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OVERVIEW:

Company Summary

REFINITIV

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Carlos Nunez *Resmed Inc - Chief Medical Officer*

CONFERENCE CALL PARTICIPANTS

Laura Sutcliffe *UBS Group AG - Moderator*

PRESENTATION

Laura Sutcliffe - *UBS Group AG - Moderator*

Good afternoon, everyone. Welcome. For those of you I don't know, my name is Laura Sutcliffe. I'm a health care analyst here at UBS. And I'm delighted to be joined here this afternoon by ResMed's CEO, Mick Farrell; and Chief Medical Officer, Carlos Nunez. Welcome.

Michael Farrell - *Resmed Inc - Chairman of the Board, Chief Executive Officer*

Thank you.

Carlos Nunez - *Resmed Inc - Chief Medical Officer*

Thank you.

Laura Sutcliffe - *UBS Group AG - Moderator*

If you'd like to ask a question, you can do so via the app. It will pop up here on my iPad, and we can try and get your questions answered. So we'll maybe kick off with some from here. First quarter looked really good for you, mid-single-digit, EPS beat, if I remember correctly. And a lot of talk around digital pathways, GLP-1s and how that might help fill the funnel of patients who need your products.

QUESTIONS AND ANSWERS

Laura Sutcliffe - *UBS Group AG - Moderator*

Can you talk to us a little bit about how you think about can fuel future earnings growth, how you might measure it, how you forecast these tailwinds? I think that's sort of great interest to our investors.

Michael Farrell - *Resmed Inc - Chairman of the Board, Chief Executive Officer*

Yes. Well, Laura, great question. And yes, certainly, our first quarter of fiscal year '25 was an excellent year, excellent quarter, an excellent start to the year, double-digit growth in top line and bottom line, really good leverage. We had 300-plus basis points improvement in gross margin, really good efficiency through the business in terms of SG&A, good R&D investments and NOP above 30%, EPS above 30% growth year-on-year. So really, really excited with that.

To your question about demand gen and how we leverage these big trends of GLP-1 drugs bringing patients into the primary care physician and GP and specialist funnel and how we leverage what we believe is going to be quite a large flow of patients over the coming 1, 3, 5 years from consumer tech companies, particularly the two that have sort of been in the avant garde here, which is Samsung with the Galaxy Watch with FDA

de novo clearance moderate-to-severe sleep apnea about 6 months ago, but the watch just launched in September and then Apple Watch with their latest upgrade having software that can detect sleep apnea through actigraphy and Samsung through pulse oximetry. So how are we going to leverage these?

Well, look, I'm sure we'll get into it in these 35 minutes, but it's all about demand generation, demand capture and demand conversion. And I think some of that demand generation will be taken on by these pharma and consumer tech companies. And then it's really up to ResMed. It's ResMed's opportunity probably once in a generation opportunity to fine-tune our demand capture and demand conversion for patients as they flow into a primary care physician clinic as they appear in digital health networks with a watch saying possible sleep apnea.

Well, what do you do with that? Well, ResMed's goal is to be your sleep health concierge, your sleep and breathing health concierge in a digital way. And our first product on that is a generative AI product called Dawn and the generative AI product engages with patients or consumers and helps them find their path to screening, diagnosis becoming patients and then getting into the medical pathway. But this isn't a one shot. It's not like, oh gosh, it's a step change. this is a gradual, steady flow of patients.

But it might start off with a bit of a bang with the expected indication for use of a pharma company here in this quarter that we think will lead to them probably driving demand generation in the first quarter of calendar year in the March quarter, so as we start 2025. So exciting times for our industry, really exciting, I think, for medtech, health tech in general to have this convergence of consumer health and health tech.

Laura Sutcliffe - *UBS Group AG - Moderator*

So lots to dig into there. I assume you are referring to the potential addition of OSA to tirzepatide label, either at the end of this year or early next year. Do you think that's going to drive a step change? Do you think we're going to be able to see it? Or do you think it's going to be more gradual, maybe interesting to hear from Carlos as well on this.

