



Company Announcement
Business Update: Appendix 4D Release

Monday February 26, 2018

**Profitability, Growth & Efficiency gains as Barrow Neurological
Institute MEG advances towards installation & progress made on Key
eHealth milestones**

Performance Highlights H1 FY 2018

- Record H1 sales orders – \$18.5m, including the first MEG sales order. Sales orders received, but not shipped, at 31 December 2017 are \$6.5m compared to \$3.0m at 31 December 2016
- US business sales orders 49% higher than H1 FY17, indicating changes made during 2017 are taking effect. Sales orders for European business up 300%, due in large part to the Bielefeld-Bethel order received in Germany (ASX release: 21 September 2017)
- Germany-based DWL experienced a 19% lift in sales compared to H1 FY17
- Profitability improves to \$0.6m for the six months to 31 December 2017 compared to \$0.2m for the prior period, with constant sales, validating changes made to product composition (new low cost Grael® devices) and selective outsourcing of production, along with other efficiency gains
- Shipped and invoiced sales comparable to H1 FY17; MEG system to ship in H2.

Investor Overview

- Core business: Profitability grows, with constant sales, validating changes made to product composition (new low cost Grael® devices) and the selective outsourcing of production, along with other efficiency gains
- MEG: Compumedics/Neuroscan continues to build its new MEG system, with KRIS, for installation at Barrow Neurological Institute in the US in H2 FY18. The Company continues to pursue other near-term identified opportunities
- eHealth: Nexus 360: sites continue to be added. Somfit® consumer sleep device: discussions continue to progress regarding commercialization activities
- Full-year guidance remains as: Sales \$40m-\$42m, EBITDA \$5.5m-\$6.5m, NPAT \$4.0m-\$5.0m.

Compumedics Limited (ASX: CMP) (“Compumedics” or “Company”) today announced its financial results for the half-year ended 31 December 2017 (H1 FY18).

For H1 FY2018 Compumedics generated revenues of \$16.1m, constant with the previous corresponding period of \$16.2m, primarily due to sales orders being received late in the quarter.

Gross profits were higher in H1 FY18 at \$9.4m (58% of revenues), compared to \$8.8m (54% of revenues) in H1 FY17. The improvement in the profitability of the company compared to the previous corresponding period (pcp) was primarily as a result of the ongoing improvements in the gross margins of the business. The improvement in gross margins of the Company from 54% in H1 FY17 compared to 58% in H1 FY18 are a result of the company now shipping the new lower-cost Grael® product line, the significant cost reductions due to moving certain manufacturing to third parties in Australia and overseas, and the ongoing efficiency gains that have resulted within the Company’s factory and operations team, due to this manufacturing move.

The following table highlights the key financial performance, comparing H1 and H2 for FY17 and FY18 to guidance:

AUDm	H1 FY17	H2 FY17	Total FY17	H1 FY18	H2 FY18*	Total FY18*
Sales	16.2	18.2	34.4	16.1	23.9	40.0
Margin \$	8.8	10.2	19.0	9.4	13.8	23.2
<i>Margin %</i>	<i>54%</i>	<i>56%</i>	<i>55%</i>	<i>58%</i>	<i>58%</i>	<i>58%</i>
Other income	0.3	0.5	0.8	0.2	0.2	0.4
Expenses	8.6	9.8	18.4	8.6	10.4	19.0
Fin Chg’s	0.2	0.1	0.3	0.1	0.2	0.3
FX	0.0	0.0	0.0	(0.1)	0.0	(0.1)
Tax (inc)	0.1	(0.3)	(0.2)	0.1	0.1	0.2
PAT	0.2	1.1	1.3	0.7	3.3	4.0
Depn & amort’n	0.6	0.7	1.3	0.2	0.3	0.5
EBITDA	1.2	1.5	2.7	1.1	3.9	5.0

** Forecast data, based on current circumstances and information at hand at time the data was prepared.*

Key points comparing actual H2 FY17 to forecast H2 FY18:

- ✓ Orders taken in H1 FY18 were \$18.5m compared to \$15.5 for H1 FY17. Carry forward orders booked but not shipped at 31 December 2017 are \$6.5m, compared to \$3.0m at 31 December 2016
- ✓ The MEG sale to BNI will ship H2 FY18
- ✓ The US business is expected to continue to maintain its growth in H2 FY18
- ✓ Sleep and neurology sales orders from China not booked in H1 FY18, will be received in H2 FY18

Operations

Core diagnostic medical-device business separated from medical innovation business

Compumedics is pleased to report on the Company's aggregated and disaggregated financial performance. This is attributable to the Company's core diagnostic medical-device business and Compumedics investment in technologies and products being developed in its medical innovation business.

The company believes that providing the investment community with the disaggregated information will give a clearer and more transparent picture of these two distinct diagnostic medical device and medical innovation activities.

The company's core diagnostic medical-device business encompasses the technology and products currently sold globally for the diagnosis and/or monitoring of sleep disorders and neurological disorders, and for the monitoring of blood flow through the brain. It also includes products and technology used in advanced brain function research.

Compumedics' medical innovation business primarily includes technologies and products for the consumer monitoring of sleep and subsequent treatment of sleep disorders and less developed technologies for driver fatigue monitoring and depth of anesthesia monitoring.

