

Philips to cut 4,000 jobs as recall losses deepen

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Philips has moved its focus from consumer electronics to healthcare in recent years.

Dutch medical device manufacturer Philips said Monday it will slash 4,000 jobs after a massive financial hit for a recall of faulty sleep respirators pushed it into loss.

The 1.3-billion-euro (\$1.28 billion) write-down for the defective

machines pushed the firm, which currently has nearly 80,000 employees worldwide, into a net loss of the same amount.

Philips is negotiating with US authorities over a final settlement on the faulty devices that put users with [sleep apnea](#) at risk of inhaling toxic foam, and faces a number of lawsuits.

"We do face multiple challenges," said new chief executive Roy Jakobs, who only took over earlier this month, adding that the firm had to take "immediate steps" to cut costs.

"This includes the difficult but necessary decision to immediately reduce our workforce by around 4,000 roles globally... a decision we do not take lightly," he said in a call with investors.

The job losses would mainly be in the United States, the Netherlands, India and China, he said.

Shares in Philips dropped 0.75 percent on the Amsterdam stock exchange in morning trading.

The firm's previous CEO Frans van Houten stepped down earlier this month after leading the company's transition from a [consumer electronics](#) to medical device manufacturer over the past 12 years.

Dutchman Jakobs admitted that Amsterdam-based Philips had to "rebuild trust" and had not "lived up to... expectations" of its shareholders in recent years.

"These initial actions are needed to start turning the company around in order to realise Philips' profitable growth potential and create value for all our stakeholders," Jakobs said.

'Class-action lawsuits'

Philips first announced a recall in June 2021 after sound-dampening foam on some of its sleep respirators was found to degrade under certain conditions.

The issue put users at risk of inhaling or swallowing pieces of debris with what the firm called "possible toxic and carcinogenic effects".

It has since produced four million replacement devices and repair kits, it said.

But Philips now faces a US Department of Justice investigation and has been in negotiation with US authorities over a proposed financial settlement since July 2022.

The firm said it also faces "several class-action lawsuits and individual personal injury claims".

Philips had already set aside 900 million euros over the faulty respirators and had warned two weeks ago it would take the 1.3-billion-euro charge this quarter for the problem.

But it says it cannot give a final overall figure for the respirator issue "given the uncertain nature and timing of the relevant events."

Philips expects to make another 300 million euros in charges in coming quarters as it proceeds with the restructuring, although it expects those measures will lead to savings of a similar amount.

The company posted a [net profit](#) of three billion euros in the third quarter last year, but that was boosted from the sale of its domestic appliances business.

Sales came in at 4.3 billion euros in the July-September period, a drop of five percent on a comparable basis from the same time last year due to supply chain problems.

This was partly because of "operational and supply challenges, inflationary pressures, the COVID situation in China and the Russia-Ukraine war", the company said.

Philips currently employs nearly 80,000 people in 100 countries.

It started off as a lighting company more than 100 years ago but has undergone major changes in recent years, focusing in particular on remote healthcare.

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