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✓ **Company Participants**

Amy Wakeham - ResMed, Inc., Chief Investor Relations Officer  
Michael J. Farrell - ResMed, Inc., Chief Executive Officer & Chairman  
Brett A. Sandercock - ResMed, Inc., Chief Financial Officer

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✓ **Other Participants**

Lyanne Harrison - Analyst  
Steve Wheen - Analyst  
Brett Fishbin - Analyst  
Mike Matson - Analyst  
Dan Hurren - Analyst  
David Bailey - Analyst  
Gretel Janu - Analyst  
Suraj Kalia - Analyst  
Margaret Kaczor Andrew - Analyst  
Anthony Petrone - Analyst  
Saul Hadassin - Analyst

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## **MANAGEMENT DISCUSSION SECTION**

### **Operator**

Hello and welcome to the Q4 Fiscal Year 2024 ResMed Earnings Conference Call. My name is Kevin and I will be your operator for today's call. At this time, all participants are in a listen-only mode. Later, we'll conduct a question-and-answer session. Please note this conference call is being recorded.

I'll now turn the call over to Amy Wakeham, Chief Investor Relations Officer. Please go ahead, Amy.

### **Amy Wakeham**

Great. Thank you, Kevin. Hello, everyone. Welcome to ResMed's fourth quarter fiscal year 2024 earnings call. We are live webcasting this call and the replay will be available on the Investor Relations section of our corporate website later today. Our earnings press release and presentation are both available online now.

During today's call, we will discuss several non-GAAP measures that we believe provide useful information for investors. This information is not intended to be considered in isolation or as a substitute for the GAAP financial information. We encourage you to review the supporting schedules in today's earnings press release to reconcile the non-GAAP measures with the GAAP reported numbers.

In addition, our discussion today will include forward-looking statements, including but not limited to expectations about our future financial and operating performance. We make these statements based on our

reasonable assumptions. However, our actual results could differ. Please review our SEC filings for a complete discussion of the risk factors that could cause our actual results to differ materially from any forward-looking statements made today.

I'll now turn the call over to our Chairman and CEO, Mick Farrell.

## **Michael J. Farrell**

Thanks, Amy, and thank you to our shareholders for joining us as we announce results from our full fiscal year 2024 and review our fourth quarter results in more detail. Our global ResMed team executed incredibly well in our fourth quarter, producing another strong period of growth and execution across our business, with solid performance across all regions and all segments of our business and strong double-digit bottom line growth.

Ongoing new patient demand for our market-leading flow generators remained robust in the quarter, even against a very tough year-over-year comparable. Media interest in sleep apnea and all the various therapies seems to be helping patients find their way to screening, diagnosis and therapy, and especially the lowest cost, most efficacious therapy with the best outcomes, which is positive airway pressure therapy. In terms of our masks and accessories business, physicians, respiratory therapists and patients are choosing ResMed masks when they stop therapy and as they continue through resupply, resulting in very strong double-digit growth in our masks and accessories business.

Our residential care software business delivered double-digit growth in revenue and in net operating profit. Our laser focus on operating leverage has delivered another quarter of strong profitable growth, and we're well positioned to continue on this trajectory as we launch into fiscal year 2025.

Over 2.4 billion people worldwide suffer from sleep apnea, insomnia or respiratory insufficiency due to chronic obstructive pulmonary disease or neuromuscular disease. As the market leader in respiratory medicine and residential care globally, here at ResMed, we're uniquely positioned to drive increased market penetration through demand generation to accelerate growth. These chronic conditions in sleep health and breathing health form a global health epidemic that ResMed is well positioned to address.

We believe that healthcare should be delivered in the lowest cost, lowest acuity and highest comfort location possible. In the optimal case, that's right in a person's own home. ResMed is the clear leader in sleep apnea, a market of over 1 billion people globally. Our end markets remain significantly under-penetrated. We're leading the industry in digital health solutions, with approximately 19 billion nights of medical data in the cloud and 26 million 100% cloud-connectable medical devices sold into over 140 countries worldwide. We've leveraged these de-identified data to show that our therapy solutions lower costs, improve outcomes, and bend the curve of chronic disease progression.

Significant opportunities remain in digital health and we plan to be right there at the cutting edge of innovation. The latest advances in wearables from the consumer technology industry and the latest medicines from big pharmaceutical companies will bring more and more new patients into the healthcare system. We have many opportunities to add value, expanding interoperability, lowering costs, and improving patient outcomes. Billions of people can benefit from our products and solutions, and we're focused on expanding our reach and growing the market to help people get on their pathway to better sleep, better breathing, and better care at home.

Sales of our flow generator devices including the category leading AirSense 11 platform grew 6% year-over-year globally. We're supporting the global market, and every patient who needs a device has access to our market-leading 100% cloud-connectable platforms, the AirSense 10 and the AirSense 11. We continue

increasing the availability and production of our AirSense 11 and our AirCurve 11 platforms worldwide, as we secure regulatory clearances and launch these market-leading technologies country by country.

Our masks and accessories business grew 15% year-over-year, expanding in a competitive category globally. Our latest mask innovation, the AirFit F40 introduced last quarter, is doing extremely well in the markets that it has launched in. New patients are selecting the AirFit F40 for its comfort, fit and ease of use. It is the smallest profile oronasal mask on the market from ResMed. Patients are voting with their wallets and respiratory therapists are voting with their setup protocols, and physicians are voting with their prescriptions. We look forward to ongoing success in the US and across global markets, as we increase availability and introduce the AirFit F40 into more and more countries throughout fiscal year 2025.

ResMed's clinical and commercial teams continue to partner with physicians and providers to drive resupply programs directly with their patients, and we're successfully establishing subscription programs in our cash pay countries to help consumers find their path to therapy resupply directly. Masks and accessory resupply programs are a very important part of our offering, as we serve the ongoing therapy needs of patients globally. Research shows that resupply programs can both improve patient adherence and improve long-term clinical outcomes.

