

Bank of America Merrill Lynch Conference  
September 2017

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# Business Highlights

- Released five innovative new products over the last year:
  - F&P 950™ heated humidification system
  - F&P Nivairo™ hospital mask
  - F&P Brevida™ OSA mask
  - F&P Optiflow Junior™ 2 nasal cannula range
  - F&P SleepStyle™ CPAP device
- Completed purchase of 15 hectare site in Mexico and commenced earthworks
- Commenced earthworks for fourth building on our NZ site

## Innovative new products launched



F&P Nivairo



F&P 950 system



F&P Optiflow Junior 2



F&P SleepStyle



F&P Brevida

# Hospital Product Group

Operating revenue growth	H2 FY2017
NZ\$	+11%
Constant currency	+16%

New applications consumables revenue growth	H2 FY2017
(Noninvasive ventilation (NIV), Optiflow™, AIRVO, Surgical)	
NZ\$	+19%
Constant currency	+24%

- New applications consumables made up 55% of H2 FY2017 Hospital consumables revenue, up from 52% in H1 FY2017
- Strong customer demand for our Optiflow™ and AIRVO™ systems

## Further positive clinical trial results:

- Use of Optiflow™ nasal high flow therapy in infants with bronchiolitis had a significantly lower treatment failure rate than standard oxygen therapy (Franklin, D et al, PARIS study – abstract published at PAS 2017)



**Fisher & Paykel**  
HEALTHCARE

# Homecare Product Group

## Operating revenue growth

H2 FY2017

NZ\$	+4%
Constant currency	+7%

## Mask revenue growth

H2 FY2017

Constant currency	+12%
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- Masks continue to take market share



**F&P Simplus™**



**F&P Eson™ 2**



**F&P Brevida™**



**F&P SleepStyle™**

# Second Half Financial Highlights

## H2 FY2017 (6 months to 31 March 2017)

	$\Delta$ PCP <sup>^</sup>	$\Delta$ CC <sup>*</sup>
Operating revenue	+8%	+12%
Gross margin (bps increase)	+250bps	+120bps
Net profit after tax	+12%	+14%
Hospital operating revenue	+11%	+16%
Hospital new applications consumables revenue	+19%	+24%
Homecare operating revenue	+4%	+7%
OSA masks revenue	+9%	+12%

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

# Full Year Financial Highlights

**FY2017** (12 months to 31 March 2017)

	NZ\$M	ΔPCP^	ΔCC*
Record operating revenue	894.4	+10%	+14%
Gross margin (bps increase)		+205bps	+206bps
Record net profit after tax	169.2	+18%	+21%
Record Hospital operating revenue	500.4	+15%	+19%
Hospital new applications consumables revenue		+24%	+29%
Record Homecare operating revenue	381.5	+4%	+8%
OSA masks revenue		+9%	+13%

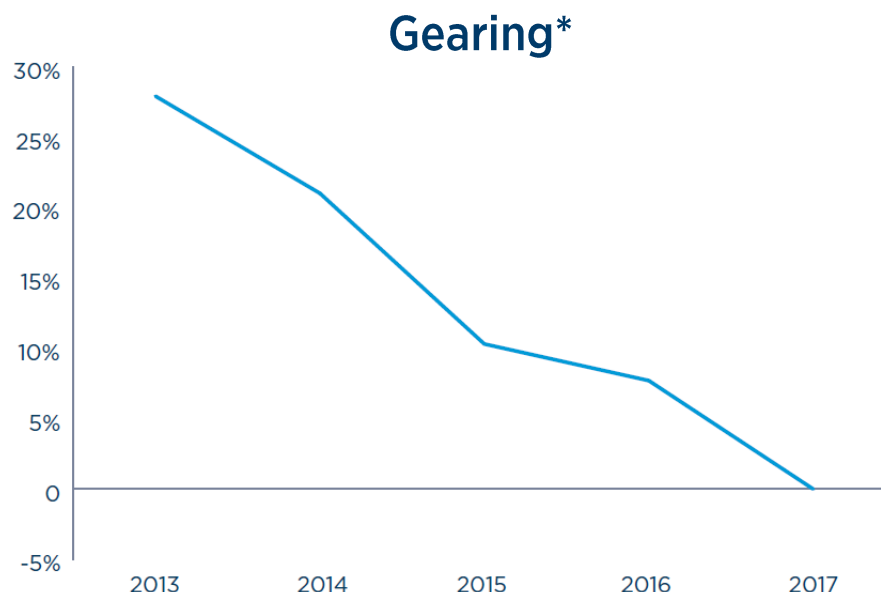
**Recurring items, consumables and accessories  
approximately 86% of operating revenue (FY16: 83%)**

^ PCP = prior comparable period \* CC = constant currency



# Dividend and Gearing

- Increased final dividend by 13%:
  - 11.25 cps + 4.375 cps imputation credit for NZ residents (gross dividend of NZ 15.625 cps)
  - Fully imputed
  - 1.9852 cps non-resident supplementary dividend
  - Dividend reinvestment plan available for New Zealand and Australian residents, no discount will apply
- Gross dividend 27.0833 cps, yield ~2.7%
- Target gearing ratio\* of +5% to -5% debt to debt plus equity
  - Gearing ratio at 31 March 2017 was 0.0%



# Outlook FY2018

Guidance provided on 24 August 2017

## Full Year

Expect at NZD:USD exchange rate of ~0.725 for the balance of the year

Operating Revenue	Approaching NZ\$1 billion
Net Profit after Tax	~NZ\$180 to \$190 million

## First Half

Expect at exchange rates current as at 24 August 2017

Operating Revenue	~NZ\$460 million
Net Profit after Tax	~NZ\$80 million



The background of the slide features a close-up, low-angle shot of several blue corrugated pipes. The pipes are arranged in a way that creates a strong sense of depth and perspective, with lines converging towards the top right. The lighting is bright, highlighting the texture of the corrugations. The word 'Overview' is superimposed in the center in a large, white, sans-serif font.

