

## 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")**

31<sup>st</sup> December 2019

| <b>Consolidated statement of cash flows</b>               | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(6 months)<br/>\$A'000</b> |
|---|------------------------------------|--|
| <b>1. Cash flows from operating activities</b>            |                                    |  |
| 1.1 Receipts from customers                               | 17,176                             | 32,541   |
| 1.2 Payments for  |                                    |  |
| (a) research and development                              | (14)                               | (33)   |
| (b) product manufacturing and operating costs             | (5,792)                            | (11,441)                                       |
| (c) advertising and marketing                             | (1,284)                            | (2,397)  |
| (d) leased assets   | -                                  | -  |
| (e) staff costs   | (5,484)                            | (12,504)                                       |
| (f) administration and corporate costs                    | (1,747)                            | (3,393)  |
| 1.3 Dividends received (see note 3)                       | -                                  | -  |
| 1.4 Interest received                                     | 1                                  | 3  |
| 1.5 Interest and other costs of finance paid              | (95)                               | (189)  |
| 1.6 Income taxes paid                                     | (52)                               | (828)  |
| 1.7 Government grants and tax incentives                  | -                                  | -  |
| 1.8 Other (RSS amounts provided for in FY19 accounts)     | -                                  | (631)  |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>2,709</b>                       | <b>1,129</b>                                   |
| <b>2. Cash flows from investing activities</b>            |                                    |  |
| 2.1 Payments to acquire:                                  |                                    |  |
| (a) property, plant and equipment                         | (757)                              | (1,188)  |
| (b) businesses (see item 10)                              | -                                  | -  |
| (c) investments   | -                                  | -  |

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| Consolidated statement of cash flows                      | Current quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|---|----------------------------|---------------------------------------|
| (d) intellectual property, licence and access rights      | (39)                       | (68)                                  |
| (e) other non-current assets                              | -                          | -                                     |
| <b>2.2 Proceeds from disposal of:</b>                     |                            |                                       |
| (a) property, plant and equipment                         | -                          | 47                                    |
| (b) businesses (see item 10)                              | -                          | -                                     |
| (c) investments   | -                          | -                                     |
| (d) intellectual property                                 | -                          | -                                     |
| (e) other non-current assets                              | -                          | -                                     |
| <b>2.3 Cash flows from loans to other entities</b>        | -                          | -                                     |
| <b>2.4 Dividends received (see note 3)</b>                | -                          | -                                     |
| <b>2.5 Other (provide details if material)</b>            | -                          | -                                     |
| <b>2.6 Net cash from / (used in) investing activities</b> | <b>(796)</b>               | <b>(1,209)</b>                        |

|   |            |            |
|---|------------|------------|
| <b>3. Cash flows from financing activities</b>                                  |            |            |
| 3.1 Proceeds from issues of shares  | 442        | 1,353      |
| 3.2 Proceeds from issue of convertible notes                                    | -          | -          |
| 3.3 Proceeds from exercise of share options                                     | -          | -          |
| 3.4 Transaction costs related to issues of shares, convertible notes or options | -          | -          |
| 3.5 Proceeds from borrowings  | 46         | 387        |
| 3.6 Repayment of borrowings   | (206)      | (287)      |
| 3.7 Transaction costs related to loans and borrowings                           | -          | -          |
| 3.8 Dividends paid  | -          | -          |
| 3.9 Other (AASB16 Leased Assets)  | (175)      | (466)      |
| <b>3.10 Net cash from / (used in) financing activities</b>                      | <b>107</b> | <b>987</b> |

|   |       |         |
|---|-------|---------|
| <b>4. Net increase / (decrease) in cash and cash equivalents for the period</b> |       |         |
| 4.1 Cash and cash equivalents at beginning of quarter/year to date              | 6,926 | 8,006   |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above)             | 2,709 | 1,129   |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above)             | (796) | (1,209) |

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| <b>Consolidated statement of cash flows</b> |  | <b>Current quarter<br/>\$A'000</b> | <b>Year to date<br/>(6 months)<br/>\$A'000</b> |
|---|--|------------------------------------|--|
| 4.4   | Net cash from / (used in) financing activities (item 3.10 above) | 107                                | 987  |
| 4.5   | Effect of movement in exchange rates on cash held                | (49)                               | (15)   |
| <b>4.6</b>                                  | <b>Cash and cash equivalents at end of quarter</b>               | <b>8,897</b>                       | <b>8,897</b>                                   |

| <b>5.</b>  | <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | <b>Current quarter<br/>\$A'000</b> | <b>Previous quarter<br/>\$A'000</b> |
|------------|---|------------------------------------|-------------------------------------|
| 5.1        | Bank balances   | 8,575                              | 6,551                               |
| 5.2        | Call deposits   | 322                                | 104                                 |
| 5.3        | Bank overdrafts   | -                                  | -                                   |
| 5.4        | Other Long-Term Cash Deposits   | -                                  | 271                                 |
| <b>5.5</b> | <b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>  | <b>8,897</b>                       | <b>6,926</b>                        |

