

# Siemens Healthineers

## Q3 FY2018 Analyst Call

**Dr. Bernd Montag, CEO | Dr. Jochen Schmitz, CFO**  
**July 30, 2018**

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# Q3 FY2018 – Strong comparable revenue growth and accelerating Atellica shipments

- **Comparable revenue<sup>1)</sup> up by 5%** driven by very strong **Imaging** business with 8% growth
- Diagnostics with 1% growth<sup>1)</sup> and continued double-digit instrument sales growth
- Atellica Solution ramp-up **on track** with **560+ analyzers shipped** by end of June
- **Adjusted profit margin<sup>2)</sup> at 16.0%** down -110 bps with FX headwinds of -140 bps
- **Lower adjusted profit margin<sup>3)</sup> of 10.9%** at **Diagnostics** on a large, initially negative automation contract and Atellica transition costs
- **Adjusted net income<sup>2)</sup> of €334 mio.**, down -7% on FX headwinds and higher tax rates
- **FCF of €269 mio.** impacted by **IPO costs** and **U.S. pension funding**
- **Full year guidance reaffirmed**

1) Year-over-year on a comparable basis excluding currency translation and portfolio effects

2) Adjusted for severance charges, IPO costs (Profit and Net income) and for amortization of intangible assets acquired in business combinations net of tax (Net income)

3) Adjusted for severance charges

# Major product innovations further expanding our leading position in precision medicine

US

## ACUSON Sequoia Expanding Precision Medicine



### Taking Ultrasound to New Heights

Addressing intrinsic variability  
in Ultrasound with  
BioAcoustic technology

- Rebirth of the **most popular Ultrasound product** ever created<sup>1)</sup>
- Product developed in **close collaboration with** the Ultrasound community involving over **600 Ultrasound users globally**
- **High-resolution imaging even at greater depths** compared to traditional systems<sup>2)</sup>, a traditional challenge in Ultrasound
- Able to **penetrate up to 40cm**, addressing the alarming worldwide growing trend of **obesity affecting 650 million adults**<sup>3)</sup>

1) Based on a brand survey analysis performed by M Health in collaboration with Siemens Healthineers

2) Traditional ultrasound systems refers to previous generations of Siemens Healthineers ultrasound systems in Radiology and OB

3) 2016 World Health Organization – Global Adult Prevalence of Overweight and Obesity 4) Data on file

