signify

Q1 2019 results

April 26, 2019

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 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, establishment of corporate and brand identity, 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 2018 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 2018. 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 2018.

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 2018.

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

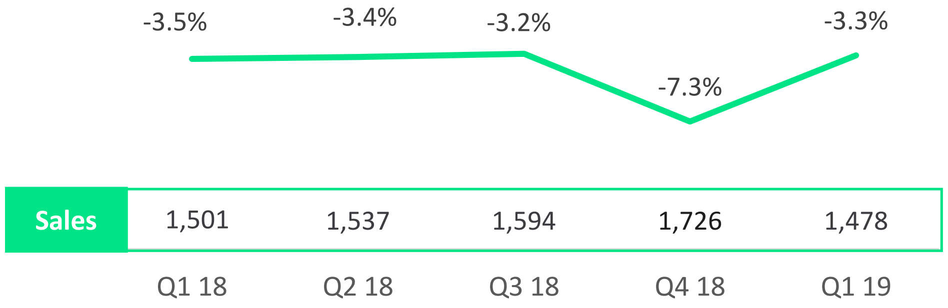
Financial performance by Stéphane Rougeot

Outlook & conclusion by Eric Rondolat

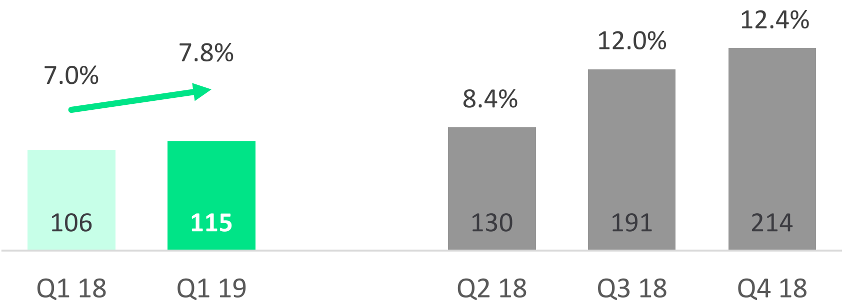
Q&A

Q1 19 sales of EUR 1.5bn, operational profitability of 7.8% and FCF of 55m

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q1 19

- CSG decreased by 3.3%
- LED-based sales grew by 3.6%, accounting for 73% of sales
- Currency comparable adjusted indirect costs down EUR 39m, or 170 bps as % of sales
- Adjusted EBITA margin improved by 80 bps to 7.8%, despite -130 bps impact of FX
- Net income more than doubled from EUR 20m last year to EUR 44m
- Free cash flow of EUR 55m versus EUR -6m in Q1 18, including EUR 17m positive impact from IFRS 16 in Q1 19

Growing profit engines: CSG of 1.1% and Adjusted EBITA margin improvement of 210 bps

Q1 19	CSG %	Adjusted EBITA (EURm)	vs LY (EURm)	Adjusted EBITA %	vs LY (bps)
LED	-0.2%	54	+11	11.9%	+230
Professional	-1.5%	32	+1	5.3%	+10
Home	24.4%	-7	+14	-6.1%	+1,700
Total	**1.1%**	**79**	**+26**	**6.7%**	**+210**

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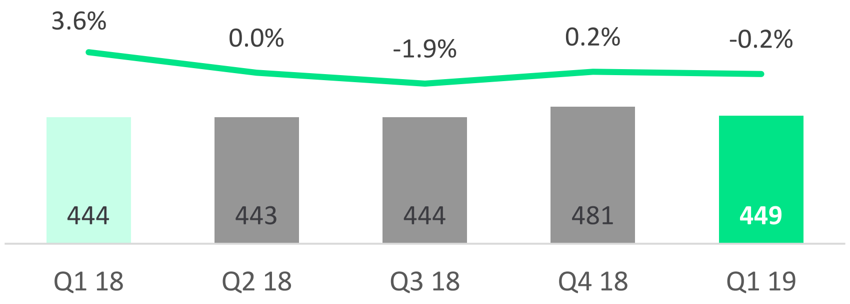
LED Adjusted EBITA margin increased by 230 bps, mainly as a result of procurement savings and lower indirect costs

