



ASX / MEDIA RELEASE
26 February 2014

Compumedics Limited
Business Update: Appendix 4D Release

Revenue growth and profitability restored. Strategic review commences to unlock Company value

Current Performance Highlights:

- NPAT and EBITDA restored at \$0.4 million and \$1.3 million respectively for the half-year ending 31 December 2013, compared to \$(0.8) million and \$0.2 million in the previous corresponding period (PCP)
- Revenues shipped and invoiced were up 10% to \$14.5 million, compared to \$13.2 million for the PCP. The Company achieved sales-order growth over the PCP in the following areas: the US (up 26%), Japan (up 129%), Europe [excluding Germany] (up 44%) and the Middle East (5%)
- A number of breakout business divisions and products are being reviewed in the context of value and growth realisation.

Business Outlook:

- The Company's previously articulated expansion strategy focused on a greater footprint in sleep diagnostics. Expansion into the neuro-monitoring and Long-Term EEG Monitoring (LTEM) market remains and will gain momentum as the Company builds on its improving underlying performance. In addition, the Company has commenced a strategic review of all its business areas, products and technologies to determine how best to unlock their value either individually or as a whole

Leading Australia-based medical device company, **Compumedics Limited (ASX: CMP)**, is pleased to announce a restoration of profitability and revenue growth for the half year ending 31 December 2013. Comparable shipped and invoiced sales were \$14.5 million compared to \$13.2 million in the previous corresponding half-year. Importantly, the Company restored its Net Profit After Tax (NPAT) profitability, generating a \$0.4 million profit compared to a \$0.8 million loss for the previous corresponding half year. As a result, the Company grew EBITDA, to \$1.3 million, an increase of \$1.1 million on the comparative 30 June 2013 period (30 June 2013: \$0.2 million). The Company took \$13.8 million of new orders in the half year, resulting in \$7.3 million worth of sales orders on-hand at 31 December 2013, despite the improved shipments in the half-year.

The following table highlights the key financial performance measures on this basis.

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	FY2013	FY2012	Variance
Revenues – as reported	\$14.5m	\$13.2m	10%
EBITDA – as reported	\$1.3m	\$0.2m	550%
NPAT – as reported	\$0.4m	\$(0.8)m	\$1.2m improvement

Highlights And Achievements For Compumedics For The Half-Year Ended 31 December, 2013:

- NPAT of \$0.4 million compared to loss of \$(0.8) million for the PCP. EBITDA was a \$1.3 million profit compared to \$0.2 million in the PCP, as a result of ongoing efficiency gains in manufacturing, and the favourable impact of the lower Australian Dollar
- Shipped and invoiced sales were 10% higher at \$14.5 million compared to \$13.2 million for the PCP
- Cash on hand was stable at \$1.3 million at 31 December 2013, the same as 30 June 2013. Debt levels were reduced during the six-month period to \$2.0 million at 31 December 2013 compared to \$2.3 million at 30 June 2013
- The Company had sales orders of \$7.3 million on-hand at 31 December 2013, which it expects to substantively reduce in the early months of the 2014 calendar year
- The Company has substantively completed relocating some production and purchasing activities to Asia as part of its transition program to restore margins independent of the relative value of the Australian Dollar over the foreseeable future. The margin and profit improvement from these and other initiatives only just commencing will be seen in the second half of the financial year and beyond

Key Growth Opportunities

The Company remains committed to its strategic growth plans, whilst at the same time improving productivity and efficiency throughout the business in order to continue to generate consistent and growing profits, despite the relatively “high-Australian-dollar” environment it is operating in, and expects to continue to operate in.

As previously noted, Compumedics has entered the LTEM market, a new and incremental market, with the launch of its innovative LTEM product, Neuvo®. This takes Compumedics into a pre-existing, but new market for the Company, which has estimated current annual sales of about US\$200 million in the US and approximately US\$400 million globally.

Epilepsy diagnosis and monitoring is a key target for the Neuvo® product. The US-based Epilepsy Foundation estimates that more than 3 million people in the US are affected by epilepsy with 200,000 new cases each year. Compumedics has made significant investments in product development, targeting the neurodiagnostics market to leverage its expertise in high-end amplifier design and physiologic signal processing. The combination of the Neuvo® LTEM system and the CURRY® neuroimaging analysis software suite, some of which is covered by patents, makes it easier for epileptologists and neurosurgeons to identify which specific regions in the brain are most likely to be the cause of severe seizure activity in an afflicted patient. As such the LTEM market provides another solid opportunity for growth for the Company over the foreseeable future.

