ResMed Inc. (RMD)

Updated February 11th, 2025 by Jonathan Weber

Key Metrics

Current Price:	$237	**5 Year CAGR Estimate:**	9.0%	**Market Cap:**	$35B
Fair Value Price:	$208	**5 Year Growth Estimate:**	11.0%	**Ex-Dividend Date:**	02/25/25[1]
% Fair Value:	114%	**5 Year Valuation Multiple Estimate:**	-2.6%	**Dividend Payment Date:**	03/20/25[2]
Dividend Yield:	0.9%	**5 Year Price Target**	$350	**Years Of Dividend Growth:**	12
Dividend Risk Score:	A	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

ResMed is a medical devices company that engages in the development, manufacturing and marketing of devices that diagnose, treat and manage a range of respiratory disorders such as sleep apnea. The company was founded in 1989 and is headquartered in San Diego, CA.

ResMed reported its second quarter (fiscal 2025) earnings results on January 30. The company reported revenues of $1.28 billion for the quarter, which was up 7% compared to the prior year's quarter. This was a stronger performance compared to what was expected by the analyst community, as estimates were beaten by $10 million. Even though ResMed continues to invest in other business units, most of the revenue is still generated by the device business, which remains ResMed's largest unit by far. ResMed was able to grow its margins during the quarter, like in the previous quarter, as its gross margin improved by 230 basis points, to a pretty high 59.2%.

ResMed generated earnings-per-share of $2.43 during the second quarter, which beat analyst estimates by $0.12. ResMed's earnings-per-share were up by a strong 29% compared to the prior year's quarter. Fiscal 2024 was a new record year for the company, but it looks like ResMed will perform even better this year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.47	$2.49	$2.82	$3.53	$3.64	$4.76	$5.33	$5.79	$6.44	$7.72	***$9.45***	***$15.92***
DPS	$1.12	$1.20	$1.32	$1.40	$1.48	$1.56	$1.62	$1.68	$1.76	$1.92	***$2.12***	***$3.41***
Shares[3]	141	141	142	143	143	145	146	147	148	148	***147***	***145***

ResMed has been a reliable growth investment in the past. The company produced a very compelling low-teens earnings-per-share growth rate through the last decade.

ResMed's strong growth rate was primarily made possible by a combination of revenue increases and some margin expansion. Revenue growth was the most important factor, which ResMed achieved through growing its product portfolio, as well as via geographic expansion. Through focused R&D, ResMed was able to establish itself as the global leader in sleep apnea management, an indication with a large market that is still severely underpenetrated.

Studies show that up to one-fourth of adults have sleep apnea. In many major markets market penetration is still below 10%, which is why ResMed has a lot of potential to grow its revenues going forward, even without expanding its product lineup. All that is required will be investments in sales & marketing and additional manufacturing capacity.

Chronic obstructive pulmonary disease (COPD) is another indication with substantial need for treatment where ResMed has exposure. ResMed is also actively working at the intermixture between medtech and information technology by investing heavily into connected health solutions, as this is deemed a major growth market over the coming decades. ResMed's offerings include end-to-end systems for sleep and respiratory care and cloud-based diagnostic testing.

[1] Estimated date
[2] Estimated date
[3] In Millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	23.4	22.7	26.1	29.2	34.1	40.3	46.2	36.8	33.5	24.2	***25.1***	***22.0***
Avg. Yld.	1.9%	2.1%	2.0%	1.3%	1.2%	0.8%	0.6%	0.8%	0.8%	1.0%	***0.9%***	***1.0%***

ResMed is a high-quality company with a compelling earnings growth track record, and the earnings growth outlook over the coming years is positive as well. This justifies an above-average valuation multiple, which is why shares were valued at more than 20 times profits throughout all of the last decade. We see a fair value of 22 times net profits. Today, shares trade above that level, which is why multiple compression will be a bit of a headwind going forward.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	45.3%	48.2%	46.8%	39.7%	38.5%	32.8%	29.3%	29.0%	27.3%	24.9%	***22.4%***	***21.4%***

