

A banner for Philips Capital Markets Day featuring two medical professionals in a clinical setting. A woman in a purple surgical cap and blue scrubs is pointing at a Philips medical monitor displaying a cross-sectional scan of a spine. A man in a blue surgical cap is partially visible on the left. The background is a blurred clinical environment.

**PHILIPS**

Capital Markets Day

# Welcome to Capital Markets Day

November 6, 2020

innovation  you

# Important information

## *Forward-looking statements and other important information*

This document and the related oral presentation, including responses to questions following the presentation, contain certain forward-looking statements with respect to the financial condition, results of operations and business of Philips and certain of the plans and objectives of Philips with respect to these items. Examples of forward-looking statements include: statements made about the strategy; estimates of sales growth; future Adjusted EBITA; future restructuring, acquisition-related and other costs; future developments in Philips' organic business; and the completion of acquisitions and divestments. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements.

These factors include but are not limited to: changes in industry or market circumstances; economic and political developments; market and supply chain disruptions due to the COVID-19 outbreak; Philips' increasing focus on health technology; the realization of Philips' growth ambitions and results in growth geographies; successful completion of divestments such as the divestment of our Domestic Appliances businesses; lack of control over certain joint ventures; integration of acquisitions; securing and maintaining Philips' intellectual property rights and unauthorized use of third-party intellectual property rights; compliance with quality standards, product safety laws and good manufacturing practices; exposure to IT security breaches, IT disruptions, system changes or failures; supply chain management; ability to create new products and solutions; attracting and retaining personnel; financial impacts from Brexit; compliance with regulatory regimes, including data privacy requirements; governmental investigations and legal proceedings with regard to possible anticompetitive market practices and other matters; business conduct rules and regulations; treasury risks and other financial risks; tax risks; costs of defined-benefit pension plans and other post-retirement plans; reliability of internal controls, financial reporting and management process. As a result, Philips' actual future results may differ materially from the plans, goals and expectations set forth in such forward-looking statements. For a discussion of factors that could cause future results to differ from such forward-looking statements, see also the Risk management chapter included in the Annual Report 2019.

## *Third-party market share data*

Statements regarding market share, including those regarding Philips' competitive position, contained in this document are based on outside sources such as research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, those statements may also be based on estimates and projections prepared by outside sources or management. Rankings are based on sales unless otherwise stated.

## *Use of non-IFRS Information*

In presenting and discussing the Philips Group's financial position, operating results and cash flows, management uses certain non-IFRS financial measures. These non-IFRS financial measures should not be viewed in isolation as alternatives to the equivalent IFRS measure and should be used in conjunction with the most directly comparable IFRS measures. Non-IFRS financial measures do not have standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. A reconciliation of these non-IFRS measures to the most directly comparable IFRS measures is contained in this document. Further information on non-IFRS measures can be found in the Annual Report 2019.

## *Use of fair-value measurements*

In presenting the Philips Group's financial position, fair values are used for the measurement of various items in accordance with the applicable accounting standards. These fair values are based on market prices, where available, and are obtained from sources that are deemed to be reliable. Readers are cautioned that these values are subject to changes over time and are only valid at the balance sheet date. When quoted prices or observable market data are not readily available, fair values are estimated using appropriate valuation models and unobservable inputs. Such fair value estimates require management to make significant assumptions with respect to future developments, which are inherently uncertain and may therefore deviate from actual developments. Critical assumptions used are disclosed in the Annual Report 2019. In certain cases independent valuations are obtained to support management's determination of fair values.

All amounts are in millions of euros unless otherwise stated. Due to rounding, amounts may not add up precisely to totals provided. All reported data is unaudited. Financial reporting is in accordance with the accounting policies as stated in the Annual Report 2019.

# Agenda



CET	GMT	EST		
13:00 – 13:05	12:00 – 12:05	07:00 – 07:05	<b>Welcome</b>	<b>Leandro Mazzoni</b> , Head of Investor Relations
13:05 – 14:00	12:05 – 13:00	07:05 – 08:00	<b>Company update and performance roadmap</b>	<b>Frans van Houten</b> , CEO <b>Abhijit Bhattacharya</b> , CFO
14:00 – 14:20	13:00 – 13:20	08:00 – 08:20	Q&A	Frans van Houten + Abhijit Bhattacharya
14:20 – 14:40	13:20 – 13:40	08:20 – 08:40	<b>Raising the bar in ESG</b>	<b>Marnix van Ginneken</b> , Chief Legal Officer <b>Sophie Bechu</b> , Chief of Operations <b>Robert Metzke</b> , Head of Sustainability + guest: <b>Brian Moynihan</b> , CEO Bank of America
14:40 – 14:50	13:40 – 13:50	08:40 – 08:50	<b>Break</b>	
14:50 – 16:10	13:50 – 15:10	08:50 – 10:10	<b>Further unlocking our potential</b>	
			Diagnosis & Treatment - Precision Diagnosis	<b>Kees Wesdorp</b> , Chief Business Leader Precision Diagnosis <b>Sham Sokka</b> , Head of Marketing Precision Diagnosis
			Diagnosis & Treatment - Image-Guided Therapy	<b>Bert van Meurs</b> , Chief Business Leader Image Guided Therapy <b>Atul Gupta</b> , Head of Medical Office Image Guided Therapy
			Connected Care	<b>Roy Jakobs</b> , Chief Business Leader Connected Care <b>Solange Plebani</b> , Business Leader Connected Care Informatics
			Personal Health	<b>Deeptha Khanna</b> , Chief Business Leader Personal Health <b>Michael Kühne</b> , Business Leader Oral Healthcare
16:10 – 16:20	15:10 – 15:20	10:10 – 10:20	<b>Break</b>	
16:20 – 16:40	15:20 – 15:40	10:20 – 10:40	Q&A	Business zoom presenters
16:40 – 17:10	15:40 – 16:10	10:40 – 11:10	<b>Delivering profitable growth</b>	<b>Andy Ho</b> , Chief Market Leader Greater China <b>Vitor Rocha</b> , Chief Market Leader North America <b>Edwin Paalvast</b> , Chief Market Leader International Markets
17:10 – 17:25	16:10 – 16:25	11:10 – 11:25	<b>Q&amp;A</b>	Market presenters
17:25	16:25	11:25	<b>Wrap-up</b>	<b>Frans van Houten</b>





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Capital Markets Day



# Our transformation journey to HealthTech leadership continues

**Frans van Houten**  
Chief Executive Officer  
November 6, 2020

innovation  you



# Key takeaways

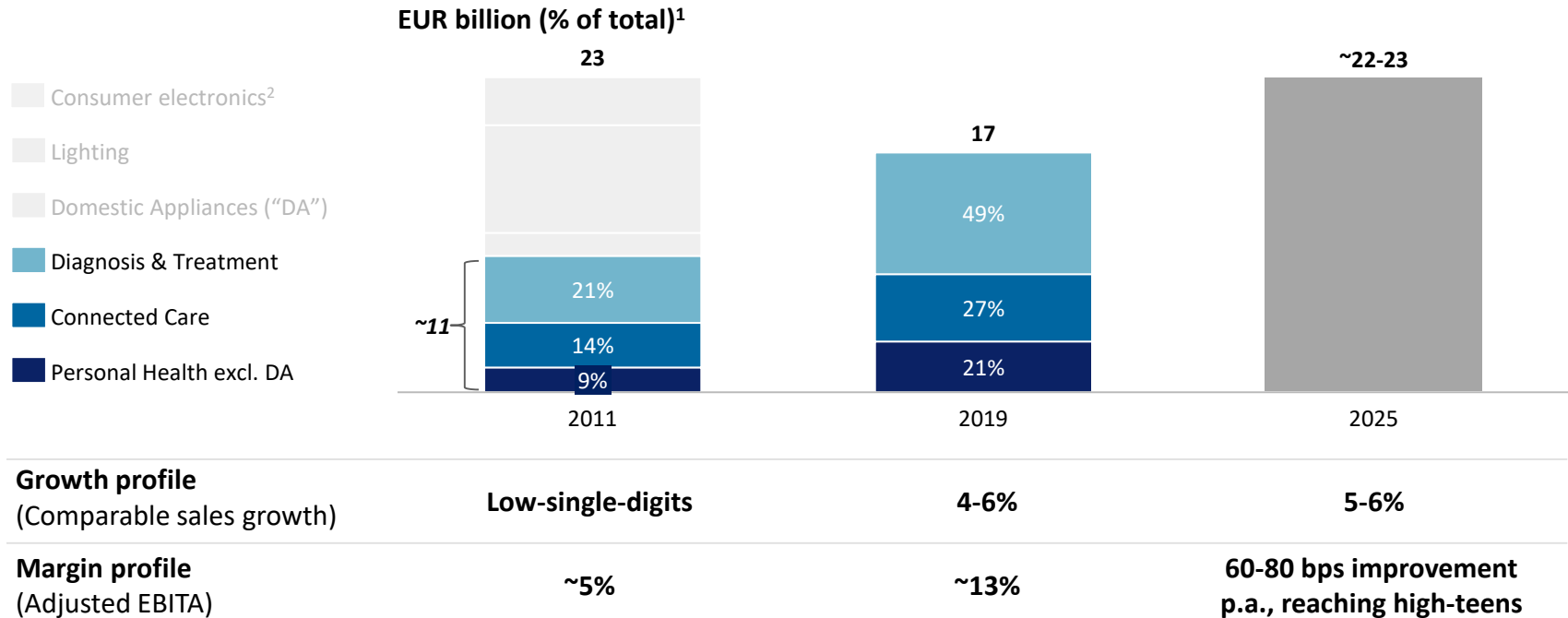
- Our transformation journey to **HealthTech leadership** continues
- We innovate to **improve 2 billion people's health and well-being** per year by 2025
- Our **three strategic imperatives**:
  - Further improving customer experience and operational excellence
  - Boosting growth in the core by innovating to extend category leadership, geographic expansion, deeper customer partnerships
  - Winning with solutions to help customers achieve the Quadruple Aim
- **Driving further value creation**
  - Acceleration of comparable average annual sales growth to 5-6%<sup>1</sup>
  - Average Adjusted EBITA margin improvement of 60-80 basis points<sup>2</sup>
  - Free cash flow of above EUR 2 bn and organic ROIC of mid-to-high teens by 2025

All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed. 1. Current 2021 view for Group: low-single-digit growth. 2. Annually, starting in 2021



# Philips transformation

# Philips continues on its journey to HealthTech leadership, accelerating growth and delivering margin improvement



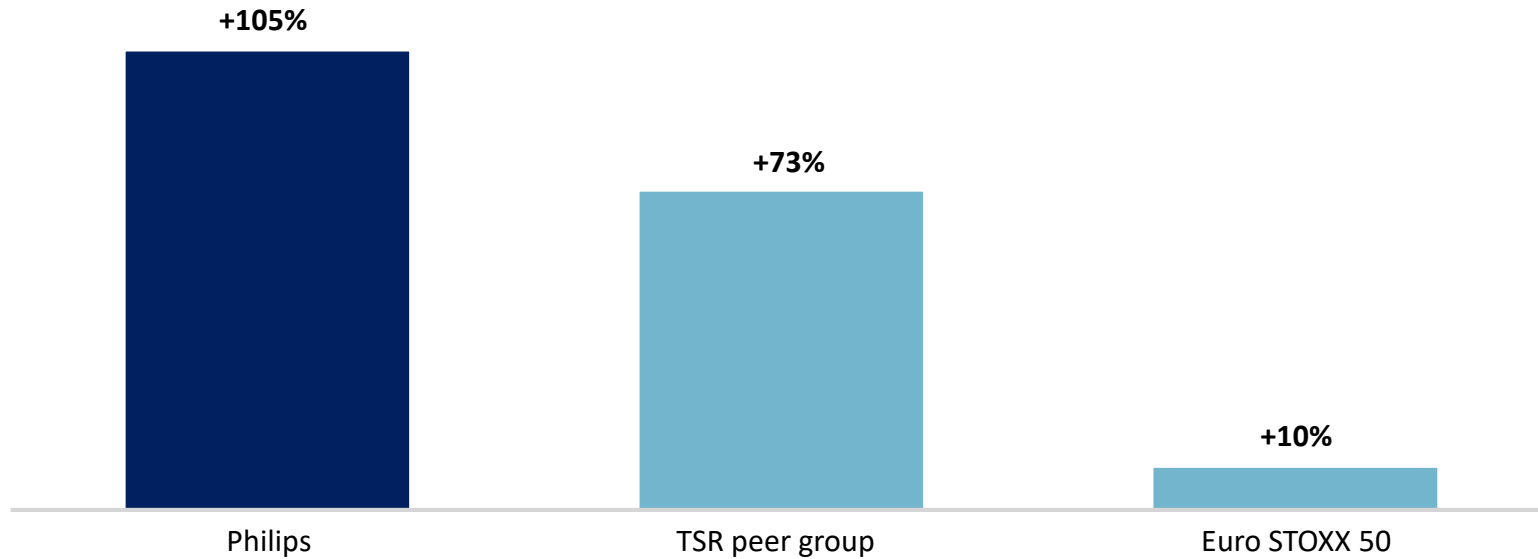
1. Segment Other is not shown in the chart but is included in totals 2. Refers to TV, LE and AVM&A

All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed.



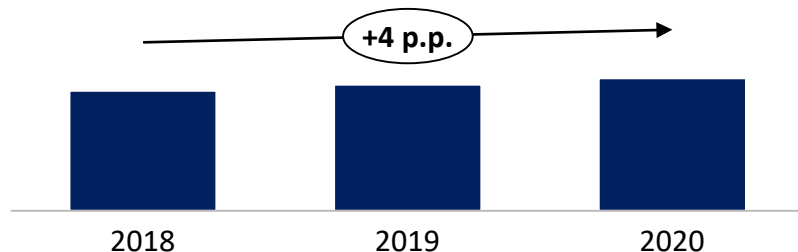
# Delivering strong shareholder returns

Superior total shareholder return since 2016

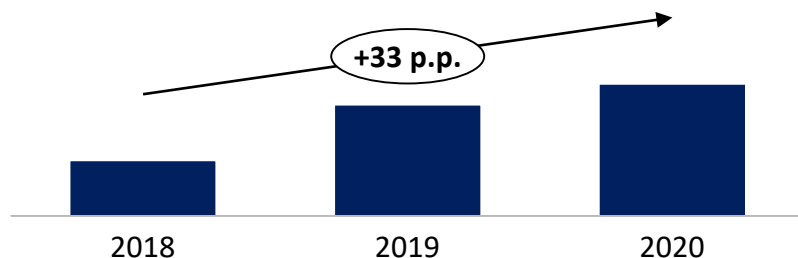


# Gaining customer preference and international acclaim

## Steady improvement in customer feedback<sup>1</sup>



## Steep growth in Ratings & Reviews (R&R)<sup>2</sup>



## Our brand is internationally acclaimed



World's most innovative MedTech (2020)



Derwent **Top 100 Global Innovator** for the 7th consecutive year (2020)



**Best of Health / Medical** award for the period 2016-2020



**Best Health IT** award for IntelliVue GuardianSoftware at HIMSS APAC 2019



2020 Best in KLAS for **Cardiology** with Philips IntelliSpace Cardiovascular



2020 Category Leader for **Universal Viewer** (Imaging) solutions with Philips Vue Motion

# Winning propositions

>65% of sales from leadership positions<sup>1,2</sup>

Diagnosis & Treatment	Ultrasound Global leader	Image-guided therapy systems Global leader	Image-guided therapy devices <sup>3</sup> Global leader	Diagnostic imaging Global top 3	High-end radiology and cardiology informatics #1 in North America
	Patient monitoring Global leader	ICU telehealth #1 in North America	Personal emergency response #1 in North America	Respiratory care Global leader	Sleep care Global leader
Personal Health	Male grooming Global leader	Oral healthcare Global leader	Mother and child care Global leader	Hair removal Global leader	

