ParagonCare

INVESTOR PRESENTATION
25 AUGUST 2022

FY22 Results

Paragon Care Limited
ASX : PGC

Disclaimer

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Overview

Mark Hooper
Group CEO and Managing Director

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Paragon Care Snapshot

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Strong foundation for growth	• Paragon Care represents an extremely attractive set of healthcare businesses which now have a strong foundation for growth over the next 3-5 years
Building a $100m EBITDA business	• Our ambition is to build a $100m EBITDA business over that timeframe through a combination of organic growth and more targeted M&A activity
Refining the strategy	• An initial review of strategy has been undertaken which has clarified our longer term goals and refined organisational structure to better support the business • This growth will be further underpinned by a strategic review by pillar (currently underway) and a renewed focus on project planning and execution
Refocus on organic growth	• FY22 was an important year for Paragon Care which included a refocus on organic growth and the successful integration of Quantum which establishes a footprint across Asia (now rebranded “Paragon Care Asia”)
Acquisition of SMS expands our presence in Diagnostics	• The acquisition of SMS (announced today) is a highly complementary business and immediately earnings accretive. A strong balance sheet remains post transaction

FY22 Results Highlights

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5%
Increase in sales

Mainly driven by the inclusion of Quantum sales for five months

21%
Increase in underlying earnings

Mainly driven by the inclusion of Quantum results for five months

$3.5m
FY21 JobKeeper funding offset

FY22 growth in the original PGC business offset the funding provided by JobKeeper in FY21

~$34m
Underlying EBITDA per annum

Estimate on a pro forma basis

$24m ex PGC and
$10m ex Quantum

0.6¢
Per share final dividend declared (fully franked)

This brings the full year dividend for FY22 to 1.2 cents per share (fully franked)

Improved Balance Sheet
Provides additional flexibility for the future

This has also allowed PGC to fund the SMS acquisition announced today while maintaining similar debt levels by the end of FY23

Quantum Healthcare integration on track

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- Integration activities are on track and the Quantum business (*now repositioned as Paragon Care Asia*) is performing in line with expectations
- John Walstab and Alan McCarthy have become directors of PGC and bring a wealth of experience to support PGC's push into Asia
- John Walstab will now focus on growing Paragon Care's Asian footprint as well as supporting Tiffany Chiew (GM Service & Technology pillar) on Service & Technology opportunities
- Growth strategy in Asia has three key lenses:
    - organic growth by leveraging Quantum's existing footprint in Asia
    - targeting new (and larger) OEM opportunities based on the ability to provide a comprehensive AsiaPac solution
    - selected M&A opportunities to build scale in existing markets / enter new markets
- Already seen positive progress on our ability to leverage existing OEM relationships however the benefits will take some time to fully realise given there is generally a 6-9 month lead time for regulatory approvals
- Following the integration of Quantum across Paragon Care, the related earnings will be reported as part of the relevant pillars' results (mostly Capital & Consumables and Service & Technology)

QuantumHealthcare

A ParagonCare Brand

Acquisition of Specialist Medical Supplies (SMS)

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Agreement reached to acquire SMS for $15.5m.
Current maintainable EBITDA is approximately $3m per annum.

SMS Specialist Medical Supplies

- NSW based, SMS supplies the pathology market, local specialist distributors and hospitals, predominantly in NSW and Queensland
- SMS fits neatly into the existing Paragon Care ‘pillar’ structure with significant customer alignment so the acquisition is logical both in terms of strategic match and our capability to expand its portfolio across PGC’s existing sales and distribution channels
- Most of the activity will sit under the existing Diagnostics pillar with the Urology portfolio being separately managed under Capital & Consumables
- Transaction has been under consideration for the last 12-18 months with finalisation delayed by the impact of COVID-19
- Transaction funded by 20% scrip and 80% cash funded from existing facilities (completion 31 August 2022)

FY22 Results

Stephen Munday
Chief Financial Officer

ParagonCare

FY22 Profit and Loss

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Key Highlights

- Underlying EBITDA* increased by 21% in FY22 mainly reflecting the inclusion of Quantum results from 1 February 2022
- Base Paragon Care Underlying EBITDA* growth steady given FY21 included $3.5m of JobKeeper
- Increase in gross profit margin to 41%, up from 38% in FY21
- Underlying NPAT* of $11m, up 51% on $7.3m in FY21
- Underlying EPS* of 2.30cps, up 7% on 2.15cps in FY21
- Underlying ROIC* of 10.3% up from 9.5% on FY21 (pre AASB16)

