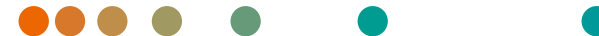


# Q3 Analyst Call

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

Aug 03, 2022



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Please find further explanations regarding our (supplemental) financial measures in chapter “A.2 Financial performance system” and in the Notes to consolidated financial statements, Note 29 “Segment information” of the Annual Report 2021 of Siemens Healthineers. Additional information is also included in the Quarterly Statement. These documents can be found under the following internet link <https://www.siemens-healthineers.com/investor-relations/presentations-financial-publications>.

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# Demonstrating strength in a challenging environment

## – Outlook confirmed

- **Very strong equipment order growth continues**, equipment book-to-bill at 1.31
- **Y-o-y declining antigen revenue** and a **challenging environment in Q3**, notably China lockdowns, lead to **declining revenue (-5.7%; ex-antigen +0.9%)** vs. **stellar PYQ (+39%)**
- **Strong growth in Varian (+8%)** and **Advanced Therapies (+6%)**, solid growth in Imaging (+3%)
- **Diagnostics revenue declines by -24%** primarily due to y-o-y declining antigen revenue
- **Adj. EBIT margin of 14.7%**, y-o-y negatively impacted by **further increased procurement and logistics costs**, **China lockdowns**, and **lower contribution from antigen**
- **Adj. basic EPS of €0.43** down y-o-y -24% **vs. an outstanding PYQ**
- **Outlook 2022 confirmed** (revenue growth of 5.5-7.5% and adj. EPS of €2.25-2.35)

# Our unique capabilities

## Patient Twinning

Personalization of diagnosis, therapy selection and monitoring, after care and managing health



## Precision Therapy

Intelligent and image guided treatment for the most threatening diseases

## Digital, Data and AI

Leveraging digital, data and AI and advance providers' operations with tech-enabled and enterprise services

# Continued momentum in 'Value Partnerships' – Exemplary partnership with The Ohio State University



- **Five-year strategic partnership** with **The Ohio State University** aiming at **advancing personalized medicine** and **improving access to high quality, cost-effective healthcare**
- **Siemens Healthineers** (Imaging, Varian and Advanced Therapies) will provide **comprehensive technology** and **services** that will build on **previous successful collaborative projects**
- Expansion of **The Ohio State University Comprehensive Cancer Center** will feature **cutting-edge imaging** and **treatment technology** including **treatment planning capabilities**

# A unique investment case – Structural and innovation driven growth paired with attractive earnings growth and resilience

## Unique resilience

- Majority of revenues recurring
- Strong backlog with increasing contribution of long-term orders from Value Partnerships
- Deeply rooted in all global healthcare systems – balancing short-term variations

## Structural and innovation driven growth

### Enabling and advancing next level medicine

- Essential technologies and leading innovations for fighting the most threatening diseases
- Continuous tailwind from innovations in pharma and devices which require better imaging, diagnostics, guidance and monitoring

### Improving productivity for our customers

- Broad portfolio of innovative technologies to overcome staff shortage and cost challenges
- Enabling efficient operations with digital, data and AI

### Expanding our addressable market

- Expanding our addressable market by seizing organic and M&A opportunities
- Addressing underserved geographies with better access and affordability of care

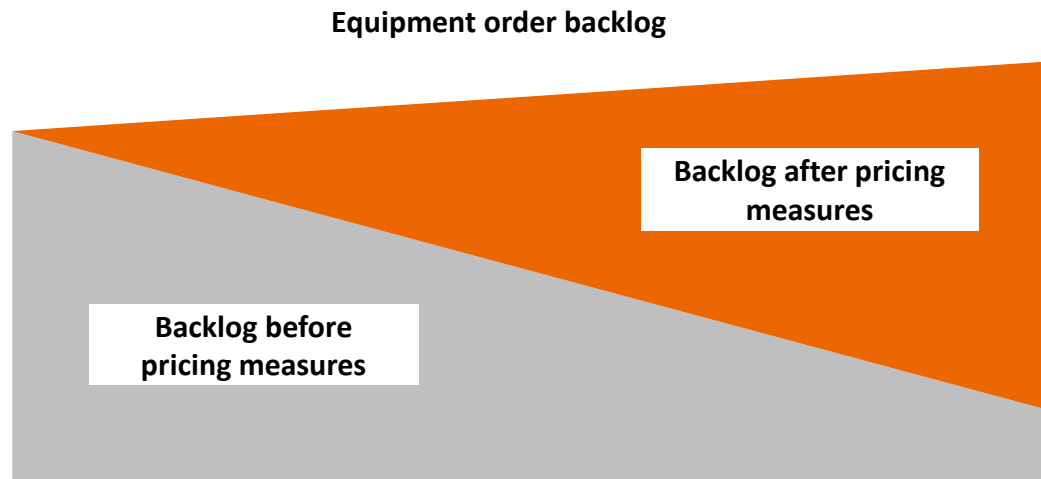
## Attractive earnings growth

- Sector leading margins in Imaging and Varian with room for expansion
- Margin recovery potential at Diagnostics and Advanced Therapies in the mid-term

