

ResMed Inc.(RMD)

\$220.53 (As of 06/10/21)

Price Target (6-12 Months): **\$232.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 12/29/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: C

Growth: B

Momentum: D

Summary

ResMed exited the fiscal 2021 third quarter with better-than-expected earnings. Recovery of core patient flow, and rising adoption of digital health solutions and other tools look encouraging. Robust sales across ResMed's mask product portfolio and a strong SaaS arm seem appreciative. Operating margin expansion buoys optimism. A strong solvency is an added plus. ResMed has outperformed its industry over the past year. Yet, lower-than-expected revenues in the quarter is worrying. Lower device sales, including lower demand for ventilators and lack of any incremental revenues from COVID-19-related demand, dragged the total Sleep and Respiratory Care arm's revenues across geographies, which is concerning. Gross margin contraction also does not bode well. Issues like reimbursement headwind, competitive bidding and stiff competition persist.

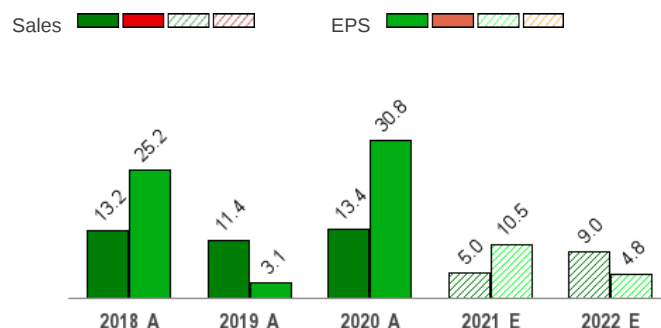
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$224.43 - \$157.78
20-Day Average Volume (Shares)	545,874
Market Cap	\$32.1 B
Year-To-Date Price Change	3.8%
Beta	0.29
Dividend / Dividend Yield	\$1.56 / 0.7%
Industry	Medical - Products
Zacks Industry Rank	Bottom 22% (194 out of 250)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	6.6%
Last Sales Surprise	-2.0%
EPS F1 Estimate 4-Week Change	0.1%
Expected Report Date	08/04/2021
Earnings ESP	0.0%
P/E TTM	41.5
P/E F1	41.9
PEG F1	3.0
P/S TTM	10.4

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2022	782 E	846 E	859 E	889 E	3,385 E
2021	752 A	800 A	769 A	778 E	3,105 E
2020	681 A	736 A	769 A	770 A	2,957 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2022	\$1.25 E	\$1.36 E	\$1.38 E	\$1.48 E	\$5.51 E
2021	\$1.27 A	\$1.41 A	\$1.30 A	\$1.28 E	\$5.26 E
2020	\$0.93 A	\$1.21 A	\$1.29 A	\$1.33 A	\$4.76 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 06/10/2021. The report's text and the analyst-provided price target are as of 06/11/2021.

Overview

ResMed, Inc. holds a major position as designer, manufacturer, as well as a distributor in the worldwide market for generators, masks, and related accessories for the treatment of sleep-disordered breathing (SDB) and other respiratory disorders. SDB includes obstructive sleep apnea (OSA) and other respiratory disorders that occur during sleep.

