



## **New sales records in Q4 with increasing growth prospects for 14/15**

**23<sup>rd</sup> July 2014**, SomnoMed Limited (ASX:SOM) announced today that it had broken sales records in all three geographic regions – North America, Europe and APAC/Japan - during the financial year 2013/14 and expected further acceleration of its growth during the financial year 2014/15.

Sales in Q4 reached 11,973 units, the highest unit sales in the history of SomnoMed. New records were set in all regions during the quarter. For the first time North America reached 6,400 units in a three month period and set a new record, with sales of over 2,300 units in a single month; Europe exceeded quarterly sales of 4,300 for the first time and APAC/Japan sold over 1,250 units in a quarter for the first time.

Unit sales in the second half came in at 22,983, 24% above the same half year period in the previous year, reflecting accelerating growth in both North America and APAC/Japan regions, while Europe maintained its strong performance during the second half of the financial year. Total sales units for the year came in above guidance at 43,438, which was 21% above the previous year.

“Besides Europe continuing on its extraordinary expansion and APAC/Japan showing clear acceleration in its growth rates throughout the year, the positive developments in North America are of greatest importance. Direct sales to our dental network had suffered due to dental sales and service issues our US operation experienced during the last two years. We are very pleased to report that these direct sales have now shown consistent accelerating growth in every quarter in 2013/14. Year on year growth rates for direct sales in the US went from 3.1% in the first half to 16% in the second half. The changes are even more impressive on a quarter by quarter basis compared to the previous year – after a 9% drop in Q1, Q2 recovered with a 16.9% growth rate, Q3 was up by 14.2% and Q4 grew by 17.6% (in which a record direct sales month was recorded). The trends are good and we are confident that the measures we have taken in the US have put us solidly on a higher growth path for the future,” said Dr. Peter Neustadt, Executive Chairman of SomnoMed.

SomnoMed’s group revenues have grown in the financial year by 40%, exceeding \$25.8 million (subject to audit) and coming in higher than the guidance previously given.

Cash at the end of the financial year was just under \$3 million. “A significant increase in accounts receivable was recorded during the year, due to the fast growing business with insurers in Europe and the US, with longer payment cycles than those experienced with our dental customers,” said Dr. Neustadt.

### **Guidance Financial Year 2014/15**

“The volumes achieved in 2013/14 and the trends observed in all three global regions augur well for the 2014/15 financial year and are proof that our strategies around the world are achieving the desired results. We are going very confidently into the new financial year.”

The good growth we have seen in the second half of 2013/14 in the US is expected to continue, due to the improved dental sales and service operations, excellent acceptance of our Herbst products and results from our medical initiative, which are now becoming visible,” commented Dr. Neustadt.

“Europe’s growth of 41% in the 2013/14 year will be hard to beat. However, the strong trends in emerging markets, which we opened in the last 18 months, together with the new markets we are expanding into in 2014/15 should allow us to maintain a high level of growth in the new financial year.”

## **Guidance Financial Year 2014/15 (continued)**

“Activities in APAC/Japan also indicate that further acceleration in growth is likely in 2014/15. In Australia, Japan and Korea sales forces are being strengthened to respond to increasing demand from physicians and leading hospital centres treating obstructive sleep apnea patients,” said Dr. Neustadt.

Based on the above, volume is expected to grow in 2014/15 by 26.5% from 43,438 units and exceed 55,000 units. The first half is traditionally affected by the Northern summer holidays and should generate sales of around 25,000 units (+22% vs. same period in prior year). The second half should see further acceleration, with growth of 30% resulting in total unit sales for the second half of 30,000.

Revenues in 2014/15 are expected to exceed \$32.5 million at current exchange rates.

“Our financial results for 2013/14 are currently being audited and will be released in the second half of August. Subject to this audit, we expect the earnings before interest, tax, depreciation and amortization (EBITDA) in 2013/14 to be around \$1.0 million, after expensing about \$2.3 million in costs associated with the medical initiative in the US, set up costs in preparation for the launch into new markets in Europe and APAC and the employment of new sales staff,” explained Dr. Neustadt.

