



Press Information

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Philips presents its performance and value creation trajectory for the 2021-2025 period at its Capital Markets Day

Amsterdam, the Netherlands – At the company’s [virtual Capital Markets Day](#) with investors and financial analysts today, [Royal Philips](#) (NYSE: PHG, AEX: PHIA), a global leader in health technology, will provide further details of its strategic plan and performance trajectory for the 2021–2025 period. Starting at 13:00 CET / 12:00 GMT / 07:00 EST, Philips CEO Frans van Houten, together with CFO Abhijit Bhattacharya and several executives, will share deeper insights into the company’s path to value.

“We have transformed Philips into a global health technology leader, applying our innovation strength to improve the health and well-being of people,” said Frans van Houten, CEO of Royal Philips. “The systems, smart devices, AI & software, and services we develop help consumers improve their health and well-being, and healthcare providers achieve better outcomes, higher productivity, and improved patient and staff experiences. The transformation has also led to a structurally improved growth and profitability profile of the company. Looking ahead, we are excited to enter the next growth phase guided by our strategic imperatives to better serve customers and improve quality, boost growth in our core businesses, and win with solutions.”

As previously [reported](#), Philips’ targets for accelerated growth, higher profitability and improved cash flow for the 2021–2025 period are [1]:

- An acceleration of the average annual comparable sales growth to 5-6%, with all business segments within this range. For 2021, Philips’ current view is that Group comparable sales will deliver low-single-digit growth, driven by solid growth in Diagnosis & Treatment and Personal Health, partly offset by lower Connected Care sales;
- An Adjusted EBITA margin improvement of 60-80 basis points on average annually, starting in 2021 and reaching a high-teens Adjusted EBITA margin for the Group by 2025 [2];
- A free cash flow above EUR 2 billion by 2025;
- An organic Return on Invested Capital (ROIC) of mid-to-high-teens by 2025.

“We plan to accelerate sales growth and improve the Adjusted EBITA margin to high-teens by 2025,” said Abhijit Bhattacharya, CFO of Royal Philips. “Our productivity initiatives will deliver



additional cumulative net savings of EUR 2 billion by 2025. A strong cash conversion of over 90%, combined with the efficiency of our balance sheet, will drive the planned free cash flow generation of above EUR 2 billion by 2025. Overall, we have established a robust financial framework that is geared to value creation, which will enable us to deliver approximately 10% Adjusted Earnings per Share growth annually.”

The new financial targets are underpinned by Philips’ three strategic imperatives:

1. Further improving the customer experience and operational excellence

For example:

- Expanding Philips’ global suite of healthcare services to help its customers improve their clinical, operational, financial and patient/staff experience results;
- Stepping up productivity programs targeting additional net savings of EUR 400 million a year, for instance through procurement and supply chain productivity programs.

2. Boosting growth in the core by innovating to extend category leadership, geographic expansion, and deeper customer partnerships

For example:

- Leveraging Philips’ innovations such as the Philips One power toothbrush, Ingenia Ambition MR system for helium-free operations, and IntelliVue remote patient monitoring systems MX750/MX850 to extend category leadership;
- Enhancing the global market penetration of Philips’ informatics propositions, such as the company’s cloud-based EMR and ICU telehealth solutions;
- Expanding the long-term strategic consultative partnership program to drive improved results for Philips’ customers.

3. Winning with solutions to support consumers with their personal health, and to help professional healthcare customers achieve the Quadruple Aim

For example:

- Scaling Philips’ integrated oral healthcare solution offering, which comprises connected power toothbrushes, coaching apps, and tele-dentistry services to support consumers in their daily personal health routines, in collaboration with payers and dentists;
- Driving minimally invasive procedure innovation in more therapeutic areas with Philips image-guided therapy solutions to deliver enhanced outcomes.

Philips’ Capital Markets Day will start today at 13:00 CET / 12:00 GMT / 07:00 EST. From this time onwards, please click on this [link](#) to follow the webcast and download the presentations that will be used during the day.

- 1) *The new targets exclude the Domestic Appliances business. As announced in January 2020, the Domestic Appliances business is being separated from Philips, a process that is expected to be completed in the third quarter of 2021.*
- 2) *The Diagnosis & Treatment business segment is expected to reach 15-17% Adjusted EBITA margin, the Connected Care segment is expected to reach 17-19%, and the Personal Health business segment is expected to reach 19-20%.*

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About Royal Philips

Royal Philips (NYSE: PHG, AEX: PHIA) is a leading health technology company focused on improving people's health and well-being, and enabling better outcomes across the health continuum – from healthy living and prevention, to diagnosis, treatment and home care. Philips leverages advanced technology and deep clinical and consumer insights to deliver integrated solutions. Headquartered in the Netherlands, the company is a leader in diagnostic imaging, image-guided therapy, patient monitoring and health informatics, as well as in consumer health and home care. Philips generated 2019 sales of EUR 19.5 billion and employs approximately 81,000 employees with sales and services in more than 100 countries. News about Philips can be found at www.philips.com/newscenter.

Forward-looking statements

This release contains 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 EBITA, 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.

This press release contains inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.