Q4 & Full Year 2019 results

January 31, 2020

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

Summary financial & business performance 2019

- LED-based comparable sales grew by 1.4% in FY 19 and represented 78% of sales
- Signify's installed base of connected light points increased from 44m at YE18 to 56m at YE19

- Adj. EBITA margin improved by 30 bps to 10.4%, including a currency impact of -20bps
- Adj. indirect costs decreased by EUR 125m, or -6,6%, on a currency & scope comparable basis

- FCF of EUR 529m (FY 18: EUR 306m), or 8.5% of sales, incl. a EUR 71m positive impact from IFRS 16
- Proposed 2019 dividend per share of EUR 1.35 (+3.8%) in cash

- Enhanced focus on growth initiatives to strengthen our market leadership and improve our growth profile
- Substantial acquisitions made in 2019 to strengthen our business and financial profile
- Solid progress made on our 2020 Sustainability goals; well on track to become carbon neutral this year

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Content

The growing profit engines reported a CSG of -0.7% and Adjusted EBITA margin improvement of 180 bps in Q4 19

Q4 19	CSG %	Adjusted EBITA (EURm)	vs LY (EURm)	Adjusted EBITA %	vs LY (bps)
LED	-2.9%	77	+8	14.3%	-10
Professional	-1.5%	92	+7	12.7%	+70
Home	9.5%	38	+22	19.8%	+1,090
Total	**-0.7%**	**207**	**+36**	**14.2%**	**+180**

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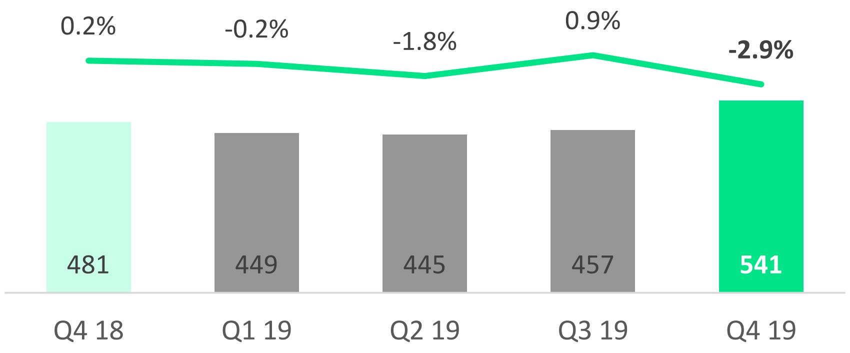
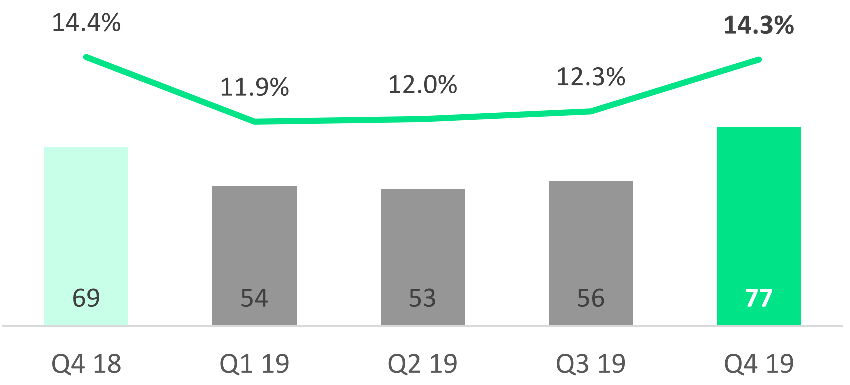
LED Adjusted EBITA margin remained solid at 14.3%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q4 19

- Nominal sales increased by 12.3% reflecting the consolidation of the Klite acquisition
- Comparable sales decreased by 2.9%
  - LED lamps delivered a solid performance
  - LED electronics continued to be impacted by lower customer demand in most regions
- Adjusted EBITA margin remained solid at 14.3%, mainly as a result of ongoing procurement savings

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LED business highlights

Launched the WiZMote control device for quick access and control

- Plug & play connected light right out of the box
- 8 settings allow for quick access and control
- Pair the WiZMote to the WiZ app for enriched, personalized settings

Introduced remote control-based fan ceiling category in China

- New technology with integrated lighting and cooling system
- Strengthens our all-in-one lighting ceiling portfolio by expanding offering for home users
- Available in China since October 2019

Launched first generation of round shape Industry drivers

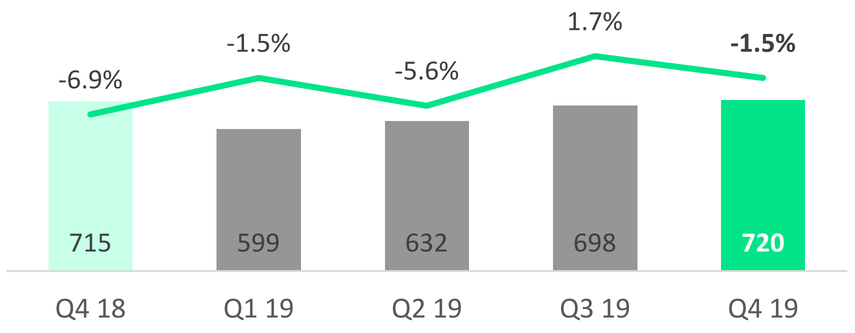
- Allows for very compact and round high bay LED fixtures
- Generate more than 40% energy savings compared to HID fixtures
- Watertight metal enclosure enables usage in harsh industrial environments

Launched first D4i driver (Xitanium SR 165W C170 sXt D4i)

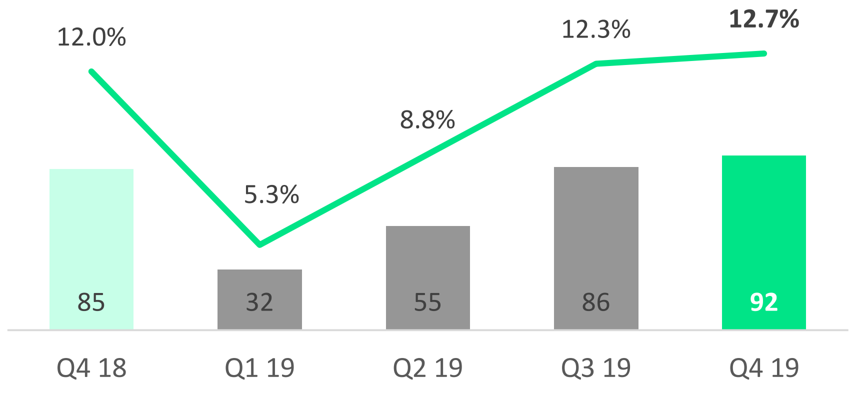
- D4i is the new standard for interoperability of drivers and sensors
- Allows for easy exchange of different IoT nodes or sensors on outdoor fixtures
- Helps municipalities to transition to connected outdoor lighting