In the US, our resupply programs are powered by our digital health ecosystem, including AirView for physicians, myAir for patients, and Brightree for home medical equipment providers. We will continue to develop, launch and scale these technologies and programs to help people take control of their own health, regularly refreshing their ongoing therapy needs.

As the global leader in significantly under-penetrated markets, our most important opportunity is to expand and grow the market through awareness, diagnosis and seamless pathways to treatment. We aspire to be the digital health concierge for each person as they pursue their personal journey to better sleep, better breathing and better residential care.

We are ramping up our demand generation initiatives to raise awareness and create pathways for patients to help them find access to care for their sleep health and their breathing health. We're serving traditional healthcare channels, as well as investing in cost-effective, social media-driven demand generation campaigns, to help consumers who are concerned about their sleep and breathing find ways at their own personal way into appropriate screening, diagnosis, treatment and management pathways.

Our physician and provider-based software ecosystem called AirView now contains over 28 million patient records. Adoption of our consumer patient engagement app, which is called myAir, where people choose to participate in their personalized sleep health journey remains incredibly active and now includes over 8.3 million users. These digital health ecosystems are growing every quarter, showing the engagement of physicians, as well as patients in accessing their own data to measure progress along their personal health journey.

As we look to the future, I've discussed two global megatrends that I believe will further support ongoing growth for ResMed. Awareness of sleep health issues driven by consumer technology companies, specifically sleep tracking wearables like the Samsung Galaxy watch, which has a de novo FDA clearance to screen for moderate to severe sleep apnea. And we expect similar capabilities from other wearable players in consumer tech, such as the Apple Watch, Google's Fitbit, the Oura Ring, Whoop and Garmin.

In terms of the second megatrend behind future patient growth, we are seeing increased volumes of patients entering the healthcare system, driven by the efforts of big pharmaceutical companies, as they increase awareness of the treatments for diabetes and obesity medicines, and they continue their research into the impacts of these medicines on sleep apnea. Together, we believe these two megatrends in consumer tech

and big pharma will increase patient awareness and be a significant tailwind for long-term growth here at ResMed.

Our goal is to educate people as they move from, what we call, sleep wellness tracking on a wearable, to what we would call sleep health tracking, where they are seeking the help, advice and care of a health professional in the field of sleep medicine. This connection pathway from consumer awareness of sleep health and breathing health issues into a true healthcare pathway is what we are calling the digital health concierge opportunity. Our plan is to be there for that person as they go through the process of screening, diagnosis, treatment and ongoing management of their sleep health and their breathing health for life.

Big pharma is squarely focused on GLP-1 medications. For many people dealing with their obesity and diabetes issues, their healthcare goals are focused on losing weight, while improving their diet, cardiovascular exercise and their sleep routines, something that Bill Dement called the triumvirate of health. We believe that increased utilization of GLP-1s to treat obesity will bring many new people into the healthcare funnel, activating them to see their primary care physicians, as they strive to achieve and maintain weight loss.

We believe this will open them up to treating other chronic diseases that they may suffer from, including increased awareness of sleep apnea, ultimately driving new patients into diagnosis and treatment pathways that they may not have previously considered or being treated for. So, it's not just driving more patients into our channel, but we believe it's also driving more motivated patients. The emphasis on GLP-1 medications and increased focus by big pharma has put a spotlight on sleep apnea like never before. We believe that the growth in weight loss drugs will be a net positive for our business, and the data support that thesis.

ResMed has added to the biggest study in the field and our data, which is using real-world evidence of the impact of GLP-1s through a de-identified patient analysis leveraging third-party claims data. We now have an expanded cohort of over 811,000 de-identified subjects in our analysis. This analysis demonstrates that GLP-1s are having a positive impact on patients, both seeking and adhering to positive airway pressure therapy. The latest numbers are an improvement from what we have presented previously. For patients prescribed a GLP-1 medication, the latest data show a 10.7 absolute percentage points higher propensity to start PAP therapy over those without a GLP-1 prescription.

These data show that patients with this drug prescription are more motivated to start their CPAP, APAP or BiLevel therapy. In terms of longer term impacts on PAP therapy, we have seen that the resupply rate at T equals 12 months is 310 basis points. So, 3.1 absolute percentage points higher for the patients who have a GLP-1 prescription. And further, at T equals 24 months, the resupply rate is 530 basis points or 5.3 absolute percentage points higher for PAP therapy resupply for patients who have a GLP-1 prescription. These data show that the new pharmaceutical class is a clear tailwind for our business, bringing more patients into the healthcare system. And more than that, we believe it is bringing highly motivated patients into the healthcare system. We've included this updated analysis in our quarterly earnings PowerPoint deck, and I encourage you to review the data there in further detail.

ResMed is the clear world leader in sleep health, breathing health and healthcare delivered at home. Frankly, it's our obligation and it's our brand promise. It's the ResMed brand promise to ensure that sleep concerned consumers find their path to the highest efficacy, lowest cost, and most comfortable therapy that's out there and is best for them. Our peer reviewed and published evidence demonstrates that we can achieve over 87% adherence to PAP technology in the first 90 days by combining our market-leading device platforms with digital health solutions, myAir and AirView.

Of course, that means that 13% of patients in that scenario still need alternatives, and ResMed wants to be there to help those patients too. So we are investing in alternative therapies to help patients who can't adhere to PAP therapy to find their pathway to second line therapies. And that includes dental devices, where ResMed provides Narval, the market-leading 3D printed dental device for treatment of sleep apnea with

dental treatment in Western and Northern Europe. In addition, we have investments in third line therapies, including pharmaceutical options with our investment in Apnimed and hypoglossal nerve stimulation technology with our investment in Nyxoah.

So let's step back and talk about broadly our digital health technology investments, leveraging an extraordinary ecosystem of almost 19 billion nights of de-identified medical data. We are developing and continuing to expand a portfolio of artificial intelligence driven capabilities, as well as customer-facing AI products that we're launching into the market from our ecosystem. We continue to roll out and expand the AI products in AirView, such as ComplianceCoach in the United States and our new smart coaching pilot, which is expanding into a few new countries as we go through our current quarter, which is Q1 of fiscal year 2025 and beyond.

