



GROWTH **RECOMMENDATION**



ResMed

RMD:ASX

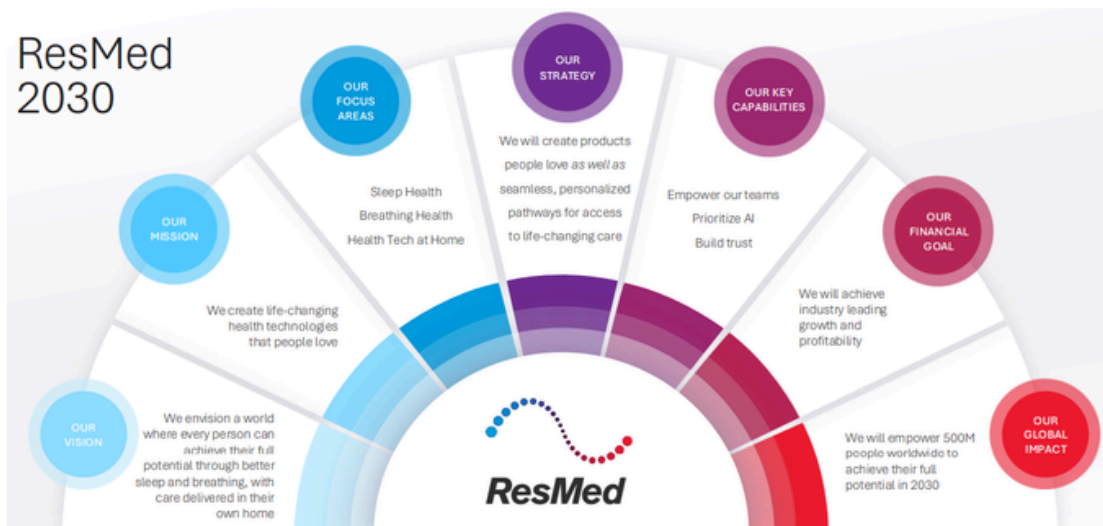
November 2024

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GROWTH RECOMMENDATION

Resmed Incorporated RMD:ASX/NYSE

ResMed is a global leader in digital health and cloud-connected medical devices, specializing in the treatment of sleep apnea, chronic obstructive pulmonary disease (COPD), and other respiratory disorders. The company's core business revolves around developing, manufacturing, and distributing innovative medical devices and software solutions for sleep and breathing-related conditions. ResMed's product portfolio includes continuous positive airway pressure (CPAP) devices, masks, accessories, and a suite of cloud-based software platforms. These solutions are designed to improve patient outcomes, enhance care delivery efficiency, and reduce healthcare costs. ResMed's devices are equipped with advanced sensors and connectivity features, allowing for remote monitoring and data-driven insights. The company's software-as-a-service (SaaS) offerings, now referred to as Residential Care Software, provide comprehensive out-of-hospital software solutions that support healthcare professionals and caregivers in managing patient care. With a presence in more than 140 countries, ResMed has established itself as a pioneer in sleep technology and respiratory care, continuously innovating to address the growing global burden of sleep-disordered breathing and chronic respiratory conditions

