

# ParagonCare

Monday, 27th October 2014

Australian Securities Exchange  
Company Announcements Office

## **PRESENTATION - WILSON HTM INVESTMENT CONFERENCE**

The Managing Director Mark Simari and CFO Matthew Parker are pleased to represent Paragon Care Limited (ASX: PGC) at the Wilson HTM Aged Care, Health Services and Retirement Villages Investment Conference to be held in Sydney on Monday 27th October 2014.

The conference provides the opportunity to present to institutional and high net worth clients of Wilson HTM Group. The presentation for the conference is attached.

**Mark Simari**  
**Managing Director / Company Secretary**

### ***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 seven operating businesses: Axishealth, Iona Medical, Volker Australia, Rapini, GM Medical, Richards Medical, LR Instruments, Scanmedics who combined supply durable medical equipment and consumable medical products to hospitals, medical centres and aged care facilities.*

*For further information please contact Mark Simari, Managing Director (1300 369 559)*

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### **PARAGON CARE LIMITED**

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## Investors Presentation

WILSON HTM  
AGED CARE, HEALTH  
SERVICES AND  
RETIREMENT VILLAGES  
CONFERENCE

OCTOBER 2014



Paragon Care Group of Companies



## Paragon Care

Shares on Issue	67.2m
Share Price @ Aug 2014	34c
12 month Range	22.5 - 51c
<b>Market Cap</b>	<b>\$22.8m</b>
Net Debt	\$5.5m
<b>EV</b>	<b>\$28.3m</b>

- Premium provider of durable medical equipment to the acute and aged care market
- Recent expansion into consumables, ultrasound, neonatal, temperature management and aesthetics.

## Unique Offerings

- PGC has acquired and integrated 8 businesses into 1 platform from June 2009 to September 2014
- Has a broad suite of premium products forming a 'one stop shop' for clients
- Only non-global provider of full suite of medical equipment, products and consumables

## Experienced Board & Management

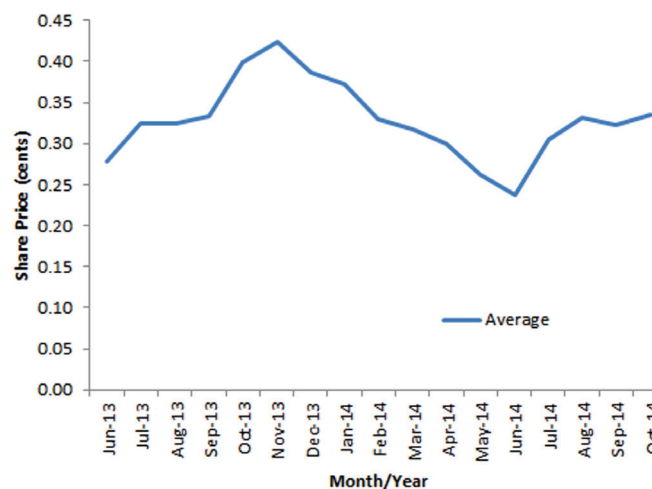
- Strong board and management team who own 7.36% of the company
- MD led restructure into current business

## Financials

Earnings Summary			
Y/E June	FY13 A	FY14 A <sup>1</sup>	FY15 <sup>2</sup> Proforma
Revenue (\$m)	17.1	19.6	33.0
EBITDA (\$m)	1.5	1.8	4.0
EBIT (\$m)	1.3	1.5	3.6
NPAT (\$m)	0.9	1.1	-
EPS (cps)	1.7	2.0	-
<b>PE (x)</b>	<b>17.6</b>	<b>20.1</b>	-
<b>EV/EBITDA (x)</b>	<b>12.1</b>	<b>12.9</b>	<b>7.1</b>
<b>DPS (c) FF</b>	<b>1.0</b>	<b>1.25</b>	-
<b>Yield</b>	<b>3.3% (FF)</b>	<b>3.67% (FF)</b>	-

<sup>1</sup> Includes 6 months contribution from LR Instruments/Richards Medical (Acquired 1st January 2014)

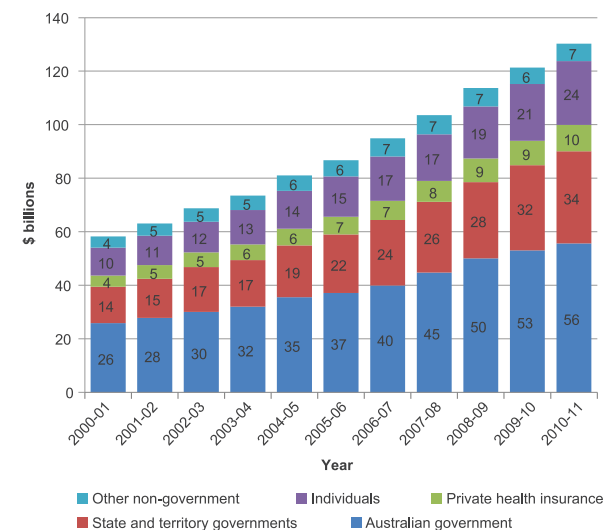
<sup>2</sup> Proforma assumes 12 month contribution from Scanmedics (Acquired 1st October 2014)