MI

## Biograph Vision Expanding Precision Medicine



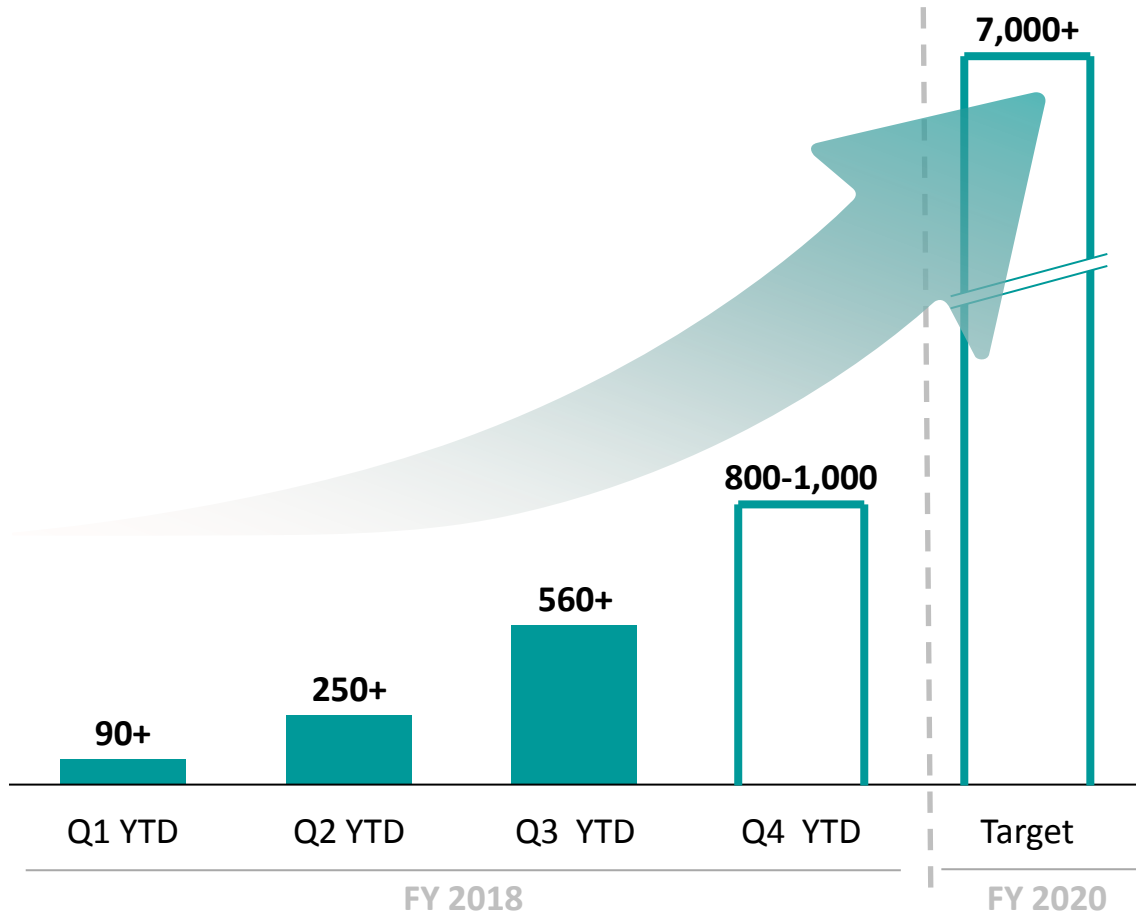
### See a Whole New World of Precision

Going beyond digital  
with the Optiso  
Ultra Dynamic Range Detector

- **Next generation digital PET/CT** using proprietary technology
- **Highest resolution** of large-bore PET/CT scanners – helping clinicians **to detect disease earlier and monitor therapy**<sup>4)</sup>
- **Newly designed detector** (214ps Time-of-Flight) enables hospitals to scan **more patients in shorter time with less radiation**<sup>4)</sup>
- **New software platform using AI algorithms** expands applications in oncology, cardiology and neurology

# Atellica Solution<sup>1)</sup> shipments gaining speed as planned

## Ramp-up of analyzer shipments (cumulative)



## Comments

- **560+ analyzers shipped to date - regional split:**
  - EMEA<sup>2)</sup>: ~50%
  - Americas: ~35%
  - Asia Pacific: ~15%
- **New customer wins continue to be > 35%, e.g.**
  - Germany: ISG Intermed Services (10 analyzers)
  - Denmark: Herlev and Gentofte (11 analyzers)
  - USA: University of Southern Nevada (6 analyzers)
- **On track with regulatory approvals:**
  - USA: **Seven additional assays** approved (total of 157 assays); targeting **menu of 170+ assays** by Q4 FY18
  - Registration **on track in Japan** (Q4 FY18) and **in China** (FY19)

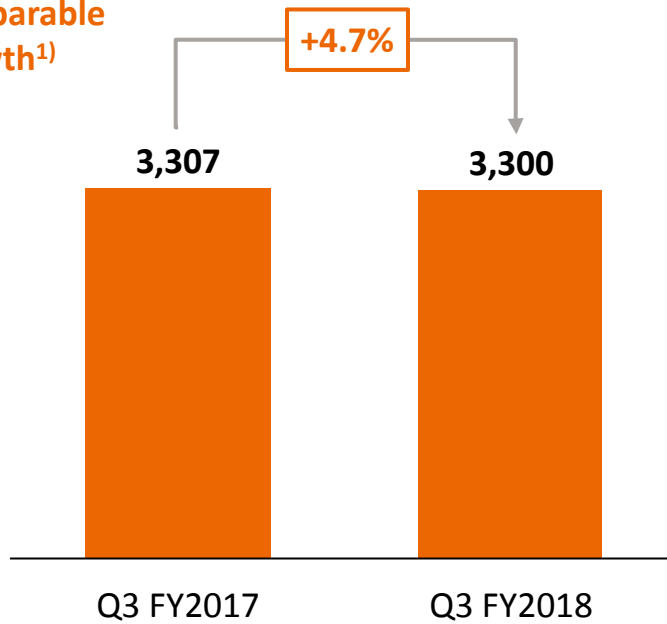
1) Product availability varies by country

