

The Board and Independent Board
Ascendis Health Limited
1 Carey Street
Wynberg
Sandton
2090

11 December 2023

Dear Sirs / Mesdames

REPORT OF THE INDEPENDENT EXPERT TO THE INDEPENDENT BOARD OF DIRECTORS OF ASCENDIS HEALTH LIMITED REGARDING THE EXIT OFFER

Introduction

In terms of the cautionary announcement released on the Stock Exchange News Service (“SENS”) of the JSE Limited (“JSE”) on Wednesday, 27 September 2023 (“Cautionary Announcement”) and Annual Results Announcement and the Company’s 2023 Annual Results Presentation released on SENS on Friday, 29 September 2023, holders of ordinary shares of no par value in the issued capital of Ascendis Health Limited (“Ascendis” or the “Company”) (“Shareholders”) (“Shares” or “Ascendis Shares”) were advised that the Company has initiated a process to investigate and progress a potential delisting of Ascendis from the JSE as the next step in its strategy to unlock value and return capital to Shareholders.

In terms of the Firm Intention Announcement (“FIA”) released on SENS on 27 November 2023, Shareholders were further advised that a group of offerors comprising ACN Capital IHC Proprietary Limited, an entity owned and controlled by Carl Neethling, Carl Andre Capital Proprietary Limited, Dendrobium Capital Proprietary Limited, Emfam Beleggings Proprietary Limited, Kingston Kapitaal Proprietary Limited and the JVDM Trust (are together the “Consortium”) delivered the firm intention offer letter on Friday, 24 November 2023 to the board of directors of Ascendis (“Board” or “Directors”) whereby the Consortium proposes to make an offer to acquire 571 386 858 Shares from Shareholders other than holders of treasury shares and Consortium Shares (“Exit Offeree Shareholders”) for a cash consideration of 80 cents per Share (“Exit Offer Consideration”) and subsequently delist the Shares from the exchange operated by JSE (“Delisting”) (the “Exit Offer”).

The authorised and issued share capital of Ascendis as at Wednesday, 6 December 2023, being the last practicable date prior to the finalisation of the circular to Shareholders regarding the Exit Offer (“Circular”) (“Last Practicable Date”) is set out below:

Authorised share capital

2,000,000,000 Shares

Issued share capital

632,469,959 Shares (of which 6,720,089 held as treasury shares)

The material interests of the directors are set out in section 20 of the Circular and the effect of the Exit Offer on those interest and persons are set out in this section of the Circular.

Fairness opinion in terms of the Listings Requirements

Pursuant to the Delisting, in terms of section 1.15(c) of the JSE Listings Requirements (“Listings Requirements”), the Exit Offer must be made to all Shareholders with terms and conditions provided in full in the circular to Shareholders (“Circular”). In terms of section 1.15(d) of the Listings Requirements, a statement must be included in the Circular by the Board confirming that the Exit Offer is fair insofar as Shareholders are concerned and that

the Board has been so advised by an independent expert acceptable to the JSE. The Board must obtain a fairness opinion prepared in accordance with Schedule 5, before making this statement (“Fairness Opinion”).

The Board has constituted a sub-committee to appraise the Exit Offer on behalf of the Board (“Independent Board”).

Independent expert reports required in terms of the Companies Act

The Exit Offer is an affected transaction as defined in section 117(1)(c)(v) of the Companies Act, No. 71 of 2008, as amended (“Companies Act”). In terms of section 114(2) of the Companies Act, as read with Regulations 90 and 110 of the Companies Regulations, 2011 (“Companies Regulations”), the Independent Board of Ascendis constituted in terms of the Companies Act (“Independent Board”) is required to retain an independent expert to provide an independent expert report (in the form of a fair and reasonable opinion) in terms of section 114(3) of the Companies Act and Regulations 90 and 110 of the Companies Regulations (the “Fair and Reasonable Opinion”, together with the Fairness Opinion are the Independent Expert Report).

BDO Corporate Finance Proprietary Limited (“BDO Corporate Finance” or “Independent Expert”) has been appointed as the independent expert by the Independent Board to assess the Exit Offer. The Fair and Reasonable Opinion set out herein is provided to the Independent Board for the sole purpose of assisting the Independent Board in forming and expressing an opinion on the Exit Offer and Exit Offer Consideration for the benefit of Shareholders.

Responsibility

Compliance with the Listings Requirements is the responsibility of the Board. Compliance with the Companies Act and the Companies Regulations is the responsibility of the Independent Board. Our responsibility is to report to the Independent Board on whether the terms and conditions of the Exit Offer and the Exit Offer Consideration are fair and reasonable to Exit Offeree Shareholders.

Definition of the terms “fair” and “reasonable” applicable in the context of the Exit Offer

The “fairness” of a transaction is primarily based on quantitative issues. A transaction will generally be said to be fair to a company’s shareholders if the benefits received, as a result of the transaction, are equal to or greater than the value given up.

