

Half Year Results Presentation FY2017  
Care by design

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# H1 FY2017 Business Highlights

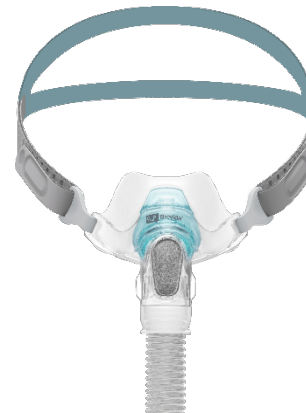
- Released three innovative new products: F&P 950™ heated humidification system, F&P Nivairo™ hospital mask and F&P Brevida™ OSA mask
- Entered agreement for purchase of a new 15 hectare site in Mexico
- Began planning for fourth building on our NZ site
- Received foreign trade zone license for Californian distribution centre

## Innovative new products launched



F&P Nivairo hospital mask

F&P 950 heated humidification system



F&P Brevida OSA mask

# Hospital Product Group

Operating revenue growth	H1 FY2017
NZ\$	+19%
Constant currency	+23%

New applications consumables revenue growth	H1 FY2017
(Noninvasive ventilation (NIV), Optiflow™ nasal high flow, Surgical)	
NZ\$	+30%
Constant currency	+35%

- New applications consumables make up 52% of Hospital consumables revenue
- Strong customer demand for our Optiflow nasal high flow (NHF) and AIRVO systems

## Further positive clinical trial results:

- Use of Optiflow nasal high flow therapy shown to be not inferior to non-invasive ventilation for patients at high risk of reintubation  
(Hernandez et al 2016)



# Homecare Product Group

## Operating revenue growth

H1 FY2017

NZ\$	+5%
Constant currency	+8%

## Mask revenue growth

H1 FY2017

Constant currency	+14%
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- Masks continue to take market share



**F&P Simplus™**



**F&P Eson™ 2**



**F&P Brevida™**



**(i) Info Technologies™**

# First Half Financial Highlights

## H1 FY2017 (6 months to 30 September 2016)

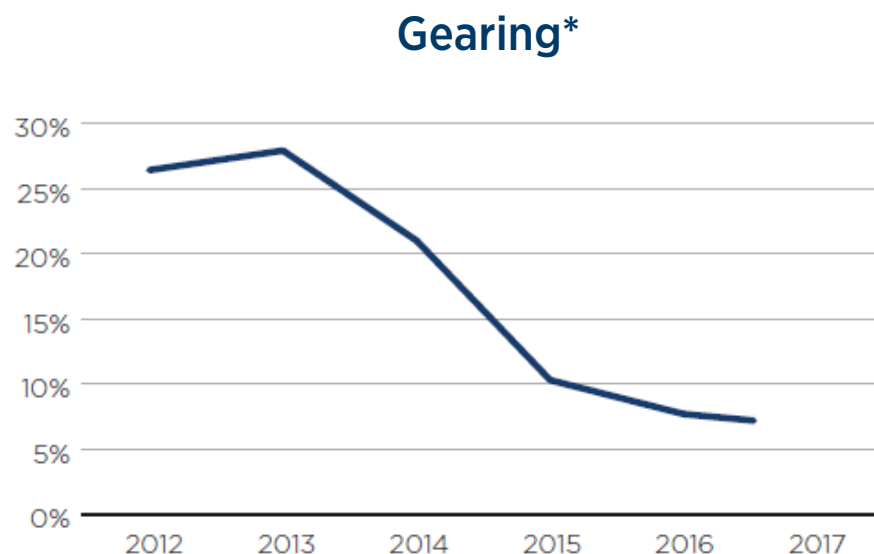
	NZ\$M	ΔPCP^	ΔCC *
Record operating revenue	425.2	+12%	+16%
Record Hospital operating revenue	236.6	+19%	+23%
Record Homecare operating revenue	183.2	+5%	+8%
Hospital new applications consumables revenue		+30%	+35%
OSA masks revenue		+10%	+14%
Gross margin (bps increase)		+157bps	+307bps
Record net profit after tax	78.2	+26%	+30%

**Recurring items, consumables and accessories  
approximately 86% of operating revenue (H1 FY16: 83%)**

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

# Dividend and Gearing

- Increased interim dividend by 23%:
  - 8.25 cps + 3.2083 cps imputation credit for NZ residents (gross dividend of NZ 11.4583 cps)
  - Fully imputed
  - 1.455882 cps non-resident supplementary dividend
  - Dividend reinvestment plan available for New Zealand and Australian residents, no discount will apply
- Target gearing ratio\* of +5% to -5% debt to debt plus equity
  - Gearing ratio at 30 September 2016 was 7.3%



Expect at exchange rates of NZD:USD 0.70, NZD:EUR 0.66 for the balance of the financial year:

- Operating revenue – approximately NZ\$880 million
- Net profit after tax – towards the middle of a NZ\$165 – NZ\$170 million range

A hand holding a blue pen is positioned over a technical drawing on a white background. The drawing includes various geometric shapes, lines, and a table with the text 'Fishers' and 'HEAD'. The word 'Overview.' is written in a large, bold, dark blue font across the center of the image.

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**Overview.**



# Fisher & Paykel Healthcare at a Glance

## Global leader in respiratory humidification devices

- Medical device manufacturer with leading positions in respiratory care and obstructive sleep apnea
- 45 years' experience in changing clinical practice to solutions that provide better clinical outcomes and improve effectiveness of care
- Estimated US\$6+ billion and growing market opportunity driven by demographics
- Significant organic long-term growth opportunities in respiratory care, OSA, COPD and surgery
- Large proportion (86%) of revenue from recurring items, consumables and accessories
- High level of innovation and investment in R&D with strong product pipeline
- High barriers to entry

## Global presence



## Strong financial performance

- Continued target, and history of, doubling our revenue (in constant currency terms) every 5 to 6 years
- Targeting gross margin of 65% and operating margin of 30%
- Growth company with targeted dividend pay-out ratio of approximately 70% of net profit after tax

## Consistent growth strategy

# Our Competitive Advantage

- Significant expertise in, and history of, changing clinical practice to therapies that improve clinical outcomes, are more effective and efficient and that ultimately reduce cost to the healthcare system
  - Heated humidification in invasive ventilation
  - Heated humidification in CPAP therapy for OSA patients
  - Optiflow nasal high flow therapy displacing use of conventional oxygen therapy in the hospital
  - Optiflow nasal high flow therapy in the home for the treatment of patients with chronic respiratory conditions
  - Introduction of heated humidification in open and laparoscopic surgery



