



SomnoMed[®]

The Leader In COAT[™]
(Continuous Open Airway Therapy)

Investor Presentation

Financial Year 2016/17



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Global Highlights 2016/17 – A Transitional Year



Renew Sleep Solutions (“RSS”) – Seven centres opened in 2016/17

- Head office organisation, reimbursement and claims capabilities fully established
- Seven centres opened across six states in the US in the first year of trading and well ahead of plan
- Centre investment and start-up cost below model assumptions
- Patient flow volumes tracking to plan
- Centre operating costs and head office expenses in line with expectations
- Breakeven reached in centres open for 5 months or longer

SomnoMed Core – Continued strong performance in Europe and US returning to growth

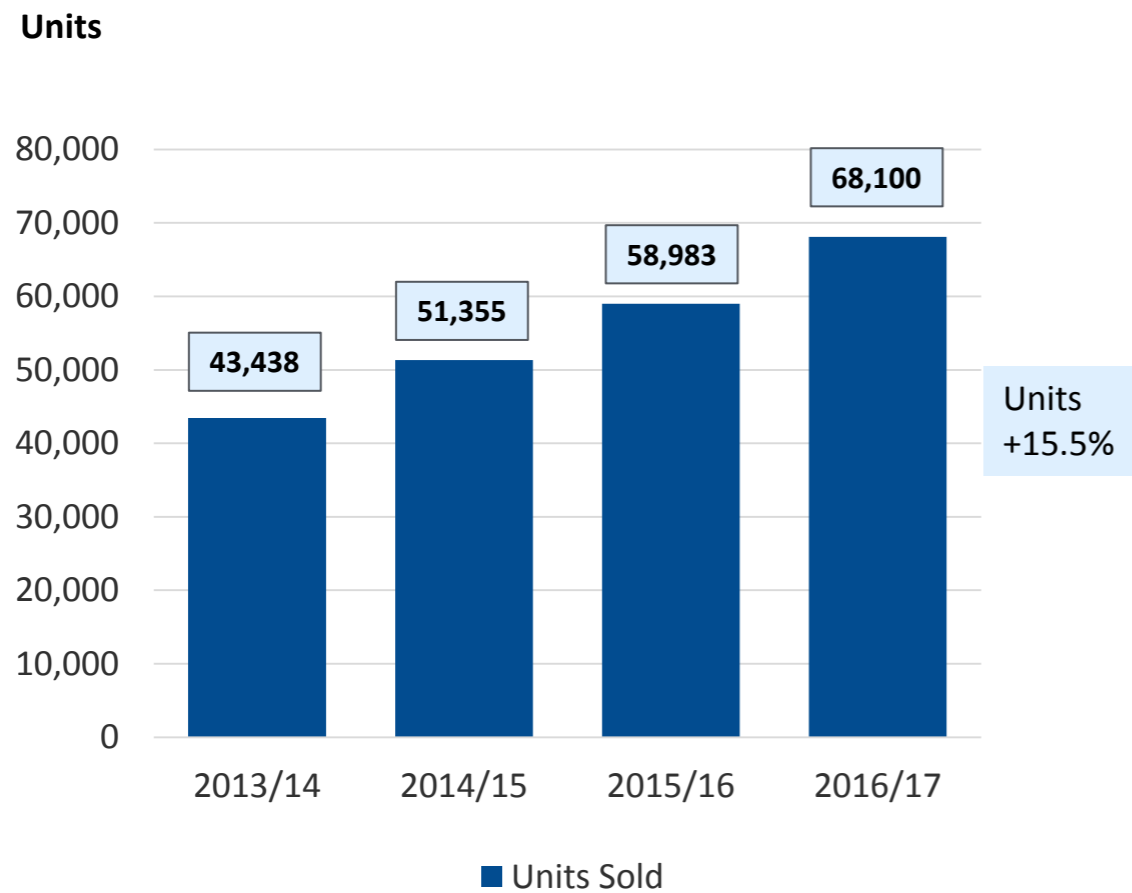
- Global MAS sales volumes +15.5%; group revenues +12%
 - Good return to positive growth in US in fourth quarter
 - Consistently strong sales performance and growth in Europe
 - APAC flat due to lack of reimbursement and slow adoption of COAT™
- MAS gross margin improved from 68.6% to 70%, with group gross margin up to 58.4%
- EBITDA up 60% to \$2.366m (excluding RSS)



