

Looking ————— Beyond

Half year business highlights

+ EXPANDED

Release of the F&P 950™ heated humidification system in Europe and launched F&P Vitera™ mask in the US

+ PROGRESSED

an exciting product pipeline, with several new product launches anticipated

+ OPENED

New office in Poland, with our own dedicated sales team promoting products in hospitals

+ AWARDED

Black Pin at the DINZ Best Design Awards for our design culture and the economic impact of our products

+ DIVERTED

467 tonnes of material from landfills through recycling programmes

+ INCLUDED

in the FTSE4Good and Dow Jones Sustainability Indices for 2019



Key half year financial results

H1 FY20 (6 months to 30 September 2019)

	% of Revenue	NZ\$M	ΔPCP^	ΔCC*
Operating revenue	100%	570.9	+12%	+9%
Hospital operating revenue	62%	353.6	+19%	+17%
Homecare operating revenue	38%	214.7	+2%	-1%
Gross margin / Gross profit	67%	382.9	+26bps	+15bps
SG&A	29%	162.9	+2%	-1%
R&D	9%	54.0	+18%	+18%
Total operating expenses	38%	216.9	+6%	+3%
Operating profit	29%	166.0	+19%	+17%
Profit after tax	21%	121.2	+24%	+23%

Recurring items, consumables and accessories approximately 86% of operating revenue (H1 FY19: 86%)

Hospital product group



Hospital product group

H1 FY20

62% OF OPERATING
REVENUE

HOSPITAL OPERATING REVENUE
(H1 FY20 \$353.6M)

NZ\$

↑19%

CONSTANT
CURRENCY

↑17%

NEW APPLICATIONS*
CONSUMABLES REVENUE

NZ\$

↑25%

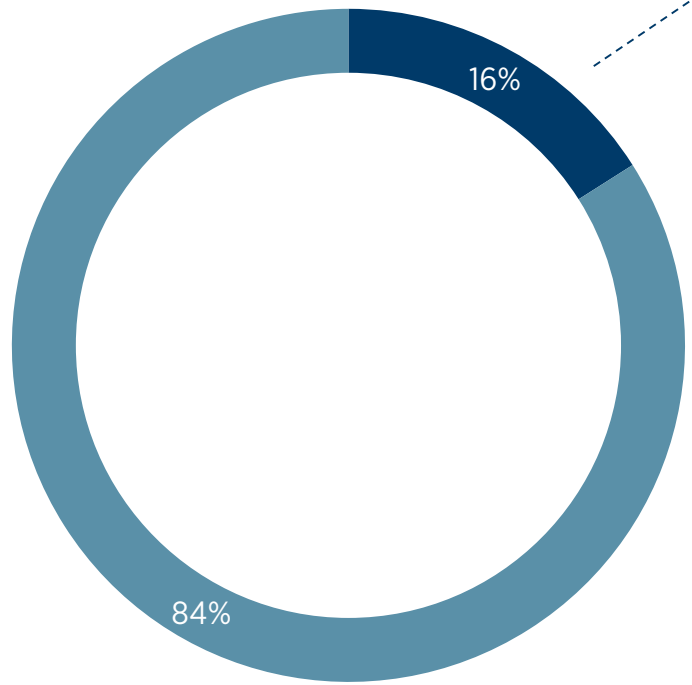
CONSTANT
CURRENCY

↑23%

- New applications consumables* made up 63% of H1 FY20 Hospital consumables revenue, 60% in H1 FY19
- Strong customer demand for our Optiflow and AIRVO systems, driven by clinical trial results
- Extended flu season in the United States

Homecare product group

H1 FY20 HOMECARE REVENUE COMPOSITION



■ Hardware ■ Consumables

H1 FY19 Homecare revenue composition
Hardware: 16% Consumables: 84%

HARDWARE



F&P SleepStyle



F&P myAIRVO 2



F&P 810System

CONSUMABLES



CPAP Therapy/OSA



Home Respiratory Support



F&P Vitera



F&P Eson2



F&P Brevida



Homecare product group

H1 FY20

38% OF OPERATING
REVENUE

HOME CARE OPERATING REVENUE
(H1 FY20 \$214.7M)

NZ\$

↑ 2%

CONSTANT
CURRENCY

↓ 1%

MASKS REVENUE

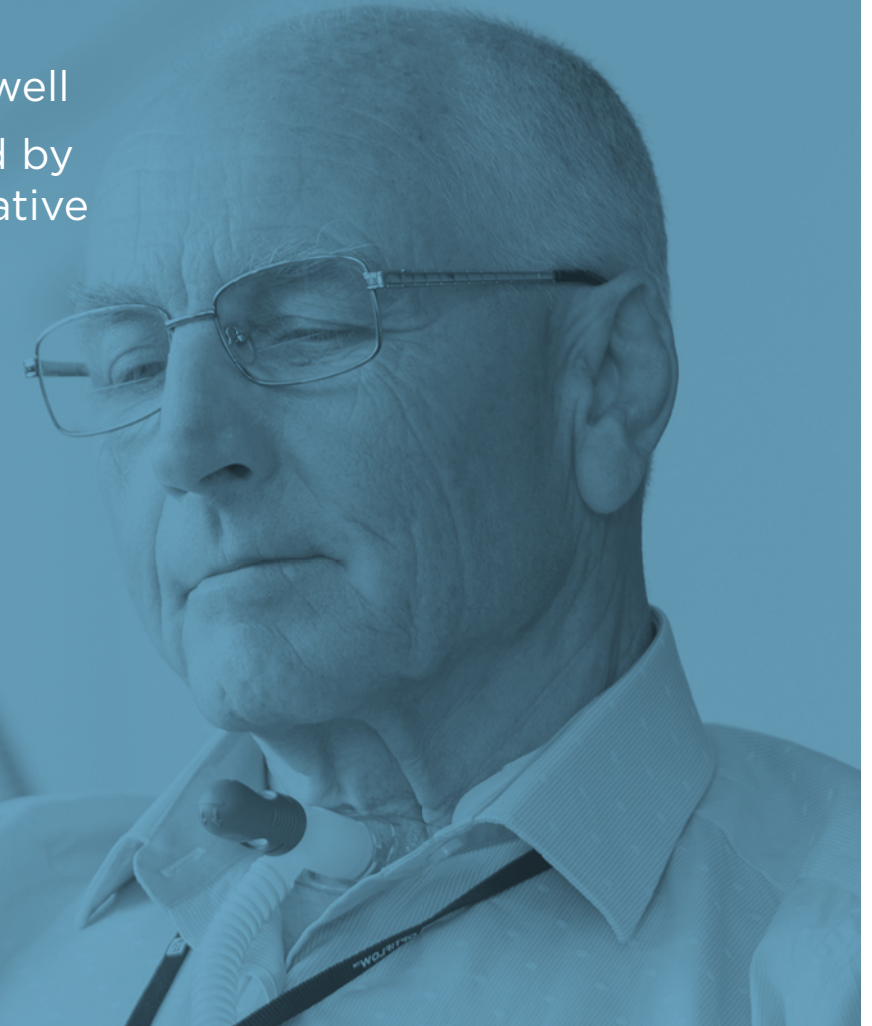
NZ\$

↑ 1%

CONSTANT
CURRENCY

↓ 1%

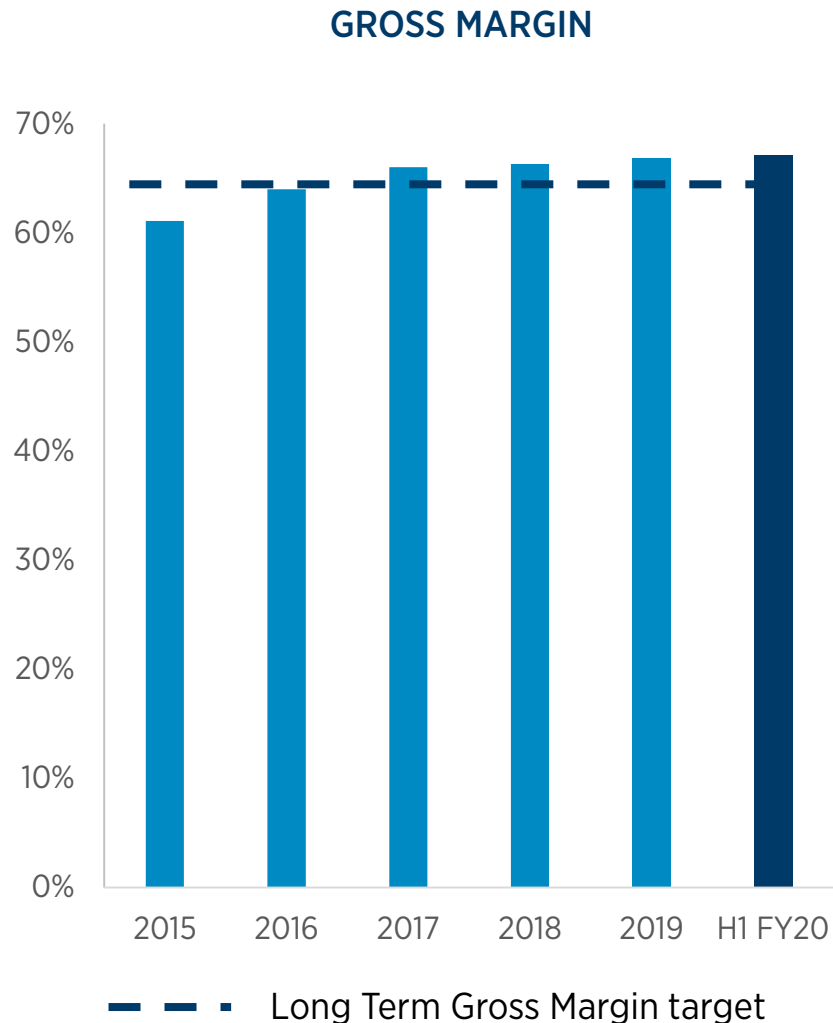
- Home Respiratory Support business continues to grow well
- OSA mask revenue impacted by phasing of product cycle relative to competitors
- F&P Vitera OSA mask launched in the US in October 2019



