



27th January 2022

North America Q2 revenue growth +36% amid significant regional variability caused by COVID-19

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 31 December 2021.

Overview

- Revenue of \$18.3 million for Q2 FY22, up 7% (+8% in constant currency) vs the previous corresponding period (pcp)
- 1H FY22 revenue of \$33.9 million, up 10% vs 1H FY21 (+11% in constant currency). SomnoMed continues to forecast +15% revenue growth for FY22
- Strong performance in the North American market reflecting both seasonality and the results from sales and marketing programs increasing customer demand
- Total patients treated worldwide exceed 675,000
- The Company continues to actively invest in its transformational technology initiatives including the investment in people, R&D and related product development skills to underpin future growth and ensure the Company is well-positioned to capture ongoing market share gains
- Cash of \$17.6 million at 31 December 2021, and well maintained as the business invests in its transformational technology initiatives and continues to pursue business development activities in key markets
- Undrawn debt facilities of \$5 million remain

Commenting on the results, SomnoMed’s Managing Director, Neil Verdal-Austin said: “SomnoMed continues to drive revenue growth in its trading markets where access has been less restricted due to COVID-19. The quarter shows mixed regional results due to the different levels of trading allowed within these regions. We posted record sales numbers in North America while both Europe and APAC were impeded by the latest Omicron wave. We are continuing to invest in the business, both in terms of new technology development and business operations, all aimed at ensuring that SomnoMed grows market share within the broader sleep apnea treatment market”.

Financial Review

Unaudited revenues for Q2 FY22 were \$18.3 million, up 7% over pcp (+8% in constant currency). The ongoing rolling impact of the COVID-19 pandemic continues to drive mixed results in various markets. During the quarter, Europe and APAC were impacted by the recent wave of Omicron, whilst North America remained largely resilient due to the positive seasonal insurance benefits driving a strong end to the calendar year for the United States.

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

	Q2 FY22 Revenue (A\$000's)	Revenue Growth vs PCP	Revenue Growth QoQ
North America	6,762	36%	32%
Europe	10,156	(5%)	9%
APAC	1,435	(3%)	23%
Total	18,354	7%	18%

Investment in technology development continues with total cash outflow during the quarter of \$1 million specifically related to this, taking the total technology investment to \$3 million for the first half of FY22.

Operational Review

Whilst business operating conditions improved in the first half of FY22, the Company remains cognisant of ongoing impacts from the recent Omicron wave and its likely near-term impact in the current quarter. Despite this overhang, SomnoMed has continued to focus on reinvesting for future growth in alignment with its commitment to technological transformation. Further details on this technology will be released in the current quarter.

The Company has continued to experience strong engagement within the medical sector following a number of educational and key events in mid-CY21. This has driven further acceptance of Continuous Open Airways Therapy (COAT™) as we continue to see the ongoing supply challenges within the CPAP segment. SomnoMed's position within the OSA market is strong, with 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 has invested in the North American team with an increase in its sales channel team and business development resources to build on growing demand for its COAT™ products. With an ongoing impact from the CPAP machine shortage, SomnoMed is at the forefront of the medical groups providing an alternative for their patients. North America experienced a strong quarter with a 36% increase in revenues on pcp (+27% in constant currency), including December itself being an outstanding month for the US with all previous sales records broken.

The results were a combination of the seasonally strong final quarter of the insurance calendar year and the impact of the sales and marketing efforts driving demand for the product range, especially the Herbst Advance Elite™. The demand for this product is largely driven by its recognised advantages over other offerings in the quality, comfort, retention and durability, providing patients with superior treatment. Marketing campaigns around the company's proprietary B-Flex comfort liner was a success, highlighting the need for this material that provides both comfort and retention.

Europe

The rolling impacts of the current COVID-19 Omicron wave and varying COVID-19 restrictions across the European region has driven a revenue decline of 5% on pcp (flat in constant currency), despite this being an increase of 9% on the prior quarter.

Most of SomnoMed's markets within Europe were affected by COVID-19 in some way. Holland, Belgium, Norway, France, UK and Switzerland were heavily impacted, while others were less so. In the latter part of Q2, hospitals and doctors focused much of their attention to COVID-19 patients and treatments and final fittings through our dental partners were also affected with many patient appointment cancellations.

Although traditional sales channels were affected during the quarter, SomnoMed still attended seven sleep congresses and society meetings, both virtually and in person, during the quarter. Medical presentations, customer interactions, network building and supporting the industry were the main drivers. SomnoMed's market leadership was evident and the SomnoDent® product range remains the preferred choice over others.

Asia Pacific

Asia Pacific quarterly revenues declined 3% on pcp, being impacted by the COVID-19 lockdowns and the recent Omicron wave across Australia. Despite this, revenues were up 23% on the prior quarter and SomnoMed continued with its clinical education program and the investment in operational system improvements as part of the Company's global technology transition during the quarter.

Outlook

The Company remains optimistic about trading activity levels and the outlook for the second half of FY22. The Company is committed to its technological transformation and its FY22 guidance:

- Revenue growth of at least 15%
- EBITDA³ breaking even as SomnoMed 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. Net cash ¹: defined as gross cash less, commercial borrowings and COVID-19 related government loans
2. Aggregate amount of payments to related parties and their associates included at 6.1 in the Appendix 4C for the December 2021 quarter includes payments made for non-executive directors' fees and the Managing Director's remuneration
3. 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 675,000 patients in 28 countries. For additional information, visit SomnoMed at <http://www.somnomed.com.au>