



## SOMNOMED UPDATE

**20<sup>th</sup> May 2015, SomnoMed Limited (SOM: ASX)** Executive Chairman Dr. Peter Neustadt released today an update on the current state of business.

“Half way through Q4 we are pleased to report that we are confident that the last quarter of the financial year 2014/15 will set a new historic record for sales in a quarter. We expect to sell over 14,000 SomnoDent® units worldwide, about 20% above the same quarter in the previous year and over 2,500 units more than the sales achieved in Q3 of this financial year,” said Dr Neustadt.

In Q4 positive results continue with the growth of direct sales in the US and a solid acceptance of our new products. Good growth is also being recorded in European markets, especially in new and emerging markets.

The SomnoMed compliance control system is now successfully operating in selected practices in six countries, with first compliance measurements indicating consistent all night-every night use on a 90%+ compliance basis. Once FDA 510K approval for the compliance system is received (this is expected before the end of the financial year) a roll out of the compliance control system in the USA is scheduled to commence by middle of this year. It is anticipated this will further strengthen the acceptance of COAT™ by US medical specialists.

The phasing in of digital processes into our production has successfully completed test and calibration stages. Since April the Australian hub has transmitted electronic data exclusively to our factory and physical shipments of impressions, bite records and plaster models have been eliminated. The results of the transition to digital processes are very convincing, producing savings in international freight costs, a shortening of our turnaround times and an even higher level of precision in our finished products. The roll out of digital processes to our 14 service hubs around the world is planned to be completed by the end of 2015 and is expected to have a positive impact on our gross margin and profits in 2015/16.

Despite the good growth in Q4 SomnoMed will not be able to compensate fully for the weak Q3 sales we experienced earlier this year. As a result, and consistent with our continuous disclosure obligations, we update our guidance as follows:

- Q4 2014/15 sales expected to set new quarterly record of over 14,000 units, representing growth year on year of around 20%;
- Despite lower Q3 sales, total volume in 2014/15 expected to exceed 50,000 units (previous guidance 55,000) achieving an annual growth rate of over 17%;
- Revenues to grow by over 25% to \$32.5 million in 2014/15 (unchanged from previous guidance);
- EBITDA for the year 2014/15 expected to be in line with previous year's earnings (around \$1 million vs. previous guidance \$2.0 million).

A five year plan to 2020 has been developed and budgets for 2015/16 are currently being finalized projecting a further increase in SomnoMed's growth in the next financial year and beyond. Volumes in the year ahead are expected to grow by 20-25% over 2014/15, consistent with the anticipated long term view of the growing demand for COAT™ in our markets. Guidance for 2015/16 will be given once final results for Q4 are at hand.

Since the Company's successful capital raising in August 2015, the Board has been proactively looking at how it can accelerate sales by undertaking new initiatives. Based on our analysis of the likely development of the demand for COAT™ as a comfortable and highly compliant alternative treatment to CPAP, SomnoMed will continue to build its global market leadership position offering the best, most medically proven and effective oral appliance therapy devices. This will involve a continuing strengthening of our medical and dental marketing and sales resources around the world, in particular in the US. The commitment to capitalize on growing revenues to produce growing earnings in future years remains, however, achieving volume and revenue growth in the short term are the priority tasks set by the Board of SomnoMed.

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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 obstructive sleep apnea. SomnoDent® is the most comfortable and effective design and treatment solution for over 200,000 patients in 26 countries.

For additional information, visit SomnoMed at <http://www.somnomed.com.au>