# Backlog provides good topline visibility, pricing measures phase into revenue and margins over time

## Sizeable backlog reflects pricing measures over time

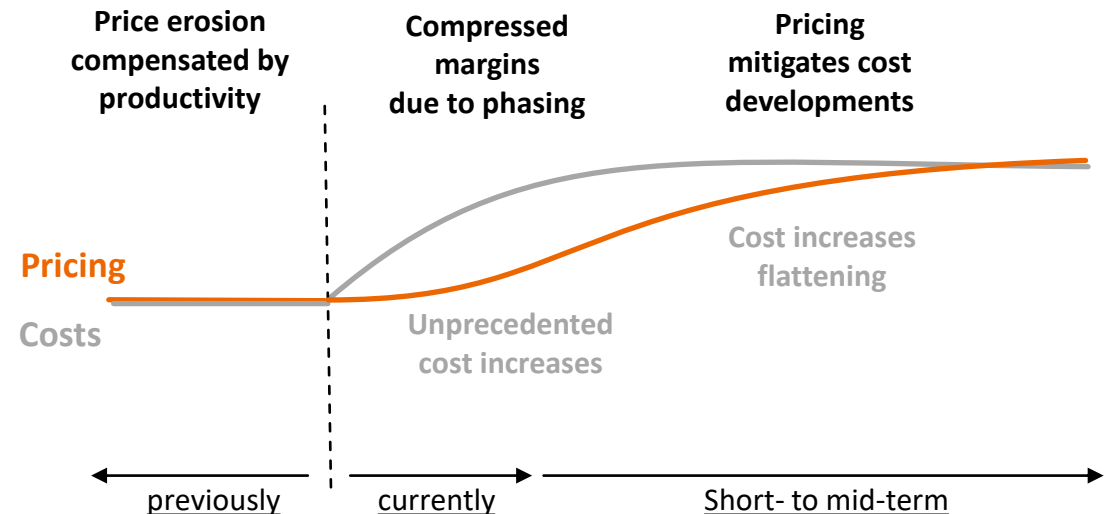
- Steadily increasing backlog, equipment revenues for FY23 and beyond well covered
- Sizeable backlog booked before pricing measures; new orders after pricing measures gradually phase into backlog



Schematic graph only, not to scale

## Pricing will compensate for higher cost increases

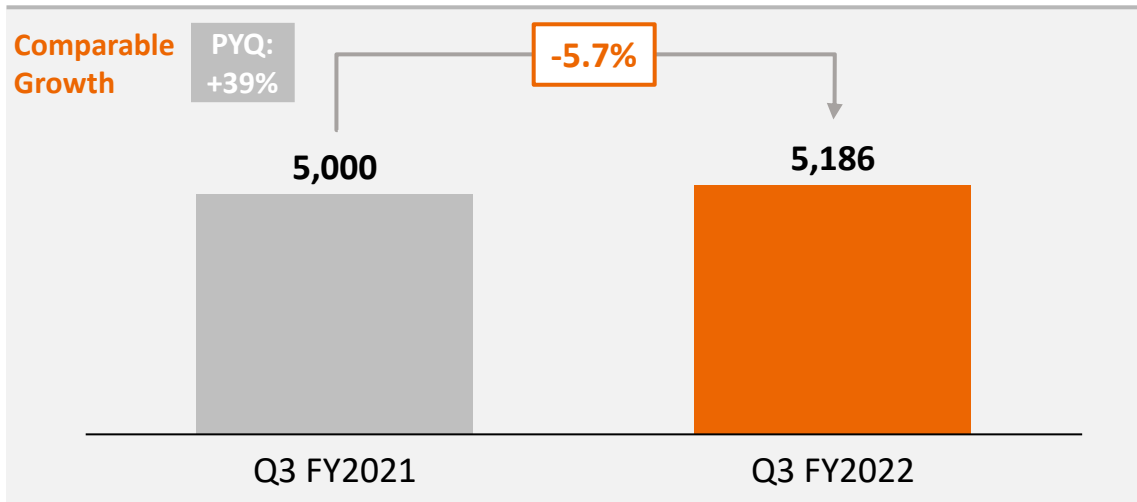
- Market adaptive pricing mechanism in place
- Pricing converts from backlog to revenues within ~3 to 18 months
- Margins only temporarily compressed



Schematic graph only, not to scale

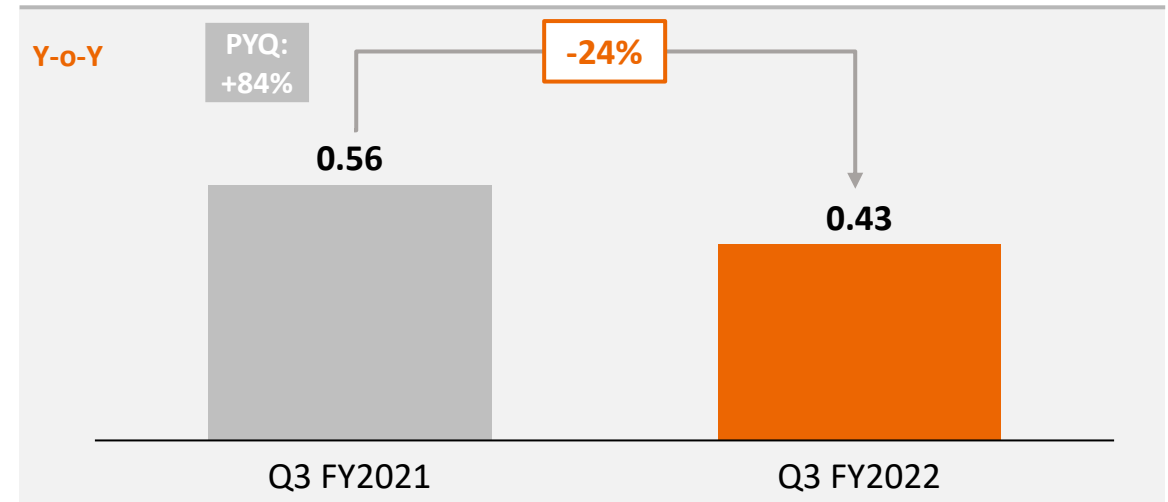
# Resilient growth ex-antigen, earnings held back by lower antigen contribution and China lockdowns

Revenue (€m)



- Revenue in Q3 declining (-5.7%) vs. stellar growth PYQ (+39%)
- Revenue growth ex-antigen (0.9%) holding up well despite a challenging environment, notably from lockdowns in China
- EMEA with -27% driven by declining antigen business, solid growth ex-antigen (~3%)
- China with -9% impacted by temporary lockdowns
- Americas with 15% mainly driven by antigen business in the U.S., Americas ex-antigen growth (~1%) on tough comps (PYQ: 24%)

