

## Compumedics provides upbeat profit guidance resulting in 12% share price re-rating

21 Mar 2018

Trevor Hoey

Fiscal 2018 profit guidance is \$4.4 million, representing earnings per share of about 2.5 cents.



Profit growth of about 250% is expected in fiscal 2018, making the PE multiple of 16 appear conservative

[Compumedics](#) Limited ([ASX:CMP](#)) appears to be bouncing back after a decline in its share price which started in the second half of 2017.

A recovery to past levels by the medical devices company could be assisted by upbeat profit guidance provided on Tuesday.

This pointed to a net profit of \$4.4 million in fiscal 2018, representing earnings per share of about 2.5 cents.

### Conservatively priced relative to growth profile

Given the company is poised for robust near to medium-term growth from sales of a diversified range of products, the implied price-earnings multiple of 16 seems conservative.

Profit growth of about 250% is expected in fiscal 2018.

The PE multiple is based on a share price of 40 cents, the level [Compumedics](#) traded at after a 12% spike on [Tuesday Morning](#).

## **Multiple revenue streams**

The share price re-rating was driven by an update on its healthy financial and operational position.

Compumedics has a broad addressable market and an increasingly diversified range of products.

This provides multiple revenue streams, leaving the company less prone to the sometimes lumpy revenue patterns that have underpinned negative sentiment in the past.

## **Fast-growing neurological and sleep diagnostic market**

Compumedics develops, manufactures and commercialises diagnostics technology for sleep, brain and ultrasonic blood-flow monitoring applications.

The company generates revenues from the growing international sleep clinic and home monitoring markets.

With strains on public health systems and the convenience of in-home devices for an ageing population, home monitoring equipment has been in strong demand.

However, the Compumedics' equipment is also used in leading medical establishments.

Executive chairman and founder Doctor David Burton designed and installed the first Australian fully computerised sleep clinic at Epworth Hospital in Melbourne.

## **Global research, development and distribution**

Compumedics' global success to date has been assisted by the ownership of groups such as 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.

In the first half of fiscal 2018, the US and Asia accounted for about 6% of revenue.

The key income drivers by product were sleep (32%), brain research (24%) and brain blood flow (15%).

<http://www.proactiveinvestors.com.au/companies/news/193505/compumedics-provides-upbeat-profit-guidance-resulting-in-12-share-price-re-rating-193505.html>