

News Release

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

Fisher & Paykel Healthcare provides guidance for first half of FY23

Auckland, New Zealand, 19 August 2022 – Fisher & Paykel Healthcare Corporation Limited today provided revenue and net profit after tax guidance for the first half of the 2023 financial year ending 30 September 2022.

At current exchange rates, and assuming a continuation of trading conditions in the first four months, the company expects operating revenue for the first half of the 2023 financial year to be approximately \$670 million and net profit after tax to be approximately \$85 million to \$95 million.

This would represent an increase in revenue on pre-pandemic levels (1HFY20: \$570.9M) and a decline in revenue compared to the prior comparable period (1HFY22: \$900.0M).

Managing Director and Chief Executive Officer Lewis Gradon said, “As we detailed in our full year results announcement, we dramatically increased production in response to the pandemic. As a result, we sold approximately ten years’ worth of hardware in two years – to hospitals all around the world.

“Our customers also purchased a considerable amount of hospital consumables in preparation for each wave of COVID-19. During the most recent waves of the Omicron variant, fewer patients have required hospitalisation and respiratory support. We believe customer stock levels have been elevated during our first half, which impacts our short-term sales.

“This does not change the fundamentals of our business or our strategy. Our Hospital sales teams are still focused on changing clinical practice and helping ensure the hardware our customers have purchased is used to benefit a broader range of patients requiring respiratory support.”

First half FY23 guidance

For the Hospital product group in the first half of FY23, the company assumes that in constant currency:

- hardware revenue reduces to a pre-pandemic level by the end of the half;
- new applications consumables revenue is about 75% of the prior comparable period, and above pre-pandemic levels; and
- invasive consumables revenue is approximately equal to the prior comparable period.

Gross margin for the first half is expected to be approximately 60%, which is below the company’s long-term target of 65%.

“The pandemic continues to adversely impact gross margin due to elevated freight and COVID-19 related costs. This year, we are also experiencing some manufacturing inefficiencies, as we are carefully balancing demand fluctuations and targeted inventory levels with manufacturing throughput – while managing higher rates of absenteeism in our manufacturing workforce due to sickness.

“Although we have reduced our manufacturing cost base over the past six months, manufacturing inefficiencies are likely to persist for this financial year as demand stabilises and inventory levels reduce to our targets.

“Product mix also adversely impacts gross margin, because new applications consumables make up a reduced proportion of total hospital consumables.

“We expect operating expenses for the first half to grow by approximately 5% in constant currency. This is consistent with our plan to continue to invest for long-term sustainable growth,” Mr Gradon continued.

Looking forward

“There are ongoing uncertainties around our customers’ inventory levels, their staffing challenges and their current capacity for adopting clinical change. We also do not know to what extent respiratory therapies will be required during the Northern Hemisphere winter. For those reasons, we are not currently providing quantitative revenue or earnings guidance for the full 2023 financial year.

“However, we believe that second half revenue for the 2023 financial year will be higher than in the first half, based on the following expectations:

- hospitalisation rates will reflect pre-COVID-19 seasonal patterns, resulting in higher consumption of hospital consumables in the second half compared to the first half.
- improving global supply of CPAP hardware and the recent launch of our new Evora Full face mask will contribute to continued Homecare growth for the remainder of the year.

“Assuming current freight costs, COVID-19 related costs, and manufacturing inefficiencies persist through the year, gross margin for the second half would remain broadly similar to the first half.”

The company is now targeting constant currency operating expense growth of approximately 10% for the year.

“To deliver on our aspiration of doubling our constant currency revenue every five to six years, we believe it is essential that we continue to grow our investment in our R&D activities. This includes funding clinical trials for home respiratory support products and advancing the development of new surgical technologies. We are also continuing to invest in growing our sales teams to support the significant hospital hardware placements and our expanded offering into anesthesia. We have already expanded our direct sales and distribution presence from 39 countries to 53 over the past three years.

“Never before in our history have we changed clinical practice with such a significant advantage. Our customers already have our hardware, they already have clinical experience with its use, and they already have access to a huge amount of clinical evidence. This gives us confidence that we can continue to build on our proven 50-year track record and reach more patients with our respiratory therapies. We continue to be confident executing on our long-term growth opportunities,” concluded Mr Gradon.

Fisher & Paykel Healthcare’s Annual Shareholders’ Meeting is scheduled for 2pm NZST, 12pm AEST (10pm USED) on Wednesday, 24 August. To participate go to: www.virtualmeeting.co.nz/fph22.

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.