We are also progressing with our generative AI capabilities to help patients along their health journey. A project that was initially piloted within our Asia Pacific region, our generative AI sleep concierge that we call Dawn, and yes, that is a reference to the sun rising at dawn after a great night of sleep. Dawn was recently expanded from Asia-Pac into our US market. We'll continue to share the progress on this front of GenAI and simple ML and generic AI as well, as this tech is further developed and scaled across our business. It's going to enhance the user experience and drive consumer awareness. And what we're focused on is outcomes, not the tech, but what it can do for a patient, a physician, a provider.

In our residential care Software as a Service business, we had another strong quarter, with year-over-year growth of 10%, supported by strength in our home medical equipment provider business through our Brightree brand, as well as very strong growth in our home nursing and nursing home business with our MEDIFOX DAN brand. We've made very good progress in the business segment throughout fiscal 2024, and we plan to maintain high-single digit growth to low-double digit growth throughout each quarter in fiscal year 2025. But really importantly, we're driving operating leverage and we're going to have very strong double-digit net operating profit growth from our residential care software business sector in 2025.

Our residential care software business is integral to the broader ResMed growth portfolio, with ongoing synergistic growth opportunities across our businesses. We are accelerating growth across our residential care software business intrinsically, but we're also helping to support the core business through mask and accessory resupply growth. We continue to drive operating leverage by managing across our businesses, with capabilities managed such as cloud compute, cybersecurity, interoperability, privacy and research and development velocity across our software platforms, and with our core sleep health and breathing health businesses.

We are transforming respiratory medicine and residential care software at scale. We are leading the industry in developing, applying and adopting digital health technology across the 140-plus countries that we serve. We continue to scale and drive efficiencies in our operations. We're focused on driving top line revenue growth, but with strong cost discipline and increasing efficiencies to accelerate profitability at the bottom line. We made excellent progress on that this quarter. The global team delivered growth in non-GAAP operating income of 30%. The global team also delivered growth in non-GAAP net income of 30%. I'm more than incredibly proud of our global team and their performance.

We provide differentiated products and solutions for customers worldwide, driving long term sustainable value for our shareholders. We lead the industry in digital health technology with the smallest, quietest, most comfortable, most connected, and most intelligent technologies. During the last 12 months, we have improved over 178 million lives by delivering a medical device directly to a patient or a complete mask directly to a patient or a digital health software solution that provides personal care. We've helped each person sleep better, breathe better, and live high-quality lives with best-in-class healthcare delivered right where they live.

In closing, I want to express my sincere gratitude to 10,000-plus ResMedians for their perseverance, hard work and dedication today and every day across 140 countries. Thank you, team.

With that, I'll hand the call over to our CFO, Brett, who's in Sydney this morning, for his remarks, and then we'll open up to Q&A with the global team here in San Diego and Sydney. Over to you, Brett.

### **Brett A. Sandercock**

Great. Thanks, Mick. In my remarks today, I will provide an overview of our results for the fourth quarter of fiscal year 2024. Unless noted, all comparisons are to the prior-year quarter and in constant currency terms where applicable. We had strong financial performance in Q4. Group revenue for the June quarter was \$1.22 billion, a 9% headline increase and 10% in constant currency terms. Revenue growth reflects positive and consistent contributions across our product and resupply portfolio. Year-over-year movements in foreign currencies had a minimal impact on revenue during the June quarter.

Looking at geographic revenue distribution and excluding revenue from our Software as a Service business, sales in US, Canada and Latin America increased by 10%, sales in Europe, Asia and other regions increased by 8%. Globally, device sales increased by 6%, while masks and other sales increased by 15%.

Breaking it down by regional areas, device sales in the US, Canada and Latin America increased by 5%, supported by solid ongoing new patient diagnosis. Masks and other sales increased by 17%, reflecting growth in both resupply and new patient setups. In Europe, Asia and other regions, device sales increased by 8% on a constant currency basis, and masks and other sales increased by 9% on a constant currency basis. Software as a Service revenue increased by 10% in the June quarter, underpinned by growth from MEDIFOX DAN and continued strong performance from our HME vertical.

During the rest of my commentary today, I will be referring to non-GAAP numbers. We have provided a full reconciliation of the non-GAAP to GAAP numbers in our fourth quarter earnings press release. Gross margin increased by 330 basis points to 59.1% in the June quarter. The year-over-year increase was driven by reductions in freight expense, manufacturing and component cost improvements, favorable product mix, and an increase in average selling prices. Sequential gross margin improved by 60 basis points. The increase was driven by favorable product mix and manufacturing cost improvements, partially offset by increased freight costs.

We continue to monitor the freight cost headwinds arising from the Middle East conflict and congestion in Asian ports. We expect increased freight cost rates will continue to impact our gross margin in fiscal year 2025. We have made good progress expanding gross margin over the last several quarters and we will continue to drive initiatives to improve gross margin. Looking forward, we estimate our gross margin will be in the range of 59% to 60% in fiscal year 2025.

Moving on to operating expenses, SG&A expenses for the fourth quarter increased by 1%, SG&A expenses as a percentage of revenue improved to 19.8% compared to 21.5% in the prior-year period, and reflect savings and ongoing cost discipline following restructuring actions undertaken in the December quarter. Looking forward and subject to currency movements, we expect SG&A expenses as a percentage of revenue to be in the range of 18% to 20% for fiscal year 2025. Consistent with historical trends, we expect Q1 FY 2025 will be at the higher end of this range.

R&D expenses for the quarter increased by 4% on a constant currency basis. R&D expenses as a percentage of revenue was 6.6% compared to 7% in the prior-year period. Looking forward and subject to currency movements, we expect R&D expenses as a percentage of revenue to be in the range of 6% to 7% for fiscal year 2025.

Operating profit for the quarter increased by 30%, underpinned by revenue growth, gross margin expansion and modest growth in operating expenses. Our net interest expense for the quarter was \$6 million. Given our lower debt levels, we expect interest expense in the range of \$1 million to \$3 million in Q1 FY 2025. Additionally, we will likely generate net interest income in the second half of fiscal year 2025.

