

F&P Healthcare

Unmasking Competitor Commentary

CHELSEA LEADBETTER CFA

chelsea.leadbetter@forsythbarr.co.nz

+64 4 495 5262

UNDERPERFORM

Competitor commentary and industry data points continue to reinforce the material tailwinds being experienced by F&P Healthcare's (FPH) Hospital segment. We expect a stellar 1H21 result (with guidance due 21 August) and there remains an attractive long-term growth runway. FPH's share price and valuation metrics have seen a remarkable step-change through 2020 (price +64%; market cap +NZ\$8.2bn; PE +30%). There is no doubt COVID-19 has provided strong tailwinds and a unique set of circumstances which has seen a substantial acceleration in clinician exposure for its high flow nasal cannula (HFNC) oxygen therapy, which is likely an accelerant for adoption rates. However, at current levels we see better value for risk elsewhere, although acknowledge momentum remains firmly on its side, and it is difficult to foresee a catalyst for a de-rating in the short-term (COVID-19 vaccine aside). UNDERPERFORM.

NZX Code	FPH	Financials: Mar/	20A	21E	22E	23E	Valuation (x)	20A	21E	22E	23E
Share price	NZ\$36.45	NPAT* (NZ\$m)	287.3	378.6	388.7	441.6	EV/EBITDA	47.4	36.5	35.2	31.3
Target price	NZ\$25.00	EPS* (NZc)	50.0	65.8	67.2	76.1	EV/EBIT	55.1	41.0	40.0	35.2
Risk rating	Medium	EPS growth* (%)	37.0	31.5	2.2	13.1	PE	72.8	55.4	54.2	47.9
Issued shares	574.2m	DPS (NZc)	27.5	36.0	40.3	45.6	Price / NTA	n/a	n/a	n/a	n/a
Market cap	NZ\$20,929m	Imputation (%)	100	100	100	100	Cash div yld (%)	0.8	1.0	1.1	1.3
Avg daily turnover	788.4k (NZ\$19,970k)	*Based on normalised profits					Gross div yld (%)	1.0	1.4	1.5	1.7

Key take-outs from recent competitor results

There remains a reasonable margin of error in the extent and duration of the benefit of COVID-19 and data points remain fluid. Unsurprisingly, management teams are grappling with difficulty in providing detailed outlook, forecasts or guidance.

Key take-outs of interest from our channel checking:

- **Hospital:** (1) COVID-19 related hospitalisations remain high in a number of countries, providing continued tailwinds for FPH (its products are a front-line therapy); (2) pricing environment not conducive for increases to offset higher freight costs; (3) some signs of slowing demand in 3Q CY20 vs 2Q CY20, although still materially ahead of the prior year.
- **Homecare:** (1) New patient diagnosis still showing double-digit decline in most markets, although industry views are this has bottomed and is beginning a U shaped recovery; (2) resupply appears resilient to date.

Our read through for FPH

In late June FPH provided a guide for FY21 (revenue ~NZ\$1.48bn; NPAT NZ \$325-340m) based on a set of assumptions, including that COVID-19 hospitalisations peak in 1Q21. There is no change to our view that this is conservative and recent data points reinforce that view. Like with a number of companies there is a reasonable margin of error in near-term forecasting (in this case forecasting the duration of tailwinds), however, based on the current COVID-19 status globally we have further lifted our FY21 forecasts (NPAT +7%) albeit made more moderate changes thereafter (medium-term NPAT forecasts +1-2%). FPH, like its peers, is delivering a step-change in production capacity, however we continue to view demand (order flow / patient numbers) as a more important driver of earnings than supply.

FPH will next update the market at its Annual Meeting on Friday 21 August which we expect to confirm a stellar 1H21 result and that momentum remains strong in its Hospital segment. We have no visibility on consensus 1H21 expectations, however, we believe the market is already expecting a strong print.

Fisher & Paykel Healthcare Corporation (FPH)

Priced as at 06 Aug 2020 (NZ\$) **36.45**

12-month target price (NZ\$)*	25.00
Expected share price return	-31.4%
Net dividend yield	1.0%
Estimated 12-month return	-30.4%

Key WACC assumptions	
Risk free rate	2.00%
Equity beta	0.77
WACC	6.7%
Terminal growth	2.0%

Spot valuations (NZ\$)	
1. DCF	24.73
2. Compco	23.25
3. n/a	n/a

DCF valuation summary (NZ\$m)	
Total firm value	14,359
(Net debt)/cash	0
Less: Capitalised operating leases	(160)
Value of equity	14,199

Profit and Loss Account (NZ\$m)	2019A	2020A	2021E	2022E	2023E
Sales revenue	1,070.4	1,263.7	1,615.5	1,645.2	1,847.1
Normalised EBITDA	329.3	440.3	571.8	591.7	665.5
Depreciation and amortisation	(41.7)	(61.0)	(63.1)	(70.0)	(73.3)
Normalised EBIT	292.6	379.3	508.6	521.7	592.1
Net interest	0.8	(1.7)	(1.2)	(0.5)	0.2
Associate income	0	0	0	0	0
Tax	(82.0)	(83.2)	(128.8)	(132.5)	(150.8)
Minority interests	0	0	0	0	0
Normalised NPAT	209.2	287.3	378.6	388.7	441.6
Abnormals/other	0	0	0	0	0
Reported NPAT	209.2	287.3	378.6	388.7	441.6
Normalised EPS (cps)	36.5	50.0	65.8	67.2	76.1
DPS (cps)	23.3	27.5	36.0	40.3	45.6

