

## ResMed Inc.

# 2Q24 result solid. RMD bullish on GLP1+CPAP combo

Reiterate Rating: BUY | PO: 220.00 USD | Price: 171.78 USD

## Solid result. Device beat; Mask miss; GM expansion

Revenue \$1,163m (up 12% pcp, +11% on cc basis); in line with Cons (\$1,148m; +1%); Non-GAAP EPS \$1.88; beats Cons (\$1.79; +5%). We like: (1) Strong device growth (US +7%; ROW +16% cc); (2) Non-GAAP gross margin 56.9% (+10bpts pcp); beat Cons (+100bpts); (3) 24% SaaS growth (10% organic) guiding to DD growth in FY25 and beyond; (4) \$50m/qtr share buyback continues in 2H24. We didn't like: (1) Softer ROW mask growth (+4% cc) attributed to cycling out ROW contract orders; (2) Inventory remains elevated (\$933m vs pre-recall \$457m) and Red Sea conflict leads to longer stock transit times.

## RMD bullish on GLP-1+CPAP

RMD expects (and we agree) a GLP-1+CPAP treatment combination to provide superior health outcomes than either in isolation. Its data on 529,000 GLP-1 + CPAP patients supports the argument for near term revenue tailwinds, showing: (1) 10% more patients likely to commence CPAP therapy if also prescribed GLP-1; and (2) Resupply rate increases 3ppts for patients on GLP-1+CPAP (vs CPAP only). We would be interested to see how this cohort's OSA evolves and if the combination treatment results in CPAP therapy discontinuation.

## Expect continued GM expansion

RMD remains confident in continued 2H24 GM expansion supported by mix, price increases, lower input supply costs; but offset by higher freight costs if Red Sea disruptions continue. We forecast RMD GM lifting to 58% by FY26 (unchanged).

## Next catalyst: SURMOUNT-OSA (Mar24)

Market share gains and SaaS investment to benefit RMD over the longer term. BofA estimate changes include lower 2H24 operating costs given current spend. Reiterate Buy. However, SURMOUNT-OSA data (Mar24) likely to cause near term share price volatility. PO unchanged.

Estimates (Jun) (US\$)	2022A	2023A	2024E	2025E	2026E
Net Profit b/f Abnormals	779	898	969	1,100	1,237
EPS	5.79	6.49	7.44	8.03	8.95
EPS Change (YoY)	63.6%	14.9%	7.9%	13.9%	12.4%
Dividend / Share	1.68	1.83	2.06	2.26	2.54
Free Cash Flow / Share	1.47	3.89	7.10	7.59	9.84
Common - Dual Listed EPS (US\$)	0.579	0.649	0.744	0.803	0.895
Common - Dual Listed Dividend / Share (US\$)	0.168	0.183	0.206	0.226	0.254
<b>Valuation (Jun)</b>					
P/E	29.69x	26.46x	23.09x	21.40x	19.18x
Dividend Yield	0.978%	1.07%	1.20%	1.32%	1.48%
EV / EBITDA*	22.34x	20.79x	18.29x	15.95x	13.88x
Free Cash Flow Yield*	0.856%	2.27%	4.14%	4.41%	5.72%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 7.

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**Refer to important disclosures on page 8 to 11. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.**

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25 January 2024

### Equity

#### Key Changes

(US\$)	Previous	Current
2024E Rev (m)	4,643.6	4,635.3
2025E Rev (m)	4,896.9	4,885.4
2026E Rev (m)	5,283.0	5,270.3
2024E EPS	7.28	7.44
2025E EPS	8.04	8.03
2026E EPS	8.97	8.95

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### Stock Data

Price (NYS / ASX)	171.78 USD / 28.65 AUD
Price Objective	220.00 USD / 33.00 AUD
Date Established	17-Oct-2023 / 17-Oct-2023
Investment Opinion	B-1-7 / C-1-7
52-Week Range	132.24 USD-243.52 USD
Market Value (mn)	25,266 USD
Shares Outstanding (mn)	147.1 / 1,470.8
Average Daily Value (mn)	142.38 USD
Free Float	99.1%
BofA Ticker / Exchange	RMD / NYS
BofA Ticker / Exchange	RSMD / ASX
Bloomberg / Reuters	RMD US / RMD.N
ROE (2024E)	24.7%
Net Dbt to Eqty (NAA)	32.7%
ESGMeter <sup>TM</sup>	High

**ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company.** For full details, refer to "[BofA ESGMeter Methodology](#)".

