



Press release

October 15, 2019

Signify to acquire Cooper Lighting Solutions to strengthen its position in the attractive North American lighting market

- Signify to acquire Cooper Lighting Solutions from Eaton for USD 1.4 billion in cash
- Clear strategic fit:
 - Strengthening Signify's market positions in North America, with increased innovation power and more competitive offerings;
 - Improving the business mix with Professional revenues increasing from 42% to 53% of total sales¹
- Respective agent networks and front office functions will continue to operate independently
- Substantial value creation opportunity: cost synergy potential with savings of more than USD 60 million per year, to be largely achieved in the first three years
- Compelling financial metrics: mid-teens EPS accretion in year 1; transaction ROIC to exceed WACC after year 1
- Transaction fully funded with debt; committed bridge financing in place
- Upon closing of the acquisition:
 - Capital allocation priority is to deleverage. Strong free cash flow expected to drive down the net leverage ratio from around 2x at closing to below 1x net debt/EBITDA within three years
 - Continue to pay a stable or increased dividend per share

Eindhoven, the Netherlands – [Signify](#), (Euronext: LIGHT), the world leader in lighting, today announced that it has entered into a definitive agreement with Eaton to acquire Cooper Lighting Solutions for USD 1.4 billion (approx. EUR 1,270 million) in cash. Closing is subject to regulatory approvals and other customary conditions and is expected to take place in the first quarter of 2020.

Cooper Lighting Solutions, headquartered in Peachtree City, GA, United States, is a leading provider of professional lighting, lighting controls, and connected lighting. The business offers a large breadth of products and applications, both in the indoor and outdoor segments, sold under renowned brands in North America including Corelite, Halo, McGraw-Edison, Metalux. The company sells its lighting portfolio through a strong agent network and has direct relationships with retailers, distributors and other end-user customers. The business generated² USD 1.7 billion of sales in 2018, of which 84% were LED-based, a reported EBITDA of USD 187 million and free cash flow of USD 143 million.

¹ Based on 2018 sales

² Based on audited carve-out financials, excluding Specialty Lighting



“Today’s announcement confirms the strategic importance of the North American market for Signify. This acquisition will substantially strengthen our position in this attractive market,” said Eric Rondolat, CEO of Signify. “We look forward to welcoming the team from Cooper Lighting. They have built a high-performance company based on professionalism, truly innovative offers and a long and strong relationship with their customers. We share a genuine passion and single focus for Lighting and a successful track record in innovation. We will join forces to further develop connected lighting and provide our customers with the highest level of service while optimizing operational efficiencies.”

A strategic transaction to strengthen Signify’s position in the North American professional lighting market

This acquisition is fully in line with Signify’s strategy to expand in attractive markets, enhancing Signify’s position in the North American market and improving the business mix.

Together, the two businesses will be better positioned to benefit from the growing USD 12 billion professional lighting market in North America, driven by the continued conversion to LED and the increased demand for connected lighting systems and controls.

Signify and Cooper Lighting will maintain separate front offices: sales forces, agent networks, product and brand portfolios, marketing and product development teams. Both businesses will be able to strengthen their respective product portfolios, benefitting from an increased power of innovation as well as more competitive and cost-efficient offerings.

Substantial cost synergy potential of more than USD 60 million per year

The transaction is expected to generate substantial cost synergies of more than USD 60 million per year, largely to be achieved in the first three years. These tangible and well-identified cost synergies will stem from savings in the bill of materials as well as from supply chain and sourcing optimization.

Compelling financial metrics

Signify will acquire Cooper Lighting Solutions for a cash consideration of USD 1.4 billion (approx. EUR 1,270 million) on a cash and debt-free basis. The enterprise value of the transaction net of the present value of tax benefits² will be USD 1,313 million (approx. EUR 1,191 million), representing a multiple of 7.0x 2018 EBITDA excluding synergies, and 5.3x including run-rate synergies.

The acquisition is expected to result in mid-teens EPS accretion in year one and the transaction ROIC is expected to exceed Signify’s WACC after year one.

Transaction impact on Signify

Upon closing of the acquisition, Signify will generate over 50% of its sales in the Professional segment, increasing the revenue base for its growing profit engines from EUR 4.9 billion to EUR 6.4 billion. The proportion of sales generated in the Americas increases from 28% to 40%. Once the full synergy potential is achieved, Cooper Lighting is expected to deliver an adjusted EBITA margin in the low- to mid-teens.



Financing Structure

The acquisition is fully financed with debt, with committed bridge financing arranged. Signify intends to replace the bridge loan and the existing term loan debt obtained at IPO with a new financing structure before or shortly after the closing of this transaction.

Signify intends to maintain a robust capital structure and continues to aim towards a financing structure that is compatible with an investment grade profile. Following the transaction, the company will prioritize deleveraging with strong free cash flows expected to drive down the company's net leverage ratio from around 2x at closing to below 1x net debt/EBITDA within three years. The company plans to continue to pay a stable to increased dividend per share. While Signify will focus on deleveraging, it will continue to invest in R&D and other organic growth opportunities. As Signify will focus on integrating Cooper Lighting and on delivering synergies, M&A will have a lower priority.

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Conference call and audio webcast

Eric Rondolat (CEO) and Stéphane Rougeot (CFO) will host a conference call for analysts and institutional investors at 8am CET on Wednesday 16 October to discuss the announced transaction. A live audio webcast of the conference call will be available via the [Investor Relations website](#).

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About Signify

[Signify](#) (Euronext: LIGHT) is the world leader in lighting for professionals and consumers and lighting for the Internet of Things. Our [Philips](#) products, [Interact](#) connected lighting systems and data-enabled services, deliver business value and transform life in homes, buildings and public spaces. With 2018 sales of EUR 6.4 billion, we have approximately 28,000 employees and are present in over 70 countries. We



unlock the extraordinary potential of light for brighter lives and a better world. We have been named [Industry Leader](#) in the Dow Jones Sustainability Index for three years in a row. News from Signify is located at the [Newsroom](#), [Twitter](#), [LinkedIn](#) and [Instagram](#). Information for investors can be found on the [Investor Relations](#) page.

Forward-looking statements

This press release contains certain forward-looking statements with respect to the financial condition, results of operations and business of Signify and certain of the plans and objectives of Signify with respect to these items. Examples of forward-looking statements include statements made about the strategy, estimates of sales growth, future EBITA, future developments in Signify's organic business and the completion of acquisitions and divestments. By their nature, these statements involve risk and uncertainty because they relate to future events and circumstances and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these statements.

Non-IFRS Financial Measures

Certain parts of this document contain non-IFRS financial measures and ratios, such as adjusted EBITA, 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 Signify'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. For further information on non-IFRS financial measures, see "Chapter 18 Reconciliation of non-IFRS measures" in the Annual Report 2018.

Market Abuse Regulation

This is a public announcement by Signify N.V. pursuant to section 17 paragraph 1 of the European Market Abuse Regulation (596/2014).