REFINITIV STREETEVENTS

# EDITED TRANSCRIPT

RMD.N - Q4 2021 Resmed Inc Earnings Call

EVENT DATE/TIME: AUGUST 05, 2021 / 8:30PM GMT

**OVERVIEW:**

Co. reported 4Q21 group revenue of $876m, GAAP net income of $195m and GAAP diluted EPS of $1.33.

## CORPORATE PARTICIPANTS

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

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

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

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

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

## CONFERENCE CALL PARTICIPANTS

**Andrew Paine** *CLSA Limited, Research Division - Research Analyst*

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

**Dan Hurren** *MST Marquee - Healthcare Analyst*

**David Bailey** *Macquarie Research - Analyst*

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

**John Deakin-Bell** *Citigroup Inc., Research Division - Director & Head of Healthcare in Australia & New Zealand*

**Lyanne Harrison** *BofA Securities, Research Division - VP*

**Margarate Elizabeth Boeye** *William Blair & Company L.L.C., Research Division - Research Analyst*

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

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

## PRESENTATION

**Operator**

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

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

---

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

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

On the call today are CEO, Mick Farrell; and CFO, Brett Sandercock. Other members of management will join us during the Q&A section.

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

Before I turn the call over to Mick, I'd like to highlight ResMed's upcoming virtual Investor Day on September 8, which we announced in our earnings press release today. More details and information, including an agenda and how to register, will be available on our Investor Relations website approximately 2 weeks before the event.

Okay, Mick, over to you.

---

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

Thanks, Amy, and thank you to all of our shareholders for joining us today as we review results for our June quarter, the fourth quarter of our fiscal year 2021. On today's call, I'll provide a high-level overview of our financial results as well as review progress towards ResMed's 2025 strategic goals. I will discuss execution highlights against our top 3 strategic priorities and our urgent and ongoing actions to address current industry supply chain issues and opportunities. I'll then hand the call over to Brett for further detail on our financial results.

Let me start with the situation that has generated many stakeholder questions in the last 1.5 months. During the quarter, demand for ResMed's sleep and respiratory care devices surged dramatically after a competitor's recall announcement, putting additional pressure on an already challenging environment for our industry's supply chain.

Global supply chain limitations, including a shortage of electronic components, as well as ongoing freight constraints and costs are impacting our ability to respond to the unprecedented increase in demand for ResMed products. Executive teams across automotive, consumer products and communications technology industries have confirmed on their recent earnings calls that they are struggling with the same issues. Some major producers have suggested the chip and electronic component shortages could extend 12 or even 18 months. We are working incredibly closely with our global supply chain partners to ensure access to additional supply of the critical components that we need to further increase production of our medical devices.

During this June quarter, the demand spike was so high that we have been forced to allocate products due to the unprecedented demand and these real-world supply chain capacity constraints. In doing so, our guiding principles are very simple. We are focused on the highest acuity patient needs first. It's very similar to our approach to ventilator allocation during the peaks of the COVID crisis these last 18 months.

We will continue to coordinate with all of our stakeholders as the situation develops and we begin to open up these supply constraints. We understand this is a frustrating situation for all of our customer groups, including physicians, home medical equipment providers, payers and most importantly, the ultimate customer, the patient.

It is a unique time in our industry with steady recovery of patient flow after COVID-19 peaks in various countries with these global supply chain constraints and with an unforeseen competitor recall all occurring simultaneously. I want to be clear that, through it all, our priority will always be patience, doing our best to help those who need treatment for sleep apnea, chronic obstructive pulmonary disease and other respiratory diseases. Our goal is to ensure that patients get the therapy that they need and when they need it.

Let me be very clear about a couple of things. One, ResMed's sleep apnea and respiratory care devices are safe to use. They are the best in the market. They are the smallest, the quietest, the most comfortable and the most connected therapies. And positive airway pressure therapy remains the gold standard for the treatment of sleep apnea.

And two, ResMed will not be able to fill the entire supply gap that has been created by this situation caused by a competitor just 7 weeks ago. They were the #2 player to our #1 leading market position in almost all of the 140 countries that we compete in worldwide. We are doing everything that we can to partner further and further up our supply chain in order to increase our access to the supply of the parts, the pieces and the components that we need to manufacture at scale. We expect to be in a somewhat supply chain-constrained environment throughout fiscal year 2022.

This news from our competitor was only released to the market on June 14, so we are in the first 7.5 weeks of our response. However, we have already partnered with our global supply chain team, both internal and external. And although we expect the current quarter and the December

2021 quarter will be the most supply-constrained, we do see room for expansion of supply ahead. We expect that the flow of ResMed products will accelerate significantly during the March 2022 and the June 2022 quarters.

We are focused on partnering with physicians, providers and distributors to ensure that our devices get to newly diagnosed patients. And while that human impact is the most important, I know our investors and our analysts need to model the future financial impact of this accelerated growth on our ResMed financials.

Based upon our latest supply chain information and analysis, we see a path to $300 million to $350 million in additional revenue in fiscal 2022, over and above our previously planned revenue growth for fiscal 2022. Importantly, we see a clear opportunity to increase our long-term sustainable market share as patients, physicians and providers experience our ResMed market-leading device and integrated cloud-based software solutions.

Our experience over the last 7-plus years since we launched our online platform called Air Solutions at scale is that when providers adopt and embrace our suite of digital health solutions, they can lower their own labor costs by over 50%. They can drive their own patient adherence rates up to over 87% and beyond. After doing that, they don't want to go back to an inferior solution. And yes, during the near distant future, we will be starting the full product launch of our brand-new next-generation platform called AirSense 11.

Let me now turn to overall market conditions in our industry. As we discussed last quarter, the countries we operate in are at various stages of the post-COVID peak recovery process in terms of sleep apnea and COPD patient flow. We are seeing continued improvement in patient flow country by country. But there is a wide variance in that total patient flow from 75% of pre-COVID levels in some countries around the world to 95% or even 100% of pre-COVID levels in other countries.

Vaccines are steadily rolling out country by country, and at the same time, new variants, including the Delta variant, continue to cause disruption in some geographies. Our team remains committed to working with hospitals and health care providers to provide the ventilators, masks and training that they need for acute care. We will continue to support frontline respiratory therapists and physicians as well as providers, patients and our ResMedian team throughout the 140-plus countries that we operate in.

