



Company Announcement

Business Update: Appendix 4D Release

2 March 2020

Profitability & Key MEG Milestone Achieved with FDA Approval

PERFORMANCE OVERVIEW H1 FY20

- Shipped and invoiced sales decreased 2% over H1 FY19 from \$18.7m to \$18.3m. This was largely a result of timing issues with some key sales in the US (announced to ASX on 13 January 2020)
- EBITDA \$1.2m for the six months to 31 December 2019, compared to \$1.5m, largely as a result of the shortfall in sales in the US.
- Sales orders taken were \$18.0m, resulting in sales orders on-hand at 31 December 2019 of \$8.2m, compared to \$7.7m at 30 June 2019, up 6.5%
- Asia-based sales increased 7% over H1 FY19 sales, whilst Germany-based DWL sales tracked similarly to H1 FY19
- Shipments of neurological devices to new Japanese distributor, Fukuda Denshi, were made in H1 FY20

INVESTOR OVERVIEW

- Core business:
 - Profitability stable, with growing sales in key markets in Asia
 - Selective investment has been undertaken to grow the sales and marketing capability of the Company
 - Continued product innovation and development
- Orion MEG:
 - Compumedics/Neuroscan achieves milestone FDA clearance for Orion MEG (announced to ASX on 17 February 2019)
 - Second phase of the MEG installation scheduled to occur at Barrow Neurological Institute (BNI) in USA in coming months
 - The Company continues to pursue other near-term identified Orion MEG opportunities
- eHealth:
 - Nexus 360: sites continue to be added
 - Somfit® consumer sleep device: discussions continue with a number of third parties

- **Full-year guidance:**
 - Lowered due to the impact that Coronavirus is likely to have on the Company's China-based business in H2 FY20
 - Full-year guidance now: Sales \$40-42m (from \$42-44m), EBITDA \$5.5-6.5m (from \$6.5-7.5m), NPAT \$4.0-5.0m (remains as originally guided)

Compumedics Limited (ASX: CMP) ("Compumedics" or "Company") is pleased to announce its financial results for the half-year ended 31 December 2019 (H1 FY20).

During the period H1 FY20, Compumedics generated revenues of \$18.3m, representing a 2% decrease over the previous corresponding period (pcp) of \$18.7m. This is primarily due some key US sales not being booked by 31 December 2019. Several of these sales have since been booked subsequent to 31 December 2019. Compumedics experienced growth during H1 FY20 in the Company's key Asian markets and in Europe via the Company's Germany-based business, DWL.

The Company continues to invest significantly in new products for the core business as well as pursue MEG and Somfit opportunities. EBITDA at \$1.2m (excluding amortisation of leases), was lower compared to \$1.5m in H1 FY19. This was primarily as a result of the shortfall in sales in the US, as noted above, but also due to a decline in gross margins, from 58% to 54%. This was due to the sales shortfall in the US, skewing sales for the quarter to distributors, who generate lower margins.

The following table highlights the key financial performance, comparing H1 and H2 for FY19 and FY20 to guidance:

AUDm	H1 FY19	H2 FY19	Total FY19	H1 FY20	H2 FY20*	Total FY20*
Sales	18.7	22.8	41.5	18.3	22.7	41.0
Margin \$	10.9	13.9	24.8	9.9	14.3	24.2
Margin %	58%	61%	60%	54%	64%	59%
Other income	0.1	0.3	0.4	0.2	0.2	0.4
Expenses	9.8	10.0	19.8	9.3	10.2	19.5
Fin Chg's	0.1	0.2	0.3	0.1	0.2	0.3
FX	(0.1)	0.1	0.0	0.0	0.0	0.0
Tax (inc)	0.4	0.7	1.1	0.5	0.3	0.8
PAT	0.8	3.2	4.0	0.2	3.8	4.0
Depn & amort'n	0.2	0.3	0.5	0.4	0.5	0.9
EBITDA	1.5	4.4	5.9	1.2	4.8	6.0

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

Key points comparing actual H2 FY19 to forecast H2 FY20:

- Orders taken for the core business in H1 FY20 were \$18.0m compared to \$18.7m for H1 FY19. Carry forward orders booked but not shipped at 31 December 2018 were \$8.2m, compared to \$7.7m at 30 June 2019
- FDA approval was achieved for the Orion MEG in February 2020 and the second phase of the sale to BNI is scheduled for completion during H2 FY20

- The USA business is expected to recover its H1 FY20 position and grow in H2 FY20
- The DWL business is expected to continue to perform at or above budget/pcp in H2 FY20
- New and incremental shipments to Fukuda Denshi, in Japan, will continue in H2 HY20

OPERATIONS

Core Diagnostic Medical Devices 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 Devices 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 businesses.

