

18 November 2016

Australian Securities Exchange  
Company Announcements Office

## PARAGON CARE LIMITED – 2016 ANNUAL GENERAL MEETING CHAIRMAN’S ADDRESS AND PRESENTATION

Paragon Care Limited (“Company”) is convening its 2016 Annual General Meeting today, 18 November 2016, at the Company’s Head Office in Scoresby, Victoria.

The Chairman’s Address and Presentation to be presented at the meeting follow.

**John Osborne**  
Company Secretary

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**About Paragon Care Limited**

Paragon Care is a Melbourne based, listed company with the ASX (PGC), which has progressively acquired businesses in the healthcare sector. It is a leading provider of medical equipment, devices and consumables for the Australian and New Zealand healthcare market. These are high growth markets driven by the ageing of the 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 end to end solutions including equipment and consumable solutions for acute, aged, primary, community and hospital care. Paragon Care Ltd’s head office is located at 11 Dalmore Drive Scoresby VIC 3179 Australia. For further information please contact Mark Simari, Managing Director (1300 369 559) or via email at [info@paragoncare.com.au](mailto:info@paragoncare.com.au).

# ParagonCare

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## **CHAIRMAN'S ADDRESS – 2016 ANNUAL GENERAL MEETING**

Good morning ladies and gentlemen. Welcome to the 2016 annual general meeting of Paragon Care. My name is Shane Tanner and I am the chairman of the company. Thank you for your attendance today.

It is with great pleasure that I update you on the company's recent achievements and strategy going forward.

I say this every year, but the last 12 months have been another transformational period for Paragon Care. The highlights of 2016 were again characterised by strong operating performance from our core businesses, key acquisitions of like-minded businesses and an ongoing favourable macroeconomic environment underpinning continuous strong growth in the health care industry. Paragon is now one of the premier medical equipment, device and consumable suppliers listed on the ASX.

13 valuable accretive acquisitions over the last 7 years have supported strong organic and inorganic growth in a highly fragmented industry.

Paragon's vision is to be Australia's leading supplier of medical equipment, devices and consumables within the next 3 years.

Paragon has a highly aligned Board and management team with a long term supportive shareholder base. The Board, management and close associates currently own 8.8% of the company, which I see as a major plus.

For the year ended 30 June 2016, revenue was up 190% to A\$93.4 million, EBITDA was up 227% to A\$12.1 million and net profit after tax increased by 257% to A\$7.5 million. Paragon's tremendous financial performance can be attributed to not only a very strong and dedicated management team, but strong organic growth driven by growing demand for our capital equipment and growing consumables products from the acute, aged care and primary care markets. The key acquisitions during the year of Western Biomedical, Designs for Vision and Meditron were seamlessly integrated into our existing operations and provided additional revenue synergies through new products and new geographies.

Earnings per share was up 75% from 3.2 cents to 5.6 cents per share and fully franked dividends for the year totalled 2.2 cents per share, an increase of 57% on the prior year. The payout ratio of approximately 47% and was at the top end of Paragon's targeted dividend payout ratio range of 40-50%.

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### **PARAGON CARE LIMITED**

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The Company undertook a capital raising in October 2015 which was heavily oversubscribed to raise \$47m to fund the acquisition of Designs for Vision, Western Biomedical and Meditron.

In the current financial year two key acquisitions have been made – MIDAS and Electro Medical were completed in July and October respectively.

MIDAS is a world first, fully customised interpretive reporting software platform for a wide range of diagnostic medical examinations. One in particular, radiology, provides significant savings in technician and radiologist time. MIDAS is highly complementary to Paragon's existing customer base and sales channels.

Electro Medical Group specialise in the repair, maintenance and technology management of medical and scientific equipment in acute, aged and primary care markets. This acquisition allows Paragon to capitalise on the growing demand for the provision of preventative service and maintenance throughout the sector.

Both of these recent acquisitions are expected to be moderately accretive during FY17.

Paragon has enjoyed a strong start to FY17, with several key internal milestones achieved and strong growth seen across key financial metrics. After three months of FY17, the company's EBITDA on a like for like basis is 12% up over the prior corresponding quarter and we are on track to deliver strong earnings growth for the full financial year.

