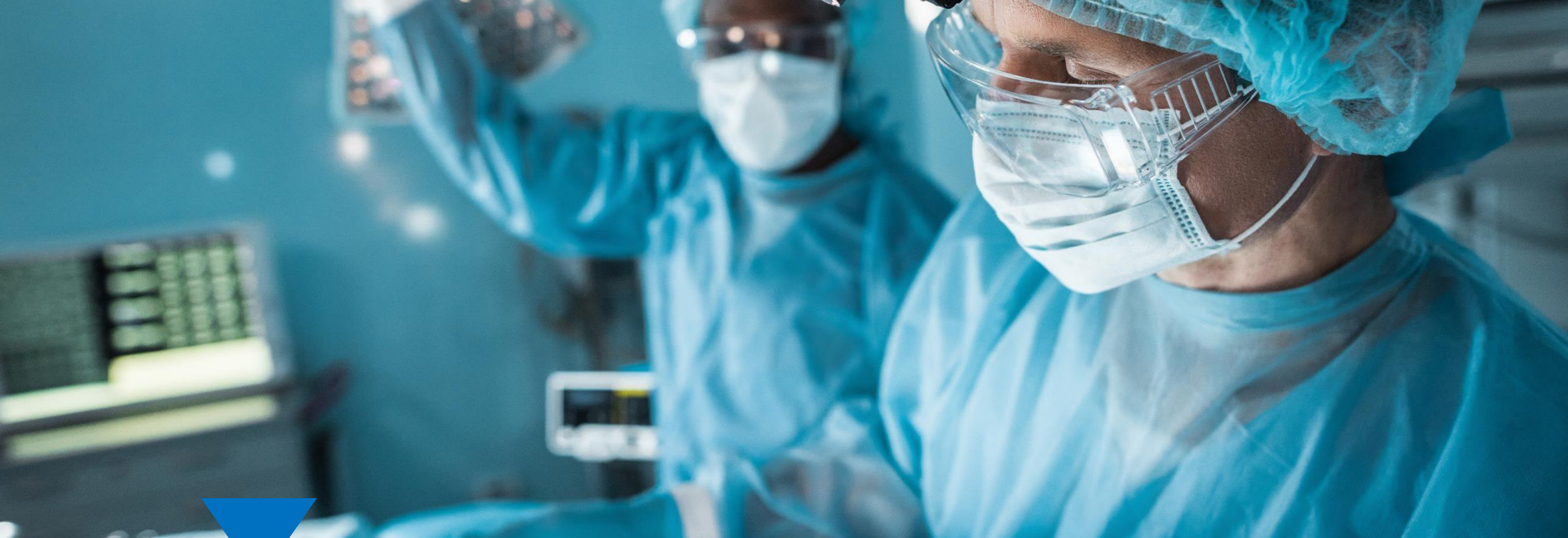


# INVESTOR PRESENTATION

9 MARCH 2021





**COMPANY  
OVERVIEW**

1H FY21  
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OUTLOOK

# LEADING PROVIDER OF MEDICAL SUPPLIES IN AUS & NZ



Established long-term relationships with over 100 manufacturers around the world



**Sales & Marketing**

**Regulatory Approvals**

**Service Maintenance**

**Logistics Capabilities**



Supplying majority of hospitals and healthcare facilities in Australia & New Zealand

# ESTABLISHED RELATIONSHIPS ACROSS HEALTHCARE

## GLOBAL MANUFACTURERS



## ParagonCare

Health. Covered.



