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ResMed, Inc. (RMD)

Q4 2026 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, and welcome to the Q4 Fiscal Year 2026 Resmed Earnings Conference Call. My name is Kevin and I'll be your operator for today's call. At this time, all participants are in a listen-only mode. Also, please note this conference call is being recorded. Later, we'll conduct a question-and-answer session.

Let me hand the call over to Salli Schwartz, Resmed's Chief Investor Relations Officer.

Sallilyn Schwartz

Chief Investor Relations Officer, ResMed, Inc.

Thanks, Kevin. I want to welcome our listeners to Resmed's fourth quarter fiscal year 2026 earnings call. We are live webcasting this call. And the replay will be available on the Investor Relations section of our corporate website later today. Our earnings presentation is available online now. Please note we will be displaying our earnings presentation during our prepared remarks, and then we'll post the slides to our IR website after the conclusion of our remarks.

During today's call, we will discuss several non-GAAP measures that we believe provide useful information for investors. This information is not intended to be considered in isolation or as a substitute for GAAP financial information. We encourage you to review the supporting schedules in today's earnings press release to reconcile these non-GAAP measures with the GAAP reported numbers.

In addition, our discussion today will include forward-looking statements including, but not limited to expectations about our future financial and operating performance. We make these statements based on reasonable assumptions. However, our earnings results could differ. Please review our SEC filings for a complete discussion of the risk factors that could cause our actual results to differ materially from any forward-looking statements made today.

I'll now turn the call over to Mick.

Michael J. Farrell

Chief Executive Officer & Chairman, ResMed, Inc.

Thank you, Salli. During the fourth quarter, we delivered another set of strong results, including, first, 9% growth in headline revenue, or 8% growth on a constant currency basis; second, further progress in our supply chain efficiency initiatives, leading to gross margin expansion year-over-year; third, a strong bottom line result, with 16% growth in non-GAAP earnings per share.

We closed out another great fiscal year for Resmed on June 30. For fiscal year 2026, our 10% headline revenue growth and 180 basis points of operating margin expansion drove more than $1.6 billion in free cash flow. We used this capital to invest in our business both organically and inorganically, and to return more than $1 billion to our shareholders through a combination of share repurchases and dividends. That's an increase of 72% versus the prior year.

I'd like to take this opportunity to thank the Global Resmedian team, the Resmedians, for their unwavering dedication to our customers, including patients, providers, and physicians in more than 140 countries worldwide.

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Resmed continues to build the world's leading digital health ecosystem encompassing sleep health, breathing health, and healthcare technology delivered in the home.

Across fiscal 2026, we executed against several key priorities. For fiscal year 2027, our attention is laser focused on three priorities. One, continued operational excellence and innovation excellence to support Resmed's ongoing growth and transformation. Two, active portfolio management across our product lines and our businesses. And three, leveraging our strong free cash flow to both reinvest in our business and return capital to shareholders.

Our key focus area this year will be Resmed's growth and transformation work. Resmed's core markets remain largely under-penetrated. For many years, awareness has been our greatest challenge and our greatest opportunity. Now, as wearables and GLP-1s gain traction, appreciation of the importance of sleep health is growing. In order to leverage this awareness opportunity effectively, Resmed needs to optimize the sleep health pathway.

We're seeing greater sleep health awareness amongst consumers with more and more people tracking their sleep with wearables and non-wearable sleep technology in their bedrooms, all while recognizing the clinical importance of good sleep health and its correlation to overall health. This increased attention needs to be met with high quality trusted data.

As an example of this, let me talk about a recent Resmed partnership with the wearable ring-based technology company called OURA. With the Resmed plus OURA partnership, we are looking to expand access to sleep health education and pathways to care. Early performance from our OURA partnership has exceeded expectations. Approximately 13,000 users have come to resmed.com from the OURA app, with thousands of them taking the Resmed sleep assessment, and approximately 75% of those assessed identifying as previously undiagnosed. This highlights the potential of consumer wearables to drive earlier sleep health intervention.

As another example of tech companies involved with sleep health, Samsung has just announced that its Galaxy Ring is pursuing FDA clearance for its sleep apnea detection capability later this year.

Another sleep pathway enabler, glucagon-like peptides, or GLP-1s. As we've discussed before, patients on GLP-1s both initiate CPAP more and stay on CPAP therapy with a higher adherence and resupply rate. As an update to our analysis built from a claims database of many tens of millions of patients, our specifically analyzed cohort now includes more than N equals 2.5 million de-identified patients.

We are still seeing that patients who have scripts for both PAP and GLP-1s are approximately 11% more likely to start on PAP therapy than patients who have a script for PAP alone. They also are more than 3% more likely to have a resupply event at one year and more than 6% more likely to have a resupply event at three years.

As we've talked about before, sleep apnea risk factors include age, gender, and craniofacial anatomy, as well as weight. OSA therefore very often persists even after significant weight loss and still needs to be treated with gold standard therapy.

During the SLEEP medical conference this June, Resmed highlighted several interesting datasets, including one showing that among newly diagnosed OSA patients, PAP therapy was initiated earlier than GLP-1s. Specifically, the data showed that at 90 days after positive OSA diagnosis, more than 40% of patients had started on PAP versus less than 3% starting on a GLP-1. The proportion of patients with PAP increased rapidly immediately after diagnosis, while GLP-1 initiations increased more gradually. We continue to see GLP-1 medications as a tailwind for Resmed's business.

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As we continue to study the OSA population – patient population more broadly, we're seeing some significant demographic shifts. We're seeing higher percentages of women. And we're seeing higher percentages of younger patients coming into the pipeline. These changes are leading us to evolve Resmed's promotional efforts to evolve our product designs, including our software offerings, and our educational content for consumers, for physicians, and for providers. Watch this space. It's an exciting opportunity.

Greater awareness in the clinical community is another key element to ensuring consumers have ready access to information, diagnosis, and the ability to get on and stay on treatment. Our Continuing Medical Education, or CME programs, include Sleep Physician Society approved guidelines, including the benefits of CPAP, APAP, and bilevel PAP therapy as the gold standard, the front line treatment for any patient diagnosed with sleep apnea.

