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EDITED TRANSCRIPT

RMD.N - Q1 2021 Resmed Inc Earnings Call

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OVERVIEW:

Co. reported 1Q21 Group revenues of $752m, non-GAAP net income of $185m and non-GAAP diluted EPS of $1.27.

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PRESENTATION

Operator

Welcome to the Q1 Fiscal Year 2021 ResMed Earnings Conference Call. My name is Cheryl, and I will be your operator for today's call. (Operator Instructions) Please note that this conference is being recorded.

I will now turn the call over to Amy Wakeham, Vice President of Investor Relations and Corporate Communications. Amy, you may begin.

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

Great. Thank you, Cheryl. Hello, everyone, and welcome to ResMed's First Quarter Fiscal Year 2021 Earnings Call. Thanks for joining us. As Cheryl said, this webcast -- this call is being webcast live and the replay along with a copy of the earnings press release and the quarterly results presentation will be available on the Investor Relations section of our corporate website later today.

On the call today to discuss our quarterly results are our CEO Mick Farrell and CFO Brett Sandercock. Other members of management will be available during the Q&A portion following our prepared remarks.

During today's call, we will discuss some non-GAAP measures. For a reconciliation of non-GAAP measures, please review the notes to today's earnings release and earnings presentation. As a reminder, our discussion today may include forward-looking statements, including, but not limited to, expectations about ResMed's future performance. We believe these statements are based on reasonable assumptions; however, our actual results may differ. You are encouraged to review our SEC filings for a discussion of the risk factors that could cause our actual results to differ materially from any forward-looking statements made today.

And with that, I'll now turn the call over to Mick.

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

Thanks, Amy, and thank you all for joining us today. Since this COVID-19 pandemic began in January, ResMed has produced hundreds of thousands of ventilators, providing the gift of breath to people in need in 140 countries worldwide. We continue to support frontline respiratory medical professionals, health care providers, patients and our teammates, ResMedians, so they are all safe and healthy. We also continue to provide ventilators as local state and national health care providers are facing second and third waves of COVID-19 cases and associated hospitalizations. Thankfully, the magnitude of these hospitalization waves and thus, the need for emergency ventilators is decreasing over time.

In our core markets, the patient diagnosis trends in sleep apnea, COPD, asthma and beyond are steadily increasing as well as prescription therapy flow from those diagnoses. Growing numbers of people are returning to health care systems, including primary care as well as specialist care. We are seeing more health care systems come back online through telehealth and in-person visits. Overall treatment capacity as well as capacity utilization rates of those systems are both increasing. We have seen a steady sequential, what we would call U-shape recovery of patient flow to primary care physicians as well as then to specialist physicians across the 140 countries that we serve. This is just as we forecast 90 days ago on our Q4 earnings call. We expect this same patient flow growth trend to continue throughout fiscal year 2021.

In my remarks today, I'll provide a high-level overview of our Q1 business results, and then I'll hand over to Brett to walk us through further detail. I will also review progress towards our ResMed 2025 strategic goals, including execution highlights against our quarterly as well as our annual operating priorities.

Today, we have reported high single-digit growth in top line revenue and strong double-digit growth in both net operating profit as well as earnings per share. These results speak to our team's ability to nimbly pivot to meet short-term needs for emergency ventilators, while also investing for the long-term growth in our core markets of sleep apnea, COPD, asthma and out-of-hospital medical software.

Our investments in research and development for digital health technology have accelerated these last 9 months as we see increasing demand from patients, physicians, providers as well as health care systems as they embrace digital health through remote patient engagement as well as population health management technology.

During the first quarter of fiscal year 2021, we generated over $144 million of cash, allowing us to return $57 million of cash as dividends to our shareholders. At the same time, though, we have increased our research and development investments at double-digit rates, including investments in digital health clinical research as well as hardware and software innovation across both our med tech and our Software as a Service businesses. We have a very full pipeline of innovative solutions that will generate both medium and long-term value for customers with an industry-leading intellectual property portfolio of over 6,000 patents and designs.

Our digital health ecosystem is an important competitive advantage for ResMed that offers integrated care to drive superior clinical outcomes, to drive better patient experiences and to drive lower total health care system costs. We now have over 7 billion nights of respiratory medical data in our cloud-based Air Solutions platform. We've provided over 12.5 million 100% cloud connectable medical devices to customers, and we have over 14 million patients enrolled in our AirView software solution.

During our last earnings call, I discussed how COVID-19 has accelerated the rapid adoption of digital health technology around the world, including a recognition of the value of remote patient monitoring, virtual diagnosis and the rapid evolution of digital reimbursement models. We have seen much greater collaboration between the med tech industry and governments globally, not just in ventilators but well beyond. An encouraging example of this was just a few days ago when the U.S. Centers for Medicare & Medicaid Services or CMS announced that it will be maintaining current reimbursement rates in our product categories in January 2021. This is great news. And in part, it is due to industry feedback that it was inappropriate to make unnecessary changes, particularly during an ongoing COVID-19 public health emergency, and really importantly, that current rates were appropriate for the services being provided.

We've also seen governments in Germany, France, Japan and across the U.S. adopt models to facilitate digital health and remote care that will be important, not only during this pandemic but well beyond. This is better health care at lower costs, leveraging technology. These trends support ResMed's 2025 strategy, and we believe that the accelerated adoption of digital health solutions represents a significant medium and long-term tailwind for our business.

These 3 trends: one, the increased importance of respiratory medicine; two, the increased importance of digital health; and three, the increased importance of out-of-hospital health care, will all help ResMed meet and beat our goal of growing volume at double digits from 2020 through 2025 and improving over 250 million lives by 2025.

Let me now highlight a few examples of innovation and execution in support of our strategic priorities. Just a recap of our strategy priorities: a, to grow and differentiate our sleep apnea, COPD and asthma businesses; b, to design, develop and deliver world-leading medical devices and digital health solutions; and c, to innovate and grow the world's best software solutions for care delivered away from the hospital.

