



**ResMed**

*Changing lives  
with every breath*



# Investor Presentation

Q1 2016

October 22, 2015

## ➤ Safe Harbor Statement

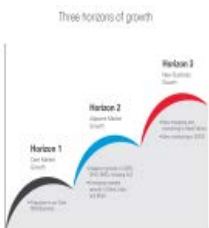
Statements contained in this presentation that are not historical facts are “forward-looking” statements as contemplated by the Private Securities Litigation Reform Act of 1995. These forward-looking statements—including statements regarding ResMed's projections of future revenue or earnings, expenses, new product development, new product launches and new markets for its products—are subject to risks and uncertainties, which could cause actual results to materially differ from those projected or implied in the forward-looking statements. Additional risks and uncertainties are discussed in ResMed's periodic reports on file with the U.S. Securities and Exchange Commission. ResMed does not undertake to update its forward-looking statements.



# WHO WE ARE



# WHY INVEST



# WHERE WE'RE GOING

Leading global developer, manufacturer and marketer of medical solutions to treat and manage sleep-disordered breathing, chronic obstructive pulmonary disease and other chronic respiratory conditions.

- Operate in more than 100 countries directly and with distribution partners
- Integrated global manufacturing operations:
  - Australia, France, Singapore, and USA
- Invest ~6-7% of revenue in R&D
- Greater than 5,000 patents and designs
- FY 2015 annual revenue > US\$1.7 billion
- Over 4,000 employees world-wide
- Listed: New York Stock Exchange (NYSE) and in Australia (ASX)



## ➤ Holy Grail: Improve outcomes & reduce healthcare costs

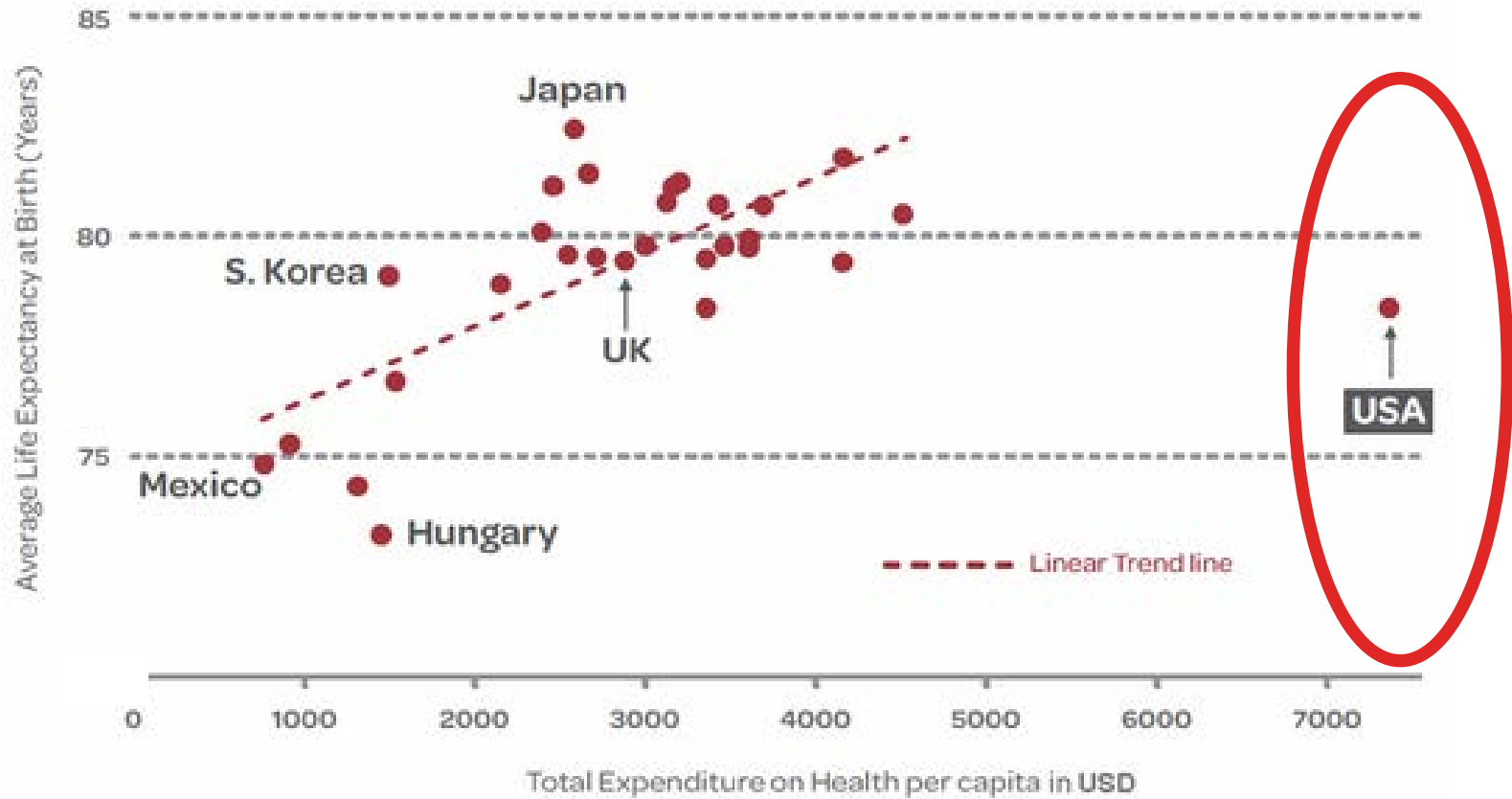
- **Improve quality of life for patients**
- **Prevent chronic disease progression**
- **Reduce costs of managing chronic disease**





