



## **Compumedics Returns to Profit in First Half 3 March 2003**

Medical diagnostics company, Compumedics Ltd (ASX: CMP) reported record revenue for the six months to December 31, 2002. Earnings also improved significantly over the period with a small profit posted after restructuring costs were expensed.

Earnings before interest, tax, depreciation and amortization (EBITDA) were \$1.4m. This was a significant improvement on the EBITDA loss of \$2.2m reported in the last six months of the previous financial year. The results were after absorbing one-off costs (\$0.45m) associated with the relocation of both the Australia and USA businesses to significantly larger premises which should provide ample space and infrastructure for their future growth and a number of structural changes made in July 2002.

Net profit after tax (NPAT) for the period was \$24,000, which compares with a loss of \$2.2 million for the last six months of the previous financial year.

Total operating revenues of \$16.5m for the six months to December 31, 2002 were 82% above the same period last year. The acquisition of the Neuroscan neurological instrument business contributed \$6.2 million in revenue for the period, while the core diagnostics business increased 13% over the same period last year to \$10.3m.

Compumedics has now successfully established its direct USA sales channels throughout the USA hospital market (largest medical device market in the world) together with the home and alternative care diagnostic markets. As a result the USA business rebounded strongly to record revenue growth of 80% over the same period last year to \$5.9m, due to the benefits of the new model of direct sales.

Compumedics' Executive Chairman David Burton said, "It is a positive sign to see a strong rebound of the company's performance, after the recent restructure and productivity initiatives. Furthermore, we are maintaining strong revenue growth, while continuing to drive for improvements in our productivity and quality. Our strong revenue growth and reduced cost base position us for increased earnings as we move forward."

Other highlights for the six month period include:

- Federal Minister for Trade, Mark Vaile opened Compumedics' new premises, including a new manufacturing facility with substantial capacity to cater for growth of the business.
- Relocation of the US business to a new facility in El Paso and centralisation of all US based activities there.
- Collaboration with UTS and an Australian Research Council Grant of \$270k to develop vehicle based warning devices to counter driver fatigue.
- Patents for novel sleep treatment products potentially taking Compumedics' expertise into the much larger field of treatment for sleep disorders.
- Installation of Compumedics' diagnostic technology in China's largest childrens' hospital.
- Canadian approval for Somté.
- FDA clearance to sell Somté in the lucrative US market.

## **Regional Performance**

### **USA**

The USA direct business grew by 194% over the same period last year from \$3.3m to \$9.6m. Excluding the Neuroscan acquisition the US direct sleep business grew over 80% compared to the same period last year to \$5.9m in the current period.

The strong performance in the US market reflects the strength of Compumedics' core sleep business and in particular the success of moving completely to a direct sales force in that market and gaining access to the much larger US hospital diagnostic market.

This success has been complemented by the continued success of Neuroscan's US business and in particular the strength of its research business in that market.

### **Asia Pacific**

The Asia Pacific business grew by over 57% compared to the same period last year to \$5.4m revenue. The Neuroscan business contributed strongly to the region with sales of \$2.5m. This offset slower growth in Compumedics core sleep business in the region during the reporting period.

### **Europe**

Europe provides Compumedics with its greatest short to mid-term growth for the core business with revenues declining 29% from \$1.3m to \$1.0m over the previous corresponding period.

Without Neuroscan the decline in revenue for Compumedics business was 36%. Again this reflects the transition of the Compumedics business away from the Oxford distribution agreement. As this transition commenced 6 months after the USA transition the Company anticipates benefiting from the changes in distribution over the coming reporting periods.

### **Outlook**

The Company expects revenues to continue to grow in the second half.

Margins and earnings should also improve as the business has now completed its relocation exercises in both the US and Australia. In addition the Company is instigating a number of initiatives aimed at reducing working capital and freeing cash for future growth. The Company continues to review spending and resource allocation across the business with a view to improving processes and reducing costs. These initiatives should further improve the earnings outlook of the business in the next reporting periods.

### **Growth Platforms**

The Company continues to develop technology in relation to its three growth platforms of in-depth anesthesia, driver fatigue and sleep treatment. As already indicated a Research Council grant has been awarded in relation to the driver fatigue technology. Further announcements on completion of major milestones will be made in relation to the growth platforms at that time.

### **New Products**

The Company spent approximately 20% of its revenue in the six month period to December 31, 2002 on research and development demonstrating its on-going commitment to maintain and develop class leading diagnostic technology for both sleep and neurological applications. Of the Company's revenue in the last 6 months 60% is generated from products released within the last 24 months. The R&D spend supports this current revenue as well as contributing to future growth.

**About Compumedics**

Compumedics Limited, founded in 1987, is a global leader in the design and manufacture of diagnostic technology for sleep disorders, neurophysiology and cardiology. Compumedics was listed on the Australian Stock Exchange in December 2000. The company has corporate headquarters in Melbourne, Australia and offices in the United States, Asia and Europe. Compumedics holds 70% of the Australian sleep diagnostic market in Australia and is fast becoming a major presence in the US marketplace for both its sleep diagnostic as well as its neuro-diagnostic products.

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