AS11: AirSense11

C19: COVID19

CPAP: Continuous Positive Airway pressure

GLP-1: Glucagon-like peptide-1

LMH/D/SD: Low/Mid/High/Double/Single digit

OSA: Obstructive sleep apnea

SaaS: Software as a service

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# iQprofile<sup>SM</sup> ResMed Inc.

Key Income Statement Data (Jun)	2022A	2023A	2024E	2025E	2026E
(US\$ Millions)					
<b>Sales</b>	<b>3,578</b>	<b>4,223</b>	<b>4,635</b>	<b>4,885</b>	<b>5,270</b>
Associates & Other Revenue	0	0	0	0	0
Operating Expenses	(2,418)	(2,935)	(3,195)	(3,289)	(3,513)
<b>EBITDA</b>	<b>1,160</b>	<b>1,288</b>	<b>1,440</b>	<b>1,596</b>	<b>1,757</b>
Depreciation & Amortization	(160)	(156)	(179)	(179)	(179)
<b>EBIT</b>	<b>1,000</b>	<b>1,132</b>	<b>1,261</b>	<b>1,417</b>	<b>1,578</b>
Net Interest & Other income	(22)	(47)	(53)	(38)	(28)
Pretax Income	978	1,085	1,208	1,379	1,550
Tax (expense) / Benefit	(199)	(187)	(239)	(279)	(313)
Outside Equity interest in Npat	NA	NA	NA	NA	NA
<b>Preference dividends</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>Net Profit b/f Abnormals</b>	<b>779</b>	<b>898</b>	<b>969</b>	<b>1,100</b>	<b>1,237</b>
Non-Recurring Items	0	0	0	0	0
Net Income (Reported)	779	898	969	1,100	1,237

Key Cash Flow Statement Data	2022A	2023A	2024E	2025E	2026E
EBITDA	1,160	1,288	1,440	1,596	1,757
Change in Working Capital	(708)	(462)	(95)	(55)	140
Other C'flow Items before int & tax	0	0	0	0	0
Net Interest Paid	0	0	0	0	0
Tax Paid	NA	NA	NA	NA	NA
Other C'flow from Operations	(101)	(132)	(198)	(317)	(341)
<b>Cash Flow from Operations</b>	<b>351</b>	<b>693</b>	<b>1,147</b>	<b>1,225</b>	<b>1,556</b>
Capital Expenditure (PP&E)	(135)	(120)	(100)	(110)	(110)
(Acquisition) / Disposal of Investments	(14)	(28)	(32)	0	0
Other C'flow from Investing	(81)	(1,012)	(130)	0	0
<b>Cash Flow from Investing</b>	<b>(230)</b>	<b>(1,160)</b>	<b>(262)</b>	<b>(110)</b>	<b>(110)</b>
Shares Issue / (Repurchase)	47	49	21	0	0
Dividend paid	(245)	(258)	(303)	(330)	(371)
Other C'flow from Financing	70	632	(584)	NA	NA
<b>Cash Flow from Financing</b>	<b>(128)</b>	<b>423</b>	<b>(867)</b>	<b>NA</b>	<b>NA</b>
Free Cash Flow	216	574	1,047	1,115	1,446
Net Debt	644	1,352	927	134	(941)

Key Balance Sheet Data	2022A	2023A	2024E	2025E	2026E
Cash Equivalents	274	228	250	308	1,216
Receivables & Inventories	1,320	1,703	1,705	1,774	1,648
Property, Plant & Equipment	498	538	549	561	573
Intangibles	2,282	3,323	3,375	3,285	3,204
Other assets	722	960	1,090	1,090	1,090
<b>Total Assets</b>	<b>5,096</b>	<b>6,752</b>	<b>6,969</b>	<b>7,019</b>	<b>7,731</b>
Payables	159	151	202	216	230
<b>Provisions</b>	<b>10</b>	<b>91</b>	<b>89</b>	<b>89</b>	<b>89</b>
Short term debt & Long term debt	918	1,580	1,177	442	275
Other Liabilities	649	800	740	740	740
<b>Total Liabilities</b>	<b>1,735</b>	<b>2,622</b>	<b>2,209</b>	<b>1,488</b>	<b>1,334</b>
<b>Total Equity</b>	<b>3,361</b>	<b>4,130</b>	<b>4,760</b>	<b>5,530</b>	<b>6,396</b>

