

4Q22 – Strong quarter meets FY22 guidance; Rest Assure® on track

SomnoMed has announced its 4QFY22 results, with revenue of \$21.3m. FY22 revenue of \$72.6m is up 17% (in constant currency) on the prior corresponding period (pcp). The company has reiterated its FY22 guidance on EBITDA (breakeven). Cash at 30 June 2022 was \$15.6m. SomnoMed remains on track with Rest Assure®, having completed the second patient validation study, and is now preparing regulatory submissions in key markets.

4Q22 financial results: Strong sales continue in all regions

- Cash receipts up for quarter:** Cash receipts were \$19.8m for the quarter (+28% yoy). Revenue was \$21.3m (+32% in constant currency yoy), versus up 37% (in constant currency) after excluding COVID-19-related allowance in the Netherlands. Revenue year to date was \$72.6m (+17% in constant currency yoy), versus an underlying increase of +20% (in constant currency) after excluding COVID-19 allowance.
- EBITDA guidance maintained:** FY22 guidance for revenue growth of at least 15% was met on an unaudited basis and breakeven EBITDA guidance maintained pending release of FY22 audited financials. Cash available was \$15.6m as of 30 June 2022. The company secured new debt funding of \$16m (net \$11m after repaying HSBC) which according to management should provide sufficient funds to complete the development of the new Rest Assure® technology.
- Total treated patients up as business conditions improve:** Total patients treated worldwide exceeded 715,000 on the back of improving business conditions across all regions as patient activity and engagement with medical clinicians normalises post COVID-19.

Rest Assure® remains on track: preparing for regulatory submissions

The Rest Assure® project remains on schedule. SomnoMed is now focused on preparing the documentation required for regulatory submissions to the FDA (USA), TGA (Australia) and for CE marking (Europe).

Rest Assure® will be commercialised once these approvals are received.

Valuation: Unchanged pending audited FY22 results

We value SomnoMed at ~\$269m, or \$3.20 per share (undiluted), based on DCF methodology pending the release of the FY22 audited results. Our valuation assumes FDA clearance (using a probability of 70%) and the subsequent launch of Rest Assure® in 1H23. As such, the key risk to our valuation relates to development and regulatory approval risk associated with Rest Assure®.



SomnoMed Ltd. designs, manufactures and sells premium oral appliances for the treatment of sleep-disordered breathing conditions. The company was founded in 1987 and is headquartered in Sydney, Australia. SomnoMed's SomnoDent™ suite of oral devices are FDA cleared for mild to moderate obstructive sleep apnea (OSA) and available in 28 countries across Europe, North America, and APAC.

| | |
|------------|---------------------|
| Stock | SOM.ASX |
| Price | A\$1.35 |
| Market cap | A\$112m |
| Valuation | A\$3.20 (unchanged) |

Company data

| | |
|-----------------------------|---------|
| Cash on hand (30 June 2022) | \$15.6m |
| Shares on issue | 84.0m |
| Code ASX | SOM |

Share price catalysts

2HCY22 – Results from 2nd patient validation study

2HCY22 – Regulatory submission for Rest Assure®

SOM share price (A\$)



Source: FactSet.

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Exhibit 1 – Financial summary (year-end 30 June, AUD unless otherwise stated)

