



Solid start in 1H as core business revenues +13%

SomnoMed Limited (ASX “SOM”, or the Company), a leading company in the provision of oral appliance 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 2023 (1H FY24).

Financial Summary

- Revenue of \$45.1 million for 1H FY24 (1H FY23: \$40.0 million), +13% (+7% in constant currency) versus the previous corresponding period (pcp)
- SomnoMed’s core business was interrupted during 2Q FY24 with unplanned and unexpected milling machine downtime. This reduced revenue growth from 15% in 1Q to 11% in 2Q. Additional resources have been allocated to manufacturing to improve capacity.
- Product (MAS) gross margin of 70.9% (1H FY23: 71.6%)
- EBITDA¹ decreased to \$(1.1) million (1H FY23: \$0.8 million) due to the interruptions to manufacturing, as well as investment in sales and marketing resources globally, and continued investment to support the launch of the connected-device technology Rest Assure®
- A cost reduction program, announced at the AGM held in November, is now underway to strengthen margins and profitability. This program will eliminate significant costs in the second half to 30 June 2024 and improve profitability in FY25
- Net operating cash outflow for the period of \$4.6 million (1H FY23: net operating cash outflow of \$3.4 million)
 - Net operating cash outflow in Q2 was \$0.3 million and is a substantial improvement from a net operating cash outflow in Q1 of \$4.3 million
- SomnoMed successfully completed a capital raising of \$14.6 million (net of equity raising costs) in September 2023. Cash of \$12.8 million as at 31 December 2023 and total drawn debt of \$12.7 million after a partial repayment of \$5 million in September 2023, leading to a net cash position of \$0.1 million
- New co-CEOs announced, Ms Amrita Blickstead and Ms Karen Borg, effective from 23 February 2024
- Total patients treated by SomnoMed worldwide now exceeds 860,000

Commenting on the results, SomnoMed’s co-CEO, Ms Amrita Blickstead said: “SomnoMed’s revenue of \$45.1 million for the half-year increased 13% over the prior corresponding period. The interruptions to our manufacturing capacity during the second quarter of FY24 were extremely disappointing, reducing our revenue growth from 15% in the first quarter to 11% in the second quarter and impacting our earnings. All pipeline orders were fulfilled to meet the closure of 2Q.

¹ EBITDA does not include AASB16 lease payments, share/option expenses, unrealised forex gain/(loss) and discontinued operations

Despite these headwinds, we continue to experience growth in our key markets. The orders received across all regions during the first half validate demand for our products and reaffirms our strategic approach of being focused on quality and our commitment to our dental customers and our medical sector engagement. Europe continues to take advantage of positive reimbursement trends to facilitate product uptake and growth. North America remains a key strategic region and will see sales improvement with the expected introduction of Medicare reimbursement coding of SomnoDent Avant®.

We continued to invest in the development of the connected-device technology Rest Assure® and operational capability to support its launch and are pleased that the US FDA submission has now been accepted for review. Our near-term focus is on the cost reduction program, where we intend to eliminate significant costs over the next six months.”

Financial Review

Revenue of \$45.1 million increased +13% (+7% in constant currency) versus pcp, reflecting the headwind experienced from the interrupted manufacturing capacity in the second quarter. Europe was a key driver of growth during the half, benefiting from strong patient demand and ongoing positive reimbursement trends.

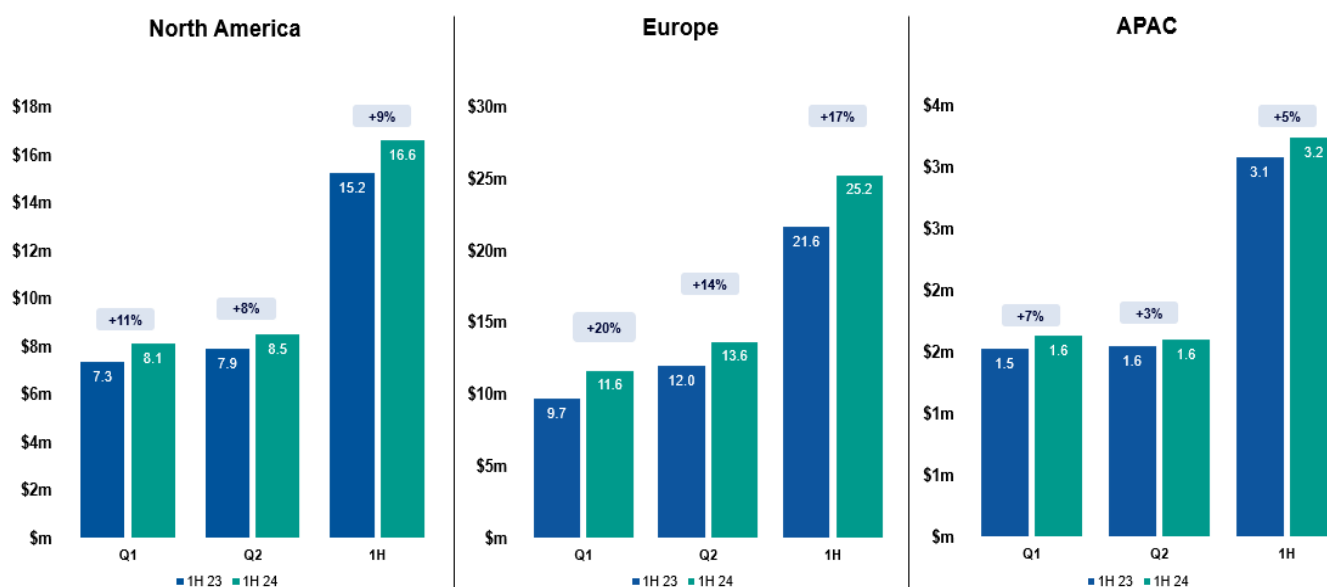
The manufacturing interruptions negatively impacted SomnoMed EBITDA² which was \$(1.1) million in 1H FY24 (1H FY23: \$0.8 million), particularly as 2Q closes out the final quarter of the insurance reimbursement year in North America. APAC was hampered by the tightening economy in what is a non-reimbursed market.