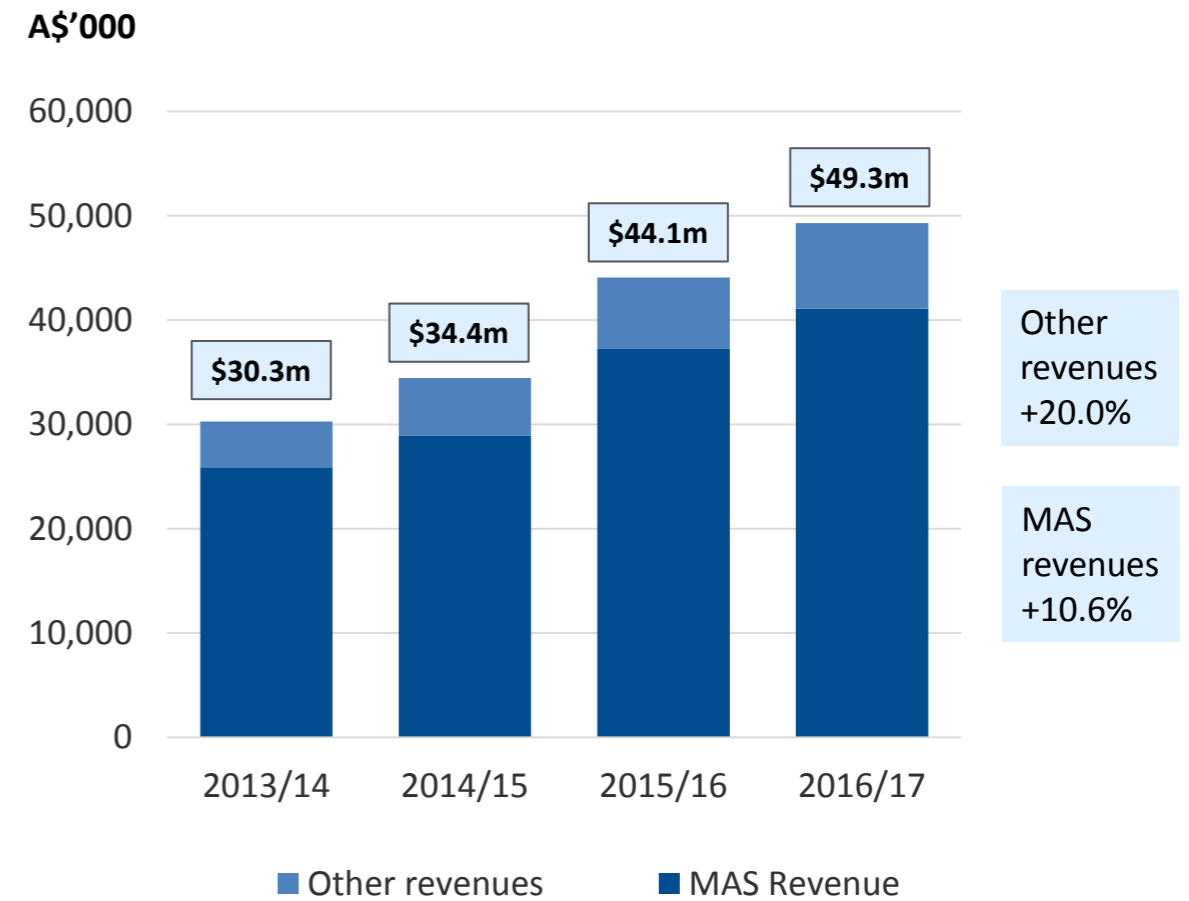
Continuing growth and expansion



Global unit sales growth



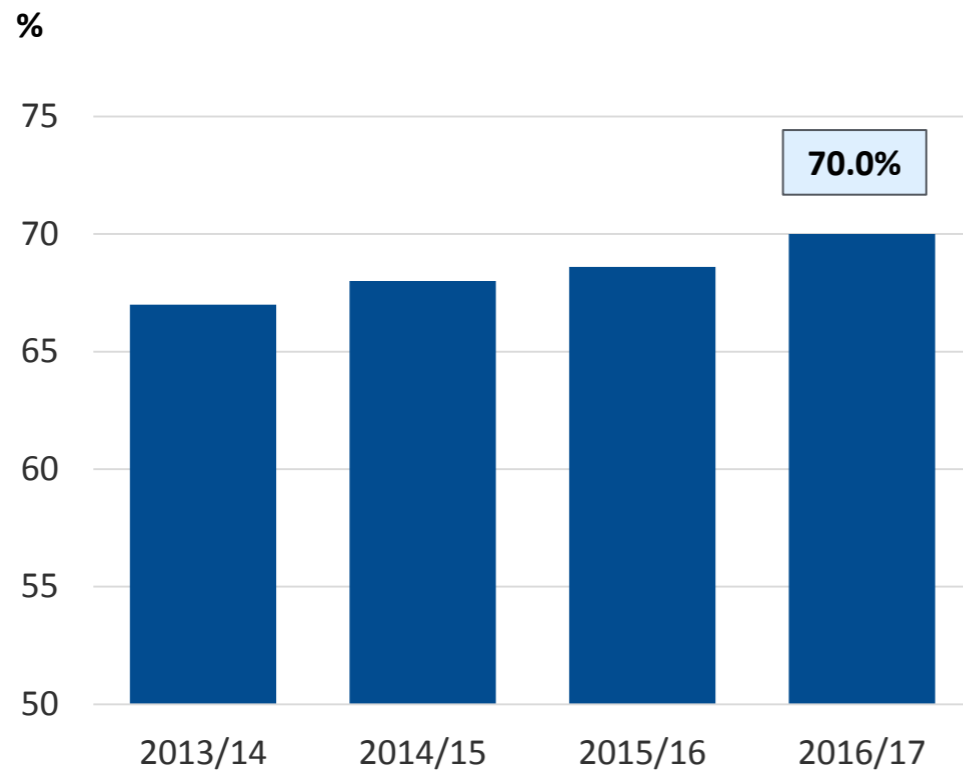
Global revenue growth



Improving margins