During the quarter, we recognized unrealized losses of \$15 million associated with our minority investment portfolio. This reduced our Q4 earnings per share by \$0.10. Our effective tax rate for the June quarter was 18.7%, broadly consistent with the prior-year quarter. We estimate our effective tax rate for fiscal year 2025 will be in the range of 19% to 21%. Our net income for the June quarter increased by 30% and non-GAAP diluted earnings per share also increased by 30%. Cash flow from operations for the quarter was \$440 million, reflecting strong underlying earnings and improvement in our working capital position.

Capital expenditure for the quarter was \$25 million. Depreciation and amortization for the quarter totaled \$44 million. We ended the fourth quarter with a cash balance of \$238 million. During the quarter, we reduced debt by \$300 million. As of June 30, we had \$707 million in gross debt and \$469 million in net debt, and we have approximately \$1.5 billion available for drawdown under our revolver facility. We continue to maintain a healthy liquidity position.

Today, our board of directors declared a quarterly dividend of \$0.53 per share, representing an increase of 10% over our previous quarterly dividend, and reflecting the board's confidence in our operating performance.

During the quarter, we purchased 232,000 shares under our previously authorized share buyback program for consideration of \$50 million. We plan to continue to repurchase shares at the value of approximately \$50 million per quarter in fiscal year 2025. This will more than offset any dilution from the vesting of equity to employees during the year.

Going forward, we plan to continue to reinvest in growth through R&D, deploy further capital for tuck-in acquisitions and continue with our share buyback program.

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

**Amy Wakeham**

Great. Thank you, Brett, and thanks, everyone. Kevin, I'd like to turn the call back over to you to review the Q&A instructions and run that portion of the call.

## **QUESTION AND ANSWER SECTION**

**Operator**

Certainly. We'll now be conducting a question-and-answer session. Our first question today is coming from Lyanne Harrison from Bank of America. Your line is now live.

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**Analyst:** Lyanne Harrison

**Question – Lyanne Harrison:** Yeah. Good morning, Mick, Brett and Amy. Can I start with devices? That came in a little bit lower than what I had expected. And can you give us some color in terms of that 6% increase in device revenues, how much of that do you think is driven by November price increases? How much is the

AX11 (00:29:56) mix benefit and how much of that is volume? And then on volume, are you seeing any change in that new start (00:30:04) pipeline coming through?

**Answer – Michael J. Farrell:** Well, thanks for your question, Lyanne. That lets me talk to our really strong growth, I believe, in our devices business. Just to refresh, in Q4 fiscal year 2023, just 12 short months ago, we were talking about US device growth of 30%, and Europe, Asia, rest of world growth of 15%. So incredible double-digit comps that we're building these numbers off. And we saw really good growth in the US of 5% growth in our US, Canada, Latin America, and we saw 8% growth in Europe, Asia, rest of the world. We're in full competition with all the players out there, and as you said, 6% constant currency globally.

Look, the market is growing in that mid-single digits and we are holding share or gaining share. But really, now, as the global market leader, our primary focus is on demand generation, where are the capacities in the field for screening, diagnosis, treatment and management that we can drive appropriate demand generation? Not to overflow the channel, but to make sure that any spare capacity in screening, diagnosis, and treatment and management can come through. So, I was very impressed by those numbers. I think they're right in line with market and slightly ahead in Europe, Asia and rest of world, and I think the team did incredibly well. And we're doing it through patient flow, which is very strong.

And, yeah, there are some ASP changes in there. They're kind of small. Our costs have gone up and we did have some adjustments to pricing over the last 12 months, but the primary generator here is the flow of patients, which, as I said in the prep remarks, we're seeing really good flow of patients, and our job as the global market leader is to continue to have that grow and grow even faster as we go throughout the fiscal years ahead. Thanks for your question.

## Operator

Thank you. Our next question today is coming from Steve Wheen from Jarden. Your line is now live.

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**Analyst:** Steve Wheen

**Question – Steve Wheen:** Yeah. Thanks. I just had a question with regards to the gross margin. Are you going to quantify the freight-related expectations that you would have for the next quarter? And are you being able to introduce freight levies again, given the spike in sea freight charges at the moment?

**Answer – Michael J. Farrell:** So, thanks for the question, Steve. I'll hand that over to Brett to cover some issues around GM, and really good accretion of our gross margin year-on-year and sequentially. Brett, over to you.

**Answer – Brett A. Sandercock:** Yeah. Thanks, Mick. Yeah, Steve, I mean, we're seeing pressure on freight cost, particularly around the rates on the quite significant increases. I think everyone has seen those. So, that is – obviously will continue to be a headwind for us, but we think notwithstanding that, we should be in that 59% to 60% range on gross margin. There's a lot of factors that you know play into that, but the freight will be a headwind. In terms of – really, I guess it depends whether it's sort of permanent or transitory and see how the market goes in terms of freight, but obviously, those costs we're bearing at the moment. So, what we do going forward, I think, is something we'll think about as the year goes on.

## Operator

Thank you. Next question is coming from Brett Fishbin from KeyBanc Capital Markets. Your line is now live.

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**Analyst:**Brett Fishbin

**Question – Brett Fishbin:** Hey, guys. How are you doing? Thank you so much for taking the questions. Wanted to ask a quick follow-up on the gross margin question, because now just thinking about some of the year-over-year trend, it looks like 2024 is finishing at about 57.7% and you're guiding to 59% to 60%. So, maybe if you could just walk through some of the positive incremental drivers relative to how we're exiting the second half here (00:34:10)? And you already touched on the freight as a partial offset. Thank you.

