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**")

MARKET UPDATE

1. GENERAL TRADING AND PERFORMANCE UPDATE

The board of directors of Ascendis Health ("**the Board**") wishes to provide an update to shareholders on the operating and financial performance of Ascendis Health and its subsidiaries (the "**Group**") for the 6 months ended 31 December 2020 ("**the Current Period**").

The Group has benefited from a largely COVID-19-defensive portfolio with strong operational performance in both its European and South African based businesses. On a comparable basis the Group businesses that have not yet been divested(Note 1) reflected an aggregate growth in Revenue of between 29% and 35% reflecting an expected Revenue range of between R3 865 million and R4 063 million. On the same basis, Normalised EBITDA(Note 2) reflected growth of between 36% and 56%, in an expected range of R718 million and R822 million.

International operations

The Group's International operations comprise of Remedica, Sun Wave and Farmalider. On an aggregated basis both Revenue and Normalised EBITDA(Note 2) reflected double-digit growth in Euros. Revenue for the half year is expected to range between €111 million and €116 million, comprising a 11% to 17% growth over the comparable prior year period. Normalised EBITDA(Note 2) is expected to close within a range of €30 million and €35 million representing a 22% to 41% growth over the comparable prior year period.

Remedica remains the largest contributor to Revenue and Normalised EBITDA(Note 2) and delivered strong performance across each of its agency, NGO, out-licencing and home market channels. Remedica is an integrated developer, manufacturer and marketer of generic pharmaceuticals with a focus on chronic need antiretroviral and oncology therapeutic treatment. Remedica's revenue is expected to close between €65 million and €68 million, an increase of 17% to 23% over the comparable prior year period. Normalised EBITDA(Note 2) is expected to close between €20 million and €24 million, reflecting a 20% to 40% uplift.

Despite challenges brought about by the need to revise operations due to COVID-19, Farmalider achieved solid Revenue and EBITDA growth, driven by sales in licencing and contract supply. Sun Wave has continued to capitalise on its strong market position in Romanian nutraceuticals and OTC products. Sun Wave is currently executing innovative digital strategies to reach its target market whilst lock down restrictions continue in Romania. The combined revenue for half year of these businesses is expected to close within a range of €45 million and €48 million, reflecting 5% to 10% growth over the comparable prior year period. The combined Sun Wave and Farmalider normalised EBITDA(Note 2) is expected to close within a range of €10 million and €11 million representing a 32% to 52% growth over the comparable prior year period.

The Group's international businesses provide a natural hedge against the South African Rand, and the half year results reflect the associated currency translation gains.

South Africa operations

The Group's South Africa operations comprise the Medical Devices, Consumer Health, Ascendis Pharma, Animal Health and Biosciences divisions. On an aggregated basis, Revenue is expected to close within a range of R1 963 million and R2 064 million, up 4% to 10% over the comparable prior year period. Normalised EBITDA(Note 2) is expected to close within a range of R323 million to R372 million representing a 29% to 48% growth over the comparable prior year period. The main contributors to this performance were the Medical Devices and Animal Health divisions.

Medical Devices houses the Respiratory Care Africa ("**RCA**") and The Scientific Group ("**TSG**") subsidiaries that supply high flow oxygen units: airvos, and ventilators that are critical to the fight against COVID-19 as well as the testing equipment used to detect the virus. Strong performance in RCA and TSG was somewhat offset by the Surgical Innovations and Ortho-Xact subsidiaries, that are also housed within Medical Devices and whose businesses have been negatively impacted by lower elective surgery and trauma cases as a result of lock down restrictions. Operating performance was negatively impacted by higher freight costs incurred to ensure speedier transportation of respiratory related equipment and consumables purchases from our suppliers. Medical Devices revenue is expected to close between R1 084 million and R1 139 million, reflecting a 54% to 62% uplift from the comparable prior year period. Normalised EBITDA[Note 2] is expected to close between R190 million and R218 million, reflecting a 39% to 59% uplift. The business is expected to continue at higher-than-normal operating levels whilst South Africa continues to battle wave 2 of the COVID-19 pandemic which has resulted in higher infection and hospitalisation rates than wave 1. Management believes that the demand for respiratory consumables beyond COVID-19 will continue to be higher than historical pre-COVID-19 requirements due to the proprietary nature of the equipment installations.

The Animal Health division has continued to maintain momentum, higher animal medicine sales have been offset by a slowing in the companion animal segment, as visits to vets have reduced due to COVID-19. Revenue is expected to close between R280 million and R294 million, reflecting a 17% to 23% uplift from the comparable prior year period. Normalised EBITDA[Note 2] is expected to close between R69 million and R81 million, reflecting a 10% to 30% uplift. This business has been identified as a non-core asset for divestment and negotiations for its disposal are at an advanced stage.

