



Improving lives through better sleep

Investor presentation – First half results 2017/18 and Accelerated Entitlement Offer



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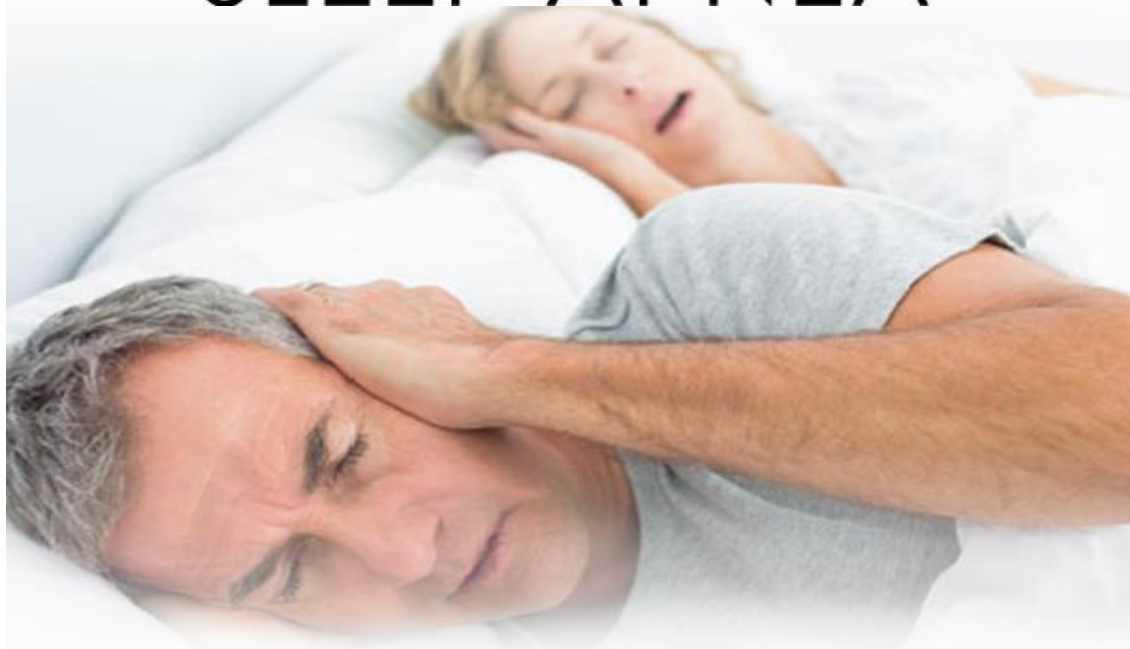
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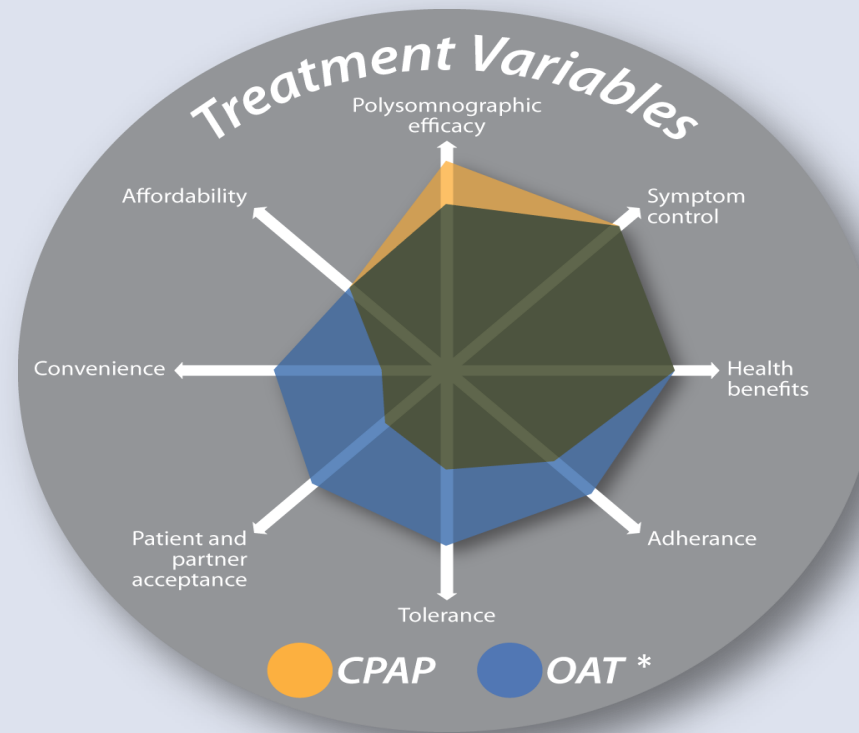
The SomnoMed opportunity is large

There is a significant market for Obstructive Sleep Apnea

SLEEP APNEA



The global market for Sleep Apnea devices is approx. \$7-8B and growing at 6-8% pa

