Electromed: Q1 FY27 Update

AI tools assisted in document preparation; all research and analysis is my own.

This was a great quarter. Margin is growing, revenue is growing, and profit is growing. It seems that management has kept its word, and this is good news for the thesis. Revenue was slightly under expectation, but I suspected that in my original thesis.

Revenue per rep was $*1.109m*, inside the $1.05m–$1.15m range, and homecare grew 17.6%. Total revenue missed consensus because the small distributor and hospital channels fell 41%. The thesis is intact; the revenue estimate stays at ~$81m and the margin estimate rises.

The September quarter is Electromed's seasonally weakest, perhaps it's due to there being fewer visits in the summer because there are fewer respiratory flare-ups?

Q1 FY27 RESULTS (quarter to 30 September 2026)

	Q1 FY27	Q1 FY26	Change
Revenue	$18.7m	$16.9m	+10.6% (consensus ~$18.9m)
Homecare (94% of revenue)	$17.5m	$14.9m	+17.6%
Distributor, hospital and other	$1.2m	$2.0m	−41%
Gross margin	80.0%	78.1%	+1.9 pts
Operating income	$3.5m (18.7%)	$2.7m (15.8%)	+30.7%
Diluted EPS	$0.32	$0.25	+28% (consensus $0.26–$0.29)

Homecare reps averaged 63, with four territories still open against the 67 planned.

OCTOBER REPORT AGAINST Q1

The October thesis said	What Q1 showed	Verdict
FY27 revenue grows ~10%	Grew 10.6%	On track

The October thesis said	What Q1 showed	Verdict
Growth is largely hired through reps already in seat	63 reps (FY26 average 58) at $1.109m each, inside the $1.05m–$1.15m range	Confirmed
Operating margin ~19%	18.7% in the seasonally weakest quarter, up from 15.8%	On track
The Brinsupri fear is overdone	Homecare up 17.6% more than a year after approval; Medicare homecare revenue up 17%	Supported
Consensus revenue is too high	Revenue missed; distributor weakness lasts until early 2027	Confirmed
CEO succession could lead to a sale	No update; the CEO retires in April 2027	Still open
Risk: revenue quality and receivables	Receivables up about 22% against revenue up 10.6%; insurer recoupment reserve up from $970k to $1,014k	Still a weak point

The Brinsupri evidence is indirect: management gave no referral data from clinics that prescribe the drug. Bronchiectasis was 74% of qualified referrals in the trailing year, against 76% in FY26.

FROM THE CALL

- **Smaller channels:** distributor revenue fell 56% because equipment dealers hold too many vests; management expects no recovery before early 2027. Hospital fell 32% against a record quarter.
- **Cash and buyback:** operating cash flow was $0.4m after the annual bonus payout. The company bought back $4.3m of stock at about $27.49, leaving $1.8m of the authorisation at 30 September. The CFO would not commit to a new one, and did not address the credit line.
- **Operating progress:** 48% of orders came through the e-prescribing system (over 40% two quarters ago); 87% of US covered lives are under contract (86%); the contract with the largest hospital purchasing group was renewed.
- **Outlook:** no revenue guidance beyond the per-rep range, and the Q4 call's "double-digit growth" line was not repeated.

MY NUMBERS AFTER Q1

- **FY27 revenue:** I still expect ~$81m (+10%). Analysts expect ~$83m, which looks too high.
  - This is because analysts need a perfect year, which is about 65 reps each, selling as much as last year's reps did from the first month. This is unlikely because it takes time for new reps to get up to speed
  - Last year got a lift from higher Medicare prices and a better mix of insurers. That lift is over, so growth now has to come from selling more vests.
  - Even my most optimistic case was 12% growth, below the analysts' 12.7%.
- **FY27 operating margin:** I now expect ~20%, up from 19%, because margin rose 2.9 points in what is usually the weakest quarter.
- **Valuation at $27.18:** the market values the company at ~$234m, or ~$219m after taking off its $15.9m of cash. That is about 15 times the last year's operating income and 20 times its earnings.
- **Next dates:** annual meeting 13 November, $10m credit line matures 16 December, Q2 results in February 2027, CEO retirement in April 2027.

Sources: Electromed Q1 FY27 10-Q (filed 10 Nov 2026), results release, earnings call and investor presentation. Estimates and valuation figures are my own.