



Care.

- Released new range of products for use with the AIRVO™ 2 system including the Optiflow™+ nasal cannula range
- Eson™ 2 nasal mask and HumiGard™ SH870 surgical humidification system launched
- FPH assume more direct responsibility for sales and support of our hospital respiratory products in the US
- New SAP system goes live at our New Zealand and Mexico sites

## Innovative new products launched



Optiflow™+ nasal high flow cannula



F&P HumiGard™ SH870 surgical humidification system



F&P Eson™ 2 nasal mask

# Hospital / Respiratory & Acute Care (RAC)

Operating revenue growth	H2 FY2016
NZ\$	+26%
Constant currency	+19%

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New applications consumables revenue growth	H2 FY2016
(Noninvasive ventilation (NIV), Optiflow™, AIRVO, Surgical)	
NZ\$	+45%
Constant currency	+36%

- New applications consumables now make up 51% of RAC consumables revenue, up from 46% in FY2015
- Strong customer demand for our Optiflow™ and AIRVO™ systems

## Further positive clinical trial results:

- Use of Optiflow™ nasal high flow therapy reduced the risk of escalation for extubated patients within 72 hours, when compared with conventional oxygen therapy (Hernandez et al 2015)



# Homecare / Obstructive Sleep Apnea (OSA)

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## Operating revenue growth

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H2 FY2016

NZ\$

+19%

Constant currency

+11%

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## Mask revenue growth

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H2 FY2016

Constant currency

+17%

- Masks continue to take market share



**F&P** Simplus™



**F&P** Eson™ 2



**F&P** ICON™+



**(i)** Info Technologies™

# Second Half Financial Highlights

## H2 FY2016 (6 months to 31 March 2016)

	$\Delta$ PCP <sup>^</sup>	$\Delta$ CC <sup>*</sup>
Operating revenue	+22%	+15%
Gross margin (bps increase)	+290bps	+213bps
Net profit after tax	+27%	+15%
Hospital/RAC operating revenue	+26%	+19%
RAC new applications consumables revenue	+45%	+36%
Homecare/OSA operating revenue	+19%	+11%
OSA masks revenue	+27%	+17%

<sup>^</sup> PCP = prior comparable period \* CC = constant currency

# Full Year Financial Highlights

**FY2016** (12 months to 31 March 2016)

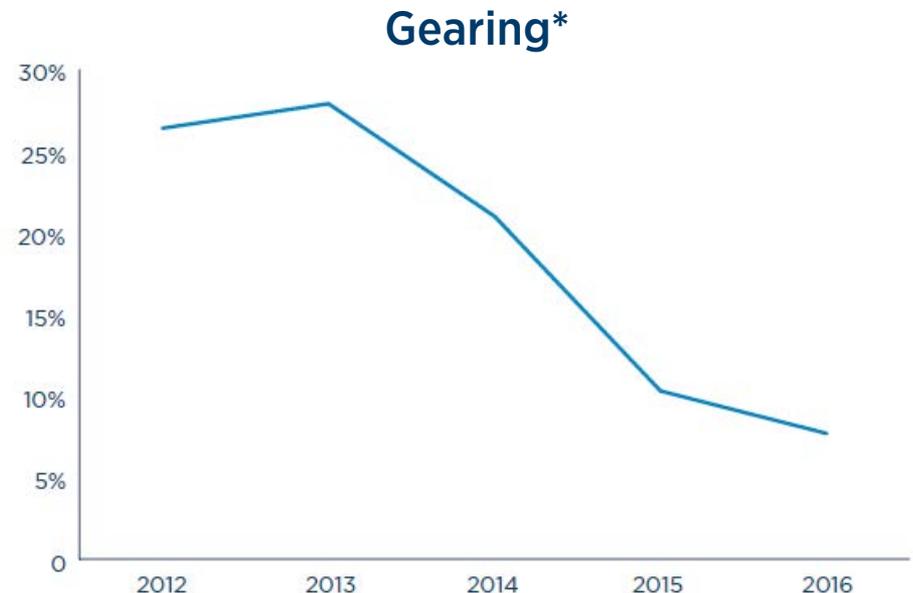
	NZ\$M	ΔPCP <sup>^</sup>	ΔCC <sup>*</sup>
Record operating revenue	815.5	+21%	+14%
Gross margin (bps increase)		+284bps	+278bps
Record net profit after tax	143.4	+27%	+19%
Record Hospital/RAC operating revenue	436.3	+22%	+15%
RAC new applications consumables revenue		+37%	+30%
Record Homecare/OSA operating revenue	365.8	+21%	+12%
OSA masks revenue		+31%	+21%

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

<sup>^</sup> PCP = prior comparable period \* CC = constant currency

# Dividend and Gearing

- Increased final dividend by 25%:
  - 10.0 cps + 3.8889 cps imputation credit for NZ residents (gross dividend of NZ 13.8889 cps)
  - Fully imputed
  - 1.7647 cps non-resident supplementary dividend
  - Dividend reinvestment plan available for New Zealand and Australian residents, no discount will apply
- Gross dividend 23.1945 cps, yield ~2.3%
- Target gearing ratio\* of +5% to -5% debt to debt plus equity
  - Gearing ratio at 31 March 2016 was 7.7%



# Outlook FY2017

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- Expect at exchanges rates of NZD:USD 0.68, NZD:EUR 0.61
  - Operating revenue – approximately NZ\$900 million
  - Net profit after tax – approximately NZ\$165 – NZ\$170 million

# 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 (83%) 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

# Competitive Advantage – 45 Years' Experience

- 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 / RESPIRATORY & ACUTE CARE

## HOMECARE / OBSTRUCTIVE SLEEP APNEA

Invasive Ventilation

Noninvasive Ventilation

Hospital Respiratory Support

Surgical Humidification

Home Respiratory Support

CPAP Therapy



### “NEW APPLICATIONS”

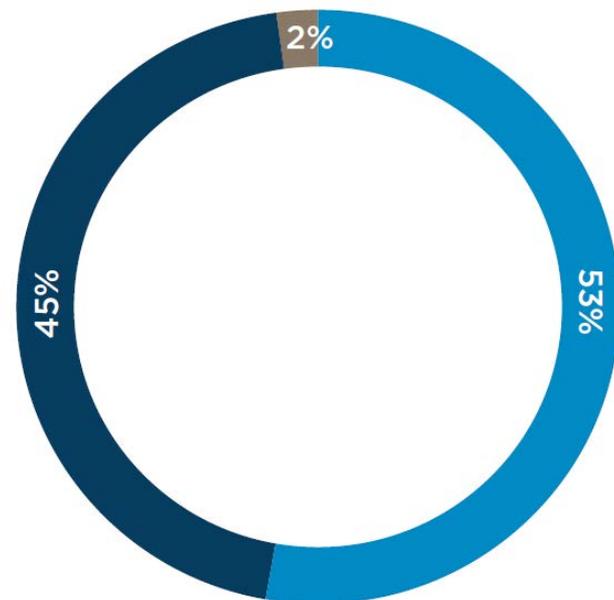
Applications outside of invasive ventilation

# Markets & Products

- Hospital / Respiratory & Acute Care (RAC)
  - Heated humidification
  - Respiratory care
  - Neonatal care
  - Surgery
- Homecare / Obstructive Sleep Apnea (OSA)
  - Masks
  - Flow generators
  - Data management tools
  - Respiratory care in the home

