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**Investor**

**Presentation**

**Half Year FY2020**



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**Treatment focused**  
**Technology driven**



1. First-half results summary
2. Vision & market opportunity
3. Financial information
4. Future horizons update
5. Outlook & guidance FY20

# 1. First-half results summary

# First-half summary

✓ SomnoMed's core revenue growth +15% over prior year

✓ EBITDA\* \$3m and +130% over prior year

✓ North America first-half revenue growth +26% and continuing to show positive trends with increasing volumes from returning customers

✓ Europe first-half revenue growth +10% with Holland now turned around and both Belgium and France significantly contributing to the improved revenue growth

✓ APAC first-half revenue growth +11% with new sales channels developed

✓ Successful launch of the digital SomnoDent® Avant

✓ Key strategic contract signed with App-Nea LLC

✓ Medical survey conducted in the US providing valuable insights and key future strategic pathways

✓ New executive leadership team appointed in both North America and Australia

✓ Cash on hand \$8.9m and ahead of forecast

## 2. Vision & market opportunity

# Vision/Mission



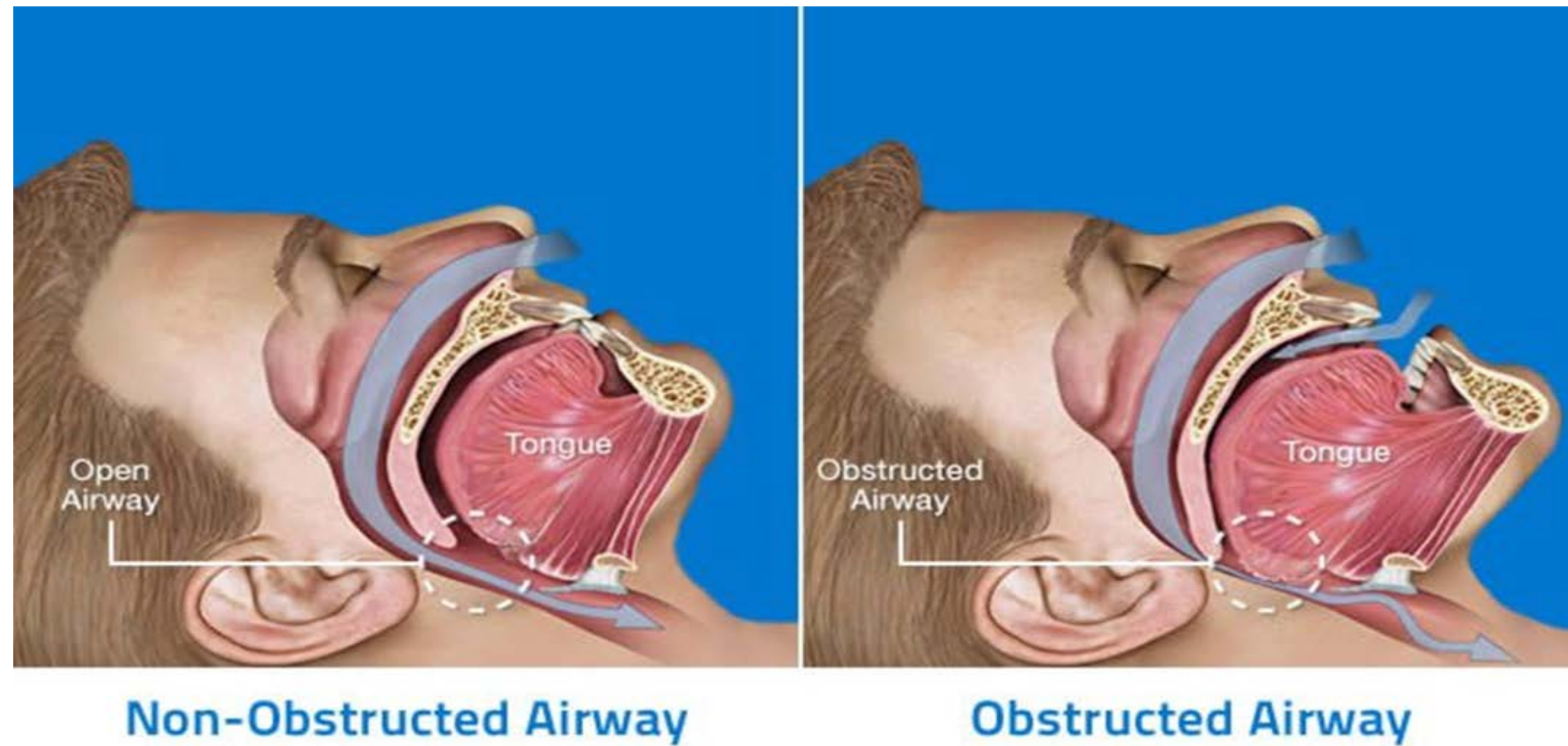
**Vision:** SomnoMed will be a leader in the treatment of patients suffering from obstructive sleep apnea and relevant adjacent conditions

**Mission:** Advancing the adoption and acceptance of the treatment therapies by medical specialists, dentists, patients and insurers



