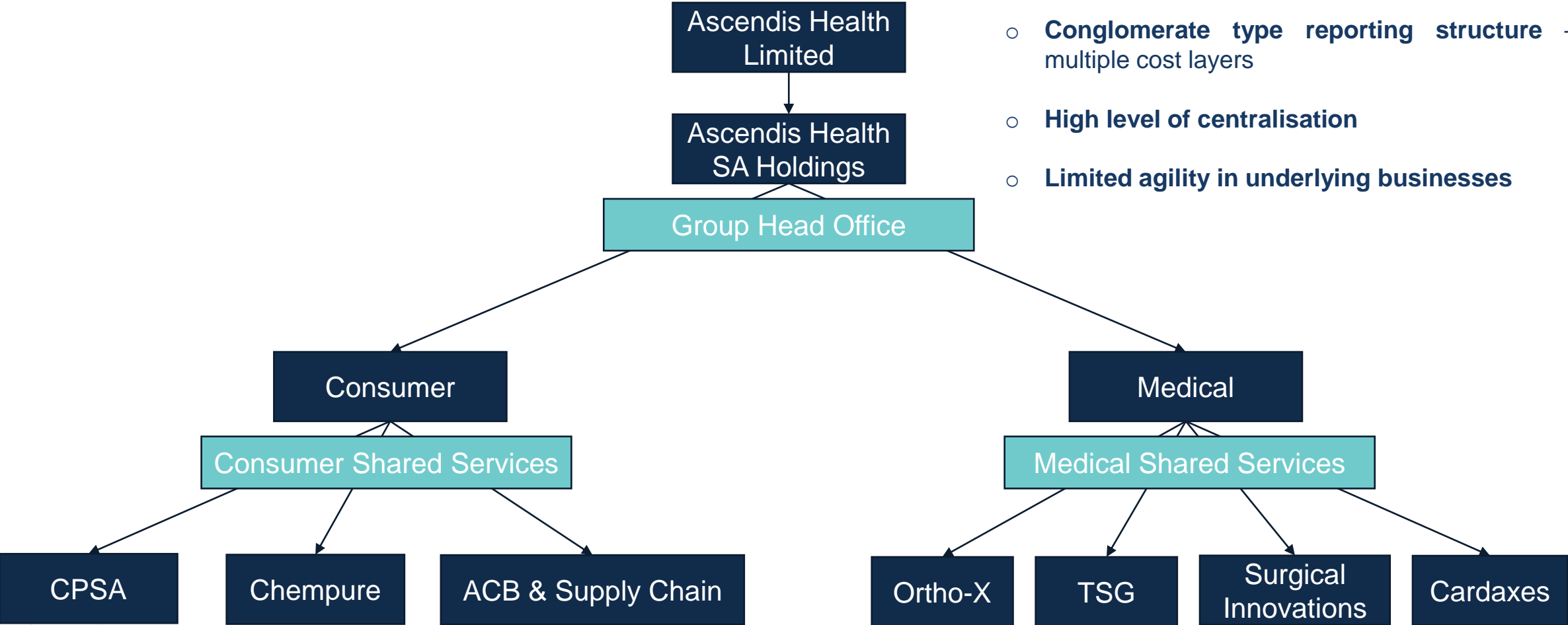
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Group reporting structure – starting point