**Continuing to gain market share in key areas of our portfolio**

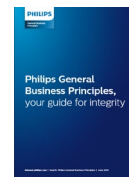
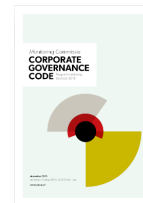
1. Leadership position refers to #1 or #2 position in Philips addressable market. 2. Excluding Domestic Appliances; As announced in January 2020, the separation process is expected to be completed in Q3 2021. 3. In Image-Guided Therapy Devices markets where Philips plays



# Committed to doing business responsibly and sustainably

Environment	Social	Governance
We act responsibly towards our planet in line with UN SDGs 12 and 13	<p>Our purpose is to improve people's health and well-being through meaningful innovation, in line with UN SDG 3</p> <p>We act responsibly towards society and partner with our stakeholders</p>	We aim to deliver superior long-term value for our customers and shareholders, and we live up to the highest standards of ethics and governance in our culture and practices

## Frameworks/references



For more information on our raised ESG commitments, go to our website at

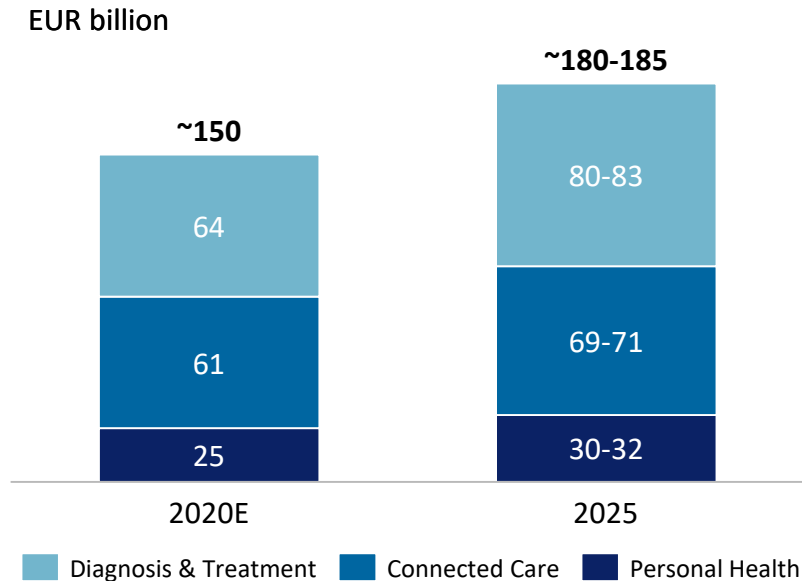
<https://www.philips.com/a-w/about/sustainability.html>



Our strategy to win in a  
changing healthcare world

We target a EUR 150 bn health technology market, growing ~4% annually on the back of attractive, long-term trends

### HealthTech market is growing at ~4%<sup>1</sup>



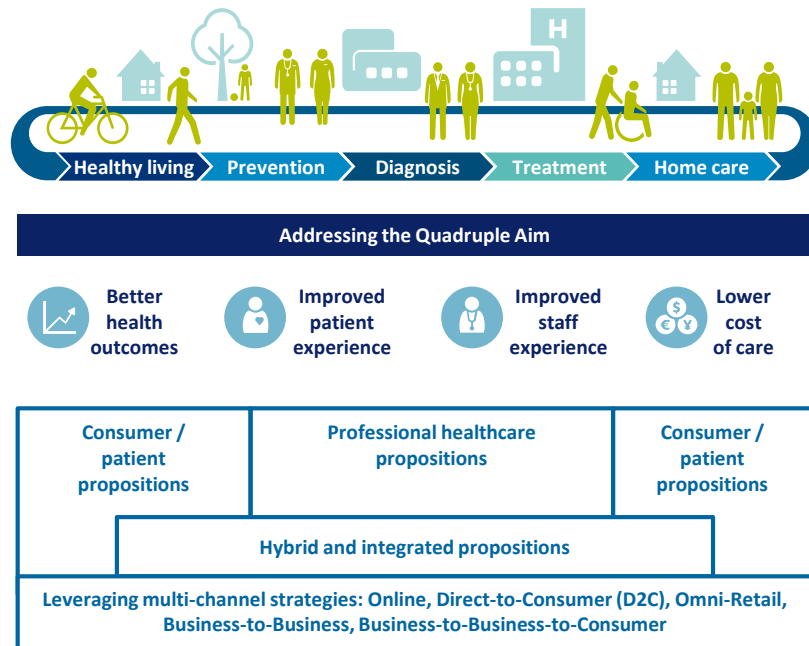
### Market trends supporting HealthTech growth

- **Volume growth** driven by population, aging, chronic diseases
- **Emerging markets** increasing healthcare spend
- **Digitalization** and **personalization** of health
- Higher precision through **AI and workflow informatics**
- Procedure innovation such as **minimally invasive interventions**
- Adoption of **telehealth** and shift to **out-of-hospital** settings
- Providers facing **consolidation, cost pressure and staff fatigue**
- Acceleration of **outcome-oriented** payment models



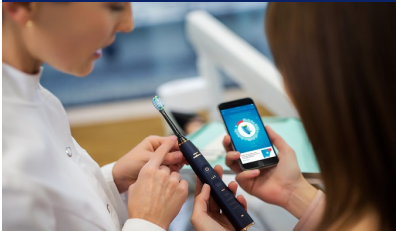
# Our strategy to lead in health technology

- **Innovative solutions** that deliver on the **Quadruple Aim** for providers and consumers, along the health continuum
- Smartly combining **systems, devices, informatics, data and services**
- **Consultative customer partnerships** and recurring-revenue business models with superior customer service
- Building on organic **growth in the core**, complemented by synergistic M&A
- **Philips Business System** driving operational excellence, quality and an integrated approach to customers



We have a strong and focused portfolio, driving innovative solutions that promote health and improve healthcare delivery

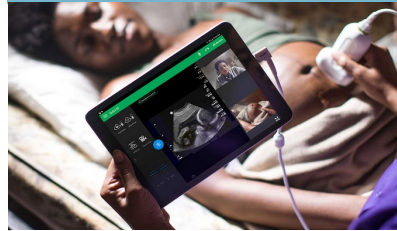
### Personal Health



#### Personal Health

Deliver solutions that enable healthier lifestyles, personal hygiene and living with chronic disease

### Diagnosis & Treatment



#### Precision Diagnosis

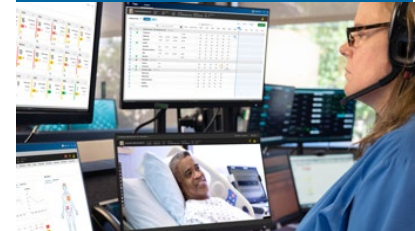
Provide smart, connected systems, optimized workflows, and integrated diagnostic insights, leading to clear care pathways and predictable outcomes



#### Image-Guided Therapy

Innovate minimally invasive procedures in a growing number of therapeutic areas with significantly better outcomes and productivity

### Connected Care



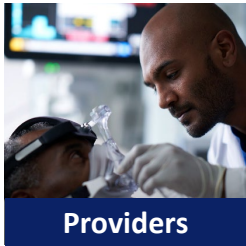
#### Connected Care

Drive better care management by seamlessly connecting patients and caregivers from the hospital to the home

# Recent developments have reaffirmed our strategy

## Recent developments

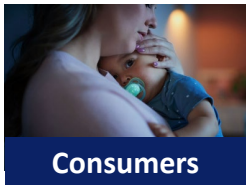
## We are prepared for these developments



- COVID-related **acute care needs**
- Growth of **ambulatory centers**
- Increased focus on **productivity**, staff, cybersecurity and resilience



- Increased **cloud-enabled telehealth**, remote patient engagement, and hub-and-spoke models
- **Informatics and AI-enabled workflow optimization** increasing patient throughput and reducing cost
- Partnering with our customers



- Uncertainty in **consumer spending**
- Accelerated **shift to online channels**



- Business model **innovation** and ecosystems
- Increased Direct-to-Consumer and '**pull**' marketing
- **Partnering** with online platforms



- **Investments in healthcare ecosystems**
- **Geopolitical risk** of market access and technology restrictions



- Strengthened **regional final assembly hubs**
- Increased **localized solutions**, e.g. in China
- **Regional hosting** of health data



# Delivering on our strategy

# Drivers for continued growth and improved profitability

## Our 3 imperatives:

## Key drivers:

## Delivering:



**Better serve  
customers and  
improve quality**

- Deliver the best customer experience and quality
- Leverage our digital enterprise platform
- Improve productivity



**Boost growth  
in core business**

- Innovate to extend category leadership
- Capture geographic growth
- Increase customer share through consultative partnerships



**Win with  
solutions**

- Drive integrated solutions that deliver on the quadruple aim
- Adopt/drive data and AI at scale
- Add portfolio adjacencies (organic, M&A, partnerships)

More lives improved

Higher customer NPS

Market share expansion

Revenue growth

Margin growth<sup>1</sup>

Free cash flow generation

Organic ROIC

ESG leader

Value  
creation

Our behaviors: Customers first | Quality and integrity always | Team up to win | Take ownership to deliver fast | Eager to improve and inspire

# We will further improve customer experience and drive productivity through step-ups in quality and automation

## Customer experience

- Continue to drive up **provider appreciation** of our services
- Further improve our consumer **Ratings & Reviews**

## Quality

- **Design for Excellence**, reduction of SKUs
- **Reduce waste**, Lean practices and continuous improvement

## Digital enterprise

- Grow **Direct-to-Consumer** marketing & sales
- Enable new business models
- Leverage robotic process **automation**

## Productivity

- Drive programs in, amongst others:
  - Supply chain
  - Innovation
  - Marketing & sales
  - Enabling functions
- Target **additional EUR 400 million savings** per year

Boost growth  
in core business

Our innovations enable us to extend category leadership



## Personal Health



**Philips One**

## Precision Diagnosis



**Helium-free MR operations**

## Image-Guided Therapy



**Azurion with IntraSight**

## Connected Care



**IntelliVue 750/850**



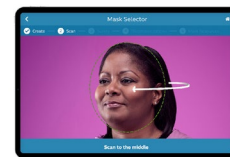
**S1000**



**Radiation therapy planning**



**OmniWire**



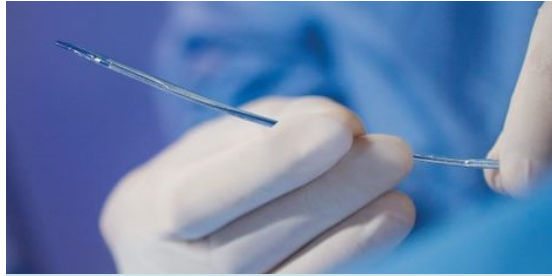
**Mask Selector**

# Geographic expansion fuels our growth



## Scale healthcare informatics

- Globalize our informatics propositions by leveraging our installed base
- Examples: PACS<sup>1</sup>, cloud-based EMR (Tasy), ICU telehealth



## Accelerate IGT-Devices global growth

- Further penetrate Devices markets by building on IGT-Systems leadership
- Grow addressable market in underdeveloped Devices geographies



## Further expand Sleep

- Strengthen existing positions in markets such as Japan and Europe
- Grow China and rest of APAC through awareness and patient engagement



# We increase share of wallet through increased customer intimacy



## Health systems



- Scaling Long-term Strategic Partnerships into adjacent clinical areas
- Leverage Healthcare Transformation Services (HTS) consulting

## Consumer channels



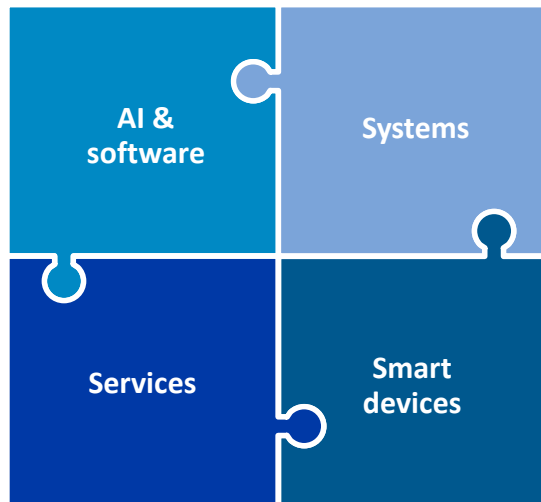
- Deepen partnerships with dedicated account teams, e-commerce analytics and co-creation
- Increase consumer intimacy with Direct-to-Consumer play

# Our integrated solutions deliver on the quadruple aim

~37%<sup>1</sup> of sales from solutions growing to >45% by 2025

## We bring together:

- Deep consumers insights
- Leading clinical and operational expertise
- Open platform approach with system & device integration
- New business models
- End-to-end patient pathways



## Example solution areas:

- Oral Healthcare ecosystems
- First-time-right diagnosis with Radiology workflow productivity
- Integrated IGT suites with new business models
- Connected monitoring, Sleep & Respiratory Care and informatics anywhere

## Addressing the Quadruple Aim



Better health  
outcomes



Improved patient  
experience



Improved staff  
experience



Lower cost  
of care

Win with  
solutions along  
the health  
continuum



# We engage consumers in their personal health routines with smart devices, coaching and novel business models

## Oral Healthcare example

<b>Payer / provider partnerships</b>	<b>Connected products</b>	<b>In-app behavioral coaching</b>	<b>Sonicare Teledentistry</b>	<b>Rewards and incentives</b>	<b>Payer analytics platform</b>

**#1 recommended brand**  
by dental professionals<sup>1</sup>

**4.7 stars R&R for**  
Sonicare apps<sup>2</sup>

**>90% compliance with**  
2x2m brushing per day<sup>3,4</sup>

**>85% of members reduce**  
out-of-pocket expenses<sup>4</sup>

1. In the US 2. Ratings & Reviews for Kids and Adult Sonicare apps, on iOS, as of September 13. 3. According to ADA recommendation of brushing twice for two minutes per day

4. Based on data from several pilots

Win with  
solutions along  
the health  
continuum



# Our Precision Diagnosis solutions enable improved patient diagnoses and increased provider productivity

## Smart diagnostic systems



**Ingenia Elition | VitalEye |  
Compressed SENSE**

**1 minute total  
patient set-up<sup>1</sup>**

## Optimized workflows



**Patient engagement |  
Radiology workflow suite**

**-45% reduction in  
patient no-show rate<sup>2</sup>**

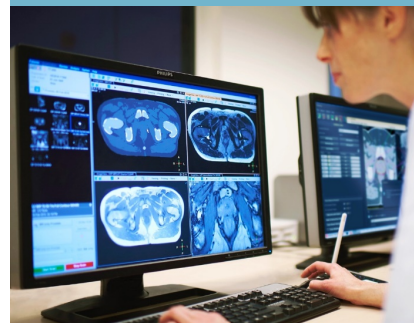
## Integrated diagnostics



**IS Precision Medicine<sup>4</sup> |  
Next-gen enterprise imaging**

**-41% lower  
reporting time<sup>3</sup>**

## Care pathways



**IS Radiation Oncology<sup>4</sup> |  
Dana Farber Pathways**

**-55% expected faster  
referral-to-treatment<sup>5</sup>**

1. With VitalEye and VitalScreen 2. Results achieved by Medumo. 3. Interactive Multimedia Reporting evaluation study compared to classic text-only reporting performed at SwissGroup, Argentina, 2017. 4. IntelliSpace 5. Projected improvement in Referral to first treatment times at South West Wales Cancer Centre using IS Radiation Oncology and Practice Management

# With IGT solutions, we innovate interventional procedures to handle more patients in less time, with better outcomes

## Integrated systems, devices, informatics & services



**Azurion | IVUS | iFR | IntraSight**

## Business model innovation



**In-hospital care | Out-of-hospital care**

**-17% time saving per procedure with Azurion<sup>1</sup>**

**-10% cost reduction per physiologic assessment<sup>2</sup>**

**-25% fewer readmissions with iFR vs. FFR<sup>3</sup>**

**-20% reduction in patient wait time with ICS<sup>4</sup>**

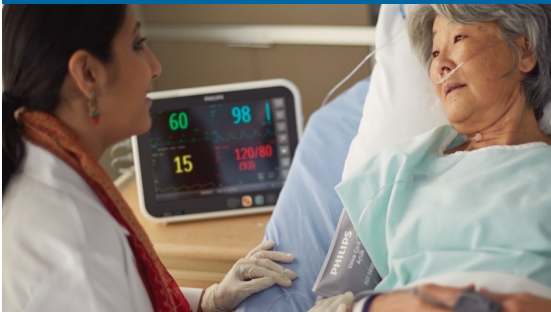
Notes: Results specific to institution where obtained and may not reflect results achievable at other institutions. 1. Results obtained by Interventional Vascular Department at St. Antonius Hospital, NL from Azurion workflow study 2. Davies JE, et al., Use of the Instantaneous Wave-free Ratio or Fractional Flow Reserve in PCI. N Engl J Med. May 11, 2017. 3. Patel M. "Cost-effectiveness of instantaneous wave-free Ratio (iFR) compared with Fractional Flow Reserve (FFR) to guide coronary revascularization decision making." Late-breaking Clinical Trial presentation at ACC on March 10, 2018. 4. Results obtained by Westchester Medical Center Health Network (WMCHealth) New York, USA from Integrated Cardiovascular Solutions.

