



Signify

Q2 2021 results

July 23, 2021

Important information

Forward-looking statements

This release contains forward-looking statements that reflect the intentions, beliefs or current expectations and projections of Signify, including statements regarding strategy, estimates of sales growth and future operational results. By their nature, these statements involve risks and uncertainties facing Signify, and a number of important factors could cause actual results or outcomes to differ materially from those expressed or implied 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, technological change, competition in the general lighting market, development of lighting systems and services, successful implementation of cost-savings initiatives and business transformation programs, impact of acquisitions and other transactions, reputational and adverse effects on business due to activities in Environment, Health & Safety, compliance risks, ability to attract and retain talented personnel, adverse currency effects, pension liabilities, and exposure to international tax laws.

Looking ahead to the second half of 2021, the Group's key concerns are about both the supply chain constraints and shortage of certain components, and the uncertainties related to the COVID-19 pandemic in the global and domestic markets in which it operates. The main challenge remains the visibility on how quickly the general lighting market may recover to (pre-COVID-19) 2019 levels. This is relevant to the Group as a large part of its business relates to the professional market which has been, and continues to be, significantly impacted by government lockdowns. Signify 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 2020.

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 2020.

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 and highlights by Javier van Engelen

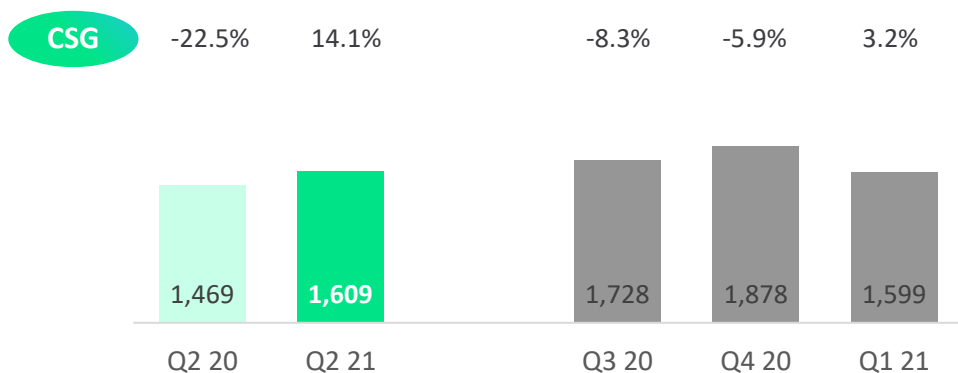
2021 outlook by Eric Rondolat

Q&A

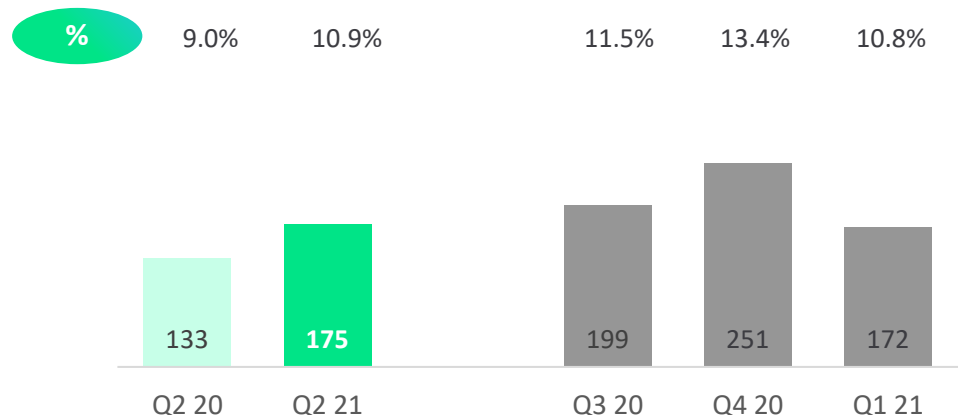


Signify achieved Q2 21 comparable sales growth of 14.1%, an Adj. EBITA margin improvement of 190 bps to 10.9% and a free cash flow of EUR 104m

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



Adjusted EBITA (in EURm & as % of sales)