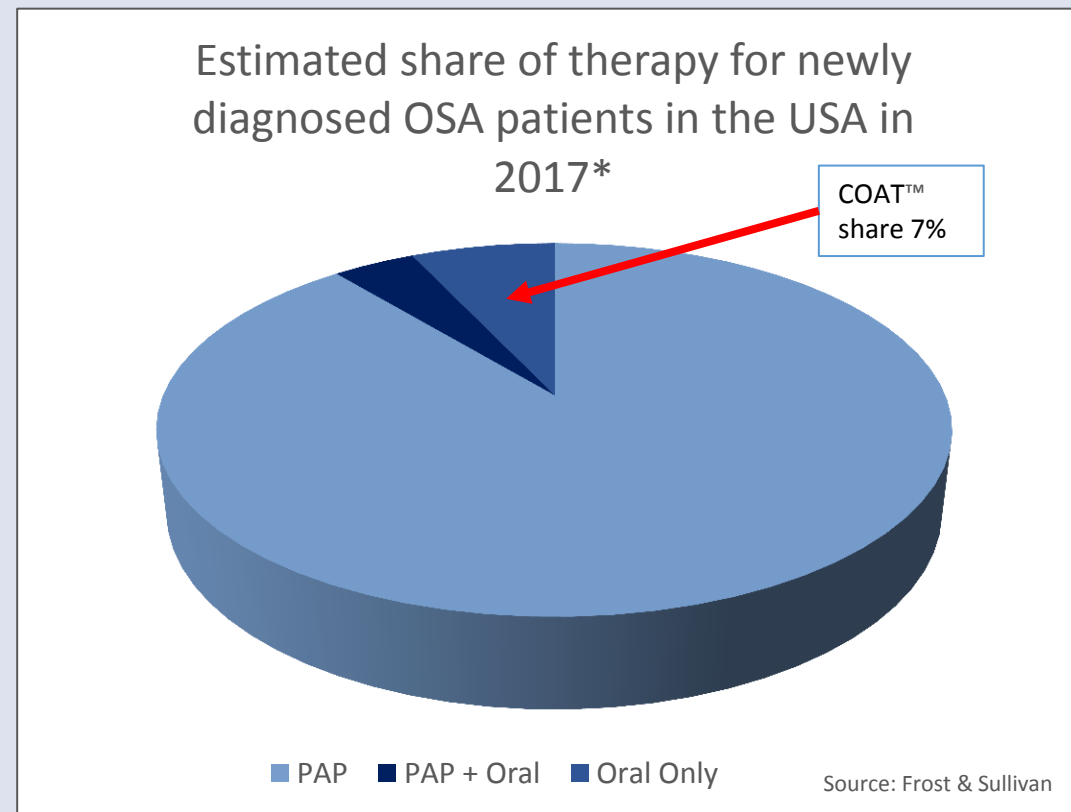
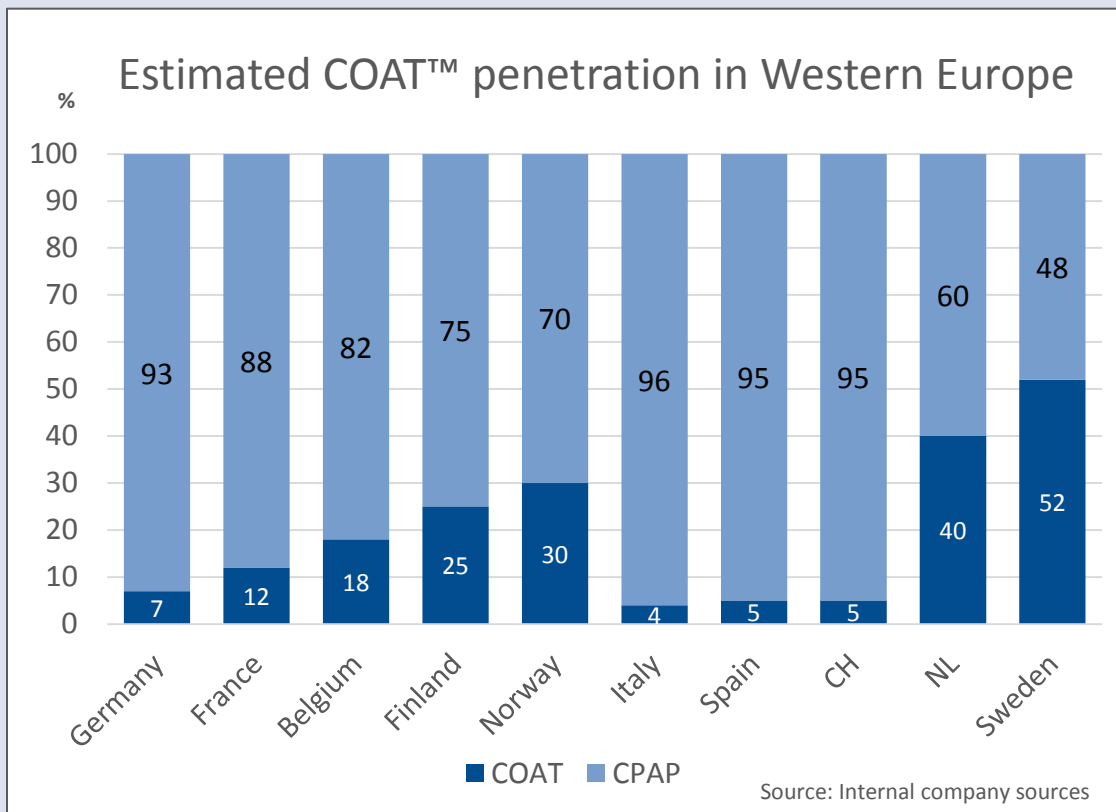


Oral Appliance Therapy (OAT*) is equally effective to CPAP particularly in mild to moderate patients and is better tolerated



The COAT™ market is growing at approximately 20% per annum

There is a high ceiling for COAT™ growth





SomnoMed's vision and strategy

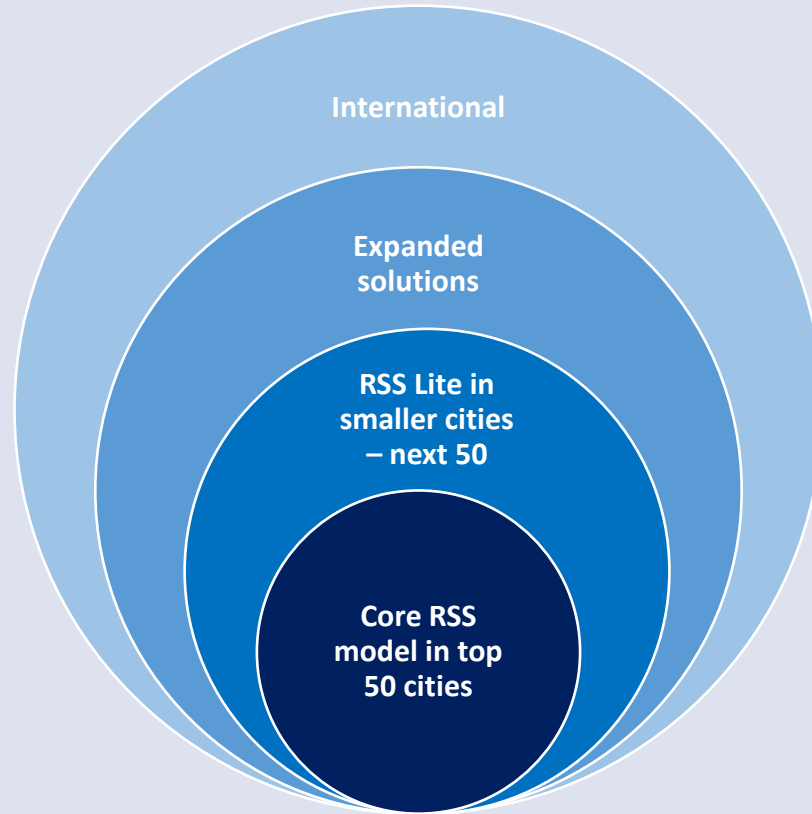
Driving an integrated sleep solutions business





