

For personal use only



Agenda

- Meeting opens
- Chairman's address
- Ordinary business
- Meeting closes

For personal use only

Who is Compumedics?

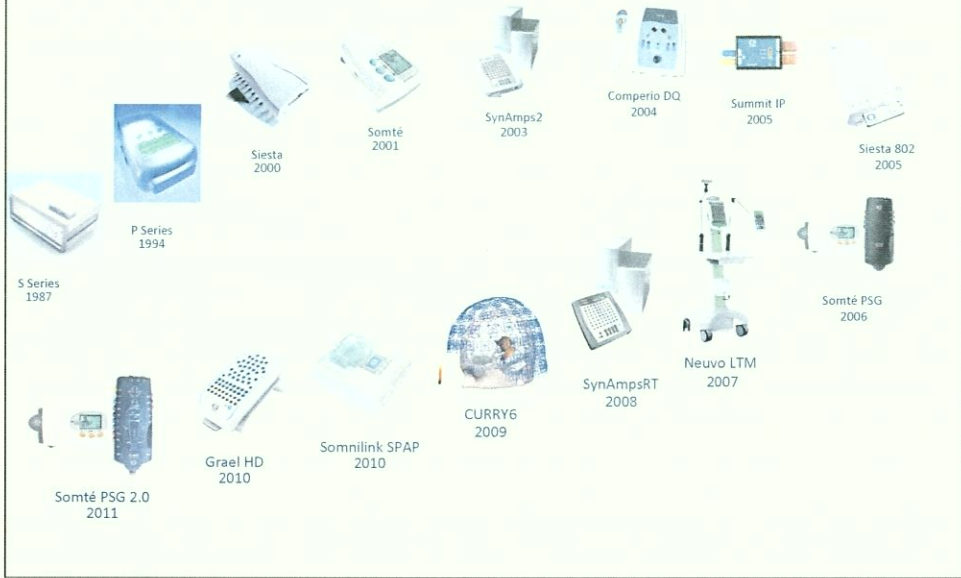
- **Compumedics** is a global, leading innovator, designer and supplier of high-tech sleep, brain and ultrasonic blood-flow diagnostic monitoring systems
- Compumedics is a technological leader
 - #1 Australia Sleep & Neurodiagnostics
 - #1 Japan Sleep
 - #1 China premier Sleep & TCD
 - #3 USA Sleep
- Rich IP and sound financials
- Core medical diagnostic device business in growth markets plus key complementary or early phase technologies in medical innovations division
- Celebrating 25 years of Sleep Diagnostics Excellence in 2011
- Listed on the Australian Stock Exchange December 21, 2000.

Board and Key Management



For personal use only

A Tradition of Innovation



Established Client Profile



The products and services Compumedics currently sells

- **Sleep disorder** diagnostic equipment
- **Neurological monitoring** equipment
- **Brain research** and analysis equipment
- **Brain blood flow monitoring** (Trans cranial Doppler [TCD]) equipment
- **Consumable items** that are used with the above equipment
- **Technical service** and support

The markets for Compumedics® products

- **Sleep disorders** diagnostic monitoring – existing market growing at 7% pa with estimated annual global sales of **≈USD150m**. Estimated **global market share 10%** - no 1 in Australia with 70%, no. 3 in USA with 15%, with good growth opportunities in China, Germany and other parts of Asia
- **Neurological disorders** monitoring – existing market growing at about 5% pa with estimated annual global sales of **≈USD450m**. Estimated **global market share <3%**, major new growth opportunity for the Company
- **Brain research** and analysis – existing market growing at about 3% pa with estimated annual global sales of **≈USD15m**. Estimated **global market share 45%**
- **Brain blood flow** (TCD) monitoring – existing market growing at about 3% pa with estimated annual global sales of **≈USD15m**. Estimated **global market share 40%**
- **Total market opportunity** for Compumedics products is **≈USD635m** annually