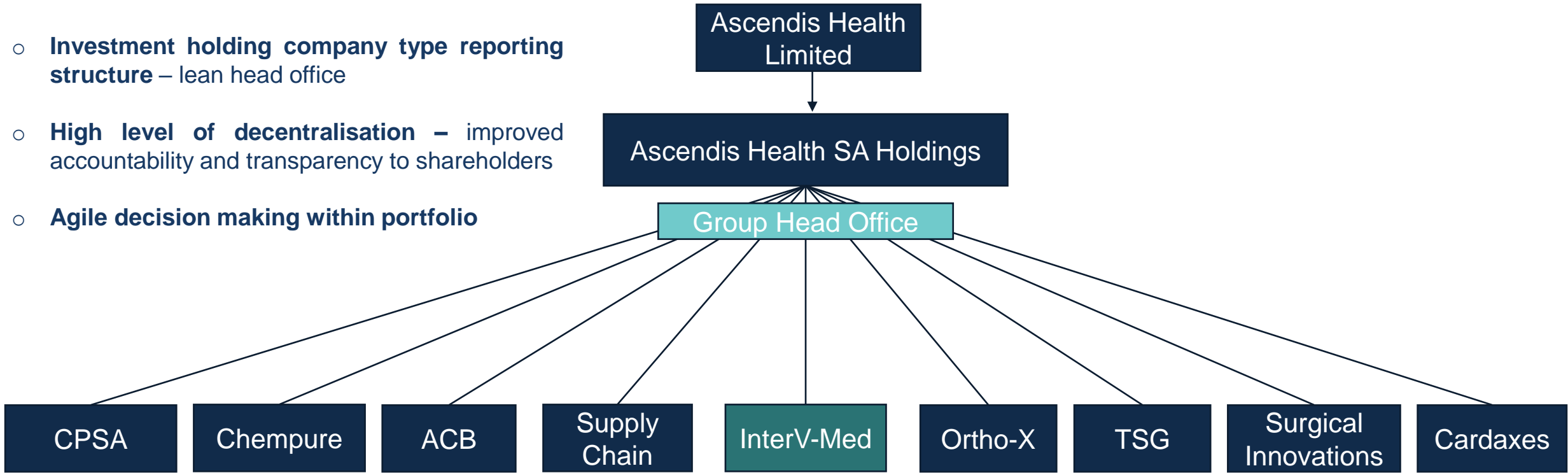


- **Conglomerate type reporting structure** – multiple cost layers
- **High level of centralisation**
- **Limited agility in underlying businesses**



Group reporting structure – current structure

- Investment holding company type reporting structure – lean head office
- High level of decentralisation – improved accountability and transparency to shareholders
- Agile decision making within portfolio





Overview

Leading distributor of surgical and interventional devices across a range of therapeutic areas:

- **Surgical** – GI, respiratory, ENT, urology, women’s health, bariatric and general surgery
- **Cardiovascular (CVD)** – has been carved out
- **Acute Care Therapy** – Supplies equipment in circulatory and critical care support

Historically capital-intensive business model generating low ROIC. **Defensive nature** and **dominant market position** creates opportunity.

Key Agencies

OLYMPUS



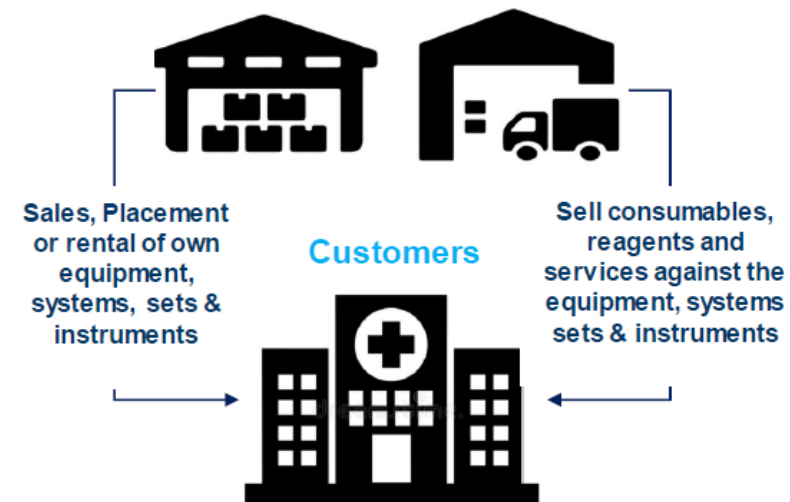
GETINGE

Medical Business Model

Leading Global Suppliers



Supply Chain and Distribution





Year to Date

Strong sales growth of 12% driven by Surgical division

Pressure on margins from Rand depreciation and Euro-based price increases from suppliers

Operating costs impacted by shared services and sales cost structure, and high rental

Key Interventions:

- Active management support – **transition team assumed interim management role.**
- **Removed shared service** layer thereby materially reducing operating costs
- Negotiated **improved creditor terms** with suppliers – reducing invested capital.
- Agencies funded **growth capex** after negotiations
- Implemented **fact-based capital allocation** procedures – focusing on cash generation



Ongoing Management Interventions

Capital management and margin pressure

- Appointment of **new general manager** – Jaco Truter
- Drive **greater revenue from placed assets, cross-selling** of consumables
- **Reducing on-balance sheet assets** through partnerships with agencies and customers
- Cost optimisation

SARS and onerous lease

- **R67m tax dispute** in respect of VAT and other ongoing audits
- **SI locked into R22 million** annual lease expense – 3 times market rate
- Continued engagement with SARS and landlord to reach mutually satisfactory outcome
- Several options are being considered **including litigation and/or business rescue**