# 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
- Long-term targets for 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



Hospital Respiratory Support



Noninvasive Ventilation



Surgical Humidification



## HEMOCARE

Home Respiratory Support



CPAP Therapy



## “NEW APPLICATIONS”

Applications outside of invasive ventilation



# Markets & Products

## ○ Hospital

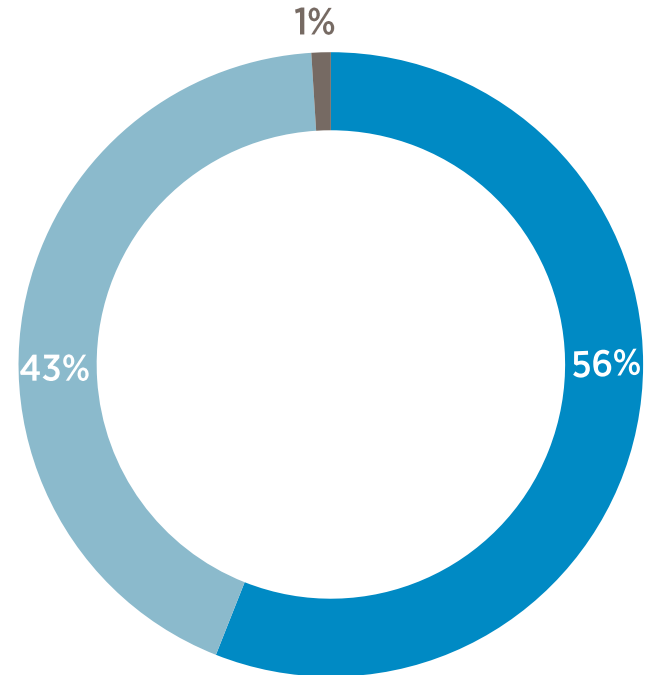
- Heated humidification
- Respiratory care
- Neonatal care
- Surgery

## ○ Homecare

- Masks
- Flow generators
- Data management tools
- Respiratory care in the home

**Recurring items, consumables and accessories approximately 86% of operating revenue (H1 FY17: 86%)**

**Revenue by Product Group  
12 months to 31 March 2017**



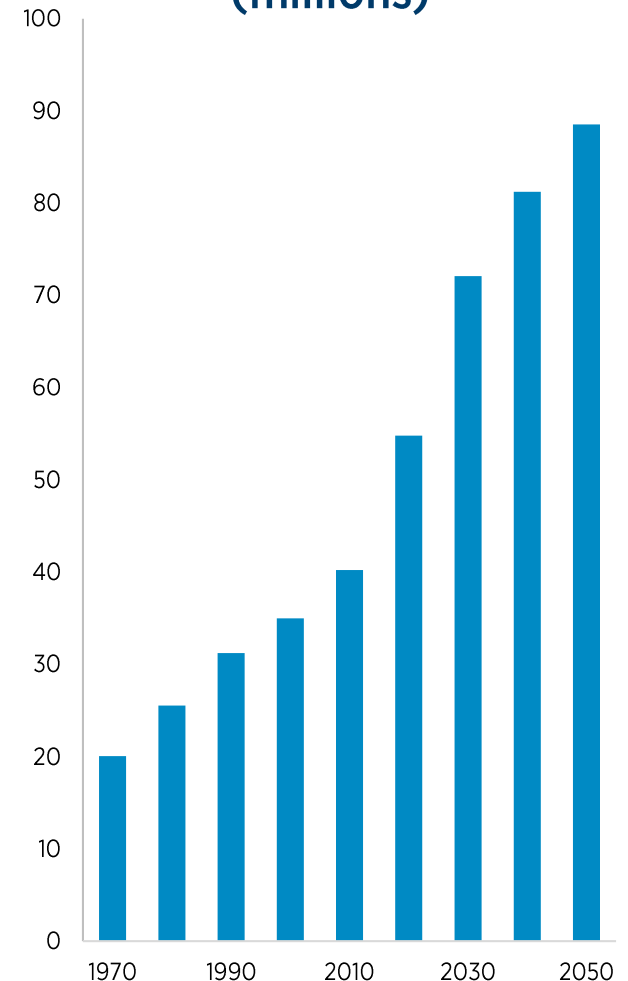
- Hospital
- Homecare
- Distributed & Other

# Impact of Changing Demographics

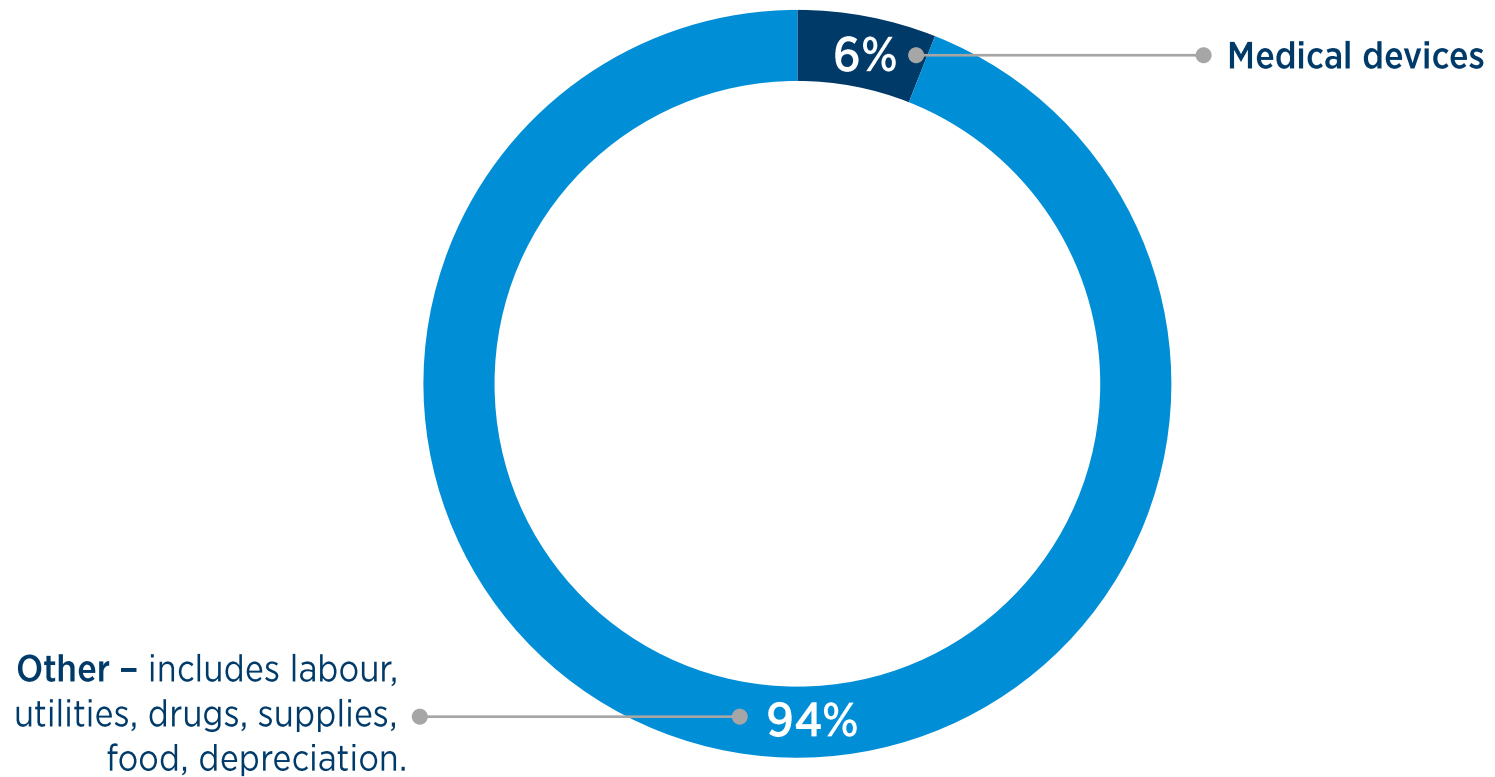
- Population age and weight both increasing
  - US population 65 years+ to grow ~80% over next 20 years<sup>1</sup>
  - US males 60 - 74 years, average weight increased 0.4 kg/year since 1960<sup>2</sup>
- 60% of US healthcare cost is after age 65 years<sup>3</sup>
- Developing markets increasing healthcare spending
  - China healthcare expenditure projected to grow at 12% per year between 2014-2018<sup>4</sup>