Win with  
solutions along  
the health  
continuum



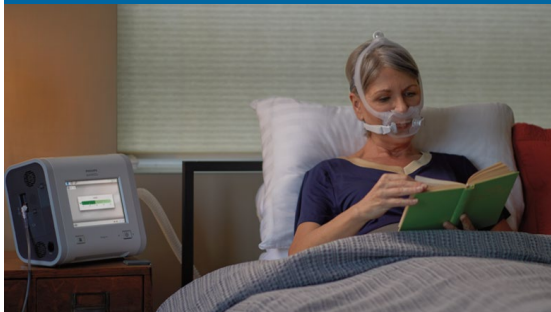
# Our Connected Care solutions help orchestrate and seamlessly deliver care from the hospital to the home

## Emergency and hospital care



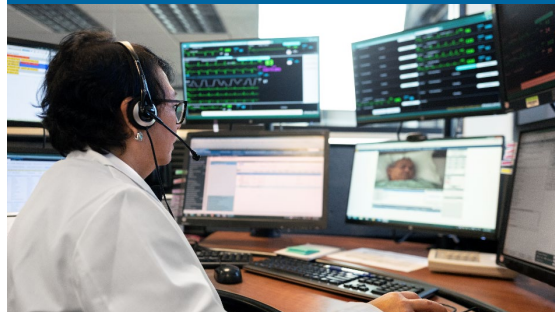
**Continuous patient monitoring |  
Ventilation | Emergency response**

## Home care



**Sleep apnea care | COPD and other  
respiratory care | Chronic cardiac care**

## Health system management



**Telehealth | Clinical informatics |  
Patient flow management**

**-70% reduction in  
emergency escalations<sup>1</sup>**

**#1 choice amongst Sleep  
physicians in the US<sup>2</sup>**

**+25% improvement in  
therapy compliance<sup>3</sup>**

**-\$6,500 in savings per  
patient from eICU<sup>4</sup>**

1. With early warning score system at large hospital 2. Philips Respironics is the #1 sleep therapy brand of choice by U.S. sleep physicians 3. With Patient Adherence Management Service 4. American College of Chest Physicians study featuring UMass Memorial Medical Center, 2016



# China Xiamen Cardiac Hospital solution

Our co-creation approach promotes exceptional customer engagement

## Customer needs

- **Leading cardiovascular hospital** in China
- **Green-field hospital** of 600 beds, including Cath lab, CCU, ICU, and ED
- **World-class user and patient experience**
- New equipment fleet supported by **operational performance and efficiency**

## Solutions highlights

- End-to-end **design co-creation**, from patient journey mapping to implementation and service
- Imaging, interventional, and monitoring equipment
- **Cardiovascular data service**, including data and performance benchmarking
- Voted **China's most beautiful hospital** in 2019



# Our capital allocation supports our strategy and our commitments to shareholders

## Our approach

### Reinvest in growth

- Organic growth as the **main premise of our value creation**
- Similar level of innovation investment and increased advertising spend

### M&A / portfolio management

- EUR 4.6 billion spend on M&A since 2015
- **Disciplined but more active** approach

### Dividend stability

- Pay-out of 40-50% of net recurring income
- **Continued, stable dividend policy**

### Share buy-backs

- **EUR 4 billion** since 2015
- Continuing to evaluate periodically

Our  
transformation  
is enabled by our  
**leadership  
development  
journey** and  
sustained by the  
**Philips Business  
System**



# Our experienced and passionate executive team



**CEO**  
**Frans van Houten**  
Dutch



**Diagnosis & Treatment**  
**Bert van Meurs**  
Dutch



**Kees Wesdorp**  
Dutch



**Connected Care**  
**Roy Jakobs**  
Dutch/German



**Personal Health**  
**Deeptha Khanna**  
Singaporean



**Domestic Appliances**  
**Henk de Jong**  
Dutch



**North America**  
**Vitor Rocha**  
Brazilian/American



**Greater China**  
**Andy Ho**  
Chinese/Canadian



**International Markets<sup>1</sup>**  
**Edwin Paalvast**  
Dutch



**Innovation & Strategy**  
**Jeroen Tas**  
Dutch



**Operations**  
**Sophie Bechu**  
French/American



**Legal**  
**Marnix van Ginneken**  
Dutch/American



**Human Resources**  
**Daniela Seabrook**  
Swiss



**Strategic Business Development**  
**Robert Cascella**  
American

# Key takeaways

- Our transformation journey to **HealthTech leadership** continues
- We innovate to **improve 2 billion people's health and well-being** per year by 2025
- Our **three strategic imperatives**:
  - Further improving customer experience and operational excellence
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Capital Markets Day

# The next phase of value creation

**Abhijit Bhattacharya**  
Chief Financial Officer  
November 6, 2020

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# Key takeaways

- **Significantly improved sales growth, Adjusted EBITA, free cash flow, and Adjusted EPS** in the period 2016-2020
- Looking ahead, we accelerate **sales growth** and improve **Adjusted EBITA margin to high-teens** by 2025
- Productivity initiatives will deliver **additional cumulative net savings of EUR 2 billion** by 2025
- Strong **cash conversion >90%** to deliver **above EUR 2 billion free cash flow** by 2025
- **Robust financial framework** geared to **value creation**








All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed



2016 - 2020

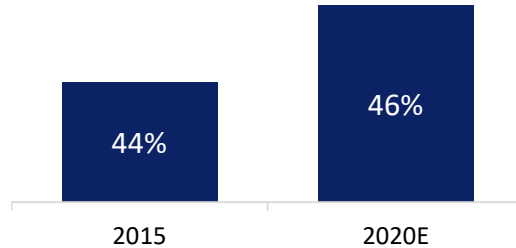


# We have structurally improved performance in the period 2016-2020

Average comparable sales growth	4-6% per year	
Average Adjusted EBITA margin expansion	~70 bps	
Free cash flow generation	~EUR 1.5 bn	
Productivity savings	EUR 1.9 bn	
Organic Return on Invested Capital <sup>1,2</sup>	Mid-teens	
Strong balance sheet	Investment grade rating and leverage	
Sustainability goals	Healthy people, Sustainable planet	

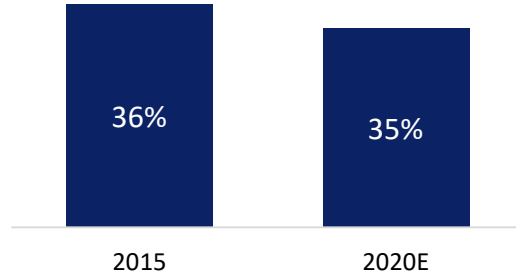
# Strongly increased gross margin and reduced cost

## Adjusted Gross Margin



- Gross margin step-up of 200 bps, despite tariff headwinds, driven by:
  - Innovation and growth of solutions
  - Solid mix improvement
  - Productivity

## Adjusted non-manufacturing costs



- Adjusted non-manufacturing costs down 100 bps through productivity while investing to drive growth and share

Resulting in double-digit Adjusted EPS growth

# Productivity program exceeded target with >EUR 1.9 bn net savings since 2017



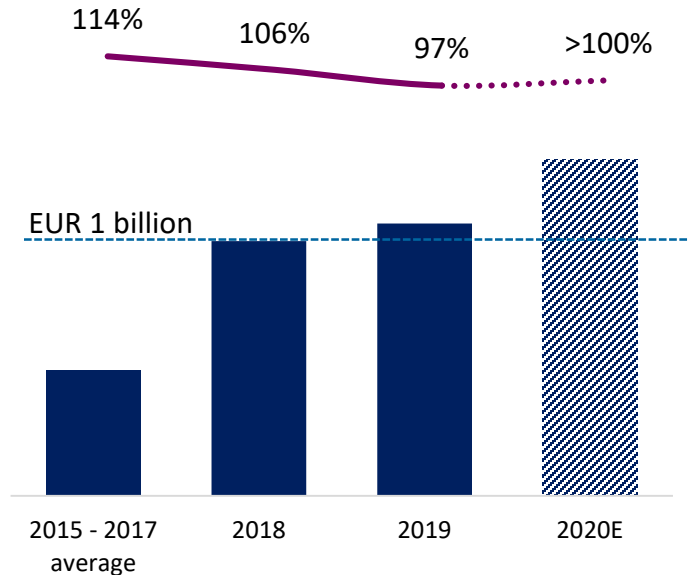
- Consolidated manufacturing footprint from 50 to 30 sites
- Center of Excellence for value analysis and engineering established
- Procurement savings driven by DfX<sup>1</sup> and other programs
- LEAN and Daily Management practices embraced by >35,000 employees

- Philips Integrated Landscape as digital enterprise platform
- ERP instances reduced from 50 to 11
- Robotics to automate 1 million hours of manual work
- Process mining driving standard work in back office

- 4,500 team members in Global Business Services (GBS)
- Marketing transformation funds advertising firepower
- 40 bps R&D productivity improvement
- Enabling functions at benchmark cost level

# Strong cash conversion and balance sheet efficiency drive cash flow generation

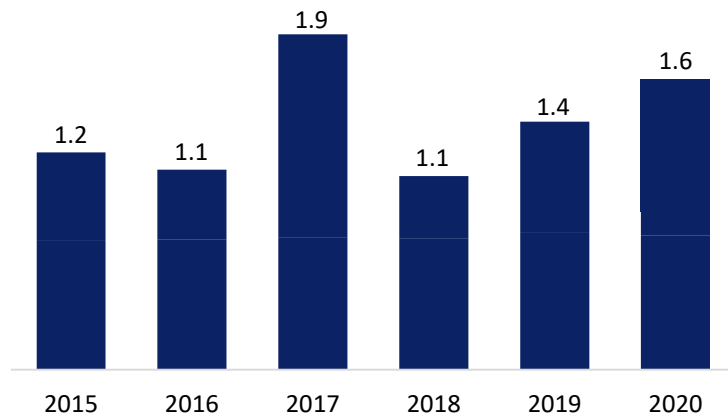
## Cash conversion<sup>1</sup> and free cash flow (FCF)



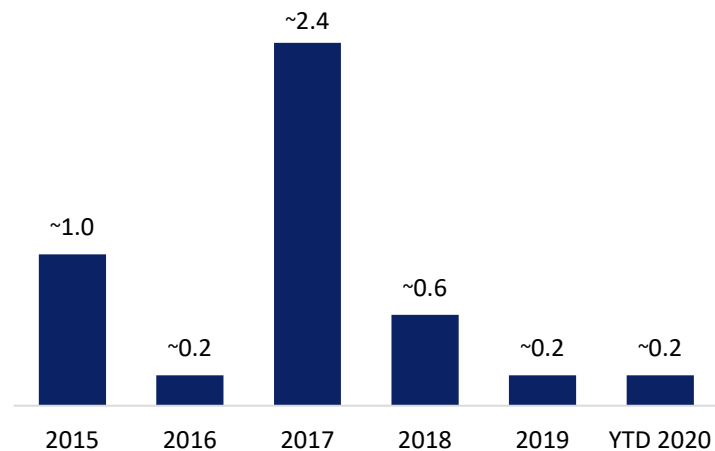
- On track for ~EUR 1.5 billion FCF in 2020
- Continuous focus on working capital:
  - Leaning-out supply chain
  - Overdue accounts receivable reduction
  - Supplier partnership on payment terms
- >50% reduction in interest costs and bank charges<sup>2</sup>
- Reduced pension liabilities from EUR 27 bn to EUR 2 bn

Over EUR 8 billion in dividends and share repurchases, with EUR 5 billion reinvested in M&A, since 2015