**Answer – Michael J. Farrell:** So, Brett, back to you, gross margin.

**Answer – Brett A. Sandercock:** Yeah, sure. To clarify, you're talking into the future gross margins?

**Question – Brett Fishbin:** Specifically, just asking about some of the commentary for FY 2025 relative to FY 2024.

**Answer – Brett A. Sandercock:** Yeah, going forward. So, going forward, I guess, there's some factors that play out on the gross margin, some of these will be positive. We talked about freight, which will be a headwind. But if we look forward, we have cost optimization initiatives that we're getting back to now, whereas previously we were really just trying to meet demand and catching up. But now we're getting back to running a more regular cost optimization programs. So we'll do that. We're building the pipeline of those initiatives. That will be around manufacturing improvements and efficiencies. It will be around the procurement initiatives and what we do there. And also we'll get – with the volumes we have now, we'll also get scale benefits coming through. So, they're kind of the areas, I guess, we look at in terms of cost optimization in supply chain.

Other factors, the continued transition to the AS11 platform will be supportive of gross margin into FY 2025. We think product mix will likely be favorable through the course of FY 2025. That will be supportive.

And I guess the last one is just around new product introductions. We've actually introduce new products that helps with less discounting and you're able to price that according to the features and the value of those products. So that's some of the factors I think that will play out in FY 2025.

**Operator**

Thank you. Next question is coming from Mike Matson from Needham & Company. Your line is now live.

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**Analyst:**Mike Matson

**Question – Mike Matson:** Yeah, thanks. So, I guess, first, just wanted to ask about Philips. Have you seen them reentering any of the international markets in any meaningful way with devices specifically?

**Answer – Michael J. Farrell:** Yeah. Thanks for the question, Mike. And, yeah, I guess, I'll call them our number four competitor right now, right, because they've dropped down to fourth in new patient share globally. That competitor is back in many markets in Europe, Asia and rest of world. We grew in the quarter 8% in Europe, Asia, rest of the world on a comp of 15%. So if you see, which I do, the market growing in mid-single digits, residents taking share in Europe, Asia, rest of world relative to our competition. So, competitors from Europe, like the one you named, but there's other ones that have higher share, and competitors from Asia who have higher shares than them.

And so, I think that competitors, they come back, are having to earn their way back. They've got to try to repair their brand, try to repair their approach that they're going to have a safe and efficacious product and they're competing with tier 2, tier 3 players and working their way in. They had a call last week, and it sounded like they've grown from a very low base to something better, and that's good on them. I love competition.

ResMed is the market leader. We have the smallest, quietest, most comfortable devices, but more important than that, they are the most connected and the most intelligent. And it's all about the ecosystem of AirView and myAir, and getting those data to the cloud and getting to doctors, getting to physicians. So, yeah, that competitor is back in a number of markets. And as we said last quarter or the quarter before, we were beating them from 2010 to 2019, 2020, before they had their recall. And we're going to beat them as they come back and we've shown that this quarter and we'll continue to show it going forward.

**Question – Mike Matson:** Okay. Got it. Thanks.

**Answer – Brett A. Sandercock:** Thanks, Mike.

**Operator**

Thank you. Next question is coming from Dan Hurren from MST Marquee. Your line is now live.

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**Analyst:**Dan Hurren

**Question – Dan Hurren:** Good morning. Thanks very much. I wanted to ask about that mask growth and the impact of the new products. So, specifically, does that strong growth reflect an element of initial stocking or is that level of growth representative of what the new products can sustain?

**Answer – Michael J. Farrell:** Look, it's a good question, because we talk about mask growth being high-single digits. And then, obviously in this quarter, we performed right there in Europe, Asia, rest of world at 9%, right there in that high-single digits. Then in US, Canada, Latin America, we performed at 17% growth, on a pretty good comp actually of 19% from the year before. So, double digit on double digit. Look, you're not going to grow double-digit in mask forever, when the market is growing at a high-single digits and you are clear market leader, but you can drive demand generation and you can drive better resupply programs. And I said in the prep remarks, we've done a lot of investment in Brightree, Snap Technologies, and all of the digital health technology that we have to support home medical equipment providers here in the US market.

And then, globally, we've really set up some great subscription programs, where people frankly I think have been underserved in Europe, Asia and rest of world. With the ability to get fresh equipment, if they love their device and they love their mask, why isn't it super simple to just click on an app, see the price, and get a dropship delivery of a device to your place in a cash pay market, where those same people are doing the same and have done with Amazon and all the other, WeChat in China, Amazon in the US, et cetera, et cetera, globally, everyone have seen this in the consumer field.

And so, I think healthcare needs to catch up and be more consumer focused. And in those cash pay markets, we've set up some great subscription programs. And in the more regulated provider-based markets like the US and Europe, we're really partnering with our providers like never before. So, that's how we saw the outperformance. That's how we saw the extra demand generation. That's how we saw the extra resupply. Our goal is to meet or beat market growth every quarter that we go ahead. The team did it really well this quarter. And I have confidence that we'll be able to do it going forward. Thanks for the question about masks. It's a really important part of our business.

## Operator

Thank you. Next question is coming from David Bailey from Macquarie. Your line is now live.

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**Analyst:**David Bailey

**Question – David Bailey:** Morning. Thanks, Mick and Brett. Just thinking about longer-term new patient growth, you sort of mentioned that the awareness piece could potentially increase on the back of some of the GLP-1 studies and data. Just on the diagnosis side of things, are there any constraints in your view to more new patients coming through? And I suppose I'm getting to the question is when do you think you might see an inflection from or an increase out in that sort of mid-single digit growth to something a little bit higher?

**Answer – Michael J. Farrell:** Yeah. David, it's a really good question and it's sort of the 3.5-decade question for ResMed, right? Which is how do you get people screened, diagnosed and treated for a disease where they're unconscious when they suffer from it in sleep apnea, being asleep while you have the suffocation. And so, education, awareness and better protocols to get patients into the funnel, screening, diagnosis, treatment and management has been our decades-long mission. And look, we did very well, I think, going through COVID and on the other side to apply increases in home sleep apnea testing, increases in remote patient monitoring and technology that we've used to help. And so, I do think the big pharma GLP-1 trend is bringing more and more patients in and they're very motivated patients. You saw our latest update on our real-world evidence, 111,000 patients seeing 10.7 absolute percentage points, high propensity start CPAP. These are very motivated patients over the average patient and I think that's a big trend.

