

The background image is a long-exposure photograph of a coastal scene at dusk or dawn. A long pier or breakwater extends from the right side into the sea. The pier is lined with a series of tall, slender, modern streetlights that are illuminated, casting a warm glow. The sea is calm, and the sky is a deep blue with some light clouds. In the distance, on the left, there is a small structure with a single bright light. On the right, further out, there is a lighthouse with a red and white striped top. The overall mood is serene and modern.

# Signify

## Q1 2020 results

April 24, 2020

# Important information

## Forward-Looking Statements and Risks & Uncertainties

This document and the related oral presentation contain, and responses to questions following the presentation may contain, forward-looking statements that reflect the intentions, beliefs or current expectations and projections of Signify N.V. (the “Company”, and together with its subsidiaries, the “Group”), including statements regarding strategy, estimates of sales growth and future operational results.

By their nature, these statements involve risks and uncertainties facing the Company and its Group Companies and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties. Such risks, uncertainties and other important factors include but are not limited to: adverse economic and political developments, the impacts of COVID-19, rapid technological change, competition in the general lighting market, development of lighting systems and services, successful implementation of business transformation programs, impact of acquisitions and other transactions, impact of the Group’s operation as a separate publicly listed company, pension liabilities and costs, adverse tax consequences from the separation from Royal Philips and exposure to international tax laws. Please see “Risk Factors and Risk Management” in Chapter 12 of the Annual Report 2019 for discussion of material risks, uncertainties and other important factors which may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group. Such risks, uncertainties and other important factors should be read in conjunction with the information included in the Company’s Annual Report 2019. Additional risks currently not known to the Group or that the Group has not considered material as of the date of this document could also prove to be important and may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group or could cause the forward-looking events discussed in this document not to occur. The Group undertakes no duty to and will not necessarily update any of the forward-looking statements in light of new information or future events, except to the extent required by applicable law.

## Market and Industry Information

All references to market share, market data, industry statistics and industry forecasts in this document consist of estimates compiled by industry professionals, competitors, organizations or analysts, of publicly available information or of the Group’s own assessment of its sales and markets. Rankings are based on sales unless otherwise stated.

## Non-IFRS Financial Statements

Certain parts of this document contain non-IFRS financial measures and ratios, such as comparable sales growth, adjusted gross margin, EBITA, adjusted EBITA, EBITDA, adjusted EBITDA and free cash flow, and other related ratios, which are not recognized measures of financial performance or liquidity under IFRS. The non-IFRS financial measures presented are measures used by management to monitor the underlying performance of the Group’s business and operations and, accordingly, they have not been audited or reviewed. Not all companies calculate non-IFRS financial measures in the same manner or on a consistent basis and these measures and ratios may not be comparable to measures used by other companies under the same or similar names. A reconciliation of these non-IFRS financial measures to the most directly comparable IFRS financial measures is contained in this document. For further information on non-IFRS financial measures, see “Chapter 18 Reconciliation of non-IFRS measures” in the Annual Report 2019.

## Presentation

All amounts are in millions of euros unless otherwise stated. Due to rounding, amounts may not add up to totals provided. All reported data are unaudited. Unless otherwise indicated, financial information has been prepared in accordance with the accounting policies as stated in the Annual Report 2019.

## Market Abuse Regulation

This presentation contains information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

# Content

Business and operational performance by Eric Rondolat

Financial performance by René van Schooten

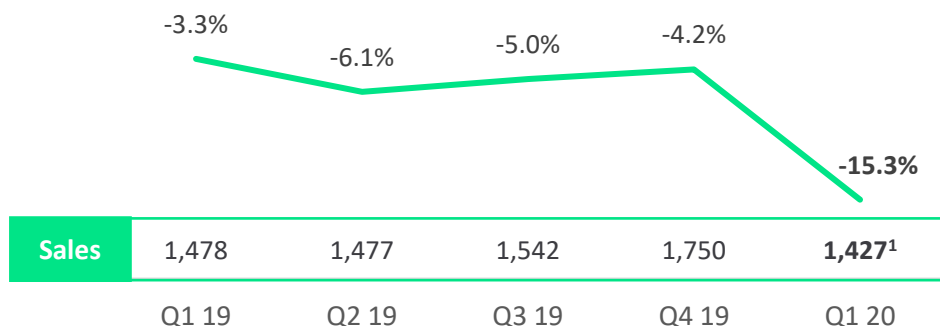
Outlook & conclusion by Eric Rondolat

Q&A

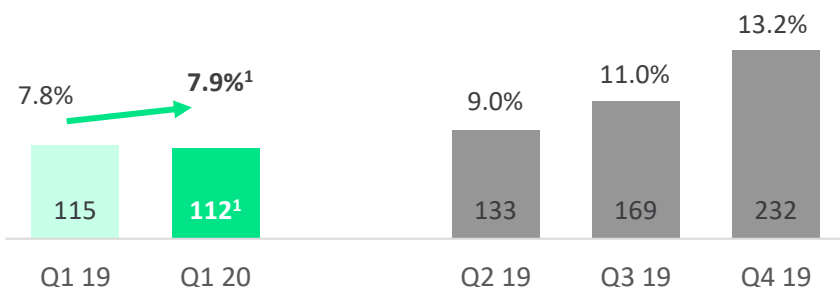


# Q1 20 sales of EUR 1.4bn, operational profitability of 7.9% and FCF of 112m

## Sales (in EURm) & comparable sales growth (in %)



## Adj. EBITA (in EURm & as % of sales)



## Key observations for Q1 20

- Installed base of connected light points increased from 56m in Q4 19 to 60m in Q1 20
- CSG decreased by 15.3%
- Adj. indirect costs decreased by EUR 56m, or -11.1%, on a currency & scope comparable basis
- Adj. EBITA margin improved by 10 bps to 7.9%, with a neutral effect from currencies
- Net income of EUR 27m
- FCF doubled to EUR 112m
- Acquisition of Cooper Lighting completed; integration is well underway and achievement of synergies on track