## AUS & NZ CUSTOMERS



# DIVERSIFIED PRODUCT OFFERING

## DEVICES

EYE CARE  
ORTHOPAEDICS

35%  
1H rev



## DIAGNOSTICS

BLOOD BANK  
LABORATORY

11%  
1H rev



## CAPITAL & CONSUMABLES

UROLOGY, CRITICAL CARE  
NEONATAL, RADIOLOGY

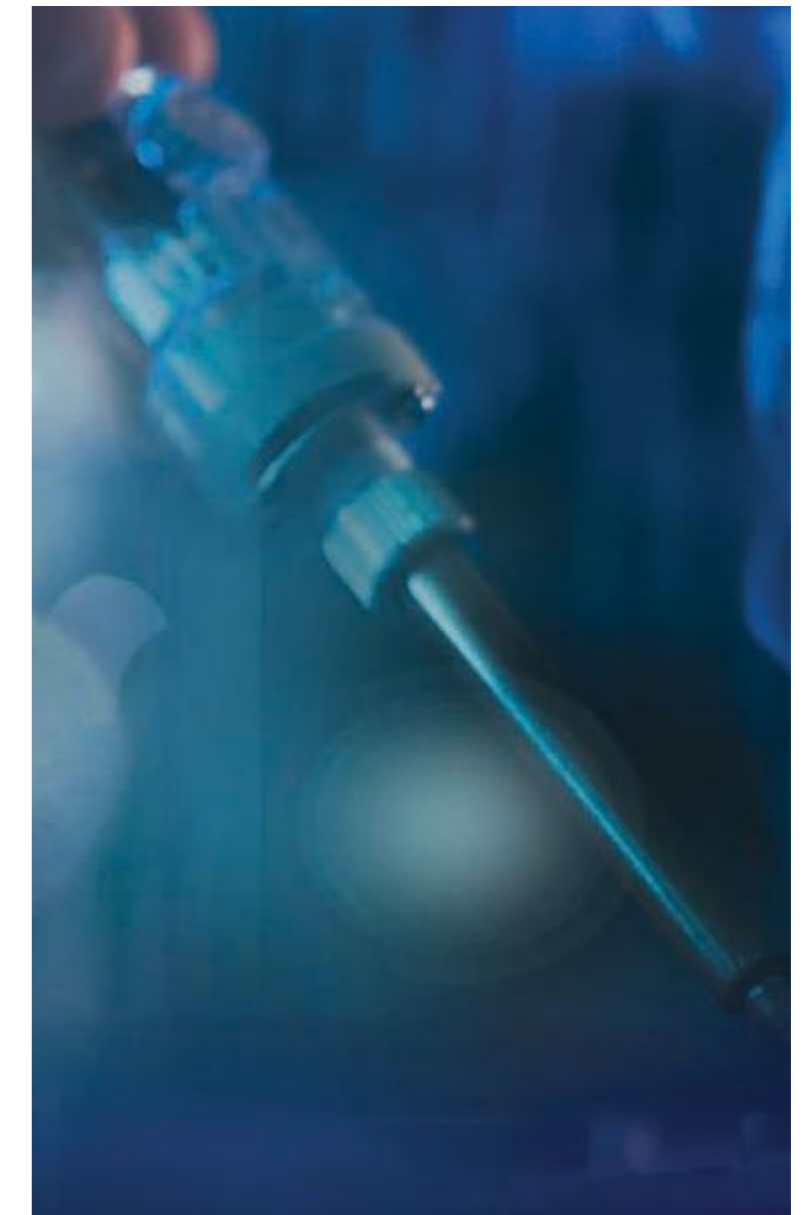
46%  
1H rev



## SERVICE & TECHNOLOGY

MANAGEMENT  
REPORTING  
MAINTENANCE

8%  
1H rev



# CLEAR COMPETITIVE ADVANTAGES

## Deep industry expertise

Comprehensive sales & marketing, regulatory approvals expertise, service & maintenance and logistics capabilities

