



ResMed Attracts Unusual Large Call Buys

Ticker/Price: RMD (\$120.35)

Analysis:

ResMed (RMD) trading over 15X average calls today with buyers in the December \$125 calls from \$7.60 to \$7.70 early and up to \$8 later. On the morning, RMD has traded nearly 1,300 of these calls and will become the most notable position in OI by far without much other activity recently. Shares have traded strong recently riding the 8-EMA higher since earnings in May to test new highs. RMD is moving out of a big weekly range above \$118.5 which targets \$140.50. The \$17.84B company trades 31.75X earnings, 7X sales, and 102X FCF with a 1.22% yield and double-digit EPS growth accelerating into 2021. RMD sees 10% sales growth in 2020 and 8.4% in 2021. The company has outlined a big growth strategy to impact 250M patients by 2025 through their two key growth areas: sleep apnea and COPD. The former has grown into a 10M patient business and considerable runway with over 80% of apnea cases undiagnosed. RMD's AirView and MyAir products are both seeing strong uptake with 55% growth in new setups. They have also kick-started a joint venture with Verily to study the financial impact of apnea to drive more engagement. Their COPD business targets 380M patients globally. RMD made a deal for Propeller Health in January which expands their size in the space with end-to-end solutions across the disease which will help them with patient acquisition in the 2H and 2020. Both instrument packages are also rooted in the cloud and SaaS which is giving RMD a lead in digital analytics and data management for patient care in these areas and a competitive advantage as they scale. Analysts have an average target for shares of \$111.50 with 4 buy ratings and 2 hold and some recent concerns about valuation. UBS upgraded to Buy in May. Short interest is 2% and near multi-year lows. Hedge Fund ownership rose 13% last quarter. WCM Investment adding 2.7M shares and now with 7M total. Stevens Capital and Twin Tree also notable buyers.

Hawk Vision:



Trading Strategy: RMD is showing clear momentum and the story is becoming increasingly attractive, one of the many Med-Tech leaders with a lot of upside potential.

Confidence Ranking: \$\$