

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2024

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-15317

ResMed Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

98-0152841

(I.R.S. Employer Identification No.)

9001 Spectrum Center Blvd.

San Diego, CA 92123

United States of America

(Address of principal executive offices, including zip code)

(858) 836-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.004 per share	RMD	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer Smaller Reporting Company
Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At October 21, 2024 there were 146,795,746 shares of Common Stock (\$0.004 par value) outstanding. This number excludes 42,886,063 shares held by the registrant as treasury shares.

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RESMED INC. AND SUBSIDIARIES
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Item 1. Financial Statements

RESMED INC. AND SUBSIDIARIES
 Condensed Consolidated Balance Sheets (Unaudited)
 (In US\$ and in thousands, except share and per share data)

	September 30, 2024	June 30, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 426,361	\$ 238,361
Accounts receivable, net of allowances of \$23,600 and \$21,132 at September 30, 2024 and June 30, 2024, respectively	811,198	837,275
Inventories (note 3)	917,982	822,250
Prepaid expenses and other current assets (note 3)	485,584	459,833
Total current assets	2,641,125	2,357,719
Non-current assets:		
Property, plant and equipment, net (note 3)	560,211	548,025
Operating lease right-of-use assets	157,068	151,121
Goodwill (note 4)	2,886,017	2,842,055
Other intangible assets, net (note 3)	478,613	485,904
Deferred income taxes	220,530	203,569
Prepaid taxes and other non-current assets	278,853	284,001
Total non-current assets	4,581,292	4,514,675
Total assets	\$ 7,222,417	\$ 6,872,394
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 249,278	\$ 237,728
Accrued expenses	365,749	377,678
Operating lease liabilities, current	28,278	25,278
Deferred revenue	157,188	152,554
Income taxes payable	93,690	107,517
Short-term debt, net (note 6)	9,896	9,900
Total current liabilities	904,079	910,655
Non-current liabilities:		
Deferred revenue	144,453	137,343
Deferred income taxes	83,521	79,339
Operating lease liabilities, non-current	144,490	141,444
Other long-term liabilities	83,270	42,257
Long-term debt, net (note 6)	667,578	697,313
Total non-current liabilities	1,123,312	1,097,696
Total liabilities	2,027,391	2,008,351
Commitments and contingencies (note 8)		
Stockholders' equity:		
Preferred stock, \$0.01 par value, 2,000,000 shares authorized; none issued	—	—
Common stock, \$0.004 par value, 350,000,000 shares authorized; 189,662,212 issued and 146,776,149 outstanding at September 30, 2024 and 189,565,112 issued and 146,901,045 outstanding at June 30, 2024	758	588
Additional paid-in capital	1,924,584	1,896,604
Retained earnings	5,225,111	4,991,647
Treasury stock, at cost, 42,886,063 shares at September 30, 2024 and 42,664,067 shares at June 30, 2024	(1,823,272)	(1,773,267)
Accumulated other comprehensive loss	(132,155)	(251,529)
Total stockholders' equity	5,195,026	4,864,043
Total liabilities and stockholders' equity	\$ 7,222,417	\$ 6,872,394

See the accompanying notes to the unaudited condensed consolidated financial statements.

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RESMED INC. AND SUBSIDIARIES
 Condensed Consolidated Statements of Operations (Unaudited)
 (In US\$ and in thousands, except per share data)

	Three Months Ended September 30,	
	2024	2023
Net revenue - Sleep and Breathing Health products	\$ 1,067,737	\$ 963,037
Net revenue - Residential Care Software	156,772	139,284
Net revenue	<u>1,224,509</u>	<u>1,102,321</u>
Cost of sales - Sleep and Breathing Health products	451,312	444,460
Cost of sales - Residential Care Software	48,308	48,893
Cost of sales (exclusive of amortization shown separately below)	<u>499,620</u>	<u>493,353</u>
Amortization of acquired intangible assets - Sleep and Breathing Health products	1,210	1,916
Amortization of acquired intangible assets - Residential Care Software	6,460	6,992
Amortization of acquired intangible assets	<u>7,670</u>	<u>8,908</u>
Total cost of sales	<u>507,290</u>	<u>502,261</u>
Gross profit	<u>717,219</u>	<u>600,060</u>
Selling, general, and administrative	238,979	222,874
Research and development	79,524	75,710
Amortization of acquired intangible assets	<u>11,404</u>	<u>12,479</u>
Total operating expenses	<u>329,907</u>	<u>311,063</u>
Income from operations	<u>387,312</u>	<u>288,997</u>
Other income (loss), net:		
Interest (expense) income, net	(1,661)	(14,957)
Gain (loss) attributable to equity method investments (note 5)	963	(3,895)
Gain (loss) on equity investments (note 5)	(680)	(602)
Other, net	<u>(2,437)</u>	<u>2,648</u>
Total other income (loss), net	<u>(3,815)</u>	<u>(16,806)</u>
Income before income taxes	383,497	272,191
Income taxes	<u>72,142</u>	<u>52,769</u>
Net income	<u>\$ 311,355</u>	<u>\$ 219,422</u>
Basic earnings per share (note 7)	<u>\$ 2.12</u>	<u>\$ 1.49</u>
Diluted earnings per share (note 7)	<u>\$ 2.11</u>	<u>\$ 1.49</u>
Dividend declared per share	<u>\$ 0.53</u>	<u>\$ 0.48</u>
Basic shares outstanding (000's)	146,861	147,075
Diluted shares outstanding (000's)	147,599	147,486

See the accompanying notes to the unaudited condensed consolidated financial statements.

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RESMED INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(In US\$ and in thousands)

	Three Months Ended September 30,	
	2024	2023
Net income	\$ 311,355	\$ 219,422
Other comprehensive income, net of taxes:		
Unrealized gains (losses) on designated hedging instruments	(21,802)	(17,093)
Foreign currency translation gain (loss) adjustments	141,176	(30,527)
Comprehensive income	<u>\$ 430,729</u>	<u>\$ 171,802</u>

See the accompanying notes to the unaudited condensed consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
 Condensed Consolidated Statements of Changes in Equity (Unaudited)
 (In US\$ and in thousands)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount		Shares	Amount			
Balance, June 30, 2024	189,565	\$ 588	\$ 1,896,604	(42,664)	\$ (1,773,267)	\$ 4,991,647	\$ (251,529)	\$ 4,864,043
Adjustment to common stock amount	—	170	(170)	—	—	—	—	—
Common stock issued on exercise of options	92	—	8,383	—	—	—	—	8,383
Common stock issued on vesting of restricted stock units, net of shares withheld for tax	5	—	(389)	—	—	—	—	(389)
Treasury stock purchases	—	—	—	(222)	(50,005)	—	—	(50,005)
Stock-based compensation costs	—	—	20,156	—	—	—	—	20,156
Other comprehensive income	—	—	—	—	—	—	119,374	119,374
Net income	—	—	—	—	—	311,355	—	311,355
Dividends declared (\$0.53 per common share)	—	—	—	—	—	(77,891)	—	(77,891)
Balance, September 30, 2024	189,662	\$ 758	\$ 1,924,584	(42,886)	\$ (1,823,272)	\$ 5,225,111	\$ (132,155)	\$ 5,195,026

See the accompanying notes to the unaudited condensed consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
 Condensed Consolidated Statements of Changes in Equity (Unaudited)
 (In US\$ and in thousands)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount		Shares	Amount			
Balance, June 30, 2023	188,901	\$ 588	\$ 1,772,083	(41,836)	\$ (1,623,256)	\$ 4,253,016	\$ (272,528)	\$ 4,129,903
Common stock issued on exercise of options	17	—	983	—	—	—	—	983
Common stock issued on vesting of restricted stock units, net of shares withheld for tax	3	—	(225)	—	—	—	—	(225)
Stock-based compensation costs	—	—	18,510	—	—	—	—	18,510
Other comprehensive loss	—	—	—	—	—	—	(47,620)	(47,620)
Net income	—	—	—	—	—	219,422	—	219,422
Dividends declared (\$0.48 per common share)	—	—	—	—	—	(70,597)	—	(70,597)
Balance, September 30, 2023	188,921	\$ 588	\$ 1,791,351	(41,836)	\$ (1,623,256)	\$ 4,401,841	\$ (320,148)	\$ 4,250,376

See the accompanying notes to the unaudited condensed consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
 Condensed Consolidated Statements of Cash Flows (Unaudited)
 (In US\$ and in thousands)

	Three Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 311,355	\$ 219,422
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44,730	44,934
Amortization of right-of-use assets	8,980	8,508
Stock-based compensation costs	20,156	18,510
(Gain) loss attributable to equity method investments (note 5)	(963)	3,895
(Gain) loss on equity investments (note 5)	680	602
Changes in operating assets and liabilities:		
Accounts receivable	36,417	6,534
Inventories	(70,254)	26,911
Prepaid expenses, net deferred income taxes and other current assets	(123)	(42,015)
Accounts payable, accrued expenses, income taxes payable and other	(25,440)	(1,018)
Net cash provided by (used in) operating activities	<u>325,538</u>	<u>286,283</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(17,840)	(30,035)
Patent registration and acquisition costs	(1,767)	(10,831)
Business acquisitions, net of cash acquired	—	(103,183)
Purchases of investments (note 5)	(1,350)	(3,680)
Proceeds from exits of investments (note 5)	4,128	250
Proceeds (payments) on maturity of foreign currency contracts	18,975	(1,501)
Net cash provided by (used in) investing activities	<u>2,146</u>	<u>(148,980)</u>
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	8,383	983
Taxes paid related to net share settlement of equity awards	(389)	(225)
Purchases of treasury stock	(50,005)	—
Payments of business combination contingent consideration	(855)	(1,293)
Proceeds from borrowings, net of borrowing costs	—	105,000
Repayment of borrowings	(30,000)	(185,000)
Dividends paid	(77,891)	(70,597)
Net cash provided by (used in) financing activities	<u>(150,757)</u>	<u>(151,132)</u>
Effect of exchange rate changes on cash	11,073	(4,962)
Net increase (decrease) in cash and cash equivalents	188,000	(18,791)
Cash and cash equivalents at beginning of period	238,361	227,891
Cash and cash equivalents at end of period	<u>\$ 426,361</u>	<u>\$ 209,100</u>
Supplemental disclosure of cash flow information:		
Income taxes paid, net of refunds	\$ 105,704	\$ 76,749
Interest paid	<u>\$ 7,351</u>	<u>\$ 14,957</u>
Fair value of assets acquired, excluding cash	\$ —	\$ 34,092
Liabilities assumed	—	(5,325)
Goodwill on acquisition	—	74,416
Fair value of contingent consideration	855	1,293
Cash paid for acquisitions	<u>\$ 855</u>	<u>\$ 104,476</u>

See the accompanying notes to the unaudited condensed consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

(1) Summary of Significant Accounting Policies

Organization and Basis of Presentation

ResMed Inc. (referred to herein as “we”, “us”, “our” or the “Company”) is a Delaware corporation formed in March 1994 as a holding company for the ResMed Group. Through our subsidiaries, we design, manufacture and market equipment for the diagnosis and treatment of sleep-disordered breathing and other respiratory disorders, including obstructive sleep apnea. Our manufacturing operations are located in Australia, Singapore, Malaysia, France, China and the United States. Major distribution and sales sites are located in the United States, Germany, France, the United Kingdom, Switzerland, Australia, Japan, China, Finland, Norway and Sweden. We also operate a software as a service (“SaaS”) business in the United States and Germany that includes residential software platforms designed to support the professionals and caregivers who help people stay healthy in the home or care setting of their choice.