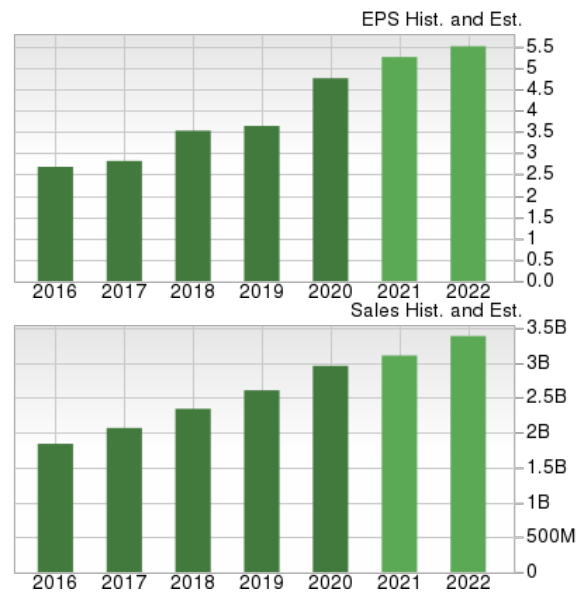
The company currently has two operating segments, which are the Sleep and Respiratory Care segment (89% of total revenues in fiscal 2020) and the Software-as-a-Service ("SaaS") segment (approximately 11% in fiscal 2020). In fiscal 2020, the first segment registered 9% revenue growth, while the latter registered 6% revenue growth from fiscal 2019.

Sleep and Respiratory Care includes Device, and Masks and other.

Devices include continuous positive airway pressure ("CPAP"), variable positive airway pressure ("VPAP") and AutoSet systems for the titration and treatment of SDB. During fiscal year 2017, AirMini, the smallest portable CPAP on the market was launched. The company also acquired a line of Chinese-developed and manufactured sleep and ventilation devices with the acquisition of Curative Medical in fiscal year 2016.

Masks and others: This portfolio consist of different masks for SDB treatments like AirFit F20 in the full-face category and the AirFit N20, AirFit N30i, AirTouch N20 etc.

SaaS: Following multiple acquisitions, including Brightree LLC in April 2016, HEALTHCAREfirst in July 2018 and MatrixCare in November 2018, this segment offers out-of-hospital software products.



Reasons To Buy:

- ▲ **Share Price Performance:** In the past year, ResMed has outperformed its industry. The stock has gained 37.2% compared with the 18.1% growth of the industry. ResMed exited the fiscal 2021 third quarter with better-than-expected earnings. Recovery of core patient flow, and increasing adoption of digital health solutions and other tools to aid remote care amid the pandemic, look encouraging. In the quarter, the company registered strong sales across its mask product portfolio in the U.S., Canada and Latin America, which seem appreciative. Further, the SaaS arm performed impressively. Expansion of operating margin buoys optimism.

Potential in digital health and strategic alliances entered into by ResMed also look encouraging. Increased focus on international markets, a robust product line and a strong solvency are added benefits.

- ▲ **COVID-19-Led Critical Care Drives Demand for Products:** ResMed's business had received a significant boost amid the pandemic on the back of strong demand for critical care products like ventilators and masks. The company, during the fiscal third quarter, confirmed that the demand for its core non-invasive ventilator and life support ventilator solutions for COPD and other respiratory insufficiencies, are experiencing a steady recovery in new patient flow (similar to that in sleep apnea).

Some notable ventilators currently offered by the company include AirView patient monitoring software, Astral, Stellar, Lumis, as well as non-invasive ventilators like AirCurve, Flexo and the GA. Further, many patients require regular medical check-ups and support. ResMed noted that the pandemic has led to the rapid expansion of its Telehealth services as well.

- ▲ **Progress in Three-Horizon Growth Strategy — a Long-Term Goal:** ResMed had identified three horizons for future growth viz to grow and differentiate core sleep apnea, COPD and asthma businesses; to deliver advanced medical devices as well as globally scalable digital health solutions; and to innovate advanced software solutions for care delivered digitally.

In terms of progress in the first horizon, which focuses on ResMed's core sleep apnea franchise, ResMed is actively progressing to see sequential improvement in new patient diagnosis trends as well as strong resupply activity. The company is seeing almost 70% to 90% of its pre-COVID patient flow coming in from the United States. Outside, European countries and large Asian regions including China are seeing sequential rebound in patient flow.