The Exit Offer may be said to be fair to Exit Offeree Shareholders if the Exit Offer Consideration is equal to or greater than the fair value of a Share, or not fair if the Exit Offer Consideration is less than the fair value of a Share. Furthermore, in terms of Regulation 110(8) of the Companies Regulations, an offer with a consideration per offeree regulated company security within the fair value range is generally considered to be fair.

In terms of Regulation 110(9), an offer with an offer consideration per offeree regulated company security above the offeree regulated company’s traded security price at the time the offer consideration(s) per security was announced, or at some other more appropriate identifiable time, is generally considered to be reasonable. Furthermore, qualitative considerations are also considered in opining on the reasonableness of an offer.

Details and sources of information

In arriving at our opinion we have relied upon the following principal sources of information:

- Cautionary Announcement and FIA;
- the Circular;
- the audited annual financial statements of Ascendis, for the financial years ended 30 June 2023 and 2022;
- in respect of each of the following subsidiaries of Ascendis, being:
 - Ascendis Consumer Brands Proprietary Limited (“ACB”);
 - Cardio Tech Proprietary Limited (“Cardaxes”);
 - Chempure Proprietary Limited (“Chempure”);
 - Compounding Pharmacy of South Africa Proprietary Limited (“CPSA”);
 - Interv Med Proprietary Limited (“Interv Med”);
 - Ortho-Xact Proprietary Limited (“OX”);
 - Surgical Innovations Proprietary Limited (“SI”); and
 - The Scientific Group Proprietary Limited (“TSG”);

(collectively, the “Operating Assets”)

- Supply Chain Proprietary Limited (“Supply Chain”); and
 - Ascendis Management Services Proprietary Limited (“AMS” or “Head office”)
- (Ascendis, the Operating Assets, Supply Chain and AMS are together the “Ascendis Group”)

the following information:

- the latest financial information of the Operating Assets, Supply Chain and AMS for the financial years ended 30 June 2021, 2022 and 2023 (excluding Interv Med);
 - the latest financial information of the Interv Med for the financial years ended 30 June 2023;
 - year to date financial information of Operating Assets, Supply Chain and AMS for the period ended 30 September 2023;
 - forecast financial information in respect of the Operating Assets approved by the Independent Board for the financial years ending 30 June 2024 to 30 June 2028;
 - summary of contingent liabilities of Ascendis Group as at 30 September 2023; and
 - forecast financial information of the AMS cost centre for the year ending 30 June 2024;
- discussions with directors and management of Ascendis regarding the financial information of the Ascendis Group;
 - discussions with directors and management of Ascendis on prevailing market, economic, legal and other conditions that may affect underlying value;
 - publicly available information relating to the industry in which the Ascendis Group operates, in general; and
 - publicly available information relating to Ascendis that we deemed to be relevant, including Company announcements and media articles.

The information above was secured from:

- Directors and management of Ascendis; and
- third-party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing Ascendis Group.

Procedures

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the Exit Offer:

- reviewed the terms and conditions of the Exit Offer;
- reviewed the financial information relating to Ascendis Group as detailed above;
- reviewed and obtained an understanding from the management of Ascendis as to the forecast financial information of Ascendis Group for the financial year ending 30 June 2024 - 30 June 2028 as prepared by Ascendis management and approved by the Independent Board. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management and we assessed the achievability thereof by considering historical information as well as macro-economic and industry-specific data;
- performed such other studies and analyses as we deemed appropriate and have considered our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the industries in which the Operating Assets operate;
- held discussions with the directors and management of Ascendis regarding the past and current business operations, regulatory requirements, financial condition and prospects of Ascendis and such other matters as we have deemed relevant to our inquiry;
- performed a valuation of an Ascendis Share as described further below in ‘Valuation Approach’;
- assessed the long-term potential of Ascendis Group;
- performed a sensitivity analysis on key assumptions included in the valuation;
- evaluated the relative risks associated with Ascendis Group and the industries in which the Operating Assets operate;

- reviewed certain publicly available information relating to Ascendis Group and the industries in which the Operating Assets operate that we deemed to be relevant, *inter alia*, Company announcements, media articles, and any available analyst coverage of the industry in general; and
- where relevant, representations made by management and/or directors of Ascendis were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industries in which the Operating Assets operates, and to analyse external factors that could influence the business of Ascendis Group.

Assumptions

We arrived at our opinion based on the following assumptions:

- that the Exit Offer will have the legal, accounting and taxation consequences described in the Circular and discussions with, and materials furnished to us by representatives and advisers of Ascendis; and
- that reliance can be placed on the financial information of Ascendis Group.