Medical Devices –



The Scientific Group



Overview

TSG is a **key player in the niche clinical diagnostics, life sciences and point of care markets** and focuses on:

- **Clinical Diagnostics** – Diagnostic instruments, reagents and consumables **to pathology laboratories** (e.g. Lancet, Ampath, Pathcare) **through instrument leases**
- **Science** – Services the **academic and scientific industries**
- **Point of Care** – Cost- and time-saving diagnostics at the **patient’s bedside**

Key Agencies



Performance

Revenue has grown by 4% despite lost sales following the reallocation of the SANBS tender

Margin decline of 5.4 percentage points - change in sales mix (greater low margin instrument sales) and phasing of supplier increases

Performance significantly below expectations year to date – challenging tender driven business model



Year to Date

TSG – historically strong financial performer with attractive ROIC and high cash generation

Business has been well run but faces key challenges requiring intervention:

- **High dependency on tender revenue** – non-recurring unless new tenders continually won
- **Niche and highly specialised business** operating in underdeveloped market
- **Delays in tender roll outs** – impact both revenue and cash flow
- **Pressure from agencies** to adhere to minimum purchase requirements
- **Change in management**



Ongoing Management Interventions

Review of business model – shift revenue mix towards greater “non-tender” revenue and consumable sales

Strengthen agency relationships

Active management support during transition

Supporting and investing in growth within ‘point of care’ and ‘industry’ market segments



Medical Devices – ORTHO-XACT

Overview

Ortho-Xact operates within the **orthopaedic trauma and sports medicine markets**

- Adult and paediatric limb deformity correction, internal and external fracture fixation solutions
- Specialised sports medicine and minimally invasive orthopaedic solutions

Products include orthopaedic and surgical implants, power tools and related accessories

Key Agencies



Performance

Robust **revenue growth of 25%**

Attractive gross profit margin

Growing ROIC

Strong early growth experienced in sports medicine market with Rejoin agency



Medical Devices – ORTHO-XACT

Year to Date

Ortho-Xact has delivered strong topline performance and continues to present attractive growth opportunities

Notwithstanding – a review of the business model has highlighted key areas requiring attention:

- **Poor cash generation** – due to slow paying government debtors and high working capital investment
- Need for **capital investment to support growth**
- **Active management of cash flow** – key agency already successfully engaged to improve credit terms to match debtor days



Ongoing Management Interventions

Addressing cash flow challenges caused by government debtor book – **growing ‘private’ business**

Appointment of debtor collection consultant for government business

Reviewing capital allocation – focus on ROIC

Continued agency engagement

Active management operational support



Medical Devices –



& InterV - Med



Overview

Performance

Establishment of InterV - Med

Incubator business established in the **cardiology segment** during Covid-19 and carved out of Surgical Innovations

Cardaxes is a **specialised interventional cardiology and peripheral vascular device distributor**

Strong **topline growth of 40%** has given scale to Cardaxes as a standalone business

Gross margin impacted by Rand depreciation and impairment of legacy stock

The business has reached **near breakeven** in a very short time period

Recently established and carved out of Surgical Innovations – Cardiovascular business **focusing on contrast and automation**; and **Cardiology, Radiology, Vascular and Neurology**

In line with **decentralisation initiatives** – CVD business identified as non-core to Surgical business

Excellent growth prospects – demonstrated strong financial performance and attractive ROIC





Consumer Brands – Ascendis Consumer Brands

Overview

Ascendis Consumer Brands (ACB) develops, markets and distributes market-leading nutraceutical brands

Portfolio includes **Solal**, **MenaCal7**, **Chela-range**, **Bettaway**, **Vitaforce** and **Junglevites**

Historically highly integrated with remaining Consumer businesses which has **obscured performance**



Performance

ACB revenue has declined by 25% due to several factors, exacerbated by challenging consumer environment and internal operational matters:

- Dis-Chem boycott
- **Overselling** in prior period
- Consumer shift away from premium brands to private label
- Slow reaction to change in consumer preferences

Integration with Supply Chain business has obscured true cost of doing business – being actively addressed



Consumer Brands – Ascendis Consumer Brands

Year to Date

ACB has faced several challenges in the past period driven by both external and internal factors:

- **Supply in-fill** and out of stocks
- **Operational disruption** following sale of Skin business
- **Decline in retail nutraceuticals** market
- **Change in demand dynamics** - relaxation of Covid restrictions
- Extent of 'centralisation' with other consumer businesses