During the three months ended September 30, 2024, we renamed our operating segments from Sleep and Respiratory Care to Sleep and Breathing Health and from Software as a Service to Residential Care Software in alignment with our 2030 strategy. There have been no changes in the preparation and disclosure of financial information by operating segment.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and the rules of the U.S. Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all necessary adjustments, which consisted only of normal recurring items, have been included in the accompanying financial statements to present fairly the results of the interim periods. The results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2025.

The condensed consolidated financial statements for the three months ended September 30, 2024 and September 30, 2023 are unaudited and should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K (our “Form 10-K”) for the year ended June 30, 2024.

Revenue Recognition

In accordance with Accounting Standard Codification (“ASC”) Topic 606, “Revenue from Contracts with Customers”, we account for a contract with a customer when there is a legally enforceable contract, the rights of the parties are identified, the contract has commercial substance, and collectability of the contract consideration is probable. We have determined that we have two operating segments, which are the sleep and respiratory disorders sector of the medical device industry (“Sleep and Breathing Health”) and the supply of business management SaaS to out-of-hospital care providers (“Residential Care Software”). Our Sleep and Breathing Health revenue relates primarily to the sale of our products that are therapy-based equipment. Some contracts include additional performance obligations such as the provision of extended warranties and provision of data for patient monitoring. Our Residential Care Software revenue relates to the provision of SaaS access with ongoing support and maintenance services as well as professional services such as training and consulting.

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RESMED INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

Disaggregation of revenue

The following table summarizes our net revenue disaggregated by segment, product and region (in thousands):

	Three Months Ended September 30,	
	2024	2023
U.S., Canada and Latin America		
Devices	\$ 384,530	\$ 345,897
Masks and other	322,776	292,461
Total U.S., Canada and Latin America	\$ 707,306	\$ 638,358
Combined Europe, Asia and other markets		
Devices	\$ 241,255	\$ 218,831
Masks and other	119,176	105,848
Total Combined Europe, Asia and other markets	\$ 360,431	\$ 324,679
Global revenue		
Total Devices	\$ 625,785	\$ 564,728
Total Masks and other	441,952	398,309
Total Sleep and Breathing Health	\$ 1,067,737	\$ 963,037
Residential Care Software		
	156,772	139,284
Total	\$ 1,224,509	\$ 1,102,321

Performance obligations and contract balances

Revenue is recognized when performance obligations under the terms of a contract with a customer are satisfied; generally, this occurs with the transfer of risk and/or control of our products at a point in time. For products in our Sleep and Breathing Health business, we transfer control and recognize a sale when products are shipped to the customer in accordance with the contractual shipping terms. For our Residential Care Software business, revenue associated with cloud-hosted services are recognized as they are provided. We defer the recognition of a portion of the consideration received when performance obligations are not yet satisfied. Consideration received from customers in advance of revenue recognition is classified as deferred revenue. Performance obligations resulting in deferred revenue in our Sleep and Breathing Health business relate primarily to extended warranties on our devices and the provision of data for patient monitoring. Performance obligations resulting in deferred revenue in our Residential Care Software business relate primarily to the provision of software access with maintenance and support over an agreed term and material rights associated with future discounts upon renewal of some SaaS contracts. Generally, deferred revenue will be recognized over a period of one year to five years. Our contracts do not contain significant financing components.

The following table summarizes our contract balances (in thousands):

	September 30, 2024	June 30, 2024	Balance sheet caption
Contract assets			
Accounts receivable, net	\$ 811,198	\$ 837,275	Accounts receivable, net
Unbilled revenue, current	43,829	38,183	Prepaid expenses and other current assets
Unbilled revenue, non-current	15,855	18,450	Prepaid taxes and other non-current assets
Contract liabilities			
Deferred revenue, current	(157,188)	(152,554)	Deferred revenue (current liabilities)
Deferred revenue, non-current	(144,453)	(137,343)	Deferred revenue (non-current liabilities)

Transaction price determination

Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. In our Sleep and Breathing Health segment, the amount of consideration received and revenue recognized varies with changes in marketing incentives (e.g. rebates, discounts, free goods) and returns by our customers and their customers.

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RESMED INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

When we give customers the right to return eligible products and receive credit, returns are estimated based on an analysis of our historical experience. Returns of products, excluding warranty-related returns, have historically been infrequent and insignificant. We adjust the estimate of revenue at the earlier of when the most likely amount of consideration can be estimated, the amount expected to be received changes, or when the consideration becomes fixed.

We offer our Sleep and Breathing Health customers cash or product rebates based on volume or sales targets measured over quarterly or annual periods. We estimate rebates based on each customer's expected achievement of its targets. In accounting for these rebate programs, we reduce revenue ratably as sales occur over the rebate period by the expected value of the rebates to be returned to the customer. Rebates measured over a quarterly period are updated based on actual sales results and, therefore, no estimation is required to determine the reduction to revenue. For rebates measured over annual periods, we update our estimates each quarter based on actual sales results and updated forecasts for the remaining rebate periods.

We participate in programs where we issue credits to our Sleep and Breathing Health distributors when they are required to sell our products below negotiated list prices if we have preexisting contracts with the distributors' customers. We reduce revenue for future credits at the time of sale to the distributor, which we estimate based on historical experience using the expected value method.

We also offer discounts to both our Sleep and Breathing Health as well as our Residential Care Software customers as part of normal business practice and these are deducted from revenue when the sale occurs.

When Sleep and Breathing Health or Residential Care Software contracts have multiple performance obligations, we generally use an observable price to determine the stand-alone selling price by reference to pricing and discounting practices for the specific product or service when sold separately to similar customers. Revenue is then allocated proportionately, based on the determined stand-alone selling price, to each performance obligation. An allocation is not required for many of our Sleep and Breathing Health contracts that have a single performance obligation, which is the shipment of our therapy-based equipment.

Accounting and practical expedient elections

We have elected to account for shipping and handling activities associated with our Sleep and Breathing Health segment as a fulfillment cost within cost of sales, and record shipping and handling costs collected from customers in net revenue. We have also elected for all taxes assessed by government authorities that are imposed on and concurrent with revenue-producing transactions, such as sales and value added taxes, to be excluded from revenue and presented on a net basis. We have adopted two practical expedients including the "right to invoice" practical expedient, which is relevant for some of our SaaS contracts as it allows us to recognize revenue in the amount of the invoice when it corresponds directly with the value of performance completed to date. The second practical expedient adopted permits relief from considering a significant financing component when the payment for the good or service is expected to be one year or less.

Lease Revenue

We lease Sleep and Breathing Health medical devices to customers primarily as a means to comply with local health insurer requirements in certain foreign geographies. Device rental contracts are classified as operating leases, and contract terms vary by customer and include options to terminate or extend the contract. When lease contracts also include the sale of masks and accessories, we allocate contract consideration to those items on a relative standalone price basis and recognize revenue when control transfers to the customer. Operating lease revenue was \$24.5 million for the three months ended September 30, 2024 and \$22.7 million for the three months ended September 30, 2023.

Recently Issued Accounting Standards Not Yet Adopted

ASU No. 2023-07 Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU No. 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures," which expands segment disclosures to include significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. This ASU is applicable to our Annual Report on Form 10-K for the fiscal year ended June 30, 2025, and subsequent interim periods. Early adoption is permitted and the amendments

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RESMED INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

must be applied retrospectively to all prior periods presented. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements and disclosures.

ASU 2023-09 Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures," which updates income tax disclosure requirements primarily by requiring specific categories and greater disaggregation within the rate reconciliation and disaggregation of income taxes paid. This ASU is applicable to our Annual Report on Form 10-K for the fiscal year ended June 30, 2026, with early application permitted. We are currently evaluating the impact of adopting this ASU on our consolidated financial statements and disclosures.

(2) Segment Information

We have quantitatively and qualitatively determined that we operate in two operating segments, which are the Sleep and Breathing Health segment and the Residential Care Software segment.

We evaluate the performance of our segments based on net revenues and income from operations. The accounting policies of the segments are the same as those described in note 2 of our consolidated financial statements included in our Form 10-K for the fiscal year ended June 30, 2024. Segment net revenues and segment income from operations do not include inter-segment profits and revenue is allocated to a geographic area based on where the products are shipped to or where the services are performed.

Certain items are maintained at the corporate level and are not allocated to the segments. The non-allocated items include corporate headquarters costs, stock-based compensation, amortization expense from acquired intangibles, restructuring expenses, field safety notification expenses, acquisition related expenses, net interest expense (income), gains and losses attributable to equity method investments, gains and losses on equity investments, and other, net. We neither discretely allocate assets to our operating segments, nor does our Chief Operating Decision Maker evaluate the operating segments using discrete asset information.

Effective in the third quarter of fiscal year 2024, we updated the method of attribution of certain costs that are principally managed at the segment level as part of our evaluation of segment operating performance. As a result, certain costs relating to quality and regulatory assurance, commercial legal, operations, sales and marketing, customer service, information technology, and other administrative costs, which were previously included in Corporate costs within our reconciliation of segment operating profit to income before income taxes, are now reported in segment operating results. The financial information presented herein reflects the impact of the preceding reporting change for all periods presented.

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RESMED INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

The table below presents a reconciliation of net revenues and net operating profit by reportable segments (in thousands):

	Three Months Ended September 30,	
	2024	2023
Net revenue by segment		
Sleep and Breathing Health	\$ 1,067,737	\$ 963,037
Residential Care Software	156,772	139,284
Total	<u>\$ 1,224,509</u>	<u>\$ 1,102,321</u>
Depreciation and amortization by segment		
Sleep and Breathing Health	\$ 23,019	\$ 20,519
Residential Care Software	2,368	2,760
Amortization of acquired intangible assets and corporate assets	19,343	21,655
Total	<u>\$ 44,730</u>	<u>\$ 44,934</u>
Net operating profit by segment		
Sleep and Breathing Health	\$ 460,975	\$ 374,738
Residential Care Software	47,621	31,304
Total	<u>\$ 508,596</u>	<u>\$ 406,042</u>
Reconciling items		
Corporate costs	\$ 102,210	\$ 87,747
Amortization of acquired intangible assets	19,074	21,387
Astral field safety notification expenses ⁽¹⁾	—	7,911
Interest expense (income), net	1,661	14,957
(Gain) Loss attributable to equity method investments	(963)	3,895
Loss on equity investments	680	602
Other, net	2,437	(2,648)
Income before income taxes	<u>\$ 383,497</u>	<u>\$ 272,191</u>

(1) The Astral field safety notification expenses relate to estimated costs associated with the replacement of a certain component in some of our Astral ventilation devices that were manufactured between 2013 to 2019.

