

# Fisher & Paykel Healthcare

Deutsche Bank / Craigs New Zealand Corporate Day



Sydney – March 2015

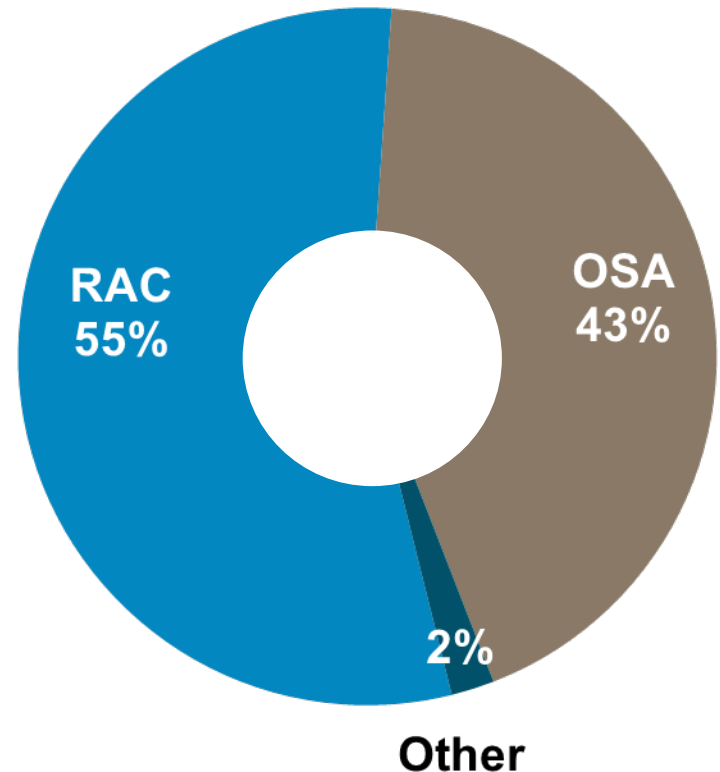
# Investment Highlights

- A leader in respiratory and OSA treatment devices
- Consistent growth strategy
- Estimated US\$5.0+ billion and growing market opportunity
- High level of innovation
- Global presence
- Strong financial performance  
NZSX:FPH, ASX:FPH



# Markets & Products

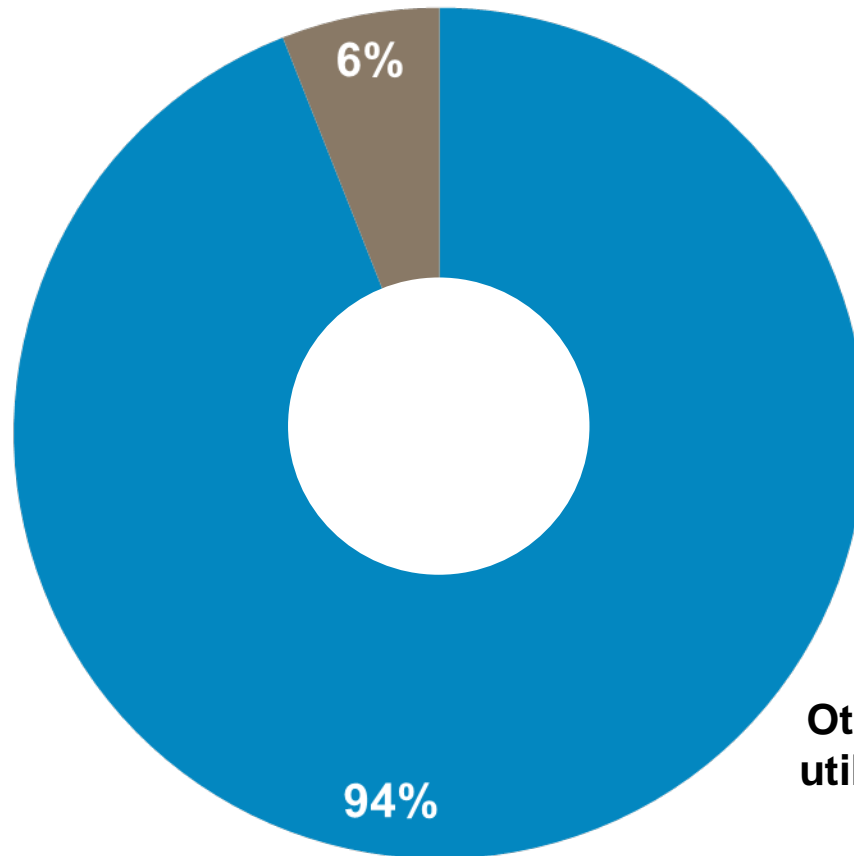
- Respiratory & Acute Care (RAC)
  - Heated humidification
  - Respiratory care
  - Neonatal care
  - Surgery
- Obstructive Sleep Apnea (OSA)
  - Masks
  - Flow generators
  - Data management tools
  - Humidifiers
- **Recurring items, consumables and accessories approximately 80% of core product revenue (H2 FY14: 78%)**