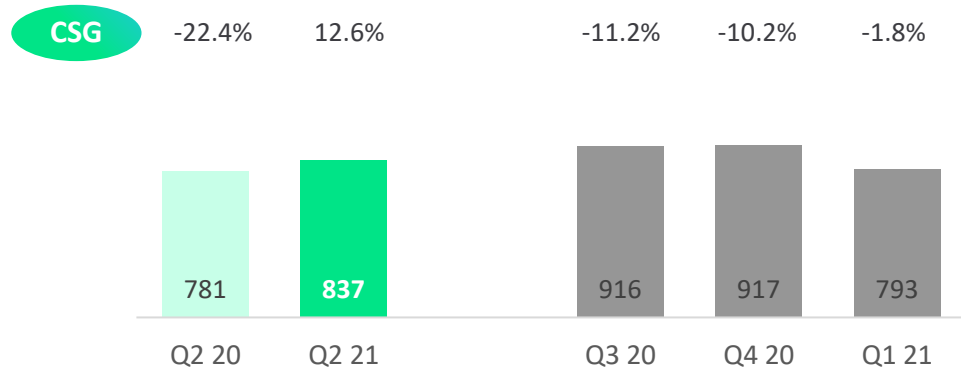


Key observations for Q2 21

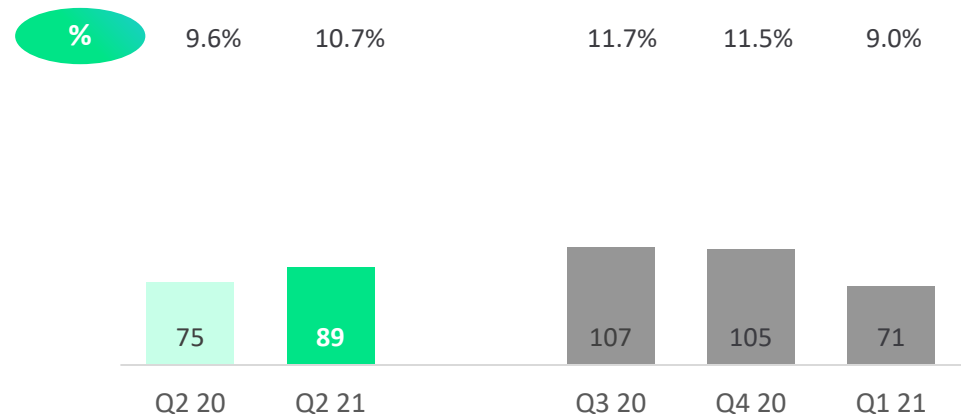
- Installed base of connected light points increased from 83m in Q1 21 to 86¹m
- LED-based sales represented 82% of total sales
- Nominal sales growth of 9.6% to EUR 1,609m
- Comparable sales growth of 14.1%
- Adjusted EBITA margin improved by 190 bps to 10.9%
- Adjusted indirect costs as percentage of sales decreased by 130 bps to 30.6% supported by operating leverage
- Net income increased to EUR 82m (Q2 20: EUR 81m)
- Free Cash Flow of EUR 104m (Q2 20: EUR 158m)

Digital Solutions delivered a CSG of 12.6% and an Adj. EBITA margin improvement of 110 bps to 10.7%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 21

- Nominal sales growth 7.2%
- Comparable sales growth of 12.6%
 - Sequential improvement driven by market recovery
 - Partly offset by extended lockdowns in India and Canada and supply constraints
- Adjusted EBITA margin improved by 110 bps to 10.7%
 - Supported by operating leverage and procurement savings

Digital Solutions highlights

Helping companies in the Nordics to boost crop yields with horti LEDs



- Philips GreenPower LED & GrowWise control system provide companies with control over light spectrum and light levels
- Helps to steer crop quality and boost yields
- Also helps to predict growth levels and optimize production to match seasonal demand

Boosting fan experience at four of Europe's major soccer stadiums



- Philips LED & Interact help to entertain fans with and provide TV viewers better viewing experience
- Also makes it easier for operators to remotely control and monitor lighting in different areas
- Includes largest stadiums in Budapest, Rome and St. Petersburg

Providing our customers with additional layer of protection through UV-C



- Philips UV-C disinfection luminaires disinfect the air, objects and surfaces
- Helps theaters to welcome back guests, artists and employees with peace of mind
- Disinfects the air at schools while classes can continue without interruption