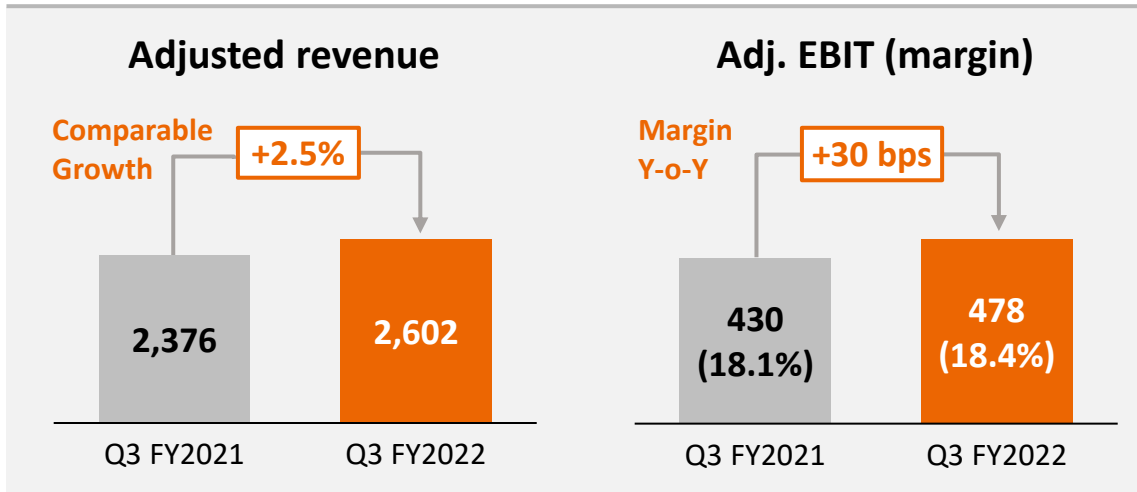
Adjusted basic earnings per share (€)



- Adj. basic EPS down (-24%) vs. an outstanding PYQ (+84%)
- Adj. EBIT margin of 14.7% y-o-y negatively impacted by further increased procurement and logistics costs, China lockdowns, and lower contribution from antigen ( $\Sigma >400$  bps), y-o-y tailwind from incentives
- Financial income net declined y-o-y to -€69m, negatively impacted by hyperinflation accounting (PYQ: -€2m, adjusted for Varian related financing costs)
- Tax rate improved y-o-y to 31% (PYQ: 33%)

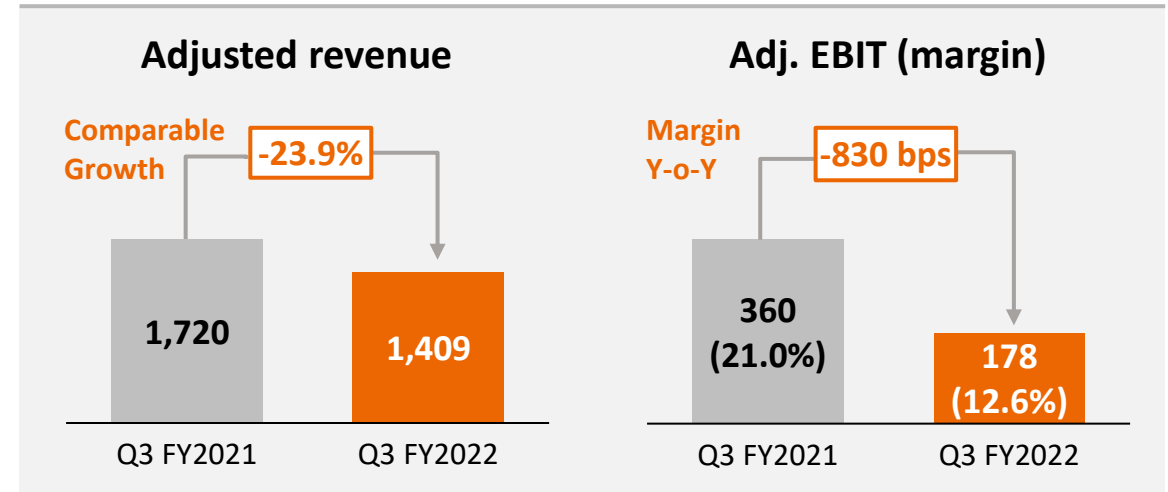
# Solid revenue growth in Imaging, declining revenue in Diagnostics primarily due to antigen

## Imaging (€m)



- Solid growth in Q3 (vs. 17% in PYQ) despite temporary delays from site access in China due to lockdowns
- MI<sup>1</sup> and US<sup>1</sup> with declining revenue due to temporary supply chain delays from China lockdown, very strong growth at MR<sup>1</sup>
- Margin broadly on prior-year level negatively impacted by further increased procurement and logistics costs and China lockdowns ( $\Sigma > 350$  bps), y-o-y tailwind from incentives

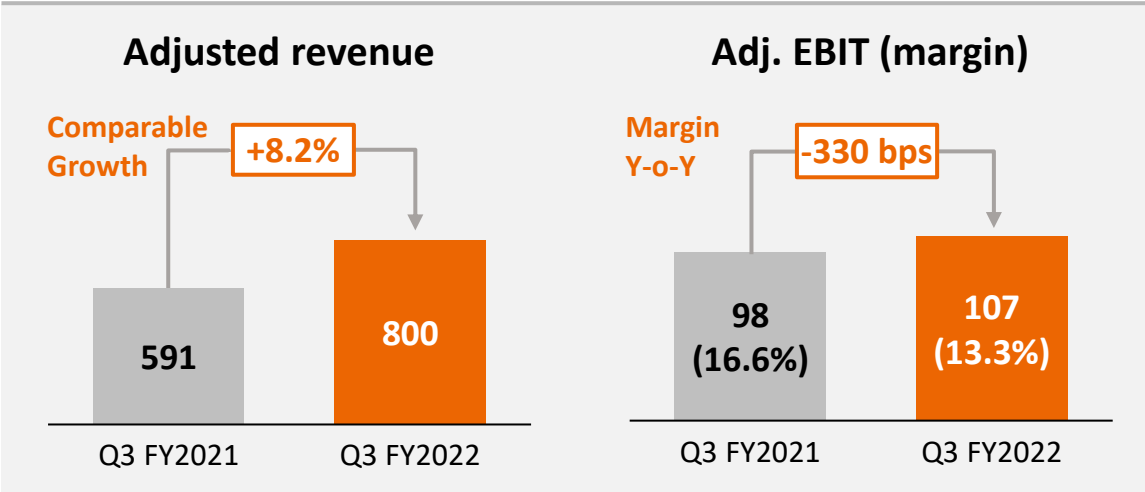
## Diagnostics (€m)



