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# Fisher & Paykel

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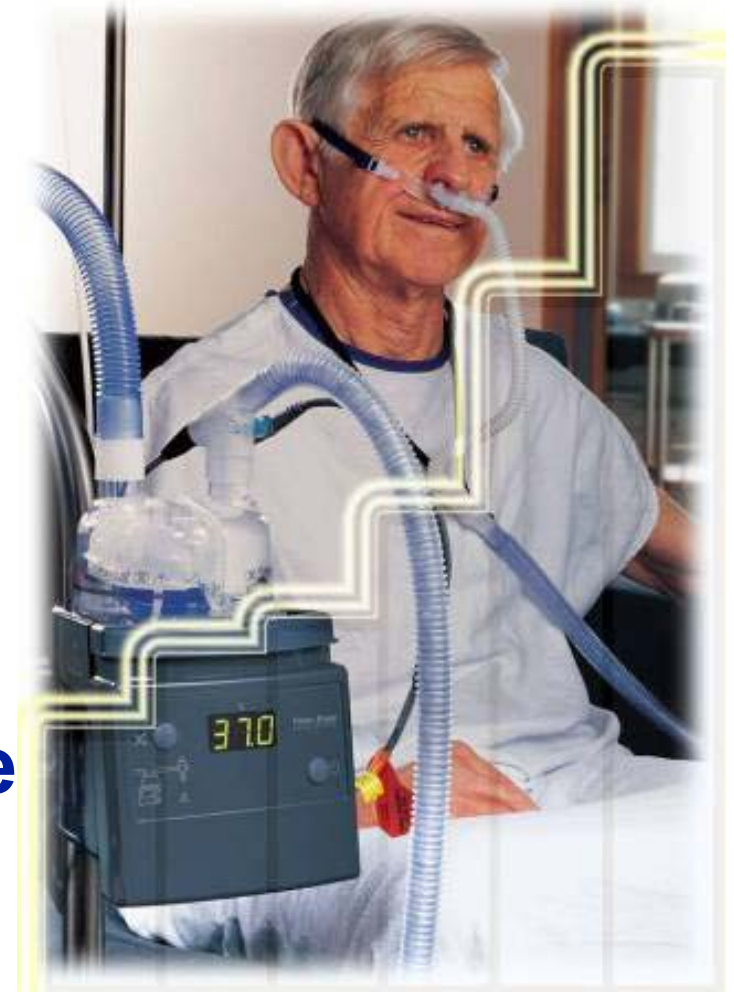
# HEALTHCARE

Macquarie Connections  
NZ Investment Conference  
8 March 2006

# Investment Highlights

- **Leading player in heated humidification systems**
- **Consistent growth strategy**
- **Estimated US\$2+ billion and growing market opportunity**
- **High level of innovation**
- **Global presence**
- **Strong financial performance**

NZSX:FPH, ASX:FPH



# Operating Results US\$ H1 FY06

FY06 (6 mths)

	<u>%Revenue</u>	<u>US\$M</u>	<u>%Δpcp</u>
Operating revenue	100%	95.0	+27%
<b>Gross profit</b>	<b>70.6%</b>	<b>67.1</b>	<b>+24%</b>
<b>SG&amp;A</b>	<b>29.4%</b>	<b>28.0</b>	<b>+27%</b>
<b>R&amp;D</b>	<b>6.2%</b>	<b>5.9</b>	<b>+12%</b>
<b>Total Operating Expenses</b>	<b>35.6%</b>	<b>33.9</b>	<b>+24%</b>
Operating Profit	35.0%	33.3	+25%