US Population over age 65 (millions)



# Hospital Cost Breakdown

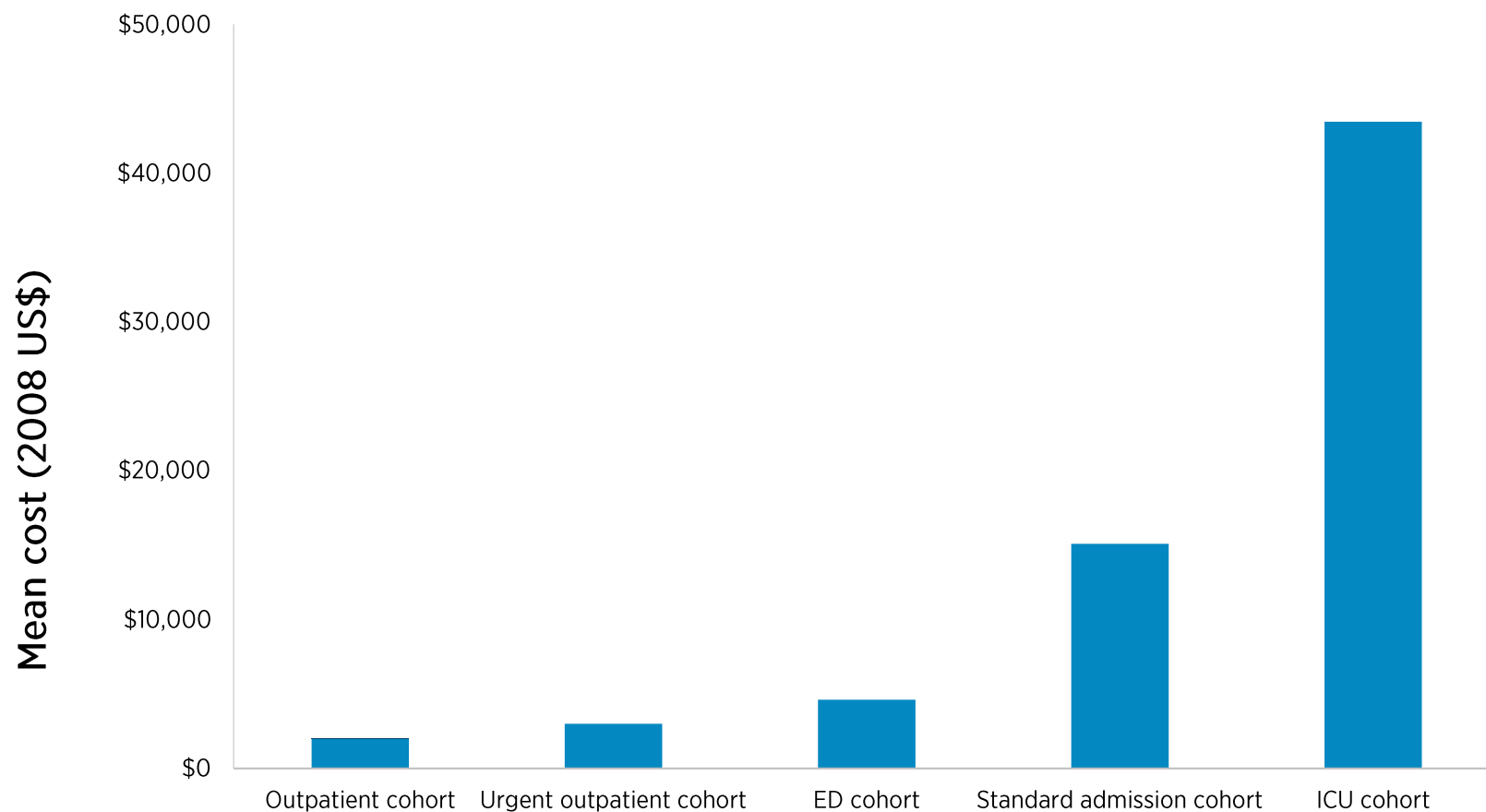


Source: Estimates of Medical Device Spending in the United States, Donahoe, G and King, G, June 2014