Carlos Nunez - *Resmed Inc - Chief Medical Officer*

Yes. Sure. Yes, I'll start. I think we're going to see, as Mick mentioned, it's sort of once in a generation confluence of factors that are going to drive patients into this funnel. It is the awareness from big tech and the awareness and the marketing from pharma, as you mentioned, some of these GLP-1 drugs, especially tirzepatide could get an indication for use in OSA. And I think what we'll see is there will be a period where there'll be a bit of a ramp. Physicians are going to have to figure out how they're going to treat these patients.

Payers are going to have figure out how they're going to pay for all of this. And keep in mind, if we're talking about tirzepatide and the SURMOUNT-OSA results, that trial excluded diabetes patients. It was just obese patients with obesity and with sleep apnea. And so if their label is based on the data from the trial, these patients will show up if they have obesity and they have sleep apnea, they'll have to get a sleep apnea diagnosis, they'll have to have obesity for their payers to pay for this.

So it's going to probably be a gradual ramp as these patients get into the funnel, get into the pathway and then because there will be a requirement to actually prove you have OSA, to get a sleep test, they get into the part of the pathway that is the most familiar for ResMed. They're in the hands of a sleep physician, who's going to do a sleep test and then figure out what's the best therapy for them.

Laura Sutcliffe - *UBS Group AG - Moderator*

So let's talk about sleep physicians. If you are putting a lot of patients into the top of that funnel, I think Mick alluded to there being a few different points that you need to capture when you see the demand growing. Most of the sleep doctors we talk to say we're at capacity, I have waiting list. So I think it's very believable that the demand is there and can grow. But you make money when a script is written, and it's filled with a ResMed device. So how will you cope with that issue that maybe there are not enough sleep doctors out there?

Michael Farrell - *Resmed Inc - Chairman of the Board, Chief Executive Officer*

Well, look, it's not rate limited by the number of sleep physicians in that they have pretty fixed capacity in their in-lab testing capability. And in the United States right now, about 50% of patients go through a full in-lab polysomnography test. But about 50% go through home sleep apnea testing. Usually under the supervision of a board-certified sleep physician and certainly scored by one if there's to be reimbursement that's paid for by Medicare and most major payers require a board-certified sleep physician.

And so what you really have to scale as you see this probably gradual and then fast demand generation coming from big pharma and big tech into the funnel is really for ResMed as a technology partner for our sleep medicine professionals, both sleep apnea physician, but also the respiratory therapists, the polysomnography therapists and the people who manage the home sleep apnea testing outbound and inbound and digital scoring, cloud-based scoring, telemonitoring. And so there's a whole lot of digital health tools that frankly, we had a 4-year experiment during the pandemic. These last 4 years where the world shut down at the start of 2020, and you couldn't do any in lab tests.

And so these capacity stretching of home sleep apnea testing went on in all 140 countries that ResMed does business in here. And in the United States, we saw really good expansion of that home sleep apnea testing funnel. And so as we see this demand come up, yes, you do your channel checks, talk to a sleep physician. I'm at capacity in my lab, but they're not at capacity in the ability to scale the home sleep apnea testing.

And so they're going to come to people like ResMed and some of the other diagnostics partners to really help with making sure there's highly sensitive, specific, good logistics outbound and inbound, good cloud-based data transfer and telemedicine capabilities that a sleep a board-certified sleep doctor can see many, many, many studies that are already auto scored, GenAI or AI. So they're really looking for the outliers and saying, wow, this patient has central sleep apnea or complex sleep apnea or a comorbidity with heart failure, COMISA or COPD, overlap syndrome. Those patients, gosh, I really need to bring them into the clinic because they might need a bilevel S, ST, STA or an adaptive server ventilator and that full night of titration to get that best ventilation therapy.