(3) Supplemental Balance Sheet Information

Components of selected captions in the condensed consolidated balance sheets consisted of the following (in thousands):

	September 30, 2024	June 30, 2024
Inventories		
Raw materials	\$ 373,294	\$ 355,570
Work in progress	2,465	2,713
Finished goods	542,223	463,967
Total inventories	<u>\$ 917,982</u>	<u>\$ 822,250</u>
Prepaid expenses and other current assets		
Prepaid taxes	\$ 126,274	\$ 107,623
Prepaid inventories	146,324	172,198
Other prepaid expenses and current assets	212,986	180,012
Total prepaid expenses and other current assets	<u>\$ 485,584</u>	<u>\$ 459,833</u>

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	September 30, 2024	June 30, 2024
Property, Plant and Equipment		
Property, plant and equipment, at cost	\$ 1,324,965	\$ 1,274,992
Accumulated depreciation and amortization	(764,754)	(726,967)
Property, plant and equipment, net	<u>\$ 560,211</u>	<u>\$ 548,025</u>
Other Intangible Assets		
Developed/core product technology	\$ 387,683	\$ 384,679
Accumulated amortization	(289,779)	(280,970)
Developed/core product technology, net	<u>97,904</u>	<u>103,709</u>
Customer relationships	440,770	432,470
Accumulated amortization	(160,910)	(150,486)
Customer relationships, net	<u>279,860</u>	<u>281,984</u>
Other intangibles	261,165	252,210
Accumulated amortization	(160,316)	(151,999)
Other intangibles, net	<u>100,849</u>	<u>100,211</u>
Total other intangibles, net	<u>\$ 478,613</u>	<u>\$ 485,904</u>

Intangible assets consist of developed/core product technology, trade names, non-compete agreements, customer relationships, and patents, which we amortize over the estimated useful life of the assets, generally between two years to fifteen years. There are no expected residual values related to these intangible assets.

(4) Goodwill

A reconciliation of changes in our goodwill by reportable segment is as follows (in thousands):

	Three Months Ended September 30, 2024		
	Sleep and Breathing Health	Residential Care Software	Total
Balance at the beginning of the period	\$ 757,529	\$ 2,084,526	\$ 2,842,055
Adjustment to fair values of preliminary purchase price allocations	(279)	—	(279)
Foreign currency translation adjustments	11,976	32,265	44,241
Balance at the end of the period	<u>\$ 769,226</u>	<u>\$ 2,116,791</u>	<u>\$ 2,886,017</u>

(5) Investments

We have equity investments in privately and publicly held companies that are unconsolidated entities. The following discusses our investments in marketable equity securities, non-marketable equity securities, and investments accounted for under the equity method.

Our marketable equity securities are publicly traded stocks measured at fair value and classified within Level 1 in the fair value hierarchy because we use quoted prices for identical assets in active markets. Marketable equity securities are recorded in prepaid expenses and other current assets on the condensed consolidated balance sheets.

Non-marketable equity securities consist of investments in privately held companies without readily determinable fair values and are recorded in prepaid taxes and other non-current assets on the condensed consolidated balance sheets. Non-marketable equity securities are reported at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or similar investment of the same issuer. We assess non-marketable equity securities at least quarterly for impairment and consider qualitative and quantitative factors including the investee's financial metrics, product and commercial outlook and cash usage. All gains and losses on marketable and non-marketable equity securities, realized and unrealized, are recognized in gain (loss) on equity investments as a component of other income (loss), net on the condensed consolidated statements of operations.

Equity investments whereby we have significant influence, but not control over the investee and are not the primary beneficiary of the investee's activities, are accounted for under the equity method. Under this method, we record our share

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of gains or losses attributable to equity method investments as a component of other income (loss), net on the condensed consolidated statements of operations.

Equity investments by measurement category were as follows (in thousands):

Measurement category	September 30, 2024	June 30, 2024
Fair value	\$ 16,216	\$ 12,026
Measurement alternative	65,784	73,739
Equity method	69,287	65,462
Total	<u>\$ 151,287</u>	<u>\$ 151,227</u>

The following tables show a reconciliation of the changes in our equity investments (in thousands):

	Three Months Ended September 30, 2024			
	Non-marketable securities	Marketable securities	Equity method investments	Total
Balance at the beginning of the period	\$ 73,739	\$ 12,026	\$ 65,462	\$ 151,227
Additions to investments	1,000	—	350	1,350
Proceeds from exits of investments	(4,128)	—	—	(4,128)
Realized gains on marketable and non-marketable equity securities	389	—	—	389
Impairment of investments	(5,259)	—	—	(5,259)
Unrealized gains on marketable equity securities	—	4,190	—	4,190
Gain attributable to equity method investments	—	—	963	963
Foreign currency translation adjustments	43	—	2,512	2,555
Carrying value at the end of the period	<u>\$ 65,784</u>	<u>\$ 16,216</u>	<u>\$ 69,287</u>	<u>\$ 151,287</u>

	Three Months Ended September 30, 2023			
	Non-marketable securities	Marketable securities	Equity method investments	Total
Balance at the beginning of the period	\$ 68,748	\$ 12,423	\$ 65,366	\$ 146,537
Additions to investments	1,180	—	2,500	3,680
Proceeds from exits of investments	(250)	—	—	(250)
Unrealized losses on marketable equity securities	—	(602)	—	(602)
Loss attributable to equity method investments	—	—	(3,895)	(3,895)
Foreign currency translation adjustments	—	—	(1,810)	(1,810)
Carrying value at the end of the period	<u>\$ 69,678</u>	<u>\$ 11,821</u>	<u>\$ 62,161</u>	<u>\$ 143,660</u>

Net unrealized losses recognized for equity investments in non-marketable and marketable securities held as of September 30, 2024 for the three months ended September 30, 2024 were \$1.1 million. Net unrealized losses recognized for equity investments in non-marketable and marketable securities held as of September 30, 2023 for the three months ended September 30, 2023 were \$0.6 million.

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(6) Debt

Debt consisted of the following (in thousands):

	September 30, 2024	June 30, 2024
Short-term debt	\$ 10,000	\$ 10,000
Deferred borrowing costs	(104)	(100)
Short-term debt, net	<u>\$ 9,896</u>	<u>\$ 9,900</u>
Long-term debt	\$ 670,000	\$ 700,000
Deferred borrowing costs	(2,422)	(2,687)
Long-term debt, net	<u>\$ 667,578</u>	<u>\$ 697,313</u>
Total debt	<u><u>\$ 677,474</u></u>	<u><u>\$ 707,213</u></u>

Credit Facility

On June 29, 2022, we entered into a second amended and restated credit agreement (the “Revolving Credit Agreement”), as borrower, with lenders MUFG Union Bank, N.A., as administrative agent, joint lead arranger, sole book runner, swing line lender and letter of credit issuer, Westpac Banking Corporation, as syndication agent and joint lead arranger, HSBC Bank USA, National Association, as syndication agent and joint lead arranger, and Wells Fargo Bank, National Association, as documentation agent. The Revolving Credit Agreement, among other things, provided a senior unsecured revolving credit facility of \$1,500.0 million, with an uncommitted option to increase the revolving credit facility by an additional amount equal to the greater of \$1,000.0 million or 1.0 times the EBITDA (as defined in the Revolving Credit Agreement) for the trailing twelve-month measurement period. The Revolving Credit Agreement amends and restates that certain Amended and Restated Credit Agreement, dated as of April 17, 2018, among ResMed, MUFG Union Bank, N.A., Westpac Banking Corporation and the lenders party thereto.

Additionally, on June 29, 2022, ResMed Pty Limited entered into a Second Amendment to the Syndicated Facility Agreement and First Amendment to Unconditional Guaranty Agreement (the “Term Credit Agreement”), as borrower, with lenders MUFG Union Bank, N.A., as administrative agent, joint lead arranger and joint book runner, and Westpac Banking Corporation, as syndication agent, joint lead arranger and joint book runner, which amends that certain Syndicated Facility Agreement dated as of April 17, 2018. The Term Credit Agreement, among other things, provides ResMed Pty Limited a senior unsecured term credit facility of \$200.0 million.

Our obligations under the Revolving Credit Agreement are guaranteed by certain of our direct and indirect U.S. subsidiaries, and ResMed Pty Limited’s obligations under the Term Credit Agreement are guaranteed by us and certain of our direct and indirect U.S. subsidiaries. The Revolving Credit Agreement and Term Credit Agreement contain customary covenants, including, in each case, a financial covenant that requires that we maintain a maximum leverage ratio of funded debt to EBITDA (as defined in the Revolving Credit Agreement and Term Credit Agreement, as applicable). The entire principal amounts of the revolving credit facility and term credit facility, and, in each case, any accrued but unpaid interest may be declared immediately due and payable if an event of default occurs, as defined in the Revolving Credit Agreement and the Term Credit Agreement, as applicable. Events of default under the Revolving Credit Agreement and the Term Credit Agreement include, in each case, failure to make payments when due, the occurrence of a default in the performance of any covenants in the respective agreements or related documents, or certain changes of control of us, or the respective guarantors of the obligations borrowed under the Revolving Credit Agreement and Term Credit Agreement.

The Revolving Credit Agreement and Term Credit Agreement each terminate on June 29, 2027, when all unpaid principal and interest under the loans must be repaid. Amounts borrowed under the Term Credit Agreement will also amortize on a semi-annual basis, with a \$5.0 million principal payment required on each such semi-annual amortization date. The outstanding principal amounts will bear interest at a rate equal to the Adjusted Term SOFR (as defined in the Revolving Credit Agreement) plus 0.75% to 1.50% (depending on the then-applicable leverage ratio) or the Base Rate (as defined in the Revolving Credit Agreement and the Term Credit Agreement, as applicable) plus 0.0% to 0.50% (depending on the then-applicable leverage ratio). At September 30, 2024, the interest rate that was being charged on the outstanding principal amounts was 5.5%. An applicable commitment fee of 0.075% to 0.150% (depending on the then-applicable leverage ratio)

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applies on the unused portion of the revolving credit facility. As of September 30, 2024, we had \$1,500.0 million available for draw down under the revolving credit facility.

We are required to disclose the fair value of financial instruments for which it is practicable to estimate the value, even though these instruments are not recognized at fair value in the consolidated balance sheets. As the Revolving Credit and Term Credit Agreements' interest rate is calculated as Adjusted Term SOFR plus the spreads described above, its carrying amount is equivalent to its fair value as at September 30, 2024 and June 30, 2024, which was \$180.0 million and \$210.0 million, respectively.

Senior Notes

On July 10, 2019, we entered into a Note Purchase Agreement with the purchasers to that agreement, in connection with the issuance and sale of \$250.0 million principal amount of our 3.24% senior notes due July 10, 2026, and \$250.0 million principal amount of our 3.45% senior notes due July 10, 2029 (collectively referred to as the "Senior Notes"). Our obligations under the Note Purchase Agreement and the Senior Notes are unconditionally and irrevocably guaranteed by certain of our direct and indirect U.S. subsidiaries. The net proceeds from this transaction were used to pay down borrowings on our Revolving Credit Agreement.