## Diversified product portfolio

No product or supplier accounts for more than 10% of earnings



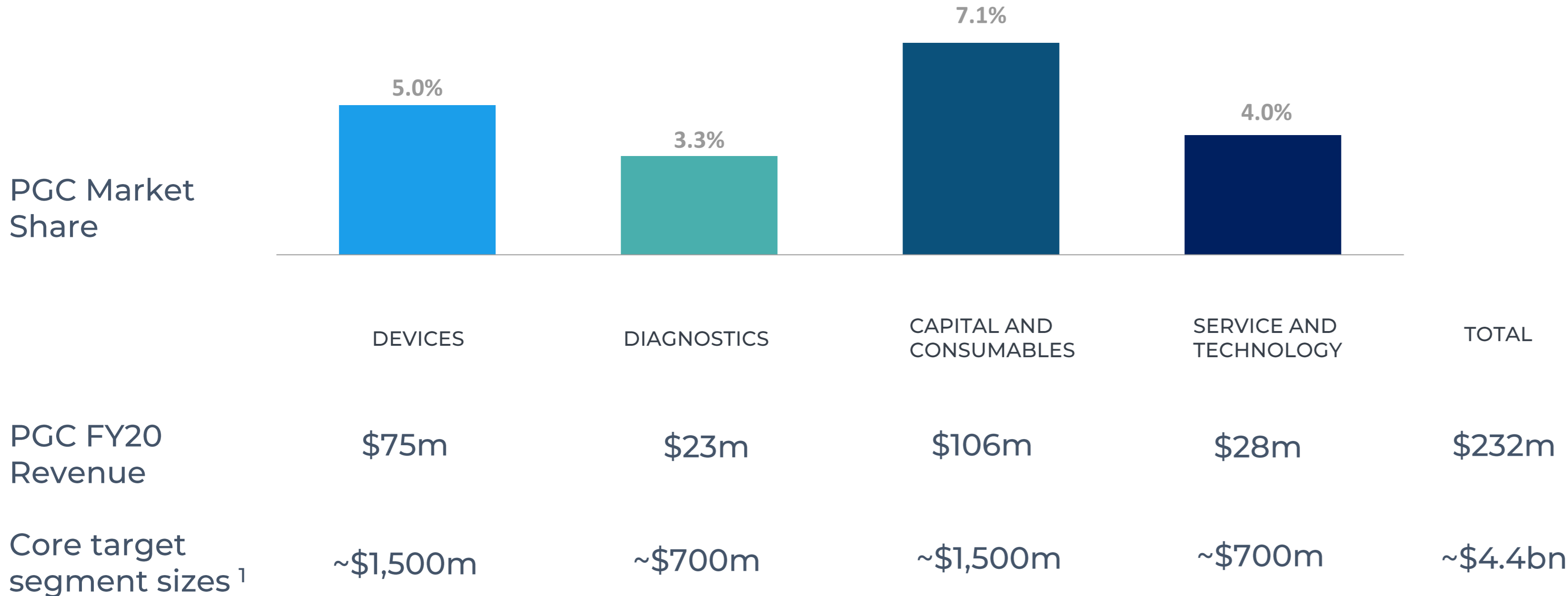
## Well-established relationships

Long term relationships with >100 manufacturers globally, supplying the majority of hospitals and healthcare facilities in Australia & New Zealand