# Operating Results NZ\$ H1 FY06

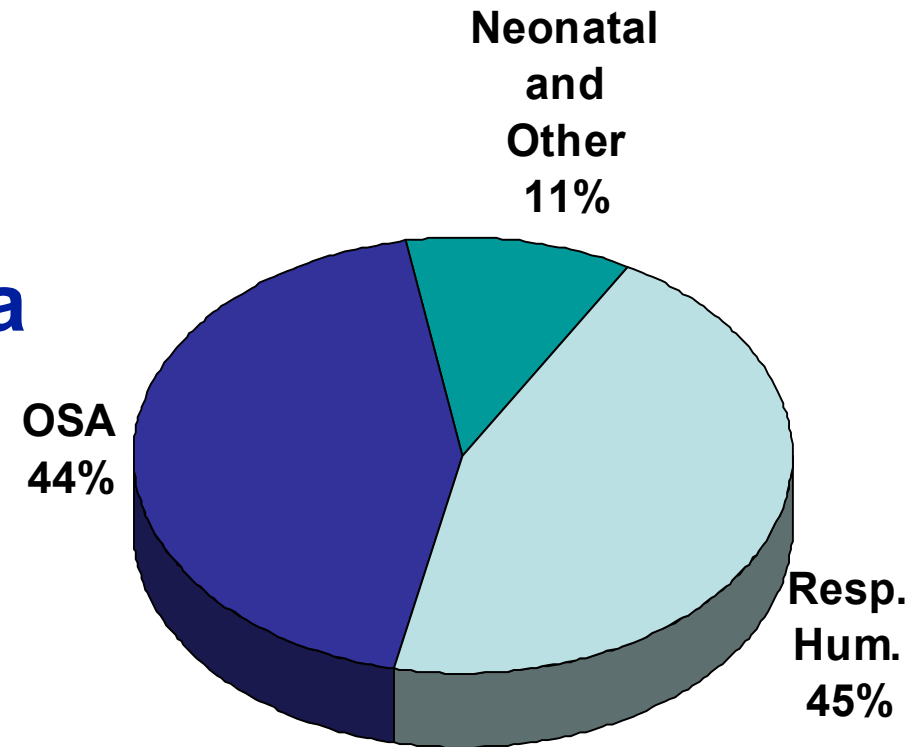
FY06 (6 mths)

	<u>% Revenue</u>	<u>NZ\$M</u>	<u>%<math>\Delta</math>pcp</u>
Operating revenue	100%	135.4	+15%
<b>Gross profit</b>	<b>70.6%</b>	<b>95.6</b>	<b>+13%</b>
<b>SG&amp;A</b>	<b>29.4%</b>	<b>39.9</b>	<b>+16%</b>
<b>R&amp;D</b>	<b>6.2%</b>	<b>8.3</b>	<b>+2%</b>
<b>Total Operating Expenses</b>	<b>35.6%</b>	<b>48.2</b>	<b>+13%</b>
Operating Profit	35.0%	47.4	+14%

# Markets and Products

- **Respiratory humidification**
- **Obstructive sleep apnea**
- **Neonatal and other**

