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# EDITED TRANSCRIPT

RMD.N - Q2 2023 Resmed Inc Earnings Call

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## OVERVIEW:

Co. reported 2Q23 Group revenue of \$1.03b.

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

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

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

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

**Steven David Wheen** *Jarden Limited, Research Division - Analyst*

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

## PRESENTATION

### Operator

Hello, and welcome to the ResMed Second Quarter Fiscal Year 2023 Earnings Call. (Operator Instructions) As a reminder, this conference is being recorded.

It's now my pleasure to turn the call over to Amy Wakeham, Vice President, Investor Relations and Corporate Communications. Amy, please go ahead.

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

Great. Thank you, Kevin. Hi, everyone. Happy New Year, and welcome to ResMed's Second Quarter Fiscal Year 2023 Earnings Call. Thanks for joining us. 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 the presentation, both of which are available now.

Joining me on the call today are Chief Executive Officer and Chairman, Mick Farrell; and Chief Financial Officer, Brett Sandercock. Mick will provide a brief high-level overview of our financial results, review our progress towards ResMed's 2025 strategic goals and discuss our progress as we

continue to navigate the ongoing macro industry and supply chain challenges. Brett will then review our financial results in more detail, and we'll then move into the Q&A portion of our call. During the Q&A session, Mick and Brett will be joined by Rob Douglas, President and Chief Operating Officer; and David Pendarvis, Chief Administrative Officer and Global General Counsel.

During today's call, we will discuss several non-GAAP measures. For a reconciliation of the non-GAAP measures, please review the supporting schedules in today's earnings press release. And as a reminder, our discussion today will include forward-looking statements, including, but not limited to, expectations about our future operating and financial performance. We do believe these statements are based on reasonable assumptions. However, our actual results may differ. Please review our SEC filings for a complete discussion of the risk factors that could affect our actual results to differ materially from any forward-looking statements made today. I'd like to now turn the call over to Mick.

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

Thanks, Amy and Kevin, and thank you to all of our stakeholders for joining us today as we review results for the December quarter, our second quarter of fiscal year 2023. Our financial results reflect solid performance across our entire business, once again driven by strong sales growth in the Americas region as we were able to significantly increase both production and delivery of flow generator devices. We're seeing ongoing high demand for our sleep and respiratory care devices worldwide, and we're making steady progress working with our suppliers to continue to increase our production to ultimately meet the needs of all customers and especially patients.

Our mask sales growth was strong across the globe, reflecting a post-COVID pandemic awareness of the importance and need for respiratory hygiene and respiratory health. ReSupply programs in the U.S. continued to drive solid ongoing sustained market mask growth, catalyzed somewhat by the end of calendar year deductible momentum in the U.S. geography. Mask sales across Europe, Asia and the Rest of World also improved, driven by increased new patient setups as connected device supply increased.

Our teams worked incredibly hard to achieve these extraordinary numbers in the face of an ongoing industry supply chain constrained market. We see the supply environment improving every week, every month and every quarter. And our access to the specific electronic components we need has increased. We are confident in our ability to fulfill all customer demand before the end of calendar year 2023. And we expect to see steady ongoing incremental device revenue growth in the third and fourth quarters of our fiscal year 2023.

Customer acceptance of our reengineered AirSense 10 card-to-cloud device remained strong during the second quarter, particularly in the United States geography. As we increase the volume of fully connected AirSense 10 and fully connected AirSense 11 devices over the next few quarters, we will be able to phase out the AirSense 10 card-to-cloud device and refocus on our strategy, which is based around the growth of 100% cloud-connectable devices across the globe.

Outside the U.S., we have not seen the same adoption rates of that AirSense 10 card-to-cloud device. However, there have been pockets of success in some geographies, and we see a strong growth path going forward as we ramp up our fully connected AirSense 10 and our fully connected AirSense 11 products and as we achieve regulatory clearance of the latter platform market by market. To that point, we introduced our newest product, the AirSense 11 platform into the Japanese market during December. And we look forward to continuing to support doctors and patients in Japan with our world-leading 100% cloud-connectable medical devices and our cloud-based software technology.

Our #1 priority across all of our markets will always be patients, doing our best to help those who need treatment for sleep apnea, COPD, respiratory insufficiency due to neuromuscular disease, asthma and all those who need access to out-of-hospital health care. Our goal is to ensure that patients get the care that they need, where they need it and when they need it.

Let's now briefly review our updates on ResMed's top 3 strategic priorities: number one, to grow and differentiate our core sleep apnea and respiratory care businesses; number two, to design, develop and deliver market-leading medical devices as well as digital health solutions that can be scaled globally; number three, to innovate and grow the world's best software solutions for care delivered outside the hospital and especially in a patient's own home.

The launch and acceptance of our AirSense 11 device platform continues to go very well. Patient feedback remains very positive, and we continue to see strong adoption of our myAir patient app. In fact, adoption rates are at more than double the adoption rate of myAir with the AirSense 10 platform at about 55% of all patients getting their data every day on their myAir app. Increasing production and delivery of the AirSense 11 platform remains a top priority for our ResMedians around the globe, and we will continue to achieve better results and stronger market penetration each quarter.

Earlier this month, we were able to take our AirSense 10 fully connected device off allocation in the U.S. market. This is a very exciting development for our commercial team here in the Americas and for all of our customers. We look forward to continuing to expand the supply of fully connected AirSense 10 and fully connected AirSense 11 devices so that supply can become unconstrained in all countries, but we will progress throughout fiscal '23 on this endeavor.

An important aspect of our ResMed 2025 strategy is to reach hundreds of millions of patients with our respiratory care solutions, including noninvasive ventilation and life support ventilation as well as newer therapeutic areas such as cloud-connected pharmaceutical delivery solutions and home-based high-flow therapy solutions. We are continuing to drive growth and adoption of our ventilated devices around the world, and we saw a good uptake of both our life support and our nonlife support ventilator platforms during the quarter.