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

**Revenue by Product Group  
12 months to 31 March 2016**

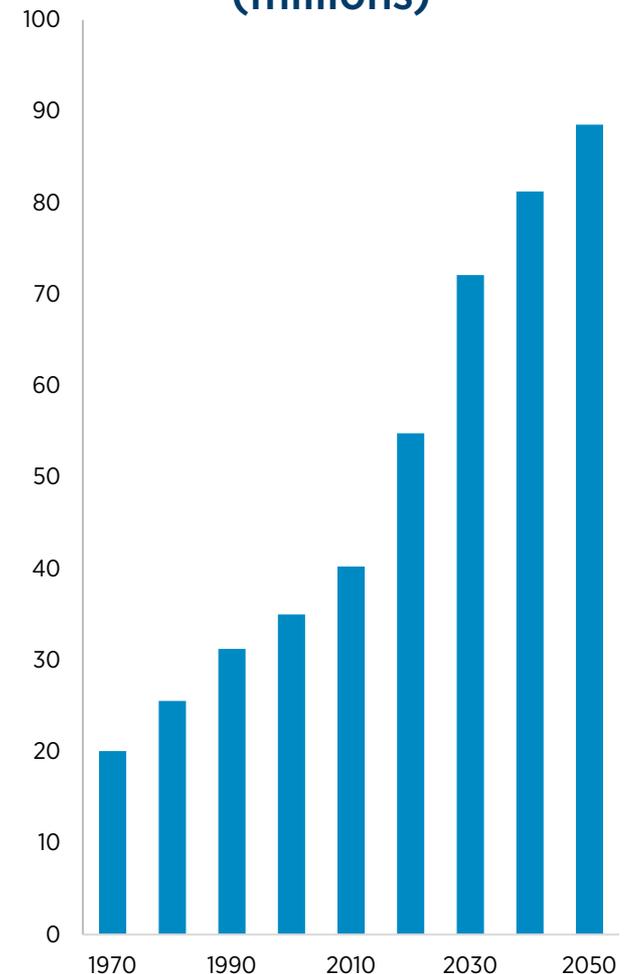


# Impact of Changing Demographics

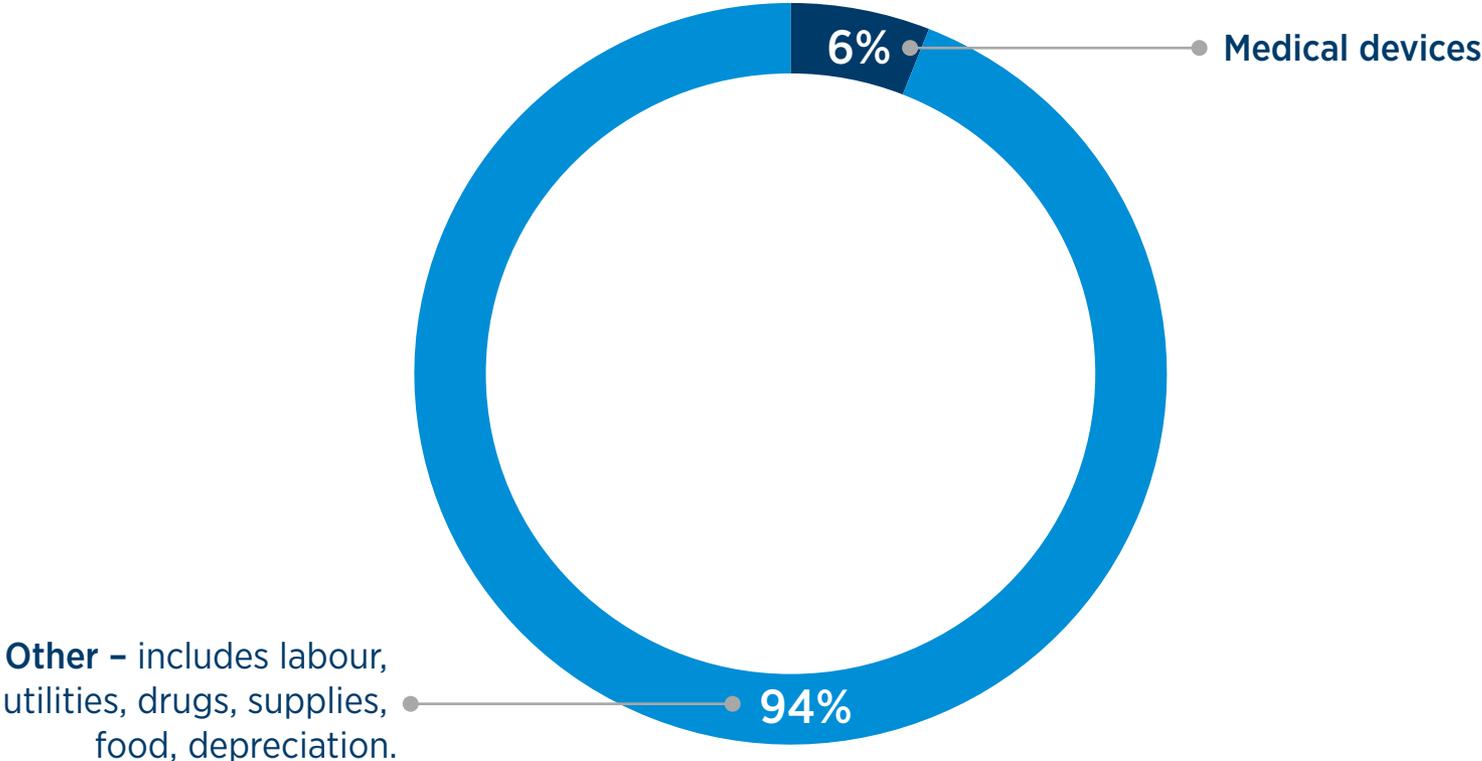
- Population age and weight both increasing
  - US population 65 years+ to grow ~80% over next 20 years<sup>1</sup>
  - US males 60 - 74 years, average weight increased 0.4 kg/year since 1960<sup>2</sup>
- 60% of US healthcare cost is after age 65 years<sup>3</sup>
- Developing markets increasing healthcare spending
  - China healthcare expenditure increased 19% in 2012, expected to triple by 2020<sup>4</sup>



US Population over age 65 (millions)



