

# Q3 Analyst Call

**Dr. Bernd Montag, CEO | Dr. Jochen Schmitz, CFO**

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# Imaging and Advanced Therapies with continued strength; Diagnostics underperforming

- **Strong comparable revenue growth<sup>1)</sup> at 5.8% driven by Imaging and Advanced Therapies**
- Imaging posted 8.4% and Advanced Therapies 5.0% organic revenue growth<sup>1)</sup>
- **Strong equipment book-to-bill >1**
- **Adjusted profit margin<sup>2)</sup> at 15.2%**, down -80 bps y-o-y
- **Diagnostics profitability** suffers primarily due to increased Atellica Solution ramp-up costs and -120 bps FX headwinds
- **Basic Earnings per share up by +22%**
- **Full year guidance confirmed**

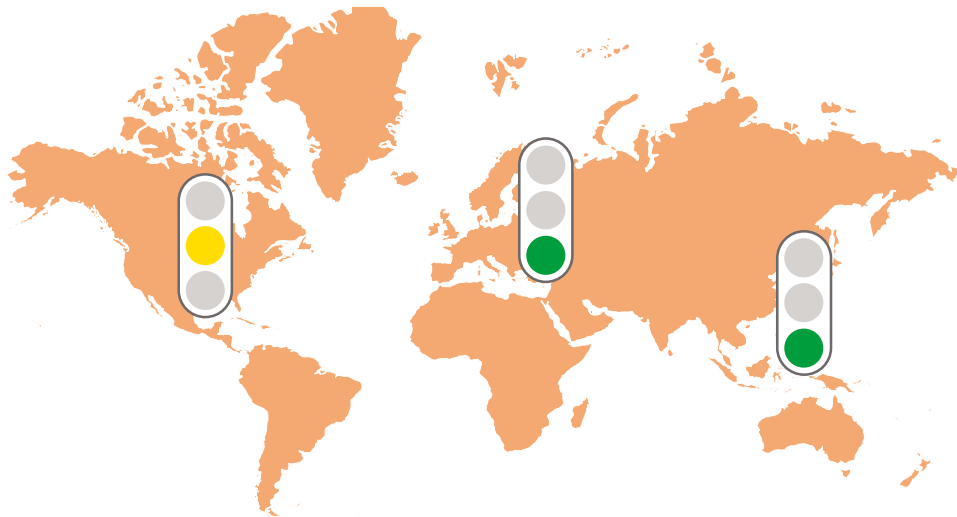
1) Y-o-y on a comparable basis, excluding translation and portfolio effects

2) Adjusted for severance charges, in fiscal year 2018 additionally for IPO costs

# Diagnostics in transition

## Atellica Solution ramp-up progress:

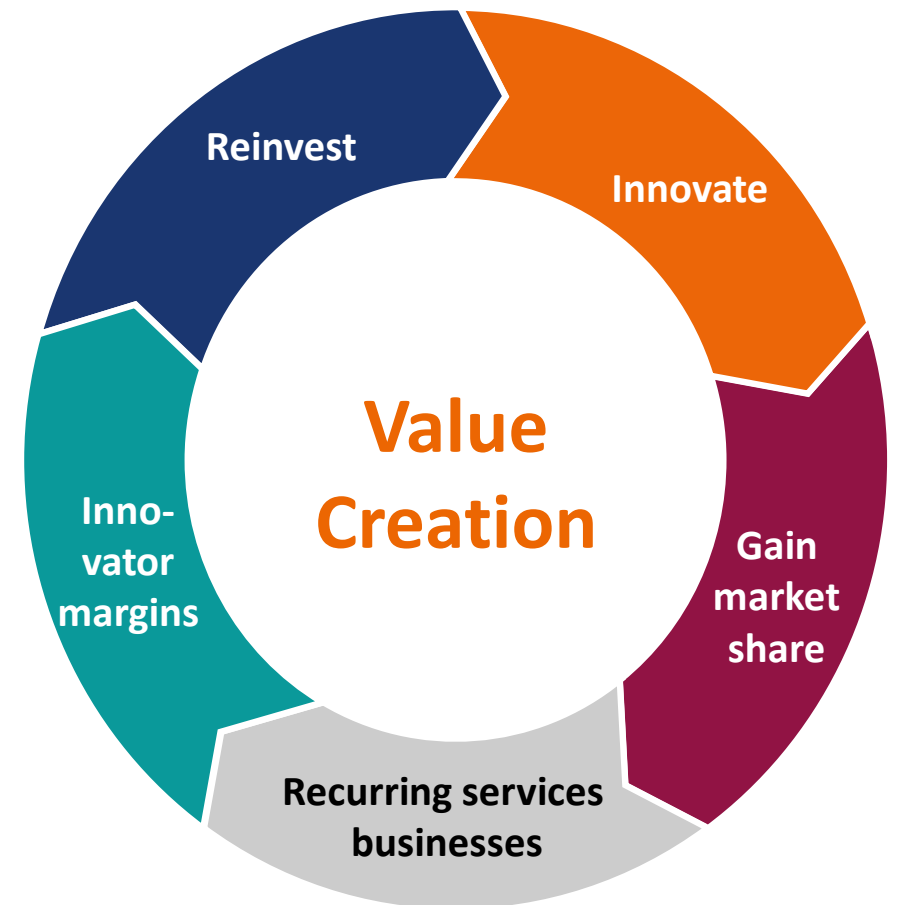
- **450+** analyzers shipped in **Q3** (vs. 410+ in Q2)
- **High competitive win rate of >35%**
- **Continued wins in complex settings**
- **Number of analyzers going live further picked up vs. Q2**



