

News Release

STOCK EXCHANGE LISTINGS: NEW ZEALAND (FPH), AUSTRALIA (FPH)

Fisher & Paykel Healthcare announces strong results for the 2022 financial year

Auckland, New Zealand, 25 May 2022 – Fisher & Paykel Healthcare Corporation Limited today announced its results for the full year ended 31 March 2022.

Managing Director and CEO Lewis Gradon said, “Over the last two financial years we have supplied \$880 million of hospital hardware, the equivalent of approximately 10 years’ hardware sales prior to COVID-19. The growing body of evidence supporting the use of nasal high flow and our other respiratory therapies shows that our products have a clear role to play in improving care and outcomes beyond COVID-19 patients. We have a proven fifty-year track record of changing clinical practice and now we have the additional benefit of customers already having our hardware and clinical experience with its use.”

Following an unprecedented 2021 financial year, the company’s performance was once again strong, with operating revenue 33% above the pre-COVID-19 2020 financial year. Total operating revenue for the 2022 financial year was \$1.68 billion, down 15% or 14% in constant currency. Net profit after tax was \$376.9 million, a 28% decline from the previous financial year, or a 30% decline in constant currency.

New product announcements

“During the 2022 financial year, we invested \$154 million into research and development and we brought a number of exciting new products to the market.

“Today, we announced the launch of Optiflow Switch™ and Optiflow Trace™ nasal high flow interfaces, two new products that allow easier use of our Optiflow therapy in anesthesia. We have accelerated our investment in a specialist sales force to take advantage of this opportunity, and we plan to continue investing in this area in the coming years,” said Mr Gradon.

The company also announced the launch of its revolutionary new Airvo™ 3 device, which is designed to facilitate high flow therapy for more patients in more areas of the hospital. The Airvo 3 incorporates the company’s OptiO₂™ closed-loop system for targeted oxygen delivery and an integrated battery to enable therapy while a patient moves through different areas of the hospital.

Further detail on these new product launches is available in the two separate news releases which are attached to this announcement.

Dividend and employee profit share

The company’s directors have approved an increased final dividend of 22.5 cents per share. This brings the total dividend for the year to 39.5 cents per share, an increase of 4%. The final dividend, carrying full New Zealand imputation credit, will be paid on 6 July 2022 with a record date of 23 June 2022.

To acknowledge the people of Fisher & Paykel Healthcare, directors also approved a profit-sharing payment totalling \$19 million for the 2022 financial year to be paid to employees who have worked for the company for a qualifying period.

Commentary on financial results

In the Hospital product group, which includes humidification products used in respiratory, acute and surgical care, revenue was \$1.21 billion, a decline of 19% from the 2021 financial year in both reported and constant currency. New applications consumables revenue grew 3% in constant currency. Of total Hospital product group revenue, 27% was from the sale of hardware and 73% was from the sale of consumables.

In the Homecare product group, which includes products used in the treatment of obstructive sleep apnea (OSA) and respiratory support in the home, revenue was \$469.5 million, a 1% increase over the previous financial year, or 2% in constant currency. OSA mask revenue grew a pleasing 6% in the second half of FY22 in constant currency, in an environment of suppressed new OSA patient diagnoses due to COVID-19 and the limited supply of treatment hardware.

Gross margin decreased by 59 basis points for the year to 62.6%, or a 147 basis points decline in constant currency compared to the 2021 financial year. High air-freight utilisation and elevated freight rates continued to weigh overall compared to pre-COVID-19 rates, impacting constant currency gross margin by approximately 240 basis points.

Looking forward

“In our Homecare product group, our Evora™ Full mask for OSA launched in the United States in May 2022. The Evora Full has been one of the most positive new mask launches we have ever experienced, based on customer feedback and initial sales performance to date in the regions where it is available. New OSA patient diagnoses rates and the availability of treatment hardware are also likely to impact our Homecare product group results in the 2023 financial year,” said Mr Gradon.

“For our Hospital product group, over the last two financial years, we have supplied an extraordinary \$880 million worth of hospital hardware. COVID-19 may have peaked in many parts of the world for the time being, and many countries have boosted their hospital treatment capacity. As a result, we do not expect hospital hardware revenue for the 2023 financial year to continue at FY22 levels.

“For FY22, we estimate that the average utilisation of our hospital hardware across the therapy options was approximately 60% to 70% of a pre-COVID-19 midpoint. We expect that over time, clinicians will utilise the incremental installed base with an increasing proportion of respiratory-compromised patients in general. The increasing clinical data and recently-published clinical practice guidelines that have emerged independently of COVID-19 will be instrumental in supporting this change.

“We are excited by the opportunity to change clinical practice and play our part in improving outcomes for patients globally. If the change in clinical practice occurs over a three- to five-year time-frame, it would drive strong growth in hospital consumable sales over this period.

