



ResMed Investor Meeting

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PRESENTATION

Amy Wakeham:

All right. Let's go ahead and get started. I want to thank everyone for coming this afternoon. Thanks for joining us here in San Diego. I know it's the end of what's been a long week or multiple weeks for some of you, and thank you and to everyone joining us on the webcast as well. We're looking forward to sharing the

next couple of hours with you to share some more information about ResMed, specifically in some of our recent acquisitions and around our long-term strategy. I think we've got a great lineup for you this afternoon, so I'm looking forward to that. Just a couple of housekeeping items for you.

As a reminder, forward-looking statements, subject to risks and uncertainties, actual results could differ. Rob's going to cover the agenda, but before we get into that, just want to let everyone know, after prepared remarks, we will host a Q&A session. For the folks in the room, just raise your hand and wait for us to bring a mic over. We would like to capture that for the transcript. We are recording this and we will post the transcript and the webcast replay after the event is over.

For everyone listening online, we are using an application's name called sli.do. The instructions and the link to the app are available on the webcast page. You can submit questions and then we will relay those to the panelists to answer as well.

With that, I'd like to go ahead and turn the meeting over to Rob Douglas, our President and Chief Operating Officer. Thanks.

Rob Douglas:

Thank you, Amy. Welcome, everyone. It's great to have you here. We really appreciate you coming here on a fairly short notice that we organized this session, but we knew many of you are going to be in the region, and it was a great opportunity to get together and talk about a few of the key issues that we've got going on. In fact, because of that short notice, Mick Farrell, our CEO, was on an already prearranged trip in South America, so he's unable to be with us today. I'd also like to say welcome to everyone on the webcast, and thank you so much for joining us.

Our purpose today, really, is to provide some more information based on some feedback that we had around people wanting to know more about some of the deals and some of the projects that we've been doing lately. Our aim, really, is to provide clarity on our joint venture with Verily, and how that's going to help our sleep business; our acquisition of Propeller and how that is going to support and enable a much broader respiratory case strategy; also, acquisition of MatrixCare, and we're going to explain to you how that's actually, we're building out a portfolio of really good Cloud-based software businesses that not only will grow in their own right, but also provide strong support back to the existing ResMed businesses in our sleep in respiratory care businesses. All of these acquisitions support ResMed's 2025 strategy and position us for long-term growth and value creation.

I want to be very clear that we're not presenting what we typically would do, would be an overview of the full business and how all that's going, but be absolutely sure that gets an awful lot of focus in the Company and we're really driving there and very pleased with our rate of patient acquisition through the whole system, and our shorter term mission of changing 20 million lives by 2020 is still an important thing for us.

Now, we have updated our strategy. Lately, we've been talking about this year and we've developed a 2025 strategy. Like any strategy, it's not a one-off 'we wrote a book and that's it'. This is the direction where we're heading. There's more development to go, and we'll continue to clarify this for you as we develop where it is. We are going to be driven in our strategy by a number of macro and micro trends, and we're really in the right spot on these macro trends. There's a lot of change in health care and it's going to continue to change. The drivers of the change, and we'll hear more on this from Raj, but the drivers of the change around the demographics, which is mainly the aging population, the impact of chronic diseases, where they're going, the issue of health care costs which are massive and the whole issue of skills in the health system. Those are creating a big opportunity for us. In the very specific health systems that we're in now, they're all struggling with issues around cost trajectories, delivery and quality of care, getting those in the right place.

All of those provide responses and system responses that mainly need more documentation, and more proof, more data, more role for analytics and more communication around that.

This is sort of setting the environment for our 2025 strategy, and our vision of our strategy is that we're going to empower people to live healthy lives in their homes and out of hospital. There's going to be an awful lot of development of health care in the hospital, and our focus is in the hospital settings. We're going to continue our focus on the major health epidemics that we've been working on and we know so well. Sleep apnea is really important to us and stays important to us. COPD is also really important and other chronic conditions. You'll hear us start to talk a little bit about asthma and a few others over the coming time.

The way patients are managed and the way these health systems are managed and these therapies are managed, we think we can have a big impact with our software and Cloud software strategy. We've got a really strong advantage in this. We have knowledge of these chronic conditions. We've been treating them for decades at this stage, and our understanding of the technology and the difference that software and Cloud technology can make to the outcomes of how you manage these patients. We've got a very strong Management framework and leadership framework in the Company for the teams, how we're operating. We're really drive innovation, and we're just continuing to invest heavily in the digital health.

I said the outcome of this strategy, I talked earlier we're at 20 million lives and in 2025, we're talking about 250 million lives. We're going to improve them through our out-of-hospital health care on therapies and on software and solutions that support them through those therapies. This is a growth strategy.

Now, we're going to talk a little more about sleep, and I'm going to ask Hemanth to join me in a minute but I just wanted to emphasize first, sleep is our core business. It's a huge underpenetrated growth opportunity. There are over than 900 million patients; maybe 20 million of them are treated today. It's a great opportunity, and as Mick Farrell said recently, "We eat, breathe and dream about sleep." That really is what we focus on. It's just that that's not the bulk of what we're talking about today but most of our R&D, most of our marketing investments around opportunities in sleep. Jim Hollingshead, who's President of our sleep business, leads a really strong team. He's got a great project pipeline, product pipeline and great market road map, and there'll be a lot more to come in that. Our joint venture with Verily is just one of those key projects that we're engaged in, looking at ways to expand the market and our position in the market for treating these sleep apnea patients.

I'd like to hand over to Hemanth Reddy who is our Head of Strategy Organization. He's our Chief Strategy Officer. He has been heavily involved in the development of the Verily JV, and he's going to give us an update on that.

Hemanth Reddy:

Can folks hear me okay? Great. As many of you will know, Verily is the Alphabet's life sciences arm with a specific mission of collecting, organizing, and activating health data around the world so as to improve the lives of people around the world, to help improve health. They have a partnering business model. They've been partnering with a number of companies in various life science and healthcare sectors and, fundamentally, what they do is they bring deep technology data science expertise and combine that with the main expertise of their partners to drive innovation in various healthcare sectors. We formed a Joint Venture with them focused on sleep apnea that kicked off in the last quarter. I've been, as ResMed's Chief Strategy Officer, deeply involved with its design and formation. I currently sit on the JVs joint steering committee along with two other ResMed colleagues and I'm also an observer on the Board of the joint venture.

What I'd like to do is take you through what this joint venture's about what we're trying to do with it. But before we go there, it's really important for us to set the context around the patients, the sleep apnea sufferers around the world who really motivated the formation of this joint venture. As we've shared with you previously, sleep apnea is a hugely prevalent chronic condition around the world. The latest studies indicate that 936 million people around the world suffer from sleep apnea; 54 million people in the U.S. alone suffer from sleep apnea.

What happens to the sleep apnea sufferers? These are folks who are chronically deprived of healthy and restorative sleep. As we've shared on various occasions in the past, these individuals suffocate for 10 seconds or more every few minutes for several hours as they're sleeping throughout the night. As a repetitive suffocation, the consequence, oxygen desaturation and the sequence of rescue responses that are triggered and cascade as a result of that create enormous stress and strain on these individuals' bodies while they're sleeping. Therefore, sleep apnea is associated with many of the major chronic conditions that folks are trying to address very deeply around the world. Whether it's atrial fibrillation, heart failure, diabetes, hypertension, stroke, depression, the major cardiovascular conditions, the major metabolic conditions, the major neurological conditions are all associated with sleep apnea.

Unfortunately, most people who have sleep apnea don't know they have it. They are unaware of the fact that they have it. They are unaware of the consequences of having sleep apnea untreated to their health. They are fundamentally unaware of the benefits of treating sleep apnea for themselves, for their loved ones, for their workplaces, and for society overall. Even if folks suspect that they may have sleep apnea, they choose not to get diagnosed or treated because they have potentially dated views about what it takes to get diagnosed or what it takes to get treated. They don't know that they can get diagnosed in the comfort of their homes. They don't know that the therapy is quieter than the ambient noise in most rooms. They don't know that it's much more comfortable now than it's been in previous years. The vast majority of individuals with sleep apnea remains untreated.

We've had various initiatives at ResMed over the years to move the needle on diagnosis rates and on therapy adoption. We enjoy relatively healthy growth rates in our market relative to the other healthcare segments but the vast majority of sleep apnea patients remain untreated and that's fundamentally what we're trying to do with this JV, which is bring new solutions to this long-existing opportunity we've had as a company.

Our JV with Verily is fundamentally focused on innovating to support sleep apnea sufferers. What it does is it'll leverage the capabilities and strengths that ResMed have in terms of deep scientific, clinical and market knowledge around sleep apnea combined with Verily's deep expertise given its heritage and its roots in advance analytics, predictive modeling, machine learning and software techniques applied to healthcare. Collectively, what we want to do is we want to bring new approaches. We want to uncover new insights and bring new approaches to support sleep apnea sufferers from that pre awareness to awareness to guide them to ultimately get diagnosed and treated.

We're specifically focused on three major areas to be able to do that. Big data research. Fundamentally focused on generating Real-World Evidence. We demonstrate the value and effectiveness of sleep apnea treatment. Secondly, identification and engagement solutions. What we want to do here is bring the best of technology to better identify folks who are at risk of sleep apnea, help educate and to make them aware of their sleep apnea and guide them systematically through a process to get diagnosed and treated. We want to do this in a way that's personalized, that's tailored, that's seamless, that reduces many of the frictions that these individuals currently face but also be able to do that at scale. The third major opportunity for us is to collaborate with other potential Verily partners in addressing sleep apnea among their populations.

I'll cover a bit more about each of these three areas but please note that we are in the very early stages of this JV formation. We're literally a few months in and so there's plenty of details to still be worked through.

But what I will cover the next little bit hopefully gives you a sense of the kinds of things that we're looking to achieve through this joint venture.

First, starting with big data research. We've shared with you on numerous occasions the activity that we've been doing in this space. We are a leader in generating actionable insights from big data in sleep apnea. We generate insights as it relates to efficiency but fundamentally better patient outcomes as well. We've accumulated over 3.5 million (phon) nights of sleep therapy data and that number continues to grow on a daily basis in the millions. We are constantly looking through that data as a way to generate even more insights to better treat individuals, to improve our therapies but also improve effectiveness of the care that they get. Here are a couple of examples of studies that we shared with you in the past. One that looks at data from over 200,000 central sleep apnea patients, another with over 128,000 patients. But you can appreciate the scale at which we're looking at these big data assets and trying to generate insights to help us improve sleep apnea therapy. But fundamentally, we're barely scratching the surface in terms of the insights that we can generate from this rich data set that we have and we'll continue to make progress towards generating insights from the data that we have.

