



Evaluation of Financial Performance and Strategic Positioning: A Case Study of Fisher & Paykel Healthcare

Yijun Jing

Business School, Macquarie University, Sydney, Australia
yijun.jing@students.mq.edu.au

Abstract. This paper analyzed the financial performance of Fisher & Paykel Healthcare from 2022 to 2024, mainly focusing on the four areas: Profitability, Leverage; Efficiency, and Liquidity. The analysis clearly shows that there is a decline in profitability indicators such as net profit margin and return on equity (ROE). The company's leverage ratios remain low. In terms of operational efficiency, the receivables' turnover and asset turnover continue to decline. All the three liquidity indicators have steadily declined for these three years. The paper puts forward four recommendations based on enhancing profitability, improving leverage and capital structure, promoting operational efficiency, and strengthening liquidity management. This study mainly focuses on providing a comprehensive understanding of F&P Healthcare's financial position by analyzing relevant figures and offering targeted advice for its management. It also provides references for investors and helps stakeholders to interpret trends, identify risks, and find directions to optimize or promote company performance.

Keywords: F&P Healthcare, Financial Statement Analysis, Healthcare Industry.

1 Introduction

The healthcare industry, in which Fisher & Paykel Healthcare operates, is a significant component of New Zealand's economic structure. It plays a crucial role in meeting domestic healthcare demands and continuously creates value through exports and technological innovation.

F&P Healthcare specializes in the development of advanced medical devices in the fields of respiratory care and sleep therapy, and has established distinctive competitive advantages on product innovation, manufacturing process and market promotion. Its strategic development is closely aligned with New Zealand's medical technology strategy and reflects the unique position of the company in the global healthcare industry [1].

In recent years, F&P Healthcare has experienced rapid growth. However, with this expansion has come a set of challenges, including rising production costs and increasing competition in markets. This study aims to conduct an analysis of the company's recent financial statements in order to identify key issues in its operational performance and provide evidence-based recommendations for promotion.

2 Company Overview

F&P Healthcare was originally established in 1934 as Fisher & Paykel Industries, which is a manufacturer of household appliances. The company entered the medical device field in 1969 and was formally separated in 2001 as Fisher & Paykel Healthcare Corporation Ltd, focusing on healthcare technologies. It has continuously developed innovative products since the 2000s, such as Optiflow™ nasal cannula, which has effectiveness in delivering noninvasive respiratory support to infants who cannot tolerate a standard CPAP masks [2].

Fisher & Paykel Healthcare is a globally leading medical device company in New Zealand. It specializes in respiratory care, acute care, and the treatment of obstructive sleep apnea (OSA). It is dedicated to improving the equity of care for patients and treatment outcomes by innovative healthcare projects.

The primary business areas of F&P Healthcare include Respiratory & Acute Care and the treatment of Obstructive Sleep Apnea (OSA). In the area of Respiratory & Acute Care, F&P Healthcare mainly focuses on producing heated humidification systems to provide respiratory support for patients in emergency, intensive care and long-term care departments. In the field of OSA treatment, the company's key products include sleep apnea therapy devices designed to improve patients' quality of sleep and overall health [1].

The corporate culture of F&P Healthcare mainly emphasizes a people-oriented approach. Its core values include care and empathy, integrity and strong sense of responsibility, and innovation and technology-driven development. It highlights the importance of paying attention to patient needs to enhance their use of experience; strictly adheres to ethical standards and upholds its responsibilities towards patients, employees and collaborators, and continuously invests in research and development to promote the advancement of medical technology [1].

3 Financial Statement Analysis

Here are some key figures extracted from F&P Healthcare's annual reports from 2022 to 2024, which are used for calculating financial analysis ratios (See Table 1).

Table 1. Key Financial Data Used for Financial Statement Analysis

	2022NZ\$M	2023NZ\$M	2024NZ\$M
Operating revenue	1681.7	1581.1	1742.8
Gross profit	1052.7	938.4	1044.4
Profit after tax	376.9	250.3	132.6
Total assets	2107.0	2204.5	2281.7
Total equity	1679.7	1753.4	1759.1
Total liability	427.3	451.1	522.6
Operating profit (EBIT)	505.6	332.2	353.4
Financing expense	4.9	6.7	18.2
Cash and cash equivalents	89.9	121.0	82.0
Trade and other receivables	174.4	218.5	257.2
PPE	957.8	1148.2	1340.0
Cost of sales	629.0	642.7	698.4

Source: Fisher & Paykel Healthcare Annual Reports (2022-2024) [3-5]

3.1 Profitability

Based on the data presented in Table 1, the following ratios are calculated:

Net Profit Margin was calculated using equations:

