

# Retail Investor Visit

New Zealand Shareholders' Association  
Auckland, 13 February 2018

# Morning Agenda

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10:00am	Welcome	Marcus Driller	General Manager Corporate
10:05am	<b>Presentations</b> Sustainable Profitable Growth Financial Progress Patient-focused R&D	Lewis Gradon Tony Barclay Andrew Somervell	Managing Director & CEO Chief Financial Officer VP – Products & Technology
11:00am	Light morning tea		
11:15am	Campus tour starts		
12.00pm	Visit concludes		

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



# Sustainable Profitable Growth

Lewis Gradon  
Managing Director & CEO



# Fisher & Paykel Healthcare – A Global Leader

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- Medical Technology business with leading positions in respiratory care and obstructive sleep apnea
- Global reach into hospital and homecare (99% of sales and 1,800 people outside NZ)
- 47 years' experience changing clinical practice to improve clinical outcomes and reduce cost
- Significant organic long-term growth opportunities
- 86% of revenue from recurring items, consumables and accessories
- High level of investment in R&D
  - 560+ people
- High barriers to entry
- 4,100+ people globally



# Our Products













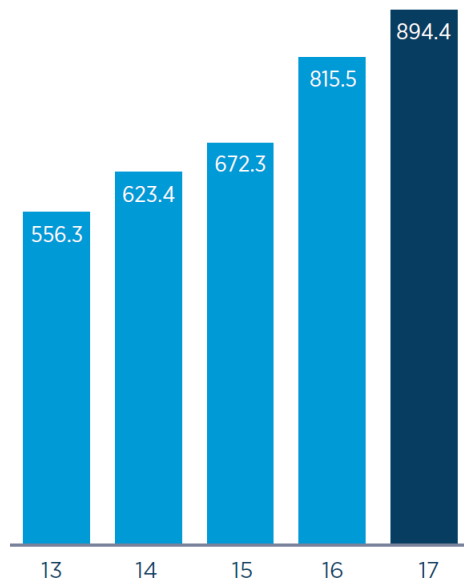


# Question most often asked by investors

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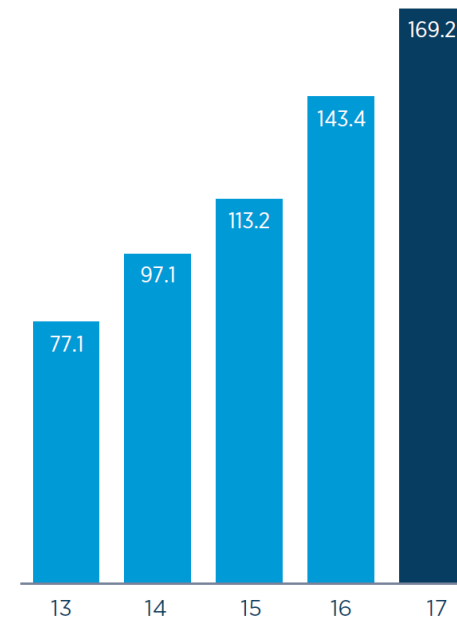
## How long can you continue to grow at these kind of rates?

OPERATING REVENUE NZ\$MILLIONS



**5 YEAR CAGR = 12%**

NET PROFIT AFTER TAX NZ\$MILLIONS



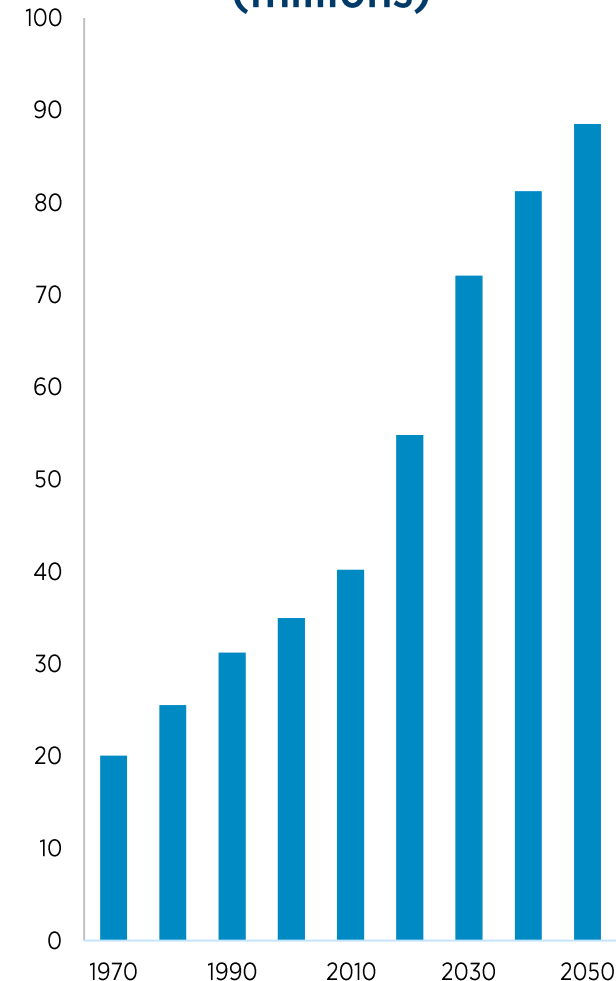
**5 YEAR CAGR = 21%**

# Impact of Changing Demographics

- Population age and weight both increasing
  - US population 65 years+ to grow ~80% over next 20 years<sup>1</sup>
  - US males 60 - 74 years, average weight increased 0.4 kg/year since 1960<sup>2</sup>
- 60% of US healthcare cost is after age 65 years<sup>3</sup>
- Developing markets increasing healthcare spending
- China healthcare expenditure projected to grow at 12% per year between 2014-2018<sup>4</sup>

