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PRESENTATION

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

All right. Let's go ahead and get started. Thank you all for joining us this afternoon, or this morning if you're joining us on the webcast. We appreciate you coming and we look forward to sharing the next couple of hours with you. It's going to be fairly packed. So I'm just going to go over a couple things and then turn the meeting over to Rob.

We are webcasting this meeting. So if you're on the webcast, hopefully you'll be able to follow along. And just quickly go over our standard legal statements, that you might hear some forward-looking statements. We disclaim -- future results may or may not be the same.

So our quick agenda. I'm going to turn the meeting over to Rob. We're going to go over a handful of things with you today. I'm really excited because we have the opportunity to present a number of things to you and have you hear from various folks across the organization that you wouldn't normally have an opportunity to hear from, certainly the executive team but a number of folks who work deep in the organization, and they're going to share a little bit more about our connected health solutions.

I just realized one of the things I reminded them about yesterday was to introduce themselves. I didn't do that. So my name is Amy Wakeham. I'm the VP of Investor Relations and Corporate Communications at ResMed. I joined the company in June of this year. So I'm still learning about the company and meet -- getting to know a lot of you. I think I've spoken with many of you on the phone. So it's great to meet a lot of you face to face in person.



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A couple of quick housekeeping things before I turn it over to Rob. We ask that there's no photos or video. We will be sharing some proprietary screens and other things that we're excited to share with you. But we do ask that you not take photos or videos to share. If you do need to use the restroom, they're to your right down the hall. And I think that was it.

So I will go ahead and turn the meeting over to Rob Douglas, ResMed's President and Chief Operating Officer. Take it away. Thanks.

Robert A. Douglas - ResMed Inc. - President and COO

And it looks like I don't need to introduce myself. Is my sound on? Can you hear me? Not quite. Good. Great. Excellent. Thank you.

So thank you, everyone, for coming and we really appreciate your attention and involvement. I have one slide. So I'm done with the slides. We really appreciate you coming. For everyone on the webcast, welcome as well and thank you for your attention. Just a note for you on the webcast, we're webcasting our audio and our slides. Later on, there'll be some demonstrations of screens that we're not able to put out over the webcast. So our team will do their best to describe to you what's going on, and it should be still very informative for you.

So you know ResMed's the world-leading connected device company. We have over 6 million patients connected every night, and we have over 2.5 billion nights of data. And we are making the most of that data to really figure out how to improve people's lives by treating their chronic disease conditions. And so last year, we improved the lives of 14 million people. We have much greater ambitions to treat and help a lot more people than that around the world. And today, we're going to show you some of the ways we're going about that.

Our treatment's in a really great spot in the health care system. We're treating chronic disease and we're helping people stay out of the hospital. So as a result, we're improving quality of life. And we're actually -- the treatments we do tend to delay or slow the progress of chronic diseases, and we reduce health care system costs as we do that. So there's a lot of discussion around the world about health care reform and the impact of all of that, but we believe that we're actually a tool to help health care reform and to enable the improvement of care and enable the improvement of outcomes of life.

We're really well known as a device leader. And we have a long history of quality, a long history of innovation and winning market share with our products. But in the last few years, in addition to that focus, we've added in a connected health care focus. We initially started off with putting connectivity into every one of the devices that we supply and gathering that data and using that data.

Now what we're going to talk today is going to show you how we use that data and what value we create from that data. And we hope that you'll leave this discussion having a broader view of ResMed as really a data and a tech company, and we're looking at ways of transforming the health care industry using that tech. This is a big opportunity for us and will help us to even better improve quality of life, keep people out of hospital and to reduce health care costs.

We've got a session with some really great members of our team who really know our solutions and our product spaces. And as I said, at the end of this, you'll have a good understanding of that. And then we'll have our exec team talking about really the strategies over the next few years and then plenty of time for Q&A, and we welcome all the questions.

So with that, I'd like to introduce Raj Sodhi, who is President of our SaaS business. And he's going to give us some insight into the pain points that patients and providers and physicians and payers have in the health system, and then you'll start to see how we improve those pain points. Thank you. Raj?

Raj Sodhi - ResMed Inc. - President of SaaS Business & Healthcare Informatics

Great. Thanks. I think I'll grab that. Thank you. So the team is going to walk you through some technology. What I thought was -- we have a real focus on -- I'm Raj Sodhi. I'm the President of the SaaS business. The thing that we've learned through building all of these digital technologies and digital engagement is that if we don't have a real understanding of who we serve, then we end up giving them things that they don't need. We



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don't see the adoption. We don't see the transformation we're looking for. So I wanted to connect you to give you to the -- to our subscribers, the patient and our HMEs and give you a sense of what they deal with to give you a context of what our team is going to walk you through.

Let's say you're a patient, and today is the day your bed partner tells you that they can no longer stand to sleep in the same room as you because of your snoring. Now fast forward 3 months and you're having an argument over something little because of the lack of intimacy, the lack of conversation, the lack of planning for your next day, the lack of the last laugh in the day. And the reason you're having that is because you haven't been having that connection at the end of the night.

And that's the point where you decide to do something about your snoring because you want to end up back in that same room where you can recover from the relationship that's been deteriorated because of this. So you go to your doctor and you try and figure out that I've got to talk to my doctor about my risky sleep habits. I've got to talk about how to navigate to the right points of care. And hopefully, no one drops the ball between your primary care physician, a sleep lab, back to your primary care physician and then the whole medical equipment company that they refer you to.

And in this process, you are waiting for everyone to carry a ball. And if they don't, you're losing faith, and you still have this relationship issue. And this is only one reason why people end up showing up and asking for help with their -- with whatever their needs are for treatment for sleep issues.

So finally, you end up at your HME and they walk you through a setup. And you're sent home with a box of equipment, and you are desperate to make this work at first night. You are desperate to have a quiet night sleep so you can have your partner come back and spend the night in the room.

So now let's look at a respiratory therapist context to that. There are -- let's say we have a respiratory therapist on their way. They're walking into work, and they are dreading walking into work because they will have 65 voicemails from patients just like the one I described who struggled with therapy when you were closed and you had no way of helping them. Then they go -- they look at their fax machine, and there's 50 faxes of prescriptions that have come in, half complete, half incomplete that you know you have to manually enter. Then you have the 500 patients that you set up over the past months that are in their first 90-day window, and you know you have to look at each one of them today to see if they've failed or succeeded with therapy. You also know you have to schedule all of those prescriptions once you enter them for face-to-face setups and that you have to coordinate what inventory you're going to need to make sure you have enough equipment to set the patient up. And there's got to be a better way.

And so when we talk about our digital transformation, it starts with a real understanding of those that are using our equipment or those that are using our software. And so what the team is going to walk you through today is how we focus on the patient journey. And if the patient experience is good, the patient clinical outcomes are good. If we focus on business efficiencies, then the business outcomes are good.

And so when you see all of what the team is going to walk you through, it's important for us to make sure we have a connection to purpose, a connection to the patient, a connection to our providers, and I think we're addressing that. What you'll see today is one way we're assembling technology to address some of those pain points. And with that, I'll hand it off to Melissa, who's going to walk us through Brightree.

I'll give you a tiny bit of context here to the 4 things you're going to see. One is we talked about patient intake. So how does a prescription come in and how do we make sure that all the documentation is complete? The second one is you've got a separate system that manages the clinical outcomes and the clinical decision support you need to have. How do you make sure that when you're setting up the patient that the data from this system flows into this system, a clinical system, even though this was a business system on Brightree? How do we make sure that every patient is equipped with digital support to self-direct themselves to the right answers when they're struggling with therapy? And then finally, and this is the piece that our customers rarely get to because they're in the middle of the chaos of these 3 stages, and that is how do you reflect on your business holistically and say, "Where am I under optimized? Where can I be serving more patients better? Where do I have inefficiency with the way my staff are delivering care? And where are there opportunities for growth?" And so this last bucket is really what we're going to talk about, the future, the power of the data that we can present to our customers to make different choices in their business.



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Melissa Crawford

Thank you, Raj. Good afternoon. My name is Melissa Crawford, Senior Sales Engineer with Brightree, our HME business management solution. And that's where I'll be taking you through today. Brightree is a cloud-based software, serving more than 2,500 organizations in the post acute care industry. So today, we're going to focus on the HME business management solution, where I'm going to walk you through the workflow from referral to ReSupply for an individual patient.

So we'll start here with receiving a referral. Brightree has integration with hospital and physician utilized systems such as Epic, athenahealth, GoScripts. Now this integration facilitates an efficient referral process. For example, a physician using athenahealth can indicate in their day-to-day workflow that a patient needs, for example, today, sleep equipment. They can indicate that in their system. That information flows right into the Brightree system, where an HME would be able to use this work list to manage those incoming referrals. With that, the system is going to attempt to match that patient to an existing patient that is already in that HME's Brightree database.

The HME is then going to have the opportunity to either choose that patient matching, accept that or create a new patient. What this does is it eliminates the manual data entry that, that HME would need to go through because of, as Raj mentioned, those faxes on the fax machine when they come in the next day. Once the patient is entered, that patient record is populated with patient information, their demographic information, as you see here, also insurance information, their clinical information such as ordering physician, diagnosis codes, referral sources. All of that information is going to be on that patient record, again, without that HME having to do any manual data entry.

Once they have their patient record, they're then going to create a sales order, which is where they're going to indicate the products that are being ordered for this patient. With that sales order, all of the information flows from the patient record. And they will go ahead and move forward with gathering the documentation that is needed, getting sleep studies, face-to-face evaluations and those types of things. All of that would flow into Brightree and be stored on that patient record.

Now once they've received all of the documentation, they're going to be able to move forward with setting that patient up with their device, with their supplies. As well, they will be able to track that inventory, those serial numbers and device numbers right within their Brightree system.

Now once that patient is set up, now we need to start tracking that compliance. It's very important to track the compliance of patients because not only does it help improve the outcome of the patient's therapy, but also many insurance payers require compliance information in order for them to continue to pay for the device as well as resupply in the future.

Let me jump back over to this patient tab and talk about the integration for compliance. Brightree has integration with compliance software such as AirView, which allows that HME, once they've set that patient up, to register that patient right into AirView. What that means is that all of that demographic information, device information is going to flow directly into AirView, again, eliminating duplicate data entry. They register the patient into AirView. As well, they have the ability to send the myAir invitation directly from their Brightree system. So keeping them in one system, creating efficiencies, eliminating that duplicate data entry.

The customer is going to have access to those compliance reports. So within their Brightree system, we fast forward. Patients become compliant. Reporting in data is coming right back into the Brightree system. They can access that directly from here. As well, those compliance reports are going to come right to that patient record and be stored here in the document management area. So again, creating efficiencies for the HME, bringing that documentation right into the system.

As well, once that patient becomes compliant, so let's fast forward 60 or 90 days. That patient's been on therapy. They're utilizing their equipment each night. And that compliance information is coming back into Brightree, creating a note, which can serve as a task to let that HME know this patient is now compliant so that they can move forward with billing for the device as well, get that patient enrolled and start providing resupplies as they need them.

