



# Corporate Presentation

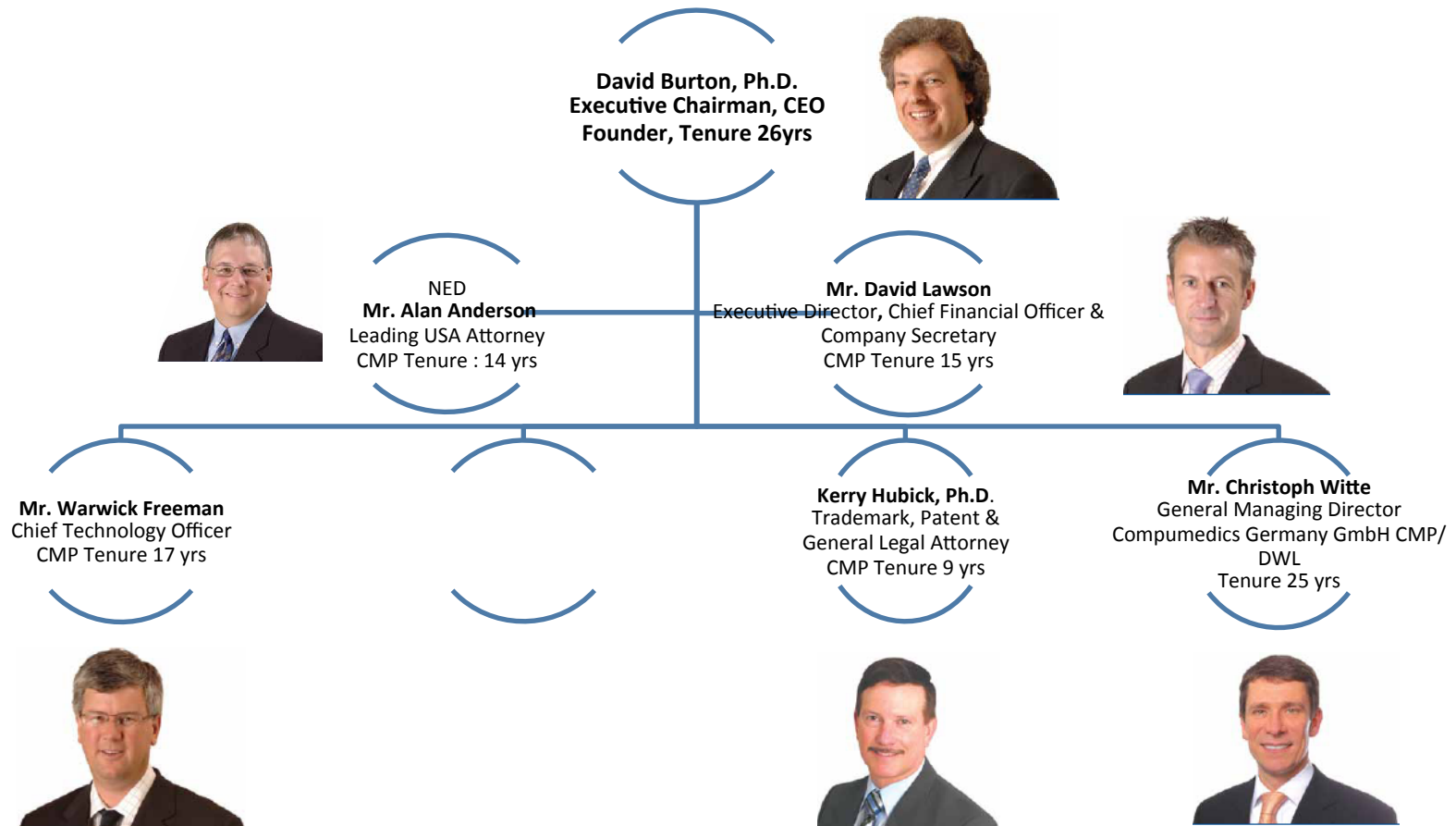
March, 2014

- > Sleep Diagnostics & Treatment
- > Neuro Diagnostics
- > Brain Research
- > Ultrasonic Blood Flow Monitoring

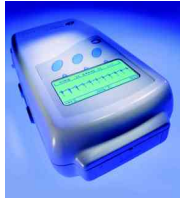
# ***Who is Compumedics?***

- **Compumedics** is a leading global, innovative developer and manufacturer of medical devices for:
  - Diagnosing sleep disorders
  - Monitoring neurological disorders including long-term epilepsy monitoring (LTEM)
  - Highly sophisticated brain research
  - Ultrasonic monitoring of blood flow through the brain (Trans cranial Doppler [TCD])
- **Compumedics** is a technological leader in its chosen markets:
  - #1 Australia sleep & neuro diagnostics device supplier
  - #1 Japan sleep diagnostics device supplier
  - #1 China sleep diagnostic device supplier to China's premier facilities & #1 TCD device supplier
  - #3 USA sleep diagnostic device supplier and emerging #3 supplier for neurological monitoring devices
- **Compumedics** has a rich intellectual property portfolio
- **Compumedics** Medical Innovations division focuses on complimentary early-phase developments in sleep treatment, driver fatigue and eHealth solutions
- **Compumedics** was listed on the Australian Stock Exchange, December 21, 2000.

# Board and Key Management



# *A Tradition of Innovation*



P Series  
1994



Siesta  
2000



Somté  
2001



SynAmps2  
2003



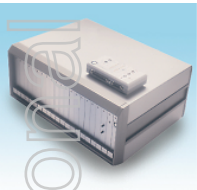
Comperio DQ  
2004



Summit IP  
2005



Siesta 802  
2005



S Series  
1987



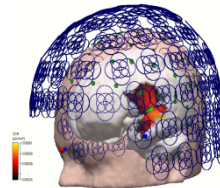
Somté PSG 2.0  
2011



Grael HD  
2010



Somnilink SPAP  
2010



CURRY6  
2009



SynAmpsRT  
2008



Neuvo LTM  
2007



Somté PSG  
2006



# Established Client Profile

For personal use only



National Aeronautics  
and Space Administration



MAYO CLINIC  
Collage of Medicine

STANFORD UNIVERSITY



UNIVERSITY OF MICHIGAN



Royal Perth Hospital  
COMMITTED TO EXCELLENCE



ST VINCENT'S  
HEALTH



THE UNIVERSITY OF TOKYO



Peking University

Hennepin County Medical Center

HCMC



Maine Medical Center  
*centered around you*



U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES  
National Institutes of Health



