

# Fisher & Paykel Healthcare

UBS Australian Healthcare Conference



Sydney - June 2013

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## Investment Highlights

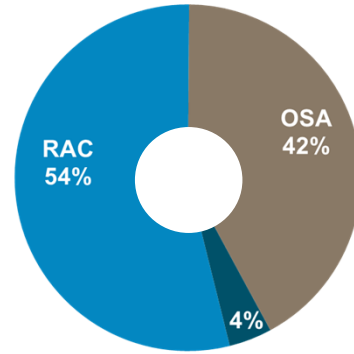
- A leader in respiratory and OSA treatment devices
- Consistent growth strategy
- Estimated US\$3.0+ billion and growing market opportunity
- High level of innovation
- Global presence
- Strong financial performance  
NZSX:FPH, ASX:FPH



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## Markets and Products

- Respiratory & Acute Care (RAC)
  - Heated Humidification
  - Respiratory Care
  - Neonatal Care
  - Surgery
- Obstructive Sleep Apnea (OSA)
  - Masks
  - Flow Generators
  - Humidifiers



➔ Consumable and accessory products represent approx. 76% of core product revenue

Revenue by Product Group  
12 months to 31 March 2013

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## FY2013 Second Half Highlights

	Actual	CC <sup>1</sup>
Net profit after tax	+22%	+54%
Operating revenue	+9%	+14%
Gross margin (bps increase)	+240	+330
RAC new applications revenue		+38%
OSA mask revenue		+16%

1. CC = constant currency

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## FY13 Operating Results NZ\$

FY13 (12 months to 31 March 2013)

	%Revenue	NZ\$M	ΔPCP	ΔCC <sup>1</sup>
<b>Operating revenue</b>	<b>100%</b>	<b>556.3</b>	<b>+8%</b>	<b>+11%</b>
Cost of sales	44.7%	248.4	+3%	+5%
Gross profit	55.3%	307.8	+12%	+18%
Other income (R&D grant)		2.4		
SG&A	27.3%	151.8	+6%	+9%
R&D	8.2%	45.7	+9%	+9%
Total operating expenses	35.5%	197.5	+7%	+9%
<b>Operating profit</b>	<b>20.3%</b>	<b>112.7</b>	<b>+21%</b>	<b>+52%</b>
<b>Profit after tax</b>	<b>13.9%</b>	<b>77.1</b>	<b>+20%</b>	<b>+55%</b>

1. CC = constant currency

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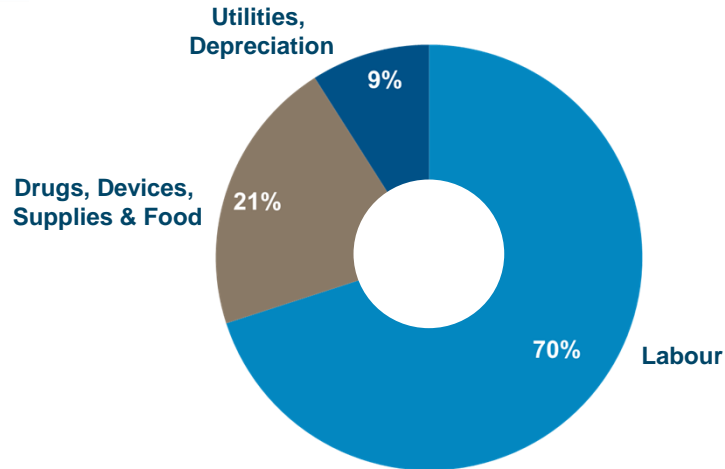
## Dividend

- Final Dividend
  - Gross 9.7 NZ cps = 7.0 cps + 2.7 cps imputation credit, NZ residents
  - Fully imputed
  - 1.235 cps non-resident supplementary dividend
  - DRP, 3% discount NZ/AU residents
- Gross dividend yield, 17.2 cps, ~5.5%