You didn't mention it in your question, but I will, David, consumer tech, the wearables, I mean, Samsung dropping the mic there on the other consumer tech companies to say we've got a de novo clearance to screen for moderate to severe sleep apnea from watch, from the Samsung Galaxy Watch. And I know the Apple Watch has an oximeter on it and they can do the same. We know Google's Fitbit team have been doing sleep architecture for years, and they will start to recognize many patients with this. So, the real question is not will there be a flow of patients from consumer tech and big pharma? That's going to happen. The real question is, can ResMed really pick up and fight and be the world leader in a digital sleep health concierge to take that sleep-concerned consumer and help them find a path to a healthcare specialist through a protocol, to a system that gets them screened, diagnosed and treated.

We're making good progress on it. We've got a number of experiments globally. We're partnering with an ecosystem of other smaller players out there, as well as our own technology in all 140 countries. I can tell you, the experiments are happening and we're seeing some success. The question of the inflection point, look, I do think we can take market growth rate and move it up by 50, 75, 100, maybe even 125 basis points. I'm not going to double it. It's a huge, huge global franchise now. Look at our trailing 12 months revenue, north of \$4.5 billion. But I do think we can move it up 50, 75, 100, 125 basis points by bringing these new technologies that help with that digital sleep pathway.

Yes, I'm aware I've got a disease. My watch has told me I'm at risk. What do I do about it? ResMed needs to be there to help that person find their pathway through the convoluted, frankly, global healthcare systems to therapy. For those who are coming in the big pharma one, they're already in the healthcare system. They're going to a primary care physician or a specialist doctor. So that's an even easier route where it's more about education and driving the traditional channels. So, we're working with both social media, digital and traditional channels. And together, I do think there's opportunities to accelerate market growth, and watch this space. We've done well over the years and we've learnt a lot in these last five years. And now as a global leader, it's our obligation to do this and we're all over it. Thanks for the question, David.

## Operator

Thank you. Next question today is coming from Gretel Janu from E&P. Your line is now live.

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**Analyst:**Gretel Janu

**Question – Gretel Janu:** Thanks. Good morning. Just back on the gross margins and the guidance of 59% to 60% for FY 2025, how should we think about the cadence of that throughout first half and second half, weaker first half, stronger second half given freight or relatively consistent throughout each quarter? Thanks.

**Answer – Michael J. Farrell:** Yeah. Good question, Gretel. Over to you, Brett. And feels like this is the obstacle with modeling, but over to you, Brett.

**Answer – Brett A. Sandercock:** Great. No, thanks, Mick. Thanks, Gretel. Yeah, I mean, we're at 59.1% I guess, exit there. I think we've got a 59% to 60%, and I think it's probably likely kind of be that gradual improvement as we work through FY 2025. I think it's kind of our best estimate at this stage.

**Operator**

Thank you. Next question is from Suraj Kalia from Oppenheimer. Your line is now live.

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**Analyst:**Suraj Kalia

**Question – Suraj Kalia:** Mick, can you hear me all right?

**Answer – Michael J. Farrell:** Can hear you loud and clear, Suraj.

**Question – Suraj Kalia:** Perfect. Congrats on a nice quarter. So, Mick, if I could, I'd love to push you on one of the earlier questions about pricing impact in the quarter. If you could strip out, at least give us directionally a little bit additional color, that would be great. Mick, and also, if I'll throw my follow-up question also together, in terms of inventory levels, how should we think about inventory levels on masks, accessories across the pond? Is there anything out of the normal or how would you characterize it? Thank you for taking my questions.

**Answer – Michael J. Farrell:** Great. Well, I'll take the first question around pricing impact, and then, Brett, you'll take the sneaky second question there around – sneaky, I mean, by getting it in upfront, Suraj, not the question itself, on inventory levels, particularly masks and accessories. And we saw the total inventory come down, but I think it's specifically, Brett, on masks and accessories.

So, firstly, on pricing impact, look, Suraj, you and all the sell side, you guys do your investigations and you look and talk to our customers, particularly in the US and ask about pricing. You know that as a company, you've followed us over the last few fiscal years, we did see costs of components go up with inflation, with shipping costs that have gone up. We've had increased cost of goods sold that ResMed had to deal with. And we've shared some of that, not all of it. We've shared some of that with our customers, with some increase in pricing, often associated directly with innovation, right? The AirSense 11 was higher priced than the AirSense 10, but it's small, it's quieter, it's more comfortable, it's more connected. It has two-way comms. It has over-the-ear upgrades. It has all these advances. And so, has a high price point.

Similarly, with new mask inventions, the AirFit F40s out there, it's a great mask. We don't need a price discount on something that is that much better than the competition. It's the smallest full-face mask, the smallest oronasal mask in the history, 35-year history of ResMed. So, those will be at price premiums. And so,

we don't break out the exact breakdown on devices or masks of pricing or volume. But I can tell you, the vast, vast, vast majority of our growth was all on volumes. It's all about getting more of the 1 billion plus patients with the sleep apnea, the 0.5 billion patients with insomnia and 0.5 billion with COPD into the system, so they can get better sleep and better breathing. So we focus primarily on that screening, diagnosis, treatment, get the volume in, and then ASP is a component in that where we have increased costs.

Look, frankly, I hope inflation comes down and costs come down and we can share some savings with our customers, because they have a tough time with reimbursement often not going up. At least, the US Medicare went up at the start of this year, in line with an inflation adjustment, but not all insurance companies around the world do that. And so, our job is to get more patients in to make sure the channel is profitable, so that we can have more money to invest in getting awareness out to all the patients who need our help. That's my answer to the first half.

Brett, over to you to talk about inventory in masks and accessories, particularly.

**Answer – Brett A. Sandercock:** Yeah. Thanks, Mick. Yeah, on inventory, we've brought the inventory levels down over the last 12 months or so, I think down to reasonably appropriate levels where we are sitting at the moment. And then, inventory likely to grow more in line with revenue as we go forward. So, we feel we're in reasonable shape there.