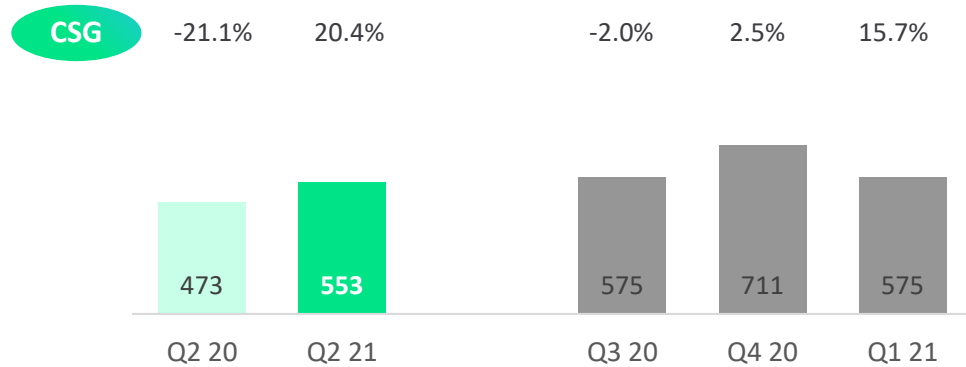
Beautifying the Grand Mosque of Istiqlal in Jakarta, Indonesia



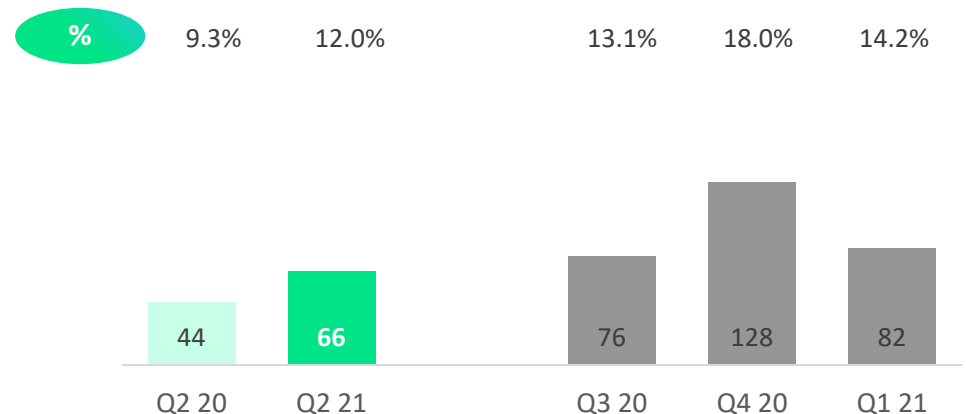
- 3,375 light fixtures highlight mosque's beauty & boost pride of pilgrims
- UniStrip LED creates illusion of praying under an open sky in main praying hall
- Color Kinetics with IntelliHue can create dynamic light effects on main dome's façade

Digital Products delivered a CSG of 20.4% and an Adj. EBITA margin improvement of 270 bps to 12.0%, driven by the consumer segment

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 21

- Comparable sales growth of 20.4%
 - Strong consumer demand for connected home products
 - Partly offset by supply constraints
-
- Adjusted EBITA margin improved by 270 bps to 12.0%
 - Gross margin expansion
 - Higher contribution of connected home lighting
 - Price and cost management
 - Operating leverage

Digital Products highlights

Adopting new standard 'Matter' for seamless smart home interaction



- Philips Hue Bridge will be automatically enriched with industry-unifying standard Matter
- All Philips Hue products and new WiZ products will be compatible with new standard
- The new standard is expected to be available as per Q4 2021

Expanding UV-C product range with Philips UV-C mini disinfection box



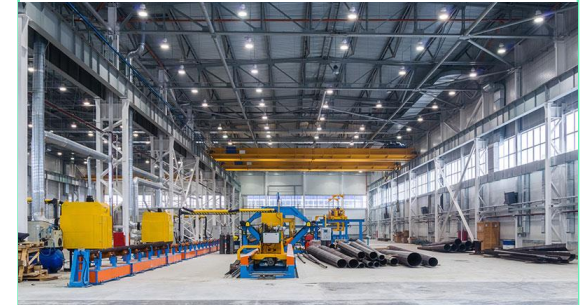
- Disinfects viruses, bacteria, mold and spores in just eight minutes from small everyday items such as smartphones, keys, money or watches
- Small size makes it easy to store or take on-the-go
- USB-C port enables easy way of charging, for instance via power bank

Introducing a premium tunable white wireless system for high-end retail



- Features color temperature control and dimming with wireless switch or end-user app
- Makes it easy for retailers to adapt light color to different fashion collections
- Extendable with gateway, that enables central cloud control