Opportunity for direct to consumer model through Renew Sleep Solutions (“RSS”)

Opportunity could reach \$300-500m revenues with ongoing OSA growth





Innovation driving the acceleration of SomnoMed

Technology as well as service and solution design will help fuel our growth



Improved device design
including material development
for improved therapy



Use of end to end
digital technology
to enhance the patient experience
and improve operational
effectiveness



Solution and service design
To provide a more holistic patient
experience





2020 vision and targets

- Driving an integrated sleep solution business, combining traditional manufacturing and distribution of COAT™ devices with full scale Managed Care and “Direct to Patient” business
- Over 600,000 patients suffering from Obstructive Sleep Apnea, treated by SomnoMed
- Retaining innovation leadership by accelerated development in technology, service and solution design, which results in better patient outcomes and experience
- Focusing on current OECD markets
- Operating over 40 RSS centres
- High revenue growth business > 30% p.a. with total group revenues expected to range between A\$100-A\$120m
- EBITDA % expectation between 15-20% (excluding the losses of new RSS centres opened for less than 12 months)



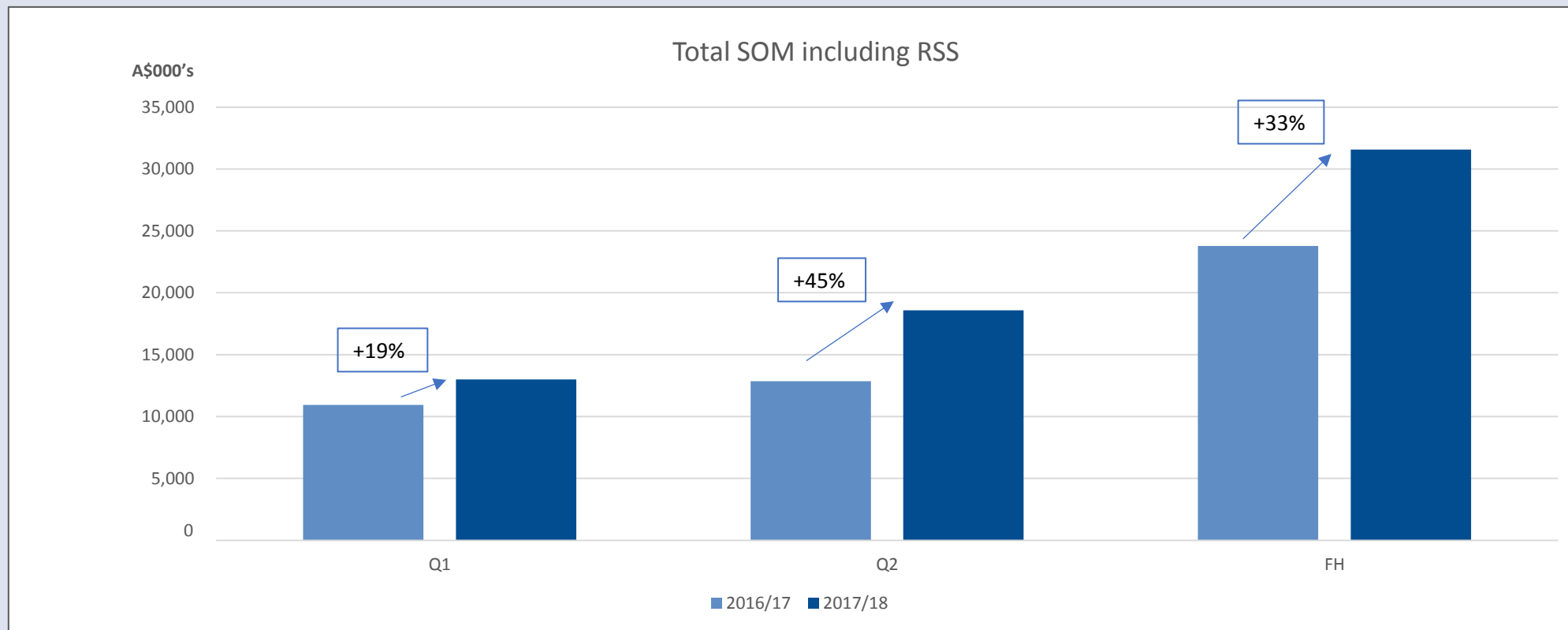


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First half 2017/18 results



Strong revenue growth after slow start to the year



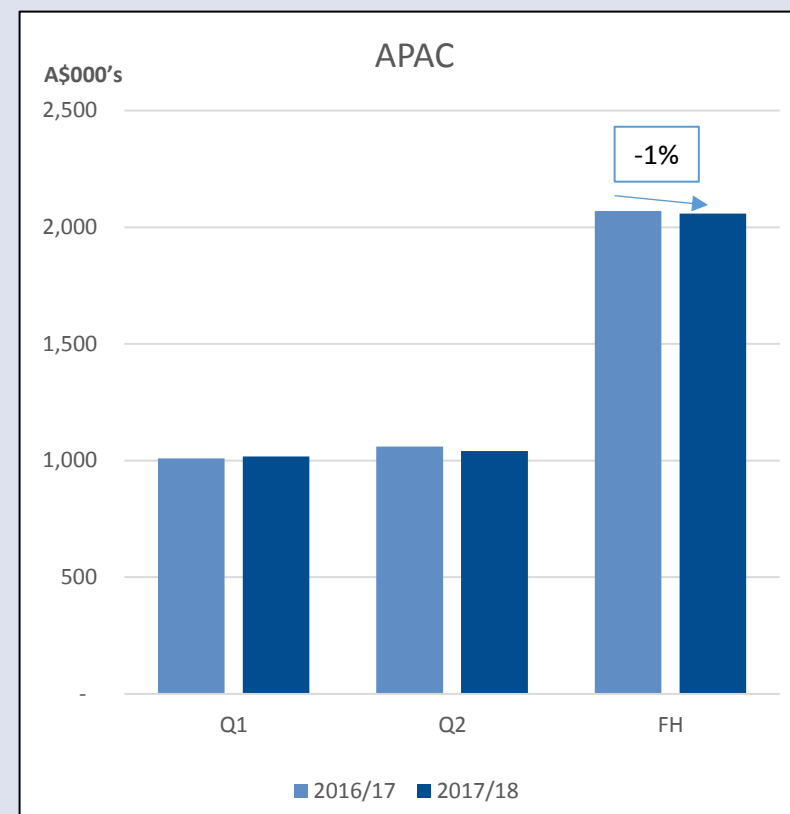
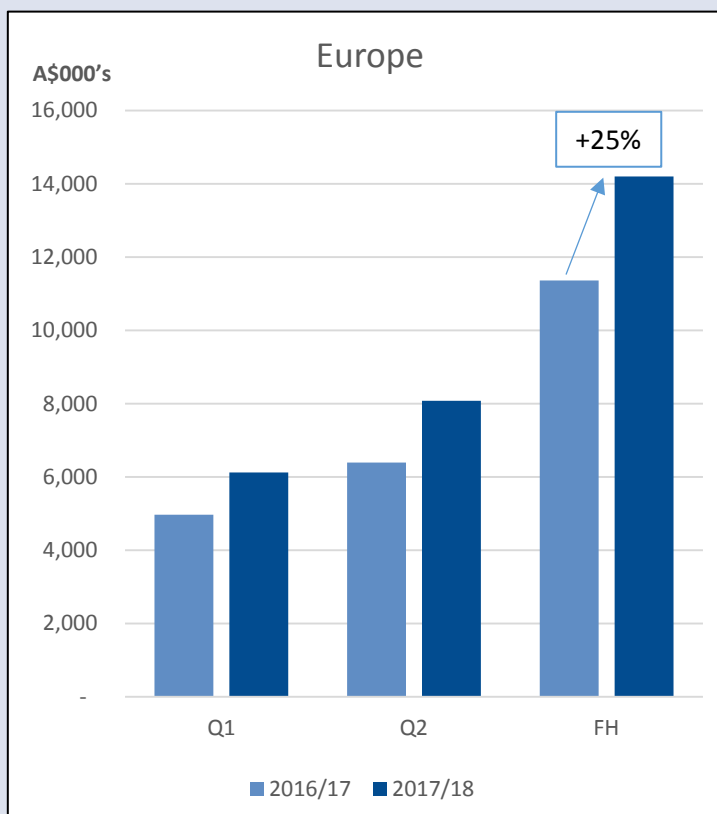
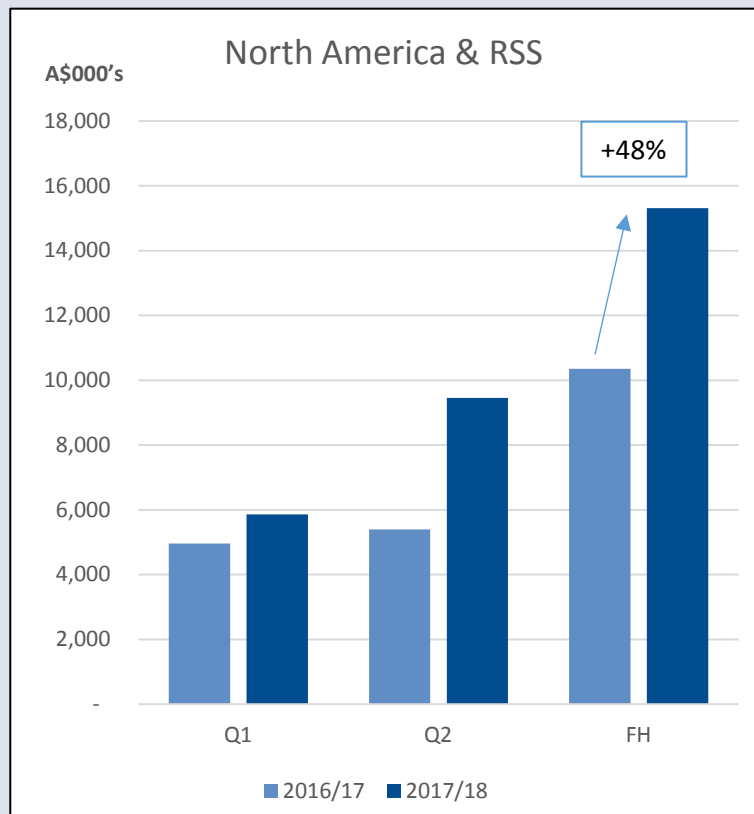