“During the second half of the 2022 financial year, there was a sharp peak for our hospital consumables sales in December, followed by a low in February. Hospital consumables subsequent trading to date is exhibiting a slow recovery from February.

“Given the ongoing uncertainties regarding our customers’ stockholding choices and their capacity to implement new protocols with personnel shortages and the possibility of further surges of COVID-19 over the near term, we are not currently providing quantitative revenue or earnings guidance for the 2023 financial year.

“For gross margin, freight costs are likely to remain elevated, and air-freight a higher proportion of freight than pre-COVID-19. We are continuing to advance our manufacturing capacity and facilities projects, and we also expect to hold higher levels of inventory to help address global supply chain challenges. If freight rates remain at current levels, then we would expect constant currency gross margin in the 2023 financial year to be in line with the 2022 financial year.

“We expect to continue growing our investment in R&D and SG&A, as longer-term projects are accelerated and we grow our sales teams to support the installed base of hospital hardware and deliver on the opportunity in anesthesia.

“To ensure we are well-positioned to meet demand for the ongoing use of our installed base of hardware and accommodate our strong new product pipeline, we are continuing to invest in our infrastructure. We expect to invest approximately \$700 million in land and buildings over approximately five years.

“The last several years have been remarkable for our company. Above all, we showed our customers they can rely on Fisher & Paykel Healthcare and that we’re doing all we can to create the best-possible outcomes for patients. We want to thank our customers, suppliers, clinical partners

and employees for their support. We look forward to what's in store for the years ahead," concluded Mr Gradon.

Overview of key results for the 2022 financial year

- 28% decline in net profit after tax to \$376.9 million, 30% decline in constant currency.
- 15% decline in operating revenue to \$1.68 billion, 14% decline in constant currency.
- 19% decline in Hospital operating revenue to \$1.21 billion, 19% decline in constant currency.
- 3% constant currency revenue growth for new applications consumables; i.e. products used in noninvasive ventilation, Optiflow nasal high flow therapy and surgical applications, accounting for 71% of Hospital consumables revenue.
- 1% growth in Homecare operating revenue, 2% growth in constant currency.
- Investment in R&D was 9% of revenue, or \$154 million.
- 2% increase in final dividend to 22.5 cps (2021: 22.0 cps).
- 4% increase in total dividends for the financial year to 39.5 cps (2021: 38.0 cps).

About Fisher & Paykel Healthcare

Fisher & Paykel Healthcare is a leading designer, manufacturer and marketer of products and systems for use in acute and chronic respiratory care, surgery and the treatment of obstructive sleep apnea. The company's products are sold in over 120 countries worldwide. For more information about the company, visit our website www.fphcare.com.

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Authorised by Fisher & Paykel Healthcare Corporation Limited's Board of Directors.

Accompanying Documents

Attached to this news release are the following additional documents:

- News release: Fisher & Paykel Healthcare expands offering in anesthesia with the release of the Optiflow Switch™ and Optiflow Trace™
- News release: Fisher & Paykel Healthcare unveils new Airvo™ 3 high flow system
- Results in Brief
- Annual Report 2022
- Investor Presentation 2022
- NZX Results Announcement
- NZX Distribution Notice

Constant Currency Information

Constant currency information included within this news release is non-GAAP financial information, as defined by the NZ Financial Markets Authority, and has been provided to assist users of financial information to better understand and track the company's comparative financial performance without the impacts of spot foreign currency fluctuations and hedging results and has been prepared on a consistent basis each year. A constant currency analysis is included on page 101 of the company's Annual Report 2022, and the company's constant currency framework can be found on the company's website at www.fphcare.com/ccf.

Full Year Results Conference Call

Fisher & Paykel Healthcare will host a conference call today to discuss the results for the 2022 financial year. The conference call is scheduled to begin at 10:00am NZST, 8:00am AEST Wednesday 25 May (5:00pm US EDT, Tuesday 24 May) and will be webcast simultaneously over the internet.

To listen to the webcast, access the company's website at www.fphcare.com/investor. An online archive of the event will be available approximately two hours after the webcast and will remain on the site for two weeks.

To attend the conference call, participants should dial in to one of the numbers below at least five minutes prior to the scheduled call time and identify yourself to the operator. When prompted, please quote the conference code of: **998995**.

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Australia	+61 2 7250 5438	Hong Kong	+852 3008 1533
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2022 Investor Day

Fisher & Paykel Healthcare will also hold an Investor Day on 26 May 2022 (NZST). The Investor Day will provide participants with the opportunity to hear from management on the company's technology and therapies and gain further insights into the company's strategy for long-term sustainable profitable growth. The series will be presented via webcast and will include Q&A sessions with management. To register for the event, please visit <https://www.fphcare.com/nz/events/investor/investor-day/>.