Appropriateness and reasonableness of underlying information and assumptions

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our opinion by:

- placing reliance on audit reports in the financial statements of Ascendis;
- conducting analytical reviews on the historical financial results and forecast financial information, such as key ratio and trend analyses; and
- determining the extent to which representations from the management and/or directors of Ascendis were confirmed by documentary and other financial evidence as well as our understanding of Ascendis Group and the economic environment in which the Operating Assets operate.

Limiting conditions

The Independent Expert Report is provided in connection with and for the purposes of the Exit Offer. The Independent Expert Report does not purport to cater for each individual Exit Offeree Shareholder's perspective, but rather that of the general body of Exit Offeree Shareholders. Should an Exit Offeree Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

Individual Exit Offeree Shareholder's decisions regarding the Exit Offer may be influenced by such Exit Offeree Shareholder's circumstances and accordingly, individual Exit Offeree Shareholders should consult an independent adviser if in any doubt as to the merits or otherwise of the Exit Offer.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management and/or the Independent Board, by reference to publicly available or independently obtained information. While our work has involved an analysis of, *inter alia*, the annual financial statements, and other information provided to us, our engagement does not constitute an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of Ascendis Group relates to future events and is based on assumptions that may or may not remain valid going forward. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of Ascendis will correspond to those projected. We have however compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management and/or directors.

We have also assumed that the Exit Offer will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisers of Ascendis and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

Independence, competence and fees

We confirm that neither we nor any person related to us (as contemplated in the Companies Act) have a direct or indirect interest in the Shares or the Exit Offer, nor have had within the immediately preceding two years, any relationship as contemplated in section 114(2)(b) of the Companies Act, and specifically declare, as required by Regulation 90(6)(i) and 90(3)(a) of the Companies Regulations, that we are independent in relation to the Exit Offer and will reasonably be perceived to be independent. We also confirm that we have the necessary competence to provide the Independent Expert Report and meet the criteria set out in section 114(2)(a) of the Companies Act.

We confirm that we, nor any person related to us (as contemplated in the Listings Requirements), have any relationship with Ascendis or with any party involved in the Delisting as contemplated in paragraph 5.12 of schedule 5 of the Listings Requirements and have not had such relationship within the immediately preceding two years.

Furthermore, we confirm that our professional fees of R425,000 (excluding VAT), in respect of professional services relating to the Exit Offer are not contingent upon the success of the Exit Offer. Our fees are not payable in shares.

Valuation approach

This valuation has been prepared on the basis of “Market Value”. The generally accepted definition of “Market Value” is the value as applied between a hypothetical willing vendor and a hypothetical willing prudent buyer in an open market and with access to all relevant information.

The net asset value (“NAV”) method of valuation is normally the most appropriate for the valuation of pure investment companies. This valuation approach would be used to value an investment holding company, where the value attributable to such holding company would be determined on a “sum of the parts” (“SOTP”) basis. As such, the NAV methodology is most applicable for businesses where the value lies in the underlying assets and not the ongoing operations of the business. BDO Corporate Finance performed a SOTP valuation of Ascendis. The valuation was based on the following principal valuation methodologies:

- for Operating Assets, we compiled forecast cash flows for each of the Operating Assets by using the forecast financial information as detailed above. We applied our assumptions of weighted average cost of capital (“WACC”) to the forecast cash flows to produce a discounted cash flow (“DCF”) valuation of each of the Operating Assets which was supplemented by a market approach valuation as a secondary valuation approach for each Operating Asset to support the result of the DCF valuation. In terms of the market approach we applied our calculated multiples based on market comparables, adjusted for company specific factors for each of these Operating Assets. The multiple was applied to earnings before interest, tax, depreciation and amortisation (“EBITDA”) for currently profitable Operating Assets and to book value for currently loss making Operating Assets;
- Supply Chain is being discontinued and the property held by Supply Chain is being prepared for disposal. The fair value of Supply Chain is based on the expected net sale proceeds;
- aggregated the valuations of the Operating Assets as well as adjusting for Supply Chain, financial assets and financial liabilities to determine a NAV valuation of an Ascendis Share (“Ascendis NAV”);
- determined the recurring costs of AMS and applied our calculated earnings multiple to capitalise these costs;
- applied an appropriate discount to Ascendis NAV after considering “the ability to convert the business ownership interest (at whatever ownership level) to cash quickly, with minimum transaction and administrative costs in so doing and with a high degree of certainty of realising the expected amount of net proceeds” (Source: Pratt S, Reilley R and Schweighs R, Valuing a Business. McGraw-Hill, 2000) (“Holding Company Discount”)(the fair value of the Operating Assets have been determined on a controlling marketable basis (i.e. each of the assets could be realised at that value if sold today), however as the Operating Assets comprise of a portfolio of eight assets it would not be possible to realise those assets simultaneously and therefore Ascendis would not receive the marketable controlling value for each of the underlying Operating Assets, given the time, costs and uncertainties involved in disposing of a portfolio); and
- Determined the fair value per Ascendis Share based on the aggregate of the Ascendis NAV, less capitalised head office costs and the Holding Company Discount. A Holding Company Discount range of between 5% and 10% was applied to Ascendis NAV which reflects the costs and time associated with disposing of a diverse portfolio.

