



30 November 2015

Australian Securities Exchange

Company Announcements Office

**Paragon Care Limited – 2015 Annual General Meeting  
Chairman's Address and Managing Director's Presentation**

Paragon Care Limited ("**Company**") is convening its 2015 Annual General Meeting today, 30 November 2015, in Melbourne.

The Chairman's Address and Managing Director's Presentation to be presented at the meeting follow.

***For more information please contact:***

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***About Paragon Care:***

*Paragon Care Limited (ASX: PGC) is one of Australia's leading providers of integrated services to Australia's health and aged care markets. These are high growth markets driven by the ageing of the population, continuously rising consumer expectations and increasing government spending. Paragon Care has eleven operating businesses: Axishealth, Iona Medical, Volker Australia, Rapini, GM Medical, Richards Medical, LR Instruments, Scanmedics Western Biomedical, Designs for Vision and Meditron who combined supply durable medical equipment, consumable medical products and medical devices to hospitals, medical centres and aged care facilities.*

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**PARAGON CARE LIMITED**

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[www.paragoncare.com.au](http://www.paragoncare.com.au)

# ParagonCare

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## **CHAIRMAN'S ADDRESS – 2015 ANNUAL GENERAL MEETING**

Good morning ladies and gentlemen. Welcome to the 2015 annual general meeting of Paragon Care. My name is Shane Tanner and I am the chairman of your 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.

The last 12 months have been a transformational period for Paragon. They were characterised by strong operating performance from our core businesses, key acquisitions of like-minded businesses and a favourable macroeconomic environment underpinning strong growth in the health care industry.

For the year ended 30 June 2015, revenue was up 66% to A\$32.2 million, EBITDA was up 110% to A\$3.7 million and net profit after tax increased by 94% to A\$2.1 million. Paragon's improved financial performance can be attributed to strong organic growth driven by growing demand for our capital equipment and growing consumables portfolios from the acute, aged care and primary care markets. Additional upside came from the Scanmedics acquisition, which has seamlessly integrated with existing operations and provided additional revenue synergies through new products and new geographies.

Paragon is in an elite group of profitable dividend-paying health care companies. Earnings per share was up 19% to 3.2 cents per share and fully franked dividends for the year totalled 1.4 cents per share, an increase of 12% on the prior year. The payout ratio of approximately 45% was within Paragon's targeted dividend payout ratio range of 40-50%.

Paragon's strong earnings growth profile and growing dividend income stream underpins a compelling investment case. Paragon's total shareholder return for financial year 2015 was 138% (combination of share price appreciation and dividends paid for the period), which compares with the equivalent S&P/ASX 200 Health Care Index return of 29% over the same period.

I will now turn my attention to the events that occurred after the end of the financial year. On 18 August 2015, Paragon announced the acquisitions of three complementary businesses and a fully underwritten \$42.1 million capital raising. The three businesses, Western Biomedical, Designs for Vision and Meditron are highly complementary with our existing business model and add scale to Paragon's customer-centric product platform, while providing further product and geographic diversification.

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The capital raising was oversubscribed and highly successful. We welcomed several new institutional investors onto the register. We would like to thank all shareholders who participated in the subsequent entitlement offer for supporting Paragon. Pleasingly, we also entered into a new secured senior debt facility with the National Australia Bank, which provides Paragon with greater financial flexibility in funding both organic and acquisitive growth going forward.

From a financial perspective, the three acquisitions have delivered immediate earnings per share accretion on a FY15 pro-forma basis, up 50% to 4.8 cents per share. They are expected to deliver significant additional revenue synergies over time. Post-capital raising, Paragon Care's pro-forma consolidated revenues are \$106 million, which achieved our previously stated objective of \$100+ million of revenues. Achieving this milestone means that Paragon now has the critical mass and scale required to deliver enhanced value from its platform to customers.

From an operational perspective, I am also pleased to report that the integrations of the recently acquired businesses are progressing exceptionally well. There has been minimal integration required for Western Biomedical, given the location and advanced nature of the business, or for Meditron, given its product compatibility with Scanmedics. Designs for Vision has been the main integration focus as the acquisition introduced a new product area. It is still early days, but having owned the businesses for just under two months, we are confident that they will meet the expectations that underpinned our acquisition rationale.