| SomnoMed | | | | | | SOM-AU | |
|----------------------------------------------|-----|-----------|----------|------------|---------|-----------------------------------------------|-----|
| Year end 30 June, AUD unless otherwise noted | | | | | | | |
| MARKET DATA | | | | | | 12-MONTH SHARE PRICE PERFORMANCE (A\$) | |
| Price | \$ | 1.35 | | | | | |
| 52 week high / low | \$ | 1.76-2.31 | | | | | |
| Valuation | \$ | 3.20 | | | | | |
| Market capitalisation | \$m | 113.4 | | | | | |
| Shares on issue (basic) | m | 84.0 | | | | | |
| Options / rights | m | 4.2 | | | | | |
| Other equity | m | 0.0 | | | | | |
| Shares on issue (diluted) | m | 88.2 | | | | | |
| INVESTMENT FUNDAMENTALS | | | | | | | |
| Reported NPAT | \$m | (1.1) | (1.2) | (3.9) | 1.8 | | 4.4 |
| Underlying NPAT | \$m | (1.1) | (1.2) | (3.9) | 1.8 | 4.4 | |
| Reported EPS (diluted) | ¢ | (1.7) | (1.4) | (4.7) | 2.1 | 5.2 | |
| Underlying EPS (diluted) | ¢ | (1.7) | (1.4) | (4.7) | 2.1 | 5.2 | |
| Growth | % | | -13.3% | 226.5% | -145.2% | 146.4% | |
| Underlying PER | x | nm | nm | nm | 63.7 | 25.8 | |
| Operating cash flow per share | ¢ | 8.2 | 3.5 | (0.7) | 7.3 | 9.9 | |
| Free cash flow per share | ¢ | 5.3 | (2.1) | (10.3) | 2.5 | 5.1 | |
| Price to free cash flow per share | x | 25.4 | nm | nm | 54.2 | 26.4 | |
| FCF Yield | % | 3.9% | nm | nm | 1.8% | 3.8% | |
| Dividend | ¢ | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Payout | % | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Yield | % | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Franking | % | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| Enterprise value | \$m | 90.7 | 94.6 | 103.3 | 101.2 | 96.9 | |
| EVEBITDA | x | 20.5 | 24.6 | 261.9 | 13.2 | 9.6 | |
| EVEBIT | x | 67.9 | 10,197.4 | (32.0) | 40.6 | 19.0 | |
| Price to book (NAV) | x | 3.1 | 3.5 | 4.0 | 3.8 | 3.3 | |
| Price to NTA | x | 4.1 | 4.8 | 5.5 | 4.9 | 4.1 | |
| KEY RATIOS | | | | | | | |
| EBITDA margin | % | FY19A | FY20A | FY21A | FY22E | FY23E | |
| EBIT margin | % | 7.7 | 6.1 | 0.5 | 8.7 | 9.1 | |
| NPAT margin | % | 2.3 | 0.0 | nm | 2.8 | 4.6 | |
| ROE | % | nm | nm | nm | 5.9 | 12.8 | |
| ROA | % | nm | nm | nm | 3.1 | 6.6 | |
| Net tangible assets per share | \$ | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 | |
| Book value per share | \$ | 0.4 | 0.4 | 0.3 | 0.4 | 0.4 | |
| Net debt(cash) | \$m | (22.7) | (18.8) | (10.1) | (12.2) | (16.5) | |
| Interest cover(EBIT/net interest) | x | 104.4 | 2.3 | nm | nm | nm | |
| Gearing (net debt/EBITDA) | x | nm | nm | nm | nm | nm | |
| Leverage (net debt/(net debt + equity)) | x | nm | nm | nm | nm | nm | |
| DUPONT ANALYSIS | | | | | | | |
| Net Profit Margin | % | nm | nm | nm | 2.0 | 3.9 | |
| Asset Turnover | x | 0.9 | 1.1 | 1.3 | 1.5 | 1.7 | |
| Return on Assets | % | nm | nm | nm | 3.1 | 6.6 | |
| Leverage | x | 1.8 | 1.7 | 1.9 | 1.9 | 1.9 | |
| Return on Equity | % | nm | nm | nm | 5.9 | 12.8 | |
| KEY PERFORMANCE INDICATORS | | | | | | | |
| Regional sales | | | | | | | |
| North America | | 19.8 | 20.3 | 18.5 | | | |
| Europe | | 38.8 | 32.4 | 38.8 | | | |
| Asia Pacific | | 5.4 | 4.6 | 5.4 | | | |
| HALF YEARLY DATA | | | | | | | |
| Total Revenue | \$m | 2H21 | 1H22 | 2H22 | 1H23 | 2H23 | |
| Operating expenses | \$m | 31.9 | 33.9 | 38.2 | 44.0 | 44.0 | |
| EBITDA | \$m | (31.4) | (34.0) | (38.3) | (40.5) | (40.5) | |
| EBIT | \$m | 0.8 | (0.4) | 0.8 | 3.8 | 3.8 | |
| PBT | \$m | (1.2) | (2.3) | (0.9) | 1.2 | 1.2 | |
| Reported NPAT | \$m | (1.6) | (2.3) | (1.6) | 0.9 | 0.9 | |
| Reported NPAT | \$m | (1.7) | (2.9) | (1.0) | 0.9 | 0.9 | |