Revenue by Product Group  
6 months to 30 September 2014

# Hospital Cost Breakdown

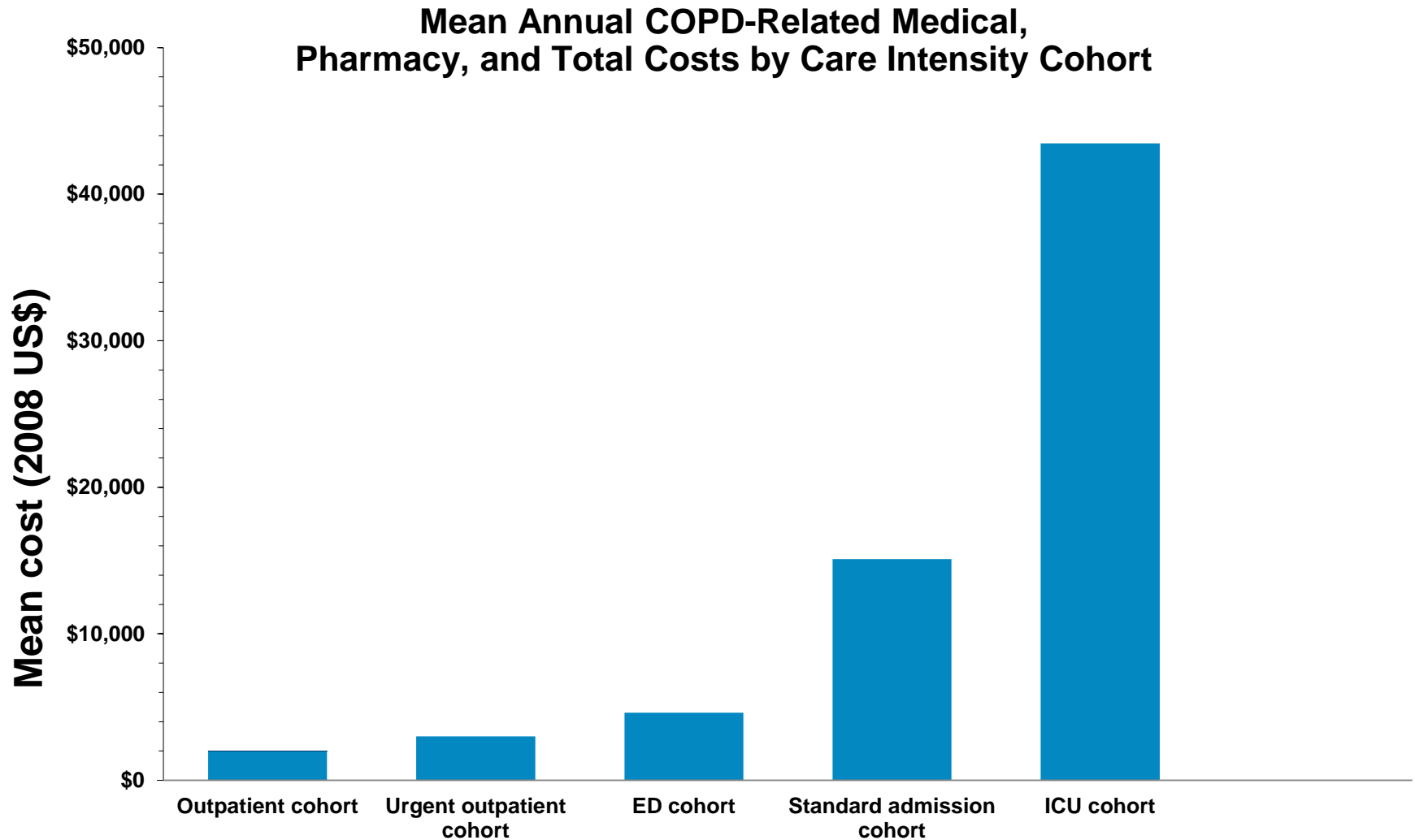
**Medical devices**



**Other – includes labour, utilities, drugs, supplies, food, depreciation**

Source: Estimates of Medical Device Spending in the United States, Donahoe, G and King, G, June 2014

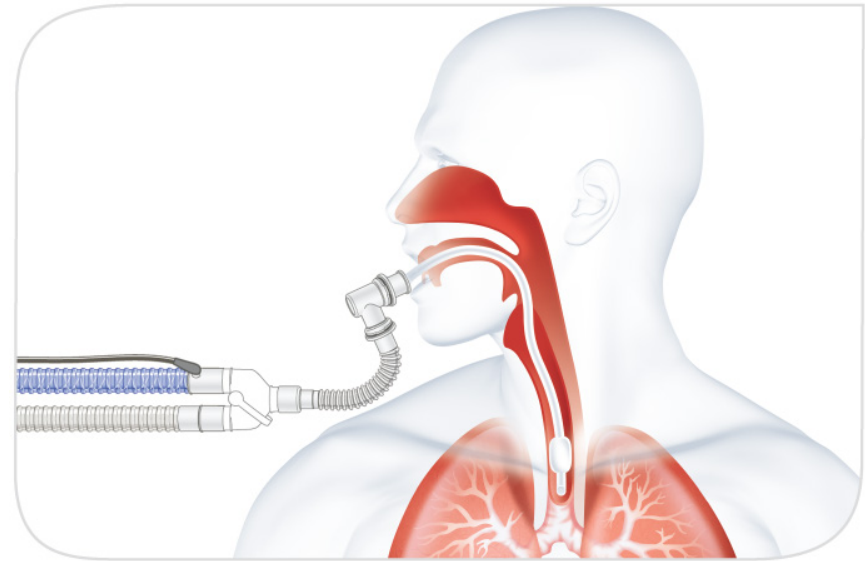
# Lower Care Intensity Equals Lower Cost



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.

# Respiratory Humidification

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





# Therapies - Respiratory Care, Acute Care & Surgery

**Invasive ventilation**



**F&P Evaqua 2™**

**Noninvasive ventilation**



**F&P FreeMotion™**

**Oxygen therapy**



**F&P Optiflow™**

**Humidity therapy**



**F&P AIRVO™ 2**

**Neonatal invasive ventilation**



**F&P Evaqua 2™**

**Neonatal noninvasive ventilation**



**F&P Bubble CPAP**

**Neonatal oxygen therapy**



**F&P Optiflow™ junior**

**Surgical humidification**



**F&P HumiGard™**

# Respiratory, Acute Care & Surgery - Hardware

- 850 respiratory humidifier system
  - Invasive ventilation, oxygen therapy and non-invasive ventilation
- 810 respiratory humidifier system
  - Entry level system
  - Ventilation and oxygen therapy
  - Optional heated breathing circuit
- AIRVO 2 flow generator/humidifier
  - Optiflow oxygen therapy
  - Humidity therapy
- Surgical opportunity (HumiGard)
  - Laparoscopic insufflation
  - Open surgery



