# ResMed

NYSE: RMD · SLEEP & RESPIRATORY CARE

RELATED FORCES: Care, Health & Dependency Infrastructure

EXCEPTIONAL · 5/5 · CLASS OF 2026

| SECTOR | INDUSTRY | HQ | EMPLOYEES | MARKET CAP |
|---|---|---|---|---|
| Healthcare | Medical Instruments | San Diego, CA | 11,370 | $33.4bn |

## THE ONE-MINUTE VERSION

ResMed treats sleep apnea — a condition where the airway repeatedly closes during sleep. The standard therapy is a bedside pump that holds the airway open through a mask, worn nightly, often for life. The pump is a one-time sale; the **mask and tubing a patient replaces every few months, for years, is the business**, and the machines are cloud-connected, reporting usage to the physicians and insurers who fund the therapy. Earnings have compounded at 14.0% for twelve years, rising in every single year-on-year comparison — the cleanest curve of any name in this series. That is what we mean by a **structural compounder**.

### WHAT IS IT?

The market leader in **CPAP devices and masks** for obstructive sleep apnea, plus a cloud platform (myAir) that tracks patient compliance for physicians and insurers.

### HOW IT CREATES VALUE

Razor and blades with a data lock-in layered on top: **masks and tubing are replaced routinely**, and the connected compliance platform ties a patient's reimbursement to staying on ResMed's system.

### THE MOAT

**Data, not the device.** Insurers and physicians already trust ResMed's compliance reporting; switching a patient disrupts a reimbursement pathway, not just a piece of hardware.

### THE TREND SHAPING ITS MARKET

Sleep apnea is chronically under-diagnosed, and diagnosis rates are rising as awareness and home-testing improve. **The addressable pool is still expanding, not just the treated share of it.**

### THE STRUCTURAL BOTTLENECK

Not manufacturing — **the compliance-data relationship** with physicians and payers, built up over years of connected-device history that a new entrant starts without.

### THE COMPETITION — THE HONEST BIT

GLP-1 weight-loss drugs are the single biggest live debate on this stock: obesity is a major driver of sleep apnea, and if GLP-1 use becomes widespread, some analysts expect the diagnosed-apnea population to shrink over time, not grow. ResMed's own data so far shows new-patient starts still rising, but this is the one number that would break the growth thesis outright — not a minor headwind.

## THE FIVE STRUCTURAL TESTS — EVERY COMPANY, THE SAME FIVE

| COMPOUNDING | EARNINGS QLTY | BALANCE SHEET | CAPITAL ALLOC. | PER-SHARE VAL. |
|---|---|---|---|---|
| PASS | PASS | PASS | PASS | PASS |

**TRAJECTORY · MIXED ↔** Recent EPS growth has decelerated (+2.3% last quarter vs a 14% long-run CAGR) — the metric most worth tracking next.

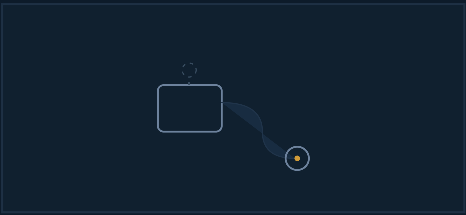
## THE COMPOUNDING RECORD — SAME FIVE METRICS FOR EVERY COMPANY IN THE SERIES

| EPS CAGR, 12 YRS | YEARLY COMPARISONS UP | WORST EARNINGS DRAWDOWN | NET MARGIN | NET DEBT / EQUITY |
|---|---|---|---|---|
| 14.0% | 100% | 0.8% | 26.9% | 0.00× |

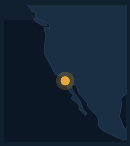
**The Exceptional Company Series** is where The Conviction Play profiles the small number of businesses whose economics we judge genuinely exceptional — companies that pass all five of our structural tests and have compounded earnings through a full cycle. The premise is simple: **conviction is built on business quality and an enduring competitive advantage**, not on a price forecast. We publish what the moat is, how it is defended, and what would change our mind — dated. What we never publish is a price target.

| — EXPLORE | — ARCHIVE | — SUBSCRIBE |
|---|---|---|
| The seven forces & twenty-two themes | Every company profile to date | convictionplay.substack.com |

**Not a buy signal** — exceptional can also be expensive, and capital is at risk. What this is and what it is not, overleaf.



