

ASX Release

Oventus Quarterly Business Review Q2 FY22 - Update

- **Direct to Customer marketing drives an 88% increase in active leads from prior quarter, to 3,734**
- **Completed telehealth consults nearly doubled, up 181% to 1,318 on prior quarter**
- **Record revenue for the quarter at \$334k, up 51% from prior quarter, while revenue per O2Vent® has increased by 39% over same period last year**
- **Operating expenses were \$2.1m, resulting in a cash position of \$4.3m as at 31 December 2021; \$417k was received post quarter under the R&D tax incentive scheme**
- **Dr Chris Hart to transition from Chief Executive Officer and Managing Director to Executive Director, and Mr John Cox appointed as new Oventus Chief Executive Officer**

Brisbane, Australia 31 January 2022: Obstructive Sleep Apnea (OSA) therapeutics company, Oventus Medical Ltd or 'the Company' (ASX: OVN) is pleased to release its Appendix 4C and quarterly business activities review for the period ended 31 December 2022.

Oventus Founder Dr Chris Hart commented, *"O2Vent® sales rebounded during the December quarter, leading to a record revenue result for Oventus. This was achieved in tandem with strong increases in our sales pipeline. The Direct to Consumer campaigns are not only increasing active leads, but also increasing our revenue per unit as we convert these leads into customers.*

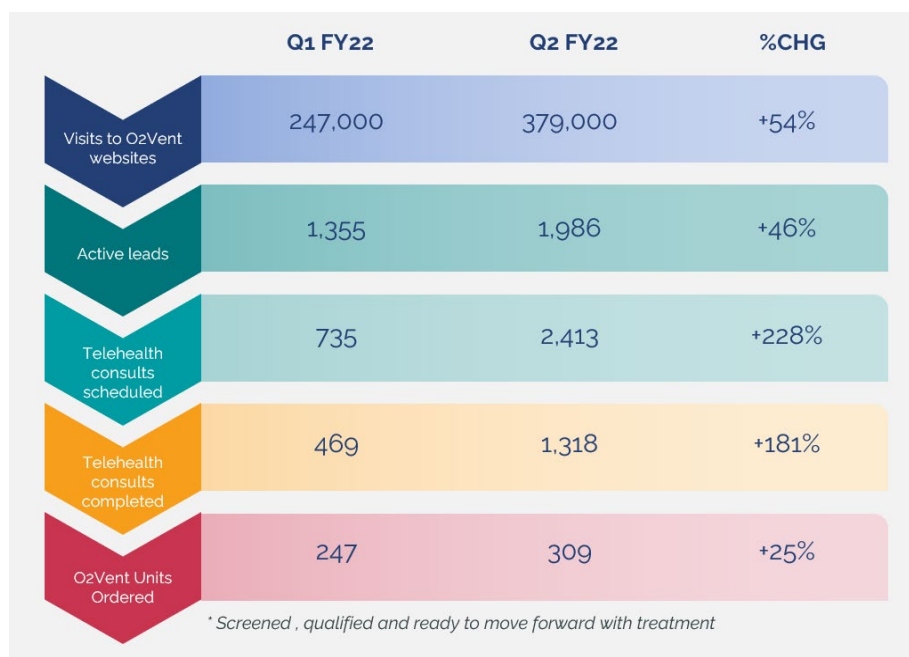
As announced earlier today, I am pleased to be transitioning the CEO role across to John Cox at a time of exceptional opportunity for Oventus. The December quarter results demonstrate that we are emerging from our restructuring period, and that the O2Vent technology and virtual service model can perform well even given the uncertainties created by the COVID-19 omicron variant."

Financial and sales funnel results in detail

Revenue for the quarter was \$334k, up 51% on last quarter's \$221k, a Company record. O2Vent unit sales were 309 for the quarter, up from 247 last quarter. Revenue per unit also increased by 39% over prior comparable period due to the improved pricing power associated with Direct to Consumer marketing and the value proposition of the Oventus-managed patient journey. Operating expenses were \$2.1 million for the period, reflecting an increase over the prior quarter as the Company continued to build out its digital platforms and invest in patient marketing campaigns and related infrastructure. The Company finished the quarter

with a cash position of \$4.3m. A further \$417k was received post quarter (ASX announcement 28 January 2022) under the R&D Tax Incentive scheme, which remains an important source of non-dilutive funding for Oventus.

