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OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Mick Farrell *Resmed Inc - Chairman of the Board*

Carlos Nunez *Resmed Inc - Chief Medical Officer*

CONFERENCE CALL PARTICIPANTS

Chris Cooper *JP Morgan - Analyst*

PRESENTATION

Chris Cooper - *JP Morgan - Analyst*

Okay. Good morning, and welcome again to the JPMorgan Healthcare Conference. My name is Chris Cooper. I cover the Australian health care stocks here at JPMorgan. This man needs no introduction, but I'd like to hand over here to Mick Farrell, the CEO of ResMed.

Mick Farrell - *Resmed Inc - Chairman of the Board*

Great. Well, thanks, Chris, and look forward to having about 20 minutes of presentation and then 20 minutes of Q&A. So get your questions ready. I know Chris has a whole bunch from sell side, corporate side and now back to the sell side. So welcome back, Chris, to Resmed. This presentation is on investor.Resmed.com. You can read our full disclaimers there about the forward-looking statements.

Some of you are new to the Resmed story. I see a lot of familiar faces in the room, and I see some folks who are new. Resmed is a 36-year-old start-up. It's a spinout from Baxter. My father bought the technology for about AUD1.2 million, so about USD800,000.

I just checked the market cap on the New York Stock Exchange, and we're sitting at \$37 billion today. So that's a pretty good ROI from the old man. But not just in the 36 years, really the last five years, if you look at what we've done to accelerate through COVID through supply chain challenges and what we've achieved.

Here is a summary of the company. Trailing 12 months, \$5.3 billion in revenues, really solid gross margin there and net margins, too, net operating profit margins above 30%, pushing 33%, as you see here on a non-GAAP and GAAP basis, 33% and 35%.

Our business is pretty evenly distributed. We are number one provider of sleep health, breathing health and health care technology solutions at home in 140 countries worldwide. 58% is US, Canada, Latin America, but a really strong showing from Europe, Asia and rest of world.

That 12%, that sort of purple on my screen is our software business. That's a combination of Brightree, MEDIFOX and these other Software-as-a-Service capabilities that get us beyond just a product company. We're a product company, a hardware company, a software company and really a solutions company and someone that thinks about how to get people from -- maybe I have a problem sleeping and breathing through the -- what you would probably call broken health care system to find their way to a great solution. And I'll talk a lot about what we're doing with our flow of patients through the funnel.

So we're here at JPMorgan, it's investment conference. So why is Resmed a compelling investment opportunity amid what I would say is some pretty strong geopolitical and tariff and tax macro uncertainty? Well, number one, we've got incredible target markets. They're huge, and I'll talk about not just sleep apnea, but insomnia, chronic obstructive pulmonary disease and all those who need health care technology solutions at home.

Two, huge key megatrends are out there. Big tech through the Apple Watch, Samsung with their watch have sleep apnea detection capabilities built into their wearables. This little ring I'm wearing, and many of you will be wearing wearables like Whoop, Oura, Garmin, Happy Ring and Ultrahuman and so on. My prediction here in this calendar year 2026 that at least one, two or three of those wearable companies will also

follow Apple and Samsung and have sleep apnea detection capabilities. So big tech is moving to identify sleep suffocation, as I call it. Apnea is Greek for without breath. I call it sleep suffocation.

Big pharma is bringing patients in these new miracle drugs, of GLP-1s, the GIP/GLP combination is bringing people into the health care system to primary care like never before. And Resmed's leveraging that megatrend. And I'll talk to you about how we're working with primary care physicians and educating them.

Three, we're well positioned. We're an innovation machine, and we're an operating excellence machine. Strong cash flow, \$1.8 billion in the last 12 months we generated. And I'll talk about how we distribute that between R&D, share buybacks and dividends and tuck-in M&A.

Balance sheet is very strong and experienced management team, I was just thinking about, Chris, how long you've been following us. We went through the global financial crisis and did incredibly well back there in '08, '09, '10. We went through COVID and we're there with ventilators. We saw the supply chain and semiconductor issues and got through them incredibly well and strongly. So I'll talk about Resmed being a very sort of steady ship in a stormy sea of world right now. And I'll talk a little bit about some advocacy that I'll be doing as the new Chairman of AdvaMed, the industry trade association for MedTech.

