



signify

Q3 2022 results

October 28, 2022

# 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 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, in particular the impacts of the Russia-Ukraine conflict, the energy crisis in Europe, the impacts of COVID-19, supply chain constraints, component shortages, cost inflation, 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, 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.

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 2021.

## 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 2021 and the Semi-Annual Report 2022.

## 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 - Eric Rondolat

Financial performance and highlights - Javier van Engelen

Outlook & closing remarks - Eric Rondolat

Q&A



# Third quarter 2022 highlights



- Increasingly volatile environment
- Margin improvements vs. Q2 22; pressures from energy costs and currency movements continued to affect the P&L



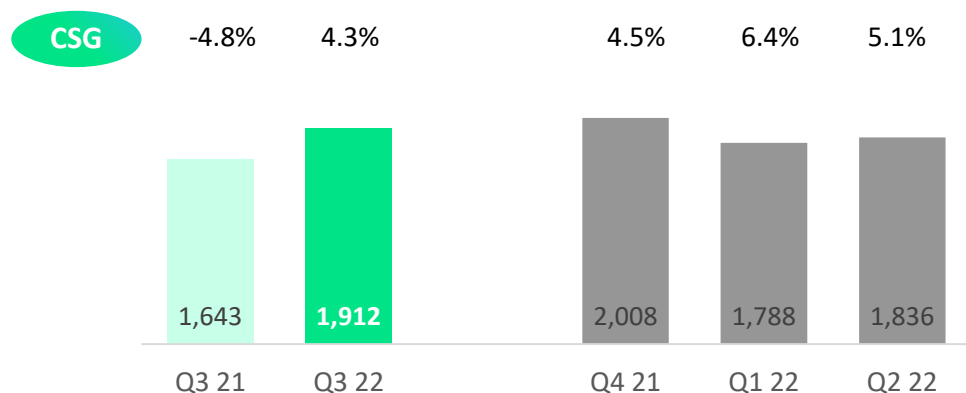
- 4.3% CSG driven by strong traction in professional segment; compensating lower consumer demand and the slowdown in China



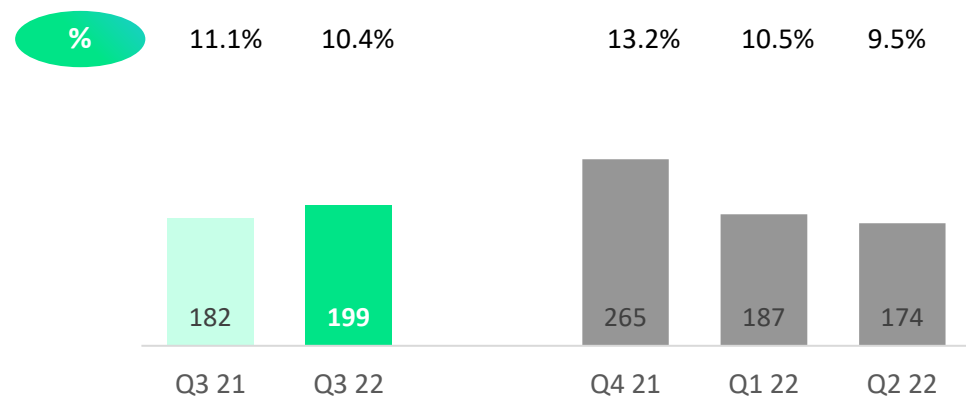
- Adjusted EBITA margin of 10.4% as an adverse FX impact was partly offset by operating leverage and strengthened cost discipline
- Net income of EUR 112 million
- Free cash flow of EUR 135 million, driven by improved profitability and the stabilization of working capital