# SOMNOMED

## Obstructive Sleep Apnea

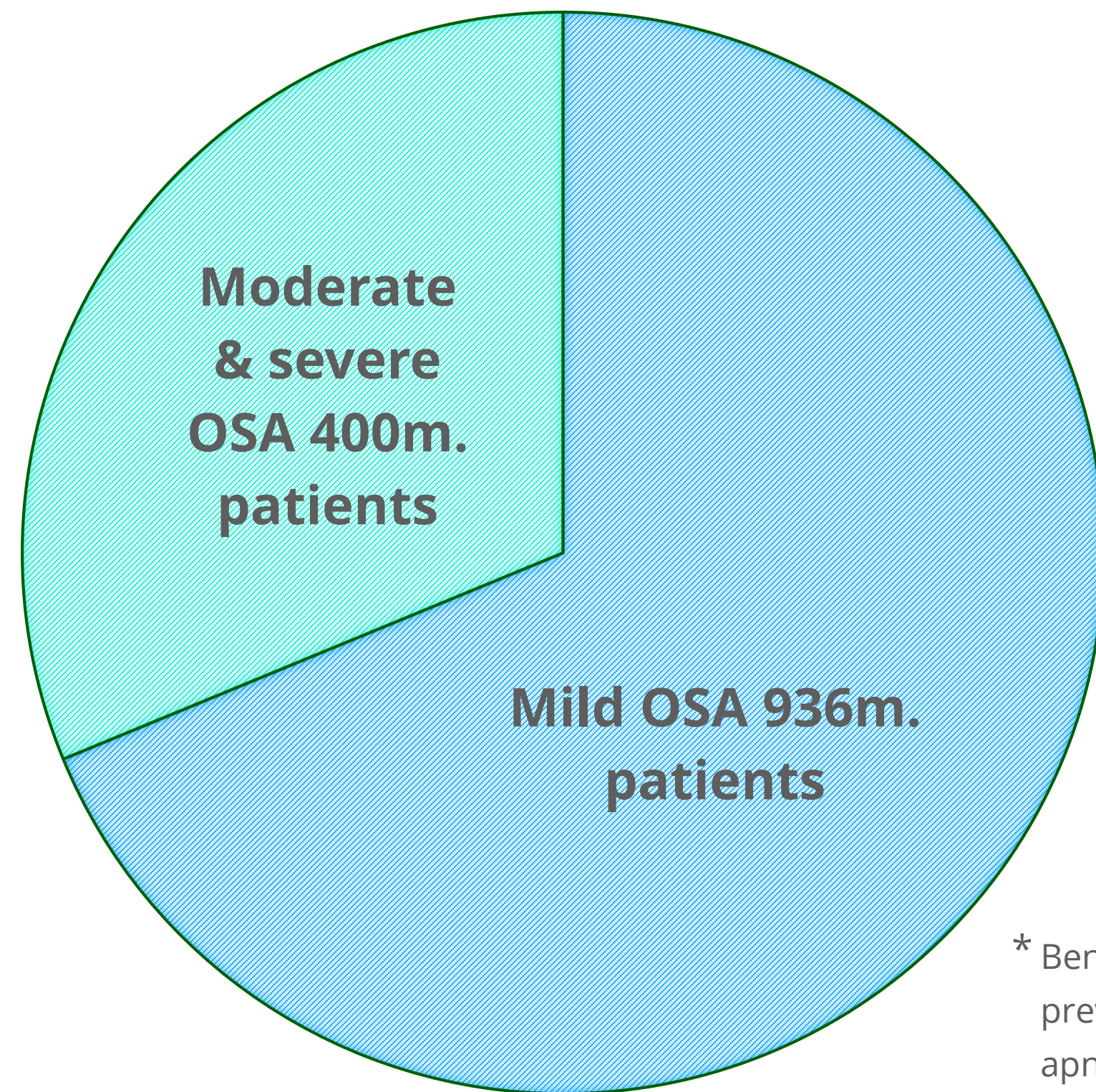


Obstructive sleep apnea is a disorder that occurs when a person's breathing is interrupted during sleep because the airway becomes blocked

# OSA MARKET

1.36 billion patients globally suffer with OSA\*

Affects 9% of women and 25% of men globally



\* Benjafield et.al : Estimation of the global prevalence and burden of obstructive sleep apnoea: a literature-based analysis, *Lancet Respir Med* 2019

Large addressable markets:



