

Philips Second Quarter Results 2015



- Comparable sales growth of 3% particularly driven by improvements in North America, Central & Eastern Europe and India
- EBITA, excluding restructuring and acquisition-related charges and other items, amounted to EUR 501 million, or 8.4% of sales, compared to 7.9% of sales in Q2 2014
- EBITA totaled EUR 450 million, or 7.5% of sales, compared to 7.4% of sales in Q2 2014
- Net income amounted to EUR 274 million, compared to EUR 243 million in Q2 2014
- Free cash outflow was EUR 30 million, compared to a free cash inflow of EUR 214 million in Q2 2014
- Separation process is progressing well

Frans van Houten, CEO:

"We are encouraged by the continuing improvement in our operational results in the second quarter of 2015, driven by strong comparable sales growth in Healthcare and strong margin improvements in Consumer Lifestyle and Lighting. While we are pleased with our progress overall and our Healthcare performance in the US in particular, we are increasingly concerned about the global macro-economic environment, particularly in China, Russia and Latin America.

In Healthcare, we achieved significant operational margin improvements in the quarter. This was largely offset by a sizable negative foreign exchange impact on the margin, further investment in growth opportunities, and costs related to considerable continued efforts to improve our quality management systems. We also note that the Chinese market is becoming more difficult, which resulted in a drop in orders. We are pleased with the production and shipment ramp-up at our Cleveland manufacturing facility, although more work remains to be done.

Looking ahead, we continue to expect modest sales growth for 2015, as well as improved operational performance for the year. While we are concerned about the impact the more challenging global macro-economic environment is having on results, we expect continued operational performance improvement in 2016, reinforcing the underlying strength of our businesses. We intend to provide more details about the performance trajectory for HealthTech and Lighting Solutions at our Capital Markets Day on September 15."

Q2 2015 Financial and Operational Overview

Healthcare

Healthcare comparable sales grew 8% year-on-year. Excluding restructuring and acquisition-related charges and other items, EBITA margin increased by 20 basis points to 10.7% as strong operational improvements were largely offset by a significant negative currency impact. Currency-comparable order intake showed a mid-single-digit decline year-on-year, with double-digit growth in North America offset by declines in China, Latin America and Western Europe.

"We are pleased that Healthcare continues to improve its sales growth and profitability, with North America making a significant and positive contribution as we increase order fulfillment out of our Cleveland facility. We again secured strategically important multi-year contracts, including a USD 500 million partnership with Westchester Medical Center Health Network. Highlighting our leadership in ultrasound imaging and advanced informatics, we introduced the Philips Lumify app-based ultrasound solution in the US. The solution combines a dedicated Philips ultrasound transducer, a compatible smart device and application, and secure cloud-enabled services with an innovative subscription model that will generate recurring revenues."

Innovation, Group & Services

Sales amounted to EUR 136 million in the second quarter of 2015, a decline from EUR 142 million in the second quarter of 2014, mainly because higher revenues from IP Royalties and Group Innovation were offset by the divestment of the OEM remote controls business. EBITA was a net cost of EUR 124 million, reflecting increased innovation investments and costs of EUR 27 million related to the separation of the Lighting business, compared to a net cost of EUR 68 million in the second quarter of 2014.

"The fast growing Digital Pathology business is driving the digital transformation in pathology. As a world first, Philips has enabled Netherlands-based LabPON to become the first clinical pathology laboratory in the world to have transitioned completely to digital diagnosis. Philips' ultrafast pathology scanner, information management system and services will improve laboratory efficiency, quality and service levels."

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