SomnoMed®

Improving lives through better sleep

Investor Presentation – Financial Year 2017/18

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Global Highlights 2017/18

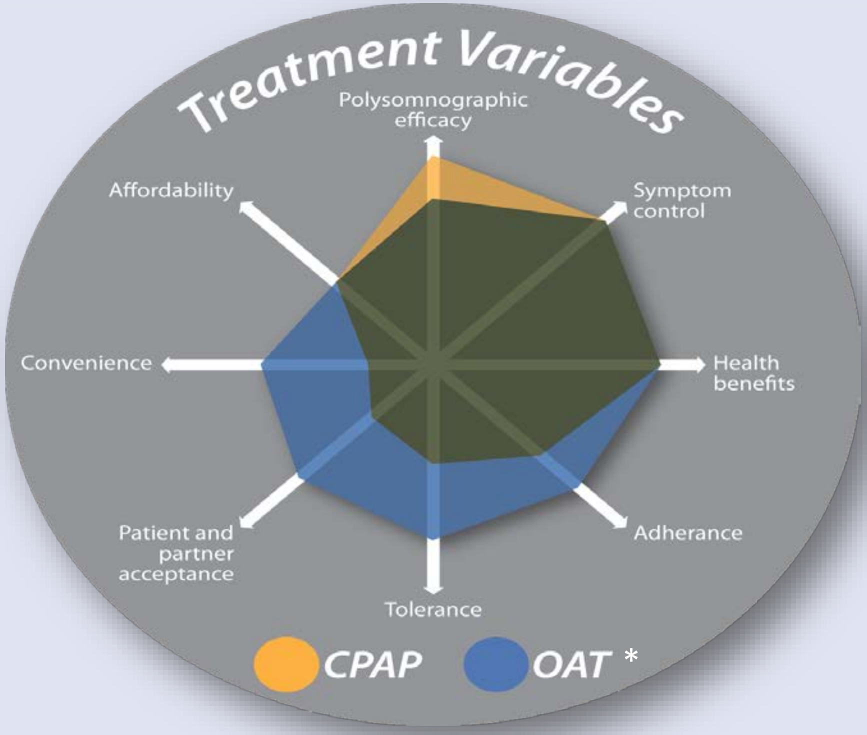
Strong revenue growth but disappointing group EBITDA results due to RSS

- Group revenue of $63.6m (growth of 29% year on year)
  - Core revenue of $52.4m (growth of 10% year on year)
  - RSS revenue of $11.2m
- EBITDA loss of $6.5m
  - Core EBITDA of $3.9m (growth of 65% year on year)
  - RSS EBITDA of $(10.4)m
- SomnoMed core business making good progress, with good revenue growth and margin expansion
- RSS business accomplished roll out of treatment centres with encouraging first cohort results, but with disappointing 2nd and 3rd cohort results causing a modification of the strategy
- This has led to the rescaling of the RSS operations to align them with the near term opportunity, contain the RSS cash requirements within SomnoMed's cash availability and providing a successful base for further expansion in the future.

The SomnoMed opportunity is large

There is a significant market for Obstructive Sleep Apnea

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

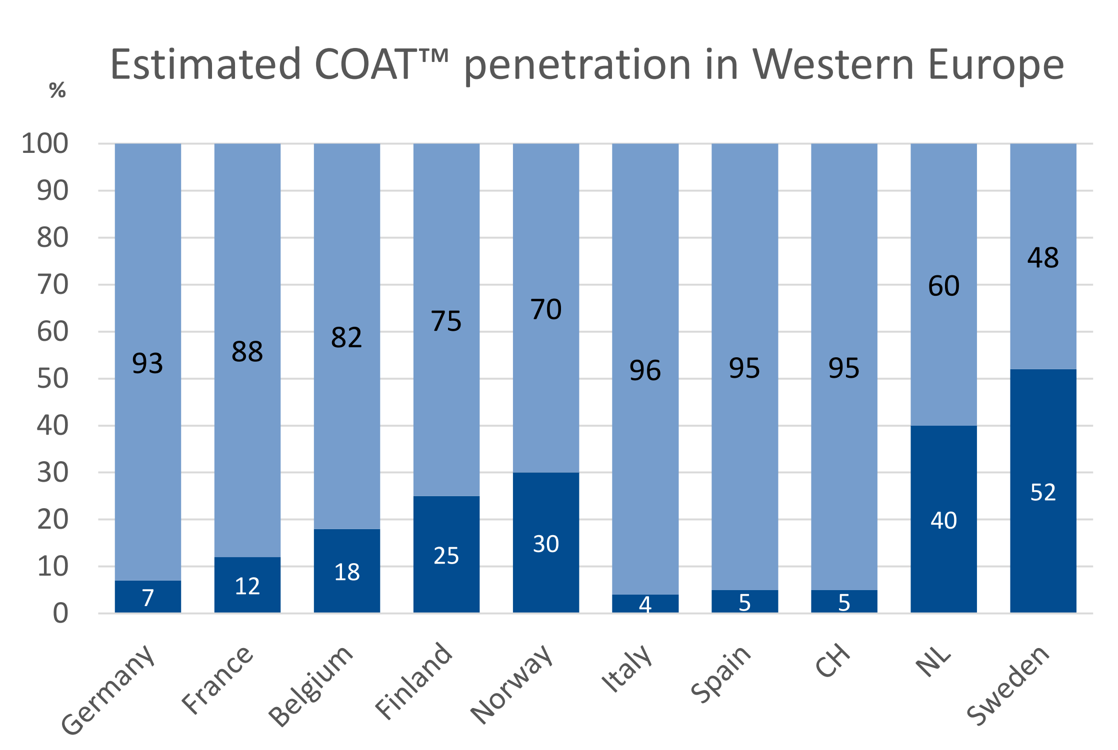


Oral Appliance Therapy (OAT*) is equally effective to CPAP particularly in mild to moderate patients and is better tolerated

