

# 2015 Full Year Results Presentation

Year ended 31 March 2015



# Full Year Result Highlights

12 months to 31 March 2015

	NZ\$M	ΔPCP	ΔCC <sup>1</sup>
Record net profit after tax	113.2	+17%	+61%
Record operating revenue	672.3	+8%	+13%
Record RAC operating revenue	368.2	+9%	+14%
Record OSA operating revenue	291.1	+8%	+14%
RAC new applications consumables revenue		+21%	+26%
OSA masks revenue		+15%	+22%
Gross margin (bps increase)		+252	+443

<sup>2</sup> 1. CC = constant currency

# Second Half Result Highlights

6 months to 31 March 2015

	$\Delta$ PCP	$\Delta$ CC <sup>1</sup>
Net profit after tax	+22%	+53%
Operating revenue	+11%	+14%
Gross margin (bps increase)	+286	+429
RAC new applications consumables revenue	+24%	+27%
OSA mask revenue	+20%	+23%

<sup>3</sup> 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



# Full Year Operating Results

FY15 (12 months to 31 March 2015)

	%Revenue	NZ\$M	△PCP	△CC <sup>1</sup>
<b>Operating revenue</b>	<b>100%</b>	<b>672.4</b>	<b>+8%</b>	<b>+13%</b>
Cost of sales	38.9%	261.4	+1%	+2%
Gross profit	61.1%	411.0	+12%	+22%
Other income (R&D grant)		5.0		
SG&A	26.9%	180.9	+6%	+7%
R&D	9.7%	65.0	+20%	+20%
Total operating expenses	36.6%	245.9	+9%	+10%
<b>Operating profit</b>	<b>25.3%</b>	<b>170.1</b>	<b>+19%</b>	<b>+57%</b>
<b>Profit after tax</b>	<b>16.8%</b>	<b>113.2</b>	<b>+17%</b>	<b>+61%</b>

1. CC = constant currency

# Dividend and Gearing

- Increased final dividend by 14%:
  - 8.0 cps + 3.1111 cps imputation credit for New Zealand residents (gross dividend of 11.1111 NZ cps)
  - Fully imputed
  - 1.4118 cps non-resident supplementary dividend
  - Dividend reinvestment plan offered for New Zealand and Australian residents, discount has been removed
- Gross dividend yield, 19.1667 cps, ~3%
- Updated dividend and gearing policies. Revised targets:
  - a dividend pay-out ratio of approximately 70% of net profit after tax
  - debt to debt plus equity ratio\* in the range of +5% to -5%;

\* Calculated using net interest bearing liabilities to total equity excluding unrealised financial instrument gains or losses

# Respiratory & Acute Care (RAC)

- Operating revenue growth
  - NZ\$ +13%
  - Constant currency +16%
- New applications consumables revenue growth (Noninvasive ventilation (NIV), Optiflow, AIRVO, Surgical)
  - NZ\$ +24%
  - Constant currency +27%
- New applications consumables now make up 47% of RAC consumables revenue, up from 42% in FY14
- Further positive clinical trial results published in favour of Optiflow™:
  - New England Journal of Medicine (Frat et al)
  - Journal of the American Medical Association (Stephan et al)

H2 FY2015



# Obstructive Sleep Apnea (OSA)

- Operating revenue growth
  - NZ\$
  - Constant currency
- Mask revenue growth
  - Constant currency
- Masks continue to take market share

H2 FY2015

+10%

+13%

+23%

**F&P** Simplus™



**F&P** Eson™



**F&P** ICON™+



**(i)** Info Technologies™



# Cash Flow & Balance Sheet

## FY15 (for the 12 months ended 31 March 2015)

NZ\$M

• Operating cash flow (+48%)	146.8
• Capital expenditure	53.6
• Depreciation and amortisation	31.6

