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ASX Release

Oventus Quarterly Business Review Q1 FY2021

Key highlights:

- **Booked revenues (device sales, consumables and service fees) increased 193% quarter on quarter and 189% compared to the prior corresponding period to $248k**
- **Cash receipts for quarter stood at $164k, up 38% from $119k in the previous quarter and 89% from $87k for the prior corresponding period**
- **Number of sites scanning patients at the end of September stood at 15 compared to 7 at the end of last quarter and 14 pre COVID-19**
- **Lab in Lab (LIL) deal funnel continued to grow during the quarter, valued at over $80m in potential annualised revenue by September 30**
- **Cash balance at quarter end of $6.8m**
- **Focus for FY21 is relaunching pre-existing sites, launching new LIL sites, maximising device sales; launching the LIL model in other markets with strategic partners and improving cost of goods sold**

Brisbane, Australia 27 October 2020: Obstructive Sleep Apnea (OSA) treatment innovator, Oventus Medical Ltd or the Company (ASX: OVN) is pleased to release its Appendix 4C and quarterly business activities review for the three-month period ended 30 September 2020 (Q1 FY2020).

Oventus Founder and CEO, Dr Chris Hart commented, “The September quarter was a strong period of growth for Oventus despite the ongoing macroeconomic conditions. We recorded a promising revenue uplift as device sales increased to beyond pre-pandemic levels and the number of live Lab in Lab (LIL) sites continued to grow, alongside patient bookings.

While the future is difficult to predict in the current operating environment, we have shown that we have the ability to adjust to the challenges that we have had to face. We expect overall patient flow to be variable month to month, but we have enough sites and potential sites to continue to build revenue as sites continue to reopen and additional sites are launched. Our focus remains on maximising device sales and expanding our Lab in Lab program in North America and across other markets with our strategic partners.”

Strong uplift in revenues and improved financial outlook

Booked revenue for Q1 FY 2021 of $248,912 grew by 193% compared to Q4 FY2020 revenue of $85,000 and was up 190% compared to Q1 FY2020 revenue of $86,000. Revenue growth was driven by the strong increase in device sales due to a higher number of LIL sites physically

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seeing patients, an increase in conversion rates due to telehealth and more direct sales as dentists start to adopt the technology in their own clinics.

Cash receipts in Q1 FY2021 totalled A$164,000 up 38% compared to A$119,000 in Q4 FY2020 and up 88% compared to $87,000 in Q1 FY2020.

The increase in booked revenue is greater than the increase in collected revenue in Q1FY2021 due to the significant increase in booked revenue quarter on quarter and the longer sell cycle (up to 90 days)[1] from booked revenues to collection of cash receipts. The difference is expected to be collected in the coming quarter as has previously been the case, including during the COVID-19 period.

The Company's cash balance at the end of the quarter was $6.8m, providing over four quarters of cash. Net cash used for operating activities totalled A$1.6m for the September quarter, down further from Q3 FY20 (A$1.7m), 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 September quarter totalled $36,000.

Continued strong adoption of Lab in Lab model during the quarter

Device sales continue to increase, underpinned by telehealth and remote training measures

There was a strong uplift in device sales during the quarter due to the telehealth and remote training measures that Oventus introduced earlier this year to enable continued engagement with patients and virtual launches, despite COVID-19 related restrictions. The telehealth model led to an increase in sales conversion rates – from about 50% at the time the model was introduced to around 80% in the September quarter.

From the end of the June quarter, Oventus also successfully piloted a homecare extension of the Lab in Lab (LIL) program to hedge against the risk of protracted shutdowns across North America.

Contracted sites, launches and sales funnel growth

Oventus continues to negotiate contracts and launch new sites despite the ongoing macro environment. At the end of the quarter, Oventus had a total of 57 contracted sites and 27 launched sites, of which 15 were physically seeing patients compared to 14 sites pre COVID-19.

Oventus' LIL deal funnel continued to grow during the period, finishing the September quarter valued at over $80m in potential annualised revenue, up from $70m as at the end of the June quarter.