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



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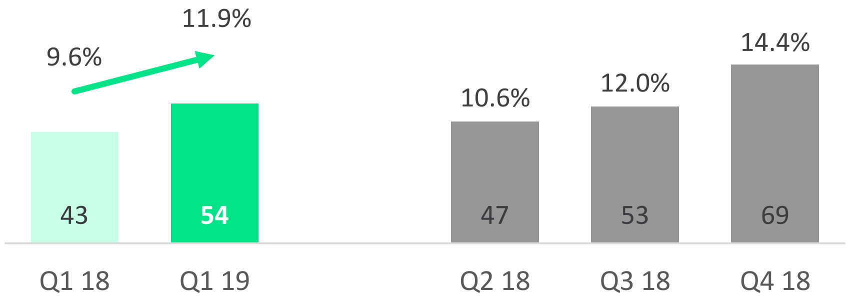


Key observations for Q1 19

- CSG of -0.2%; LED lamps showed a solid performance while growth in LED electronics slowed down in Europe
- Adjusted EBITA margin increased by 230 bps, mainly as a result of procurement savings and lower indirect costs

LED business highlights

Launching the TrueForce Urban G3 Europe



- Creates pleasant and safe atmosphere in street lighting with LED retrofit
- Enhances the ease of installation and instant upgrade of conventional HID system with 80% energy savings and < 2 years payback

Winning private label tenders



- We won 4 private label tenders in Q1 19
- Ongoing focus on cost optimization to remain competitive
- Offering tiering and width in portfolio (lamps & luminaires)

Launching 'Edge' system (driver & module) for high-bay fixtures in US

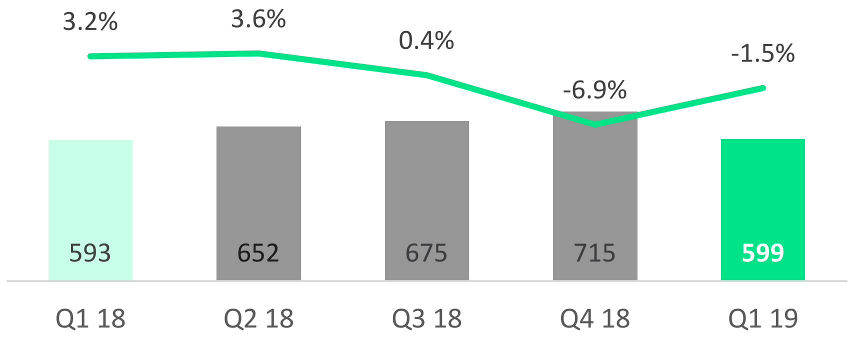
- Cost effective combi-system-pack of driver and LED modules for high-bay fixtures
- Enables high efficiency and operating temperatures to cater for maximum brightness designed for industrial applications

Launching the world's smartest outdoor LED driver

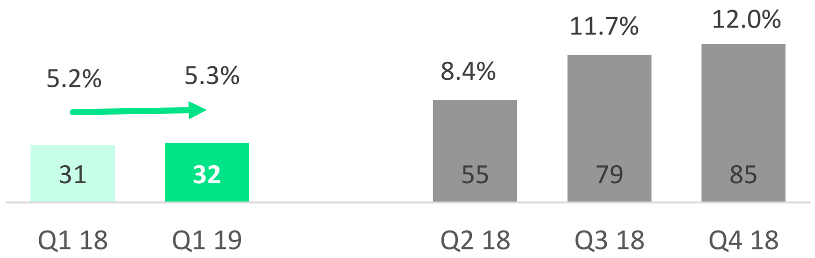

- Enables connect-ready and connected outdoor lighting
- Unique IntelliStart inrush current limiter feature for max number of light poles on a circuit breaker
- Allowing high surge up to 10KV for tough environmental conditions

Professional Adjusted EBITA margin stable at 5.3%, despite lower level of market activity in Europe and China

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



Adjusted EBITA (in EURm & as % of sales)



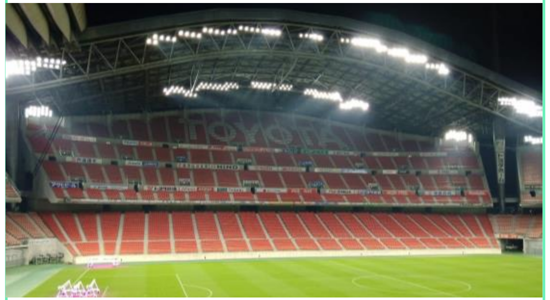
Key observations for Q1 19

- CSG of -1.5%, due to a lower level of market activity in Europe and China, partly offset by a solid performance in the Americas

