

# FY 2014

## First Half Update



**November 2013**

**Fisher & Paykel**  
HEALTHCARE

# First Half Growth Highlights

	Actual	CC <sup>1</sup>
Operating profit	+40%	+43%
Operating revenue	+14%	+12%
Gross margin (bps increase)	+413	+357
RAC new applications revenue	+30%	+29%
OSA mask revenue	+23%	+19%

1. CC = constant currency

# New Products

- **ICON+** flow generator range
- **Simplus** full face mask
- **Pilairo Q** nasal pillows mask
- **FreeMotion** RT043 NIV mask



# H1 FY2014 Operating Results NZ\$

H1 FY14 (6 months to 30 September 2013)

	%Revenue	NZ\$M	ΔPCP	ΔCC <sup>1</sup>
<b>Operating revenue</b>	<b>100%</b>	<b>303.9</b>	<b>+14%</b>	<b>+12%</b>
Cost of sales	41.6%	126.3	+4%	+4%
Gross profit	58.4%	177.6	+23%	+20%
Other income (R&D grant)		1.2		
SG&A	28.3%	86.0	+12%	+13%
R&D	8.5%	25.8	+21%	+21%
Total operating expenses	36.8%	111.9	+14%	+15%
<b>Operating profit</b>	<b>22.0%</b>	<b>66.9</b>	<b>+40%</b>	<b>+43%</b>
<b>Profit after tax</b>	<b>14.6%</b>	<b>44.5</b>	<b>+34%</b>	<b>+35%</b>

1. CC = constant currency

# Dividend

- Interim Dividend
  - Gross 7.5 NZ cps = 5.4 cps + 2.1 cps imputation credit, NZ residents
  - Fully imputed
  - 0.953 cps non-resident supplementary dividend
  - DRP, for NZ/AU residents, 3% discount

# Respiratory & Acute Care Update

- Operating revenue growth **H1 FY2014**
  - NZ\$ +15%
  - Constant currency +14%
- New applications consumables revenue (NIV, Optiflow, AIRVO, Surgical)
  - NZ\$ +30%
  - Constant currency +29%
  - 40% of RAC consumables revenue
- New products rolling out
  - FreeMotion RT043 NIV mask
  - Evaqua 2 breathing circuits
  - Optiflow Junior interface
  - Evatherm breathing circuit
  - AIRVO 2 & myAIRVO 2 flow generators



# Obstructive Sleep Apnea Update

- Operating revenue growth
  - NZ\$
  - Constant currency
- Mask revenue growth
  - Constant currency
- New products rolling out
  - F&P Pilairo Q
  - F&P Eson
  - F&P Simplus
  - F&P ICON+

H1 FY2014

+15%

+13%

+19%



**F&P** Pilairo™ Q



**F&P** Eson™



**F&P** ICON™+



**F&P** Simplus™

# Balance Sheet & Cash Flow H1 FY14

	NZ\$M
• Operating cash flow	33.4
• Capital expenditure	18.4
• Depreciation and amortisation	15.2
• Net debt	139.0
• Total shareholders equity	373.1
• Total assets	626.4
• 34% pre-tax return on equity (annualised), 20% on total assets (annualised)	
• NZ\$124M of hedging in place at 30 September 2013 for the balance of FY14	
– US\$ 88% @ 0.77, € 83% @ 0.46	
• Previously closed out forex contracts	
– NZ\$18M to operating profit in FY13, NZ\$21M FY14, NZ\$16M already in 1H 14	



# Outlook FY14

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- Expect new products and applications to drive continuation of robust revenue growth
- Expect at 0.83 NZD:USD exchange rate for remainder of FY2014:
  - Operating revenue                      NZ\$610M - NZ\$625M
  - Net profit after tax                      NZ\$90M - NZ\$95M

