



ParagonCare
Health. Covered.

AGM Presentation

22 November 2017 | PGC.ASX

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

- Company highlights
- FY17 Results Summary & Overview
- FY18 guidance and Seasonality
- Operational updates
- Vision and strategy
- Appendix:
 - Corporate Overview



- ✓ Paragon is one of the **premier medical equipment, device and consumables suppliers** on the ASX
- ✓ **Platform economics**, valuable distribution networks and a customer-centric business model all differentiate Paragon's service offering
- ✓ **Favourable macro tailwinds** given the ageing population and increasing investment in health care
- ✓ **Well-capitalised balance sheet** to pursue additional growth opportunities, with a conservative approach to debt finance and ability to use scrip for acquisitions
- ✓ **Highly aligned Board and management team** with supportive institutional shareholder base
- ✓ Shareholder returns will continue to be driven by **strong growth in earnings**, targeting \$250 million in revenue, which supports increasing fully franked dividends to shareholders
- ✓ **14 value accretive acquisitions** over the last 8 years have supported **strong organic and inorganic growth** in a highly fragmented industry



Record FY17 full year results reflect another strong year of growth with positive outlook for FY18

Revenue

\$117.2m

2016: \$93.4m *up 25%*

Net profit after tax

\$10.2m

2016: \$7.5m *up 35%*

Operating cash flow

\$12.0m

2016: \$7.8m *up 54%*

Gross profit

\$46.1m

2016: \$36.5m *up 26%*

Earnings per share

6.2c

2016: 5.6c *up 11%*

Cash balance

\$18.6m

2016: \$19.1m

EBITDA

\$17.1m

2016: \$12.1m *up 41%*

Dividend per share

1.9c ff

2016: 1.4c *up 36%*

Net Debt/EBITDA

1.1x

2016: 1.6x *down 31%*

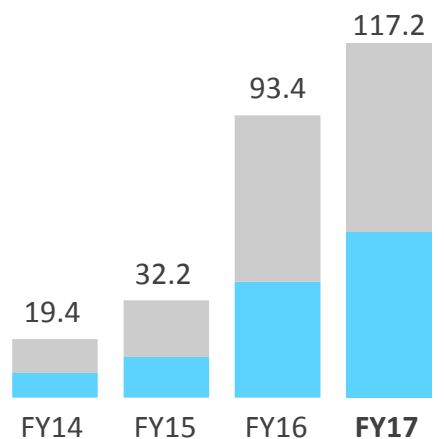
Record FY17 full year results driven by strong organic growth across all sectors

Financial highlights

- **Record full year results across all key metrics**
 - **Revenue up 25% to \$117.2m**, driven by strong organic growth and a full year of earnings capture from the FY16 acquisitions of Western Biomedical, Designs for Vision and Meditron
 - **EBITDA up 41% to \$17.1m**, with EBITDA margins improving from 13.0% to 14.6% due to cost synergies and operating leverage
- **Earnings per share up 11% to 6.2c**, driven by a strong second-half NPAT performance
- **Fully franked final dividend of 1.9c, resulting in total dividends for FY17 of 3.0c**
 - Total FY17 dividends represent a 49% payout of NPAT (top of stated target payout range), signalling the Company's confidence in future growth and cashflow

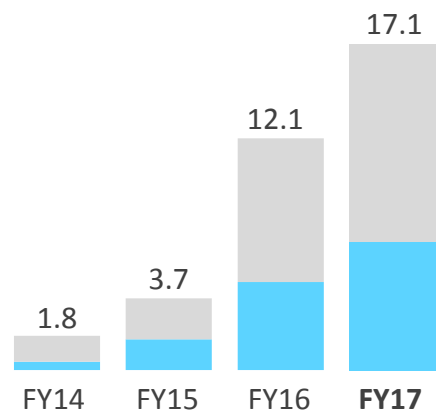
Revenue (\$m)

■ 1H ■ 2H



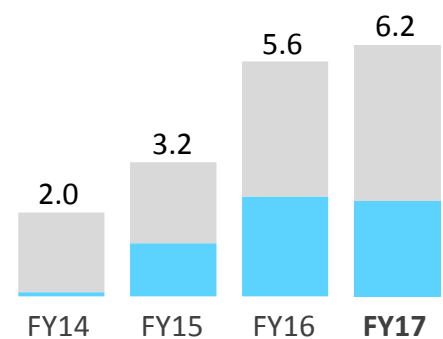
EBITDA (\$m)