### Total dividend distributions and share repurchases<sup>1</sup>

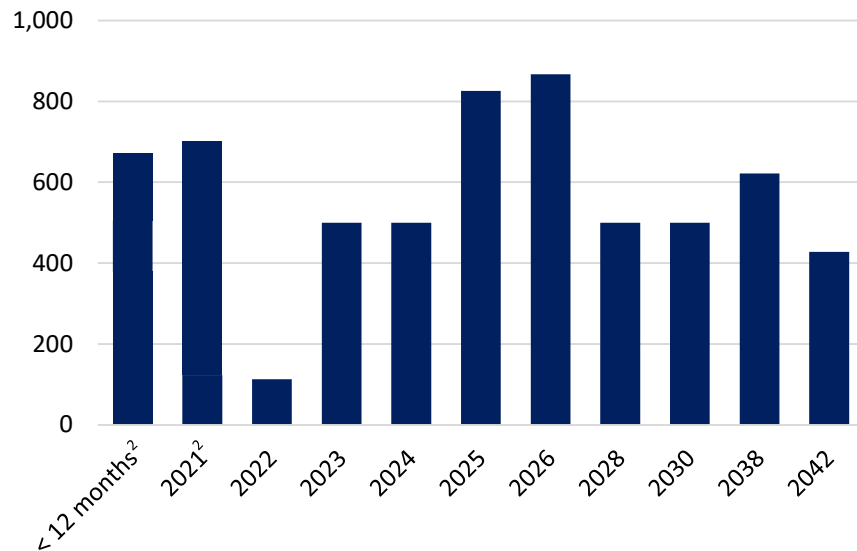


### Mergers & Acquisitions spend

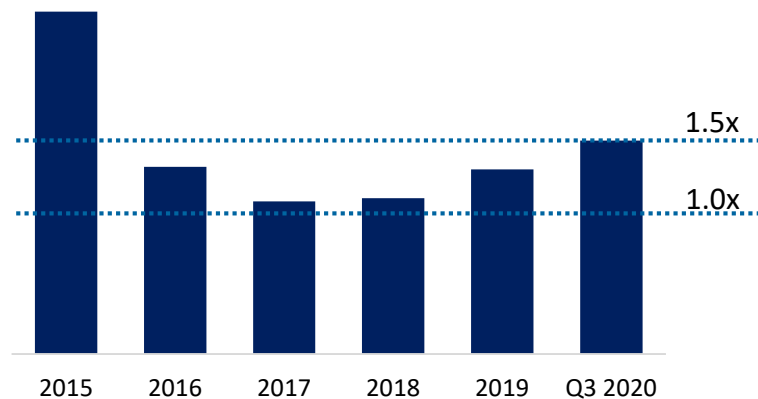


# Long debt maturity profile and leverage ratio consistently between 1x to 1.5x EBITDA

## Debt maturity profile<sup>1</sup>



## Net debt to EBITDA



2021 - 2025

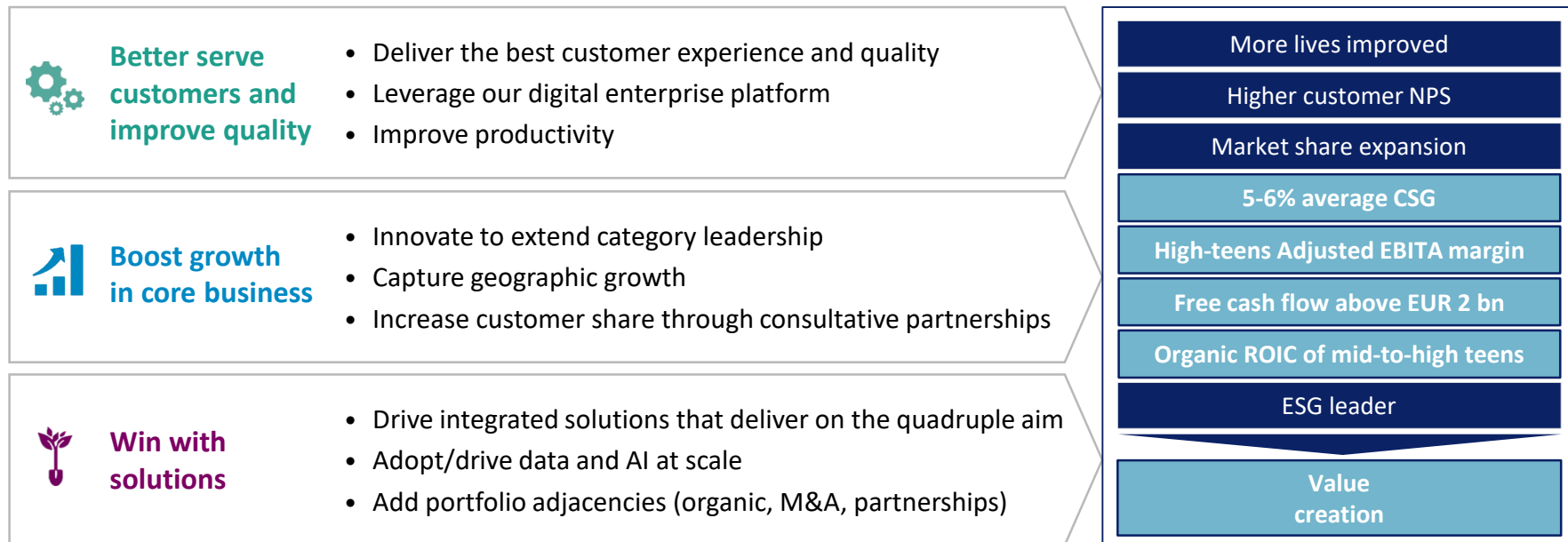


# Significant value to be further realized through execution of our strategic imperatives

Our 3 imperatives:

Key drivers:

Delivering:

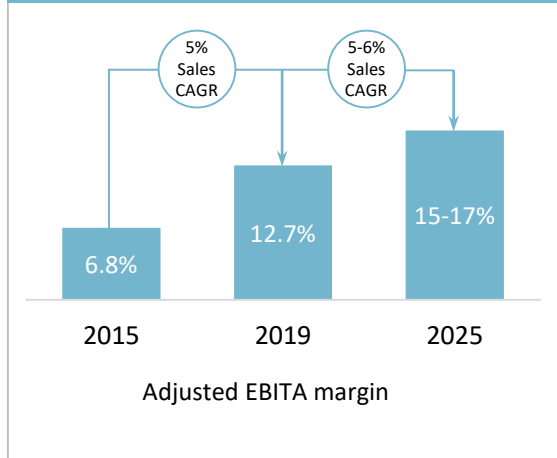


Our behaviors: Customers first | Quality and integrity always | Team up to win | Take ownership to deliver fast | Eager to improve and inspire

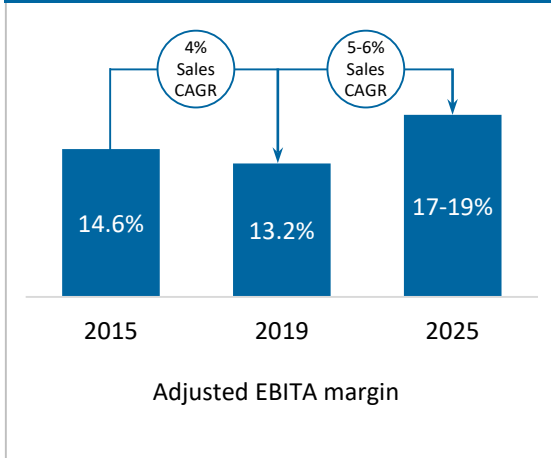
# Growth and margin improvement across all of our segments



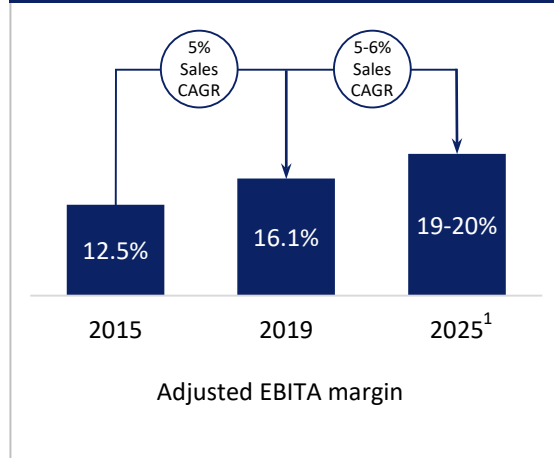
## Diagnosis & Treatment



## Connected Care



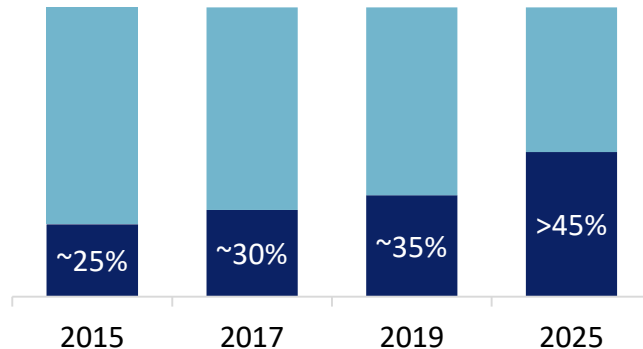
## Personal Health



1. The Domestic Appliances business is currently reported as part of the Personal Health segment. All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed

# Solutions and partnerships approach will continue to drive value and recurring revenue streams

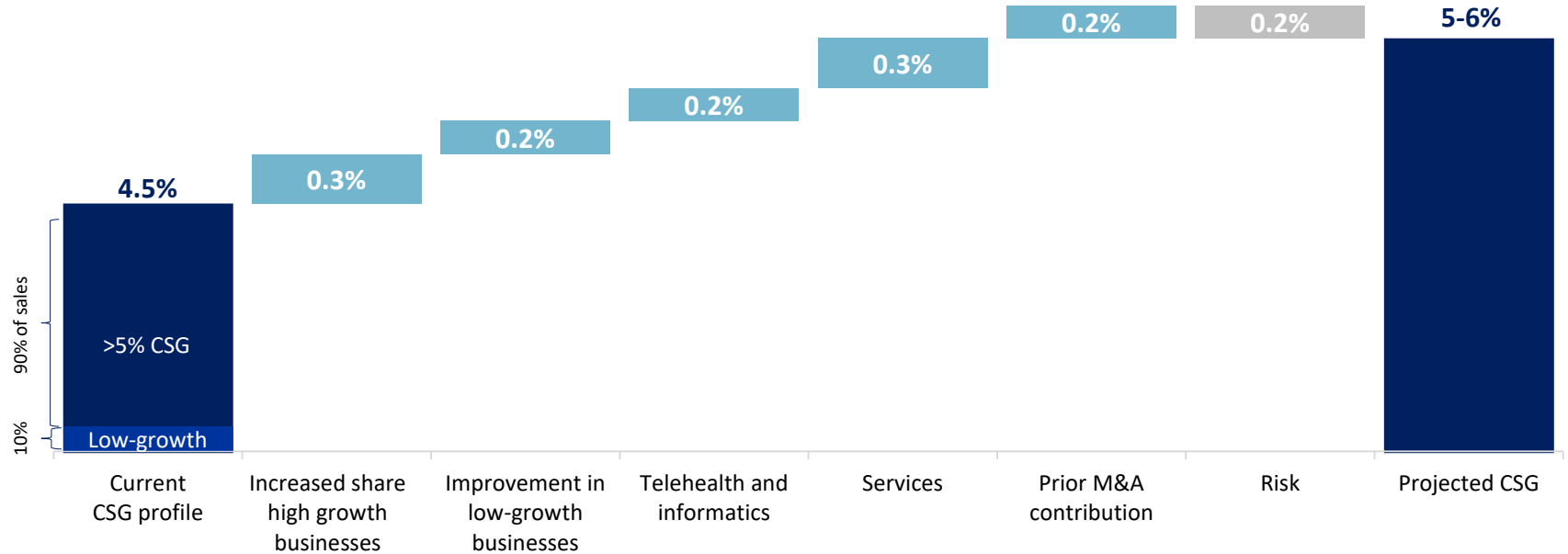
## Solutions revenue as % of total



## Growing double-digits, reaching >45% of total

- Driven by innovation
- Globalize informatics propositions
- Expanding long-term partnership deals
- Philips Capital facilitating new business models
- Increased revenue predictability with accretive margin profile

# Indicative growth acceleration drivers



# Driving EUR 2 billion productivity through 2025

## Procurement savings

EUR 900 - 1100 million

- Center of excellence for value analysis and engineering to drive low-cost country sourcing, life cycle management, and DfX<sup>1</sup>
- Indirect spend management driving demand and price optimization

## Supply chain productivity

EUR 500 - 700 million

- 60% reduction in warehouse sites, consolidation of logistics and warehouse providers
- Ramp-down of manufacturing rationalization project costs
- Operational excellence and lower cost of non-quality

## Overhead cost reduction

EUR 400 - 500 million

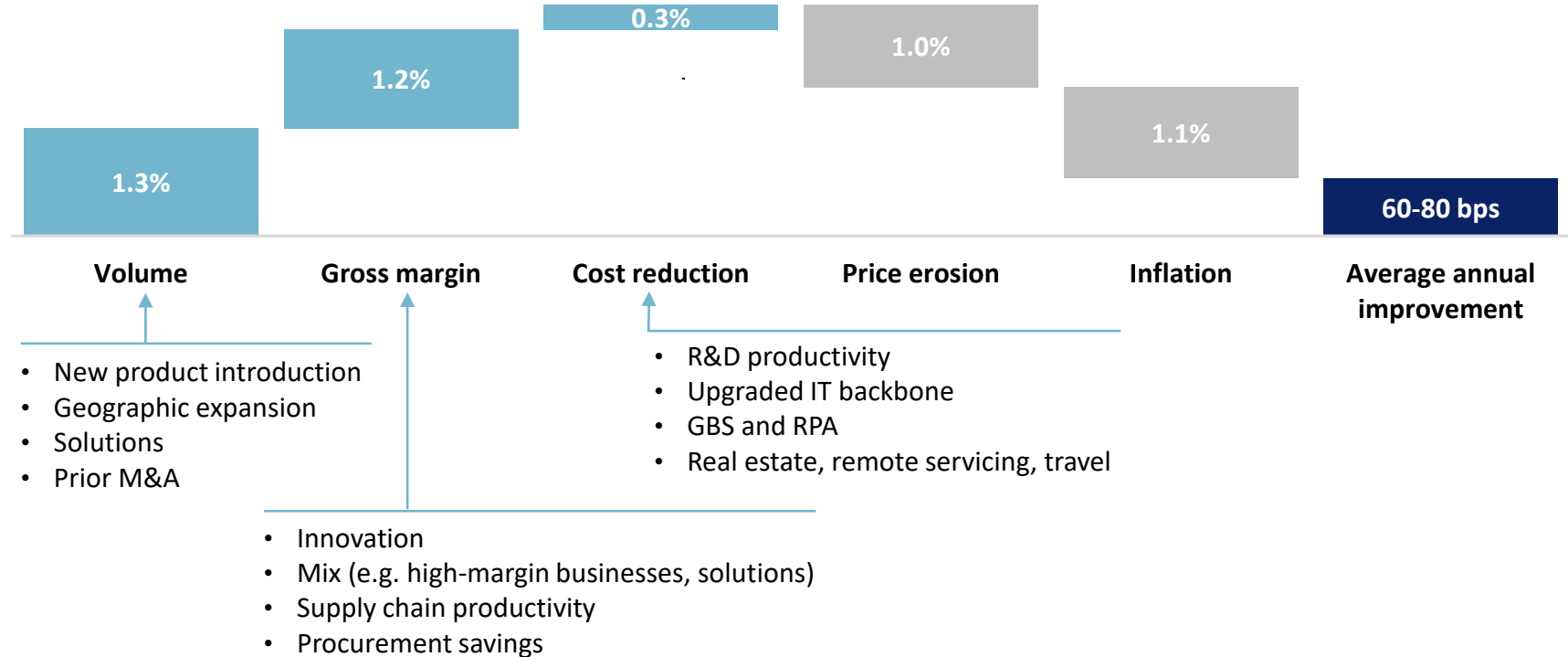
- Simplification of R&D platforms and footprint
- Future of work: real estate optimization, remote servicing, travel reduction
- Continued expansion of GBS and RPA<sup>1</sup>
- Single billing entity via upgraded IT backbone (e.g. Europe)

Restructuring cost run-rate expected to be 40-50 bps starting in 2022

1. Design for Excellence 2. Robotic Process Automation

All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed

# Indicative annual Adjusted EBITA improvement drivers



# Robust financial framework geared to value creation

Free cash flow  
conversion >90%

Adjusted EPS growth  
~10%<sup>1</sup>

Organic ROIC of  
mid-to-high teens

Disciplined  
capital allocation

Maintain current  
investment grade  
credit rating

Effective tax rate  
24-26%

1. Starting in 2022.

All forward-looking statements and targets exclude the Domestic Appliance business as its future ownership is being reviewed

# Key takeaways

- **Significantly improved sales growth, Adjusted EBITA, free cash flow, and Adjusted EPS** in the period 2016-2020
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# Diagnosis & Treatment

Creating value through  
diagnostic and procedural solutions

**Kees Wesdorp / Bert van Meurs**

Chief Business Leader Precision Diagnosis /  
Chief Business Leader Image Guided Therapy  
November 6, 2020

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# Creating value through unique, market-leading portfolio of diagnostic and procedural solutions

## Precision Diagnosis



### Ultrasound

#1 Globally in cardiology,  
Top 2 player overall

EUR 1.7 billion sales



### Diagnostic Imaging

Top 3 Globally

EUR 3.2 billion sales



### Enterprise Diagnostic Informatics

#1 Radiology, Cardiology  
informatics in North  
America

EUR 0.6 billion sales

## Image Guided Therapy



### Image Guided Therapy Systems

# 1 Globally

EUR 1.8 billion sales



### Image Guided Therapy Devices

#1 Globally in IVUS  
and physiology

EUR 0.8 billion sales

Innovative diagnostic and procedural solutions powered by AI-enabled informatics

Solutions and recurring revenues ~45%

Average annual sales growth of 5-6%, reaching 15-17% Adjusted EBITA margin by 2025

