

US & Mexico Investor Day  
12 September 2016

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Care.



# Morning Agenda

8:30am	Welcome	Marcus Driller (General Manager, Corporate)
	Why Mexico?	Lewis Gradon (Managing Director & CEO)
	Overview of Mexican Operations	Raul Sanchez (General Manager Mexico Operations)
9:15am	Tour of Parque Industrial Pacifico Manufacturing Facility	Raul Sanchez (General Manager Mexico Operations)
10:15am	Complete facility tour and board coach	
10:45pm	Visit to new Tijuana campus site - La Encantada	
11:15am	Depart for San Diego	
12:00pm	Lunch break in San Diego	

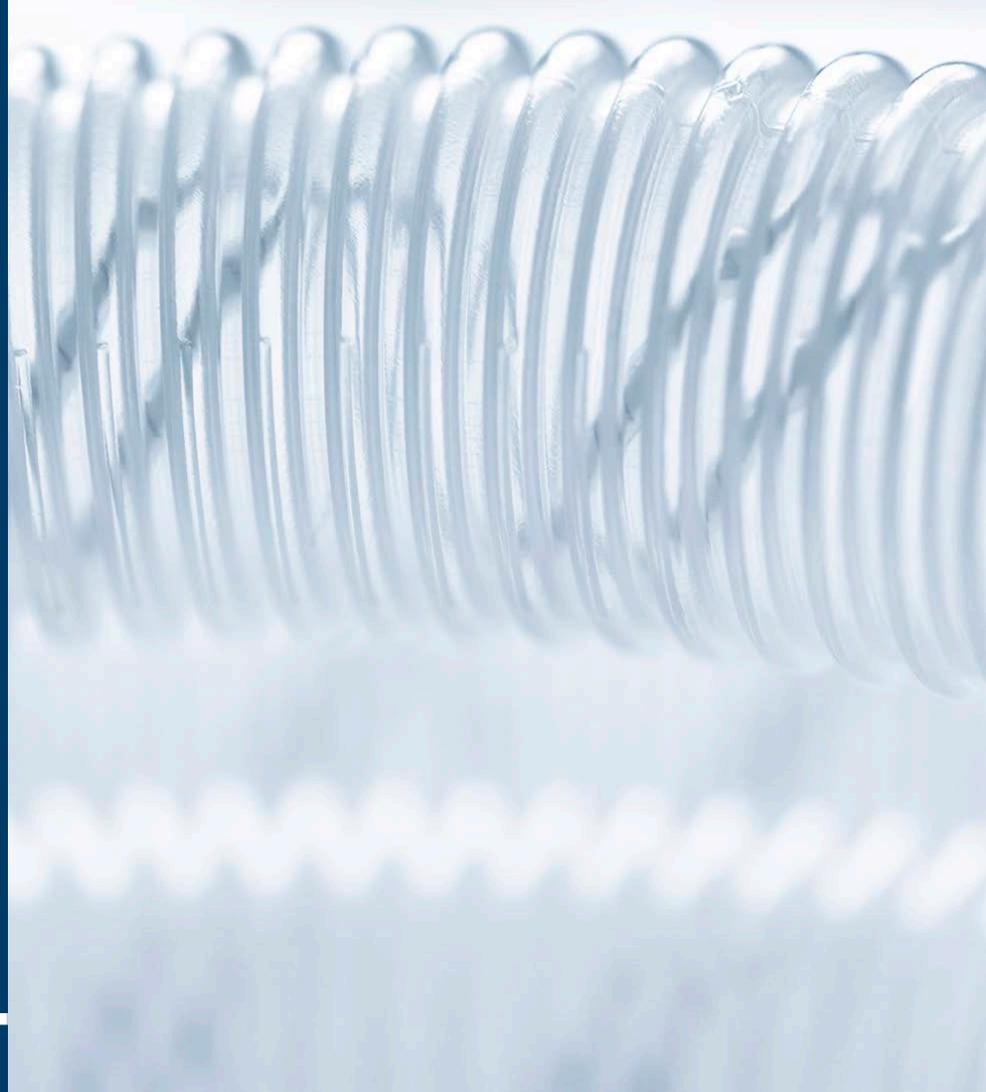
Time will be made available at the end of each presentation specifically for questions and answers.

Lewis Gradon  
Managing Director and CEO

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Why Mexico?

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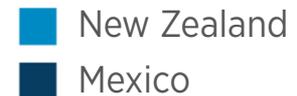
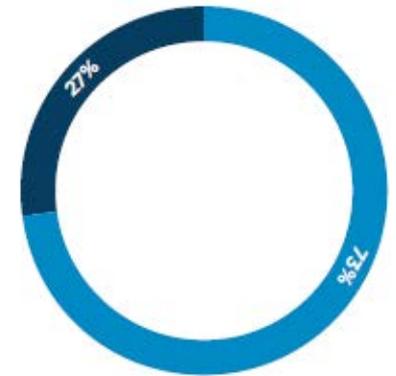


# Why Mexico?

Mexico is performing extremely well

- Grow manufacturing outside New Zealand for geographical risk mitigation
- Working day overlap with Auckland
- Access to raw materials
- Economic and political stability
- Ease of personnel transfer (work permits etc)
- Proximity to our largest market over a 10 year horizon
- Great people – skill, productivity and availability of people

Manufacturing Output by Region  
12 months to 31 March 2016

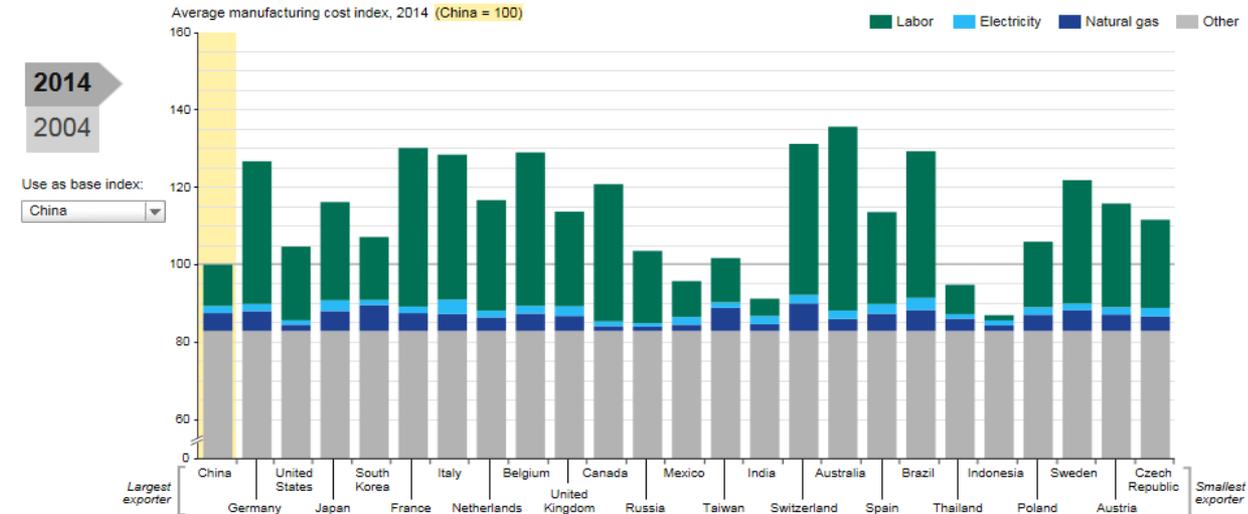


# Why Mexico?

## The BCG Global Manufacturing Cost-Competitiveness Index

AUGUST 19, 2014 CATEGORIES: MANUFACTURING, GLOBALIZATION

+ ADD TO INTERESTS + SAVE CONTENT PRINT T



### The BCG Global Manufacturing Cost-Competitiveness Index

The BCG Global Manufacturing Cost-Competitiveness Index estimates shifts in direct costs for the world's 25 leading manufacturing exporting economies in four dimensions: manufacturing wages, productivity, energy costs, and currency exchange rates. To identify and compare shifts in relative costs, the index uses data for each economy for 2004 and 2014, as well as projections for 2018.

