FY23 Results

INVESTOR PRESENTATION

30 August 2023

ASX : PGC

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Mark Hooper

Group CEO & Managing Director

Overview

Positive progress continues with FY23 result

↑ 29%	Sales revenue*	• Revenue* of $308m vs $238m for FY22 • Mainly reflects the inclusion of Quantum and SMS
↑ 35%	Underlying EBITDA**	• Underlying EBITDA** of $38.4m vs $28.4m in FY22 • Mainly reflects the inclusion of Quantum and SMS • Like for like organic growth of around 10% in FY23
↑ 61%	Underlying Net Profit**	• Underlying NPAT** of $15.6m vs $9.7m for FY22 • Includes impact of higher amortisation charges ex Quantum acquisition and SaaS
8.5%	Underlying ROIC**	• FY23 8.5% vs 1H 8.7% (12 month trailing)
0.6¢	Per share final dividend (ff)	• Represents a 43% payout ratio of Underlying NPAT** • Last 12 months dividends (1.2cps) equates to a fully franked yield above 7%# • DRP reinstated to support additional capex requirements
$64m	Net Debt (excluding AASB16)	• Debt has decreased by $6m since December 2022 • Increase since June 2022 mainly reflects cash portion of SMS acquisition • Net Debt 1.9 times Underlying EBITDA (Excl AASB16)

* Excludes Lovell discontinued operation
**Refer to Appendix 1 for reconciliation to Reported
\# Based on share price of $0.22

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All targeted outcomes delivered

	TARGET	PROGRESS TO DATE / OUTCOME
Key financial metrics	Underlying EBITDA growth of 30% for FY23	• Underlying EBITDA growth of 35% ☑ • Stronger growth due to removal of Lovell results • Like for like organic growth of 10%
	Net Debt expected to reduce in 2H FY23	• Net Debt at June 2023 is $64m versus December 2022 of $70m ☑
Integration of acquisitions	Leverage Quantum skills / geographic footprint	• Quantum business performing strongly, particularly Asia ☑ • Progress on ophthalmic push into Asia / imaging into ANZ ☑ • Quantum team also being used to manage Paragon service offering in Australia and support Immulab push into Asia ☑
	Successful integration of SMS	• Integration largely complete and business performing slightly above expectations ☑
Strategy / execution	Full review of strategy by Pillar	• Now complete and Board approved ☑ • Integrated as part of FY24 budgets and medium term execution underway ☑
	Functioning PMO to support more effective execution	• Continues to support project and critical BAU execution ☑