New lease accounting standard impact (IFRS 16)

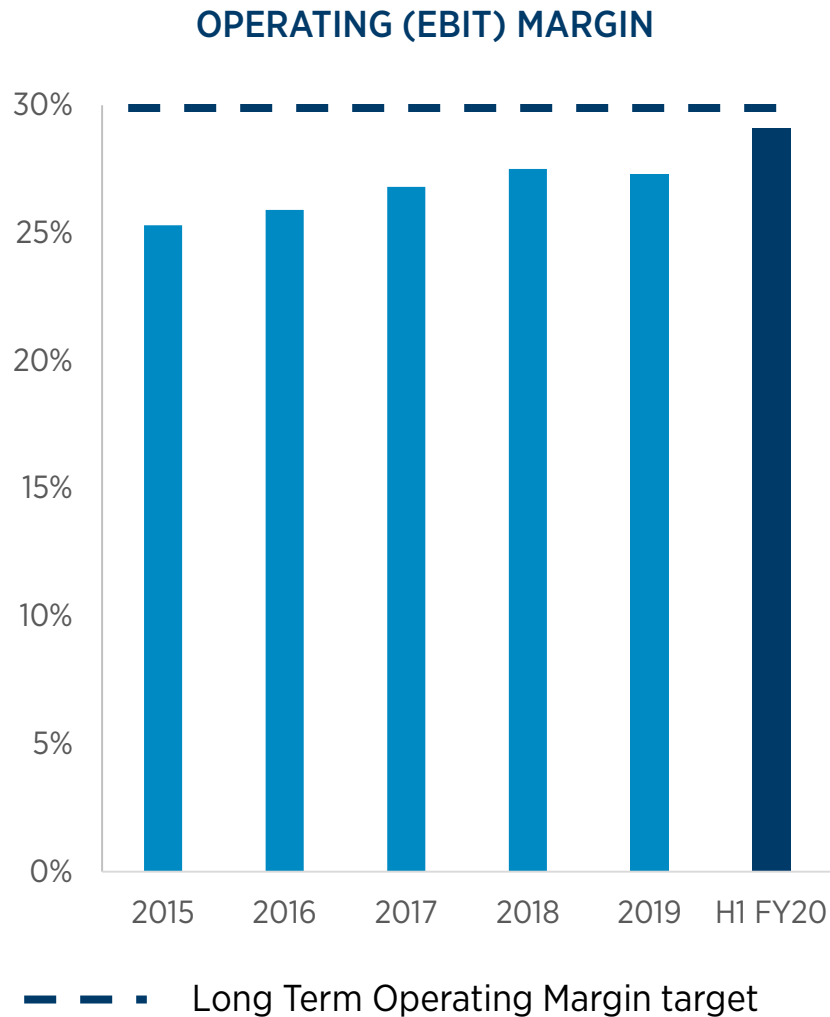
Opening adjustment to Balance Sheet at 1 April 2019 (NZ\$M)	Prior to adoption	Impact	Adjusted after adoption
Property, plant & equipment	601.4	29.1	630.5
Deferred tax assets	38.9	1.4	40.3
Lease liabilities	-	33.9	33.9
Retained earnings	549.2	(3.4)	545.8
H1 FY20 impact to Income Statement (NZ\$M)	Prior to adoption	Impact	Adjusted after adoption
Rental and lease expenses	6.4	(5.8)	0.6
Depreciation and amortisation	23.8	4.7	28.5
Operating profit	164.9	1.1	166.0
Financing expense	1.0	0.9	1.9
Tax Expense	38.4	0.1	38.5
Net profit after tax	121.1	0.1	121.2
H1 FY20 impact to Statement of Cash Flows (NZ\$M)	Prior to adoption	Impact	Adjusted after adoption
Cash flows from operating activities	109.2	4.3	113.5
Cash flows from financing activities	(76.3)	(4.3)	(80.6)

Gross Margin



- Gross margin for the half year:
 - increased by 26 bps to 67.1%
 - increased by 15 bps in constant currency
- Primarily driven by favourable product mix
- Offset by costs of the new Mexico manufacturing facility

Operating Margin



Operating expenses

- NZ\$216.9M, +6% (+3% CC)

Research & Development expenses

- NZ\$54M, +18% (+18% CC)
- Reflecting underlying growth and timing of R&D projects
- Long term plan to grow in line with constant currency revenue growth

Selling, General & Administrative expenses

- NZ\$162.9M, +2% (-1% CC)
- Patent litigation expenses of NZ\$7.7M were incurred in H1 FY19

Interest and Tax

Financing Expense	H1 FY19 NZ\$M	H1 FY20 NZ\$M	Change NZ\$M
Interest Income	1.7	1.3	(0.4)
Lease Interest Expense	-	(0.9)	(0.9)
Interest Expense	(1.4)	(1.0)	0.4
FX loss on interest bearing liabilities	(3.4)	(5.7)	(2.3)
Net financing income/(expense)	(3.1)	(6.3)	(3.2)
R&D Tax Incentive Change	H1 FY19 NZ\$M	H1 FY20 NZ\$M	Change NZ\$M
Other income	2.5	-	(2.5)
Tax (Expense)/Credit	(0.7)	6.6	7.3
Net profit after tax	1.8	6.6	4.8

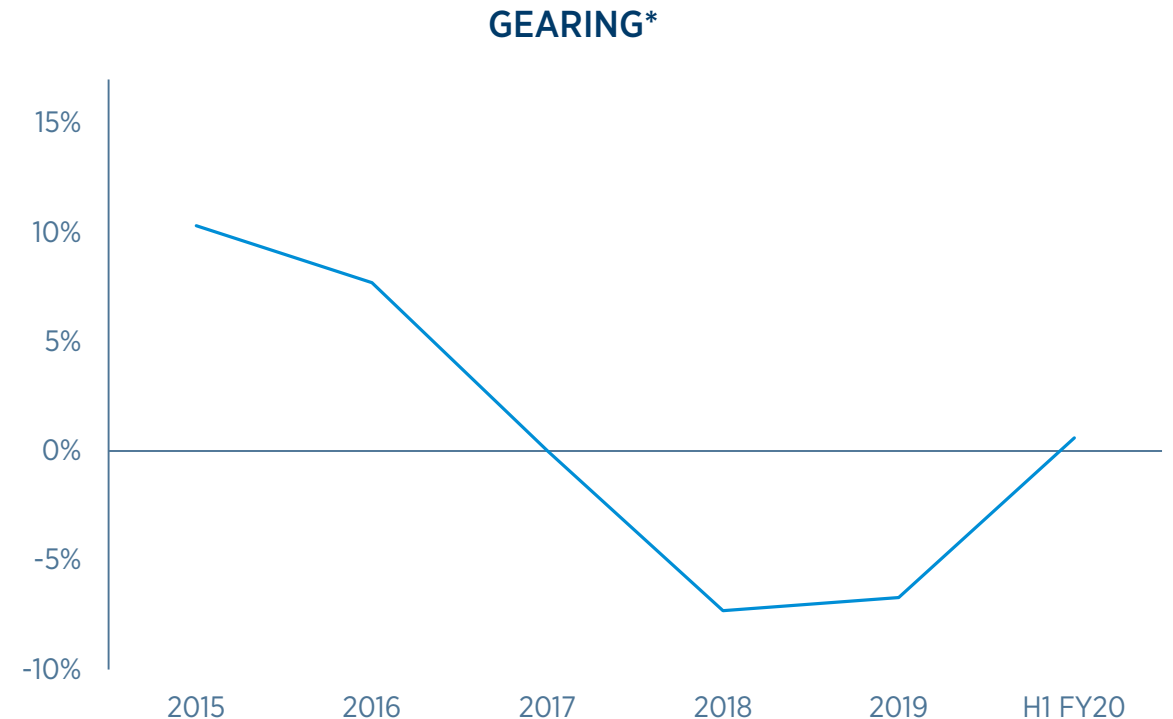
- FY19: Callaghan Innovation Growth Grant of NZ\$5M per year, taxable
- FY20 onwards: R&D Tax Credit of 15% on eligible spend

