

# Delivering value in Personal Health *Oral Healthcare*

**Egbert van Acht**  
Business Leader Health & Wellness



## Key takeaways

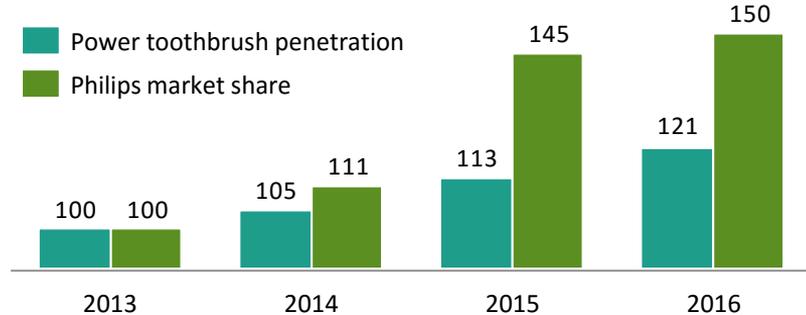
- **Philips Sonicare** is a **global leader** in the growing and profitable market for **Oral Healthcare**
- We continue to **deliver value** through **conversion from manual to power toothbrushes**
- Continued **strong growth** and **margin expansion** are driven by
  - **Dental Professional** endorsement
  - **Geographical expansion** with proven propositions
  - High-impact **consumer marketing** programs
  - Innovation at the **forefront of Digital Health**, based on **deep consumer insights**
  - **Integrated solutions** leveraging **consumer data**, unlocking **new recurring revenue streams**

# Value Creation Strategy Oral Healthcare

We continue to deliver value through conversion from manual to power toothbrushes

## Increasing penetration and growing Philips Sonicare market share in power toothbrushes

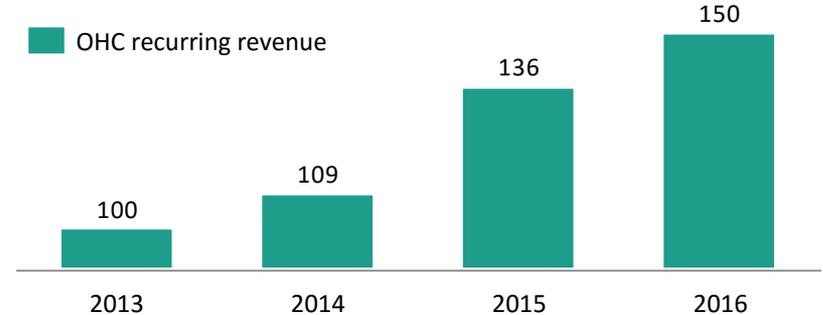
Philips OHC market share vs. Power toothbrush penetration – Abs Index (LTM)



- Locally relevant campaigns pull in new consumers
- Expand distribution in drugstores and pharmacies
- Significant +2.9% pts. online share increase

## Significant increase of high-margin recurring revenue items drives mix improvement

OHC recurring revenues – Abs Index (LTM)



- Strengthen inter-dental via improved positioning
- Connected propositions with 100 million users by 2025

**Substantial value creation potential: 85% of the world's population still brushes manually**

# Oral Healthcare has delivered 8 consecutive quarters of double-digit growth

## Leveraging proven growth drivers

### Dental Professional endorsement



- Increasing “most often recommended” scores, leveraging clinically proven superiority in plaque removal and gum health<sup>1</sup>
- New partnerships with leading associations, academic institutions and dental insurers

### Accelerate geographical expansion



- Global roll-out of dental professional recommendation model to 15 of our 17 markets
- Double growth rates in unlocked growth geographies significantly increasing presence in new markets (e.g. China, Russia, Italy and CEE)

### Impactful consumer marketing



- Effectively communicating superiority and health benefits to consumers
- Locally relevant consumer marketing campaigns increase global share by +2.3%pts.

