

**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 March 31, 2022

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 Exchange Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
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	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

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 April 25, 2022 there were 146,284,655 shares of Common Stock (\$0.004 par value) outstanding. This number excludes 41,836,234 shares held by the registrant as treasury shares.

RESMED INC. AND SUBSIDIARIES
INDEX

Part I	Financial Information	3
Item 1	Financial Statements	3
	Condensed Consolidated Balance Sheets (Unaudited)	3
	Condensed Consolidated Statements of Operations (Unaudited)	4
	Condensed Consolidated Statements of Comprehensive Income (Unaudited)	5
	Condensed Consolidated Statements of Changes in Equity (Unaudited)	6
	Condensed Consolidated Statements of Cash Flows (Unaudited)	8
	Notes to the Condensed Consolidated Financial Statements (Unaudited)	9
Item 2	Management’s Discussion and Analysis of Financial Condition and Results of Operations	20
Item 3	Quantitative and Qualitative Disclosures About Market Risk	34
Item 4	Controls and Procedures	36
Part II	Other Information	37
Item 1	Legal Proceedings	37
Item 1A	Risk Factors	37
Item 2	Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3	Defaults Upon Senior Securities	37
Item 4	Mine Safety Disclosures	37
Item 5	Other Information	37
Item 6	Exhibits	38
	Signatures	39

Item 1. Financial Statements

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

	<u>March 31, 2022</u>	<u>June 30, 2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 201,769	\$ 295,278
Accounts receivable, net of allowances of \$24,411 and \$32,138 at March 31, 2022 and June 30, 2021, respectively	508,580	614,292
Inventories (note 3)	664,943	457,033
Prepaid taxes	108,898	72,409
Prepaid expenses and other current assets	220,110	135,745
Total current assets	<u>1,704,300</u>	<u>1,574,757</u>
Non-current assets:		
Property, plant and equipment, net (note 3)	513,250	463,490
Operating lease right-of-use assets	141,173	128,575
Goodwill (note 4)	1,946,317	1,927,901
Other intangible assets, net (note 3)	355,984	392,582
Deferred income taxes	74,840	79,904
Prepaid taxes and other non-current assets	169,400	160,916
Total non-current assets	<u>3,200,964</u>	<u>3,153,368</u>
Total assets	<u>\$ 4,905,264</u>	<u>\$ 4,728,125</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 149,797	\$ 138,008
Accrued expenses	326,276	320,599
Operating lease liabilities, current	24,130	23,585
Deferred revenue	112,449	109,611
Income taxes payable (note 6)	42,646	307,963
Short-term debt, net (note 8)	11,967	12,000
Total current liabilities	<u>667,265</u>	<u>911,766</u>
Non-current liabilities:		
Deferred revenue	94,094	91,496
Deferred income taxes	10,711	11,319
Operating lease liabilities, non-current	127,254	114,779
Other long-term liabilities	5,103	6,802
Long-term debt, net (note 8)	668,735	643,351
Long-term income taxes payable (note 6)	53,298	62,933
Total non-current liabilities	<u>959,195</u>	<u>930,680</u>
Total liabilities	<u>1,626,460</u>	<u>1,842,446</u>
Commitments and contingencies (note 10)		
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; 188,102,293 issued and 146,266,059 outstanding at March 31, 2022 and 187,484,592 issued and 145,648,358 outstanding at June 30, 2021	585	583
Additional paid-in capital	1,645,453	1,622,199
Retained earnings	3,480,163	3,079,640
Treasury stock, at cost, 41,836,234 shares at March 31, 2022 and June 30, 2021	(1,623,256)	(1,623,256)
Accumulated other comprehensive loss	(224,141)	(193,487)
Total stockholders' equity	<u>3,278,804</u>	<u>2,885,679</u>
Total liabilities and stockholders' equity	<u>\$ 4,905,264</u>	<u>\$ 4,728,125</u>

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Net revenue - Sleep and Respiratory Care products	\$ 763,358	\$ 674,931	\$ 2,365,697	\$ 2,042,909
Net revenue - Software as a Service	101,142	93,836	297,693	277,813
Net revenue	864,500	768,767	2,663,390	2,320,722
Cost of sales - Sleep and Respiratory Care products	324,618	270,351	1,017,494	833,203
Cost of sales - Software as a Service	37,703	40,234	110,820	105,050
Cost of sales (exclusive of amortization shown separately below)	362,321	310,585	1,128,314	938,253
Amortization of acquired intangible assets - Sleep and Respiratory Care products	1,071	900	3,043	3,995
Amortization of acquired intangible assets - Software as a Service	9,911	10,024	30,228	30,071
Amortization of acquired intangible assets	10,982	10,924	33,271	34,066
Total cost of sales	373,303	321,509	1,161,585	972,319
Gross profit	491,197	447,258	1,501,805	1,348,403
Selling, general, and administrative	182,401	160,446	544,483	488,904
Research and development	66,801	55,941	189,258	165,409
Amortization of acquired intangible assets	7,730	7,445	23,175	23,377
Restructuring expenses (note 11)	—	—	—	8,673
Total operating expenses	256,932	223,832	756,916	686,363
Income from operations	234,265	223,426	744,889	662,040
Other income (loss), net:				
Interest (expense) income, net	(5,462)	(5,823)	(16,770)	(18,341)
Loss attributable to equity method investments (note 5)	(2,627)	(4,969)	(5,927)	(9,895)
Gain (loss) on equity investments (note 5)	(1,735)	4,666	(527)	9,442
Other, net	1,878	705	729	1,205
Total other income (loss), net	(7,946)	(5,421)	(22,495)	(17,589)
Income before income taxes	226,319	218,005	722,394	644,451
Income taxes	47,307	296,486	138,018	365,046
Net income (loss)	\$ 179,012	\$ (78,481)	\$ 584,376	\$ 279,405
Basic earnings (loss) per share (note 9)	\$ 1.22	\$ (0.54)	\$ 4.00	\$ 1.92
Diluted earnings (loss) per share (note 9)	\$ 1.22	\$ (0.54)	\$ 3.97	\$ 1.91
Dividend declared per share	\$ 0.42	\$ 0.39	\$ 1.26	\$ 1.17
Basic shares outstanding (000's)	146,240	145,513	145,969	145,217
Diluted shares outstanding (000's)	146,962	145,513	147,034	146,394

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Net income (loss)	\$ 179,012	\$ (78,481)	\$ 584,376	\$ 279,405
Other comprehensive income (loss):				
Foreign currency translation (loss) gain adjustments	(1,046)	(32,822)	(30,654)	88,009
Comprehensive income (loss)	<u>\$ 177,966</u>	<u>\$ (111,303)</u>	<u>\$ 553,722</u>	<u>\$ 367,414</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, 2021	187,485	\$ 583	\$ 1,622,199	(41,836)	\$ (1,623,256)	\$ 3,079,640	\$ (193,487)	\$ 2,885,679
Common stock issued on exercise of options	61	—	4,354	—	—	—	—	4,354
Common stock issued on vesting of restricted stock units, net of shares withheld for tax	1	—	(195)	—	—	—	—	(195)
Stock-based compensation costs	—	—	17,303	—	—	—	—	17,303
Other comprehensive income	—	—	—	—	—	—	(23,516)	(23,516)
Net income	—	—	—	—	—	203,613	—	203,613
Dividends declared (\$0.42 per common share)	—	—	—	—	—	(61,189)	—	(61,189)
Balance, September 30, 2021	187,547	\$ 583	\$ 1,643,661	(41,836)	\$ (1,623,256)	\$ 3,222,064	\$ (217,003)	\$ 3,026,049
Common stock issued on exercise of options	39	—	2,378	—	—	—	—	2,378
Common stock issued on vesting of restricted stock units, net of shares withheld for tax	361	2	(49,832)	—	—	—	—	(49,830)
Common stock issued on employee stock purchase plan	101	—	16,723	—	—	—	—	16,723
Stock-based compensation costs	—	—	16,101	—	—	—	—	16,101
Other comprehensive income	—	—	—	—	—	—	(6,092)	(6,092)
Net income	—	—	—	—	—	201,751	—	201,751
Dividends declared (\$0.42 per common share)	—	—	—	—	—	(61,245)	—	(61,245)
Balance, December 31, 2021	188,048	\$ 585	\$ 1,629,031	(41,836)	\$ (1,623,256)	\$ 3,362,570	\$ (223,095)	\$ 3,145,835
Common stock issued on exercise of options	49	—	2,814	—	—	—	—	2,814
Common stock issued on vesting of restricted stock units, net of shares withheld for tax	5	—	(2,253)	—	—	—	—	(2,253)
Stock-based compensation costs	—	—	15,861	—	—	—	—	15,861
Other comprehensive income	—	—	—	—	—	—	(1,046)	(1,046)
Net income	—	—	—	—	—	179,012	—	179,012
Dividends declared (\$0.42 per common share)	—	—	—	—	—	(61,419)	—	(61,419)
Balance, March 31, 2022	188,102	\$ 585	\$ 1,645,453	(41,836)	\$ (1,623,256)	\$ 3,480,163	\$ (224,141)	\$ 3,278,804