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

## HOSPITAL

Invasive Ventilation



Noninvasive Ventilation



Hospital Respiratory Support



Surgical Humidification



## HEMOCARE

Home Respiratory Support



CPAP Therapy



## “NEW APPLICATIONS”

Applications outside of invasive ventilation

# Markets & Products

## ○ Hospital

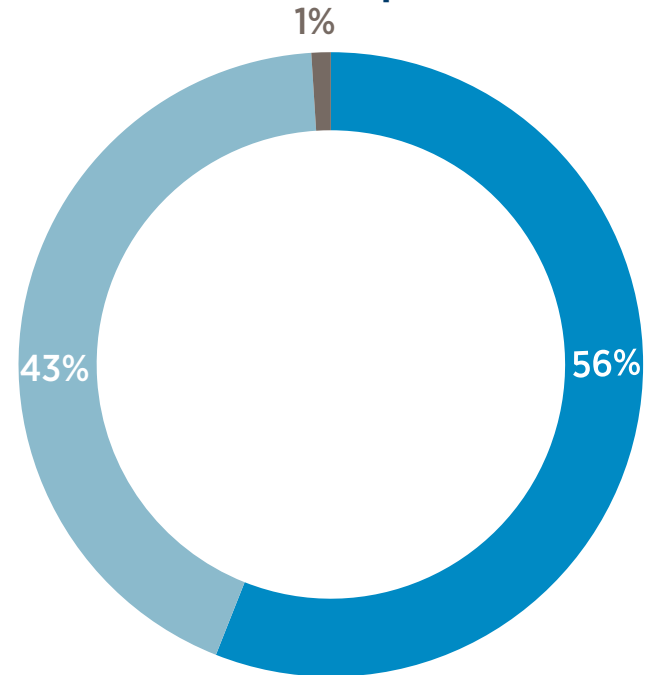
- Heated humidification
- Respiratory care
- Neonatal care
- Surgery

## ○ Homecare

- Masks
- Flow generators
- Data management tools
- Respiratory care in the home

**Recurring items, consumables and accessories approximately 86% of operating revenue (H1 FY16: 83%)**

**Revenue by Product Group  
6 months to 30 September 2016**



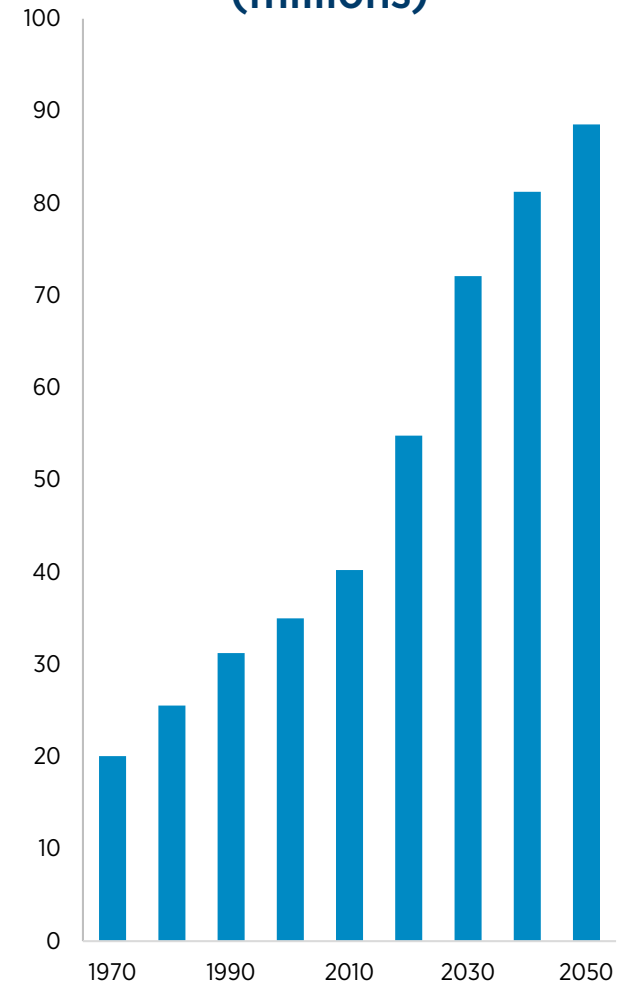
- Hospital
- Homecare
- Distributed & Other

# Impact of Changing Demographics

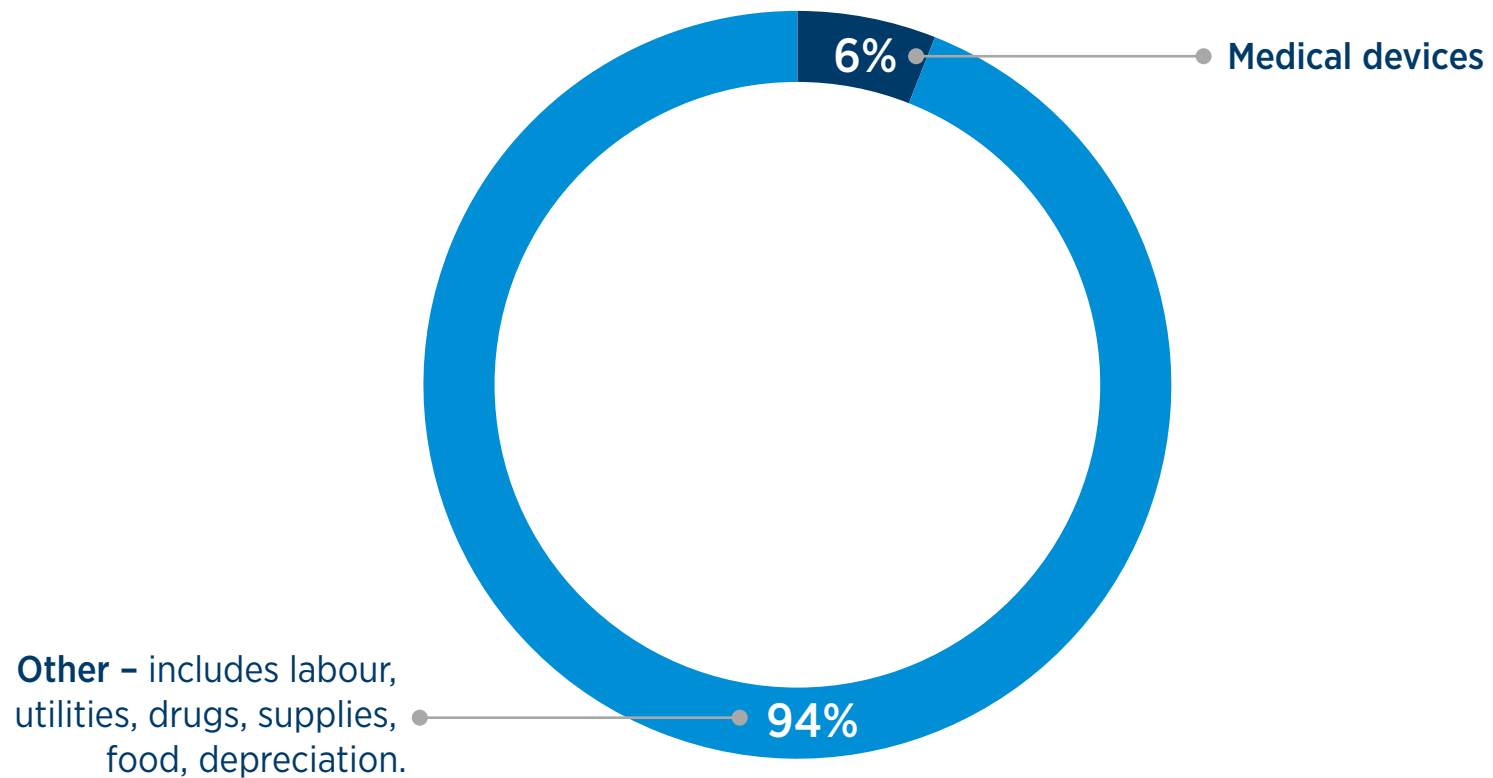
- Population age and weight both increasing
  - US population 65 years+ to grow ~80% over next 20 years<sup>1</sup>
  - US males 60 - 74 years, average weight increased 0.4 kg/year since 1960<sup>2</sup>
- 60% of US healthcare cost is after age 65 years<sup>3</sup>
- Developing markets increasing healthcare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