Net Profit Margin = Profit after tax / Operating revenue*100% (1)

For 2022,

376.9/1681.7*100%=22.41% (2)

For 2023,

250.3/1581.1*100%=15.83% (3)

And for 2024

132.6/1742.8*100%=7.61% (4)

Gross Profit Margin was calculated using equations:

Gross Profit Margin = Gross profit / Operating Revenue*100%

For 2022,

1052.7/1681.7*100%=62.60% (5)

For 2023,

938.4/1581.1*100%=59.35% (6)

For 2024,

1044.4/1742.8*100%=59.93% (7)

Return on Assets (ROA) was calculated using equation:

ROA = Profit after tax / Total assets*100% (8)

For 2022,

376.9/2107.0*100%=17.89% (9)

For 2023,

250.3/2204.5*100%=11.35% (10)

For 2024,

132.6/2281.7*100%=5.81% (11)

Return on Equity (ROE) was calculated using equation:

ROE = Profit after tax / Total equity*100% (12)

For 2022,

376.9/1679.7*100%=22.44% (13)

For 2023,

$$250.3/1753.4*100\%=14.28\% \quad (14)$$

For 2024,

$$132.6/1759.1*100\%=7.51\% \quad (15)$$

The net profit margin is an indicator used to measure a company's profitability. In 2022, the net profit margin was 22.41%, which is relatively high. This shows that a large portion of the company's revenue could be converted into profit, which indicates a healthy operating position during this year. In 2023, the margin dropped to 15.83%, down by 6.58% compared to 2022. In 2024, the margin further declined to 7.61%, which is almost one-third of the 2022 level. This shows that there was only a small portion of revenue retained as profit. A drop in net profit margin may negatively impact overall profit growth, which suggests a decline in financial performance [6].

Gross Profit Margin reflects the fact that revenue exceeds the cost of goods sold. In 2022, the margin was 62.6%, which indicates that after covering the direct production costs, the company still remained 62.6% of its revenue, which shows that it had strong profitability in product-level. In 2023, the margin decreased to 59.35%, which may reflect rising production costs. In 2024, the margin improved to 59.93%, which shows that the margin remained relatively stable over the three years. This shows that F&P Healthcare could maintain consistent production-level profitability.

Return on Assets (ROA) reflects the efficiency of gaining net profit by total assets. High Return on Assets (ROA) shows the company efficiency generates profit from its assets, which investors prefer [7]. In 2022, ROA was 17.89%, which reflects high operational efficiency and healthy returns on its asset. In 2023, ROA decreased to 11.35%, and in 2024, ROA further declined to 5.81%, which indicates that the company's ability to convert assets into profit weakened significantly.

Return on equity (ROE) indicates the ability of a company to earn net profit using capital invested by shareholders. In 2022, the ROE was 22.44%, and in 2023, it declined to 14.28%, which was because of the decrease in net profit. In 2024, ROE dropped to 7.51%, which reflects a decline in the company's capital return efficiency.

3.2 Leverage

Based on the data presented in Table 1, the following leverage ratios for F&P Healthcare over the past three years are calculated in Table 2.

Table 2. F&P Healthcare Leverage Ratios (2022-2024)

	2022	2023	2024
Debt Ratio (%)	20.28	20.46	22.90
Equity Ratio (%)	79.72	79.54	77.10
Debt-to-Equity Ratio	0.25	0.26	0.30
Interest Coverage Ratio	103.18	49.58	19.42

Debt Ratio reflects the proportion of total assets that is finance by debt. In 2022, the debt ratio stood at 20.28%, and in 2023, the ratio remained stable at 20.46% and increased slightly to 22.9% in 2024. This indicates that about a fifth of its total assets were funded by liabilities, which is a low level of leverage, which suggests that the company maintained a cautious approach to external borrowing.

Equity Ratio shows the proportion of a company’s total assets that are financed by shareholders’ equity. In 2022, the equity ratio was 79.72%, and it maintained stable at 79.54% in 2023. In 2024, it declined to 77.1%, which indicates a conservative and stable capital structure.

Debt-to-Equity Ratio (DER) shows how much debt of a company is relative to its shareholders’ equity. Higher DER indicates greater financial risk and may negatively affect the firm’s liquidity position [8]. In 2022, the ratio is 0.25, and 0.26 in 2023. In 2024, there was a slight increase to 0.3, which shows that the D/E ratio is well below 1, which means that the financial risk of the company is low.

The Interest Coverage Ratio measures a company’s ability to pay interest using its EBIT. In 2022, the ratio was 103.18, which means the coverage was strong. In 2023, the figure dropped to 49.58, and further decreased to 19.42 in 2024, which signals a weakening in interest-paying operating profitability. A declining interest coverage ratio may signal increased financial vulnerability, which suggests the financial health of the company is getting weaker [9].