Okay. You've all seen these numbers who followed us. One in four people on the planet have a disease or a disorder that Resmed is uniquely positioned as the number one provider to take care of them. 1 billion people with sleep apnea, over 850 million have insomnia, inability to get to sleep, stay asleep and wake up refreshed and just under 0.5 billion have chronic obstructive pulmonary disease. You all think about smoking, now vaping. It's not just that. It's genetic as well. It could be pollution, it could be cities and beyond.

And the little circle down the bottom right there, people who need health care technology at home. It's not sized. I think it's undersized on this chart. People want to get health care at home. It's the lowest cost, highest care, lowest acuity place you can get health care.

People call our software post-acute software. We call it out-of-hospital software. We don't believe you have to go to the hospital to be post-acute and get care in the home. We think care should be delivered in that fantastic environment, which is the home and we'll talk about that.

Key megatrends. I talked to the big tech and big pharma here, but it's beyond that. People are getting more interested in their own health. And it's not just Open AI and ChatGPT and all these GenAIs that are able to be a primary care doctor for you in your fingertips on your phone.

It's the way in which people are taking more control, not just of their health, but their wellness. They're not waiting until they're sick and saying, I need to get this problem taken care of. They're thinking holistically about nutrition, what they eat.

They're thinking more about exercise and cardiovascular exercise and they're thinking more about that other one-third of what's that's the triumvirate of health according to Bill Dement, may he rest in peace, Stanford professor. He called it the Triumvirate of sleep, nutrition, diet, cardiovascular exercise, and sleep.

We're really focused on that last third, but people are thinking holistically about all of them. Payers are thinking about this too. I'll show you data and Carlos, our Chief Medical Officer is here to talk about mortality, studies we have that show that untreated sleep apnea compared to treated sleep apnea has a 37% increase in mortality.

And if you look at cardiovascular disease mortality, it's 55% higher amongst untreated sleep apnea patients versus treated patients. And that's from real-world evidence that Carlos and his team published within the last 12 months. And of course, AI and digital health and what we're doing with our ecosystem.

I said Resmed is an innovation machine. I mean you can see all the things that we produced in the last decades. But really, in this last year, we've done some pretty interesting things. On the right-hand side of the chart, we, for the first time ever, took high-temperature, high-pressure injection molding of liquid silicon rubber. And at the end of that, we put fabric on that mask.

So you sleep on cotton sheets. And if you're rich, maybe in this room, some bankers you have silk pillows, but you have fabric that you sleep on. Why would you have something touching your face that's made of medical-grade rubber. Why not have fabric there, too. And so Resmed has got through, what I would call, a very big manufacturing challenge to be able to put fabric on our masks.

And it's a huge -- I think it's a changing of the basis of competition of how positive airway pressure is delivered to the uvula, the upper airway to give this pneumatic stent, that keeps our patients sleeping and breathing well. So watch this space.

We launched the AirTouch N30i and we have a full face product called the AirTouch F30i in two variants, and that's out in the market just a couple of quarters in. I think it's -- we're changing the basis of competition in mask technology.

The other one is we launched -- everyone's talking about AI. Everyone here in this whole conference, every conference right now, I don't talk about AI that we do internally. If I lower our manufacturing costs, if I improve our customer service, that's for us. And you'll see that in the leverage we're showing in gross margin and net margin.

But I'll talk about what we do publicly. And so this is our first FDA-cleared AI-enabled medical device. There are all these comfort settings that people have on a CPAP and APAP or bilevel. And 95% of people don't adjust them. It's temperature, it's humidification. It's all these comfort features that are not medical, but they really do impact the adherence, the amount of patients that stick on therapy at 90 days, 1 year, 3 year and beyond. And I'll show you some data on that.

But what we found is if you coach people and you get some demographics that they want to share and you ask them some questions, you can really start to say, well, do you like walks in the Swiss Alps or do you like walks along the beach in Costa Rica?

Seems a silly question, but we're going to know if you like high humidity, high temperature or low humidity, cooler temperatures and from that question can increase your adherence rate. So we don't have peer-reviewed published evidence on this yet, but we will, right, Carlos? We will. And what we're going to show is that actually having an AI algorithm that is sort of a sleep coach for you during your first periods of CPAP, APAP and bilevel can really improve your -- not just short-term adherence but long-term adherence with the therapy, which as I talked to earlier, is a case of life and death of adhering to the therapy. So that's in the market.

