



SomnoMed[®]

The Leader In COAT[™]
(Continuous Open Airway Therapy)

Investor Presentation

Financial Year 2016/17
Half Year Review



Disclaimer & Regulatory Disclosure



This document has been prepared as a summary only, and does not contain all information about the Company's assets and liabilities, financial position and performance, profit and losses and the rights and liabilities attaching to the Company's securities. This document should be read in conjunction with any public announcements and reports (including financial reports and disclosure documents) released by SomnoMed Limited. The securities issued by the Company are considered speculative and there is no guarantee that they will make a return on the capital invested, that dividends will be paid on the Shares or that there will be an increase in the value of the Shares in the future.

Some of the statements contained in this release are forward-looking statements. Forward looking statements include but are not limited to, statements concerning estimates of future sales, expected revenues and costs, statements relating to the continued advancement of the Company's operations and other statements which are not historical facts. When used in this document, and on other published information of the Company, the words such as "aim", "could", "estimate", "expect", "intend", "target", "forecast", "future", "will", "may", "potential", "should" and similar expressions are forward-looking statements.

Although the company believes that its expectations reflected in the forward-looking statements are reasonable, such statements involve risk and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. Various factors could cause actual results and projections of future performance to differ from these forward looking statements as a result of known and unknown risks, uncertainties and other factors not anticipated by the Company or disclosed in the Company's published material. Many of these factors are beyond the control of SomnoMed Limited and may involve subjective judgement and assumptions as to future events, which may or may not be correct.

The Company does not purport to give financial or investment advice. No account has been taken of the objectives, financial situation or needs of any recipient of this document.

Recipients of this document should carefully consider whether the securities issued by the Company are an appropriate investment for them in light of their personal circumstances, including their financial and taxation position.



Global Highlights first half 2016/17



SomnoMed

- Global MAS sales volumes +14.9%; group revenues +11.5%
 - Good acceleration in Australia in second quarter
 - Consistent strong growth in Europe
 - Lower growth in the US linked to RSS launch
- MAS gross margin improved from 68.5% to 69.3% with group gross margin up to 57.7%
- EBITDA up 57% to \$1.4m (excluding RSS)

Renew Sleep Solutions (“RSS”)

