



The Manager
Company Announcements Office
Australian Securities Exchange Limited
20 Bridge St
Sydney NSW 2000

Chairman's AGM address by Dr Peter Neustadt
2019 Annual General Meeting
21st November, 2019

Dear Shareholders

One year ago, at our AGM, we announced the important decisions your Board had taken at that time: to appoint Mr Verdal-Austin as our Company's new global CEO and to close the new "Direct to Patient" RSS business in the US as at 31 December 2018.

I am pleased to report that both decisions turned out very positively and have put SomnoMed back on the road of the growth and success which we were able to enjoy for years. The turnaround achieved under Neil's leadership in the last 12 months in our North America business is remarkable – new customers are being gained, customers lost due to the perceived channel conflict attributed to RSS have returned in numbers, and our new FDA approved SomnoDent Avant[®] device has been received enthusiastically by our North American customers since it was launched in the US middle of this year.

In the twelve months since Neil has taken responsibility for our business changes in our organisation were implemented and important senior appointments were made. Neil will update you in a moment on the progress he has achieved to date.

Before I hand over to Neil allow me to thank you for your support during the difficult time we experienced from 2017 to the end of 2018. It is very satisfying to see the positive results achieved in the last twelve months being reflected in the development of the price of our stock. Today I can state that our core business has never been stronger and that your directors are looking with confidence into the future.

Allow me to hand over to our CEO, Mr Neil Verdal-Austin.

Chief Executive Officer's address by Mr Neil Verdal-Austin
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It is indeed an honour to address you today and provide you with an update on the business.

One year ago, I was appointed as your CEO and we began a new journey for SomnoMed Limited. Throughout my 10 years at SomnoMed and especially during this past 12 months, one thing is for sure - I have become even more passionate about this business, its global opportunity and what our treatment means to the patients that suffer from Obstructive Sleep Apnea ("OSA"). I am very excited about this business and what we can achieve over the short to medium term.

Over the last year we have gone through a smooth leadership transition with minimal disruption due to my tenure in the business and close working relationships with all regional executives. I am pleased to update you on the following topics today:

1. Company results
2. Achievements over the past year
3. SomnoMed's future and the market landscape

Firstly, on the Company results and update, our core business closed the FY19 year with revenues of \$59m and an underlying EBITDA profit of just under \$5m, a growth of 12% in revenues and of 27% in earnings before interest, tax and depreciation over the previous year. Recently we posted the results for Q1. The Q1 numbers confirmed the accelerating growth trend seen during the second half of FY19 in our US business, with the North American region posting revenue growth of 17% (9% constant currency) for that quarter. The Direct dental sales channel in North America showed a Q1 growth of 23% (15% constant currency). In Europe revenue growth of 7% (5% constant currency) was posted and APAC revenues resulted in a 13% growth rate.

I am now able to disclose the overall results for the month of October 2019 which include, once again, the excellent revenue growth in our North American business.

Last month the SomnoMed core business posted an overall revenue growth of 21%, lifting the Q1 result of 11% to a year to date result of 14%. North America posted a standout revenue growth north of 45% (40% in constant currency), while Europe was 8% (7% in constant currency) and APAC's growth was 20%. As such, we are expecting a strong Q2 to finish off the half year and confirm our guidance for the year forecasting revenue growth of between 14% and 17% and earnings growth of between 26% and 34%.

Secondly, the past 12 months have been extremely rewarding. We have achieved many of the goals I had set the organization during this “restore” phase, following my appointment as CEO:

- We have won back the confidence of the majority of the dental community in the United States, who were previously unhappy with the direct to consumer initiative. Our product offering has stood the test of time and the demand for the SomnoDent® product is strong.
- In the US we have restructured and invested in operational service excellence and an E-Commerce portal we now provide to our customers.
- In the US we have launched the SomnoDent Avant® device - our new signature product, fully digital and technologically advanced in its design, comfort and functionality. Customers have called this product the industry “game changer.”
- In Canada we have re-invigorated the market through a new sales leader and focused approach, achieving significant growth in our business.
- In Europe we have invested in the markets that are poised for strong growth and have signed the very first contract directly with a large insurer in Germany to treat their members.
- In APAC we also launched the SomnoDent Avant® digital device.
- In APAC we have focused on delivering our product range to dentists through a growing network of medical referrers, who are accepting COAT™ more and more as the most comfortable and effective alternative to CPAP.
- We have strengthened the global executive corporate team through new appointments in Sydney as well as a new Sales and Marketing head for North America based in Dallas. I believe that these appointments will enhance our global capabilities across all functions.
- We have embarked on our technology journey with the recently announced partnership with App-Nea LLC, which brings a software platform that will enable dentists and sleep physicians to work together and more closely collaborate on patient treatment with a SomnoDent® within a trusted and effective portal.

