

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")



REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

SHORT-FORM ANNOUNCEMENT

Key features (continuing operations)

- Revenue: R1.472 billion (2023: R1.535 billion)
- Gross profit margin stable at 39.8%
- Total comparable operating expenses decreased by 21.3%
- Operating loss improved to marginal operating profit of R46.4 million
- Earnings per share from total operations declined by 25.8% to 9.2 cents (2023: 12.4 cents)
- Headline earnings per share from total operations improved to 1.1 cents (2023: -39.7 cents)
- Earnings per share from continuing operations improved to 6.6 cents (2023: - 47.2 cents)
- Headline earnings per share from continuing operations improved to -1.4 cents (2023: -41.5 cents)
- Tangible net asset value per share improved to 91 cents (2023: 81 cents)

Results Overview

The Group reported a marginal operating profit of R46.4 million for 2024. This shift to profitability is a testament to the successful execution of various initiatives focused on reducing non-critical costs, stabilizing operations, and driving optimisation through streamlined commercial and sales functions.

Cost control remained a focal point in 2024, with significant reductions across various expense categories.

The Group's balance sheet remains robust, with tangible net asset value growing by 15.8% to R571 million (R493 million in the prior year). This growth is primarily attributed to the journal entries relating to the reacquisition of control of Surgical Innovations. Despite the once-off improvement in net asset value, several underlying portfolio companies presently remain unable to generate an acceptable return on their assets.

From a liquidity perspective, cash generation remains a key concern for management with the cash position of the Group worsening during the year despite having no external debt obligations. The Group cash flow was impacted by several factors, including the decline in revenue, an increase in net working capital following the acquisition of new agencies and significant delays in the receipt of payments from government hospitals, as well as once-off cash costs related to the proposed delisting transaction and the related, successful legal action taken against the Takeover

Regulation Panel. At year-end, the Group had no long-term borrowings and maintained a positive cash balance with access to working capital facilities.

During the year under review, the restructuring and business rescue of Surgical Innovations was successfully finalised, leading to material annualised savings in rental expense as well as once off savings in historic interest and penalties imposed by SARS of more than R60 million. Whilst the business still faces structural headwinds, management is confident that it is better placed to navigate these challenges going forward.

Delisting

Despite receiving overwhelming support from shareholders at the special general meeting held on 23 April 2024, the proposed delisting transaction lapsed on 20 July 2024 following an extended period of frustrating actions from a small group of minority shareholders. The offering consortium and Ascendis Health exhausted all avenues to execute the transaction, including obtaining an urgent court order against the Takeover Regulation Panel, which was found to have acted in a procedurally unfair manner, but ultimately lost faith in the delisting process.

Unfortunately, the delisting process was mired by procedural technicalities, unprecedented actions by the regulators and a lack of general pragmatism, despite the overwhelmingly clear mandate from the Group's shareholders. This outcome is disappointing for the Group and the vast majority of shareholders, given the material anticipated benefits of operating as a delisted entity together with the prospects of a near term liquidity event for exiting shareholders.

Management and the board remain committed to exploring opportunities that will unlock value for shareholders, encouraged by the support received from key shareholders during this process.

Transition to Investment Entity Reporting

Ascendis has transitioned from a conglomerate to a cost effective and decentralised investment holding company and has undertaken extensive efforts to simplify its internal group and operating structure. This has included the elimination of shared services and centralised functions as well as instilling a culture of ownership and accountability within each business.

A key requirement as part of the transition to an investment holding company has been to appoint an investment manager to perform the investment management functions. ACN Capital IHC (Pty) Ltd (a related party), has been appointed as the investment manager of the Group ("**Investment Manager**") on an interim basis until the next annual general meeting at which point the appointment will be formalised. The total cost of the engagement does not exceed 0.25% of the total market capitalisation of the Group.

Going forward the Group will receive strategic advice, financial support and management services from the Investment Manager, in order to maximise the investment return received by the Group's shareholders from the underlying investee companies.

The Investment Manager will furthermore assume responsibility for directing capital allocation and will provide investment management and support services to shareholders of Ascendis under supervision and guidance of the Board, with the ultimate objective being to invest, grow and unlock value in the form of investment income and capital appreciation of its underlying investee companies.

Accordingly, Ascendis will prospectively apply the investment entity exemption in terms of IFRS10.30 from 1 July 2024 and will measure its investments in its subsidiaries at fair value

through profit or loss in accordance with IFRS 9. It is anticipated that this will simplify the Group's internal financial reporting structures and further reduce costs.

Outlook

Ascendis Health's historic challenges have largely been addressed through immense and concerted efforts on the part of the various subsidiary management teams working together with Group management and the transition team (ACN Capital team) over the past few years. These efforts have positioned the individual businesses and the Group as a whole to capitalise on future growth and investment opportunities.

The Group will also continue to invest in its growing businesses where it is value-accretive and it is considering select acquisition opportunities in line with its strategy. Maintaining a conservative capital structure remains a priority, and the board may consider raising additional equity from shareholders to capitalise on emerging opportunities in the near term.

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

Auditor's opinion

Nexia SAB&T have reviewed the condensed consolidated annual financial statements from which this announcement has been derived and have expressed an unmodified review opinion on these condensed consolidated annual financial statements in accordance with ISRE 2410 'Review of Financial Information Performed by the Independent Auditor of the Entity'.

Going concern assessment

The Group annual financial statements have been prepared on a going concern basis.

The Group has sufficient liquidity and access to financing to meet its obligations as they fall due, and the directors have no reason to believe that this will change in the foreseeable future.

The directors are satisfied that there are no longer any material uncertainties that cast significant doubt on the Group's ability to continue as a going concern and the going concern assumption is appropriate.

Ascendis Board

Sandton
3 September 2024

Directors' responsibility

This short-form announcement is the responsibility of the directors of Ascendis Health.

This announcement is only a summary of the information contained in the reviewed condensed consolidated annual financial statements for the twelve months ended 30 June 2024 ("**Results**"), which are available at <https://senspdf.jse.co.za/documents/2024/JSE/ISSE/ASC/Con2024.pdf> and on the Company's website at <https://ascendishealth.com/investor-relations/financial-results/>. Any investment decisions by investors and/or shareholders should be based on the Results as a whole, as the information in this announcement does not provide full or complete details.

Directors: B Harie (Chairman)*, HA Nolte*, Dr K Wellner*, A Chetty*, T De Bruyn, AC Neethling (CEO)

* Independent non-executive

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