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RMD.N - Q4 2020 Resmed Inc Earnings Call

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OVERVIEW:

Co. reported FY20 revenue of \$3b. 4Q20 group revenue was \$770m, non-GAAP net income was \$193m and GAAP diluted EPS was \$1.22.



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PRESENTATION

Operator

Welcome to the Q4 Fiscal Year 2020 ResMed Earnings Conference Call. My name is Cheryl, and I will be your operator for today's call. (Operator Instructions)

Please note that this conference is being recorded. I will now turn the call over to Amy Wakeham, Vice President of Investor Relations and Corporate Communications. Amy, you may begin.

Amy Wakeham - *ResMed Inc. - VP of IR & Corporate Communications*

Great. Thank you, Cheryl. Good afternoon, and good morning, everyone. Welcome to ResMed's Fourth Quarter Fiscal Year 2020 Earnings Call. Thanks for joining us. The call is being webcast live and the replay, along with a copy of the earnings press release and our updated investor presentation, will be available on the Investor Relations section of our corporate website later today.

Joining me on the call today to discuss our quarterly results are CEO, Mick Farrell; and CFO, Brett Sandercock. Other members of management will be available during the Q&A portion of the call.



During today's call, we will discuss some non-GAAP measures. For a reconciliation of the non-GAAP measures, please review the notes to today's earnings press release and earnings presentation.

As a reminder, our discussion today may include forward-looking statements, including, but not limited to, expectations about ResMed's future performance. We believe these statements are based on reasonable assumptions. However, our actual results may differ. You are encouraged to review our SEC filings for a discussion of the risk factors that could cause our actual results to differ materially from any forward-looking statements made today.

With that, I'd like to go ahead and now turn the call over to Mick.

Michael J. Farrell - *ResMed Inc. - CEO & Director*

Thanks, Amy, and thank you to all of our stakeholders for joining us today. During this global pandemic, caused by a novel coronavirus and COVID-19, the disease state it leads to, I hope that you, your family and your friends remain safe and healthy during these times.

Way back in early January, a ResMed employee, a ResMedian in Hubei province, China, put on a hazmat suit and helped set up ventilators to provide the gift of breath to many thousands of people that turned out in that city, while their immune systems fought against the first global cases of COVID-19 that ResMed saw in Wuhan.

Since that time, seven months ago, our global team has provided vital support globally to combat this coronavirus, not just across China, but across Asia, then across Europe, across North America. And now we are just starting to -- preparing to -- actually, we're in the midst of continuing that battle in Latin America in, sub-Saharan Africa and parts of the Middle East and Asia that still have that, what we call, the peak impact ahead of them in terms of hospitalizations and ventilator needs.

So I noted in our call 90 days ago, our Q3 call, that we would do more to support the global community and local healthcare systems with ventilators and ventilation mask systems across the 140 countries that we serve.

During Q4, during this June quarter, we produced around 100,000 invasive and noninvasive ventilators, including bi-level positive pressure ventilators. That brings our cumulative total to over 150,000 ventilators that we produced since the beginning of calendar year 2020.

So we've delivered on our promise to triple our production. And in fact, if you take the period from January 1 to June 30, for 2020, that is a 3.5x increase over the period for 2019, so 3.5x.

For our flagship ventilator, which is the Astral life support ventilator, we reached a peak of over 5x our weekly production rate during the period. And we're still running at full capacity for the Astral to ensure that ResMed is there for, what we call, preservation of life as the coronavirus continues to move around the globe.

I'm particularly proud of the role that our supply chain, our manufacturing, our distribution and our tech services teams have played during this coronavirus crisis, making sure that ResMed device and a complete ventilation system was there at the bedside when someone needed help breathing as their immune system fights against COVID-19.

So looking forward, we have built a sophisticated set of analytic capabilities, including an epidemiology patient model that has helped us model the impacts of both the headwinds and the tailwinds that are part of this COVID-19 crisis. And we have detailed scenarios of the impacts by city, by region, by country and by ResMed business line.

Through all that analysis, I'm happy to say that we're confident in our ResMed ability to execute across the full range of potential scenarios for all of our customers and for all of our global businesses.



The tailwinds for ventilation in the March quarter and the June quarter from both the ventilator devices and the ventilation mask systems are starting to recede. And while we are still working on current and future contracts with hospitals as well as city and national health authorities for these ventilators, the volumes will be significantly lower in the September quarter for these ventilators.

At the same time, the headwinds we experienced, especially in the June quarter, for our sleep apnea and COPD patient flow and patient diagnosis are also receding. So people are starting to return for their primary care physician visits. They're starting to return for their specialist physician visits. And we see the system today growing from its nadir during the last period as we now see city-by-city and country-by-country, the markets are coming back online.

So over the portfolio of 140 countries that we serve, we expect a gradual, sequential, quarter-to-quarter, U-shaped recovery of patient flow to primary care physicians, sleep physicians as well as pulmonary physicians that are treating COPD and asthma throughout fiscal year 2021.

We expect the expansion of home sleep apnea testing to continue. As it did during the crisis, we think it will continue post the crisis. And we also expect a steady sort of sequential increase in sleep lab activity and visits to the pulmonary specialists both in person and through telehealth, which has been expanding rapidly under COVID. Additionally, some very early research into the post-COVID clinical world shows that select patients who have recovered from COVID-19 may have lung damage, and some of them may require long-term ventilator support. This is an additional area for focus for us, but I have to say it's very early days in that area.

In my prepared remarks today, I will provide some insights into our Q4 and our full fiscal year 2020 business performance. I'll also recap our long-term strategy, our ResMed 2025 strategy and some execution highlights against some of our key operating priorities as part of that strategy. Finally, I'll discuss how we are advancing and learning in a post-COVID peak world, including how this pandemic has accelerated three important trends: one, the importance of respiratory medicine; two, the importance of digital health; and three, the importance of outside-hospital healthcare. These are three key elements of our ResMed 2025 strategy that were in play well before the global pandemic. But these are 3 trends that have accelerated during this pandemic, and we think the momentum will continue in a post-COVID world.

So to our business performance. We delivered strong revenue and earnings growth for the fourth quarter and for the full fiscal year 2020. We had year-on-year annual 15% top line revenue growth to \$3 billion in annual revenue for ResMed. Our results reflect strong growth and positive momentum across our innovative medtech portfolio and our market-leading digital health software solutions. We have grown our global market footprint, finding new patients in the midst of a global pandemic, and we have driven growth with recurring revenue from our installed base of sleep apnea patients. While our financial results in March and June have benefited from high demand for ventilation devices and lower operating costs, our underlying core business of sleep apnea, COPD and asthma remains strong and well positioned for long-term growth.