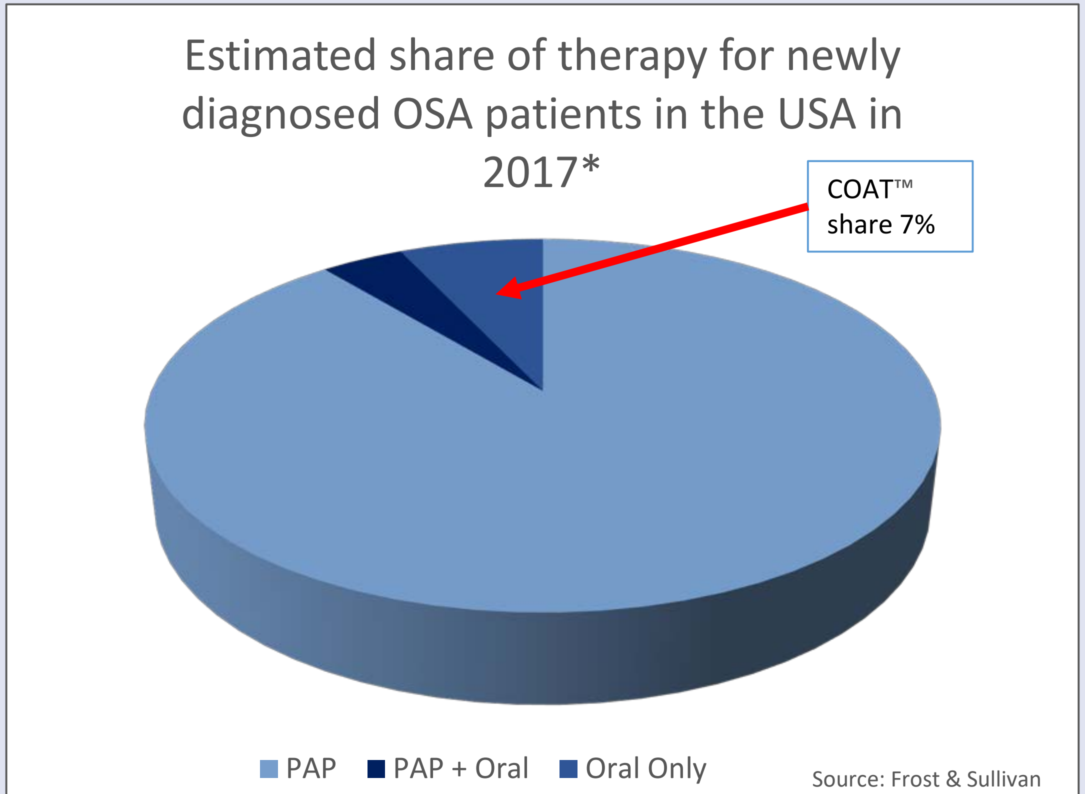
Source: Oral Appliance Treatment of OSA: an update : Chan/Cistulli : Pulmonary Medicine November 2009

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

There is a high ceiling for COAT™ growth



Source: Internal company sources



Source: Frost & Sullivan

SomnoMed competitive advantage

Substantial, multi-faceted and growing

- **Clinical Research:** Strongest body of clinical research and evidence which supports the COAT™ treatment using SomnoMed products across the globe
- **Proprietary materials and design:** Essential for patient comfort and retention
- **Product portfolio:** Comprehensive product range developed over more than a decade, which addresses patient and regulatory needs
- **Brand value:** Industry leading brand globally with over 430,000 patients treated – the most prescribed oral device for OSA by medical and dental practitioners
- **Go-to-market advantage:** Dual go-to-market strength in both medical and dental channels developed over many years in key markets
- **Global operations:** Operations in over 28 countries, most of which are in the early stage of adoption and each with their own regulatory and market idiosyncrasies
- **Scale advantage:** Operational scale, global nature and efficiencies providing high margins
- **People & culture:** A team of approximately 520 people globally, who are passionate about the mission and vision

SomnoMed's vision and strategy

Driving an integrated sleep solutions business

Clinical guidelines → Re-imbursement → Simplify patient journey → Clinical and patient therapy awareness → Therapy affordability

Traditional COAT™ medical device business

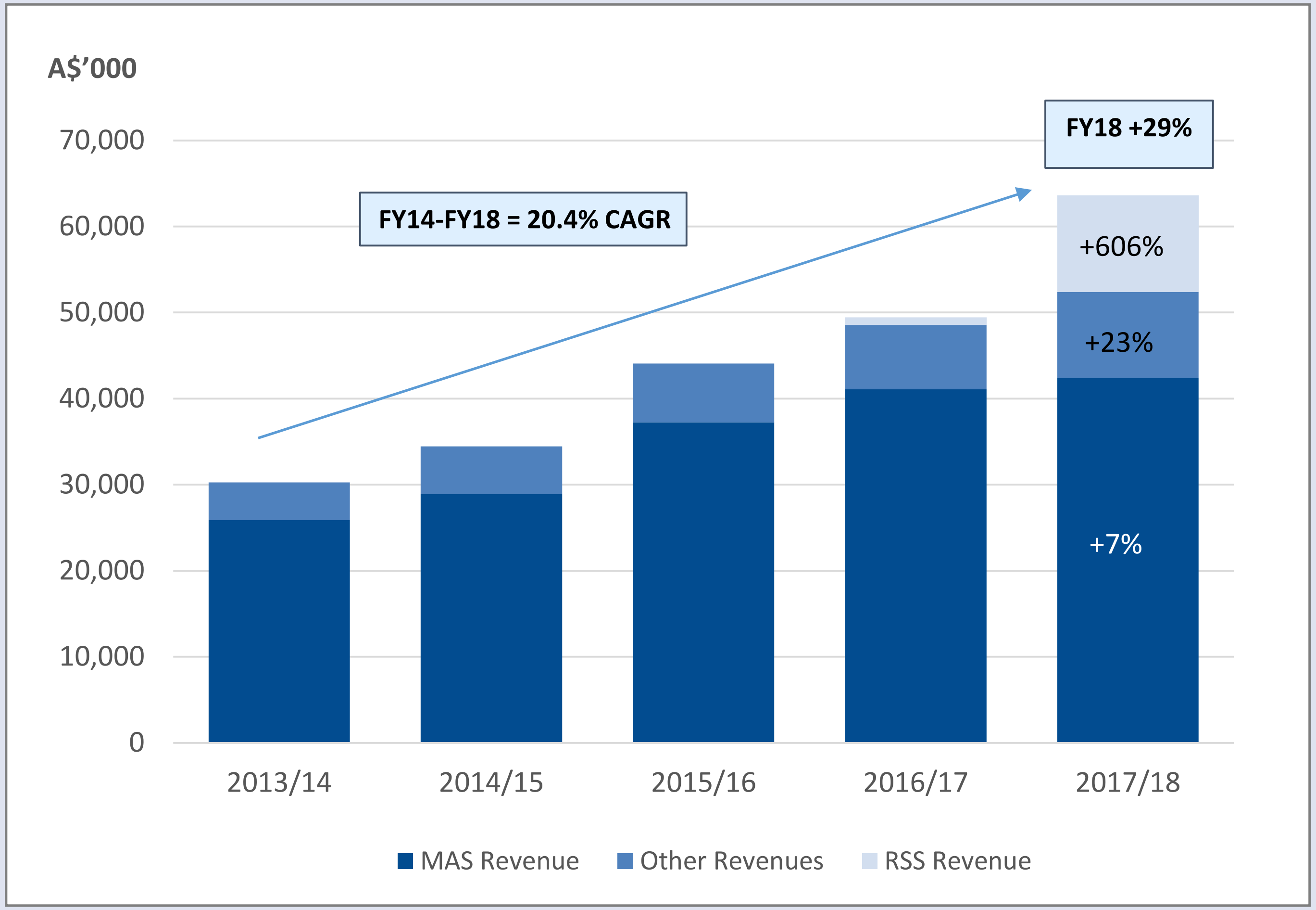
Managed Care business preferred network for COAT™