# 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 Product Group

Invasive  
Ventilation



Hospital  
Respiratory Support



Noninvasive  
Ventilation



Surgical  
Humidification

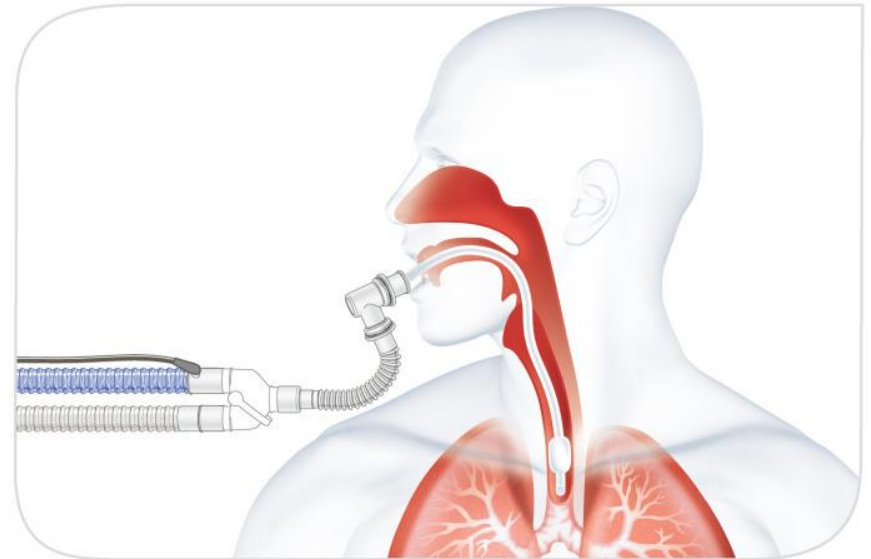


## “NEW APPLICATIONS”

Applications outside of invasive ventilation

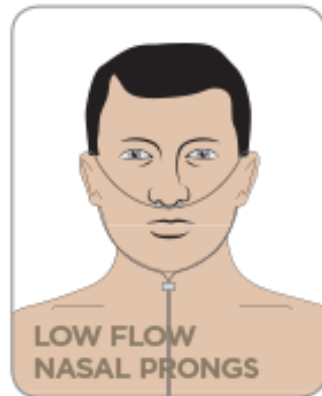
# Respiratory Humidification

- 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

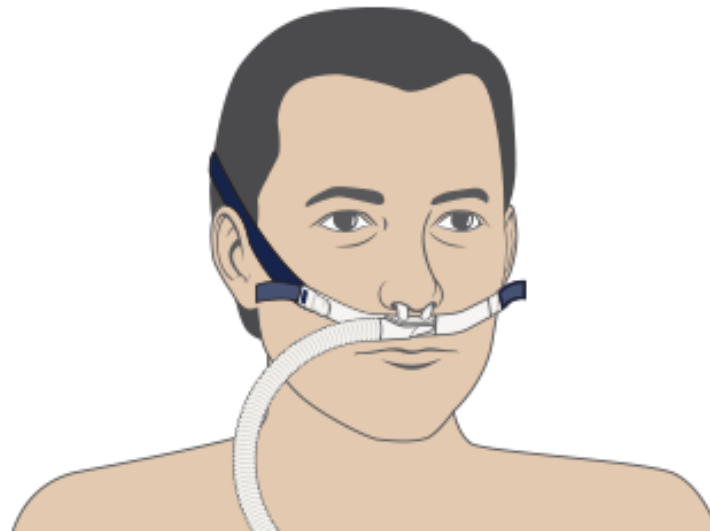
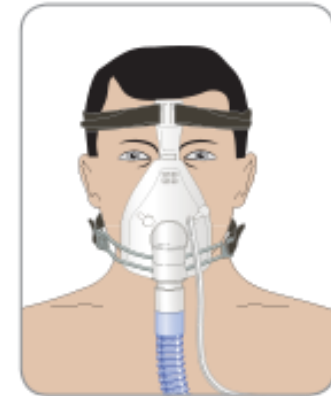


# Optiflow - Displacing Conventional Oxygen Therapy

## CONVENTIONAL OXYGEN THERAPY



## NONINVASIVE VENTILATION



# Clinical Outcomes of Optiflow Nasal High Flow Therapy

## Optiflow NHF therapy is associated with:

### ADULTS:

- REDUCED 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:

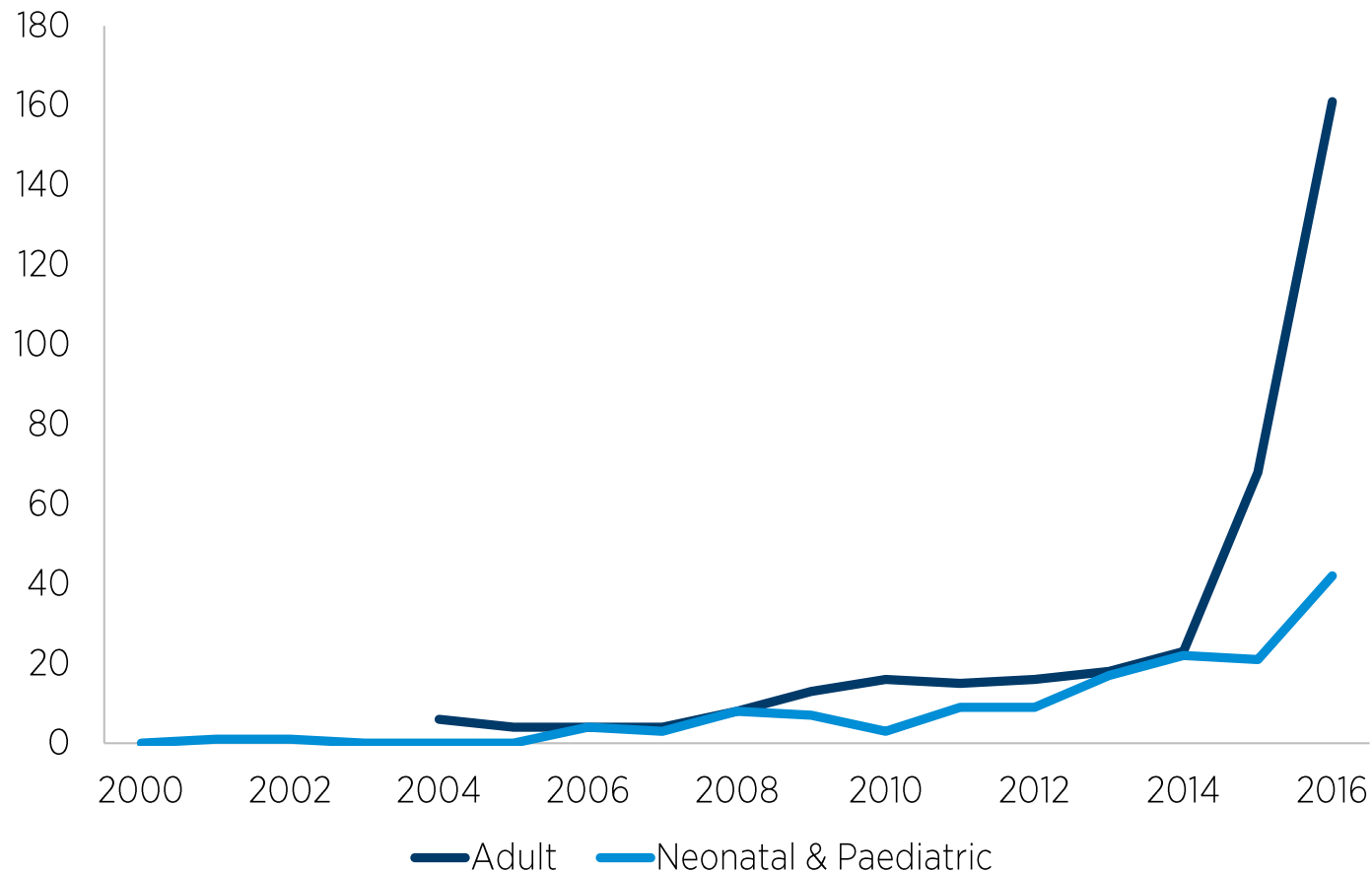
- REDUCED intubation<sup>9</sup>
- REDUCED length of stay<sup>10</sup>
- REDUCED respiratory distress<sup>11</sup>