Earnings adjusted for unrealised FX losses						
AUDm	Medical diagnostic devices		Medical Innovation		As Reported	
	H1 FY2018	H1 FY2017	H1 FY2018	H1 FY2017	H1 FY2018	H1 FY2017
Revenues	16.1	16.2	0.0	0.0	16.1	16.2
R&D expense	(1.3)	(1.7)	(1.0)	(1.4)	(2.3)	(3.1)
EBITDA	2.1	2.6	(1.0)	(1.4)	1.1	1.2
<i>EBITDA to revenue</i>	13%	16%	-	-	7%	7%
Depreciation and amortisation	(0.1)	(0.1)	(0.2)	(0.6)	(0.3)	(0.7)
EBIT	2.0	2.5	(1.1)	(2.0)	0.9	0.5
Finance charges	(0.1)	(0.1)	(0.0)	(0.1)	(0.1)	(0.2)
Tax (exp)/credit	(0.1)	(0.1)	-	-	(0.1)	(0.1)
Net profit after tax (NPAT)	1.8	2.3	(1.2)	(2.1)	0.6	0.2
<i>NPAT to revenue</i>	11%	14%	-	-	4%	1%

Highlights and achievements for the “diagnostic” medical-device businesses for the half year ended 31 December 2017:

- Record sales orders of \$18.5m for the group for a six month period, including the first MEG sales order. Sales orders received, but not shipped, at 31 December 2017 are \$6.5m compared to \$3.0m at 31 December 2016
- US sales orders taken for H1 FY18 were 49% higher than the pcp
- Sales orders also over 300% higher in the European business and 19% higher in the DWL business for H1 FY18 compared to pcp
- EBITDA for H1 FY18 was \$1.1m compared to \$1.2m in the pcp, although shipped and invoiced sales were comparable with the pcp
- Operating cash flows were down \$1.8m to \$(0.3)m for the half-year to 31 December 2017, against \$1.5m for the half-year to 31 December 2016, reflecting delayed accounts receivable payments out of China, subsequently received in January and February 2018.
- Cash on hand at 31 December 2017 was \$2.9m compared to \$4.1m at 30 June 2017, also largely reflecting delayed accounts receivable out of China, subsequently received in January and February 2018.

Highlights and Achievements for the medical innovation business for the half year ended 31 December 2017:

- MEG: Compumedics/Neuroscan has substantively progressed the production of the first MEG system for installation at Barrow Neurological Institute in the US later in H2 FY18 and continues to pursue other near-term opportunities
- eHealth professional: Compumedics is continuing to sell its Nexus360, cloud-based sleep diagnostic platform in the US and is now expanding to other parts of the world
- eHealth consumer: Detailed discussions with parties, particularly in China, continue in relation to the company’s SomFit® consumer sleep platform
- The company continues to progress a number of other technology opportunities currently residing within the Medical Innovation Division, including the eHealth technology, and will make further announcements when appropriate.

Corporate

Key Growth Opportunities

The company is continuing to focus on a number of initiatives to underpin both current and future growth, including:

- New product platform roll-out to significantly expand addressable market.
 - The company is continuing to develop its neuro diagnostic business in the US and China, as well as other keys markets around the world, utilising its low-cost Grael® platform
 - This new range incorporates price competitive models enabling the company to compete profitably, thereby significantly expanding the company’s addressable market.

- Neuroscan moves into much larger brain analysis imaging market.
 - Compumedics is well advanced with the production of its first MEG sale for installation at Barrow Institute of Neurology during H2 FY18.

- Growth in international sales with expansion plans in the USA, Germany and China markets.
 - The company will continue to expand its USA sales team in order to grow market share in both sleep and neurological diagnostic and monitoring markets.
 - In Germany the company will pursue sales resources for both sleep and neurological diagnostic and monitoring markets.
 - The company will continue to build on its long-term relationships in China to grow the company's businesses in the region.

- eHealth: Developing the commercialisation of cloud-based sleep diagnostics platform
 - Compumedics continues the rollout of its professional cloud-based sleep diagnostic platform, Nexus 360, to key sites in the US and other key markets around the world.
 - Compumedics is in on-going discussions with several parties regarding the commercialisation of its consumer, cloud-based sleep diagnostic platform, SomFit®, and will update the market as key milestones are met.

- DWL: Expansion opportunities with the newly granted break-through auto-scan TCD patent to be pursued.
 - The company will continue to develop its technologies around the 3D Transcranial Colour Doppler (3D TCCD)/Duplex imaging, while refining the best way to fully exploit this commercial opportunity.

Financial Outlook

Compumedics expects the identified key growth opportunities to deliver an increase in revenues and earnings in the current financial year.

As a result, the company expects its full-year results to be within guidance already provided to market. These expected FY18 results are as follows: Sales \$40m to \$42m, EBITDA \$5.5m to \$6.5m, and NPAT \$4.0m to \$5.0m.

This guidance is based on the general economic environment in Australia and the company's other key offshore markets – USA, China, France and Germany – remaining broadly as they are at the timing of the release of these results.

About Compumedics Limited

Compumedics Limited [ASX: CMP] is a medical device company involved in the development, manufacture and commercialisation of diagnostics technology for the sleep, brain and ultrasonic blood-flow monitoring applications. The company owns US based Neuroscan and Germany based DWL Elektronische GmbH. In conjunction with these two subsidiaries, Compumedics has a broad international reach, including the Americas, Australia and Asia Pacific, Europe and the Middle East.

Executive Chairman Dr David Burton founded Compumedics in 1987. In the same year the company successfully designed and installed the first Australian, fully computerised sleep clinic at Epworth Hospital in Melbourne. Following this early success, Compumedics focused on the development of products that sold into the growing international sleep clinic and home monitoring markets.

Compumedics listed on the Australian Securities Exchange in 2000. Over the years, Compumedics has received numerous awards, including Australia's Exporter of the Year, and has been recognised as a Top 100 Innovator by both German and Australian governments.

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