A few things that have become really clear during this pandemic is that every country in the world has: one, increased its adoption of digital health solutions; two, increased its focus on respiratory hygiene and respiratory health; and three, increased its investments in health care treatment outside the hospital and particularly in the home. These are all catalysts for ResMed's long-term growth.

We are pleased with the steady progress that we are seeing in diagnosing new sleep apnea, COPD and asthma patients. During the fourth quarter, our sales team delivered very strong revenue growth across our core sleep apnea and respiratory care business. This incredible double-digit growth was despite the headwind from lapping $125 million of incremental COVID-related ventilator sales in the June 2020 quarter and with some tailwinds from our competitors' recall right at the end of the quarter.

While I am proud of the team for this 10% constant currency revenue growth in the quarter, I'm also very proud of their achievement over the fiscal year, with over 6% growth in revenue throughout fiscal year 2021 to over $3.2 billion in total annual revenue and with leverage producing over 12% growth in our non-GAAP operating profit, and all the while, fighting for recovery of patient flow and battling COVID-19 impacts. Quite a performance from our team of 8,000 ResMedians, helping people in 140 countries.

We expect to see steady improvement in patient flow for sleep apnea and respiratory care therapy as we move throughout our fiscal year 2022. We are encouraged to see patients, physicians and providers adopting digital health tools for remote patient screening, for home-based testing, for patient monitoring and for ongoing population health management. As the leader in digital health for the treatment of sleep apnea, COPD and asthma as well as other chronic respiratory conditions, we are well-positioned to drive this growth with our health care delivery partners.

During the quarter, we generated over $227 million of operating cash flow, allowing us to return $57 million in cash dividends to shareholders these last 90 days. Today, we announced an 8% increase in our quarterly dividend for shareholders to $0.42 per share. We are pleased to return your cash to you, our shareholders, reflecting our confidence in ResMed's resilient business and our ongoing cash flow.

We also increased our R&D investments in digital health technology during the quarter as well as our research and development for masks, for devices, for embedded device software and for global clinical research, all the while maintaining fiscal discipline with SG&A and keeping other operating costs in line. We are reinvesting for long-term growth.

We lead the field of remote patient engagement and population health management with over 15 million cloud-connectable medical devices in the market. Our increasing investments in digital health innovation will ensure that we provide superior value to patients, to physicians and to providers to be their partner of choice. We don't take our leading market share position for granted. We have to earn it every day with every product, every solution and every service and every customer interaction. Customers vote with their wallets. And right now, they are voting for us, and we plan to keep earning their support.

Our digital health technologies are a growth catalyst for our business. We have an exciting pipeline of innovative solutions that will generate both medium- and long-term value with an industry-leading intellectual property portfolio, including over 8,200 patents and designs.

We now have over 9 billion nights of respiratory medical data in our cloud-based platform called Air Solutions. We have over 16.5 million patients enrolled in our cloud-based AirView software solution for physicians. And we recently upgraded our patient engagement tool called myAir. This app is now cloud-native and serverless in the cloud. This new myAir 2.0 release supports our next-generation platform called AirSense 11.

The AirSense 11 platform comes to the market with new capabilities, with improved data delivery, with scalable architecture and with support for full-cycle teams. And what that all means is that we have the opportunity for accelerated innovation in our ecosystem. We have over 110 million patients managed within our Software as a Service network for out-of-hospital care. These incredible data assets allow us to unlock value for all of our customer groups, for patients, for physicians, for providers as well as for private and government payers and the communities that they serve.

Let me now update you on our top 3 strategic priorities. These are: one, to grow and differentiate our core sleep apnea, COPD and asthma businesses; two, to design, develop and deliver world-leading medical devices as well as digital health solutions that can be scaled globally; and three, to innovate and grow the world's best software solutions for care delivered outside the hospital and especially in the home.

Last quarter, we previewed our next-gen platform called AirSense 11. Responding to the current industry situation, our market-leading research and development team accelerated the launch of the AirSense 11. First, by expanding the controlled product launch to additional customers just this last month; and second, by moving to an earlier full product launch date. We now expect to launch in the United States before the end of this current quarter and then to other countries gradually over time.

This AirSense 11 device launch will be a device launch like no other in the history of ResMed. Previously, we carefully timed new product platform launches to minimize the selling overlap of device platforms. We are in a unique situation today. Our market-leading AirSense 10 continues to be very strongly adopted, and we believe that it is better than any other device currently on the market. In short, it makes sense to continue to sell the AirSense 10 at scale, particularly as this will help maximize the overall CPAP, APAP and bilevel volume available for our customers for sale given the unprecedented demand for new patients to receive ResMed devices in the market right now.

The bottom line is that we're going to be selling both the AirSense 10 and the AirSense 11 in parallel for quite some time as we meet this extraordinary market demand over the coming fiscal year and as we continue to expand the availability of AirSense 11 to new markets and new geographies around the ResMed world. We are very excited to bring the AirSense 11 to market. And I am understating the results when I say that the response to our controlled product launch has been very positive. AirSense 11 benefits patients and bed partners, and the device and software platform combination will also benefit physicians, providers, payers and overall health care systems.

As I said earlier, we make the smallest, the quietest and the smartest and the most comfortable devices on the market, but they are also the most connected and the most clever devices. All AirSense 11 devices are 100% cloud-connectable with upgraded digital health technology to increase patient engagement and adherence, to improve clinical outcomes and to deliver proven cost reductions within our customers' own health care systems, engaging patients directly in their own digital therapy like never before in the industry.

Let me now turn to a discussion of our respiratory care business, focusing on our strategy to better serve the 380 million chronic obstructive pulmonary disease patients and the 330 million asthma patients worldwide. Our goal is to reach these many hundreds of millions of potential patients with our respiratory care solutions, including noninvasive ventilation and life support ventilation as well as newer therapeutic areas such as cloud-connected pharmaceutical drug delivery solutions and high flow therapy offerings.

We announced that our respiratory care business benefited this time last year in the June 2020 quarter as we sold incremental ventilation devices and mask solutions to meet the growing demand for COVID on an acute scale to the tune of $125 million in sales. During the current June 2021 quarter, we had modest COVID-related ventilator sales. They were not material to our overall results. They were under $20 million in sales, just under.

