signify

Q3 2019 results

October 25, 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 and the semi-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 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 and the semi-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

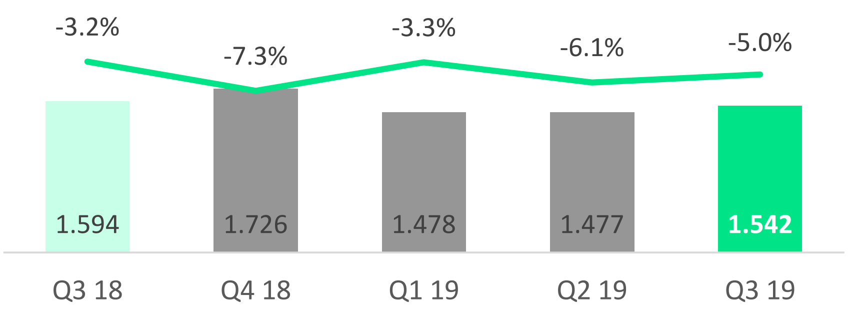
Financial performance by Stéphane Rougeot

Outlook and conclusion by Eric Rondolat

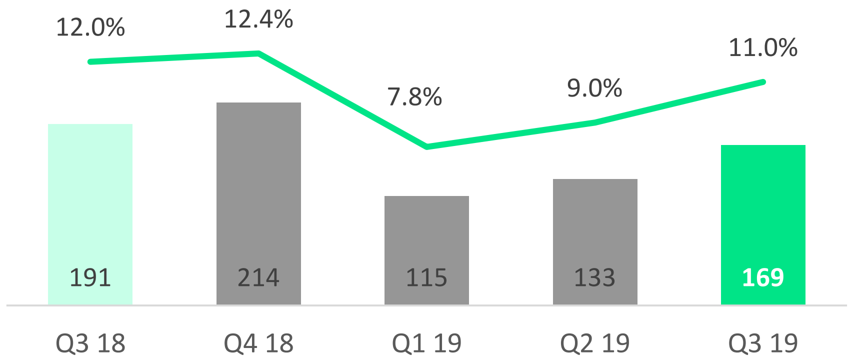
Q&A

Third quarter sales of EUR 1.5bn and operational profitability of 11.0%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q3 19

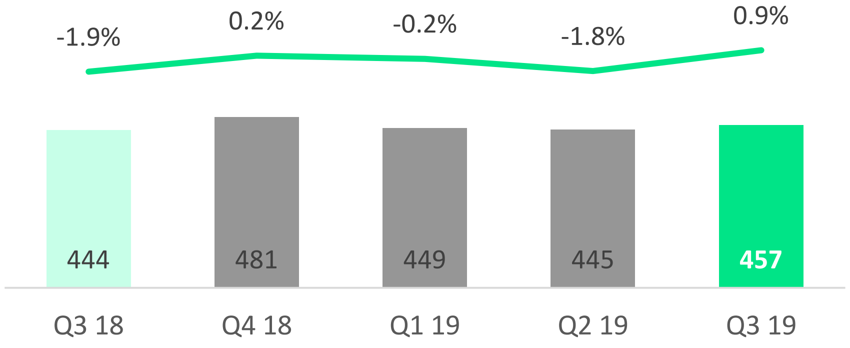
- CSG decreased by 5.0% due to:
  - Challenging macro environment with lower market activity in Europe, US, Greater China, as well as a major impact of tightening liquidity in India
  - Very high comparison base in Lamps
- LED-based sales grew by 2.6%, accounting for 78% of sales
- Installed base of connected light points increased from 50m in Q2 19 to 53m in Q3 19
- Currency comparable adjusted indirect costs down EUR 22m, a reduction of 4.7%
- Adj EBITA margin Signify down 100 bps due to Lamps and FX of -30 bps
- Net income of EUR 74m
- Free cash flow of EUR 45m, reflecting phasing of payables and receivables as previously indicated at the end of Q2
- Successfully closed the acquisition of Klite on October 1, 2019
- Ranked Industry Leader in the Dow Jones Sustainability Index

Growing profit engines: CSG of 1.0% and Adjusted EBITA margin improvement of 80 bps

