



Company Announcement

Compumedics Limited Full-Year Results

Monday, 31 August, 2020

KEY HIGHLIGHTS

(FY20 COVID-19 Pandemic Impacts and Opportunities)

- Revenues from shipped and invoiced sales were \$35.1m for FY20, down 15.5% on FY19 (\$41.5m)
- Underlying EBITDA decreased 61% to \$2.3m for FY20, compared to \$5.9m for FY19. Reported EBITDA was a loss of \$5.6m after the write down in value of the intangible asset by \$7.7m
- Underlying NPAT decreased 55% to \$1.8m in FY20 compared to \$4.0m in FY19. Reported NPAT decreased to a loss of \$5.8m for FY20, compared to profit of \$4.0m for FY19 as a result of the write down in value of the intangible asset by \$7.7m
- Core business sales orders taken of \$35.2m in FY20 down 13.5% compared to FY19
- Cash on hand increased to \$6.4m at 30 June 2020 compared to \$4.6m at 30 June 2019
- Company continues to actively pursue ongoing commercial opportunities for the MEG and Somfit technology platforms

INVESTOR OVERVIEW

- **Core Business:**
 - All parts of the business, except the Japan-based neurology business, were adversely impacted by the effects of containment measures taken globally in relation to the COVID-19 Pandemic. The underlying business remains profitable due to immediate and substantial action taken by the Company, along with eligible Government assistance.
- **eHealth:**
 - Compumedics has consolidated its NeXus 360 installation base with over 46 sites (> 270 beds) in both the USA and Australia. The NeXus 360 platform is generating a minimum of A\$1.1m revenue per annum with total signed contract value exceeding A\$1.5m in annual

subscription fees. Revenues have been temporarily impacted by the closure of labs due to the COVID-19 Pandemic.

- Compumedics has evolved the SomFit platform so that it can be used potentially as a multi-modal, remote monitoring device for COVID-19 patients. This is in addition to its intended application as a consumer-based sleep monitoring device. Several commercial opportunities are being actively pursued as a result.
- **Neuroscan/MEG:**
 - Market expansion continuing with first major MEG contract initial phase undertaken, albeit second phase delayed by the COVID-19 Pandemic.
 - Additional new MEG sales being actively pursued, within the constraints of the pandemic.
- **FY21 Guidance:**
 - The ongoing and uncertain impacts of the COVID-19 Pandemic on our key markets around the world make it very difficult to forecast the Company's expected results, for any given future period. As such, the Company remains unable to provide guidance at this time.

Compumedics Limited (ASX: CMP) ("Compumedics" or "Company") wishes to announce its financial results for the full year ending 30 June 2020 (FY20).

Compumedics' reported net profit after tax decreased in FY20 to a loss of \$5.8m, as a result of the non-cash write down of intangible assets by \$7.7m. This compared to a profit of \$4.0m in full-year 2019 (FY19). Underlying NPAT was a profit of \$1.8m. Underlying EBITDA for FY20 was \$2.3m, a decline of 61%, compared to \$5.9m in FY19. Reported EBITDA was a loss of \$5.6m as a result of the non-cash write down of the intangible assets by \$7.7m. Shipped and invoiced sales decreased 15.5% to \$35.15m for FY20, compared to \$41.5m for FY19. The Company took new sales orders in FY20 of \$35.2m, down 13.5% from new orders taken in FY19, excluding MEG.

The decrease in revenues primarily reflects the impact of containment measures around the world in relation to the COVID-19 Pandemic in the second half of FY20. This resulted in sleep and neurological diagnostic and monitoring service providers being temporarily suspended during lock downs in various countries around the world. Whilst restrictions and limitations remain, most facilities around the world have recommenced services as containment measures have been wound back.

The most significant impact on revenues from the COVID-19 Pandemic has been the Company's China-based sales, which fell by about 41% over the pc. The Chinese market remains subdued for both sleep and neurological equipment sales now, despite easing of restrictions in much of the country. As such, the Company does not expect the China-based business to contribute as strongly to growth in sales for the foreseeable future. Europe was also impacted by the pandemic with sales across the continent down 38% over the pc.

