

COMPANY Compumedics | CMP | \$ 0.41/share MCap \$68m

Date: 25 February 2016

RECOMMENDATION Buy | High Risk | \$ 0.80/share target (Unchanged)

EVENT - Off shore and new product growth on track

KEY POINTS

- NPAT at \$1.9m vs pcp \$0.9m (up 106%) with: 11% lift in sales across both sleep and neuro; lower costs with increase scale; and, favourable FX (for ~25% of benefit).
- We expect gross margin to stay at 55% and FY'16 NPAT of \$3.1m (vs guidance of \$2.8m to \$3.2m.) This margin should increase 5% going forward with the lower cost base units for sleep and neuro.
- Geographic expansion into target markets on progress with: US sales up 46% pcp, Europe up 69% pcp, and Asia up 23% pcp. CMP has good partners in Asia and is expanding sales forces in US and Europe.
- We lifted our and valuation and price target by 20% to \$0.80/share when CMP secured a brain image licence and technology deal with Korea's KRISS institute on 22 February.
- CMP reported negative operating cash flow of - \$0.4m. Some large receivables were delayed and only received in Jan 2016. We expect this will work itself out by FY16 with improved shipping and invoices cycle.
- We stay with our Buy recommendation with price target of \$0.80/share. We expect to see more updates on new product initiatives (eHealth, brain image) during 2H16. CMP already has ~\$2m/a e-health sales in China and will have step change in commercial sales of both new product ranges in FY17.

FY 16F METRICS PER 21.7x | EV/EBITDA 11.3x | Yield 0 %

NEXT UPDATE – HY Road Show

- Please contact Roger Chen rchen@pacpartners.com.au or myself.

Should you have any queries, please do not hesitate to contact me on +613-8633-9864.

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Compumedics

NFPOS

167 m

Price \$ 0.41

Market Cap \$68 m

PROFIT & LOSS (\$m)

Y/end	FY10A	FY11A	FY12A	FY13A	FY14A	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F
Revenue	32.4	30.9	27.9	27.2	30.8	33.5	37.6	42.7	51.7	79.6	98.7
EBITDA	1.5	0.6	-0.2	0.3	3.0	4.1	5.7	8.5	12.1	18.9	25.1
Depreciation & Amortisation	0.5	1.0	1.1	1.2	1.4	1.4	1.4	1.4	1.4	1.5	1.5
EBIT	1.0	-0.4	-1.3	-0.9	1.6	2.7	4.3	7.0	10.7	17.5	23.6
Net Interest	-0.6	-0.4	-0.5	-0.4	-0.6	-0.7	-0.6	0.0	0.2	0.1	0.1
Income tax	0.0	0.8	-1.0	-0.2	-0.1	0.0	-0.6	-1.1	-2.2	-3.5	-4.7
NPAT underlying	0.4	0.1	-2.8	-1.5	0.9	2.0	3.1	6.0	8.7	14.1	18.9
Equity Accounting Profits											
Less non-controlling Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPAT underlying - attribut	0.4	0.1	-2.8	-1.5	0.9	2.0	3.1	6.0	8.7	14.1	18.9
Abnormal items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NPAT Reported	0.4	0.1	-2.8	-1.5	0.9	2.0	3.1	6.0	8.7	14.1	18.9

BALANCE SHEET (\$m)

Y/end	FY10A	FY11A	FY12A	FY13A	FY14A	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F
Cash	1.8	1.2	1.1	1.3	1.1	2.2	5.6	12.4	13.5	15.9	15.8
PP&E	0.9	0.8	0.8	0.7	0.7	0.8	1.3	2.1	2.7	3.9	5.6
Debtors & Inventory	14.7	16.0	14.0	13.6	14.7	15.5	17.1	18.6	22.5	33.9	40.6
Intangibles	4.2	4.2	4.0	3.5	2.9	2.7	2.8	2.9	3.1	3.2	3.4
Other assets	0.2	0.9	0.0	0.0	0.2	0.5	0.5	0.5	0.5	0.5	0.5
Total Assets	21.8	23.1	19.9	19.1	19.5	21.7	27.4	36.5	42.2	57.4	66.0
Borrowings	1.9	2.8	2.1	2.3	2.0	2.0	2.5	2.7	3.3	5.1	6.3
Trade Creditors	4.5	4.6	4.9	4.6	4.6	4.2	5.0	4.9	5.9	9.1	11.1
Other Liabilities	3.2	3.0	3.7	3.8	3.7	4.2	4.8	5.4	6.5	10.1	12.5
Total Liabilities	9.6	10.3	10.7	10.7	10.4	10.4	12.2	13.0	15.8	24.3	29.9
NET ASSETS	12.2	12.8	9.2	8.4	9.2	11.3	15.2	23.4	26.5	33.1	36.1