There is also ongoing adoption of Propeller's monitoring system. Its digital therapeutic platform is now integrated with the 2 leading U.S. electronic health record systems, Epic and Cerner. This digital health integration makes it easier for doctors and health care workers to onboard people to the Propeller platform. It's still early days for this technology. However, combined with our investments in home-based high-flow therapy for treatment of COPD in the home, we see this technology combination as an important clinical addition for treating lung disease and an integral part, an important part of our 2025 growth strategy.

Turning to our Software as a Service offerings for outside hospital care, our SaaS business grew 18% year-over-year. This extraordinary growth includes sustained high single-digit organic growth of our U.S.-based SaaS business at around 7% and is accelerated by the addition of approximately 6 weeks of MEDIFOX DAN revenue as we closed that acquisition and welcome that German team into the ResMed family of SaaS solutions just over midway through the December quarter. We continue to grow with outside hospital care customers as they increase their utilization of our software and data solutions to improve and optimize business efficiencies and patient care.

As the post-COVID patient census continues to improve in our facilities verticals, we are seeing pent-up demand for technology investments that continue to come to the market. Our HME SaaS business under the Brightree brand continues to grow at a very rapid pace. And we welcome tech solutions for our HME customers across the U.S. market. As I just mentioned, during the quarter, we received final regulatory approval and closed our acquisition of MEDIFOX DAN, the leading provider of end-to-end software solutions for nursing homes and home health customers in Germany.

We're now focused on integrating and growing this business as we accelerate SaaS innovation and SaaS growth in Germany and beyond. I've met in person with many of the key leaders of the MEDIFOX DAN team, and I can tell you, I'm excited about the cultural fit, the technology focus, the sharing and learning opportunities that they bring and we bring to our global SaaS team. This is our first investment in an outside hospital software business beyond the U.S. market, but I can tell you the global SaaS team is very much in sync and have come out of the [grade] strongly, not just in the revenue growth I just talked about, but also in the soft side, team collaboration, transparency and beyond. We look forward to updating you as we achieve key milestones in that business over the quarters and years ahead. Our team is ready to deliver.

Our SaaS business is an important part of ResMed's future growth and complements the incredibly strong software and device solutions that we have in our core sleep apnea and respiratory care businesses. One great example of the synergies between our SaaS business and our core business is the success of the Brightree ReSupply program. Brightree ReSupply automates the entire process from contacting the patient, interacting with the insurance company on coverage and interacting directly with the patient on co-pays as well as managing the logistics and distribution process. The ultimate goal is to keep a CPAP, APAP or bilevel therapy user replenished with the supplies that they need to enable a better and longer-lasting therapy experience.

We have published clinical data that show that a patient on a ReSupply program has higher adherence to therapy. And we also have peer-reviewed published data in CHEST showing what's called the ALASKA study, that there is a 39% reduction in mortality for patients who are adherent to CPAP

versus Control. These are incredible data, and they lead to these synergies, not just being a good revenue opportunity, but being an incredible cost saving opportunity for the health care system and life-saving opportunity for the patients involved.

We will continue to identify and capitalize on synergy opportunities as we move forward. We are well positioned as the leading global strategic provider of SaaS solutions for out-of-hospital care globally, and we have created a differentiated value for customers and long-term sustainable growth for our stakeholders.

We are transforming out-of-hospital health care at scale, leading the market in digital health technology across our business. We now have over 13.5 billion nights of medical data in the cloud and over 19 million 100% cloud-connectable medical devices on bedside tables in 140 countries worldwide. We are liberating data to the cloud every day and unlocking value for patients, providers, physicians, payers, and entire health care systems and communities. We are leading the industry, but I see this as just the start of the digital health marathon. And I can tell you, we love the race.

As the overlap between digital health and consumer tech industries continues, it is important to note that ResMed's Chief Medical Officer, Dr. Carlos Nunez, was recently named Chair of the Board of the Health Division, of the Consumer Technology Association, or CTA, and the Health Division is the fastest-growing division within CTA. The Health Division focuses on consumer-based technology-enabled health solutions to deliver better health outcomes for patients and reduce overall health care costs for the health care system.

Their mission is fully aligned with our ResMed mission, and I'm delighted to see Carlos be recognized for his leadership and the sessions that he chaired at CES in Vegas a couple of weeks ago showed that ResMed's thought leadership and Carlos' thought leadership is helping to craft the future of digital health and bring it to consumers as we have done over the past decade. We're excited about the ways Carlos' and CTA's Health Division can help continue to shape our industry for the future, lowering costs and improving outcomes and engaging consumers in their own health care. ResMed's mission and clear goal is to improve 250 million lives through better health care in 2025. This patient-centric mission drives and motivates ResMedians every day. We made excellent progress towards that inspiring goal over the last period.

During the last 12 months, we improved over 149 million lives with delivery of a device platform to a patient, a full mask system to a patient or a digital health software solution, helping people to sleep better, to breathe better and to live higher-quality lives with health care delivered right where they live and mostly in their own home.

Before I close, I want to once again express my sincere gratitude to more than 10,000 ResMedians now for their perseverance, hard work and dedication both today and every day. Thank you.

With that, I'll hand the call over to Brett in Sydney, and then we will move and open up for Q&A from the group. Brett, over to you.

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

Great. Thanks, Mick. In my remarks today, I will provide an overview of our results for the second quarter of fiscal year 2023. Unless noted, all comparisons are to the prior year quarter.

We had strong financial performance in Q2. Group revenue was \$1.03 billion, an increase of 16%. In constant currency terms, revenue increased by 20%. Revenue growth reflected increased demand for our sleep products across our portfolio and ongoing increased device demand generated by our competitor's product recall. Year-on-year movements in foreign currencies, in particular, the weaker euro, negatively impacted revenue by approximately \$36 million this quarter.

As mentioned, we closed the MEDIFOX DAN acquisition on November 21, 2022. And accordingly, we have recognized MEDIFOX DAN revenue of \$10.7 million in our Q2 FY '23 result from this date. While we continue to experience ongoing challenges in securing sufficient electronic components to meet market demand, we are now seeing a more predictable and improving supply chain environment. We expect to continue to deliver sequentially higher quarterly device revenue through the balance of fiscal year '23.