### NEONATES:

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

# Optiflow NHF - A Growing Body of Clinical Evidence

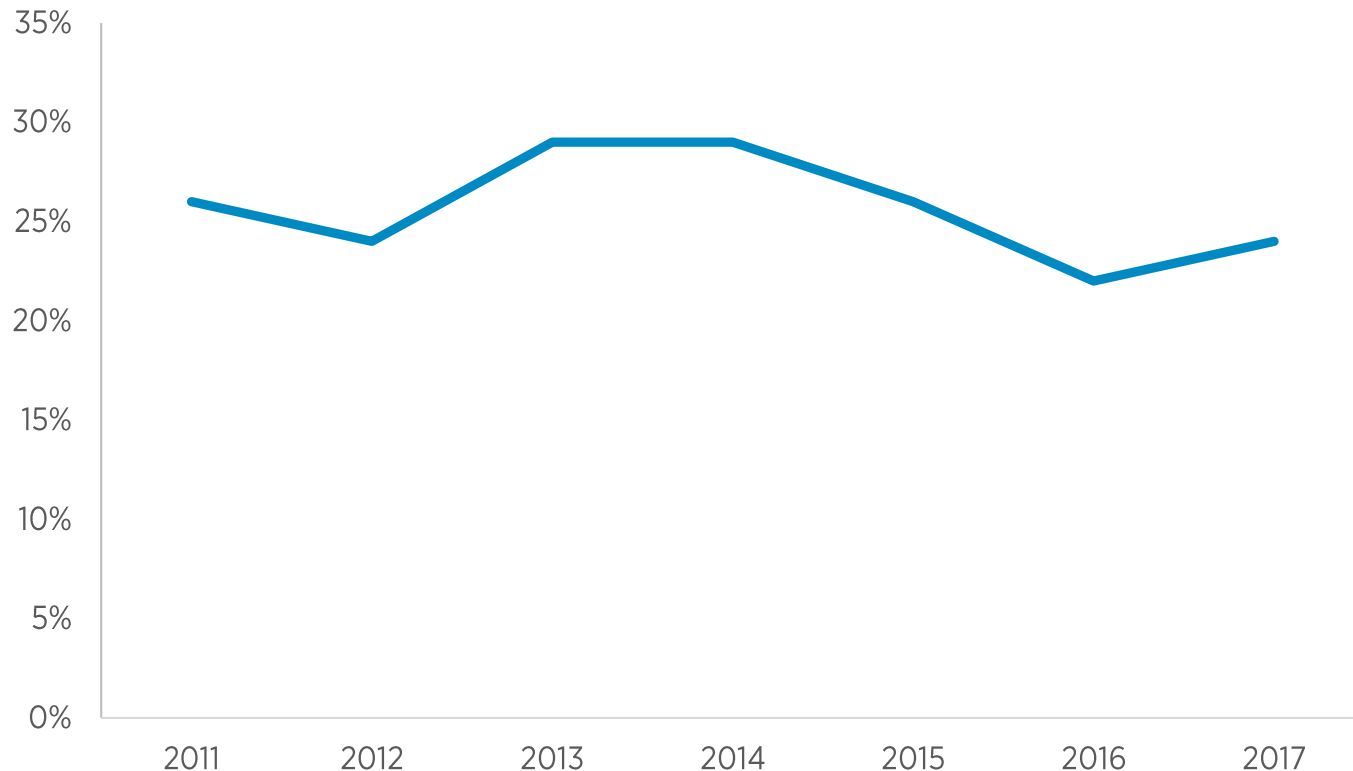
## Nasal High Flow Clinical Papers Published Annually



Source: PubMed

# Consistently Strong Growth in Hospital New Applications

## Constant Currency Revenue Growth Rate in New Applications Consumables\*



- New applications consumables made up 54% of Hospital consumables revenue in FY2017, up from 51% in FY2016 and 46% in FY2015

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

22 \* Adjusted to exclude impact of US distribution transition in FY16 & FY17



# 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

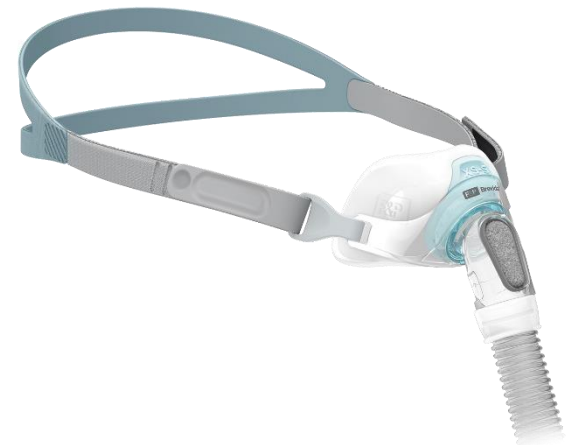
- Market leading mask technology
- Unique, patented designs
- Mask Matters Most
  - Masks are key to compliance



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 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)





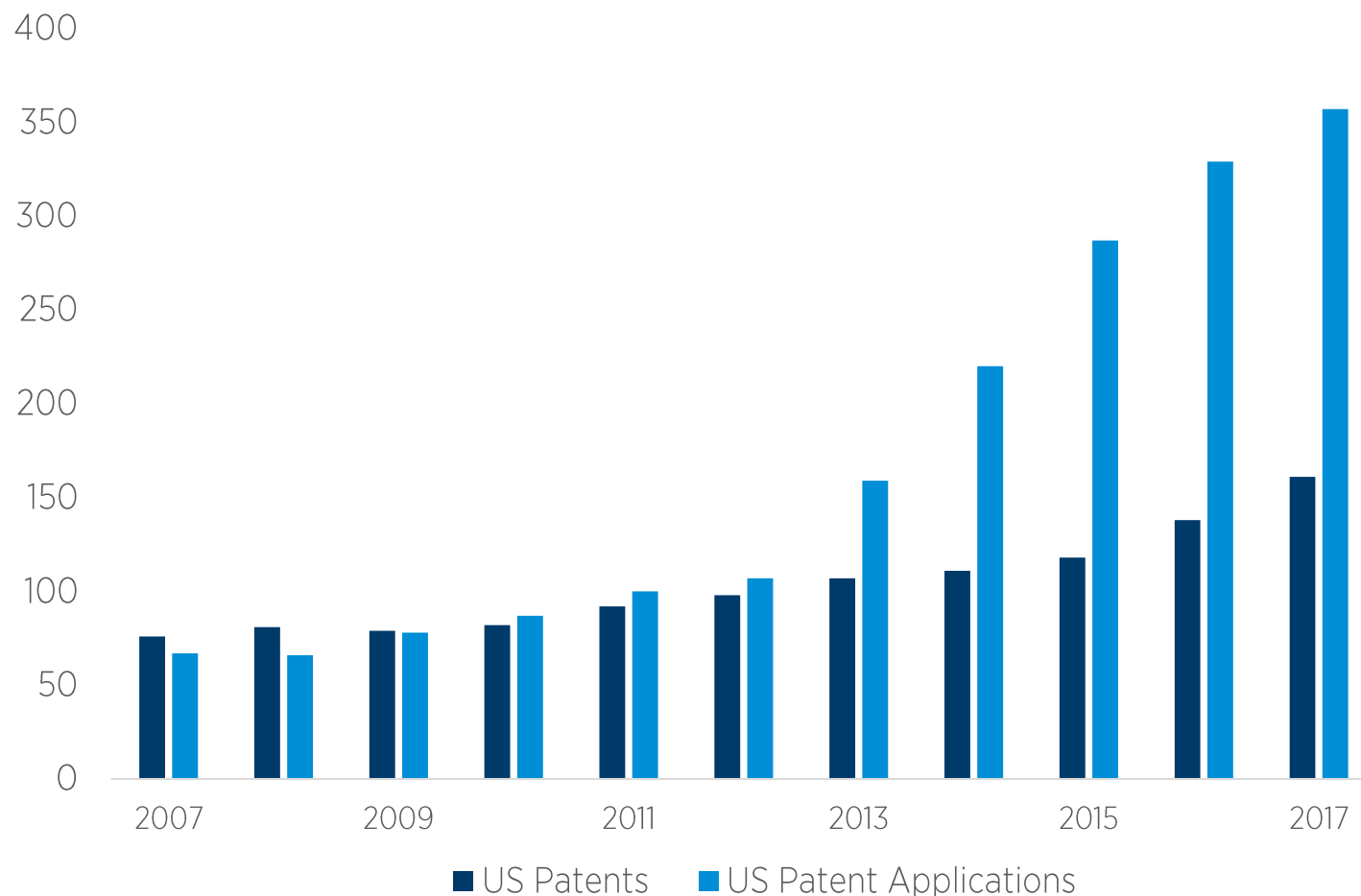
# High Level of Innovation and Investment in R&D