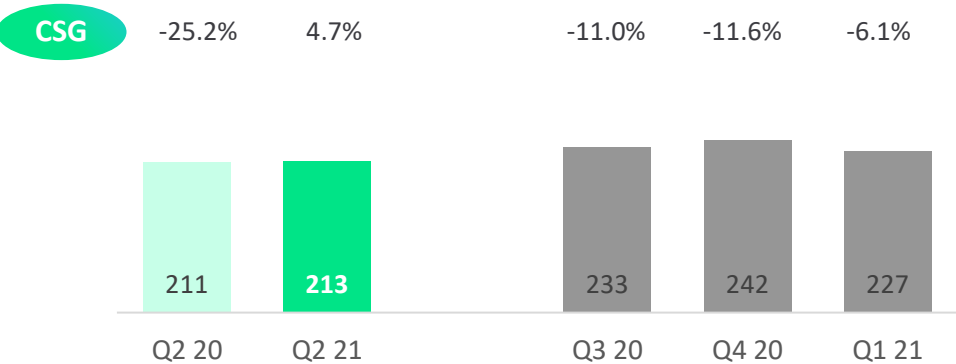
Offering a quick and easy HID replacement with Trueforce LED highbay



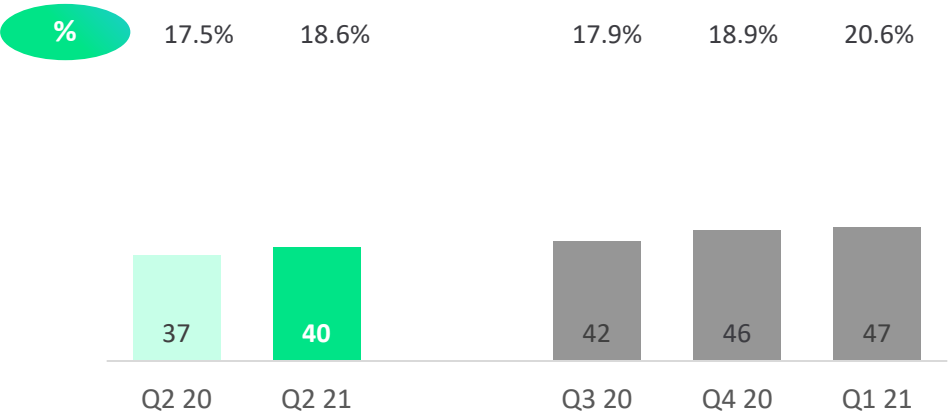
- Marks first universal HID replacement product
- Provides installers with a fast, easy and hassle-free installation
- Offers energy savings of up to 65%
- Germany-based Ipsen installed Trueforce LED highbay at its production facility in Kleve

Conventional Products delivered a CSG of 4.7% and an Adj. EBITA improvement of 110 bps to 18.6%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 21

- Comparable sales growth 4.7%
 - Broad-based growth driven by market recovery and traction across most segments
 - Strong horticulture growth
- Adjusted EBITA margin improved by 110 bps to 18.6%
 - Price discipline
 - Operational efficiencies

Overview of UV-C applications



Air disinfection
Solutions

Upper air



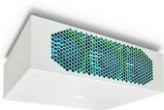
HVAC
cooling coil



Target segments

Office, Healthcare,
Food Service,
Retail, Sports

Closed air



Surface
disinfection
Solutions

Battens
(with sensors)



Control
units



Industry,
Healthcare,
Dormitories

Trolleys



Consumer
lamps



Trolleys: Office,
Healthcare, Industry

Consumer lamps:
Homes



Object
disinfection
Solutions

Professional
chambers



All professional
indoor applications






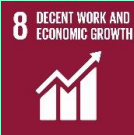
Consumer
boxes



Homes

Brighter Lives, Better World 2025 Q2 2021 results

Doubling our positive impact on the environment and society

			2019 Baseline	Q2 2021 Result	2025 Target
Better World	Climate action	 	0	33 MT	340 MT
	Circular economy				
Brighter Lives	Food availability Safety & security Health & wellbeing	 	16%	25%	32%
	Great place to work				