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, 2020	186,723	\$ 580	\$ 1,570,694	(41,836)	\$ (1,623,256)	\$ 2,832,991	\$ (283,982)	\$ 2,497,027
Common stock issued on exercise of options	18	—	1,026	—	—	—	—	1,026
Common stock issued on vesting of restricted stock units, net of shares withheld for tax	3	—	227	—	—	—	—	227
Stock-based compensation costs	—	—	16,071	—	—	—	—	16,071
Other comprehensive income (loss)	—	—	—	—	—	—	43,791	43,791
Cumulative effect adjustment from adoption of the credit loss standard, net of tax	—	—	—	—	—	(1,143)	—	(1,143)
Net income	—	—	—	—	—	178,372	—	178,372
Dividends declared (\$0.39 per common share)	—	—	—	—	—	(56,511)	—	(56,511)
Balance, September 30, 2020	186,744	\$ 580	\$ 1,588,018	(41,836)	\$ (1,623,256)	\$ 2,953,709	\$ (240,191)	\$ 2,678,860
Common stock issued on exercise of options	29	—	1,857	—	—	—	—	1,857
Common stock issued on vesting of restricted stock units, net of shares withheld for tax	451	2	(46,734)	—	—	—	—	(46,732)
Common stock issued on employee stock purchase plan	116	—	15,729	—	—	—	—	15,729
Stock-based compensation costs	—	—	15,370	—	—	—	—	15,370
Other comprehensive income	—	—	—	—	—	—	77,040	77,040
Net income	—	—	—	—	—	179,514	—	179,514
Dividends declared (\$0.39 per common share)	—	—	—	—	—	(56,654)	—	(56,654)
Balance, December 31, 2020	187,340	\$ 582	\$ 1,574,240	(41,836)	\$ (1,623,256)	\$ 3,076,569	\$ (163,151)	\$ 2,864,984
Common stock issued on exercise of options	1	—	139	—	—	—	—	139
Common stock issued on vesting of restricted stock units, net of shares withheld for tax	12	—	(3,431)	—	—	—	—	(3,431)
Common stock issued on employee stock purchase plan	—	—	6	—	—	—	—	6
Stock-based compensation costs	—	—	15,591	—	—	—	—	15,591
Other comprehensive income	—	—	—	—	—	—	(32,822)	(32,822)
Net income (loss)	—	—	—	—	—	(78,481)	—	(78,481)
Dividends declared (\$0.39 per common share)	—	—	—	—	—	(56,752)	—	(56,752)
Balance, March 31, 2021	187,353	\$ 582	\$ 1,586,545	(41,836)	\$ (1,623,256)	\$ 2,941,336	\$ (195,973)	\$ 2,709,234

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)

	Nine Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 584,376	\$ 279,405
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	122,198	120,034
Amortization of right-of-use assets	26,636	25,805
Stock-based compensation costs	49,265	47,032
Loss attributable to equity method investments (note 5)	5,927	9,895
(Gain) loss on equity investments (note 5)	527	(9,442)
Restructuring expenses (note 11)	—	8,673
Changes in operating assets and liabilities:		
Accounts receivable	98,158	(39,899)
Inventories	(209,476)	(48,393)
Prepaid expenses, net deferred income taxes and other current assets	(127,977)	(41,036)
Accounts payable, accrued expenses, income taxes payable and other	(277,973)	158,119
Net cash provided by operating activities	271,661	510,193
Cash flows from investing activities:		
Purchases of property, plant and equipment	(106,192)	(74,805)
Patent registration and acquisition costs	(17,449)	(11,149)
Business acquisitions, net of cash acquired	(35,915)	(30,704)
Purchases of investments (note 5)	(16,614)	(20,038)
Proceeds from sale of investment	6,802	—
(Payments) / proceeds on maturity of foreign currency contracts	(5,309)	26,306
Net cash used in investing activities	(174,677)	(110,390)
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	26,269	18,759
Taxes paid related to net share settlement of equity awards	(52,278)	(49,938)
Payments of business combination contingent consideration	—	(3,500)
Proceeds from borrowings, net of borrowing costs	160,000	90,000
Repayment of borrowings	(136,000)	(536,000)
Dividends paid	(183,853)	(169,917)
Net cash used in financing activities	(185,862)	(650,596)
Effect of exchange rate changes on cash	(4,631)	18,272
Net decrease in cash and cash equivalents	(93,509)	(232,521)
Cash and cash equivalents at beginning of period	295,278	463,156
Cash and cash equivalents at end of period	\$ 201,769	\$ 230,635
Supplemental disclosure of cash flow information:		
Income taxes paid, net of refunds	\$ 432,268	\$ 180,307
Interest paid	\$ 16,770	\$ 18,644
Fair value of assets acquired, excluding cash	\$ 8,986	\$ 15,992
Liabilities assumed	(2,492)	(3,309)
Goodwill on acquisition	33,499	24,202
Previously held equity interest	(4,078)	—
Deferred payments	—	(1,681)
Cash paid for acquisitions	\$ 35,915	\$ 35,204

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 that includes out-of-hospital software platforms designed to support the professionals and caregivers who help people stay healthy in the home or care setting of their choice.

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, 2022.

The condensed consolidated financial statements for the three and nine months ended March 31, 2022 and March 31, 2021 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, 2021.

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 Respiratory Care”) and the supply of business management software as a service to out-of-hospital health providers (“SaaS”). Our Sleep and Respiratory Care 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 SaaS revenue relates to the provision of software access with ongoing support and maintenance services as well as professional services such as training and consulting.

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 March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
U.S., Canada and Latin America				
Devices	\$ 250,768	\$ 192,897	\$ 771,475	\$ 595,287
Masks and other	224,665	209,984	681,803	637,507
Total Sleep and Respiratory Care	\$ 475,433	\$ 402,881	\$ 1,453,278	\$ 1,232,794
Software as a Service	101,142	93,836	297,693	277,813
Total	\$ 576,575	\$ 496,717	\$ 1,750,971	\$ 1,510,607
Combined Europe, Asia and other markets				
Devices	\$ 182,307	\$ 172,838	\$ 608,268	\$ 536,856
Masks and other	105,618	99,212	304,151	273,259
Total Sleep and Respiratory Care	\$ 287,925	\$ 272,050	\$ 912,419	\$ 810,115
Global revenue				
Devices	\$ 433,075	\$ 365,735	\$ 1,379,743	\$ 1,132,143
Masks and other	330,283	309,196	985,954	910,766
Total Sleep and Respiratory Care	\$ 763,358	\$ 674,931	\$ 2,365,697	\$ 2,042,909
Software as a Service	101,142	93,836	297,693	277,813
Total	\$ 864,500	\$ 768,767	\$ 2,663,390	\$ 2,320,722

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 Respiratory Care business, we transfer control and recognize a sale when products are shipped to the customer in accordance with the contractual shipping terms. For our SaaS business, revenue associated with professional 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 Respiratory Care 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 SaaS 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):

	March 31, 2022	June 30, 2021	Balance sheet caption
Contract assets			
Accounts receivable, net	\$ 508,580	\$ 614,292	Accounts receivable, net
Unbilled revenue, current	25,653	10,893	Prepaid expenses and other current assets
Unbilled revenue, non-current	7,018	6,214	Prepaid taxes and other non-current assets
Contract liabilities			
Deferred revenue, current	(112,449)	(109,611)	Deferred revenue (current liabilities)
Deferred revenue, non-current	(94,094)	(91,496)	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 Respiratory Care segment, the amount of consideration received and revenue recognized varies

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

with changes in marketing incentives (e.g. rebates, discounts, free goods) and returns offered to our customers and their customers. When we give customers the right to return eligible products and receive credit, returns are estimated based on an analysis of historical experience. However, returns of products, excluding warranty-related returns, are 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 Respiratory Care 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 on a quarterly basis 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 Respiratory Care 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 Respiratory Care as well as our SaaS customers as part of normal business practice and these are deducted from revenue when the sale occurs.

When Sleep and Respiratory Care or SaaS 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 Respiratory Care 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 Respiratory Care 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 elected 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 Respiratory Care medical devices to customers primarily as a means to comply with local health insurer requirements in certain foreign geographies. Device rental contracts include sales-type and 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.