| PROFIT AND LOSS | | | | | | | |
| Total Revenue | \$m | FY20A | FY21A | FY22E | FY23E | FY24E | |
| Operating expenses | \$m | 57.3 | 62.7 | 72.1 | 88.0 | 111.7 | |
| EBITDA | \$m | (54.7) | (59.5) | (72.3) | (80.9) | (102.2) | |
| Depreciation & Amortisation | \$m | 4.4 | 3.8 | 0.4 | 7.7 | 10.1 | |
| EBIT | \$m | 3.1 | 3.8 | 3.6 | 5.2 | 5.0 | |
| Net interest | \$m | 1.3 | 0.0 | (3.2) | 2.5 | 5.1 | |
| Pretax Profit | \$m | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Tax expense | \$m | 0.7 | (0.7) | (3.9) | 1.8 | 4.4 | |
| Reported NPAT | \$m | (1.2) | (0.3) | 0.0 | 0.0 | 0.0 | |
| Reported NPAT | \$m | (1.1) | (1.2) | (3.9) | 1.8 | 4.4 | |
| Weighted average diluted shares | m | 63.1 | 78.4 | 84.0 | 84.0 | 84.0 | |
| GROWTH PROFILE | | | | | | | |
| Revenue | % | FY20A | FY21A | FY22E | FY23E | FY24E | |
| EBITDA | % | (2.7) | 9.4 | 15.0 | 22.0 | 27.0 | |
| EBIT | % | 86.8 | (13.0) | (89.8) | 1,844.1 | 32.1 | |
| Reported NPAT | % | 45.5 | (99.3) | (34,895.7) | (177.2) | 104.6 | |
| Reported NPAT | % | 1,012.9 | 147.1 | 263.9 | (145.2) | 146.4 | |
| BALANCE SHEET | | | | | | | |
| Cash | \$m | FY20A | FY21A | FY22E | FY23E | FY24E | |
| Receivables | \$m | 30.2 | 21.1 | 12.5 | 14.6 | 18.9 | |
| Other | \$m | 7.6 | 10.6 | 12.1 | 14.8 | 18.8 | |
| Current assets | \$m | 2.5 | 2.5 | 2.8 | 3.3 | 4.1 | |
| PPE | \$m | 40.2 | 34.1 | 27.5 | 32.7 | 41.8 | |
| Intangible assets | \$m | 3.9 | 4.7 | 11.3 | 11.9 | 12.3 | |
| Right-of-use assets | \$m | 7.9 | 8.6 | 7.8 | 7.1 | 6.4 | |
| Other | \$m | 6.3 | 5.6 | 4.2 | 3.2 | 2.4 | |
| Non current assets | \$m | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | |
| Total assets | \$m | 21.5 | 22.0 | 26.4 | 25.2 | 24.2 | |
| Trade and other payables | \$m | 61.7 | 56.2 | 53.9 | 58.0 | 66.1 | |
| Borrowing and lease liabilities | \$m | 8.6 | 10.6 | 12.2 | 14.6 | 18.3 | |
| Other | \$m | 7.3 | 2.0 | 2.0 | 2.0 | 2.0 | |
| Current liabilities | \$m | 2.9 | 3.6 | 3.6 | 3.6 | 3.6 | |
| Borrowing and lease liabilities | \$m | 18.8 | 16.2 | 17.8 | 20.2 | 23.9 | |
| Other liability | \$m | 8.2 | 7.0 | 7.0 | 7.0 | 7.0 | |
| Non current liabilities | \$m | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 | |
| Total liabilities | \$m | 9.1 | 7.8 | 7.8 | 7.8 | 7.8 | |
| Net assets | \$m | 27.9 | 24.0 | 25.7 | 28.0 | 31.7 | |
| Share capital | \$m | 33.8 | 32.2 | 28.2 | 30.0 | 34.4 | |
| Retained earnings | \$m | 73.9 | 74.3 | 74.3 | 74.3 | 74.3 | |
| Other | \$m | (48.7) | (49.9) | (53.8) | (52.0) | (47.6) | |
| Total equity | \$m | 8.6 | 7.8 | 7.8 | 7.8 | 7.8 | |
| CASH FLOW | | | | | | | |
| Net loss for period | \$m | FY20A | FY21A | FY22E | FY23E | FY24E | |
| Depreciation & Amortisation | \$m | (1.1) | (1.2) | (3.9) | 1.8 | 4.4 | |
| Changes in working capital | \$m | 3.1 | 3.8 | 3.6 | 5.2 | 5.0 | |
| Other | \$m | 2.7 | 0.1 | (0.3) | (0.9) | (1.1) | |
| Operating cash flow | \$m | 0.5 | (0.0) | 0.0 | 0.0 | 0.0 | |
| Payments for PPE | \$m | 5.2 | 2.7 | (0.6) | 6.1 | 8.3 | |
| Other | \$m | (2.2) | (4.1) | (8.0) | (4.0) | (4.0) | |
| Investing cash flow | \$m | 0.4 | (0.2) | 0.0 | 0.0 | 0.0 | |
| Equity | \$m | (1.8) | (4.4) | (8.0) | (4.0) | (4.0) | |
| Lease liability payments | \$m | 16.3 | 0.4 | 0.0 | 0.0 | 0.0 | |
| Net borrowing | \$m | (1.8) | (2.4) | 0.0 | 0.0 | 0.0 | |
| Financing cash flow | \$m | 4.5 | (4.8) | 0.0 | 0.0 | 0.0 | |
| Cash year end | \$m | 18.9 | (6.8) | 0.0 | 0.0 | 0.0 | |
| Free cash flow | \$m | 30.2 | 21.1 | 12.5 | 14.6 | 18.9 | |
| Free cash flow | \$m | 3.4 | (1.7) | (8.6) | 2.1 | 4.3 | |

Source: SomnoMed, MST Access.

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