As the Delta variant of this coronavirus surges in various markets and regions, we will still be there to support governments and health care systems and the patients that they serve in their acute need. But we do not expect the resulting revenue from COVID to be material to our global business. Of course, the broader humanitarian impact is immeasurable, with preservation of life through our ventilation solutions a top priority in all of these countries.

Our supply chain focus is for Astral, our life support ventilator; then Stellar, our noninvasive ventilator; and then our Lumis and AirCurve platforms to ensure that we can help patients who need our support the most.

Demand for our core noninvasive ventilation and life support ventilation solutions for COPD are experiencing the same steady recovery in new patient flow as we see in our sleep apnea business. We are balancing the growth in demand with the supply of ventilators that made it to market throughout the last 18 months as customers balance their inventory with ongoing acute and chronic ventilation patient needs.

We continue to see rapid adoption of the AirView for ventilation software solution that we launched in Europe this time a year ago. We are now expanding this technology to regions around the world. The value being provided through AirView for ventilation has been helpful to physicians, not only during the COVID crisis, but it is also increasingly valuable as an ongoing clinical tool for them and for the health care systems that they operate in.

In summary, we are helping to ensure that digital health is the new standard of care for respiratory care.

Let me now review our Software as a Service business for out-of-hospital health care. During the quarter, our SaaS business grew in mid-single digits year-on-year across our portfolio of markets, including home medical equipment, skilled nursing facilities, home health, hospice, private duty home care, home infusion and life plan communities. The continued growth of home-based care is providing tailwinds for our HME and home health products. And we continue to grow with customers as they utilize and optimize our resupply solutions to improve patient care.

The COVID-19 pandemic has been challenging for some verticals in our SaaS business, particularly skilled nursing facilities or SNFs. However, we are seeing positive trends as census rates improve across SNFs and other care settings. We are watching this very closely as COVID peaks and decays at varying rates around the country. We expect there to be pent-up demand for our software purchasing that provides opportunities for us to increase our pipeline as COVID restrictions continue to ease state by state.

Our leading position as the software provider of choice to the HME market enabled us to help customers manage through the pandemic and to maintain a healthy business. Our Brightree-branded software solutions are allowing HMEs to work through current challenges within our industry, including the need for increased patient support, the need for management of product shortages in some categories as well as ongoing growth in the resupply of much needed home medical equipment.

As we look across our portfolio of solutions, we expect our SaaS revenue growth to gradually accelerate, increasing from its current mid-single-digit growth to high single-digit growth by the back end of this fiscal year. As always, our goal is to meet or beat these market growth rates as we continue to innovate and take market share from competitors.

Additionally, we see opportunities on our radar screen to drive growth through further SaaS acquisitions to augment our existing organic growth. We have a good history of thorough due diligence, ensuring that ResMed is the best owner of the asset and, of course, that we can bring additional value for our customers with the new offering and of course, additional value for all of our shareholders.

In summary, our SaaS offerings are well received in each of the verticals that we serve, and we see an increasing opportunity to leverage analytics to minimize acute care episodes for residents, patients and clients in our provider network; and ultimately, to allow people to age in place, away from a hospital and preferably in their own homes.

Looking at the portfolio of ResMed's businesses across both sleep and respiratory care as well as our SaaS solutions, we remain very confident in our long-term strategy and our pipeline of innovative products and solutions. Our mission and specific goal to improve 250 million lives through better health care in 2025 drives and motivates ResMedians every day. The light shining on the importance of respiratory health and hygiene is brighter than it ever was due to this pandemic.

COVID has also highlighted the importance of digital health, its accelerated awareness and adoption of technologies that can be used for remote patient screening, diagnosis, setup as well as patient monitoring and management. We continue to invest aggressively in R&D to ensure ResMed solutions remain market-leading and provide a catalyst for long-term growth.

With over 1.5 billion people around the world suffering from sleep apnea, COPD and asthma, we see incredible opportunities for greater identification, enrollment and engagement of people within our digital health ecosystem. We are relentlessly driving innovation and development to provide the scale needed to expand the impact of this technology across all of the 140 countries that we operate in.

Before I hand the call over to Brett for his remarks, I want to again express my sincere gratitude to the more than 8,000 ResMedians for their perseverance, hard work and dedication during the most unusual, almost perfect storm of circumstances. You have helped save the lives of many hundreds of thousands of people around the world with emergency needs for ventilation these last 18 months as we suffered through COVID. And now you have rapidly pivoted the company back to provide ongoing support for our customers and patients during very challenging industry dynamics and supply chain constraints with unprecedented demand.

Thank you. With that, I'll hand the call over to Brett in Sydney, and then we will go to Q&A with the whole team. Brett, over to you.

---

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

Great. Thanks, Mick. In my remarks today, I will provide an overview of our results for the fourth quarter of fiscal year 2021. Unless noted, all comparisons are to the prior year quarter.

Group revenue for the June quarter was $876 million, an increase of 14% over the prior year quarter. In constant currency terms, revenue increased by 10% compared to the prior year quarter. Revenue growth reflected increased demand for our sleep devices and masks, which was, in turn, driven by both sleep patient flow recovering from the COVID-19-impacted reduced levels in the prior year quarter and by increased demand in response to the recent product recall by one of our competitors.

The increased year-over-year demand for our sleep solutions during Q4 was partially offset by a significant decline in COVID-19-related demand for our ventilators and related accessories.

In the June quarter, we estimate the incremental revenue from COVID-19-related demand, primarily in India, was approximately $20 million, a decline of $105 million compared to the prior year quarter. Excluding the impact of COVID-19-related revenue in both the June '21 and June '20 quarters, our global revenue increased by 29% on a constant currency basis.

Going forward, we expect minimal revenue from COVID-19-related demand. Note, as a reminder, in Q1 FY '21, we have COVID-19-related incremental revenue of approximately $40 million.

As I mentioned before, during the June quarter, one of our competitors announced a product recall on certain sleep and respiratory devices, which, in turn, has resulted in significantly increased demand for our devices. We estimate that we generated incremental device revenue of approximately $60 million to $70 million in the June quarter due to our competitors' recall.

