

# Compumedics (CMP.AX)

## Tangible brain diagnostic platform with blue sky

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### KEY POINTS

- FY'19 EBITDA of \$5.9m is the first significant lift after four years of \$4m to \$5m. 2H'19's \$4.5m is 55% bigger than any other HY.
- We estimate the Base sleep & neuro diagnostics delivered \$6.2m and the first breakeven result from Step-outs of -\$0.3m with two parts delivering cash (MEG \$0.2m, eHealth \$0.5m, SomFit -\$1.0m)
- After success of two Step-outs and Base we stay with our forecast of a significant ramp-up over three years to EBITDA of \$20m, with 30% from Base and 70% from Step-outs
- CMP has set a conservative FY'20 EBITDA target of \$6.5m to \$7.5m without any contribution from MEG. Our report tries to show the three steps to link FY'19 \$5.9m to \$20m over 3 years.

### INVESTMENT VIEW

We retain a Buy on CMP and expect it to re-rate towards \$0.95/share as:

- Base (sleep & neuro diagnostic devices & services) deliver reliable growth over next two halves with the dual premium and mid offers, and eHealth moves into growth leverage after the USA backbone build.
- Blue sky from Step-outs becomes more tangible with new orders of MEG in 2H'20F and a distribution partner for SomFit.

### THREE STEPS TO 3.5X IMPROVEMENT IN EBITDA OVER 3 YEARS

**1 – Full range of sleep and neuro diagnostics.** CMP now has three tiers of distribution (premium, mid-level and eHealth) with full range of products. This one stop shop for premium sleep and neuro labs and basic day centres was the key to winning preferred Adventist's preferred vendor status for its 48 US hospitals in March 2019.

**2 – Consumables and eHealth are expanding profitably.** Many diagnostic companies talk about obtaining 20% of EBITDA from sale of consumable, and profitable leverage of eHealth backbone. We estimate CMP delivered 25% of FY'19A EBITDA from consumables, and made first positive EBITDA 30+ customer sites eHealth platform.

**3 – MEG roll-out is very tangible. SomFit is back-up.**

CMP installed its first MEG at Barrow Neurological Institute in Phoenix USA during May 2019. Fee paying patients in a "research mode" are due this quarter and the FDA approval process should conclude by early 2020. We understand CMP has at least 50 enquiries to purchase MEG, and five have progressed to a significant level of due diligence. We expect 1 or 2 research based hospitals to order MEGs in 2H'20F.

SomFit was a \$1m loss maker in FY'19 with a trial for a regional sports team and product development. We forecast similar development cost above the EBITDA line this year, and a distribution partner to be named in 2H'20F. CMP has had one false start with partner (Health100), so we prefer to keep SomFit as a back-up kicker to earnings in 2020

### RISKS.

- \$5m "Orion Lifespan™" MEG machine adoption rate is slow.
- \$200 SomFit consumer product is too far from CMP's core and distracts team.
- Core sleep and neuro diagnostic business becomes low margin with competition and/or slow turnover.

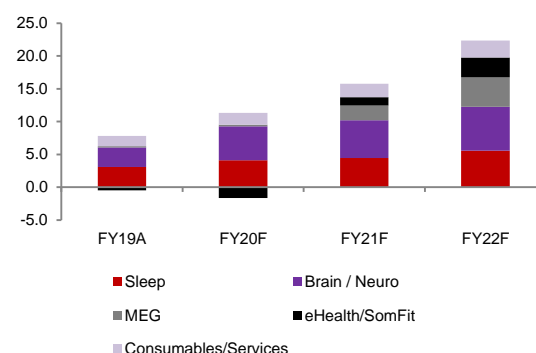
Recommendation	Buy
Previous Recommendation	Buy
Risk Rating	High
Current Share Price	\$0.66
12 Month Price Target	\$0.95/share (down 5%)
Price target Methodology	70% Base Case + 30% High
Total Return (Capital + Yield)	44%
DCF Valuation	\$0.95/share
Market Capitalisation	\$116m
Liquidity	\$0.2m/day