“Our expectation for 2014/15 is that we will maintain our gross margin for SomnoDent® products in the upper sixty percent range. We currently anticipate start-up losses in five new markets in Europe and a much reduced shortfall in our medical departments in the US will cost us around \$800,000 in the first half of 2014/15 but should be cost neutral in the second half year. We believe the second half will show signs of the future earnings strength of SomnoMed, which will underpin the growth of profits in the future. Our expectation for 2014/15 is an EBITDA range between \$2.0 and \$4.0 million,” said Dr. Neustadt.

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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 175,000 patients in 24 countries.

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

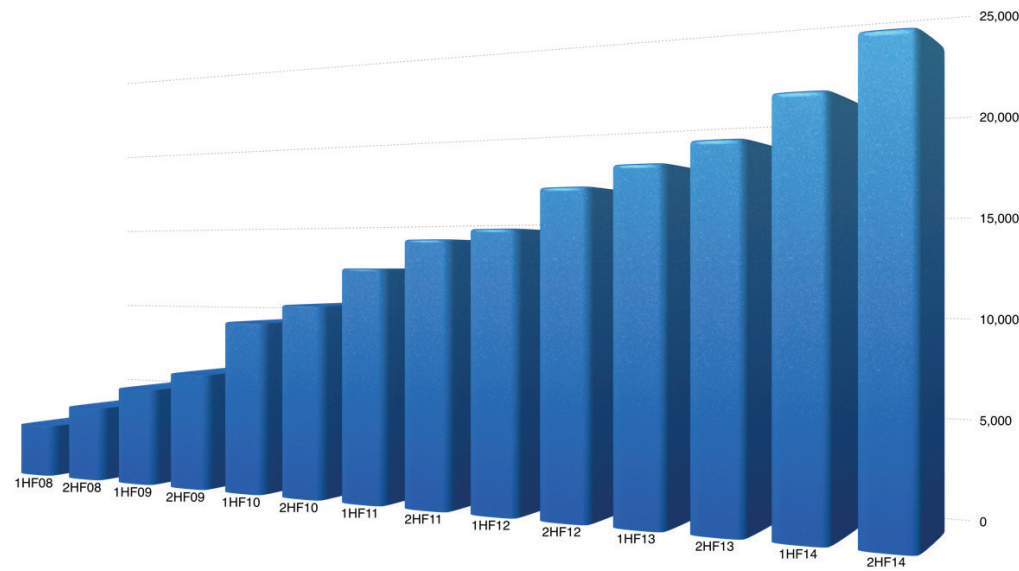


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## Quarter 4 Report

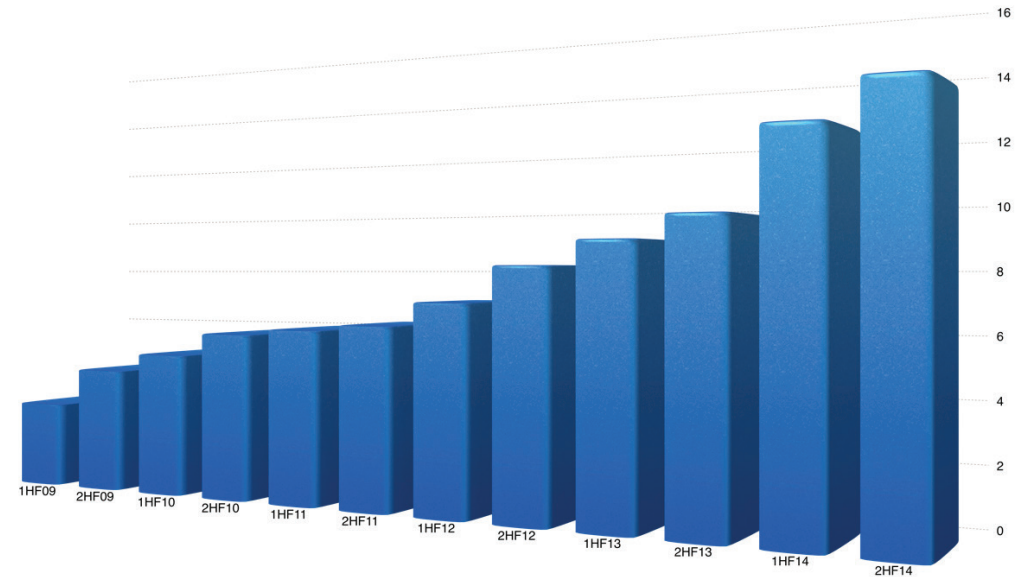
## Seven years of continuous growth

### Unit sales growth



CAGR 36%pa

### Revenue growth (\$' millions)

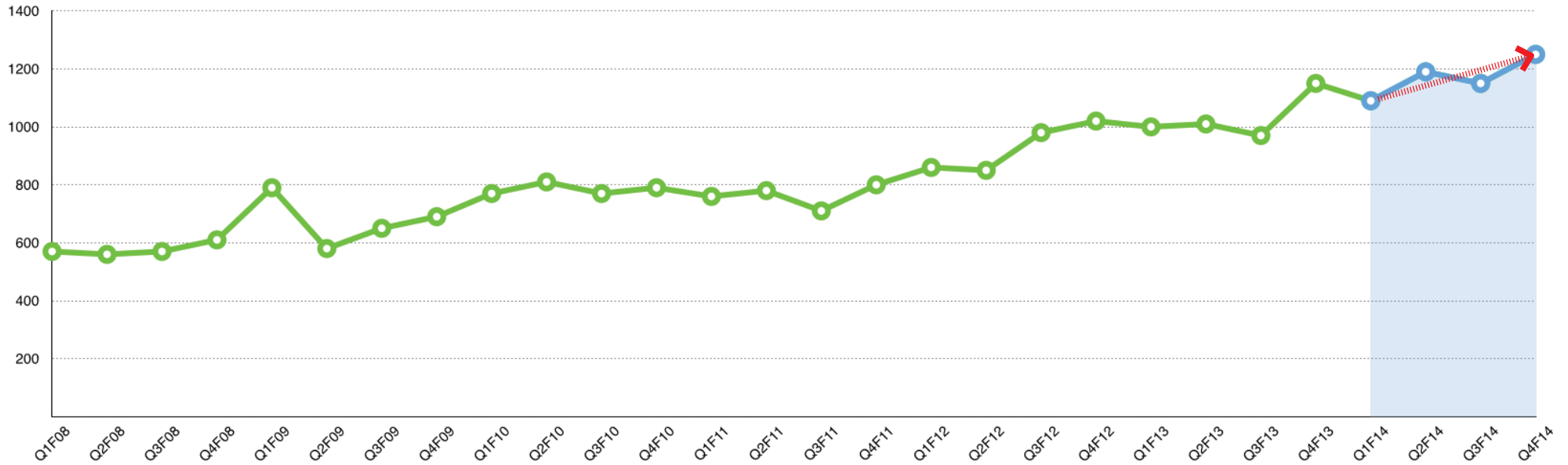


CAGR 39%pa



