

## ASX ANNOUNCEMENT

27 August 2021

Australian Securities Exchange  
Company Announcements Office

### SOLID FY21 PROFIT AND RECOMMENCEMENT OF DIVIDENDS

Paragon Care Limited (ASX: PGC) ("Paragon Care" or the "Company"), a leading provider of medical equipment, devices and consumables to the healthcare markets in Australia and New Zealand, is pleased to report its financial results for the year ended 30 June 2021 ("FY21"). Key highlights from the results include:

- **Solid FY21 performance with growth in all key metrics:** NPAT in FY21 was \$8.3m, representing EPS of 2.45 cents per share. EBITDA of \$26.5m was up 16% on the normalised performance last year, reflecting an improved operating performance and disciplined cost control.
- **Strong operating cash flow:** Operating cash flow of \$27.5m in FY21 was up 419% from \$5.3m in FY20, primarily due to a tighter working capital cycle. All remaining vendor earn-out payments totalling \$15.3m were completed in FY21, enhancing free cash flow generation in FY22.
- **Successful renegotiation of banking facilities:** The new 3-year banking contract with NAB extends to July 2024 and the new covenants were designed to support the future growth of the business, enabling Paragon Care to resume dividends and explore acquisition opportunities.
- **Final dividend declared:** A fully franked final dividend of 1cps has been declared, with a record date of 14 September 2021, to be paid on 1 October 2021.

### FY21 Financial Results Overview

	FY21	FY20	Δ
Revenue	\$235.8m	\$231.7m	↑ 2%
Reported EBITDA	\$26.5m	\$(62.1)m	↑ \$88.6m
Normalised EBITDA*	\$26.5m	\$22.9m	↑ 16%
NPAT from continuing operations	\$8.3m	\$(71.6)m	↑ \$79.9m
Operating cash flow	\$27.5m	\$5.3m	↑ 419%
Net debt	\$69.1	\$74.4m	↓ 7%
EPS	2.45 cps	(22.87) cps	↑ 25.45cps
DPS	1cps	N/A	

\* Normalised EBITDA is earnings before interest, tax, depreciation and amortisation adjusted for abnormal expenses relating to goodwill impairment and the significant restructure of the business in FY20. The restructure was completed successfully and there are no normalisation adjustments to the FY21 results.

## FY21 Financial Results – Commentary

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. Pleasingly, growth in the Devices pillar and the expansion of revenue from New Zealand were enough to offset the COVID-19 business impacts in our aged care related businesses in FY21.

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 products in the Diagnostic and Devices pillars.

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 earnings per share of 2.45 cents.

Operating cash flow increased by 419% to \$27.5m in FY21 up from \$5.3m in FY20. This was primarily driven by a tighter working capital cycle. All remaining vendor earn-outs relating to prior acquisitions totalling \$15.3m were paid in FY21 and the Company is now free of contingent vendor payments. In FY22, we expect a return to normal trading conditions, under which operating cash flow will be aligned with earnings.

In May 2021, Paragon Care announced that the Company's banking facilities were successfully renegotiated with NAB. The new 3-year banking contract extends to July 2024 and the new covenants were designed to support the future growth of the business. This enables Paragon Care to resume dividends and explore acquisition opportunities.

Net debt decreased by 7% in FY21 to \$69.1m as at 30 June 2021 from \$74.4m at the same time last year. The Company's net debt to equity ratio improved to 56.6% at year-end, down from 66.3% last year, and interest cover has improved materially. The amortisation of debt resumed in July 2021 with an initial repayment of \$4m in Q1 FY22.

The Directors are pleased to declare the payment of a fully franked final dividend of 1.0cps with a record date of 14 September 2021, to be paid on 1 October 2021. This represents a payout ratio of 41%, in line with the Company's dividend payment policy of 40% to 60%. Paragon Care operates a dividend reinvestment plan (DRP) that enables shareholders to elect to reinvest all, or up to a portion of, their dividends in additional shares in Paragon Care. The dividend payment will be fully underwritten by Taylor Collison Ltd and therefore will not impact the Company's cash or net debt position. The majority of Board members and the CEO will be participating in the DRP.

On 2 June 2021, Paragon Care announced that its Diagnostics business, Immulab, entered into a joint venture with Jiangsu Zojiwat Bio-Pharmaceuticals Co. Ltd, a Chinese healthcare company, for the distribution of Immulab's proprietary in vitro diagnostics blood bank reagents in China. These reagents are world class products, originally developed by CSL Ltd and acquired by Paragon Care in 2018. Paragon Care will work together with its Chinese partner to complete patient trials in at least three domestic clinical institutions, in line with the recommended

National Medical Products Administration (NMPA) approval process, which is expected to take approximately two years. The opportunity for Paragon Care in this new market is very significant.

Paragon Care CEO, Phil Nicholl said, "We are very pleased to deliver these strong FY21 results, including a 16% increase in EBITDA and a 419% increase in operating cash flow, in a challenging external environment. These results validate our hard work over the past year to implement continuous improvement processes throughout the Company and to diversify our revenue streams across product lines and geographies. The successful renegotiation of our banking facilities was a significant milestone and reflects the underlying strength of our business. We have taken the first steps in our China growth strategy, and we are now investing for growth to leverage our extensive portfolio of best-in-breed med-tech solutions."

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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 to the healthcare markets in Australian and New Zealand. These are high growth markets driven by the aging of the population, continuously rising consumer expectations and increasing government spending. Paragon has a portfolio of class-leading companies that are positioned 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.

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