# Signify reported Q3 22 sales of EUR 1.9 billion, CSG of 4.3% and an adj. EBITA margin of 10.4%

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



## Adjusted EBITA (in EURm & as % of sales)

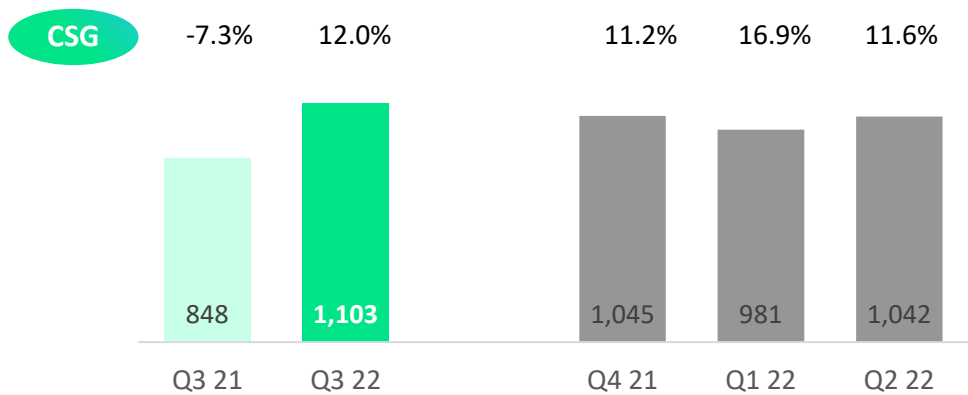


## Key observations for Q3 22

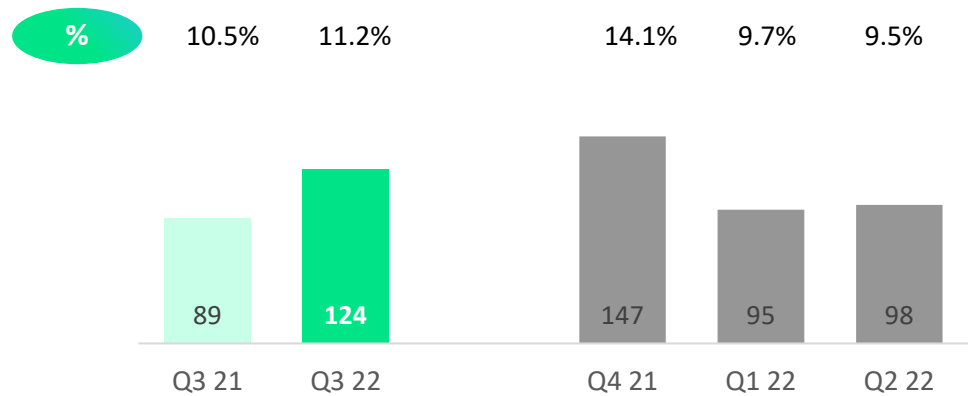
- 109 million connected light points (Q2 22: 103 million)
- LED-based sales were 83% of total sales
- Nominal sales growth of 16.3% to EUR 1,912m
- Comparable sales growth of 4.3%
- Adjusted EBITA margin decline of 70 bps to 10.4%
  - Adverse FX impact partly offset by operating leverage and strengthened cost discipline
- Net income of EUR 112m (Q3 21: EUR 94m)
- Free Cash Flow of EUR 135m (Q3 21: EUR 85m)

# Digital Solutions reported a CSG of 12.0% and an adj. EBITA margin of 11.2%

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



## Adjusted EBITA (in EURm & as % of sales)



## Key observations for Q3 22

- Comparable sales growth of 12.0%
  - Strong professional demand in most markets, particularly in the US and Europe
- Adjusted EBITA margin increased by 70 bps to 11.2%
  - Price increases and operating leverage more than compensating higher input costs and an adverse FX impact

# Digital Solutions highlights

## Upgrading lighting solutions in every Everlast gym across the UK



- Appointed to design and supply the lighting for all 69 Everlast Gyms across the UK
- Interact provides centralized lighting control for all the gyms
- 3D-printed luminaires are designed and developed to suit the needs of each location
- Cuts energy consumption by about 80%

## Installing LED horticulture grow lights in a Korean tomato greenhouse



- Installed Philips GreenPower LED toplighting compact at the 2.8 ha Parm Farm tomato greenhouse
- Accelerates plant growth, produces higher yields, and enables higher-quality crop production
- Energy savings of up to 50%