Product composition

- Each of the product groups Compumedics manufactures and sells generally comprises one or more of the following items:
 - **Hardware** (all proprietary items)
 - **Software** (all proprietary items)
 - **Computers, screens, cameras, trolleys** etc. (mostly third party items)
 - **Consumable items** such as sensors and electrodes (proprietary and third party items)
 - **Installation and training** (fee based on number of Compumedics staff and days required)
 - **Post sale technical service** and support (usually an annual contract)

The Compumedics business model – capital equipment sales and service

- The sleep diagnostic, neurological monitoring, brain research and trans cranial Doppler businesses encompass the following characteristics:
 - **One-off sale** of the products **every 3 to 7 years** depending on the buying/replacement cycle of the customer
 - **Recurring sale** of consumable items such as sensors, electrodes and other items, which have direct patient contact, **every 3 to 9 months** depending on the replacement buying cycle of the customer
 - **Annual sale** of technical service and support contracts usually struck on a per product/system or per patient bed basis

Customer profile

- Compumedics® equipment is usually purchased by:
 - **A Hospital** – ranging from small (<100 patient beds in total) to large (> 100 patient beds in total). Typically the key decision makers are the department head (usually the key user of the equipment) plus the purchasing and IT (networking) departments in larger hospitals.
 - **A University** – ranging from small (single campus) to large (multiple campuses). Typically the key decision maker is the lead researcher, who is the key user of the equipment.
 - **An Individual doctor or group of doctors** running an independent sleep or neurology facility
 - **A Medical Services company** – usually a company established primarily to provide sleep diagnostic services. The key decision maker is usually the principal or owner of the company.

The buying cycle for the products

- The typical buying cycle for a customer purchasing one of the main products involves the following steps:
 - Flagging an **intention to buy** new product (this can be 3 to 18 months ahead of the final decision to buy, depending on size and complexity of the proposal sought)
 - Seeking **2 to 4 vendors** to offer **initial proposals**
 - An **evaluation and demonstration phase** usually reduces the final proposals down to two vendors
 - The **final two vendors** present modified or **final proposals**
 - The customer makes a decision and issues the sales order
 - The **typical selling cycle time** from identification of a sales opportunity to receiving a sales order can be up to 18 months for large complex sales but **averages 6 to 9 months**

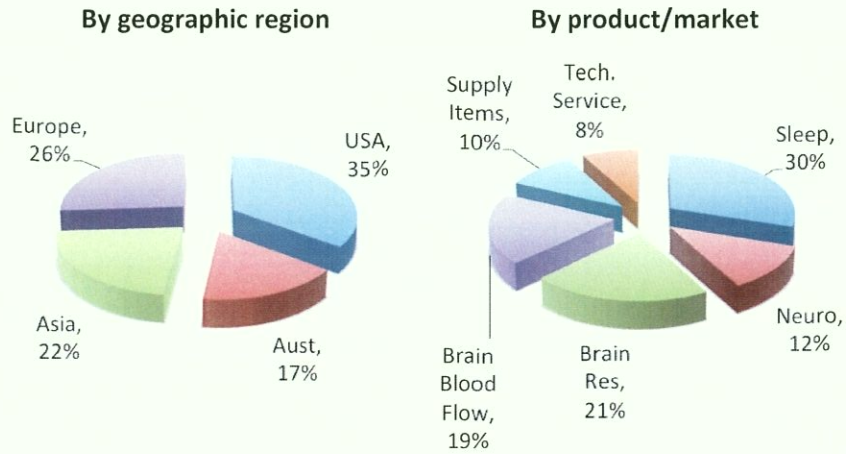
The buying cycle for consumable items

- The typical buying cycle for consumable items purchased separately is much quicker than buying the products and generally involves the following:
 - Customer accesses/visits the Compumedics web site or rings Compumedics customer service to identify items to purchase
 - Customer usually places order then and there
 - Goods are typically required to ship within 24/48 hours of order being placed
 - Payment is usually by credit card or account depending on customer