ReSupply is a very important piece to patient compliance. So with the AirView integration, not only are we getting those compliance reports back, but that patient is going to be auto-subscribed to a campaign for ConnectPRO. Now ConnectPRO is a ReSupply program, directly in Brightree, that allows for patients to be contacted on the appropriate intervals either by an automated call, an e-mail that allows them to log into a portal and



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order their supplies online as well as a guided call. Now with the guided call, that can be HME staff member. As well, Brightree has resources to allow them to have someone else contacting those patients for them.

When they're subscribed to their campaign, these campaigns are really designed to lay out the rules of the contact. So how often do those patients need to be contacted? The days of the week, the times of the day that our HME customers want their patients to be contacted. As well, they're able to set up eligibility requirements, prescription, documentation requirements as well as compliance requirements. So as I mentioned with the AirView integration, once a patient becomes compliant, they can then be auto-subscribed to the campaign.

This is also where payer-specific resupply intervals are created so that the system can mine the data. It's constantly mining that data, queuing those patients up for contact depending on the contact method. And then once the patient is reached, order their supplies, a sales order gets created in the Brightree system. Our HME customers now have the opportunity to either deliver product, ship product, have the patients come and pick them up, whatever method works best for their patient demographics, and they could also utilize some preestablished integration that we have with some fulfillment vendors. However they get the product to the patient, they are resupplying that patient on a routine interval.

Now in a recent study of more than 100,000 PAP users, researchers found that these patients that are enrolled in a ReSupply program have a higher usage rate and are significantly less likely to terminate their PAP therapy than those that are not enrolled in a ReSupply program, that are actually kind of left to decide when they need supplies and call for them. Consistent resupply improves patient usage and compliance.

Now with use of technology and automation, HME providers experience more efficiency gains as well as time and labor savings. This allows our customers to focus more on patient care and manage their patients by exception.

Now I've just taken you through the pathway from referral to resupply for a sleep therapy patient. Now I'm going to turn it over to Melanie to walk you through the AirView and our connected device solutions.

Melanie Taylor

Hi. My name is Melanie Taylor and I am the Global Product Manager for AirView. Thank you so much for your time and a few minutes to share a little bit about what a lot of us get to work on every day.

AirView is a cloud-based platform that empowers physicians and HMEs to remotely monitor their patients with sleep-disordered breathing and respiratory insufficiency. It allows them to simplify workflows and collaborate more efficiently across the patient's care network.

ResMed led the market in connecting our devices, and we were the first to put cellular chips as standard in our sleep devices, and it was a game changer. By connecting our devices, we empowered physicians and HMEs to remotely monitor and troubleshoot for their patients for the first time. Today, AirView has more than 8 million patients in nearly 70 countries and is recognized as the most connected medical device in the world.

We have been so successful because AirView was created to solve a very real problem. Physicians and HMEs knew that many of their patients were struggling. But without timely access to data, or sometimes any data at all, it was difficult for them to know how best to support their patients and where to start. AirView changed this.

Our devices send data every day. So if we're monitoring a patient, and today we'll name her Sophia, and Sophia wakes up at 7:00 a.m. for her 8:30 physician's appointment, by the time she gets there, her physician will be able to pull up today's therapy data and have a meaningful conversation while that therapy experience is still fresh in Sophia's mind. Sophia is a sleep patient, but I want you to know that many of the workflows and efficiencies we talked through today are also available for respiratory patients. So let's jump in and take a look.

So what you're seeing right here is our wireless page. But what's great about this is you can not only access this information via the web app that you're seeing right now, you can also access it via our integrations like Melissa just showed us with the Brightree, making it so that we're further optimizing and empowering our HMEs to have those efficiencies in the way that best supports their business.



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So we come in here and we find Sophia's name. She's towards the top. We see 9, and that tells us that Sophia started therapy 9 days ago. So she's just getting started. And then she's in this very critical time of getting acclimated to therapy. There's an X, and that tells us she has not yet achieved compliance. But that's as expected. With most rules and insurers in the U.S., it takes at least 21 days and up to 90 days to achieve compliance. So Sophia's on track and doing great.

These green boxes tell us that Sophia used her device for at least 4 hours a night, and that's the rule that's specific to her insurer's requirements for reimbursement. But we can see that on day 5, Sophia started to have some struggles. This red box tells us that she used her device for less than 4 hours a night, and the yellow line tells us that her leak is higher than we would like. So at a glance, we can see how she's doing. We can click on this box and get a little bit more context. But with Sophia in the office, we're going to jump into her profile and get a little more information.

On the Charts page, we can see here the exact times of day where Sophia used her device. We can see that there's a decent bit of change from day to day. So as a physician, I would talk with her about creating those consistent sleep habits, especially as she's acclimating to therapy. Then I'm going to come in and I'm going to generate a therapy report. With this, we can come in and look through the details of her therapy, how she slept last night and have that meaningful, impactful conversation on how things are going.

After we do that, we'll go into Remote Assist. And this is where I can tell how Sophia's device is actually doing. I want you to know I picked Sophia because we show an error right here. But the reality is these errors are actually quite uncommon, especially for a brand-new patient. But the functionality is so great I wanted to show it to you.

So for anyone who's ever tried to do troubleshooting over the phone perhaps with a parent or grandparent and you're trying to get them to read that error code and figure out what to do about it, this makes it so you don't have to do that. You come to the screen and you can see exactly what's happening on the device. And so Sophia's having trouble with her tubing. We can get this fixed for her without her having to do a thing or even understand the issue, which creates a lot of efficiencies for HMEs.

And we can come back to our list, and we can go through this process with all of our patients. But as I'm sure you can imagine, if I'm a busy HME and I'm setting up 50, 100 or even hundreds of patients a month, this list is going to get really long. And it's going to be difficult to efficiently follow up and support my patients in the way they needed.

So this is even exacerbated by the fact that we know reimbursement is declining in the U.S. So year after year, our HMEs are facing pressure to be more efficient and more effective in how they support their patients. So we've introduced Action Groups for them. With Action Groups, each day when the data comes in, we analyze it and we figure out which patients need support and we group them based on the type of support they need.

We have our compliance risk group for patients who have low usage during that initial 90-day period. We have ongoing usage for our patients who have achieved that initial compliance but are now showing low usage. We want to support them in staying on therapy. We have our therapy issue group for patients with high leak or apneas. Our no data received group. Frequently, this is our patients who've unplugged their devices and put it in the closet. We want to call them and support them in using that device again so it will continue to send us information.

We then have our compliance met group. And this is, of course, our favorite group. These are our patients who've gone through that initial compliance period and met the requirements for their insurance. With one click, I can generate a compliance report that I need to submit to insurance and get reimbursed for that device. So I come over after doing that and I mark Emma as reviewed. And I work through every patient on this list, and when it's empty, I know that I have supported all of my patients who needed help in that way.

As we go back to our Action Groups, we're going to go into our therapy group. These are patients who need a little bit more support on therapy. So we come in and we have Abigail. She's first so we'll start with her.

We can, with one click, get to any of those pages we saw with Sophia. So we get Abigail on the phone and it turns out that she's actually having trouble getting to sleep. And so we talk her through it, and it turns out that what we're going to do is we're going to change her ramp time. Instead of it taking 50 minutes, we're going to change it to 40 or 35. And so with this, we, instead of giving her 50 minutes to fall asleep, we're now giving her 35 minutes for her device to ramp up to that full therapeutic pressure, allowing her to transition into sleep more naturally.



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So with this, we simply click and confirm these other settings we want to go to the device. A message has now been sent to that device. And within just a few minutes, that device will confirm back that the settings have been applied. And when Abigail goes to sleep tonight, she will have updated settings and have that extended time to fall asleep. So just like we did with Emma, we come in and we'll mark her as reviewed.

What's great about this list is patients are removed not only when I, as an HME, come in and proactively remove them but also when our patients self-correct. Sometimes these patients have high leak because they struggle to adjust their mask correctly, and it's tricky, right? Our patient app can notice this and proactively, in an automated way, send them tips and tricks to help them adjust it. And when they self-correct, we will remove them from this list so our HMEs are only seeing the patients who actively need their help right now.

We know that when you use Action Groups in combination with myAir, our patient app, that we see compliance rates up to 87%. And this is huge in comparison with the industry average of about 65%. So today, I've shared with you how AirView empowers our physicians and HMEs to remotely monitor and support their patients, to simplify workflows so that they can do a better job supporting their patients to achieve compliance and stay on therapy longer.

Now I'm going to turn it over to Trevor, who's going to share about our connected solutions for patients.

Trevor Thinnies

Great. Thank you, Melanie. Give me just one moment to set this up here. Good afternoon, everyone. My name is Trevor Thinnies. I am also a global product manager with our health care informatics team. All right. And I get the privilege of managing myAir, which is our patient engagement application. So myAir is available for patients who are using our AirSense 10 and AirCurve 10 devices. You probably saw them on your way in with [Susie] over here. And myAir is available, we want it to be available, to as many patients as possible. So patients can access this through our mobile responsive web app. They can also download it for their iOS and Android smartphones.

So as Melanie mentioned, myAir has been extremely successful to date at helping to drive patient outcomes. We did a study looking at more than 128,000 patients. What we found was those patients were more compliant when being monitored in AirView than those who weren't. But when we looked at patients who are also using myAir, we found an additional 24% relative improvement to compliance. 24% makes a huge difference to our customer's revenue.

The great thing about this is that it's all really scalable. So we told about that cellular chip that we've put onboard with all of our devices. What this means for myAir is that patients are receiving that data automatically, which creates a seamless experience for them, but it also means that there's no additional effort for our HMEs. Now while all of this is really great for the health care provider, myAir is really all about the patient and helping them to get started on therapy and stay on it long term. So I'd like to switch focus to their perspective.

Now patients today are taking more ownership of their own health care. MyAir is empowering them to do this with their sleep therapy in a few different ways. So number one, myAir provides patients with access to their sleep therapy data, which empowers them to monitor their therapy progress. Number two, myAir uses that data to send automated and personalized coaching messages to patients to help them know when they're off-track, but it also provides them with instruction on how to correct issues when they go off track.

And then finally, we know that our providers can't be there for patients 100% of the time. So what myAir does is it provides encouragement as well as educational content that's accessible to patients when they need it. This gives our customers really good comfort in knowing that their patients are taken care of full time. So I'd like to jump into a patient's story and show you what that looks like using myAir.

So Ted is a middle-aged male. He's been dealing with sleep apnea for the last 10 years but hasn't done anything about it. He's starting to notice more and more lately that he's experiencing daytime fatigue. It's happening more often. He's having a difficult time remembering things that used to be easy for him. He's starting to notice that his performance at work is deteriorating, and it's even impacting his relationships at home.

So he's decided that he's going to do something about it. His physician sends him in for a sleep study. And he goes in -- or he gets a call a few weeks later from his HME, who's telling him they've received a prescription for him and get set up on therapy.