Our sleep apnea educational courses have now been completed more than 95,000 times by more than 55,000 unique clinicians. We've been tracking before and after training, specifically looking at the number of referrals for home sleep apnea tests and prescriptions for positive airway pressure therapy. It's still early days, but we've already seen increases.

It's great to observe that post training, clinicians are not only saying they intend to change their clinical practices, but they are actually changing them quantitatively. While education is important to getting patients through screening, diagnosis, and then on to therapy, optimizing patients' experience with therapy requires continuous innovation across the sleep ecosystem. Our innovation machine has made significant steps to improve the patient experience with product launches across devices, masks, and software.

On the devices side of our business, the AirSense 11 platform is the foundation of our connected care ecosystem. It brings together device innovation, personalized digital engagement through apps like myAir for patients and provider connectivity through our software platform called AirView.

We have made further progress with the global rollout of the AirSense 11, including ongoing growth in the US, Europe and fast-growing penetration after our launch into the China market just last quarter. Expanding the AirSense 11 platform into global sleep health markets strengthens our ability to scale a common technology foundation while continuing to support the growing adoption of digital health and connected care software.

During the fourth quarter, we also reached an important milestone with the US introduction of the AirCurve 11 ST and the AirCurve 11 ST-A platforms. The ST-A and the ST are bilevel device platforms for patients who need more pressure support, or who have complicated breathing disorders, including complex sleep apnea, overlap syndrome, and beyond.

We additionally just launched the AirCurve 11 platform in Hong Kong, Singapore, Australia and New Zealand. We continue to see opportunities to leverage a shared technology and digital health ecosystem across a broader range of patient populations, helping simplify workflows for providers while creating a more consistent experience for patients.

Prioritizing patient care is also central to our ongoing Astral field safety corrective action. We reaffirm our commitment to supporting patients as our number one priority, period. Patients come first. This includes patient-centric and quality-focused completion of the ongoing field action, while providing home care provider customers with the certainty needed to plan for future ventilation needs.

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We are focusing all available PCBA and other electronic components on corrective activities and service support for existing patients, prioritizing based on the highest clinical need and guided by expert clinical judgment. Aaron will discuss the financial considerations as part of our fiscal year 2027 guidance in a few minutes.

Beyond our device updates, we've continued our global rollout of our portfolio of novel fabric technology masks, including our AirTouch N30i and our AirTouch F30i masks. We also had strong uptake of our AirFit F40. The F40 is Resmed's smallest ever tube-down full-faced mask. All of these masks are designed to deliver an elevated comfort experience for patients. And they are changing the basis of competition in mask technology, particularly this brand new fabric technology.

The correlation between new Resmed mask technology and patient outcomes is clear. We have data showing that the AirTouch N30i drives 6% higher 90-day compliance than its silicon equivalent. Adherence is the single biggest driver of lifetime value, value for patients, value for physicians, value for payers, and value for our HME partners, and, of course, value also for Resmed.

On the software side, our new GenAI-powered digital sleep coach that's in the myAir app has seen more than 1.5 million inquiries to-date. This incredible technology helps patients find support wherever and whenever they need it on the patient's terms. As a side benefit for Resmed, this has significantly reduced customer service inquiries.

A second priority is active portfolio management. We took actions in the fourth quarter to optimize our portfolio and focus our capital on what we can best allocate it to. On our last earnings call, I announced Resmed's acquisition of Noctrix, highlighting their lead – or our lead product called Nidra, an FDA De Novo classified medical device that treats Restless Legs Syndrome, called RLS, the world's third most prevalent sleep disorder after sleep apnea and insomnia.

We closed this transaction on June 1 and we have begun integration of the business. As you may recall, RLS prescriptions are written predominantly by sleep physicians. And the Noctrix device flows through the same HME/DME delivery channel that Resmed leads in market share for all of our other sleep health products.

We are thrilled to accelerate the trajectory of the Noctrix business. And we seek to help the 17 million people in the US alone that suffer from RLS. With an estimated 400 million people worldwide suffering from RLS, we are again just lacing up our shoes for another sleep health marathon.

Another recent portfolio action is the divestiture of our MatrixCare business, which we announced on July 7, and we expect to close on or around September 1. This strategic decision is the culmination of the portfolio management work that I have mentioned to you on the last number of earnings calls.

Divesting the MatrixCare business enables Resmed to sharpen focus on our core growth areas, which are sleep health, breathing health, and connected digital home-based health care. These are areas that we continue to have sustainable competitive advantages, strong innovation pipelines, and attractive long-term growth opportunities in line with our 2030 strategy.

We expect this move to accelerate the growth and profitability profile across our core Residential Care Software, or RCS business, which post transaction includes both the Brightree and MEDIFOX DAN offerings. In fiscal year 2027, we are planning for the RCS business to deliver high-single-digit revenue growth, with operating leverage reflecting both improved mix and execution focus.

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We intend to keep allocating capital towards our highest-growth, highest-return opportunities. This allows Resmed to accelerate expansion of our digital health ecosystem, to support continued innovation and scale, and to drive strong progress towards the successful execution of our 2030 strategy.

In addition to investing in our business, we will also maximize the return of capital to our shareholders. For fiscal year 2027, we'll be significantly accelerating our share repurchase activity. We also announced today that Resmed's board of directors increased our quarterly dividend by 10% to $0.66 per share. That's 10% over the prior quarterly dividend. I'll let Aaron talk about details of our increased share buyback plans for fiscal year 2027. As a sneak preview, I'll just say that the total capital returns will be well north of $1.5 billion.

Before I turn the call over to Aaron, I'd like to touch on the recent Section 301 tariffs that were announced in the US late last month. As you're aware, Resmed's products are used to treat patients with chronic respiratory disabilities and have been subject to the global tariff relief for decades under Chapter 98 protections and specifically under the Nairobi Protocol. We have reconfirmed that this tariff relief remains in place for our Resmed products, including in the context of the recent Section 301 announcement. This is great news for Resmed patients.