54m mild OSA sufferers



26m mild OSA sufferers



23m mild OSA sufferers



22m mild OSA sufferers



3m mild OSA sufferers

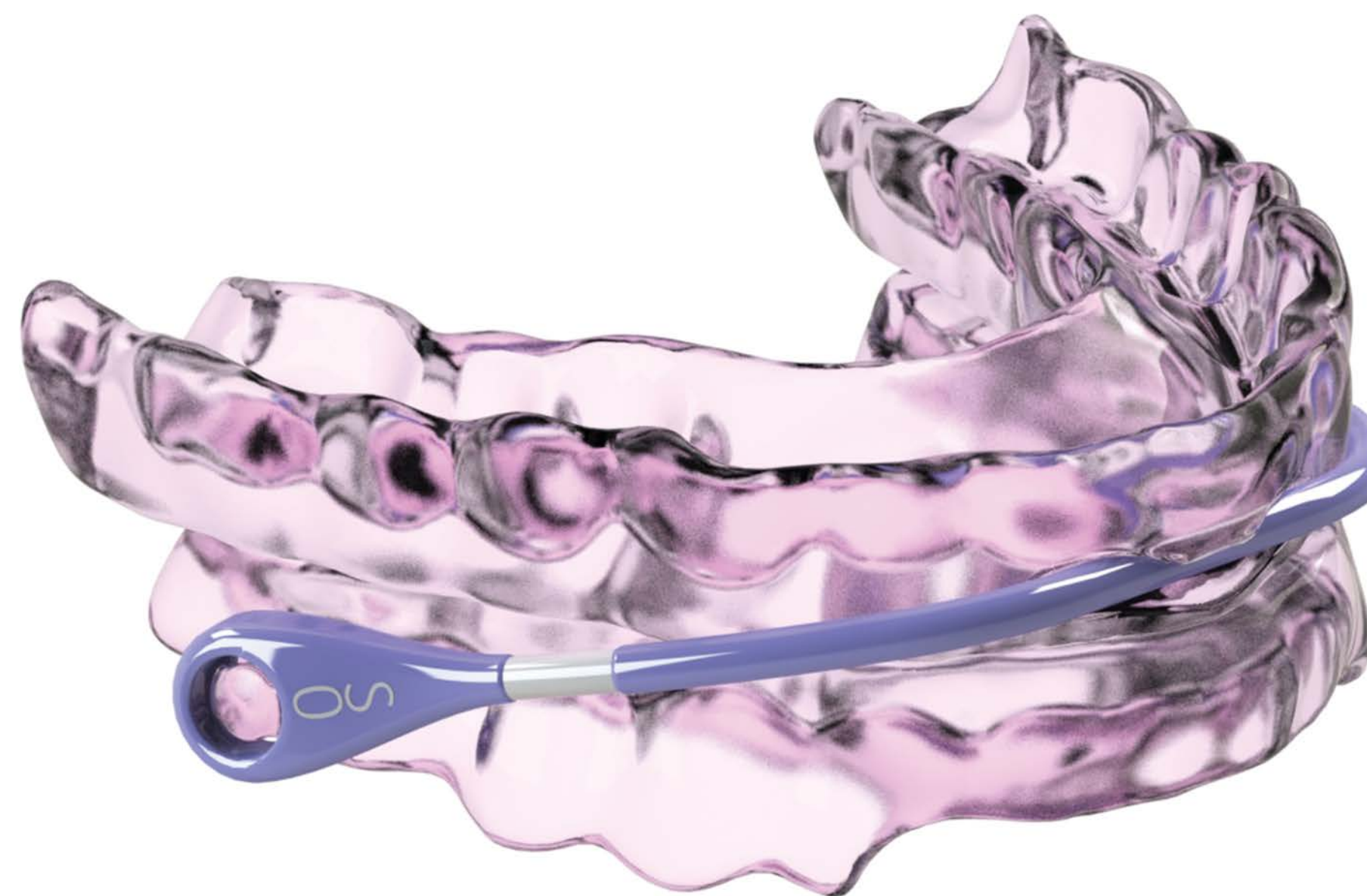
# SomnoMed's competitive advantage and core strengths

- ✓ Strong clinical research supporting COAT™ therapy
- ✓ Design and innovation driving patient comfort
  - ✓ Comprehensive product range
  - ✓ Proprietary materials
  - ✓ Unique titration methodology (SomnoDent® Avant)
- ✓ Manufacturing agility and capacity
- ✓ Extensive sales and distribution footprint in both dental and medical channels
- ✓ Best in class service and technical support
- ✓ Experienced, dedicated and passionate team

