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How the pandemic changed ResMed boss Mick Farrell

In a departure from most high-powered CEOs, Farrell's job running the sleep disorder and digital health giant is no longer his first priority at all costs.



ResMed boss Mick Farrell says he won't visit Australia until he doesn't have to go into quarantine. **The San Diego Union Tribune**

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The pandemic has put life into perspective for ResMed boss Mick Farrell. The chief executive of the dual-listed \$US28 billion (\$35.9 billion) sleep disorder and digital health giant spent four weeks with his family in Greece and Tanzania in mid-2019 on a rare break – and a tick off his bucket list.

But by early January 2020, there was word from China that Wuhan hospital customers were ramping up ventilator orders from ResMed's Suzhou factory. Not long after, San Diego-based Farrell found himself locked down for what became the best part of a year as COVID-19 tightened its grip.

Farrell says that, in hindsight, the time was a blessing.

“I think the 52 weeks we spent locked down in San Diego, California, will be just as beautiful in terms of our memories in 10 years and 20 years' time,” he says on a Zoom call from his home office.

“There's been awful suffering for so many people around the world. But the one set of blessings that I've had is that ResMed was able to help with all those ventilators around the world. And I got to spend a lot of time with my two teenagers.”

As the head of a business with operations in 140 countries and 7500 staff, Farrell travelled up to 70 per cent of the year pre-pandemic. Over the past eight years, he has pushed the company to become a digital health disrupter, steering sales to more than \$US3 billion (\$3.9 billion). Net income has nearly doubled to \$US621 million.

We can't open up NZ and Australia because no one has herd immunity, very few have even antibodies. And so you need rapid vaccinations.

— Mick Farrell, CEO, ResMed

But ResMed was thrust into the eye of the pandemic as governments around the world rushed to secure ventilators. The company produced more than 150,000 ventilators in response to COVID-19 – tripling production in the

March 2020 quarter alone to 52,000 units – helping it to double-digit growth in sales and profits in the past financial year. The growth helped to offset a significant decline in its core business of treating obstructive sleep apnoea (OSA), which ground to a halt in some regions.

Farrell warns while much of the world is being vaccinated, significant uncertainty remains given the different rates of global recovery. Countries such as Germany and France are being hit by second and third waves, while the UK is facing a sharp rise in cases linked to the variant strain from India, where the virus has now killed more than 280,000 people.

ResMed has reacted quickly to the latest events, shipping 7000 ventilators in 28 pallets to India from its Atlanta warehouse.

Farrell – who has received two jabs of the Pfizer vaccine – is tentatively planning to travel to Europe before the end of the calendar year. He would love to return to his native Australia, but given the country's slow progress on the vaccine rollout, it is not likely for some time yet.

“When they allow me to enter with double vaccination and a negative COVID test and go straight to my hotel and straight to my business, that's when I'll come back,” he says.

Farrell says that while Australia and New Zealand stopped the virus spreading due to hard lockdowns and closed international borders, their challenge was to vaccinate their populations quickly.

“The rest of the world is going to start to open up,” he says. “And we can't open up New Zealand and Australia because no one has herd immunity, very few have even antibodies. And so you need rapid vaccinations.”

Aussie, Aussie, Aussie

Farrell was born in Seattle as his father, ResMed founder Dr Peter Farrell, was finishing his doctorate at the University of Washington, but he grew up in West Pymble on Sydney's north shore. The younger Farrell's first pay cheque came from a nursing home in Killara, where he worked as a gardener.

After studying at UNSW, he worked for BHP for two years, but in 1996 moved to Boston. He has spent half his life in America, and although his mother lives in Manly and his brother and sister (who are not involved in ResMed) both live in Australia, he has no plans to move back.

“Running an S&P/ 500 company, you sort of have to be here,” he says with a watered-down Aussie accent.

“You also have to think about the hub of medical devices, biotechnology and digital health, and that is here in California. But I will always come to Australia and consider Australia my homeland.”

In addition to driving the company his father founded in Sydney in 1989, Farrell sits on the board of trade body the Advanced Medical Technology Association, and of orthopaedics products maker Zimmer Biomet.

He also serves on the board of non-profit organisations such as UC San Diego Foundation, Rady Children’s Hospital, Father Joe’s Villages project for the homeless, as well as the Farrell Family Foundation.

Farrell says one of the most difficult parts of being a CEO of a listed company is hiring (and firing) the talent. Mid-pandemic he snared former Amazon executive Dwayne Wheatley as his VP of commercial operations in the US.

The 49-year-old has a team of 12 who make up the “CEO operations team”, co-headed by fellow Australian and chief operating officer Rob Douglas.

Farrell joined ResMed in 2000 where he held roles in sales, marketing and business development. He became president of its Americas division in 2011, when he presided over a 30 per cent growth in sales for the region, until he was tapped to replace his father in 2013.