In our core market of sleep apnea, we introduced our latest mask innovation in September. It's called the AirTouch N20. This innovation is the first nasal mask with a memory foam cushion. As a patient myself, I'm happy to say that this is ResMed's softest nasal mask ever. The memory foam technology of the AirTouch N20 adapts to the curves and contours of the person's face, creating a personalized fit that is designed to increase comfort and to make it easier for the patient to adhere to sleep apnea therapy. The adherence rates for ResMed solutions are the best in the industry. And it is innovation and technology like this new AirTouch N20 that helps get us there.

Our mask portfolio is crafted to offer physicians market-leading options for prescribing for each patient. To enable home care providers to successfully fit the patient the first time every time and to satisfy the desires of the ultimate customer. That's the person who suffocates each night with sleep apnea. Our focus on innovation to meet customer needs will never end. We are innovating with smaller, quieter, more comfortable, more connected and more intelligent solutions every day. We have an exciting pipeline ahead.

Let me now turn to a discussion of our respiratory care business, focusing on our strategy to deliver better care for COPD and asthma patients worldwide. During the June quarter, we launched in Europe an upgraded version of our AirView cloud-based remote monitoring software, specifically designed for our ventilation solutions. This solution called AirView for ventilation provides remote monitoring capability, allowing clinicians to quickly access clinical data from ResMed ventilation devices wherever they are and to allow them to more easily triage and prioritize both chronic needs and acute needs for ventilated patients. This completely reimagined platform transforms the management of ventilated patients, allowing doctors, nurses and all clinicians and care providers to ascertain powerful patient insights from huge respiratory medical data sets. Adoption of the AirView for ventilation solution has been rapid and strong.

Our team was really thrilled to deliver for our customers during the COVID emergency with this solution, but the value that is being provided by AirView for ventilation is ongoing for physicians and health care systems. We are making digital health part of the standard of care. During the quarter, we expanded the reach of our market-leading Propeller Health technology, specifically through our partnership with pharmaceutical company, Novartis. During the quarter, Novartis announced the launch of 2 new once-daily medications to treat uncontrolled asthma in Japan. These products are called Enerzair and Atectura Breezhaler. In this market, patients using either the Enerzair or the Breezhaler manage their uncontrolled asthma will be able to acquire a Propeller technology sensor from physicians and then enroll in our Propeller digital health platform. The benefits of the platform are tremendous. The offering is a simple and convenient way to better live with sleep apnea with a fully integrated digital experience, with no incremental cost to the patient. It's great to see our Novartis partnership expanding to include now both Europe and Japan, leveraging our world-leading Propeller technology.

Let me now briefly review our out-of-hospital Software as a Service business. During the quarter, our SaaS business grew in the mid-single digits year-on-year, driven by continued strong uptake of our HME resupply solutions. The COVID-19 market dynamics continue to impact the patient census volumes, particularly at skilled nursing facilities and new patient admissions have remained under pressure. We are maintaining our forecast that the SaaS market growth rate will be in the mid-single-digit range for the portfolio of verticals that we serve for fiscal 2021. We expect the portfolio to return to high single-digit growth as hospital and other outpatient surgery center discharge rates return to normal.

We continue to invest in research and development for our SaaS businesses, so that we continuously improve on our market-leading solutions in home medical equipment, skilled nursing facilities, home health, hospice as well as private duty home care and life plan communities. As this portfolio of SaaS verticals returns to high single-digit growth, ResMed will continue to be there with our R&D resulting in leading Brightree and MatrixCare branded technology solutions, allowing us to better serve customers and therefore, to not just meet but to beat that market growth rate.

A year ago, we announced that ResMed would begin collaborating with Cerner Corporation to help clinicians make more informed treatment decisions to control costs and to deliver seamless care across health care systems, from the hospital to the home. We have now integrated our MatrixCare branded home health and hospice platform with the electronic health record or EHR system from Cerner. I'm excited to let you know that we've expanded our relationship with Cerner to new offerings and have now entered into a new value-added reseller arrangement with Cerner. This establishes our Brightree technology as the preferred solution for Cerner's home medical equipment, pharmacy and home infusion customers. This development is the next step in the ResMed-Cerner relationship and will lead to better interoperability, it will lead to enhanced provider capabilities and it will lead to an improved patient experience. Overall, this partnership is performing above expectations for both ResMed and Cerner. We anticipate opportunities to deepen and expand this collaboration to involve our core markets of sleep apnea, COPD and asthma disease management over time. Stay tuned.

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

2020 has been an unprecedented year for companies across every industry. The fundamentals of our ResMed business, however, remains strong, and we've maintained growth through this crisis through breakthrough innovation, through investments in recurring revenue businesses and effective execution in our operating excellence programs. COVID-19 has accelerated digital health adoption as well as awareness of respiratory hygiene and respiratory health. The importance of respiratory medicine, the importance of digital health and the importance of health care delivered away from a hospital. These trends are present during COVID, but they're here to stay.

Before I hand the call over to Brett for his remarks, I want to once again express my sincere thanks to more than 7,500 ResMedians, who -- that's what we call ourselves around the world for their perseverance and strength, hard work and dedication during unique once-in-a-century circumstances. You have allowed hundreds of thousands of people around the world to get emergency ventilators and to have the gift of breath, while also keeping focus on making sure we have the best technology and solutions now and in the future for sleep apnea, COPD, asthma and all those who need world-class care outside the hospital and preferably in their own home. Thank you all.

With that, I'll hand the call now over to Brett in Sydney, and then we'll go to Q&A. Brett, over to you.

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

Great. Thanks, Mick. In my remarks today, I will provide an overview of our results for the first quarter of fiscal year 2021 and some remarks on our FY '21 outlook.

As Mick noted, we had a strong quarter. Group revenue for the September quarter was $752 million, an increase of 10% over the prior year quarter. In constant currency terms, revenue increased by 9% compared to the prior year quarter. Revenues for the first quarter were favorably impacted by continued demand for ventilator devices and accessories. We estimate that the incremental revenue benefit from ventilator devices and related accessories derived from COVID-19 demand was approximately $40 million in the first quarter. Additionally, we experienced strong mask revenue growth in both our domestic and international markets. However, we did observe continuing headwinds in the sleep device market.

