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ResMed Inc. Announces Results for the First Quarter of Fiscal Year 2022

- *Year-over-year revenue grows 20%, operating profit up 21%, non-GAAP operating profit up 18%*

Note: A webcast of ResMed's conference call will be available at 4:30 p.m. ET today at <http://investor.resmed.com>

SAN DIEGO, October 28, 2021 – ResMed Inc. (NYSE: RMD, ASX: RMD), a world-leading digital health company, today announced results for its quarter ended September 30, 2021.

First Quarter 2022 Highlights

All comparisons are to the prior year period

- Revenue increased by 20% to \$904.0 million; up 19% on a constant currency basis
- Gross margin of 56.0%; non-GAAP gross margin contracted 270 bps to 57.2%
- Income from operations increased 21%; non-GAAP operating profit up 18%
- Diluted earnings per share of \$1.39; non-GAAP diluted earnings per share of \$1.51

“Our first-quarter results demonstrate strong performance across our business with double-digit growth in both top-line and bottom-line metrics, driven by ongoing high demand for our sleep and respiratory care products, and steady growth across our software-as-a-service business,” said Mick Farrell, ResMed CEO. “It is through the extraordinary efforts of our global ResMed team that we were able to deliver products and solutions to our customers amid unprecedented supply chain challenges that continue to restrict access to critical electronic components. As we navigate supply limitations and are forced to allocate products, we continue to ensure priority for highest-acuity and highest-need patients first, as well as working with physicians, providers, and community systems to maintain a sustainable flow of medical devices and digital health solutions to patients who need care.”

“Despite constantly evolving market dynamics, we continue to pivot to meet the needs of our stakeholders, driving sustainable long-term growth, and ensuring that we are investing strongly in medical device research and development, as well as digital health innovation that will unlock value for all of our customers. I’m incredibly proud of our global teams that are working with providers and physicians in the most unusual times across 140 countries, to get products directly into the hands of patients who need our solutions most.”

Financial Results and Operating Metrics

Unaudited; \$ in millions, except for per share amounts

| | Three Months Ended | | | |
|----------------------------------------------------|-----------------------|-----------------------|----------|-------------------------------------|
| | September 30, 2021 | September 30, 2020 | % Change | Constant Currency ^(A) |
| Revenue | \$ 904.0 | \$ 751.9 | 20 % | 19 % |
| Gross margin ^(B) | 56.0 % | 58.3 % | (4) | |
| Non-GAAP gross margin ^(B) | 57.2 % | 59.9 % | (5) | |
| Selling, general, and administrative expenses | 176.7 | 159.0 | 11 | 10 |
| Research and development expenses | 60.0 | 54.5 | 10 | 9 |
| Income from operations | 261.9 | 216.9 | 21 | |
| Non-GAAP income from operations ^(B) | 280.7 | 237.1 | 18 | |
| Net income | 203.6 | 178.4 | 14 | |
| Non-GAAP net income ^(B) | 222.0 | 185.4 | 20 | |
| Diluted earnings per share | \$ 1.39 | \$ 1.22 | 14 | |
| Non-GAAP diluted earnings per share ^(B) | \$ 1.51 | \$ 1.27 | 19 | |

(A) In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, we provide certain financial information on a “constant currency” basis, which is in addition to the actual financial information presented. In order to calculate our constant currency information, we translate the current period financial information using the foreign currency exchange rates that were in effect during the previous comparable period. However, constant currency measures should not be considered in isolation or as an alternative to U.S. dollar measures that reflect current period exchange rates, or to other financial measures calculated and presented in accordance with U.S. GAAP.

(B) See the reconciliation of non-GAAP financial measures in the table at the end of the press release.

Discussion of First Quarter Results

All comparisons are to the prior year period unless otherwise noted

- Revenue grew by 19% on a constant currency basis, driven by increased demand for our sleep and respiratory care devices and increased demand following a recent product recall by one of our competitors, partially offset by decreased COVID-19 related demand for ventilators.
 - The current quarter did not include material incremental respiratory care revenue from COVID-19 related demand whereas the prior year quarter included incremental revenue of approximately \$40.0 million. Excluding the impact of incremental respiratory care revenue associated with COVID-19 in the prior year quarter, revenue increased by 25 percent on a constant currency basis.
 - Revenue in the U.S., Canada, and Latin America, excluding Software as a Service, grew by 22 percent, primarily due to the factors discussed above and recovery of core sleep patient flow that was previously impacted by COVID-19. Excluding the prior year impact of incremental respiratory care revenue associated with COVID-19, revenue increased by 28 percent.
 - Revenue in Europe, Asia, and other markets grew by 21 percent on a constant currency basis, primarily due to the factors discussed above and strong sales across our mask product portfolio. Excluding the prior year impact of incremental respiratory care revenue associated with COVID-19, revenue increased by 29 percent on a constant currency basis.
 - Software as a Service revenue increased by 6 percent, due to continued growth in resupply service offerings and stabilizing patient flow in out-of-hospital care settings.