# COVID-19 update Q1 and actions

- **Health & safety** of employees our highest priority
- **Supported local partners and communities:** donations of UV-C lamps and (solar) luminaires
- **Global manufacturing capacity restored** to more than 80%
- **Broad range of mitigating actions** to preserve profitability and cash flow:
  - Reduction of selling expenses, travel costs, procurement costs
  - Rigorous working capital management
  - Curtailment of uncommitted and non-essential capex
  - Withdrawal of dividend proposal
- **Accelerating and extending mitigating measures, incl:**
  - SB and Leadership Team took a 20% salary reduction for Q2
  - A significant part of our employees voluntarily supports a 20% worktime reduction and pro-rata pay adjustment for a period of 3 months
  - A 6-month delay in merit increases, where possible
  - An external hiring freeze
- **Liquidity remains strong**, with a cash position of EUR 924m at the end of Q1 20



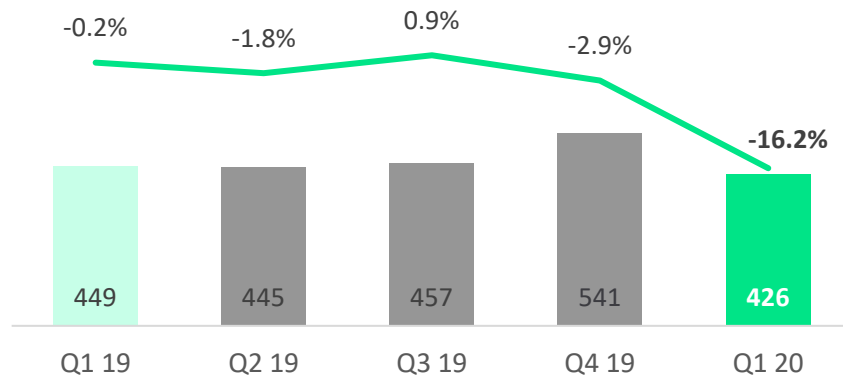


## Growing profit engines: Adj. EBITA margin improved by 100 bps to 7.7%

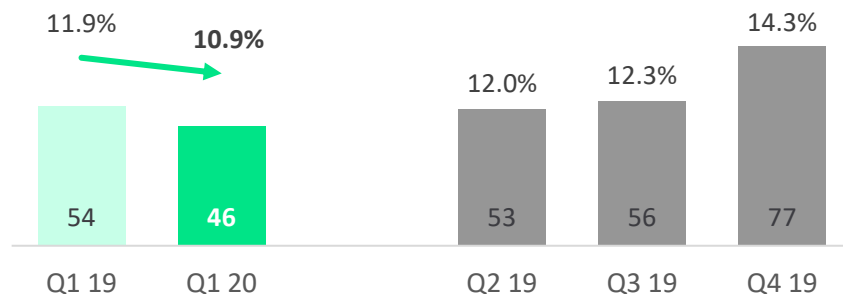
Q1 20	CSG %	Adj. EBITA (EURm)	vs LY (EURm)	Adj. EBITA %	vs LY (bps)
LED	-16.2%	46	-8	10.9%	-100
Professional	-14.2%	43	+11	6.7%	+140
Home	-8.0%	1	+8	0.9%	+700
<b>Total</b>	<b>-14.5%</b>	<b>90</b>	<b>+11</b>	<b>7.7%</b>	<b>+100</b>

# LED Adj. EBITA margin declined by 100 bps, mainly due to lower sales volumes

## Sales (in EURm) & comparable sales growth (in %)



## Adj. EBITA (in EURm & as % of sales)



## Key observations for Q1 20

- CSG of -16.2%:
  - Both LED lamps and LED electronics were impacted by the COVID-19 pandemic
  - Initially the impact was mainly on the supply side
  - Impact subsequently exacerbated due to a decline in demand as a result of the countermeasures taken by governments and customers
- Adj. EBITA margin declined by 100 bps to 10.9%, mainly due to lower sales volumes

# LED business highlights

## Launched double-ended LEDtube in Growth Markets & Greater China



- Plug-and-play features enable easy retrofit for magnetic ballast-based luminaires
- Provides a wide light spread
- Perfectly fits on T8 size

## Introduced the External Slim Downlight in Latin America



- Super slim design for versatile installations
- Ensures easy maintenance after fitting
- Robust construction provides a longer lifetime

## Launched next generation of high-volume panel drivers



- Dual-current feature enables simplified logistics with less SKUs
- Low ripple light output is comfortable for eyes and friendly for cameras
- Increased efficiency helps to save more energy than previous generation

