

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

SomnoMed Limited

ABN

35 003 255 221

Quarter ended ("current quarter")

30th September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	15,365	15,365
1.2 Payments for		
(a) research and development	(18)	(18)
(b) product manufacturing and operating costs	(5,649)	(5,649)
(c) advertising and marketing	(1,113)	(1,113)
(d) leased assets	-	-
(e) staff costs	(7,020)	(7,020)
(f) administration and corporate costs	(1,647)	(1,647)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	(94)	(94)
1.6 Income taxes paid	(776)	(776)
1.7 Government grants and tax incentives	-	-
1.8 Other (RSS amounts provided for in FY19 accounts)	(631)	(631)
1.9 Net cash from / (used in) operating activities	(1,581)	(1,581)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(431)	(431)
(b) businesses (see item 10)	-	-
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property, licence and access rights	(29)	(29)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	47	47
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) 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	(413)	(413)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	911	911
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	341	341
3.6 Repayment of borrowings	(81)	(81)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (AASB16 Leased Assets)	(291)	(291)
3.10 Net cash from / (used in) financing activities	880	880

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	8,006	8,006
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,581)	(1,581)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(413)	(413)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	880	880
4.5	Effect of movement in exchange rates on cash held	34	34
4.6	Cash and cash equivalents at end of quarter	6,926	6,926

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	6,551	7,631
5.2	Call deposits	104	66
5.3	Bank overdrafts	-	-
5.4	Other Long-Term Cash Deposits	271	309
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,926	8,006

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

87

-

Payments made during the quarter include directors' fees

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

N/A

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	4,852	3,365
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

In June 2019, SomnoMed Limited secured a 3 million Euro (A\$4.9 million) credit facility, in the form of an overdraft facility, with HSBC France, Amsterdam Branch. The total drawdown by 30th September 2019 was 2.1 million EURO (A\$ 3.4 million) with an interest payable of currently 3.00% (2.75% margin + ECB MRO MLF being currently 0.25%) per annum.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(200)
9.2 Product manufacturing and operating costs	(6,600)
9.3 Advertising and marketing	(1,400)
9.4 Leased assets	-
9.5 Staff costs	(6,300)
9.6 Administration and corporate costs	(1,750)
9.7 Other (provide details if material)	(200)
9.8 Total estimated cash outflows	(16,450)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

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Total core revenue growth 11% driven by North American direct dental revenue channel up 23% in Q1

SomnoMed Limited announced that its Q1 total group revenues were \$14.6 million (unaudited), resulting in growth of 11% for the core business and a negative 1% growth for the total group revenues, which includes the discontinued Renew Sleep Solutions ("RSS") business.

Revenue Q1	Revenue A\$000's	% Growth
North America	5,273	17%
Europe	7,963	7%
APAC	1,324	13%
SomnoMed core	14,561	11%
RSS	-	-100%
SomnoMed Total	14,561	-1%

Revenues were again driven by the North American direct dental sales, which grew by 23% (15% in constant currency) in the first quarter compared to the prior year, confirming the ongoing turnaround in that region's performance. North American total core revenues, which includes revenues from direct dental, managed care, licensees and other revenues, increased by 17% for the quarter (9% in constant currency) compared to the previous year revenues, that included sales to Simple Sleep Services ("S3"), which ceased operations in early 2019.

"The North American revenue results for Q1 of fiscal year 2019/20 were extremely pleasing, with a solid growth in our direct dental business, which include all core revenues to our dental customers," said Mr Neil Verdal-Austin, Global CEO of SomnoMed. "The deeper focus on aligning our sales and marketing teams within the core business in both the US and Canada again this quarter has achieved very good results and an outstanding 31% growth (22% in constant currency) in direct dental sales in the month of September alone," Mr Verdal-Austin added. "We continue to drive the complete product offering which is best in class. SomnoMed's range of quality treatments for patients suffering from Obstructive Sleep Apnea offers unparalleled comfort and durability."

During Q1 the successful launch of the new SomnoDent AVANT™ product, which is SomnoMed's new digitally manufactured oral appliance, was completed in North America. The response to this new product has exceeded expectations, with preliminary clinical results indicating that the SomnoDent AVANT™ has an improved efficacy over the traditionally made products in the range. This addition to the range will set SomnoMed apart from all others in the segment, with customers calling it the "game-changer" for both them and their patients. This launch continues in Australia and Europe in Q2.

In Europe, our business posted Q1 revenue growth of 7% (5% in constant currency). These lower than expected growth rates were influenced by the previously announced external issues in both Holland and Sweden. These external factors were largely overcome by the end of September. "We are happy to see both Holland and Sweden return to the growth rates these countries should command following many months of assisting authorities respond to these external and political difficulties," said Mr Verdal-Austin.

In a number of the less developed European markets momentum continues to build, with the volume growth rates for both Belgium and Germany exceeding 20% for September, being the main contributing month of the European summer quarter. In Finland, Denmark, Switzerland, Ireland and Spain growth exceeded 30% in the month of September. We believe the outlook for Europe's Q2 and beyond is very positive and most encouraging. The recently signed contract directly with a large German insurer has allowed SomnoMed to help manage the patient pathway for the insurer and for the first time in the German market, dedicate a reimbursement code for the SomnoDent® treatment option. We have expanded facilities, invested in systems and skilled managed care staff to service these obligations.

APAC experienced continued double-digit revenue growth, with 13% posted in Q1. The acceptance of the SomnoDent® oral appliance is growing within the medical specialists in this region, with a very successful attendance at this month's Sleep Down Under 2019 meeting held in Brisbane.

"SomnoMed is committed to providing a patient friendly and comfortable alternative to CPAP, which is driving higher and higher rates of compliance for those patients who suffer from OSA with a significantly better medical outcome and treatment effectiveness," explained Mr Verdal-Austin. "SomnoMed's recent attendance at World Sleep 2019 in Vancouver, Canada again highlighted this and why more than 500,000 patients world-wide wear a SomnoDent® device," added Mr Verdal-Austin.

The cash position at 30 September 2019 was \$6.9 million.

The prospects for the SomnoMed Group are very positive. The strong revenue growth in Q1 for both the direct channel in the US and Canada continue to lift the resurgence of the demand for the SomnoDent® product, entrenched as the most comfortable and durable device on the market. The FY20 guidance is confirmed.

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.

Sign here: 

Company Secretary

Date: 28th October 2019

Print name: T A Flitcroft

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.

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