However, the data that we have, and one way to think about it is it's a really deep data well. It's data about therapy usage of ResMed therapies. It's data about how one sleeps and breathes while they are on ResMed therapy and therefore is constrained in terms of the range of things we can learn from it. In order to learn even richer insights about how one's health is fundamentally benefited from sleep apnea therapy, how the cost of care is fundamentally improved if one is on sleep apnea therapy, we need access to much broader multi-dimensional data. Data about one's health, data about one's environmental context, social context, data about their health care utilization, how they're dealing with other conditions and that's where the partnership with Verily becomes really interesting. As you may know, Verily is aggregating such multi-dimensional data lakes, trying to analyze them, organize them and (inaudible) and activate health care benefits while lowering costs for individuals.

An example of such a project is Project Baseline. Project Baseline is a landmark longitudinal observational study that Verily's undertaking. They're looking to recruit and have 10,000 participants in the study and track them over four years. The objective of the study, really, is to establish a "baseline" for good health and to track with much earlier precision than we currently can the transition from good health to disease and the risk factors associated with that across a whole range of chronic conditions. They're doing this in a way that really is at the forefront of bringing technology to bear in healthcare. They are collecting a vast amount of data on any given individual, molecular data, imaging data, genomic data, biomic data, sleep data, and the list goes on. They're doing this through a variety of different means whether its sensors on the individuals, study watches, regular visits, blood samples, lab works, and so it's really a tremendous repository of data that hasn't been collected this scale or with this read, this far. They're partnering with world-leading academic institutions, such as Duke and Stanford on some of these initiatives. It's a really interesting and impressive undertaking. This is just one of many projects that they're undertaking.

You can imagine, as we look across this cohort, and look at, in particular, individuals with sleep apnea who are treated, individuals with sleep apnea who are not treated and individuals who don't have sleep apnea, we can uncover much richer insights than we were otherwise previously able to do in terms of how these individuals are progressing, what the impact of sleep apnea is on their health, what the value of treating sleep apnea is for them and for the folks who pay for their healthcare. The kinds of insights that we look to uncover through our collaboration with Verily include really rich understanding of various sleep apnea phenotypes and what these markers are for these phenotypes, a really rich understanding of what is the different levels of sleep apnea risks and how can one stratify sleep apnea risk by these phenotypes, and what by the parameters to be associated with that; what is the best way to diagnose and treat these individuals based on their phenotypes investment personas; what kinds of patient journeys might be most effective for them; and what is the corresponding impact for their overall all cost healthcare in treating their

sleep apnea. Those are the kinds of things we're looking to really further our understanding on with great richness and granularity through our collaboration with Verily.

That, in turn, allows us to continue to develop the world's leading devices, masks and software solutions to manage sleep apnea patients. It allows us to develop new ways of getting folks diagnosed and treated and partnering with our customers and key stakeholders in the healthcare ecosystem to actually deliver these models of care. Some really exciting possibilities as it relates to what we can do from a big data perspective, above and beyond what we've already pioneered in sleep apnea through big data.

Secondly, and perhaps the more interesting and exciting aspects of our collaboration with Verily is what we're calling Identification and Engagement Solutions. As I previously shared and Rob previously mentioned as well, driving therapy adoption and diagnostic rates for sleep apnea is perhaps the single biggest growth opportunity we have as a Company and value-creation opportunity we have for our shareholders. We have a number of different ways in which we're trying to do that but the Verily joint venture is a really interesting one in that set of opportunities. Fundamentally, what we're looking to do is take the learnings from the big data research that I just talked about, to develop a holistic approach to patient identification and engagement. We're going to be applying the latest technology, along with the ResMed's expertise, to use a multi-pronged approach to identify individuals at risk, all the way from highly-targeted multi-channel outreach combined with screening. You're starting to see some of this being done for various conditions and this is the kind of approach that Verily is using to recruit for Baseline, the project I just mentioned, including things like predictive modeling and risk stratification for payers among managed populations. We can look across the populations and better identify who may be at risk of sleep apnea and then proactively engage with them to see if we can guide them through a systematic process to get treated.

We're also looking to signal processing and machine learning approaches. Imagine data off of wearables, data off of sleep monitors, data off of various home IoT devices, whether it's home assistance; these are all sort of illustrative examples of the kinds of things we anticipate we ought to be able to do with this joint venture, and then using those signals as a way to say, how is one sleeping and is one at risk of sleep apnea. Then finally, the other example I'd like to share with you all is using data from related chronic conditions as it relates to diagnostics remote monitoring. There has been some recent press about Verily's machine learning applications as it relates to the detection of diabetes-related eye disorders, by applying machine learning to retinal images and they're rolling that out in India at a pretty large scale. Now, it turns out if you look at retinal images you may actually be able to identify sleep apnea as well. That's just one example of applying machine learning to other approaches, to diagnostic data and monitoring data from other related chronic conditions. There's a vast array of ways in which we can identify these individuals and we expect to be looking at many number of these and bringing the best technology to see how we can proactively identify individuals.

Once these individuals are identified, then actually proactively engaging them as well with very tailored and relevant content, based on their particular situation and their persona and their phenotype, as well as customized guidance and experienced information resources and proactive nudging as a way to encourage them to take that next step. These kinds of resources just don't exist today for sleep apnea patients as they try to make their way from becoming aware of their sleep apnea, trying to get diagnosed and ultimately trying to get acclimated to therapy. We think it will be hugely beneficial, as folks become aware of their sleep apnea, to ultimately get onto therapy. These are the kinds of approaches, by the way, that are currently being applied by some of Verily's existing partnerships. This is learning that they already have and that we expect to benefit from as we apply these learnings to sleep apnea. We're quite excited about the possibilities here and we think that, ultimately, we can support individuals all the way from awareness through to diagnosis, through to treatment in a very personalized yet efficient and scalable manner, and do so by applying not only a powerful digital platform, but continuous machine learning, so we can constantly learn and iterate and get even better at getting folks through this front-end of getting on to sleep apnea

therapy, such that once they are on a ResMed device, we can continue to provide the best possible care that we've been able to this far.

The third opportunity to highlight here - and again, this is sort of very early days and so please consider this as some of the possibilities we have - as I mentioned previously, Verily has established a number of partnerships in a range of areas. Many of these are in related chronic conditions to sleep apnea, whether it's diabetes, cardiovascular conditions, neurological and mental health, inflammation. They've also been forming partnerships and have projects in areas that are cross-cutting across multiple disease states and are also relevant to sleep apnea, such as precision medicine, population health, and health care delivery. What's happening among these existing partners is they are now starting to get connected with each other and there's been a series of announcements over the last little bit of some of the partners starting to work together and we fully expect that we'll have similar opportunities, and in particular, be able to partner with some of these projects and these partnerships to help them better manage their chronic conditions. By treating sleep apnea among those populations, can we actually improve the outcomes and chronic conditions like diabetes, for example? Not only do we expect that we can further understand what the interaction is between these two conditions and what treating sleep apnea would be able to do in diabetes management, for example, but also then work with that partner to identify sleep apnea among their population and drive them through better care. Yet another exciting possibility towards proactive identification and better management.

Tying it all together, we're in the early stages of our joint venture with Verily, but fundamentally, we think that we can significantly move the needle in terms of therapy adoption, diagnostics in therapy adoption, as well as significantly move the needle in terms of one's awareness of sleep apnea. We've formed a JV. We have a dedicated team of experts from Verily that we're really excited to be working with. We've complemented them with a team of experts from ResMed, who bring a lot of domain knowledge to the JV. We've kicked off some early-stage research to really understand patient pain points and expect to be kicking off some of the big data research shortly and that will be an ongoing effort for us. We'll start to take the learnings from those and start to develop modules towards identification and engagement solutions and start to pilot those in the marketplace over the next little bit and then launch them at scale over the mid-to-longer term and as and when we're ready to do that, start to engage with some of Verily's partners as well. That's broadly how we're thinking about the timeline for how this evolves. This is an ongoing effort of research, as well as proactively identifying patients and developing the market.

In terms of expenses, I think as previously shared on our earnings call, we expect the expense about \$7 million a quarter, approximately \$7 million a quarter for the remainder of FY '19 and for the four quarters of FY '20. That's based on equity accounting method of investments. We fully expect to earn a really good return on that investment and we will do everything we can to manage it. We've got some good governance structures in place and we're working very closely with the Verily team, to really drive the outcomes that we're hoping to get from this joint venture. We're very confident in our ability to earn a return on this investment and fundamentally drive therapy adoption for sleep apnea and grow the sleep apnea market.

In summary, our joint venture with Verily will really allow us to reach and engage the millions and millions of untreated sleep apnea sufferers and really support them and diagnose them and get them treated in a way that we just haven't been able to this far, do so in a way that's really guided, that's really personalized, that's really efficient and therefore allow them to get the benefits of a healthier life and higher quality of life. We expect to significantly accelerate our insights and learning and understanding of sleep apnea through collaborations with Verily along the lines of what I just discussed and really pioneer new approaches, new approaches for machine learning, advanced analytics, predictive modeling in sleep apnea, to fundamentally drive market development, accelerate market growth, accelerate treatment adoption, and therefore generate really compelling returns for our shareholders. Thank you.

Rob Douglas:

Great, thank you, Hemanth. That's a very exciting project for us. We're really encouraged by early progress in the joint venture with Verily and for us, as Hemanth was saying, it's an important part of our portfolio of investments that we have in developing the sleep apnea market and making sure that more of those 936 million patients can get on to treatment.

Now, the second area that we wanted to talk about was talking about our respiratory care portfolio. We have a very strong developing business in respiratory care, led by Richie McCaw, and we've got a great team working on a number of areas. Most of our business to date has been around medical equipment, particularly ventilators, used in long-term care and now those ventilators are treating patients with a variety of chronic conditions. But the main one is COPD, and we really focus on COPD. There are lot of other patients that can do very well on the ventilators such as neuromuscular patients and scoliosis patients. They are getting treated well around the world, but COPD is just really the thing that's got our focus in terms of what are the future major issues we should be looking at. It's a major cause of death around the world. We believe there are nearly 400 million people around the world with it. Some of the causes of COPD are exposure to smoking, being a smoker, but it's also exposure to pollution and living in cities that have poor air quality. It's also the consequence of having poor air quality in the home, particularly given methods of cooking and things like that. This is a very important long-term condition that is undertreated at the moment. It's very expensive to treat. These patients need a lot of continuous treatment. That's a long-term disease. Many patients will suffer from this disease for 20 years. It's a leading cause of death. We really want to work on it.

