



ParagonCare
Health. Covered.

1H FY21 FINANCIAL RESULTS

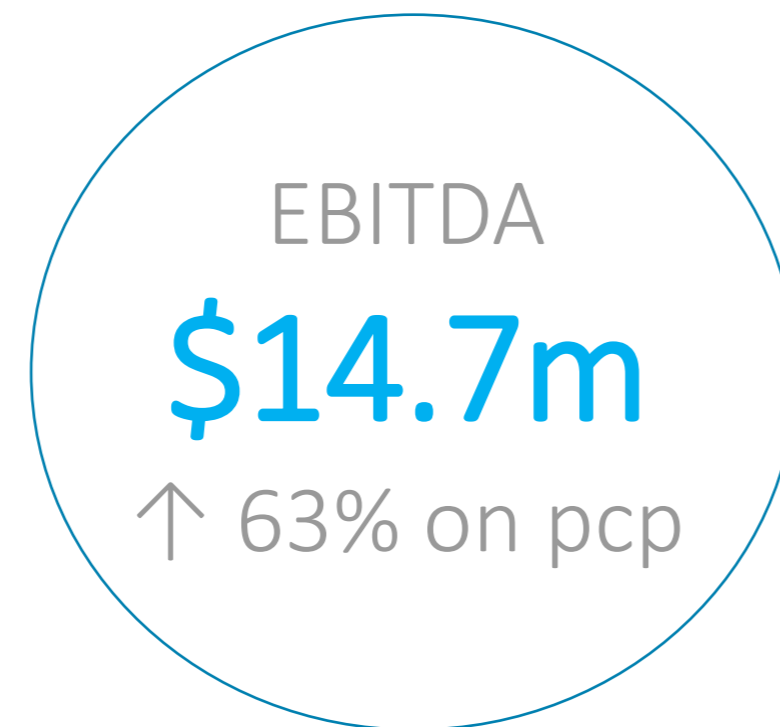
23rd February 2021

1H FY21 Results Improved Profitability and Cashflow



Diversified portfolio
generated revenue stability

Revenue down by only 5% on pcp to \$115m despite disrupted healthcare market and gross margins up slightly to 38.7%



Streamlined operations
driving improved profitability

Delivered over \$7m in annualised savings with EBITDA up 63% on pcp to \$14.7m



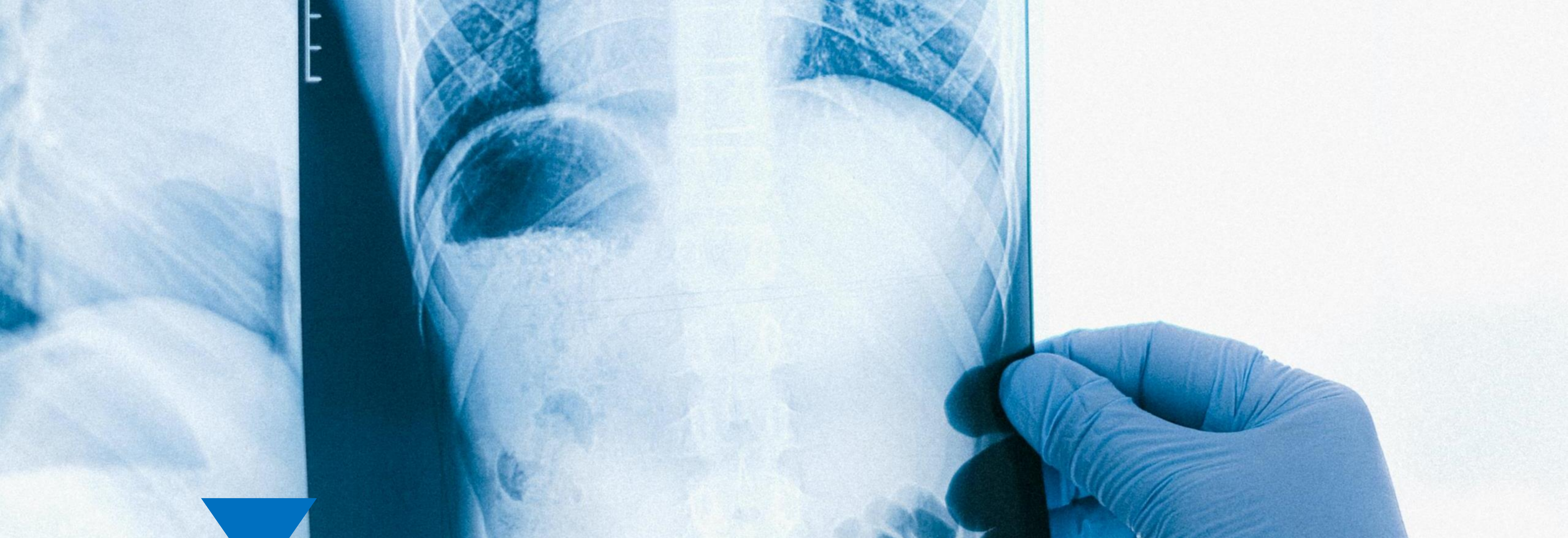
Improved working capital cycle
increased operating cashflow