During fiscal year 2020, we generated \$802 million of cash that allowed us to return \$225 million of cash dividends to you, our shareholders, while also investing in our future with a double-digit increase in R&D, including clinical research, both digital and in person as well as design and digital innovation across our sleep apnea, COPD, asthma and our Software as a Service businesses.

We have a full pipeline of innovative solutions that will generate both medium- and long-term growth opportunities, with an industry-leading intellectual property portfolio of over 6,000 patents and designs.

Importantly, we have also seen significant growth in our digital health ecosystem. We now have over 6.5 billion nights of sleep and respiratory medical data in the Air Solutions platform. We have grown connectivity to our digital health ecosystem by over 26% this fiscal year, and we now have over 12 million 100% cloud-connectable medical devices in the market. And we have around 14 million patients enrolled in the AirView software solution.

Our digital health ecosystem is a competitive advantage for ResMed that offers innovative solutions as well as integrated care to drive superior outcomes, better patient experiences and lower healthcare system costs.

Our acquisition and continued investment and development of the Propeller platform has been a digital health accelerant for ResMed.

Our recently announced commercial partnership with Novartis, which I will describe in more detail later during the call, is a great example of this progress with Propeller.

During the last twelve months, we have improved 16 million lives by providing a person with a device or complete mask system to help them breathe. Importantly, the ability to help these patients on their individual journey to better sleep and better breathing is powered by the over 6.5 billion nights of medical data in our ecosystem. These data form a significant competitive advantage as they enable us to perform sophisticated analytics and drive actionable insights to benefit all of our customer groups, including the patients most importantly, but also improving workflows for physicians, for providers, for payers and for full healthcare systems.

Fundamentally, we believe the future of healthcare delivery is outside the hospital. That's where ResMed competes today, and that's where we win today. Globally, there are 936 million people with sleep apnea. There are over 380 million people who suffer from COPD, and there are over 340 million people living with asthma. They all need our help, and they all want that help at home, definitely not in a hospital.

Our SaaS business is 100% focused on out-of-hospital care, leveraging the global trend for seniors to age in place. We think this trend will accelerate in a post-COVID world. ResMed can provide seamless care for our portfolio of out-of-hospital care settings, including home medical equipment, skilled nursing facilities, senior living, life plan communities, home health, hospice as well as home care services.

COVID-19 has accelerated the rapid adoption of digital health technologies, the recognition of the value of remote monitoring, virtual diagnosis and the evolution of global reimbursement models in the field of digital health. This acceleration of digital health adoption represents a significant medium- to long-term tailwind for our business. These 3 trends, the increased importance of respiratory medicine, the increased importance of digital health and the increased importance of out-of-hospital healthcare will help ResMed achieve our goal to improve 250 million lives by 2025.

So on to our operating priorities. We have three operating priorities that guide our daily focus here at ResMed:

Number one is to grow and differentiate our core sleep apnea, COPD and asthma businesses across global markets. With over 1.6 billion people across these three chronic disease states, we know that delivering our innovative solutions to these underpenetrated markets is our clear number one priority.

Our number two priority is to design, develop and deliver world-leading medical devices as well as digital health technology solutions to better engage physicians, providers and payers as well as patients so that we can improve clinical outcomes so we can reduce costs, and we can enhance the patient experience.

Our number three priority is to innovate and grow the world's best seamless software solutions for care that is delivered outside the hospital.

We think ResMed is uniquely positioned to deliver on these three priorities. So I'll quickly walk through some examples of innovation in each of these priorities, and then we'll hand over to Brett and go to Q&A.

In our core market of sleep apnea, we launched, what we call, the ResMed MaskSelector into our U.S. geography. The ResMed MaskSelector is a digital health technology to make remote patient mask selection and sizing both easier and more effective, helping the patient themselves receive the care they need from home. We think that this is the digital solution to help our home medical equipment or HME customers in their challenge to find the right mask for each patient when they can't physically touch them due to physical distancing during COVID-19.

We are providing this solution at no charge during the coronavirus public health emergency. However, we think this technology's efficiency and benefits for both providers and patients will last well beyond the pandemic.

Digital tools like this as well as capabilities, including video support for doctors and their patients as well as remote mask patient fittings, have seen good application during COVID-19. Combined with our mask resupply solutions, including SnapWorx, AllCall, and Brightree ReSupply, we have delivered solid mask growth.



In terms of new patient flow, the COVID lockdowns have had a significant impact on our business. We saw double-digit declines in new sleep apnea patient flow across all markets that experienced lockdowns. Individual cities, regions and countries had unique approaches to any lockdown and reopening processes. For instance, today, in Germany, we stand at more than 85% of pre-COVID sleep lab capacity already up and running. Whereas in China, at the other end of the spectrum, we stand at 50% of pre-COVID diagnostic capacity in that geography. Most of the other 140 countries that we sell into around the world fall somewhere between those two extremes. In big countries like the U.S., it's a story of fifty states with unique models, again, as a spectrum between these boundary conditions. The average in the United States is probably somewhere in that 70% of diagnostic capability but some states will be closer to the 60% range, and some will be closer to the 75% range.

As I stated earlier, we expect a steady, sequential, quarter-by-quarter, sort of U-shaped recovery of the sleep apnea, COPD and asthma patient flow throughout fiscal 2021.

Clearly, a highly effective vaccine or a highly efficacious treatment for COVID-19 could, of course, turn that U-shape into a dramatic V-shaped recovery. However, we are not counting on that. And an event like that remains upside from what we call our expected or likely case scenario.

In terms of execution in our second key disease state of COPD and our ventilation solutions for COPD and other lung conditions, we launched our cloud-based remote monitoring software called AirView for our ventilator solutions in Europe, including the Astral product, the Stellar ventilator and the Lumis ventilator.

Through AirView, clinicians and care providers can now remotely monitor their patient's respiratory rate as well as their blood oxygen saturation. These are two critical indicators for a respiratory patient's condition. We accelerated the delivery of this technology for clear and urgent needs during the pandemic. However, this enhanced AirView capability, providing insights across European ventilation patient populations will provide differentiation for ResMed through the clinical value for physicians and better outcomes for patients in perpetuity.

In terms of execution in our third key disease state of asthma, ResMed has partnered with Novartis to co-package the Propeller solution and digital platform with the new triple-action asthma medication in a brand called Enerzair Breezhaler. This novel combination has been cleared by the European Commission for launch. The Propeller sensor attaches to the new inhaler from Novartis and its new medication where it can collect medication usage data. The app works both as an adherence measure that gives the patient reminders to take their medication, but also as a means of collecting information about the patient's medical condition to help their physician provide even better care to the patient. This is a breakthrough innovation as it is the first time a respiratory medicine has been co-packaged with a digital health platform and co-prescribed.