He admits that he was tossing up two other jobs with large US corporates before he joined ResMed. He was only the second person at ResMed with a business degree – the rest were engineers and scientists.

In the year before he took the helm, ResMed made a major strategic move to reinvent itself around digital health, and to have 100 per cent cloud

connectivity in every single ventilator and positive airway pressure machine.

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Utilising cloud-connected technology and enabling remote care for practitioners means less pressure on hospitals, and remote monitoring and management of symptoms and conditions in real time. Patients using the myAir software platform significantly improve their adherence to sleep therapy.

ResMed today has more than 14 million cloud-connected devices and has collected 8.5 billion nights of medical sleep and respiratory data.

“That was before it was cool to talk about digital health,” Farrell quips. “It was before Netflix put Blockbuster [movies] out of business, and Steve Jobs had only just invented iCloud.”

Farrell has also overseen ResMed’s push into software, driving several game-changing deals starting in 2016 when he splashed \$US800 million on Brightree, a provider of cloud-based business management and clinical software applications.

It was a high-risk bet on the future, given that the purchase price was equal to 10 per cent of the group’s New York Stock Exchange market cap at the time.

“That was a big decision. And I look back on that and say, it was one of the best decisions we made,” Farrell says.

Since then ResMed has bulked up its technology offering with the purchase of HealthcareFirst, and later in 2018 paid \$US750 million to buy MatrixCare, which provides software to organisations across the nursing, senior living and retirement industries. A year later it acquired Propeller Health, a digital therapeutics company providing connected health solutions for people living with chronic obstructive pulmonary disease (COPD) and asthma.

Given an estimated 1.3 billion people suffer from sleep apnoea and COPD, and it's under-treated, there is plenty of growth left for its main business. ResMed is expanding in the hospital and home-care respiratory ventilation market through acquisitions of European companies Saime and Grundler.

The software-as-a-service unit – which grew 5 per cent in the third quarter – now makes up about 12 per cent of global revenue, which is tipped to reach \$US3.1 billion in fiscal 2021. In April, another deal was inked, as it snapped up Citus Health, a care provider platform for home infusion and specialty pharmacy markets.

The latest results were still impacted by COVID-19 – and a \$US255 million (\$327 million) provision for a tentative settlement with the Australian Tax Office pushed their bottom line into the red in the third quarter – but Farrell is bullish about double-digit sales and earnings growth returning by the back end of 2022.



ResMed chief executive Mick Farrell, right, with his founder father, Dr Peter Farrell, who is also chairman. **Rob Homer**

Farrell pays tribute to his entrepreneur father who took \$1.25 million in the early days and developed the technology invented by professor Colin Sullivan at Sydney University into a global leader in treating breathing disorders.

But is clear that he is very different from his father.

“He’s an entrepreneur, and he’s just an amazing person like that. I’m a business manager, who along with a team of people are helping to disrupt an industry with digital health,” he says.

“If you want to meet the best entrepreneur in ResMed, it’s definitely Peter Farrell. The current CEO is doing an okay job, but shareholders and customers will be the ultimate judge of that.”

Farrell comes from a strong Republican household and both father and son studied at the prestigious Massachusetts Institute of Technology where the younger received a Master of Science in chemical engineering and an MBA.

According to his father, both are deliberative, data-driven and evidence-based decision makers.

My dad said: ‘This little idea is gonna be huge. And I’m gonna go start it from nothing.’ That takes guts, and it takes courage.

— Mick Farrell

“I think Mick is more cautious than I am,” Farrell senior tells *BOSS*. “He’s brave and confident, but on some things he’ll canvass more broadly for input before moving forward than I would.”

Farrell senior says there are four main lessons he sought to impart on his son: work hard (there’s no such thing as a free lunch), have integrity, humility and engage in continuous learning throughout life.

“These things don’t guarantee success, but if you follow them, they’re a pretty good springboard,” he says.

It is never easy when a child takes over a business a parent has built. Farrell felt the pressure as he took the reins in 2013, working “crazy double-digit hours”.

Within three years he was on the path to burn out. Following a “strong personal experience” he reprioritised life around his spirituality, his family and giving back to his friends and community.

“Number four was my career,” he says.

Farrell prays every morning and evening for 15 minutes, which helps to keep him balanced. Mass every Sunday is an important part to his week.

A perfect weekend afternoon is playing a doubles tennis match in a competitive league he joined during COVID-19, followed by a cold local brew, Auroa Hoppualis IPA, by the beach in San Diego.

Farrell is clear that family is important: he and his Panamanian wife, who he met on a blind date, have been married for 21 years and have two children.

His mother, an oncology nurse and midwife, taught him the love of healthcare, and his entrepreneur father taught him to dream big.

“Nurses [work] for the passion,” he says. “My dad ... he left Baxter [Healthcare] ... and he said: ‘This little idea is gonna be huge. And I’m gonna go start it from nothing.’ That takes guts, and it takes courage.”