In terms of the second horizon, ResMed is actively progressing in the field of utilizing digital health technology to convert big data into valuable information. Amid the pandemic, the company is forecasting increasing digital health demand in the form of remote patient monitoring and adoption of data-driven population health management systems. The company's current IP portfolio includes over 8,000 patents and designs. It currently has over 8.5 billion nights of respiratory medical data in cloud-based Air Solutions platform. The mask and accessory resupply has been strong throughout the COVID-19 pandemic. ResMed's core non-invasive ventilation and life support ventilation solutions for more severe COPD patients have already seen rapid global adoption.

In terms of the third horizon, during the reported quarter, ResMed's SaaS business grew in the mid-single digits on a year over year basis banking on continued strong uptake of Brightree HME resupply solutions. The patients flow in home medical equipment and home health has been seen to recover well.

- ▲ **Potential in Digital Health:** Of late, ResMed has been focusing on digital health technology. The Brightree and MatrixCare software systems are significantly contributing to the company's capabilities of managing 90 million more people outside the hospital setting. Given that digital health technology is an integrator across everything that the company does; AirView, myAir, Propeller and a portfolio of other digital health solutions support the company's plans of reaching out to more customers and partners.

In the pandemic phase, the company's investments in research and development for digital health has accelerated on increasing demand from patients, physicians, providers as well as healthcare systems as they are more and more getting dependant on digital health through remote patient engagement as well as population health management technology.

During the fiscal third quarter, ResMed saw increased demand for its digital health solutions globally with the robust adoption of remote patient engagement and population health management. The company also confirmed that NICE made their 2021 draft guidelines public, which recommend that CPAP therapy, along with telemonitoring, is the frontline treatment option for patients with mild OSA. This implies an expansion of coverage in the United Kingdom, along with an expansion of the use of digital health technology in that market. Similarly, the Health Ministries in France, Germany and Japan, having realized the value of digital health in sleep apnea therapy, begun investing reimbursement funds in this space.

A major development in ResMed's digital health line is the expansion of the reach of its Propeller Health technology through the partnership with Novartis. Novartis had announced the Japanese launch of two new once-daily medications (Enerzair and Atecura Breezhaler) to treat uncontrolled asthma.

ResMed has also increased research and development investments in digital health technology during the reported quarter owing to greater adoption of digital health technology in many countries, especially in the United States, Japan and Germany.

- ▲ **Strategic Pacts to Boost SaaS Business:** ResMed has been continuously opting for strategic buyouts to boost the revenues from SaaS business. According to the company, this niche is booming with prospects and has a total addressable market over \$1.5 billion in the United States alone. Leveraging on the company's leading positions in multiple SaaS verticals during the quarter, SaaS business grew in the mid-

ResMed continues to see growth in the patient diagnosis trends in sleep apnea, COPD and asthma. The company is expecting an increase in digital health demand with the adoption of digital healthcare management systems.

single digits year on year, driven by continued strong uptake of Brightree HME resupply solutions. ResMed expects its portfolio to return to mid-single digits and then to high single digits as hospital discharge and ambulatory surgery center discharge rates return. ResMed expects its SaaS portfolio to move from high single-digit pro forma growth to low double-digit pro forma growth over the medium term and this rate should continue to be sustainable over the long-term.

During the fiscal third quarter, ResMed closed the acquisition of Citus Health (a digital health player specializing in patient engagement solutions for home infusion, specialty pharmacy, home health and hospice markets), which is expected to boost the company's SaaS portfolio. ResMed also acquired certain business assets of a Korea-based medical company during the reported quarter.

Global revenues from SaaS in the quarter under review represented a 5% increase at CER year over year due to continued growth in resupply service offerings and stabilizing patient flow in out-of-hospital care settings. Continued momentum in the Brightree service portfolio and an additional contribution from the MatrixCare buyout also contributed to the revenue uptick. ResMed is also likely to have continued to benefit from the buyout of SnapWorx Technology (acquired in January 2020). Notably, the combination of SnapWorx, Oracle and Brightree ReSupply (all three technologies under the Brightree brand) provide the strongest suite of resupply solutions available in the market.