Importantly and despite the COVID-19 Pandemic the Japan-based neurological business grew sales 642% over the pcg from \$0.2m to \$1.5m. The Company anticipates this business will continue to grow. Sales in the Australian business finished in line with the pcg at \$4.8m

Sales in the USA-based business whilst 10% lower than the pcg, did not fall as much as originally anticipated, due to lockdowns occurring differently state by state.

Margins were negatively impacted by the loss of revenues as a result of the COVID-19 Pandemic falling from 60% in FY19 to 51% in FY20. The fall in margins largely reflects the drop in the volume of sales. Compumedics charges to cost of goods sold expenses related to logistics, customer care, training and installation, which do not vary significantly with the volume of sales. As a result, when the Company is faced with a situation such as the COVID-19 Pandemic, which leads to a very quick and significant reduction in sales, margins have been adversely impacted. This is despite on-going efficiency gains from the Company's ongoing project to selectively outsource manufacturing and minimise double handling of product globally together with new products being engineered at a lower target cost.

Compumedics statutory EBITDA result was impacted by a non-cash \$7.7m write down of the value of the Company's intangible assets. Compumedics intangible assets had a carrying value of \$9.7m at 31 December 2019. These intangible assets relate primarily to the capitalisation of expenses associated with both the Somfit and MEG technologies. The expenses were predominantly research and development costs associated with the two technology/product platforms and associated costs of getting the products ready for commercialisation.

The intent was to amortise these costs over the useful life of the products once they were selling in commercial and consistent quantities. As such, Compumedics is continuing to actively pursue ongoing commercial opportunities for both the **MEG** and **Somfit technology platforms** and believes the Company will generate significant commercial returns from both these technology platforms in the future, having already sold the first MEG system.

With that said, the COVID-19 Pandemic has created significant uncertainty over the timing of those commercial activities and when they may develop sufficiently to justify the current carrying value of the intangible assets. As such the Company has reviewed the carrying value of the intangible assets in relation to the MEG and Somfit technology and has reduced the value of the intangible assets to \$2.6m for these two opportunities. As a result, there is a one-off, non-cash charge of \$7.7m to profit and loss in the year ended 30 June 2020.

The Company will also carry forward an intangible asset of \$0.2m at 30 June 2020, related to technology in the DWL business and \$0.2m of development costs related to the new products in the core business.

Whilst the COVID-19 Pandemic may have created some uncertainty as to the timing of the future commercial benefits of these two technology platforms, the Company fundamentally believes and will actively continue to develop its MEG and Somfit technology platforms to capture the significant commercial returns it believes they will generate for the Company and its shareholders.

These include pursuing the next MEG sale, whilst finalising the existing MEG sale and continuing to develop other market opportunities for MEG. The MEG market opportunity in the US, Europe and Asia

remains significant and the Company is well placed to capture new and growing sales as the pandemic retreats.

As it relates to Somfit, the Company is continuing to pursue its primary goal for the device being sleep and other neurological applications in the larger consumer monitoring markets and more recently the potential application of the Somfit device as a multi-modal vital signs monitor for potential COVID-19 application. The Company has responded quickly to both State and Federal Government initiatives that could see the Somfit device utilised as part of an ongoing COVID-19 monitoring program.

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

	FY20	FY19	Variance
Revenues – as reported	\$35.1m	\$41.5m	(15.5)%
EBITDA - underlying	\$2.3m	\$5.9m	(61)%
EBITDA – as reported	\$(5.6)m	\$5.9m	n/a
NPAT – as reported	\$(5.8)m	\$4.0m	n/a

OPERATIONS

Core Diagnostic Medical Devices business separated from Medical Innovation business

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.