**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

**8. Financing facilities available**

*Add notes as necessary for an understanding of the position*

|                                 | Total facility amount<br>at quarter end<br>\$A'000 | Amount drawn at<br>quarter end<br>\$A'000 |
|---------------------------------|--|---|
| 8.1 Loan facilities             | -  | -   |
| 8.2 Credit standby arrangements | 4,805  | 3,355                                     |
| 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\$4.8 million) credit facility, in the form of an overdraft facility, with HSBC France, Amsterdam Branch. The total drawdown by 31<sup>st</sup> December 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                  | (70)            |
| 9.2 Product manufacturing and operating costs | (6,450)         |
| 9.3 Advertising and marketing                 | (1,300)         |
| 9.4 Leased assets                             | -               |
| 9.5 Staff costs                               | (6,050)         |
| 9.6 Administration and corporate costs        | (1,830)         |
| 9.7 Other (provide details if material)       | (100)           |
| <b>9.8 Total estimated cash outflows</b>      | <b>(15,800)</b> |

**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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## Core revenue growth up 19% in Q2

SomnoMed Limited announced that its core revenues grew by 19% in the second quarter compared to the prior year, reaching \$18.7 million for the three month period. All regions within the core business generated increased revenue, with North America recording revenue growth of 34% for the quarter (28% in constant currency).

Total group revenues for Q2 increased by 4% over the previous year. The previous year's comparative included revenues from the Renew Sleep Solutions ("RSS") business, which was closed in December 2019.

| SomnoMed Limited<br>Region | Q1                |                | Q2                |                | 1st Half FY20     |                |
|----------------------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|
|                            | Revenue \$(000's) | Revenue Growth | Revenue \$(000's) | Revenue Growth | Revenue \$(000's) | Revenue Growth |
| North America              | 5,273             | 17%            | 7,020             | 34%            | 12,293            | 26%            |
| Europe                     | 7,963             | 7%             | 10,295            | 12%            | 18,258            | 10%            |
| APAC                       | 1,324             | 13%            | 1,381             | 9%             | 2,705             | 11%            |
| <b>SomnoMed Core</b>       | <b>14,561</b>     | <b>11%</b>     | <b>18,695</b>     | <b>19%</b>     | <b>33,256</b>     | <b>15%</b>     |
| RSS                        | -                 | -100%          | -                 | -100%          | -                 | -100%          |
| <b>SomnoMed Total</b>      | <b>14,561</b>     | <b>-1%</b>     | <b>18,695</b>     | <b>4%</b>      | <b>33,256</b>     | <b>2%</b>      |

The North American core business revenue growth of 34% (28% in constant currency) confirms the ongoing positive growth seen in this region for some time now. This growth is due to a combination of more returning customers to the core business, increased volumes from the new customer base and an unprecedented demand for the new digital SomnoDent Avant® product, launched only 5 months ago. We remain confident that this momentum will continue with new sales opportunities and channels being explored in that market.

"This quarter has been a very successful quarter for the SomnoMed Group as whole," commented Mr Neil Verdal-Austin, Global CEO of SomnoMed. "The results across the organisation demonstrate that the product offering, service excellence and focus on patient comfort and compliance is critical," Mr Verdal-Austin added. "We are pleased with this core business growth and our overall direction, with half year revenues of \$33.25 million (unaudited) and a 15% growth over the prior year."

In Europe, our business was much stronger in Q2, with a 12% revenue growth (10% in constant currency). This was an improvement on Q1, where we posted revenue growth rates below our expectations, due to the capacity and tender issues in both Holland and Sweden respectively, which were largely overcome during Q2. The volume growth rates of Belgium, Sweden, France and Switzerland were very encouraging and exceeded 20%, with the overall outlook for Europe remaining very positive for the second half. The direct contract signed with the large German insurer in Q1 has commenced operations, with their patients now being treated with the SomnoDent® device.

APAC experienced revenue growth of 9% in the second quarter with the SomnoDent Avant® product launched towards the end of that quarter in Australia.

"SomnoMed's current momentum across all three regions has created the excitement and energy needed in the organisation to continue to build on both revenue and profit growth", said Mr Verdal-Austin. "The exclusive partnership agreement with App-Nea LLC, the medical strategy within North America, the success of the SomnoDent Avant® product and the appointment of key executive personnel within both the US and Australia have all contributed to this first half result," added Mr Verdal-Austin.

During the second quarter of the financial year SomnoMed generated \$2.7 million in operating cash. The cash position at the end of December 2019 was \$8.9 million.

**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: 28 January 2020

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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