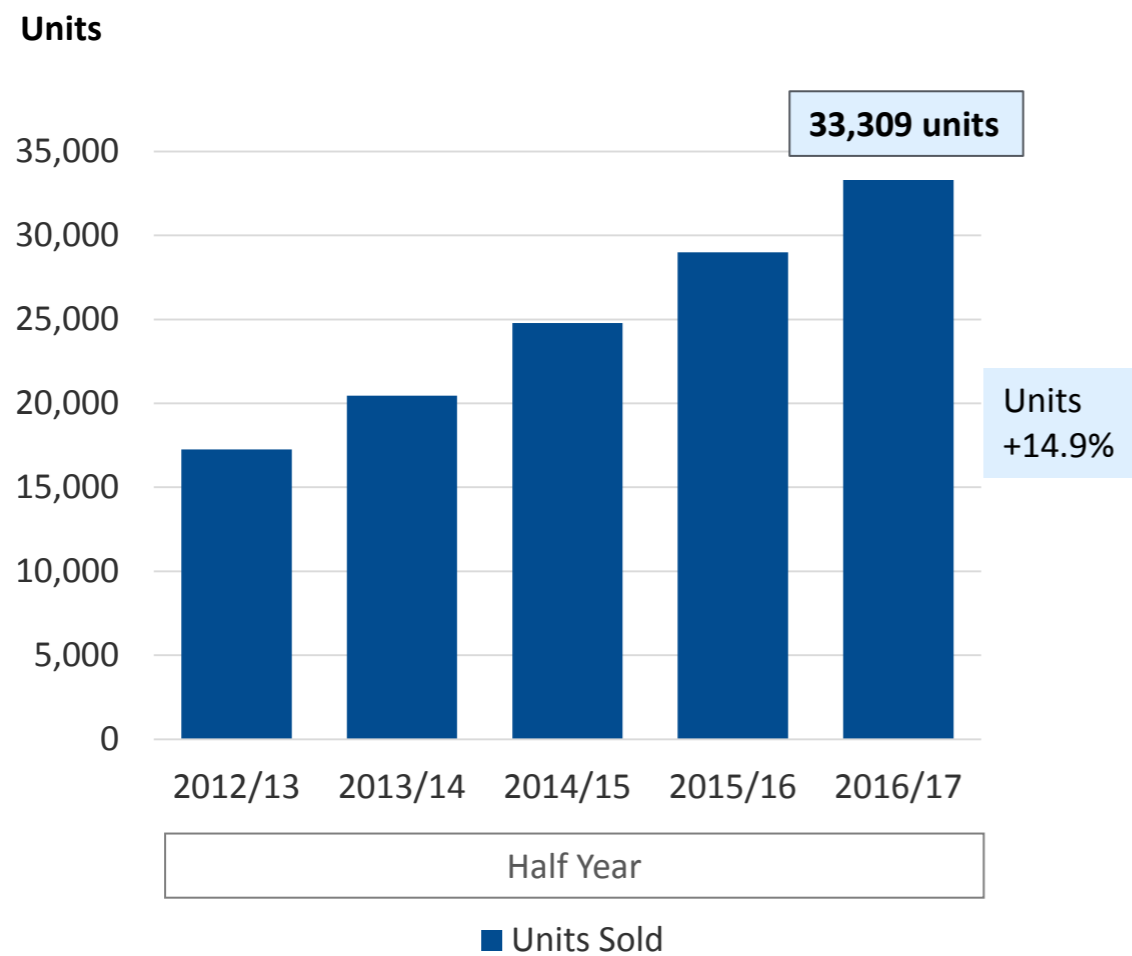
- First two centres opened in December 2016 and ahead of plan
- Investment and start up cost below model assumptions
- Initial revenues and costs in line with expectations