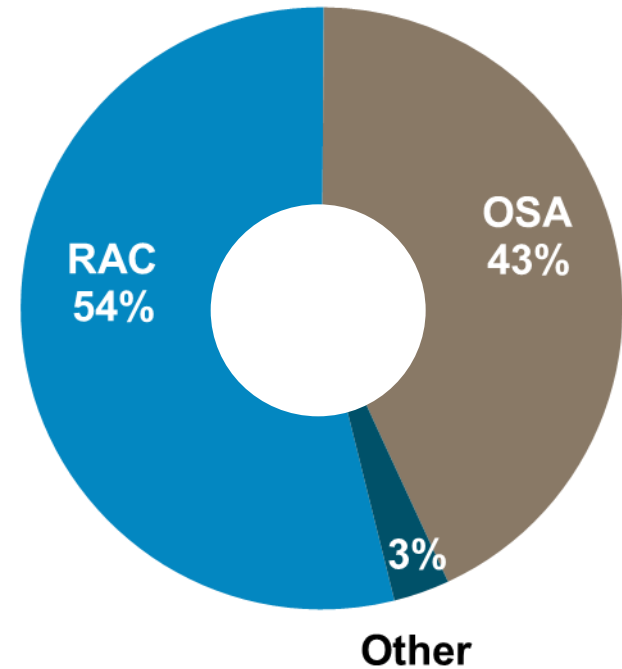
# Investment Highlights

- 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



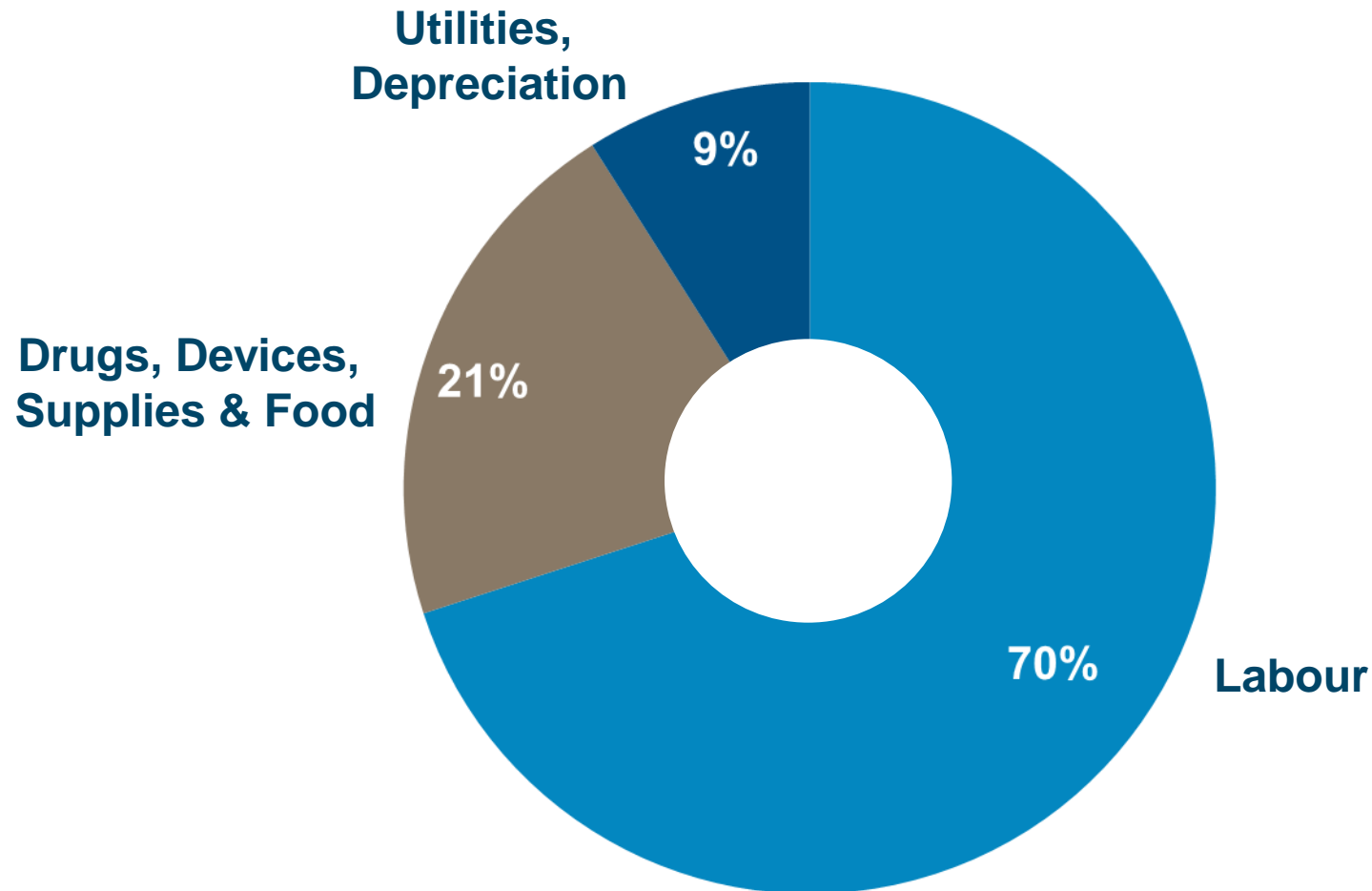
# Markets and Products

- 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. 78% of core product revenue



