

ASX Limited

Dear Sir/Madam,

**SomnoMed Limited ACN 003 255 221 (ASX:SOM) – TRADING UPDATE AND ACCELERATED NON-RENOUNCEABLE ENTITLEMENT OFFER**

- SomnoMed Limited (SomnoMed) provides a trading update with regard to the impact of Coronavirus (COVID 19) on the business
- SomnoMed con-currently announces a 1 for 3.24 fully underwritten accelerated pro-rata non-renounceable entitlement offer to raise gross proceeds of approximately \$15.5 million (Entitlement Offer).

**Trading update**

COVID 19 is expected to have a significant but short-term negative impact on SomnoMed's business of providing the SomnoDent oral appliance for the treatment of obstructive sleep apnoea to our customers and their patients. The result of the spread of COVID 19 and following the lock down of many of the countries in which SomnoMed operates, means that access to and treatment from such clinicians will not be possible for the time that the lock down remains in place.

Since the most recent updates around the world regarding the spread and impact of this terrible virus, we are seeing a number of dental and medical societies recommend that practises close and refrain from such treatment for the sake of the health and wellbeing of their patients and treating staff. This is understandable and we will continue to see a growing strain on these practises, hospitals, clinics and the general healthcare system as a whole, until the rate of infection of COVID 19 is under control.

For these reasons, the Company will require additional working capital to secure the Company's future. Funds raised from the Entitlement Offer will be used for this purpose.

SomnoMed has until recently continued on its path of high revenue growth rates, especially in the US, and was well on track to achieve its FY20 revenue and earnings guidance. However, the impact of COVID 19 on medical and dental practices started to become visible once more countries were affected and more drastic measures to control the virus were implemented. It is now clear that Q4 will see a significant impact on the number of patients that are able to be diagnosed and treated for any medical condition unless it is urgent, non-elective or connected to the treatment of the virus itself.

In this environment it is not possible to responsibly forecast what the full impact on our device sales in Q4 will be, due to the high level of uncertainty. In light of this, the Company has therefore decided to revoke our guidance at this point in time. Given the uncertainty as to the timing of trading returning to relative normality due to COVID 19 the Company believes it cannot provide an updated guidance.

The Company's manufacturing site in Manila has been re-based to expected volumes and supply chain remains open while the Company navigates the recently imposed restrictive laws that will determine staff access to the facility.

SomnoMed has and will continue to take significant cost reduction measures including:

- CEO salary reduced by 50% until further notice
- Salary costs reduced by at least 30% globally until further notice
- Directors will forgo all fees until further notice
- Ban all travel within the organisation
- Only operational essential costs to be incurred to match demand
- Establish work from home and work rotation programs
- Down size and right size manufacturing to meet demand
- Freeze all investments in CAPEX
- Freeze all current technology enhancing and innovation projects
- Optimise working capital management

At the same time, we have taken all necessary steps to protect the health and safety of all our employees.

## Entitlement Offer

SomnoMed announces a 1 for 3.24 accelerated pro rata non-renounceable entitlement offer of fully paid ordinary shares in to raise approximately \$15.5 million.

The offer price of 0.80 per New Share represents a 53.4% discount to the theoretical ex-rights price ("TERP")<sup>1</sup> of \$1.72 on 17 March 2020 (the last day of trading before the trading halt), and a 60.0% discount to the last closing price at 17 March 2020.

The Entitlement Offer will consist of an Institutional Entitlement Offer and Retail Entitlement Offer. It is fully underwritten by Wilsons Corporate Finance Limited.

Under the Entitlement Offer, eligible shareholders will be able to subscribe for 1 New Share for every 3.24 existing shares held at 7.00pm (Sydney Time) on Friday, 27 March 2020 (Record Date) at the Offer Price (Entitlements), with fractions rounded up.

The Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements will not receive any value for those Entitlements that they do not take up. Shareholders who are not eligible to receive Entitlements will not receive any value for the Entitlements they would have received had they been eligible.

It is expected that approximately 19.4 million New Shares will be issued as part of the Entitlement Offer. New Shares issued under the Entitlement Offer will rank equally with existing SomnoMed shares.