- **Atellica Solution performance upgrades caused additional cost burden in Q3**
- **~1,800 shipments in FY19 expected**
- **EMEA and Asia, Australia on track; U.S. behind expectations**

# Ongoing outperformance of Imaging and Advanced Therapies in FY19

- **Major product innovations** over the last 12 months
- **Strong equipment order growth** year-to-date
- **Gaining market share**
- **Solid service growth** with expanding installed base
- **Year-to-date margins at 20% and 19% respectively**, driven by high share of revenue from recent innovations<sup>1</sup>
- **>9% of revenues** spend for **Research & Development** translate into yearly innovation budget of **>900 m€**



1) Introduced over last 3 years

# Laying the foundation for future growth

## New long-term partnership

- **>€100m deal** with the University of Missouri
- **Ten-year collaboration** on precision health and digital healthcare solutions
- **Combines innovative products and services** with joint **research and education**

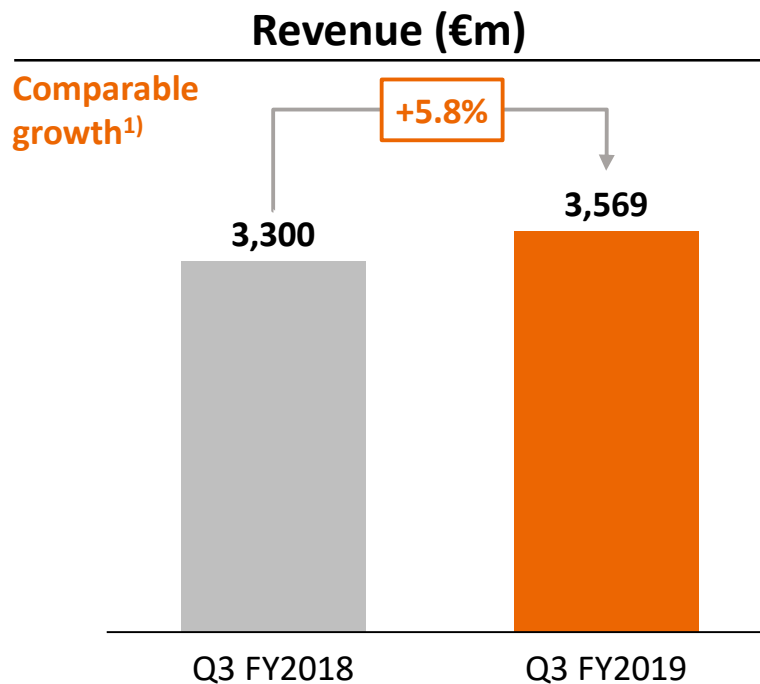


## Portfolio strengthened

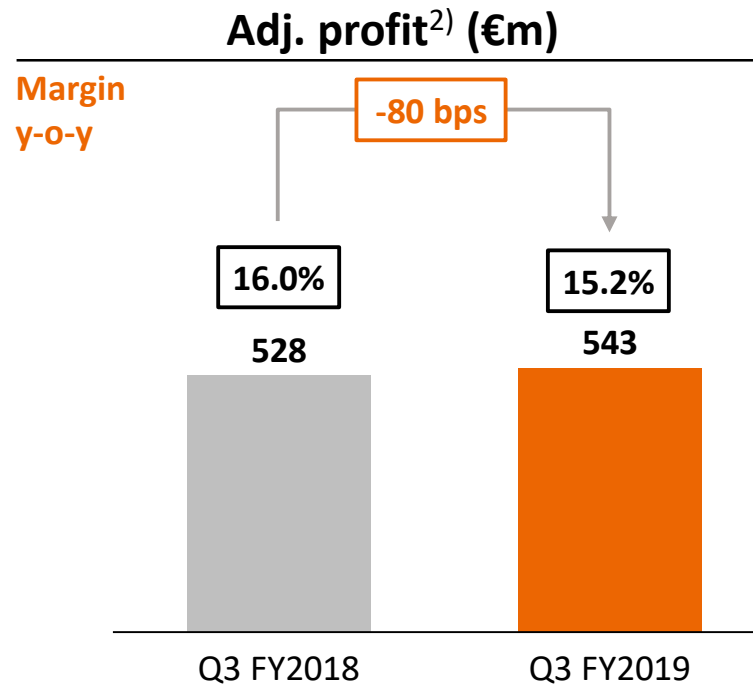
- Acquisition of Minicare BV
- **Handheld technology** developed for **Point of Care immunoassay testing**
- **Vision to enable high-sensitive, clinically relevant IA testing** with focus on lab-quality cardiac assays