Compumedics working capital cycle

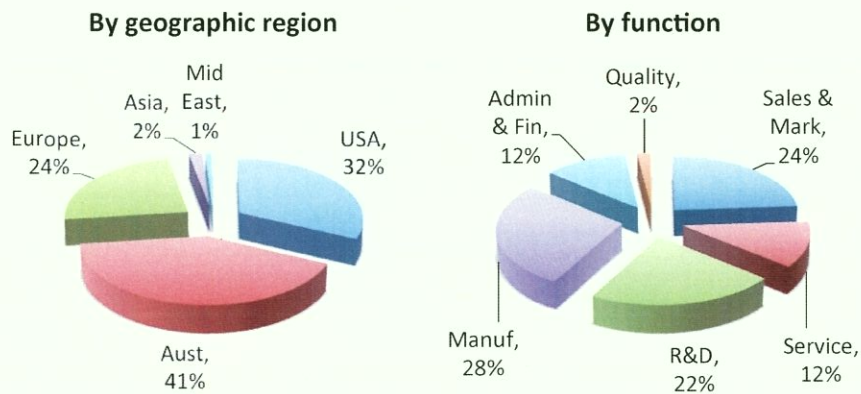
- Compumedics typically has to **fund a working capital cycle** that can span **up to 26 weeks**, depending on the product. This comprises:
 - Lead times for **purchasing** some components used in manufacture, which can be as long as **12 weeks**.
 - Actual **manufacture** time, which can be **4 to 6 weeks**, depending on the product.
 - **Shelf time**, once the product is manufactured it may be up to a further **4 weeks** before shipping, depending on customer location.
 - **Installation times** vary, but goods are usually installed within **4 weeks** of being shipped, where the sale is to an end-user customer.
 - **Payment times**, for most customers, are typically **4 to 6 weeks** after the product has been shipped and installed.
 - For distributors payment times depend on the terms of the distribution agreement, but generally fall into similar time lines.

Revenue Composition at ≈\$31m



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

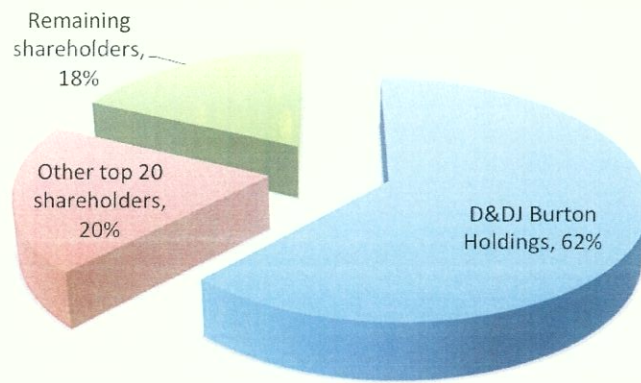
Employee Composition at ≈130 staff



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

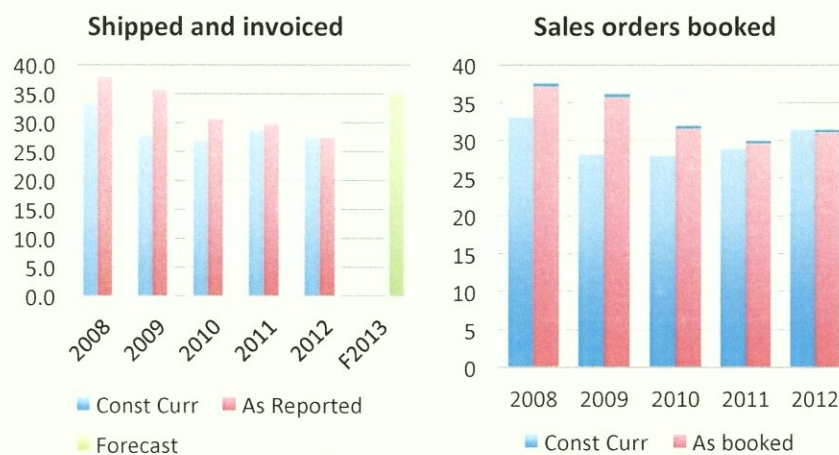
For personal use only

Ownership composition – Oct 2012



There are currently 162m ordinary shares on issue to approximately 1,000 shareholders. There are no options or other equity instruments on issue.