# The patient preferred alternative

**SomnoMed is the world leader in oral appliances with over 545,000 patients treated worldwide**

- ✓ More comfortable
- ✓ Greater compliance
- ✓ Clinical effectiveness

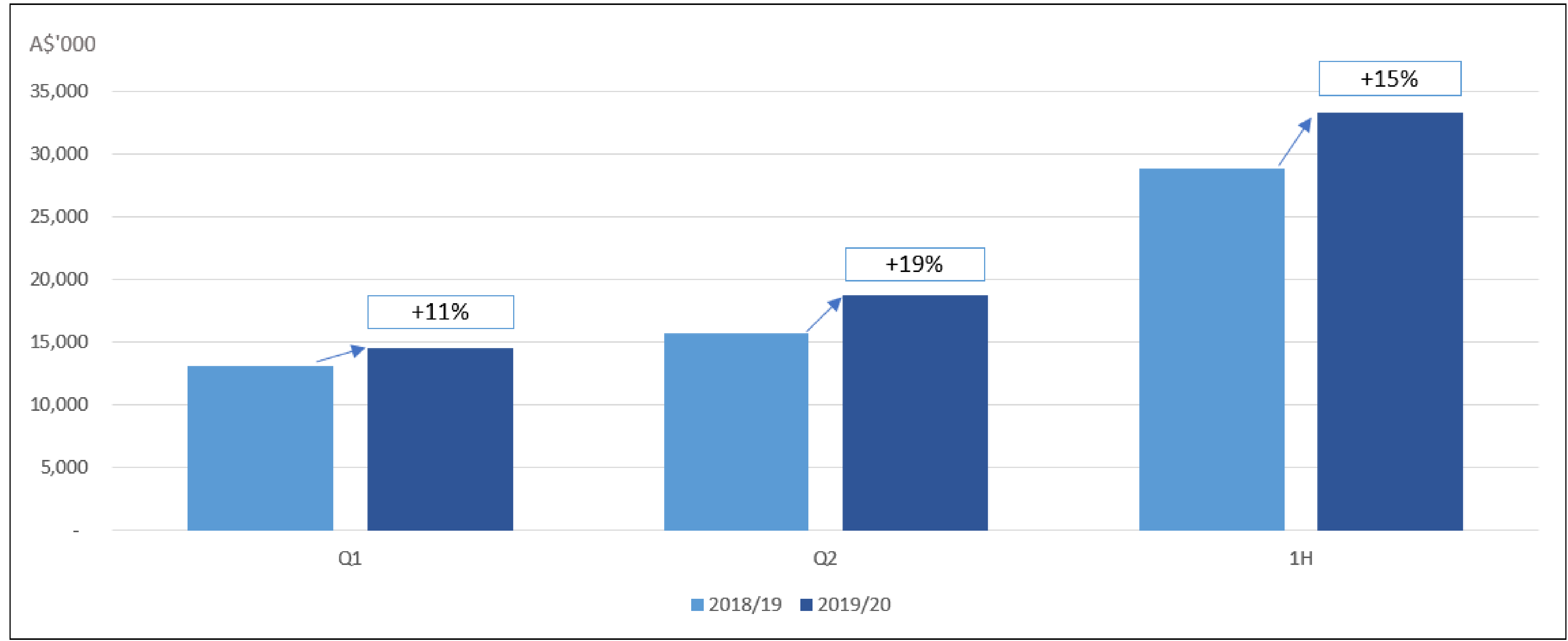