Cash Flow and Balance Sheet

	H1 FY19 NZ\$M	H1 FY20 NZ\$M
Operating cash flow	93.4	113.5
Capital expenditure (including purchases of intangible assets)	61.1	86.6
Lease liability payments	-	4.3
Free cash flow	32.3	22.6
	FY2019 NZ\$M	H1 FY20 NZ\$M
Net cash/(debt) (including short-term investments)	54.4	(5.2)
Total assets	1,206.7	1,255.0
Total equity	913.2	918.7
Gearing (debt/debt + equity)*	-6.7%	0.6%

Gearing and Dividend

- Target gearing ratio* of +5% to -5% debt to debt plus equity
 - Gearing ratio as at 30 September 2019 was 0.6%
- Increased interim dividend by 23%:
 - 12.00 cps + 4.667 cps imputation credit for NZ residents (gross dividend of NZ 16.667 cps)
 - Fully imputed
 - 2.1176 cps non-resident supplementary dividend



Foreign exchange effects

- 50% of operating revenue in USD (FY19: 50%) and 19% in € (FY19: 19%).

	Year to 31 March					
Hedging position for our main exposures	FY20	FY21	FY22	FY23	FY24	FY25-27
USD % cover of expected exposure	95%	80%	50%	30%	15%	-
USD average rate of cover	0.667	0.657	0.654	0.642	0.636	-
EUR % cover of expected exposure	95%	70%	50%	45%	20%	5%
EUR average rate of cover	0.575	0.548	0.530	0.514	0.502	0.473

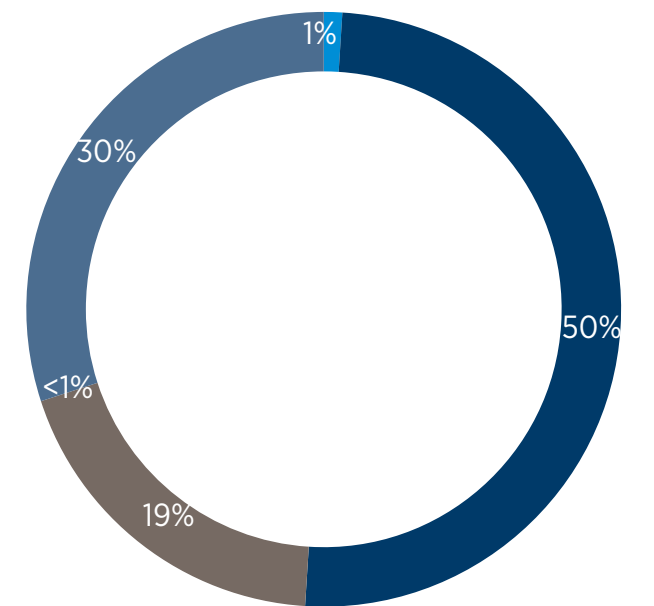
Hedging cover percentages have been rounded to the nearest 5%

Reconciliation of Constant Currency to Actual Income Statements	H1 FY19 NZ\$M	H1 FY20 NZ\$M
Profit before tax (constant currency)	130.1	151.2
Spot exchange rate effect	4.2	10.5
Foreign exchange hedging result	(2.1)	(2.8)
Balance sheet revaluation	3.7	0.8
Profit before tax (as reported)	135.9	159.7

Revenue and expenses by currency

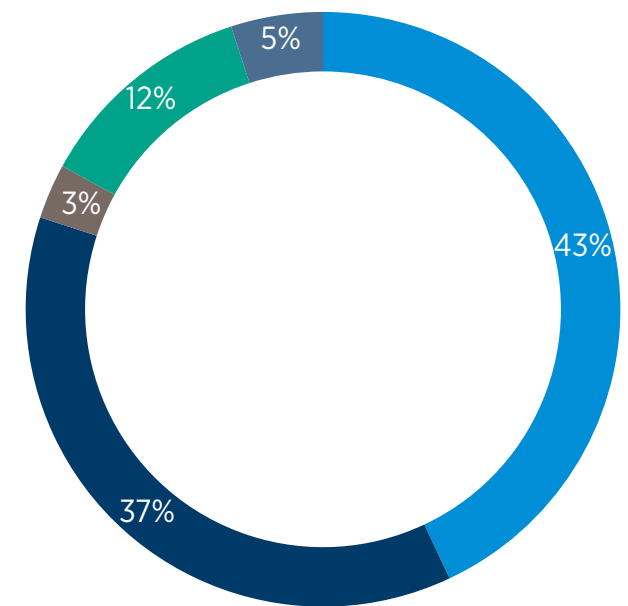
H1 FY20 (for the 6 months ended 30 September 2019)

REVENUE BY CURRENCY



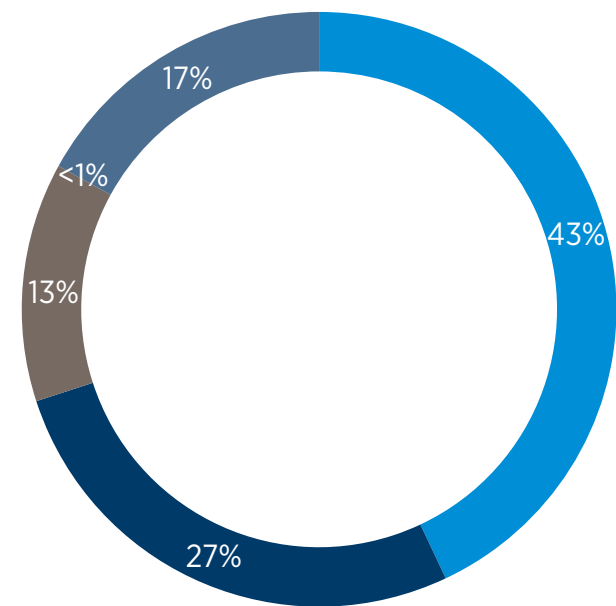
■ NZD ■ USD ■ EUR ■ MXN ■ Other

COST OF SALES BY CURRENCY



■ NZD ■ USD ■ EUR ■ MXN ■ Other

OPERATING EXPENSES BY CURRENCY



■ NZD ■ USD ■ EUR ■ MXN ■ Other

Outlook FY2020

Expect at current exchange rates (of NZD:USD 0.64, NZD:EUR 0.58):

- Operating revenue – approximately NZ\$1.19 billion
- Net profit after tax – approximately NZ\$255 million to NZ\$265 million

Capital expenditure expected to be approximately NZ\$170 million

- New facility in New Zealand
- Increased manufacturing capacity and new product tooling

Assumptions

- Approximately 80% of R&D will be eligible for R&D Tax Credit at 15%

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
- 50 years' experience in changing clinical practice to solutions that provide better clinical outcomes and improve effectiveness of care
- Estimated US\$10+ 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