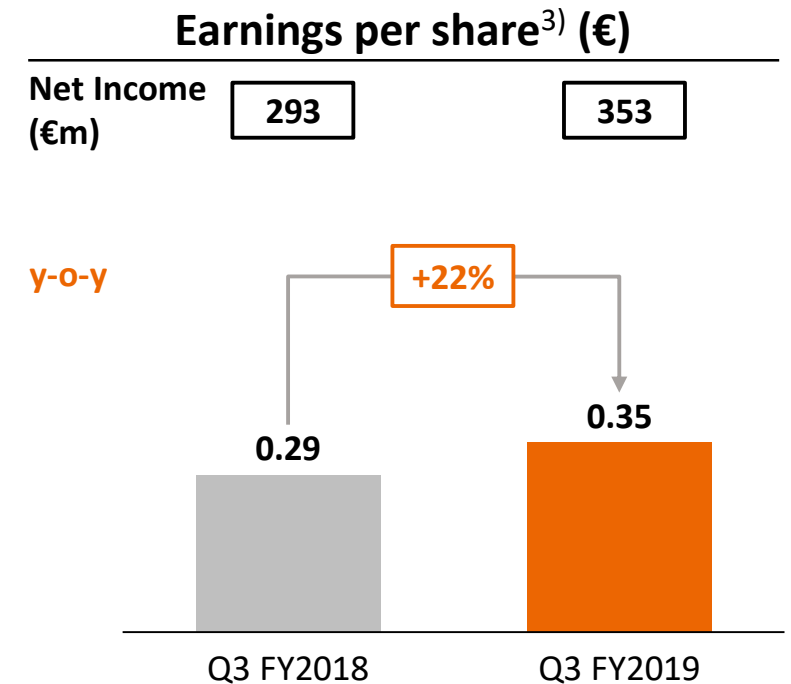
# EPS growth fueled by continued strong revenue growth, lower tax rate and reduced interest expenses



- Strong revenue growth driven by Imaging and Advanced Therapies
- Regionally driven by very strong growth in Asia, Australia and EMEA, Americas with slight growth



- Ongoing Diagnostics transition
- Y-o-y decline in Central Items due to PYQ benefitting from a gain of 60 bps
- Y-o-y no material FX exposure on group level, more diverse picture in segments



- Net income increased y-o-y on higher profit and lower tax-rate of 24% (PYQ: 32%)
- Q3 FY2019 positively impacted by lower interest expenses from debt restructuring

1) Y-o-y on a comparable basis, excluding translation and portfolio effects

2) Adjusted for severance charges, in fiscal year 2018 additionally for IPO costs

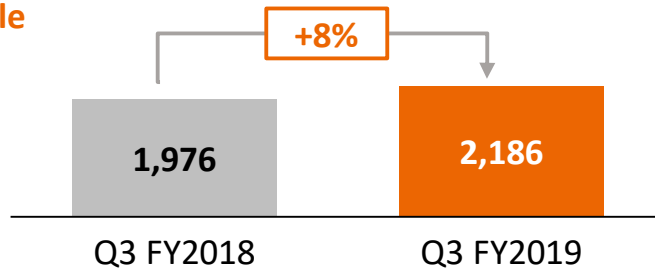
3) Basic earnings per share are computed by dividing net income excl. non-controlling interests by the weighted average number of outstanding shares

# Imaging and Advanced Therapies expanding y-o-y growth and profitability, Diagnostics in transition

## Imaging (€m)

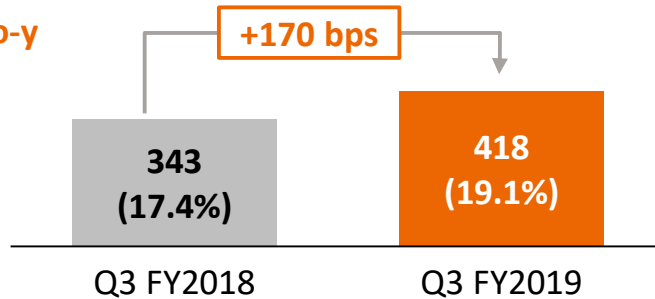
Comparable growth<sup>1)</sup>

Revenue



Margin y-o-y

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

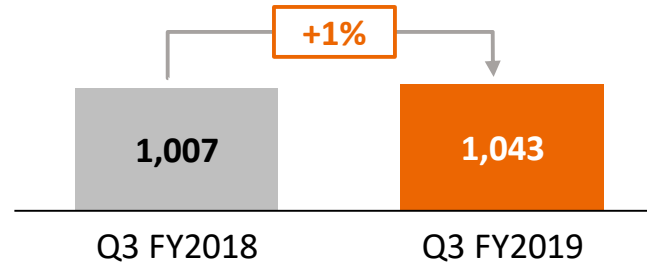


- Very strong growth, particularly in Computed Tomography and in Molecular Imaging
- Margin up y-o-y mainly from conversion and cost savings program

## Diagnostics (€m)

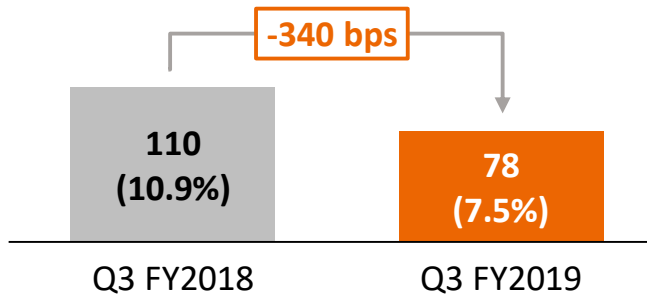
+1%

Revenue



-340 bps

Revenue

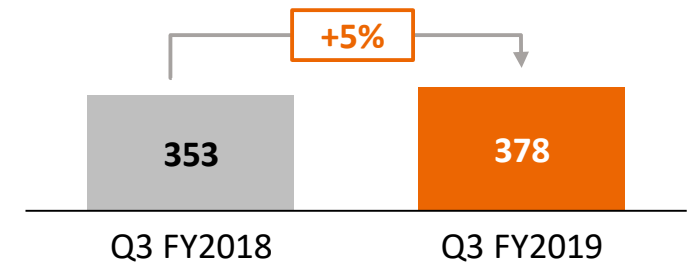


- Revenue muted
- Margin down y-o-y primarily due to increased Atellica Solution ramp-up costs and -120 bps FX headwind
- Negative one-off related to an accrual (-50 bps)

