

Deutsche Bank NZ Corporate Day
8 March 2017





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

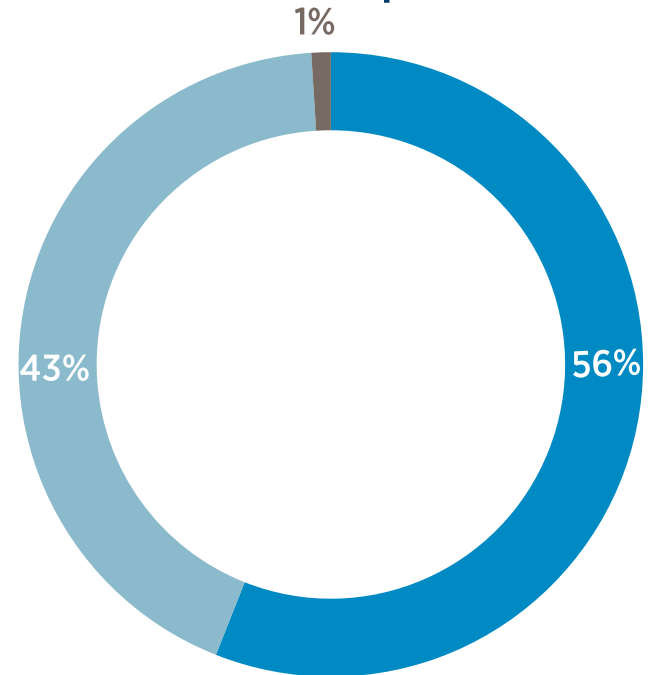
- Heated humidification
- Respiratory care
- Neonatal care
- Surgery

○ 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**



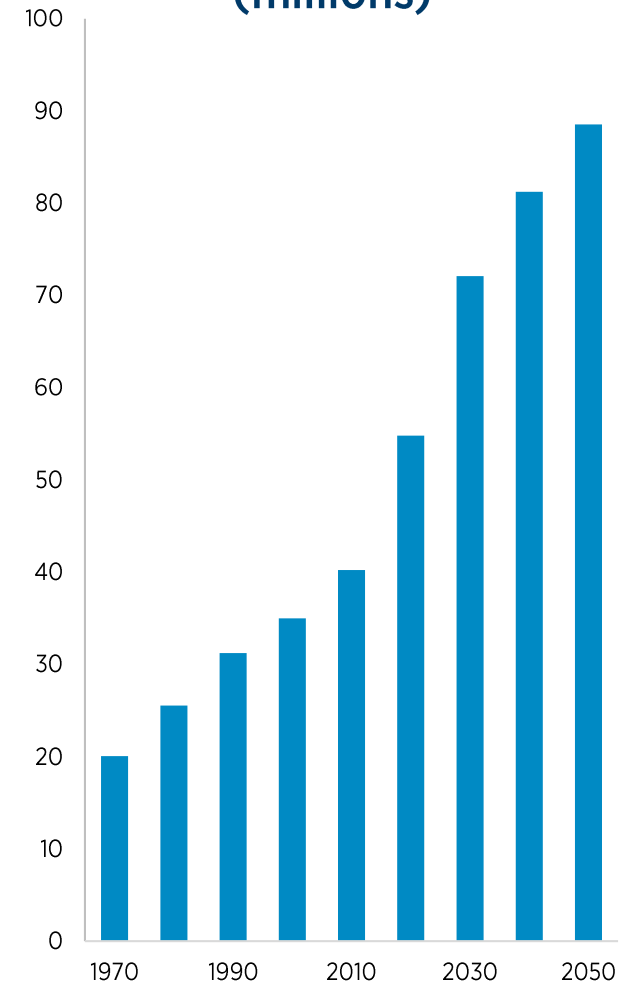
- Hospital
- Homecare
- Distributed & Other

Impact of Changing Demographics

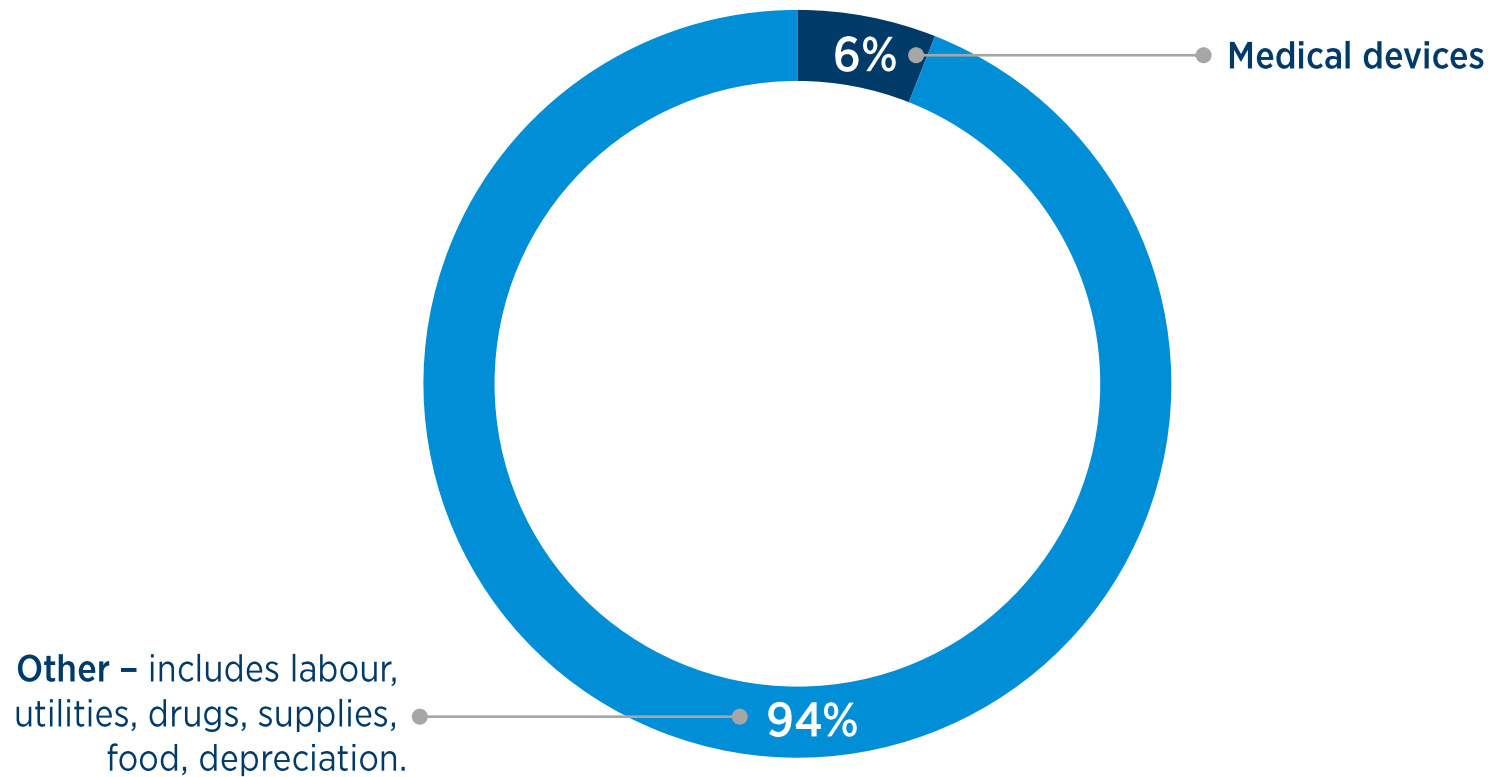
- Population age and weight both increasing
 - US population 65 years+ to grow ~80% over next 20 years¹
 - US males 60 - 74 years, average weight increased 0.4 kg/year since 1960²
- 60% of US healthcare cost is after age 65 years³
- Developing markets increasing healthcare spending
 - China healthcare expenditure projected to grow at 12% per year between 2014-2018⁴



