



26 October 2021

## Revenue growth as activity levels in key markets gain momentum

**SomnoMed Limited (ASX SOM, or the Company)** a leading company in the oral appliance treatment solution for sleep-related breathing disorders and obstructive sleep apnea, is pleased to provide its quarterly activities report for the period ended 30 September 2021.

### Overview

- Revenue of \$15.6 million for Q1 FY22, +14% (+16% in constant currency) vs the previous corresponding period (pcp)
- Business conditions continue to improve across the northern hemisphere, as the trend of patient activity and engagement with their medical clinician normalizes
- Although Q1 is historically the seasonally lower quarter for the year given the northern hemisphere summer, SomnoMed continues to forecast +15% revenue growth for FY22
- Total patients treated worldwide exceed 650,000
- The Company continues to actively invest in its transformational technology innovation including the investment in people, R&D and related product development skills to underpin future growth to ensure the Company is well-positioned to capture ongoing market share from the improving economic conditions
- The Company is engaged in continuing education, through key global events, and ongoing discussions with authorities across all regions to promote stronger clinical guidelines and to drive positive reimbursement trends
- Cash of \$17 million at 30 September 2021 with \$5 million of undrawn debt facilities

**Commenting on the results, SomnoMed's Managing Director, Neil Verdal-Austin said:** "We continue to see the strong momentum in our underlying business activity and the broader market conditions. The sales momentum achieved within the business continues to demonstrate the sound fundamentals of the business. With the recent Phillips' CPAP recall, we are working to assess how we can leverage this opportunity to advance our market standing within the US and progress the acceptance of COAT™ as a first line treatment option.

"As we move towards the end of the calendar year, we are focused on sales growth and ensuring that the Company continues to work on increasing awareness, acceptance and adoption of COAT™ treatments across our core regions."

## Financial Review

Q1 FY22 unaudited revenues of \$15.6 million were up 14% over pcp (up 16% on constant currency basis). Against the previous June quarter, the results reflect a level of seasonality from the northern hemisphere summer period. Market fundamentals remain robust, and we continue to forecast +15% revenue growth for FY22.

Overall, the Company achieved positive revenue growth for the quarter and maintained a strong net cash position.

	Q1 FY22 Revenue (A\$000's)	Revenue Growth vs PCP	Revenue Growth QoQ
North America	5,105	13%	3%
Europe	9,308	17%	(6%)
APAC	1,167	(8%)	(13%)
<b>Total</b>	<b>15,580</b>	<b>14%</b>	<b>(4%)</b>

The revenue growth posted in both North America and Europe were encouraging, however, APAC was impacted by COVID-19 related lockdowns. Total cash net movement<sup>1</sup> during the quarter was an outflow of \$4 million, of which \$2 million was due to the ongoing development of the Company's transformational technology innovation.

The Company had a strong cash position of \$17 million at 30 September 2021 and access to an undrawn debt facility of \$5 million.

## Operational Review

With business conditions improving, the Company has commenced on improvements in systems and processes to position itself for future growth. SomnoMed continues to invest in its strategic footprint, people, business development and sales channels, to deliver stronger future revenues and build on the Company's industry leading position.

Growing acceptance of Continuous Open Airways Therapy (COAT™) therapy and supply challenges within the CPAP segment have progressed SomnoMed's position within the OSA market. This has the potential to further increase the addressable market by providing an alternative to the traditional default CPAP recommendations by sleep physicians. The Company has continued to deliver product on-time, navigating supply and manufacturing challenges due to COVID-19, with minimal impact over the quarter.

The strategy of the Company remains focused on addressing the key challenges of awareness, acceptance, and adoption through education, advocacy, and a focus on improving reimbursement structures.

### North America

The Company is focused on building up and resourcing our North American team with an increase in its sales channel team and business development resources to leverage the current market activities. The recent CPAP machine shortage provides an opportunity to engage with those patient groups that may benefit from SomnoMed's product offering. This region had a strong result for the quarter, with an 13% increase on pcp (up 16% on constant currency basis) largely driven by the continued demand for the Herbst Advance Elite™ which continues to increase in contribution to our revenue results. The demand for this product is largely driven by its recognised advantages over other competitive offerings in its quality, comfort, retention, and durability providing patients with superior treatment.

## Europe

The European region has had varying results across the markets traded in, based on the cadence of COVID-19 restrictions lifting and other related mitigating factors, but has seen a strong recovery against pcip with a 17% increase in revenues (up 19% on constant currency basis). Most of the countries have reopened, and we have started to see the results of this through the quarter despite this being one of the seasonally slower quarters.

Across six of the Company's core countries within Europe we have seen a 25% increase in volumes over pcip, reflecting the deeper penetration of existing markets where SomnoMed has been present for some time. At the same time SomnoMed continues its focus on driving positive reimbursement initiatives to progress those markets that still have partial or no reimbursement.

## Asia Pacific

Asia Pacific revenues declined 8%, impacted in the quarter by the COVID-19 lockdowns across Australia which saw restrictions for most of the population. The region made strong progress on raising awareness through online clinical education and an investment in logistic and systems improvements as part of the Company's technology transition, despite these lockdowns.

## **Outlook**

With improving business conditions across the globe, the Company remains optimistic about activity levels and the outlook for FY22. The Company is committed to its technological transformation and FY22 guidance of:

- Revenue growth of at least 15%
- EBITDA<sup>2</sup> breaking even as it invests for future growth (expected to rebound in FY23 and beyond), both assuming no change to the current COVID-19 lockdowns and restrictions in all trading markets
- Cash investment (non-P&L) in technology innovations is expected to be c\$8 million

## **Notes**

1. Cash net movement corresponds to the aggregate amount of cash inflows and outflows of operating, investing, and financing activities, as well as effects of movements in exchange rate on cash held, included in paragraph 4. of the Appendix 4C for the September 2021 quarter.
2. EBITDA as adjusted does not include share-based payments, discontinued operations and other expenses.

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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 commercialized 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 650,000 patients in 28 countries. For additional information, visit SomnoMed at <http://www.somnomed.com.au>