Looking at our geographic revenue distribution and excluding revenue from our Software as a Service business, sales in U.S., Canada and Latin America countries increased by 26%. Sales in Europe, Asia and other markets increased by 8% in constant currency terms. Our product segment globally in constant currency terms, device sales increased by 25%, while masks and other sales increased by 13%. Breaking it down by regional areas, device sales in the U.S., Canada and Latin America increased by 41% as we benefited from incremental revenue derived from the introduction of the card-to-cloud device and improving availability of our connected devices.

Masks and other sales increased by 11%, reflecting solid ReSupply revenue. In Europe, Asia and other markets, device sales increased by 5% in constant currency terms, reflecting the ongoing supply constraints in those markets for our connected devices. Masks and other sales in Europe, Asia and other markets increased by 14% in constant currency terms. Software as a Service revenue, including revenue from our MEDIFOX DAN acquisition, increased by 18% in the December quarter, driven by continued strong performance from our HME vertical. On an organic basis, SaaS revenue grew by 7% in the December quarter.

During the rest of my 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 second quarter earnings press release. Gross margin declined by 80 basis points to 56.8% in the December quarter. The decrease is predominantly attributable to product mix shifts due to increased flow generator sales as well as unfavorable foreign currency movements, partially offset by increases in average selling prices.

Moving on to operating expenses. SG&A expenses for the second quarter increased by 14% or in constant currency terms, increased by 20%. The increase was predominantly attributable to increases in employee-related costs, additional expenses related to our acquisitions and travel and entertainment expenses. SG&A expense as a percentage of revenue was 20.5% compared to the 20.7% we recorded in the prior year period. Looking forward and subject to currency movements, we expect SG&A expense as a percentage of revenue to be in the range of 20% to 22% for the balance of fiscal year '23.

R&D expenses for the quarter increased by 4% or in constant currency terms, increased by 15%. R&D expenses as a percentage of revenue was 6.8% compared to 7% in the prior year quarter. Looking forward and subject to currency movements, we expect R&D expenses as a percentage of revenue to be in the range of 7% to 8% for the balance of fiscal year '23.

Operating profit for the quarter increased by 14%, underpinned by strong revenue growth, partially offset by lower gross margin. Our effective tax rate for the December quarter was 18.3% compared to the prior year quarter rate of 15.6%. Looking forward, we estimate our effective tax rate for fiscal year '23 will be in the range of 19% to 21%.

Our net income for the December quarter increased by 13% and non-GAAP diluted earnings per share also increased by 13%. Cash flow from operations for the quarter was \$129 million, reflecting solid underlying earnings, partially offset by higher levels of working capital. Capital expenditure for the quarter was \$27 million, depreciation and amortization for the quarter totaled \$38 million.

We recorded equity losses of \$3.1 million in our income statement in the December quarter associated with the Primasun joint venture with Verily. We expect to record equity losses of approximately \$3 million per quarter through the balance of fiscal year '23 associated with the joint venture operation.

On November 21, 2022, we completed our acquisition of MEDIFOX DAN for consideration of \$997 million, and this was funded through a drawdown on our existing revolver credit facility. During the quarter, we recorded acquisition-related expenses of \$8.4 million associated with the MEDIFOX DAN acquisition. The acquisition was EPS neutral on a non-GAAP basis in Q2, and we expect the acquisition to be mildly accretive to EPS on a non-GAAP basis in the second half of FY '23.

We ended the second quarter with a cash balance of \$253 million. At December 31, we had \$1.8 billion in gross debt and \$1.5 billion in net debt, reflecting the funding of our MEDIFOX DAN acquisition. At December 31, we had approximately \$390 million available for drawdown under our fleet revolver facility, and we continue to maintain a solid liquidity position. Following the acquisition of MEDIFOX DAN, our net interest expense is expected to increase to approximately \$15 million per quarter for the second half of fiscal year '23, reflecting our increased debt position.

Our Board of Directors today declared a quarterly dividend of \$0.44 per share. Going forward, we plan to continue to reinvest in growth through R&D and also expect to continue to fund future tuck-in acquisitions.

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

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

Great. Thanks, Brett, and thanks, Mick. Kevin, I'd like to now turn the call back over to you to provide the instructions and then run the Q&A portion of our call.

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## QUESTIONS AND ANSWERS

### Operator

We'll now be conducting a question-and-answer session. (Operator Instructions) Our first question is coming from Chris Cooper from Goldman Sachs.

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

So good to hear the fully connected AirSense 10 is now off allocation. Can I ask what happens with the C2Cs that have effectively now, I presume surplus to requirements? And are there any sort of impacts on pricing or inventory valuation we need to think about in the second half?

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

Thanks for the question, Chris, and it's a good one. Obviously, we're thrilled to have AirSense 10 fully connected now unconstrained in the U.S. geography. As you know, we operate in 140 countries worldwide the AirSense 10 card-to-cloud inventory. We're working our way through that, and it actually is moving very quickly.

I'd state it this way, that we've got the #1 device in the market, which is the AirSense 11 fully connected in terms of customer ratings. We also have the #2 device in the market, which is the AirSense 10 fully connected. But then we have the #3 device, the third best device in the market, which is the AirSense 10 card-to-cloud. I believe that's better than the Tier 2, 3, 4 competitors that are in the market. And so we've got the #1, 2 and 3 device there, and we're selling them and different customers want different things. And certainly, the AirSense 11 fully connected is at price premium.

But we'll start to see, I think, us work through all of our inventory, the excess patient demand is still there globally. And I think will be there for a period of time even after one of our competitors looks like they may come back into the market. Hopefully, sometime this calendar year so that we can get our mask attachment [rates] on to them. But yes, Chris, we expect to work through all of that AirSense 10 card-to-cloud inventory. Good question.

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### Operator

Our next question is coming from Suraj Kalia from Oppenheimer.

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

Mick, can you hear me all right?



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

Got you loud and clear, Suraj.

