Sustaining growth and margin expansion in Personal Health

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Chief Business Leader Personal Health
Key takeaways

• Our leading Personal Health businesses enable healthier lifestyles and living with chronic disease

• Continued strong growth and margin expansion are driven by:
  – Share gains in growing markets
  – Geographical expansion with proven propositions
  – Innovation at the forefront of digital health
  – High-impact digital marketing programs
  – Leadership in online sales

• We target to continue delivering mid- to high-single-digit growth while stepping up profitability towards 17-19% by 2020
Our leading Personal Health businesses enable healthier lifestyles and living with chronic disease

- **Healthy living**
  - **Health & Wellness**
    - 21% of sales, EUR 1.5 billion
    - Global leader in Oral Healthcare and Mother & Child Care
  - **Personal Care**
    - 25% of sales, EUR 1.8 billion
    - Global leader in Grooming and Beauty

- **Prevention**
  - **Sleep & Respiratory Care**
    - 22% of sales, EUR 1.6 billion
    - Global leader in Sleep and Respiratory Health

- **Diagnosis**
  - **Domestic Appliances**
    - 22% of sales, EUR 1.6 billion
    - Global leader in Sleep and Respiratory Health

- **Treatment**
  - **Personal Care**
    - 32% of sales, EUR 2.4 billion
    - Global leader in Healthy Breathing and Nutrition

Note: Leadership position refers to #1 or #2 position in Philips addressable market. % of sales on the last twelve months basis Q3 2017; ¹ In-home Sleep & Respiratory Care
Philips gaining share in the growing Oral Healthcare market

~80% of the world’s population still brushes manually\(^1\)

**Attractive growing market**

Power toothbrush sell-in market size, EUR billion\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>2.4</td>
<td>2.6</td>
<td>2.8</td>
<td>3.0</td>
<td>3.1</td>
<td>3.3</td>
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CAGR 5.9%

**Leveraging our strong portfolio with >75% of sales from #1 positions in key geographies\(^2\)**

- **#1 position in the USA**
  - Strongest clinical claims ever driving superiority

- **#1 position in Japan**
  - Reinforcing our dental-professional recommendation model increased brand preference

- **#1 position in China**
  - DiamondClean Smart driving category growth

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\(^1\) Philips internal estimates; \(^2\) In the rechargeable toothbrush market
Leveraging leading positions in Sleep Apnea

>85% of patients suffering from Obstructive Sleep Apnea are not aware today\(^1\)

Unlocking potential of rising incidence rates of Obstructive Sleep Apnea globally ...

... leveraging our strong portfolio with leadership positions in key geographies\(^3\)

Current market prevalence\(^2\)

- High incidence rates globally
- Low awareness amongst the impacted population
- Large value creation potential for Philips

\(^1\) Philips internal estimates; \(^2\) MarketsandMarkets Research; \(^3\) Leadership position refers to #1 or #2 position in Philips addressable market
Innovation at the forefront of digital health
Consumer engagement platforms based on deep consumer insights and clinical validation

Sleep:
CareOrchestrator

Clinical management solution for physicians, payers and providers to help patients living with chronic sleep and respiratory conditions

Pregnancy & Parenting:
uGrow Parenting Platform

First medical platform with connected products giving personal advice that matters to support baby’s healthy development

Reinforcing insights, loyalty, trading-up and unlocking recurring revenue through cross-selling
High-impact digital marketing programs yielding strong results
Philips OneBlade: Revolutionary hybrid styler that established a new consumable category

Philips OneBlade
- Recruited >3.3 million young users, mostly from blade competition
- Unlocked recurring revenue streams doubling blade replacement in the first twelve months

In-market activation
- Continued strong growth in launch countries US, Germany, France and UK
- Global roll-out to 18 markets in the last twelve months
- Award-winning Digital Advocacy program
- High consumer satisfaction (>4.3 out of 5 stars)²

Philips Male Grooming share increased 5% points in launch countries¹

¹ Philips internal estimates; ² Amazon
We continue capturing growth from leadership in online sales

Personal Health addressable market transitioning to eCommerce\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
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<th>eCommerce</th>
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</thead>
<tbody>
<tr>
<td>2015</td>
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<td></td>
</tr>
<tr>
<td>2016</td>
<td>19</td>
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</tr>
<tr>
<td>2017</td>
<td>21</td>
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Personal Health enjoys a higher market share in eCommerce\(^1\)

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</thead>
<tbody>
<tr>
<td>2015</td>
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<tr>
<td>2016</td>
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<td>114</td>
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<tr>
<td>2017</td>
<td>102</td>
<td>131</td>
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High-end propositions increasingly sold online\(^2\)

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Personal Health captured 27% of its revenue online\(^3\), doubled over the last three years

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\(^1\) GfK excluding Sleep & Respiratory Care; \(^2\) Philips internal estimates; \(^3\) Excluding Sleep & Respiratory Care
We build direct-to-consumer engagement communities
Recruiting young consumers into our franchises, driving high margin recurring revenues

**Philips OneBlade:**
>3 million millennial guys

**Philips AVENT uGrow:**
>15 million expecting parents

**Philips Sonicare for Kids:**
>4 million young users

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1 Downloads of Philips AVENT Pregnancy+ App at Apple App Store and Google Play Store; 2 Apple App Store, Google Play Store
Growth and performance drivers in Personal Health

Focus on

Growth in core businesses
- Category leadership through innovation and customer intimacy
- Gain scale through geographical expansion with proven propositions
- Mix and pricing power, enabled by strong consumer ratings & reviews

Growth in adjacencies
- Direct-to-consumer engagement communities unlock recurring revenue streams

Customer and operational excellence
- Procurement savings
- Manufacturing productivity
- Overhead cost reduction

2020 targets

Comparable sales growth
- Mid- to high-single-digit
- Adj. EBITA
- 17-19%

1 On the last twelve months basis Q3 2017
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  – **Share gains in growing markets**
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  – Innovation at the forefront of **digital health**
  – **High-impact digital marketing** programs
  – **Leadership in online sales**

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