US Population over age 65 (millions)



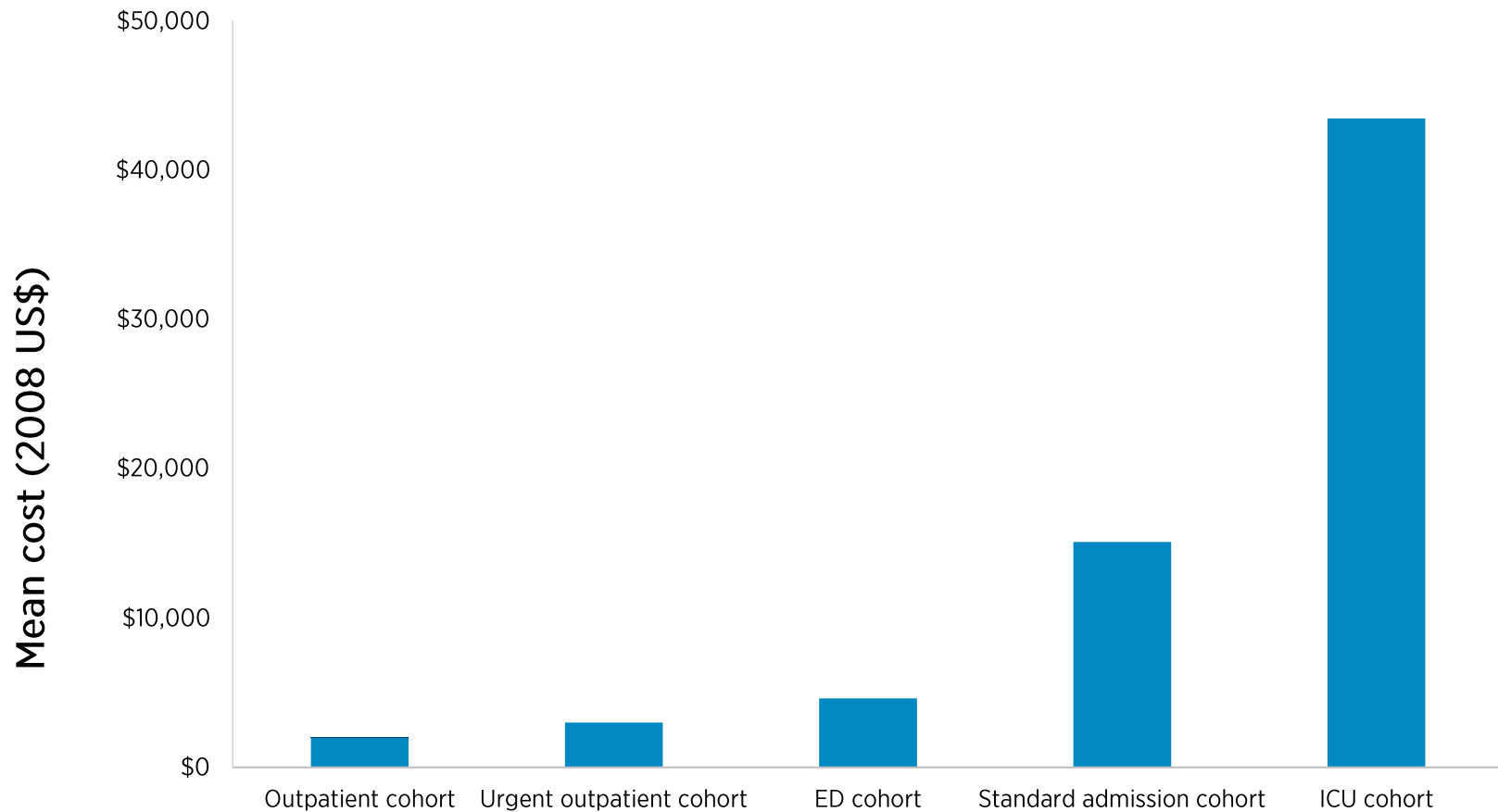
Hospital Cost Breakdown



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

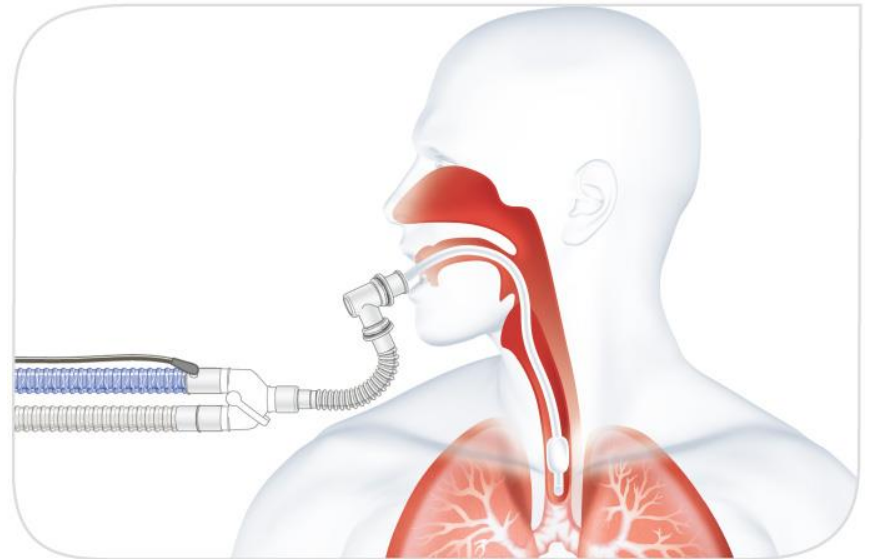


“NEW APPLICATIONS”

Applications outside of invasive ventilation

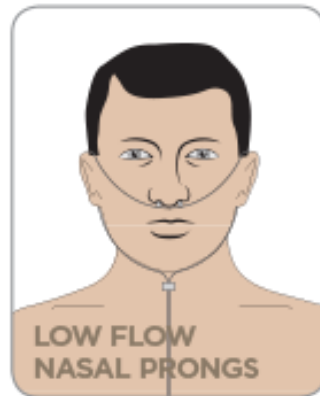
Respiratory Humidification

- 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

