

**PHILIPS**

Financing Perspectives



# Circular financing solutions

Demonstrating how leasing models drive sustainable healthcare

# Establishing circular economy business models and practices

A circular economy designs out waste, while keeping products, parts and materials at their highest utility and value for as long as possible. By shifting away from the traditional take-make-waste model of a linear economy, the focus is now on circularity through a use less, use longer, use again approach.

Circular business models are a key enabler in the move away from a wasteful linear world. Healthcare providers need such models to meet their sustainability demands and to reduce carbon emissions. They can do this by using healthtech systems designed with recycled and responsibly sourced materials, generating less operational waste, and counting on responsible end-of-use management.

In a circular business model, maximum value of medical equipment is delivered with minimum materials, demonstrated by product life extension with a commitment to maintenance, upgrades, refurbishment, and the circular financing options that make it all feasible. In this way, healthcare providers benefit from equipment that is optimized for peak operational performance over the course of its lifecycle. And providers find reassurance in service-based structures that are cost effective, predictable, and right for the circular economy.

**"With constant pressure on healthcare funding, there are several financing options available to hospitals to extend the lifetime value and usability of their existing installed systems, without compromising on quality while moving towards sustainable healthcare."**

Robert Metzke, Philips Global Head of Sustainability

## A pledge from the healthcare industry

The healthcare industry is among the most carbon-intensive service sectors in the industrialized world. It is responsible for 4.4% of worldwide greenhouse gas emissions.<sup>1</sup>

In response, there is a growing global commitment from healthcare providers to become more sustainable in their operations. More than 60 health care institutions representing the interests of over 14,000 hospitals and health centers in 22 countries have joined Race to Zero with 'Health Care Without Harm' and more will join.<sup>2</sup>



# Healthtech leaders are positioned to drive circular transformation

Maximizing the lifecycle of medical equipment is an important factor in supporting a sustainable healthcare environment. In fact, healthcare providers who currently engage in circular economy solutions have found that they can reduce the carbon footprint of an individual piece of equipment by 50-85% over its lifetime and at a lower cost, without any compromise on performance and patient safety.<sup>3</sup>

Philips systems applying circular design strategies for durability, serviceability, upgrading and refurbishing. They are equipped with features to reduce carbon emissions and save scarce natural resources, such as helium – as demonstrated in the latest Philips Helium-free MR systems. In addition, Philips has

reduced CO<sub>2</sub> emissions by further improving the efficiency of products during use phase.

**Philips Capital** designs circular financing solutions for Philips customers allowing them access to advanced medical technology. Flexible, adaptable and reliable circular business models are offered to healthcare providers globally, all while ensuring a strong return on investment (ROI). These solutions are designed to support better health outcomes, improve the patient and staff experience, lower the cost of care, and support the commitment to a sustainable future. Affordably structured, they give both public hospitals and private clinics the power to make sustainable investment decisions along the product lifecycle.

The Future Healthcare Index 2022<sup>4</sup> suggests that healthcare leaders have fast-tracked their sustainability plans. At Philips we play a leading role with our stakeholders and other companies to drive sustainability efforts.



## Lifetime value

Multiple financing solutions for upgrades and lifetime extensions are available throughout the life of the equipment to optimize the value of health technologies.



## Responsible trade-in offering

Philips takes back equipment and systems at the end of the financing agreement for competitive trade-in value and offers attractive financing propositions to renew or upgrade the existing fleet.



## Refurbished equipment

Philips refurbishes its medical equipment, which results in up to 90% of the material weight being reused, depending on the type and age of the equipment.<sup>5</sup> Cost effective financing options are offered for refurbished systems to grow an existing fleet with an economic and sustainable solution.