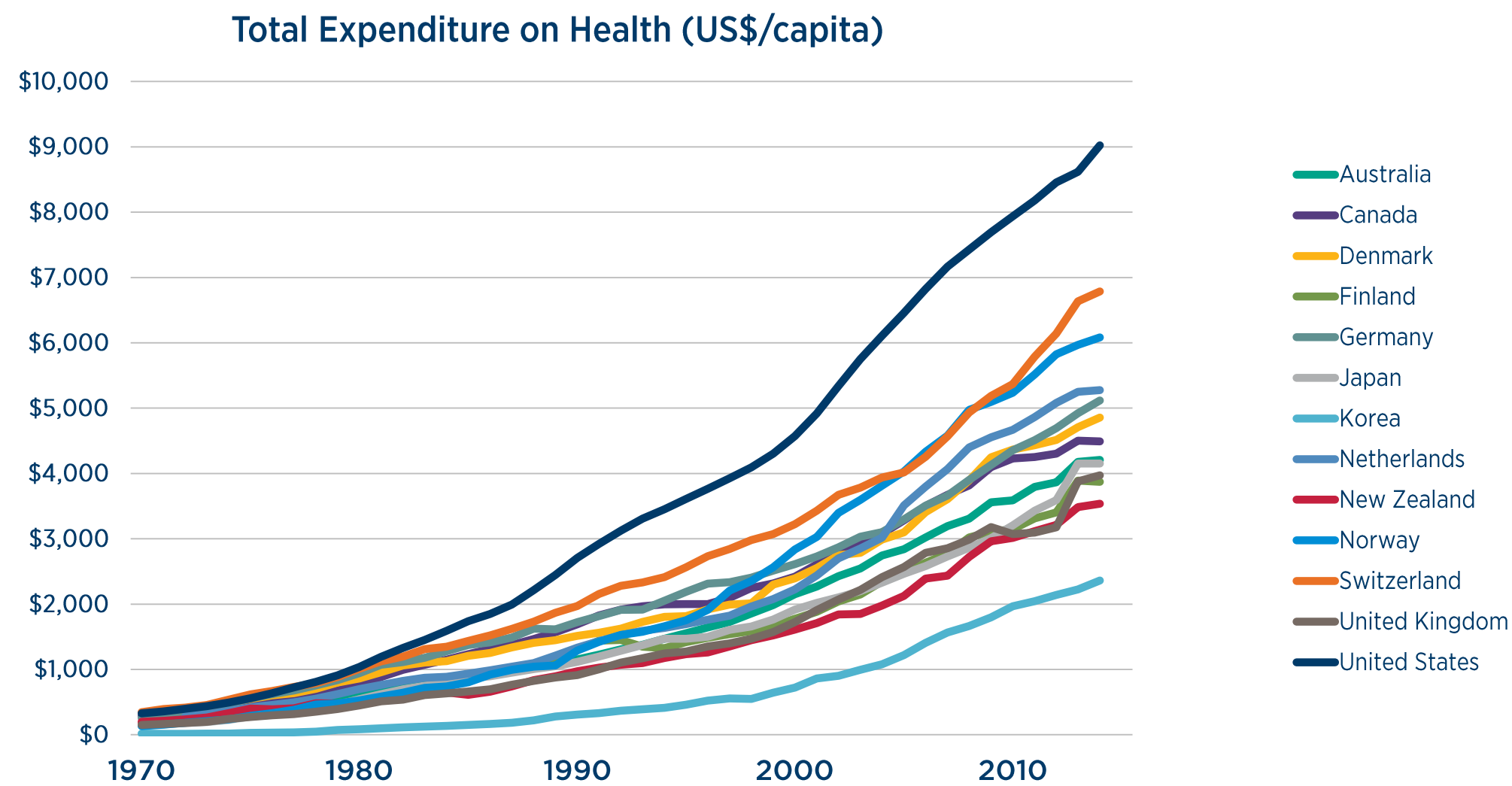


US Population over age 65  
(millions)