Y/end	FY10A	FY11A	FY12A	FY13A	FY14A	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F
Operating EBITDA	1.5	0.6	(0.2)	0.3	3.0	4.1	5.7	8.5	12.1	18.9	25.1
Interest & Tax	(0.6)	0.4	(1.6)	(0.6)	(0.7)	(0.7)	(1.3)	(1.3)	(2.5)	(3.9)	(5.3)
Working Cap.	(0.5)	(0.4)	(2.2)	(0.6)	1.6	1.1	(0.2)	0.7	1.2	3.1	1.2
Operating CF	0.5	0.7	(3.9)	(0.8)	3.9	4.5	4.3	7.8	10.8	18.1	21.0
Maintenance Capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expansion Capex	(1.3)	(1.0)	(0.3)	(0.3)	(0.2)	(0.5)	(0.9)	(1.1)	(1.0)	(1.6)	(2.1)
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Free Cashflow (FCF)	(0.8)	(0.3)	(4.2)	(1.2)	3.7	4.0	3.4	6.7	9.8	16.4	18.9
Ord Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(8.7)	(14.1)	(18.9)
Equity, (Debt Paydown)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cashflow	(0.8)	(0.3)	(4.2)	(1.2)	3.7	4.0	3.4	6.7	1.1	2.4	(0.0)

DIRECTORS

EXECUTIVES

	Shares (m)	Shares (m)
David Burton	100.8	Warwick Freeman (CTO)
David Law son	4.3	
Alan Anderson	0.1	
Total	105.3	

eHealth (China)

eHealth (China + ROW)

DIVISIONAL SUMMARY (A\$m)

Y/end	FY10A	FY11A	FY12A	FY13A	FY14A	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F
Revenue											
Sleep	9.7	9.3	8.4	8.1	9.3	9.4	10.3	11.3	12.5	13.7	14.4
Brain / Neuro	9.5	9.8	8.6	8.4	9.3	11.5	13.2	15.2	17.5	36.7	42.2
Blood Flow (DWL)	6.7	5.6	5.9	5.1	6.5	6.9	7.3	7.6	8.0	9.2	10.6
eHealth	0.0	0.0	0.0	0.0	0.0	0.0	0.2	1.0	5.0	10.0	20.0
Consumables/Services	6.5	6.2	5.0	5.4	5.9	5.7	6.5	7.5	8.7	10.0	11.5
Total	32.4	30.9	27.9	27.2	30.8	33.5	37.6	42.7	51.7	79.6	98.7
EBITDA											
Sleep	0.5	0.2	0.0	0.1	0.9	1.1	1.6	2.2	2.9	3.3	3.7
Brain / Neuro	0.4	0.2	0.0	0.1	0.9	1.4	2.0	3.0	4.1	8.7	10.7
Blood Flow (DWL)	0.3	0.1	0.0	0.1	0.6	0.8	1.1	1.5	1.9	2.2	2.7
eHealth	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	1.3	3.0	8.0
Consumables/Services	0.3	0.1	0.0	0.1	0.6	0.7	1.3	1.9	2.6	3.0	3.4
Other	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-0.3	-0.7	-1.2	-3.5
MLESTONE							0.0	0.0	0.0	0.0	0.0
Total	1.5	0.6	-0.2	0.3	3.0	4.1	5.7	8.5	12.1	18.9	25.1
										19	25
	FY10A	FY11A	FY12A	FY13A	FY14A	FY15A	FY16F	FY17F	FY18F	FY19F	FY20F
Sleep	0.5	0.2	0.0	0.1	0.9	1.1	1.6	2.2	2.9	3.3	3.7
Brain	0.8	0.3	-0.1	0.2	1.5	2.2	3.1	4.5	6.0	10.9	13.4

25-Feb-16
25-Feb-16

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Recommendation Criteria

Investment View

PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Buy	Hold	Sell
> 20%	20% - 5%	< 5%

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Risk Rating

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