## FY15 (as at 31 March 2015)

NZ\$M

• Net debt	51.9
• Total shareholders equity	471.2
• Total assets	669.8

- 36% pre-tax return on average equity, 24% on average total assets

# Foreign Exchange Effects

- NZ~\$530M of hedging in place at 31 March 2015 for FY15.
- 48% of operating revenue in USD (FY14: 48%) and 24% in €.
- Hedging position for our main exposures:

	Year to 31 March		
	2016	2017	2018
USD % cover of expected exposure	90%	46%	3%
USD average rate of cover	0.74	0.72	0.68
EUR % cover of expected exposure	92%	50%	0%
EUR average rate of cover	0.58	0.58	-

- Previously closed out forex contracts
  - NZ\$21M to operating profit in FY14, \$Nil in FY15

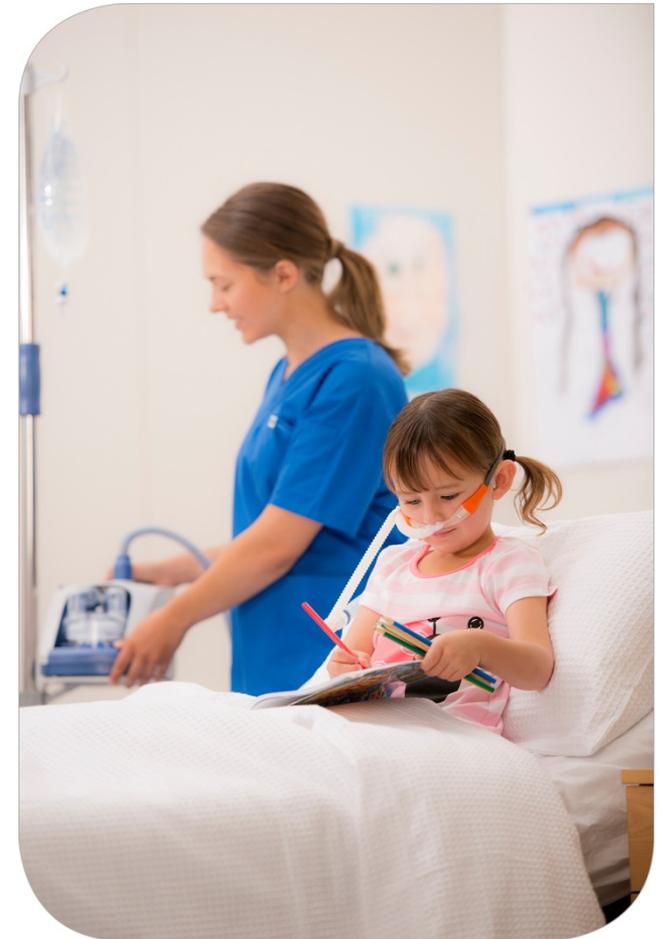
# Outlook FY16

- Expect at current exchange rates\*:
  - Operating revenue – approximately NZ\$750 million
  - Net profit after tax – approximately NZ\$125-130 million

