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

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

SHORT-FORM ANNOUNCEMENT

Key features (continuing operations)

- Group revenue +33% to R3.98 billion
  - Europe +35%
  - South Africa +30%
- Normalised EBITDA[PM] +50% to R794 million
- Normalised EBITDA[PM] margin up from 17.6% to 19.9%
- Normalised operating profit[PM] +27% to R486 million
- Strong operational performance impacted by debt, finance costs and impairments
- Normalised headline earnings[PM] down 131% to a loss of R43 million
- Normalised headline earnings per share[PM] 131% lower at (9.0) cents
- Group recapitalisation announced post reporting period

Commentary
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. The sale of Scitec International was concluded with effect from 31 July 2020 and is not included in these results. The results of Animal Health and Biosciences are reported under discontinued operations.

Financial performance
Revenue
Group revenue increased by 33% to R3.98 billion (H1 2020: R3.0 billion) as the business benefited from its largely COVID-19 defensive portfolio in extremely challenging trading conditions domestically and in Europe. International revenue increased by 35% to R2.2 billion (15% increase in Euro) and accounts for 55% of the group's total sales. Revenue generated in South Africa grew by 30% to R1.8 billion.

Gross profit
The group's gross profit grew by 29% to R1.8 billion. The gross profit margin declined by 110 basis points to 44.7% due mainly to increased freight and distribution costs and sales being undertaken at slightly lower margins during the pandemic.

Expenses
Operating expenses increased by 20%, excluding once-off transaction-related and restructuring costs of R118 million (H1 2020: R72 million). These costs included extensive professional and advisory fees associated with lender agreements and planned disposal projects.

Normalised EBITDA[PM]
The resultant impact was 50% growth in normalised earnings before interest, tax, depreciation and amortisation (EBITDA) to R794 million, and improvement in the EBITDA margin from 17.6% to 19.9%.

Profit and earnings
The group's normalised operating profit[PM] grew by 27% to R486 million (2020: R383 million).

Impairment losses totalling R246 million were recognised for the half year, with R150 million relating to continuing operations and R96 million to discontinued operations. These impairments were raised in respect of Biosciences (R96 million), Medical Devices (R70 million), Pharma (R48 million) and Farmalider (R32 million). Impairment losses of R656 million (continuing operations) and R311 million (discontinued operations) were recognised at the 2020-year end.

The significant impact of the payment in kind ("PIK") interest margin on the group's secured debt facilities with the lender consortium contributed to net finance costs increasing by 121% or R298 million to R545 million.

The tax expense increased by R125 million to R139 million owing largely to the R99 million limitation of the deferred tax asset balances of certain entities in the group in line with International Financial Reporting Standards.

Normalised headline earnings[PM] reduced by 131% to a loss of R43 million (H1 2020: profit of R138 million), with a normalised headline loss per share[PM] from continuing operations of (9.0) cents for the first half (H1 2020: 28.9 cents earnings per share).

Total basic loss per share was (140.0) cents compared to the prior period basic earnings per share of 46.0 cents, representing a decrease of 186 cents. Total headline loss per share was (22.2) cents compared to headline earnings per share of 24.9 cents in the prior period, representing a decrease of 47 cents.

Cash and capital management

Cash generation

The group generated cash from operating activities of R145 million. The group repaid borrowings of R351 million, including deferred vendor payments of R155 million in relation to Sun Wave Pharma. Capital expenditure of R197 million included R136 million for the updating of drug master files and building refurbishment in Remedica. The sales of Scitec and Direct Selling generated net proceeds of R79 million. No dividends were declared or paid during the current or prior reporting period.

Net debt

Net debt totalled R6.6 billion at 31 December 2020 (30 June 2020: R6.5 billion), with the net debt to EBITDA ratio improving from 4.7x to 4.4x at December 2020.

Debt and group recapitalisation

The group entered into a Senior Facilities Agreement ("SFA") with its lender consortium on 5 June 2020 to restructure its existing debt facilities and provide for the advance of new facilities. This arrangement enabled the group to extend the repayment obligations of its debt to 31 December 2021, with no capital payments required in advance of that date, other than repayments triggered as a result of asset disposals and the repayment of any excess cash beyond the needs of the business. The debt has been classified as current in the half-year financial statements due to the timing of this repayment.

This debt extension enabled the operations to focus on driving performance, while a cash sweeping arrangement implemented at group level allowed improved oversight of the governance related to capital allocation. The debt extension was also designed to enable the group to optimise the exit values of assets targeted for disposal under the lender-prescribed divestment programme. There were milestone obligations that gave the lender consortium considerable influence over the divestment programme.