## Launched Fortimo Cyan Enhanced Spectrum LED boards for human centric lighting in offices

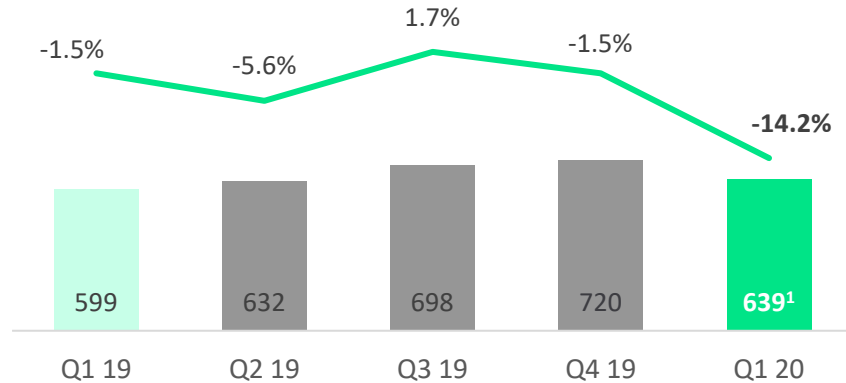


- Stimulate people's biorhythm like daylight does
- As part of human-centric lighting in offices this enables productive days at the office and good sleep at night



# Professional Adj. EBITA margin improved by 140 bps to 6.7%, mainly driven by an improvement in gross margin and indirect cost savings

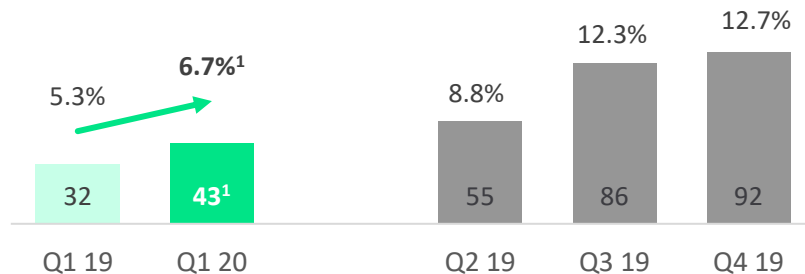
## Sales (in EURm) & comparable sales growth (in %)



## Key observations for Q1 20

- Nominal sales increase of 6.7% reflects consolidation of Cooper Lighting
- CSG of -14.2%, largely as a consequence of the COVID-19 outbreak

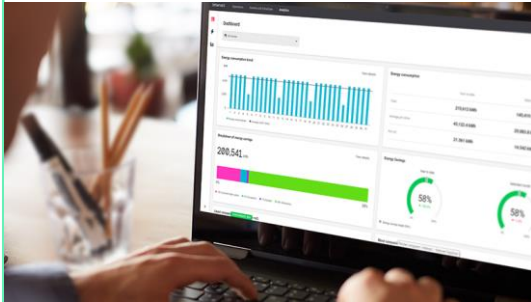
## Adj. EBITA (in EURm & as % of sales)



- Adj. EBITA margin improved by 140 bps to 6.7%, mainly driven by an improvement in gross margin and indirect cost savings

# Professional business highlights

## Launched Interact Retail multisite management with Marks & Spencer



- Centralizes retailers' lighting management for multiple stores from a single dashboard
- Provides insights into energy savings and light failures
- Creates a network of connected stores and reduces operational costs

## Expanded collaboration with Planet Farms to provide horticulture LED



- Philips GreenPower LED production module boosts quality and yield of crops at Europe's largest vertical farm all year round
- Signify will also provide horticulture LEDs to additional five vertical farms Planet Farms is planning to build

## Expanded solar lighting potential to northern countries



- Philips Combo Charge Controller enables streetlights to switch between solar power and mains grid
- Boosts output to 24,000 lumens and supports wireless remote monitoring
- Opens up new markets for solar lighting

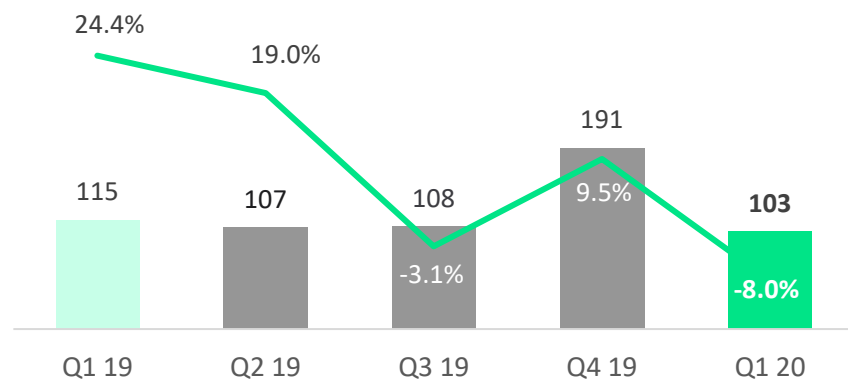
## Helped Cologne to become smart city with Interact City