With strong organic growth and three highly earnings accretive acquisitions, Paragon Care is facing another year of solid growth in earnings per share and dividends in financial year 2016. We remain very focused on existing operations in the short- to medium-term to ensure the optimal integration of the recently acquired businesses. Cost and revenue synergies were not included in our investment case for these businesses, but we are excited about the various cross selling opportunities that have already arisen. In financial year 2016, Paragon Care should also benefit from the favourable macroeconomic conditions underpinning the health care sector as the population continues to age. We will continue to maintain a strong balance sheet and use debt conservatively.

Paragon has made some very important advancement in its goal to build an integrated health care supplies distribution platform. The industry we operate in continues to remain highly fragmented with a huge number of privately owned small businesses. Paragon's long-term strategy is to build critical mass by consolidating the industry to create an integrated manufacturing and distribution platform that offers our customers supply efficiencies and outstanding customer solutions.

On behalf of the Board, I would like to thank our Managing Director Mark Simari and the rest of the Paragon Care team for their commitment to the company's long-term success. I look forward to seeing you all again next year.

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

## AGM Presentation

30 November 2015

PGC:ASX



*A unique exposure to a rapidly emerging health care company*

- Paragon is now one of the **premier medical equipment and consumables suppliers** on the ASX
- **Platform economics** and a **customer focused business model** differentiate Paragon's service offering and provide a **valuable first mover advantage**
- 11 successful acquisitions since June 2009 have supported **strong organic and inorganic growth in a highly fragmented industry**
  - **Value accretive acquisitions** have resulted in an **immediate valuation uplift for shareholders**
- Capitalising on the **compelling macro tailwinds** given the ageing population and increasing government and private investment in health care equipment and services
- **Strong balance sheet** to pursue growth opportunities, with a conservative approach to debt financing
- Supportive **institutional shareholder base** and **highly aligned Board and management team**, with extensive health care experience
- Shareholder returns will continue to be driven by **strong growth in earnings**, which supports **increasing dividend payments to shareholders**

## COMPANY OVERVIEW

Update financial information  
and share price chart

*Paragon is transforming the health care procurement sector*

### Corporate overview

- A **premium provider of medical equipment and consumables** throughout Australia and New Zealand
- Pro-forma revenues of A\$100m+ from the **acute, aged care and primary care** markets
- **Only non-global provider** with a full suite of medical equipment, products, consumables and devices
- Broad suite of premium products forming a **‘one stop shop’** for clients
- Board and associates’ interests are **aligned with shareholders** through their respective shareholdings

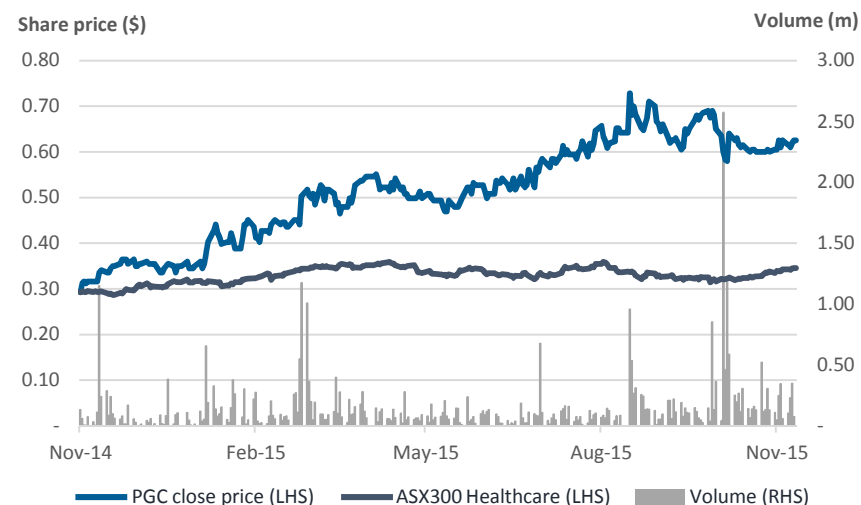
### Financial information

Share price (26-Nov-15)	\$0.61
Number of shares (m)	159.7
<b>Market Capitalisation</b>	<b>\$97.4m</b>
Cash (30-June-15 pro-forma)	\$7.4m
Debt (30-June-15 pro-forma)	\$30.3m
<b>Enterprise value</b>	<b>\$120.3m</b>

Source: IRESS

1. Pro-forma figures are unaudited as at 30 June 2015

### Share price performance



### Top shareholders

	Shares	%
JMT Investment Group	9.8m	6.4%
First Samuel	9.2m	6.0%
Other Board, management and associates <sup>2</sup>	9.1m	6.0%
Australian Foundation Investment Company	7.5m	4.7%
Australian Ethical Investment Company	7.3m	4.6%

Note:

Blue shading represents institutional fund managers. Grey shading represents Board and associate holdings, which includes the founders and directors of businesses acquired.

