

FISHER & PAYKEL HEALTHCARE CORPORATION LIMITED
ANNUAL SHAREHOLDERS' MEETING
28 AUGUST 2019

ADDRESS BY TONY CARTER, CHAIRMAN

Introduction

Fisher & Paykel Healthcare is a world leader in medical devices and systems for use in respiratory care, acute care, surgery and the treatment of obstructive sleep apnea.

Our first prototype respiratory humidifier was developed in 1969. In the 50 years since, we've focused on continuous improvement and innovation, and our products are considered leaders in their respective fields. Fifty years in business is certainly worth celebrating, but we know there is no room for complacency. We have to continue to strive to understand our customers and try new things. Long-term thinking got us to this point, and long-term thinking will take us into the next phase of our growth.

In our Homecare product group, our systems are used to treat the growing number of people with obstructive sleep apnea, or OSA, and also patients requiring respiratory support in the home. Like our Hospital products, our products in this group are designed to be effective, simple and comfortable to use and to support patient independence. This year, revenue in the Homecare group was up 4 percent to NZ\$398 million.

Financial

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The total dividend for the financial year was 23.25 cents per share, up 9 percent. This equates to a dividend pay-out ratio of approximately 64 percent of net profit after tax for the year.

As most of you will know, our business is broadly structured into two major product groups: Hospital and Homecare. Last year Hospital made up 60 percent of revenue, and Homecare made up 39 percent.

Let's look at each of those product groups in more detail.

Products in our Hospital group are used primarily to humidify the gases used in invasive ventilation, non-invasive ventilation, nasal high flow therapy, and laparoscopic and open surgery. In the 2019 financial year, our Hospital revenue grew 12 percent to \$642 million. We saw strong demand for our Optiflow and AIRVO systems, driven by a growing body of clinical research in nasal high flow therapy.

In our Homecare product group, our systems are used to treat the growing number of people with obstructive sleep apnea, or OSA, and also patients requiring respiratory support in the home. This year, revenue in the Homecare group was up 6 percent to \$421 million. This was driven by growth in our home respiratory support business and the successful rollout of our new SleepStyle system for patients with OSA.

In terms of margin, we saw an improvement over last year. Gross margin increased from 66.3 percent in the 2018 financial year to 66.9 percent, which

remains above our long-term target of 65 percent. Operating margin was 27.3 percent and we are well placed to achieve our target of 30 percent in the coming years.

As you know, research and development has always been a priority for Fisher & Paykel Healthcare. Last year, we invested \$100 million in R&D, representing 9 percent of our revenue.

Protecting that investment and our intellectual property is crucial in today's competitive global marketplace. I'm happy to report that we have now settled all outstanding patent infringement disputes between the company and ResMed. We have an ongoing commitment to improve patient care and outcomes through inspired and world-leading healthcare solutions, and this resolution supports that commitment.

People

At Fisher & Paykel Healthcare, we know our people are our strength, and the results we achieve are due to the hard work and dedication of our global team. Every six months a profit-sharing bonus is paid to our employees around the world. In the 2019 financial year, this bonus totalled \$5.7 million – which amounted to more than a week's additional pay for each employee.

I'd like to take this opportunity to thank our people and acknowledge that our results would not be possible without their innovative ideas and ability to build trusted relationships with healthcare providers, which are critical to changing clinical practice.

Your Board

Turning now to your Board.

Last year we welcomed Neville Mitchell as a non-executive director. He has extensive global financial and medical device experience and most recently served as Chief Financial Officer of ASX-listed Cochlear Limited. Neville is up for election this year, so you will hear a few words from him later in the meeting.

We also welcomed Claudia Wyss as part of our Future Directors Programme. Claudia is the CEO at Healthvision, a home-based healthcare agency that operates across New Zealand. Both Neville and Claudia have brought valuable insights and expertise which complement that of other Board members.

The Board operates in conjunction with the support of three Board subcommittees, which are the Audit & Risk Committee, the People & Remuneration Committee and the Quality, Safety & Regulatory Committee.

I would now like to invite the Chairs of each of those three committees to address the meeting. Scott, Pip and Donal will provide an overview of the committees and their areas of focus over the past year. Donal is standing for re-election as a Director of the Board at this meeting, so he will also say a few words about that. *[Committee updates]*

Conclusion

Before I pass you over to Lewis, I would like to thank you, our shareholders, for your continued support and loyalty. Your investment in Fisher & Paykel Healthcare has helped around 14 million patients in 120 countries over the past year, and allows our world of care to continue to expand, grow and transform. I will now invite Lewis, our Managing Director and CEO, to provide further commentary on the company's performance and an update on our current outlook for the 2020 financial year.

Lewis.

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**ADDRESS BY LEWIS GRADON,
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**

Thank you Tony.

Progress to date this financial year

We've had a good start, and we are on track to deliver strong revenue and earnings growth for the 2020 financial year.

During the first quarter, we have seen strong growth in our Hospital product group, which continues to be supported by uptake in both our Optiflow nasal high flow therapy and non-invasive ventilation products. We now expect Hospital constant currency revenue growth for the 2020 year to be slightly higher than last year's growth.

Our Homecare product group continues to perform as expected due to the phasing of our OSA mask product cycle relative to competitors. Our Vitera OSA full face mask has performed well in Australasia, Europe and Canada, and we look forward to rolling this out in other countries as we receive the relevant regulatory clearances.

