

ASCENDIS HEALTH LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 2008/005856/06)

Share code: ASC

ISIN: ZAE000185005

("Ascendis" or "the Company")



UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

Key features

(continuing operations)

- Revenue decreased by 5% to R737 million.
- Operating profit of R48 million.
- Net finance costs reduced by R59 million.
- Headline earnings per share increased by 39.6 cents to 10.2 cents per share.
- Earnings per share increased by 39.6 cents to 10.2 cents per share.
- Tangible net asset value per share increased by 16% to 94 cents per share (compared to 30 June 2023).

Overview

Ascendis Health Limited presents its interim financial statements for the six month period ended 31 December 2023. As a health and wellness investment holding company listed on the JSE, Ascendis operates within the healthcare sector, focusing on supplying health and wellness products, as well as the distribution of medical devices.

Financial performance

During the interim period, Ascendis and its subsidiaries ("**the Group**"), experienced a 5.1% decrease in revenue compared to the prior comparative period, resulting in total revenue of R737.5 million. This decline underscores the persistent challenges faced by certain entities in the Group, including subdued consumer spending; product pricing pressure and competitive forces within the medical device market.

Gross Profit Margin:

The Group achieved a slight improvement in its gross profit margin, rising to 40.9% in the interim period from 39.4% in the previous full financial year. However, structural challenges persist within the medical devices businesses, driven by currency depreciation and cost inflation pressures from key foreign suppliers. These challenges have exerted downward pressure on gross profit margins, necessitating ongoing efforts to mitigate adverse impacts.

Operating Profit:

Efforts to aggressively reduce and restructure costs have yielded positive results, with significant reductions seen across various cost categories. Selling and distribution costs decreased by 18.7%, administrative costs decreased by 21.4% compared to the prior comparative period, mainly driven by a 23.1% reduction in payroll expenses, and other operating expenses decreased by 46.2%. These

reductions underscore the Group's commitment to prudent cost management and operational efficiency.

The interim period saw a notable improvement in operating profit of R47.6 million compared to a R122 million loss in the prior comparative period. However, it is essential to contextualise this improvement which includes a R43.1 million provision reversal related to VAT which was previously raised pursuant to a claim by SARS from Surgical Innovations that was resolved during the interim period. The operating profit also includes an accounting gain of R27.1 million following the reacquisition of control of Surgical Innovations. Excluding these non-recurring items together with impairments and transaction costs, the adjusted operating profit amounted to R8.9 million compared to a loss of R47 million in the comparative period.

Interest paid:

The reduction in interest paid to R5.1 million compared to R50.5 million in the prior comparative period is mainly driven by the repayment of the outstanding term loan debt during February 2023. The Group does not have any outstanding term loan debt as at 31 December 2023.

Balance Sheet Strength:

From a balance sheet perspective, the Group's tangible net asset value per share increased by 16% from 81 cents to 94 cents. This increase is primarily attributed to the reacquisition of control of Surgical Innovations during September 2023 following the successful conclusion of the business rescue process. Whilst this is a positive development, ongoing macroeconomic and structural challenges underscore the need for ongoing prudent balance sheet management and strategic capital allocation.

Outlook

Looking ahead, management remains focused on concluding restructuring and stabilisation efforts in the short term. The Group aims to capitalise on market opportunities to grow its businesses through new product offerings, new customers and geographies, new agencies, and potential acquisitions within the Group.

It is imperative that new business development initiatives are built on optimised operating platforms. Efforts to improve demand planning, inventory management, revenue models, and streamline commercial and sales functions will be prioritised to drive efficiency and enhance profitability across all businesses.

Investments in net working capital, capital assets, and potentially funding for acquisitions will be required to enable this growth and the board may consider looking to shareholders to raise further equity over the short to medium term if appropriate.

The Company is in the process of delisting and a supplementary circular to shareholders was released on 25 March 2024. The board remains of the view that delisting from the JSE is a critical step in the process of unlocking value for shareholders and is in the best interest of all stakeholders. The delisting, if approved, will afford shareholders the opportunity to exit from their holdings at a fair price noting that the shares are tightly held with limited liquidity whilst enabling shareholders that wish to remain invested to do so. The delisting will furthermore remove the direct and indirect financial costs involved with maintaining the Company's listing and will enhance the Group's ability to focus on achieving its key strategic objectives in challenging trading conditions by *inter alia* alleviating the obligations of being listed on the JSE. For the avoidance of doubt, notwithstanding the reconstitution of the independent board established for purposes of the delisting transaction, Amaresh Chetty remains an independent non-executive director of the Company.

Directors' responsibility

This short-form announcement is the responsibility of the directors of Ascendis and has been prepared under the supervision of the acting chief financial officer, Carl Neethling CA (SA). The announcement is only a summary of the information contained in the unaudited interim results for the

six months ended 31 December 2023 (“**Full Interims**”), which are available at <https://senspdf.jse.co.za/documents/2024/JSE/ISSE/ASC/HY2024.pdf> and on the Company’s website at <https://ascendishealth.com/investor-relations/financial-results/>

Any investment decisions should be based on consideration of the Full Interims, as the information in this short-form announcement does not contain full or complete details.

The Full Interims, from which the information contained in this short-form announcement was extracted, have not been audited or reviewed by the Company’s auditors.

Directors: B Harie (Chairman)*#, K Wellner*, A Chetty*, T De Bruyn, HA Nolte*^, AC Neethling (CEO and acting CFO)

* *Independent non-executive*

^ *Appointed 19 March 2024*

Johannesburg
28 March 2024

Sponsor
Valeo Capital (Pty) Ltd

 Valeo Capital