

November 2016

COMPANY Compumedics Limited | CMP | Core and stepouts are on track | MCap \$130m | Buy and PT \$1.11/share

Event:

CMP's share price has been quite volatile since 27 October AGM. Price rose to 90c/share and galling back to 75c/share.

We touched base with Executive Chairman today, and checked on progress with initiatives underway

Investors are looking out for progress with first MEG machine, as we are now one month away from target date.

Impact:

In short, progress since 27 Oct AGM has been "in line" with expectations

The leading candidates for MEG machines are doing due diligence with CMP with intensity required for one to sign a Letter of Intent by end of December.

- It appears several prospective buyers want delivery by end of CY17. CMP would use this as leverage to have one sign up this month.
- As CMP has underlined, it would rather get the first deal done well rather than fast.
 - The performance, process, contract and pricing pave the way for converting a high proportion of the other 30 "expressions of interests".

Core business growth...no change from strong growth mentioned at AGM

- Low cost and premium units are selling well in parallel
- Major competitor, Natus (BABY.NASDAQ) has said little since 20 Oct claiming its slower sales over last few quarters would be corrected
 - We suspect CMP's new lower cost machines are having an impact in USA

eHealth...professional network is being rolled out in USA and already working in China...Exec Chair is in HK, and we assume he is pushing along potential partnerships for professional network and consumer Somfit

- Scale of rollout in USA and China are significant.
 - We see each e-Health point person treating say 10,000+ people per year vs the 3,000 from a mid sized sleep laboratory (10 beds and 300 nights of operation per year)
 - Once CMP sets up the backbone system, it is relatively easy to add new centres because 90% of hardware and software is in cloud and at CMP headquarters
- Partnerships in consumer SomFit are in sweet spot of many equipment and search engines wanting to provide health solutions to consumers

View:

Stay with Buy and PT \$1.11/share

We envisage many de-risking events in the next four quarters.