\* Exchange rates at 29 May 2015: NZD:USD = 0.72 and NZD:EUR = 0.67

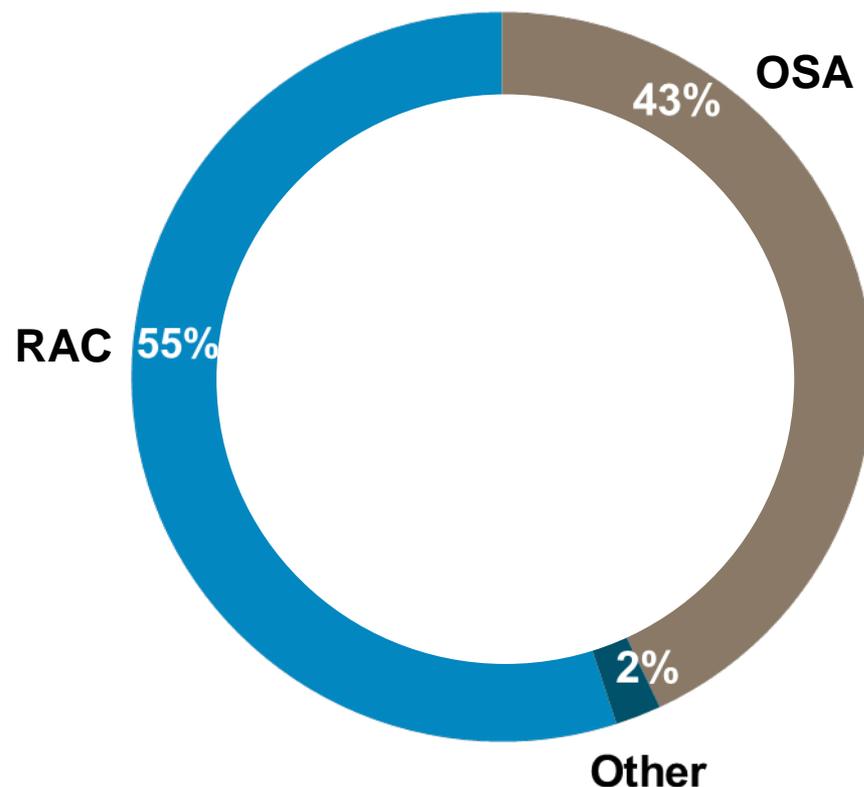
# Investment Highlights

- 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  
NZSX:FPH, ASX:FPH



# Markets & Products

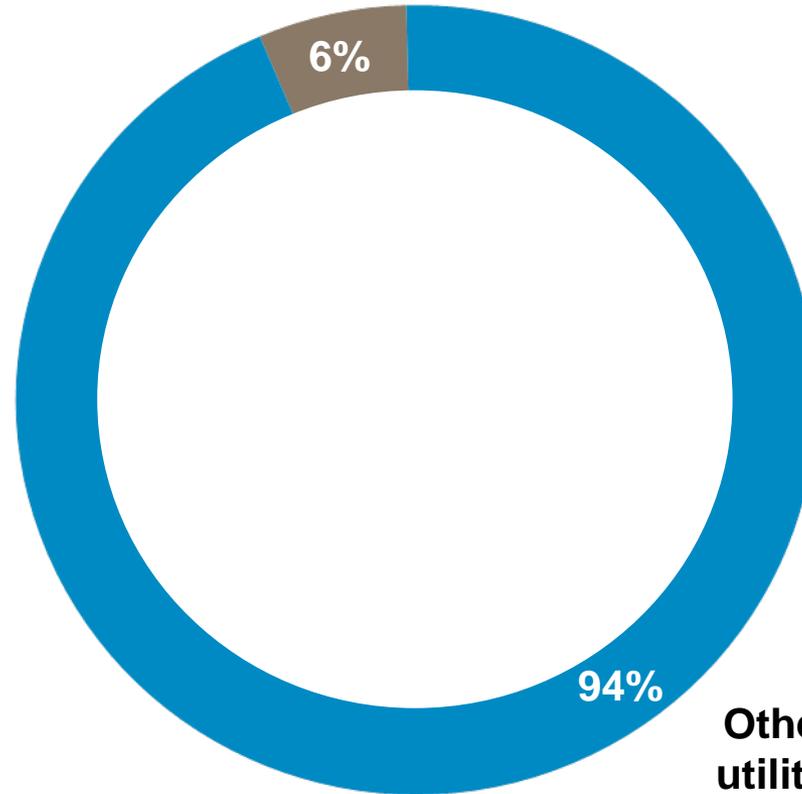
- Respiratory & Acute Care (RAC)
  - Heated humidification
  - Respiratory care
  - Neonatal care
  - Surgery
- Obstructive Sleep Apnea (OSA)
  - Masks
  - Flow generators
  - Data management tools
  - Humidifiers
- Consumable and accessory products represent approximately 81% of core product revenue (FY14: 79%)