- Revenue declining primarily due to lower antigen revenue
- Revenue growth excl. Antigen declining (-7.6%) on tough comps (PYQ: 34%) impacted mainly by lower testing volumes in China due to lockdowns
- Margin negatively impacted by further increased procurement and logistics costs, lower conversion from lower testing volumes in China, and lower contribution from antigen business ( $\Sigma > 550$  bps), y-o-y tailwind from incentives

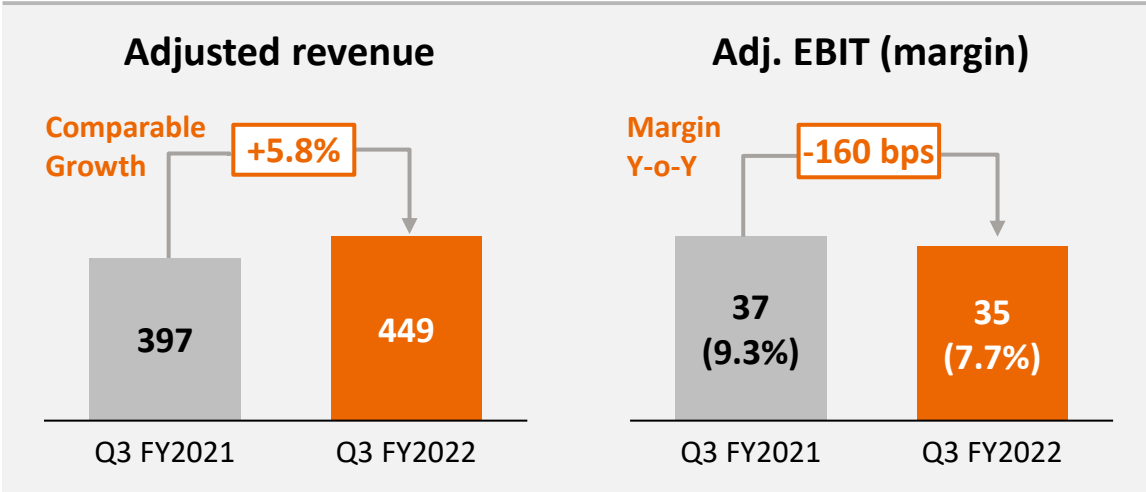
# Strong growth in Varian and Advanced Therapies

## Varian (€m)



- Strong growth in Q3 on strong order book
- Margin negatively impacted by procurement and logistics costs (>50 bps) and by negative mix, y-o-y tailwind from incentives; PYQ benefitted from timing of the closing of the transaction

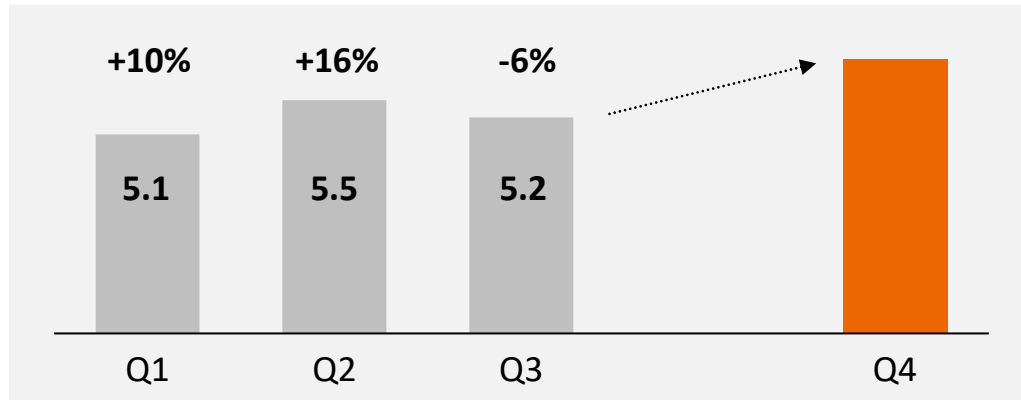
## Advanced Therapies (€m)



- Continued strong growth in Q3, despite temporary delays from site access in China
- Margin negatively impacted by further increased procurement and logistics costs and by China lockdowns ( $\Sigma$  >400 bps), y-o-y tailwind from incentives and from FX
- Ongoing invest in Corindus

# Strong Q4 expected with high absolute revenue contribution and sequential improvements vs. Q3

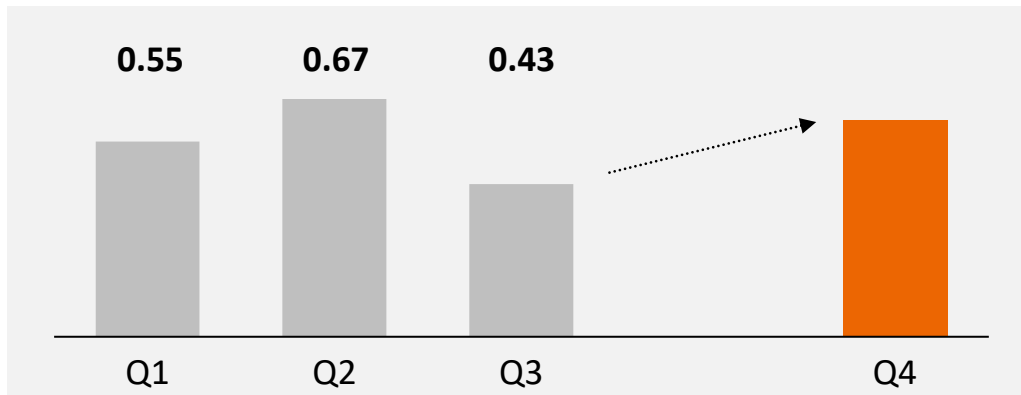
## Revenues (in €bn) and comparable revenue growth rates