Finally, I'd like to take a minute to thank you, our shareholders, for the feedback you've provided to Resmed through a variety of channels. Part of what we've heard from you is a keen interest in learning more details about our business and how we manage it. Going forward, we will be increasing the transparency we provide to the market. You'll hear some of our additions to disclosure, including both revenue and EPS guidance for fiscal year 2027 from Aaron in a few moments.

In fiscal 2026, Resmed again delivered high-single-digit revenue growth, as well as earnings growth that steadily outpaced revenue growth. We remain confident in our five-year outlook that features the same strong performance that is high-single-digit revenue growth and earnings growth that's higher than revenue growth. Resmed has a tremendous market opportunity. We have the leading market position. We have an incredibly strong balance sheet and a solid track record of successful execution over decades. We are committed to keep delivering to the benefit of all of our constituents, but most importantly for our patients.

With that, I'll turn the call over to Aaron to go through a deeper dive into our financials and guidance, and then we'll open the floor for your questions. Over to you, Aaron.

Aaron Bloomer

Chief Financial & Accounting Officer, ResMed, Inc.

Thanks, Mick. I am excited to be on the call today. In my first three months, I've spent time getting to know the team and the business. This has included visiting customers, manufacturing and service center visits, new product pipeline reviews, and geographic deep dives throughout the US, Europe, Australia and Asia. I am so impressed by the talent of the more than 11,000 Resmedians around the world and their commitment to serving patients. The first three months have reinforced my excitement to build on our strong foundation and the growth opportunity in front of us to impact more patients and create meaningful shareholder value.

In my remarks today, I will provide an overview of our results for the fourth quarter of fiscal year 2026. After that, I will comment on our guidance for fiscal year 2027. Unless otherwise noted, all comparisons are to prior-year quarter, in constant currency terms where applicable, and on a non-GAAP basis. We've provided a full reconciliation of the non-GAAP to GAAP numbers in our fourth quarter earnings press release.

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We had a strong financial performance in Q4. Group revenue for the fourth quarter was $1.5 billion, a 9% headline increase and 8% in constant currency. Non-GAAP earnings per share increased by 16% to $2.95. Beginning this fourth quarter, we are increasing transparency into our revenue lines by introducing a split of our device revenue between sleep and life support devices for each of the Americas, rest of world, and global revenue. Sleep devices will include revenue from our CPAP, APAP, and bilevel devices, as well as from our acquisition of Noctrix. Life support devices will include revenue from our ventilator products, including Astral.

I'll move to a breakdown of revenue by business and geography. Starting in the Americas, sleep device revenue increased by 8%, life support device revenue declined by 45%, and masks and other revenue increased by 10%. In the rest of world, sleep device revenue increased by 13%, life support device revenue decreased by 38%, and masks and other revenue increased by 12%.

Residential care software revenue increased by 2% in the fourth quarter, with growth coming from MEDIFOX DAN and Brightree, partially offset by declines in MatrixCare. Non-GAAP gross margin was 62.3% in the fourth quarter, up 90 basis points year over year. I am proud of the work our supply chain team is doing to drive productivity and efficiencies which more than offset inflation.

During the fourth quarter, we took a $42 million provision for expected costs associated with a field safety notice on Astral devices. This charge is excluded in our non-GAAP financials.

Moving on to operating expenses, R&D expenses for the fourth quarter increased by 22% on a headline basis, and 19% on a constant currency basis. The increase was primarily driven by the development of next gen devices and masks, as well as increased investment in AI-driven patient workflow solutions to help get patients on therapy faster and increase adherence.

SG&A expenses for the fourth quarter increased by 10% on a headline basis and 7% on a constant currency basis. The Q4 increase was primarily from VirtuOx and Noctrix acquisitions, as well as an increase in marketing and technology investments to drive growth.

Operating margin in the quarter was 35.2%, down 10 basis points year over year. Net interest income for the quarter was $21 million. As a reminder, this includes additional net interest income associated with a 10-year Singapore dollar to US dollar net investment hedge that was executed in February of 2026. We still expect this hedge to generate $9 million in net interest income on a quarterly basis going forward.

Our effective tax rate for the fourth quarter was 20.1% compared with 21.1% in the prior-year quarter. Non-GAAP diluted earnings per share increased by 16% to $2.95, driven primarily by revenue growth, productivity, and operating leverage. Movements in foreign exchange rates had a negative impact on earnings per share of approximately $0.05 in Q4, while Noctrix reduced non-GAAP earnings per share by approximately $0.02 in the quarter.

Free cash flow for the quarter was $404 million, down 21% year over year, primarily due to the $42 million Astral provision and increase in accounts receivable associated with higher revenue and an increase in capital expenditures. We ended the fourth quarter with a cash balance of approximately $1.5 billion. During the quarter, we purchased approximately 972,000 shares totaling $200 million. Along with our dividend, we returned $287 million to our shareholders in Q4.

Resmed delivered a strong 2026. Full year revenue grew 10% on a headline basis and 8% on a constant currency basis. Non-GAAP earnings per share grew 17%, and we delivered $1.6 billion in free cash flow. We also

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made progress on several of our strategic imperatives. First, operational excellence and innovation. We grew gross margin by 290 basis points. We continued our global rollout of the AirSense 11, introduced our fabric masks, and brought AI to patients through an FDA-approved Smart Comfort and [indiscernible] (00:24:36).

Second, we took actions on portfolio management, including integrating our VirtuOx acquisition, expanding our core sleep portfolio through the Noctrix acquisition, and recently announcing the divestiture of the MatrixCare business. Third, we returned over $1 billion in cash to shareholders through buybacks and dividends.

Turning to guidance. For fiscal year 2027, we will provide guidance for revenue and non-GAAP earnings per share on both a core constant currency basis and reported basis. For purposes of calculating the core constant currency revenue growth rate, we have removed 10 months of MatrixCare business revenue from fiscal year 2026 such that there are only two months of MatrixCare business revenue in each of both fiscal year 2026 and 2027, assuming an expected close date of around September 1.