# Innovation at the forefront of Digital Health, based on deep consumer insights

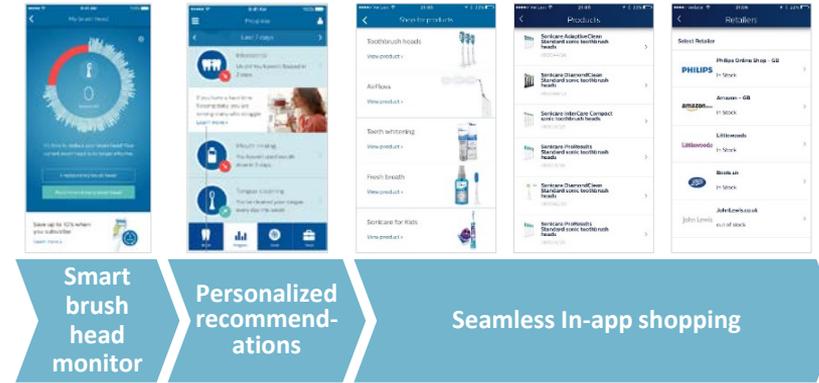
Flexcare Platinum Connected leverages consumer data and unlocks recurring revenue streams

## Smart sensor technology coaches to improved oral health



- Unique smart sensor technology built into the toothbrush
- Users receive personalized step-by-step coaching and feedback
- Post-brush analysis with visual 3D mouth map to improve brushing technique

## Data to drive personalized experiences and monetization



- Leveraging consumer data to enhance brush head replacement, unlocking new recurring revenue streams
- Personalized product recommendations
- Philips HealthSuite allows sharing data with dental practices

Our connected platform guides and coaches consumers to better results





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# Delivering value in Personal Health *Sleep*

**John Frank**

Business Leader Sleep & Respiratory Care

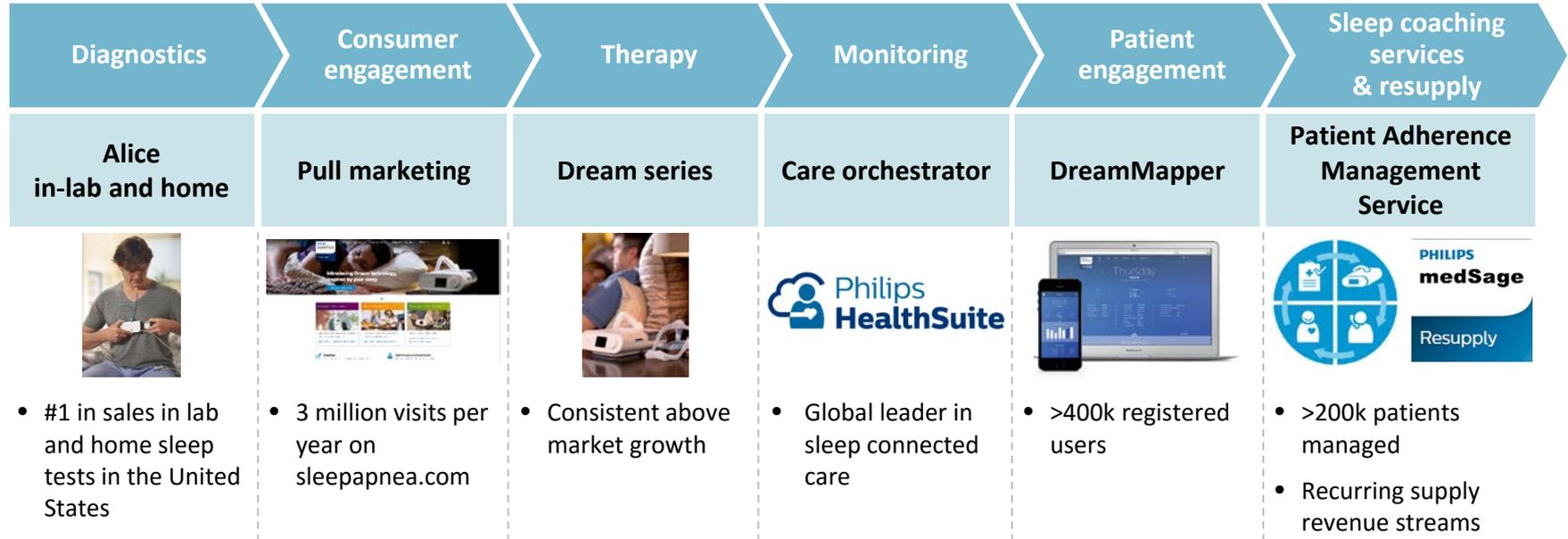


## Key takeaways

- With our **Sleep** business we play a **leading role** in the growing **Home Care** market
- We are **gaining share** with **connected integrated solutions** for **Sleep Apnea**
- Continued **strong growth** and **margin expansion** are driven by
  - Transforming from a device business to **integrated connected solutions**
  - **Leveraging direct consumer engagement** and **unlocking recurring revenue streams**
  - Innovation at the **forefront of Digital Health**, based on **deep consumer insights**