3.3 Efficiency

Based on Table 1, the following table shows the calculated data used to analyze efficiency ratios (See Table 3).

Table 3. F&P Healthcare Efficiency Ratios (2022-2024)

	2022	2023	2024
Asset Turnover Ratio	0.80	0.72	0.76
Receivables Turnover Ratio	9.64	7.24	6.78
Fixed Asset Turnover Ratio	1.76	1.38	1.30

Asset Turnover Ratio reflects how effectively the company uses its total assets to generate revenue. A higher ratio indicates stronger ability to generate revenue from assets and reflects greater operational efficiency [10]. In 2022, it was 0.8 and it dropped to 0.72 in 2023. In 2024, it slightly improved to 0.76, which shows a mild fluctuation. This means that it has stable asset utilization.

Receivables Turnover Ratio measures the speed at which the company recovers accounts from customers. This ratio continuously declined, from 9.64 in 2022 to 7.24 in 2023, and further dropped to 6.78 in 2024, which shows an increasing trend of potential credit risk. Alkhaja et al. emphasized that if receivables turnover goes down, it might mean the company has poor credit control, which may cause cash flow issues or more unpaid bills [11].

Fixed Asset Turnover Ratio evaluates the ability of the company to generate revenue through the use of fixed assets. This ratio declined from 1.76 in 2022 to 1.38 in 2023, and dropped to 1.3 in 2024, which shows a decrease in the efficiency of the company’s fixed asset utilization.

3.4 Liquidity

Drawing from the data in Table 1, the table below presents the calculated figures used for liquidity analysis (See Table 4).

Table 4. F&P Healthcare Liquidity Ratios (2022-2024)

	2022	2023	2024
Current Ratio	2.92	2.76	2.59
Quick Ratio	1.74	1.71	1.62
Cash Ratio	0.30	0.34	0.21

Current Ratio is used to reflect the ability of the company to cover current liabilities by current assets. It decreased from 2.02 in 2022 to 2.76 in 2023, and then dropped to 2.59 in 2024, which suggests that the buffer space for short-term debt repayment of the company decreased.

A quick ratio focuses on more liquid assets and excludes inventory. This ratio slightly dropped from 1.74 in 2022 to 1.71 in 2023 and then decreased to 1.62 in 2024, which is relatively stable overall. This means that inventory may not be a major liquidity concern.

Cash Ratio only focuses on cash and equivalents, which is conservative. It improved from 0.3 in 2022 to 0.34 in 2023, but decreased to 0.21 in 2024, which suggests that there was a decline in immediate cash reserves, which may potentially bring pressure to the ability of short-term debt repayment. If the cash ratio goes down, it could mean the company has less readily available cash to deal with sudden financial needs [12].

4 Recommendations

4.1 Enhancing Profitability

Although the overall revenue of F&P Healthcare remained stable, its profit declined significantly, which shows a decrease in its profitability. There are some issues with cost and control. The company should consider optimizing pricing and market strategy by focusing resources on higher margin product lines or market segment and adjusting price strategies. Good pricing strategies, especially for healthcare products with high profit margins, can improve how profitable a company is and how well it competes [13].

It could also evaluate the efficiency of R&D and administrative expenses to ensure the return on investment is reasonable and improve cost management. Additionally, strengthening technological innovation to expand high value-added businesses could be a feasible strategy.

4.2 Improving Leverage and Capital Structure

The debt ratio of F&P Healthcare slightly increased from 2022 to 2024, while the company’s interest coverage ratio dropped significantly, which indicates a weakening ability to cover interest payments, and the stability of its capital structure is facing a potential challenge. The company could improve its debt structure and maturity schedule and balance its ratio of long-term and short-term borrowings to ensure the security of liquidity. It should also maintain a cautious financing strategy to avoid relying too much on debt and reduce the risk of overleverage. Reviewing the balance between equity and

debt financing could also help maintain a healthy capital structure and debt repayment ability.

4.3 Promoting Operational Efficiency

Both F&P Healthcare's receivables' turnover ratio and asset turnover ratio declined. The company could consider tightening its credit policies and clarifying payment terms to promote the speed of cash collection and strengthen receivables management. It might also improve the allocation and utilization of fixed assets, evaluating the efficiency of using fixed assets regularly to ensure that fixed asset investment brings effective returns. Introducing more automation tools could also help enhance operational efficiency and asset management level and promote process automation. It is also advisable to strengthen internal controls and conduct audits of operational processes.

