Revenue growth momentum continues in 1H FY23

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 ('OSA'), is pleased to provide its report for the half-year ended 31 December 2022 (1H FY23) and a further update on the development of its technology-enabled oral sleep appliance, Rest Assure®.

Overview

- Revenue of $40.0 million for 1H FY23 (1H FY22: $33.9 million), +17.7% (+17.1% in constant currency) versus the previous corresponding period (pcp) as SomnoMed continues to demonstrate strong growth in the global oral devices market
- European revenue growth was strong in 1H FY23 and accelerated towards the end of the half, while APAC performed in-line with expectations
- North America performed below our expectations for the half despite growing +28.4% (18.0% in constant currency). Growth was impacted by a range of competition and supply chain challenges towards the end of the half
- Given these increased challenges in North America, SomnoMed revised its revenue growth guidance for FY23 to between 15%-20%, while the FY23 EBITDA[1] guidance of $2 million+, remains unchanged
- Product (MAS) gross margin of 72% (1H FY22: 69%)
- EBITDA[1] increased to $0.8 million (1H FY22: $0.2 million), despite investment in sales & marketing initiatives and the continued development of the connected-device technology
- Net operating cash outflow for the period of $3.4 million (1H FY22: net operating cash inflow of $0.0 million)
- Cash of $16.9 million as at 31 December 2022, including $6 million of the final debt funding drawn down during 1H FY23 (total drawn debt of $16.8 million), leading to a net cash position of $100k
- Total patients treated worldwide now exceeds 760,000

Rest Assure® Update

- Rest Assure® is an in-built technology-enabled oral appliance for the treatment of sleep-related breathing disorders and obstructive sleep apnea. Rest Assure® is expected to drive prescriptions, increased reimbursement, and ultimately greater share of treatment prescriptions for COAT™ versus CPAP
- The majority of tests and documentation required by the regulatory authorities for commercial approval have now been completed. A small number of validation and verification tests required by regulatory authorities remain outstanding, and these are expected to be completed in Q3 FY23. Once this final testing and necessary documentation required for regulatory authorities is complete, submissions (where required) will be filed in Q3 FY23
- Rest Assure® will be commercialised once these approvals are received

[1] EBITDA does not include share/option expenses, unrealised forex gain/(loss) and discontinued operations,

Commenting on the results, SomnoMed's Managing Director, Mr Neil Verdal-Austin said: "SomnoMed delivered revenue of $40 million in the first half of the 2023 financial year, up over 17% on the prior corresponding period, as SomnoMed continues to strengthen its position in the global oral devices market."

"Our vision of providing an effective long-term treatment for patients who suffer from the effects of OSA is unchanged. The Company remains focused on increasing the awareness of COAT™ for the treatment of OSA, continuing the development of our technology-enabled oral appliance Rest Assure®, all while ensuring we deliver strong financial outcomes for our shareholders."

"Operationally, we continued to see positive momentum across our key trading markets However, SomnoMed's performance in North America was impacted by increased competition, and staff shortage and logistics difficulties at the end of the half. Consequently, the FY23 revenue growth guidance has been revised to between 15-20%, with no change to the EBITDA[1] guidance of $2 million+."

"Despite these challenges, we continued to invest in the business, both in terms of new technology development and business operations, to ensure that SomnoMed continues to grow market share within the broader sleep apnea treatment market. Indeed, Europe produced a fantastic result this half with our central manufacturing team making advances in all digital processes and documentation in readiness for the Rest Assure® full launch once approvals have been received."

"We expect that the submission process for regulatory approval for Rest Assure® across US, Europe and Australia will be ready to be filed in Q3 FY23 and once approved, SomnoMed will be in a position to move quickly to the commercialisation phase."

Financial Review

Revenue of $40.0 million increased +17.7% versus pcp reflecting SomnoMed's continued growth in the global oral devices market, despite challenges emerging in the North American market by the end of the half. Europe performed strongly as the half progressed, benefiting from good patient demand and positive reimbursement trends. Revenue growth in APAC was steady and in-line with expectations, although non-device revenue was impacted by a shortage of SOMTabs (SomnoMed's proprietary cleaning tablets) due to a global shortage of raw materials.

SomnoMed generated EBITDA[1] for the first half of $0.8 million (1H FY22: $0.2 million). The increase in EBITDA[1] was despite investment into global sales and marketing initiatives, including the expansion of marketing and sales force networks and an increase in medically targeted advertisements and marketing communications.