- Adjusted EBITA margin remained stable at 5.3% as continued indirect cost savings more than offset the negative impact of FX and mix

Professional business highlights

Using robotics to install pitch lighting at Toyota Stadium in Japan



- Robotics measurement reduces installation time
- Improves accuracy for aiming of floodlights, horizontal illuminance, color temperature and rendering
- Extra services include syncing lighting with entertainment system

Enabling Prime Delica to grow healthier and safer crops

- Developed optimal light recipe to increase vitamin levels and nutritional value of lettuce
- Enables high-quality lettuce varieties, spinach and coriander to grow all year round
- Reduces water consumption

Transforming two landmark bridges in Indonesia

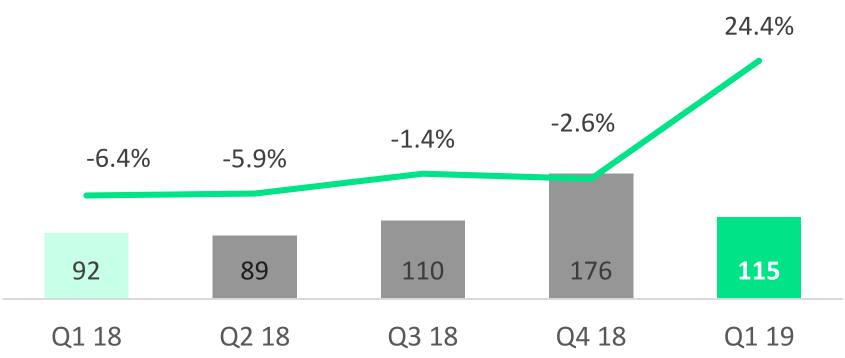
- Interact Landmark and Color Kinetics luminaires transform bridges in Tanjungpinang and Samarinda into tourist attractions and give civic pride
- Enables remote control and management of the lights on the two bridges

Experiencing lighting before you buy with VR app

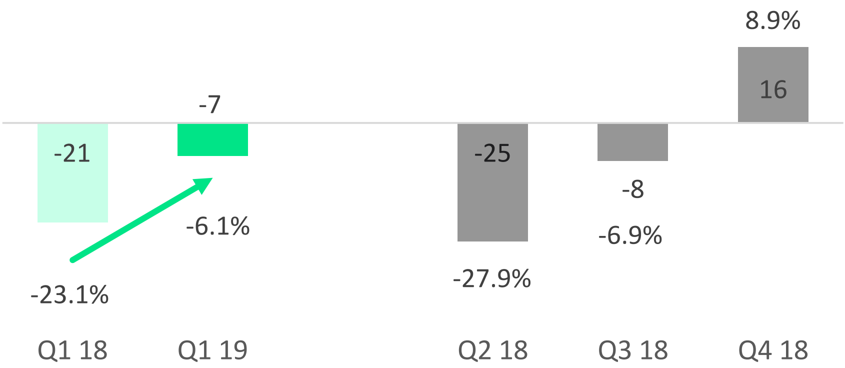
- Retailers can sample lighting designs and find right lighting for their store
- Lets customers immerse themselves in a virtual fashion store & see how lighting can make stores more appealing

Home – strong rebound in CSG and substantial improvement in profitability

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q1 19

- CSG of 24.4%, on the back of a low comparison base in the US while we experienced strong demand for connected offers

- Adjusted EBITA margin of -6.1% improved substantially compared with last year and includes a significant negative impact of FX

Home business highlights

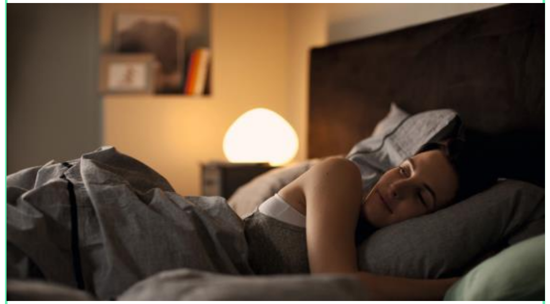
Winning iF Design Awards for Philips Hue