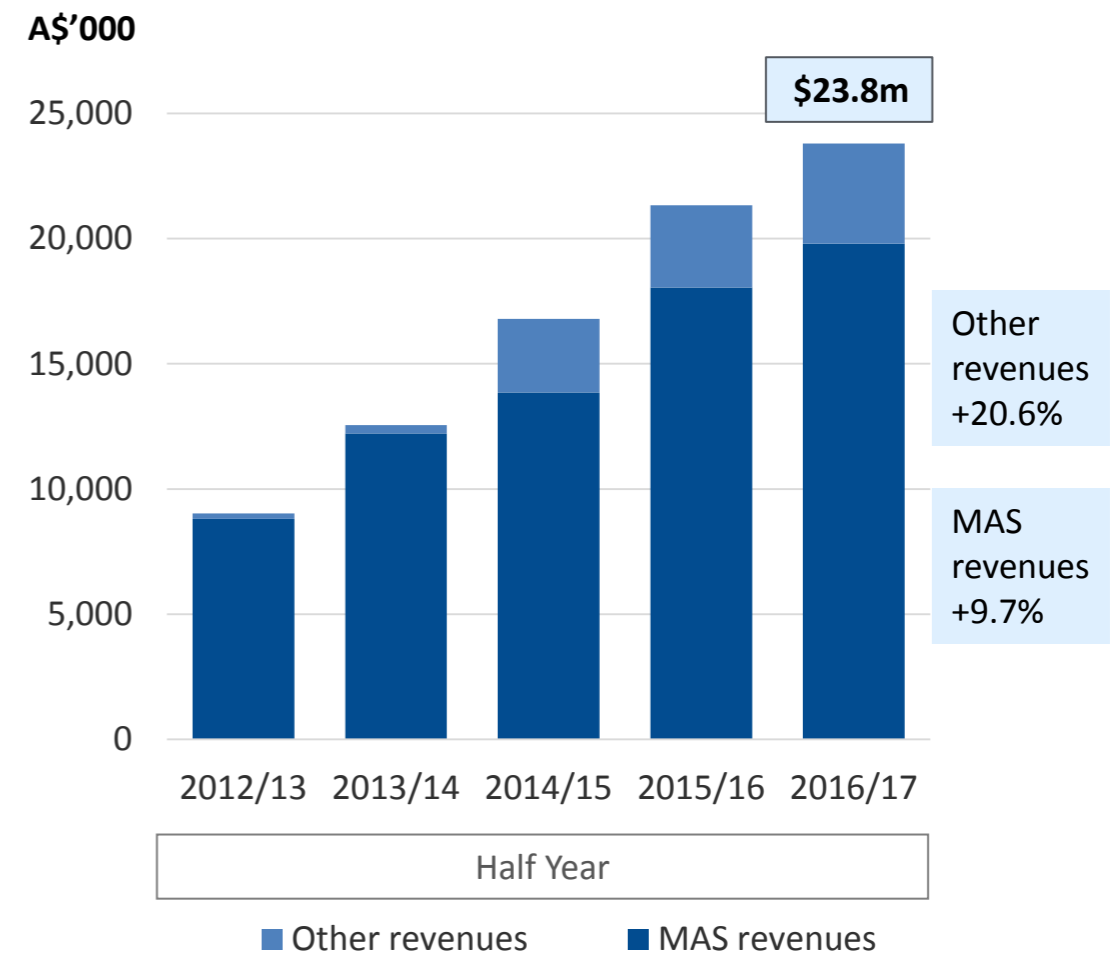
Continuing expansion



Global unit sales growth



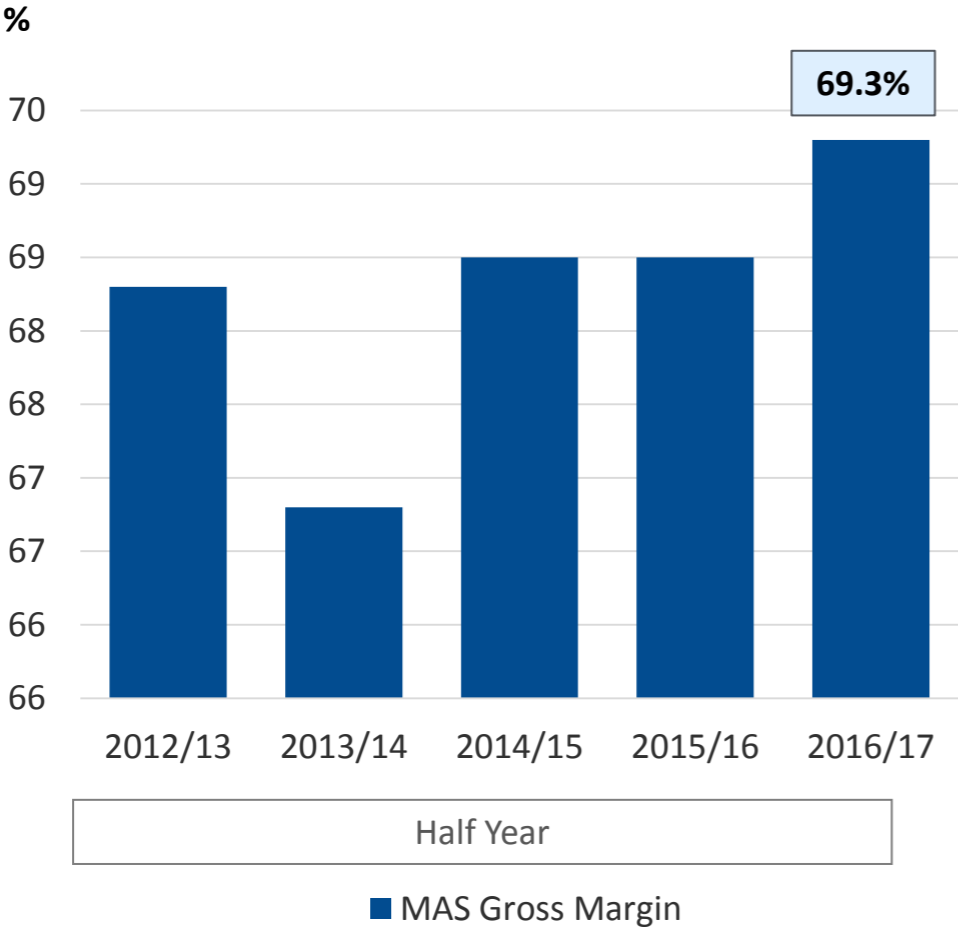
Global revenue growth



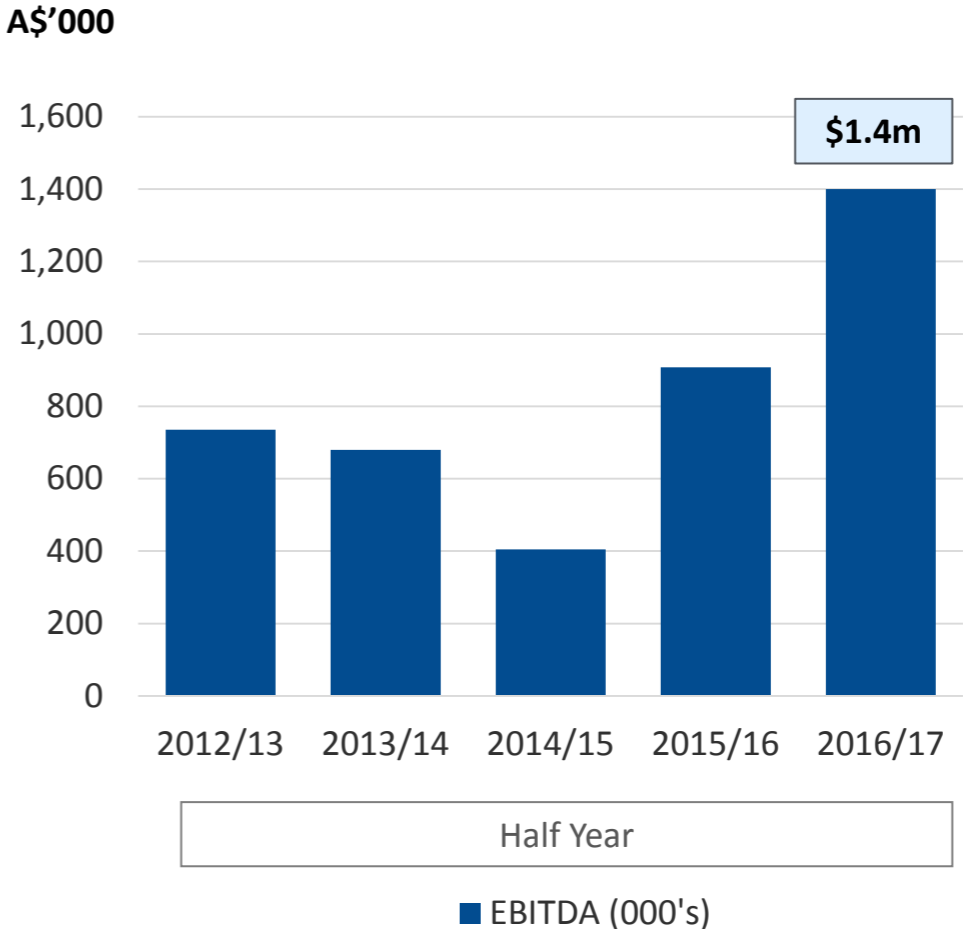
Strengthening margins and profits



MAS Gross Margin %



EBITDA *



* EBITDA as adjusted does not include share and option expense, gain on contingent consideration payable and impairment of goodwill



Renew Sleep Solutions



- Strategic “Direct To Patient” channel opened
- Dallas based executive team recruited
- First two centres opened ahead of time and under budget
- Initial patient capture in line with expectations and financial model
- Five centres to operate by end of June 2017; 15 centres by June 2018