### Financial Forecasts & Valuation Metrics

Y/e Jun (\$m)	2019A	2020F	2021F	2022F
Revenue	41.5	45.9	55.6	70.8
EBITDA	5.9	7.3	13.0	19.8
EPS (cps)	2.8	3.0	5.3	8.0
EPS Growth	63%	10%	74%	51%
DPS (c)	0.0	0.8	1.4	2.1
EV / EBITDA (x)	19.3	15.4	8.5	5.3
PER (x)	23.8	21.7	12.4	8.3
Dividend Yield	0.0%	1.2%	2.0%	3.0%
Gearing	-11%	-10%	-16%	-21%

Source: PAC Partners estimates

### EBITDA by product - FY'19A \$5.9m, FY'22 \$21.1m



### Key Milestones

- Pres'ns @ PAC: 10 Sep Melb; 8 Oct Syd
- FY'20F - US Adventist Health hospital orders and boost to low cost diagnostic sales
- FY'20F MEG – FDA approval and new orders
- FY'20F SomFit – Distribution partner
- FY'22F: \$20m EBITDA

**DISCLOSURE: PAC Partners has carried out work for the Company over the last 24 months and received fees on commercial terms for the services.**

The information contained in this report is provided by PAC Partners to Wholesale Investors only.

The information contained in this report is to be read in conjunction with other important disclosures at the end of this document.

## Summary

Across the globe CMP has installed...

...23k diagnostic devices...

... 100 MEGs with CMP software...

...and one complete \$5m MEG made by CMP/KRISS

Low cost and eHealth solutions were added recently...

...and a consumer sleep test SomFit is being trialled

US sales were slow in FY'17 & FY'18, and EU was slow in FY'19

After 10 MEG were sold each year for 13 years until 2017 there has only been one since...

...it appears that CMP was the cause and we think it is the solution

Moving into \$200 consumer products vs \$15k devices and \$5m machines is a different skill set

CMP delivered a 40% increase in EBITDA yoy...

...and 2H of \$4.5m was 55% larger than any half

China provided the boost in base equipment sales

### COMPANY BACKGROUND

Compumedics (CMP) is a leading supplier of sleep and neurological diagnostic devices globally, with around 23k units installed and 1,500 units sold annually for \$9k to \$25k. 15-20% of group sales come from recurring services for existing units. CMP has captured around 30-40% of the premium end of sleep and neurological clinics across Nth America, Europe and China/Japan/Australia. Since 2012 CMP has developed a lower cost solution for sleep/diagnostics with simpler units and an eHealth platform for the smaller testing centres. CMP has also upskilled its neurological devices to move from a software supplier to 100 (of 130) ~A\$5m Orion MEG <MagnetoEncephaloGraphy> machines to a supplier of the full device with Korean Partner (KRISS). The first Orion MEG was installed in reference Barrow Institute in Arizona USA in 2019. CMP will take a simple sleep diagnostic device (SomFit) to the retail market, and would prefer to do with a consumer goods partner.

### KEY DRIVERS

- Sleep and neuro diagnostic growth in clinics (hardware & software) and smaller centres (amplifier & cloud)
- Brain wave diagnostics for autism, dementia & other neurological conditions require a 10x faster and more accurate MRI which is a new machine (MEG MagnetoEncephaloGraphy)
- Consumer sleep testing with simplified sensor (SomFit)

### MILESTONES

- FY'20F - US Adventist Health hospital orders and boost to low cost diagnostic sales
- FY'20F MEG – FDA approval and two new orders in 2H
- FY'20F SomFit – Distribution partner by 4Q
- FY'22F: \$20m EBITDA

### RISKS

- \$9k to \$25k per unit core sleep and neuro diagnostic business becomes low margin with competition and/or slow turnover. *Mitigation: CMP saw this squeeze and: lowered cost; increased geographic distribution; and, accelerated eHealth products and services.*
- \$5m Orion MEG machine adoption rate is slow. *Issue: There used to be 10 units sales per year of lower accuracy MEG with CMP software in ~80% of all MEGs sold. The pause over last three years for upgraded Orion MEG with CMP/KRISS improvements suggests a major re-think, and perhaps focus on using "slower" 35,000 installed Magnetic Resonance Imaging machines (MRI). It is more likely that the 50 customers on "interested" list are waiting for more test data from installed US – Barrow Institute. Individual hospital local budget allocation and building space are also required to place an order with A\$1m upfront cost and total equipment cost of A\$5m. The test centre and ancillaries would push cost to A\$7m -A\$10m.*
- \$200 SomFit consumer product is too far from CMP's core and distracts team. *Mitigation – CMP is trying to partner SomFit with distribution and manufacturing companies. CMP will do trials with Diabetes and Sporting groups in order to raise profile. CMP also has a new range of equipment for the home sleep-testing market which will extend the Base unit market and keep CMP up to date on what home testing services are relevant. CMP is also rolling out its eHealth cloud based network in USA and Australia. SomFit can use the same infrastructure and reduce start-up delays and cost.*

