



Company Announcement

Compumedics Business Update – July 2017

7 July 2017

SIGNIFICANT MILESTONES ACHIEVED IN FY17

- First major MEG contract secured, for delivery in H2 FY18
- e-Health Nexus 360 (professional sleep diagnostic cloud services) revenues commence in the US, with 10 contracts signed in FY17, representing minimum annual revenues of \$330k pa (USD250k pa)
- Asian sales, including China, grow by 20% over the prior year

JULY 2017 BUSINESS UPDATE

- Core business – full year results impacted in the short term by the slower transition of US general and sales management strengthening and expansion activities
- These activities lay the foundation for new growth as US economy continues to strengthen, however in the short-term, revenues for FY17 were approximately \$33m versus \$37.5m pcp
- \$5m of sales, primarily from the US, were due to be executed in late June, but were delayed and are now expected to be reflected in the new financial year
- Unaudited group FY17 EBITDA is expected to be between \$2.1m and \$3.6m before \$1.6m of one-off restructuring costs vs EBITDA of \$5m pcp
- Company anticipates releasing the Appendix 4E on 25 August 2017

Compumedics Limited (ASX: CMP) (“Compumedics” or “Company”) wishes to advise that restructuring activities in its core capital equipment business, primarily related to its management and sales force in the US have resulted in lower than expected sales for the twelve months to 30 June 2017, of approximately \$33m. This is compared to \$37.5m for the same period last year.

The Company is continuing to expand and strengthen its US sales force to fully exploit the new range of low-cost devices the Company has to sell into this market. With the rebuilding and recruitment phase

well underway, the Company expects the US business to contribute strongly to overall group performance in FY18.

The restructure of general and sales management in the US business is now largely complete. However, the transition phase has taken longer than expected and this has resulted in lower than forecasted sales for the US sleep and neurological diagnostic businesses in FY17.

\$5m of sales, primarily out of the US, were due to be executed in late June, but have been delayed to early FY18. The majority of these sales were to drop to group EBITDA with costs already expensed, so unaudited reported EBITDA is expected to be between \$0.5m and \$2.0m.

The restructuring costs associated with this US general and sales management restructure are approximately \$1.6m, and lead to an underlying unaudited EBITDA of between \$2.1m and \$3.6m.

Asia, including China, continued to perform strongly in FY17, and is up 20%. Compumedic's Germany based DWL business performed to expectation, as did the Australian and European businesses. Most of the growth expected in 2H17 was due to come from US and China. China delivered, but the US was delayed.

The Company signed 10 contracts with customers in the US for its Nexus 360 (professional sleep diagnostic cloud services). These contracts will contribute a minimum of \$330k (USD250k) on an annualised basis going forward.

The Company expects to remain cash flow positive and detailed analysis and final numbers will be released with the Appendix 4E, which the Company is currently anticipating to be on 25 August 2017.

Progress of the first MEG sale to BNI continues, with delivery expected in H2 FY18. At the same time the Company continues to pursue the next identified MEG opportunities in this major new market for the Company. The Company currently has 40 identified opportunities globally with about 4 of those as potential FY18 opportunities.

The Somfit consumer sleep opportunity is following a similar path to MEG, with announcements expected in FY18 on partners and commercial path.

Dr. David Burton, Executive Chairman of Compumedics, said:

"Whilst the 2017 financial year result for the core business is not entirely as we anticipated, the Company remains focused on completing the sales restructuring activities so the growth objectives and goals for the Company can be achieved. The strategy remains intact and the Company will re-double its efforts to execute in a timely manner the growth outcomes for the core capital equipment business.

"Concurrent with this, the Company remains focused on delivering its first MEG sale in H2 FY18 and also securing its next and then future MEG sales, as soon as possible.

"Compumedics has also been actively progressing its Somfit consumer sleep platform and expects to make announcements in relation to commercialisation during FY18."

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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