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")

SUMMARISED AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2022

SHORT-FORM ANNOUNCEMENT

Key features

Total operations

- Revenue -58% to R3.5 billion
- Normalised EBITDA^{PM} of R496 million compared to R1.5 billion

Continuing operations

- Revenue -15% to R1.6 billion
- Gross profit margin +291 bps to 40.9%
- Normalised EBITDA^{PM} of R13.2 million compared to Normalised loss before interest, tax, depreciation and amortisation of R24.2 million
- Normalised operating loss +32% to -R317 million
- Headline loss per share 63.6% improvement at 121.8 cents
- Normalised headline loss per share of 109.4 cents
- Profit on disposals of R1 013 million

Existing operations[1]

- Revenue from existing operations[1] up 4% to R1 943 million
- Normalised EBITDA^{PM} from existing operations[1] up 136% to R66 million

[1] Existing operations represent all three business units that were owned as at year end, namely Medical Devices, Consumer Health (excluding the Skin business which was sold in May 2022), Pharma, as well as the Head Office function.

Overview

In the past year the group has gone from being burdened with mounting debt of almost R8 billion and facing the strong possibility of entering into business rescue, to successfully completing the group recapitalisation, undertaking further debt restructuring and corporate activity to enter the 2023 financial year with a near complete debt solution.

The group recapitalisation was concluded on 21 October 2021, together with the related disposals of Farmalider, Respiratory Care Africa and Animal Health. Ascendis Skin and Body (Nimue) was sold effective 31 May 2022. The disposals generated a profit of R1 013 million.

These transactions have enabled the group to substantially reduce the outstanding senior debt, with the closing balance at 30 June 2022 of R498 million compared to R7.6 billion at 30 June 2021. Further, the transition of funders from L1 Health and Blantyre ultimately to Austell resulted in more favourable debt terms, with the effective interest rate of 16.62% (post group recapitalisation) reducing to an effective interest rate of 12.41% by year end.

At 30 June 2022, the group had three business segments remaining, namely Pharma, Medical Devices and Consumer Health ("Existing Operations"). However, the disposal of Pharma is at an advanced stage, with the shareholder vote scheduled to take place in October 2022. The proceeds from this disposal will be set off against the Austell facility.

The results of the disposed entities i.e., the offshore divisions, Animal Health, RCA (which formed part of Medical Devices) and Ascendis Skin and Body, are included until the effective dates of disposal and are classified as discontinued operations in line with IFRS 5: Non-current held for sale and discontinued operations.

Financial performance

The total existing operations produced a resilient performance against the constrained economic backdrop, with total revenue improving 4% to R1 943 million, and normalised EBITDA^{PM} improving to R66 million.

The Pharma business continued to reflect a positive earnings trajectory as it was well positioned to take advantage of a post Covid-19 normalisation, with the return of the annual flu season. Strong performances experienced in the key brands Reuterina, Sinuend and Sinucon contributed to sales growth of 24% to R384 million, and 2,2x normalised EBITDA^{PM} improvement to R53 million.

The current period results reflect the results of Pharma under discontinuing operations in line with the requirements of IFRS 5: Non-current assets held for sale and discontinued operations, and those of Medical Devices and Consumer Health as continuing operations. The comparative results disclosed for the period ended 30 June 2021 ("the prior corresponding period") have been restated accordingly.

Continuing operations

Group revenue from continuing operations decreased by 15% from R1 825 million (restated) in the prior year to R1 559 million for the current year, driven by lower revenue performance in Consumer Health and The Scientific Group (which forms part of the Medical Devices segment). Consumer Health was impacted by a reduction in vitamin and supplement sales following a solid performance during Covid-19. The Scientific Group was negatively impacted by the change in use of NGO funding in the rest of Africa from Covid-19 related diagnostics.

Despite the reduction in revenue, the group improved its gross profit margin from 38.0% to 40.9%, driven by a favourable sales mix in Medical Devices together with the positive impact of the disposal of the low margin business, Dezzo, during the 2022 financial year.

Operating expenses decreased by 29% to R802.6 million and include transaction-related once-off costs of R81.1 million (2021: R270.9 million - restated). The 2022 financial year saw the group continue with its transition from a global business with seven segments to a local group with three segments, enabling further reduction in head office costs to R95.6 million (2021: R125 million).

The group reported a loss after tax from continuing operations for the year of R758 million, which is an improvement on the prior year's loss after tax from continuing operations of R1 655 million (restated), on a like-for-like basis. The improvement in the loss from continuing operations was driven predominantly by a reduction in once-off costs related to the various disposal and restructuring transactions as well as lower finance costs.

Once-off costs included in continuing operations amounted to R81.1 million as compared to R270.9 million (restated) in the prior year. Finance costs decreased to R485 million (2021: R1 084 million) largely as a result of the reduction in debt during the current year.

The loss per share from continuing operations closed at -157.3 cents (2021: -351.1 cents) and normalised headline loss per share closed at -109.4 cents (2021: -282.4 cents).

