Philips profits more than double in 2016 (Update)

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Dutch electronics giant Philips said Tuesday its bottom-line profit more than doubled in 2016, buoyed by gains from the flotation of its lighting business and the strong performance of its health technology division.

Net profit soared by 126 percent to 1.49 billion euros ($1.6 billion) last year, while sales edged up by just one percent to 24.5 billion euros.

On a comparable basis, or adjusted for changes in the composition of the group, sales expanded by three percent.

"Overall, 2016 was a defining year," said chief executive Frans van Houten, pointing to the listing of Philips Lighting and deals to sell the Lumileds LED and automotive businesses.

Philips is best known for the manufacture of lightbulbs, electrical appliances and television sets.

But it has pulled out of these activities in face of fierce competition from Asia to focus on health technology such as computer tomography and molecular imaging, as well as household appliances such as electrical toothbrushes and kitchen equipment.

The group, which sold its first lightbulb a few years after it was founded in 1891, listed its Philips Lighting division at the end of May, netting proceeds of 750 million euros.

Philips still holds a stake of 71.23 percent but intends to sell it entirely in the future.

In December, it announced the sale of an 80.1-percent stake in its Lumileds LED lighting business to funds managed by US-based Apollo Global Management for $1.5 billion.

'New deals'

In the fourth quarter alone, Philips booked net profit of 640 million euros, compared with a loss of 39 million euros a year earlier.

Fourth-quarter sales rose by two percent to 7.24 billion euros, driven by higher revenues in the health tech division.

Amsterdam-based Philips said it continued to focus on long-term strategic partnerships in the health sector that saw it clinch 15 new deals valued at 900 million euros in 2016—with four in the fourth quarter alone.

These included a 74-million-euro decade-long agreement with Russia's Expert Group for imaging systems to improve heart care and a 15-year deal with US-based Banner Health for high-tech in-hospital and home-based care equipment.

In China, profits were boosted in particular by the sale of oral healthcare and air purifying equipment, where Philips claims to be the "number one brand".

It said it would propose a dividend of 0.80 euros per ordinary share at Philips' annual general meeting in May.

Philips pointed out however that in the United States it was "currently in discussions on a civil matter with the US Department of Justice, representing the Food and Drug Administration, arising from past inspections in and before 2015."

The issue mainly relates to defibrillators, with Philips warning "while discussions have not yet concluded, we anticipate a meaningful impact on the operations of this business."

Van Houten on Tuesday however played down the issue, saying defibrillator manufacturing is a "relatively small business in the US."

Dutch news agency ANP said FDA inspections at the time found "imperfections" in the defibrillator manufacturing process but the " appliance's quality was not in doubt."

"When these discussions come to a close we will inform the market of exactly what it means," Van Houten told Bloomberg news when pressed on the issue.

Meanwhile, Philips Lighting announced Monday it clocked 185 million euros in profit in 2016, down 23 percent from the year before, blaming brand licensing fees, separation costs and financial expenses for the loss.

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