Taking a closer look at our geographic distribution and excluding revenue from our Software as a Service business, our sales in U.S., Canada and Latin America countries were $403 million, an increase of 9% over the prior year quarter. Sales in Europe, Asia and other markets totaled $257 million, an increase of 15% over the prior year quarter or an increase of 10% in constant currency terms.

By product segment, U.S., Canada and Latin America device sales were $197 million, an increase of 6% over the prior year quarter. Masks and other sales were $206 million, an increase of 12% over the prior year quarter. In Europe, Asia and other markets, device sales totaled $176 million, an increase of 16% over the prior year quarter or in constant currency terms, an 11% increase. Masks and other sales in Europe, Asia and other markets were $81 million, an increase of 12% over the prior year quarter or in constant currency terms, an increase of 8%. Globally, in constant currency terms, device sales increased by 8%, while masks and other sales increased by 11% over the prior year quarter.

Software as a Service revenue for the first quarter was $92 million, an increase of 6% over the prior year quarter. On a non-GAAP basis, SaaS revenue increased by 4%.

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

Our non-GAAP gross margin improved by 30 basis points to 59.9% in the September quarter compared to 59.6% in the same quarter last year. The increase is predominantly attributable to favorable product mix and foreign exchange rate movements, partially offset by increased costs associated with logistics and procurement costs, together with typical declines in average selling prices. The cost increases largely reflect the impact of COVID-19 and our rapid ramp-up of ventilator production.

We saw elevated airfreight costs relative to the prior year, but these are tracking sequentially lower, particularly as we rebalance from air freight to sea freight.

Moving on to operating expenses. Our SG&A expenses for the first quarter were $159 million, a decrease of 5% over the prior year quarter, or in constant currency terms, SG&A expenses decreased by 7% compared to the prior year period. SG&A expenses as a percentage of revenue improved to 21.1% compared to 24.6% we reported in the prior year quarter, benefiting from cost management and reduced travel as we work through the uncertain COVID-19 environment. Looking forward, we expect SG&A expenses in Q2 to be broadly consistent with the prior year period and then in the second half of FY '21 to increase in the low single digits relative to the prior year period.

R&D expenses for the quarter were $55 million, an increase of 14% over the prior year quarter, or on a constant currency basis, an increase of 12%. R&D expenses as a percentage of revenue was 7.3% compared to 7.1% in the prior year. We continue to prioritize our investments in innovation because we believe our long-term commitment to technology and product development will deliver a sustained competitive advantage. Looking forward, we expect R&D expenses to continue to grow year-over-year in the high single digits to low double digits, reflecting our commitment to innovation through the economic cycles.

Total amortization of acquired intangibles was $20 million for the quarter, and stock-based compensation expense for the quarter was $16 million.

Non-GAAP operating profit for the quarter was $237 million, an increase of 24% over the prior year quarter, reflecting strong top line growth, expansion of gross margin and well-managed operating expenses.

On a GAAP basis, our effective tax rate for the September quarter was 17.4%, while on a non-GAAP basis, our effective tax rate for the quarter was 18.5%. Looking forward, we estimate our effective tax rate for the full fiscal year 2021 will be in the range of 17% to 19%.

Non-GAAP net income for the quarter was $185 million, an increase of 37% over the prior year quarter. Non-GAAP diluted earnings per share for the quarter were $1.27, an increase of 37% over the prior year quarter. Our GAAP diluted earnings per share for the quarter were $1.22.

Cash flow from operations for the quarter was $144 million, reflecting robust underlying earnings, partially offset by increases in working capital.

Capital expenditure for the quarter was $14 million. Depreciation and amortization for the September quarter totaled $39 million. During the quarter, we paid dividends of $57 million.

We recorded equity losses of $2.3 million in our income statement in the September quarter associated with the Verily joint venture. We expect to record equity losses of approximately $3 million in Q2 and approximately $5 million per quarter in the second half of FY '21 associated with the joint venture operation.

We ended the first quarter with a cash balance of $421 million. At September 30, we had $1.1 billion in gross debt and $635 million in net debt. Our debt levels remained modest. And at September 30, we had a further $1.2 billion available for drawdown under our existing revolver facility. In summary, our liquidity position remains strong. However, I also want to highlight that in these times of uncertainty, we are maintaining a disciplined approach, and we are tightly managing expenses, cash flow and liquidity.

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

Turning now to our FY '21 outlook. At a high level, we are now seeing a minimal COVID-19-generated demand for our ventilators and do not expect any incremental benefit in Q2 and beyond. Additionally, we expect to see a continued year-on-year headwind for sleep devices in Q2 in response to temporary reduction in the diagnosis of new patients. However, at this time, we continue to forecast a sequential improvement in sleep devices through the course of FY '21.

Masks and accessories have continued to demonstrate resilience and growth over the past 3 months, reflecting the insulating value of the large patient installed base. We expect to see continued year-on-year growth of our mask portfolio in FY '21. Of course, like many other companies, we continue to experience significant uncertainty in the current environment. And as a result, our forecast and possible future revenue outcomes remain dynamic.

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

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

Great. Thank you, Brett. Let's now turn to the Q&A portion of the call. (Operator Instructions) Cheryl, let's go ahead and start the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your next question comes from Chris Cooper of Goldman Sachs.

Chris Cooper - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Could you please -- I mean you mentioned at the start, the announcement from CMS this week. Could you just confirm your interpretation of where we stand with competitive bidding now? I mean the wording seem to suggest to us that the structure of the bid as a current standard is not working as they intended. Is your expectation at this stage that we just move on for the next 3-year cycle with competitive bidding? Or do you think they'll try and rerun it ahead of that?

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

Thanks for the question, Chris. And look, the one thing we know is that January 1, 2021, the rates will remain where they are. And that -- it was great that CMS listened to feedback from the industry. And it wasn't just around COVID, it was really around the fact that reimbursement rates currently as they are fit for the need. And if you read through the detail, the CMS actually said that through the process, they found that they weren't going to have any savings as they put it, which meant from my perspective that we've reached sort of market equilibrium in terms of where things are at. Now that's my interpretation. But Dave Pendarvis studies this far more detail than I do. Dave, do you want to give some more color and thoughts around the CMS announcement these last few days?