### DETAIL – FY'19 RESULT

Sales increase of 12% from \$36.9m to \$41.5m (+12%). CMP took new orders of \$40.5m, up 7.5% from new orders in FY'18.

EBITDA increase 40% from \$4.2m to \$5.9m with margin up 5.4% to 15.4%. The 2H'19 EBITDA of \$4.5m is 55% bigger than any other HY

There was growth across most regions and products:

- **Asia/Australia up 26%.** Significant new contracts into China with sleep and neuro devices. We estimate that the margins on these contracts are steady and attribute margin expansion to USA. It is significant that the Base sleep and neuro device market has picked up in China, after negative sales growth. It appears that CMP has got the product mix and inventory right. The price points with premium and budget device are working. Australia declined with one –off changes to re-imburement.

Underlying US sales were up 2% yoy (ex MEG sale)...

...which is a fair result after down years in 2017 and 2018

EU continue with lumpy sale results...

...and CMP has people and products in place for steady growth

We estimate CMP increased EBITDA margin by 2% to ~13.5% without including the MEG sale

Larger scale, better product mix and more consumable

Uncertainty with healthcare spend follows geopolitical and trade uncertainties

Despite a low sales growth, we expect CMP to meet its 19% EBITDA growth through product mix and improved cost base

The one or two MEG sales in 2HFY'20F are important for showing that the pipeline of 50 customers is real

The EBITDA lift from MEG is more important to FY'21F and beyond

Base diagnostic devices have full range of service and price points

eHealth and consumable are in good leverage zone with installed base

SomFit still slightly loss making during trials...

...but could be accelerated with early partnering

- **USA up 14%.** Sales team continues to grow, and increases CMP presence in the mid-market with lower cost diagnostic devices and eHealth services. If we strip out \$0.5m sales for the Orion MEG machine delivered there was 17% growth in USA sales. This is a turn-around from decline in sales over the last two years due to sluggish demand and change-over of CMP sales approach. *Importantly we estimate that the EBITDA from the MEG was just \$0.8m in this year due to extra costs with first machine. This suggests there was a better margin from product mix and lower cost base.*
- **EU down 10%.** Germany delivered well in 1H'19A and CMP expanded its French sales team. The 2H'19A was affected by the slowdown in re-imburement in France, and possibly some adjustment with sales team. The EU has been a lumpy market for a few years, but CMP has put a lot of work into sales team and product range to prevent a revisit of the \$7.5m sales in FY'17A. (FY'18A 10.2, FY'19A \$9.10m).

There are a lot of assumptions required to drill into margins by product. One check we do is the group EBITDA margin, and CMP has stepped up 1.9% to 14.2% this year, equalling the best result over the last seven years.

We think it is safe to estimate MEG EBITDA of ~\$0.8m (with \$0.2m in FY'19 and \$0.6m in FY'18) from the first \$4.5m MEG machine vs the \$2.25m (50%) per machine going forward. We also assume that in all regions CMP has increased the proportion of consumable sales.

With these assumptions we estimate that CMP has generated 2.0% lift in EBITDA to 13.5% ex MEG from larger scale, lower cost, better, product mix and more consumable sales.