We are also excluding Noctrix revenue. We believe this best represents the underlying organic growth of our core business. For fiscal year 2027, we expect year-over-year revenue growth on this basis to be in the range of 5% to 7%. This includes an approximately 130 basis points headwind or around $75 million stemming from our decision to suspend sales of Astral to support our global field safety notice for the benefit of our existing Astral patients.

Total reported revenue would be in the range of $5.75 billion to $5.85 billion. This assumes an approximately 50-basis-point FX headwind based on rates as of fiscal year end. This aligns with what you will see reported as headline revenue over the course of fiscal year 2027.

We expect non-GAAP earnings per share to be in the range of $12 to $12.25, an increase of approximately 7% to 10% on a reported basis. This aligns with what you will see reported as non-GAAP earnings per share over the course of the year. If you were to exclude the approximately $0.30 of dilution from the MatrixCare business divestiture and $0.20 of dilution from the Noctrix acquisition, guidance implies year-over-year core EPS growth would be in the range of 12% to 14%.

For gross margin, we expect low-double-digit expansion in fiscal year 2027, with continued productivity, efficiencies, and very modest strategic price increases slightly more than offsetting ongoing macro uncertainty and inflation across electronic components and freight.

Our guidance also assumes a slight increase in operating margin percentage. We will drive productivity, efficiencies and operating leverage in targeted areas of SG&A to enable priority investments in the highest-return areas that will drive growth in the near and long term, including targeted investments in both R&D and marketing.

As Mick noted, we previously announced that we signed a definitive agreement to sell our MatrixCare business. We expect this transaction to close on or about September 1, 2026 subject to regulatory approvals. For fiscal year 2026, the MatrixCare business represented approximately $220 million in revenue and $58 million of non-GAAP operating profit.

We are entering into transition service agreements to ensure continuity across systems, processes, tools, and day-to-day operations. We expect these TSAs to largely offset any stranded costs in year one, while we work to mitigate and remove any remaining stranded costs over time.

Our earnings per share guidance includes a total of $1.5 billion in share repurchases, including a $450 million accelerated share repurchase program that we intend to utilize with the proceeds from the divestiture of the

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MatrixCare business. Today, our board of directors declared a quarterly dividend of $0.66 per share, representing an increase of 10% over our previous quarterly dividend. Between share repurchases and dividends, we expect to return over $1.85 billion to shareholders in 2027, an increase of over 75% year over year. This marks the second consecutive year of over 70% growth in capital return to shareholders.

We will also continue to invest in our business as a key capital deployment priority. We expect a step-up in our capital expenditures to a range of $160 million to $180 million as we expand and further automate our US and global manufacturing footprint to address the growing demand of our products.

While we will not be providing quarterly guidance, we would like to share some of the trends that we are seeing in Q1. Resmed has historically experienced some seasonality, including first quarter revenue typically down a few percentage points sequentially from the fourth quarter. On an underlying basis, excluding the MatrixCare divestiture, the Noctrix acquisition and revenue from Astral, we expect to see typical revenue seasonality again in the first quarter of fiscal year 2027. We expect slight year-over-year contraction in gross margin in Q1 and anticipate operating expense dollars to be roughly flat with Q4.

Before I conclude, I wanted to share my key priorities. First, helping to drive sustainable growth. Resmed has a significant market opportunity, supported by an increasing level of awareness and importance of sleep health. It will be increasingly important we optimize our patient experience to help navigate and nurture them through the journey from awareness to being a loyal Resmed user.

We also have an opportunity to increase penetration with our millions of device users through patient engagement and collaboration with our customers. We are intent on capitalizing on that opportunity and will ruthlessly prioritize investments in our highest ROI opportunities, particularly in R&D and marketing, to support our sleep patients.

Second, supporting the continued transformation of Resmed to enable this growth. We will embrace change and transform in order to optimize how we serve our customers and patients. We will take a very disciplined approach to capital allocation. Our first priority remains reinvesting back in our business to drive growth, but also to operate more efficiently.

As Mick mentioned, we are taking actions to actively manage our existing portfolio and evaluate M&A opportunities in spaces where we have sustainable competitive advantages, innovation and attractive long-term growth. We will leverage AI and technology to drive productivity through all aspects of our business.

Third, maximizing return to shareholders. We are providing additional clarity on our business, including additional revenue disclosures and providing annual financial guidance. We remain committed to the dividend and opportunistic share repurchases.

Lastly, as we progress throughout 2027, we will evaluate our capital structure to ensure that we deliver premium shareholder returns, while optimizing our balance sheet. What attracted me most to Resmed is the strength of the opportunity ahead. We have a large underpenetrated market, strong competitive advantages, and a proven ability to translate innovation and growth in shareholder value. I'm so excited to be a part of the journey and look forward to sharing our progress with you.

And with that, I'll hand the call back to Kevin.

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QUESTION AND ANSWER SECTION

Operator: Thank you. We'll now be conducting a question-and-answer session. [Operator Instructions] Our first question today is coming from Steve Wheen from Jarden. Your line is now live.

Steve Wheen
Analyst, Jarden Australia Pty Ltd.

Q

Yeah. Thanks very much, Mick and Aaron. Just wanted to start with the gross margin movement sequentially. So, it was down 50 basis points versus fourth quarter. Wonder if you could help us understand some of the components within that, that caused that drag and what sort of price increases – what sort of benefit the price increases that you seem to be putting through your customer base as called out by one of them just recently?

Michael J. Farrell
Chief Executive Officer & Chairman, ResMed, Inc.

A

Steve, that's a great question. I mean, I'll address the pricing part first, which is, look, we've got many customers across the 140 countries that we operate in. And I can tell you, look, nobody is immune to the global inflation that there is right now. And we see that in fuel costs, freight costs. Many of us see it in our groceries, bread, milk, and gasoline, and petrol and so on.

And so, what we're looking to do is work with all of our customers in 140 countries and sort of share the load with that. And we will be looking at modest price increases as we work with our customers. What I can say is, for customers who work with us and we have contracts on volume and price, we will honor those terms if they honor their terms around volume and price. But as we go to negotiate new contracts and as we work forward, inflation has to be addressed. And we'll work with modest price – very modest price increases with our customers understanding the capitated reimbursement environment that many of our customers are in and their tight margins. But with that overview, the detailed question on the financials for GM for Q4, over to you, Aaron.