# Precision Diagnosis

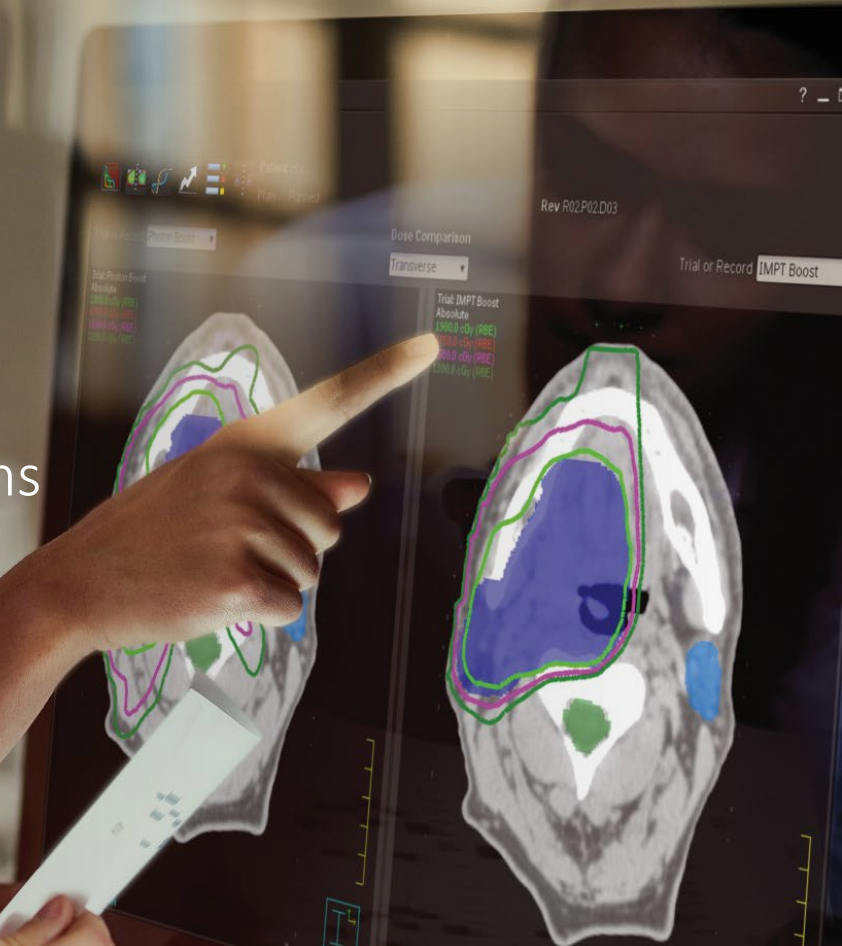
Accelerated growth through  
workflow and care pathway solutions

**Kees Wesdorp**

Chief Business Leader Precision Diagnosis

November 6, 2020

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# Key takeaways - Precision Diagnosis

- We are uniquely positioned in the imaging systems and informatics market to grow in attractive adjacencies with differentiating workflow and care pathway solutions
- **We do this with solutions that deliver on the Quadruple Aim:**
  - Breakthrough innovations in our **smart diagnostic systems**
  - **Dynamic workflow solutions** that transform departmental operations
  - **Industry-leading informatics** to provide diagnostic confidence
  - Expanding in attractive adjacencies with **care pathway solutions**
- We continue to deliver market share gains and productivity improvements in our core imaging portfolio
- Average annual sales growth of mid-single-digits and an Adjusted EBITA margin of mid-teens by 2025



# Advancing precision diagnosis

Leading to clear care pathways with predictable outcomes for every patient



**Care pathways** – Orchestrating decision-making at every pivotal moment of the patient's care pathway



**Integrated diagnostics** – Generating comprehensive insights from imaging, monitoring, laboratory, genomics and longitudinal data



**Optimized workflows** – Connecting and integrating workflows to drive operational efficiency



**Smart diagnostic systems** – Supporting first-time-right diagnosis through clinically relevant and intelligent diagnostics

~EUR 24 bn

High-single-digit growth







~EUR 27 bn

Low-single-digit growth

# Uniquely positioned to grow in attractive adjacencies with differentiating workflow and care pathway solutions

## Innovative customer-centric solution suites<sup>1</sup>

## Vendor-agnostic, interoperable, and scalable platforms

	<b>Care pathways</b> <ul style="list-style-type: none"><li>• Integrated Command Center</li><li>• Integrated Cardiology</li><li>• Oncology Collaborator</li></ul>	
	<b>Integrated diagnostics</b> <ul style="list-style-type: none"><li>• Enterprise Imaging</li><li>• Tele Diagnostics</li><li>• Diagnostic Informatics</li></ul>	
	<b>Optimized workflows</b> <ul style="list-style-type: none"><li>• Radiology Workflow Suite</li><li>• One Services Portfolio</li></ul>	
	<b>Smart diagnostic systems</b> <ul style="list-style-type: none"><li>• Imaging Acquisition Suite</li><li>• Connected Ultrasound</li><li>• Imaging system platforms</li></ul>	<b>Cloud Services &amp; App Marketplace</b>

# Smart diagnostic systems: Growing core modalities with continued breakthrough AI-enabled innovations



## Ultrasound

Industry-leading, tailored applications and smarter imaging drive growth in the core and adjacencies



## Computed Tomography

Strong traction with our renewed comprehensive CT<sup>1</sup> portfolio and AI applications

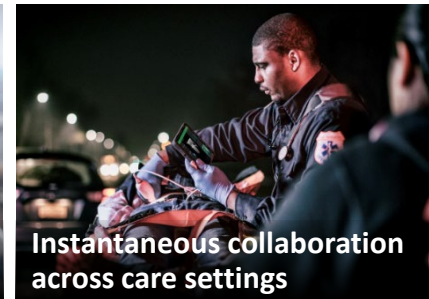
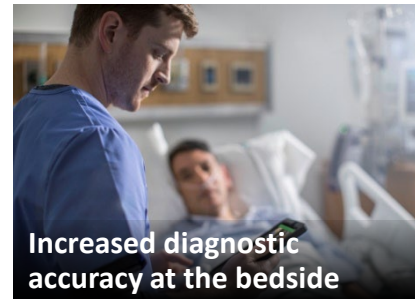
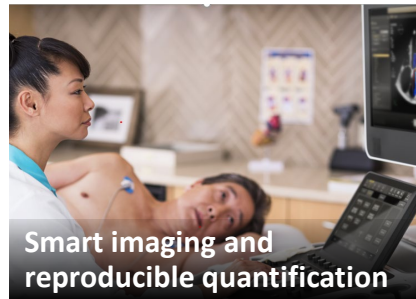
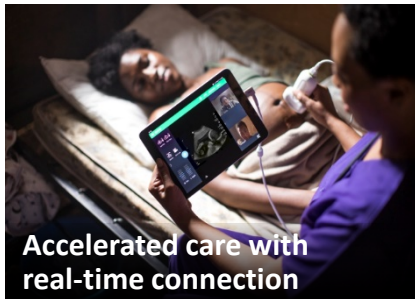


## Magnetic Resonance Imaging

Continued success with breakthrough innovations that deliver helium-free operations and 50% faster scanning<sup>2</sup>

60% renewed portfolio; deep integration with informatics and AI drive productivity, diagnostic confidence and intelligent workflows

# Optimized workflows: Expanding into new markets with collaboration platforms



## #1

World's first truly integrated tele-ultrasound<sup>1</sup>

## 80%

Reduction in time to measure for arrhythmia patients<sup>2</sup>

"Philips Lumify handheld ultrasound can be used anywhere for diagnostic purposes – ED, ICU, operating theater, battlefield, transportation, social care centers, or at home."<sup>3</sup>

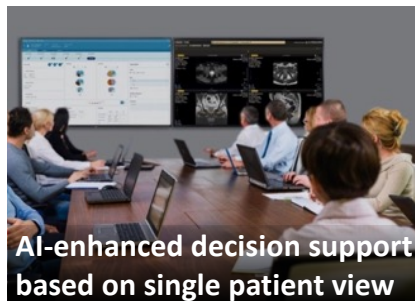
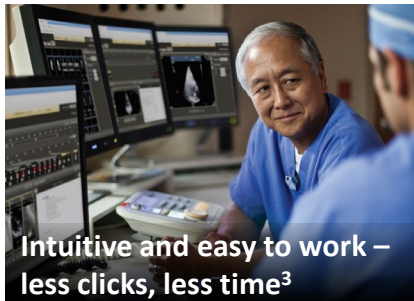
1. Source: <https://www.itnonline.com/content/philips-expands-its-remote-clinical-collaboration-offering> Philips Expands its Remote Clinical Collaboration Offering - June 29, 2020

2. White paper: Automated transthoracic three-dimensional echocardiographic quantification of the left heart chambers; Diego Medvedofsky MD, et al.

3. Innovation story by Dr. Yanick Beaulieu, founder and creator of Reacts, to deliver the world's first integrated tele-ultrasound capability



# Integrated diagnostics: Growing core of differentiating, AI-enabled informatics to generate comprehensive patient insights



**99.99%**  
uptime guarantee<sup>1</sup>

**~9 billion**  
images under  
management<sup>2</sup>

“With Philips’ enterprise informatics offering we’re continuing to leverage innovative business models and partnership to empower our clinicians to deliver the best care possible through the use of technology.”<sup>4</sup>

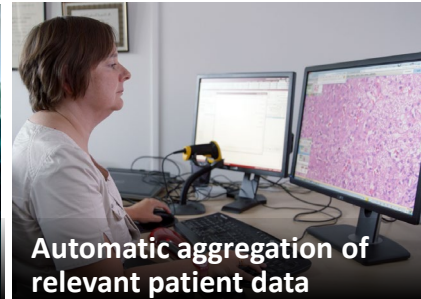
1. Philips company website: IntelliSpace Enterprise Edition brochure and service agreement

2. Philips global data for ISPAACS 2019 pre Carestream acquisition

3. Evaluation study performed at UZ Leuven by S. Kovacs, UZ Leuven, Belgium - 31% faster work with fewer mouse clicks; 77% time savings in the manual time to results

4. Michael Garcia, SVP and CIO, Jackson Health

# Care pathways: Expanding into attractive markets by orchestrating decision-making in the patient's care pathway



**~50%**

less preparation time for oncologists<sup>1</sup>

**~55%**

shorter time from referral to treatment<sup>2</sup>

“We decrease the patients’ time to treatment by 50% through automation and optimization, and as clinicians we can consistently treat every patient to the highest quality levels”<sup>3</sup>

1. Journal of Pathology Informatics, “A new software platform to improve multi-disciplinary tumor board workflows and user satisfaction: A pilot study,” July 2018

2. Referral to first treatment times at South West Wales Cancer Centre using IntelliSpace Radiation Oncology and Practice Management – projected results of time reduction from 32 to 14 days

3. <https://www.philips.co.uk/healthcare/education-resources/publications/hotspot/condensing-the-referral-to-first-fraction-workflow>




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# Business Zoom: Industry-first vendor-agnostic Radiology Workflow Suite

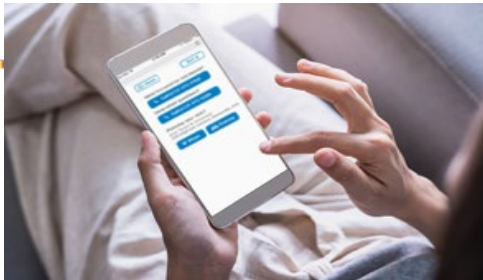
**Sham Sokka**

Marketing Leader Precision Diagnosis

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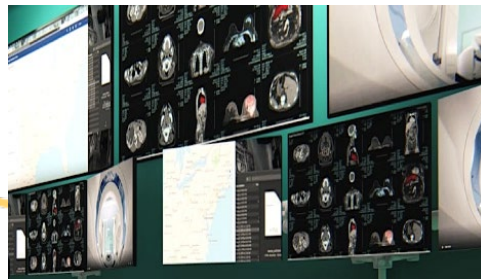
# Optimized workflows: Simplified automated solutions, seamlessly integrated

## Philips Patient Management



**45%** Reduced no-show rate<sup>1</sup>

Up to  
**30%** workflow consolidation,  
consistent clinical  
outcome and quality  
enterprise-wide<sup>2</sup>



## Philips Radiology Operations Command Center

## Philips Operational Informatics



**15%** Increase in MR usage  
efficiency, resulting in  
**USD 799,000** additional  
annual revenue<sup>3</sup>

1. Richter JM, Ha JB, Marx M, Campbell EJ, Pandolfi MC. "A Digital Pre-procedure Instruction Program for Outpatient Colonoscopy." Telemedicine Journal and E-Health: the Official Journal of the American Telemedicine Association. 2019. 2. Based on one senior technologist running a scanner on site and two scanners remotely with the help of two junior technologist (average 50% less salary than senior technologist) 3. Philips Enterprise Operational Informatics Value calculator - results are specific to the institution where they were obtained and may not reflect the results achievable at other institutions.



# Key takeaways - Precision Diagnosis

- We are uniquely positioned in the imaging systems and informatics market to grow in attractive adjacencies with differentiating workflow and care pathway solutions
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- Average annual sales growth of mid-single-digits and an Adjusted EBITA margin of mid-teens by 2025



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# Image Guided Therapy

Accelerating growth through  
integrated procedural solutions

**Bert van Meurs**

Chief Business Leader Image Guided Therapy

November 6, 2020

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# Key takeaways - Image Guided Therapy

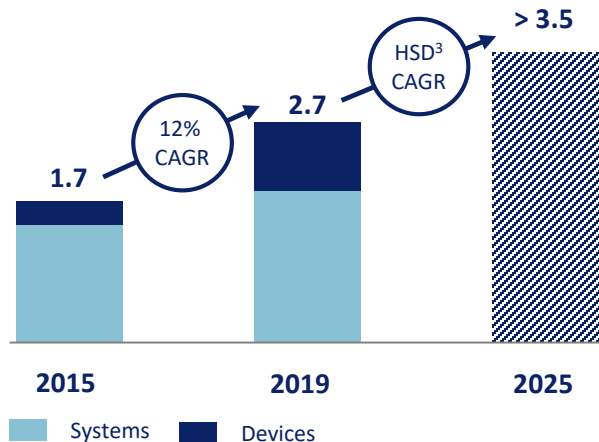
- Image-guided therapy is a **profitable high-growth market**
- We are successfully executing our strategy of **integrated procedural solutions**
- Strong growth trajectory based on unique **growth drivers**:
  - Accelerating synergy from **Devices business integration**
  - Continuous innovation of our **superior Azurion platform**
  - Expanding into **adjacent therapeutic areas**
  - **Innovative solutions** for multiple care settings and with new business models
- Average annual sales **growth of high-single-digit** and an Adjusted **EBITA margin of above 20%** by 2025





# Successfully executing our unique strategy of integrated procedural solutions

Sales (EUR billion)



