



Company Announcement
Business Update: Appendix 4D Release

Tuesday 28 February 2017

Core business on track with MEG and eHealth milestones progressing

Performance Highlights H1 FY 2016

- Asia and China businesses strong with 45% lift in sales over previous corresponding period
- Latin America up 80%
- Australia performed in line with the size of the market
- Profitability and operating cash remain positive, validating changes made to product composition (new low cost Graef devices) and the selective outsourcing of production, along with other efficiency gains
- USA sales down 11% from previous corresponding period
- New leadership in place in USA. USA business remains on track, with strong pipeline. New Graef platform released and now shipping. Expect improved second half
- Germany-based DWL experienced sales delays. Has since recouped some of that delayed business. Targeting a strong second half

Investor Overview

- Core business: Profitability and operating cash remain positive, validating changes made to product composition (new low cost Graef devices) & the selective outsourcing of production, along with other efficiency gains
- MEG: Compumedics/Neuroscan has now been qualified as a top-two MEG supplier candidate for more than two major USA centers, one of which is scheduled to make their decision within three months. Compumedics/Neuroscan are also in discussion to supply multi-center MEG systems to at least one multinational hospital consortium
- eHealth: Pushing ahead with the commercialisation of cloud based sleep diagnostics platform – four sites in the USA have now signed for Nexus360, one of which is a multi-center site on the eastern seaboard.
- Full year guidance amended to: Revenues \$38m-\$42m, EBITDA \$4.5m-\$7.5m, NPAT \$2.5m-\$5.5m

Compumedics Limited (ASX: CMP) (Compumedics) today announced its financial results for the half-year ended 31 December 2016.

For H1 FY2017 Compumedics generated revenues of \$16.2m, 7% lower than for the previous corresponding period of \$17.4m, primarily due to a shortfall of sales in the USA and also the DWL business, which was not apparent until late in December.

As a consequence, EBITDA was \$1.2m compared to \$2.4m for the previous corresponding period and NPAT was \$0.2m compared to \$1.9m for the previous corresponding period. Net Profit After Tax in H1 FY16 contained a one-off tax credit of \$0.5m pertaining to the booking of deferred tax losses.

The following table highlights the key financial performance measures on this basis:

	H1 FY2017	H1 FY2016	Variance
Revenues – as reported	\$16.2m	\$17.4m	(7)%
EBITDA – as reported	\$1.2m	\$2.4m	(50)%
NPAT – as reported	\$0.2m	\$1.9m	(88)%

Operations

Core diagnostic medical-device business separated from medical innovation business

Compumedics is pleased to report both aggregated and disaggregated financial performance, which is attributable to its core diagnostic medical-device business and its investment in technologies and products being developed in its medical innovation business.

The Company believes the disaggregated information provides the investment community with a clearer and more transparent picture of these two distinct 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 FY2017	H1 FY2016	H1 FY2017	H1 FY2016	H1 FY2017	H1 FY2016
Revenues	16.2	17.4	0.0	0.0	37.5	17.4
R&D expense	(1.7)	(1.6)	(1.4)	(0.6)	(3.1)	(2.8)
EBITDA	2.6	3.0	(1.4)	(0.6)	1.2	2.4
EBITDA to revenue	16%	14%	-	-	7%	14%
Depreciation and amortisation	(0.1)	(0.1)	(0.6)	(0.6)	(0.7)	(0.7)
EBIT	2.5	2.9	(2.0)	(1.2)	0.5	1.7
Finance charges	(0.1)	(0.3)	(0.1)	(0.0)	(0.2)	(0.3)
Tax (exp)/credit	(0.1)	0.3	-	0.2	(0.1)	0.5
Net profit after tax (NPAT)	2.3	2.9	(2.1)	(1.0)	0.2	1.9
NPAT to revenue	14%	17%	-	-	1%	11%

Highlights and achievements for the “diagnostic” medical-device businesses for the half year ended 31 December 2016:

- EBITDA for the half year to 31 December 2016 was \$1.2m compared to \$2.4m in the prior corresponding period.
- Operating cash flows were positive \$1.5m for the half-year to 31 December 2016, compared to negative \$(0.4)m in the half-year to 31 December 2015.
- Borrowings, at 31 December 2016, of \$1.0 million were down significantly compared to the \$2.6m of borrowings at 30 June 2016.
- Cash on hand at 31 December 2016 was \$5.7m, \$2.6m higher than the balance at 30 June 2016, \$3.1m. This reflects the capital raise completed in September 2016, strong operating cash flow over the half year ended 31 December 2016, and the significant repayment of debt in the same period.

Highlights and Achievements for the medical innovation business for the half year ended 31 December 2016:

- MEG: Compumedics/Neuroscan has now been qualified as a top 2 MEG supplier candidate for more than two major USA centers, one of which is scheduled to make its decision within three months. Compumedics/Neuroscan are also in discussion to supply multi-center MEG systems to at least one multinational hospital consortium.
- eHealth: Compumedics is pushing ahead with the commercialisation of cloud-based sleep diagnostics platform. Four sites in the USA have now signed for Nexus360, one of which is a multi-center site on the eastern seaboard.
- 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 focused on a number of initiatives to underpin both current and future growth, these include:

- New product platform roll-out to significantly expand addressable market.
 - The Company has released a new range of amplifiers for both its sleep and neurological diagnostic and monitoring businesses.
 - This new range incorporates price competitive models enabling the Company to compete profitably, thereby significantly expanding the Company's addressable market.
- Neuroscan foray into much larger brain analysis imaging market.
 - Compumedics is discussing with selected parties certain commercial opportunities utilising Neuroscan technology in imaging markets.
- 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 there.
 - The Company will continue to build on its long-term relationships in China to grow the Company's businesses in the region.
- eHealth: Pushing ahead with the commercialisation of cloud-based sleep diagnostics platform
 - Compumedics continues to pursue several initiatives with its eHealth technologies 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, whilst 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 revenues to increase to \$38.0m-\$42.0m. On the basis these revenues are achieved EBITDA should increase to \$4.5m-\$7.5m and NPAT to \$2.5m-\$5.5m.

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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