## Becoming premium partner for UV-C and LED lighting of Werder Bremen



- Equipping team areas, meeting rooms and several offices of the Bundesliga football club with Philips UV-C air disinfection
- Inactivates more than 95% of bacteria and viruses in one hour
- The cooperation is to be extended to other core areas of lighting in the long term

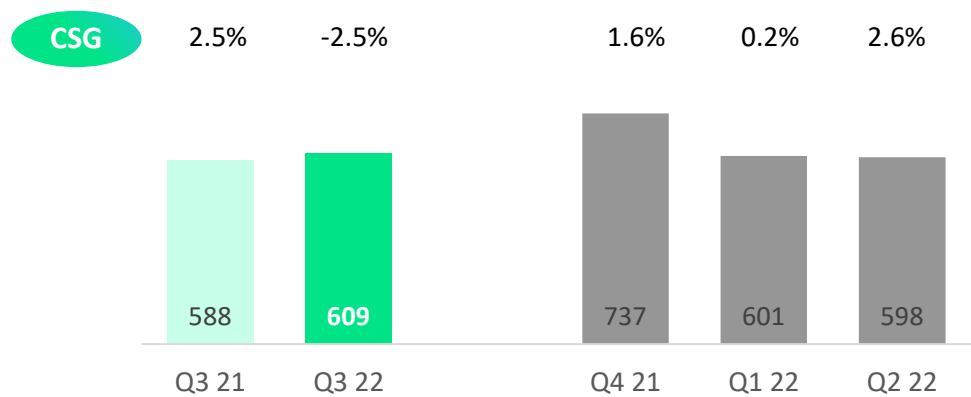
## Lighting up the façade of the Basilica di Santa Maria Novella in Florence



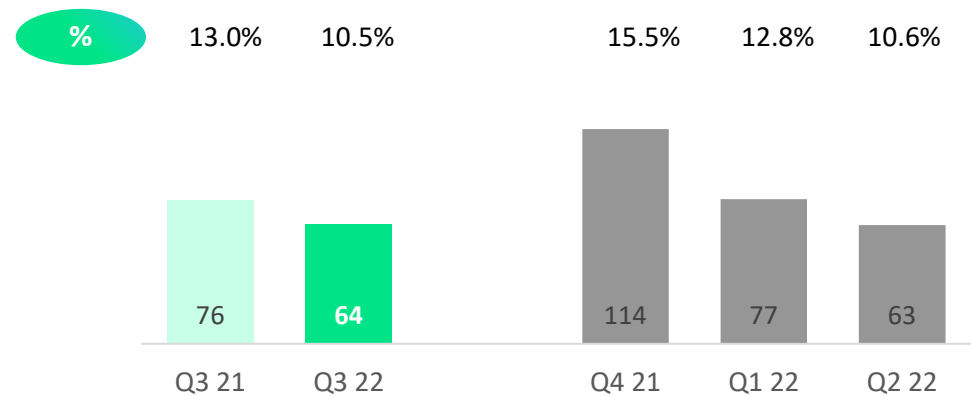
- Installed 12 Color Kinetics ReachElite IntelliHue LED projectors and Interact Landmark
- Enables further enhancement of the exterior of the famous building thanks to dynamic architectural lighting

# Digital Products reported a CSG of -2.5% and an adj. EBITA margin of 10.5%

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



## Adjusted EBITA (in EURm & as % of sales)



## Key observations for Q3 22

- Comparable sales decline of 2.5%
  - Solid demand for LED Electronics
  - Softness in the consumer channel and China
- 
- Adjusted EBITA margin declined by 250 bps to 10.5%
  - Adverse FX impact
  - Lower fixed cost absorption

# Digital Products highlights

## Launching new Ultra Efficient A-Class products



- Launched the world's first Ultra Efficient A-class downlight, and outdoor luminaires with wall and pedestals in Europe
- More than 50% of energy savings compared with standard LED alternatives

