

Analyst Report: ResMed Inc. (RMD)

Industries: Consumer Non-Cyclical, Healthcare Products

ResMed Inc. faces a critical juncture as robust financial performance confronts market anxiety over GLP-1 drug disruption, creating a valuation disconnect contingent on the long-term impact on its core sleep apnea business.

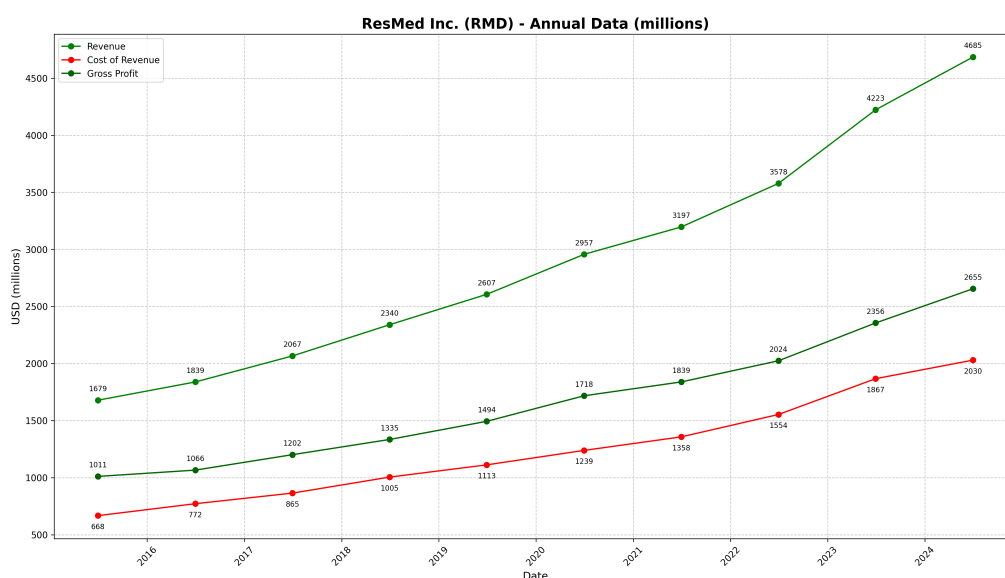
Forward Valuations	Bullish	Bearish
Implied Option Valuation	\$235.00 - \$265.00	\$180.00 - \$210.00
Sum of the Parts	\$230.00 - \$270.00	\$185.00 - \$220.00
Relative Multiples	\$240.00 - \$280.00	\$190.00 - \$230.00
Discounted Cash Flow	\$220.00 - \$260.00	\$180.00 - \$210.00

SUMMARY DATA (ANNUAL)

52-Week High (USD)	263.05
52-Week Low (USD)	179.42
Shares (M)	147.02
EPS (USD)	6.94
Dividend (USD)	1.92
Revenue (USDm)	4,685
Cost of Revenue (USDm)	2,030
Gross Profit (USDm)	2,655
EBIT (USDm)	1,311

OUTLOOK

Over the next two quarters, investor sentiment for ResMed Inc. will likely be shaped by the ongoing assessment of the GLP-1 drug impact on sleep apnea treatment paradigms. Commentary from management during upcoming earnings calls (expected around late January 2025 and late April 2025) regarding market trends, patient flow, and competitive responses will be critical. Any new clinical data or regulatory developments related to GLP-1s in sleep apnea could also trigger significant stock price movements.



1. Executive Summary

ResMed Inc.'s recent financial performance, marked by solid revenue growth and strong free cash flow in the latest fiscal year, appears somewhat disconnected from the stock's volatile behavior over the last twelve months, which has seen significant swings and a notable decline from its peak.

Media coverage and investor sentiment are heavily influenced by the potential threat from GLP-1 drugs, creating a narrative tension with the company's underlying operational strength. While fundamentals remain robust, the market's focus on this external disruption suggests sentiment is currently lagging or diverging from the core business trajectory, driven by uncertainty about future market size.

The bull case hinges on ResMed's ability to demonstrate the continued necessity and value of its device-based therapy and integrated digital ecosystem, even in a market potentially impacted by GLP-1s. Success in diversifying into adjacent respiratory markets and driving patient adherence through innovation could mitigate headwinds and support a re-rating based on resilient earnings and free cash flow growth.