■ 1H ■ 2H



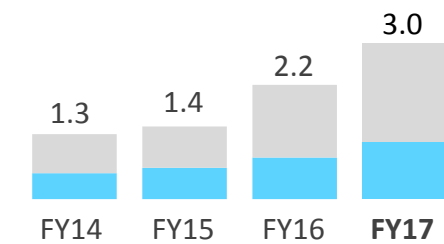
Earnings per share (c)

■ 1H ■ 2H



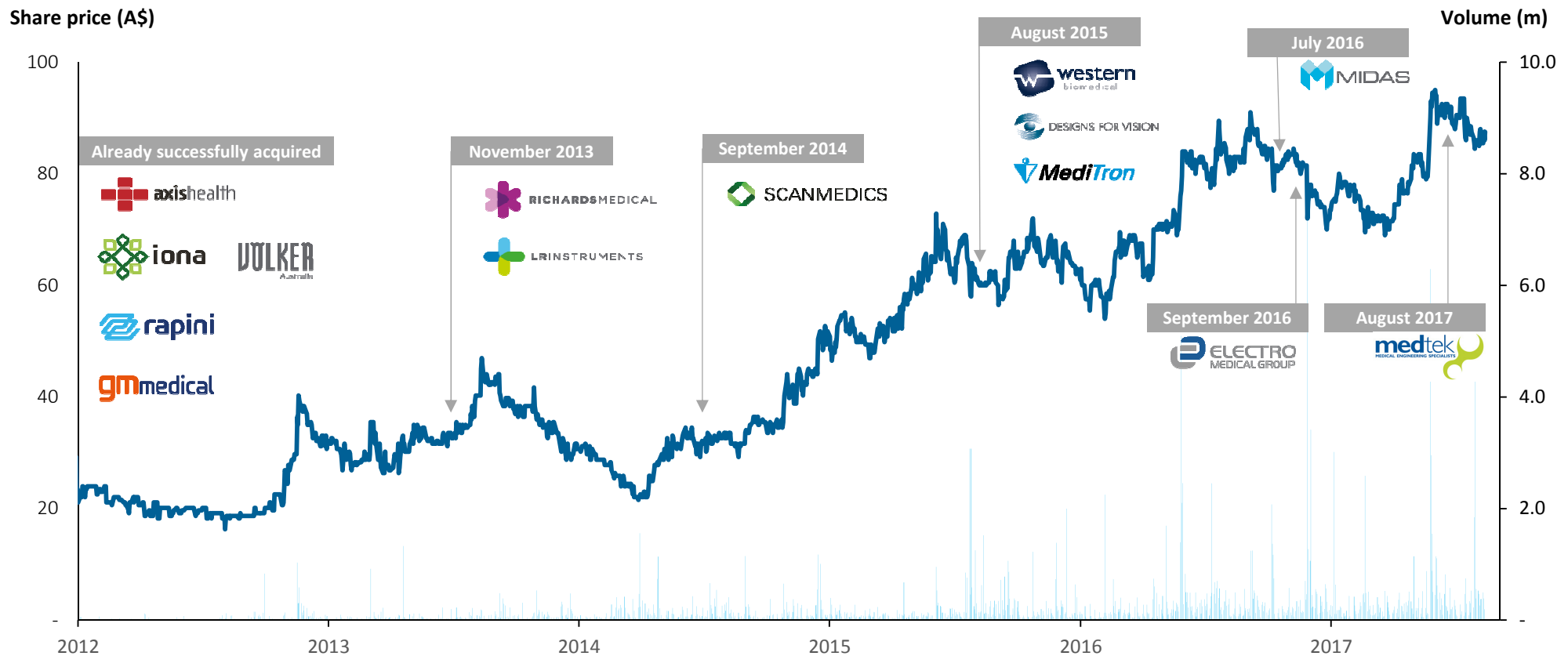
Dividends per share (c)