During the fiscal 2021 second quarter, MatrixCare had introduced a new voice-to-text technology at the point of care to help address caregiver shortages during COVID-19 by enabling better and more efficient workflows for customers. ResMed's expanded partnership with Cerner is progressing well as the company is now Cerner's preferred solution across home health and hospice as well as home medical equipment and pharmacy and infusion businesses.

- ▲ **Huge Potential in SDB Market:** The market for SDB is huge and is, as yet, to a great extent, underpenetrated across the globe. Globally, the scenario is grave with over 100 million suffering from sleep apnea (per an article published on The Sleep Zone). Per a report by MarketsAndMarkets, the global sleep apnea devices market is expected to see a CAGR of 10.7% to reach \$7.5 billion between 2019 and 2024. Moreover, a strong correlation between OSA and a number of cardiovascular diseases has been discovered recently.

However, despite the high prevalence of OSA, there is lack of awareness regarding it among both physicians and patients. It is estimated that less than 20% of patients suffering from OSA have been diagnosed or given proper treatment. With the global SDB market currently growing in mid-single-digits, ResMed is leaving no stone unturned to expand its foothold in this market. With this in view, ResMed has begun working on the joint venture with Verily to develop software solutions that allow healthcare providers to discover, diagnose, treat and manage individuals with sleep apnea and other breathing-related sleep conditions more efficiently.

Management is also looking forward to the proposed rule by Centers for Medicare and Medicaid Services to make changes to the bidding and pricing methodologies under the competitive bidding program. Moreover, the company continues to focus on its target to change 250 million lives by 2025. We expect ResMed with its broad range of products to create a solid foothold in the global SDB market.

- ▲ **Increased Focus on International Markets:** ResMed continues to invest and expand its presence in high growth markets like China, South Korea, India, Brazil and many countries in Eastern Europe. Interestingly, in each of these regions, ResMed is implementing long-term strategies to improve quality of patient life for the purpose of delivering better patient outcomes and reduce overall system healthcare costs within each individual country.

Many countries' national governments, including France, Japan and the United States, have adopted models and taken action to accelerate digital health adoption, leading to rapid evolution of digital reimbursement models across the world.

Earlier in fiscal 2021, Germany approved reimbursement for mandibular repositioning device, including ResMed's digital 3D printed dental sleep apnea product called Narval. There are huge opportunities for greater adoption of digital health technologies worldwide with more than 1.5 billion people suffering from sleep apnea, COPD and asthma combined.

In the fiscal third quarter of 2021, revenues from the United States, Canada and Latin America improved 2.4% from the prior-year period for the Total Sleep and Respiratory Care business.

- ▲ **Strong Emphasis on Product Development:** In order to maintain its leadership position in the SDB market and to expand its sales base, ResMed is focusing on product development and innovation. In April, the company started a limited controlled product launch of the AirSense 11 in certain parts of the United States. ResMed also stated that it is continuing to register robust adoption of its AirView for ventilation software solution that was launched in Europe amid the pandemic a year ago.

ResMed had introduced its first tube-up full-face CPAP mask AirFit F30i in January, thus completing its full-face mask portfolio in the market. It is currently available in the United States, Canada and across majority of Europe and will later be rolled out in other countries.

ResMed expanded its AirFit mask portfolio with the introduction of the world's first tube-down nasal cradle CPAP mask with a front-facing tube, AirFit N30, in the United States. It will later be available in other countries as well.

The company is also progressing well with its flagship masks — the AirFit F20, the AirFit N20 and AirFit N30. Another notable product from ResMed includes its first CPAP nasal mask with a memory foam cushion, the AirTouch N20 (launched in September 2020).

According to the company, it is well positioned for fiscal 2021 and will work on a pipeline of new products and connected care solutions for sleep apnea, COPD, neuromuscular disease and other clinical adjacencies. Also, the company is aligned to help patients, physicians, providers and payers with an end-to-end digital health management pathway for COPD.