Raul Sanchez  
General Director  
Mexico Operations

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Overview of Mexican Operations

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# Tijuana Benefits

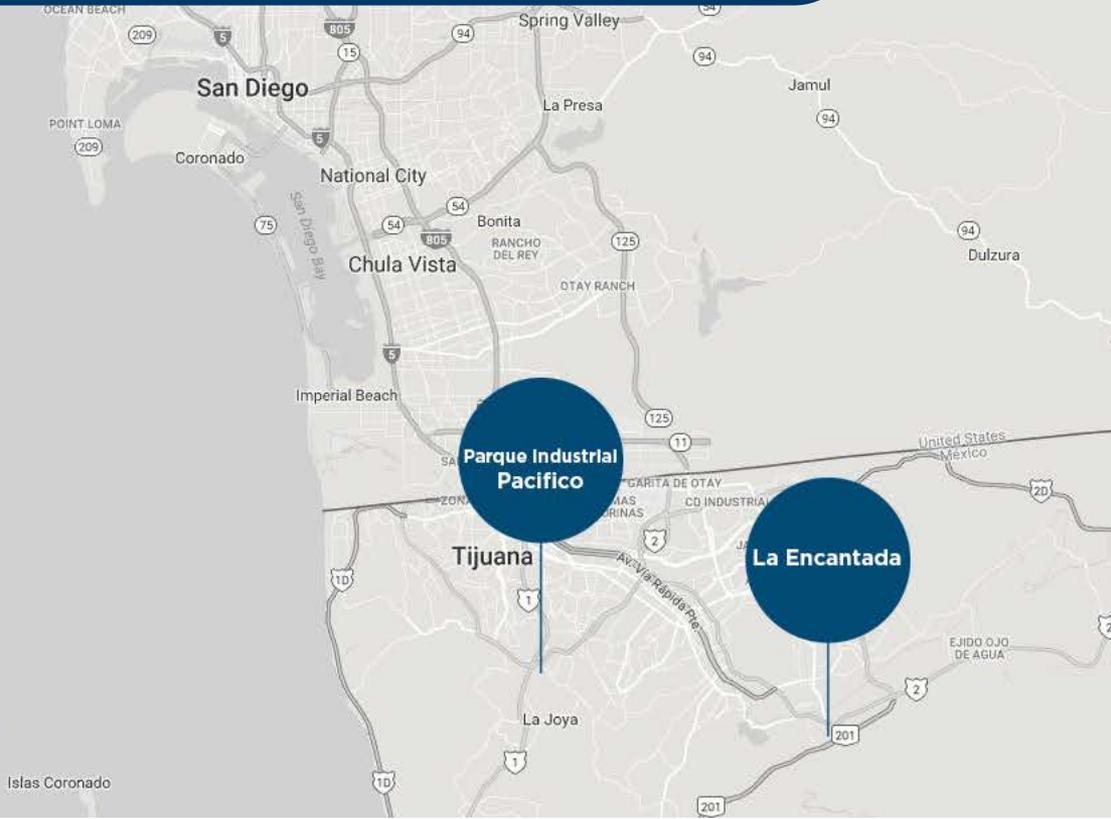
- Medical device manufacturing skills (>38,000 people)
- Proximity to major North American markets
- Low and relatively stable manufacturing labour costs
- Bilingual Spanish, English



# Proximity

**10,462 km**

Distance from Auckland to Tijuana



# Tijuana and Mexico Demographics

- Population of Mexico estimated at approximately 120 million
- 3.15 million people in Baja California
- 1.7 million people in Tijuana metropolitan area

1.8% annual  
population growth



74.9 years  
life  
expectancy



27.0  
average  
work  
force age



1.2 million people  
labor force

# Medical Device Industry in Tijuana



Employees in the Maquiladora Industry in Mexico in 5,000+ companies

Employed in Baja California in 900+ companies

>2.4 million

>290,000

Employed in Tijuana in 500+ companies

Medical device manufacturing plants in Tijuana

>200,000

50

Employees in medical device manufacturers in Tijuana

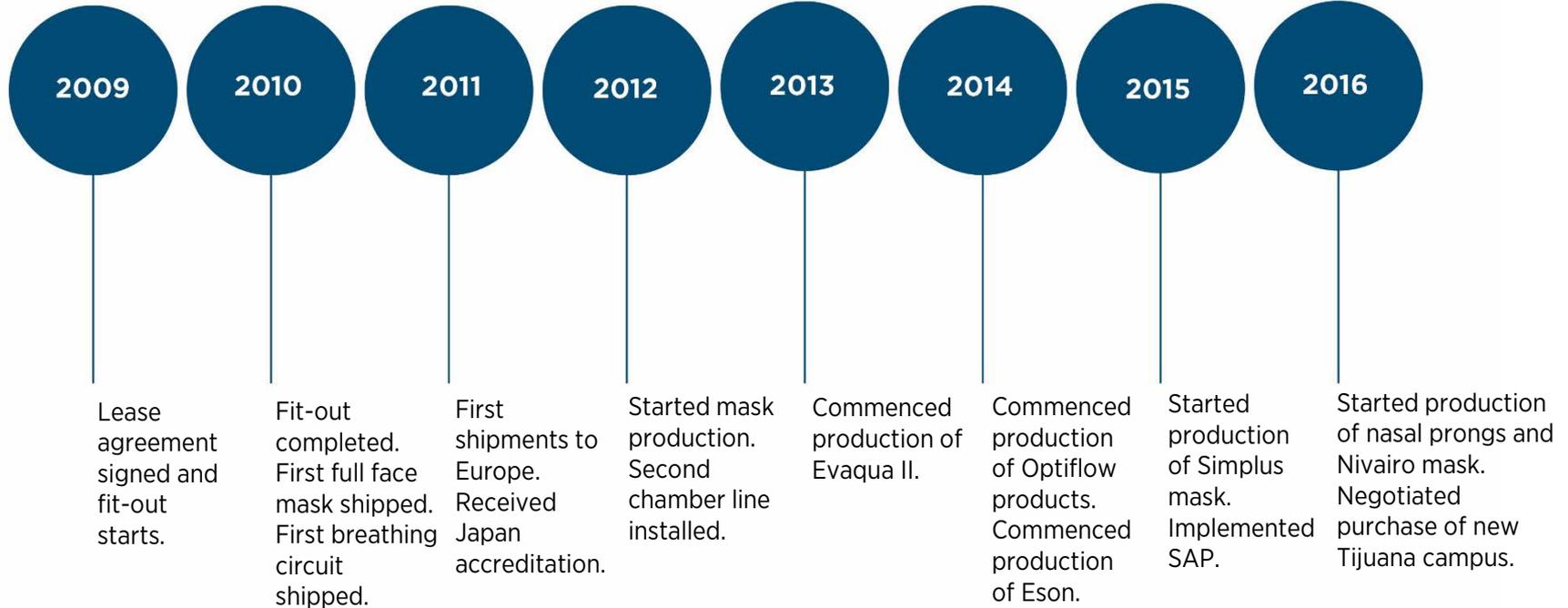
>38,000

# Quality

- Commitment to manufacturing quality healthcare devices
- Environmentally-controlled environment: temperature, humidity, pressure and contaminant levels are kept within strict limits
- Production quality is continuously monitored and our products are rigorously tested before shipment
- As in NZ, certified to ISO13485 (the Medical Devices Quality Management Systems standard) by TÜV SÜD