In January 2021, the board of directors was advised by Blantyre Capital Limited ("Blantyre") and L1 Health GP SARL ("L1 Health") that, as part of the lender consortium, they had increased their aggregated exposure to the SFA debt to more than 75%. This level of exposure enables Blantyre and L1 Health to provide or withhold all waiver, deferrals and consents requiring majority lender approval under the SFA. Blantyre and L1 Health also communicated their view that the divestment of core assets is not in the best long-term interest of the company and its stakeholders, and the company therefore had no choice but to terminate the disposal processes for Remedica and Sun Wave Pharma. Dezzo, Animal Health and Biosciences were confirmed as non-core assets and these disposal processes are ongoing. The sale of some of the Medical Devices businesses is now also being considered.

Constructive engagements in relation to the Group Recapitalisation and short-term liquidity requirements led to Blantyre and L1 Health agreeing to a forbearance agreement in relation to the non-payment of interest until 30 April which has provided increased short-term liquidity.

The directors are advanced in their engagements with Blantyre and L1 Health in respect of a recapitalisation and restructuring of the group ("Group Recapitalisation").

Principles of the Group Recapitalisation

In June 2020, the group embarked on a lender-driven disposal process in order to pay down the debt. This process required the divestment of all assets except for Farmalider, Consumer Health and Pharma Africa. The disposal process was challenging owing to the group's high debt levels, the execution risk of running multiple sales processes in parallel and the process being highly regulated by the SFA with lenders. The divestment programme was focused on returning capital to lenders and not necessarily maximising value, and it is not clear whether material value would have been returned to shareholders through this process. Indicative offers were received for Remedica and Sun Wave but these were below the board's initial expectations.

As outlined above, Blantyre and L1 Health increased their collective exposure to over 75% of the company's debt and in February 2021 the board and management engaged in consensual negotiations with these lenders aimed at achieving an optimal outcome for all stakeholders. The Group Recapitalisation aims to restore balance sheet stability by reducing the group's unsustainably high debt levels, addressing the need for short-term funding and maximising the long-term strategic value of the business.

Group Recapitalisation timeline

The parties aim to reach agreement on the transaction structure for the Group Recapitalisation by 30 April 2021. The final terms of the Group Recapitalisation will be released on SENS immediately after the parties reach agreement. A circular to shareholders containing details of the Group Recapitalisation will be distributed by 30 June 2021, including a notice of general meeting and voting instructions.

Non-consensual restructuring

Should Ascendis not reach agreement with Blantyre and L1 Health by 30 April 2021 or in the event that 75% of shareholders do not approve the consensual Group Recapitalisation, the company will enter a business rescue ("Business Rescue") process.

A Business Rescue practitioner will be appointed by the board of Ascendis and the practitioner will initiate an orderly sale of assets to settle debt with creditors. In a Business Rescue process, shareholders rank behind all other creditors.

In an accelerated Business Rescue-driven asset disposal process, it is possible that the outstanding debt may exceed the proceeds from a distress sale of assets. In this worst case scenario, shareholders are likely to receive minimal to zero value.

Going concern assessment

At 31 December 2020 the majority of the group's debt was reclassified as current in line with the repayment date of 31 December 2021. As a result, the group's current liabilities exceed the current assets by R5.1 billion. This position reflects that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. In making its going concern assessment, the directors have taken into account various points of mitigation against the material uncertainty related to going concern. This includes considering the continued strong operational performance of the underlying operations, together with progress to date on the Group Recapitalisation as well as the interest forbearance agreement that was signed on 28 February 2021, and the implications of this agreement and the recapitalisation on liquidity and solvency. The directors have concluded that the group can continue to operate as a going concern subject to the successful implementation of the Group Recapitalisation.

Mark Sardi Chief Executive Officer	Cheryl-Jane Kujenga Chief Financial Officer

Bryanston
31 March 2021

Directors' responsibility
This short-form announcement is the responsibility of the directors of Ascendis Health. The announcement is a summary of the detailed interim results announcement released on SENS on 31 March 2021 ("Full Announcement") and does not contain full or complete details. Any investment decision should be based on consideration of the Full Announcement which may be downloaded from:

https://senspdf.jse.co.za/documents/2021/jse/isse/asc/H12021.pdf

or from the group's website at:

www.ascendishealth.com/investor-relations

A copy of the Full Announcement may be requested via email from the Company Secretary at mpeo.nkuna@ascendishealth.com.

Performance Measures
Performance measures ("PMs") are not defined or specified per the requirements of the International Financial Reporting Standards ("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 PMs are used to improve comparability of information between reporting periods and segments by adjusting for infrequent items. The key PMs used by the group are Normalised EBITDA, Normalised operating profit and Normalised headline earnings per share and Adjusted EBITDA. PMs 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-PerformanceMeasures-30-June-2020.pdf

Directors: AB Marshall (Chairman)*, B Harie#, CJ Kujenga (CFO)^, SS Ntsaluba*, Dr KS Pather*, MJ Sardi (CEO), J Sebulela*

**Independent non-executive*
 # Lead independent non-executive
^ Appointed 1 December 2020

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