2) EMEA: Europe, C.I.S., Africa and Middle East

# Strong growth driven by Imaging business

## Revenue (€m)

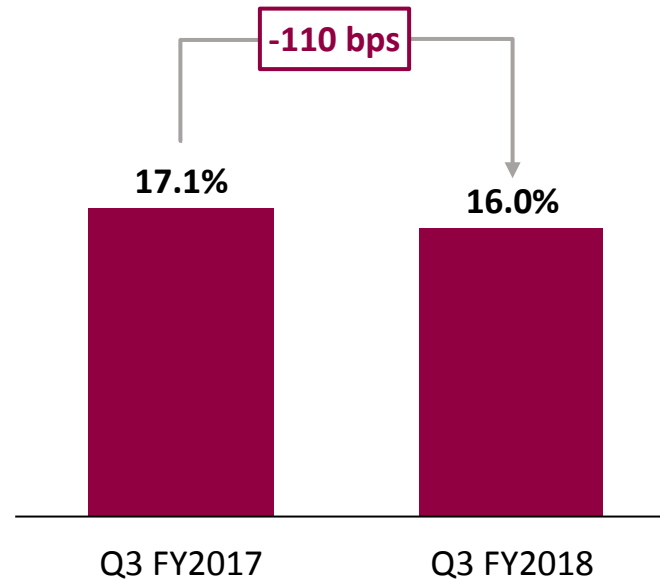
Comparable Growth<sup>1)</sup>



- Strong comparable growth driven by very strong Imaging business
- Solid growth across all geographies: Americas strong with 6%, EMEA with solid 4% and Asia Pacific with 4%

## Adj. profit margin<sup>2)</sup>

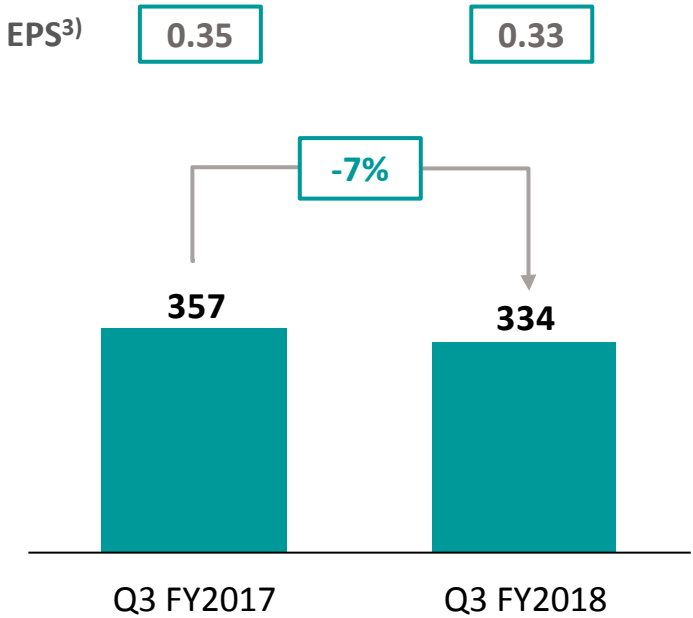
Y-o-Y



- Adj. profit margin down on strong FX headwinds of -140 bps and lower profitability at DX
- Negative effects from legacy share-based payments partially compensated by gains related to U.S. pension funding