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

Congrats on a great quarter. I think, Mick, maybe I'm just trying to thread the needle here, but I'd love to get some extra color. I heard you say by 2025, 250 million lives, that's the plan. If I use where [you all are] currently, let's say, 150 million, just rounding it off, that's a 70% almost jump in patient covered by CPAP. How should I think about the implied guide, am I jumping the gun here? Or are you sort of telegraphing you should be in a position for the next 3 years, deliver about 17%, 18% CAGR?

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

Suraj, it's a great question. And how we measure the lives changed is a pretty simple formula that includes the CPAPs, APAPs, bilevel devices, but it also includes full mask systems, which is the sort of linear growth, if you like, of the devices and some slight exponential growth of the mask systems because of replenishment [rates and repeat] customers coming back. But it also includes patients' lives touched through digital health. So whether it's a Brightree patient that gets access to their device or other HME equipment, whether it's a patient in COPD medicines that gets an app that reminds them to take their medicine on a Propeller or a patient that has a life support ventilator that gets a digital health reminder to get replenishment.

And so you know, we're combining all those impacts on the life. And the way I look at it is a life is changed as much by a brand-new device arriving in their house as it is by an app that helps them take a medicine that keeps them out of hospital. So that's how we sort of look at lives changed. Yes, 150 million calendar year 2023, you got it right. I mean you got the math, the mathematics there is the CAGR is 17.5% volume growth of the lives that we touch over the next 3 calendar years through 2025, and we're going to do that. We're going to get more and more patients on CPAPs, APAPs, bilevels, more and more on ReSupply and mask systems and then more and more on our digital health platforms. And we've got a -- it's a lofty goal, and it's a stretch goal, but we believe we can get there and change 250 million lives by 2025. Thanks, Suraj. Great question.

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**Operator**

Our next question is coming from Matthew Mishan from KeyBanc Capital Markets.

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

Just a quick question on the gross margins. Just how has the productivity of manufacturing and shipping improved over the last few months? Are you guys still working through like high-cost inventory, how much spot buying is there? And then is sort of the decrease in gross margins here, slight decrease in gross margin, mainly on the mix of devices versus masks and accessories?

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

Yes, Matt. I'll start, and then I'll hand to Rob Douglas, our President and Chief Operating Officer, to cover in detail. But just at the start, yes, there was a sequential decrease in gross margin. One way, Matt, I could have avoided that is tell the team, don't sell all those CPAPs and APAPs (inaudible) to create, right? Because it was great gross profit dollars to the business and it was great to change a patient's life by a new device, but I could have got my GM 70, 80 basis points up by saying, slow down those CPAP and APAP sales. Of course, we didn't do that. The right thing is the humanitarian aspect to get those devices that we pivoted our supply chain reengineered and redesigned to get them to market, and you saw extraordinary growth, 41% growth in our U.S.-based device market.



Now that's not our highest gross margin, is dilutive to GM percentage, but it's contributory and positive to gross profit dollars. And so it's good for patients, and it's good for our stakeholders. So that's what we did.

But Rob, yes, some really good question -- first part of the question.

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

Yes, Matt, thanks for the question. There's a lot of factors in that gross margin. And you're asking specifically about productivity and productivity improvements. We've done a whole lot of work around volume improvements and really driving volume. And all of our discussions with suppliers have been increasing volume and reliability of delivery. Our normal settings in normal world is we have a long-term outlook volume commitments, and we're looking at optimization and pricing improvements and things like that.

Those activities are pretty well been on hold while we've been doing this sort of real scramble to drive volumes. Freight is a similar situation, although we are seeing freight is probably going to improve faster than some of these other costs that were in there. But totally in terms of our supply chain culture, we absolutely will be aiming to go back to our continuous improvement situation where we have a really strong volume leverage gain. We continue to drive the volumes in a systematic way, and we use that to drive productivity and drive cost out of the system.

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**Operator**

Our next question is coming from Steve Wheen from Jarden.

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**Steven David Wheen** - Jarden Limited, Research Division - Analyst

Mick, I just wanted to follow up on that gross margin question. In the previous quarter, I think, as Brett was talking to the efficiencies that you're achieving through doing more volume was -- the margin benefit from that efficiency was sitting in your inventory balance. And that's obviously been building and built again this quarter. I'm just interested is, is that still the case that when that inventory comes off the balance sheet, we should automatically start to see the efficiency gains that you've been able to achieve to date?

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

Brett, do you want to have a first go of that question?

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

Yes, will, Mick. Steve, yes, I mean that's what we're doing. I mean -- I think Rob articulated, really, at the moment, we're optimizing for delivery rather than efficiency. And we've got things like we're running the 3 platforms at the moment. So we're really focused on delivering devices to patients. So that's having an impact. The big one is to work through inventory or to wash through is the freight cost. So we're seeing some reduction in freight costs, but that's not manifested in our P&L yet. That's more of a Q3, Q4. So there will be some benefit that starts to wash through into Q3 and Q4 that we're not seeing it, that's currently still in inventory. But on the efficiency side, we're really -- we will get there, but we're optimizing on delivery for the moment. But I think as we work through the fiscal, we'll be in a much better position to drive on efficiency measures.

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

I'd just pile on there that you look at Brett's guidance, nice conservative guidance is that our gross margin will be sort of steady as we go forward. I look on this and say, I think there's some upside as we start to see mask rates start to improve, we saw 13% constant currency growth in masks during the quarter. I think, yes, as Brett said, the freight costs will wash through the inventory. And we're getting great scale from the biggest

respiratory medical manufacturing plant in the planet there in Singapore and the efficiencies we've got are well above any competitor, and we're doing really well on that. And I think that will come through. And then in addition to that, you'll get some upside from MEDIFOX DAN, which is accretive to revenue, gross margin and EPS, as Brett said, throughout fiscal and beyond. So that would be my guidance there as well, Steve.

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**Operator**

Our next question is coming from David Bailey from Macquarie.

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**David Bailey - Macquarie Research - Analyst**

Just got a question on new patient growth. Just thinking about patients who have been prescribed the device and waiting and then also those yet to be diagnosed. Just wondering if you can compare and contrast the U.S. and Rest of World. And then some comments on what you think it means for [industry] device growth for fiscal '23 and '24 relative to historical growth rates?