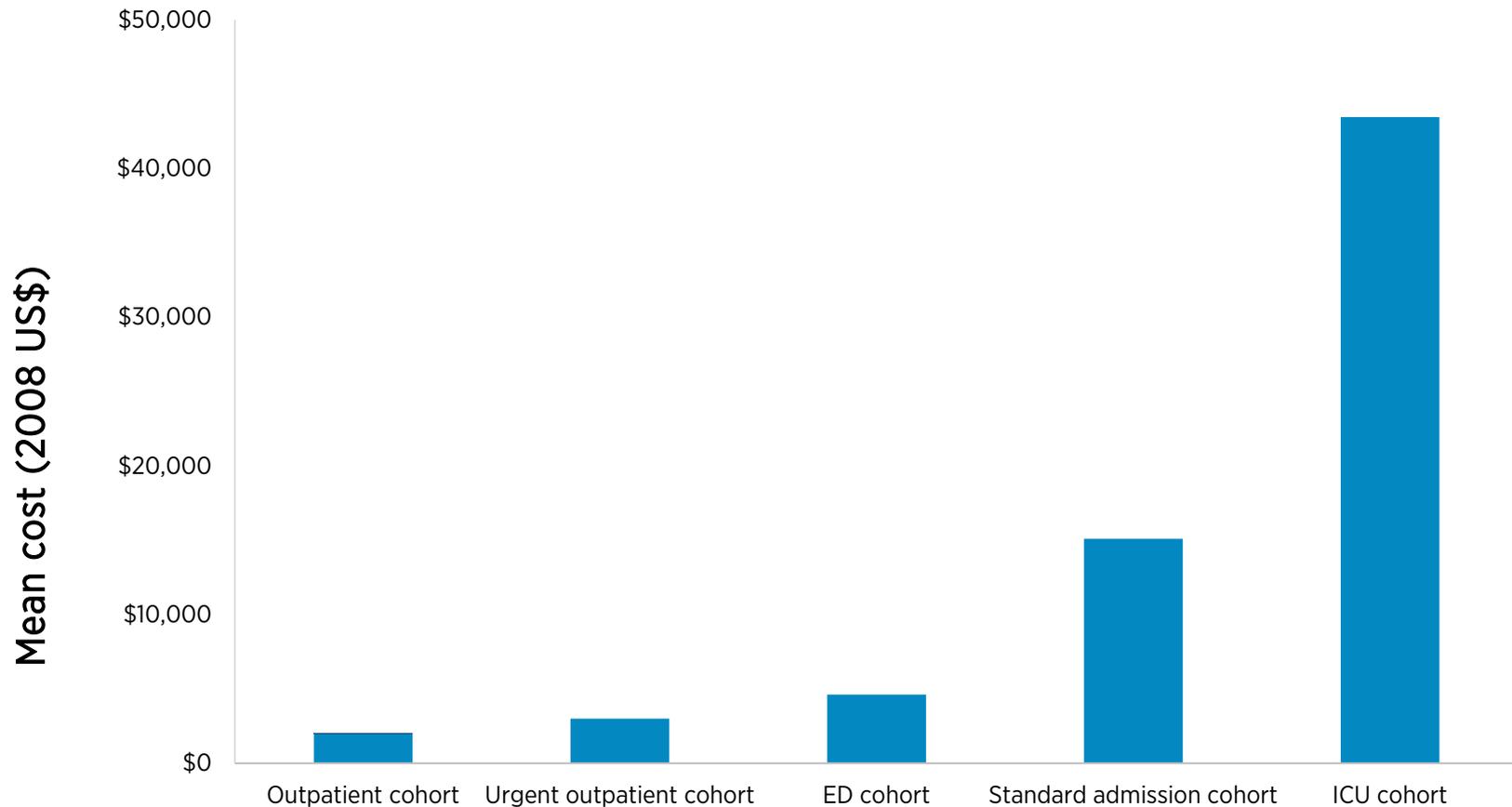
# Hospital Cost Breakdown



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 / Respiratory & Acute Care (RAC)

Invasive Ventilation



Noninvasive Ventilation



Hospital Respiratory Support



Surgical Humidification

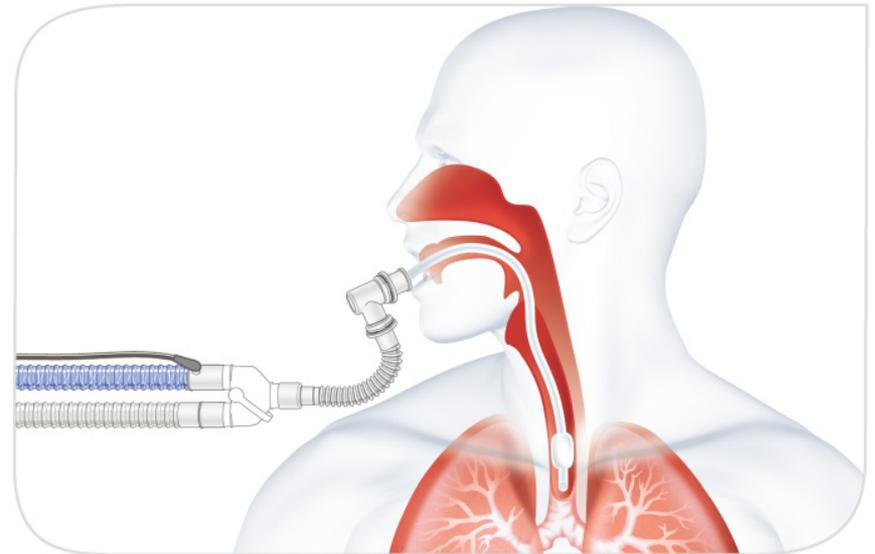


## “NEW APPLICATIONS”

Applications outside of invasive ventilation

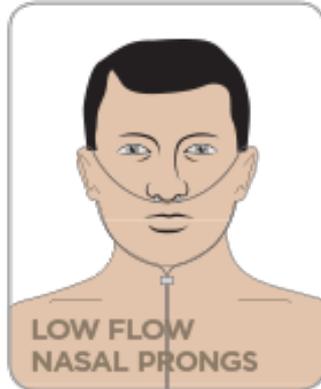
# Respiratory Humidification

- 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

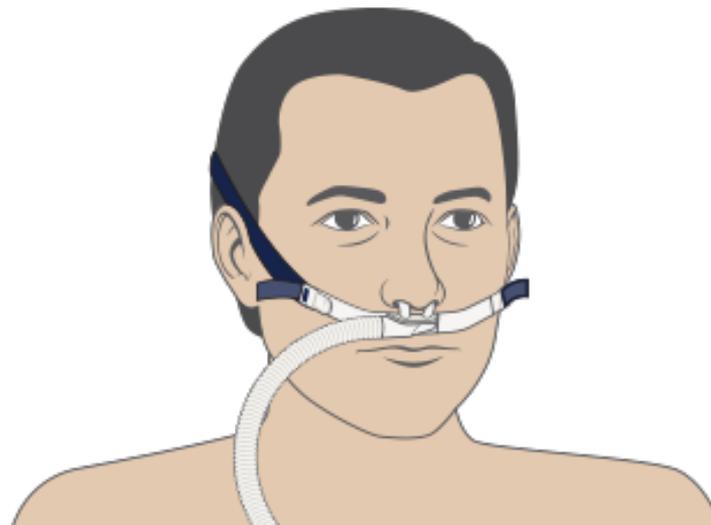
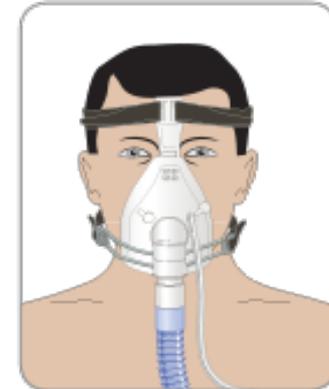


# Optiflow™ - Displacing Conventional Oxygen Therapy

## CONVENTIONAL OXYGEN THERAPY



## NONINVASIVE VENTILATION



# Clinical Outcomes of Optiflow™ Nasal High Flow Therapy

## Optiflow is associated with:

### ADULTS:

- REDUCED intubation<sup>5</sup>
- REDUCED re-intubation<sup>6, 7, 8</sup>
- REDUCED bilevel ventilation<sup>7</sup>
- REDUCED nursing workload<sup>7</sup>
- INCREASED ventilator free days<sup>5</sup>
- IMPROVED comfort & patient tolerance<sup>6</sup>
- IMPROVED compliance<sup>6</sup>