**F&P 850™ System**



**F&P 810™ System**



**F&P AIRVO™ 2**



**F&P HumiGard™**



# Respiratory & Acute Care - Single Use Consumables

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

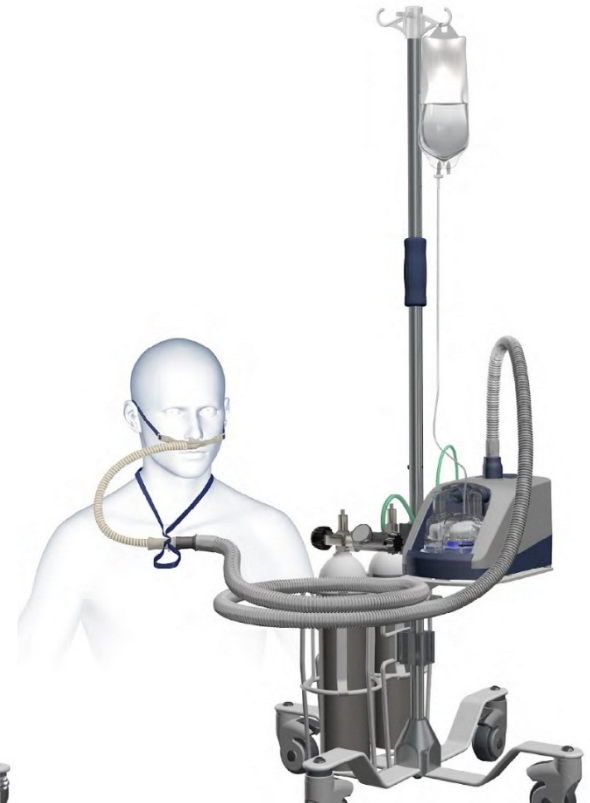


# Optiflow™ Therapy – Delivery Options

**F&P** Optiflow™



**F&P** 850™ System



**F&P** AIRVO™ 2

# 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 approximately 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