Growth Rates	2019A	2020A	2021E	2022E	2023E
Revenue (%)	9.1	18.1	27.8	1.8	12.3
EBITDA (%)	6.4	33.7	29.9	3.5	12.5
EBIT (%)	8.5	29.6	34.1	2.6	13.5
Normalised NPAT (%)	10.0	37.3	31.8	2.7	13.6
Normalised EPS (%)	9.5	37.0	31.5	2.2	13.1
Ordinary DPS (%)	9.4	18.3	30.9	11.9	13.2

Cash Flow (NZ\$m)	2019A	2020A	2021E	2022E	2023E
EBITDA	329.3	440.3	571.8	591.7	665.5
Working capital change	6.7	(14.3)	(53.1)	(4.7)	(32.1)
Interest & tax paid	(82.7)	(95.9)	(130.0)	(133.0)	(150.6)
Other	0	0	0	0	0
Operating cash flow	253.3	330.1	388.7	454.0	482.8
Capital expenditure	(125.7)	(155.7)	(165.0)	(111.5)	(166.1)
(Acquisitions)/divestments	0	0	0	0	0
Other	0	(9.7)	(7.3)	(7.9)	(8.5)
Funding available/(required)	127.6	164.7	216.3	334.6	308.3
Dividends paid	(114.6)	(146.4)	(182.7)	(220.5)	(249.3)
Equity raised/(returned)	2.1	0	0	0	0
(Increase)/decrease in net debt	15.1	18.3	33.6	114.1	58.9

Balance Sheet (NZ\$m)	2019A	2020A	2021E	2022E	2023E
Working capital	159.0	203.6	256.7	261.4	293.5
Fixed assets	601.4	710.6	805.9	839.2	922.1
Intangibles	61.5	73.9	88.5	105.2	124.3
Right of use asset	0	24.7	26.6	28.6	30.8
Other assets	109.1	136.5	138.4	140.4	142.6
Total funds employed	931.0	1,149.3	1,316.0	1,374.9	1,513.3
Net debt/(cash)	(54.4)	(42.2)	(75.8)	(189.9)	(248.9)
Lease liability	0	33.6	36.2	38.9	41.9
Other liabilities	72.2	181.4	184.0	186.7	189.7
Shareholder's funds	913.2	976.5	1,171.7	1,339.2	1,530.6
Minority interests	0	0	0	0	0
Total funding sources	931.0	1,149.3	1,316.0	1,374.9	1,513.3

* Forsyth Barr target prices reflect valuation rolled forward at cost of equity less the next 12-months dividend

Valuation Ratios	2019A	2020A	2021E	2022E	2023E
EV/EBITDA (x)	63.4	47.4	36.5	35.2	31.3
EV/EBIT (x)	71.4	55.1	41.0	40.0	35.2
PE (x)	99.8	72.8	55.4	54.2	47.9
Price/NTA (x)	>100x	>100x	>100x	>100x	>100x
Free cash flow yield (%)	0.6	0.8	1.1	1.6	1.5
Net dividend yield (%)	0.6	0.8	1.0	1.1	1.3
Gross dividend yield (%)	0.9	1.0	1.4	1.5	1.7

Capital Structure	2019A	2020A	2021E	2022E	2023E
Interest cover EBIT (x)	n/a	>100x	>100x	>100x	n/a
Interest cover EBITDA (x)	n/a	>100x	>100x	>100x	n/a
Net debt/ND+E (%)	-6.3	-4.5	-6.9	-16.5	-19.4
Net debt/EBITDA (x)	n/a	n/a	n/a	n/a	n/a

Key Ratios	2019A	2020A	2021E	2022E	2023E
Return on assets (%)	24.2	26.0	30.4	30.1	31.1
Return on equity (%)	22.9	29.4	32.3	29.0	28.8
Return on funds employed (%)	26.8	33.0	37.4	34.7	36.3
EBITDA margin (%)	30.8	34.8	35.4	36.0	36.0
EBIT margin (%)	27.3	30.0	31.5	31.7	32.1
Capex to sales (%)	11.7	12.3	10.2	6.8	9.0
Capex to depreciation (%)	366	322	331	199	283
Imputation (%)	100	100	100	100	100
Pay-out ratio (%)	64	55	55	60	60

Operating Performance	2019A	2020A	2021E	2022E	2023E
Sales revenue (NZ\$m)					
Hospital	642	801	1,125	1,105	1,262
Growth (%)	12	25	40	(2)	14
Homecare	421	457	486	535	580
Growth (%)	6	9	6	10	8
Core products - total	1,064	1,259	1,611	1,640	1,843
Distributed products	7	5	5	5	5
Total sales	1,070	1,264	1,616	1,645	1,847

Cost breakdown and margins					
Gross profit (NZ\$m)	716	836	1,041	1,069	1,198
Gross margin (%)	67	66	64	65	65
R & D costs (NZ\$m)	(100)	(119)	(140)	(142)	(160)
SG&A costs (NZ\$m)	(286)	(277)	(329)	(335)	(373)
Key line items to call out					
R&D tax credit (incl. as offset to tax)	n/a	13	16	16	18
Litigation costs within SG&A	(23)	0	0	0	0

Currency					
NZDUSD spot rate	0.68	0.65	0.64	0.64	0.64
NZDEUR spot rate	0.59	0.58	0.56	0.56	0.56
USD hedging - % cover			85	60	45
USD hedging - average rate			0.65	0.65	0.64

Insights from recent competitor results

In this report we utilise competitor results & commentary, industry anecdotes and industry data points to help us to understand the current landscape for FPH. There is no doubt COVID-19 will provide a material tailwind in the near-term, however, there remains a reasonable margin of error in the extent and duration of this benefit and data points are fluid.