Discontinuing operations
Profit from discontinued operations that were classified as discontinued operations in the prior year (historical discontinued operations) increased by 100% to R1 122 million (2021: R561.2 million). The profit reported constitutes the profit on disposal of R944.3 million and R177.7 million relating to the normal operations up to the respective dates of disposal. Profit from discontinued operations that were classified as discontinued operations in the current year (new discontinued operations) increased by 123% to R86.4 million (2021: R38.7 million). The profit reported constitutes profit on disposal of Ascendis Skin and Body of R68.6 million and R17.8 million relating to the normal operations for the current year.

Once-off costs included in discontinued operations amounted to R254.1 million as compared to R180.8 million (restated) in the prior year. These costs include R195.0 million (2021: R142.0 million) incurred on the group recapitalisation up to October 2021. The balance of R59.1 million relates to the other disposed entities.

Total operations
Profit after tax from total operations is R450 million (2021: loss after tax of R1 055 million). Normalised EBITDA[PM] from total operations decreased by 66% to R496 million (2021: R1 446 million).

The profit per share from total operations was 93.1 cents (2021: -226.5 cents) and normalised headline loss per share from total operations at -15.3 cents (2021 normalised headline loss: 25.9 cents).

No dividends were declared or paid during the current or prior reporting period.

Segmental performance

Continuing operations	**June 2022 Revenue (R'm)**	**June 2021 Revenue (R'm)**	**Revenue growth (%)**	**June 2022 Normalised EBITDA (R'm)**	**June 2021 Normalised EBITDA (R'm)**	**Normalised EBITDA growth (%)**
Medical Devices	996	983	1.3%	45	60	(25.4%)
Consumer Health	564	574	(1.8%)	64	70	(8.4%)
Total	1 559	1 557	0.2%	109	130	(16.3%)

Borrowings and covenants
On 16 May 2022, the group entered into a new debt agreement with Austell Pharmaceuticals for the advancement of a new facility ("Austell Facility"). The new term facility amounted to R590 million and was used to settle the Apex Management Services / Pharma-Q Holdings Loan Facility and therefore the senior facilities agreement in full. The Austell Facility reduced the cost of

borrowings significantly, with a cumulative saving on interest to 30 June 2022 of approximately R3.6 million. Most importantly, it provided an extension of the repayment timeline from 30 June 2022 to 17 November 2022 without the threat of enforcement. The group's total debt under the Austell Facility at 30 June 2022 was R498 million (total senior debt at 30 June 2021: R7.6 billion).

In terms of the Austell Facility, management is required to provide the lender with a quarterly covenant certificate. The certificate requires the group to report a single financial covenant ratio, being the maintenance of a monthly liquidity headroom of R10 million. This headroom requirement was met as of 30 June 2022.

Pharma disposal

On 19 July 2022, it was announced that Ascendis had concluded an agreement to dispose of Pharma to Austell for a purchase consideration of R410 million (the "Austell Pharma Disposal"), a contingent transaction only implementable in the event that shareholders do not approve the Pharma-Q/Imperial Pharma Disposal. In September 2022, Austell increased the purchase consideration by a further R22 million from R410 million to R432 million. The Pharma-Q/Imperial agreement as signed on 30 January 2022 provides a purchase consideration of R375 million.

While the Pharma disposal is a Category 1 transaction requiring shareholder approval, the conclusion of these two agreements provides the board with a high level of certainty of a successful conclusion to the transaction. The Austell financing agreements cater for a set off of the gross proceeds against the debt, subject to any net working capital adjustments. Therefore, the application of these proceeds to the debt would result in a reduction of the debt as at 30 June 2022, to R66 million in an Austell Pharma Disposal transaction, and R123 million in a Pharma-Q/Imperial Pharma Disposal transaction, subject to adjustment for interest incurred up until the date the debt is settled and any closing net working capital adjustments.

Consequence of failure to implement the Pharma disposal:

The Pharma disposal is conditional upon, inter alia, the relevant resolutions being approved by shareholders at the general meeting. The board is conscious that the year-end results will be released before the outcome of the shareholder vote is known. Therefore, in concluding on the group's going concern assertion, the board has considered the implications of the relevant shareholder resolution not being passed to enable implementation of the disposal.

If the group is unable to implement the Pharma disposal, the group will need to find an alternative mechanism to ensure the debt can be repaid in full or face the risk that the lender will enforce their security should the debt not be repaid by 17 November 2022. The board determines the likelihood of this occurring as low risk based on the following:

- There are currently two bidders committed to the acquisition of the Pharma business, one of whom is the lender, Austell.
- The board has also considered the successful outcome of the rights offer, and the resultant reduction on the remaining outstanding debt.
- Advanced discussions regarding the early release of some or all of the R50 million, plus interest, which is currently held in escrow in respect of the disposal of the Animal Health division, as detailed in the circular issued to Ascendis shareholders on 3 September 2021 are underway

Application of the proceeds of the rights offer to the debt, together with the escrow funds, further supports the fact that the value of the group exceeds the quantum of the debt. Therefore, a combination of the successful disposal of Pharma, together with the rights offer proceeds and the escrow funds is sufficient to provide a complete solution to repay the debt.