# Revolutionary Masks

- Comfortable
- Easy to fit
- Efficient

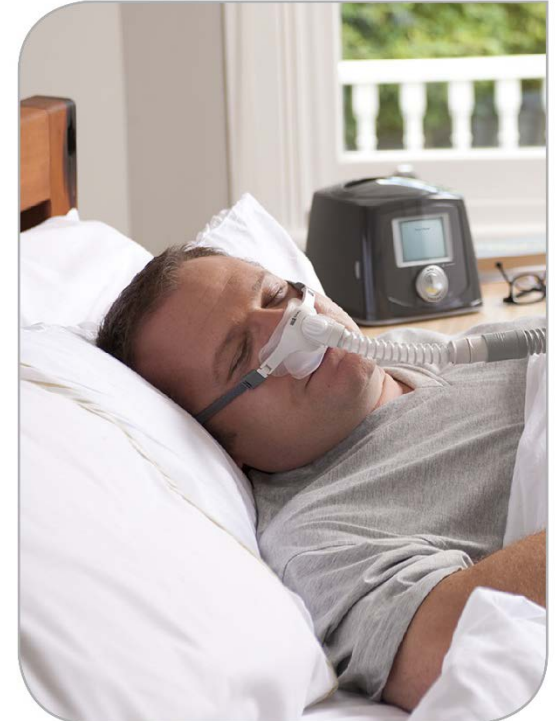
**F&P** **Simplus™**



**F&P** **Eson™**



**F&P** **Pilairo™ Q**



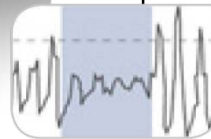
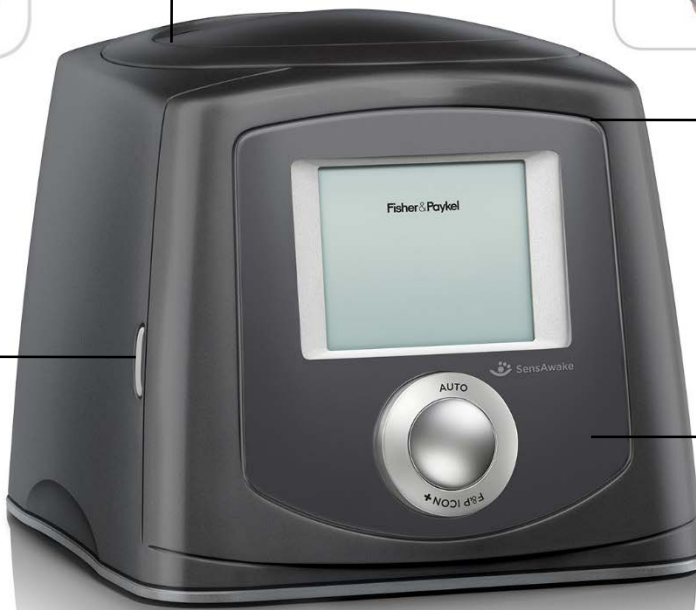


# Stylish, Smart + Simplified CPAP Range

**F&P** **ICON™+**



- Efficiently integrates with InfoUSB and InfoSmart Web
- Responsive pressure relief - SensAwake
- ThermoSmart humidifier breathing tube technology
- Auto-adjusting CPAP