The bear case emphasizes the material risk posed by GLP-1 drugs potentially shrinking the addressable market for sleep apnea devices. Failure to effectively counter this threat through innovation or market diversification could lead to slowing growth, margin pressure, and a sustained de-rating of the stock as investors price in a smaller long-term opportunity.

The current market positioning reflects a valuation disconnect relative to fundamentals, driven by uncertainty surrounding the GLP-1 impact.

2. Business Description

ResMed Inc. operates primarily in the medical device sector, focusing on products for the treatment of sleep apnea, chronic obstructive pulmonary disease (COPD), and other respiratory conditions. The company's business model centers on developing, manufacturing, and distributing connected health devices, masks, and accessories, alongside software solutions for out-of-hospital healthcare. This integrated approach aims to improve patient adherence to therapy and provide data insights to healthcare providers.

The company's revenue streams are largely derived from the sale of devices and masks, which often require periodic replacement, creating a degree of recurring revenue. The connected health platform enhances this model by facilitating remote monitoring and data management, potentially improving patient outcomes and strengthening relationships with healthcare providers and payers. This ecosystem approach is a key strategic element, differentiating its offerings beyond just hardware.

Structural risks include reliance on reimbursement policies, intense competition, and potential disruption from alternative therapies or technologies. The recent emergence of GLP-1 drugs for weight loss, which can impact sleep apnea severity, represents a significant potential pressure point on demand for traditional device-based therapies. Supply chain dynamics and manufacturing costs also represent ongoing operational considerations.