# Flexibility throughout the lifecycle

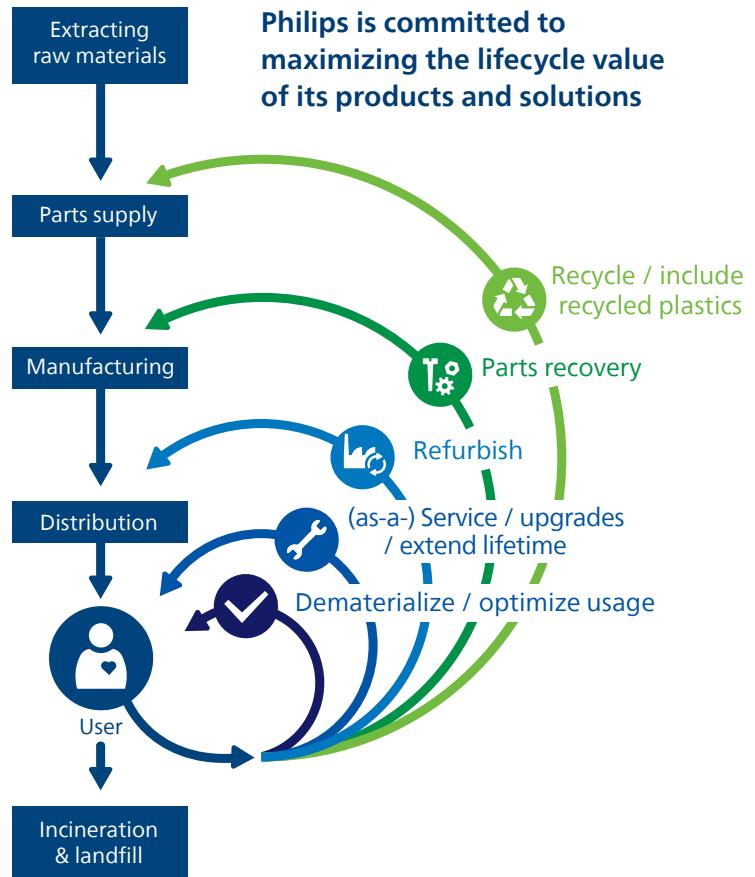
The traditional ownership-based financing model often results in products being put to waste, once the customer no longer needs them. However, products that are delivered through service-based arrangements, such as leasing, are environmentally compatible, as they offer a possibility to extend the product's useful lifetime, improve efficiency, and curtail material losses to the economy.<sup>6</sup>

The concept of circularity in leasing requires alignment with the stages of equipment lifecycle, from initial use to upgrades, trade-ins, refurbishment, and responsible recycling.

Philips leases easily adapt to provide logical, cost-effective and sustainable financing alternatives. Upon lease end, there are attractive options to consider, with each intended to maximize economic utility and clinical effectiveness, while minimizing environmental impact.

These service-based leases allow hospitals to reduce capital outlay by eliminating the burden of equipment ownership. As such, Philips ensures the equipment continues to operate optimally over its lifetime, retaining its intrinsic value.

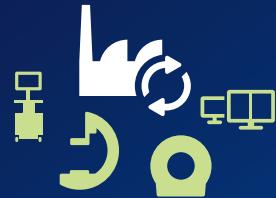
Healthcare providers have the opportunity to support the circular economy and reduce carbon emissions when choosing not to own. Keeping equipment active in its circular lifecycle is the right choice for a sustainable future.



**"Building circularity into our economies requires designing out waste and pollution, retaining the value of materials and products, and keeping them in the economy."**

UN Environment Programme,  
Financing Circularity: Demystifying  
Finance for Circular Economies

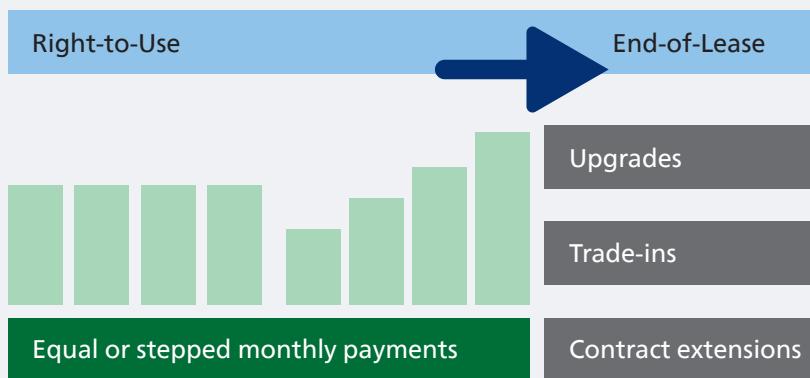
## Trade-in and refurbishment options



Trade-ins are always a sustainable and financially attractive alternative following end of an initial lease. A trade-in offers hospitals access to latest technology at a lower cost. In a rapidly evolving industry, with technological advances entering the market at an even faster rate, it often makes clinical, financial and sustainable sense to trade-in and upgrade to new equipment.

By applying state-of-art refurbishment processes, Philips transforms pre-owned medical equipment into high-quality Circular Edition systems. These systems offer same-as-new quality and performance, and come with the same leasing options, flexible payment structures, warranty, maintenance, and training, as any new Philips system. With increasing pressure on healthcare spending, it is a cost-effective solution that delivers a strong return on investment.