■ 1H ■ 2H

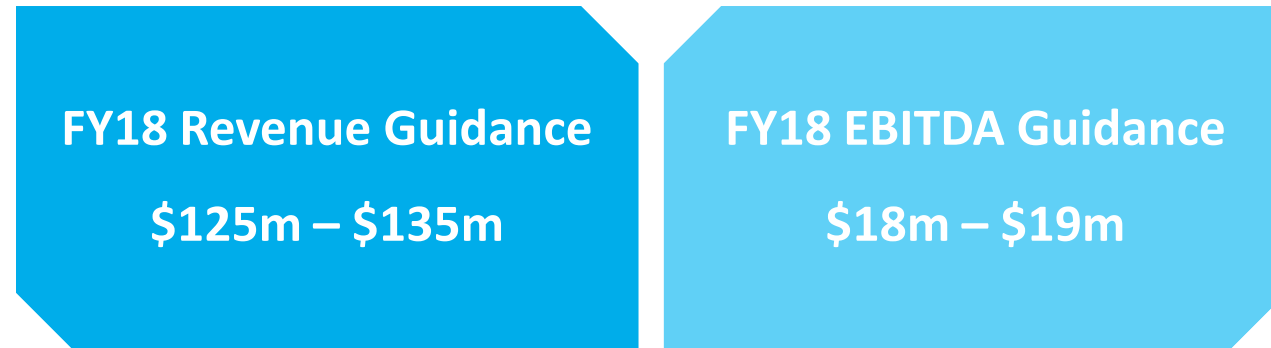


Paragon has an enviable track record of buying sensibly and integrating successfully, which has supported long-term growth and strong returns to shareholders

- Paragon’s management team has a proven track record acquiring and integrating 14 businesses over the last 8 years
- Acquisitions have supported growth in a highly fragmented industry



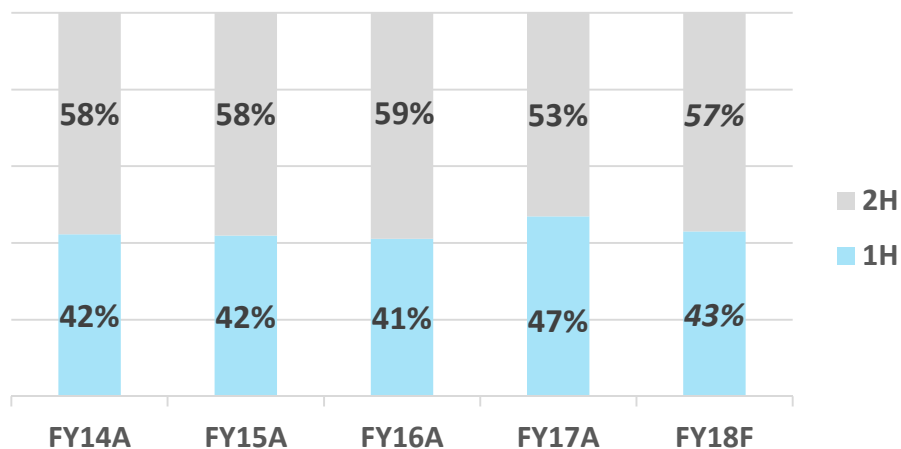
Paragon is targeting strong growth in FY18 across all key metrics



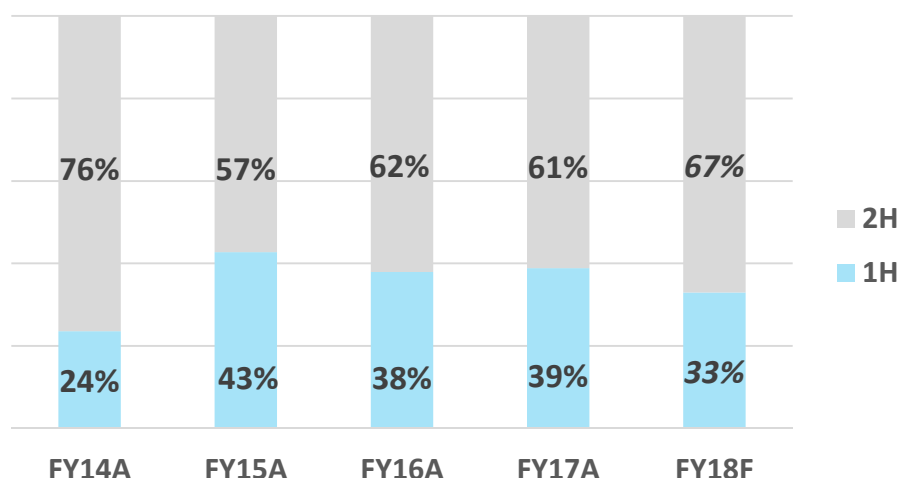
- The above guidance excludes any benefit from potential new acquisitions
- FY18 is likely to be impacted by seasonality more so than in previous years, with the Company experiencing a strong procurement bias from its customers towards the second half
- Guidance informed by exceptionally strong back order position for the second half and reinforced by newly adopted sales and marketing strategies (e.g. South Australian expansion)
- **Revenue and EBITDA guidance is either in line with, or above, current consensus broker forecasts for FY18**