# Opportunity to shift care from hospital to home

## Healthcare Spending per capita vs. Average Life Expectancy Among OECD Countries

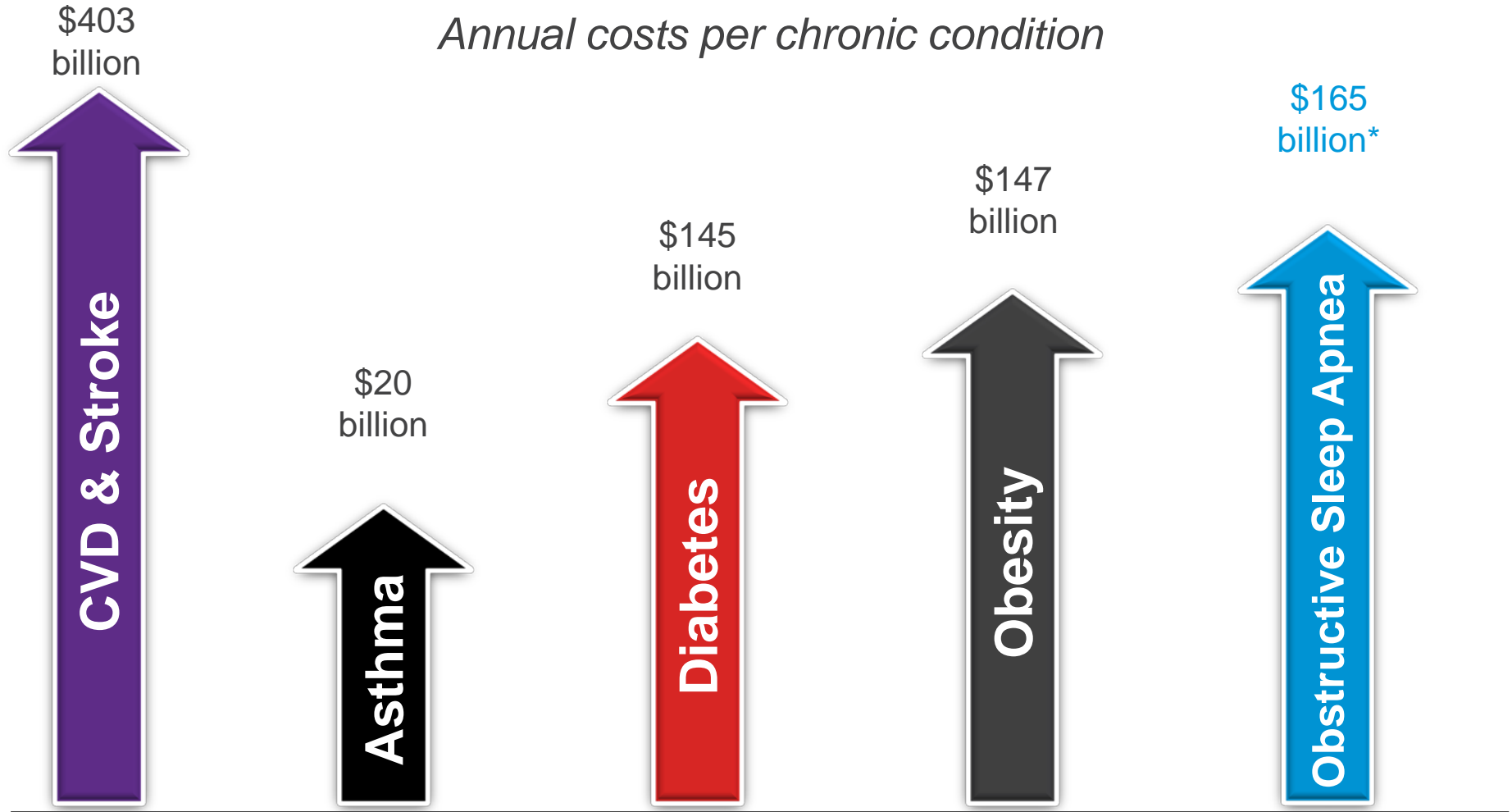


Source: OECD report (2011) – WHY IS HEALTH SPENDING IN THE UNITED STATES SO HIGH? [www.oecd.org](http://www.oecd.org)



# We can reduce costs of key chronic diseases

*Annual costs per chronic condition*



MMWR, Vol 60, 2011

CDC National Asthma Control Program

CDC, National Diabetes Fact Sheet, 2011

Eric A. Finkelstein, et al, Health Affairs 28, no. 5 (2009): w822-w831

McKinsey & Company analysis Harvard Medical School, 2010



# WHO WE ARE



# WHY INVEST



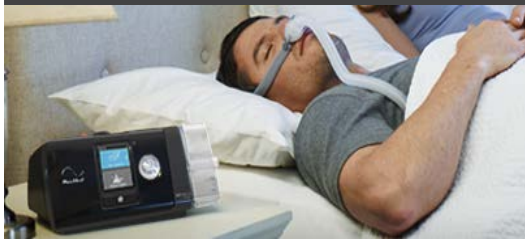
# WHERE WE'RE GOING



# Why invest

## Strong Portfolio

- Broad range of products & solutions
  - Wireless, cloud-connected devices
  - End-to-end patient management solutions
  - Consumer sleep wellness offerings
- Over 100 countries



## Strong Performance

- Solid revenue growth track record
- Operational excellence is part of our DNA
- Strong cash flow
- Active capital management: share repurchases; dividends



## Growth Drivers

- Underpenetrated global SDB market
- New adjacent markets in COPD, CAD & AF
- A portfolio of high growth markets including China, India and Brazil
- Product and service innovation



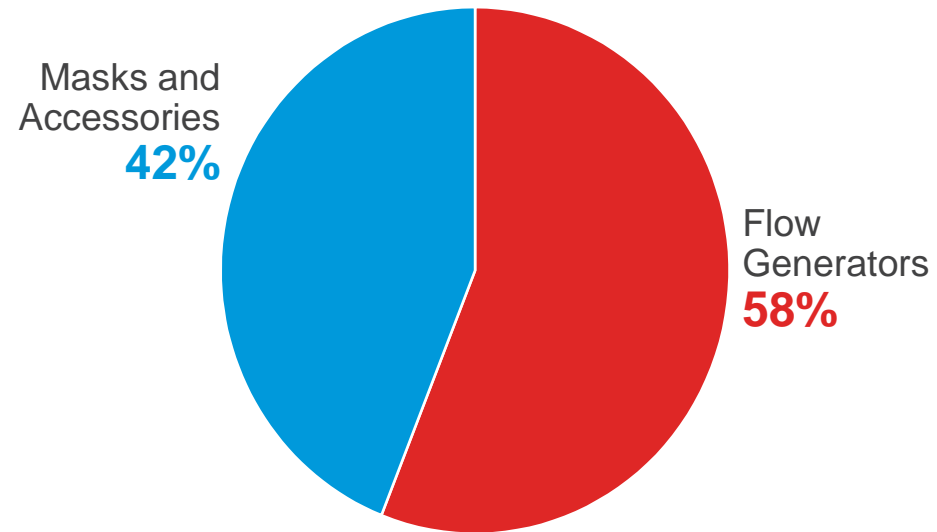
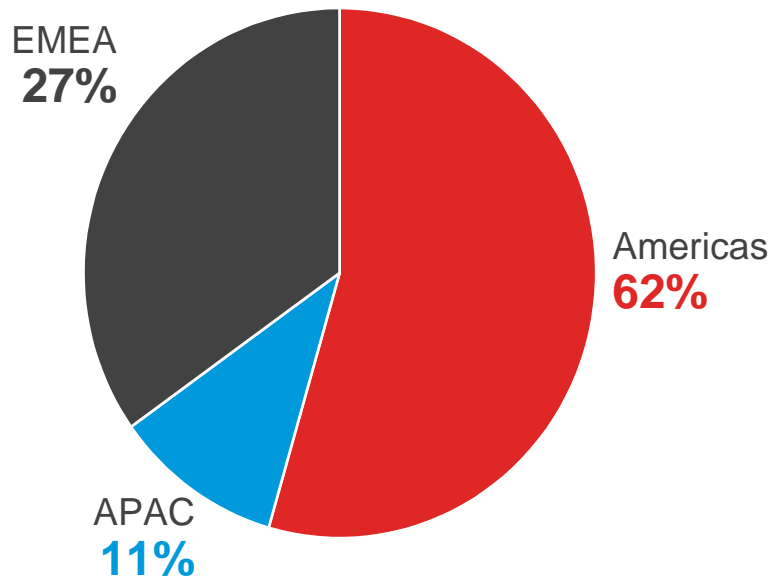