Professional Adjusted EBITA margin improved by 70 bps, mainly driven by indirect cost savings

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q4 19

- CSG of -1.5%, mainly due to
  - Challenging market conditions, most notably in India and China
  - Lower market activity in the US

- Adjusted EBITA margin increased by 70 bps to 12.7%, mainly driven by indirect cost reductions

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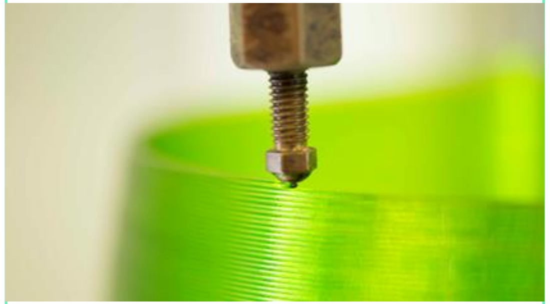
Professional business highlights

Launched tailor-made 3D-printed luminaires for circular economy



- Reduces carbon footprint by 47% vs metal luminaires
- Provides customers with a level of flexibility that traditional manufacturing can’t offer
- To install thousands of 3D-printed luminaires at M&S in UK

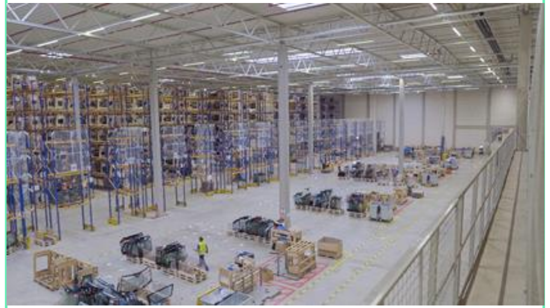
Extended the reach of Trulifi through three new partnerships

- With Vodafone Germany we combine 4G/5G connectivity with LiFi
- With Latecoere we develop LiFi systems for commercial airplanes
- With Ellamp we develop LiFi systems for busses and trains
- More than 100 pilots worldwide

Provided Australis Seafoods with aquaculture LED lighting

- Lights mimic the sun
- Allows fish to see feed better and grow better, resulting in higher Feed Conversion Rate and cleaner water
- Lights are submerged at 5 meters, reducing infections by sea lice who live closer to the surface

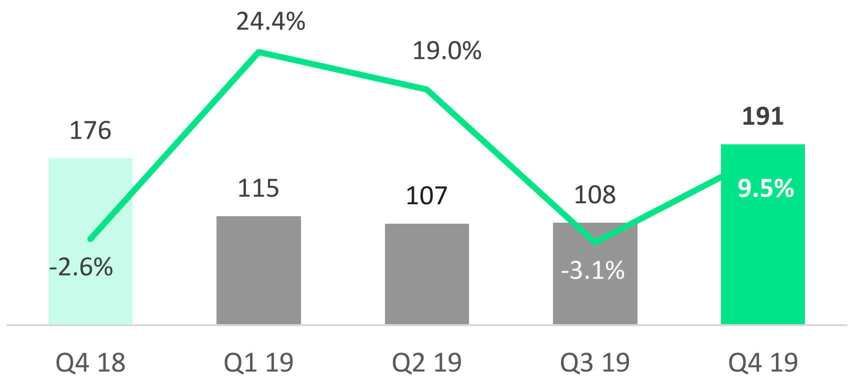
Launched Interact Industry in collaboration with Pilkington



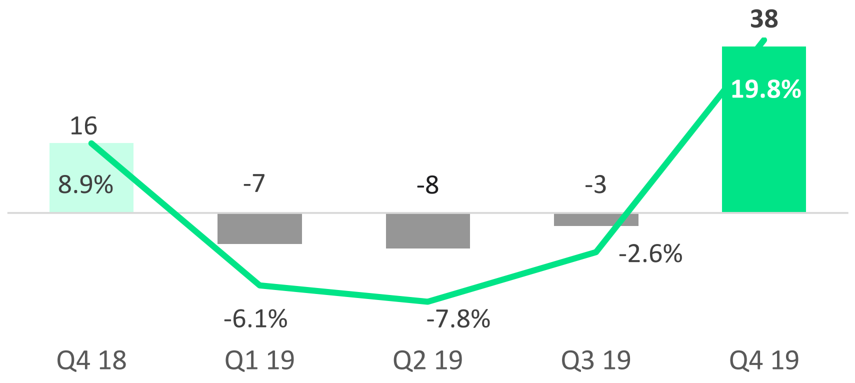
- Provides industrial businesses with energy savings
- Establishes safer working environment in warehouses and factory environments
- Delivers insights into space usage, boosting efficiency

Home Adjusted EBITA margin more than doubled to 19.8%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q4 19

- CSG of +9.5%, mainly driven by
  - Particularly strong performance in Europe
  - Successful introduction of innovative offers

- Adj. EBITA margin improved from 8.9% to 19.8%, driven by higher top-line, gross margin improvement and cost optimization

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Home business highlights

Introduced voice control for Philips Hue Play HDMI Sync box

- Allows easy voice control with Amazon Alexa, Apple Siri and Google Assistant
- Infrared receiver feature enables the use of standard remote controls as well as the universal remote

Launched Philips Hue outdoor range with low-voltage lighting options

- Involves minimal installation effort
- Offers plug-and-play solution that does not require an electrician
- Includes additions to existing families of wall lights, path lights and spotlights