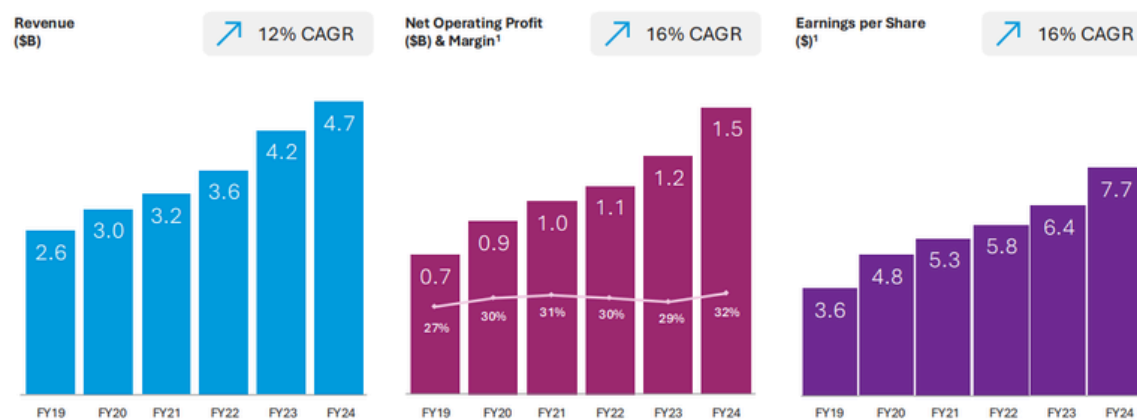


INVESTMENT CONSIDERATIONS

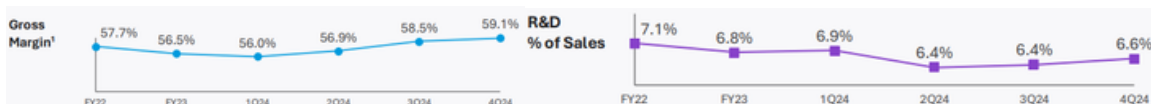
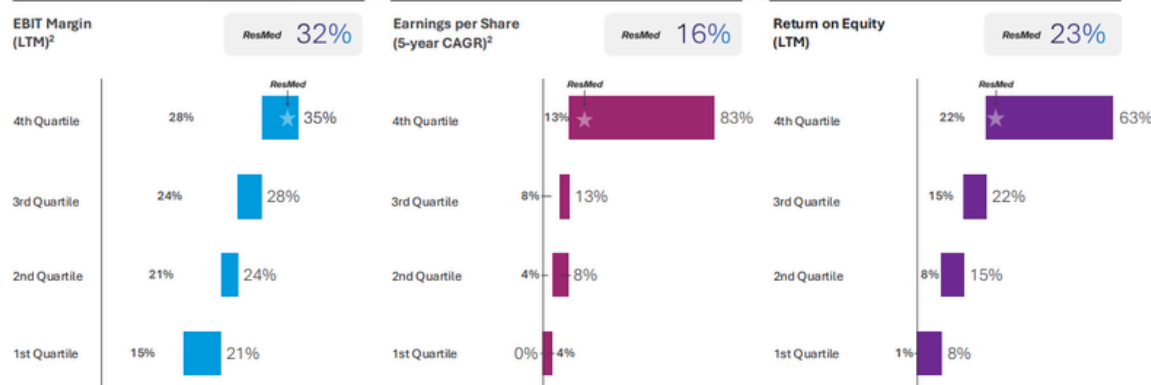
Leadership

ResMed's leadership team is headed by Michael "Mick" Farrell, who has served as CEO since 2013 and recently took on the additional role of Chairman. Farrell's extensive experience in the medical device industry and his strategic vision have been instrumental in driving ResMed's growth and innovation. Under his leadership, ResMed has expanded its digital health capabilities and strengthened its position as a market leader. The executive team also includes Rob Douglas as President and Chief Operating Officer, bringing over 20 years of experience in the medical device industry. Brett Sandercock serves as Chief Financial Officer, ensuring strong financial management and strategic resource allocation. The leadership team's focus on innovation is evident in the appointment of Bobby Ghoshal as Chief Technology Officer, overseeing the company's digital health technology initiatives. This experienced and diverse leadership team has demonstrated a commitment to ResMed's mission of improving lives through innovative sleep and respiratory care solutions, while also delivering strong financial performance and shareholder value.