### PAEDIATRICS:

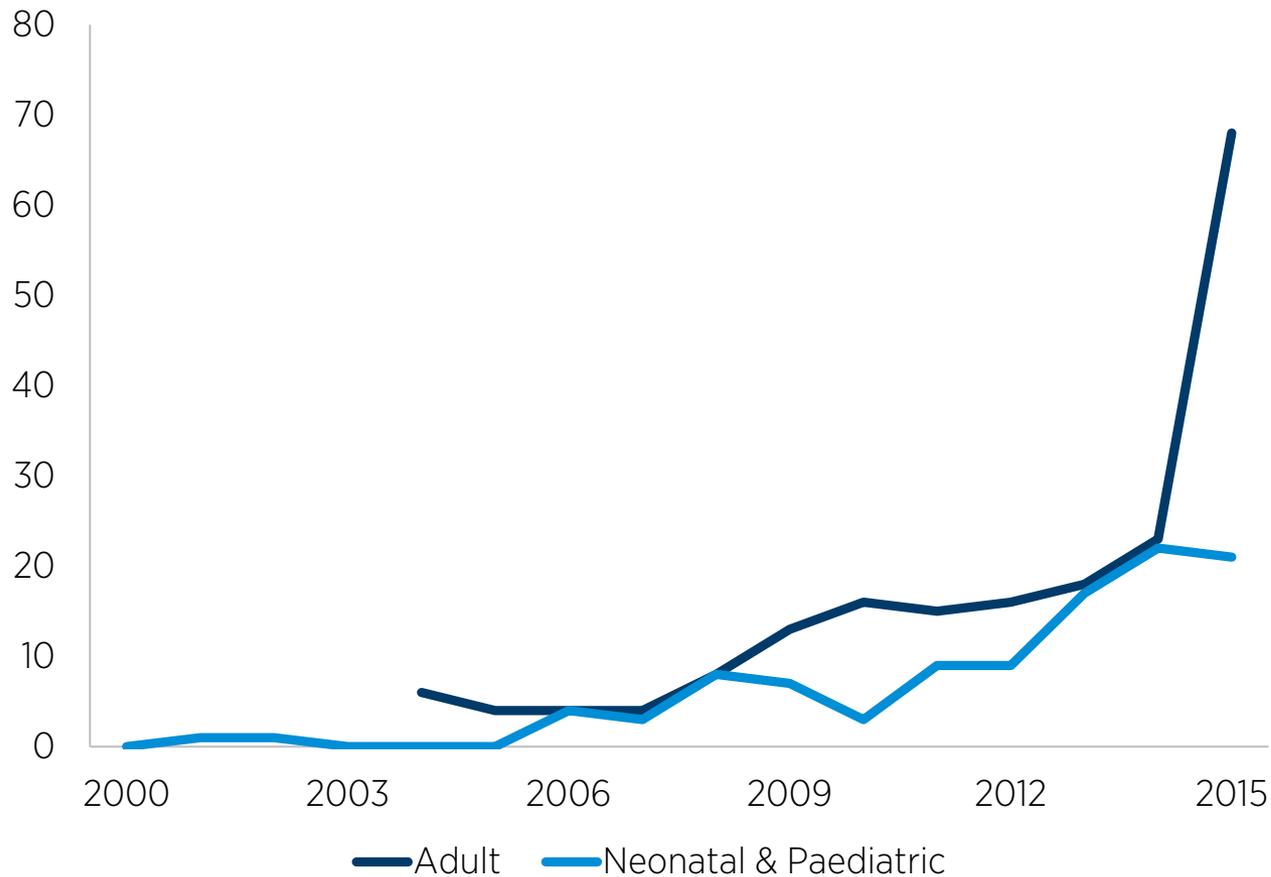
- REDUCED intubation<sup>9</sup>
- REDUCED length of stay<sup>10</sup>
- REDUCED respiratory distress<sup>11</sup>

### NEONATES:

- NONINFERIORITY with nasal CPAP<sup>12</sup>
- REDUCED nasal trauma<sup>13, 14</sup>
- REDUCED respiratory distress<sup>15</sup>

# Optiflow™ - A Growing Body of Clinical Evidence

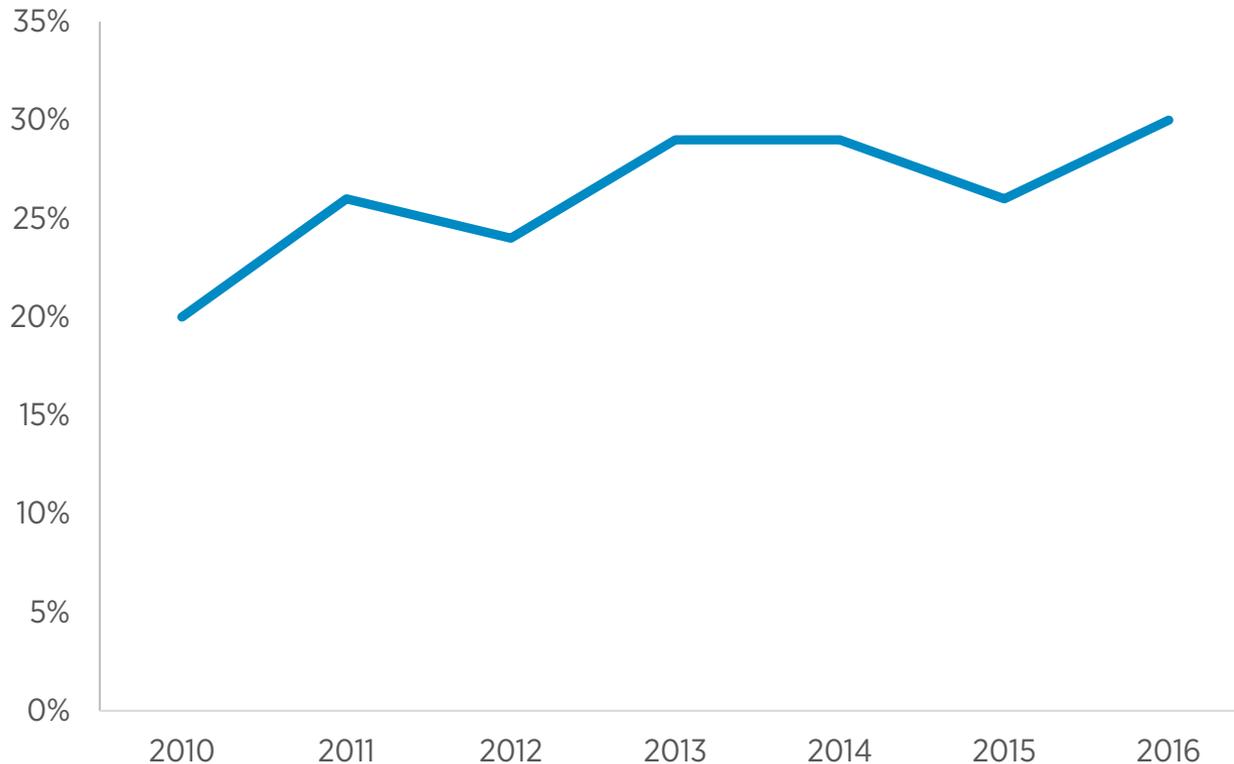
## Nasal High Flow Clinical Papers Published Annually



Source: PubMed

# Consistently Strong Growth in Hospital New Applications

## Constant Currency Revenue Growth Rate in New Applications Consumables



- New applications consumables now make up 51% of Hospital/RAC consumables revenue, up from 46% in FY2015

New applications consumables: Noninvasive ventilation, Optiflow, AIRVO, Surgical

# Homecare / Obstructive Sleep Apnea (OSA)

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, 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**