"Direct to Patient" sleep solutions business

RenewSleep SOLUTIONS

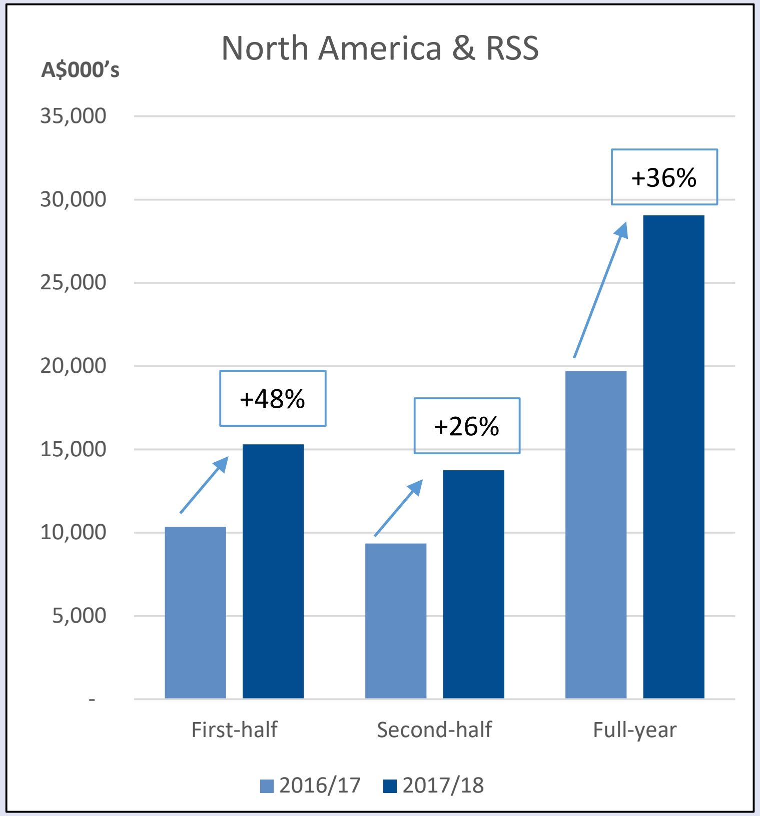
Adjacent sleep opportunities

Strong track record for revenue growth

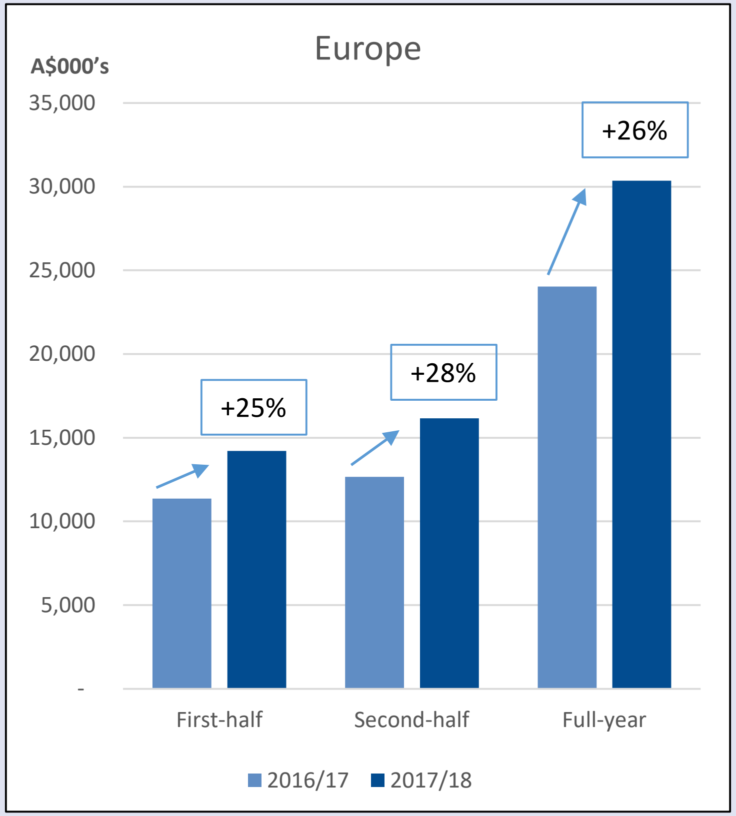


Total group revenue growth by region

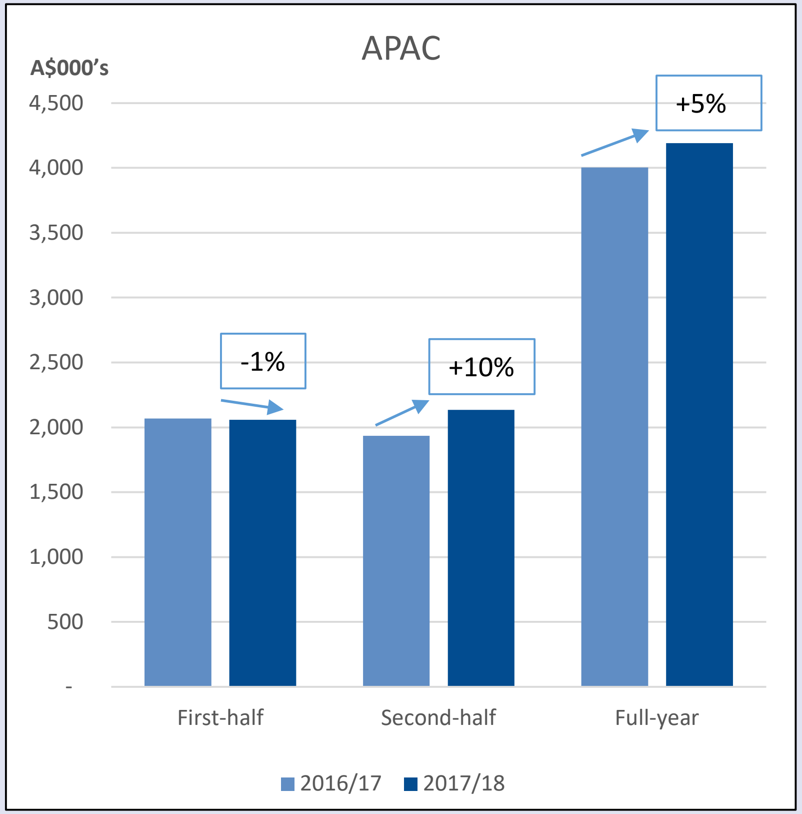
Growth in NA slowed in second half



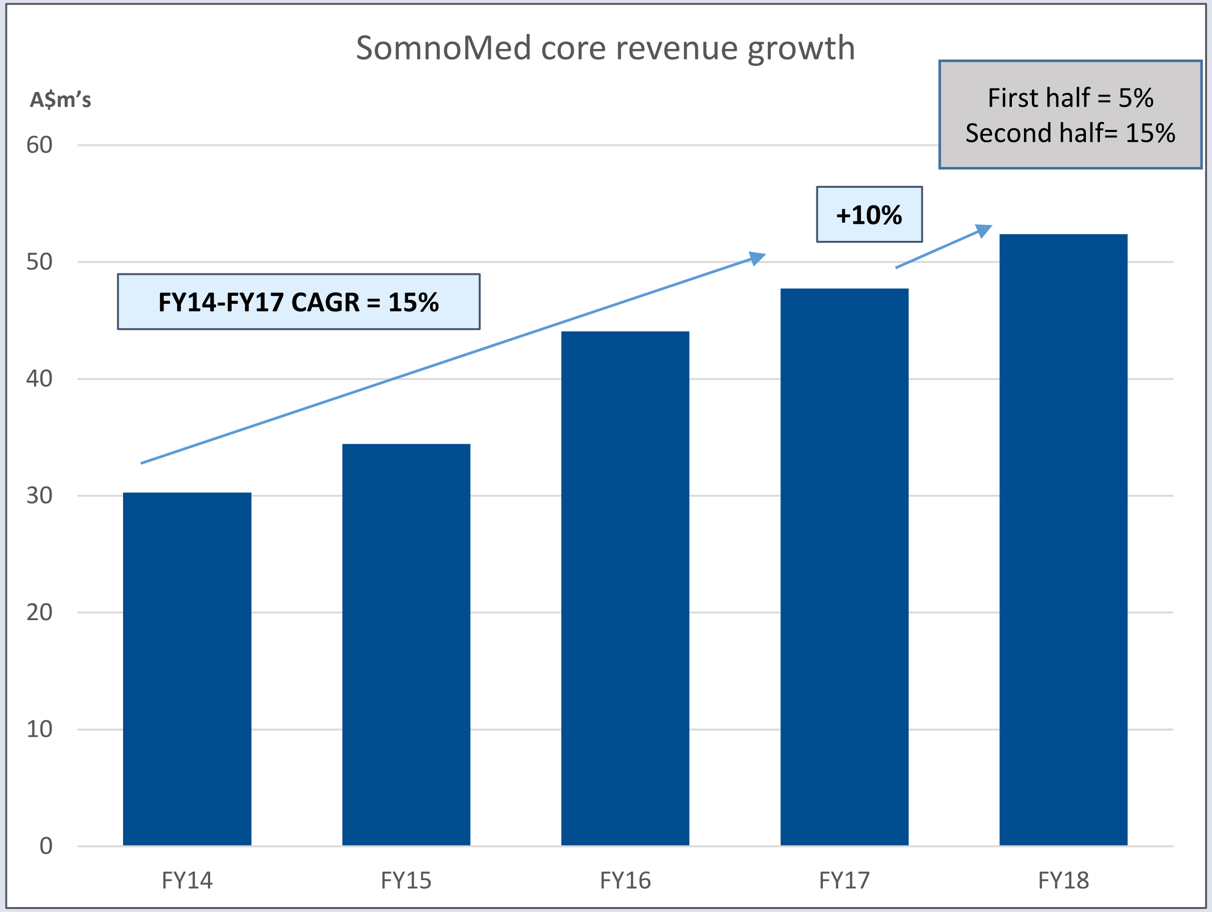
Accelerating growth in Europe

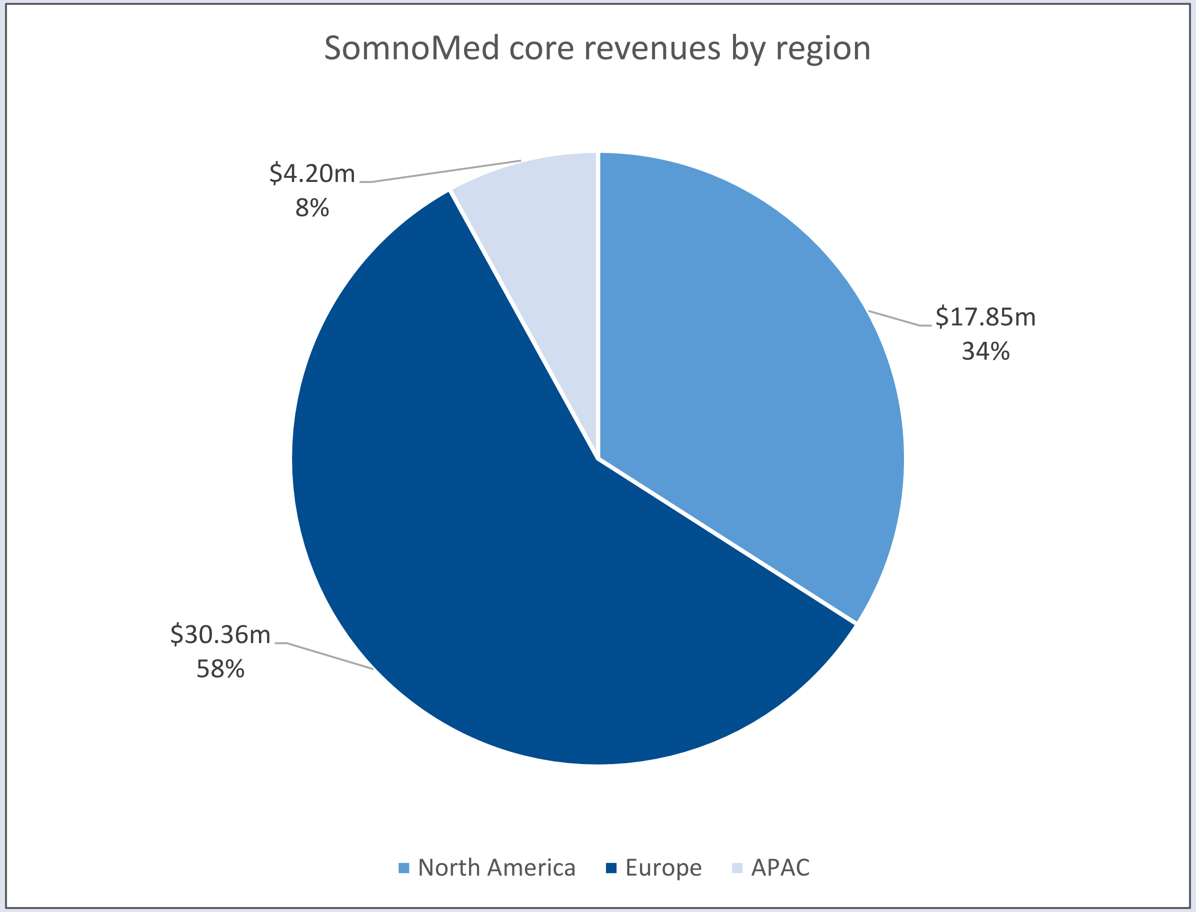


APAC rebounds strongly

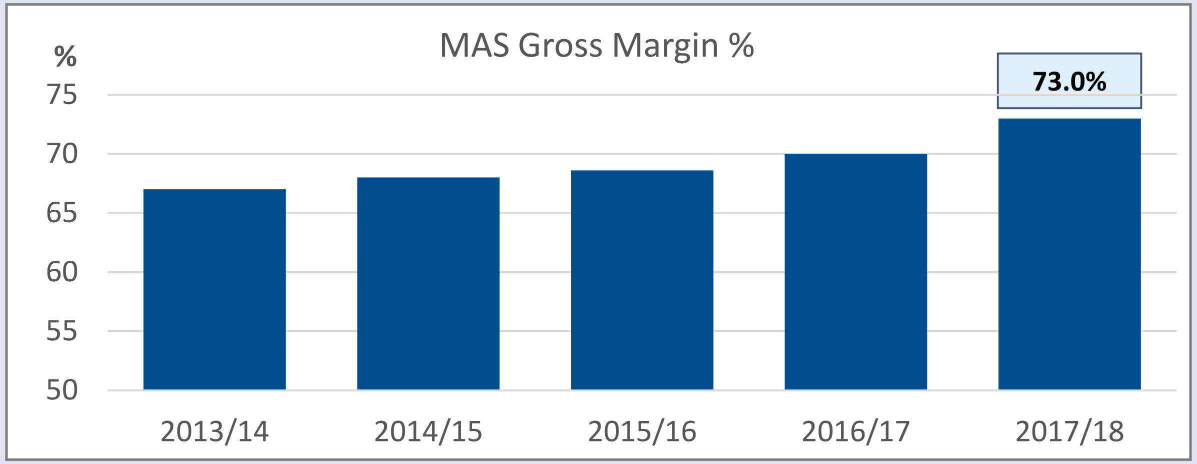


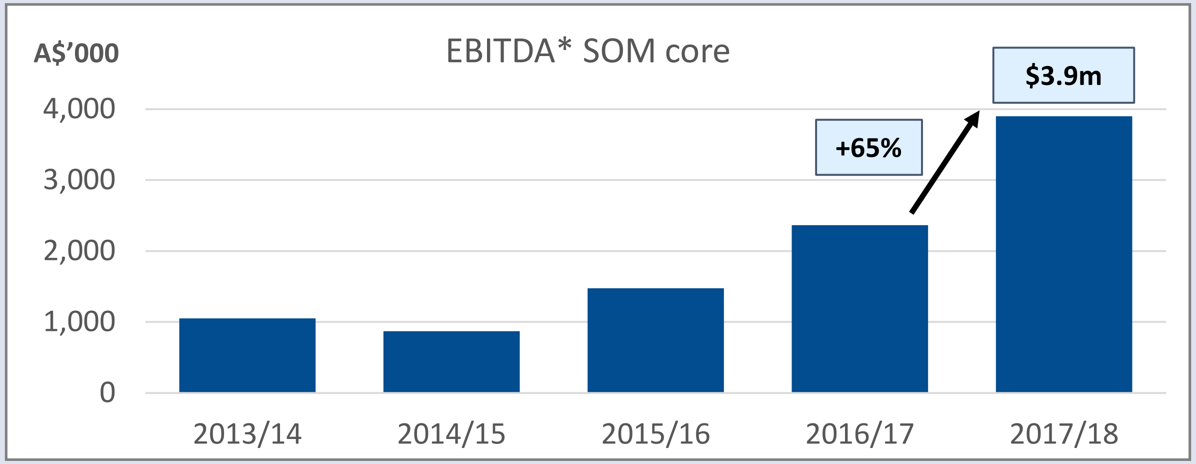
SomnoMed core revenue growth and regional split

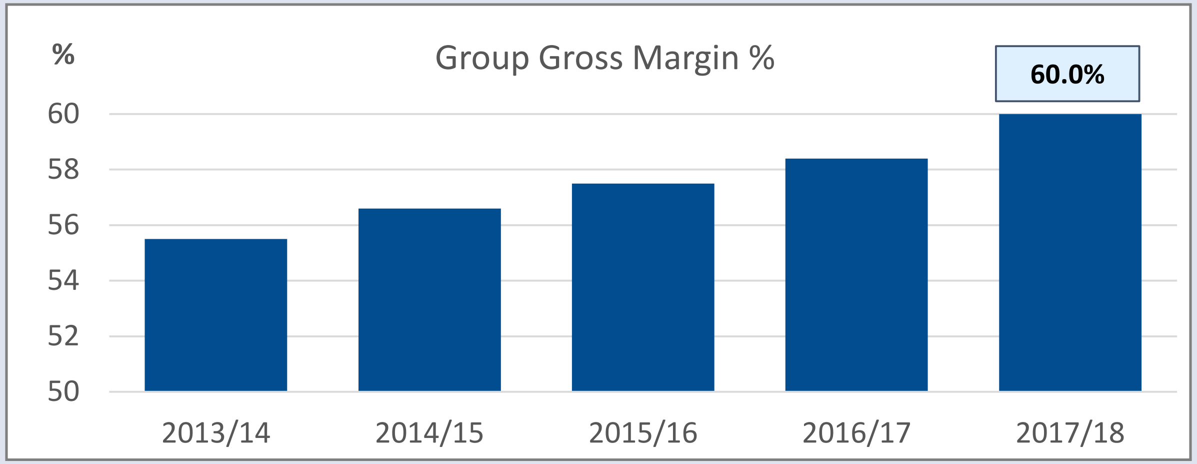