- Gross margin decreased by 230 basis points and non-GAAP gross margin decreased by 270 basis points, mainly due to higher manufacturing costs, incremental freight costs, and lower average selling prices.
- Selling, general, and administrative expenses increased by 10 percent on a constant currency basis. SG&A expenses improved to 19.5 percent of revenue in the quarter, compared with 21.1 percent in the same period of the prior year. These changes in SG&A expenses were mainly due to increases in employee-related expenses.
- Income from operations increased by 21 percent and non-GAAP income from operations increased by 18 percent.
- Net income grew by 14 percent and diluted earnings per share grew by 14 percent. Non-GAAP net income grew by 20 percent and non-GAAP diluted earnings per share grew by 19 percent, predominantly attributable to strong sales.
- Operating cash flow for the quarter was negative \$65.7 million and was impacted by a payment to the Australian Tax Office of \$284.8 million, which was the settlement amount of \$381.7 million net of prior remittances. After adjusting for this payment, our operating cash flow for the quarter was \$219.1 million, compared to net income in the current quarter of \$203.6 million and non-GAAP net income of \$222.0 million. During the quarter we paid \$61.2 million in dividends.

Other Business and Operational Highlights

- Introduced the [AirSense 11](#) in the U.S., ResMed's next-generation PAP (positive airway pressure) device designed to help millions of people worldwide with sleep apnea start and stay on therapy to treat and manage obstructive sleep apnea.
- Announced the promotion of [Bobby Ghoshal](#) to President of ResMed's SaaS business.
- Presented new research at the European Respiratory Society (ERS) International Congress 2021 including the landmark [ALASKA study](#), "CPAP Termination and All-Cause Mortality: a French Nationwide Database Analysis," that concludes people with obstructive sleep apnea who continue PAP therapy are 39% more likely to survive than OSA patients who don't.
- During the quarter, concluded the settlement agreement with the Australian Taxation Office ("ATO"), which fully resolves the transfer pricing dispute for all prior years since 2009. ResMed previously recognized a tax reserve in fiscal year 2021 in anticipation of the settlement.
 - The net impact of the settlement was \$238.7 million (\$381.7 million gross less credits and deductions of \$143.0 million). The settlement provides closure for historic Australian tax matters and greater clarity into the future.
 - As a result of the ATO settlement and due to movements in foreign currencies, recognized a \$4.1 million reduction in tax credits during the quarter, which was recorded as an increase in income tax expense.

Dividend program

The ResMed board of directors today declared a quarterly cash dividend of \$0.42 per share. The dividend will have a record date of November 11, 2021, payable on December 16, 2021. The dividend will be paid in U.S. currency to holders of ResMed's common stock trading on the New York Stock Exchange. Holders of CHES Depository Interests ("CDIs") trading on the Australian Securities Exchange will receive an equivalent amount in Australian currency, based on the exchange rate on the record date, and reflecting the 10:1 ratio between CDIs and NYSE

shares. The ex-dividend date will be November 10, 2021, for common stockholders and for CDI holders. ResMed has received a waiver from the ASX's settlement operating rules, which will allow ResMed to defer processing conversions between its common stock and CDI registers from November 10, 2021, through November 11, 2021, inclusive.

Webcast details

ResMed will discuss its first quarter fiscal year 2022 results on its webcast at 1:30 p.m. U.S. Pacific Time today. The live webcast of the call can be accessed on ResMed's Investor Relations website at investor.resmed.com. Please go to this section of the website and click on the icon for the "Q1 2022 Earnings Webcast" to register and listen to the live webcast. A replay of the earnings webcast will be accessible on the website and available approximately two hours after the live webcast. In addition, a telephone replay of the conference call will be available approximately two hours after the webcast by dialing +1 877-660-6853 (U.S.) or +1 201-612-7415 (outside U.S.) and entering the passcode 13723324. The telephone replay will be available until November 11, 2021.