Expanded Philips Hue outdoor range with new wall and pathway lights

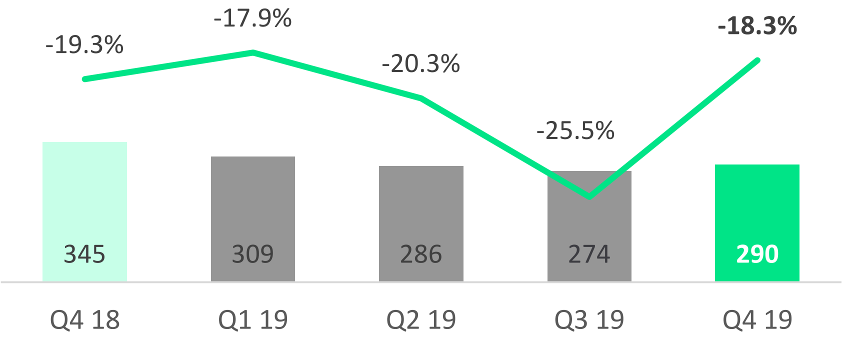
- Brings any outdoor space to life
- Makes setting the mood for any occasion easier than ever before
- Provides effortless personalization to create perfect atmosphere outdoors

Added Jung, Voltus and Insta to our Friends of Hue program

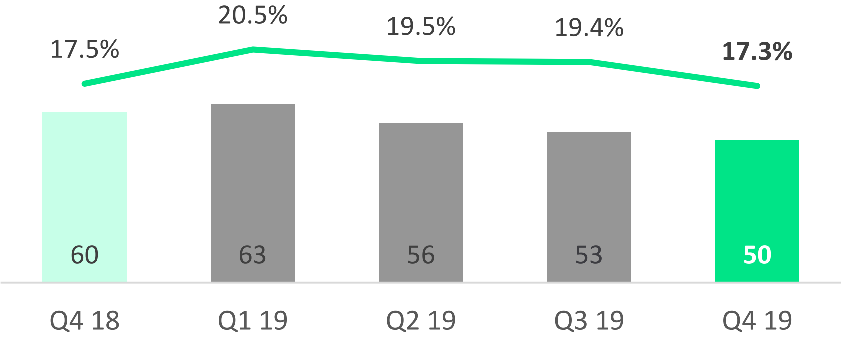
- Voltus, Jung and Insta introduce new smart light switches
- Friends of Hue Switches program has grown to 13 partners since 2018

Cash engine – Lamps Adjusted EBITA margin remained solid at 17.3%

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



Adjusted EBITA (in EURm & as % of sales)

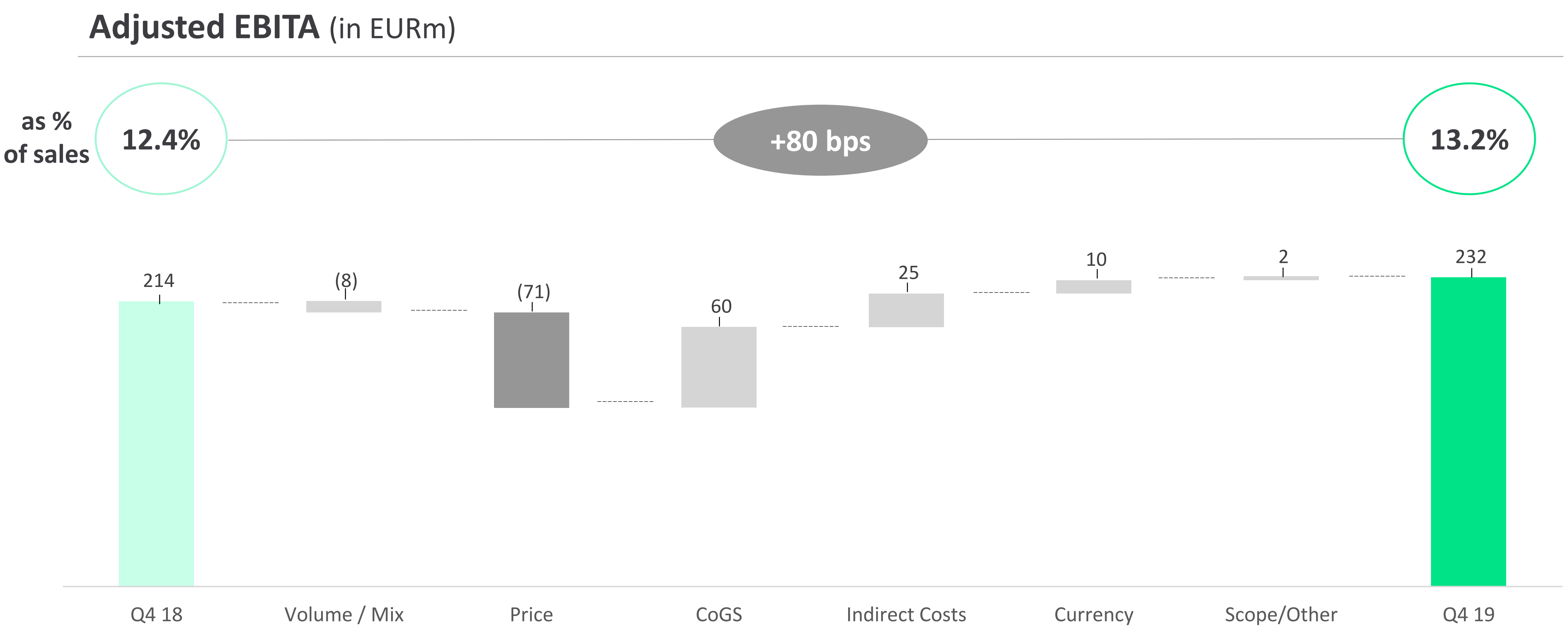


Key observations for Q4 19

- Comparable sales decreased by 18.3%
- Lamps continues to deliver on its 'last man standing' strategy
- Continued market share gains

