



SomnoMed posts 30% revenue growth for FY2018 and 22% revenue growth for Q4

25th July 2018, SomnoMed Limited (ASX:SOM) announced today that its Q4 revenues were \$17.4 million (unaudited), representing growth of 22% over the same quarter last year, and bringing the total for the year to \$64.2 million (unaudited), a growth of 30% over prior year.

Group revenue growth in the three key regions for Q4 was 12% in North America (36% full year), 33% for Europe (29% full year), 10% for APAC (5% full year). Overall, the SomnoMed Core business (ex RSS), showed Q4 growth of 14% (11% full year), with revenues of \$14.8 million, while Renew Sleep Solutions (“RSS”) showed 99% growth, with revenues of \$2.6 million. RSS full year revenues were \$11.2 million, up from \$1.6 million in 2017.

SomnoMed’s Core division performance by geography is shown below:

SomnoMed Core	H1		H2		FY	
	Revenue*	Growth	Revenue*	Growth	Revenue*	Growth
*AUD (Million) Unaudited						
Europe	14.2	25.0%	16.7	32.2%	31.0	29.0%
APAC	2.1	-0.5%	2.1	10.3%	4.2	4.7%
North America	8.7	-16.0%	9.1	-2.2%	17.8	-9.5%
Total	25.0	4.9%	28.0	17.0%	53.0	11.1%

The full year and accelerated second half results in Europe are very pleasing. As previously reported, this is due to very strong growth in Scandinavia, Benelux and France supported by other emerging markets. This has been a huge positive for SomnoMed in 2018 and this trend should continue into 2018/19.

APAC revenues grew by 10% in Q4, reflecting a significant and pleasing turnaround from the first half of the year, with Australia/New Zealand contributing 90% of this growth.

SomnoMed Core North America continues to operate in a difficult environment. The Q4 results were disappointing, with a decline of 9% YOY, after a positive Q3 (+7% growth). However, in aggregate the second half result (-2%) was better than the first half (-16%) and the business is making good progress through our adjusted strategy, even if there are quarter to quarter fluctuations. The Q4 result was also impacted by performance in June, which usually exhibits a seasonal pick up. This was absent this year and was consistent across channels and appears to be a market issue. It is believed that this is due to the changes in Medicare re-imbursment rules, as well as the increase in high deductible plans resulting in consumers delaying purchases.

RSS opened another 2 centres in Q4, with a total of 16 centres now in operation. As previously reported these will be the last centres to open in 2018 as this business consolidates, learns from experiences and optimizes future performance. The business grew by 99% in Q4 and was up 26% from Q3. This is reflective of the seasonality within the RSS business. Patient demand starts slowly at the beginning of the calendar year and ramps up as more patients meet their insurance plan deductibles. This seasonality is getting more pronounced as more people select high deductible plans in the USA. The business continues to experience significant variance in centre performance, which reflects different conditions in different markets.

The first cohort of 4 centres (which are now all over 12 months old) is showing positive results to plan. However, the next cohort of 4 centres, which have now also been open for more than a year, is underperforming the first cohort, as is the third cohort, even if they are much younger. This has been causing the below plan performance and contributing to the cash and EBITDA drag on the business. As more experience is gained and results closely analysed, the business is learning what is driving the differences in performance between centres and what to do about these differences. This analysis is not complete, but results and learnings will be shared with an update on our RSS strategy when our full year results are shared in August.

The Group EBITDA loss for the year is expected to fall at the lower end of the range of \$6.6 million to \$7.4 million as indicated in the trading update of 24 May 2018. SomnoMed's Core division will be at the upper end of its expected EBITDA range of \$3.5 million to \$3.8 million.

Net operating cash flow for the quarter was a negative \$738,000, taking the cash position at the end of June 2018 to \$13.4 million. Of this negative quarterly operating cash flow, the cash investment made in RSS for the quarter was \$4 million, indicating a positive cash quarter for SomnoMed's core business of \$3.26 million.

It is expected revenues in the core business to grow by at least 15% in FY19, with EBITDA margin expansion. Further guidance will be provided when the full year results are released.

Contact: Mr Neil Verdal-Austin – CFO, SomnoMed Limited

Ph +61 (2) 9467 0400 or +61 (0) 406 931 477 : mobile

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 425,000 patients in 27 countries.

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