The benefits of this combination are tremendous for the patient. It's a simple and convenient way to have a fully integrated experience to allow them to better live with their chronic disease, to better live with asthma with no incremental cost to the patient. This brand-new approval is a new-to-the-world technology that will accelerate the adoption of digital health in the respiratory medicine space and will help us identify other innovative opportunities to combine our Propeller tech with medicine delivery.

This new Novartis partnership follows our announcement in May that the Propeller sensor and an app gained 510(k) U.S. 510(k) clearance for use with the SYMBICORT inhaler for both asthma and COPD patients from AstraZeneca. This sensor is built to fit various inhalers and their generic equivalents. Propeller's cloud-based system tracks medication usage of the SYMBICORT from these inhalers through a smartphone app, which patients can use to paint a clearer picture of their disease control for their clinicians.

These new partnerships with both Novartis and AstraZeneca and previously announced collaborations with Orion as well as Boehringer Ingelheim expand the potential reach of Propeller's technology to around 90% of inhaled medicines for both asthma and COPD in the United States.

We believe that this represents a significant upside opportunity for the expansion of the Propeller platform in the U.S. market, but also around the world as the benefits of digital health grow and move around the world.

So before I transition to details of our Software as a Service business, I'd like to recap briefly why the SaaS business is integral to ResMed's long-term strategy to provide seamless transitions between hospital care and post-acute care or as we call it here at ResMed, out-of-hospital care because we don't think you have to go to hospital to get good care outside the hospital.

Our vision is to enable a system where a patient's health data moves with them as they transition care settings, giving providers the information they need to deliver personalized care and saving the person and the caregiver, both time and money. We are focused on leveraging our competitive advantage as the only long-term strategic player with solutions that span across these seven important out-of-hospital healthcare verticals: home medical equipment, skilled nursing facilities, senior living, life plan communities, home health, hospice, as well as home care services.

During the quarter, our Software as a Service business grew 7% compared to the year ago period. We are integrating and optimizing the out-of-hospital SaaS portfolio to support long-term growth. We continue to believe that the long-term weighted average growth of these SaaS verticals that we're in is in the high single digits. The COVID-19 market impact has particularly affected the skilled nursing facility census levels in that vertical that we serve. We believe this impact will continue over the next several quarters, moving the weighted average market growth of these verticals to the mid-single-digit range for our SaaS businesses for that period with a return to high single digits as we start to see other analogous things, such as elective surgeries and hospital discharges return to their normal rates, at which time, we believe that market's weighted average market growth rate will return to the high single digits.

Our goal here at ResMed is always to not just meet but to beat that market growth through delivery of superior market-leading solutions.

Turning to more details of our SaaS business performance during the quarter. We've been pleased with the early impact of SnapWorx technology, which we acquired in February. As we discussed on our last earnings call, SnapWorx provides patient contact management and workflow optimization for sleep apnea resupply for our HME customers. The timing of this acquisition couldn't have been better. With COVID-19, our HME customers have been increasingly focused on resupply and better tech to interact with patients in a no-touch, non-contact world. The combination of SnapWorx as well as AllCall and Brightree ReSupply, and all of these three technologies are under our Brightree brand, they provide the strongest suite of resupply solutions available in the market, period. This technology is important to our customers, to their patients as well as to our internal SaaS business and our core sleep apnea business, driving both patient engagement and better outcomes as well as revenue growth.

In October 2019, we announced that ResMed entered into an agreement with Cerner Corporation to help clinicians make more informed treatment decisions, control costs and deliver seamless care across healthcare systems. We have now integrated our Brightree-branded home health and hospice platform with the Cerner Electronic Health Record or EHR. This partnership is performing above our expectations for both Cerner and for ResMed, and we anticipate opportunities to deepen and expand this collaboration as we continue to work together.

In summary, the SaaS portfolio is performing well and remains an important driver of our digital transformation of healthcare in settings outside the hospital.

The COVID headwinds in the near-term will recede, and we will continue to invest now and in the future in research and development to make sure that ResMed has the best solutions for long-term growth and market leadership.

The future of healthcare delivery is outside the hospital. COVID-19 has accelerated that, and we here at ResMed are well-positioned to capitalize on it.

Our diversified solution portfolio and capabilities are arrayed against a compelling and expanding market opportunity in sleep apnea, COPD, asthma and out-of-hospital SaaS. Through the first seven months of this COVID-19 crisis and this calendar year, we have maintained strong growth through our effective execution, our breakthrough innovation, our recurring revenue businesses as well as margin expansion driven by our global operating excellence programs.

While we look forward to moving COVID-19 into the rear view mirror, there are beneficial trends it has accelerated, which are not passing. Moreover, they're actually persistent and, we believe, impactful. The importance of respiratory medicine, the importance of digital health and the importance of healthcare delivered outside the hospital, those three trends just got accelerated, and they're here to stay. While these macro trends of increased telehealth and increased remote patient monitoring represent short-, medium- and long-term benefits for ResMed's business, more importantly, they represent tailwinds for significant improvement on the most critical patient metrics: improving clinical outcomes for the patient's chronic disease and enhancing levels of patient satisfaction for that ultimate customer: the person who just wants to sleep better, breathe better and live with a better quality of life.

So before I hand the call over to Brett for his remarks, I want to express my personal gratitude to the 7,500 ResMedians around the world. In an unprecedented fiscal year, you have remained focused on creating value in our core markets and honoring commitments to patients through COVID-19. You helped us pivot and produce 150,000 life-saving ventilators to help people breathe in 140 countries worldwide. Without our team, our current and future success would not be possible. So thank you to all of you.

With that, I'll hand the call over to Brett in Sydney, and then we'll open up for Q&A.

Brett, over to you.

Brett A. Sandercock - ResMed Inc. - CFO

Right. Thanks, Mick. In my remarks today, I will provide an overview of our results for the fourth quarter fiscal year 2020 and some remarks on our Q1 FY '21 outlook.

As Mick noted, we had a strong quarter. Group revenue for the June quarter was \$770 million, an increase of 9% over the prior year quarter. In constant currency terms, revenue increased by 10% compared to the prior year quarter.

Revenues for the fourth quarter were favorably impacted by significant sales of ventilator devices and accessories, partially offset by declines in our sleep business. We estimate that the incremental net revenue benefit from COVID-19 related impacts was in the order of \$20 million, reflecting estimated incremental ventilator and related accessory revenue of \$125 million, partially offset by an estimated \$105 million impact on our sleep revenue relative to our pre-COVID forecasts.

Taking a closer look at our geographic distribution and excluding revenue from our Software as a Service business, our sales in U.S., Canada and Latin America countries were \$401 million, an increase of 4% over the prior year quarter. Sales in Europe, Asia and other markets totaled \$278 million, an increase of 19% over the prior year quarter and an increase of 22% in constant currency terms.