# Timeline



# Our People

Total number of Mexico employees at August 2016

811



## EDUCATION

World class universities

Public & Private universities

Technical Schools

35

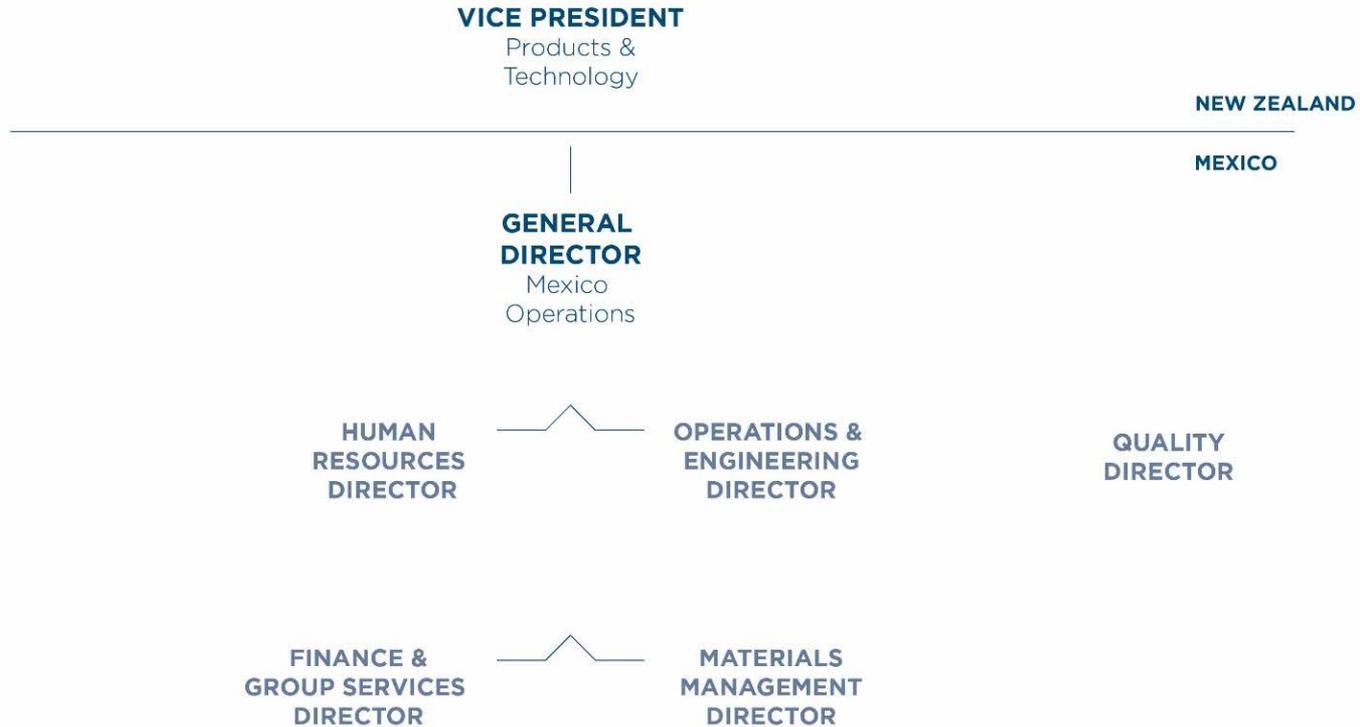
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Degrees and Masters

- Mechanical Engineer
- Industrial Engineer
- Mechatronic Engineer
- Biochemistry Engineer
- Electrical Engineer
- Master and Doctorate in Sciences and Digital Systems
- Master in R&D in Digital Systems
- Master in Information Tech and Communication

Source: Tijuana Medical Cluster

# Organization Chart



# Products Made in Mexico

Chambers



Circuits



# Products Made in Mexico

## Masks and accessories



# Valuing Our People

- Educational excellence
- Children's Day open house
- Environmental and community initiatives
- Health awareness campaign
- Transport
- Subsidized meals



# New Tijuana Campus - La Encantada



**Fisher & Paykel**  
HEALTHCARE

# New Tijuana Campus - La Encantada



# What is next for Mexico?

- Adding capacity growth in Mexico, generally not moving production from New Zealand
- Currently in process of establishing a manufacturing campus in Tijuana
- New manufacturing facility in Tijuana to be completed in 2019
- Continued gross margin expansion – 50 to 100bps for at least the next three years



Raul Sanchez  
General Director  
Mexico Operations

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Questions?

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# Afternoon Agenda

3:00pm	The Opportunity	Lewis Gradon (Managing Director & CEO)
3:20pm	North American Business Overview	Justin Callahan (President US Operations)
	US Hospital	Steve Lacke (VP Sales & Marketing - US Hospital)
4:20pm	Afternoon Break	
4:30pm	Optiflow nasal high flow with AIRVO	Dr Robert Goldberg (Pulmonologist, Mission Viejo, California)
5:00pm	US Homecare	Justin Callahan (President US Operations) Steve Polgar (National Sales Manager - US Homecare)
5:30pm	Health of the Homecare Industry	Doug Coleman (CEO, Major Medical Supply, Colorado)
	Closing Comments	Lewis Gradon (Managing Director & CEO)
6:00pm	Finish	
6:30pm	Dinner	FPH NZ and US Management Teams

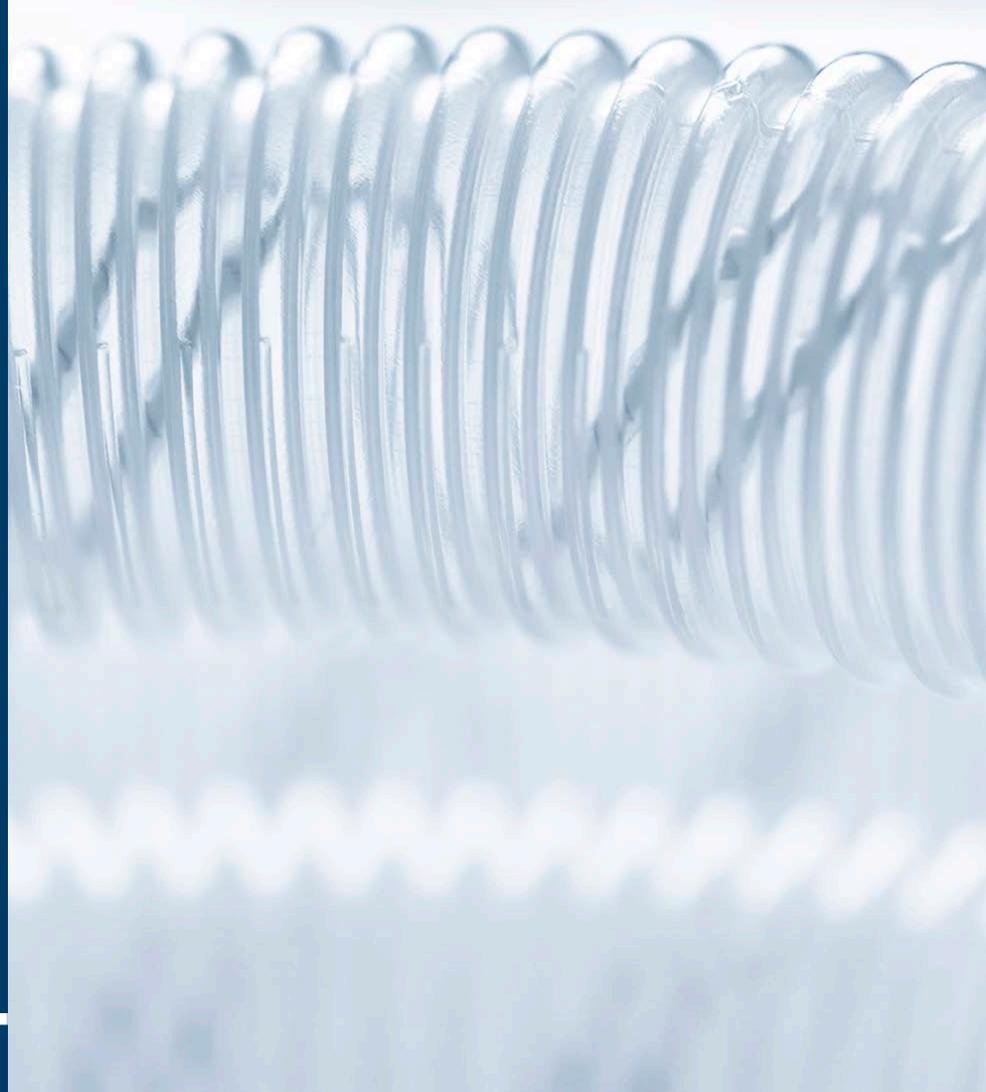
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Lewis Gradon  
Managing Director and CEO