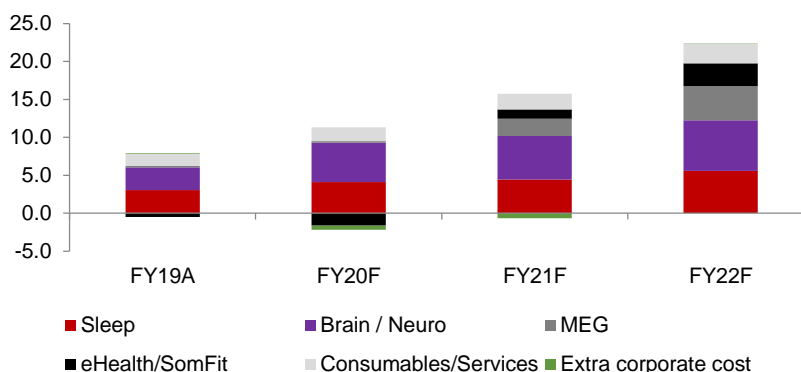
### DETAIL – FY'20 GUIDANCE

FY'20F guidance of sales \$42m to \$44m, is conservative at just 3% sales growth. The 19% EBITDA growth to EBITDA \$6.5m to \$7.5m no MEG sale is a little more aggressive. We are at \$7.1m EBITDA without MEG and \$7.3m the start of one or two MEG orders.

CMP has taken a careful approach to sales with US and Chinese political and trade uncertainties. This uncertainty has spilled into the healthcare spend in the past.

The EBITDA leverage in CMP guidance is impressive, and shows confidence in the low cost base and matching product mix to improved sales teams in US and EU. CMP has a long history with its Chinese and Japanese distributor partners and is confident of maintaining its growth, market share and service levels in the region.

### CMP Divisional EBITDA - \$m



Source: PAC Partners estimates

### THREE STEPS TO 3.5X IMPROVEMENT IN EBITDA OVER 3YEARS

**1 – Full range of sleep and neuro diagnostics.** CMP now has the three tier distribution (premium, mid-level and eHealth) with full range of products. This one stop shop for premium sleep and neuro labs and basic day centres was key to winning preferred Adventist's preferred vendor status for its 48 US hospitals in March 2019.

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## Compumedics

NFPOS

176 m

Price \$ 0.66  
Market Cap \$116 mSomFit Partner  
Out

## PROFIT &amp; LOSS (\$m)

Y/nd	FY13A	FY14A	FY15A	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F	FY23F
<b>Revenue</b>	<b>27.2</b>	<b>30.8</b>	<b>33.5</b>	<b>37.5</b>	<b>34.3</b>	<b>36.5</b>	<b>41.5</b>	<b>45.9</b>	<b>55.6</b>	<b>70.8</b>	<b>80.9</b>
EBITDA	0.3	3.0	4.1	5.3	4.4	4.2	5.9	7.3	13.0	19.8	23.7
Depreciation & Amortisation	1.2	1.4	1.4	1.8	1.3	0.5	-0.5	-0.5	-0.5	-0.4	-0.4
<b>EBIT</b>	<b>-0.9</b>	<b>1.6</b>	<b>2.7</b>	<b>3.6</b>	<b>3.1</b>	<b>3.7</b>	<b>6.4</b>	<b>7.8</b>	<b>13.5</b>	<b>20.2</b>	<b>24.1</b>
Net Interest	-0.4	-0.6	-0.7	-0.4	-0.3	-0.2	-0.3	-0.2	-0.2	-0.2	-0.1
Income tax	-0.2	-0.1	0.0	0.2	-0.4	-0.5	-1.2	-2.3	-4.0	-6.0	-7.2
NPAT underlying	-1.5	0.9	2.0	3.4	1.3	3.0	4.9	5.3	9.3	14.1	16.8
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
<b>NPAT underlying - attributed</b>	<b>-1.5</b>	<b>0.9</b>	<b>2.0</b>	<b>3.4</b>	<b>1.3</b>	<b>3.0</b>	<b>4.9</b>	<b>5.3</b>	<b>9.3</b>	<b>14.1</b>	<b>16.8</b>
Abnormal items	0.0	0.0	0.0	0.0	-0.8	0.0	0.0	0.0	0.0	0.0	0.0
NPAT Reported.	-1.5	0.9	2.0	3.4	0.5	3.0	4.9	5.3	9.3	14.1	16.8

