

## ASX Release

**Oventus Quarterly Business Review Q4 FY2020****Key highlights:**

- **Device sales returning to pre COVID-19 levels**
- **Device orders for July exceed levels prior to onset of COVID-19**
- **Refined workflows in response to COVID-19 improving conversion rates**
- **Robust pipeline of contracts and site launches**
- **Focus for Q1 FY21 is increasing number of site launches to drive revenue growth while maintaining careful cost controls**
- **Cash balance at quarter end of \$8.5m, providing adequate funding to support planned commercial expansion**

Brisbane, Australia 27 July 2020: Obstructive Sleep Apnoea (OSA) treatment innovator, Oventus Medical Ltd (the Company, ASX: OVN) is pleased to release its Appendix 4C and quarterly business activities review for the three-month period ended 30 June 2020 (Q4 FY2020).

Oventus Founder and CEO, Dr Chris Hart commented, "When the impact of COVID-19 became clear in March, Oventus moved quickly to protect our customers and business plan, reduce operating costs, adapt workflows and processes to enable business continuation.

To support our sites, we introduced a telehealth service, with initial patient consultations run remotely by the Oventus team. Whilst patient flow into physical sites overall is reduced due to government-enforced lockdowns, this is being offset in part by an increase in the conversion rate of patients moving from the step of initial consultation to booking in for in-person appointments as the sites reopen. The telehealth service also allowed the company to continue to engage with customers and patients through the shutdown period.

In April and May, while physical delivery of treatment to patients was restricted, many of the devices we delivered were to first responders in Canada who required treatment alternatives to CPAP.

In spite of reduced patient flow, device sales are returning to pre-COVID levels and device orders for July have exceeded pre-COVID levels. Based on current knowledge, we expect revenues to continue to build across the September quarter as sites reopen and additional sites are launched."

## **Strong further adoption of Lab in Lab model during June quarter**

Oventus' Lab in Lab adoption and deal funnel continued to grow during the quarter, with key agreements signed and many potential customers (sleep apnoea groups) considering the Lab in Lab model a new way to recover revenues lost during forced COVID-19 closures. The sales funnel finished the quarter valued at over \$70M in potential annualised revenue.

### Key agreements signed

During the quarter, fast-growing US Durable Medical Equipment provider, Aeroflow Healthcare Inc. (Aeroflow) executed its first Lab in Lab subcontract with US-based Regional Health Diagnostics. Regional Health Diagnostics, a neurological testing and sleep disorders centre, which operates 12 sleep lab locations across Tennessee, Georgia, Alabama, North Carolina and South Carolina, will offer Lab in Lab services at two of its locations. Scope exists to expand the agreement once the first two sites are operational.

Oventus also signed an agreement with Careica Health, a leading provider of respiratory services in western Canada. Under the agreement, patients will be referred from Careica's 26 homecare locations which span the provinces of Manitoba, Saskatchewan, Alberta, and British Columbia to an initial four sites which will operate the Oventus Lab in Lab business model. The agreement extends Careica's well-known SLEEP program which will now include Oventus' O2Vent Optima and ExVent therapy as an alternative for CPAP-intolerant individuals.

Since quarter's end an additional two agreements have been signed. The first one with Tri Hospital Sleep in Ontario is one of Mississauga's largest privately-owned providers of diagnostics and treatment for obstructive sleep apnoea. The second agreement signed is with Ontario Sleep Care, a large privately-owned provider of treatment for obstructive sleep - apnoea with 8 locations across the province. These agreements extend Tri Hospital Sleep and Ontario Sleep Care's service offerings to now include Oventus' O2Vent Optima and ExVent therapy as an alternative for CPAP-intolerant individuals.

### Contracted sites and implementations

At the end of the quarter, Oventus had a total of 51 contracted sites. Since quarter's end an additional 9 sites have been contracted (see additional announcement dated 27 July 2020.) At the time of writing, 25 sites had been launched including 7 sites in July. Of the 25 launched sites, three were rationalised due to impact from COVID-19, leaving a total of 22 launched sites. Within these sites, patient flow remains subdued due to COVID-19, however the company remains optimistic about growth due to a mix of factors, including: higher conversion rates as a result of refined workflows and introduction of telehealth; strong demand for the technology and clinical business model; continued contract negotiation and execution; a full launch calendar through to the end of CY2020 and an overall increase in the

number of operational sites. As North America slowly reopens by region, Oventus is ready to accelerate revenue growth with a broad, efficient network of 'Lab in Lab' clinics.

### **Placement and Share Purchase Plan close strongly oversubscribed**

To strengthen the balance sheet and provide growth capital for expansion, Oventus completed a strongly oversubscribed capital raise during Q4 FY2020 which involved a share placement (Placement) to institutional investors and a Share Purchase Plan (SPP) to existing shareholders.

The offering raised approximately A\$6.65m before costs. Under both the Placement and the SPP, the Company offered one free attaching unlisted option for every two new shares subscribed for (Options). The Shares under the Placement and the SPP had an issue price of A\$0.24 each. The Options offered under the SPP and the Placement will have an exercise price of A\$0.36 and will expire on 30 June 2021.

Funds raised from both the Placement and the SPP will be used to meet the growing demand for Oventus' Lab in Lab business model.

### **Improved cash position and financial outlook**

Cash receipts totalled \$116,000 (Q4FY2020), compared to \$78,000 in Q3 FY2020. This increase in collected revenue is illustrative of the 180 day cycle from booked revenues to collection of cash receipts (see ASX announcement dated 11 October 2019 for more information on this cycle.)