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The Opportunity

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# Our Business: Hospital

Invasive  
Ventilation



Noninvasive  
Ventilation



Hospital  
Respiratory Support



Surgical  
Humidification



**“NEW APPLICATIONS”**  
Applications outside of invasive ventilation

# Our Business: Homecare

Home  
Respiratory Support



CPAP  
Therapy



# Global Opportunities

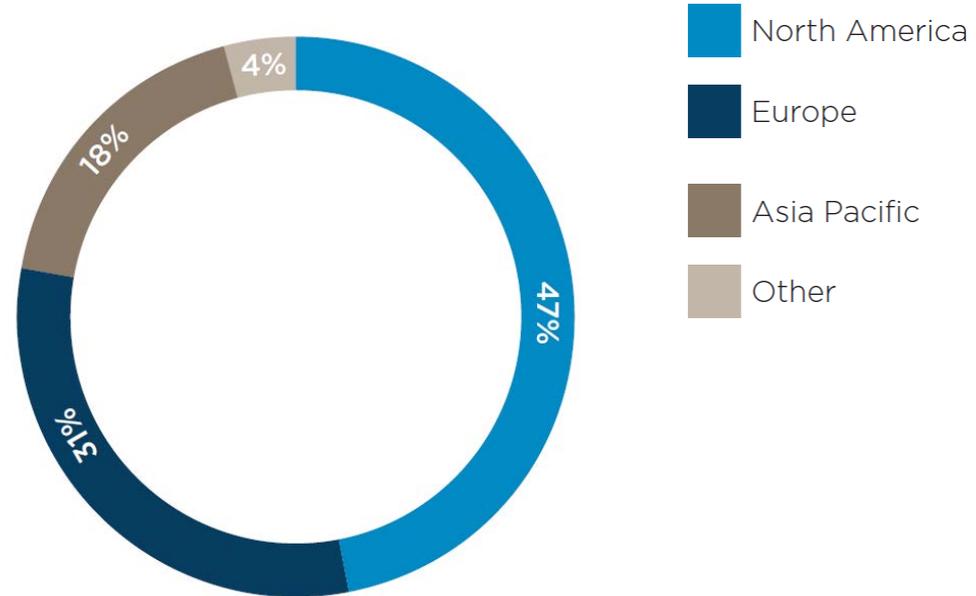
## Demographics:

- 60% of total lifetime healthcare cost incurred over 65 years of age
- US population over 65 years of age to grow by ~80% over the next 20 years
- Healthcare spending per capita increasing by 5-7% pa in developing countries
- Focus on reducing healthcare costs: in hospitals, ~6% of expenditure is on medical devices

# Strong Global Presence

- International reach
  - Selling into 120 countries
  - Our people based in 36 countries
  - New sales offices in Brazil, Norway
  - 100+ distributors worldwide
  - 15 distribution centres
  - 3,500+ employees
- Will continue to grow our global presence

Revenue by Region  
12 months to 31 March 2016



# Financial Targets

- More than NZ\$1 billion of annual operating revenue within the next two years
- Doubling our constant currency operating revenue every 5-6 years
- Targeting gross margin of 65% and operating margin of 30%
- Targeted dividend pay-out ratio of approximately 70% of net profit after tax



# New Product Development

- Investment into R&D: 500+ people, NZ\$73.3M (9% of operating revenue)\*
- Working on new products and ideas many years prior to release
- Just released three new products, more to come
- New products will support long-term growth



\* As at 31 March 2016

# Competitive Advantage - 45 Years' Experience

Significant expertise in, and history, of changing clinical practice

High barriers to entry:

- Years in market
- Dedicated and focused sales force
- Strong distribution channels, supplier/dealer relationships
- Substantial and growing clinical evidence showing efficacy of our products
- Proprietary technology and IP protection of that technology
  - Hospital: Evaqua / Optiflow / Airvo / F&P 850 / F&P 950
  - Homecare: Masks / myAirvo

# Importance of North American Market



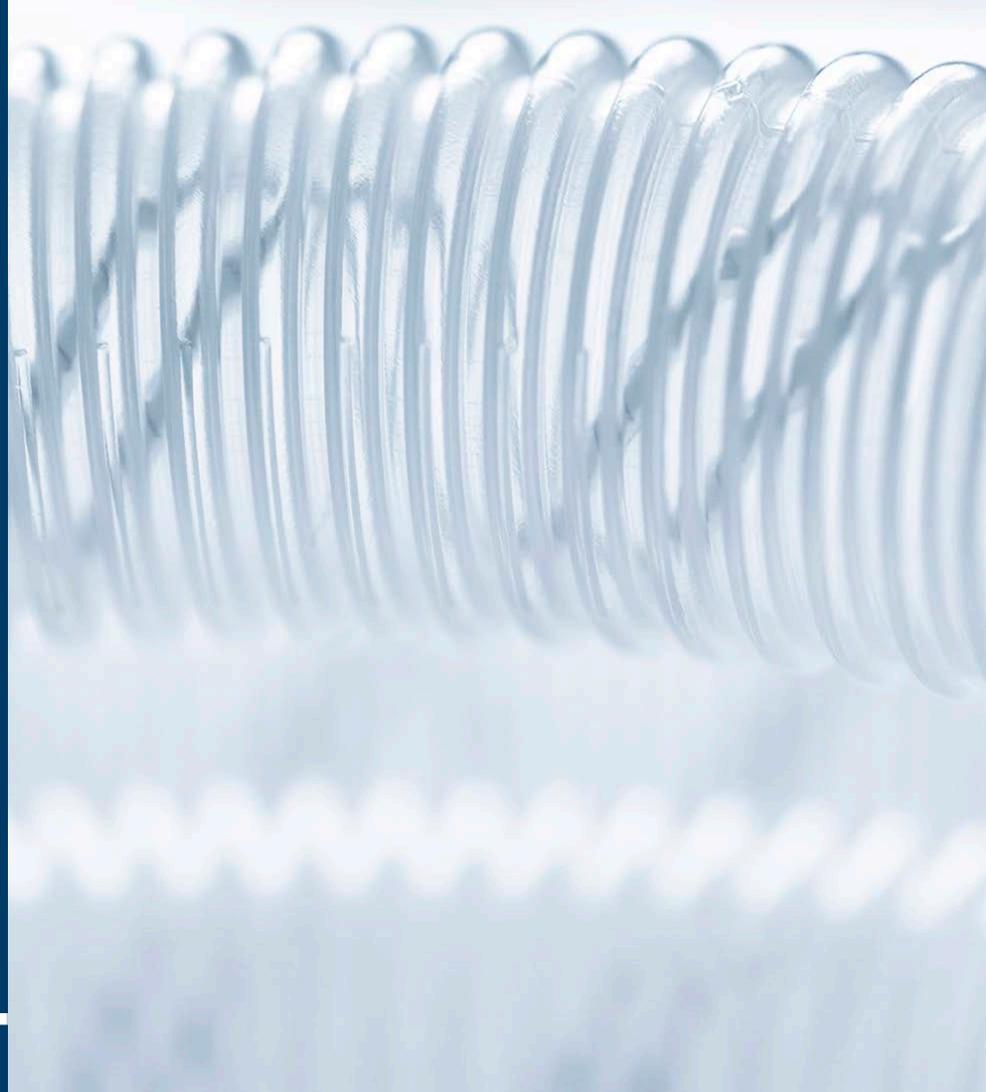
- Our largest market – 47% of revenue FY16
- New direct sales model for hospital products to accelerate growth
- Unique sales process – GPOs, reimbursement
- Looking at ways to reduce overall healthcare spend

Lewis Gradon  
Managing Director and CEO

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Questions?

