

Philips' First-Quarter Results 2023



PUBLISHED JUL 20, 2023
BY [PHILIPS](#)

Roy Jakobs, CEO of Royal Philips:

“I am encouraged that we delivered a solid start to the year, with sales, profitability and operating cash flow improvements in the quarter, a first step to drive progressive value creation. We are executing on our three priorities to enhance patient safety and quality, strengthen our supply chain reliability, and establish a simplified, more agile operating model.

Resolving the Philips Respironics recall for patients remains our highest priority. In the first quarter, we have recorded a provision in anticipation of a resolution of the economic loss class action in the US. This is an important step in addressing the litigation related to the recall.

Our supply chain improvements enabled good growth across the Diagnosis & Treatment businesses and in Hospital Patient Monitoring. Supported by significant change management efforts, we have reduced the workforce by approximately 5,400 roles out of the planned reduction of 10,000 roles globally.

I realize that we are asking a lot from our employees to work through the necessary changes and deeply appreciate their tremendous efforts and ongoing commitment to deliver on our company purpose. I would also like to thank our customers and partners for their continued trust and support. I have met many of them in the last few months, and it is clear that Philips remains a preferred innovation partner.

Looking ahead, based on our solid performance in the quarter, our order book, and the ongoing actions to further improve execution, we are confident in our plan for the year 2023, acknowledging that uncertainties remain.”

Group and business segment performance

Sales for the Group increased to EUR 4.2 billion, with 6% comparable sales growth, mainly driven by the Diagnosis & Treatment businesses. Additionally, sales in the quarter were supported by the good momentum for the Diagnosis & Treatment and Connected Care businesses in China. Adjusted EBITA for the Group increased to EUR 359 million, or 8.6% of sales, mainly due to increased sales and productivity measures, partly offset by cost inflation. Philips' order book remains strong and is 10% higher than one year ago despite flat order intake growth.

The Diagnosis & Treatment businesses' comparable sales increased by a strong 15% in the quarter, with double-digit growth in Ultrasound and Image-Guided Therapy, and mid-single-digit growth in Diagnostic Imaging, driven by continued supply chain improvements. Comparable order intake grew double-digit, with double-digit growth in Image-Guided Therapy and Enterprise Diagnostic Informatics and mid-single-digit growth in Diagnostic Imaging. The Adjusted EBITA margin increased to 11.3%, which was mainly due to increased sales and productivity measures, partly offset by cost inflation.

The Connected Care businesses' comparable sales increased 3% in the quarter, driven by double-digit growth in Hospital Patient Monitoring, largely offset by a decline in Sleep & Respiratory Care. Comparable order intake declined double-digit after strong growth in the period between 2020 and 2022. The Adjusted EBITA margin increased to 2.4%, driven by the improved Adjusted EBITA margin of the Connected Care businesses excluding Sleep & Respiratory Care.

The Personal Health businesses' comparable sales decreased by 6% in the quarter due to the anticipated lower consumer demand, on the back of 8% growth in Q1 2022. The Adjusted EBITA margin amounted to 13.2%. Sales and Adjusted EBITA were both significantly impacted by portfolio decisions related to Russia in 2022.

In the first quarter, operating model productivity savings amounted to EUR 94 million, procurement savings amounted to EUR 32 million, and other productivity programs delivered savings of EUR 64 million, resulting in total savings of EUR 190 million.

Customer and innovation highlights

Group and business segment performance

Philips Respironics field action for specific sleep therapy and ventilator devices

To date, more than 95% of the new replacement devices and repair kits required for the remediation of the registered devices have been produced. The vast majority of the produced sleep therapy devices have been sent to patients and home care providers. The remaining 5% of the registered devices are primarily ventilators, for which Philips Respironics is fully focused on working towards a solution.

In Q2 2023, Philips Respironics expects to report on the VOC testing of ozone-induced foam degradation in the first-generation DreamStation devices, and on the complete set of testing results for the SystemOne and DreamStation Go sleep therapy devices.

As previously disclosed, Philips is a defendant in several class-action lawsuits and individual personal injury claims. In the US, an economic loss class action, a medical monitoring class action and personal injury claims have been filed. This quarter, Philips Respironics recorded a EUR 575 million provision in connection with the anticipated resolution of the economic loss class action, an important step in addressing the litigation related to the recall.

Philips Respironics is subject to an investigation by the US Department of Justice and remains in ongoing discussions with the FDA regarding a proposed consent decree. Given the uncertain nature of the relevant events, and of their potential financial and operational impact and associated obligations, if any, the company has not made any provisions in the accounts for these matters.

Conference call and audio webcast

Roy Jakobs, CEO, and Abhijit Bhattacharya, CFO, will host a conference call for investors and analysts at 10:00 am CET today to discuss the results and Philips' plan to create value with sustainable impact. A live webcast of the conference call will be available on the Philips Investor Relations website and can be accessed [here](#).

More information about Roy Jakobs and Abhijit Bhattacharya

[Click here for Mr. Jakobs' CV and images](#) [Click here for Mr. Bhattacharya's CV and images](#)

Visit our results hub for more on our financial and sustainability performance over the past quarter.

Conference call and audio webcast

Royal Philips (NYSE: PHG, AEX: PHIA) is a leading health technology company focused on improving people's health and well-being through meaningful innovation. Philips' patient- and people-centric innovation leverages advanced technology and deep clinical and consumer insights to deliver personal health solutions for consumers and professional health solutions for healthcare providers and their patients in the hospital and the home. Headquartered in the Netherlands, the company is a leader in diagnostic imaging, ultrasound, image-guided therapy, monitoring and enterprise informatics, as well as in personal health. Philips generated 2022 sales of EUR 17.8 billion and employs approximately 74,000 employees with sales and services in more than 100 countries. News about Philips can be found at www.philips.com/newscenter.