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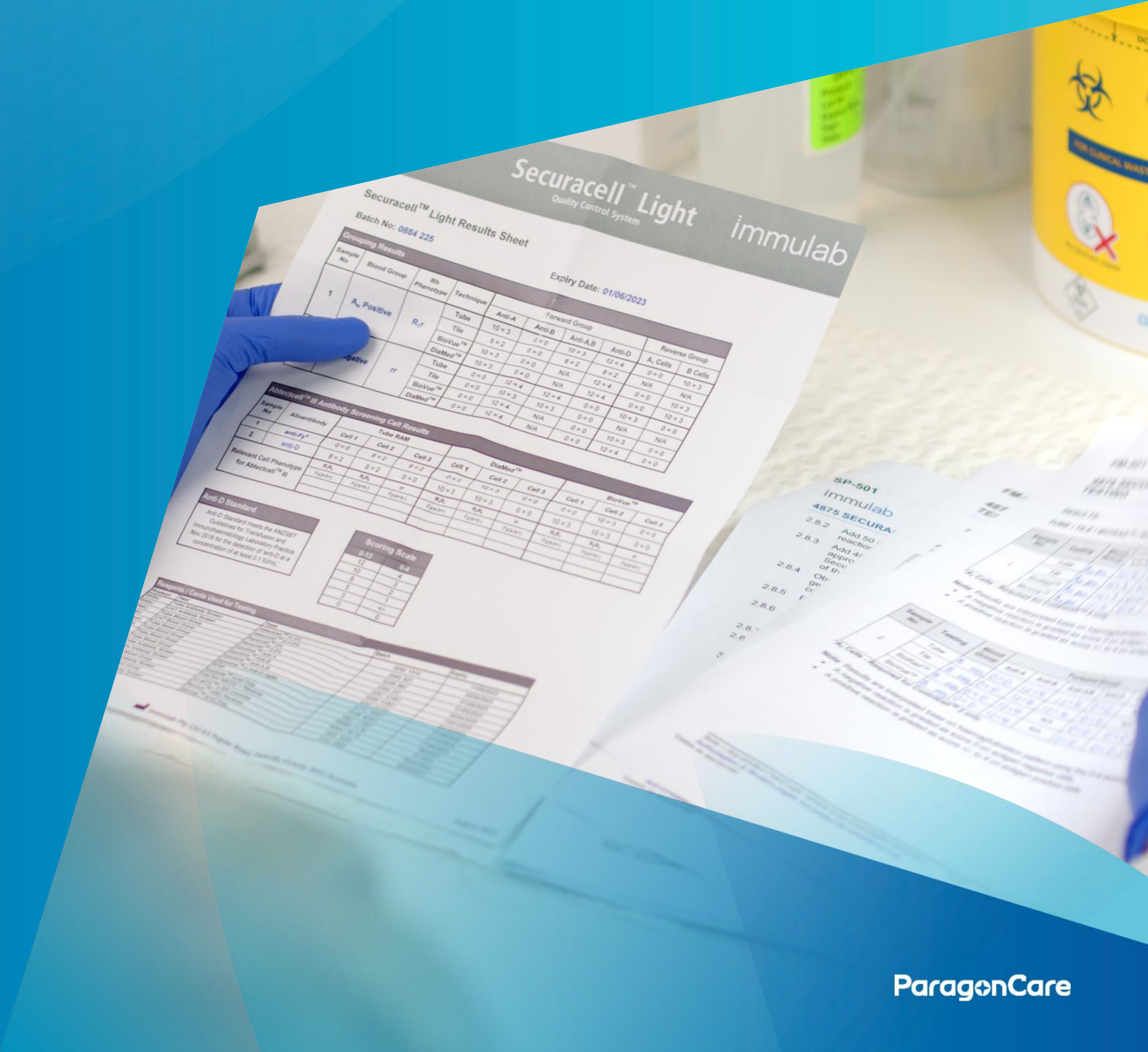
Josephine De Martino

Group Chief Financial Officer

Financial Results



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FY23 Profit and Loss

Key highlights

- Underlying EBITDA* increased by 35% in FY23 mainly reflecting the inclusion of SMS and Quantum.
- Despite higher capital sales, margins still largely unchanged at 41.1%, down from 41.7% in FY22.
- Operating expenses have increased at a slightly slower rate than sales.
- EBITDA margins have improved from 11.9% to 12.5%.
- Underlying NPAT* of $15.6m, up 61% on $9.7m in FY22. Includes higher amortisation charges ex Quantum acquisition and SaaS.
- Basic EPS of 1.64cps, up 16% from 1.41cps in FY22.
- Underlying ROIC** of 8.5% (based on EBIT pre AASB16).

	FY23	FY22	CHANGE	
	$m	$m	$m	%
Revenue	307.6	237.6	70.0	29%
Cost of sales	-181.3	-138.6	-42.7	31%
Gross margin	126.3	99.0	27.3	28%
Gross profit margin %	41.1%	41.7%		-0.6%
Other income	3.8	2.9	0.9	30%
Operating expenses (excluding normalisations)	-91.8	-73.6	-18.2	25%
Underlying EBITDA *	38.4	28.4	10.0	35%
Underlying EBITDA % of Revenue	12.5%	11.9%		0.5%
Reported EBITDA *	38.2	24.0	14.2	59%
Underlying NPAT *^	15.6	9.7	5.9	61%
Reported NPAT *^	13.6	6.9	6.6	96%
Basic Earnings Per Share (EPS) from continuing operations	1.64	1.41	0.2	16%
Underlying Return on Invested Capital (ROIC) **	8.5%	8.7%		-0.2%

