

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 2019

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	17,947	65,133
1.2 Payments for		
(a) research and development	(22)	(93)
(b) product manufacturing and operating costs	(6,249)	(22,180)
(c) advertising and marketing	(1,289)	(7,237)
(d) leased assets	-	-
(e) staff costs	(5,231)	(24,235)
(f) administration and corporate costs	(2,965)	(13,417)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	42
1.5 Interest and other costs of finance paid	(269)	(376)
1.6 Income taxes paid	39	(689)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material) *	(1,165)	(3,166)
1.9 Net cash from / (used in) operating activities	798	(6,218)

* Cash outflows relating to closure of Renew Sleep Solutions business.

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(889)	(1,784)
(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	(2)	(34)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	1	76
	(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)	-	(48)
2.6	Net cash from / (used in) investing activities	(890)	(1,790)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	12
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	2,959	4,959
3.6	Repayment of borrowings	(2,125)	(2,457)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	834	2,514

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	7,063	13,383
4.2	Net cash from / (used in) operating activities (item 1.9 above)	798	(6,218)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(890)	(1,790)

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)	834	2,514
4.5	Effect of movement in exchange rates on cash held	201	117
4.6	Cash and cash equivalents at end of quarter	8,006	8,006

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	7,631	6,688
5.2	Call deposits	375	375
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)	8,006	7,063

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

Current quarter \$A'000
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

Current quarter \$A'000
-
-

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	4,862	3,008
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.		

In June 2019, SomnoMed Limited established a €3.0 million (AU\$4.9 million) unsecured credit facility with HSBC, of which €1.9 million (AU\$3.0 million) was utilised as at 30th June 2019. The interest rate payable under this facility as at 30th June 2019 was 3% per annum. The Company's previous interim working capital facility was repaid in June 2019.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(300)
9.2 Product manufacturing and operating costs	(6,000)
9.3 Advertising and marketing	(1,200)
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)	-
9.8 Total estimated cash outflows	(16,500)

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

Total group revenues finish at \$63m driven by North American direct revenues up 31% in Q4

SomnoMed's total core revenues for the quarter were \$15.8 million, resulting in the 2018/19 fiscal year core revenues of \$59 million (unaudited) and slightly under the guidance of \$60m. Total group revenues for the full 2018/19 fiscal year, including the now closed Renew Sleep Solutions ("RSS") revenues, were \$63 million.

Revenues were driven by the North American direct dental sales, which grew by 31% (22% in constant currency) in the fourth quarter compared to the prior year, indicating a significant turnaround in that region's performance. North American total revenue growth, which includes revenues from direct dental, managed care, licensees and other revenues, with the prior year revenue comparison including sales to Simple Sleep Services ("S3"), which ceased operations in early 2019, increased by 16% for the quarter (7% in constant currency).

"The North American revenue results for the last quarter of fiscal year 2018/19 were very good and we are extremely pleased with the 31% (22% in constant currency) growth in our direct dental business," said Mr Neil Verdall-Austin, Global CEO of SomnoMed. "Direct dental sales include all core revenues to our dental customers and exclude S3. We have focused heavily on aligning our sales and marketing teams on the core business in both the US and Canada this quarter and achieved very good results," Mr Verdall-Austin added. "Without the benefit of any sales to S3 in the US in the fourth quarter we were still able to accelerate growth in that channel throughout the quarter with revenue growth rates of 11%, 19% and 27% for April, May and June respectively (in constant currency). Given these positive trends, we believe that the turnaround in our US business, after the closure of RSS late last year, has commenced and can be built on in the future."

In Europe, our business experienced lower than expected revenue growth rates in Holland and Sweden, leading to a total revenue growth of 9% for Q4. The main reasons for the slower growth in these two core markets in Q4 were primarily short-term external factors, which we are in process of managing. There is a hospital capacity issue in Holland, which is being addressed by working within those affected hospitals to facilitate the patient pathway to COAT™ treatment. However, the high acceptance of COAT™ achieved in both Holland and Sweden, where the use of COAT™ is now nearing the same level as that of CPAP, is likely to mean that future growth rates in these markets will be at the expense of CPAP. At the same time we see a number of less developed European markets gaining speed. The volume growth rates of Finland, Denmark, Switzerland, France, Germany, Italy, Ireland and the UK were once again all greater than 20% in Q4 (with some above 30%). We believe the outlook for Europe's new fiscal year and for the longer term looks very encouraging.

APAC experienced continued growth, with revenue growth of 8% in the fourth quarter and an annual regional growth rate of 16%, which is well ahead of growth achieved in the previous years.

"The prospects for the SomnoMed Group are very positive and the return of strong revenue growth in both the US and Canada has brought energy and excitement back into the company. SomnoMed offers a patient friendly and highly compliant, comfortable alternative to CPAP which aims to treat a growing proportion of patients who suffer from Obstructive Sleep Apnea ("OSA") with a COAT™ device. The recent achievement of treating over 500,000 patients world-wide with a SomnoDent® device highlights the Company's strong global position within the 28 countries in which it trades," commented Mr Verdall-Austin.

SomnoMed also recently attended the Annual Sleep Conference in San Antonio, Texas which showcased industry developments within both the dental (AADSM) and medical (APSS) communities and where the SomnoMed's new digitally manufactured oral appliance product was shown for the first time following its FDA approval. The SomnoDent AVANT™ was well received at the Sleep Conference, with preliminary clinical results indicating that the SomnoDent AVANT™ has an improved efficacy over previous products in the range.

The cash position at the end of June 2019 was \$8.0 million. SomnoMed repaid the Company's previous interim working capital facility prior to 30th June 2019 and secured a long term overdraft facility from HSBC Bank for future operating funding requirements.

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: 23rd July 2019

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.