The components of lease revenue were as follows (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Sales-type lease revenue	\$ 946	\$ 2,031	\$ 6,598	\$ 5,854
Operating lease revenue	19,797	22,746	69,380	72,551
Total lease revenue	\$ 20,743	\$ 24,777	\$ 75,978	\$ 78,405

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

Provision for Warranty

We provide for the estimated cost of product warranties on our Sleep and Respiratory Care products at the time the related revenue is recognized. We determine the amount of this provision by using a financial model, which takes into consideration actual historical expenses and potential risks associated with our different products. We use this financial model to calculate the future probable expenses related to warranty and the required level of the warranty provision. Although we engage in product improvement programs and processes, our warranty obligation is affected by product failure rates and costs incurred to correct those product failures. Should actual product failure rates or estimated costs to repair those product failures differ from our estimates, we would be required to revise our estimated warranty provision.

Recently adopted accounting pronouncements

ASU No. 2021-08 “Business Combinations: Accounting for Contract Assets and Contract Liabilities from Contracts with Customers”

In October 2021, the FASB issued ASU No. 2021-08, “Accounting for Contract Assets and Contract Liabilities from Contracts with Customers” (Topic 805), which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, *Revenue from Contracts with Customers*, as if it had originated the contracts. This approach differs from the current requirement to measure contract assets and contract liabilities acquired in a business combination at fair value. The guidance is effective for us beginning in the first quarter of the year ending June 30, 2024 and early adoption is permitted. We elected to early adopt this standard in the second quarter of our fiscal year ending June 30, 2022. We do not expect the adoption of ASU 2021-08 to have a material impact on our consolidated financial statements.

(2) Segment Information

We have quantitatively and qualitatively determined that we operate in two operating segments, which are the Sleep and Respiratory Care segment and the SaaS 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 year ended June 30, 2021. 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, net interest expense (income), loss 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.

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 March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Net revenue by segment				
Total Sleep and Respiratory Care	\$ 763,358	\$ 674,931	\$ 2,365,697	\$ 2,042,909
Software as a Service	101,142	93,836	297,693	277,813
Total	<u>\$ 864,500</u>	<u>\$ 768,767</u>	<u>\$ 2,663,390</u>	<u>\$ 2,320,722</u>
Depreciation and amortization by segment				
Sleep and Respiratory Care	\$ 21,008	\$ 13,589	\$ 58,372	\$ 39,979
Software as a Service	1,863	1,491	5,421	3,599
Amortization of acquired intangible assets and corporate assets	19,435	24,908	58,405	76,456
Total	<u>\$ 42,306</u>	<u>\$ 39,988</u>	<u>\$ 122,198</u>	<u>\$ 120,034</u>
Net operating profit by segment				
Sleep and Respiratory Care	\$ 267,808	\$ 253,693	\$ 847,589	\$ 763,534
Software as a Service	23,649	23,052	68,668	70,929
Total	<u>\$ 291,457</u>	<u>\$ 276,745</u>	<u>\$ 916,257</u>	<u>\$ 834,463</u>
Reconciling items				
Corporate costs	\$ 38,480	\$ 34,950	\$ 114,922	\$ 106,307
Amortization of acquired intangible assets	18,712	18,369	56,446	57,443
Restructuring expenses	—	—	—	8,673
Interest expense (income), net	5,462	5,823	16,770	18,341
Loss attributable to equity method investments	2,627	4,969	5,927	9,895
(Gain) loss on equity investments	1,735	(4,666)	527	(9,442)
Other, net	(1,878)	(705)	(729)	(1,205)
Income before income taxes	<u>\$ 226,319</u>	<u>\$ 218,005</u>	<u>\$ 722,394</u>	<u>\$ 644,451</u>

(3) Supplemental Balance Sheet Information

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

	March 31, 2022	June 30, 2021
Inventories		
Raw materials	\$ 340,335	\$ 155,419
Work in progress	4,481	4,647
Finished goods	320,127	296,967
Total inventories	<u>\$ 664,943</u>	<u>\$ 457,033</u>
Property, Plant and Equipment		
Property, plant and equipment, at cost	\$ 1,165,391	\$ 1,085,629
Accumulated depreciation and amortization	(652,141)	(622,139)
Property, plant and equipment, net	<u>\$ 513,250</u>	<u>\$ 463,490</u>

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

Other Intangible Assets	March 31, 2022	June 30, 2021
Developed/core product technology	\$ 352,304	\$ 383,319
Accumulated amortization	(234,540)	(239,049)
Developed/core product technology, net	117,764	144,270
Customer relationships	251,693	272,703
Accumulated amortization	(86,212)	(90,976)
Customer relationships, net	165,481	181,727
Other intangibles	211,227	197,662
Accumulated amortization	(138,488)	(131,077)
Other intangibles, net	72,739	66,585
Total other intangibles, net	<u>\$ 355,984</u>	<u>\$ 392,582</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):

	Nine Months Ended March 31, 2022		
	Sleep and Respiratory Care	SaaS	Total
Balance at the beginning of the period	\$ 633,183	\$ 1,294,718	\$ 1,927,901
Business acquisitions	33,499	—	33,499
Foreign currency translation adjustments	(15,083)	—	(15,083)
Balance at the end of the period	<u>\$ 651,599</u>	<u>\$ 1,294,718</u>	<u>\$ 1,946,317</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 of gains or losses attributable to equity method investments as a component of other income (loss), net on the condensed consolidated statements of operations.

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

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

Measurement category	March 31, 2022	June 30, 2021
Fair value	\$ 17,842	\$ 29,084
Measurement alternative	38,180	23,002
Equity method	12,477	17,154
Total	<u>\$ 68,499</u>	<u>\$ 69,240</u>

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

	Nine Months Ended March 31, 2022			
	Non-marketable securities	Marketable securities	Equity method investments	Total
Balance at the beginning of the period	\$ 23,002	\$ 29,084	\$ 17,154	\$ 69,240
Net additions (reductions) to investments ⁽¹⁾	7,665	(3,202)	1,250	5,713
Observable price adjustments on non-marketable equity securities	5,367	—	—	5,367
Unrealized losses on marketable equity securities	—	(9,666)	—	(9,666)
Realized gains on marketable and non-marketable equity securities	2,355	1,626	—	3,981
Impairment of investments	(209)	—	—	(209)
Loss attributable to equity method investments	—	—	(5,927)	(5,927)
Carrying value at the end of the period	<u>\$ 38,180</u>	<u>\$ 17,842</u>	<u>\$ 12,477</u>	<u>\$ 68,499</u>

- (1) Net additions (reductions) to investments includes additions from purchases, reductions due to exits of securities, or reclassifications due to our acquisition of an investee in which we held a prior equity interest.

	Nine Months Ended March 31, 2021			
	Non-marketable securities	Marketable securities	Equity method investments	Total
Balance at the beginning of the period	\$ 30,033	\$ —	\$ 14,109	\$ 44,142
Additions to investments	2,538	5,000	12,500	20,038
Observable price adjustments on non-marketable equity securities	1,000	—	—	1,000
Unrealized gains on marketable equity securities	—	8,442	—	8,442
Reclassifications ⁽²⁾	(10,569)	10,569	—	—
Loss attributable to equity method investments	—	—	(9,895)	(9,895)
Carrying value at the end of the period	<u>\$ 23,002</u>	<u>\$ 24,011</u>	<u>\$ 16,714</u>	<u>\$ 63,727</u>

- (2) During the nine months ended March 31, 2021, one of our investments, which was previously accounted for under the measurement alternative, completed its initial public offering which resulted in a change of accounting methodology to fair value.

Net unrealized losses recognized for equity investments in non-marketable and marketable securities held as of March 31, 2022 for the three and nine months ended March 31, 2022 were \$1.7 million and \$4.5 million, respectively. Net unrealized gains recognized for equity investments in non-marketable and marketable securities held as of March 31, 2021 for the three and nine months ended March 31, 2021 were \$4.7 million and \$9.4 million, respectively.

(6) Income Taxes

In accordance with ASC 740 *Income Taxes*, each interim reporting period is considered integral to the annual period, and tax expense is measured using an estimated annual effective tax rate. An entity is required to record income tax expense each quarter based on its annual effective tax rate estimated for the full fiscal year and use that rate to provide for income taxes on a current year-to-date basis, adjusted for discrete taxable events that occur during the interim period.

On September 19, 2021, we concluded the settlement agreement with the Australian Taxation Office (“ATO”) in relation to the previously disclosed transfer pricing dispute for the tax years 2009 through 2018 (“ATO settlement”). The ATO settlement fully resolved the dispute for all prior years, with no admission of liability and provides clarity in relation to certain future taxation principles.

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

The final net impact of the ATO settlement was \$238.7 million, which represents a gross amount of \$381.7 million, including interest and penalties of \$48.1 million, and adjustments for credits and deductions of \$143.0 million. As a result of the ATO settlement and due to movements in foreign currencies, we recorded a benefit of \$14.1 million within other comprehensive income, and a \$4.1 million reduction of tax credits, which was recorded to income tax expense. As a result of the ATO settlement, we reversed our previously recorded uncertain tax position.

On September 28, 2021, we remitted final payment to the ATO of \$284.8 million, consisting of the agreed settlement amount of \$381.7 million less prior remittances made to the ATO of \$96.9 million.

