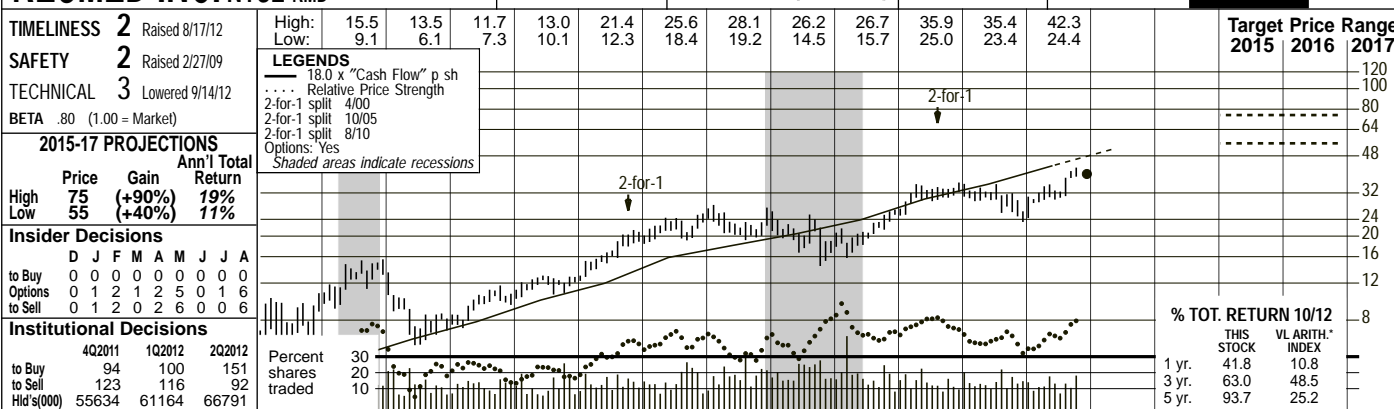


# RESMED INC. NYSE-RMD

RECENT PRICE **39.37** P/E RATIO **18.3** (Trailing: 21.1, Median: 26.0) RELATIVE P/E RATIO **1.26** DIV'D YLD **1.7%**

**VALUE LINE**



1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17	
.30	.43	.57	.75	.94	1.23	1.56	2.05	2.51	3.04	4.01	4.61	5.50	6.12	7.22	8.20	9.64	11.20	Sales per sh <sup>A</sup>	16.15	
.05	.09	.12	.17	.23	.29	.36	.44	.55	.66	.88	1.01	1.14	1.33	1.66	1.96	2.40	2.90	"Cash Flow" per sh	3.80	
.04	.06	.09	.13	.17	.22	.28	.33	.41	.46	.61	.69	.73	.95	1.23	1.44	1.71	2.15	Earnings per sh <sup>B</sup>	3.00	
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.01	.03	.09	.17	.13	.22	.21	.19	.42	.28	.68	.50	.50	.73	.38	.44	.33	.70	Cap'l Spending per sh	.75	
.34	.39	.43	.60	.77	.80	1.47	2.15	2.67	3.39	4.88	6.00	7.12	7.41	8.51	11.41	11.32	14.95	Book Value per sh <sup>C</sup>	20.40	
114.75	115.24	117.23	118.46	122.37	125.92	131.23	133.48	135.43	140.00	151.34	155.24	151.95	150.50	151.35	151.67	142.02	132.00	Common Shs Outst'g <sup>D</sup>	130.00	
22.5	19.2	21.9	29.7	33.0	43.9	41.7	24.3	27.2	29.5	32.7	33.4	29.5	20.2	21.8	22.3	17.2		Avg Ann'l P/E Ratio	21.0	
1.41	1.11	1.14	1.69	2.15	2.25	2.28	1.39	1.44	1.57	1.77	1.77	1.78	1.35	1.39	1.41	1.11		Relative P/E Ratio	1.40	
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CAPITAL STRUCTURE as of 9/30/12		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Sales (\$mill)	
Total Debt	\$266.3 mill. Due in 5 Yrs	\$266.3 mill.										1500	2100
LT Debt	\$265.8 mill. LT Interest \$6.5 mill.											31.5%	30.0%
	(8% of Capital)											105	105
		10.0	12.6	17.7	28.3	41.0	47.9	59.3	61.6	70.6	85.9	300	390
		37.5	45.7	57.3	64.8	92.5	108.1	114.1	146.4	190.1	227.0	22.0%	26.5%
		31.3%	31.9%	32.3%	33.0%	31.3%	31.4%	30.1%	27.4%	27.1%	25.3%	20.0%	18.6%
		18.4%	16.7%	16.9%	15.2%	15.2%	15.1%	13.7%	15.9%	17.4%	18.3%	1750	1750
		144.6	191.3	217.2	141.6	381.3	466.4	546.6	584.2	672.6	1083.7	200	2650
		123.3	113.3	113.3	58.9	116.2	87.6	93.8	94.2	1897.7	100.0	15.0%	14.5%
		192.9	286.4	361.5	474.1	738.1	931.2	1081.8	1115.2	1287.5	1730.7	19.5%	19.5%
		12.4%	11.8%	12.2%	12.2%	11.2%	10.9%	10.0%	12.3%	14.8%	12.5%	30.0%	33.0%
		19.4%	16.0%	15.8%	13.7%	12.5%	11.6%	10.6%	13.1%	14.8%	13.1%		
		19.4%	16.0%	15.8%	13.7%	12.5%	11.6%	10.6%	13.1%	14.8%	13.1%		