Entry into Coronary and PV<sup>1</sup> devices 2015



Going deeper into PV<sup>1</sup> devices 2017



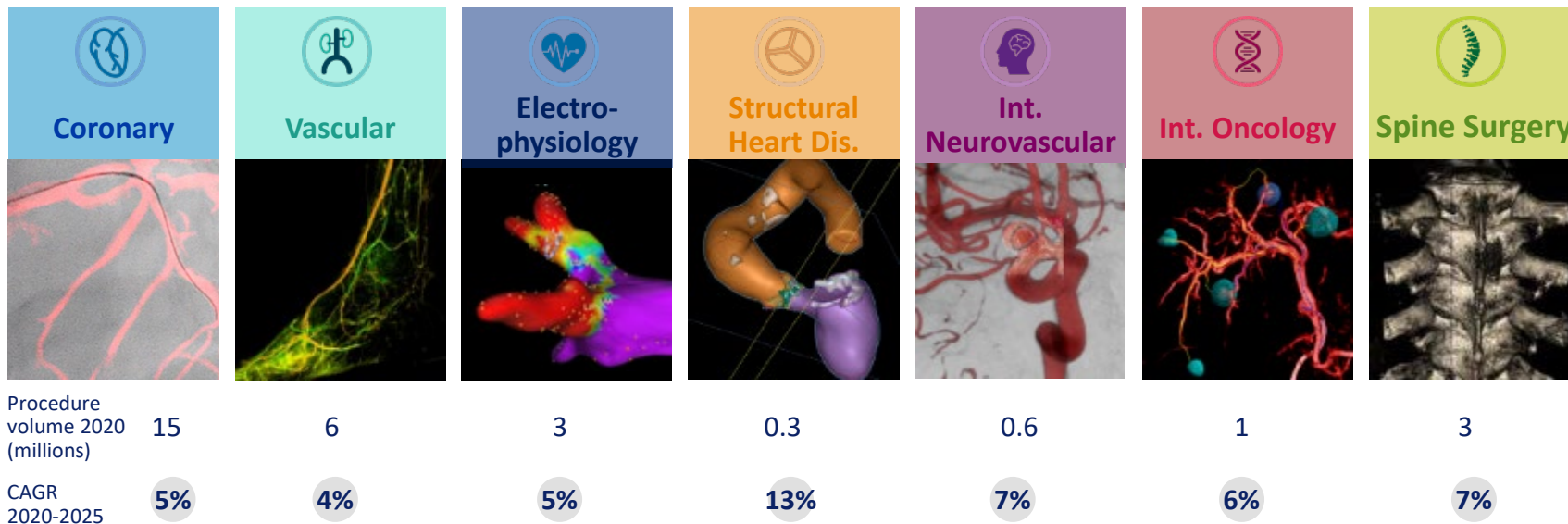
Entry into EP<sup>2</sup> mapping 2018



Going deeper into PV<sup>1</sup> therapy 2020

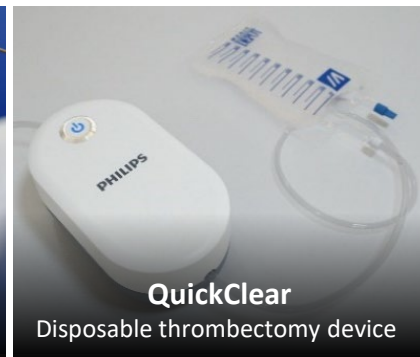
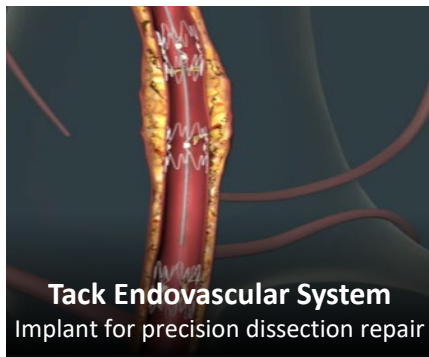
**Continue to expand leadership in Systems and drive double-digit growth in Devices; solid strategic foundation to return to strong growth and margin increase post-2020**

# Expanding our EUR 9 bn addressable market<sup>1</sup> & growing share



- Growing share in our core in Imaging and Devices
- Expanding into adjacencies through procedure innovation
- Market expansion with Therapeutic Devices

# Growing our Devices business through unique differentiation

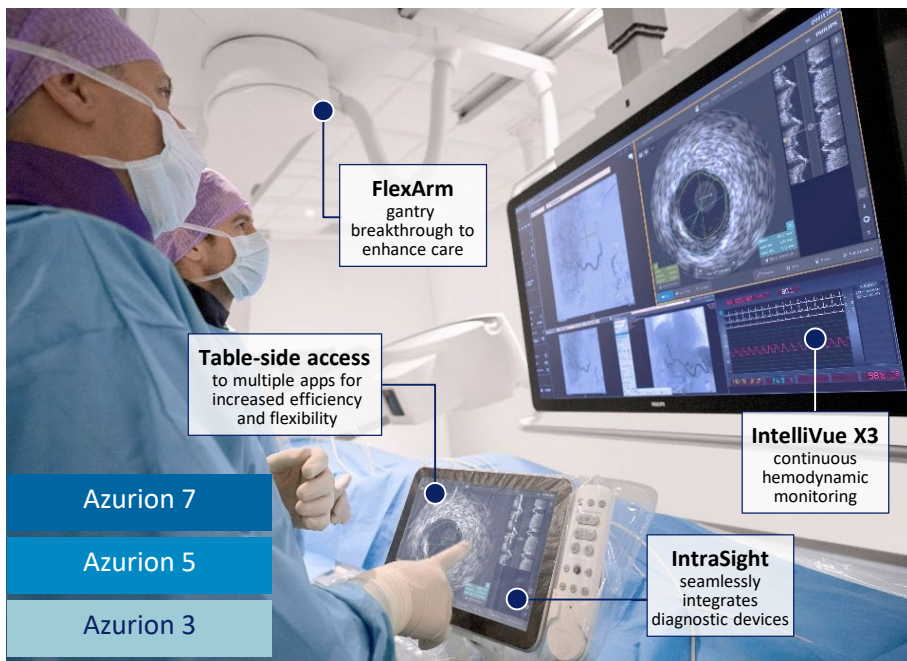


- Further strengthened leadership in Vascular Therapy through acquisition of **Intact Vascular** and first-of-a-kind **Tack System**
- Strong organic growth fueled by recent **world-first launches** of **IntraSight**, **OmniWire** and **QuickClear**
- Long-term clinical trials to gain **strong clinical and economic evidence** and drive adoption

“I have been very impressed with the handling of OmniWire. I was able to perform the whole procedure working over OmniWire.”

**Dr Jasvinder Singh, Barnes Jewish Hospital, St. Louis, US**

# Continuous innovation of our superior Azurion platform



- Azurion drives share gains with proven workflow efficiency and clinical excellence
  - 17% reduction in procedure time<sup>1</sup>
  - FlexArm offers more freedom with a smaller footprint
  - Configurable solutions from value to high-end
- **Next Generation Azurion** for optimal user experience
  - **IntraSight**, integrated IVUS and physiology
  - **IntelliVue X3**, continuous hemodynamic monitoring solution for uninterrupted workflow
  - **SmartCT<sup>2</sup>**, novel 3D imaging solution from table-side

1. Results obtained by Interventional Vascular Department at St. Antonius Hospital, NL from Azurion workflow study and verified by independent 3rd party (North American Science Associates, Ltd)

2. 510K pending in the US

# Strong growth opportunities in adjacent therapeutic areas

## Atrial fibrillation



33 million people worldwide suffer from atrial fibrillation (AF)

Up to 40% of AF ablations must be redone after 1 year

- **KODEX-EPD: dielectric imaging** to innovate **atrial fibrillation** treatment
  - Simpler navigation and treatment, lower X-ray exposure
  - Assess treatment result, enhance procedure efficacy
- **Strong focus on cryoablation** in partnership with Medtronic
- Expanding into RF ablation<sup>1</sup>, with first-generation tissue lesion assessment features in 2021

“Using the KODEX-EPD imaging system’s ability to provide high-resolution imaging has allowed me to personalize my ablation approach in Medtronic cryoballoon procedures.”

**Dr Marcin Kowalski, Staten Island University Hospital, NY, US**

# Strong growth opportunities in adjacent therapeutic areas

## Lung cancer



Each year 1.7 million people worldwide die of lung cancer

Today, over 60% of patients are diagnosed at a late stage

- **Philips Azurion Lung Edition<sup>1</sup>** advanced 3D imaging and navigation platform designed for bronchoscopy
- Faster, minimally invasive **lung cancer diagnosis and treatment**, contributing to improved outcomes and reduced costs
- Enabling a **new customer group** to diagnose, stage and treat lung cancer patients during the same procedure

“We’re particularly excited about being able to diagnose patients, stage their cancer and treat them, all in a single procedure.”

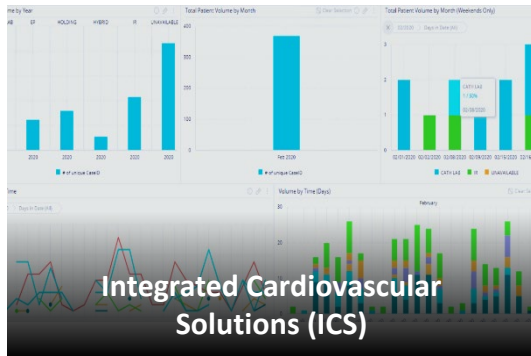
**Dr Michael Pritchett, Pinehurst Medical Clinic, NC, US**



# Shaping the market with new business models across care settings



- **Leadership in PV<sup>1</sup>** in USA, with ~50% share in new OBLs
- **Expansion into PCI<sup>2</sup>** on the back of new reimbursement models/bundles
- Well positioned to address COVID-19-induced **ASC growth**



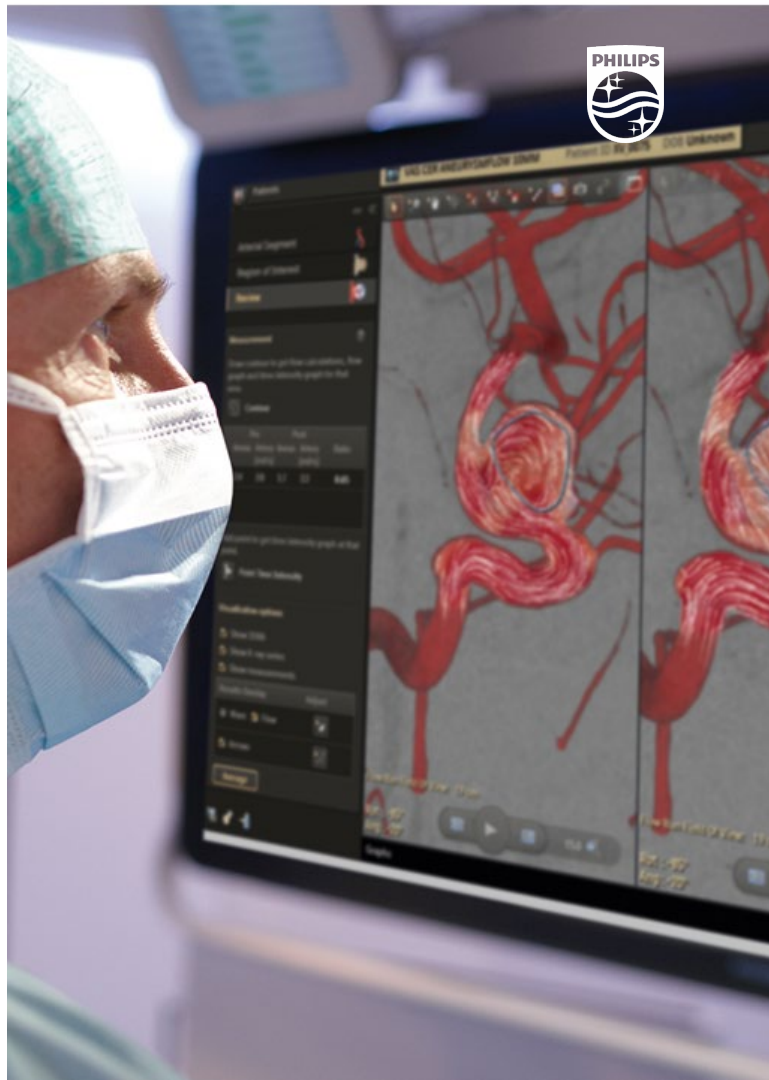
- Professional services to enhance **lab performance and productivity**
- Partnership with Leeds Teaching Hospitals NHS Trust (UK) to set new standards for specialist integrated cardiac care



- Supporting customers through **technology as a service**
- Long-term partnership with Inspira Health to transform patient care for residents of New Jersey, US

# Key takeaways - Image Guided Therapy

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- Average annual sales **growth of high-single-digit** and an Adjusted **EBITA margin of above 20%** by 2025







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# Connected Care

Winning by connecting care

**Roy Jakobs**

Chief Business Leader Connected Care

November 6, 2020

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# Key takeaways

- In 2020, we leveraged our **leadership positions to steeply grow** in monitoring, hospital ventilation & informatics to successfully convert COVID-19 demand
- While this demand will taper off in 2021, **our strategy in re-affirmed** by the structural trends accelerated by COVID-19
- We are ready to scale solutions for **patient care management**, anytime/anywhere, combining **monitoring, telehealth & informatics & therapeutic devices**, for hospital and home
- Targeting an average annual **comparable sales growth of 5-6%** and **17-19% Adjusted EBITA** margin by 2025



# Strong leadership positions in attractive, growing segments

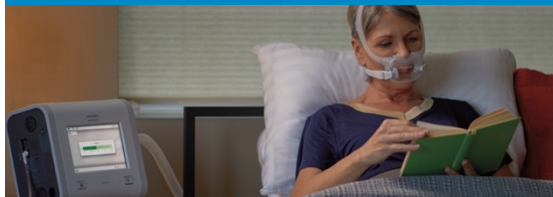
## Monitoring & Analytics EUR 1.9 billion sales



**#1 in patient monitoring**  
*300 million patients per year*

**#1 in fetal monitoring**  
*40 million babies birthed*

## Sleep & Respiratory Care EUR 2.2 billion sales



**#1 in sleep diagnostics**

**#1 in home ventilation**

**Leading digital services**  
*>10 million patients in the cloud*

**Leading service solutions**  
*>600,000 patients managed*

## Connected Care Informatics and Therapeutic Care EUR 0.5 billion sales



**#1 in eICU**  
*4 million patients monitored (5 years)*

**#1 in clinical workflows**  
*3 million patients managed per year*

**#1 installed base in AEDs**

Build on our strengths to further consolidate market leadership in the core  
whilst building on market momentum to scale informatics

# Portfolio structured to serve changes in healthcare delivery

## Smart devices and systems



- Boost ICU productivity with integrated monitor and ventilator solution
- First-time-right fit for OSA<sup>1</sup> masks with facial scanning software and new masks

## Solutions



- Reduce patient complications with real-time, continuous monitoring
- Capitalize on increase in telehealth with end-to-end informatics

## Geographic expansion



- Increase penetration in Chinese sleep market
- Increase North American market share with solutions offering

## New business models



- Monitoring as a Service, opex models
- Sleep services that benefit physicians and DME<sup>2</sup> suppliers

## Operational excellence

customer experience, quality, productivity

## Platforms




scaling our cloud investments

## Clinical expertise

as strategic differentiator

Reaping returns from investments in growth areas and focus on operational excellence


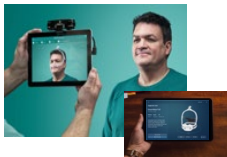
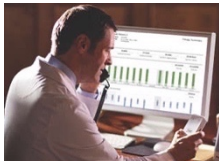
# In Monitoring, fueling growth by real-time clinical insights to drive better patient management and improved outcomes