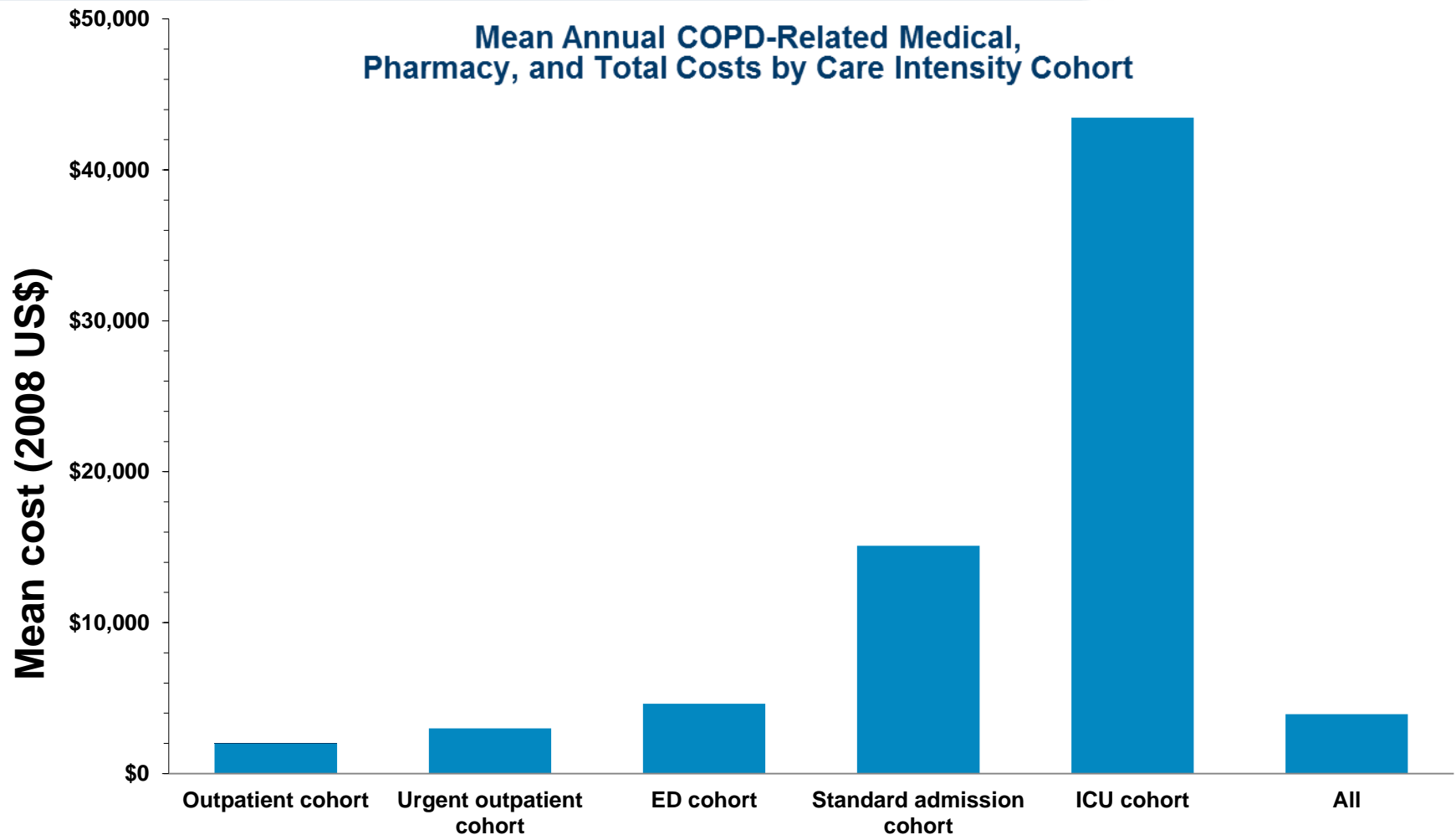
**Revenue by Product Group**  
6 months to 30 September 2013