About ResMed

At ResMed (NYSE: RMD, ASX: RMD) we pioneer innovative solutions that treat and keep people out of the hospital, empowering them to live healthier, higher-quality lives. Our digital health technologies and cloud-connected medical devices transform care for people with sleep apnea, COPD, and other chronic diseases. Our comprehensive out-of-hospital software platforms support the professionals and caregivers who help people stay healthy in the home or care setting of their choice. By enabling better care, we improve quality of life, reduce the impact of chronic disease, and lower costs for consumers and healthcare systems in more than 140 countries. To learn more, visit ResMed.com and follow @ResMed.

Safe harbor statement

Statements contained in this release that are not historical facts are "forward-looking" statements as contemplated by the Private Securities Litigation Reform Act of 1995. These forward-looking statements – including statements regarding ResMed's projections of future revenue or earnings, expenses, new product development, new product launches, new markets for its products, the integration of acquisitions, litigation, and tax outlook – are subject to risks and uncertainties, which could cause actual results to materially differ from those projected or implied in the forward-looking statements. Additional risks and uncertainties are discussed in ResMed's periodic reports on file with the U.S. Securities & Exchange Commission. ResMed does not undertake to update its forward-looking statements.

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RESMED INC. AND SUBSIDIARIES**Condensed Consolidated Statements of Operations***(Unaudited; \$ in thousands, except for per share amounts)*

| | Three Months Ended | |
|-----------------------------------------------------|-----------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 |
| Net revenue | \$ 904,015 | \$ 751,944 |
| Cost of sales | 386,667 | 301,304 |
| Amortization of acquired intangibles ⁽¹⁾ | 11,059 | 11,979 |
| Restructuring - cost of sales ⁽¹⁾ | - | - |
| Total cost of sales | <u>\$ 397,726</u> | <u>\$ 313,283</u> |
| Gross profit | \$ 506,289 | \$ 438,661 |
| Selling, general, and administrative | 176,719 | 158,989 |
| Research and development | 59,950 | 54,533 |
| Amortization of acquired intangibles ⁽¹⁾ | 7,707 | 8,243 |
| Total operating expenses | <u>\$ 244,376</u> | <u>\$ 221,765</u> |
| Income from operations | 261,913 | 216,896 |
| Other income (expenses), net: | | |
| Interest income (expense), net | \$ (5,360) | \$ (6,725) |
| Loss attributable to equity method investments | (1,386) | (2,288) |
| Other, net | 3,621 | 7,971 |
| Total other income (expenses), net | <u>(3,125)</u> | <u>(1,042)</u> |
| Income before income taxes | \$ 258,788 | \$ 215,854 |
| Income taxes | 55,175 | 37,482 |
| Net income | <u>\$ 203,613</u> | <u>\$ 178,372</u> |
| Basic earnings per share | \$ 1.40 | \$ 1.23 |
| Diluted earnings per share | \$ 1.39 | \$ 1.22 |
| Non-GAAP diluted earnings per share ⁽¹⁾ | \$ 1.51 | \$ 1.27 |
| Basic shares outstanding | 145,680 | 144,900 |
| Diluted shares outstanding | 146,860 | 146,100 |

(1) See the reconciliation of non-GAAP financial measures in the table at the end of the press release.

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RESMED INC. AND SUBSIDIARIES**Condensed Consolidated Balance Sheets***(Unaudited; \$ in thousands)*

| | September 30, 2021 | June 30, 2021 |
|----------------------------------------------------|-----------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 276,149 | \$ 295,278 |
| Accounts receivable, net | 575,554 | 614,292 |
| Inventories | 506,644 | 457,033 |
| Prepayments and other current assets | 227,908 | 208,154 |
| Total current assets | <u>\$ 1,586,255</u> | <u>\$ 1,574,757</u> |
| Non-current assets: | | |
| Property, plant and equipment, net | \$ 467,344 | \$ 463,490 |
| Operating lease right-of-use assets | 134,375 | 128,575 |
| Goodwill and other intangibles, net | 2,297,437 | 2,320,483 |
| Deferred income taxes and other non-current assets | 243,756 | 240,820 |
| Total non-current assets | <u>\$ 3,142,912</u> | <u>\$ 3,153,368</u> |
| Total assets | <u>\$ 4,729,167</u> | <u>\$ 4,728,125</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | |
| Current liabilities: | | |
| Accounts payable | \$ 173,696 | \$ 138,008 |
| Accrued expenses | 274,106 | 320,599 |
| Operating lease liabilities, current | 22,919 | 23,585 |
| Deferred revenue | 112,528 | 109,611 |
| Income taxes payable | 28,909 | 307,963 |
| Short-term debt | 12,000 | 12,000 |
| Total current liabilities | <u>\$ 624,158</u> | <u>\$ 911,766</u> |
| Non-current liabilities: | | |
| Deferred revenue | \$ 93,255 | \$ 91,496 |
| Deferred income taxes | 11,294 | 11,319 |
| Operating lease liabilities, non-current | 121,518 | 114,779 |
| Other long-term liabilities | 5,981 | 6,802 |
| Long-term debt | 793,668 | 643,351 |
| Long-term income taxes payable | 53,244 | 62,933 |
| Total non-current liabilities | <u>\$ 1,078,960</u> | <u>\$ 930,680</u> |
| Total liabilities | <u>\$ 1,703,118</u> | <u>\$ 1,842,446</u> |
| STOCKHOLDERS' EQUITY: | | |
| Common stock | \$ 583 | \$ 583 |
| Additional paid-in capital | 1,643,661 | 1,622,199 |
| Retained earnings | 3,222,064 | 3,079,640 |
| Treasury stock | (1,623,256) | (1,623,256) |
| Accumulated other comprehensive income | (217,003) | (193,487) |
| Total stockholders' equity | <u>\$ 3,026,049</u> | <u>\$ 2,885,679</u> |
| Total liabilities and stockholders' equity | <u>\$ 4,729,167</u> | <u>\$ 4,728,125</u> |