**US Population over age 65 (millions)**



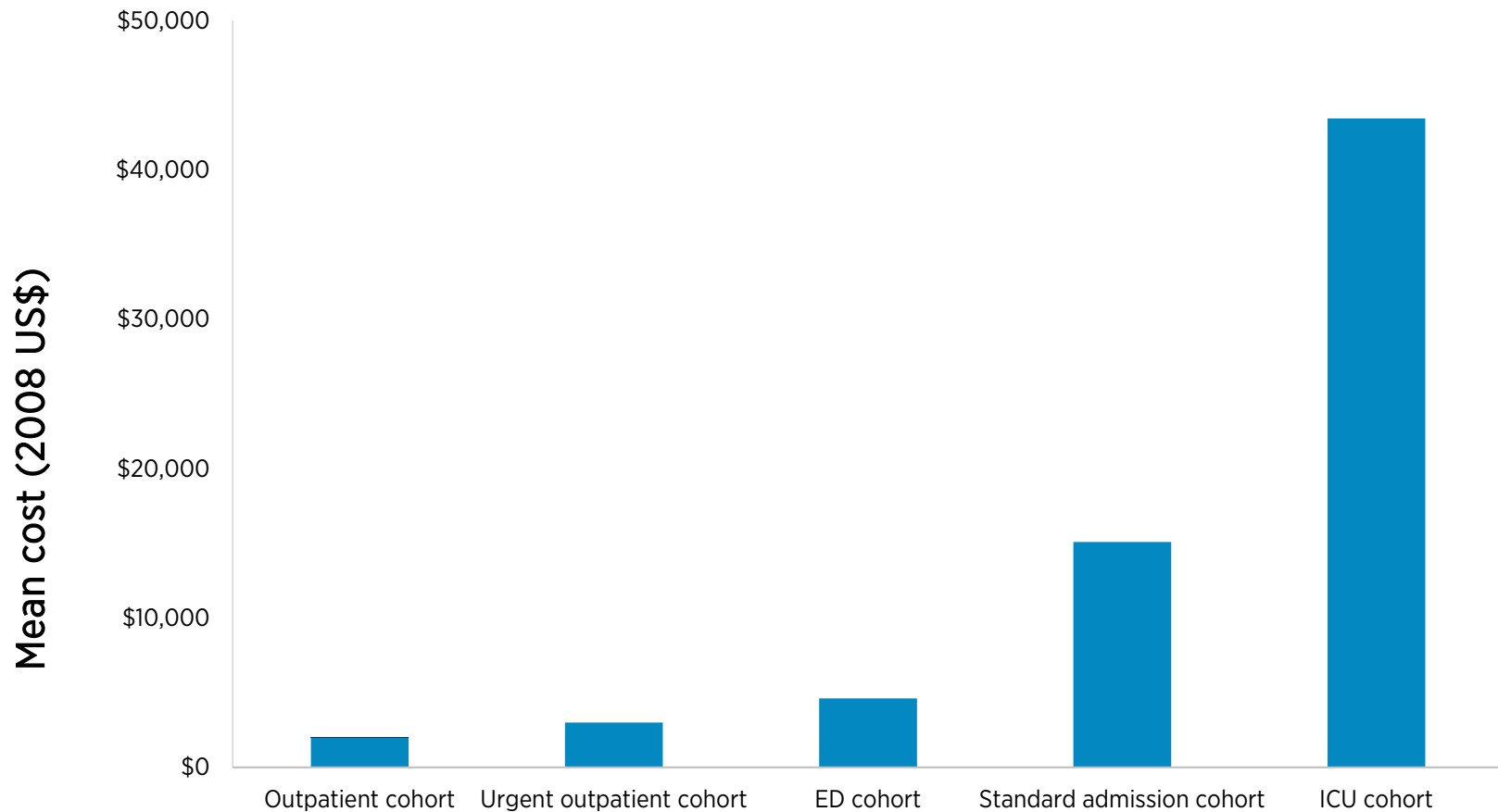
# Hospital Cost Breakdown



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

# Lower Care Intensity = Lower Cost

**Mean Annual COPD-Related Medical,  
Pharmacy, and Total Costs by Care Intensity Cohort**



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.