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They're going to spend about 45 minutes with him talking about his diagnosis, why it's important for him to get treated. They're going to talk to him about the machine, all the different parts and pieces and how those go together. They're going to teach him what kind of water he should use in his humidifier. They'll also teach him about things like how to change settings to make his device more comfortable, how to clean his equipment, how to fit it properly, how to adjust it if he's having any issues. And then at the end of all of that, they're going to talk to him about his insurance, what's covered and what he still has to pay for. And then they're going to teach him about compliance because that's critical for them.

So as you can imagine, Ted is feeling pretty overwhelmed. He's not feeling like he's got a lot of confidence that he can make this change in his life, and he may even be resistant to doing that.

So let's fast forward to that first night on therapy. Ted starts to pull everything out of the box, and he realizes he can't remember how everything is supposed to go together. He also remembers hearing something about changing his humidification settings, but he doesn't know how to do that. And he's afraid that he might mess something up if he tries. So in the past, without myAir, this may be a callback to the HME. Now that's more time and money for them.

But if you think about it, it's probably late at night, about 9:30. There might not be anyone to answer Ted's call. So the likely scenario is he's either going to get frustrated and not start on therapy. He may put it off for a few days. But he remembers that he's received an invitation from his HME to join myAir. So he's going to register and give it a try. So I'm going to take you know into that and show you how this works.

All right. So you'll see here myAir has an entire library with informational content about Ted's device, talking about his mask and some other things. So let's jump right into the device. Ted's told us that he has an AirSense 10 AutoSet, so we're intelligent enough to know how to provide the right content for him. And as you look down through here, you'll see that we've got a guide on humidification. This is going to teach him about humidification, reinforce all those things that he learned but can't remember. It's also going to provide him step-by-step instructions so that he can see how to make those changes directly on the device.

So he's going to follow these instructions. He's gone ahead and made those settings changes. But he's going to continue to explore because I told you there's some additional educational content in here. So what you'll see here is we've got some additional videos on things like what to expect on treatment, getting comfortable with your therapy and how to build confidence. So he's going to watch a few of these and now armed with that new sense of confidence. He's going to give therapy a try for that first night.

Now fast forward, it's the following morning. Hopefully, Ted's had the best night of sleep that he's had in a long time. But either way, myAir is going to provide a notification congratulating him on completing that first night of therapy. Whether he had a good night or not, we want to make sure that he feels supported and encouraged to continue trying. But myAir is also going to recommend that he look back into his account and look at the data to see how he did. So let's take you through that now.

Now I've got a lot of data loaded here just for purposes of the demo, but I'll go ahead. Of course, Ted, on his first night, would only see one night of therapy. So let's take you all the way back to the beginning. The first thing that you'll notice here is the score. So it says 64. This is what we call a myAir score and it's based on 100 points. If you look down, we'll see some additional data. So this gives Ted insight on his usage hours and how well he did. Talks about his mask, so whether that needs to be adjusted or if it's fitting well.

And then you'll see some other things here like events per hour. So this is really telling Ted whether or not that therapy is effective. A lot of patients, when they first start therapy, may not notice an immediate difference. This is going to reinforce and tell them whether or not the therapy is actually working so they'll continue trying even if they don't feel that immediate feedback in their body.

Now this all rolls up into a myAir score again. So the nice thing about this is in isolation for new patients, a lot of this data may not mean a whole lot. But rolling it up into the score, I imagine most of you pretty quickly saw 64 and thought that's not a great score, right? This isn't too bad for that first night of therapy. 3.5 hours of usage is not too bad for a start. So let's go ahead and go through -- again, I'm going to go back, and we'll follow Ted along this journey throughout his first week.



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Now what you'll notice is these scores are starting to improve slightly. So you'll see a 74 in there, 79, 84. What's happening in the background? So myAir has got a coaching engine built in the background that's intelligent, and it's going to provide automated coaching to the patient when we notice that they've got things like high leak, maybe low usage or even good usage.

In this particular case, what's happening for Ted is he's really receiving messages that are telling him that his usage looks good but he could do better. So we're going to encourage him to continue using the device more and more hours. And as you can see here, it seems to be working. So I'm going to follow along with Ted another week forward. Everything's looking great. He's getting used to therapy. But you'll notice he's starting to see a couple of scores here, 86 and 84.

So Ted can dig in and see what's happening. If he does, what he'll find, everything looks pretty good. But you'll notice here on mask seal, it's showing that he needs to adjust that. Now in the past again, without myAir, this could be a call from the HME to try to correct this over the phone. Again, that's more money, more time and effort on their part. But myAir is going to send an automated notification to the patient letting him know that his leak looks high. And it's also going to provide him with instruction on how to correct that. And then the final thing is it's going to provide him with a link back to myAir to show some videos on how to correct that in case he needs a visual. So let's take you there now.

You'll see in the middle there we've got AirFit F10. The nice thing with myAir is that any patient using a ResMed mask, we've got videos on cleaning and fitting those masks for each and every one of them. And so when they tell us they've got a ResMed mask, we only show them the information they need.

I'm not going to show you all of this, but just for demonstration purposes, I want you to see how impactful this is. So we've got a fitting mask on the AirFit F10, which Ted told us he's using. And right there, he can follow along with a patient who's going to demonstrate how to properly fit that mask. He can make those adjustments, and then he's going to give it a try again tonight.

Let's step back into the data, going back again to that first night after we started to see some issues. And what you'll see here, Tuesday, September 4, he got a 98. So it looks like that issue has been corrected. Now this is only 2 weeks of Ted's journey, and I hope that you see how impactful myAir can be. MyAir will continue to provide him with access to his data so that he can continue monitoring that progress. It will continue to provide that automated coaching and support, and we'll continue to provide him with access to that full-time support throughout his journey.

The nice thing about this is that's a great start to his therapy journey. We've got more than 1,500 patients who are signing in to myAir every single day, new patients registering for myAir every single day, and they can have a similar experience. But we know that this is a long journey for patients, and we are going to continue to innovate on ways to keep them engaged. We've got more than 1 million patients today who've already registered for myAir and are well on their way to better sleep, and we want to continue to find ways that we can keep them engaged over the long haul.

So with that said, we've shown you some of our solutions that are helping our customers to better manage their patients. I'm now going to turn the time over to Fadi, who's going to walk you through some of our solutions and what we're doing to help our customers better manage their businesses. Fadi?

Fadi Haddad

All right. Hello, everyone. Thank you for your time. As Trevor said, my name Fadi Haddad, I'm a Director of Business Analytics. And I'm here really, really excited to show you something new and exciting that we're actually going to be launching here coming in October, which is our Brightree advanced analytics platform. So within our existing Brightree platform today, we do have analytics capabilities. There is existing reporting and ad hoc capability. What Brightree analytics brings to the table is a more advanced data set, a much more advanced filtering capability.

So to back up a little bit before we fully dive in to the advanced analytics, what -- I kind of want to recap a little bit of what we've been hearing today. We've been hearing about challenges that our providers are facing when it comes down to documentation requirements, the time to collect that documentation, the amount of effort that it takes to set up a patient, to get them moving into a ReSupply program, to consistently monitor them, make sure that they're still continuing with their therapy, that they are also receiving supplies that are needed, there's cushions, there's



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masks, there's tubing, everything that's needed for it. There's a lot of time, there's a lot of effort involved in doing this. So it's pretty evident that our providers need to be more efficient more than ever before in today's market.

So when we look at what does Brightree advanced analytics do to help assist with this is we offer a scalable data that will allow you to take a look at your data not just from the highest level, aggregate view but also be able to drill it down into the lowest level, the most granular item and everything in between, all within a matter of seconds.

In order to do this, we're combining a few different types of dashboards. You have your operational dashboards, which really give you that insight into how your business is doing, monitoring your KPIs; your strategic dashboard just to give you a little more of that kind of high-level view, right? This is kind of your C-level view. You want to look at your KPIs, how am I doing, how am I performing; and then your analytical dashboards, which really lets you kind of dive into that nitty-gritty and find out where is the opportunity. Where am I spending 6 days when it should only be only maybe 2 days to get this document? Did I contact all of my patients? I have 10,000 patients in my database today or in my patient population, but I'm only reaching out to 2,000, I'm only reaching out to 6,000. What's happening with those others? And also, what's happening to those that I am reaching out to?

In addition to that, it's not just looking at revenue and KPI though, as we mentioned. We are also doing workflow management. We also provide reporting and analytics around benchmarking. So as Brightree, we sit on a wealth of information, and we're utilizing that to now not only allow our providers to look at their own trending data but also be able to compare that against their peers and look at what are the true industrywide or nationwide benchmark.

So to kind of set the stage here for what we're going to show on our download purpose here, we're going to dive into a resupply dashboard. For resupply, this is not a focus on our ConnectPRO module, which is our patient outreach platform. This ConnectPRO module, it is not only serving sleep patients but it can also serve your diabetic patients. It can do much more than the sleep disease state. But we're going to focus on the sleep component of it for today. And I really want to kind of dive in and show you how a business user would actually come in, utilize these dashboards and pinpoint the opportunity. So let's go ahead and get that up on the screen. Perfect.

So what we can see here, this will be just an example of a landing page that you would log into, take a look at every morning when you walk in. What you're provided with is information here on the top left that shows you very quick data, just your trending data, how I've been performing over the last 14 to 15 months in comparison to the revenue brought in. So if we take a look, for example, at the month of June, we can see that we generated about \$1.7 million. And what we'll do here is we'll zoom in for everyone in the room.

So you can see we generated about \$1.7 million in revenue in the month of June. And payments, what I've collected on, is \$1.3 million. So now it's giving us quick visibility, how much am I creating and what am I actually getting paid on. That payment really comes back to getting that right documentation, making sure we have the updated certificate of medical necessities, did we reach out to the patients, did we collect it from their primary insurance, secondary, et cetera.

Moving on, we can then look at our orders trending -- and actually, let me back up to my allowable over here. So if I were to look at this as a business owner, I would look at this and probably say to myself, we're performing okay, right? I'm a little bit flat but I have some pretty good list here in the recent months. It looks like I had one of my best months yet in the last 14 to 15 months here in August. So if I were to look at this, I'm really kind of happy. I can see kind of my trends here that are going, but they're moving in the right direction.

Then if I just compare it to my orders that are being created, I want to make sure that there isn't anything kind of weird going on, did a contract change, did a payer change, whatever it may be. And I can see my orders are actually following that exact same trend. But something that we'll see here is we're actually breaking these up into various types of orders that are being generated.

So to go back to the Connect platform, there's effectively -- what you're seeing here within the dark blue is when an order is being created using the Connect platform, so it's being done correctly. What you see here in this orange is going to be orders that were created, but they deviated from the recommended process. The way that the team and the providers have been trained on, they deviated from that. Now typically when that



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happens, what we found is that usually results in about a \$50 to a \$60 decline or decrease in order value. So it really behooves the provider to always follow the recommended process.

