
Philips & Masimo Sign Multi-Year Agreement in Patient Monitoring & Select Therapy Solutions



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- *Multi-year business partnership combines Masimo's expertise in non-invasive sensor and signal processing technologies and Philips' expertise in integrated patient monitoring and therapy solutions*
 - *Business partnership involves technology integration and marketing and sales cooperation in North America and certain markets in Asia and Europe*
 - *Agreement ends all pending lawsuits between the two companies and, in addition to marketing and integration commitments, includes a cash payment of USD 300 million by Philips to Masimo*

Royal Philips (NYSE: PHG; AEX: PHIA) and Masimo Corporation (NASDAQ: MASI) has announced a wide-ranging, multi-year business partnership involving both companies' innovations in patient monitoring and therapy solutions. The partnership includes joint marketing and sales programs in North America and certain markets in Asia and Europe for Masimo's non-invasive sensor technologies, such as its rainbow® and SET® platforms, in conjunction with Philips' patient monitoring and select therapy solutions. In addition, Philips will in the future integrate Masimo SedLine® brain function monitoring, O3™ regional oximetry, and Nomoline™ capnography technologies in certain Philips IntelliVue® monitors.

Philips is a global leader in patient monitoring solutions with a comprehensive product portfolio ranging from multi-parameter bedside monitors to wearable patient monitors combined with mobile applications and clinical decision support tools. With a primary focus on prediction and prevention of patient deterioration, these integrated solutions aim to support clinical workflow and caregiver efficiencies, and enhance patient care. In 2015, an estimated 275 million patients were monitored using Philips' patient monitoring solutions.

Sensor and signal processing technologies are an essential component of patient monitoring solutions, and Masimo is a prolific innovator in this field. Examples of Masimo's non-invasive sensor and signal processing technology innovations include Masimo SET® pulse oximetry, Masimo rainbow® Pulse CO-Oximetry and Masimo total hemoglobin (SpHb®) monitoring technology.

"This business partnership agreement marks an important day for us and our customers as two leaders in patient monitoring collaborate to develop solutions designed to enhance clinical outcomes and patient safety," said Frans van Houten, CEO of Royal Philips. "I am very satisfied that we have reached an agreement that is beneficial for both companies and that we have ended our legal disputes. Going forward, Philips and Masimo will completely focus on jointly delivering meaningful innovations to our customers, such as the integration of Masimo rainbow® technology across our IntelliVue® patient monitoring product range."

"It's wonderful to think that Masimo and Philips will be working together for the benefit of patients and clinicians around the world," said Joe Kiani, Chairman and CEO of Masimo. "I am delighted that we were able to reach this important agreement which allows us to focus on the future to deliver the solutions that our customers have been looking for."

In conjunction with the appropriate Philips patient monitoring platform, Masimo's rainbow SET™ technology analyzes multiple wavelengths of light to accurately measure total hemoglobin (SpHb), oxygen content (SpOC™), carboxyhemoglobin (SpCO®), methemoglobin (SpMet®) and Pleth Variability Index (PVI®) non-invasively and continuously. Continuous monitoring of SpHb on a Philips monitor at the point of care provides clinicians with real-time visibility to changes in hemoglobin in between invasive blood samplings.

Anticipated cash flow and income consequences for Philips

As part of the business partnership agreement, Philips and Masimo have agreed to end all pending lawsuits between the two companies, which includes that Philips is released from paying the USD 467 million (approximately EUR 428 million) jury verdict that was awarded to Masimo in October, 2014. Philips has agreed to make a USD 300 million cash payment (approximately EUR 275 million) to Masimo in the fourth quarter of 2016; and to invest in the relationship by making certain marketing and product integration commitments over the coming years. Entering into the business partnership agreement has minimal impact on income from operations (EBIT) in the fourth quarter of 2016.

Anticipated cash flow and income consequences for Masimo

As the result of anticipated legal fee savings during the fourth fiscal quarter, Masimo now expects its fiscal 2016 GAAP earnings per diluted share, exclusive of the impact of the business partnership agreement, to be \$2.14, up from \$2.13. Masimo expects to use some of the after-tax proceeds from the business partnership agreement to repay amounts outstanding under its revolving line of credit. The guidance set forth above is an estimate only and actual performance could differ.

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