- ▲ **Strong Sales of Mask Product Portfolio:** ResMed recorded strong sales across its mask product portfolio in its U.S., Canada and Latin America region where the growth was 7%. In the Combined Europe, Asia and other markets, the uptick was 9% on a reported basis. Globally, masks and other sales increased by 4% at CER. Excluding the impact of COVID-19-related sales in the year-ago quarter, global masks and

other sales surged 6% at CER.

ResMed, during its fiscal third-quarter earnings call in April, confirmed witnessing resilience and growth in its mask and accessories sales during the quarter. Per management, this reflects the insulating value of the large patient installed base and the success of the company's resupply service offerings. Further, the company also confirmed recording continued strong ongoing mask and accessory resupply in the United States.

▲ **Strong Solvency With Heavy Payout Load:** ResMed exited the third quarter of fiscal 2021 with cash and cash equivalents of \$230.6 million compared with \$256 million at the end of the second quarter of fiscal 2021. Meanwhile, total debt was \$731 million for the quarter, compared with \$826 million in the sequentially last-reported quarter. The figure is much higher than the quarter-end cash and cash equivalent level. However, if we go by the company's near-term-payable debt level of \$11.9 million, it is pretty low compared to the cash in hand. This reflects strength in the company's solvency position despite the challenging times. ResMed is holding sufficient cash for short-term debt repayment.

The quarter's total debt-to-capital ratio was 0.21, which is good from leverage point of view. Moreover, it represents a sequential decrease from 0.22 at the end of the second quarter of fiscal 2021. The overall data concludes that in terms of solvency level of the company, the picture is encouraging.

The times interest earned for the company stands at 31.8%, representing a sequential increase from 27% at the end of the second quarter of fiscal 2021.

The company paid out \$56.8 million as dividends during the fiscal third quarter. Along with the earnings release, ResMed announced a regular quarterly dividend payout of 39 cents per share. The current payout ratio stands at a moderately high level of 29.4%, flat compared with the second quarter of fiscal 2021. However, amid the pandemic-led economic crisis, if production and supply halt along with lockdowns across nations continue through the next few months, the company might find it burdensome to pay its regular quarterly dividends.

Reasons To Sell:

▼ **Dull Device Sales:** ResMed, during its fiscal third quarter, recorded lower device sales, including decreased demand for ventilators due to the pandemic. Geographically, the U.S., Canada and Latin America region's device sales fell by 1.8%. In the Combined Europe, Asia and other markets, the fall in device sales was 18% at CER. Globally, the device sales declined by 10% at CER. Further, excluding the impact of COVID-19-related sales in the year-ago quarter, global device sales fell by 3% at CER.

▼ **Reimbursement Headwind:** ResMed's ability to sell its products largely depends on the extent to which coverage and reimbursement for its products will be available from government health administration authorities, private health insurers and other organizations. These third-party payers are increasingly challenging the prices charged for medical products and services and can, deny coverage for treatments that may include the use of its products. In some markets, such as Spain, France and Germany, government coverage and reimbursement are currently available for the purchase or rental of its products but are subject to constraints such as price controls or unit sales limitations. In other markets, such as Australia, there is currently limited or no reimbursement for devices that treat SDB conditions.

▼ **Competitive Bidding — a Major Threat:** The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 instructed the Centers for Medicare & Medicaid Services (CMS) to establish and implement programs under which customers that provide home healthcare services must compete to offer products in designated competitive bidding areas. CMS recently rolled out the competitive bidding program and included home medical equipment such as oxygen and oxygen equipment, CPAP and respiratory assist devices, and related supplies and accessories. In 2011, CMS implemented Round 1 of competitive bidding in 9 competitive bidding areas (CBAs).