[1] See ASX announcement dated 11 October 2019

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Key agreements signed

During the quarter, Oventus signed two further LIL agreements across 9 additional sites. The first agreement was with Tri Hospital Sleep in Ontario, which is one of Mississauga's largest privately-owned providers of diagnostics and treatment for OSA. The second agreement signed was with Ontario Sleep Care, a large privately-owned provider of treatment for OSA with 8 locations across the province of Ontario. 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. Both groups have started scheduling telehealth consultations and are scheduling patients for scans during November.

Cost of Goods improvement initiative underway

In order to improve the margin on device sales, Oventus is undertaking a number of projects to increase efficiency and reduce cost. Through this process, the Company is targeting gross margin improvements on device sales of up to 20% by the end of FY2021.

Outlook

Going forward, Oventus aims to launch or relaunch three to four sites per month but expects patient flow to be variable to the end of CY2020.

Although growth will likely be variable, as the Company launches more sites, and patient flow increases to more normal levels with greater conversion rates, it expects revenue growth to continue for the remainder of CY2020 and into CY2021.

While ExVent is currently available in Australia and Canada the ExVent 510k application has been delayed due to longer response times at the FDA through the pandemic. However, the Company expects this application to be finalised in the coming quarter.

As well as site launches, relaunches and maximizing device sales, Oventus' strategic focus for the remainder of FY2021 is as follows:

- Continue contract negotiations for additional LIL sites
- Continued cost control and reduction of COGS combined with revenue build to increase cashflow from operations
- 510k FDA approval for ExVent in the US
- Launch LIL program in other markets with strategic partners

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

—ENDS—

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For further information, please visit our website at www.o2vent.com or contact the individuals outlined below.

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About Oventus – see more at www.o2vent.com

Oventus is a Brisbane-based medical device company that is commercialising a unique treatment platform for obstructive sleep apnea (OSA) 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, O2Vent Optima devices manage the entire upper airway via a unique and patented built-in airway. O2Vent Optima devices allow for airflow to the back of the mouth while maintaining an oral seal and stable jaw position, avoiding multiple obstructions from the nose, soft palate and tongue. The devices reduce airway collapsibility and manage mouth breathing while keeping the airway stable.

O2Vent Optima 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 Optima 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 apnea[1].

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

[1] Deloitte Access Economics. Reawakening Australia: the economic cost of sleep disorders in Australia, 2010. Canberra, Australia.
[2] Beecroft, et al. Oral continuous positive airway pressure for sleep apnea; effectiveness, patient preference, and adherence. Chest 124:2200–2208, 2003
[3] Sutherland, Kate, et al. "Oral appliance treatment for obstructive sleep apnea: an update." Journal of Clinical Sleep Medicine 10.2 (2014): 215-227.

Appendix 4C

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

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Name of entity

OVENTUS MEDICAL LIMITED

ABN	**Quarter ended ("current quarter")**
12 608 393 282	30 SEPTEMBER 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	164	164
1.2	Payments for		
	(a) research and development	(85)	(85)
	(b) product manufacturing and operating costs	(113)	(113)
	(c) advertising and marketing	(191)	(191)
	(d) leased assets	-	-
	(e) staff costs	(1,181)	(1,181)
	(f) administration and corporate costs	(455)	(455)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	11	11
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	249	249
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,601)**	**(1,601)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(43)	(43)
	(d) investments	-	-
	(e) intellectual property	(29)	(29)
	(f) other non-current assets	(9)	(9)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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	**Net cash from / (used in) investing activities**	**(81)**	**(81)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	9	9
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	(28)	(28)
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	**Net cash from / (used in) financing activities**	**(19)**	**(19)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	8,455	8,455
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,601)	(1,601)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(81)	(81)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(19)	(19)
4.5	Effect of movement in exchange rates on cash held	6	6
4.6	**Cash and cash equivalents at end of period**	**6,760**	**6,760**

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	6,760	8,455
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**6,760**	**8,455**

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	36
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

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.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,601)
8.2	Cash and cash equivalents at quarter end (item 4.6)	6,760
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	6,760
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	4.22

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.

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:

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.

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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 October 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.

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