## Advanced Therapies (€m)

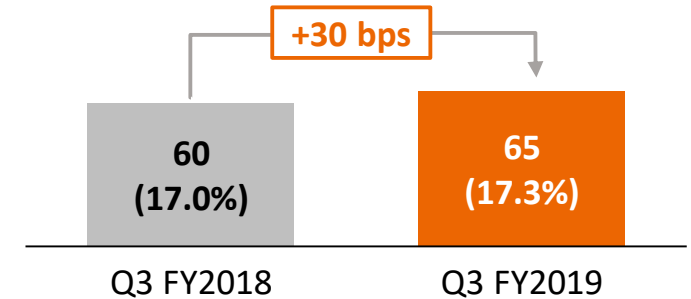
+5%

Revenue



+30 bps

Revenue



- Strong growth despite unfavorable mix
- Margin up y-o-y on conversion and cost savings program

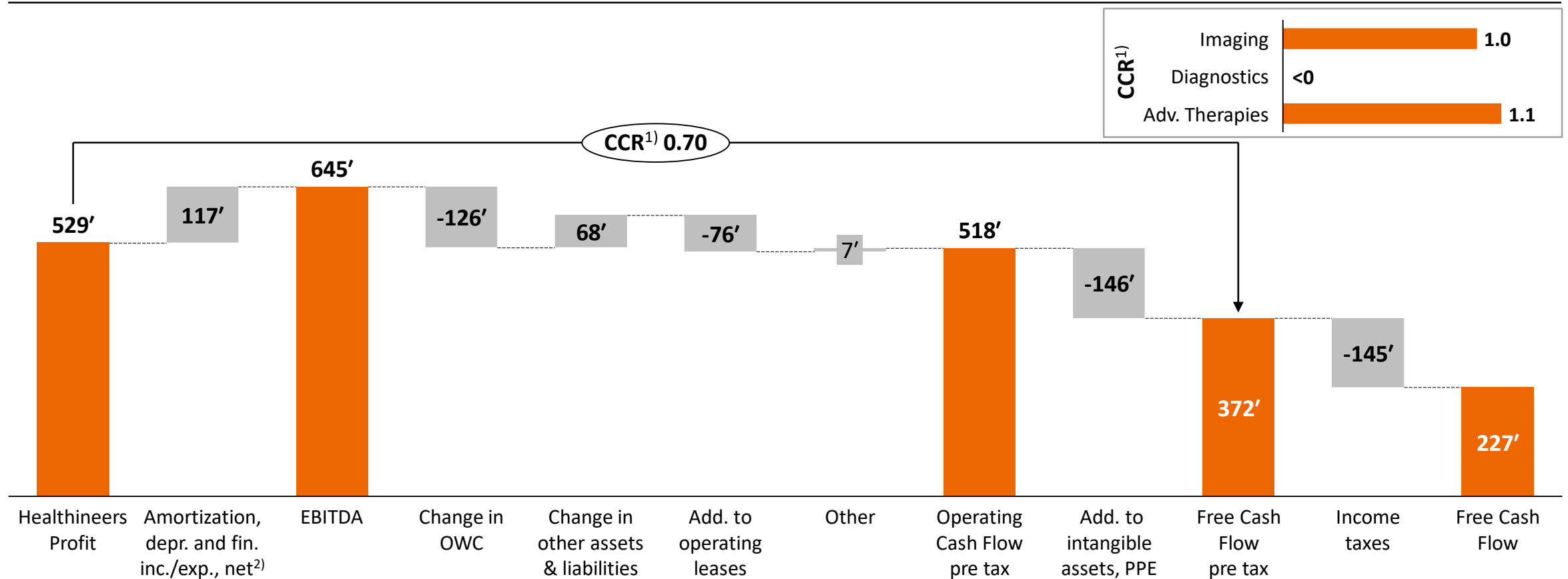
1) Y-o-y on a comparable basis; excluding translation and portfolio effects

2) Adjusted for severance charges, in fiscal year 2018 additionally for IPO costs



# Imaging and Advanced Therapies again with solid conversion, Diagnostics with low cash due to capex and operating leases