Aaron Bloomer
Chief Financial & Accounting Officer, ResMed, Inc.

A

Yeah. And I think just building on the pricing piece, like Mick said, we're in an inflationary environment. And we've done everything we can. So proud of the work the supply chain team has done over the last couple of years. But just given the inflation, we can no longer offset inflation with productivity alone. And as part of actively managing our portfolio, are taking again very modest price increases that's going to build as we progress throughout fiscal year 2027.

Specific to the quarter-over-quarter sequential decline in gross margin, you are right, it was down about 50 basis points quarter over quarter. I think, importantly, it's still up 90 basis points year over year, a reflection of the strong productivity initiatives and efficiencies that the supply chain team continues to deliver. That said, quarter over quarter, it's primarily driven by the increased inflation that we're starting to see, particularly in electronic components and freight costs. There was also about a 20-basis-point impact from FX sequentially as a headwind from Q4 versus Q3.

Michael J. Farrell
Chief Executive Officer & Chairman, ResMed, Inc.

A

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I'll just close with this. Look. Resmed's growth is based on volume. And so, we're going to have very modest price increases. We're going to work with customers on. But what we are laser focused on is driving volume, volume of patients into the funnel, repack, resupply, ongoing software sales. So, that's our answer to that question. Thank you, Steve, for that question.

Operator: Thank you. Our next question is coming from Davin Thillainathan from Goldman Sachs. Your line is now live.

Davin Thillainathan
Analyst, Goldman Sachs Australia Pty Ltd.

Q

Yes. Hi, Mick and Aaron. Thanks for the presentation and the additional transparency to the business. I guess I just wanted to start on the revenue guide of 5% to 7%. Clearly, there's a few moving parts that you're working with. The Astral recall, your new NIV product launch and your pricing increase. Could you sort of help us work out what would push the guide towards the top end please?

Michael J. Farrell
Chief Executive Officer & Chairman, ResMed, Inc.

A

Yeah, look, it's a great question. And thank you for your comment there. This is the first time we provided revenue and EPS guidance in the history of Resmed being a public company. But I think, as you said, with the moving pieces, we bought Noctrix, we're integrating VirtuOx, we're selling off MatrixCare, we're not selling Astral for fiscal 2027. There's so many moving pieces that we thought it's the right thing to do to provide that. As for the specifics, I'll hand to Aaron to the specifics of your question around revenue guide.

Aaron Bloomer
Chief Financial & Accounting Officer, ResMed, Inc.

A

So, overall we're guiding to 5% to 7%. And importantly, that includes a pretty material headwind that we're seeing from the action that we're taking to focus on patients with Astral. And so, if you back out that impact, kind of the underlying core growth of the business is north of 6% to north of 8%.

And if you look at kind of the components then within the business, I'll start with continued momentum around – in our core sleep devices. We just grew 8% constant currency both in the Americas as well as 9% globally this most recent quarter in a market that we've said is traditionally growing mid-single digits. So, we've continued to see more patients come into the top of the funnel.

As Mick talked about, we have an opportunity to increase the penetration through optimizing that patient experience and really helping them through that entire journey, continue to have good momentum on masks, just put up double-digit growth again in Q4. That includes obviously the VirtuOx acquisition. And so, maybe just a tick lower that from an ongoing basis.

And then on – as it relates to RCS, we took actions on MatrixCare. And as we've said, we'd expect that that would return to high-single-digit growth for the full year. And so, again, that's another part of the portfolio that's going to build as we progress throughout 2027.

Operator: Thank you. Our next question is coming from Matt Taylor from Jefferies. Your line is now live.

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Young Li
Analyst, Jefferies LLC

Q

All right. Great. Thanks for taking the question. This is Young Li on for Matt. I guess just maybe a question just on the comment on active portfolio management and M&A opportunities. I was wondering just on M&A if you can maybe help us understand and maybe [indiscernible] (00:38:36) the size of the deals that you're looking at, some of the key ROI metrics, and then just your general thoughts on the valuations you're seeing out there along with your funnel for potential acquisitions.

Michael J. Farrell
Chief Executive Officer & Chairman, ResMed, Inc.

A

Yeah. Thanks, Young Li. It's a great question around M&A. It allows us to talk to what we've done and what we're planning to do and without giving obviously details of the companies to give some broad overviews of the companies that are on our radar screen.

Look, in terms of quantifying the order of magnitude, it's sort of in that order of $100 million to $500 million that we're talking about, which I would consider for a $30-plus-billion company to be tuck-in acquisitions. So, we're looking in that sort of tuck-in acquisition, $100 million to $500 million range roughly, right, [ph] going to be (00:39:26) plus or minus. And example acquisitions that we'll be looking at. And I'll talk about ones we've done, but talk about them as examples.

So, number one is Noctrix. So, think of that as an amazing medtech innovation from these folks from Stanford Biodesign, first-in-class, got reimbursement, starting to pick up, and it's sleep physician prescribed, it goes through the DME/HME and VA channels, and it is a sleep health product that's aligned fully with Resmed's strategy and we're a better owner of the asset and we can leverage our amazing commercial infrastructure and technology and marketing infrastructure to add value and accelerate growth. So, that's one type of sort of medtech acquisition that we're laser focused on in neurostim and non-invasive, completely reversible drug-free neurostim.

Secondly, an example is VirtuOx, which is a company that – obviously that's home sleep apnea testing virtually, but it's part of that sort of end-to-end pathway that we talk about for Resmed and sleep health going from screen, well, awareness screening to diagnosis, treatment and management full life. And so, think of VirtuOx and acquisitions that can help with anywhere along that pathway from awareness all the way through ongoing management.

And the third example I'll give really briefly is Snap Technologies, which was a tuck-in to Brightree, but actually expanded beyond Brightree, right? It was resupply software that initially was [ph] Snap technology (00:40:47) on Brightree ERP software. But we've now created [ph] Snap Lite (00:40:51) that can work with HME customers who are not on our Brightree ERP and it actually works for anyone's ERP. And so, that's a great technology that adds value to our core Resmed, our core Brightree, and beyond. So, with that said around the sort of strategy side of it, I'll hand over to Aaron for some further detail on what we're looking at on M&A.