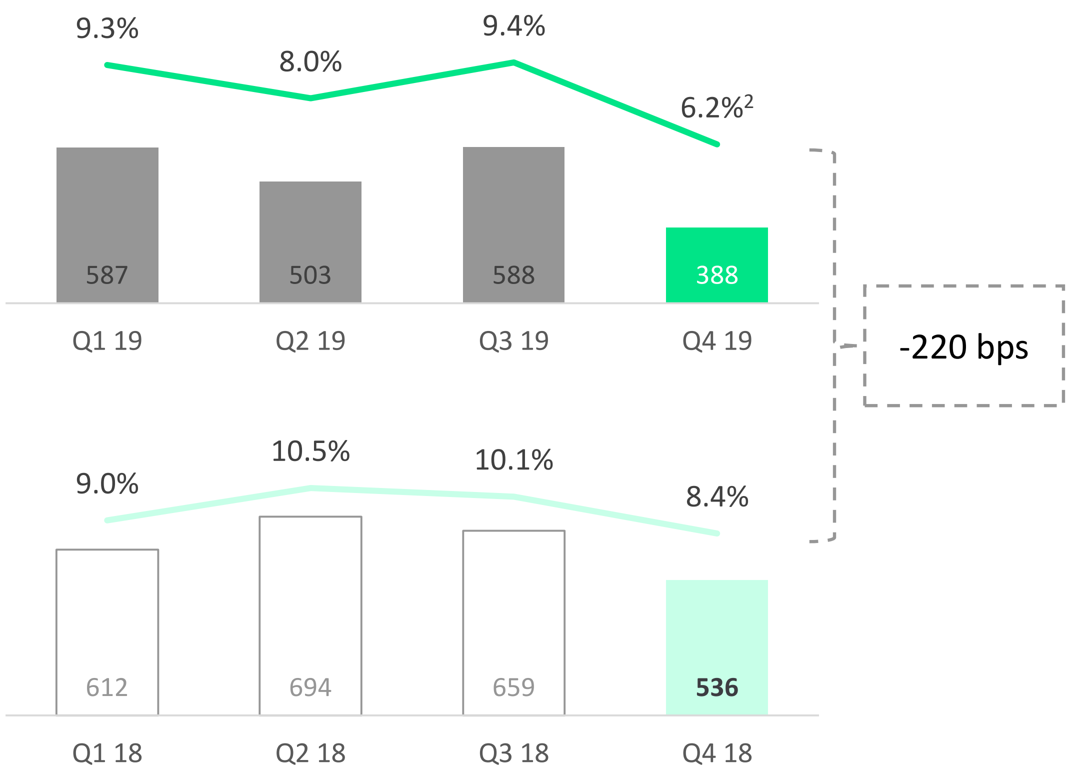
- Adjusted EBITA margin remained solid at 17.3%

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

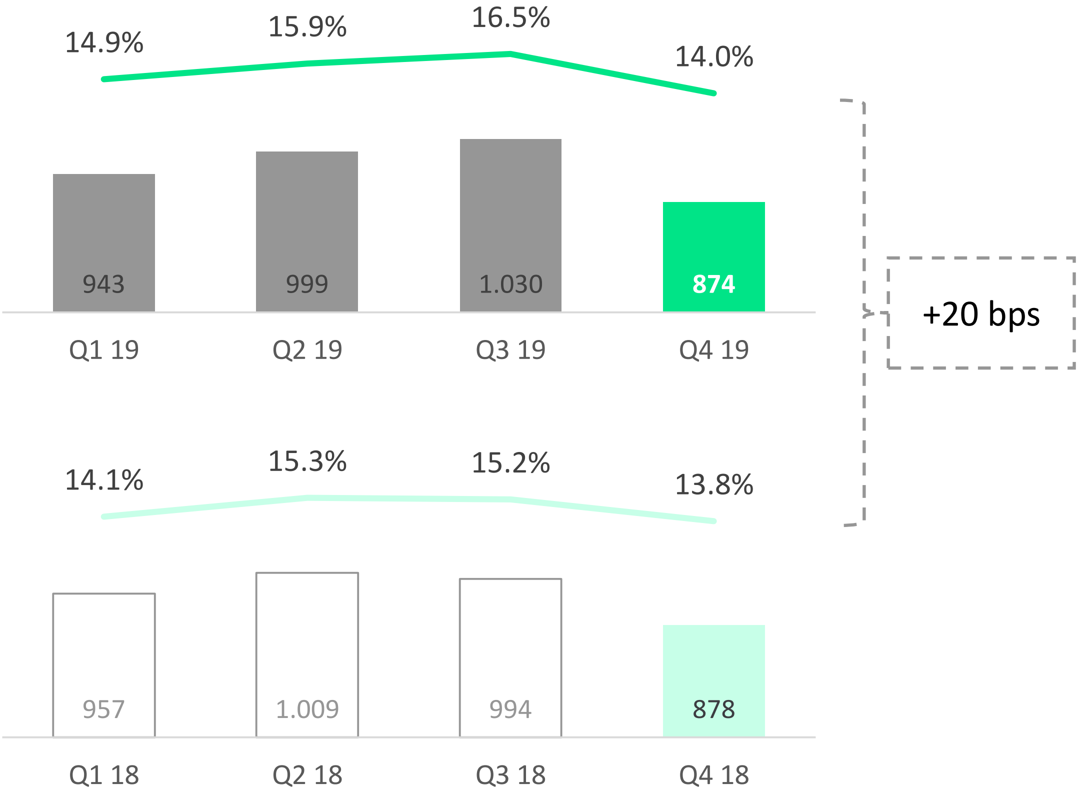


WoCa decreased by 220 bps as % of sales, reflecting continued focus on improving WoCa, with lower receivables and higher payables

