



ASX Announcement

23 February 2021

## Stable business with strong net cash position provides platform to pursue technology opportunities

**SomnoMed Limited (ASX “SOM”, or the Company)** a leading company in the provision of treatment solutions for sleep-related breathing disorders and obstructive sleep apnea, is pleased to provide its report for the half-year ended 31 December 2020.

### Overview

- Revenue of \$30.8m for 1HFY21 (1HFY20: \$33.3m), a decrease of 7% (6% constant currency) largely as a result of flow on impacts from COVID-19
- Steady growth in EBITDA\*, up 7% to \$3.2m (1HFY20: \$3.0m) driven by cost reduction initiatives
- Net cash<sup>1</sup> position remains strong with \$22.7m as at 31 December 2020 (\$22.7 million at 30 June 2020)
- Total patients treated worldwide exceed 600,000, as SomnoMed remains the largest global oral appliance company
- Market conditions remain challenging given the ongoing impacts of COVID-19, however, moderate improvements were seen in business trading activities despite restricted access to hospitals and clinics in North America and Europe
- Continue to actively pursue transformational technology opportunities that will enhance and build upon our competitive advantage

**Commenting on the results, SomnoMed’s Managing Director, Mr Neil Verdall-Austin said:** “Despite the global uncertainties experienced in 2020, SomnoMed continued to focus on our vision of providing effective long-term treatment for patients that suffer from the effects of Obstructive Sleep Apnea (OSA). Our product range, together with the proprietary BFlex inner liner, provides unparalleled retention, fit and comfort for oral sleep appliances in 28 countries across the globe.

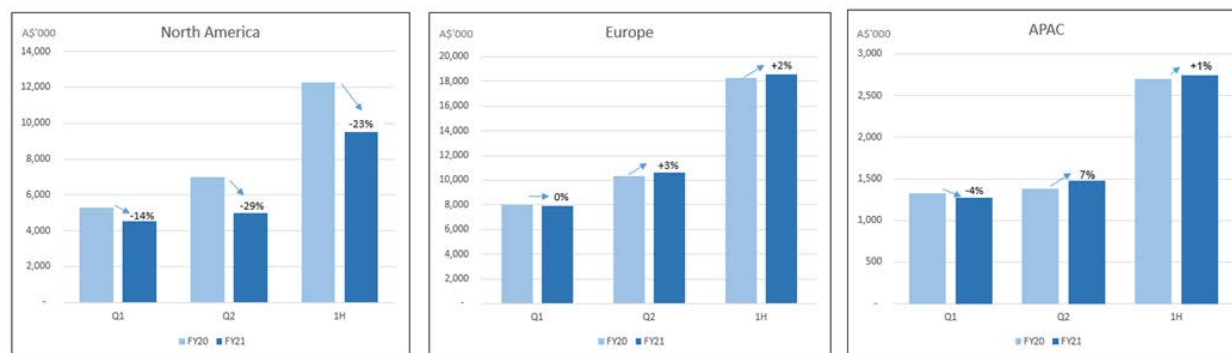
SomnoMed continued to engage with authorities globally to drive positive reimbursement trends that allow greater access to the SomnoDent® product as a long-term cost-effective treatment option for OSA patients. During the period, another country approved the SomnoDent® as a first line treatment, demonstrating these trends and further embedding SomnoMed as the first choice in oral OSA devices. These changes are based on the strong clinical research and heritage that underpins the SomnoDent® range, providing authorities the ability to approve reimbursements for SomnoMed’s best in class product with demonstrated positive clinical outcomes.

SomnoMed is focused on driving change and investing for future growth through transformational technology opportunities that will enhance and build upon our competitive advantage and deliver a better outcome for our customers and their patients.”

## Financial Review

Net revenue of \$30.8 million was down 7% versus the previous corresponding period as the impact of COVID-19 continued to reduce capacity in hospitals, clinics, and for the broader medical profession to provide services outside of critical care. The results of the first half demonstrate the strength of the underlying business with an EBITDA\* of \$3.2 million, a 7% increase on previous corresponding period (1HFY20: \$3.0 million) and group gross margins maintained at 59% for the period despite lower revenues.

### SomnoMed first half revenue growth by region by quarter



The company continues to focus on cost mitigation initiatives and cashflow preservation with a significant decrease in sales and marketing expenses largely due to decreased travel costs as a result of COVID-19 restrictions. This was partially offset by additional investments in key recruitments at the corporate level to support business initiatives and accelerate future growth.

