



## Company Announcement

Wednesday, 30 August 2023

# Compumedics Limited Full-Year Results

***Strong core business growth coupled with significant Somfit SaaS and MEG commercial traction.***

### KEY HIGHLIGHTS

- **Core Business:** revenues grew 12% to a record \$42.4m for FY23, compared to \$37.8m in FY22, and despite a full-year FY23 EBITDA loss of (\$2.0), EBITDA returned to profit in H2 FY23 at \$2.8m, whilst substantial investment in commercialisation activities associated with both the Somfit and MEG step-out growth opportunities continued.
- **Somfit SaaS sleep-diagnostic platform:** revenues commence in Australia at \$0.6m for FY23 (NIL for FY22). Somfit orders taken in FY23 \$1.2m (NIL for FY22).
- **Nexus 360 SaaS revenues** grow to \$1.7m in FY23 from \$1.3m in FY22.
- **MEG:** The MEG system for TJNU moves through technical milestones to be ready for shipment and installation by November 2023.

### INVESTOR OVERVIEW

- **Core Business:**
  - Compumedics diversified revenue streams (both geographic and product line) allowed it to grow revenues by 12% in FY23 from \$37.8m in FY22 to \$42.4m in FY23. As a result, this enabled EBITDA to return to a profit of \$2.8m in H2 FY23. Reported EBITDA reduced from a loss of \$4.8m in H1 FY23 to a loss of \$2.0m for the full year FY23. The loss in H1 FY23 and therefore full year FY23 was primarily attributable to costs associated with the returned BNI MEG being expensed in that half-year to 31 December 2022.
  - Research and Development costs of \$5.5m (13% of revenue, grew by 34% over FY22) which reflect our continued investment in product and SaaS innovation.
  - **Nexus 360** SaaS platform generated revenues of A\$1.7m in FY23, up 31% from \$1.3m in FY22. Contracted Nexus 360 services have an annualised revenue run rate approaching \$3.0m as FY23 closed.

- **Somfit 360 SaaS applications step-out growth opportunity:**
  - **Somfit** – Compumedics has commenced sales of Somfit in Australia as announced to the ASX on 3<sup>rd</sup> and 7<sup>th</sup> of July 2023. Somfit orders taken in FY23 were \$1.2m and shipped and invoiced Somfit sales were \$0.6m. This is from a NIL base in FY22.
  - **Somfit** continued market expansion in Australia and New Zealand will be a key focus for H1 FY24. This focus will expand to the EU and the USA, once USA FDA clearance is received.
  
- **MEG step-out growth opportunity:**
  - The MEG system for TJNU in China has moved through major technical milestones to be ready for shipment and installation. Further updates will be provided as this process continues.
  - The Company will pursue other MEG opportunities as TJNU is shipped and installed.
  
- **FY24 Guidance:**
  - The Company anticipates revenues for FY24 will be more than \$44m and EBITDA is expected to be more than \$5m, with the growth driven primarily by our new SaaS product offering.

**Compumedics Limited (ASX: CMP) (“Compumedics” or “Company”)** wishes to announce its financial results for the full year ending 30 June 2023 (FY23).

Group revenues at \$42.4m for the year ended 30 June 2023 were 12% higher than the prior corresponding period (pcp). This increase in revenue reflects growth in Australia (up 23%) and Asia with both China (up 32%) and Japan (up 55%) performing well. This was offset by declines in Europe (down 27%), DWL (down 4%) and a neutral result in USA (up 2%), which was disappointing given the focus there in FY23.

The gains in Australia were driven by a strong result in neurology, with the new Okti device and a rapidly improving sleep business. The gains in Asia were driven by an increase in neurology sales to Japan and a strong performance by the Neuroscan (brain research) product line into China. In Europe the strong sales performance in France in FY22 was not repeated in FY23 and sales into Germany were also less this year compared to FY22 for both sleep and neurology products.

The USA business was disappointing in both sleep diagnostic sales and more so in neurology-based sales but was offset by gains in the Neuroscan (brain research) product line and supplies and customer service.

Gross margins declined despite the increase in sales largely because of increased input costs associated with disruption to global supply chains and inflationary impacts. Margins were 50% in FY23 compared to 51% in FY22. Margins will continue to be reviewed for on-going efficiency gains from the Company’s ongoing project to review all aspects of manufacturing and to minimise all input costs and processes where possible. The Company should benefit from increased gross margins in FY24 with an increased contribution from higher margin SaaS, Somfit and MEG products.

EBITDA for Compumedics returned to profit in H2 FY23 at \$2.8m, reducing the EBITDA loss of \$4.8m for H1 FY23 to an overall FY23 loss of \$2.0m. This compared to an EBITDA profit of \$3.3m in FY22.