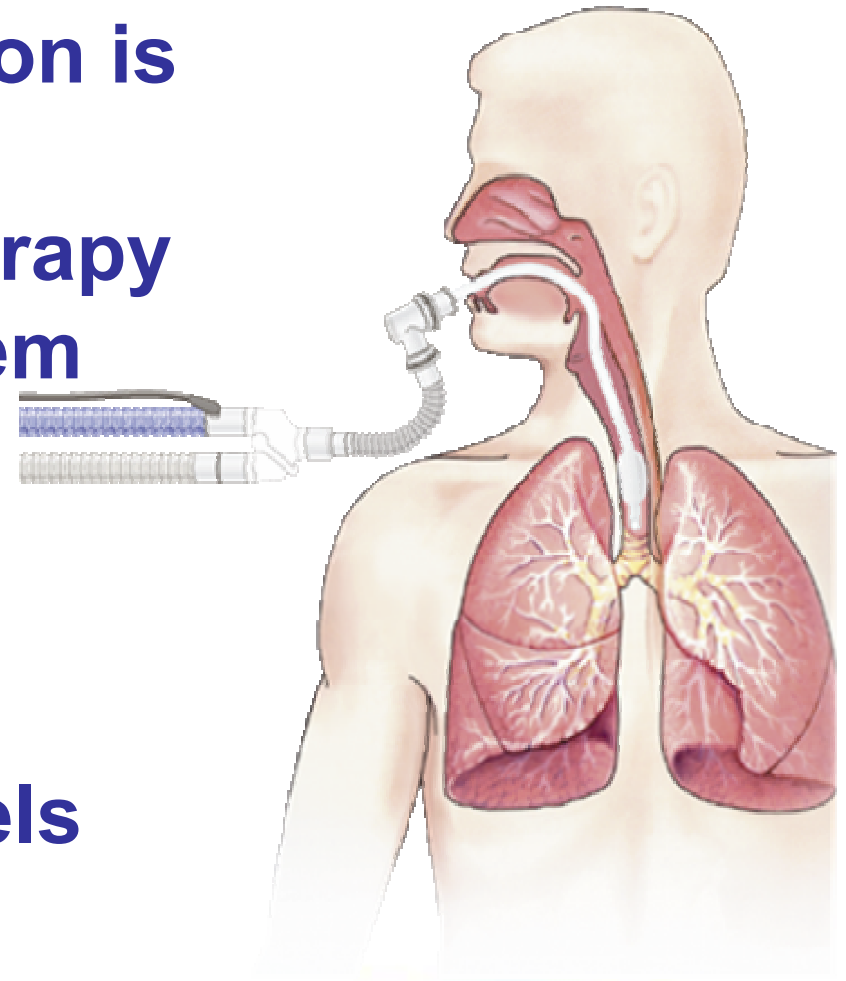
➤ **Consumable products represent approx. 58% of core product sales**



**Revenue by Product**  
**6 months to 30 September 2005**

# Respiratory Humidification

- Normal airway humidification is bypassed or compromised during ventilation or O<sub>2</sub> therapy
- Mucociliary transport system operates less effectively
  - increases risk of infection
  - impairs gas exchange
- Need to deliver gas at physiologically normal levels
  - 37°C body core temperature
  - 44mg/L 100% saturated





# Market Opportunity

- **Estimated US\$350+ million market worldwide**
  - heated humidifier controllers
  - humidifier chambers
  - +
  - breathing circuits and components
  - +
  - unheated humidifiers
  - oxygen therapy supplies
- **Opportunity to move technology into O<sub>2</sub> therapy, COPD, xerostomia, insufflation**

# Humidification Systems

- **MR850 Respiratory Humidifier System**
  - invasive ventilation, O<sub>2</sub> therapy and non-invasive ventilation
- **MR810 Respiratory Humidifier System**
  - entry level system
  - ventilation and O<sub>2</sub> therapy
  - optional heated breathing circuit
- **HC550 Respiratory Humidifier System**
  - invasive ventilation for home use





# Single-use Components

- **Single-use chambers**
  - patented auto filling MR290
  - manual filling models
- **Single-use breathing circuits**
  - adult and neonatal
  - patented spiral heater wire
  - proprietary dry expiratory tube
  - less condensation
  - delivery of optimal humidity
- **Breathing circuit components**
  - filters
  - catheter mount
  - weaning kit
- **Approx 35 system set-ups used per controller per year**
- **Consumable growth driving increased revenue growth rate**



**New**



# Expanding Opportunities

- **MR880 Humidification System**
  - Controller, chamber, breathing circuit, range of single patient use interfaces.
  - Designed for a range of new patient groups, e.g. O<sub>2</sub> therapy, COPD, xerostomia.
- **MR860 Laparoscopic Humidification System**
  - Humidifies the dry CO<sub>2</sub> gas used in 'keyhole' surgery.
  - Improves outcomes by: reduced hypothermia, less post operative pain, less time in recovery room, faster return to normal activities, reduced risk of adhesions.
  - Potential high volume of consumables.