But for the maybe 70%, 80% that it's highly suspicious that it's garden variety, obstructive sleep apnea then a home sleep apnea test at scale and probably a home sleep setup is enough to make sure those patients get through the funnel. So we've tested it. It's happened during the pandemic. We know it can flex. And we're ready and as technology partners, we're sitting there. Carlos, your fellow physicians there at the SLEEP conference and ERS and ATS, you're working with them to say, ResMed here is the technology partner on the diagnostics and the therapeutics side.

And then when we get to therapy management at scale, ResMed does that. We've got 27 million 100% cloud connectable medical devices we've sold into the market. And we have 20 billion nights of medical data in the cloud. And so we've shown we can do that part, the management at scale with digital health. Can we scale this early-stage screening and diagnostics? Absolutely. And I think there's a lot of room to grow.

Carlos Nunez - *Resmed Inc - Chief Medical Officer*

And just to add something. You said that ResMed, I was about to say something that's going to sound much more like I'm a capitalist than a scientist. I promised I'm a little bit of both. But you said ResMed makes money when we deliver a device to patient. Actually, ResMed makes money when we provide a platform and the solutions that make people breathe better and sleep better and able to do that in their homes. So when you think about this pathway that we're building, we have the diagnostic capability.

We own a home sleep testing franchise. We have the engagement with not just apps for patients, but apps for providers to also monitor patient care. We even have software further down the patient treatment pathway to help with things like resupply to give them fresh masks and disposables. And so there is an entire pathway that ResMed has built over time to take care of the entire patient through the entire journey.

And we're building it out even more. And you're right. We are going to face these tailwinds. Patients are going to show up, shame on us if we're not ready with the testing capacity. If we're not there to help our physicians understand to scale, you need to do more home sleep testing. You can't build more lab space. And then most important, to connect with patients before they ever become our patients, make sure that when those consumers have questions, they can talk to Dawn.

As Mick said, our AI, sleep concierge or at least talk to a primary care physician who's learned something from ResMed, through one of our education activities through one of our engagement activities. So when they show up to that primary care who may not be as facile with sleep medicine, and say, I heard about these new drugs or my watch told me I have sleep apnea, what do I do? They'll be answered -- they'll be able to answer the questions correctly.

Laura Sutcliffe - *UBS Group AG - Moderator*

And just to be clear, can you do fully remote set up at this point?

Michael Farrell - *Resmed Inc - Chairman of the Board, Chief Executive Officer*

Yes, absolutely, we've been able to do fully remote home sleep apnea testing through our ApneaLink Air platform. We purchased a company called Ectosense actually during the pandemic. And the product there called NightOwl is the product fits on my fingertip here from that last wrinkle there at the end of your finger, if you look at it for those on the stream to the end it's that big with the equivalent of a Band-Aid wrapping around it. And there's Bluetooth and capabilities to the phone and it goes to the cloud and a sleep physician can then review it remotely and score it.

And if it's positive, write a prescription, and then you can get, and we did this during the pandemic. In every country in the world, you're able to get our product delivered to a patient with home sleep setup. Now is it better and preferable if we can to have group setup and delivery setup? Absolutely. And respiratory therapists can do stuff on Teams calls or Zoom calls or other video calls.

It is better in person. And so we'll scale as much as possible with the in-person capabilities of in lab testing and in-person set up. But we've scaled remote sleep apnea testing and remote set up to extraordinary levels. And peer review published evidence has shown equivalent or better experience for the consumer and equivalent outcomes, in terms of clinical outcomes, adherence outcomes and long-term outcomes.

Laura Sutcliffe - *UBS Group AG - Moderator*

That's clear. So speaking of published data, maybe we'll go to Carlos again. One of the things I think people would like to understand as well as just putting patients into the funnel, getting them out of the funnel. Once they're on therapy, we have a question around whether people drop CPAP any quicker on a GLP-1 because they lose weight, then they might otherwise because adherence in the first year is something that needs to be -- you have to stay on top of it, right? I think, if I remember correctly, there was some data that said, absolutely, they don't, right?