## Q3 Siemens Healthineers Profit to Free Cash Flow

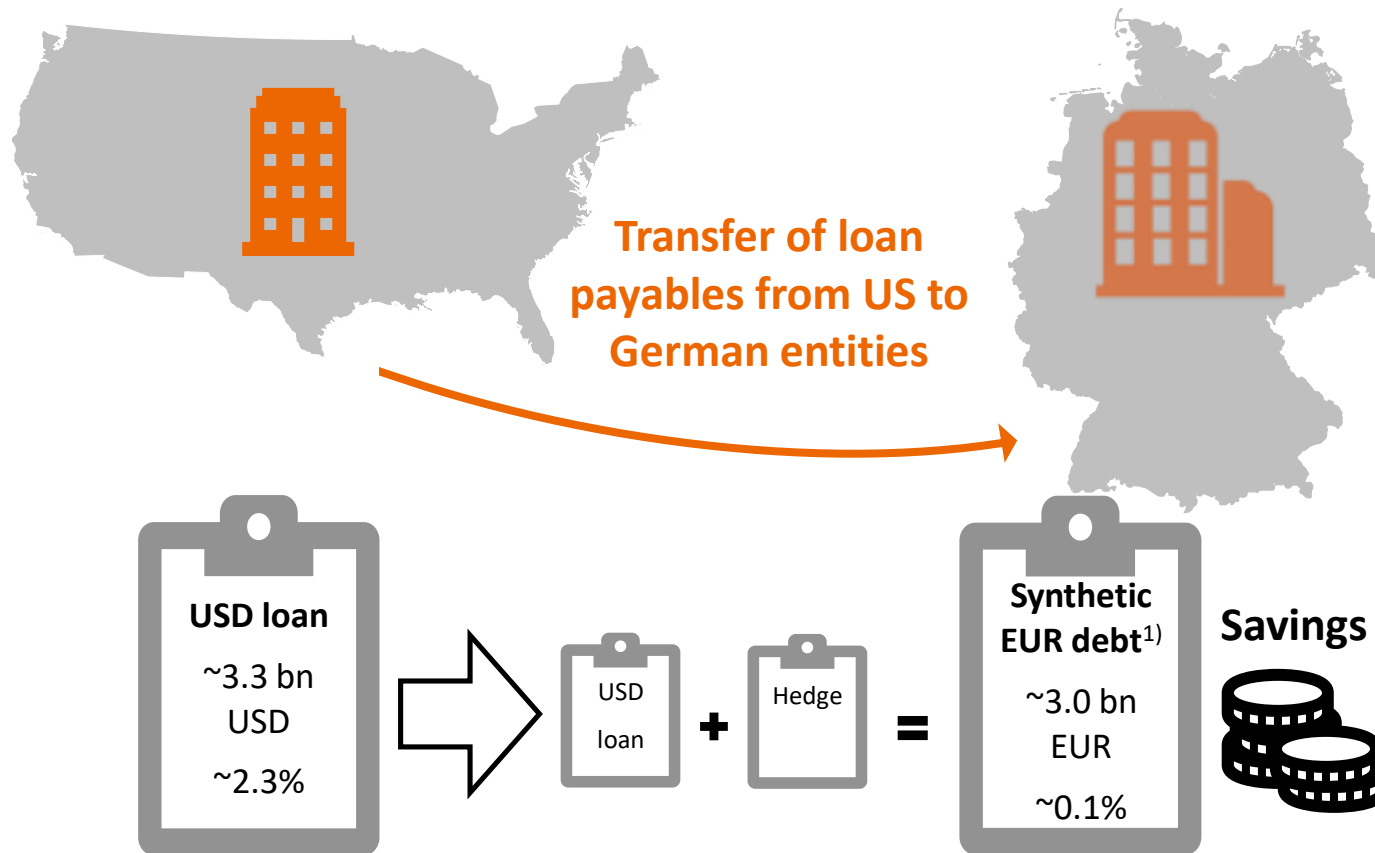


1) CCR=Free Cash Flow pre tax/Healthineers Profit

2) Amortization, depreciation and impairments (excl. PPA) and financial income/expenses, net from operations

# Debt restructuring – significant interest savings especially 2020 and beyond

## SHS debt restructuring



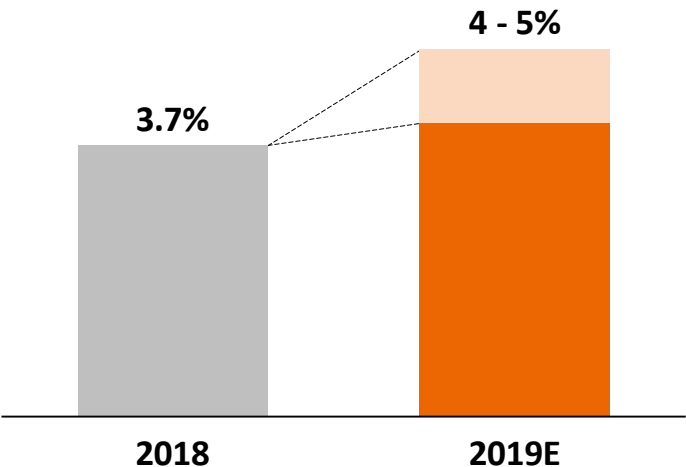
## Comments

- ~3.3 bn USD loan and corresponding interests transferred from US entity to German entities
- Hedging of US-loan payables in Germany creates “synthetic EUR debt”
- “Synthetic EUR debt” results in significant interest savings