iQmethod <sup>SM</sup> - Bus Performance*	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	19.2%	17.9%	16.5%	18.1%	19.0%
Return on Equity	27.2%	25.6%	24.7%	22.9%	22.1%
Operating Margin	28.0%	26.8%	27.2%	29.0%	29.9%
EBITDA Margin	32.4%	30.5%	31.1%	32.7%	33.3%

iQmethod <sup>SM</sup> - Quality of Earnings*	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	0.4x	0.7x	1.0x	1.0x	1.2x
Dividend Payout Ratio	29.0%	28.3%	27.6%	28.2%	28.4%
Tax Rate (Reported)	20.3%	17.2%	19.8%	20.2%	20.2%
Net Debt-to-Equity Ratio	19.2%	32.7%	19.5%	2.4%	-14.7%
Interest Cover	44.8x	23.9x	23.9x	37.3x	56.3x

Key Metrics	2022A	2023A	2024E	2025E	2026E
Franking	0%	0%	0%	0%	0%

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 7.

## Company Sector

Medical Technology

## Company Description

ResMed (RMD) is a leading developer and manufacturer of medical devices, masks and cloud-based software applications that diagnose, treat, and manage respiratory disorders. Headquartered in San Diego, California, RMD is focussed on connected health to deliver better outcomes for sleep apnea and chronic obstructive pulmonary disease sufferers.

## Investment Rationale

We rate RMD as a Buy. Improved input supply and production ramp up will assist RMD in meeting strong CPAP demand. Peer challenges extend runway for RMD to capture market share.

## Stock Data

Shares / Common - Dual Listed	0.10
Price to Book Value	5.3x

## Key Changes

(US\$)	Previous	Current
2024E EPS	0.73	0.74

## 2Q24 result vs BofA and Consensus

### Exhibit 1: Rev largely in line (+12% pc; +1% vs Cons) and EPS (+13%; +5% vs Cons)

2Q24 Results vs BofAe and Consensus

					2Q24E			
USD		2Q23A	2Q24A	Diff (%)	BofAe	Diff (%)	Consensus	Diff (%)
Revenue	mn	1,034	1,163	12%	1,164	0%	1,148	1%
Gross profit	mn	587	662	13%	654	1%	642	3%
EBIT	mn	305	366	20%	353	3%	335	9%
NPAT	mn	244	277	13%	273	2%	264	5%
Non-GAAP metrics					BofAe	Diff (ppt)	Consensus	Diff (ppt)
Gross margin		56.8%	56.9%	0.1	56.2%	0.7	55.9%	1.0
EBIT margin		29.6%	31.4%	1.9	30.4%	1.1	29.2%	2.3
Net margin		23.6%	23.8%	0.2	23.4%	0.4	23.0%	0.9
Per share metrics (Non GAAP)					2Q24E			
		2Q23A	2Q24A	Diff (%)	BofAe	Diff (%)	Consensus	Diff (%)
EPS (cps)	cps	166	188	13%	185	2%	179	5%
DPS (cps)	cps	47	48	2%	50	-3%	48	0%

Source: BofA Global Research estimates, Company Reports, Bloomberg

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### Recall tailwinds + demand gen to support device growth

Device (+11% cc): We expect competitor recall tailwinds and demand generation activities to continue to support RMD devices revenue into 2H24. The mix in favour of AS11 as delivery improves and regulatory approvals are met, and devices ASP increases also a positive.

### Masks disappoint

Low DD mask growth (+10%; +9% cc) was weaker than expected particularly in ROW (4%), despite solid ROW device revenues. RMD attributes it to cycling out higher prior comps. Magnet recall did not have an impact on masks volumes in 2Q24. Looking ahead we expect 10% 3Q/4Q24 mask growth and look forward to new mask launch which RMD flagged has achieved regulatory and reimbursement approval.