Operating cashflow increased to \$15.5m due to significant reduction in days debtors and inventories on pcp and improved operating performance



Obligation to comply with existing
facility covenant relaxed until Sep 2021

Net debt has decreased by 4% over the past year. Deferred quarterly facility payments of \$6m until Dec 2021.



**1H FY21
FINANCIAL
PERFORMANCE**

GROWTH
STRATEGY

UPDATE AND OUTLOOK

1H FY21 PROFIT & LOSS

Improved Profitability

Key Highlights

- Revenue was down only 5%, despite COVID disrupted healthcare market
- Improved gross margins due to higher margin product mix in Q2
- Reduction in 1H operating expenses by \$6.4m on pcp, which includes \$3m in JobKeeper
- Savings in employee expenses (excluding JobKeeper), marketing and other expenses including travel in 1H FY21, generated ~\$7m in annualised savings
- Most of these savings will be sustainable moving forward, except for one-off reduction in 1H travel costs and marketing, which will increase as business resumes to COVID normal

	1H FY21	1H FY20	CHANGE	
	31 Dec 2020	31 Dec 2019		
	\$m	\$m	\$m	%
Revenue	115.0	120.6	(5.6)	(5)%
Cost of sales	(70.5)	(75.1)	4.6	6%
Gross profit	44.5	45.5	(1)	(1)%
Gross profit margin %	38.7%	37.7%		
Other income	1.5	1.2	0.3	24%
Operating expenses				
Employee benefits expense*	(21.6)	(26.5)	5.0	19%
Distribution	(3.1)	(2.8)	(0.3)	(11)%
Occupancy	(0.8)	(0.5)	(0.3)	(55)%
Marketing	(0.4)	(1.1)	0.7	66%
Other	(5.4)	(6.7)	1.3	19%
EBITDA	14.7	9.1	5.6	63%
Depreciation and amortisation	(3.1)	(4.4)	1.2	27%
EBIT	11.6	4.7	6.9	147%
Interest expense	(3.8)	(2.7)	(1.2)	(40)%
NPBT	7.8	2.0	5.6	299%
Tax (expense)/benefit	(2.6)	(0.6)	(1.7)	(354)%
NPAT	5.2	1.4	4	271%

* Includes \$3m JobKeeper for Q1 FY21

1H FY21 BALANCE SHEET

Reduced Working Capital Cycle

Key Highlights

- Significant improvement in working capital cycle over past year from 161 days to 133 days
- Vendor conditional payables reduced by 93% from \$15.3m as at 30 June 2020 to \$1.1m as at 31 Dec 2020. This will positively impact cashflow from 2H onwards.
- Over the past year, net debt has decreased by 4% to \$76.3m.
- Creation of Dividend Reserve and transfer of HY21 NPAT to that reserve.

	1H FY21	FY20	CHANGE	
	31 Dec 2020	30 Jun 2020	\$m	%
	\$m	\$m	\$m	%
Cash	26.6	24.5	2.1	8%
Receivables	25.5	31.6	(6.1)	(19.2)%
Inventories	44.0	46.7	(2.6)	(6)%
PPE	8.0	7.2	0.8	12%
Intangibles	150.6	149.7	1.0	1%
Total Assets	280.0	292.2	(12.2)	(4)%
Trade and other payables	27.8	26.9	0.9	3%
Current Borrowings	17.8	16.8	1.1	6%
Vendor Conditional Payables	1.1	15.3	(14.3)	(93)%
Total Current Liabilities	70.8	84.9	(14.0)	17%
Non-current Borrowings	85.1	82.2	2.9	4%
Total Non-current Liabilities	92.6	95.0	(2.4)	2%
Total Liabilities	163.5	179.9	(16.4)	9%
Net Assets	116.5	112.3	4.2	4%
Issued Capital	202.7	202.7	-	-
Reserves	2.6	(1.7)	(1.0)	(43)%
Accumulated Losses	(88.8)	(88.8)	5.2	6%
Total Equity	116.5	112.3	4.2	4%