In terms of masks and accessories around that, we don't think of that too much differently. There's nothing particularly specific about it. We manage those inventory levels as we do with devices and components and so on. So, nothing particularly to call out there other than I think we've got – yeah, we're more comfortable with inventory levels that we're at now than we were, for example, 12 months ago. So, I think we're in pretty good shape on inventory.

## Operator

Thank you. Next question is coming from Margaret Andrew from William Blair. Your line is now live.

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**Analyst:**Margaret Kaczor Andrew

**Question – Margaret Kaczor Andrew:** Hey. Good afternoon, good morning, folks. Thanks for taking the question. And I'm going to apologize because it's a series of three questions, but I'm going to say pick and choose whatever you want to answer. I promise they're all connected. And, Mick, you talked about wanting to be a sleep concierge service in one of your earlier question answers. And so, the question is, one, first, is the sleep concierge service something that you will give away as a service? I assume you will, but maybe there's some ability to monetize that. And then, two, how many patients do you think that those digital technologies that you referenced, how many patients could they bring into the market over what time period? Is it millions already? What's your success rate in getting those patients connected to you and ultimately on a CPAP today versus where they're getting lost?

And third, again, I apologize for the multi-question here, but, ultimately, this all kind of brings this idea of the funnel together. And you guys delivered double-digit growth this quarter. I guess, is that one way to continue that as a trend? And whether you want to give it numerically or not, but how do you get that over time on a longer-term basis? Thank you.

**Answer – Michael J. Farrell:** Yeah, Margaret, it's a great set of questions, and it really is one question, right? It's really about that demand generation and how we can, as a company, best leverage what is, frankly, once in a generation in the pharmaceutical cycle and I think maybe once in a generation on the wearables cycle

from consumer tech of a bolus of patients over the coming 1, 3, 5, 10 years. So, look, yeah, we aspire to be this digital health concierge and digital health concierge specifically for sleeping and breathing.

Look, I mean, obviously, when we're providing technology – if we're providing a service that is – a service that's out there in the healthcare field, we're going to be charging for it. But in the context of helping people find access to information, ResMed has the world's leading database with 19 billion nights of medical data in the cloud. We have more knowledge than anyone on the planet. I wouldn't call it a data lake, but I'd call it a data well. It's a bunch of deep, deep, deep information about the field of sleep and breathing and about patients, how they get to sleep, sleep, how they breathe all night and how they wake up and have mask leak and/or apneas and/or issues.

And so, with that, we want to bring that information and bring it to the world. For instance, we don't charge patients for myAir. Patients get access because we believe they've paid their insurance. In markets that are cash pay, they paid for that product out with their own cash. So, I believe they have the right to access their own data on their myAir app. So, if they sign up, as 8.3 million patients, they get myAir for free. So in a similar context, I would want patients to be able to find access to a pathway on a sort of freemium basis.

If there's advanced analytics and advanced information we're doing that does – AI isn't free, a lot of engineers still write it and a lot of energy consumed in the algorithms as they run, we probably will charge for some of those advanced information, similarly to what we do with AirView with our providers and physicians. So sleep health concierge will be freemium basis and will be out there. There probably will be some pay for the really advanced folks, but the primary goal is to help the billion people find their path to treatment.

Now, to your specific questions about quantifying how many patients in the channel, how many extra have we got from consumer tech, from big pharma versus from standard referrals, we do have some analytics and measurement on that. They're internal and they're not for sort of public consumption. If I say them here on the call, they become public forum. But I can tell you, we are productively paranoid about analyzing this channel, the flow of patients in, where they come from, how they come from, what we can do to drive more patients in from each element of that, how we can get an ROI of either direct consumer advertising or social media-driven advertising, and really track the return on that. So, watch this space, a lot of investment from ResMed. It is our brand promise to help people get better sleep, better breathing and better care at home. And we're the world leader, it's our duty to do so.

So, I do believe, to answer the sort of third part of your question, bringing the funnel together, it is all about that. We achieved incredible growth, double-digit growth, as you said, across the business, north of 6% in devices, north of 15% in masks, and incredible growth in our residential care services and software of 10%. So, really proud of the team. Our goal, keep doing it, and keep doing it quarter in, quarter out, and the team is on it. So, thanks for your question, Margaret.

## **Operator**

Thank you. Next question is coming from Anthony Petrone from Mizuho Group. Your line is now live.

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**Analyst:**Anthony Petrone

**Question – Anthony Petrone:** Thanks, Mick. Congrats on the quarter here. Maybe just stay on the theme, high level, you think about the debate on GLP-1. On the one hand, we still have a low diagnostic rate just for sleep apnea overall. I think it stands at 20% or so based on the last Wisconsin Sleep Study. So when you think about Lilly coming in here, potentially doing DTC, where do you think the diagnostic rate can go, so that would be a huge tailwind? And then on the flip side, you think about the continuum. We have dental devices, CPAP therapy, auto CPAP of course in there, sleep metrics on AirView, et cetera, and then we also have

hypoglossal nerve stimulation. When we add in a GLP-1, how do you think the decision-making process will shake out over time? Thanks again.

**Answer – Michael J. Farrell:** Yeah. Thanks for your question, Anthony. It's a broad one. It allows me to talk about the diagnostics rates, but also the different sort of as you said, continuum of care of the therapies for obstructive sleep apnea or sleep apnea in general. So, yeah, the Wisconsin cohort, the Sleep Heart Health Study is a fantastic, multi-decade study. And really Terry Young and her colleagues have done incredibly well to have such a broad study across the field. It does talk about the United States having diagnostic rates in that 15% to 20% rate. But it is a US-based study, the Sleep Heart Health study. It's out at Wisconsin, it's US based. It doesn't talk about Europe. And in Western Europe, the diagnostic rate is well south of 10% across Europe. And in Asia Pacific, EMEA, in rest of world, Latin America, we're less than 5% penetrated into this.