### SaaS to deliver double digit growth in FY25 and beyond

SaaS \$144.9m (+24%) beat BofA expectations by 4%. RMD guided to HSD SaaS growth in 2H24 lifting to LDD in FY25 supported by modest price increases, module subscription growth and stability in the home health and home nursing.

### Working capital and inventory

Inventory remains elevated compared to pre-C19 levels (\$933m vs c\$300m), however improving sequentially (-3%). RMD targeting lower inventory value as higher input costs cycle out, manufacturing efficiency improves, and shift towards AS11 progresses. Some headwinds with the Red Sea conflict leading to longer transit times.

### 2Q24 one-off charges

One-off costs seen this quarter include: (1) restructuring costs (\$64m), largely complete, with RMD cutting global headcount by 5% and ceasing non-value added pipeline projects; (2) Mask recall costs (\$6m) from magnet field safety notification.



# Changes to BofA estimates

## Exhibit 2: FY24-26 revenue estimates lowered by -0.2% annually

BofA FY24-26 estimate changes

USD		FY24E			FY25E			FY26E		
		New	Old	Chg %	New	Old	Chg %	New	Old	Chg %
Revenue	\$mn	4,635	4,644	-0.2%	4,885	4,897	-0.2%	5,270	5,283	-0.2%
Gross profit - non-GAAP	\$mn	2,634	2,623	0.4%	2,809	2,816	-0.2%	3,057	3,064	-0.2%
Operating profit - non-GAAP	\$mn	1,420	1,399	1.5%	1,498	1,495	0.2%	1,659	1,656	0.2%
NPAT - non-GAAP	\$mn	1,097	1,074	2.1%	1,179	1,181	-0.1%	1,316	1,317	-0.1%
<b>Non-GAAP metrics</b>										
Gross margin	%	56.8%	56.5%	0.4%	57.5%	57.5%	0.0%	58.0%	58.0%	0.0%
Operating margin	%	30.6%	30.1%	0.5%	30.7%	30.5%	0.1%	31.5%	31.3%	0.1%
Net margin	%	23.7%	23.1%	0.5%	24.1%	24.1%	0.0%	25.0%	24.9%	0.0%
<b>Per share metrics (Non GAAP)</b>										
EPS - non-GAAP	cps	7.44	7.28	2.1%	8.03	8.04	-0.1%	8.95	8.97	-0.1%
DPS	cps	2.06	2.04	0.6%	2.26	2.26	0.0%	2.54	2.54	0.0%

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

## Price objective basis & risk

### ResMed Inc. (RMD / RSMDF)

Our price objective on RMD is US\$220 per share / A\$33 (ADR) and is based on DCF valuation. Our five year DCF uses a 8% WACC, and a 4% terminal growth rate. We apply 66c AUD/USD to derive ADR price.

Upside risks are (i) further delays with peer recall, (ii) continued resupply strength, (iii) higher organic growth in SaaS business, (iv) supply constraints alleviate more quickly than anticipated.

Downside risks are (i) Philips returns to new start market with heavy discounting, (ii) loss of momentum in the SaaS business (iii) marketing and education efforts do not achieve expected revenue growth (iv) reimbursement changes by health ministries or Private Health Insurance (v) poor reception of new product launches (vi) technological advancement in competitor's products (vii) FX headwind

