Philips posts sevenfold jump in profits in Q1

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Dutch electronics giant Philips on Monday posted a sevenfold leap in first quarter profits after spinning off its lighting business last year.

Net profit soared to 259 million euros ($281 million) in the first three months of 2017, compared with 37 million euros in the same period last year.

The year-earlier figure had been down some 63 percent, due mainly to taxes linked to its efforts to divest the lighting business.

The Amsterdam-based group said sales also rose to 5.7 billion euros from January to March, up 3.6 percent over the first quarter of 2016. Growth was mostly due to sales of specialised medical equipment, up some three percent.

"We had a solid start to the year," chief executive Frans van Houten said.

"As we become a clearer company there are less incidentals, so it is the absence of incidentals that have actually increased the profit," he told reporters on a conference call.

He highlighted "continued volatility in the markets in which we operate" but stressed that "our HealthTech portfolio grew three percent and achieved further operational improvements."

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

But it pulled out of these activities in face of fierce competition from Asia to focus on health technology such as computer tomography, and diagnostic and molecular imaging.

It also manufacturers such vital medical equipment as defibrillators, as well as household appliances—from electrical and hi-tech toothbrushes to 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 further reduced its shareholding in Philips Lighting to 55 percent, selling a further 26 million shares on February 8.

Shareholders had responded well, Van Houten said. "It was always our strategy to participate in the value creation that Philips Lighting represents, therefore we are not in a hurry to sell down our stake," he said.

The stake would be sold down over the next two years or so, he added, but refused to be drawn about when the next tranche of shares would be released.

Uncertainty in US

The company also expects growth of between four and six percent in full-year sales and Van Houten said that "a lot of innovations"—such as in equipment for patient monitoring—made the company confident "for a solid second half of the year."

Philips had a strong order book and sales growth was expected to gain momentum in the second half, Van Houten said.

In the United States the market remained "flat" due to a period of hospital consolidation, as well as US President Donald Trump's vow to reform the health care system.

"All the upheaval around the Affordable Care Act, certainly led some hospitals to be cautious about capital investment," Van Houten said.

Hospitals are "not sure how it would affect the Medicare-Medicaid patient base... so that uncertainty means the market is kind of flat."

While that uncertainty was likely to last into the second quarter, he added Philips had seen strong orders coming from China and India, as well as Europe and that "somewhat compensates for the slower US market."

Philips employs about 70,000 people and works in about 100 countries.