1H FY21 CASHFLOW

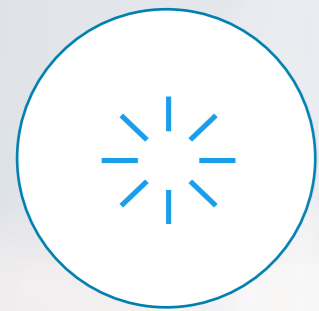
Increased Operating Cashflow

Key Highlights

- Significant improvement in operating cashflow to \$15.5m, up \$24.1m on pcp
- Payments for earn-outs of previous acquisitions of \$14.3m in 1H, mostly in Q1
- Increased cash balance to \$26.6m as at 31 Dec 2020

	1H FY21	1H FY20	CHANGE	
	31 Dec 2020	31 Dec 2019		
	\$m	\$m	\$m	%
Net cash from operating activities	15.5	(8.6)	24.1	
Net cash used in investing activities	(15.8)	(4.8)	(11.0)	
Net cash used in financing activities	2.3	(2.5)	4.8	
Net increase/(decrease) in cash	2.1	(15.8)	17.9	
Cash at beginning of financial half year	24.5	34.2	(9.7)	
Cash at end of financial half year	26.6	18.4	(8.2)	44%

Revenue Stability: Diversified Offering



DEVICES

\$40.3m ↑ 3%

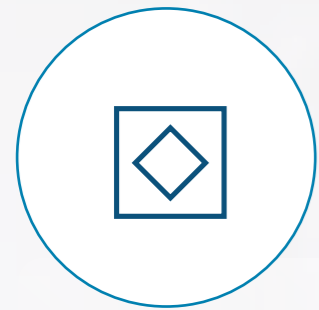


DIAGNOSTICS

\$12.6m ↑ 8%



\$87.9m ↓ 10%

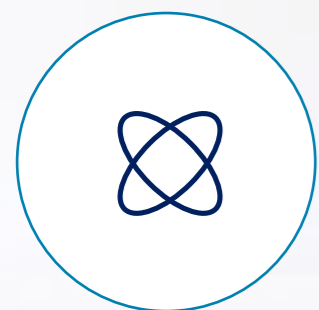


CAPITAL &
CONSUMABLES

\$53.0m ↓ 5%



\$26.3m ↑ 14%



SERVICE &
TECHNOLOGY

~\$9.1m ↓ 34%



Delivered \$7m in annualised operational savings

STRATEGIC REVIEW OBJECTIVE	FY20	FY21
To unlock internal capability	Internal silos	Unified management team with incentives to promote collaboration and group performance is nearing completion
To streamline operations and consolidate facilities	14 discrete business units with duplicate management infrastructure	Implemented four pillar structure, eliminated Sydney and Melbourne head offices, with reduced shared services to match new business structure with lower operating costs
To improve inventory management and working capital cycle	Inefficient working capital cycle	Consolidated national warehouse and lowered freight costs, introduced LEAN principles and reduced working capital cycle
To ensure fit-for-purpose ERP systems	Failed implementation of single centralised ERP system	Stable ERP platforms restored by Q3 FY21
To deliver cost savings	Targeted significant annualised cost savings	Delivered ~\$7m in annualised savings to date