# Supporting circular economy through service-based leases



*Leasing solutions give hospitals the opportunity to benefit from circular financing and use the latest medical equipment and systems, including maintenance, with Philips providing all necessary services.*

A lease contract can be modified at the end of term through available upgrades or traded-in toward new technology. The leasing structure offers better cash flow management with flexible payment options, such as equal or stepped monthly payments. Unlike a bank, Philips Capital adapts healthtech leases to the unique usage requirements at each point along the medical equipment's lifecycle.

Gain flexibility to adapt to future changes

Service-based leases are financially sound, affordably structured, and the right financing solution for a circular economy.

## Flexible payment options

Philips Capital helps align payments closely with anticipated benefits, to improve ROI. A variety of tailored payment options are available to support individual hospital preferences and budget.



### Equal periodic payments

Spread the cost of your healthtech investments with equal, predictable payments over time



### Deferred payments<sup>7</sup>

Start and execute projects up to 6 months sooner and match payments with benefits as they flow in



### Stepped payments

Make payments to match your phased deployment schedule, paying only the amount planned each year



### Usage-based payments

A portion of payments linked to agreed usage parameters to allow continuous improvements of your healthcare transformation

## Benefits of Philips Capital circular financing solutions

<p>Maximize cash flow</p> <p>Structure contracts to optimize operational cash flow and budget requirements</p> 	<p>Maintain capital reserves</p> <p>Minimize capital outlay and down-payment needed to acquire equipment</p>	<p>Manage and reduce maintenance costs</p> <p>Bundle maintenance fees and repairs into the leasing contract</p>
<p>Stay competitive</p> <p>Replace medical equipment with new contract and stay up-to-date with next-generation or Circular Edition systems</p>	<p>Make healthcare more sustainable</p> <p>Leave all responsible end-of-use management to Philips at end of leasing contract and benefit from attractive financing offerings</p>	

# Circular financing lifecycle

Selecting the appropriate circular financing structure at any stage in the medical equipment's lifecycle helps maintain a consistently high level of performance optimization. Having options for lease extensions, software or hardware upgrades, trade-ins, and refurbished equipment assigns a tangible value to the asset over time – always adhering to the concept of sustainability and circular economy.



## Easy Financing programs

Philips Capital leasing and financing programs are available across the entire Philips portfolio to help healthcare providers easily transform their care delivery. **EasyStart** and **EasyUpgrade financing programs** track closely with the equipment lifecycle. They allow hospitals to smoothly transition their medical equipment, whether they need to acquire new or refurbished systems, or stay-up-to-date with the latest technology through equipment or software upgrades.



### EasyStart Deferral Payment Program

- Defer payments now and start paying up to 6 months later<sup>6</sup>
- Acquire new technology or refurbished systems and deliver immediate care to patients
- Bundle equipment and services, including upgrades and IT solutions