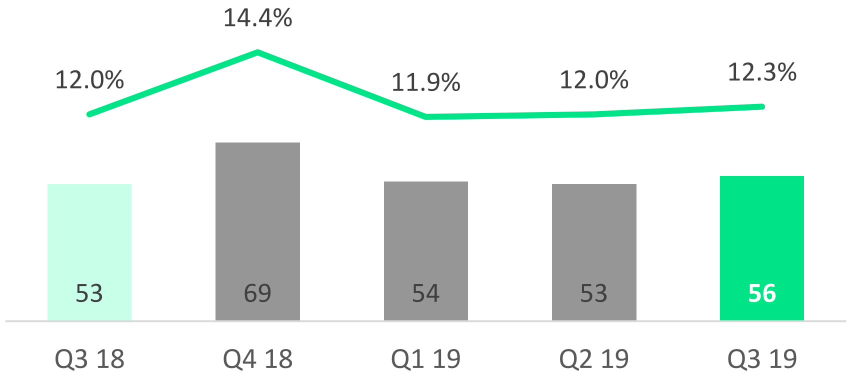
Q3 19	CSG %	Adjusted EBITA (EURm)	vs LY (EURm)	Adjusted EBITA %	vs LY (bps)
LED	0.9%	56	+3	12.3%	+30
Professional	1.7%	86	+7	12.3%	+60
Home	-3.1%	-3	+5	-2.6%	+430
Total	**1.0%**	**139**	**+14**	**11.0%**	**+80**

LED Adjusted EBITA margin improved by 30 bps, driven by ongoing procurement savings

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q3 19

- Comparable sales increased by 0.9%
  - LED lamps delivered a solid performance
  - LED electronics continued to be impacted by lower customer demand in most regions

- Adjusted EBITA margin improved by 30 bps, mainly as a result of ongoing procurement savings

LED business highlights

Introduced Wi-Fi based smart lighting in the US and India

- Offers easy-to-install smart lighting via Wi-Fi
- Retrofit light bulb fits any table lamp, luminaire or downlight
- Operates with WiZ Connected ecosystem through WiZ app

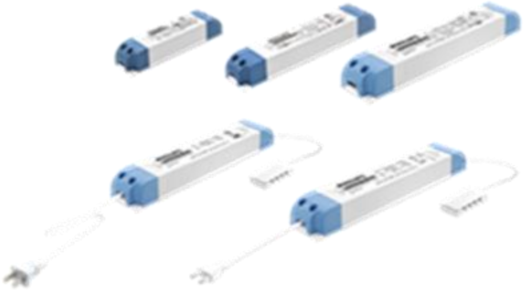
Introduced easy-to-install T Beamer LED batten in India

- Simplifies installation as LED batten fits existing sockets, which prevents damage to walls
- Offers wide light spread
- Enables better focused light due to unique swivel function, so customers can move LED 70 degrees up and down

Launched CertaDrive, first round-shape dimmable point driver

- Services high volume downlight applications
- Works with 20+ different brands of most common wall dimmers
- Low wattage driver family covers Chinese OEM export and US domestic market

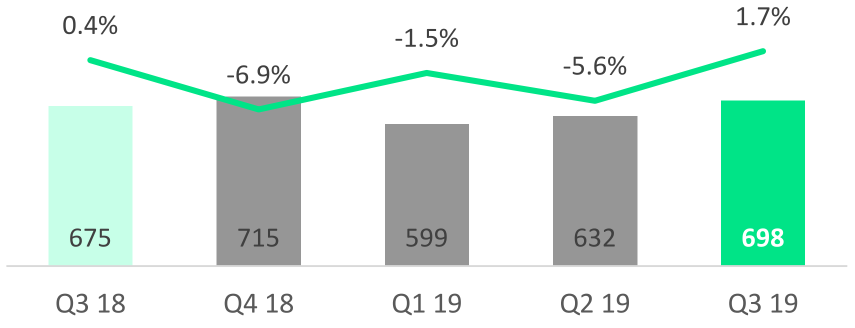
Launched a new family of RDL plug and play constant voltage drivers



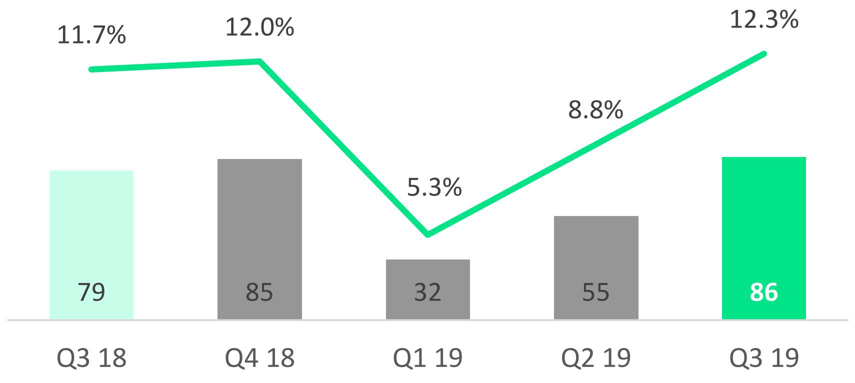
- Provides quick and easy installation, allowing installation by non-electricians
- Enables full offer for shelf and cove lighting with the already launched Fortimo LEDFlex and RDL modules

Professional Adjusted EBITA margin improved by 60 bps, mainly driven by procurement and indirect cost savings

