

Here's why Compumedics Limited surged 38% on Tuesday: Is it a buy?



Credit: US Army RDECOM

By [Ryan Newman](#) - April 14, 2015

Compumedics Limited ([ASX: CMP](#)), a small-cap medical device company, has skyrocketed to a near 10-year high today with its shares up 38.9% at the close at 25 cents. Earlier, the stock rose as high as 29.5 cents.

Earlier in the day, the company, which boasts a market capitalisation of just under \$50 million according to *Google Finance*, announced that its German-based brain blood-flow Doppler-sonography division (**Compumedics Germany GmbH**) (“DWL”) has been awarded a new European patent.

The patent is for a new approach to ultrasound diagnosis and treatment of stroke. The company is aiming to develop a monitor system for traumatic

brain injury (TBI), together with an automatic system that would help prevent and provide treatment for stroke.

Commenting on the patent, Compumedics' chairman and CEO, Dr David Burton said: *"This patent is an important achievement for DWL and its parent company Compumedics, as it underpins DWL's superior reputation in the areas of research and development."*

In its most recent earnings report, it said that net profit after tax had more than doubled to \$0.9 million, while earnings before interest, tax, depreciation and amortisation were up 46% to \$1.9 million.

Should you buy?

Investing in small-cap stocks can result in enormous profits, but they also carry a very high level of risk. Investors who are looking for less risk may want to consider building a position in another medical device maker, **ResMed Inc. (CHESS) (ASX: RMD)**, which is currently [firing on all cylinders](#) and could generate fantastic returns over the coming years.

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