

## 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")**

30<sup>th</sup> September 2018

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	15,185	15,185
1.2 Payments for		
(a) research and development	(50)	(50)
(b) product manufacturing and operating costs	(6,666)	(6,666)
(c) advertising and marketing	(3,291)	(3,291)
(d) leased assets		
(e) staff costs	(6,964)	(6,964)
(f) administration and corporate costs	(3,704)	(3,704)
1.3 Dividends received (see note 3)		
1.4 Interest received	23	23
1.5 Interest and other costs of finance paid	(34)	(34)
1.6 Income taxes paid	(264)	(264)
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(5,765)</b>	<b>(5,765)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(335)	(335)
(b) businesses (see item 10)		
(c) investments		

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
(d) intellectual property, licence and access rights	(32)	(32)
(e) other non-current assets		
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
<b>2.3 Cash flows from loans to other entities</b>		
<b>2.4 Dividends received (see note 3)</b>		
<b>2.5 Other (provide details if material)</b>	(48)	(48)
<b>2.6 Net cash from / (used in) investing activities</b>	(415)	(415)

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(133)	(133)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
<b>3.10 Net cash from / (used in) financing activities</b>	(133)	(133)

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	13,383	13,383
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(5,765)	(5,765)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(415)	(415)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(133)	(133)
4.5	Effect of movement in exchange rates on cash held	(58)	(58)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>7,012</b>	<b>7,012</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	5,521	8,991
5.2	Call deposits	1,491	4,392
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,012</b>	<b>13,383</b>

**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

<b>Current quarter \$A'000</b>
85
-

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

<b>Current quarter \$A'000</b>
-
-

N/A

8. <b>Financing facilities available</b> <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. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(6,500)
9.3 Advertising and marketing	(2,000)
9.4 Leased assets	-
9.5 Staff costs	(6,000)
9.6 Administration and corporate costs	(3,000)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows</b>	<b>(17,500)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	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 first quarter in the SomnoMed Core business diluted by weak RSS results**

SomnoMed announced today that its Q1 revenues were \$14.8 million, representing growth of 14% over the same quarter last year.

Revenue growth in the three key regions was 5% in North America, 22% in Europe and 15% in APAC. Overall the SomnoMed Core device business showed strong quarterly revenue growth of 19%, with revenues of \$13.15 million, while RSS showed a negative growth of 15%, with revenues of just over \$1.65 million.

In Europe we continue to see very strong results in Q1 even though Q1 is typically a slow quarter. Our European results continue to be 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 unit growth in excess of 25% and recent improved re-imburement levels for the SomnoDent® devices will help accelerate this growth.

In our traditional, core North American business, excluding RSS, we were happy to post Q1 revenue growth of 15% (7% real growth excluding exchange rate effect). This positive result, after previous quarters of negative revenue growth is encouraging and is an indicator that our new sales and marketing strategy in North America is slowly starting to show progress and drive positive growth.

Renew Sleep Solutions (“RSS”) had a disappointing quarter. Despite the fact that the volume of patients increased 12% over last year, revenue declined by 15%. This is due to lower re-imburement levels as a result of RSS being ‘in network’ with more insurance companies, treating more Medicare patients and including some observed reductions in general re-imburement levels. Some of this re-imburement pressure will abate as we work through the pent up demand in Medicare and the increased volumes expected as the deductibles effect diminishes in the latter part of the calendar year. Significant changes in the RSS footprint and in the number of centres announced previously as well as tactical improvements have been implemented but have not yet had a chance to meaningfully change results. Q2 for RSS will be a significant quarter as we see the impact of some of these changes, as well as it being the largest quarter for demand. RSS closed an additional centre in October bringing the total number of operating centres to 7. This closure was a result of changed market conditions regarding the insurance landscape, which made the long term viability of this centre questionable. RSS has again consumed significant cash this quarter, which was to be expected.

It has also been pleasing to see APAC results pick up in Q1, posting revenue growth of 15%, which is in-line with long term expectations. Australia contributed to most of this growth, with 18% revenue growth in Q1, driven by a focused and targeted medical strategy aligned with reinforcing the dental education platform at the same time.

The ongoing digital product development is very promising and is currently undergoing patient acceptance trials. Early results seem to indicate very positive patient and dentist acceptance, as well as good efficacy results.

Overall Q1 results for the traditional SomnoMed Core business were stronger than expected, which has been offset by difficult results by RSS. While Q1 was not expected to yield significant improvements in RSS, due to the recent changes and not having time to see improvements, it was none-the-less below plan. Although business volumes are starting to build into Q2 as more and more patients meet their deductible insurance thresholds, the long term viability of this business model is constantly being evaluated.

Operating cash outflow for the quarter was \$5.8 million, due largely to the continuing funding of the RSS centres. The cash balance of 30<sup>th</sup> September 2018 was \$7 million. The second quarter cash outflow will be significantly reduced, due to the greater demand and sales volume connected to the seasonally stronger December quarter for SOM and RSS, as well as the reduced monthly costs from only having 7 centres in operation together with lower head office expenses. The cash balance is expected to be maintained around the \$7 million level at 31<sup>st</sup> December 2018.

### 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: 26<sup>th</sup> October 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.