Ongoing Management Interventions

Group management has stepped in to oversee the simplification of the ACB business:

- **Decentralisation of consumer segment** – specifically operating ACB independently of Supply Chain
- **Re-alignment of operating structure** and cost optimisation
- **Improve product in-fill** - limit write-offs and out of stock issues
- **Targeted marketing approach** to further entrench key brands and expand product range



Overview

Supply Chain operates a factory in Wynberg, Johannesburg that procures and manufactures vitamins and supplements

Performance and Challenges

- **Operating materially under capacity** – insufficient demand from market and from ACB
- Lack of **liquidity to invest in ageing machinery - less competitive** and this has been compounded by load shedding
- Production **staff overheads are high with business operating below scale** – resulting in cR5m per month cash drag on the group
- **Financial performance historically obscured** through partial integration with ACB business – identified during decentralisation

Holistic Solution

- During March 2023 Supply Chain **entered into a beneficial manufacturing and asset sale agreement with Nautilus Pharma** (part of the Vital Health group) for the manufacturing of ACB's volumes
- Staff will be given the option to transfer to Vital Health
- It is anticipated that the transaction will leave Ascendis in a cash positive position after settling all creditors
- **Ascendis retains ownership of the land and buildings in Wynberg previously valued at R60m**

Overview

Chempure is one of **sub-Saharan Africa's largest importers and distributors of speciality ingredients** used in the sports nutrition, food and beverages, health and wellness as well as personal care industries



Performance

Sales declined due to **lower consumer spending, reduction in sports nutrition demand** and key customers focusing on cost savings

Macroeconomic factors have impacted profitability while **costs are being tightly managed** to offset the lower sales and gross profit

Business remains a strong cash generator for the group

Challenges

Capital expenditure is required to invest in better stock control systems to improve net working capital and optimise cashflow
Higher **COGS** due to macro factors (FX rate, import pricing)



Opportunities

Capital expenditure for better stock control (**improve net NWC and cash flow**)

Negotiating **improved credit terms** (improve cash flow cycle)

Source and invest behind new agencies to improve and expand product basket





Compounding Pharmacy SA

Overview	Performance	Challenges	Opportunities
<p>Speciality pharmacy which compounds personalised and speciality medications and nutraceutical products for patients and medical practitioners from its premises in Bryanston, Gauteng</p> <p>The facility includes a state-of-the-art Good Manufacturing Practice compliant sterile laboratory</p>	<p>Revenue was in line with the prior year</p> <p>A positive shift in the product mix and the ability to pass on price increases to customers boosted GP margin</p> <p>The business remains highly cash generative owing to payment terms from creditors, the short stock holding cycle and close management of debtors</p>	<p>Damage to equipment due to load shedding</p> <p>Raw material supply issues due to changes in SAHPRA regulations</p>	<p>Increase geographical footprint (local and international)</p> <p>Increase capacity of lab to support strong demand</p> <p>Mitigate load shedding impact through equipment upgrade</p> <p>Partnerships with new global suppliers</p>





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Income statement

Continuing operations (R'm)		6 months to Dec 2022	6 months to Dec 2021*	% change
Revenue	Medical up 13% but Consumer Brands under pressure, down 21%	777	778	-
Cost of sales		(465)	(437)	7%
Gross profit	Impacted by supplier price increases, higher raw material input costs and product mix changes	312	341	(9%)
<i>Gross profit margin</i>		40.1%	43.9%	
Other income		1	6	
Selling & distribution costs	Includes operational savings of R18m and once costs to reduce payroll. H/O savings not adequately reflected.	(53)	(55)	(3%)
Administrative expenses		(229)	(237)	(4%)
Other operating expenses	Includes forex losses of R20m and provision for SARS VAT assessment of R53m	(132)	(64)	108%
Transaction & restructuring costs		(19)	(76)	(74%)
Net impairment losses on assets		(3)	(170)	(98%)
Operating loss		(123)	(255)	52%