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

Sure. So Chris, yes, our view of the probable outcome here is you've got a 3-year run at least until January 1, 2024, of these current rates, plus inflation adjustments on January 1 on each of those years. Those are in the competitive bid areas. In addition to that, CMS has got a proposed rule-out, which if they finalize, would add a continuation of the 50-50 blended rate in rural areas. Those are both really good outcomes for our industry. They provide stability, they provide rates that these folks can count on, and they allow for any willing provider to be able to provide in the markets.

Now you can always find legislative opportunities for the administration to do different things, to come in earlier, to change things up a little bit. That -- so is it possible? Sure. Is it likely? We don't think so. So we're going to be basing our plans on a continuation of these rates going forward with the caveat that governments can always do things that are unexpected and subject to their own control.

Chris Cooper - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Is there any risk that the commercial payers begin to take things into their own hands slowly and move ahead of Medicare?

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

So Chris, the private payers were already ahead of CMS on this and had been sort of on a mark-to-market basis doing things at their own rates before competitive bidding started back in the mid-2000s during and after. And so I don't think it's a risk. It's a guarantee that private payers are looking for market rates. I think what's great about this one because it's so public versus those sort of private negotiations that happen is that we've seen a public statement of an equilibrium reached between the bids that came in and the fair price that is appropriate for the provision of these services in the statement. So that's something that's new as part of it. But look, it's a complex web. We sell in 140 countries worldwide, not just one. We watch CMS, but we also watch the rest of the world, and we want to make sure that reimbursement rates are there for our channel, but really importantly, that we get to the 936 million people worldwide who suffer from sleep apnea.

Operator

Your next question is from Sean Laaman of Morgan Stanley.

Sean M. Laaman - *Morgan Stanley, Research Division - Australian Healthcare Analyst*

I'd like to just ask about the sustainability and that suppression in SG&A growth. It seems like a very good outcome. If you could talk us through that? I know we've got guidance for fiscal '21, but if you could talk us through that, that would be really useful, Mick.

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

Yes. Thanks, Sean. I'll start, and I'll hand over to Brett for some more detail. Yes, look, excellent control. Obviously, travel costs are incredibly down. We have 75%, 80% of all the ResMedians worldwide selling in 140 countries working from home. And we've had a really smooth transition to 4,000, 5,000 people working from home and feeling comfortable doing so. And we are opening up our offices as appropriate in Europe, Asia and the Americas as cities, states and so on allow us to.

Look, when we get to the other side of this pandemic, and that's a long time potentially with a vaccine and treatments that are efficacious, I do see some of those costs starting to go back up again, but they will be also concomitant with opening of health care systems that will be associated with the opening up of those economies. And so I think we've done a really good job in bringing expenses down on SG&A, 7% reduction year-on-year for the quarter to $159 million for the September quarter.

But if you look closely, we also increased our R&D spend. We increased by 12%, constant currency, our R&D spend. And that's $54.5 million for the quarter. You annualize that, that's a really good $200-plus million that we're going to put into digital health technology, artificial intelligence, machine learning, improvements in smaller, quiet and more comfortable, more connected and more intelligent systems that can keep people breathing out of hospital and well taken care of. And so we are going to continue the investments in R&D and drive those through this crisis, and we are going to take the savings on SG&A now and be ready to reinvest in marketing and sales and growth in that SG&A as appropriate when the revenues start to come back. I hope that all makes sense, Sean. It's not just a one portfolio play, it's all part of a larger piece.

Sean M. Laaman - *Morgan Stanley, Research Division - Australian Healthcare Analyst*

No. That makes a lot of sense. Great results.

Operator

Your next question...

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

Sean, it's Brett. The only thing I'd add to add to that, it's a good summary from Mick, there's not too much more to add there. But I mean, clearly, we're not going to have negative SG&A every quarter. And we have -- I've got in the back half to kind of low double digits. And for that low double digits, mid-single digits is probably what we've consistently done. Really, our aim is we want to leverage SG&A relative to revenue growth. So that hasn't gone away, but we want to continue to do that in the medium to long term as well.

Operator

Your next question is from Gretel Janu of Credit Suisse.

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

So just at the last results, I think you mentioned that in July, you saw low single-digit revenue growth. This does then imply quite a sharp acceleration growth in August and September. So can you give us some more color on the incremental performance on a month-to-month basis as well as to how you performed into October?

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

Thanks, Gretel. It's a great question as we sort of model the kinetics of the recovery across our 140 countries. And as we look at it, and we -- obviously, I look at daily numbers, not just month-to-month and beyond, but there's a lot of sort of noise when you go down to a lower level of distraction. You pull back and you look at sort of that quarter-on-quarter trend, what we're seeing is sequential growth across the group. And let's look at some -- look at 3 big countries. And I think I talked about this 90 days ago, Gretel, but Germany is sort of, I would say, our leading country in terms of how they're opening up their economy. We are seeing at 85%, 90-plus percent of the pre-COVID patient flow and in some parts, 90% to 95% of the pre-COVID patient flow. It's through telehealth, it's through digital medicine, it's also through some in-person visits and in-lab tests. And so we're really at a very high point of recovery. And even with Angela Merkel closing restaurants and bars here in November, we do expect health systems to remain fully open during not just November, but on an ongoing basis because people need to get their primary care, people need to get their respiratory care. If they're suffocating, they need treatment for their sleep apnea. If they have trouble breathing, they need help for their COPD. And so we're seeing that in a really good case in Germany.