And if you just look at the macro of it, right, we've got – and we brag about it, we're so proud of having 28 million patients in our ecosystem. That's out of 1 billion patients worldwide. So that's 2.8% of patients in our ecosystem. And we're the world leader, we're the world leader in digital health, not just for respiratory medicine, but across the board with 19 billion nights of data. So, globally, this is a single-digit penetration market. And so, firstly, patients need treatment, I welcome alternative therapies. We're investing in all alternative therapies. We invest in CPAP, APAP, BiLevel, obviously, world leader in that. We're investing in dental therapy. We're the world leader in Narval 3D printed devices for Western Europe and Northern Europe, number one in 3D printed dental devices in those regions. And we're investing in pharma with Apnimed investment and we're investing in hypoglossal nerve stim with our Nyxoah investment. So, we want to take care of every single patient.

But the goal, when you talk about the continuum of care, if you're a physician, payer, provider, and you're looking at the holistic system, you want lowest cost, most efficacious, least invasive, most reversible. And the most used in terms of data of lowering death rates, 29% reduction in mortality rates that we've seen with PAP across our ALASKA study. So, our goal is, yes, get that patient in the sleep health concierge channel, get them to the best therapy, which you start with CPAP, as you said, probably upgrade sometimes to APAP, sometimes BiLevel. If you fail all of those and maybe 10% of the patients, we just can't get there, 10%-plus, we then will help them find a path to dental therapy, which is the next most efficacious therapy. Then after that, based on some out-study, probably pharma comes a little bit ahead of hypoglossal nerve stim in efficacy, right? They're talking 60% AHI reduction versus just north of 50% for some of the surgical ones. So, probably third line therapy is going to be either a GLP-1 or an Apnimed type product. And I think that all of the above are great and we're investing in all the above.

And look, if you can't tolerate the CPAP, the dental and you won't take a pill, you probably do need to have that implant, because some treatment is better than no treatment. And we know that if you're treated for the suffocation, you're going to have lower incidences of heart attack, stroke, all-cause mortality, and you're going to be less costly to the healthcare system. We have dose response relationship data showing for every hour on positive airway pressure therapy. We see 7% to 8% reduction in emergency room costs.

So, our goal is to continue and be part of this ecosystem and help patients find their pathway to therapy. We are seeing more patients come in from this. I hope it does increase that diagnostic percentage, because it's our obligation as an industry to do so. Thanks for the question, Anthony.

**Operator**

Thank you. Next question is coming from Saul Hadassin from Barrenjoey. Your line is now live.

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**Analyst:**Saul Hadassin

**Question – Saul Hadassin:** Yeah. Good morning, Mick, Brett, and Amy. Mick, can I get you to give some commentary around the SURMOUNT-OSA write-up in the New England Journal and particularly some of those secondary endpoints as it relates to the reduction in AHI, since there are no disease effectively or mild disease. You mentioned the data as it relates to resupply. I was wondering if you have any data that looks at or tracks people who have given a script for GLP-1s and CPAP as to how many people have actually been to come off CPAP at the end of either 12 months or 24 months. Thanks.

**Answer – Michael J. Farrell:** Yes. So, thanks for the question. And look, we're looking at the real-world evidence every single way that we can. And yes, certainly the SURMOUNT-OSA data had pretty extraordinary trial right where they had the patients with the sleep coach and nutrition coach, an exercise coach. They were calling them and interacting with them every day. So, even people in the placebo arm had incredible reductions in weight and some really big reductions in AHI in the placebo arm, where they got no pharmaceutical medication whatsoever, either sideline or nothing. And so, look, I think that under that circumstance, those roughly 600 patients, plus or minus, they had some extraordinary results. But even in all those circumstances, they still weren't as good as dental devices and certainly nowhere near the 95% reduction HI that any doctor would want with positive airway pressure therapy.

But, look, it certainly was larger than many people thought, those AHR reduction. So I think it's great. I think it means that those two companies that are investing in this are going to go through, get an indication for use, and then they're going to be out there doing D2C advertising, which in the US you can do late night television and they will be out there, they'll find some catchy tune and it will be out there driving patients into the funnel. And I think it will be good for all of us in the therapeutic side.

We're definitely looking the churn rates and CPAP quitters, APAP quitters, BiLevel quitters and really looking in detail at it. I can tell you, in aggregate, we've seen no change on the data. And, as you know, the latest generation GLP-1s, some of them been out there one year, three years, four years plus, these latest gen, and we're not seeing any increase in that. We're looking at real-world data and we're analyzing left, right and center, but we're not seeing an increase in quitter rates. If anything, we're seeing more motivated patients come in and holding on more.

The combination therapy which is what the primary investigators in this talk about, which is CPAP plus drug therapy, as in I'm managing my weight and my suffocation, are really there. And the vast majority of patients have incredible residual apnea at levels that would be treated by any primary care physician in the planet, even under the very controlled circumstances of this trial, let alone what's going to actually happen in the real world.

So, we're watching it. We have a really strong focus on it. We've got 811,000 patients in our study. And we'll continue to publish data on it. And as we get more and more, we'll go even more to publish at American Thoracic Society, European Respiratory Society and get in The Blue Journal and all the big journals to have this down there in the clinical literature, as well as the subjects that we're looking at in our analysis. Thanks for the question, Saul.

## **Operator**

Thank you. That's all the time we have for questions. I'd like to turn the floor back over to Mick for any further closing comments.

Yeah. Thanks, Kevin, and thank you to all of our stakeholders for joining us on this call. The opportunities in front of us, as you heard from all these questions, huge and largely untapped. It's an incredible runway. We see more and more people coming into the health system and this will benefit us as we help them sleep better, breathe better and live better lives in 140 countries. Thank you to all the ResMedians who are listening



to this call around the world, many of you also shareholders. So, thank you for what you do today and every day.

With that, I'll hand the call back to you, Amy.

Great. Thank you, Mick. Thanks, everyone, for listening and your questions. We do appreciate your interest and your time. If you have any additional questions, please don't hesitate to reach out directly. This concludes ResMed's fourth quarter 2024 conference call. Kevin, you may now close out the call.

## **Operator**

Thank you. You may now disconnect your lines and have a wonderful day. We thank you for your participation today.

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