Revenue growth by region

Growth in NA fuelled by RSS

Accelerating growth in Europe

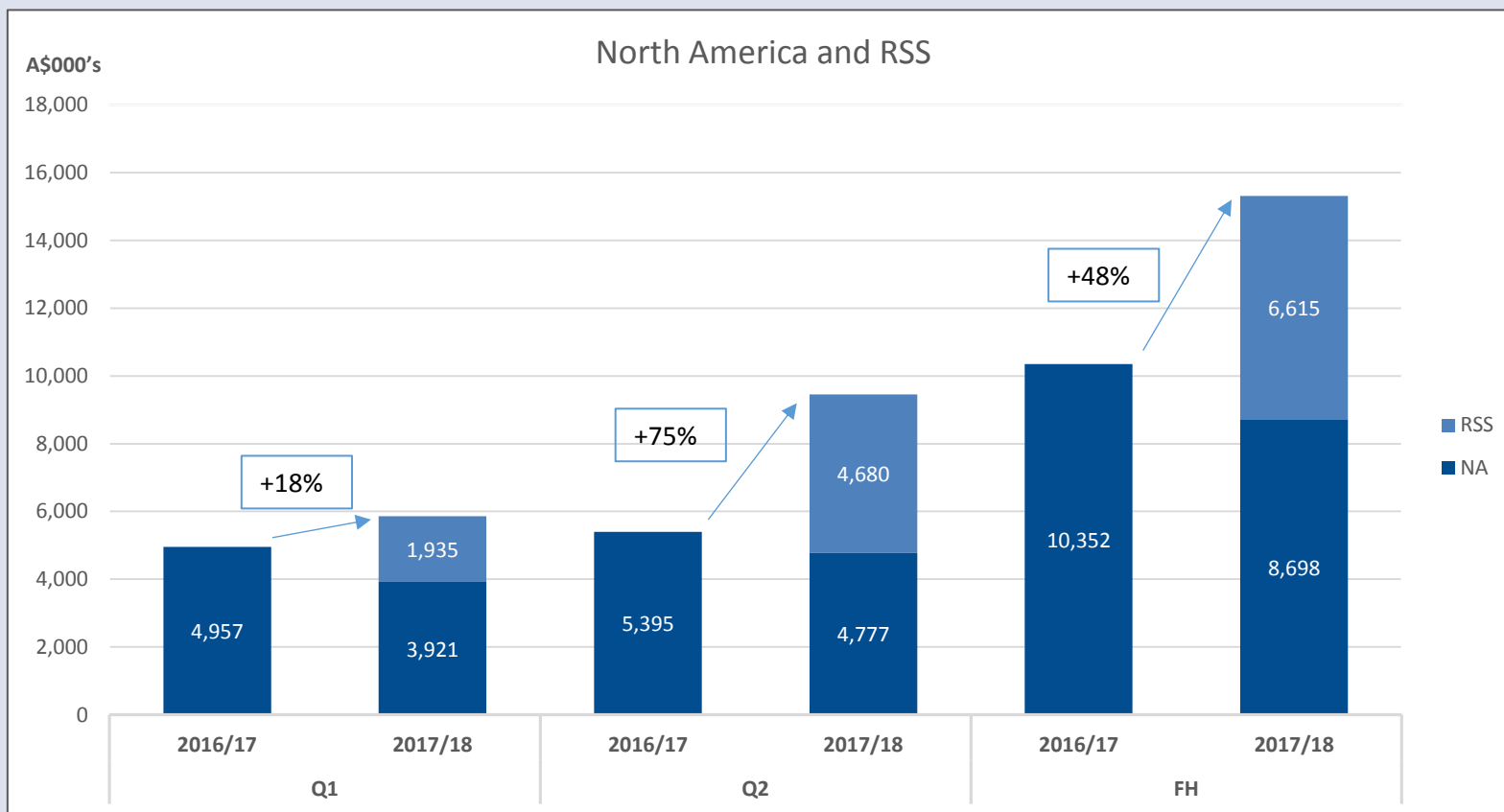
APAC stable





North America total revenue split

Sales channel change 2017/18





RSS now operating 12 centres across USA

Significant progress with start-up challenges

- Fast roll out: 12 centres opened in 12 months
- Total investment by 31 December 2017 = US\$8.7m
- Many factors influenced performance of individual centres and caused greater cash burn than planned:
 - Overcoming bottle necks and reducing inquiry processing time
 - Time to get credentialing and network approvals where needed
 - Dealing with seasonal market factors
 - Optimizing advertising spend/strategy per market
 - Insurance landscape, reimbursement \$, in-network
 - Size of market population and target patient cohort
 - Opening time vs. seasonality, resulting in slower patient ramp up