# Value creation strategy – Philips sleep care model

We continue to deliver value with connected integrated solutions to support people living with Sleep Apnea



4 million consumers already connected today

# Dream family reinforces our digital leadership

Transforming from a device business to delivering integrated solutions



# Dream family reinforces our digital leadership

DreamWear: Leveraging deep consumer insights, unlocking recurring revenue streams



## DreamWear

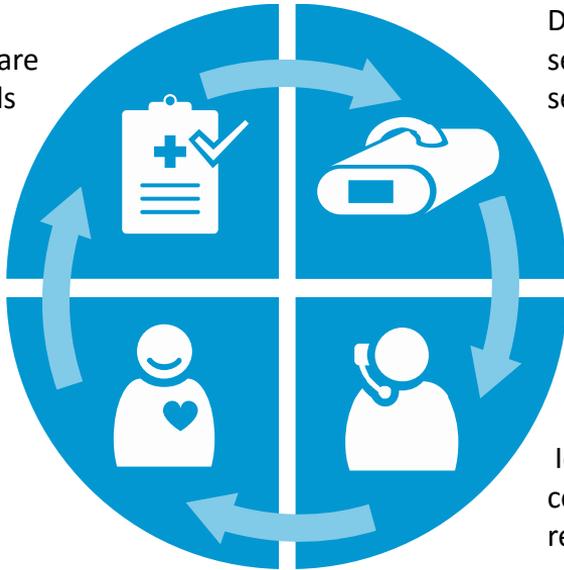
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- **Proposition**
  - Soft feel, unique in-frame air-flow with tubing away from the face for better sleep comfort
- **Consumer reviews**
  - Users rate it more comfortable and appealing than current mask
- **Unlocking recurring revenue streams**
  - Presently, the #1 nasal set-up mask in North America
  - Leveraging user feedback and resupply services for mask replacements
- **Strong consumer interest**
  - 6.2 million views already on YouTube

# Connectivity drives growth further

Philips Patient Adherence Management Service: Increase therapy adherence rates and user satisfaction

Leverage system interoperability to share outcomes/ user needs with physicians & providers



Monitor long term compliance and satisfaction

Dream Solutions sends data to secure cloud

Identify low use, coaching services when required

## Philips Patient Adherence Management Service

- **Proposition**
  - Connected cloud based management solution with coaching and support services help user manage sleep
- **Improve User Therapy Adherence**
  - up to 49% increase vs. standard care across >200K lives
- **Reduces Providers cost /time**
  - Average Increase in Productivity of 55%
  - up to 95% reduction in the time spent contacting and following up with new patients
- **Digital personalized behavior health service**
  - 79% of PAMS patients meet 90-day CMS compliance guidelines



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# Our winning strategy in Image-Guided Therapy

**Bert van Meurs**

Business Leader Image-Guided Therapy



## Key takeaways

- Image-Guided Therapy is a **high growth market** driven by benefits for health systems and patients
- Philips is a **leading integrator**
  - **Co-creating turn-key solutions** with customers to optimize care delivery
  - Successful integration of Volcano, establishing unique position in the industry as a leader in **Systems and Devices**
  - **Procedure innovation**, creating more **effective procedures** with **lower radiation** based on new technologies and **Volcano capabilities**
- Continued **high-single-digit growth** and on track to deliver **high-teens profitability**

# Image-guided therapies continue to revolutionize healthcare

High-growth market where Philips delivers complete turnkey solutions



- Image-guided minimally invasive procedures continue to grow fast: Improved outcomes at lower risks and cost
  - Reduced patient trauma and shorter recovery times enable out-patient treatment in hospitals and office based labs
  - New treatment options for patients that could not be treated before
- Continuous innovation in image-guidance, smart devices and clinical procedures
  - Philips' unique technologies to address growing concern over health risks from X-ray radiation for physicians