So even though I'm seeing my trends are increasing, this is a little bit of an alarm for me. Why am I seeing about 25% or so of my orders being created outside of the recommended process deviating? So what I'd like to do at this point is I want to dive in. I want to find out, well, what's happening here? So what I can do at that point is you're provided a separate dashboard in which you're able to see more detailed view.

What this dashboard will show -- I know there's a lot of info on the screen right now. So we'll focus on some key areas. Everything you're seeing on the top are just the high-level, aggregate views of what we just saw within the landing page. So that's the summary page of your allowable, your orders, et cetera. But something we call out right off the bat is your Connect utilization. So as we just mentioned, deviating from the process or not deviating. So with the 70%. What this shows is the opportunity. Because of that deviation of order in this particular example, there's about a \$2.5 million opportunity that has been left on the table.

So as an owner, I want to find out, what happened? How do I correct this? This is a big opportunity. And all that needs to be done is we can look right up here and we can see these deviated orders. We can see the order value at \$127 on average. When I don't deviate, when I do use the platform as intended, I'm at 215. So in this case, it's actually a little -- close to \$100 difference. All I have to do is simply click on that outside of Connect. And I can go ahead and see exactly who's creating the orders that are deviating from the process. I can see the average allowable, and then I can also see the average units that are going into each of those boxes. These units being the cushions, the filters and the tubing, all the spares that go along with that mask or device.

What I can do at this point, since I do have quite a bit of employees here, is I can quickly zoom in. And I can see who's the biggest offender, if you will, in this case. In this point, it's [Robert Feist]. So all we have to do is simply click on his name. Our table on the left will immediately sort and filter. It's combing through about a little over 400 million rows of records right now on the fly. And I can see exactly what Robert has been doing. I can actually drill in at this point with just a few clicks, find out what payers that they're working with. So in this case, it looks like most of those orders are created coming out of a commercial payer.

I can then dive in to the actual payer name itself instead of just the grouping itself. So I can go down specifically to a Blue Cross Blue Shield of Tennessee and Aetna, whoever it may be. And then I can also click in here and dive directly into sales order level. So now I can look at it sales order by sales order and go back to Robert and coach and train, understand why he deviated from the process, coach and train him up and have him start using the process as intended and then increase that overall revenue generated whenever he's going in.

Now you saw that was able to be done within just a few clicks here. Within a span of, I think, about 3 minutes, we were able to identify a \$2.5 million opportunity, and this is a real-world scenario. So this is -- we've been in beta throughout the last year with this platform, and the providers that have been using this have seen a drastic increase when they focus just on this one specific measure. So we do have a few providers that have realized upwards of over \$1 million in opportunity that they have corrected. They've actually been able to reduce their deviated orders from about a 30% down to about 5%, all with the use of analytics.

Additionally, I mentioned earlier about our benchmarking opportunity, to be able to compare my performance to everybody else, to my peers. So if you recall, when we looked at just our standard trend line, it was moving in the right direction. We'd generally be pretty happy with that. But when we look at our benchmarking, we can actually see here with this gauge that we're presenting just front and center, is I'm currently per patient per year, I'm generating about \$430 in revenue per patient per year. But the benchmark, there is somebody out there that's actually getting about \$1,000.

So what can I do to improve? Again, all you have to do is a simple click. It will provide the detail behind it. We can now see what's making up that number. We can see that our units are maybe a little bit lighter than they can be. And then you can also see the ratios broken down by masks, cushions, filters, all the individual spares and accessories so you know exactly where you can target.

So again, what we saw here was within just a few matter of minutes, we were able to pinpoint this opportunity. We truly do feel that Brightree's advanced analytics platform will be a game changer and it will truly help change the way that the providers manage their business today. But with



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that being said, I'd just like to thank you guys all for your time. That's the time we have allotted for our demos today, and I'm going to hand it over to Bobby Ghoshal.

Bobby Ghoshal - ResMed Inc. - CTO

Good afternoon. My name is Bobby Ghoshal. I'm the CTO for ResMed. So what you saw today was a glimpse of 4 end-to-end solutions that ResMed has. And you saw improving clinical outcomes as well as business outcomes.

We had Melissa who presented Brightree. It's the most widely used cloud-based business management system for the HME industry. She showed you how a referral coming from a physician system flows into Brightree and then from Brightree into AirView. And then once the patient is compliant, that information comes back into Brightree automatically and is ready to file a claim directly to the insurer. Throughout this process, the user didn't have to enter the information manually once. So all the way from whether it's an Epic or a Cerner or an athenahealth system, all the way to the insurer, the flow was automated. And that's the power of the integration that we have.

We had Melanie show us the power of AirView, where clinicians can log in and manage hundreds of patients and devices, all online. They can troubleshoot. They can correct therapy settings. All of this without having to either drive to the patient or ask the patient to bring their equipment back to the office. Just revolutionizing the delivery of care.

After that, we had Trevor, who walked us through the myAir app. And in that app, our patients are able to get their data, insights and coaching, all at their fingertips on their smartphones. And we have 1 million of these patients.

Finally, we had Fadi, who showed you the power of data and data analytics through the Brightree analytics platform, where you saw how intuitive, easy to use as well as actionable the data was. In a matter of minutes, you could uncover millions of dollars of opportunity that the HMEs do have today. And that's barely scratching the surface.

So the underlying theme in all this is technology, and that really is the purpose of the health care informatics team, which is to deliver, for our businesses, the technology solutions, software solutions and data analytics to help build the success of our business strategies.

So how do we do that? So essentially, we have the connected health ecosystem. And the health care informatics team has built innovative solutions for our core sleep and respiratory care businesses, and it has 3 main components. First is the device connectivity to the cloud, 6 million devices that connect every day to the cloud in over 70 countries. Imagine the number of carriers, providers, varying degrees of infrastructure maturity, protocols of telecom providers, regulatory needs, security, data privacy. We take care of all of these but ensure there's a seamless, consistent user experience across all of these. And by the way, it's available in all continents, except probably Antarctica.

The next is the patient monitoring and management platforms. So we saw AirView. U-Sleep is another platform. You saw the patient journey, right, and the delivery of care and how easy it is to do that. It's also transformational, not just for the HMEs. It's transformational for us. We are able to provide over-the-air upgrades to these machines. So the hardware is constant, but the firmware, the software can change. It's like Tesla. We are able to upgrade the software, upgrade feature sets, all without touching any of these devices in a matter of hours globally.

Third is the patient engagement platform, and you saw myAir. 1 million patients use this globally. Now the theme through all this is scalability and being able to operate at scale. At that, we think we are really, really good at.

The next ecosystem is the rapidly growing out-of-hospital SaaS ecosystem. You saw Brightree, which is very functionally rich. We also have HEALTHCAREfirst, which -- the acquisition we completed about 3 months ago. We've also built e-prescribe solutions such as GoScripts as well as ResMed ReSupply.

And the important thing is we have connected these ecosystems with a very sophisticated portfolio of integrations. And these integrations are essentially the interoperability bridges. We've made sure that the connected health ecosystem seamlessly operate with the out-of-hospital SaaS ecosystem. With that, we are accelerating the value proposition for ResMed as well as our customers and our patients. But that's only half the story.



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We've wrapped around our transactional systems, our workflow systems with cutting-edge, advanced analytics as well as our big data platform. So the artificial intelligence journey that we are on is also helping us transform this, both the outcomes for patients, improving clinical outcomes as well as the business outcomes. We have 2.5 billion nights of data. On our big data platform, we are utilizing this data by partnering with our medical affairs as well as our business teams to run retrospective clinical studies.

Now what would have taken months or even years, today we are able to do in a matter of weeks with cohorts of over 100,000 patients. One example of that is the study that Trevor mentioned, where we know that patients who have subscribed to the ReSupply program have almost 24% greater adherence rate, which is huge in terms of business outcomes for our customers. Our talented group of scientists, data scientists, are working on many other projects to improve the long-term adherence. And the next step in this is to take these algorithms and operationalize, put it back into the systems that you just saw, taking us to the next level. We feel that technology is the fuel that's going to take ResMed to the next level of success and help us grow.

With that, I'll hand over to Jim. Thank you.

James Hollingshead - ResMed Inc. - President of Sleep Business

Everybody, I'm Jim Hollingshead, and I have the privilege of leading ResMed's global sleep business. And what we're going to turn to now is -- coming off of the demonstrations and Bobby's overview of the technology -- the health informatics technology function, we want to give you a brief overview of the strategy of 3 of our business verticals. And I'm going to talk about sleep, if I can figure out the clicker. Here we go.

I'm going to start by saying you may have seen recently that there was a study published by a group of global key opinion leaders in sleep therapy. They went back into the med analysis on all of the prevalence data available globally and estimate out of that study that there are 936 million people around the world who suffer from sleep apnea. So I mean, that's a lot of significant digits in that. 900 million-plus or nearly 1 billion people around the world struggle with sleep apnea. And what that means is we still have a massive public health problem with sleep disorders and sleep apnea. And it also means that we have a massive growth opportunity in ResMed, and there's a huge opportunity for our shareholders with that.

Our mission is really to find and help those patients and to change their lives. And so I want to give you a quick overview of how we intend to do that and continue doing that in the sleep business. Our purpose is to deliver a world-class patient experience by delivering innovations that help with patient staying adherent, lowering the cost of treating sleep apnea patients and also driving health outcomes. And it's a multipronged purpose.

And to give you a little bit more depth on that, I want to talk about 3 pillars of our strategy. And it's no accident. You're going to see this format now from all 3 of us, from me, from Richie McHale and Raj Sodhi. This is forecast in our Three Horizons strategy again or the Three Horizons framework.

The first horizon, if you will, for the sleep strategy is to optimize efficiencies for health care providers. Now it's easy for me to talk about that because we've just had some great demonstrations from our team here. Almost everything you've seen this morning in demo -- or this afternoon in demo has been tied to the sleep business. So when you think about the challenges that an HME or HCP is facing, treating a sleep apnea patient tends to be labor-intensive. And with declining reimbursements, the revenue yields have become a problem, especially since the onset of competitive bidding in Medicare. Other jurisdictions have been cutting reimbursement for sleep apnea patients and so on.

So what we set out to do 5 years ago, when we launched our Air Solutions Platform, was to attack both sides of that issue, both of those pain points for health care providers and for HMEs specifically in the U.S. What we want to do is reduce the labor intensity of treating patients but also improve patient adherence, which allows HMEs to have a higher revenue yield, right?

That was very, very successful. We launched it in 2014, and we've expanded well beyond that now. We have the best suite of HME solutions in the market, and it's not just me saying that. The market is speaking with market share. We have very strong market share across not just our product set and our platforms. We have very wide adoption of all these platforms. And as you can see, we're expanding the capabilities that we're doing for HMEs and so on.



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With physicians, we also -- Melanie showed you how you can produce patient reports and so on. Our platforms allow physicians to manage their sleep apnea patients more effectively in a timely way. They get reports on a daily basis if they need them. And we're going to continue to build on these capabilities for our health care providers not just in the U.S. but globally. You will have noticed that when we've talked about this on our investor calls that both in France and Japan in the last year, we've had reimbursement changes that have rewarded telemonitoring or in some cases required telemonitoring. We're going to continue to see that movement grow across the world in our markets where telemonitoring will be either reimbursed or there will be an economic incentive to telemonitored patients because it drives outcomes and lowers costs.