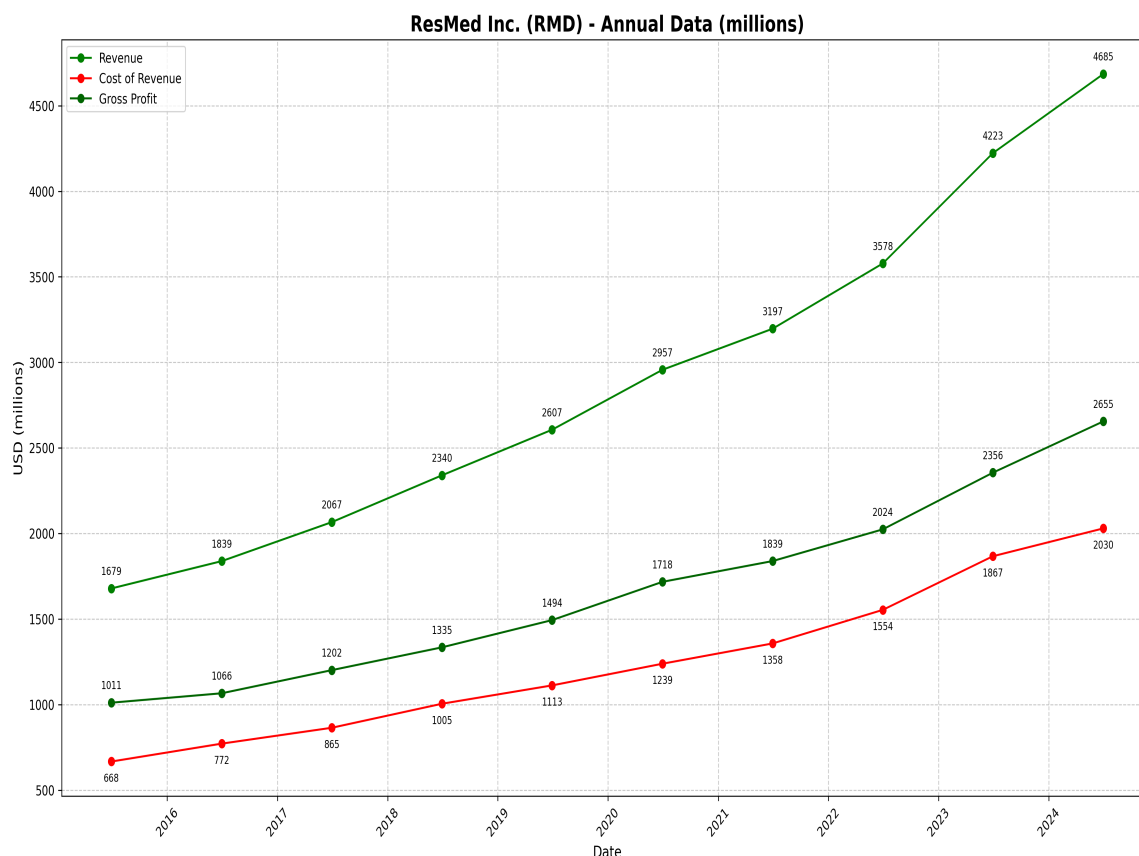
3. Financial Analysis

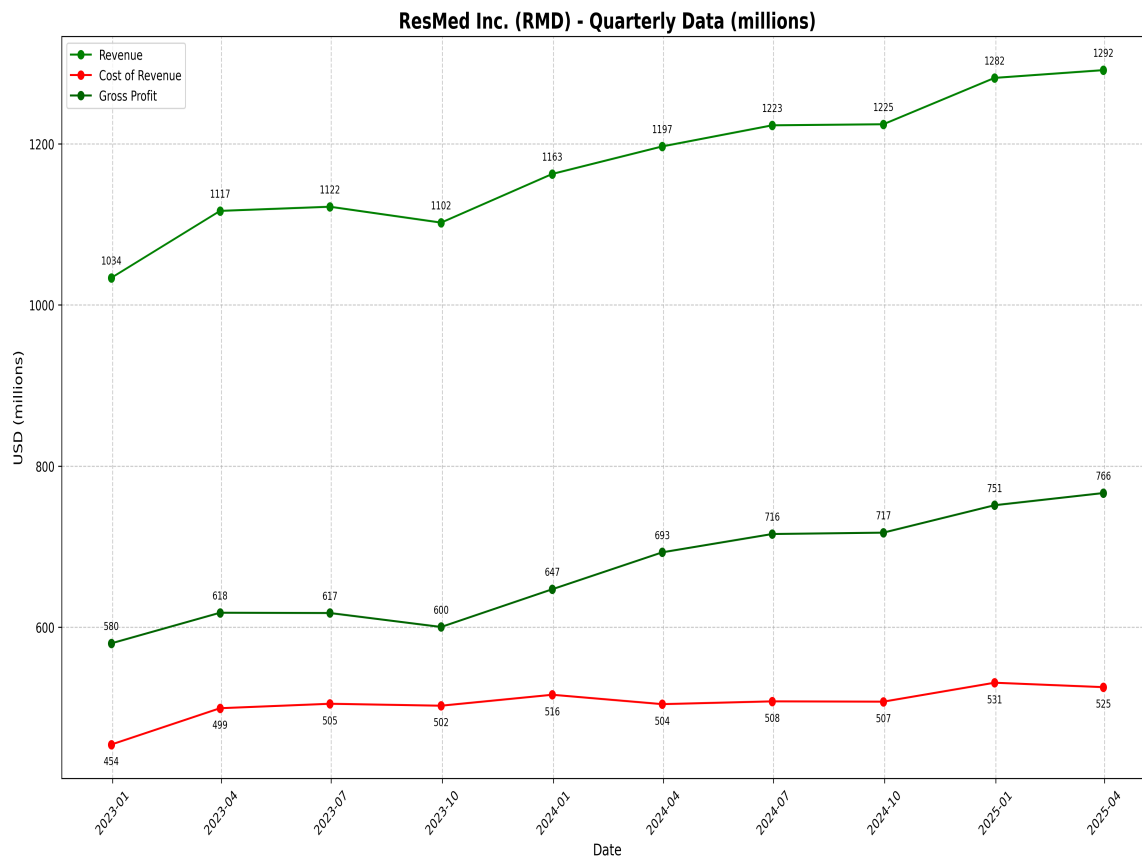
ResMed Inc. has demonstrated a consistent upward trend in key financial metrics over the past decade, reflecting steady growth in its core markets. Revenue has increased from USD 1678.9 million in fiscal year 2015 to USD 4685.3 million in fiscal year 2024. This growth has been accompanied by expanding gross profit, rising from USD 1011.4 million to USD 2655.3 million over the same period.

Profitability margins have shown some fluctuation but generally indicate a healthy business. Gross profit margin has remained relatively stable, typically above 55%. Operating income has grown significantly, reaching USD 1319.9 million in fiscal year 2024, up from USD 409.2 million in fiscal year 2015. Operating expense growth, while present, has generally lagged revenue growth, contributing to operating leverage. Net income has also seen substantial growth, reaching USD 1021.0 million in fiscal year 2024.