## Strong Demand Dynamics & Expanding Market Share

- Underlying business is driven by increasing demand in the acute and aged care sector
- Market size is estimated at ~\$600m pa for capital equipment and in excess of \$10b for consumables and medical products
- The demographic drivers are compelling with:
  - Ageing epidemic providing increasing demand for acute and aged care
  - Increased investment into the sector by governments and private providers

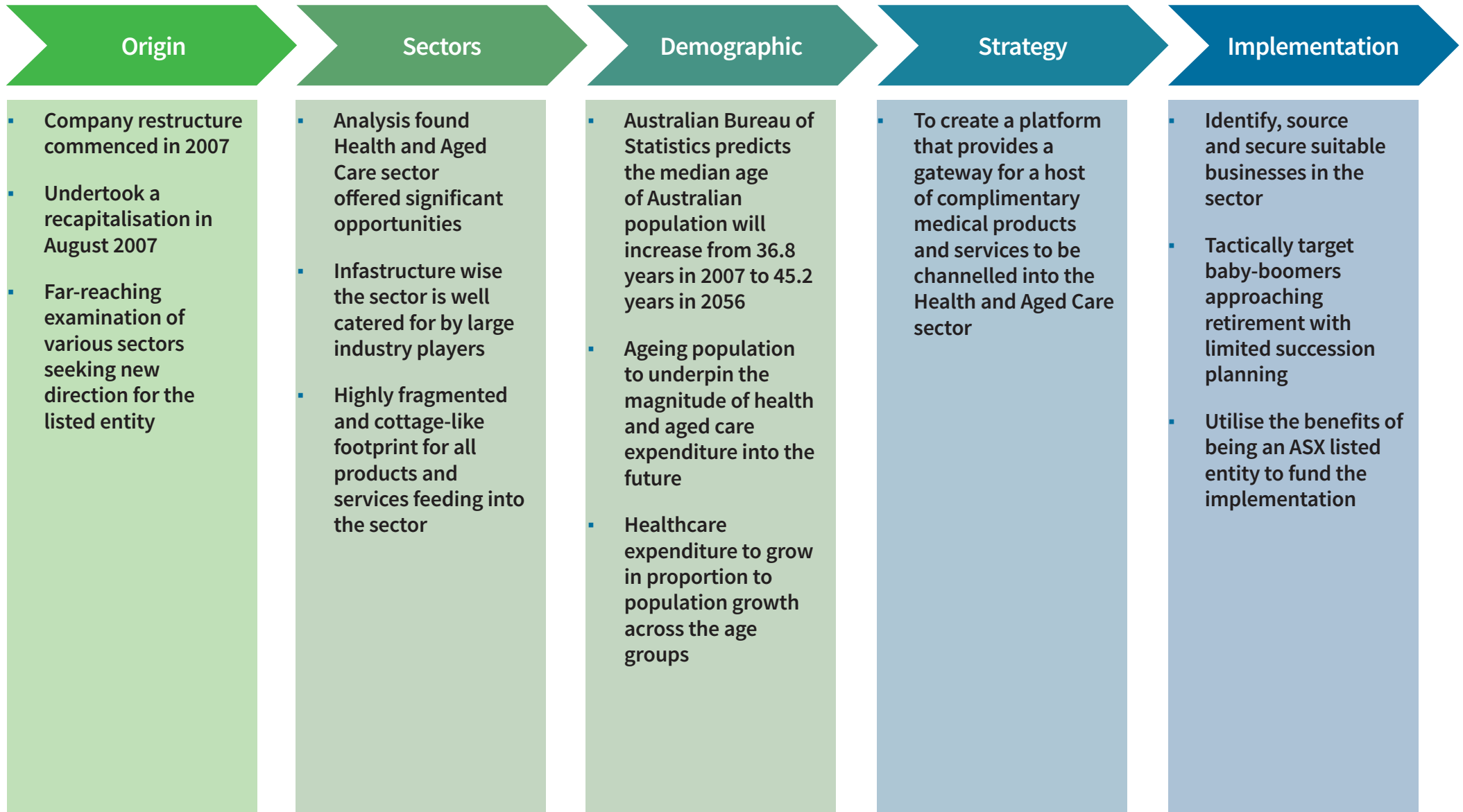
## Total Healthcare Expenditure in Australia