63% increase in 1H EBITDA

IMPACT OF JOBKEEPER

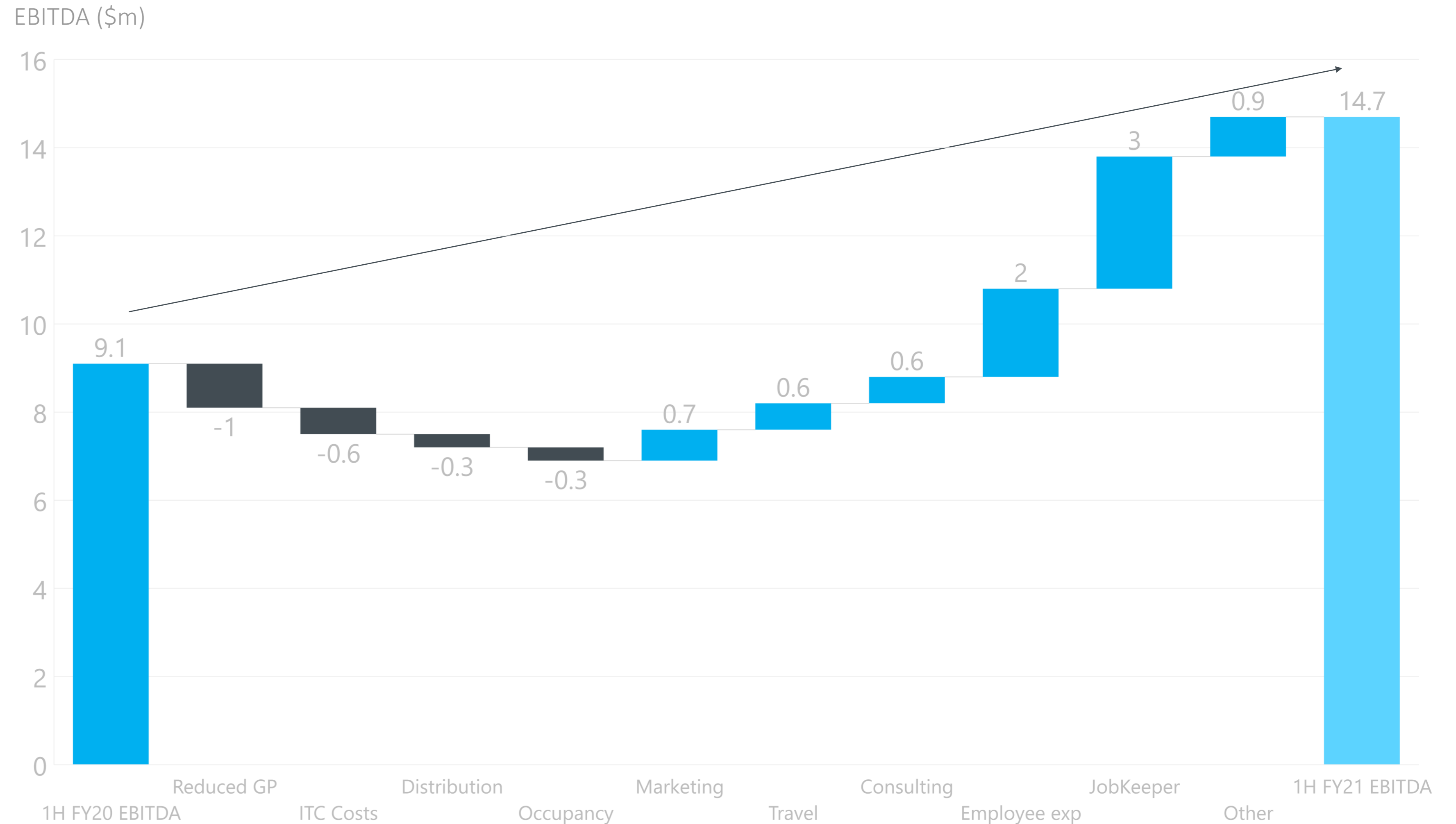
- \$3m in JobKeeper received in Q1 partially offset declining revenues and lower EBITDA from COVID disruption
- Stronger operating performance in Q2 removed eligibility for JobKeeper

STREAMLINED OPERATIONS

- Reduced headcount, lower marketing, travel, consulting and other corporate costs

SUSTAINABLE SAVINGS

- We expect that streamlined operations will generate improved EBITDA in a COVID normal environment despite a bounce back in some operating expenses, including travel and marketing



Entering new growth phase

GROWTH BY ACQUISITION

(FY15 – FY18)