- The redesigned Philips Hue app 3.0 that enables users to control and personalize their lighting won an iF Design Award
- Four Philips Hue connected luminaires also won iF Design Awards

Continuously increasing user appreciation of Philips Hue products

- In Q1 users gave an average 4.27 star rating on Amazon to the 2018 range of new Philips Hue product introductions
- This is an increase of 0.37 stars versus new products launched in 2017

Launching the Gentle Sleep & Wake feature



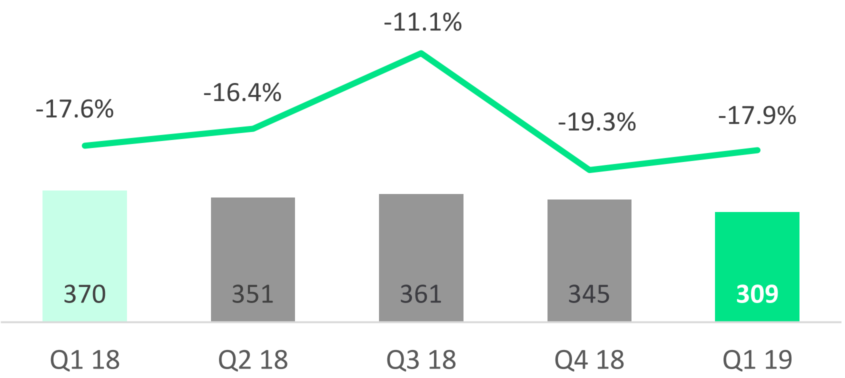
- In partnership with Google, the Gentle Sleep & Wake software feature went live
- Allows a Google Home device to work in concert with a Philips Hue light setup to gently wake you up or go to sleep

Introducing two new ranges of architectural downlights

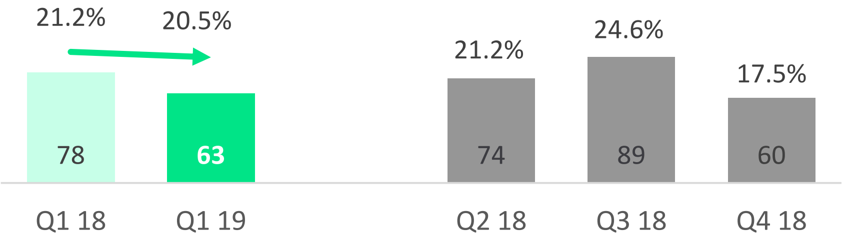
- Modular launched two new ranges of Thimble and Minude minimalistic architectural downlights
- Modular won a Red Dot Design Award for its Qbini downlights

Cash engine – Lamps Adjusted EBITA margin remained solid at 20.5%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q1 19

- Comparable sales decreased by 17.9%
- Continued market share gains
- Adjusted EBITA margin remained solid at 20.5% as a result of ongoing indirect cost reductions

Acquisition of WiZ Connected further expands our leadership in connected lighting

Signify announced the acquisition of WiZ Connected:

- Developers of the Wi-Fi based WiZ connected lighting ecosystem
- Headquartered in Hong Kong
- WiZ Connected offers Wi-Fi-based connected products such as bulbs, luminaires, remote controls and an App

The smart consumer lighting market is very attractive:

- Philips Hue is the global market leader in Zigbee-based smart lighting
- A new technology platform, based on Wi-Fi, is emerging fast which also offers attractive growth potential
- We plan to capture growth from both technology platforms: Zigbee and Wi-Fi

Through the acquisition of WiZ Connected, we:

- Expand our connected lighting offer
- Reach a larger customer base
- Strengthen our leadership position in connected lighting