The Company continues to invest significantly in new products for the core business as well as pursue commercialisation of both the Somfit® and MEG step-out growth opportunities. Hence the EBITDA loss of \$2.0m for FY23 was driven by several factors, mostly incurred in H1 FY23, including:

- 1 The write down and full provisioning for assets relating to the MEG business. The decision to expense these items to the income statement for the period was due to the decision to take back the MEG system at BNI. The total pre-tax expense was \$6.9m. In H2 FY23, approximately \$1.8m of these adjustments were taken back to P&L, due to the ability to ship the MEG system to TJNU. The net FY23 impact being \$5.1m, of which \$2.0m sits in sales and marketing expenses for FY23 and the balance disclosed as impairment of assets.
- 2 Other income being lower in H1 FY23 (\$0.2m) compared to H1 FY22 (\$1.4m). This was primarily due to the forgiveness of the COVID debt (\$0.9m) in the US business in H1 FY22, which was once-off.
- 3 Expenses were higher (\$2.0m) because of the Company's deliberate decision to increase sales and marketing resources, particularly in the US as we continue to prepare for the release of several new products in this key market.
- 4 Increased expenses (\$0.9m) were incurred as the new products are readied for sale across all key markets in Australia, Europe, and the USA. These costs include tooling, prototypes, clinical trials etc. Some of these costs did not re-occur in H2 FY23
- 5 Slightly lower gross margin at 50% compared to 51% for FY22. Gross margins were lower due to product and geographic mix as well as higher input costs, not being fully passed on to customers with higher prices.

Compumedics' reported net profit after tax (NPAT) decreased in FY23 to a \$6.1m loss. This is compared to \$1.4m profit in full-year 2022 (FY22). The loss is attributable to the items impacting EBITDA, as noted above, and including a \$0.2m increase in financing costs.

The Company took new sales orders in FY23 of \$42.3m, 2% higher than the \$41.5m of new sales orders taken in FY22, excluding the \$4.1m MEG sale which was booked as an MEG sales order in FY22.

The Company is currently focused on growing revenues with higher margin products and SaaS offerings and actively working through other operational and expense efficiency opportunities to restore and grow profitability over FY24 and beyond.

### **Existing business growth & commercialising step-out growth opportunities**

The Company is focused on profitable growth in its existing business, to enable step-out growth in both its Somfit SaaS technology platform opportunity and the MEG opportunity:

- **Existing medical device-based business (sleep and neurological diagnostic and monitoring)**
  - Compumedics will continue to invest in new hardware and software for its existing medical device-based business focused on the traditional areas of lab-based sleep diagnostics and monitoring, home sleep testing, neurological monitoring, brain research solutions and Trans Cranial Doppler (TCD) blood flow monitoring. This includes further expansion of its SaaS Nexus 360 platform.
  - Compumedics will continue to invest in the expansion of its sales and marketing teams in key markets where the strategic growth opportunities are clear. These include, but are not limited to the USA, EU, Japan, and China. This includes the further integration

of the Alpha Trace business in Europe, which Compumedics acquired 50% of on 1<sup>st</sup> September 2022.

- **Somfit SaaS technology platform**
  - Compumedics has commenced SaaS revenues in the Australian reimbursable Home Sleep Testing (HST) market. In FY23 orders were received for \$1.2m of Somfit technology platform sales, of which \$0.6m were booked as revenues. This was from a NIL base in FY22. These orders represent the first drawdown from multi-year contracts from both distributor and directly supplied customers, as previously announced to the ASX.
  - Compumedics will continue the market expansion of Somfit in Australia to both the reimbursable and non-reimbursable HST markets and will expand this focus to the USA once FDA clearance is received for Somfit and to the main EU markets. Compumedics estimates its immediate addressable market value, being the current annual Australian reimbursable HST market, at about \$7m, growing to \$11m in FY27 and the current annual USA reimbursable market at about \$70m, growing to \$111m by FY27. Further market opportunities exist in Australia for non-reimbursable HST's through local GP's and homecare companies.
- **MEG**
  - The MEG system for TJNU in China has moved through major technical milestones to be ready for shipment and installation. Further updates will be provided as this process continues.
  - Compumedics will pursue other MEG opportunities as TJNU is shipped and installed.

## **FINANCIAL OUTLOOK & GROWTH PATHWAY**

Compumedics expects the existing business and the step-out growth opportunities to deliver an increase in revenues, margins, and earnings in FY24, subject to economic conditions continuing to improve.

The Company anticipates revenues for FY24 will be more than \$44m and EBITDA is expected to be more than \$5m, with growth driven primarily by our new SaaS product offering.

### **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 and a 50% share of Austria-based Alpha Trace, which it acquired on 1<sup>st</sup> September 2022. In conjunction with these 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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**Authorised for lodgment by Compumedics Limited's Board of Directors**