If you take China, another big market we talked about last quarter, sort of at the 50% of pre-COVID levels. This quarter, China is now already at 70% of pre-COVID patient flow across a very large country, but that portfolio of different cities and states is now at 70% of pre-COVID, so a significant improvement from last quarter. And here in the United States, it's really a story of 50 different states and their approaches, but they vary from 60% to 80% if you think about it of the pre-COVID patient flow. And so on average of around 70% here in our biggest market in the United States. So you take that all and you see, yes, there is pretty strong sequential improvement. It's not a dramatic sort of V shape we're back to January 1 or December 31, 2019. But the -- every week, it does get better. Every month, it does get better across the portfolio of countries. Even with the second and third waves of Northern Hemisphere, with the coming flu period, we expect to see sequential improvement in the flow of sleep apnea, COPD and asthma patients into our system.

Operator

Your next question is from Margaret Kaczor of William Blair.

Malgorzata Maria Kaczor - *William Blair & Company L.L.C., Research Division - Research Analyst*

I just wanted to follow-up a little bit about the drivers like you said of new patient adds and mostly improvements that you're seeing. I understand the 90%, 70%, 70% are pre-COVID levels. But how much of that is being driven by clinics, sleep clinics reopening relative to home sleep testing? Meaning is home sleep testing accelerating? And would that be a more sustainable trend as we go forward 2, 3 years from now that PCPs are adopting this and you can get a steady trend of new patient adds from there?

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

Yes, Margaret, it's a really good question. I'm going to hand to Jim for some further detail on this way. Across the world, we're seeing home sleep test -- home sleep apnea testing picked up over time. COVID-19 has been an accelerator for that because it was the only choice during the severe lockdowns. And as we get to the other side, it is lower cost and has equivalent sensitivity and specificity from the technology that's out there. But Jim, what further color do you have on that?

James R. Hollingshead - *ResMed Inc. - President of Sleep & Respiratory Care Business*

Yes. Thanks, Mick, and thanks, Margaret. It's a great question and it's a very insightful question. We don't have perfect data on this. But the data we do have and both the concrete data we have from sort of looking at our own devices that are used and also anecdotal data from the market very strongly suggests that home sleep testing across most of our markets has become a much higher percentage of testing. And to your point, I do think that that is sustainable. I think what we're seeing is a shift in practice. Patients certainly prefer it. And I think a number of clinicians are seeing that it's an easier way for them to diagnose, and they're certainly using home sleep testing and remote testing to serve their short-term patient needs. But as it gets adopted, I think we will see that practice remain very sustainable. And so in a market like France, we are already at something like 90% home sleep testing. We don't have perfect insight, as I said, but we do think home sleep test in the U.S. market has hit a very high percentage of tests, and we think that that will stick in the future.

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

The one bit of color I'll add on there, just to tag onto what Jim said, Margaret, is Germany, where there was actually quite a strong resistance from some sleep physicians to adopt home sleep apnea testing. They were skeptical of the efficacy, the practicality and could they really make it work. And because of the shutdowns were very strong in Germany during the peak of the crisis in March, April, it was the only way they could diagnose. The doctors then got used to it. And to Jim's point, I think on the other side of this, France will move up a little bit, but Germany will move up significantly in the percentage of patients with home sleep apnea testing as those doctors found that it was not only -- had high sensitivity and specificity on the clinical level, but it also had good outcomes at lower costs.

Operator

Your next question is from David Low of JPMorgan.

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

David, you may be on mute.

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

Yes. No, no. I was just getting the mute off. If I could just go back to the ventilators, I mean what I understood from was said that there was a $40 billion boost coming through there, and that we really should expect that that's pretty much done now. So that normalizes. And if we adjust for that, it would imply that the device sales growth was significantly lower. Just wondering how you think we should think about the recovery from here? I mean are we at the point now where device sales ex-ventilators can start to grow given how strong the recovery seems to have been through the quarter?

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

Yes, David, it's a really good question. I'll hand to Brett for some further detail on it after my remarks. But look, we've seen -- we saw incredible sort of $30 million in the March quarter, triple-digit millions of dollars in the June quarter, and as you noted, $40 million in the September quarter of what I would call emergency ventilator sales as part of the crisis. It may not go to precisely 0 this quarter, but it won't be as high in the December quarter as it was in the September quarter. And hopefully, as we're seeing the second and third waves, the magnitude, as I said in the prepared remarks, is lower of the second and third waves in terms of the impact on hospitalizations and reaching that sort of peak, ICU peak ventilator capacity. And so on a humanitarian basis, I hope we're right in that prediction that it goes very quickly down.

We are seeing sequentially, from the June quarter to the September quarter, improvements in the number of patients coming through, the prescriptions coming through, and therefore, the devices that we are selling on the sleep side. We expect that improvement to continue through the December quarter. And so as you look through the fiscal year and you think about sort of modeling how that's going to happen, I think you can model a steady increase in the sleep apnea devices. And the sort of, what I will call a secular uptick in masks and accessories sales that was driven by, I think, respiratory hygiene and the importance of getting a clean mask, was not a onetime thing for the March or June quarter. You saw it was sustainable. As we predicted, it was sustainable here through the September quarter. And I think it's sustainable through the December quarter.

I'm a patient and I know how important it is and how exciting it is, frankly, to get that new mask, to get that new cushion and to establish it up. It's like a brand-new cast mill and you get addicted to saying, "Wow, respiratory health is important," and that is one thing through the suffering of

COVID-19. It's almost a blessing that we've seen people realize that sleep apnea, COPD and asthma, respiratory health is incredibly important and keeping your device clean and keeping your mask clean is incredibly important as well as accessing data digitally has been incredibly important. So we think all of that will be there, and that's why we talk about this strong sequential increase, steady sequential increase throughout fiscal 2021. Brett, any further color?

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

Yes. Thanks, Mick. I mean that's good now. I mean, Dave, you're right. I mean, obviously, year-on-year, we saw declines in sleep devices. But we saw a pretty strong sequential improvement from Q4 to Q1. And then going forward, as Mick said, we will -- we still think we'll see that sequential improvement. Now where does that end up in Q2, Q3, increase or decrease, we won't -- time will tell. But certainly, we're seeing that nice sequential increase week-to-week, month-to-month, which gives us, I think, a lot of confidence of sleep devices improving throughout FY '21. I think that's the main thing we're looking at. It's that nice strong financial increase, I think, that will give us a lot of confidence.