# Hospital Product Group

Invasive  
Ventilation



Noninvasive  
Ventilation



Hospital  
Respiratory Support



Surgical  
Humidification



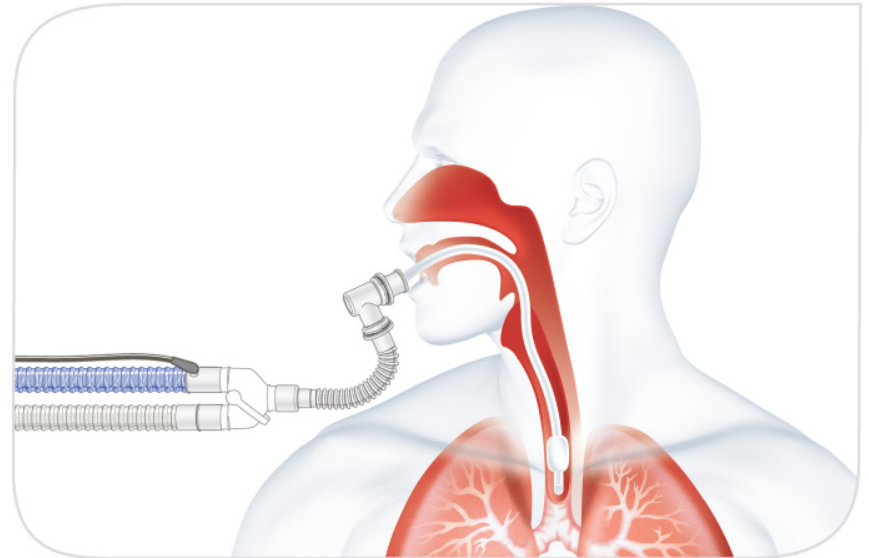
## **“NEW APPLICATIONS”**

Applications outside of invasive ventilation



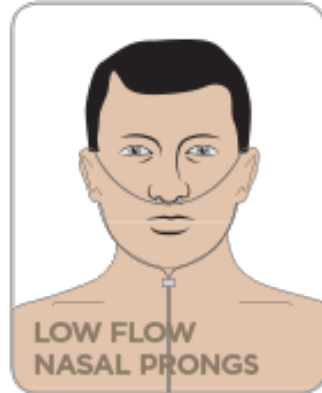
# Respiratory Humidification

- 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

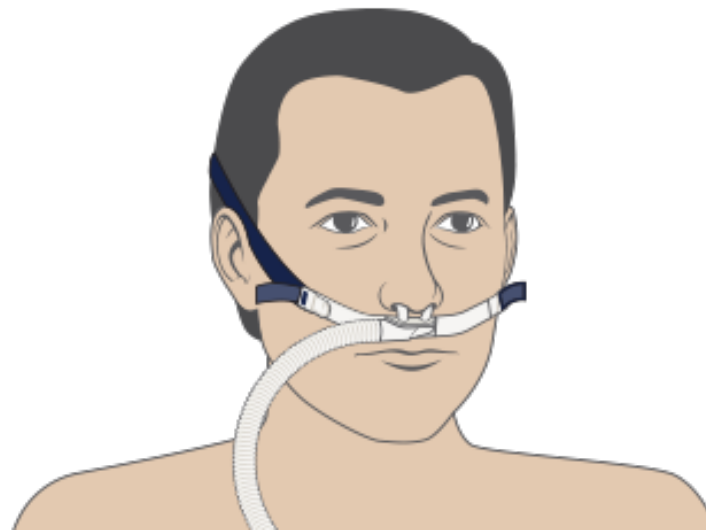
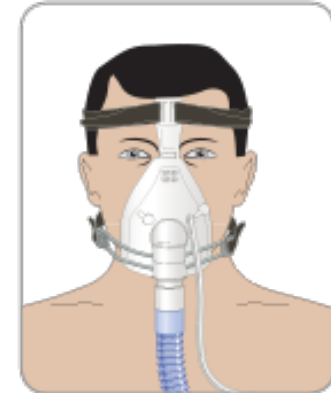


# Optiflow - Displacing Conventional Oxygen Therapy

## CONVENTIONAL OXYGEN THERAPY



## NONINVASIVE VENTILATION



# Clinical Outcomes of Optiflow Nasal High Flow Therapy

## 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:

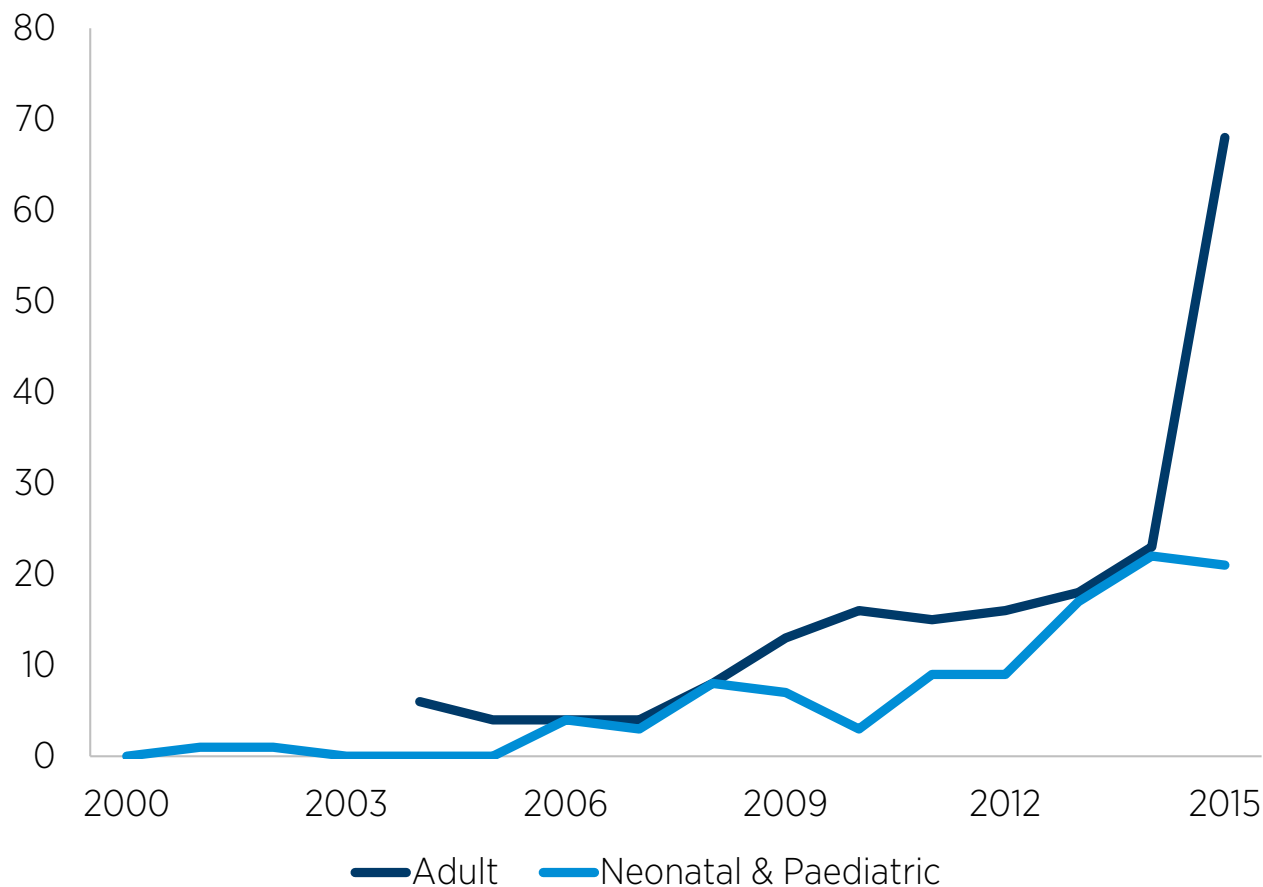
- REDUCED intubation<sup>9</sup>
- REDUCED length of stay<sup>10</sup>
- REDUCED respiratory distress<sup>11</sup>

### NEONATES:

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

# Optiflow NHF - A Growing Body of Clinical Evidence

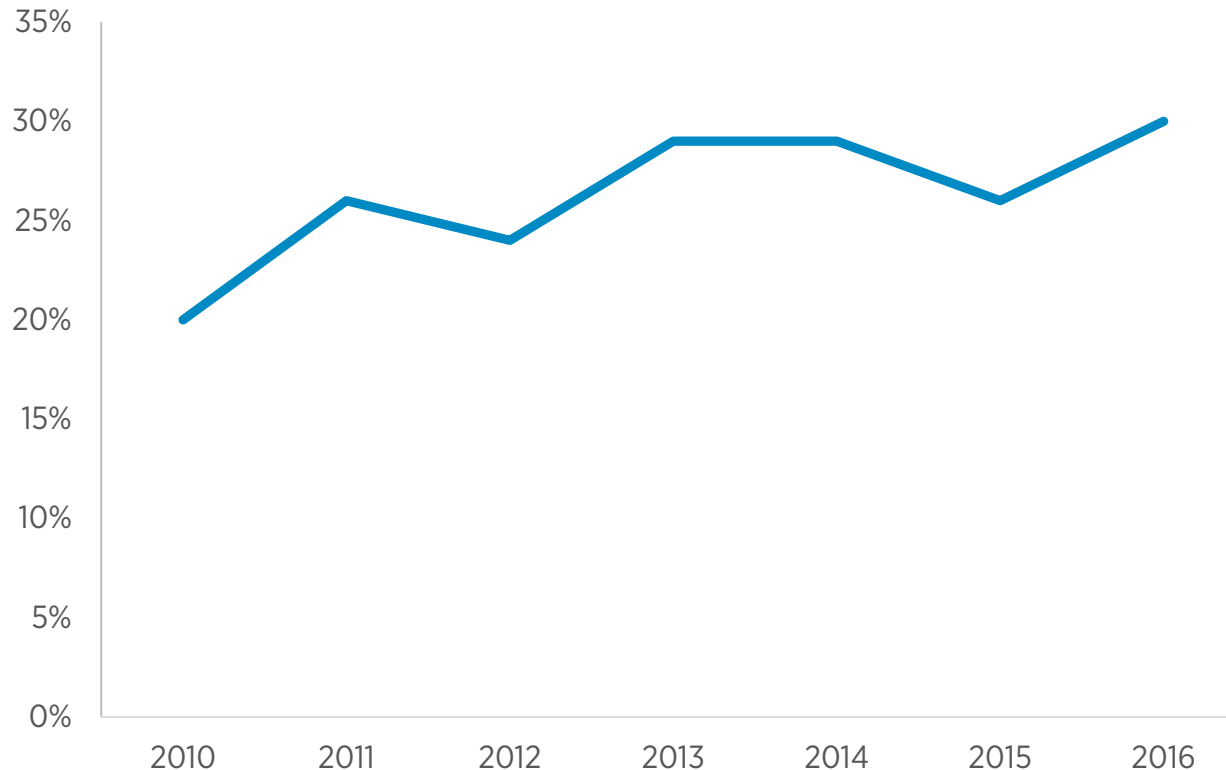
**Nasal High Flow Clinical Papers  
Published Annually**