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Justin Callahan  
President US Operations

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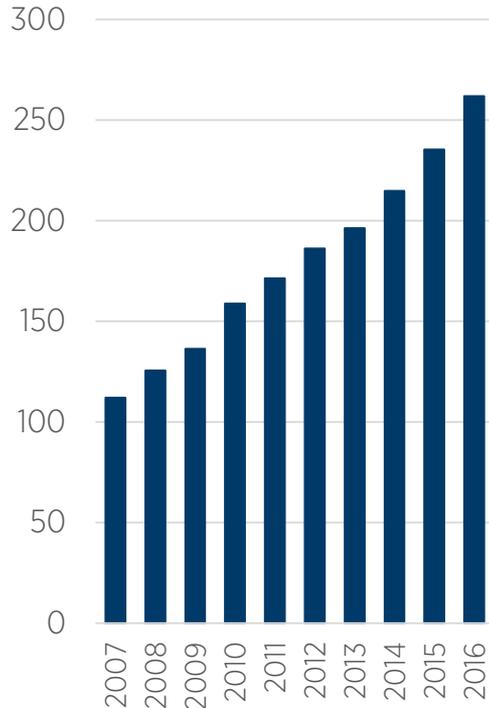
North American Business  
Overview

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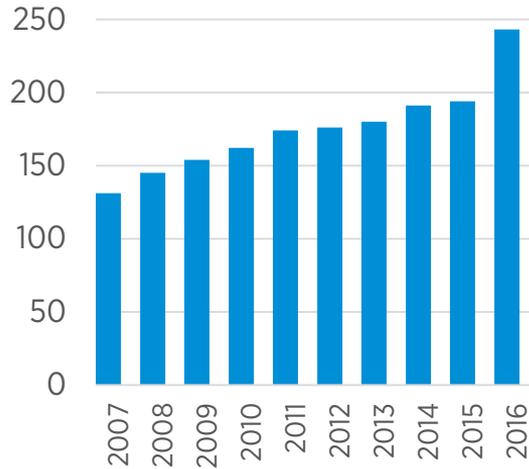


# Overview of our North American Business

## North American Revenue US\$M

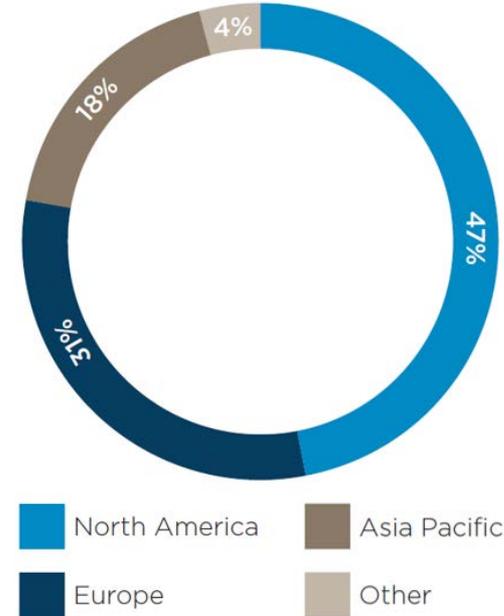


## North American Employees

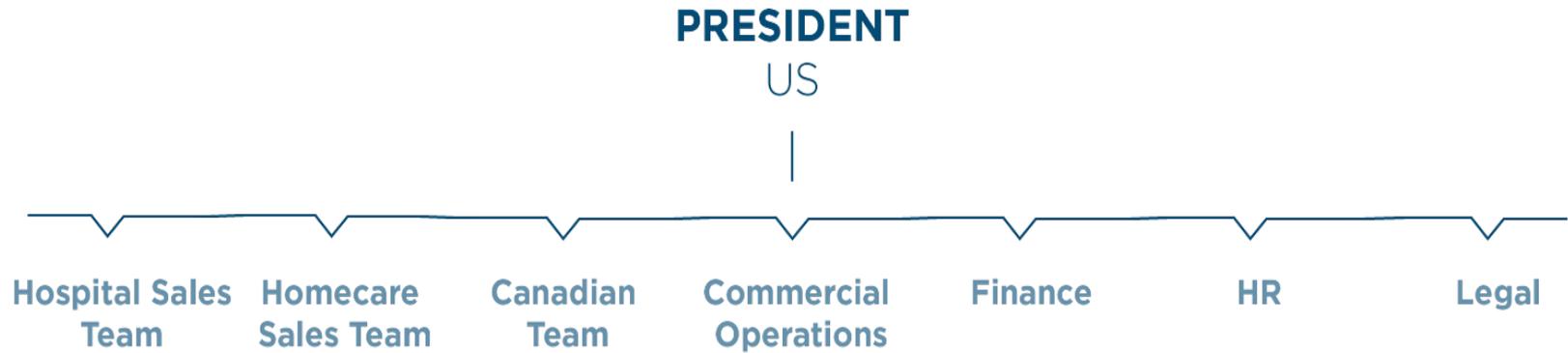


8,000 direct customers  
250,000 square feet of  
distribution facilities

## Revenue by Region 12 months to 31 March 2016



# Structure



# Operations Overview

State-wide coverage  
of hospital and  
homecare products  
by FPH reps



# Drivers of Growth

## Affordable Care Act 2010 (“Obamacare”)

- Expanded insurance coverage
- CMS reimbursement linked to quality of care
- Hospital Value Based Purchasing (VBP): Incentives for clinical practice and patient experience improvements



## Increasing Prevalence of Obesity

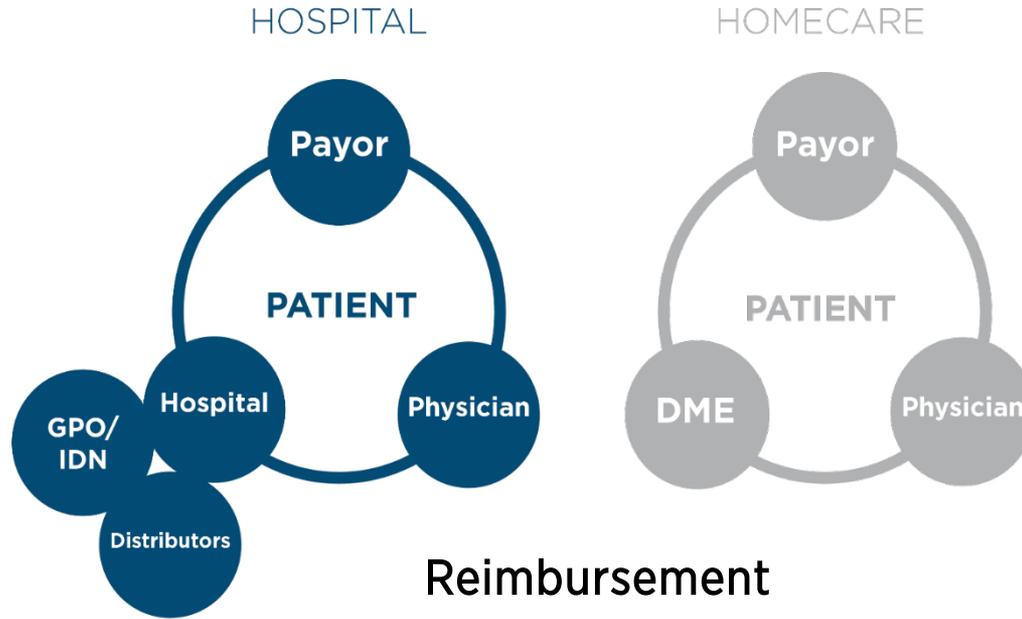
- 2012: 32% of the US population is obese
- 2030: 42% of the US population is predicted to be obese