Revenue by Product Group  
12 months to 31 March 2015

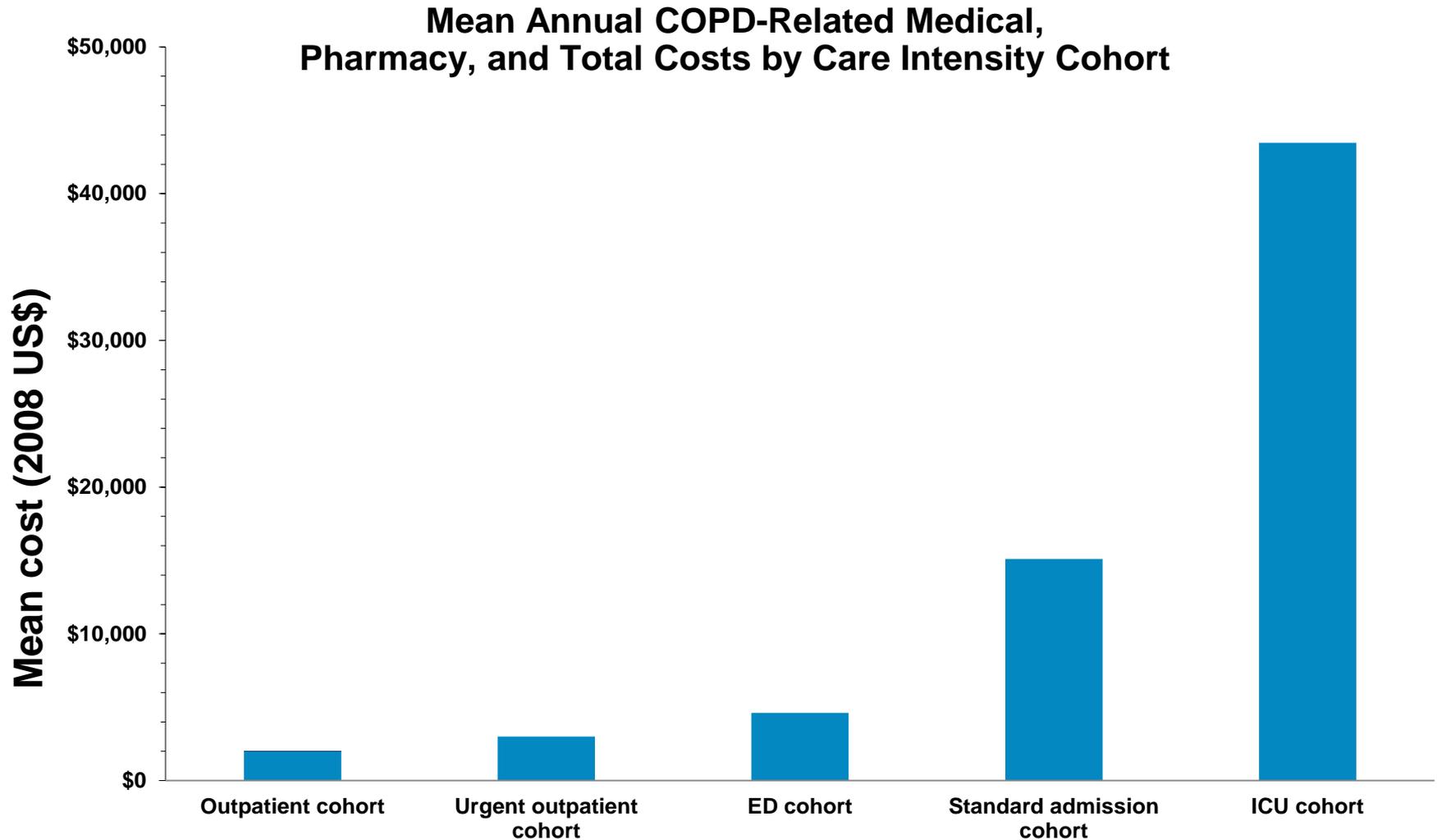
# Hospital Cost Breakdown

**Medical devices**



**Other – includes labour, utilities, drugs, supplies, food, depreciation**

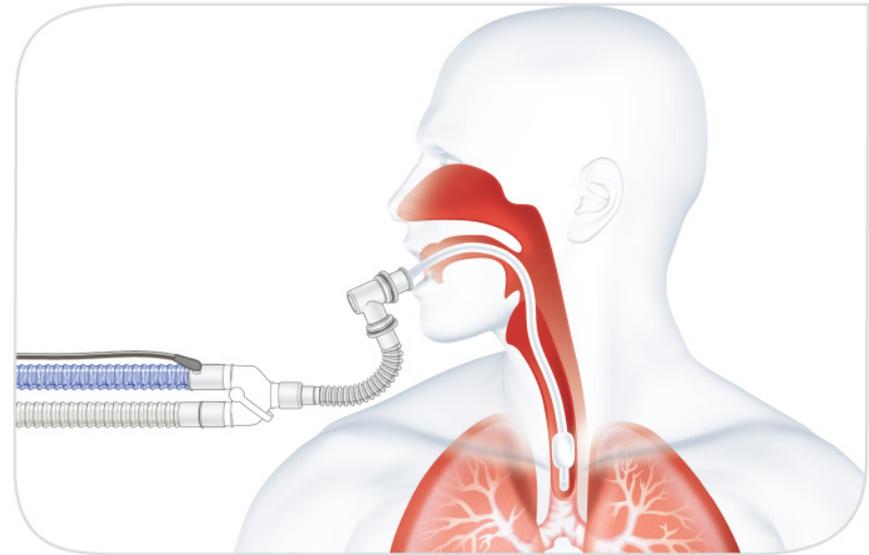
# Lower Care Intensity Equals Lower Cost