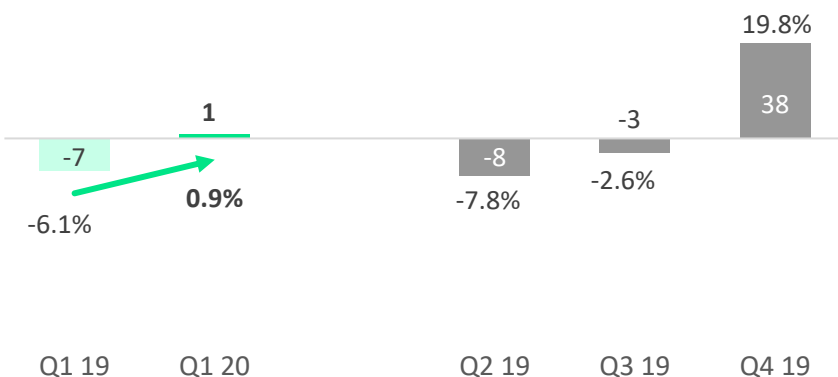
- Connecting 85,000 light points to Interact City improves safety and quality of life
- Increases energy efficiency and reduces costs
- RheinEnergie, which is responsible for the city's lighting, will replace all the light points within 15 years

# Home – Adj. EBITA margin improved by 700 bps supported by gross margin improvements and cost measures taken in 2019

## Sales (in EURm) & comparable sales growth (in %)



## Adj. EBITA (in EURm & as % of sales)



## Key observations for Q1 20

- CSG of -8.0%
- Home started with a solid performance at the beginning of Q1
- Demand started to deteriorate in March due to weaker market activity in Europe and the US

- Adj. EBITA margin improved by 700 bps to 0.9% supported by gross margin improvements and cost measures taken in 2019

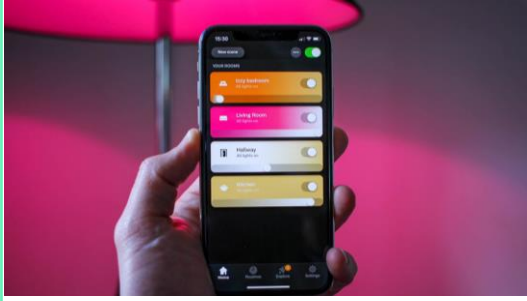
# Home business highlights

## Philips Hue #21 in top 100 greatest designs of modern times



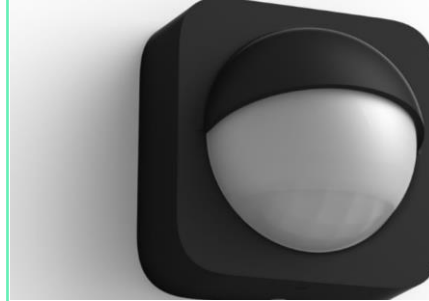
- Fortune magazine ranks Philips Hue 21<sup>st</sup> in top 100 greatest designs of modern times
- States that Hue “made lighting our homes as personal as the music we listen to”

## Expanded Zones control in latest Philips Hue app update



- Allows users to control the Zones they create in the Hue app with their accessories, including motion sensors and dimmer switches
- Enables easy check of battery levels of accessories in the app

## Philips Hue products win five Red Dot design awards



- Philips Hue wins Red Dot design awards with its Discover Floodlight, Impress range, Outdoor Sensor, Smart button and White and Color Ambiance GU10 perfect-fit

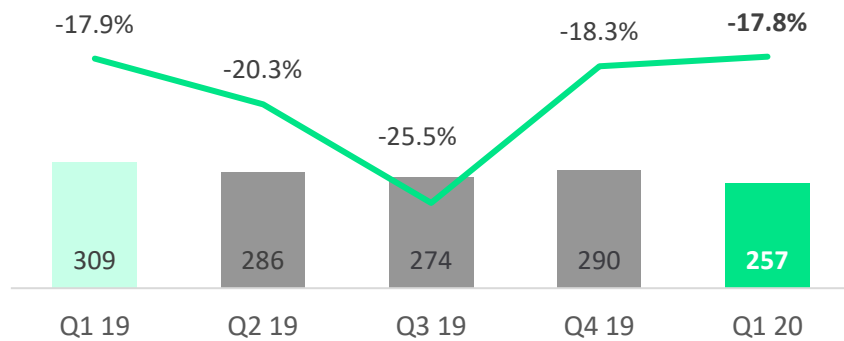
## Modular Lighting launched Hollow & Shellby



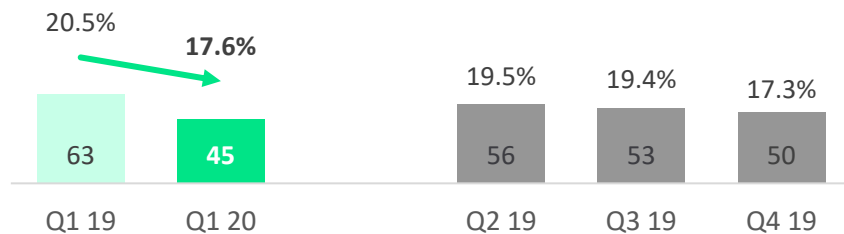
- Hollow uses one single LED to create a backlit and spot effect; serves as wall and downlight luminaire in one; won IF Design award
- Shellby uses glass and dim-to-warm technology to be both a general and an ambient light object

# Cash engine – Lamps Adj. EBITA margin remained solid at 17.6%

## Sales (in EURm) & comparable sales growth (in %)



## Adj. EBITA (in EURm & as % of sales)



## Key observations for Q1 20

- Comparable sales decreased by 17.8%
- Continue to deliver on 'last company standing' strategy resulting in further market share gains
- Adj. EBITA margin remained solid at 17.6%

# Integration Cooper Lighting well underway, on track to achieve cost synergies

## Cooper Lighting acquisition successfully completed on March 2, 2020

- Strengthens Signify's market position
- Better positions us to capture growth in the North American lighting market
- Together, we'll drive innovation and advance in connected lighting and systems, creating significant value for our customers



