



Guidance achieved despite lower second half revenue growth Fully underwritten \$15.5 million Capital Raising

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 preliminary report for the Financial Year (**FY23**) and a further update on the development of its technology-enabled oral sleep appliance, Rest Assure®. SomnoMed is also pleased to announce the launch of a fully underwritten equity raising (**Offer**) through a placement to institutional investors (**Placement**) and a pro rata accelerated non-renounceable entitlement offer (**Entitlement Offer**) to raise gross proceeds of \$15.5m.

Results Overview¹ and Capital Raising

- FY23 revenue of \$83.6 million, up +15% on FY22 (+12% constant currency) and in line with the guidance of +15% growth for FY23. Revenue growth was impacted by a range of issues including increased competition, challenging economic environments and unexpected changes to Medicare reimbursement rules in the US
- Product (MAS) gross margin of 72% (FY22: 70%)
- EBITDA² increased to \$2.1 million (FY22: \$1.3 million), in line with guidance, despite investment in sales & marketing initiatives and the continued development of the connected device technology
- Net cash outflow for the period of \$3.7 million (FY22: net cash outflow of \$4.5 million)
- SomnoMed had available cash of \$12.0 million and drawn debt of \$17.6 million as at 30 June 2023
- Total patients treated worldwide now exceeds 810,000
- SomnoMed is concurrently launching a fully underwritten \$15.5 million capital raising to reduce the Company's balance of drawn debt, drive organic growth and support the continued commercialisation of Rest Assure® moving into FY24

Rest Assure® Update

- The design and development of Rest Assure® continued with the design of the Rest Assure® device and software, including the design history file needed for U.S. Food and Drug Administration (**FDA**) submission, now complete other than one outstanding test report expected mid-September
- The regulatory filings will be submitted by the end of September 2023, and a response is expected to be received within 120 days. Commercialisation in the United States is expected to commence once these approvals have been received. Due to different regulatory classifications with Europe, first sales of Rest Assure® are expected during Q2 FY24
- Management has continued to focus on ensuring technical teams are in place and ready to commercialise Rest Assure® once approvals are granted

¹ All FY23 financial information provided in this announcement is unaudited, and derived from the preliminary FY23 financial results lodged with ASX.

² EBITDA does include AASB16 lease payments, share/option expenses, unrealised forex gain/(loss) and discontinued operations.

Capital raising

The Company has today announced a fully underwritten capital raising of A\$15.5 million, comprising the Entitlement Offer and Placement.

The Entitlement Offer and Placement are expected to result in the issue of approximately 25.8 million new fully paid ordinary shares in SomnoMed (**New Shares**), representing approximately 31.2% of SomnoMed's existing fully paid ordinary shares on issue in total (with the Placement component comprising approximately 5.0% of SomnoMed's existing fully paid ordinary shares on issue and which will be made utilising a portion of the company's ASX Listing Rule 7.1 capacity). Each New Share issued under the Entitlement Offer and Placement will rank equally with existing shares in the Company on issue.

The Entitlement Offer

The Entitlement Offer of approximately A\$13.0 million will consist of a 1 for 3.82 accelerated pro rata non-renounceable entitlement offer of New Shares, and includes:

- An institutional entitlement offer to raise ~ A\$10.5 million (**Institutional Entitlement Offer**) and;
- A retail entitlement offer to raise ~ A\$2.5 million (**Retail Entitlement Offer**).

The Entitlement Offer is fully underwritten by Wilsons Corporate Finance Limited and sub-underwritten by major shareholder, TDM Growth Partners Pty Ltd (**TDM**).

All New Shares in the Entitlement Offer will be issued at a price of A\$0.60 per New Share (**Offer Price**) which represents:

- A 16.9% discount to the theoretical ex-rights price (**TERP**)³ of \$0.722 on 30th August 2023 (the last day of trading before the trading halt); and
- A 21.1% discount to the last closing price at 30th August 2023 of \$0.760 per share.

The Offer Price will be the same as the issue price under the Placement.

Under the Entitlement Offer, eligible shareholders will be able to subscribe for 1 New Share for every 3.82 existing shares held at 7.00pm (Sydney Time) on Monday, 4th September 2023 (**Record Date**) at the Offer Price (**Entitlements**), with fractions rounded up.

The Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable. Shareholders who do not take up their Entitlements will not receive any value for those Entitlements that they do not take up. Shareholders who are not eligible to receive Entitlements will not receive any value for the Entitlements they would have received had they been eligible.

It is expected that approximately 21.7 million New Shares will be issued as part of the Entitlement Offer. New Shares issued under the Entitlement Offer will rank equally with existing SomnoMed shares.

TDM, SomnoMed's largest shareholder with a current shareholding of 26.96% shares on issue, is supportive of the Company's strategy and supportive of the capital raising. TDM has provided an irrevocable commitment to subscribe for 100% of its pro rata share of the Entitlement Offer and has agreed to act as sub-underwriter to the Entitlement Offer. Any shortfall not taken up by SomnoMed's other existing shareholders who are eligible to participate in the Entitlement Offer (and any other sub-underwriters who are appointed) will be allocated to TDM pursuant to its sub-underwriting commitment.

³ TERP is a theoretical price at which SomnoMed shares trade immediately after the ex-date for the Entitlement Offer. TERP is calculated by reference to SomnoMed's closing price of \$0.76 on 30 August 2023. TERP is a theoretical calculation only and the actual price at which SomnoMed shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP.

The participation of TDM in the Entitlement Offer, through the take up of its Entitlement and the allocation of any shortfall shares, may result in its shareholding increasing up to a theoretical maximum of 40.5% if no other shareholder were to participate in the Entitlement Offer.⁴

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer which will take place from today, Thursday, 31st August 2023. Eligible institutional shareholders may opt to take up all, part or none of their Entitlement.