## Aging Demographics

- 2015: 15% of the US population older than 65
- 2030: 20% of the US population older than 65

# Customer Segments

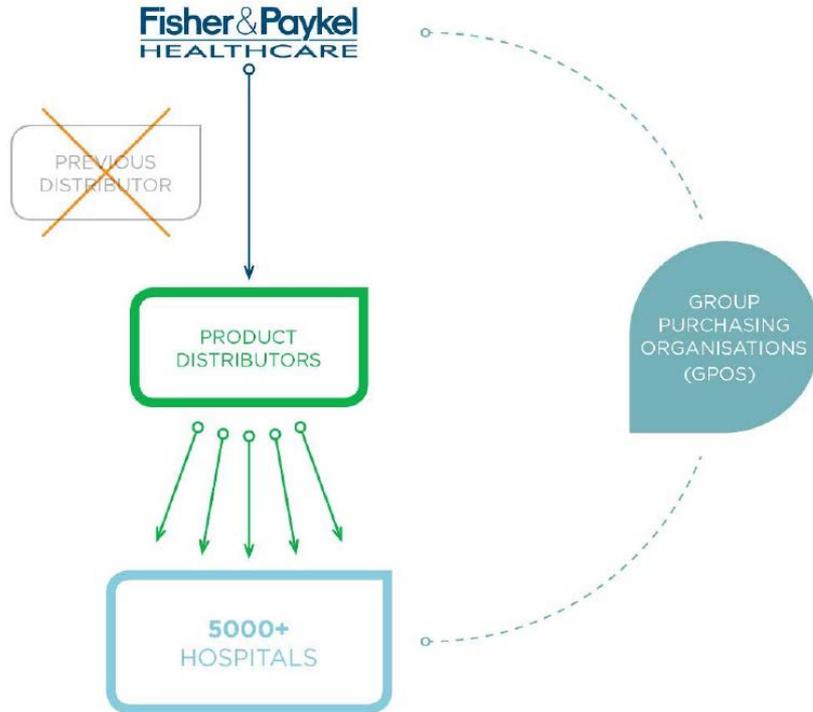


## Reimbursement

DRG – Diagnosis Related Groups  
Reimbursement tied to specific diagnosis during inpatient stay.

FFS – Fee for Service  
Reimbursement tied to specific product HCPC code for use in the home.

# US Hospital Distribution Change



## Transition Update:

- Established Distribution Contracts
- Established GPO Contracts
- Shipping Product
- Uninterrupted Supply to Hospitals

## Benefits:

- Focused Sales Force
- Increased Access to Customers
- Strengthen Customer Relationships
- Customer Education & Evaluations
- Promote New Product Applications

Justin Callahan  
President US Operations

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Questions?

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Steve Lacke  
VP Sales & Marketing

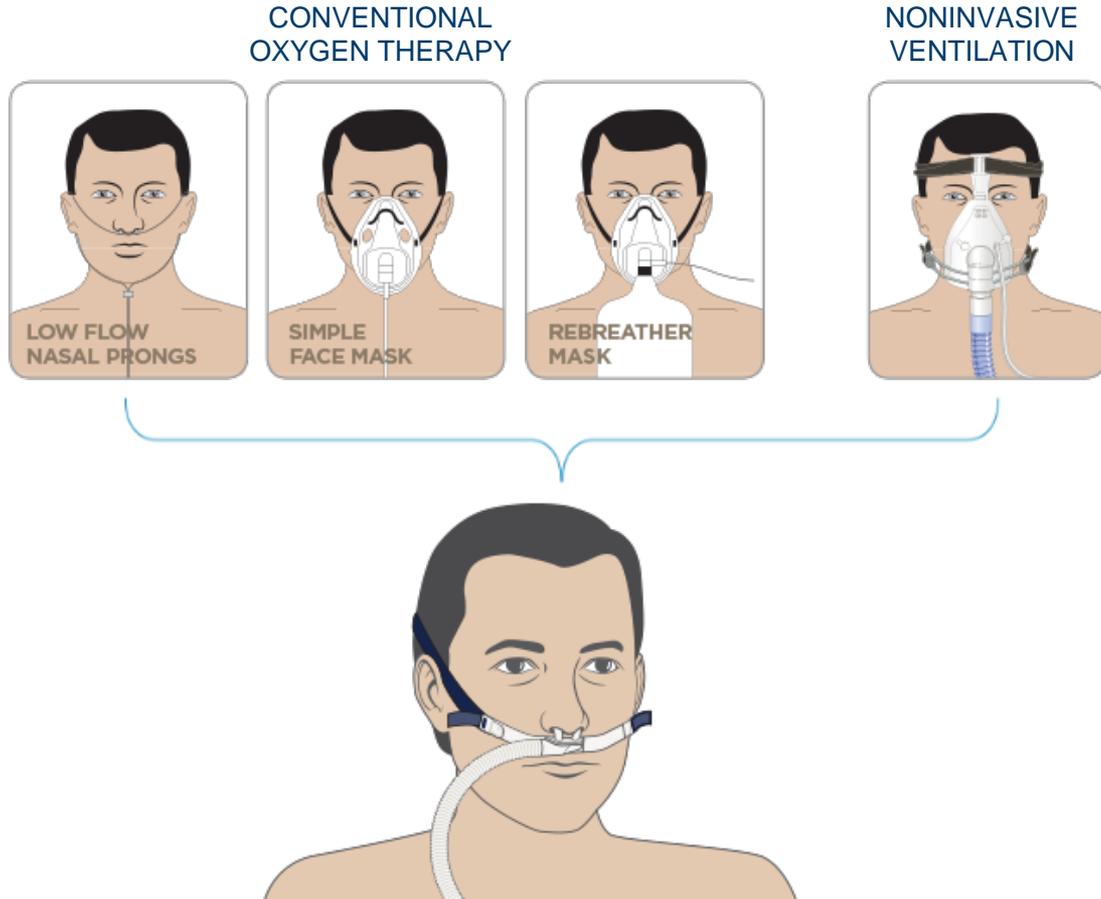
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US Hospital

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# Optiflow™ - Displacing Conventional Oxygen Therapy



# Optiflow Focus – Go With the Flow

- Driving Adoption
  - Powerful clinical research
  - Improved patient outcomes
  - Strong economic message
  - Positive patient experience
- Activities to drive awareness
  - Focused sales force
  - Clinical forums
  - KOL development
  - Ongoing research activity



# Powerful Clinical Research



The NEW ENGLAND  
JOURNAL of MEDICINE

ORIGINAL ARTICLE

High-Flow Oxygen through Nasal Cannula  
in Acute Hypoxemic Respiratory Failure

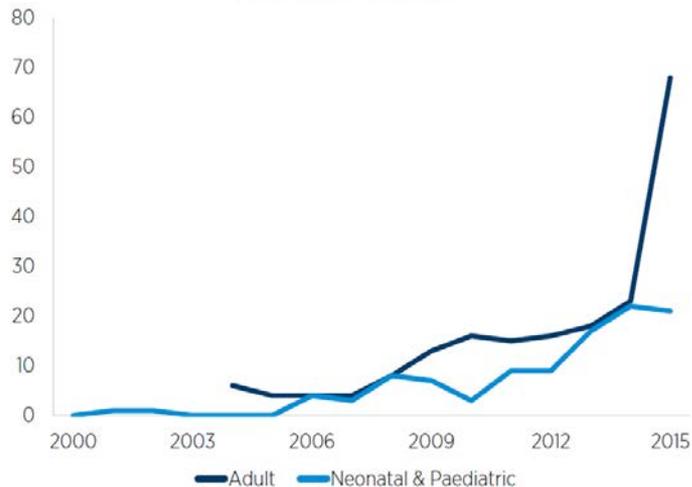


AMERICAN JOURNAL OF  
Respiratory and  
Critical Care Medicine®

ORIGINAL ARTICLE

Nasal High-Flow versus Venturi Mask Oxygen Therapy  
after Extubation  
Effects on Oxygenation, Comfort, and Clinical Outcome