Source: PubMed

# Consistently Strong Growth in Hospital New Applications

## Constant Currency Revenue Growth Rate in New Applications Consumables



- New applications consumables now make up 52% of Hospital consumables revenue, up from 46% in FY2015 and 51% in FY2016

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

# Homecare Product Group

Home  
Respiratory Support



CPAP  
Therapy



# 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\$3+ billion worldwide market. We estimate the market is growing approximately 6-8% p.a.
- 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

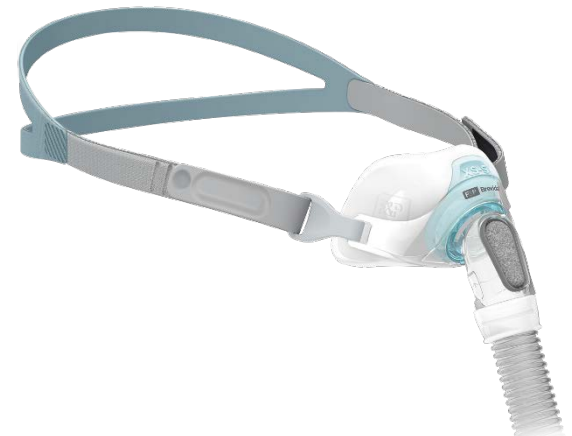
- Market leading mask technology
- Unique, patented designs
- Mask Matters Most
  - Masks are key to compliance



**F&P ESON 2™**



**F&P SIMPLUS™**

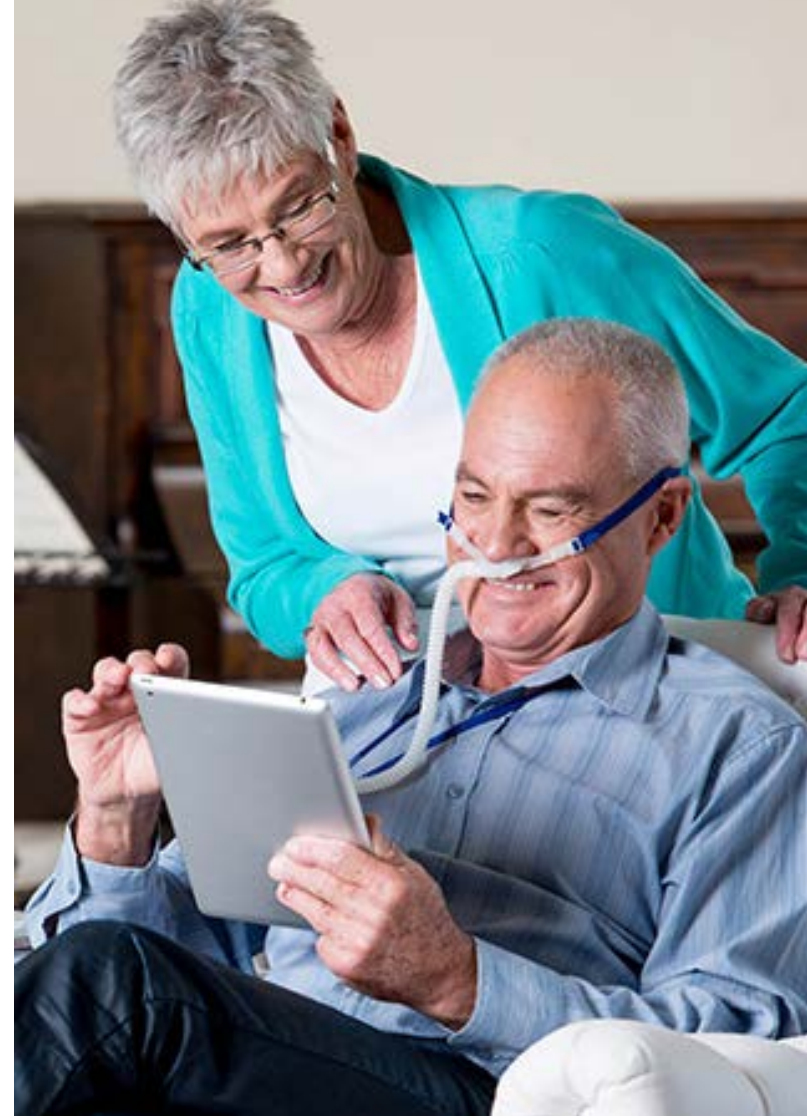


**F&P BREVIDA™**



# Home Respiratory Support

- 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)



# High Level of Innovation and Investment in R&D

- R&D represents 9.8% of operating revenue:<sup>1</sup> NZ\$41.6M
- Product pipeline includes:
  - Humidifier controllers
  - Masks
  - Respiratory consumables
  - Flow generators
  - Compliance monitoring solutions
- 147 US patents, 358 US pending, 654 ROW, 666 ROW pending<sup>2</sup>