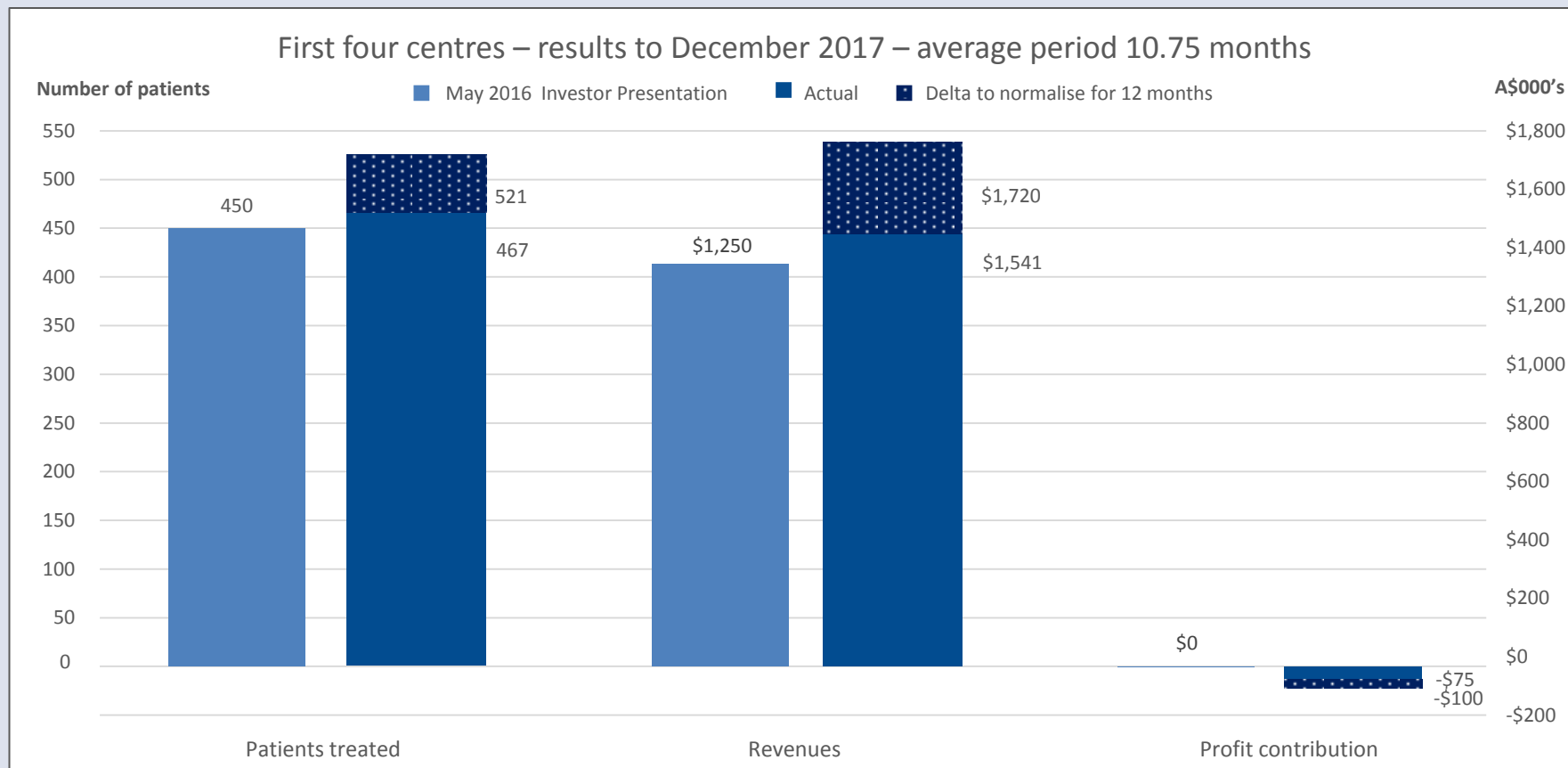


First 4 centres	Date opened	Months opened
Centre 1	9-Dec-16	12
Centre 2	20-Dec-16	12
Centre 3	21-Feb-17	10
Centre 4	12-Apr-17	9



Despite start-up challenges, centre fundamentals of the first four are consistent with original expectations

Average metrics of first 4 centres in 12 months to December





Summary profit and loss first half FY18

- **SomnoMed Core**

- Sales and marketing spend in Europe according to plan
- US revenues and profits behind plan, due to perceived channel conflict
- Admin spend on budget and below prior year

- **RSS**

- Losses 1st half greater than expected due to fast roll out and slower start due to slower ramp up and seasonality
- Three of the first four centres produce positive contribution in second six months period

- **Corporate**

- Expenditure spend includes new VP Operations and Director RA/QA

- **Margins improving**

Financial Summary – AUD \$000's	SomnoMed Group			SomnoMed Core	RSS	SomnoMed Group
	FY18	FY17		FY18	FY18	FY18
	1st H	1st H		1st H	1st H	1st H
Group revenue	31,574	23,787	32.7%	24,959	6,615	31,574
Group gross margin	19,015	13,721	38.6%	14,736	4,279	19,015
Regional sales and marketing expenses	(11,449)	(5,694)	101.1%	(6,749)	(4,700)	(11,449)
Regional administrative expenses	(8,542)	(4,635)	84.3%	(4,551)	(3,991)*	(8,542)
Operating profit/(loss) before corporate, research and business development expenses	(976)	3,392	-128.8%	3,436	(4,412)	(976)
Corporate expenses	(2,433)	(1,964)	23.9%	(2,433)		(2,433)
EBITDA**	(3,409)	1,428	-338.7%	1,003	(4,412)	(3,409)
Key Metrics						
MAS gross margin %	70.0%	69.3%				
Group gross margin %	60.0%	57.6%				

* Relates to head office expenses

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



Guidance showing improving second half results

- SOM – continuing growth in second half
 - EU strong
 - US stabilized and growing again
 - APAC steady
- RSS – continuing expansion of outlet network
 - fast growing revenues
 - reducing losses as more centres start generating positive contributions

Guidance 2017/18	First-half (A\$)	Second-half (A\$)	FY18 (A\$)
Revenue	\$31.6m	\$35.4m-\$38.4m	\$67m-\$70m
EBITDA*	(\$3.5m)	\$0-(\$0.5m)	(\$3.5m)-(\$4m)

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



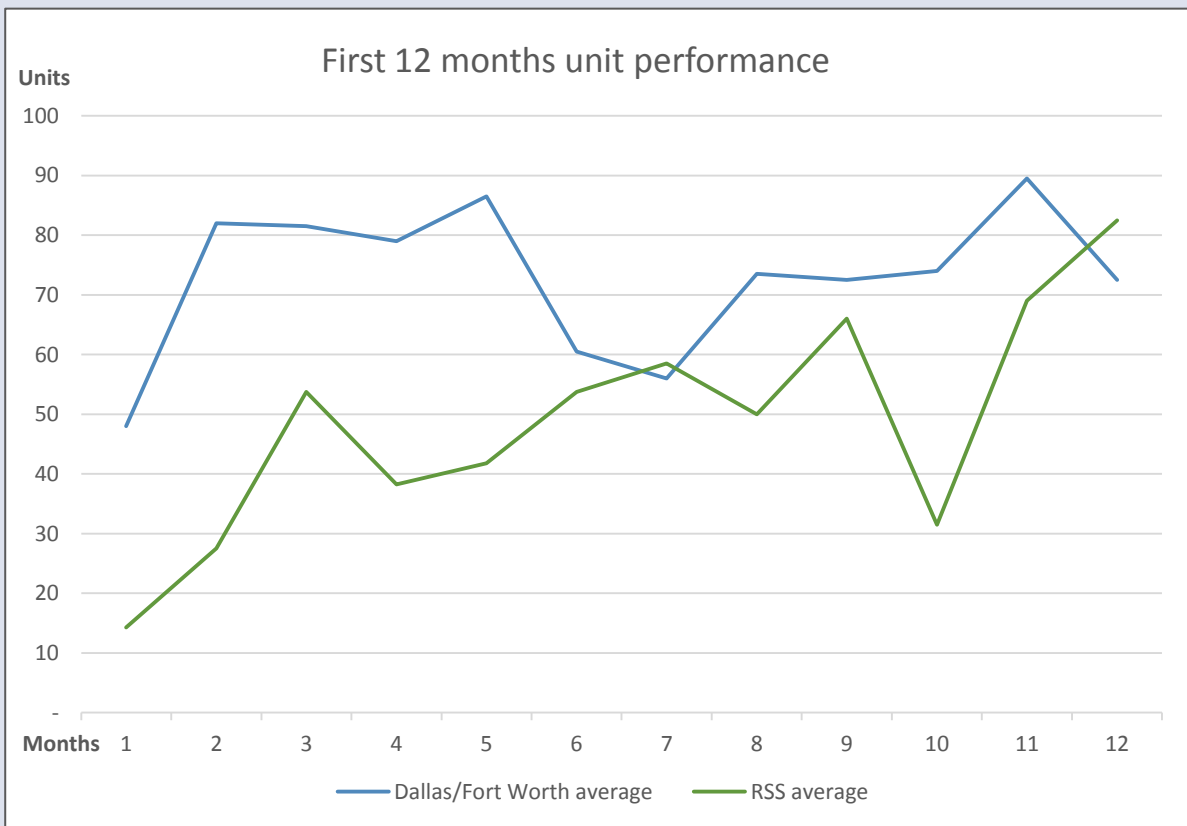
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Accelerated Entitlement Offer