We also have a non-FDA-cleared product because it's just a concierge that I call our digital sleep health concierge. It's called Dawn. Not as in a woman, but as in the sun rising over the horizons that you wake up refreshed. And this is a digital sleep health concierge to help you with questions about exercise, drinking water, balancing your day life to have a better sleep life, stopping caffeine after sort of 5 clock, not having alcohol after 8, which I'm sure no one will break here at JPMorgan conference.

Okay. So this slide talks to the pathway of getting people from awareness, testing, all the way through to being adherent on therapy for life. Resmed has invented all the technologies in the middle here, the best smallest, quietest, most comfortable, most cloud-connected and most intelligent therapies for CPAP, APAP, bilevel mask therapies. But we've made a bunch of tuck-in acquisitions.

If you look back at the last 12, 24, 60 months, really, if you go back to Brightree plus -- but we're putting together an ecosystem to help a person get access to care. So if you look right up the front of the funnel, this sort of GenAI stuff I'm talking about Dawn is right up there at stage 1. It's in awareness, what am I going to do here? Big pharma is going to help us. They're going to bring more patients into the funnel to primary care physicians. But when they're there, we need that PCP educated on sleep apnea.

How to diagnose it and how to get it treated. We actually bought a home sleep apnea testing company called VirtuOx within the last 12 months. They're the number one provider of home sleep apnea testing capabilities within the US market. And so we're helping scale there.

We bought a Belgian company called Ectosense, that has a product called NightOwl. Their sleep apnea, home sleep apnea test is size of my fingertip, and it wraps around with a little Band-Aid has Bluetooth and has the ability, very high sensitivity and specificity to get a patient through home sleep apnea testing versus having to go to a hospital or sleep lab.

We bought a company called Somnoware. Subath is in the office next door to me now as Head of Innovation and helping us find other entrepreneurs like him that could be part of our ecosystem. That software for pulmonary and critical care medicine doctor -- sleep medicine doctors helps them run their practices more efficiently.

I talked about Dawn. Brightree is software as a service for the home medical equipment companies. Really think of it like an Oracle or an SAP for our customers. Helps them be more efficient, which helps us get more products to more patients more quickly. And I won't talk about myAir and AirView, but our app is up to 11 million patients now that have downloaded the myAir app and have access to their data.

So big data has been talked about for about a decade. With the releases of the latest sort of NVIDIA chips and the capabilities in AI, ML AI and GenAI, what we can do with 24 billion nights of medical data, with 31.5 million 100% cloud connectable medical devices sold into 140 countries is incredible.

The stat that might be interesting for those of you who think about, gosh, is this in action? Is this just words? Is in the bottom left, 405 API calls per second in and out of our ecosystem. So people are using our data. Doctors are accessing it in Epic and Cerner. Patients are accessing it every day. There's gamification. The app was down a couple of summers ago for a week or two. I got a hammered on social media. I didn't realize people were looking at it every day.

I thought it was those first 90 days in this little epox, I'm sick, how am I doing with my CPAP. It's like checking your Fitbit score or how many steps you took, how many calories you got from tennis or pickleball, it's addictive, and it's gamification. And it drives adherence.

So we'll talk about not just the peer-reviewed published evidence that we're going to put out there in the market, but how we're using this to encourage people to adhere to therapy, and we're providing data to show you can prevent heart attack, stroke, solid-cell tumor cancer by sixfold down by sticking with this therapy. And so we're using these data to combine with other health care data to show those outcomes beyond just the sleep health and breathing health to cardiovascular health, to diabetes, obesity and beyond.

I talked about each of these, more to come. This is an interesting one because I think two years ago, there was an idea, not just in Resmed, but a lot of Medtech that the new class of GLP-1 medicines are going to sort of take away patients from the patient pool. They're going to sort of half cure or treat some of these diseases that we take care of from the device side, and you're not going to need devices. And I think I won't speak to every vertical.

But if you look at it across, I think most of us have shown that actually this new class of medicines from Eli Lilly mostly and with Zepbound in our space and Novo with Ozempic across the other side. These new class of medicines is actually inspiring a bunch of people who weren't coming into the health care system to come into the health care system -- you need to, to get the prescription, you have to go to see a primary care physician, you can do it online or in person. But these patients, these people, as they come in and ask for, look, I've seen this, I could lose weight, what's this injection? What does that look like?