(7) Product Warranties

Changes in the liability for warranty costs, which is included in accrued expenses in our condensed consolidated balance sheets, are as follows (in thousands):

	Nine Months Ended March 31,	
	2022	2021
Balance at the beginning of the period	\$ 22,032	\$ 21,132
Warranty accruals for the period	14,653	11,521
Warranty costs incurred for the period	(9,689)	(11,253)
Foreign currency translation adjustments	41	1,566
Balance at the end of the period	<u>\$ 27,037</u>	<u>\$ 22,966</u>

(8) Debt

Debt consisted of the following (in thousands):

	March 31, 2022	June 30, 2021
Short-term debt	\$ 11,967	\$ 12,000
Long-term debt	\$ 670,000	\$ 646,000
Deferred borrowing costs	(1,265)	(2,649)
Long-term debt, net	<u>\$ 668,735</u>	<u>\$ 643,351</u>
Total debt	<u>\$ 680,702</u>	<u>\$ 655,351</u>

Credit Facility

On April 17, 2018, we entered into an amended and restated credit agreement (the “Revolving Credit Agreement”), as borrower, with lenders MUFG Union Bank, N.A., as administrative agent, joint lead arranger, joint book runner, swing line lender and letter of credit issuer, and Westpac Banking Corporation, as syndication agent, joint lead arranger and joint book runner. The Revolving Credit Agreement, among other things, provided a senior unsecured revolving credit facility of \$800.0 million, with an uncommitted option to increase the revolving credit facility by an additional \$300.0 million.

Additionally, on April 17, 2018, ResMed Limited entered into a Syndicated Facility 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. The Term Credit Agreement, among other things, provides ResMed Limited a senior unsecured term credit facility of \$200.0 million.

On November 5, 2018, we entered into a first amendment to the Revolving Credit Agreement to, among other things, increase the size of our senior unsecured revolving credit facility from \$800.0 million to \$1.6 billion, with an uncommitted option to increase the revolving credit facility by an additional \$300.0 million.

Our obligations under the Revolving Credit Agreement are guaranteed by certain of our direct and indirect U.S. subsidiaries, and ResMed 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

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

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 April 17, 2023, when all unpaid principal and interest under the loans must be repaid. Amounts borrowed under the Term Credit Agreement also amortize on a semi-annual basis, with a \$6.0 million principal payment required on each such semi-annual amortization date. The outstanding principal amounts bear interest at a rate equal to LIBOR 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 March 31, 2022, the interest rate that was being charged on the outstanding principal amounts was 1.1%. An applicable commitment fee of 0.100% to 0.175% (depending on the then-applicable leverage ratio) applies on the unused portion of the revolving credit facility. As of March 31, 2022, we had \$1.6 billion 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 LIBOR plus the spreads described above, its carrying amount is equivalent to its fair value as at March 31, 2022 and June 30, 2021, which was \$182.0 million and \$158.0 million, respectively. Quoted market prices in active markets for similar liabilities based inputs (Level 2) were used to estimate fair value.

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 March 31, 2022 and June 30, 2021 the Senior Notes had a carrying amount of \$500.0 million, excluding deferred borrowing costs, and an estimated fair value of \$495.9 million and \$530.4 million, respectively. Quoted market prices in active markets for similar liabilities based inputs (Level 2) were used to estimate fair value.

At March 31, 2022, we were in compliance with our debt covenants and there was \$682.0 million outstanding under the Revolving Credit Agreement, Term Credit Agreement and Senior Notes.

(9) Earnings (Loss) Per Share

Basic earnings (loss) 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 (loss) 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.

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

The calculation of diluted weighted average shares for the three months ended March 31, 2021 excluded 857,799 potentially dilutive common shares because we reported a net loss.

The weighted average number of outstanding stock options and restricted stock units not included in the computation of diluted earnings (loss) per share were 307,368 and 225,580 for the three months ended March 31, 2022 and 2021, respectively, and 52,599 and 200,341 for the nine months ended March 31, 2022 and 2021, respectively, as the effect would have been anti-dilutive.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Numerator:				
Net income (loss)	\$ 179,012	\$ (78,481)	\$ 584,376	\$ 279,405
Denominator:				
Basic weighted-average common shares outstanding	146,240	145,513	145,969	145,217
Effect of dilutive securities:				
Stock options and restricted stock units	722	—	1,065	1,177
Diluted weighted average shares	146,962	145,513	147,034	146,394
Basic earnings (loss) per share	\$ 1.22	\$ (0.54)	\$ 4.00	\$ 1.92
Diluted earnings (loss) per share	\$ 1.22	\$ (0.54)	\$ 3.97	\$ 1.91

(10) Legal Actions and Contingencies

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 filed a complaint for patent infringement in the United States District Court, District of Delaware against ResMed Inc., case no. 1:21-cv-00813 (CFC). The complaint alleges that the AutoSet and AutoRamp features of ResMed’s AirSense 10 AutoSet flow generators infringe one or more claims of various patents. According to the complaint, the patents are directed to systems and methods for diagnosing and treating patient sleeping disorders during different sleep states. The complaint seeks monetary damages and attorneys’ fees. ResMed 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. The matter is proceeding to discovery.

On January 27, 2021, the International Trade Commission 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 is seeking review by the full International Trade Commission, and the Commission is expected to issue its final determination on or about August 1, 2022. 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 defendants. The district court cases have been stayed pending the resolution of the ITC proceedings. ResMed is not a party to the ITC investigation or the district court cases but sells products that incorporate some of the communications modules at issue in the cases.

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

On October 1, 2021 ResMed acquired Ectosense, manufacturer of the NightOwl device used for home sleep testing. Prior to the acquisition, Ectosense was named as a defendant in a trademark and false advertising complaint filed by Itamar Medical Ltd. in the district court for the Southern District of Florida, case no. 20-cv-60719-WPD, based on Ectosense’s description of the NightOwl’s measurement of peripheral arterial tone and use of the acronym “PAT” in its advertising. Ectosense filed a counterclaim for cancellation of Itamar’s “PAT” trademark and for false advertising by Itamar. Each party seeks damages and injunctive relief against the other. The matter was resolved on April 5, 2022, in a confidential settlement agreement to the mutual satisfaction of the parties.

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 nine months ended March 31, 2022 and March 31, 2021, receivables sold with limited recourse were \$126.2 million and \$112.2 million, respectively. As of March 31, 2022, the maximum exposure on outstanding receivables sold with recourse and contingent provision were \$47.0 million and \$3.4 million, respectively. As of June 30, 2021, the maximum exposure on outstanding receivables sold with recourse and contingent provision were \$30.2 million and \$8.2 million, respectively.

(11) Restructuring Expenses

In November 2020, we closed our Portable Oxygen Concentrator business, which was part of the Sleep and Respiratory Care segment. During the three and nine months ended March 31, 2021, we recognized restructuring expenses of \$13.9 million primarily related to inventory write-downs of \$5.2 million, accelerated amortization of acquired intangible assets of \$5.1 million, asset impairments of \$2.3 million, employee-related costs of \$0.7 million and contract cancellation costs of \$0.6 million. Of the total expense recognized during the three and nine months ended March 31, 2021, the inventory write-down of \$5.2 million is presented within cost of sales and the remaining \$8.7 million in restructuring costs is separately disclosed as restructuring expenses on the condensed consolidated statements of income. We did not incur additional material expenses in connection with this activity after March 31, 2021, and the restructure was completed as of June 30, 2021.

RESMED INC. AND SUBSIDIARIES
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, litigation, tax outlook and the effects of competition and public health crises (including the COVID-19 pandemic) 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, 2021 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, economic, market, legal or regulatory circumstances, including the impact of public health crises such as the novel strain of coronavirus (COVID-19) that has spread globally, 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, the actions or omissions of third parties, including suppliers, customers, competitors and governmental authorities 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, 2021, 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.

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

Overview

The following is an overview of our results of operations for the three and nine months ended March 31, 2022. 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. Management’s discussion and analysis 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 cloud-based software digital health 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.

We are committed to ongoing investment in research and development and product enhancements. During the three months ended March 31, 2022, we invested \$66.8 million on research and development activities, which represents 7.7% 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. During the three months ended March 31, 2022 we continued the launch of AirSense 11, which introduces new features such as a touch screen, algorithms for patients new to therapy and digital enhancements and over-the-air update capabilities. Due to multiple acquisitions, including Brightree in April 2016, HEALTHCAREfirst in July 2018 and MatrixCare in November 2018, our operations now include out-of-hospital 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 SaaS business. These products, our cloud-based remote monitoring and therapy management system, and a robust product pipeline, 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 Respiratory Care”) and the supply of business management software as a service to out-of-hospital health providers (“SaaS”).