	FY22 30 June 2022	FY21 30 June 2021	CHANGE	
	$m	$m	$m	%
Revenue	**247.9**	**235.8**	**12.1**	**5%**
Cost of sales	145.1	145.5	-0.4	0%
Gross profit	102.8	90.3	12.5	14%
Gross profit margin %	41%	38%	3%	8%
Other income	2.9	1.5	1.4	
Operating expenses (excluding abnormal)	-75.5	-66.8 #	-8.8	13%
Underlying EBITDA *	**30.2**	**25.0**	**5.2**	**21%**
Underlying NPAT *	**11.0**	**7.3**	**3.7**	**51%**
Underlying Earnings Per Share (EPS) *	**2.30**	**2.15**	**0.2**	**7%**
Underlying Return On Invested Capital (ROIC) *	**10.3%**	**9.5%**	**0.8%**	**8%**

 # FY21 includes $3.5m JobKeeper payments. Operating cost increase ex this is 8% and largely due to the inclusion of Quantum results for 5 months

** See appendices for reconciliation to reported results*

Key Drivers of FY22 Results

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- Revenues increased in FY22 due to the inclusion of around $29m of Quantum sales; if Quantum sales are excluded:
  - Diagnostics Pillar sales were up $4m due to continued growth in core lines and further COVID swab medium sales
  - Service & Technology sales were steady with similar facility access issues in Aged Care across both years
  - Devices and Capital & Consumables pillar sales were down $7m and $14m respectively due to the lingering impacts of COVID due to lockdowns in early 2022 and then nursing shortages and supply chain delays across all of FY22

- Paragon Care gross margin is up 3% on pcp to 41% due to higher margin sales mix; improved FX across FY22 and inclusion of Quantum sales at stronger margins

- Pleasingly base Paragon Care expenses have tracked well compared to FY21 (FY21 included $3.5m JobKeeper)

- On a pro forma basis FY22 Underlying EBITDA would have been $34m ($24m PGC & $10m QTM)

- Future results will include EBITDA by pillar, with corporate costs also separately identified

Further Improvement in Working Capital

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Working capital improvements across FY21 and FY22 have been driven by continued focus on collections of receivables and management of inventories.

	FY21	FY22
Cash from operations	$27.5m	$19m

In FY21 cashflow from operations far exceeding normal expected cash flows due to the work on collection of receivables which was the first support function to be managed in our new shared services environment.

In FY22 we have continued to work on our cash cycle:

- Trade Receivables which were driven down by approximately $8.5m* to $29.3m by the end of FY22.
- Inventory has been driven down by approximately $8.2m* to $51.5m by the end of FY22.

Our opportunity:

- Trade Payables have been impacted by global supply chain issues; trading terms are tight as suppliers react to supply chain delays and product shortages. FY22 trade & other payables are down $13m* to $28.3m. The opportunity here is to renegotiate trading terms with our suppliers to reverse this decline.

* After allowing for assets and liabilities acquired in the Quantum transaction in Feb 2022

FY22 Cash Flow

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Key Highlights

- Net debt down by 27% to $50m. Group net debt to EBITDA now comfortably below 2x (all figures pre AASB-16)
- Reflects strong operating cash flows and the net cash acquired as part of the Quantum merger process
- Allowing for the SMS acquisition, forecast net debt at June 2023 expected to be slightly up on FY22 ($55m-$60m)

	FY22 30 June 2022	FY21 30 June 2021	CHANGE	
	$m	$m	$m	%
Net cash from operating activities	19.0	27.5	-8.5	-31%
Net cash used in investing activities	7.1	-18.8	25.9	-138%
Net cash used in financing activities	-11.9	-	-11.9	n/a
Net increase/(decrease) in cash	**14.2**	**8.7**	**5.5**	**63%**
Cash at beginning of financial year	33.2	24.5	8.7	36%
Cash at end of financial half year	46.2	33.2	13.0	39%
Less				
Current Borrowings	22.8	21.8	1.0	5%
Non-current Borrowings	73.5	80.5	-7.0	-9%
Net Debt at the end of the financial year	**$50.1**	**$69.1**	**-19**	**-27%**