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q3 19

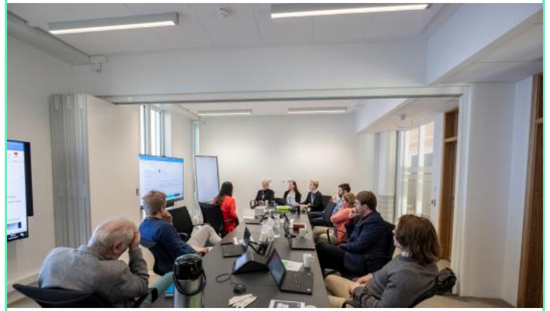
- CSG of 1.7%, mainly driven by
  - Solid performance in China and the Middle East
  - Partly offset by a low level of market activity in Europe, most notably in Germany, and in India

- Adjusted EBITA margin increased by 60 bps to 12.3%, as procurement and indirect cost savings more than offset the negative impact of price and mix

signify

Professional business highlights

Made Norwegian IT systems integrator Atea's office smart



- Combines Cisco's network technology with connected sensors and luminaires from Signify and its Interact Office software
- Provides personalization, productive and bio-adaptive lighting
- Keeps employees excited and engaged

Installed Trulifi at press center of German football club HSV

- Newly installed Philips PowerBalance gen2 LEDs provide Internet connection through the room's ceiling lights
- Allows journalists and photographers at HSV's home matches to file stories and pictures in highly reliable, secure and fast way

Helping AppHarvest to increase efficiency and boost yields

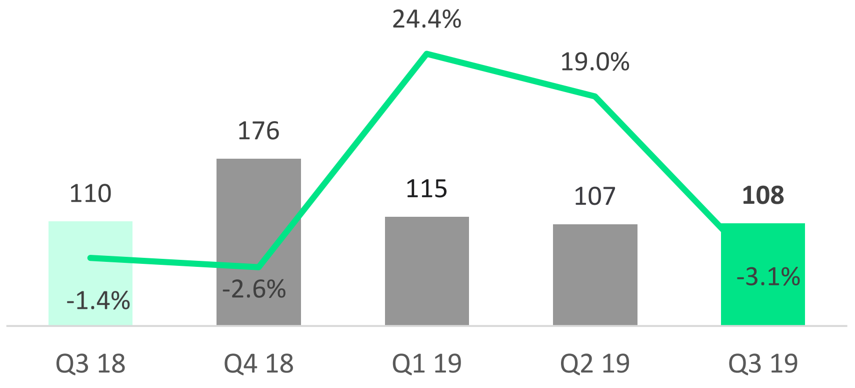
- Combines LED with high-pressure sodium lighting
- Philips GreenPower LEDs help to grow more produce with 40% less energy use
- Agrolux HPS lighting provides crops with heat in colder months
- Boosts tomato and cucumber yields

Installed Interact Sports at the Orange Velodrome in Marseille

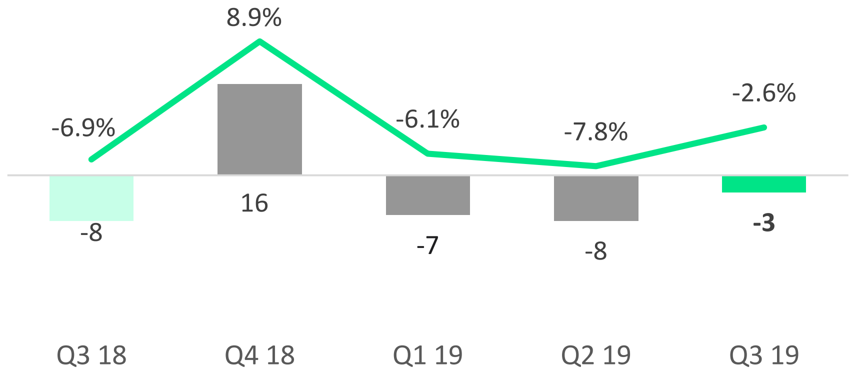
- Integrates pitch and terrace lighting with sound and animations, creating immersive fan experience
- Unlocks different scene management via centrally controlled dashboard
- Meets latest broadcasting standards

Home – strict application of our commercial policies and investments made to prepare the launch of innovative offerings in Q4

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q3 19

- CSG of -3.1%, due to
  - Lower performance in the US driven by a strict application of our commercial policies
  - Partly offset by good momentum in Europe

- Investments were made to prepare the launch of innovative offerings in Q4
- Adj. EBITA margin improved by 430 bps to -2.6%

signify

Home business highlights

Introduced the Philips Hue Play HDMI Sync box

- Provides easy way to synchronize all digital content with up to 10 Philips Hue lights
- Compatible with movies, TV shows and games
- Offers surround lighting to create immersive experience
- Complements screen action in living room

Provided consumers with new smart accessories

- **Smart button**: Allows consumers to control their Hue lights with a single press, or press and hold to brighten and dim
- **Smart plug**: Turns any light point with power plug into a Hue smart light