Taking a closer look at our geographic distribution and excluding revenue from our Software as a Service business, our sales in U.S., Canada and Latin America countries were $472 million, an increase of 18%. Sales in Europe, Asia and other markets totaled $308 million, an increase of 11% or an increase of 2% in constant currency terms.

By product segment, U.S., Canada and Latin America device sales were $268 million, an increase of 30%. Masks and other sales were $204 million, an increase of 5%. In Europe, Asia and other markets, device sales totaled $210 million, an increase of 2% or in constant currency terms, a decrease of 6%. Masks and other sales in Europe, Asia and other markets were $98 million, an increase of 36% or in constant currency terms, a 24% increase.

Globally, in constant currency terms, device sales increased by 12%, while masks and other sales increased by 10%. Excluding the impact of COVID-19-related sales in both the current quarter and the prior year quarter, global device sales increased by 46% in constant currency terms, while masks and other sales increased by 16% in constant currency terms. Software as a Service revenue for the fourth quarter was $96 million, an increase of 5% over the prior year quarter.

Looking forward to fiscal year '22, we expect several factors will drive demand, including the general recovery of the global sleep market from COVID-19 impacts, the launch of our next-generation AirSense 11 platform and share gains during our competitors' recall. However, while we are working hard to increase capacity, we will not be able to meet all the expected demand resulting from our products compared from our competitor's recall primarily because of supply constraints for electronic components. And we expect these constraints to be more limiting in the first half of FY '22 than the second half.

As Mick mentioned, we believe component supply constraints as they stand will currently limit incremental device revenue attributable to our competitor's recall to somewhere between $300 million and $350 million during fiscal year '22.

During my remaining commentary today, I will be referring to non-GAAP numbers. We have provided a full reconciliation of the non-GAAP to GAAP numbers in our fourth quarter earnings press release.

Our non-GAAP gross margin decreased by 260 basis points to 57.3% in the June quarter compared to 59.9% in the same quarter last year. The decrease is predominantly attributable to a negative product mix impact, specifically a proportional increase in sales of our lower-margin sleep devices, ASP declines and unfavorable foreign currency movements. We also continued to experience elevated and significant freight costs.

Moving on to operating expenses. Our SG&A expenses for the fourth quarter were $181 million, an increase of 10%, or in constant currency terms, SG&A expenses increased by 4% compared to the prior year period. SG&A expenses as a percentage of revenue improved to 20.7% compared to the 21.5% we reported in the prior year quarter. Looking forward and subject to currency movements, we expect SG&A as a percentage of revenue to be in the range of 20% to 22% during fiscal year '22.

R&D expenses for the quarter were $60 million, an increase of 14%, or on a constant currency basis, an increase of 9%. R&D expenses as a percentage of revenue was 6.8%, which is consistent with the prior year. We continue to make significant investments in innovation because we believe our long-term commitment to technology, product and digital solutions will deliver sustained competitive advantage. Looking forward and subject to currency movements, we expect R&D expenses as a percentage of revenue to be in the vicinity of 7% during fiscal year '22.

Total amortization of acquired intangibles was $19 million for the quarter, and stock-based compensation expense for the quarter was $17 million. Our non-GAAP operating profit for the quarter was $260 million, an increase of 7%, underpinned by strong revenue growth.

As I reported last quarter, we estimated and recorded an accounting tax reserve of $255 million during the previous quarter, which was net of credits and deductions for a proposed settlement of transfer pricing audits by the Australian Taxation Office or ATO. During the quarter, we progressed our settlement discussions with the ATO and have refined our tax reserve estimate. As a result, we have determined the required reserve is $249 million or $6 million lower than the previous quarter estimate. And accordingly, we have recorded this as a reduction in our GAAP tax expense in the June quarter. Next steps involve concluding a written agreement with the ATO and obtaining final approvals from each side, which we hope to achieve this quarter.

On a GAAP basis, our effective tax rate for the June quarter was 18.4%, while on a non-GAAP basis, our effective tax rate for the quarter was 21.5%. Our non-GAAP effective tax rate for FY '21 was 18.7%. Looking forward, we estimate our effective tax rate for fiscal year '22 will be in the range of 19% to 20%.

Non-GAAP net income for the quarter was $198 million, an increase of 3%. Non-GAAP diluted earnings per share for the quarter were $1.35, an increase of 2%. Our GAAP net income for the quarter was $195 million, and our GAAP diluted earnings per share for the quarter were $1.33.

Cash flow from operations for the quarter was $227 million, reflecting robust underlying earnings, partially offset by increases in working capital. Capital expenditure for the quarter was $28 million. Depreciation and amortization for the June quarter totaled $42 million. During the quarter, we paid dividends of $57 million.

We recorded equity losses of $1.3 million in our income statement in the June quarter associated with the Verily joint venture now called Primasun. We expect to record equity losses of approximately $2 million per quarter for fiscal year '22 associated with the joint venture operation.

We ended the fourth quarter with a cash balance of $295 million. At June 30, we had $655 million in gross debt and $360 million in net debt. Our debt levels remained modest. And at June 30, we had a further $1.6 billion available for drawdown under our existing revolver facility. In summary, our liquidity position remains strong.

Our Board of Directors today declared a quarterly dividend of $0.42 per share. This represents an increase of 8% over the previous quarterly dividend and reflects the Board's confidence in our strong liquidity position and operating performance. Our solid cash flow and liquidity provides flexibility in how we allocate capital. During the pandemic, we have focused on paying down debt. Going forward, we plan to continue to reinvest for growth through R&D. We will also likely continue to deploy capital for tuck-in acquisitions such as Citus Health.

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

---

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

Great. Thanks, Brett. Rob, let's go ahead and start the Q&A portion of the call. I will turn it over to you to provide instructions and get going.

---

## QUESTIONS AND ANSWERS

**Operator**

(Operator Instructions) Your first question comes from John Deakin-Bell with Citigroup.

---

**John Deakin-Bell** - *Citigroup Inc., Research Division - Director & Head of Healthcare in Australia & New Zealand*

My question was just around the likely mix going forward. You've talked about that $300 million to $350 million impact from the recall, but we know there's quite a big difference in the growth rates in the U.S. versus rest of the world in the quarter for devices. Can you just give us a feel for, firstly, why there was such a difference in the U.S. versus the rest of the world for the quarter; and then going forward, how you think that mix might look in FY '22?