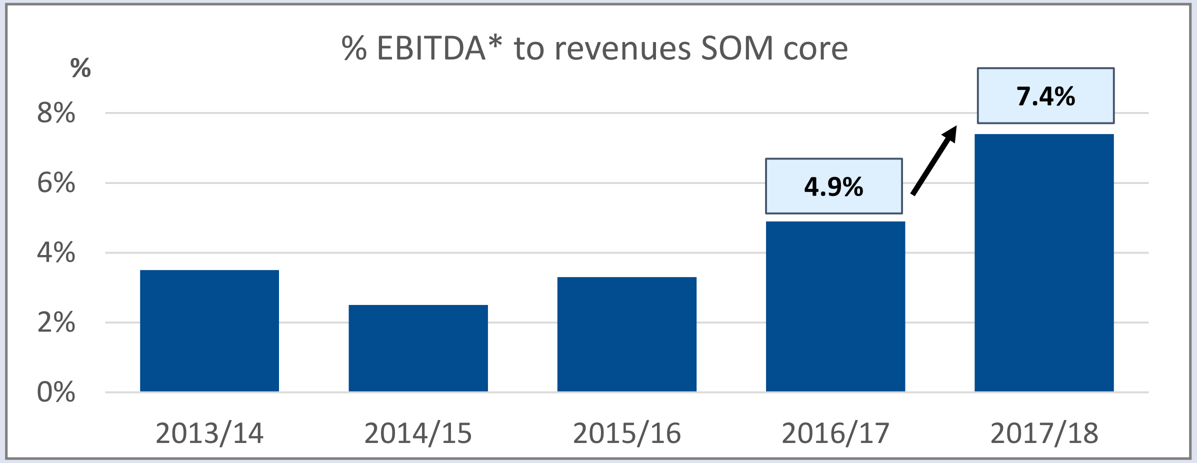


Improving margins and significantly improved SOM core EBITDA results









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

Key initiatives to ensure on-going growth in the core business

- Support clinical research and lobby for stronger payor and clinical guidelines
- Support ongoing investigations and initiatives to get re-imbursement in key countries
- Modified go-to-market strategy in the USA
- End-to-end digital product and operations development
- Margin expansion through key operational projects:
  - Digital impressions
  - Supplier management
  - Systems updates
  - More advanced operations in Manila

Renew Sleep Solutions – business update

- Strategic “Direct to Patient” model finished the year operating 16 centres across 12 different US metropolitan areas
- “Direct to Patient” model was implemented to provide the 20m.+ population of suffers of OSA easier access to medical treatment, which would significantly improve their standard of living
- SomnoMed invested US$10m (A$13m) in RSS in FY18
- Approach to RSS business development was based on the “Simple Sleep Solutions Model”
- Whilst the S3 model has merits in parts of the country, it is not applicable in all markets. Each market requires a different approach to marketing and patient acquisition, as well as a detailed understanding of the insurance landscape
- Decision made to close 8 RSS centres to preserve cashflow and to focus the RSS team on optimizing most promising centres
- US reimbursement environment with high deductibles provided headwinds to attract patients in the first half of the year
- Confidence in the long term opportunity for COAT™ and believe that a “Direct to Patient” offering will be a significant channel in the OSA market
- SomnoMed and RSS are best positioned to deliver a “Direct to Patient” offering
- Competitive advantage will be more significant due to high barriers to success