**SomnoDent<sup>®</sup> AVANT<sup>™</sup>**  
SLEEP APNEA APPLIANCE

### 3. Financial information

# Financials

## Total SomnoMed core revenue growth

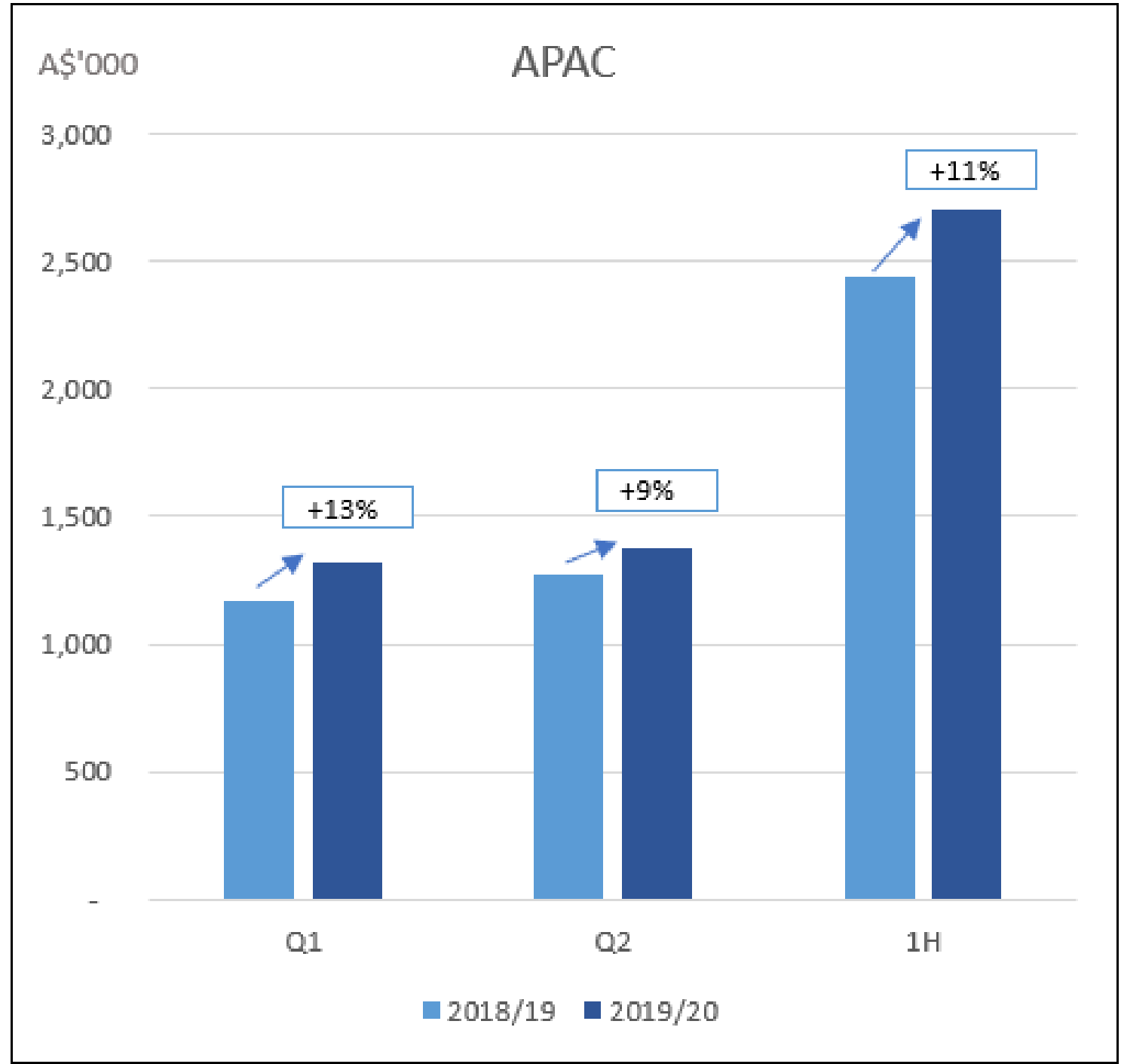
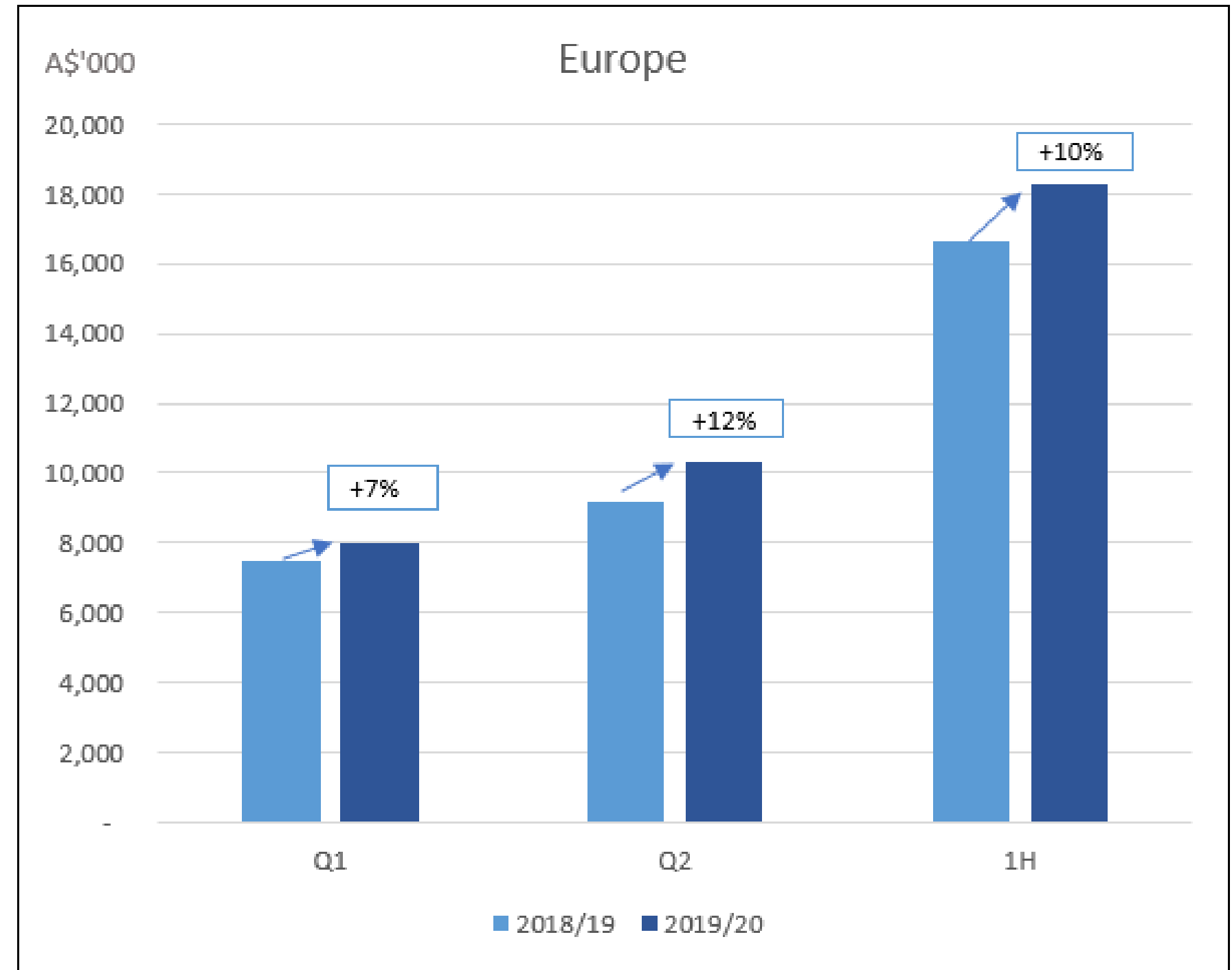
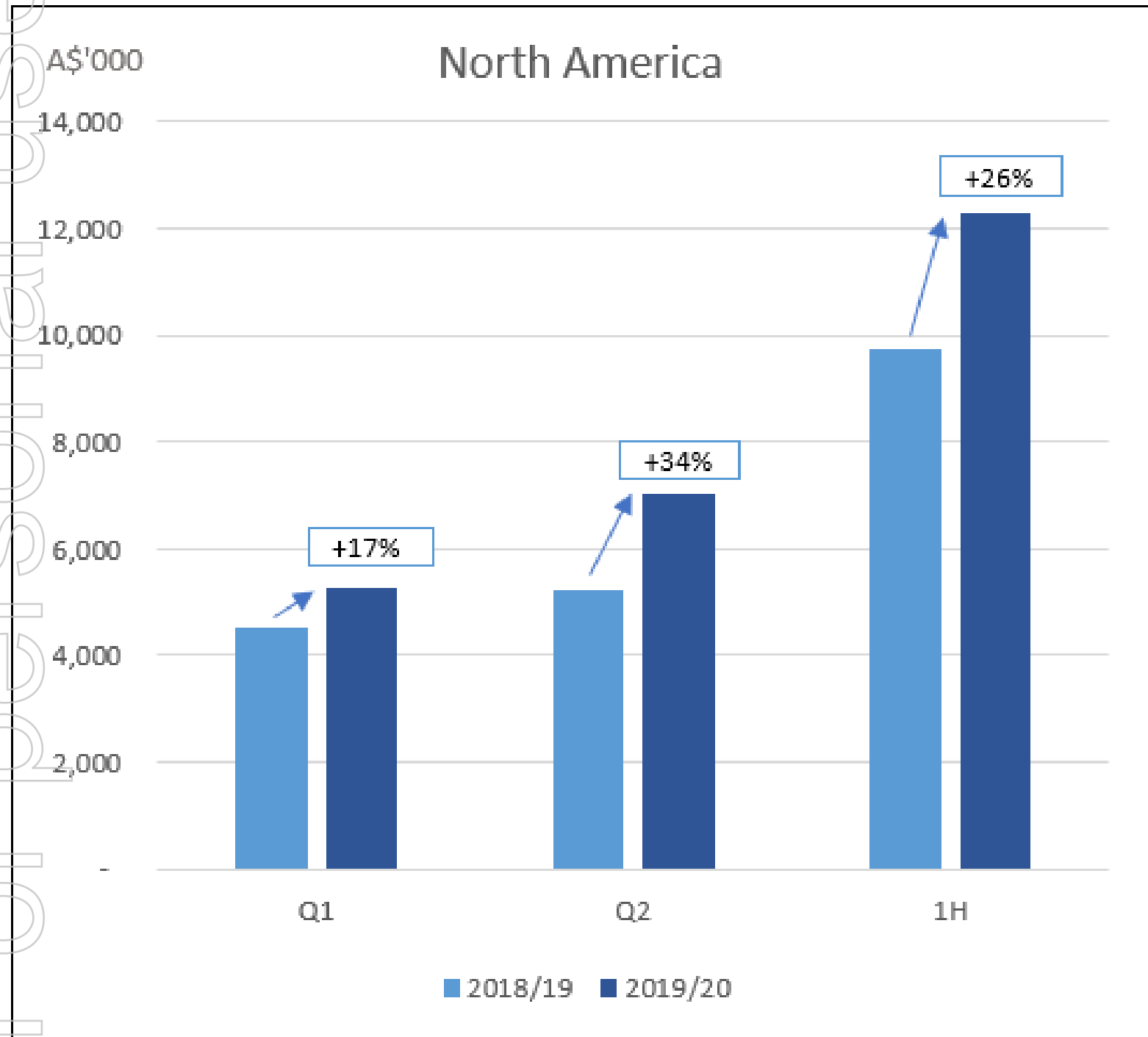