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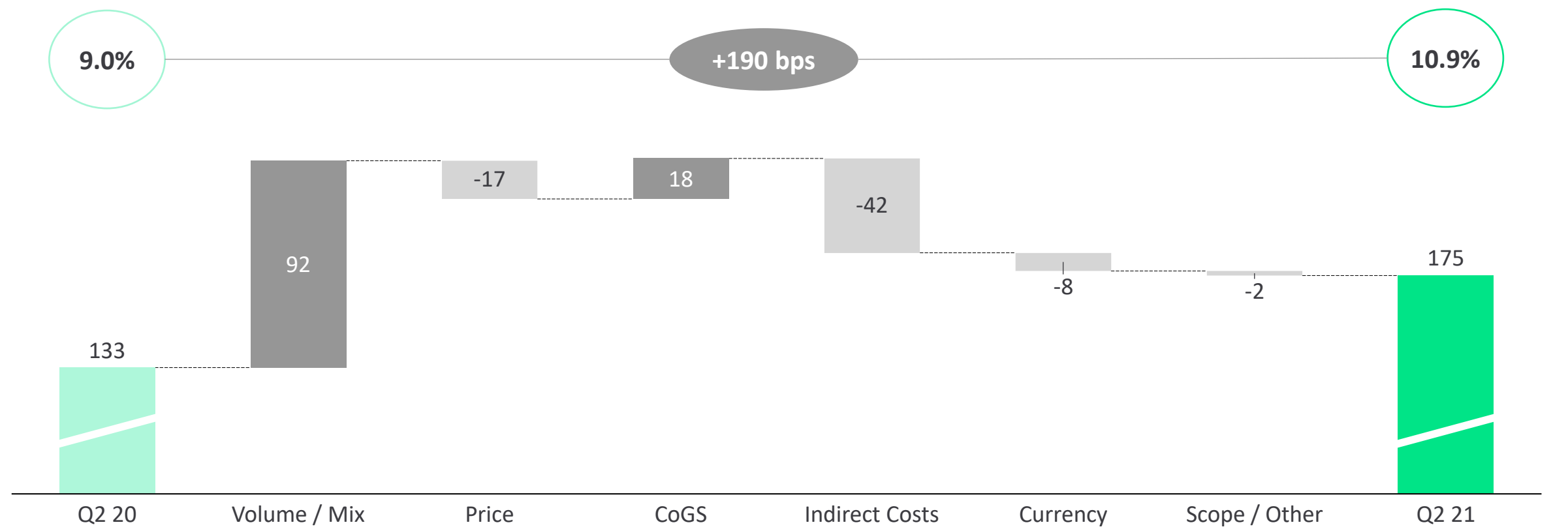
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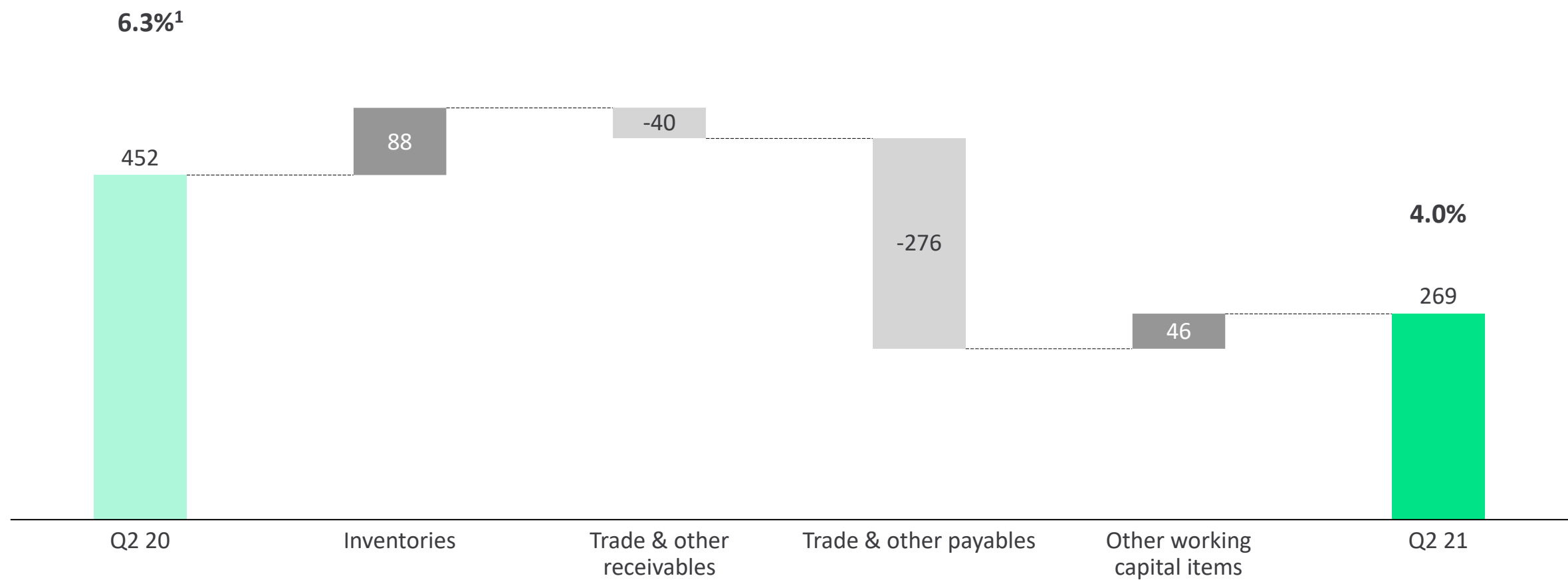
Adj. EBITA growth and margin improvement driven by volume, mix and carefully balancing pricing vs. cost