By product segment, U.S., Canada and Latin America device sales were \$206 million, an increase of 1% over the prior year quarter. Masks and other sales were \$195 million, an increase of 7% over the prior year quarter. In Europe, Asia and other markets, device sales totaled \$206 million, an increase of 32% over the prior year quarter or in constant currency terms, a 35% increase.

Masks and other sales in Europe, Asia and other markets were \$73 million, a decrease of 8% over the prior year quarter, while in constant currency terms, a 6% decrease.

Globally, in constant currency terms, device sales increased by 16%, while masks and other sales increased by 3% over the prior year quarter. Software as a Service revenue for the fourth quarter was \$91 million, an increase of 7% over the prior year quarter. On a non-GAAP basis, SaaS revenue increased by 6%.

During my commentary today, I will be referring to non-GAAP numbers. The non-GAAP measures adjust for the impact of amortization of acquired intangibles, the purchase accounting fair value adjustment to MatrixCare deferred revenue, restructuring expenses and litigation settlement expenses. We have provided a full reconciliation of the non-GAAP to GAAP numbers in our fourth quarter earnings press release.

Our non-GAAP gross margin improved by 60 basis points to 59.9% in the June quarter compared to 59.3% in the same quarter last year. The increase is predominantly attributable to favorable product mix, partially offset by increased cost in logistics, component parts and manufacturing. These cost increases largely reflect the impact of COVID-19 and our rapid ramp-up of ventilator production. In particular, we incurred significantly higher in-bound and out-bound air freight costs during the quarter reflecting both higher volumes and significantly higher rates. We are rebalancing air freight and sea freight volumes but in the near term, we expect to see elevated freight costs continuing into Q1 FY '21.

Moving on to operating expenses. Our SG&A expenses for the fourth quarter were \$165 million, a decrease of 4% over the prior year quarter, or in constant currency terms, SG&A expenses were consistent with the prior year. SG&A expenses as a percentage of revenue improved to 21.5%

compared to 24.3% we reported in the prior year quarter, benefiting from cost management and reduced travel as we work through the uncertain COVID-19 environment.

Looking forward, we expect SG&A expenses to increase in the low single digits relative to the year ago period. R&D expenses for the quarter were \$53 million, an increase of 3% over the prior year quarter or on a constant currency basis, an increase of 4%.

R&D expenses as a percentage of revenue were 6.8% compared to 7.3% in the prior year. We continue to prioritize investments in innovation because we believe our long-term commitment to technology and product development will deliver a sustained competitive advantage.

Looking forward, we expect R&D expenses to continue to grow in the high single digits to low double digits, reflecting our commitment to innovation through the economic cycles.

Total amortization of acquired intangibles was \$20 million for the quarter, a decrease of 14% over the prior year quarter, reflecting historical intangible assets becoming fully amortized during the quarter.

Stock-based compensation expense for the quarter was \$16 million. Non-GAAP operating profit for the quarter was \$243 million, an increase of 24% over the prior year quarter, reflecting strong top line growth, expansion of gross margin and well-managed operating expenses.

On a GAAP basis, our effective tax rate for the June quarter was 16.2%, while on a non-GAAP basis, our effective tax rate for the quarter was 16.8%.

Looking forward, we estimate our effective tax rate for fiscal year 2021 will be in the range of 17% to 19%.

Non-GAAP net income for the quarter was \$193 million, an increase of 40% over the prior year quarter. Non-GAAP diluted earnings per share for the quarter were \$1.33, an increase of 40% over the prior year quarter. Our GAAP diluted earnings per share for the quarter were \$1.22.

Cash flow from operations for the fourth quarter was \$330 million, reflecting robust underlying earnings and working capital management. Capital expenditure for the quarter was \$18 million. Depreciation and amortization for the June quarter totaled \$39 million.

During the quarter, we also paid dividends of \$56 million.

We recorded equity losses of \$6 million in our income statement in the June quarter associated with the Verily joint venture. We expect to record equity losses of approximately \$15 million for the full fiscal year 2021 associated with the joint venture operation. We ended the fourth quarter with a cash balance of \$463 million, having generated \$330 million in operating cash flow during the fourth quarter and \$802 million during our fiscal year 2020.

At June 30, we had \$1.2 billion in gross debt and \$717 million in net debt. Our debt levels remained modest. And at June 30, we had just under \$1.1 billion available for drawdown under our existing revolver facility.

In summary, our liquidity position remains strong. However, I also want to highlight that in these times of uncertainty, we are maintaining a disciplined approach and we are tightly managing expenses, cash flow and liquidity.

Today, our Board of Directors declared a quarterly dividend of \$0.39 per share, reflecting the Board's confidence in our strong liquidity position and operating performance.

Finally, to recap on Q4 results, our earnings this quarter were very strong, reflecting significant demand for ventilators underpinning revenue growth and expansion in our gross margin and lower operating expenses.

Turning now to our first quarter FY '21 outlook. At a high level, we expect to see continued demand for ventilators, but at a significantly lower level compared to Q4 FY '20. Additionally, we expect to see a continued headwind for sleep device sales in Q1 in response to the temporary reduction



in the diagnosis of new patients. Masks and accessories have continued to demonstrate resilience over the past three months, which reflects the insulating value of the large patient installed base.

Consistent with these remarks, for the first month of Q1 FY '21, we recorded group revenue growth in the low single digits. However, like many other companies, we are experiencing pervasive uncertainty in the current environment, and as a result, our forecast and possible future revenue outcomes remain dynamic.

And with that, I will hand the call back to Amy.

Amy Wakeham - ResMed Inc. - VP of IR & Corporate Communications

Great. Thanks, Brett. We'll now turn to the Q&A portion of the call.

(Operator Instructions) Cheryl, we'll now -- we are now ready to start the Q&A portion.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Your first question comes from Saul Hadassin of UBS.

Saul Hadassin - UBS Investment Bank, Research Division - Executive Director & Research Analyst

Just a question from me. Mick, just some color around the rest of the world growth rate, the disparity between device sales at a very strong 35% but masks at negative 6%. Can you just talk to ventilation, and how that impacted there and whether there was anything else to read into that mask growth rate, please?

Michael J. Farrell - ResMed Inc. - CEO & Director

Yes, Saul, thanks for the question. And yes, clearly, in our Europe -- and that is Europe, Asia and rest of world. So it's the whole world apart from the U.S., Canada and Latin America. Yes, clearly, incredibly strong year-on-year growth in the devices side, primarily driven on the upside by the ventilator sales. And so these were -- we've had talked about contracts with national governments in the U.K., France, Germany, for ventilator sales that were delivered during that June quarter and others around Asia and rest of world.