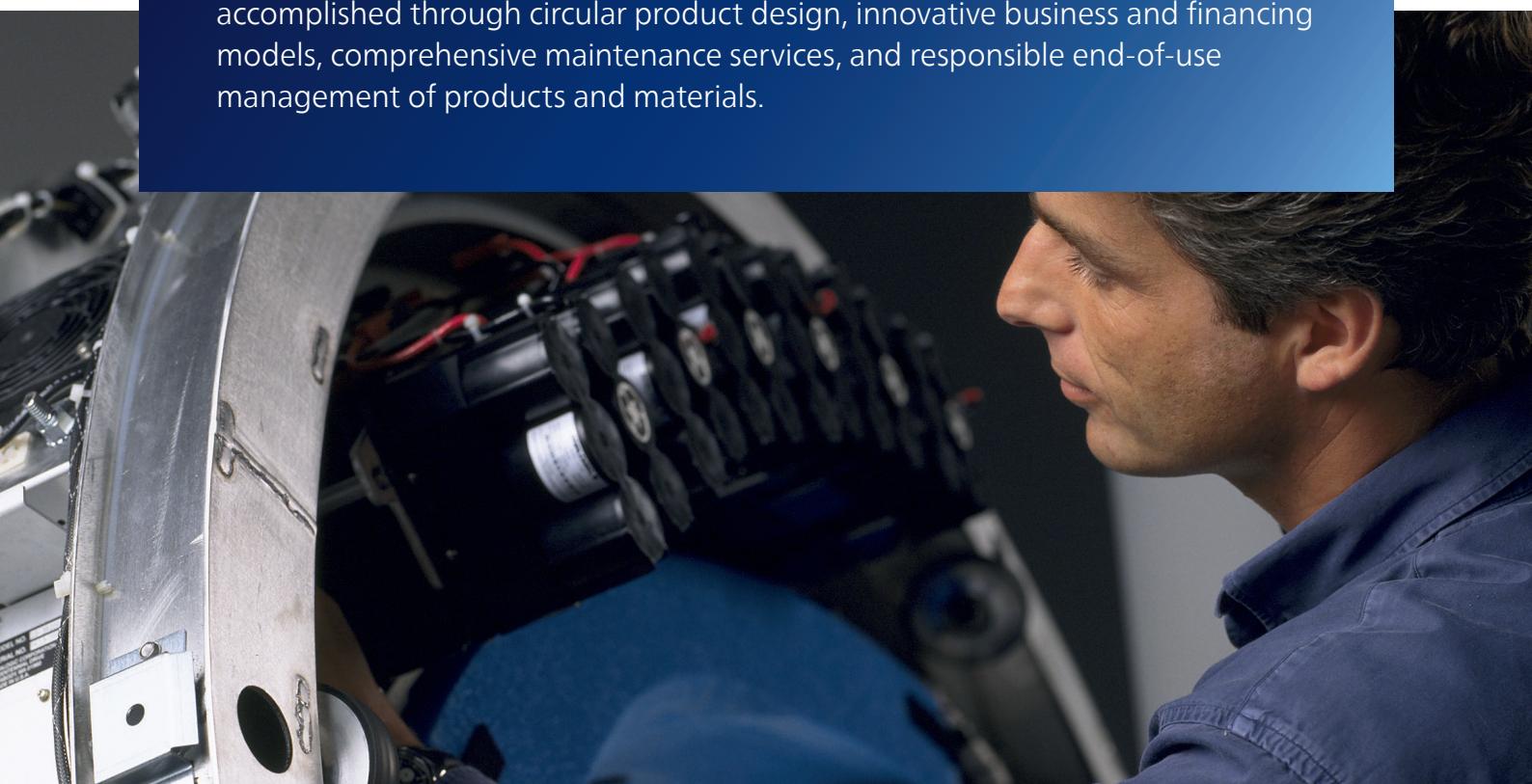
### EasyUpgrade Financing Program

- Extend the useful life of equipment through upgrades
- Replace existing equipment with trade-in
- Receive 'loyalty bonus' for trade-ins on existing equipment and systems

# Aligned for a sustainable future

When healthcare providers choose to partner with Philips, they choose to partner with a company that is conscious of its own social responsibilities, and one that is ready to help them grow their business to meet current and future sustainability ambitions.

Philips is maximizing the lifetime value of its products and solutions while minimizing the use of materials and resources and eliminating waste. This is accomplished through circular product design, innovative business and financing models, comprehensive maintenance services, and responsible end-of-use management of products and materials.



Philips Capital develops strong relationships with reputable international financiers, such as Société Générale Equipment Finance, who are committed to building a sustainable future through innovation and meaningful financial solutions. These relationships critically support the circular financing solutions that help healthcare providers achieve short-term business objectives and long-term sustainability goals.

"Both Société Générale Equipment Finance and Philips Capital are committed to support healthcare providers with their sustainability goals.

Our circular financing and service-based solutions are designed for financial stability and cash flow management, while reducing cost of care and contributing to providers' sustainability commitments.

For us, it is important that public hospitals and private clinics can invest in new medical technologies, without budgetary limitations, and make healthcare more sustainable."

Thorsten Arp, Société Générale Equipment Finance

Click on: **Philips Capital financing services** to discover more



- 1 Health Care Without Harm (2019). Health care's climate footprint: How the health sector contributes to the global climate crisis and opportunities for action (p.22). <https://noharm-global.org/documents/health-care-climate-footprint-report>
- 2 Accelerating the transition towards a net zero NHS – Delivering a sustainable and resilient UK healthcare sector, University of Exeter Centre for Circular Economy, sponsored by Philips, 2022 Koninklijke Philips N.V.
- 3 Race to Zero, Health Care Without Harm, <https://healthcareclimateaction.org/racetozero>, accessed 07/10/22
- 4 Future Health Index 2022, <http://www.philips.com/futurehealthindex-2022>
- 5 Based on the average weight re-use percentage per Philips systems in 2020
- 6 Leasing: The New Circular Ownership Model, October 5, 2019, <https://community.materialtrader.com>, accessed 07/10/22
- 7 Deferral Payment Program: Moratorium of up to 6 months possible, subject to credit approval on a case by case basis; offer valid for a limited time and subject to changes without notice.

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