* Restated



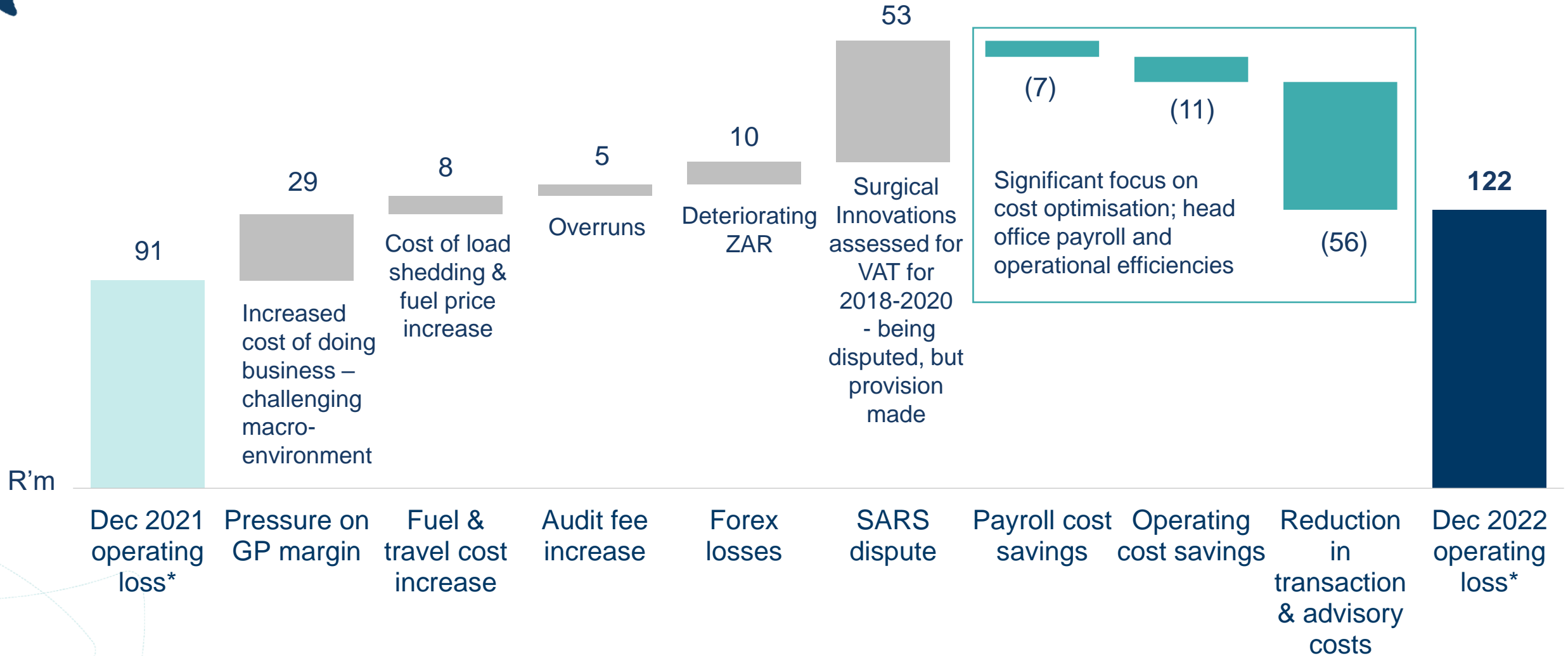
Income statement (continued)

Continuing operations (R'm)		6 months to Dec 2022	6 months to Dec 2021*	% change
Operating loss		(123)	(255)	52%
<i>Operating margin</i>		<i>(15.8%)</i>	<i>(32.8%)</i>	
Net finance costs	R355m reduction in interest paid on term debt facilities. Includes R14.3m relating to SI SARS matter.	(45)	(399)	(89%)
Taxation		(4)	(8)	49%
Loss after tax		(172)	(662)	74%
Adjusted for capital items and NCI		-	108	
Headline loss		(172)	(554)	69%
WANOS ('m)		585.1	478.1	22%
EPS (c)	Material improvement in EPS & HEPS despite rights issue which was critical to restoring group balance sheet	(29.4)	(138.7)	79%
HEPS (c)		(29.4)	(115.9)	75%