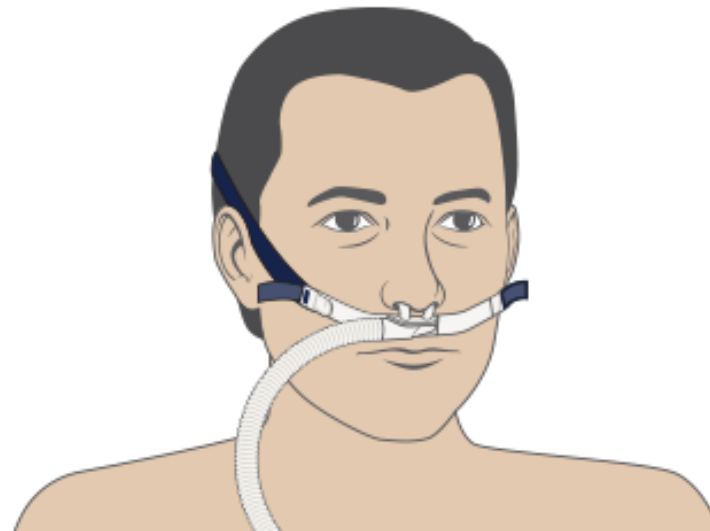
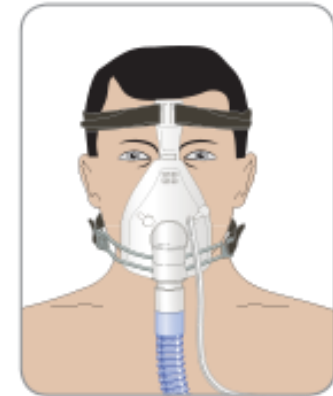


Optiflow - Displacing Conventional Oxygen Therapy

CONVENTIONAL OXYGEN THERAPY



NONINVASIVE VENTILATION



Clinical Outcomes of Optiflow Nasal High Flow Therapy

Optiflow NHF therapy is associated with:

ADULTS:

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

PAEDIATRICS:

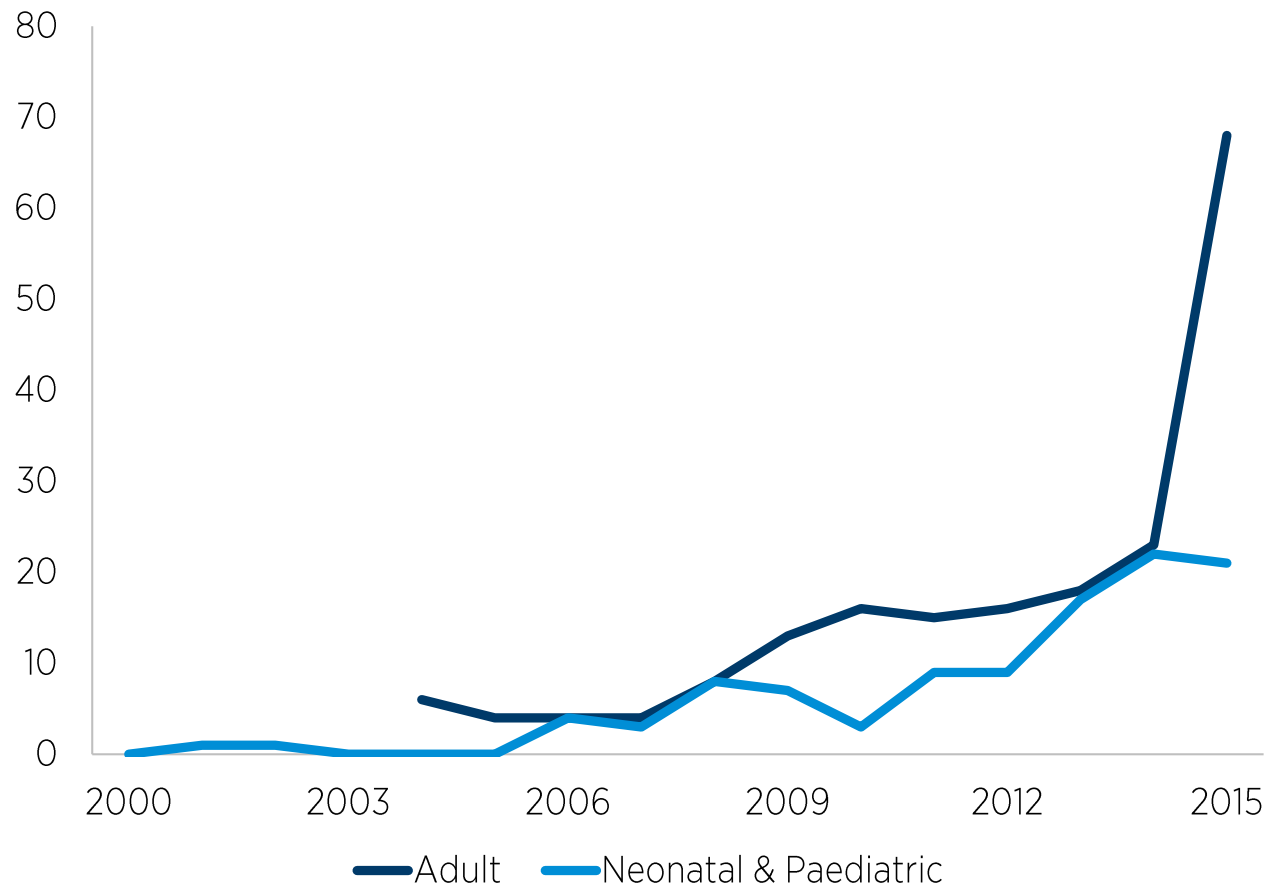
- REDUCED intubation⁹
- REDUCED length of stay¹⁰
- REDUCED respiratory distress¹¹

NEONATES:

- NONINFERIORITY with nasal CPAP¹²
- REDUCED nasal trauma^{13, 14}
- REDUCED respiratory distress¹⁵

Optiflow NHF - A Growing Body of Clinical Evidence

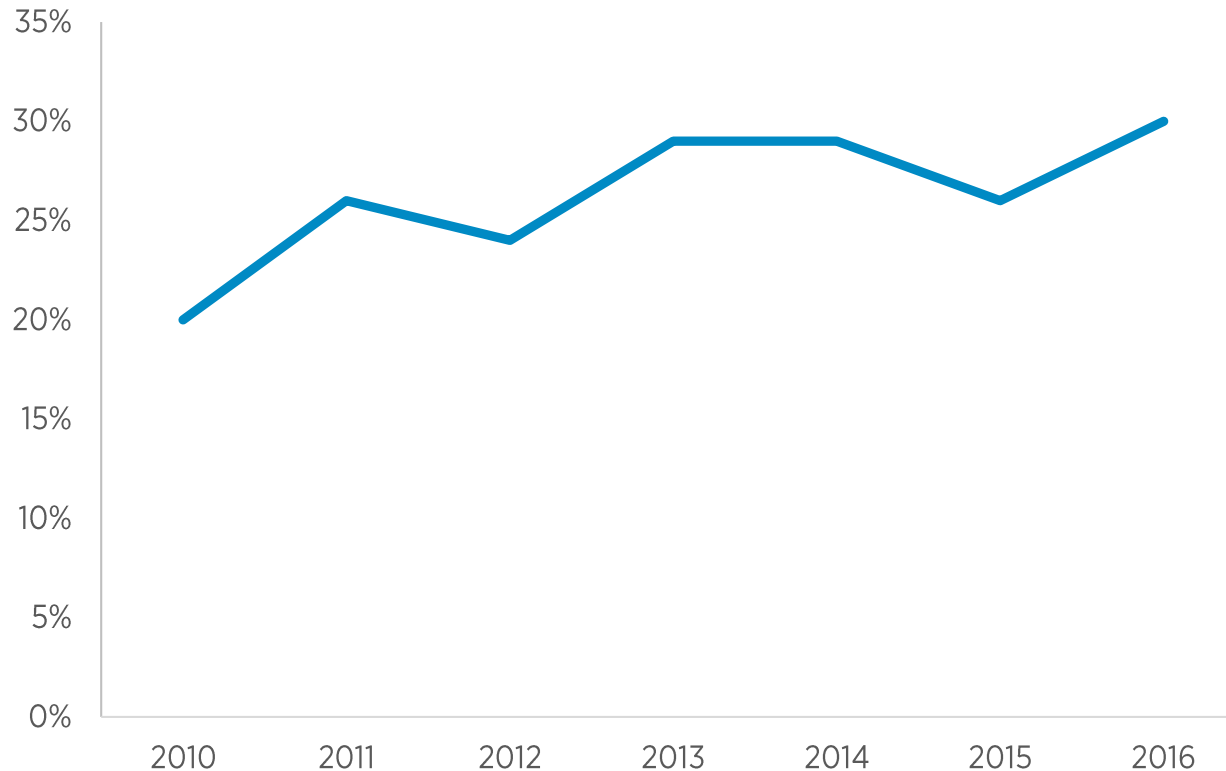
**Nasal High Flow Clinical Papers
Published Annually**



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

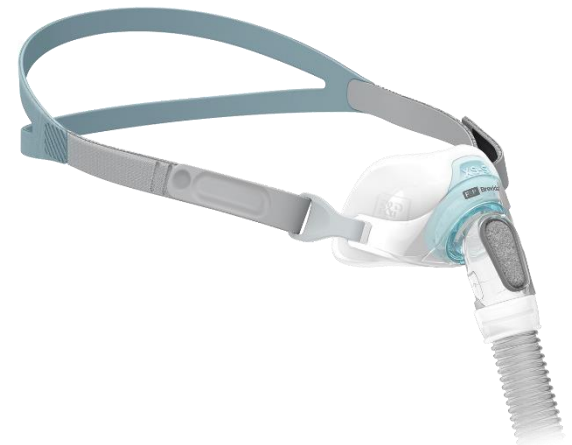
- Market leading mask technology
- Unique, patented designs
- Mask Matters Most
 - Masks are key to compliance