# Q1 2016 Results

Key Financial Metrics	Q1 2016
Revenue	\$411.6M +8% (15% CC)
Gross margin	58.0%
Non-GAAP operating profit*	\$100M +4%
Non-GAAP net income*	\$82.1M -3%
Non-GAAP EPS*	\$0.58 -2%
GAAP EPS	\$0.57 -2%
Cash flow from operations	\$122M
Free cash flow	\$106M

\* Excludes \$2.3 million in expenses (\$1.7 million, net of tax) associated with amortization of acquired intangibles

# > Diversified revenue sources by region & product

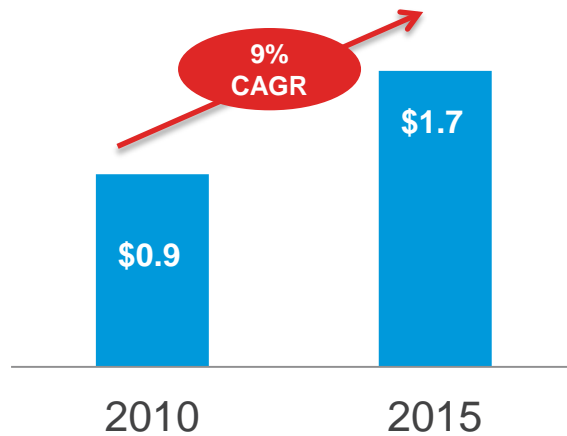


Note: Represents Q1 2016 revenue breakdown

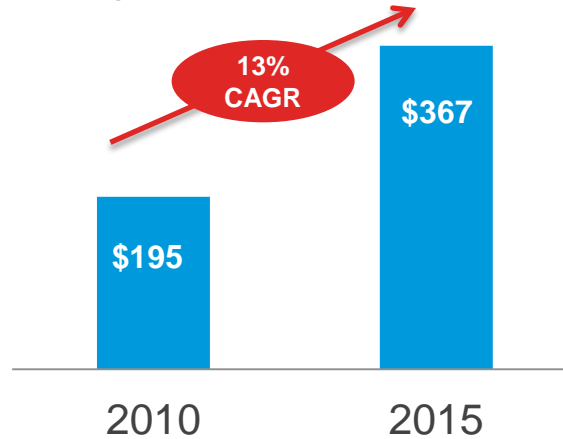


# Strong financial performance

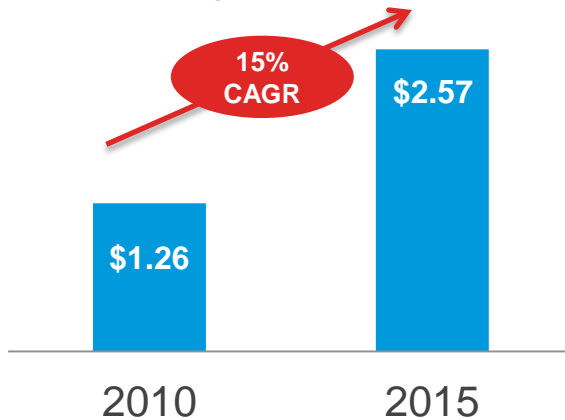
### Revenue (\$B)



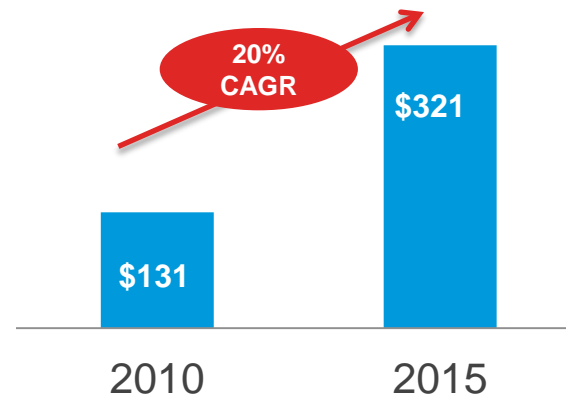
### Adjusted Net Income (\$M)



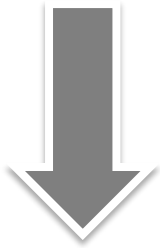
### Adjusted EPS



### Free Cash Flow (\$M)



## Capital Deployment



### Free Cash Flow returned to Shareholders

- Last twelve months combined dividend and stock repurchase = 92% of free cash flow



### Increasing Dividend

- FY 2015 dividend payout ratio of 45% of net income
- 2015 dividend per share increased 12% over prior year



### Investment for Growth

- New products
- Geographic expansion
- Acquisitions

Combined dividends and share buy-back over rolling 5 years  
= 99% of free cash flow

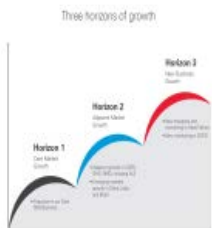
Combined dividends and share buy-back from inception  
= \$1.9 Billion