So that's been the sort of this tailwind, if you like, from COVID-19. And the headwinds were pretty dramatic shutdowns that you saw certainly in Western Europe and most parts of Southeast Asia, including China, which is still at 50% of its sleep capacity today, and that severely slowed down first time setup of patients. But in those geographies, the sort of resupply technology that I talked about in the prepared remarks like SnapWorx and AllCall and Brightree ReSupply. Those are all U.S.-based technologies, and we really haven't put those technologies into play in those European markets. There's an opportunity to do that in the future, but they are not there, and they don't have the same resiliency around those mask sales. So that's sort of -- it's almost like a tale of two markets, if you like, on the devices versus masks during that Q4 for Europe, Asia and rest of world.

Operator

Your next question is from Andrew Goodsall of MST Marquee.

Andrew Goodsall - *MST Marquee - Healthcare analyst*

Just trying to understand the sequencing, I guess, across the next few quarters. Just as you sort of see the decline in vents and your regular CPAP business returning, I know you've talked to this, but just any sort of metrics. I know where -- anything around production or anything like that, that might give us a bit of a sense of sort of how that's going to sequence over the next few quarters?

Michael J. Farrell - *ResMed Inc. - CEO & Director*

Yes, Andrew. This is a question that macroeconomists around the world are working on in every industry, when are we going to see -- as these lockdowns turn to openings and every city, every country that we are operating in has different metrics on how fast they're opening and where they're opening. Some never closed, like Sweden, some are opening really well, like Germany, and some are going to second phase shutdowns like China. And so the best we can see, as we model it, and we've got a lot of scenarios for the next fiscal year, but the best we can see is across that portfolio of 140 countries, we see a sequential sort of U-shaped recovery, where we start with Q1, and then we build up to Q2, Q3, Q4 through the fiscal year as we start to see these re-openings happen.

We're going to expect second waves and third waves and fourth waves, and those sort of W's within a particular city or a particular state, but across the country level and certainly at the 140-country portfolio level, we expect that to be a U-shaped recovery in a likely case throughout the fiscal year. And so it will sort of turn to a world where we look at sequential growth from Q1 to Q2 and then from Q2 to Q3 and Q3 to Q4. And that's how we're sort of modeling the recovery of our sleep apnea, our COPD and our asthma patient flow, and therefore, that part of our business. There will be resiliency in the mask resupply, particularly in the U.S. geography and some other buffers that we have around our SaaS business, but that's sort of how we're looking at it on a macro basis.

Andrew Goodsall - *MST Marquee - Healthcare analyst*

Would you expect return to normal by FY '22 or close to normal?

Michael J. Farrell - *ResMed Inc. - CEO & Director*

Yes. And that, again, Andrew, I would be a great macroeconomist working for a large multinational bank to make a prediction like this, and they're often wrong when they make those predictions. I think it's very difficult to say when exactly we'll be back to the pre-COVID times. I did see a presentation from a global bank economist who talked about a 12-month -- a 24-month return to normal-type period, very difficult to know.

Healthcare, we are more resilient. People, as opposed to going to retail to get a new automobile or a new sound system or a new home repair, they are going to their primary care physicians and their elective surgeries much quicker. And you can look on those two metrics, which are pretty well-published in the major geographies, for PCP visits, GP visits and for elective surgeries and hospital visits, and we're starting to see those metrics tick up on a week-to-week basis. And so they are the types of analogs that we're watching and looking at, and then all the other parts come into play. Obviously, there's the upside, as I talked about in the prepped remarks, if there's an effective vaccine or an effective treatment for COVID-19, all bets are off, this goes to a V-shape recovery in the markets as they get that vaccine or treatment. But we've got a likely expected case of a U throughout the fiscal year and then get back to that normal in that sort of 12-, 24-month time period.

Operator

Your next question is from Margaret Kaczor of William Blair.



Brandon Vazquez - *William Blair & Company L.L.C., Research Division - Associate*

This is actually Brandon on for Margaret. I just wanted to go back to the vents really quick. You had mentioned that you manufactured another 100,000 vents that could be used within the hospital. Have you sold most of these or any of these? And is this kind of a similar situation with the prior 50,000 that they are maybe lined up for contracts already that could be recognized in the next quarter? And I'm just -- part of that is just trying to understand where vent demand is going to end up, especially since you had mentioned that Astral is still being made at full capacity, but you're expecting a steep drop-off in the next quarter?

Michael J. Farrell - *ResMed Inc. - CEO & Director*

Yes, Brandon, thanks for the question. Yes, certainly, we're very proud of the 150,000 ventilators that we made during the first half of the calendar year, the second half of our fiscal year. As you know, that's a very small percentage of compared to the sleep apnea devices, which are more in the sort of 2 million, 2.5 million on an annualized basis, devices that we make across the CPAPs, APAPs and the sleep apnea bi-levels. But look, we did obviously sell, as we talked about, and Brett talked about in his remarks, we had an extra \$35 million of sales in the March quarter, our Q3 from ventilator, ventilator masks, and we had an extra \$125 million in ventilator and ventilator mask sales in the fourth quarter. And we're not going to predict exactly what that will be here in the September quarter. We are working on hospital, state and national bidding processes, but I can tell you that the volume of bidding and the volume of processes and the sort of expected likely case of that is significantly lower here in the September quarter for that.

So that demand has gone down a lot. I mean, it's ironic in some ways because the populations of the regions that are now impacted, Brazil, India, Pakistan, Malaysia, Indonesia, you add up these countries and you start to get to the billions of people, I would like to see demand significantly higher because I think humanitarian-wise, we are going to need more ventilators. We have the production ready, and we are working on contracts where they're there, but we can't sell to someone who won't buy. And so as best we can see, there's going to be a pretty significant drop off here in the September quarter on the ventilators, but at the same time, that means that the economies are opening up on the other side for our sleep business, and we start to get that sequential growth back along those lines.

Brett, maybe you want to add some more color on that?

Brett A. Sandercock - *ResMed Inc. - CFO*

I mean, the only thing I'd add, Mick, is there would be -- yes, consistent with last quarter, there is a portion of that production that remains in inventory at June 30, so that's certainly the case. Well, as Mick said Astral-- Astral, we're still producing still fairly tight, and I think we'll continue to do that for the next little while.

Operator

Your next question comes from John Deakin-Bell of Citi.

John Deakin-Bell - *Citigroup Inc., Research Division - Director and Head of Healthcare in Australia & New Zealand*

My question was just trying to understand the, again, just the shape of the recovery and perhaps look at Europe, and macro-wise, it looks like some of the European countries have started to recover a little earlier than the U.S. Have you seen anything that could guide you to how the U.S. might come out of this in Germany or in France, any other countries that you have big businesses in?