Net operating cash outflow for the period of \$4.6 million (1H FY23: net operating cash outflow of \$3.4 million) was impacted by the higher financing costs paid on the drawn debt in 1H FY24 versus pcp. This will reduce in 2H FY24, following the \$5 million partial debt repayment made during the first half.

SomnoMed successfully completed a capital raising of \$14.6 million (net of equity raising costs) in September 2023. SomnoMed’s balance sheet shows cash of \$12.8 million and total drawn debt of \$12.7 million as at 31 December 2023, leading to a net cash position of \$0.1 million.

Investment in Rest Assure® development reduced to a total of \$1.4 million in 1H FY24, compared to \$2.7 million in 1H FY23.

Total Regional Revenue by Quarter



² EBITDA does not include AASB16 lease payments, share/opton expenses, unrealised forex gain/(loss) and discontinued operations

Operational Review

SomnoMed retains a 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™.

SomnoMed began to implement its cost reduction plan to protect and grow profitability during 1H FY24. SomnoMed has implemented significant cost reduction measures in the core business, which are expected to take real effect in the six months from January to June 2024 and improve profitability in FY25.

Revenue (A\$000's)	H1 FY24	H1 FY23	% Change	% Change
	(A\$000's)	(A\$000's)	Actual	Constant Currency
Europe	25,239	21,636	+16.7%	+7.1%
North America	16,636	15,244	+9.1%	+6.6%
APAC	3,239	3,082	+5.1%	+5.2%
Total Regional Revenue	45,115	39,961	+12.9%	+6.7%

Europe

Revenue for the half was \$25.2 million, up +17% (+7% in constant currency) versus pcp. This growth emanated from strong performances in France, Sweden, Netherlands, and Switzerland, where positive reimbursement trends facilitate and help to drive a growing acceptance from patients of the benefits of improved compliance with the SomnoDent® devices for mild and moderate OSA patients, who are becoming increasingly comfortable with the benefits of COAT™ technology.

North America

Revenue for the half was \$16.6 million, up +9% (+7% in constant currency) versus pcp and behind expectations due to the manufacturing interruptions during 2Q FY24. Planned sales were lost to our competitors during the final quarter of the insurance year. Importantly, sales appear to be recovering now that these interruptions have been addressed and while orders may have been lost during 2Q, customers have returned. At the same time the SomnoDent Avant® sales continue to be impacted by the awaited Medicare reimbursement coding. A new submission was made to PDAC during the half, which included new additional information requested.

SomnoMed remains confident that patients and physicians are looking at OAT as an alternate treatment path for mild and moderate OSA patients.

Asia Pacific

Asia Pacific revenue of \$3.2 million increased +5% (+5% in constant currency) versus pcp. SomnoMed's results were behind expectations for this region, exacerbated by the tightening economy in a non-reimbursed market, which is impacting dentists' business model and the ability of patients to purchase oral appliances.

Outlook

The Company remains optimistic about trading activity levels and the outlook for the second half of FY24. SomnoMed is committed to its technological transformation and its FY24 guidance:

- Revenue growth of at least 12%
- EBITDA³ of at least \$3 million
- CAPEX investment of \$5 million, of which technology innovation spend is expected to be c.\$3 million

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 510k FDA regulatory filing for the Rest Assure® technology in the United States was completed and submitted in October 2023. The submission has been accepted for review and has now progressed to substantive review phase.

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 commercialised 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 860,000 patients in 28 countries. For additional information, visit SomnoMed at <http://www.somnomed.com.au>

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