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

David, that's a great question. It's actually the answer. We could take the whole rest of the Q&A session to go through it because it's what we do is trying to reach out to the 936 million people in our core market that suffocate every night with sleep apnea around the world. And we're laser-focused on it.

As you saw, we delivered very strongly on those new patient setups, 41% growth of devices in U.S., Canada, Latin America. And we turned to positive there in Europe, Asia and other. And what I can tell you is we're really working through that excess patient demand, as those numbers will tell you, we're working faster through that excess demand in the U.S. and getting closer to a state where you get a prescription, and you'll get a device in days or weeks versus it gone up to months there at the peak of the crisis. And I think if you look across the other 140 countries we sell into, every country is different.

We've got to get the regulatory approvals for AirSense 11 there. We've got to work our way through, but we're going step by step on that journey. And so as I look at this excess patient demand, I made the comment there in my prep remarks. I think we will get to all of our customers' demand before the end of this calendar year. And that tells you our confidence in increased supply and our ability to meet that need, and we're laser-focused on that humanitarian emergency of patients waiting too long for therapy. We just don't want that. If you suffocate. This is a case of life and death. We've got the data to show that. We want your path to therapy to be expedited.

And in addition to that, the final thing I'll say is that we are looking at our patient demand generation activities that have been on hold these last 18 months. And I'm looking at our models in Australia, New Zealand, Korea, Japan, Singapore, U.K. and beyond where we have these omnichannel markets, the availability to contact consumers or sleep concern consumers directly and get them into the funnel. And here in the U.S., we have direct models and also our joint venture there with Verily and Primasun that we've done some really good demand gen tests and a number of cities just waiting for me to fire the starting gun for that team. And we're getting very close to firing that starting gun. So we'll have a smooth flow of -- from excess patient demand to now patient demand generation to continue our growth trajectory.

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**Operator**

Our next question is coming from Mike Matson from Needham & Company.

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**Michael Stephen Matson - Needham & Company, LLC, Research Division - Senior Analyst**

I guess, Mick, I think you mentioned high-flow therapy in your prepared remarks. I just wanted to get an update on kind of where things stand with commercializing that and maybe talk about the -- just the market opportunity there?

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

Yes. Look, it's a great question, Mike. And our long-term goals there in 2025, a number of those 250 million lives are going to change in 2025 will be patients with neuromuscular disease or chronic obstructive pulmonary disease. And 2 of those great therapies, high-flow therapy in the home, I want to be very specific. It's been used in the hospital during the pandemic. But high-flow therapy in the home, we see as a huge opportunity, probably 10x the size of our ventilation market in COPD is available for home HFT therapy. And then Propeller, yes, early days and the pilots are going well. We're integrated to the payer provider EHR systems, which gives us the credibility now to go from pilots to start to scale some payer providers, particularly in the U.S. geography. But Rob, any further details on our work on HFT and cloud-connected inhalers for Mike there?

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

Yes, Mike. We're pretty excited about this. It's a long-term project, though. But as Mick said, we view this as a very large potential market, very significantly larger than some of our other respiratory care markets. And we believe that we're running tests where we're really focusing on its complementarity with home oxygen therapy that is you'll get much better outcomes if you add this in. And we're working hard on all of the market access and evidence-generation programs to do that.

Now most of those programs are buying either RCTs or real-world evidence trials. So we're sort of in limited market release at the moment in specific markets where we're making these claims. But as that evidence evolves and we generate it and take it to the -- to payers and standard setting organizations, we see this is going to be a very strong market for us, but it is a multiyear project.

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**Operator**

Our next question is coming from Craig Wong-Pan from RBC.

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**Craig Wong-Pan** - RBC Capital Markets, Research Division - Director of Equity Research & Equity Research Analyst

Just a question on the SaaS business. The 7% organic growth that you mentioned, I was wondering if much of that was benefiting from price increases or if the price increases you started through the quarter have a bigger benefit to come through in future periods?

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

Yes, Craig, thanks for the question. No, that doesn't include a whole lot of price increases. In fact, we put price increases on hold during the COVID pandemic in some of our SaaS businesses. And so we probably are changing to the area of price increases as we go forward. We've gone from pandemic to endemic. So that will happen and then flow out over the coming 12, 24 months.

I'm really excited. We're looking at that domestic SaaS business in the worst of COVID getting down to low single digits, we moved to mid-single digits. And then Bobby, who's President of that division and his team have really accelerated that organic growth to 8% last quarter, 7% this quarter, and so that high single-digits organic growth. And actually, we see upside from that in the organic, if you think about it, Brightree, MatrixCare and Citus Health [part]. So we see opportunities to move that up.

And then when you add on MEDIFOX DAN and its capabilities, I think the combined business, obviously, the next 4 quarters, we'll call out the inorganic part, it will be double digits on the inorganic, of course. But even going forward, as we look out towards 2025, we see opportunities for high single digit and even low double-digit growth across that combined business as we lap the acquisition. So really good growth there. Price increases will be a part of that going forward, but they weren't historically, to answer your question directly.

**Operator**

Our next question is coming from Sean Laaman from Morgan Stanley.

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

Mick, my question is, do you have enough visibility on the component pipeline to ascertain when you might be able to provide direct cloud-connected devices in those markets that have an aversion to the card-to-cloud?

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

Yes, Sean, I hope your Sydney morning is going well day after Australia Day. Look, the way we're looking at this is we've got 140 countries. We've got a very complex supply logistics program to get the patients minimize the time from prescription to therapy across all those markets, but it's a complex equation.

The good news is we are seeing supply of those rate limited semiconductors for communications, the 3G, 4G, 5G chips are starting to see supply come back. The micro processes, the next rate limited step are starting to increase. And so we're seeing our path through this. And you saw in the quarter, we were able to deliver incredibly strongly on that, and we're off allocation for the AirSense 10 100% connected.

Look, I'd love to tell you, we've got a very complex jigsaw puzzle here. I'd love to tell you we'll be off allocation on AirSense 11 in all of our markets. It's just not going to happen in the short term. But as we go through this year, we'll update you as we go off allocation, and it will happen market by market, geography by geography.