Renew Sleep Solutions – building the competitive advantage

- Significant amount of progress made building the infrastructure and skillset to succeed over the long term
  - Very high patient satisfaction
  - Strong internal revenue cycle team
  - "Direct to Patient" marketing engine across multi channels and marketing formats
  - Successful implementation of DSO and MSO model to improve efficiency, patient satisfaction and costs
  - Learnings around call centre optimization
- RSS has a material advantage compared to any other entrants into this large and growing market

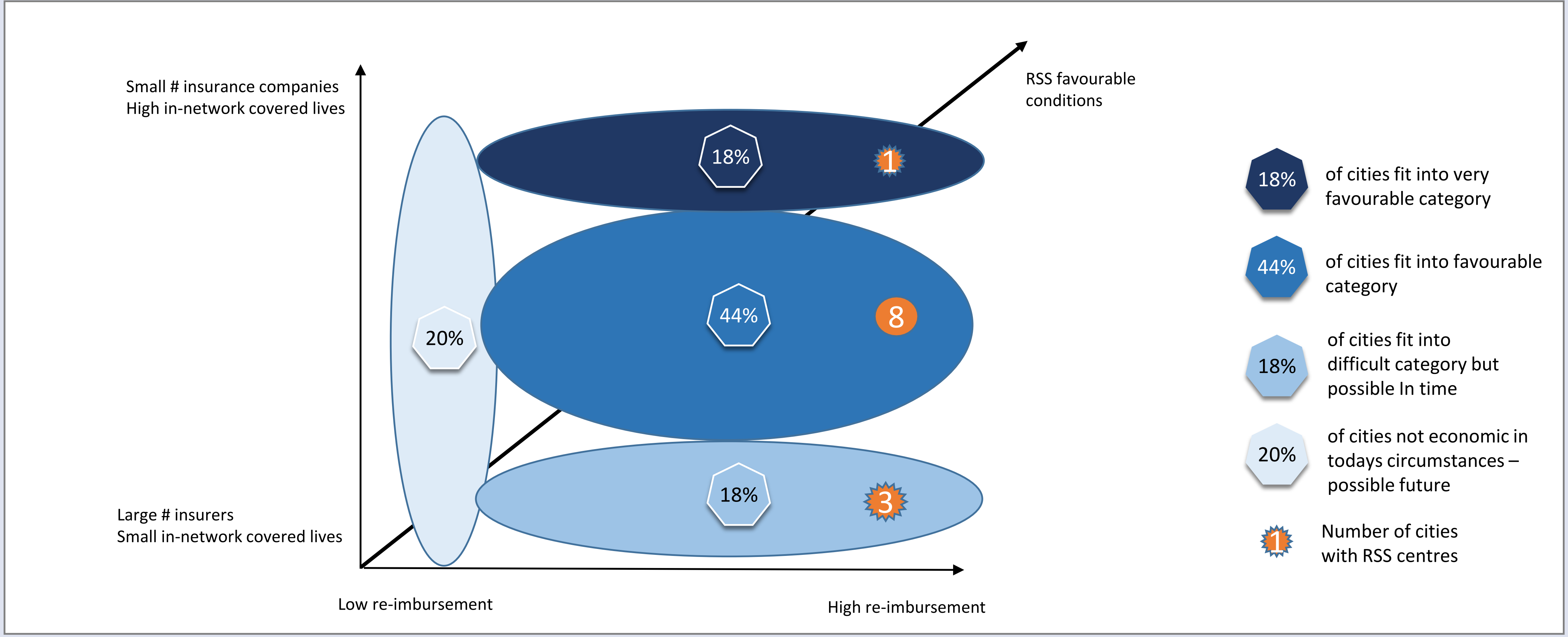
Renew Sleep Solutions – centre cohort results

Renew Sleep Solutions – strategic learnings

	Original assumptions	Learnings
Marketing method	Talk radio - able to acquire patients at a cost of < $700 a patient	Broader marketing channels and capability required
Target audience	Males 30-65 years of age OSA diagnosed patients that have failed CPAP	Optimal targeting of a wider audience base
Insurance	Stay out of Insurance 'Network' unless required to access patients. Take advantage of 'out of network benefits' or GAP exceptions	Much more complex : understanding both re-imbursement and the insurance landscape's impact on direct to consumer marketing is the key to success
City selection criteria	Re-imbursement rate Media cost Population size ~ 1.0m or above Start smaller and close to Dallas eg Tulsa and Oklahoma	One centre per city is adequate Population size > 1.5m Favourable insurance landscape Re-imbursement rate

Different insurance landscapes identified which favour success with today's RSS model

(cities above 1.5m in population size = 39 cities)