Key take-outs

- **COVID-19 hospitalisations remain elevated in a number of geographies.** This will correlate strongly with demand for FPH's high flow nasal cannula (HFNC) oxygen therapy. Details are mixed and fluid by country and reliant on countries' responses.
- **Material spike in hospital hardware sales and production capacity across most industry players.** These companies are all preparing for worst case scenarios. The ultimate benefit will be highly dependent on order flow (dictated by patient numbers).
- **Higher freight costs:** This is being absorbed by most companies in the current environment.
- **Double-digit decline in sleep apnea new patient diagnosis.** This is expected to be temporary and signs of recovery are beginning to be seen. Resupply of masks has been fairly resilient.
- **Limited ability to forecast or provide detailed outlook.** Management teams are grappling with a wide range of feasible scenarios.

Earnings revisions

Based on the current COVID-19 status globally, albeit acknowledging a high margin of error in near-term forecasting, we have lifted our FY21 forecasts (NPAT +7%), assuming elevated hospitalisations for COVID-19 continue for an extra quarter versus prior expectations. We make more moderate changes thereafter (medium-term NPAT forecasts +1-2%), with some benefits from a higher installed base of hardware albeit we continue to assume a material step-down to more 'normal' hardware demand per annum.

Figure 1. Earnings revisions

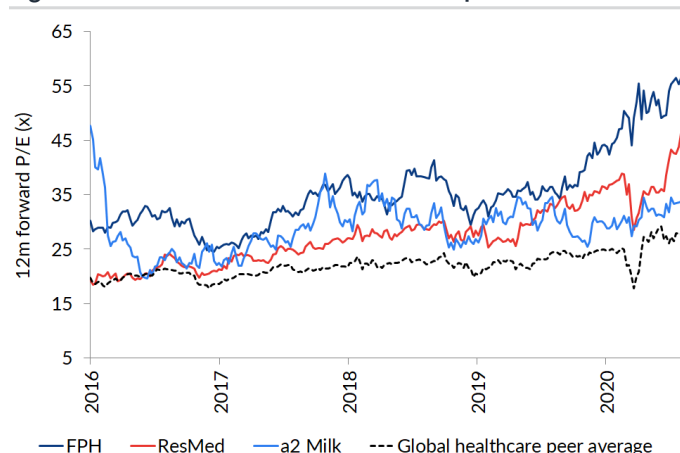
NZ\$m	FY20A		FY21E					FY22E					FY23E				
	Actual	Old	New	% chg	Old	New	% chg	Old	New	% chg	Old	New	% chg	Old	New	% chg	
Total revenue	1,263.7	1,511.6	1,615.5	6.9%	1,573.1	1,645.2	4.6%	1,800.8	1,847.1	2.2%							
Normalised Profit	287.3	352.8	378.6	7.3%	371.1	388.7	4.7%	431.4	441.6	2.3%							
Normalised EPS (cps)	50.0	61.3	65.8	7.3%	64.2	67.2	4.7%	74.3	76.1	2.2%							
Dividend per share (cps)	27.5	35.0	36.0	2.9%	38.5	40.3	4.7%	44.6	45.6	2.2%							

Source: Forsyth Barr analysis

Valuation snapshot

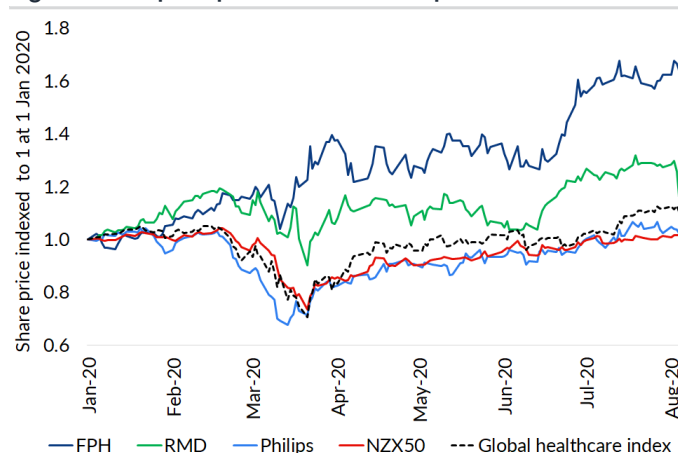
There is no doubt FPH is well positioned, with products in high demand, ample runway remaining for longer-term growth and a strong balance sheet. However, FPH was already one of the most expensive global medical device companies (growth-adjusted and absolute) leading into COVID-19 and has outperformed in 2020 (share price +64%; market cap +NZ\$8.2bn). FPH's PE of ~51x is c. 2x its 10-year average and compares to global peers at ~27x (1.5x the 10-year average). While difficult to foresee a catalyst for a de-rating, particularly given near-term earnings momentum, we see better value for risk elsewhere.

Figure 2. FPH 12 month forward PE versus peers



Source: Forsyth Barr analysis, Bloomberg NB: Global healthcare peers includes 12 large US listed medical device peers

Figure 3. FPH price performance versus peers

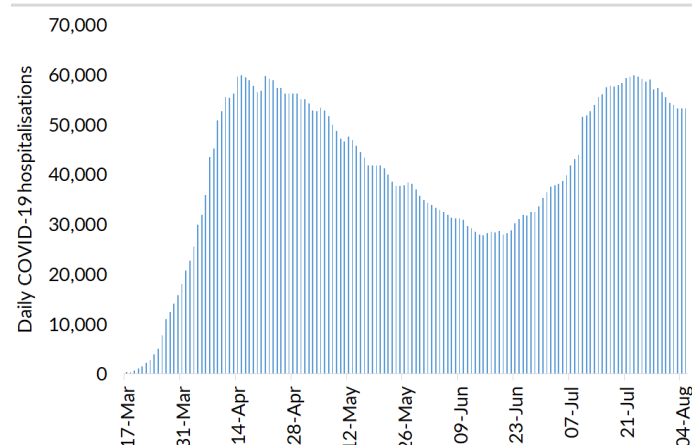


Source: Forsyth Barr analysis, Bloomberg NB: Global Healthcare Index = Dow Jones US Healthcare Medical Equipment Index

