

Name of Entity: PARAGON CARE LIMITED
ABN: 76 064 551 426
Reporting Period: Financial Year ended 30 June 2021
Previous Corresponding Period: Financial Year ended 30 June 2020

Results for Announcement to the Market

	FY21	FY20	Changes from
	\$'000	\$'000	FY20
Revenue	235,840	231,773	2%
Profit/(loss) after tax	8,279	(77,269)	111%
Basic earnings per share	2.45	(22.87)	111%
Diluted earnings per share	2.40	(22.87)	110%
Net Tangible assets per share	(8.84)	(11.06)	20%

Dividends

There were no dividends paid, recommended, or declared during the current or preceding financial year.

Subsequent to 30 June 2021, the Directors have declared the payment of a fully franked final dividend of \$3,378,853 (1 cent per fully paid ordinary share) to be paid on 1st of October 2021 in respect of the financial year ended 30 June 2021. The dividend will be paid to all shareholders on the register as at the Record Date of 14th of September 2021. This dividend has not been included as a liability in the 30 June 2021 financial statements. The dividend of 1 cent per fully paid ordinary share for the 2021 financial year represents a 41% payout of NPAT which is in line with the Company's dividend payment policy of 40% to 60%.

Dividend reinvestment plan

Paragon Care operates a dividend reinvestment plan (DRP) that enables shareholders to elect to reinvest all, or up to a portion of, their dividends into additional shares in Paragon Care. Shares will be issued at the lower of 25.0 cents per share and the price derived by applying a discount of 5% to the volume weighted average market price of shares sold on the ASX over the 5 trading days commencing on and inclusive of the Ex-Dividend Date (13th of September 2021), subject to the discretion of the Board to determine the market price in certain circumstances.

The dividend payment will be fully underwritten by Taylor Collison Limited and therefore not impact the company's cash or net debt position.

Overview of FY21 results

	2021	2020	Change from FY 20
	\$'000	\$'000	%
Revenue from continuing operations			
Revenue	235,840	231,689	1.8%
Cost of sales	(145,527)	(144,874)	0.5%
Gross profit	90,313	86,815	4.0%
Gross profit margin %	38.3%	37.5%	
Other income	1,508	320	
Operating expenses	(65,278)	(64,232)	
Normalised earnings before interest, tax, depreciation and amortisation ('Adjusted EBITDA')	26,543	22,903	15.9%
Abnormal expenses	-	(84,989)	
Earnings before interest, tax, depreciation and amortisation ('EBITDA')	26,543	(62,086)	
Depreciation and amortisation	(6,200)	(8,053)	
Interest expense	(8,012)	(7,064)	
Profit/(loss) before tax	12,331	(77,203)	
Tax (expense)/benefit	(4,052)	5,603	
Profit/(loss) after tax from continuing operations	8,279	(71,600)	
Loss after tax from discontinued operations	-	(5,669)	
Loss after tax for the year attributable to owners	8,279	(77,269)	

Revenue growth through diversified revenue

Paragon Care delivered a solid financial performance in FY21 with strong growth across all key performance metrics. Revenue in FY21 was \$235.8m, up 2% from \$231.7m in FY20, which was a pleasing result in a COVID-19 disrupted business environment. This revenue stability reflected the diversification of revenue streams across both product lines and geographies.

Gross profit margin expanded during the year

Gross profit margins improved slightly to 38.3% in FY21, up from 37.5% in FY20, due to a change in the sales mix away from lower margin product sales, such as personal protective equipment, and increased sales of higher margin sales in the Devices and Diagnostic pillars.

EBITDA improvement reflects lower cost base

Earnings before interest, tax, depreciation and amortisation increased to \$26.5m in FY21, a 16% increase compared with the normalised result last year. The improvement reflects the successful execution of improved operating processes and disciplined cost control. The Company has achieved a structurally lower cost base through the successfully completed cost rationalisation program, which

has now transitioned into a business-as-usual approach focused on best practice and streamlined operations.

The net profit after tax result of \$8.3m represents basic earnings per share of 2.45 cents.

In FY22, management is focused on expanding its product range and attracting new agency agreements. There is also a focus on cross divisional selling to fully leverage the maturing pillar structure. Under this streamlined cost structure, with business-as-usual continuous improvement and improved inventory management, we are working towards 15% EBITDA margins. We are further developing initiatives around talent retention and development and we are ready for growth in aged care in a post-COVID economy. We have taken the first steps in our China growth strategy and we are now investing for growth to expand our extensive portfolio of best-in-breed med-tech solutions.

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