Paragon has a number of exciting new products in its FY17 product range – including Rubbermaid, a recognised leader in the development and manufacture of medical carts. In addition, it's "home grown" Stralus Aged Care Beds are gathering momentum and a number of key accounts have already been achieved. In addition, the sales of the new Thermi range of aesthetic products are strong.

Going forward, Paragon will continue with exactly the same strategy that it has adopted over the past few years. That is, to continue driving strong organic growth, bringing in a range of new and innovative products each year, and continuing to acquire strategic acquisitions that will be purchased sensibly and integrated successfully.

The industry we operate in continues to remain highly fragmented with a large number of privately owned small businesses regularly coming up for sale. This traditionally has been Paragon's "sweet spot".

On behalf of the Board, I would like to thank our Managing Director Mark Simari and the entire Paragon Care team for their ongoing commitment to the company's long-term success.

**Shane Tanner**  
**Chairman of the Board of Directors**

# ParagonCare

Health. Covered.

AGM Presentation  
18 November 2016

ASX: PGC



## A low-risk exposure to a rapidly growing health care company

- Company Highlights
- Vision and Strategy
- Corporate Overview
- FY16 Results Summary
- Recent Acquisitions
- Trading Update
- New Products
- Share Price Catalysts
- Growth in FY17, FY18 and Beyond
- Disclaimer



## A low-risk exposure to a rapidly growing health care company

- Paragon is one of the **premier medical equipment, device and consumables suppliers** on the ASX
- **Platform economics**, extensive distribution networks and a customer-focused business model
- **Favourable macro tailwinds** given the ageing population and increasing investment in health care
- **Strong operating cash flow and well-capitalised balance sheet** to pursue additional growth opportunities, with a conservative approach to debt finance
- **Highly aligned Board and management team** with supportive institutional shareholder base
- Shareholder returns will continue to be driven by **strong growth in earnings**, which supports increasing fully franked dividends to shareholders
- **13 value accretive acquisitions** over the last 7 years have supported **strong organic and inorganic growth** in a highly fragmented industry
- Raised **\$47m in capital** to fund the acquisition of Designs for Vision, Western Biomedical and Meditron in October 2015



Paragon's vision is to be Australia's leading supplier of medical equipment, devices and consumables

## Strategy



To create a healthcare platform with a valuable range of products and services to successfully service the primary, acute and aged healthcare sectors

We do this by:

- Driving efficiencies through leveraging platform economics for our customers
- Growing organically and inorganically to reach a critical mass that best serves our customers

## Market characteristics



**Highly fragmented industry**, characterised by a high proportion of smaller, privately owned businesses

Significant **administrative burden** when procuring for hospitals and other health care providers

Importance of **high quality products** to improve quality of care and at the same time deliver efficiencies for providers

## Market opportunity



Paragon Care to maximise the opportunity available through industry consolidation

Paragon Care continually reviews numerous acquisition opportunities looking for complementary product offerings and strategic outcomes for the company

## Highly aligned Board and management team with a long term, supportive shareholder base

Financial Information	
Share price (16-Nov-2016)	\$0.88
Number of shares (m)	164.6
Market Capitalisation	\$144.8m
Cash (30-Jun-16)	\$19.1m
Debt (30-Jun-16)	\$38.2m
Enterprise Value	\$163.9m

Top Shareholders	%
Board, management and associates	8.8
JMT Investment Group	5.9
First Samuel	5.6

### Board of Directors

#### Shane Tanner

##### Non-Executive Chairman

- Chairman of Zenitas Healthcare Limited and Funtastic Limited, and former Chairman of Vision Eye Institute
- Extensive commercial and financial experience

#### Michael Newton

##### Non-Executive Director

- Experienced operator specialising in the industrial chemical sector with previous executive roles with both Unilever and ICL PLC

#### Geoff Sam OAM – Appointed 3 June 2016

##### 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, CML Group, Money3 Corporation and Nova Health

#### Mark Simari

##### Managing Director / CEO

- Extensive corporate and management experience and prior experience integrating multiple acquisitions
- Strong business acumen and hands on management philosophy