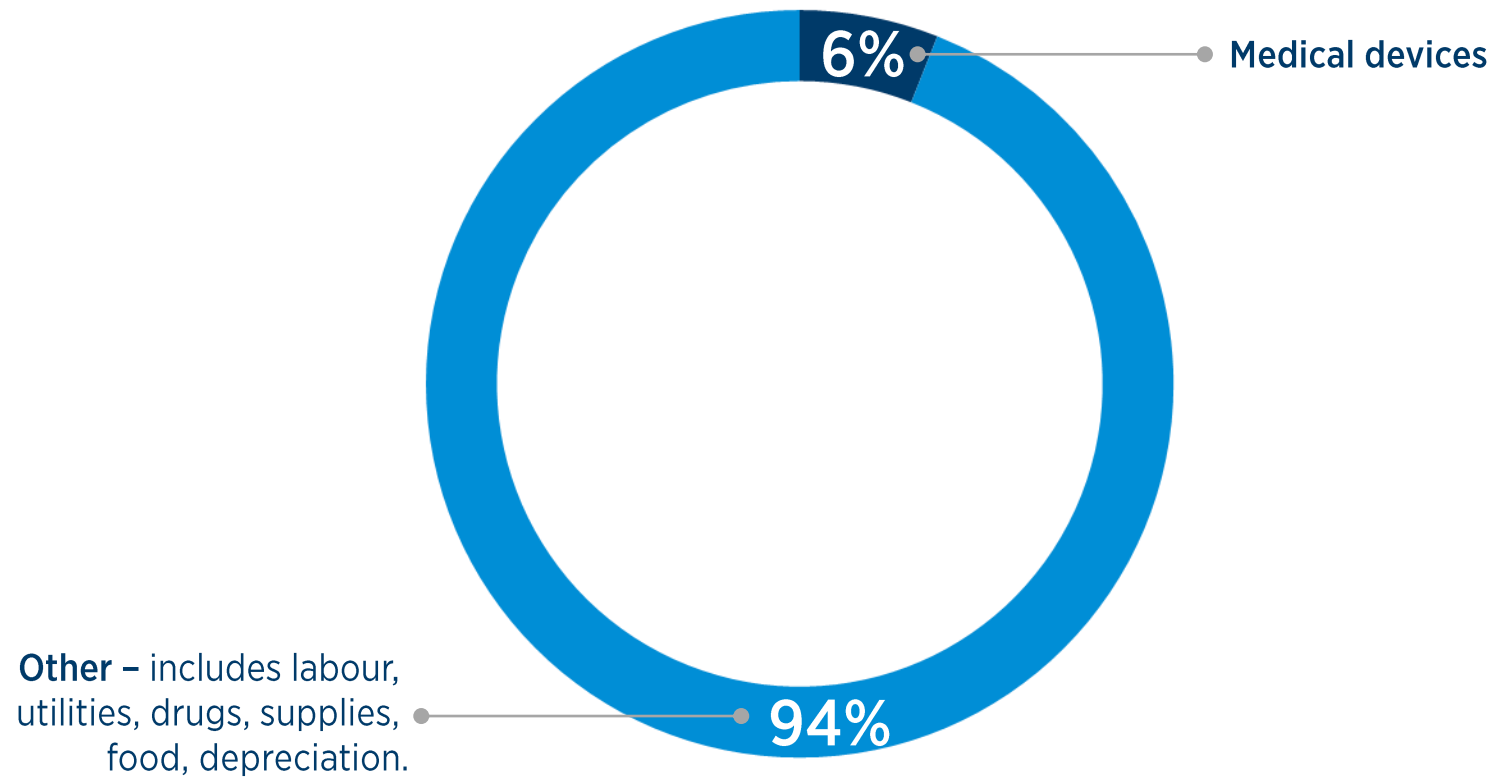
# Health Spend Growing 5-7% Per Year



Source: OECD Health Data

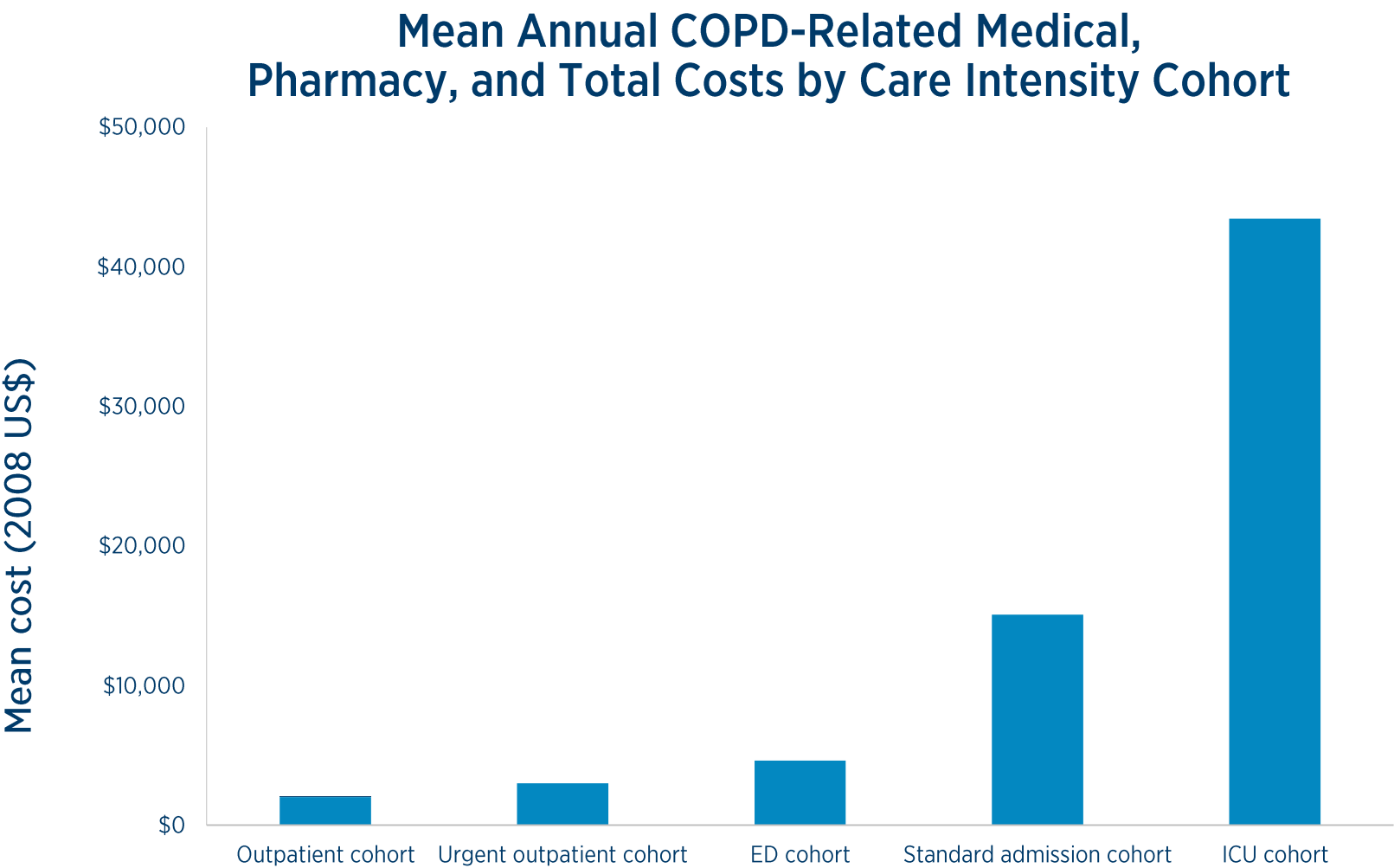
# Hospital Cost Breakdown

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# Lower Care Intensity = Lower Cost



Source: Anand A Dalal, Laura Christensen, 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.

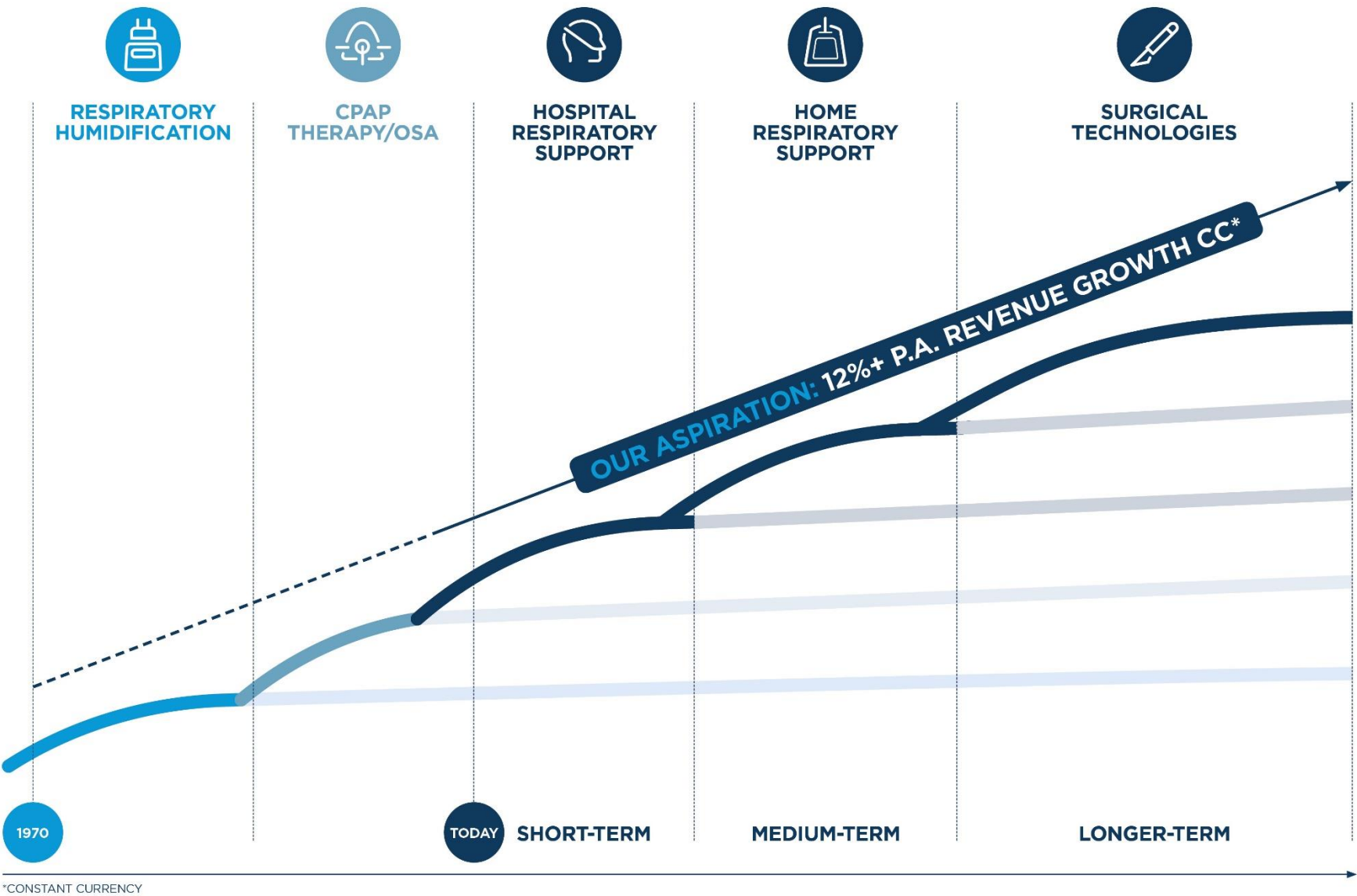
# ~US\$6+ Billion and Growing Market Opportunity

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OUR ASPIRATION:  
Sustainably  
DOUBLING  
our constant  
currency revenue  
every 5-6 years.



# Characteristics of our business

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## Market opportunities

- Diverse, growing clinical data
- Underpinned by favourable demographics, aging populations and developing country healthcare spend

## Valued customer benefits

- Improved patient outcomes
- Lower cost of care

## Independence of economic cycles

- Revenue derived from treating a patient

## Barriers to entry

- Regulated
- Patented IP
- Care Continuum: Throughout hospital to home
- Sales force investment
- Knowledge base

## Relatively predictable cash generation

- Hardware placement drives per patient consumables
- Successful treatment resists change
- Change of clinical practice inertia



**GROWTH PROFITABLY, SUSTAINABLY**



# 「Hospital」



# Hospital Respiratory Support

Invasive Ventilation



Noninvasive Ventilation




Appl...





HOMECARE

Home Respiratory Support



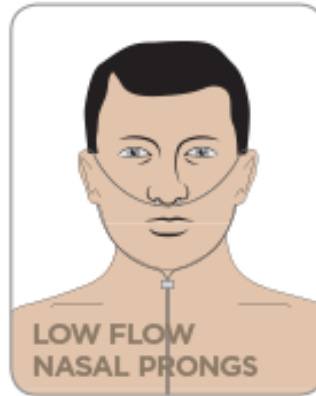
CPAP Therapy



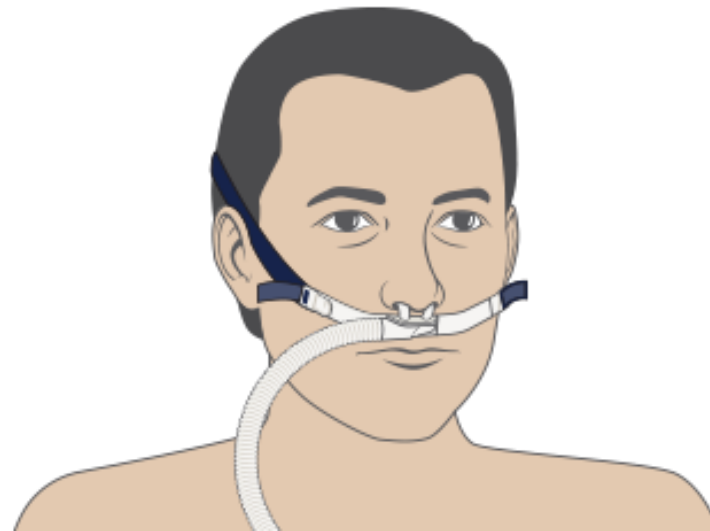
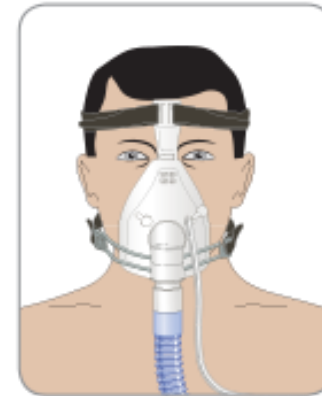


# Optiflow - Displacing Conventional Oxygen Therapy

## CONVENTIONAL OXYGEN THERAPY



## NONINVASIVE VENTILATION





# Patient Groups

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## What patient groups could benefit from Optiflow therapy?