Now, I want to talk a little bit about our respiratory care strategy, and that's really informed by our point of view of a number of key points. We believe that patients with chronic respiratory conditions are not well-served. COPD patients are not well-served by the healthcare systems today. The same is true for asthma patients as well, we believe that's an issue there. We believe that technology and technology and the medical equipment that's used to treat these patients could add a lot of value, could change the game. We believe that many patients aren't getting onto the treatment until it's too late. They're not getting on the treatment until they're so ill they can barely breathe, and they have to go to the emergency room. We believe that getting good engagement with patients before that can make a difference. We believe that digital end-to-end solutions and connectivity and managing the workflows around how the patients are managed, but more importantly, providing information to the patients and supporting the patients in their own journey through that disease progression can make a huge difference.

That leads us to a layout of our strategy, three phases. In the core, we're going to continue to compete and win in the core of our respiratory care business, which today is selling devices for treating respiratory conditions. Ventilators, oxygen, increasingly with Propeller, you'll hear more of inhalers. We believe that in the second phase of this, we can innovate through those. We'll not only innovate the products, we've got a great product roadmap, but we can also innovate the business models and, really, the care models for these patients, and make a difference for that. We've got numerous products and experiments going on. Then longer term, we believe we can actually transform COPD treatment by taking a longitudinal approach to how are patients managed and how do we create value for their health system by looking after them through that?

One of the ways of talking about this longitudinal thing is just to talk a little bit about the progression of COPD. I'll come back to that. The progression of COPD, it's an increasingly severe disease. You get it, you start off with a little bit of breathlessness, trouble walking up the stairs, and it just gets worse and worse until eventually you're not breathing. Medical interventions can slow the rate of that disease progression, and we can also improve the quality of life through that disease progression. Improving the quality of life, we can generally keep people out of the hospital, make them have to present to hospital less. That has a really good impact on costs to the health system as well, so that we're really helping it. There's a program called GOLD, Global Obstructive Lung Disease, a program that really lays out how to think about COPD,

how to manage it, what the causes are and what the standards of care are through it. It's a very good website to have a look at. But they define a number of stages of COPD, stage one through the stage four. There are different interventions in these different stages. In stage one, it's to stop smoking, manage yourself, get more exercise. Stage two, you'll be on to inhaled medications that really make a difference. It's both to improve your condition but also rescue you when you're in trouble. Stage three, and moving on through this, these treatments don't line up exactly with the stages but it's a good model to look at it. You might be adding in oxygen therapy. Oxygen therapy improves how people feel and can improve the quality of life. Although being tethered to a tank and stuck inside is not the best quality of life that you could have. That's one of the reasons why we believe that portable oxygen concentrators which let people get out of the house and move around are really important as well. Then by the time you are more serious on stage four, that's when the long-term ventilation comes into play. We have studies showing that going on to ventilation can really improve patient outcomes, can keep them out of the hospital and improve the quality of life.

Now, in terms of the market, if you take a market viewing, our ventilators are really talking about being able to support less than 1% of the COPD patients in the market. Oxygen has maybe about 20%. ResMed's business today, which is in ventilation and oxygen, really is looking at the more severe COPD patients, and there are less of the more severe COPD patients around the world. Inhaled medications? That's about 75% of the patients or even more. This starts to explain where Propeller comes into play because Propeller is actually giving ResMed a role in a much greater percentage of the population of patients with COPD, and these patients not only need their inhaled medication, but with Propeller, and David will explain this much better than I can, we start to engage these patients on a platform, giving them feedback in how they're being treated and what the conditions are and what they should be.

Unfortunately, eventually many of those patients are going to need oxygen and ventilation therapy. There is a strong link for Propeller actually giving ResMed the foundation for a longitudinal view of the COPD patients supporting all of our business. Then for those more severe patients, we have a very strong product offering. That is really a range of solutions there, and we continue to focus on these solutions, and a significant fraction also of our R&D investments go into developing these products. These products are performing strongly in their respective markets. I'd call out the Astral (phon) there with the ResMed connectivity module. We're really in the process of establishing the value proposition for connected ventilation, which is allowing care providers to prioritize which patients they interact with based on how well the patients are being ventilated in terms of the longer-term treatment.

That's a quick overview of our respiratory care strategy, and I'd like now to introduce David Van Sickle who's the Founder and CEO of Propeller Health. David is a passionate epidemiologist. He spent the early part of his career working at the CDC. You can find him on video blogs explaining the consequences of asthma and COPD and what really is our obligation to getting better treatments for these patients. He's done a great job building Propeller from a startup to one of the most recognized names in digital therapeutics, and a very strong management team, and we're really excited to have David as part of our team now. David.

David Van Sickle:

Thanks, Rob. I brought a device to share with you in a bit. Well, good afternoon, everyone. Thanks for the chance to be here to introduce myself, share a bit of an overview of Propeller's technology and business, and also hopefully talk for a few minutes about the exciting next chapter we get to write as one of the recent additions to the ResMed family.

As Rob mentioned, I started Propeller after a few years as an Applied Public Health Epidemiologist at CDC. I was working in the Epidemic Intelligence Service, doing disease detective work, outbreak investigations for the agency on respiratory and then later moved up to the School of Medicine in Madison, Wisconsin,

which is where I and the company are based today. Throughout that career, I've really been puzzled and motivated, I guess, by this persistent challenge in chronic respiratory disease that Rob described so well. This shortcoming or gap between what should have been accomplished by now and what we've so far achieved, very reminiscent to, I think the way Hemanth laid out, the big opportunity that still lies ahead in sleep.

The great conundrum in respiratory is that despite the development of more effective medications and an increased understanding of asthma and COPD over the years, the majority of the people with these conditions aren't doing nearly as well as they could be, which simply, I suppose, patients and physicians need a lot more help understanding when they're not doing as well as they could be and helping them get to that next phase. But without any kind of clinical tests or biomarkers, so to speak, of their status and their level of risk and impairment, important feedback loops in the care and treatment of these conditions has been left open. As a result, there are really big costs to this poor state of affairs, \$82 billion annually for asthma alone, and another \$50 billion in the U.S. for COPD.

The core insight behind the innovation that grew up into Propeller was that understanding how people are using their daily medicines, the ones that are taken to prevent symptoms from occurring, and then the medicines that they take when they're having symptoms, when they're having an attack or an exacerbation, understanding those patterns and the frequency of use and the time of day of use would really teach us about important vital signs of the progression, response to treatment, risk and impairment, and so on. Remember, there's two classes of medicine; ones you're supposed to take all the time and we're trying to encourage daily adherence with those, and then the others that happen to be used when you're coughing and wheezing, or having an attack, or whatever. We realized back then that people were carrying around and using these medicines, and that the fact that you had a delivery device for these drugs that you could add electronics to would make them amenable to monitoring, into understanding their patterns of using and then putting that information to work, and to do that passively without asking the patients to participate in any way in that process.

Since then, we've gone on to build about 10 different devices that connect with the majority of inhaled medicines on the market, like these metered-dose inhalers with these simple add-on attachments that effectively connected to the network and allow us to monitor the data that comes off of the sensors that are embedded in those devices. We put all of these, and then this common software solution digital backend and so forth, through regulatory review at FDA as 510-K Class II devices. We've now connected 10 different sensors and put them through medications, and put them through that process. As I mentioned, that encompasses the vast majority of medicines that are used today in practice. While we are best known for this hardware, what I want you to focus on about Propeller, the way we create value isn't actually through the hardware but through the data and the software experiences and the digital companions that we build, using that information to help people better understand their condition, learn to avoid, mitigate or reduce their exposure to triggers that cause symptoms, help them understand the different types of medicines and how they should be used in daily life, connect them and sharpen and strengthen their relationship with their physician so they can actually have data-driven conversations that are timely and objective about their level of risk and symptoms and so on.

We do this primarily through these digital experiences, these apps, these solutions that meet people on their phones, or on email, or on Alexa, or what have you, but what's important and where we think that real opportunity is here is that, digital, just like it brought about wholesale changes in the way you look for a job, or buy a house or entertain yourself in music and movies, we think that those same kinds of changes are going to come to health care, into medication delivery and in ways that mirror and complement the benefits of those medicines. They make them easier to use; more convenient, more simple, more accessible, just like it reshaped those other parts of life. We can encourage adherence through these methods. We can obviously help connect them with their physicians in new ways. We can help them re-fill medicines when that time is up, and many new things to explore together that we'll talk about at the end.

With this data, we can also put it to work for physicians, who, as I mentioned, really lack great tools to understand how their patients are doing when they're not in their office, when they're out in the community which is where the majority of asthma and COPD is being managed. As you can see here, that happens by essentially presenting physicians with information about how there are increasingly large panels of population—of patients are doing, who needs more attention, and how do I quickly identify them and bring them in for an exam or prescribe additional therapy or essentially get them on the right dose of the right medicines as fast as possible so that we're effectively controlling these conditions and allowing them to participate fully in the activities they choose.

I want to talk for a second about the commercial model at Propeller, and how we create and capture value from our business. On the one side, we're creating and bundling the supply of digital medicines with respiratory pharma, folks like GSK, BI, Novartis and so on, essentially helping them develop, trial, commercialize digital solutions for their franchises that they are all connected to the Propeller platform. On the other side of our business, we're working to aggregate demand, to connect the patients and members of large payers, provider systems, PBMs, and really help distribute these digital respiratory solutions into the daily lives of those patients in efficient ways. This puts us in a really unique position at the center where we have a unique opportunity to see the real world performance of these medicines and to participate in new kinds of value-based contracts and other arrangements that are emerging as pharma and PBMs and payers increasingly try to look to control growth and cost.

We generally earn revenue on a per patient per time period basis. We're paid for every individual who enrolls in and participates in Propeller, and in some cases have performance incentives on top of that. For pharma, one of the most important things, remember that their medicines aren't nearly used as often as they should be. Adherence rates in the 20% to 30%, and as a result, people aren't benefiting from them to the degree that they could. One of the key ways Propeller creates value for pharma is helping to encourage the appropriate regular use of those anti-inflammatory medicines that are so important in blunting the slope of decline in COPD and in preventing people from having asthma exacerbations. In a randomized controlled trial we ran with an IDN out here, you can see we provoke about a 58% lift in adherence across a population of intervention patients compared to their control peers. In the case of pharma, that translates into better sales, higher sales of these branded medications that are underused and as a result not delivering the value to patients and payers. We're also supporting a number of R&D efforts around the world to help them augment strength in their clinical trial efforts and collect additional real-world evidence about the performance of their medications in populations.