Rob, did I miss anything there?

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

The only other comment, Sean, is some of this is driven by regulatory requirements around getting approvals and validations. And also, several of these markets have different components that they need. So there are different validation and engineering projects to do it. And we just have to sequence that through our prioritization process as well. So that's actually true with all product launches.

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

Yes. And the good news is it's not our first rodeo. We've done this launch platforms in 140 countries many times before, and we're back to our sort of meat and potatoes here. This is what we do all day every day. And going off supply chain constraints over the calendar year will be fantastic for us to be able to then just go back to what we do, which is helping people sleep better, breathe better and live better lives outside hospital care. Thanks for the question, Sean.

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**Operator**

Our next question is coming from Margaret Kaczor from William Blair.

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

I wanted to follow up on the growth drivers as we think about this and next year because I'm hearing there's patient backlog. Obviously, there's core market demand generation that will start to pick up. And then from our perspective, we look at RePAPs as well. So how do you layer those

together over what time period? How much growth could you handle? And then maybe specific to RePAPs since we haven't talked that much about them on this call, where have they been in the last 2 years? And when should they return to be a bigger piece of the [mix itself]?

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

Yes. Thanks, Margaret. It's a great question, and it's one we're thinking about a lot here. And we're thinking about all 3 prongs that you talked about, the first one, excess patient demand, how do we work through that? In the U.S., we're getting close to really working through it. We've got 140 other countries. And to Rob's point, it's a complex equation to get the supply chain and delivery at all 140, but we're working through that.

Secondly, demand generation, yes, where we have omnichannel and have really established social media presences and abilities to drive demand gen, we'll be starting to turn those on country to country. And then thirdly, RePAPs, to your point, the last 2.5, 3 years of COVID crisis, pandemic crisis, competitor recall crisis, we have not turned the knob on RePAP. And in fact, we know our customers have been holding back when they're supply chain constrained on contacting patients who reach that 3-year, 5-year post warranty, you're ready for a new device on insurance and/or patient making the call.

So I think all 3 of those are going to be applied in all 50 states here in the U.S. and in all 140 countries worldwide. We do have scenarios and plans. I'm not going to detail them here on this call, but I can tell you that we expect to see steady growth throughout our market, and we're going to drive that. And we're going to make sure that patients waiting lists are not long. We're not going to turn the needles until we're ready to get there in supply. I'm just happy we're having this conversation this quarter and it's so much better than the last 8 quarters that we're talking about demand gen and driving RePAPs because that's what we've done for 33.5 years in the business, and it's what we love doing and we're going to do more of it.

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**Operator**

Our next question today is coming from Matt Taylor from Jefferies.

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**Matthew Charles Taylor** - Jefferies LLC, Research Division - Equity Analyst

Great. I had a follow-up on that question. I guess I just wanted to understand what are your expectations if and when your competitor does come back, I mean, presumably, there could be some, I guess, impacts on flow gens that would create pressure, but maybe you get some pickup in the mask. Could you characterize how quickly you would expect things to change dynamically in both directions? And then how much juice can you actually get out of the demand creation and ReSupply to backfill or you kind of increase growth? What are your pilot programs or places where you've done that, telling you about how much of a quantitative pickup you can get?

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

Yes. Thanks for the question, Matt. I'll start and hand to Rob for further detail because it is a really important area for us. Look, if you think about our competitor has been out on the market for 18 months and who knows. They've got to -- we'll find out probably later this week they've got an earnings call, maybe they'll tell us what's happened at the consent decree and give us some timing. Frankly, give the market some time, it'd be good.

We've run scenarios that they come back Monday, February 1, July 1, we've also run scenarios that it's January 1, 2024. And actually, in all those scenarios, ResMed grows, and ResMed does really well, and ResMed does a really good job of taking care of the unmet patient need. So if they come back earlier, come back Monday, we get a 60% plus or minus [attach rate] of our masks. So we get good GM contribution, great patient care in terms of the best masks in the planet going to them, and we're able to drive that.

Now they'll be starting from 0%, new patient share, they're going to be able to go and fight account by account. And they won't be fighting against ResMed out the gate. They'll be fighting against the Tier 2, 3 and 4 players who have come in to fill that part of the equation. And they're doing an okay job. And so they have to fight against the okay players. Then they have to fight against us, the market leader. But I look forward to them coming back actually in terms of the mask side of the business, it will be really good.

The scenario where it's further out, it's later this calendar year or early next calendar year or beyond. We're okay with that, too, because we're ramping up our supply, and we're going to get closer to closer to meet all of customer demand in this. So frankly, it's not irrelevant, but it's not a big perturbation of our long-term strategy or our long-term business. And we've got the scenarios and the little pivots that we need to have more masks or more demand gen in the different scenarios.

So I think investors and some analysts are thinking more about this -- are worried, more worried about this than we are because we thought so much about it and have the scenarios and the playbook ready for all 3 of those scenarios in '20 and beyond. I look forward to this sort of people [calling a binary]. I see there's a mild perturbation of the Monte-Carlo sim that really doesn't change in the long-term outcomes for ResMed and our patients is not changed in any of those scenarios.

But Rob, any further detail for Matt here?

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

Yes, Matt, the only other thing I'd add is we sort of think of sort of market growth rate in terms of the patient lifetime journey through this condition, terrible condition, very serious. And the biggest problem is awareness. And so you start off with how do you become aware of it. Does your primary care know to refer you to a sleep specialist? Can that specialist refer you to either home or lab testing? And then do you get a referral to a provider who's got the capacity to look after you.

And basically, staff capacity is even a big issue for them. And so -- and then will that provide a look after you long term and keep the ReSupply programs. And our solutions are across all of those, but there's bottlenecks in all of those parts of the patient lifetime, patient journey, if you like. And as I say, we're providing solutions across that and incrementally driving improvements across all of those. So that provides a really good long-term outlook for steady growth in the business, as Mick was saying.

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**Operator**

Our next question is coming from Michael Polark from Wolfe Research.