As previously guided, Paragon continues to expect seasonality in revenue and EBITDA

Revenue seasonality: first half v second half



EBITDA seasonality: first half v second half



Customer procurement cycles drive seasonality in Paragon's P&L

- Seasonal trends in procurement are well established in the healthcare sector, with hospitals in the public sector consistently increasing their procurement activity in Q3 and Q4 every financial year
- Although Paragon seeks to mitigate this seasonality where possible through diversification of its portfolio and customer base, the strength of its acute care revenues will drive seasonality in Paragon's overall P&L
- This effect can consistently be seen in Paragon's reported revenues in the last four years
- This effect is magnified at the EBITDA level due to the operating leverage inherent in the business

Seasonality expected to continue being a feature of results

- Although the company continues to experience high levels of fluctuations from half to half due to seasonality of its revenue base, the full year is expected to deliver strong growth across all metrics, with a heavily weighted second half back order book.

Paragon has a strategic plan underway to accelerate its next phase of growth



CEO transition designed to accelerate both organic and inorganic growth



Andrew Just appointed as CEO, effective 22 January 2018

- 25 years' global experience across Fortune 500 and ASX-listed healthcare companies
- Significant experience in the successful delivery of strong organic growth through a clear focus on strategy and people
- Currently Regional Director (Asia) for Fortune 500 company, Radiometer
- Previously held senior management roles at leading companies Stryker, General Electric and Cochlear

"I'm excited about joining Paragon at a time when the organic growth opportunity looks so strong. The fundamentals and growth track are clear and positive, with opportunities to build further on Paragon's value proposition."

- Andrew Just (incoming Paragon CEO)



Mark Simari appointed to a new role focused on M&A

- Key focus on identifying and executing acquisitions to support Paragon's long term growth strategy
- Mark remains fully committed to the success of Paragon, and will work closely with Andrew to ensure a smooth handover process
- M&A pipeline and opportunities are more exciting today than at any time in Paragon's history

"Andrew's background and experience is a fantastic fit with Paragon's current stage of growth. I look forward to supporting Andrew's transition into the role and, over time, moving my sole focus to identifying and executing acquisitions to support Paragon's long-term growth strategy."

- Mark Simari (outgoing Paragon CEO, moving to Head of M&A)

Increasing returns across Paragon Care's existing portfolio of products and services

Aged care



- Paragon Care continues to benefit from increasing demand in the aged care sector
- Revenues from aged care providers increased 20% to \$14m for FY17
- Growing aged population in Australia expected to provide further sector growth

Service & Maintenance



- Paragon Care's various servicing offerings have been consolidated into one National offering – Paragon Care Service & Technology
- Servicing expected to be a strong area for organic growth in FY18 with likely revenues representing approximately 10% of the Group .

