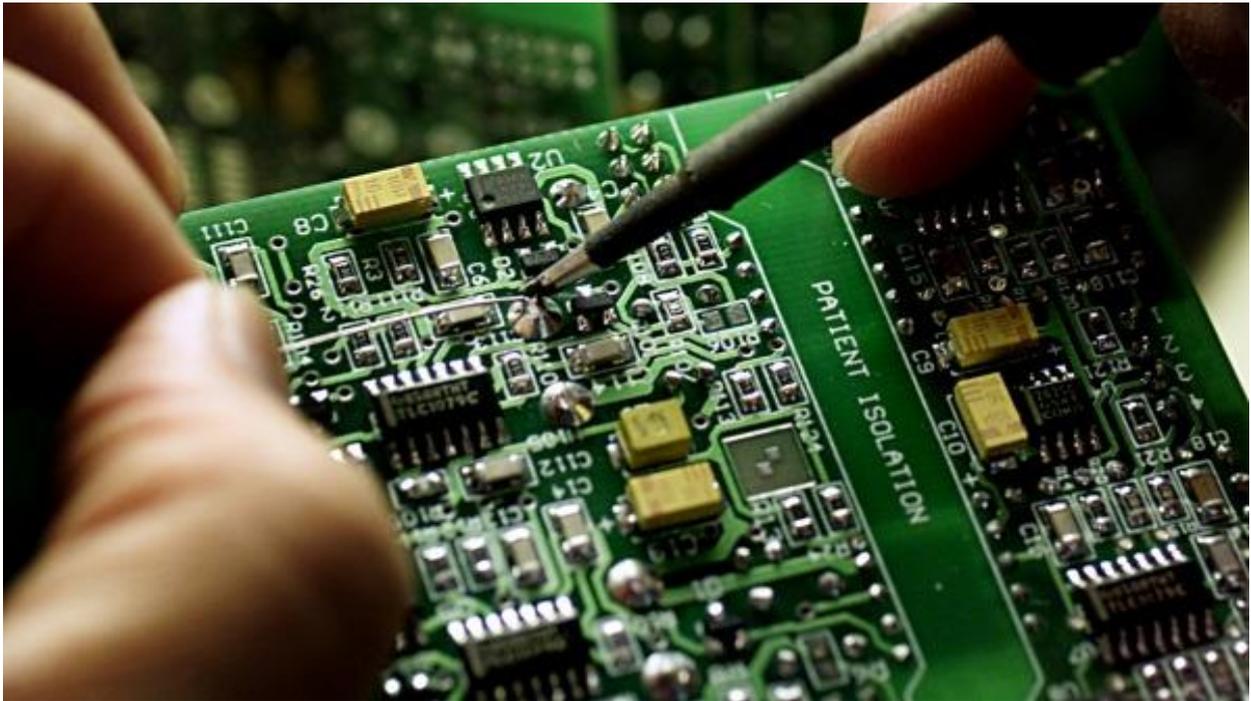


# FINANCIAL REVIEW

## Sleeper stock Compumedics delivers healthy profit

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Compumedics develops and manufactures medical devices.



by [Trevor Hoey](#)

Shares in Compumedics performed strongly on the back of an impressive 2014-15 result which featured profit growth of more than 100 per cent.

Over the last two years, the company has distinguished itself as one of the few small cap healthcare stocks generating a profit while maintaining a healthy balance sheet.

Providing investors with further confidence was the management's guidance, which pointed to net profit in a range between \$2.8 million and \$3.2 million in 2015-16. The company had minimal debt as at June 30, 2015, and was in a net cash position.

Compumedics develops and manufactures medical devices largely used in diagnosing sleep and brain activity as well as measuring blood flow. The group is highly diversified, owning US-based Neuroscan and DWL Elektronische GmbH in Germany.

This provides access to markets in the Americas, Europe and the Middle East, complementing an established position in Australia and the Asia-Pacific region.

Compumedics' e-health should be a strong growth driver as patients take advantage of an online professional sleep services platform which simplifies the sleep-monitoring process.

The management highlighted that the scalability and cost-efficiencies of this system as opposed to traditional sleep diagnostics allows the service to accommodate very large sleep disordered populations, even in regions where private health insurance is limited.

The group has in excess of \$10 million in forward orders for its e-health MEDICS products. With the demand for hospitals and other medical facilities outstripping the supply in many countries, a system that can analyse, interpret, transfer and store medical grade sleep data should be highly sought-after.

DWL is a global leader in 3-D transcranial colour Doppler/duplex imaging. It is highly leveraged to the fast-growing traumatic brain injury and stroke market.

The management is considering spinning off its DWL business given the high enterprise value multiples attributed to overseas peers. This could assist a relatively small company in addressing an end market which is expected to be valued at \$7 billion by 2017.

SI view: Analysts at Morningstar view the stock as undervalued and with it trading on a price-earnings multiple of circa 17 relative to management's 2015-16 guidance, it could be argued that the group's growth profile isn't reflected in its valuation.



<http://www.afr.com/personal-finance/shares/sleeper-stock-compumedics-delivers-healthy-profit-20150827-gj97ia>