

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

SomnoMed Limited

ABN

35 003 255 221

Quarter ended ("current quarter")

31st March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	15,150	43,479
1.2 Payments for		
(a) research and development	(43)	(110)
(b) product manufacturing and operating costs	(6,378)	(17,381)
(c) advertising and marketing	(2,763)	(10,047)
(d) leased assets	-	-
(e) staff costs	(6,132)	(17,476)
(f) administration and corporate costs	(2,360)	(7,251)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	8	42
1.5 Interest and other costs of finance paid	(32)	(48)
1.6 Income taxes paid	167	(9)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,383)	(8,801)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(564)	(1,436)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(d) intellectual property, licence and access rights	(54)	(155)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	(25)
2.6	Net cash from / (used in) investing activities	(618)	(1,616)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares (net)	10,082	10,082
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	588
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(23)	(50)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	195
3.10	Net cash from / (used in) financing activities	10,059	10,815

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	7,578	14,210
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,383)	(8,801)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(618)	(1,616)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	10,059	10,815
4.5	Effect of movement in exchange rates on cash held	151	179
4.6	Cash and cash equivalents at end of quarter	14,787	14,787

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	12,422	6,441
5.2	Call deposits	2,365	1,137
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	14,787	7,578

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
66
-

Payments made during the quarter include directors' fees

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

N/A

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

N/A

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(50)
9.2 Product manufacturing and operating costs	(6,450)
9.3 Advertising and marketing	(3,000)
9.4 Leased assets	-
9.5 Staff costs	(6,000)
9.6 Administration and corporate costs	(2,500)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(18,000)

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration	N/A	N/A
10.3 Consideration for acquisition or disposal	N/A	N/A
10.4 Total net assets	N/A	N/A
10.5 Nature of business	N/A	N/A

Strong revenue growth continues

SomnoMed announced today that its Q3 revenues were \$15.2 million, representing growth of 35% over the same quarter last year and bringing the total for the year to date at \$46.8 million (+34%).

Revenue growth in the three key regions was 46% in North America, 31% in Europe and 11% in APAC. Overall the core SomnoMed device business showed strong quarterly revenue growth of 20%, with revenues of \$13.2 million, while RSS showed a growth of 6.8 times, with revenues of \$2.0 million.

In North America, Renew Sleep Solutions (“RSS”) had a slow start, as it transitioned from the end of the US medical insurance calendar year into the new insurance year. How this transition affects the RSS business and its true seasonality is a new learning experience, even though Simple Sleep Solutions, our partner, has been through this before. It is apparent that as high deductible insurance plans become more prevalent in the USA, the exact impact of those changes on revenue timing is changing every year. This year the seasonality effect appears to be significant and whilst our Q3 results for RSS were lower than expected, our patient pipeline is looking much stronger in April. Results for our first four centres continue to show promise and are in line with our modelling and expectations, even given the seasonality effect. The next set of three centres is not yet a year old, and therefore it is difficult to draw too many conclusions; none-the-less, there is more noise and variability in their results, which is something we are trying to further understand. RSS has opened a further two centres in Q3 and now has 14 operating treatment centres.

In our traditional, core North America business we were happy to post Q3 revenue growth of 7%. This positive result, after negative revenue growth in Q1 and Q2, is encouraging and is an indicator that our new sales and marketing strategy in North America is starting to show progress and bear fruit.

In Europe we continue to see very strong results in Q3, which is being fuelled by high growth in our more established markets in Nordic and Benelux, as well as strong results in emerging markets such as Germany, France and the UK. France in particular is showing consistent growth in excess of 40% and recent improved re-imburement levels for the SomnoDent® devices will help accelerate this growth.

It has also been pleasing to see APAC results pick up in Q3, posting revenue growth of 11%, which is in-line with long term expectations but is much better than earlier results this year. Australia contributed to most of this growth, with 13% revenue growth in Q3.

Overall Q3 results for the traditional SomnoMed core business were stronger than expected, which has been offset to some extent by a slow start to the new insurance year by RSS. However this soft start for RSS was to be expected due to the strong seasonality effect. Business in RSS is starting to build as more and more patients meet their deductible insurance thresholds and we see a growing maturation of all centres. In Q4 we expect to have a strong quarter and meet our guidance.

Cash outflow for the quarter was \$3 million due largely to start up, opening and operating costs of the RSS centres. After successfully raising approximately \$10.4 million through our Entitlement Offer during the quarter, the cash balance at 31 March 2018 was \$14.8 million.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
Company Secretary

Date: 23th April 2018

Print name: T A Flitcroft

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.