* Restated



Impacts on operating loss

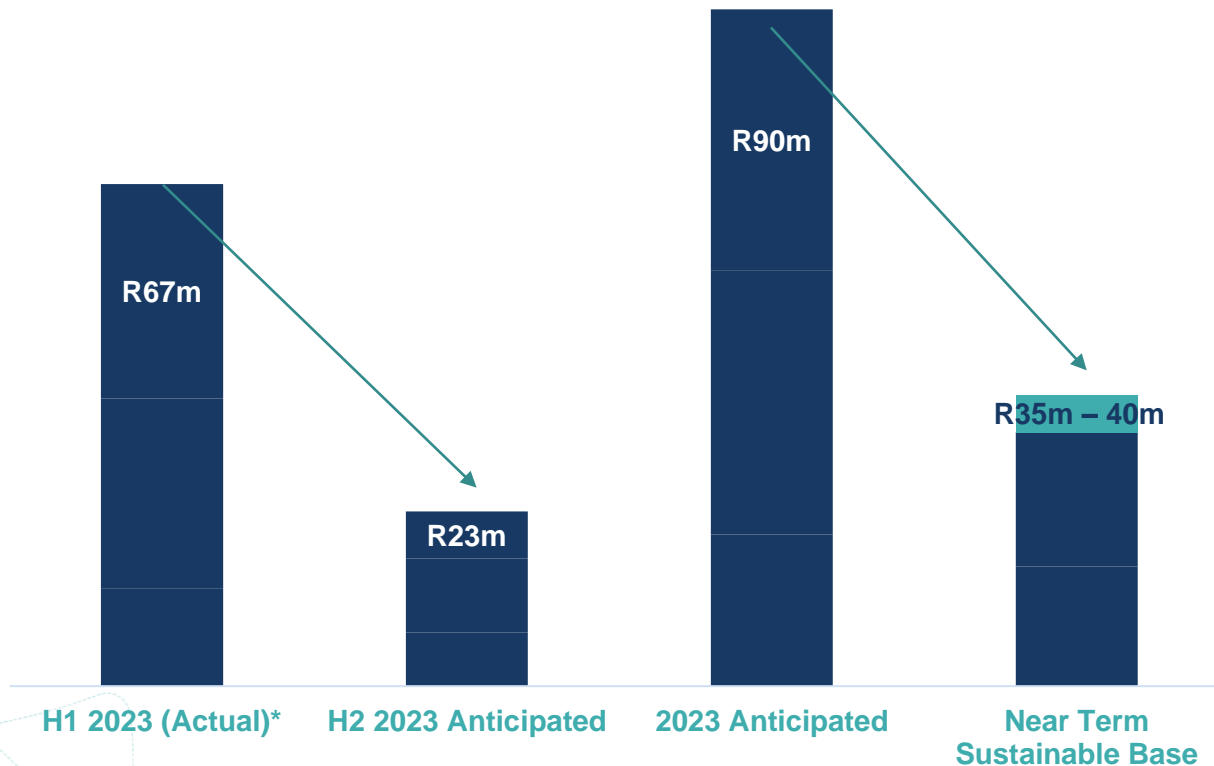


* Excluding other income and impairments of assets



Head office wind down update

Head Office Cost Reduction



*incl Pharma-related costs shown in profit from discontinued operations

- **Significant once-off costs** incurred in H1 2023 relating to:
 - Mutual separation agreements to exit head office staff
 - Transaction costs for sale of Ascendis Pharma
 - Rights offer
 - Management incentive payments for sale of Skin and Pharma
- Head office in process of being transitioned to be “value accretive” to B/Us:
 - **Head count reduced** from 34 to 14 – further changes to the structure are ongoing
 - **Internalisation of corporate finance and advisory work**
 - Reduction of rental – move from Bryanston to Wynberg
 - Current focus on **reduction of fixed expenses** – decentralisation of IT function and shared licences taking time. Decentralisation of treasury – successful.
- **Significant time spent managing liquidity**
- Estimated **direct cost of being listed >R5 million**



Balance sheet – assets

R'm	Dec 2022	Dec 2021*
Intangible assets and goodwill	106	125
Trade and other receivables	308	339
Inventories	439	399
Property, plant and equipment	238	203
Cash and cash equivalents	125	225
Right-of-use assets	106	135
Tax-related assets	66	85
Other financial assets	8	86
Held for sale assets	-	233
Total assets	1 396	1 830

- **Trade receivable days decreased from 159 to 145 days** and are largely driven by the extent of government revenue within the Medical businesses
- **Inventory days increased from 334 to 345 days**, affected by timing of receipt of stock around year end, growth in Ortho-Xact and reduced sales within Consumer Brands
- **Cash includes restricted balances of R41.5m** reflecting the importance of the rights issue to repayment of external debt

* Restated



Balance sheet – liabilities and equity

R'm	Dec 2022	Dec 2021*
Borrowings	62	601
Finance lease liabilities	146	175
Trade and other payables	367	333
Tax-related liabilities	35	100
Other liabilities	93	37
Held for sale liabilities	-	85
Total liabilities	703	1 331
Equity	693	499
Total liabilities and equity	1 396	1 830

