

News Release

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Record full year result for Fisher & Paykel Healthcare: net profit up 82%

Auckland, New Zealand, 27 May 2021 - Fisher & Paykel Healthcare Corporation Limited today announced its results for the full year ended 31 March 2021. Operating revenue was \$1.97 billion, up 56% or 61% in constant currency. Net profit after tax was \$524 million, up 82% over the previous financial year, or 94% in constant currency.

Managing Director and CEO Lewis Gradon said, "It has been an extraordinary year and we want to thank healthcare professionals for giving their all to care for patients, often under the most difficult conditions. We also want to acknowledge the people of Fisher & Paykel Healthcare for their commitment to delivering for our customers, and the partners and families of our employees for the invaluable contribution they have made.

"The unprecedented result was driven by our Hospital product group, which includes Optiflow and Airvo systems used to deliver nasal high flow therapy. Sales of our Hospital hardware and consumables have continued to track COVID-19 hospitalisation surges in countries around the world," said Gradon.

Revenue for the Hospital product group was \$1.50 billion, an increase of 87% over the previous financial year, or 94% in constant currency. Hospital products made up 76% of the company's operating revenue.

"Although COVID-19 restrictions impacted sleep clinics and reduced OSA diagnosis rates, revenue for the Homecare product group was \$466 million, an increase of 2% over the previous year, or 4% in constant currency.

"Gross margin decreased by 295 basis points for the year to 63% or a 165 basis points decline in constant currency. This includes increased freight costs and high airfreight utilisation, which adversely impacted constant currency gross margin by approximately 230 basis points. Freight and additional COVID-19 related costs were offset by overhead leverage due to volume increases outpacing cost growth during the year.

"To recognise the incredible contributions of our people, the Board has approved a profit-sharing bonus totalling \$29 million for the 2021 financial year to be paid to everyone who has worked with us for a qualifying period. The company has also committed \$20 million to establish the Fisher & Paykel Healthcare Foundation during the 2021 financial year. The Foundation's charitable purposes include supporting and funding health research and programmes that improve access to healthcare, supporting environmental protection initiatives and promoting awareness of opportunities in science, technology, engineering and mathematics. The value of our total donations for the year, including product donations, was \$26 million," said Gradon.

Dividend

The company's directors have approved a final dividend of 22.0 cents per share, an increase of 42% on the final dividend last year. This brings the total dividend for the year to 38.0 cents per share, an increase of 38%. The final dividend, carrying full New Zealand imputation credit, will be paid on 7 July 2021 with a record date of 25 June 2021.

No guidance provided for the 2022 financial year

With the ongoing uncertainties of vaccinations, lockdowns, COVID-19 variants, localised waves and return to stable hospitalisation rates around the world, the company is not providing guidance for the 2022 financial year.

"We expect our Hospital and Homecare revenue for FY22 to be impacted by the number of COVID-19 related hospitalisations around the world," said Gradon.

“There is a wide range of scenarios for both the timing of a ‘return to normal’ and to what extent a return to normal includes COVID-19 endemic hospitalisations. It is unclear at this stage when and if other respiratory hospitalisations and surgical procedures will return to pre-COVID levels, or whether countries will increase their investment in healthcare infrastructure.”

Observations

Given the wide range of scenarios and uncertainties, the company makes the following observations in relation to the 2022 financial year:

- A global vaccine rollout during FY22 is likely to reduce global hospitalisations requiring respiratory support for COVID-19 compared to FY21.
- Achieving similar Hospital consumable volume in FY22 compared to FY21 with reduced respiratory hospitalisations and reduced invasive ventilation will require a change of clinical practice towards utilisation of nasal high flow therapy for general respiratory support.
- Hospital hardware revenue maintaining a pre COVID-19 level in FY22, after 337% Hospital hardware growth in FY21, requires ongoing intensive care ventilator sales by global ventilator manufacturers, and/or an ongoing change in clinical practice to provide nasal high flow therapy for respiratory support, or localised COVID-19 surges.
- Local COVID-19 related hospitalisation surges in FY21 have tended to result in increased hardware sales and increased utilisation of existing hardware. If there are further local hospitalisation surges during FY22, a similar trend would favourably impact the company’s Hospital hardware and consumable sales and continue to build the installed base.
- OSA mask sales growth is impacted by diagnosis rates and access to healthcare professionals and providers to demonstrate the company’s new mask ranges.
- Our customers’ stocking and de-stocking choices in response to the pandemic are likely to vary over time.
- In gross margin, freight costs are likely to remain elevated, and air freight a higher proportion of freight. The company also expects to retain its COVID-19 safety practices on its manufacturing sites.
- The company will continue advancing manufacturing capacity and facilities and hold higher levels of inventory to ensure any surge demand can be met.
- The company expects to continue growing its investment in R&D and SG&A as longer-term projects are accelerated and sales support is provided for the growing installed base of nasal high flow systems.

In the financial year so far, Hospital revenue continues to remain variable with higher volumes of Hospital hardware and consumables to locations with hospitalisation surges and an ongoing shift towards Optiflow nasal high flow therapy. OSA shows signs of recovery after a slower fourth quarter.

The company also makes the following longer-term observations:

- The pre COVID-19 trend towards more usage of nasal high flow therapy for general respiratory support is expected to continue, but the company has no basis for a prediction or forecast of the rate at which this will continue. The company does not expect all hardware placed in response to COVID-19 to be immediately transitioned to general respiratory support in an environment where COVID-19 hospitalisations are reducing.
- Extensive pandemic-related medical practitioner familiarity, and throughout-hospital acquisition of our hardware devices substantially reduces the barriers to hospitals utilising nasal high flow therapy for a broader and more extensive range of patients requiring respiratory support.
- Growth in the output of peer reviewed clinical data and clinical practice guidelines over time supporting nasal high flow therapy for use in more general patient populations facilitates a change in clinical practice.
- Growth in Home respiratory support has historically tracked hospital usage of nasal high flow. This trend was present in FY21 and may have included treatment of COVID-19 patients.

“We have been amazed by healthcare professionals around the world, who have responded with such incredible care and courage to the COVID-19 pandemic. We would also like to express our thanks and admiration for the energy and dedication shown by our people during this challenging year,” Gradon concluded.

Overview of key results for the 2021 financial year

- 82% growth in net profit after tax to a record \$524.2 million.
- 56% growth in operating revenue to \$1.97 billion, 61% growth in constant currency.
- 87% growth in Hospital operating revenue to \$1.50 billion, 94% growth in constant currency.
- 49% 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 66% of Hospital consumables revenue.
- 2% growth in Homecare operating revenue, 4% growth in constant currency.
- Investment in R&D was 7% of revenue, or \$136.7 million.
- 42% increase in final dividend to 22.0 cps (2020: 15.5 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:

- Results in Brief
- Annual Report 2021
- Investor Presentation 2021
- 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 103 of the company's Annual Report 2021, 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 2021 financial year. The conference call is scheduled to begin at 10:00am NZST, 8:00am AEST Thursday 27 May (5:00pm US EDT, Wednesday 26 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: **483205**.

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2021 Investor Series

Fisher & Paykel Healthcare will also hold a virtual Investor Series over three days between 1 June and 3 June 2021 (NZST). The Investor Series will provide participants with the opportunity to hear from management based in New Zealand and the United States 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 through three one-hour presentations over three days including Q&A sessions with management. To find out further information and register for the event, please visit www.fphcare.com/investor-series/