---

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

Yes. Thanks for the question, John. And yes, look, it's really exciting to be able to provide $300 million to $350 million in incremental revenue for our shareholders, but devices are much needed patients out there over the coming fiscal year. And we -- actually, we hope to get better than that as we look for more parts and pieces and components. That's our current forecast.

Look, just breaking down the device numbers for the quarter, really strong device numbers for the U.S. at plus 30%. That was off a comp. If you remember this time a year ago, where sleep devices were weighed down and ventilators were picking up in the U.S., I think it was around plus 1%, the comp, and so a huge turnaround there, plus 30% in this last quarter. And then in EMEA, Asia and rest of world, this time last year, we had plus-35% growth because we had really strong ventilator sales, particularly to some Asia Pacific regions in their COVID crises. And so that comp of plus 35% was being annualized, and we saw a minus 6% for EMEA, Asia and rest of world.

So it's a combination, John, of multiple factors of COVID for both those sort of regions, U.S., Canada, Latin America, plus 30% versus EMEA, Asia and rest of world, lapping a plus 30% at their minus 6%. So as we project for the $300 million to $350 million, I think that's probably the most guidance we've ever given around an opportunity like this. I'm not going to split that by region or by type or by area. But I can tell you, it's supply chain-constrained, not demand-constrained.

And everyone in all the 140 countries wants ResMed products. And every one we make, we sell, and we are doing everything we can to drive more and more elements in our supply chain, wherever that bottleneck is in supply. Whatever that part or piece is, I personally, as the CEO, I'm calling up that supplier and talking to their CEO and saying, "Look, this component can go into a cell phone or a car or it can go into a medical device that literally gives someone the gift of breath, please prioritize our partner supply chain." And it's been working these last 7 weeks. We've been able to match $300 million to $350 million in additional revenue. And our goal is to continue every week, every month to do better and better on that.

---

**Operator**

Our next question comes from Dan Hurren of MST.

---

**Dan Hurren** - *MST Marquee - Healthcare Analyst*

Look, thanks very much for that additional information in the $300 million to $350 million. We're just trying to understand how that plays out over the year. And I guess, we're trying to understand what the exit run rate would be on that plan as an uplift over your normal operations. So I guess, for -- looking at how linear that will be and what sort of shape you'll be as you exit the full year.

---

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

Yes, Dan, it's a good question. And I don't want to get into a sort of breakdown every 90 days approach on it. But what I can say, in terms of color, Dan, for your modeling, is that we found out about this 7.5 weeks ago, and we've been working like crazy these last 2 months on the supply chain. And it's easier to open up supply 3 months out, 6 months out, 9 months out. And so a lot of the additional flow of parts and pieces is back-end loaded in the fiscal year. And so much less supply chain-constrained in the March quarter and the June quarter of this fiscal year '22 we're in.

And it's going to be tougher here. We're already in the September quarter, and we're hand to mouth. But look, we're not stockpiling. We're not putting stuff in inventory. We are pushing stuff through plants. Our plants aren't at full capacity, so we have capacity. It's really around components and parts and pieces that are the bottlenecks. And so if you think about that color, it sort of gives you guidance to know that Q3 and Q4 will be a lot less constrained than Q1 and Q2. Q2 should be slightly better than Q1, and Q3 should be significantly better than Q2, and Q4 should be significantly better than Q2 and Q1 as well.

---

**Operator**

Your next question comes from David Bailey with Macquarie.

---

**David Bailey** - *Macquarie Research - Analyst*

Going down the same line there. I mean that's great additional detail on $300 million to $350 million. Is that devices only? Or is that the entire opportunity as you see it currently capturing consumables as well as ventilator? Any incremental ventilator sales coming through?

---

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

Yes, David, that's a good clarification. So the $300 million to $350 million is incremental devices, including the Astrals, Stellars, AirCurves, Lumis as well as AirSense 10 and AirSense 11. So it's all physical product devices. It does not include any potential upside in masks that you can get while selling great -- flow generator capabilities. And so it doesn't include incremental sales of those. It's focused on the device side. But both ventilation and sleep apnea devices are included in that number.

---

**David Bailey** - *Macquarie Research - Analyst*

Okay. And then just a quick follow-up, if I can. Just on a new patient coming into the system, in your observations over the last 12 months. I mean what sort of proportion should we think about of new patients that have a ResMed device who also have ResMed -- matching ResMed consumables? Is there a sort of a rough number you're able to provide to try and understand what that could look like?

---

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

Yes. I see where you're going with the question. It's sort of trying to get to the understanding of how much incremental mask share we might get when they're on a ResMed device. So look, as you know, it's an open system, and there's no requirement that a ResMed device has a ResMed mask. They are designed by the same engineers in the same building out there in Sydney and the manufacturing -- advanced manufacturing site across the road. So they're designed to work together very well, and they are better together.

So there is a better uptake of ResMed masks with ResMed devices. And certainly, it's going through a channel where there's a salesperson who's providing both of them. And so there's some opportunities on both the sort of clinical and technical side as well as the commercial and execution side for some incremental growth. I won't quantify that for you, but I do think there is some upside.

---

**Operator**

Your next question comes from Sean Laaman with Morgan Stanley.

---

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

Mick, my question relates to the commonality between components of the various devices. Is that the -- is there a lot of commonality between the S10 and S11 platforms, so therefore, the challenges are the same with respect to sourcing? And does the 3x increase to capacity from your competitor compound the issue or change the picture for you?

---

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

Yes, Sean, 2 very good questions and very much related. Yes, I think there is some overlap of some of the parts and pieces between the AirSense 10 and AirSense 11 platform. It's 7 years newer in the market, and so there's a lot of upgraded electronic, mechanical, plastic and digital health technology in the device. And so there's a lot of new components as well.

And yes, there is demand from our competitor out there trying to cover their recall amount as well as -- and catch up with the patients that need urgent replacements. We're not seeing as much of the latter, though. We have a supply chain that has some overlaps with some of our competitors but actually very individually designed. And as we work through the supply chains, the whole medical device industry is a very small percentage point of the suppliers' total capacity, which is great for us in that we're not fighting for limited share versus a competitor. We're really fighting for share versus a large consumer phone company or an automobile company.