# Efficient Compliance Reporting



Patients Home

**F&P InfoGSM**



**F&P InfoUSB 2**



**F&P InfoView**



DME / Physician Office

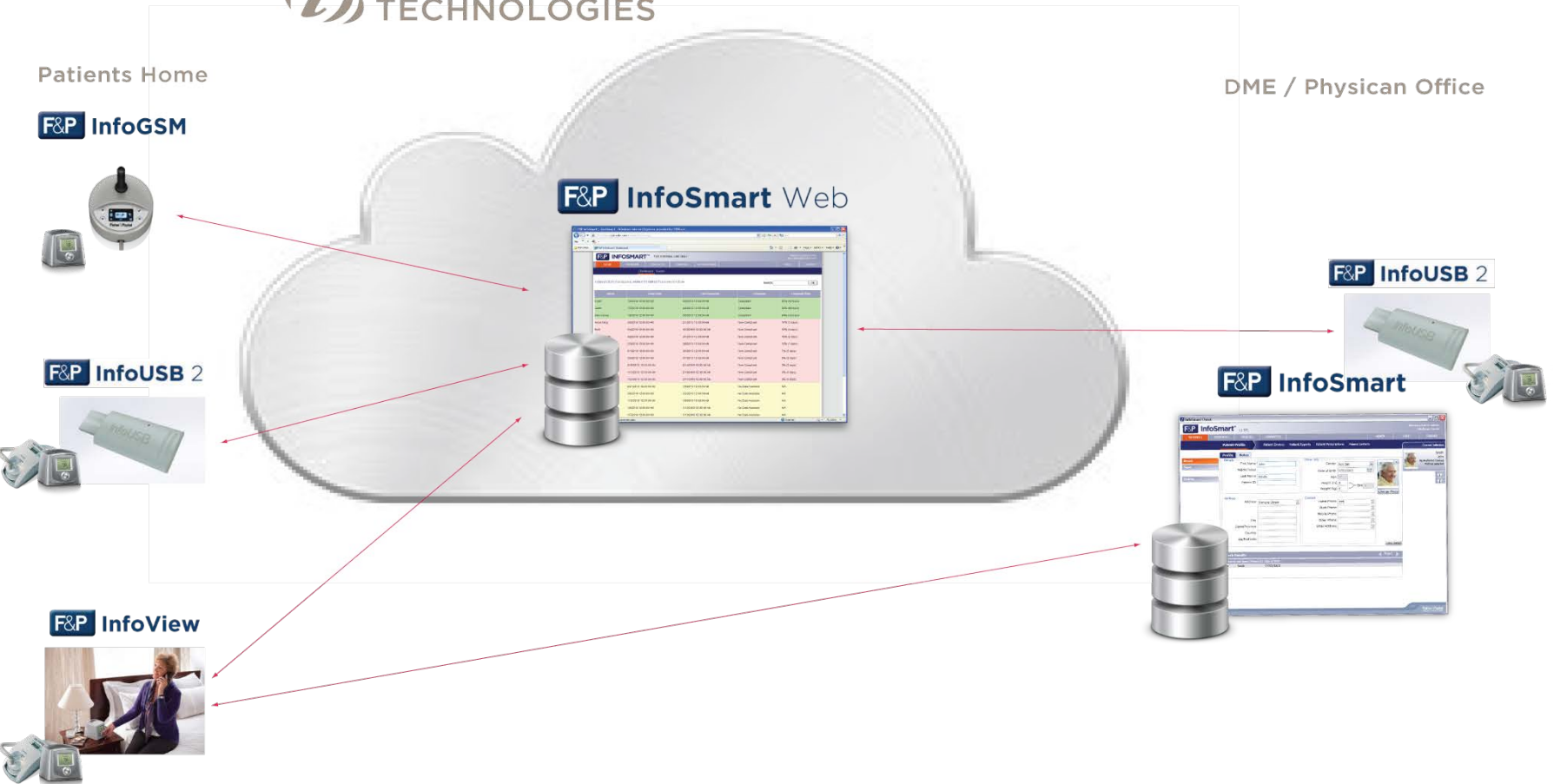
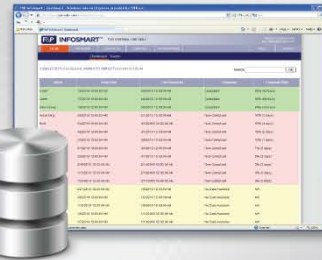
**F&P InfoUSB 2**



**F&P InfoSmart**



**F&P InfoSmart Web**



# Research & Development

- 9.9% of operating revenue, NZ\$31.3M<sup>1</sup>
- Product pipeline includes:
  - Humidifier controllers
  - Masks
  - Respiratory consumables
  - Flow generators
  - Compliance monitoring solutions
- 115 US patents, 273 US pending, 486 ROW, 322 ROW pending

<sup>1</sup> at 30 September 2014



# Manufacturing & Operations

- Vertically integrated
  - COGs improvements; Mexico, Lean manufacturing, supply chain