COVID-19 related insights

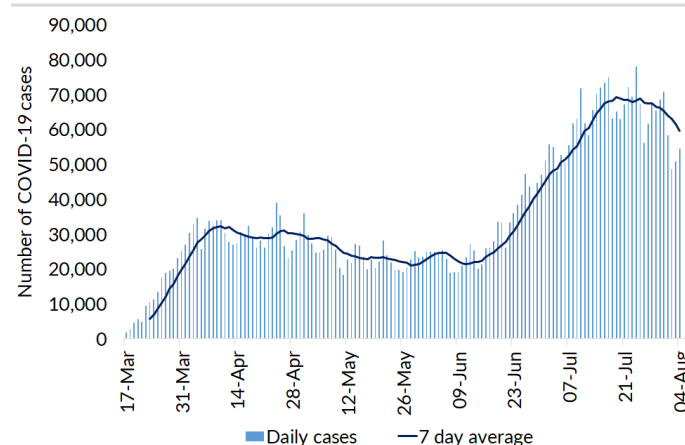
COVID-19 related demand is providing a boost to the results of FPH and a number of global competitors and industry participants we monitor. The key areas of interest from recent results are (1) material spike in hardware sales and production capacity, (2) higher freight costs, (3) a material, likely temporary, decline in new patient diagnosis for sleep apnea albeit with largely resilient resupply, (4) hospitalisations in the key US market remain high (albeit volatile by month) which is likely to correlate highly with HFNC demand. Outlook comments are unsurprisingly light on detail, particularly given the difficulty forecasting the path of COVID-19.

Figure 4. US COVID-19 hospitalisations



Source: Forsyth Barr analysis, COVID tracking

Figure 5. Daily COVID-19 case numbers in the US



Source: Forsyth Barr analysis, COVID tracking

Key take outs from recent competitor releases

Direct quantitative read-through is difficult, given the very different product mix and limited product breakdown. However, commentary provides another reminder of the strong tailwinds for FPH's hospital business which is substantially outweighing temporary headwinds from new patient diagnosis in homecare.

Figure 6. Competitor comments of interest in recent results

Company	Comments of interest
ResMed	<ul style="list-style-type: none"> RMD anticipate a U-shaped recovery for its sleep business and called out "low single digit" revenue growth in July. Commentary suggests sales levels for both ventilators and sleep products will begin to normalise across FY21, however, is contingent on COVID-19 situations globally.
Released: 6 August	<ul style="list-style-type: none"> 150,000 ventilators were produced in 2020, a c. 3.5x lift in production vs 2019. Elevated freight costs are being seen and expected to continue near-term. New patient diagnosis varies materially across the c. 140 country using RMD's products globally. It is difficult to forecast but management believe it is past the low in a number of key countries. In the US, RMD called out sleep lab capacity back to c. 70% of pre COVID-19 levels on average. Resupply rates across Q3 and Q4 have been greater than the prior year — attributed to consumers spending more time at home (and more responsive to follow-ups) and being more conscious of respiratory health.
Phillips	<ul style="list-style-type: none"> "Sleep and Respiratory Care sales grew double-digit due to strong shipments of respiratory devices." Ventilator production tripled during the quarter and Philips are on track for a fourfold increase to 4,000 units per week in Q3.
20 July	<ul style="list-style-type: none"> H2 guidance is for high double digit increases in ventilator orders reflecting continued strong demand globally.
Vapotherm	<ul style="list-style-type: none"> The business has been "significantly transformed" as a result of COVID-19 due to the increased awareness of high flow ventilation. Vapotherm is becoming increasingly confident that it will see a sustained uplift in sales post COVID-19 reflecting this increased awareness.
5 August	<ul style="list-style-type: none"> Tailwinds partially offset by increased supply of freight and expediting fees to meet the rapid increase in production capacity. Appears to be a strong correlation between COVID-19 hospitalisations and equipment sales for its high flow therapy, particularly in states where an initial COVID hospitalisation spike was occurring. 2Q was strong, with a stellar April (revenue of ~US\$19m) albeit a drop-off in May/June (implied monthly revenue c. US\$8m; lower hardware sales called out) although the latter months remain materially ahead of pre COVID-19 levels. Vapotherm indicated a "relatively strong start to Q3 in the US" as COVID-19 related hospitalisations increased across the south of the US. Outlook commentary implies continued growth although at lower levels than experienced in Q2.
AdaptHealth	<ul style="list-style-type: none"> Similarly to RMD, sleep lab capacity is operating at ~70% of normal levels with signs of new patient diagnosis starting to recover. Becoming cautiously optimistic that there will be a permanent shift higher of resupply rates as patients place increased importance on their respiratory health.
4 August	

Source: Forsyth Barr analysis, Company releases

Recent data points of relevance to FPH's Homecare segment

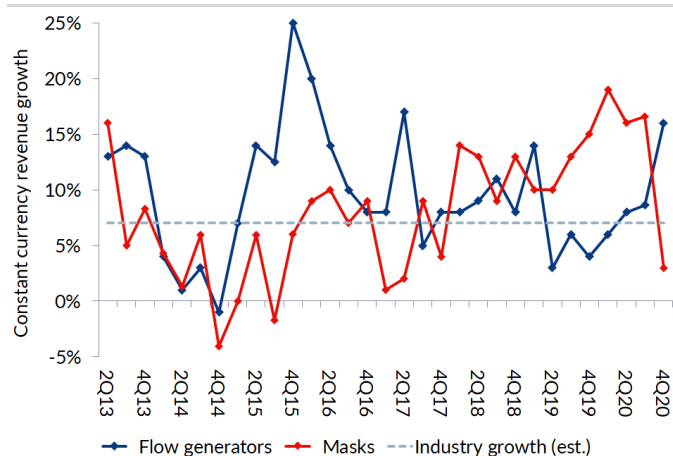
Our medium-term forecasts incorporate Homecare revenue growth of c. +7–9%, with a stabilisation in market share for the key masks category, although we expect COVID-19 related headwinds (new patient diagnosis) to weigh on FY21, albeit see this as a temporary issue. Recent results from competitors, industry data and anecdotes provides nothing to change this view.