17 acquisitions between October 2014 and November 2018

INDIGESTION

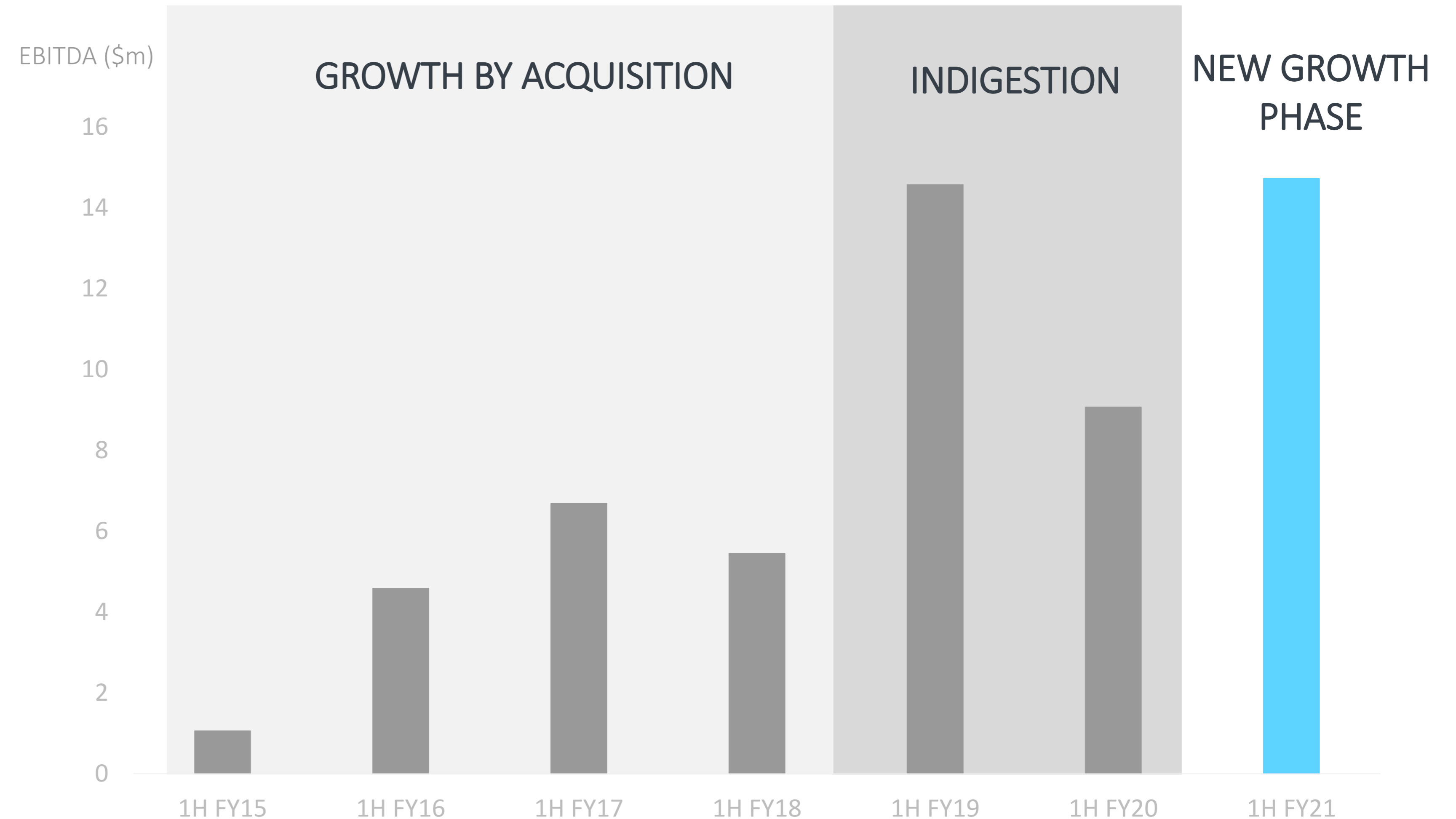
(FY19-FY20)

Issues with ERP implementation and working capital cycle

NEW GROWTH PHASE

(FY21+)

Leveraging quality assets from previous acquisitions and delivered \$7m in annualised savings