When you use more of those anti-inflammatory medications, this is what happens. The as-needed use of the rescue medication that the drugs you take to relieve symptoms when they occur, like an asthma attack, goes way down. This is a marker. This is a vital sign of asthma. When you see people enrolling in Propeller, they come in using albuterol, a rescue medication, more than once a day. They're suffering from many more symptoms than they should be having given the medicines we have and what we know about the disease. Very quickly, they experience a significant and sustained reduction in the use of that medicine and that happens in days and at nights, which is an important marker of worsening or instability, and you can see it persists all the way out to two years in this cohort of patients of Propeller. This is what people care about. They don't care about adherence to the anti-inflammatory medicines for its own sake. They care about symptom-free days. They care about the ability to participate in activities they choose; to go to school, to go to work, not to have their life and their nights very disrupted by uncontrolled chronic respiratory disease.

When you follow those patients who are appropriately treated as a result of the digital interventions, you see a big reduction in preventable—entirely avoidable healthcare utilization is what drives so much of the costs in these conditions. This is data recently published from a long-standing commercial program with Dignity Health here in California, showing the significant reduction in ER visits and hospitalizations. Most

of these should never happen with the treatments we have today. There's lots of opportunity for digital to help patients and their physicians and the organizations that take care of them, put their treatments to much better use and effect, and as a result, improve outcomes and really lower costs.

I want to turn to what's ahead for us now that we're a part of the ResMed family. I have a few points to share. One of which is, as a result of the data and the clinical results and commercial impact that we're having with our pharma partners, they're expanding our footprint to a number of their important franchise markets outside the U.S. This year we'll be in 15-plus countries in clinical trials, commercial pilots, mostly with our pharma partners. When we look at the opportunity to join the ResMed family, as a founder and CEO, one of the things I'm keen to do is avoid unnecessary originality. The chance to take advantage of the infrastructure that the team at ResMed had already established and put to great use, connecting devices around the world in 100-plus countries, it's really going to accelerate and encourage the growth of our business in collaboration with pharma, and not to mention help us avoid having to recreate or rebuild that all on our own.

In addition, we think that the government affairs, the market access experience and kind of the accumulated wisdom and history that the team here has in bringing these kinds of solutions into these settings, it's going to be very valuable, again, in helping us hasten the adoption and get the beneficial digital therapeutics that we can offer into patient hands in those settings. As you saw and as Rob described, we think there's a really interesting opportunity to do a lot more with digital across this longitudinal patient journey. Today, we're starting to think about and work on ways in which we can help inform and empower the patient across that journey from diagnosis through the introduction of inhaled medicines, through the advent of other adjuvant therapies like oxygen and ventilation as and when it's appropriate and it could be put to use, again, to keep people as healthy as they can be and as active as they can be as long as we can.

We're really excited to join the family. It feels like a great home. Very similar kind of corporate cultures, I think, although our is much smaller, but a place that celebrates problem solving and innovation, and I couldn't be more happy than to be here and to be able to write the next chapter in collaboration with these guys. Thanks.

Rob Douglas:

Thank you, David. As you can see, we're really excited about the opportunity with Propeller and how it's going to transform our respiratory care business by bringing us into involvement with patients a lot earlier in providing a digital platform that's going to underpin how we look at that business. Now, the third topic we want to talk to and final major topic I want to talk about was our SaaS strategy and our recent acquisitions. We had had a lot of comments of, "What does this mean? Please explain more," and we're very aware that we need to give you lots of information and explain our strategy and how these businesses are actually really good businesses with great growth opportunities in their own right. But also importantly, as they grow, they're going to support and enhance our existing sleep and COPD businesses as well. I would like to introduce Raj Sodhi, who's the President of our SaaS businesses. Raj was the founder and CEO of Ambien, a company that ResMed acquired very early in our journey towards becoming a tech-enabled company. Raj and Ambien had sort of pioneered the use of these digital approaches to changing outcomes in long-term therapy. These really made a difference to the Company. Over to you, Raj.

Raj Sodhi:

Great. Thanks, Rob. As Rob mentioned, we need give some context to these businesses and also how they connect back to the core business. Before I start with that, we had a strategy around digital health with lots of conviction behind it, around enabling better patient care, clinical decision support, interoperability. You've seen us unravel that over the last few years and drive a difference in how we compete in the market

and how we grow share in the market, how we enter new markets. We've got conviction behind a SaaS strategy now that we're executing on, that we're sharing with you today.

I think the first thing is, one, to give you an understanding of what are these care settings we talk about. We talk about private duty or skilled nursing, and so what do those mean? I will talk to you a little bit about that. The second thing is around what's happening in the market and why is it attractive to us, and why do we have the right to win in those segments. Third is where does our portfolio fit in this out of hospital space. The last one is how do we create value. Ultimately, then I want to talk to you about what's the link to DME, what's the link to sleep NRC. I had a great opportunity to meet with David's team. I agree, the culture of commercial and technology innovation is a good fit, but within 20 minutes, we had intersection points defined between the SaaS portfolio which you'll see in some of the patient examples we give here that show that a neuromuscular patient or a COPD asthma patient, is also in a home care setting, is also in a skilled nursing setting where we're running the electronic medical records. The intersection point between both the sleep and RC digital technologies, now including Propeller, have a strong place inside the SaaS portfolio.

Let's walk through. I covered that. Let's walk through a little bit of context around the different care settings. Home health is what it sounds like. It's health being delivered in the home. It could be physical therapy, but it could be even specific things like wound care or a COPD patient in the home that's having their ventilator checked and then updated for the program settings. You have skilled nurses or a physical therapist being coordinated on a scheduled basis, typically on reimbursement or patient need to enter the home, deliver therapy, document the episode and then come back to the office or go to the next home visit. There is a coordination both of the point-of-care application software as well as the patient engagement and the documentation, and ultimately, the billing that's taking place in that setting.

Hospice is different, and that is, it's terminally ill patients. You've got patients that are end stage of life. They're looking for comfort, but they're in a very different care setting with different needs, but they still need medication, they still need visits. Those can happen in a home, in a hospice facility, or even in a skilled nursing facility where there's a hospice setting in there. It happens in multiple care settings but it's hospice care. It's slightly different than home care, but it's a different care context.

Private duty is interesting, that's things like personal hygiene, groceries, bathing. Why would ResMed be interested in being in that category? Because we're trying to keep patients out of hospital in the lower acuity settings, and the challenge is, if you don't address the nonclinical needs, you end up having a much more acute clinical need. For example, you have people that don't have family support. If they're not eating, if they're not bathing, if their house isn't ready for them to be managed in the home, or if they're simply just lonely and need someone to come and sit with them, they end up in a higher acuity setting. For us to be able to coordinate the clinical and nonclinical work is important in the overall strategy of keeping more patients in a lower acuity setting, and so private duty is another care context.

Skilled nursing isn't long-term care. This is where someone's in the step down from the hospital and needs medical care in a clinical setting. It's a step-down from the hospital, you're getting lots of care. It's regulated, both from a billing and from a—like many of these settings, billing and from a therapy standpoint, but it does need a higher acuity care.

Senior living is different, and that's kind of a setting where you're choosing to go in. You're in a facility where there's rehab, exercise, and all of those types of things, but you do have access to alarms in the room and things like that with the skilled staff and so you're getting that type of care.

A life plan community is an interesting evolution of a campus-like environment, where you've got from independent living all the way up to skilled nursing or hospice and so you've got a community where your needs, as you need them, whether it's kind of episodic or whether its transition of life, you choose to go into

a life plan community so you have a continuity of care. These are emerging at various levels, meaning you can buy in at a certain level and pay a certain amount per month, but it can be at a nominal level or at a very high level depending on what you can afford. What's interesting about these settings is people look at retirement differently now, it's like reinventing themselves, going into one of these communities, but their expectations of digital engagement, both to see what is going on with their health so they can live in this new context, is much higher. Their demand on technology like Propeller, to be able to see how they're doing with medication because they want to stay as healthy as possible, to go to exercise every day, to take the shuttle to the movies. They want to live in this context as long as possible and slow down the progression to the higher acuity settings. But, therefore, the demand from the patients is higher on digital tools.

Let's talk about what's going on in the market. One, as we all know, there is a growing aging population, and it's increasing the demand on long-term care needs. What's also interesting is there's less providers to do it, there's less caregivers, the burnout rate is higher because of the demand on them. Providers are looking to technology to help solve a scale issue that they're looking for, but also they are looking to transition care to lower acuity settings. That's linked to this health care reduction of cost, that spend is out of control and all providers, hospital systems are being pressured to push patients to a lower acuity setting without the risk of a readmission penalty for certain discharges. If you've got a patient whose recently had ablation and is being discharged to the home, there's a penalty if they come back early. There's quality of care in the hospital, but discharging them to the appropriate provider out of the hospital is something the hospital is now trying to coordinate which then lowers the cost of the patient in a lower acuity setting. This transition of care dynamic is getting heavier. We'll talk about numbers later on in the presentation about the volume of patients being shifted from the hospital to out of the hospital.

We talked about rising health care costs, and this value-based care equation is now coming into place. This is linked to readmission penalties, but it's also linked to both providers trying market themselves to say, "I'm an outcomes-oriented provider. I can deliver higher quality care, lower readmission rates, as an out of hospital provider," and so value-based care is an emerging dynamic. What's enabling that is the ability to measure therapy quality through technology to be able to measure outcomes long-term throughout the care settings that a patient exists and be able to demonstrate that to the health systems and the payers. This is really interesting, both a curse and a blessing. There's lots of regulations, whether it's quality of care delivery or it's how billing is metered and—or therapy is metered and then billed. This is good because it holds providers accountable. It also puts a huge burden on them from an audit perspective, from a technology perspective, to meet constant regulatory change. It's an opportunity for us because we build technology that accommodates that, but it's also a people management issue. When regulations change, it means their workflows changed, and so you need to be able to scale your business to engage with the users to teach them about these regulatory changes, get them ahead of it, and it gives us the opportunity to monetize more software around it.