#### Brett Cheong

##### Executive Director

- Over 35 years' experience in the durable medical equipment industry
- Founder and Managing Director of Axishealth

#### Michael Rice

##### Alternate Director

- Founder and Managing Director of GM Medical: April 2002 - June 2011
- Over 20 years experience in the healthcare sector

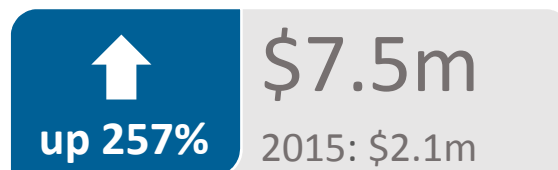


FY16 was a record year for Paragon, with FY17 expected to show strong growth

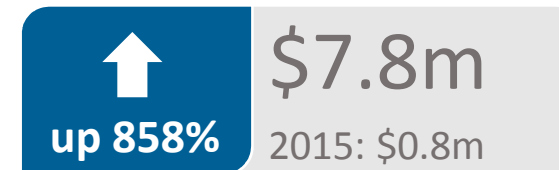
Revenue



Net profit after tax



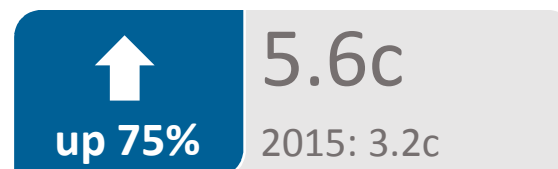
Operating cash flow



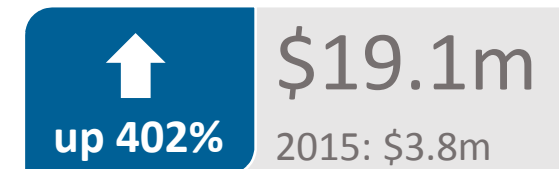
Gross profit



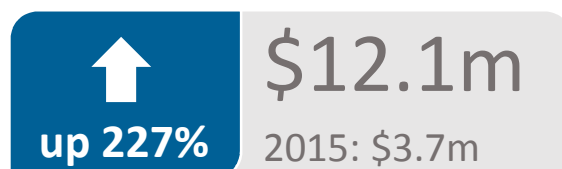
Earnings per share



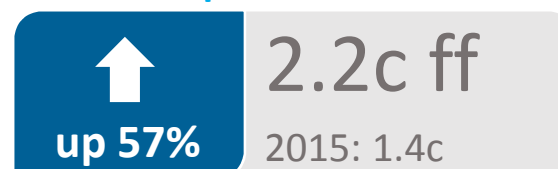
Cash



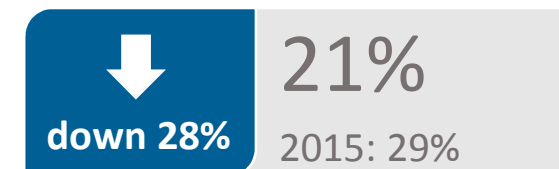
EBITDA



Dividend per share



Net gearing



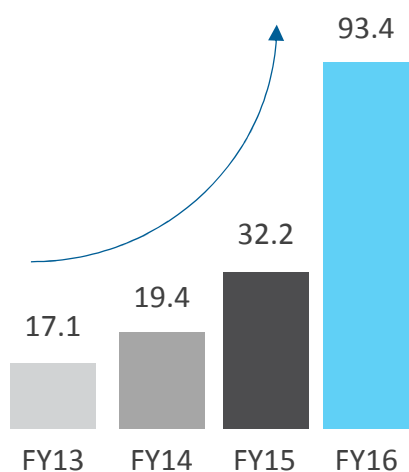
Note: Figures above only include a partial contribution from Western Biomedical, Designs for Vision and Meditron, which all settled in October 2015