## *FY15 was a record year for Paragon*

### FY15 highlights

- FY15 was a rewarding year for Paragon and its shareholders with the **share price up 127% over the period**
- Characterised by **strong operating performance** from core businesses and a **favourable macroeconomic environment**
- **Revenue growth of 66%** driven by strong organic growth from existing businesses and additional upside from Scanmedics acquisition
  - Note FY15 figures only include a 9 month contribution from Scanmedics (acquired in October 2014)
- Strong demand dynamics driven by the **increasing size of acute and aged care sectors**, the ageing population and increased investment by governments and private hospital providers
- New CFO appointed – Stephen Munday
- Paragon is in the process of relocating into large new facilities in Scoresby to help facilitate future growth

### FY15 financials (excl. three acquisitions)

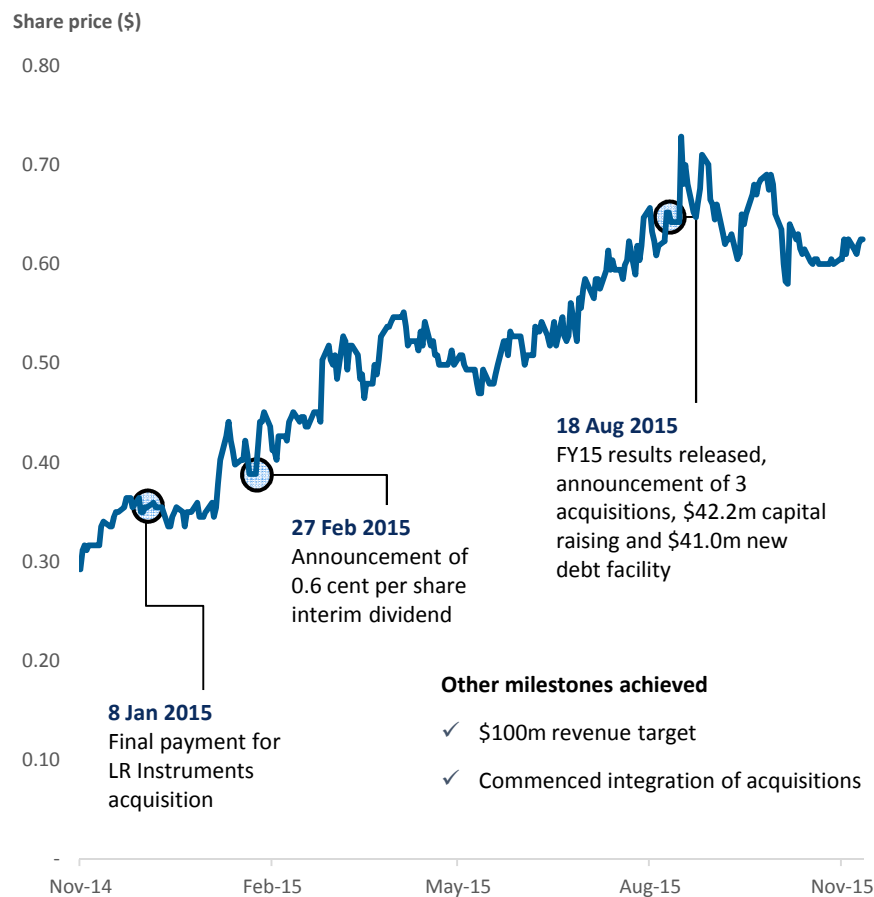
		Δ since FY14
Revenue	\$32.2m	↑ 66%
EBITDA	\$3.7m	↑ 110%
NPAT	\$2.1m	↑ 94%
EPS	3.2 cents	↑ 60%
Fully franked dividend	1.4 cents	↑ 12%

Note:  
Table excludes the impact of the three acquisitions announced in August 2015



*Recent performance driving positive outlook for FY16*

## Last 12 months share price performance



## FY16 outlook

- Reaffirming expectations of **double digit earnings growth**
- Focus on generating **strong organic growth and integrating** the three recent acquisitions
  - Paragon's strong internal systems and distribution platform have enabled the integrations
- FY16 will include a **full 12 month contribution from Scanmedics**
- FY16 will include a **~9 month contribution from the Meditron, Western Biomedical and Designs for Vision acquisitions**
- FY17 will be the **first full year of earnings capture** from these acquisitions
- Further acquisitions will be considered in time to further **leverage our integrated platform**



