



Core revenue growth up 13% in Q2

29th January 2019, SomnoMed Limited (ASX:SOM) announced that its core revenues grew by 13% in the second quarter compared to the prior year, reaching \$15.675 million for the three months period. All regions within the core business generated increased revenue, with the US recording revenue growth of 10% for the quarter. Total group revenues decreased by 3% for the quarter, due to Renew Sleep Solutions (“RSS”) business revenues declining by 52% in its final quarter of operations.

The North American core business revenue growth of 10% confirms the view that this region will continue to recover and grow again in the wake of the RSS closure. We remain optimistic that new sales and marketing approaches will see this growth continue as new sales opportunities and channels are explored and confidence is rebuilt in that market.

“This quarter has been very disruptive due to the decisions made during the latter part of 2018,” said Mr Neil Verdal-Austin, Global CEO of SomnoMed. “The group results must be seen against this set of circumstances, where the decision was taken to close the RSS business,” Mr Verdal-Austin added. “We are pleased with the core business growth and overall direction, which will show half year revenues of \$28.8 million (unaudited) and a 15% growth over prior year.”

In Europe our business continues to be very strong, with a 14% revenue growth for Q2. This was slightly below our expectations due to the December month being softer than anticipated. The political disruptions in France caused some logistical upheavals and there were some delays in recognising some Swedish revenues due to technical laboratory issues, which have since been corrected. The volume growth of Finland, Spain and the UK were very encouraging and the outlook for Europe remains very positive into the second half.

APAC experienced revenue growth of 22% in the second quarter, with strong results from Australia leading the way.

RSS has now closed its business in the US and all centres treated their last patients to 31st December 2018. RSS will continue to wind down over the next 6 months as we negotiate to exit or sublease the contracted premises leases across all centres. “While this has not been an easy decision to make, we have been conscious of the patient’s needs during this time, as well as those of our customers and staff. We will uphold our commitments to all parties as we work through this exercise,” commented Mr Verdal-Austin. “We will update the market more fully as to our progress against the plan, when we release the half year results in February,” he added.

SomnoMed’s core business generated an unaudited EBITDA of \$1.3 million for the first half, after absorbing an allocation of the one-off group corporate overheads of \$300k relating to the severance payment to the former CEO. This underlying unaudited EBITDA is up 60% over prior year. For the same period, RSS generated EBITDA losses of \$7 million (unaudited), resulting in SomnoMed group’s net EBITDA loss being \$5.65 million (unaudited).

“While the negative contribution of RSS in Q2 was always foreshadowed, we are pleased with the underlying core EBITDA result for the first half, and as such we confirm the current SomnoMed core business guidance for both revenues and EBITDA,” added Mr Verdal-Austin.

During the second quarter of the financial year SomnoMed generated \$1.5 million in operating cash. Of this, the core business generated \$2.7 million while the RSS cash losses totalled \$1.2 million for the quarter. The cash position at the end of December 2018 was \$8.5 million.

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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 more than 400,000 patients in 28 countries. For additional information, visit SomnoMed at <http://www.somnomed.com.au>