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**Michael K. Polark** - Wolfe Research, LLC - Director & Senior Analyst

Two quick ones if I can sneak them in. Is there a vision or strategy to convert card-to-cloud products to connected solutions over time? Or is the base case to lead those units that have gone into the market over the last year or so, as is? And then the second quick one is MEDIFOX DAN, the gross margin on that revenue ballpark, can you share what that is?

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

Thanks, Mike, and cheeky sneaking in 2 questions, but I'll answer both for sure. Card-to-cloud, as those devices as those AirSense 10 card-to-cloud devices reach their either warranty period or payer allotted period at which a patient can get another device allocated to them, which is usually in the 3 years or 5 years, normally, time horizon. Those patients will get the opportunity to upgrade their devices from an AirSense 10 card-to-cloud to presumably an AirSense 11 device.

And look, first 26 years of ResMed's existence, we had, firstly, non-connected and then card-to-cloud pager type technologies sort of sneaker-net. It works. It can get you there. It's not as optimal. It doesn't get that sort of patient engagement on myAir and all the abilities that we can get to that 87% adherence, but it's darn good therapy. It's the smallest, quietest, the most comfortable therapy. And with the card-to-cloud, our HME mostly sold in the U.S., HME customers have done this for years and the data go to the cloud, and so the doctor doesn't see much difference because the doctor is seeing all the data in their view on card-to-cloud and directly connected. And so actually able to drive really good care with those patients. So it will be a bolus of patients over that sort of 12-month period.

And we've had, I would say, some pretty good success in humanitarian aid really and showing that ResMed isn't just going to stick to a strategy. It's going to say, if we need to pivot tactically to take care of patients, we'll do it. and we'll take care of them long term. But there will be a bolus of patients, I think, jumping at the front of RePAP in a couple of years who want to get the latest and greatest technology and some on consumer pay markets might go quicker.

The second question around gross margin. Yes, look, MEDIFOX DAN is accretive to our group gross margin. I'm not going to quantify it exactly, but that's why I said you're going to see, I think, some upside to our GM as we go through the fiscal year, including MEDIFOX DAN. It's accretive to revenue, gross margin percentage, but also [NOP] dollars and our EPS performance over the fiscal and beyond. Thanks for the questions, Mike.

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#### Operator

Next question is coming from Saul Hadassin from Barrenjoey Capital.

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#### Saul Hadassin - Barrenjoey Markets Pty Limited, Research Division - Analyst

Mick, just a quick one. Just the U.S. flow generator growth rate of 41%, obviously, very strong. Just wondering if you can give us any color as to within that, how much was volume versus price and also mix?

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

Yes. Saul, look, it's a great question. We don't split out our details on price. But I can give some sort of general color and maybe, Rob, Brett, maybe you want to add a little bit on for Saul to the color that we can provide. The competitive dynamics are very tight. Look, we were very open that we had a surcharge that we put the start of last year around the freight costs that were incredibly high, \$12 and EUR 12 across all devices and so on. We will start to actually take that away to get customers by our customer and appropriately as we go through the year.

And as we actually see -- to Rob's point earlier, as we see those freight costs come through our inventory, they don't just come in a spot change. It takes time for the COGS reduction there to come through. But in terms of that 41%, I can say it was materially improved by the AirSense 10 card-to-cloud and was able to get those devices there. But our ability, I think, also as we have started this quarter to turn AirSense 10 fully connected off constraint, I think will continue to be a nice tailwind for our business there.

But Brett, I'll hand to you for any further color we can provide to Saul to help on his modeling on this great U.S. flow generator growth.

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

Yes. Thanks, Mick. I mean the only thing I'd add, Saul, is that it was really the sleep devices or APAP devices are really strong as we got device availability that went straight into the market. So that was really kind of driving that, which is obviously higher volume devices than, say, bilevels, for example. So that did definitely play a big part in that revenue growth.



**Operator**

Next question is coming from David Low from JPMorgan.

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

Just a quick one. Mick, you talked about being unconstrained on supply by the end of the calendar year. And then I think to Sean's question, you talked about different markets and regulatory approvals. So the question I've got is will the AirSense 11 be unconstrained more quickly in the U.S.? And can you give us any sort of sense as to when you expect that will be the case?

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

Yes. Thanks for the question, David. Yes, clearly, AirSense 10 fully connected will be unconstrained first just because that platform has been in the market for a long period of time. We've got all the inventory, all the capabilities to drive it and its regulatory approved in virtually every market, 140 around the world. And so it's just much easier to turn that off constraint and get it moving first.

But yes, to your point, the smaller, the quieter, the more comfortable and the most connected and most clever device is the AirSense 11. As we get regulatory approvals and we're going country by country on this, as we said, we just got Japan during the last quarter, and we're going to go country by country on this. When we get regulatory approvals and as we get supply starting to improve on those components, we can really ramp that up with all its great technology and really good cost advantages and patient-friendly advantages.

It's got coaching capabilities and interaction with the patient on the screen that's interactive and can do some really good over-the-air upgrades, but also over-the-air interactions with physicians and its connectivity to myAir, 55%. I mean almost vast majority of patients are being offered and almost all of them are saying, "Yes, I want to see my data every day and get a myAir score." So it will go faster and less constrained in those markets where it has approval.

I'm not going to predict the exact date, but that will happen because we've got scenarios around that. But I think we will start to see that go off constraints before the end of the calendar year because that's when we're going to be able to meet all the customer demand, which is our goal. And we're on a fast track to do it this calendar year.

Rob, what did I miss there on David's question?

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

The only other thing is, David, it's been really important for us to be able to supply those 2 platforms. It's been a great thing for us to have sort of a double. Basically, we've got so much extra capability and capacity because we've got 2 platform lines designed for the market.

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**Operator**

Next question is coming from Dan Hurren from MST Marquee.

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

Look, it's pretty clear that a lot of the growth is now coming from products that have been reengineered and didn't really even exist in their current form a little while ago. So -- and we've seen AirSense 10 connected as you're talking about launch with different parts and alternate supplies and so forth. But we've also seen some early regulatory approvals for an AirSense 11 with apparently different communication chips in. Is there any reason

why that product couldn't launch within the next few months as we've seen roughly the same time line between approval and launch for something like the AirSense10 connected?