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RESMED INC. AND SUBSIDIARIES**Condensed Consolidated Statements of Cash Flows***(Unaudited; \$ in thousands)*

| | Three Months Ended | |
|------------------------------------------------------------------------------|-----------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 |
| Cash flows from operating activities: | | |
| Net income | \$ 203,613 | \$ 178,372 |
| Adjustment to reconcile net income to cash provided by operating activities: | | |
| Depreciation and amortization | 39,102 | 39,466 |
| Amortization of right-of-use assets | 8,517 | 10,422 |
| Stock-based compensation costs | 17,303 | 16,071 |
| Loss attributable to equity method investments | 1,386 | 2,288 |
| (Gain) loss on equity investment | (5,612) | (8,476) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable, net | 33,704 | 16,110 |
| Inventories, net | (55,976) | (52,396) |
| Prepaid expenses, net deferred income taxes, and other current assets | (14,391) | 3,415 |
| Accounts payable, accrued expenses, income taxes payable, and other | (293,303) | (61,273) |
| Net cash (used in) / provided by operating activities | \$ (65,657) | \$ 143,999 |
| Cash flows from investing activities: | | |
| Purchases of property, plant, and equipment | (27,340) | (13,501) |
| Patent registration and acquisition costs | (4,453) | (5,237) |
| Purchases of investments | (6,600) | (8,196) |
| (Payments) / proceeds on maturity of foreign currency contracts | (3,481) | 4,824 |
| Net cash used in investing activities | \$ (41,874) | \$ (22,110) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock, net | 4,354 | 1,026 |
| Taxes paid related to net share settlement of equity awards | (195) | 227 |
| Proceeds from borrowings, net of borrowing costs | 150,000 | 55,000 |
| Repayment of borrowings | - | (175,000) |
| Dividends paid | (61,189) | (56,511) |
| Net cash (used in) / provided by financing activities | \$ 92,970 | \$ (175,258) |
| Effect of exchange rate changes on cash | \$ (4,568) | \$ 11,627 |
| Net increase / (decrease) in cash and cash equivalents | (19,129) | (41,742) |
| Cash and cash equivalents at beginning of period | 295,278 | 463,156 |
| Cash and cash equivalents at end of period | \$ 276,149 | \$ 421,414 |

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RESMED INC. AND SUBSIDIARIES**Reconciliation of Non-GAAP Financial Measures***(Unaudited; \$ in thousands, except for per share amounts)*

The measures “non-GAAP gross profit” and “non-GAAP gross margin” exclude amortization expense from acquired intangibles related to cost of sales and are reconciled below:

| | Three Months Ended | |
|-----------------------------------------------------------|-----------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 |
| Revenue | \$ 904,015 | \$ 751,944 |
| GAAP cost of sales | \$ 397,726 | \$ 313,283 |
| Less: Amortization of acquired intangibles ^(A) | (11,059) | (11,979) |
| Non-GAAP cost of sales | \$ 386,667 | \$ 301,304 |
| GAAP gross profit | \$ 506,289 | \$ 438,661 |
| GAAP gross margin | 56.0 % | 58.3 % |
| Non-GAAP gross profit | \$ 517,348 | \$ 450,640 |
| Non-GAAP gross margin | 57.2 % | 59.9 % |