## Institutional Entitlement Offer

The Entitlement Offer includes an institutional component (Institutional Entitlement Offer) and a retail component (Retail Entitlement Offer). Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place from today, Wednesday, 25 March 2020. Eligible institutional shareholders may opt to take up all, part or none of their Entitlement.

Institutional Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and institutional Entitlements that would otherwise have been offered to ineligible institutional shareholders, will be offered to eligible institutional shareholders who apply for new shares in excess of their Entitlement, as well as to certain other eligible institutional investors who bid into the institutional bookbuild being conducted concurrently with the Institutional Entitlement Offer.

SomnoMed shares will remain in a trading halt pending completion of the Institutional Entitlement Offer.

## Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer, on Wednesday, 1 April 2020 and the offer will close at 5.00pm (Sydney Time) on Wednesday, 15 April 2020. Retail shareholders will be notified by the Company as to their eligibility to participate in the Retail Entitlement Offer. Eligible shareholders will be sent an information booklet including a personalised entitlement and acceptance form on Wednesday, 1 April 2020. The information booklet will provide the details of how to participate in the Retail Entitlement Offer. A copy of the Information Booklet will also be lodged with the ASX on Wednesday, 1 April 2020.

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<sup>1</sup> TERP is a theoretical price at which SomnoMed shares trade immediately after the ex-date for the Entitlement Offer. TERP is calculated by reference to SomnoMed's closing price of \$2.00 on 17 March 2020. TERP is a theoretical calculation only and the actual price at which SomnoMed shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP.

## Summary of key dates

Procedure step	Date
Announcement of Entitlement offer and Institutional Entitlement Offer opens	Wednesday, 25 March 2020
Institutional Entitlement Offer and institutional bookbuild closes (4:00pm)	Wednesday, 25 March 2020
Trading halt lifted and announcement of results of Institutional Entitlement Offer (pre-market open)	Thursday, 26 March 2020
Record date for determining Entitlements to subscribe for new shares under the Entitlement Offer (7:00pm Sydney Time)	Friday, 27 March 2020
Settlement of Institutional Entitlement Offer	Tuesday, 31 March 2020
Retail offer booklet despatched and Retail Entitlement Offer opens	Wednesday, 1 April 2020
Allotment and normal trading of New Shares under the Institutional Entitlement Offer	Wednesday, 1 April 2020
Retail Entitlement Offer closes (5:00pm Sydney Time)	Wednesday, 15 April 2020
Announce results of Retail Entitlement Offer	Friday, 17 April 2020
Allotment of New Shares under the Retail Entitlement Offer	Wednesday, 22 April 2020
Quotation and normal trading of New Shares issued under the Retail Entitlement Offer	Thursday, 23 April 2020

All dates and times are indicative only and subject to change. Unless otherwise specified, all dates and times refer to time in Sydney, Australia. SomnoMed and the Lead Manager reserve the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, SomnoMed reserves the right to extend the closing date for the Retail Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the allotment date for New Shares under the Retail Entitlement Offer.

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States, or in any other jurisdiction in which such an offer would be illegal. The securities referred to in this document have not been and will not be registered under the United States Securities Act of 1933 (the 'US Securities Act'), or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States, unless the securities have been registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act is available. This document may not be distributed or released in the United States.

Yours faithfully



Terry Flitcroft  
*Company Secretary*  
**SomnoMed Limited**

### About SomnoMed

SomnoMed is a public company providing diagnostic and treatment solutions for Sleep-related Breathing Disorders including obstructive sleep apnoea, snoring and bruxism. SomnoMed was commercialised on the basis of extensive clinical research. Supporting independent clinical research, continuous innovation and instituting medical manufacturing standards has resulted in SomnoDent<sup>®</sup> becoming the state-of-the-art and clinically proven medical oral appliance therapy for obstructive sleep apnoea. SomnoDent<sup>®</sup> is the most comfortable and effective design and treatment solution for almost 525,000 patients in 28 countries. For additional information, visit SomnoMed at <http://www.somnomed.com.au>