

ASX Release

Oventus Quarterly Business Review Q1 FY22 – Update**Key Highlights:**

- **Direct To Consumer marketing drove a 46% increase in active leads to 1,986 compared to the prior quarter**
- **Scheduled new patient consults increased 36% to 735, compared to the prior quarter**
- **Completed telehealth consultations were up 23% to 469 compared to prior quarter**
- **Telehealth patients in the process of receiving a device were up 43% to 243 on prior quarter**
- **Revenue of AU\$221k, in line with prior quarter, as more patients choose the newly available in-network insurance pathway in the US, delaying revenues from those patients**
- **Cash position of \$6.7M as of 30 September 2021**

Brisbane, Australia 28 October 2021: Obstructive Sleep Apnea (OSA) therapeutics company, Oventus Medical Ltd or the Company (ASX: OVN) is pleased to release its Appendix 4C and quarterly business activities review for the three-month period ended 30 September 2021 (Q1 FY2022).

Commenting on the results, Dr. Chris Hart, Managing Director said: “While the COVID pandemic continues to hamper patient volumes for some of our clinical partners in the US, Australia and Canada, it is very pleasing to see our Direct To Consumer (DTC) marketing program achieving positive results. With limited options available to seek in-person consultations, patients with sleep apnea are actively searching for alternate treatment solutions, which is a reflection of our strong lead generation during the quarter.”

Significant growth in leads, telehealth consults and new patients

Booked revenue for Q1 FY22 was \$221,000, in line with the previous quarter. Oventus sold 247 O2Vent Optima devices, down from 310 in the prior quarter. The decrease was primarily due to:

- Key Lab in Lab sites experiencing reduced volumes due to ongoing pandemic implications and end of summer vacations (seasonality); and
- Increased referral rates to our new in-network insurance partners, which accounted for an additional 102 patients. Patients using this pathway of care are subject to longer lead

times between selecting treatment and receiving an O2Vent, due to the additional administrative process required by the US insurance carriers.

Revenue per unit increased due to a positive change in channel mix away from the cost competitive dental market, towards the higher-yielding virtual channels (Virtual Lab in Lab and DTC).

During the quarter, Oventus continued to build out its DTC marketing infrastructure, rolling out new campaigns targeting new patients via online advertising and promotion. To accommodate the increased leads, Oventus also increased its capacity in its telehealth division by adding additional staff and investing in automation processes. Further capacity build-out is planned to complete by calendar year end.

Direct To Consumer Model

Oventus is the first and only manufacturer of sleep apnea oral appliances to provide a seamless, completely virtual patient journey from initial interest to diagnosis and treatment and follow up. Through the Oventus telehealth platform, patients can now receive world-class care and the O2Vent Optima technology solution without ever having to leave the home.

Through the DTC model, patients respond to advertisements or outreach and are directed to an Oventus-owned website. They can ask for more information or register for a telehealth consultation. Once that process is completed, the patient is screened, qualified and ready for care, having selected a method of payment (self-funded or insured) and treatment options. The patient is then referred to one of our clinical partners for care.

Changing Channel Mix

The DTC sales channel has generated positive results in growing the prospective patient pipeline. The number of visits to the O2Vent websites from DTC advertising more than doubled from the prior quarter, up from 118,000 to 247,000. As a result, the number of active leads increased by 46% (QoQ), from 1,355 to 1,986. This provides an early indication of the effectiveness of the DTC campaigns.

Demand for telehealth consultations also increased by 36% over the prior quarter, and the number of new patients ready for care (screened, qualified and ready to move forward) increased by 43% over the prior quarter, from 170 to 243. Although the time to complete the treatment for the US insurance patient is longer, this new channel for patient treatment has had a significant impact on the size and quality of patient pipeline.

Although most of the Company's focus is now on the DTC sales channel, a gradual reopening of Virtual Lab in Lab sites in Canada and unit sales growth in Australia were observed over the prior quarter. Within the US, Oventus has entered into in-network insurance contracts which have delivered a strong increase in conversion rates from people displaying a level of interest

to becoming a patient/customer, because patients now have the added option of using their insurance to pay for some or all of the O2Vent therapy.