Source(s): MTAA:KF&F2013-9 / AIHW 2012-17

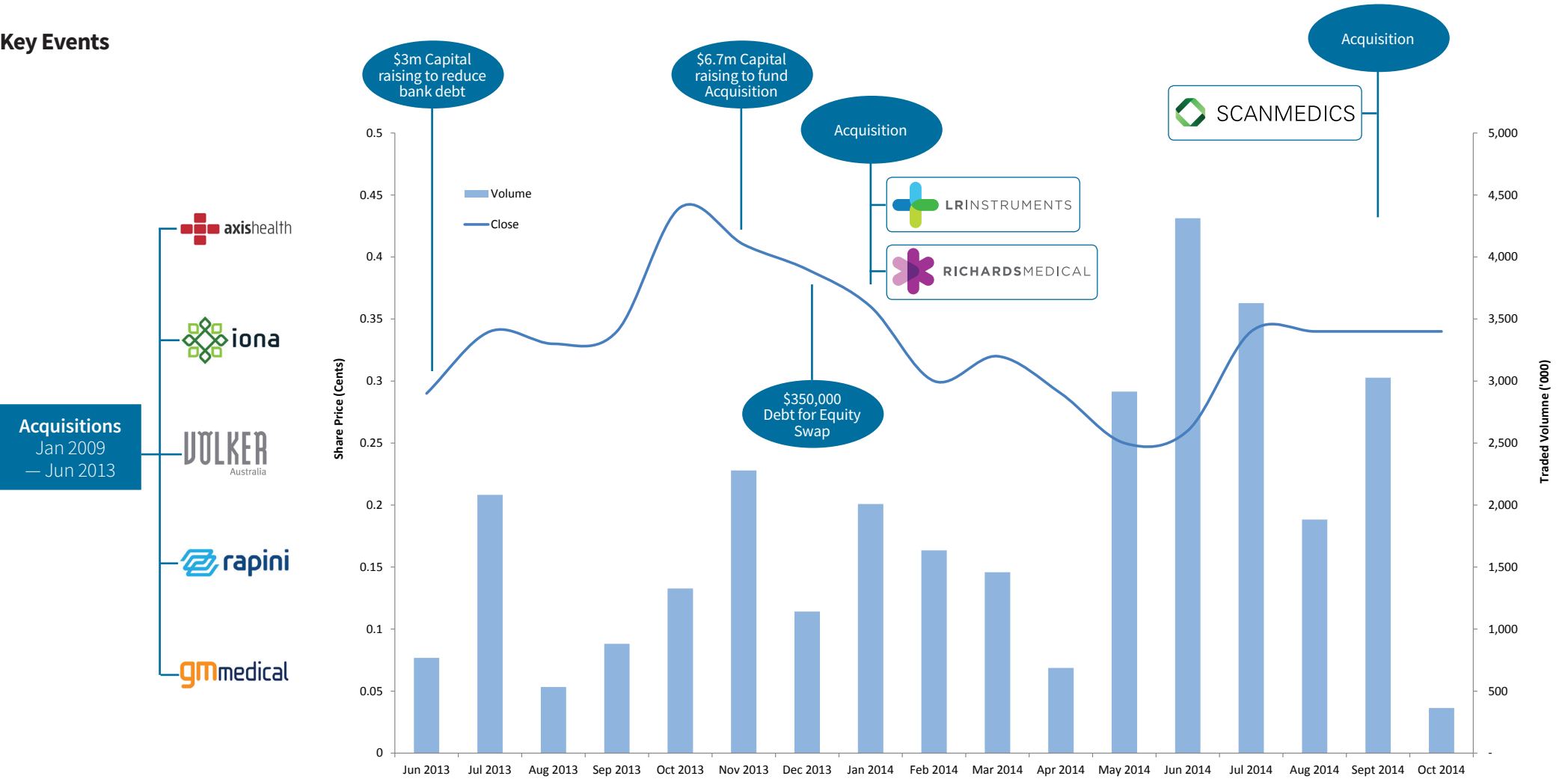
## Company Background

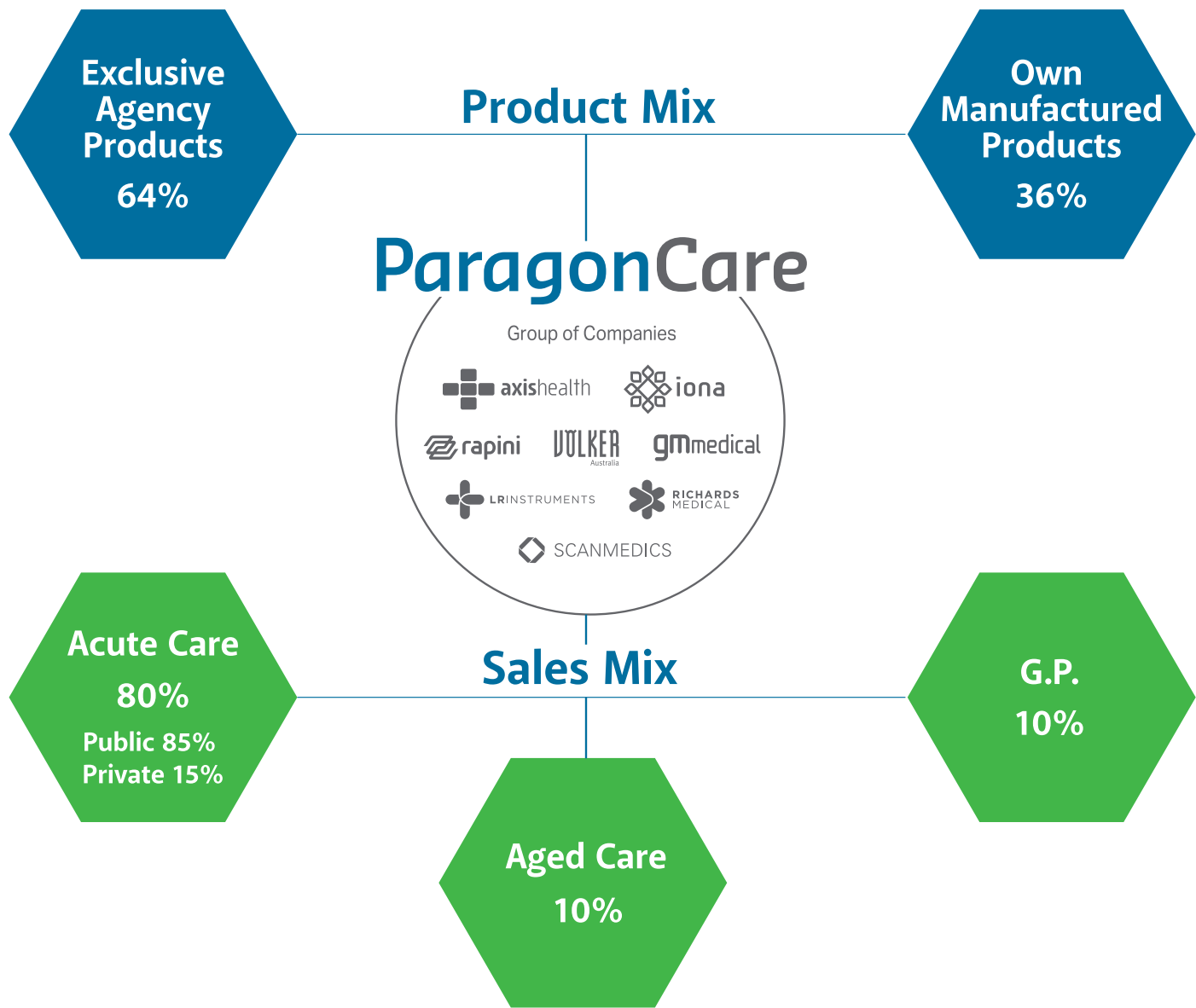




Positioned for Growth

## Key Events





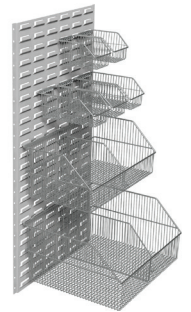


## PRODUCT OFFERING

# ParagonCare

**Product range only matched by global players**

## Paragon Care's Suite of Products



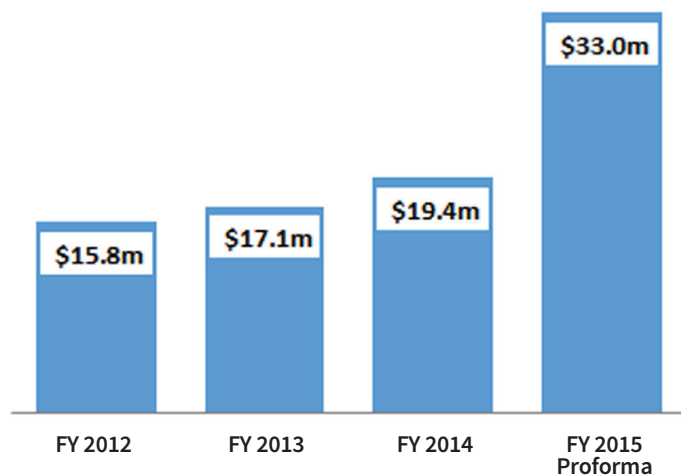


# Financial Analysis

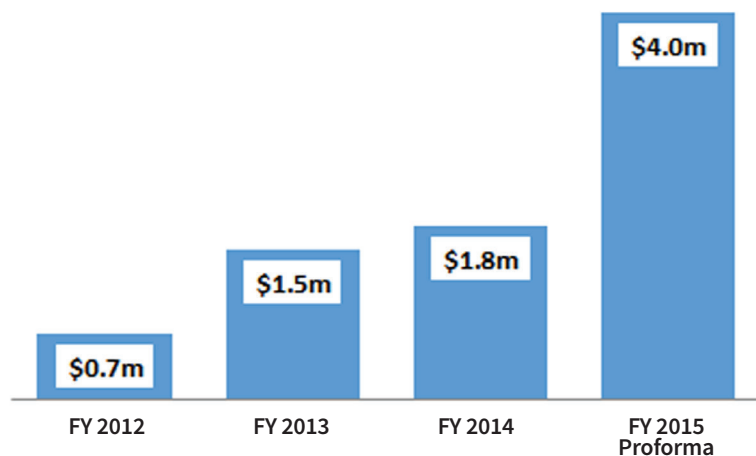


## Key Financial Data

### Revenue



### EBITDA



Y/E June	FY14 A <sup>1</sup>	FY15 <sup>2</sup> Proforma
Revenue (\$m)	19.4	33.0
EBITDA (\$m)	1.8	4.0
NPAT (\$m)	1.1	TBA
EPS	2.0	TBA
<b>EBITDA Margin %</b>	<b>9</b>	<b>12</b>
<b>EV/EBITDA (x)</b>	<b>12.9</b>	<b>7.0</b>
<b>Dividend (FF)</b>	<b>1.25</b>	<b>TBA</b>
<b>Dividend Yield %</b>	<b>4.0</b>	<b>TBA</b>
<b>Gearing Ratio %</b>	<b>8.0</b>	<b>24.0</b>
<b>Return on Equity %</b>	<b>8.0</b>	<b>13.0</b>
<b>Debt Service Cover (x)</b>	<b>4.3</b>	<b>4.7</b>

<sup>1</sup> Includes 6 months contribution from LR Instruments/Richards Medical (Acquired 1st January 2014)

<sup>2</sup> Proforma assumes 12 month contribution from Scanmedics (Acquired 1st October 2014)

## Record Year for Paragon Care

- 2014 was a period of significant achievement with the successful acquisition and integration of the LR Instruments and Richards Medical consumables business. This acquisition provides further exposure to hospital operating budgets.
- Revenue grew 14% year on year including the newly acquired businesses
- EBITDA grew 18% vs 2013, driven by improvements in gross margins as the company continue to produce strong results against its core strategy of increasing its sales base via its own proprietary products.
- Net Profit of \$1.08m in 2014 demonstrated a 46% improvement on 2013. This is a reflection of the company's strategy to enhance its product offering, as well as, continuously look to cost reduction and productivity initiatives to profitably grow revenue and gross margin.
- The 2014 annualised EBITDA of the business is approximately \$2.8m once the full year of the newly acquired LR Instruments/Richards Medical is taken into account.