## Adj. net income<sup>2)</sup> (€m)

Adj. EPS<sup>3)</sup>



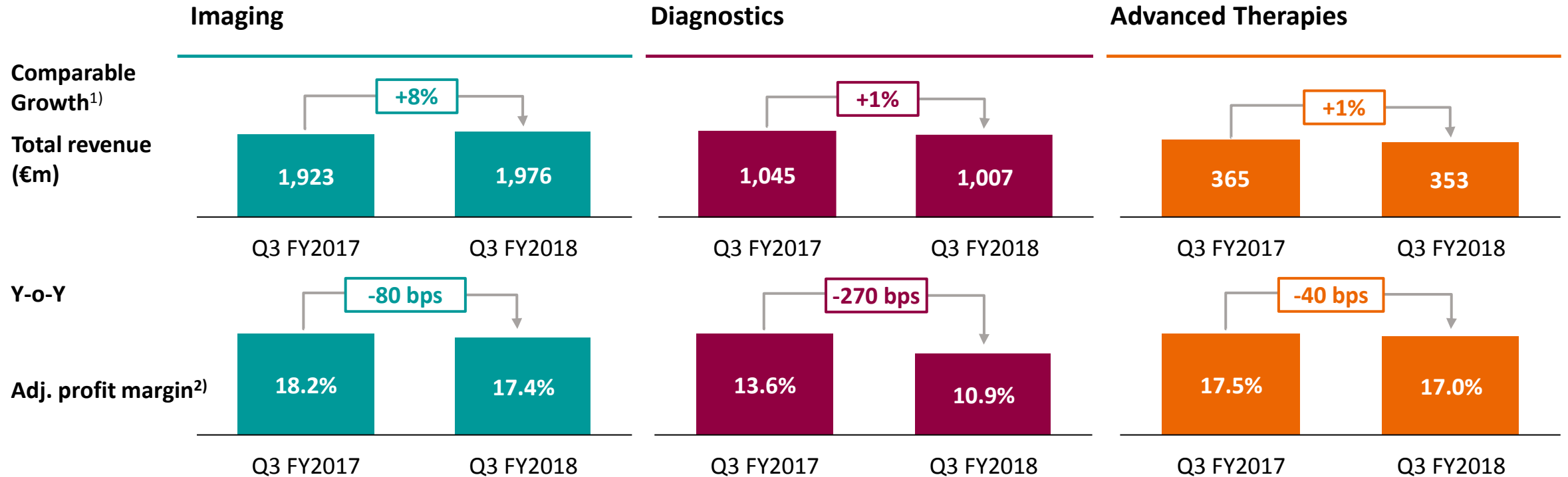
- Tax rate of 32% in Q3 vs. 28% in PYQ
- Interest expenses significantly lower vs. PYQ due to post-IPO capital structure

1) Year-over-year on a comparable basis excluding currency translation and portfolio effects

2) Adjusted for severance charges, IPO costs (Profit and Net income) and for amortization of intangible assets acquired in business combinations net of tax (Net income)

3) Adjusted net income excluding non-controlling interest and divided by 1,000 mio shares outstanding

# Strong performance of Imaging despite FX headwinds



- Very strong comparable growth driven by Molecular Imaging, X-Ray Products and Magnetic Resonance Imaging
- Strong growth across all regions, particularly strong in the U.S.
- Operationally (ex-FX) good y-o-y margin development

