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

CONDENSED CONSOLIDATED FINANCIAL RESULTS FOR THE YEAR ENDED 30 JUNE 2020 - SHORT FORM ANNOUNCEMENT

Key features

- Group revenue up by 19% to R6 963 million
- Normalised EBITDA^{PM} up by 58% to R1 181 million
- Normalised EBITDA^{PM} margin up by 410 bps to 16.9%
- Normalised operating profit^{PM} up by 114% to R161 million
- Operational performance impacted by impairments and higher finance costs
- Normalised headline earnings^{PM} down by 66% to R(29) million
- Normalised HEPS^{PM} 66% lower at (6.0) cents
- Basic and diluted loss per share of 174 cents
- Basic and diluted headline loss per share of 49.3 cents

The full results announcement may be downloaded from

https://senspdf.jse.co.za/documents/2020/jse/isse/asc/FYE2020.pdf

or the group's website

www.ascendishealth.com/investor-relations

Commentary
Ascendis Health Limited and its subsidiaries (together "the group") is reporting normalised results from continuing operations which have been adjusted for once-off transaction-related and restructuring costs in the current and prior reporting periods (Normalised EBITDA$^{PM)}$. Following the termination of the negotiations for the sale of Remedica in Cyprus in December 2019, the business is now classified as a continuing operation after being classified as a discontinued operation for the year ended 30 June 2019. Scitec International has been classified as a discontinued operation and the sale of this business was concluded with effect from 31 July 2020.

Financial performance

Group revenue increased by 19% to R6 963 million (2019: R5 872 million). International revenue increased by 28% to R3 676 million and accounts for 53% of the group's total sales. Revenue generated in South Africa grew by 10% to R3 287 million.

The group's gross profit increased by 23% to R3 212 million with the gross profit margin up 180 basis points to 46.1% (2019: 44.3%).

Operating expenses increased by 9%, excluding depreciation, amortisation and impairments of R1 021 million (2019: R1 870 million) and excluding once-off transaction and restructuring costs of R264 million (2019: R124 million). These costs included extensive consulting and professional fees associated with the restructuring of the senior lender debt, and other once-off costs related to the disposal of Biosciences and the planned disposal of Remedica as well as increased finance expenses associated with the interim stability agreements with the group's senior lenders.

Normalised earnings before interest, tax, depreciation and amortisation (Normalised EBITDA)^{PM} increased by 58% to R1 181 million. The growth was attributable to the higher gross profit as a result of the increased revenue and lower stock write-offs in Consumer Health compared to the prior year, partially offset by an increased investment in marketing in Europe and South Africa in support of new product launches. The adoption of International Financial Reporting Standards ("IFRS") 16 *Leases* resulted in an EBITDA increase of R58 million. The EBITDA margin expanded by 410 basis points to 16.9%.

The group's normalised operating profit^{PM} increased by 114% to R161 million (2019: normalised operating loss^{PM} of R1 121 million).

Net finance costs were R453 million higher at R856 million owing mainly to the costs related to the refinancing and interim stability agreements with lenders, interest on deferred vendor liabilities and the impact of the adoption of IFRS 16.

Impairment losses totalling R965 million (2019: R4.4 billion) were recognised as a result of the deterioration in trading performance and the higher cost of capital applied in the impairment testing due to the weaker economic environment in the wake of the COVID-19 pandemic.

The higher non-operating expenses and impairments contributed to a normalised loss after tax for the year of R682 million, compared to a loss of R1 677 million in the prior year.

The normalised headline loss reduced by R55 million to a loss of R29 million, with the normalised headline loss per share improving by 66% to (6.0) cents (2019: (17.7) cents).

The basic loss per share was (174.0) cents which improved by 54% on the prior year loss of (374.4) cents. Headline loss per share was (49.3) cents compared to (41.2) cents on the prior year, a decrease of 20%.

Impact of Covid-19

As an essential healthcare service, the group continued to operate without restriction during the national lockdown. The group's businesses were generally defensive in the Covid-19 environment, with the vitamins and supplements brands proving beneficial to supporting patients' immunity levels.

The pharma portfolio of anti-infective medication, pain management and chronic medication also played an important role in ensuring patient compliance to reduce co-morbidities during the pandemic. New product opportunities and sources of revenue were identified, including the provision of personal protective equipment.

Healthcare related businesses classified as non-essential services such as Nimue, the skin brand sold through salons, were negatively impacted. Similarly, supply chain disruptions adversely impacted the operations of Chempure, the group's strategic raw material sourcing business.

Cash and capital management

The group concluded a R6.9 billion debt refinancing agreement with its lender consortium in June 2020, extending its repayment obligations until December 2021. New debt facilities of R464 million were secured, including R100 million which was made available ahead of the refinancing agreement to fund the investment in working capital for Covid-19 related inventory.

The group generated cash from operating activities of R754 million. At end June 2020, cash and cash equivalents totalled R344 million (2019: R397 million). The group repaid borrowings of R126 million and invested R326 million in capital expenditure. The sale of Biosciences generated net proceeds of R424 million. No dividends were declared or paid during the current or prior reporting period.

Outlook

The group's diversified health and wellness offering will not only assist in offsetting the negative commercial impact of Covid-19 but also allow Ascendis Health to play a meaningful role in the country's efforts to combat the spread of the disease.

The asset disposal programme is being accelerated and the group is committed to maximising value from the sale of its businesses to restore the stability of the balance sheet. Advisers have been appointed on key proposed asset disposals.

After the reporting period, the disposal of Scitec International in Hungary was completed for R100 million, effective 31 July 2020, and Ascendis Direct Selling was sold for R10.5 million, effective 31 August 2020. These funds have been applied to reducing the group's debt levels.

Mark Sardi
Chief Executive Officer

Kieron Futter
Chief Financial Officer

Auditor's opinion

The group's independent auditor, PricewaterhouseCoopers Inc. ('PwC'), has conducted a review of the condensed consolidated annual financial statements for the group for the year ended 30 June 2020 in accordance with the International Standard on Review Engagements (ISRE) 2410. PwC has issued an unmodified review opinion on the condensed consolidated annual financial statements, however containing an emphasis of matter in relation to the group's ability to continue as a going concern, as more fully detailed in the review report.

The auditor's review report is available for inspection at the issuer's registered office.

Any reference to future financial performance included in the condensed consolidated financial results announcement has not been reviewed or reported on by the group's independent auditor.

Directors' responsibility

This short-form announcement is the responsibility of the directors of Ascendis Health. Any investment decisions should be based as a whole on consideration of the full announcement which may be downloaded from the Company's website (www.ascendishealth.com) or may be viewed, at no cost, at the registered office of the Company, during ordinary business hours, for a period of 30 calendar days following the date of this announcement.

A copy of the full announcement may also be requested via email from the Company Secretary at mpeo.nkuna@ascendishealth.com, or accessed from the links provided above.

Performance Measures

Performance measures (PM's) 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 PM's are used to improve comparability of information between reporting periods and segments by adjusting for infrequent items. The key PM's used by the group are Normalised EBITDA, Normalised operating profit and Normalised headline earnings per share and Adjusted EBITDA. PM's 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

Bryanston
29 September 2020

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