**New**



**New**



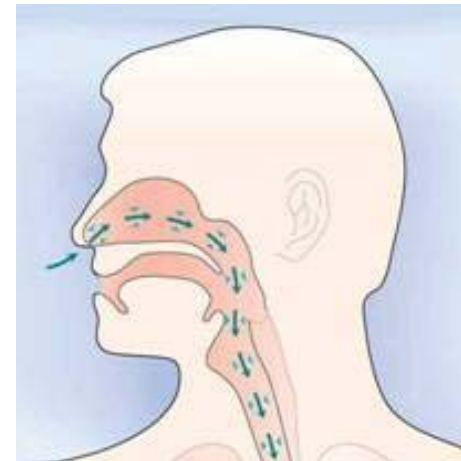
# Respiratory Humidification H1 FY06

- 16% revenue growth US\$, 13% ex currency
- MR850 penetration driving increasing breathing circuit share
- Increasing value per patient
- Establishing sales of MR860 insufflation humidification system in NZ and Australia
- Positive response to MR880 system in NZ and Australia
- Additional consumables, COPD home system in R&D pipeline



# 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\$1.2+ billion worldwide market, growing 15% - 20%
- 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



Normal breathing



Patient with OSA



# CPAP Systems

- **HC150 Humidifier**
- **SleepStyle™ 200 Convertible and Integrated Flow Generator series**
  - greater pressure range, altitude adjustment, enhanced user ergonomics
  - patented Ambient Tracking™ plus auto-adjusting humidification technology
- **SleepStyle™ 600 Integrated Flow Generator series**
  - *ThermoSmart*™ heated breathing tube technology
  - more humidity
  - reduced symptoms, increased comfort



# Mask Range

## Four interface categories:

- **FlexiFit™ Nasal Masks**
  - patented sliding attachment
  - FlexiFit™ technology
  - new 406 Petite model
- **FlexiFit™ Full Face Mask**
  - under chin seal
- **Oracle™ Oral Mask**
  - proprietary oral interface
- **Infinity™ Direct Nasal Mask**
  - very light





# OSA H1 FY06

- 64% flow generator and mask revenue growth in US\$
- 42% total revenue growth in US\$
- Introduced non-invasive ventilation masks
- Introduced FlexiFit™ 406 Petite Nasal Mask
- Completed introduction of full range of HC230 and HC600 new generation flow generators
- Additional flow generators, masks in R&D pipeline

New



New



New



# Neonatal and Warming

- **Radiant Warmers**
  - warmers required in delivery and NICU
  - precise and stable temperature control
  - opportunity in operating room
- **Infant CPAP System**
  - proprietary bubble CPAP, non-invasive, oscillating pressure
  - lower risk alternative to ventilation
  - high value consumable system
- **Infant Resuscitator System**
  - precise pressure control
  - consumable resuscitation kit



# Neonatal and Warming H1 FY06

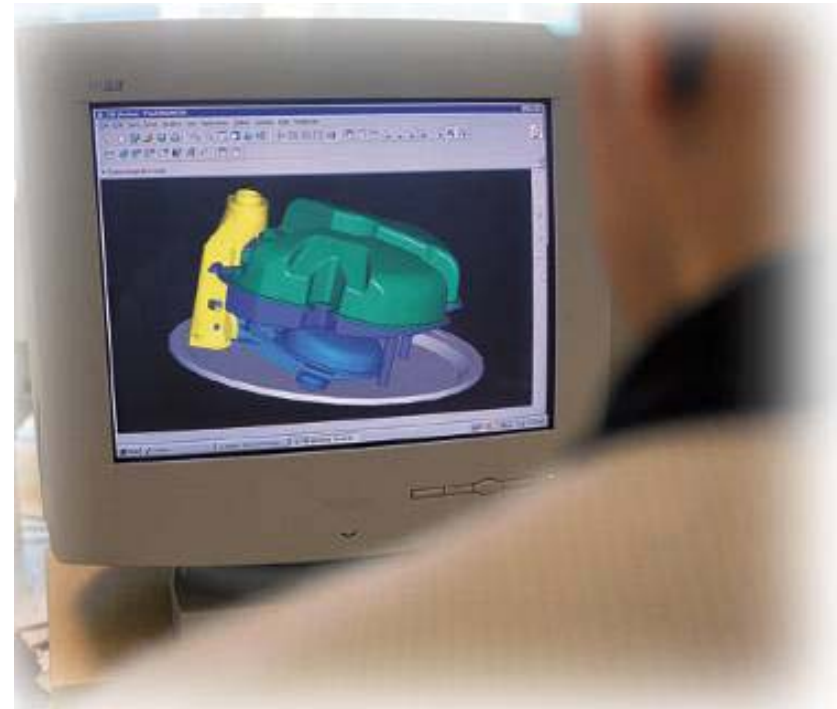
- **28% revenue growth in US\$,  
25% ex currency**
- **Warmers, CPAP and  
resuscitators all driving  
growth**
- **Increasing proportion of  
recurring revenue**
- **Range of resuscitation  
masks to be introduced**