- R&D represents 9.6% of operating revenue:\* NZ\$86M
- Product pipeline includes:
  - Masks
  - Respiratory consumables
  - Flow generators
  - Compliance monitoring solutions
- 161 US patents, 357 US pending, 714 ROW, 732 ROW pending\*



# Growing Patent Portfolio

Fisher & Paykel Healthcare US Patent Portfolio (2007 – 2017)



○ Average remaining life of FPH patent portfolio: 12 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
- 103 acres / 42 hectares land

## Tijuana, Mexico

- One building:  
18,000 m<sup>2</sup> / 200,000 ft<sup>2</sup>
- 37 acres / 15 hectares land





# 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

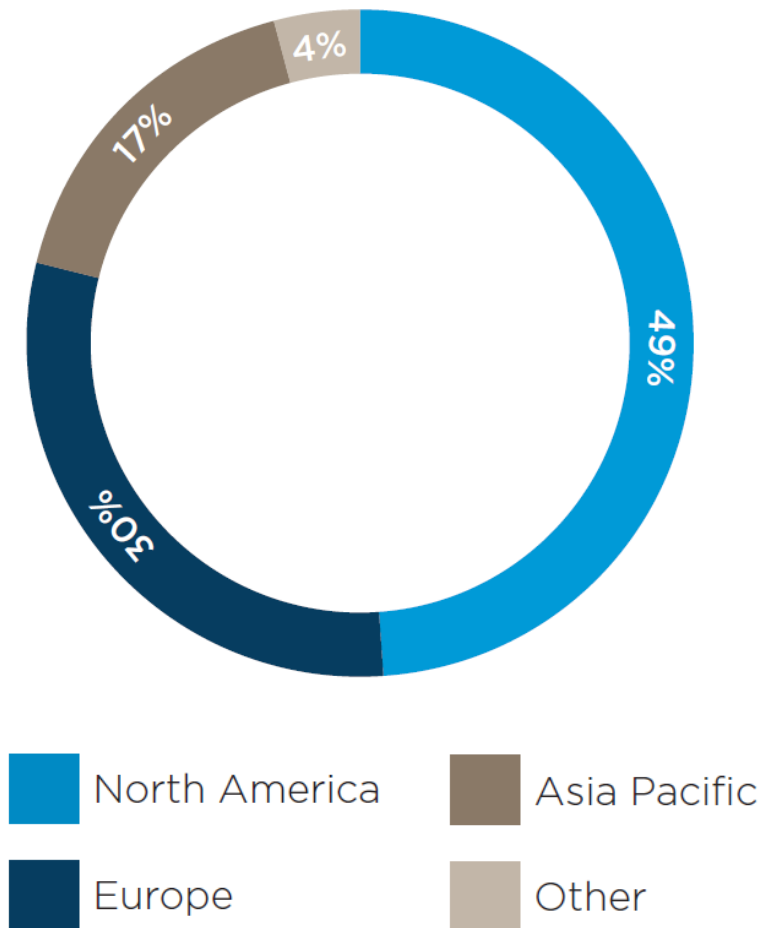
- 100+ distributors worldwide

## ○ Original Equipment Manufacturers

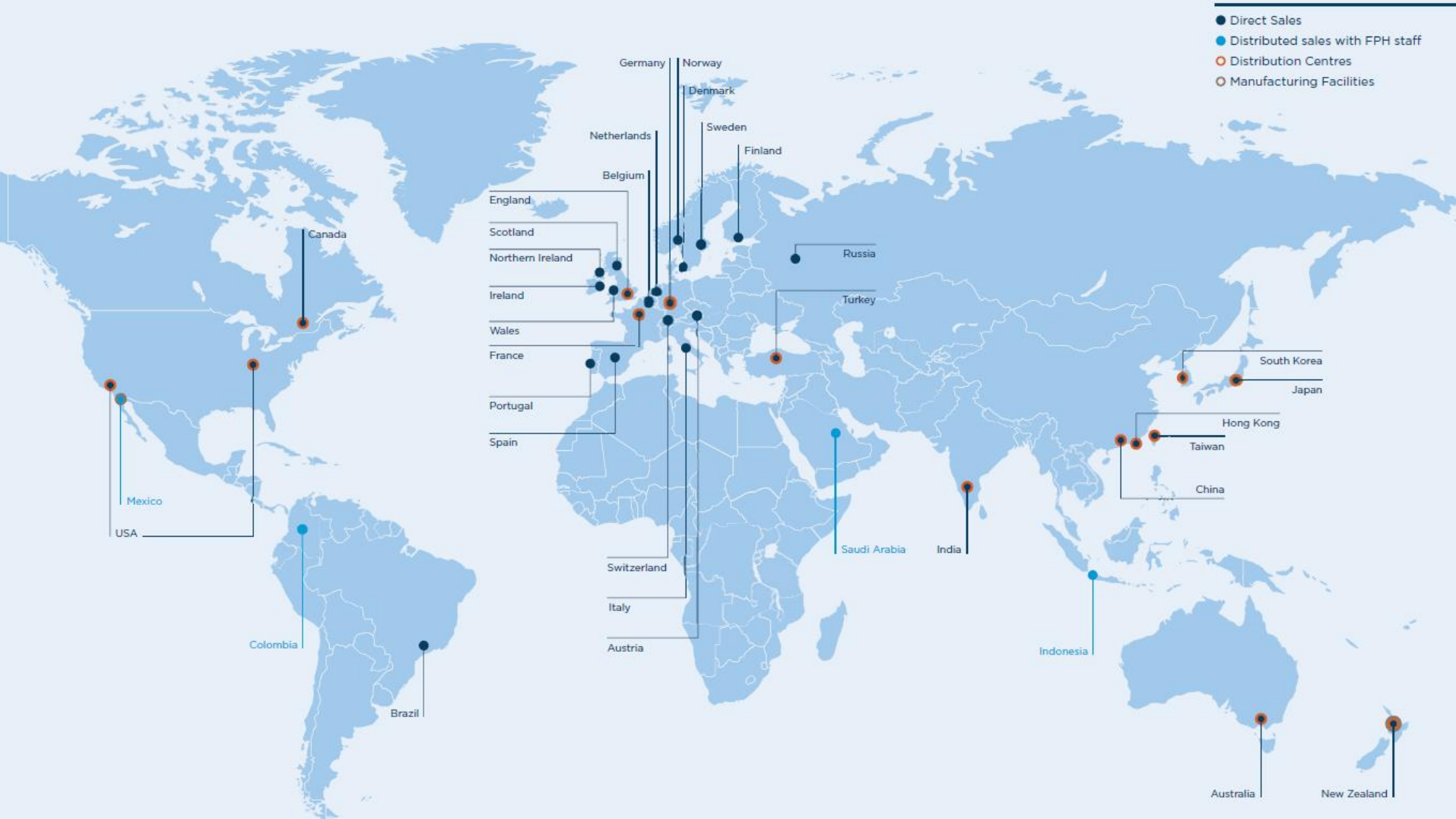
- Supply most leading ventilator manufacturers