The **Royal Children's**  
**Hospital Melbourne**



YALE UNIVERSITY  
SCHOOL OF MEDICINE



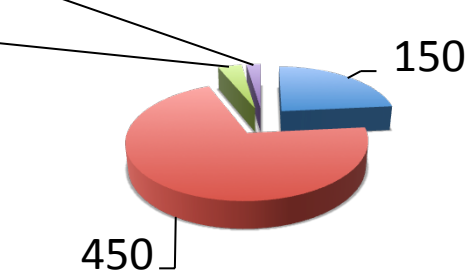
Providence  
Medical Center

*Sisters of Charity of Leavenworth  
Health System*



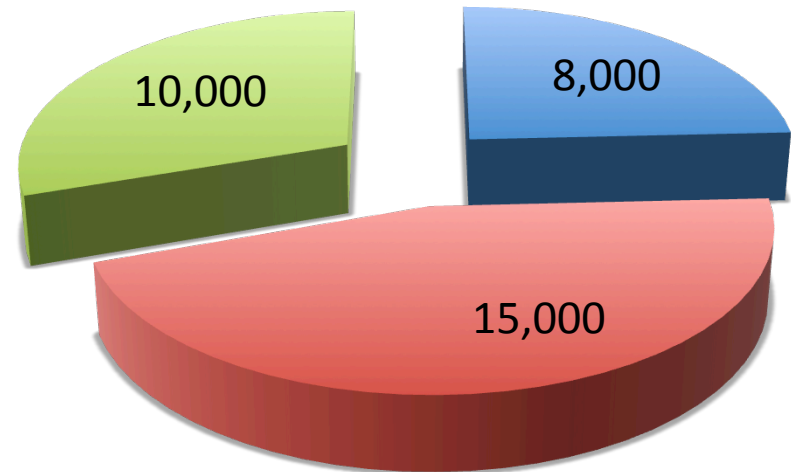
# Strategic Value Roadmap – Market Opportunities

**Core Diagnostic Business  
Global Markets - \$m**



- Sleep Diagnostics
- Neurological Monitoring
- Brain Research
- TCD

**Medical Innovations Global  
Markets - \$m**



- Sleep Treatment
- Driver Vigilance
- eHealth

# ***What was achieved in the six months to 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, together with increased sales.
- 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.

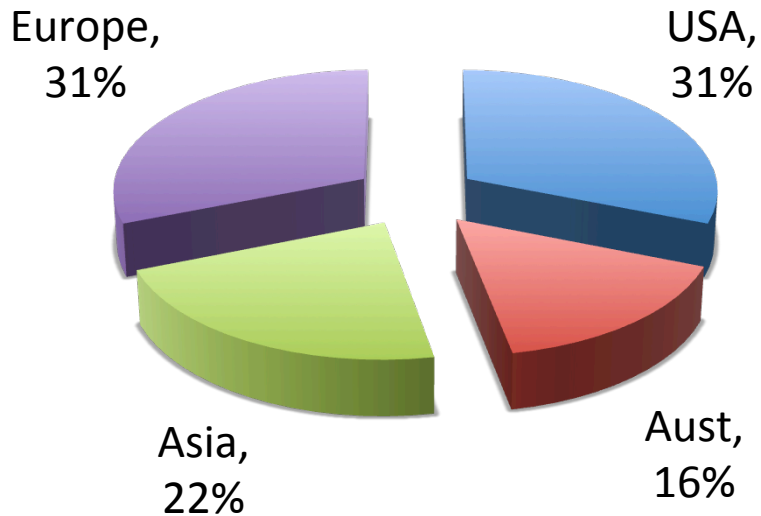
# ***What was achieved in the six months to 31 December 2013?***