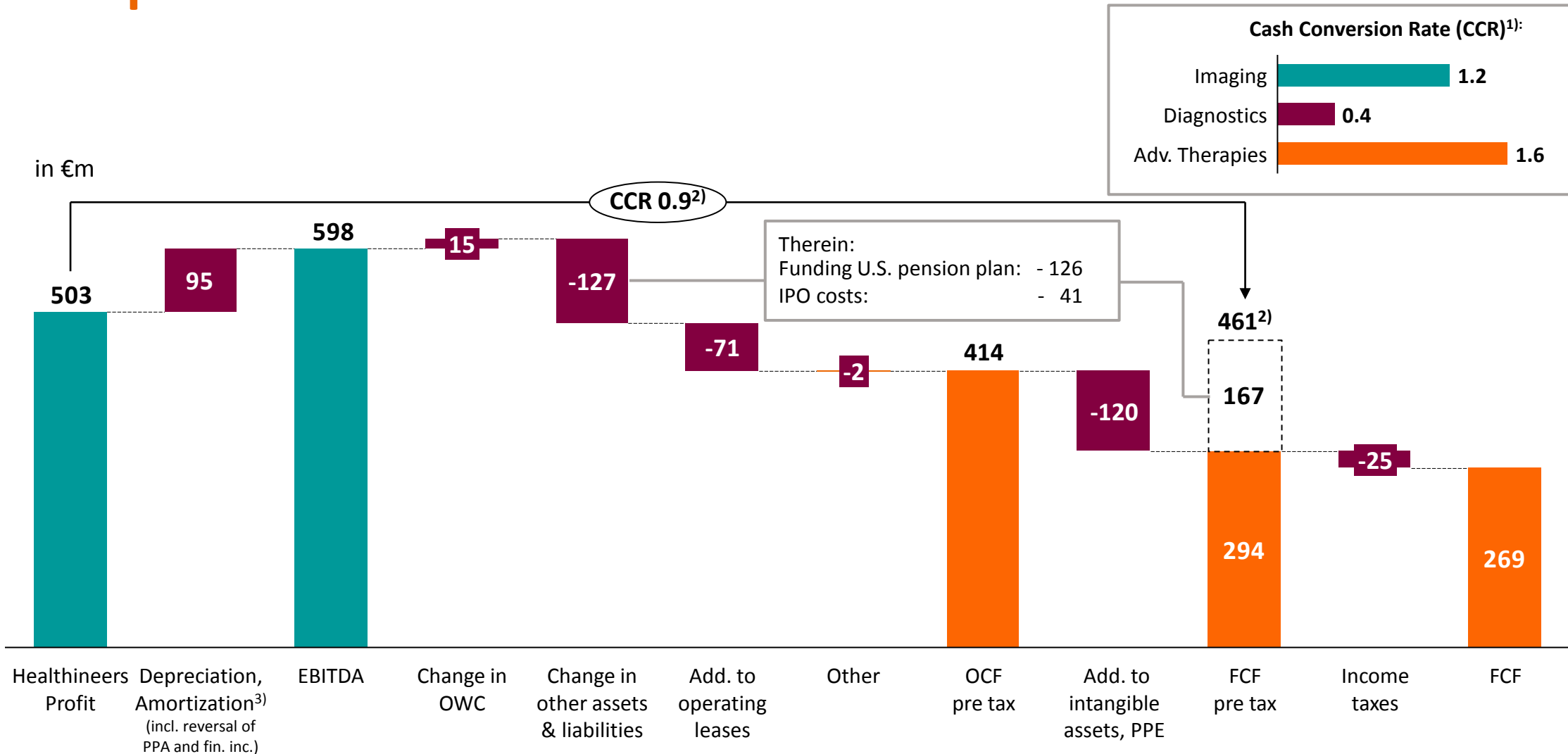
- Diagnostics comparable growth above prior quarter, strong instrument sales
- Low-single digit growth in Asia-Pacific and in EMEA, whereas flattish growth in the Americas
- Profit margin impacted by a large, initially negative automation contract and Atellica transition costs

- Modest comparable growth of 1%, YTD of 4%
- Low-single digit growth in Americas and Asia-Pacific, whereas flattish growth in EMEA
- Operationally (ex-FX) good y-o-y margin development

1) Year-over-year on a comparable basis excluding currency translation and portfolio effects

2) Adjusted for severance charges

# High cash conversion in Imaging and Advanced Therapies



1) CCR=FCF/Profit

2) FCF excluding IPO costs and U.S. pension funding

3) Depreciation, amortization and impairment of PP&E and other intangible assets, incl. reversals of PPA amortization and of financial income



# FY2018 guidance reaffirmed

	FY2017 (IFRS 15)	FY2018E	Comments on FY2018E
Revenue (€m)	13,677		
<b>Comparable growth<sup>1)</sup></b>	<b>3.8%<sup>2)</sup></b>	<b>3-4%</b>	<ul style="list-style-type: none"> <li>• Comparable revenue <b>growth on a q-o-q basis can fluctuate</b> significantly</li> <li>• <b>Significant FX headwinds in FY2018E expected</b></li> </ul>
Adj. profit (€m)	2,458		
<b>Adj. profit margin<sup>3)</sup></b>	<b>18.0%</b>	<b>17-18%</b>	<ul style="list-style-type: none"> <li>• <b>Adjusted for severance and external costs related to the IPO</b></li> <li>• <b>€50m of €240m cost savings</b> from <b>stand-alone setting</b> and <b>organizational efficiency program</b> to materialize in <b>FY2018E</b> (additional part in FY2019E and beyond)</li> </ul>
<b>Adj. net income<sup>3)</sup> (€m)</b>	<b>1,540</b>		<ul style="list-style-type: none"> <li>• <b>Adjusted for severance, external costs</b> related to the <b>IPO</b> and <b>PPA</b></li> <li>• We expect up to <b>€20 mio. higher</b> non-operational financial expenses, net than our <b>previous guidance of €140 mio. to €170 mio.</b>; year-over-year with significantly <b>lower interest expenses</b> due to implementation of <b>new capital structure post-IPO</b></li> <li>• <b>Effective tax rate: 28-30%</b></li> </ul>