I'll talk about the portfolio. These are the main brands. Before I get into these, we've made a number of smaller acquisitions such as Apacheta which is a logistics delivery solution that helps drivers deliver product to the home. We bought Conduit Technologies which is a workflow document management tool that lets our customers protocolize forms online and manage workflows more efficiently. We acquired GoScripts that helps us manage intake from physicians for e-prescribing. Then we bought AllCall which is a live call center to help fuel and support our customers through resupply. Those were capability investments that we made under Brightree, and those we continue to operate today and those help our HME customers. What I'm going to talk to you about today is more how do these platforms, Brightree, MatrixCare, HealthcareFirst, fit into those care contexts that I just described.

I'll start with Brightree, we acquired Brightree back in 2016. It was a strong growing business. It enables HMEs to do everything they need from intake management to billing inventory, third-party logistic coordination, resupply, we print and send bills, we help with revenue cycle management, so it's an end-to-end ERP and services solution for the HME. Brightree had, when we acquired them, a really interesting

technology in an iPad point-of-care, so it's like the EMR on an iPad. It's what those skilled nurses take into the home with them. It was a really good clinical solution with a sophisticated back office kind of for scheduling and billing and things like that. What it was missing were a couple of key components. How do you survey how effective providers are in the market, how do you do analytics, and how do you do revenue cycle management?

We acquired HealthcareFirst in July of 2018 to fill the gap between what we had with Brightree in a point-of-care application in EMR and what we saw as a gap to go up market. Enterprise customers are looking for a holistic solution. This isn't an overlap. When we looked at HealthcareFirst, there was very little overlap in the technology that we had with Brightree. What it did was complement the solution, give us a full offering to take up market to enterprise customers. That's important, as you look at what's happening in the market, our customers, the larger customers, the larger agencies are the ones that are doing the consolidation. The consolidation is not as fast as we've seen in other markets, but we want to be winning with the winners and having a full offering. HealthcareFirst gave us that, and gives us an opportunity to work with those providers as they're shifting to our product in the enterprise space.

MatrixCare has private duty—I'm sorry, should I click? MatrixCare has private duty, skilled nursing, senior living and life plan community. They have recently launched MatrixCare One, which is a unified platform for all of those products under one login. Why that's important is that, again, enterprise customers, so these—you see skilled nursing large regionalized agency saying, "I want to manage the transitions of care between these care contexts. If someone's moving from skilled nursing into home health, I want to manage that through my own agency and through one platform. MatrixCare One brings a brand new architecture in a single platform that allows us to do the transitions of care between these contexts, as well as we're joining Brightree's home health capabilities and hospice capabilities into MatrixCare. One seamless application, across all these care contexts. If you think about an agency that's saying, "I've got three of these care contexts, five of these care contexts, and five different EMR platforms," that's not an easy platform to integrate from an analytics perspective when we talk about value-based care and showing what the total cost is to manage a patient inside of your ecosystem, very difficult to do when you have fragmented systems. We have a very unique system. In fact, the only system that exists like this in the U.S., with all of these care contexts covered. I'll talk at the end about the importance of HME here because where does the HME fit with skilled nursing? I'll get to that a little bit later in the presentation.

Oh, I'm sorry, it was a big gap to not mention the hospital, and this is important. Back in 2016, we had spent a lot of time figuring out interoperability. On the ResMed side of the business, we've been doing that; hospital integrations, third-party integrations so that when people want to live inside their systems and see our Sleep and Respiratory data, they can. Brightree was one of those examples. We had integrated with Brightree before we acquired Brightree. Hospitals are doing a lot of discharging. They're also in-taking patients. If you have a patient that ends up in a home circumstance, has an exacerbation and needs to go back in the hospital, the hospitals now in-taking them back. They want to know what happened in the home. What was the medication, what was the therapy, what's the family support system look like so that they know that they brought them in, so if there's a new discharge, they understand the context in the home. That bi-directional exchange between the hospital and these systems is really important.

Back in 2016, we worked with CommonWell Alliance and some major EMR players like Cerner and showed that we could manage a discharge from the hospital and a sharing of information back and forth. That was back in 2016. We've evolved our footprint of hospital integrations. We've evolved our understanding of the needs of the hospital when they are discharging, what data they will share and what data they want back. We have a strong capability and interoperability between our out-of-hospital systems and the hospital systems themselves. That also puts us in a unique position to effectively manage interactions with the hospital.

In terms of why are we in a strong position? Brightree is a strong leader in the HME space. We've recently launched an Infusion module, so we've diversified. We continue to invest in innovation. Infusion was a gap for some of our HME customers. This will allow us to go take more share in HMEs that are doing Infusion work. We've launched several different modules including resupply analytics. We've launched an intake offering with ePrescribe, and we've launched a series of other analytical tools that help our customers understand the true efficiency of running their business, all software that we're monetizing.

Next is we've got a really unique position, as I mentioned, with the combination of HealthcareFirst and the existing Brightree home health and hospice assets. We have a very unique iPad point-of-care application combined with the revenue cycle management, EMR scheduling tool and BI tools from HealthcareFirst. In our MatrixCare, we talked about the number of care contexts that they're in, plus the fact that customers tell, for three years in a row, that through our class rating system that's an independent rating system, that MatrixCare is their preferred choice for vendor. That's important, one, from a reputational standpoint. But this is the voice of the customer saying that we appreciate—it's not just the software, it's the customer service, it's the implementation, it's the innovation that they put into the platform. That gives us an edge, but also the fact that MatrixCare has an architecture that allows us to transition care between care contexts, that we can bolt Brightree into.

In terms of the size of the market, you've got 38 million providers across these three contexts and rough healthcare IT spend of \$1.5 billion. In terms of white space, whether that's in the market growing at a healthy rate, in terms of white space, we feel really good about our opportunity, but more so the fact that we've assembled something unique that can go and position ourselves better than anyone else in this space.

Let's talk about value creation. One, these businesses were all attractive on their own. They were innovating independently, growing nicely independently. As a portfolio together, we see an opportunity to accelerate. We also see an opportunity to get synergies across the business. There's common software platforms, common implementation teams, common infrastructure teams. We are working on ways to get leverage across the businesses. We're also working at how they innovate together. How do they deliver unique propositions to market as one? The other one is, these were net margin accretive and on a standalone basis. Again, strong businesses that we're looking to put together to accelerate.

Then we know that everyone is looking to IT to solve some of those market pressures, healthcare IT. We're in a good spot to help them with that. As the market shifts to value-based care, everything we have here including this treasure of data that we have across these care contexts, we've talked throughout this presentation about the power of being able to show the value of the care you're delivering. Now, we can show longitudinally, in our own systems, with no partnerships, in our own systems, how well we can manage a patient.

The other one is regulatory. We have two significant regulatory changes that are coming in place. One in skilled nursing in October, one in home health in January. Our systems are well positioned. This is a scale issue. When you look at providers that have in-house systems, providers that are using smaller offerings, this is a heavy lift from an R&D perspective and from an implementation perspective. Imagine someone said, "You're billing this way today. Tomorrow, I want you to clock your work this way and bill it." You now need to retrain your whole staff. It puts pressure on the software providers to do that while they're managing new bookings and new sales and driving new growth. If you're not on scale, that becomes difficult. It's a really good opportunity because we are good at managing regulatory changes. ResMed has a pedigree in managing regulatory changes. We bring that to the portfolio. But we also have an opportunity to have providers who are using software companies that aren't ready for these changes, to take that business and help them through these changes.

The other interesting thing is, we've seen a number of remote patient monitoring reimbursement opportunities come up around how to incentivize physicians to be part of the patient care. There is an

opportunity in SNF. There's an opportunity in physicians to connect telemonitoring into these new care contexts. Whether that's Sleep or Propeller, we have an opportunity to intersect our connected care technologies into the workflow of the clinicians in our SaaS ecosystem and drive adoption of new telemonitoring rules and then, therefore, new reimbursement.

Let's talk about a patient, for example, just to give you some real context. We've got Jane, 74 years old, kids live away, living on her own, there's some hygiene issues in the home, she's stage three COPD, so she's likely on oxygen and she's late in that stage, is having flareups where she's going in and out of the hospital. Her family is trying to figure out what to do with her. Is it okay for Jane to live at home? As she exacerbates and ends up in the hospital, should she go to skilled nursing? Should she go to home care? What should they do? This is the challenge we all facing. I'm sure someone in this room has faced it with their parents, trying to figuring out who is even a quality provider to send their parent to. This is a real challenge. The problem comes is that when you shift, when Jane shifts from home health and has an acute episode, there's no transition of documentation. You're starting over with Jane's medication. You're starting over with the fact of explaining that no one lives near Jane when she has to come back home. She is bouncing around to all of these care contexts, trying to figure out on her own or through family, what to do. This means that Jane likely ends up in an acute setting more often than she likes and more often than she can afford.

Jane is just one of the 35 million people that get discharged out of a hospital every year and has to figure this out. Now, 22% of those, so eight million people, have to figure out who to go to in the post-acute care space. This is where we see the opportunity. We're uniquely positioned to manage those eight million patients and the providers that are moving them from one care context to the other.

What have we built? Essentially, we've built something that centers around the patient, the caregivers and their loved ones. We've built something that has multiple out-of-hospital care contexts in terms of a portfolio offering to allow us to manage patients with multiple needs for their care. We've also built a technology that allows us to give the patient and the loved ones a single view of their care. Imagine if you could—we do this all day, right? We have Apple Health, we have tools from Google, we have spreadsheets, we have our file folder with our medical records. It gets more complicated as your needs become more difficult. Imagine one place where a patient can say, "I get a single view of our patient." That's the future of our portfolio, is to give a patient and the loved ones one view of what their needs are, what the options are for care and how they're progressing with their management of their needs. The other one is this transitions of care. Reducing the friction when you have to move someone from one carrier context to the other, making it simpler for the family from a transition perspective, billing perspective, there's a real opportunity for us to do that here.

The information that we're gathering on the patients and our ability to connect telemonitoring and improve their care in the care setting of their choice is a real opportunity. The data insight is exciting to me. We had a really interesting opportunity to look at how to improve care on the sleep and RC side. The opportunity here is to, how do you improve a clinician's ability to engage with the patient? I had this light bulb go off when we took the iPad—when you take a laptop between you and a patient and you remove the physical screen and you just put the iPad down, the natural conversation that happens, it's interesting. But the natural conversation that happens because there's no physical barrier between you and the patient, is there. But it's also about giving the clinician time to spend on the patient. If you're helping them through the automating documentation and dealing with the errors that happen in the documentation that they need to correct later, that's a real problem to solve. The other problem is, clinicians burn out because of the amount of volume of data. With the volume of patients landing out of hospital, we have to stop the burnout and give them a way that they can excel at what they do and engage with patients better. Data gives us the ability to do that. We can see when there's missteps and how they're entering data, we can see when there's clinically insufficient outcomes and we can tune the software in a way that gives the clinician a better experience, the patient a better experience and the provider better outcomes.