## Analyst Certification

I, Lyanne Harrison, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

### APR - Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	Adicon Holdings	ADCNF	9860 HK	David Li
	Aier Eye Hospital	XAEOF	300015 CH	David Li
	Amvis Holdings	XEPSF	7071 JP	Ritsuo Watanabe
	Angelalign Technology Inc	AGLFF	6699 HK	David Li
	APM Human Services	XBZXF	APM AU	Lyanne Harrison
	Apollo Hospital	XWQAF	APHS IN	Neha Manpuria
	Asahi Intecc	AHICF	7747 JP	Ritsuo Watanabe
	Aurobindo	XLZFF	ARBP IN	Neha Manpuria
	Australian Clinical Labs	XAUKF	ACL AU	Lyanne Harrison
	Autobio Diagnostics Co Ltd	XQDXF	603658 CH	Sandra Sun
	AVITA	AVHHL	AVH AU	Lyanne Harrison
	AVITA	RCEL	RCEL US	Lyanne Harrison
	Baiyunshan	GZPHF	874 HK	Sandra Sun
	Bangkok Chain Hospital	BKKFF	BCH TB	Charti Phrawphraikul
	Bangkok Dusit Medical Services	BDUFF	BDMS TB	Charti Phrawphraikul
	Beijing Tongrentang Co., Limited	BJTGF	600085 CH	David Li
	Biocon	XLOFF	BIOS IN	Neha Manpuria
	Bumrungrad Hospital	BUHHF	BH TB	Charti Phrawphraikul
	Cansino Bio	CASBF	6185 HK	David Li
	Chugai Pharm.	CHGCF	4519 JP	Koichi Mamegano
	Chularat Hospital Group	XOCOF	CHG TB	Charti Phrawphraikul
	CSL Limited	CMXHF	CSL AU	Lyanne Harrison
	Daiichi Sankyo	DSKYF	4568 JP	Koichi Mamegano
	Daiichi Sankyo	DSNKY	DSNKY US	Koichi Mamegano
	Dr. Reddy's	DRYBF	DRRD IN	Neha Manpuria
	Dr. Reddy's	RDY	RDY US	Neha Manpuria
	EBOS Group Limited	EBOSF	EBO NZ	Lyanne Harrison
	EBOS Group Limited	XEBOF	EBO AU	Lyanne Harrison
	Eisai	ESALF	4523 JP	Koichi Mamegano
	Everest Medicine	XMLKF	1952 HK	David Li
	Fisher & Paykel Healthcare	XPAXF	FPH AU	Lyanne Harrison
	Fisher & Paykel Healthcare	FSPKF	FPH NZ	Lyanne Harrison
	Fortis Health	XFFTF	FORH IN	Neha Manpuria
	Frontage	FGHQF	1521 HK	David Li
	Gland Pharma	XGLPF	GLAND IN	Neha Manpuria



## APR - Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Glenmark Life Sciences	XWDPF	GLS IN	Neha Manpuria
	Gushengtang	GSHTF	2273 HK	David Li
	Huadong Medicine	XCPDF	000963 CH	Ethan Cui
	Hualan Biological	XCBEF	002007 CH	Ethan Cui
	Hygeia Healthcare	HYHHF	6078 HK	Ethan Cui
	IHH Healthcare Berhad	IHHHF	IHH MK	Paul Dewberry
	IHH Healthcare Bhd	XFAHF	IHH SP	Paul Dewberry
	Imeik	ZMITF	300896 CH	Ethan Cui
	Innovent	IVBXF	1801 HK	David Li
	Integral Diagnostics	ITGDF	IDX AU	Lianne Harrison
	Jinxin Fertility	JXFGF	1951 HK	Ethan Cui
	Jinyu Bio-Tech	XMTDF	600201 CH	David Li
	Kangji Medical	KMHFL	9997 HK	David Li
	Medley	XEQNF	4480 JP	Ritsuo Watanabe
	MicroPort	MCRPF	853 HK	Sandra Sun
	Mindray	XDVVF	300760 CH	Sandra Sun
	Nanosonics Limited	NNCSF	NAN AU	Lianne Harrison
	Olympus Corp.	OCPNF	7733 JP	Ritsuo Watanabe
	Ovctek	XOCKF	300595 CH	David Li
	Pharmaron	PHBBF	3759 HK	David Li
	Polynovo	CALZF	PNV AU	Lianne Harrison
	Praram 9 Hospital	XPNHF	PR9 TB	Charti Phrawphraikul
	ResMed Inc	RSMDF	RMD AU	Lianne Harrison
	ResMed Inc.	RMD	RMD US	Lianne Harrison
	Sawai Group Holdings	SWGHE	4887 JP	Ritsuo Watanabe
	Shanghai Pharmaceuticals	SHPMF	2607 HK	David Li
	Shanghai United Imaging	XCAOF	688271 CH	Sandra Sun
	Shionogi	SGIOF	4507 JP	Koichi Mamegano
	Shionogi	SGIOY	SGIOY US	Koichi Mamegano
	Sino Biopharm	SBMFF	1177 HK	David Li
	Sinopharm	SHTDF	1099 HK	David Li
	SMS	SMSZF	2175 JP	Ritsuo Watanabe
	Sonic Healthcare Limited	SKHCF	SHL AU	Lianne Harrison
	Sosei	SOLTf	4565 JP	Koichi Mamegano
	Takeda Pharm.	TKPHF	4502 JP	Koichi Mamegano
	Takeda Pharm.	TAK	TAK US	Koichi Mamegano
	Terumo	TRUMF	4543 JP	Ritsuo Watanabe
	TigerMed	HTMDF	3347 HK	David Li
	TRYT	XHXTF	9164 JP	Ritsuo Watanabe
	Wuxi Apptec	WUXIF	2359 HK	David Li
	Wuxi Apptec	XLUHF	603259 CH	David Li
	Yifeng Pharmacy	YXHCF	603939 CH	Ethan Cui
	Yunnan Baiyao	YBAIF	000538 CH	Sandra Sun
	Zai Lab	ZLAB	ZLAB US	David Li
	Zai Lab	XCDZF	9688 HK	David Li
	Zhifei	XCHOF	300122 CH	David Li