Under the terms of the Note Purchase Agreement, we agreed to customary covenants including with respect to our corporate existence, transactions with affiliates, and mergers and other extraordinary transactions. We also agreed that, subject to limited exceptions, we will maintain a ratio of consolidated funded debt to consolidated EBITDA (as defined in the Note Purchase Agreement) of no more than 3.50 to 1.00 as of the last day of any fiscal quarter, and will not at any time permit the amount of all priority secured and unsecured debt of us and our subsidiaries to exceed 10% of our consolidated tangible assets, determined as of the end of our most recently ended fiscal quarter. This ratio is calculated at the end of each reporting period for which the Note Purchase Agreement requires us to deliver financial statements, using the results of the 12 consecutive month period ending with such reporting period.

We are required to disclose the fair value of financial instruments for which it is practicable to estimate the value, even though these instruments are not recognized at fair value in the consolidated balance sheets. As of September 30, 2024 and June 30, 2024, the Senior Notes had a carrying amount of \$500.0 million, excluding deferred borrowing costs, and an estimated fair value of \$481.0 million and \$463.0 million, respectively. Quoted market prices in active markets for similar liabilities based inputs (Level 2) were used to estimate fair value.

At September 30, 2024, we were in compliance with our debt covenants and there was \$680.0 million outstanding under the Revolving Credit Agreement, Term Credit Agreement and Senior Notes.

(7) Earnings Per Share

Basic earnings per share is computed by dividing the net income available to common stockholders by the weighted average number of shares of common stock outstanding. For purposes of calculating diluted earnings per share, the denominator includes both the weighted average number of shares of common stock outstanding and the number of dilutive common stock equivalents such as stock options and restricted stock units.

The weighted average number of outstanding stock options and restricted stock units not included in the computation of diluted earnings per share were 159,055 and 417,364 for the three months ended September 30, 2024 and 2023, respectively, as the effect would have been anti-dilutive.

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Basic and diluted earnings per share are calculated as follows (in thousands except per share data):

	Three Months Ended September 30,	
	2024	2023
Numerator:		
Net income	\$ 311,355	\$ 219,422
Denominator:		
Basic weighted-average common shares outstanding	146,861	147,075
Effect of dilutive securities:		
Stock options and restricted stock units	738	411
Diluted weighted average shares	147,599	147,486
Basic earnings per share	\$ 2.12	\$ 1.49
Diluted earnings per share	\$ 2.11	\$ 1.49

(8) Legal Actions, Contingencies and Commitments

Litigation

In the normal course of business, we are subject to routine litigation incidental to our business. While the results of this litigation cannot be predicted with certainty, we believe that their final outcome will not, individually or in aggregate, have a material adverse effect on our consolidated financial statements taken as a whole.

On June 2, 2021, New York University ("NYU") filed a complaint for patent infringement in the United States District Court, District of Delaware against ResMed Inc., case no. 1:21-cv-00813 (JPM). The complaint alleges that the AutoSet or AutoRamp features of ResMed's AirSense 10 AutoSet flow generators infringe one or more claims of various NYU patents, including U.S. Patent Nos. 6,988,994; 9,108,009; 9,168,344; 9,427,539; 9,533,115; 9,867,955; and 10,384,024. According to the complaint, the NYU patents are directed to systems and methods for diagnosis and treating sleeping disorders during different sleep states. The complaint seeks monetary damages and attorneys' fees. We answered the complaint on September 30, 2021 and filed a motion to dismiss the complaint on the basis that the patents are invalid because the subject matter of the patents is not patentable under the Supreme Court and Federal Circuit precedent. The motion to dismiss was granted in part and denied in part. In December 2022, the Patent Trial and Appeal Board ("PTAB") of the Patent and Trademark Office granted our request to review the validity of the claims in the patents asserted by NYU against us, determining that there is a reasonable likelihood that we will prevail. In December 2023, the PTAB issued written decisions invalidating each of the challenged claims in each of the NYU patents asserted against us. On December 28, 2023, the District Court entered an order continuing its stay of all proceedings against us pending any appeal by NYU of the invalidation of its patents by the PTAB. On January 31, 2024, NYU appealed the PTAB's rulings to the Court of Appeals for the Federal Circuit. The appeals are not expected to be resolved before March 2025.

On January 27, 2021, the International Trade Commission ("ITC") instituted In Re Certain UMTS and LTE Cellular Communications Modules and Products Containing the Same, Investigation No. 337-TA-1240, by complainants Philips RS North America, LLC and Koninklijke Philips N.V. (collectively "Philips") against Quectel Wireless Solutions Co., Ltd; Thales DIS AIS USA, LLC, Thales DIS AIS Deutschland GmbH; Telit Wireless Solutions, Inc., Telit Communications PLC, CalAmp. Corp., Xirgo Technologies, LLC, and Laird Connectivity, Inc. (collectively "respondents"). In the ITC investigation, Philips seeks an order excluding communications modules, and products that contain them, from importation into the United States based on alleged infringement of 3G and 4G standard essential patents held by Philips. On October 6-14, 2021, the administrative law judge held a hearing on the merits. The administrative law judge issued an initial determination on April 1, 2022, finding no violation of any of the Philips' patents asserted in the ITC. Philips sought review by the full ITC. On July 6, 2022, the Commission affirmed the administrative law judge's determination that there was no violation of asserted Philips' patents. The Commission terminated the ITC proceedings. Philips did not appeal the ITC's decision. On December 17, 2020, Philips filed companion cases for patent infringement against the same defendants in the United States District Court for the District of Delaware, case nos. 1:20-cv-01707, 01708, 01709, 01710, 01711, and 01713 (CFC) seeking damages, an injunction, and a declaration from the court on the amount of a fair reasonable and non-discriminatory license rate for the standard essential patents it is asserting against the communications module defendants. The district court cases were stayed pending the resolution of the ITC proceedings. The parties have returned to the district

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court for further proceedings. We were not a party to the ITC investigation, and we are not a party to the district court cases, but we sell products that incorporate communications modules at issue in the district court case. The first trial in the cases by Philips against the communications module defendants was originally set for August 12, 2024. On August 5, 2024, the court issued an order vacating the trial date. On August 19, 2024, Philips and the Thales parties filed a joint stipulation dismissing all claims and counterclaims against one another in the District of Delaware case.

On June 16, 2022, Cleveland Medical Devices Inc. ("Cleveland Medical") filed suit for patent infringement against ResMed Inc. in the United States District Court for the District of Delaware, case no. 1:22-cv-00794. Cleveland Medical asserts that numerous ResMed connected devices, when combined with certain ResMed data platforms and/or software, including AirView and ResScan, infringe one or more of seven Cleveland Medical patents, including U.S. Patent Nos. 10,076,269; 10,426,399; 10,925,535; 11,064,937; 10,028,698; 11,202,603; and 11,234,637. We moved to dismiss the action because Cleveland Medical sued the wrong ResMed entity, and to dismiss the indirect and willful infringement allegations by Cleveland Medical. On October 2, 2023, the court granted a portion of the motion, dismissing all Cleveland Medical claims for indirect and willful infringement, and denied the rest of the motion. On March 22, 2023, ResMed Corp. filed a petition with the PTAB seeking review of the validity of U.S. Patent No. 10,076,269. On May 6, 2024, the PTAB granted the petition and instituted an Inter Partes Review proceeding against the patent. On June 21, 2024, the District Court of Delaware granted ResMed's motion to stay the case until the PTAB issues its final written decision in the Inter Partes Review proceeding. The PTAB decision is expected by May 6, 2025.

On March 20, 2023, ResMed Corp. filed suit in the United States District Court for the Southern District of California, case no. 23-cv-00500-TWR-JLB, seeking a declaration that it does not infringe U.S. Patent No. 11,602,284 issued to Cleveland Medical. In November 2023, the case was transferred to the Northern District of Ohio for the convenience of the parties. Cleveland Medical answered the complaint and filed a counterclaim asserting that ResMed Corp. infringes three additional Cleveland Medical patents, including U.S. Patent Nos. 11,375,921; 11,690,512; and 11,786,680. On April 9, 2024, Cleveland Medical filed a second amended answer and counterclaims accusing ResMed Corp. of infringing U.S. Patent Nos. 11,857,333 and 11,872,029. ResMed Corp. filed a petition with the PTAB for post-grant review of the validity of U.S. Patent No. 11,602,284, which the PTAB denied on June 24, 2024. On October 17, 2024, the PTAB denied ResMed Corp.'s request for rehearing of its decision to deny the petition for post-grant review of U.S. Patent No. 11,602,284.

Based on currently available information, we are unable to make a reasonable estimate of loss or range of losses, if any, arising from matters that remain open.

Contingent Obligations Under Recourse Provisions

We use independent financing institutions to offer some of our customers financing for the purchase of some of our products. Under these arrangements, if the customer qualifies under the financing institutions' credit criteria and finances the transaction, the customers repay the financing institution on a fixed payment plan. For some of these arrangements, the customer's receivable balance is with limited recourse whereby we are responsible for repaying the financing company should the customer default. We record a contingent provision, which is estimated based on historical default rates. This is applied to receivables sold with recourse and is recorded in accrued expenses.

During the three months ended September 30, 2024 and September 30, 2023, receivables sold with limited recourse were \$51.5 million and \$47.7 million, respectively. As of September 30, 2024, the maximum exposure on outstanding receivables sold with recourse and the associated contingent provision were \$26.4 million and \$0.8 million, respectively. As of June 30, 2024, the maximum exposure on outstanding receivables sold with recourse and contingent provision were \$35.8 million and \$0.8 million, respectively.

(9) Derivative Instruments and Hedging Activities

We may use derivative financial instruments, specifically foreign cross-currency swaps, purchased foreign currency call options, collars and forward contracts to mitigate exposure from certain foreign currency risk. No derivatives are used for trading or speculative purposes. We do not require or are not required to pledge collateral for the derivative instruments.

Fair Value and Net Investment Hedging

On November 17, 2022, we executed foreign cross-currency swaps as net investment hedges and fair value hedges in designated hedging relationships with either the foreign denominated net asset balances or the foreign denominated intercompany loan as the hedged items. All derivatives are recorded at fair value as either an asset or liability. Cash flows

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associated with derivative instruments are presented in the same category on the consolidated statements of cash flows as the hedged item.

The purpose of the cross-currency swaps for the fair value hedge is to mitigate foreign currency risk associated with changes in spot rates on foreign denominated intercompany debt between USD and EUR. For these hedges, we excluded certain components from the assessment of hedge effectiveness that are not related to spot rates. For fair value hedges that qualify and are designated for hedge accounting, the change in fair value of the derivative is recorded in the same line item as the hedged item, other, net, in the condensed consolidated statement of operations. The initial fair value of hedge components excluded from the assessment of effectiveness is recognized in the statement of operations under a systematic and rational method over the life of the hedging instrument and is presented in interest (expense) income, net. Any difference between the change in the fair value of the hedge components excluded from the assessment of effectiveness and the amounts recognized in earnings is recorded as a component of other comprehensive income.