## Reported Profit & Loss

\$m unless stated	FY12	FY13	FY14	Δ
<b>Total Revenue</b>	<b>15.8</b>	<b>17.1</b>	<b>19.4</b>	14%
Other Income	0.05	0.05	0.06	20%
<b>Total EBITDA</b>	<b>0.67</b>	<b>1.51</b>	<b>1.78</b>	18%
D&A	(0.3)	(0.3)	(0.25)	(3.0)%
<b>EBIT</b>	<b>0.41</b>	<b>1.25</b>	<b>1.53</b>	22%
Interest	(0.7)	(0.5)	(0.42)	(23)%
<b>PBT</b>	<b>(0.32)</b>	<b>0.71</b>	<b>1.11</b>	57%
Tax	0.2	0.03	(0.03)	
<b>NPAT Reported</b>	<b>(0.08)</b>	<b>0.74</b>	<b>1.08</b>	46%
<b>EPS (cents)</b>	<b>(0.2)</b>	<b>1.7</b>	<b>2.0</b>	18%

## Normalised EBITDA

\$m unless stated	FY12	FY13	FY14
<b>Reported EBITDA</b>	<b>0.67</b>	<b>1.51</b>	<b>1.78</b>
Non Recurring Income	(0.25)	-	-
Non Recurring Expenses	0.5	-	0.4
<b>Normalised EBITDA</b>	<b>0.92</b>	<b>1.51</b>	<b>2.18</b>

## Improving Balance Sheet

### Strong Balance Sheet with Capacity for Further Acquisitions

- In June 2014, the company reach agreement with the Westpac Banking Corporation's Healthcare division for a new \$10m facility on favourable commercial terms.
- This facility has provided Paragon Care with a significant opportunity to develop and grow its business both organically and via further acquisitions.
- In 2014 Paragon Care raised \$6.7m in equity issues to fund the purchase of LR Instruments and Richards Medical. At the same time the company undertook a private debt for equity swap.
- The companies free cash flow improved 12% year on year, whilst absorbing working capital requirements of the new acquisition.



\$m unless stated	FY12	FY13	FY14
Cash	1.3	2.5	2.8
Receivables	2.7	3.1	4.1
Inventories	2.8	3.1	5.1
Other	0.0	0.1	-0.1
<b>Total Current Assets</b>	<b>6.8</b>	<b>8.8</b>	<b>11.8</b>
PP&E	0.9	0.7	0.6
Intangibles	8.4	8.4	13.6
Other	0.4	0.5	0.8
<b>Total Non-Current</b>	<b>9.7</b>	<b>9.6</b>	<b>15.0</b>
<b>Total Assets</b>	<b>16.5</b>	<b>18.4</b>	<b>26.8</b>
Payables	3.0	3.2	4.1
Borrowings	2.4	1.7	0.4
Provisions	0.3	0.4	0.5
Other	0.1	0.0	0.1
<b>Total Current Liabilities</b>	<b>5.8</b>	<b>5.3</b>	<b>5.1</b>
Borrowings	4.2	2.7	3.5
Other	0.1	0.0	0.0
<b>Total Non-Current</b>	<b>4.3</b>	<b>2.7</b>	<b>3.5</b>
<b>Total Liabilities</b>	<b>10.1</b>	<b>8.0</b>	<b>8.6</b>
<b>Net Assets</b>	<b>6.45</b>	<b>10.4</b>	<b>18.21</b>

## The Future



- Deliver organic growth as each acquisition is integrated into the platform
- Maximise the opportunity available through industry consolidation
- Achieve a critical mass of \$100m in revenue
- Maintain conservative balance sheet metrics whereby net debt to EBITDA remains less than 2x
- Continue to develop and grow company manufactured products
- Capitalise on the extensive pipeline of greenfield and brownfield developments across the Health and Aged Care sector over the next decade and beyond



## **Paragon Care has:**

- Exposure to high growth health and aged care markets
- Large distribution platform in place which provides gateway to the health and aged care sector
- Diverse product portfolio offers a comprehensive full service offering
- Highly fragmented industry with consolidation opportunities
- Long standing relationships with suppliers and customers
- Growing earnings and dividend profile
- Well positioned to fund short term growth opportunities





# ParagonCare

*Thank you for your time*



## 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.

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Paragon Care Group of Companies