The balance sheet position remains strong with net cash of \$22.7 million at 31 December 2020. This cash position has allowed management to drive forward with product innovation and advancements to improve customer experience, drive market penetration, and set the company up for the benefit of future periods when market conditions normalise.

## Operational Review

SomnoMed continues to be well-positioned with strong, established networks within its core regions and continued demand for its products. The headwinds experienced over the course of the past year have impacted all regions, albeit at differing levels dependent on the regional responses to the coronavirus pandemic.

Mitigating this, the Company has a strong established supply chain with quality manufacturing processes and facilities globally. Additionally, given the decentralised digital nature of the design process and the ability to provide a highly customised and streamlined product, SomnoMed continues to provide best in class service and product turnaround from patient engagement to final fit and supply.

### Revenue by region (A\$'000)

	1H FY21	1H FY20	% Change
North America	9,497	12,293	-23%
Europe	18,582	18,258	+2%
APAC	2,745	2,705	+1%
<b>Total</b>	<b>30,824</b>	<b>33,256</b>	<b>-7%</b>

## *North America*

Revenue for the half was \$9.5 million down 23% versus the previous corresponding period (down 19% in constant currency terms). The effects of the election and the ongoing uncertainty in most states towards COVID-19 and the actions to be taken, have impacted on business activity levels. Activity levels remained at around 75-80% of pre-COVID business volumes and revenues.

During the period, the company successfully launched the new Herbst Advance Elite™. The uptake of new orders for the digitally made, PDAC approved (Medicare insurance approval) SomnoDent® oral appliance were encouraging and we continue to expect continued product sales growth over the remainder of 2021. The Herbst Advance Elite™ offers, for the first time in the market, a precise fit and retention with the inclusion of the BFlex soft lining material to a digitally made oral appliance, which is proprietary to SomnoMed. The development of the Herbst Advance Elite™ reflects the Company's technology and innovation capabilities and reflects the desire to continue to provide the best oral device for patients with obstructive sleep apnea.

## *Europe*

Revenue from European operations was broadly flat versus the previous period, with \$18.6 million of revenue generated for the half as positive reimbursement trends offset the impacts of COVID-19 on activity levels. Within the context of the European sales however, France, Finland, Denmark and Switzerland all posted positive volume growth.

Increased sales volumes of the SomnoDent Avant® in the region confirms what clinicians and patients are looking for when treating their obstructive sleep apnea – a comfortable, retentive oral device with a perfect fit.

## *Asia Pacific*

Activity levels across the APAC region remained broadly in line with prior periods, albeit with some volatility still seen in South Korea and Japan. Revenue for the half was \$2.7 million, up slightly on the previous period.

## **Outlook**

SomnoMed's focus for the remainder of FY21 will be as follows:

- Flexibility to respond to changing market conditions
- Engaging with authorities across the globe to drive improved reimbursement policies
- Investing in research and development to ensure our treatment focussed products continue to provide market leading oral sleep apnea devices to the medical and dental communities
- Continuing to actively pursue transformational technology opportunities that will enhance and build upon our competitive advantage

The Board and Management thank the SomnoMed team for their significant input and effort over the first half to overcome the COVID-19 challenges and continue to deliver on our vision to provide an effective long-term treatment for patients who suffer from the effects of obstructive sleep apnea.

## **Notes**

1. Net cash <sup>1</sup>: defined as gross cash less, commercial borrowings and COVID-19 related government loans
2. EBITDA\* as adjusted does not include share option expense, unrealised foreign exchange gain/(loss) and discontinued operations

**This release has been approved by the Board of SomnoMed Limited**

**For further information please contact**

**Corporate**

Mr. Neil Verdal-Austin

CEO SomnoMed

+61 406 931 477

Nverdal-austin@somnomed.com

**Investors**

Mr. Craig Sainsbury

Market Eye

+61 428 550 499

Craig.sainsbury@marketeye.com.au

Ms. Stephanie Ottens

Market Eye

+61 434 405 400

Stephanie.ottens@marketeye.com.au

**About SomnoMed**

SomnoMed is a public company providing 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<sup>®</sup> becoming the state-of-the-art and clinically proven medical oral appliance therapy for more than 600,000 patients in 28 countries. For additional information, visit SomnoMed at <http://www.somnomed.com.au>