## WHO WE ARE



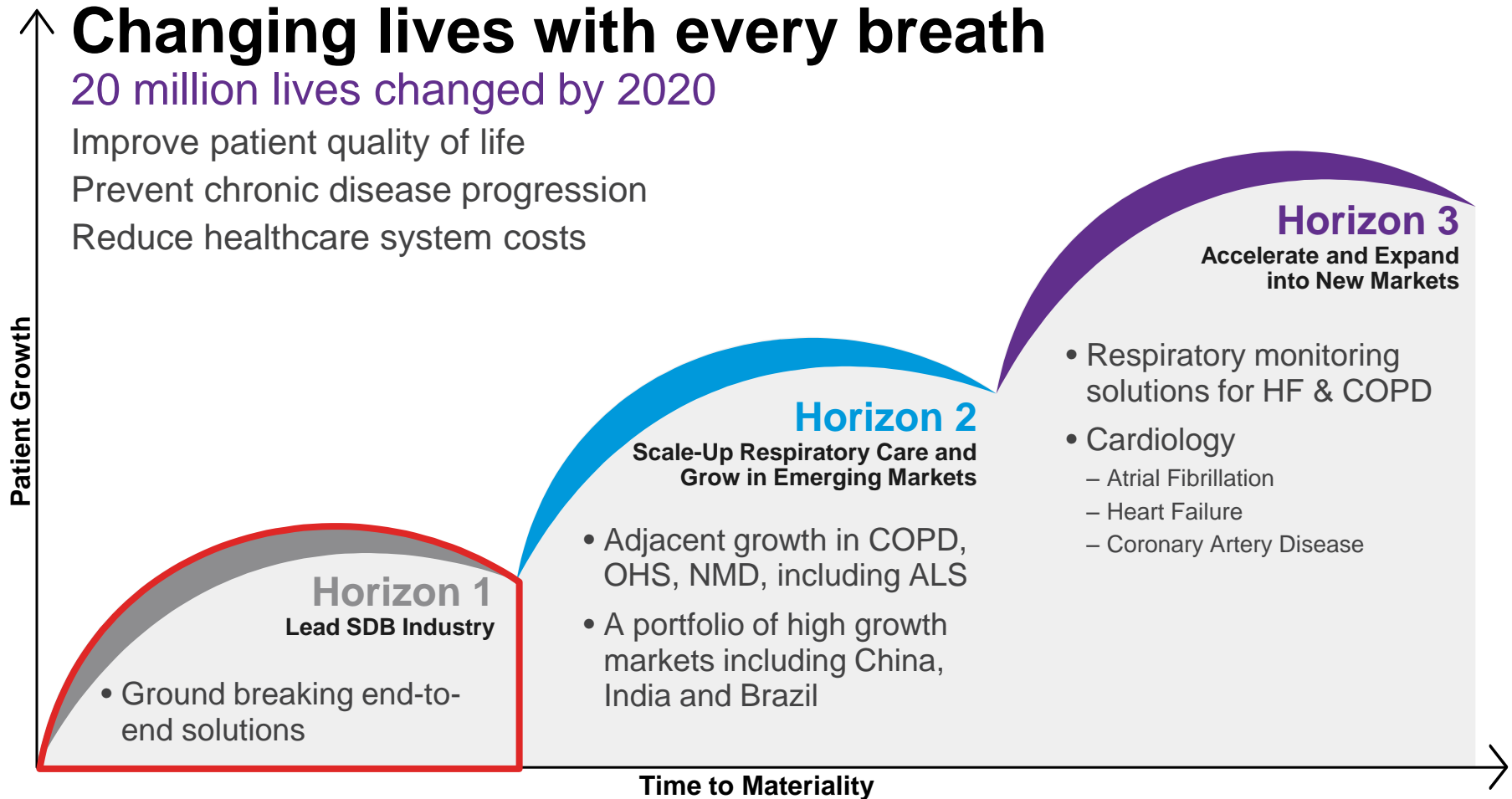
## WHY INVEST



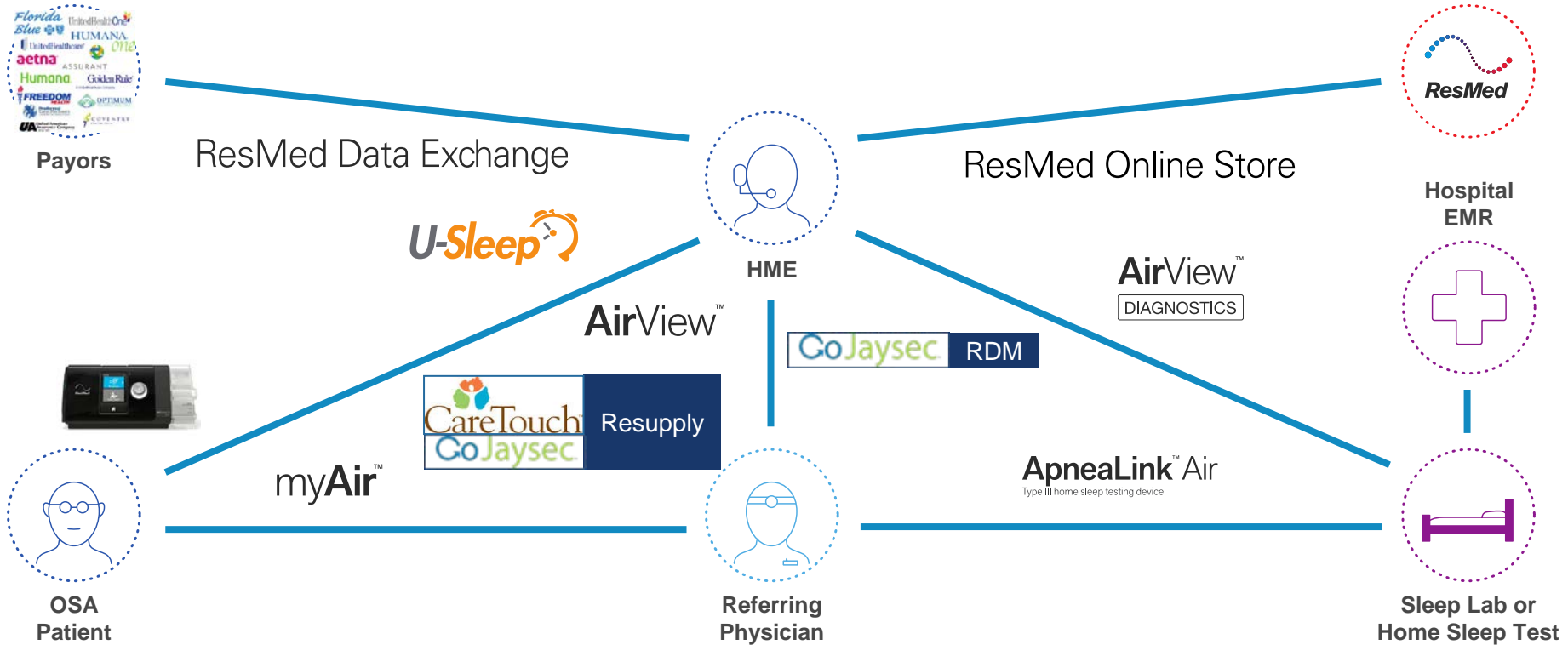
## WHERE WE'RE GOING



# ResMed's Three-Horizon Growth Strategy



# > The optimized delivery model with Air Solutions



Diagnosis > Therapy > Monitoring & Management > Patient Engagement > Billing



# Proven HI Solutions builds competitive advantage

The ability to predict outcomes, communicate insights and act on data effectively and efficiently keeps ResMed in a leadership position.



# Air Solutions – *Better Efficiency, Better Outcomes*

## AirView™

### Efficient management & business growth <sup>1</sup>



- Reduced unreachable patients by 87%
- Increased new patient setups by 55%

## myAir™

### Patient engagement achieving compliance <sup>2</sup>



- Patients who used myAir achieved compliance by Day 23
- 84% of patients are compliant within 90 day

## U-Sleep

### Automated compliance coaching <sup>3</sup>



#### Standard Monitoring



vs

#### Centralized Monitoring



- Increased compliance by 27%

- Increased new patient set-ups by 83% with same staff

1. Data based on monthly patient setups and compliance rates of DME customers from February 2014 – March 2015. Historical results for this provider over the stated time.  
 2. Boota A, Clark K, Lee C. A New Approach for Patient PAP Compliance: Centralized Compliance Monitoring. Sleep. Journal of Sleep Disorders Research Volume 38 2015 | Abstract Supplement  