ResMed 4Q20 result

RMD reported a 4Q20 result ahead of consensus, with strong demand for ventilators more than offsetting weakness in the underlying sleep apnea business. The net benefit of COVID-19 was estimated as \$20m (2.5% of group revenue).

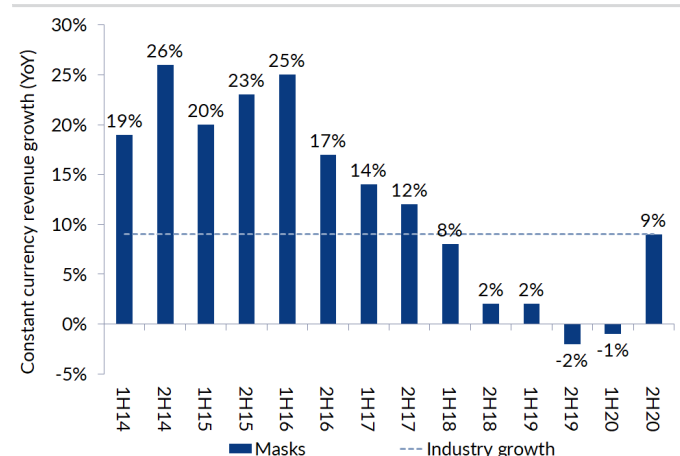
- **Masks:** +3% growth in constant currency terms, a meaningful decline in the recent run-rate. Growth was strong in the US (+7%), albeit weak in Rest of World (-6% in constant currency), with RMD calling out greater resilience in the US due to its resupply software platforms.
- **Flow generators:** The key segment benefitting from COVID-19 related orders. +16% growth (+1% Americas; +35% Rest of World).
- **Gross margins:** +60bp margin expansion underpinned by favourable product mix, partially offset by higher freight costs.

Figure 7. ResMed quarterly constant currency revenue growth



Source: Forsyth Barr analysis, Company reports

Figure 8. FPH Homecare revenue – constant currency growth

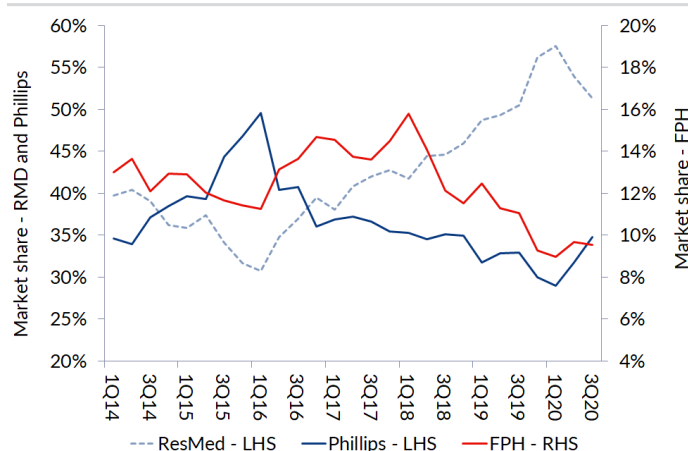


Source: Forsyth Barr analysis

Online data

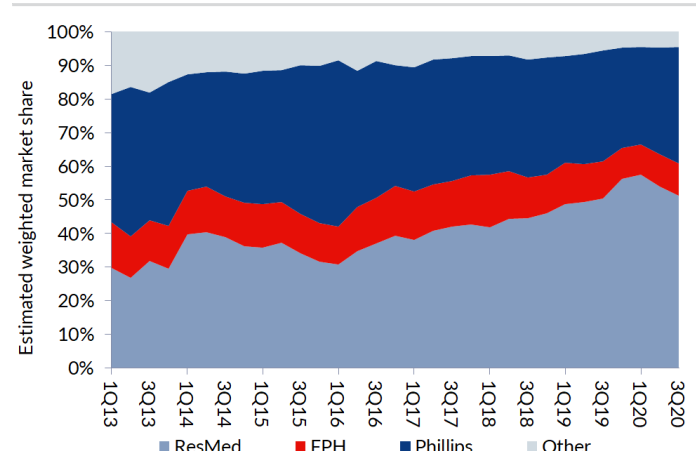
Relevant industry data is scarce, albeit CPAP.com publishes sales data for self-pay consumers. While this is a very small segment of the US market (we estimate <3%) it can provide a gauge of consumer preference, one key driver of mask selection. Online data has shown strong market share gains for ResMed over the past four years, at the expense of all other players (including Phillips and FPH), albeit recent quarters have seen a shift in momentum in favour of Phillips. FPH's market share reached a four year low in all mask categories in 4Q19/1Q20, with a small improvement since then.