Could you just elaborate on that further a bit? I know that the investor community has seen your longitudinal prescription data. But if you could just elaborate for us on specifically that kind of drop out or non-dropout situation?

Carlos Nunez - *Resmed Inc - Chief Medical Officer*

Sure. So there is some data published. So keep in mind, these GLP-1 medications, which is what we're talking about, have been in the market in the U.S. for 19 years. This is nothing new. And we've known that people lose weight on these drugs for the majority of those 19 years. So as we are in this era where there is a lot more recognition and there are now new indications for these drugs, including things like weight loss, cardiovascular and hopefully soon to be OSA, there are a couple of things to keep in mind about the way these drugs work in the real world. So you alluded to our real-world data.

What we see is when patients go on a prescription for a GLP-1 drug and they have concomitant obstructive sleep apnea, those patients are more likely to start CPAP therapy than just any generic patient who shows up with signs or symptoms of obstructive sleep apnea. Matter of fact they're almost -- I think it's 10.8% more likely, so almost 11% more likely.

And this is in a real-world evidence cohort of nearly 1 million patients, over 980,000 patients. So they are more likely to start CPAP therapy. The best thing about it, though, is if you look at these same patients at 1 year, they are 3% more likely than a standard CPAP patient to order at least one new mask. And if you look at these patients at 2 years, they are at least 5% more likely than a generic CPAP patient to order another mask at 2 years. So what we are seeing is these patients are better patients for ResMed, they're more engaged with their help.

And they are better long-term patients because they're better than our core patient population at ordering resupplies at 1 year and at 2 years. And you sort of can imagine the scenario, someone who has, say, struggled with their weight and other medical problems for years. And we know this. The medical establishment has even themselves has shamed people. It's your fault. You don't have the willpower. You should be able to do this. Now they'll be seeing the ads, they see the ads. There's a new drug. There's a preparation.

There's something here not just me, there is physiology. There's chemistry here. There's part of my biology. So they come to the doctor and the doctor says, great. Yes, you do have a problem with you weight. By the way, you have high blood pressure, you have obstructive sleep apnea, et cetera, et cetera. They will treat the entire patient.

And I think that's what we're seeing in these early data. It is still too early to understand how this will play out because we still don't have the OSA label. But if the early indications of what we see in the real-world evidence are any indication of what to expect, these patients are going to be at least as good as the patients we already have.

Laura Sutcliffe - *UBS Group AG - Moderator*

So it's not that they drop out more, they drop out less?

Carlos Nunez - *Resmed Inc - Chief Medical Officer*

They drop off CPAP less, yes. Now when you look at general adherence to GLP-1s, it's not a great story. There is some data that shows that the average person usually within 3 to 4 months is off the drugs. And at 1 year, there's a pretty significant drop out at 2 years. People that are managing type 2 diabetes tend to stay on the GLP-1 drugs longer, they tend to stay on them for life because it's from managing their diabetes.

But for weight loss, it tends to be a much shorter course that these patients are on the drugs for. And if you look at the SURMOUNT-OSA trial, they have to be them beyond these drugs for at least a year under perfect conditions, to lose enough weight that their sleep apnea will go from moderate to severe, to moderate to severe. So even though these patients do lose a lot of weight, they probably still need to be treated for their sleep apnea.

Laura Sutcliffe - *UBS Group AG - Moderator*

Let's switch gears a little bit. You referred to the 140 countries in which you operate. One of them, I think, that people are interested in very much is China. Let's set the scene a little bit. I think one of your competitors flagged recently waning demand in China, lots of uncertainty. You seem to be flourishing. So perhaps you could just tell us a little bit about how that's come about? I think you've recently spent some time in China. Maybe you could tell us a bit more about that.

Michael Farrell - *Resmed Inc - Chairman of the Board, Chief Executive Officer*

Yes, sure. Well, look, Laura, I think that competitor had issues. They're selling mostly into hospitals. There's a lot of value-based procurement, VBP programs happening at Tier 1 and beyond hospitals in China impacting them and others who primarily work with the in-hospital health care system in China. ResMed works with the outside hospital or the home care treatment health care part of China and frankly, the whole world, 90% to 95% of our revenues and profits are obtained working with health care devices, masks, accessories, software delivered, primarily in the home and definitely outside the hospital.