# Appendices



## Diverse Shareholder Base

Board / Senior Management	Shares	%
<b>Shane Tanner (Non-Executive Chairman)</b>	<b>0.50m</b>	<b>0.75%</b>
<ul style="list-style-type: none"> <li>Experienced professional within the Australian healthcare sector having previously worked with Mayne Health as CFO</li> <li>Currently Chairman of Vision Eye Limited and Funtastic Holdings Limited</li> </ul>		
<b>Mark Simari (Managing Director)</b>	<b>1.61m</b>	<b>2.40%</b>
<ul style="list-style-type: none"> <li>Appointed MD in 2008 and has been the architect of PGC restructure since 2008</li> <li>Previously involved with restructure and growth of Interprac Financial Planning and restructure of DKN</li> </ul>		
<b>Brett Cheong (Executive Director)</b>	<b>2.63m</b>	<b>3.92%</b>
<ul style="list-style-type: none"> <li>Founder of Axis Health which was acquired by PGC in 2009</li> <li>Has 30+ years experience in the healthcare industry</li> <li>Brett is currently Marketing and Key Account executive</li> </ul>		
<b>Michael Newton (Non-Exec Director)</b>	<b>0.20m</b>	<b>0.30%</b>
<ul style="list-style-type: none"> <li>Previously Managing Director of Symex Holdings and has a strong manufacturing background</li> </ul>		
<b>Total</b>	<b>4.95m</b>	<b>7.36%</b>

Top 10 Shareholders as at October 2014		Shares	%
1	Mr Murray J Turner	6.01m	8.95%
2	Mr Joseph P Wolfson	4.52m	6.73%
3	Mr Brett Cheong	2.63m	3.92%
4	Peter Diamond	2.20m	3.28%
5	Mr Lionel S Richards	2.16m	3.22%
6	Kim Eng Securities	2.03m	3.02%
7	Rosier Schofield Pty Ltd	1.97m	2.93%
8	Mr Mark Simari	1.61m	2.40%
9	Mr Brent D Jones	1.56m	2.32%
10	J P Morgan Nominees Australia Limited	1.38m	2.06%
<b>Total</b>		<b>26.07</b>	<b>38.8%</b>

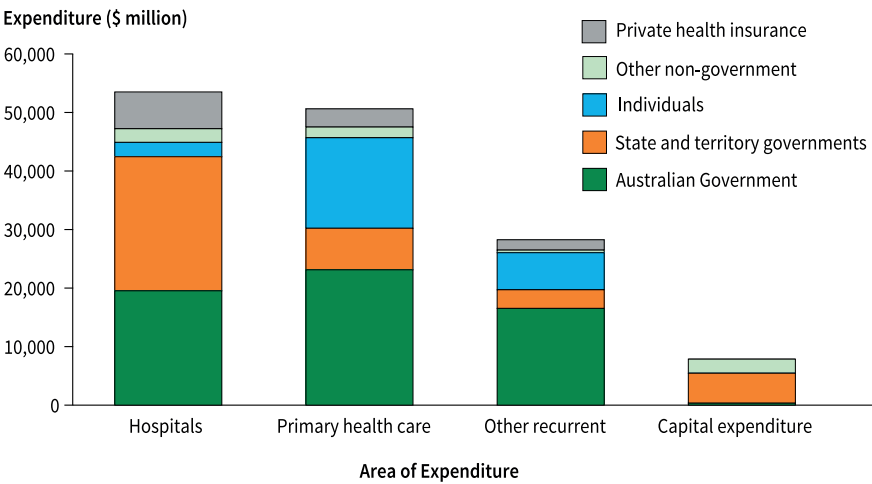


Market Size

The market for Paragon and it’s suite of products is best defined by:

- Annual Replacement spend on durable medical goods which we estimate to be ~\$250m, and
- Project specific greenfield and brownfield developments new fit outs is estimated to be \$50m annually, and
- Consumables and medical products are estimated to be in excess of \$10b per year

Estimated Healthcare Expenditure by Area and Source of Funds

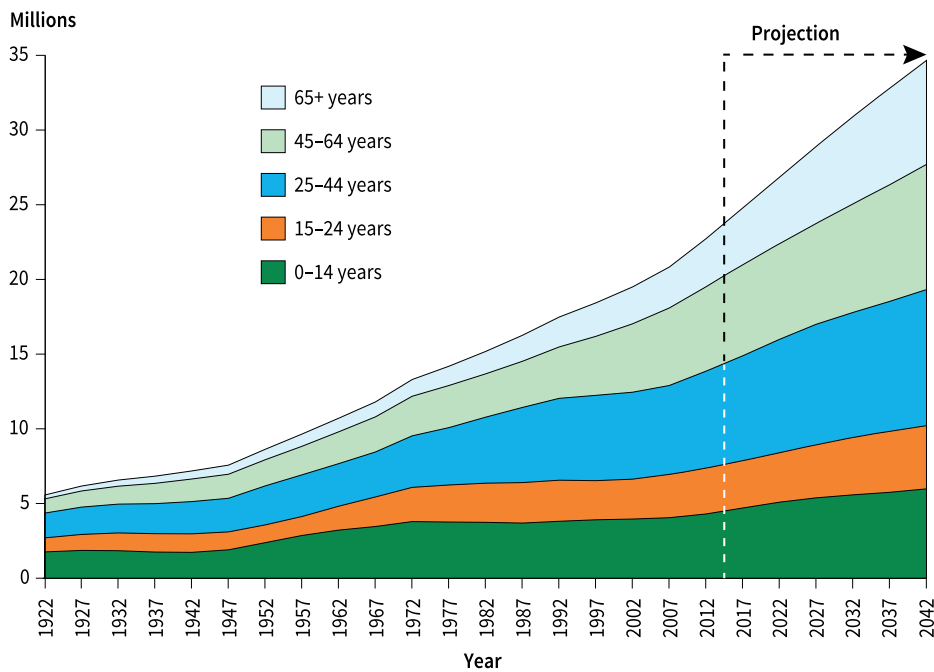


Source(s): AIHW health expenditure database “Australia’s Health 2014” P50

Population Growth

- Healthcare expenditure to grow in proportion to population growth across the age groups
- Ageing population to underpin the magnitude of health and aged care expenditure into the future
- Australian Bureau of Statistics predicts the median age of Australian population will increase from 36.8 years in 2007 to 45.2 years in 2056

