

ASX Release**Oventus Quarterly Business Review Q3 FY2020****Key highlights:**

- **Oventus successfully trading during COVID-19 pandemic, telehealth extension to Lab in Lab business model operating efficiently**
- **Patient bookings since mid-March, when the gravity of the COVID-19 pandemic started to crystallise for the US and Canada, have now exceeded total February patient bookings**
- **Post quarter end, new agreements signed taking the total number of contracted sites to 45, four additional sites launching in April**
- **Significant cash conservation program put in place with cash outflows reduced by 35% in Q3 FY20 compared to Q2 FY20; CAPEX continues to decrease**
- **Cash balance at the end of the quarter was \$4.26m**

Brisbane, Australia 28 April 2020: Obstructive Sleep Apnoea (OSA) treatment innovator, Oventus Medical Ltd (ASX: OVN) is pleased to announce its Appendix 4C and quarterly business activities review for the three-month period ended 31 March 2020 (Q3 FY2020).

Swift response to COVID-19 operating environment

During the quarter, Oventus took swift action to ensure the safety of its people and adjust operations to enable minimal business disruption in response to COVID-19 pandemic.

A major cost reduction program was implemented, which led to the Company reducing its overall cash outflows for the quarter by 35%. (See Financials section on page 3 for more.)

In late March, the Company announced it had moved quickly to adopt virtual patient management and remote practice management tools that would enable booking and initial screening of patients to continue. Under an Oventus-run telehealth model, patients in the US and Canada are now receiving initial online or phone consultations at which time Oventus undertakes any verification required to have a payer (or insurer) cover device costs.

Patients are being booked in to receive treatment soon as sites are able to safely deliver treatment. In the event that patients cannot attend clinics in any particular region for an extended period, a homecare service has also been launched. Under the homecare service, a clinician will visit the patient's home to obtain the records required for an Oventus O2Vent device which can be produced and delivered directly to the patient.

While patient bookings for scans slowed through March and early April, the conversion rate of bookings for new devices has increased, supported by the implementation of telehealth.

Telehealth consultations are generating scan appointments with booking times being adjusted regionally to correspond with the reopening of businesses across North America.

Strong deal flow and continued patient bookings

Patient bookings since the pandemic took effect in mid-March have now exceeded the last full month of normal operations in February. Patient flow is expected to increase further as regions lift the sheltering orders currently in place.

Previously scheduled Lab in Lab site launches continue to move forward, supported by remote training and implementation. Strong demand remains in place for the Lab in Lab clinical delivery model, with additional contracts continuing to move through the negotiation pipeline.

Post quarter end, a contract expansion was put in place with existing customer, The Center for Sleep and Chronobiology. Under this agreement, The Centre for Sleep and Chronobiology extends the number of sites contracted under the Lab in Lab model with Oventus from 7 to 8, on the same terms as the original agreement with a minimum of 20 device orders per month once fully operational on the same three-year term.

Additionally, a new agreement awarding Oventus with a Primary Vendor Status has been signed with Strong Denture and Snoring Clinics for both supply of O2Vent Optima and clinical support services. Oventus expects the new sites to contribute to revenues from May onwards.

These new agreements take the total number of clinical delivery sites contracted to provide O2Vent Optima devices to patients across the U.S. and Canada to 45 locations.

The Oventus team has been training customers remotely to enable the full launch of four additional Lab in Lab sites, with two locations in Tennessee and two locations in South Carolina.

The Company's deal pipeline continues to grow with a significant "funnel" of sleep facilities in negotiation across North America for the Lab in Lab model. At the time of writing, the annualised Lab in Lab deal funnel was valued at over \$60m.

Financials

The company's cash balance at the end of the quarter was \$4,262,000. Net cash used for operating activities totalled \$2,050,000 for the March quarter, providing the company with over two quarters of funding.

Total spend for the March quarter including capital expenditures was down 35% to \$2,302,000 in comparison to December 2019 total expenditures of \$3,529,000. Payments for operating activities during the March 2020 quarter totalled \$2,141,000, a 22% decrease from

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the December 2019 quarter total of \$2,757,000. Payments to related parties during the March quarter totalled \$84k.

The company's cash position and net spend for the March quarter was also enhanced through the receipt of \$300k in proceeds from sale of a 3D printer, completing the process of fully outsourcing manufacturing and reducing fixed expenses.

Booked revenues for Q3 FY20 were up over 50% to \$160k in comparison with Q2 FY20. Receipts totalled A\$78k for Q3 FY2020 compared to A\$112k recorded in Q2 FY2020 and A\$100k in the previous corresponding quarter Q3 FY2019.

The level of net cash burn moving forward is expected to remain constant due to the combination of Oventus' own cost reduction measures and actions taken to secure access to non-dilutive funding from the Australian and US governments. Applications for further government funding are underway.