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# Financials

## Core revenue growth by region

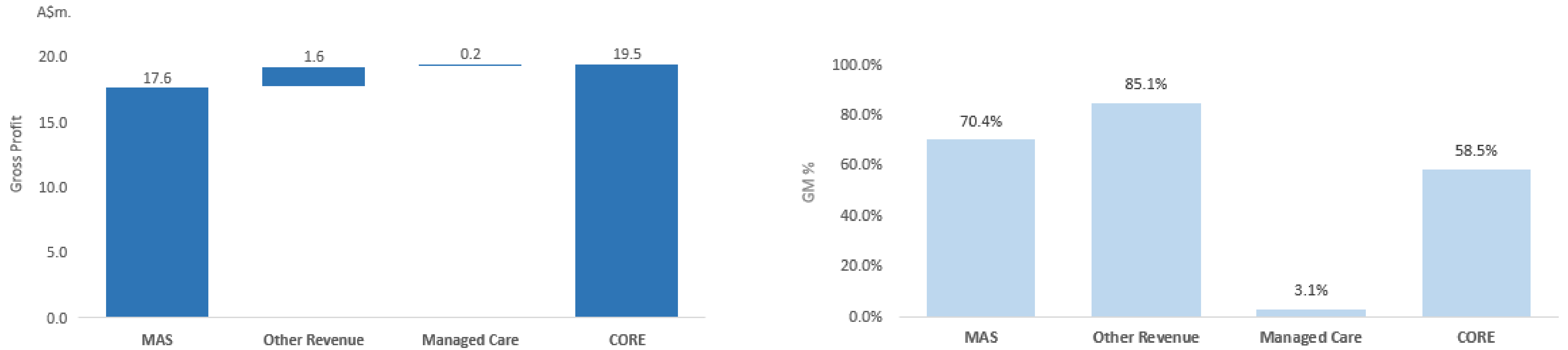
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# Financials