The purpose of the cross-currency swaps for the net investment hedge is to mitigate foreign currency risk associated with changes in spot rates on the net asset balances of our foreign functional subsidiaries. For net investment hedges that qualify and are designated for hedge accounting, the change in fair value of the derivative is recorded in cumulative translation adjustment within other comprehensive loss and reclassified into earnings when the hedged net investment is either sold or substantially liquidated. The initial fair value of components excluded from the assessment of hedge effectiveness will be recognized in interest (expense) income, net.

The notional value of outstanding foreign cross-currency swaps was \$1,068.2 million and \$1,026.2 million at September 30, 2024 and June 30, 2024, respectively. These contracts mature at various dates prior to December 31, 2029.

Non-Designated Hedges

We transact business in various foreign currencies, including a number of major European currencies as well as the Australian and Singapore dollars. We have foreign currency exposure through both our Australian and Singapore manufacturing activities, and international sales operations. We have established a foreign currency hedging program using purchased foreign currency call options, collars and forward contracts to hedge foreign-currency-denominated financial assets, liabilities and manufacturing cash flows. The terms of such foreign currency hedging contracts generally do not exceed three years. The purpose of this hedging program is to economically manage the financial impact of foreign currency exposures denominated mainly in Euros, and Australian and Singapore dollars. Under this program, increases or decreases in our foreign currency denominated financial assets, liabilities, and firm commitments are partially offset by gains and losses on the hedging instruments. We do not designate these foreign currency contracts as hedges. All movements in the fair value of the foreign currency instruments are recorded within other, net in our condensed consolidated statements of income.

The notional value of the outstanding non-designated hedges was \$1,073.9 million and \$1,340.0 million at September 30, 2024 and June 30, 2024, respectively. These contracts mature at various dates prior to September 15, 2025.

Fair Values of Derivative Instruments

The following table presents our assets and liabilities related to derivative instruments on a gross basis within the condensed consolidated balance sheets (in thousands):

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	September 30, 2024	June 30, 2024	Balance Sheet Caption
Derivative Assets			
<i>Not Designated as Hedging Instruments</i>			
Foreign currency hedging instruments	\$ 24,664	\$ 2,343	Prepaid expenses and other current assets
Foreign currency hedging instruments	—	89	Prepaid taxes and other non-current assets
Total derivative assets	<u>\$ 24,664</u>	<u>\$ 2,432</u>	
Derivative Liabilities			
<i>Designated as Hedging Instruments</i>			
Foreign cross-currency swaps – Fair Value Hedge	\$ 22,289	\$ 10,472	Other long-term liabilities
Foreign cross-currency swaps – Net Investment Hedge	50,006	21,270	Other long-term liabilities
<i>Not Designated as Hedging Instruments</i>			
Foreign currency hedging instruments	2,438	4,654	Accrued expenses
Foreign currency hedging instruments	—	142	Other long-term liabilities
Total derivative liabilities	<u>\$ 74,733</u>	<u>\$ 36,538</u>	

Fair Value Hedge Gains (Losses)

We recognized the following gains (losses) on the foreign cross currency swaps designated as fair value hedges (in thousands):

	Three Months Ended September 30,	
	2024	2023
Gain (loss) recognized in other comprehensive income (loss)	\$ 429	\$ 588
Gain (loss) recognized on cross-currency swap in interest (expense) income, net (amount excluded from effectiveness testing)	\$ 1,074	\$ 1,181
Gain (loss) recognized on cross-currency swap in other, net	\$ (12,246)	\$ 9,271
Gain (loss) recognized on intercompany debt in other, net	\$ 12,246	\$ (9,271)

Net Investment Hedge Gains (Losses)

We recognized the following gains (losses) on the foreign cross currency swaps designated as net investment hedges (in thousands):

	Three Months Ended September 30,	
	2024	2023
Gain (loss) recognized in cumulative translation adjustment within other comprehensive income (loss)	\$ (28,736)	\$ 23,436
Gain (loss) recognized from the excluded components in interest (expense) income, net	\$ 2,767	\$ 3,013

Non-designated Derivative Gains (Losses)

We recognized the following gains (losses) in the condensed consolidated statement of operations on derivatives not designated as hedging instruments (in thousands):

	Three Months Ended September 30,	
	2024	2023
Gain (loss) recognized on foreign currency hedging instruments in other, net	\$ 42,783	\$ (15,073)
Gain (loss) recognized on other foreign-currency-denominated transactions in other, net	(45,231)	17,646
Total	<u>\$ (2,448)</u>	<u>\$ 2,573</u>

We classified the fair values of all hedging instruments as Level 2 measurements within the fair value hierarchy.

We are exposed to credit-related losses in the event of non-performance by counter parties to financial instruments. We minimize counterparty credit risk by entering into derivative transactions with major financial institutions.

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Management’s Discussion and Analysis of Financial Condition and Results of Operations

Special Note Regarding Forward-Looking Statements

This report contains or may contain certain forward-looking statements and information that are based on the beliefs of our management as well as estimates and assumptions made by, and information currently available to, our management. All statements other than statements regarding historical facts are forward-looking statements. The words “believe,” “expect,” “intend,” “anticipate,” “will continue,” “will,” “estimate,” “plan,” “future” and other similar expressions, and negative statements of such expressions, generally identify forward-looking statements, including, in particular, statements regarding expectations of future revenue or earnings, expenses, new product development, new product launches, new markets for our products, the integration of acquisitions, our supply chain, domestic and international regulatory developments, litigation, tax outlook, and the expected impact of macroeconomic conditions on our business. These forward-looking statements are made in accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements reflect the views of our management at the time the statements are made and are subject to a number of risks, uncertainties, estimates and assumptions, including, without limitation, and in addition to those identified in the text surrounding such statements, those identified in our annual report on Form 10-K for the fiscal year ended June 30, 2024 and elsewhere in this report. Information that is based on estimates, forecasts, projections, market research or similar methodologies is inherently subject to uncertainties and actual events or circumstances may differ materially from events and circumstances reflected in this information. Unless otherwise expressly stated, we obtained this industry, business, market, and other data from reports, research surveys, studies, and similar data prepared by market research firms and other third parties, industry, medical and general publications, government data, and similar sources.

In addition, important factors to consider in evaluating such forward-looking statements include changes or developments in healthcare reform, social, macroeconomic, market, legal or regulatory circumstances, including the impact of public health crises; changes in our business or growth strategy or an inability to execute our strategy due to changes in our industry or the economy generally, the emergence of new or growing competitors, disruptions and delays in the supply chain, the actions or omissions of third parties, including suppliers, customers, competitors and governmental authorities, geopolitical and economic conditions in foreign jurisdictions impacting our business, and various other factors. If any one or more of these risks or uncertainties materialize, or underlying estimates or assumptions prove incorrect, actual results may vary significantly from those expressed in our forward-looking statements, and there can be no assurance that the forward-looking statements contained in this report will in fact occur.

Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described in our annual report on Form 10-K for the fiscal year ended June 30, 2024, in addition to the other cautionary statements and risks described elsewhere in this report and in our other filings with the Securities and Exchange Commission (“SEC”), including our subsequent reports on Forms 10-Q and 8-K. These risks and uncertainties are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs with material adverse effects on us, our business, financial condition and results of operations could be seriously harmed. In that event, the market price for our common stock will likely decline and you may lose all or part of your investment.

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Overview

The following is an overview of our results of operations for the three months ended September 30, 2024. Management’s discussion and analysis of financial condition and results of operations (“MD&A”) is intended to help the reader understand our results of operations and financial condition. It is provided as a supplement to, and should be read in conjunction with, the condensed consolidated financial statements and notes included in this report.

We are a global leader in the development, manufacturing, distribution and marketing of medical devices and cloud-based software applications that diagnose, treat and manage respiratory disorders, including sleep disordered breathing (“SDB”), chronic obstructive pulmonary disease, neuromuscular disease and other chronic diseases. SDB includes obstructive sleep apnea and other respiratory disorders that occur during sleep. Our products and solutions are designed to improve patient quality of life, reduce the impact of chronic disease and lower healthcare costs as global healthcare systems continue to drive a shift in care from hospitals to the home and lower cost settings. Our digital cloud-based health software applications, along with our devices, are designed to provide connected care to improve patient outcomes and efficiencies for our customers.

Since the development of continuous positive airway pressure therapy, we have expanded our business by developing or acquiring a number of products and solutions for a broader range of respiratory disorders including technologies to be applied in medical and consumer products, ventilation devices, diagnostic products, mask systems for use in the hospital and home, headgear and other accessories, dental devices, and cloud-based software informatics solutions to manage patient outcomes and customer and provider business processes. Our growth has been fueled by geographic expansion, our research and product development efforts, acquisitions and an increasing awareness of SDB and respiratory conditions like chronic obstructive pulmonary disease as significant health concerns.

During fiscal year 2024, we announced a new operating model to accelerate long-term growth. The new operating model introduces dedicated leadership in Product, Revenue, and Marketing to the global executive team. This change aims to increase the velocity of product development and sharpen our customer and brand focus. Ultimately, the goal is to accelerate profitable growth, while driving greater value and improved care throughout the outside hospital care continuum and the patient journey.

We are committed to ongoing investment in research and development and product enhancements. During the three months ended September 30, 2024, we invested \$79.5 million on research and development activities, which represents 6.5% of net revenues, with a continued focus on the development and commercialization of new, innovative products and solutions that improve patient outcomes, create efficiencies for our customers and help physicians and providers better manage chronic disease and lower healthcare costs. For example, our newest device, AirSense 11, introduced new features such as a touch screen, algorithms for patients new to therapy, digital enhancements, and over-the-air update capabilities. Through our acquisitions of Brightree in 2016, HEALTHCAREfirst and MatrixCare in 2018, and MEDIFOX DAN in 2022, our operations include residential software platforms designed to support the professionals and caregivers who help people stay healthy in the home or care setting of their choice. These platforms comprise our Residential Care Software business and, along with our cloud-based remote monitoring and therapy management system, and a robust product pipeline, these products should continue to provide us with a strong platform for future growth.

We have determined that we have two operating segments, which are the sleep and respiratory disorders sector of the medical device industry (“Sleep and Breathing Health”) and the supply of business management software as a service to out-of-hospital health providers (“Residential Care Software”). During the three months ended September 30, 2024, we renamed our operating segments from Sleep and Respiratory Care to Sleep and Breathing Health and from Software as a Service to Residential Care Software in alignment with our 2030 strategy. There have been no changes in the preparation and disclosure of financial information by operating segment.

Net revenue for the three months ended September 30, 2024 was \$1.2 billion, an increase of 11% compared to the three months ended September 30, 2023. Gross margin was 58.6% for the three months ended September 30, 2024 compared to 54.4% for the three months ended September 30, 2023. Diluted earnings per share was \$2.11 for the three months ended September 30, 2024, compared to diluted earnings per share of \$1.49 for the three months ended September 30, 2023.

At September 30, 2024, our cash and cash equivalents totaled \$426.4 million, our total assets were \$7.2 billion and our stockholders’ equity was \$5.2 billion.

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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 accounting principles generally accepted in the United States (“GAAP”).