 3. Lynch, S et al. Retrospective descriptive study of CPAP adherence associated with use of the ResMed myAir application 2015. ResMed Science Center, ResMed Ltd, Sydney, Australia. Time to achieve Medicare adherence based on median value (95% CI)



# AirFit range – *World-leading Patient Interfaces*



## AirFit™ P10

Nasal Pillows System

- ✓ 50% quieter & lighter
- ✓ Easy to fit
- ✓ Visual freedom



## AirFit™ N10

Nasal Mask

- ✓ Compact, user-friendly design
- ✓ Ease of use; comfort
- ✓ Visual freedom
- ✓ Patients ranked #1 compared to industry masks



## AirFit™ F10

Full Face Mask

- ✓ Compact design
- ✓ Ease of use
- ✓ Patients ranked #1 for seal, comfort and ease of use



# We continue to build sleep apnea awareness

Sleep is the third pillar of health, but often neglected. Experts agree that diet, exercise and quality sleep are the three pillars of a healthy life, but for many women, balancing these is an ongoing challenge. [Read More Here.](#)

**Sleep and Women**  
What a good night's sleep really means.

**Health**  
Nutrition tips for a better night's sleep.

**Beauty**  
Sleep your way to smoother and healthier skin.

**Expert Tips**  
Sleep: Psychological differences between men and women.

**Tweets**

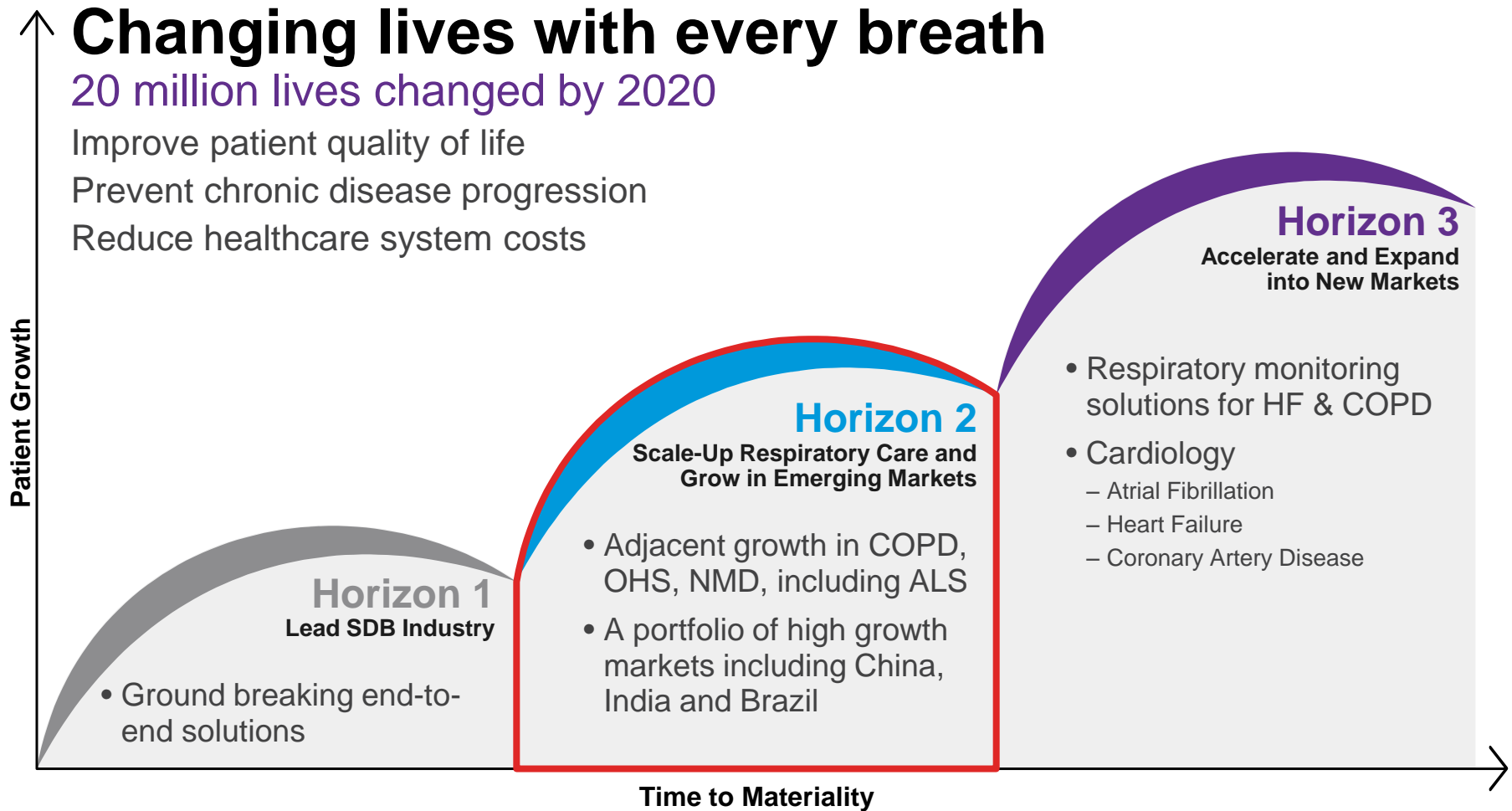
**SleepForWomen** @SleepForWomen  
Feeling grumpy this morning? Find out how quality sleep can help you wake up on the right side of the bed! [@SleepForWomen](#)