Capital Management

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Key Highlights

- FY22 final dividend declared of 0.6cps, fully franked. A total of 1.2 cents per share for FY22 or $7.66m
- This represents a 55% payout ratio of Underlying NPAT including a full year of Quantum or $14m
- The PGC Board is currently targeting a dividend payout ratio of 40%-60% of Underlying NPAT
- Paragon Care has $24.7 m in franking credits as at 30 June 2022
- Currently working with Paragon & Quantum's existing bankers (NAB / HSBC) to implement a revised banking structure with common security structure to provide ongoing funding support to drive growth in ANZ & Asia
- In the interim, lending margins have improved by around 1.5% reflecting improved gearing position of the PGC Group which is currently off-setting an otherwise increasing base interest rate environment
- Our ROIC calculated as EBIT as a percentage of Net Debt plus Equity (pre AASB16) is anticipated to continue to grow over the next few years as the combined Paragon/Quantum growth strategy is executed

Dividend – Key Dates

Ex-dividend date	12 September 2022
Record date	13 September 2022
Payment date	4 October 2022

Strategy and Growth

Mark Hooper
Group CEO and Managing Director

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The ‘Light on the Hill’

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“Your partner in healthcare delivery”

A$100m EBITDA per annum
within 3-5 years
(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

Streamlining Our Business Structure

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Pillars 5 → 4

- Restructure the current five pillars back to four to fully leverage Paragon Care and Quantum capabilities

Regional overlay

- ANZ Executive General Manager – Phil Nicholl
- Asia Executive General Manager – John Walstab
- Quantum repositioned as Paragon Care Asia
- Corporate functions (Finance & HR) report to Group CEO

Adjustments to pillar constructs

- To align process across Group, combination of Quantum and Paragon Care ANZ Service & Tech activities under Tiffany Chiew (ex Quantum)
- John Walstab to focus on driving business performance within Asia and growing Asian opportunity across all four pillars
- Further review of structure to be undertaken once strategy work completed for each of the pillars (Q2 FY23)

Flow on reporting line / role changes

- Already implemented

Revised Business Structure with Clear Accountability

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Devices

- Ophthalmology and Optometry
- Orthopaedics
- Pain Management
- Surgical Procedure Packs
- Infection Prevention

Diagnostics

- Blood Bank Diagnostics Manufacturer
- Clinical Pathology Diagnostics Distribution
- Scientific and R&D Laboratory Equipment Distribution

Capital and Consumables

- Medical
- Surgical
- Veterinary

Service and Technology

- Comprehensive offering from biomedical devices to high end capital equipment
- Service support and Technology Management
- Service partnership with leading brands

Paragon Care Australia & New Zealand (ANZ)

Paragon Care Asia

← Existing Quantum business →

← Expansion / leverage of OEM relationships and commercial support across Paragon pillars

A Pillar Based View of Earnings (Pre Corporate Costs)

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	Devices	Diagnostics	Capital and Consumables	Service and Technology*
Pro forma revenue per annum	c. $90m	c. $40m	c. $140m	c. $60m
Target GP %	40%-45%	40%-45%	30%-35%	45%-50%
Targeted EBITDA margins	10%-15%	13%-15%	10%-15%	15%-20%

* Service & Tech currently includes capital sales that will eventually be shown as part of the Capital & Consumables pillar

Overview of Devices Pillar

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Devices

Business description

- Ophthalmology & Optometry
- Orthopaedics
- Pain Management
- Surgical Procedure Packs
- Infection Prevention

Organic growth outlook

- Short term this will be influenced by return to elective surgery which is still being impacted by hospital delays / theatre nurse availability
- Once this stabilises we would expect like-for-like growth of 10%+ for the next few years
- The next 2-3 years will also be impacted by Protheses List price changes. While the impact of this continues to be managed, it will act as a slight drag on underlying earnings growth during this period
- Key growth drivers – product & procedure innovation / new customer conversions

DESIGNS FOR VISION

Ophthalmology and optometry products including ophthalmic surgical devices and diagnostic and vision testing equipment.

LOVELL SURGICAL SOLUTIONS

Innovative surgical packs and accessories.

surgical specialties

Orthopaedics, pain management, infection prevention, orthobiologics and operating room products.