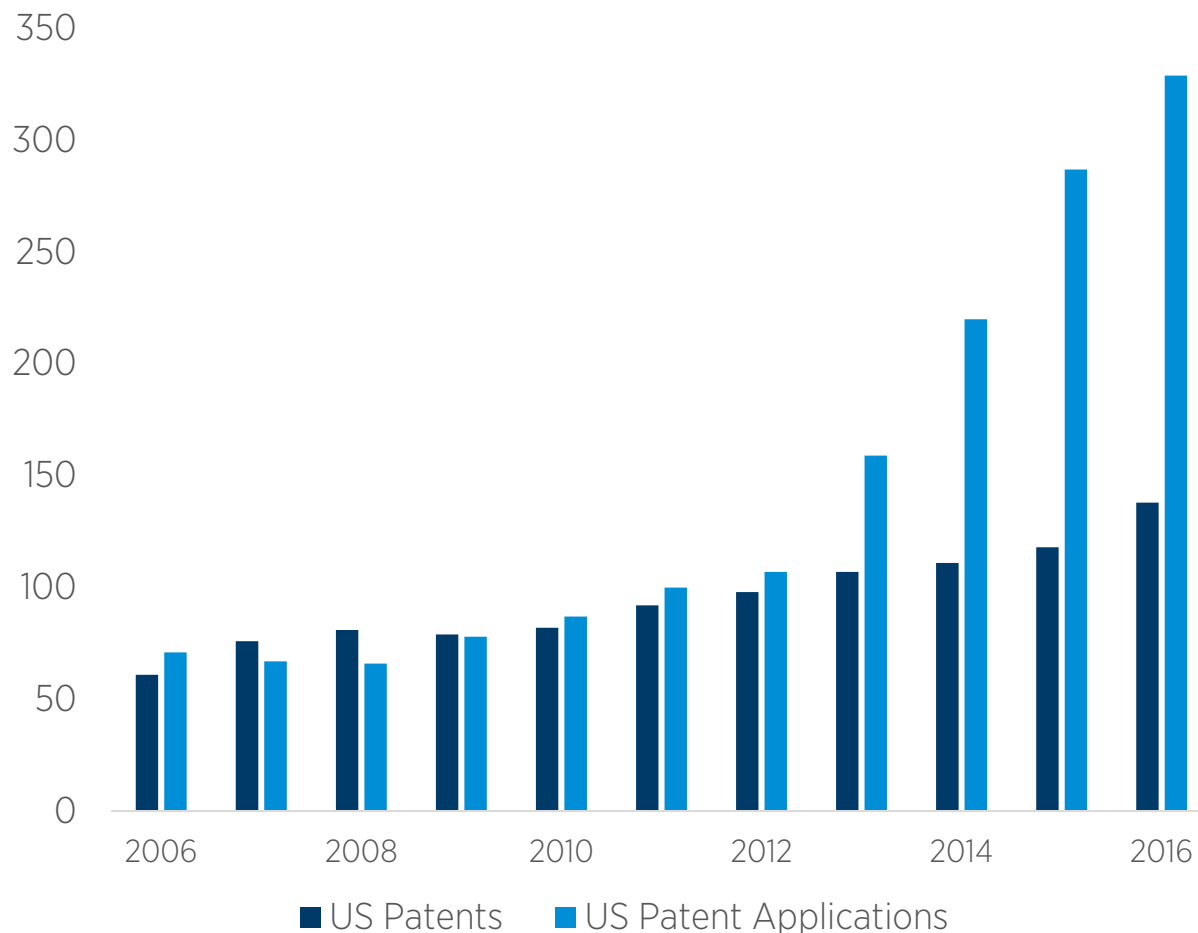
1. For 6 months ended 30 September 2016

2. As at 30 September 2016



# Growing Patent Portfolio

**Fisher & Paykel Healthcare US Patent Portfolio (2006 – 2016)**



Average remaining life of FPH patent portfolio: 15.8 years\*

# 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 / 40 hectares land
- Fourth building planned

## Tijuana, Mexico

- 18,000 m<sup>2</sup> / 200,000 ft<sup>2</sup>
- Consumables capacity ramping up
- In process of purchasing new 15 hectare site

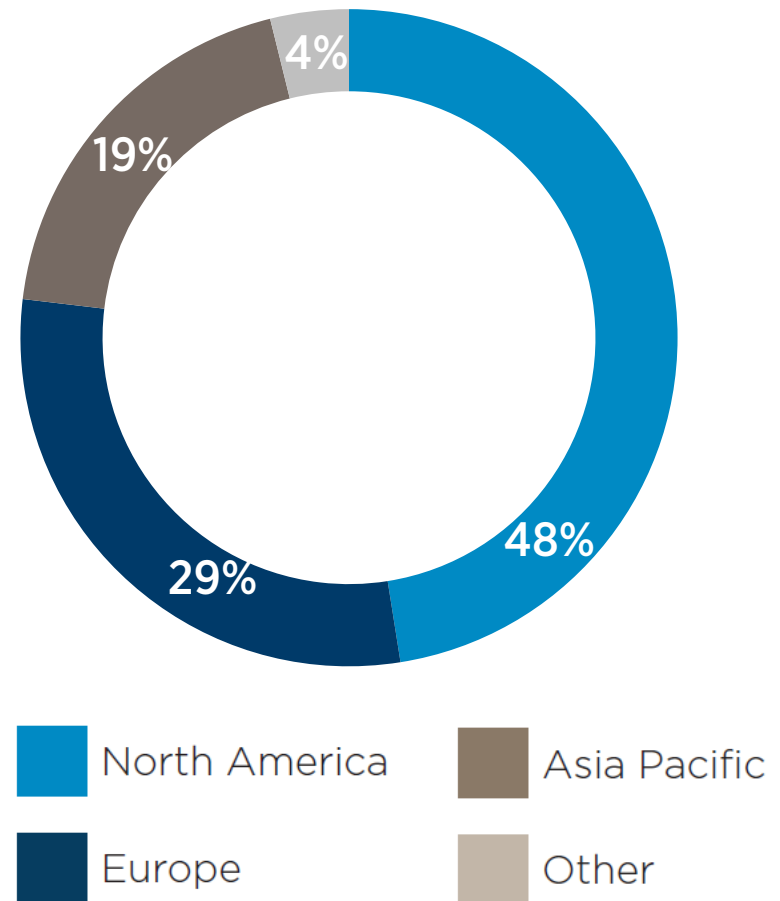




# Strong Global Presence

- 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 800 staff in 29 countries
  - Ongoing international expansion
- Distributors
  - 100+ distributors worldwide
- Original Equipment Manufacturers
  - Supply most leading ventilator manufacturers
- Sell in more than 120 countries in total