WiZ CONNECTED

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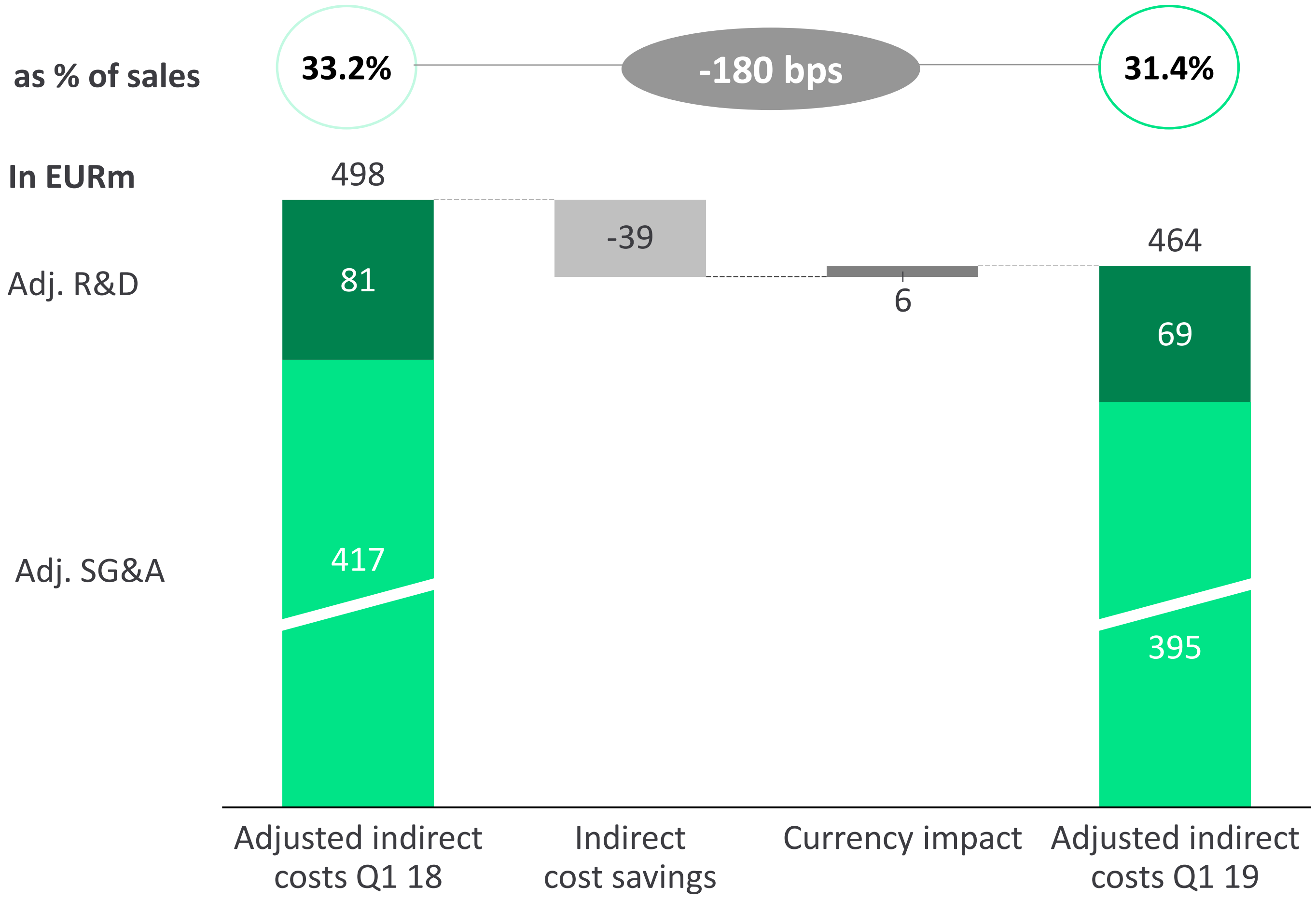
Q&A