- 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

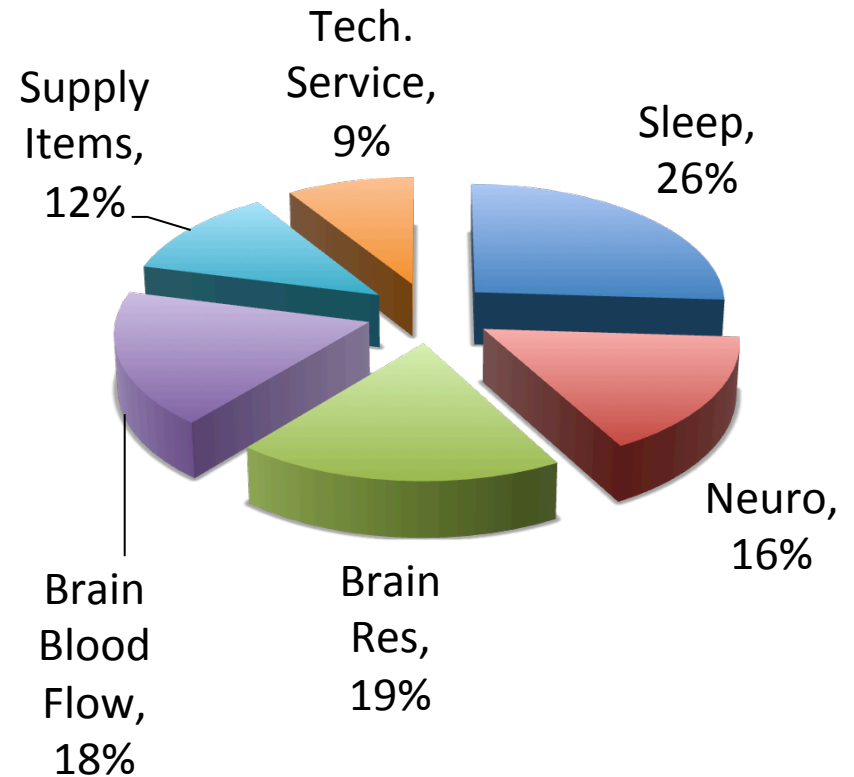


# ***H1 Revenue Composition at ≈\$14.5m***

**By geographic region**



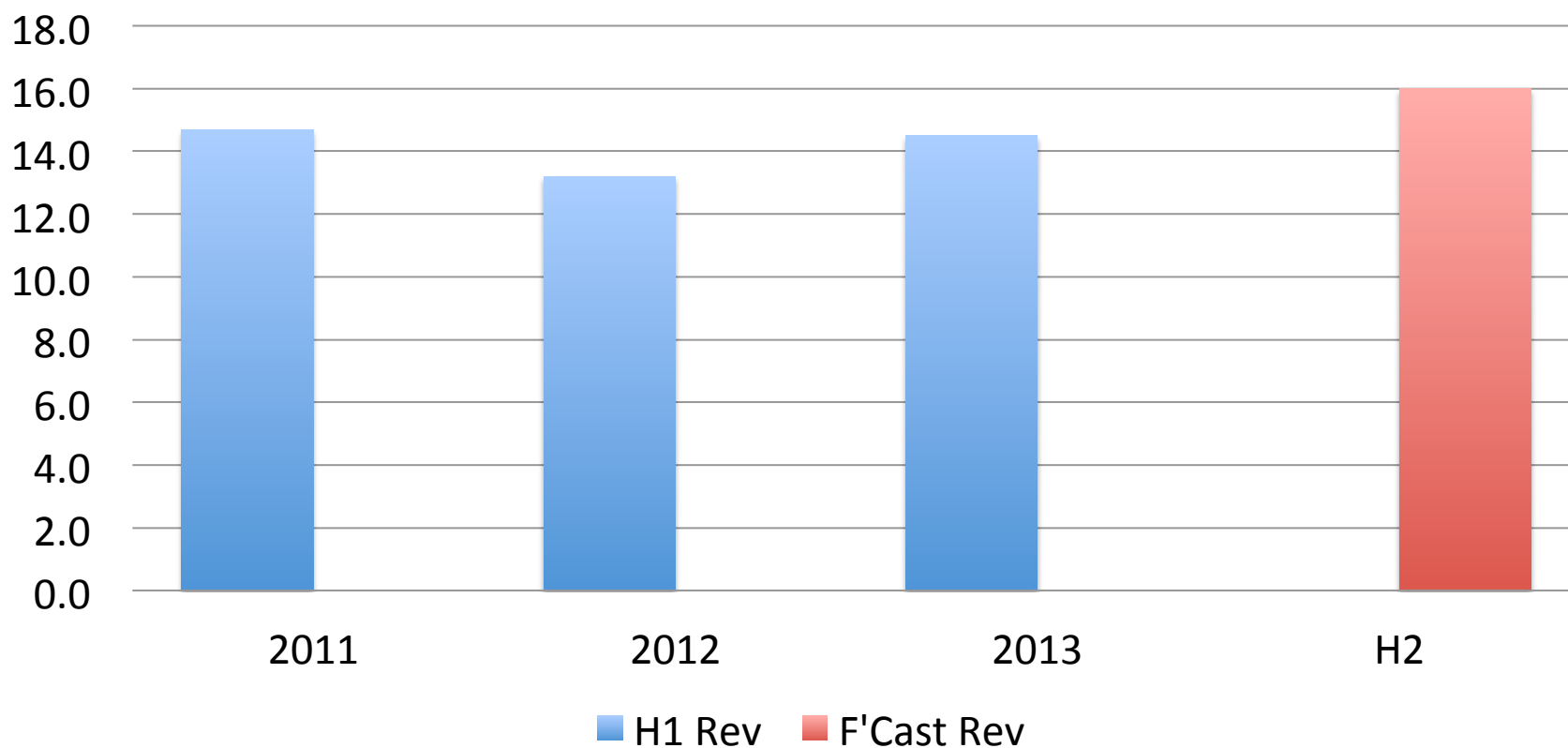
**By product/market**



Compumedics sells directly to end-user customers in Australia, USA and Germany and through its network of more than 50 distributors to all other parts of the world