Overview of Diagnostics Pillar

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Diagnostics

Business description

- Blood Bank Diagnostics Manufacturer
- Clinical Pathology Diagnostics Distribution
- Scientific and R&D Laboratory Equipment Distribution

Organic growth outlook

- A strong market position in Australia with modest medium term growth (3%-5%)
- A growing presence in the transplant reagents market but off a small base
- Main growth opportunities are in blood diagnostic export markets (including China in partnership with Centuria Health). There continues to be good progress here but this will not materially impact earnings until FY25
- The SMS acquisition will help accelerate our presence in the clinical pathology space
- Key growth drivers – product innovation and expansion in domestic market
  – exploiting opportunities for manufacture into offshore markets including OEM (Blood Bank Diagnostics)
  – product offer expansion (Clinical Pathology Diagnostics and Scientific & Laboratory Equipment)

immulab

Immunohaemotology manufacture of a range of IVDs, distribution of blood bank automation, OEM, and technical services.

immuno

Pathology equipment, reagents and software.

LabGear

Laboratory and scientific equipment and consumables.

SMS Specialist Medical Supplies

Overview of Capital & Consumables Pillar

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Capital and Consumables

Business description

- Now has a broad presence across Australia / New Zealand / Asia (via Quantum Healthcare)
- Medical
- Surgical (mainly NZ)
- Veterinary (mainly Australia)

Organic growth outlook

- Core growth should be circa 5%-10% per annum but varies from year to year based on level of new vs maturing agency agreements
- The Quantum merger now provides a footprint across Asia and an increased presence in high end medical equipment
- The Surgical part of this pillar (including orthopaedics, urology and general surgery) is also impacted by the level of elective surgery in New Zealand
- Additional opportunities for organic growth from the urology portfolio in Australia and New Zealand (including SMS)
- Key growth drivers – new customer segments / expansion of existing customer base / product offer
  – expansion into offshore markets via existing Quantum network

Quantum Healthcare

Service, support and technology management.

REM SYSTEMS

Infusion therapy, oncology, pharmacy, newborn and paediatric care, orthopaedics, urology, veterinary, pain management, diagnostics and critical care – Australia and New Zealand.

SCANMEDICS

Targeted patient temperature management, newborn and paediatric care including hearing screening, video streaming, phototherapy, thermoregulation.

western biomedical

Medical and surgical equipment, supplies and consumables.

MediTron

Surgical lasers, lithotripsy, fusion biopsy, ultrasound needle guiding, probe covers and consumables.

Overview of Service & Technology Pillar

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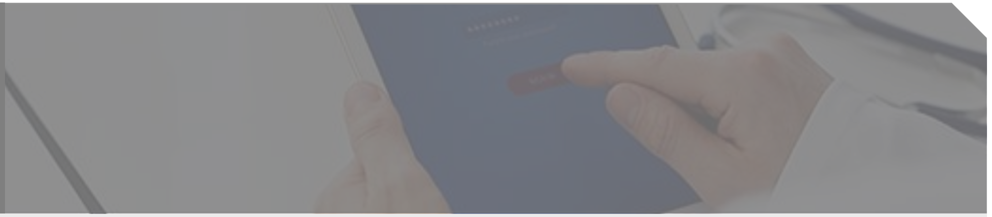
Service and Technology



Business description

- Comprehensive offering from biomedical devices to high end capital equipment
- Service support and Technology Management
- Service partnership with leading brands including RESMED, SAMSUNG, Carestream, HYPERFINE and IBA cyclotrons
- Now includes the ANZ Quantum Healthcare business merged with PGC Service & Technology and Total Comms
- Represents the most comprehensive service and technology offer in the Australian market in terms of breadth of product support and geographic coverage

Organic growth outlook

- Staged integration that builds off the existing Quantum / PGC services businesses in Australia and New Zealand
- Quantum has historically been focused on higher value diagnostic imaging equipment which typically have longer term service contracts / PGC has been more focused on lower to middle end medical equipment with shorter service based contracts
- Key growth drivers – leveraging geographic platform to provide comprehensive service maintenance and OEM third party support with Asia-wide coverage (Services)
  – recovery in the Aged Care sector (Total Comms)
  – other segments are actively being explored including Home Care and Hospitals (Total Comms)

QuantumHealthcare

Service, support and technology management.

ParagonCare Service & Technology

Service, support and technology management.