1) Year-over-year on a comparable basis excluding currency translation and portfolio effects

2) Refers to comparable revenue CAGR from FY2015 to FY2017 under old IFRS

3) Adjusted for severance charges, IPO costs (Profit and Net income) and for amortization of intangible assets acquired in business combinations net of tax (Net income)

# Appendix

# Reported to adjusted net income reconciliation

Position (€m)	Q3 FY2018	Q3 FY2017
Net income	293	325
therein: severance charges	-25	-11
therein: IPO costs	0	0
therein: PPA amortization	-33	-36
therein: income tax effect <sup>1)</sup>	17	14
<b>Adjusted net income<sup>2)</sup></b>	<b>334</b>	<b>357</b>

1) Calculated with a tax rate of 29.4% according to average FY17 tax rate on severance charges and PPA amortization

2) Adjusted for severance charges, IPO costs and for amortization of Intangible assets acquired in business combinations net of tax

# Reported to adjusted profit reconciliation

Position (€m)	Q3 FY2018				Q3 FY2017			
	Healthineers	Imaging	Diagnostics	Advanced Therapies	Healthineers	Imaging	Diagnostics	Advanced Therapies
Profit	503	333	105	52	556	346	139	63
therein: severance charges	-25	-11	-5	-8	-11	-5	-3	0
therein: IPO costs	0	0	0	0	0	0	0	0
<b>Adjusted profit<sup>1)</sup></b>	<b>528</b>	<b>343</b>	<b>110</b>	<b>60</b>	<b>567</b>	<b>350</b>	<b>142</b>	<b>64</b>

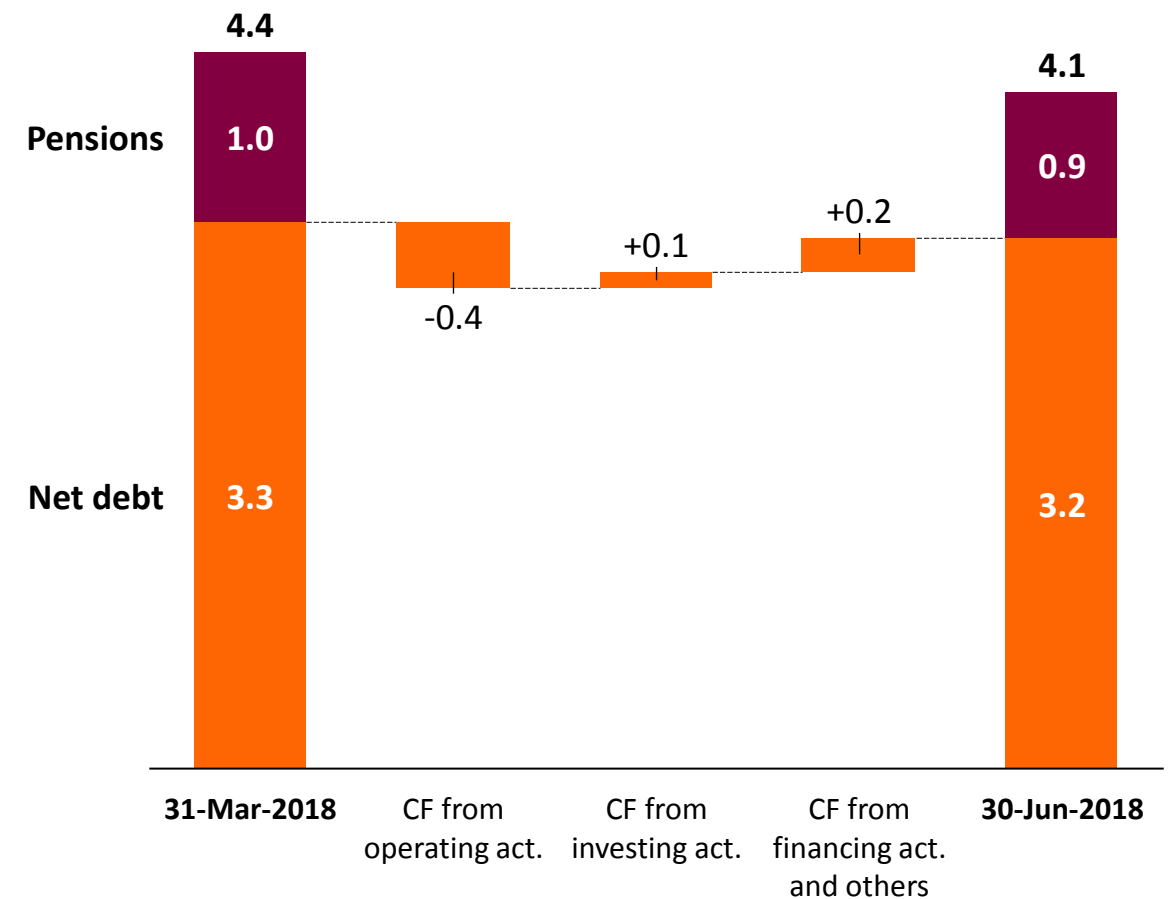
1) Adjusted for severance charges and IPO costs