Nasal High Flow Clinical Papers  
Published Annually



JAMA The Journal of the  
American Medical Association

Original Investigation | CARING FOR THE CRITICALLY ILL PATIENT

High-Flow Nasal Oxygen vs Noninvasive Positive Airway  
Pressure in Hypoxemic Patients After Cardiothoracic Surgery  
A Randomized Clinical Trial

Fisher & Paykel  
HEALTHCARE

Source: PubMed

# Optiflow – Reduces Mortality Rate

Frat et al. 2015

*The New England Journal of Medicine*

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**REDUCES  
mortality  
rate**

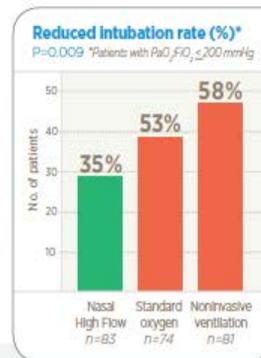
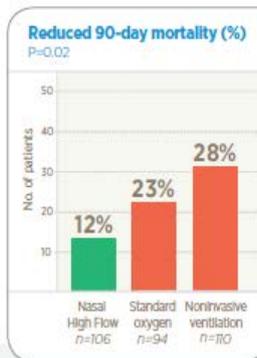
↓  
**REDUCES  
escalation  
of care**

## STUDY

A 23-center study compared nasal high flow (NHF) therapy to use of a non-rebreather mask and NIV as a primary treatment (pre-intubation).

## METHOD

- 310 patients in acute hypoxemic respiratory failure ( $\text{PaO}_2:\text{FiO}_2 \leq 300$  mmHg) were randomized to receive NHF, non-rebreather mask or NIV.
- Primary outcome: number of patients intubated at day 28 - not attained.



## RESULTS

- ▶ NHF significantly reduced ICU mortality: NHF 11%, standard  $\text{O}_2$  therapy 19%, NIV 25% and 90-day mortality: NHF 12%, standard  $\text{O}_2$  therapy 23%, NIV 28%
- ▶ NHF significantly reduced need for intubation in more acute patients ( $\text{PaO}_2:\text{FiO}_2 \leq 200$  mmHg)
- ▶ Significant increase in ventilator-free days on NHF
- ▶ NHF significantly reduced intensity of respiratory discomfort and dyspnea

# Optiflow – Reduces Escalation of Care

Hernández et al. 2016

*Journal of the American Medical Association*

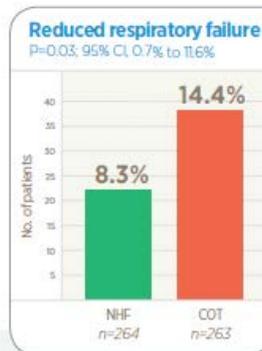


## STUDY

A 7-center study compared the efficacy of nasal high flow (NHF) to use of conventional oxygen therapy (COT) post-extubation.

## METHOD

- 527 patients at low risk of reintubation (defined as age <65; APACHE score <12; BMI <30 etc.) were randomized to receive NHF or COT (via nasal prongs or a non-rebreather).
- Primary outcome: reintubation within 72 hours



## RESULTS

- ▶ NHF significantly reduced **reintubation**: 4.9% (13/264) NHF patients vs. 12.2% (32/263) COT patients
- ▶ NHF significantly reduced post-extubation respiratory failure: 8.3% (22/264) NHF patients vs. 14.4% (38/263) COT patients
- ▶ Successfully extubated patients had a shorter:
  - Duration of mechanical ventilation (1 vs. 3 days)
  - ICU stay (2 vs. 11 days)
  - Hospital stay (9 vs. 13 days)
- ▶ NHF did not delay reintubation compared to COT

# Improved Patient Outcomes & Strong Economic Message



## CASE STUDY: ESCALATION

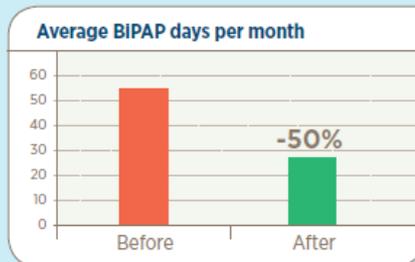
OKLAHOMA UNIVERSITY MEDICAL CENTER  
OKLAHOMA CITY, OK

*Julie Fanselau, Respiratory Care Director*

### RESULTS

Analysis after the three-month evaluation found:

- ▶ **Early intervention (with Optiflow) in patients in respiratory distress may prevent escalation**
- ▶ **Patients found Optiflow less stressful to wear than a bi-level mask**
- ▶ **Bi-level rental savings per month of \$1,500 to \$4,000**
- ▶ **RNs, RTs and MDs found it easy to set patients up with Optiflow**



Disclaimer: Any clinical opinions in this Case Study are the opinions of the contributing author and are given for information purposes only. The clinical opinions are not intended as and do not substitute medical advice.

# Invasive Ventilation

- Strong market share position
  - Converting market to best circuit solution
  - Better patient care
  - Improved clinician efficiencies
  - Barriers to entry
- Strong product pipeline
  - Further raise the bar
  - Enhance the clinician's experience
  - Easier adoption across therapies



F&P 950 will be available in the US upon receipt of FDA 510(k) approval

# Non-invasive Ventilation

- Improves patient comfort and compliance
- Supports better therapy outcomes
- Growing market penetration greater than underlying growth
- Strong product pipeline



F&P Nivairo will be available in the US upon receipt of FDA 510(k) approval

Steve Lacke  
VP Sales & Marketing

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Questions?

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# Guest Speaker: Dr. Robert Y. Goldberg

- Pulmonologist at Mission Hospital, Mission Viejo, CA
- Board certified in Internal Medicine, Pulmonary Medicine and Critical Care Medicine

- Medical School: Sackler School of Medicine, Tel Aviv University, Israel
- Internship: Cedars-Sinai Medical Center, Los Angeles
- Residency: Cedars-Sinai Medical Center, Los Angeles
- Fellowship: University of California Irvine, Medical Center, Irvine

Interests include asthma, COPD, lung cancer and sleep medicine, as well as the care of critically ill patients. Additionally, Dr. Goldberg has an interest in less invasive diagnostic and therapeutic procedures.

In his spare time, Dr. Goldberg enjoys spending time with his family, golfing and biking, as well as rooting for his UCLA Bruins

Fisher & Paykel Healthcare will make a donation to the Mission Hospital Foundation and Dr Goldberg will be reimbursed for any expenses incurred in connection with his participation in today's event.



# Mission Hospital, Mission Viejo, CA

Mission Hospital is a not-for-profit combined 523-bed acute-care full-service facility with campuses in Mission Viejo and Laguna Beach, and member of the St. Joseph Health alliance. Mission Hospital Mission Viejo houses south Orange County's only regional trauma center and only pediatric health center.



Quick Facts	Total Beds:	523
	Total ICU Beds:	46
	Annual # Admissions:	Approx 21,000
	Annual # of ER Visits:	Approx 71,000
	Annual # of Births:	Approx 5,200
	Regional ranked:	#33 in California
		#16 in Los Angeles metro area

# St. Joseph Health: Integrated Healthcare Delivery System

St. Joseph Health is not-for-profit, integrated Catholic healthcare delivery system sponsored by the St. Joseph Health Ministry of The Sisters of St. Joseph of Orange, who trace their roots back to 17<sup>th</sup> century France. What began as a single 28-bed hospital in 1920, is today 15 acute-care hospitals in Northern and Southern California, West Texas and Eastern New Mexico.

