



FULL YEAR RESULTS PRESENTATION

2020

PARAGON CARE

EXECUTIVE SUMMARY

New Executive team appointed

- **New Chief Executive Officer:** Phil Nicholl appointed CEO in November 2019 (CEO of acquired device business)
- **New Chief Financial Officer:** Stephen Munday was appointed as CFO in December 2019
- **Leadership Team:** Newly created comprising all senior managers of product portfolios
- **Board Changes:** Mark Simari (former Managing Director and co-founder) re-joined the Company as a Non-Executive Director in November 2019. Michael Newton retired (June 2020) & Bruce Bian resigned (August 2020)

Strategic Review completed

An expansive review of operations and strategy that delivered the following:

- Simplified business model that better aligns product portfolios into 4 working pillars and remove low margin products
- Identified previous ERP implementation was ineffective requiring a re-focus on business support functions and re-aligning requirements for the future
- Re-worked previously initiated cost-out program is delivering sustainable savings without losing focus on our core product portfolios

Recovery well underway

Focused on sustainable growth initiatives:

- Cost structures reduced in line with business requirements delivering improved profitability, positive cash generation in the second half and ensuring dividends again become part of our shareholder offering
- Restructured banking facilities to enable growth initiatives notwithstanding current economic headwinds caused by COVID-19
- Senior leadership team focused on driving organic growth of existing higher margin product portfolios