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

Yes. Thanks, Dan. And clearly, you're very diligent looking at FDA and different regulatory approvals around the world. Look, what I'll say to this is that the AirSense 10 card-to-cloud was a reengineered, repivoted device, absolutely. And the AirSense 10 fully connected, we did rejig the comms chip to get one that was less supply chain constraint. So those 2 are reengineering back in the line. We didn't reengineer the AirSense 11 that's selling right now.

But of course, there will be variance. This is a long-term platform. This platform, the AirSense 11 is going to do CPAP, APAP, bilevel, all sorts of amazing therapy models. If you even look at the work that we're doing on the Lumis HFT device that we talked about earlier in the Q&A and during my prep remarks, that's on a platform of the AirSense 10 and obviously, AirSense 11 will become the platform of note for us over the coming years. But we don't go into details of our future product pipeline. So thanks for the question. But look, I can tell you, those 3 products in the market are #1, 2 and 3. And as you saw this quarter, they're selling well, and we expect them to continue to.

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**Operator**

Next question is from Lyanne Harrison from Bank of America.

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**Lyanne Harrison** - BofA Securities, Research Division - VP in Global Equity Research

I might just come back to that full customer demand comment by the end of calendar '23. Mick, is that in relation to just the new starts? Or do you also expect that you'll meet the demand for the backlog of RePAPs as well that we've had over the last few years?

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

Yes, Lyanne, you're getting to some of the complexities behind that. Look, our goal is to get off the supply constraint during this calendar, and we know we can get there. We won't get there if we turn on every single knob that we have for demand generation and RePAP generation around the world. And so we will be turning those dials, if you like, for demand generation and RePAP generation through our customers [indirectly] as we get supply improving country by country.

And so yes, I think we can get to all customer demand if we do no change faster, but our goal is to take care of not just the patients who are currently in the pipeline, but also the 80%, 90% in many countries who are undiagnosed and untreated. And so our mission is to do that, and it's aligned with altruism but also our profit motive. And the overlap of those is a really powerful tool for us to have sustainable long-term growth as we have in the last 33.5 years.

And so clearly, if we turn every dial to max, we wouldn't be able to get off a constraint this year. We won't turn all to max, but we will, and we are starting to turn those dials and getting the programs up and running in different cities, different states, different geographies around the world as we start to get off constraint.

So I won't go into further detail than that to say that, Lyanne, yes, you're digging in, it is more complex than just we get there. It's we get there, and then we start turning on the market growth rate as the market leader, which is our -- sort of our duty and our obligation and we're going to do both. We're going to grow the market and grow our share and deliver for patients.

**Operator**

Our final question today is coming from Steve Wheen as a follow-up from Jarden.

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**Steven David Wheen** - Jarden Limited, Research Division - Analyst

This question is about the diagnosis rate in the U.S., in particular, for OSA. There has been some frustration to the ability to diagnose patients. So I just wonder what you're seeing from -- during the quarter from an improvement on that front with regard to diagnosis.

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

Yes, Steve, thanks, and thanks for coming for your second question at the end of the queue. It shows that the system works, and you can get the second question in. It's a good one. Diagnostics rate in the U.S. obviously impacted at the start of COVID with all the labs being shut down and then we saw that big pivot and adoption of home sleep apnea testing and some great models from ResMed and many other players in the market to help physicians find ways to remotely screen, diagnose, treat and manage sleep apnea patients.

As we come out from pandemic to endemic in the U.S., we've definitely seen, I'd say, our data show that at least 50% of patients are going through home sleep apnea testing. And then of the other 50%, some of them do home sleep apnea test and then just a follow-up in a lab for titration and mask fit and so on. And so really good adoption of home sleep apnea testing. Yes, it's sort of related to our demand generation area that demand generation isn't just going out there on social media and advertising and finding that customer acquisition cost and appropriate place well under lifetime value and getting them into the channel.

It's also working with the channel to understand where we have capacity, what cities, what geographies that we have. And as you know, Steve, following us closely, we purchased a company called Ectosense, and their product called NightOwl. And I have one sitting on the desk right here. This thing is the size of my fingertip, and it has the ability to have highly sensitive and specific screening and diagnosis of sleep apnea with reimbursement in a geography like the U.S., and we're actually experimenting in Asia and Latin America and around the world on this. And the technology is originally European. So hopefully, it gets adopted there, too.

I love Ectosense, and I love home sleep apnea testing happening where it's small, it's quiet, it's convenient and it's cloud connected similar to our therapeutics. And yes, so I think you're going to see that diagnostics rate in the U.S. pick up post pandemic because people learned that telemedicine, digital health, remote screening, remote diagnostics work, and we can scale them. But it won't just be here in the U.S. It might be pioneered, launched here and scale here, but it's going to work in many other countries around the world. And I can tell you, we're really excited about partnerships with the physicians and the patients themselves to find their path to better sleep and better breathing. Thanks for the questions.

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**Operator**

We reached the end of our question-and-answer session. I'd like to turn the floor back over to Mick for any further or closing comments.

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

Thanks, Kevin, and thank you again to all of our shareholders and stakeholders for joining us on this call. I'd want to thank once again the opportunity for all 10,000 ResMedians, many of whom of you are also shareholders. So thank you for that. Thank you also for your dedication and hard work, helping people breathe, sleep and live better lives in over 140 countries. You delivered these numbers. Thank you for all that you do. And I'll hand back to you, Amy.

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

Great. Thank you, Mick, and thanks, everyone, for joining us. We appreciate your interest and your time. And as always, if you have any additional questions or need to follow up, please don't hesitate to reach out directly. This does conclude ResMed's Second Quarter 2023 Conference Call. Kevin, I'll turn it back to you to close things out.

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**Operator**

Thank you. That does conclude today's teleconference and webcast. You may disconnect your line at this time, and have a wonderful day. We thank you for your participation today.

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