Revenue by Region  
6 months to 30 September 2016

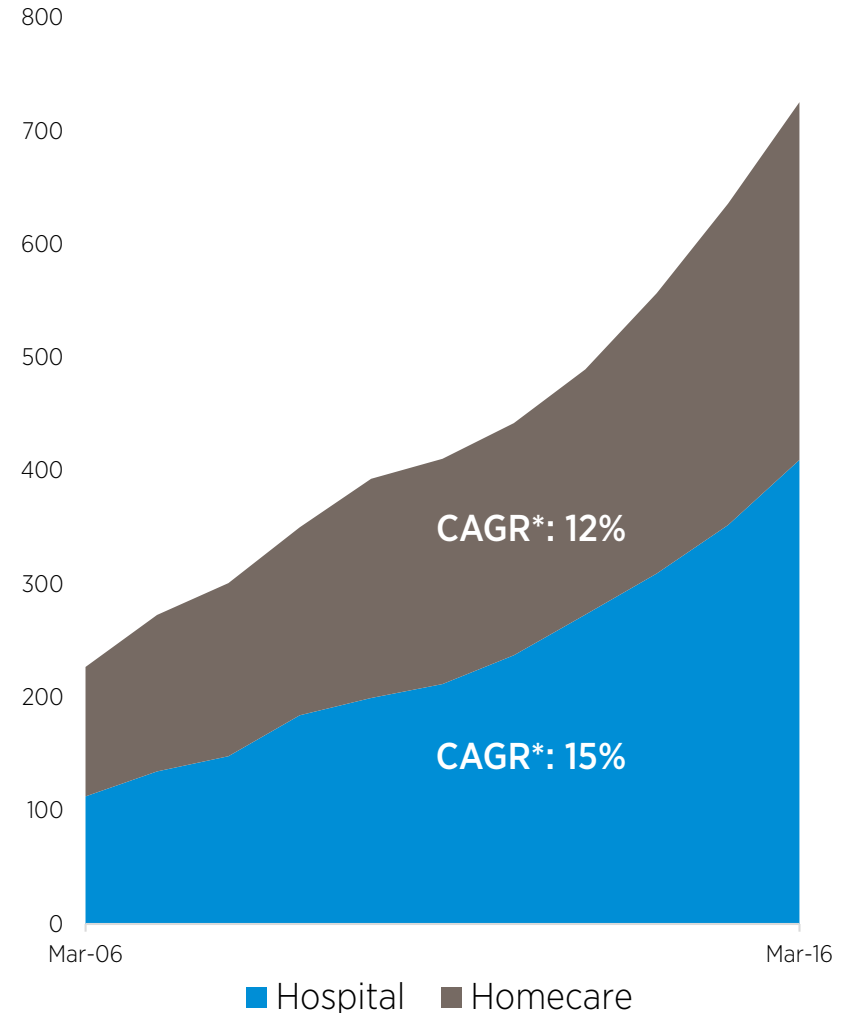
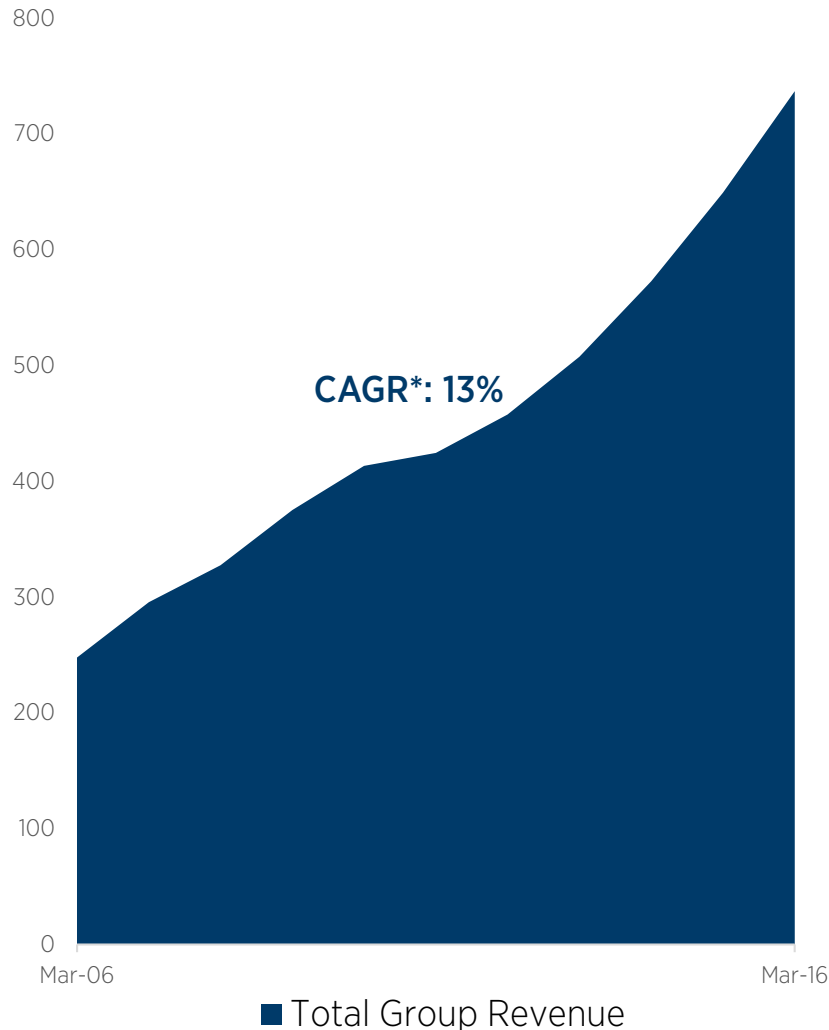


# Our Global Coverage



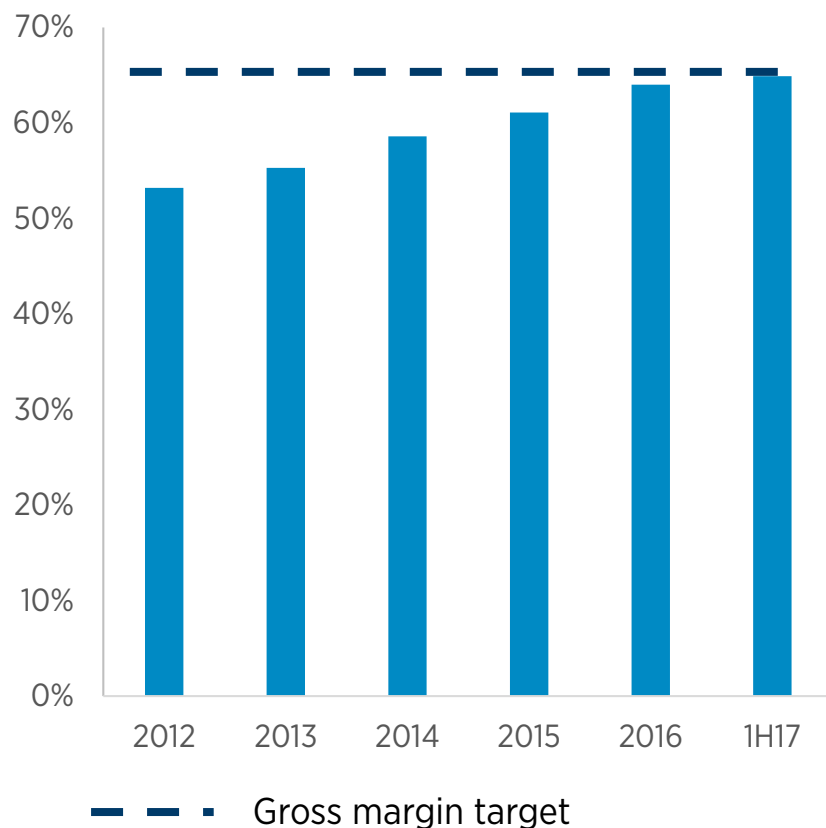
# Doubling our Constant Currency Revenue every 5-6 Years

## Constant Currency Operating Revenue NZ\$000



# Long Term Margin Targets

## Gross Margin



## Operating Margin



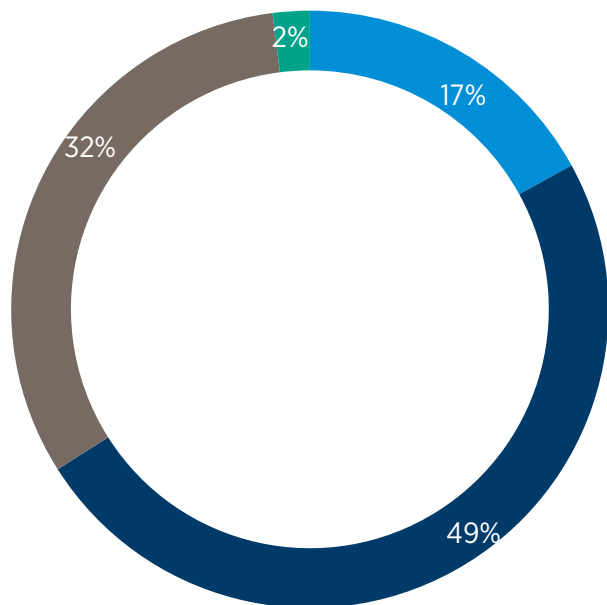
Note: the long term margin targets are based on an assumption of a continuation of the current business environment.



