

News Release

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

Fisher & Paykel Healthcare announces its results for the 2023 financial year

Auckland, New Zealand, 26 May 2023 – Fisher & Paykel Healthcare Corporation Limited today announced its results for the full year ended 31 March 2023.

Total operating revenue for the 2023 financial year was \$1.58 billion, down 6% or 9% in constant currency from the 2022 financial year. Net profit after tax was \$250.3 million, a 34% decline from the 2022 financial year, or a 39% decline in constant currency.

For the second half, operating revenue grew 14% to \$890.5 million, or 12% growth in constant currency from the second half of 2022, driven by strong growth in Hospital new applications consumables and OSA masks revenue.

Managing Director and CEO Lewis Gradon said, “We are coming out of three financial years that were impacted by the COVID-19 pandemic, and our people, suppliers and customers have worked tirelessly to meet global demand surges. The second half result was encouraging as market conditions progressed towards more of a normal state and both our Hospital and Homecare product groups delivered good growth.”

Hospital product group revenue for the full year was \$1.02 billion, a 15% decrease compared to the previous year and an 18% decrease in constant currency. Hospital hardware sales were down 53% in constant currency compared to the 2022 financial year, a year that was more heavily impacted by global COVID-19 surges. During the 2023 financial year, hardware sales in countries or regions that did not experience COVID-19 surges were tracking somewhat close to pre-pandemic patterns.

Hospital new applications consumables revenue for the full year was down 6% from the prior year in constant currency, as hospital customers worked through their excess inventory. This trend abated throughout the year, and new applications consumables revenue for the second half of 2023 was up 13% in constant currency over the second half of 2022.

Homecare product group revenue for the full year was a record \$553.8 million, 18% higher than the previous year, and 13% higher in constant currency. The company saw strong growth in masks and accessories revenue, which in constant currency was up 17% for the full year, and up 24% for the second half.

“Our Evora Full mask for OSA launched in the United States in May 2022 and contributed significantly to the strong OSA masks revenue. It’s one of the most positive new mask launches we have ever experienced based on customer feedback and initial sales performance in the regions where it is available,” said Mr Gradon.

Gross margin for the year was 59.4%, a 369 basis point decrease in constant currency. Margin was impacted by continued elevated freight costs and manufacturing inefficiencies as the company rebalanced demand fluctuations with manufacturing throughput during the year.

Dividend and dividend reinvestment plan

Fisher & Paykel Healthcare’s board of directors approved a final dividend of 23.0 cents per share for the second half of the year. This brings the total dividend for the 2023 financial year to 40.5 cents per share, an increase of 3% over the 2022 financial year.

The final dividend, carrying full New Zealand imputation credit, will be paid on 7 July 2023 with a record date of 27 June 2023.

The dividend reinvestment plan, under which eligible shareholders can elect to reinvest all or part of their cash dividends in additional shares, will again be made available in respect of the 2023 final dividend. A 3% discount will be applied when determining the price per share in respect of the 2023 final dividend.

Product focus

New product launches remain a core part of Fisher & Paykel Healthcare's growth strategy. During the 2023 financial year the company invested \$174.3 million into research and development to progress its new products in the pipeline.

"In May last year we announced our new Airvo 3 device for delivering nasal high flow, and we have been pleased to see a very positive reception. We recently received 510(k) approval for the Airvo 3, which clears the way for its sale into the United States in the coming months," said Mr Gradon.

During the 2023 financial year, the company continued to add people to the global sales team, particularly in Anesthesia, reflecting the company's aspiration to accelerate the Anesthesia business into a substantial contributor to overall revenue growth.

Infrastructure

During the 2023 financial year, Fisher & Paykel Healthcare announced the acquisition of 105 hectares of land in Karaka, Auckland for a second New Zealand campus. A 10% deposit of the \$275 million purchase price was paid in September 2022, and a payment of \$189.5 million occurred on 11 May 2023. A further \$43 million will be paid in January 2026, and the final instalment of \$15 million will be paid in December 2026.

In the meantime, earthworks are continuing on the company's existing East Tāmaki campus to prepare for the construction of a fifth facility, which will complete the site.

Outlook for the 2024 financial year

At current exchange rates*, guidance assumptions for the 2024 financial year include no significant respiratory disease events, and result in full year operating revenue of approximately \$1.70 billion, with approximately similar revenue growth rates for both Hospital and Homecare product groups.

Capital expenditure for the 2024 financial year is expected to be approximately \$450 million as the company progresses its land and building programmes, and interest expense is expected to be approximately \$16 million. Operating expense growth is anticipated to be approximately 12% at current exchange rates, reflecting the company's investment in R&D and sales people during the 2023 financial year.

"Prior to the pandemic, we had a track record of incremental improvements in gross margin. During the last three years, our responsibility was to get as much product as possible into the hands of our customers. Now, as every team in our business turns back to efficiency gains, we are confident in our ability to return to our long-term target of 65% within three to four years. For the 2024 financial year, we anticipate a gross margin improvement of approximately 200 basis points in constant currency, or an improvement of approximately 100 basis points at current exchange rates," said Mr Gradon.

"It has been very positive to see our people, our clinical partners and our suppliers spend more time face-to-face over the past year. We look forward to this continuing in the year ahead. Connection is at the core of our business – the quality of our relationships and our interactions is a major determinant of our success," concluded Mr Gradon.

*At May 2023 exchange rates of NZD:USD 0.63, NZD:EUR 0.58, NZD:MXN 12.00.

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

- 14% growth in operating revenue to \$890.5 million, 12% growth in constant currency.
- Net profit after tax of \$154.4 million, a decline of 0.5% or 3% in constant currency.
- 9% growth in Hospital operating revenue to \$584.8 million, 7% growth in constant currency.
- 13% 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 72% of Hospital consumables revenue.
- 25% growth in Homecare operating revenue to \$303.9 million, 22% growth in constant currency.
- 28% growth in OSA masks revenue, or 24% growth in constant currency.

Overview of key results for the 2023 financial year

- 34% decline in net profit after tax to \$250.3 million, 39% decline in constant currency.
- 6% decline in operating revenue to \$1.58 billion, 9% decline in constant currency.
- 15% decline in Hospital operating revenue to \$1.02 billion, 18% decline in constant currency.
- 6% constant currency revenue decline for new applications consumables.
- 18% growth in Homecare operating revenue to \$553.8 million, 13% growth in constant currency.
- Investment in R&D was 11% of revenue, or \$174.3 million.
- 2% increase in final dividend to 23.0 cps (2022: 22.5 cps).
- 3% increase in total dividends for the financial year to 40.5 cps (2022: 39.5 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 2023
- Investor Presentation 2023
- NZX Results Announcement
- NZX Distribution Notice

Full Year Results Conference Call

Fisher & Paykel Healthcare will host a conference call today to discuss the results for the 2023 financial year. The conference call is scheduled to begin at 10:00am NZST, 8:00am AEST Friday 26 May (5:00pm US EDT, Thursday 25 May) and will be broadcast simultaneously online.

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.

2023 US / Mexico Investor Event

Fisher & Paykel Healthcare will hold an Investor Event on Thursday 14 September 2023 and Friday 15 September 2023 in Tijuana, Mexico and Irvine, California. The Investor Event will provide the opportunity for investors and analysts to visit our operations in Tijuana, Mexico and Irvine, California and meet leaders from our Mexico and US teams.

To register for the event, please visit <https://www.fphcare.com/nz/events/investor/investor-day/>.

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 107 of the company's Annual Report 2023, and the company's constant currency framework can be found on the company's website at www.fphcare.com/ccf.