The doctors there and they're doing a full body assessment. They're thinking about their full health, their cardiovascular health, their diabetes health and their sleep apnea health. And what we're finding is these are very motivated patients. The first column there shows that 10.8% higher probability of a patient who has a GLP-1 prescription of starting CPAP from a prescription for CPAP versus control versus the rest of people because not everyone who gets a prescription takes it, right? In pharmaceuticals, it's often a 50% dropout rate.

Ours is less than that. But that funnel dropout is a concern for everyone in health care that you get a prescription, you're being diagnosed with a deadly disease or disorder and you might not get treatment. That fallout is a really important thing for us.

What we find is people with the GLP-1 fall out less. So they're actually really motivated people. And you can say, well, that's just on that early phase. It's not going to last. We got one-year and three-year data now. This is the first time here at JPMorgan, we're presenting the three-year data. 3.1%, 310 basis points higher resupply rate at year one and 620 basis points, 6.2% higher resupply rate at three years. We've now got three years of data for GLP-1 prescription patients. And what's the end here, 1.95 million patients. This is not a small study. This is real-world evidence.

Patients on GLP-1s get treatment more and stay on more for CPAP. And we think this of the 1 billion people worldwide bragging, we got 31.5 million devices out there. What's that? 3% penetration? Throw in all the competition, 5% penetration. The opportunity is huge, and we need to get them in and thank you, big pharma for bringing them in and watch this space as to what we're going to do to educate the primary care physicians.

We have now completed -- this is an online educational CME programs. And this is sponsored by Resmed, but that's like the last slide says sponsored by Resmed. The rest of it, it's with medical doctors from the American Academy of Sleep Medicine, and it's all covered in terms of just general education about sleep suffocation. What it is, how you tongue and your uvula form and fall back and craniofacial geometry, gender risks, age risks, right? It's mostly a male disease until perimenopause and menopause. It's 40% females.

And then when you hit perimenopause, post-menopause, female prevalence goes above male. And so people think of it as centrally obese middle-aged male. No, it's a young athletic female or it's anyone over 65 is at risk. And so what we're doing is educating primary care physicians around that so that they have all the data. 60,000 CME courses, it's was the number one rated, downloaded primary care CME course, 60,000 been downloaded.

So we just put it up a couple of quarters ago and 35,000 unique clinicians. So up to 25,000 and not just getting sleep 101 but sleep 201, sleep 301 and understanding more about sleep health and sleep medicine.

The stat that I love the most from this page is one at the bottom. 77% of them say, we're going to change our protocols in our practice here -- our primary care physician practice of how we deal with obstructive sleep apnea, who we refer to and how we refer to it. And we're targeting. We're targeting high-volume GLP-1 providers because you know who they are. And then we're targeting people that already have access to a home sleep apnea testing protocol, whether it's VirtuOx or one of our competitors, we don't mind.

We're actually agnostic to the diagnostic but we want you in that funnel. If you show up at a primary care physician and you have sleep apnea, we want them to know exactly which group to send to a friendly home sleep apnea testing or lab that they know and it's in network and ready to go. So watch this space, that education is happening, and we're going to start to see patients coming through that part of the funnel.

Okay. Switching internally a little bit. I've got two minutes left before going to Q&A. I see my Head of IR tapping her watch. We've got a really strong manufacturing footprint in Asia. Our original manufacturing in Sydney, Australia is still there as an advanced manufacturing, the R&D engineers and the advanced manufacturing engineers are just right there on an old sheep station in Northwest Sydney.

There's a river in the middle, I call it the innovation stream. The more you walk across it and get manufacturing and design and product design talking to each other, the better the outcomes are design for manufacturability, thinking about the patient and thinking about how it can be manufactured.

Our scale manufacturing is in a beautiful place called Singapore. Love that government. We have a five-year partnership with the Singapore government through the EDB. We love to partner there and it's -- they trust IP. We have incredible robotics.

Great labor force across the bridge from Malaysia and really great scale there. We also manufacture in Johor for some of the mask fabric stuff as well. But the big news is we're expanding here in the US. And this wasn't based upon the current administration, but it does completely overlap with their Made in America push and the VA and many other US customers that like Made in America.

We have a 467,000 square foot facility in Atlanta, Georgia. We've just doubled our US manufacturing capacity, actually manufacturing, not just motors, which we've done for a long time in Calabasas, California, but actually mask systems. We're going to be bringing devices over, and we're opening a brand-new facility in Indianapolis, Indiana. It will be distribution, but capable of manufacturing. So watch this space. We're going to have a lot more. Resmed will actually be the only Made in America, CPAP, APAP and mask systems. So watch this space as we continue to expand there.