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

Just on topic, I know I don't want to ask the second question. But I mean, I take $40 million of devices, actually, negative 1.6% growth for the quarter. So it looks pretty close to flat there. And I presume that's indicative of where CPAPs at relative to the same time last year.

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

Yes, there will be some -- yes, I mean, there's constant currency adjustments, things like that, but certainly decreased, single-digit decreases.

Operator

Your next question is with Lyanne Harrison of Bank of America.

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

Just following on from Margaret Kaczor's question. Thinking about the initiatives that have been put in place as a result of coronavirus, including telehealth, home sleep testing, can you give us some indication of how the reimbursement works for that? With home sleep testing, for example, are patients more likely to be out of pocket? And do you think that the reimbursement with the likes of telehealth will remain post coronavirus?

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

Lyanne, it's a great question, and it talks to how sustainable is what we're talking about earlier, Jim and I around home sleep apnea testing being adopted. In general, the costs for home sleep apnea testing are significantly below for the payer, the employer and the ultimate payer is the person who works for that company or pays the taxes in that country. So the numbers of the costs are significantly lower, often in order of magnitude lower. And so therefore, the copayments, if you're part of, say, U.S. plan like I'm, we have copayments, the copayment is proportional to the cost. And so therefore, an order of magnitude lower. So it is lower cost.

And the question that physicians always had is, is it better care or at least as good care at lower cost. And I think what we saw through COVID-19, where people who hadn't adopted home sleep apnea testing as well, were forced to adopt it because it was the only way they could diagnose patients. They found well, the sensitivity and specificity from that clinical peer-reviewed article does happen in my practice, in my state, in my city. And so lower cost, as good outcomes, we saw great adoption. And I think that drives ongoing growth of it on a sustainable basis. As Jim was talking to earlier, I think countries that were x move to y, where y is above x, and we can't predict exactly what that permanent change is going to be. We just know it's going to move up because the momentum of economics and good clinical care just drive it that way. So I don't know, Jim, if you have any further color to provide on that from your last response on home sleep apnea testing.

James R. Hollingshead - *ResMed Inc. - President of Sleep & Respiratory Care Business*

I just would completely reiterate what you said. And as a reminder, if you're on a, let's say, U.S. market, if you're a consumer and you have a health plan, you have a 20% copay. If a typical lab test is $1,500 or $1,800, that you're out of pocket on that at 20%. If the typical home sleep test is reimbursed at, say, $250, $200, you're much lower out of pocket. And so for consumers, the barrier is much lower to do a home sleep test here. Most consumers would prefer a home sleep test. And so that's why I think we'll see it remain sticky.

Now to telehealth, which I think was the second part of your question, some of those reimbursements have been done on sort of an emergency basis. The question is how? Will they persist after the emergency situations are declared nonemergency? There are a number of reasons to think that they will. I think that they've been very successful. And of course, the industry is lobbying very hard to put some of the things in place, both with government payers and with commercial payers. And so I think that most payers have seen telehealth to be pretty successful in terms of driving coverage and also driving down cost of care. So we can be optimistic about that. And I think the whole industry is working on it.

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

Yes. And this has actually been a sort of public-private partnership during COVID-19 as we all made the ventilators and partnered with the governments to do so that we have partnered on digital health, bringing -- as Jim said, bringing the emergency user authorization capability for that. There were actually codes that CMS had for digital health that were being underutilized in 2019. They brought them out early, I believe, in 2019. And even in 2018, we're doing some trials with them, and they were actually upset at CMS that the digital health codes weren't being utilized enough. COVID-19 drove an acceleration of that. And I think it will allow, again, the same thing as home sleep apnea testing applies to telehealth and all remote patient care, it's better during COVID times that you not go to that clinic because you won't get as exposed, not to that hospital, you won't get as exposed. It's also better during normal times, if you can do stuff at lower cost with better outcomes and not having to go to that hospital, not having to go to that clinic, if you can do it from the comfort of your own home. And as Jim said, the consumer prefers lower cost and at their own home, and that's all of ResMed's strategies to give that health care way you want it.

Operator

Next question is from Matthew Mishan of KeyBanc.

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

Mick, I'll keep this one simple. Can you just give us a sense of when Propeller Health can become more meaningful to the P&L?

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

Thanks, Matthew. Good question. Propeller Health is early phase in terms of the technology. It's certainly having a huge impact in getting a major multi-hundred billion-dollar pharma companies to adopt it with their brand-new prescribable drugs, particularly in the asthma space in Europe and Japan. As to when it becomes a material part of ResMed's P&L and I'm breaking it out on a quarterly basis, it's going to be a while for that. And so it won't be in here in fiscal 2021. But as we look to our 2025 strategy over these next 5 years, I do expect that that type of digital health solution is going to be a double-digit part of ResMed's delivery, and I will be talking about it on a quarterly basis, not just through milestones of pharmaceutical company releases with lead products and brand-new not generics, but high-end prescribable products. I think that we will see this go well beyond where it started just here in asthma. It will go across COPD. And there are literally billions -- tens of billions of dollars that could be saved in keeping COPD patients out of hospital with better adherence to their drugs.

Our work has shown that we can improve adherence rates by up to 58% and lower total cost of emergency visits and emergency costs by 25%. But look, it's a great question, Matthew. I'm not going to predict the exact quarter and timing, but I can tell you that over the next 20 quarters, it will become a significant part. We will be calling it out because it works. And pharmaceutical companies know how to do things at scale. And when they start to see that it improves the outcomes for their patients, that their doctors are happier and most importantly, that the patients are happier and out of hospital, lower cost, better outcomes, it's going to take off very quickly, exponentially.

Operator

Your next question is from Saul Hadassin of UBS.

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

Mick, can I just ask you, I don't think it was in your prepared remarks, but you did preview the Lumis HFT device at the ERS Conference this quarter. Can you talk to, I guess, a bit more detail as to where you see that device sitting in within the portfolio of the ResMed offering and when we might expect to see that device commercialized?