New Board Appointment

In February, Oventus appointed US-based specialist healthcare investor, Jake Nunn to the position of Non-Executive Director. Mr Nunn brings extensive experience across US healthcare investment, financial analysis and public company directorships to the role.

For the past 13 years, Mr Nunn has been a partner with New Enterprise Associates (NEA), one of the world's largest and most active venture capital firms, specialised in global healthcare and technology. Prior to that, he was partner with MPM Capital, held portfolio management and analyst roles with Franklin Templeton and GE, amongst others. He now serves as Venture Advisor to NEA and holds a number of board roles with US-listed healthcare businesses.

Outlook

Oventus Founder and CEO, Dr Chris Hart commented, "While COVID-19 has been disruptive to global markets, it has led Oventus to introduce new models and work-flow which are positively impacting our business operations. The telehealth and homecare models are starting to gain traction and will be important to ensuring business continuity.

"We move forward with a robust deal pipeline and substantial opportunity in our contracted and launched sites."

—ENDS—

For further information, please visit our website at www.o2vent.com or contact the individuals outlined below.

Dr Chris Hart, Managing Director and CEO: M: +61 409 647 496 or investors@oventus.com.au

Jane Lowe, IR Department: M: +61 411 117 774 or jane.lowe@irdepartment.com.au

About Oventus – see more at www.o2vent.com

Oventus is a Brisbane-based medical device company that is commercialising a unique treatment platform for sleep apnoea and snoring. The Company has a collaborative Sleep Physician/ Dental strategy that streamlines patients' access to treatment. The Oventus lab model incorporates digital technology via intra oral scanning to achieve operational efficiencies, accuracy and ultimately patient outcomes.

Unlike other oral appliances, Oventus O2Vent devices manage the entire upper airway via a unique and patented built-in airway. O2Vent devices allow for airflow to the back of the mouth while maintaining an oral seal and stable jaw position, bypassing multiple obstructions from the nose, soft palate and tongue. The devices reduce airway collapsibility and manage mouth breathing while keeping the airway stable.

O2Vent devices are designed for any patient that is deemed appropriate for oral appliance therapy, but especially beneficial for the many people that suffer with nasal congestion, obstruction and mouth breathing. The O2Vent allows nasal breathing when the nose is unobstructed, but when obstruction is present, breathing is supplemented via the airway integrated in the appliance.

The ExVent™ is a valve accessory that fits into the open airway of the O2Vent Optima device, to augment traditional oral appliance therapy by stabilizing the airway. The ExVent valve contains air vents that open fully on inhalation for unobstructed airflow. The valve closes on exhalation, directing the air through the vents, creating the mild resistance or airway support required to keep the airway stable (known as PEEP, positive end expiratory pressure).

According to a report published by the Sleep Health Foundation Australia, an estimated 1.5 million Australians suffer with sleep disorders and more than half of these suffer with obstructive sleep apnoea¹.

Continuous positive airway pressure (CPAP) is the most definitive medical therapy for obstructive sleep apnea, however many patients have difficulty tolerating CPAP². Oral appliances have emerged as an alternative to CPAP for obstructive sleep apnea treatment³. The O2Vent Optima and ExVent provide a discreet and comfortable alternative to CPAP for the treatment of OSA.

¹ Deloitte Access Economics. Reawakening Australia: the economic cost of sleep disorders in Australia, 2010. Canberra, Australia.

² Beecroft, et al. Oral continuous positive airway pressure for sleep apnea; effectiveness, patient preference, and adherence. Chest 124:2200–2208, 2003

³ Sutherland et al. Oral appliance treatment for obstructive sleep apnea: An updated Journal of Clinical Sleep Medicine. February 2014.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

OVENTUS MEDICAL LIMITED

ABN

12 608 393 282

Quarter ended ("current quarter")

31 MARCH 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	78	277
1.2 Payments for		
(a) research and development	(108)	(407)
(b) product manufacturing and operating costs	(49)	(173)
(c) advertising and marketing	(335)	(1,349)
(d) leased assets	-	-
(e) staff costs	(1,405)	(4,352)
(f) administration and corporate costs	(244)	(1,318)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	13	32
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	828
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,050)	(6,462)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(93)	(851)
(d) investments	-	-
(e) intellectual property	(53)	(237)
(f) other non-current assets	(15)	(100)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	300	300
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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)	-	-
2.6	Net cash from / (used in) investing activities	139	(888)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	9,344
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(731)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	-	8,613
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,173	2,999
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,050)	(6,462)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	139	(888)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	8,613
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,262	4,262

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	4,262	6,173
5.2	Call deposits	-	-
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)	4,262	6,173

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

84

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Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

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7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

7.5 Unused financing facilities available at quarter end

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- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities**\$A'000**

8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,050)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,262
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	4,262
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	2

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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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.

Date: 28 April 2020



Authorised by: Dr. Chris Hart (Managing Director and CEO)
(By the Board of Directors)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.