## Integration is well underway

- The teams have worked intensively to finalize integration plans
- Key business systems have been successfully segregated from Eaton and operational from day 1
- Cooper Lighting now operates as a business unit within Signify
- Agents are committed to the go-to-market approach and associated benefits of the acquisition

## Integration teams are well on track to achieve synergies

- Procurement savings ahead of plan
- Plans implemented to realize savings in transportation and storage costs
- Realized significant cost avoidance by leveraging existing shared service centers in a.o. HR, Finance, IT
- Identified additional revenue synergies in product/market combinations



# Content

Business and operational performance by Eric Rondolat

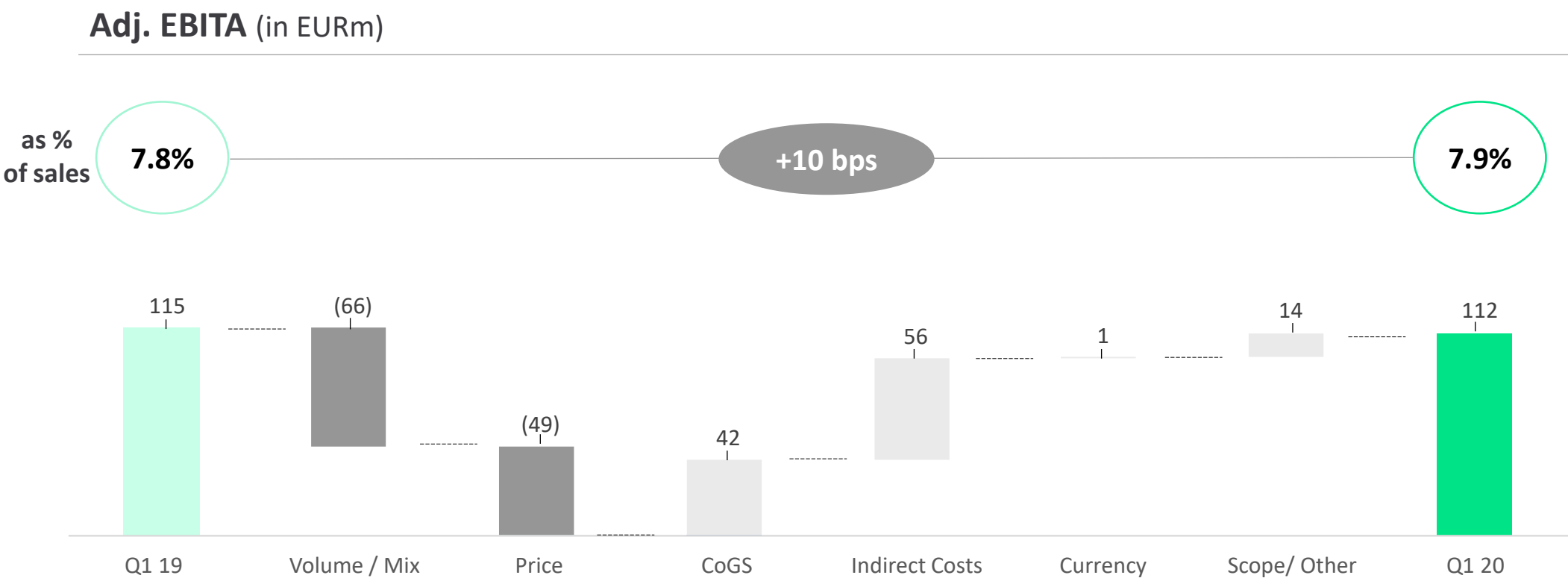
**Financial performance by René van Schooten**