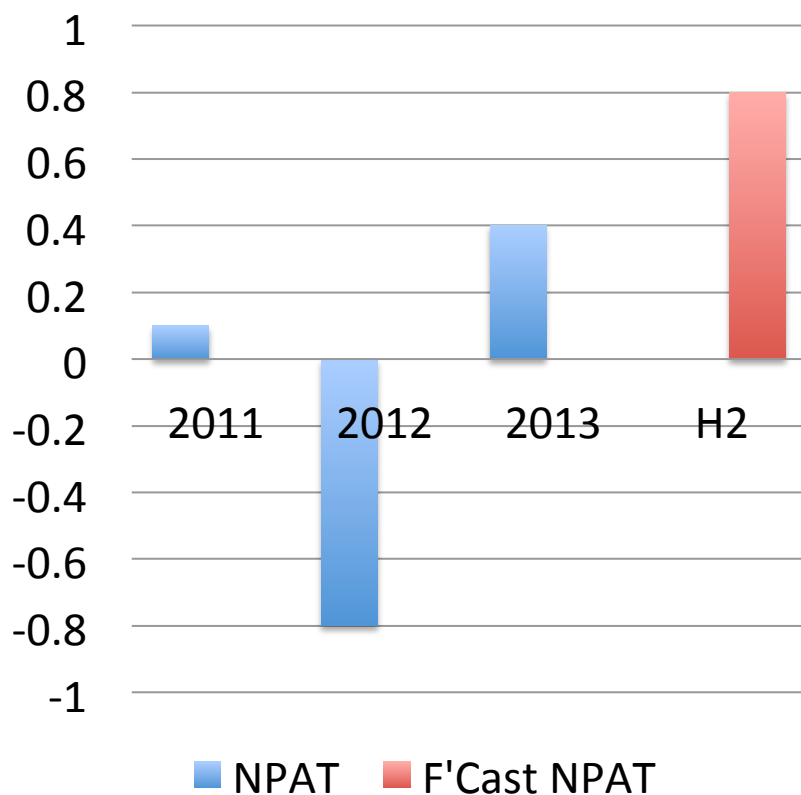
# ***Historical First Half Revenues***

**Shipped and invoiced**

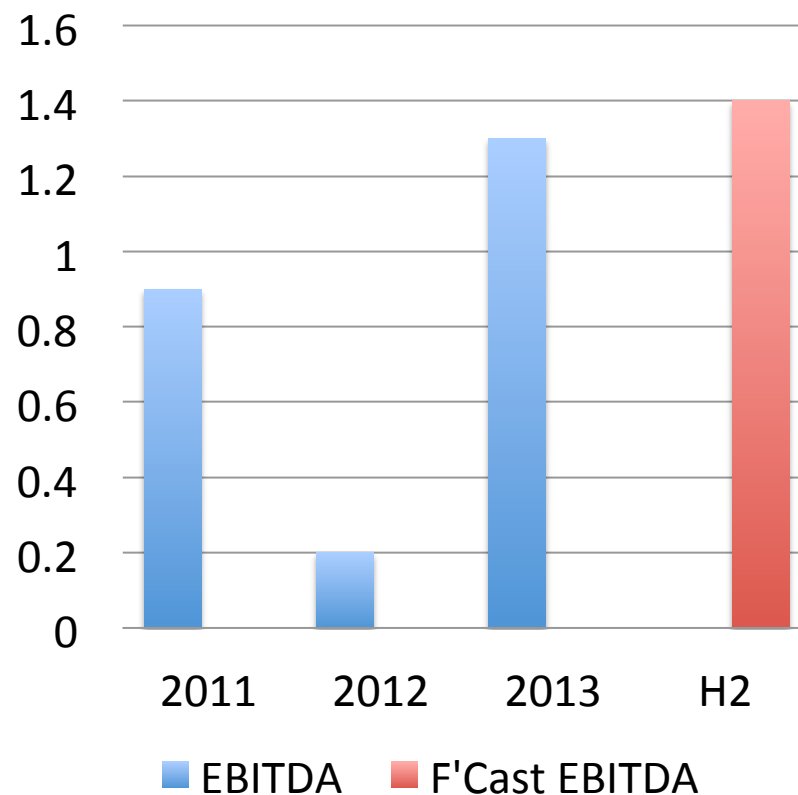


# ***Historical First-Half Earnings***

## NPAT

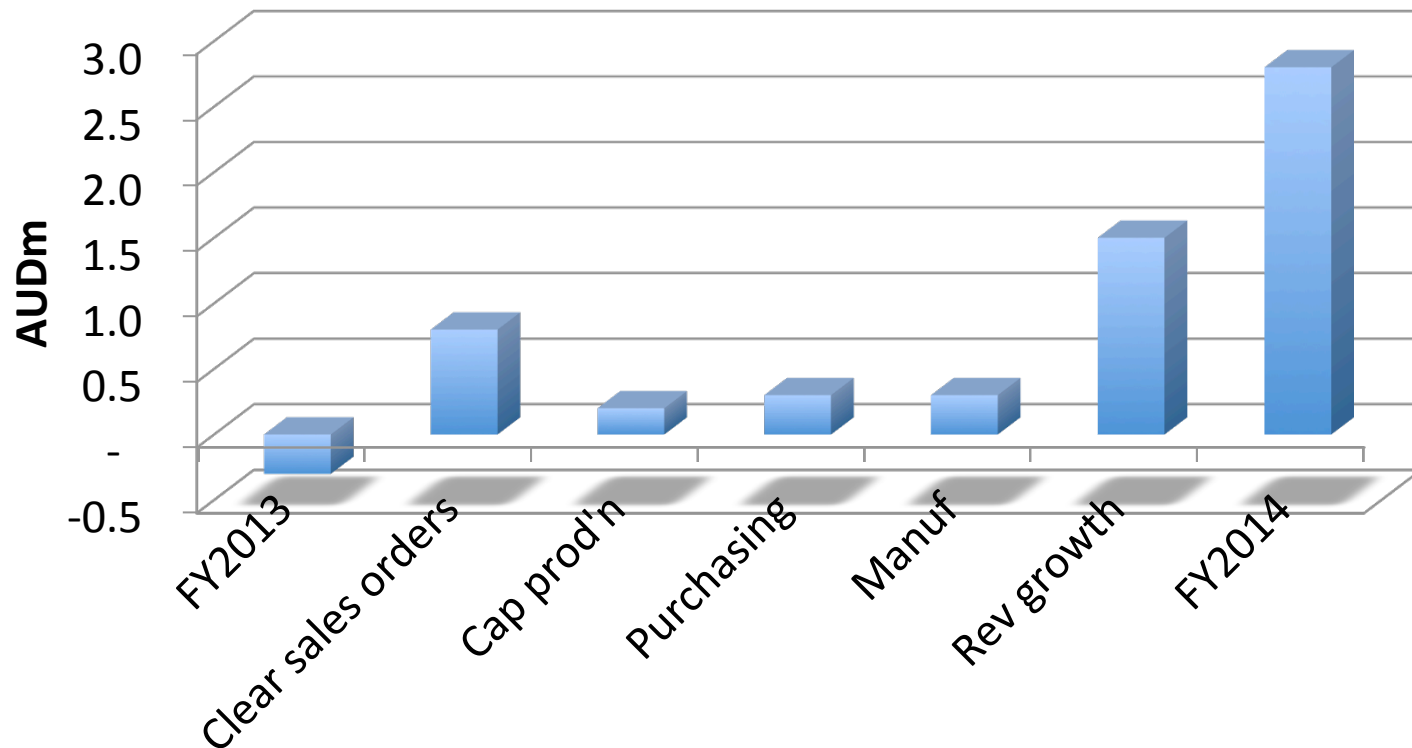


## EBITDA

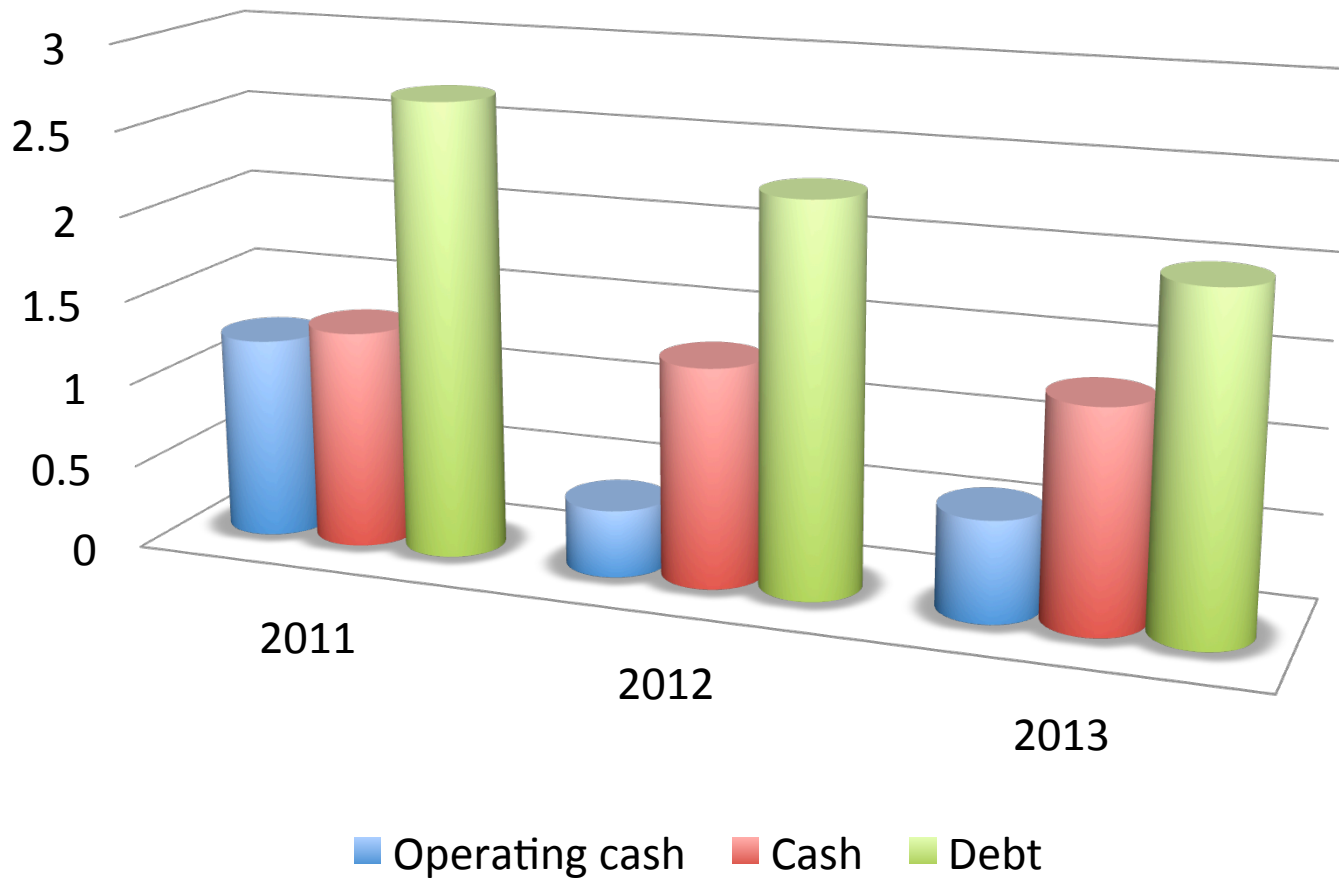


# ***Profitability Improvement***

**FY2013 EBITDA to forecast FY2014 EBITDA with improvement steps identified**

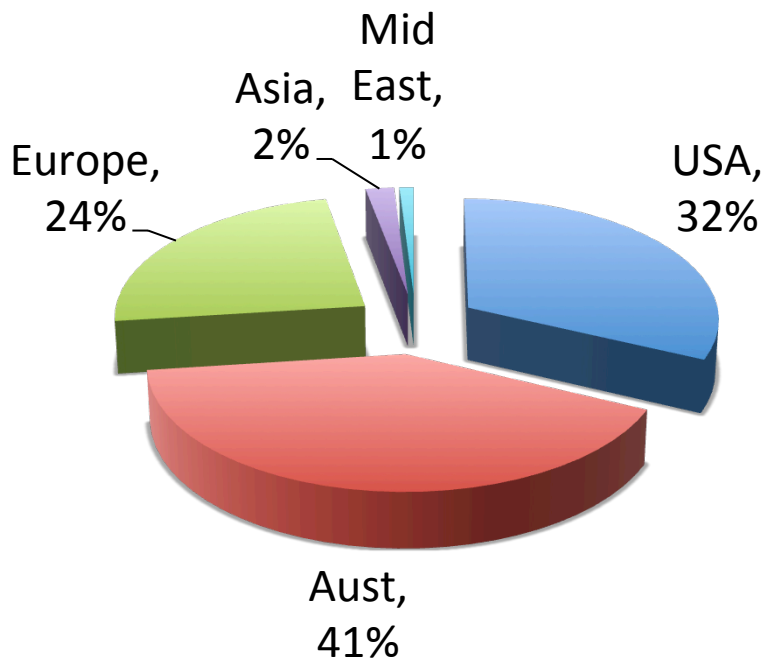


# *Cash, debt & operating cash*

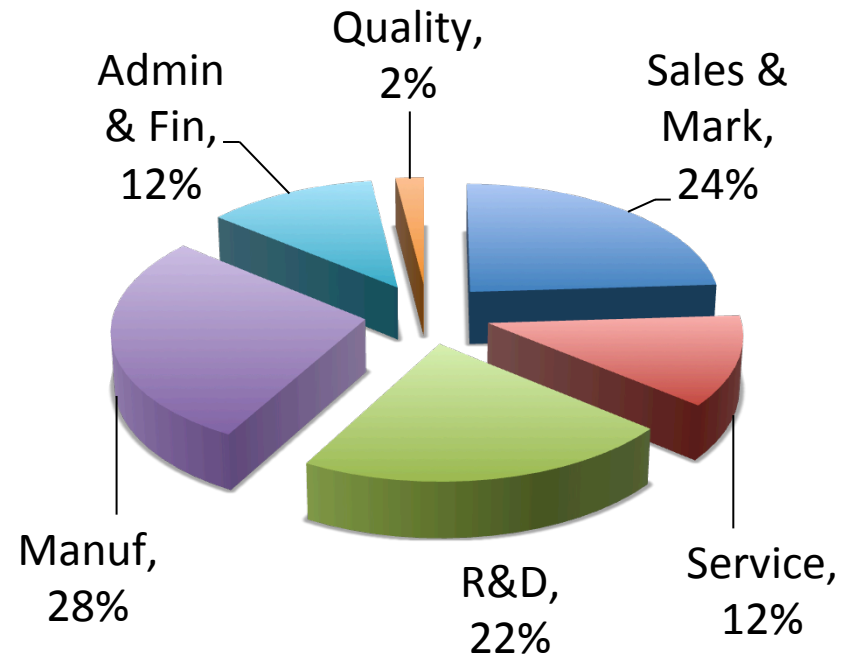


# ***Employee Composition at ≈130 staff***

**By geographic region**



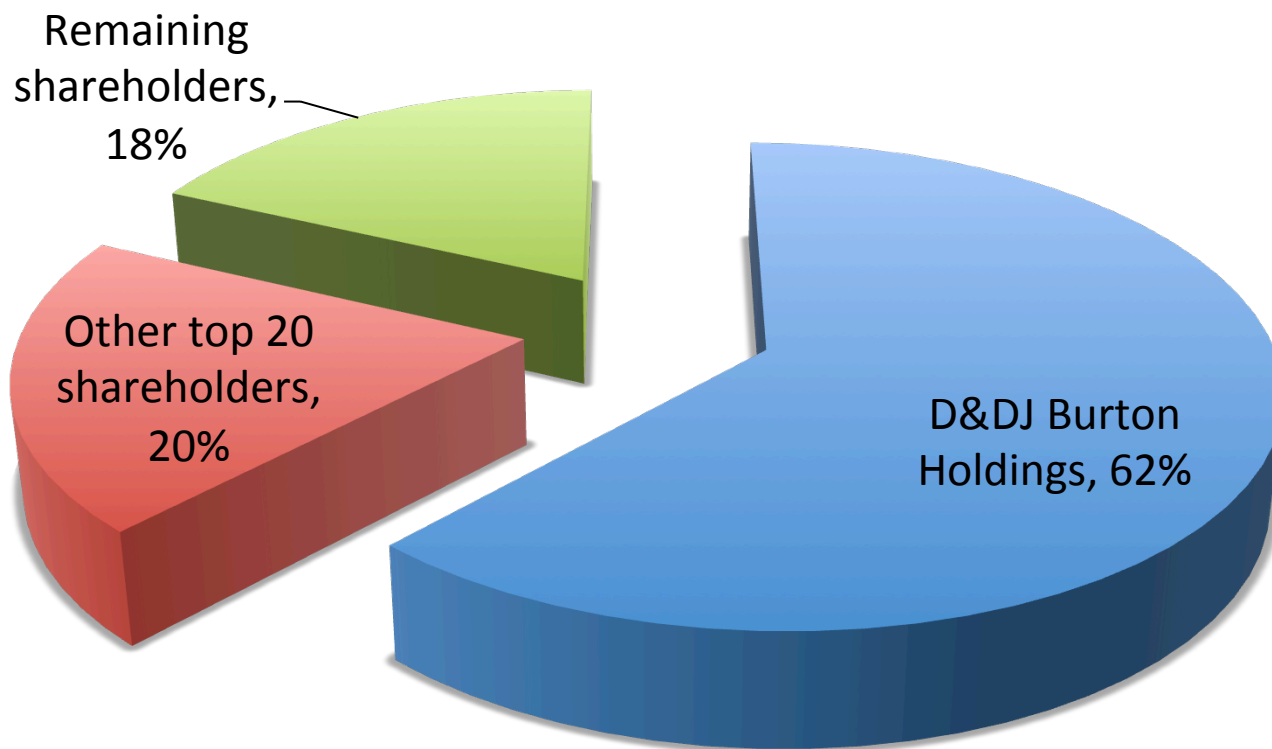
