ParagonCare
Enabling Healthcare

ParagonCare FY25 Annual Report

- investors presentation 27.08.2025 meeting transcript

Introduction with CEO Carmen Riley

Good morning, everybody. My name's Carmen Riley. I'm Chief Executive Officer of ParagonCare. I've been in the company for about 15 years. Prior to taking over the role on the 1st of July, I was Chief Operating Officer and obviously I'm a director of the company.

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So just to touch on our **strategic overview**, we've never actually changed our strategy of what we want to do and being a leading distributor across healthcare. We've now just expanded that out into the Asia region by joining with Paragon Care Group. So bringing the businesses together, we're very excited about the opportunity of continuing our growth across that region.

Slide #5

Just on to the next slide, I thought I'd touch on introducing the **board**. Just a brief introduction to our board members. David Collins, Managing Director. David will stay Managing Director until June next year. At that point in time, I will take over the role as managing director and CEO of the company. Peter Lacaze is the chairman, major shareholder. John Walseb, non-executive director. And this year, we welcomed Peter Eggleston, a non-executive director, but also chairman of the Audit and Risk Committee.

Summary of financial performance

Slide #6

OK, just on to the next slide. So underlying financials, which we'll go into, a positive $3.6 billion in revenue, underlying EBITDA of $95.2 million, return on invested capital, a little soft at 13.3%, and free operating cash of negative $11 million.

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As you can see from this slide, our business is very vast and quite complex with a very broad customer and supplier base. So, what I'd like to do, is actually take you through how we've **restructured** that business over the last 12 months, and that's by regrouping our channels to market. So we've put these into **four channels to market**, which are now wholesale, medical technology, contract logistics and clinical manufacturing.

Slide #8

When you lift the hood on that you can see underneath it is quite complex and quite diverse. We have a number of sales streams and that is supported by dedicated people in each one of those streams and we remain having a shared service structure.

Business highlights from FY25

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Just on the next slide, I thought I would touch on some of our **key highlights of the year** and our key achievements. So whilst we've been going through a very complicated and difficult year in terms of transition, because we have been bringing our three businesses together, which has been the Oborne business, then the merger of CH2 with Paragon, and that's what launched our **3-2-1 strategy**, which was three businesses, two years to complete, all in one team.

But during that time, even though it's been incredibly busy, we've managed to sign new agencies such as CMR and Classys. We've signed our first contract manufacturing agreement at the Mount Waverley site. We've signed a large contract logistics customer through Owens and Minor, which is a great partnership to have. We've launched business units in aesthetics, robotics, and dental in Australia and New Zealand. We've continued to expand aesthetics throughout all of Asia. We've continued to expand all our distribution partners across our whole network. We've commissioned our new site in Brisbane, so that's expected to be opened in FY26 at Willawong. We've consolidated six sites within our network. We've acquired a small business in New Zealand called Image Space. We've also acquired a small dental business in Australia, AHP Dental. A small note on integrating the amount of Paragon businesses onto our JDE platform. And we've also completed our new debt facility with ScotPac.

Slide #11

I'll just take you through the top level of key financials before I hand over to Marcus. But with the FY25 result, just to be clear, for FY25 in these figures, both the underlying and statutory financials for the group are presented, each reflecting a full 12 months of trading for the ParagonCare, CH2 and Oborne businesses.

So I'm really pleased with the result because as I've stepped you through, we've had such a complicated year, but the teams have been fabulous in bringing together results to deliver to our shareholders $3.6 billion in revenue, $95.2 million in EBITDA, and $31.2 million in net profit after tax, which is a great result.

Our statutory result, $3.6 billion, $88.5 million EBITDA and $20.6 million in net profit after tax. I'll hand you over in a moment to Marcus Crowe, and he's going to take you through more detailed analysis of the P&L and the balance sheet. But as you can see, I think this is a terrific result for a business that has gone through a difficult transition, difficult economic conditions in some of our markets, and really to bring this together to complete a good, solid first year of our combined businesses. So over to you, **Marcus**.

Financial results in detail with CFO Marcus Crowe

Thank you, Carmen. Good morning, everyone. It’s a pleasure to present the FY25 financial results.