Results of Operations

Three Months Ended September 30, 2024 Compared to the Three Months Ended September 30, 2023

Net Revenue

Net revenue for the three months ended September 30, 2024 increased to \$1,224.5 million from \$1,102.3 million for the three months ended September 30, 2023, an increase of \$122.2 million or 11% (an 11% increase on a constant currency basis). The following table summarizes our net revenue disaggregated by segment, product and region (in thousands):

	Three Months Ended September 30,		% Change	Constant Currency*
	2024	2023		
U.S., Canada and Latin America				
Devices	\$ 384,530	\$ 345,897	11 %	
Masks and other	322,776	292,461	10	
Total U.S., Canada and Latin America	\$ 707,306	\$ 638,358	11	
Combined Europe, Asia and other markets				
Devices	\$ 241,255	\$ 218,831	10 %	9 %
Masks and other	119,176	105,848	13	11
Total Combined Europe, Asia and other markets	\$ 360,431	\$ 324,679	11	10
Global revenue				
Total Devices	\$ 625,785	\$ 564,728	11 %	10 %
Total Masks and other	441,952	398,309	11	11
Total Sleep and Breathing Health	\$ 1,067,737	\$ 963,037	11	11
Residential Care Software				
	156,772	139,284	13	12
Total	\$ 1,224,509	\$ 1,102,321	11	11

* Constant currency numbers exclude the impact of movements in international currencies.

Sleep and Breathing Health

Net revenue from our Sleep and Breathing Health business for the three months ended September 30, 2024 was \$1,067.7 million, an increase of 11% compared to net revenue for the three months ended September 30, 2023. Movements in international currencies against the U.S. dollar positively impacted net revenue by approximately \$3.9 million for the three months ended September 30, 2024. Excluding the impact of currency movements, total Sleep and Breathing Health net revenue for the three months ended September 30, 2024 increased by 11% compared to the three months ended September 30, 2023. The increase in net revenue associated with our devices and masks was primarily attributable to increased demand and unit sales.

Net revenue from our Sleep and Breathing Health business in the U.S., Canada and Latin America for the three months ended September 30, 2024 increased to \$707.3 million from \$638.4 million for the three months ended September 30, 2023, an increase of \$68.9 million or 11%. The increase in net revenue associated with our devices and masks was primarily attributable to increased demand and unit sales.

Net revenue in combined Europe, Asia and other markets increased for the three months ended September 30, 2024 to \$360.4 million from \$324.7 million for the three months ended September 30, 2023, an increase of \$35.8 million or 11% (a

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10% increase on a constant currency basis). The constant currency increase in device and mask sales in combined Europe, Asia and other was primarily attributable to increased demand and unit sales.

Net revenue from devices for the three months ended September 30, 2024 increased to \$625.8 million from \$564.7 million for the three months ended September 30, 2023, an increase of \$61.1 million or 11%, including an increase of 11% in the U.S., Canada and Latin America and an increase of 10% in combined Europe, Asia and other markets (a 9% increase on a constant currency basis). Excluding the impact of foreign currency movements, device sales for the three months ended September 30, 2024 increased by 10%.

Net revenue from masks and other for the three months ended September 30, 2024 increased to \$442.0 million from \$398.3 million for the three months ended September 30, 2023, an increase of \$43.6 million or 11%, including an increase of 10% in the U.S., Canada and Latin America and an increase of 13% in combined Europe, Asia and other markets (a 11% increase on a constant currency basis). Excluding the impact of foreign currency movements, masks and other sales for the three months ended September 30, 2024 increased by 11%.

Residential Care Software

Net revenue from our Residential Care Software business for the three months ended September 30, 2024 increased to \$156.8 million from \$139.3 million for the three months ended September 30, 2023, an increase of \$17.5 million or 13% (a 12% increase on a constant currency basis). The increase was predominantly due to continued growth in the HME and MEDIFOX DAN verticals within our Residential Care Software business.

Gross Profit and Gross Margin

Gross profit increased for the three months ended September 30, 2024 to \$717.2 million from \$600.1 million for the three months ended September 30, 2023, an increase of \$117.2 million or 20%. Gross margin, which is gross profit as a percentage of net revenue, for the three months ended September 30, 2024 was 58.6% compared to 54.4% for the three months ended September 30, 2023.

The increase in gross margin for the three months ended September 30, 2024 compared to the three months ended September 30, 2023 was due primarily to manufacturing efficiencies and component cost improvements, an increase in average selling prices and reduction in amortization of acquired intangibles relating to cost of goods sold as assets have become fully amortized.

Operating Expenses

The following table summarizes our operating expenses (in thousands):

	Three Months Ended September 30,		Change	% Change	Constant Currency
	2024	2023			
Selling, general, and administrative	\$ 238,979	\$ 222,874	\$ 16,105	7 %	7 %
<i>as a % of net revenue</i>	19.5 %	20.2 %			
Research and development	\$ 79,524	\$ 75,710	\$ 3,814	5 %	4 %
<i>as a % of net revenue</i>	6.5 %	6.9 %			
Amortization of acquired intangible assets	\$ 11,404	\$ 12,479	\$ (1,075)	(9)%	(9)%

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses increased for the three months ended September 30, 2024 to \$239.0 million from \$222.9 million for the three months ended September 30, 2023, an increase of \$16.1 million or 7%. Selling, general, and administrative expenses were unfavorably impacted by the movement of international currencies against the U.S. dollar, which increased our expenses by approximately \$1.4 million, as reported in U.S. dollars. Excluding the impact of foreign currency movements, selling, general, and administrative expenses for the three months ended September 30, 2024 increased by 7% compared to the three months ended September 30, 2023. As a percentage of net revenue, selling, general, and administrative expenses were 19.5% for the three months ended September 30, 2024, compared to 20.2% for the three months ended September 30, 2023.

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The constant currency increase in selling, general, and administrative expenses during the three months ended September 30, 2024 compared to the three months ended September 30, 2023 was primarily due to increases in employee-related costs.

Research and Development Expenses

Research and development expenses increased for the three months ended September 30, 2024 to \$79.5 million from \$75.7 million for the three months ended September 30, 2023, an increase of \$3.8 million, or 5%. Research and development expenses were unfavorably impacted by the movement of international currencies against the U.S. dollar, which increased our expenses by approximately \$0.6 million, as reported in U.S. dollars. Excluding the impact of foreign currency movements, research and development expenses for the three months ended September 30, 2024 increased by 4% compared to the three months ended September 30, 2023. As a percentage of net revenue, research and development expenses were 6.5% for the three months ended September 30, 2024 compared to 6.9% for the three months ended September 30, 2023.

The constant currency increase in research and development expenses during the three months ended September 30, 2024 compared to the three months ended September 30, 2023 was primarily due to increases in employee-related costs.

Amortization of Acquired Intangible Assets

Amortization of acquired intangible assets for the three months ended September 30, 2024 totaled \$11.4 million compared to \$12.5 million for the three months ended September 30, 2023.

Total Other Income (Loss), Net

The following table summarizes our other income (loss) (in thousands):

	Three Months Ended September 30,		Change
	2024	2023	
Interest (expense) income, net	\$ (1,661)	\$ (14,957)	\$ 13,296
Gain (loss) attributable to equity method investments	963	(3,895)	4,858
Gain (loss) on equity investments	(680)	(602)	(78)
Other, net	(2,437)	2,648	(5,085)
Total other income (loss), net	<u>\$ (3,815)</u>	<u>\$ (16,806)</u>	<u>\$ 12,991</u>

Total other income (loss), net for the three months ended September 30, 2024 was a loss of \$3.8 million compared to a loss of \$16.8 million for the three months ended September 30, 2023. Interest expense, net, decreased to \$1.7 million for the three months ended September 30, 2024 compared to \$15.0 million for the three months ended September 30, 2023 due to lower debt levels following repayments on our revolving credit facility. In addition, we recorded gains attributable to equity method investments for the three months ended September 30, 2024 of \$1.0 million compared to losses of \$3.9 million for the three months ended September 30, 2023. Decreases in interest expense, net, and losses attributable to equity method investments were partially offset by foreign exchange net losses for the three months ended September 30, 2024 of \$2.4 million compared to foreign exchange net gains of \$2.6 million for the three months ended September 30, 2023.

Income Taxes

Our effective income tax rate for the three months ended September 30, 2024 was 18.8%, as compared to 19.4% for the three months ended September 30, 2023. Our effective rate of 18.8% for the three months ended September 30, 2024 differs from the statutory rate of 21.0% primarily due to research credits and foreign operations. The decrease in our effective tax rate for the three months ended September 30, 2024 was primarily due to a shift in our global mix of earnings.

Our Singapore operations operate under certain tax holidays and tax incentive programs that will expire in whole or in part at various dates through June 30, 2030. As a result of the U.S. Tax Cuts and Jobs Act of 2017, we treated all non-U.S. historical earnings as taxable during the year ended June 30, 2018. Therefore, future repatriation of cash held by our non-U.S. subsidiaries will generally not be subject to U.S. federal tax, if repatriated.

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The Organization of Economic Co-operation and Development (OECD) and the G20 Inclusive Framework on Base Erosion and Profit Shifting (the Inclusive Framework) has put forth two proposals—Pillar One and Pillar Two—that (i) revise the existing profit allocation and nexus rules and (ii) ensure a minimal level of taxation, respectively. Effective in our fiscal year beginning July 1, 2024, various jurisdictions in which we operate began implementing the global minimum tax prescribed under Pillar Two. These changes in legislation are not expected to have a material impact on our income tax expense and cash flows for the fiscal year ending June 30, 2025. We are continuing to evaluate the potential impacts of the Inclusive Framework for the current fiscal year and future periods.

Net Income and Earnings per Share

As a result of the factors above, our net income for the three months ended September 30, 2024 was \$311.4 million compared to \$219.4 million for the three months ended September 30, 2023, an increase of \$91.9 million, or 42%.

Our diluted earnings per share for the three months ended September 30, 2024 was \$2.11 per diluted share compared to \$1.49 for the three months ended September 30, 2023, an increase of 42%.

Summary of Non-GAAP Financial Measures

In addition to financial information prepared in accordance with GAAP, our management uses certain non-GAAP financial measures, such as non-GAAP revenue, non-GAAP cost of sales, non-GAAP gross profit, non-GAAP gross margin, non-GAAP income from operations, non-GAAP net income, and non-GAAP diluted earnings per share, in evaluating the performance of our business. We believe that these non-GAAP financial measures, when reviewed in conjunction with GAAP financial measures, can provide investors better insight when evaluating our performance from core operations and can provide more consistent financial reporting across periods. For these reasons, we use non-GAAP information internally in planning, forecasting, and evaluating the results of operations in the current period and in comparing it to past periods. These non-GAAP financial measures should be considered in addition to, and not superior to or as a substitute for, GAAP financial measures. We strongly encourage investors and shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure. Non-GAAP financial measures as presented herein may not be comparable to similarly titled measures used by other companies.