Historical and Projected Australian Population



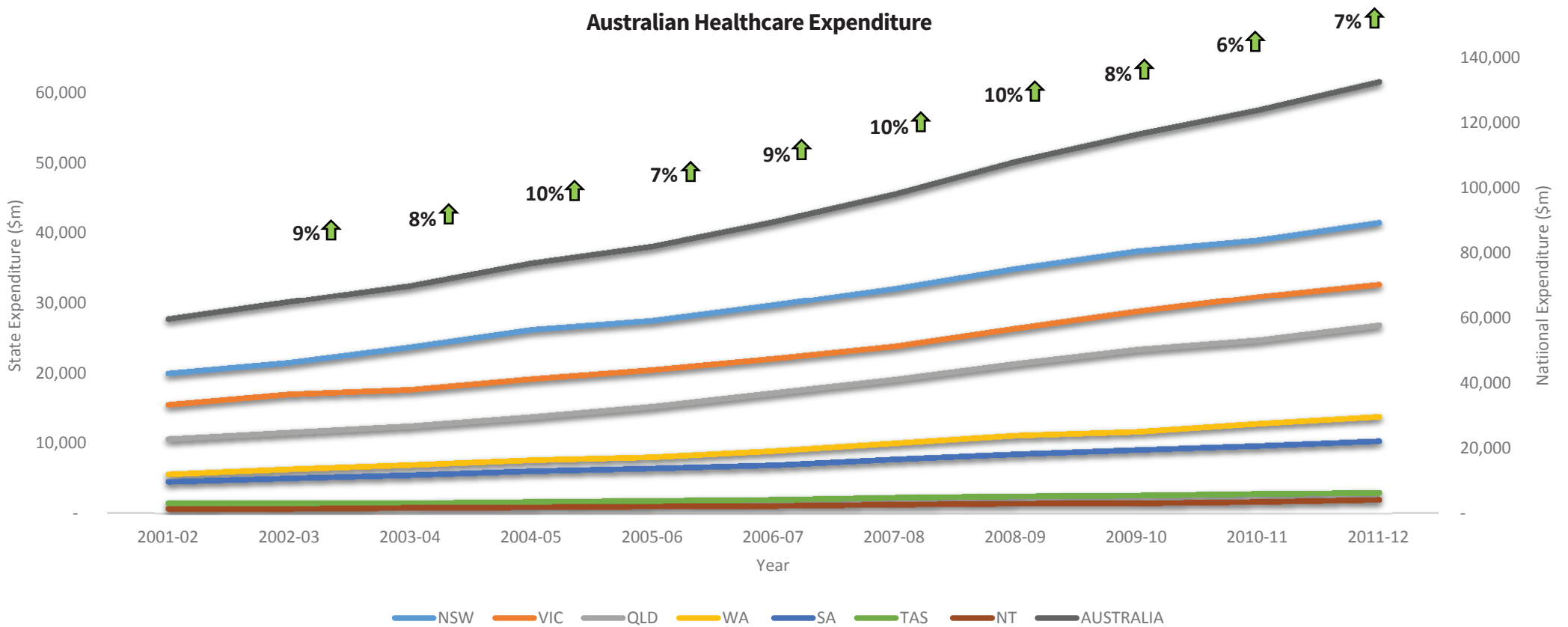
Notes:

1. Data are as at 30 June of each year. Projected population is shown from 2014 onwards.
  2. ‘Projection’ section of graph shows expected rises in the population based on ABS medium-level growth assumptions.
- Source(s): AIHW analysis of ABS 2008a, 2008c (Series 29), 2013c, 2013l.

Geographic Diversity

State by State Healthcare Expenditure

- The Eastern Seaboard represents ~80% of Paragon’s market opportunity
  - ♦ NSW (34%)
  - ♦ VIC (25%)
  - ♦ QLD (20%)



## Paragon Care

- Increased diversification spanning over capital, consumable and medical products
- 36% of FY14 revenue is Paragon's own proprietary product range and service/maintenance
- Long standing relationships with key suppliers and customers