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

Adjusted currency comparable indirect costs decreased by 8%

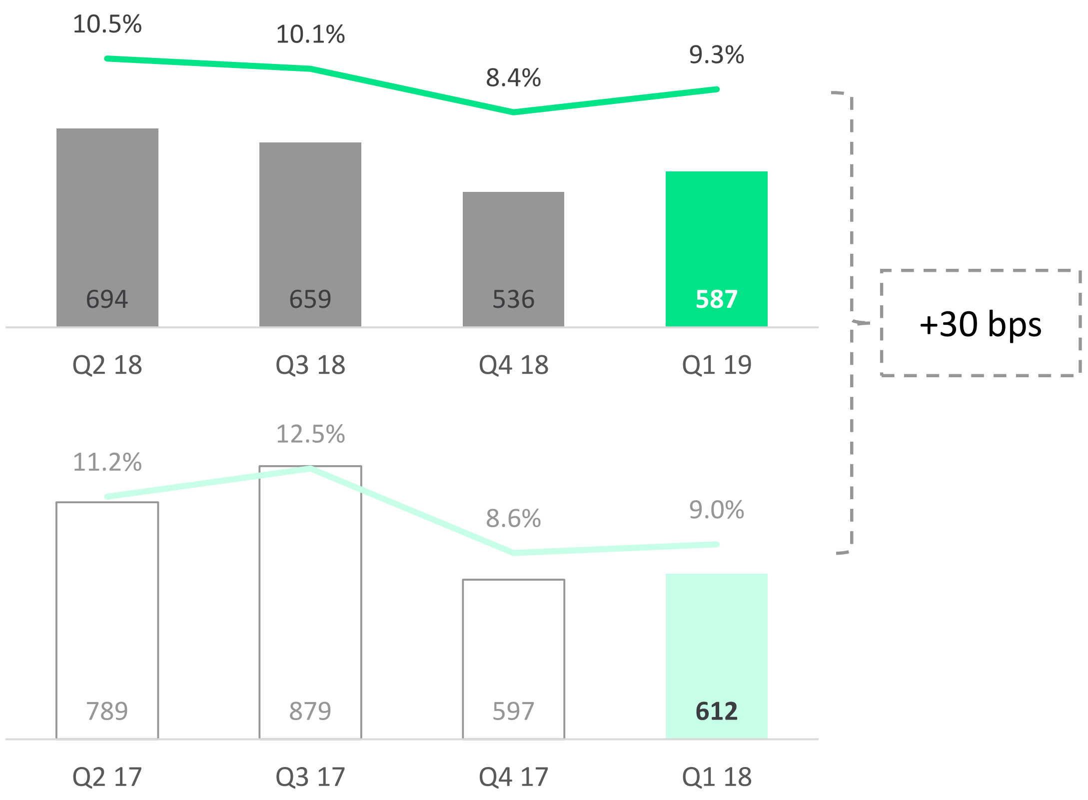


Key observations

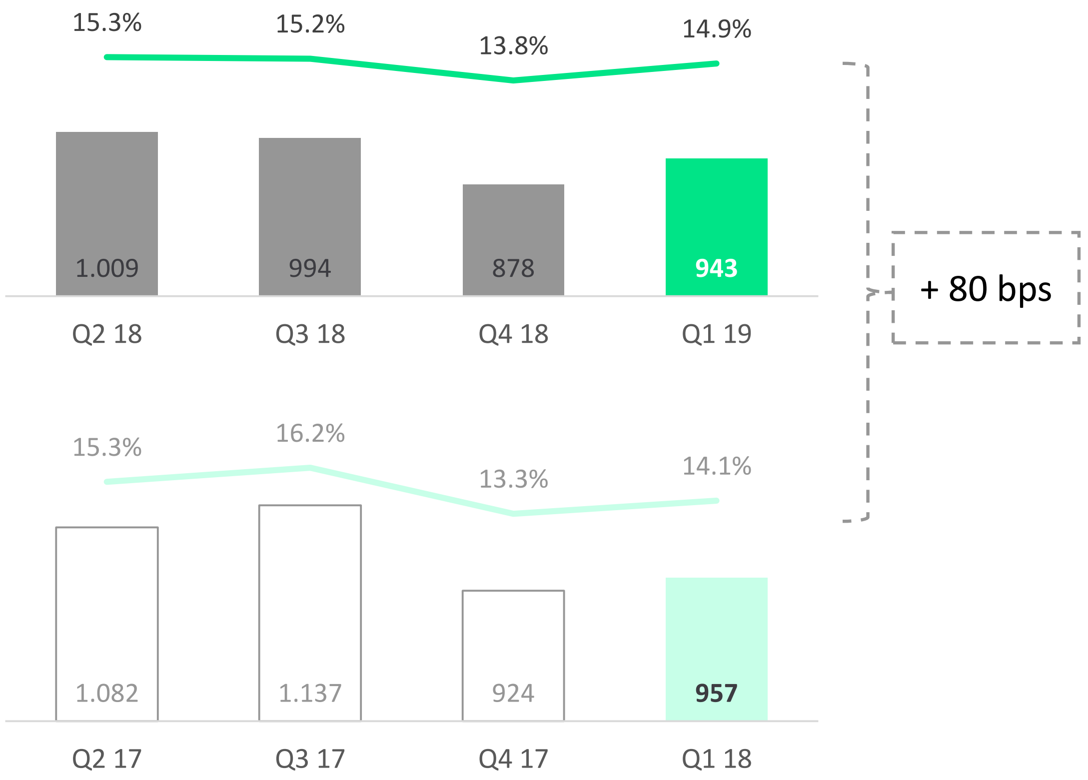
- Indirect cost reduction of EUR 39m
- Negative currency impact of EUR 6m
- Continue to execute initiatives to further reduce the indirect cost base

