



GROWING PAINS AMID WAVES OF SUCCESS



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GROWING pains can hit successful companies and infection-control firm Nanosonics is showing a few symptoms.

The market capitalisation of the company has flown from just \$159 million in 2013 to more than \$460 million today but more recently, the share price has slid back from near \$2 to yesterday's close of \$1.655.

The company is also preparing to move into Cochlear's former Lane Cove headquarters in Sydney and is beginning to emulate the bionic ear company's amazing sales growth.

Nanosonic's Trophon ultrasound-probe disinfection device is now in 44 of the top 50 hospitals in the US, and European sales are also rising quickly, with distribution partner Miele Professional pushing into five new countries this year.

Here in Australia and New

Zealand, the Trophon is now used in 566 hospitals, with that number set to rise as the advantages of fast probe disinfection, much lower cross-infection risk and cheaper labour costs compared to old chemical cleaning methods begin to stack up.

The numbers are assembling nicely on the balance sheet too, with sales up 48 per cent to \$14.3 million in the first half and net profit hitting \$1.2 million compared to a loss of \$3.5 million in the previous corresponding period.

About half of those sales came from consumables, which shows the potential as the world user base of Trophon expands.

Nanosonics is transitioning to a hybrid sales model in the US which should keep growth there bubbling along faster than if it relied on distribution partner GE alone.

With around 21 direct sales staff now working in the US and an order fulfilment, warehousing and service operation up and running, Trophon should push much deeper into the more than 5000 individual US hospitals.

Repeat sales into different hospital departments should be possible given the success of the 4500 units in use.

Approval for sales in Japan and Korea should provide a further sales boost.

Cash for expansion is available with around

\$51 million in the bank after a successful share placement.

Other than rolling out the Trophon to more hospitals and clinics around the world, the big growth opportunity for Nanosonics is to push its hydrogen-peroxide sterilisation technology into a wider variety of probes including those in dental clinics, leading to a **buy** call.

Renewable energy might be on the back burner in Australia but the achievements of Carnegie Wave Energy are getting interesting.

Carnegie now has three of its submerged CETO 5 units working together off Garden Island in Western Australia and they are generating electricity very close to the 40kW rate that was predicted by computer models for a given wave height.

The system is also capable of producing desalinated water for the Garden Island Naval Base but at this stage, the idea is to work the three units together for a while to gather data across a wide variety of wave conditions. Then the units will progressively be brought in to check for wear and tear, with at least one operating through the winter.

The CETO units and plant generate an amazing 4GB of data each day from 500 sensors on everything from pressure, flow, displacement, power, load and position so the analytical task and an independent review will not report until later this year.

With strong recent interest from Chile in the technology and the advantage of being fully submerged in deep water,

Carnegie retains a **speculative buy** call.

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