Global margins look, gross margins, I won't talk too much about this incredible performance by our operating excellence team from -- from around 59% there up to 62% in the last quarter. I challenged my Chief Supply Officer, who came to us from Kimberly-Clark and Mars. So fast-moving consumer goods and sort of very low-margin Medtech. I think earbuds and things like that from Kimberly-Clark is bringing incredible excellence -- operating excellence to our team. And I challenge them to get double-digit improvements in gross margin every year through 2030, and that's on our horizon.

As I said at the start, incredible cash flow generation. We've distributed over \$3.7 billion of capital in the last three years. The best way to put our capital is back to work with our team, back to R&D. We put 6%, 7%. So trailing 12 months, \$5 billion, that's \$350 million to make the smallest, quietest, most comfortable, most cloud connected and most intelligent therapies.

But we also look at tuck-in M&A. And I call tuck-in up to sort of \$0.5 billion, maybe a little more. But you saw what we've done in the flow of patients through the funnel, watch this space. There's more to go there. We've got really strong dividends. We've increased those at double digits recently 13% in the last fiscal year to \$2.40 per share. And we do share repurchases, of course, we did \$300 million in FY25. We talked this year of doing at least \$150 million a quarter. So more than \$600 million in share repurchases will happen here in our fiscal year 2026, give you back to your cash.

We pivoted to a new operating model. I don't like talking too much about internally. So I'll talk about the right-hand side of this, what does our product-led customer-centric brand enhanced Resmed internal 2030 operating model mean for you? It means increased product velocity, Air 11 is getting out to more countries. myAir apps are being updated more, more mask technology.

It also means increased profitable growth, driving that gross margin improvement and net operating profit improvement. And brand enhanced, what does it mean? It means that when a patient is choosing a mask in a cash pay country or a doctor is writing a prescription, they know our brand. And we're the number one in our industry, but we're trying to get beyond that as well. So watch this space on brand ROI.

I won't talk to the financials. You can see them all on our website, but incredible performance, not just the last 36 years, but really these last five years. If you look at those 20 quarters and what our team did with global perturbations, COVID, craziness happening in the health care market. We were able to have really strong top line growth at 12% CAGR and bottom line with 200 bps, 300 bps of leverage on NOP and a little bit more 200 bps to 400 bps of leverage on our non-GAAP and GAAP EPS.

Our forecast is high single-digit growth and leverage down through the P&L and I won't talk about my role as Chairman of AdvaMed, I'll take that offline with you. But what I like about that is representing my fellow Medtech companies and being able to be there in Washington, DC and Brussels and Beijing and Tokyo and talk about zero-for-zero tariffs and lobby for that for our industry and also talk about what Medtech does to save lives and improve outcomes. So watch this space on that.

And I will close out as I started. We're a compelling investment opportunity for all the reasons on this slide, and we got 17 minutes for questions, Chris.

QUESTIONS AND ANSWERS

Chris Cooper - JP Morgan - Analyst

Thanks, Mick. I'll take it. If there's any questions in the room, please feel free to submit them through the app or raise your hand. Perhaps I'll kick it off, though, please, with one on the competitive landscape. So it's obviously been an unusual situation in the last few years. You've had a major competitor out of the market here in the US. You also have a smaller competitor launching a new CPAP mask at the moment. So maybe just start with some comments on the competitive landscape in the US device market in particular, but also some comments on masks will be useful.

Mick Farrell - Resmed Inc - Chairman of the Board

Yes. Chris, it's a great question. And we love competition. We've got really strong competitors and always have in US, Asia and Europe. And I mean, I love being the number one, and I do love the fact that we innovate better than our competitors do.

But competition is really good. It's good for patients because we have the challenge of making the smallest, quietest, most comfortable, most connected, and most intelligent therapies. We have a big lead over our competitors, not just because of the hardware, the smallness and the quietness of the devices, but it's really around the chips and the communication technology and what we do to create an ecosystem for the doctor or the provider or the patient themselves.

So we drive higher adherence rates, so we have more patients using our products than our competitors. And we have lower costs of setting up a patient on therapy when they're using our technology, the hardware and the software together.

But yes, look, within the US market, you asked to talk to, we've had a competitor out for about four years on the device side. They have never been out on the mask side. So have a look at our mask market share over the last four years against that competitor. It's never been out, and that's all they could sell against us for four years.