## Offering a new way of automating WiZ lights



- SpaceSense is a new way to automate your WiZ lights using Wi-Fi sensing technology
- It uses Wi-Fi signals that are already present in the room to detect motion
- No need for dedicated sensors and batteries
- The new feature is completely opt-in

## Teaming up with CORSAIR to give you the ultimate gaming setup



- To support an immersive gaming experience, Philips Hue and CORSAIR have teamed up
- CORSAIR iCUE can be used to set scenes on Philips Hue lights, synchronizing with CORSAIR RGB gaming peripherals to create the perfect gaming atmosphere

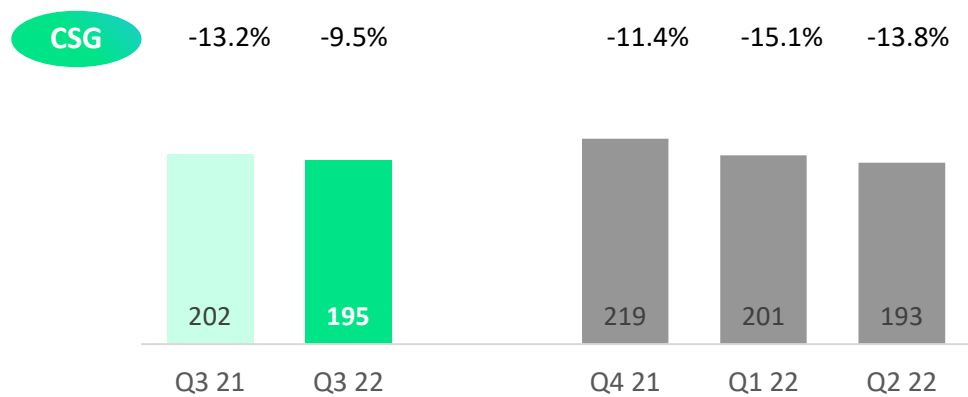
## Introducing the Philips CorePro LED HighBay



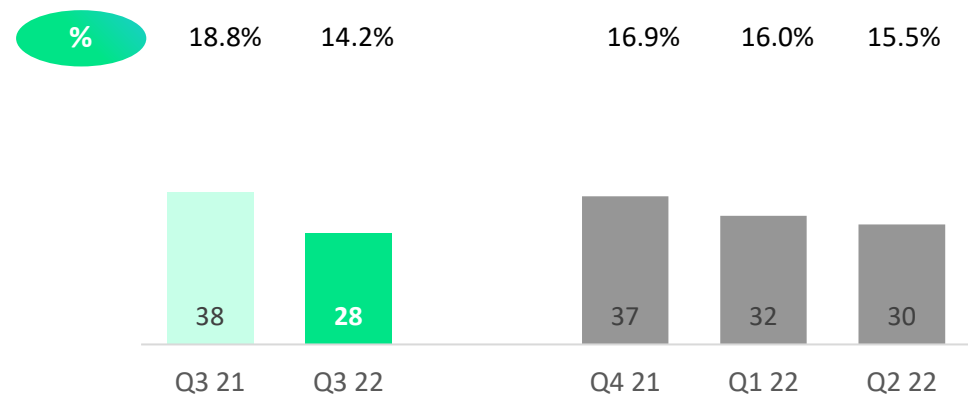
- More than 60% of energy savings compared with conventional HID
- Suitable for a large variety of applications, such as industrial buildings, warehouses and retail stores
- Launching in Europe and Greater China

# Conventional Products reported a CSG of -9.5% and an adj. EBITA of 14.2%

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



## Adjusted EBITA (in EURm & as % of sales)









## Key observations for Q3 22

- Comparable sales decline of 9.5%
- Price increases partially compensated volume declines
- Adjusted EBITA margin decreased by 460 bps to 14.2%
- Price increases and indirect cost savings offsetting energy cost increases
- Lower fixed cost absorption
- Temporary headwind from FX hedging