# Hospital Cost Breakdown



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

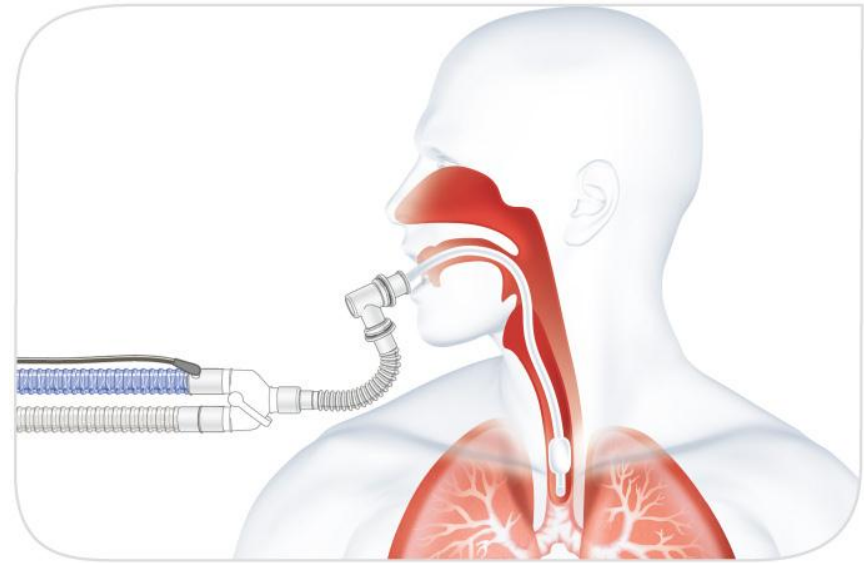
# Lower Care Intensity = Lower Cost



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.

# 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



# 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



# 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





# 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



# 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



# Revolutionary New Masks

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





- Stylish, Smart + Simplified
- 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**

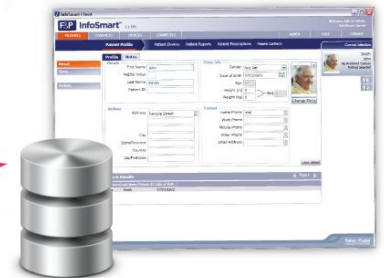


DME / Physician Office

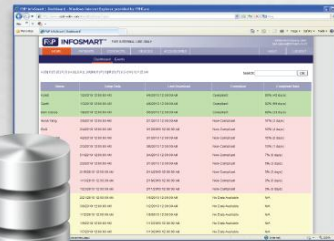
**F&P InfoUSB 2**



**F&P InfoSmart**



**F&P InfoSmart Web**





# Research & Development

- 8.5% of operating revenue, NZ\$25.8M<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>2</sup>



<sup>1</sup> at 30 September 2013

<sup>2</sup> at 31 March 2013

# 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

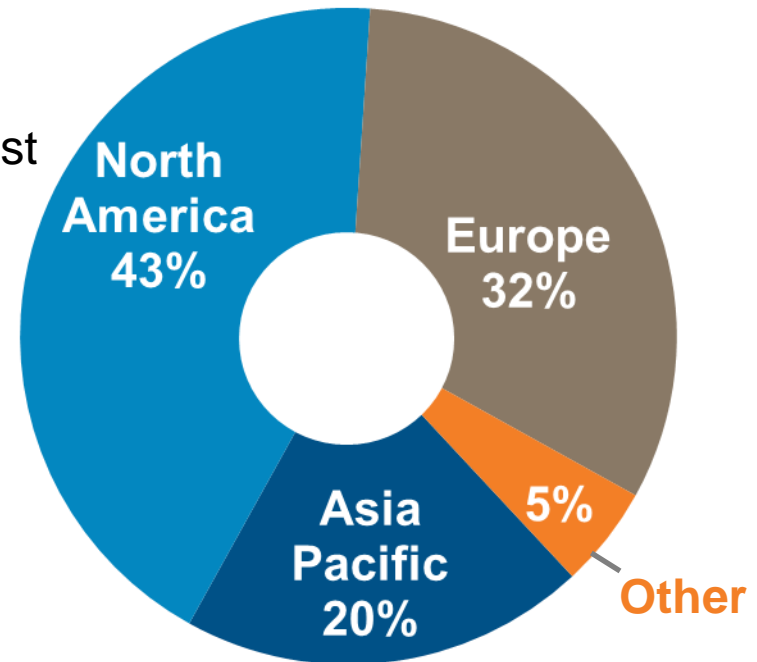


## Tijuana, Mexico

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

# 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  
6 months to 30 September 2013



# 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

