

## ASX Release

## Oventus Quarterly Business Review Q3 FY21

## Key highlights:

- Q3 FY21 cash receipts of \$319k, up 309% on the prior corresponding period (Q3 FY20: \$78k) and up 27% from \$251k in Q2 FY21
- Booked revenue (device sales, consumables and service fees) of \$301k, up 88% over Q3 FY20 and up 5% over prior quarter (Q2 FY21: \$301k)
- Telehealth bookings, a lead indicator of device sales, have grown strongly in Q3 FY21, up more than 50% over the prior quarter
- Rationalization of cost base underway to reflect the lower cost, more scalable virtual business models and current macro operating environment

Brisbane, Australia 29 April 2021: 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 31 March 2021 (Q3 FY21).

**Cash receipts continue to grow**

Q3 FY21 cash receipts were \$319k, up 309% on the prior corresponding period (Q3 FY20: \$78k), and up 27% from \$251k in Q2 FY21.

Booked revenue (device sales, consumables and service fees) of \$301k was recorded, up 88% over Q3 FY20 and up 5% over the prior quarter (Q2 FY21: \$301k), which was a solid result given the current macro factors and seasonality.

The Company's cash balance at the end of the quarter was \$2.45m. Net cash used for operating activities totaled \$2.2m, up from Q3 FY20 (\$1.6m), due to the removal of government support and formation costs of the virtual models that were launched in the quarter.

Founder and CEO of Oventus, Dr Chris Hart commented, "While we are reasonably pleased with the growth in sales over the last year under very difficult macro conditions and underlying seasonality in the March quarter, we are very excited about the virtual models developed over the last two quarters as a result of these macro conditions. In particular, we are pleased with the acceleration in telehealth consults as a forward indicator of the potential of both the Virtual Lab in Lab and direct-to-consumer models. The lower cost base of these models will flow through to reduced operating costs in the second half of CY21. While COVID-19 has been an impediment to the physical Lab in Lab model, we believe patient flow will

improve through CY21 and will be augmented by the new virtual business model and direct-to-consumer sales. These developments mean we can now treat patients anywhere, anytime at lower cost.”

### **Rationalized cost base and investment into go-to-market acceleration**

The Board has reviewed the Company’s cost base in light of the macro conditions and the opportunities arising from Oventus’ omni-channel distribution strategy. The development of the Virtual Lab in Lab model opens the door for rationalization of Oventus’ cost base to reflect the lower cost structure of virtual workflows. In addition to the upfront investment into these models in the March quarter, there will be some one-off restructuring costs in the June quarter, followed by a lower ongoing operating cost base, quarter on quarter. Maturation of the virtual business models will also lead to more predictable customer acquisition costs as the Company moves closer to the patient and refines the previously developed omnichannel direct-to-consumer marketing. The cost-base reduction will include a significant reduction in headcount, adjustment of the North American sales strategy, as well as reductions in executive and board compensation. After allowing for increased investment into patient acquisition, the Company is targeting a 20% reduction in operating costs.

Payments to related parties for director compensation during the March quarter totalled \$68,000.

### **Outlook**

Going forward, Oventus aims to focus its physical Lab in Lab program on higher-yielding sites, convert the lower-yielding physical sites to virtual sites to reduce costs and capex requirements, continue to develop relationships with national groups for expansion of the Virtual Lab in Lab program and invest in direct-to-consumer marketing to drive patient flow to all sales channels. This focus lends itself to the aforementioned reduction in the operating cost base which is underway.

Despite patient flow having been affected by the pandemic, the current growth trajectory for the existing business is expected to be maintained. Importantly, as patient flow trends towards more normal levels in both the physical and virtual channels, and with measured investment into direct-to-consumer marketing, revenue growth across all channels is expected to increase - when combined with the rationalized cost base, this is expected to lead to improved financial metrics for the Company. While the pandemic has been difficult over the last twelve months it has led to important improvements in operations and workflows that have opened up significant opportunities that would not have otherwise become available.

Oventus looks forward to keeping the market updated with further material progress in coming quarters.

—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 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®<sup>1</sup> 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<sup>2</sup>.

Continuous positive airway pressure (CPAP) is the most definitive medical therapy for obstructive sleep apnea, however many patients have difficulty tolerating CPAP<sup>3</sup>. Oral appliances have emerged as an alternative to CPAP for obstructive sleep apnea treatment<sup>4</sup>. The O2Vent Optima and ExVent provide a discreet and comfortable alternative to CPAP for the treatment of OSA.

<sup>1</sup> Not yet cleared for sale in the US.

<sup>2</sup> Deloitte Access Economics. Reawakening Australia: the economic cost of sleep disorders in Australia, 2010. Canberra, Australia.

<sup>3</sup> Beecroft, et al. Oral continuous positive airway pressure for sleep apnea; effectiveness, patient preference, and adherence. Chest 124:2200–2208, 2003

<sup>4</sup> 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

**Name of entity**

OVENTUS MEDICAL LIMITED

**ABN**

12 608 393 282

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

31 MARCH 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	319	734
1.2 Payments for		
(a) research and development	(108)	(257)
(b) product manufacturing and operating costs	(174)	(463)
(c) advertising and marketing	(268)	(701)
(d) leased assets	-	-
(e) staff costs	(1,146)	(3,589)
(f) administration and corporate costs	(651)	(1,412)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	36
1.5 Interest and other costs of finance paid	(10)	(13)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	15	1,047
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,020)</b>	<b>(4,618)</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	(73)	(198)
(d) investments	-	-
(e) intellectual property	(17)	(313)
(f) other non-current assets	(226)	(714)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(316)</b>	<b>(1,225)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	-	(41)
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	Payments for leased assets	(51)	(150)
3.10	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(51)</b>	<b>(182)</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	4,834	8,455
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,020)	(4,618)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(316)	(1,225)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(51)	(182)
4.5	Effect of movement in exchange rates on cash held	11	28
4.6	<b>Cash and cash equivalents at end of period</b>	<b>2,458</b>	<b>2,458</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	2,458	4,834
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>2,458</b>	<b>4,834</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	68
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. 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)	(2,020)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,458
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,458
8.5 <b>Estimated quarters of funding available (item 8.4 divided by item 8.1)</b>	1.22
<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: 29 April 2021

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.