Michael J. Farrell - ResMed Inc. - CEO & Director

Yes. John, it's a great question. And actually, we are looking at Germany as sort of a model of not only how to have dealt with the crisis, that country did a really good job of preparing early. They got their ventilator orders in early, and they had -- they never reached peak capacity in any of the major regions, cities or hospitals. And now as they recover, as I said in the prepared remarks, they're north of 85% of the sleep lab capacity. They were behind the curve in Germany on home sleep apnea testing, but it really -- they sort of had a leap forward on that. And I think that will move from -- it was maybe 5% or 10% of the diagnoses in Germany pre-COVID, I think that will move to a solid double-digit number post-COVID. But Germany is a great model for the recovery. And it's a country right next door there, in France, had excellent home sleep apnea testing pre-COVID. And so I think the recovery will be quite swift in France as well. You can almost look -- you're asking for the analogy to the United States, take those two countries as different regions within the U.S.: Germany could be analogous to some of the states in the U.S., like mostly in the Midwest, where there's a lot of sleep apnea tests done in a sleep apnea lab. And I think that will take a longer time to get to capacity just because of all the restrictions around COVID, the cleaning, the deep cleaning and just people's psychology about turning up to a sleep lab and staying overnight, versus some states, maybe like California or Massachusetts or Florida, where home sleep apnea testing was more prevalent. Those not only had less of a dip during the crisis because they were able to move their patient flow to home sleep apnea test. We think they may recover faster in the patient volumes in those areas.

And so we certainly are looking at those analogs, and certainly, we're sharing learning internally here at ResMed. From our Germany team, the CEO of Germany, Katrin Pucknat, she's a member of my global CEO operations team, so her best practices of what they're doing there are brought to the global team. And Jim Hollingshead and the team on the Sleep & Respiratory Care side, and then driving that through our U.S. market with our great commercial team we have here in the U.S. and beyond. And so I'm quite confident that we're going to see a sequential quarter-to-quarter recovery throughout the fiscal year.

I think we've reached the nadir here in Q4 of a flow of patients globally and within our major geographies, and we're going to pick those up every quarter as we go through. I do think there's going to be second or first waves impacting Latin America and Africa and so on, and I do hope that we are able to secure some good ventilator sales into there for now because they will need them on a humanitarian basis, but then they will recover a little later in those geographies. But yes, I'm pretty comfortable of our plan, a likely case scenario of a steady sequential recovery. Q1, Q2, Q3, Q4 throughout the fiscal year, assuming no vaccine, no treatment. If those happen, it could be a significant one where you start talking about year-on-year numbers again versus quarter-on-quarter numbers.

Operator

Your next question comes from David Bailey of Macquarie.

David Bailey - Macquarie Research - Research Analyst

Just had a question in relation to the U.S., in particular, on that commentary around sleep lab capacity, sort of talking to about 70% at the moment. I'm just interested in where you think that might have gotten to on an average basis over the year, over the June quarter, and then perhaps any commentary you might be able to provide over the phasing over the quarter in the -- was April the trough and then you've been improving towards June? Just any commentary you can provide there would be appreciated.

Michael J. Farrell - ResMed Inc. - CEO & Director

Yes. David, it's a really good question, and we actually have some good information around that because we have both the sort of digital end-to-end play on the sleep apnea market where we have ApneaLink Air, which is cloud-connected home sleep apnea testing, all the way through to the -- obviously, the Air Solutions platform with the AirSense devices that are 100% cloud-connectable as well, so we see the activation rates on that weekly basis. And you picked it, we have seen during the quarter, sort of that nadir in that sort of late April, early May time frame, and that we've started to see weekly increases from that nadir.

You see it in the public data around primary care physician visits and elective surgeries picking up, and we also see it, and without quantifying it because that's sort of pretty proprietary data for ResMed, I can certainly say qualitatively to your question that after that nadir in late April, early May, we have seen week-to-week increases in home sleep apnea testers, but also in the activation, really importantly, as the market leader in market share for sleep apnea devices, we're seeing activations increase from that nadir point on a weekly basis. And so -- and we have it by geography, and you can see if that state did this or that city did that, you can see little W shapes in some of those. But over the aggregate, we're seeing that sort of steady U-shape recovery, even down to that granular level during the quarter, and that's what gives us the confidence as we project forward into a lot of uncertainty. In COVID times 52 weeks seems like a lot of uncertainty that we think there will be that steady across the portfolio, steady U-shape recovery. But I think that's the most color I can provide you there, David.

Operator

Your next question is from David Low of JPMorgan.

David A. Low - JPMorgan Chase & Co, Research Division - Research Analyst

Mick, if I could keep on the same topic. I mean you're talking about a U-shape recovery. Just to be really clear and simple here. We're at the bottom of that U. So effectively, the first couple of quarters, you'd expect pretty low growth, not so dissimilar to what Brett talked about in terms of the low single digit growth you've seen in July. Is that what you're saying?

Michael J. Farrell - ResMed Inc. - CEO & Director

Yes, exactly, David. That's exactly how I'd interpret the sort of classic U. So thank you for clarifying that. You can have a question as well, if you like.

David A. Low - JPMorgan Chase & Co, Research Division - Research Analyst

Thanks. Mick, I never want to ask to. I get in so much trouble, but I will take you up on that. The decline that you saw in CPAP or in devices, you talked about a double-digit decline. I think we had Adapt yesterday talk about a 30% drop in new patient setup, so I was just wondering if I could get or draw you a little bit on so what level of decline you've seen.

Michael J. Farrell - ResMed Inc. - CEO & Director

Yes. So look, that company you mentioned is particularly a U.S.-focused company, and so that's a pretty good analog for the double-digit decline that happened in -- starts for the U.S. geography, that's sort of 30%. So 70% before and then picking up from that nadir. As an average across the country, it would have been lower in some states that had tighter lockdowns and more sleep lab focus and less than that in some of the more liberal, in terms of opening states.

And -- but then when you look across the 140 countries, you really got to say, okay, well, every country treated this differently, but Germany already being up to 85% of pre-COVID, their dip wasn't that low. I don't think they got below 75% because they were able to pivot to sleep apnea testing pretty quickly. And as you know, we're vertically integrated in that market and have great visibility. China had a very steep drop. The government there, it was very strict in their lockdown, and that went down very high double digits and has now got back up to 50% of pre-COVID towards the end of June.

And so it's almost like -- and we have -- you could model every of the 140 countries by region, by city and then look at a sort of computational basis of this, but it gives us confidence with that detail of the last 180 days of how this has gone to project for the next 360. But yes, look, for the U.S. that sort of nadir in the high 60s and leaving -- maybe an average around the 70% for the quarter, but leaving at rates higher than that is sort of where we're at for that geography.