F&P ESON 2™



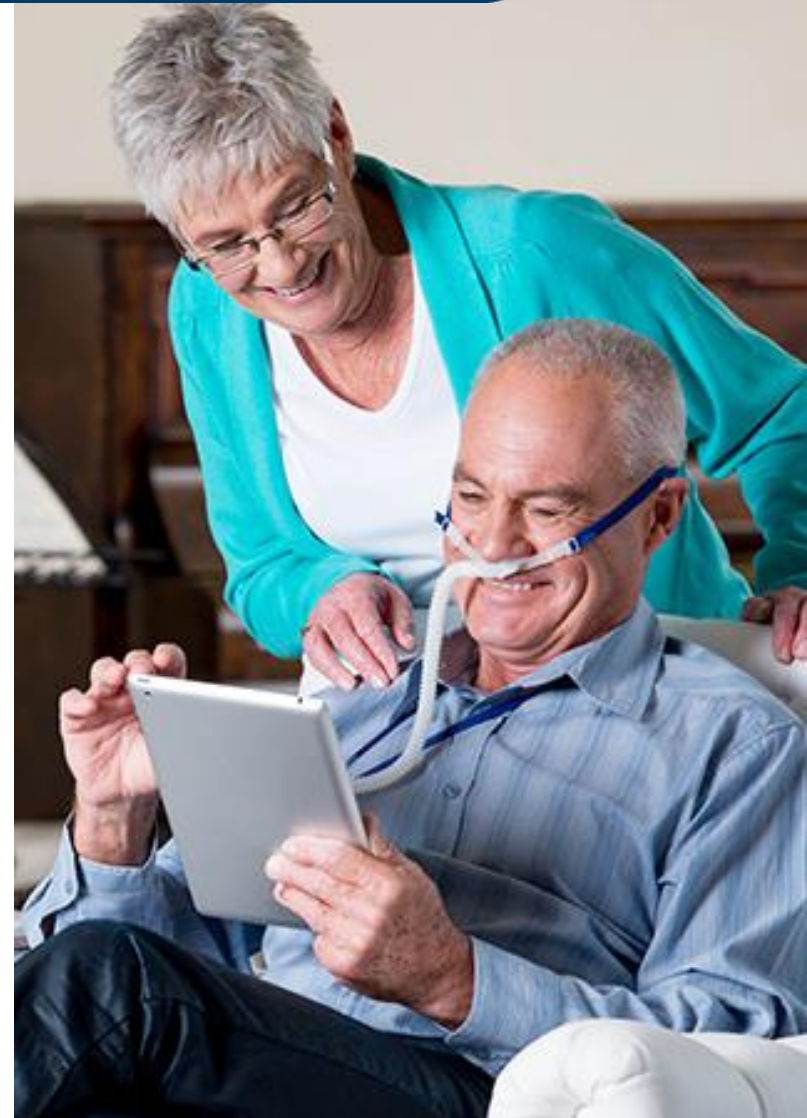
F&P SIMPLUS™



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 US¹⁶
- 6% of US adults have been diagnosed with COPD¹⁷ (~15 million people)
- 4-10% COPD prevalence worldwide¹⁸ (~400 million people)



High Level of Innovation and Investment in R&D

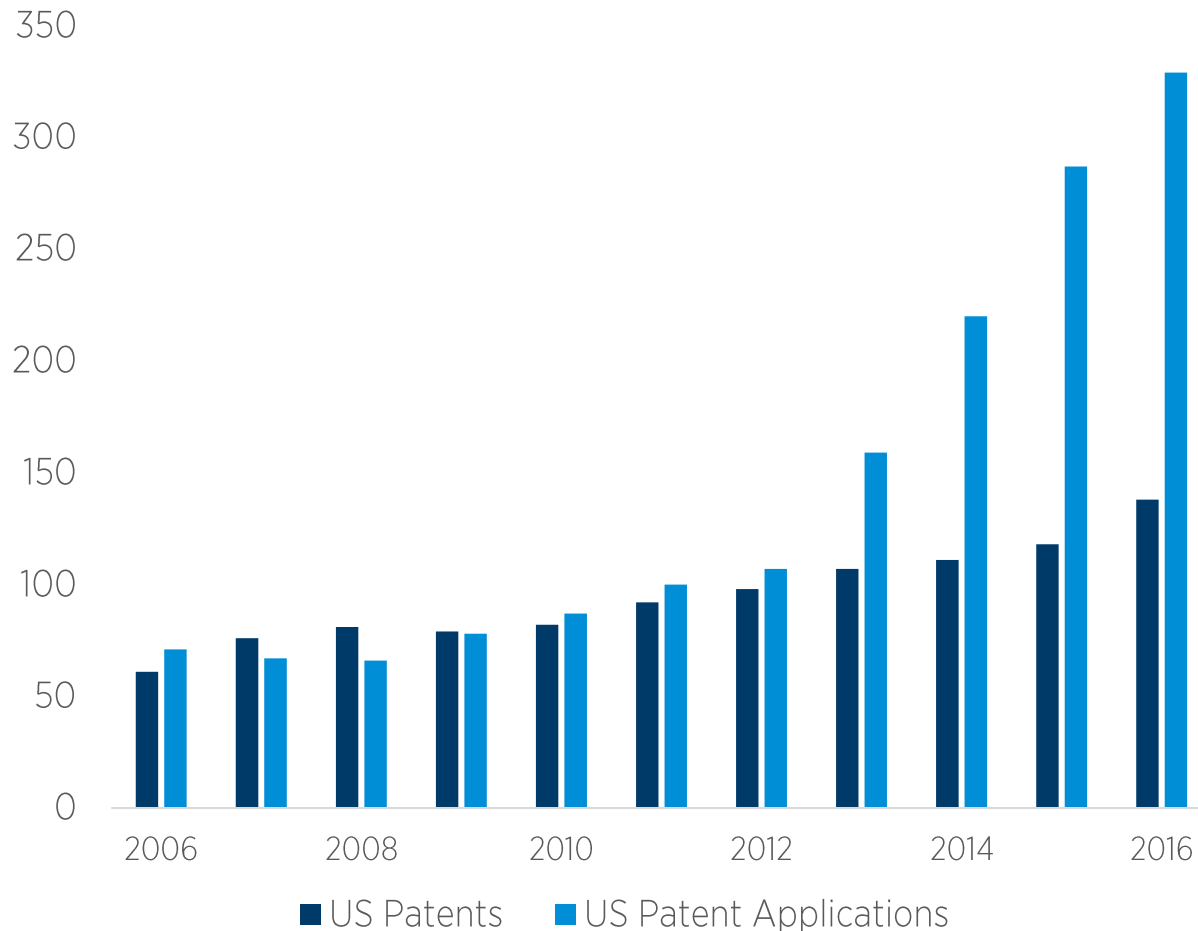
- R&D represents 9.8% of operating revenue:¹ NZ\$41.6M
- Product pipeline includes:
 - Humidifier controllers
 - Masks
 - Respiratory consumables
 - Flow generators
 - Compliance monitoring solutions
- 147 US patents, 358 US pending, 654 ROW, 666 ROW pending²

