



CORE PORTFOLIO – Growth Opportunities

RECOMMENDATION

ResMed Inc

ACCUMULATE / BUY

ASX Code: RMD

Price: \$31.52

Company Summary

- RMD is a medical devices company specialising primarily in the obstructive sleep apnoea (OSA) market. RMD is the largest player, ahead of Philips Respironics. The OSA market is growing in the high-single digits. RMD is also expanding in the hospital and home care respiratory ventilation market as well as in-house product development.

Opportunity

- The price weakness after suffering from lowering gross margins in its 2Q23' results, we believe is a Buying Opportunity. Previous supply chain constraints should ease, with growth expansion via their card-to-cloud solution driving device growth.
- The competitive dynamics are very much in favour of RMD due to the Philips recall and improving semiconductor availability.
- We believe that industry volume growth can continue in the 6-8% range for the foreseeable future. With ROIC of ~20%, and 7% of revenue reinvested into R+D, we expect that Resmed could continue to at least maintain market share in this attractive market.

Risks

- Government regulatory intervention (e.g. product recall), reimbursement changes, irregular price competition, technology innovation risk, and currency movement.

Key Parameters

2023 Expectations

- | | |
|-----------------------------|--------|
| • Price to Earnings Ratio | 32.5 x |
| • Earnings Per Share Growth | 12.8% |
| • Return on Equity | 24.2% |
| • Dividend Yield | 0.90% |

PRICE CHART





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