Balance sheet trends indicate increasing scale. Total assets have grown, driven by increases in property, plant, and equipment and goodwill/intangible assets, reflecting investments and acquisitions. Inventory levels have fluctuated, showing a notable increase in recent years before a slight reduction in the most recent annual period (USD 822.3 million in FY2024 vs USD 998.0 million in FY2023). Total debt has varied, peaking around USD 1.7 billion in fiscal year 2023 before decreasing to USD 873.9 million in fiscal year 2024, improving the leverage profile. Cash and equivalents have also fluctuated, standing at USD 238.4 million at the end of FY2024.

Cash flow generation has been robust, particularly in the most recent fiscal year, with net cash flow from operations reaching USD 1401.3 million in FY2024, a significant increase from prior years. Free cash flow has also been strong, reported at USD 1301.8 million in FY2024. Capital expenditures have been consistent, supporting ongoing operations and growth initiatives. The company has actively returned capital to shareholders through dividends, with dividends per common share increasing steadily over the period, and has also engaged in share repurchases, although issuance/purchase of equity shares has varied year-to-year.





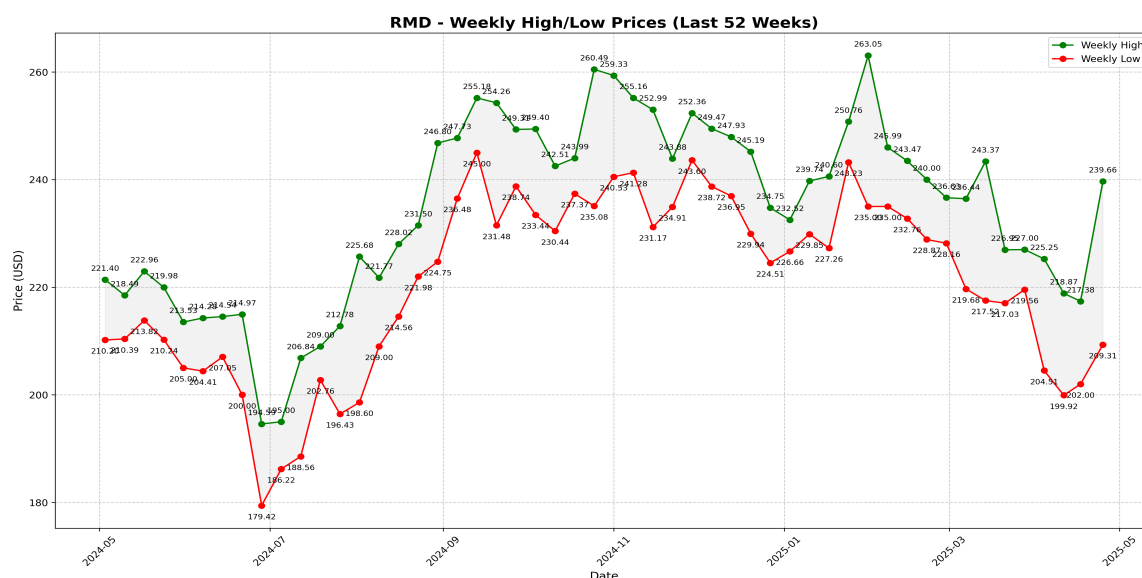
BALANCE SHEET, LAST 10 YEARS

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Assets (USDm)	6,872	6,752	5,096	4,728	4,587	4,108	3,064	3,468	3,257	2,182
Total Debt (USDm)	874	1,580	918	794	1,299	1,271	281	1,079	1,173	301
Shares (M)	147.02	146.76	146.07	145.31	144.34	143.11	142.76	141.36	140.24	140.47
EPS (USD)	6.94	6.12	5.34	3.27	4.31	2.83	2.21	2.42	2.51	2.51
Dividend (USD)	1.92	1.76	1.68	1.56	1.56	1.48	1.40	1.32	1.20	1.12
Revenue (USDm)	4,685	4,223	3,578	3,197	2,957	2,607	2,340	2,067	1,839	1,679
Cost of Revenue (USDm)	2,030	1,867	1,554	1,358	1,239	1,113	1,005	865	772	668
Gross Profit (USDm)	2,655	2,356	2,024	1,839	1,718	1,494	1,335	1,202	1,066	1,011
EBIT (USDm)	1,311	1,149	983	907	772	555	550	447	451	442