RSS centre performance compared to S3

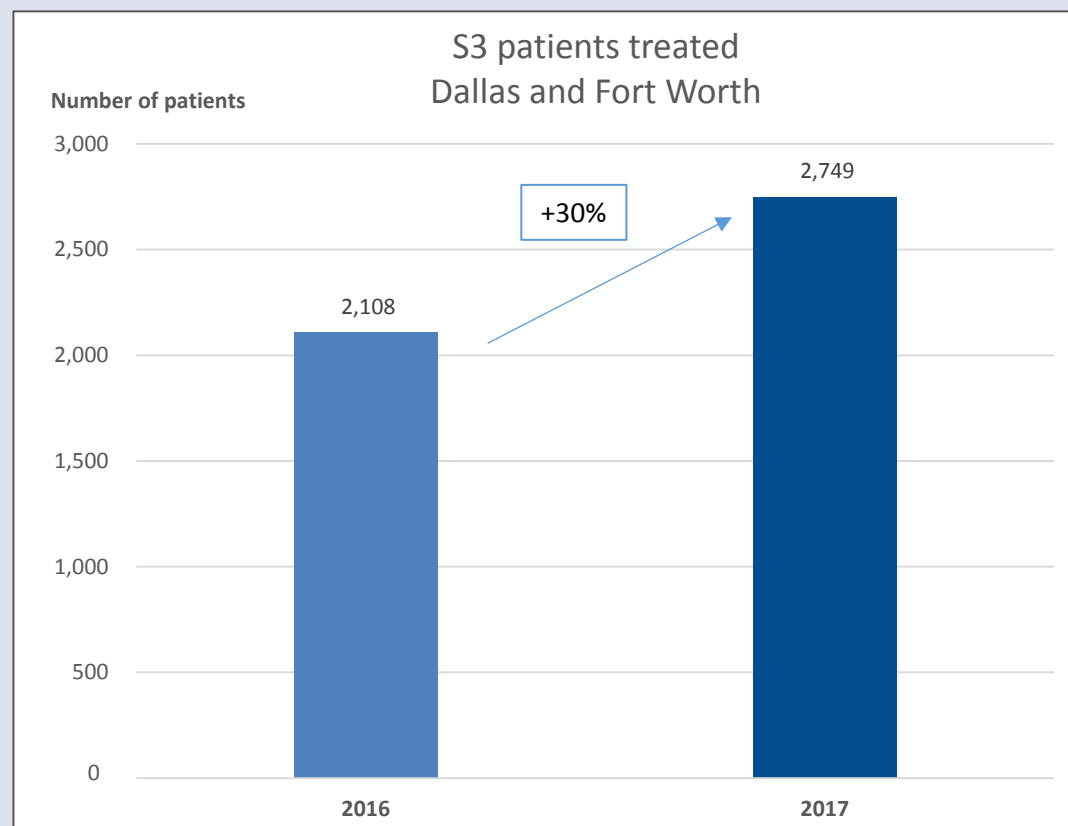
S3 centre ramp up vs first 4



Dallas/Fort Worth average represents 2 centres covering a population of 7 million

RSS average represents 4 centres covering an average population of 1.9 million

S3 patient growth strong





RSS treatment centre economics

	Year 1 *		Year 2		Year 3	
	May 2016 Presentation	Current estimate	May 2016 Presentation	Current estimate	May 2016 Presentation	Current estimate
Patients treated	450	450	1,250	900	1,650	1,200
Revenue per centre (A\$m)	1.25	1.25	3.20	2.50	4.00	3.30
Contribution per centre (A\$m)	-	(0.2)	0.8	0.65	1.2	1.0
Centre contribution margin	N/A	N/A	25%	25%	30%	30%

- Pre-opening costs A\$200k on average per centre
- Ramp-up now more conservative compared to original assumptions taking into account relative city size, such as S3's Dallas/Fort Worth, as well as other factors
- Consistent reimbursement per patient
- Early learnings and improved operating efficiencies support these estimates
- Head office expenses are approximately 14% of revenues, of which approximately 70% are variable
- US\$ exchange rate assumption U\$0.77

* Year 1 reflects a period of 14 months : 2 months pre-opening and 12 months of revenue generation



Accelerated pro-rata entitlement issue

Opportunity overview

- SomnoMed has successfully commenced the rollout of its “Direct to Patient” OSA model through its Renew Sleep Solutions centres across North America and wishes to continue this expansion, which requires additional working capital
- RSS aims to operate at least 15-16 centres by the end of FY2018, 27-28 centres by the end of FY2019 and reach 40 operating centres during the course of 2020

Funding

- Pro-rata non-renounceable accelerated 1:17 entitlement issue at \$3.00 per share to raise approximately \$10.4 million
- Wilsons Corporate Finance Ltd is Lead Manager of the issue

Timetable

- Institutional offer – February 19th to February 20th
- Retail Offer – February 26th to March 15th
- Quotation of new shares – March 23rd



Offer

- Pro-rata non-renounceable accelerated 1:17 entitlement issue at \$3.00 per share to raise approximately \$10.4 million
- The offer price represents a discount to TERP of 0.9% and a discount to last closing price of 1%
- Funds to provide working capital and fund the continued capital investment associated with RSS
- To the extent that there is a shortfall in entitlements taken up compared to the target total capital raising of \$10.4 million, TDM Asset Management Pty Limited has agreed to subscribe for any shortfall not taken up by the book-build process, up to a maximum of 3,445,000 shares
- In consideration of TDM Asset Management Pty Limited's commitment to subscribe for any shortfall, TDM Asset Management Pty Limited will be granted 400,000 options exercisable on or before 31 August 2019 at a strike price of \$4.00 per share
- Issued capital – 62,204,835 million shares post issue
- Entities associated with the Company's Chairman Dr Peter Neustadt will subscribe for their full entitlement under the Offer, totalling 179,807 shares