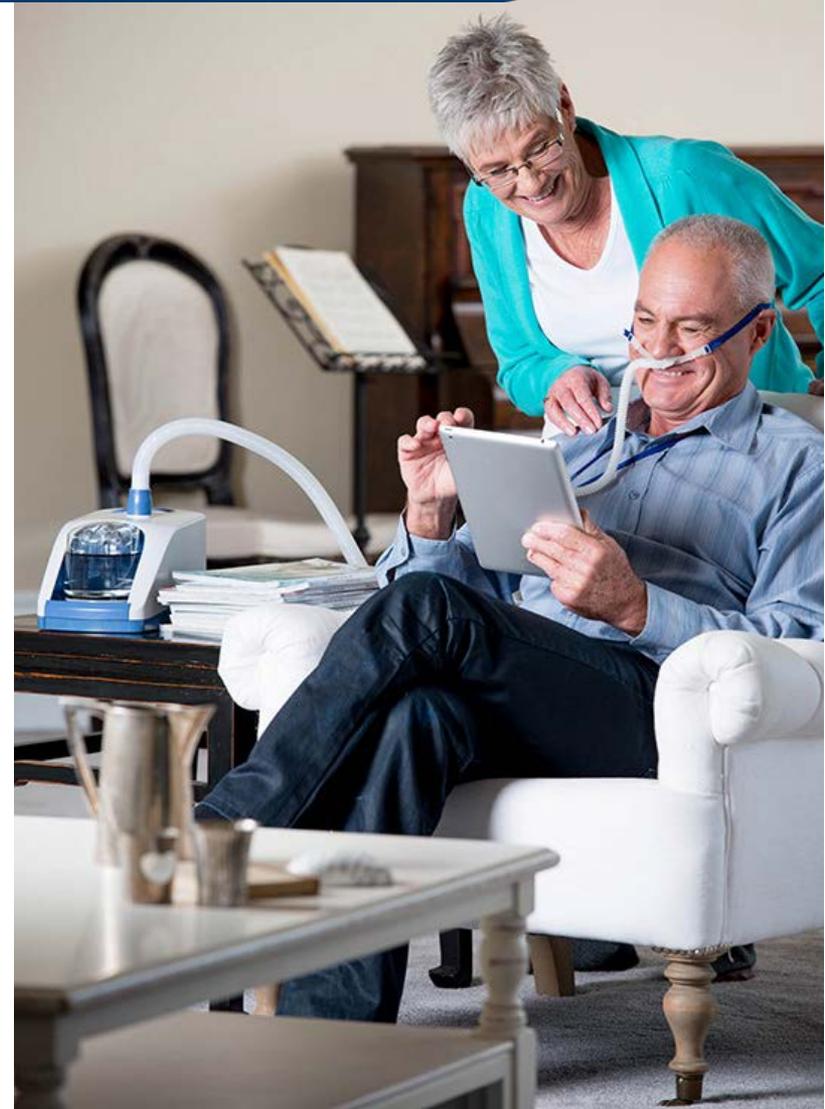
**F&P SIMPLUS**



**F&P PILAIRO Q**

# Home Respiratory Support for COPD

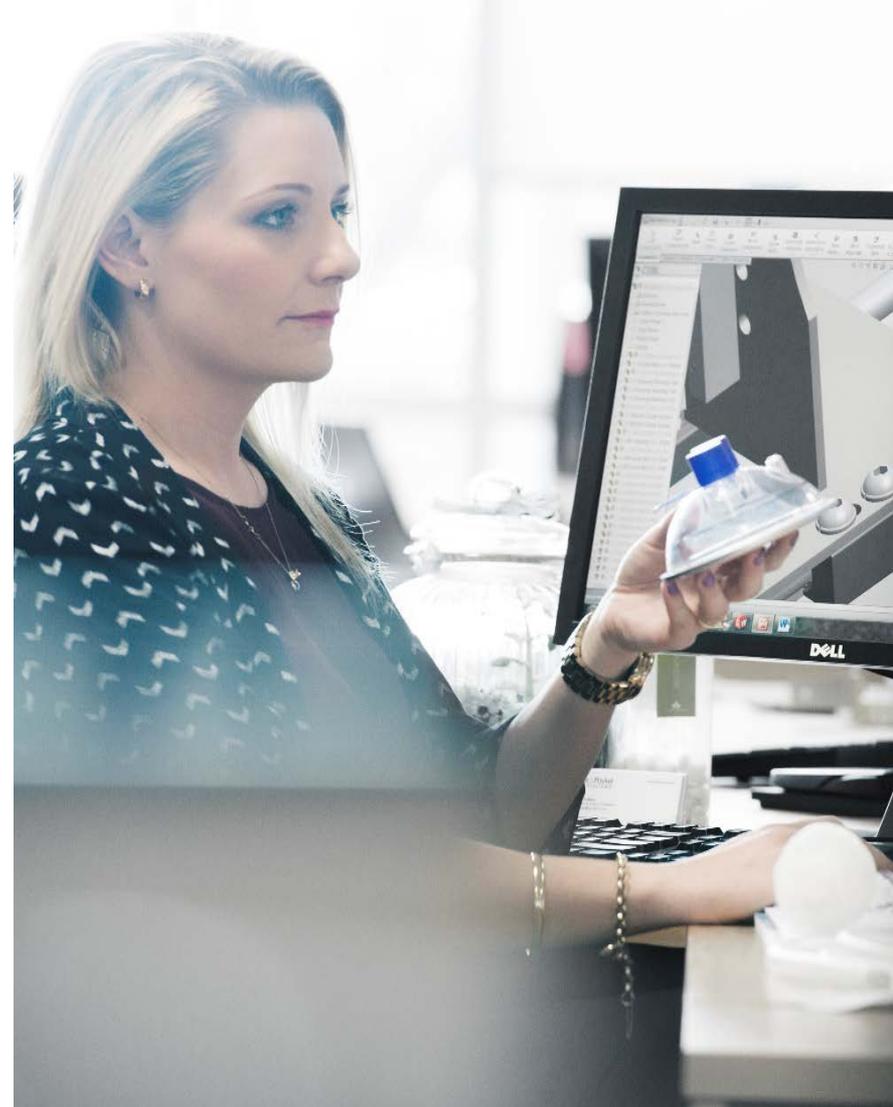
- Chronic obstructive pulmonary disease (COPD) is a lung disease which is commonly associated with smoking
- Emphysema and chronic bronchitis are both forms of COPD
- Chronic respiratory disease, primarily COPD, is the third leading cause of death in the US<sup>16</sup>
- 6% of US adults have been diagnosed with COPD<sup>17</sup> (~15 million people)
- 4-10% COPD prevalence worldwide<sup>18</sup> (~400 million people)