**By function**



Compumedics has its Head Office in Melbourne, Australia with additional offices in Charlotte (NC), USA and Singen, Germany



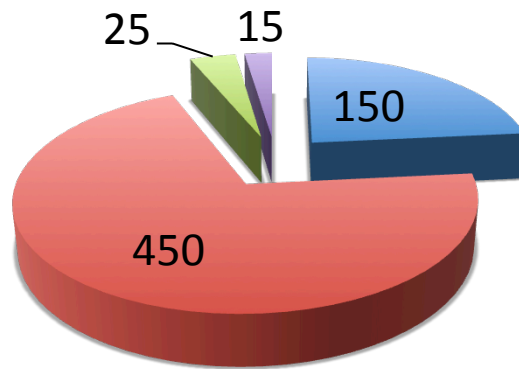
# ***Ownership composition – Feb 2014***



There are currently 168m ordinary shares on issue to approximately 1,000 shareholders. There are no options or other equity instruments on issue.

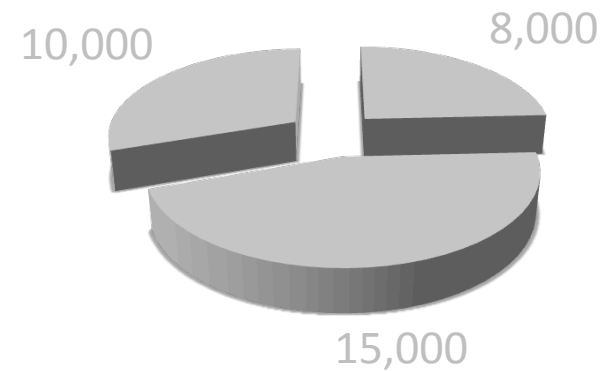
# ***Strategic Value Roadmap – Core Diagnostic Business Opportunities***

**Core Diagnostic Business Global Markets - \$m**



- Sleep Diagnostics
- Neurological Monitoring
- Brain Research
- TCD

**Medical Innovations Global Markets - \$m**



- Sleep Treatment
- Driver Vigilance
- eHealth

# ***Growth strategies – Core business***

- Building growth momentum in key global neurological monitoring markets with emphasis on LTEM through the Company's innovative product platform and growing brand recognition in these new markets for the Company.
- Expansion across all product lines in Asia, with emphasis on China, through our unique and long established relationships there.
- Grow sleep diagnostic market position in the US by continuing to expand direct sales force there.
- Continuing to grow and expand our European business, with emphasis on Germany.