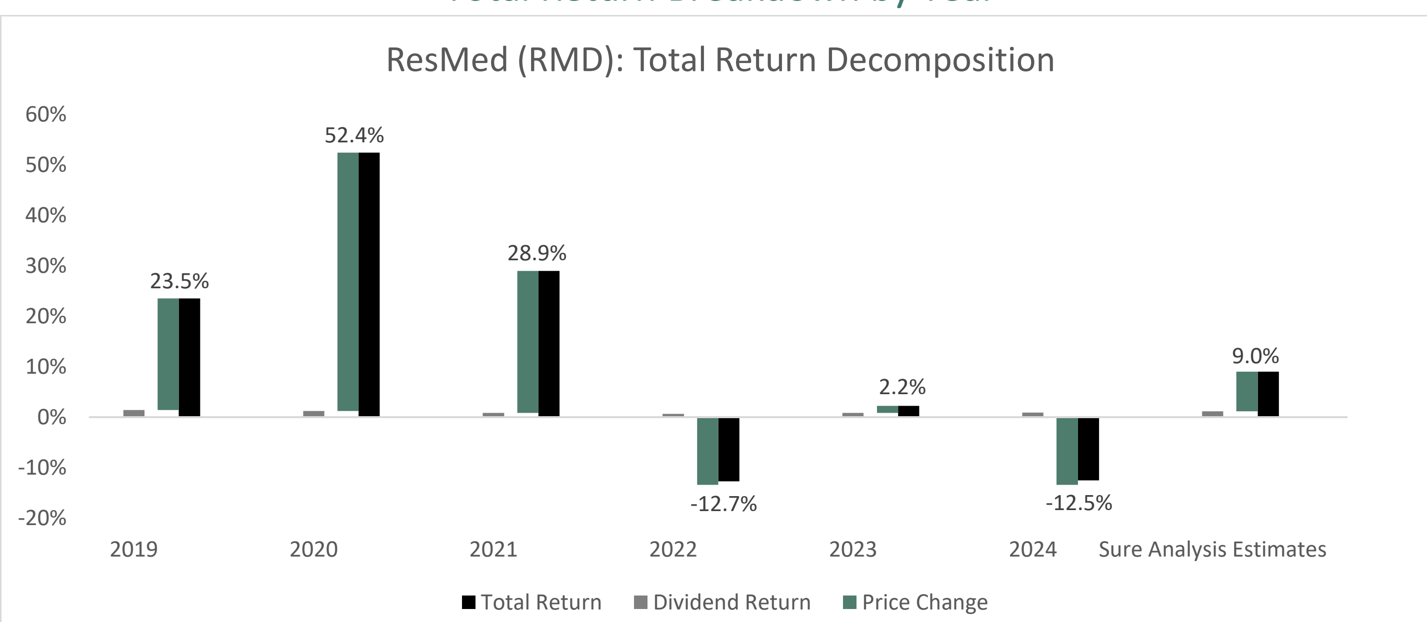
ResMed started paying dividends in 2012, but since then the dividend has grown pretty consistently. The dividend growth rate was, on average, lower than the earnings-per-share growth rate over the last decade. Due to a relatively low dividend payout ratio of less than 30%, the dividend looks very safe, we believe.

ResMed is smaller than many of its medtech peers, but it is very well positioned in the niche it addresses, and it owns strong products and a respectable IP portfolio. We believe that ResMed will continue to be a dominant player in the markets that it targets; competition does not seem to be a problem. The company's products are needed whether the economy is doing well or not, which is why ResMed is not a very cyclical company. The company's earnings-per-share continued to grow through the Great Recession, and this will most likely be the case during future recessions as well.

Final Thoughts & Recommendation

ResMed is a high-quality medtech company that targets an attractive market and that has achieved compelling earnings growth rates in the past. We believe that ResMed will be able to grow profitably during the coming years as well, and the company will also continue to increase its dividend. Shares trade above our fair value estimate, however, which is why total returns will feel a multiple compression headwind. We rate ResMed a hold today.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,679	1,839	2,067	2,340	2,607	2,957	3,197	3,578	4,223	4,685
Gross Profit	1,011	1,066	1,172	1,335	1,494	1,718	1,839	2,024	2,356	2,655
Gross Margin	60.2%	58.0%	56.7%	57.0%	57.3%	58.1%	57.5%	56.6%	55.8%	56.7%
SG&A Exp.	479	488	554	600	645	677	670	738	874	917
D&A Exp.	73	87	112	120	151	181	192	194	198	216
Operating Profit	409	436	457	560	636	809	912	1,002	1,152	1,384
Operating Margin	24.4%	23.7%	22.1%	23.9%	24.4%	27.4%	28.5%	28.0%	27.3%	29.5%
Net Profit	353	352	342	316	405	622	475	779	898	1,021
Net Margin	21.0%	19.2%	16.6%	13.5%	15.5%	21.0%	14.8%	21.8%	21.3%	21.8%
Free Cash Flow	311	480	343	434	382	696	620	195	559	1,286
Income Tax	83	87	76	206	114	111	409	181	204	244

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2,182	3,257	3,468	3,064	4,108	4,587	4,728	5,096	6,752	6,872
Cash & Equivalents	717	731	822	189	147	463	295	274	228	238
Accounts Receivable	363	382	451	484	528	475	614	576	705	837
Inventories	247	224	268	269	350	417	457	744	998	822
Goodwill & Int. Ass.	311	1,359	1,327	1,284	2,378	2,338	2,320	2,282	3,323	3,328
Total Liabilities	594	1,562	1,508	1,005	2,035	2,090	1,842	1,735	2,622	2,008
Accounts Payable	81	93	93	93	116	136	138	159	151	238
Long-Term Debt	301	1,173	1,079	281	1,271	1,176	655	775	1,441	707
Shareholder's Equity	1,587	1,695	1,960	2,059	2,072	2,497	2,886	3,361	4,130	4,864
LTD/E Ratio	0.19	0.69	0.55	0.14	0.61	0.47	0.23	0.23	0.35	0.15

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	15.5%	13.0%	10.2%	9.7%	11.3%	14.3%	10.2%	15.9%	15.2%	15.0%
Return on Equity	21.1%	21.5%	18.7%	15.7%	19.6%	27.2%	17.6%	25.0%	24.0%	22.7%
ROIC	17.9%	14.8%	11.6%	11.7%	14.2%	17.7%	13.2%	20.3%	18.5%	18.3%
Shares Out.	141	141	142	143	143	145	146	147	148	148
Revenue/Share	11.77	12.98	14.51	16.25	18.04	20.30	21.83	24.33	28.64	31.75
FCF/Share	2.18	3.39	2.40	3.01	2.64	4.78	4.23	1.33	3.79	8.72

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.