

ASX Release

Oventus Quarterly Business Review Q3 FY22

Key highlights:

- The Direct to Consumer (DTC) market model reached its first optimisation milestone: delivering growth in active leads with a reduction in advertising spend {20% less than prior quarter}
- The March quarter is the slowest quarter due to seasonality and the US annual health insurance cycle – despite this:
 - New leads increased by 63% over prior quarter, with 6,100 new leads generated
 - Completed telehealth consults increased by 6% over prior quarter, to 1,403
 - Revenue was \$233k, down from the record December quarter as expected, but above the two previous quarters; while cash receipts were \$195k
- Revenue per unit held at record levels: \$1,050 per O2Vent sold

Brisbane, Australia 29 April 2022: Obstructive Sleep Apnea (OSA) therapeutics company, Oventus Medical Ltd (“Oventus” or the “Company”) (ASX: OVN) is pleased to release its quarterly results for the three months ended March 31, 2022.

Direct to Consumer (DTC) marketing model reaches first major milestone

The Oventus DTC marketing platform reached an important milestone in the March quarter. Based on the improvements in automation, customer targeting, and conversion rates, Oventus reduced advertising spend while still growing the number of active leads, completed telehealth consults and patients screened and ready for treatment.

	FY21 Q4 June '21	FY22 Q1 Sept '21	FY22 Q2 Dec '21	FY22 Q3 Mar '22	%Growth (Prior Qtr)
New Active Leads	1,355	1,986	3,734	6,100	+63%
Telehealth Consults Scheduled	507	735	2,413	2,075	-14%
Telehealth Consults Completed	381	469	1,318	1,403	+6%
New Patients Ready for Care	170	243	703	804	+14%

Each of the key metrics in the customer capture model improved, demonstrating the benefits of ongoing optimisation in targeting, messaging, and conversion rates across the entire funnel. Of particular note was the fact that the number of successfully completed telehealth consults increased quarter on quarter, while the number scheduled actually decreased. This means that there were significantly fewer cancellations, no-shows, and patients arriving without the proper information or documentation. This is perhaps the best indicator of model improvements yet.

Notably, active leads increased substantially (+63% on the prior quarter, 4.5x greater than Q4 FY21), indicating positive customer responsiveness to the marketing campaigns and strong interest in pursuing the O2Vent therapy when exposed to the value proposition online.

Also in the quarter, Oventus recorded an increase in completed telehealth consults (+6% over the prior quarter) and the number of screened patients electing to move forward to a medical or dental appointment - the critical next step to treatment. This metric increased by 14% over the prior quarter and has shown steady growth as the DTC model provides Oventus' medical and dental partners an ever-increasing number of pre-qualified customers to evaluate for oral appliance therapy with the O2Vent.

March quarter sales slowed due to US insurance market seasonality

As previously announced, in the second half of 2021 Oventus secured national in-network insurance partnerships with physicians and dentists throughout the United States. These partnerships allow qualified O2Vent customers to use their insurance benefits to pay for all, or part of the patient journey.

Although the opportunity to have insurance pay for all, or part, of the treatment journey is of great advantage to Oventus customers, it also subjected our US generated revenues to the seasonal influences of the US insurance market for the first time.

In the US Sleep Apnea treatment market, the March quarter is a slow period because patient insurance benefits reset at the commencement of the new calendar year, and many patients delay treatment decisions until later in the calendar year when they have used up their out-of-pocket deductible amounts.

Other short-term events also impacted March quarter revenues: there was a temporary backlog in home sleep testing at our partner sites in the US, which has now been cleared, while our lab-in-lab sites continue to recover from the effects of the COVID-19 lockdowns with reduced patient traffic. Given the improvements in the pipeline size and efficiency, Oventus is now preparing to capitalise on the seasonally stronger second half of 2022.

March quarter revenue was \$233k, down from the record December quarter (which was \$334k), with 203 O2Vent units shipped in the quarter. Cash receipts were \$195k. Cash outflows from operating activities was \$2.036m in the quarter, representing a decrease of 1.0% from the prior quarter. As noted in Item 6 of the Appendix 4C Cashflow Statement, included in the loss from ordinary activities was \$187k in related party payments: Director fees and salary for the outgoing CEO and Managing Director (up to 31 January 2022) and Director fees (including superannuation) for Executive and Non-Executive Directors.



Outlook and priorities for FY22

“With the weakest of insurance seasonality period behind us, we are looking forward to executing on our plans and bringing the benefits of the O2Vent therapy to our patients and partners.”

“We can see the pipeline building from our Direct to Consumer marketing and remain focused on converting that pipeline into satisfied O2Vent users over the balance of 2022,” noted John Cox, CEO of Oventus.”

