

ASX ANNOUNCEMENT

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Australian Securities Exchange
Company Announcements Office

UNDERLYING EBITDA UP 21% WITH STRONG FOUNDATION FOR FUTURE GROWTH

Paragon Care Limited (ASX:PGC) (“Paragon Care” or the “Company”) is pleased to report its financial results for the full year ended 30 June 2022 (“FY22”). Key highlights from the results include:

- **Underlying EBITDA up 21% to \$30.2m:** FY22 results include a five-month contribution from Quantum Healthcare acquired in February 2022. On a pro forma basis (including Quantum for a full 12 months), underlying EBITDA is estimated to be \$34m.
- **Increase in gross profit margins to 41%:** Driven by higher margin sales mix and improved foreign exchange and the inclusion of five months of Quantum results.
- **Strengthened balance sheet:** Net debt down by 27% to \$50.1m with net debt to EBITDA below 2x as at 30 June 2022. It is expected that net debt will increase slightly to around \$55-\$60m by June 2023.
- **Final dividend declared:** A fully franked final dividend of 0.6 cents per share has been declared, representing a payout ratio of 55% of underlying NPAT on a pro forma basis (record date 13 September 2022 and payment date 4 October 2022).
- **Acquisition of Specialist Medical Supplies (SMS):** Strategic acquisition to expand the product portfolio to drive further expansion and broaden market penetration. The transaction will be funded by 20% scrip and 80% cash from existing facilities, with completion 31 August 2022. (See separate ASX announcement released today).

FY22 Financial Results Overview

| | FY22 | FY21 | Δ |
|---------------------|------------|------------|-------|
| Revenue | \$247.9m | \$235.8m | ↑ 5% |
| Reported EBITDA | \$24.8m | \$26.5m | ↓ 6% |
| Underlying EBITDA* | \$30.2m | \$25.0m | ↑ 21% |
| Reported NPAT | \$7.1m | \$8.3m | ↓ 14% |
| Underlying NPAT* | \$11.0m | \$7.3m | ↑ 51% |
| Net debt | \$50.1m | \$69.1m | ↓ 27% |
| Net debt to EBITDA* | 1.66 times | 2.76 times | |
| DPS | 1.2cps | 1cps | ↑ 20% |

*Underlying results exclude Quantum transaction costs, fair value gain on interest rate swaps, inventory write-off and sign-on bonus.

Paragon Care’s Group CEO & Managing Director, Mark Hooper commented, “The business has performed well over the past year, with good underlying earnings growth and the integration of Quantum on track. Our focus is now on leveraging our attractive set of healthcare assets with an ambition to build a \$100m EBITDA business over the next 3-5 years, through a combination of organic growth and more targeted M&A activity.

We have also undertaken a review of strategy to clarify our longer-term goals and refine our organisational structure, with a renewed focus on project planning and execution across the business”.

Paragon Care Chairman Shane Tanner added “The acquisition of Specialist Medical Supplies, announced today, will further strengthen our product portfolio and geographic footprint. Our strengthened balance sheet provides flexibility to consider M&A where appropriate, however our immediate focus is on generating sustainable organic growth.”

FY22 Financial Results - Commentary

Paragon Care delivered a solid underlying result in FY22, against the backdrop of a challenging year that continued to be impacted by COVID-19. Revenue in FY22 was up 5% to \$247.9m, and gross profit was up 14% to \$102.8m, with gross profit margins of 41%, up from 38% in FY21, reflecting a higher margin sales mix.

The Reported results in FY22 and FY21 have been adjusted to exclude a number of one-off items including merger costs from the Quantum transaction cost.

Underlying EBITDA increased by 21% to \$30.2m, mainly reflecting the five-month contribution from Quantum. The integration activities are on track and the business is performing in line with expectations. On a pro forma basis, underlying EBITDA for the combined business is estimated to be \$34m.

Underlying NPAT increased by 51% to \$11.0m and underlying EPS increased by 7% to 2.30cps.

Operating cash flow in FY22 normalised to \$19.0m, following an unusually strong net operating cash flow of \$27.5m in FY21. Net debt decreased significantly in FY22 to \$50.1m, due to the paydown of debt as well as net cash acquired as part of the Quantum merger.

Outlook

Work continues on our strategy with the current focus on the development of strategic plans by pillar to deliver a stronger and more executable pipeline of growth.

For FY23 PGC expects growth in Underlying EBITDA around 30% driven by the full year impact of Quantum and SMS and organic growth of around 5%-10% (weighted more towards the second half).

Beyond this PGC expects to have accelerated growth beyond 10% per annum (excluding acquisitions) which comes from a broad range of growth initiatives across the pillars in both ANZ and Asia.

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This announcement is authorised for release to the market by the Board of Directors of Paragon Care Limited

About Paragon Care Limited

Paragon Care (ASX:PGC) is an Australian based listed company in the healthcare sector. It is a leading provider of medical equipment, devices and consumables for the Australian, New Zealand and Asian healthcare markets. These are high growth markets driven by the healthcare needs of an ageing population, continuously rising consumer expectations and increasing government spending. By combining a series of strategic acquisitions of class leading companies, Paragon Care has positioned itself to provide advanced technology solutions including equipment, consumables and services for acute and ancillary care environments.