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 m² / 885,000 ft² total
- 100 acres / 40 hectares land
- Fourth building planned

Tijuana, Mexico

- 18,000 m² / 200,000 ft²
- 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

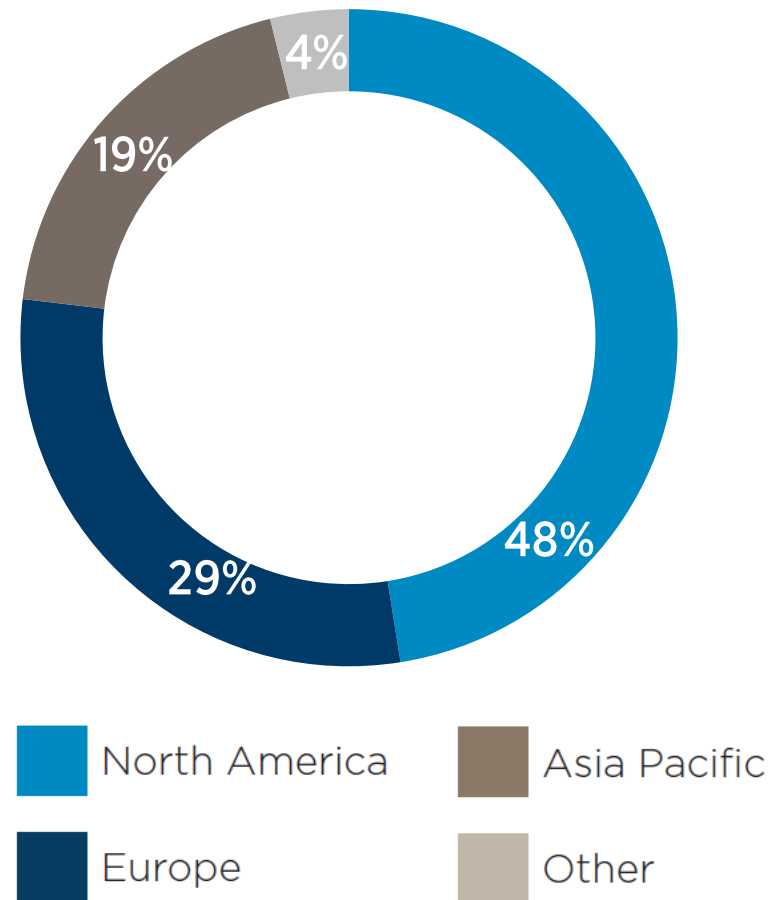
