

Improving Care and Outcomes

Fisher & Paykel Healthcare Corporation Limited



September 2014

Fisher & Paykel
HEALTHCARE

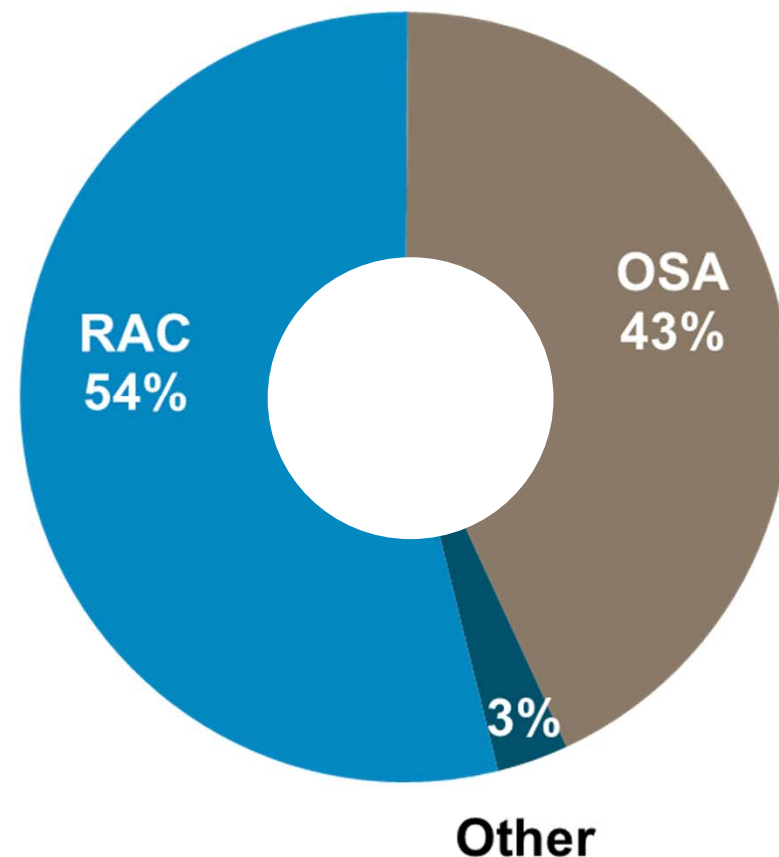
Investment highlights

- 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
NZX:FPH, ASX:FPH



Markets & products

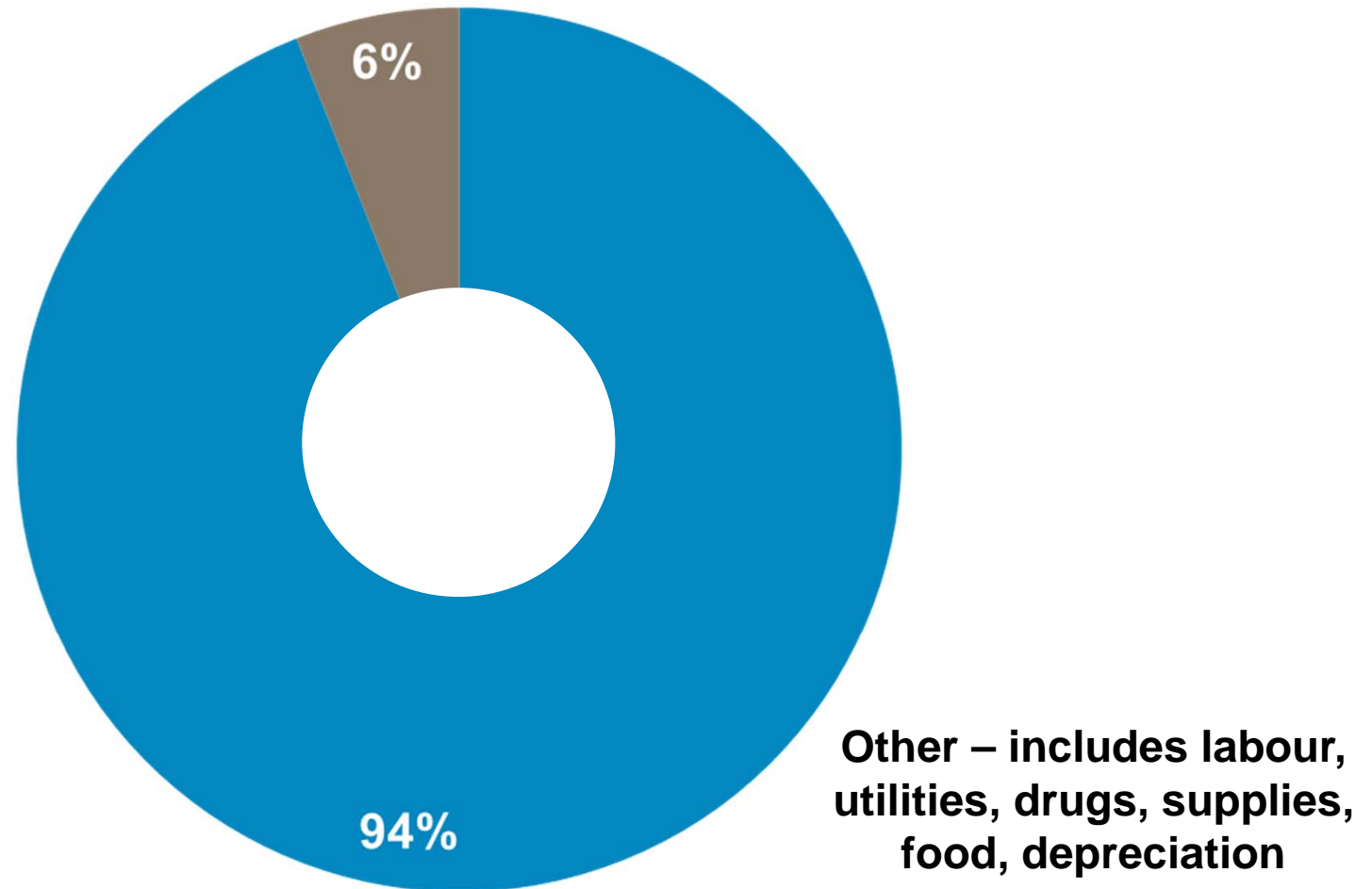
- Respiratory & Acute Care (RAC)
 - Heated humidification
 - Respiratory care
 - Neonatal care
 - Surgery
- Obstructive Sleep Apnea (OSA)
 - Masks
 - Flow generators
 - Data management tools
 - Humidifiers
- Consumable and accessory products represent approximately 78% of core product revenue (FY13: 76%)