FINANCIAL
PERFORMANCE

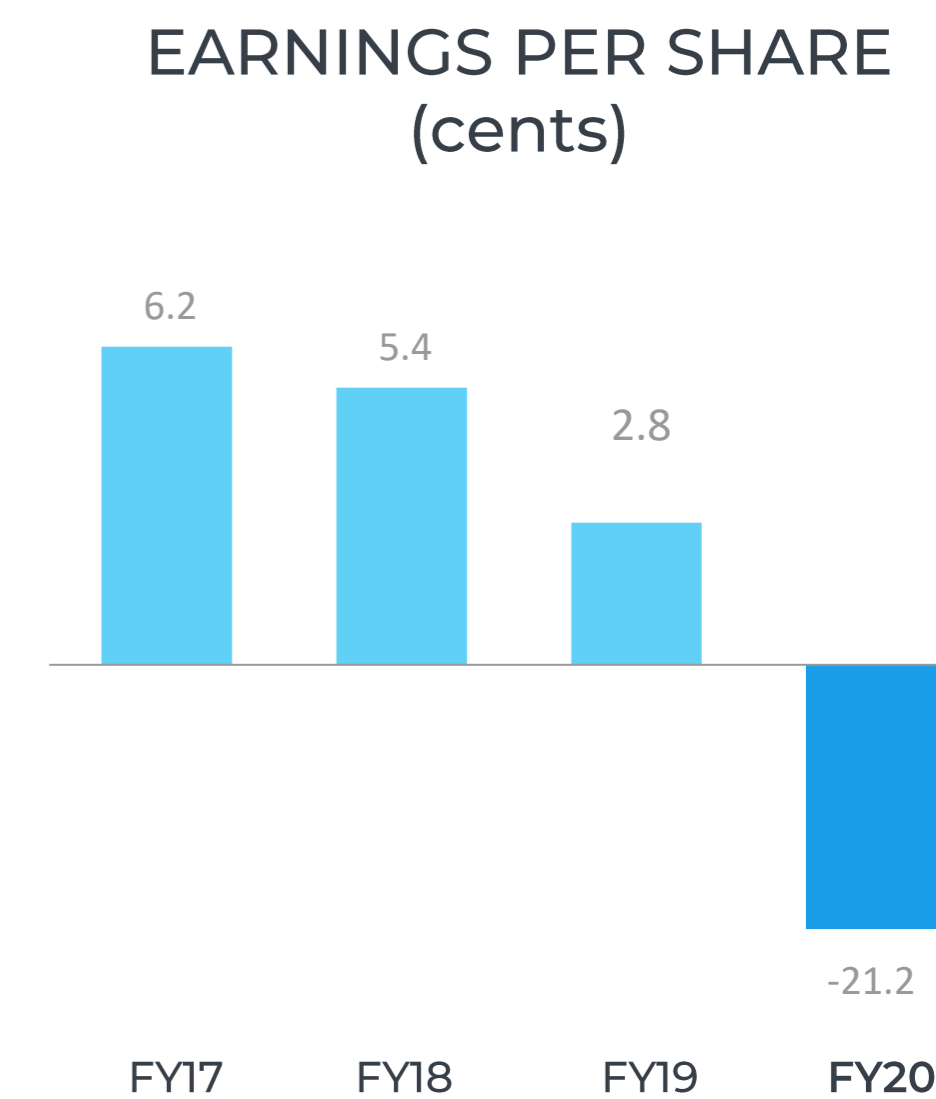