## HEAD OFFICE

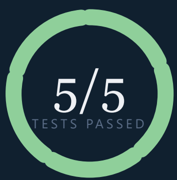


San Diego, California, United States

Healthcare · Medical Instruments

| | |
|---|---|
| ROIC | 26.8% |
| REVENUE GROWTH | +8.6% |
| EPS GROWTH | +2.3% |
| INTEREST COVER | 40.7× |
| FINANCIAL STRENGTH | 5 / 5 |
| WEBSITE | resmed.com |
| INVESTOR RELATIONS | IR site |

## THE CONVICTION WHEEL




COMPOUNDING
Revenue +8.6%, EPS +2.3%

EARNINGS QLTY
26.9% net margin

BALANCE SHEET
Zero net debt

CAPITAL ALLOC.
26.8% return on capital

PER-SHARE VAL.
14.0%/yr per share, 12y

## PEER GROUP — SLEEP & RESPIRATORY CARE

RMD · profiled

PHG Philips

INSP Inspire Medical

## WHY THE ECONOMICS ARE EXCEPTIONAL

**The device is sold once; the mask is replaced for years.** ResMed's CPAP machines treat obstructive sleep apnea, but the recurring business is the mask, cushion and tubing a patient replaces every few months for as long as therapy continues.

**The lock-in is data, not hardware.** The machines are cloud-connected, feeding compliance data to physicians and insurers. Reimbursement often depends on demonstrated usage, so switching a patient disrupts a payment pathway rather than merely swapping a box.

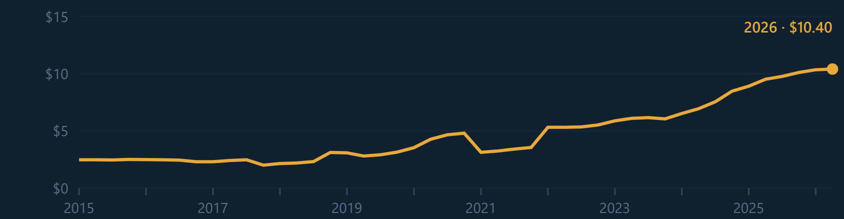
**The record is the cleanest in this series.** Trailing earnings rose in every single year-on-year comparison across twelve years, with a worst drawdown under one percent — a straight line where most compounders show a staircase.

**The honest risk.** GLP-1 weight-loss drugs are the live debate. Obesity drives much of sleep apnea, and if these drugs are adopted widely the diagnosed population could shrink rather than grow. New patient starts are still rising, but this is the number that would break the growth case outright.

Share price, twelve years of monthly closes — **the same window as the earnings chart below, so the two can be read against each other.**


Not a valuation. Marker = date profiled. Refreshes quarterly.

Trailing twelve-month EPS, twelve years of quarterly data. **Every single year-on-year comparison, up.**




Three down years in eleven, and 2021 gave back a quarter of the line — the least even record in the series so far.

## WHERE THE REVENUE COMES FROM (COMPANY-REPORTED)

United States ≈ 68% | International ≈ 32%

Source: company-reported segment disclosure, FY2025.

## WHAT THIS IS, AND WHAT IT IS NOT

**An assessment of business quality** — how durable the economics are, and how consistently they have become earnings. Produced by Legend, our rules-based framework, applied identically to every company.

**Not a buy signal.** Not a valuation, price target, forecast or recommendation, and no view on the share price. Exceptional can also be expensive: this company fell 51% from its August 2021 high and has been below it for 60 months, while its earnings kept rising. Capital is at risk.

### WHERE TO READ MORE — NOT BY US

**Mauboussin, *Measuring the Moat*** (Morgan Stanley) — how to judge a competitive advantage rather than assert one. Free. · **Thorndike, *The Outsiders*** — capital allocation as the job. · **Berkshire shareholder letters** — free at berkshirehathaway.com.