- 100+ distributors worldwide

○ 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

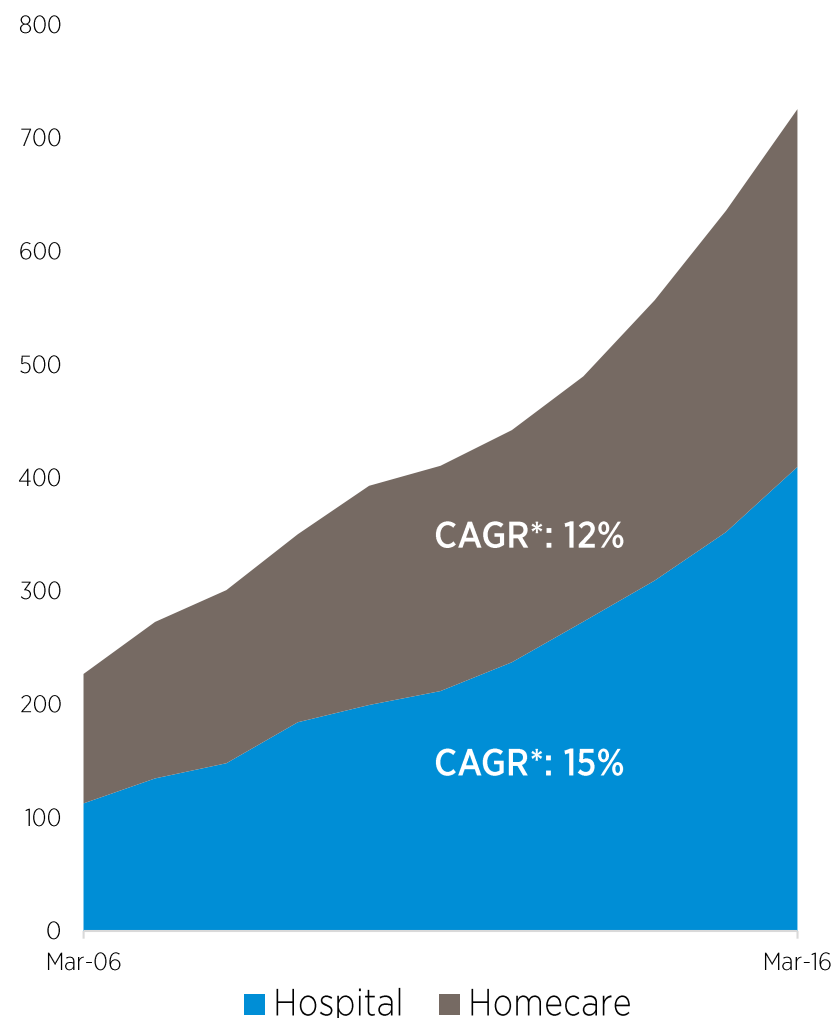
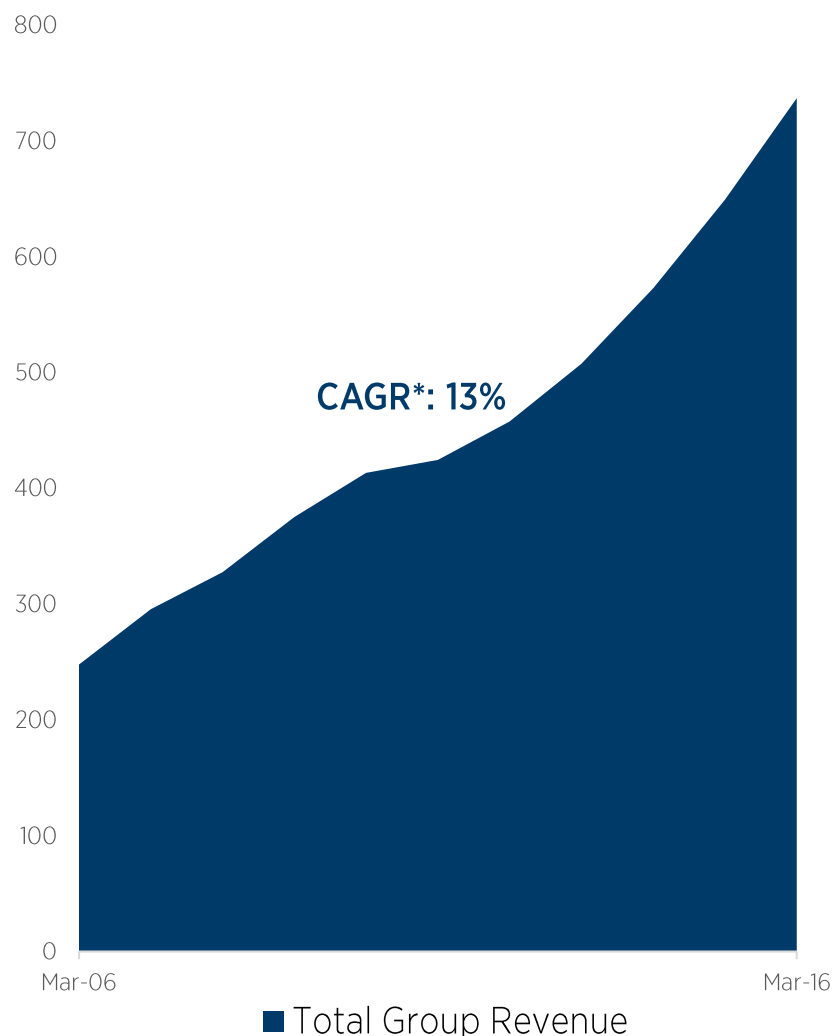


Our Global Coverage



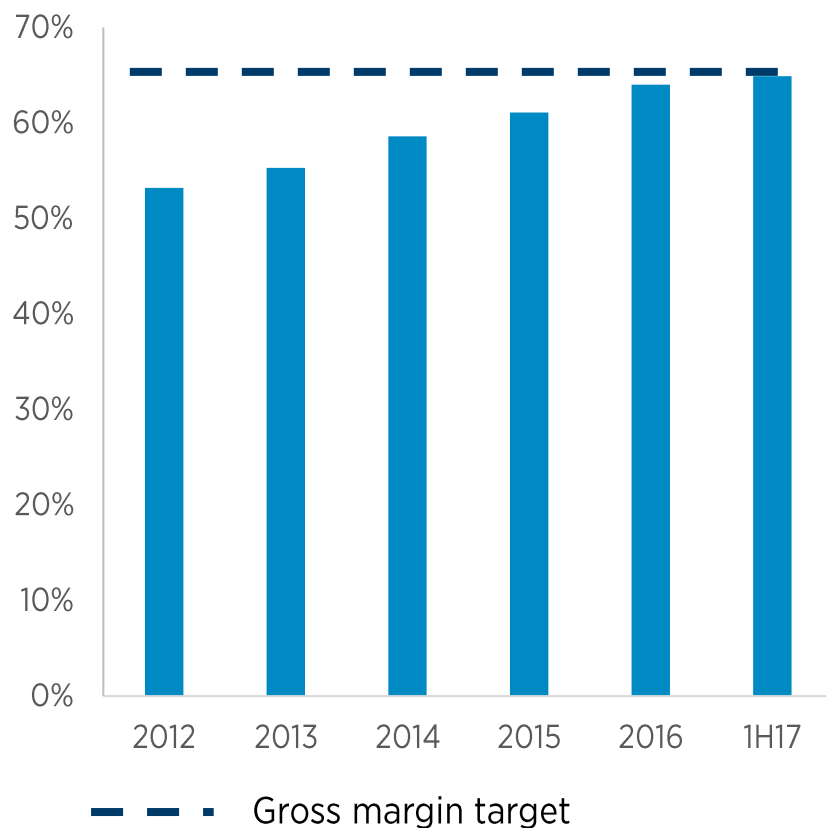
Doubling our Constant Currency Revenue every 5-6 Years