SomnoMed core business



North America – RSS and Managed Care expansion

- Transitional year with establishment of RSS caused some disturbance due to perceived channel conflict but shows signs of having stabilised (growth of 15.5% below our usual MAS growth rate of 20%)
- Expansion of Managed Care segment will contribute to growth in second half – first Kaiser treatment centre opened; direct contract with new insurer negotiated; substantial investment in Managed Care department

Europe – ongoing strong growth

- Continuing strong sales growth (+18% vs prior half year) driven by increasing acceptance and mandating of COAT™ as treatment for mild/moderate and CPAP non-compliant severe patients
- Changes in both French and Belgium regulations, positive statements of medical associations in Germany and expansion of sales management in Switzerland
- Good signs of acceleration in some emerging EU markets allowing us to expect ongoing or increased growth in second half

APAC – acceleration in Australia in Q2

- Good volume growth in Q2 in Australia following strengthening sales and marketing activities; slow growth in Japan and South Korea due to lack of reimbursement



Summary Profit & Loss



Financial Summary – AUD \$000's

	SomnoMed FY16/17 1st H	SomnoMed FY15/16 1st H		SomnoMed FY16/17 1st H	RSS FY16/17 1st H	SomnoMed Group FY16/17 1st H	
Group revenue	23,787	21,333	11.5%	↑**	23,787	-	23,787
Group gross margin	13,721	12,272	11.7%	↑	13,721	(12)	13,709
Regional sales and marketing expenses	(5,694)	(5,696)			(5,694)	(70)	(5,764)
Regional administrative expenses	(4,635)	(4,076)			(4,635)	(881)	(5,516)
Operating profit before corporate, research and business development expenses	3,392	2,500	35.7%	↑	3,392	(963)	2,429
Corporate expenses	(1,964)	(1,592)			(1,964)	-	(1,964)
EBITDA*	1,428	908	57.3%	↑	1,428	(963)	465
Key Metrics:							
MAS gross margin %	69.3%	68.5%					
Group gross margin %	57.7%	57.5%					

* EBITDA as adjusted does not include share and option expense, gain on contingent consideration payable and impairment of goodwill
 ** All % variances over prior year are for SomnoMed excluding RSS



Future of SomnoMed



Market fundamentals are very positive

- Aging population and increasing obesity driving the incidence of OSA
- Increased awareness of OSA and home diagnosis driving market growth
- Patient CPAP non-compliance leads to the demand for alternatives and COAT™ is gaining acceptance by medical and government bodies as well as insurers
- Insurer/payor recognition of more cost effective, compliant solutions driving direct Managed Care contracts

SomnoMed strategic priorities

- To establish and operate a “Direct To Patient” treatment service focused on both undiagnosed and diagnosed patients who have rejected CPAP
- To enter into direct contracts with insurers/payors
- To accelerate acceptance and prescribing of COAT™ by medical specialists
- To maintain a network of sleep dentists
- To build patient awareness of COAT™ as a medically recognised and effective treatment alternative to CPAP



Outlook second half 2016/17



- SomnoMed global position very strong
- Sales volumes expected to grow by over 20%
- Renew Sleep Solutions to move forward aggressively and will become instrumental to strong growth in 2017/18 and beyond
- Significant increase in US Managed Care operation, signing of additional direct contracts with insurers and further Kaiser treatment centres to open
- Europe will continue to grow with ongoing sales development in newer and emerging markets particularly in France and Belgium
- Further product development and innovation in progress
- Guidance maintained as previously indicated

SomnoMed (Core)		
Volume (MAS units)	+20%	> 70,000
Group revenues	+23%	> \$54m.
EBITDA	+100%	\$4m.

RSS	
Volume (patients treated)	> 1,000
Revenues	> \$2m.
EBITDA	(\$4m.)



Contact details



CHIEF EXECUTIVE OFFICER		Mr. Derek Smith
CHIEF FINANCIAL OFFICER		Mr. Neil Verdal-Austin
Address		Level 3, 20 Clarke Street Crows Nest NSW 2065 Australia
Telephone		+61 (2) 9467 0400
Website		www.somnomed.com.au