## Revenue drivers in Q4

- By far strongest absolute revenue quarter due to seasonality
- Varian contributing with continuing growth momentum
- Rapid antigen assumption updated to €1,500m in FY22

## Adjusted earnings per share (in €)

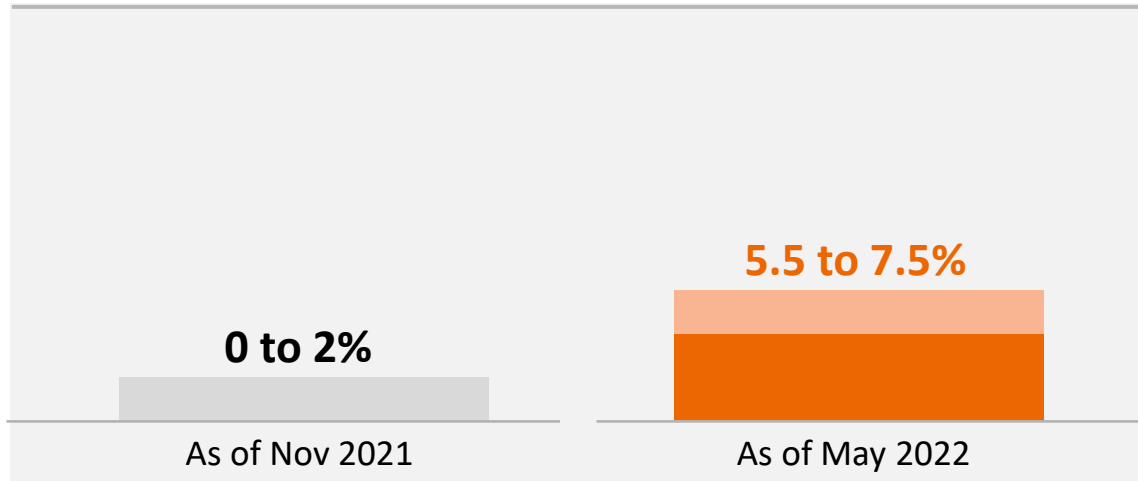


## Earnings drivers in Q4

- Cost degression effects from strongest absolute revenue quarter of the FY
- Improving conversion, positive mix effects and slowing price erosion from pricing measures vs. Q3
- Y-o-y tailwind from provision in PYQ for special recognition bonus (PYQ: €56m)

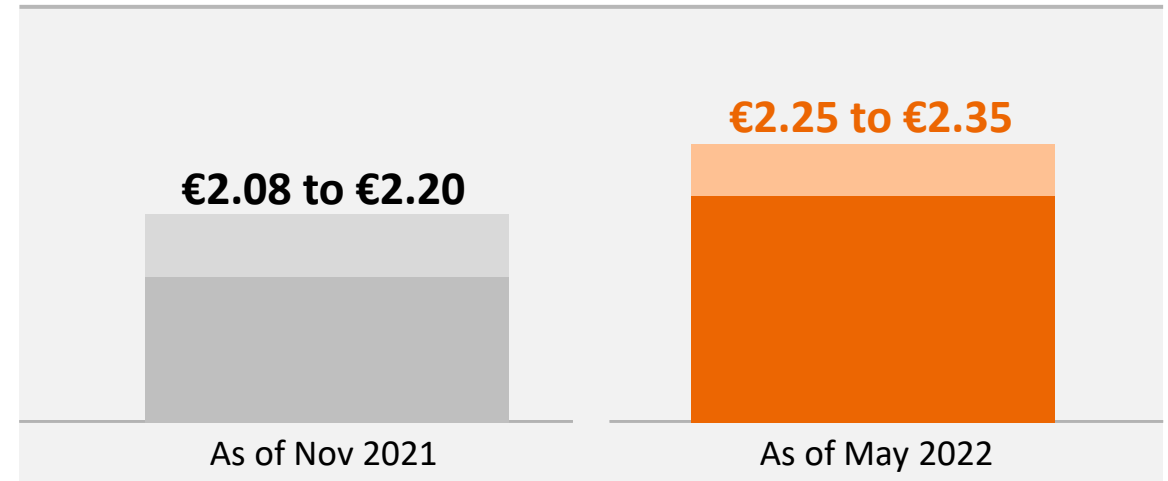
# Outlook FY2022 confirmed

## Comparable revenue growth<sup>1, 2</sup>



- **Imaging** growth at 5 to 7% (before: 6 to 8%<sup>3</sup>)
- **Diagnostics** growth at mid-single digits, **rapid antigen revenue** assumed at ~€1,500m in FY22 (before: ~€1,300m<sup>3</sup>)
- **Varian revenue**<sup>4</sup> at €2.9 to €3.1bn in FY22, growth at low teens, contributing to comparable growth in H2 only
- **Advanced Therapies** growth at 5 to 8%

## Adj. basic earnings per share<sup>2</sup>



- **Imaging** margin at 20 to 21% (before: 21 to 22%<sup>3</sup>)
- **Diagnostics** margin at low to mid-teens
- **Varian** margin at 14 to 15% (before: 15 to 17%<sup>3</sup>)
- **Advanced Therapies** margin at 11 to 13% (before: 14 to 17%<sup>3</sup>)
- **Financial income, net** at €-110 to €-130m (before: €-50m to €-70m<sup>3</sup>)
- **Tax rate** at 27% to 29%