- **Borrowings reduced materially** following sale of Pharma and rights issue
- Finance lease liability primarily made up of **onerous Medical lease**
- **Improvement in creditor terms** with creditor days increasing from 58 to 78 days. Management continues to focus on improving terms.
- **Solvency and liquidity** have improved substantially with a 34% increase in NAV per share

* Restated



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Transition team interventions – building a sustainable group

BUSINESS MODEL DIAGNOSTIC – Entrenching management in the business – detailed financial & operational analysis

PEOPLE AND LEADERSHIP REVIEW – Getting the right people in the right roles

INCENTIVE REVIEW – Alignment with shareholder value – shift to ROIC

BUSINESS MODEL OPTIMISATION – Negotiation & operational assistance to optimise margins & ROIC

VALUE ACCRETIVE CAPITAL ALLOCATION

BUSINESS UNIT LEVEL

GROUP/HEAD OFFICE LEVEL

LIQUIDITY MANAGEMENT – Cash flow oversight and liquidity management interventions. Decentralising treasury.

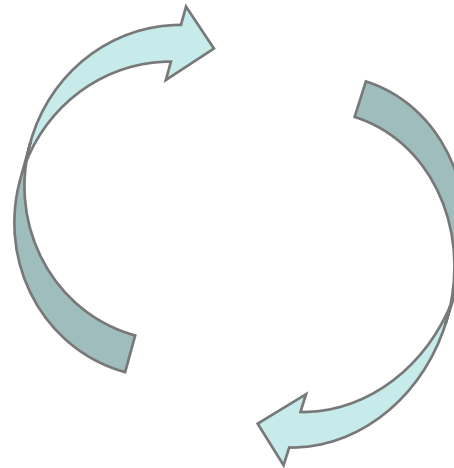
PEOPLE & PROCESS MANAGEMENT – Head office wind-down and group decentralisation

COST OPTIMISATION – Cost and process review – culture of prudence

BALANCE SHEET STABILISATION – Pathway to repayment of senior debt, managing solvency and group capital structure (refinance)

STRATEGIC CAPITAL ALLOCATION – Value accretive capital expenditure only

LEGAL – Review of contracts – recouping value





Strategy update

Completed

STABILISE

- ✓ **Deleveraged balance sheet** through settlement of senior debt
- ✓ **Rights offer** proceeds enabled group to manage liquidity while repaying debt
- ✓ Realised **net proceeds of R69m** (11 cents per share) more from sale of Pharma
- ✓ Retained Medical Devices businesses which allowed group to benefit from **diversified revenue streams**
- ✓ Governance structure stabilised and enhanced - **transition team assumed an interim management role** across the group
- ✓ **Shareholder base consolidated** and strengthened

Work in progress

OPTIMISE

- Transitioning to an **investment holding company structure** – capital allocation and portfolio management
- **Accelerated head office wind down** – progress being made
- Decentralising head office functions – **treasury management successfully decentralised**
- Creating a **culture of prudence** and cost consciousness
- Implementing a **sustainable group capital structure** – negotiations with banking partners ongoing
- Addressing **arrear capital investment** - capital already successfully deployed
- Optimising challenged business models after several years of liquidity constraints