And the suppliers like medical devices because, firstly, we're relatively recession-resistant. We don't suddenly stop our sales during a recession as some people do on consumer purchases and automotive. And we're usually high-margin for them, so -- and more sustainable growth in terms of what we're doing for our platforms. The AirSense 10 has been in the market for 7 years, and so these are long-term sustainable for them.

So our arguments are very good with the supply chain, and that's why in the last 7 weeks, we've been able to identify that extra $300 million to $350 million in opportunity. But there is some commonality between our devices. And we will make those trade-offs, and that's why we will provide both AirSense 10 and AirSense 11s. But the AirSense 11 is a huge leap forward for the industry, and our goal will be country by country to roll that out. But yes, for the next 6, 12 months, there's going to be a lot of selling both the fantastic AirSense 10 and the amazing AirSense 11 in parallel in countries around the world.

---

**Operator**

Our next question is from the line of Margaret Kaczor with William Blair.

---

**Margarate Elizabeth Boeye** - *William Blair & Company L.L.C., Research Division - Research Analyst*

This is Maggie on for Margaret today. I wanted to ask a little bit more on the assumption of the $300 million to $350 million. So in that assumption, are you assuming that's new patients? Or is that going to be swapping your competitor's existing patients? And then is there a potential here for more than your current revenue assumptions if that incremental supply can be located a bit earlier than your current expectations? And then taking it one step further and looking out to fiscal year 2023, how are you guys looking at the tail of the benefit post recall?

---

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

Okay. Great, Maggie. There's I think 4 great questions in your question there. I'll address the first half of it, and then I'll hand over to maybe Jim Hollingshead to address some of the latter questions about long term. Firstly, yes, we are focused on new patients as they come through. We're the #1 provider in almost all of the 140 million countries that we're in, but the competitor with this recall was often the #2 to our #1 position. And so there's a lot of demand for new patient flow, and that's where we're focused. That's where we're laser-focused.

Frankly, it's their job to focus on replacement of recall. That was their job and their duty to go take care of those patients. And we're focused on the new patients. Both together will create unprecedented demand in the market. So that's Point 1, we're focused on new patients.

At a high level, as we look out beyond sort of this competitive recall to say what's the steady state as we get to fiscal '23 and towards the end of fiscal 2022, I do think, as I said in the prepared remarks, that we'll achieve a permanent market share increase from this. ResMed has always been the quality leader, always been the clinical leader, always been the smallest, quietest, most comfortable. But there were some customers who have just been used to the old devices from an American brand that was bought by the Dutch company for a long time, and they just stuck with what they had.

I think they will get a chance to experience the labor cost improvements, the efficiency improvements, the doctors being excited about having full digital on AirView and patients being excited about the interaction on myAir and the adherence that they get patients happy, physicians happy and provider happy. Because a happy patient is one who's buying masks because they need them on a replenishment basis.

So I won't quantify it for you, but I do think this is a magnificent opportunity for us to get our technology in front of a whole new range of customers. On the other hand, we're supply-constrained right now. So we're focused on our existing customers and taking care of them and making sure that we can get the new patients set up for them.

But Jim, any other color you think on sort of changes to the market conditions and longer-term implications?

---

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

Yes. Thanks, Mick, and thanks, Maggie, for your question. I would say on long term, as we were preparing to launch AirSense 11, our plan was to take market share, to take device share with the offering because the AirSense 11 offering both the device and the software, we think, is by far the best offering on the market. We're introducing at launch a number of innovations. And the platform, because of its connectivity, allows us to introduce even more software innovations post launch on an ongoing basis.

And so as Mick said in his opening comments, we feel very confident that with AirSense 10 and AirSense 11, we have the 2 best sleep therapy devices on the market. So that was our plan all along. And I think that our competitor's recall simply creates a window of opportunity for us, as Mick is saying, to familiarize more customers, more patients with the innovations and to streamline workflows for providers and to provide -- continually improving patient experience on therapy, which drives up adherence, improves outcomes for patients, and all of our stakeholders have been winners with that. So we feel very confident as we were launching, and I think the circumstances give us even more of an opportunity.

---

**Operator**

Next question is from the line of Andrew Paine with CLSA.

---

**Andrew Paine** - *CLSA Limited, Research Division - Research Analyst*

Just looking at the supply chain issues, in particular, semiconductors. What can you do to actually increase in supply there? I know that last year, you got 38 million semiconductors from Infineon for COVID response. Are you able to get more access to semiconductors due to your position within the health care system?

---

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

Andrew, great question. I'll address maybe the first half and hand to Rob Douglas to talk a little bit to that. But look, I can tell you, as CEO, traditionally, I'm taken into discussions with major customers, talking to the large multinational customers around the world and governments that we provide these great therapies and solutions for, so that I can engage with them and talk about our great value. Right at the moment, I'm not doing that because customer demand is almost infinite. And I'm being taken by my global supply team to talk to suppliers.

And Andrew, without naming individuals, I know that individual supplier was named during the COVID crisis at their request, we are going, and I am spending time, not just 1, 2, 3, 4 and 5 steps up our supply chain and talking to people who make these basic plastics, electronics and components and parts and pieces and telling them. Sometimes they're unaware that further down the supply chain, there's a life support ventilator or a noninvasive ventilator or a sleep apnea device that cures and treats sleep suffocation.

And so just getting me that opportunity. Firstly, it's very interesting for me. It's a new dynamic, and we're getting really good response from these suppliers. They also are under difficult supply chain conditions and often ask me to go with them further up the supply chain to talk to someone else. And it's a game of sort of bottleneck, debottlenecking, if you like, in the global supply chain. We have a very advanced engineering team that are looking all day every day in our global supply alliance internally, led by Linda Laidlaw and her team and Andrew Price and his team, and they are pulling me in and doing much more themselves all day, every day to drive that.

So it's an ongoing opportunity for us. It's a supply chain opportunity that's unique due to COVID impacts on freight costs, impacts on freight availability but also the growth that we see ahead due to this unique situation.

Rob, any more color to talk about there on our supply chain for -- to Andrew's question?

---

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

Yes. A few other factors, Mick. One is, after following on from COVID last year when we rapidly ramped ventilation, usually, for that ramp, you've got to put in longer-term commitments. So we did have actually a lot of commitments on the ventilator devices going forward, and that will be helpful for us. As Mick said, we can always make a better case than a cyclical consumer product. And in fact, one of the key factors around that, not only are we saving lives, but also for these suppliers, we can give them very long-term forecast that we usually hit and do really well.