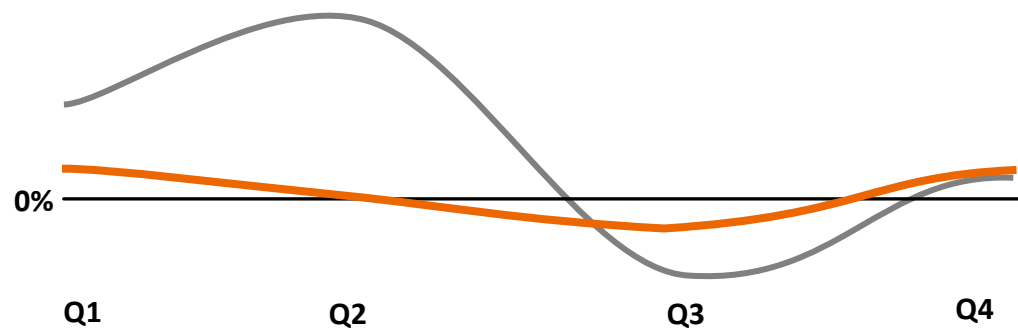
<sup>1</sup> Year-over-year on a comparable basis, excluding currency translation and portfolio effects as well as effects in line with revaluation of contract liabilities from IFRS 3 purchase price allocations | <sup>2</sup> The outlook is based on current foreign exchange rate assumptions, on the current portfolio, and on further assumptions, see Quarterly Statement Q3 FY2022 | <sup>3</sup> As of May 2022 | <sup>4</sup> Adjusted for effects in line with revaluation of contract liabilities from IFRS 3 PPA



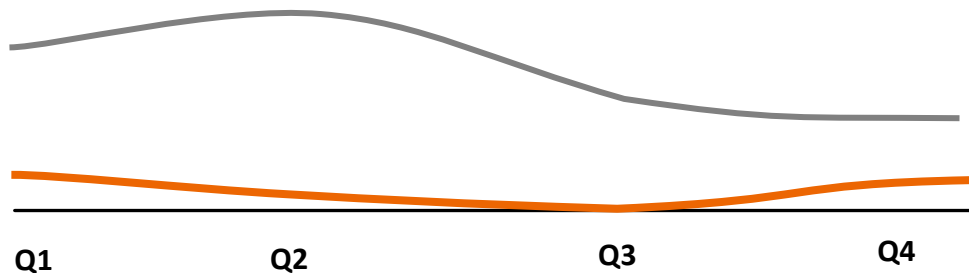
# Accretion from rapid antigen declining as expected

— DX incl. rapid antigen tests — DX ex rapid antigen tests

## Comparable revenue growth in FY22



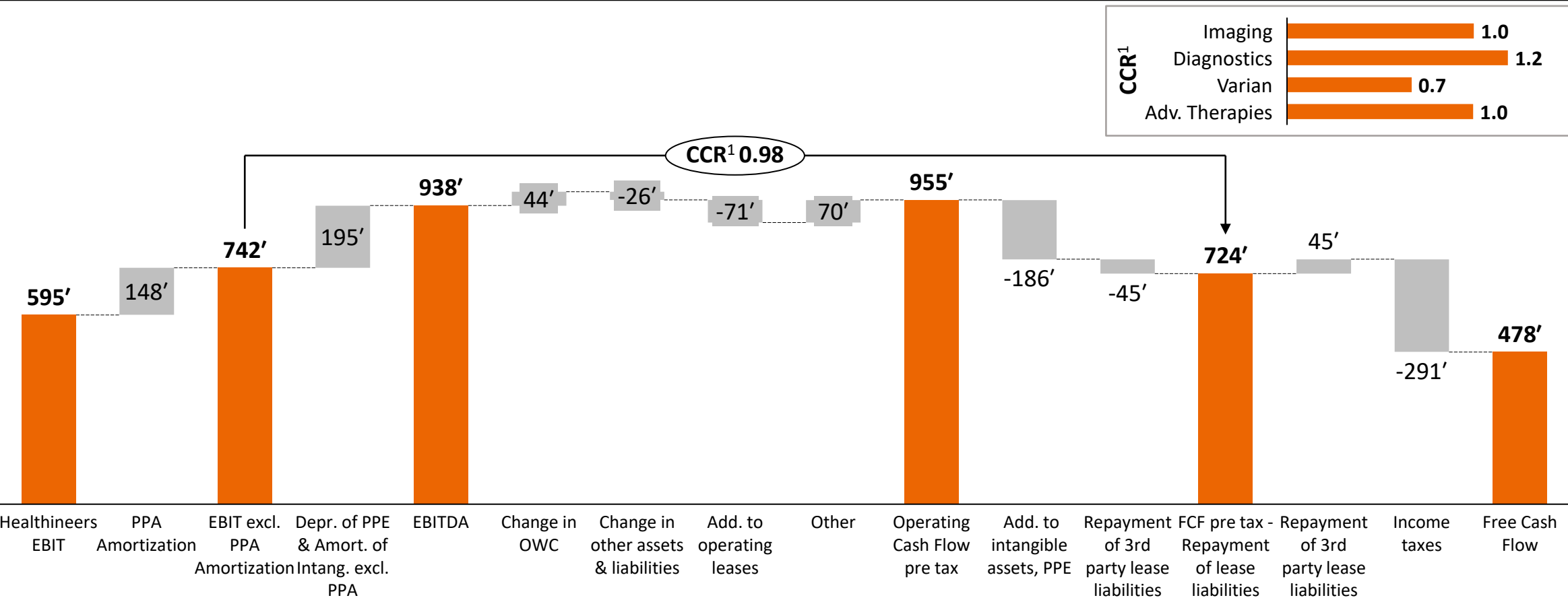
## Adjusted EBIT margin in FY22



- **New rapid antigen assumption for FY22 of ~€1,500m** [before: €1,300m] due to demand in Japan
- **~€1,300m rapid antigen revenue year-to-date** with demand further decreasing, **Q4 revenue** assumed to be broadly in-line with Q4 FY21
- **Diagnostics ex rapid antigen declining (-8%)** on tough comps (PYQ: 34%), negatively impacted mainly by **lower testing volumes in China** due to lockdowns
- **Diagnostics ex rapid antigen margin** negatively impacted by **further increased procurement and logistics costs** and by **lower conversion** mainly due to lower testing volumes in China
- Excluding negative conversion impacts, **underlying profitability in Q3 is in the low to mid single-digits**

# Q3 FY22 with strong cash conversion

Q3 FY22 Siemens Healthineers EBIT to Free Cash Flow (€m)