1H FY21
FINANCIAL
PERFORMANCE

**GROWTH
STRATEGY**

UPDATE AND OUTLOOK

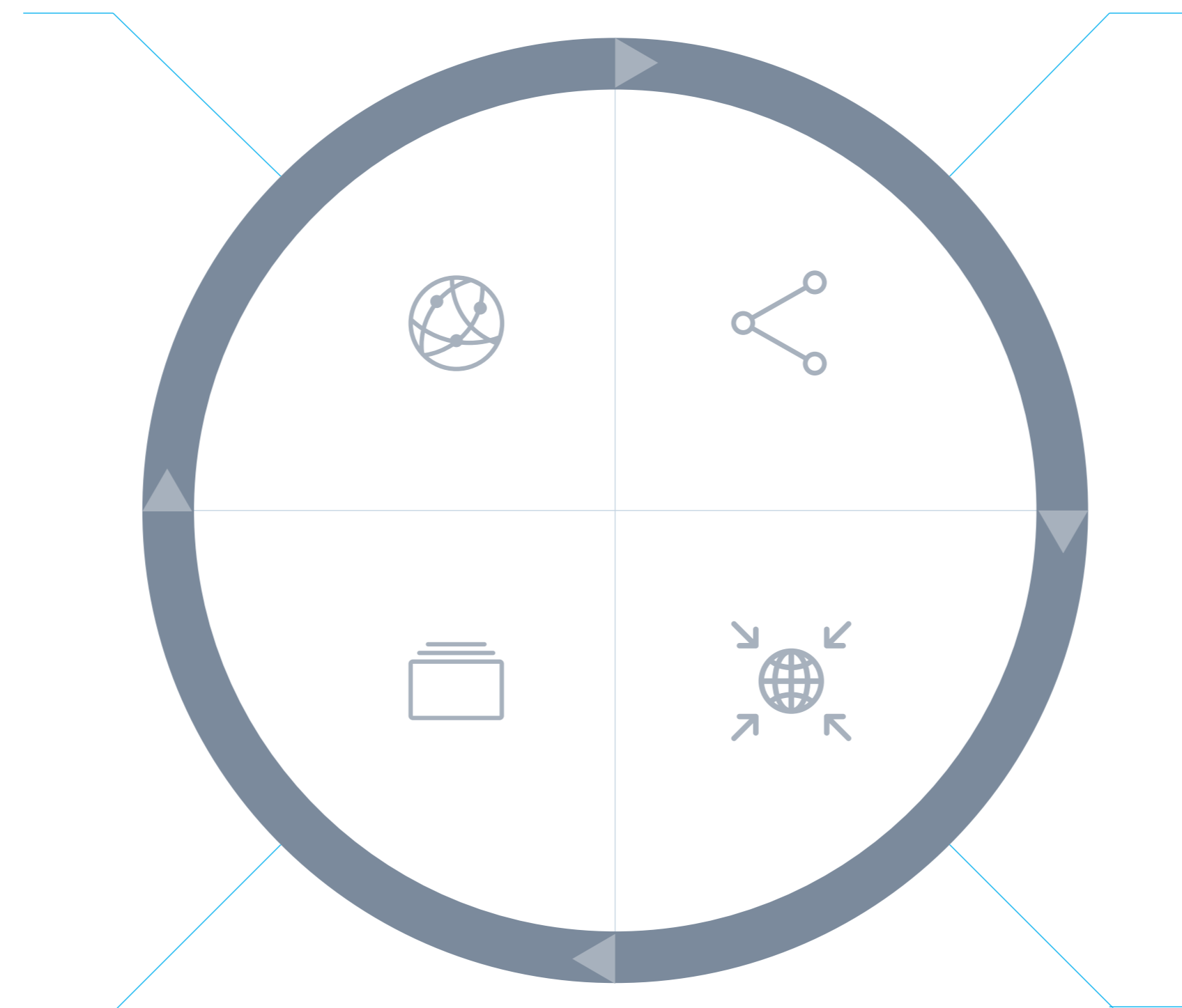
Clear Competitive Advantages

Aus/NZ distribution footprint

We have a distribution footprint across Australia and New Zealand, with comprehensive sales & marketing, regulatory, service & maintenance and logistics capabilities to ensure we are a preferred partner for overseas distributors

Diversified product portfolio

We currently have a product offering across devices, diagnostics, consumables and technology and capital equipment. No product or supplier accounts for more than 10% of earnings



Well-established distribution relationships

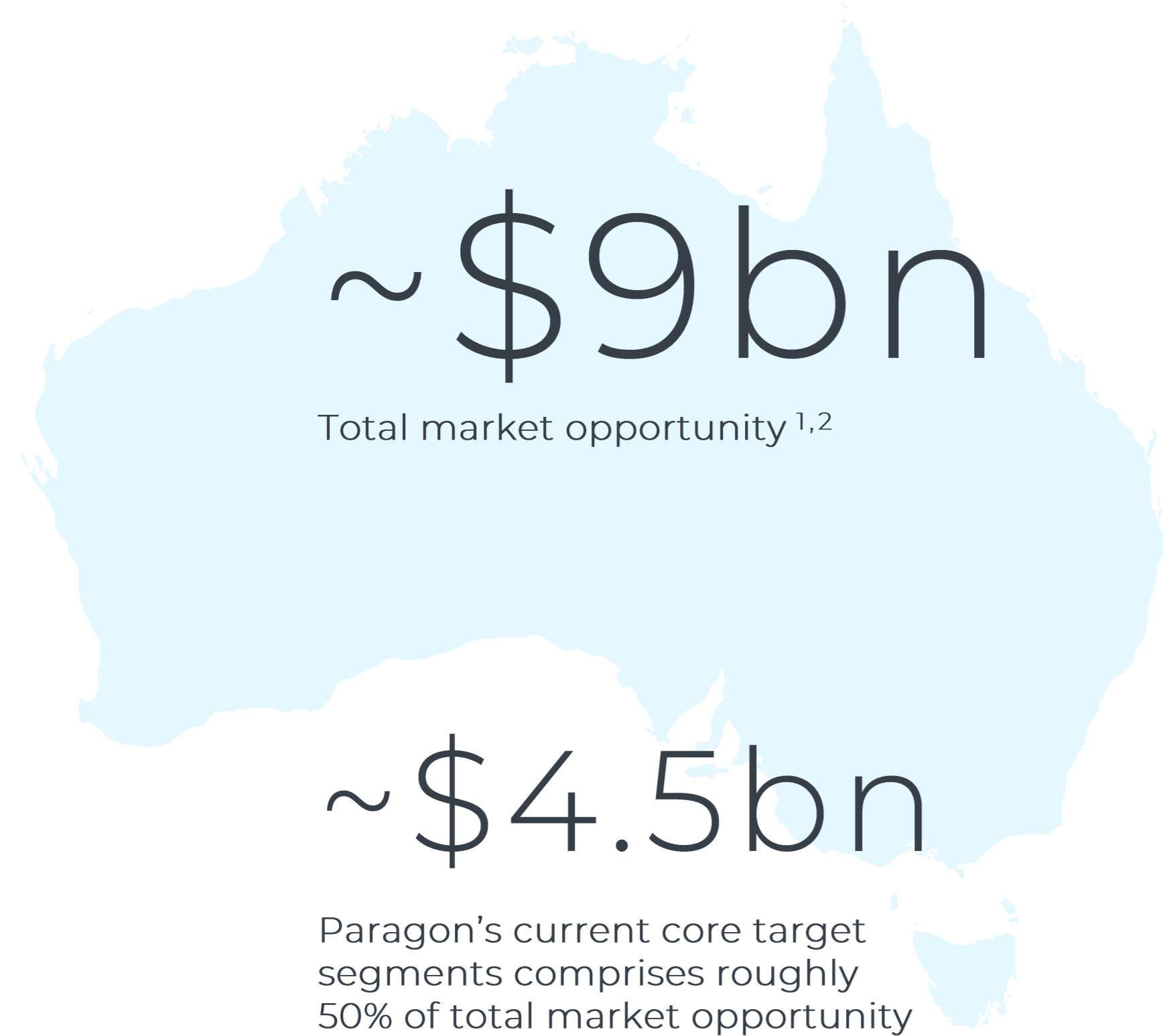
We currently have long term relationships with >100 manufacturers around the world, supplying the majority of hospitals and healthcare facilities in Aus & NZ supported by an experienced, dedicated sales team