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## Hospital Cost Breakdown

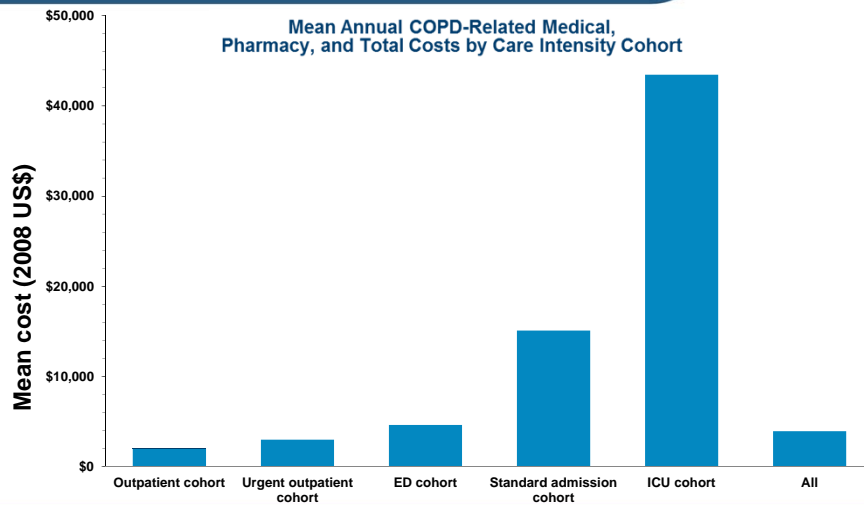


Source: Massachusetts Hospital Association, "An Update to Hospital Costs in Context Report" July 2010

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## Lower Care Intensity = Lower Cost



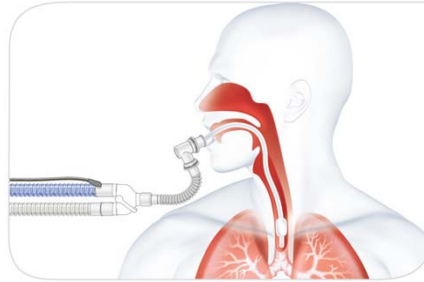
Source: Anand A Dalal, Laura Christensen, 2 Fang Liu, and Aylin A Riedel. Direct costs of chronic obstructive pulmonary disease among managed care patients. Int J Chron Obstruct Pulmon Dis. 2010; 5: 241-249.

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## Respiratory Humidification

- Normal airway humidification is bypassed or compromised during ventilation or O<sub>2</sub> therapy
- Mucociliary transport system operates less effectively
- Need to deliver gas at physiologically normal levels
  - 37 °C body core temperature
  - 44mg/L 100% saturated



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## Respiratory & Acute Care



F&P Evaqua 2™

Invasive Ventilation



F&P FreeMotion™

Non-Invasive Ventilation



F&P Optiflow™

O<sub>2</sub> Therapy



F&P AIRVO™ 2

Humidity Therapy



F&P Evaqua 2™



F&P Bubble CPAP



F&P Optiflow™ junior



F&P AIRVO™ 2

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## Respiratory & Acute Care

- MR850 Respiratory Humidifier System
  - Invasive ventilation, oxygen therapy and non-invasive ventilation
- MR810 Respiratory Humidifier System
  - Entry level system
  - Ventilation and oxygen therapy
  - Optional heated breathing circuit
- AIRVO™ Flow Generator/Humidifier
  - Optiflow O<sub>2</sub> therapy
  - Humidity therapy
- Surgical opportunity (HumiGard™)
  - Laparoscopic insufflation
  - Open surgery