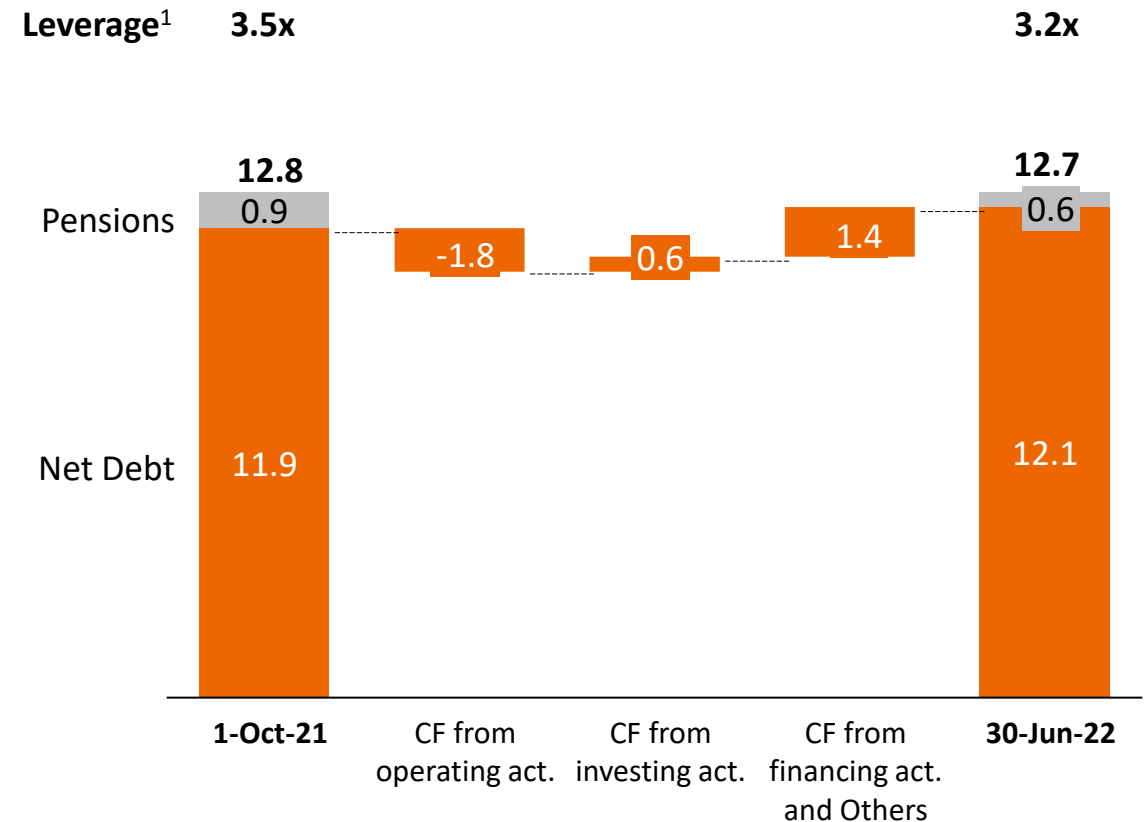
1 CCR=(Free Cash Flow pre tax - Repayment of 3<sup>rd</sup> party lease liabilities) / (Healthineers EBIT excl. PPA)

# FY22 balance sheet and net debt bridge

## Net debt overview

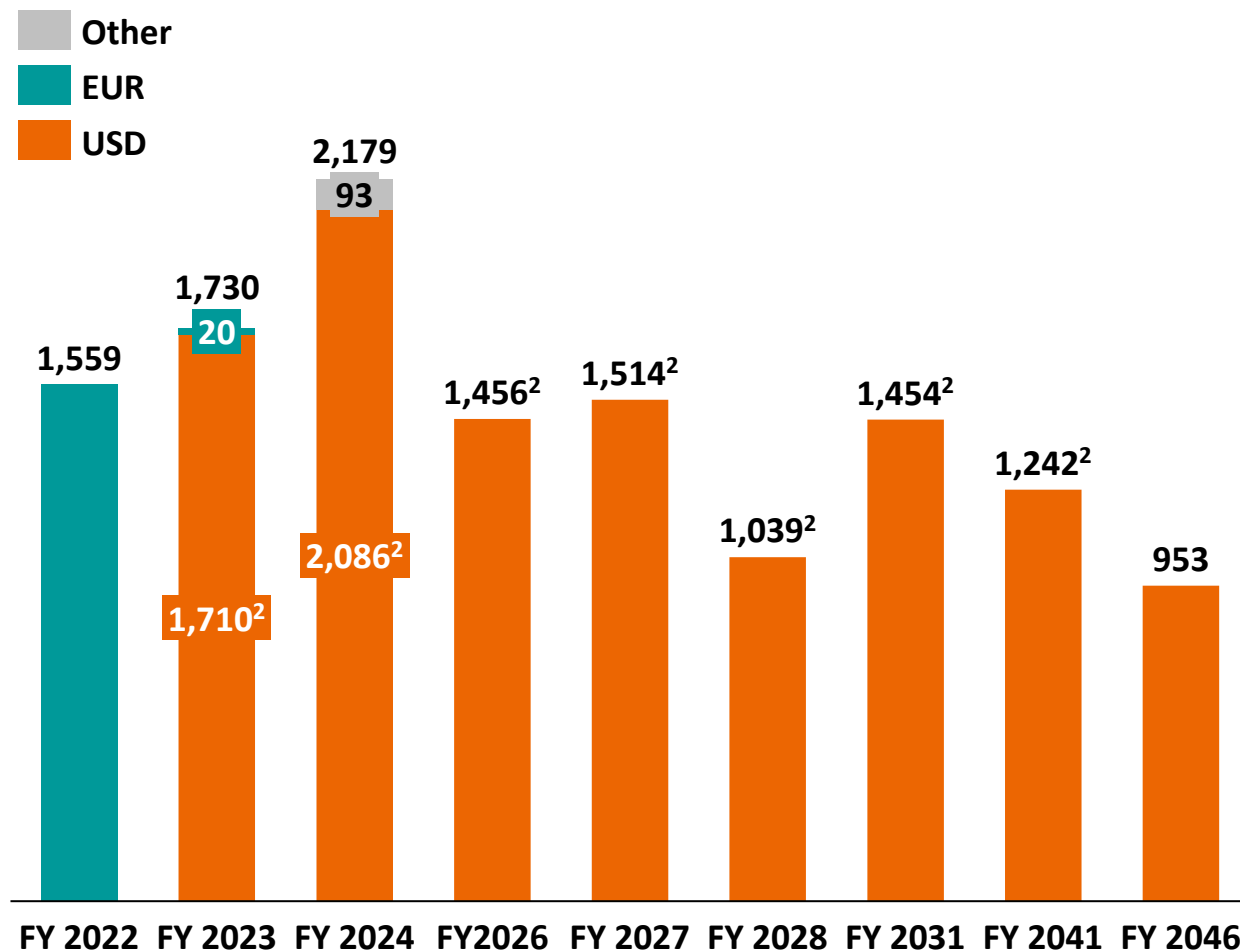
in €bn	Sep 30, 2021	Jun 30, 2022
Cash and cash equivalents	1.3	1.4
Current receivables and receivables from the Siemens Group from financing activities	0.6	0.5
Short-term and long-term financial debt	(0.7)	(0.7)
Current liabilities and liabilities to the Siemens Group from financing activities <sup>2</sup>	(13.1)	(13.3)
<b>Net debt</b>	<b>(11.9)</b>	<b>(12.1)</b>
Provisions for pensions and similar obligations	(0.9)	(0.6)
<b>Net debt (incl. pensions)</b>	<b>(12.8)</b>	<b>(12.7)</b>