We talked about all of that and now I'll answer the question about why HME and how does that fit in this? We started with HME so that hopefully answers the why, it's connected to our core business. I have such a passion around Connected Health. I came into this business with a lot of technology and built a team. Bobby Ghoshal, our CTO, sitting here, is now managing that team and taking us to newer places. I really am passionate about the business. We continue to have Brightree work closely with our Sleep and RC teams, and soon Propeller, on how we further integrate those offerings and better the opportunity for our Sleep and RC patients and customers. HME has a place in all of these care contexts because many of our HME providers are providing services today into these care contexts. It's just happening by paper. One example is 20% of CMS patients receive an HME benefit, and they do that three times per year. Those customers are in these contexts, many of them. There is already business happening. It's a matter of us intersecting HME into these.

I'll give you a good example. A hospital discharges a patient to a home-health. Home health is saying, "I need to make sure there's a hospital bed, wound care, and a ventilator in the home before the discharge can happen." That coordination needs to happen within HME. We have a really unique way to do that now through Brightree, not only from the billing perspective, the logistics to get the equipment there with the Apacheta technology that we bought, but to confirm with the home health that the house is ready for the discharge. There is a really great opportunity, and HME's are having interactions with all of these providers today. The other thing that we have the opportunity, we talked about a prevalence number and how do we get ourselves closer to patients? There are sleep apnea and respiratory care patients all throughout this. Being able to diagnose, treat, and manage patients more effectively that are already in our EMR is a really great opportunity.

In terms of a summary, we've got a portfolio that we think, individually, these businesses are attractive on their own; together, they're powerful. Second thing is, this ecosystem is ready to scale. It is our competitive advantage, the fact that we are a unique ecosystem in out-of-hospital care, different than anyone that's in the market today. Last one is, we know that this will support the growth of our HME businesses. Giving HME's the opportunity to contract in a new way with a skilled nursing facility or a home health agency is an opportunity for growth of our HME's overall business but also for our growth of our Sleep and Respiratory Care devices. I'll finish with this, we had conviction in our digital health strategy. We've got conviction in this SaaS strategy. We've got the right assets. We've got the right team and now we're executing.

Rob Douglas:

Thank you, Raj.

Raj Sodhi:

I think we're just ...

Rob Douglas:

Thanks, Raj. Very compelling. We're very pleased with the way these investments are going. Early days with MatrixCare, but operationally, we're very happy with that too. Just like to close now and then we'll move to the Q&A. We believe we've got our strategy settings right. There is a lot of change coming up in the health system. We are not being complacent, and we're not taking our current market leadership position for granted at all, and hence, we're investing in these strategic moves to make a change. We think in our sleep market, such an under-penetrated market, we need programs to drive penetration and to accelerate that. Particularly, as we get larger and larger in that market, but the opportunity stays large. The Verily JV is one of the key investments in that, as a way to accelerate potential growth in that market.

Our respiratory care portfolio, we've got a great range of products there. We've been focused at the tip of the chronic condition, the Propeller investment, that just focuses broader across that range and really start to make a difference with these digital platforms around that. Then our SaaS business, as you've just heard from Raj, they have very good businesses in a fairly unique position at the moment as well. But, not only can we grow those businesses in their own right, but those businesses are supporting the providers of environments that have a lot of sleep apnea, a lot of COPD patients. We think that there's a very strong correlation for our business and support for our businesses there.

As I said, this has been a focused discussion on a few key strategy areas for ResMed, but overall, we continue to have a great opportunity in the sleep and COPD markets. We are very lucky in our market dynamics. We're an under-penetrated market. We've got a solutions—we've got solutions that we believe it's lower for health systems to find and treat patients with their solutions than it is for them to treat the consequences of not treating those patients. We're building on data to prove those points with focus on patient outcomes, focus on creating—using technology to create value. Our recent experience connecting our devices has been very powerful for our business. It's greatly improved our position in our markets, and we are greatly able to show the hugely improved outcomes. The outcome changes that were shown on the bits of data here today are actually very profound for health systems. We continue to invest in innovation, and we'll keep doing that. Then we've got a strong financial background. We're relatively conservative financially. You see a history of strong revenue growth, strong profit growth with building recurring revenue models. We've gotten a very powerful underlying operating excellence program that we're happy to talk to you about at other times, and we've got a strong track record. We're disciplined with our finances.

With that, I'd like to say thank you for your attention, and now we'll move to the Q&A section of the program. I would like to ask the presenters to join me on stage and David Pendarvis, who we have for the really hard questions. We will actually then take questions from the audience. Just prior to that, I would like to remind you on the webcast, we have a system that you can access and actually post questions online. As we go through this Q&A, Amy Wakeham will represent you and put up her hand with the appropriate questions, and we'll read them out and identify them. In the audience, please, as you ask the questions, could you use the microphone so our webcast colleagues can hear it? Also, please identify yourself as you question.

I think Andrew had his hand up first, and then David.

Andrew Goodsall:

Thanks very much. It's Andrew Goodsall from MST Marquee. Just a question around MatrixCare, I guess the way I understand it is provider indifferent. I'm just trying to understand the practicality there, just how you bring about the linkage between the two parties where it's HME and home care provider in a practical sense, or are there examples that exist in that? Or is it something where you think it's just logical that the two parties will come together by seeing a mutual benefit?

Raj Sodhi:

Yes. I think there's two parts. We've heavily integrated the sleep side and the RC side, so there's two parts. One is, how do we get providers collaborating together on broad HME services? That's one side of it, and that is happening by paper today. Our customers are pushing us to solve the exchange and coordination of those two providers. It could be a skilled nursing facility saying, "I need supplies from this network, and I want to coordinate that electronically now." If they're on MatrixCare and they know that we own Brightree, they're asking us—and most of their surrounding HME's are on Brightree—they're asking us to coordinate that interaction. The second thing is, as we intersect Sleep and RC technologies, and so as we diagnose patients with sleep apnea inside of the skilled nursing facility, there we can integrate Air Solutions, so directly to AirView and the other technologies. But there's a richer data set that exists, the sleep study, the monthly reporting, are they in a resupply program that exists in Brightree. There is an opportunity to link all

of that data as well, to give the skilled nursing facility, the care coordinator, an opportunity to see a broader view as long as the patient has consented to sharing that data.

Andrew Goodsall:

Thank you.

Rob Douglas:

Next is David.

David Lowe:

Thanks. I'm David Lowe from J.P. Morgan. What we've discussed today, it seems to me that we've seen there's an extraordinary complexity in what you've laid out in front of us. I think it begs the question as to how we externally are going to measure that. Perhaps, if I could get you to talk to disclosure as a starting point, how you are going to disclose Verily, Propeller, the software-as-a-service businesses so we can monitor how ResMed's doing in this space. Then perhaps, as a bigger question, how would you define success across the three things you've talked about today?

Rob Douglas:

Well, I'll start at that question and probably hand some of them to Dave and some of them to Hemanth as well. In terms of the disclosure, we are planning to segment report the SaaS portfolio. We'll have a top-line and bottom-line disclosure of that on an ongoing basis. I think we do have an appreciation for the issue of, we are changing ResMed. We can't be complacent and ResMed's no longer a pure device company. We think it would be not prudent for us to just stay complacent doing what we're doing. There will be changes as it—particularly as things reach materiality thresholds, we will disclose more about them. Competitively, we're always under pressure around competitively what we disclose given the fairly narrow nature of the competitive environment that we're in. I think as we get some experience with disclosing the SaaS business, that should give everyone some view of where that's going. Dave, I don't know if you want to add on to that.

David Pendarvis:

I think it will be something that we'll develop, Dave. I mean, as it comes on for, just an example, we just closed our March quarter, Q3. That will be the first full quarter that we've had of MatrixCare results. You'll see more heft in the overall software as a service and so that will necessarily require us to talk about it more and measure it more. We haven't landed on any specific metrics to be consistently reporting on but that's certainly something that we'll look at and be interested in your views on what you'd find helpful. The JV is a different animal to a certain extent because it's an independent entity. We follow the accounting rules and obviously we'll be showing the financial implications there, but we've got a partner that we've got to make sure is comfortable with the level of disclosure that goes on with that group. Propeller, we look forward to the day when Propeller is significantly material and can call it out. But certainly from a commercial standpoint, there's moving towards commercialization milestones and those will likely be something that we'll flag as they move along. We're always focused on our obligations and we really feel to penetrate these markets and to reach out to patients and those sorts of milestones, in addition to the financial milestones. I think it's a journey that we're on and you'll see us developing and give you more things over time.

Then I'm sure Hemanth can probably better address what does success look like and show us some of the success.

Hemanth Reddy:

Sure. Success across each of the three, starting with Verily, purely to the extent we can accelerate market growth and treatment adoption, that would be the main thing to be looking for and even the slightest uptake in getting the untreated onto therapy will more than offset the returns and also the costs and therefore generate strong returns associated with the investments we're making. The way we think about that particular set of investments and returns is there's going to be value that's going to be created in the marketplace for providers, for payers, for patients themselves and equally for us as therapy adoption continues to grow. There may well be interesting business models accrued from that for Verily as well, and for the joint venture itself. We'll look across the entire set of value growth that accrues in the JV, as well the value that accrues to ResMed as a way to look for success and ensure that we're earning a strong return on that investment.

As it relates to Propeller, I think it's largely about how can we expand the TAM (phon) that we can address, much like Rob and David addressed, and can we significantly start to serve the hundreds of millions of COPD patients. Start with tens and then graduate up to hundreds of millions COPD patients. How do we make progress against the front, both in terms of coverage but also how can we proactively get them on to therapies that they need earlier? How can we get them on a portable oxygen concentrator earlier than they currently come on because they could benefit from it? Can they get on a ventilator earlier than they currently get on so they can benefit and enjoy the quality of life and the slowdown in the progression of the disease? Those are the kinds of things we'll be looking for, in addition to the financial performance of that business. Clearly their partnerships will be a key indicator of traction in the marketplace as well and so we'll continue to manage the progress on those and look to the progress on those.

