

Up, Up, Up goes Europe

Recommendation

OVERWEIGHT

12-mth target price (AUD)

\$2.4

Announcement Highlights

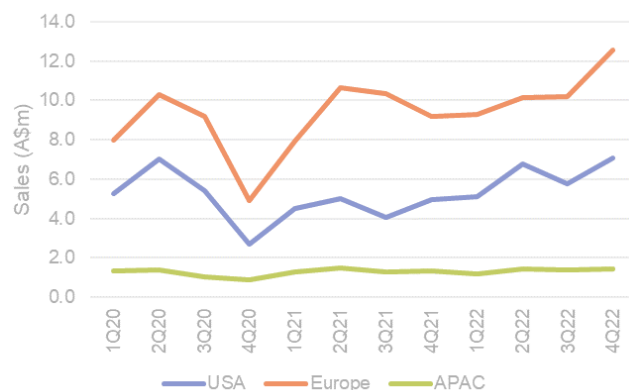
SomnoMed have provided a 4Q22 trading update today with their Appendix 4C. Business has been going well for COAT™ with their European device sales reaching new quarterly highs of \$12.6M (+37% vs pcp; +23% QoQ). USA also saw clear growth with device revenues up 43% vs pcp (to \$7.1M) reflecting a 22% jump on 3Q22. APAC was also in growth (+8% v pcp) albeit a smaller rebound versus 3Q22 trading (+3%). Total unaudited FY22 revenue of \$72.6M (+16% v pcp) reflects a modest beat to our forecasts (WILSe: \$71.0M). A good result for SOM. Importantly, they have adequate capital to fund their Rest Assure™ new product development still slated for an CY23 launch, that could be transformational to the OSA market.

Wilsons' View

Initial analysis

Strong 4Q22 momentum into FY23e; CPAP recall may assist adoption. SomnoMed's last quarterly update in March gave more cause for concern with both key markets (EU and US) flat to down, however today we are buoyed by the strong 4th quarter sales numbers posted, particularly in Europe where it appears clinical access and diagnostic studies are back underway. As a reminder, SomnoMed's oral appliance therapy (OAT) devices rival CPAP as a 1st line treatment choice for obstructive sleep apnea (OSA) in several jurisdictions (e.g. Netherlands, Nordics, France), specifically for mild-moderate patients. With Europe also feeling the impacts of Philips' Class I recall of their CPAP devices, we suspect there may be some ongoing tailwinds for OAT adoption in the coming years. Noting last night Philips reported a likely inability to return to the CPAP market in a pre-COVID capacity until 2025. Whilst SOM is not the primary beneficiary of this recall, (unlike RMD) they may receive auxiliary adoption benefits as clinicians look to available alternative devices for their patients.

Figure 1. SOM quarterly revenue tracking FY20-FY22



Source: SOM, Wilsons.

Earnings implications

None. We are comfortable with our FY22e earnings forecasts given EBITDA guidance reiteration (breakeven) and see FY23e revenue estimates as achievable based on the run rate they take into the current quarter following a shaky 3Q22 print.

Investment view

We maintain our OVERWEIGHT rating and \$2.40 per share PT on SomnoMed.

Wilsons Equity Research

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