Aaron Bloomer
Chief Financial & Accounting Officer, ResMed, Inc.

A

Yeah. As Mick mentioned, think tuck-in size in terms of size of acquisition targets. We're going to consider from a metrics perspective multiple metrics as we look at potential acquisitions and opportunities beyond strategic fit, growth opportunity that fit into the portfolio, but definitely looking at things like is the ROI over WACC over a short period of time, as well as ensuring after we acquire the company that we're delivering accountability. We have a

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track record that includes some performing above expectations, some meeting, and others not. And that's something that we're going to continue to monitor on all of our acquisitions moving forward.

Operator: Thank you. Our next question today is coming from Dan Hurren from MST. Your line is now live.

Dan Hurren
Analyst, MST Financial Services Pty Ltd. (Marquee Research)

Q

Good morning. Thanks very much. Look, I may have missed it, but did you talk about – talk to OpEx within your FY 2027 guidance? I'm only asking because it looks like R&D stepped up pretty materially in the fourth quarter. I can't really see a reason for it.

Michael J. Farrell
Chief Executive Officer & Chairman, ResMed, Inc.

A

Yeah, Dan, it's a great question. I'll hand to Aaron to go through details on OpEx and R&D. I'll say this just as a sort of strategic point. Resmed is an innovation machine. We delivered world game-changing fabric technology in the AirTouch N30i, the AirTouch F30i, and the silicon-based F40, as well as game-changing technology with GenAI on myAir on the patient app with 1.5 million inquiries just since it was launched just a quarter or so ago. So, Resmed is an innovation machine. We're always going to invest in innovation, but it's not unlimited. And I'll hand to Aaron to talk about our balancing of OpEx and R&D and SG&A and beyond.

Aaron Bloomer
Chief Financial & Accounting Officer, ResMed, Inc.

A

So, as we thought about giving guidance for the first time, we felt like it was important we heard you, we wanted to give top line revenue guidance and then total earnings per share guidance. And what that's going to allow us to do, Dan, is to be able to reinvest back for growth and manage our business quarter to quarter. OpEx may fluctuate between R&D or SG&A in any given quarter over time. But I think the most important thing, right, is that we are committed to delivering world-class returns to shareholders. And that's what we did with the core revenue – our core EPS guide, excuse me, of 12% to 14%. And embedded in that, right, is low double-digit gross margin expansion, as well as slight operating margin expansion.

Operator: Thank you. Our next question is coming from Jon Block from Stifel. Your line is now live.

Jordan Bernstein
Analyst, Stifel, Nicolaus & Co., Inc.

Q

Great, thanks. It's Jordan Bernstein on here for Jon. A lot of talk out there on some recent price dynamics for Resmed. Perhaps, Aaron, you can break down the 5% to 7% organic revenue growth price versus volume. I think that really helped to put some of that noise out there to bed.

And then within that volume, however you're breaking your divisions out, maybe you could give us a little color how to think about masks and devices just because of that 5% to 7% with RCS at high single kind of implies some of that underlying sleep business maybe in that mid-single when I think we were – we've been guided in the past masks are high single, devices are mid single, just how to think about that would be great. Thanks.

Michael J. Farrell
Chief Executive Officer & Chairman, ResMed, Inc.

A

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Yeah, Jordan, I'll go first. We are still saying and guiding that the market growth rate for devices is mid-single digits and the market growth rate for masks is high-single digits. We beat both in Q4. If you look at our core sleep devices and our masks growth, we won't beat every quarter but our goal is to meet or beat those.

With our share, we basically create the market growth, whatever our growth is, is the vast majority of the market growth. And so, it's up to us to do demand generation, capture curation, and follow through. But that is the market growth. And as Aaron said, if you take away that $75 million headwind that we are actively pulling away from Astral sales, we're pushing north of 6% to 8% growth of core across the business. But with all that preamble, I hand over to Aaron for any further detail you can give Jordan and his team.

Aaron Bloomer

Chief Financial & Accounting Officer, ResMed, Inc.

A

Jordan, so the first thing I would do is just reemphasize what Mick said earlier, which is we have always and will continue to be focused on volume, and that is what is driving the predominance of our growth, on a historical basis, in 2027 and on a go-forward basis. I'm not going to get into the specifics of how much exactly is embedded in the guide of volume versus price. But, again, the predominance of our growth has and will continue to be coming from volume growth.

I think one helpful piece, if you wanted to try to analyze it, would be kind of look at our gross margin guide or some of the comments that we gave around that, which is low-double-digit increases in our gross margin and very modest price increases, right? And you kind of put those two things together, I think you end up with a very small contribution from price. And it's something that's certainly going to build as we progress throughout the quarters in 2027.

Operator: Thank you. Our next question is coming from Craig Wong-Pan from RBC. Your line is now live.

Craig Wong-Pan

Analyst, RBC Securities Australia Pty Ltd.

Q

Great. Thank you. Just wanted to keep going on the gross margin [ph] impact (00:46:32). The first quarter comments about gross margins declining, but then your guidance for the full year for an improvement, just wanted to understand is that mainly through the price increases coming through, or are there other factors that are driving that gross margin improving for full year?

Michael J. Farrell

Chief Executive Officer & Chairman, ResMed, Inc.

A

The first thing I'd say is just, again, reiterate, really, really proud of the manufacturing and supply chain team and the almost 600 basis points of expansion on our gross margins they've delivered against an inflationary environment the last couple of years. I've had the chance to tour a couple of the sites with the manufacturing team, and just couldn't be more excited about the pipeline of opportunities that they have. They've got a flywheel and a lot of momentum around productivity and efficiencies.