Finally, on SaaS, it's really about what is the collective impact that our portfolio has. As Raj indicated, each of those businesses has a really strong position and growing at its own rate, and we will continue to grow market and market share through the innovation we do in those markets. But collectively, we have a really interesting innovation opportunity and it's about to what extent can we start to serve these enterprise customers, the customers in skilled nursing facilities, as well as home health, as well as hospice, and serve them more fully across their needs to drive the transitions of care, create greater efficiencies, create better outcomes and can continue to take the market to a new level. Beyond financial performance and earning a return on the investments we made for the acquisitions, it's about making sure that we progress the market as well in that direction.

David Lowe:

If I could just have a follow up there. Effectively, what we're going to see is a breakout of the software as a service business. We'll be presumably looking for double-digit growth, which is what Mick's talked about as a measure of success. With the JV, presumably we're just going to see the losses drop through to the bottom line, and frankly, we won't be able to see the success that would show up as growth in sleep sales. I'm just trying to make sure I'm looking for the right things out of this.

Rob Douglas:

I think you've summarized it reasonably well. We see good growth opportunity in the SaaS businesses. We've had talk earlier on the what level of guidance we give and how specific we are. We've got our current set of policies and we've had a lot of input and we are considering those issues around that type of forward disclosure. But we've acquired these businesses because they're in growth markets and they should hit those markets and grow better than actually the size of the market because we believe we're in share taking positions as well. I don't know, Hemanth, did you want to comment on growth?

Hemanth Reddy:

I think our expectation is that clearly we should expect to see growth in our sleep business and that will flow through the revenues and profitability of our sleep business. There will be an investment associated with that, it will be capture as it relates to our investment in the Verily joint venture. But equally we expect over time that the Verily joint venture will come up with its own business models to make sure that it's earning revenues to offset the investment that it's making too. It will be more than breakeven. It'll be profitable in its own right and it won't be just an ongoing investment into perpetuity. That will be a longer-term development, but near term you should see a lift in our sleep revenues and profits, and longer term, growth in the Verily joint venture.

David Lowe:

Great. Thanks very much.

Rob Douglas:

Thanks, David. I think the next question was back over there in the corner there.

Craig Wong-Pan:

Hi, it's Craig Wong-Pan from Deutsche Bank. Just first one on Verily. Do you need to wait for that four-year study to finish first before most of the benefits will come through or can they come through before that?

Hemanth Reddy:

Yes, the benefit can certainly come through before that. That's certainly what we're planning for and expecting as well because you don't need to complete the full 10,000, four-year study in order to then start to do the specific research around sleep apnea, the benefits of treating sleep apnea. We can create cohorts and basically get the benefit of some of the types of data that's been collected through base line for that specific cohort and accelerate our learning and understanding of the impact of treating sleep apnea and the value of treating sleep apnea among those patients. But that's just one form of how we're going to generate insights. We expect to do retrospective analysis of claims data, for example, and other types of data as well. But just look for different ways for how we can continue to strengthen the health economic case for treating sleep apnea and how do we better identify individuals through predictive models and the like.

Craig Wong-Pan:

Then second question on Propeller, am I right in saying that most of the benefits or the way to become profitable is through volume and scale. Is there any other expenditure or things that you're developing for that business?

Rob Douglas:

I'll hand that to David.

David Van Sickle:

No, you're correct, the path to profitability leads through scaling of the solution across the U.S. and other markets. That's where we're focused this year and next.

Rob Douglas:

Just a general comment on the whole metrics and how much money. All of these acquired companies, we're closely watching the P&L and managing them and expecting them to contribute to their own P&L through that.

Next, I think we had a question from the sli.do from the webcast and Amy is going to read out a question, I think it's ...

Amy Wakeham:

Sure. This question comes from Steve Wheen at Evans & Partners and I think this one will go to Hemanth following along the Verily line and so I think it's continuing the line of questioning from David. But Steve says, "I understand the identification process of sleep apnea patients which will benefit ResMed but how does the JV monetize the opportunity? Verily is such a huge long-term opportunity, what happens to ResMed's investment beyond fiscal 20? Presumably there will be several more years of investment required."

Hemanth Reddy:

Yes, so I think it's along the lines of the response to David's question which is, we think that the JV will create a host of value for a number of players in the marketplace. Clearly, as we drive efficiencies and diagnosis and get more patients onto therapy, treatment adoption is going to be a key source of value creation and ResMed will benefit from that. That's one part of the value creation.

Secondly, we're still in the early stages of formalizing the business model for the JV itself but we expect the JV to have its own revenue streams based on the value it creates in the marketplace. Clearly, we want to do it in a way that allows us to fully capitalize on the opportunity of driving treatment adoption and we don't want to hinder that in any way but design the business models in a way where we can capture revenue within the JV itself and then use that to fund investments on an ongoing basis. We expect investments through to the FY 20 fiscal year. Then beyond that, we're planning on the JV to basically start to cover its investments largely by itself. That's the current planning that we have. Clearly, early days and a lot to be figured out still but that's the way we're thinking about it. Both in terms of what is the monetization opportunity for the JV as well as the time frame around that, that's the current thinking around it. Anything you'd add to that, David or Rob?

David Pendarvis:

No, I think that's right. It is early days and it is an opportunity, one that we'll continue to watch and you should expect us to continue to update you on it as time goes on.

I think that our next question is from Gretel.

Gretel Janu:

Hi. It's Gretel Janu from Credit Suisse. Firstly, just on R&D, so you increased your R&D guidance at the last quarter's results. Just wondering how much of that was for Propeller versus MatrixCare versus ResMed's business, as usual. Then as we look forward, do we expect further investments in R&D and also a step up in your sales and marketing costs as you start to implement some of the strategies you've talked about?

Rob Douglas:

Again, I'll start and maybe Dave can clarify for me, or maybe Hemanth. But generally, we've had this rough view of R&D being in that range of 7%, plus or minus one or so. Acquiring the software businesses are clearly more R&D intensive, and Propeller, given its early stage, is also R&D intensive. But we actually think we'll be able to, longer term, have a view that we can keep R&D investment at around about those levels and do that. We actually get a lot of scale benefit in our core business on the R&D because, whether we're selling one million or 10 million models of versions of a mask, the cost to develop them don't change a lot. We do have an innate leverage in a lot of that. In fact, over the last few years, we've had to invest a lot in software in the overall transformation of the Company. We've been able to do that keeping those ratios roughly similar. As a growth company, we're able to allocate our R&D portfolio investments and still support the core business very strongly. Dave, did you want to comment?

David Pendarvis:

The only other thing I would say is yes, that step-up that Brett talked to was both for recognizing that software-as-a-service businesses inherently require more R&D, and Propellers P&L. We want to fund those things because we do think they will drive long-term returns. But we're continuing to invest heavily R&D in our core sleep business and our respiratory care business. We're not starving those, the R&D functions there, to feed these new opportunities. That's the reason why it's a step-up on an overall basis because we do intend to continue to fully staff, and Rob alluded to it earlier. We're talking about the new things, but if Jim was here, he would love to be talking about the great things that we're doing in the core sleep business and the core respiratory care business. Those projects will continue, you shouldn't be concerned at all that they're being starved to feed these new ventures.

Gretel Janu:

Then in terms of the sales and marketing costs going forward as you start to implement some of the strategies, should that start to step up?

David Pendarvis:

I think you'll see that continue at pace. We're at the levels that we're at now and, frankly, we continue to have opportunities and a working discipline to try to drive operating leverage out of the core business. Getting scale out of, whether it's the SaaS business or putting the Propeller business in with the respiratory care business, those efforts at scale are an effort to be able to drive operating leverage down. We don't think you'll necessarily see, quarter-in and quarter-out, a straight line leverage. But we do intend to continue to have good strong top-line growth and be able to grow the bottom line even stronger. Rather than it stepping up, we would hope that it will stay flat to down.

Gretel Janu:

Thanks.

David Pendarvis:

You're welcome.

Rob Douglas:

I believe the next question is from John.

John Deakin-Bell:

Thanks. Yes, it's John Deakin-Bell from Citigroup. I just wanted to make sure I fully understood the revenue model in Propeller. You mentioned earlier that it's revenue per patient, per day. I'm assuming that's paid by the drug companies because you're increasing compliance. Is that the case?

David Van Sickle:

We really earn money on revenue on both sides of that business. Both from the connected pharma franchises, the medicines that people are using that are part of Propeller as a digital solution, and then also from the distribution side of our business, whether it's the payers, the provider systems or the PBMs that we work with, who bring the digital solution that we've built, the platform, to their patients and members.

John Deakin-Bell:

Just so I'm clear, can you just remind us how the sale structure of that business is set up, and what are the barriers to growing the volume at the pace you're trying to do?

David Van Sickle:

Well, for the most part, it's revenue on a per patient, per year basis.

John Deakin-Bell:

Your sales team, who's out in the field increasing the volume?

David Van Sickle:

A commercial sales team led by Chris Hogue out of San Francisco, that's focused on both sides of this business, really the business development piece with our upstream partners, our pharma franchises that we work with, as well as the downstream business which is across the U.S. and increasingly now outside the U.S., focused on sales to those types of organizations I mentioned, like the leading payers, provider systems, and so forth.

John Deakin-Bell:

The barriers to growing the volume at a very rapid rate, what are the key limiting factors?

David Van Sickle:

We already have established relationships with some of the leading payers and provider systems. Now, we're at the point of growing those programs, converting them into enterprise programs across their business. Dignity is a great example where we've recently finished a clinical trial that demonstrated, as I showed today, improvements in outcomes reductions in acute health care utilization for asthma. Now that program is being adopted across its enterprise as part of the office of digital and a digital transformation strategy they have there within Dignity. Today, it's really about demonstrating, initially, value to that organization, and then helping them implement and scale that across their patients and members.

Rob Douglas:

Thanks, John. Next question from Anna.

Anna Nussbaum:

Hi guys. This is Anna Nussbaum, I'm here for Margaret Kaczor from William Blair. My first question for you guys, within SaaS and specific to major care, as you're able to leverage your platform across multiple verticals, are you primarily planning on expanding the market or taking share within the existing market today? Then, how penetrated is ResMed within these verticals today as well?