## APAC – New sales levels reached

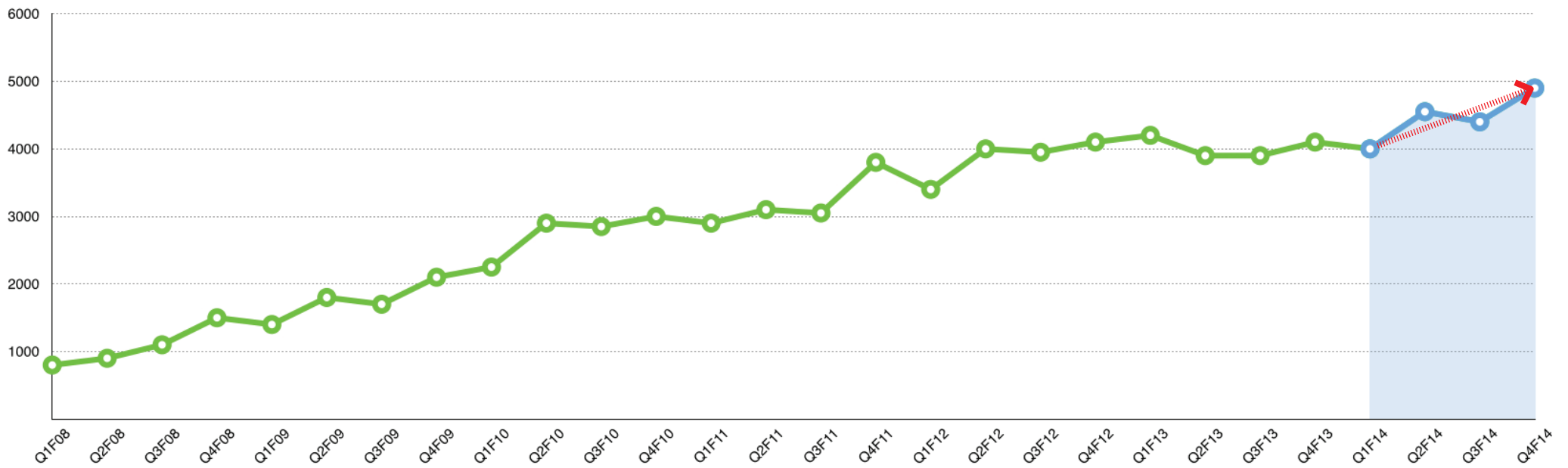
APAC quarterly unit sales





# USA – Initiatives and changes return company to higher growth

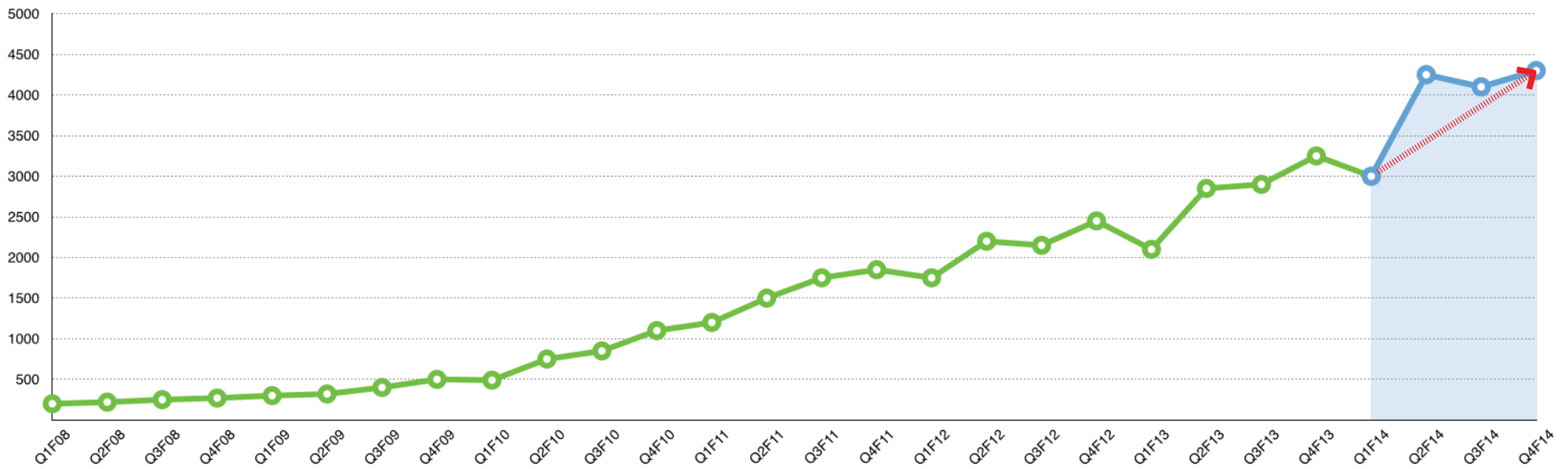
USA quarterly unit sales





## Europe – Extraordinary growth linked to expansion of business

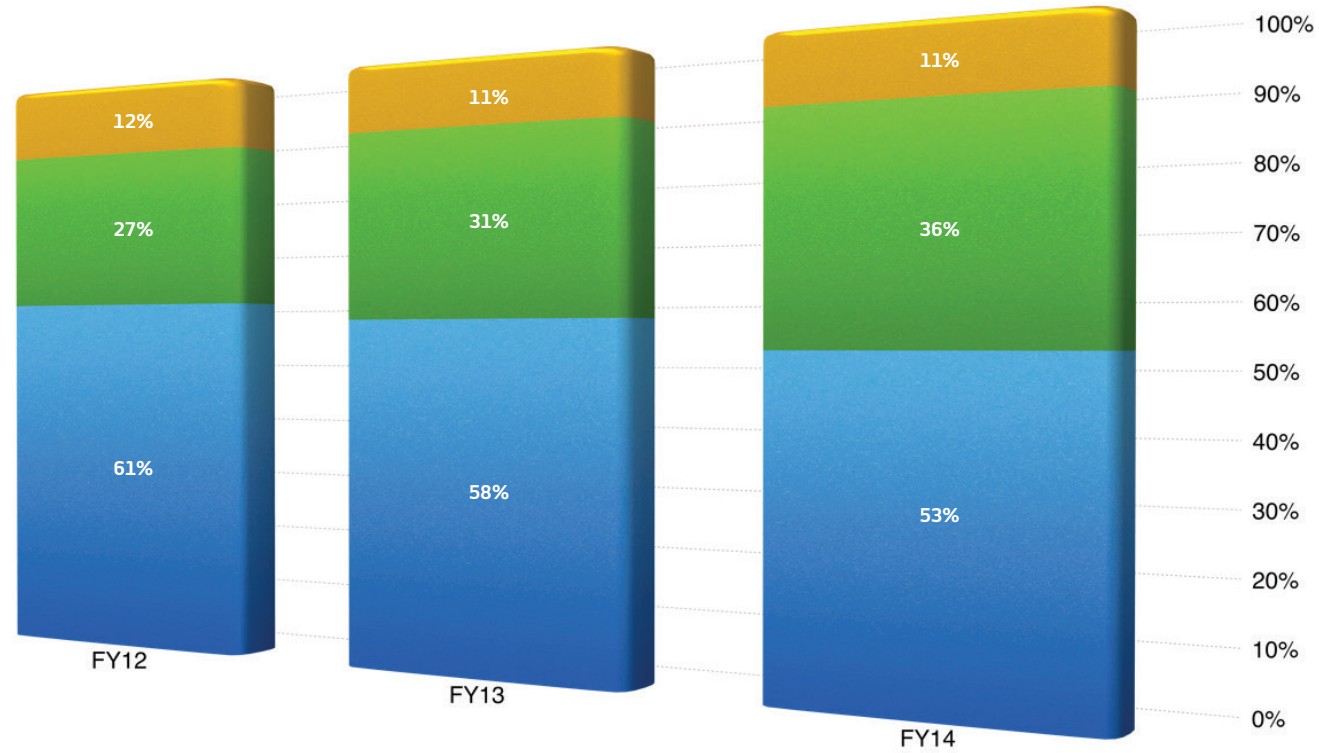
Europe quarterly unit sales