Local manufacturing capability

Additional opportunities have been created to expand our locally manufactured diagnostics consumables and surgical packs as a result of COVID-19

GROWING OUR SHARE IN A ~A\$9bn INDUSTRY

AUSTRALIA AND NEW ZEALAND



> 4%

Per year

Industry continues to grow, driven by strong tailwinds

+3%

Increasing proportion of total population over 64

+4%

Increasing proportion of chronic disease as a percentage of total

+5%

Increasing total number of procedures in Australia

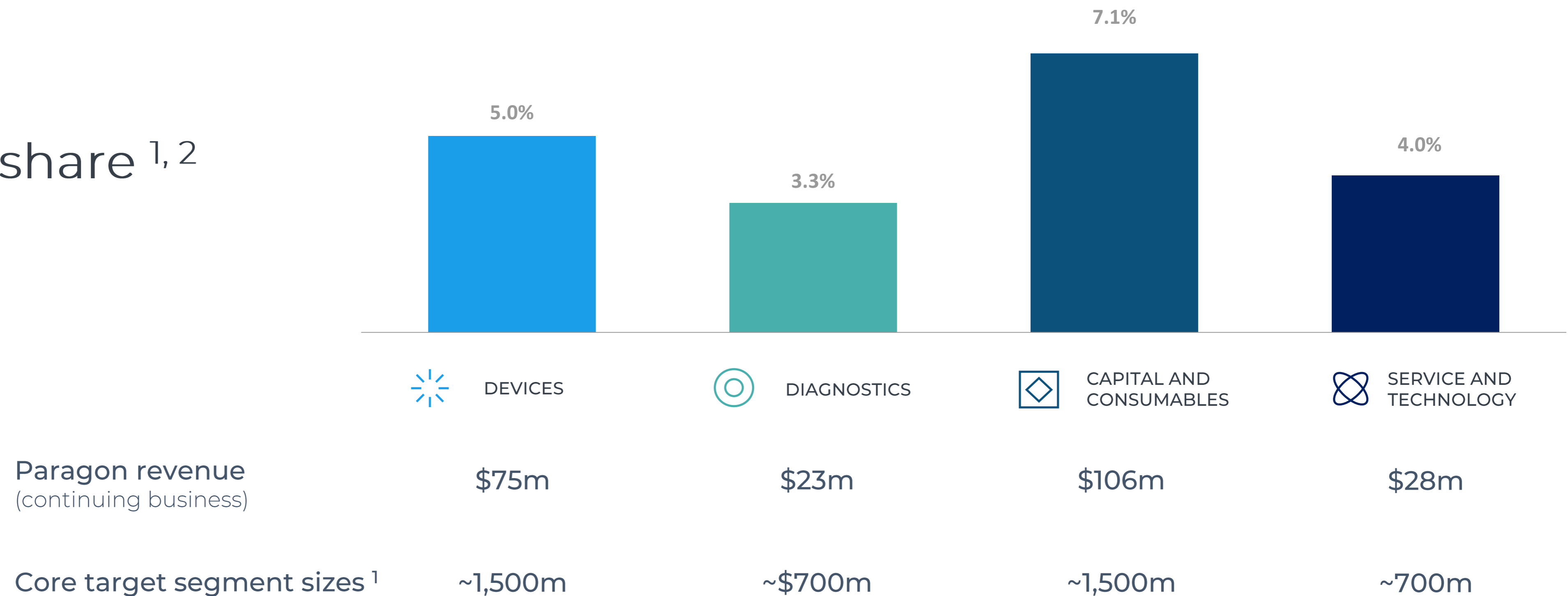
Notes:

- 1. Total healthcare expenditure includes hospitals, medical and surgical supplies, primary health care, referred medical services, other services, research and capital expenditure
- 2. Paragon's target market is roughly 70% the size of the total medical and surgical supplies segment

Source: Australian Institute of Health and Welfare; Health Expenditure 2018-19; Fitch Solutions Macro research report – IP owned by Fitch Solutions Group; ACCC reports 2016 and 2018; ABS; OECD; NSW Health

MARKET SHARE IN KEY PARAGON VERTICALS

2020
market share ^{1, 2}



Notes:

- 1. CY20 market sizes shown. Assumed US market is 40% of global market and AU market is 4% of US market to calculate services, lab equipment (part of capital and consumables) and IVD (part of diagnostics) market sizes
- 2. Market share calculated by comparing FY20 PGC revenue to CY19 addressable market sizes

Source: Fitch Solutions Macro research report – IP owned by Fitch Solutions Group; Company financials; Grandview Research medical device outsourcing market size 2018; MarketWatch 2019 and NCBI research 2016

PARAGON CARE

Focus on Growth Opportunities

Grow supply footprint

- Competitive market offering leading to ongoing inbound enquires as elective surgery opens
- Internal focus on cross division sales collaboration

Capitalise on existing local manufacturing capability

- Order for swab testing kits and other diagnostics tests, including saliva
- Driven by Government requirements for local manufacturing of essential health equipment

Expand in aged care

- Royal Commission into Aged Care focus on expanding technology
- Blue chip client base investing heavily in leading edge technology solutions





1H FY21
FINANCIAL
PERFORMANCE

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UPDATE AND OUTLOOK

Solid Foundation for Future Growth

ACHIEVEMENTS TO DATE

- ✓ \$7m annualised reduction in costs
- ✓ ERP stabilization
- ✓ Warehouse rationalization
- ✓ 14 businesses into 4 pillars
- ✓ Headcount reduction
- ✓ Restructured Board and senior management team
- ✓ Strong platform for revenue and EBITDA growth



OUTLOOK – FY21 & BEYOND

- Revenue to be in line for FY21 and grow in FY22
- Gross profit margins >38% from 2H FY21
- Target 15% EBITDA margins
- Reinstatement of dividends is a priority - HY21 NPAT has been transferred to dividend reserve consistent with the Board's stated intention of returning to distributing dividends as quickly as possible

Corporate Overview

FINANCIAL INFORMATION

Share price (19-Feb-21)	\$0.275
Number of shares (m)	337.9m
Market capitalisation	\$92.9m
Cash & cash equivalents (31-Dec-20)	\$26.6m
Interest bearing debt (31-Dec-20)	\$102.9m
Enterprise value	\$169.2m

Major Shareholders (as at 19 Feb 2021)

Board & Management*	32.60%
China Pioneer*	14.92%
First Samuel Limited	7.98%

*Paul Li is included in both Board & Management and China Pioneer

BOARD OF DIRECTORS

Shane Tanner

Non-Executive Chairman

- Co-founder of Paragon Care
- Extensive commercial and financial experience
- Chairman of Zenitas Healthcare and Cronos Limited

Brent Stewart

Non-Executive Director

- 25 years' experience in several senior executive and board roles
- Professional background includes a wide range of experience in marketing, technology and strategic planning at both domestic and international levels

Paul Li

Non-Executive Director

- Over 29 years' experience in the pharmaceutical services industry
- Founder and Chairman of China Pioneer Pharma Holdings Ltd

Geoff Sam OAM

Non-Executive Director

- Over 35 years' experience in the health sector
- Board positions with ASX-listed companies and for-profit and not-for-profit hospital groups including Healthe Care and CML Group

Mark Simari

Non-Executive Director

- Former Managing Director and co-founder of Paragon Care
- Professional background includes over 12 years' experience in ASX listed entities, mergers & acquisitions, equity capital markets and business development

PARAGON CARE

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Past performance information, including past share price performance, given in this Presentation is given for illustrative purposes only and should not be relied upon as an indication of future performance.

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THANK YOU

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