



Satisfactory Q3 despite COVID-19 affected March

27th April 2020, SomnoMed Limited (ASX:SOM) announced that its core revenues grew by 9% in the third quarter compared to the prior year, reaching \$15.6 million for the three month period. Both Europe and North America generated revenue growth, with North America recording revenue growth of 20% for the quarter (10% in constant currency).

Revenue Growth	1st Half	Q3	YTD
North America	26%	20%	24%
Europe	10%	7%	9%
APAC	11%	-16%	2%
SOM CORE	15%	9%	13%

“The quarter was one of two distinct parts,” said Mr Neil Verdal-Austin, Global CEO for SomnoMed Limited. “We had exceptional revenue growth for both January and February months with both posting 17% up on the same period last year. In March, however, we started to see a completely different picture emerge. March revenues finished on 11% behind last year as we started to see the drop in orders received early on in the month due to COVID-19,” commented Mr Verdal-Austin.

The North American core business revenue growth of 20% (10% in constant currency) confirmed, at least at that stage, the ongoing return to positive revenue growth. This growth was fuelled by the growing demand for the new digital SomnoDent Avant[®] product, launched late 2019 and a much later impact on business due to any COVID-19 restrictions in trade and hence SomnoDent[®] oral appliance orders.

In Europe, our business posted revenue growth of 7% (flat in constant currency). This quarter was heavily affected by the March month, with earlier shut downs of most of the European countries in which we trade due to the COVID-19 pandemic. This meant March revenues were down 9% compared to prior year as most of the month was affected by such restricted conditions.

APAC experienced a decline in revenue of 16% in the third quarter with early negative effects coming from South Korea and Japan with trade in Australia slowing quickly.

“SomnoMed’s incredible momentum across all three regions has been severely affected by the current pandemic which we saw happening in early to mid March,” said Mr Verdal-Austin. “It was clear that our business was strongly poised for record revenues and profits for this fiscal year, with guidance well within reach,” added Mr Verdal-Austin.

Since early to mid March it was clear that the affect of this pandemic on SomnoMed’s global business would be significant. On that basis, it was decided to act early and strengthen the balance sheet of the company and raise capital by way of an accelerated pro-rata non-renounceable entitlement offer. This offer was to raise \$15.5m. at 80c per share and was fully underwritten by Wilsons Corporate Finance Limited. The institutional portion of the entitlement offer was completed and settled on 31st March for approximately \$9.7m and the retail portion of this offer was completed and settled on 21st April for approximately \$5.8m.

At the same time, the Company began implementing a range of cost cutting measures within the business to partner with our shareholders in that endeavour. These measures were the following:

- Reduce Executive Management and staff salaries globally
- Reduce Board fees to zero
- Ban all travel within the organisation
- Freeze all planned new hires
- Establish work from home and work rotation programs
- Down size manufacturing to meet demand
- Freeze all investments in CAPEX
- Freeze all current technology enhancing and innovation projects
- Optimise working capital management

Sales orders are currently now around 15-20% of normal volumes globally, while the manufacturing site in Manila has been completely re-based to those expected volumes and our supply chain still remains open. Staff within the SomnoMed business have embraced the need to embark on the necessary expense reductions and particular attention has been made regarding the efficient management of the company's working capital.

SomnoMed has also applied for a range of government subsidies and grants around the world to help support the company and its staff during this time.

“Should this event cause us to believe that the situation will be worse than our expectations and cash flow modelling and depending on each market's trading circumstances, we will not hesitate to implement additional measures to ensure that SomnoMed survives this in the long term,” assured Mr Verdal- Austin.

During the third quarter of the financial year SomnoMed had generated \$2.3 million in operating cash excluding the capital raised in March. The cash position at the end of 31 March 2020 was \$21 million. This included the \$9.7m institutional placement portion of the total capital raising of \$15.5m.

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About SomnoMed

SomnoMed is a public company providing diagnostic and treatment solutions for Sleep-related Breathing Disorders including obstructive sleep apnea, snoring and bruxism. SomnoMed was commercialized on the basis of extensive clinical research. Supporting independent clinical research, continuous innovation and instituting medical manufacturing standards has resulted in SomnoDent® becoming the state-of-the-art and clinically proven medical oral appliance therapy for more than 555,000 patients in 28 countries. For additional information, visit SomnoMed at <http://www.somnomed.com.au>

Authorised by: Terence Flitcroft, Company Secretary on behalf of SomnoMed Limited