In EURm / as % of sales



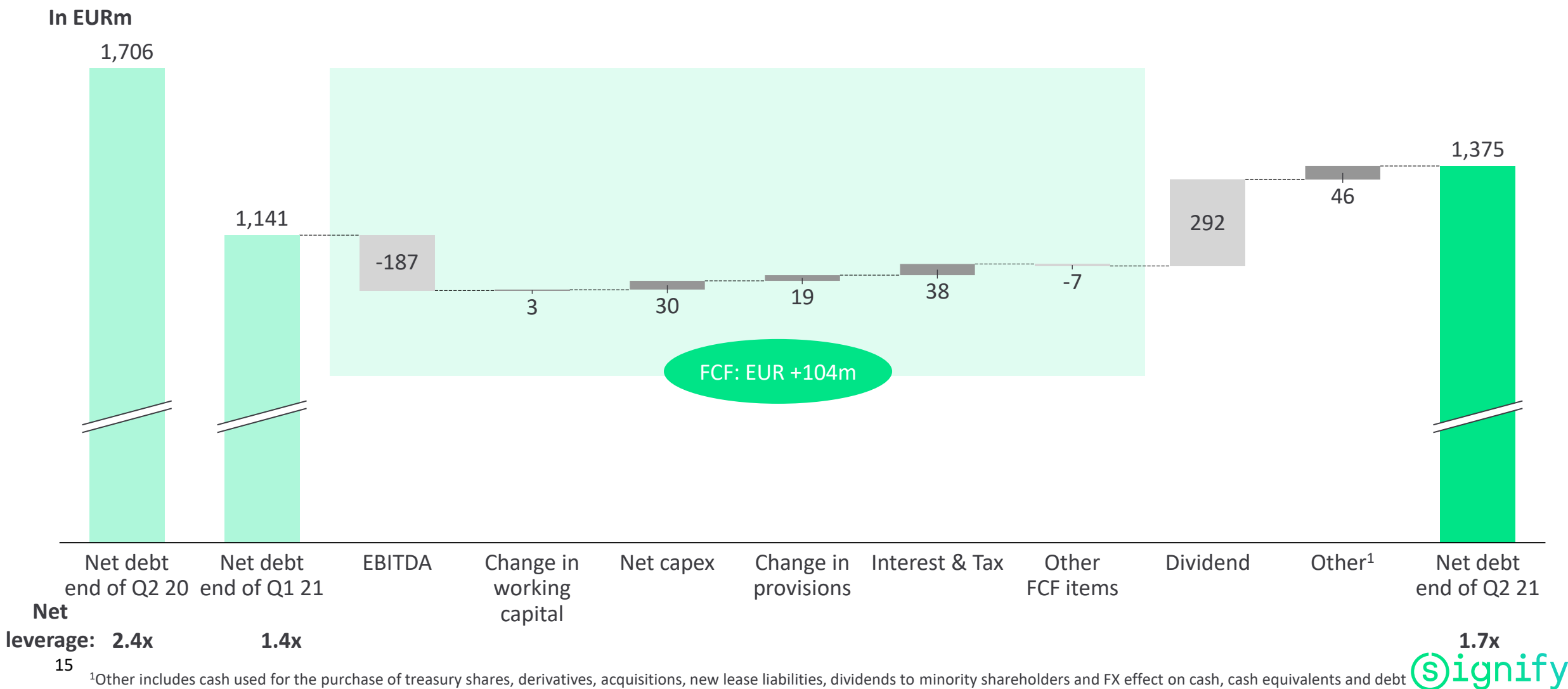
Lower year-on-year working capital with improved payables and receivables more than offsetting inventory for growth