*All three value-enhancing acquisitions have now successfully settled*

- The three recent acquisitions have strengthened Paragon's proportion of consumables revenue and provided further geographic diversification

			
<b>BUSINESS SUMMARY</b>	Leading supplier of medical and surgical products and consumables in WA	Diagnostic and surgical product provider to the ophthalmology and optometry sector	Provider of premium medical devices to the urology and ultrasound sector
<b>ACQUISITION OVERVIEW<sup>1,2</sup></b>	Price: \$28.9m (cash only) FY15 revenue: \$33.2m FY15 EBITDA: \$4.3m Acquisition multiple: 6.8x	Price: \$21.5m cash & \$4.0m shares FY15 revenue: \$31.8m FY15 EBITDA: \$4.0m Acquisition multiple: 6.4x	Price: \$5.0m cash & \$1.0m shares FY15 revenue: \$8.8m FY15 EBITDA: \$1.5m Acquisition multiple: 4.0x
<b>REVENUE SYNERGIES</b>	<ul style="list-style-type: none"> <li>✓ Leverage new geographies and distribution channels</li> <li>✓ Opportunity to "bundle" a wider product offering</li> </ul>	<ul style="list-style-type: none"> <li>✓ Expansion into ophthalmic market</li> <li>✓ Minimal product overlap</li> <li>✓ Increased exposure for existing products</li> </ul>	<ul style="list-style-type: none"> <li>✓ Cross-selling opportunities</li> <li>✓ Extended customer base</li> <li>✓ Industry knowledge and contacts</li> </ul>
<b>INTEGRATION &amp; RISK MITIGATION</b>	Channel existing product suite into WA	Extends platform into ophthalmic products	Compliments Scanmedics business

- Acquisition price and multiple excludes earn outs
- Unaudited profit and loss statements, reviewed by Paragon's accounting advisors

*Designs for Vision is the main integration focus*



- Most streamlined business out of the three acquisitions with **minimal integration required**
- Operationally the business has continued as is with the **immediate focus on sales/marketing and finance**
- **Full product suite will be channelled into WA** through Western Biomedical – already begun the process of identifying and training sales reps to expand our geographical distribution and target revenue synergies
- Plan to move the business onto our **SAP Business One platform in time to generate further synergies**

### DESIGNS FOR VISION

- **Main integration focus** as the acquisition introduced a new product area and the business lacked investment in the finance department
- Currently providing **additional sales rep training** and **assistance to the finance department**
- Focus moving to **inventory management and working capital** to further strengthen Paragon's balance sheet



- **Seamless integration with Scanmedics** given the product compatibility
- **Focus is on revenue synergies** with Scanmedics and Meditron products now forming a bundled package that has a **higher sales value**, while the increased number of sales reps is expected to **generate greater sales volumes**
- While the focus is on revenue synergies, there are also cost synergies as the Sydney office has moved into Scanmedics' location and the Melbourne office is moving to the Scoresby site at the end of 1Q 2016

**Post capital raising pro-forma consolidated revenues are now \$100m+**

## Capital raising summary

- Institutional placement fully underwritten by Bell Potter raised \$35.0m
- 1 for 5 non-renounceable rights issue raised \$7.2m
- Equity component of vendor consideration was \$5.0m
- All shares issued at \$0.53 offer price and allotted on 6 October 2015

## Pro-forma financials<sup>1,2</sup>

	FY15 pre-acquisition	FY15 pro-forma consolidated	Impact
Revenue <sup>3</sup>	\$32.2m	\$106.0m	↑ 229%
EBITDA	\$3.7m	\$13.5m	↑ 265%
NPAT	\$2.1m	\$7.7m	↑ 267%
EPS	3.2 cents	4.8 cents	↑ 50%
P/E ratio	21.1x	13.0x <sup>4</sup>	↓ 62%
Net debt	\$8.4m	\$22.4m	↑ 167%
Net debt to EBITDA	2.3x	1.7x	↓ 26%
Interest cover	4.9x	7.0x	↑ 43%
Net debt to equity	41%	27%	↓ 52%