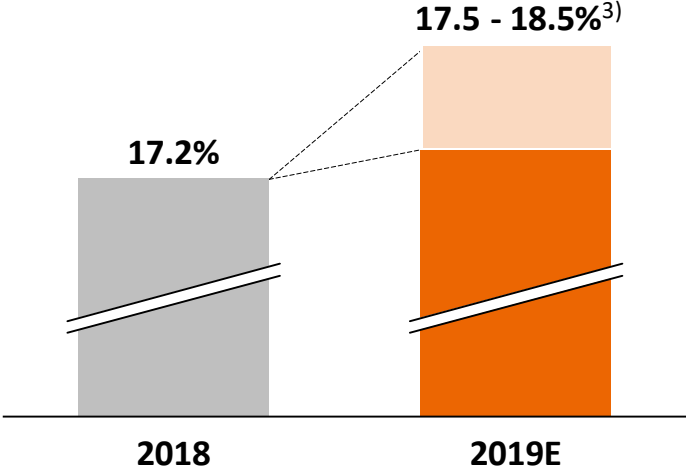
1) USD loans addressed by SHS debt & capital restructuring project resulting in synthetic EUR debt; EUR volume and interest rate are calculated with underlying hedge rates

# Outlook – full year guidance confirmed

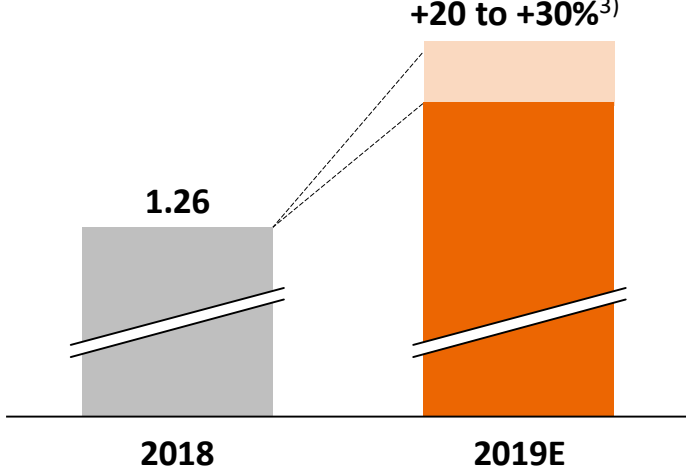
**Comparable revenue growth<sup>1)</sup>**



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



**Earnings per share (in €)**



1) Y-o-y on a comparable basis, excluding translation and portfolio effects

2) Adjusted for severance charges, in fiscal year 2018 additionally for IPO costs

3) The outlook assumes that current foreign exchange rates persist for all of the remaining fiscal year 2019

# Upcoming capital market communication





# Adjusted EBIT as new operational earnings KPI from FY 2020 onwards

## Today: (Adjusted) Profit

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Profit defined as income before **income taxes, financing interest** and **amortization** of intangible assets acquired in business combinations.

Adjusted for **severance charges** (and **IPO costs** in 2018)



## FY 2020: Adjusted EBIT

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EBIT defined as earnings before **interests** and **income taxes**

Adjusted for **amortization** of intangible assets acquired in business combinations and **severance charges** (and IPO costs in 2018)

## Reason for change and what changes

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- EBIT as basis for operational earnings KPI basis enhances transparency and simplifies reconciliations
- New KPI on EBIT-basis enables consistent and simple interest treatment (excluding total interests vs. financing interests only)
- ➔ Only minimal change in segment profitability due to exclusion of operational interests expected (low teens m€ amount p.a.)

## Time line for KPI introduction

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Post-Q3 FY19: Publication of historical (adj.) EBIT figures for FY18 & FY19

Q4 FY19: Publication of Adj. EBIT Guidance

FY2020: Go-live of new KPI

# Q3 reconciliations and KPIs for group and segments

## Q3 FY2019

Position (€m)	Q3 FY2019			
	Healthineers	Imaging	Diagnostics	Advanced Therapies
Profit	529	407	76	65
Severance charges	15	11	3	0
IPO costs	0	0	0	0
<b>Adjusted profit<sup>1)</sup></b>	<b>543</b>	<b>418</b>	<b>78</b>	<b>65</b>
Profit	529	407	76	65
Financial income/expenses, net <sup>2)</sup> in profit	4	1	2	0
Amortization, depreciation and impairments (excl. PPA)	121	38	68	3
<b>EBITDA</b>	<b>645</b>	<b>444</b>	<b>141</b>	<b>68</b>
Assets	20,519	6,636	5,280	959
Free Cash Flow	227	389	-69	69

## Q3 FY2018

Position (€m)	Q3 FY2018			
	Healthineers	Imaging	Diagnostics	Advanced Therapies
Profit	503	333	105	52
Severance charges	25	11	5	8
IPO costs	0	0	0	0
<b>Adjusted profit<sup>1)</sup></b>	<b>528</b>	<b>343</b>	<b>110</b>	<b>60</b>
Profit	503	333	105	52
Financial income/expenses, net <sup>2)</sup> in profit	6	2	2	0
Amortization, depreciation and impairments (excl. PPA)	102	35	51	3
<b>EBITDA</b>	<b>598</b>	<b>366</b>	<b>153</b>	<b>55</b>
Assets	18,985	6,257	4,561	879
Free Cash Flow	269	397	46	82

1) Adjusted for severance charges, in fiscal year 2018 additionally for IPO costs