And so yes, I was in Shanghai and Hangzhou last week and had some really good meetings. Party Secretary Chen talking about the province of Shanghai and some innovative approaches they've had in partnering actually with pharmaceutical companies and hospital development, and he even brought up the opportunities to do that in the outside hospital care area. Elder care is a big issue. There's a big aging population issue in China, particularly in Shanghai province, and they see it as a sort of test market for other provinces and how they can partner with multinational corporations.

So it's very exciting to see that. We were celebrating 10 years of AdvaMed, where I serve on the Board. I'm the Chair of the International Board Committee of AdvaMed. So I was there with the CEO of GE Healthcare, Pete Arduini and the Executive VP and Head of Johnson & Johnson MedTech Tim Schmid. And so we're shaking hands and really celebrating 10 years in China. But as I was looking at ResMed's business in that area, and I spent time with our online sales group in Hangzhou, right?

So I think the whole city in Hangzhou, it's where Alibaba's headquartered kind of a Silicon Valley, but really e-commerce focused digital health city, a primary industry in a beautiful area, almost as beautiful as Suzhou, where we manufacture our products in another medtech part just outside Shanghai, our design in China, made in China, sold in China. Medtech products come from Suzhou. But this group is our online sales group. And what I found is it's about a good double-digit -- close to 50% of our sales are e-commerce there. And yes, there is a large economic sort of slowdown across consumers spending in China. But the med tech or consumer medtech part of it is kind of slowdown resistant. And we saw that in the global financial crisis, where ResMed sells in retail markets in many parts of Europe and Asia, and we were recession-resistant during that global financial crisis, GFC, and the global slowdown.

And I think that's what's happening there in China, where we're really not seeing a significant slowdown. There is some slowdown, but the government is also trying to step up. They're providing some sort of 15% subsidies, where someone can buy a product like our CPAP or APAP or bilevel mask system, keep the receipt, provide itto the government and get 15% back. So the sum of that. And there's also just the approach that this is health care. And look, I might slow down on my outdoor -- sorry, out of house eating, knock some of my purchases or luxury purchases of consumer goods, but I'm not going to slow down on my basic nutrition, my basic diet, my basic health care.

And so we're watching that very carefully. But no, our China business has been growing very well. Look, as we look forward through '25, '26 might be tempering some of our growth expectations somewhat, but it's nothing like what we've seen in other parts of Medtech. And it's really, I think, about the fact that we are primarily outside hospital health care and primarily consumer-driven and consumer health care driven.

Laura Sutcliffe - *UBS Group AG - Moderator*

Let's pick up on the market piece.So here in the U.S., you've just launched a new mask. Can you remind those who haven't heard the story or haven't had a chance to see one in person, what's special about it? Why it's making waves? And then we can maybe begin to have it from there.

Michael Farrell - *Resmed Inc - Chairman of the Board, Chief Executive Officer*

Yes. Well, Laura, you'll hear from both of your panelists on this because both of us are executives of the company, but also were both patients. And actually I think it's really important to swim in the fish bowl as the Japanese would say in your industry to really understand what it's like to be an end customer in our case, a patient on therapy. And so yes, I'm addicted to our beautiful P10 mask. I use an AirMini on travel and an AirSense 11 at home. But I certainly have tried our brand-new mask, which is called the AirFit N30i -- sorry, AirTouch N30i and the touch part is we've switched from silicon, if you think LSR, liquid silicon rubber, is our manufacturing, silicone, medical-grade silicone is most of our masks.

For the first time after 10 years of researching fabrics that we can get to provide that seal to link up with the silicon and create something that you can wear all night, every night during sleep. Think about it. You sleep on cotton sheets. If you're rich, maybe you sleep on silk sheets. You have a cotton mattress. You have a cotton pillow, you sleep on. Why do you want silicone or plastics, rubber near your face? And so the idea of this N30i, this AirTouch N30i is to bring those fabrics to the part that touches your face.