## “Ignorance is our major competitor”

- **“Better Sleep for Women”** education and product focused campaign
- **S+ by ResMed** – consumer sleep management solution available online and retail; connected to Apple HealthKit



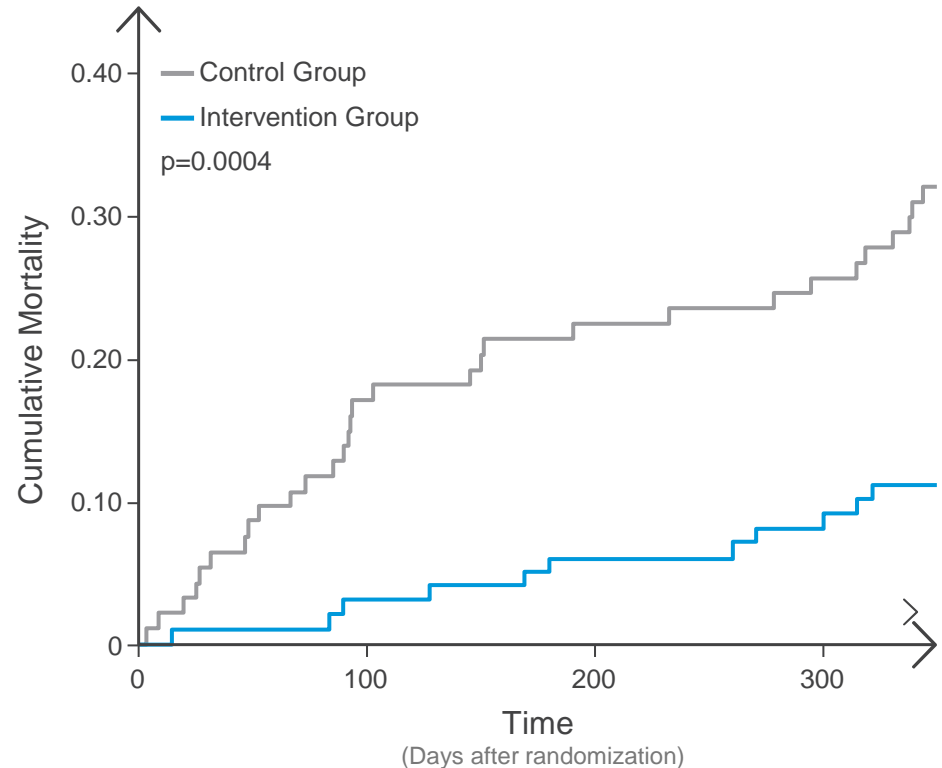
# ResMed's Three-Horizon Growth Strategy





# Horizon 2: Huge potential to improve outcomes in COPD

- Mortality risk reduced by over 60% on a relative basis when using long-term non-invasive ventilation (NIV) treatment in chronic obstructive pulmonary disease (COPD)
- One-year mortality in the two matched COPD cohorts was:
  - 12% mortality (NIV therapy)
  - 33% mortality (no intervention)
- 80 Million COPD patients worldwide
  - NIV underpenetrated as treatment for COPD
  - Significant upside: Europe, US, China, Brazil



References: Köhnlein et al. *Lancet Respir Med* 2014



# Our new respiratory care platform: *Astral*

## ResMed introduces the Astral life support ventilator globally:

Designed to enrich life for patients

- Freedom: *patient quality-of-life*
- Ease of use: *saves clinician time*
- Low total cost of ownership: *efficiency*



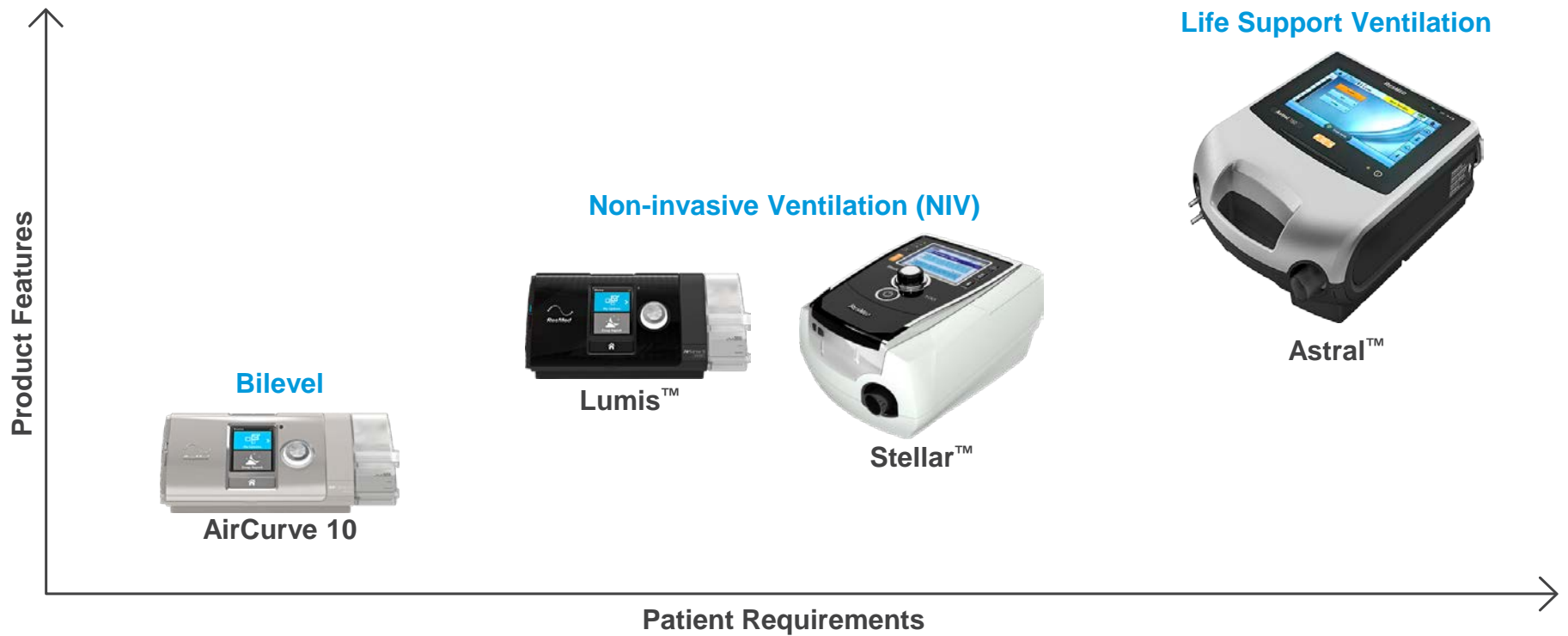
reddot design award  
product design 2014