Based on the above, the board does not believe that the historical threat of business rescue still exists.

Rights offer

On 25 July 2022, the group announced its intention to raise an amount of R101.53 million by way of a fully underwritten non-renounceable rights offer, through an offer of 143 000 000 new Ascendis shares. The rights offer, which was oversubscribed, was concluded on 19 August 2022, and an amount of R101.53 million was raised. This amount is ring-fenced and forms part of the solution for the repayment of the debt.

Auditor's opinion

PricewaterhouseCoopers Inc. (PwC) have audited the consolidated annual financial statements of Ascendis Health Limited from which the summarised consolidated financial results have been extracted and issued an unqualified opinion with an emphasis of matter related to going concern as follows: *We draw attention to Note 1 in the consolidated financial statements, which indicates that the Group incurred a net loss before taxation from continuing operation of R795 million during the year ended 30 June 2022 and, as of that date, the Group's current liabilities exceed current assets excluding both assets and liabilities classified as held for sale by R6 million. As disclosed in Note 1, if the Group is unable to conclude the disposal of Pharma, it will in all likelihood not have sufficient available funds to repay the lenders by 17 November 2022. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.* The details of the directors' considerations related to going concern are included below.

Key audit matters considered by PWC are valuation, presentation and disclosure of Discontinued Operations and Assets Held for Sale and Material Uncertainty Relating to Going Concern. This announcement itself is not audited. Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' report together with the accompanying financial information, which is available on the company's website https://ascendishealth.com/wp-content/uploads/2022/09/Group-AFS-June-2022-27.09.pdf and is available for inspection at the company's registered office.

Going concern assessment

The group annual financial statements have been prepared on a going concern basis. The directors acknowledge the group's financial position and the relevance of the going concern assessment in the context of the still to be concluded Pharma disposal. The directors have considered various mitigating factors against the material uncertainty related to going concern. This includes the outcome from the rights offer in August 2022, the continued support of the lenders, shareholders, suppliers, agencies and customers and the high probability of successfully concluding the disposal of the Pharma business.

They have also considered the financial plans and forecasts, and the strategies that will enable the business to deliver against these plans. The group has commenced engagements with commercial banks to provide net working capital facilities within the group companies, at more commercially appropriate structures and rates.

Considering the above mitigating factors, the directors believe that the going concern assumption remains appropriate. The going concern of the business is premised on the conclusion of the Pharma disposal. Accordingly, and based on the information available to them, the directors are of the opinion that the going concern assumption is appropriate in the preparation of the group's annual financial statements.

Outlook

With the prospect of balance sheet stability being restored, the board's focus is to optimise the current operations.

Medical Devices, which incorporates the three operating businesses The Scientific Group, Surgical Innovations and Ortho-Xact, has long-standing relationships and exclusive agency agreements with major multinational suppliers, and a network of blue chip and government clients.

The Consumer Health business is one of the largest vitamin, mineral and supplement suppliers in South Africa, with brands such as Solal, Vitaforce, Menacal, Bettaway and Junglevite being among the most established and recognized in their categories. The business also has a manufacturing capability in Gauteng, being one of only two South African Health Products Regulatory Authority accredited soft gel capsule manufacturers in the country.

The finalisation of the head office rationalisation in the first half of the 2023 financial year will ensure that a sustainable cost structure is embedded in the group. Further, the conclusion of the various disposals and debt restructuring activities will mean that the group does not continue to haemorrhage costs related to various advisors.

Carl Neethling
Chief transition officer and acting CEO

Cheryl-Jane Kujenga
Chief financial officer

Sandton
28 September 2022

Directors' responsibility

This short-form announcement is the responsibility of the directors of Ascendis Health and has been prepared under the supervision of the chief financial officer, Cheryl-Jane Kujenga CA (SA), CA (Z). the announcement is a summary of the detailed annual results announcement released on SENS on 28 September 2022 ("Full Announcement") and does not contain full or complete details.

Any investment decision should be based on the Full Announcement which is available at https://senspdf.jse.co.za/documents/2022/jse/isse/asc/H22022.pdf

or from the website at www.ascendishealth.com/investor-relations

A copy of the Full Announcement and may be requested via e-mail from the Company at investor.relations@ascendishealth.com.

Copies may also be requested at the Company's registered office and the Johannesburg office of the sponsor at no charge during business hours for a period of 30 calendar days following the date of this announcement.

Performance Measures

Performance measures (PMs) 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 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-Performance-Measures-30-June-2020.pdf

Directors: HJ Smit (Chairman)*^, A Chetty*^^, B Harie*^^, CJ Kujenga (CFO), LS Mulaudzi**^, C Neethling^^ (CTO and acting CEO), K Wellner**^

* *Independent non-executive* ** *Non-executive*

^ *Appointed 20 December 2021* ^^ *Appointed 11 May 2022*

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