While patient access to insurance reimbursement has increased conversion rates, it has also delayed revenue generation by up to two quarters, due to the protracted nature of the reimbursement procedures of the US insurance carriers. Despite the longer lead times to revenue generation, the Company is confident that this new payment option for US patients will generate substantially increased future demand.

The Company's cash balance at the end of the quarter was \$6.7m, providing just over three quarters of cash at current cash-burn rates. The September quarter included some one-off costs associated with DTC and marketing infrastructure development and recruitment of the VP of Finance.

Operational achievements and cost improvements

During the quarter, ongoing investment in patient-centered sales and support infrastructure was partly offset by the continuation of Oventus' cost reduction program and operational efficiency improvements.

Outlook

The transition of patients from clinics and lab-based diagnosis and treatment for sleep apnea has both challenged and revolutionised the industry. Oventus has not only followed patients in this transition, it has also led the industry in providing the best possible combination of treatment outcomes, patient convenience and engagement.

In turn, this has been extremely beneficial to our clinical partners, whether they be physicians or dentists, who can now utilise the Oventus platform to engage with patients in a way most convenient and desired by the patient.

Oventus' main focus is on generating demand and optimising its virtual DTC model. The rapid growth of the sales pipeline is encouraging, and the Company expects to achieve continued growth in leads, improvements in conversion rates, and sales in the coming periods.

A clinical and regulatory update was released on 26 October 2021 and is available here <https://investors.o2vent.com/investors-2-3/asx-announcements/>.

—ENDS—

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

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About Oventus – see more at www.o2vent.com

Oventus is a Brisbane-based medical device company that is commercialising a unique treatment platform for obstructive sleep apnea (OSA) and snoring. The Company has a collaborative Sleep Physician/Dental strategy that streamlines patients' access to treatment.

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

O2Vent Optima 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 Optima 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®¹ 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 apnea².

Continuous positive airway pressure (CPAP) is the most definitive medical therapy for obstructive sleep apnea, however many patients have difficulty tolerating CPAP³. Oral appliances have emerged as an alternative to CPAP for obstructive sleep apnea treatment⁴. The O2Vent Optima and ExVent provide a discreet and comfortable alternative to CPAP for the treatment of OSA.

¹ Not yet cleared for sale in the US.

² Deloitte Access Economics. Reawakening Australia: the economic cost of sleep disorders in Australia, 2010. Canberra, Australia.

³ Beecroft, et al. Oral continuous positive airway pressure for sleep apnea; effectiveness, patient preference, and adherence. Chest 124:2200–2208, 2003

⁴ Sutherland, Kate, et al. "Oral appliance treatment for obstructive sleep apnea: an update." Journal of Clinical Sleep Medicine 10.2 (2014): 215-227.

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")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	236	236
1.2 Payments for		
(a) research and development	(45)	(45)
(b) product manufacturing and operating costs	(125)	(125)
(c) advertising and marketing	(267)	(267)
(d) leased assets	-	-
(e) staff costs	(935)	(935)
(f) administration and corporate costs	(1,072)	(1,072)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,208)	(2,208)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(2)	(2)
(d) investments	-	-
(e) intellectual property	(5)	(5)
(f) other non-current assets	(36)	(36)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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	(43)	(43)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	(171)	(171)
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	Payments for leased assets	(60)	(60)
3.10	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(231)	(231)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,157	9,157
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,208)	(2,208)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(43)	(43)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(231)	(231)
4.5	Effect of movement in exchange rates on cash held	22	22
4.6	Cash and cash equivalents at end of period	6,697	6,697

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	6,697	9,157
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)	6,697	9,157

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	185
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><i>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.</i></p> <p>The amount at 6.1 includes Director fees and salary for the CEO and Managing Director and Director fees (including superannuation) for Non-Executive Directors.</p>		

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


7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
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)	(2,208)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,697
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	6,697
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.03
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 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:	
8.6.2 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:	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

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 October 2021

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.