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Before I commence, I’d like to outline the basis of the financial information that will be presented today. For FY25, both underlying and statutory financials for the group are presented, each reflecting a full 12-month trading for the Paragon Care, CH2, and the Oborne businesses.

A brief refresher to provide some context around the FY24 numbers. While still a private company, CH2 acquired Oborne Health Supplies on the 28th of February 2024. Subsequently, on the 3rd of June 2024, Paragon Care acquired 100% of the shares of CH2. This latter acquisition was accounted for as a reverse acquisition, whereby CH2 is classed as the accounting parent. So resultingly, the reported financials for the comparative 2024 financial year are presented in two separate formats.

Firstly, the statutory results, which include 12 months from CH2, four months contribution from Oborne, and one single month from ParagonCare. Secondly, the pro forma results, which reflect the full 12 months trading from CH2, Paragon Care, and Oborne, as if all three businesses had operated for the full FY24 year together.

So the presentation of the pro forma results remains consistent with the disclosures in the original merger notice of meeting and explanatory memorandum, and we believe represents the best like-for-like comparison when assessing the performance of the business.

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Moving on to the next slide. As Carmen just outlined, underpinning the result was an 8.3% increase in total revenue to $3.6 billion for the year. Underlying EBITDA of $95.2 million was achieved. This was up $2.8 million, or about 3% on the prior year. This was primarily driven by a $25 million increase in GM dollars, up to $324 million, an 8% increase. Margin rates were relatively consistent across the channels to market year on year.

Expenses of $229 million were up $10 million on the prior year. We observed some easing on inflationary pressures; however, increased insurance, freight due to volume, and wage pressures continued.

Completion of the reverse acquisition should also see some easing in fees for professional services moving forward. The underlying result excludes one-off impacts of $3.9 million, where the group could not apply hedge accounting to historical CH2 hedges, and $2.8 million associated with integration costs. And despite these integration costs, which comparatively were $5.5 million in FY24, the group still recognized its target of $5 million in P&L synergies. We remain confident of achieving our internal target of $12 million in FY26.

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Finalisation of purchase price accounting for both Oborne and the reverse acquisition resulted in $109 million in separately identifiable intangible assets being recognised on the opening FY24 balance sheet, which will amortize over the next 20 years. The noncash amortization cost of these intangibles in FY25 was $5.6 million, which is excluded from underlying, but evident in the table below within the statutory result.

So whilst we've executed a favourable refinancing, which we'll talk to in a moment, finance costs were up year on year due to higher intra-month debt levels as we invested in stock weight during transition, we experienced an increase in debtor days, which I'll discuss further shortly. Within interest costs, $22.8 million related to interest on debt, with 8.4% our average cost of funds.

Balance sheet in detail

Slide #15

Now go to the next slide. Moving to balance sheet, which is presented in statutory format, the opening FY24 balances incorporate the completion of PPA accounting for both Oborne and the reverse acquisition. Working capital increased to $125.6 million and was significantly impacted by $57 million owing by a group of 103 pharmacies. We've entered into a subsequent payment arrangement with the group, and despite the drag on cash flow, we expect to recover all monies owed.

Stock levels remain slightly elevated, but are expected to moderate, whilst payables have partly offset the increase in total working capital. From FY24, $358 million of goodwill and intangibles were recognised, including $249 million in goodwill alone.

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Moving on to debt. In June 2025, the group executed a refinancing with ScotPac, its primary financier, resulting in a total $400 million financial covenant-free facility secured only by Australian assets.

So, this change not only increased our local borrowing capacity by a further $70 million, but also encompassed reduced rates, no line fees, and is expected to deliver $2 million in interest savings year on year. The new facility also provides us with funding optionality for both organic and inorganic growth, both in Australia and overseas moving forward. And of the $400 million facility limit, there's a mandatory $200 million minimum drawdown at all times. So point to point, closing debt of $215 million was up $38 million to last year, and average net debt across the year was $251 million.

Moving along to the next slide. Finally, from a statutory cash flow perspective, net cash from operating activities of minus $11 million significantly impacted by the pharmacy group receivable of $57 million. We do expect this to normalise in FY26.