Sales Funnel Results



The sales funnel grew rapidly, confirming that the customer capture model can identify and engage Oventus' target market and that these customers are motivated to learn more when exposed to the technology. Taking into account the lead time from initial consult to device sale of between 8 and 12 weeks, conversion rates are estimated to be approximately 25% at the moment. This does not include many patients currently in the pipeline yet to be treated who have the potential to proceed to therapy when their annual insurance coverage has accrued again. There is great potential for improvement in lead time and conversion rates as Oventus continues to optimize the patient journey and uses its customer capture model to engage and re-target active leads.

"Through the quarter we launched further upgrades to our digital CRM, which supported the rapid growth in our sales funnel through Q2. This tool allows us to communicate the benefits of O2Vent therapy to customers and partners very efficiently. The pipeline growth demonstrates just how interested prospective customers are in the O2Vent value proposition and reinforces the fact that people who suffer from Sleep Apnea are actively looking for a new solution. Our focus now turns to further integration of our systems and processes with those of our clinical partners and ongoing improvements to our customer experience," noted John Cox, President and COO of Oventus.

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In the US, the pricing data analysis and coding (PDAC) contractors, Palmetto GBA, recently recoded the O2Vent Optima and O2Vent Mini oral appliances as K1027. This allows customers to bill Medicare for oral appliance therapy assisting the many millions of patients on federally funded programs in the US to access O2Vent therapy. While historically Medicare patients have represented a small proportion of patients accessing care it is envisioned that this may increase over time as Oventus scales access to O2Vent therapy through direct-to-consumer pathways.

Oventus CEO succession plan announced

In a separate release dated 31 January 2022, Oventus announced a succession plan which would see Dr Chris Hart transition out of the role of Chief Executive Officer (CEO) and Managing Director, and Mr John Cox appointed as the new CEO to lead Oventus through the next chapter of providing life-changing treatment to Obstructive Sleep Apnoea (OSA) patients.

Dr Hart, while remaining an executive director, will focus on ensuring a smooth transition for Mr. Cox, and will, in his new role as Chief Scientific Officer, lead Oventus' scientific "first line therapy" initiative, leading scientific and clinical research projects designed to position the O2Vent Optima technology as the first choice for patients and clinicians for the treatment of Obstructive Sleep Apnea. From 1 June 2022, Dr Hart will transition to Non-Executive Director of Oventus and will also lead the Company's Scientific Advisory Board.

The new roles will take effect on 1 February 2022.

Outlook and priorities for coming quarters

Accessing the O2Vent therapy completely virtually (from home) continues to be preferred by most Oventus customers. Particularly with the uncertainty of the Omicron variant still influencing patient and clinician behavior, the virtual model offers more than just convenience – it is faster from time of initial screening to treatment, without the perceived risk of in-person clinical visits. Oventus' selected clinical partners, sleep apnea specialist physicians and dentists, are highly skilled at providing empathetic, quality care via virtual and telehealth platforms. These clinicians assess patients expertly and offer their patients diagnostic and treatment options that suit their preferences, medical conditions and circumstances. Continuing to develop and perfect this model is Oventus' operational focus.

Through CY22, Oventus will continue to prioritize the development and optimization of its virtual and digital platforms, with the goal of making each step in the patient journey easier and more engaging for our customers and partners. The Company's digital CRM provides extensive real-time data on the patient journey, allowing development efforts to be focused on areas of friction as they are identified. This capability will allow Oventus to reduce customer acquisition costs over time.