### ADULT

- Asthma
- Atelectasis
- Bronchiectasis
- Bronchitis
- Burns
- Carbon monoxide poisoning
- Chest trauma
- Chronic obstructive pulmonary disease
- Community acquired pneumonia
- Emphysema
- Palliative Care
- Pneumonia
- Pulmonary embolism
- Respiratory compromise
- Viral pneumonia (H1N1)

### NEONATAL

- Infant Respiratory Distress

These patients are located throughout the hospital – in the ICU, NICU, PICU, SICU, HDU, Ward and ED

# Clinical Outcomes of Optiflow Nasal High Flow Therapy

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Optiflow NHF therapy is associated with:

## ADULTS:

- REDUCED intubation<sup>5</sup>
- REDUCED re-intubation<sup>6, 7, 8</sup>
- REDUCED bilevel ventilation<sup>7</sup>
- REDUCED nursing workload<sup>7</sup>
- INCREASED ventilator free days<sup>5</sup>
- IMPROVED comfort & patient tolerance<sup>6</sup>
- IMPROVED compliance<sup>6</sup>

## PAEDIATRICS:

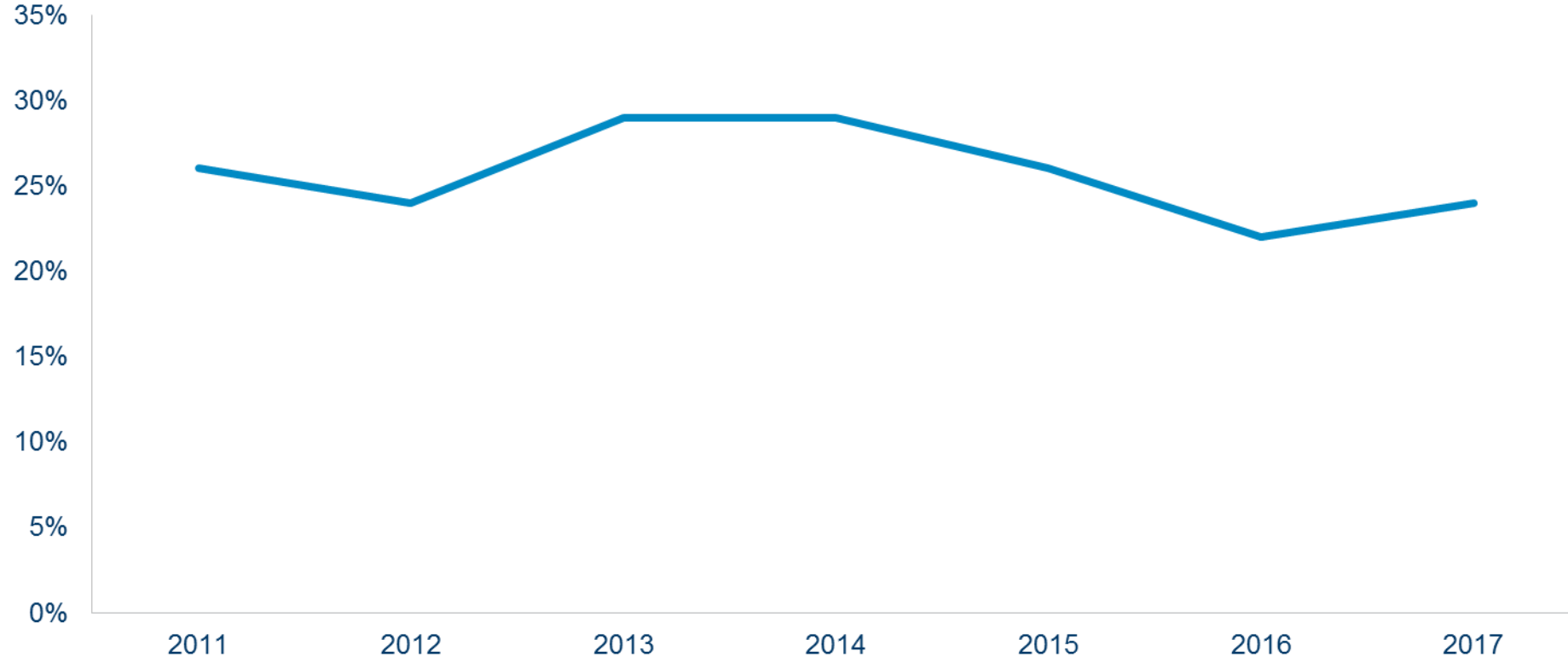
- REDUCED intubation<sup>9</sup>
- REDUCED length of stay<sup>10</sup>
- REDUCED respiratory distress<sup>11</sup>

## NEONATES:

- NONINFERIORITY with nasal CPAP<sup>12</sup>
- REDUCED nasal trauma<sup>13, 14</sup>
- REDUCED respiratory distress<sup>15</sup>