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



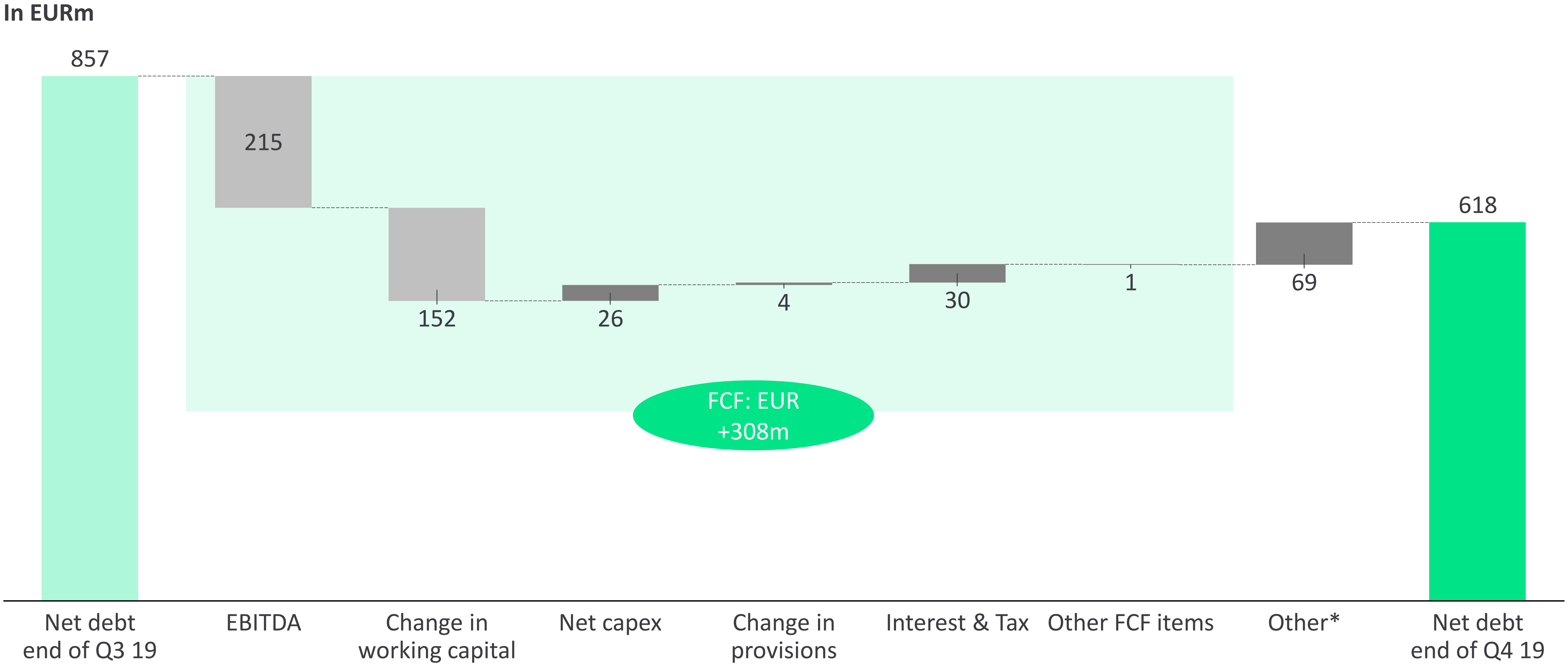
Inventories (in EURm & as % of sales)



[1] Working capital includes inventories, trade and other receivables, trade and other payables, other current assets & liabilities, derivative financial assets & liabilities

[2] Excluding the impact of the consolidation of Klite, working capital as % of sales was 6.8%

Net debt decreased by EUR 239m, driven by strong FCF



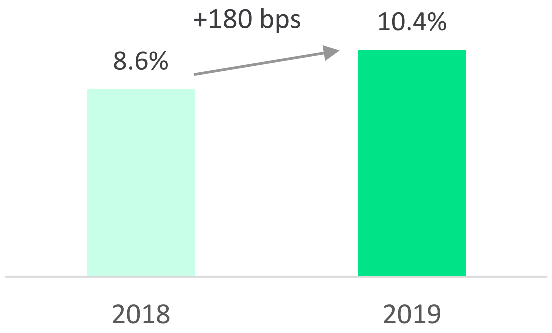
*Other includes cash used for acquisition of business, new lease liabilities following the application of IFRS 16, and cash received for sale of business and derivatives

Content

Growing profit engines significantly improved profitability and FCF

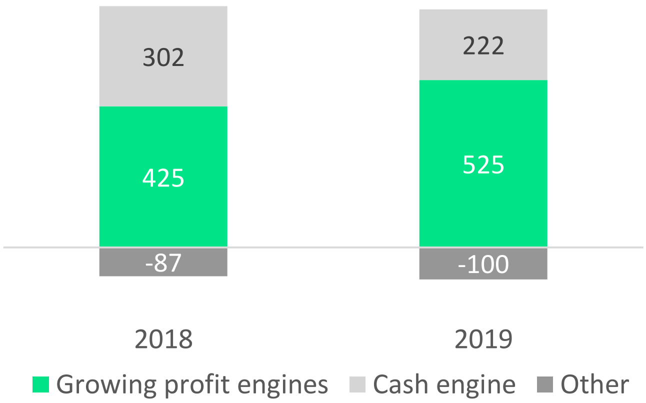
Adj. EBITA margin (%)

LED, Professional & Home



- Operational profitability improved by 180 bps supported by each BG

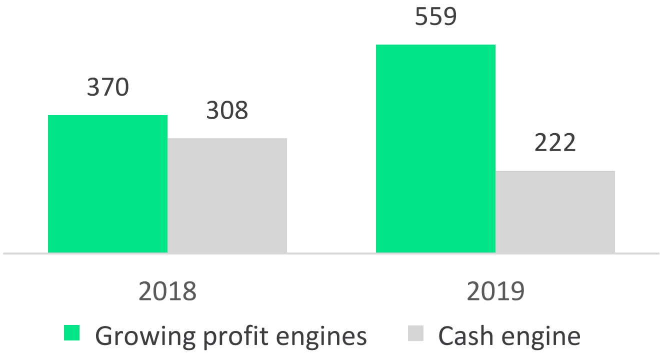
Adj. EBITA contribution (in EUR m)



- The growing profit engines represent 70% of the Adj. EBITA excl. other, versus 58% in 2018

Free Cash Flow (in EUR m)

LED, Professional & Home vs cash engine



- All BGs generated positive FCF
- The growing profit engines substantially increased FCF to EUR 559m
- FCF growing profit engines more than offset FCF decline in Lamps

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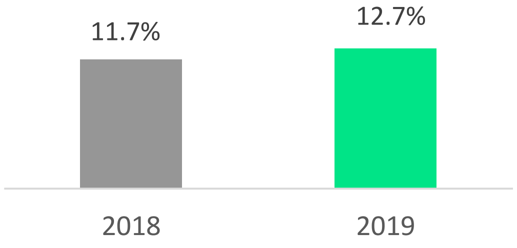
Market dynamics impacted top-line in FY19, solid improvements in margins

Growing profit engines

LED CSG & Adj. EBITA margin (%)

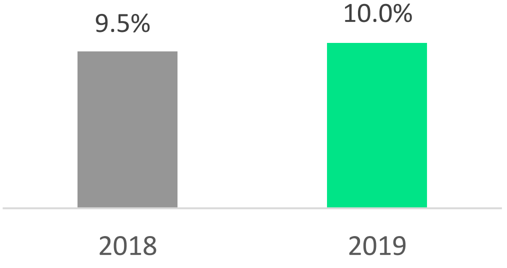
CSG	0.4%	-1.1%



- LED lamps delivered a solid performance while sales in LED electronics were impacted by lower customer demand in most regions
- Margin improvement driven by procurement savings and lower indirect costs

Professional CSG & Adj. EBITA margin (%)