## BALANCE SHEET (\$m) = Does not include capex for Health 100 JV

Y/nd	FY13A	FY14A	FY15A	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F	FY23F
Cash	1.3	1.1	2.2	3.1	4.1	3.9	4.6	4.6	7.6	11.9	19.7
PP&E	0.7	0.7	0.8	0.8	0.7	0.7	1.7	3.1	4.3	5.5	6.7
Debtors & Inventory	13.6	14.7	15.5	18.4	21.2	23.5	23.8	27.3	30.9	37.4	42.1
Intangibles	3.5	2.9	2.7	2.4	2.4	4.0	6.8	7.1	7.5	7.9	8.3
Other assets	0.0	0.2	0.5	1.4	0.8	1.3	1.8	1.8	1.8	1.8	1.8
<b>Total Assets</b>	<b>19.1</b>	<b>19.5</b>	<b>21.7</b>	<b>26.1</b>	<b>29.2</b>	<b>33.4</b>	<b>38.7</b>	<b>44.0</b>	<b>52.2</b>	<b>64.5</b>	<b>78.5</b>
Borrowings	2.3	2.0	2.0	2.6	0.7	1.9	1.6	1.6	1.6	1.6	1.6
Trade Creditors	4.6	4.6	4.2	4.1	4.2	5.1	4.4	5.5	5.8	6.2	6.9
Other Liabilities	3.8	3.7	4.2	4.8	4.3	4.5	5.4	5.5	6.9	8.7	9.9
<b>Total Liabilities</b>	<b>10.7</b>	<b>10.4</b>	<b>10.4</b>	<b>11.5</b>	<b>9.2</b>	<b>11.5</b>	<b>11.4</b>	<b>12.5</b>	<b>14.2</b>	<b>16.5</b>	<b>18.4</b>
<b>NET ASSETS</b>	<b>8.4</b>	<b>9.2</b>	<b>11.3</b>	<b>14.6</b>	<b>20.1</b>	<b>21.9</b>	<b>27.3</b>	<b>31.4</b>	<b>38.0</b>	<b>48.0</b>	<b>60.1</b>

## CASH FLOW (\$m)

Y/nd	FY13A	FY14A	FY15A	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F	FY23F
<b>Operating EBITDA</b>	<b>0.3</b>	<b>3.0</b>	<b>4.1</b>	<b>5.3</b>	<b>4.4</b>	<b>4.2</b>	<b>5.9</b>	<b>7.3</b>	<b>13.0</b>	<b>19.8</b>	<b>23.7</b>
Interest & Tax	(0.6)	(0.7)	(0.7)	(0.5)	(0.4)	(0.2)	(0.3)	(2.1)	(3.8)	(5.9)	(7.1)
Working Cap.	0.6	(1.6)	(1.1)	(2.4)	(4.1)	(1.1)	(2.0)	(2.0)	(2.2)	(4.5)	(2.9)
<b>Operating CF</b>	<b>0.3</b>	<b>0.7</b>	<b>2.2</b>	<b>2.2</b>	<b>0.9</b>	<b>0.6</b>	<b>5.1</b>	<b>3.2</b>	<b>7.0</b>	<b>9.4</b>	<b>13.6</b>
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	(0.3)	(0.2)	(1.3)	(1.5)	(1.3)	(2.0)	(1.9)	(1.8)	(1.7)	(1.7)	(1.6)
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Free Cashflow (FCF)</b>	<b>(0.1)</b>	<b>0.4</b>	<b>0.9</b>	<b>0.7</b>	<b>(0.4)</b>	<b>(1.5)</b>	<b>3.3</b>	<b>1.4</b>	<b>5.3</b>	<b>7.7</b>	<b>12.1</b>
Ord Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.3)	(2.3)	(3.5)	(4.2)
Equity, (Debt Paydown)	0.0	0.0	0.0	0.0	4.2	1.2	(2.3)	0.0	0.0	0.0	0.0
<b>Net Cashflow</b>	<b>(0.1)</b>	<b>0.4</b>	<b>0.9</b>	<b>0.7</b>	<b>3.8</b>	<b>(0.3)</b>	<b>1.0</b>	<b>0.0</b>	<b>3.0</b>	<b>4.2</b>	<b>7.9</b>

## DIRECTORS

## EXECUTIVES

	Shares (m)	Shares (m)
David Burton	96.0	Warwick Freeman (CTO)
David Lawson	3.4	0.1
Tucson Dunn	0.0	
<b>Total</b>	<b>99.5</b>	