# Consistently Strong Growth in Hospital New Applications

Constant Currency Revenue Growth Rate in  
New Applications Consumables\*



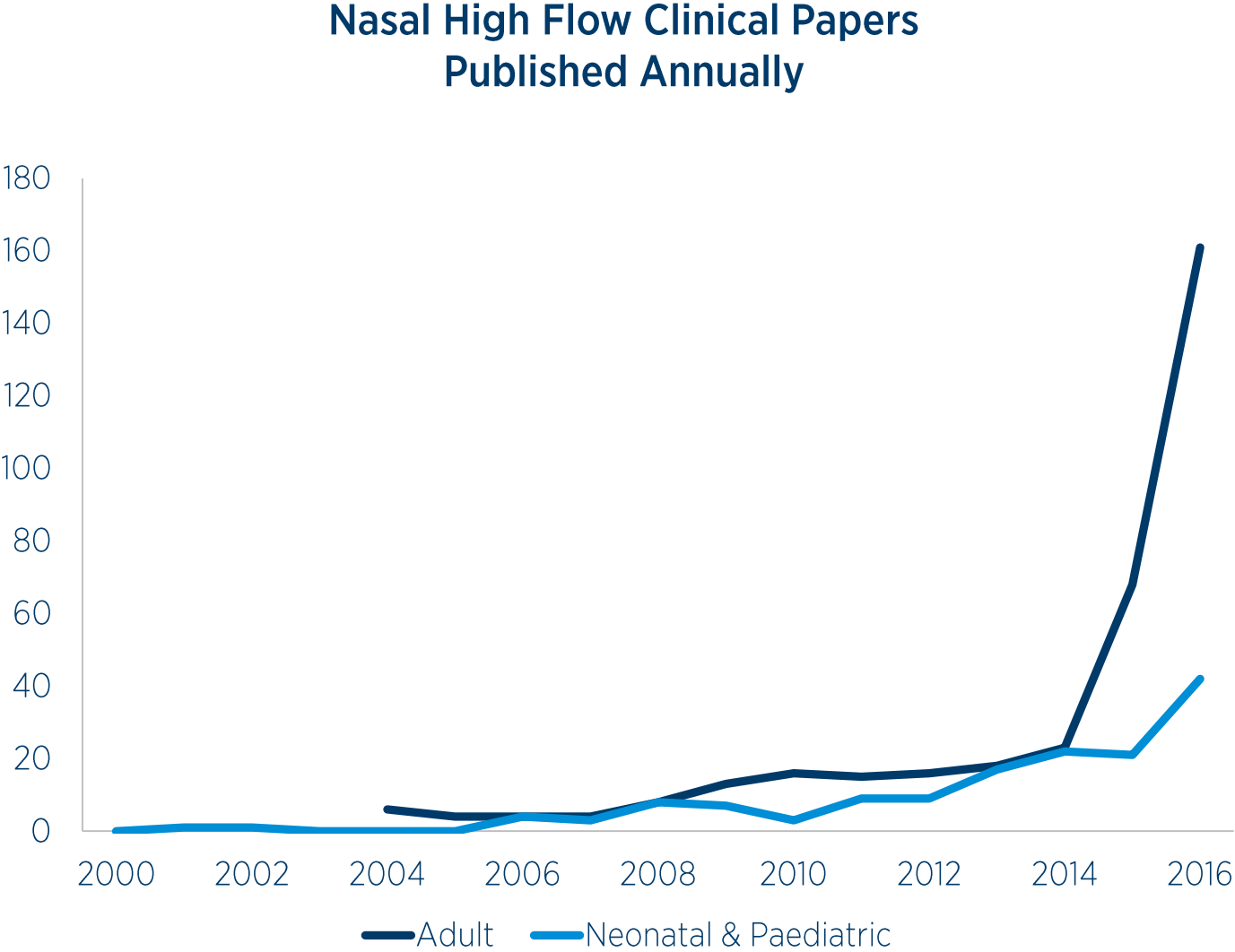
- New applications consumables made up 54% of Hospital consumables revenue in FY2017, up from 51% in FY2016 and 46% in FY2015

New applications consumables: Noninvasive ventilation, Optiflow, AIRVO, Surgical

\* Adjusted to exclude impact of US distribution transition in FY16 & FY17



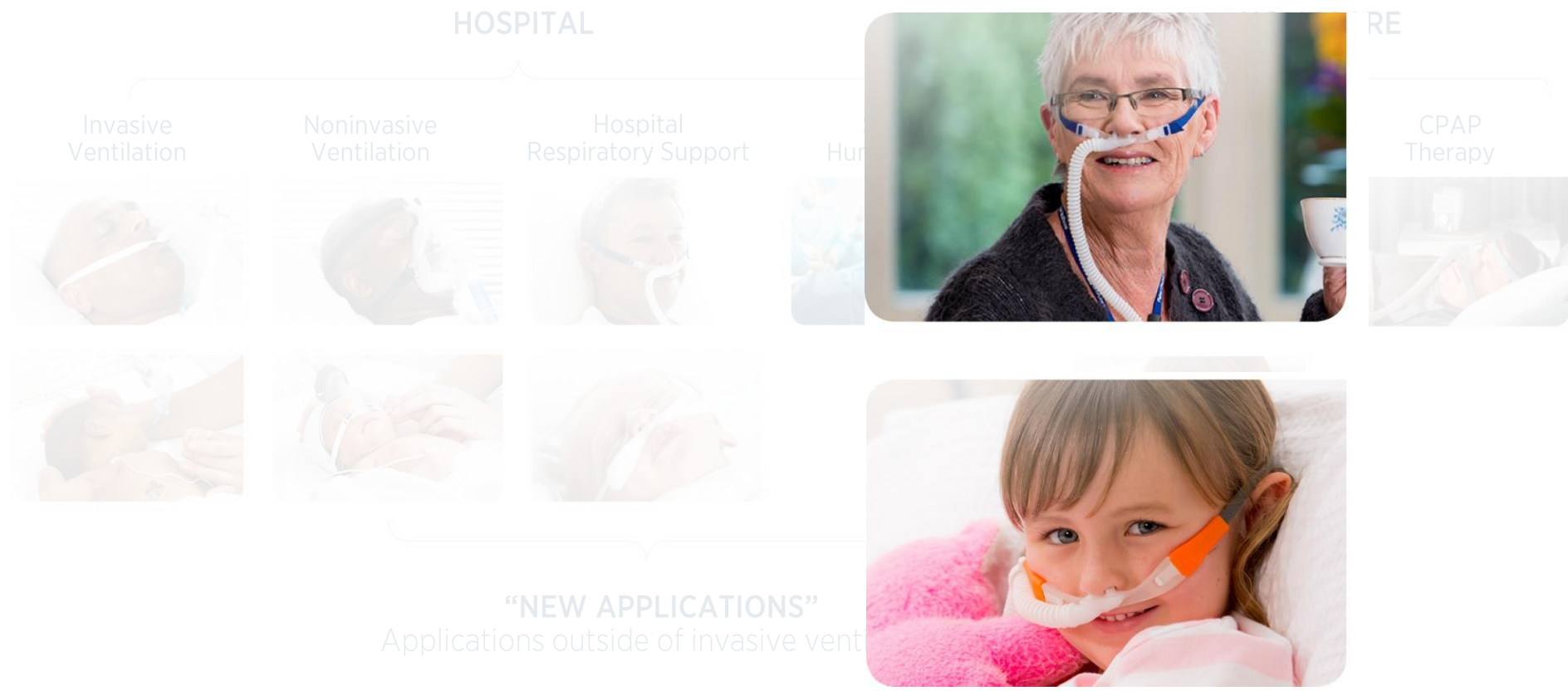
# Optiflow NHF – A Growing Body of Clinical Evidence