Net revenue for the three months ended March 31, 2022 was \$864.5 million, an increase of 12% compared to the three months ended March 31, 2021. Gross margin was 56.8% for the three months ended March 31, 2022 compared to 58.2% for the three months ended March 31, 2021. Diluted earnings per share was \$1.22 for the three months ended March 31, 2022, compared to diluted loss per share of \$0.54 for the three months ended March 31, 2021.

At March 31, 2022, our cash and cash equivalents totaled \$201.8 million, our total assets were \$4.9 billion and our stockholders’ equity was \$3.3 billion.

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”).

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

Key Trends and Economic Factors Affecting Our BusinessSupply Chain Disruptions

The COVID-19 pandemic has continued to impact the global supply chain, primarily through a lack of availability of raw materials and electronic components. The lack of raw materials and electronic components is also impacting companies outside of our direct industry, which is resulting in a competitive supply environment causing higher costs, requiring us to commit to minimum purchase obligations as well as make upfront payments to our suppliers. Additionally, we have observed a reduction in both inbound and outbound transportation capacity as a result of port closures and delays associated with the pandemic, which is causing longer lead times in receiving raw materials into and distributing finished goods out of our manufacturing facilities, in addition to increased freight costs. These highly competitive and constrained supply chain conditions are increasing our cost of sales, which has and may continue to decrease our gross margin. Given the ongoing uncertainty regarding the duration and extent of the COVID-19 pandemic, we are uncertain as to the duration and extent of constraint on our supply chain.

Competitor Recall

An ongoing product recall by one of our competitors, Philips, has resulted in increased demand for our sleep and respiratory care devices. The supply chain disruptions outlined above have constrained and restricted our ability to meet this increased demand and we expect these constraints will continue for the remainder of the fiscal year ending June 30, 2022.

COVID-19

Although there is still substantial uncertainty associated with the COVID-19 pandemic, we believe the global demand for ventilators and other respiratory support devices used to treat COVID-19 patients has largely been met. We did not observe material incremental demand for our ventilator devices and masks associated with the pandemic during the three months ended March 31, 2022 and do not expect material COVID-19-generated demand for our ventilator products for the remainder of the fiscal year ending June 30, 2022.

In most markets, diagnostic pathways for sleep apnea treatment, including physician practices, home medical equipment (“HME”) distributors, and sleep clinics have largely recovered towards pre-pandemic levels as vaccines and boosters roll out globally. Likewise, we have continued to observe stabilizing patient flow in our out-of-hospital care settings within our SaaS business.

Our ability to continue to operate without any significant negative impacts will in part depend on our ability to protect our employees. We have endeavored and continue to follow recommended actions of government and health authorities to protect our employees worldwide as we progressively reopen our offices around the world. The pandemic has not negatively impacted our liquidity position.

Impact on Our Business

As a result of these trends, we were not able to meet all the demand available in the market during the three months ended March 31, 2022. We are being allocated components from our suppliers, particularly semiconductor chips, and we are thus being forced to allocate our outbound products to our customers. We have established an allocation process with clear guiding principles that give priority to the production and delivery of devices to meet the needs of the highest acuity patients first. In addition to component supply issues, the ongoing freight challenges are impacting our ability to respond as rapidly as we would like to the demand for our products.

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

Results of Operations
Three Months Ended March 31, 2022 Compared to the Three Months Ended March 31, 2021
Net Revenue

Net revenue for the three months ended March 31, 2022 increased to \$864.5 million from \$768.8 million for the three months ended March 31, 2021, an increase of \$95.7 million or 12% (a 14% increase on a constant currency basis). The following table summarizes our net revenue disaggregated by segment, product and region (in thousands):

	Three Months Ended March 31,		% Change	Constant Currency*
	2022	2021		
U.S., Canada and Latin America				
Devices	\$ 250,768	\$ 192,897	30 %	
Masks and other	224,665	209,984	7	
Total Sleep and Respiratory Care	\$ 475,433	\$ 402,881	18	
Software as a Service	101,142	93,836	8	
Total	\$ 576,575	\$ 496,717	16	
Combined Europe, Asia and other markets				
Devices	\$ 182,307	\$ 172,838	5 %	10 %
Masks and other	105,618	99,212	6	13
Total Sleep and Respiratory Care	\$ 287,925	\$ 272,050	6	11
Global revenue				
Devices	\$ 433,075	\$ 365,735	18 %	21 %
Masks and other	330,283	309,196	7	9
Total Sleep and Respiratory Care	\$ 763,358	\$ 674,931	13	15
Software as a Service	101,142	93,836	8	8
Total	\$ 864,500	\$ 768,767	12	14

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

Sleep and Respiratory Care

Net revenue from our Sleep and Respiratory Care business for the three months ended March 31, 2022 was \$763.4 million, an increase of 13% compared to net revenue for the three months ended March 31, 2021. Movements in international currencies against the U.S. dollar negatively impacted net revenue by approximately \$14.4 million for the three months ended March 31, 2022. Excluding the impact of currency movements, total Sleep and Respiratory Care net revenue for the three months ended March 31, 2022 increased by 15% compared to the three months ended March 31, 2021. The increase in net revenue was primarily attributable to an increase in unit sales of our devices and masks, including increased demand following a recent product recall by one of our competitors.

Net revenue from our Sleep and Respiratory Care business in the U.S., Canada and Latin America for the three months ended March 31, 2022 increased to \$475.4 million from \$402.9 million for the three months ended March 31, 2021, an increase of \$72.6 million or 18%. The increase was primarily due to an increase in unit sales of our devices and masks, including increased demand following a recent product recall by one of our competitors.

Net revenue in combined Europe, Asia and other markets increased for the three months ended March 31, 2022 to \$287.9 million from \$272.1 million for the three months ended March 31, 2021, an increase of \$15.9 million or 6% (an 11% increase on a constant currency basis). The constant currency increase in sales in combined Europe, Asia and other markets predominantly reflects an increase in unit sales of our devices and masks, including increased demand following a recent product recall by one of our competitors.

Net revenue from devices for the three months ended March 31, 2022 increased to \$433.1 million from \$365.7 million for the three months ended March 31, 2021, an increase of \$67.3 million or 18%, including an increase of 30% in the U.S., Canada and Latin America and an increase of 5% in combined Europe, Asia and other markets (a 10% increase on a

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

constant currency basis). Excluding the impact of foreign currency movements, device sales for the three months ended March 31, 2022 increased by 21%.

Net revenue from masks and other for the three months ended March 31, 2022 increased to \$330.3 million from \$309.2 million for the three months ended March 31, 2021, an increase of \$21.1 million or 7%, including an increase of 7% in the U.S., Canada and Latin America and an increase of 6% in combined Europe, Asia and other markets (a 13% increase on a constant currency basis). Excluding the impact of foreign currency movements, masks and other sales increased by 9%, compared to the three months ended March 31, 2021.

Software as a Service

Net revenue from our SaaS business for the three months ended March 31, 2022 was \$101.1 million, an increase of 8% compared to the three months ended March 31, 2021. The increase was predominantly due to continued growth in our HME and Home Health and Hospice segments, in addition to stabilizing patient flow in our out-of-hospital care settings.

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

Nine Months Ended March 31, 2022 Compared to the Nine Months Ended March 31, 2021
Net Revenue

Net revenue for the nine months ended March 31, 2022 increased to \$2,663.4 million from \$2,320.7 million for the nine months ended March 31, 2021, an increase of \$342.7 million or 15% (a 15% increase on a constant currency basis). The following table summarizes our net revenue disaggregated by segment, product and region (in thousands):

	Nine Months Ended March 31,		% Change	Constant Currency*
	2022	2021		
U.S., Canada and Latin America				
Devices	\$ 771,475	\$ 595,287	30 %	
Masks and other	681,803	637,507	7	
Total Sleep and Respiratory Care	\$ 1,453,278	\$ 1,232,794	18	
Software as a Service	297,693	277,813	7	
Total	\$ 1,750,971	\$ 1,510,607	16	
Combined Europe, Asia and other markets				
Devices	\$ 608,268	\$ 536,856	13 %	15 %
Masks and other	304,151	273,259	11	14
Total Sleep and Respiratory Care	\$ 912,419	\$ 810,115	13	15
Global revenue				
Devices	\$ 1,379,743	\$ 1,132,143	22 %	23 %
Masks and other	985,954	910,766	8	9
Total Sleep and Respiratory Care	\$ 2,365,697	\$ 2,042,909	16	16
Software as a Service	297,693	277,813	7	7
Total	\$ 2,663,390	\$ 2,320,722	15	15

Sleep and Respiratory Care

Net revenue from our Sleep and Respiratory Care business for the nine months ended March 31, 2022 was \$2,365.7 million, an increase of 16% compared to net revenue for the nine months ended March 31, 2021. Movements in international currencies against the U.S. dollar negatively impacted net revenue by approximately \$14.3 million for the nine months ended March 31, 2022. Excluding the impact of currency movements, total Sleep and Respiratory Care net revenue for the nine months ended March 31, 2022 increased by 16% compared to the nine months ended March 31, 2021. The increase in net revenue was primarily attributable to an increase in unit sales of our devices and masks, including recovery of core sleep patient flow that was previously impacted by the pandemic and increased demand following a recent product recall by one of our competitors, partially offset by decreased COVID-19 related demand for our ventilators.