In EURm / as % of sales

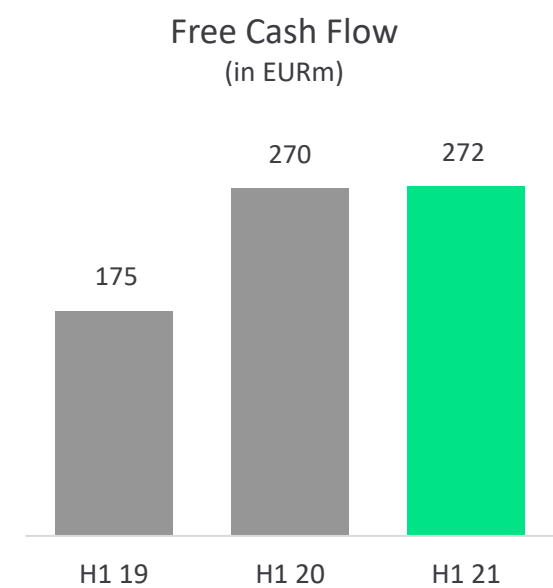
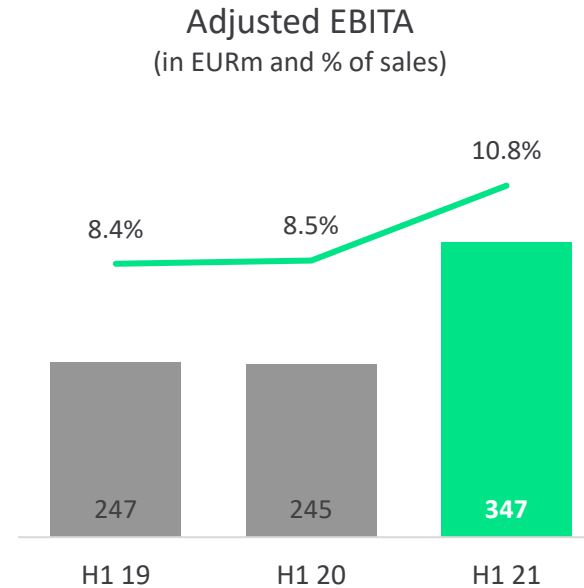
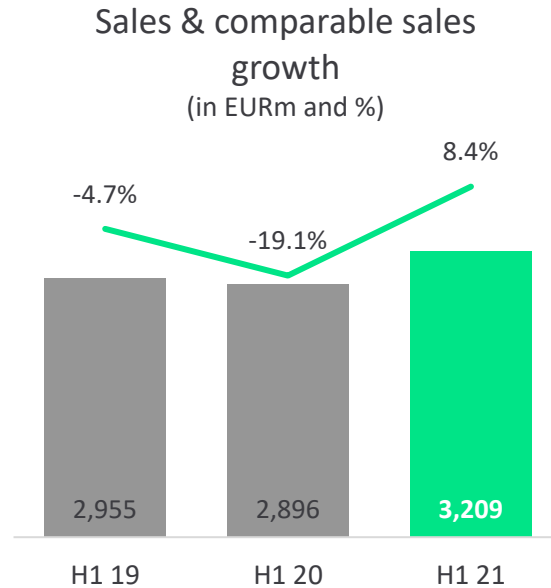


¹Includes sales of both Cooper Lighting and Klite on a 12-month pro-forma basis.

Decrease of leverage ratio from 2.4x in Q2 2020 to 1.7x in Q2 2021, but increase from Q1 2021 due to dividend payment and treasury share purchase



Strong H1 2021 with comparable sales growth of 8.4% and adj. EBITA margin expansion of 230 bps to 10.8%



H1 21 performance

Back to growth on the back of a strong decline in H1 20

- Strong consumer traction
- Resilience in conventional
- Despite continued COVID-19 measures and supply constraints

Solid year-on-year Adj. EBITA margin improvement

- Strong gross margin
- Operating leverage

Free cash flow slightly higher than last year

- Higher profitability
- Offset by lower, albeit continued, inflow from working capital and higher net capex

