

News Release

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

Fisher & Paykel Healthcare announces results for the first half of the 2023 financial year

Auckland, New Zealand, 29 November 2022 - Fisher & Paykel Healthcare Corporation Limited (NZX:FPH, ASX:FPH) today announced its results for the first half of the 2023 financial year.

For the six months ended 30 September 2022, total operating revenue was \$690.6 million, above the \$670 million guided by the company in its August trading update.

While revenue was down 23% on the first half of the prior year (or 27% in constant currency), this was a 21% increase on the comparable pre-pandemic period, being the first half of the 2020 financial year (\$570.9 million). Net profit after tax for the first half was \$95.9 million, a 57% decline from the prior comparable period, or a 65% decline in constant currency.

Managing Director and CEO Lewis Gradon said, “Consistent with what we signalled in August, first half revenue was down on the prior corresponding period as we lapped significant COVID-19-driven demand. Compared to pre-pandemic levels, this represents solid growth.”

In the Hospital product group, which includes humidification products used in respiratory, acute and surgical care, revenue for the first half was \$438.7 million. This marks a decline of 35% on the prior comparable period, or 37% in constant currency. This represents an increase of 24% on the first half of the 2020 financial year. Of total Hospital product group revenue, 87% was from the sale of consumables and 13% was from the sale of hardware.

“Customer stock levels of hospital consumables continued to reflect purchases of considerable amounts during our prior half, in preparation for an Omicron hospitalisation wave which proved less severe than originally anticipated,” said Mr Gradon.

“Through the first half, there are positive signs that our hospital customers are working through their excess inventory holdings, and total group sales of our hospital consumables have increased sequentially on a month-by-month basis since May. This trend has continued in the second half to date.

“While we believe the number of hospitals which continue to be overstocked is declining, ultimately, these stocking dynamics are short term, and the fundamentals of our sales strategy remain the same. Our teams are committed to helping improve clinical practice and ensuring the hardware our customers have purchased during the pandemic is used to benefit a broader range of patients requiring respiratory support.”

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 \$249.9 million, a 10% increase over the prior comparable period, or 4% in constant currency. OSA masks and accessories revenue increased 16% on the prior comparable period, or 10% in constant currency.

“It has been pleasing to see a strong reception for our new Evora Full mask, which we began selling into the United States in April following 510(k) approval,” said Mr Gradon. “Initial feedback from clinicians and end users has been positive, and this provides added momentum for our team working hard on a robust product pipeline.”

Gross margin was 59.8%, down from 63.1% in the prior period and below the company’s long-term target of 65%. Although global freight rates are seeing prices soften, legs in and out of New Zealand lag this trend, which continues to weigh on margin. The company has also been

impacted by manufacturing inefficiencies, as it carefully balances demand fluctuations while managing manufacturing throughput and higher rates of sickness-related absenteeism in the manufacturing workforce.

The company reached a number of infrastructure milestones over the half to support continued growth. This includes the announcement in September that the company had entered into a conditional agreement to purchase a 105-hectare site for an additional campus in Karaka, Auckland. This acquisition is subject to Overseas Investment Office (OIO) approval, and the company expects a response from the agency in the first half of the 2023 calendar year.

The company's directors have approved an increased interim dividend of 17.5 cents per share (H1 FY22: 17.0 cents per share). The interim dividend, carrying full New Zealand imputation credit, will be paid on 21 December 2022 with a record date of 9 December 2022.

The company is also reactivating its dividend reinvestment plan, as noted in an additional news release issued today, through which eligible shareholders can opt to invest all or part of their cash dividends in additional shares with an applicable discount of 3%. Details of this plan are available on the company website at www.fphcare.com/drp.

Looking ahead

“Our second half will be impacted by a number of factors, including:

- The rate of COVID-19 hospitalisations and the related intensity of respiratory support required;
- The severity and duration of a Northern Hemisphere flu season;
- The magnitude of RSV (respiratory syncytial virus) hospitalisation surges currently experienced in some regions; and
- The impact of ongoing hospital staffing challenges on the surgical procedure backlogs in many countries.

“Given these current uncertainties, we are not providing full-year quantitative revenue or earnings guidance at this time.

“However, we expect second half revenue for the 2023 financial year will be higher than in the first half.

“In our Hospital product group, pre-COVID-19 seasonal patterns have typically resulted in higher sales of hospital consumables in the second half compared to the first half. In the 2018 and 2019 financial years (being our most recent years that were unimpacted by COVID-19), our hospital consumable sales were 19% higher in constant currency during the second half compared to the first half. In addition, it is likely that a proportion of customers have worked through Omicron-driven consumables stock during our first half.

“In our Homecare product group, we believe the recent launch of our new Evora Full face mask, combined with improving global supply of CPAP hardware, will contribute to continued growth for the remainder of the year.

“Assuming current, slightly lower freight costs and reduced manufacturing inefficiencies, constant currency gross margin for the second half would improve from the first half by approximately 200 basis points,” said Mr Gradon.

The company is now targeting constant currency operating expense growth of approximately 8% for the full year.

“We remain committed to sustainable, profitable growth,” said Mr Gradon. “Our confidence in the future is unchanged, evidenced by the significant level of investment in new product development, our global sales force and our infrastructure.”

Overview of key results for the first half of the 2023 financial year

- 57% decline in net profit after tax to \$95.9 million, 65% decline in constant currency.
- 23% decline in operating revenue to \$690.6 million, 27% decline in constant currency.
- 35% decline in Hospital operating revenue to \$438.7 million, 37% decline in constant currency.
- 23% decline in constant currency for new applications consumables (products used in noninvasive ventilation, Optiflow nasal high flow and surgical applications) accounting for 68% of Hospital consumables revenue.
- 10% growth in Homecare operating revenue, 4% growth in constant currency.
- Investment in R&D was 12% of revenue, or \$84.2 million.
- 3% increase in interim dividend to 17.5 cps (H1 FY22: 17.0 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:

- Results in Brief
- Interim Report 2023
- Investor Presentation
- 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 14 of the company's Interim Report 2023, and the company's constant currency framework can be found on the company's website at www.fphcare.com/ccf.

Half Year Results Conference Call

Fisher & Paykel Healthcare will host a conference call on Tuesday, 29 November 2022 to discuss the half year result. The conference call is scheduled to begin at 10:00am NZDT, 8:00am AEDT (4:00pm USEST, Monday, 28 November) and will be webcast.

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 listen and participate in the conference call via phone, please register via 'GlobalMeet' by clicking this [link](#). Once registered, click 'Call Me' and you will receive a phone call connecting you through to the conference line.