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Australian Securities Exchange
Company Announcements Office

1H FY16 Results – Continued growth

Today integrated service provider to Australia's health and aged care markets Paragon Care (ASX: PGC) released its results for the half year ended 31 December 2015.

Highlights of the results included:

- Revenue of \$38.4m, up 185% over the prior corresponding period
- EBITDA of \$4.6m, up 186% over the prior period
- Net profit after tax of \$2.6m, up 215% over the prior period
- Earnings per share of 2.38 cents, an 87% increase over the prior period
- Fully franked interim dividend declared of 0.8 cents per share, a 48% payout of NPAT
- Strong contribution from the successful Meditron, Designs for Vision and Western Biomedical acquisitions, which settled in mid-October 2015
- Successful equity raising to fund the transactions, which contributed \$42.2m in new capital from existing shareholders and several new institutional investors
- Strong banking relationship cultivated with National Australia Bank through new finance facilities and a partnership to deliver more efficient interfaces with customers and suppliers

Commenting on the results, Paragon Care's Managing Director Mr Mark Simari said, "I'm delighted with the Company's strong operating performance, driven by continued growth in capital and consumables sales combined with a full half year of earnings from the Scanmedics business. The integrations of the recently acquired Meditron, Designs for Vision and Western Biomedical businesses are progressing well and their financial performance in all cases has either met with or exceeded pre-acquisition expectations. We look forward to their full year contribution in FY17. Paragon's momentum in successfully building an integrated healthcare supplies platform is clearly evident in these results."

Over the first half, Paragon acquired the Meditron, Designs for Vision and Western Biomedical businesses using a combination of bank financing and an equity raising. The addition of these businesses has transformed the Company into a key player within the Australian medical equipment, devices and consumables market and has seen the Company's market capitalisation lift beyond \$100 million.

Total revenue generated for the period was \$38.4m, up 185% over the prior corresponding period. Revenues from the first half are typically softer than the second half due to the seasonal nature of our capital equipment sales. Revenue generated from consumables has increased as a result of the acquisitions, which has resulted in more stable revenues with less variability in sales volume from period to period. This contributed to gross profit growth of 118% to \$14.8m.

The integration of the acquired businesses continues to be a success with the Company moving its business activities to its central distribution centres in Scoresby, Chatswood and Osborne Park. Over time all of Paragon Care's businesses are being integrated onto the one SAP platform, allowing the Company to roll out new functionalities that improve efficiencies and deliver superior customer service solutions. Pleasingly, this should enable future acquisitions to be more smoothly integrated into our existing sales platform.

During this first half year, cash flow from operations has been impacted by a once-off imbalance between operating payments and collections, largely due to the net assets acquired in the recent acquisitions which included assets with slower rates of conversion to cash than liabilities requiring payment. Whilst this is not unusual, the size of the net assets acquired in these acquisitions (\$11.7m), has meant that this once-off impact has reduced cash flow from operations in this first half by \$1.8m. In addition there has been a further \$1m increase in inventories which has also reduced operating cash flows in the first half. Despite this, the Company has still recorded positive operating cash flow of \$0.3m; albeit this was \$1.8m lower than in the first half of the last year and lower than expected on current earnings. The conversion of earnings to cash will improve in the second half of this year as anticipated sales are achieved and as the acquired businesses are integrated into the company's tighter cash management regime.

The Company will deliver strong growth over the previous financial year and this trend will continue into the next financial year as the Company enjoys a full year of earnings from the recently acquired businesses. The health care industry continues to provide a lucrative market within which the Company can achieve strong growth in earnings and dividends. Importantly, our product offering insulates us from some of the short-term regulatory risk seen in other parts of the sector.

The directors have declared a fully franked dividend of 0.8 cents to be paid on 6 April 2016. The dividend will be paid to all shareholders on the register as at the record date of 10 March 2016.

Commenting on the outlook, Mr Simari said "We have started the year strongly and I expect the company's solid performance to continue. The sales pipeline will underpin ongoing organic growth while we continue to integrate the newly acquired businesses. We are very focused on strengthening our product and distribution platform, be it geographically, operationally and through various revenue and cost synergies which are starting to materialise."

John Osborne

Company Secretary

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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, primary, community and hospital care. Paragon Care Ltd.'s head office is located at 11 Dalmore Drive Scoresby VIC 3179 Australia. For further information please contact Mark Simari, Managing Director (1300 369 559) or via email at info@paragoncare.com.au.