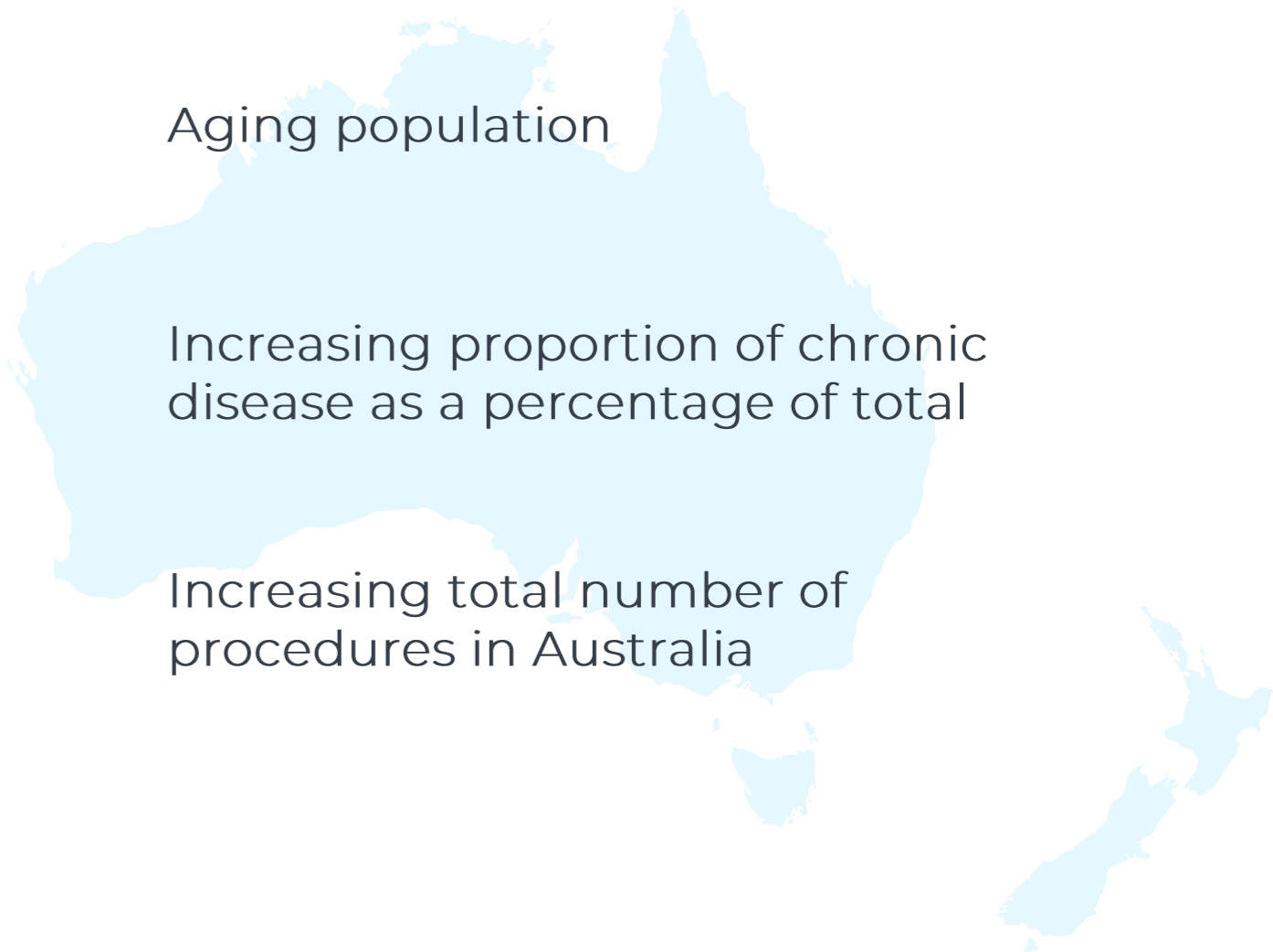
## Local manufacturing capability

Ability to expand product offering and enter new markets

# A\$4.4 BILLION MARKET OPPORTUNITY



Industry continues to grow, driven by strong tailwinds



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

# ENTERING NEW GROWTH PHASE

## GROWTH BY ACQUISITION (FY15 – FY18)

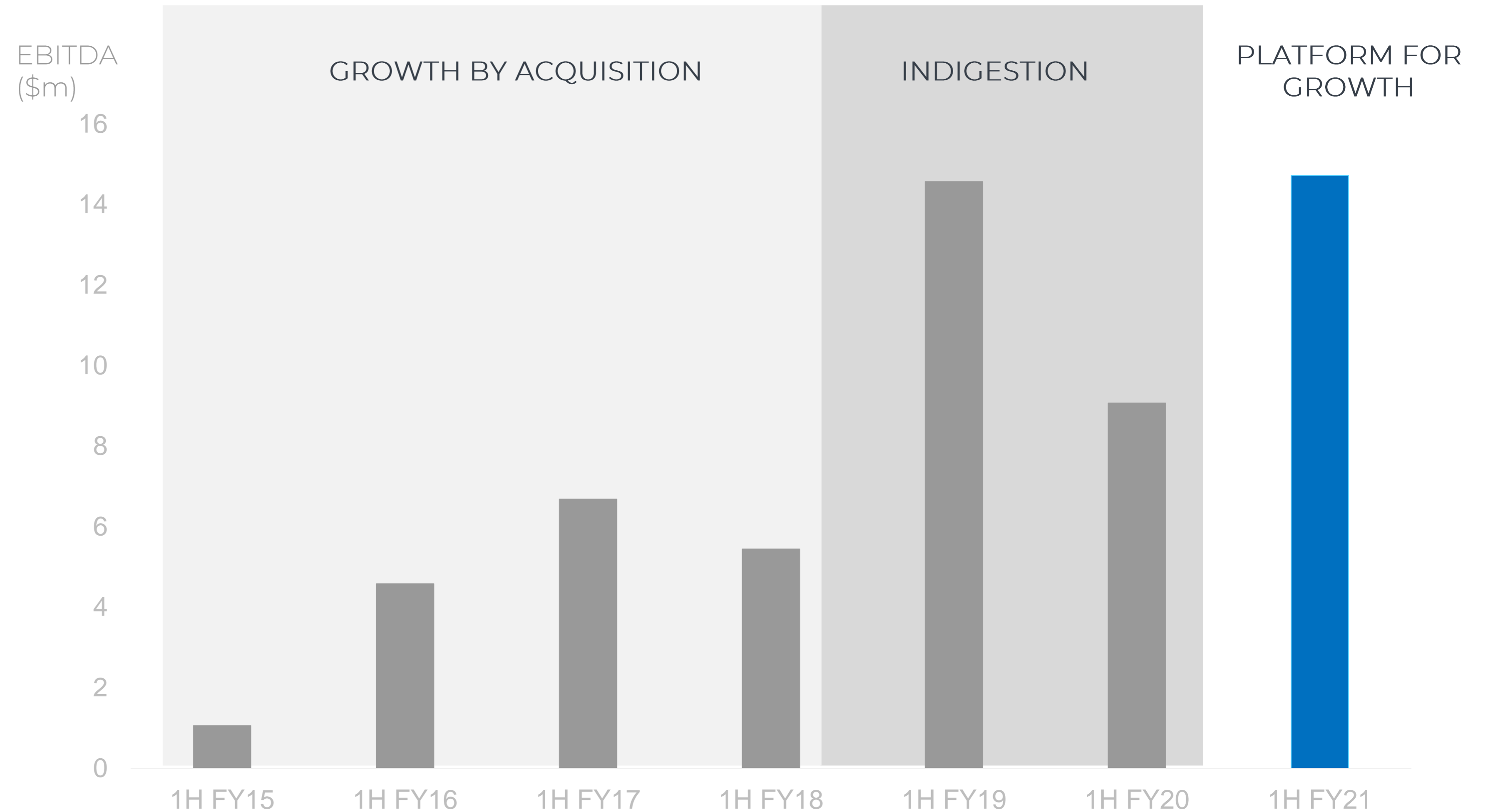
17 acquisitions between October 2014 and November 2018