Figure 9. Weighted average market share trends



Source: Forsyth Barr analysis, CPAP.com

Figure 10. Weighted average market share by manufacturer

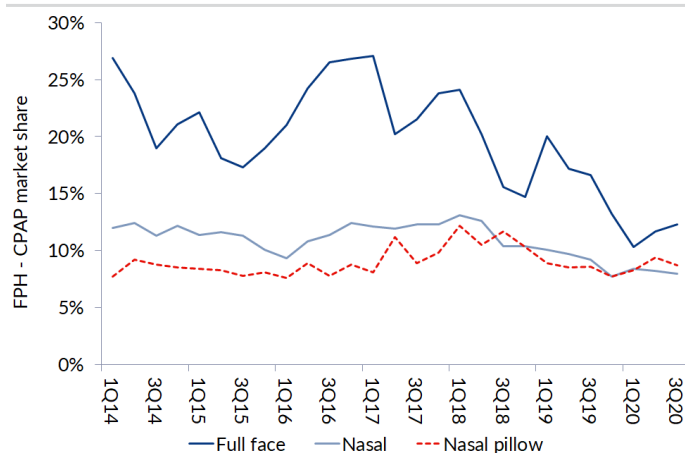


Source: Forsyth Barr analysis, CPAP.com

Mask category breakdown

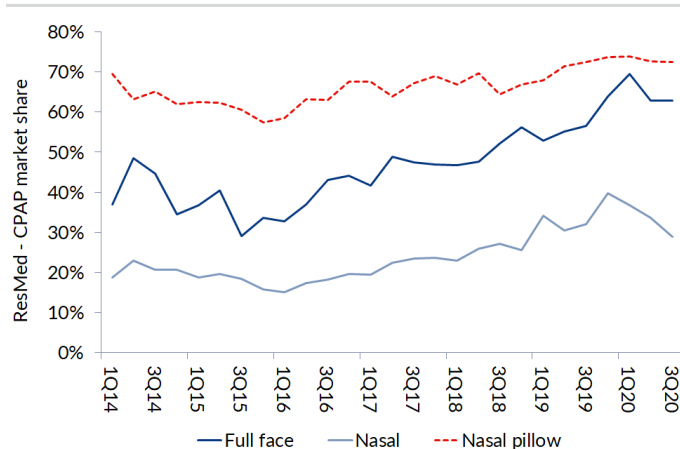
- **Nasal masks:** The largest, most competitive segment, with an estimated c. 40% share of the mask market. Phillips is the clear market leader, albeit RMD has been taking share over the past few years. FPH market share has been on a modest downward trajectory over the past two years, reaching a low of 7.7% in 4Q19, albeit appears to have stabilised, picking up slightly to 8.0% in the most recent quarter.
- **Full-face:** The smallest category, albeit has gained share in the past few years and now makes up ~34% of the market. Historically FPH has had the most success in full-face masks, although a hiatus of new products has seen its share steadily fall in recent quarters to 12.3% (vs. a 1Q17 peak of 27%), although this is slightly above the low of 10% in 1Q20. RMD has been the key beneficiary, helped by new products, although Phillips has regained momentum in the most recent quarter with a material lift in share at the expense of RMD. Historically, this category has seen meaningful volatility in quarterly market share, so we are cautious to extrapolate or read into the recent shift in momentum as yet.
- **Nasal pillows:** RMD is the clear market leader, with a share of ~72%. The company has more than doubled its share of this segment over the past five years, although 2Q20 bucked this trend with Phillips, and FPH to a lesser extent, getting some positive momentum at the expense of RMD.

Figure 11. CPAP market share by mask category – FPH



Source: Forsyth Barr analysis, CPAP.com

Figure 12. CPAP market share by mask category – ResMed



Source: Forsyth Barr analysis, CPAP.com

Investment Summary

F&P Healthcare (FPH) has developed specialised expertise in heated humidification that forms the basis of its strong market position in the hospital and growing presence in homecare. It has progressively widened its addressable market through new applications which is a key driver of an attractive, long-term, double-digit prot growth outlook. The company is also benetting from COVID-19 related demand, with some of its products recommended as a front-line therapy. However, FPH is one of the most expensive global medical device companies (growth-adjusted and absolute). While it is difcult to foresee a catalyst for a de-rating, particularly given near-term earnings momentum, we see better value for risk elsewhere. **UNDERPERFORM.**

Business quality

- **Track record:** FPH has created value through continued product innovation and progressively widening its addressable market with new applications of its technology to serve more patient groups and provide more products per patient.
- **Strong market position:** FPH's business model is supported by a high portion of recurring revenue (>85%) and strong global market position (including c. 75% share in the invasive ventilation market; c. 15% in sleep apnea and growing presence in areas where FPH is working to change clinical practice).
- **Attractive industry backdrop:** FPH operates in markets with high barriers to entry and where adoption curves are long. Structural trends are supportive (ageing population, global focus on lowering healthcare costs and improving diagnosis rates).

Earnings and cashflow outlook

- **COVID-19:** FPH is benefitting, and will continue to benefit, from demand for its products as a result of COVID-19. In particular, nasal high flow oxygen therapy has been recommended as a front-line therapy by a growing number of public health authorities globally. Predicting the course and duration of new cases remains challenging, influenced by countries' corrective measures.
- **Attractive long-term growth runway; albeit with two speed growth path:** FPH has a long runway of organic growth opportunities, particularly in the Hospital segment where clinical evidence continues to build for 'new' applications. Penetration for the latter remains low relative to a large addressable market. While Hospital continues to deliver standout results, we expect a more modest outlook for Homecare, not helped by a highly competitive environment.

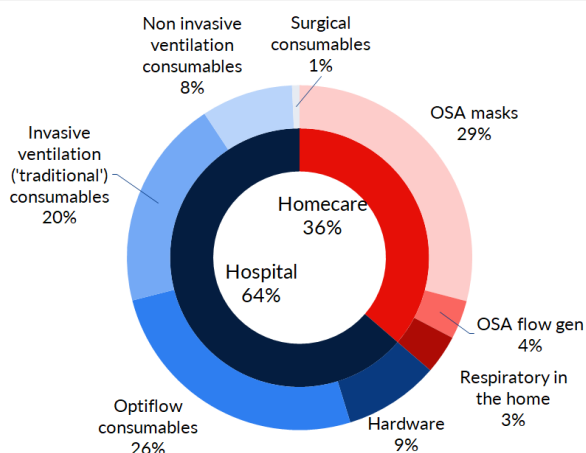
Financial structure

- **Balance sheet:** FPH's target gearing range of -5% to +5% ensures flexibility for events like product recalls or hedging opportunities. We expect it to remain within this range near-term.