# Brighter Lives, Better World 2025 – Q3 2022 results

Doubling our positive impact on the environment and society

Doubling our positive impact on the environment and society				2019 Baseline	Q3 2022 Result	2025 Target
Better World	Climate action	 	Carbon reduction over value chain against Paris Agreement	0	On track	324 MT
	Circular economy		Circular revenues	16%	30%	32%
Brighter Lives	Food availability Safety & security Health & well-being	 	Brighter lives revenues	16%	28%	32%
	Great place to work		Women in leadership positions	17%	27 %	34%



A list for climate and supply chain

Member of  
**Dow Jones Sustainability Indices**  
Powered by the S&P Global CSA

DJSI World Index and top 1% in our industry



EcoVadis Platinum Medal and top 1%

On track  
Off track

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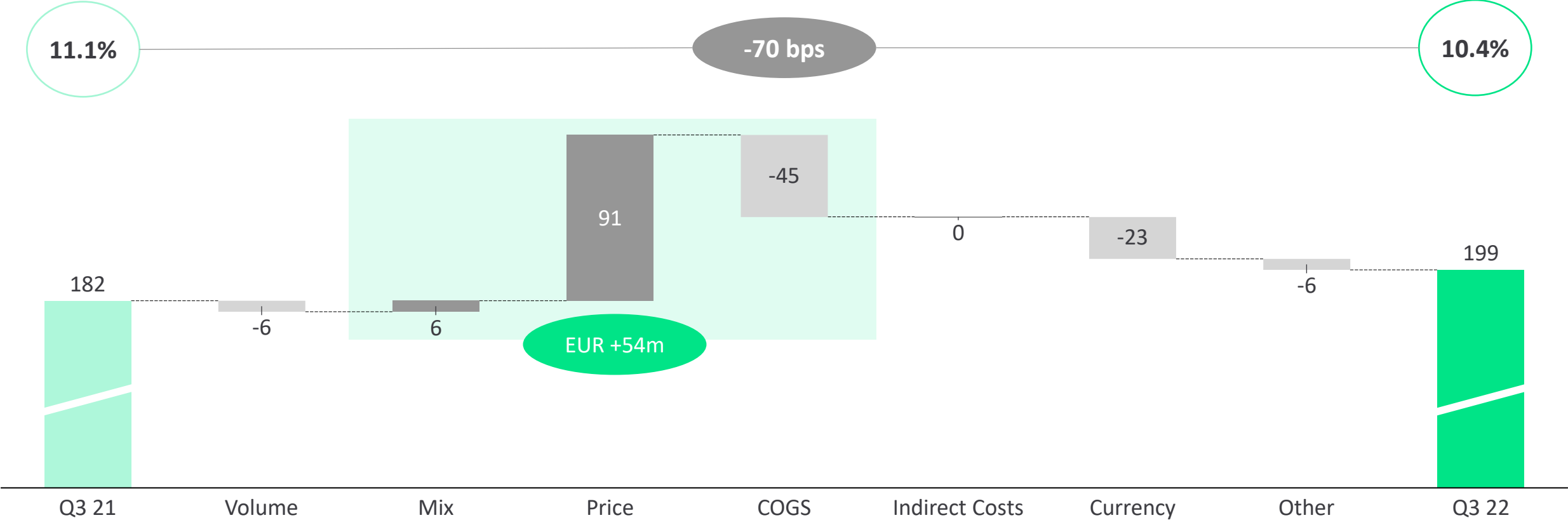
Outlook & closing remarks - Eric Rondolat

Q&A



# Adjusted EBITA margin decreased to 10.4%, mainly due to a strong negative currency effect, while price increases more than offset higher input costs