Due to the restricted ability for patients to physically visit clinics during April and May, booked revenue was down to \$86,000 for Q4 FY2020 (\$160,000 in Q3 FY2020.) Bookings for June and July indicate a return to the momentum Oventus was generating just before COVID-19 set in. With a good view (via patient bookings) on future run rate and based on the current operating environment, the Company has confidence that revenues should improve from the current quarter.

Supported by the recent capital raise and a substantial ongoing cost control program, the Company's cash balance at the end of the quarter was \$8.5m, providing over five quarters of funding, without the benefit of improved revenue performance expected during the September quarter as the number of live Lab in Lab sites increase and patient bookings continue to grow.

Net cash used for operating activities totalled \$1.64m for the June quarter, further reduced from Q3 FY20 (A\$2.05m), resulting from the Company's ongoing cost reduction program and access to government grants and funding. Payments to related parties for director compensation during the June quarter totalled \$22,000.

## Outlook

Oventus' focus for Q1 FY21 is targeted in the following areas:

- Supporting customers with the reopening of Lab in Lab sites which are able to resume business operations;
- Launching further sites, including the initial 8 sites scheduled for launch in July;
- Making further improvements to the homecare model, in order to remove barriers to remote patient treatment;
- Retaining a continued focus on revenue improvement and cost control; and
- Adding a modest number of additional US team members who can maintain existing lab in lab customers and support with increasing the speed at which contracted implementations can be rolled out.

We look forward to keeping the market updated with further material progress.

—ENDS—

For further information, please visit our website at [www.o2vent.com](http://www.o2vent.com) or contact the individuals outlined below.

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**About Oventus – see more at [www.o2vent.com](http://www.o2vent.com)**

Oventus is a Brisbane-based medical device company that is commercialising a unique treatment platform for sleep apnoea and snoring. The Company has a collaborative Sleep Physician/ Dental strategy that streamlines patients' access to treatment. The Oventus lab model incorporates digital technology via intra oral scanning to achieve operational efficiencies, accuracy and ultimately patient outcomes.

Unlike other oral appliances, Oventus O2Vent devices manage the entire upper airway via a unique and patented built-in airway. O2Vent devices allow for airflow to the back of the mouth while maintaining an oral seal and stable jaw position, bypassing multiple obstructions from the nose, soft palate and tongue. The devices reduce airway collapsibility and manage mouth breathing while keeping the airway stable.

O2Vent devices are designed for any patient that is deemed appropriate for oral appliance therapy, but especially beneficial for the many people that suffer with nasal congestion, obstruction and mouth breathing. The O2Vent allows nasal breathing when the nose is unobstructed, but when obstruction is present, breathing is supplemented via the airway integrated in the appliance.

The ExVent™ is a valve accessory that fits into the open airway of the O2Vent Optima device, to augment traditional oral appliance therapy by stabilizing the airway. The ExVent valve contains air vents that open fully on inhalation for unobstructed airflow. The valve closes on exhalation, directing the air through the vents, creating the mild resistance or airway support required to keep the airway stable (known as PEEP, positive end expiratory pressure).

According to a report published by the Sleep Health Foundation Australia, an estimated 1.5 million Australians suffer with sleep disorders and more than half of these suffer with obstructive sleep apnoea<sup>1</sup>.

Continuous positive airway pressure (CPAP) is the most definitive medical therapy for obstructive sleep apnea, however many patients have difficulty tolerating CPAP<sup>2</sup>. Oral appliances have emerged as an alternative to CPAP for obstructive sleep apnea treatment<sup>3</sup>. The O2Vent Optima and ExVent provide a discreet and comfortable alternative to CPAP for the treatment of OSA.

<sup>1</sup> Deloitte Access Economics. Reawakening Australia: the economic cost of sleep disorders in Australia, 2010. Canberra, Australia.

<sup>2</sup> Beecroft, et al. Oral continuous positive airway pressure for sleep apnea; effectiveness, patient preference, and adherence. Chest 124:2200–2208, 2003

<sup>3</sup> Sutherland et al. Oral appliance treatment for obstructive sleep apnea: An updated Journal of Clinical Sleep Medicine. February 2014.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

OVENTUS MEDICAL LIMITED

**ABN**

12 608 393 282

**Quarter ended ("current quarter")**

30 JUNE 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	116	393
1.2 Payments for		
(a) research and development	(60)	(467)
(b) product manufacturing and operating costs	(63)	(236)
(c) advertising and marketing	(234)	(1,583)
(d) leased assets	-	-
(e) staff costs	(1,381)	(5,733)
(f) administration and corporate costs	(507)	(1,825)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	40
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	486	1,314
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,635)</b>	<b>(8,097)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(177)	(1,028)
(d) investments	-	-
(e) intellectual property	(111)	(348)
(f) other non-current assets	-	(100)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	300
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(288)</b>	<b>(1,176)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	6,650	15,994
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(507)	(1,238)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>6,143</b>	<b>14,756</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,262	2,999
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,635)	(8,097)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(288)	(1,176)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6,143	14,756
4.5	Effect of movement in exchange rates on cash held	(27)	(27)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>8,455</b>	<b>8,455</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	8,455	4,262
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>8,455</b>	<b>4,262</b>

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	22
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		



<b>7. Financing facilities</b> <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,635)
8.2 Cash and cash equivalents at quarter end (item 4.6)	8,455
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	8,455
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	5.17
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 July 2020



Authorised by: .....  
Dr. Chris Hart (Managing Director and CEO)  
(By the Board of Directors)

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.