



## **Strong Q4 growth to finish SomnoMed's transitional year**

**24 July 2017**, SomnoMed Limited (ASX:SOM) announced today that a return to growth of sales in the US during the quarter (+24% over prior year), combined with ongoing strong Q4 growth in Europe (+20.6%), resulted in record total group unit quarterly sales of 19,859 units (+24.2%). Total device sales for the 2016/17 year were 68,100 units. Unaudited quarterly group revenues were \$14.3 million (+22%) and total group revenues for the 2016/17 financial year were \$49.3 million, representing an annual growth of +12%.

Renew Sleep Solutions ("RSS") opened its seventh centre during the month of June, to end its first 7 months of trading with an exceptional operational performance. "The latest centre in Phoenix, Arizona continues our commitment to expand our network of treatment outlets across the US and I am very proud of our team and their achievements during this time," commented Mr Jim Evanger, CEO of RSS. "We remain confident that this "Direct To Patient" initiative will continue to build in line with or above our current expectations in terms of patient inquiries, appointments and treatments," Mr Evanger added.

SomnoMed's sales in North America, which had seen the impact of a reaction to a perceived channel conflict linked to the establishment of RSS, showed its best quarterly results of the financial year 2016/17 in the last quarter. US sales grew by 24% and the North American region, including Canada, grew by 31.8% in Q4.

"We are pleased with the return to positive growth in our US business," said Mr Derek Smith, CEO of SomnoMed. "After a tough period in the second and third quarter of the year we can now see the combined impact of a stabilisation of the reaction to our establishment of RSS, with positive growth returning to our direct US sales, strong growth in sales to our licensees and device sales to our RSS outlets. We believe Q4 growth indicates that 2016/17, which was a transitional year for SomnoMed establishing a "Direct to Patient" channel to broaden the adaptation of COAT™ as an alternative treatment for OSA, has been successfully navigated. This should allow SomnoMed to accelerate growth through a stronger and broader distribution concept in 2017/18 and beyond."

"The reaction of some Sleep Dentists in the US to the perceived channel conflict with RSS seems to have stabilized and we continue to add new practitioners to our Preferred Dental Network. The RSS concept is now better understood in the US market. Our traditional channel and RSS are distinctly different and the addition of RSS should increase the overall penetration of oral devices for Sleep Apnea and benefit both channels," said Mr Derek Smith. "We believe that the high level of "Direct to Patient" advertising done by RSS will ultimately increase patient awareness and access to treatment for all patient groups, thus enhancing opportunities for SomnoMed overall," added Mr Smith.

Europe continued to show excellent growth, with the fourth quarter growing by 20.6% year over year. European growth was achieved due to exceptional sales in the Benelux countries, France, Norway, Italy and Spain. This continued growth quarter over quarter has been impressive during 2016/17 and the acceptance and adoption of the SomnoDent® treatment solution over CPAP is becoming significant in some markets.

APAC sales volume dropped by 4% in the quarter, reflecting slow adaptation of the COAT™ concept in Korea and Japan. Australia/New Zealand sales were 2% below the prior year in the fourth quarter but finished the year with a 10% growth in the month of June.

“A very positive Q4 result brought an excellent end to what could be considered a transitional year in the USA, where we introduced and launched the RSS business. The future of this region is extremely bright for SomnoMed overall now that we move to the next phase with RSS and SomnoMed NA has returned to positive growth. Opening seven centres, two more than originally planned, in only seven months underlines the exceptional performance we received from our RSS management team. We believe that a similar rate of opening additional RSS centres will be maintained in the future. Whilst this is very early in the development of our RSS business, indications are that the response to advertising and patient treatment numbers are in line with our original model,” said Mr Smith.

“We are also particularly pleased with the growth achieved in Europe, with a number of new and emerging markets showing growth rates in excess of our average 20.6% growth. We see this growth being maintained in 2017/18 and beyond with further potential to come from some of the newer markets and in particular France and Belgium, as a result of improved reimbursement regulations,” commented Mr Smith.

Net operating cash flow for the quarter was \$143,000, taking the cash position at the end of June 2017 to \$14.2 million. Of this positive quarterly operating cash flow, the cash investment made in RSS for the quarter was \$2.2 million, indicating a positive cash quarter for SomnoMed’s core business of \$2.343 million.

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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 now over 350,000 patients in 27 countries.

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