## INDIGESTION (FY19-FY20)

Issues with business integration, ERP implementation and working capital cycle

## PLATFORM FOR GROWTH (FY21+)

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





# PARAGON CARE

## EXPERIENCED BOARD



**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 senior exec and board roles
- Professional background includes a wide range of experience in marketing, technology and strategic planning at both domestic and international levels



**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 Health 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



**Paul Li**

**Non-Executive Director**

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

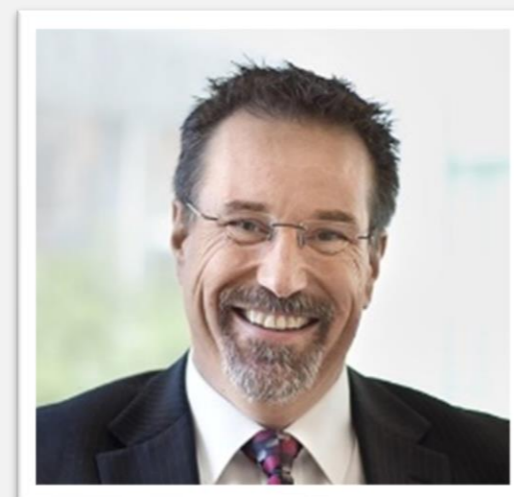
# PARAGON CARE CORPORATE OVERVIEW



**Phil Nicholl**

Chief Executive Officer

- CEO of Paragon Care since December 2019
- CEO and part owner of Surgical Specialties from Oct 2015 to Dec 2019
- Lengthy career with Asia Pacific Stryker 2004 to 2013 and President for last two years
- President Asia Pacific Cochlear 2001 - 2004



**Stephen Munday**

Chief Financial Officer

- CFO of Paragon Care since December 2019
- Over 25 years experience in business consulting on M&A, funding, corporate advisory, governance and risk management

Share price (9-Mar-21)	\$0.245
Number of shares (m)	337.9
<b>Market capitalisation</b>	<b>\$82.8m</b>
Cash & cash equivalents (31-Dec-20)	\$26.6m
Interest bearing debt (31-Dec-20)	\$102.9m
<b>Enterprise value</b>	<b>\$159.1m</b>

### Major Shareholders (as at 9 Mar 2021)

Board & Management*	32.60%
China Pioneer*	14.92%
First Samuel Limited	7.89%
Top 20 shareholders	50.3%
Total number of shareholders	6,138

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



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# 1H FY21 RESULTS: KEY HIGHLIGHTS

Revenue  
**\$115m**  
↓ 5% on  
pcp

Diversified portfolio generated revenue stability

Revenue down by only 5% to \$115m despite disrupted healthcare market

EBITDA  
**\$14.7m**  
↑ 63% on  
pcp

Improved margins and streamlined operations driving improved profitability

Gross margins up slightly to 38.7% together with over \$7m in annualised savings, delivers EBITDA growth of 63% to \$14.7m

OPCF  
**\$15.5m**  
↑ \$24m on  
pcp

Improved working capital cycle increased operating cash flow

Operating cash flow increased to \$15.5m due to significant reduction in days debtors and inventories and improved operating performance