Historical Revenues

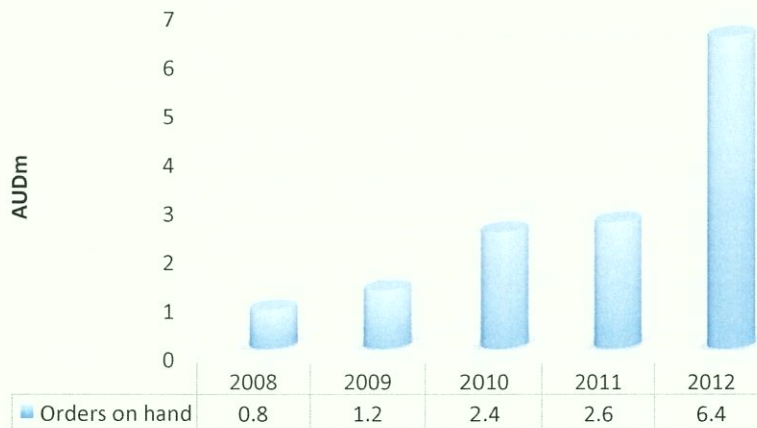


Sales shipped and invoiced in 2012 were impacted by an inability to ship due to restricted working capital – sales orders booked have grown 9% and 7% respectively over 2010 and 2011

For personal use only

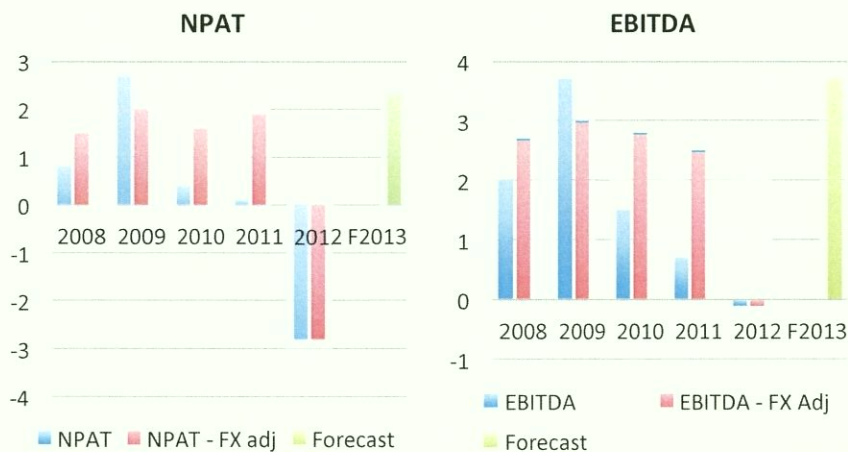
For personal use only

Sales orders on hand



Sales orders on hand have increased significantly in 2012 due to the growth in the neurology business and the business generally in Asia and an inability to secure appropriate incremental working capital in a timely fashion

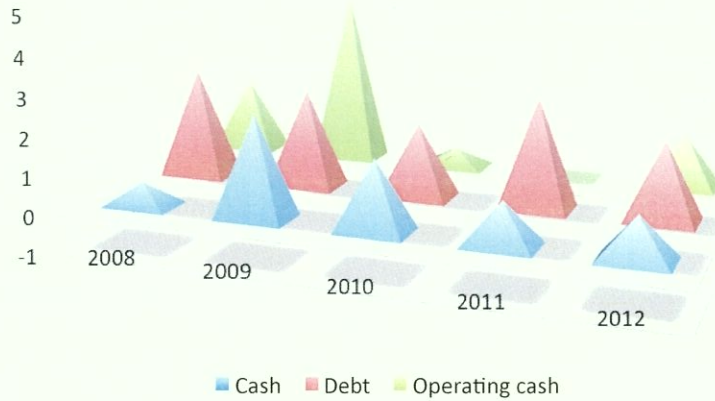
Historical Earnings



NPAT and EBITDA in 2012 were both adversely impacted by the inability to ship sales orders on hand. Had the sales orders on hand shipped NPAT and EBITDA would have been positive