Institutional Entitlements that eligible institutional shareholders do not take up by the close of the Institutional Entitlement Offer, and institutional Entitlements that would otherwise have been offered to ineligible institutional and retail shareholders, will be offered to eligible institutional shareholders who apply for new shares in excess of their Entitlement, as well as to certain other eligible institutional investors who bid into the institutional bookbuild being conducted concurrently with the Institutional Entitlement Offer. Any residual shortfall shares not taken-up by eligible institutional shareholders during the bookbuild process will be allocated to TDM as part of its sub-underwriting commitment.

SomnoMed shares will remain in a trading halt pending completion of the Institutional Entitlement Offer.

Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer, on Thursday, 7 September 2023 and the offer will close at 5.00pm (Sydney Time) on Thursday, 21 September 2023. Retail shareholders will be notified by the Company as to their eligibility to participate in the Retail Entitlement Offer. Eligible shareholders will be sent a letter explaining how to access an information booklet along with a personalised entitlement and acceptance form on Friday, 7 September 2023. The information booklet will provide the details of how to participate in the Retail Entitlement Offer. A copy of the Information Booklet will also be lodged with the ASX on Thursday, 7 September 2023.

Eligible retail shareholders that accept their full Entitlement can apply for additional New Shares through a retail oversubscription facility at the Offer Price, subject to pro-rata scale back in the event of oversubscription. Any shortfall shares not taken-up by eligible retail shareholders will be allocated on a pro rata basis to eligible institutional shareholders who commit to sub-underwrite the Retail Entitlement Offer. Any subsequent shortfall will then be allocated to TDM as sub-underwriter of 'last resort'.

Further details about the Retail Entitlement Offer will be set out in a retail offer booklet, which SomnoMed expects to lodge with the ASX and despatch to eligible shareholders with the accompanying Entitlement and Acceptance Form on Thursday, 7 September 2023. For eligible retail shareholders who wish to take up all or part of their Entitlement, payment must be made via BPAY® or cheque for Australian shareholders by following the instructions set out on the personalised Entitlement and Acceptance Form. Eligible shareholders based in New Zealand who do not have an Australian bank account will be able to pay by bank draft in Australian currency. Payment is due by no later than 5.00pm (Sydney time) on Thursday, 21 September 2023.

Placement

The Placement will comprise an institutional placement of 4.2 million New Shares to raise A\$2.5 million under the Offeror's existing placement capacity under ASX Listing Rule 7.1. The Placement is fully underwritten by Wilsons Corporate Finance Limited. The Placement is not sub-underwritten by TDM.

New Shares issued under the Placement will be issued at the same price as New Shares issued under the Entitlement Offer.

⁴ This assumes there are no investors under the institutional bookbuild, no other sub-underwriting commitments have been obtained and no eligible shareholders take up their Entitlement to New Shares.

Use of proceeds received under the Offer

The funds raised under the Offer are expected to be used as follows:

Use of Funds	
Category	A\$m
Pay down a portion of the Epsilon Direct Lending Facility	5.0
Investment into Rest Assure® initiatives	8.5
<i>Support the continued development and commercialisation of Rest Assure® globally including sales and marketing initiatives</i>	3.0
<i>Investment in Rest Assure® product technology innovation</i>	3.0
<i>Working capital support for Rest Assure® inventory growth</i>	2.5
Invest in driving organic growth	1.5
Subtotal	15.0
Transaction costs	0.5
Total Offer size	15.5

Offer timetable

Event	Date (2023)
Trading halt - Placement and Institutional Entitlement Offer opens	Thursday, 31 August
Placement and Institutional Entitlement Offer closes	Friday, 1 September
Trading halt lifted, trading resumes on an ex-entitlement basis	Monday, 4 September
Record date for the Entitlement Offer	7:00pm (AEST) on Monday, 4 September
Settlement of shares issued under the Placement and Institutional Entitlement Offer	Thursday, 7 September
Retail Entitlement Offer opens, booklet and acceptance forms issued	Thursday, 7 September
Allotment and trading of New Shares issued under the Placement and Institutional Entitlement Offer	Friday, 8 September
Retail Entitlement Offer closes	5:00pm (AEST) on Thursday, 21 September

Settlement of Retail Entitlement Offer

Wednesday, 27 September

Allotment and trading of New Shares issued under the Retail Entitlement Offer

Thursday, 28 September

The above timetable is indicative and subject to variation. SomnoMed reserves the right to alter the timetable at its absolute discretion and without notice, subject to ASX Listing Rules and Corporations Act 2001 (Cth) and other applicable law. All dates and times refer to Sydney time.

Commenting on the results, SomnoMed's Managing Director, Mr Neil Verdal-Austin said: "In a challenging environment, SomnoMed delivered revenue of \$83.6 million in the 2023 financial year, up over 15% on the prior corresponding period and achieved EBITDA⁵ of \$2.1 million. Pleasingly, these financial metrics were in-line with our guidance."

"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."

Additional Details

Further details of the Offer are set out in the Investor Presentation provided to the ASX today (**Investor Presentation**). It contains important information including key risks and foreign selling restrictions with respect to the Placement and the Entitlement Offer as well as a summary of the key terms of the underwriting agreement.

Advisers

Wilson Corporate Finance Limited is acting as sole lead manager and underwriter of the Capital Raising. Gilbert + Tobin is acting as legal adviser to SomnoMed in relation to the Entitlement Offer.

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⁵ EBITDA does include AASB16 lease payments, share/option expenses, unrealised forex gain/(loss) and discontinued operations.

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

31 August 2023

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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 810,000 patients in 28 countries.

For further information, visit SomnoMed at <http://www.somnomed.com.au>

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