Risk factors

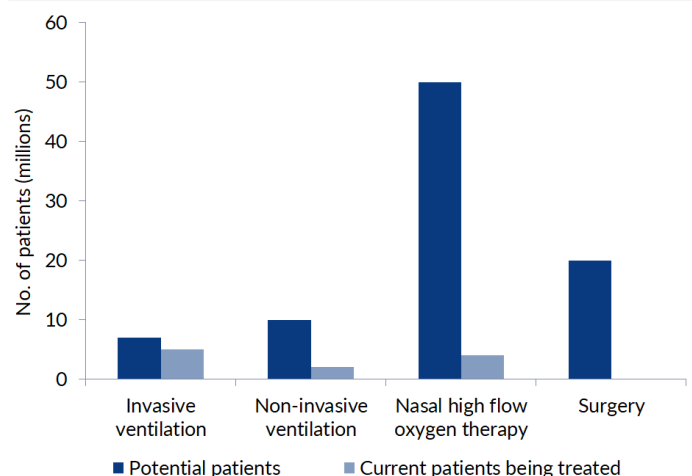
- **Change in technology or medical treatments:** May result in some products becoming obsolete or cause it to incur costs to implement new technologies. There is some risk mitigation given FPH's diversified offering.
- **Litigation or a need to defend its intellectual property:** This can be an expensive exercise.

Figure 13. Revenue breakdown by segment (est.)

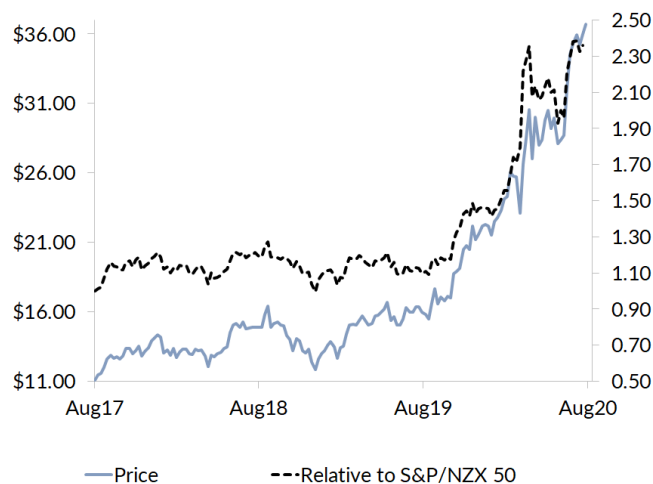


Source: Forsyth Barr analysis, Company reports

Figure 14. Global market penetration in Hospital/RAC segment



Source: Forsyth Barr analysis, Company reports

Figure 15. Price performance


Source: Forsyth Barr analysis

Figure 16. Substantial shareholders

Shareholder	Latest Holding
The Capital Group Companies	5.4%
The Vanguard Group	5.3%
BlackRock Investment Management	5.0%

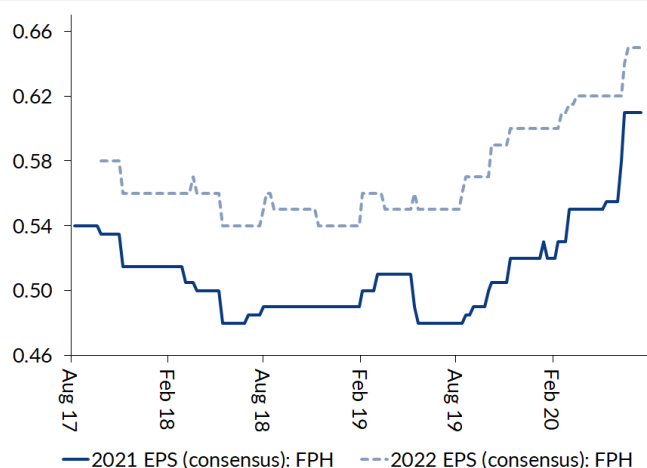
Source: NZX, Forsyth Barr analysis, NOTE: based on SPH notices only

Figure 17. International valuation comparisons

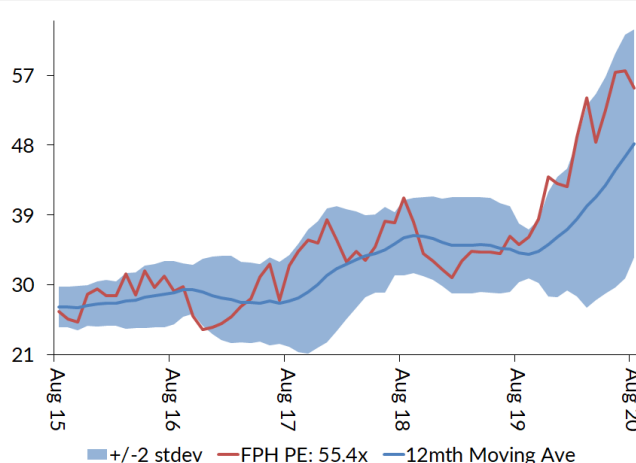
Company	Code	Price	Mkt Cap (m)	PE 2021E	PE 2022E	EV/EBITDA 2021E	EV/EBITDA 2022E	EV/EBIT 2021E	EV/EBIT 2022E	Cash Yld 2022E
(metrics re-weighted to reflect FPH's balance date - March)										
F&P Healthcare	FPH NZ	NZ\$36.45	NZ\$20,929	>50x	>50x	36.5x	35.3x	41.1x	40.0x	1.1%
RESMED INC	RMD US	US\$202.96	US\$29,362	46.9x	43.6x	33.1x	n/a	38.8x	n/a	n/a
TELEFLEX INC	TFX US	US\$374.25	US\$17,409	34.9x	27.1x	27.2x	20.9x	29.4x	23.0x	0.4%
BOSTON SCIENTIFIC CORP	BSX US	US\$37.73	US\$53,905	34.4x	21.9x	24.9x	18.0x	30.9x	21.5x	0.0%
BECTON DICKINSON AND CO	BDX US	US\$283.43	US\$82,132	24.9x	21.5x	18.9x	16.7x	24.7x	21.8x	1.4%
Compco Average:				35.3x	28.5x	26.0x	18.5x	30.9x	22.1x	0.6%
FPH Relative:				n/a	n/a	40%	91%	33%	81%	85%