Working capital as % of sales improved by 20 bps y-o-y, excluding FX

Working capital[1] (in EURm & as % of sales)

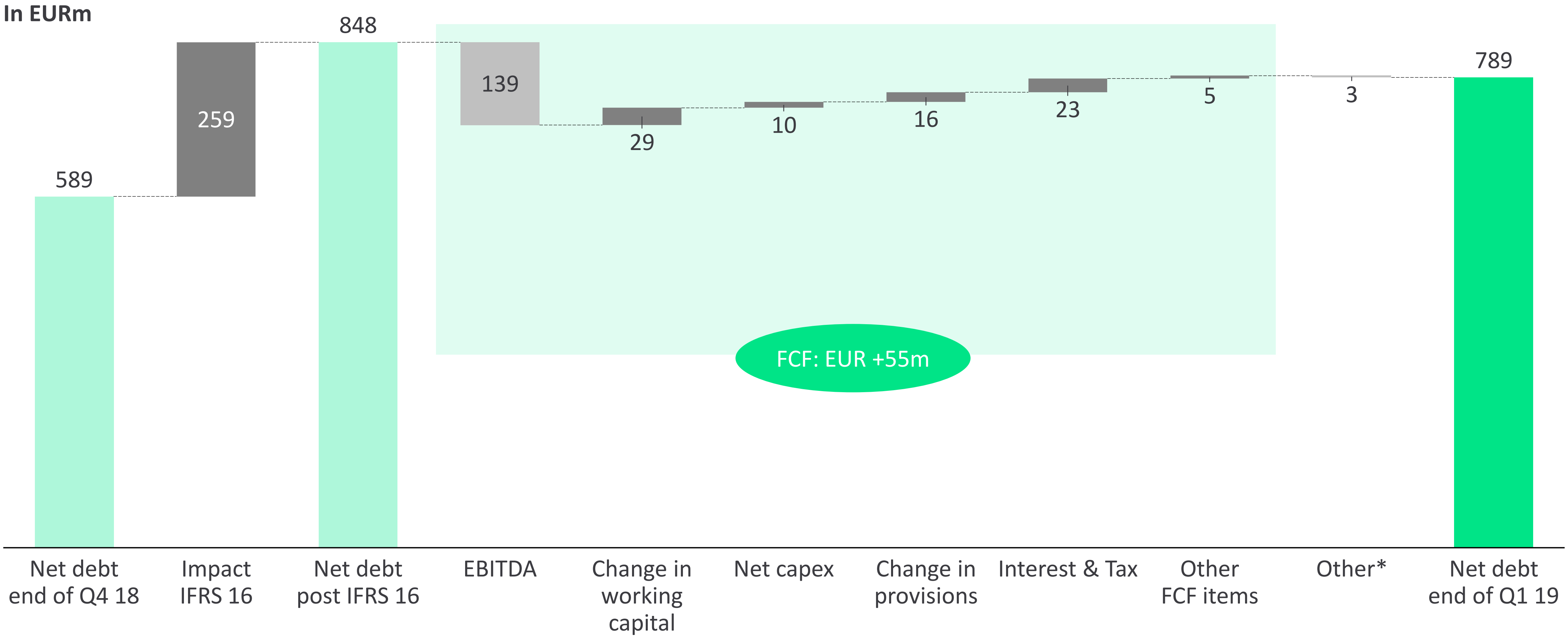


Inventories (in EURm & as % of sales)



[1] Working capital includes inventories, receivables, accounts and notes payable, other current assets & liabilities, derivative financial assets & liabilities, and accrued liabilities

Net debt, excl. the impact from IFRS 16, improved by EUR 59m



*Other includes cash used for derivatives, FX effect on cash, cash equivalents and debt

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Q&A

2019 Outlook confirmed

- Our growing profit engines (LED, Professional and Home combined), are expected to deliver a CSG in the range of 2 to 5%
- Our cash engine, Lamps, is expected to decline at a slower pace than the market in the range of -21 to -24% on a comparable basis.