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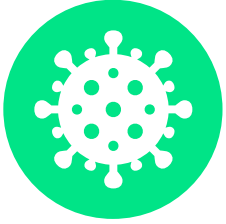
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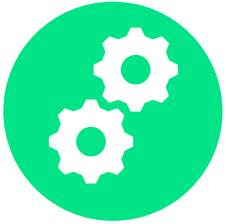
Q&A



Outlook 2021



- Continued COVID-19 uncertainty with increasing cases and new variants potentially leading to continued lockdowns and measures being reinstated



- Supply constraints likely to persist in the second half of 2021



- Signify continues to expect comparable sales growth between 3% and 6% for the full year 2021



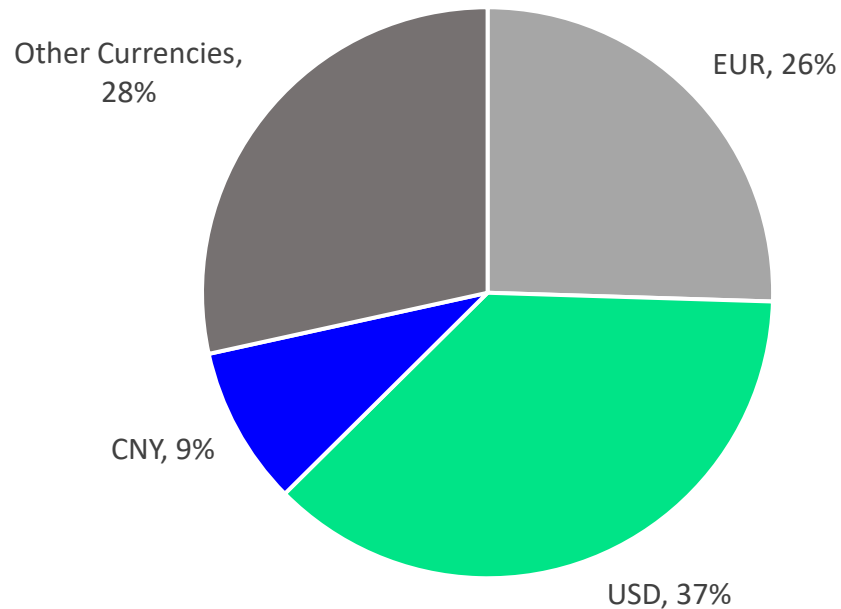
- Signify continues to expect an Adjusted EBITA margin of 11.5% to 12.5% and free cash flow to exceed 8% of sales

Q&A



Currency movements had a negative impact on sales and Adjusted EBITA

Q2 21 Sales FX Footprint (% of total)



Key observations

- Currency movements negatively impacted sales and Adjusted EBITA
- Sales impact of -4.5%, mainly from US dollar depreciation.
- Adjusted EBITA impact of EUR -8m, and -10 bps on the Adjusted EBITA margin, mainly coming from US dollar depreciation.
- 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 increased to EUR 82m, as higher profitability was offset by the impact of a significant one-time tax benefit in the previous year

From Adjusted EBITA to net income (in EURm)

	Q2 20	Q2 21
Adjusted EBITA	133	175
- Restructuring	-2	-9
① - Acquisition related charges	-15	-13
② - Other incidental items	4	-16
EBITA	119	136
Amortization	-32	-30
EBIT	87	106
Net financial income / expenses	-16	-7
③ Income tax expense	10	-17
Results from investments in associates	0	0
Net income	81	82

Key observations

- ① Mainly related to Cooper Lighting
- ② Non-recurring by nature and mainly related to environmental provisions for inactive sites and transformation costs
- ③ Last year the income tax expense benefited from one-time non-cash tax benefits from changes in the organizational structure

Free Cash Flow of EUR 104m

Free cash flow (in EURm)

	Q2 20	Q2 21
Income from operations	87	106
Depreciation and amortization	86	81
Additions to (releases of) provisions	24	29
Utilizations of provisions	-47	-48
Change in working capital	22	-3
Net interest and financing costs paid	-13	-28
Income taxes paid	0	-10
Net capex	-5	-30
Other	3	7
Free cash flow	158	104
<i>As % of sales</i>	10.8%	6.5%

Key observations

- Free cash flow of EUR 104m
- Reflecting an increased investment in growth
- Higher income from operations, offset by higher net capex, financing costs, an outflow from working capital and higher taxes paid
- Restructuring pay-out of EUR 20m (Q2 20: EUR 12m)

Signify