\* The Astral™ platform is water resistant, but is not waterproof. Please consult the users' manual for further information.



# Horizon 2: Full spectrum of ventilation products





## ➤ Horizon 2: Invest in a portfolio of key high growth markets



# High growth markets: Investing in China

- Accelerating our strategy to invest and grow in China and other high growth markets
- ResMed and Curative combined will be the leader in sleep and respiratory care in China
- Complementary sleep and respiratory care products and Curative product manufacturing, sales and R&D in China
- Transaction is completed



## ResMed and Curative Medical



### Preserve

- Maintain separate business models, teams and segmentation
- Retain local business culture, relationships and brands



### Strengthen

- Strategic alignment and collaboration
- Enhance local R&D, manufacturing and channels to market

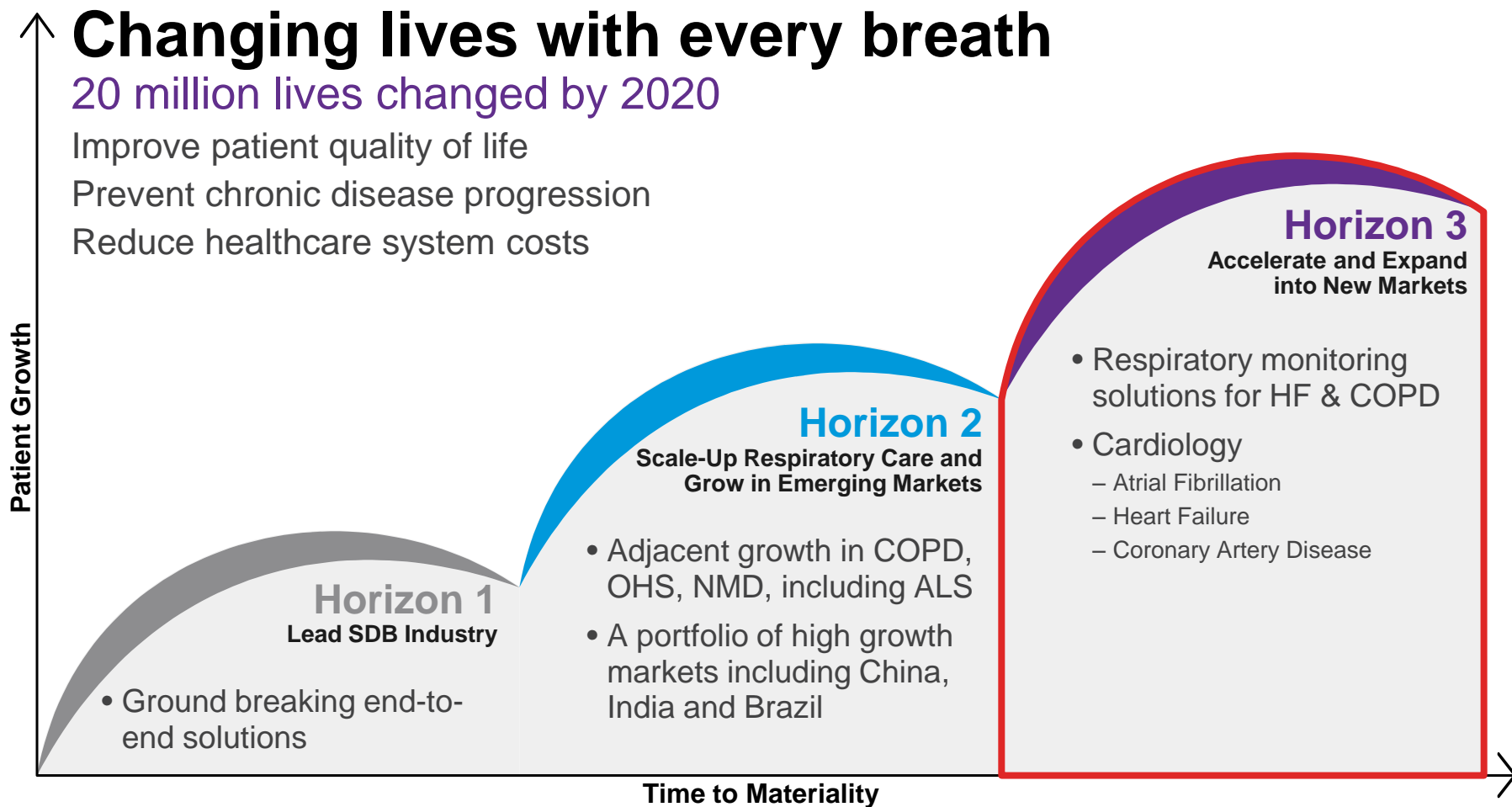


### Grow

- Invest in local market development and innovation
- Leverage combined scale to grow market share