The Biosciences division has shown solid growth in Normalised EBITDA[Note 2] for the interim period to December compared to prior year due in part to increased sales in crop insecticides. The prior year results were negatively impacted by a loss of R22 million on the disposal relating to the Biosciences tranche 1. The Biosciences division reflected Normalised EBITDA[Note 2] growth of between 227% and 247% up from R13 million in the comparable prior year period. This business has been identified as a non-core asset for divestment.

Strong performance was tempered by the results of the Consumer Health and Pharma businesses.

Consumer Health was negatively impacted by the lock down restrictions that resulted in salon closures, impacting revenue from the Skin and Body segment, and COVID-19 impacting contract manufacturing volumes. Consumer Health revenue is expected to close between R412 million and R433 million, reflecting an 8% to 12% reduction from the comparable prior year period. Normalised EBITDA[Note 2] is expected to close between R27 million and R34 million, reflecting a 2% to 20% reduction.

The Ascendis Pharma business results were negatively impacted by lower state tender and dispensing doctor sales driven in part by a reduced need for cold and flu medication. Revenue is expected to close between R342 million and R359 million, reflecting a 0% to 5% reduction from the comparable prior year period. The division posted negative normalised EBITDA[Note 2] of between R5 million and R6 million, reflecting a 249% to 269% reduction. Management are reviewing the strategy of this division and the impact of certain government related sales on profitability.

Following the recent declaration by the South Africa Health Product Regulatory Authority (SAHPRA) to approve the use of Ivermectin through the implementation of a compassionate use access program in terms of section 21 of the Medicines and Related Substances Control Act, No. 101 of 1965, the Company is investigating the development of a formulation to potentially be dispensed in accordance with SAHPRA's guidelines.

The financial information in this announcement is the responsibility of the directors and has not been reviewed or reported on by the Company's external auditor.

Notes:

1. The sale of Scitec International S.à.r.l group was successfully completed on 31 July 2020. The results of Scitec are not included in this analysis.

2. Performance Measures (PMs): Shareholders are advised that Normalised EBITDA is not a term defined by International Financial Reporting Standards and may accordingly differ from company to company. The Board however believes that Normalised EBITDA is relevant performance measures as it provides a measure of sustainable earnings. The Normalised EBITDA figures have been calculated consistently with Ascendis Health's methodology for the calculation of Normalised EBITDA as set out on the Company's website:

https://ascendishealth.com/wp-content/uploads/2020/09/Ascendis-Health-Performance-Measures-30-June-2020.pdf

2. UPDATE ON CAPITAL STRUCTURE AND DIVESTMENT PROGRAMME

Shareholders are referred to the market update provided on 25 January 2021 regarding the communication received by the Board from Blantyre Capital Limited ("**Blantyre**") and L1 Health GP SARL ("**L1 Health**") informing the Company that they have, through funds managed and advised by Blantyre and L1 Health, increased their aggregated exposure as a Consortium Lender to more than one third of the aggregate exposure of all Consortium Lenders.

Shareholders are now advised that the Board has received subsequent communication from Blantyre and L1 Health confirming that their exposure as Consortium Lenders has increased to more than 75% of the aggregate exposure of all Consortium Lenders. This level of exposure enables Blantyre and L1 Health to provide or withhold all waivers, deferrals and consents requiring Majority Lender approval under the Group's Senior Facilities Agreement.

Blantyre and L1 Health have re-iterated their view that the divestment of core assets is not in the best long-term interest of the Group and its stakeholders and would not be supported by Majority Lenders whose consent is required for any material disposals. In line with this, the disposal processes of Remedica and Sun Wave have been terminated and alternative options are being explored with Blantyre and L1 Health in respect of a recapitalisation and restructure of the Group (the "**Group Recapitalisation**"). The proposed Group Recapitalisation will need to address the Group's high financial leverage, short term debt maturities and operational liquidity requirements. In the event that the Group Recapitalisation results in a dilution for shareholders, the necessary shareholder approvals required under the Companies Act and JSE Listings Requirements will need to be sought.

The Board is actively engaging with Blantyre and L1 Health on how best to implement the Group Recapitalisation and ensure an appropriate capital structure and sustainable gearing level in the business. Shareholders will be updated once the Board has more certainty regarding the Group Recapitalisation.

2 February 2021
Bryanston

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