Launched new range of Philips Hue Filament bulbs

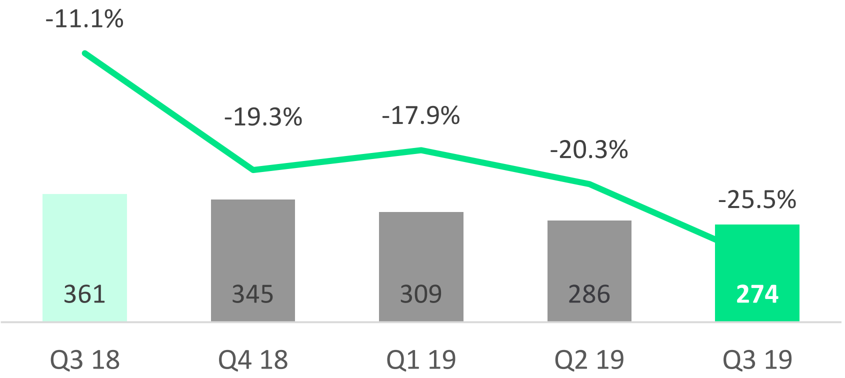
- Offers consumers convenience of smart lighting and beauty of popular filament bulbs
- Provides same control, functionality and ambiance of Philips Hue ecosystem but with more stylish design

Extended existing range of smart home lighting products

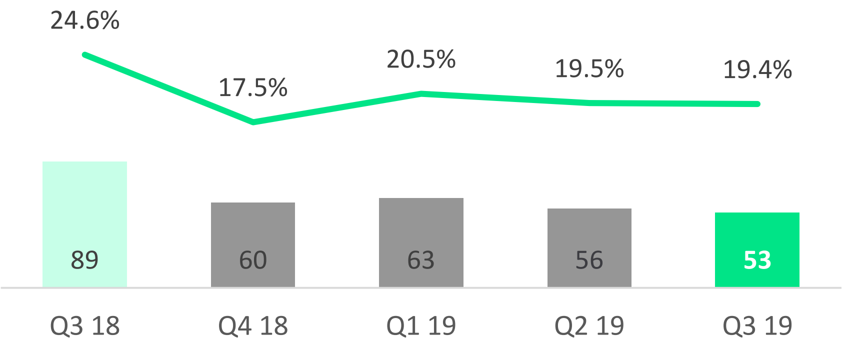
- **Philips Hue Go**: gives users broader control thanks to additional Bluetooth capability and extended battery life
- **Fugato and Argenta:** adds a modern touch to any room
- **GU10 and E14:** now also equipped with Bluetooth

Cash engine – Lamps Adjusted EBITA margin remained solid at 19.4%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q3 19

- Comparable sales decreased by 25.5% due to a very high comparison base related to the halogen bulb ban in Europe in Q3 18
- Continued market share gains

- Adjusted EBITA margin remained solid at 19.4%

Agreement to acquire Cooper Lighting Solutions to strengthen our position in the attractive North American lighting market

Signify to acquire Cooper Lighting Solutions for USD 1.4bn in cash

- Expanding our position in the attractive North American lighting market
- Increasing innovation power and more competitive offerings
- Improving the business mix with Professional revenues increasing from 42% to 53% of total sales

Substantial value creation opportunity

- Cost synergy potential with savings of more than USD 60m per year, to be largely achieved in the first 3 years
- Mid-teens EPS accretion in year 1
- Transaction ROIC to exceed WACC after year 1

Content

Business and operational performance by Eric Rondolat

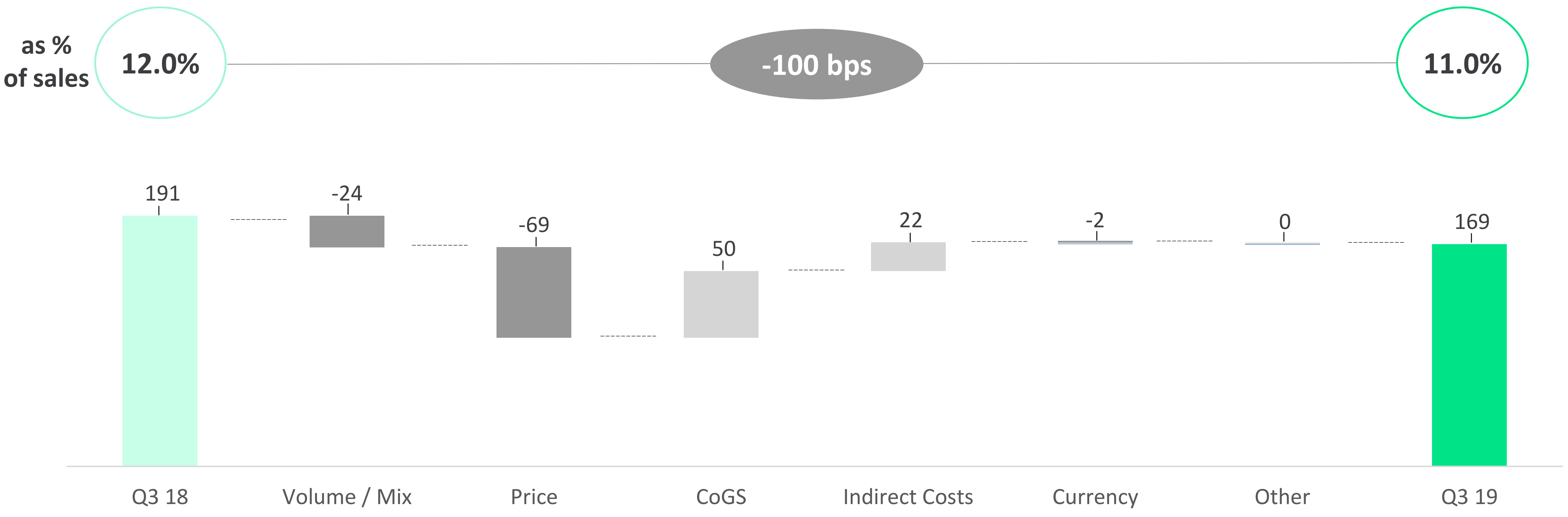
Financial performance by Stéphane Rougeot