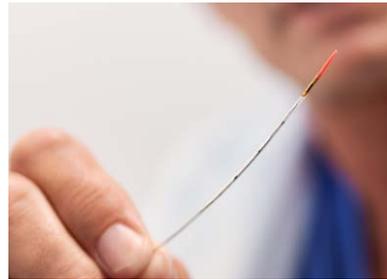
# Our business is to treat patients better with integrated solutions

## Systems



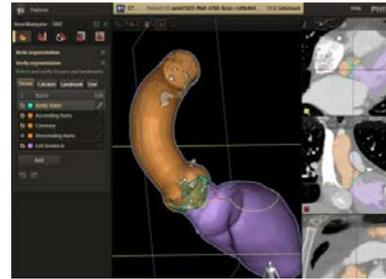
- Leadership position in interventional X-ray and Ultrasound
- Strong MR and CT Imaging solutions

## Devices



- Leadership position in smart catheters for diagnosis and therapy assessment
- Leading innovator in atherectomy therapy catheters

## Software



- Disease specific planning and navigation software
  - Cardiology
  - Oncology
  - Neurology
- Image and Information Management Systems

## Services



- Integration
- Consultancy
- Education
- Financing
- Managed Equipment Services

Strong customer relationships from global network of clinical partnerships, field service engineers, in-lab clinical support and dedicated sales force





# Integration of Volcano is successful and close to completion

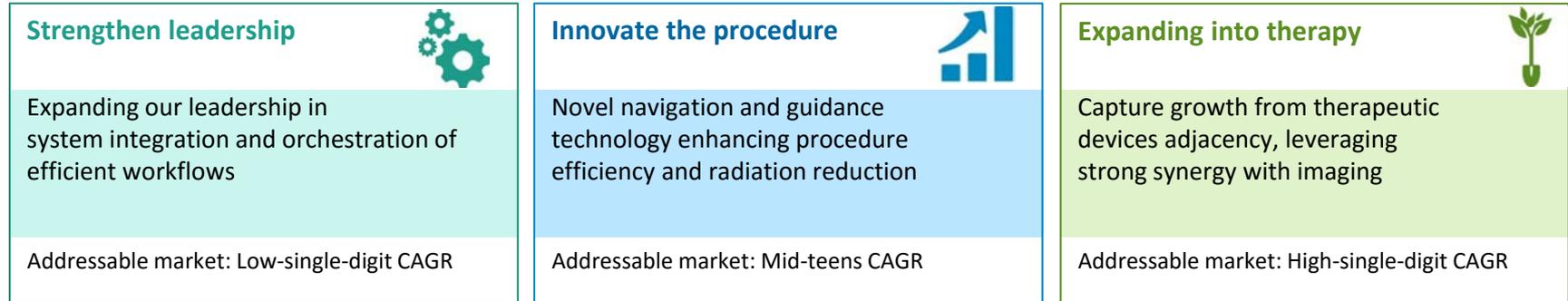
Acquisition has led to value creation

- Sales growth acceleration from flat in 2014 to double-digit in 2016
- Sales and cost synergies ahead of plan
  - Total cost down by USD 40 million compared to pre-acquisition
  - Significant inventory reduction
- >100 bps market share gain in Systems driven by channel synergies reinforcing our leadership position
- Strong growth in Peripheral Imaging and Therapy
  - In the US: Peripheral IVUS sales growth doubled and atherectomy sales growth tripled year-on-year 2016 compared to 2015
- Expanding in new geographical markets through Philips' channels

# Our winning strategy in Image-Guided Therapy

<b>Strong procedure growth<sup>1</sup></b> <b>(CAGR 2015–2020)</b>	• Structural heart repairs	+15%	• Interventional Oncology	+10%
	• Electrophysiology	+10%	• Interventional Neurology	+7%
	• Peripheral / Endovascular	+6%		

## Our strategy



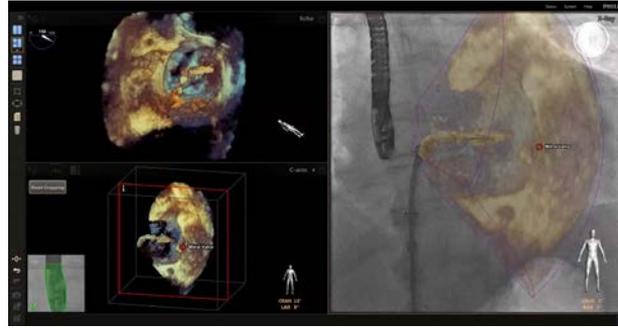
# Strengthen leadership through proven growth drivers