## MAS device margin maintained

Gross margins underpinned by strong MAS margin

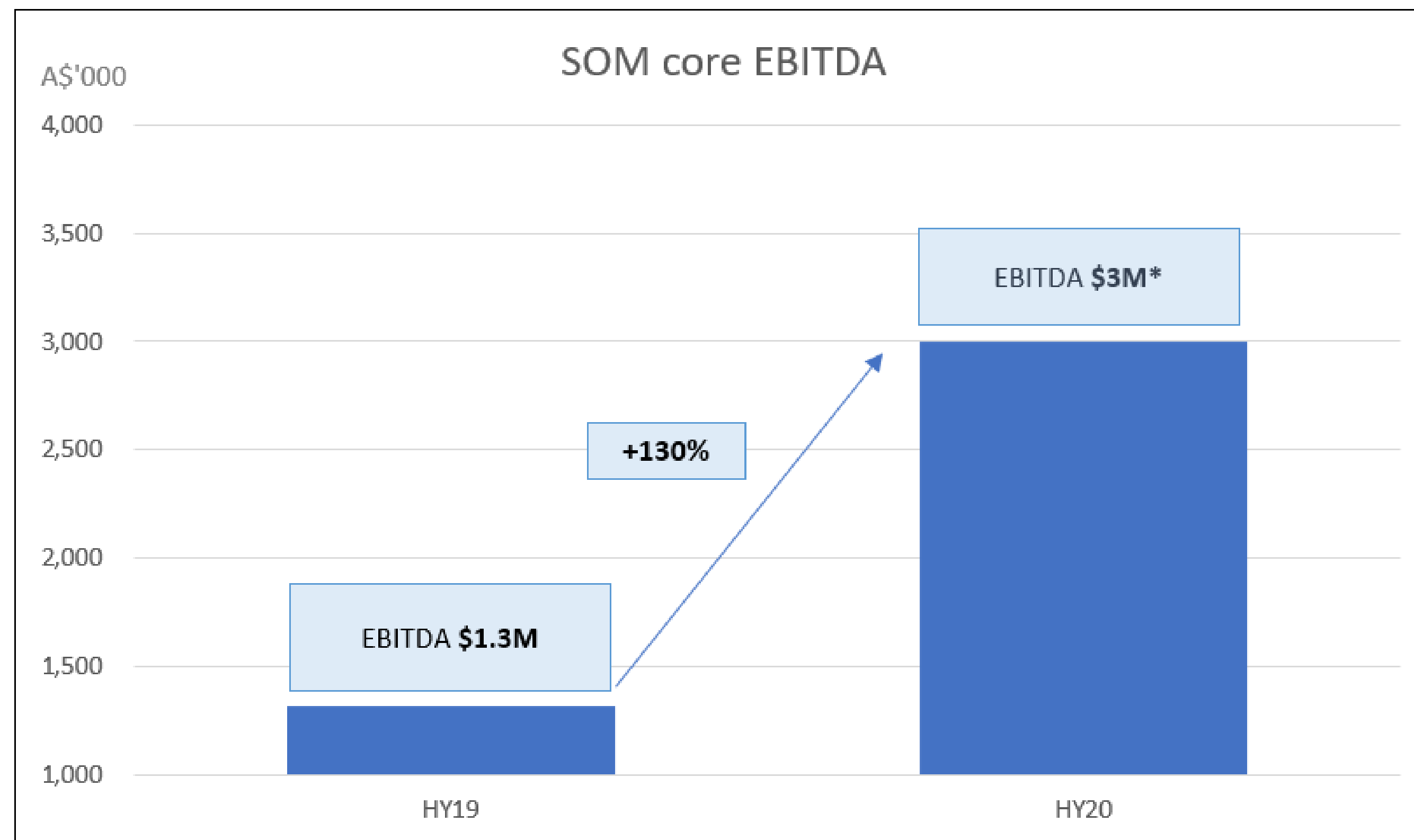


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# Financials

## Strong EBITDA growth



\* EBITDA as adjusted does not include share and option expense, loss on contingent consideration payable and unrealised foreign exchange gain/(loss)