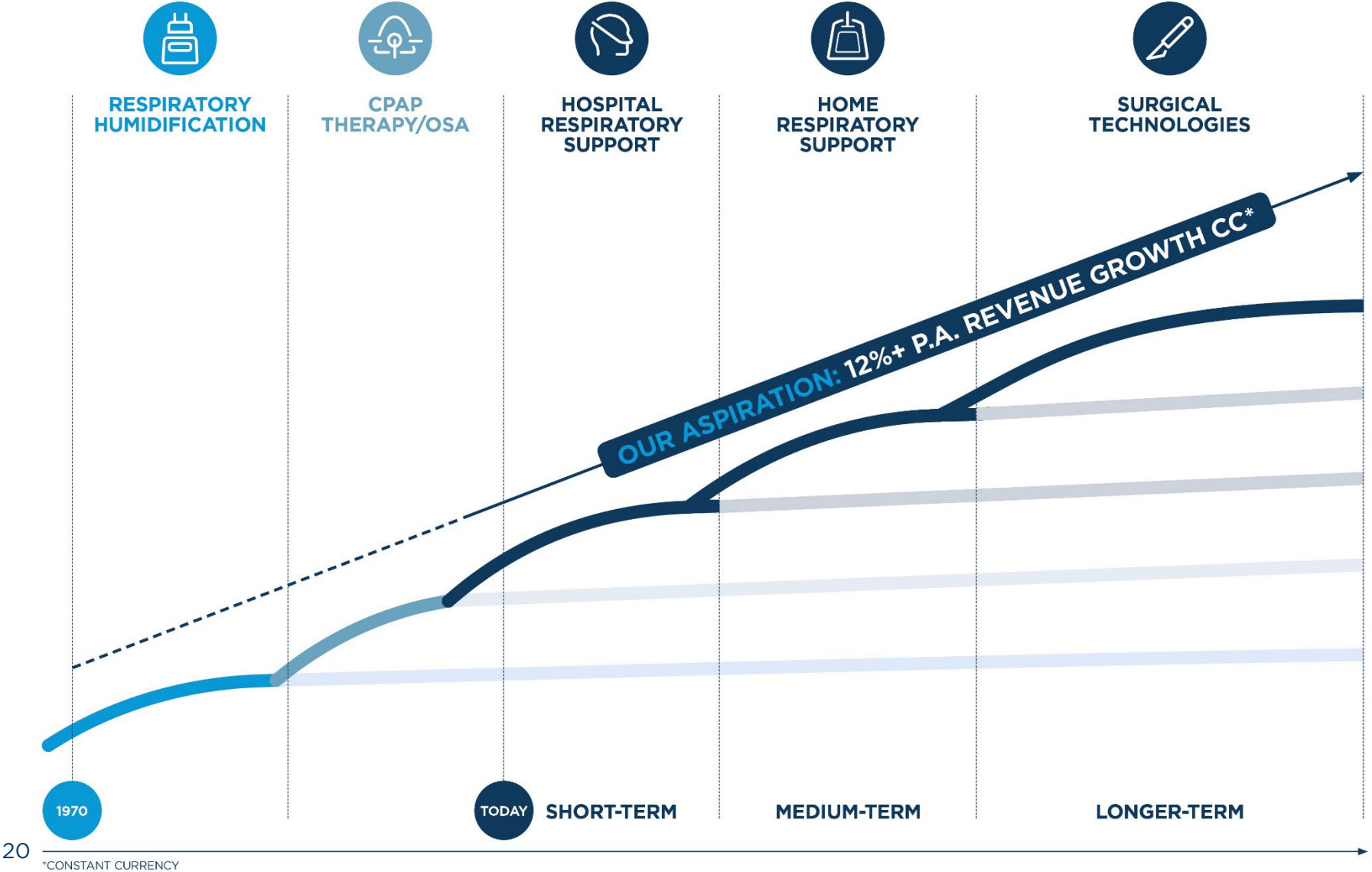
Strong financial performance

- 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 average dividend pay-out ratio of approximately 65% over the past five years

~US\$10+ billion and growing market opportunity



Our aspiration

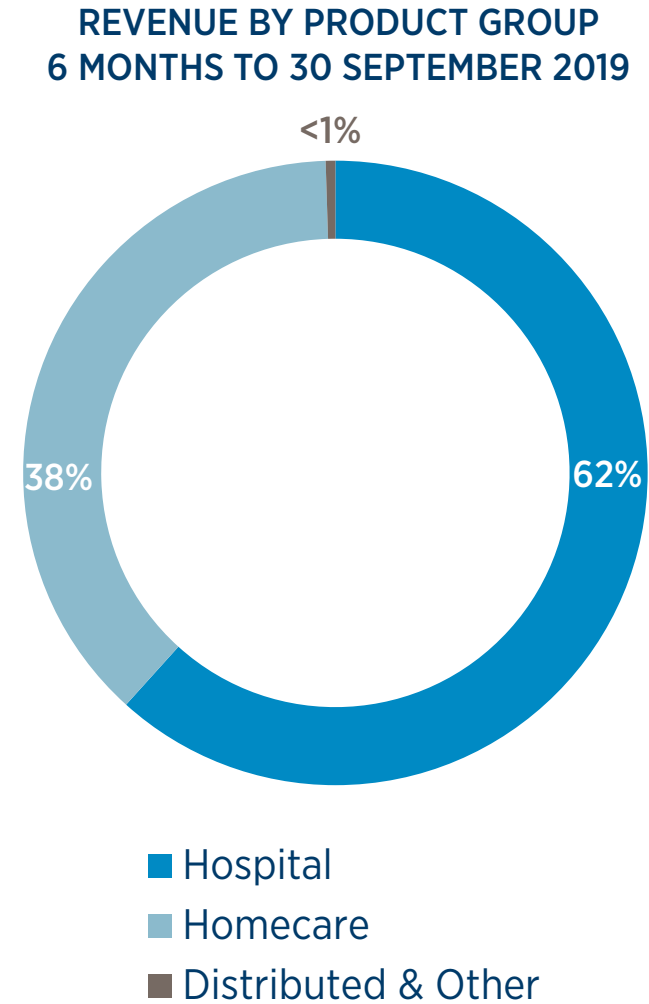


OUR ASPIRATION:
Sustainably
DOUBLING
our constant
currency revenue
every 5-6 years.

Markets and 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 (1H19: 86%)