Revenue by Product Group
12 months to 31 March 2014

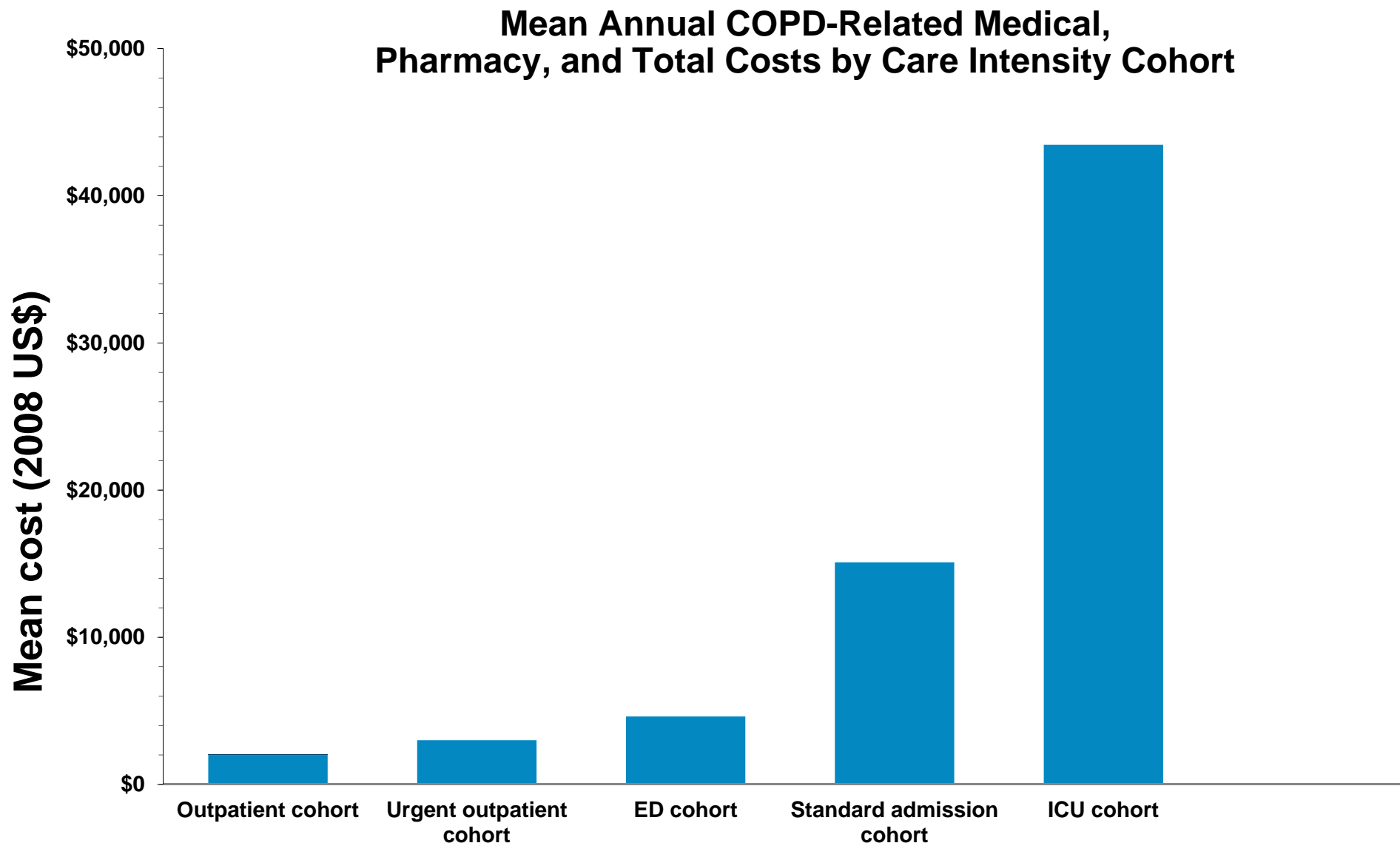
Cost breakdown – devices vs national health spending

Medical devices



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

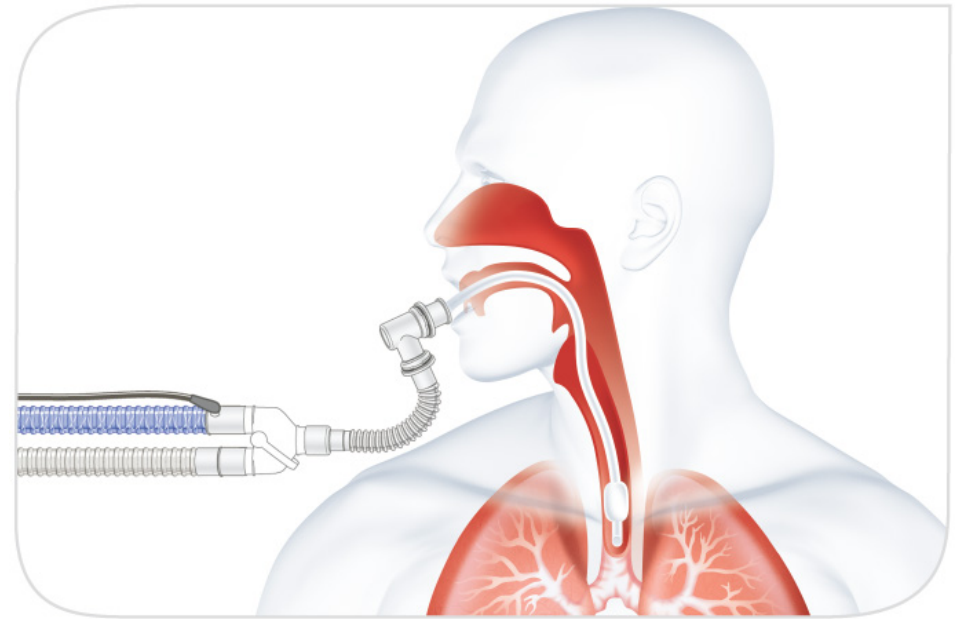
Lower care intensity equals lower cost



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 & surgical

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 - 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