## System innovation to address efficiency



- AlluraClarity: Significantly lower radiation dose (up to 80%) combined with high image quality
- Technology and System Innovation to enhance economics and workflow efficiency

## System integration



- Ultrasound and X-ray co-registration for structural heart disease procedures
- PCI Suite software fuses physiology data with the interventional X-ray image

## Solutions and new business models



- Bundling of systems, devices, software and services
- Long-term relationship
  - Recurring revenue streams
  - Turnkey projects
  - Consultancy services

# Breakthrough innovation in procedure

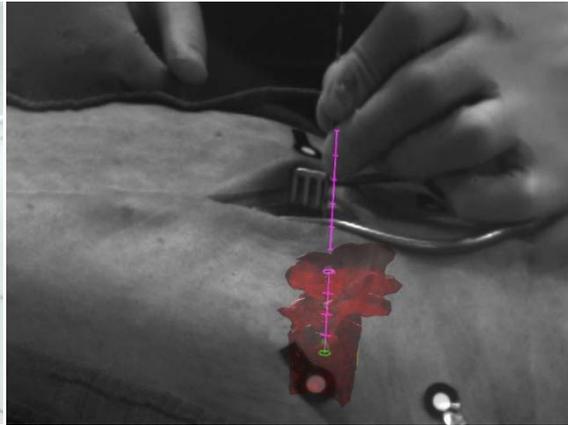
Expand into new markets enabled by new 3D image-guided technologies

## Example: Augmented-Reality navigation for spine surgery

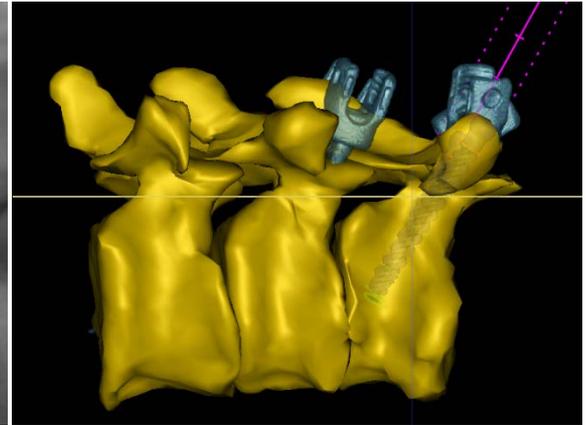
- Unique, proprietary navigation solution for Philips' Hybrid OR
- Minimally invasive procedure designed to reduce radiation dose, save time and enhance outcomes
- Augments a surgeon's view with live 3D X-ray images and optical image guidance
- First patient in 2016



Hybrid OR



Augmented-Reality

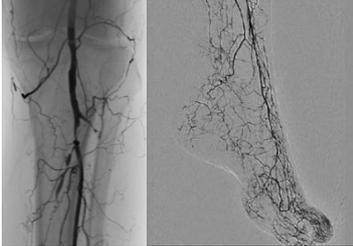


3D verification scan

# Expanding into therapy

Example: Treatment enhancement of diabetic patients with Peripheral Artery Disease

Atherectomy procedure to restore blood circulation in the foot



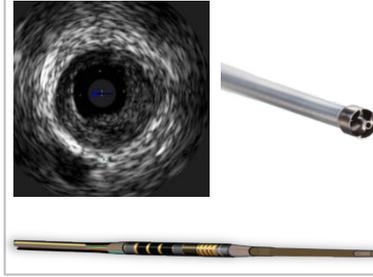
- 20 million patients with Peripheral Artery Disease<sup>1</sup>
- 1 million procedures<sup>1</sup>
- 7% Procedure growth