For those of you that were at our Investor Day just last month at New York Stock Exchange, celebrating 25 years of ResMed, 100 quarters on the New York Stock Exchange on the big board, we actually had some samples out there. And I encourage any of you listening to this or in person to get a chance to touch this mask because I think it's a revolution. Now early days. It's just launched 4 weeks ago into the U.S. market, and we'll go to global markets over time. But I think it's a step change and an opportunity for us to do it not just in this mask, but if it works to really scale that.

And so really excited about this new technology. Carlos, I don't know if you have any comments?

Carlos Nunez - *Resmed Inc - Chief Medical Officer*

No, not much to add. But as Mick said, we're both CPAP users. And we actually both use the P10, which is a nasal pillow mask. It's been around for a while, tried and true, we love it. But the new mask, as Mick mentioned, the cradle that touches where your nostrils are, is made of a fabric that's backed with liquid silicon resin so that it is still airtight, maintains a seal, but it's like pajamas for your face, right? Instead of -- like Mick mentioned, instead of rubber or plastic, I mean, a medical device on your face, it's really is -- it's fabric, it's soft, it's reliable and it's comfortable.

And it can still maintain a seal that is still airtight. And not just where it touches your face here, but also the frame of the mask, everything is all covered in fabric. It's a beautiful design. It's very modern. It's very consumer friendly. It looks amazing. And it's early days. It was just announced a few weeks ago, but we think it's going to be revolutionary.

Michael Farrell - *Resmed Inc - Chairman of the Board, Chief Executive Officer*

Yes. A lot of people ask, we're at the end of the innovation curve in the field of sleep apnea? And if you talk to any patient, not just the two who are here, they're going to say, listen, I want it smaller. I want it more comfortable. I want it quieter. I want it more connected. I want it more intelligent. And ResMed has the smallest, quietest, most comfortable, most connected and most intelligent devices, masks and software systems.

But we're not done and took 10 years of research to get that fabric to connect to the LSR to be able to be scaled not just to manufacture this prototype that you can see now, but to scale globally in 140 countries. If this works, it could be a huge revolution. And I think the digital revolution side is absolutely out there, but I love that we're still talking about as a chemical engineer, biochemical engineer, we're still talking about the physical improvement because without that pneumatic seal, without that capability to keep the tongue off the uvula and allow you to sleep well and breathe well, we can't provide the care. The digital evolution, the GenAI, what we're going to do with these 20 billion nights of data is extraordinary.

Carlos Nunez - *Resmed Inc - Chief Medical Officer*

Just one last thing. The ologist is going to sound like a capitalist again. But the other thing about these fabric masks is, unfortunately, people will hold on to their masks much too long because the silicon makes it very difficult to know when it's time to replace it. It doesn't physically break down as evidently as something else would like fabric. And we've shown through science that if you replace your mask regularly every year, the adherence to therapy is better, the leak is less.

It's just a better experience for patients. So with a fabric mask, it will be a little bit more evident to people when it's time to change the mask because it will be more apparent that it's starting to wear out than something that's hard plastic silicon.

Laura Sutcliffe - *UBS Group AG - Moderator*

So actually, that leads really nicely to my next question. So if we need to make so that everyone gets enough pajamas for your face every year, because it's lower than it should be, right? So maybe you can just talk a little bit about what it is versus where you think it should be? And also, if you could maybe add something about just on the topic, we've heard a little bit about maybe DMEs or thinking about maybe I'm talking about this in a very general sense, a couple of comments we've heard maybe about capitated payments.

Is there an incentive there for them not to supply enough masks and how you would cope with that? So I think that's the case in some of the other markets, right?