And we did very well. And that competitor is back in -- I don't know, we're in 140 countries. They're back in 139 countries for 12, 18, 24 months in some and they're struggling to get from number four to number three to number two because they made a mistake and had to come back into the market.

So I welcome them back in those markets, and I welcome our great growth that you see in Europe, Asia, Rest of the world as they've come back over these last two years there. And the same will happen here. We'll continue to grow. I look forward to competing with them and continuing to beat them.

Chris Cooper - JP Morgan - Analyst

Changing gears slightly. The CMS confirmed last month, month before now, I lose track that PAP therapy is not going to be part of the next round of competitive bidding. Your thoughts on that? I mean, is this the final decision for this round? And if so, does that change any of your approach or your plans?

Had you anticipated some degree of inclusion there?

Mick Farrell - Resmed Inc - Chairman of the Board

Yes. I'll let Carlos talk to this in a sec because he helps not just as global medical affairs, but also our global market access and our work in DC with CMS and beyond to do this. But yes, CPAP and all its accessories are not included in this round of competitive bidding. It's a great win for our industry because frankly, if you look over the last 15 years, we've had 15 years of this competitive bidding program.

The differential price between government -- what government is paying for our therapy and what private pay, 15 years ago, there was a big delta. That's why they started the competitive bidding program. Now it's right at equilibrium. And so there was no real need economically to do it. And there were other DME products that maybe had a larger differential. And so I think that's where Dr. Oz and CMS are focusing now on the differential in those other areas.

But yes, CPAP is completely out for this round of competitive bidding. And I think it's a really good thing for us for the patients and for the industry, allows us just to focus on what we do well.

Carlos Nunez - Resmed Inc - Chief Medical Officer

Yes. Not too much more to add. I mean, Mick covered it well. We've done a very, very good job over the last six or seven years, building a government affairs capability globally, not just in DC. And we have -- but like our government affairs leader likes to say, have the friends in place before you need them and when competitive bidding reared its ugly head, so to speak.

We worked very closely with the administration to make the same points that Mick made. There was a reason why it made sense in the past. At this point, the market is pretty stable. And so it was completely excluded, and it was the right decision.

Chris Cooper - JP Morgan - Analyst

Perhaps another one on the sort of theme of the regulatory landscape. Your latest thinking on tariffs, Mick and the Section 232 investigation.

Mick Farrell - Resmed Inc - Chairman of the Board

Yes. Well, look, on tariffs, there's been a lot of -- across many industries, a lot of sort of turbulence from the talk and the Supreme Court and what's going to happen and what does that look like. Resmed has been actually back to the steady, ship in a storm thing, very steady through this. In fact, early on, 15 years ago when there was some work in Asia with the Obama administration, we actually created some work with CBP, Customs and Border Protection and reaffirmed a Nairobi Protocol, which gave us the ability because patients with sleep apnea and COPD, have a disease or disorder that's a disability.

And you can't discriminate based on a disability in International Law. And so we have this Nairobi Protocol in place for decades. And we went back to CBP at the start of last year. And again, just recently to confirm that we have the Nairobi Protocol, and we've been in place for that for a while.

So Resmed is kind of immune to this right now, but we're not immune to the noise. And so just making sure that we're there. I think as Chairman of AdvaMed, I will definitely argue for zero-for-zero tariffs of all of Medtech on a humanitarian basis. But look, the administration will do what it can and what it wants to do. But we'll just make sure our voice is heard there across our industry.

But for Resmed, steady ship in the storm, Nairobi Protocol has been proven, and we're ready to go there. On the 232 investigation, it's interesting. I think there are 15 industries that have been looked at. If you're asking me, do I think in that pie chart flow of GDP, whereas Medtech, like it's a tiny little sliver. And do I think the administration is going to spend much time on it? No, there's not much juice to squeeze from that orange.

And secondly, we're a really good industry for the US 70% to 80% of the manufacturing for global Medtech is right here in the US. Almost all the products are provided to US citizens are made in the US. And so we're actually a very good industry based upon Made in America and based upon sort of a US focused approach and very much in line with the current administration.

So I think on both of those, tariffs, we've got a very steady ship through it. And 232, I think will resolve for the whole industry relatively quickly here. But more to see there. And I'm just happy that Resmed has got a clear path through this.