Earnings adjusted for unrealised FX losses						
A\$m	Diagnostic Medical Devices		Medical Innovation		Underlying result – excludes intangible asset write down	
	FY2020	FY2019	FY2020	FY2019	FY2020	FY2019
Revenues	34.1	40.9	1.0	0.6	35.1	41.5
R&D expense	1.8	3.3	2.0	2.0	3.8	5.3
EBITDA	3.6	7.4	(1.3)	(1.5)	2.3	5.9
EBITDA to revenue	10.6%	18.1%	-	-	6.67%	14.2%
Depreciation and amortisation	(1.3)	(0.3)	(0.4)	(0.2)	(1.7)	(0.5)
EBIT	2.2	7.1	(1.7)	(1.7)	0.5	5.4
Finance charges	(0.)	(0.1)	(0.2)	(0.2)	(0.4)	(0.3)
Tax (exp)/credit	1.6	(1.1)	-	-	1.6	(1.1)
Net profit after tax (NPAT)	3.7	5.9	(1.9)	(1.9)	1.8	4.0
NPAT to revenue	10.9%	14.4%	-	-	5.1%	11.3%

Results for the Diagnostic Medical Devices business for the full-year ended 30 June 2020:

- Shipped and invoiced sales were 16.6% lower at \$34.1m for FY20, compared to \$40.9m for FY19
- Sales orders taken in FY20, excluding MEG, were \$35.2m
- NPAT for FY20 was \$3.7m compared to \$5.9m for FY19
- EBITDA was \$3.6m for FY20 compared to \$7.4m for FY19
- Cash on hand improved to \$6.4m for FY20 compared to \$4.6m for FY19

Results for the Medical Innovation business for the full- year ended 30 June 2020:

- Compumedics has continued to grow the NeXus 360 installation base with over 46 sites (> 270 beds) in both the USA and Australia. The NeXus 360 platform is generating a minimum of \$1.1m revenue per annum with total signed contract value exceeding \$1.5m in annual subscription fees. The number of patients recorded on the platform now exceeds 78,000, servicing large clients in both sleep and neurodiagnostic applications.
- Having established a strong foundation with our eHealth platforms based on Nexus 360 market penetration in the USA and Australia and continued development of the SomFit plug and play technologies, Compumedics is poised for strong growth in both the sleep and neurodiagnostic eHealth markets and continues discussions with various parties regarding this.

- The Company continues to progress several other technology opportunities currently residing within the Medical Innovation Division and will make further announcements when appropriate.

CORPORATE

Key Growth Opportunities

The Company is focused on several initiatives to underpin both current and future growth, including:

- New product platform roll-out to continue in FY21
 - The Company expects to release a new range of ambulatory products for both its sleep and neurological diagnostic and monitoring businesses through FY21. These were delayed, in part, due to the COVID-19 Pandemic
 - This new range incorporates a Home Sleep Testing device as well as new ambulatory sleep devices and a new range of Long-Term Monitoring devices for epilepsy
- Neuroscan expansion into much larger MEG brain analysis imaging market
 - Compumedics has undertaken the first phase of the installation of its first MEG sale at Barrow Neurological Institute in the US and expects this to be completed during FY21, subject to working around COVID-19 Pandemic constraints.
 - The Company will continue to pursue further opportunities in this field during FY21 and is actively working known opportunities within the constraints of the COVID-19 Pandemic
- 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, subject to ongoing trade relationships
- eHealth: The Company is continuing to commercialise its cloud-based sleep diagnostics platform, Nexus 360, for both professional and consumer applications
 - Compumedics has continued to grow the NeXus 360 installation base with over 46 sites (> 270 beds) in both the USA and Australia. The NeXus 360 platform is generating a minimum of \$1.1m revenue per annum with total signed contract value exceeding \$1.5m in annual subscription fees. The number of patients recorded on the platform now exceeds 78,000, servicing large clients in both sleep and neurodiagnostic applications.
 - Compumedics continues to pursue opportunities with its consumer sleep monitoring device, Somfit, both in Australia and globally

- 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 FY21, subject to the effects of the COVID-19 pandemic on the Company.

With that said, the ongoing and uncertain impacts of the COVID-19 Pandemic in relation to our key markets around the world make it very difficult to forecast the Company's expected results, for any given future period, with a high level of certainty. As such, the Company remains unable to provide guidance at this time.

The Company will continue to actively manage this situation and keep the market fully informed to the extent it can and will reintroduce guidance as soon as conditions allow.

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.

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