TOTAL COMMUNICATIONS

Communication technology solutions for health and aged care with 24/7 national help-desk support.

A Positive Growth Outlook for Paragon Care

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Clarity around strategy and improved execution	• The "light on the hill" provides clear context for PGC activities over the next 3-5 years • The current focus for the pillars is to develop their own strategic plan which then supports a more actionable growth path beyond FY23 • This will generate a stronger and more executable pipeline of growth, with a conscious bias towards high quality earnings rather than revenue growth per se
Earnings outlook	• For FY23 we expect growth in Underlying EBITDA around 30% driven by the full year impact of Quantum and SMS and organic growth of around 5%-10% (weighted more towards the second half) • Beyond this PGC expects to have accelerated growth beyond 10% per annum (excluding acquisitions) • This comes from a broad range of growth initiatives across the pillars in both ANZ and Asia
Role of M&A	• Further M&A still has a role to play but is less likely in FY23 and will be more tightly aligned to future strategy • PGC's balance sheet provides the flexibility to actively consider more targeted M&A where appropriate and also continue to fund dividends within the Board's targeted range

Appendix

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Reconciliation from Reported to Underlying Earnings

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$m	FY22	FY21
Reported EBITDA:	$24.7	$26.5
Normalisations:		
Quantum acquisition transaction costs	$3.1	-
Fair value gain - Interest Rate Swap	-$3.0	-$1.5
Inventory write-off relating to historical agency arrangements	$4.6	-
Sign-on bonus shares – MD	$0.8	-
Total abnormal items	$5.5	-$1.5
Normalised EBITDA	$30.2	$25.0

	FY22	FY21
Reported NPAT (less NCI): ($m)	$6.6	$8.3
Reported EPS: (cps)	1.46	2.45
Normalised NPAT (less NCI) ($m)	$10.5	$7.3
Normalised EPS (cps)	2.30	2.15

$m	FY22	FY21
Reported NPAT:	$7.1	$8.3
Normalisations (tax effected):		
Quantum acquisition transaction costs	$2.1	-
Fair value gain - Interest Rate Swap	-$2.1	-$1.1
Inventory write-off relating to historical agency arrangements	$3.2	-
Sign-on bonus shares – MD	$0.6	-
Total abnormal items	$3.8	-$1.1
Normalised NPAT	$11.0	$7.3

$m	FY22	FY21
Invested Capital/ Capital Employed*	$225.2	$190.6
EBIT (AASB16 excluded)	$16.4	$19.6
Reported ROIC	7.3%	10.3%
Normalisations to EBITDA	$5.5	-$1.5
Normalisations to Depreciation (asset write-off rebates)	$1.3	-
Normalised ROIC	10.3%	9.5%

** Adjusted for 5 months of investment in Quantum*

FY22 Balance Sheet Highlights

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Key Highlights

- Net debt down by 27% to $50m. Group net debt to EBITDA now comfortably below 2x (all figures pre AASB16)
- Reflects strong operating cash flows and the net cash acquired as part of the Quantum acquisition
- Receivables include $14m lease incentive from Centuria which will become PP&E in FY23
- Right of Use (ROU) Asset & Lease Liabilities (created under AASB16) has increased as the Mt Waverley manufacturing facilities are constructed and funded by Centuria
- Non-controlled interests will be acquired and cleaned up during the FY23 year
- All profits are transferred into the Dividend reserve at each half and full year

	FY22 30 June 2022	FY21 30 Jun 2021	CHANGE	
	$m	$m	$m	%
Cash	46.2	33.2	13	39%
Receivables	42.9	26.2	17	64%
Inventories	51.5	51.6	0	0%
PP&E (inc ROU)	30.5	16.5	14	85%
Intangibles	244.4	151.4	93	61%
Other assets	21.5	13.0	8	65%
Total assets	437.0	291.9	145	50%
Trade and other payables	28.3	36.1	-8	-22%
Current borrowings	22.7	21.8	1	4%
Other current liabilities	36.4	24.3	12	50%
Total current liabilities	*87.4*	*82.2*	*5*	*6%*
Non-current borrowings	73.5	80.5	-7	-9%
Other non-current liabilities	33.8	7.7	26	339%
Total non-current liabilities	*107.3*	*88.2*	*19*	*22%*
Total liabilities	194.7	170.4	24	14%
Net assets	242.3	121.5	121	99%

Thank You

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