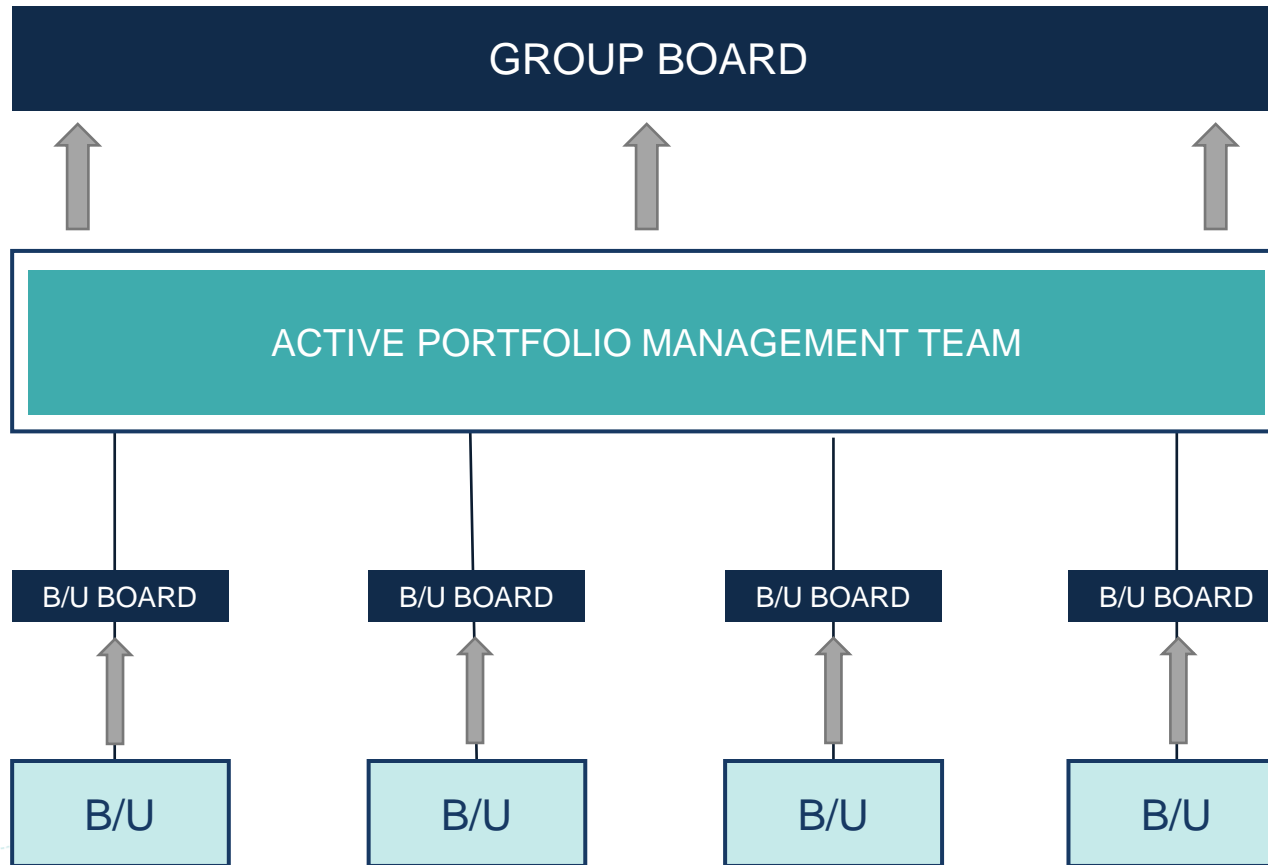
Work in progress

GROW

- Exploring **alternative ways to maximise value for shareholders** owing to cost and complexities of operating as a listed company, compounded by the lack of liquidity and operational flexibility
- **Investing in new product categories and agencies** that generate the most favourable return on invested capital. Partnering with agencies.
- **Divesting and/or restructuring businesses** that do not offer sustainable returns to shareholders
- **Aligning management and shareholder incentives**



Envisaged investment holding company structure



Group **target operating structure** over the longer term:

- **Portfolio management team** – responsible for supervisory management of B/Us, group executive management, capital allocation, investment management and dealmaking. This could be an externalised or internal function.
- **B/U specific boards** responsible for business strategy – consist of MDs, portfolio manager, industry non-executive
- **Reduced head office with only critical functions** – lean and flexible cost structure – target 2% - 3% of asset value in listed environment
- **Finance & Reporting** – likely change in accounting policy to apply consolidation exemption. May also include other group services.



Outlook for the next six months

1 Navigate challenging macroeconomic environment

- Cost of doing business is rapidly increasing - deteriorating ZAR, rising Euro input costs, fuel costs and load shedding
- SA consumer is under immense pressure – shift in buying behaviour: downtrading, move to private label, smaller spend basket
- Medical businesses are impacted by medical aid reimbursements to hospitals – results in pricing pressure

4 Supply chain factory restructuring / turnaround

- Factory currently operating well under-capacity – also requires material capital investment
- Material value ascribed to buildings and machinery

2 Manage group tax risks and progress ongoing disputes

- Surgical Innovations – SARS VAT matter and ongoing group tax assessments pose a risk to the balance sheet

5 Build resilience and transition business models

- Business benefits from diversified revenue streams and several opportunities exist to enhance ROIC; optimise cost structure and shift business revenue mix; focus on partnerships with suppliers and customers to mitigate economic challenges
- Specific initiatives and interventions underway within The Scientific Group, Surgical Innovations, Consumer Brands and Ortho-Xact

3 Conclude wind down of head office operating costs

- Progress transition to investment holding company structure – active portfolio management and aligned incentives
- Prioritise cost savings across head office and business units to alleviate effects of margin pressure

6 Progress pathway to unlocking value for shareholders



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