

## Compumedics Secures Access to \$4 Billion Market

*Harje Ronngard 22/02/2016*

[Small technology companies](#) have become very popular throughout investing circles. The first big wave of small tech companies came in the late 1990s to early 2000s. Since then, many investors have looked to these companies in hope of doubling their wealth in a short space of time. It doesn't happen often but the potential of returns is sometimes too hard to resist.

One such company investors are pinning their hopes on is **Compumedics** [ASX:CMP]. You may not have heard about them. They're a global leader in sleep technologies and ultrasonic blood flow monitoring applications. It might surprise you that their market capitalisation is only \$66 million. And yet, they remain a global leader...

Globalisation has become more prevalent in our world. It's no longer as hard for companies to either market themselves globally, or compete with larger players. CMP has been able to acquire prestigious clients such as:

- Stanford School of Medicine;
- Harvard Medical School;
- NASA; and
- The University of Oxford.

If you think CMP is just a non-profit research team, think again. This morning, CMP announced it intends to expose itself to a market worth \$4 billion. CMP will now have access to state-of-the-art imaging technology (MEG) from South Korea. The [new technology](#) will expand CMP's multi-modal brain analysis capability. The new imagery tech that CMP has been able to acquire is similar to an MRI or PET scan. The only difference is that the MEG system provides 50% greater spatial resolutions. This basically means that the MEG gives a better visual view of the brain, enabling early detection of neurological disorders.

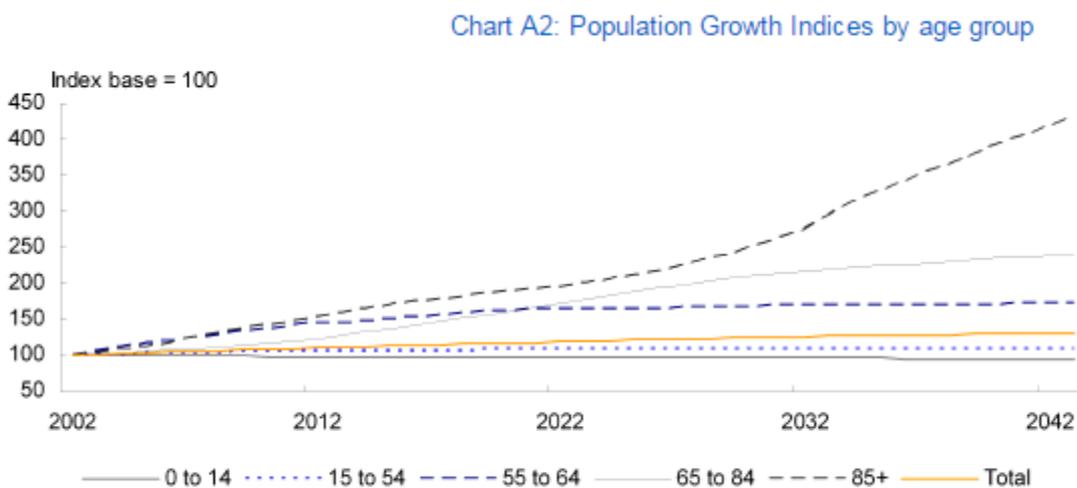
This is a huge advantage; many illnesses and disorders are treatable in early stages. It's when they start to grow and persist that they become life threatening. Not only could CMP save lives with MEG, but it could also reduce the cost of healthcare. CMP will be making patients' wallets that little bit heavier — along with their own. The MEG tech is expected to generate US\$20 million in annual revenues within two years.

As I mentioned above, the MEG will be able to help those with illnesses or disorders. CMP will be focusing their efforts on researching into disorders such as:

- Alzheimer's;
- Epilepsy;
- Parkinson's;
- Autism; and
- Other neuro-functional disorders.

A lot of these disorders are correlated with age. CMP might have picked the perfect time to launch itself at a growing market. Demographics are changing. Populations are ageing, not just in China but Australia too. Not enough young people are being born to replace old retirees in the workforce. This imbalance will affect government spending in a big way.

If there are less people working then the government earns less in taxes. And if more retirees are claiming benefits — or require healthcare paid for by the government — then government expenditure increases too. Below is a graph representing Australia's demographic make-up.

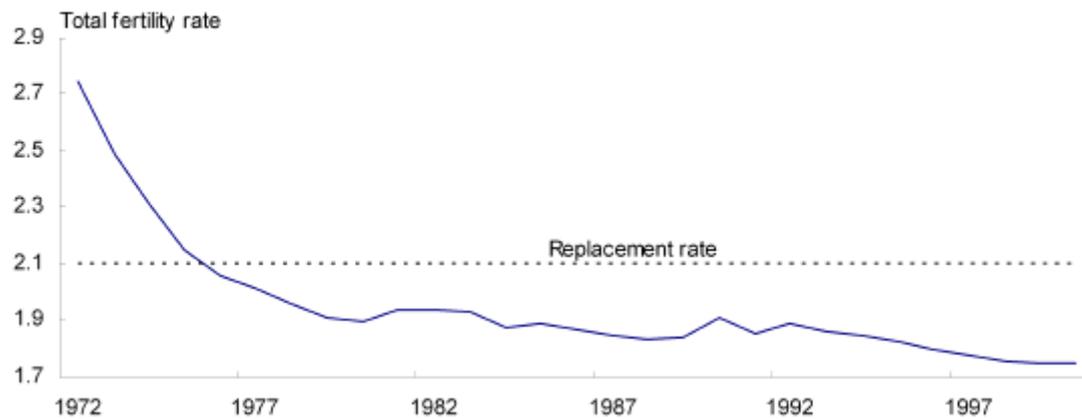


*Source: Australia's Demographic Challenges*

The over 85 age group is growing at a scary rate. In the next few decades, it's expected that this bracket will grow at a rate to dwarf all others.

The underlying problem contributing to this rising problem is a change in lifestyles. It's become rare to see a mother who has four children or more. A falling birth rate has put huge strains on replacement rates, which represent newborns substituting a rapidly ageing workforce.

Chart A1: Australia's historical fertility rate



*Source: Australia's Demographic Challenges*

As you can see, the replacement rate had decreased drastically from the post-war baby boom. And you'd find fertility rates dropping even further, if we extended that graph into 2016. The government may have cause for concern, but Australia's demographic problem is great news for CMP.

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<http://www.moneymorning.com.au/20160222/compumedics-secures-access-to-4-billion-market-cw.html>