## NEUTRAL

	Ansell Limited	ANSLF	ANN AU	Lianne Harrison
	Astellas Pharma	ALPMF	4503 JP	Koichi Mamegano
	Astellas Pharma	ALPMY	ALPMY US	Koichi Mamegano
	Beigene	XBETF	6160 HK	David Li
	Beigene	BGNE	BGNE US	David Li
	Healius Limited	PHCRF	HLS AU	Lianne Harrison
	JMDC	JMDCF	4483 JP	Ritsuo Watanabe
	Joinn Lab	XQTSF	6127 HK	David Li
	Kyowa Kirin	KYKOF	4151 JP	Koichi Mamegano
	Max Healthcare	XMHLF	MAXHEALT IN	Neha Manpuria
	PHC Holdings	PHCCF	6523 JP	Ritsuo Watanabe
	Pien Tze Huang	XUVHF	600436 CH	Sandra Sun
	Ramsay Health Care Limited	RMSYF	RHC AU	Lianne Harrison
	Sigma Healthcare Limited	SIGGF	SIG AU	Lianne Harrison
	Sun Pharma	XPUCF	SUNP IN	Neha Manpuria
	Topchoice Medical	XZDXF	600763 CH	Ethan Cui
	Torrent Pharma	TOPHF	TRP IN	Neha Manpuria
	WuXi Biologics	WXIBF	2269 HK	David Li

## APR - Healthcare Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Zyduz Lifesciences	XMQLF	ZYDUSLIF IN	Neha Manpuria
<b>UNDERPERFORM</b>				
	Ain Holdings	AINPF	9627 JP	Ritsuo Watanabe
	Alkem	XAMLF	ALKEM IN	Neha Manpuria
	Asymchem Laboratories	XALPF	002821 CH	David Li
	Baiyunshan	XOUFF	600332 CH	Sandra Sun
	Beijing Wantai Biological Pharmacy	XBHIF	603392 CH	David Li
	Cipla	XCLAF	CIPLA IN	Neha Manpuria
	Cochlear Limited	CHEOF	COH AU	Lynne Harrison
	CSPC Pharmaceutical	CHJTF	1093 HK	Ethan Cui
	Divis Laboratories	XXQPF	DIVI IN	Neha Manpuria
	Hansoh	HNSPF	3692 HK	David Li
	Hengrui Medicine	XMOKF	600276 CH	David Li
	Joinn Lab	JOLCF	603127 CH	David Li
	Lupin	XEFSF	LPC IN	Neha Manpuria
	M3	MTHRF	2413 JP	Ritsuo Watanabe
	Mankind Pharma	XDZXF	MANKIND IN	Neha Manpuria
	Medipal Holdings	MEPDF	7459 JP	Ritsuo Watanabe
	Ono Pharm.	OPHLF	4528 JP	Koichi Mamegano
	Otsuka HD	OTSKF	4578 JP	Koichi Mamegano
	Otsuka HD	OTSKY	OTSKY US	Koichi Mamegano
	Pharmaron	XLYGF	300759 CH	David Li
	Shanghai Pharmaceuticals	XKCRF	601607 CH	David Li
	Sysmex	SSMXF	6869 JP	Ritsuo Watanabe
	TigerMed	XHTHF	300347 CH	David Li