## FY16 was a record year for Paragon, with FY17 expected to show strong growth

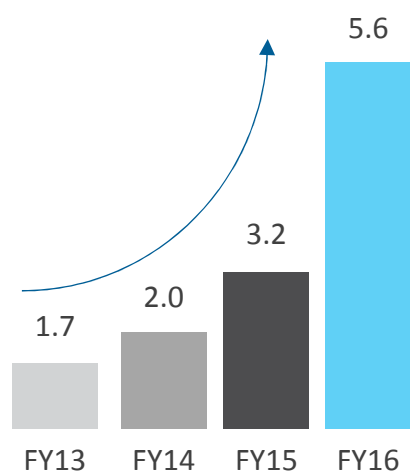
### Financial highlights

- Record results across all key metrics
  - Revenue up 190% to **\$93.4m**; EBITDA up 227% to **\$12.1m**; NPAT up 257% to **\$7.5m**
- Strong balance sheet and operating cash flows up 858% to **\$7.8m**
- Strong organic growth** across the portfolio drove the result with only a **9 month contribution** from the successful acquisitions of Western Biomedical, Designs for Vision and Meditron
  - FY17 will be the **first full year of earnings capture** from these acquisitions
- Fully franked dividend** representing a 47% payout of NPAT, which is at the top end of Paragon's stated payout ratio of 40-50%

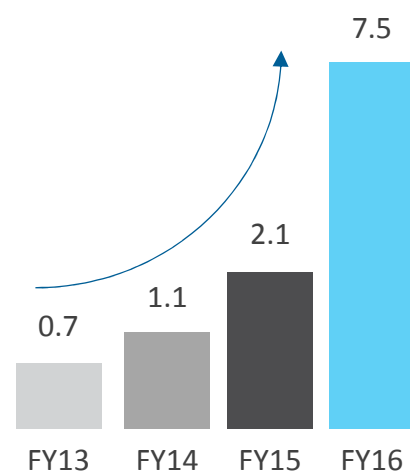
Revenue (\$m)



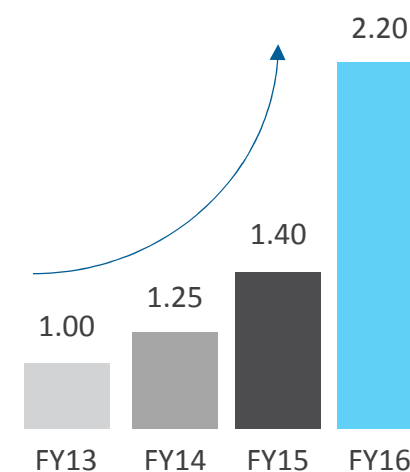
Earnings per share (c)



NPAT (\$m)



Dividends (c)



The recent acquisitions of MIDAS and Electro Medical were both funded internally through operating cash flows and represent significant upside potential to Paragon's long term earnings



- Acquisition completed on 6<sup>th</sup> July 2016
- MIDAS is a **world first, fully customisable interpretive reporting software platform** for a wide range of diagnostic medical examinations
- Highly complementary to Paragon's existing customer base and sales channels
- Earnings impact expected to be modest in FY17 with **solid growth expected from FY18 onwards**
- Strategic and measured investment into software with **substantial upside to earnings growth**



- Acquisition completed on 7<sup>th</sup> October 2016
- Electro Medical Group specialise in the **repair, maintenance and technology management** of medical & scientific equipment in acute, aged and primary care markets
- Established agreements in place with a number of major healthcare providers across the medical, scientific, aged care and allied health industries
- Acquisition allows Paragon to **capitalise on the growing demand** for the provision of preventative service and maintenance throughout the sector
- Expected to be **modestly EPS accretive in FY17**

## Paragon has enjoyed a strong start to FY17, with several key internal milestones achieved and strong growth seen across key financial metrics