For personal use only

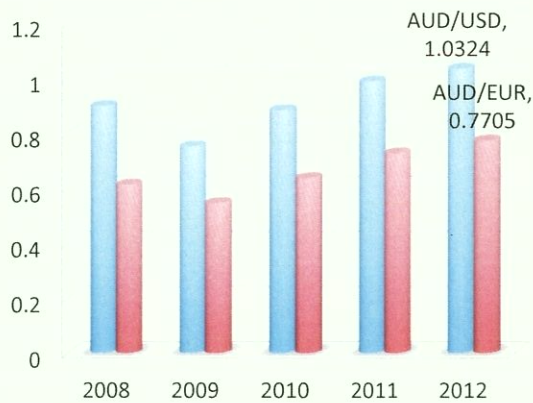
Cash, debt & operating cash



Good operating cash in 2012 of \$1.4m, despite reduced shipments, results in stable cash of \$1.1m and reduced debt of \$2.0m, down from \$2.8m in the prior year

External factors to drive business changes

Foreign Exchange Rates



Foreign exchange rates
AUD 38% higher against the USD and 26% higher against the EUR than 3 years ago. IMF states AUD is 3rd most expensive global currency.

Cost of doing business in Australia
Up to 40% more expensive and labour 35% less productive than the US according to Business Council of Australia

Banking
Cash flow lending for technology and net export based businesses almost non-existent

For personal use only

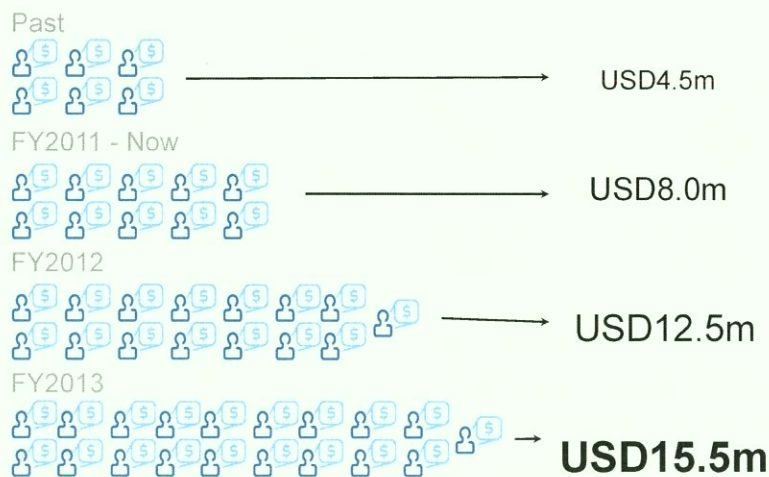
Growth strategies – Existing business

- Continue initial penetration and expansion into key neurological monitoring markets
- Maintain and grow sleep diagnostic market position by continuing to expand direct sales force in US market across the product range
- Expansion of the business, across all product lines, in Asia with particular emphasis on China and the evolution of a supplies-based business from China
- Establishment of home sleep-testing business in the US as the market evolves there

Strategic Growth Execution

USA Clinical Sales Force Expansion

More sales representatives > more revenue

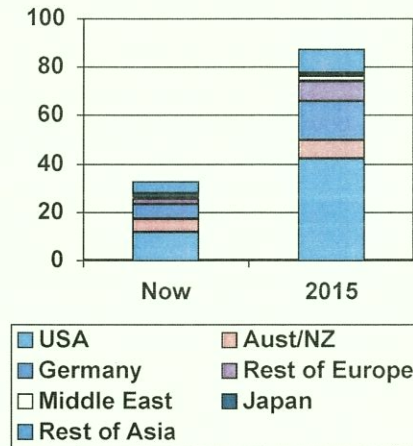


For personal use only

Strategic Growth Execution

Getting to \$100m globally

- Asia to double \$5m to \$10m through expanding distribution network
- US main engine of growth \$11m to \$35m through direct sales expansion
- Europe to triple €6m to €18m with increasing direct sales representatives in key German and French markets