**BUSINESS:** ResMed Inc. develops, manufactures, and distributes medical equipment for treating, diagnosing, and managing sleep-disordered breathing (SDB) and other respiratory disorders. SDB includes obstructive sleep apnea and other respiratory disorders that occur during sleep. It markets its products in over 70 countries through a combination of wholly owned subsidiaries and independent distributors. '12 R&D: \$109.7 mill (7.4% of sales). Employs about 3,450. Officers and directors own 3.8% of stock; BlackRock, 5.8%; Perpetual Investment Mgmt., 5.5% (10/12 proxy). Chairman, President & CEO: Peter C. Farrell. Incorporated: Delaware. Address: 9001 Spectrum Center Boulevard, San Diego, California 92123. Telephone: 858-836-5000. Internet: www.resmed.com.

**ResMed opened fiscal 2013 on a solid note.** (Year began on July 1, 2012.) Quarterly sales increased 8%, versus our estimate of about 2%, while share-earnings came in \$0.04 higher than anticipated in our August report. We are optimistic that the company can continue this outperformance through year-end, and have added \$0.15 to our previous earnings tally of \$2.00.

**Global success continues to be the story here.** As awareness for obstructive sleep apnea increases in emerging markets, ResMed continues to be at the forefront of the movement. With Asia becoming increasingly important to the company's future, moves have been made to maximize the emerging market's profitability. The company now manufactures over half of its masks in Singapore, which has helped to reduce overhead spending on shipping. And while several foreign markets were encouraging, it's important to note that, though American sleep mask sales were lower than anticipated, there was still double-digit growth domestically.

**As competitive bidding for market share ramps up, ResMed will likely experience stagnated growth.** A recently launched suite of products by Philips Respironics (PHG) threatens to steal away some business. PHG offers many less expensive devices, so consumer spending should trend toward these lower-priced alternatives if headwinds do not improve in embattled markets such as Western Europe. Working in ResMed's favor though, is its diverse product mix, which allows it to cater to certain markets and demographics where it sees fit, a level of flexibility that none of its competitors can match.

**These shares are ranked to outpace the broader market in the year ahead (Timeliness: 2).** However, three- to five-year capital appreciation potential is only equal to the Value Line median. An accelerated stock-repurchase program will likely take over eight million shares of common stock off the table in the next year, which will benefit share earnings. The company's strong financial standing, and its competitive position in the surging sleep disorder market make its stock an alluring option for many investors.

*Robert L. Harrington November 23, 2012*

Fiscal Year Ends	Q1	Q2	Q3	Q4	Full Fiscal Year	Fiscal Year Ends	Q1	Q2	Q3	Q4	Full Fiscal Year	Calendar	Q1	Q2	Q3	Q4	Full Year
2009	217.8	223.0	227.9	252.0	920.7	2009	.18	.22	.25	.30	.95	2008	--	--	--	--	--
2010	247.0	275.1	278.7	291.6	1092.4	2010	.27	.30	.32	.34	1.23	2009	--	--	--	--	--
2011	282.0	306.0	313.2	341.9	1243.1	2011	.36	.37	.34	.37	1.44	2010	--	--	--	--	--
2012	314.8	332.7	349.1	371.9	1368.5	2012	.33	.42	.44	.52	1.71	2011	--	--	--	--	--
2013	339.7	360	380	420.3	1500	2013	.49	.52	.54	.60	2.15	2012	--	--	.17	.17	--

(A) Fiscal years end on June 30th. Quarterly figures may not sum due to rounding. (B) Diluted earnings. Excludes nonrecurring losses: '01, 14c; '05, 2c; '06, 2c; '07, 27c; '08, 3c. Next earnings report due late January. (C) Includes intangibles. In '12: \$283.4 million, \$1.87 a share. (D) In millions, adjusted for splits. (E) Initial dividend declared on 8/2/12, first paid in September 2012.