In 2013, CMS announced the single payment amounts for Round 2, which covered a total of 91 CBAs. Effective Jul 1, 2013, the average reduction from the then-current Medicare payment rates in Round 2 was approximately 47% on a weighted average basis for CPAP and respiratory devices. In 2016, CMS implemented the Round 2 Recompete, covering a total of 117 CBAs, and announced the single payment amounts. In addition, the ACA required CMS to roll out the competitive bidding process nationally or adjust prices in non-competitive bidding areas, also known as the Round 3 areas, to match competitive bidding prices by 2016. CMS phased in the new rates beginning Jan 1, 2016, and were fully effective since Jul 1, 2016.

▼ **Competitive Landscape:** The market for SDB products is highly competitive with respect to product price, features and reliability. ResMed's primary competitors include Philips BV; DeVilbiss Healthcare; Fisher & Paykel Healthcare Corporation Limited; Apex Medical Corporation; BMC Medical Co. Ltd.; and regional manufacturers. The disparity between the company's resources and those of its competitors may increase owing to the trend of consolidation in the healthcare industry. Moreover, some of ResMed's competitors, such as Löwenstein Medical GmbH + Co. KG, are affiliates of its customers, which may make it difficult for the company to compete with them.

▼ **Challenging Macroeconomic Scenario:** Pricing pressure in the United States and Europe has been a staggering issue over the past few quarters. Healthcare reform in the United States has created a degree of uncertainty for the medical devices companies and has created a less flexible pricing environment. Currency headwinds continue to affect ResMed's overseas sales.

Moreover, the overall macro-economic uncertainty across the globe affects physician office visits, thereby impacting ResMed's progress. Thus, the company is treading cautiously in the markets it serves, especially Europe and the Americas, as the results from these territories might hurt margins. With growing concerns over healthcare spending taking its toll on players in the medical device space, the stock might suffer due to a sluggish market.

We are worried about the stiff competition faced by ResMed. Besides, reimbursement issues and competitive bidding continue to affect the stock.

Last Earnings Report

ResMed Q3 Earnings Surpass Estimates, Revenues Miss

ResMed's adjusted earnings per share in the third quarter of fiscal 2021 came in at \$1.30, up by 0.8% year over year. The metric also beat the Zacks Consensus Estimate by 6.6%.

The adjustments include certain non-recurring expenses/benefits like amortization of acquired intangibles, and restructuring costs and expenses among others.

Ongoing recovery of core patient flow across the company's business and provision of digital health solutions and other tools to customers aiding remote care amid the pandemic boosted ResMed's bottom line during the fiscal third quarter.

GAAP loss per share in the reported quarter was 54 cents against the year-ago earnings per share of \$1.12.

Revenues

Fiscal third-quarter revenues on a reported basis were marginally in line year over year (down 3% at CER) at \$768.8 million. Meanwhile, the figure lagged the Zacks Consensus Estimate by 2%.

A Closer View of Q3 Top Line

Total Sleep and Respiratory Care revenues in the United States, Canada and Latin America improved 2.4% from the prior-year period to \$402.9 million. SaaS revenues grew 4.7% to \$93.8 million.

Total Sleep and Respiratory Care revenues in combined Europe, Asia and other markets fell 4.9% on a reported basis and 13% at CER to \$272.1 million.

Global revenues from total Sleep and Respiratory Care in the quarter under review were \$674.9 million, down 0.7% on a reported basis and 4% at CER.

Overall decrease in revenues primarily resulted from a fall in device sales including lower demand for ventilators due to COVID-19 and lack of any incremental revenues from COVID related demand in the reported quarter. However, an uptick in SaaS revenues is led by continued growth in resupply service offerings and stabilizing patient flow in out-of-hospital care settings.

Margins

Adjusted gross profit in the quarter under review fell 0.8% to \$458.2 million due to a 0.9% uptick in cost of sales (excluding expenses related to amortization of acquired intangibles and restructuring).

Adjusted gross margin for the fiscal third quarter was 59.6%, reflecting a 42-basis point (bps) contraction from the year-ago number due to additional manufacturing costs associated with the transition to the company's new Singapore site during the quarter, higher freight costs and geographic mix changes.