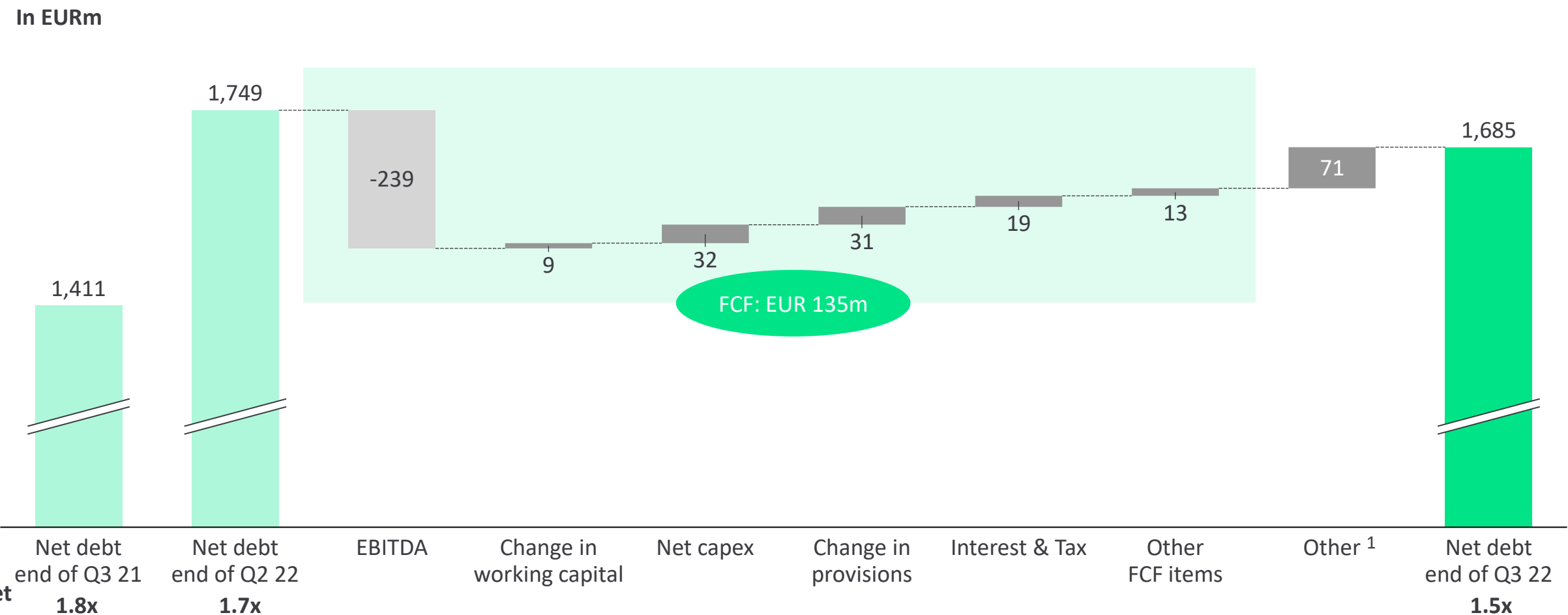
In EURm / as % of sales



# Year on year, working capital continues to be impacted by higher inventories due to longer supplier lead times, and higher receivables



# Leverage ratio decreased from 1.7x at the end of Q2 22 to 1.5x at the end of Q3 22, mainly driven by positive free cash flow



<sup>1</sup>Other includes new lease liabilities, derivatives, and FX effect on cash, cash equivalents and debt.

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# Outlook



- Given the uncertain near-term outlook, the continued softness of the consumer segment and of the Chinese market, we now expect to achieve comparable sales growth between 2% and 3% for the full year 2022
- We are targeting the lower end of the range for both the 11.0-11.4% Adjusted EBITA margin guidance and the 5-7% free cash flow guidance