Net Debt  
**\$76.3m**  
↓ 4% on  
pcp

Constructive negotiations with debt providers ongoing

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

# 1H FY21 PROFIT & LOSS

## IMPROVED PROFITABILITY

### Key Highlights

- Increase in EBITDA of 63% and increase in NPAT of 271% on pcp
- Improved gross margins due to higher margin product mix in Q2
- Revenue was down only 5%, despite COVID disrupted healthcare market
- Reduction in 1H operating expenses by \$6.4m on pcp, which includes \$3m in JobKeeper (only in Q1)
- Savings in employee expenses (excluding JobKeeper), marketing and other expenses including travel in 1H FY21, generated ~\$7m in annualised savings
- Most savings will be sustainable moving forward, except for travel costs and marketing as business resumes to COVID normal

	1H FY21	1H FY20	CHANGE	
	31 Dec 2020	31 Dec 2019	\$m	%
	\$m	\$m	\$m	%
<b>Revenue</b>	<b>115.0</b>	<b>120.6</b>	<b>(5.6)</b>	<b>(5)%</b>
Cost of sales	(70.5)	(75.1)	4.6	6%
<b>Gross profit</b>	<b>44.5</b>	<b>45.5</b>	<b>(1.0)</b>	<b>(1)%</b>
Gross profit margin %	38.7%	37.7%		
Other income	1.5	1.2	0.3	24%
<b>Operating expenses</b>				
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%
<b>EBITDA</b>	<b>14.7</b>	<b>9.1</b>	<b>5.6</b>	<b>63%</b>
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	5.8	299%
Tax (expense)/benefit	(2.6)	(0.6)	(2.0)	(354)%
<b>NPAT</b>	<b>5.2</b>	<b>1.4</b>	<b>3.9</b>	<b>271%</b>

\* Includes \$3m JobKeeper for Q1 FY21

# 1H FY21 BALANCE SHEET

## IMPROVED 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 cash flow 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%
<b>Total assets</b>	<b>280.0</b>	<b>292.2</b>	<b>(12.2)</b>	<b>(4)%</b>
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)%
<b>Total current liabilities</b>	<b>70.8</b>	<b>84.9</b>	<b>(14.0)</b>	<b>17%</b>
Non-current borrowings	85.1	82.2	2.9	4%
<b>Total non-current liabilities</b>	<b>92.6</b>	<b>95.0</b>	<b>(2.4)</b>	<b>2%</b>
<b>Total liabilities</b>	<b>163.5</b>	<b>179.9</b>	<b>(16.4)</b>	<b>9%</b>
<b>Net assets</b>	<b>116.5</b>	<b>112.3</b>	<b>4.2</b>	<b>4%</b>
Issued capital	202.7	202.7	-	-
Reserves	2.6	(1.7)	(1.0)	(43)%
Accumulated losses	(88.8)	(88.8)	5.2	6%
<b>Total equity</b>	<b>116.5</b>	<b>112.3</b>	<b>4.2</b>	<b>4%</b>

\* Note that this table is an extract of the Balance Sheet with only key line items included

# 1H FY21 CASH FLOW

## INCREASED OPERATING CASH FLOW

### Key Highlights

- Significant improvement in operating cash flow to \$15.5m, up \$24.1m on pcp
- Payments for earn-outs of previous acquisitions of \$14.3m in 1H, mostly in Q1 investing cash flow
- Minimal remaining earn-out obligations (down to \$1.1m) will positively impact cash flow from 2H onwards
- 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

## 1H FY21

DEVICES	\$40.3m	↑	3%
DIAGNOSTICS	\$12.6m	↑	8%
CAPITAL & CONSUMABLES	\$53.0m	↓	5%
SERVICE & TECHNOLOGY	~\$9.1m	↓	34%
TOTAL REVENUE	\$115m	↓	5%

### Diversified portfolio generated revenue stability

- Devices: Growth in capital items in eye care
- Diagnostics: Growth in export sales in Immulab blood bank
- Capital & Consumables: disrupted supply chains in NZ
- Service & Technology: impacted by access restrictions in aged care

Revenue in Australia down by 10% on pcp to \$87.9m, partially offset by 14% increase in revenue from NZ to \$26.3m



# 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 improved 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 lower revenues and EBITDA from COVID disruption
- Stronger operating performance in Q2 removed eligibility for JobKeeper