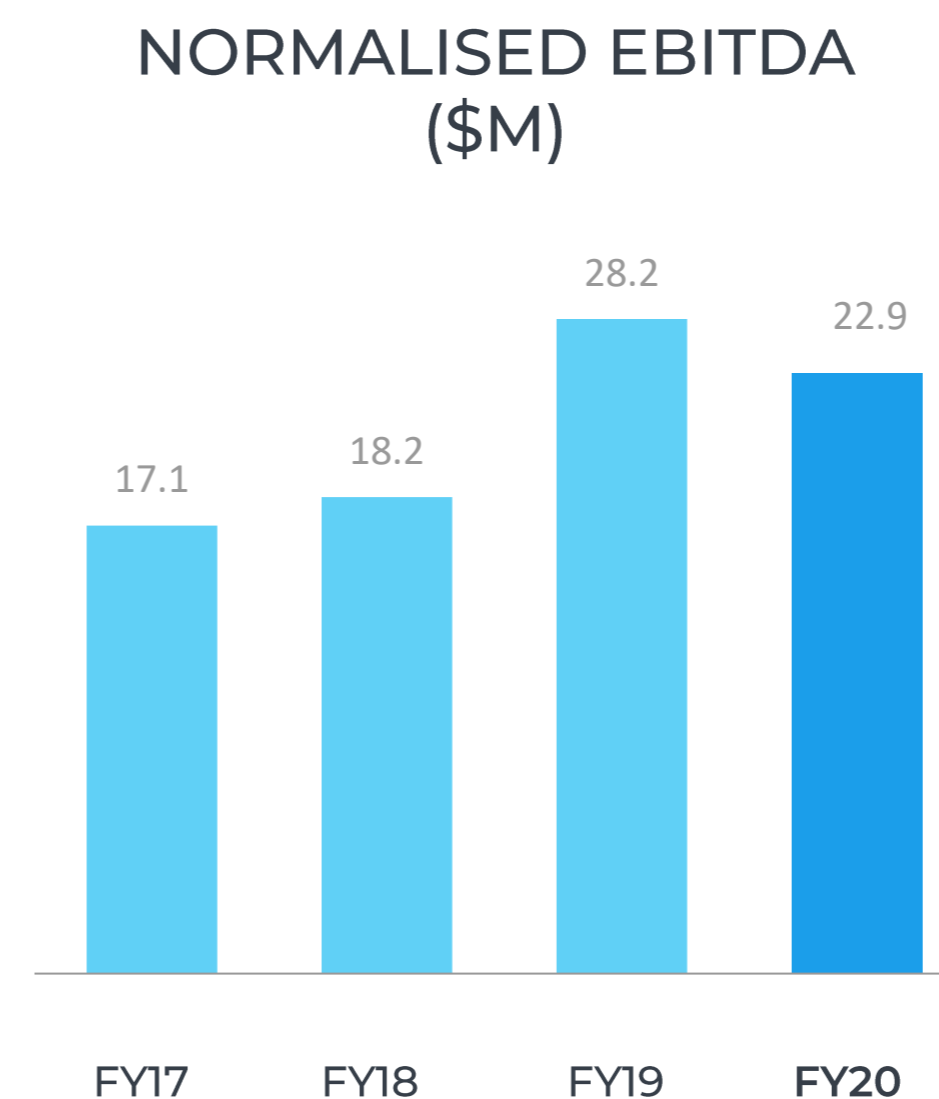
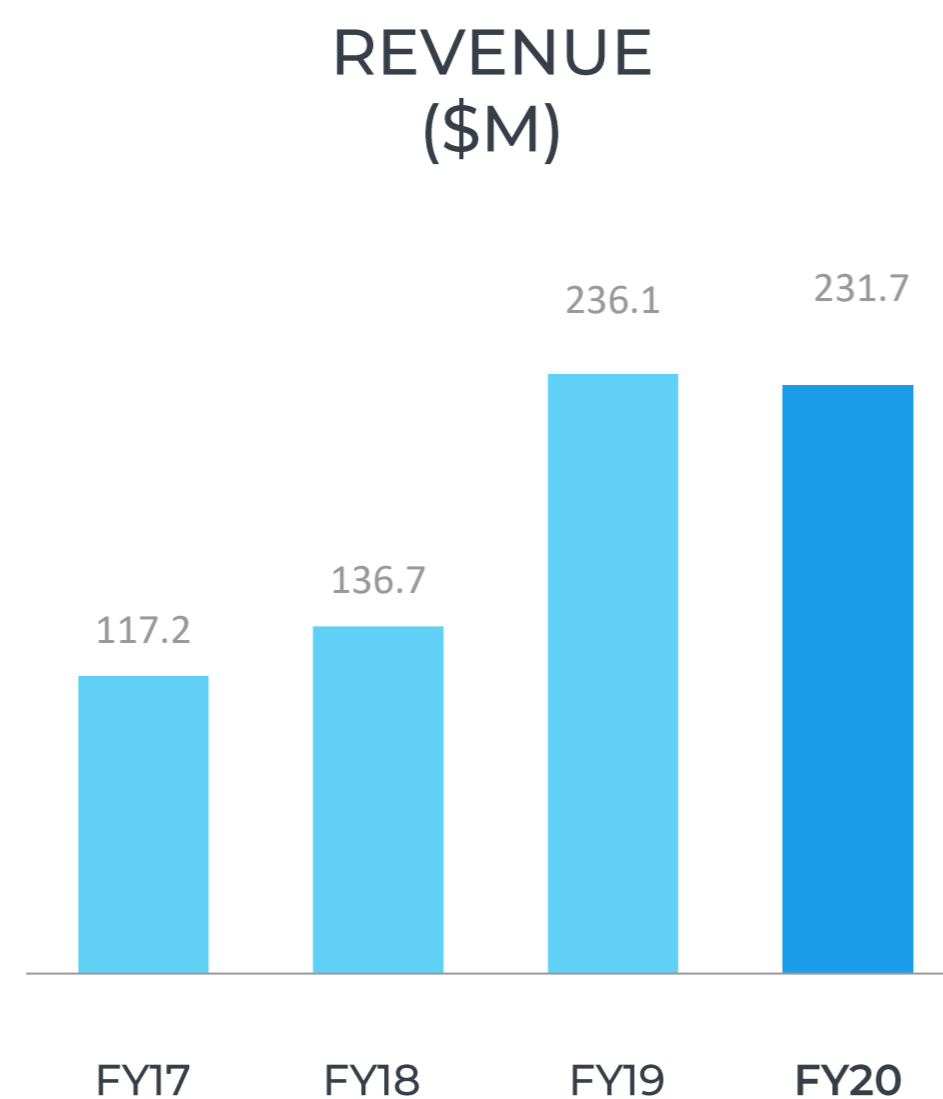
STRATEGY