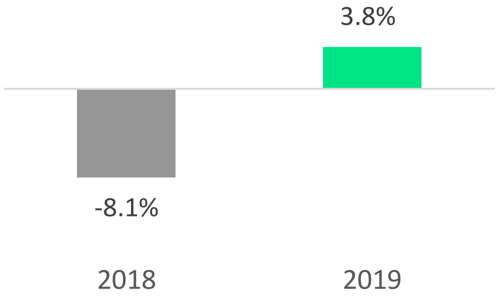
CSG	-0.4%	-1.7%



- CSG reflects weaker market conditions in various regions (Europe, India)
- Margin improvement as procurement and indirect cost savings more than offset the negative impact of price and mix

Home CSG & **Adj. EBITA margin** (%)

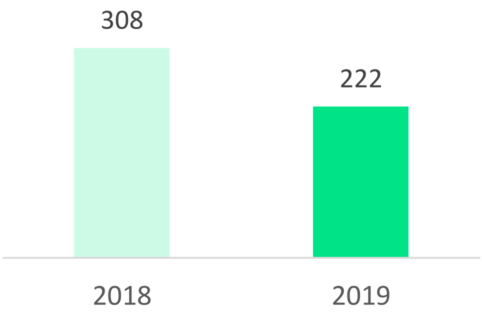
CSG	-3.8%	11.3%



- CSG increased on the back of a particularly strong performance in Europe
- Margin improved, driven by higher top line, gross margin improvement and cost optimization

Cash engine

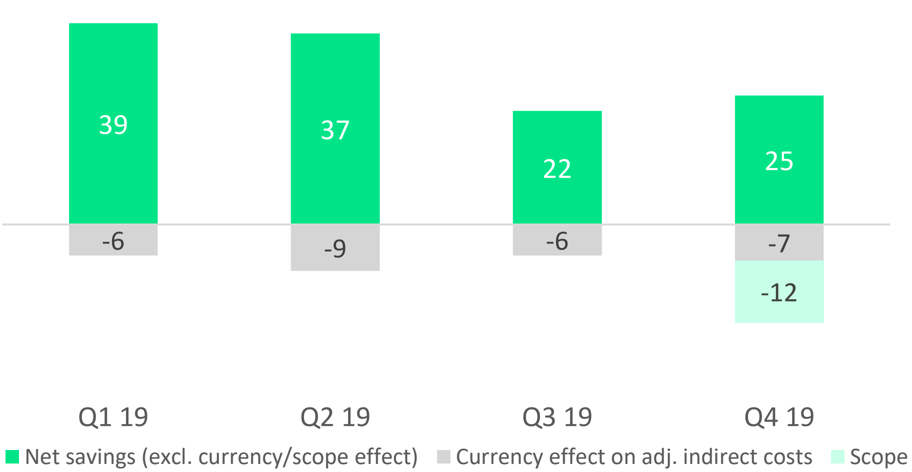
Lamps FCF (in EUR m)

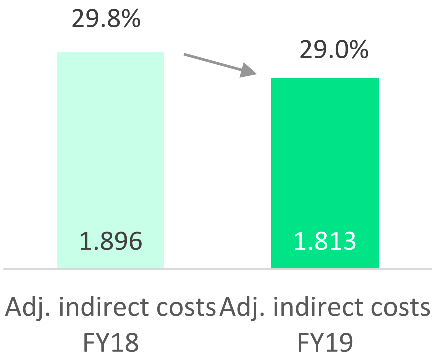


- Continued to optimize cash to fund growth
- FCF as % of sales remained solid at 19.2%

Adj. indirect costs excl. currency/scope effect decreased by EUR 125m in FY19

Adj. indirect cost savings per quarter (in EUR m)





Key observations

- EUR 125m saved in FY19, down 6.6%, or 70 bps of sales, excl. FX/scope
- Progress made in 2019:
  - Market organization rightsizing
  - Productivity improvements
  - Supply chain optimization
  - Continuation of transformation programs in support functions

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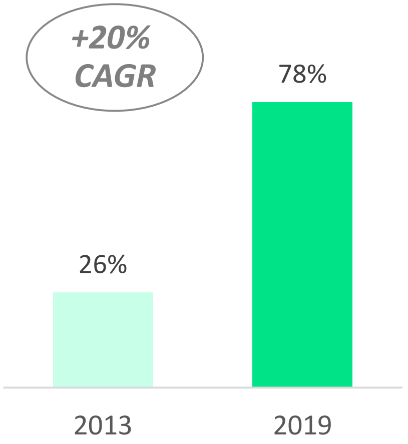
Signify has substantially improved its business and financial profile

Successful transition from conventional to LED

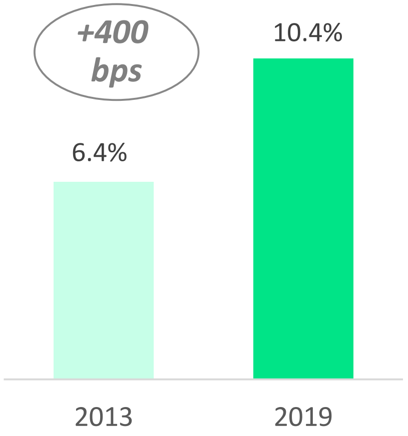
Total LED sales
(as % of sales)



Total LED-based sales grew by a CAGR of +20% since 2013

Substantial improvement in profitability

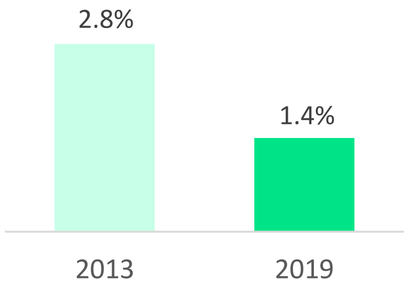
Adjusted EBITA margin



Adj. EBITA margin improved significantly

Transition to an asset-light business model

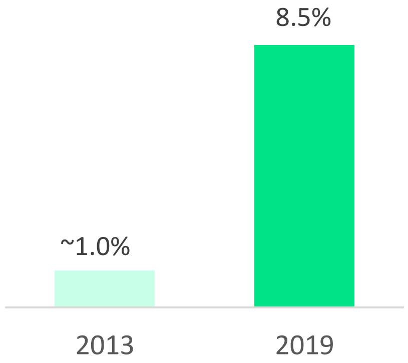
Gross capex as % of sales



Gross capex as % of sales has been reduced strongly

Strong FCF generation

FCF as % of sales



FCF of EUR 529m is highest since IPO

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Signify is well on track to achieve its 2020 Sustainability targets