Key internal value drivers and assumptions for the DCF valuations of the Operating Assets comprise; gross profit margins, EBITDA margins, working capital investment, capital expenditure and the discount rate (represented by the WACC).

Key external value drivers for the DCF valuations of the Operating Assets comprise:

- ACB: Revenue growth which is a function of market growth and market share for the nutraceutical and vitamin brands portfolio, namely: Solal, VitaForce, Bettaway, Menacal7, Chela-fer, Chela-preg and Jungle Vites;
- Cardaxes: Revenue growth which is a function of growth in the coronary imaging, physiology and therapy device market and the cardiac rhythm disorder treatment market together with the market share for the Philips and Microport products offered by Cardaxes respectively;
- Chempure: Revenue growth which is a function of the dollar denominated whey protein concentrate commodity price which impacts the demand for the products sold by Chempure;
- CPSA: Revenue growth which is a function of the availability of pharmaceutical grade raw materials and demand for the products compounded by CPSA;
- Interv Med: Revenue growth which is a function of the agencies held by Interv Med for interventional and diagnostic cardiology, interventional and diagnostic radiology, neuro interventional radiology and fluid management products and the relative market share for each agency;
- OX: Revenue growth which is a function of the market share for the Orthofix orthopaedic products in the South African External/Ring Fixator Market;
- SI: Revenue growth which is a function of the agencies held by SI for medical devices used for Minimally Invasive Surgery and the relative market share for each agency; and
- TSG: Revenue growth which is a function of the agencies held by TSG for instruments, reagents and consumables in the scientific and diagnostic industries and the relative market share for each agency.

We performed a sensitivity analysis on key assumptions included in the Operating Assets DCF valuations. The sensitivity analysis was performed by:

- increasing and decreasing the terminal growth rate by a maximum of 1.0%; and
- increasing and decreasing WACC by a maximum of 1.0%.

The sensitivity analysis did not indicate a sufficient effect on the valuation of a Share to alter our opinion with respect to the Exit Offer and the Exit Offer Consideration.

Valuation results

In undertaking the valuation exercise above, we determined a valuation range of 76 cents to 89 cents per Share with a most likely value of 84 cents per Share.

We note that the above range results in variance of 17.7% between the lower and upper value of a Share however, the variance between the upper and lower Ascendis NAV is 13.1%. The value range per Share is attributed to the following factors:

- Turnaround nature of some businesses within the Ascendis Group and the uncertainty of outlook - a number of businesses in the Ascendis Group have undergone extensive restructuring and have relatively new management teams. The Ascendis Group is still executing some of the restructuring initiatives, the success of which is still to be proven. There is inherently more upside and more downside risk for the businesses when compared to businesses with a consistent earnings history; and
- Head office costs and the Holding Company Discount, once deducted from the Ascendis NAV, contributes to a wider value range.

The valuation range above is provided solely in respect of the Independent Expert Report and should not be used for any other purposes.

Reasonableness of the Exit Offer

The Exit Offer Consideration represents a premium of 15.9% to the closing price of a Share on the JSE on 26 September 2023 of 69 cents per Share, being the day prior to Cautionary Announcement (“Pre-Cautionary Date”).

In opining on the reasonableness of the Exit Offer Consideration we have also considered the rationale for the Exit Offer.

Opinion

The Exit Offer Consideration is at a discount of 4.8% to the core fair value of 84 cents per Share and a premium of 15.9% to the closing price per Share on the Pre-Cautionary Date, however, we note that the Exit Offer Consideration falls within the suggested range as calculated above.

We have considered the terms and conditions of the Exit Offer and as the Exit Offer Consideration falls within the valuation range as calculated above, we are of the opinion that the Exit Offer is fair. As the Exit Offer Consideration is above the closing price per Share on the Pre-Cautionary Date, we are of the opinion that the Exit Offer is reasonable.

Our opinion is necessarily based upon the information available to us up to Wednesday, 6 December 2023, including in respect of the financial, market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory and other approvals and consents required in connection with the Exit Offer have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this Independent Expert Report, which we are under no obligation to update, revise or re-affirm.

Consent

We hereby consent to the inclusion of this Independent Expert Report, in whole or in part, and references thereto in the Circular and any other announcement or document pertaining to the Exit Offer, in the form and context in which they appear.

Yours faithfully



N Lazanakis
Director
BDO Corporate Finance Proprietary Limited
Wanderers Office Park
52 Corlett Drive
Illovo
2196