2) Financial income shown with positive and expenses with negative signal

# Q3 group profit to net income and EPS reconciliation

Position (€m)	Q3 FY2019	Q3 FY2018
Profit	529	503
Financial income/expenses, net in profit	-4	-6
Amortization of intangibles assets acquired in business combinations	-33	-33
Interest expenses, net <sup>1)</sup>	-24	-33
therein interest income	12	5
therein interest expenses	-31	-39
therein other financial income, net	-5	1
Income before income taxes	467	431
Income tax expenses	-114	-138
Net income	353	293
Non-controlling interest	5	8
Net income excl. non-controlling interest	348	285
Earnings per share (in €)	0.35	0.29

1) Financial income shown with positive and expenses with negative signal

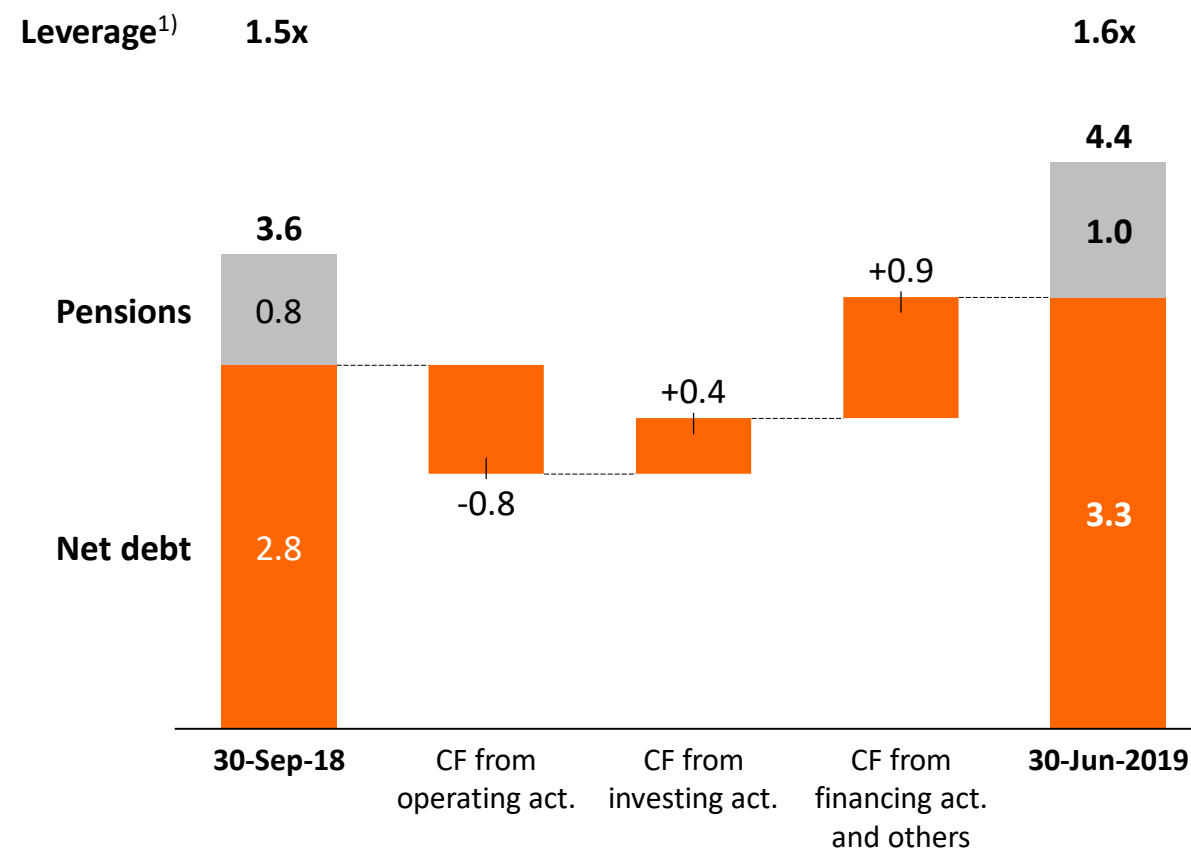


# Q3 balance sheet and net debt bridge

## Net debt overview

in €bn	Sep. 30th 2018	Jun. 30st 2019
Cash and cash equivalents	0.5	0.8
Receivables from Siemens Group (financial cash)	1.4	0.8
Short-term and long-term debt	(0.1)	(0.1)
Payables and other liabilities to Siemens Group (financial debt)	(4.6)	(4.8)
<b>Net debt</b>	<b>(2.8)</b>	<b>(3.3)</b>
Provisions for pensions and similar obligations	(0.8)	(1.0)
<b>Net debt (incl. pensions)</b>	<b>(3.6)</b>	<b>(4.4)</b>