The second horizon for us is really to deliver best-in-class patient care. And you've seen the demonstration of myAir. I will say before we even think about absent patient engagement applications on the phone or on the web, this really starts with physical product. In fact for both HMEs and for patients, the physical products we produce are world class. They're industry leading. They're on display over here. We continue to produce the best flow generators in the world. We continue to produce the best masks in the world.

That's important to patients because they want to have care that's easy for them to use, easy for them to understand. They want to have a comfortable night sleep. They want unobtrusive devices and masks. They want quiet devices and masks so they can sleep through the night and so their bed partners can sleep through the night comfortably. And we deliver that every day. And we continue to deliver a road map of innovation that we think is industry-leading.

Then when we put on top of that the ability for the patient to manage their own care through the use of myAir, it really dramatically improves the experience. And it's a simple thing to think about. But if you're a sleep apnea patient, you go to bed and you put on a mask and put on a flow gen, you really have no way of knowing what happened during the night, right? Hopefully, you're asleep all night long. But you don't know the quality of care delivery. You don't know how you slept and so on. The main purpose when we launched myAir originally was to give patients insight into their own care and to manage their own care.

And again, we continue to expand on that offering, and we have a very exciting road map of software offerings that we're working on right now that will expand the reach with patients. It will allow us to have patient self-screen. We intend to streamline setup and management of care over time with patient apps. And long-term adherence for patients, a world-class experience for patients that allows a patient to stand therapy for life, which is what a sleep apnea patient needs to do, is the center of the entire strategy because that outcome is the outcome that is good for all stakeholders in the system, right?

If you're in an HME, you make more money on an adherent patient. It doesn't matter which part of the world you're in. You make more money on an adherent patient because patients need consumables, right? If you're a patient, you have a better quality of life if you stay adherent long term and stay adherent for the rest of your life. You have a better daily quality of life. You have a much lower risk of other chronic diseases, right?

And if you're a payer -- and there's increasing recognition of this amongst payers worldwide. If you're a payer, you know that quality sleep is central to health and wellness, and there's increasing recognition that sleep disorders are highly co-prevalent with other chronic diseases that are widely recognized to drive significant cost in the system, which I think everybody in the room knows what those diseases are. They include heart failure, cardiovascular disease, stroke, type 2 diabetes and COPD and others, even solid tumor cancers. And so payers are increasingly coming to recognize that if they have a sleep apnea patient that they've identified, they are better off if that apnea patient is adherent.

So long-term adherence is no -- it's no accident that that's in the center of our page and in the center of our purpose. Long-term adherence through the best-in-class patient experience is central to what we're trying to do in the sleep business in ResMed.

And then the third horizon I'll talk about is we recognize the biggest problem with chronic disease broadly. Put aside sleep apnea for a minute. Sleep apnea happens to be one of the chronic diseases that we're targeting. It happens to be our biggest business. But the biggest problem worldwide in treating chronic disease is the siloing of care. Care is fragmented across chronic disease. There's really no health care system in the world that has effectively tackled that problem.

What we're seeing right now is pretty rapid movement in the context of the health care system towards integrated care models. We're seeing it in different geographies. We're seeing it here in the U.S. We've got integrated delivery networks that are thinking more and more about how they



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can integrate care across different silos. We have new players entering the market thinking about that. You've seen these movements. We're convinced that we're going to see more and more integrated care models over the coming decade emerge, and our intent is to be the technology provider that makes that possible for sleep apnea. And Richie will talk, I think, a bit about how we'll make that possible for COPD as well.

How are we going to do that? Well, we will continue to develop solutions, in this case payer-facing solutions, that will allow payers or integrated delivery networks to understand and manage their patient populations. We will use the data platforms that we've built and the data assets we've built to better understand the impact of sleep apnea on other chronic diseases, both in terms of patient profiling and co-prevalence but especially in terms of the health economics associated with treating sleep apnea. We have believed our entire history that treating a sleep apnea patient saves the system cost, saves health care system cost. We intend to prove that case with the use of data.

So when we launched our Air Solutions strategy back in 2014, we set out deliberately to address the needs of these 4 stakeholders, really the health care provider in the form of an HME, physicians -- treating physician, patient and payer. And now with the data assets we've built and the analytical capabilities that we're building, we've put ourselves in a position where we can make that a reality.

So you'll see over the coming years and months, we will increasingly use our big data assets and our data capabilities to prove the case for treating the sleep apnea patients, to prove that finding and treating a sleep apnea patient has a return on investment for the entire health care system. And we will use those data assets that Bobby was just talking about to better profile patients, to better understand different types of patients and how they respond to different types of care, to better understand how different coaching interventions can help improve adherence and to better identify patients on the front end of the funnel.

It continues to be a problem patients don't recognize they may have sleep apnea, right? With the tools that are available now broadly through the web and through other technologies, we think we can open up the front end of the funnel, make more patients aware of their potential condition. We can help payers re-stratify their patients and focus on patients, get them into the funnel and get them treated. And we can prove the case that they need to be treated because it pays everybody back, right?

Now underpinning that strategy, and I think I'll talk about this now because it will keep Richie and Raj from having to talk about this, are these 4 core capabilities. And this runs all across ResMed. The first one is we are building on an existing culture of operating excellence, right? Operating excellence for ResMed doesn't mean simply cost cutting. It means doing things effectively, right? That might mean doing it at lower cost. It might mean investing more and doing it more efficiently. But we're building on a culture that we've had -- long-standing culture we've had for operating excellence, and we have programs in place to make that just part of our DNA.

The second core capability is the portfolio mindset. And this is a multifaceted capability we're building. But if you think about it in simple terms, we have a portfolio of businesses. We have a portfolio of markets, geographies in which we play. In those geographies, there's a portfolio of payment models. That means that we have a portfolio of business models, right? So all of our teams need to be thinking in terms of those portfolios. We also have a portfolio of products.

And I'll say from the sleep business specific point of view, we think we have the best portfolio of products in the world, and we have a unique capability relative to our competitors to invest in R&D and to bring out the widest range of effective therapy products and effective solutions on the market. But in order to do that effectively, we can't invest in everything equally. And so what we're building right now into our DNA as a company is the ability to think more clearly about where we place bets, where we place investments, to be lean in how we experiment, focus on where we get return and invest accordingly. So that's the portfolio mindset.

The third capability is a deep customer understanding. This is an area where we're getting much, much better. We've invested especially, I would say, over the last 12 to 18 months in customer understanding function inside the business, inside the global marketing operations. We will couple that with our deep analytic capability with the use of machine learning and AI to better profile patients, better profile customers like our HME and health care partners so that we can understand their needs more effectively. And that marries up really nicely with the portfolio mindset. We'll deliver the right offer to the right patient or the right offer to the right health care provider at the right time in the right geography.



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And then finally, it's all underpinned by talent. And at ResMed, I have to tell you, we're very proud of the people we have at ResMed. We think we have the best people in the industry, bar none. And our goal is to build the most talented, most diverse, both in background and thinking, and most passionate group of people to go after these problems of chronic disease around the globe. We're very excited about the talent that we have inside the company. We're very excited about our ability to continue to retain, develop and recruit key talent, and we see it as absolutely central to everything we're doing.

The last thing I'll say about the sleep business is with almost 1 billion people out there who need our help, what we say every day is, "There's 1 billion people that need our help. Let's go and find them." And that's what we're all about.

And now I'll hand it off to Richie McHale.

Richard McHale - ResMed Inc. - President of Respiratory Care Business

Good afternoon, everyone. My name is Richie McHale, I'm the President of our Respiratory Care business. Let's see if I can move this forward. I've been with ResMed 8 years. It's been a privilege to work here. Initially, I ran the U.K. company for ResMed, and more recently, I've been running the global Respiratory Care business. Somewhere in the middle, I was our Chief Human Resources Officer.

I want to talk to you about our Respiratory Care strategy, and primarily, I'm going to focus on COPD, chronic obstructive pulmonary disease. Many of you will know that COPD is the third leading cost of death in the world, and its prevalence is forecasted to increase. It's problematic, of course, for patients but also hugely problematic for the health care system. There was a reported cost of direct COPD care delivery in the U.S., a paper back in -- recent is 2014 that suggested the cost of managing COPD in the U.S. were about \$36 billion. So COPD presents a big problem to the patient, but it's a really challenging problem for health care systems globally. And so we ground our strategy in an articulated purpose, which is around understanding the unmet need in COPD, both in the patient and in the health care system and the providers that serve those patients. And building solutions that ultimately solve for that unmet need. And our strategy is anchored squarely in that purpose.

So Jim has showed you this frame in ResMed, you have to frame your strategy in Three Horizons. So I'll talk to you about those Three Horizons. The first, we articulate as winning in the core. And what that really means is retaining our leadership position in our existing markets. And our Respiratory Care business is founded on our ventilation portfolio. And we subcategorize our ventilation portfolio into nonlife support ventilation, sometimes known as bilevel ventilation; and life support ventilation. And as patients progress through the COPD disease process, unfortunately, they become increasingly dependent upon more and more complex ventilation solutions.

So we continue to innovate in that space. And most recently, you may have seen we announced the launch of the most recent version of the Astral platform, our non-life -- sorry, our life support platform. Astral release 6 brings with it new benefits to patients, such as mouthpiece ventilation and a feature called auto EPAP. Jim talked about the comorbidity of COPD and OSA, and they're about 20% of patients with COPD. We have what we call overlap syndrome. And also, EPAP is a very important treatment algorithm that helps manage up our stability in patients with both COPD and OSA.

So we're really excited about Astral release 6, not least because it presents new benefits to patients who have already very, very challenging lives. So you have to bear with my voice, I was on a plane from the ERS from Paris last night, and it's just dried me up a little bit.

Finally now, what we know consider to be our foundation, we, as you well know, announced ResMed's first entrant into the highly attractive portable oxygen category in Mobi in a controlled product release from just this year, and we hope to be able to scale that launch as we progress through this financial year. I'll talk a little bit more about that in a moment. Really brings us to the second phase of our strategy. And we articulate that as innovating and expanding into adjacent categories. Oxygen's a really interesting business. And you well know, of course, that the portable oxygen category is growing rapidly. So it's interesting it's in its own right. But strategically, it's important for us because portable oxygen gets us access to the patient earlier on in the disease process. And that's really important in COPD if you're trying to solve for the unmet needs that prevail all the way through and worsen through the progression of the disease. So we see portable oxygen as strategically really important to us but as part of a wider ecosystem that supports the patient with COPD through their disease progression.