## ○ Sell in more than 120 countries in total

Revenue by Region  
12 months to 31 March 2017

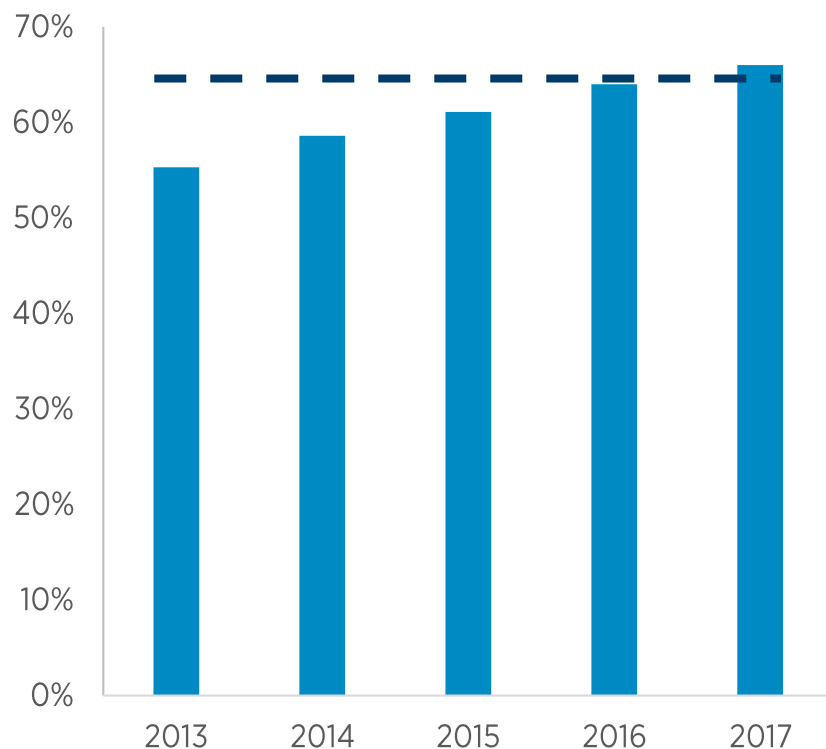


# Our Global Coverage

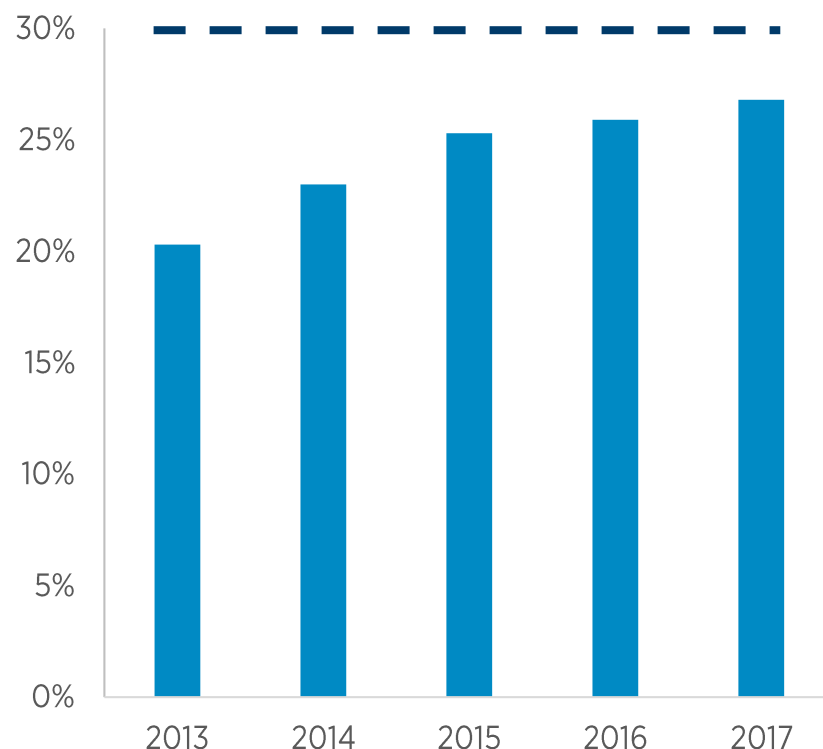


# Long Term Margin Targets

## Gross Margin



## Operating Margin



— — — Long term gross margin target

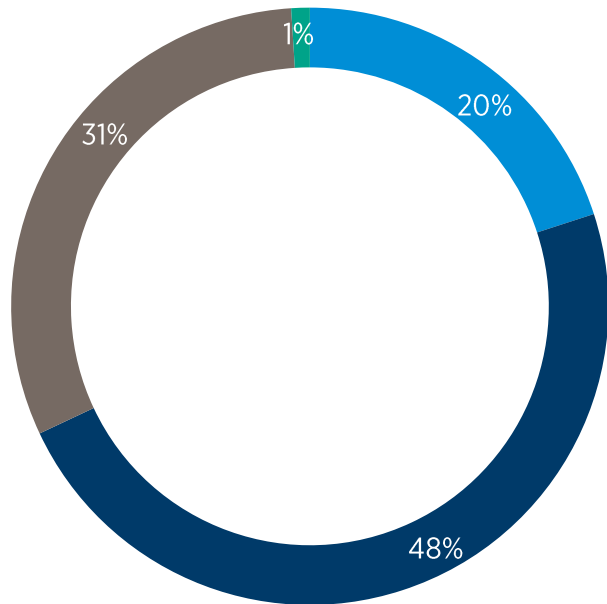
— — — Long term operating margin target

- We expect to see gross margin expansion in FY18 in the range of 50 – 100 bps.