Constant Currency Operating Revenue NZ\$000



Long Term Margin Targets

Gross Margin



Operating Margin

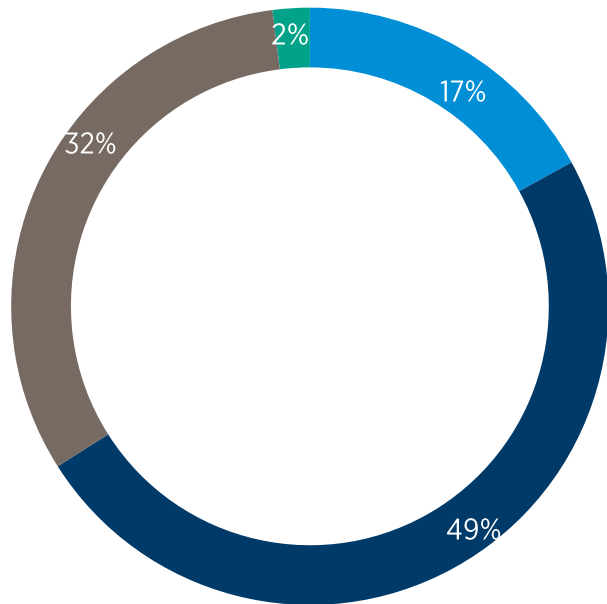


Note: the long term margin targets are based on an assumption of a continuation of the current business environment.

Ownership Structure and Listings

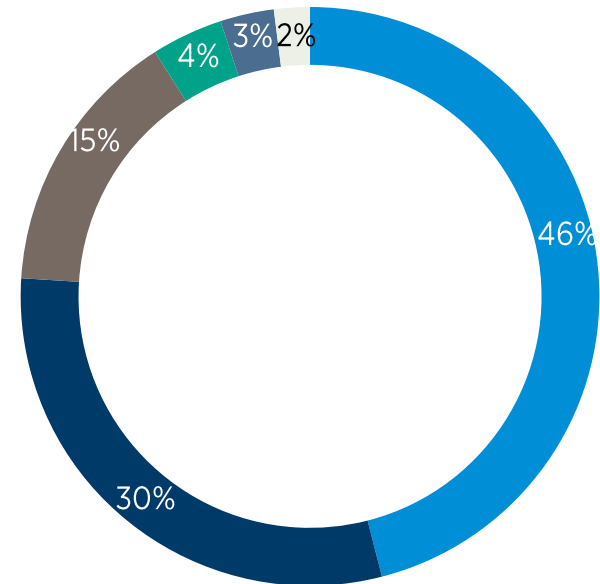
- Listed on NZX and ASX (NZX.FPH, ASX.FPH)

**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

A person wearing a blue button-down shirt and safety glasses 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 a blurred workshop environment with other people and equipment.

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Financials.

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™



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%

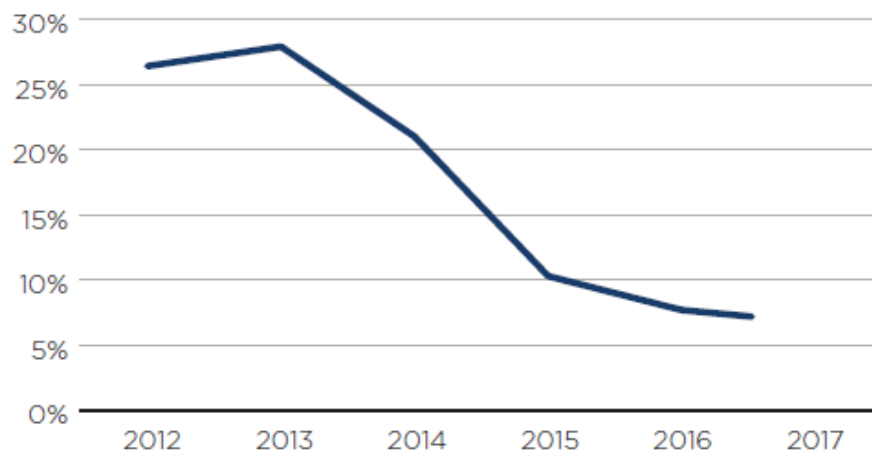
**Recurring items, consumables and accessories
approximately 86% of operating revenue (H1 FY16: 83%)**

[^] 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%

Gearing*



Half Year Operating Results

H1 FY2017 (6 months to 30 September 2016)

	% of Revenue	NZ\$M	ΔPCP^	ΔCC*
Operating revenue	100%	425.2	+12%	+16%
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%
Operating profit	26.0%	110.7	+16%	+28%
Profit after tax	18.4%	78.2	+26%	+30%

^ PCP = prior comparable period * CC = constant currency

Cash Flow & Balance Sheet

H1 FY2017 (for the 6 months ended 30 September 2016)	NZ\$M
Operating cash flow (+117%)	76.2
Capital expenditure	30.5
Depreciation and amortisation	19.9
H1 FY2017 (as at 30 September 2016)	NZ\$M
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 €.

	Year to 31 March				
Hedging position for our main exposures	2017	2018	2019	2020	2021
USD % cover of expected exposure	100%	77%	40%	22%	18%
USD average rate of cover	0.696	0.675	0.664	0.630	0.615
EUR % cover of expected exposure	100%	77%	19%	0%	0%
EUR average rate of cover	0.592	0.596	0.608	-	-

	Six months ended 30 September	
	2015	2016
Reconciliation of Constant Currency to Actual Income Statements	NZ\$000	NZ\$000
Profit before tax (constant currency)	86,165	112,366
Spot exchange rate effect	(2,712)	(6,785)
Foreign exchange hedging result	(7,124)	9,721
Balance sheet revaluation	8,250	(4,089)
Profit before tax (as reported)	84,579	111,213



「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™+**



(i) Info Technologies™



F&P **AIRVO™ 2**



F&P **810™ System**



F&P **Simplus™**



F&P **Eson™ 2**



F&P **Brevida™**



F&P **Optiflow™+**

Important Notice and References

Disclaimer

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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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