ParagonCare

1300 369 559
info@paragoncare.com.au
paragoncare.com.au

ASX ANNOUNCEMENT

10 May 2021

Australian Securities Exchange
Company Announcements Office

SUCCESSFUL RENEGOTIATION OF BANKING FACILITIES AND IMPROVED Q3 PERFORMANCE

Key highlights

- New 3-year bank facility with NAB
  - New covenants support future growth, acquisition opportunities and dividends*
  - Annual savings of $575k per annum
- Improved operating performance
  - EBITDA in Q3 of $6.4m
  - FY21 YTD EBITDA up 79% to $21.2m

Renegotiated banking facilities to support future growth

Paragon Care Limited (ASX: PGC) ("**PGC**" or the "**Company**"), a leading provider of medical equipment, devices, and consumables to the healthcare markets in Australia and New Zealand, is pleased to announce that the Company's banking facilities have been successfully renegotiated with NAB.

The new 3-year banking contract extends to July 2024 and the new covenants have been designed to support the future growth of the business, enabling Paragon Care to resume dividends and explore acquisition opportunities*.

Over the past year, Paragon Care has significantly improved its cash flow generation through the successful implementation of cost management initiatives and an improved working capital cycle. In addition, Paragon Care has now fully paid out all remaining vendor payments for prior acquisitions, thus leading to significant improvements in future cash flows.

As at 31 March 2021, Paragon Care had total debt of $101m. From 1 July 2021, the amortisation of debt will resume. It is expected that the new banking facilities will lead to annual savings of $575k per annum, with scope for additional savings as the debt continues to reduce over time.

Paragon Care CEO, Phil Nicholl said, "The successful renegotiation of our banking facilities is a significant milestone for the Company. The strength of our underlying business now means that we can repay debt, whilst also preserving our ability to pay dividends and explore acquisition opportunities."

Sustained improvements in operating efficiency

Paragon Care is pleased to report that it has achieved further sustained improvements in operating efficiency in the third quarter of FY21 ("**Q3**").

The cost rationalisation program over the last year is delivering over $7m in annualised savings with a structurally lower cost base. These cost initiatives have morphed into business-as-usual continuous improvements, focusing on operational efficiency and improved processes across all four pillars. Paragon Care's more efficient operating platform now provides the foundation for revenue growth and improved margins.

*The payment of dividends is subject to corporate, legal and regulatory considerations.

Improved Q3 financial results – FY21 YTD EBITDA up 79% on pcp

Revenue in Q3 FY21 of $58m was in line with Q3 in the previous corresponding period ("**pcp**"). For the 2021 financial year-to-date ("**FY21 YTD**"), revenue is down only 3% to $173m, which is a solid outcome given the COVID-19 related business disruption in the first half of FY21. Gross profit margins were stable at 38.7% for FY21 YTD, in line with pcp.

Earnings before interest, tax, depreciation, and amortisation ("**EBITDA**") increased to $6.4m in Q3 FY21, up from $2.7m in the pcp. Paragon Care did not receive any contribution from JobKeeper in Q3 FY21. EBITDA for FY21 YTD is $21.1m, up 79% from $11.8m in the pcp. This improved operating performance reflects the successful execution of the Company's cost rationalisation program, which led to a significant reduction in employment costs, marketing costs and administration expenses.

Operating cash flow for FY21 YTD is $13.5m, representing a significant improvement on the cash outflow of $1.7m in the pcp. A total of $15.3m in payments to vendors for business acquisitions have been paid in FY21 YTD, with no further payments remaining. This will lead to a significant increase in free cash flow generation in the future. The Company's cash balance was $19m as at 31 March 2021.

The external trading conditions continued to improve over the past six months across the business. In particular, elective surgery has returned to pre-COVID levels of activity, driving strong performance in the Devices pillar through the eye care product range. A significant backlog in elective surgery remains and sustained demand in the Devices pillar is expected through to 2022. The Company is preparing for growth in the Service & Technology pillar through new projects in aged care, however access remains limited in the short term primarily due to ongoing COVID-related restrictions.

Paragon Care CEO, Phil Nicholl said, "Over the past year, we have been working hard to implement improved processes across the business and these initiatives are now delivering over $7m in annualised savings and a structurally lower cost base. We have paid out all remaining vendor payments for previous acquisitions, significantly improving free cash flows moving forward, and we have successfully renegotiated our debt to support future growth. The external trading conditions are improving across elective surgery however Total Communications continues to be affected by restricted access into aged care due to COVID concerns. We are well positioned to capitalise on the growth opportunities to expand our market share as COVID pressure abates."

For further information please contact:

Shane Tanner
Chairman
Shane.Tanner@paragoncare.com.au

Phil Nicholl
CEO
Phil.Nicholl@paragoncare.com.au

This announcement is authorised for release to the market by the Board of Directors of Paragon Care Limited.

About Paragon Care Limited
Paragon Care (ASX:PGC) is an Australian based listed company in the healthcare sector. It is a leading provider of medical equipment, devices, and consumables for the Australian and New Zealand healthcare markets. These are high growth markets driven by the aging 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 advanced technology solutions including equipment, consumables, and services for acute and ancillary care environments.

Forward-Looking Statements
Certain statements in this announcement are forward-looking statements. Forward-looking statements can generally be identified by the use of words such as "anticipate", "estimate", "expect", "project", "intend", "plan", "believe", "target", "may", "assume" and words of similar import. These forward-looking statements speak only as at the date of this announcement. These statements are based on current expectations and beliefs and, by their nature, are subject to a number of known and unknown risks and uncertainties that could cause

the actual results, performances and achievements to differ materially from any expected future results, performance or achievements expressed or implied by such forward-looking statements.

No representation, warranty or assurance (express or implied) is given or made by the Company that the forward-looking statements contained in this announcement are accurate, complete, reliable or adequate or that they will be achieved or prove to be correct. Except for any statutory liability which cannot be excluded, the Company and its respective officers, employees and advisers expressly disclaim any responsibility for the accuracy or completeness of the forward-looking statements and exclude all liability whatsoever (including negligence) for any direct or indirect loss or damage which may be suffered by any person as a consequence of any information in this announcement or any error or omission therefrom.

Subject to any continuing obligation under applicable law or relevant listing rules of the ASX, the Company disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements in these materials to reflect any change in expectations in relation to any forward-looking statements or any change in events, conditions or circumstances on which any statement is based. Nothing in these materials shall under any circumstances create an implication that there has been no change in the affairs of the Company since the date of the announcement.