# Ownership Structure and Listings

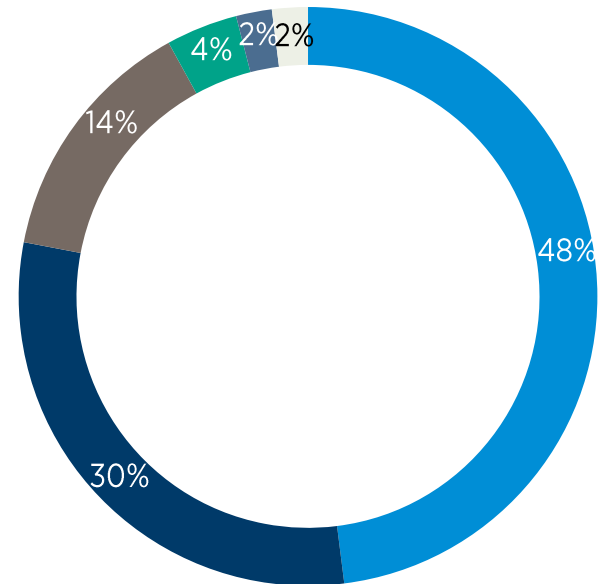
- Listed on NZX and ASX (NZX.FPH, ASX.FPH)

**Shareholding Structure as at  
31 March 2017**



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

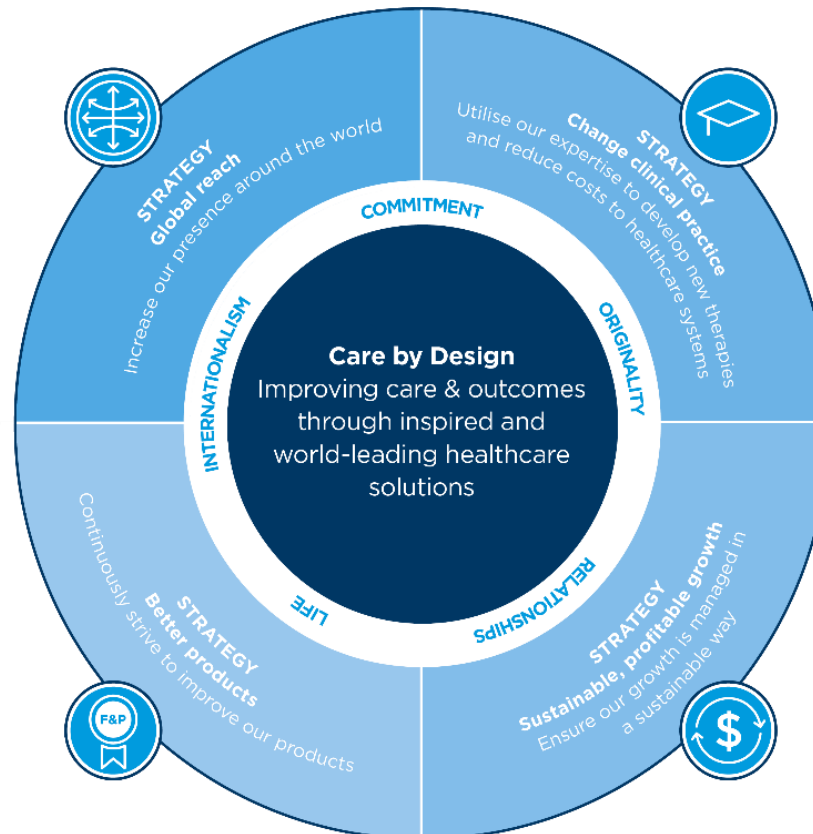
**Geographical Ownership as at  
31 March 2017**



■ New Zealand      ■ Australia      ■ North America  
■ UK      ■ Europe (ex UK)      ■ Asia

# Consistent Growth Strategy

## Our inputs



## Our outputs



## MARKET CONTEXT

AGEING POPULATION | TECHNOLOGY ADVANCEMENT | HEALTHCARE COSTS INCREASING | OTHER EXTERNAL FACTORS



# 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™+ and Optiflow Junior 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™+**



**F&P** **SleepStyle™**



**F&P** **AIRVO™ 2**



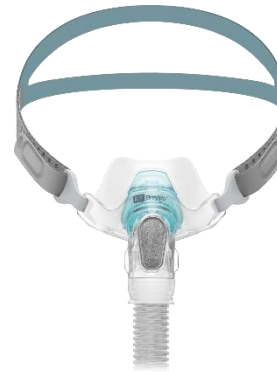
**F&P** **810™ System**



**F&P** **Simplus™**



**F&P** **Eson™ 2**



**F&P** **Brevida™**



**F&P** **Optiflow™+**



# Financials

# Full Year Operating Results

**FY2017** (12 months to 31 March 2017)

	% of Revenue	NZ\$M	ΔPCP^	ΔCC*
<b>Operating revenue</b>	<b>100%</b>	<b>894.4</b>	<b>+10%</b>	<b>+14%</b>
Cost of sales	34.0%	304.0	+3%	+7%
Gross profit	66.0%	590.4	+13%	+17%
Other income (R&D grant)		5.0	0%	0%
SG&A	30.1%	269.3	+11%	+16%
R&D	9.6%	86.0	+17%	+17%
Total operating expenses	39.7%	355.3	+13%	+16%
<b>Operating profit</b>	<b>26.8%</b>	<b>240.1</b>	<b>+14%</b>	<b>+19%</b>
<b>Profit after tax</b>	<b>18.9%</b>	<b>169.2</b>	<b>+18%</b>	<b>+21%</b>

^ PCP = prior comparable period \* CC = constant currency

# Cash Flow & Balance Sheet

<b>FY2017</b> (for the 12 months ended 31 March 2017)	<b>NZ\$M</b>
Operating cash flow (+34%)	193.6
Capital expenditure	63.0
Depreciation and amortisation	39.1
<b>FY2017</b> (as at 31 March 2017)	<b>NZ\$M</b>
Net cash	0.2
Total equity	661.6
Total assets	878.2
	%
Pre-tax return on average equity	39.6%
Pre-tax return on average total assets	29.0%
Gearing (debt/debt + equity)	0.0%

# Foreign Exchange Effects

- 52% of operating revenue in USD and 20% in €.

Hedging position as at 24 August 2017

Year to 31 March

Hedging position for our main exposures	2018	2019	2020	2021	2022
USD % cover of expected exposure	84%	64%	39%	21%	0%
USD average rate of cover	0.676	0.672	0.648	0.624	-
EUR % cover of expected exposure	88%	65%	22%	0%	0%
EUR average rate of cover	0.601	0.618	0.594	-	-

Year ended 31 March

	2016 NZ\$000	2017 NZ\$000
<b>Reconciliation of Constant Currency to Actual Income Statements</b>		
<b>Profit before tax (constant currency)</b>	<b>199,511</b>	<b>241,209</b>
Spot exchange rate effect	1,509	(22,189)
Foreign exchange hedging result	(4,005)	22,090
Balance sheet revaluation	3,815	(2,666)
<b>Profit before tax (as reported)</b>	<b>200,830</b>	<b>238,444</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) 2017 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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