On the scientific front, Dr Hart, as Chief Scientific Officer, will spearhead the further development and initial commercial testing of the Predictive Algorithm in conjunction with the CRC-P Participants and Flinders University. The project, entitled SleepNavigator.ai™ is designed to assist clinicians in predicting patient responses to sleep apnea therapy before the patient begins treatment, based on certain patient characteristics and sleep test parameters. SleepNavigator.ai is part of the Oventus Vision 2025, with the goal of establishing O2Vent therapy as the first choice among patients and clinicians alike for selected OSA patients. Results of a research study related to the predictive algorithm were recently published in the prestigious Journal of Clinical Sleep Medicine. Please click here for more details: <https://doi.org/10.5664/jcsm.9742>

In North America, many Oventus customers elect to use their insurance benefits to pay for some or all of the medical and dental services associated with their sleep apnea treatment journey. As of 1 January, many US health plans “reset” deductible expenses (the amount the patients have to spend before their insurance coverage is accessible) while in Canada the insurance year starts again, meaning some treatment which has been deferred due to lack of benefit may be scheduled early in the New Year. Historically, patient traffic starts slowly in the calendar year in Australia as well. What effect these factors may have on March quarter sales is not completely clear, but the Company is encouraged by the continued rapid inflow of leads and booked consultations.

Payments to related parties of the entity and their associates

The amount of \$217,000 at 6.1 of the Appendix 4C includes Director fees and salary for the CEO and Managing Director and Director fees (including superannuation) for Non-Executive Directors.

—ENDS—

Authorised for release by the Oventus Medical Ltd Board of Directors.

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

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O2Vent®



About Oventus – see more at www.o2vent.com

Oventus Medical's mission is to be a global leader in the management of sleep-disordered breathing, by providing a seamless patient journey and innovative oral appliance therapies. Oventus' Obstructive Sleep Apnea (OSA) treatment, called the O2Vent, has been demonstrated to be more effective and more desirable than other treatment options, offering hope for discreet, comfortable and effective relief to millions of people suffering from OSA. Based in Brisbane, Australia and Irvine, California, the Company has extensive clinical data demonstrating that its platform, with integrated airway support, has the potential to be accepted as a preferred first-line therapy for patients with mild to moderate sleep apnea.

In order to become the first choice for patients and clinicians alike, Oventus also makes the process for entering OSA treatment efficient, engaging and convenient. Oventus and its clinical partners have developed a virtual consultation and fitting process that enables patients to receive their custom-fit device and initiate therapy from the comfort of their home, all while maintaining the highest standards of service and patient care. By developing a complete solution, from best-in-class technology to outstanding care, Oventus has raised the bar for Sleep Apnea treatments in a rapidly-growing US\$31B addressable market.

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 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	261	497
1.2 Payments for		
(a) research and development	(47)	(92)
(b) product manufacturing and operating costs	(196)	(321)
(c) advertising and marketing	(275)	(542)
(d) leased assets	-	-
(e) staff costs	(1,141)	(2,076)
(f) administration and corporate costs	(863)	(1,935)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,260)	(4,468)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(2)
(d) investments	-	-
(e) intellectual property	(30)	(35)
(f) other non-current assets	-	(36)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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	(30)	(73)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	(171)
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	(71)	(131)
3.10	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(71)	(302)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,697	9,157
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,260)	(4,468)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(30)	(73)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(71)	(302)
4.5	Effect of movement in exchange rates on cash held	13	35
4.6	Cash and cash equivalents at end of period	4,349	4,349

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	2,399	6,697
5.2	Call deposits	1,950	-
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)	4,349	6,697

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	217
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><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></p> <p>The amount at 6.1 includes Director fees and salary for the CEO and Managing Director and Director fees (including superannuation) for Non-Executive Directors.</p>		

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
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)	(2,261)
8.2 Cash and cash equivalents at quarter end (item 4.6)	4,349
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,349
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.92
<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: The Company has a considerable amount of control over its forward OPEX spending and can adjust as necessary to manage cash position. The Q2 investment in digital platforms and patient marketing campaigns and infrastructure resulted in a significant expansion in the sales pipeline, setting Oventus up for future growth.	
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: The Company received its FY2021 R&D Tax Incentive of \$416,674 in January 2022 increasing the Company's available cash and cash equivalents. The Board continues to evaluate its capital requirements and options and is confident that it will be able to raise additional capital as and when required.	

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: Yes, the Company expects to continue operations and meet its business objectives and continue to maintain eligibility for non-dilutive funding, both through the R&D Tax Incentive scheme and other sources. Oventus continues to be confident in its long-term prospects and access to capital.

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.

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: 31 January 2022

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.