The measure “non-GAAP cost of sales” is equal to GAAP cost of sales less amortization of acquired intangible assets relating to cost of sales and field safety notification expenses. The Astral field safety notification expenses relate to estimated costs associated with the replacement of a certain component in some of our Astral ventilation devices that were manufactured between 2013 to 2019. The measure “non-GAAP gross profit” is the difference between GAAP net revenue and non-GAAP cost of sales, and “non-GAAP gross margin” is the ratio of non-GAAP gross profit to GAAP net revenue.

These non-GAAP measures are reconciled to their most directly comparable GAAP financial measures below (in thousands, except percentages):

	Three Months Ended September 30,	
	2024	2023
GAAP Net revenue	\$ 1,224,509	\$ 1,102,321
GAAP Cost of sales	\$ 507,290	\$ 502,261
Less: Amortization of acquired intangibles	(7,670)	(8,908)
Less: Astral field safety notification expenses	—	(7,911)
Non-GAAP cost of sales	\$ 499,620	\$ 485,442
GAAP gross profit	\$ 717,219	\$ 600,060
GAAP gross margin	58.6 %	54.4 %
Non-GAAP gross profit	\$ 724,889	\$ 616,879
Non-GAAP gross margin	59.2 %	56.0 %

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The measure “non-GAAP income from operations” is equal to GAAP income from operations once adjusted for amortization of acquired intangibles, field safety notification expenses, and acquisition-related expenses. Non-GAAP income from operations is reconciled with GAAP income from operations below (in thousands):

	Three Months Ended September 30,	
	2024	2023
GAAP income from operations	\$ 387,312	\$ 288,997
Amortization of acquired intangibles - cost of sales	7,670	8,908
Amortization of acquired intangibles - operating expenses	11,404	12,479
Astral field safety notification expenses	—	7,911
Acquisition-related expenses	—	483
Non-GAAP income from operations	<u>\$ 406,386</u>	<u>\$ 318,778</u>

The measure “non-GAAP net income” is equal to GAAP net income once adjusted for amortization of acquired intangibles, field safety notification expenses, acquisition related expenses, and associated tax effects. The measure “non-GAAP diluted earnings per share” is the ratio of non-GAAP net income to diluted shares outstanding. These non-GAAP measures are reconciled to their most directly comparable GAAP financial measures below (in thousands, except for per share amounts):

	Three Months Ended September 30,	
	2024	2023
GAAP net income	\$ 311,355	\$ 219,422
Amortization of acquired intangibles - cost of sales	7,670	8,908
Amortization of acquired intangibles - operating expenses	11,404	12,479
Astral field safety notification expenses	—	7,911
Acquisition related expenses	—	483
Income tax effect on non-GAAP adjustments	(5,071)	(8,019)
Non-GAAP net income	<u>\$ 325,358</u>	<u>\$ 241,184</u>
Diluted shares outstanding	<u>147,599</u>	<u>147,486</u>
GAAP diluted earnings per share	\$ 2.11	\$ 1.49
Non-GAAP diluted earnings per share	\$ 2.20	\$ 1.64

Liquidity and Capital Resources

Our principal sources of liquidity are our existing cash and cash equivalents, cash generated from operations and access to our revolving credit facility. Our primary uses of cash have been for research and development activities, selling and marketing activities, capital expenditures, strategic acquisitions and investments, dividend payments, share repurchases and repayment of debt obligations. We expect that cash provided by operating activities may fluctuate in future periods as a result of several factors, including fluctuations in our operating results, which include impacts from supply chain disruptions, working capital requirements and capital deployment decisions.

Our future capital requirements will depend on many factors including our growth rate in net revenue, third-party reimbursement of our products for our customers, the timing and extent of spending to support research development efforts, the expansion of selling, general and administrative activities, the timing of introductions of new products, and the expenditures associated with possible future acquisitions, investments or other business combination transactions. As we assess inorganic growth strategies, we may need to supplement our internally generated cash flow with outside sources. If we are required to access the debt market, we believe that we will be able to secure reasonable borrowing rates. As part of our liquidity strategy, we will continue to monitor our current level of earnings and cash flow generation as well as our ability to access the market considering those earning levels.

As of September 30, 2024 and June 30, 2024, we had cash and cash equivalents of \$426.4 million and \$238.4 million, respectively. Our cash and cash equivalents held within the United States at September 30, 2024 and June 30, 2024 were \$136.4 million and \$51.2 million, respectively. Our remaining cash and cash equivalent balances at September 30, 2024

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and June 30, 2024, were \$290.0 million and \$187.2 million, respectively. Our cash and cash equivalent balances are held at highly rated financial institutions.

As of September 30, 2024, we had \$1,500.0 million available for draw down under the revolving credit facility and a combined total of \$1,926.4 million in cash and available liquidity under the revolving credit facility.

As a result of the U.S. Tax Cuts and Jobs Act of 2017, we treated all non-U.S. historical earnings as taxable, which resulted in additional tax expense of \$126.9 million which was payable over the proceeding eight years. Therefore, future repatriation of cash held by our non-U.S. subsidiaries will generally not be subject to U.S. federal tax if repatriated.

We believe that our current sources of liquidity will be sufficient to fund our operations, including expected capital expenditures, for the next 12 months and beyond.

Revolving Credit Agreement, Term Credit Agreement and Senior Notes

On June 29, 2022, we entered into a second amended and restated credit agreement (as amended from time to time, the “Revolving Credit Agreement”). The Revolving Credit Agreement, among other things, provided a senior unsecured revolving credit facility of \$1,500.0 million, with an uncommitted option to increase the revolving credit facility by an additional amount equal to the greater of \$1,000.0 million or 1.00 times the EBITDA for the trailing twelve-month measurement period. Additionally, on June 29, 2022, ResMed Pty Limited entered into a Second Amendment to the Syndicated Facility Agreement (the “Term Credit Agreement”). The Term Credit Agreement, among other things, provides ResMed Pty Limited a senior unsecured term credit facility of \$200.0 million. The Revolving Credit Agreement and Term Credit Agreement each terminate on June 29, 2027, when all unpaid principal and interest under the loans must be repaid. As of September 30, 2024, we had \$1,500.0 million available for draw down under the revolving credit facility.

On July 10, 2019, we entered into a Note Purchase Agreement with the purchasers to that agreement, in connection with the issuance and sale of \$250.0 million principal amount of our 3.24% senior notes due July 10, 2026, and \$250.0 million principal amount of our 3.45% senior notes due July 10, 2029 (“Senior Notes”).

On September 30, 2024, there was a total of \$680.0 million outstanding under the Revolving Credit Agreement, Term Credit Agreement and Senior Notes and we were in compliance with our debt covenants. We expect to satisfy all of our liquidity and long-term debt requirements through a combination of cash on hand, cash generated from operations and debt facilities.

Cash Flow Summary

The following table summarizes our cash flow activity (in thousands):

	Three Months Ended September 30,	
	2024	2023
Net cash provided by (used in) operating activities	\$ 325,538	\$ 286,283
Net cash provided by (used in) investing activities	2,146	(148,980)
Net cash provided by (used in) financing activities	(150,757)	(151,132)
Effect of exchange rate changes on cash	11,073	(4,962)
Net decrease in cash and cash equivalents	<u>\$ 188,000</u>	<u>\$ (18,791)</u>

Operating Activities

Cash provided by operating activities was \$325.5 million for the three months ended September 30, 2024, compared to cash provided of \$286.3 million for the three months ended September 30, 2023. The \$39.3 million increase in cash flow from operations was primarily due to increased net income partially offset by other net changes in working capital during the three months ended September 30, 2024 compared to the three months ended September 30, 2023.

Investing Activities

Cash provided by investing activities was \$2.1 million for the three months ended September 30, 2024, compared to cash used of \$149.0 million for the three months ended September 30, 2023. The \$151.1 million increase in cash flow from investing activities was primarily due to cash used to acquire Somnoware during the three months ended September 30,

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2023 in addition to increased proceeds from maturity of foreign currency contracts during the three months ended September 30, 2024 compared to the three months ended September 30, 2023.

Financing Activities

Cash used in financing activities was \$150.8 million for the three months ended September 30, 2024, compared to cash used of \$151.1 million for the three months ended September 30, 2023. We repurchased \$50.0 million of treasury stock during the three months ended September 30, 2024 compared to no purchases during the three months ended September 30, 2023. Cash outflows for treasury stock repurchases were offset by lower payments on our Revolving Credit Agreement.

Dividends

During the three months ended September 30, 2024, we paid cash dividends of \$0.53 per common share totaling \$77.9 million. On October 24, 2024, our board of directors declared a cash dividend of \$0.53 per common share, to be paid on December 12, 2024, to shareholders of record as of the close of business on November 7, 2024. Future dividends are subject to approval by our board of directors.

Common Stock

On February 21, 2014, our board of directors approved our current share repurchase program, authorizing us to acquire up to an aggregate of 20.0 million shares of our common stock. Since approval of the share repurchase program in 2014 through September 30, 2024, we have repurchased a total of 8.2 million shares under this repurchase program for an aggregate of \$612.7 million. During the three months ended September 30, 2024, we repurchased 221,996 shares at a cost of \$50.0 million. Shares that are repurchased are classified as treasury stock pending future use and reduce the number of shares of common stock outstanding used in calculating earnings (loss) per share. The share repurchase program may be accelerated, suspended, delayed or discontinued at any time at the discretion of our board of directors. At September 30, 2024, 11.8 million additional shares remain available for us to repurchase under the approved share repurchase program.

Critical Accounting Principles and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis we evaluate our estimates, including those related to allowance for doubtful accounts, inventory reserves, warranty obligations, goodwill, potentially impaired assets, intangible assets, income taxes and contingencies.

We state these accounting policies in the notes to the financial statements and at relevant sections in this discussion and analysis. The estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could vary from those estimates under different assumptions or conditions.

For a full discussion of our critical accounting policies, see our Annual Report on Form 10-K for the fiscal year ended June 30, 2024.

Recently Issued Accounting Pronouncements

See note 1 to the unaudited condensed consolidated financial statements for a description of recently issued accounting pronouncements, including the expected dates of adoption and estimated effects on our results of operations, financial position and cash flows.

Contractual Obligations and Commitments

Other than for purchase obligations, there have been no material changes outside the ordinary course of business in our outstanding contractual obligations from those disclosed within “Management’s Discussion and Analysis of Financial

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RESMED INC. AND SUBSIDIARIES
Management’s Discussion and Analysis of Financial Condition and Results of Operations

Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2024. Details of our purchase obligations as of September 30, 2024 were as follows:

	Total	Payments Due by September 30,					
		2025	2026	2027	2028	2029	Thereafter
Purchase obligations	\$ 952,519	\$ 846,818	\$ 41,919	\$ 23,377	\$ 3,725	\$ 1,600	\$ 35,080

Off-Balance Sheet Arrangements

As of September 30, 2024, we are not involved in any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC.

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RESMED INC. AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Market Risk

Our reporting currency is the U.S. dollar, although the financial statements of our non-U.S. subsidiaries are maintained in their respective local currencies. We transact business in various foreign currencies, including a number of major European currencies as well as the Australian and Singapore dollars. We have significant foreign currency exposure through our Australian and Singapore manufacturing activities and our international sales operations.