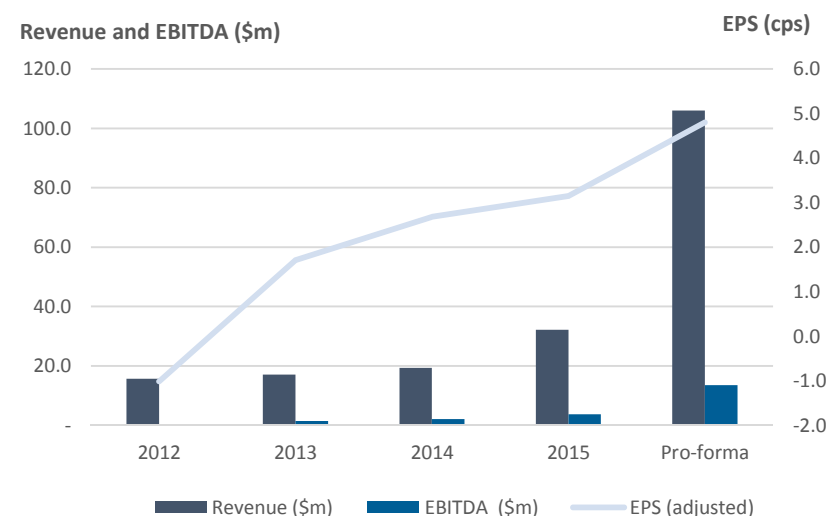
Notes:

1. FY15 result based on audited financial statements for the year 30 June 2015; pre-acquisition metrics based on closing share price on 13 August 2015 of \$0.67 per share
2. Pro-forma post-acquisition metrics calculated on the placement and rights issue of \$35.0m and \$7.2m at \$0.53 per share
3. No revenue synergies assumed in pro-forma financials
4. P/E ratio based on share price of \$0.61 at 26 November 2015

## Debt financing

- **New debt financing** with a major Australian bank
- \$23m acquisition finance
- \$8m refinance of historical acquisition finance
- \$10m Trade Finance & other banking facilities
- Average weighted cost of debt expected to fall c.50bps

## Revenue, EBITDA and EPS growth



*Platform is designed to make procurement easier for the customer*

- Key point of difference that is analogous to the investment wrap / platform concept which successfully transformed the investment management sector
- Paragon has lead the way in Australia adoptin platform economics to reduce the administrative burden of hospital purchasing

**ParagonCare** *(sample of product suite on platform)*



### One-stop shop

- Typical hospital uses ~30-40,000 suppliers
- Paragon's platform allows consolidation of invoices, tax reports and reduces overheads

### Customer focus

- Genesis of platform driven by customer demand to help ease administrative strain
- Alignment of customer and Paragon's interest in securing quality products

### Range and expertise

- Improved customer choice and flexibility of decision making
- Extensive knowledge of product range

### Economies of scale

- Greater buying power
- Expert management across the value chain
- Potential to develop more competitive pricing structures

*High end products provides stable revenue and repeat customers*

- Value proposition to customers is based on a platform offering of high quality products and premium customer service around those products
- Key competitive advantage and the point of differentiation that drives repeat purchases despite low-cost competitors



<b>Approach</b>	<b>90%</b> Exclusive distribution products  <b>10%</b> designed and manufactured products	<b>70%</b> Consumables  <b>30%</b> Capital equipment	<b>80%</b> Acute care <b>10%</b> Aged care <b>10%</b> Primary care	<b>Includes:</b> Melbourne Health • Alfred Health • Austin Health • NSW Health • Healthscope Private • WA Health • Lend Lease • Hansen & Yuncken
<b>Benefit</b>	✓ High quality products ✓ Minimal capital and R&D expenditure ✓ Ability to adjust product range to suit customer needs ✓ Aggressive hedging keeps COGS low	✓ High consumables provides decreased earnings volatility ✓ Sustainable earnings growth ✗ Lower gross profit margin	✓ Acute and aged care are growing industries ✓ Strong demand ✓ Premium prices ✓ Repeat purchases	✓ Customers include Australia's top hospitals and care providers ✓ Repeat customers driven by standard of service and full partnering solution

***Experienced Board and management team with a proven track record***

- Paragon's Chairman Shane Tanner is a renowned leader in the health care industry, having been the Chairman of Vision Eye Institute (VEI.ASX) since it formed in 2001
- Highly experienced Board and management team with Managing Director Mark Simari appointed in 2008 to lead the company
- Paragon's entrepreneurial team has generated significant shareholder returns to date

***Non-Executive Board members***

**Shane Tanner – Non-Executive Chairman**

- Chairman of Vision Eye Institute, Funtastic and BGD
- Extensive commercial and financial experience in a number of industries including health care
- Orchestrated a number of acquisitions as well as being responsible for establishing a number of successful businesses