Net revenue from our Sleep and Respiratory Care business in the U.S., Canada and Latin America for the nine months ended March 31, 2022 increased to \$1,453.3 million from \$1,232.8 million for the nine months ended March 31, 2021, an increase of \$220.5 million or 18%. The increase was primarily due to an increase in unit sales of our devices and masks, including recovery of core sleep patient flow that was previously impacted by the pandemic and increased demand following a recent product recall by one of our competitors, partially offset by decreased COVID-19 related demand for our ventilators.

Net revenue in combined Europe, Asia and other markets increased for the nine months ended March 31, 2022 to \$912.4 million from \$810.1 million for the nine months ended March 31, 2021, an increase of \$102.3 million or 13% (a 15% increase on a constant currency basis). The constant currency increase in sales in combined Europe, Asia and other markets predominantly reflects an increase in unit sales of our devices and masks, including recovery of core sleep patient flow that was previously impacted by the pandemic and increased demand following a recent product recall by one of our competitors, partially offset by decreased COVID-19-related demand for our ventilators.

Net revenue from devices for the nine months ended March 31, 2022 increased to \$1,379.7 million from \$1,132.1 million for the nine months ended March 31, 2021, an increase of \$247.6 million or 22%, including an increase of 30% in the U.S.,

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

Canada and Latin America and an increase of 13% in combined Europe, Asia and other markets (a 15% increase on a constant currency basis). Excluding the impact of foreign currency movements, device sales for the nine months ended March 31, 2022 increased by 23%.

Net revenue from masks and other for the nine months ended March 31, 2022 increased to \$986.0 million from \$910.8 million for the nine months ended March 31, 2021, an increase of \$75.2 million or 8%, including an increase of 7% in the U.S., Canada and Latin America and an increase of 11% in combined Europe, Asia and other markets (a 14% increase on a constant currency basis). Excluding the impact of foreign currency movements, masks and other sales increased by 9%, compared to the nine months ended March 31, 2021.

Software as a Service

Net revenue from our SaaS business for the nine months ended March 31, 2022 was \$297.7 million, an increase of 7% compared to the nine months ended March 31, 2021. The increase was predominantly due to continued growth in our HME and Home Health and Hospice segments, in addition to stabilizing patient flow in our out-of-hospital care settings.

Gross Profit and Gross Margin

Gross profit increased for the three months ended March 31, 2022 to \$491.2 million from \$447.3 million for the three months ended March 31, 2021, an increase of \$43.9 million or 10%. Gross margin, which is gross profit as a percentage of net revenue, for the three months ended March 31, 2022 was 56.8% compared to 58.2% for the three months ended March 31, 2021.

The decrease in gross margin for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 was due primarily to higher logistics and manufacturing costs, partially offset by favorable changes in product mix and average selling prices.

Gross profit increased for the nine months ended March 31, 2022 to \$1,501.8 million from \$1,348.4 million for the nine months ended March 31, 2021, an increase of \$153.4 million or 11%. Gross margin, which is gross profit as a percentage of net revenue, for the nine months ended March 31, 2022 was 56.4% compared to 58.1% for the nine months ended March 31, 2021.

The decrease in gross margin for the nine months ended March 31, 2022 compared to the nine months ended March 31, 2021 was due primarily to higher logistics and manufacturing costs, partially offset by favorable changes in product mix and average selling prices.

Operating Expenses

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

	Three Months Ended March 31,		Change	% Change	Constant Currency
	2022	2021			
Selling, general, and administrative	\$ 182,401	\$ 160,446	\$ 21,955	14 %	17 %
<i>as a % of net revenue</i>	21.1 %	20.9 %			
Research and development	66,801	55,941	10,860	19 %	22 %
<i>as a % of net revenue</i>	7.7 %	7.3 %			
Amortization of acquired intangible assets	7,730	7,445	285	4 %	4 %

	Nine Months Ended March 31,		Change	% Change	Constant Currency
	2022	2021			
Selling, general, and administrative	\$ 544,483	\$ 488,904	\$ 55,579	11 %	13 %
<i>as a % of net revenue</i>	20.4 %	21.1 %			
Research and development	189,258	165,409	23,849	14 %	15 %
<i>as a % of net revenue</i>	7.1 %	7.1 %			
Amortization of acquired intangible assets	23,175	23,377	(202)	(1)%	(1)%

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

Selling, General, and Administrative Expenses

Selling, general, and administrative expenses increased for the three months ended March 31, 2022 to \$182.4 million from \$160.4 million for the three months ended March 31, 2021, an increase of \$22.0 million or 14%. Selling, general, and administrative expenses were favorably impacted by the movement of international currencies against the U.S. dollar, which decreased our expenses by approximately \$5.7 million, as reported in U.S. dollars. Excluding the impact of foreign currency movements, selling, general, and administrative expenses for the three months ended March 31, 2022 increased by 17% compared to the three months ended March 31, 2021. As a percentage of net revenue, selling, general, and administrative expenses were 21.1% for the three months ended March 31, 2022, compared to 20.9% for the three months ended March 31, 2021.

The constant currency increase in selling, general, and administrative expenses was primarily due to increases in employee-related costs during the three months ended March 31, 2022 compared to the three months ended March 31, 2021.

Selling, general, and administrative expenses increased for the nine months ended March 31, 2022 to \$544.5 million from \$488.9 million for the nine months ended March 31, 2021, an increase of \$55.6 million or 11%. Selling, general, and administrative expenses were favorably impacted by the movement of international currencies against the U.S. dollar, which decreased our expenses by approximately \$5.7 million, as reported in U.S. dollars. Excluding the impact of foreign currency movements, selling, general, and administrative expenses for the nine months ended March 31, 2022 increased by 13% compared to the nine months ended March 31, 2021. As a percentage of net revenue, selling, general, and administrative expenses were 20.4% for the nine months ended March 31, 2022, compared to 21.1% for the nine months ended March 31, 2021.

The constant currency increase in selling, general, and administrative expenses was primarily due to increases in employee-related costs during the nine months ended March 31, 2022 compared to the nine months ended March 31, 2021.

Research and Development Expenses

Research and development expenses increased for the three months ended March 31, 2022 to \$66.8 million from \$55.9 million for the three months ended March 31, 2021, an increase of \$10.9 million, or 19%. Research and development expenses were favorably impacted by the movement of international currencies against the U.S. dollar, which decreased our expenses by approximately \$1.5 million for the three months ended March 31, 2022, as reported in U.S. dollars. Excluding the impact of foreign currency movements, research and development expenses increased by 22% compared to the three months ended March 31, 2021. As a percentage of net revenue, research and development expenses were 7.7% for the three months ended March 31, 2022, compared to 7.3% for the three months ended March 31, 2021.

The increase in research and development expenses in constant currency terms was primarily due to increased investment in our digital health technologies and SaaS solutions.

Research and development expenses increased for the nine months ended March 31, 2022 to \$189.3 million from \$165.4 million for the nine months ended March 31, 2021, an increase of \$23.8 million, or 14%. Research and development expenses were favorably impacted by the movement of international currencies against the U.S. dollar, which decreased our expenses by approximately \$0.9 million for the nine months ended March 31, 2022, as reported in U.S. dollars. Excluding the impact of foreign currency movements, research and development expenses increased by 15% compared to the nine months ended March 31, 2021. As a percentage of net revenue, research and development expenses were 7.1% for the nine months ended March 31, 2022, compared to 7.1% for the nine months ended March 31, 2021.

The increase in research and development expenses in constant currency terms was primarily due to increased investment in our digital health technologies and SaaS solutions.

Amortization of Acquired Intangible Assets

Amortization of acquired intangible assets for the three months ended March 31, 2022 totaled \$7.7 million compared to \$7.4 million for the three months ended March 31, 2021.

Amortization of acquired intangible assets for the nine months ended March 31, 2022 totaled \$23.2 million compared to \$23.4 million for the nine months ended March 31, 2021.

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

Restructuring Expenses

In November 2020, we closed our Portable Oxygen Concentrator business, which was part of the Sleep and Respiratory Care segment. During the three and nine months ended March 31, 2021, we recognized restructuring expenses of \$13.9 million primarily related to inventory write-downs of \$5.2 million, accelerated amortization of acquired intangible assets of \$5.1 million, asset impairments of \$2.3 million, employee-related costs of \$0.7 million and contract cancellation costs of \$0.6 million. Of the total expense recognized during the three and six months ended December 31, 2020, the inventory write-down of \$5.2 million is presented within cost of sales and the remaining \$8.7 million in restructuring costs is separately disclosed as restructuring expenses on the condensed consolidated statements of income. We did not incur additional material expenses in connection with this activity after March 31, 2021.