Customer needs and insights	Solutions	Benefits / Why we win
Reduce preventable complications <sup>1</sup>	 <p><b>Best-in-class sensors and monitors</b></p>	<ul style="list-style-type: none"> <li>Continuous monitoring <b>reduces risk of mortality</b> by 39% and <b>length of stay</b> by &gt;3 days<sup>3</sup></li> </ul>
Increase ICU capacity in efficient and integrated manner	 <p><b>Wearable sensors and Remote Patient Management</b></p>	<ul style="list-style-type: none"> <li>Hospital <b>admissions reduced</b> by 90% during COVID-19 clinical trial of patient triage</li> </ul>
Extend monitoring architecture into home care for post-acute-care patients due to COVID-19 <sup>2</sup>	 <p><b>Care management informatics</b></p>	<ul style="list-style-type: none"> <li>ICU admission <b>mortality reduced</b> 41% by real-time clinical decision support<sup>4</sup></li> </ul>


Driving growth and profit by building on our monitoring base in hospital to the home - at scale



# In Sleep Care, building our leading position globally via innovation and services in an underdiagnosed market




Customer needs and insights	Solutions	Benefits / Why we win
1 in 5 adults have obstructive sleep apnea (OSA) and 80% are undiagnosed	 <b>Dream Family portfolio</b>	<ul style="list-style-type: none"> <li>• Modular mask system accommodates &gt;95% of patients, drives efficiency</li> <li>• Preferred choice of therapy by physicians</li> </ul>
First-time-right OSA diagnosis and fit to increase adherence and efficiency	 <b>Digital diagnosis and therapy</b>	<ul style="list-style-type: none"> <li>• Only clinically validated solution, 90% of patients need only one mask at initial set-up</li> <li>• 52% reduction in refits</li> </ul>
High growth opportunities in underpenetrated markets	 <b>End-to-end sleep services with Care Orchestrator</b>	<ul style="list-style-type: none"> <li>• 82% 90-day adherence rate*, ensuring reimbursement</li> <li>• 3.7 million patient contacts, 200% increase in home delivery and remote set-up</li> </ul>
<b>Unique capabilities and innovation to capture growth and empower caregivers to deliver solutions in the home</b>		

# In Respiratory Care, expanding our strong positions in hospital and home to offer care management across settings

Customer needs and insights	Solutions	Benefits / Why we win
Avoid risks and patient complications associated with invasive ventilation	 <b>Hospital ventilation portfolio</b>	<ul style="list-style-type: none"> <li>• Non-invasive ventilation (NIV) avoids intubation in 54% of treated patients<sup>3</sup></li> <li>• Interoperability with monitoring device and system for seamless in hospital care</li> </ul>
Demand for home treatment, 40% of physician/patient encounters conducted remotely <sup>1</sup>	 <b>Portable ventilator with Care Orchestrator</b>	<ul style="list-style-type: none"> <li>• #1 respiratory brand of pulmonary physicians</li> <li>• Expanded patient population and seamless transitions, 68% reduction in readmissions<sup>4</sup></li> </ul>
Growing, costly COPD population, 3 <sup>rd</sup> leading cause of death globally <sup>2</sup>	 <b>Chronic care management</b>	<ul style="list-style-type: none"> <li>• 88% reduction in readmissions with COPD NIV program<sup>5</sup></li> <li>• Leading connected ventilation for lower cost of care in home</li> </ul>

Profitable growth by empowering caregivers to deliver high quality solutions at lower costs of care from hospital to home

# In Informatics, leveraging our global installed customer base, our modular portfolio and market momentum to scale solutions

Customer needs and insights	Solutions	Benefits / Why we win
Digitalization, rapid adoption of AI and cloud to drive efficiency	 <b>Integrated workflow with enterprise care management</b>	<ul style="list-style-type: none"> <li>• 20% revenue increase for providers</li> <li>• 200% capacity increase in oncology workflow</li> </ul>
Increasing investments in virtual care to enable care across settings	 <b>Tele-ICU for in-hospital telehealth</b>	<ul style="list-style-type: none"> <li>• 30% reduction of length of stay in ICU<sup>1</sup></li> <li>• USD \$6500. saved per ICU patient<sup>2</sup></li> <li>• 26% reduction in mortality<sup>3</sup></li> </ul>
Efficient transition of in-hospital and out-of-hospital patients	 <b>Patient engagement applications</b>	<ul style="list-style-type: none"> <li>• 15% reduction in lumpectomy<sup>4</sup> reoperation rates</li> <li>• 30% reduction in unnecessary inpatient stays<sup>4</sup></li> </ul>

Single, modular, and scalable HealthSuite platform to unlock potential with the customer



# Key takeaways

- In 2020, we leveraged our **leadership positions to steeply grow** in monitoring, hospital ventilation & informatics to successfully convert COVID-19 demand
- While this demand will taper off in 2021, **our strategy in re-affirmed** by the structural trends accelerated by COVID-19
- We are ready to scale solutions for **patient care management**, anytime/anywhere, combining **monitoring, telehealth & informatics & therapeutic devices**, for hospital and home
- Targeting an average annual **comparable sales growth of 5-6%** and **17-19% Adjusted EBITA** margin by 2025



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# Personal Health

Driving profitable growth through  
relentless focus on innovation

**Deeptha Khanna**

Chief Business Leader Personal Health

November 6, 2020

innovation  you



# Key takeaways

- Leadership positions in **strong growth categories**
- Reaching more people through **consumer-driven product and solutions innovation**
- **Accelerating online growth and engaging more people** through end-to-end digital
- Expanding ecosystem through **partnerships with leading retailers and new business models**
- Average annual **comparable sales growth to 5-6%**, while delivering **19-20% Adjusted EBITA** margin by 2025





# Strong and established leadership positions in resilient growth categories that are recovering strongly

## Oral Healthcare



Top 2 player  
power toothbrush globally  
#1 China

**EUR 1.2 billion sales**

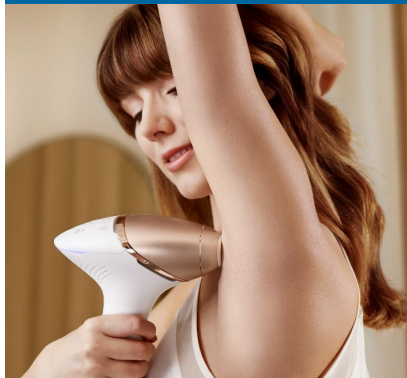
## Male Grooming



#1 electric shaving  
#1 electric grooming

**EUR 1.4 billion sales**

## Beauty



Top 2 player hair removal

**EUR 0.4 billion sales**

## Mother & Child Care



Top 2 player bottle feeding  
#1 pregnancy engagement app

**EUR 0.4 billion sales**

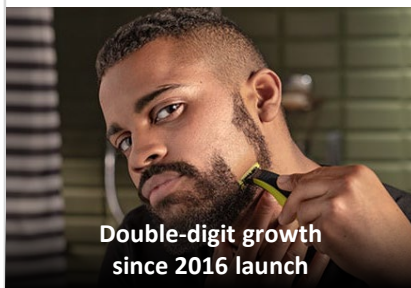
## Growth through products and solutions

Reaching more people through consumer-driven product and solutions innovation

### New segments



Launched Oct 2020 in NAM

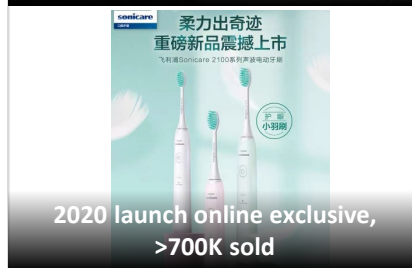


Double-digit growth  
since 2016 launch

### Geographic expansion



2019 launch,  
18-24 yr old preferred shaver



2020 launch online exclusive,  
>700K sold

### New categories



#1 IPL brand globally;  
>1M Lumea Prestige sold

### New launches

Stay tuned

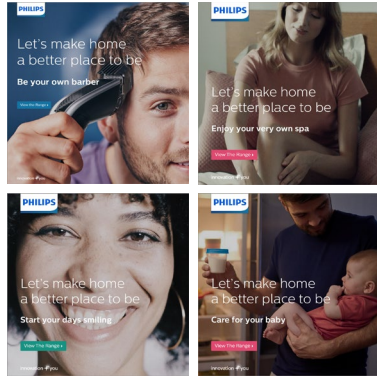
Winning innovation already in market

Additional growth

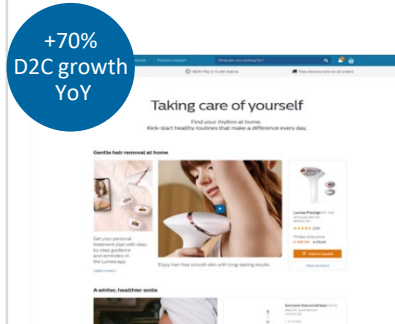
# Growth through online channels and digital

Accelerating online growth and engaging more people through end-to-end digital

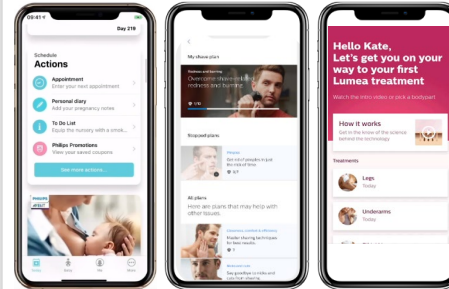
**75% of media spend digital**



**Direct-to-Consumer growing 70%+**



**6 million+ monthly active users engaged through our apps**



**Online-first packaging**





## Growth through partnerships and new business models

Expanding our ecosystem through partnerships with leading retailers and scaling new business models

### Co-creation with leading retailer platforms



Leverage live-stream marketing

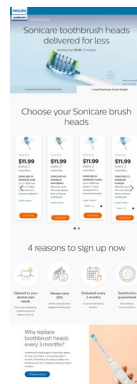


Customer Big Data-enabled propositions



Leverage partner technology standards

### New business models



10%  
Discount on  
Replace & Refresh



Lumea  
Try & Buy  
EUR 39.95  
per month

Grow recurring revenues through subscription and services in Oral Healthcare, Male Grooming and Beauty



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# Business Zoom: Oral Healthcare

Michael-John Kühne  
Business Leader, Oral Healthcare

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# Expanding leadership in Oral Healthcare, growing consumer lifetime value, and launching new business models

Enable consumers to maintain daily oral care routines



Continuous innovation to address new consumer segments

Scale consumer direct-to-consumer engagement and channels



Subscription program to drive consumer lifetime value

New business models to drive health outcomes and lower cost of care



Solutions and services for payers and dental professionals



# Our innovation enables us to serve new consumer segments and geographies



**Recruit** consumers in growth markets with localized innovation



**Recruit** young adults with relevant propositions



**Upgrade** in premium segment through superior user experience



Expanding our presence in entry-level segment to grow category penetration

## Introducing Philips One by Sonicare

USD 24.99

Reaching a younger target audience to improve their oral care habits and remove category barriers



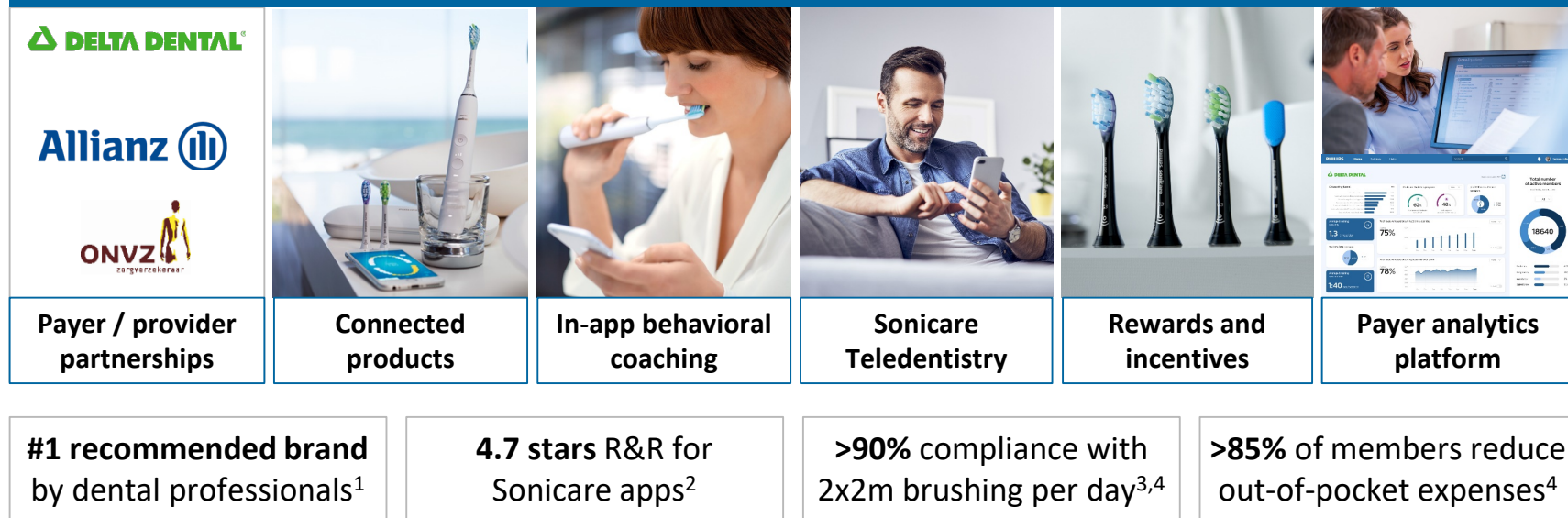
Fresh communication approach: campaigns, channels, direct-to-consumer

**One** product, from zero to **two** million pieces in <12 months, reaching **three** regions\*

\*Refers to 2 million pieces sold in three regions (North America, Europe, and China) in 2021

# We engage consumers in their personal health routines with smart devices, coaching and novel business models

## Oral Healthcare example



1. In the US 2. Ratings & Reviews for Kids and Adult Sonicare apps, on iOS, as of September 13. 3. According to ADA recommendation of brushing twice for two minutes per day

4. Based on data from several pilots



# Key takeaways

- Leadership positions in **strong growth categories**
- Reaching more people through **consumer-driven product and solutions innovation**
- **Accelerating online growth and engaging more people** through end-to-end digital
- Expanding ecosystem through **partnerships with leading retailers and new business models**
- Average annual **comparable sales growth to 5-6%**, while delivering **19-20% Adjusted EBITA** margin by 2025





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# Sustaining growth momentum in Greater China

**Andy Ho**

Chief Market Leader of Greater China

November 6, 2020

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# Key takeaways

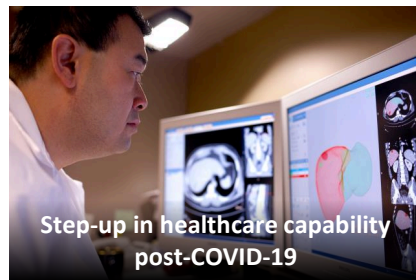
- China's HealthTech market is **the 2<sup>nd</sup> largest globally** and shows continued rapid growth
- We have been deeply rooted in China for over a century, and are a **market leader** with **significant local presence and capabilities**
- Our **strategy is fully aligned** with the government agenda and market dynamics. And, we have a **strong base to win in China**:
  - Winning with **innovation and digital transformation**
  - Deepening **customer engagement** and partnerships
  - Scaling up **locally relevant integrated solutions**
- We are extending **customer preference** and continuing to deliver **high-single-digit growth** in China