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So in Mobi, we're concerned, of course, to bring a good product to market, but we want to do that within a business model that solves for the many pain points we see today in COPD care delivery. We anticipate we -- sorry, we estimate that less than 10% of patients who are eligible for portable oxygen therapy are actually getting it. So the big challenge really is not only in delivery of the product but also in designing a business model that allows patients to get access to the right care at the right time in consideration of the clinical symptoms of their disease. Importantly, for portable oxygen, oxygen brings with it the ability for the patient to stay active, which is critically important not only in driving and improving the quality of life of the patient but it also slows down the progression of the disease and presents -- and prevents patients reexacerbating presenting into acute care settings. So it's a really important part of our strategy. And we think it's an enabler of our being able to design care models that ultimately allow the patient to stay at home.

As we look to build out a portfolio of solutions that allow patients to stay out of hospital and in the homecare setting, we see interesting new technologies emerging. High flow therapy is an example I call out here on the slide, which today is really used primarily in an acute and a subacute care setting. But we do see, for a certain phenotype of patients, a certain subpopulation of patients that, for example, struggle with secretion management that high flow therapies are really comfortable, well-tolerated solution that will find itself in the clinical paradigm and, importantly, will be part of an integrated homecare solution for COPD.

Finally, as we articulate our third phase of growth, we really see an opportunity and a responsibility, frankly, to transform COPD care delivery. And Jim talked about fragmentation in the system. That fragmentation is no more apparent anywhere than I think in COPD. And getting patients to the right point of care is a critical issue for us to manage. We see an opportunity in the future to build intelligent therapy solutions that in real time are responding to the clinical presentation of the patient in the home setting or in the out-of-hospital setting so that those patients are less likely to exacerbate. And that's really important because it slows down the disease progression but, of course, it's also critical for payers and for the health care system overall because those exacerbations are incredibly costly to the system overall.

So we'd like to be in a place in the future that we're able, through building this ecosystem, to integrate across all the points of care, have intelligent therapy solutions that can treat the patient in the home and ultimately get to a world in which not only can you treat symptom but you can actually predict exacerbations and intervene in what is a relatively narrow window of opportunity to prevent the sort of sometimes catastrophic impacts that ensue from COPD exacerbation.

So we have a really ambitious strategy for growth. We think we have a right to win, and we think we can add value beyond most of the players in COPD today, so that we're both managing the patient and the terrible morbidities that come with COPD but also solving the broader health care system costs.

I won't talk to the foundations. I think Jim articulated them really well as relevant to the Respiratory Care business as they are to sleep and to SaaS. And with that, I'll hand over to Raj Sodhi, who's the President of our SaaS business. Thank you.

Raj Sodhi - ResMed Inc. - President of SaaS Business & Healthcare Informatics

Thanks, Richie. So as you can see we've been working on some really exciting things. I want to expand on what the team has showed you, which is a combination of our digital health technologies and our SaaS technology. Specifically, we showed you Brightree, but we've got a number of other acquisitions we've made over the past few years. Watch for that space and our activity to come.

But I wanted to walk you through our strategy. And I think our purpose describes what we, hopefully, shared with you today, and that's revolutionizing health care delivery through a smart, connected ecosystem that drives superior outcomes for patients and providers. So by joining, again, the setup experience with the clinical experience and then the back office experience, we think, we accomplish this. And we think that, again, this is one example. And as I walk you through our Three Horizons, you'll see other opportunities where we can take our connected ecosystem, the core parts of our business and sleep and Respiratory Care and intersect those technologies with other care contacts and other technologies that we have today and others that we'll invest in.

So one is let's not forget about our core business. We've -- Brightree's important to our sleep HMEs and our Respiratory Care channel as well. We've got to deliver new value to them. Fadi showed you what we're bringing to Medtrade in the fall with an advanced analytics platform, and that's just



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the beginning of that journey where we'll help our customers tune their business, find value where they aren't capturing it today and grow. And so that's one example of that.

We also -- we haven't talked at all about this, but we -- Brightree had a portion of its business focused on home health and hospice. So 2 different care contexts but allowing patient to age gracefully at home or in a hospice setting. This is an interesting opportunity. We've got an iPad point-of-care application that allows us to protocolize different -- for a different disease states and for different care needs. But if you think about the intersection of this with a COPD patient or a patient that's suffering from COPD that's also dealing with wound care needs, we have a really interesting application that lets us serve the patient through a different digital experience but also start to intersect our connected devices into that space as well.

The next part is around platform service. So internally, we say tech-driven services, and by that, it's how do we help our customers with the things they struggle to scale inside their businesses. So today, for example, in Brightree, we do revenue cycle management. We help customers with intake. We help customers with their billing. Oftentimes, we're giving them technology to do that in house, but many times, they're saying, "Do you guys have a service that we can hand this business to you and you can scale it for us?" And so we've been building this. The challenge with that is it's a tough business to be in. They struggled with it so what makes a better at doing it, and that's our ability to infuse technology into it.

And so we've been starting layering in workflow, technology and automation, but decision-making through ML and AI is the next phase of efficiency we can get out of these teams and scale. The other side that we're not showing here is we've got a number of users between our patients and our HME end users who are home health and hospice users. We're giving them software technology. We all know we log into something we don't like today. We struggle with it, but we put up with it. Well, our customers don't have as much time, and they're not forced into this. They have choice in terms of what they use. And so we've built a software success team that looks at a customer's behavior and sentiment towards our technology, looks at do they need retraining, and then we automate some of that engagement. And what that does is it drives a better adoption in our technology, but it allows us to get them ready for the introduction of something like advanced analytics. If they're not happy with what they're using today, they struggle to take on something more.

And the last one is around portfolio expansion. Our hypothesis, which were showing true between these care contexts in HME and home health and hospice, is that patients and loved ones struggle to navigate between different care contexts. And there are adjacent care contexts to the ones we serve today that we are looking at to expand our portfolio with. What that means is we will have an ecosystem that allows us to help a patient and providers work with one another more effectively. So help a patient navigate to the right points of care, move documentation where it needs to be and have a patient served more effectively. And it's a simple thing to say, and we know how complicated it is to run these platforms, but the power that this gives us to empower patients and to do what we're doing in our core business, which is take cost out of the system and serve patients more effectively, is incredible.

So we're excited about executing on all 3 of these things today, and we look forward to sharing more with you in the future. So with that, I'll ask Rob to come up, and I think we're going to do some Q&A.

Robert A. Douglas - ResMed Inc. - President and COO

Yes. Thank you, Raj. So thank you all for your attention. That's the end of our prepared comments today. And we're now going to go to a Q&A. But I -- we've actually gone through a lot of detail and a lot of depth, but I hope you've got some feeling for how our investments in the software and the connectivity interact with our other businesses and that they're both synergistically creating value and growing the business.

So with that, I'd like to ask the resident management team, Jim, Bobby, Richie and David, to join me on the stage, and we'll take a seat and do Q&A. For the Q&A, I would ask you to use the microphone that we'll pass around so that -- we have a couple of them -- so that our webcast colleagues can hear the questions. And I will field the questions and pass them on to members of our team who are appropriate.



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QUESTIONS AND ANSWERS

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

Just sit there, and I'll stand. So, yes. So if I don't fall off there. Yes, Anthony. You get first one. Also, if you could say your name and who you're with so that we have that record.

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

Anthony Petrone from Jefferies.

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

It's coming.

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

Anthony from Jefferies. Very important day on the software and application standpoint. I'm just wondering, what we heard new here is the business analytics platform coming out at -- for Medtrade. So I'm just wondering, on that initiative, how exactly that will be offered to HMEs and DMEs. Is it -- it appears it will be a software-as-a-service model. How will DMEs get access to it? Is it monthly subscription? And how should we expect that to roll in? And then I have a follow-up.

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

Yes, I'll pass it on to Raj.

Raj Sodhi - *ResMed Inc. - President of SaaS Business & Healthcare Informatics*

Yes, similar. So we've got different models for pricing, whether it's user based or census based depending on the platform. It will follow a similar structure where the HME can subscribe to the module. Certain pieces, we include as a basic offering. So sometimes, we're advancing the basic offering with a rudimentary set of analytics. The more powerful analytics, we would sell to them at either user basis or a population basis depending on how much data they're managing.

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

Maybe a follow-up there, would you eventually wrap in sleep labs to the application a sort of a front-end sort of initiative to get new patients in? That will be a follow-up there and then one on portfolio.

Raj Sodhi - *ResMed Inc. - President of SaaS Business & Healthcare Informatics*

Yes. The question was around wrapping in sleep labs. I think we're getting lots of data from sleep labs, whether it's directly or indirectly through the e-prescribing platform. A lot of times it's indirectly because in order for us -- a full, detailed written order to come in, oftentimes, we need the sleep study. So we -- it may not be directly, but we're getting a lot of sleep study data that way. It's a challenge. They're all using different platforms, and integrating that data from different diagnostic study tools is a challenge. I mean, ultimately, we have kind of an open platform for whoever wants to drop data into at least on the Brightree side.



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Anthony Charles Petrone - Jefferies LLC, Research Division - Equity Analyst

And then last for me would be on portfolio as a good segue into that, maybe just give us a sense. The balance sheet is strong. The largest acquisition the company has done is Brightree at \$800 million. There are other software companies similar to Brightree's scale that ResMed may have their eye on. And then on the device side, obviously, there's been some activity. We've been over acquiring Anthera, and obviously, Inspire's doing well. So maybe just touch on implantables, where you see that portion of the device market.

Robert A. Douglas - ResMed Inc. - President and COO

Yes, so let me start, and then I'll hand on to Jim on the final bit on implantables. But our M&A strategy is active, and we are constantly opportunistic and on the lookout. We've got a very specific target list, which we won't fully share. But I think if you look at the range of things that we have invested in and the range of solution space that we're talking about, some of this, we'll develop and some of it, we'll create through the M&A. We are committed to being disciplined about it. We have got a strong balance sheet, but it's not burning a hole in our pocket, so we'll be quite disciplined it with our sort of capital management. But we are -- it's a skill that we're building, and we're improving our ability to do these deals and do them quickly and create value from them. In terms of specific area -- and that will be across the whole board of the business. In terms of specific areas around sleep, Jim, did you want to fill in on that?

James Hollingshead - ResMed Inc. - President of Sleep Business

Yes, we watch alternate therapies very, very closely in the sleep business. So we actually do across all the range -- the disease areas we're looking at. Maybe hypoglossal nerve stim is something we've looked at for years, the implant companies and that sort of thing. They've shown some decent results. I don't see them as a mainline -- personally, I don't see them as a mainline therapy. They'll be niche as they're adopted. I think the health economics for those therapies is not that attractive when you get right down to it. It doesn't mean they won't have a place. They probably will have a place in therapy. But we still see CPAP as the absolute gold standard therapy for sleep apnea, and we see the second line therapy as oral devices. And obviously, we're very active in both of those.

Robert A. Douglas - ResMed Inc. - President and COO

Yes. Okay. Thanks, Jim. We actually might keep the questions, because we have quite a few people and, really, only 25 minutes of questions, maybe to one with a brief follow-up if need be. So next question. Oh, Margaret, thank you.