Total Other Income (Loss), Net

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

	Three Months Ended March 31,		Change
	2022	2021	
Interest (expense) income, net	\$ (5,462)	\$ (5,823)	\$ 361
Loss attributable to equity method investments	(2,627)	(4,969)	2,342
Gain (loss) on equity investments	(1,735)	4,666	(6,401)
Other, net	1,878	705	1,173
Total other income (loss), net	<u>\$ (7,946)</u>	<u>\$ (5,421)</u>	<u>\$ (2,525)</u>

	Nine Months Ended March 31,		Change
	2022	2021	
Interest (expense) income, net	\$ (16,770)	\$ (18,341)	\$ 1,571
Loss attributable to equity method investments	(5,927)	(9,895)	3,968
Gain (loss) on equity investments	(527)	9,442	(9,969)
Other, net	729	1,205	(476)
Total other income (loss), net	<u>\$ (22,495)</u>	<u>\$ (17,589)</u>	<u>\$ (4,906)</u>

Total other income (loss), net for the three months ended March 31, 2022 was a loss of \$7.9 million compared to a loss of \$5.4 million for the three months ended March 31, 2021. The increase in loss was primarily due to losses associated with our investments in marketable and non-marketable equity securities, which were a loss of \$1.7 million for the three months ended March 31, 2022 compared to a gain of \$4.7 million for the three months ended March 31, 2021. This was offset by lower losses attributable to equity method investments for the three months ended March 31, 2022 of \$2.6 million compared to \$5.0 million for the three months ended March 31, 2021. Additionally, interest expense, net, decreased to \$5.5 million for the three months ended March 31, 2022 compared to \$5.8 million for the three months ended March 31, 2021.

Total other income (loss), net for the nine months ended March 31, 2022 was a loss of \$22.5 million compared to a loss of \$17.6 million for the nine months ended March 31, 2021. The increase in loss was primarily due to losses associated with our investments in marketable and non-marketable equity securities, which were a loss of \$0.5 million for the nine months ended March 31, 2022 compared to a gain of \$9.4 million for the nine months ended March 31, 2021. This was offset by lower losses attributable to equity method investments for the nine months ended March 31, 2022 of \$5.9 million compared to \$9.9 million for the nine months ended March 31, 2021. Additionally, interest expense, net, decreased to \$16.8 million for the nine months ended March 31, 2022 compared to \$18.3 million for the nine months ended March 31, 2021.

Income Taxes

Our effective income tax rate for the three and nine months ended March 31, 2022 was 20.9% and 19.1% as compared to 136.0% and 56.6% for the three and nine months ended March 31, 2021. Our effective rate of 19.1% for the nine months ended March 31, 2021 differs from the statutory rate of 21.0% primarily due to research credits, foreign operations and windfall tax benefits related to the vesting or settlement of employee share-based awards. The decrease in our effective tax

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

rate for the three and nine months ended March 31, 2022 was primarily related to the decrease in unrecognized tax benefits recorded in connection with the Australian Tax Office ("ATO") transfer pricing dispute, outlined below.

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 Act, 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.

On September 19, 2021, we concluded the settlement agreement with the ATO in relation to the previously disclosed transfer pricing dispute for the tax years 2009 through 2018 ("ATO settlement"). The ATO settlement fully resolved the dispute for all prior years, with no admission of liability and provides clarity in relation to certain future taxation principles.

The final net impact of the ATO settlement was \$238.7 million, which represents a gross amount of \$381.7 million, including interest and penalties of \$48.1 million, and adjustments for credits and deductions of \$143.0 million. As a result of the ATO settlement and due to movements in foreign currencies, we recorded a benefit of \$14.1 million within other comprehensive income, and a \$4.1 million reduction of tax credits, which was recorded to income tax expense. As a result of the ATO settlement, we reversed our previously recorded uncertain tax position.

On September 28, 2021, we remitted final payment to the ATO of \$284.8 million, consisting of the agreed settlement amount of \$381.7 million less prior remittances made to the ATO of \$96.9 million.

Net Income (Loss) and Earnings (Loss) per Share

As a result of the factors above, our net income for the three months ended March 31, 2022 was \$179.0 million compared to a net loss of \$78.5 million for the three months ended March 31, 2021, an increase of \$257.5 million. Our net income for the nine months ended March 31, 2022 was \$584.4 million compared to net income of \$279.4 million for the nine months ended March 31, 2021, an increase of \$305.0 million, or 109%.

Our diluted earnings per share for the three months ended March 31, 2022 was \$1.22 per diluted share compared to diluted loss per share of \$0.54 for the three months ended March 31, 2021. Our diluted earnings per share for the nine months ended March 31, 2022 was \$3.97 per diluted share compared to diluted earnings per share of \$1.91 for the nine months ended March 31, 2021, an increase of 108%.

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 restructuring expense associated with inventory write-downs following the closure of the portable oxygen concentrator business. 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.

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
GAAP Net revenue	\$ 864,500	\$ 768,767	\$ 2,663,390	\$ 2,320,722
GAAP Cost of sales	\$ 373,303	\$ 321,509	\$ 1,161,585	\$ 972,319
Less: Amortization of acquired intangibles	(10,982)	(10,924)	(33,271)	(34,066)
Less: Restructuring - cost of sales	—	—	—	(5,232)
Non-GAAP cost of sales	\$ 362,321	\$ 310,585	\$ 1,128,314	\$ 933,021
GAAP gross profit	\$ 491,197	\$ 447,258	\$ 1,501,805	\$ 1,348,403
GAAP gross margin	56.8 %	58.2 %	56.4 %	58.1 %
Non-GAAP gross profit	\$ 502,179	\$ 458,182	\$ 1,535,076	\$ 1,387,701
Non-GAAP gross margin	58.1 %	59.6 %	57.6 %	59.8 %

The measure “non-GAAP income from operations” is equal to GAAP income from operations once adjusted for amortization of acquired intangibles and restructuring expense associated with the closure of the portable oxygen concentrator business. Non-GAAP income from operations is reconciled with GAAP income from operations below (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
GAAP income from operations	\$ 234,265	\$ 223,426	\$ 744,889	\$ 662,040
Amortization of acquired intangibles - cost of sales	10,982	10,924	33,271	34,066
Amortization of acquired intangibles - operating expenses	7,730	7,445	23,175	23,377
Restructuring - cost of sales	—	—	—	5,232
Restructuring - operating expenses	—	—	—	8,673
Non-GAAP income from operations	\$ 252,977	\$ 241,795	\$ 801,335	\$ 733,388

The measure “non-GAAP net income” is equal to GAAP net income once adjusted for amortization of acquired intangibles (net of tax), reserve for disputed tax positions, restructuring expenses (net of tax) and (gain) loss on equity investments. The measure “non-GAAP diluted earnings per share” is the ratio of non-GAAP net income to diluted shares outstanding.

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

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 March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
GAAP net income (loss)	\$ 179,012	\$ (78,481)	\$ 584,376	\$ 279,405
Amortization of acquired intangibles - cost of sales, net of tax	8,374	8,395	25,373	26,136
Amortization of acquired intangibles - operating expenses, net of tax	5,894	5,721	17,673	17,936
Reserve for disputed tax positions	—	254,776	4,111	254,776
Restructuring - cost of sales, net of tax	—	—	—	4,663
Restructuring - operating expenses, net of tax	—	—	—	7,730
(Gain) loss on equity investments	—	—	—	(8,476)
Non-GAAP net income	<u>\$ 193,280</u>	<u>\$ 190,411</u>	<u>\$ 631,533</u>	<u>\$ 582,170</u>
GAAP diluted shares outstanding	146,962	145,513	147,034	146,394
Anti-dilutive shares excluded from GAAP	—	858	—	—
Non-GAAP diluted shares outstanding	<u>146,962</u>	<u>146,371</u>	<u>147,034</u>	<u>146,394</u>
GAAP diluted earnings (loss) per share	\$ 1.22	\$ (0.54)	\$ 3.97	\$ 1.91
Non-GAAP diluted earnings per share	\$ 1.32	\$ 1.30	\$ 4.30	\$ 3.98

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 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 the COVID-19 pandemic, 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, the expenditures associated with possible future acquisitions, investments or other business combination transactions, and impacts from the COVID-19 pandemic. 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 March 31, 2022 and June 30, 2021, we had cash and cash equivalents of \$201.8 million and \$295.3 million, respectively. Our cash and cash equivalents held within the United States at March 31, 2022 and June 30, 2021 were \$57.2 million and \$106.7 million, respectively. Our remaining cash and cash equivalent balances at March 31, 2022 and June 30, 2021, were \$144.6 million and \$188.6 million, respectively. Our cash and cash equivalent balances are held at highly rated financial institutions.