		2019 result	Achievement	2020 target
Sustainable revenues	Sustainable revenues	82.5%	Increasing energy efficiency of portfolio	80%
	LED lamps & luminaires delivered	2.3 billion (cumulative from 2015)	117% of our commitment completed	>2 billion
Sustainable operations	Carbon footprint	Net 61 kt CO_2	58% decrease vs FY 2018	Net 0 kt CO_2
	Waste to landfill	726 tonnes	70% decrease vs Q4 2018	0 tonnes
	Safe & healthy workplace	TRC = 0.32	9% ahead of the 2020 target	TRC = 0.35
	Sustainable supply chain	99%	99% of risk suppliers passed the audit	90% performance rate

CDP DISCLOSURE INSIGHT ACTION A LIST 2019 CLIMATE

Achieved **highest score** in the CDP climate disclosure: A-List since IPO

Dow Jones Sustainability Indexes

DJSI Industry Leader for 3 consecutive years

GOLD 2019 ecovadis CSR Rating

We received the EcoVadis **Gold Medal** and are in the **top 2%** of companies assessed in our sector

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Signify offers an attractive dividend yield of 4.8%

Propose 2019 dividend of EUR 1.35 to be paid in cash in 2020

Dividend 2019 (in EURm)

	FY 2019
Net income attributable to shareholders	**267**
Restructuring costs	99
Incidentals*	32
Non-controlling interests	-5
Tax impact	-35
Continuing net income	**359**
Total dividend	**170**
Total number of outstanding shares (million)**	126

EUR 1.35 per share

Key observations

- In 2020, we propose to pay a dividend over 2019 of EUR 1.35 per share, an increase of 3.8%
- Following the announced acquisition of Cooper Lighting, Signify will prioritize deleveraging
- Strong FCF expected to drive down Signify's net leverage ratio from around 2x at closing to below 1x net debt/EBITDA within 3 years; Intend to use EUR 350m to reduce debt in 2020
- Capital allocation has been aligned as follows:
  - Continue to pay a stable to increased dividend per share
  - Continue to invest in R&D and other organic growth opportunities
  - Signify will focus on integrating Cooper Lighting; M&A will have a lower priority

* Other incidentals consists of acquisition-related charges, transformation-related costs and other incidentals
** Excluding treasury shares

EUR 1.2bn returned to shareholders since IPO, incl. proposed 2019 dividend

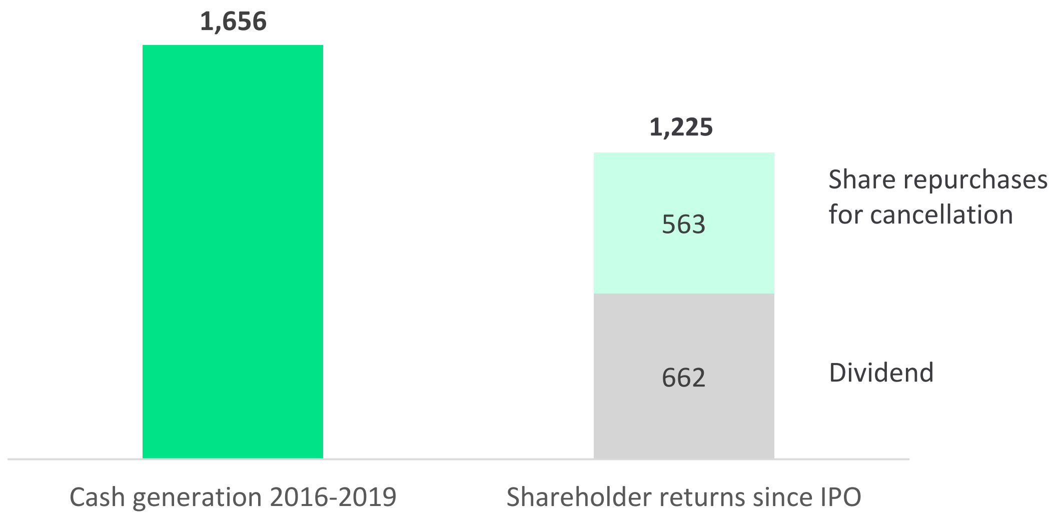
Cash available

- Continued free cash flow generation
- Managing our financial ratios to maintain a financing structure compatible with an investment-grade profile

Cash uses since IPO

- Dividend of EUR 662m since the IPO, including proposed dividend of 2019
- Seized non-organic growth opportunities, e.g. Klite, WiZ, Once Inc. & iLOX
- Contributed EUR 132m to US Pension Fund since the IPO
- Repurchased shares for EUR 74m to cover performance share plans
- Repurchased shares for EUR 563m for cancellation

Return to shareholders since IPO (in EURm)



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Substantial acquisitions made in 2019 to strengthen our business and financial profile

WiZ Connected

- Extends Signify's leadership in connected lighting by stepping into the Wi-Fi based smart lighting market
- Closed Q2 2019

once / iLOX

- Enables Signify to capture attractive growth in agricultural lighting
- Closed Q2 2019

KLITE

- Strengthens Signify's position in the supply chain of LED lamps and luminaires
- Brings additional scale and innovation power to Klite, allowing it to generate further cost efficiencies
- Closed Q4 2019

COOPER Lighting Solutions

- Strengthens Signify's market position in North America, with increased innovation power and more competitive offerings
- Improves the business mix with Professional revenues increasing from 42% to 53% of total sales
- Cost synergies of > USD 60m per year
- Expected closing in Q1 2020

Content

Outlook 2020

- Signify aims to achieve a further improvement in the Adjusted EBITA margin

- Free cash flow expected to be at least 6% of sales

- The outlook excludes the announced acquisition of Cooper Lighting Solutions
- An update on the outlook will be provided after the closing of Cooper Lighting Solutions
- Closing expected in Q1 2020, as previously indicated