Finance costs reflect a full year of the merged group. And as previously mentioned, $22.8 million of this cost relates to borrowings, with an average cost of funds of 8.4%. Available funds from debt facilities and cash at year end was a healthy $209 million. Capex spend was predominantly weighted towards our investment in a new Brisbane site and a continuing investment into IT infrastructure supporting the merged group. With that said, I'll now hand back to **Carmen**.

Regional business insights with CEO Carmen Riley

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So thanks, Marcus, for going through that detail. I thought I would finish off by going through our two business segments, **Australia and New Zealand overview**, which was a solid result. Revenue growing to $3.5 billion this year, up 8%. Gross margin, in line with expectations, growing to $277.9 million, up 5%.

Growth in Australia and New Zealand has been solid in pharmacy, even though hospital pharmacy has been fairly flat in the market. Capital and services experienced some headwinds, particularly with government pulling back on their spending. You'll see this heavily in New Zealand but underlying a terrific result from that team to go through those challenges.

Orthopaedics struggled because they had the loss of the Avinos business being withdrawn from the market. Vision had a mixed year, but I think that's steadied now and we should have some opportunity for future growth.

Clinical manufacturing was exciting because they signed their first contract manufacturing agreement this year. Strong complementary medicines growth, which is on the back of the Oborne acquisition, of course, but that has continued to perform very well. And then, as I touched on earlier, we've launched the new dental business unit in the last quarter, but we've coupled that with the acquisition of AHP Dental, and that was on the 1st of July. So we should see the benefits of that in FY26.

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To go over the **Asian overview**, they've had a fantastic year as well, going from $84.2 million in revenue to $101, up 20% on last year, which is incredible. The gross margin, $46.1 million, up last year by 30%. Most of that revenue has had strong growth out of Thailand, which continues to do exceptionally well in its aesthetics division. However, we've pushed that out through Vietnam as well.

The imaging business was solid. Again, some headwinds in that market, but still continues to perform well. By country, Japan, Thailand, Vietnam, good solid growth. Korea, they had the doctor's strike and that's had some challenges for them, but they've continued to be okay. And the Philippines, modest growth because they've got some declining contracts. They're predominantly based around the service revenues. However, from an upside perspective, we see some opportunities in all of those markets. One thing I will touch on here and we'll talk about further is that we have an absolute razor focus on growing the Asian markets and you'll hear more about that as we get closer to the AGM.

Slide #19

Just on the synergies slide, I won’t go through all the detail I won't go through all the detail with you all, but we did achieve our annualized synergies of $5 million in FY25, and we're fully on track to achieve $12 million in synergies in FY26. We've gone from putting our businesses onto one platform into JDE, and we're most of the way through that in Australia. We've closed sites.

We've got the new site, as I mentioned earlier. We've gone on to ISO 14001 on all of our sites. Still ISO 9001 accredited. We're working on GMP accreditation on the Mount

Waverley facility. And we plan to execute the balance of the sites during FY26 onto JDE. And we'll continue to monitor and expand on our IT platforms throughout the year.

Future focus of FY26

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And to round off the presentation, our key outlook for FY26. So without a doubt, we're focusing on our 3-2-1 strategy because that is the final year on bringing the teams together so that everybody's very clear on our future and our vision around ParagonCare.

We're investing into our people, and we'll continue to execute our integration strategy. While we're doing that, we have a very strong focus on organic growth throughout our strong sales team, investing into our people in our sales team, and also investing into new business opportunities, which we've done in dental, robotics, aesthetics, and other OEM opportunities.

For the merger and acquisitions, we have a very strong pipeline and particularly emphasizing around our growth in Asia and our opportunities around our growth in Asia. We want to ensure that we've got a strong, proactive focus on this.

Operational efficiencies. So we're going through our lean way of doing business. We've always operated the business in that way, and we will continue to do that through a shared service structure to support our sales team.

Our systems and infrastructure is critical to us, and so is our data analytics, and we'll continue to invest into that space. And we'll continue to focus on simplifying our business structure.

Revenue and profit for the year ahead is expected to remain positive in terms of growth. Profitability is expected to improve as we realise our full synergies and look for other opportunities.

And last but not least, I'm pleased to say that the directors are committed to revisiting our dividend policy in FY26 as well.

Thank you everyone for your time this morning.