^ NPAT pcp adjusted for QTM ex acquisition amortisation charges $301k

*** ROIC pcp restated for QTM ex acquisition and proforma results*

* See Appendix 1 for reconciliation to Reported

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FY23 results: positive progress across all pillars

Diagnostic & Scientific

Revenue*	Underlying EBITDA**	ROIC ***
$38.3m	$6.5m	12%

- Successful transition of SMS into pillar with strong sales and cross selling opportunities.
- A positive year elsewhere but some underperformance in pathology consumables and lower VTM sales (COVID related).
- Decline in ROIC compared to H1 FY23 due to dual rents paid for Parkville and Mount Waverley sites until completely moving into new site.

Devices

Revenue*	Underlying EBITDA**	ROIC ***
$78.7m	$12.2m	14%

- Strong growth as elective surgery continues to recover post COVID with Orthopaedic volumes up approximately 30% compared to FY22 and a strong sales performance in Ophthalmics particularly in Q4.
- This positive result was achieved despite significant headwinds from prostheses list reimbursement reductions, elective surgery case load uncertainty arising from hospital staff shortages and international supply chain issues.

Capital & Consumables

Revenue*	Underlying EBITDA**	ROIC ***
$95m	$12.8m	13%

- Delivered a consistent performance in FY23 despite a slower than expected recovery of surgical procedures impacted by COVID.
- Strong sales results were achieved with growth in the Custom Procedure Pack business, along with gains in the Orthopaedic business which will provide future growth.
- Slight decline in ROIC compared to H1 FY23 due to higher capital employed.

Service & Technology

Revenue*	Underlying EBITDA**	ROIC ***
$95.6m	$12.2m	8%

- Good progress regarding integration of Quantum and Paragon services. Move to one ERP platform will accelerate this.
- Thailand and Korea continue to outperform.
- Slower than expected growth of new agencies/technology is affecting ANZ performance.

* Excludes Other Revenue
** See Appendix 1 for reconciliation to Reported
*** ROIC is based on 12 months trailing normalised EBIT **(Full year FY23 – excludes Corporate overheads)** and where applicable includes proforma results for SMS
NB. Prior comparative not available as segment reporting commenced 1 July 2022

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FY23 Cash Flow

Key highlights

- Net Debt* of $63.7m decreased by $6m since December 2022, but is a $13.7m increase over June 2022.
- The year-to-year movement mainly reflects the cash portion of the SMS acquisition ($11.8m).
- Operating cashflow was impacted by net working capital movements including :
  - **Inventories** – $12m increase due to SMS acquisition $1m, mainly due to an increase in Paragon Asia $6m, and general increases across ANZ to support revenue growth.
  - **Trade Receivables** increased by $6m aligning with revenue growth. Includes $1.4m receivables for SMS.
  - **Trade and other Payables** $12m increase reflecting the impact of acquisitions, higher inventory purchases and some timing differences over the year end.
- Net Investing and Finance movement mainly due to Dividends paid in FY23, ongoing capex (mainly Mount Waverley) and SMS acquisition.