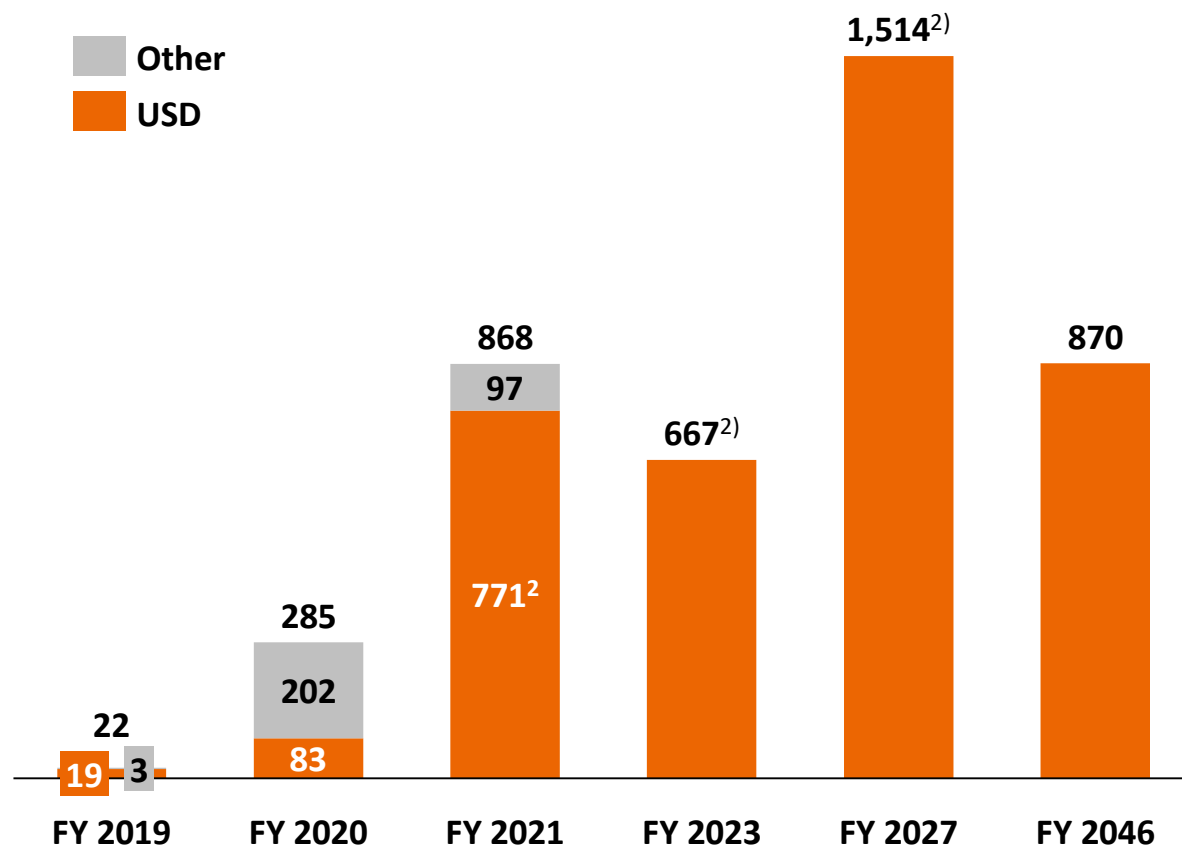
## Capital structure development in Q3 YTD (in €bn)



1) Leverage is net debt incl. pension over EBITDA rolling four quarters

# SHS loan maturity profile

## SHS loans with Siemens Group as of 30.06.2019<sup>1)</sup> (in mio €)



## Comments

- Total loan volume ~4''2 EUR equivalent
- Average interest rate ~1.0%<sup>3)</sup>
- Majority of maturities exceeding FY 2019

## Top 5 loans

Currency	Volume	Volume in €	Interest rate	Maturity
USD	\$1,689	€1,514 <sup>2)</sup>	0.26% <sup>2)</sup>	FY 2027
USD	\$990	€870	3.4%	FY 2046
USD	\$859	€771 <sup>2)</sup>	-0.7% <sup>2)</sup>	FY 2021
USD	\$743	€667 <sup>2)</sup>	-0.2% <sup>2)</sup>	FY 2023
AED	AED 457	€109	2.9%	FY2020

1) Maturity profile based on Fiscal Year start October 1 - translation to EUR according to spot rate as of June 30<sup>th</sup> 2019

2) USD loans addressed by SHS debt & capital restructuring project resulting in synthetic EUR debt; EUR volume and interest rate are calculated with underlying hedge rates

3) Average interest rate after implementation of debt and capital restructuring project

# Funded status unchanged

## Q3 FY2019 Key financials – Pensions and similar obligations

in €bn <sup>1)</sup>	FY2016	FY2017	FY2018	Q1 FY2019	Q2 FY2019	Q3 FY2019
<b>Defined benefit obligation (DBO)<sup>2)</sup></b>	(4.6)	(4.1)	(3.4)	(3.4)	(3.6)	(3.7)
<b>Fair value of plan assets<sup>2)</sup></b>	2.4	2.4	2.6	2.5	2.7	2.7
<b>Provisions for pensions and similar obligations</b>	<b>(2.1)</b>	<b>(1.7)</b>	<b>(0.8)</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>(1.0)</b>
<b>Discount rate</b>	2.2%	2.8%	2.9%	2.8%	2.4%	2.2%
<b>Interest Income</b>	0.1	0.1	0.1	0.0	0.0	0.0
<b>Actual return on plan assets</b>	0.3	0.1	0.1	(0.1)	0.1	0.1

1) All figures are reported on a continuing basis.

2) Fair value of plan assets including effects from asset ceiling (Q3 FY2019: €-0.0bn); difference between DBO and fair value of plan assets additionally resulted in net defined benefit assets (Q3 FY2019: €+0.0bn); Defined Benefit Obligation (DBO) including other post-employment benefit plans (OPEB) of ~€-0.1bn

# SIEMENS Healthineers