So we're able to give long-term forecast, and we know they like that and they can plan that in. The forecast is stable. It's unusual to have the sort of sudden increment that we've had as a result of recent industry events. And so we're putting that in and pulling stuff forward. But also given that just the number of patients we've got to treat and where we are in the market, we're able to make some really solid long-term commitments with these suppliers as well. And so that really, really helps. And we will see our commitment horizon actually had go quite a lot longer than what traditionally it's been.

And then the other fact that Mick mentioned briefly also is we've got a really strong design team. And where there are sort of acute bottlenecks on particular components, we can forward design around those, but those design changes do take time. And they've got to be properly validated and tested, and we have very rigorous testing on these products. So we can't just rapidly switch to a new component, but we can plan some months out that we'll be able to add in additional sources of components. So as you can imagine, this is sort of full-court press for our supply chain and engineering teams, and they're going flat out on this.

---

**Operator**

Your next question comes from the line of Chris Cooper with Goldman Sachs.

---

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

Can I just ask about the cost side of the equation? I mean, presumably, given the competition for chips here that you've been referring to through to the call, I mean, it would be reasonable to assume that the cost side of the $300 million to $350 million is just going to be elevated versus what we normally see for your business. And if that is the case, are you going to need to try and offset some of that pressure with price?

---

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

Chris, it's a good question. I'll hand to Brett to talk a little bit around the costs and how we're taking care of those, and Rob, if he wants to chime in as well. Look, this is an unprecedented time. Before our competitor made this announcement 7 weeks ago, there was already constraints in the market around some of the components. And certainly, because of nobody traveling really internationally, consumer travel is down so much, and all the freight in the back of those consumer jets was gone. The costs were higher.

And look, we talked about this 90 days ago on our last earnings call, and you saw it in the COGS numbers for this June quarter. And that's going to be with us for a while. I mean these costs aren't going away. It is more costly to get freight than it was because there's much less planes available. And it is with scarce components. Although we have very long-term contracts, prices are being impacted by that.

At the same time, we're in an environment where we have customers with contracts with payers, and in the consumer side of our business, there might be some opportunity to work with the supply chain to think about how to get some of those costs through the channel. But certainly, in the reimbursed side of the market, it's a balance. And you've got to think really long term about on the other side of this crisis, how are we and our customers are going to engage in our long-term interactions. And so it's a complex equation.

And -- but Brett, do you want to talk a little bit to what we're doing to negotiate to achieve the best prices that we can get and to manage our gross margin there and the COGS there? And maybe, Jim, talk to how we're working with customers on long-term pricing. So Brett and then Jim.

---

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

Yes. Thanks, Mick. I mean we do -- Chris, we do -- I mean, obviously, and Rob mentioned that kind of we have some of these longer-term commitments that are there contractually, so that helps us there. But if you look at it industry-wide, I think, for electronic components, you are seeing price pressures there. So I think over the course of the year, you'd expect, I think, some increases on those components there. But we can mitigate that to some extent with some of these longer-term contractual arrangements. So that is a pressure point, if you like, on our cost side.

And then freight, definitely, as Mick mentioned, that remains pretty elevated and for a number of reasons, and just really even getting swaps and so on, that's air freight, that's even into -- even containers now for a sea freight even. So that, I think, will continue some for -- probably for this year. But that you think -- I don't think the freight is going to be approved. I think that will resolve itself over time. But I think for the -- over the course of this fiscal, I think that's going to remain as a cost pressure for us.

---

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

If I'd just pick up on the price topic very quickly. But I think Mick has covered it broadly quite well. But I -- if you think of our industry, it's historically been a price-down industry, right? And that's because reimbursements come down and prices come down because, we, as manufacturers, have been able to drive down [below] materials and move the industry in that direction while preserving margins.

Our customers still are very constrained on their ability to pass on any price increases that they face. Because for the most part, they're in -- either have government reimbursement or they have some sort of contracted reimbursement with a commercial payer. And those reimbursements have remained static or come down over time.

So as we think about what we might be able to do pass price forward, we have to be very thoughtful about how we accomplish that and if we can do it. And then couple that with the fact that we are also in contract with most of our customers, right? So we might be in a tender contract with a government payer or many of our larger customers, we have contracts that run for 12 months that have a renewal cycle and that sort of thing.

So I think that we've done a very good job of being disciplined in pricing and maintaining price stability, and we'll be very, very thoughtful as we think about any kind of price changes that we do over time. But I think the circumstances are quite unique, and we really want to preserve long-standing relationships with our customers who are really our partners in the channel.

---

**Operator**

Your next question comes from the line of Lyanne Harrison with Bank of America.

---





REFINITIV

**Lyanne Harrison** - *BofA Securities, Research Division - VP*

I'd like to continue with that line of thought. You mentioned there that with some of your larger customers, obviously, you've got contracts with them. Can you talk a little bit about whether those contracts with those larger customers, to what extent they might have volume pricing in terms of that wholesale price? And is that -- with more volumes going through, is that likely to squeeze margins further?

---

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

Jim, I'll hand that question to you. It's a follow-up, really, to your response to the previous question.

---

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

Yes, it's a terrific question. And we're actually, in many ways -- in many cases, working through those contract negotiations real time. I think that we have pretty good clarity with most of our customers that this is an unusual set of circumstances. And so we have a number of customers -- and this varies a lot by geography for everybody to understand. But we have -- we do have a number of customers who have volume-based or rebate -- volume-based rebates or pricing levels. And this is an unusual set of circumstances that drive more volume into those accounts.

And so those are contracts we're working through in real time, but they're not uncapped to discounts. And we're managing those conversations, I think, very carefully. And I -- this is, in a way, the flip side of the previous question where because we have relationships with our customers who understand the dynamic of what's going on, we're able to negotiate pretty good price stability. So there's no risk for us of runaway -- sort of runaway discounts and rebates. And on the other hand, we're working to create a kind of a stable pricing environment for our customers as well.

---

**Operator**

Next question comes from David Low with JPMorgan.