Operator

Your next question is from Hashan De Silva of CLSA.

Hashan De Silva - *CLSA Limited, Research Division - Research Analyst*

I'm just wanting to get some color on ventilator pricing over 4Q. Was it -- how much of a benefit was related to pricing over 4Q? And what do you expect the pricing to do coming into the first quarter?

Michael J. Farrell - *ResMed Inc. - CEO & Director*

Thanks, Hashan. Great question. I'll hand that to Rob Douglas, our COO.

Robert A. Douglas - *ResMed Inc. - President & COO*

Thanks, Hashan. We previously talked, we actually had a policy of not trying to lift prices around this. mainly because of the whole ethics around it and making sure we were getting the ventilators in the right people's hands at the right prices, and so, we actually kept our pricing very steady through it and did slow some increased logistics costs and things like that, that Brett was talking about. And we also made sure we were selling ventilators to people who had needed them immediately and were going to be using them, so we weren't selling into stockpiles. So you can see we had a pretty moderate approach to it, and we think it's absolutely the right approach.

Obviously, the ventilators are a higher-priced item compared to our sleep devices, and so there was some sort of mix shift effect in our overall results but we were very steady, and our team was totally committed to making sure that we're looking after patients as a priority.

Operator

Your next question is from Gretel Janu of Crédit Suisse.

Gretel Janu - *Crédit Suisse AG, Research Division - Research Analyst*

Just on the gross margin, just -- I was wondering if you could give a bit more color on the outlook for that going forward? You'll have a lot of proportion of ventilators, the negative mix shift. And then with the increased kind of costing component, should we actually expect a weaker gross margin into the first quarter of '21? Just any color you can give on that.

Michael J. Farrell - *ResMed Inc. - CEO & Director*

Brett, do you want to take that?

Brett A. Sandercock - *ResMed Inc. - CFO*

Sure, sure, Mick. Yes, I mean, as you know and you've covered a few of those moving parts in the gross margin, and it's probably heightened uncertainty at the moment with COVID-19 and where those impacts will land. We are seeing some elevated costs rolling through. And some of those, I think, on freight will continue for a little while or we are actively trying to mitigate that. But I think -- I wouldn't get drawn into specific guidance, but I think you have to say -- you'd have to say that it's probably not likely that we had -- we'd see gross margin expansion in the short term.



Operator

Next question is from Suraj Kalia of Oppenheimer.

Suraj Kalia - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

Can you hear me all right?

Michael J. Farrell - *ResMed Inc. - CEO & Director*

Yes. I've got you loud and clear, Suraj.

Suraj Kalia - *Oppenheimer & Co. Inc., Research Division - MD & Senior Analyst*

So Mick, I heard the \$125 million contribution from ventilator sales in the quarter, forgive me, I was just hopping in between calls. Can you give us the growth between North America and rest of the world in devices when you split out ventilators?

Michael J. Farrell - *ResMed Inc. - CEO & Director*

Suraj, that's a great question, but it gets into a level of detail that we don't want to share for competitive reasons. But look, I can give some color around it. The \$125 million in ventilator sales were to -- the countries that -- during that last 90 days, you've seen through the media and other contacts had the biggest impacts from COVID-19. So I think publicly, we've talked about a contract with the U.S. government and FEMA, a \$32 million public contract for 2,500 or so Astral devices, and then we had some public contracts with other countries, the U.K. National Health Service, Germany, France, Japan and Australia and some that I think we've talked about in various media areas. But just given the nature of sort of the competitive dynamics, but then also some of the hospital systems and nations like to choose to publicize to their own populations, those numbers at their own rate. I don't want to go into any further detail on that but I appreciate the question, Suraj, and just know that one thing that really made us proud is that \$125 million of ventilator sales save lives. And there are tens of thousands of people who wouldn't have been breathing with COVID-19 that were and if their immune system was able to beat this little protein virus when it gets in the body, they lived, and we think that was a great benefit for those countries and for those individual people and their families.

Operator

Your next question is from Steve Wheen of Evans & Partners.

Steven David Wheen - *Evans & Partners Pty. Ltd., Research Division - Executive Director of Healthcare*

I just had one clarification and then my question. The clarification was just with regards to the one month sales figure that Brett mentioned, being in the low single digits, can you just give us an indication as to how much -- whether that's just pure Sleep or whether it includes ventilators? And then my question, really, I wanted to add to this was with regards to competitive bidding. There's been a regard action, I guess, to try and delay the implementation. I just wondered if you had any thoughts or likelihood of that actually happening?

Michael J. Farrell - *ResMed Inc. - CEO & Director*

Great questions, Steve. So I'll -- Brett, if you address the first part from the clarification, then we'll have Dave talk to competitive bidding.

Brett A. Sandercock - *ResMed Inc. - CFO*

Yes. To clarify that July group -- that's group revenue, Steve, on that, so that's everything, that's the entire company.

David B. Pendarvis - *ResMed Inc. - Chief Administrative Officer, Global General Counsel & Secretary*

And with regard to your question on competitive bidding, Steve, I mean, we certainly support a delay. We were very pleased to see that just earlier this week, I believe, a letter went over from over 100 members of the House and Senate urging the administration and CMS to delay competitive bidding. We've been working with other industry participants to try to advance that perspective. Obviously, there's a lot going on, and we don't get feedback from them as to whether it's likely or not, so we just have to wait and see with everyone else, but we certainly would support that. Having said that, we'll do what we can to support our customers whenever competitive bidding does come out. So fingers crossed on that.

Operator

Your next question is from Anthony Petrone of Jefferies.

Anthony Charles Petrone - *Jefferies LLC, Research Division - Healthcare Analyst*

Maybe just one question as it relates to core sleep between resupply and vents. I'm assuming the comments are mostly on new patient starts, but maybe just a quick update on resupply, and as we move into an extended first wave, do you expect that to sort of benefit as we saw early on in the pandemic? And then a quick follow-up on comping would just be the "rural rule". I know there's a push to delay that as well, H.R.2771, so just an update on where the roll in of rural rates for comp in exist.

Michael J. Farrell - *ResMed Inc. - CEO & Director*

Thanks, Anthony. I'll have a go at the first part of your question, and then Dave can have a go at the second part. In terms of the numbers I was talking about, so the double-digit declines and then coming up from those nadir during April, May, June and then what we expect during the year, that was about patient flow, sleep apnea diagnosis, COPD patient diagnosis and coming through the channel. So directly proportional to, if you like, first-time setup of a sleep device and first-time setup of a mask system.

