



## **Continuing High Growth in the Third Quarter**

**20<sup>th</sup> April 2016**, SomnoMed Limited (ASX:SOM) announced that continuing high growth in its volume of sales of its sleep apnea devices resulted in it recording a growth of 28% of its sleep apnea device sales revenues to \$9.2m (unaudited). Total group revenues, which include non-device managed care revenues and sale of various supplementary products, amounted to \$11.1m (unaudited), up by 32% compared to the third quarter in the previous year.

High revenue growth was driven by the growth in sales of SomnoDent<sup>®</sup> devices in all global regions and was further fuelled by growing managed care revenues in the US and Europe.

Global direct sales of MAS devices reached 13,492, up by 21.1%. On a region by region basis North America saw a growth in direct MAS device unit sales of 27.5%, Europe +17.0% and APAC/Japan +9.5% over the same quarter last year. Devices sold through US licensees recorded a drop of 45.4%, compared to the same quarter in the previous year. Licensee sales represented only 7.0% of total North American sales in the third quarter, compared to 15.0% in the previous year, emphasising the diminishing importance of the sale of third party produced SomnoDent<sup>®</sup> devices. After absorbing the reduction in licensee sales total device sales in the third quarter came to 13,997 units, up by 16.0% year on year.

Good year on year growth was achieved in Europe, reaching sales of 5,500 units in the third quarter, which this year included Easter holidays. Excellent growth was achieved in the Nordic region (Sweden, Norway, Finland and Denmark) and in Southern Europe (France, Spain, Portugal, Italy), whilst Benelux and the German speaking countries posted slower growth during the quarter.

Australian sales performed well growing above 10% in the third quarter. Korea and SEA posted a growth of over 20%, whilst sales in Japan were down by 8% during the quarter compared to the prior year.

“We are pleased with the global results achieved in the third quarter and in particular in the US where we posted a growth rate again of 27.5% in our direct sales,” said Dr Peter Neustadt, Executive Chairman and CEO of SomnoMed Limited. “The US health and medical sector is experiencing the impact of significant increases in private health insurance premiums paid by the majority of American families and individuals. Premiums typically increased by around 40% at the beginning of 2016, partly as a result of the introduction of Obamacare. To counter these massive increases, most privately insured American families increased the amount of deductibles they pay in addition to their premiums out of their own pockets before they access payments from their insurers. We hear that this is impacting on the sales of services and devices of established companies, in particular in the first half of the calendar year.”

“The growth of 27.5% generated in our direct sales in North America under these circumstances should be taken as an indicator of the strength of SomnoMed and the success of our new products. The demand for SomnoDent<sup>®</sup> COAT<sup>™</sup> treatment is either less affected by these developments or it points to a potentially higher growth rates once the changes to the health insurance premiums and deductibles are accepted by the public,” said Dr Neustadt.

The inclusion of SUAD devices sold in Canada in the quarter through our new SomnoMed Canada entity, although only contributing less than 2% of our North American sales at this point in time, contributed to achieving a good result.

Operating cash generated during the quarter was affected by an increase in accounts receivable linked to higher managed care revenues, as well as corporate expenses relating to a project to enlarge the scope of business of SomnoMed, which is being finalised and will be announced in due course.

The cash position at the end of the third quarter was \$6.5m after further investments in the digitalisation of processes in our factory and our 14 hubs, integration of our Canadian new products into our production facility and working capital increases.

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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 250,000 patients in 27 countries.

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