Outlook & conclusion by Eric Rondolat

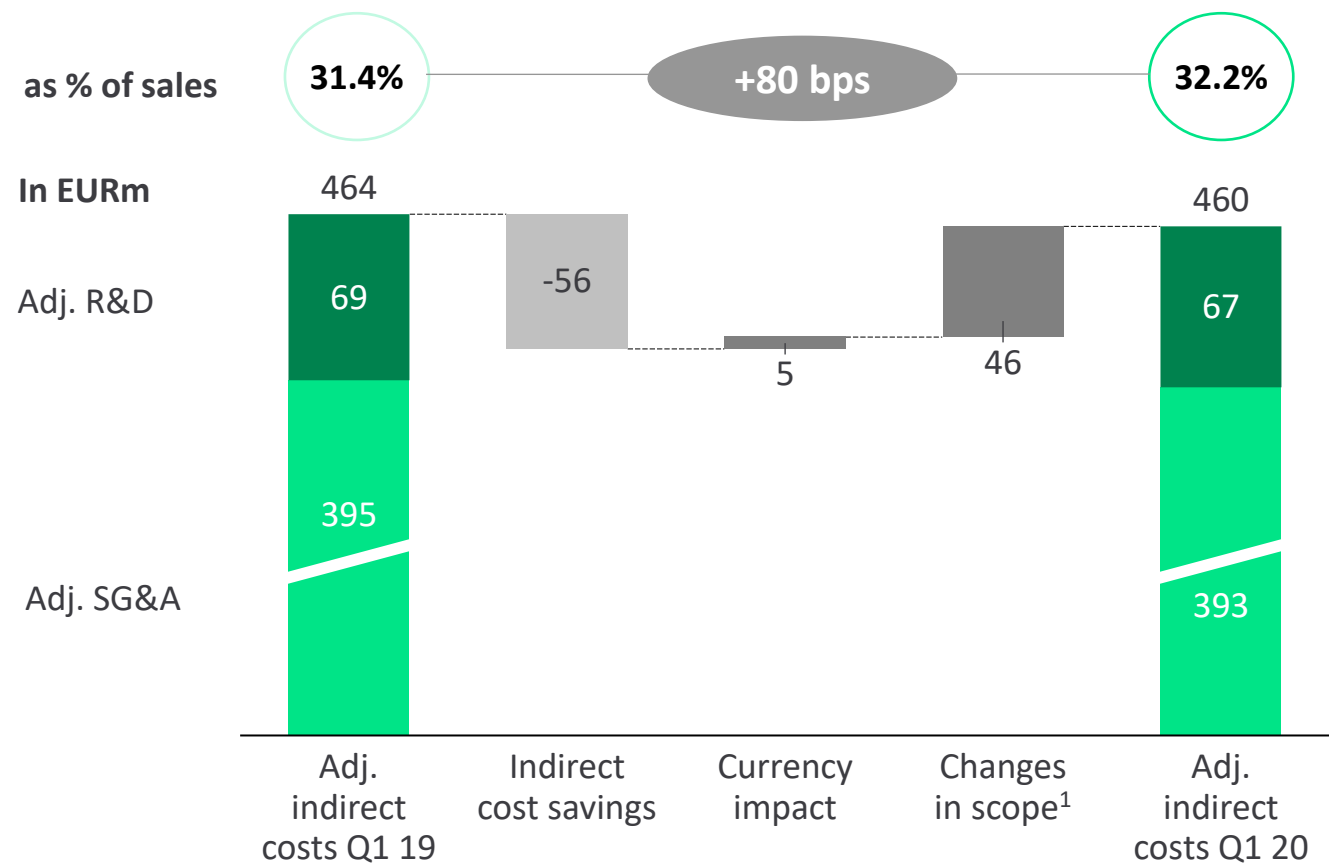
Q&A



# Signify Adj. EBITA margin: improvement driven by ongoing cost reductions



# Comparable indirect costs decreased by 11%, adjusted for currencies and changes in scope

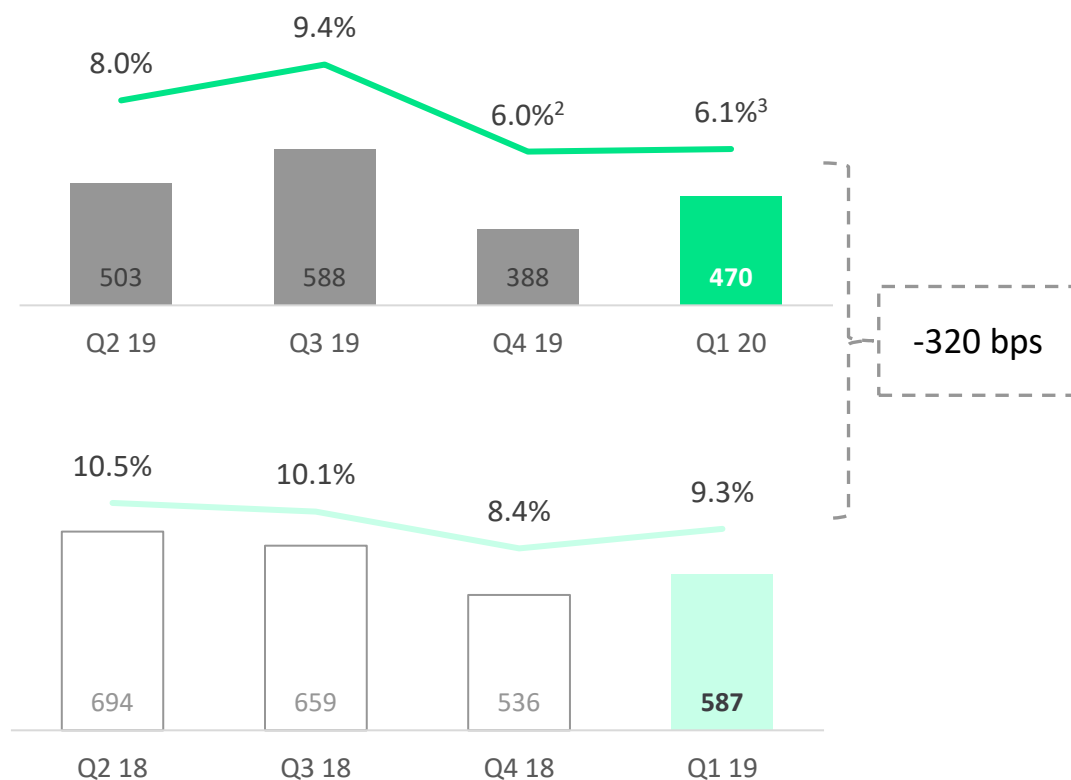


## Key observations

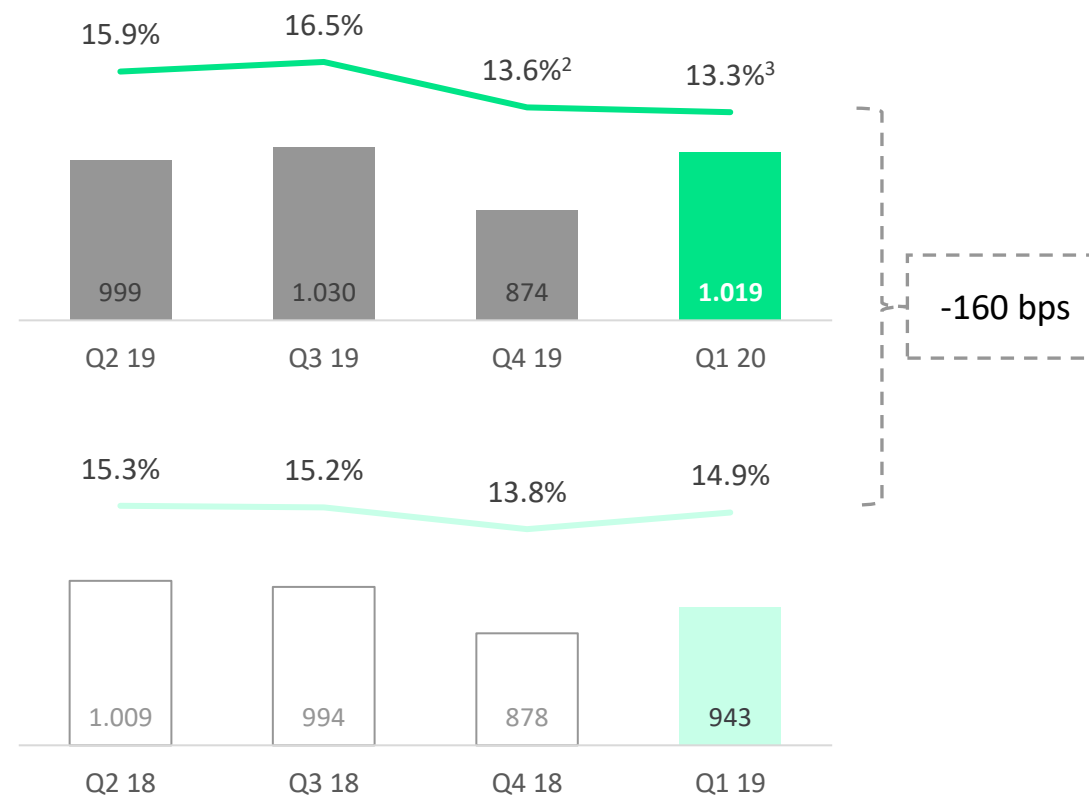
- Underlying indirect cost reduction of EUR 56m
- Negative currency impact of EUR 5m
- Impact from changes in scope of EUR 46m