Selling, general and administrative expenses were down 6.9% year over year to \$160.4 million (down 11% at CER). Research and development expenses increased 8.7% to \$55.9 million.

Adjusted operating income was \$241.8 million in the quarter under discussion, up 1.6% from the year-ago quarter. Adjusted operating margin expanded 53 bps year over year to 31.5%.

Financial Updates

ResMed exited the third quarter of fiscal 2021 with cash and cash equivalents of \$230.6 million compared with \$255.9 million at the end of the second quarter of fiscal 2021. Total debt (short and long-term) at the end of the third quarter of fiscal 2021 was \$731 million compared with \$825.7 million at the end of the second quarter of fiscal 2021.

Cumulative net cash flow from operating activities at the end of the fiscal third quarter was \$510.2 million compared with \$471.9 million a year ago.

The company paid out \$56.8 million as dividends during the fiscal third quarter.

Quarter Ending	03/2021
Report Date	Apr 29, 2021
Sales Surprise	-2.00%
EPS Surprise	6.56%
Quarterly EPS	1.30
Annual EPS (TTM)	5.31

Valuation

ResMed shares are up 3.7% in the year-to-date period and up 37.2% in the trailing 12-month periods. Stocks in the Zacks sub-industry are up 2.5% and Zacks Medical sector are up 0.3% in the year-to-date period. In the past one year the Zacks sub-industry are up 18.1% and Zacks Medical sector are up 7.2%.

The S&P 500 index is up 13.6% in the year-to-date period and up 43.5% in the past year.

The stock is currently trading at 40.1X Forward 12-months earnings, which compares to 26.7X for the Zacks sub-industry, 23.2X for the Zacks sector and 21.7X for the S&P 500 index.

Over the past five years, the stock has traded as high as 44.9X and as low as 19.8X, with a 5-year median 29.9X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$232 price target reflects 42.3X forward 12-months earnings.

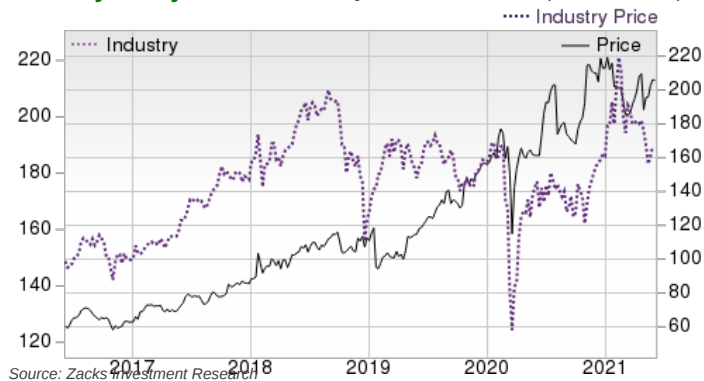
The table below shows summary valuation data for RMD

Valuation Multiples - RMD					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	40.12	26.74	23.15	21.74
	5-Year High	44.86	30.08	23.15	23.83
	5-Year Low	19.82	16.75	15.82	15.31
	5-Year Median	29.98	22.05	19.34	18.05
P/S F12M	Current	9.52	3.69	2.69	4.70
	5-Year High	9.95	3.91	3.71	4.74
	5-Year Low	3.83	2.60	2.27	3.89
	5-Year Median	5.81	3.40	2.78	4.34
P/B TTM	Current	11.85	3.39	4.43	7.02
	5-Year High	12.07	3.97	5.05	7.03
	5-Year Low	4.56	2.24	3.03	3.84
	5-Year Median	7.63	3.05	4.35	5.02

As of 06/10/2021

Source: Zacks Investment Research

Industry Analysis Zacks Industry Rank: Bottom 22% (194 out of 250)



Top Peers

Company (Ticker)	Rec	Rank
National Vision Holdings, Inc. (EYE)	Outperform	1
BioRad Laboratories, Inc. (BIO)	Neutral	3
GN STORE NORD (GNNDY)	Neutral	3
HillRom Holdings, Inc. (HRC)	Neutral	3
ICU Medical, Inc. (ICUI)	Neutral	3
Medtronic PLC (MDT)	Neutral	3
Envista Holdings Corporation (NVST)	Neutral	2
Demant AS Un-sponsored ADR (WILYY)	Neutral	2

The positions listed should not be deemed a recommendation to buy, hold or sell.