And if you think about Q1, what's effectively happening is on a year-over-year basis, inflation is certainly outpacing the productivity that we have line of sight to. But we do have a strong and robust pipeline that builds. One specific example I'd give is our distribution network optimization. We've got an expansion coming in the US. The benefits on that are going to start to feather in as we progress throughout Q2, Q3, and Q4. And the last thing I would come back to is we did talk about a very modest, slight price increase, and really no benefit from that

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coming in Q4. And so, that would certainly inure to the benefit on the top line, as well as our gross margin expansion as we progress Q2, Q3, and Q4.

Operator: Thank you. Our next question today is coming from Lyanne Harrison from Bank of America. Your line is now live.

Lyanne Harrison
Analyst, Bank of America Merrill Lynch

Q

Good morning, all. Good morning, Mick and Aaron. Just wanted to understand a little bit more about the Astral field safety process. What happens if [indiscernible] (00:48:23) you mentioned there was a $40 million drag – or $42 million drag on gross margin for this quarter. You mentioned that you're not selling the Astral going forward. What other expenses can we expect into fiscal 2027? And is that being included in the guidance that you've given?

Michael J. Farrell
Chief Executive Officer & Chairman, ResMed, Inc.

A

Yeah. Thanks for the question, Lyanne. Just want to be really clear, the $42 million charge we took in Q4 is our estimate for the total work that's needed for this field action globally. And we have taken a very conservative approach and a very patient first, quality-driven approach that Resmed is going to execute the best recall in the history of the medtech industry, and that's our aim.

And by the way, we've done probably two or three recalls over Astral, and we've done them incredibly well. We will do this one incredibly well. So, all of that's encapsulated in that $42 million charge for Q4.

The $75 million headwind for fiscal year 2027 means that we won't be selling any new product throughout all of fiscal year 2027. You said stopping selling. We haven't made any decisions for fiscal 2028 or beyond as yet. And we will make those over time as we look and we keep ourselves laser focused on every PCBA, every electronic component goes straight to the sickest and most severe patient first. And we work our way through clinical guidance of our customers and the physicians and their patients worldwide. Laser focused, patient first, $42 million charge Q4, $75 million headwind for FY 2027, and we'll talk about in ongoing quarters where we go from there. But, Aaron, any further detail you want to provide Lyanne with regard to our Astral field action?

Aaron Bloomer
Chief Financial & Accounting Officer, ResMed, Inc.

A

The $42 million we took in the fourth quarter, like Mick said, just to reiterate, that was kind of an all-in estimate that we were able to accrue for. This is a really complex recall. We wanted to make sure that we took a conservative approach to the accrual because we don't want to compromise patient safety. And this is a higher cost than what we've seen on a prior Astral accrual that we took primarily just because it's impacting a higher population of devices out in the field based off of the failure mode that we have.

As it relates to 2027, the only other thing that I would add on from what Mick said, $75 million top line headwind, it is about a $0.15 earnings per share headwind, and that is embedded in that 12% to 14% core EPS growth. And so, kind of excluding that, our core EPS growth is actually a tick higher.

Operator: Thank you. Our next question is coming from Brett Fishbin from KeyBanc Capital Markets. Your line is now live.

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Brett Fishbin
Analyst, KeyBanc Capital Markets, Inc.

Q

Hey, guys, Thank you so much for taking the questions. I guess, I'll just continue on the Astral line of questioning while you're kind of on the topic. How does the 130-basis-point expected headwind for the year relate to the EPS guidance? What type of headwind is baked in from an earnings per share standpoint?

Michael J. Farrell
Chief Executive Officer & Chairman, ResMed, Inc.

A

I'll hand – I think Aaron sort of went through that detail. But, Aaron, you want to reiterate maybe or rephrase that for Brett?

Aaron Bloomer
Chief Financial & Accounting Officer, ResMed, Inc.

A

Thanks, Brett. So, yeah, it's about $0.15. And the impact of that is just the lost revenue translating down to the lost gross margin that we're going to have associated with it. And, again, to reiterate, that is embedded in the 12% to 14% kind of core earnings per share growth. And so, excluding the impact of Astral, again, we would be higher than the 12% to 14% growth.

Operator: Thank you. Our next question is coming from Laura Sutcliffe from Citi. Your line is now live.

Laura Francesca Rose Sutcliffe
Analyst, Citi

Q

Hello. Thank you. Could you possibly talk a little bit to your early experience with the oral GLP-1s now that they've been on the market for a few months? Are they behaving in the same way as injectables when it comes to driving patients into the funnel?

Michael J. Farrell
Chief Executive Officer & Chairman, ResMed, Inc.

A

Yeah, Laura. It's a great question. As you said, it's early days for oral GLP-1s. Obviously, we're looking at all the different injectables from the two major companies here from Indianapolis and from Europe. And we're analyzing our GLP data across – our GLP-1 data across all of the above. We haven't seen a dramatic change. What we are seeing is the peer-reviewed published literature shows a lower level of adherence and a lower level of weight loss associated with those oral GLP-1s, which is likely correlated to lower impact.

So, the tailwinds that are bringing people into the primary care physician funnel. You know that Eli Lilly is spending tens – hundreds of millions of dollars on Shaquille O'Neal on Don't Sleep on OSA campaigns. It's bringing patients into primary care. And our education there with now 95,000 CME education episodes, 55,000 unique clinicians. These are the types of primary care physicians who are making these decisions.

When that patient comes in and says, either I want that injectable weekly or I want that daily pill, the doctor will walk through. And if they have a home sleep apnea test, which we're encouraging the doctors to get access to things like VirtuOx and their competitors, and it's positive. What we're seeing from the data we presented at SLEEP is that there is a very fast uptake of prescriptions for CPAP, APAP, and bilevel, and a far more modest, sort of tenfold less increase in GLP-1 prescriptions.

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So, there is a tailwind associated with this. It's not direct and proportional and immediate. But we think that if you look at our core Americas sleep device, right, US, Canada and Latin America, we were plus 8% constant currency in the quarter. How much of that above mid-single-digits is from that demand generation versus Apple Watch versus the Galaxy Watch versus our OURA partnership, where people with these ring-based wearables are wearing these devices overnight during sleep. So, it's a combination of all the above, Laura.