BALANCE SHEET, LAST 10 QUARTERS

	2025 Q1	2024 Q4	2024 Q3	2024 Q2	2024 Q1	2023 Q4	2023 Q3	2023 Q2	2023 Q1	2022 Q4
Total Assets (USDm)	7,567	7,141	7,222	6,872	6,815	6,905	6,741	6,752	6,714	6,676
Total Debt (USDm)	840	840	850	874	1,167	1,391	1,496	1,580	1,724	1,939
Shares (M)	146.72	146.81	146.86	146.92	146.96	147.13	147.07	147.02	146.91	146.70
EPS (USD)	2.49	2.35	2.12	1.98	2.04	1.42	1.49	1.57	1.58	1.53
Dividend (USD)	0.53	0.53	0.53	0.48	0.48	0.48	0.48	0.44	0.44	0.44
Revenue (USDm)	1,292	1,282	1,225	1,223	1,197	1,163	1,102	1,122	1,117	1,034
Cost of Revenue (USDm)	525	531	507	508	504	516	502	505	499	454
Gross Profit (USDm)	766	751	717	716	693	647	600	617	618	580
EBIT (USDm)	417	419	385	364	386	273	287	292	304	284

4. Stock Technical Analysis



ResMed Inc.'s stock performance throughout the trailing twelve months has been characterized by significant volatility and distinct periods of upward and downward momentum. The price traded within a wide range, from a low of USD 179.42 to a high of USD 263.05.

Following the low point around June 2024, the stock entered a strong upward trend, reaching its peak in January 2025. This period saw consistent weekly gains and higher trading ranges, suggesting accumulation and positive sentiment. Volume appeared to support some of these upward moves, particularly around key dates.

However, the stock experienced a notable decline from its January 2025 high, entering a period of weakness and increased volatility. Subsequent trading has seen the price consolidate within a lower range compared to the peak, with attempts to rebound facing resistance. Recent price action indicates the market is reacting to new information, leading to shifts in trading levels and investor positioning.

5. Industry Analysis

ResMed Inc. operates within the global healthcare industry, specifically focusing on respiratory care and sleep medicine. This sector can be segmented into areas like sleep-disordered breathing (SDB) devices, chronic respiratory disease (CRD) management, and related digital health solutions. The SDB market, particularly for sleep apnea, represents a significant portion of the company's focus.

The industry faces various regulatory and macroeconomic pressures. Healthcare reimbursement policies are critical drivers of demand and pricing power. Global supply chain issues can impact manufacturing costs and product availability. The macroeconomic environment influences healthcare spending and patient access to devices. Geopolitical factors can affect international sales and operations. Furthermore, the regulatory landscape for medical devices is complex and constantly evolving.

The competitive landscape includes other major medical device manufacturers specializing in respiratory care, as well as smaller, innovative companies. Competition exists across device types (CPAP, BiPAP, ventilators), masks, and integrated software platforms. Differentiation often hinges on product innovation, clinical effectiveness, patient comfort, data connectivity, and established relationships with healthcare providers and distribution channels. While specific peer financial data is not provided, the strategic positioning suggests competition based on technology leadership and ecosystem integration.

6. Current Media Coverage & Stories

Media coverage surrounding ResMed Inc. over the past year has been dominated by two primary, and often conflicting, narratives: the company's fundamental business performance and the potential impact of GLP-1 weight-loss drugs.

A significant portion of the coverage focuses on the company's earnings reports and financial results. Headlines frequently highlight organic sales growth, profit performance, and analyst expectations leading up to and following these releases. While some reports note strong long-term profit growth and improving technical performance, others point to slowing organic sales growth in specific quarters, leading to stock price declines on those days.

The other pervasive theme is the potential disruption posed by GLP-1 drugs like Eli Lilly's Zepbound. Several headlines directly link clinical trial results showing benefits for sleep apnea patients to declines in ResMed's stock price. This narrative creates a clear overhang, suggesting that advancements in pharmaceutical treatments for conditions traditionally treated by ResMed's devices are a major concern for investors and are actively influencing market perception and stock movement, sometimes overshadowing positive financial results or analyst upgrades.

7. Drivers & Challenges

Over the next 6 to 36 months, ResMed Inc.'s performance will likely be shaped by several key opportunities and risks, stemming from both company-specific actions and broader market dynamics.

One significant opportunity lies in the continued adoption of connected health solutions and digital platforms. ResMed's investment in this area could drive recurring revenue streams and improve patient adherence, potentially expanding the addressable market and enhancing profitability through improved efficiency and data-driven insights. Furthermore, geographic expansion and penetration into underserved markets for sleep and respiratory conditions present avenues for revenue growth.