EV = Current Market Cap + Actual Net Debt

Source: *Forsyth Barr analysis, Bloomberg Consensus, Compco metrics re-weighted to reflect headline (FPH) companies fiscal year end

Figure 18. Consensus EPS momentum (NZ\$)


Source: Forsyth Barr analysis

Figure 19. One year forward PE (x)


Source: Forsyth Barr analysis

Analyst certification: The research analyst(s) primarily responsible for the preparation and content of this publication ("**Analysts**") are named on the first page of this publication. Each such Analyst certifies (other than in relation to content or views expressly attributed to another analyst) that (i) the views expressed in this publication accurately reflect their personal views about each issuer and financial product referenced and were prepared in an independent manner, including with respect to Forsyth Barr Limited and its related companies; and (ii) no part of the Analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that Analyst in this report.

Analyst holdings: The following Analyst(s) have a threshold interest in the financial products referred to in this publication: N/A. For these purposes, a threshold interest is defined as being a holder of more than \$50,000 in value or 1% of the financial products on issue, whichever is the lesser.

Ratings distributions: As at 5 Aug 2020, Forsyth Barr's research ratings were distributed as follows:

OUTPERFORM	NEUTRAL	UNDERPERFORM
43.4%	43.4%	13.2%

Forsyth Barr's research ratings are OUTPERFORM, NEUTRAL, and UNDERPERFORM. The ratings are relative to our other equity security recommendations across our New Zealand market coverage and are based on risk-adjusted Estimated Total Returns for the securities in question. Risk-adjusted Estimated Total Returns are calculated from our assessment of the risk profile, expected dividends and target price for the relevant security.

Disclosure: Forsyth Barr Limited and its related companies (and their respective directors, officers, agents and employees) ("Forsyth Barr") may have long or short positions or otherwise have interests in the financial products referred to in this publication, and may be directors or officers of, and/or provide (or be intending to provide) investment banking or other services to, the issuer of those financial products (and may receive fees for so acting). Forsyth Barr is not a registered bank within the meaning of the Reserve Bank of New Zealand Act 1989. Forsyth Barr may buy or sell financial products as principal or agent, and in doing so may undertake transactions that are not consistent with any recommendations contained in this publication. Other Forsyth Barr business units may hold views different from those in this publication; any such views will generally not be brought to your attention. Forsyth Barr confirms no inducement has been accepted from the issuer(s) that are the subject of this publication, whether pecuniary or otherwise, in connection with making any recommendation contained in this publication. In preparing this publication, non-financial assistance (for example, access to staff or information) may have been provided by the issuer(s) being researched.

Investment banking engagements: Other than confidential engagements, Forsyth Barr has not within the past 12 months been engaged to provide investment banking services to the issuer that is the subject of this publication. For information about whether Forsyth Barr has within the past 12 months been engaged to provide investment banking services to any other issuer referred to in this publication, please refer to the most recent research report for that issuer's financial products.

Not personalised financial advice: The recommendations and opinions in this publication do not take into account your personal financial situation or investment goals. The financial products referred to in this publication may not be suitable for you. If you wish to receive personalised financial advice, please contact your Forsyth Barr Investment Adviser. The value of financial products may go up and down and investors may not get back the full (or any) amount invested. Past performance is not necessarily indicative of future performance. Disclosure statements for Forsyth Barr Investment Advisers are available on request and free of charge.

Disclaimer: This publication has been prepared in good faith based on information obtained from sources believed to be reliable and accurate. However, that information has not been independently verified or investigated by Forsyth Barr. Forsyth Barr does not make any representation or warranty (express or implied) that the information in this publication is accurate or complete, and, to the maximum extent permitted by law, excludes and disclaims any liability (including in negligence) for any loss which may be incurred by any person acting or relying upon any information, analysis, opinion or recommendation in this publication. Forsyth Barr does not undertake to keep current this publication; any opinions or recommendations may change without notice to you. Any analyses or valuations will typically be based on numerous assumptions; different assumptions may yield materially different results. Nothing in this publication should be construed as a solicitation to buy or sell any financial product, or to engage in or refrain from doing so, or to engage in any other transaction. This publication is not intended to be distributed or made available to any person in any jurisdiction where doing so would constitute a breach of any applicable laws or regulations or would subject Forsyth Barr to any registration or licensing requirement within such jurisdiction.

Terms of use: Copyright Forsyth Barr Limited. You may not redistribute, copy, revise, amend, create a derivative work from, extract data from, or otherwise commercially exploit this publication in any way. By accessing this publication via an electronic platform, you agree that the platform provider may provide Forsyth Barr with information on your readership of the publications available through that platform.