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

Yes. I'll provide just a little overview, and then I'll hand to Rob Douglas, our COO, to provide further. Look, what we've seen during COVID-19 is a variety of different products and solutions that have been used for patients from oxygen to high-flow therapy, to full noninvasive ventilation and then full invasive intubated ventilation. So I think there was some good exposure to what high-flow therapy can do with COVID because it can provide some of the particles to move around hospitals and so on. HFT did not get as frontline on its therapy as fully intubated ventilators. But we think it gave some good exposure and has accelerated a little bit. Yes, this is very early days with high-flow therapy, but it's a technology that we've put together on some of our existing platforms with great intellectual property and great opportunities for growth over time. But Rob, do you want to provide some further detail on what we're doing with Lumis HFT?

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

Yes, sure. Thanks, Mick. So yes, we think HFT is clearly a valid treatment and got some very interesting use cases. We -- again, you know our strategy is out of hospital, and it hasn't been strongly studied in those types of environments. So really, it's more part of a long-term play to see how HFT might fit in with our long-term strategy. It's a trial that will take its time to enroll patients. These respiratory device trials in the home setting are generally pretty tough to do and so -- and take a time. So we won't be reporting out of that super quickly, but it's certainly a very interesting area for us, and we think we've got some good solutions.

Operator

Your next question is from Suraj Kalia of Oppenheimer.

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

Mick, 1 question from my side. The SaaS unit is now growing at single digits. Can you help us understand the structural dynamics that could possibly push the segment back to double-digit growth? Is there price elasticity of demand? Are you looking at OUS adoption? Are acquisitions the key? Just help us frame this segment, in particular, for the next 12, 24 months.

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

Thanks, Suraj. It's a great question. So Software as a Service, our SaaS division, is 12% of our revenues. It's a really important part of our long-term growth to apply our digital health technology capability outside the hospital and in the 7 verticals we're in where we're a market leader in the top 1 or 2 of each of those categories. Yes, as I noted in the prep remarks, Suraj, we've seen a slowdown of the flow of patients into hospitals and therefore, out of hospitals to skilled nursing facilities, in particular, as well as nursing homes and others. And we do expect that that, sort of, if you like, recovery will take some time. And that's why I sort of said that the markets that we serve as a weighted average portfolio growth will grow in those sort of mid-single digits throughout this fiscal year. We expect to meet that and beat that where we can.

And then as we get to beyond the sort of 12-month time frame, I do think there's opportunities for those markets to get to the high single-digit growth. And with inorganic plays, there are opportunities to get to low double-digit growth across that portfolio. Look, we never accept market growth. We want to meet it and beat it. One thing we are doing in that division as well as in our core sleep apnea, COPD and asthma groups is we're investing in innovation. We have great -- in the beauty of Software as a Service innovation is you're talking weeks between sprints and then getting an MVP out there to provide a solution to customers. And so we have seen some really good innovation come into play to help people deal with COVID-19 that have helped them sort of through this crisis. And we think that when we get back to the sort of normal flow through hospitals and ASCs of patients getting discharged into the out-of-hospital post-acute network, we will start to see the centers pick up and therefore, the revenues pick up as the number of patients in that setting picks up over time. And so yes, look, we have a leading position. We're going to do well in the mid-single digits. We'll do well in the high single digits. And over time, as we add inorganically, we can push even beyond that.

Operator

Your next question is from David Bailey of Macquarie.

David Bailey - *Macquarie Research - Research Analyst*

Mick, you sort of touched on the resupply coming through, expecting that to continue into the second quarter. Just wondering if you can talk a little bit about how you're seeing that opportunity over the medium to longer term? Do you think there's further opportunities on the resupply? And then within that mask and accessories as well, just whether you think some of the new product launches are driving increased share for ResMed? That would be great.

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

Thanks, David. Yes, that's a 2-part question. So I'll have a go. Actually, you know, I'm going to hand the whole question to Jim Hollingshead rather than do half of it. Over to you, Jim.

James R. Hollingshead - *ResMed Inc. - President of Sleep & Respiratory Care Business*

Thank you for the question, David. I mean we think -- we've been obviously quite pleased with the dynamics of resupply through Q1. We expect it to continue in Q2. And actually, I do think what's going on, especially, probably, globally, but the dynamics of resupply are really a specific to U.S. market where reimbursed. And we think what's going on is that, a, patients want new clean equipment, they're more synthesized to that because of the pandemic; and b, our HME provider customers have realized that that's an avenue that's both better for the patients and better for patient care, but also better for their own business. So we think that dynamic should stay.

One thing -- we had a question earlier about competitive bidding. One of the good results at a competitive bidding being delayed for some period of time is that it won't change mask reimbursement. And so we think that with the competitive bidding reannouncement, it maintains the economics of resupply that exist in the U.S. market, which is our biggest resupply market. And that's one of the reasons we think that the dynamics for that part of the market will persist through, I think, at least in the fiscal year. I think that it will remain robust. So we've got a change in customer behavior, change in patient behavior, both of which tend to resupply and then stability and reimbursement. And I think those are really key points.

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On market share, we have the broadest and most effective portfolio of masks and accessories on the market. We can -- with our range of products now and with our latest launch of the AirTouch N20, our line is complete across our range of masks, and we can provide a certain fit for every patient with the right mask every time. None of our competitors come even close to what we offer in the market, and we feel really good about our share and position and our ongoing innovation.

Operator

Your next question is from Andrew Goodsall of MST Marquee.

Andrew Goodsall - *MST Marquee - Healthcare analyst*

Just thinking about the quarter, just wondering if you saw any DME restocking effect in the quarter. And also if I could just ask you to talk to oxygen, whether that's still getting us some tailwind with COVID?

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

So the first question about restocking, second one about POCs. Look, Brett, do you want to take something with regard to the restocking and talk about inventory levels from Q-on-Q? And then, Rob, do you want to have a go at the oxygen question. Over to you, Brett, first?