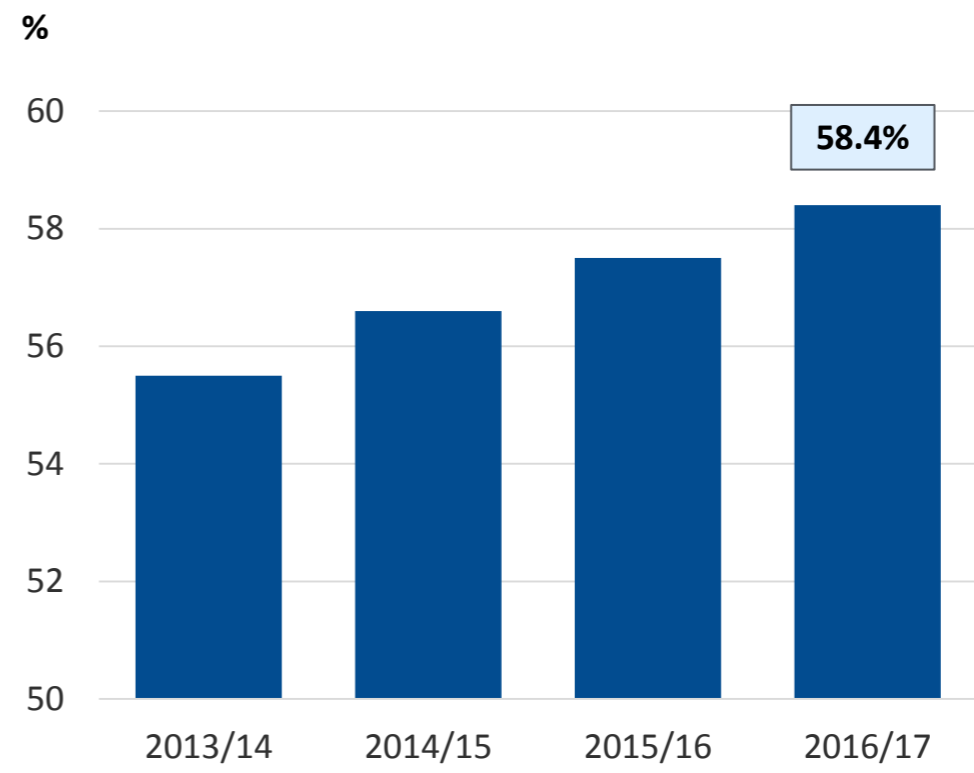


MAS Gross Margin %



■ MAS Gross Margin

Group Gross Margin %



■ Group Gross Margin

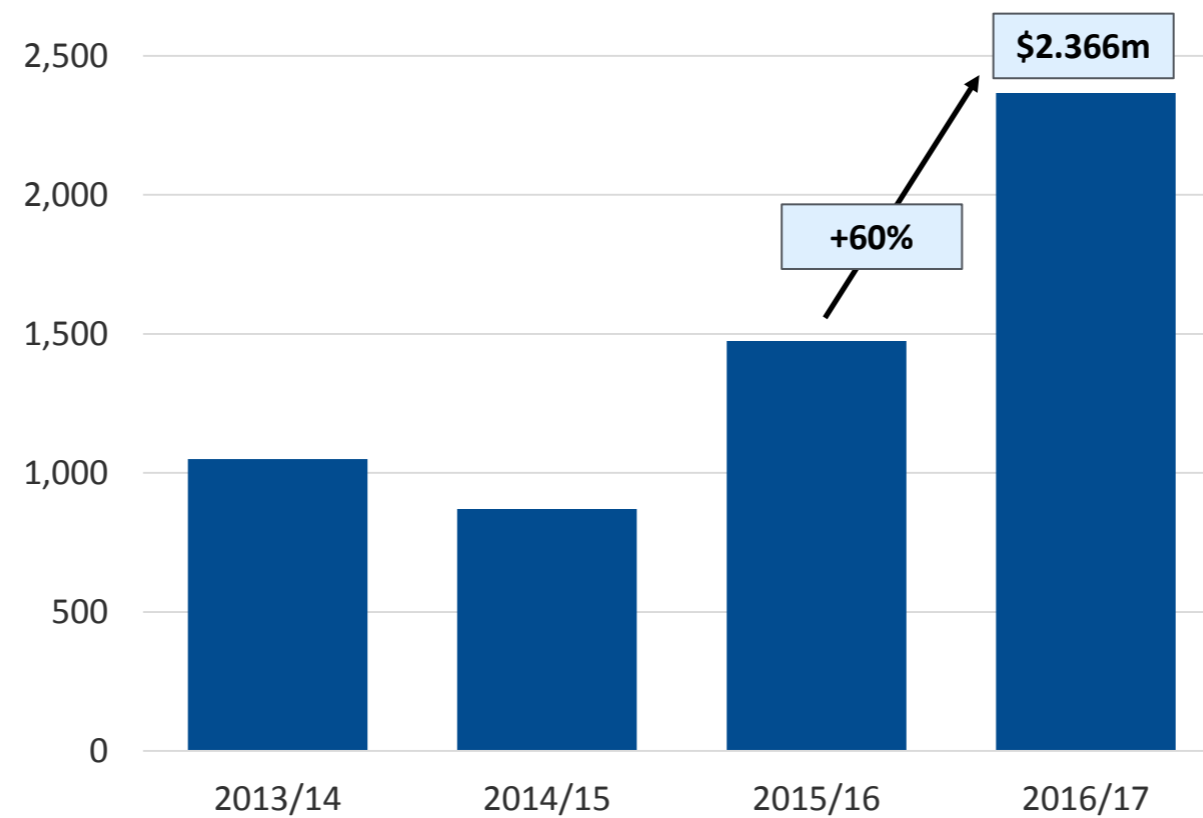


Strong growth in SOM core business EBITDA



EBITDA*

A\$'000



* EBITDA as adjusted does not include share and option expense, gain/(loss) on contingent consideration payable and impairment of goodwill