# 「Homecare」



# Home Respiratory Support

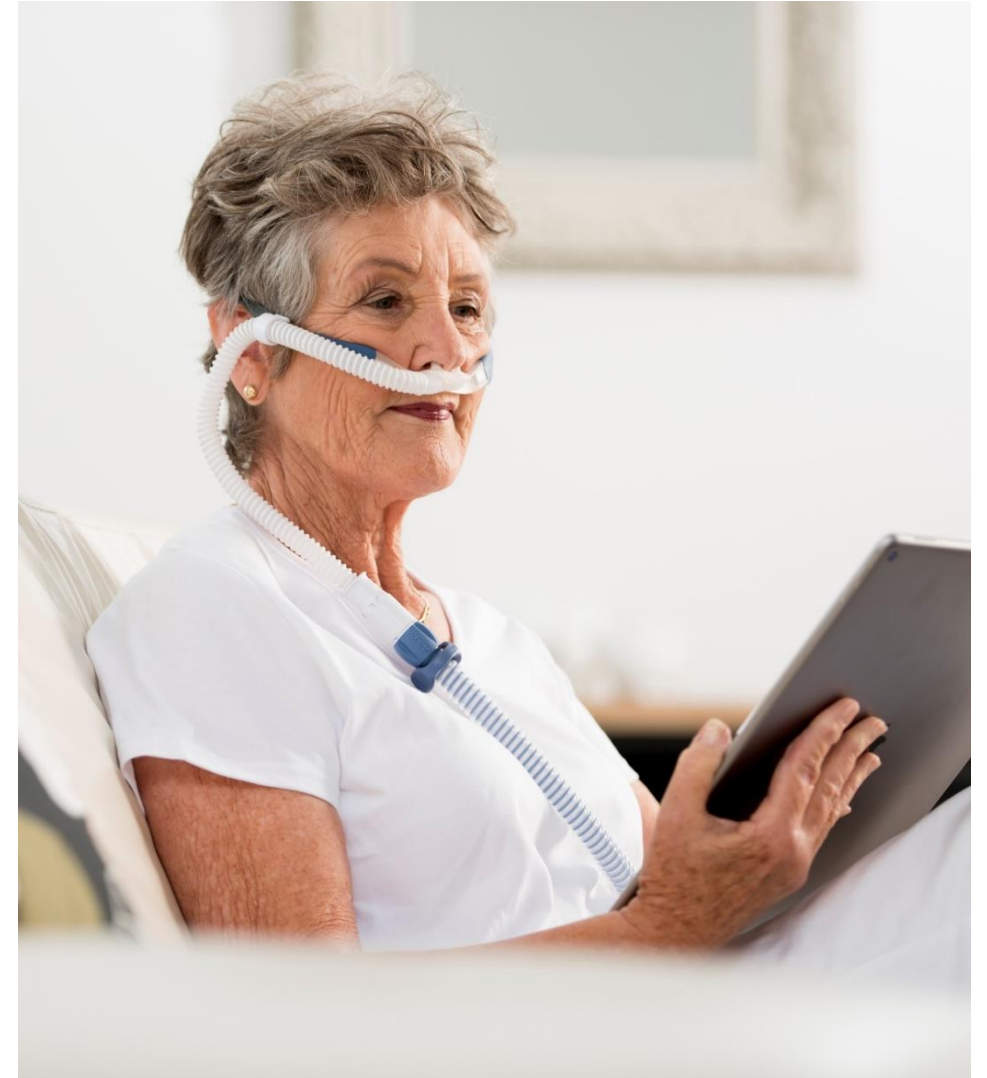




# Home Respiratory Support

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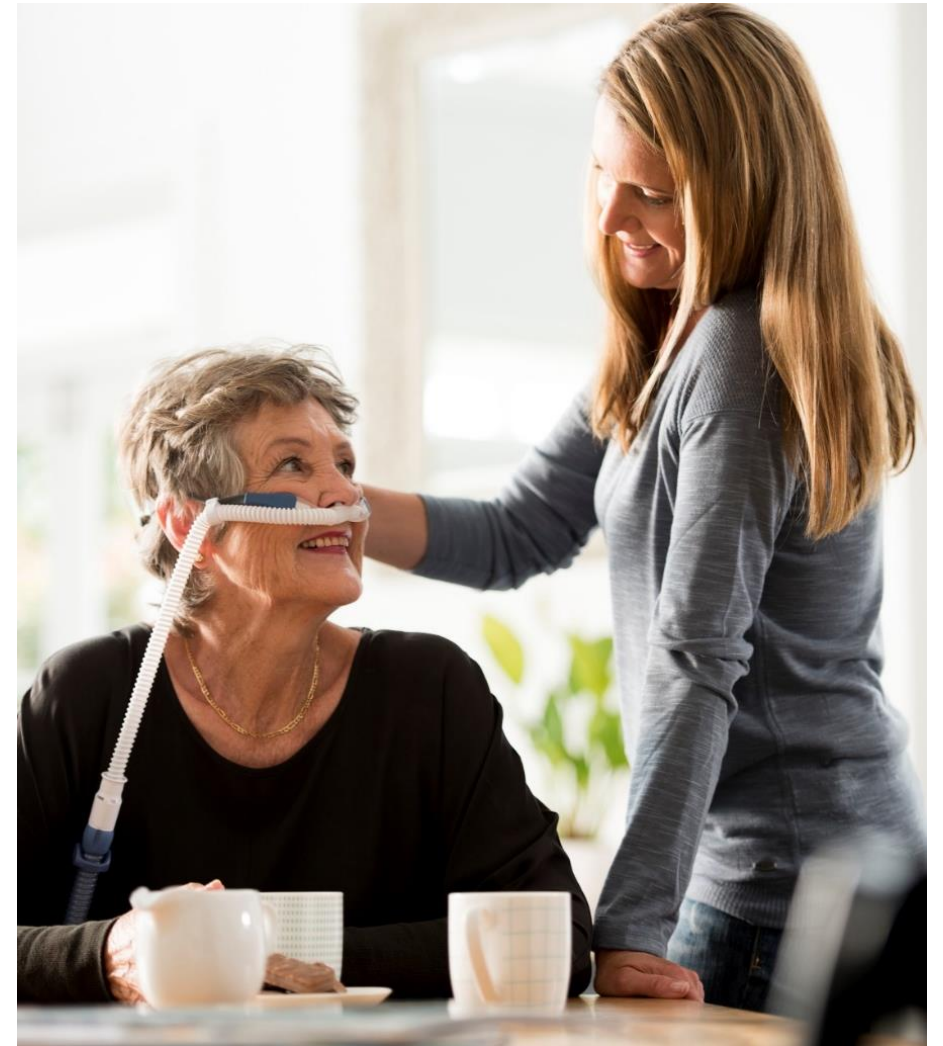
- Chronic obstructive pulmonary disease (COPD) is a lung disease which is commonly associated with smoking
- Emphysema and chronic bronchitis are both forms of COPD
- Chronic respiratory disease, primarily COPD, is the third leading cause of death in the US<sup>16</sup>
- 6% of US adults have been diagnosed with COPD<sup>17</sup> (~15 million people)
- 4-10% COPD prevalence worldwide<sup>18</sup> (~400 million people)



# Optiflow Therapy in the Home

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- Same physiology
- Same mechanisms of action
- Clinical studies to investigate:
  - Improving quality of life
  - Slowing progression of disease
  - Reducing hospital admissions



# Obstructive Sleep Apnea



# Obstructive Sleep Apnea

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- 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\$3+ billion worldwide market.
- Estimate >50 million people affected in developed countries
- Most common treatment is CPAP (Continuous Positive Airway Pressure)
  - Key issue with CPAP is compliance
  - Humidification provides significant acceptance and compliance improvements





# Revolutionary Masks

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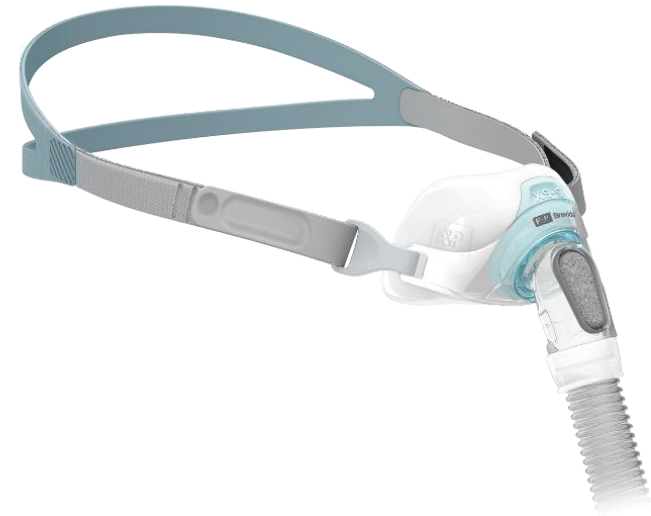
- Market leading mask technology
- Unique, patented designs
- Mask Matters Most
  - Masks are key to compliance



F&P ESON 2™



F&P SIMPLUS™



F&P BREVIDA™

# Auckland Campus







Tijuana,  
Mexico



# Questions?





# Financial Progress

Tony Barclay  
Chief Financial Officer

# First Half Financial Highlights

H1 FY2018 (6 months to 30 September 2017)

	NZ\$M	ΔPCP^	ΔCC*
Record operating revenue	458.4	+8%	+8%
Record Hospital operating revenue	262.5	+11%	+12%
Record Homecare operating revenue	191.3	+4%	+5%
Hospital new applications consumables revenue		+18%	+19%
OSA masks revenue		+8%	+8%
Gross margin (bps increase)		+116bps	+47bps
Record net profit after tax	81.3	+4%	+2%

Recurring items, consumables and accessories  
approximately 87% of operating revenue (H1 FY17: 86%)

