

8th June 2018

Australian Securities Exchange
Rialto Tower
525 Collins Street
MELBOURNE VIC 3000

SIGNIFICANT ACQUISITION TO INCREASE GEOGRAPHIC REACH IN NEW ZEALAND

The Directors of Paragon Care Limited (ASX:PGC) (“Paragon” or the “Company”) are pleased to announce the Company has reached agreement to acquire REM SYSTEMS Limited (REM), one of New Zealand’s most highly regarded healthcare businesses. REM is a specialised medical distribution company supplying acute care hospitals, day surgeries, allied health clinics, medical practices and veterinary clinics throughout New Zealand and Australia. In many ways, REM and Paragon are very similar in structure, strategy and delivery.

COMMERCIAL AND FINANCIAL HIGHLIGHTS OF THE ACQUISITION:

- REM has a forecast FY18 revenue base of approximately NZ\$68m and an FY18 EBITDA of NZ\$7.2m.
- Paragon has agreed to acquire REM for a net Enterprise Value of NZ\$54.4m. Approximately 80% in cash - NZ\$43.9 and 20% in fully paid ordinary shares in Paragon – NZ\$10.5m
- The consideration shares (12.7m) will be issued at the 30-day VWAP price of 76.5c.
- In addition, an earn-out over the next 3 years:
 - FY20 incremental EBITDA from acquisition EBITDA at 4.5x
 - FY21 incremental EBITDA from FY20 EBITDA at 4.5x
- The vendors and executive management team will be remaining with the business throughout the earn-out period.
- The issue of new shares will be in two parts. Upon settlement the Company will issue 10.6 million shares, its placement capacity under ASX Listing Rules 7.1 and 7.1A. The balance will be issued after the Company convenes a general meeting of shareholders to refresh the placement capacity under Listing Rule 7.1. The details of the general meeting will be advised shortly.
- The acquisition substantially strengthens Paragon’s strong product offering of medical equipment, devices and consumables to the Australian and New Zealand market.
- The acquisition will be funded by a combination of cash funds from Paragon’s recent \$69.8m capital raising and an increased debt facility supported by National Australia Bank. Post the acquisition, PGC’s Net Debt to EBITDA ratio is expected to be between 2 and 2.5 times.
- The acquisition is anticipated to be in excess of 10% EPS accretive in FY19 and beyond.
- The REM business has recorded strong organic growth over recent years in the range of 6% pa – 8% pa.
- Settlement of the REM acquisition is expected to take place prior to 30th June 2018.

REM was established in 1981 by Leon and Shirley Schollum and were joined in 1983 by Brian Wilsher. Today, more than 35 years since its establishment, REM is run by Shirley, Brian and Paul Schollum (Paul being the son of Leon and Shirley), who joined the business in 1999.

REM sources innovative and reliable products from a trusted principal base consisting of some of the world's leading medical and veterinary supply companies. REM has consistently over many years invested heavily in people, training, and products to ensure it provides its vast client base with the best of the best.

Paragon's Chairman, Shane Tanner, commented that "the acquisition of REM SYSTEMS Limited is a near perfect strategic fit for Paragon. It mirrors Paragon's desire to provide its key customers with a product range that not only supplies quality capital items, but a full range of consumables and service and maintenance options. REM has nearly 4,000 customers spread over the two key markets of New Zealand and Australia – approximately two thirds of the business is based in New Zealand and the remaining third in Australia".

Paragon CEO and Managing Director, Andrew Just, added "REM and Paragon have tremendous cross selling opportunities in both the customer and products base of the respective businesses. In particular REM's commanding presence in the New Zealand healthcare market and valuable product lines provides opportunity to leverage the Paragon portfolio. REM is simply a fantastic spearhead investment into the New Zealand market"

REM Director and vendor shareholder, Paul Schollum, commented that "the REM management team and employees are looking forward to being part of Paragon Care and the opportunities that will come with this, while also continuing to provide the high level of service that our customers and principals are accustomed to."

The REM acquisition is in addition to the previously announced nine acquisitions foreshadowed during the recent \$70m capital raising. Seven of these acquisitions have been completed as previously announced and the remaining two remain active but due to recent work around the REM transaction, are not expected to complete until the first quarter of FY19.

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About Paragon Care Limited

Paragon Care (ASX:PGC) is an Australian based listed company which has progressively acquired businesses in the healthcare sector. It is an integrated healthcare equipment and services provider for the Australian and New Zealand healthcare market. These are high growth markets driven by the ageing 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 end to end solutions including equipment and service solutions for acute, aged and primary care.