---

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

Just one for me. On mask reset side, we have worried -- or I had worried that with the recall that we might see a lot of patients stop using their device, particularly given that was the advice. And that would have a flow-in effect to everyone's resupply programs. Now we can see the numbers today, and then mask sales growth, obviously, is not matching up with device sales growth by any means. And I know there's a lot of factors in that. But just wondering if you could talk to that risk and what your expectations are on that front, please.

---

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

Yes, David, it -- there certainly was some confusion after the June 14 announcement, but I think many of the regulatory authorities and many of the clinician groups came out pretty quickly to say, let's talk to your doctor and work out a risk pathway between now and when you get that replacement device from that competitor. And also, for new patients, the doctors and certainly, all of us in the industry were very focused on the safe and effective therapies from ResMed and other players in the market.

And so I think that messaging was actually pretty quickly put out there by those physician societies and relevant health authorities after somewhat confusing announcements, right, on that June 14 from our competitor. And so long term, there's been some impacts that are quite beneficial in patients making that trade-off. And certainly, for us, yes, you saw a plus-5% growth in masks in the quarter for the U.S. You saw a plus-24% growth in Europe over a COVID comp there, but very, very solid growth in our mask business.

As you said, there's a bunch of factors, David. This time last year, we had all the ventilation mask sales for COVID in the U.S., which was a comp that we were -- was like a headwind. And the other headwind we had was the annualization of the Snap acquisition, which we did just before COVID.

We closed it just in that sort of February through June period. And then there's some balancing of inventory and cash flow due to the competitive recall, all going on at once. And so a lot of competing dynamics.

But as you saw, it's a resilient business. When people are getting great sleep apnea therapy, they love feeling better, sleeping well and waking up refreshed, and they want to get a new mask every 3 or 6 months. And they're doing it at increasing rates due to COVID. That step-change has remained. And we're confident as we look through the fiscal year that we're going to see mid-single-digit up to high single-digit growth in our mask business.

And it's all about us engaging with those patients, getting new patients onboard. As we talked about, some incremental revenue opportunities there on the devices, maybe some on the masks. And then we get back to where we were before, right? And we go back to engaging patients, ensuring they stay on therapy, and they have really quick and easy access to resupply if they want it and when they want it and when it's covered by insurance and co-pays and everything.

---

**Operator**

Next question comes from Matthew Mishan with KeyBanc.

---

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

Mick, just to switch it up for at least one question. Are there any meaningful milestones for Propeller or Verily -- or the Verily JV in FY '22 that you think you want -- would like to call out? And is the loss -- is the lower loss on the JV because it's now generating some revenue?

---

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

Thanks, Matthew. And it's great to have a question that's sort of looking out beyond the next 12 months given the dynamics. I'm not surprised by that. I'll take the first part on the joint venture with Verily and hand to Jim to talk a little bit more about Verily and also about Propeller and other great development opportunities we have across our portfolio in sleep and respiratory care.

Yes, firstly, the joint venture with Verily, its name now is Primasun. And so we've got the branding out there. And we have Jonathan Lobbins, a fantastic CEO, that comes to us from Edwards Lifesciences and other large med tech companies that he's been a part of and really exciting to have a new CEO there. He's a strong leader. And the ability to identify, engage and enroll, what I call, sleep-concerned consumers into a digital pathway and a treatment pathway for sleep apnea is incredible and some really good experiments happening in certain metropolitan and statistical areas with that technology. And so great to have a new leader and new opportunity.

The milestones are really around those MSAs and the success we're having before we'll scale. And obviously, given the current industry dynamics, we don't need to drive demand right now. We have unprecedented, almost unlimited demand, but we're doing lots of pilots and lots of testing. And I can see, as we get towards our 2023 and we annualize all this and we're moving towards our 2025 strategy, that Primasun joint venture will create incredible opportunities to identify and engage and enroll the 936 million people worldwide who suffocate and want to find a pathway to treatment for their sleep apnea.

Jim, any other thoughts about Primasun or Propeller or any other great developments you've got on the horizon in SRC?

---

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

I would say, just in specific to Propeller, we remain very excited about Propeller as a part of our portfolio. And like a lot of -- a number of things over the last 18 months, the headwinds for Propeller were largely driven by their customer base focusing on COVID. So a big part of Propeller's business is working with payers and with health systems to drive adoption of their digital solutions. And there was just distraction in their customer base for many months, obviously.

So we're starting to see some more traction in those conversations as COVID starts to decline and the market starts to stabilize. And we've taken the opportunity during that span to do -- to continue to develop our capabilities in Propeller. And I would say -- just a couple of highlights, I would say, we've added quite a lot of muscle to the commercial side of that business by adding talent into the business. And we've also been working hard behind the scenes to build out the cloud architecture and make sure that Propeller's cloud architecture is paired up really nicely and matching and kind of aligned with ResMed's overall cloud architecture for our other digital offerings. And all of that kind of investment is just going to accelerate Propeller's traction in the market as we continue to accelerate digital offerings across our entire portfolio.

So we're very excited about it. I think that material revenues out of Propeller are a couple of years away in all likelihood. But as we get more milestones and new things like signed contracts, we'll keep everybody apprised.

---

**Operator**

We're now approaching the 75-minute mark, so I'll turn the call back over to Mick Farrell.

---

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

Yes. Thanks, Rob, and thanks to all of you for sticking around a little long. Clearly, some unique circumstances in this perfect storm. Thanks again to all of our shareholders for joining us on the call today. I'd like to once again take the opportunity to thank 8,000 ResMedians, many of whom are also shareholders, for their dedication and hard work, helping people breathe better, sleep better and live better lives outside the hospital in 140 countries worldwide. Thanks for all that you do today and every day. And thanks especially to our ResMed heroes on the frontlines during this global COVID crisis, including patient care, provider support and hospitals, production, global supply chain management, distribution and tech service. Once again, thank you.

And I'd like to thank all of you, our shareholders, for joining us here, and we'll see you in 90 days. Thank you very much.

---

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

Great. Thanks, Mick, and thank you again for joining us today. We do appreciate your interest and your time. If you have any additional questions, please don't hesitate to reach out directly. This does conclude our call. Rob, you may now close it up.

---

**Operator**

This concludes ResMed's Fourth Quarter Fiscal Year 2021 Earnings Live Webcast. You may now disconnect.

---