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

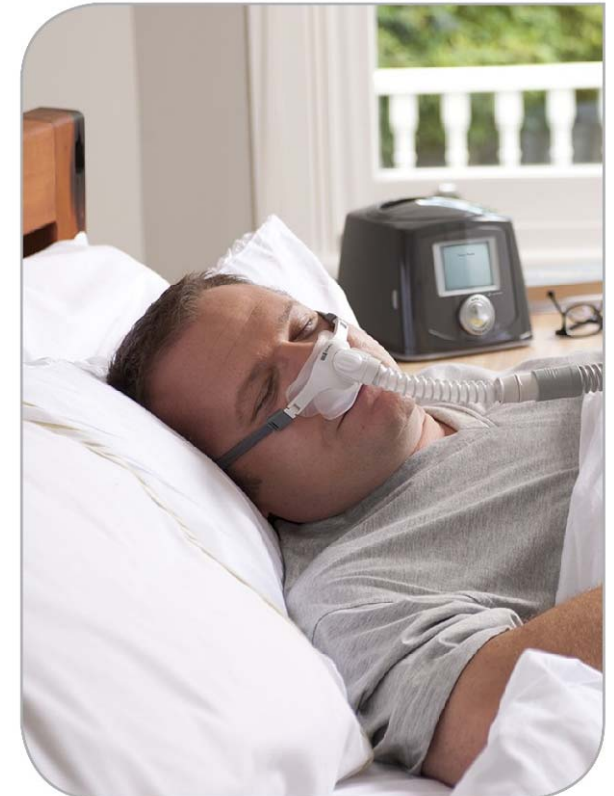
F&P Simplus™



F&P Eson™

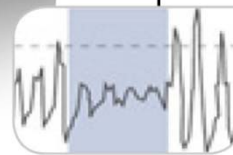
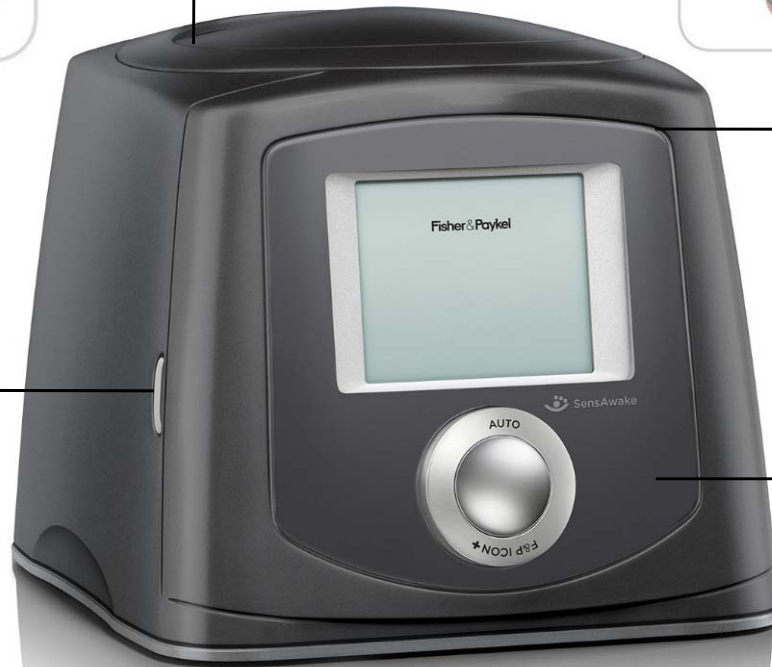
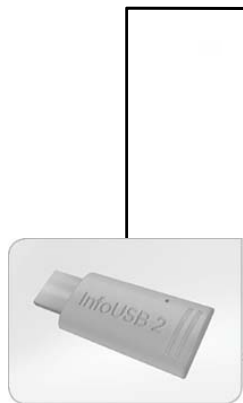
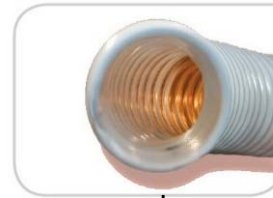