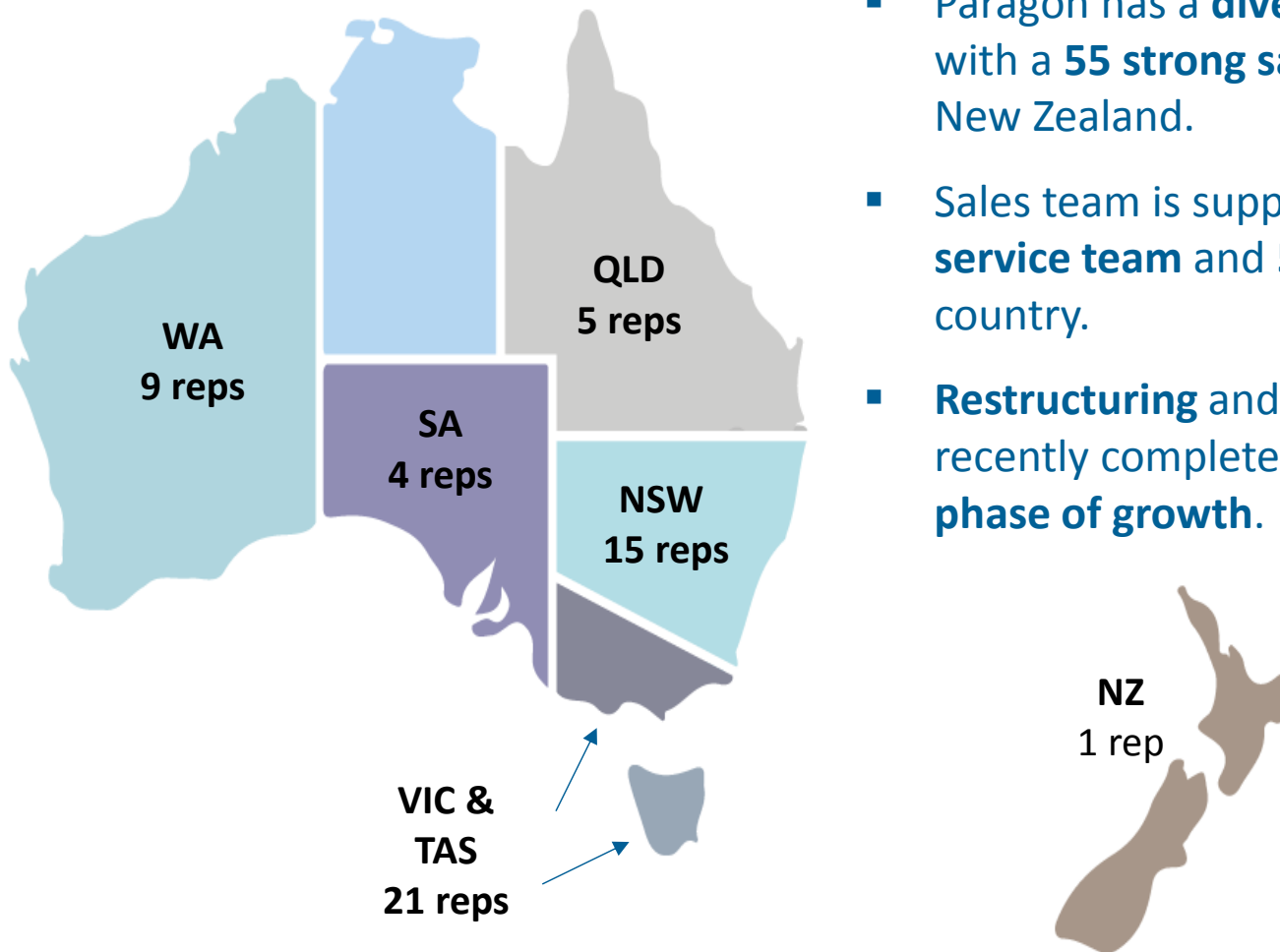
Growth Initiatives



- In January 2018, Paragon Care will be opening its new South Australian warehouse and logistics site.
- On the back of the success of Western Biomedical's success in Western Australia, Paragon Care will be replicating this model into S.A.

Paragon continues to invest in a highly skilled sales team to drive growth

Sales team by geography



- Paragon has a **diverse and growing** sales representation with a **55 strong sales team** spread across Australia and New Zealand.
- Sales team is supported by **25 member customer service team** and **58 service engineers** across the country.
- **Restructuring and rebalancing** of the sales team recently completed to provide **platform** for the next **phase of growth**.

Paragon's eHealth offering – commercialisation edging closer



MIDAS Software Solutions provides Paragon a pathway to the exciting and fast-growing eHealth sector where we can deliver operational efficiencies and increased profitability benefits to our clients.

- Development of all ultrasound modules has been completed and are revenue ready
- Development of the Musculoskeletal modules will be completed by December 2018 and be revenue ready early 2018
- Musculoskeletal combined with ultrasound covers approximately 80% of all radiology activities
- Development of the remaining modules is on track to be completed by June 2018 so that 100% of all radiologists activities are covered by the solution
- Currently seeking to secure a National Product Manager to capitalise on the opportunities available to Midas

Sales Pipeline for Midas

Midas is making strong in-roads in the sector with a number of exciting opportunities in the pipeline.