- Continue to execute initiatives to further reduce the indirect cost base

# WoCa decreased by 320 bps as % of sales, mainly due to solid inventory management, lower receivables and higher payables

**Working capital<sup>1</sup>** (in EURm & as % of sales)



**Inventories** (in EURm & as % of sales)

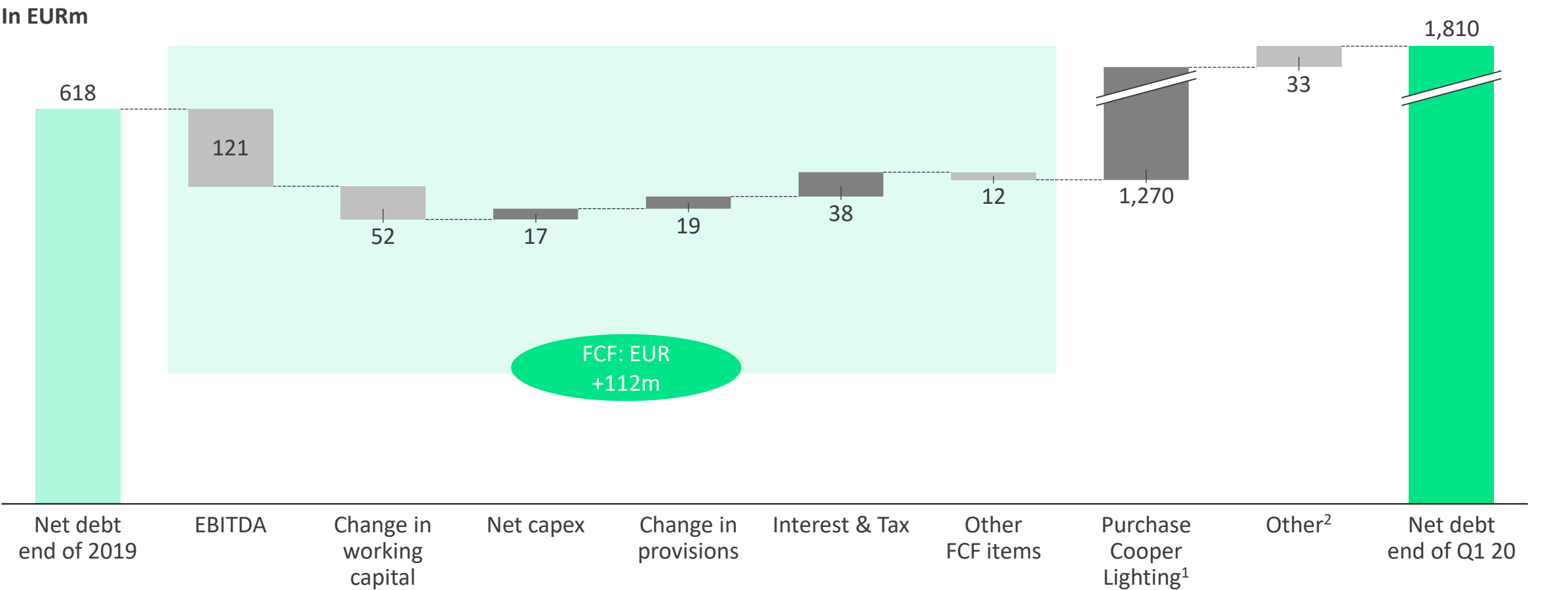


<sup>1</sup> Working capital includes inventories, trade and other receivables, trade and other payables, other working capital items