# Ownership Structure and Listings

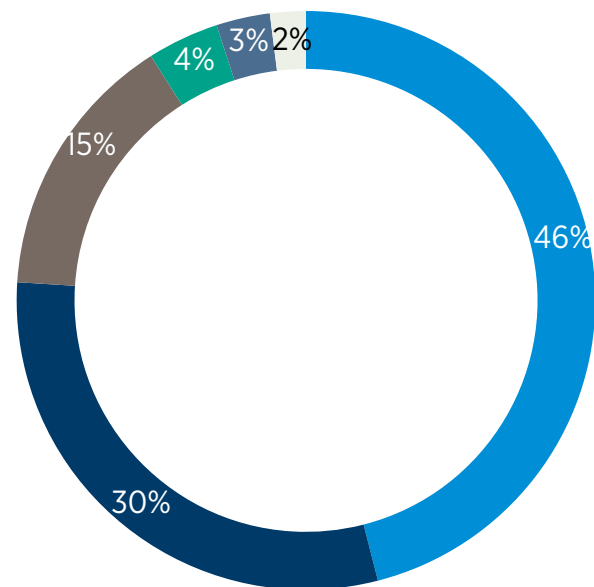
- Listed on NZX and ASX (NZX.FPH, ASX.FPH)

**Shareholding Structure as at  
30 September 2016**



■ NZ Institutions      ■ Other Institutions  
■ Brokers & Retail      ■ Other

**Geographical Ownership as at  
30 September 2016**



■ New Zealand      ■ Australia      ■ North America  
■ UK      ■ Europe (ex UK)      ■ Asia

# Consistent Growth Strategy

- Improving care and outcomes
- Reducing cost to the healthcare system



## Increase

- Effectiveness of care
- Efficiency of care

## Reduce

- Intensity of care
- Healthcare system cost



- Four key pillars:



Continuous product improvement



Broadening the range of devices for each patient



Serve more patient groups



Increase international presence



**「Product.**

# Hospital Hardware

- F&P 950 and F&P 850 respiratory humidification systems
  - Invasive ventilation, nasal high flow therapy and non-invasive ventilation
- 810 respiratory humidification system
  - Entry level system
- AIRVO 2 flow generator/humidifier
  - Optiflow™ nasal high flow therapy
- HumiGard surgical humidifier
  - Laparoscopic insufflation
  - Open surgery



**F&P 950™ System**



**F&P 850™ System**



**F&P AIRVO™ 2**



**F&P HumiGard™**

# Hospital Single Use Consumables

- 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
- Approx 30 system set-ups used per controller per year
- Interfaces
  - NIV masks, tracheostomy, Optiflow™ + nasal cannula
- Consumable growth driving revenue growth





# Optiflow™ Nasal High Flow Therapy – Delivery Options



**F&P 850™ System**  
**F&P 950™ System**



**F&P AIRVO™ 2**

# Homecare Hardware and Consumables



**F&P** **ICON™+**



**Info Technologies™**



**F&P** **AIRVO™ 2**



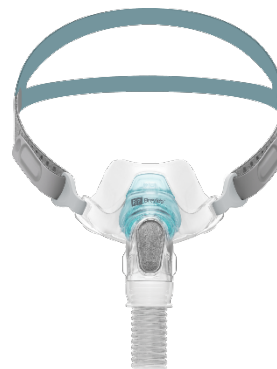
**F&P** **810™ System**



**F&P** **Simplus™**



**F&P** **Eson™ 2**



**F&P** **Brevida™**



**F&P** **Optiflow™+**

A person wearing a blue button-down shirt is working on a metal component in a workshop. The component is a complex, cylindrical metal part with multiple ports, mounted on a metal base. The person's hands are visible, and they are using a tool to work on the component. The background is blurred, showing other people and equipment in the workshop.

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**Financials.**



# Half Year Operating Results

**H1 FY2017** (6 months to 30 September 2016)

	% of Revenue	NZ\$M	ΔPCP^	ΔCC*
<b>Operating revenue</b>	<b>100%</b>	<b>425.2</b>	<b>+12%</b>	<b>+16%</b>
Cost of sales	35.1%	149.3	+7%	+6%
Gross profit	64.9%	275.9	+14%	+21%
Other income (R&D grant)		2.5	0%	0%
SG&A	29.7%	126.1	+12%	+17%
R&D	9.8%	41.6	+16%	+16%
Total operating expenses	39.4%	167.7	+13%	+17%
<b>Operating profit</b>	<b>26.0%</b>	<b>110.7</b>	<b>+16%</b>	<b>+28%</b>
<b>Profit after tax</b>	<b>18.4%</b>	<b>78.2</b>	<b>+26%</b>	<b>+30%</b>

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

# Cash Flow & Balance Sheet

<b>H1 FY2017</b> (for the 6 months ended 30 September 2016)	<b>NZ\$M</b>
Operating cash flow (+117%)	76.2
Capital expenditure	30.5
Depreciation and amortisation	19.9
<b>H1 FY2017</b> (as at 30 September 2016)	<b>NZ\$M</b>
Debt (net)	43.7
Total equity	590.0
Total assets	805.0
	%
Pre-tax return on average equity	39%
Pre-tax return on average total assets	28%
Gearing (debt/debt + equity)	7.3%

# Foreign Exchange Effects

- 52% of operating revenue in USD (1H FY16: 51%) and 20% in €.

	Six months to 31 March	Year to 31 March			
<b>Hedging position for our main exposures</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
USD % cover of expected exposure	90%	55%	23%	20%	17%
USD average rate of cover	0.694	0.670	0.643	0.626	0.614
EUR % cover of expected exposure	92%	68%	11%	0%	0%
EUR average rate of cover	0.595	0.588	0.589	-	-

	Six months ended 30 September	
	<b>2015</b>	<b>2016</b>
<b>Reconciliation of Constant Currency to Actual Income Statements</b>	<b>NZ\$000</b>	<b>NZ\$000</b>
<b>Profit before tax (constant currency)</b>	<b>86,165</b>	<b>112,366</b>
Spot exchange rate effect	(2,712)	(6,784)
Foreign exchange hedging result	(7,124)	9,721
Balance sheet revaluation	8,250	(4,089)
<b>Profit before tax (as reported)</b>	<b>84,579</b>	<b>111,213</b>

# Important Notice and References

## 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) 2017 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.

## References

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