F&P Pilairo™ Q



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

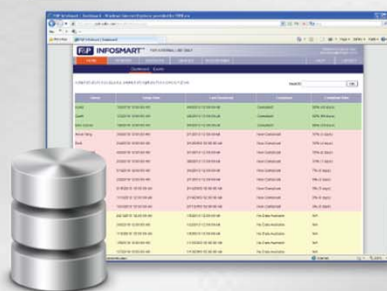
F&P InfoUSB 2



F&P InfoSmart



F&P InfoSmart Web



Research & development

- 8.7% of operating revenue, NZ\$54.1M¹
- Product pipeline includes:
 - Humidifier controllers
 - Masks
 - Respiratory consumables
 - Flow generators
 - Compliance monitoring solutions
- 111 US patents, 220 US pending, 459 ROW, 306 ROW pending¹

¹ at 31 March 2014



Manufacturing & operations

- Vertically integrated
 - COGs improvements; Mexico, Lean manufacturing, supply chain
- Ample capacity to grow



Auckland, New Zealand

- Three buildings: 82,000 m² / 885,000 ft² total
- 100 acres/40ha land

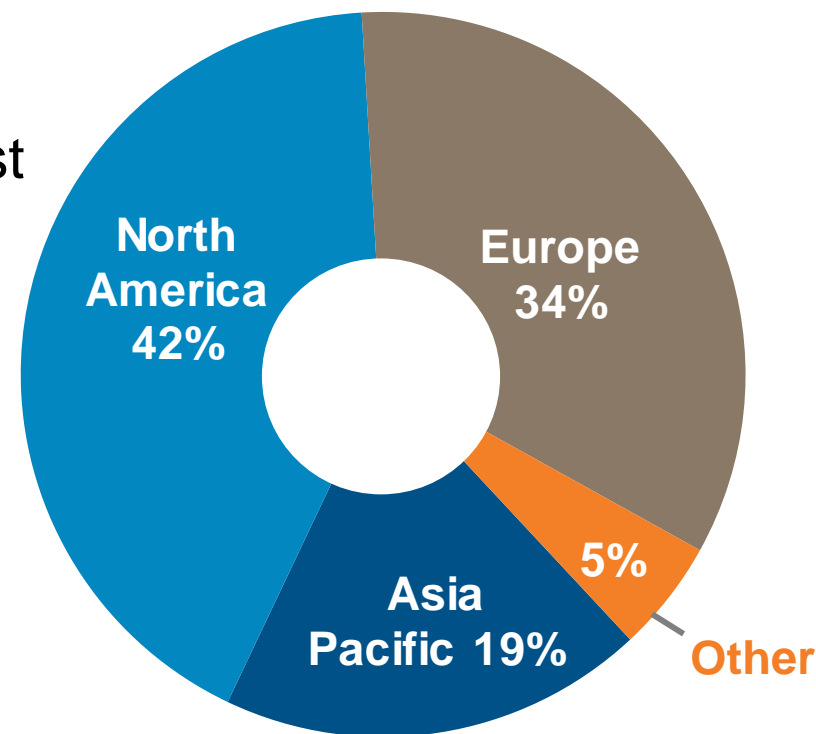


Tijuana, Mexico

- 18,000 m² / 200,000 ft²
- 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
12 months to 31 March 2014

Full year result highlights

12 months to 31 March 2014

	NZ\$M	ΔPCP	ΔCC ¹
Record net profit after tax	97.1	+26%	+46%
Record operating revenue	623.4	+12%	+13%
Record RAC operating revenue	336.9	+12%	+14%
Record OSA operating revenue	270.0	+15%	+15%
RAC new applications consumables revenue		+26%	+29%
OSA masks revenue		+22%	+23%
Gross Margin (bps increase)		+327	+393

Second half result highlights

6 months to 31 March 2014

	Δ PCP	Δ CC ¹
Net profit after tax	+20%	+53%
Operating revenue	+10%	+14%
Gross margin (bps increase)	+247	+423
RAC new applications consumables revenue	+23%	+27%
OSA mask revenue	+22%	+26%

1. CC = constant currency

Innovative products driving growth

- Respiratory & Acute Care
 - **Optiflow™** oxygen therapy system
 - **Evaqua™2** breathing circuits
 - **AIRVO™2** & **myAIRVO™2** humidifiers with integrated flow generators
- Obstructive Sleep Apnea
 - **Simplus™** full face mask
 - **Eson™** nasal mask
 - **Pilairo Q™** nasal pillows mask
 - **ICON™+** flow generator range



Full year operating results

FY14 (12 months to 31 March 2014)