# China has attractive potential with robust health demand

## Overall HealthTech – mid-to-high single-digit growth<sup>1</sup>



## Personal health – high single-digit growth<sup>1</sup>



Global #1  
E-commerce with  
double-digit growth



Omni-channel and  
live streaming



Growing internet+  
health B2C services



Urbanization requiring  
deep consumer reach

## Professional healthcare – mid-to-high single-digit growth<sup>1</sup>



Rapidly growing  
county-level hospitals



Long-term growth in  
private segment



Improving clinical  
capability and  
emergency care



Growing virtual care  
post-COVID-19

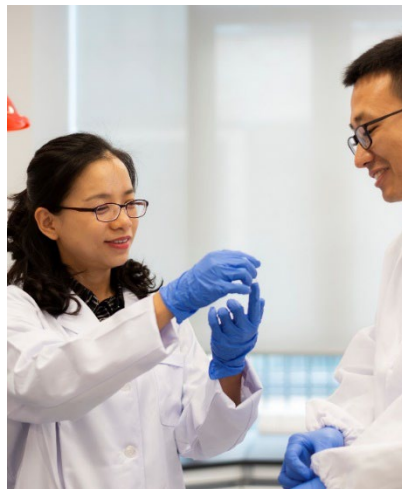
# Strong commitment to China's long-term growth capabilities

## 100 years in the country: Phillips is a local brand



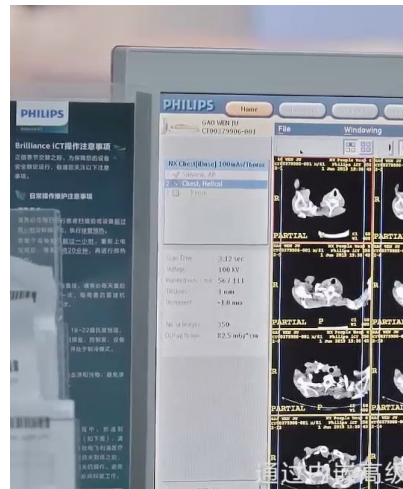
### Strong localized manufacturing

Significant local manufacturing operations



### Well-established innovation presence

1,200+ employees dedicated to local and global R&D



### Scaling up locally relevant solutions

Strong software and services capabilities



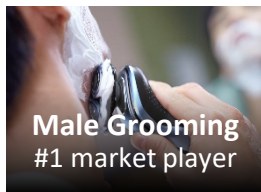
### Active government engagement

Capture opportunities through expanded government<sup>1</sup> coverage

# Our strong base to win in China

We enjoy leadership positions across all business clusters

## Innovation leadership examples



## Consumer-centric Go-to-Market



- >75% sales online; deep partnerships with **Mega E-commerce accounts**
- **Digital transformation** by launching **China IoT platform** with Tuya<sup>1</sup>

## Strong key account intimacy

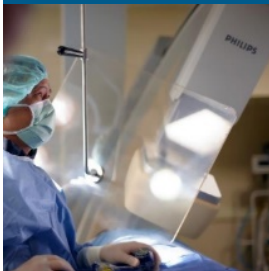
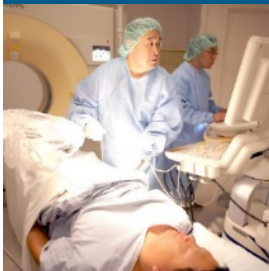
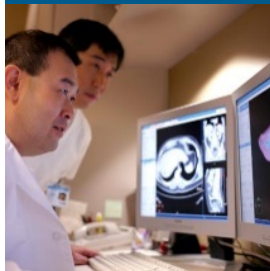
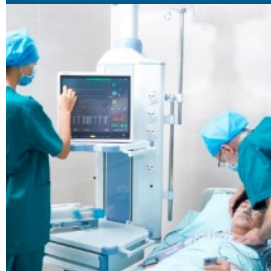
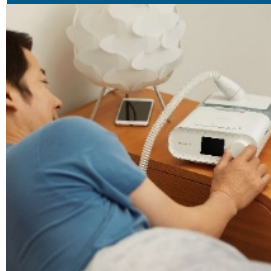
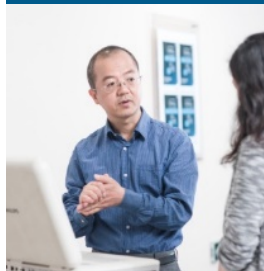


- High-single-digit share gain<sup>2</sup> in **private and low-tier hospitals**
- Grow **long-term strategic partnerships** with key accounts



# We win with solutions and drive strong double-digit growth<sup>1</sup>

Continue solutions transformation to deliver unique value as system integrator

Cardiology & Neurology	Oncology	Radiology	Acute & Critical Care	Sleep & Respiratory	Professional Services
					
Dual Center	Integrated Cancer Diagnosis	AI-enabled Clinical Research	Acute & Critical Care	Integrated Sleep & Respiratory	Value-added Services
Cathlab & Echolab	Integrated RadOnc	Tele-radiology			
	Integrated Hybrid OR				

Win with  
solutions along  
the health  
continuum

# China Xiamen Cardiac Hospital solution

Our co-creation approach promotes exceptional customer engagement



## Customer needs

- **Leading cardiovascular hospital** in China
- **Green-field hospital** of 600 beds, including Cath lab, CCU, ICU, and ED
- **World-class user and patient experience**
- New equipment fleet supported by **operational performance and efficiency**

## Solutions highlights

- End-to-end **design co-creation**, from patient journey mapping to implementation and service
- Imaging, interventional, and monitoring equipment
- **Cardiovascular data service**, including data and performance benchmarking
- Voted **China's most beautiful hospital** in 2019

# Key takeaways

- China's HealthTech market is **the 2<sup>nd</sup> largest globally** and shows continued rapid growth
- We have been deeply rooted in China for over a century, and are a **market leader** with **significant local presence and capabilities**
- Our **strategy is fully aligned** with the government agenda and market dynamics. And, we have a **strong base to win in China**:
  - Winning with **innovation and digital transformation**
  - Deepening **customer engagement** and partnerships
  - Scaling up **locally relevant integrated solutions**
- We are extending **customer preference** and continuing to deliver **high-single-digit growth** in China





The background of the slide is a photograph of two men in white lab coats, likely medical professionals, looking at a large medical monitor. The monitor displays a complex medical image, possibly a CT scan or MRI, with various colored overlays and text. The man in the foreground is looking intently at the screen, while the man in the background is slightly out of focus, also looking at the screen. The overall tone is professional and focused.

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# Transforming relationships with our customers in North America

**Vitor Rocha**

Chief Market Leader of North America

November 6, 2020

innovation  you

# Key takeaways

- North America is a large and innovative market, with **resilient growth fundamentals**
- **Our strategy has been re-affirmed and will drive growth beyond COVID-19**
- We will continue to drive profitable growth through **better, faster, and higher-quality solutions and experiences** for our customers
- **Our Solutions strategy meets the changing demands** of our consumer, health systems and government customers
- Targeting to deliver **comparable sales growth of 3-5%** in North America





# Growing with leadership positions in a highly mature North American market

## Attractive healthcare market

**Healthcare spending**  
16.5% of GDP, 3% growth per capita

**Federal investments**  
CARES Act ~USD 130 bn

**Aging population**  
75 mln people 65+ by 2030

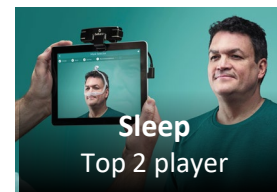
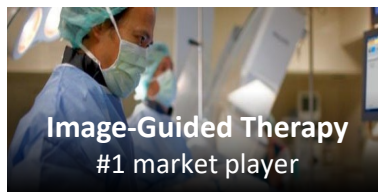
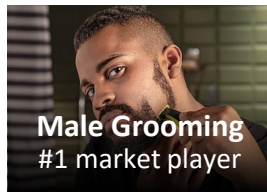
## Innovation hub

**Strategic innovation partnerships**  
with premier institutions

**Co-creation**  
e.g. US DoD<sup>1</sup> and VA<sup>2</sup>

**Net exporter of innovation**  
Globally differentiated

## Strong leadership positions



Low-single-digit market growth, at the forefront of change in healthcare

# Consumer: Winning the preference of a resilient consumer base

## Consumer trends

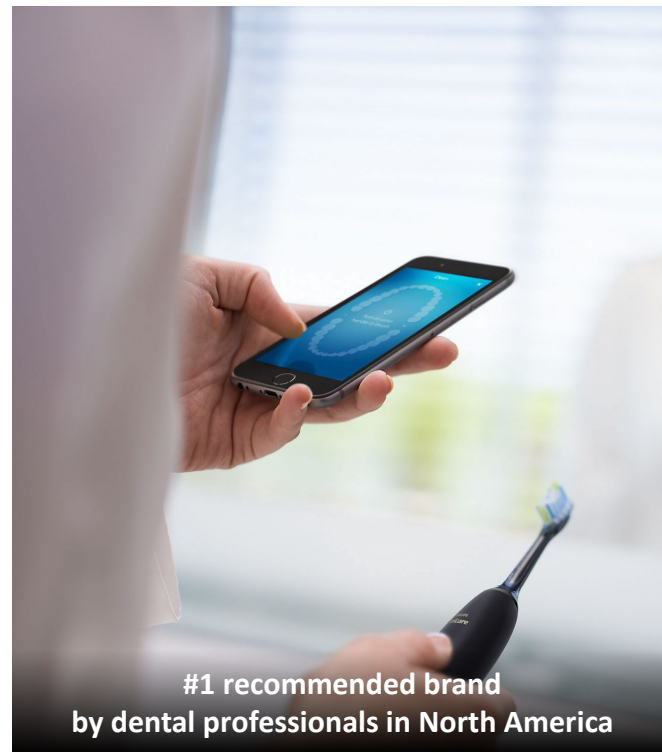
- Recovering consumer confidence
- Shift to online/digital engagement
- Seeking high quality health experiences with greater convenience

## Our strategy

- Expanding capabilities with big retailers (e.g. Amazon, Walmart)
- Driving brand preference through engaging experiences
- Strong solutions roadmap (e.g. Philips One by Sonicare)
- Oral Healthcare payor segment and consumer subscription

## Winning consumer preference

- Oral Healthcare and Male Grooming subscriptions
  - 140,000 monthly subscribers<sup>1</sup> and low upfront costs
  - Quarterly brush-head or blade replacement, app coaching



# Health Systems: Transforming care beyond COVID recovery

## Health system trends

- Aging installed base (IB)
- Capex spending and procedure volumes recovering
- Increased focus on productivity
- Accelerated shift to virtual, digital care

## Our strategy

- Leveraging market-leading IB in Patient Monitoring, Image-Guided Therapy
- Driving share gains through renewed Diagnostic Imaging portfolio
- Accelerating Sleep & Respiratory Care through digital innovation
- Building on recent acquisitions to drive differentiation (e.g. Carestream, Intact Vascular)

## Winning with solutions and outside the hospital

- Capex to Opex (e.g. Monitoring as a Service, Managed Technology Services)
- Data-driven services (e.g. PerformanceBridge)
- Innovative Radiology Solutions with DICs<sup>1</sup>, including managed services
- Integrated Image-Guided Therapy solutions in ambulatory centers and OBLs<sup>2</sup>



# Government: Connecting care and access across the US

## Government trends

- Supporting both service members and civilians with pandemic response
- Improving access and quality
- Significant stimulus from CARES Act (2020)

## Our strategy

- Build upon decades-long partnership with VA<sup>1</sup> and DoD<sup>2</sup>
- Partner on long-term innovation and transformative deals
- Differentiate with data, virtual care capabilities to drive standardization of care

## Connecting care from bedside to community and home

- VA eICU deal (10-year, USD 100 mln), cornerstone of their virtual care strategy
- Co-development of innovations (e.g. ATLAS<sup>3</sup>)



Top Right: Vitor Rocha, Chief Market Leader Philips North America (left) with Robert Wilkie, Secretary of U.S. Veterans Affairs

1. The United States Department of Veterans Affairs 2. United States Department of Defense 3. Accessing Telehealth through Local Area Stations

# Key takeaways

- North America is a large and innovative market, with **resilient growth fundamentals**
- **Our strategy has been re-affirmed and will drive growth beyond COVID-19**
- We will continue to drive profitable growth through **better, faster, and higher-quality solutions and experiences** for our customers
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- Targeting to deliver **comparable sales growth of 3-5%** in North America







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# Continuing our growth journey in International Markets

**Edwin Paalvast**  
Chief of International Markets  
November 6, 2020

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# Key takeaways

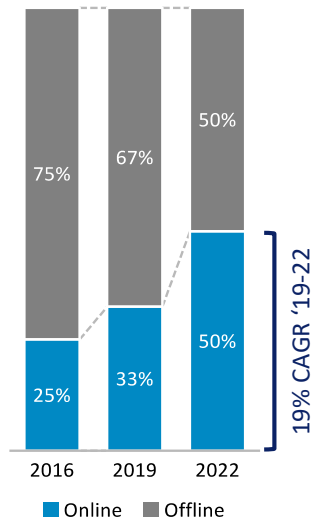
## Continued market share growth, whilst expanding profitability, through:

- Better serving our customers and consumers by becoming a digital-first organization
- Strong growth in our core by transforming our approach to customers and consumers
- Pivoting to consultative customer partnerships and hospital-wide solutions, enabling value-based care
- Replicating and scaling innovation best practices in Healthcare Informatics
- Targeting to deliver **comparable sales growth of mid-single-digit**



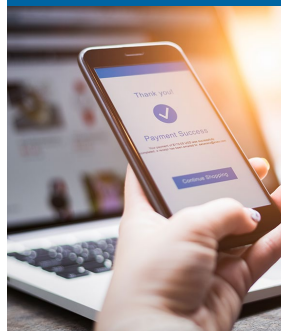
# Driving digital-first in sales is key to growing Personal Health

Online sales as % of total sales,  
Personal Health Int. Markets



Online market shares  
~2% higher than offline

## Offline to online



Stepping up digital  
marketing and sales  
capabilities and  
investments

## Direct online



Driving Direct-to-  
Consumer sales, scale  
healthcare e-comm

## Innovation focus



4.8 van 5

Boosting digitally led  
activation of key  
innovations to create  
consumer pull

Leverage our unique position, insights and capabilities  
across the **entire** health continuum

# Pivot to consultative customer partnerships and business models: hospital-wide solutions enabling value-based care



## New South Wales Health, Australia

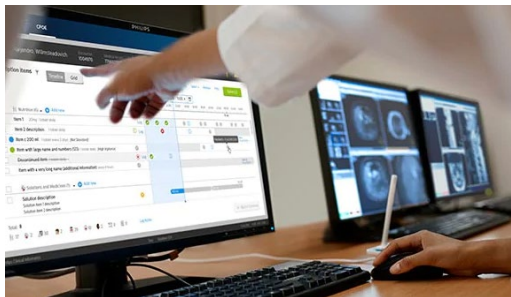
**20-year** strategic partnership  
**Managed equipment services** across 9 sites  
**PerformanceBridge** integration for predictive capability

## Klinikum Stuttgart, Germany

**10-year** innovation partnership  
State-of-the-art equipment delivering **clinical excellence**  
**Business model** allows **flexibility and choice**

# Replicating innovation best practices in Informatics enables rapid scaling across geographies

Recent successful partnerships driving innovation through scalable patient-centric solutions



Full-scope TASY EMR at Fundación Santa Fe de Bogotá, Colombia's leading medical institution



Enterprise diagnostic informatics solution<sup>1</sup> in Denmark supporting eHealth, telemedicine, increasing collaboration across 12 hospitals



First Tele-ICU implementation in Showa University Hospital, Japan, improving patient outcomes and staff productivity

Scaling our combined Informatics businesses to EUR 500 million by 2023



# Key takeaways

## Continued market share growth, whilst expanding profitability, through:

- Better serving our customers and consumers by becoming a digital-first organization
- Strong growth in our core by transforming our approach to customers and consumers
- Pivoting to consultative customer partnerships and hospital-wide solutions, enabling value-based care
- Replicating and scaling innovation best practices in Healthcare Informatics
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