# Research & Development

- 170 engineers, scientists, physiologists
- 6.2% of revenue H1 FY06
- Product pipeline includes
  - Flow generators
  - Masks
  - Humidification system for COPD therapy
  - Respiratory consumables
- Competitive NZ cost base
- 52 US patents, 70 US pending, 97 ROW, 234 ROW pending \*

\* at 31 Mar 2005





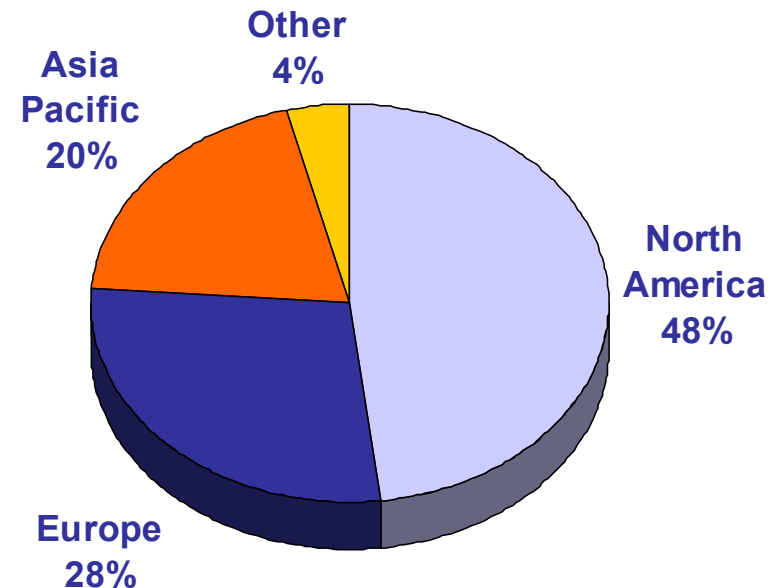
# Manufacturing

- **Vertically integrated**
  - electronics assembly
  - injection moulding
  - motor assembly
- **ISO 9001; Class 100,000 controlled environment**
- **Ample capacity to grow**
  - 300,000ft<sup>2</sup> / 28,000m<sup>2</sup> facility
  - 100 acres / 40 ha
  - 23,000m<sup>2</sup> building due for completion mid 2006