Financial outlook

The full year guidance we provided in May was for operating revenue to be approximately \$1.15 billion and net profit after tax to be approximately \$240 million to \$250 million.

We now expect full year operating revenue to be approximately \$1.17 billion and net profit after tax to be approximately \$245 million to \$255 million. This assumes a New Zealand:US exchange rate of approximately 64 cents for the balance of the year.

Our New Zealand dollar results can be influenced by exchange rate movements, and our earnings guidance has benefited from a weakening of the New Zealand dollar. At current exchange rates, we expect operating revenue for the first half of the 2020 financial year ending 30 September 2019 to be approximately \$560 million and net profit after tax to be approximately \$120 million.

Long-term thinking

As you will have seen in our 2019 annual report, we are celebrating fifty years of care this year. We're proud of that milestone, and we're hosting an event this year for employees to recognise our history. Today, I think it's appropriate to reflect on that 50-year milestone and what it means for us and for you as our shareholders.

Over the past 50 years, we've become the world leader in respiratory humidification. Through strong technical and clinical expertise, we've grown into a trusted global brand, earning the respect of key opinion leaders in healthcare. We've built global distribution in hospital respiratory support and home care, and we're building global distribution in surgical applications.

I want to assure you that we're not resting on our laurels. We're building on the expertise we've developed and the lessons we've learnt over the last 50 years to carry on improving outcomes for more and more patients over the next 50 years.

At Fisher & Paykel Healthcare, we think, act and invest over the long term. And our long-term thinking is one thing that sets us apart from many of our competitors.

People

To begin with, we focus on the long-term when it comes to our people.

At our anniversary event, I'll be handing out certificates to employees who are celebrating twenty, twenty-five, even thirty-five years with the company. Some of you here in the room today have also been with Fisher & Paykel Healthcare for decades as employees. That stability produces valuable institutional knowledge that helps us achieve results over the long-term.

In order to achieve that stability, we look to recruit and hire the best people, people who are aligned with our culture and our values.

You may remember that last year our long-serving Chief Financial Officer, Tony Barclay, retired after 22 years with the company. We conducted a global search for a new CFO, and I'm pleased to introduce Lyndal York, who joined us in March. Lyndal has strong international experience in the medical device industry. Before coming to Fisher & Paykel Healthcare she served as CFO of Asaleo Care and held leadership positions with Cochlear in Australia.

Products

We also apply long-term thinking when it comes to our products. We do extensive research to understand the needs of patients and the environments where our products are used. Our new products improve care and outcomes and reduce costs for our customers. Last year, we launched neonatal breathing circuits for the F&P 950 heated humidification system, our new Optiflow 3S nasal cannula, which is for nasal high flow therapy for adults, and most recently, our new Vitera OSA mask.

Thinking about the long term, we continue to research new applications for our technologies. For example, just two weeks ago, we were privileged to have a US physician, Professor Gerard Criner, on site to speak with us. Professor Criner is a global leader in treating chronic obstructive pulmonary disease, or COPD, and he has conducted a pilot study using myAirvo and Optiflow systems to treat COPD in the home. He has seen the potential benefits of nasal high flow therapy for COPD patients first hand. He is now investigating a longer-term study, following patients over several years to generate robust clinical data. However, as with all clinical trials, we need to be patient. Relationships with key opinion leaders like Professor Criner help us ensure that we deliver the best possible products to help them provide the best possible care.

Projects

Our commitment to the long-term guides our approach to major projects and expenditures. It is very important that we start with the problem or the opportunity, and then implement the right technology to solve it. Last year, we made a seamless transition to SAP software across North America. We're already seeing the benefits of this new system, and we know this is a tool that we will use long into the future.

Our facilities, too, are designed to meet our future needs. We recently opened our second manufacturing plant in Mexico, on time and on budget. The Mexico site has enough land for three more buildings to accommodate growth and expansion. We've applied long-term thinking to our fourth building here in East Tamaki, and you can find out more about that after today's meeting in our Building Four preview tour.

Growth Strategy

It can be challenging to do things for the long term. For some stakeholders, long term means next year.

But that is not our approach. Our opportunities are over the long term, and our strategy is necessarily very consistent. Global demographic trends point to significant potential for us. In the US alone, 90 million people will be over the age of 65 by the year 2050, and many developing countries are increasing their spend on healthcare. However, our bigger opportunity is enabling change in clinical practice, and that takes time.

As shown on this slide, when we talk about the short-term, we mean at least the next five years. Medium-term is more like five to 15 years, and long-term is 15 years plus. Our aspiration is to double our constant currency revenue every five to six years, and we aim to grow the business in a profitable way that is sustainable.

Re-election

As you are aware, I am standing for re-election as a Director of your Board at this meeting. I have been with Fisher & Paykel Healthcare for 36 years now, the last three years as your CEO and Managing Director. I believe that my experience and knowledge of the company and our industry will continue to bring value to the Board. I am committed to the success of this company and to delivering results for shareholders. With your support, I look forward to continuing to deliver on this commitment as Managing Director.

Conclusion

In closing, I'd like to thank our customers, clinical partners, suppliers, employees and shareholders for their continued support of the company.

There are large opportunities to effect positive change to clinical practice if we stay focused on the long term.

Thanks for taking the journey with us.

Thank you.