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

Margaret Kaczor from William Blair. First of all, in terms of the Brightree advanced analytics platform, again, that's something new. Would you describe that as something that's evolutionary versus revolutionary? And how do you fit that into the sales force? So it seems like the DMEs today have to go into the platform and take action. Can you try to automate that somehow either through a software platform or maybe integration on the ResMed side where you can tell them or automatically do things for them to increase that compliance?

Raj Sodhi - ResMed Inc. - President of SaaS Business & Healthcare Informatics

So I don't think -- maybe a little humility, I would say it's evolutionary. Some would say it's revolutionary. I think we try to aspire for bigger so maybe next time I'll say the revolutionary. But I think it's powerful. The middle column of our strategy around how do we build automation, we can. The challenge is you still need the business to make change and so there's often that change process. When we say that you have an issue here, it's a training exercise so we have to go through this change management process. And so the people-driven services, the center part of our strategy, if a customer says, "Hey, we want consultants to come and help us run this change through the business and find those opportunities within the business," Brightree has a team of consultants that helps customers do that. If it's a matter of effecting change on resupply, or we have teams that analyze the customers data. So some customers are very active in managing, and some customers look for our help. We typically are doing that

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through people, but there is automation that we build into how we guide our conversations. So it's a layer on top of the analytics. So that's where the machine learning and ML will come in. I -- it's tough to -- I think we're at the beginning. Bobby's got a lot to say about what he is doing on the ResMed side for a core advanced analytics platform. We didn't talk about the competency we're building there, the scale that we're building there to serve the entire business from a very powerful platform. So it'll be a -- the business is leaning on the core health care informatics infrastructure and strategy around advanced analytics that I think will allow us to go much faster and answer the revolutionary question next time.

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

Okay. And then as a follow-up, on the COPD side -- and I don't know if Richie is the right one. Bobby or Raj, whoever wants to jump in. But I think most people look at POCs and health care IT as inventory management. And it seems like you guys are looking at it from a bigger picture perspective. Dragging that patient in from the start, keeping them into the life support ventilator aspect of it. So maybe talk about kind of your bigger picture strategy from that perspective, why that's more important, why it's important to the DME where they would make that choice to use your product over other products. And I know this is a multifaceted question. So...

Robert A. Douglas - ResMed Inc. - President and COO

Yes, might end up with 3 here, I suppose.

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

I'm trying to stick to one as much as I can. But how do you launch that product in Mobi and the rest? And is that evolutionary?

Robert A. Douglas - ResMed Inc. - President and COO

I think, actually, Richie, you might want to launch into that.

Richard McHale - ResMed Inc. - President of Respiratory Care Business

Let me have a go at it and maybe take up some of the secondary questions as well. So I think the insight that we had when we brought Mobi to market in the CPL phase is that the current business models generally don't serve the patient very well. And it's our view that the patient presents a lot of complexity, and COPD patients are often comorbid. And our emphasis, I think, is twofold. First of all, we want to ensure that we have a model of care that reaches the patients and solves to some of the pain points as the patients go from kind of awareness of the disease state to the right therapy at the right time. We do feel that our HME partners are critical to supporting the patient through that process. This -- as you know, the POC space is a noisy space, and it is challenging for patients as consumers to navigate it. So if you -- we feel we can play a role both concierge-ing patients, if you like, to the right point of care and through the deeply embedded partnership we have in HMEs, ensuring that once the patient presents to the right point of care, they're well supported on therapy. And to your earlier observation, we do see that COPD is highly complex, and we don't want to solve for just POC. We're trying to see the patient holistically, recognizing the complexity of the disease and solve for their longitudinal care. And I think it's just a different way of looking at the POC category within what we think is a much wider portfolio of both solutions and opportunity.

Robert A. Douglas - ResMed Inc. - President and COO

Yes, Andrew.



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Andrew Goodsall - *MST Marquee - Healthcare analyst*

It's Andrew Goodsall from MST Marquee. Just on Brightree, it's my understanding that it's not something that's being used by some of the national DMEs. And I guess, do you have a proposition that you can take to the national DMEs that would allow them to think about Brightree? And then, I guess, secondly, do you need them also be going to run some studies for completeness of data?

Raj Sodhi - *ResMed Inc. - President of SaaS Business & Healthcare Informatics*

So I think Brightree is scalable should any of them choose to use it. We've got some very large national HMEs that aren't -- maybe the one's you're talking about, but some very large HMEs on the platform. Brightree isn't just a software. We've got a services team. So I think we've got interest in by those large customers in using components of Brightree, whether it's the software components or the services component. So certainly, we -- yes, we do have the top end of the market using Brightree today, but there's no limitation of them using it. Typically, what we see is those customers live in large legacy systems that do a lot more than the Brightree system does today. So it's GL accounting, totally integrated and all -- and employee payroll and all of those things, and it's all-in-ones. So it's very difficult for them to lift and move. At the same time, we have shown that our platform is the most efficient in the areas that we serve, so in terms of effectively building all the integration points with the Air Solutions portfolio. That said, on the ResMed health care informatics side, we offer full integration. So we do support all of those customers, not through Brightree but through full integrations to Air Solutions, so they get most of the value of what we showed you today but directly in their systems.

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

Okay. Thank you, Andrew. Any other questions? Yes, Steve.

Steven David Wheen - *Evans & Partners Pty. Ltd., Research Division - Senior Research Analyst*

Steve Wheen from Evans & Partners. There's obviously a lot of comorbidities associated with sleep apnea, and you're collecting a hell a lot of data around sleep. How do you -- how can you take some of that data and apply it for some of these other comorbidities and start to monetize that going forward?

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

Maybe, Bobby, do you want to have a start at that?

Bobby Ghoshal - *ResMed Inc. - CTO*

Sure. Great question. So we have 2.5 billion nights of sleep data. Your question is how do we integrate with other comorbidities. So we are working with third parties and partners and, through clean rooms, making sure that we can connect the data that we have and a third party has and understand it, the relationship between sleep apnea and the comorbidities. And several such initiatives are already underway. Just to go back to a previous question around the data itself, there is a firewall between Brightree's data, the sensitive data that Brightree has, and ResMed. And respecting that firewall, we do have some means of taking the identified data, such as the resupply data, and understanding the efficacy and efficiency of neurons. So there are studies that we have done with our -- the ResMed big data asset as well as the Brightree data asset and on the synergies between the data, just like we've done with synergies with third party and comorbidity data using our big data platform.

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

And I think that we see parallels in other chronic diseases so we can take that approach too. And over time, you'll start seeing us do that. Like Richie, I was at the ERS meeting in Paris this week where I think our team were involved in 10 presentations and papers, most of which had been utilizing that data. So we're actually already making a difference in what clinical evidence is and what it means. And particularly, in several areas, we'll

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continue that in the economic case. And for that, we need partnerships to aid in the other data because our data is very specific and very deep. But with the right partnerships, as Bobby was saying, we can really make the economic case that it's lower cost to treat these chronic diseases long term at home and effectively than letting them escalate until they become hospital visits. Anyone else want to comment on that?

Raj Sodhi - ResMed Inc. - President of SaaS Business & Healthcare Informatics

I mean, I think -- I mean, if you look at it, we've got platform strategy that allows us to stand up the data, again, with a governance model, in a way that -- typically, when we've been engaging in the past, people don't know how to process the data. Like, it's not a willingness to share data. It's the ability to trawl through it and find the signal in the overlap. So now we've got an environment and a governance model and our base data and the willingness to participate by so many parties. And we are finding the signal in the noise between -- in that overlap. And so we are really excited about how fast we'll be able to move and participate in so many more partnerships around where there is an overlap and where we could create value together.

James Hollingshead - ResMed Inc. - President of Sleep Business

I also think that, from the sleep business point of view, and this is probably also true for COPD over time, there is a market growth angle here, right, because as evidence becomes clearer and clearer that it's important to find and treat sleep apnea patients, we'll find and treat more sleep apnea patients. And it won't be us finding them. It will be payers finding them and governments finding them. And so you'll get data. I think you'll also see, as I mentioned when I was presenting, long-term adherence is in everybody's interest. And as that becomes clearer and clearer, you'll see payers working to keep patients adherent, which means that those patients will get more consumables as well over time. And so I think we won't just monetize the data through data and analytics, which I do think we'll find ways to do in different geographies, we'll monetize it through market growth as well.

Robert A. Douglas - ResMed Inc. - President and COO

Thanks, Jim. I think Joanne had the next question.

Joanne Karen Wuensch - BMO Capital Markets Equity Research - MD & Research Analyst

Joanne Wuensch from BMO Capital Markets. Two questions. What I'm seeing today is a transformation from a sleep apnea company to an information management company. Where is your competition in moving this forward?

Robert A. Douglas - ResMed Inc. - President and COO

Well, I think there's a few issues if you look at the approach that we're taking. There are actually very few companies in the world that have such a deep knowledge of the chronic conditions that they treat that can then apply on top of it of the software capability. So across the board, we're not seeing many companies adopting similar strategies. Obviously, one of our competitor's a large multinational company with many aspects and many businesses in the hospital where we'd see obviously work like that, but I think we're unique in our out-of-hospital focus at the scale that we're at. And then we actually don't see a lot from other traditional competitors in this area yet.

Joanne Karen Wuensch - BMO Capital Markets Equity Research - MD & Research Analyst

And then my second question is -- we get a lot of questions on your Mobi product, and I'm somewhat limited in saying, "Yes, they have it." But can you give us a little bit more information on how you plan on differentiating it or rolling it out other than saying, "We expect it to be a slow roll out," please?



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Robert A. Douglas - ResMed Inc. - President and COO

Yes. I think I'll hand that one on to Richie to briefly go over that.

Richard McHale - ResMed Inc. - President of Respiratory Care Business

Yes, Sure. So we're -- just a couple of just sort of contextual layers, we're still waiting CE Marking, which we expect that to be a relatively near-term approval. As we think about positioning of Mobi in the -- in what is a, as I'd said, sort of noisy category, you're really playing with a number of design variables that are, to some extent, interdependent. So for -- the primary focus for us as we look at the patient is to ensure that the patient can be active and mobile. So when you look at oxygen output and you look at the weight of the device and you look at the battery life, you -- really, some of those things, they're trade-offs, right? So you've got to try and design for a solution that will allow patients to be active, allow them to live their lives as fully as they possibly can and in the doing so, enhance their quality of life. So you're really looking to balance those 3 things. So we'll have a market-leading battery life, an oxygen output that we think is going to be appropriate for 90% of patients in kind of form factor and a weight that is going to be highly portable for patients. So we think it's a really good patient solution. It won't come connected in the first drop. Ultimately, we'll connect our oxygen concentrators into that wider ecosystem. And I think, as I alluded to already, we are very focused not just on putting a product out into market but to ensure that we are solving for the pain points in the care pathway. And some of that is about putting it into a business model that gets you -- that gets the patient access to the right information and concierges them into the right point of care so that you have that patient and you can support that patient over the long term, rather than just go for a share grab near term.

Robert A. Douglas - ResMed Inc. - President and COO

Thanks, Richie. I think Lyanne had the next question.