Royal Philips (NYSE: PHG, AEX: PHIA) is a leading health technology company focused on improving people's health and well-being through meaningful innovation. Philips' patient- and people-centric innovation leverages advanced technology and deep clinical and consumer insights to deliver personal health solutions for consumers and professional health solutions for healthcare providers and their patients in the hospital and the home. Headquartered in the Netherlands, the company is a leader in diagnostic imaging, ultrasound, image-guided therapy, monitoring and enterprise informatics, as well as in personal health. Philips generated 2022 sales of EUR 17.8 billion and employs approximately 74,000 employees with sales and services in more than 100 countries. News about Philips can be found at

Forward-looking statements

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 our strategy, estimates of sales growth, future Adjusted EBITA*), future

restructuring and acquisition-related charges and other costs, future developments in Philips' organic business and the completion of acquisitions and divestments. Forward-looking statements can be identified generally as those containing words such as "anticipates", "assumes", "believes", "estimates", "expects", "should", "will", "will likely result", "forecast", "outlook", "projects", "may" or similar expressions. 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: Philips' ability to gain leadership in health informatics in response to developments in the health technology industry; Philips' ability to transform its business model to health technology solutions and services; macroeconomic and geopolitical changes; integration of acquisitions and their delivery on business plans and value creation expectations; securing and maintaining Philips' intellectual property rights, and unauthorized use of third-party intellectual property rights; Philips' ability to meet expectations with respect to ESG-related matters; failure of products and services to meet quality or security standards, adversely affecting patient safety and customer operations; breaches of cybersecurity; challenges in connection with Philips' strategy to improve execution and other business performance initiatives; the resilience of our supply chain; attracting and retaining personnel; COVID-19 and other pandemics; challenges to drive operational excellence and speed in bringing innovations to market; compliance with regulations and standards including quality, product safety and (cyber) security; compliance with business conduct rules and regulations including privacy and upcoming ESG disclosure and due diligence requirements; treasury and financing risks; tax risks; reliability of internal controls, financial reporting and management process; global inflation. 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 2022.

Philips has recognized a provision related to the voluntary recall notification in the US/field safety notice outside the US for certain sleep and respiratory care products, based on Philips' best estimate for the expected field actions. Future developments are subject to significant uncertainties, which require management to make

estimates and assumptions, about items such as quantities and the portion to be replaced or repaired. Actual outcomes in future periods may differ from these estimates and affect the company's results of operations, financial position and cash flows. Furthermore, Philips is a defendant in several class-action lawsuits and individual personal injury claims, and is in ongoing discussions with the FDA regarding a proposed consent decree. Given the uncertain nature of the relevant events, and of their potential financial and operational impact and associated obligations, if any, the company has not made any provisions in the accounts for these matters, except for the following. In the first quarter of 2023, Philips Respironics recorded a provision in connection with an anticipated resolution of the economic loss class action pending in the US. The provision is subject to final resolution and court approval of the negotiated settlement agreement and is based on Philips' best estimate for the expected settlement amounts, which is, in part, based on the expected number of claims ultimately filed pursuant the settlement once it is approved. Actual outcomes in future periods of the above matters may differ from these estimates and affect the company's results of operations, financial positions and cash flows.

Third-party market share data

Statements regarding market share, contained in this document, including those regarding Philips' competitive position, are based on outside sources such as specialized research institutes, industry and dealer panels in combination with management estimates. Where information is not yet available to Philips, market share statements may also be based on estimates and projections prepared by management and/or based on outside sources of information. Management's estimates of rankings are based on order intake or sales, depending on the business.

This press release contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation. This press release was distributed at 07:00 am CET on April 24, 2023.

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 2022.

Use of Fair value information

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 2022. 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 2022 except for the adoption of new standards and amendments to standards which are also expected to be reflected in the company's consolidated IFRS financial statements as at and for the year ending December 31, 2023.

*) Non-IFRS financial measure. Refer to the Reconciliation of non-IFRS information [Click here to read more](#) [Click here to read less](#)

Forward-looking statements

Centralized patient monitoring to support bedside care

Highlighting the strength of its comprehensive patient monitoring

offering, Philips announced a multi-year partnership with Northwell Health to standardize and centralize patient monitoring across the hospital, allowing caregivers to see what is happening at each bedside.

Building lifetime, healthy habits

To improve oral care habits among children, Philips introduced Sonicare for Kids 'Design a Pet Edition' with an entry price point designed to give more parents access to an electric toothbrush for their children.

Recognition for innovation prowess

Philips took top ranking in medical technology patent filings at the European Patent Office and was included on the Clarivate Top 100 Global Innovator list for the 10th year in a row.

Press release distributed by Wire Association on behalf of Philips, on Jul 20, 2023. For more information subscribe and [follow us](#).

Media Assets

Embedded Media

Visit the [online press release](#) to interact with the embedded media.

<https://wireassociation.eu/newsroom/philips/releases/en/philips-first-quarter-results-2023-1285>

Philips

Newsroom: <https://wireassociation.eu/newsroom/philips>

Website: <https://www.philips.com/global>

Primary Email: press@philips.com

Social Media

Twitter - <https://twitter.com/PhilipsPR>

Linkedin - <https://www.linkedin.com/company/philips>

Youtube - <https://www.youtube.com/user/philips>