Financial Performance



PEER GROUP¹



INVESTMENT CONSIDERATIONS

Valuation

ResMed currently trades at a forward P/E ratio of 28x, which is in line with the medical devices industry average. Given the company's strong market position, consistent revenue growth (11% year-over-year in Q1 FY2025), and expanding margins (non-GAAP gross margin improved 320 bps to 59.2%), we believe the current valuation offers an attractive entry point for long-term investors. The company's recent financial performance demonstrates robust growth across all business segments, with Q1 FY2025 revenue increasing by 11% to \$1.2 billion and non-GAAP operating profit up 27%. ResMed's focus on operational excellence has resulted in margin expansion and a 34% increase in operating profit. The company's strong cash flow generation, with operating cash flow of \$326 million in the latest quarter, supports ongoing investments in R&D and strategic initiatives. ResMed's updated five-year financial outlook, which includes high-single-digit revenue growth and earnings growth higher than revenue growth, underscores the company's confidence in its long-term prospects. Given ResMed's market leadership, innovative product pipeline, and expanding addressable market, we believe the current valuation presents an opportunity for investors to participate in the company's future growth



Sociological Factors

ResMed's products and services significantly impact society by addressing critical health issues affecting millions globally. Sleep apnea and respiratory disorders are major public health concerns, influencing overall health, productivity, and quality of life. ResMed's effective treatments improve health outcomes, reduce healthcare costs, and enhance well-being for patients and families. The company's focus on home-based care and remote monitoring aligns with decentralized healthcare trends, potentially increasing treatment access for underserved populations. ResMed's digital health solutions empower patients in health management, promoting engagement and potentially improving treatment adherence. By addressing sleep-related issues, their products may enhance workplace safety and productivity, especially in fatigue-sensitive industries. The company's commitment to innovation in sleep and respiratory care can raise awareness, potentially leading to earlier diagnosis and treatment for many individuals.

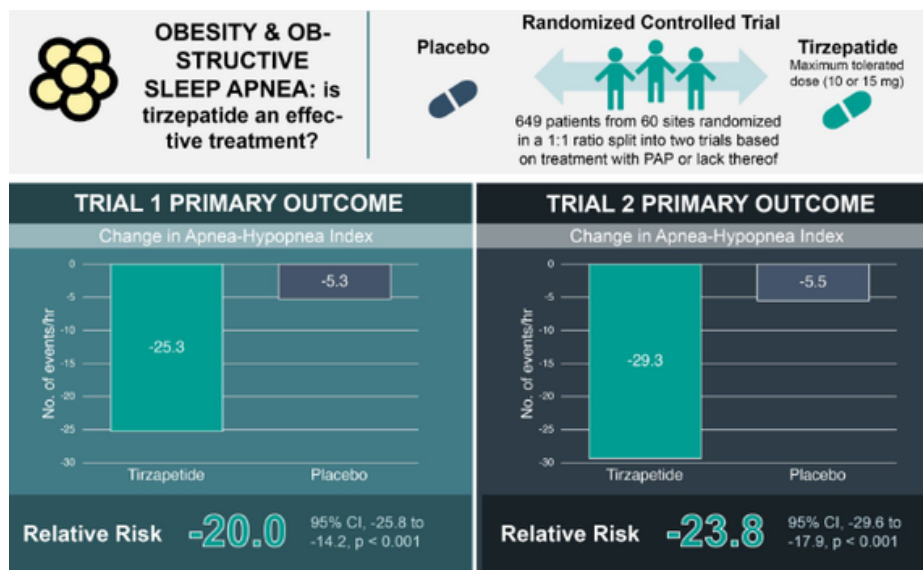
RISKS

Risks

While ResMed presents a compelling investment opportunity, there are several risks to consider:

Regulatory changes - Regulatory changes in the medical device industry could impact ResMed's operations and profitability. The company operates in a highly regulated environment, and any adverse changes in regulations or failure to comply with existing regulations could result in fines, product recalls, or reputational damage.

Competition from GLP-1 - Competition in the sleep and respiratory care market is intense, with both established players and new entrants potentially eroding ResMed's market share or pressuring pricing. The rapid pace of technological change in the healthcare industry presents both opportunities and risks, as ResMed must continually innovate to maintain its competitive edge.