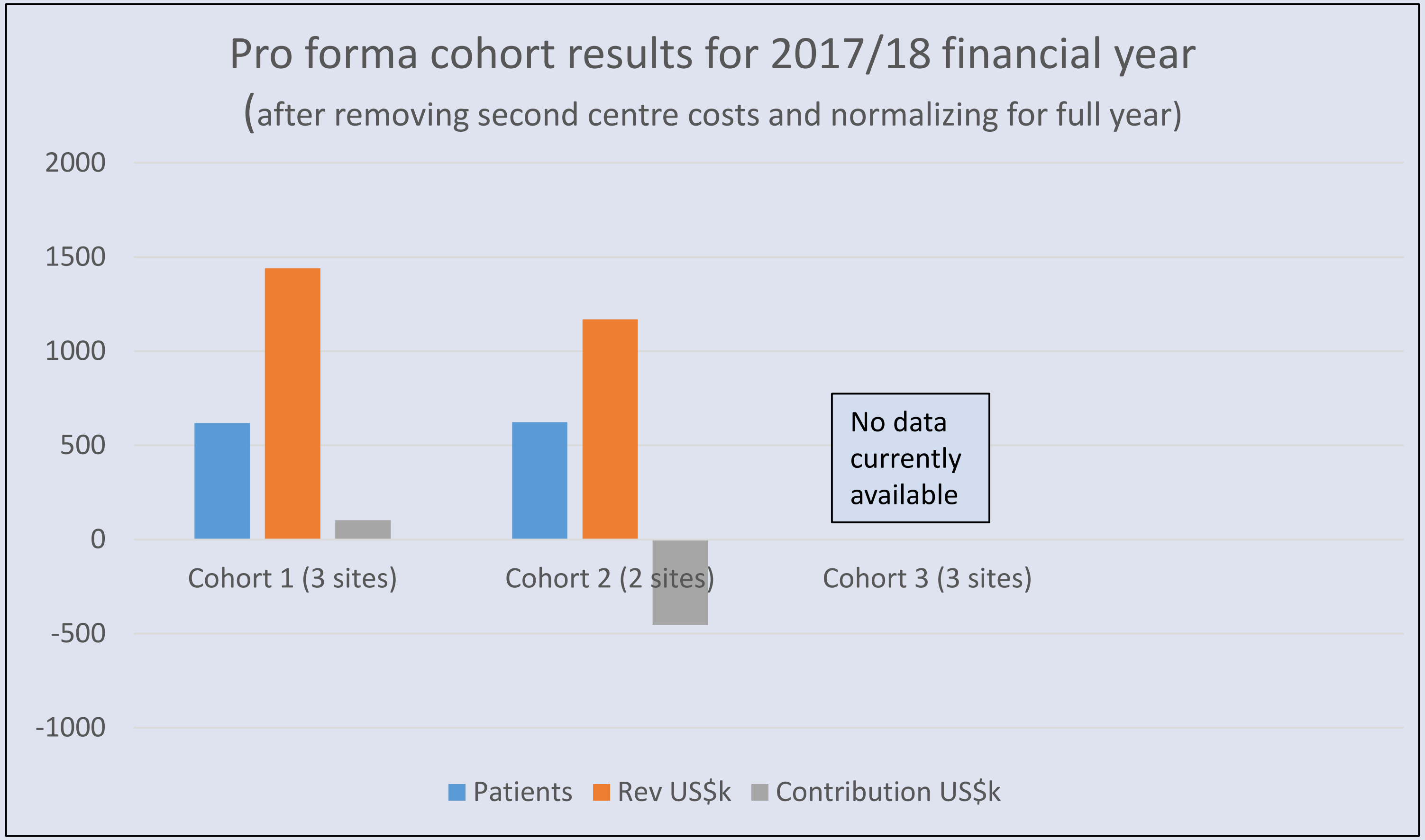


This landscape can change caused by changes in payor market shares,
re-imbursement level and increasing or decreasing insurance competitive landscape

Renew Sleep Solutions – modified strategy to produce a successful business

- Re-base business focused on those cities where there is confidence of future success
- Withdraw from cities where there are not currently favourable circumstances: Philadelphia, Tulsa, Hartford and Milwaukee (4 cities/5 centres)
- Eliminate second centres in Atlanta, Phoenix and Minneapolis
- Close 8 treatment centres by 1 October 2018, reducing the number of cities with operations from 12 to 8
- Increase marketing spend in those cities with higher yields
- In cities which are currently out of network with the relevant insurance companies, apply cautious advertising spending until favourable circumstances are met (seasonal highs or improved insurance landscape)
- Gated approach to launching in new cities – unlikely to be in FY2019
- Longer term: work on modified business economics and models to expand to cities currently thought to be not suitable under current circumstances
- Manage cash burn within SomnoMed's cash availability

New and more promising cohort picture



Primary Issue with cohort 2 is media cost in large cities and lack of media and conversion efficiency in not being 'in-network' with sufficient lives. Resolving this will improve economics

Cohort 1 = Begin fitting patients Jan - June 2017
Cohort 2 = Begin fitting patients Jul - Nov 2017
Cohort 3 = Begin fitting patients Dec 2017 – Jul 2018

The current centre economics continues to hold true for Cohort 1

Summary profit and loss

Financial Summary – AUD $000's	SomnoMed Core FY17/18	SomnoMed Core FY16/17			RSS FY17/18	SomnoMed Core FY17/18	SomnoMed Group FY17/18
Revenue	52,393	47,740	9.7%	↑	11,216	52,393	63,609
Gross margin	31,855	27,835	14.4%	↑	6,335	31,855	38,190
Sales and marketing expenses	(13,789)	(11,913)	15.7%	↑	(7,676)	(13,789)	(21,465)
Administrative expenses	(9,381)	(9,425)	-0.5%	↓	(9,035)	(9,381)	(18,416)
Operating profit/(loss) before corporate, research and business development expenses, non-cash items and income tax	8,685	6,497	33.7%	↑	(10,376)	8,685	(1,691)
Corporate expenses	(4,785)	(4,131)	15.8%	↑	-	(4,785)	(4,785)
EBITDA*	**3,900**	**2,366**	64.8%	↑	**(10,376)**	**3,900**	**(6,476)**

Key Metrics:		
MAS gross margin %	73%	70%
Group gross margin %	60%	58%

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

Guidance 2018/19

SomnoMed Group

- Revenues of between $74m - $75m and growth of 16% - 18%
- EBITDA at breakeven (+/- $1m)

Key Metrics

- SomnoMed core business
  - 15%+ revenue growth to $60m+
  - Between $5m – $5.5m EBITDA
- RSS Business
  - Between 25%-35% revenue growth to between $14-15m
  - EBITDA loss of between $5–6m, representing a conservative guidance given the current risk (effective run rate loss of between $4-5 million after excluding the Q1 costs incurred in FY19 of those centres closed 1 October 2018 but including rental expenses of closed centres)

Contact details

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