

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")

30th June 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	17,008	60,487
1.2 Payments for		
(a) research and development	(40)	(150)
(b) product manufacturing and operating costs	(6,780)	(24,161)
(c) advertising and marketing	(2,229)	(12,276)
(d) leased assets	-	-
(e) staff costs	(6,210)	(23,686)
(f) administration and corporate costs	(2,450)	(9,701)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	33	75
1.5 Interest and other costs of finance paid	(27)	(75)
1.6 Income taxes paid	(43)	(52)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(738)	(9,539)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(657)	(2,093)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(d) intellectual property, licence and access rights	(9)	(164)
(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	(666)	(2,282)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	(83)	9,999
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	(33)	(83)
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	(116)	10,699

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	14,787	14,210
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(738)	(9,539)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(666)	(2,282)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(116)	10,699
4.5	Effect of movement in exchange rates on cash held	116	295
4.6	Cash and cash equivalents at end of quarter	13,383	13,383

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	8,991	12,422
5.2 Call deposits	4,392	2,365
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)	13,383	14,787

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	77
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	
Payments made during the quarter include directors' fees	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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	
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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(100)
9.2 Product manufacturing and operating costs	(6,500)
9.3 Advertising and marketing	(3,100)
9.4 Leased assets	-
9.5 Staff costs	(6,000)
9.6 Administration and corporate costs	(2,600)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(18,300)

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

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

SomnoMed Limited's 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	
AUD (Million) Unaudited	Revenue	Growth	Revenue*	Growth	Revenue*	Growth
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-imburement 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.

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: 25th July 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.