# Growth Strategies - Execution so far

## Compumedics Clients in China

*“Compumedics is the number 1 supplier of premier sleep diagnostics in China”*

*“Compumedics is the preferred supplier for an increasing number of leading researchers, universities and hospitals around the world. Compumedics equipment is installed in a number of highly acclaimed medical centers globally and is the provider of choice in over 200 locations in mainland China”*

- Sleep
- Neuroscience
- Neuroscan



# ***Earnings improvement activities***

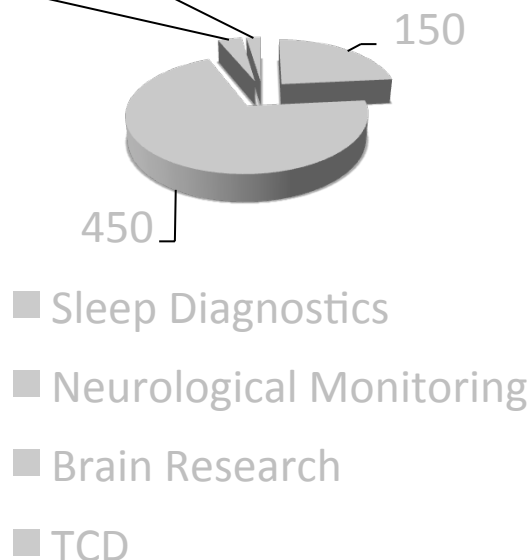
- Relocation of selected manufacturing activities to lower cost regions in China and Taiwan.
- Continue to drive component purchasing to lower cost regions in China and Taiwan.
- Streamlining of logistics (final product assembly, testing and shipment) as the business grows.
- Near-term product development focused on “cost-to-make” minimization initiatives, together with selective incremental feature gains to maintain technology leadership.

# Strategic Value Roadmap – Medical Innovations Commercial Opportunities

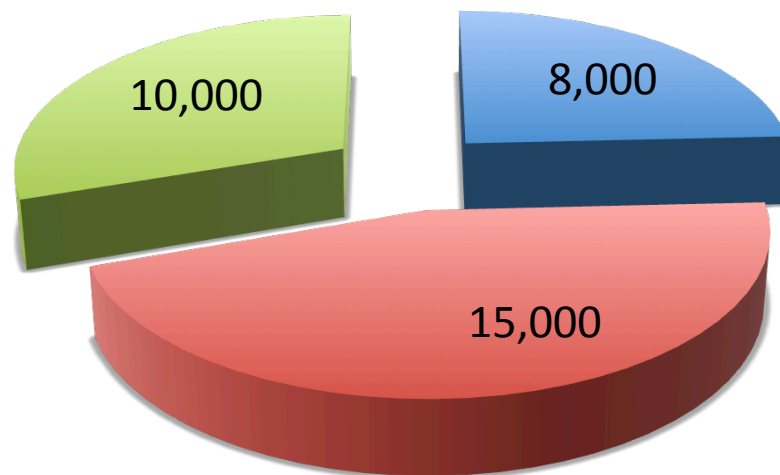
For personal use only

Core Diagnostic Business

Global Markets - \$m



Medical Innovations Global Markets - \$m



■ Sleep Treatment ■ Driver Vigilance ■ eHealth



# ***Medical Innovations – Sleep Treatment***

- The sleep treatment technology is the most advanced of these Medical Innovation technologies.
- The SomniLink® SPAP® device has been developed in collaboration with Medigas Italia S.r.l., Compumedics Italian distributor and also a significant shareholder in the Company.
- The SPAP® device has been manufactured and sold to Medigas.
- The Company is currently looking to commercialise the SPAP® device into other markets and is advancing its opportunities into the Asia Pacific region initially.

# ***Medical Innovations – Sleep Treatment***

- About 20% of the adult population globally suffer from some sleep disorder.
- The global Apnoea devices market is estimated at about USD8bn with expectations it could reach close to \$20bn by 2017.
- Up to 100m people globally suffer from Sleep Apnoea however 80% or 80m of these remain undiagnosed.

# ***Medical Innovations – Driver Vigilance Assist***

- Compumedics has unique sleep monitoring technology which has been used to research and develop proto-type systems for monitoring driver drowsiness
- Fatigue is one of the top three reasons for all road fatalities
- Car manufacturers are now installing inferior monitoring systems at price points from \$1,000 to \$4,500 per unit
- None of these systems has any of the unique and patented features of the Compumedics system.

# ***Medical Innovations – Driver Vigilance Assist***

- **Market for this technology is very large** – conservatively estimated at \$30m for the Australian market and up to USD15bn for the global market, based on annual vehicle production of some 60m vehicles a year.
- **Compumedics owns patents** in Australia, the US and Germany in relation to its unique technology.

# ***Medical Innovations – eHealth***

- **eHealth home and hospital applications for existing Compumedics technologies** – driven by government and insurers needs to reduce the delivery costs of health services to ageing populations.
- **Large markets** – US market for existing eHealth applications estimated at 11.6bn and growing at a compound growth rate of almost 19% pa to USD27.3bn in 2016.
- **Compumedics has significant expertise in home monitoring** – through its 20 year association with the US Sleep Heart Health Study and its Nexus enterprise software for patient scheduling and data management.