	FY23	FY22	CHANGE	
	$m	$m	$m	%
Net cash from operating activities	17.8	19.0	-1.2	-6%
Net cash used in investing activities	-31.8	7.1	-38.9	-550%
Net cash used in financing activities	-10.0	-11.9	1.9	-16%
Net increase/(decrease) in cash	**-24.1**	**14.2**	**-38.2**	**-270%**
Cash at beginning of financial year	46.2	33.2	13.0	39%
Effects of exchange rate changes on cash and cash equivalents	0.4	-1.2	1.6	-134%
Cash at end of financial year	22.6	46.2	-23.6	-51%
Less				
Current Borrowings	17.4	22.8	-5.4	-24%
Non-current Borrowings	68.9	73.5	-4.6	-6%
Net Debt* at the end of the financial year	**63.7**	**50.0**	**13.7**	**27%**

* Net Debt is pre AASB16

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Capital management

Key highlights

Dividends

- Final FY23 dividend declared of 0.6cps, fully franked
- This represents a 43% payout ratio of Underlying NPAT*
- DRP reinstated to support additional capex requirements
- The PGC Board continues to target a dividend payout ratio of 40%-60% of Underlying NPAT
- Paragon Care has $22.4m in franking credits as at 30 June 2023

Banking arrangements

- Paragon Care entered into new finance arrangements with NAB and HSBC on 6 February 2023.
- These facilities now provide Paragon Care with varied terms and ancillary facilities for AUD 120m and USD 30m for up to 4 years for core debt.
- Interest rate exposure is partly protected by a 4-year interest rate swap for $35m put in place in late 2022.

* See Appendix 1 for reconciliation to Reported

Dividend – Key Dates

Release date	Wednesday 30 August 2023
DRP election date	Monday 18 September 2023
Ex-dividend date	Monday 18 September 2023
Record date	Tuesday 19 September 2023
Payment date	Friday 6 October 2023

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Mark Hooper

Group CEO & Managing Director

Strategy and Growth

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‘The Light on the Hill’ remains our goal

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A$100m EBITDA per annum
by FY27
(A$1 bn market cap)

Proactive bias for
high quality earnings
(sustainable / higher margin)

Organic growth

- based on strategic plans by pillar
- supported by improved execution

M&A growth

- targeted at fewer / larger opportunities
- more tightly aligned to strategy

ENABLEMENT

- Growth mindset
- Clear strategies by pillar
- Comms to engage stakeholders (including team members)
- Enhanced business reporting
- Proactive people assessment / upskilling
- Project visibility / execution capability

Leveraging a unique distribution and manufacturing footprint for medium term growth

Diagnostic & Scientific

- A strong market position in Australia with medium term growth (3%-5%)
- Significant organic growth will come from targeting offshore markets for Immulab
- Key opportunities include finished products and contract manufacturing
- Business model is underpinned by Immulab's intellectual property and a strong growth outlook in the IVD market

MANUFACTURING & DISTRIBUTION

Devices

- Strong volume growth in Orthopaedics likely to continue but earnings benefit largely offset by Protheses List changes
- Additional initiatives to offset impact on the Pain portfolio currently under evaluation
- Ophthalmics business to benefit from continued push into new surgical opportunities
- Both businesses will benefit from a continuation of strong underlying demand and any increase in elective surgery

Capital & Consumables

- Core growth should be circa 5%-10% per annum
- This is supported by the renewal of several key supplier arrangements over the past six months
- Quantum merger provides a footprint in Asia and an increased presence in high end medical equipment
- A number of key strategic initiatives are currently being implemented in ANZ which will accelerate organic growth towards the end of FY24 and into FY25