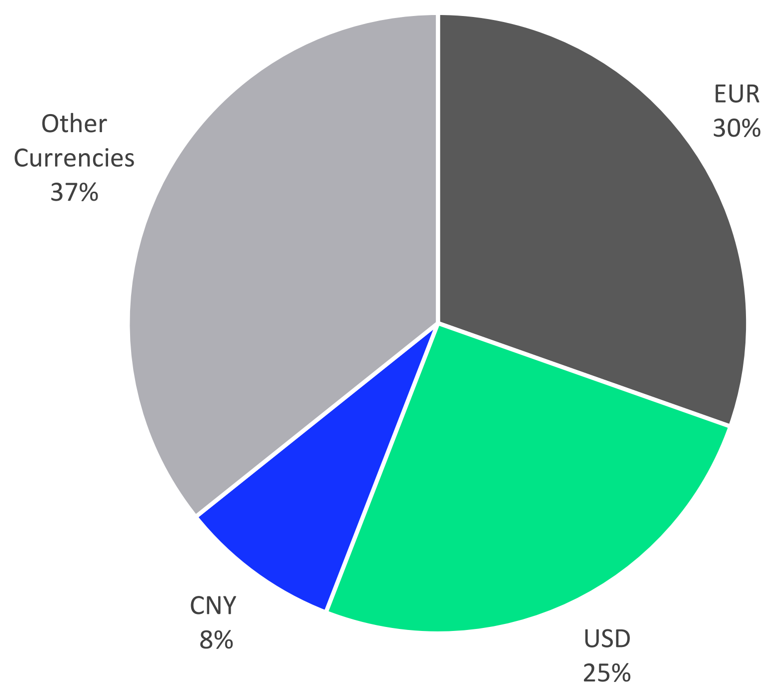
- For total Signify, we aim to reach an Adjusted EBITA margin within the range of 11-13% (as set at the time of the IPO in May 2016)

- We expect free cash flow, excluding the positive impact from IFRS 16, to be above 5% of sales

Q&A

Currency movements positively impacted sales and negatively impacted Adjusted EBITA

Q1 19 Sales FX Footprint (% of total)



Key observations

- Positive FX effect on sales of +1.1%, largely driven by US dollar appreciation
- Negative FX effect on Adjusted EBITA of EUR -18m, and -130 bps on the Adjusted EBITA margin, mainly from emerging market currencies, Chinese renminbi and US dollar
- 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 improved to EUR 44m, mainly as a result of improved operational profitability and lower restructuring

From Adjusted EBITA to net income (in EURm)

		Q1 18	Q1 19
	Adjusted EBITA	**106**	**115**
	- Restructuring	-39	-20
	- Acquisition related charges	0	0
	- Other incidental items	-4	-2
	EBITA	**62**	**93**
	Amortization	-23	-24
	EBIT	**39**	**69**
	Net financial income / expenses	-9	-9
1	Income tax expense	-10	-16
	Results from investments in associates	0	1
	Net income	**20**	**44**

Key observations

1 Income tax expense increased by EUR 6m mainly due to higher taxable earnings in Q1 19

Free Cash Flow of EUR 55m

Free cash flow (in EURm)

	Q1 18	Q1 19
Income from operations	39	69
Depreciation and amortization	58	70
Additions to (releases of) provisions	54	41
Utilizations of provisions	-59	-57
Change in working capital	-41	-29
Interest paid	-5	-4
Income taxes paid	-35	-19
Net capex	-21	-10
Other	3	-5
Free cash flow	**-6**	**55**
As % of sales	-0.4%	3.7%

Key observations

- Free cash flow of EUR 55m as a result of improved operational profitability, lower restructuring cash-out and lower income tax paid
- Free cash flow in Q1 19 included a positive impact of EUR 17m related to IFRS 16 and restructuring cash-out of EUR 25m (Q1 18: EUR 31m)

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