Timetable

Procedure Step	Date
Trading halt	19 February 2018
Announcement of Entitlement offer	19 February 2018
Ineligible Shareholder Letter	19 February 2018
Institutional Offer opens	19 February 2018
Institutional Offer closes	20 February 2018
Announce Results of Institutional Offer	21 February 2018
Release Retail Offer Documents to ASX	21 February 2018
Trading Halt Lifted – Trading is on ex-entitlement basis	21 February 2018
Record date for holders (7pm Sydney time)	21 February 2018

Procedure Step	Date
Information Booklet and Entitlement and Acceptance Form sent to Retail Investors	26 February 2018
Retail Entitlement Offer opens	26 February 2018
Issue and Quotation of New Shares under Institutional Offer	27 February 2018
Retail Offer closes (5pm Sydney time)	15 March 2018
Announce Results of Retail Offer	19 March 2018
Retail Offer Settlement	21 March 2018
Issue New Shares under Retail Offer	22 March 2018
Quotation of New Shares under Retail Offer	23 March 2018
Dispatch Holding Statements under Retail Offer	26 March 2018



Offer restrictions

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The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act").

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.



Risks

SomnoMed is subject to a number of risks and other factors that may impact both on its future performance and the market price at which its Shares trade. Broadly, these risks can be classified as risks general to investing in the stock market and risks specific to an investment in SomnoMed.

The New Shares issued under this entitlement offer do not carry any guarantee of profitability, dividends or the price at which they trade on ASX. The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors of which investors need to be aware. However, before taking up any Rights or investing in SomnoMed, the Directors strongly recommend investors examine the contents of the entitlement offer Information Booklet in its entirety and consult their professional advisers before deciding whether to subscribe for New Shares pursuant to this entitlement offer Information Booklet.

General

As with all stock market investments, there are risks associated with an investment in SomnoMed. Share prices may rise or fall and the price of Shares might trade below or above the issue price for the New Shares under this entitlement offer.

General factors that may affect the market price of SomnoMed Shares include:

- o economic conditions in both Australia and internationally;
- o investor sentiment and local and international share market conditions;
- o changes in interest rates and the rate of inflation;
- o changes to government regulation, policy or legislation;
- o changes in exchange rates; and
- o the nature of competition in the industry in which SomnoMed operates.

Specific risks relating to SomnoMed

Directors believe that risks associated with an investment in SomnoMed include, but may not be limited to, the following:

Growth management and additional capital requirements

The existing and future operations of SomnoMed may place a significant strain on the Company's managerial, operational and financial resources. Future success will also depend on the ability to attract and retain personnel. Inability to manage growth, or to attract and retain the necessary personnel, could have a material adverse effect on SomnoMed.

The development of the "Direct To Patient" channel of the Company has been modelled on an existing successful business conducted in the state of Texas in the United States of America. Whilst the Directors believe this model can be replicated in other parts of the United States of America and possibly outside the USA, there is no guarantee that such operations will be successful due to a number of factors which may be peculiar to the various markets in which this channel is developed. Operations in any new markets can be affected by insurance reimbursement levels, the costs of operating, the levels of demand for various treatment options for obstructive sleep apnea, the Company's products and services and the availability of suitable personnel.

Additional funding may be required for the global expansion of SomnoMed's business in the future. There is no assurance that additional funding will be available to SomnoMed in the future at economically feasible terms.

Whilst the Directors are of the belief that the level of demand for the Company's products and the resultant revenues are expected to continue to grow in the future, there can be no guarantee that this growth will continue.

Execution risk in establishing a new business channel

Despite SomnoMed having acquired an exclusive license for an existing and successful "Direct to Patient" business, there are many risks associated with establishing any new business channel and rolling out the acquired concept US wide and internationally. There may be unforeseen difficulties, delays or expenses in developing any new business which could also apply to the "Direct to Patient" channel SomnoMed will be building in the USA and possibly elsewhere. As with any health care related business significant changes in reimbursement levels and or adverse changes in clinical guidelines and protocols can adversely affect the business.

Changes potentially affecting prices charged

There can be no guarantee that SomnoMed's products will continue to be successful in the market nor that SomnoMed will continue to receive significant revenues from the sale of its products or services. Unexpected expenses or downward pressure on the prices SomnoMed charges as a result of changes in regulations by national health authorities, emergence of alternative treatments for OSA delivering a higher level of efficacy and patient compliance as well as better health economics, competitive pressures, or levels of reimbursement provided health insurers in the places in which SomnoMed operates, may affect the profitability of that business.

Product liability

Whilst SomnoMed had in its over twelve years history treating almost 400,000 patients, not a single law suit resulting from mal treatment and/or serious side effects or harm being caused to a patient, SomnoMed could be exposed to product liability claims or other lawsuits if such events would occur. SomnoMed has implemented controls and processes designed to mitigate these risks and maintains what it believes is adequate liability insurance whenever economic and prudent.

Competition

There is a risk that the competitive landscape might change; new competitors might emerge or existing competitors might be taken over by larger and better resourced companies which may offer services that compete with the products and services provided by SomnoMed. There can be no assurance that a competitor of SomnoMed will not develop or achieve commercialisation of services that compete with, or supersede, SomnoMed services or products. The Directors believe that the potential market size for the services to be provided by SomnoMed is large enough to absorb a number of competitors.

Foreign exchange risk

All of SomnoMed's production and over 90% of its sales and revenues are taking place outside Australia. As SomnoMed is based in Australia and its accounts are kept in the Australian Dollar currency, changes to currencies will affect SomnoMed's profit and loss accounts. Most of SomnoMed's business is carried out in US Dollars or in Euros. A strengthening of the Australian Dollar against the US Dollar and/or the Euro will affect SomnoMed's profits adversely, whereas a weakening of the Australian Dollar against these countries will enhance its profits reported in Australian Dollars.



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