Renew Sleep Solutions successfully launched



- Strategic “Direct To Patient” channel opened 2016/17 with 7 new centres across 6 states within the US confirms ability to build network aggressively
- Total investment of SOM in RSS in 2016/17 US\$4.6m (A\$6.2m)
- Dallas based executive team recruited with relevant experience and niche skills
- All seven centres across six states opened ahead of time and under start-up budget
- Initial patient capture, appointments and treatment sales in line with expectations and financial model
- Revenue recognition slower than anticipated due to greater number of patients needing a sleep diagnosis, credentialing of dentists in certain states and a limited capacity of outsourced billing company to process insurance claims
- Adoption of intraoral scanning technologies improves patient experience
- Centres open for 5 months or longer generate a positive contribution before RSS Head Office overheads
- All centres opened in FY2017 expected to generate positive contributions in 2017/18, funding most of the new investment in opening an additional planned 12 centres during FY2018



SomnoMed core business



North America – transitional year due to impact of RSS

- Announcement of RSS launch impacted on sales in 2nd and 3rd quarter in NA. Q4 return to growth in US (+24%) indicates that perceived channel conflict is being successfully navigated. Total volume growth for year +14.9%
- Continuing growth expected for 2017/18

Europe – ongoing strong growth

- Continuing strong sales growth (+20.6%) driven by increasing acceptance of COAT™ and positive guideline changes in several countries
- Exceptional growth from Holland, Belgium, Nordics and France allowed Europe to post record sales results quarter on quarter during 2016/17
- 20%+ volume growth expected for Europe in 2017/18 and beyond

APAC – acceleration in Australia in Q4

- Good volume growth in Q4 in Australia linked to strengthening of sales and marketing activities
- Limited growth expectations for APAC due to lack of reimbursement in key markets



Summary Profit & Loss



Financial Summary – AUD \$000's

	SomnoMed Core FY16/17	SomnoMed Core FY15/16		RSS FY16/17	SomnoMed Core FY16/17	SomnoMed Group FY16/17
Revenue	47,740	44,084	8.3% ↑	1,587	47,740	49,327
Gross margin	27,835	25,343	9.8% ↑	974	27,835	28,809
Sales and marketing expenses	(11,913)	(11,943)	0.3% ↓	(1,785)	(11,913)	(13,698)
Administrative expenses	(9,425)	(8,411)	12.1% ↑	(3,252)	(9,425)	(12,677)
Operating profit/(loss) before corporate, research and business development expenses, non-cash items and income tax	6,497	4,989	30.2% ↑	(4,063)	6,497	2,434
Corporate expenses	(4,131)	(3,514)	17.6% ↑	-	(4,131)	(4,131)
EBITDA*	2,366	1,475	60.4% ↑	(4,063)	2,366	(1,697)
Key Metrics:						
MAS gross margin %	70.0%	68.6%				
Group gross margin %	58.4%	57.5%				

* EBITDA as adjusted does not include share and option expense, gain/(loss) on contingent consideration payable and impairment of goodwill



Assumptions 2017/18

SomnoMed Core

- Revenues to grow >15% to >A\$55m
- Operating profit before corporate, research and business development expenses, non-cash items and income tax, to grow 60% to A\$10.5m

Renew Sleep Solutions

- 10-12 new centres to be opened in 2017/18
- Total revenues A\$20-25m
- RSS contribution after overheads and the opening costs of new centres for 2017/18 is -A\$1.5m

(Average exchange rate 2017/18, A\$/US\$: 0.77, A\$/EURO: 0.68)



Record year ahead for SomnoMed 2017/18 Guidance



- Transition to a sleep solutions based company will continue and expand in 2017/18
- Guidance:
 - Revenues expected to grow by 60% from \$50 million to between \$75-\$80 million
 - EBITDA* to grow significantly in 2017/18 to \$5 million

	2017/18	2016/17
Revenues	\$75m-\$80m	\$49.3m
EBITDA*	\$5m	(\$1.7m)

* EBITDA as adjusted does not include share and option expense, gain/(loss) on contingent consideration payable and impairment of goodwill



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