Net Investment and Fair Value Hedging

On November 17, 2022, we executed foreign cross-currency swaps as net investment hedges and fair value hedges in designated hedging relationships with either the foreign denominated net asset balances or the foreign denominated intercompany loan as the hedged items. All derivatives are recorded at fair value as either an asset or liability. Cash flows associated with derivative instruments are presented in the same category on the consolidated statements of cash flows as the hedged item.

The purpose of the cross-currency swaps for the fair value hedge is to mitigate foreign currency risk associated with changes in spot rates on foreign denominated intercompany debt between USD and EUR. For these hedges, we excluded certain components from the assessment of hedge effectiveness that are not related to spot rates. For fair value hedges that qualify and are designated for hedge accounting, the change in fair value of the derivative is recorded in the same line item as the hedged item, Other, net, in the condensed consolidated statement of operations. The initial fair value of hedge components excluded from the assessment of effectiveness is recognized in the statement of operations under a systematic and rational method over the life of the hedging instrument and is presented in interest (expense) income, net. Any difference between the change in the fair value of the hedge components excluded from the assessment of effectiveness and the amounts recognized in earnings is recorded as a component of other comprehensive income.

The purpose of the cross-currency swaps for the net investment hedge is to mitigate foreign currency risk associated with changes in spot rates on the net asset balances of our foreign functional subsidiaries. For net investment hedges that qualify and are designated for hedge accounting, the change in fair value of the derivative is recorded in cumulative translation adjustment within other comprehensive loss and reclassified into earnings when the hedged net investment is either sold or substantially liquidated. The initial fair value of components excluded from the assessment of hedge effectiveness will be recognized in interest (expense) income, net.

The notional value of outstanding foreign cross-currency swaps was \$1,068.2 million and \$1,026.2 million at September 30, 2024 and June 30, 2024, respectively. These contracts mature at various dates prior to December 31, 2029.

Non-Designated Hedges

We transact business in various foreign currencies, including a number of major European currencies as well as the Australian and Singapore dollars. We have foreign currency exposure through both our Australian and Singapore manufacturing activities, and international sales operations. We have established a foreign currency hedging program using purchased foreign currency call options, collars and forward contracts to hedge foreign-currency-denominated financial assets, liabilities and manufacturing cash flows. The terms of such foreign currency hedging contracts generally do not exceed three years. The purpose of this hedging program is to economically manage the financial impact of foreign currency exposures denominated mainly in Euros, and Australian and Singapore dollars. Under this program, increases or decreases in our foreign currency denominated financial assets, liabilities, and firm commitments are partially offset by gains and losses on the hedging instruments. We do not designate these foreign currency contracts as hedges. All movements in the fair value of the foreign currency instruments are recorded within other, net in our condensed consolidated statements of operations.

The notional value of the outstanding non-designated hedges was \$1,073.9 million and \$1,340.0 million at September 30, 2024 and June 30, 2024, respectively. These contracts mature at various dates prior to September 15, 2025.

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RESMED INC. AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

Fair Values of Derivative Instruments

The table below provides information (in U.S. dollars) on our foreign currency denominated operating assets and liabilities and after considering our foreign currency hedging activities as of September 30, 2024 (in thousands):

	U.S. Dollar (USD)	Euro (EUR)	Canadian Dollar (CAD)	Chinese Yuan (CNY)
AUD Functional:				
Net Assets/(Liabilities)	291,502	(194,343)	—	42,922
Foreign Currency Hedges	(315,000)	178,287	—	(28,498)
Net Total	(23,498)	(16,056)	—	14,424
USD Functional:				
Net Assets/(Liabilities)	—	316,278	31,257	—
Foreign Currency Hedges	—	(312,001)	(29,595)	—
Net Total	—	4,277	1,662	—
SGD Functional:				
Net Assets/(Liabilities)	232,804	164,884	—	1,809
Foreign Currency Hedges	(255,000)	(167,144)	—	—
Net Total	(22,196)	(2,260)	—	1,809

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RESMED INC. AND SUBSIDIARIES
Quantitative and Qualitative Disclosures About Market Risk

The table below provides information about our material foreign currency derivative financial instruments and presents the information in U.S. dollar equivalents. The table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates, including foreign currency call options, collars, forward contracts and cross-currency swaps held at September 30, 2024. The table presents the notional amounts and weighted average exchange rates by contractual maturity dates for our foreign currency derivative financial instruments, including the forward contracts used to hedge our foreign currency denominated assets and liabilities. These notional amounts generally are used to calculate payments to be exchanged under the contracts (in thousands, except exchange rates).

	Total	Fair Value Assets / (Liabilities)	
		September 30, 2024	June 30, 2024
AUD/USD			
Contract amount	315,000	10,746	730
Ave. contractual exchange rate	AUD 1 = USD 0.6712		
AUD/EUR			
Contract amount	245,144	(1,747)	(1,610)
Ave. contractual exchange rate	AUD 1 = EUR 0.6253		
SGD/EUR			
Contract amount	200,572	1,760	825
Ave. contractual exchange rate	SGD 1 = EUR 0.6884		
SGD/USD			
Contract amount	255,000	11,569	(2,054)
Ave. contractual exchange rate	SGD 1 = USD 0.7469		
AUD/CNY			
Contract amount	28,498	398	(112)
Ave. contractual exchange rate	AUD 1 = CNY 4.7828		
USD/EUR			
Contract amount	1,068,155	(72,673)	(31,743)
Ave. contractual exchange rate	USD 1 = EUR 0.9610		
USD/CAD			
Contract amount	29,595	(500)	(143)
Ave. contractual exchange rate	CAD 1 = USD 0.7274		

Interest Rate Risk

We are exposed to risk associated with changes in interest rates affecting the return on our cash and cash equivalents and debt. At September 30, 2024, we held cash and cash equivalents of \$426.4 million, principally comprised of bank term deposits and at-call accounts, and are invested at both short-term fixed interest rates and variable interest rates. At September 30, 2024, there was \$180.0 million outstanding under the Revolving Credit Agreement and Term Credit Agreement, which are subject to variable interest rates. A hypothetical 10% change in interest rates during the three months ended September 30, 2024, would not have had a material impact on pretax income. We have no interest rate hedging agreements.

Inflation

Inflationary factors such as increases in the cost of our products, freight, overhead costs or wage rates may adversely affect our operating results. Sustained inflationary pressures in the future may have an adverse effect on our ability to maintain current levels of gross margin and operating expenses as a percentage of net revenue if we are unable to offset such higher costs through price increases.

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RESMED INC. AND SUBSIDIARIES

Item 4 Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports made pursuant to the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and that information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance management necessarily was required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) of the Exchange Act, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2024.

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1 Legal Proceedings

We are involved in various legal proceedings, claims, investigations and litigation that arise in the ordinary course of our business. We investigate these matters as they arise, and accrue estimates for resolution of legal and other contingencies in accordance with Accounting Standard Codification Topic 450, “Contingencies”. See note 8 to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Litigation is inherently uncertain. Accordingly, we cannot predict with certainty the outcome of these matters. But we do not expect the outcome of these matters to have a material adverse effect on our consolidated financial statements when taken as a whole.

Item 1A Risk Factors

The discussion of our business and operations should be read together with the risk factors contained in our annual report on Form 10-K for the fiscal year ended June 30, 2024, which was filed with the SEC and describe various material risks and uncertainties to which we are or may become subject. As of September 30, 2024, there have been no further material changes to such risk factors.

Item 2 Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Purchases of equity securities. The following table summarizes our purchases of common stock for the three months ended September 30, 2024:

Period	Total Number of Shares Purchased	Average Price Paid per Share (USD)	Cumulative Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares that May Yet Be Purchased Under the Program
July 1 - 31, 2024	—	—	42,664,067	12,051,946
August 1 - 31, 2024	221,996	225.23	42,886,063	11,829,950
September 1 - 30, 2024	—	—	42,886,063	11,829,950
Total	221,996	\$ 225.23	42,886,063	11,829,950

On February 21, 2014, our board of directors approved our current share repurchase program, authorizing us to acquire up to an aggregate of 20.0 million shares of our common stock. The program allows us to repurchase shares of our common stock from time to time for cash in the open market, or in negotiated or block transactions, as market and business conditions warrant and subject to applicable legal requirements. The share repurchase program may be accelerated, suspended, delayed or discontinued at any time at the discretion of our board of directors. All share repurchases after February 21, 2014 have been executed under this program. Since approval of the share repurchase program in 2014 through September 30, 2024, we have repurchased a total of 8.2 million shares under this repurchase program for an aggregate of \$612.7 million.

Item 3 Defaults Upon Senior Securities

None

Item 4 Mine Safety Disclosures

None

Item 5 Other Information

Rule 10b5-1 Trading Plans of Directors and Executive Officers

Our directors and executive officers may purchase or sell shares of our common stock in the market from time to time, including pursuant to equity trading plans adopted in accordance with Rule 10b5-1 under the Exchange Act and in compliance with guidelines specified by our insider trading policy. In accordance with Rule 10b5-1 and our insider trading

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RESMED INC. AND SUBSIDIARIES

policy, directors, officers and certain employees who, at such time, are not in possession of material non-public information are permitted to enter into written plans that pre-establish amounts, prices and dates (or formula for determining the amounts, prices and dates) of future purchases or sales of our stock, including shares acquired pursuant to our equity incentive plans. Under a Rule 10b5-1 trading plan, a broker executes trades pursuant to parameters established by the director or executive officer when entering into the plan, without further direction from them. The use of these trading plans permits asset diversification as well as personal financial and tax planning. Our directors and executive officers also may buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material nonpublic information, subject to compliance with SEC rules, the terms of our insider trading policy and certain minimum holding requirements.

During the quarterly period ended September 30, 2024, none of our directors or executive officers adopted or terminated a Rule 10b5-1 trading plan or adopted or terminated a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

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Item 6 Exhibits

Exhibits (numbered in accordance with Item 601 of Regulation S-K)

3.1	<u>First Restated Certificate of Incorporation of ResMed Inc., as amended. (Incorporated by reference to Exhibit 3.1 to the Registrant’s Report on Form 10-Q for the quarter ended September 30, 2013)</u>
3.2	<u>Eighth Amended and Restated Bylaws of ResMed Inc., as adopted on November 17, 2023 (as Approved and Adopted by Board Resolution November 17, 2023). (Incorporated by reference to Exhibit 3.1 to the Registrant’s Report on Form 8-K filed on November 20, 2023)</u>
10.1	<u>ResMed Inc. Non-Employee Director Deferral Program</u>
31.1	<u>Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32*	<u>Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101	The following financial statements from ResMed Inc.’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, filed on October 24, 2024, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Income, (iv) Condensed Consolidated Statements of Cash Flows, (v) the Notes to the Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 33-8238 and 34-47986, Final Rule: Management’s Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, the certifications furnished in Exhibit 32 hereto are deemed to accompany this Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

October 24, 2024

ResMed Inc.

/s/ MICHAEL J. FARRELL

Michael J. Farrell
Chief Executive Officer
(Principal Executive Officer)

/s/ BRETT A. SANDERCOCK

Brett A. Sandercock
Chief Financial Officer
(Principal Financial Officer)

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