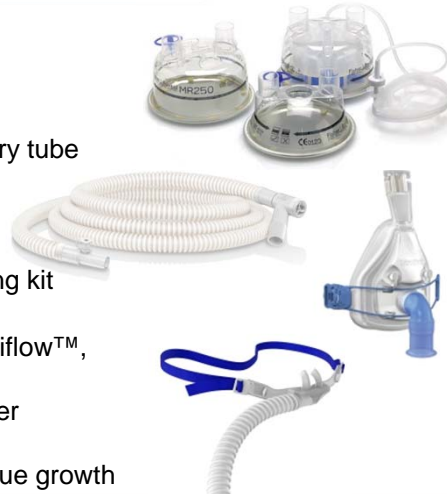


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## Single-use Respiratory Care Systems

- Single-use chambers
  - Patented auto filling MR290
- Single-use breathing circuits
  - Patented spiral heater wire
  - Proprietary Evaqua™ expiratory tube
  - Minimal condensation
  - Delivery of optimal humidity
- Breathing circuit components
  - Filters, catheter mount, weaning kit
- Interfaces
  - NIV masks, tracheostomy, Optiflow™, O<sub>2</sub> therapy
- Approx 30 system set-ups used per controller per year
- Consumable growth driving revenue growth



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## Respiratory & Acute Care Update

- |  | H2 FY2013 |
|--|-----------|
| • Operating revenue growth   |           |
| – NZ\$   | +13%      |
| – Constant currency  | +18%      |
| • New applications consumables revenue growth (NIV, Optiflow™, AIRVO™, Surgical) |           |
| – NZ\$   | +32%      |
| – Constant currency  | +38%      |
| – New applications, 38% of RAC consumables revenue                               |           |
| • New products roll-out  |           |
| – Evaqua™ 2 breathing circuits   |           |
| – Optiflow Junior™ interface   |           |
| – Evatherm™ breathing circuit  |           |
| – AIRVO™ & myAIRVO 2 flow generator/humidifiers                                  |           |



F&P Optiflow™ Junior



F&P Evaqua™ 2



F&P AIRVO™ 2

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## Obstructive Sleep Apnea

- Temporary closure of airway during sleep
- Can greatly impair quality of sleep, leading to fatigue; also associated with hypertension, stroke and heart attack
- Estimated US\$2.5 billion + worldwide market, growing ~ 6-8%
- Potentially 50-60 million affected worldwide
- Most common treatment is CPAP (Continuous Positive Airway Pressure)
  - Key issue with CPAP is compliance
  - Humidification provides significant acceptance and compliance improvements



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## Revolutionary New Masks

- Comfortable
- Easy to fit
- Efficient
- Nasal Pillows
  - F&P Pilairo™
- Nasal
  - F&P Eson™
- Full Face
  - F&P Simplus™



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## F&P ICON™ +

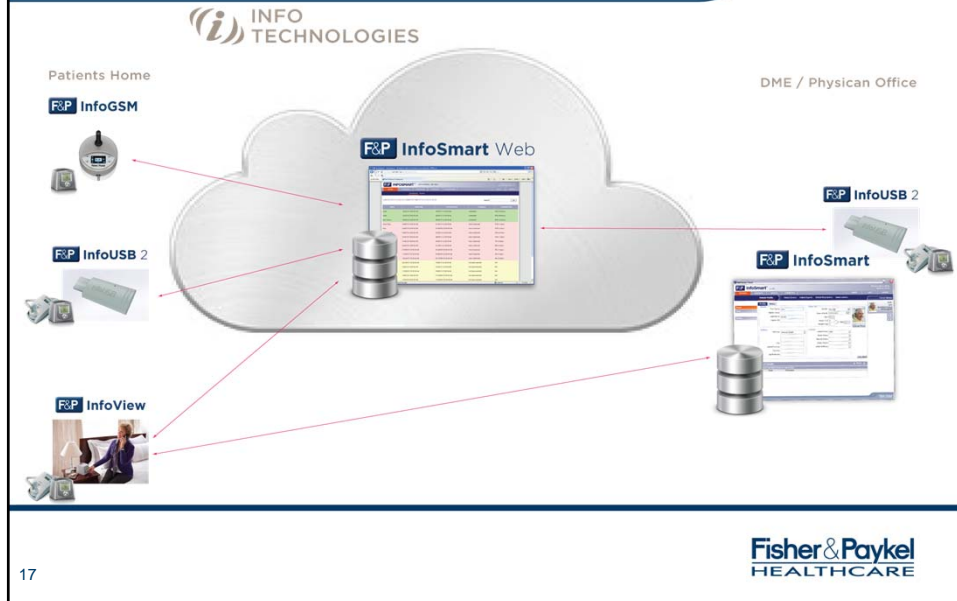
- Stylish, Smart + Simplified
- Efficiently integrates with InfoUSB™ and InfoSmart™ Web
- Responsive pressure relief - SensAwake™
- ThermoSmart™ Humidifier Breathing Tube Technology
- Auto-adjusting CPAP

