



## ResMed Potential Virus Beneficiary on Respiratory Product Demand

Ticker/Price: RMD (\$162.85)

### Analysis:

**Res-Med (RMD)** with its first notable options activity on 2/27 as 1300 July \$170 calls traded in the \$10 to \$11.80 range. RMD has pulled back modestly with the market but remains in a strong trend above both 13 and 21 week moving averages. A test of a 38.2% retracement and channel bottom would come closer to \$158 as ideal entry. The \$23.8B med-tech leader with a focus on respiratory disorders trades 34.45X Earnings, 8.55X Sales, and 113X FCF. RMD has growth revenues double digits each of the last three years with 11.7% growth seen in 2020 along with 18% EPS growth. RMD posted numbers on 1-30 beating estimates by a wide margin. RMD also is building out its software business, commenting last quarter “We continue to take market share with our software solutions that enable increased therapy adherence with resupply programs, providing support to those who need it and with our innovative new products.” It calls itself the world’s leading software-driven medical device company and notes “We have sold nearly 11 million, 100% cloud connectable medical devices into the market. And Air Solutions, our cloud-based ecosystem, manages more than 12 million patients.” “We are investing in advanced analytics and expanding our capabilities in machine learning and machine intelligence so that we can grow this digital health ecosystem at double digits on a volume basis. We will grow from just over 100 million lives improved with our healthcare products and solutions as we ended 2019 to our ambitious forward-looking goal of improving 250 million lives in 2025.” RMD is also noted it expects to see increased demand for ventilators due to the coronavirus. Analysts have an average target of \$164 and short interest low at 1.7% of the float. Morgan Stanley cut shares to Equal Weight on 2/18 citing valuation, and UBS the same on 1/31. Hedge Fund ownership rose modestly in Q4 filings.

### Hawk Vision:



**Hawk’s Perspective:** RMD is a long-time favorite med-tech name that has run a long way since November, a tough tape to be buying high valuation right now, but once things calm and it bases properly, a name that is likely to continue higher.

**Confidence Ranking:** \$\$