# Global Presence

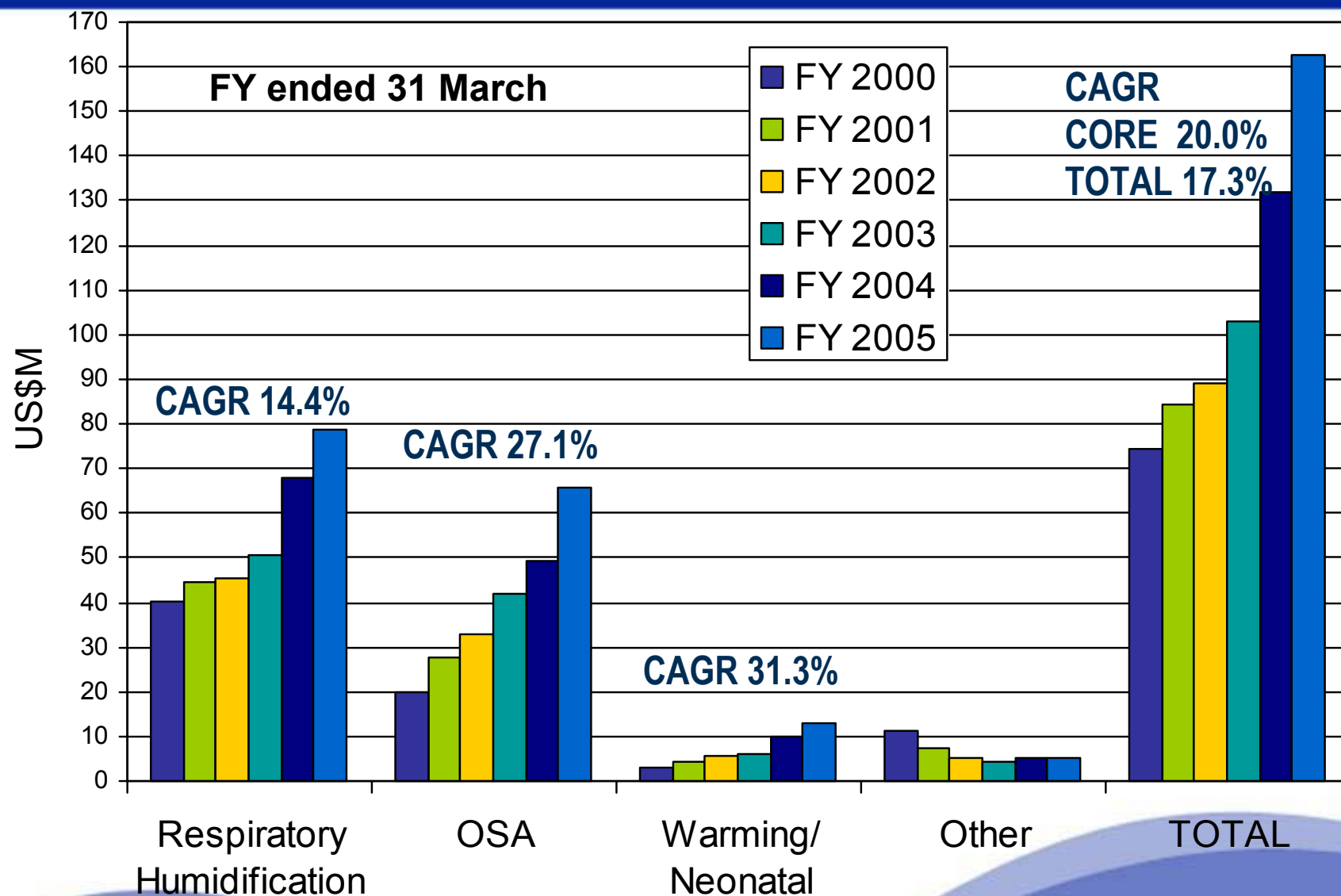
- **Direct**
  - hospitals, home care dealers
  - Sales/support offices in USA/Canada, UK/Ireland, France/Benelux/Italy/Spain, Germany/Austria/Switzerland, India, Japan, UAE, China, Australia and NZ - 270 staff
  - Ongoing international expansion
- **Distributors**
  - 100 distributors worldwide - 90 countries
- **Original Equipment Manufacturers**
  - supply most leading ventilator manufacturers



Revenue by Region  
6 months to 30 September 2005



# Revenue Growth US\$



# Balance Sheet

- **NZ\$24M cash at 30 September 2005**
- **Investing in capacity expansion with construction of NZ\$60M second building**
- **NZ\$5.4cps FY06 interim dividend**
- **NZ\$27M ongoing share buyback; NZ\$15.3M completed to date.**
- **50% annualised pre-tax return on average funds employed FY06 (46% FY05)**

# Growth Drivers

## **Consistent strategy:**

- **Continue to improve existing product lines**
- **Develop complementary products/ consumables**
- **Target new medical applications**
  - e.g. COPD, O<sub>2</sub> therapy, insufflation
- **Increase international presence**
  - e.g. South America and Scandinavia