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## Efficient Compliance Reporting



## Obstructive Sleep Apnea Update

	H2 FY2013	
• Operating revenue growth		
– NZ\$	+6%	
– Constant currency	+10%	
• Mask revenue growth		
– Constant currency	+16%	
• New products roll-out		
– F&P Pilairo™		<b>F&amp;P Pilairo™</b>
– F&P Eson™		<b>F&amp;P Eson™</b>
– F&P Simplus™		<b>F&amp;P Simplus™</b>
– F&P ICON™+		<b>F&amp;P ICON™+</b>

## Research & Development

- 8.2% of operating revenue, NZ\$45.7M<sup>1</sup>
- Product pipeline includes:
  - Humidifier controllers
  - Masks
  - Respiratory consumables
  - Flow generators
  - Compliance monitoring solutions
- 107 US patents, 159 US pending, 442 ROW, 260 ROW pending<sup>1</sup>



<sup>1</sup> at 31 March 2013

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## New Products

- **Pilairo™** nasal pillows mask
- **Eson™** nasal mask
- **Simplus™** full face mask
- **ICON™+** flow generator range
- **Optiflow™ Junior** oxygen therapy
- **Evaqua™2** breathing circuits
- **AIRVO™2 & myAIRVO™2** flow generator humidifiers



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## Manufacturing & Operations

- Vertically integrated
  - COGs improvements; Mexico, Lean, supply chain
- Ample capacity to grow



### Auckland, New Zealand

- Two buildings: 51,000m<sup>2</sup> / 550,000ft<sup>2</sup> total
- 31,000m<sup>2</sup> building 3 completed November 2012
- 100 acres/40ha land



### Tijuana, Mexico

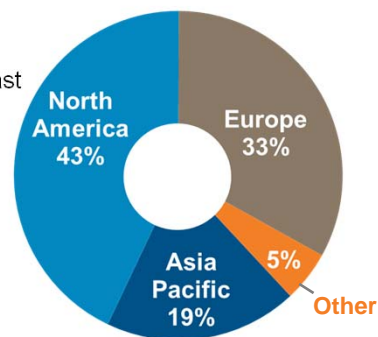
- 18,000m<sup>2</sup>/200,000ft<sup>2</sup>
- Consumables capacity ramping up

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## Global Presence

- Direct/offices
  - Hospitals, home care dealers
  - Sales/support offices in North America, Europe, Asia, South America, Middle East and Australasia, 15 distribution centres
  - >550 staff in 30 countries
  - Ongoing international expansion
- Distributors
  - 100+ distributors worldwide
- Original Equipment Manufacturers
  - Supply most leading ventilator manufacturers
  - More than 120 countries in total



Revenue by Region  
12 months to 31 March 2013

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## Consistent Growth Strategy

- Experts in humidification, respiratory care, and obstructive sleep apnea
- Provide innovative devices which can improve patient care and outcomes
  - Continuous product improvement
  - More devices for each patient
  - Serve more patient groups – Invasive ventilation, NIV, oxygen therapy, COPD, surgery, OSA
  - Increase international presence

