Driving profitable growth in Greater China

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Key takeaways

• China HealthTech market is the 2nd largest globally and exhibits continued robust growth with significant potential

• We have been deeply rooted in China for a century and built up strong leadership positions with sustained and significant investment for the local market

• Our growth strategy and execution are fully aligned with the China government agenda and evolving healthcare and consumer market to bring a better, healthier life for the Chinese population

• We are extending the growth momentum and continuing to gain market share to make Philips Greater China a ~EUR 3 billion HealthTech leader by 2020
China has attractive potential with robust health demand

Macro and policy trends
- Healthy China 2030 blueprint as the national Health Strategy
- Aging population and chronic disease management
- China’s economy on steady track despite softened momentum, the US – China trade war as one of the threats
- Digitization, AI, big data and internet+

Personal Health trends
- Trading up, driven by rising upper-middle class
- Global #1 E-commerce and emerging omni-channel
- Influx of new entrants heating up Consumer Health competition

Professional Healthcare trends
- Tiered Healthcare reform & growing Primary Care and Level 2 hospitals
- Fast expanding private hospital segment
- Local innovation and competition

2nd largest addressable market
~15% of Philips’ global market size

Global #1 E-commerce market with over EUR 1 trillion B2C sales

~167 million population at age of 65+ by 2020, ~24% of world total

6.2% of GDP is health expenditure far behind the US 18% and Japan 11%

4.3 million new cancer incidence cases in 2015, ~1/4 of world total

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Strong commitment to local establishment and capability
A hundred years in the country, we are role-modeling “localization”

Our history in China goes a long way back

Entered China in 1920s: used x-ray device for the Royal Family
1st JV in Beijing in 1985: building brand influence through our prestigious consumer products
Embark on HealthTech transformation since 2014: aim to improve China’s Population Health

We have made sustained investment in the local market

Building local relevance and capability
- Local government engagement
- Breeding talent
- Local-for-local innovation
- Significant industry footprint
- Building strategic partnerships
Strong leadership positions driving value creation

2nd most profitable market of Philips

2/3 of sales come from market-leading\textsuperscript{1} categories

#5 among “Asia’s Top 1000 brands” moving up from #15 in 2013

Sales growth accelerated to high-single-digit from 2017

Double-digit order growth in Diagnosis & Treatment in the past two years

Continue \textbf{stepping up profitability} and invest back to the market

\textsuperscript{1} Leadership position refers to #1 or #2 position in Philips addressable market
Personal Health continued leadership and growth

Strategic partnership with leading E-com giants

Doubled online sales from 2015 to 2017

>70% sales online in 2017

Category creator in underpenetrated markets with our solutions

Tenfold sales growth in Oral Healthcare over the past 5 years

Pioneer in connected sleep solutions

Health & Wellness
#1 in Oral Healthcare

Personal Care
#1 in Male Grooming

Domestic Appliances
Leading in multiple categories

Sleep & Respiratory Care
#1 in both Sleep Care and Respiratory Care

1 Including Air, Garment Care, Coffee, etc.
Professional healthcare businesses extend market leadership and scaling up integrated solutions

Developing long-term strategic partnerships

Partner with government-backed medical association

Creating health informatics solutions to access China’s health big data

Strong double-digit growth in Primary Care

7% market share gain in private sector

Market leader in Healthcare Informatics

#1 in Image-Guided Therapy

#2 in Ultrasound

#2 in Monitoring & Analytics

#3 in Diagnostic Imaging
Scaling up integrated solutions in China
Shifting towards consultative customer relationship to drive sustainable growth

Ten prioritized solutions, with more to develop

**Cardiology**
- Chest Pain Center
- Stroke Center
- Cath Lab / Echo Lab
- Cardiology Acute Care & Triage

**Oncology**
- Lung Cancer Screening
- Liver Cancer
- Radiation Therapy (Imaging to planning)

**Radiology**
- Tele-radiology
- AI and Clinical Research
- Next-generation system platforms

**Acute and Critical Care**
- Acute and Critical Care

**Solution Transformation**

- Established **dedicated solutions organization** and committed to continued market investment
- Building local **innovation** and solution **selling & service** capabilities to land global offering and commercialize China-relevant solutions
- We align with **government agenda** and build **strategic partnership** to create significant impact and enable better market access
- We are gaining traction and winning customers’ buy-in – **strong double-digit** year-on-year growth in solution order intake from 2017 to 2018
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