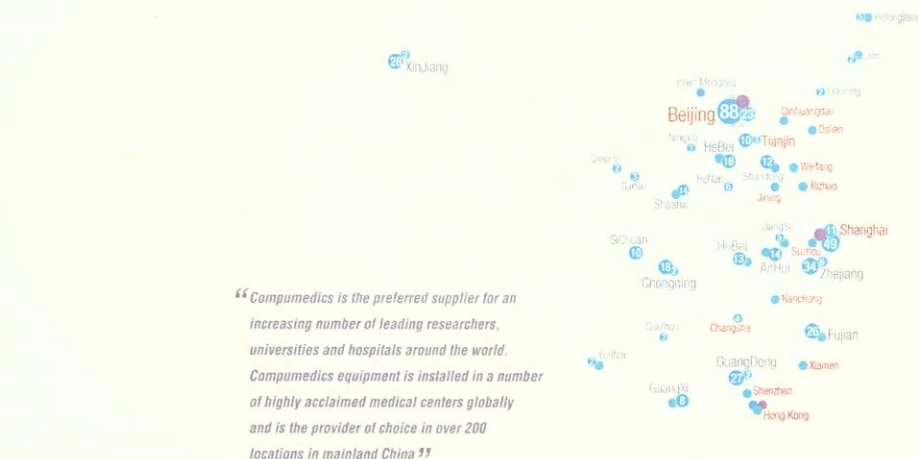


Strategic Growth Execution

Compumedics Clients in China

- Sleep
- Neuroscience
- Neuroscan

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



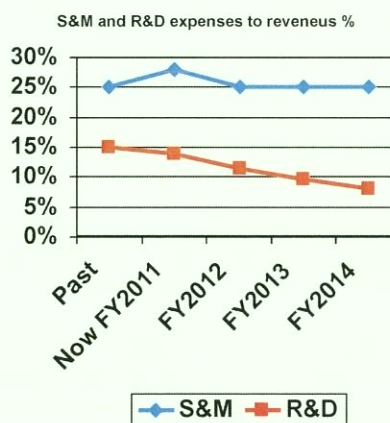
Earnings improvement activities

- Relocation of manufacturing activities to lower cost regions – China and Taiwan
- Continue to drive component purchasing to lower cost regions – China and Taiwan
- Streamlining of logistics (product delivery) and service and support as the business grows
- Better targeting of future R&D spending to more specific incremental commercial outcomes, whilst maintain ability to deliver innovative solutions to the market

Strategic Growth Execution

Focused & Market Driven

- A re-focus on the front end of the business
- Harvest existing product and technology offering
- Hold R&D spending to renew and refresh
- Deliver increasing market shares
- Deliver increasing profitability and cash



More growth opportunities - Medical Innovations

- Compumedics has, since listing, developed a number of complimentary and innovative technologies, which it groups under Medical Innovations, these include:
 - Sleep treatment
 - Driver fatigue
 - In-depth anesthesia

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
- 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 significantly advanced in its FDA application, so as to be able to sell the product in the USA

Medical Innovations – Sleep Treatment

- Compumedics seeks to evolve its sleep-treatment business, using its competitive advantage, initially, into the Auto PAP section of the overall sleep-treatment device market.
- This section of the market represents about USD280m in annual global sales out of the total USD4,400m in annual global sales for the total sleep-treatment device market.

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 a major strategic partner 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

In conclusion

- Hard work already done – sales orders on hand and new sales orders continue to be booked, just need to ship to generate earnings and cash
- Stable revenues of approximately USD30m pa, with new revenue growth emerging from neurology product line, Asian regions and Germany and other regions to follow
- Return to and grow earnings by clearing excess sales orders on hand, executing revenue growth strategies, manufacturing relocation plan and other cost initiatives
- Innovative and leading edge proprietary technology underpins business opportunities
- Significant growth up-side opportunities in Medical Innovations particularly sleep treatment in the near term

Ordinary Business

- Item 1 Financial Statements and Reports
- Item 2 Election of Directors – Dr. Graham Mitchell and Alan Anderson
- Item 3 Adoption of Remuneration Report (non binding resolution)

Meeting closes

Refreshments and additional questions and discussion to continue in the main reception area for those interested.



For personal use only