The Company's core Diagnostic Medical Devices 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 depth of anesthesia monitoring.

AUDm	Medical Diagnostic Devices		Medical Innovation		As Reported	
	H1 FY20	H1 FY19	H1 FY20	H1 FY19	H1 FY20	H1 FY19
Revenues	18.3	18.7	-	0.0	18.3	18.7
R&D expense	(1.3)	(1.6)	(0.8)	(1.3)	(2.1)	(2.9)
EBITDA	2.0	2.8	(0.8)	(1.3)	1.2	1.5
EBITDA to revenue	11%	15%	-	-	7%	8%
Depreciation and amortisation	(0.4)	(0.2)	(0.0)	(0.0)	(0.4)	(0.2)
EBIT	1.6	2.6	(0.8)	(1.3)	0.8	1.3
Finance charges	(0.1)	(0.1)	-	(0.0)	(0.1)	(0.1)
Tax (exp)/credit	(0.5)	(0.4)	-	-	(0.5)	(0.4)
Net profit after tax (NPAT)	1.0	2.1	(0.8)	(1.3)	0.2	0.8
NPAT to revenue	5%	11%	-	-	1%	4%

Highlights and achievements for the Diagnostic Medical Devices business for the half-year ended 31 December 2019:

- Shipped and invoiced revenue of \$18.3m for the six months to 31 December 2019, compared to \$18.7m for the pcg
- Revenue growth was achieved in other key markets including Asia and from DWL in Europe
- EBITDA for H1 FY20 was \$1.2m compared to \$1.5m in the pcg, as a result of the shortfall in US sales and further investment in sales and marketing and new product development
- Operating cash flows for the half-year to 31 December 2019 were \$2.0m, compared to \$2.0m for the half-year to 31 December 2018
- Cash on hand at 31 December 2019 was \$3.3m compared to \$4.6m at 30 June 2019, whilst debt was \$1.8m at 31 December 2019, compared to the \$1.6m at 30 June 2019

Highlights and Achievements for the Medical Innovation business for the half-year ended 31 December 2019:

- MEG:
 - Compumedics/Neuroscan obtained FDA clearance for the Orion MEG system on 14 February 2020. This will enable the Company to pursue near-term sales opportunities for clinical as well as research applications of the MEG system
 - Compumedics/Neuroscan is scheduled to ship the second and final phase, dual Dewar Orion MEG system, to Barrow Neurological Institute in the coming months
 - The Company continues to pursue other near-term Orion MEG opportunities
- eHealth professional:
 - Compumedics continues to sell its Nexus360, cloud-based sleep diagnostic platform in the US
 - Now expanding to other parts of the world
- eHealth consumer:
 - Detailed discussions with third parties continue in relation to the Company's SomFit® consumer sleep platform
- The Company continues to progress several 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 several 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 key markets around the world
 - Over the next 12 months the Company will launch two new major product platforms for home sleep-testing for the sleep market, as well as a new range of laboratory and portable neuro-diagnostic and monitoring devices for epileptic and well as general neurological monitoring
- Neuroscan moves into much larger brain analysis imaging market
 - Compumedics achieves FDA on its first Orion MEG sale at BNI, with the second and final phase of this sale installation scheduled for H2 FY20
- Growth in international sales with expansion plans in the US, Germany and China markets
 - The Company will continue to expand its US 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 is currently consolidating its efforts in France
 - The Company will continue to build on its long-term relationships in China to continue 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 and PLL/Robotic 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. However, in recent weeks the Company has been in discussion with its key distributors in China regarding the impact of the Coronavirus. From these discussions it is



understood that there has been a diversion of resources in the health/hospital sector to combat the spread of Coronavirus, and as a result, purchasing and funding has been reallocated temporarily. The Company believes sales to China will slow in the second half of FY20 and as a result has adjusted its full year guidance.

The Company now expects its full-year results to be as follows: Sales \$40-42m, from previous guidance of \$42-44m; EBITDA \$5.5-6.5m, from previous guidance of \$6.5-\$7.5m; and NPAT \$4.0-5.0m, in line with previous guidance.

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.

For further information please contact:

Dr David Burton
Executive Chairman, CEO Executive Director
Phone: + 61 3 8420 7300
Fax: +61 3 8420 7399

David Lawson
Chief Financial Officer
Phone: + 61 3 8420 7300
Fax: +61 3 8420 7399

Investor Relations, Media & PR enquires:

Rod North
Managing Director
Bourse Communications Pty Ltd
Phone: +61 3 9510 8309
Mobile: 0408 670 706

Richard Allen
Oxygen Financial PR
Ph: + 61 3 9915 6341
Mob: 0403 493 049

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.