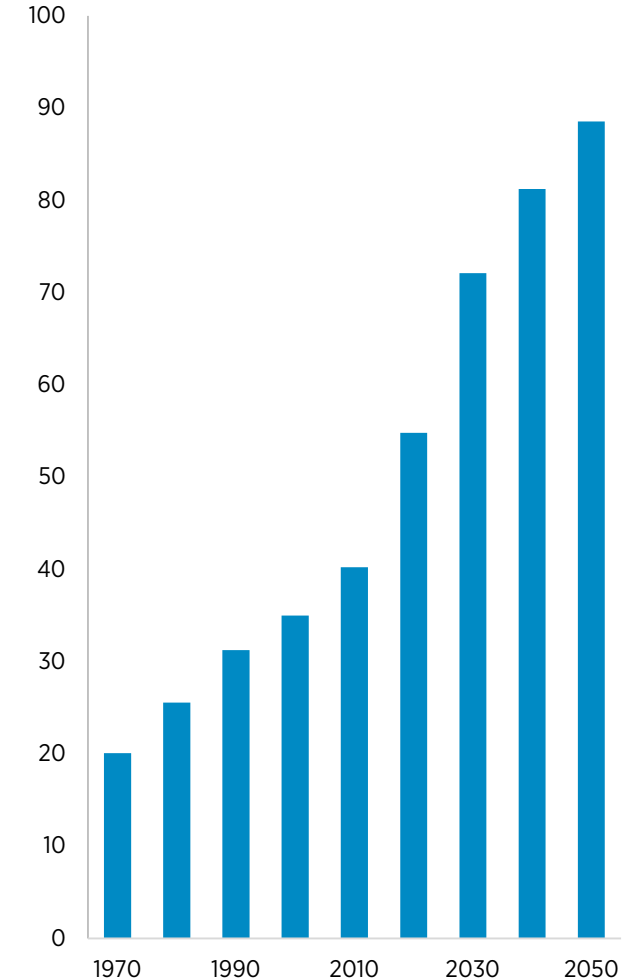


Impact of changing demographics

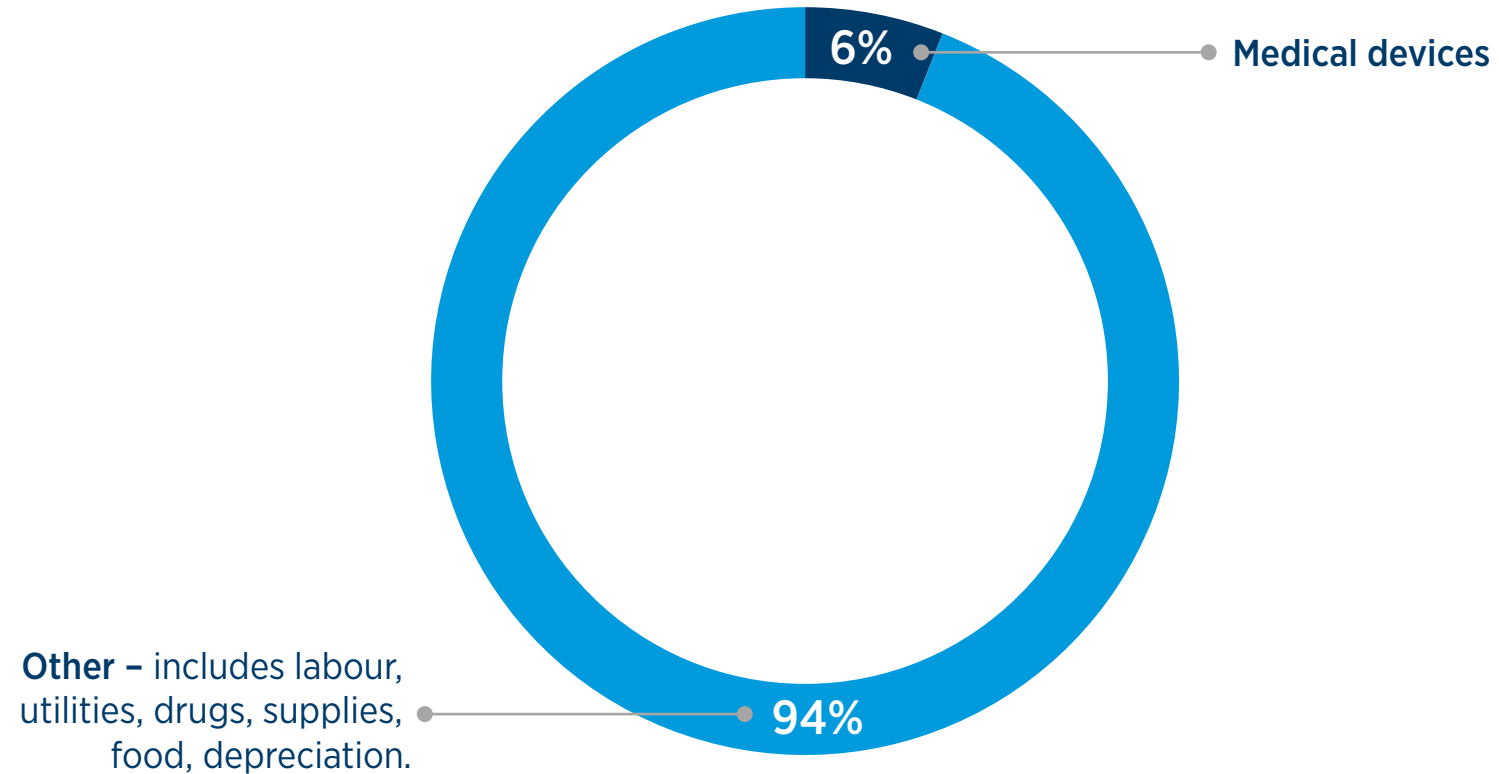
- Population age and weight both increasing
 - US population 65 years+ to grow ~80% over next 20 years¹
 - US males 60 - 74 years, average weight increased 0.4 kg/year since 1960²
- 60% of US healthcare cost is after age 65 years³
- Developing markets increasing healthcare spending
 - Total health spending is increasing more rapidly in low and middle income countries (close to 6% on average) than in high income countries (4%)⁴



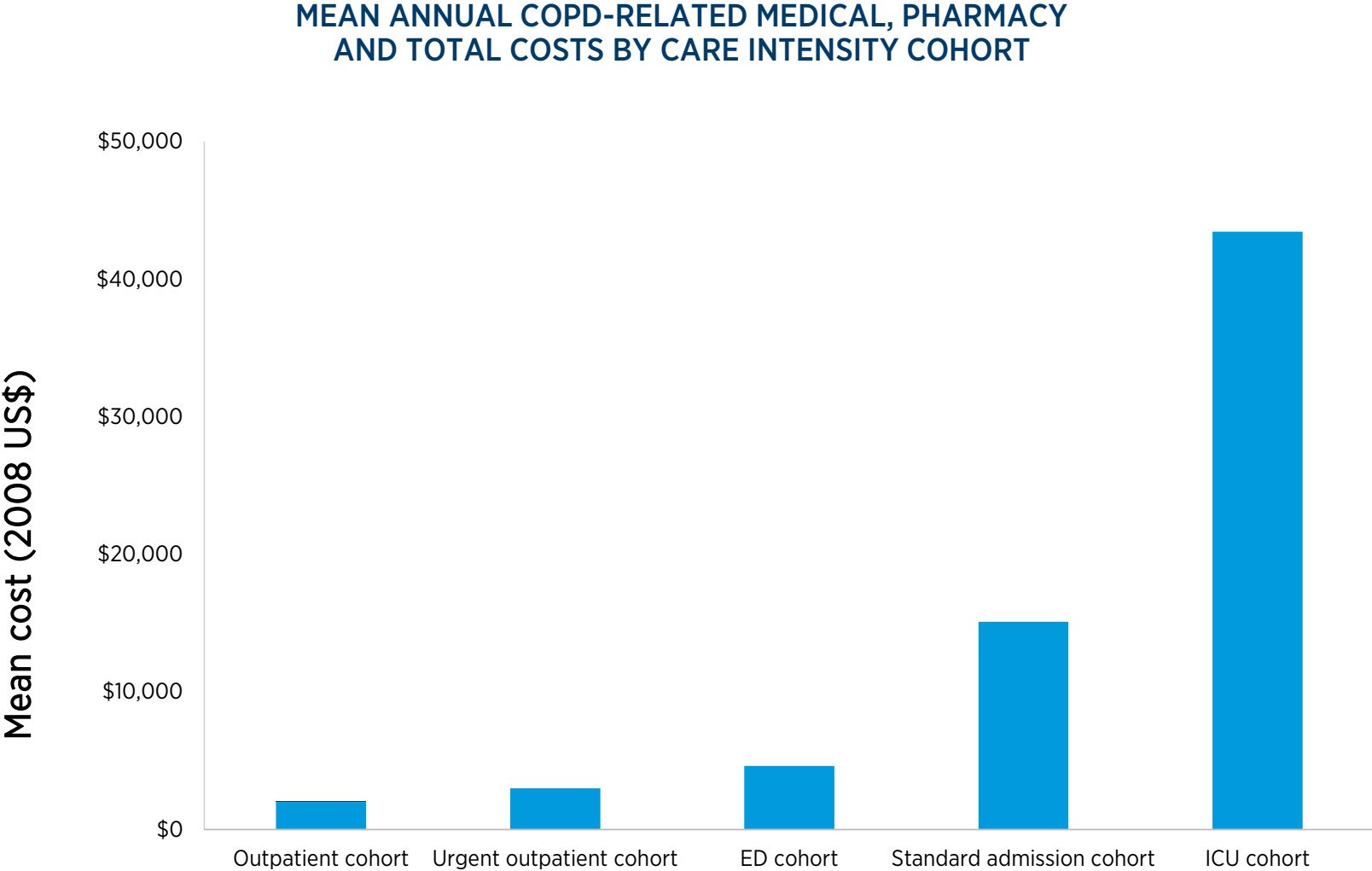
US POPULATION OVER AGE 65
(MILLIONS)



Hospital cost breakdown



Lower care intensity = lower cost

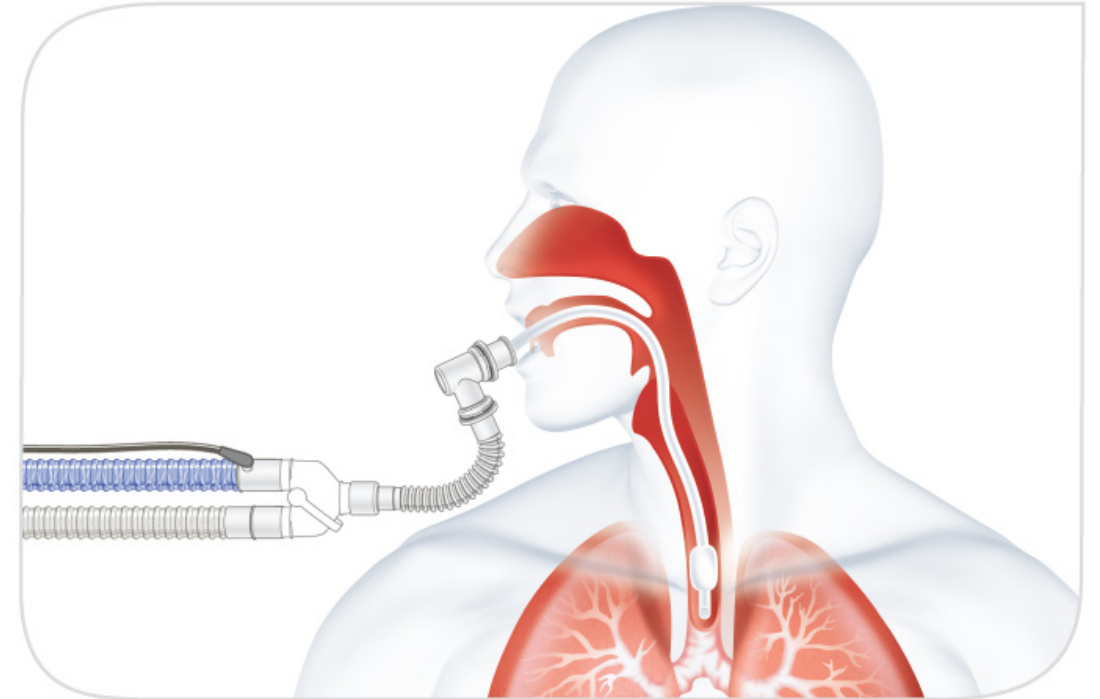




Hospital

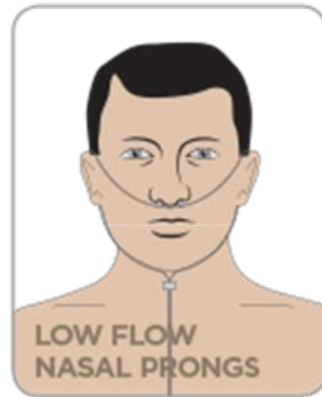
Respiratory humidification

- 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

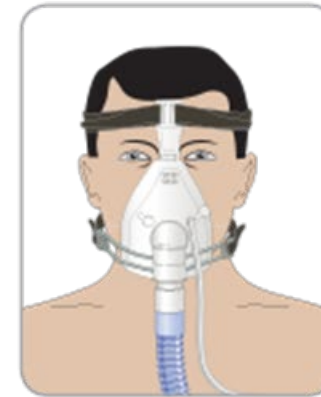


Optiflow - displacing conventional oxygen therapy

CONVENTIONAL OXYGEN THERAPY



NON-INVASIVE VENTILATION



Clinical outcomes of Optiflow nasal high flow therapy

Optiflow NHF therapy is associated with:

ADULTS:

- REDUCED intubation⁵
- REDUCED re-intubation^{6, 7, 8}
- REDUCED bilevel ventilation⁷
- REDUCED nursing workload⁷
- INCREASED ventilator free days⁵
- IMPROVED comfort & patient tolerance⁶
- IMPROVED compliance⁶
- REDUCED COPD exacerbations⁹

PAEDIATRICS:

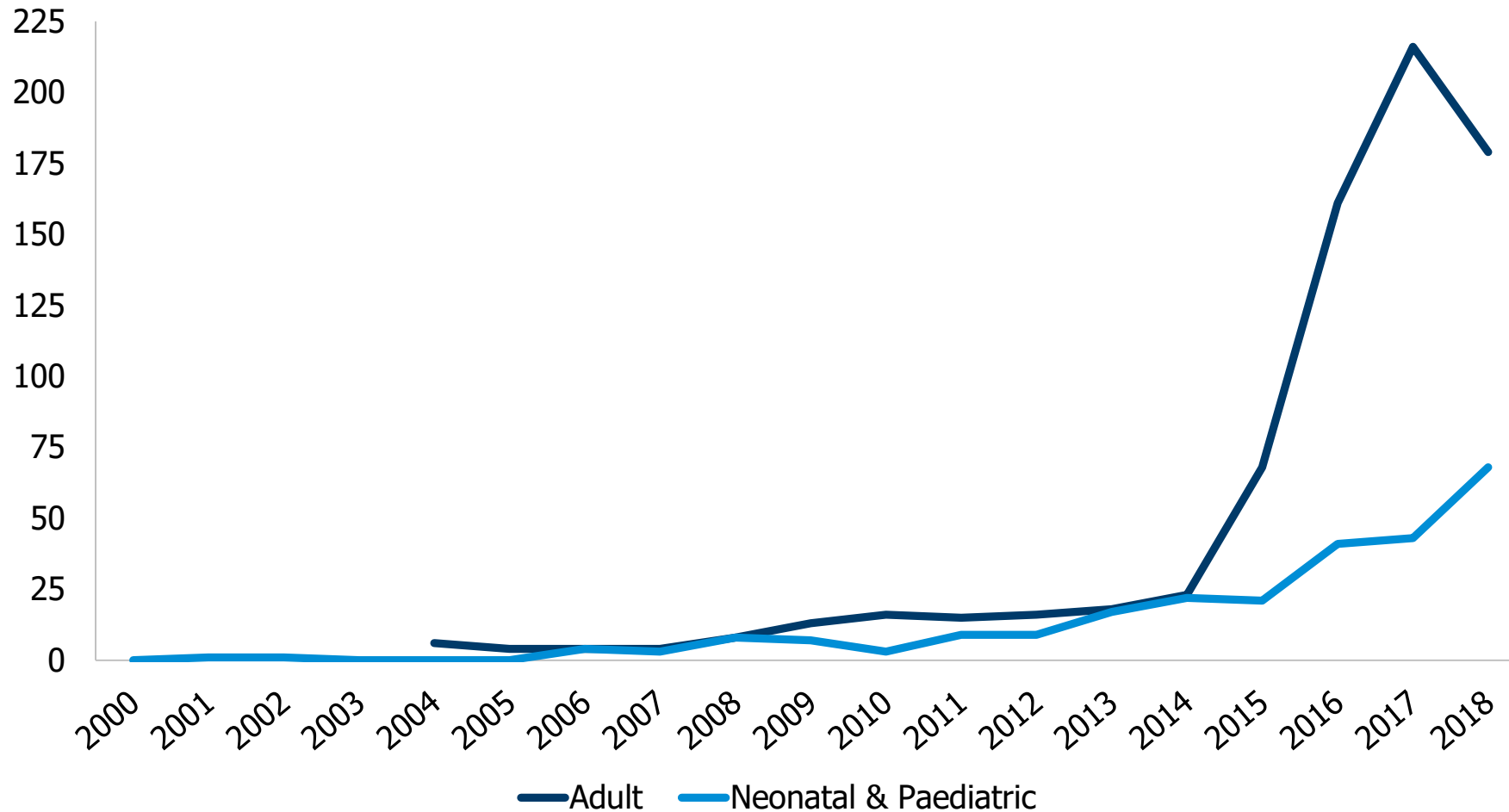
- REDUCED intubation¹⁰
- REDUCED length of stay¹¹
- REDUCED respiratory distress¹²

NEONATES:

- NON-INFERIORITY with nasal CPAP¹³
- REDUCED nasal trauma^{14, 15}
- REDUCED respiratory distress¹⁶

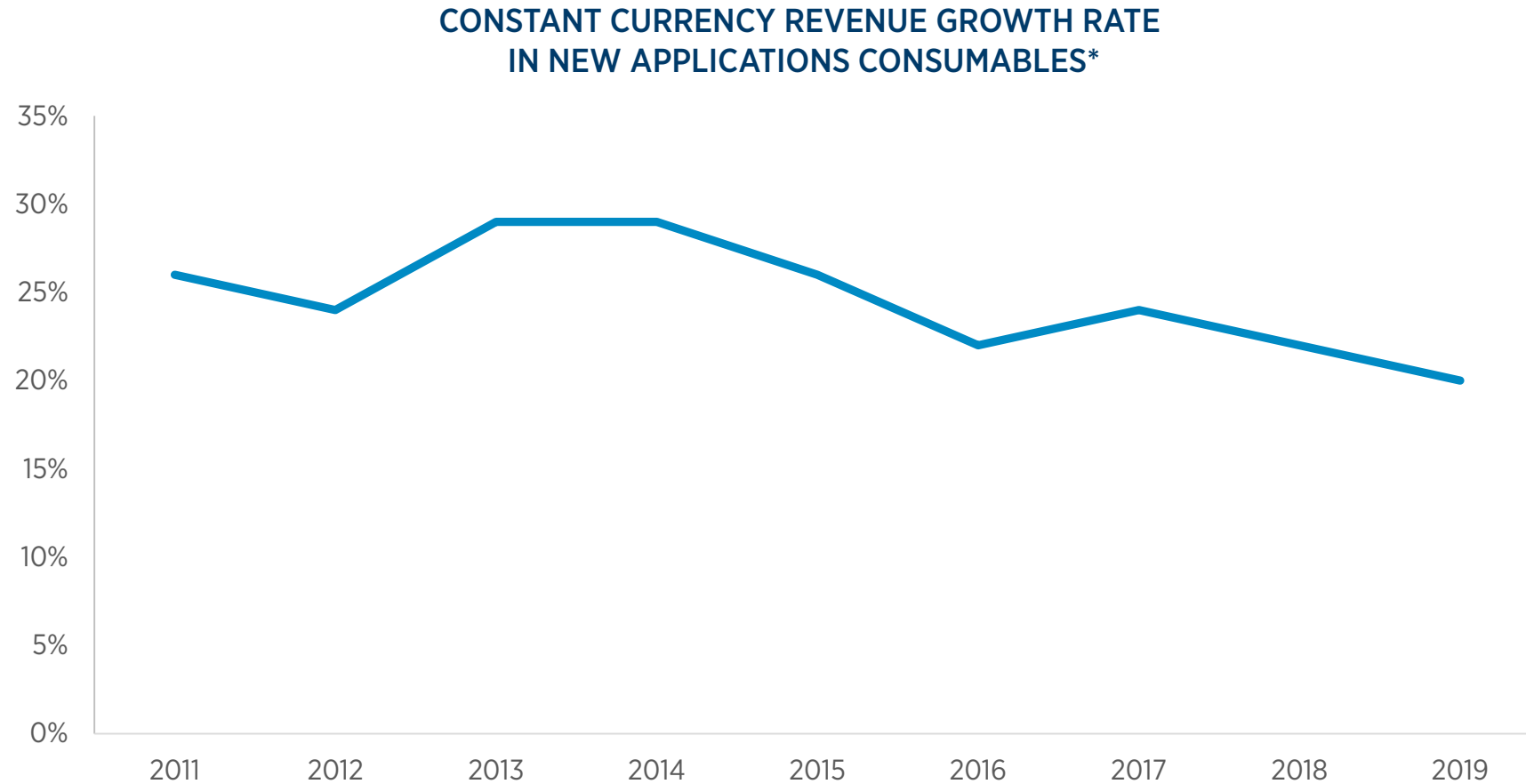
Optiflow NHF - a growing body of clinical evidence

NASAL HIGH FLOW CLINICAL PAPERS PUBLISHED ANNUALLY



- The publication of 247 clinical papers on NHF continues to signify a high level of clinical interest in the therapy.