**Michael Newton – Non-Executive Director**

- Experienced operator specialising in the industrial chemical sector with previous executive roles with both Unilever and ICL PLC
- Successfully managed major diversification programs and exceptional business growth during his role at Symex

***Executive Board members***

**Mark Simari – Managing Director / CEO**

- Extensive corporate and management experience
- Responsible for a number of successful company re-births, including Paragon's, as well as the integration of several acquisitions
- Strong business acumen and hands on management philosophy

**Brett Cheong – Executive Director**

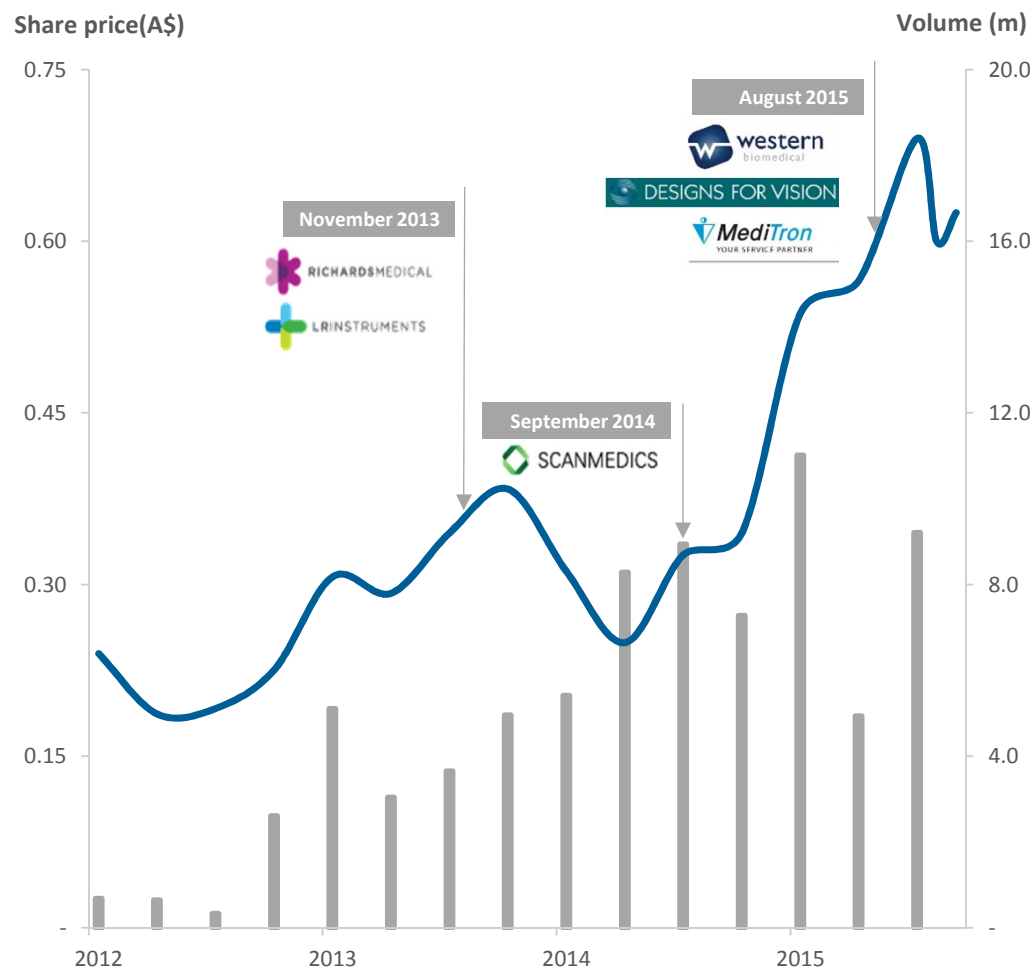
- Over 30 years' experience in the health care industry
- Previous roles have included owner/founder to sales management

**Key management personnel have contributed to Paragon's growth since 2008**

- Share price performance clearly demonstrates management's ability to execute value enhancing transactions

## Events post new management appointment

Date	Event
April 2008	Mark Simari appointed as Managing Director
June 2008	Company changes name to Paragon Care
April 2009	Acquisition of 
May 2010	Acquisition of  
November 2010	Acquisition of 
April 2011	Acquisition of 
November 2013	Acquisition of  
September 2014	Acquisition of 
August 2015	Acquisition of   



*Operational and corporate events to provide ongoing share price catalysts*





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.

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