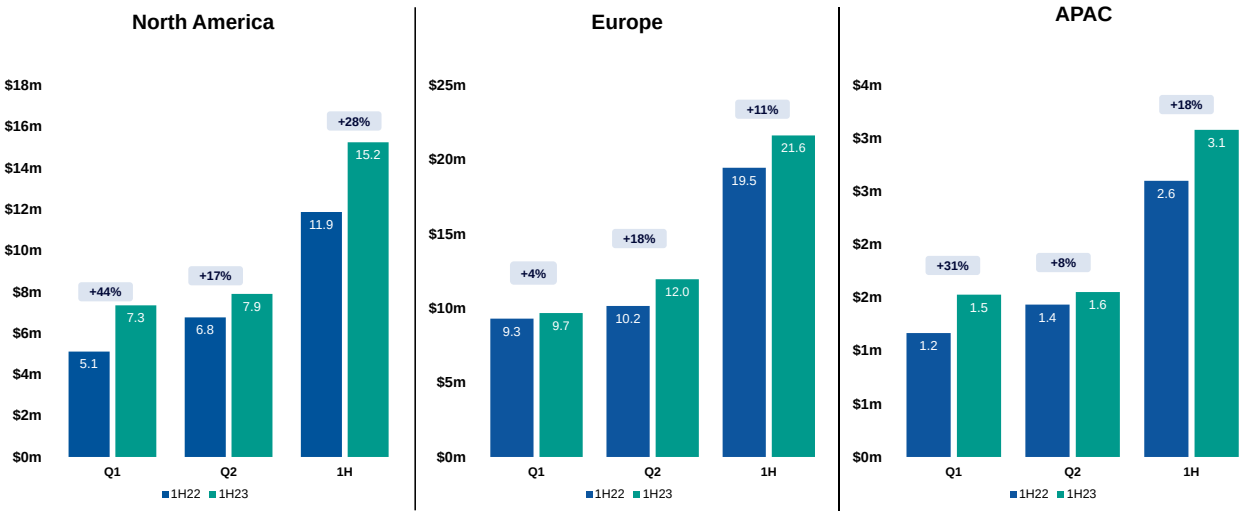
Net operating cash outflow for the period of $3.4 million (1H FY22: net operating cash inflow of $0.0 million) was primarily due to the expenditure on the development of the connected technology, Rest Assure®, and One Platform initiatives.

SomnoMed's balance sheet shows cash of $16.9 million and drawn debt of $16.8 million as at 31 December 2022, leading to a net cash position of $100k. This has allowed the Company to focus on enhancements to its product suite and technology innovation, in order to improve the customer experience, drive market penetration and ultimately set the company for a strong future.

Investment in technology development continues with total investment of $2.7 million for 1H FY23.

[1] EBITDA does not include share/option expenses, unrealised forex gain/(loss) and discontinued operations,

Total regional revenues by quarter



Operational Review

SomnoMed's retains a very strong position within the global OSA market. There remains significant potential for the Company to make further market share gains by providing an alternative to the traditional default CPAP recommendations by sleep physicians.

SomnoMed remains "treatment focused" in its approach and continues to provide a best in class, superior comfort, "fit right first time" and durable oral appliance for the treatment of OSA. The Company continues to enjoy tremendous customer and medical sector engagement, which in turn has helped to drive growth and further acceptance of COAT™.

Revenue (A$000's)	1H FY23	1H FY22	% Change	% Change
			Actual	Constant Currency
North America	15,243	11,867	+28.4%	+18.0%
Europe	21,636	19,464	+11.2%	+16.2%
APAC	3,082	2,602	+18.4%	+19.6%
Total group revenue	**39,961**	**33,933**	**+17.7%**	**+17.1%**

North America

Revenue for the half was $15.2 million, up +28% versus pcp (+18% in constant currency terms). SomnoMed experienced a challenging end to the half with increased competition, somewhat exacerbated by rising inflation impacting some consumer spending. SomnoMed expects that this change in spending and consumers delaying non-critical medical treatments is directly linked to the general economic pressures being experienced across the region and should be temporary. North America was also impacted towards the end of the half by a range of supply chain issues which temporarily opened the door to lower priced competitors, including logistic staff unavailability in the wake of the COVID-19 pandemic. These issues have largely been resolved by mid-February.

SomnoMed continues to monitor the competitive activity and is optimising its response, asserting the superior fit and long-term therapeutical benefits of its products, in order to increase sales and margins in the region.

Europe

Revenue from European operations increased +11% versus pcp (+16% in constant currency terms), driven by performance in Germany, France, the Netherlands and Sweden. The revenue uplift was driven by strong consumer demand and positive reimbursement trends. Europe is benefiting from patients with mild and moderate OSA becoming increasingly comfortable with the benefits of COAT™ technology.

Europe is an important region for SomnoMed. The Company will continue to focus on increasing sales and marketing efforts in order to ensure ongoing strong product take-up and growth. Product development and technological innovation remains key to the continued success in the region.

Asia Pacific

Asia Pacific revenues increased +18% versus pcp to $3.1 million, driven by SomnoMed's continued focus on its clinical education program and its investment in sales and marketing initiatives to support future growth. A global raw materials supply shortage impacting SOMTabs, SomnoMed's proprietary cleaning tablets, limited the growth achieved during the half. SomnoMed believes that this is a temporary shortage and should be rectified in 2H FY23.

Outlook

The Company remains optimistic about trading activity levels and the outlook for the second half of FY23. SomnoMed is committed to its technological transformation and its FY23 guidance:

- Revenue growth of between 15%-20%
- EBITDA[1] of at least $2 million
- CAPEX investment of c.$7 million of which technology innovation spend expected to be c.$3 million

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

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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® becoming the state-of-the-art and clinically proven medical oral appliance therapy for more than 760,000 patients in 28 countries.

For additional information, visit SomnoMed at http://www.somnomed.com.au