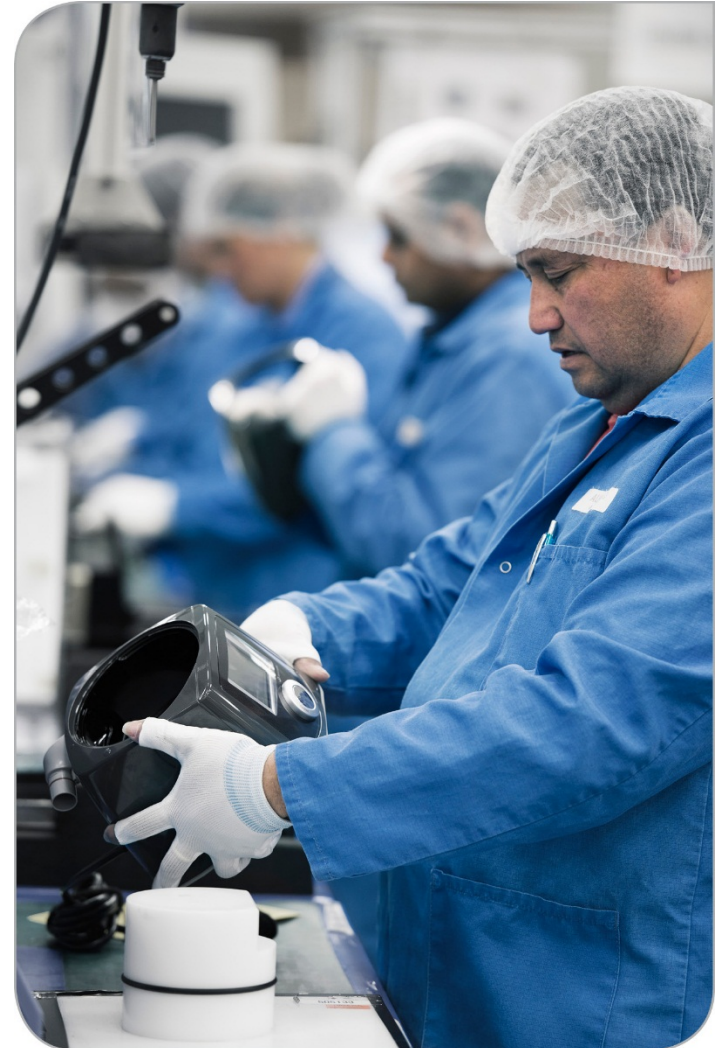
- Ample capacity to grow

## **Auckland, New Zealand**

- Three buildings: 82,000 m<sup>2</sup> / 885,000 ft<sup>2</sup> total
- 100 acres/40ha land

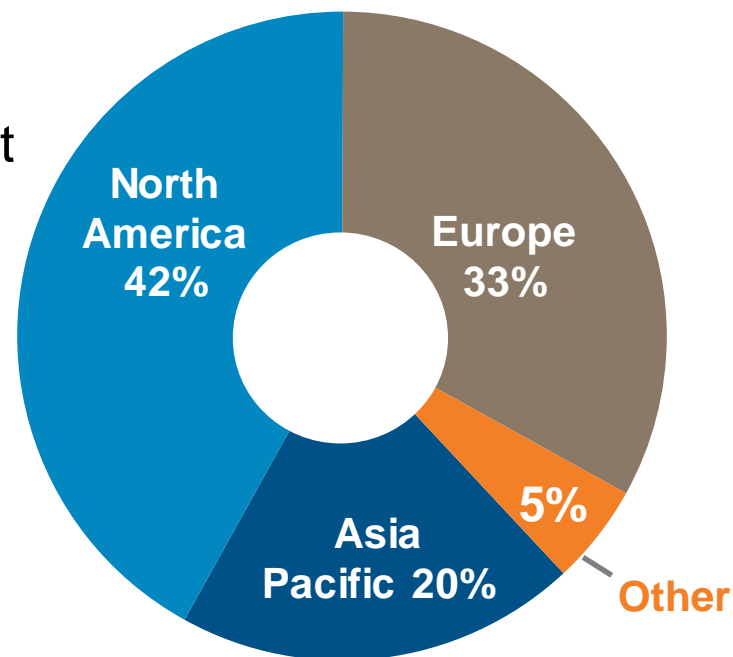
## **Tijuana, Mexico**

- 18,000 m<sup>2</sup> / 200,000 ft<sup>2</sup>
- Manufacturing floor area increased by 66%
- Consumables capacity ramping up



# 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
  - More than 600 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  
6 months to 30 September 2014