UPDATE AND OUTLOOK

FY20 RESULTS – IMPACTED BY GLOBAL PANDEMIC AND STRUCTURAL CHANGES

- Group revenue from continuing operations down 2% - impacted by temporary closure of hospital elective surgery due to global pandemic
- Normalised EBITDA from continuing operations down 19% reflecting significant organisational restructuring and cost out initiatives
- Group net loss after tax of \$77m impacted heavily by goodwill impairment and asset write-offs
- Earnings per share down substantially as a consequence
- No final dividend will be declared to preserve cash for expansion and debt reduction

Reported financials for continuing operations



PARAGON CARE

FY20 IN REVIEW

REVENUE

Revenue from continuing operations for the year reached \$231.7m (2019 \$236m).

This was well ahead of the Company's internal forecasts when COVID-19 first impacted, given suspension of elective surgery

GROSS MARGIN

Management replaced much of the elective surgery lost revenue with new income streams (e.g. PPE sales).

However gross margins were lower during the final quarter. The Company's gross margin for FY20 was still a respectable 37.5% (FY19 40.3%) nonetheless.

OPERATING EXPENSES

Post the Strategic Review the scope of the revised cost-out program was extended much wider.

However this necessitated significant implementation costs and asset write-offs

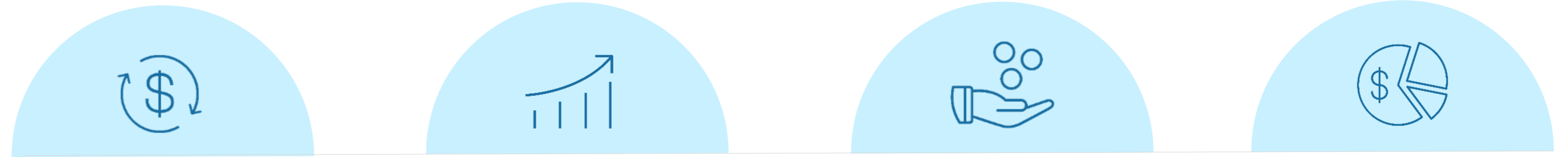
COVID-19 IMPACT

The Company quickly initiated cost management strategies in response to the COVID-19 pandemic. These include salary and fee reductions (between 20% for staff and 30% for the board and leadership teams during the final quarter), rent reductions and travel bans even before state border closures

The pandemic resulted in several abnormal expenses being incurred (refer slide 7)

Jobkeeper also contributed \$3m during the period

PARAGON CARE
FY20 IN REVIEW



REVENUE

EBITDA

NPAT

EPS

**CONTINUING
 OPERATIONS**

\$231.7m

\$22.9m

\$(71.6)m

(21.2)c

-2%

-19%

REPORTED

\$231.8m

\$(62.1)m

\$(77.3)m

(22.9)c

-2%

-320%

PARAGON CARE

FY20 PROFIT & LOSS

REPORTED RESULT

CONTINUING OPERATIONS

	FY20	FY19	CHANGE		FY20	FY19	CHANGE	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
Revenue	232	257	(25)	(10)%	232	236	(4)	(2)%
Cost of sales	(145)	(154)	9	(6)%	(145)	(141)	(4)	3%
Gross profit	87	103	(16)	(15)%	87	95	(8)	(9)%
Gross profit margin %	37.5%	40.0%			37.5%	40.3%		
Other income	-	3	(2)	(89)%	-	2	(1)	(82)%
Operating expenses	(65)	(83)	18	(22)%	(64)	(68)	4	(6)%
Normalised EBITDA	22	22	(0)	(0)%	23	28	(5)	(19)
Abnormal expenses	(91)	(21)	(70)		(85)	0	(85)	
EBITDA	(69)	1	(70)	(7912)%	(62)	28	(90)	(320)%
Depreciation and amortisation	(8)	(10)	2	20%	(8)	(10)	2	20%
EBIT	(77)	(9)	(68)	(743)%	(70)	18	(88)	484%
Interest expense	(7)	(6)	(1)	(19)%	(7)	(6)	(1)	(19)%
NPBT	(84)	(15)	(69)	(457)%	(77)	12	(90)	727%
Tax (expense)/benefit	7	1	6	878%	6	(3)	9	(262)%
NPAT	(77)	(14)	(63)	(437)%	(72)	9	(80)	908%
Normalised EBITDA margin	10%	9%			10%	12%		
EBITDA margin	(30)%	0%			(27)%	12%		

BREAKDOWN OF ABNORMAL COSTS

The Company completed its Strategic Review in FY20 under the new management team.

The outcome of the review, along with the impact of COVID-19, resulted in the Company simplifying its strategy and closing many non-core projects initiated over the last 18 months.

ABNORMAL ITEMS SUMMARY

A\$m	1HY20	2HY20	FY20
Non-cash items			
• Impairment of goodwill	-	54.2	54.2
• Impairment of assets related to business simplification			
o Software development & R&D written-off after project cancellation or closure	-	7.0	7.0
o Plant, Equipment, leasehold improvements, right of use and other asset write-offs after warehouse rationalisation	-	4.0	4.0
o Other capitalised assets written-off after evaluation of recoverable value in new simplified structure	-	2.7	2.7
o Buildings held for resale – Seaford property	-	0.3	0.3
• Increased provisions for obsolescence in inventory due to product rationalisation and warehouse rationalisation	-	5.7	5.7
• Impairment of goodwill and software asset in relation to closure of MIDAS – in discontinued operations	-	6.2	6.2
• Historical Loan facility fees expensed due to restatement of facilities during the year	-	0.8	0.8
Total non-cash items	-	80.9	80.9
Cash or future cash items			
• Cost incurred or accrued related to business simplification			
o Redundancies and restructure cost paid	3.0	-	3.0
o Provisions for restructure – redundancies	-	0.7	0.7
o Provision for restructure – property closure and relocation	-	1.1	1.1
o Allowance for expected credit losses due to customer simplification	-	0.9	0.9
• Fair value loss recognised on the interest rate swap derivative due to continued lower interest rate environment	-	4.6	4.6
Total cash items	3.0	7.3	10.3
Total once-off items excluded from EBITDA	3.0	88.2	91.2