## DIVISIONAL SUMMARY (A\$m)

Y/nd	FY13A	FY14A	FY15A	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F	FY23F
<b>Revenue</b>											
Sleep	8.1	9.3	9.4	12.4	10.8	10.0	11.5	12.1	12.7	13.3	14.0
Brain / Neuro	13.6	15.7	18.4	18.4	16.3	16.1	19.7	21.0	23.1	25.5	28.3
MEG	0.0	0.0	0.0	0.0	0.0	2.3	0.5	0.9	4.5	9.0	11.7
eHealth/SomFit	0.0	0.0	0.0	0.0	0.5	1.0	2.0	3.0	5.0	10.0	11.5
Consumables/Services	5.4	5.9	5.7	6.8	6.8	7.1	7.8	9.0	10.3	12.9	15.5
<b>Total</b>	<b>27.2</b>	<b>30.8</b>	<b>33.5</b>	<b>37.5</b>	<b>34.3</b>	<b>36.5</b>	<b>41.5</b>	<b>45.9</b>	<b>55.6</b>	<b>70.8</b>	<b>80.9</b>
<b>EBITDA</b>											
Sleep	0.1	0.9	1.1	1.8	0.6	0.4	1.5	2.3	2.4	3.0	3.3
Brain / Neuro	0.2	1.5	2.2	2.6	3.2	2.8	3.0	5.2	5.7	6.7	7.5
MEG	0.0	0.0	0.0	0.0	0.0	0.8	0.2	0.2	2.3	4.5	5.9
eHealth/SomFit	0.0	0.0	0.0	-0.4	-0.4	-1.5	-0.5	-1.7	1.3	3.0	3.5
Consumables/Services	0.1	0.6	0.7	1.4	1.4	1.4	1.6	1.8	2.1	2.6	3.1
Extra corporate cost	0.0	0.0	0.0	0.0	-0.3	0.3	0.1	-0.5	-0.7	0.0	0.5
MILESTONE			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.3</b>	<b>3.0</b>	<b>4.1</b>	<b>5.3</b>	<b>4.4</b>	<b>4.2</b>	<b>5.9</b>	<b>7.3</b>	<b>13.0</b>	<b>19.8</b>	<b>23.7</b>

# Compumedics

Date:  
Model Updated:

5-Sep-19  
5-Sep-19

SomFit Partner  
Out

### KEY RATIOS

Y/End	FY13A	FY14A	FY15A	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F	FY23F
EBITDA Margin (%)	1.3%	9.6%	12.2%	14.2%	12.9%	11.4%	14.1%	15.9%	23.4%	28.0%	29.3%
EBIT Margin (%)	-3.2%	5.1%	8.0%	9.5%	9.1%	10.1%	15.3%	17.0%	24.2%	28.6%	29.8%
NPAT Margin (%)	-5.5%	2.9%	5.9%	8.9%	3.8%	8.2%	11.8%	11.7%	16.8%	19.9%	20.8%
ROE (%) y/e	-17.8%	9.9%	17.5%	23.0%	6.5%	13.7%	17.9%	17.0%	24.6%	29.3%	28.0%
ROI (%) y/e	-9.2%	15.6%	24.4%	25.2%	18.6%	18.5%	26.2%	27.5%	42.2%	53.6%	57.4%
ROA (%) y/e	-8%	5%	9%	13%	4%	9%	13%	12%	18%	22%	21%
NTA per share (\$)	0.09	0.09	0.11	0.13	0.15	0.17	0.18	0.21	0.25	0.32	0.40
Eff Tax Rate (%)	16.1%	-6.5%	-2.0%	6.3%	-15.0%	-14.0%	-20.0%	-30.0%	-30.0%	-30.0%	-30.0%
Interest Cover (x)	(2.1)	2.6	4.0	8.8	10.0	17.8	24.4	49.0	84.6	126.8	302.0
Net Gearing (%)	12.5%	10.5%	-2.0%	-3.4%	-16.9%	-9.2%	-11.0%	-9.7%	-15.9%	-21.4%	-30.1%