- In the first quarter of FY17, the company's **EBITDA on a like for like basis is 12% up over the prior corresponding quarter<sup>1</sup>** and we are on track to deliver **strong earnings growth for the full financial year**
- Reaffirming expectations of **strong earnings growth for FY17** driven by:
  - Increased penetration into aged care sector through key client partnering
  - Device sales into the cosmetic surgery and dermatology markets
  - Greenfield/brownfield developments into acute and aged care markets
  - Exposure to the fast growing ophthalmic market
  - Underpinned by a high level of consumable revenues in Paragon's sales mix
- Particularly focused on **delivering revenue synergies through sales in new and existing product lines** across the Company's wider sales channels
- Western Biomedical, Designs for Vision and Meditron are all **performing ahead of expectations** with the integrations now largely complete
  - **FY17 will include a full 12 month contribution from the 3 acquisitions**
  - Ongoing revenue synergies and cost-outs are expected as the integration initiatives continue to take affect
  - Ongoing cross marketing strategies across products and territories have been implemented successfully
- Recently acquired Midas Software Solutions and Electro Medical Group are already contributing positively to Paragon's financial performance



<sup>1</sup> FY16 Q1 EBITDA used in the year on year comparison has been adjusted to include FY16 Q1 EBITDA for Designs for Vision, Western Biomedical and Meditron which were acquired in October 2015.

## Exciting new products in FY17 should drive additional new revenue streams

### Rubbermaid

- Rubbermaid Healthcare is a recognised leader in the development and manufacture of medical carts
- Their extensive range of carts includes mobile computing nurse workstations, medication carts, wall arms, wall cabinet workstation solutions as well as mobile technology carts and the latest telemedicine solutions



### Stralus Aged Care Beds

- Class-leading aged care bed developed internally following an extensive R&D program
- Several key accounts secured for FY17 set to deliver exciting growth for FY17 and beyond

### ThermiRF, ThermiSmooth

- Award-winning aesthetic technology providing innovative alternatives to conventional plastic surgery
- Strong sales pipeline for FY17

### NeuroCom

- Recognised worldwide as the gold standard for the rehabilitation of balance and mobility disorders
- Awareness and marketing campaign underway

### Acero Examination Couch

- Acero examination couches are cost effective, electronically operated, ergonomic and OH&S friendly
- Successful market penetration at this early stage

## Continued operational outperformance should support attractive risk-adjusted returns

**SYNERGIES***Platform economics*

- Continue to leverage platform economics to **drive organic revenue growth** by accessing new geographies, extending market reach and pursuing additional cross-selling and bundling opportunities

**NEW PRODUCTS***New revenue streams*

- Paragon's **product portfolio is constantly evolving**, generally via new agreements with current or new distribution providers
- New products drive strong revenue growth and strengthen the customer base

**FY17 RESULTS***First full year of earnings*

- FY17 will be the first full year of earnings capture** from the Western Biomedical, Designs for Vision and Meditron acquisitions
- Expectation for **strong earnings growth**

**M&A ACTIVITY***Value accretive*

- Paragon has a demonstrated track record of **buying sensibly and integrating successfully**, which provides significant earnings upside over time
- Acquisition opportunities subject to size can now be **internally funded through operating cash flows**, delivering strong growth in EPS and DPS

**CORPORATE***Positioned for growth*

- Capex spent** on excess office space and warehouse capacity, which supports and magnifies future growth
- Current team in excess of 200 people **to support rapid growth including a national sales team in excess of 60 people**

## Strong long-term growth focus with proven execution

- Paragon has a **proven track record** of strong organic growth and growth through sensible acquisitions
- Shareholders have benefited from **strong share price increases** and the **payment of fully franked dividends**
- Paragon is targeting **strong growth in FY17 across all key metrics**



### Target revenue

# \$250m

Driven by strong double digit organic growth and value accretive M&A transactions

### Target EBITDA margin

# 15%

Leveraging platform economics as marginal revenue becomes increasingly profitable

### Target stock turnover<sup>1</sup>

# 5-6x

Driven by strict working capital management initiatives

1. Stock turnover calculated as cost of goods sold / (0.5 x opening inventory + 0.5 x closing inventory)



**THANK YOU**

**DISCLAIMER**

Some of the statements in this presentation constitute “forward-looking statements” that do not directly or exclusively relate to historical facts.

These forward-looking statements reflect Paragon Care Limited’s current intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside Paragon Care Limited’s control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks.

Because actual results could differ materially from Paragon Care Limited’s current intentions, plans, expectations, assumptions and beliefs about the future, you are urged to view all forward-looking statements contained in this presentation with caution.