PARAGON CARE REVENUE PERFORMANCE BY PILLAR



DEVICES

~\$75m



2%



DIAGNOSTICS

~\$23m



1%



CAPITAL &
CONSUMABLES

~\$106m



11%



SERVICE &
TECHNOLOGY

~\$28m



66%



PARAGON CARE

FY20 BALANCE SHEET

Summary Balance Sheet	Jun-20	Dec-19	Jun-19
	\$m	\$m	\$m
Cash & cash equivalents	24.5	18.4	34.2
Trade and other receivables	31.6	46.0	44.1
Inventories	46.7	53.6	51.4
Other current assets	3.5	10.9	8.2
Non-current assets	185.9	258.9	246.3
Total Assets	292.2	387.8	384.2
Trade & other creditors	26.9	46.3	47.9
Other current liabilities	41.2	28.3	14.8
Borrowings	98.9	97.8	99.4
Other non-current liabilities	12.9	21.8	29.8
Total Liabilities	179.9	194.2	191.9
Total Equity	112.3	193.6	192.3
Net Debt	74.4	79.4	65.2
Net Debt to Normalised EBITDA ¹	3.30 Times	3.20 Times	2.90 Times
Net Debt to Equity	40%	29%	25%

¹ Normalised EBITDA before abnormal items; Dec-19 based on 2 times HY20 Normalised EBITDA

Assets

- Trade debtors down from \$46.0m in Dec-19 and \$44.1m in Jun-19 to \$31.6m after restructure of collections process
- Inventory down from \$53.6m in Dec-19 and \$51.4m in Jun-19 to \$46.7m as part of the product and warehouse rationalisation program
- Non-current assets down from \$258.9m in Dec-19 and \$246.3m in Jun-19 to \$185.9m as a result of goodwill impairment and asset write-off due to COVID-19 and the business rationalisation program

Liabilities

- Trade and other creditors down from \$46.3m in Dec-19 and \$47.9m in Jun-19 to \$26.9m as a result of the group reducing inventory purchases in late FY20 to reduce inventories and pressure from creditors to pay within trading terms
- Derivative financial instruments increase of \$4.6m due to an interest rate swap being impacted by long term reduced interest rates
- Increased vendor conditional payable by \$5.6m

FY20 CASH FLOWS

Summary Cash Flow	1HY20	2HY20	FY20	FY19
	\$m	\$m	\$m	\$m
Receipts from customers	131.8	133.4	265.2	261.9
Payments to suppliers & employees	(134.8)	(125.2)	(260.0)	(246.6)
Government assistance (JobKeeper)	-	1.0	1.0	-
Income tax refund/(paid)	(2.9)	7.9	5.0	(8.5)
Net interest paid	(2.6)	(3.3)	(5.9)	(5.6)
Cash flow from operating activities	(8.5)	13.8	5.3	1.2
Capital expenditure	(5.0)	(2.4)	(7.4)	(9.7)
Acquisitions	-	(4.2)	(4.2)	(28.2)
Proceeds on disposal of assets/business	0.2	-	0.2	2.4
Cashflow from investing activities	(4.8)	(6.6)	(11.4)	(35.5)
New equity (net of transaction costs)	-	-	-	42.3
Net proceeds from/(repayment of) borrowing	(1.2)	1.4	0.2	(4.5)
Dividends paid	-	-	-	(8.7)
Lease principle repayments	(1.3)	(2.5)	3.8	(1.0)
Cash flow from financing activities	(2.5)	(1.1)	(3.6)	28.1
Net increase/(decrease) in cash and cash equivalents	(15.8)	6.1	(9.7)	(6.2)
Opening cash and cash equivalents	34.2	18.4	34.2	40.4
Closing cash and cash equivalents	18.4	24.5	24.5	34.2