Cyberattacks - The company's increasing reliance on digital health and cloud-based solutions exposes it to cybersecurity risks and potential data privacy concerns.

Global supply chain disruptions - Global supply chain disruptions, as seen during the COVID-19 pandemic, could impact production and distribution of ResMed's devices.

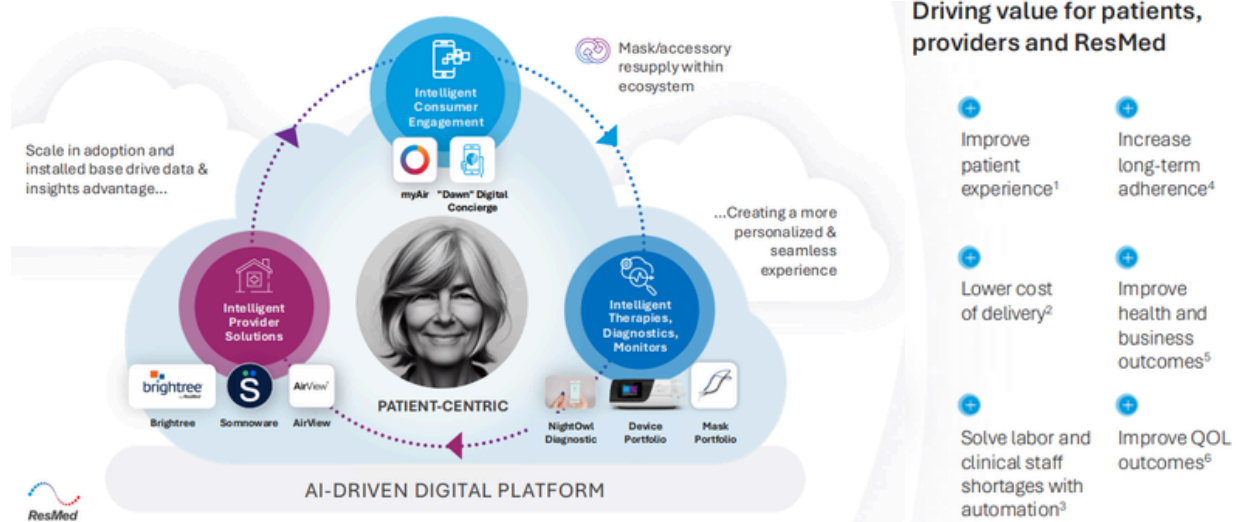
Currency risks - the company's international operations expose it to currency fluctuations and geopolitical risks. Investors should also be aware of the potential impact of new weight loss drugs on the sleep apnea market, although the long-term effects remain uncertain

WHY HOLD THE COMPANY?

Investors should consider owning shares in ResMed for several compelling reasons.

Dominant player - the company is a dominant player in the growing sleep and respiratory care market, with a strong brand and extensive distribution network. The global sleep apnea devices market is expected to grow at a CAGR of 6.2% from 2021 to 2028, driven by increasing awareness and an aging population, providing ResMed with significant growth opportunities.

Innovative - ResMed's consistent investment in R&D (7% of revenue) fuels continuous innovation, maintaining its competitive edge and expanding its addressable market. The company's focus on digital health and cloud-connected devices positions it well for the future of healthcare, potentially opening new revenue streams and enhancing customer loyalty.



Financial health - ResMed's strong financial performance, with consistent revenue growth and margin expansion, demonstrates effective management and operational efficiency. The company's robust cash flow generation supports ongoing investments, strategic acquisitions, and shareholder returns through dividends and share repurchases.

Growth in preventative care - ResMed's commitment to addressing critical health issues aligns with growing societal focus on wellness and preventative care, potentially benefiting from increased healthcare spending in these areas.

Global presence - the company's global presence and diverse product portfolio provide resilience against regional economic fluctuations and market-specific challenges. With its strong market position, innovative culture, and alignment with healthcare trends, ResMed offers investors exposure to the growing healthcare technology sector with the potential for long-term value creation.

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Our Commitment

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