^ PCP = prior comparable period \* CC = constant currency

# Hospital Product Group

H1 FY2018

57%

OF OPERATING REVENUE

HOSPITAL OPERATING REVENUE  
NZ\$262.5M

↑11%

CONSTANT CURRENCY

↑12%

NEW APPLICATIONS\*  
CONSUMABLES REVENUE

NZ\$

↑18%

CONSTANT CURRENCY

↑19%



Respiratory humidification and support



F&P 950™ System



F&P 850™ System



F&P AIRVO™ 2



Surgical technologies



F&P HumiGard™

- New applications consumables\* make up 55% of Hospital consumables revenue
- Strong customer demand for our Optiflow and AIRVO systems
- Further positive clinical trial results for Optiflow nasal high flow therapy

\*New applications = Noninvasive ventilation (NIV), Optiflow™, AIRVO™, Surgical

# Homecare Product Group

H1 FY2018

42%

OF OPERATING REVENUE

HOME CARE OPERATING REVENUE  
NZ\$191.3M

↑ 4%

CONSTANT CURRENCY

↑ 5%

MASKS REVENUE  
NZ\$

↑ 8%

CONSTANT CURRENCY

↑ 8%



CPAP therapy / Obstructive Sleep Apnea (OSA)



F&P Simplus™



F&P Eson™ 2



F&P Brevida™



F&P SleepStyle™



Home respiratory support



F&P AIRVO™ 2



F&P 810™ System



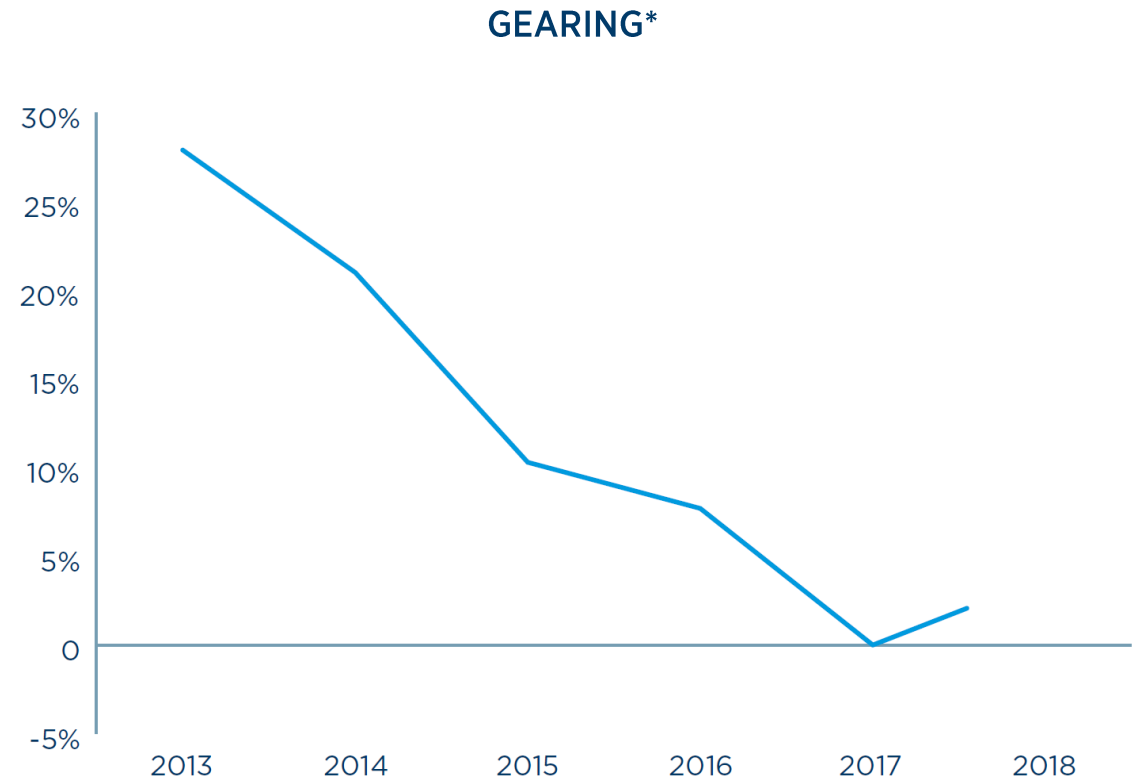
F&P Optiflow™+

Fisher & Paykel  
HEALTHCARE



# Dividend and Gearing

- Increased interim dividend by 6%:
  - 8.75 cps + 3.4028 cps imputation credit for NZ residents (gross dividend of NZ 12.1528 cps)
  - Fully imputed
  - 1.5441 cps non-resident supplementary dividend
- Target gearing ratio\* of +5% to -5% debt to debt plus equity
  - Gearing ratio at 30 September 2017 was 3.8%



\* Calculated using net interest bearing debt (debt less cash and cash equivalents) to net interest-bearing debt and equity (less hedge reserve).

# Foreign Exchange Effects and Cash Flow

- 51% of operating revenue in USD (1H FY17: 52%) and 20% in €.

	Six months to 31 March	Year to 31 March				
Hedging position for our main exposures as at 13 Feb 2018	2018	2019	2020	2021	2022	2023
USD % cover of expected exposure	95%	70%	55%	20%	0%	0%
USD average rate of cover	0.678	0.673	0.659	0.628	NA	NA
EUR % cover of expected exposure	95%	75%	45%	20%	25%	20%
EUR average rate of cover	0.594	0.611	0.576	0.535	0.519	0.508

Hedging cover percentages have been rounded to the nearest 5%

H1 FY2018 (for the 6 months ended 30 September 2017)	NZ\$M
Operating cash flow (+8%)	82.2
Capital expenditure	51.6
Depreciation and amortisation	23.5

# Outlook FY2018

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Guidance below provided on 21 November 2017

Expect at exchange rates as at 21 November 2017 (of NZD:USD 0.685, NZD:EUR 0.59) for the balance of the financial year:

- Operating revenue – approaching NZ\$1 billion
- Net profit after tax – approximately NZ\$185 – NZ\$190 million

# Questions?





A photograph of three people in a laboratory setting. A woman on the left, a man in the center, and a woman on the right are all wearing safety glasses and are focused on a piece of equipment on a workbench. The man is adjusting a component of the device. The woman on the right is leaning over the table, also working on the device. The background shows various lab equipment and a clean, professional environment.

# Patient-focused R&D

Andrew Somervell – Vice President  
Products and Technology

# Improving Clinical Practice: R&D approach

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- Unique products with valued differentiation that:
  - Improve care and outcomes
  - Lower overall cost of treating patients
- Proven innovation history
- Original thought required
- Enabled through understanding unmet patient and caregivers' needs