Chris Cooper - JP Morgan - Analyst

You talked again today, Mick, about sort of couple of developments I think, that have been enabling additional patients to come into the funnel. So wearables is one, you speak to again this morning, and GLP-1s is another. Are you able to help sort of contextualize those in some way for us? Are you seeing additional patient flow, which you can identify to one or the other of those two pathways. And how much runway are we thinking about for the next 12 months, 24 months ahead?

Mick Farrell - Resmed Inc - Chairman of the Board

Well, I'm going to hand to my Chief Medical Officer because he's also my Chief Nerd Officer, and he was -- or Tech Officer, and he was at CES just last week. On stage, actually with Dr. Oz on stage with a number of folks in the diagnostic space because Resmed is a Medtech company, but also a tech-driven company. And so being a consumer electronic show allows us to talk to how we interact with this ecosystem of wearables and so on. So Carlos, any thoughts on the flow of patients from.

Carlos Nunez - Resmed Inc - Chief Medical Officer

Sure. Yes. Thinking about the big tech tailwinds that we face. So as Mick mentioned, in the last a year and a half or so, Samsung and Apple, the two largest consumer technology companies on the planet, both announced the FDA-cleared sleep apnea detection on their wearables. As a result, what we've seen is at the CES Conference every January, where all the big tech equipment companies come, they have in the last two years moved the digital health floor space next to the smart home space and created this combined approach to Smart Home Tech, where the smart home of the future will be the healthy home of the future.

The health tech that Resmed delivers at home is all over the floor at CES. And probably the most important thing was it was not just Apple and Samsung talking about sleep apnea detection. Every booth in the digital health floor space at CES this year, had some mention of sleep and how sleep is connected to human health and wellness.

So sleep is truly having a moment driven by big tech fully evident at CES. And if you want to look at my sleep score for the days I was there, fully evident that I didn't get enough sleep because we were so busy at CES last week.

Chris Cooper - JP Morgan - Analyst

And GLP-1s?

Mick Farrell - Resmed Inc - Chairman of the Board

Yes. So the other megatrend. Look, I think -- if you look at those education numbers, the 60,000 CME trainings, Primary care physicians are hungry for more knowledge about this space. The patients are coming. They have questions, awareness of sleep issues even for the ones that don't yet claim that they have sleep apnea detection, they're starting to say, oh, goodness, I see some disturbed breathing in your sleep or they start saying these things and patients have questions. Primary care physicians want answers. And us educating them on the medicine and the flow is really strong.

I think as you look forward towards 2030, Chris, you'll see, I think, a really solid flow of patients through the funnel. And I think we probably won't be calling out and cutting out this 20 basis points, this 30 basis points of extra growth is from big tech and this is from big pharma, but we will be internally because we know these megatrends are coming and it's on us.

It's our obligation to help train those primary care physicians. It's our obligation also to make sure that the consumer, the person is trained so that they can recognize signs and signals of sleep suffocation, often the bed partner.

Witnessed apneas if you ever hear this from the person sleeping beside you, sorry, that was supposed to be a 10 second pause. I can't do a proper apnea anymore. It has to be 10 seconds. That gap of no noise. And then that's actually -- it's called a witnessed apnea. You need to get that person to a test immediately, immediately because the witnessed apnea is there.

Wearables allow that bed partner to become a quantified self. And sometimes people don't trust this person I've been married 25 years. They don't trust the person they've had on their bedside for 25 years. You snore, you stop breathing. Yes. Whatever. But they trust the wearables.

Suddenly, the device says, you're snoring the thing and then they go in and get tested. And it's true. Objective data, quantifiable data. So that's why I think these trends are going to drive patients in because we've seen it in the early days, and we're there. And our job, though, is to make the funnel so it can actually keep up with the flow.

That there are enough sleep labs. There are enough home sleep apnea testing for the flex that's needed and there are enough, I would say, scalable models to get patients set up on therapy, not just here in the US, but in 140 countries worldwide.

Carlos Nunez - Resmed Inc - Chief Medical Officer

Just a couple of quick points about GLP-1. So as Mick said and showed the data on the slide earlier, we've been tracking this now for a couple of years, 2 million patients, and we see exactly what we expected. Not just big tech, but the GLP-1s are bringing patients into the system. They become better patients for Resmed. And now we see the separation we're at three years.

They're twice as likely as they were at one year to order new supplies from us. So they're not just good patients at the beginning. They become good long-term patients. But the other interesting data that started to come out as we see wider and wider adoption of these GLP-1s move into things like oral GLP-1 medications, double agonist, triple agonist, we are still seeing when you look at the data that at one year, the majority of patients are off of GLP-1 therapy.