- Midas is entering the final stages of negotiations for a **collaboration agreement with a global ultrasound manufacturer** for the Australia and New Zealand market
- We are supporting a number of **leading radiology groups in Australia** who are currently trialing and evaluating Midas and the efficiencies it can deliver to their operations
- Midas is entering **final stages of negotiations** with a tertiary level referral hospital to implement Midas across all their departments with point of care services
- Midas has been **shortlisted for a number of government tenders** for “Ultrasound Structured Reporting Solution” (non-interpretive):
 - Western NSW Local Health District (1 of 3)
 - Monash Health (1 of 3)

Paragon has merged all its service offerings into one national brand and initiative

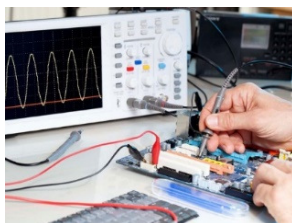
ParagonCare

Service & Technology

Provide client focused service, support and technology management to the medical, scientific and allied health industry of Australia and NZ

Our core offering:

- Total equipment management
- Equipment repair and maintenance
- Laboratory and scientific services
- Electrical safety testing and commissioning
- OEM service representation
- Emergency services



With a dedicated technical support call centre and **58 service engineers on the ground across Australia and New Zealand**, Paragon Care is now able to offer its customers a **total solution** for all their service and maintenance requirements

Outlook for Service & Technology

Service and Maintenance contracts continue to gain traction with customers, who are increasingly seeking a long-term solution from a trusted and capable third party

- All of Paragon's existing service capabilities have been merged with the recent acquisitions of Electro Medical Group and Medtek to create a unified service and maintenance offering
- National footprint allows Paragon to capitalise on the growing demand for the provision of preventative service and maintenance throughout the sector
- Strong organic growth across the group expected, driven by the opportunities available across hospital groups and occupational and environmental medicine services

Paragon sees servicing as a strong area for organic growth and the acquisitions are expected to be EPS accretive in FY18

M&A pipeline and opportunities are more exciting today than at any time in Paragon's history

Strong pipeline of value accretive M&A opportunities across three broad categories

1

Select additions to product platform

- Paragon has identified a number of opportunities which compliment its existing product range
- Provides Paragon with the ability to sell additional products through the existing customer base
- Continues to deliver platform economics of providing procurement solutions to the existing customer base

2

Additions to Service & Maintenance offering

- Continued solid growth in service and maintenance across the sector
- Keen to secure bolt-on businesses in this area to accelerate and capitalise on the available growth
- Partner with OEM's in Australia and New Zealand to provide targeted geographic solutions

3

Geographical Expansion

- Identified and targeting complimentary acquisitions to fast track growth in South Australia
- Seeking geographically strategic acquisitions with a keen focus on Queensland and New Zealand
- Late stage negotiations re: potential acquisitions for increased diversification and own IP (in some cases)

M&A pipeline supports pathway to target revenue of A\$250m

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 **acute, aged and primary care sectors**

We do this by:

- Driving efficiencies by leveraging platform economics
- Growing organically and inorganically to reach a critical mass that best serves our customers procurement needs
- Continuing to provide procurement solutions to our customers and be a “**true partner**” to them

Unique selling proposition



Highly fragmented industry, characterised by a large number of smaller, privately owned businesses

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

Opportunity for a single supplier of high quality products and services to improve the quality of care and deliver efficiencies for its customers

Target revenue

\$250m

Aspirational target driven by strong double digit organic growth and value accretive M&A

Target EBITDA margin

15%

Aspirational target leveraging platform economics as marginal revenue becomes increasingly profitable



Target stock turnover

5-6x

Achieved target driven by strict working capital management initiatives



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.

Appendix: Corporate overview



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

Financial Information	
Share price (20-Nov-17)	\$0.855
Number of shares (m)	166.2
Market capitalisation	\$142.1m
Cash (30-Jun-17)	\$18.6m
Interest Bearing Debt (30-Jun-17)	\$37.1m
Enterprise value	\$160.6m

Source: IRESS

Top Shareholders	%
First Samuel	7.1
Pie Funds Management	6.5
JMT Investment Group	6.3
Board, Management and Board Associates	12.6

Board of Directors

Shane Tanner

Non-Executive Chairman

- Chairman of Funtastic and Zenitas Healthcare, 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

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, CML Group, Money3 Corporation and Nova Health

Mark Simari

Managing Director / Chief Executive Officer

- 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 / Chief Operating Officer

- Founder and Managing Director of GM Medical: April 2002 - June 2011
- Over 30 years experience in the healthcare sector