Operations

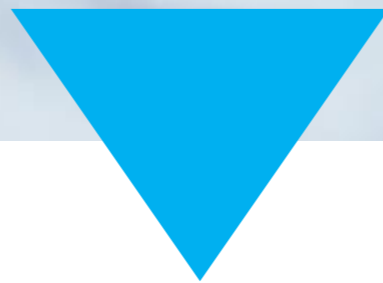
- Improved debtor collections in 2HY20 has seen a \$10m improvement in cash flow.
- Income tax refunds received due to overpayments in prior years of \$5m in FY20

Investing activities

- Reduced capital expenditure in 2HY20 as projects were closed as part of the new simplification strategy.
- Acquisitions in FY20 represented payments of earnouts, which were much lower than the purchase price payments in FY19

Financing activities

- No new equity was raised in FY20 compared with \$42.3m raised in FY19
- No dividend payments FY20 compared with \$8.7m in FY19



FINANCIAL
PERFORMANCE

STRATEGY

UPDATE AND OUTLOOK

STRATEGIES ADOPTED TO MITIGATE IMPACT OF GLOBAL PANDEMIC

RESTRUCTURING OF DEBT FACILITIES

In August 2020, the Company received approval from its bankers for an amendment to its banking facilities delivering:

- Relaxation of the Company's obligation to comply with the existing facility covenants through to September 2021
- Deferment of the Company's quarterly facility repayments until December 2021, totaling \$6 million

COST REDUCTION MEASURES

A number of cost-out initiatives implemented:

- Significant restructure of business operations and cost base
- Property rationalisation
- Closures of numerous non-core projects
- Introduction of LEAN principles that will deliver increased productivity and further reductions in inventory