# Patient Oriented R&D

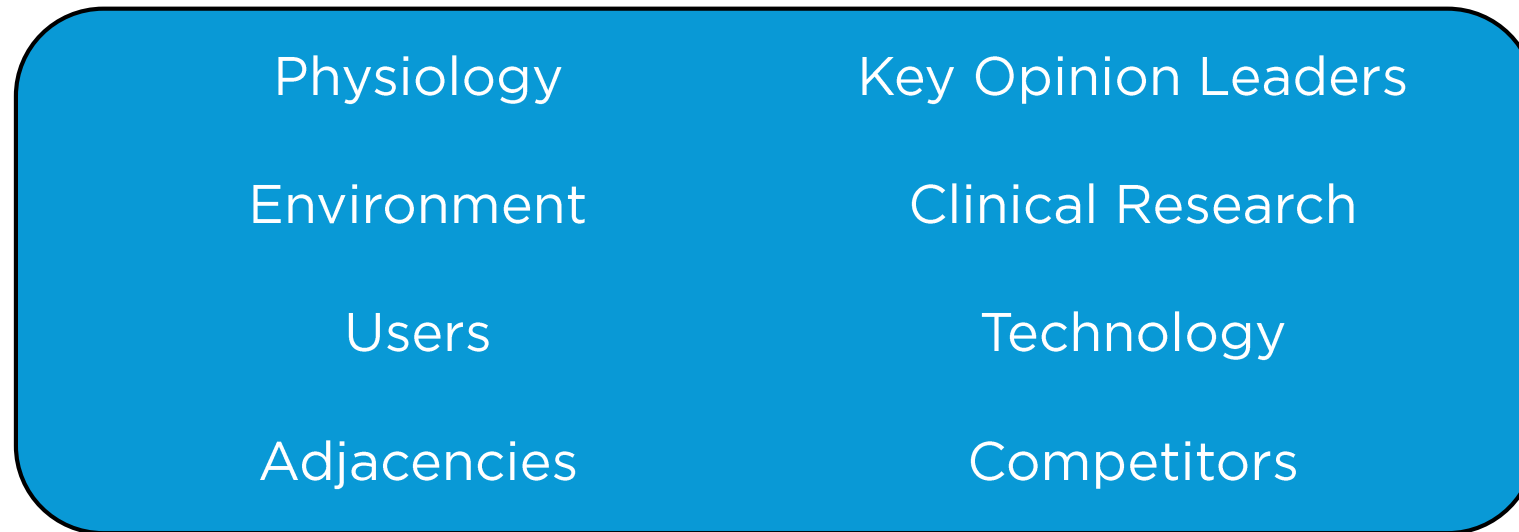
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- Philosophy of doing what's best for the patient
  - Needs of all stakeholders align with patient needs
  - Encourages long term thinking
  - Ingrained in FPH culture
- Patient focused multi-disciplinary product teams
  - Specialist skills, broad knowledge



# Patient Focused Teams: In-depth Knowledge

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**NEW IDEAS, ORIGINAL THOUGHT**



# Enabling our Product Teams

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- Easy access to the user environment:
  - Strong relationships with local and offshore hospitals and homecare dealers
  - Patient knowledge, testing solutions
- Learning by creating
  - Prototype, test, learn
  - World-class prototyping and testing facilities
- Access to world-leading technology experts
- R&D access to manufacturing
- Proven ability to attract and grow top talent

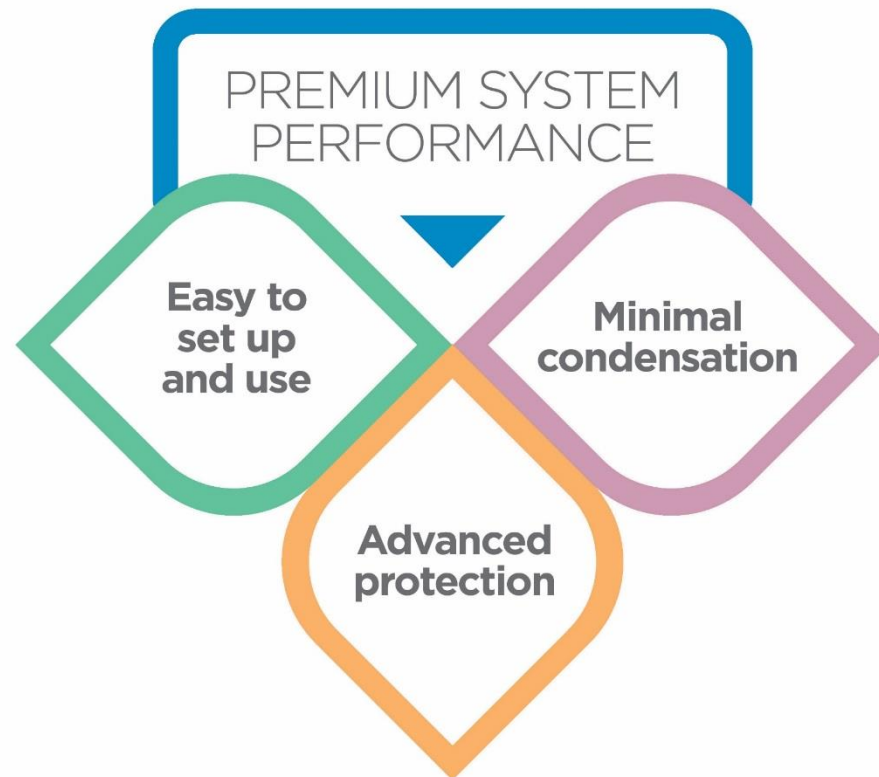


# F&P 950: Redefining Expectations

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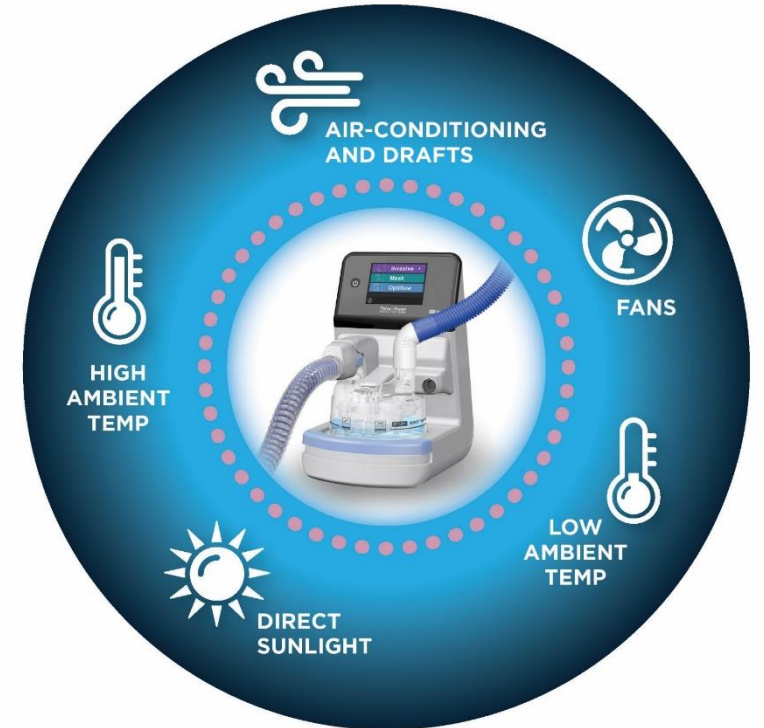
- F&P 850 current market leader

## **F&P** 950 System



# AirSpiral Inspiratory Limb

- Opportunity:
  - Optimal humidity, minimal condensation in difficult ambient conditions
- Benefits:
  - Reduce ventilation breaks
  - Reduce infection risk
  - Reduce clinician's time dealing with condensate
- Idea:
  - Insulate delivered medical gas with pockets of air
- Result:
  - AirSpiral Tube
- Technical challenge
  - How to manufacture
- Conceived for 950, adapted for Airvo and SleepStyle





A photograph of three people in a laboratory or workshop. A woman on the right, wearing a black t-shirt and purple pants, is leaning over a workbench and adjusting a metallic component. A man in a blue button-down shirt and safety glasses stands next to her, also looking at the component. A woman on the left, wearing a grey sweater and safety glasses, is observing. The workbench has a green mat and various tools and equipment. In the background, there are shelves with supplies and a red bag.

# Questions?



# Facility Tour





# Important Notice and References

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## Disclaimer

The information in this presentation is for general purposes only and should be read in conjunction with Fisher & Paykel Healthcare Corporation Limited's (FPH) 2018 Interim Report and accompanying market releases. Nothing in this presentation should be construed as an invitation for subscription, purchase or recommendation of securities in FPH.

This presentation includes forward-looking statements about the financial condition, operations and performance of FPH and its subsidiaries. These statements are based on current expectations and assumptions regarding FPH's business and performance, the economy and other circumstances. As with any projection or forecast, the forward-looking statements in this presentation are inherently uncertain and susceptible to changes in circumstances. FPH's actual results may differ materially from those expressed or implied by those forward-looking statements.

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