

27th December 2017

Update on Acquisitions, Investments and Outlook

The Directors of Paragon Care Limited (ASX: PGC) (“**Paragon**” or the “**Company**”) are pleased to provide an update to the market on recent acquisitions, the progress of one-off investments, and the FY18 outlook for the Company.

Key highlights

- Two new acquisitions in Insight Surgical and Medtech Solutions with both expected to be EPS accretive
- Overseas medical products supplier Smiths Medical joins Paragon in South Australia
- Affirmation of FY18 guidance, before accounting for recent EPS accretive acquisitions
- Strong seasonality and one-off investments adjust 1H FY18 guidance
- Further earnings upgrade to be announced following settlement of recent acquisitions

Acquisition update

As foreshadowed at the Company’s AGM in November, Paragon is pleased to announce the acquisition of two highly complementary businesses, Insight Surgical and Medtech Solutions. These acquisitions represent a continuation of Paragon’s strategic plan to accelerate its next phase of growth. These two new acquisitions along with the recently announced Seqirus (CSL) Immunohaematology business acquisition will be funded using the Company’s existing banking facilities and cash reserves.

Insight Surgical: a leading supplier of ophthalmic products servicing customers Australia-wide. Their extensive product range offers quality equipment from leading ophthalmic brands in Europe and USA as well as local manufacturers and own branded products. Insight Surgical offers a highly complementary portfolio to Paragon’s existing business, Designs for Vision. Insight Surgical delivered \$1m of EBITDA in FY17 on revenues of \$4m, and was purchased for \$5m plus an earn-out for FY18.

Medtech Solutions: Based in NSW, Medtech Solutions is a “Third Party” Medical Engineering company servicing multi-vendor, multi-modality equipment of varying technical complexity. The business is highly complementary to Paragon’s existing service offerings under the branding of Paragon Service & Technology. With this acquisition, Paragon will have over 60 service technicians and biomedical engineers across Australia and New Zealand. Medtech Solutions was acquired for \$2.4m, and will be moderately EPS accretive for Paragon in FY18.

Seqirus (CSL) immunohaematology business: Following Paragon’s announcement to the market on 1 December 2017, both companies have been working together to meet the conditions of the sale and reach the target date of settlement in late February / early March 2018. The business generated \$10m of revenue and \$1.5m of EBITDA in FY17, and will be acquired for \$8.5m.

Investments update

As part of the Paragon's strategy to pursue its next stage of growth, the Company has absorbed a number of one-off costs in the first half of the 2018 financial year.

As highlighted at the recent AGM, Paragon has expanded its presence in South Australia through a series of organic growth initiatives. The new warehouse at Wingfield provides the infrastructure to facilitate an increased distribution footprint in the region. The Company expects the benefit of this development to begin in January 2018.

The Company is pleased to report that **Smiths Medical** (www.smiths-medical.com) is the first overseas medical products manufacturer to join Paragon in **South Australia**. Smiths Medical are a leading global manufacturer of specialty medical devices specializing in infusion therapy, vascular access, vital care, and specialty products & services distributed in hospital, emergency, home and specialty care environments and are used during critical and intensive care, surgery, post-operative care and for support in managing chronic illness.

Paragon is in discussions with a number of other global manufacturers keen to partner into the state.

FY18 outlook

At the recent AGM, and prior to the recently announced acquisitions, the Company provided FY18 revenue guidance of \$125m – \$135m and FY18 EBITDA guidance of \$18m – \$19m. Full year NPAT guidance is expected to be \$10.5m – \$11.5m. This remains unchanged.

The Company wishes to provide 1H FY18 guidance of \$52m – \$53m in revenue, \$5.2m – \$5.7m in EBITDA and \$2.5m – \$3.0m in NPAT. It is expected that the audited half year results will be released early February 2018.

One off costs relating to the CEO transition program, establishment of the South Australian site, the restructuring of the capital equipment sales team to provide broader national coverage and the recent acquisition program have impacted the bottom line of the business in the six months ending December 2017.

As highlighted at the AGM, Paragon continues to experience seasonality in its earnings profile with a very strong slant to the second half expected this financial year, which has been the case throughout Paragon's history. This year is very much in the same vein with the swing to the second half even stronger than normal.

Paragon will provide a further earnings upgrade once it finalises the recent acquisitions.

****ENDS****

For more information please contact:

Mark Simari

Managing Director

Tel 1300 369 559

Email: mark@paragoncare.com.au

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 and primary care.