So it's interesting to see that curve separate where we see patients coming off of GLP-1 therapy but staying good CPAP patients because they've realized, I may or may not be able to tolerate this drug or afford this drug, but I can't go another day without a good night sleep.

And so we are seeing that awareness show up. We're also seeing some really interesting data. Older patients are dropping off of GLP-1s faster and more predictably than younger patients. It's the older patients who probably need these drugs because they're tend to be more obese, tend to have more type two diabetes, et cetera.

So I think we're starting to see a separation where there is potentially the younger populations using it more for weight loss and the older populations using it for things like diabetes and obesity are still not adhering to the drugs as well as we'd like. So the data is really interesting. These drugs are going to get better, as Mick said. They are an amazing development for people who struggle with their weight. I've been on GLP-1s, myself, sleep apnea patients struggle with my weight, et cetera.

They're only going to get better. But it's also going to make that tailwind for us even better because you need to treat everything the patients show up with, including their sleep apnea, and that's what we see. They get on their CPAP therapy and they stay on their CPAP therapy for life, whether or not they stay on their GLP-1s.

Chris Cooper - JP Morgan - Analyst

Quickly on the new masks you've launched. The fabric mask. So maybe just some thoughts on early uptake and just some comments on how this is going to settle into the portfolio over the medium term?

JANUARY 12, 2026 / 6:30PM, RMD.N - Resmed Inc at JPMorgan Healthcare Conference

Mick Farrell - Resmed Inc - Chairman of the Board

Yes. Look, early days with the AirTouch N30i and the AirTouch F30i, but I can tell you that when we look at these clinical studies, preference studies and so on, how do you feel, not just quantitative, which is significantly higher, patients enjoying the mask relative to the one we're comparing to.

But what they say qualitatively, it feels like I'm sleeping on pillows. It feels like it's part of my bedroom and feels like it's part of my routine. And I think for too long, Medtech is focused on just the medical and not thought about the whole person and that psychological aspect, particularly for us, where people have a choice every night, whether they use our therapy or not. It's a choice every night. So the more comfortable we can make it, the better.

Early days with AirTouch N30i, just three or four quarters in, but F30i, just a couple -- one or two quarters in. But I can tell you anecdotally and early data is very strong and uptake. And I think this is a changing of the basis of competition within the industry. It's not just two masks, one in nasal, one in full face. This will go well beyond that. And I challenged the team.

I personally use our pillows device, which is just like the size of cannula, sits right here. It's much more difficult to just get fabric there because it's right near you, areas nearing nostrils. But I'm challenging them to like, give me a fabric, get me -- I do have a prototype that I'm using now. I can tell you, I think this space has a lot of room to move. You ask anyone on therapy, could it get better? Yes.

And our job is to make it better before the competition does and to have IP, manufacturing capabilities and things that just make it very difficult for someone to catch up, but focus on the patient, focus on their care.

Chris Cooper - JP Morgan - Analyst

Just one on the financials. If you don't mind, the gross margin in the last quarter was up, I believe, it was 280 basis points. I think that was more COGS driven than ASP, but maybe just some comments on various moving parts we've seen in that line in the P&L over the last couple of years and what we should expect going forward?

Mick Farrell - Resmed Inc - Chairman of the Board

So we've got 1 minute and 45 seconds left. I won't give a full detailed breakdown of our gross margin expansion. What I will say is 280 basis points of improvement, yes, over these last 12 -- 300 basis points if you go back 18 months, incredible work by our supply chain team. As you said, it was about parts, pieces efficiency, capabilities in manufacturing, distribution and beyond. There was some pricing in there, but I think it's a relatively benign pricing environment. I think competitive bidding. CPAP being out gives us even more credibility to have a benign pricing environment.

What I want to do here at Resmed is drive volume, drive patients into the funnel. 1 billion people need our help. We've got to get them in there. That continues to drive scale, which allows us to take more cost out. That's why I'm challenging my Chief Supply Chain Officer, get me double-digit improvements and leverage on gross margin every year through -- and basis points every year through 2030. Thank you.

Chris Cooper - JP Morgan - Analyst

All right. I think we'll leave it there, Mick. Thanks very much for your time.

Mick Farrell - Resmed Inc - Chairman of the Board

Thank you.

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