H1 19 highlights and 2019 outlook by Eric Rondolat

Q&A

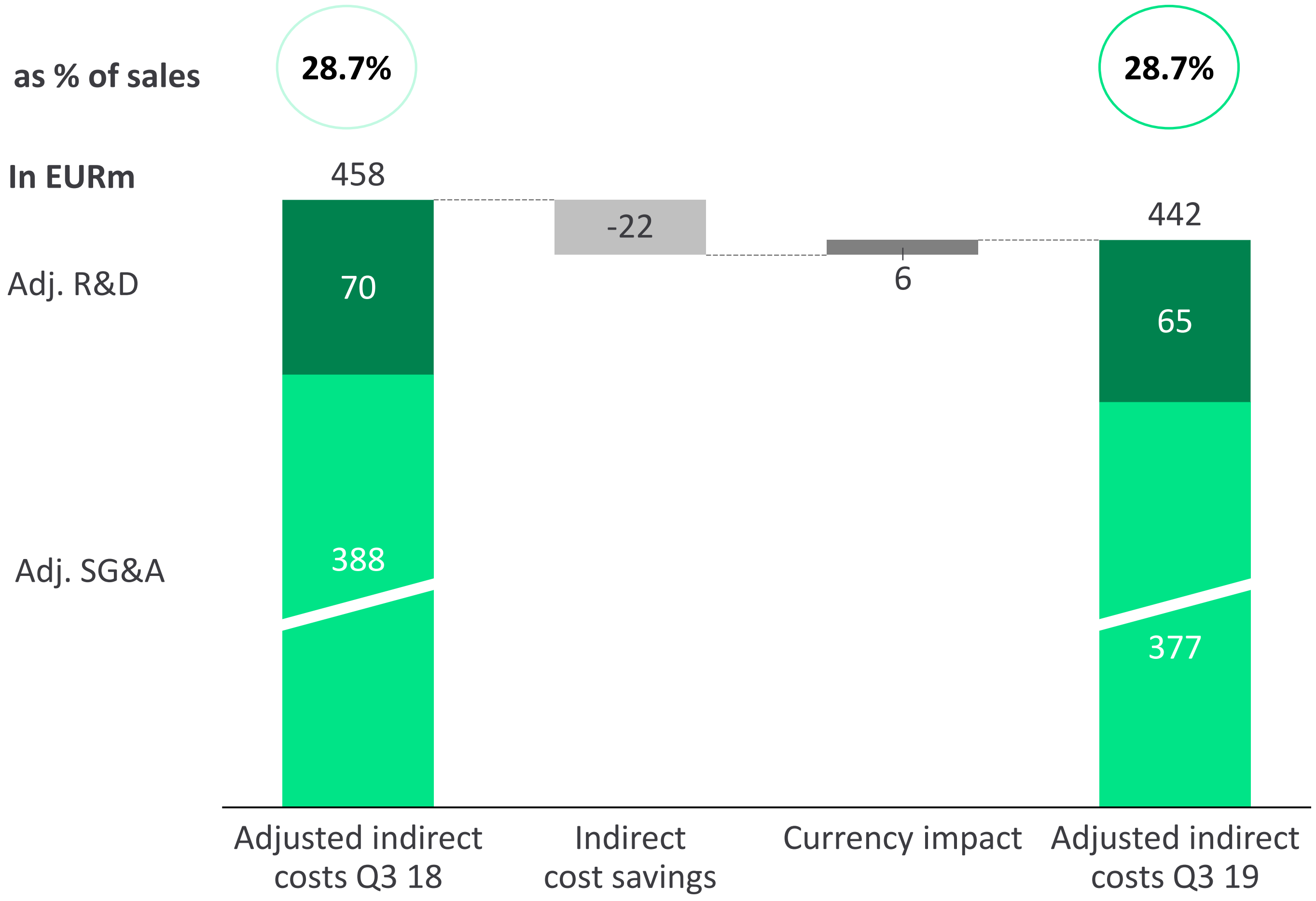
Signify Adj. EBITA margin reduction, mainly due to lower sales volumes in Lamps

