



Trading update

25th March 2019, SomnoMed Limited (ASX:SOM) Simple Sleep Services, LLC (“S3”), a Texas based customer of SomnoMed North America, has closed its doors on 15th March 2019 after six years of operation. At the time of its closing S3 owed SomnoMed US\$805,000. Based on legal advice received, SomnoMed believes there is a reasonable likelihood it may not recover an amount of between US\$400,000 and US\$805,000 (\$560,000 to \$1.1 million). As this will impact directly on SomnoMed’s core business earnings in the second half of the 2019 financial year, the guidance of EBITDA* for the core business of \$5.0 to \$5.5 million will be affected by the amount stated above.

“S3’s closure came as a surprise to us. The company successfully traded in the direct to consumer market in Texas for over six years and had become a significant SomnoMed customer in a short period of time. S3’s unit sales in November and December 2018 were good but further changes in regulations and reimbursement amounts introduced in Texas at the beginning of the 2019 insurance year changed the economic viability of its business. S3 seems to have succumbed to the same issues which led to the recent closure of our entity Renew Sleep Solutions, Inc. Given the direct to consumer nature of this business and the changes in regulations and reimbursement levels relevant to both RSS and S3, this will not impact our other dental customers and we have not seen any change to our receivables balances outside of S3,” said Mr Verdal-Austin, Chief Executive of SomnoMed.

“We are working closely with our Texas legal advisors to maximise collection of outstanding debts. However, a write-off seems to be unavoidable and will unfortunately have a one off impact on our earnings in the current financial year. Excluding the impact of this write-off we expect to deliver our previous guidance of core EBITDA of \$5.0 to 5.5 million,” commented Mr Verdal-Austin.

S3 accounted for approximately 9% of SomnoMed North American revenue in the first half of the 2019 financial year, with its share in our US business declining as other customer segments were continuing to grow.

*EBITDA: Earnings before interest tax depreciation and amortization as adjusted does not include share and option expense, gain/(loss) on contingent consideration payable and impairment of goodwill

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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 450,000 patients in 28 countries. For additional information, visit SomnoMed at <http://www.somnomed.com.au>