Consistently strong growth in hospital new applications



- New applications consumables currently make up 63% of Hospital consumables revenue, up from 59% in FY2018 and 62% in FY2019

「Homecare」



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
- Estimate >100 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



Mask matters most

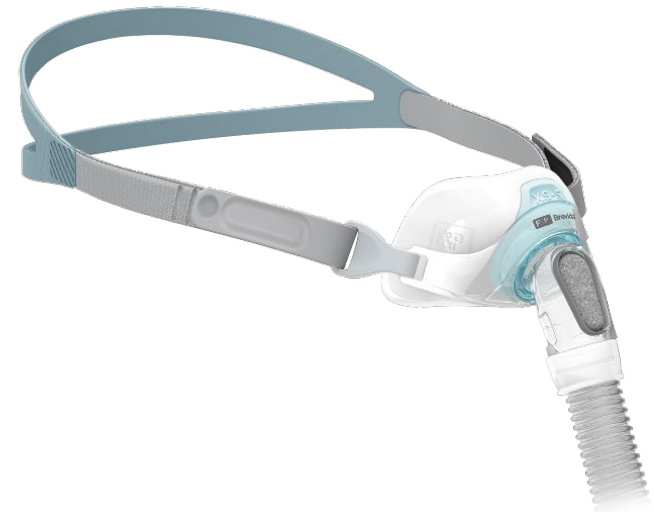
- Masks are key to compliance
- Unique, patented designs
- Vitera launched in NZ, Australia, Europe and Canada in May and in the US in October



F&P ESON 2™



F&P VITERA™



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 world¹⁷
- 6% of US adults have been diagnosed with COPD¹⁸ (~15 million people)
- 4-10% COPD prevalence worldwide¹⁹ (~400 million people)

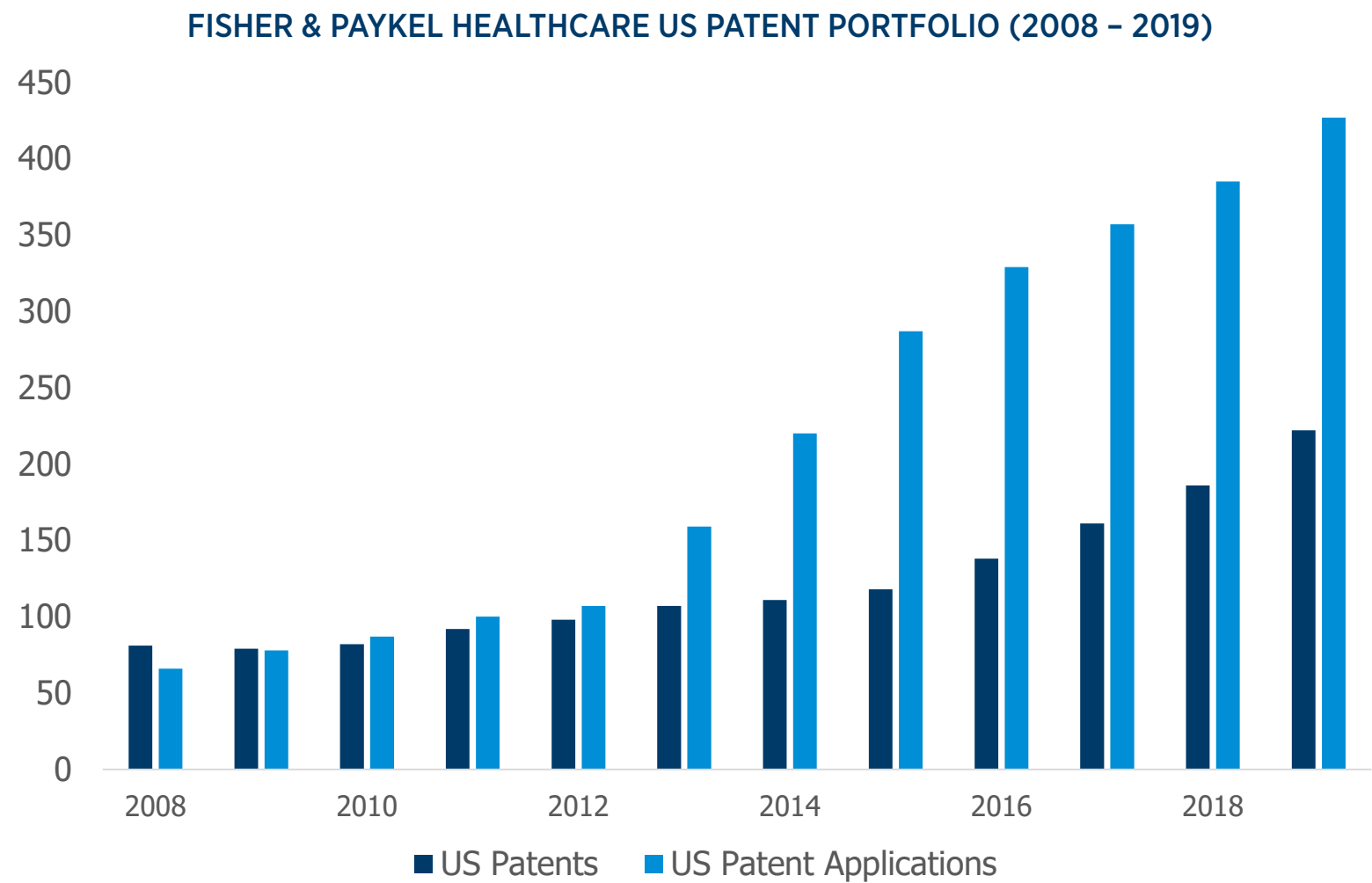


High level of innovation and investment in R&D

- R&D represents 9% of operating revenue:^{*} NZ\$54.0M
- Product pipeline includes:
 - Humidifier controllers
 - Masks
 - Respiratory consumables
 - Flow generators
 - Compliance monitoring solutions
- 242 US patents, 451 US pending, 1,056 Rest of world patents, 1,154 Rest of world pending[†]



Growing patent portfolio



Average remaining life of FPH patent portfolio (all countries): 12 years*

Manufacturing and operations

- Vertically integrated
- Will grow manufacturing capacity to accommodate future volume growth
 - Modest growth in NZ
 - Most growth outside NZ

Auckland, New Zealand

- Three buildings: 82,000 m² / 885,000 ft² total
- 100 acres / 40 hectares land
- Fourth building due to be completed early 2020
- Co-location of R&D and manufacturing in NZ a competitive advantage