Adjusted EBITA (in EURm)



signify

Adjusted currency comparable indirect costs decreased by 5%

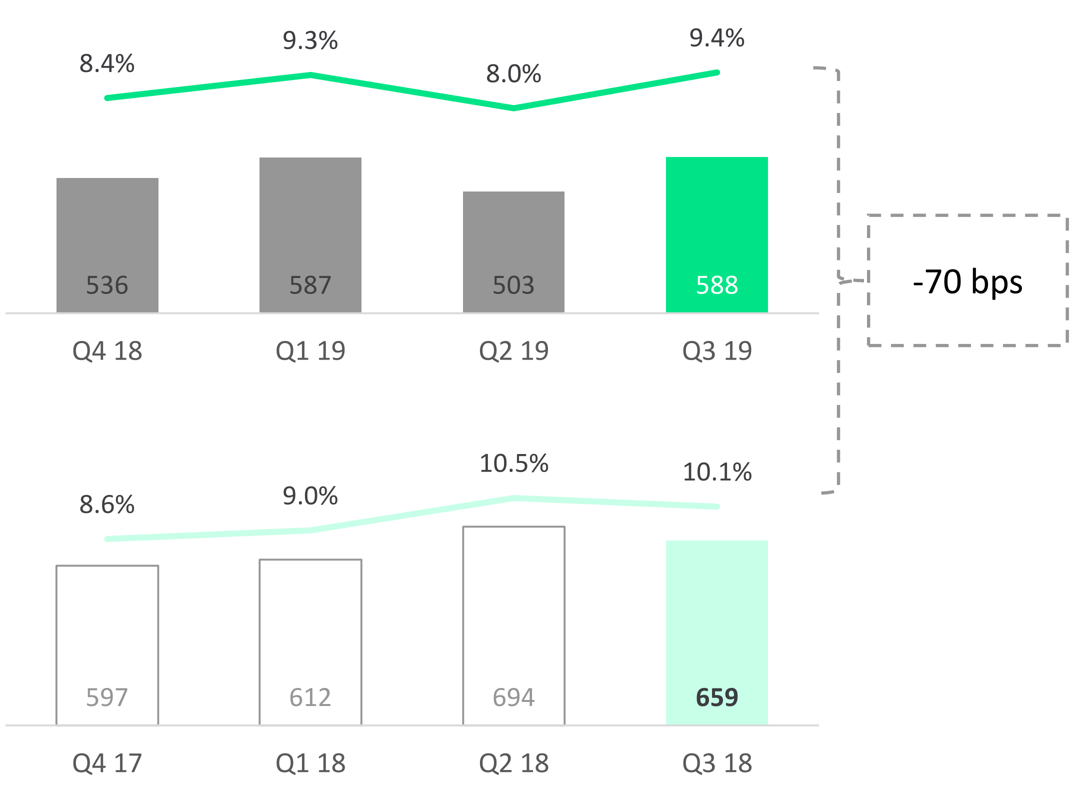


Key observations

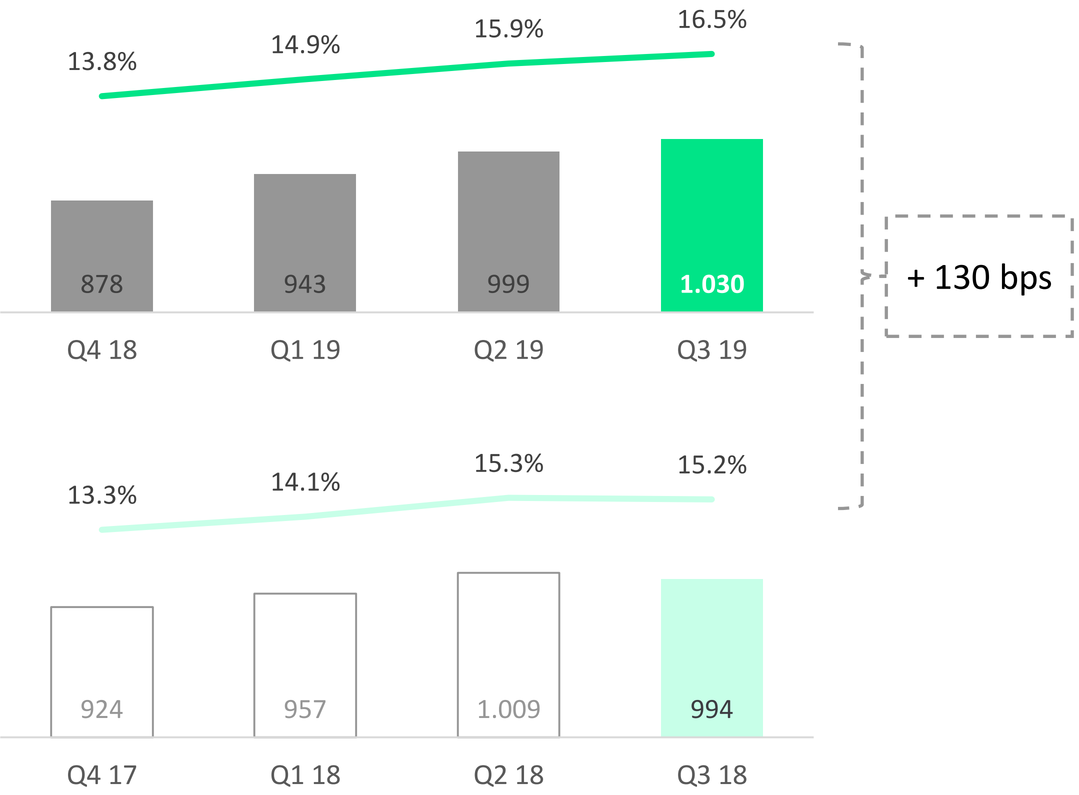
- Indirect cost reduction of EUR 22m
- Negative currency impact of EUR 6m