	%Revenue	NZ\$M	ΔPCP	ΔCC ¹
Operating revenue	100%	623.4	+12%	+13%
Cost of sales	41.4%	258.0	+4%	+4%
Gross profit	58.6%	365.4	+19%	+22%
Other income (R&D grant)		3.7		
SG&A	27.5%	171.5	+13%	+14%
R&D	8.7%	54.1	+18%	+18%
Total operating expenses	36.2%	225.6	+14%	+15%
Operating profit	23.0%	143.5	+27%	+46%
Profit after tax	15.6%	97.1	+26%	+46%

1. CC = constant currency

Dividend

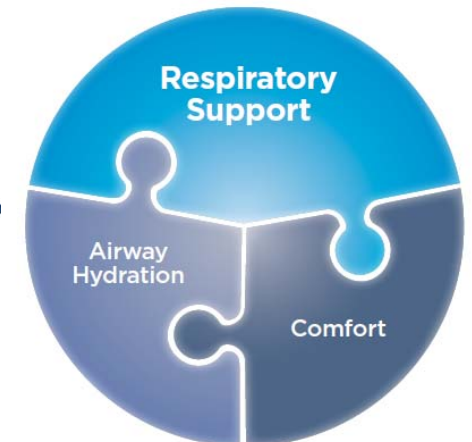
- Final dividend for the 2014 financial year:
 - 7.0 cps + 2.7 cps imputation credit for New Zealand residents (gross dividend of 9.7 NZ cps)
 - Fully imputed
 - 1.235 cps non-resident supplementary dividend
 - Dividend Reinvestment Plan offered for New Zealand and Australian residents - 3% discount
- Gross dividend yield, 17.2 cps ~3.4%

Respiratory & acute care (RAC)

- Operating revenue growth **H2 FY2014**
 - NZ\$ +9%
 - Constant currency +13%
- New applications consumables revenue growth (Noninvasive ventilation (NIV), Optiflow, AIRVO, Surgical)
 - NZ\$ +23%
 - Constant currency +27%
- New applications consumables now make up 42% of RAC consumables revenue, up from 38% in FY13
- More customers are choosing to use our Optiflow oxygen therapy system as the economic and health benefits are emerging



F&P Optiflow™



Obstructive sleep apnea (OSA)

H2 FY2014

- Operating revenue growth
 - NZ\$ +13%
 - Constant currency +17%
- Mask revenue growth
 - Constant currency +26%
- Our Eson, Pilairo Q and Simplus masks are designed for comfort, seal and ease of use and have been very well received by our customers. All are now available in the majority of our key markets

F&P Pilairo™ Q



F&P Simplus™



F&P Eson™



F&P ICON™+



Balance sheet & cash flow

FY14 (as at 31 March 2014)

	NZ\$M
• Operating cash flow	104.1
• Capital expenditure	31.9
• Depreciation and amortisation	29.9
• Net debt	98.9
• Total shareholders equity	406.1
• Total assets	630.3
• 34% pre-tax return on equity, 22% on total assets	

Foreign exchange effects

- NZ\$252.5M of hedging in place at 31 March 2014 for FY15.
- 48% of operating revenue in USD (FY13: 50%) and 24% in €. As direct sales operations increase an increasing proportion of our revenue is generated in local currencies, reducing operating revenue exposure to USD.
- Hedging position for our main exposures as at 20 August 2014:

	Year to 31 March		
	2015	2016	2017
USD % cover of expected exposure	68%	12%	0%
USD average rate of cover	0.79	0.77	-
EUR % cover of expected exposure	89%	37%	8%
EUR average rate of cover	0.51	0.53	0.47

- Previously closed out forex contracts
 - NZ\$21.3M to operating profit in FY14, zero in FY15

Outlook FY15

- Operating profit headwind of approximately NZ\$30 million in FY15 from reduced hedging and less favourable spot rates
- Expect for H1FY15 constant currency operating profit growth of approximately 60% and at NZD:USD exchange rate of 0.84:
 - Operating revenue – approximately NZ\$315 million
 - Net profit after tax – approximately NZ\$45 million
- Expect for FY15 at a NZD:USD exchange rate of 0.84
 - Operating revenue – approximately NZ\$650 million
 - Net profit after tax – approximately NZ\$100 million

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