# First Half Result Highlights

**H1 FY15** (6 months to 30 September 2014)

	$\Delta$ PCP	$\Delta$ CC <sup>1</sup>
Operating profit	+8%	+64%
RAC & OSA operating revenue	+6%	+14%
Gross margin (bps increase)	+212	+457
RAC new applications consumables revenue	+23%	+26%
OSA mask revenue	+15%	+20%

**Recurring items, consumables and accessories  
approximately 80% of core product revenue (H2 FY14: 78%)**

<sup>18</sup>1. CC = constant currency



# Innovative Products Driving Growth

- Respiratory & acute care (RAC)
  - **Optiflow™** respiratory therapy system
  - **Evaqua™2** breathing circuits
  - **AIRVO™2** & **myAIRVO™2** humidifiers with integrated flow generators
- Obstructive sleep apnea (OSA)
  - **Simplus™** full face mask
  - **Eson™** nasal mask
  - **ICON™+** flow generator range



# H1 FY2015 Operating Results

H1 FY15 (6 months to 30 September 2014)

	%Revenue	NZ\$M	ΔPCP	ΔCC <sup>1</sup>
<b>Operating revenue</b>	<b>100%</b>	<b>317.4</b>	<b>+4%</b>	<b>+12%</b>
Cost of sales	39.4%	125.2	-1%	+2%
Gross profit	60.6%	192.2	+8%	+22%
Other income (R&D grant)		2.5		
SG&A	28.6%	90.8	+5%	+9%
R&D	9.9%	31.3	+21%	+21%
Total operating expenses	38.5%	122.1	+9%	+12%
<b>Operating profit</b>	<b>22.9%</b>	<b>72.6</b>	<b>+8%</b>	<b>+64%</b>
<b>Profit after tax</b>	<b>15.4%</b>	<b>48.9</b>	<b>+10%</b>	<b>+76%</b>

1. CC = constant currency

# Dividend

- Increased interim dividend by 7%:
  - Gross 8.06 NZ cps = 5.8 cps + 2.26 cps imputation credit, NZ residents
  - Fully imputed
  - 1.02 cps non-resident supplementary dividend
  - Dividend reinvestment plan available for NZ/AU residents, discount has been removed

# Respiratory & Acute Care (RAC)

- Operating revenue growth
  - NZ\$ +6%
  - Constant currency +13%
- New applications consumables revenue growth (Noninvasive ventilation (NIV), Optiflow, AIRVO, Surgical)
  - NZ\$ +17%
  - Constant currency +26%
- New applications consumables
  - 45% of RAC consumables revenue, (42% H2 FY14)
- Optiflow oxygen therapy system – compelling health and economic benefits

H1 FY2015



# Obstructive Sleep Apnea (OSA)

H1 FY2015

- Operating revenue growth
  - NZ\$ +5%
  - Constant currency +15%
- Mask revenue growth
  - Constant currency +20%
- Total flow generator revenue growth
  - Constant currency +8%
- Masks continue to take market share

**F&P Simplus™**



**F&P Eson™**



**F&P ICON™+**



**Info Technologies™**





# Balance Sheet & Cash Flow

**H1 FY15** (as at 30 September 2014)

	NZ\$M
Operating cash flow	58.6
Capital expenditure	25.5
Depreciation and amortisation	15.7
Net debt	91.6
Total shareholders equity	414.3
Total assets	625.8

- Pre-tax return on equity (annualised) 33%
- Pre-tax return on total assets (annualised) 21%
- Gearing (debt/debt to equity) 18.6%

# Foreign Exchange Hedging

- NZ\$520m of hedging in place at 3 March 2015.
- Hedging position for our main exposures:

	Balance FY15	FY16	FY17	FY18
USD % cover of expected exposure	97%	75%	35%	1%
USD average rate of cover	0.78	0.75	0.73	0.66
EUR % cover of expected exposure	98%	78%	35%	0%
EUR average rate of cover	0.57	0.57	0.55	N/A

- Foreign exchange hedging gains contributed NZ\$18m to operating profit during the first half.

# 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