## Capital structure development in FY22 (in €bn)



# Loan maturity profile

Loans with Siemens Group as of Jun 30<sup>th</sup>, 2022<sup>1</sup> (in €m)



## Comments

- Total loan volume ~€13bn equivalent
- Average interest rate ~0.5%<sup>3</sup> p.a.

## Top 10 loans ranked in € volume

Notional Currency	Volume in m	Volume in €m	Interest rate	Maturity
USD	\$1,689	€1,514 <sup>2</sup>	0.26% <sup>2</sup>	FY 2027
USD	\$1,742	€1,456 <sup>2</sup>	0.08% <sup>2</sup>	FY 2026
USD	\$1,740	€1,454 <sup>2</sup>	0.59% <sup>2</sup>	FY 2031
USD	\$1,497	€1,251 <sup>2</sup>	-0.14% <sup>2</sup>	FY 2024
USD	\$1,486	€1,242 <sup>2</sup>	1.40% <sup>2</sup>	FY 2041
USD	\$1,247	€1,043 <sup>2</sup>	-0.26% <sup>2</sup>	FY 2023
USD	\$1,243	€1,039 <sup>2</sup>	0.31% <sup>2</sup>	FY 2028
USD	\$990	€953	3.44%	FY 2046
EUR	€850	€850	0.30% <sup>4</sup>	FY 2022
USD	\$998	€834 <sup>2</sup>	0.61% <sup>2,4</sup>	FY 2024

<sup>1</sup> Maturity profile based on Fiscal Year start October 1 - translation to EUR according to spot rate as of Jun 30<sup>th</sup>, 2022 (applicable for unhedged loans) | <sup>2</sup> USD loans addressed by SHS debt & capital restructuring resulting in synthetic EUR debt; EUR volume and interest rates are calculated with underlying hedge rates | <sup>3</sup> Average interest rate p.a. year-to-date after implementation of debt and capital restructuring | <sup>4</sup> Floating interest rate

# Provisions for pensions decreased mainly due to increased discount rates

## Q3 FY2022 Key financials – Pensions and similar obligations

in €bn <sup>1</sup>	FY2018	FY2019	FY2020	FY2021	Q1 FY2022	Q2 FY2022	Q3 FY2022
Defined benefit obligation (DBO)	(3.4)	(3.8)	(3.8)	(4.1)	(4.1)	(3.8)	(3.4)
Fair value of plan assets	2.6	2.8	2.8	3.3	3.4	3.2	2.9
Provisions for pensions and similar obligations <sup>2</sup>	(0.8)	(1.0)	(1.0)	(0.9)	(0.9)	(0.8)	(0.6)
Discount rate	2.9%	1.8%	1.5%	1.7%	1.6%	2.4%	3.6%
Interest Income	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Actual return on plan assets (after expenses)	0.1	0.3	0.1	0.2	0.1	(0.1)	(0.4)

<sup>1</sup> All figures are reported on a continuing basis | <sup>2</sup> Provisions for pensions and similar obligations does not include net defined benefit assets (Q3 FY2022: €+0.1bn) presented in the line item other assets; *Defined Benefit Obligation (DBO) including other post-employment benefit plans (OPEB) of ~€-0.1bn*

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**Adjusted revenue**

is defined as consolidated revenue reported in the company's consolidated statements of income adjusted for effects in line with revaluation of contract liabilities from IFRS 3 purchase price allocations.

**Comparable revenue growth**

is defined as the development of adjusted revenue, respectively, net of currency translation effects, which are beyond our control, and portfolio effects, which involve business activities that are either new to our business or no longer a part of it.

**EBITDA**

is defined as income before income taxes, interest income and expenses, other financial income, net as well as amortization, depreciation & impairments.

**Adjusted EBIT (adj. EBIT)**

is defined as income before income taxes, interest income and expenses and other financial income, net, adjusted for expenses for portfolio-related measures, severance charges. In addition, centrally carried pension service and administration expenses are excluded from adjusted EBIT of the segments.

**Adjusted EBIT margin (adj. EBIT margin)**

is defined as the adjusted EBIT, divided by its adjusted total revenue.

**Adjusted basic earnings per share (adj. basic EPS)**

is defined as basic earnings per share, adjusted for portfolio-related measures and severance charges, net of tax.

**Free cash flow (FCF)**

comprises the cash flows from operating activities and additions to intangible assets and property, plant and equipment included in cash flows from investing activities.

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Please find further explanations regarding our financial key performance indicators in chapter "A.2 Financial performance system" and in the notes to the consolidated financial statements note 29 "Segment information" in the Annual Report 2021 of Siemens Healthineers. Additional information is also included in the Quarterly Statement. These documents can be found under the following internet link <https://www.siemens-healthineers.com/investor-relations/presentations-financial-publications> .