Adaptation of business structure to strengthen customer centricity

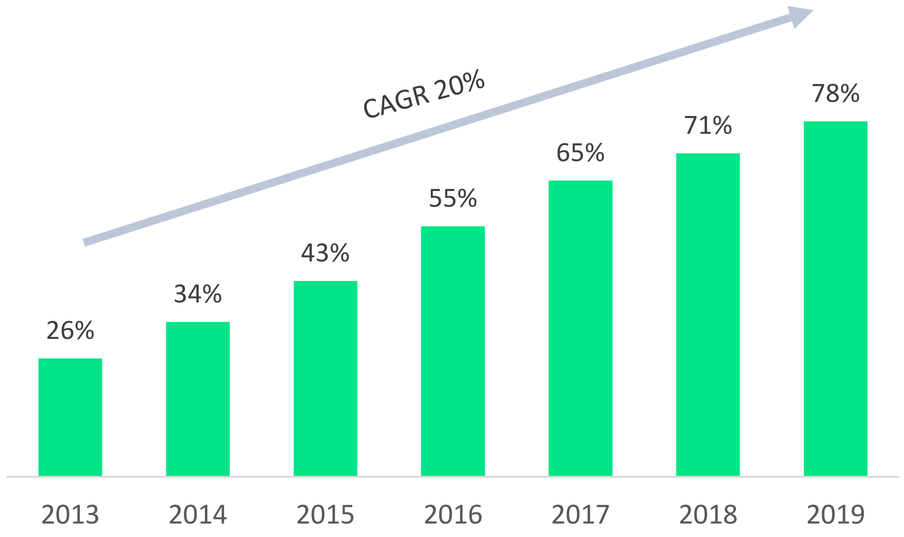
- Adapt the business structure to enable:
  - Stronger customer focus
  - Enhanced specialization
  - Increased execution speed
- Consolidation of 4 BGs to 3 divisions
- Focus our business around our customers and create one global operations team to drive customer and business excellence
- As a consequence, Signify intends to adapt its segment reporting accordingly

	Digital Solutions	Digital Products	Conventional products
Customers	Professional customers	Professional customers OEM Consumers	Professional customers OEM Consumers
Products	Luminaires, lighting systems and services	LED lamps, luminaires and connected products, LED electronics	Conventional lamps and electronics

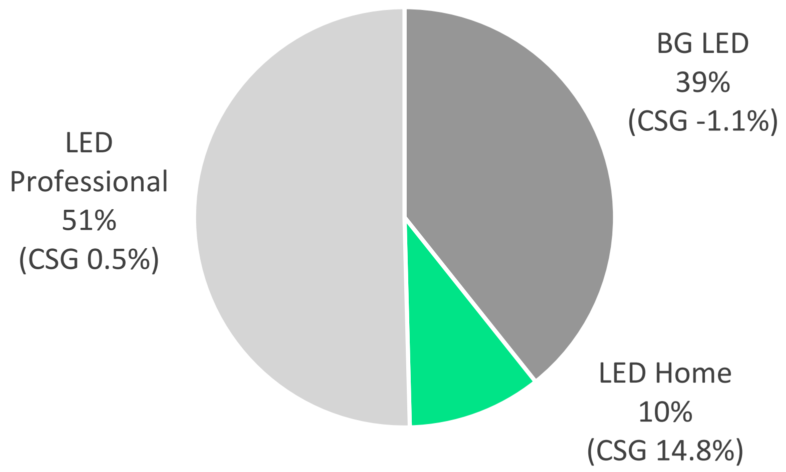
Q&A

78% of sales is LED-based and growing by 1.4% on a comparable basis

LED-based sales continue to grow by CAGR of 20%
(in % of total sales)

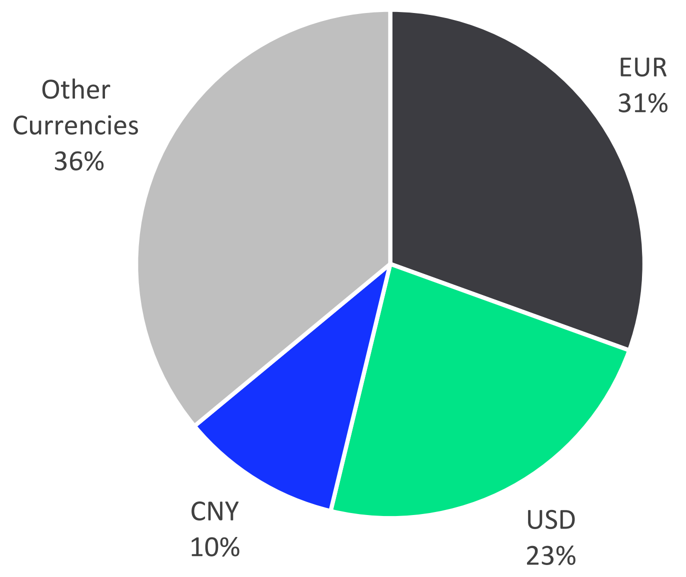


LED-based sales of EUR 4.8bn in FY 19, CSG of 1.4%



Currency movements had a positive impact on sales and Adjusted EBITA

Q4 19 Sales FX Footprint (% of total)



Key observations

- Currency movements positively impacted sales and Adjusted EBITA
- Sales impact of +2.0%, mainly driven by US dollar appreciation
- Adjusted EBITA impact of EUR +10m, 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

Net income reduced to EUR 98m, mainly due to higher restructuring costs, acquisition related charges, and other incidental items

From Adjusted EBITA to net income (in EURm)

		Q4 18	Q4 19
	Adjusted EBITA	**214**	**232**
	- Restructuring	-27	-42
1	- Acquisition related charges	-1	-11
2	- Other incidental items	11	-15
	EBITA	**197**	**164**
	Amortization	-24	-26
	EBIT	**173**	**138**
	Net financial income / expenses	-7	-11
3	Income tax expense	-47	-29
	Results from investments in associates	0	0
	Net income	**119**	**98**

Key observations

1. Includes charges related to Cooper Lighting and Klite
2. Q4 18 included a gain of EUR 16m associated with tax related reliefs linked to the separation
3. Income tax expense decreased by EUR 18m mainly due to lower taxable earnings in Q4 19

Free Cash Flow of EUR 308m

Free cash flow (in EURm)

	Q4 18	Q4 19
Income from operations	173	138
Depreciation and amortization	58	77
Additions to (releases of) provisions	28	65
Utilizations of provisions	-73	-69
Change in working capital	147	152
Interest paid	-7	-4
Income taxes paid	-22	-26
Net capex	-14	-26
Other	-11	1
Free cash flow	**279**	**308**
As % of sales	16.2%	17.6%

Key observations

- Free cash flow of EUR 308m, including a positive impact of EUR 18m related to IFRS 16
- Free cash flow in Q4 19 included lower restructuring cash-out of EUR 25m (Q4 18: EUR 36m)

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