

## **News Release**

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### **Record Result for Fisher & Paykel Healthcare; Net Profit up 37%**

Auckland, New Zealand, 29 June 2020 - Fisher & Paykel Healthcare Corporation Limited announced today its results for the full year ended 31 March 2020. Operating revenue was \$1.26 billion, up 18% over last year, or 14% in constant currency.

Net profit after tax was \$287.3 million, up 37% over the previous year, or 30% in constant currency. Excluding the impact from tax changes, being the R&D tax credit and building tax depreciation, net profit after tax grew 23% in constant currency.

The increase in revenue was largely driven by growth in the use of the company's Optiflow™ nasal high flow therapy, demand for products to treat COVID-19 patients, and strong hospital hardware sales throughout the course of the year.

"The 2020 financial year was already on track to deliver strong growth before the coronavirus impacted sales," said Managing Director and CEO Lewis Gradon. "Beginning in January, the demand for our respiratory humidifiers accelerated in a way that has been unprecedented."

"With new processes, new procedures and new ways of working safely, we managed to double and in some instances triple, output for some of our hospital hardware products over just a few months at the end of the year. I'm incredibly proud of our people and their unyielding commitment to doing the right thing for patients," said Mr Gradon.

For the Hospital product group, which includes products used in respiratory, acute and surgical care, operating revenue increased 25%, or 21% in constant currency, to \$801.3 million for the year. Sales from new applications consumables, which includes products used for nasal high flow therapy, increased by 23% in constant currency over the previous financial year.

For the Homecare product group, which includes products used in the treatment of obstructive sleep apnea (OSA) and respiratory support in the home, revenue rose 9%, or 4% in constant currency, to finish at \$457 million for the year. During the year, the company introduced its F&P Vitera™ OSA full face mask into the US market and launched the new F&P Evora™ compact nasal mask in Australasia, Europe and Canada. Both of these new masks have been well received.

Gross margin decreased by 73 basis points to 66.1%, primarily driven by additional air freight costs required to acquire increased supply of raw materials and expedite finished goods to customers for patient use towards the end of the financial year, as well as the additional start-up costs of the company's second Mexico manufacturing facility.

### **Capital management and dividend**

The company also announced that it has expanded its previous dividend policy into a broader capital management policy. The company's priority is to appropriately invest in the business to support long term sustainable growth. The company has maintained a target debt-to-debt-plus-equity ratio in the range of +5% to -5%, and the company expects to increase dividends as earnings grow, while taking into consideration the target gearing ratio. A copy of the new capital management policy is available on the company's website at [www.fphcare.com/capital-management](http://www.fphcare.com/capital-management).

In accordance with the company's capital management policy, the directors have approved a final dividend of 15.5 cents per share, an increase of 15% on the final dividend last year. This brings the total dividend for the year to 27.5 cents per share, an increase of 18% on last year.

The final dividend, carrying full New Zealand imputation credit, will be paid on 17 July 2020 with a record date of 7 July 2020.

### **Outlook for FY2021**

“We cannot predict the scope, duration or impact of COVID-19 and its effects on our operations and financial results,” said Mr Gradon. “In the midst of this uncertainty, we will continue doing what we are known for – expanding our range of innovative products with patients at the centre.

“For the first three months of FY21 our Hospital product group growth has continued to accelerate, with hardware growth of over 300%, and hospital consumables tracking at over a one-third increase, compared to the first three months of FY20. In our Homecare product group we are seeing evidence of both a lower OSA diagnosis rate, and OSA mask resupply levels in the beginning of FY21 returning closer to expected levels compared to the elevated levels at the end of FY20. Homecare growth for the first three months of FY21 has therefore been closer to the FY20 full year rate.

“Some costs, most significantly freight, also remained elevated during the first three months of FY21. We value a long term relationship with our customers, and we have not increased their prices.

“Due to significant uncertainty in the extent and duration of the impact of COVID-19 on global demand for our products, we have made some assumptions to allow us to provide some guidance for FY21. As a result, our guidance is provided on the basis that global hospitalisations due to COVID-19 peak for the first quarter of this financial year, and hospitalisations for respiratory-related illnesses and OSA diagnostic activity steadily return to normal by the end of our first half. On this basis and at current exchange rates, full year operating revenue for the 2021 financial year would be approximately \$1.48 billion and net profit after tax would be approximately \$325 million to \$340 million.

“Our assumption for guidance is not a prediction of the course of COVID-19 around the world. We are continuing to grow manufacturing capacity of hospital products during our 2021 financial year to ensure a further increase in supply of our respiratory products is available if required.

“Construction is complete on our fourth manufacturing building in New Zealand. As we bring forward capital expenditure spending for new product tooling and manufacturing capacity we expect capital expenditure for the 2021 financial year to be approximately \$160 million.

“I want to recognise our suppliers, customers, shareholders, clinical partners, government agencies – and especially, our employees – for your support this year. Thanks to you, our products were used to treat around 16 million patients last year, including patients with COVID-19 all over the world.

“Fisher & Paykel Healthcare is resilient and well-positioned to respond to the global pandemic and adapt to a ‘new normal’. We are confident that our innovative products and therapies will continue to shape the future of care in hospitals and homes,” concluded Mr Gradon.

### **Overview of key results for the 2020 financial year**

- 37% growth in net profit after tax to a record \$287.3 million.
- 18% growth in operating revenue to a record \$1.26 billion, 14% growth in constant currency.
- 25% growth in Hospital operating revenue, 21% growth in constant currency.
- 23% constant currency revenue growth for new applications consumables; i.e. products used in non-invasive ventilation, Optiflow nasal high flow therapy, and surgical applications, accounting for 64% of Hospital consumables revenue.
- 9% growth in Homecare operating revenue, 4% growth in constant currency.
- 4% growth in constant currency revenue in OSA masks.
- Investment in R&D was 9% of revenue, or \$118.5 million.
- 15% increase in final dividend to 15.5 cps (2019: 13.5 cps).

## **About Fisher & Paykel Healthcare**

Fisher & Paykel Healthcare is a leading designer, manufacturer and marketer of products and systems for use in respiratory care, acute 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](http://www.fphcare.com).

## **Ends**

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

### **Accompanying documents**

Please find attached to this news release the following additional documents:

- Results in Brief
- Annual Report 2020
- Investor Presentation 2020
- Annual Review 2020
- 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 36 of the company's Annual Report 2020, and the company's constant currency framework can be found on the company's website at [www.fphcare.com/ccf](http://www.fphcare.com/ccf).