## Interventional Suite



Interventional suites for hospital and Office Based Lab settings

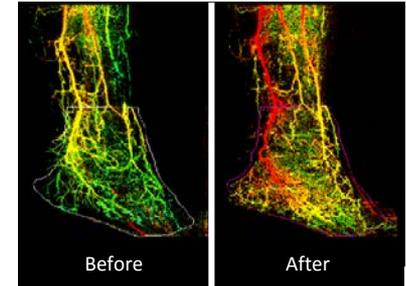
## Therapeutic devices



Imaging and therapy catheters

- Peripheral IVUS
- Atherectomy catheters

## Specialized software



Perfusion assessment during procedures

Integrated Solutions of systems, devices, software and services is Philips' unique differentiator



## Key takeaways

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# Building on global leadership in Patient Care & Monitoring Solutions

**Carla Kriwet**

Business Leader Patient Care & Monitoring Solutions



## Key takeaways

- Strong **market leader** position for Patient Monitoring, AEDs and non-invasive ventilation in **growing markets**
- We will drive mid to high-single-digit growth by
  - **Differentiating, integrated solutions** in Health Spaces (e.g. Cardiology with connected solutions)
  - Supporting **predictive analytics and clinical decision making**
  - Leveraging installed base for **higher services penetration and consumables growth**
  - Entering into **new segments** (e.g. invasive ventilation, contactless monitoring and advanced services)
- High growth business driving for **Adjusted EBITA margin around 20%**

# Leveraging leadership in attractive markets



**Patient monitoring**  
EUR 3 billion

★ **Global market leader<sup>1</sup>**

- More solutions and new business models
- Expectation of ‘anywhere, anytime’ access to meaningful and predictive data



**Therapeutic care**  
EUR 3.5 billion market

★ **NA market leader in AED<sup>2</sup>**  
★ **Global non-invasive ventilation<sup>3</sup>**

- Clinicians demand for intelligence in ventilation and resuscitation devices
- Growth of non-invasive ventilation



**Medical consumables**  
EUR 1.5 billion market

★ **Growth opportunity:**  
★ **High-single-digit growth**

- Hospital-wide standardization of consumables
- Wearable sensors gaining momentum, ask for continuous monitoring, bridging transitions in and out of the hospital



**Services (Clinical and remote services, network integration support)**  
EUR 1.5 billion market

★ **Growth opportunity:**  
★ **Double-digit growth**

- Increased complexity of projects require advanced technical and clinical remote services

<sup>1</sup> Source: DRG – Millennium Research Group – 2015. Key markets of US and Europe; <sup>2</sup> Source: Derived from Price Waterhouse Coopers, June 30, 2016 Report of the prior four quarters of shipments. Non-professional use market that includes AEDs at airports, office buildings, schools, homes and other non-professional use facilities

<sup>3</sup> Source: Global Non-Invasive Ventilation Market, Trends and Opportunities 2014-19, Daedal Research report, data from Deutsche Bank

# Value creation strategy and execution leading to strong business performance in Patient Care & Monitoring Solutions



# Leverage global leadership in Patient Monitoring and Therapeutic Care

## Patient Monitoring



- **Complete portfolio** addressing all levels of acuity, care settings, price points
- **Patient analytics enterprise platform**
- Supporting **clinical workflows** and **caregiver efficacy**
- Focus on **prediction** and **prevention**
- Big data analytics **supporting predictive patient care**



## Therapeutic Care



- Launch of AED **remote monitoring** capability and strong **focus on services**
- **Leveraging** Patient Monitoring for new **innovation** projects
- **Enter invasive ventilation** market
- Accelerate **public access defibrillation**

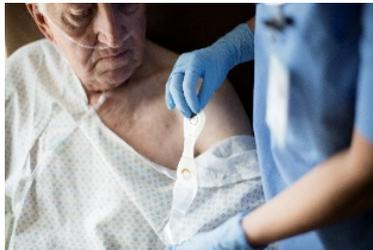
# Double-digit growth from Services and Consumables

## Services



- **Intensification:** Leveraging large installed base, improve penetration
- **Extensification:** Expand into clinical education, IT network support and remote monitoring
- Long-term **software agreements**
- Delivered **double-digit order intake growth** for 6 consecutive quarters