Quick Facts	Licensed Beds:	4,122
	Total ICU Beds:	Approx 525
	Annual # Admissions:	Approx 145,000
	Annual # of ER Visits:	Approx 510,000
	Annual # of Births:	Approx 25,000

# Experience with Optiflow™ Nasal High Flow Therapy

- How Optiflow was used at Mission Hospital initially
- The impact of Optiflow on patients (ie. comfort, compliance, outcomes)
- The impact of Optiflow on the hospital (ie. patient outcomes, cost avoidance, reduction in intubation, increase in vent free days, patient satisfaction scores)
- The use of supplementary oxygen, NIV and Optiflow in the hospital
- Growing body of clinical evidence: Frat and Hernandez studies

Steve Polgar  
National Sales Manager

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US Homecare

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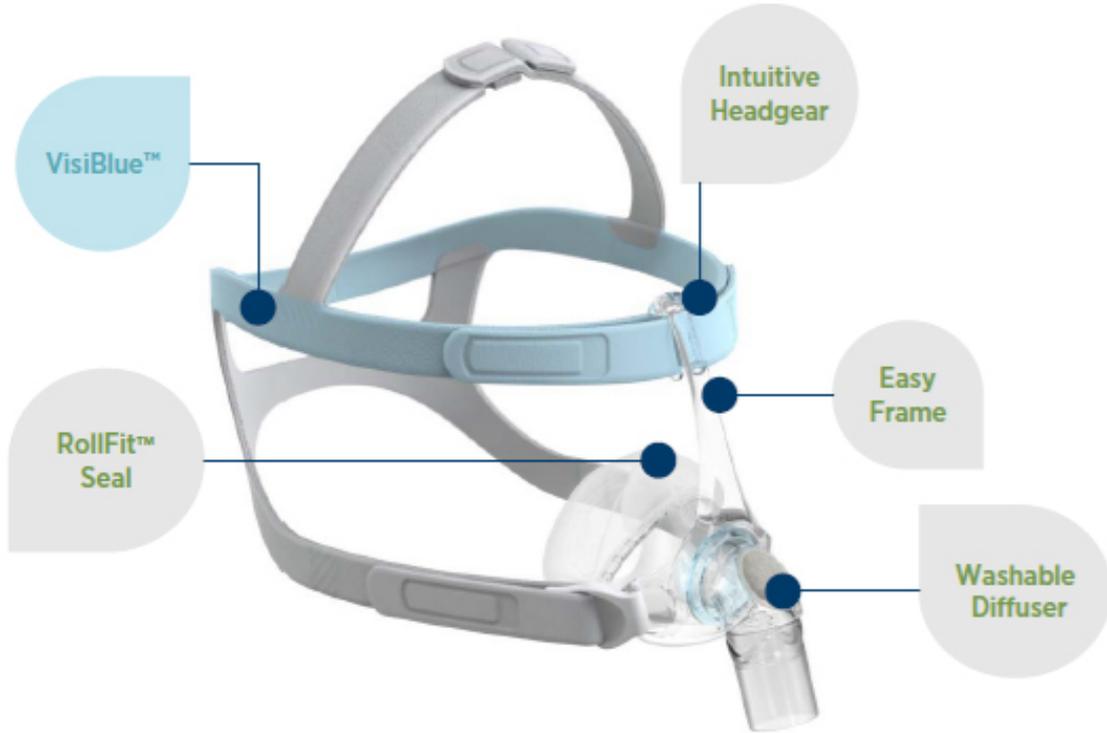


# Obstructive Sleep Apnea

- The Mask Matters Most
- Market leading mask technology
- Unique patented designs
- Growing share of new patient starts
  - Ease of use
  - Patient comfort
  - Less refits
  - Improving DME efficiencies



# F&P Eson™ 2

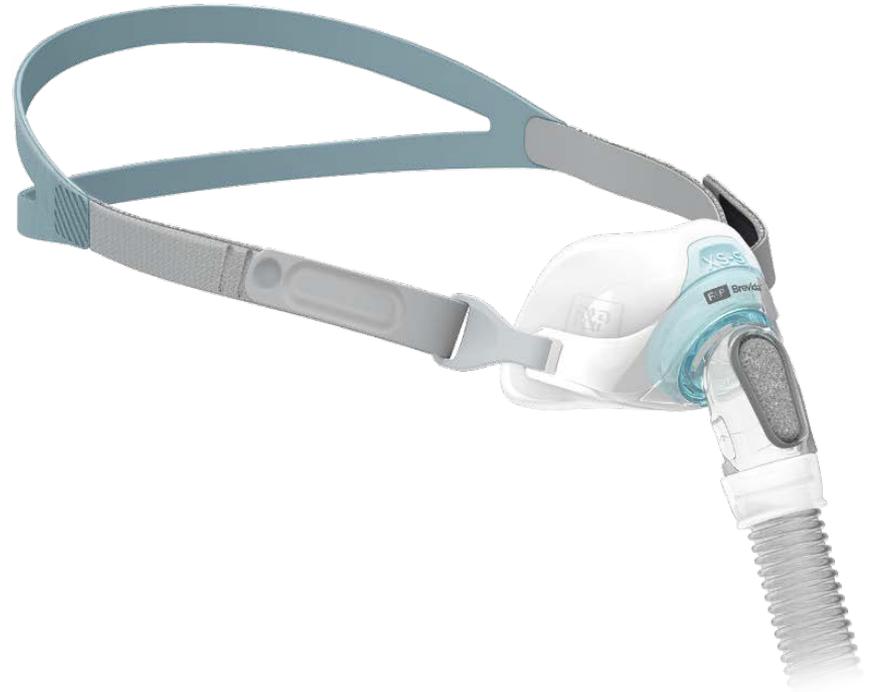


- New RollFit™ seal
- Intuitive, easy to use headgear
- Long life washable diffuser
- Introducing VisiBlue, the use of color cues to assist with mask use and care

Will be available in the US upon receipt of FDA 510(k) approval

# F&P Brevida™

- A quick and easy fit
- Innovative AirPillow™ seal
- Designed for confidence, built for comfort



Will be available in the US upon receipt of FDA 510(k) approval

# OSA Market Update

- Home Sleep Testing (HST) accepted and stabilizing
- Majority of sleep diagnostics (PSG & HST) administered through traditional channel
- HST driving moderate increase in volume
- Homecare Providers adjusting to the new reimbursement environment
- DME consolidation in some regions though still a very fragmented market with >5,000 DMEs nationally
- Providers continuing to embrace patient resupply
  - Improves patient outcomes and supports a healthy financial model



# COPD Challenge

- Over 15 million diagnosed and perhaps an equal number undiagnosed COPD patients in the United States
- Exacerbation of COPD is the primary cause of readmission and the increasing cost of care
- United States' projected cost for COPD exacerbation will exceed \$90 billion in 2020
  - Currently 50% of cost is hospitalization
  - Pharmaceutical interventions

# Nasal High Flow Therapy in the Home

- Building a body of clinical evidence
- Developing early adopters
- Focused on vertically integrated health systems
  - Self funded
  - Risk Managed plans
  - Medicare Advantage contractors
  - Accountable Care Organizations



Steve Polgar  
National Sales Manager

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Questions?

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# Health of the Homecare Industry - Doug Coleman

- Doug Coleman is CEO of Major Medical Supply, Colorado. He is also the President of the Colorado Association of Medical Equipment Services (CAMES)
- Major Medical Supply was founded in 1983 and has locations in Brighton, Colorado Springs, Denver, Ft Collins, Greeley, Longmont and Loveland. Major Medical Supply is a leader in the medical supply and equipment industry and stocks a range of durable medical equipment, aids and supplies, including respiratory equipment.
- Doug Coleman will be paid an honorarium for, and be reimbursed for any expenses incurred in connection with his participation in today's event.

Lewis Gradon  
Managing Director and CEO

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Concluding Remarks

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