# Balance Sheet

## Net debt overview (in €bn)

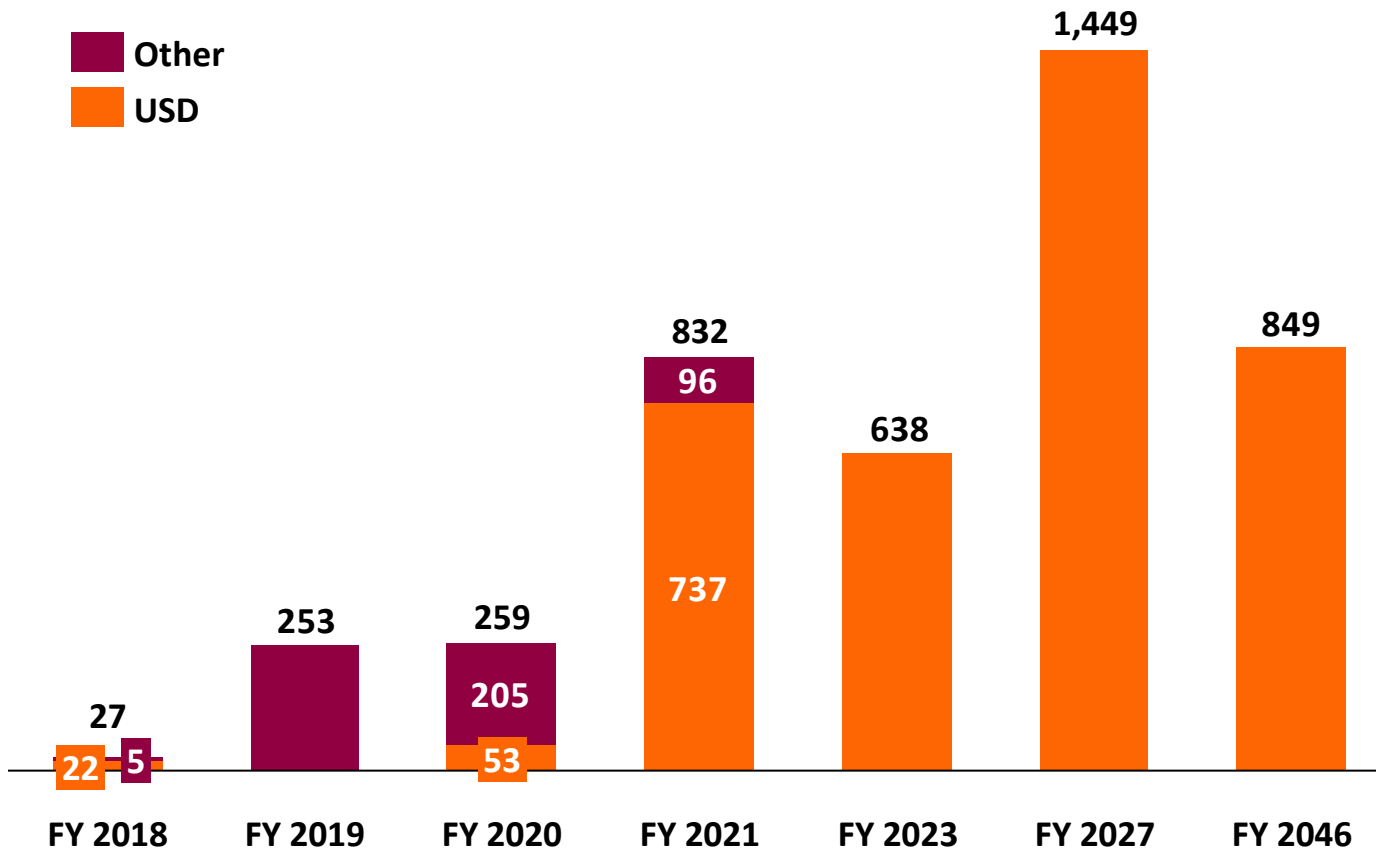
in €m	March 31st 2018	June 29th 2018
Cash and cash equivalents	0.2	0.2
Receivables from Siemens Group (financial cash)	1.7	1.3
Short-term and long-term debt	(0.1)	(0.1)
Payables and other liabilities to Siemens Group (financial debt)	(5.2)	(4.6)
<b>Net debt</b>	<b>(3.3)</b>	<b>(3.2)</b>
Provisions for pensions and similar obligations	(1.0)	(0.9)
<b>Net debt (incl. pensions)</b>	<b>(4.4)</b>	<b>(4.1)</b>