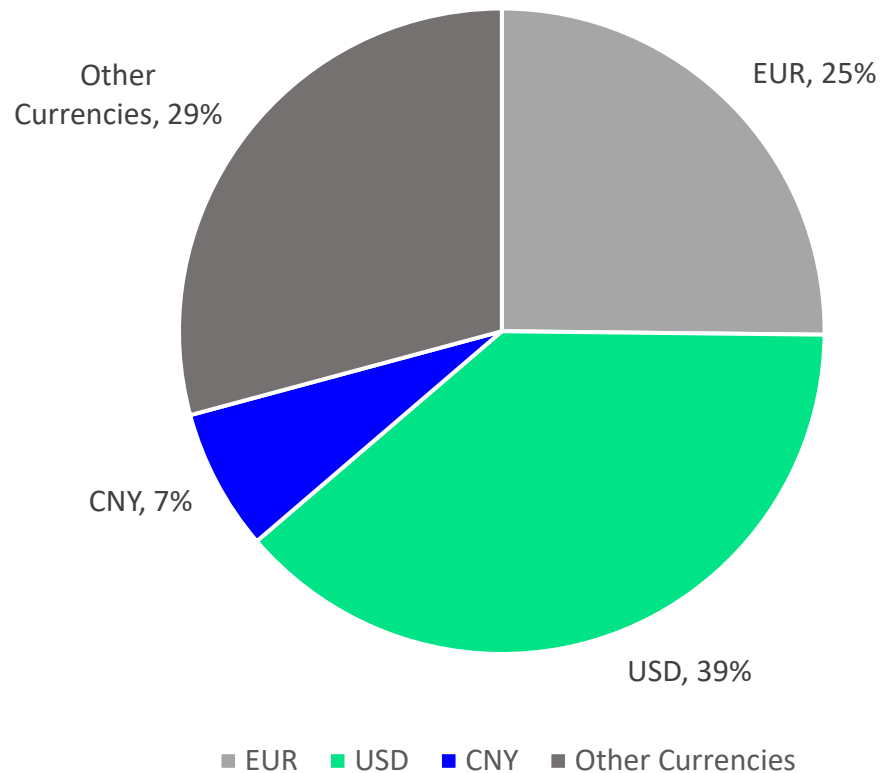
- Adapting to a structurally weaker environment in the coming quarters
- Focus on measures to control costs and cash flow, in line with our track record

Q&A



# Currency movements had a positive impact on sales and a negative impact on Adjusted EBITA

## Q3 22 Sales FX Footprint (% of total)



## Key observations

- Currency movements positively impacted Sales and negatively impacted Adjusted EBITA
- Sales impact of +8.1%, mainly from US dollar appreciation.
- Adjusted EBITA impact of EUR -23m, and -220 bps on the Adjusted EBITA margin

# Net income increased to EUR 112m, mainly driven by higher EBIT, partly offset by higher income tax expense

## From Adjusted EBITA to net income (in EURm)

	Q3 21	Q3 22
<b>Adjusted EBITA</b>	<b>182</b>	<b>199</b>
- Restructuring	-19	-6
- Acquisition-related charges	-10	-10
① - Other incidental items	-5	10
<b>EBITA</b>	<b>149</b>	<b>193</b>
Amortization	-31	-32
<b>EBIT</b>	<b>118</b>	<b>161</b>
Net financial income / expenses	-4	-17
② Income tax expense	-20	-32
Results from investments in associates	0	0
<b>Net income</b>	<b>94</b>	<b>112</b>

## Key observations

- ① Non-recurring by nature and relate to among others:
  - Separation
  - Transformation
  - Environmental provision for inactive sites
  - The discounting effect of long-term provisions
  - Non-cash charges related to operations in Russia and Ukraine
- ② Last year's income tax expense benefited from a one-time tax benefit from the release of tax liabilities

# Free cash flow of EUR 135m, mainly driven by strong income from operations and a stabilization of working capital

## Free cash flow (in EURm)

	Q3 21	Q3 22
Income from operations	118	161
Depreciation and amortization	77	78
Additions to (releases of) provisions	32	25
Utilizations of provisions	-58	-56
Change in working capital	-66	-9
Net interest and financing costs received (paid)	1	-2
Income taxes paid	-14	-17
Net capex	-15	-32
Other	10	-13
<b>Free cash flow</b>	<b>85</b>	<b>135</b>
<i>As % of sales</i>	<i>5.2%</i>	<i>7.1%</i>

## Key observations

- Free cash flow of EUR 135m
  - Strong income from operations
  - Stabilization of working capital
- Restructuring pay-out of EUR 14m (Q3 21: EUR 26m)

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