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

Yes, sure, Mick. I mean typically on the whole DME, they don't hold too much inventory. So I guess they've got -- they typically buy pretty regularly. I'm not sure. I mean, as volumes have come up and patient flows come back. Obviously, there's orders coming in the system to support the patient flow coming back, and we're seeing that sequentially, but I'm not sure they're really restocking like huge orders. They'll restock as the patient flow comes back in a pretty orderly fashion. And obviously, we're seeing that throughout our revenues and sequentially what's happening there. But I wouldn't say it is characterized by significant restocking orders. I think that's a bit more steady flow that we're seeing coming through it.

Andrew Goodsall - *MST Marquee - Healthcare analyst*

Okay. So I got a reasonable match up with the sort of return of patients to return of orders?

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

Yes, I think so because they don't like holding a lot of inventory. So they all typically do -- they can get inventory quite quickly from the manufacturers, and they'll typically operate -- obviously, they need enough inventory. And -- but I think the patient flow will drive their order patterns.

Andrew Goodsall - *MST Marquee - Healthcare analyst*

That's great. And then just on POC.

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

Andrew, yes, our POC program sort of just continues as we have -- we continue to learn. We've still got our products in their sort of product launch, process and post that. And we continue to learn, and we're sort of still making adjustments and experiments of how to get the right patients to the right providers for the right treatment there. So it's pretty much a sort of a long-term thing for us on that.

Andrew Goodsall - *MST Marquee - Healthcare analyst*

No particular call out on COVID around that?

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

No. Not that material to our overall business.

Operator

Your next question is from Anthony Petrone of Jefferies.

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

Maybe just a couple on math questions on vents and NIVs and just comments in relation to COVID cases and NIVs going forward. And so when we back out the $40 million from devices and you sort of bake in patient flows in core sleep, I'm just wondering, again, the math doesn't quite get there to low single digits. So I'm wondering if pricing, in particular, firmed up in the quarter that can kind of get you there or other respiratory was better.

And then again, the comment on NIVs going forward, potentially not being a driver. Just wondering why that would be considering where the case counts are going?

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

Thanks, Anthony. Yes, look, it's a complex equation, and there are so many moving pieces with second and third waves as regards to the global pandemic. So all we know about every prediction that's been made in the last 9 months is they're wrong. So we don't know precisely what the needs are going to be through the second and third waves. And last quarter, we were a bit muted about what we thought would happen this quarter and then we had $40 million worth of sales in the September quarter. But look, our best projections of the sort of epidemiology and sort of humanitarian model that we put together at the flow of COVID-19 around 140 countries that we treat in within the big countries, specifically in some cities and states that we're looking at, we don't think we're going to reach a state where there's going to be hospitalizations like we had early January, February in Wuhan, and then March -- February, March in Milan and then March, April in New York, where you reached 100% capacity and literally ran out of ventilators and ran out of ICU beds for those ventilators.

Our best models show that the magnitude of the second and third waves are actually reduced in cities in China, that we've seen second and third waves, across Singapore, where we've seen them in in some parts of Europe, where we're already seeing them. And so we're just being realistic that we don't expect sort of those emergency use ventilators to be at the sort of magnitude. And you can actually see that it went from a triple-digit millions in the June quarter, down to $40 million in the September quarter. It will be significantly reduced here in the December quarter. I'm not saying it will necessarily be de minimis, but it might be. And look, our job is to focus on our core market and the coming back of that. And what we're seeing is our investments in digital health, we've made these last 5 years and how we're the market leader there, have incredibly well set us up for the growth in that.

And so I think as you start to look at modeling ResMed looking at a year-on-year is going to be a very difficult and complex equation, which I'm not sure you'll ever get to the right answer until, even us until the numbers are in on it. What we can look at is Q-on-Q, quarter-on-quarter sequential sleep apnea, COPD, across those devices portfolio, across those masks portfolio, from Q1 to Q2, Q2 to Q3 and Q3 to Q4. We're going to see sequential increase in the sleep devices. We're going to see increase in the sleep and COPD masks and accessories as we go through that quarter.

So complex equation, yes, down sort of in the single digits year-on-year in devices, but hugely complex equation with tailwinds and headwinds. Look at Q-on-Q, when you start to see the positive trend of what's happening as we're opening up and as economies are working out how to run digital health and home sleep apnea testing and remote COPD diagnosis and prescriptions for asthma and getting patients on to the platforms like Propeller, like AirView for ventilation, like AirSense 10 and its Air Solutions platform. And that's where we're investing, and that's where, frankly, our technology will win.

Operator

Your last question will come from David Low of JPMorgan.

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

Thought I'd cancel that one. But just 1 last question. We've got some reports that some of ResMed's masks were in back orders through the quarter. Just wondering if you could talk to that, what might have caused it? How significant it was? And I guess I'm trying to understand whether it was demand driven or whether there was any supply issues there, please?

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

Thanks, David. Yes, yes, I believe it was demand driven, as you saw, we had really good numbers in the quarter. But Jim, do you know any details of -- across the sleep business?

James R. Hollingshead - *ResMed Inc. - President of Sleep & Respiratory Care Business*

Yes, without trying to go math by math...

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

Right.

James R. Hollingshead - *ResMed Inc. - President of Sleep & Respiratory Care Business*

Most of the back orders that we faced were demand driven. There were some logistical issues as well in the supply chain. We've had also some domestic shipping issues. Little things here and there that have been an issue, but it's almost all demand driven.

Operator

We are now at the 75 minute mark, so I will turn the call over to Mick Farrell.

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

Thanks, Cheryl, and thanks again to all of our shareholders for joining us on this call. I'd like to take the opportunity here at the end to thank the 7,500 ResMedians, many of whom, almost all of whom are shareholders as well for their dedication, hard work, helping people sleep better, breathe better and live better lives outside the hospital in 140 countries. Thanks for what you do today and every day. Thanks especially to our ResMed heroes who are going to our plants and production plants, our distribution plants, our tech services centers, and actually, because you have to touch physical product not being able to work from home. Thank you for following all safety procedures and doing that really well through this crisis. I look forward to talking to all of our shareholders here in around 90 days. Amy, I hand over to you to close out.

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

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

Operator

This concludes ResMed's first quarter of fiscal year 2021 earnings live webcast. You may now disconnect.