Service & Technology

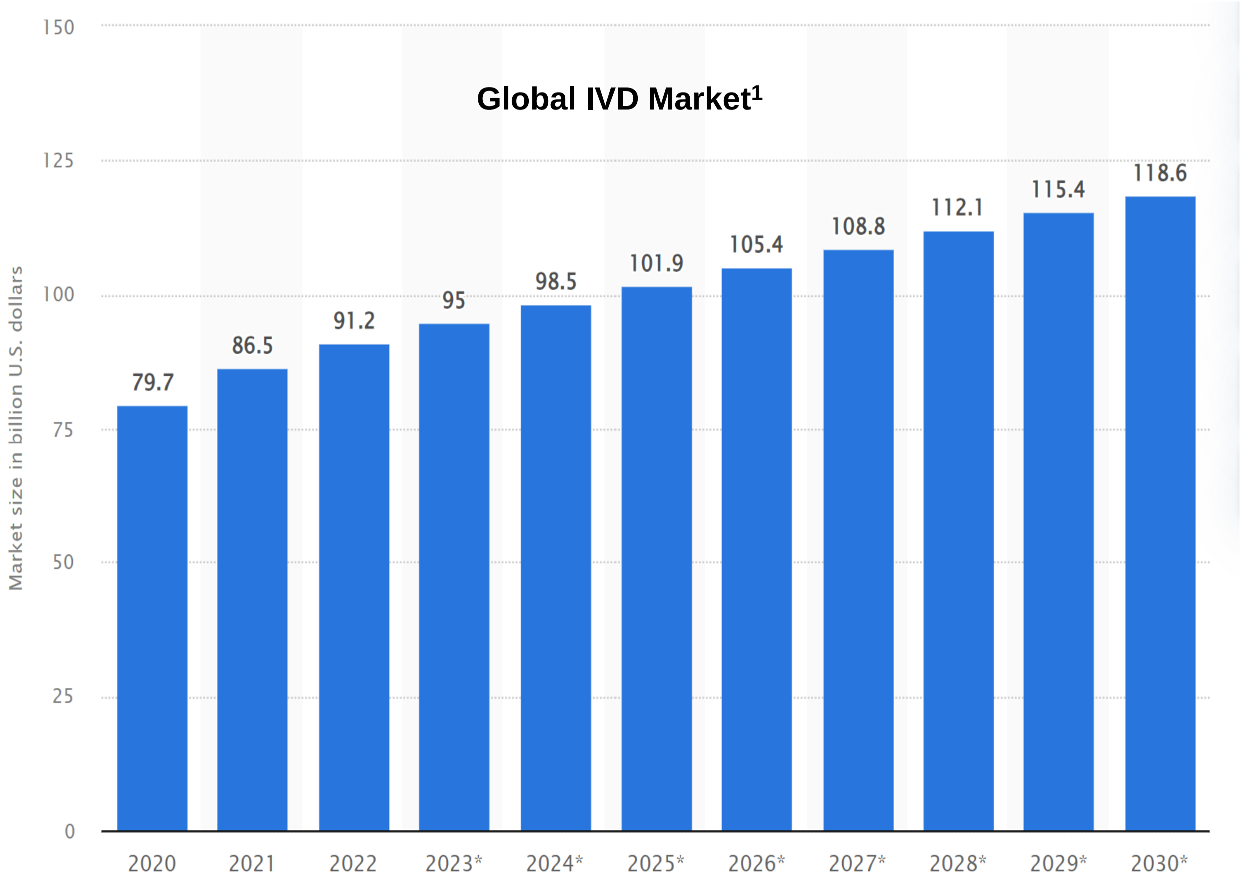
- Staged integration that builds off the existing Quantum / PGC services businesses in Australia, New Zealand & Asia
- Standardised ERP platform will also assist integration
- Will be a slower rebuild for Service in ANZ than previously expected but upside remains
- Recovery in the Aged Care sector and new market opportunities (including Home Care and Hospitals) will help drive growth in Total Communications

DISTRIBUTION

IVD market growth supports the Immulab manufacturing opportunity

- **In-Vitro Diagnostics (IVD) market**
  > Global market estimated to be US$95 billion in 2023[1] (Australia US$1.3 billion)
  > Estimated to grow to US$119 billion by 2030[1]
  > Significant opportunity driven by demand for wellness testing and growing rates of chronic disease
  > Quality is a critical factor in clinical decision making and supports price positioning for Immulab

- **Additional growth drivers for Immulab**
  > Optimisation of export opportunity for Immulab
    - Finished product
    - Contract manufacturing
  > Strong clinical performance (supported by process IP) remains a key commercial driver
  > Optimisation of the media manufacturing capability