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

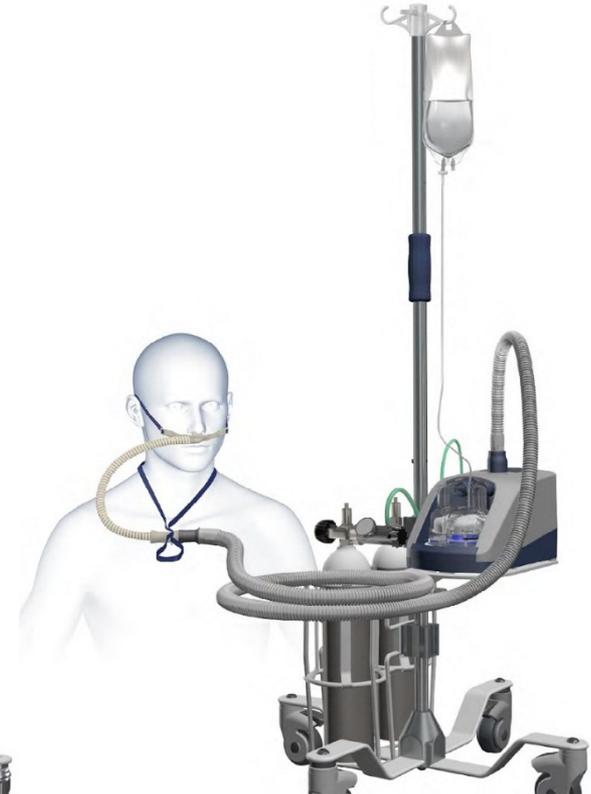


# Optiflow™ Therapy – Delivery Options

**F&P** Optiflow™



**F&P** 850™ System



**F&P** AIRVO™ 2

# 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

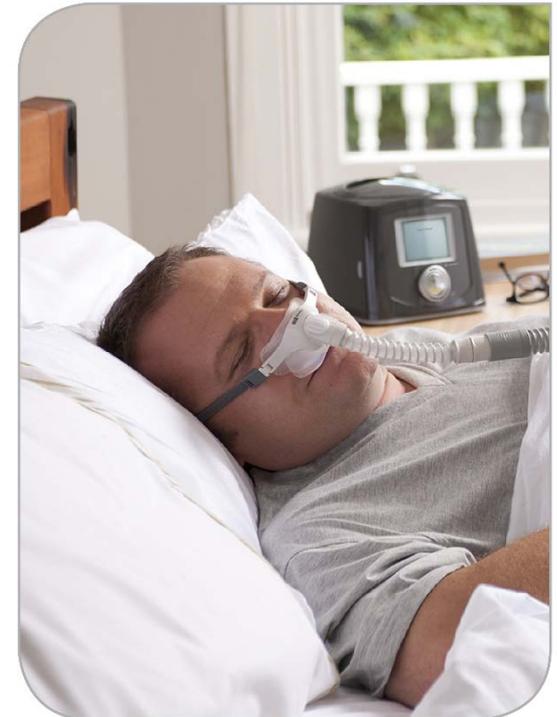