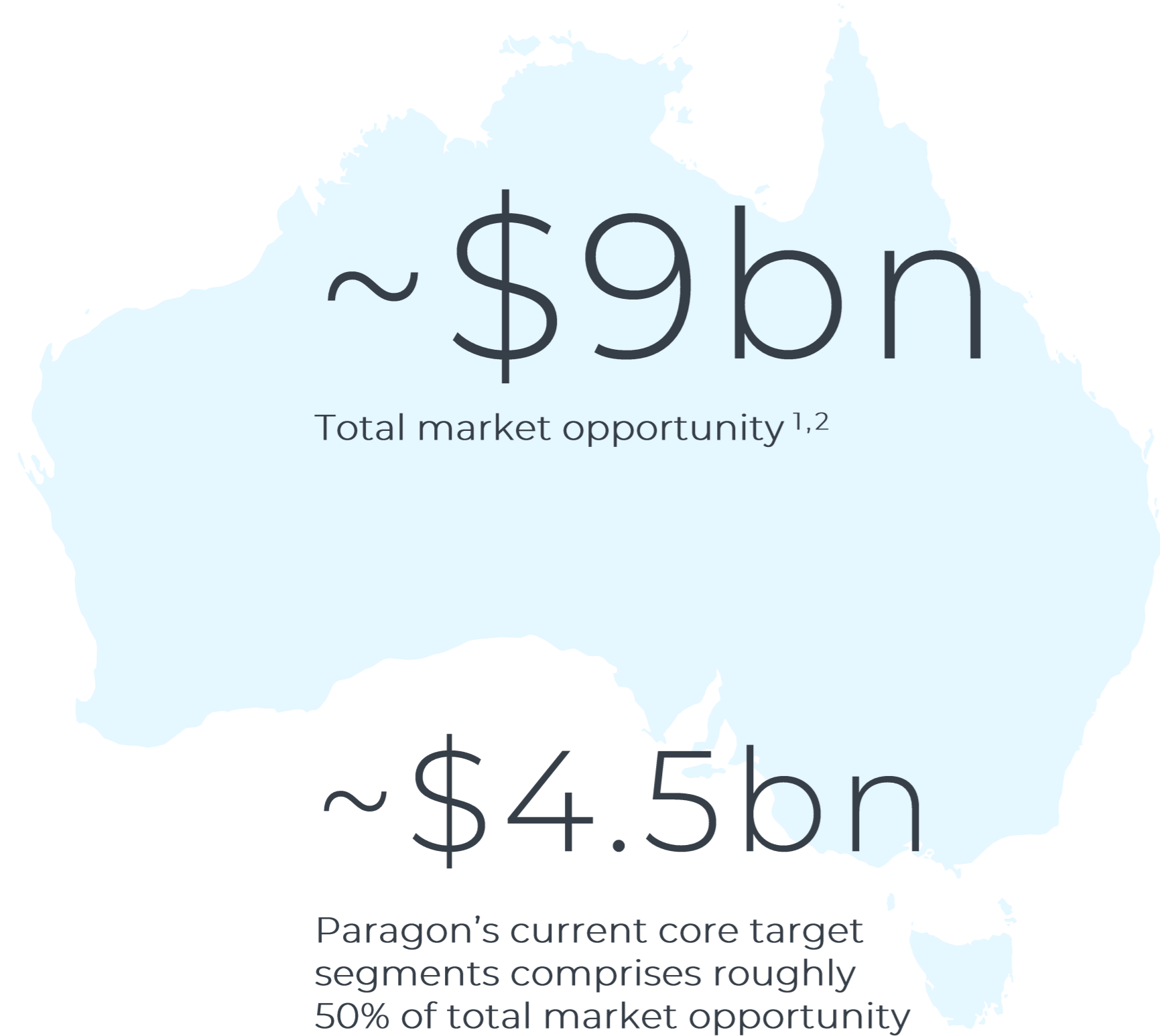
NEW PRODUCTS

Meeting increasing demand for new products:

- Sourcing of new products (devices & consumables) for both Australia and New Zealand to meet unprecedented demand due to global pandemic
- Sourcing of PPE products to substitute for lost sales due to elective surgery closures

GROWING OUR SHARE IN A ~A\$9bn INDUSTRY

AUSTRALIA AND NEW ZEALAND



> 4%

Per year

Industry continues to grow, driven by strong tailwinds

+3%

Increasing proportion of total population over 64

+4%

Increasing proportion of chronic disease as a percentage of total

+5%

Increasing total number of procedures in Australia

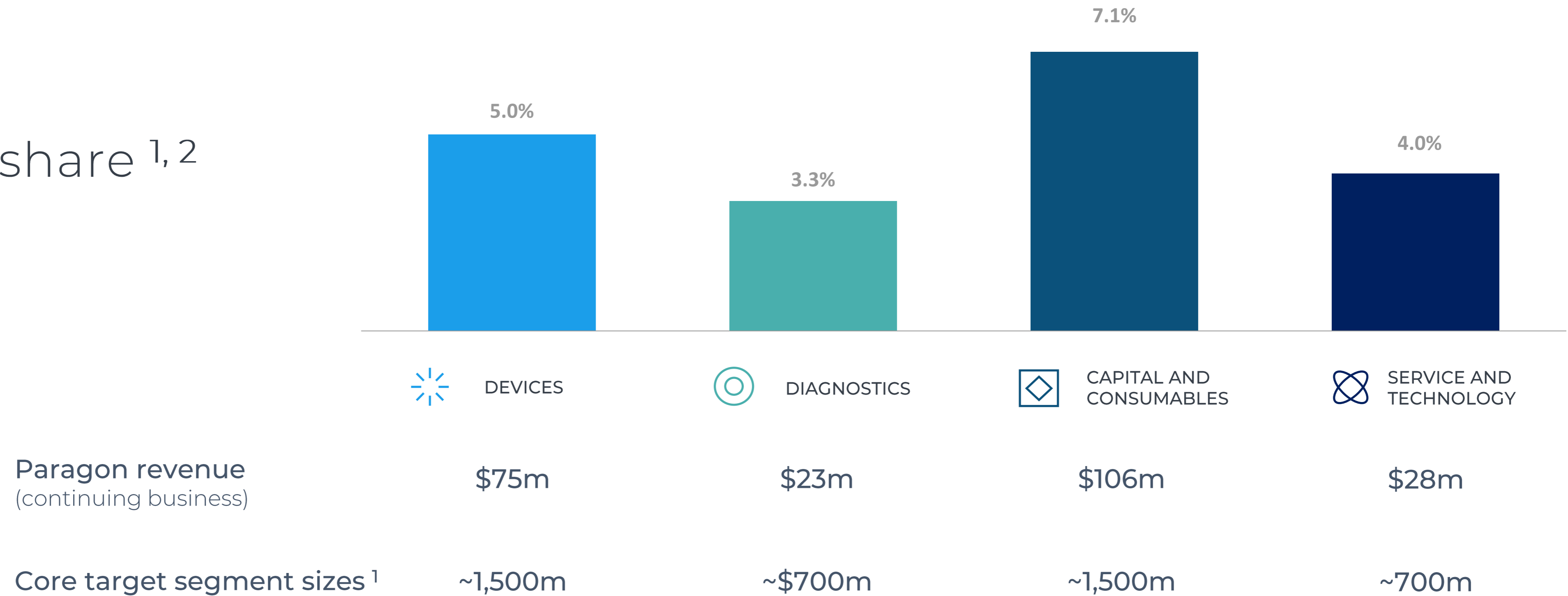
Notes:

- 1. Total healthcare expenditure includes hospitals, medical and surgical supplies, primary health care, referred medical services, other services, research and capital expenditure
- 2. Paragon's target market is roughly 70% the size of the total medical and surgical supplies segment

Source: Australian Institute of Health and Welfare; Health Expenditure 2015-16; Fitch Solutions Macro research report – IP owned by Fitch Solutions Group; ACCC reports 2016 and 2018; ABS; OECD; NSW Health

MARKET SHARE IN KEY PARAGON VERTICALS

2020
market share ^{1, 2}



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



FINANCIAL
PERFORMANCE

STRATEGY

UPDATE AND OUTLOOK

OUTLOOK – RESTRUCTURING PROGRAM WELL ADVANCED

FY20

Businesses streamlined

- Restructured into 4 pillars
- Leadership team established

Shared services

- Significant reductions in head count
- Sustainable long-term savings

Operational savings

- Significant savings identified in areas such as warehousing and freight

FY21

4 Pillar structure

- Customer focused
- Motivated team

Platform for future years

- Restructuring and associated cost benefits finalised and achieved

Synergies

- Completion of property rationalisation
- Realise significant reduction in freight and inventory

OUTLOOK – FY21 & BEYOND

Finalisation of
op-ex cost
reductions

Finalisation of warehouse
rationalisation
(8 sites reducing to 4)

Profitability
returning to
historical levels

Revenue growth
>5% across all
4 pillars

15% EBITDA
margins across
all 4 pillars

Reinstatement of
dividends

PARAGON CARE CORPORATE OVERVIEW

FINANCIAL INFORMATION

Share price (28-Aug-20)	\$0.20
Number of shares (m)	337.9
Market capitalisation	\$68m
Cash & cash equivalents (30-Jun-20)	\$25m
Interest bearing debt (30-Jun-20)	\$99m
Enterprise value	\$142m

Major Shareholders

Board & Management	17.68%
China Pioneer	17.12%
First Samuel Limited	11.75%

BOARD OF DIRECTORS

Shane Tanner

Non-Executive Chairman

- Co-founder of Paragon Care
- Extensive commercial and financial experience
- Chairman of Zenitas Healthcare, Rhythm Biosciences Limited and Cronos Limited

Brent Stewart

Non-Executive Director

- 25 years' experience in a number of senior executive 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 Healthe Care and CML Group

Mark Simari *(appointed 27 November 2019)*

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

PARAGON CARE

DISCLAIMER

Summary information This Presentation contains summary information about Paragon Care and its activities current as at 30 June 2020. 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.

Not financial product advice

This Presentation is for information purposes only and is not a prospectus, disclosure document, product disclosure statement or other offering document under Australian law (and will not be lodged with the Australian Securities and Investments Commission) or under any other law. This Presentation does not constitute financial product, investment, legal, taxation or other advice or a recommendation to acquire Paragon Care shares and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek financial, legal and taxation advice appropriate to their jurisdiction. The Company is not licensed to provide financial product advice in respect of its shares. Cooling off rights do not apply to the acquisition of Paragon Care shares.

Past performance

Past performance information, including past share price performance, given in this Presentation is given for illustrative purposes only and should not be relied upon as an indication of future performance.

Future performance

This presentation contains certain "forward-looking statements" including statements regarding our intent, belief or current expectations with respect to the Company's business and operations, market conditions, results of operations and financial condition, and risk management practices. The words "likely", "expect", "aim", "should", "could", "may", "anticipate", "predict", "believe", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

This Presentation contains such statements that are subject to risk factors associated with an investment in Paragon Care. The Company believes that the expectations reflected in these statements are reasonable, but they may be affected by a range of variables which could cause actual results or trends to differ materially.



Shane Tanner

Chairman

P: 1 300 369 559

E: shane.tanner@paragoncare.com.au

THANK YOU

ParagonCare
Health. Covered.