## Capital structure development in Q3 (in €bn)



# SHS loan maturity profile: debt mainly driven by long-term loans denominated in USD

## SHS loans with Siemens Group as of 30.06.2018\* (in €m)



## Comments

- Total loan volume 4'3 EUR equivalent
- Average interest rate 2.8%
- Main loan volume (~87%) denominated in USD
- Majority of maturities exceeding FY 2019

## Top 5 loans

Currency	Volume	Volume in €	Interest rate	Maturity
USD	\$1,689	€1,449	2.5%	FY 2027
USD	\$990	€849	3.4%	FY 2046
USD	\$859	€737	1.9%	FY 2021
USD	\$743	€638	2.2%	FY 2023
GBP	£112	€127	1.0%	FY 2019

\* Maturity profile based on Fiscal Year start October 1; translation to EUR according to spot rate as of June 30 2018

# Slight reduction of pension deficit driven by extraordinary funding in the US

## Q3 FY2018 Key financials – Pensions and similar obligations

in €bn <sup>1)</sup>	FY2015	FY2016	FY2017	Q1 FY2018	Q2 FY2018	Q3 FY2018
<b>Defined benefit obligation (DBO)<sup>2)</sup></b>	(3.3)	(4.6)	(4.1)	(3.5)	(3.4)	(3.4)
<b>Fair value of plan assets<sup>2)</sup></b>	2.0	2.4	2.4	1.7	2.4	2.6
<b>Provisions for pensions and similar obligations</b>	<b>(1.2)</b>	<b>(2.1)</b>	<b>(1.7)</b>	<b>(1.8)</b>	<b>(1.0)</b>	<b>(0.9)</b>
<b>Discount rate</b>	3.7%	2.2%	2.8%	2.6%	2.7%	2.8%
<b>Interest Income</b>	0.1	0.1	0.1	0.0	0.0	0.0
<b>Actual return on plan assets</b>	0.1	0.3	0.1	0.1	-0.0	-0.0

1) All figures are reported on a continuing basis.

2) Fair value of plan assets including effects from asset ceiling (Q3 FY2018: €-0.0bn); difference between DBO and fair value of plan assets additionally resulted in net defined benefit assets (Q3 FY2018: €+0.0bn); Defined Benefit Obligation (DBO), including other post-employment benefit plans (OPEB) of ~€0.1bn