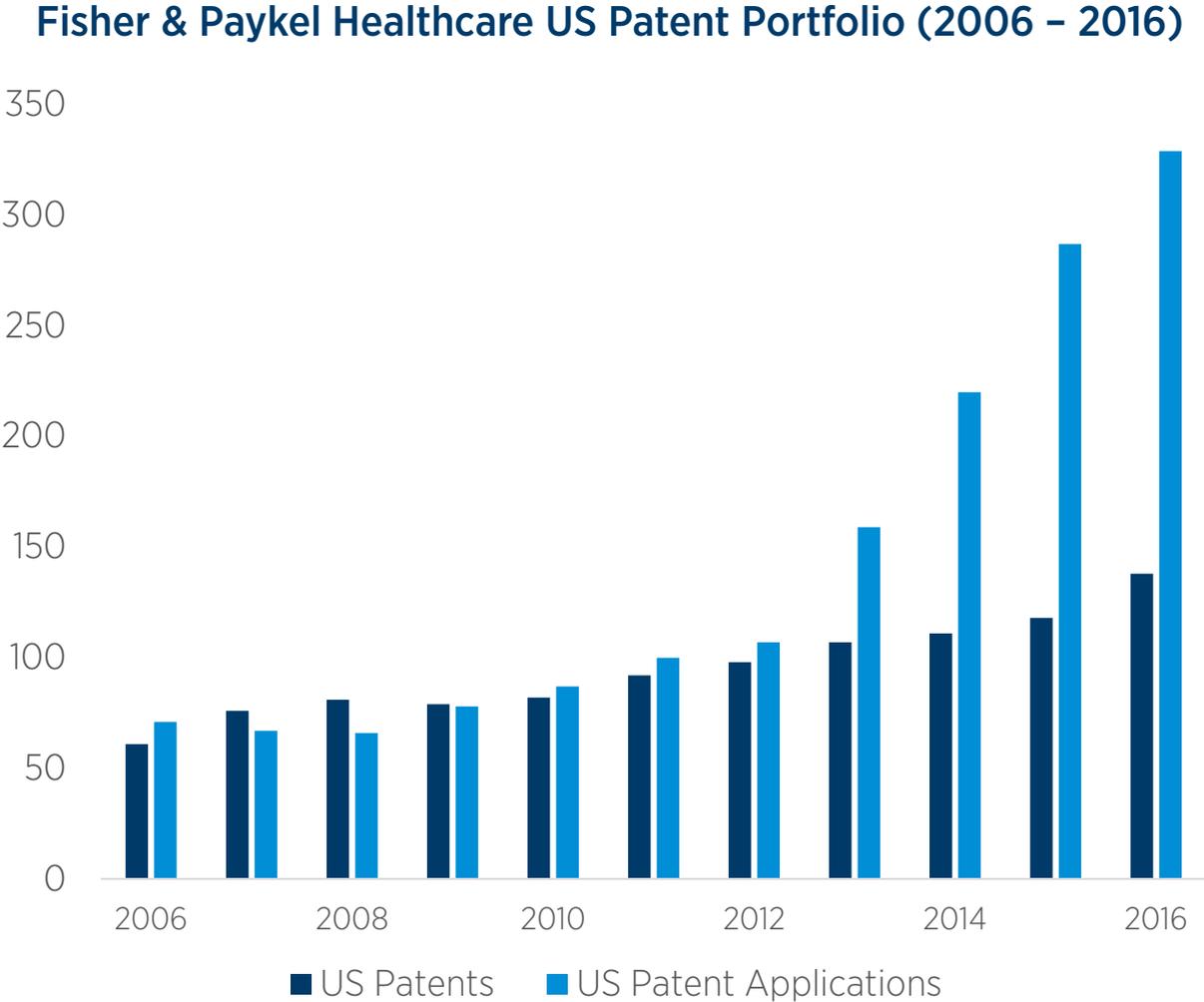
# High Level of Innovation and Investment in R&D

- R&D represents 9% of operating revenue:\* NZ\$73.3M
- Product pipeline includes:
  - Humidifier controllers
  - Masks
  - Respiratory consumables
  - Flow generators
  - Compliance monitoring solutions
- 138 US patents, 329 US pending, 559 ROW, 582 ROW pending\*

\* As at 31 March 2016



# Growing Patent Portfolio



○ 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 m<sup>2</sup> / 885,000 ft<sup>2</sup> total
- 100 acres / 40 hectares land

## Tijuana, Mexico

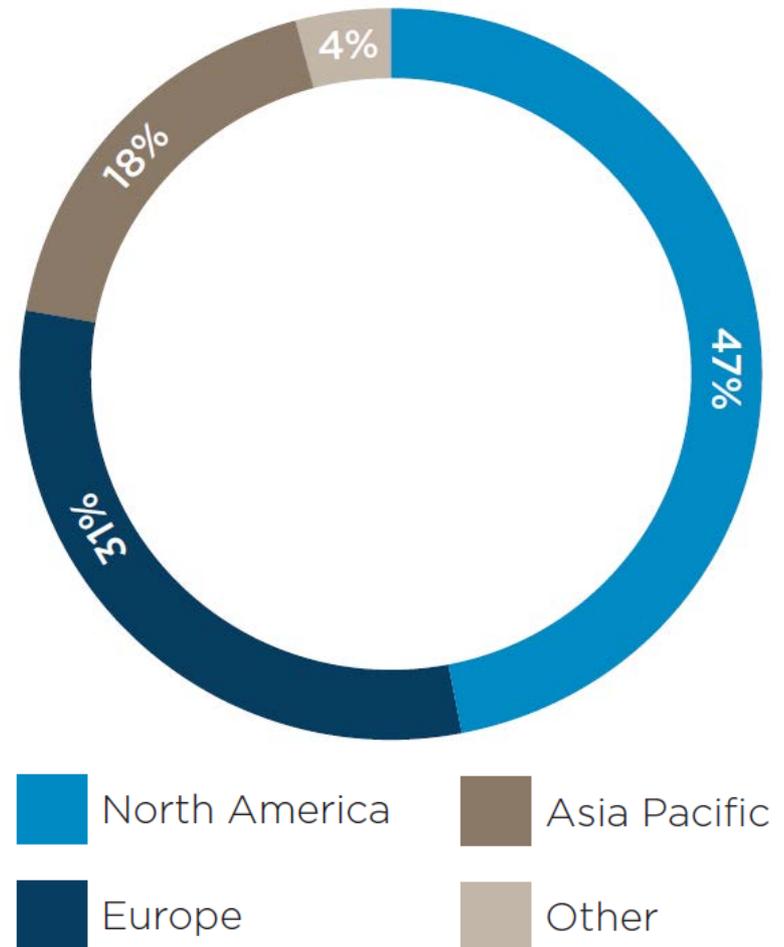
- 18,000 m<sup>2</sup> / 200,000 ft<sup>2</sup>
- Consumables capacity ramping up



# 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 700 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  
12 months to 31 March 2016