Raj Sodhi:

The second question, we don't disclose. The first one, I think it's both. I think there's really interesting opportunities to grow within, and not just taking share but increase share of wallet of the customers. They may be spending on the current services we offer. We add a new module. With Brightree, for example, Infusion is a good example. We had customers who used Brightree and a separate Infusion platform. We'll be adding that on top. MatrixCare is very similar. We would add analytics and new offerings. It could even be as simple as an algorithm that predicts something that we monetize. We'll continue to grow share through, but also grow share of wallet inside of an account. We are looking at adjacent markets, the ones that makes sense. Whether we build into those markets or look to partner or acquire down the road, we continue to look at that. But again, we talked about the transition of care. Strategically, it needs to make sense for us. There needs to be a strong relationship between the providers and an existing interaction that we can stitch together. Thank you.

Anna Nussbaum:

Thank you. Then with Propeller, a quick second question, it sounds like a large market with benefits of higher utilization for patients, pharma, and payers. Will the initial launch there be available for all inhaler patients or specific to high-risk patients or those on a certain drug; just trying to get a little more color?

David Van Sickle:

Yes. One of the commercial challenges we faced is demonstrating that membership in a high utilizing population next year is often visible in advance by looking at their patterns of medication use this year. We're trying to encourage and accumulate evidence and data that demonstrates to our payer, provider, customers, folks who have risk around those outcomes, that it makes sense to monitor and include a much broader portion of the population than a typical retrospective claims review might indicate. Trying to get it to make sense to them as much as we can by showing them now, accumulated history and population data across nearly 100,000 patients that have participated and their outcomes.

Anna Nussbaum:

Thank you.

Rob Douglas:

Thank you. Next question, I think, is going to come off the webcast again, Amy.

Amy Wakeham:

Sure. This question comes from Zara Lyons at Fidelity, and this is a follow-up for Propeller. What is the current U.S. penetration of smart inhalers now, and where do we expect it to go over the next five years? Then a follow up, I think, to Anna's question a little bit, is what are the bottlenecks to adoption of smart inhalers, and then who's the value of the technology accrue to?

David Van Sickle:

Yes, I will take the last straightaway. I think what I tried to demonstrate today is we see value accruing both to patients who are benefiting through fewer days with symptoms, hopefully a longer higher quality of life in COPD and a lot more security around their control and management through reduced risks and impairment, and a better understanding of disease progression and response to treatment. Amy, would you re-share that first part of that?

Amy Wakeham:

Yes. What is the current U.S. penetration of smart inhalers now, and where do you expect it to get over the next five years?

David Van Sickle:

It's really early days for smart inhalers, I think. We've now accumulated enough clinical evidence that's compelling and credible, that the payers and provider systems we work with, in combination with the respiratory franchises that are now starting to invest in this, see real opportunity to bring the types of digital changes to the care and treatment of asthma and COPD that will benefit folks and through higher adherence, through improved outcomes. But we're really just getting started at bringing that at a large scale across the population. As I mentioned, we have about 25 million in the U.S. with asthma, another 12 million or so with diagnosed COPD. We're nowhere near that and are just starting to establish a foothold to bringing scale to this population—digital to this population in the U.S.

Rob Douglas:

Thank you. Next question is Lyanne.

Lyanne Harrison:

Hi. It's Lyanne Harrison here from Bank of America Merrill Lynch. I've got a question about the SaaS portfolio and Raj. I think you've got a fair bit on with Brightree, MatriCare, and HealthcareFirst. But do you feel that there are any gaps in the portfolio where you would like to be or areas where you would like to be that would help leverage your growth?

Raj Sodhi:

I mean, we always aspire to innovate beyond the portfolios. We're engineers by heart, or many of us. The engineers would say there's gaps because we should be doing this. I think our focus right now is let's integrate what we've described for you here. Let's get the leverage out of the portfolio together. Then yes, I think what we're doing now is we've got a number of integrated partners today that end up being either acquired capabilities or new segments and new EMR platforms. We'll continue to partner strongly and look at the segments. But I think it's a matter of understanding the interactions, but our focus today is let's integrate and operate these today and then we'll partner to fill any gaps.

Rob Douglas:

Just one other comment on that. We're very focused on the integration and what we've got on our plate at the moment, but particularly the SaaS businesses are very U.S.-focused. Somewhere down the track, we might take the view on opportunities outside of the U.S. in that area. Yes, Rick.

Rhett Kessler:

Hi. Rhett Kessler from Pengana. If I add up all the investments you guys recently made and had a big checkbook, about \$2 billion thereabouts, what do you think a decent return on that is in four to five years? What rate would be success? Because when I calculate, it's a really big number on the current base and I'd love you to get there but it just seems like a very big number. Have you got a much longer term horizon?

Rob Douglas:

In terms of the strategy, we talked about these things all aligning to our 2025 strategy and we do have a long term horizon on. These patient populations that we're talking about, there aren't going to be step changes and it's all going to be incremental changes on the way through. As we do these acquisitions, obviously, we looked at the ROIC and the time we're going to take to cross our WAC. We track those fairly carefully and our Board asked us about that all the way through. But in terms of operating the companies, getting them to making a positive return on the P&L, at the appropriate time, we think we can track those very quickly. But Dave, did you want to comment on that as well?

David Pendarvis:

I think you've got it right and it's particularly difficult when you start looking at pull-through revenue and when you talk about something that you're going to try to do with Verily that's going to drive incremental growth, that's very hard to measure. But otherwise, we would expect all of these businesses, certainly you've got six years from now to 2025, probably two to three years in you'd expect all these businesses to be ahead of our WAC. We would be viewing strong double-digit returns from the money that we've put to work. Rob's having to pay interest carry to get from here to there and as we pay some of that down, we can reduce that spend because we've got tiers to our interest that we're having to pay so as that debt is reduced, the overall interest rate's reduced as well.

Rob Douglas:

Good. Are there any other questions? Yes. This is probably the last question, by the way.

Arif Karim:

I'm sorry, I've got three.

Rob Douglas:

That'll do.

Arif Karim:

My name is Arif Karim from Ensemble Capital. I'm new to the story so forgive me if these are newbie questions that I should probably know. But just thinking about the SaaS business and the Core Sleep Respiratory Business, one question that comes to mind, given the long growth runway, low penetration sleep business is that, why would you split resources between a home-focused or nonhospital-focused practice and care management software system which seems very different than ResMed's respiratory business? You've got a lot of investment opportunity in the core business. Why would you divert both Management and capital resources away from that? Which leads me to, subsequently, is there a long-term plan to potentially spin out the SaaS business as it scales? Would that make sense? Or, is there something that I'm missing in terms of connection between the two?

Secondly, Philips and ResMed are the two largest guys in the sleep apnea business from my understanding. But Philips hasn't lost material share to you guys necessarily. You both have been

consolidating share. Going forward, what will it take for you to win share from Philips? How do the digital initiatives help you differentiate yourselves from Philips potentially in doing so?

Then third, I just want to understand, obviously growing, we've talked about this with the JV with Verily a little bit but outside of the JV with Verily, just a summary of the initiatives you guys have taken to increase penetration and awareness sleep apnea globally. Because the U.S. obviously is the larger market for you but it's a global issue. Just a brief summary of the initiatives that are in place to grow that awareness and penetration of the market. Thanks.

Rob Douglas:

Sure. Thanks. Let me start, and I'm sure we'll get contributions elsewhere. In terms of the issue of why would we get involved in these other businesses, I think as we've tried to explain today, actually, all of these businesses are aligned or adjacent or support our core businesses, existing businesses. We talked about the 936 million sleep patients and the nearly 400 million COPD patients. They're there but they have been there for a while. If we just continue to run the same way we are, we'd definitely move up in S-curve in terms of penetration, in terms of capacity of the health systems to service them or to fund them or in terms of reliability of the outcomes that we would get. We believe it's extremely important for us not to be complacent in these businesses and to be investing in other ways of supporting and developing growth. We're really, really committed to that.

You asked a question about a long-term plan to spin out. We don't have plans around that at all. You could summarize that. In terms of the competitive environment, it is a competitive industry but with only a few players. Part of that is because the importance of the connectivity and the software means that we, for a while now, we don't just sell products. We really sell solutions. We sell ways of working in effect and the interaction with our systems and our products means that for people who would have care for patients using our products as part of their work flow, then for other competitors to come in, they've got to introduce their workflow into the provider's environment. That really has changed the basis of what the industry is. It's just—how to put it, but we're not just a company manufacturing and selling an existing product. We changed beyond that. We think that's for the better and the most important parts of the better is that we can get better outcomes for patients. That's really underlying what creates value. We believe, particularly in Sleep, that we're the market share leader and that connectivity in the software solutions are really important about that. Did anyone else want to comment on those points?

David Pendarvis:

I'd add one other point which is that you talk almost like a diversion of resources. One of the aspects of building scale to the software-as-a-service business in particular is so that it can resource and fund and drive its own needs so that while we expect and get good collaboration between these businesses, it's not a distraction. Raj is 100% focused on this business. Hopefully, one of the things you've seen today is between Raj and Dave Van Sickle in particular, is the drivers of those two businesses are really, really, really strong. We think we've got enough resources from a management perspective and from a financial perspective to be able to do these things simultaneously.

Hemanth Reddy:

One other comment to your question really is what we're trying to do is meet patients who can benefit from our sleep apnea therapy and COPD therapies in the context at their end (phon), whether it's in their home, in the hospice, and skilled nursing facilities, in long-term care facilities. What we're trying to do is drive efficiencies with how those individuals are identified and how they're managed for on our therapies through these software platforms. We showed that we could do that very effectively with Brightree's HME setting and the expectation is that we're going to do that in these other care settings as well. It's important for us

to buy software businesses that have good profit profiles on their own so we can easily generate us compelling return on the investment we've made from an acquisition perspective. But in addition to managing it for profitability and growth, we really do want to drive the intersection of sleep apnea and COPD identification and care management in these care settings as well through the software platforms. We think these software platforms gives us a unique way to do that, through Rob's point, that we couldn't do independent of having those software platforms. That's really the pieces.

Rob Douglas:

To your third point on what other sleep innovations do we have, that's really the subject of our R&D and our R&D roadmaps which we don't disclose at all. But I would say, in the last two quarters, we released two fantastic masks. We've got a very strong product pipeline and we continue to invest and we're absolutely not done even in the core technology and the sleep space to keep going there. Again, many of our initiatives, we're just not in the position to disclose but it continues to be a focus of investment for us. I think we've run out of time for that.

I'd like to just summarize and say thank you very much. Thanks for the questions and the attention. Thanks so much for coming. I hope you get a feel for our enthusiasm and passion, for both our core sleep businesses and the ways in which we're expanding that and building into new areas that are going to support and create for everyone involved with ResMed.

Thanks, again, for everyone on the webcast and with that, we'll sign out. Thank you.