As you know, Anthony, you've followed us for a number of years. We've got a very resilient group of patients who love their great sleep and love their great breathing, and they are on resupply programs, either directly to retail, in Australia, Singapore or U.K. or through home care programs in Europe or direct HME programs in the U.S., and those -- we saw a very good resupply rates in the March quarter, and as we just talked about, saw a very good resupply rates in the June quarter. We expect those strong resupply rates to continue through September, December and onwards. This is an ongoing resupply rate that really will be there.

Obviously, first time mask setups are impacted by those numbers I was talking about in the modeling, but resupply numbers have been not only equal to the year before, but sometimes a little better. And we think there's some secular change there around the importance of respiratory medicine, the importance of respiratory health, and people just wanting clean masks, clean tubing and clean humidifiers that their insurance will pay for and then they can pay the co-pay for, or out-of-pocket for themselves, people are paying for those. And so we think that's sort of secular change there will be giving us a pretty resilient resupply throughout fiscal '21 and beyond. Dave, do you want to have a go at the second part of the question about CB?

David B. Pendarvis - ResMed Inc. - Chief Administrative Officer, Global General Counsel & Secretary

Sure. Thanks, Mick. Thanks for the question, Anthony. So with regard to the bill itself, 2771, it remains introduced in the House. It hasn't seen a companion legislation get introduced to the Senate. Obviously, the U.S. government is preoccupied with a lot of other things that are -- that they're working on now, particularly trying to extend the aid. There probably will be some Medicare relief packages down the road, but we think it's an important show of the will of Congress and sort of the sense of Congress that there ought to be relief in the rural areas. We were pleased to see that CMS has put a rule forward to advance telemedicine and telehealth reimbursement beyond the pandemic. And so they're certainly listening to patients and providers, and to Congress. We'd hope that they would listen to this and that CMS would be able to enact some relief. And it's always hazardous to predict the U.S. legislation.

So we certainly continue to support it. Many of the same congressional offices that supported 2771 were writing letters that I mentioned earlier about delaying competitive bidding, so we think that's a strong vote, and we'd certainly continue to support it, but can't really predict what form, if any, relief will ultimately be granted.

Operator

Your next question is from Matthew Mishan of KeyBanc.

Matthew Ian Mishan - KeyBanc Capital Markets Inc., Research Division - VP and Senior Equity Research Analyst

Mick, congratulations on moving to the next stages of Propeller Health. Can you give us a sense of the commercial model that you settled on? And how should we think about the revenue ramp from here?

Michael J. Farrell - ResMed Inc. - CEO & Director

Yes. Matt, it's a great question, and look, what I'll give is the generic revenue model of how we at Propeller, through David Van Sickle, who's the CEO of Propeller and his commercial team globally, sort of the revenue models that they follow without giving any, obviously, details of any particular customer or partner. So the general revenue models for Propeller are, number one, a development fee. There's often a development fee that we charge partners for the software engineers who create the code for the app that works specifically for that customer. That's a relatively minor part of the life cycle of revenue, but it's there. And then secondly, we charge for the sense of the hardware that's provided each time that sort of Propeller sensor that has the cloud-connectivity and then collects the data locally on usage adherence and other parameters. And then thirdly, which is the major part is the per-activated user per-month part of the revenue that is associated with that account. So then that's really an alignment of Propeller ResMed's revenue with the pharmaceutical company, but also really importantly, with the patient and their actual usage of it, and most importantly, for their outcomes. That they stay out-of-hospital longer, it reduces total system costs, and so on. So there's sort of three parts to that revenue. And all of them are in play for all of those customers that we talked about in the prepared remarks.

And look, it's early days. This isn't yet material revenue for ResMed in this quarter or next quarter. But as we look over FY '21, FY '22, and certainly, as we look to our long-term strategy, our ResMed 2025 strategy, I think this digital health component and this recurring revenue component of medical adherence to COPD and asthma medications is going to be, not only a material part of our business, but a really exciting one for transforming care across the industry.

Operator

Your last question is from Lyanne Harrison of Bank of America.



Lyanne Harrison - *BofA Merrill Lynch, Research Division - VP*

I just wanted to get a bit of understanding of resupply through the June quarter. Can you share what you saw through April, May and June? I guess I'm trying to understand if there was any sort of residual panic buying at the start of the quarter. And what are you experiencing as unemployment rates increase in the United States?

Michael J. Farrell - *ResMed Inc. - CEO & Director*

Yes. Lyanne, thanks. It's a good question and resupply was actually pretty steady through the April, May, June rates. We didn't -- as in a year-on-year based on the cycles of where they are in the co-pay cycle and so on. Obviously, there are double-digit unemployment numbers in the U.S. between 10% or 15% depending on the state, but in general, we have seen pretty steady resupply of masks and accessories for customers. But Rob, do you want to provide any further color for Lyanne around the kinetics there?

Robert A. Douglas - *ResMed Inc. - President & COO*

Yes. Sure, Mick. Lyanne, we never really saw a big panic buy issue or we couldn't triangulate into panic buying very much at all, but there were some other things going on with the resupply programs. The people operating them, and as we saw this as well, the call-outs were more likely to find people at home because they are at home and the response to the existing programs was better, and so we did see some solid improvement and that sort of continued. But there's no major sort of up and down dynamic. We think it's just steady, solid progress that patients on long-term treatment need good masks, and we've got the best masks and the best systems to keep them in treatment and we expect that to continue through, notwithstanding what else happens given the uncertainties of COVID.

Operator

We are now at the one hour mark, so I will turn the call back over to Mick Farrell.

Michael J. Farrell - *ResMed Inc. - CEO & Director*

Thanks, Cheryl, and thanks to all of our shareholders for joining us on the call. I'd also like to, once again, take the opportunity to thank all 7,500 ResMedians, many of whom are also shareholders for their dedication and hard work, not just this quarter and this year, but over the years, helping people sleep better, breathe better and live better lives outside the hospital in 140 countries worldwide. Thanks for all that you do every day.

Thanks especially to our ResMed heroes on the frontline: production, distribution, tech service, and those who help in the setup of our ventilators and ventilation masks during this global crisis. You helped over 150,000 people potentially through those products, and I look forward to thanking you in person when this is all possible post-COVID. And we'll talk to everyone on this call in about 90 days. Thanks a lot.

Amy Wakeham - *ResMed Inc. - VP of IR & Corporate Communications*

Great. Thanks, Mick. Thank you all again for joining us today. If you do have any additional questions, please don't hesitate to reach out to me directly or to our general Investor Relations line. As previously mentioned, all the documents, along with the transcript and a replay of today's call will be available on our website later today. Cheryl, you may now go ahead and close the call.

Operator

This concludes ResMed's Fourth Quarter of Fiscal Year 2020 Earnings live webcast. You may now disconnect.



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