- Continue to execute initiatives to further reduce the indirect cost base

WoCa decreased by 70bps as % of sales, reflecting continued focus on improving WoCa, with lower receivables and higher payables

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

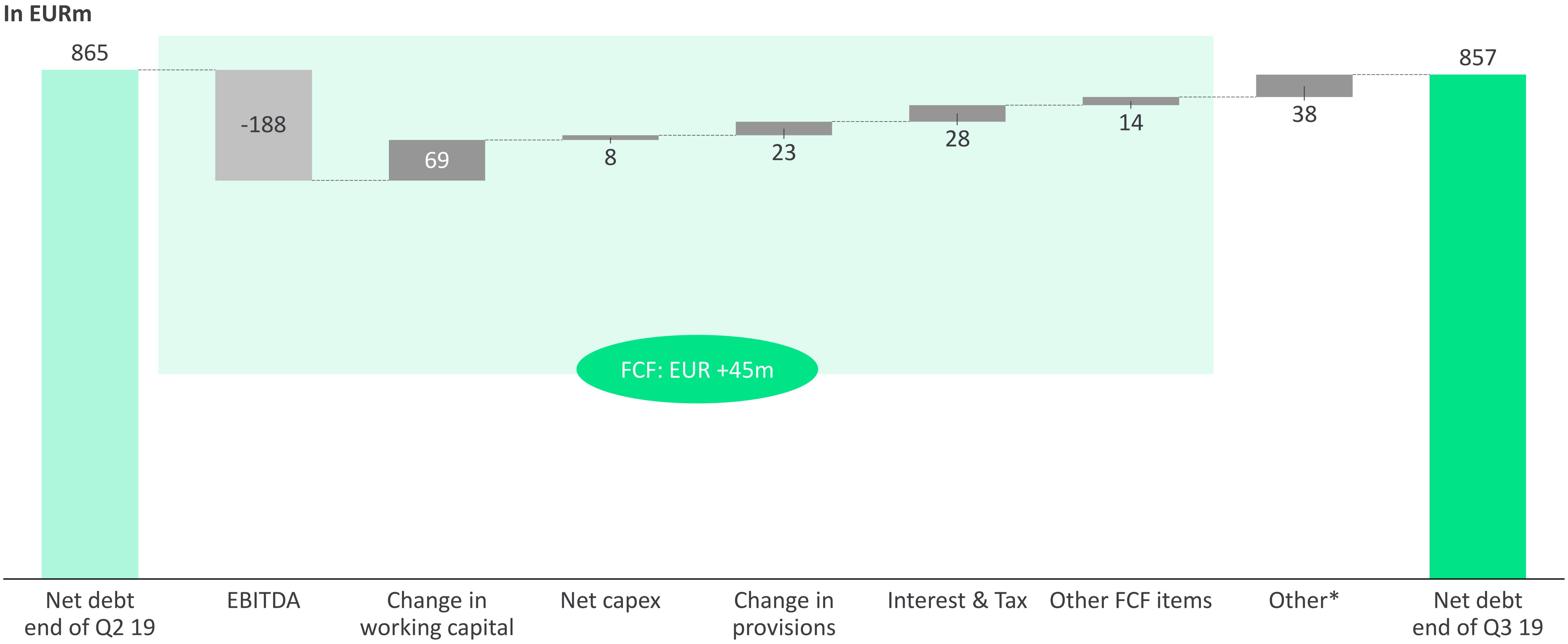


Inventories (in EURm & as % of sales)