In the Company's core sleep diagnostic business, Compumedics has the most sophisticated and advanced range of portable sleep-monitoring systems of any of the companies competing in these markets. The Company continues to be recognised as a leading sleep diagnostic company globally and as such the global sleep diagnostic markets continue to offer opportunities for growth, particularly in Asia Pacific and specifically China.

In addition, China represents a unique emerging market opportunity for Compumedics' complete range of diagnostic and monitoring systems, particularly given the country's close proximity and strong trade relations with Australia, coupled with Compumedics' time-earned reputation and establishment of premier reference centres throughout China. As China rapidly builds and expands its basic health infrastructure, mainly due to a continuously growing middle class, the focus will inevitably turn to new areas of health management, including sleep and neural disorders and brain blood-flow ultrasonography. This will provide a measurable upside for companies as well positioned and established as Compumedics in this space. Compumedics is participating already in this upside as revealed in recent business wins in China for its ultrasonography (DWL) products.

The Company will continue its development of the sleep-treatment market with its partner in Italy over the next twelve months and concurrently ramp up its commercialisation opportunities here in Australia and Asia.

Breakout Medical Innovations

Compumedics Medical Innovation (CMI) division has continued to develop a number of breakout technology platforms. Each of these CMI platforms incorporates a range of patents, complements Compumedics' core business, presents unique and significant product differentiation, and has been independently validated.

Financial Outlook

Compumedics expects the identified key growth opportunities to continue to deliver an increase in revenues and earnings in the current financial year. However, given the ongoing uncertainty pervading the economic conditions of its key trading markets, the Company will not issue specific financial guidance at this time.

Compumedics expects growth beyond the current financial year to result from a combination of:

- Organic growth from the core businesses and the key growth opportunities identified
- The expansion of the business into sleep-treatment markets as new products and technologies are rolled out, and
- Opportunistic mergers, acquisitions, or alliances that are identified as being complementary to the Company's existing product range and incremental to the financial performance of the Company.

Strategically, Compumedics continues to review all business development options available to fully unlock the commercial potential within the range of technologies and products that the Company currently has or is developing.

About Compumedics

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Compumedics Limited was founded in **1987** by current Chairman/CEO Dr. David Burton and today is a global leader in the design and manufacture of diagnostic technologies for sleep disorders, neurophysiology and cardiology. In **1987** Compumedics established Asia Pacific's first fully computerized sleep laboratory. Compumedics holds 80% share of the Australian sleep-diagnostic market, and has a major and rapidly growing presence in the US, European and Asian marketplaces for its sleep, neurological, and Doppler blood-flow diagnostic monitoring devices. In **1995** the company was selected to supply equipment to the US Sleep Heart Health Study, the world's largest sleep study of its kind, with over 8,000 participants scheduled by 2008. With headquarters in Melbourne, Australia and offices in the United States and Europe, its products are distributed in over 50 countries. In **1998** Compumedics was awarded the overall Australian Exporter of the Year. In **2000** Compumedics was listed on the Australian Stock Exchange. In **2002**, Compumedics acquired US-based **Neuroscan** - the world's leading supplier of instruments for brain research. In the US - the world's largest medical device market - Neuroscan holds around 90% of the market for brain-research products. In **2003** Compumedics was awarded the Frost & Sullivan Award for Market Expansion Strategy. In **2004**, Compumedics acquired Germany-based **DWL Elektronische GmbH**, enabling Compumedics to expand its global operations into the neurovascular and cardio-vascular diagnostic fields. In **2006**, Compumedics was awarded the Frost and Sullivan Technology Leadership award for its innovative Somte® recorder product. In **2007**, Compumedics and its Chairman were inducted into the Victorian Manufacturing Hall of Fame. In **2008** the DWL division received a top 100 German Innovation award. With 20,000 systems installed globally across the finest hospital, universities and clinics Compumedics sales have grown more than 4-fold from \$9 million (1999) to \$39 million (2008). In **2009** Compumedics was awarded a design award for its GRAEL® PSG/EEG premium laboratory-based product. In **2010** Compumedics was recognized by the Australian Innovation Government and Industry body as one of Australia's Top 100 Health Innovators through its world leading devices for sleep diagnostics. In **2011** Compumedics was selected as one of the 25 innovative Australian companies by the Australian Governments Department of Innovation, Industry, Science and Research (Industry).

For further background please visit: www.compumedics.com

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