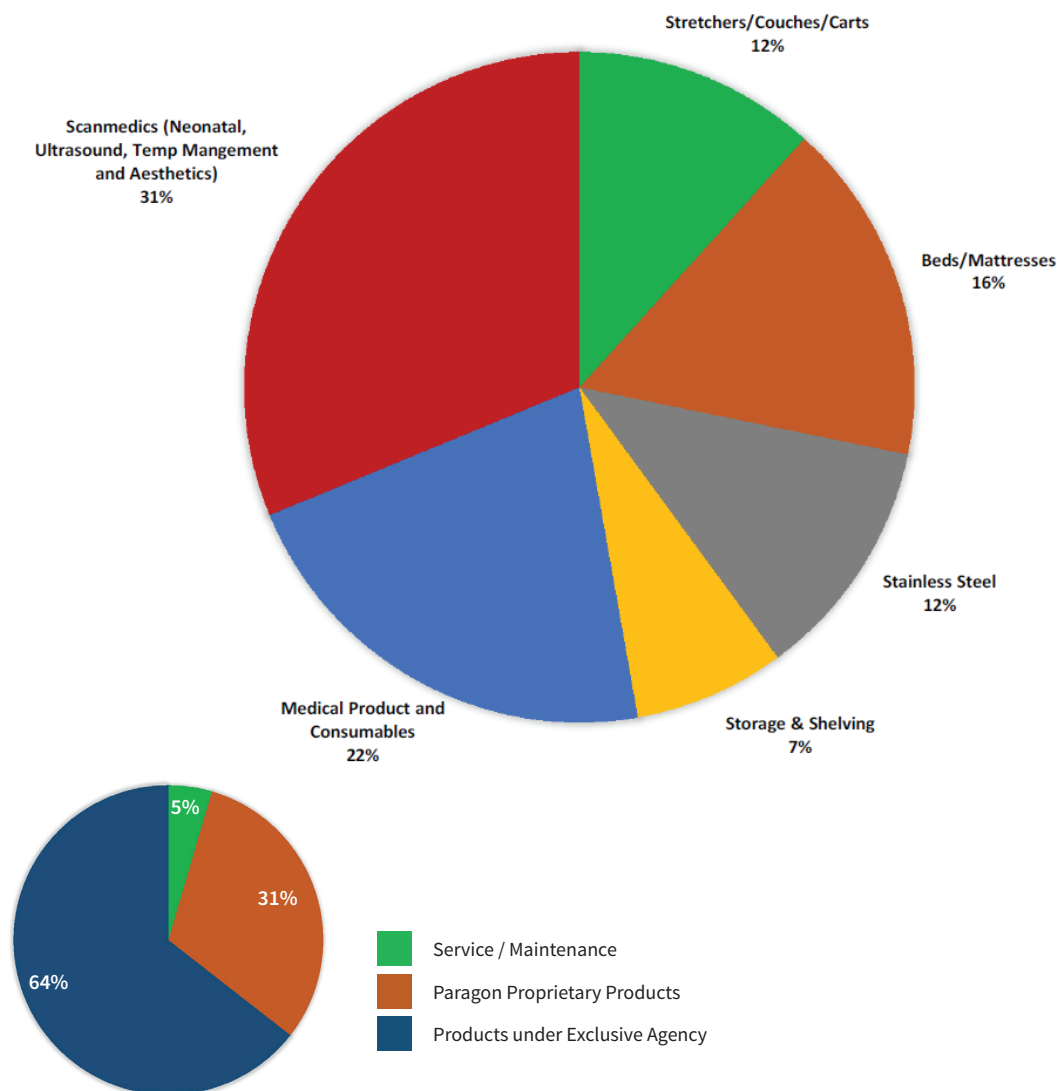
## Acute Care Hospitals

- There are ~100,000 beds in Australia (55% Private, 30% Public, 15% Other) across 1,300+ hospitals
- Demographic tailwinds and historical underinvestment are driving medium term capital programs at both public and private levels
- In excess of \$42b or 3.3% of GDP is spent on Australian Hospitals per annum

## Aged Care

- There are ~200,000 beds in Australia (55% High Care, 45% Low Care)
- Treasury estimate that Government spending will rise from 0.6% of GDP in 2010 to 1.4% by 2050
- "Living Longer Living Better" aged care reform package will see \$3.7b investment over 5 years including an additional 40,000 home care packages by 2017 and an aim to lift aged care place ratios implying a 25% increase on the current installed bed base

## Paragon Care Diversified Product Portfolio



## Competitive Advantage

### Product Range

- Broad suite of products offering a total customer solution vs. less diverse offerings of the fragmented competition

### Quality

- Premium product which combines functionality, reliability, longevity and in some products, OH&S benefits

### After Sales Service and Ongoing Maintenance Contracts

- Provides a value add proposition on initial sale, generates annuity income and ensures Paragon brand is front of mind



## Drivers & Opportunities

### Contracts

- Further acute and aged care contracts wins will underpin future revenue

### Business Acquisitions

- Industry is fragmented and business owners are looking at exit strategies

### Organic

- Expansion into NSW and Queensland which currently represents only a small, but growing, proportion of total sales

### New Markets

- Expansion into the private hospital market given current low penetration

### New Distribution Agreements

- With global medical durable goods suppliers to expand product range. As PGC increases in scale and its reputation grows, its appeal increases to such suppliers

## Risk & Mitigation

### Federal and State Government Spending

- Further cuts to greenfield and brownfield spending will dampen demand
  - ♦ Expansion
    - into new geographic regions
    - market share
    - product range

### Distribution

- PGC is primarily a distributor leaving them open to product development of others and change of ownership risk
  - ♦ PGC is undertaking some product development with it's GM Medical and Rapini product range

### Pricing

- As a premium product, pricing is a deterrent to operators who are more cost conscious relative to quality and features
  - ♦ Consumer preferences and OH&S issues will drive some segments to the premium end in the medium term. There will always be the cheap end of the market