Carlos Nunez - *Resmed Inc - Chief Medical Officer*

Right. Why don't I start with the science and then you go into the business. So real, real quick, to show in the context. We published a study several years ago that shows the more masks you get up to three or four per year, which for a Medicare patient, they are allowed four new masks or cushions a year. If you do that, get three or four cushions a year, your adherence is the best. If you get one or two or get none, your adherence is the worst, and we published, this is peer review published.

So the science shows there's a reason to get a fresh mask. It makes you more adherent to therapy. More adherent to therapy means you're going to be healthier. There are obviously economic and other challenges, which I'll let Mick talk to, but yes, we know scientifically, medically, clinically, it is better for you to get three or four masks a year, that's how you will reach optimal adherence.

Michael Farrell - *Resmed Inc - Chairman of the Board, Chief Executive Officer*

Yes. So I and if that optimization curve sort of goes up into the right and levels out at sort of that three to four mask systems per year, and you look at data analyzed by the U.S. government, the OIG did an analysis on Medicare and CMS patients. And they saw the average patient is like 5, 6, 7 years ago or so about 1.9 masks per patient per year. So nowhere near that 4 limit sort of at 1.9. We've put in a lot of sort of resupply and capabilities. But the average it hasn't moved up that much and it's certainly not approaching that 3 plus. And so I think there's a lot of opportunity.

And look, if you're a payer provider and you're looking to get the best outcome, you'd run the full health economics just saying capitation, putting some artificial limit in. If you put the artificial limit there at one, you won't get maximum adherence, which could reduce a heart attack or stroke episode, which results in a hospitalization, which would be 10 years of care at the mask, right? So 15 years of care. And so when we sit down and talk to sophisticated payer providers like Kaiser Permanente, like Intermountain Health, like Geisinger or any IDN that's really looking at it, it's kind of like a blunt instrument to say, a good capitation. It's done in Germany and France.

And we have a great business in Germany and France. You can do the blunt instrument, hit it with a big hammer. But I think what's different about the market these days and with what we have, the sophistication we have with 20 billion nights of data, the pharmacoeconomics to know the optimal adherence happens in that sort of 3-plus masks per year -- per person per year. And we know we're below that. There's actually an incentive if you run the economics and reducing overall health care costs to say, I don't want to capitate this. I actually want to increase from 1.9 to 3.0 masks a year, say. And how do we do that?

And what you really want to do is get rid of the outliers, where you have somebody who sits on a mask for 2 or 3 years. And every doctor has got this, where they've got somebody who's like, Oh, I love my old pair of jeans, and I want to wear my old pajamas forever. And it sort of get rid of those outlines and show them how much better their health care will be. Frankly, there's germs and things that you just even washing every day, you're not going to get rid of. How often you replace your toothbrush, right?

And imagine you leave your toothbrush in your mouth every day. That's basically the touch to facial tissues and the liquids that are happening there around your nose and your mouth. And so yes, look, I think this resupply area is really exciting for us. We've had a really good run with Brightree ReSupply and Snap Resupply. We've now just launched Snap ReSupply for people who are not on Brightree. So Snap technology or Resupply technology for all.

So at least within the U.S. market, we're very sophisticated in this area and really looking at that optimization and working with sophisticated payers to look at the big picture. I think it’s a small minority looking at like 1980s stuff like caps and cap and trade and stop it here and capitate, I really don't think that's the future. But those payer providers are really looking at it. We're having some great success with. But as we look globally, frankly, consumers make the decision, as I was talking about in China.

Same thing in Singapore, Korea, Australia and New Zealand. Consumers make these decisions. And often, consumers don't know or have the ability to get the subscription models. So for us, setting up regular ReSupply is an ongoing opportunity. And I think we're in very early stages of that and far more upside and downside in terms of the number of patients that can increase the number of masks per patient per year that they have for their outcomes, for their hygiene and for the outcomes of adherence, as Carlos has talked about, but also for the economic outcomes, for whoever is paying the bill if they show up in the emergency room.