Industry Comparison Industry: Medical - Products				Industry Peers		
	RMD	X Industry	S&P 500	BIO	HRC	NVST
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	2
VGM Score	C	-	-	C	B	C
Market Cap	32.09 B	592.53 M	30.26 B	17.95 B	7.57 B	7.01 B
# of Analysts	6	3	12	1	4	8
Dividend Yield	0.71%	0.00%	1.28%	0.00%	0.84%	0.00%
Value Score	C	-	-	B	B	C
Cash/Price	0.01	0.10	0.06	0.06	0.04	0.07
EV/EBITDA	34.12	2.39	17.41	3.43	16.92	35.72
PEG F1	2.99	2.26	2.14	NA	2.38	0.89
P/B	11.85	3.75	4.16	1.69	4.12	1.87
P/CF	36.50	22.65	17.71	56.72	11.45	20.62
P/E F1	41.36	28.39	21.55	49.96	18.83	23.38
P/S TTM	10.38	6.01	3.49	6.65	2.55	2.87
Earnings Yield	2.39%	1.68%	4.55%	2.00%	5.31%	4.29%
Debt/Equity	0.27	0.02	0.66	0.00	0.89	0.24
Cash Flow (\$/share)	6.04	0.00	6.83	10.63	9.95	2.11
Growth Score	B	-	-	C	B	D
Historical EPS Growth (3-5 Years)	16.16%	7.40%	9.44%	35.67%	15.16%	NA
Projected EPS Growth (F1/F0)	10.43%	26.41%	21.30%	14.73%	9.40%	90.31%
Current Cash Flow Growth	29.09%	-2.13%	0.98%	48.88%	21.50%	-26.30%
Historical Cash Flow Growth (3-5 Years)	14.73%	9.11%	7.28%	22.91%	19.83%	NA
Current Ratio	1.67	3.41	1.39	3.57	1.61	1.02
Debt/Capital	20.97%	9.03%	41.53%	0.10%	47.01%	19.23%
Net Margin	14.79%	-9.67%	11.95%	151.73%	9.48%	5.00%
Return on Equity	28.85%	-1.10%	16.36%	4.55%	24.48%	6.93%
Sales/Assets	0.67	0.52	0.51	0.22	0.64	0.37
Projected Sales Growth (F1/F0)	5.01%	10.70%	9.37%	6.42%	1.64%	23.62%
Momentum Score	D	-	-	B	D	D
Daily Price Change	4.04%	0.21%	0.21%	3.75%	2.61%	1.04%
1-Week Price Change	-0.26%	-0.43%	0.58%	-3.50%	-0.08%	-3.48%
4-Week Price Change	13.17%	7.45%	1.55%	2.03%	2.45%	-0.77%
12-Week Price Change	19.15%	-3.30%	7.72%	5.77%	5.54%	7.23%
52-Week Price Change	39.40%	31.47%	46.01%	37.46%	20.58%	125.67%
20-Day Average Volume (Shares)	545,874	227,477	1,775,554	133,993	328,801	1,332,430
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	0.06%	0.00%	0.03%	0.00%	0.04%	1.22%
EPS F1 Estimate 12-Week Change	-0.85%	0.00%	3.52%	7.29%	4.31%	12.10%
EPS Q1 Estimate Monthly Change	0.00%	0.00%	0.00%	0.00%	-0.45%	1.44%

Source: Zacks Investment Research

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we maintain a balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	C
Growth Score	B
Momentum Score	D
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.