Lyanne Harrison - BofA Merrill Lynch, Research Division - VP

Lyanne Harrison from Bank of America. Going back to your comments on data, I was wondering how you're using the data that you're capturing from AirView to profile who might be a sleep apnea sufferer and how you're helping work with governments or payers to sort of target the 930 million sleep apnea sufferers worldwide.

Robert A. Douglas - ResMed Inc. - President and COO

Yes. I think, Jim, do you want to...

James Hollingshead - ResMed Inc. - President of Sleep Business

It's different. We have a number of pilots going. Bobby was referring to this. We have 2 billion nights of data -- 2-plus billion nights of data, but it's sleep therapy data. And there's a way in which that on its own is sort of a closed pool, right. And so the questions that we can answer on our own with that data are things like some of the things you've seen us publish. So doesn't make sense to put a patient who's not adherent on bilevel. We've proven on that case yes, and that's been a long-standing kind of almost, this is an American phrase but, inside-baseball kind of a debate in the sleep apnea industry for 25 years, right. Same thing with the ASV, does it make sense to rescue a patient who's suffering from central sleep apnea by putting them on an ASV device. Yes, absolutely. Hundreds of thousands of nights of data in the sample show that, that's clearly true. So that something you can do inside the therapy engine and see how patients respond to therapy. The kinds of programs we're running right now, and most of them are under some sort of nondisclosure and so we can't talk broadly about them or name partners, but we have a number of programs going in the United States and a couple in Europe where we're working with some form of provider or payer to look at a sleep apnea patient, how they respond to therapy and how -- and they tied at one or more comorbidities and the health economics associated with that. And that's the sort of thing we continue to plan to build on over time, and we're building relationships with IDMs that will allow us to do that. And the



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third comment I'll make is that's, in many ways, the long-term goal of the joint venture with Verily that we've announced. Now the joint venture with Verily has to complete its regulatory approvals and so is not yet closed and launched. But we think that by working with Verily in particular on the front end of patient identification, on bringing those patients into the funnel and creating an end-to-end view of those patients over time within their ecosystem that they're building, which is a chronic disease management ecosystem, we'll get very robust and very granular data on the relationship between sleep apnea therapy, sleep disorders and other sorts of comorbidities. And so that's, for us, a very exciting potential partnership. We're not going to leave it -- leave all of that work into the joint venture, right. We're going to continue to build those capabilities and assets as we're doing right now. And so I think it's an area of growth for us over time, of growth and understanding, which we're convinced will lead to market growth as I said before.

Robert A. Douglas - ResMed Inc. - President and COO

Thank you. Yes?

John Middleton

John Middleton from Mint Asset Management. I was just wondering, we talked a lot about the data and the benefits that it's bringing to you. How is the compliance regime changing without data? And will it change? Or do you expect it to remain the same?

Robert A. Douglas - ResMed Inc. - President and COO

I think that's a very interesting area. Obviously, there's recent regulations in Europe with the GDPR, and the whole privacy issues around are very significant. I'm sure the team will have more comments on it, but I think we actually have a strong history into medical regulation. And in a sense, for us being able to deal with that regulation well and meet the needs of that regulation, doing efficiency actually becomes a basis of competition in the industry. But Bobby, did you have a comment on that? And maybe, Dave, do you have...

Bobby Ghoshal - ResMed Inc. - CTO

Absolutely. You are right. So we are -- everything we do takes into account the regulatory needs of the market that we are serving, the data privacy needs, the data security needs. All that is encapsulated already within the system. So given those parameters, we are still able to offer our customers, our patients a lot of insights into the data that we do collect. So -- and that varies by the market we are playing in. But our infrastructure allows for the seamless experience across all of this and the ability to conduct data science across all of these disparate data assets.

John Middleton

And will it lead to a tightening of compliance, number of hours required to use these products or to get a full payment and that sort of side of things?

Bobby Ghoshal - ResMed Inc. - CTO

I'm sorry I didn't clearly hear that.

Robert A. Douglas - ResMed Inc. - President and COO

I think the question is would it lead to an increase in the compliance requirements, so needing people to meet more than 4 hours a night, for example, on a device. Dave, did you want to...



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

So there's actually not a lot of clinical data to support 4-hour night cutoff, right. It's just a bit arbitrary. It's been around for a long time. I think as we gather more and more data, it's interesting that what -- because you have data, you can measure it. Therefore, things become looked at, and therefore, things become measured, and then things become rules. You are seeing other companies -- sorry, other payers adopt longer-term compliance. I think Jim mentioned that, that looking to whether you're complaint long term in order to receive ongoing supplies. Existing today in some of the European countries are required that you be compliant or rollover a month-by-month contract. So those are already in existence. Whether the -- you might be able to see whether there's a dose-response relationship, clinically, and then if you can find that out, maybe you can drop some of those so that 4 hours a night, 7 nights a week or 21 out of 28 day period, rather arbitrary. We're not there yet, but it is possible that you could gather clinical data that would change and, hopefully, relax some of those because our view is a patient who's been treated at all is a good patient. Hopefully, we can get them treated more with some of the tools like myAir AirView.

Robert A. Douglas - ResMed Inc. - President and COO

Thank you. I think we have time for 1 or 2 more questions. Margaret? And Anthony.

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

Marg Kaczor, William Blair. I did not get enough questions in. I'm going to try it one more time. Jim, you had spoken about leaning -- I think the comment was that you were going to be a little bit more lean with the way that you decide which experiments to run, which investments to make. So maybe you can give us some examples of how things have changed from 2 years ago to today and examples of the experiments or investments that you guys are making where the ROI is higher than the way that you've looked at it before.

James Hollingshead - ResMed Inc. - President of Sleep Business

I think that there's a number of examples that I could draw on, but the thing that most comes to mind for me in response to your question just off the top of my head is with our new global structure. So we're a year plus into global P&Ls, right. And historically, the way ResMed has operated is a lot of independence for our local markets, which has been a huge engine of growth for us. But now as we find ourselves in global P&Ls, what we're trying to do is to get scale. And there are number of things, so I'll give you an example. If you look at some things that have succeeded in our Australian market, where the payment model is diagnosis is reimbursed but therapy is not, our Australian and New Zealand colleagues have built out models that look a bit more like a consumer marketing operation, right, where they might have a subscription model with a patient or other ways to approach how the patients pays for therapy or how they might recruit patients into therapy. And in that payment model, you might be able to take some of the elements of that and apply them in other markets. And instead of allowing -- it sounds kind of very top-down. We don't mean it that way. But instead of allowing every market to think of their own experiment or something like that, what we're trying to do, I think, across all the verticals is to say, okay, if this experiment's working in this situation here, can we apply it somewhere else and can we take those best practices and learnings from that market and go ahead and pretty readily apply them to these 3 other markets that have payment models that are similar and therefore get some scale out of how we build those things, how do we build the offer, how do we communicate with, say, patients or communicate with a health care provider. And then the flip side to that is there are some experiments that are happening in markets, maybe a small market, where it hasn't paid back, it's already subscale and it's not going to apply in another geography. And so what we're trying to do is to ramp some of those down and ramp up the ones that we think will work and apply so we can get global scale and things. And the mentality associated with that and we're trying to bring is this idea of lean innovation where you understand the context of the market, and we have a toolkit that we're using and rolling out that understand the, what we call, market canvas, what's the circumstance. And we're trying to build both cross-functional and also cross-geography teams to really focus our energies on things that are meeting the needs of a patient or a provider or a physician or a payer rolling out best practices and moving quickly where it makes sense and starts to get traction and not doing that where something isn't working and there's not enough investment in it and it's only going to apply on one market and that sorts. So that's, I think, something we're really active in right now, particularly in the sleep vertical.



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

A big part of that lean innovation is focusing on what they call validated learning. So the experiments are all about learning, and they don't go ahead without learning. And you pivot and change early before your investments are out of control. So it's been very, very important internally in the company. Richie?

Richard McHale - *ResMed Inc. - President of Respiratory Care Business*

I might just add, the discipline and focus you need to bring to running your core business can often be disabling for that lean innovation model. So we're purposely designing teams. For example, winning COPD, we want look at transformation of the COPD care pathway, then we're trying to bring together an external partnership to solving some of those problems rather than being dependent upon its own capabilities.

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

So I think we have time for one. Oh, one more from Anthony. Sorry, Margaret.

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

Just a follow-up on reimbursement OUS and then just a margin question. The OUS reimbursement question would be, you mentioned Germany and Japan putting in place premium reimbursement for telemonitoring. Can you give us a sense of what that jump up in reimbursement was from a percentage basis? And then you mentioned other countries are looking at similar models. So can you give us a few examples there?

James Hollingshead - *ResMed Inc. - President of Sleep Business*

It's actually France and Japan, not Germany. And I'd have to delay. I'd have to get the numbers up. I don't have the numbers off the top of my head, but the structure is a little bit different. So what Japan has done is they've put in place reimbursement for a virtual visit, right. So you don't have to have the patient come into the office. They will reimburse a telemonitored visit in effect, right. And what France has done was a little bit more robust is they put in place a reimbursement regime that looks at a moving average of 28 days, so a 4-week period, and they reimburse on a scale that the increases for a patient that is 0 to 2 hours compliant per night on -- as a moving average over the days 2 to 4 and 4 plus. Those reimbursements are higher as you go up that gradation. If the patient is not telemonitored, they cut reimbursement, right. And so that's led to, obviously, a big demand on the part of health care providers to go ahead and complete the rollout of connected devices, which has led to a lot of growth for us over the last year plus in the French market. But it's also placed a real focus by health care providers on making sure the patients stays adherent in an objective and measurable way. And that's good for everybody. That's good for the health care provider. It's good for the patient, and it's obviously good for our business as well.

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

And just other countries you mentioned?

James Hollingshead - *ResMed Inc. - President of Sleep Business*

I think we'll see a trickle through, but those 3 are our 3 largest markets for sleep apnea, right. So that to me represents a rather dramatic improvement. It may not roll through in a kind of a mandated way in other markets. I think what we may see in some geographies is the health care providers individually decide to do it because they know they're driving a better outcome. And you -- I think you'll see in the U.S. market, for example, Medicare has not talked about mandating telemonitoring. We're talking with Medicare all the time about telehealth and the use of technology. But you have



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seen individual payers or third-party administrators ask for telemonitored data for different reasons in the different payment contracts. And so I think we'll see the continued growth of it because the value of the data is very, very high in keeping patients adherent.

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

So I think that's it. We're out of time for questions. Hopefully, you've learned a lot from our session today. And I hope you realize we're not joking when we say we're world's leading connected care company, and that we've got a very strong vision of value creation by integrating our device and our traditional businesses with these new businesses that we're building. And there's so much opportunity that we're barely scratching the surface of what we've got to do there.

I really would like to say thank you all for your attention. Thank you to everyone on the webcast for listening in. Thank you to our product and solution team for giving us such a great demo of the way the products work, and thanks to the exec team for taking questions. Thank you all.

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