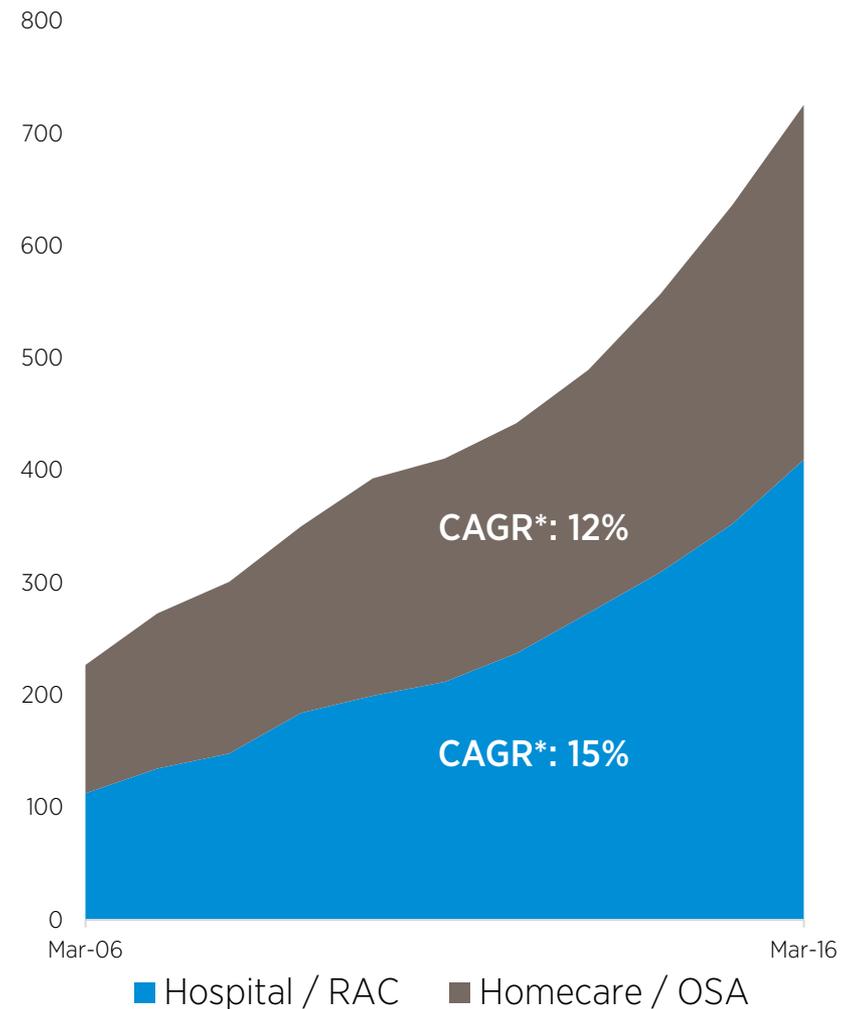
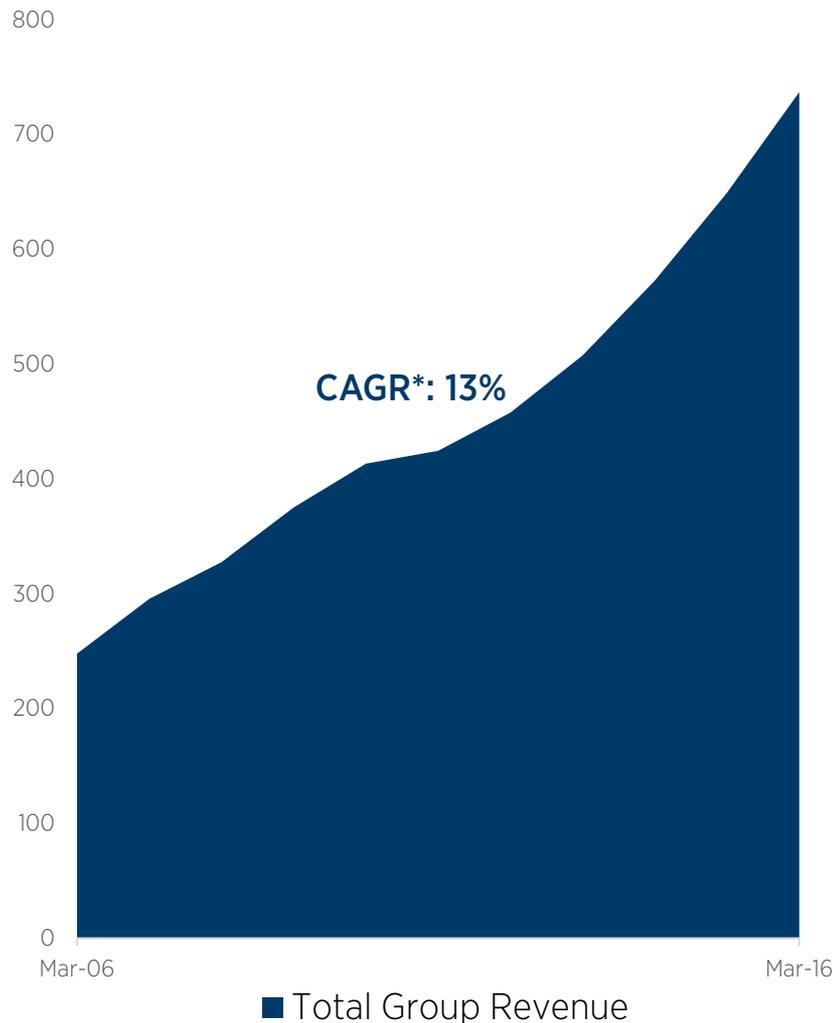


# Our Global Coverage



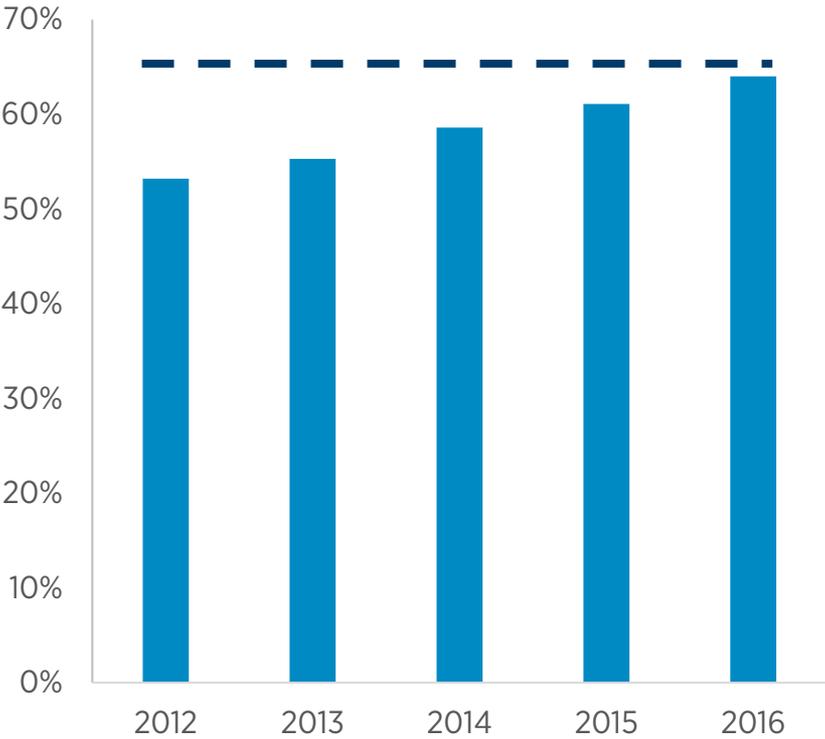
# Doubling our Constant Currency Revenue every 5-6 Years