**F&P** Simplus™



**F&P** Eson™

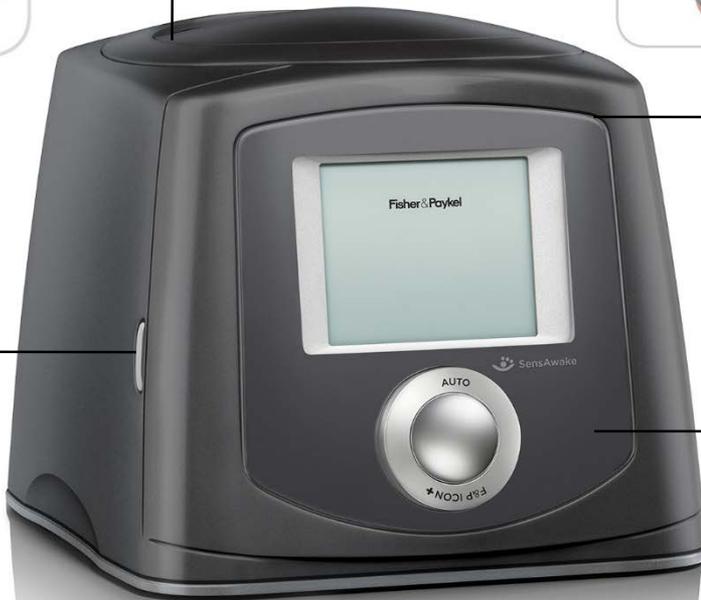


**F&P** Pilairo™ Q



# Stylish, Smart + Simplified CPAP Range

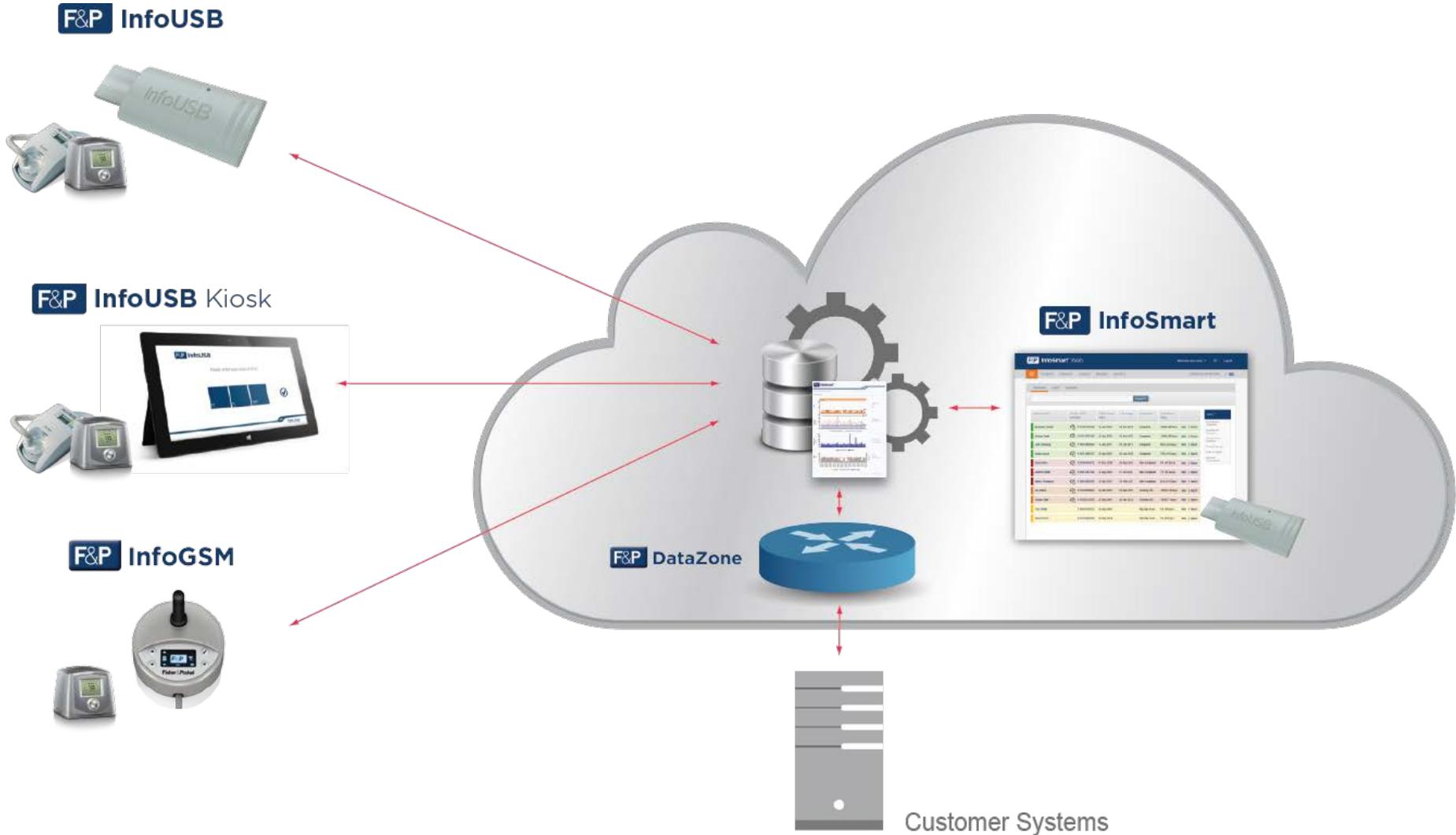
**F&P** **ICON™+**



- Efficiently integrates with InfoUSB and InfoSmart Web
- Responsive pressure relief - SensAwake
- ThermoSmart humidifier breathing tube technology
- Auto-adjusting CPAP