iQmethod<sup>SM</sup> Measures Definitions

## Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

## Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

## Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

## Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

## Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash &amp; Equivalents

EBIT

## Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

## Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

## Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

## Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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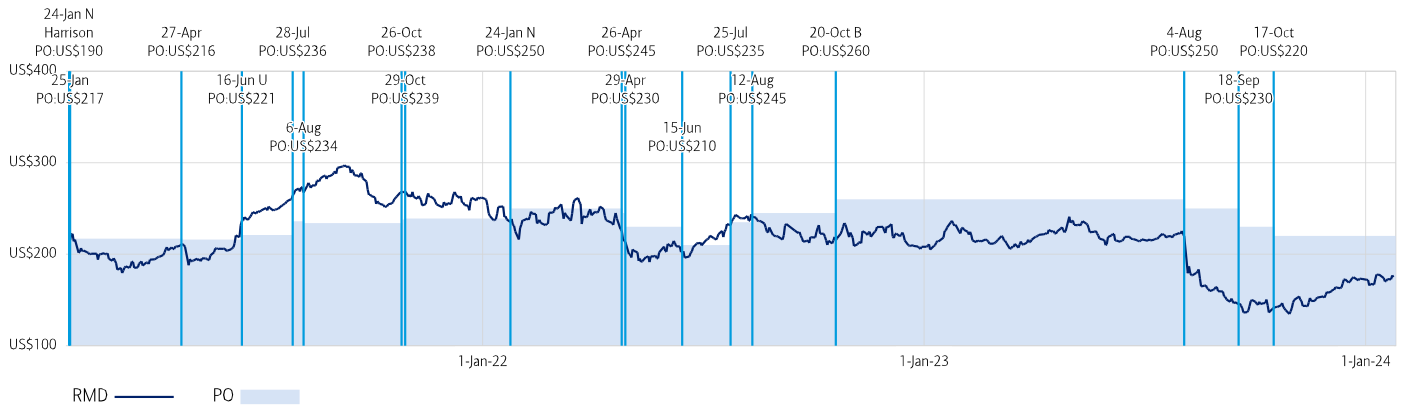
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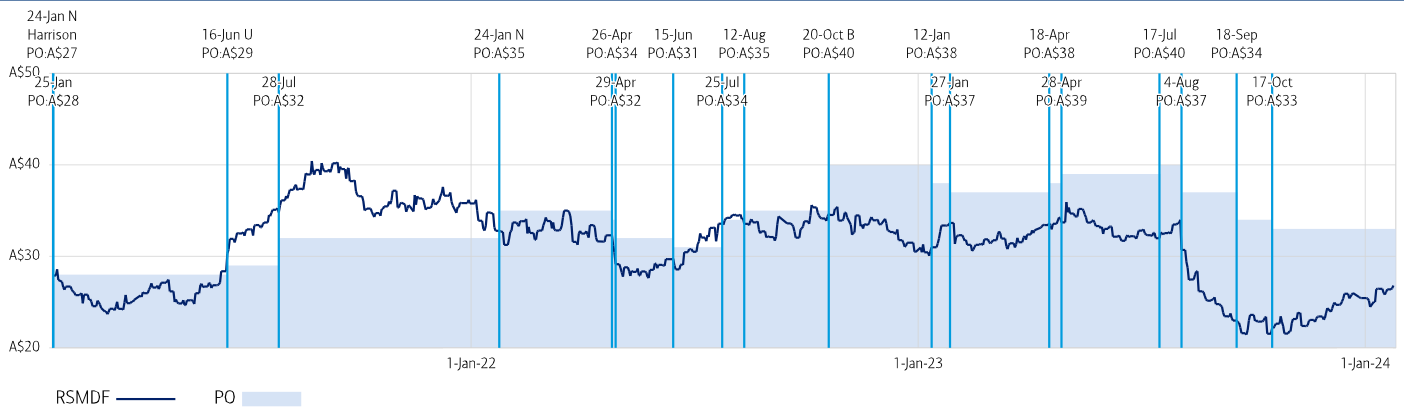
### ResMed (RMD) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

### ResMed (RSMDF) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### Equity Investment Rating Distribution: Health Care Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	234	60.94%	Buy	115	49.15%
Hold	80	20.83%	Hold	36	45.00%
Sell	70	18.23%	Sell	29	41.43%

### Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.



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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

<sup>R2</sup>Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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