[1] Source: Next Move Strategy Consulting Published by Conor Stewart, Apr 14, 2023

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Immulab Growth Drivers – Critical Milestones

- **Export the Immulab Range of finished products** to targeted and emerging international markets

  Critical milestone *– completion of detailed market assessment by December 2023 / initial entry to targeted markets by mid 2024 (subject to regulatory requirements)*

- **Build the OEM (Original Equipment Manufacture) and Contract Manufacturing business** offering a range of products and specialised services to global IVD / Diagnostic companies

  Critical milestone *– initial contracts in place by December 2023*

- **Expand Raw Material, Media and IVD Solutions Manufacturing Services** to various global IVD / Diagnostics companies

  Critical milestone *– completion of detailed market assessment by March 2024 / initial commercial agreements in place by December 2024*

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New Mount Waverley facility will support the Immulab export opportunity

- Commissioned to support an uplift in Immulab manufacturing capacity and to facilitate consolidation of all Victorian operations onto one site
- Mount Waverley is a cornerstone investment for the ParagonCare Group to support longer term growth
- Key project activities remain on schedule, with TGA accreditation for the manufacturing facility expected in early to mid 2024
- Total costs are now expected to be slightly higher than the original estimate of $30m
- Centuria was not in a position to provide additional lease incentive funding (approximately $11.5m) so this will now come from existing banking facilities

Stage 1	Corporate office	Complete
Stage 2	Subsidiary offices	Complete
Stage 3	Immulab manufacturing	1Q 2024
Stage 4	Subsidiary warehousing	1Q 2024

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A comprehensive distribution solution for global suppliers (OEMs)

Addressing challenges for global suppliers

- Local Market Knowledge
- Business Scale Differences
- Transparency & Trust
- Regulatory Complexity / Compliance
- Brand Integrity
- Logistics Complexity
- Service Quality & Consistency
- Governance Risks

ParagonCare's customer base

Clinical

- Aged Care
- Anaesthetists
- Audiology
- Critical Care
- Government Agencies
- Hospitals
- ICU
- Laboratories
- Obstetrics
- Ophthalmologists
- Optometrists
- Orthopaedic Surgeons
- Paediatrics
- Pathology
- Radiology
- Veterinary