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

Net debt decreased by EUR 8m



*Other includes finance lease new borrowing (EUR 21m) and FX effect on cash, cash equivalents and debt

Content

Business and operational performance by Eric Rondolat

Financial performance by Stéphane Rougeot

Outlook and conclusion by Eric Rondolat

Q&A

Revised 2019 outlook

- Continuing deteriorating market conditions are impacting sales in H2
- Remain confident that the Adjusted EBITA margin for 2019 will improve, albeit somewhat less than previously anticipated
- Adjusted EBITA margin now expected to be in the range of 10.3% to 10.6%

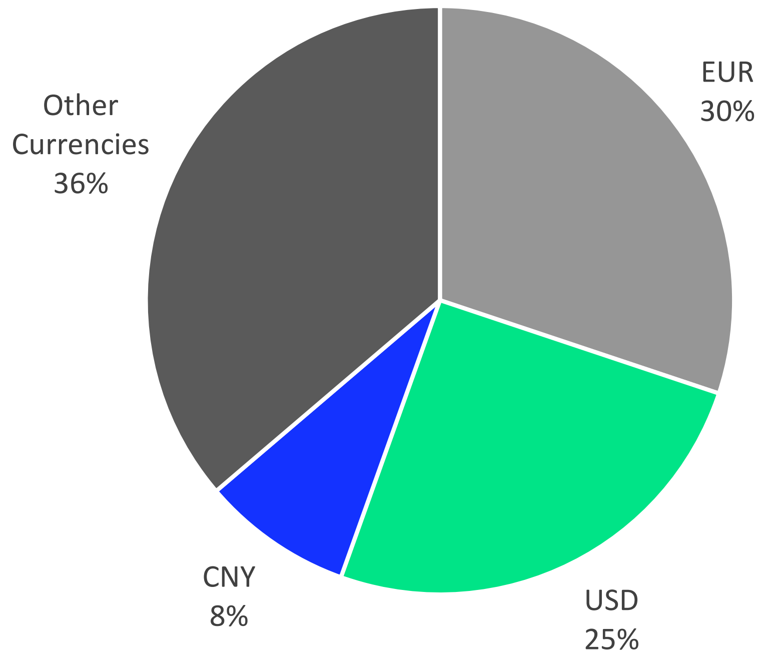
- The CSG of the growing profit engines (LED, Professional and Home combined) for 2019 is expected to be flat
- The CSG of BG Lamps is expected to decline at a pace which is towards the higher end of the previously indicated range of -24% to -21%

- We confirm that our FCF, excluding the positive impact from IFRS 16, is expected to be above 5% of sales

Q&A

Currency movements positively impacted sales and negatively impact Adjusted EBITA

Q3 19 Sales FX Footprint (% of total)



Key observations

- Positive FX effect on sales of +1.4%, largely driven by US dollar appreciation
- Negative FX effect on Adjusted EBITA of EUR -2m, and -30 bps on the Adjusted EBITA margin, mainly from emerging market currencies
- Our policy is to hedge 100% of committed FX transactions and anticipated transactions up to 80% in layers over the next 15 months

signify

Net income decreased by EUR 19m to EUR 74m, mainly due to lower operational profitability and higher restructuring costs

From Adjusted EBITA to net income (in EURm)

	Q3 18	Q3 19
Adjusted EBITA	**191**	**169**
- Restructuring	-17	-24
- Acquisition related charges	0	-1
- Other incidental items	-7	-6
EBITA	**167**	**138**
Amortization	-24	-25
EBIT	**143**	**114**
Net financial income / expenses	-12	-11
1 Income tax expense	-37	-28
Results from investments in associates	-1	0
Net income	**93**	**74**

Key observations

1. Income tax expense decreased by EUR 9m mainly due to lower taxable earnings in Q3 19

signify

Free Cash Flow of EUR 45m

Free cash flow (in EURm)

	Q3 18	Q3 19
Income from operations	143	114
Depreciation and amortization	57	74
Additions to (releases of) provisions	35	44
Utilizations of provisions	-92	-67
Change in working capital	-14	-69
Interest paid	-5	-3
Income taxes paid	-45	-25
Net capex	-18	-8
Other	3	-14
Free cash flow	**64**	**45**
As % of sales	4.0%	2.9%

Key observations

- Free cash flow of EUR 45m versus EUR 64m last year
- Included a negative effect from the phasing of payables and receivables of around EUR -60m, as previously indicated at the end of Q2
- Positive impact of EUR 18m related to IFRS 16
- Restructuring pay-out of EUR 20m (Q3 18: EUR 39m)
- Contribution to our US pension fund of EUR 18m (Q3 18: EUR 26m) to reduce liabilities and to lower future interest expenses

signify

signify