Conversely, the most prominent risk is the potential impact of GLP-1 medications on the sleep apnea market. Clinical trial results suggesting these drugs can treat sleep apnea could reduce the diagnosed patient pool requiring traditional device therapy, posing a direct threat to ResMed's core business. Execution risk related to new product launches, manufacturing capacity, and managing supply chain volatility also remain pertinent challenges that could affect margins and market share.

8. Bull Case

The bullish case for ResMed Inc. centers on the resilience of its core business and the potential for its integrated ecosystem to mitigate emerging threats and capture new growth vectors. Despite concerns surrounding GLP-1 drugs, the vast majority of sleep apnea patients may still require or benefit from device-based therapy due to severity, contraindications, or patient preference. The company's established market leadership, strong brand recognition, and extensive distribution network provide a durable competitive advantage.

Strategic catalysts for upside include continued innovation in mask technology and device comfort, which can improve patient adherence and drive replacement cycles. Expansion of the digital health platform could unlock new revenue opportunities and strengthen relationships with healthcare providers, creating a sticky customer base. Successful execution in adjacent respiratory markets, such as COPD, could also diversify revenue streams and reduce reliance on the sleep apnea segment.

Financially, the bull case anticipates continued operating leverage as revenue grows, leading to margin expansion. Strong free cash flow generation, as demonstrated in the most recent fiscal year, provides flexibility for strategic investments, potential tuck-in acquisitions, and continued capital return to shareholders through dividends and buybacks. A re-rating of the stock multiple could occur if the market concludes that the GLP-1 impact is less severe than initially feared or that ResMed's diversification and innovation efforts are successfully offsetting potential headwinds.

9. Bear Case

The bearish case for ResMed Inc. is primarily driven by the potential disruptive impact of GLP-1 medications on the sleep apnea market and the risk of slowing growth in its core business. If these drugs significantly reduce the prevalence or severity of sleep apnea requiring device therapy, it could lead to a contraction in ResMed's addressable market and put pressure on device sales volumes.

Downside triggers could include further positive clinical trial data for GLP-1 drugs in sleep apnea, faster-than-expected adoption of these medications by patients and physicians, or a more pronounced shift in treatment paradigms. This could result in declining revenue growth, particularly in the device segment, and potentially lead to inventory build-ups or pricing pressure.

Quantifiable risks include potential margin compression if the company is forced to lower prices to maintain market share or if manufacturing costs remain elevated. Reduced revenue growth could negatively impact operating leverage, hindering profitability. Increased competition, execution challenges in new product development or market expansion, and adverse changes in reimbursement policies also represent credible threats that could weigh on financial performance and investor sentiment, potentially leading to a de-rating of the stock multiple.

10. Forward Valuation

Forecasting ResMed Inc.'s future valuation requires considering both its historical financial trajectory and the evolving market dynamics, particularly the potential impact of GLP-1 drugs. A Discounted Cash Flow (DCF) model provides a framework to estimate intrinsic value based on projected future free cash flows.

In a bullish DCF scenario, we assume continued robust revenue growth, albeit potentially moderated slightly by GLP-1 impacts, coupled with stable to improving margins driven by operating leverage and cost management. Free cash flow generation is projected to remain strong, reflecting efficient working capital management and disciplined capital expenditures. A lower discount rate might be applied, reflecting confidence in the company's long-term market position and cash flow stability. This scenario yields a higher range of potential intrinsic values.

Conversely, a bearish DCF scenario incorporates more conservative assumptions regarding revenue growth, reflecting a greater impact from GLP-1 drugs and increased competitive pressure. Margin expansion may be limited or even reversed due to pricing pressure or higher costs. Free cash flow projections would be lower, and a higher discount rate might be used to reflect increased business risk. This results in a lower range of potential intrinsic values. Relative Multiples and Sum-of-the-Parts valuations cannot be reliably calculated due to the absence of specific peer comparison data and segment financial breakdowns in the provided inputs, and are therefore omitted.

The Implied Volatility-Adjusted Price Band, derived from the stock's trading range over the last twelve months and recent price action, provides a market-based perspective on potential near-term price movement. The observed range from USD 179.42 to USD 263.05 reflects the market's uncertainty and reaction to various catalysts, including earnings and GLP-1 news. The bullish band would project a potential move towards the upper end of this historical range or slightly beyond, assuming positive catalysts or a stabilization of the GLP-1 narrative. The bearish band would suggest a potential move towards the lower end of the range, particularly if negative news or competitive pressures intensify.