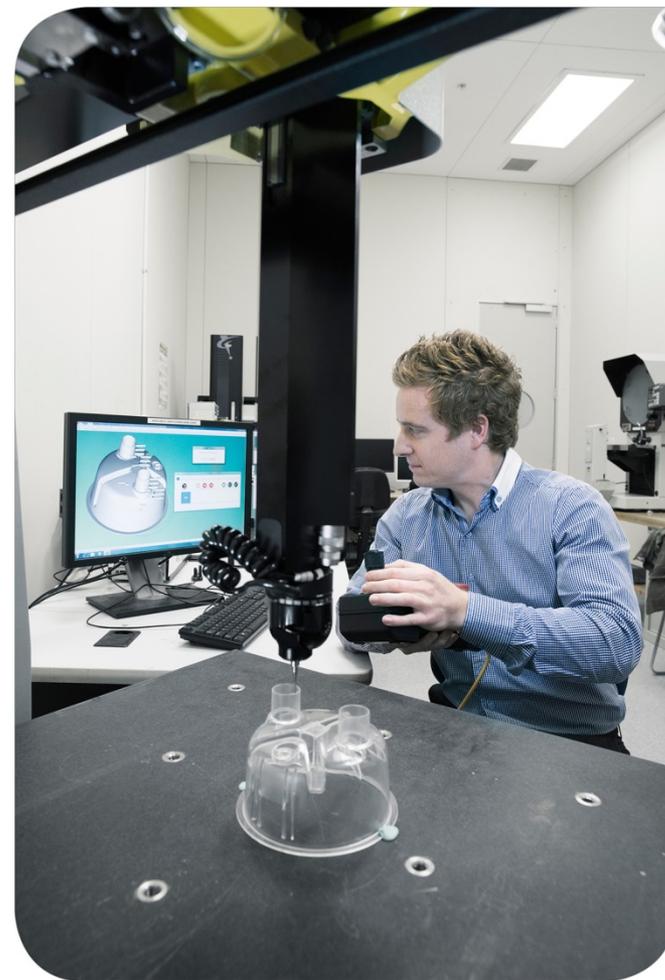


# Efficient Compliance Reporting



# Research & Development

- 9.7% of operating revenue, NZ\$65M<sup>1</sup>
- Product pipeline includes:
  - Humidifier controllers
  - Masks
  - Respiratory consumables
  - Flow generators
  - Compliance monitoring solutions
- 118 US patents, 287 US pending, 496 ROW, 410 ROW pending<sup>1</sup>



<sup>1</sup> for the 12 months ended 31 March 2015

<sup>2</sup> as at 31 March 2015

# 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/40ha land

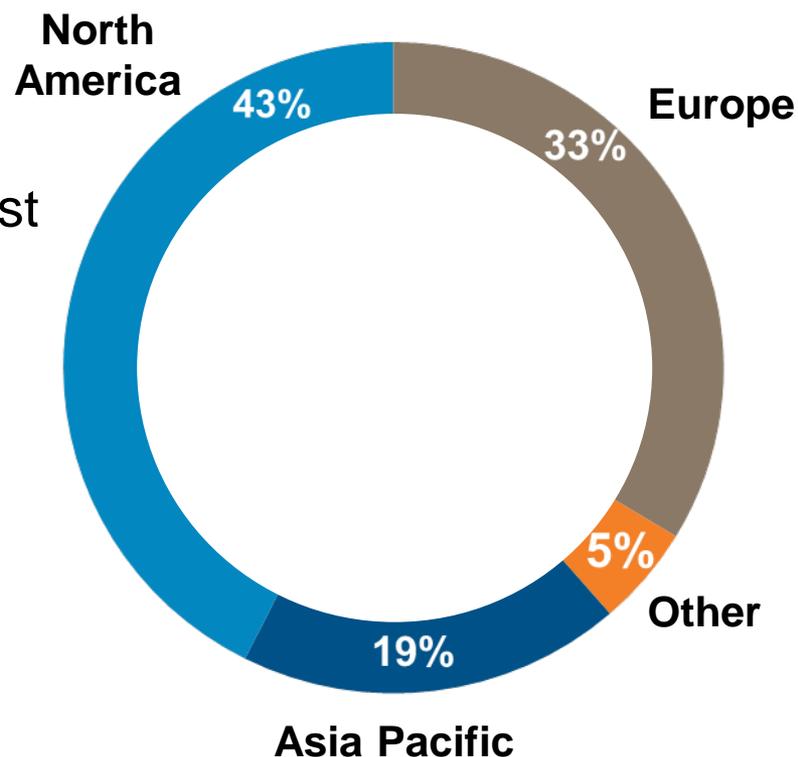
## Tijuana, Mexico

- 18,000 m<sup>2</sup> / 200,000 ft<sup>2</sup>
- Manufacturing floor area increased by 66%
- 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 700 staff in 35 countries
  - Ongoing international expansion
  - Moving to a more direct US hospital distribution model
- Distributors
  - 200+ distributors worldwide
- Original Equipment Manufacturers
  - Supply most leading ventilator manufacturers
  - More than 120 countries in total



Revenue by region  
12 months to 31 March 2015

# 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