## Geographic split of group unit sales

Balanced business between USA, Europe and APAC



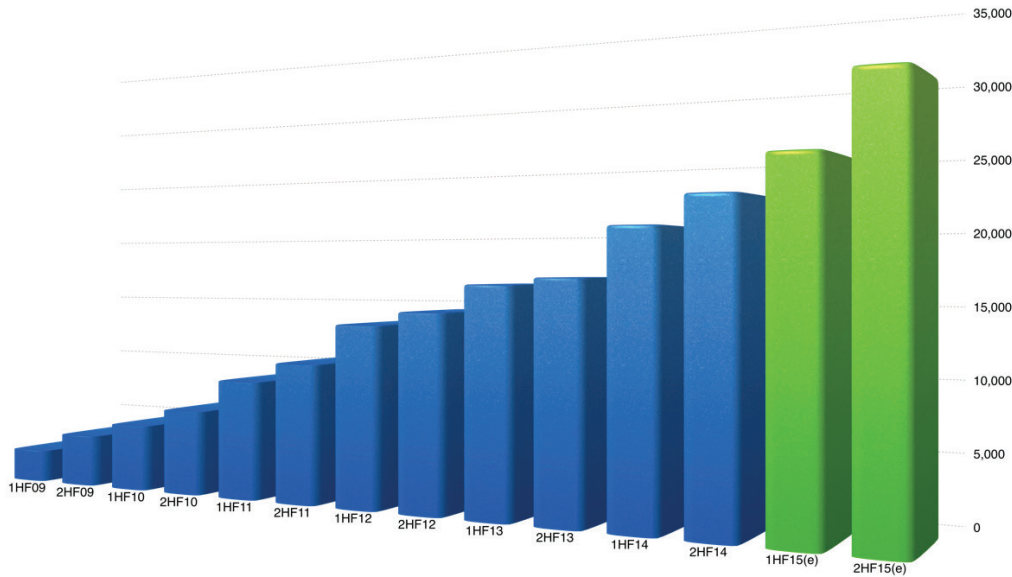




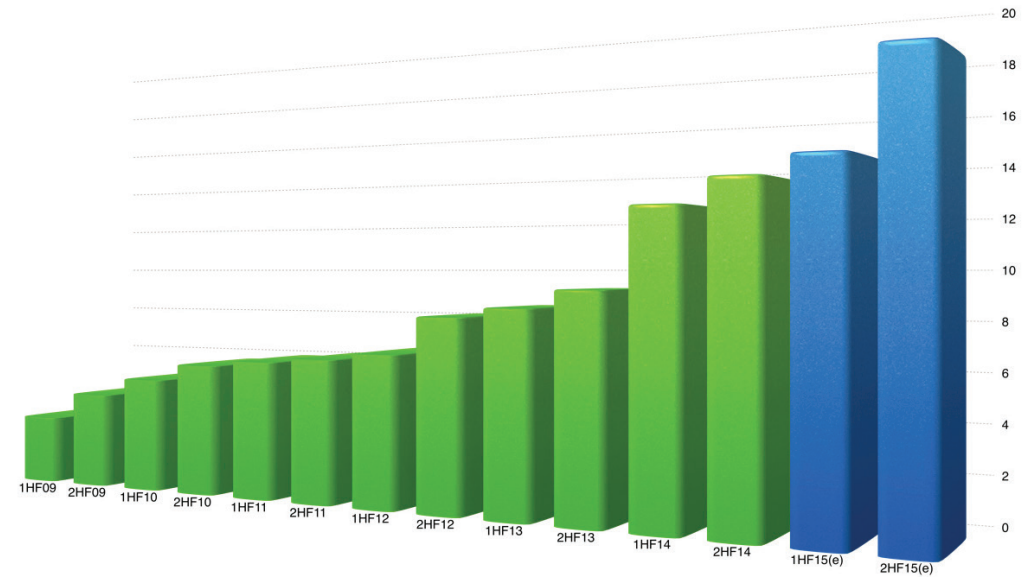
## Guidance 2014/15

55,000 annual units and \$32.5M annual revenue (constant exchange rates)

### Unit sales growth – including guidance



### Revenue growth (\$' millions) – including guidance





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