The measure “non-GAAP income from operations” is reconciled with GAAP income from operations below:

| | Three Months Ended | |
|--------------------------------------------------------------------------|-----------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 |
| GAAP income from operations | \$ 261,913 | \$ 216,896 |
| Amortization of acquired intangibles - cost of sales ^(A) | 11,059 | 11,979 |
| Amortization of acquired intangibles - operating expenses ^(A) | 7,707 | 8,243 |
| Non-GAAP income from operations | <u>\$ 280,679</u> | <u>\$ 237,118</u> |

RESMED INC. AND SUBSIDIARIES**Reconciliation of Non-GAAP Financial Measures***(Unaudited; \$ in thousands, except for per share amounts)*

The measures “non-GAAP net income” and “non-GAAP diluted earnings per share” are reconciled with GAAP net income and GAAP diluted earnings per share in the table below:

| | Three Months Ended | |
|--------------------------------------------------------------------------------------|-----------------------|-----------------------|
| | September 30, 2021 | September 30, 2020 |
| GAAP net income | \$ 203,613 | \$ 178,372 |
| Amortization of acquired intangibles - cost of sales, net of tax ^(A) | 8,435 | 9,169 |
| Amortization of acquired intangibles - operating expenses, net of tax ^(A) | 5,878 | 6,309 |
| Reserve for disputed tax position ^(A) | 4,111 | - |
| (Gain) loss on equity investments ^(A) | - | (8,476) |
| Non-GAAP net income ^(A) | <u>\$ 222,037</u> | <u>\$ 185,374</u> |
| GAAP diluted shares outstanding | 146,860 | 146,100 |
| GAAP diluted earnings per share | \$ 1.39 | \$ 1.22 |
| Non-GAAP diluted earnings per share ^(A) | \$ 1.51 | \$ 1.27 |

- (A) ResMed adjusts for the impact of the amortization of acquired intangibles, reserve for disputed tax positions, and the (gain) loss on equity investments from their evaluation of ongoing operations and believes that investors benefit from adjusting these items to facilitate a more meaningful evaluation of current operating performance.

ResMed believes that non-GAAP diluted earnings per share is an additional measure of performance that investors can use to compare operating results between reporting periods. ResMed uses non-GAAP information internally in planning, forecasting, and evaluating the results of operations in the current period and in comparing it to past periods. ResMed believes this information provides investors better insight when evaluating ResMed's performance from core operations and provides consistent financial reporting. The use of non-GAAP measures is intended to supplement, and not to replace, the presentation of net income and other GAAP measures. Like all non-GAAP measures, non-GAAP earnings are subject to inherent limitations because they do not include all the expenses that must be included under GAAP.

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RESMED INC. AND SUBSIDIARIES**Revenue by Product and Region***(Unaudited; \$ in millions, except for per share amounts)*

| | Three Months Ended | | | |
|-------------------------------------------------|--------------------------------------|--------------------------------------|----------|-------------------------------------|
| | September 30, 2021 ^(A) | September 30, 2020 ^(A) | % Change | Constant Currency ^(B) |
| U.S., Canada, and Latin America | | | | |
| Devices | \$ 275.9 | \$ 197.4 | 40 % | |
| Masks and other | 215.1 | 205.8 | 5 | |
| Total Sleep and Respiratory Care | \$ 491.0 | \$ 403.2 | 22 | |
| Software as a Service | 97.5 | 92.1 | 6 | |
| Total | \$ 588.6 | \$ 495.3 | 19 | |
| Combined Europe, Asia, and other markets | | | | |
| Devices | \$ 218.2 | \$ 176.0 | 24 % | 22 % |
| Masks and other | 97.2 | 80.6 | 21 | 18 |
| Total Sleep and Respiratory Care | \$ 315.5 | \$ 256.6 | 23 | 21 |
| Global revenue | | | | |
| Devices | \$ 494.2 | \$ 373.4 | 32 % | 31 % |
| Masks and other | 312.3 | 286.4 | 9 | 8 |
| Total Sleep and Respiratory Care | \$ 806.5 | \$ 659.8 | 22 | 21 |
| Software as a Service | 97.5 | 92.1 | 6 | 6 |
| Total | \$ 904.0 | \$ 751.9 | 20 | 19 |

(A) Totals and subtotals may not add due to rounding.

(B) In order to provide a framework for assessing how our underlying businesses performed excluding the effect of foreign currency fluctuations, we provide certain financial information on a "constant currency basis," which is in addition to the actual financial information presented. In order to calculate our constant currency information, we translate the current period financial information using the foreign currency exchange rates that were in effect during the previous comparable period. However, constant currency measures should not be considered in isolation or as an alternative to U.S. dollar measures that reflect current period exchange rates, or to other financial measures calculated and presented in accordance with U.S. GAAP.

– End –