

12<sup>th</sup> February 2019

Australian Securities Exchange  
Company Announcements Office

## COMPANY UPDATE & EARNINGS OUTLOOK

Paragon Care Limited (ASX: PGC) (“**Paragon**” or the “**Company**”) today announces preliminary results for the half year ending 31 December 2018 (1H19) and outlook for the 2019 financial year (FY19).

### 1H19 Preliminary results

Paragon will release its financial information for 1H19 to the market on or around 26th February 2019. Whilst the financials are still being finalised, the Company expects to report the following results:

|                                 | Continuing business<br>(excl. Discontinued) | Discontinued business <sup>1</sup> &<br>non-recurring costs |
|---------------------------------|---|---|
| <b>1H19 Revenue</b>             | \$119m                                      | \$11m   |
| <b>1H19 Gross Profit Margin</b> | 38%   | 37%   |
| <b>1H19 EBITDA</b>              | \$14m <sup>2</sup>                          | -\$5m   |

- 1) Reflects planned sale of legacy capital equipment businesses
- 2) Includes a A\$1.8m positive benefit of AASB 16 (lease adjustment).

### FY19 Outlook

The continuing business is performing at or above expectations and expected to generate revenues of approximately \$240m and EBITDA of \$28m in FY19 (including the \$4m benefit from lease adjustment).

The Company is very pleased with sales growth and a stabilised gross profit margin during the first half, with organic growth now tracking at 9% from the continuing business. The strong organic growth reflects improved sales performance following actions in 2018 to strengthen sales leadership, transform sales culture and improve accountability. Paragon’s 1H19 results will be negatively impacted by the legacy capital equipment business, which has not performed as profitably as expected, and delays with MIDAS business development.

At the 1H19 results the Company will provide revenue, gross profit and growth details for the following business areas: Devices, Diagnostics, Capital & Consumables; and Services & Technology.

The Company’s performance for 1H19 and outlook is influenced by:

- Strong organic growth – 9% from Continuing Businesses;
- The discontinued business (legacy capital equipment) having not returned to the level of profitability as planned;
- Continuing business now on track to integrate 70% of activities onto a single IT/ERP platform by 1 July 2019 and 100% by 31st December 2019;
- The benefits of integration will start to flow from 1<sup>st</sup> July 2019. Cost reductions in FY20 are expected to be greater than \$3m;
- Strengthened sales leadership team and improved accountability has resulted in a strong sales pipeline;
- Due diligence on the sale of the discontinued business is progressing well;
- A change program driving revenue synergies and productivity in support services.

Management is focussed on maintaining the strong organic sales growth and firmly executing on the change program.

## **Contacts**

### **Andrew Just**

Chief Executive Officer & Managing Director

Tel. 1300 369 559

Email: [andrew.just@paragoncare.com.au](mailto:andrew.just@paragoncare.com.au)

## **About Paragon Care Limited**

Paragon Care (ASX:PGC) is an Australian based listed company and a leading provider of medical equipment, devices and consumables for the Australian and New Zealand market. This is a high growth market driven by the ageing of the population, continuously rising consumer expectations and increasing government spending. Paragon Care has positioned itself to provide advanced technology solutions yielding recurring revenue streams in acute and ancillary care environments.