Financial Summary - AUD \$000's	SomnoMed core		%
	FY20 HY	FY19 HY	
Revenue	33,256	28,815	15%
Gross margin	19,458	17,018	14%
Regional sales and marketing expenses	(8,486)	(7,408)	15%
Regional administrative expenses	(5,092)	(5,069)	0%
Operating profit/(loss) before corporate, research and business development	5,880	4,541	30%
Corporate, research and business development expenses	(2,872)	(3,228)	-11%
<b>EBITDA*</b>	<b>3,008</b>	<b>1,313</b>	<b>130%</b>
<i>Discontinued operation - RSS</i>			
Revenue	-	3,905	
Expenses**	(115)	(11,383)	
Results from operating activities	(115)	(7,478)	
Asset impairment	-	(1,884)	
Lease costs	-	(1,928)	
Provision for severance payments, legal and other costs to close RSS	-	(1,100)	
Net loss from discontinued operation	(115)	(12,390)	
<b>Key Metrics</b>			
MAS gross margin %	70.5%	71.0%	
Group gross margin % SOM core	58.5%	59.0%	
* EBITDA as adjusted does not include share and option expense, loss on contingent consideration payable and unrealised foreign exchange gain/(loss)			
** FY20 Discontinued operation expenses relate to AASB 16 adoption			

**Sales and Marketing costs**

1. 8.5% due to increased Sales and Marketing field presence in the United States and Europe;
2. 6.5% related to medical research in (US), promotional campaigns for Avant (US)

**Corporate costs**

1. Two global responsibilities moved to Australia (previously in the United States);
2. Restructure within CEO and CFO

# Summary Balance Sheet and Cash Flow

## Statement of financial position - AUD \$m.

	31.12.19	30.06.19
Cash and cash equivalents	8.9	7.7
Inventories	2.3	1.9
Trade and other receivables	11.4	10.7
Plant and equipment	3.9	3.2
Goodwill & intangibles	7.5	7.8
Right of use asset (AASB16)	5.0	0.0
Deferred tax assets	3.2	3.4
Other assets	0.4	0.0
<b>Total Assets</b>	<b>42.7</b>	<b>34.8</b>
Payables	9.5	8.2
Borrowings	3.4	3.0
Provisions	2.3	4.2
Income tax payable	0.3	1.0
Lease Liability (AASB16)	6.6	0.0
Other liabilities	0.5	0.6
<b>Total Liabilities</b>	<b>22.6</b>	<b>16.9</b>
<b>Net Assets</b>	<b>20.1</b>	<b>17.8</b>

## Statement of cash flows - AUD \$m.

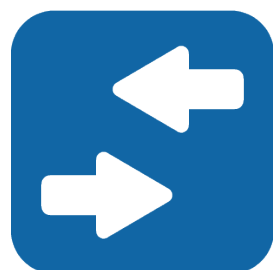
	FY20 HY	FY19 HF
EBITDA* CORE	3.0	1.3
EBITDA* RSS**	-	(7.0)
<b>EBITDA* GROUP</b>	<b>3.0</b>	<b>(5.7)</b>
<b>Other non-cash items</b>		
Changes in working capital (exc. Income tax)	(0.9)	1.8
Net interest paid	(0.2)	(0.0)
Income tax paid	(0.8)	(0.5)
<b>Net cash flow from operating activities</b>	<b>1.1</b>	<b>(4.3)</b>
Proceeds from term deposits	0.3	
Net capital expenditure	(1.2)	(0.5)
<b>Net cash flow from investing activities</b>	<b>(0.9)</b>	<b>(0.5)</b>
Proceeds from issuance of shares	1.4	-
Borrowings (net)	0.4	-
Payment leases	(0.8)	(0.2)
<b>Net cash flow from financing activities</b>	<b>1.0</b>	<b>(0.2)</b>
<b>Net cash flow</b>	<b>1.2</b>	<b>(4.9)</b>

\*EBITDA as adjusted does not include share and option expense, loss on contingent consideration payable and unrealised foreign exchange gain/(loss)

\*\*Discontinued business at December 2018

## 4. Future horizons - update

# Our future horizons



## Advancing treatment & building the core

- ✓ Sales and marketing focus and investment globally
- ✓ Medical research USA
- ✓ Successful launch of the digital SomnoDent® Avant
- ✓ Operational and service excellence



## Positioning “the patient’s alternative”

- ✓ Effective medical outcome of COAT™ versus CPAP
- ✓ Partnerships to drive consumer education
- ✓ Reimbursement policy focus in currently non-reimbursed markets



## Technology driven

- ✓ Digital manufacturing
- ✓ Technology bridge through App-Nea LLC partnership
- ✓ Automation and real time precision
- ✓ Optimised patient pathway management

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## 5. Outlook & guidance

# Outlook & guidance

- ☑ Regional
  - ☑ Europe – market fundamentals for consistent revenue growth remain solid, focusing on a stronger reimbursement policy and medical strategy
  - ☑ North America – maintain direct revenue growth momentum through product and service differentiation, while building on the medical strategy
  - ☑ APAC – continue to drive Australia’s medical referral channel, while shaping the future plans for both Korea and Japan
- ☑ Research and development of further products and enhancements during the second-half, with additional technological advancements to be rolled out
- ☑ Develop and expand on future horizons
- ☑ Guidance relating to SomnoMed’s core business remains:
  - ☑ Revenue range of between \$67-69m.
  - ☑ EBITDA range of between \$6.3-6.7m.

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# Contact

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