And we're not seeing material change from them going from talking about injectables to pills. I think it'll be a minority of their sales probably. But over time, both will be a tailwind for us, just at different levels and different rates. This combination therapy and this fact that there's 11% higher start rate, 3% higher one-year adherence and resupply, and 6% higher three-year adherence and resupply, that's the separation of the curves. And we're seeing that trend continue no matter how you're getting this glucagon-like peptide or awareness from wearables.

Operator: Thank you. Our next question today is coming from Brandon Vazquez from William Blair. Your line is now live.

Brandon Vazquez
Analyst, William Blair & Co. LLC

Q

Hey, guys. Thanks for taking the question. Mick, I wanted to ask on Americas devices only because Americas devices in the back half of the year was a couple points lower than in the first half of the year. And interestingly the international devices business has done very well and remained elevated growth levels, even though international probably is a little bit more competitive than the US or Americas. Correct me if I'm wrong on that. So, I'm just curious if you can talk about those dynamics, talk about the US or the sort of the Americas devices dynamics, specifically how they ended the year and how we should expect that to trend into fiscal 2027. Thank you.

Michael J. Farrell
Chief Executive Officer & Chairman, ResMed, Inc.

A

Yeah. Look, it's a great question. And we haven't broken out the new sort of sleep devices by quarter throughout FY 2026. We've just sort of given an over the whole year approach. And by the way, the Q4 devices growth is in line with that sort of overall year-based approach. And so, yes, the Americas, which is US, Canada and Latin America, the vast majority is the US, really solid growth there in Q4.

And if you're asking me what I see for the year ahead, look, I'll say mid-single-digits is the start. And then our goal every quarter is to meet and beat that to go out and do demand generation, demand capture, demand curation, particularly at the middle of the funnel, from that prescription to first time setup, and from that first time setup to day 90 adherence. And we're very good once patients are in the funnel like that.

So, we've got the tailwinds from big pharma and big tech. And it's our job to meet or beat that. But, no, look, I think it's steady as she goes with opportunities for upside. That's the way I'm looking at the business.

Now, to your question about Europe, Asia, and rest of world, clearly we've got all players and all competitors out there. But we're also innovating. We're launching. We launched the Air 11 (sic) [AirSense 11] (00:56:46) platform into China, which is a very fast growing market. We're launching the AirCurve into Hong Kong, Australia, New Zealand, Singapore and beyond in Southeast Asia and Asia Pac. And so, those can help contribute to our growth as well.

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So, this isn't a one market or a one device approach. We're looking at a whole portfolio across 140 countries. How do we help 1 billion people with sleep apnea, 800 million with insomnia, 480 million with COPD, 400 million now with Restless Leg Syndrome. How do we get them all into the funnel? And I think we're doing a pretty good job throughout our fiscal year 2026. And FY 2027, we're just out here and running and going to meet and beat every quarter as we go through. And I'm happy to have that full year guidance that allows our team to look at and go from there.

Operator: Thank you. Our next question is coming from Saul Hadassin from Barrenjoey. Your line is now live.

Saul Hadassin
Analyst, Barrenjoey Pty Ltd.

Q

Yeah. Thanks. Good morning. Thanks for taking my questions. Mick, just a question on the AirSense 11, just based on the – when it was launched, I think it goes back now to 2021 was its official launch. So, it's five years effectively since that platform came to market. You touched on the increase in R&D and you spoke to next-gen devices.

I'm just wondering in the context of the normal life cycle of your AirSense platform being around five years, is this going to be an extended release, do you think, because of what happened during COVID and supply constraints? In other words, should we expect a new platform to come to market in the next year or so? Or do you think it's going to take several years to bring a new platform to market because you want to get more benefit out of AirSense 11 because of that extended launch? Thank you.

Michael J. Farrell
Chief Executive Officer & Chairman, ResMed, Inc.

A

Yeah. So, look, it's a great question. You've followed us for many, many years and you've known me for many, many years. And I don't talk about future product pipelines. And you're obviously sort of talking about, hey, after AirSense 11, what does AirSense 12 look like, and when would a likely launch be? We will give no information on this call nor anywhere about that.

But, look, I think your question allows us to talk to the sort of nuance and the amazing situation that we've had these last five years, which was we were able to have the best and the second best CPAP, APAP, and bilevel platform in market these last five years. The AirSense 11 is clearly the best worldwide based on market share and patient and physician and provider feedback. And the second best is the AirSense 10. And that's allowed us to help customers in different parts of the world and move forward. And we haven't even got AirSense 11 approval everywhere, right? We just talked about getting China last quarter. And so – and there are more markets to go for the AirCurve 11, which is the bilevel ST and ST-A range that we're launching around the world, too. So, there's a lot more runway left on the AirSense 11.

Yes, we're increasing R&D that's across devices, it's across masks, and it's across software, and there's a lot in the pipeline, and I'm very excited about it delivering on the guidance we talked for FY 2027, but more excitingly, what we're going to do through 2030 and beyond. We make the smallest, quietest, most comfortable, the most cloud connected, and the most intelligent devices, systems, platforms, and software, and we are not done. And now, we're expanding into Restless Leg Syndrome beyond sleep apnea and insomnia. Thank you.

Operator: Thank you. We are now at the 60-minute mark. So, I'll turn the call back over to Mick Farrell.

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Michael J. Farrell

Chief Executive Officer & Chairman, ResMed, Inc.

Yeah. Thanks, Kevin. And thank you to everyone who joined us on our earnings call today. I hope you appreciate the new format with slides and engagement here into the 21st century for Resmed. But on behalf of the more than 11,000 Resmedians serving people in over 140 countries, we're pleased to deliver an incredibly strong quarter and annual performance to build value for all of our stakeholders, including our shareholders and most importantly, our patients. We look forward to speaking with many of you over the coming weeks. And thank you for your time. I'll hand back to Salli to close us out.

Sallilyn Schwartz

Chief Investor Relations Officer, ResMed, Inc.

Great. Thank you, Mick. I'll echo Mick's thank you. We appreciate your time and interest. If you have additional questions, please don't hesitate to reach out directly to Investor Relations at resmed.com. Kevin, you may now close the call.

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

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