## Constant Currency Operating Revenue NZ\$000



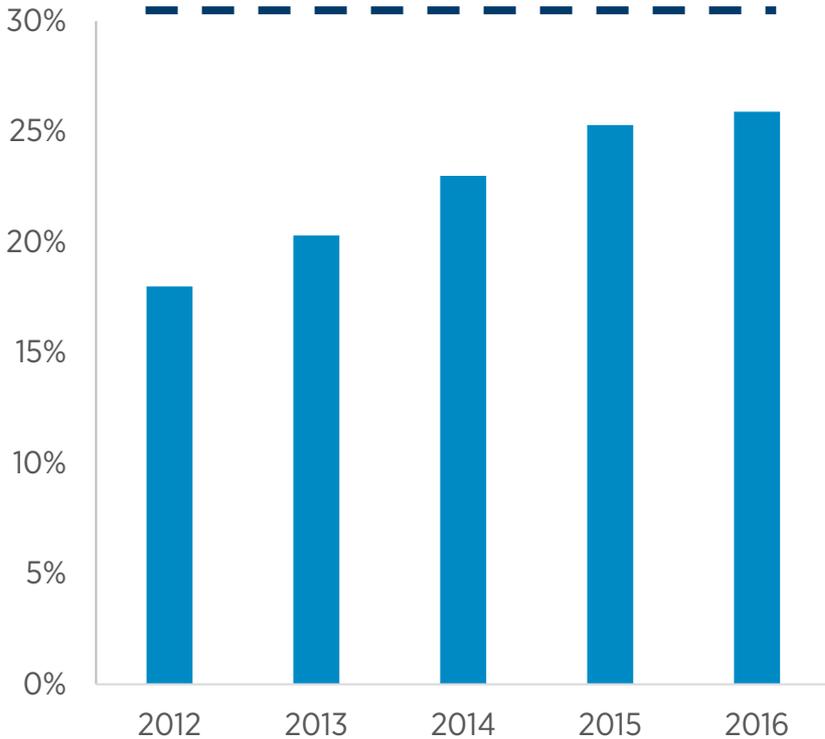
# Long Term Margin Targets

## Gross Margin



— — — Long term gross margin target

## Operating Margin



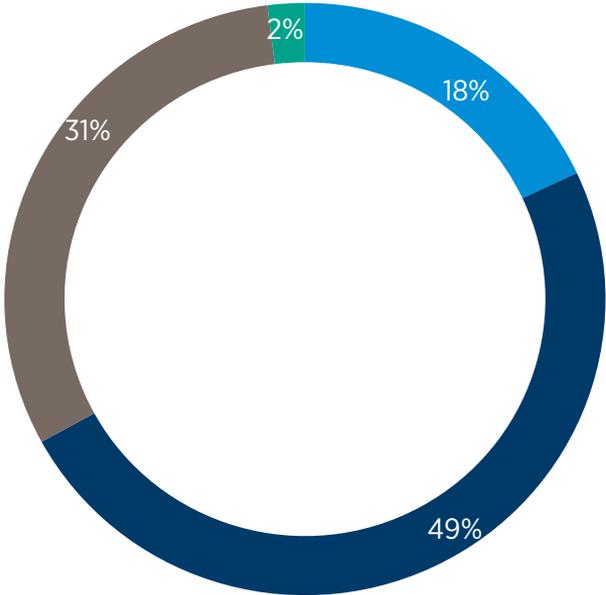
— — — Long term operating margin target

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

# Ownership Structure and Listings

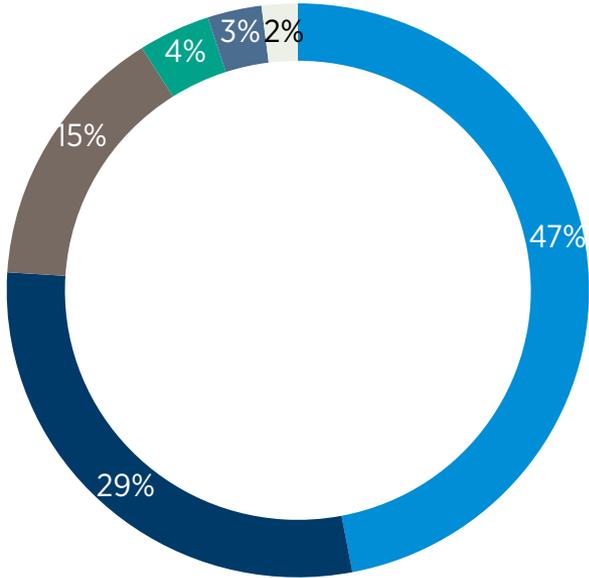
- Listed on NZX and ASX (NZX.FPH, ASX.FPH)

### Shareholding Structure as at 31 March 2016



■ NZ Institutions      ■ Other Institutions  
■ Brokers & Retail      ■ Other

### Geographical Ownership as at 31 March 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



**Product.**

# Hospital Hardware

- 850 respiratory humidifier system
  - Invasive ventilation, nasal high flow therapy and non-invasive ventilation
- 810 respiratory humidifier system
  - Entry level system
  - Ventilation and nasal high flow therapy
  - Optional heated breathing circuit
- AIRVO 2 flow generator/humidifier
  - Optiflow™ nasal high flow therapy
- HumiGard surgical humidifier
  - Laparoscopic insufflation
  - Open surgery



**F&P 850™ System**



**F&P 810™ 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 2 expiratory tube
  - Minimal condensation
  - Delivery of optimal humidity
- Breathing circuit components
  - Filters, catheter mount, weaning kit
- Interfaces
  - NIV masks, tracheostomy, Optiflow™+ nasal cannula
- Approx 30 system set-ups used per controller per year
- Consumable growth driving revenue growth



# Optiflow™ Nasal High Flow Therapy – Delivery Options



**F&P 850™ 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** Pilairo™ Q



**F&P** Optiflow™+

# Figures.



H

G

L

SAFETY WARNING  
READ CAREFULLY  
BEFORE OPERATING  
FORKTRUCK

  
AUSLE ERGÄNZUNG  
FUßGÄNGER UND REICHTRUCK  
NICHT ZUGELASSEN IN DIESE ZONE  
ZU GLEICHZEIT

# Full Year Operating Results

**FY2016** (12 months to 31 March 2016)

	% of Revenue	NZ\$M	ΔPCP <sup>^</sup>	ΔCC <sup>*</sup>
<b>Operating revenue</b>	<b>100%</b>	<b>815.5</b>	<b>+21%</b>	<b>+14%</b>
Cost of sales	36.0%	293.8	+12%	+6%
Gross profit	64.0%	521.6	+27%	+19%
Other income (R&D grant)		5.0	0%	0%
SG&A	29.7%	242.3	+34%	+23%
R&D	9.0%	73.3	+13%	+13%
Total operating expenses	38.7%	315.6	+28%	+20%
<b>Operating profit</b>	<b>25.9%</b>	<b>211.1</b>	<b>+24%</b>	<b>+16%</b>
<b>Profit after tax</b>	<b>17.6%</b>	<b>143.4</b>	<b>+27%</b>	<b>+19%</b>

<sup>^</sup> PCP = prior comparable period \* CC = constant currency

# Cash Flow & Balance Sheet

<b>FY2016</b> (for the 12 months ended 31 March 2016)	<b>NZ\$M</b>
Operating cash flow (-2%)	144.6
Capital expenditure	65.7
Depreciation and amortisation	35.2

<b>FY2016</b> (as at 31 March 2016)	<b>NZ\$M</b>
Debt (net)	44.4
Total equity	541.7
Total assets	766.8

	<b>%</b>
Pre-tax return on average equity	39.7%
Pre-tax return on average total assets	28.0%
Gearing (debt/debt + equity)	7.7%

# Foreign Exchange Effects

- 52% of operating revenue in USD (1H FY16: 51%) and 21% in €.

	Year to 31 March				
	2017	2018	2019	2020	2021
<b>Hedging position for our main exposures</b>					
USD % cover of expected exposure	85%	42%	24%	22%	18%
USD average rate of cover	0.689	0.659	0.643	0.626	0.614
EUR % cover of expected exposure	86%	53%	8%	0%	0%
EUR average rate of cover	0.577	0.576	0.571	-	-

	Year ended 31 March	
	2015	2016
	NZ\$000	NZ\$000
<b>Reconciliation of Constant Currency to Actual Income Statements</b>		
<b>Profit before tax (constant currency)</b>	<b>130,951</b>	<b>156,502</b>
Spot exchange rate effect	(2,335)	44,518
Foreign exchange hedging result	27,893	(4,005)
Balance sheet revaluation	2,257	3,815
<b>Profit before tax (as reported)</b>	<b>158,766</b>	<b>200,830</b>

# Important Notice and References

## Disclaimer

The information in this presentation is for general purposes only and should be read in conjunction with Fisher & Paykel Healthcare Corporation Limited's (FPH) 2016 Annual Report and accompanying market releases. Nothing in this presentation should be construed as an invitation for subscription, purchase or recommendation of securities in FPH.

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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