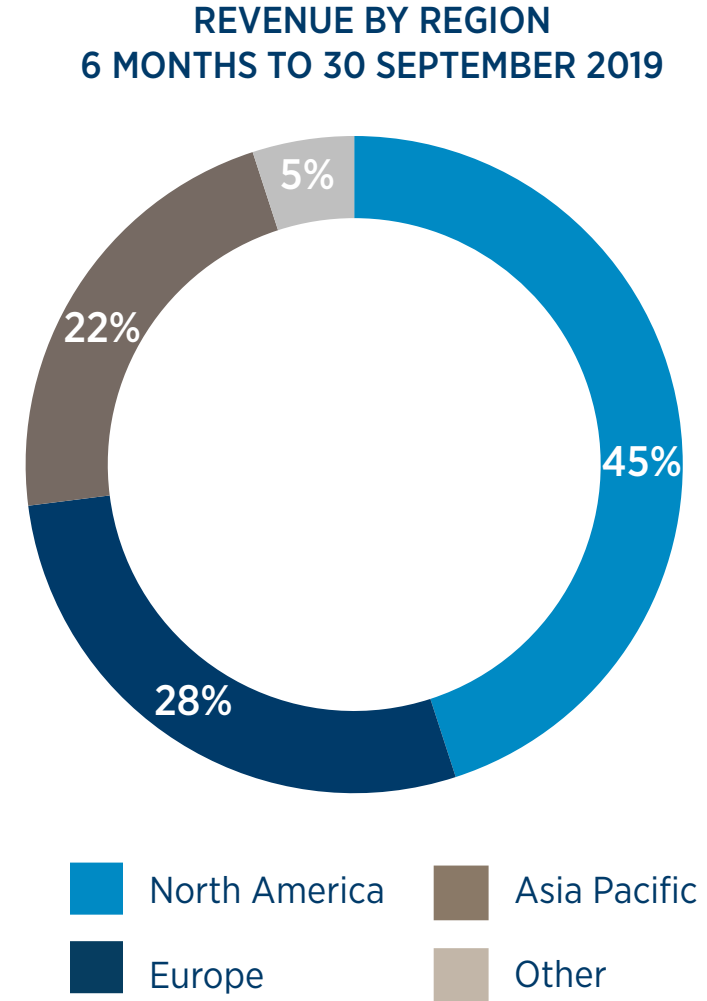
Tijuana, Mexico

- Two buildings: 41,000 m² / 450,000 ft² total



Strong global presence

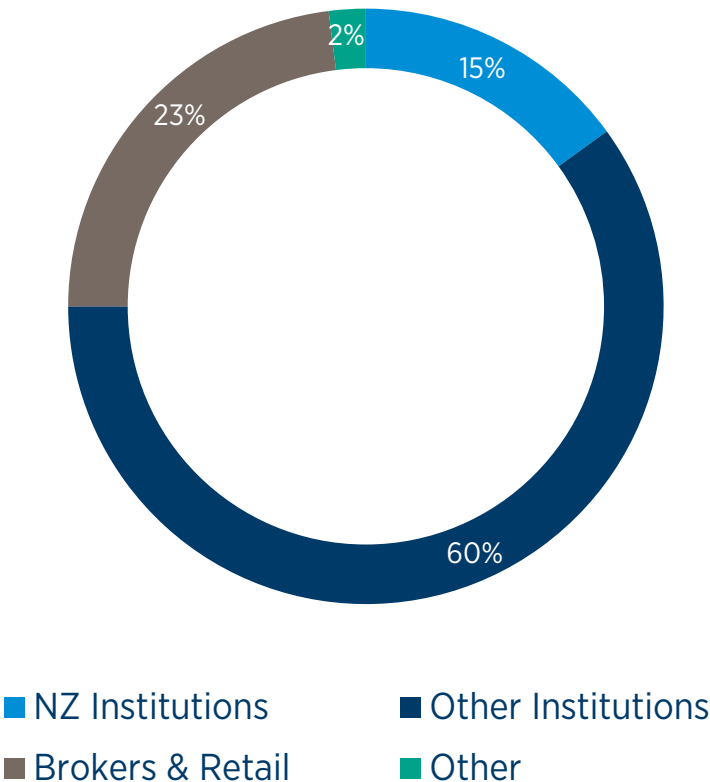
- Direct/offices
 - Hospitals, home care dealers
 - Sales/support offices in North America, Europe, Asia, South America, Middle East and Australasia, 18 distribution centres
 - ~1,000 employees in 38 countries
 - Ongoing international expansion
- Distributors
 - 100+ distributors worldwide
- Original Equipment Manufacturers
 - Supply most leading ventilator manufacturers
- Sell in more than 120 countries in total



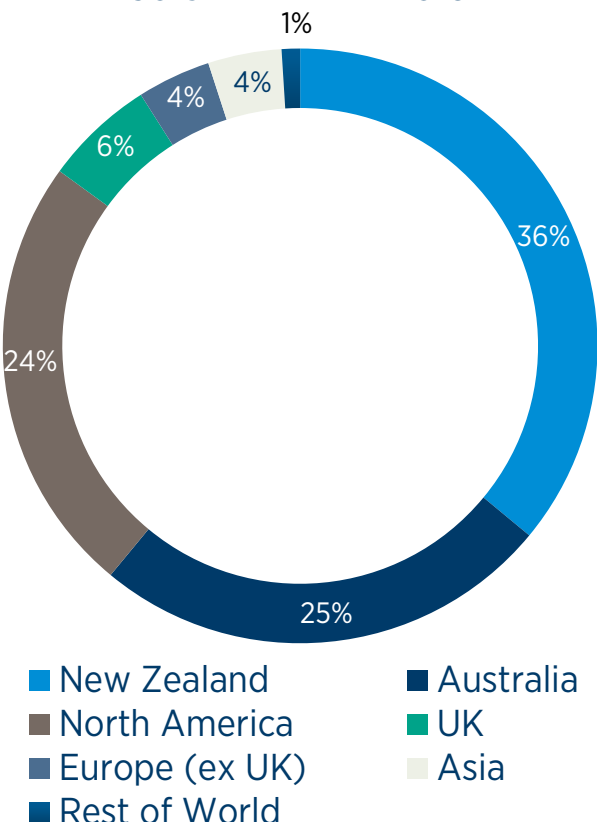
Ownership structure and listings

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

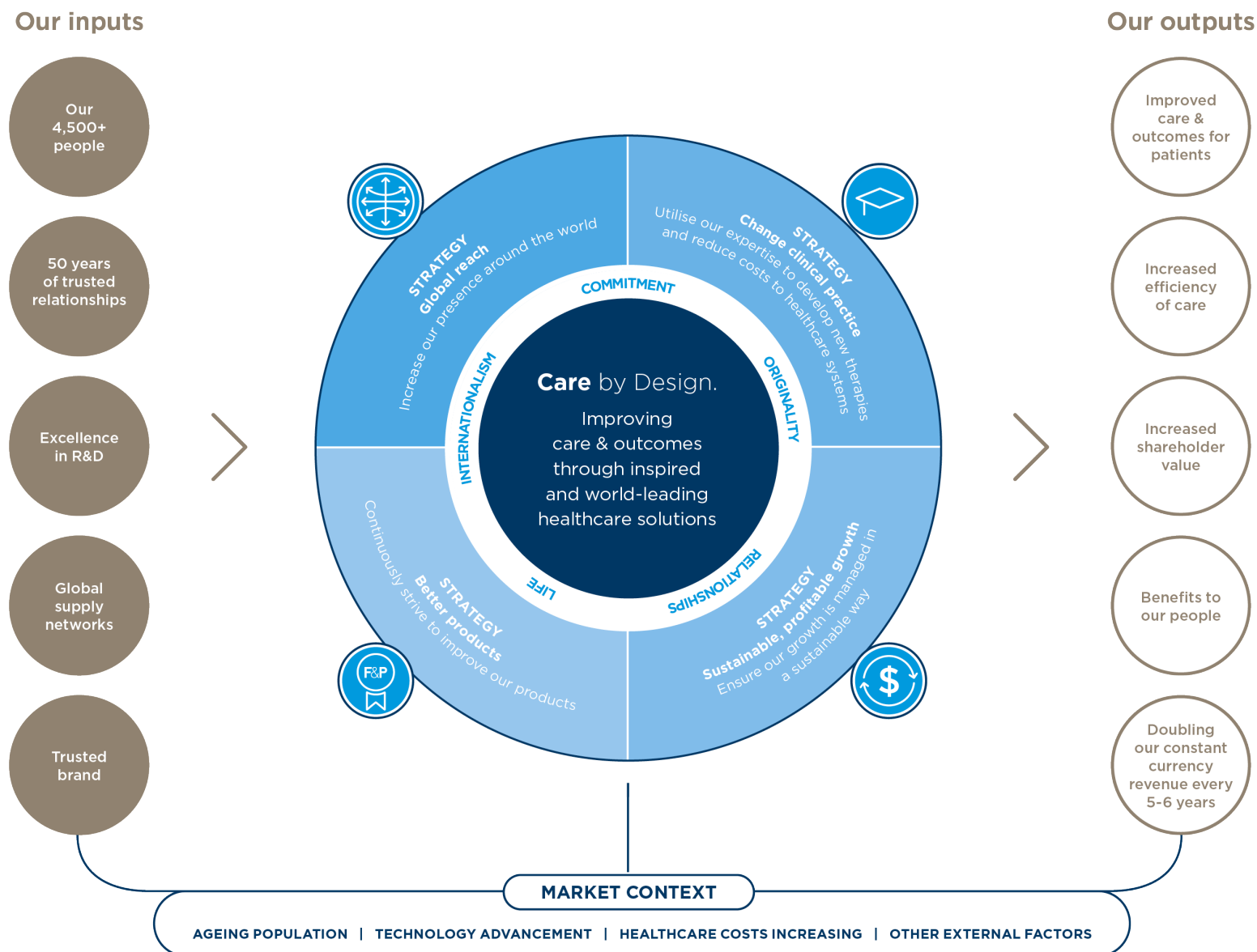
SHAREHOLDING STRUCTURE AS AT
30 SEPTEMBER 2019



GEOGRAPHICAL OWNERSHIP AS AT
30 SEPTEMBER 2019



Consistent growth strategy



Important Notice and References

Disclaimer

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