### VALUATION PARAMETERS

Y/End	FY13A	FY14A	FY15A	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F	FY23F
EPS Adj (cps)	-0.9	0.5	1.2	2.0	0.7	1.7	2.8	3.0	5.3	8.0	9.6
<b>PE Adj (x)</b>	<b>-72.1</b>	<b>121.2</b>	<b>55.8</b>	<b>33.1</b>	<b>89.3</b>	<b>38.7</b>	<b>23.8</b>	<b>21.7</b>	<b>12.4</b>	<b>8.3</b>	<b>6.9</b>
Enterprise Value (\$m)	117.2	117.1	115.9	115.7	112.8	114.1	113.1	113.1	110.1	105.9	98.0
EV / EBITDA (x)	342.7	39.4	28.4	21.7	25.6	27.3	19.3	15.4	8.5	5.3	4.1
EV / EBIT (x)	-206.3	62.2	43.1	32.5	36.3	30.9	17.8	14.5	8.2	5.2	4.1
Price / NTA	7.4	7.0	6.1	4.9	4.3	4.0	3.6	3.2	2.6	2.0	1.7
DPS (cps)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	1.3	2.0	2.4
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	2.0%	3.0%	3.6%
Franking (%)	0%	0%	0%	0%	0%	0%	0%	0%	100%	200%	300%
Free Cash / Share (c)	0.0	0.2	0.5	0.4	-0.2	-0.8	1.9	0.8	3.0	4.4	6.9
Price / FCF PS (x)	-2233.5	269.5	126.0	167.6	-272.0	-79.3	35.4	84.0	21.9	15.0	9.6

### DCF VALUATION & SENSITIVITY - Excludes SomFit Partner

PV of Cashflows 2020	1	Risk Free Rate	4.2%
PV of Cashflows 2021 to 2024	25	Equity Risk Premium	8.4%
PV of Term Year Cashflow	91	Equity Beta	1.09
		Cost of Equity	13.4%
SomFit JV Capex	0.0	After Tax WACC	12.8%
Less OEI at FY17 y/e	0	Terminal Growth	3.0%
(Net Debt) or Cash	3.0		
PV of Equity	120		
PV of Equity per share	<b>\$ 0.68</b>		

### DCF VALUATION & SENSITIVITY - Includes SomFit Partner

PV of Cashflows 20	(8)	Risk Free Rate	4.2%
PV of Cashflows 21-24	58	Equity Risk Premium	8.4%
PV of Term Year Cashflow	274	Equity Beta	1.09
		Cost of Equity	13.4%
Somfit JV Capex	(18)	After Tax WACC	12.8%
Less OEI at FY19 y/e	0	Terminal Growth	3.0%
(Net Debt) or Cash	3		
PV of Equity	309		
PV of Equity per share	<b>\$ 1.76</b>		

### TV WACC

	10.8%	12.8%	14.8%	16.8%
<b>2.0%</b>	\$ 0.81	\$ 0.63	\$ 0.51	\$ 0.42
<b>2.5%</b>	\$ 0.86	\$ 0.66	\$ 0.53	\$ 0.43
<b>3.0%</b>	\$ 0.90	<b>\$ 0.68</b>	\$ 0.54	\$ 0.45
<b>3.5%</b>	\$ 0.96	\$ 0.72	\$ 0.56	\$ 0.46
<b>4.0%</b>	\$ 1.02	\$ 0.75	\$ 0.58	\$ 0.47

<b>Price Target</b>	<b>\$ 0.95</b>
Blend of scenarios	
Excludes SomFit Partner	75%
Includes SomFit Partner	25%

### MAJOR SHAREHOLDERS

	%		%
D&DJ Burton Holdings Pty Ltd	55.3%	Beijing Bestmed Tech	2.8%
HSBC Custody Nominees	5.3%		
Teijin Ltd	4.7%	<b>Top 4</b>	<b>68%</b>

### GROWTH PROFILE (YoY)

Y/End	FY13A	FY14A	FY15A	FY16A	FY17A	FY18A	FY19A	FY20F	FY21F	FY22F	FY23F
Sales revenue	-3%	14%	9%	12%	-9%	6%	14%	11%	21%	27%	14%
EBITDA	-319%	768%	37%	31%	-17%	-5%	40%	25%	78%	52%	20%
EBIT	-32%	-282%	70%	32%	-13%	19%	72%	23%	73%	50%	19%
NPAT	-47%	-161%	117%	70%	-61%	131%	63%	10%	74%	51%	20%
EPS (cps)	-48%	-160%	117%	69%	-63%	131%	63%	10%	74%	51%	20%
DPS (cps)	0%	0%	0%	0%	0%	0%	0%	0%	74%	51%	20%

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### Investment View

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

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

Buy	Hold	Sell
>20%	20% – 5%	<5%

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