Laura Sutcliffe - *UBS Group AG - Moderator*

So perfectly on topic, Mick. What about resupply of devices? I think the question we often get from investors is what the rePAP opportunity is remaining? How should we think about it? To what degree are you prepared to quantify? How you might benefit from that?

Michael Farrell - *Resmed Inc - Chairman of the Board, Chief Executive Officer*

Yes. Look, running at 3 minutes left, and I can spend all the last 3 minutes and 23 seconds on rePAP. What I'd say is this is -- there was this perturbation of the COVID crisis, the whole pivot of the industry to ventilators and back, we had limits of semiconductors and a lot of electronic components and freight costs and all these limitations. We are through all those, but that has left a little bit of a debt, if you like, in the market where people weren't able to get -- their 5-year life cycle, and they didn't get rePAPed through the supply chain crisis. So we think that there is some opportunity to reencourage rePAP opportunities.

I was at a retail store in the north of Sydney -- in Hornsby, Sydney and I saw a person come in with an S8, right? I mean I joined the company in 2000. We launched the S8, I think, 2004 or 2005. I mean it was a 19-year-old device, right? So -- and that's a consumer-driven market, right, where you think like what a great job Apple does. Every time there's a new phone, they drive more and more people to it. And so I think medtech in general can get better at engaging the consumer.

I think we can through some of those omnichannel markets do a much better job about saying, not your grandfather CPAP, here's the brand-new AirSense 11 cloud connected amazing interface with your phone and your doctor and all your wearables and everything. In the reimbursement-driven markets like U.S., France, Germany, there's regulatory capabilities. Medicare after 5 years, they will pay for a new device. People don't know about that. Why not inform them of that? Similarly, in France and Germany.

And so we're working with our distribution partners in the US, the HMEs and Europe, the HCPs, but also working on models to get direct to consumers on this. If we're combining all this, right, of the flow of patients from big Pharma and big tech and rePAP, you sort of want to stage these out. We're focused on the demand generation, demand capture and demand curation. But rePAP, I think, is something sort of -- that will happen naturally from some of the consumers. And sometimes, we can have a bit of a catalyst to drive a little bit of extra demand gen into the funnel as well.

Laura Sutcliffe - *UBS Group AG - Moderator*

Great. So in the last minute, we'll take an investor question. Refers to your balance sheet capacity, assuming that you might want to use it for something, what sort of external tuck-in opportunities might you be looking for similar to the past or something new?

Michael Farrell - *Resmed Inc - Chairman of the Board, Chief Executive Officer*

Look at, absolutely, we've had a fantastic free cash flow, over $300 million last quarter, over $1 billion last year. We're not letting that money burn a hole in our pocket. I mean, certainly, we upped the dividend, and we continue to do that. We're upping our share buyback from $50 million a quarter to $75 million a quarter. We put [18%](corrected by company after the call) of our revenue straight back into SG&A, 7% into our innovation engine. ResMed is an innovation machine. That 7% is just what's driving the smallest, quietest, most comfortable, most connected, most intelligent. And that's always the best. I'd always invest on us first.

However, you don't invent everything, right? And there are other technologies that have been great. Our Brightree acquisition has been fantastic. I think you're going to find our Somnoware acquisition of software upstream with the pulmonary doctors will be a fantastic return. Our investment in Ectosense and that wearable I talked about, the NightOwl, will be a great return on investment.

So what Brett and I said -- our Chief Financial Officer, and I said on our last call, is that we're looking at tuck-ins sort of in that sort of $500 million -- $300 million, $400 million, $500 million, $600 million range that can really catalyze faster and faster growth of our sleep health, breathing health and health technology at a business and watch this space.

Laura Sutcliffe - *UBS Group AG - Moderator*

Mick, Carlos, it's been a pleasure everyone in the room and listening in. Thank you very much for joining us this afternoon, and have a great rest of your day.

Michael Farrell - *Resmed Inc - Chairman of the Board, Chief Executive Officer*

Thank you, Laura.

Carlos Nunez - *Resmed Inc - Chief Medical Officer*

Thank you, Laura.