4.4 Strengthening Liquidity Management

From 2022 to 2024, all three liquidity ratios of F&P Healthcare declined, which indicates a weakening in the company's short-term cash reserve capacity. The company should develop short-term and medium-term cash flow plans regularly to improve forecasting and planning. It is important to maintain a certain proportion of highly liquid assets without disrupting operations. The company could also accelerate receivables collection and improve inventory turnover to help optimize working capital management. Controlling non-essential short-term expenses is also a feasible method to strengthen liquidity level.

5 Conclusion

This paper analyzed the financial performance of Fisher & Paykel Healthcare from 2022 to 2024, mainly focusing on four key areas: profitability, solvency, efficiency and liquidity. The findings show that although the revenue of the company remained stable, the key profitability ratios such as net profit margin, ROA, and ROE decreased. The continued decline of interest coverage ratio shows increasing pressure on debt repayment. In terms of efficiency, both receivable and fixed asset turnover ratios weakened. In addition, all three liquidity ratios declined over the three years. This indicates that the company is experiencing a certain degree of financial pressure.

Based on the above analysis, the paper proposes four main recommendations: enhancing profitability by improving cost control, optimizing pricing strategies and focusing on high margin and innovation driven business areas; improving leverage and capital structure; promoting operational efficiency by strengthening receivables management, optimizing asset utilization and promoting process automation; strengthening liquidity management by improving cash planning and working capital efficiency.

Given the limited time available for research, certain finer details may not have sufficient attention. The study mainly focuses on quantitative financial ratios, with relatively limited qualitative insights, such as corporate strategy, and management practices.

References

1. Fisher & Paykel Healthcare, <https://www.fphcare.com/au/corporate/about-us/>, last accessed 2025/5/15
2. Khirani, S., et al.: The Optiflow™ interface for chronic CPAP in infants. *Sleep Medicine* **125**, 14-17 (2025)
3. Fisher & Paykel Healthcare Annual report 2022, https://resources.fphcare.com/content/2022-fph-annual-report.pdf?_gl=1*uwnfxn*_gcl_au*MTI1MTQ5NDgzMi4xNzQ0NjIwODU0, last accessed 2025/5/15
4. Fisher & Paykel Healthcare Annual report 2023, https://resources.fphcare.com/content/23-05-26-fy23-annual-report.pdf?_gl=1*1vw9tb9*_gcl_au*MTI1MTQ5NDgzMi4xNzQ0NjIwODU0, last accessed 2025/5/15
5. Fisher & Paykel Healthcare Annual report 2024, https://resources.fphcare.com/content/fph-annual-report-2024.pdf?_gl=1*1hvc6nn*_gcl_au*MTI1MTQ5NDgzMi4xNzQ0NjIwODU0, last accessed 2025/5/15
6. Nugraha, N.: Profit growth: Impact of net profit margin, gross profit margin and total assets turnover. *Finance & Banking Studies* **9**(4), 49–57 (2020)
7. Heikal, M., Khaddafi, M., Ummah, A.: Influence analysis of return on assets (ROA), return on equity (ROE), net profit margin (NPM), debt to equity ratio (DER), and current ratio (CR), against corporate profit growth in automotive in Indonesia Stock Exchange. *International Journal of Academic Research in Business and Social Sciences* **4**(12), 101 (2014)
8. Hertina, D., Pranata, A. F., Aulia, R. E.: The influence of current ratio, debt to equity ratio and company size on return on assets. *Turkish Journal of Computer and Mathematics Education* **12**(8), 1702-1709 (2021)
9. McCoy, J., Palomino, F., Pérez-Orive, A., Press, C., Sanz-Maldonado, G.: Interest coverage ratios: Assessing vulnerabilities in nonfinancial corporate credit. *FEDS Notes*, (2020)
10. Patin, J. C., Rahman, M., Mustafa, M.: Impact of total asset turnover ratios on equity returns: Dynamic panel data analyses. *Journal of Accounting, Business and Management (JABM)* **27**(1), 19-29 (2020)
11. Alkhaja, A. A., Almheiri, A. O., Almansoori, O. M., Alabdulla, O. A., Almarri, S. A., Elchaar, R., Grassa, R.: Credit control for accounts receivable management: A case study of a pharmaceutical company. *Contemporary Research in Accounting and Finance*, 81–91 (2022)
12. Nikolaos, T., Evangelos, K., Athanasios, T.: Case study: Liquidity analysis through financial ratios, https://www.researchgate.net/publication/366749121_Case_Study_Liquidity_Analysis_through_Financial_Ratios, last accessed 2025/5/15
13. Helmold, M.: Pricing in the healthcare sector. *Total revenue management*, 139–159 (2020)

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