<sup>2</sup> Includes sales of Klite on a 12-month pro-forma basis

<sup>3</sup> Includes sales of both Cooper Lighting and Klite on a 12-month pro-forma basis

# Net debt increased by EUR 1.2bn due to purchase of Cooper Lighting partly offset by improved cash position



<sup>1</sup> USD 1.4 billion bridge loan facility to finance the acquisition of Cooper Lighting

<sup>2</sup> Other mainly reflects additions of lease liabilities

# Content

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# Outlook

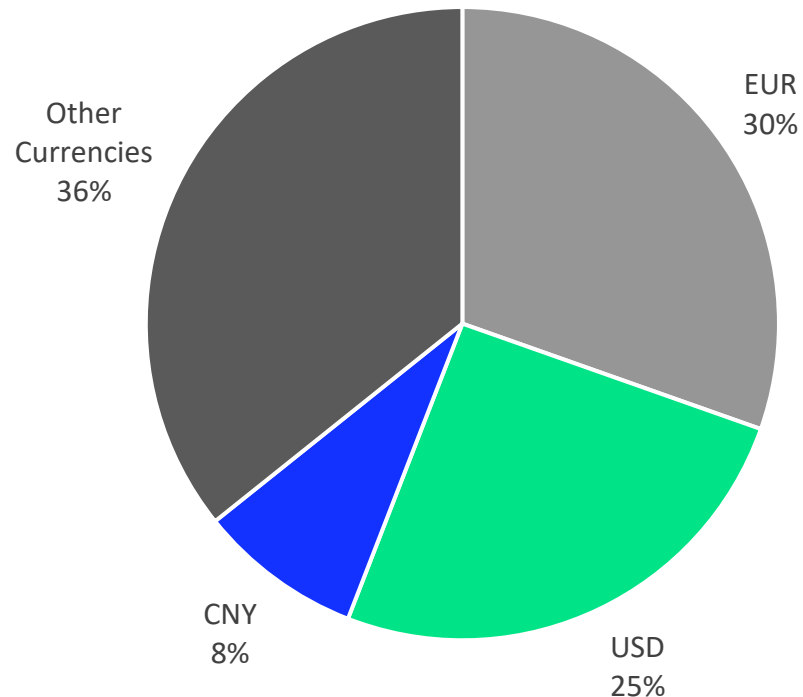
Considering the uncertainty about the future course of the pandemic, and the length and depth of the impact on the global economy, Signify does not provide financial guidance at this point in time.





# Currency movements positively impacted sales and Adj. EBITA

## Q1 20 sales FX footprint (% of total)



## Key observations

- Positive FX effect on sales of +1.3%, largely driven by appreciation US dollar
- Positive FX effect on Adj. EBITA of EUR +1m, and neutral effect on the Adj. EBITA margin
- Our policy is to hedge 100% of committed FX transactions and anticipated transactions up to 80% in layers over the next 15 months



# Net income decreased to EUR 27m, largely due to higher acquisition related charges and other incidentals

## From Adj. EBITA to net income (in EURm)

	Q1 19	Q1 20
<b>Adj. EBITA</b>	<b>115</b>	<b>112</b>
- Restructuring	-20	-13
<b>1</b> - Acquisition related charges	0	-18
<b>2</b> - Other incidental items	-2	-11
<b>EBITA</b>	<b>93</b>	<b>70</b>
Amortization	-24	-27
<b>EBIT</b>	<b>69</b>	<b>43</b>
Net financial income / expenses	-9	-10
<b>3</b> Income tax expense	-16	-6
Results from investments in associates	1	0
<b>Net income</b>	<b>44</b>	<b>27</b>

## Key observations

- 1** Related to Cooper Lighting and Klite
- 2** Recurring by nature and relate to the separation, company name change, transformation and real estate gains
- 3** Income tax expense decreased by EUR 10m mainly due to lower taxable earnings in Q1 20

# Free Cash Flow of EUR 112m

## Free cash flow (in EURm)

	Q1 19	Q1 20
Income from operations	69	43
Depreciation and amortization	70	78
Additions to (releases of) provisions	41	33
Utilizations of provisions	-57	-52
Change in working capital	-29	52
Net interest and financing costs paid	-4	-10
Income taxes paid	-19	-28
Net capex	-10	-17
Other	-5	12
<b>Free cash flow</b>	<b>55</b>	<b>112</b>
<i>As % of sales</i>	3.7%	7.9%

## Key observations

- Free cash flow doubled to EUR 112m, mainly as a result of strong working capital management in our growing profit engines, and the consolidation of Cooper Lighting
- Free cash flow in Q1 20 included restructuring cash-out of EUR 18m (Q1 19: EUR 25m)

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