

13 August 2020

Fisher & Paykel Healthcare Corporation Ltd

The company will hold its Annual Shareholders Meeting **2.00pm Friday 21 August 2020**.

The company has advised that due to the Covid restrictions in Auckland the meeting will now be online. You can join the meeting at <https://www.virtualmeeting.co.nz/agm/FPH20/register>

The company is a designer, manufacturer and marketer of products and systems for use in respiratory care, acute care, surgery, and the treatment of obstructive sleep apnoea. It was founded in 1969 and listed on the NZX in 1979. It is also listed on the ASX. It employs over 5000 people in 39 countries, 2738 in New Zealand, 1645 in North America and Mexico, 333 in Europe and 365 across the rest of the world. During the year construction was completed on the fourth manufacturing building in New Zealand.

As a result of Covid-19 its products have been in high demand particularly its Optiflow TM nasal high flow therapy and its hospital hardware products. Research and development costs were \$118.5 million, 9% of operating revenue.

Revenue was up 18% at \$1.26 billion with NPAT up 37% at \$287.3 million. Dividend was up 18% at 27.5 cents per share. The shares are trading at \$34.49 and have traded through a range of \$15.15/\$37.70 over the past year. The low point was August 2019 and since then the price has tracked steadily upwards in contrast to most shares dipping in March 2020 and then recovering.

Results for the first three months of FY21 have seen Hospital Product sales increase over 300% as a result of Covid-19 although freight costs have increased significantly. FY21 Revenue is forecast at \$1.48 billion with NPAT at \$325 million to \$340 million. The company is bringing forward capital expenditure and this will be around \$160 million in FY21.

Board Composition

The Board comprises an Independent Chair, 5 Independent Directors, the CEO and one Non-Independent Director. The Chairman Tony Carter is retiring after serving for 10 years and will be replaced by Scott St John.

It is interesting to note that the Board includes the current CEO and the former CEO showing that divergence from accepted governance principles does not necessarily negatively impact performance.

In February, the Board appointed its fifth Future Director Toni Moyes. The Future Directors Programme allows aspiring Directors to participate in the governance of an NZX listed company. NZSA recommends other companies should participate in the Programme.

Resolutions

1. To re-elect Pip Greenwood as an Independent Director.

Pip Greenwood was appointed to the Board in June 2017. She is a director of Spark, a2 Milk, and Westpac New Zealand. She was a partner at Russell McVeagh between 2001 and 2019 and served as its Chair.

We will vote undirected proxies **IN FAVOUR** of this resolution.

2. To re-elect Geraldine McBride as an Independent Director.

Geraldine McBride was appointed to the Board in August 2013. She is a director of National Australia Bank and Sky Network Television. Highlights of her long career in the technology field include President of SAP North America and founder and CEO of MyWave, an AI business solutions company.

We will vote undirected proxies **IN FAVOUR** of this resolution.

3. That the Board is authorised to fix the auditor's remuneration for the coming year.

This is an administrative resolution.

We will vote undirected proxies **IN FAVOUR** of this resolution.

4. To increase the Directors Fee Pool by \$405,000.

The details are set out in the Notice of Meeting. In addition, the Independent Report by EY has also been sent to shareholders. The last increase in the fee pool was approved by shareholders in 2017. It is NZSA policy that Boards should review their fees on a regular basis and three years is an appropriate review period. We have read the documents and believe that the increase sought is appropriate given the size, scale and performance of the company.

We will vote undirected proxies **IN FAVOUR** of this resolution.

5/6. To approve the Long-Term Variable Remuneration of the Managing Director and CEO.

The company issues performance share rights to the Managing Director and CEO as part of his remuneration. We agree with the company that this aligns the CEO with the interests of shareholders by rewarding performance with the issue of shares and options, so the CEO has a vested interest in the long-term share price performance. Details of the proposal are set out in the Notice of Meeting.

We will vote undirected proxies **IN FAVOUR** of this resolution.

7. To approve Long Term Variable Remuneration Issue to North American Employees.

Under relevant US law, shareholder approval is required for share rights plans and share option plans within 12 months of the date of issue. A share options plan was first established in 2003 and a share rights plan was first established in 2012. This resolution is to approve the 2019 share rights and share options plan for North American employees. Details are set out in the Notice of Meeting.

We will vote undirected proxies **IN FAVOUR** of this resolution.

Proxies

You can vote online or appoint a proxy at <https://www.linkmarketservices.co.nz/InvestorServices/Online-Voting.html>

Instructions are on the Proxy/voting paper sent to you.

Voting and proxy appointments close **2.00pm Wednesday 19 August 2020.**

Please note you can appoint the Association as your proxy. We will have a representative attending the meeting.

STANDING PROXIES - AUTOMATICALLY APPOINT NZSA AS YOUR PROXY

MAKE YOUR VOTE COUNT!

Details on the NZSA website.

<http://www.nzshareholders.co.nz/shareholders-standing-proxies.cfm>

The Team at NZSA