Thirdly, the future of SomnoMed is exciting and the long-term opportunity for SomnoMed’s business remains significant as further investments are being made to enhance its competitive advantage. There is a focus on further improvements in the digital supply chain, further clinical studies, greater re-imburement efforts in currently non-reimbursed countries and an investment in sales and marketing resources on a regional basis.

SomnoMed will continue to be *treatment focused* by delivering the SomnoDent® product range to our customers in the 28 countries in which we operate. We are proud that these customers prefer to deal with the leader in design, in innovation and in digital manufacturing capability. SomnoMed will also be *technology driven* as we optimize the digital platform built for future manufacturing, connect both medical and dental communities with App-Nea and invest in future technology projects that will further enhance the adoption of the treatment across all specialties.

Whilst we are enjoying strong market leadership and excellent growth in many of our European markets, North America and in Australia, the acceptance of and demand for custom made oral appliances was growing at a much slower rate in the USA due to their current medical guidelines and a reluctance of some sleep specialists to recommend a different treatment to CPAP which has been well established for some 25 years. However, a number of very interesting studies, such as those by Rotenburg et al⁽ⁱ⁾ and Catcheside⁽ⁱⁱ⁾, confirmed continuing low compliance rates for CPAP after only 6 months indicating that this treatment option is not as effective as claimed. These show that 50% of the CPAP users are non-compliant after only 6 months and that doesn't include the 50% of patients who refuse to use CPAP from the start. We believe effective medical outcomes must be a factor of both the efficacy of the treatment and compliance of the patient to use the treatment.

The opportunity to help treat the millions of patients suffering from OSA remains large and growing. Treating OSA with COAT™ (“Continuous Open Airway Therapy”), which has been pioneered by SomnoMed, has enormous ongoing potential. In some European countries, notably Sweden and the Netherlands where the penetration of COAT™ is in the 40-50% range for newly diagnosed patients, signalling that, in both these countries, SomnoMed is the dominant market leader and is already treating more newly diagnosed patients than any of the leading CPAP suppliers. However, in many of the countries we trade in, COAT™ penetration is still 10% or less, indicating that the opportunity for growth remains substantial.

Your company offers a wide range of clinically validated and researched oral appliances that are comfortable to wear, durable and highly effective. SomnoMed operates under all the necessary medical manufacturing regulations around the world to ensure the delivery of a high-quality medical device to the patients of our clinical partners. We work with various authorities to promote stronger clinical guidelines, as well as investing in and supporting clinical research, which validates the treatment option. We also work with insurance companies to treat their members with a SomnoDent® so that they, too, can be assured that the appropriate medical outcome is achieved with a high level of compliance.

The number of patients throughout the world treated with a SomnoDent® device surpassed 500,000 in June 2019. Your company owns 100% of all SomnoMed entities in all direct markets in which we operate. We will continue to develop our culture of integrity, commitment and performance excellence as we build and develop our staff to maximize their individual professional and personal achievements.

Finally, I would like to thank those shareholders who have maintained their interest in SomnoMed and have continued to support us over these past 12 months. My thanks also go to the many new shareholders who joined us during the year and invested in SomnoMed as we entered a new era.

Thank you all for your trust and support in our company, in me as CEO and the executive team who have helped me to achieve the positive results we have seen during the past 12 months. We look forward to continued growth in the current financial year and beyond.

Thank you for the opportunity to lead your company and change people's lives.

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Clinical research papers

- (i) Rotenberg, B.W., Murariu, D., & Pang, K.P. (2016). Trends in CPAP adherence over twenty years of data collection: a flattened curve. *Journal of Otolaryngology - head & neck surgery*, 45(1), 43.
- (ii) Catcheside P. G. (2010). Predictors of continuous positive airway pressure adherence. *F1000 medicine reports*, 2, 70.