Life Science

- Biotechnology
- Medical Research
- Industry
- Universities

Benefits for all stakeholders

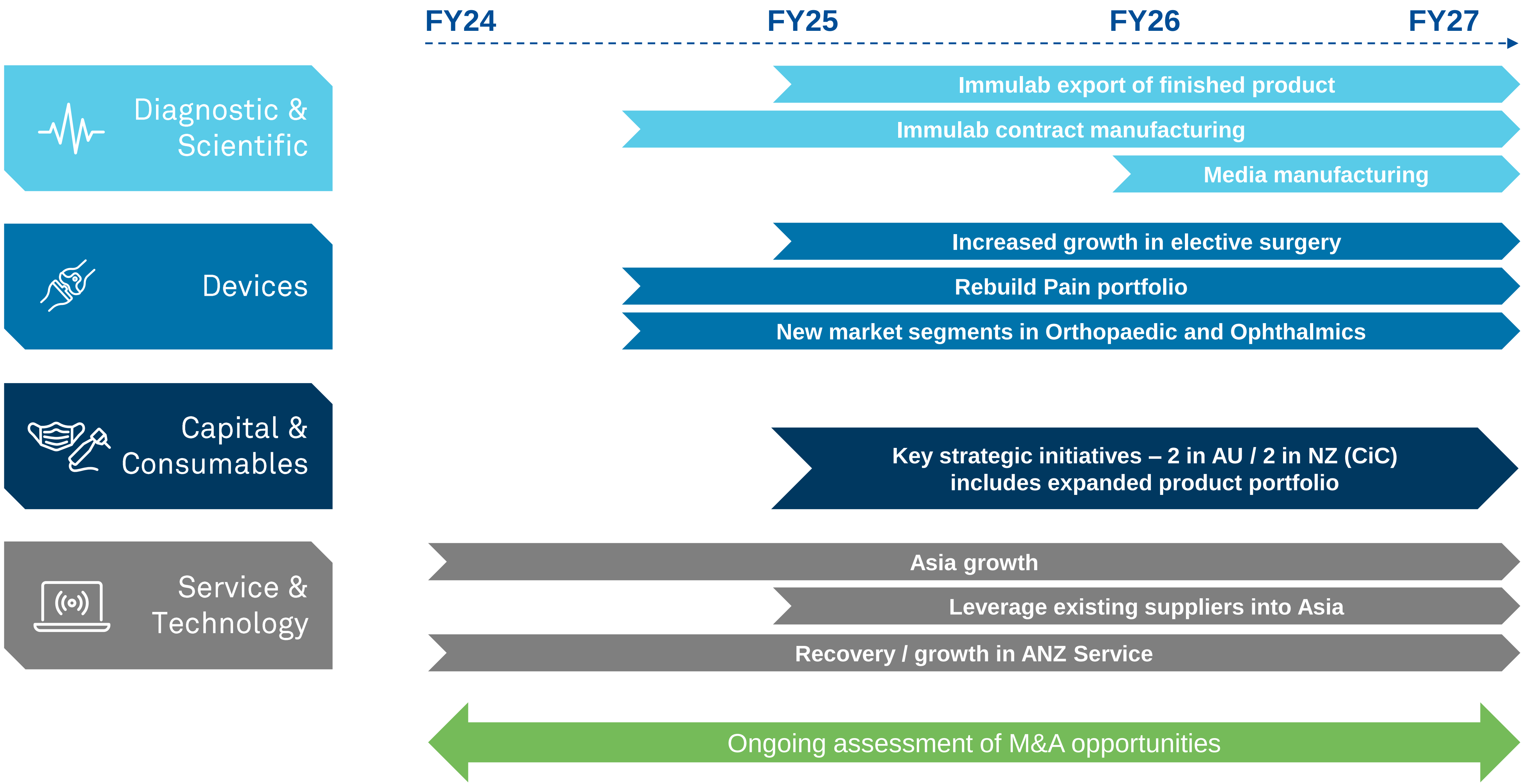
Global suppliers & ParagonCare's customers

- Aggregated solution across Asia
- Unique proposition that covers
  - > equipment / device sales and installation
  - > supply of supporting consumables
  - > comprehensive service and maintenance capability

From a ParagonCare perspective

- Strong underlying demand across healthcare
- Defensive revenue at attractive margins
- Business portfolio is well diversified
  - > no single supplier or customer relationship represents more than 10% of our revenue base
  - > no supplier or customer relationship represents more than 5% of EBITDA
- Further opportunities for growth across all pillars

Building blocks to $100m EBITDA by FY27



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A positive growth outlook remains

Earnings outlook

- Expecting further organic growth in FY24 that will accelerate in FY25
- Further commentary to be provided at the AGM in November 2023
- Targeting EBITDA of $100m by FY27 through a combination of organic growth and M&A

Growth underpinned by

- Unique manufacturing and distribution footprint with high barriers to entry
- Diversified revenue and earnings across a broad supplier / customer base
- Exposure to defensive, relatively stable healthcare sector with favourable tailwinds
- Upside potential through effective utilisation of new world class manufacturing facility from FY25 onwards
- Detailed, pillar-by-pillar strategy to support effective execution

Thank you

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Appendices

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Appendix 1 | Reconciliation from Reported to Underlying Results

From Continuing Operations	FY23 $m	FY22 $m	CHANGE %
Reported EBITDA	38.2	24.0	59%
Normalisations			
Share-Based Payments Expense	0.0	0.9	
Acquisition costs	0.2	3.0	
Obsolete Inventory write-off	0.8	3.5	
Fair value gain - Interest rate swap	-0.7	-3.0	
Other write-offs	-0.1	0.0	
Underlying EBITDA	**38.4**	**28.4**	**35%**