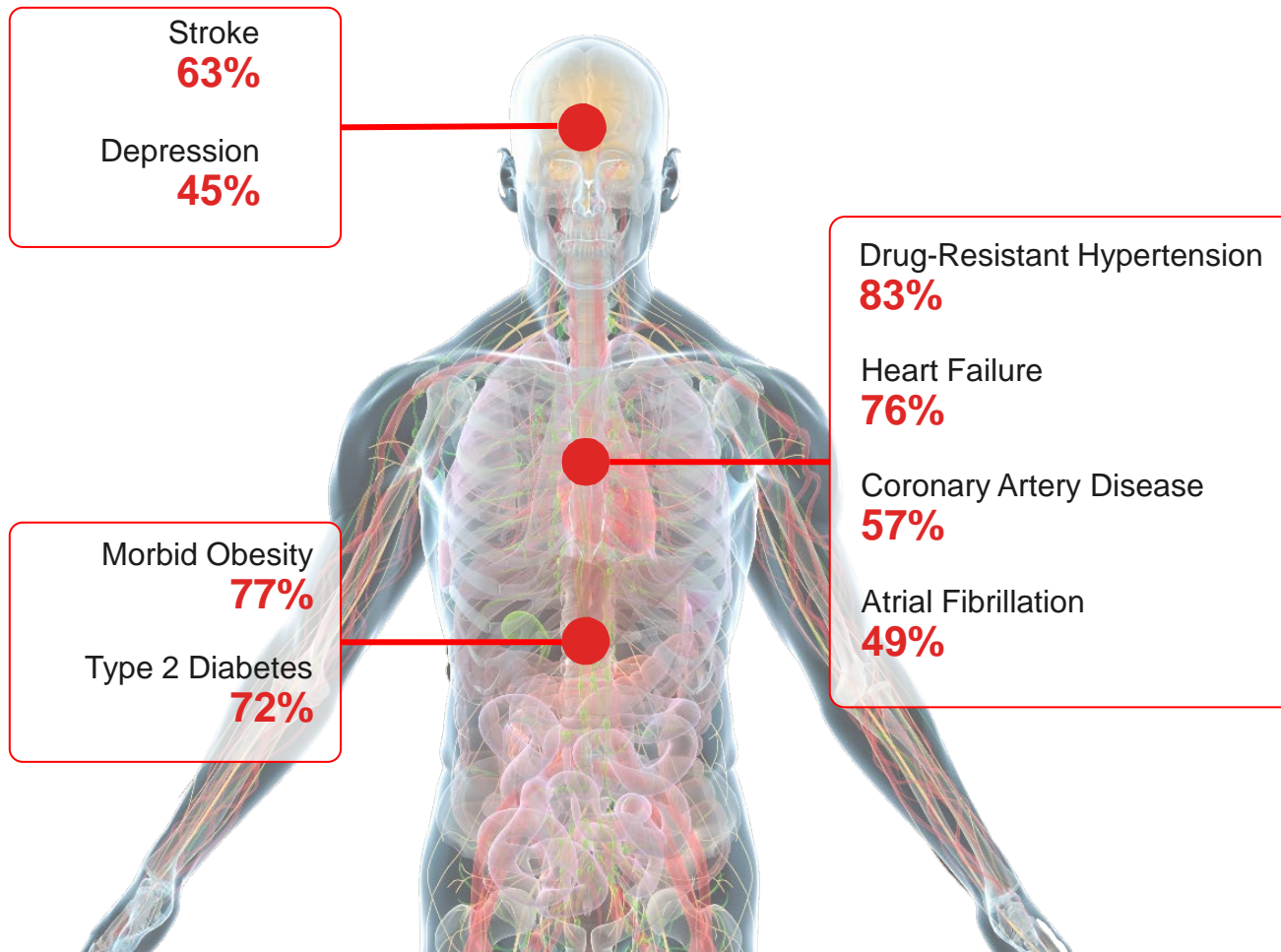


# ResMed's Three-Horizon Growth Strategy





# Sleep apnea: *Highly prevalent in key diseases*



**References:** Logan et al. *J. Hypertension*; O'Keefe and Patterson, *Obes Surgery*; Oldenburg et al., *Eur J Heart Failure*; Einhorn et al. *Endocrine Prac*; Basseti et al. *Stroke*

# Horizon 3: Atrial Fibrillation (AF)

JACC: CLINICAL ELECTROPHYSIOLOGY  
© 2015 BY THE AMERICAN COLLEGE OF CARDIOLOGY FOUNDATION  
PUBLISHED BY ELSEVIER INC.

VOL. 1, NO. 1-2, 2015  
ISSN 2405-500X/\$36.00  
<http://dx.doi.org/10.1016/j.jacep.2015.02.014>

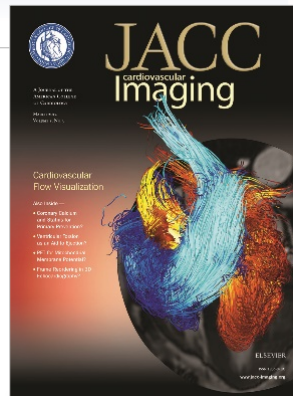
## Effect of Obstructive Sleep Apnea Treatment on Atrial Fibrillation Recurrence

### A Meta-Analysis

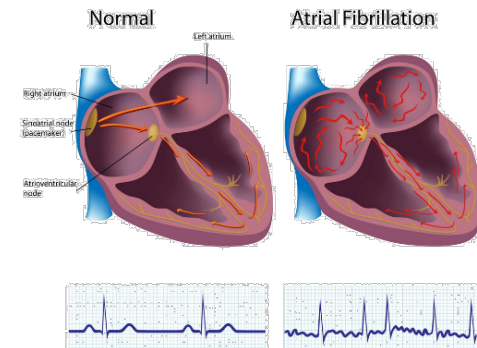
Ashish Shukla, MD, MPH, Anthony Aizer, MD, MSc, Douglas Holmes, MD, Steven Fowler, MD, David S. Park, MD, PhD, Scott Bernstein, MD, Neil Bernstein, MD, Larry Chinitz, MD

#### ABSTRACT

**OBJECTIVES** This study aimed to evaluate the cumulative effect of treatment of obstructive sleep apnea (OSA) with continuous positive airway pressure (CPAP) on atrial fibrillation (AF) recurrence.



- Conclusion of study in JACC:
  - CPAP use associated with reduced AF recurrence
  - Reduced AF recurrence seen in two key groups
    - Patients who underwent catheter ablation
    - Patients who underwent non-ablation medical mgmt.
  - Data included 7 studies with n=1,087 patients



# Horizon 3: Heart Failure

## Dose-response relationship between SDB and cardiovascular outcome



- **Goal:** Clinical trial focused on treatment of sleep disordered breathing in Heart Failure
- **Status:** Enrollment complete and continuing the clinical trial as a pilot study to inform future research

# ➤ Changing lives with every breath

*In the last 12 months, we changed more than 9 million lives, literally keeping patients breathing... and we are just getting started.*



***Our aspiration is to change 20 million lives by 2020***

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