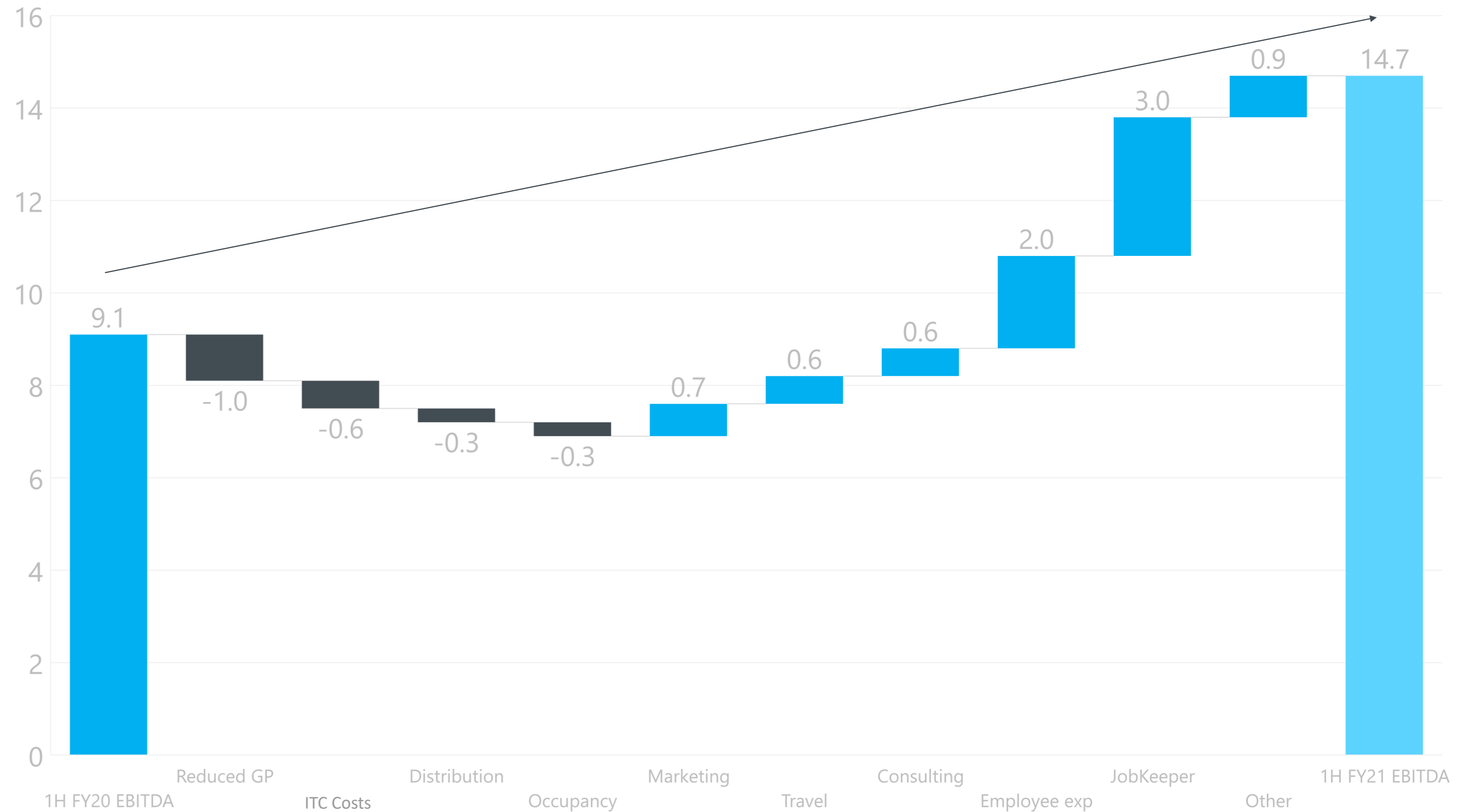
## STREAMLINED OPERATIONS

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

## SUSTAINABLE SAVINGS

- Streamlined operations should generate improved EBITDA in a COVID normal environment despite an expected bounce back in some operating expenses, including travel and marketing

EBITDA (\$m)





COMPANY  
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# PARAGON CARE

## STRATEGIC PRIORITIES

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### Focus on organic growth opportunities

- Business as usual, continuous improvement to drive revenue growth and improved margins
- Ongoing focus on operational efficiency and improved processes across all four pillars