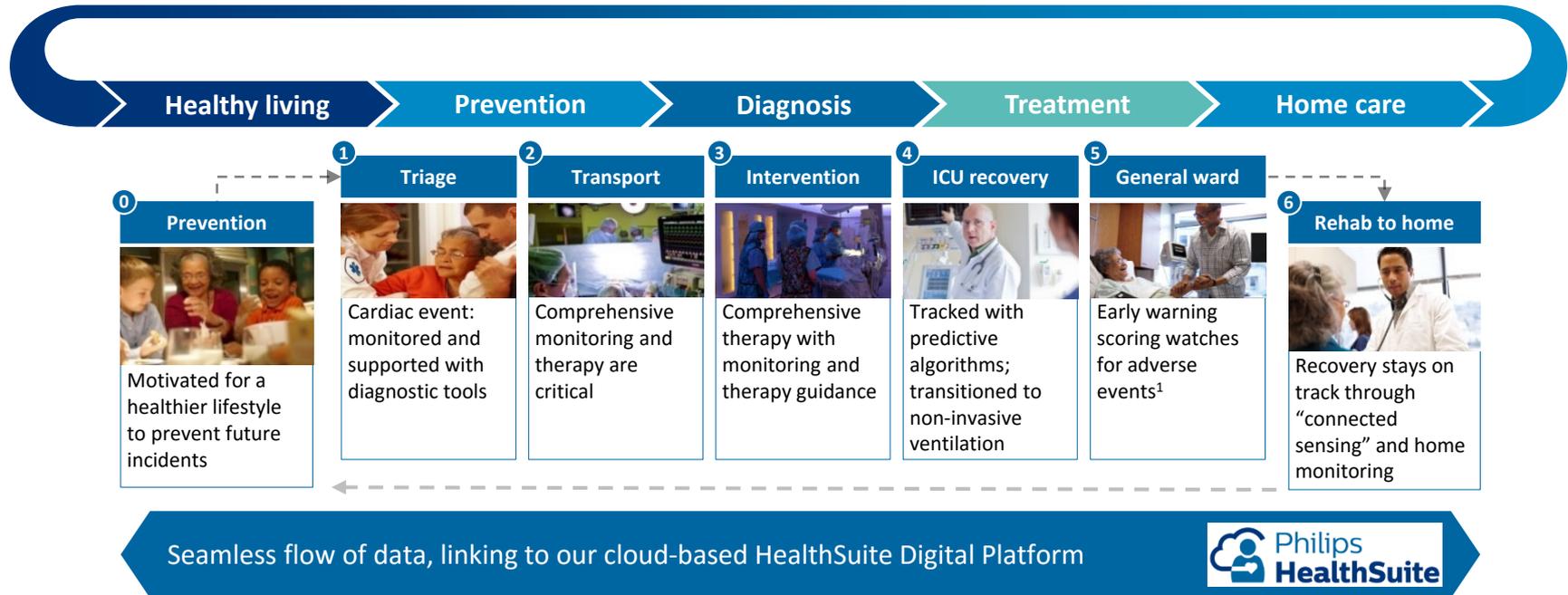
## Consumables



- **Product innovation** and build of **e-commerce** channel
- Unlocking **new care settings** linking to patient monitoring solutions
- Increasing **stickiness** with customers
- Target to **double business** in 5 years

# Saving time, reducing failure, improving productivity

Differentiating support across the entire patient journey. Example: Cardiology



<sup>1</sup> 40% of unanticipated hospital deaths occur in the General Ward. Philips' monitoring algorithms can detect a patient deterioration up to 8 hours before a critical event happens. Incidence, staff awareness and mortality of patients at risk on general wards. Fuhrmann L, Lippert A, Perner A, Østergaard D. Resuscitation. 2008 Jun;77(3):325-30. Epub 2008 Mar 14. PMID: 18342422 [PubMed - indexed for MEDLINE]

# Philips selected as partner “Heart Safe City” for 2020 Expo

## Differentiating Cardiology: Connected Data

### Public access defibrillation and a trained population



#### Anywhere 3 mins to Defibs

- Location map of AEDs
- Trained and registered population

### Intervene and analyze during transport



#### Point of care diagnostics

- ECG
- Troponin Blood Test
- Data transfer

### Optimized and integrated Cardiology services



#### Anytime ready

- Networked hospitals — hub-and-spoke model
- Specialist centers
- Coordinated emergency response

# Live Demo: Triaging



## Value creating solutions in emergency care:

- Reducing time to hospital
- Effectively triaging patients
- Predictive analytics
- Reducing admissions
- Analyzing performance



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