# ***Strategic Growth Execution***

## *Capitalization Pathways*

The three principal paths available to Compumedics in order to implement the strategic growth drivers are:

- **“Do it ourselves”** – recapitalize the group and implement the action plans for the strategic growth drivers ourselves (we are already doing this within the confines of the current personnel and financial constraints of the business)
- **“Do it with a strategic partner”** – seek out major strategic partners who can bring not only financial resources but also another level of depth to the sales and marketing capability of the group. This could involve an acquisition, merger, joint venture or other combination.
- **“Let some one else do it”** – divest all or part of the business to a third party who is better able to deliver the strategic growth drivers if the offer price is acceptable to the existing shareholders



# Comparative valuations

## Annualised Revenues and Market Cap relative to Annualised Revenues



# Strategic Growth Execution strategies - Demerged financial data

Diagnostic medical devices business (Sleep and Neurology)

	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Forecast
Revenues - \$m	\$17.3	\$15.8	\$15.8	<b>\$18.6</b>
EBITDA - \$m	\$2.1	\$(0.3)	\$(0.3)	<b>\$2.5</b>
NPAT - \$m	\$1.8m	\$(0.6)	\$(0.6)	<b>\$2.2</b>
<i>Est. demerger cost savings - \$m</i>	-	-	-	<b>\$0.9</b>
<i>Demerged NPAT - \$m</i>	-	-	-	<b>\$3.1</b>

The Clinical Business includes the sleep and neurological diagnostic devices, associated supply and consumable items as well as technical service and support of the devices post sale.

# Strategic Growth Execution strategies - Demerged financial data

## Brain Research (Neuroscan) business

	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Forecast
Revenues - \$m	\$6.2	\$5.3	\$6.1	<b>\$7.5</b>
EBITDA - \$m	\$1.2	\$0.5	\$0.9m	<b>\$3.1</b>
NPAT - \$m	\$1.2	\$0.5	\$0.9m	<b>\$3.1</b>
<i>Est. demerger cost savings - \$m</i>	-	-	-	<b>\$0.6</b>
<i>Demerger NPAT - \$m</i>	-	-	-	<b>\$3.7</b>

The brain research business comprises high-end and complex research devices for in-depth brain research. The brain research business incorporates the Neuroscan business originally based out of the US and includes the world most sophisticated source localisation software – CURRY NS7.

# Strategic Growth Execution strategies - Demerged financial data

Ultrasonic brain blood flow monitoring business (DWL)

	<b>FY2011 Actual</b>	<b>FY2012 Actual</b>	<b>FY2013 Actual</b>	<b>FY2014 Forecast</b>
Revenues - \$m	\$6.0	\$6.2	\$5.5	<b>\$6.5</b>
EBITDA - \$m	\$0.2	\$0.3	\$0.4m	<b>\$0.9</b>
NPAT - \$m	\$0.1	\$0.2	\$0.3	<b>\$0.8</b>
Est. demerger cost saving - \$m	-	-	-	<b>\$0.3</b>
Demerger NPAT - \$m	-	-	-	<b>\$1.1</b>

The forecast does not include ultrasound imaging market opportunity and associated China outlook.

# Strategic Growth Execution strategies - Demerged financial data

## On-going Medical Innovation Investment

	FY2011 Actual	FY2012 Actual	FY2013 Actual	FY2014 Forecast
Revenues - \$m	\$1.1	\$0.5m	\$0.0	\$0.5
EBITDA - \$m	\$(1.0)	\$(0.6)	\$(0.8)	\$(0.8)
NPAT - \$m	\$(1.6)	\$(1.4)	\$(1.6)	\$(1.5)

The above financial data reflects the on-going investment in Medical Innovation projects. The above numbers are part of the overall group numbers presented to the Australian Stock Exchange each reporting period.

# Step out growth opportunities – Sleep Treatment

	Year 1 Forecast	Year 2 Forecast	Year 3 Forecast	Year 4 Forecast
Revenues - \$m	\$1.7	\$5.9	\$9.1	\$18.3
EBITDA - \$m	\$0.0	\$1.6	\$2.8	\$6.3
NPAT - \$m	\$0.0	\$1.1	\$2.0	\$4.2

## Assumptions:

- 1 Global Auto-set sleep-treatment market assumed to be USD300m currently, growing to over USD500m by 2016 (Frost and Sullivan N66F-56, 2010)
- 2 Compumedics share of this market is forecast at 0.8% in year one rising to 4.0% in year four.
- 3 Compumedics average unit selling price is forecast at \$880 declining to \$780 over the forecast period



# Step out growth opportunities – Driver Vigilance Assist (DVA)

	Year 1 Forecast	Year 2 Forecast	Year 3 Forecast	Year 4 Forecast
Revenues - \$m	\$4.0m	\$10.3	\$26.5	\$43.7
EBITDA - \$m	\$2.5m	\$6.3	\$16.3	\$28.0
NPAT - \$m	\$1.8m	\$4.4	\$11.4	\$19.6

## Assumptions:

- 1 Local car manufacture at 200,000 units pa with no growth
- 2 Fleet sales take 40% of local manufactured vehicles, or 80,000 units pa
- 3 Penetration of DVA device onto locally manufactured fleet sales starting at 2% in year one and growing to 20% by year 4
- 4 DVA unit price is AUD2,500, increasing by 3% CPI each year
- 5 Gross margins are 85% of DVA unit price
- 6 R&D expense at 10% of revenues years 1 through three, then 5% of revenues from year 4 onwards

# Step out growth opportunities – Automated Sleep Scoring and data warehousing - eHealth

	Year 1 Forecast	Year 2 Forecast	Year 3 Forecast	Year 4 Forecast
Revenues - \$m	\$1.0	\$2.4	\$4.4	\$5.8
EBITDA - \$m	\$0.3	\$0.9	\$2.8	\$4.0
NPAT - \$m	\$0.2	\$0.7	\$1.9	\$2.8

## Assumptions:

- 1 Estimated sleep studies performed in Australia each year; 250,000 and growing at 5% pa
- 2 Estimated sleep studies converted to automated service is 25,000 in year one, growing to 145,000 studies in year four.
- 3 Revenue to Compumedics per automated sleep study is \$40.00 increased by 3% CPI each year
- 4 Automated sleep study elapsed processing time 40 minutes per sleep study in year one, decreasing to 10 minutes per sleep study in year 4

# ***In conclusion***

- **Core business** – refocus on sales and profit growth as Asia manufacturing cost reductions and clearing the sales order back-log restore profitability to the Group. Consider rationalization of the Group and demerger options to provide clearer focus
- **Medical Innovations** – Commercialisation of main breakout platforms:
  - Sleep treatment
  - Driver Vigilance Assist
  - eHealth/online education



‘Defining *Life’s* Signals’

Thankyou