As of March 31, 2022, we had \$1.6 billion available for draw down under the revolver credit facility and a combined total of \$1.8 billion in cash and available liquidity under the revolving credit facility.

As a result of the U.S. Tax Act, 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.

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

Revolving Credit Agreement, Term Credit Agreement and Senior Notes

On April 17, 2018, we entered into an 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 \$800.0 million, with an uncommitted option to increase the revolving credit facility by an additional \$300.0 million. Additionally, on April 17, 2018, ResMed Limited entered into a Syndicated Facility Agreement (the “Term Credit Agreement”). The Term Credit Agreement, among other things, provides ResMed Limited a senior unsecured term credit facility of \$200.0 million. On November 5, 2018, we entered into a first amendment to the Revolving Credit Agreement to, among other things, increase the size of our senior unsecured revolving credit facility from \$800.0 million to \$1.6 billion, with an uncommitted option to increase the revolving credit facility by an additional \$300.0 million. The Revolving Credit Agreement and Term Credit Agreement each terminate on April 17, 2023, when all unpaid principal and interest under the loans must be repaid. As of March 31, 2022, we had \$1.6 billion 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 March 31, 2022, there was a total of \$682.0 million outstanding under the Revolving Credit Agreement, Term Credit Agreement and Senior Notes. 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):

	Nine Months Ended March 31,	
	2022	2021
Net cash provided by operating activities	\$ 271,661	\$ 510,193
Net cash used in investing activities	(174,677)	(110,390)
Net cash used in financing activities	(185,862)	(650,596)
Effect of exchange rate changes on cash	(4,631)	18,272
Net decrease in cash and cash equivalents	<u>\$ (93,509)</u>	<u>\$ (232,521)</u>

Operating Activities

Cash provided by operating activities was \$271.7 million for the nine months ended March 31, 2022, compared to cash provided of \$510.2 million for the nine months ended March 31, 2021. The \$238.5 million decrease in cash flow from operations was primarily due to the payment of our tax settlement with the ATO of \$284.8 million and greater purchases and prepayments of inventory to secure adequate components for the increasing sales demand, partly offset by an increase in operating profit and other net changes in working capital balances compared to the nine months ended March 31, 2021.

Investing Activities

Cash used in investing activities was \$174.7 million for the nine months ended March 31, 2022, compared to cash used of \$110.4 million for the nine months ended March 31, 2021. The \$64.3 million decrease in cash flow from investing activities was primarily due to an increase in purchases of property, plant and equipment and an increase in payments on maturity of foreign currency contracts compared to the nine months ended March 31, 2021.

Financing Activities

Cash used in financing activities was \$185.9 million for the nine months ended March 31, 2022, compared to cash used of \$650.6 million for the nine months ended March 31, 2021. The \$464.7 million increase in cash flow from financing activities was primarily due to borrowing activity under our Revolving Credit Agreement. Proceeds from borrowings, net of repayments, for the nine months ended March 31, 2022 were \$24.0 million compared to net repayments of \$446.0 million during the nine months ended March 31, 2021.

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

Dividends

During the three months ended March 31, 2022, we paid cash dividends of \$0.42 per common share totaling \$61.4 million. On April 28, 2022, our board of directors declared a cash dividend of \$0.42 per common share, to be paid on June 16, 2022, to shareholders of record as of the close of business on May 12, 2022. Future dividends are subject to approval by our board of directors.

Common Stock

Since the inception of our share repurchase programs and through March 31, 2022, we have repurchased a total of 41.8 million shares for an aggregate of \$1.6 billion. We have temporarily suspended our share repurchase program due to recent acquisitions, and more recently, as a response to the COVID-19 pandemic. Accordingly, we did not repurchase any shares during the three and nine months ended March 31, 2022 and 2021. 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. There is no expiration date for this program, and the program may be accelerated, suspended, delayed or discontinued at any time at the discretion of our board of directors. At March 31, 2022, 12.9 million additional shares can be repurchased 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 year ended June 30, 2021.

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 positions and cash flows.

Contractual Obligations and Commitments

Purchase obligations as of March 31, 2022 were as follows:

	Total	Payments Due by March 31,					Thereafter
		2023	2024	2025	2026	2027	
Purchase obligations	1,570,247	1,465,590	89,710	13,555	1,392	—	—

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 Condition and Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021.

Off-Balance Sheet Arrangements

As of March 31, 2022, 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.

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. We have established a foreign currency hedging program using purchased currency options and forward contracts to hedge foreign-currency-denominated financial assets, liabilities and manufacturing cash flows. The goal of this hedging program is to economically manage the financial impact of foreign currency exposures predominantly denominated in euros, Australian dollars 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 enter into financial instruments for trading or speculative purposes. The foreign currency derivatives portfolio is recorded in the condensed consolidated balance sheets at fair value and included in other assets or other liabilities. All movements in the fair value of the foreign currency derivatives are recorded within other income, net, on our condensed consolidated statements of operations.

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 March 31, 2022 (in thousands):

	U.S. Dollar (USD)	Euro (EUR)	Canadian Dollar (CAD)	Chinese Yuan (CNY)
AUD Functional:				
Net Assets/(Liabilities)	49,745	(73,538)	—	11,801
Foreign Currency Hedges	(60,000)	55,478	—	(12,616)
Net Total	<u>(10,255)</u>	<u>(18,060)</u>	<u>—</u>	<u>(815)</u>
USD Functional:				
Net Assets/(Liabilities)	—	—	21,041	—
Foreign Currency Hedges	—	—	(20,028)	—
Net Total	<u>—</u>	<u>—</u>	<u>1,013</u>	<u>—</u>
SGD Functional:				
Net Assets/(Liabilities)	345,779	(24,829)	—	931
Foreign Currency Hedges	(330,000)	—	—	—
Net Total	<u>15,779</u>	<u>(24,829)</u>	<u>—</u>	<u>931</u>

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 and forward contracts held at March 31, 2022. 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).

Foreign Exchange Contracts	Year 1	Year 2	Total	Fair Value Assets / (Liabilities)	
				March 31, 2022	June 30, 2021
USD/AUD					
Contract amount	60,000	—	60,000	2,533	(652)
Ave. contractual exchange rate	USD 1 = AUD 0.7196		USD 1 = AUD 0.7196		
AUD/Euro					
Contract amount	110,956	—	110,956	(128)	1,172
Ave. contractual exchange rate	AUD 1 = Euro 0.6864		AUD 1 = Euro 0.6864		
SGD/Euro					
Contract amount	22,191	—	22,191	(18)	(88)
Ave. contractual exchange rate	SGD 1 = Euro 0.7117		SGD 1 = Euro 0.7117		
SGD/USD					
Contract amount	330,000	—	330,000	(641)	(177)
Ave. contractual exchange rate	SGD 1 = USD 0.7401		SGD 1 = USD 0.7401		
AUD/CNY					
Contract amount	12,616	—	12,616	(611)	(130)
Ave. contractual exchange rate	AUD 1 = CNY 5.0312		AUD 1 = CNY 5.0312		
USD/EUR					
Contract amount		—	—		169
Ave. contractual exchange rate	USD 1 = EUR		USD 1 = EUR		
USD/CAD					
Contract amount	20,028	—	20,028	83	(44)
Ave. contractual exchange rate	USD 1 = CAD 1.2431		USD 1 = CAD 1.2431		

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 March 31, 2022, we held cash and cash equivalents of \$201.8 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 March 31, 2022, there was \$182.0 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 and nine months ended March 31, 2022, would not have had a material impact on pretax income. We have no interest rate hedging agreements.

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 March 31, 2022.

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.

RESMED INC. AND SUBSIDIARIES**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 10 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 and contained in our annual report on Form 10-K for the fiscal year ended June 30, 2021, which was filed with the SEC and describe various material risks and uncertainties to which we are or may become subject. As of March 31, 2022, there have been no further material changes to such risk factors.

Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of equity securities. 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. There is no expiration date for this program, and the 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.

We temporarily suspended our share repurchase program due to recent acquisitions, and more recently, as a response to the COVID-19 pandemic. As a result, we did not repurchase any shares during the three months ended March 31, 2022. However, there is no expiration date for this program, and we may, at any time, elect to resume the share repurchase program as the circumstances allow. Since the inception of the share buyback programs, we have repurchased 41.8 million shares at a total cost of \$1.6 billion. At March 31, 2022, 12.9 million additional shares of common stock can be repurchased under the approved share repurchase program.

Item 3 Defaults Upon Senior Securities

None

Item 4 Mine Safety Disclosures

None

Item 5 Other Information

None

RESMED INC. AND SUBSIDIARIES

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>Sixth Amended and Restated Bylaws of ResMed Inc. (Incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed on February 26, 2020)</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>Certification 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 March 31, 2022, filed on April 28, 2022, formatted in 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.

RESMED INC. AND SUBSIDIARIES

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.

April 28, 2022

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)