Oventus’ operational focus for the remainder of the fiscal year will be to:

- Increase the scale and efficiency of the DTC customer capture model
- Improve the speed and efficiency of the patient journey via:
 - Systems integration with clinical partners to facilitate smoother patient scheduling and communication
 - Improvements in the telehealth consultation process, to improve conversion rates from “prospective customer” to “patient/customer”
 - Adding additional partnerships to increase patient throughput capacity
- Complete the US ExVent Study and the US FDA requirements for ExVent Clearance to market in the US.
- Reconfigure the Oventus Scientific Advisory Board such that it can begin execution of its “Vision 2025,” program, consisting of scientific, marketing, and operational projects with the end goal of positioning the O2Vent as a “first line” or preferred treatment for Sleep Apnea in its markets

—ENDS—

This announcement is authorised for release by the Oventus Medical Limited Board of Directors.

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

Investors:

John Cox, CEO: M: +1 (949) 444-8532 or investors@oventus.com.au

Media:

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

About Oventus – see more at www.o2vent.com

Oventus Medical’s mission is to be a global leader in the management of sleep-disordered breathing, by providing a seamless patient journey and innovative oral appliance therapies. Oventus’ Obstructive Sleep Apnea (OSA) treatment, called the O2Vent, has been demonstrated to be very effective and more desirable than other treatment options, offering hope for discreet, comfortable and effective relief to millions of people suffering from OSA. Based in Brisbane, Australia and Irvine, California, the Company has extensive clinical data demonstrating that its platform, with integrated airway support, has the potential to be accepted as a preferred first-line therapy for patients with mild to moderate sleep apnea.

O2Vent[®]

In order to become the first choice for patients and clinicians alike, Oventus also makes the process for entering OSA treatment efficient, engaging and convenient. Oventus and its clinical partners have developed a virtual consultation and fitting process that enables patients to receive their custom-fit device and initiate therapy from the comfort of their home, all while maintaining the highest standards of service and patient care. By developing a complete solution, from best-in-class technology to outstanding care, Oventus has raised the bar for Sleep Apnea treatments in a rapidly-growing US\$31B addressable market.

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 2022

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	195	692
1.2 Payments for		
(a) research and development	(232)	(324)
(b) product manufacturing and operating costs	(186)	(507)
(c) advertising and marketing	(183)	(725)
(d) leased assets	-	-
(e) staff costs	(1,319)	(3,395)
(f) administration and corporate costs	(707)	(2,643)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	393	393
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,036)	(6,505)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(11)	(13)
(d) investments	-	-
(e) intellectual property	(23)	(59)
(f) other non-current assets	(27)	(62)

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	-	-
	(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	(61)	(134)

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)
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	(72)	(203)
3.10	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(72)	(374)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,348	9,157
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,036)	(6,505)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(61)	(134)

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)	(72)	(374)
4.5	Effect of movement in exchange rates on cash held	113	148
4.6	Cash and cash equivalents at end of period	2,292	4,349

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	1,292	2,399
5.2	Call deposits	1,000	1,950
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)	2,292	4,349

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	187
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

The amount at 6.1 includes Director fees and salary for the CEO and Managing Director (up to 31 January 2022) and Director fees (including superannuation) for Executive and Non-Executive Directors.

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)	(2,036)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,292
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	4,349
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.13
<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?	
<p>Answer: Yes. The company expects to have the current level of net operating cash flows as it continues to build out its digital platforms and invest in patient marketing campaigns and infrastructure. This investment has resulted in a significant increase in active leads and completed telehealth consultations over the prior quarter allowing the Company to work towards its expansionary and long term goals.</p>	
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?	
<p>Answer: The Board continues to evaluate its capital requirements and options and will update the market of the steps it decides to take. The Board is confident that it will be able to raise additional capital as required.</p>	

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: Yes, The Company expects to continue operations and meet its business objectives on the basis that:

- new active leads and completed telehealth consults continue to increase quarter over quarter, with an increase of 63% in new active leads and an increase of 6% in completed telehealth consults over the prior quarter.
- based on the Company's current plans, the Board expects that new active leads and completed telehealth consults will continue to increase over the coming quarters, ultimately resulting in increased sales and cash receipts.
- it continues to maintain eligibility for non-dilutive funding through the R&D Tax Incentive scheme, Commonwealth and State grants.

Notwithstanding this, the Company will continue to evaluate its capital requirements and options as detailed in Item 8.6.2.

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.

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: 29 April 2022

Authorised by:



Sue MacLeman (Chair)
(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.