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Trading and operational activities improved over the quarter

SomnoMed Limited (ASX "SOM", or the Company) a leading company in the provision of treatment solutions for sleep-related breathing disorders and obstructive sleep apnea, is pleased to provide its quarterly activities report for the period ended 31 March 2021.

Overview

- Recorded revenue of $15.7 million for Q3 FY21 (+1% vs Q3 FY20)
- Total patients treated worldwide now exceed 615 000, and SomnoMed remains the largest global oral appliance company
- Operating activity improved considerably over the course of the quarter
- March delivered exceptionally strong results, as business conditions started to normalise with growth in product volume experienced across key regions
- SomnoMed continued to actively engage with various authorities across all regions to promote stronger clinical guidelines and drive positive reimbursement trends
- The Company continues to actively pursue transformational technology opportunities that will enhance and build upon our competitive advantage
- Net cash[1] position of $19.3 million at 31 March 2021
- SomnoMed remains well-positioned to benefit as the market continues to normalise over the coming quarters

Commenting on the results, SomnoMed's Managing Director, Neil Verdal-Austin said: "During the quarter we continued to focus on our vision of providing effective long-term treatment for patients who suffer from Obstructive Sleep Apnea ('OSA'). We remain focused on driving change and investing for growth through our internal transformational technology opportunities, which we believe will enhance and build upon our competitive advantage and deliver a better outcome for our customers and their patients."

"Our quarterly revenue was broadly flat on the previous corresponding period, reflecting some stability in the underlying markets. Whilst the business continues to experience a level of impact from COVID-19, we witnessed a significant improvement in operating activity in the latter half of the quarter. March revenue was considerably ahead of the levels recorded in both January and February with improved trading performance and increased sales from countries such as Denmark, Finland, France, Australia and Canada."

"The strong improvement in operating activity over the course of the quarter points towards a strengthening of the outlook for the Company over the remainder of calendar year 2021, as we continue to work with our customers and their patients to ensure we provide an effective long-term solution for patients that suffer from Obstructive Sleep Apnea."

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Financial Review

Q3 FY2021 unaudited revenues of $15.7 million were up 1% on Q3 FY2020 (up 11% in constant currency terms) as trading conditions begin to normalise. Revenues were down quarter over quarter due to known market seasonality.

	Q3 FY21 Revenue (A$000's)	Revenue Growth (vs PCP)	Revenue Growth (QoQ)
North America	4,054	(25%)	(19%)
Europe*	10,370	13%	(3%)
APAC	1,289	24%	(13%)
Total	**15,714**	**1%**	**(8%)**

* During the quarter the company recognised, as revenues, an allowance received from the HIC (Health Insurance Companies) in the Netherlands amounting to $1.4 million. This allowance compensated SOM for a portion of lost managed care income due to COVID-19. The impact on profit will be detailed in the FY21 results.

North American revenue growth was down 11% on the prior corresponding period when considering constant currency terms for Q3, indicating a significant improvement over the previous quarters' posted results.

While the Company remains conservative in its approach to cost management, during the quarter, the company recorded a net cash outflow of $3.4 million. The outflow during the quarter was driven by two main variables: firstly, the timing of working capital with the cash impact of that normalising in the coming quarter and secondly, the ongoing investment in the transformational technology projects.

The Company retains a strong cash position with $19.3 million at the quarter end. Overall, SomnoMed continues to operate on a cash flow positive basis for the quarter, with a solid balance sheet and outlook.

Operational Review

SomnoMed is well-positioned with strong, established networks within its core regions and continued demand for its products. The Company has worked through the challenges of the last 12 months with a strong improvement in the access to medical specialists and marked improvements in sales engagement.

Operating activity improved over the course of the quarter as business sentiment and trading conditions started to recover from the impact of COVID-19. The Company saw several pockets of strong regional growth led by strong consumer demand for our products. Trading volumes in Denmark, Finland, France, Switzerland, Australia and Canada were all considerably higher than in the prior corresponding period.

The Company has mitigated the current challenges of COVID-19 so far by strategically investing in new sales and marketing initiatives and channels that underpin future growth. Our strategic sales activities and focus on patient-centric innovation will ensure that the Company remains well positioned to drive growth through all market and macro-economic conditions.

SomnoMed continues to focus on the long-term technology driven projects and initiatives, which are anticipated to deliver customer benefits and competitive advantage to unlock the true potential of Continuous Open Airways Therapy ('COAT').

North America

A stabilising political environment is starting to result in a more consistent operating environment with improvements in key leading indicators. Whilst these conditions bode well for the final quarter of the year, given greater business and customer confidence levels, the Company remains conservative on the outlook in North America over the remainder of FY21.

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Europe

The European market continues to perform in line with expectations. Trading activity improved markedly as the quarter progressed, with key countries such as France, Denmark, Finland and Switzerland all demonstrating improved patient led demand during the quarter. As COVID-19 normalises and Europe moves into the summer period, we would expect the increasing demand, witnessed in March, to continue into future quarters.

Positive reimbursement initiatives continued in the region during the quarter to progress SomnoDent® towards a first line treatment. The continued engagement with authorities will allow the Company to effect change in the overall acceptance and adoption of oral appliances as an effective, long term treatment for patients suffering from OSA.

Asia Pacific

Activity levels across the APAC region remained broadly in line with prior periods. The medical referral business is building within Australia, with medical education at the forefront of that initiative. Both Japan and South Korea have shown returns to positive revenue growth against PCP for the quarter.

Corporate Update

There were no corporate updates over the quarter.

Notes

1. Net cash [1]: defined as gross cash less, commercial borrowings and COVID-19 related government loans
2. Aggregate amount of payments to related parties and their associates included at 6.1 in the Appendix 4C for the March 2021 quarter includes payments made for non-executive directors' fees and the Managing Director's remuneration

27 April 2021

This release has been approved by the Board of SomnoMed Limited

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About SomnoMed

SomnoMed is a public company providing treatment solutions for sleep-related breathing disorders including obstructive sleep apnea, snoring and bruxism. SomnoMed was commercialised on the basis of extensive clinical research. Supporting independent clinical research, continuous innovation and instituting medical manufacturing standards has resulted in SomnoDent® becoming the state-of-the-art and clinically proven medical oral appliance therapy for more than 615,000 patients in 28 countries. For additional information, visit SomnoMed at http://www.somnomed.com.au