### Transition from internal to customer focus

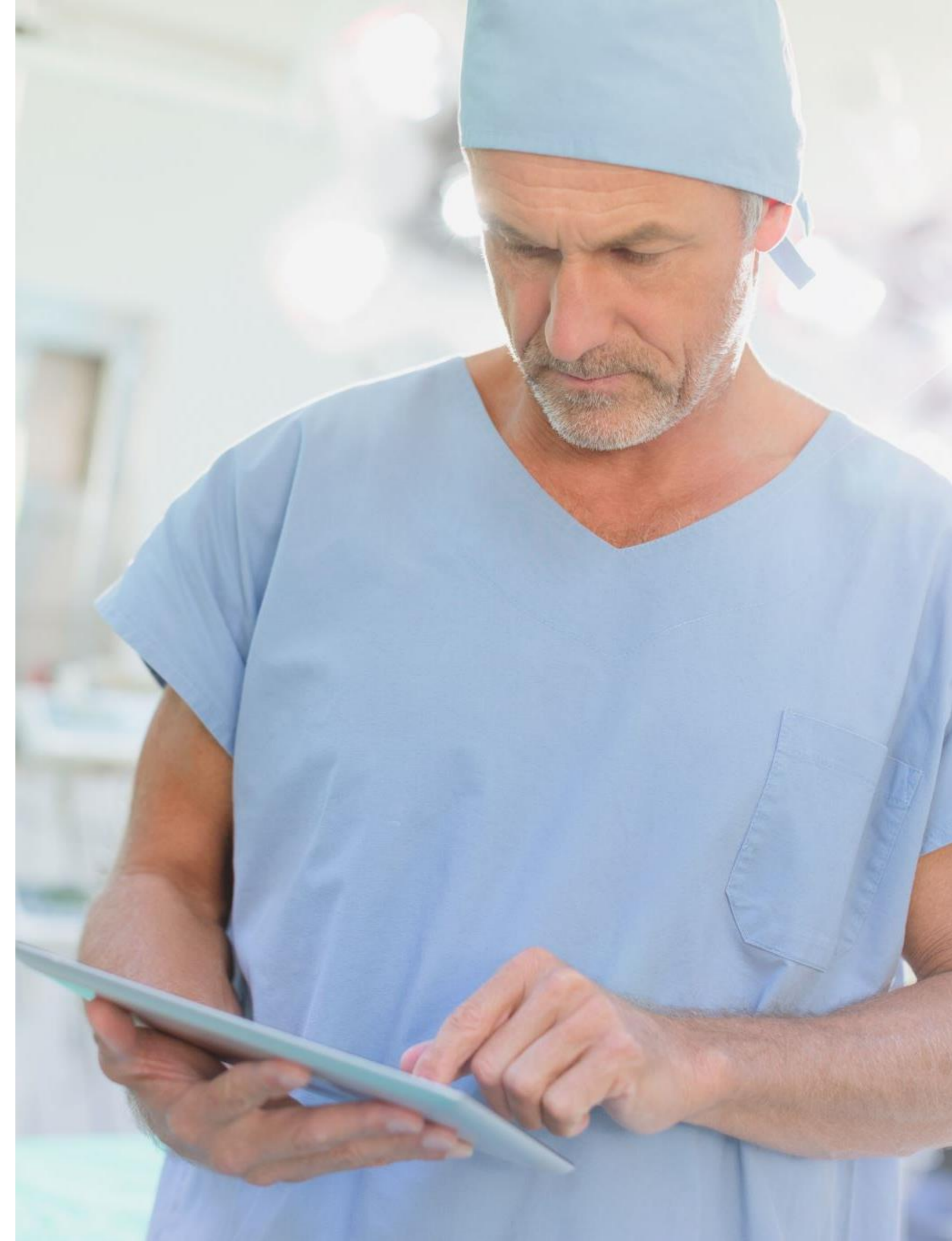
- Securing new agencies
- Internal focus on cross division sales collaboration

### Capitalise on existing local manufacturing capability

- Order for swab testing kits and other diagnostics tests
- Export opportunities in blood bank

### Preparations for growth in aged care post-COVID

- Royal Commission focus on increased governance in aged care, currently hindered by limited access
- Technology solutions create the raw data for improved governance
- Blue chip client base investing heavily in leading edge technology solutions



# SOLID FOUNDATION FOR FUTURE GROWTH

## ACHIEVEMENTS TO DATE

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

## OUTLOOK – FY21 & BEYOND

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

# PARAGON CARE

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This Presentation contains summary information about Paragon Care and its activities current as at 09/03/2021. The information in the Presentation is of a general nature and does not purport to be complete or comprise all information which a shareholder or potential investor may require in order to determine whether to deal in Paragon Care shares. It should be read in conjunction with the Company's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au).

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