	FY23 $m	FY22 $m	CHANGE %
Reported NPAT	13.6	6.9	96%
Basic EPS: (cps)	1.64	1.41	16%
Diluted EPS: (cps)	1.61	1.38	16%
Basic EPS: (cps) from continuing operations	**1.96**	**1.34**	**46%**
Diluted EPS: (cps) from continuing operations	**1.92**	**1.31**	**46%**
Underlying NPAT	15.7	6.6	137%
Normalised EPS: (cps)	1.95	2.02	-3%
Normalised EPS: (cps) from continuing operations	**1.96**	**1.34**	**46%**

	FY23 $m	FY22 $m	CHANGE %
Reported NPAT	13.6	6.9	96%
Normalisations			
Share-Based Payments Expense	0.0	0.9	
Acquisition costs	0.2	3.0	
Obsolete Inventory	0.8	3.5	
Fair value gain - Interest rate swap	-0.7	-3.0	
Discontinued Operations	2.7	-0.5	
Other	-0.1	0.0	
30% Tax Adjustment add back on items above	-0.9	-1.2	
Underlying NPAT	**15.6**	**9.7**	**61%**

The only item not included in Reported EBITDA to Underlying EBITDA is Discontinued Operations

From Continuing Operations	FY23 ** $m	FY22 *** $m	CHANGE %
Invested Capital/ Capital Employed	315.7	292.4	8%
Normalised EBIT (Pre AASB16)	26.8	25.6	
Normalised ROIC * **	**8.5%**	**8.7%**	**-0.2%**

** 12 month trailing Normalised EBIT*

*** Adjusted for proforma results for SMS and other reported normalisations*

**** ROIC pcp restated for QTM ex acquisition and proforma results*

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Appendix 2 | FY23 Balance Sheet movements

Commentary

- **Net Debt* (Borrowings less Cash and Cash Equivalents)** decreased $6m since December 2022 and a $13.7m increase over June 2022.

  Mainly reflects the cash portion of the SMS acquisition ($11.8m) and higher working capital.

- **Main drivers of higher working capital** are increased inventory of $12m due to SMS acquisition $1m, and an increase in Paragon Asia $6m, and general increases across ANZ to support revenue growth. Trade Receivables increased by $6m due to increased revenue and the inclusion of SMS receivables of $1m.

- **Trade and other Payables** $12m increase reflecting the impact of acquisitions, higher inventory purchases and some timing differences over the year end.

- **Intangibles** $10.8m increase mainly due to SMS acquisition.

* Net Debt is pre AASB16

	FY23	FY22	CHANGE	
	$m	$m	$m	%
Cash	22.6	46.2	-23.6	-51.1%
Receivables	39.4	42.9	-3.5	-8.1%
Inventories	63.7	51.5	12.2	23.8%
Investment Property	2.2	0.3	1.9	730.3%
Property, Plant & Equipment (Incl ROU)	44.9	30.5	14.4	47.3%
Intangibles	259.1	248.2	10.8	4.4%
Other assets	16.7	21.3	-4.7	-21.9%
Total assets	448.5	440.9	7.6	1.7%
Trade and other payables	40.7	28.3	12.4	43.9%
Current borrowings	17.4	22.8	-5.4	-23.6%
Other current liabilities	33.8	37.9	-4.2	-11.0%
Total current liabilities	91.9	89.0	2.9	3.2%
Non-current borrowings	68.9	73.5	-4.6	-6.2%
Other non-current liabilities	35.7	36.3	-0.5	-1.5%
Total non-current liabilities	*104.7*	*109.8*	*-5.1*	*-4.6%*
Total Liabilities	196.6	198.8	-2.2	-1.1%
Net assets	252.0	242.1	9.8	4.1%