

Signify

Q2 2020 results

July 24, 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, impacts of COVID-19, the 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 2019 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 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 2019.

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 2019 and the semi-annual report 2020.

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 René van Schooten

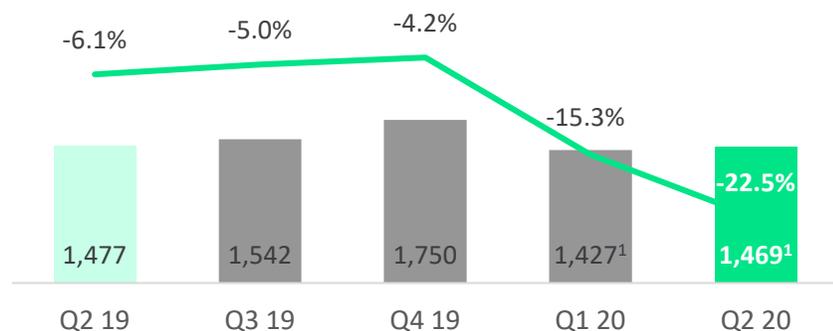
H1 20 highlights and 2020 outlook by Eric Rondolat

Q&A

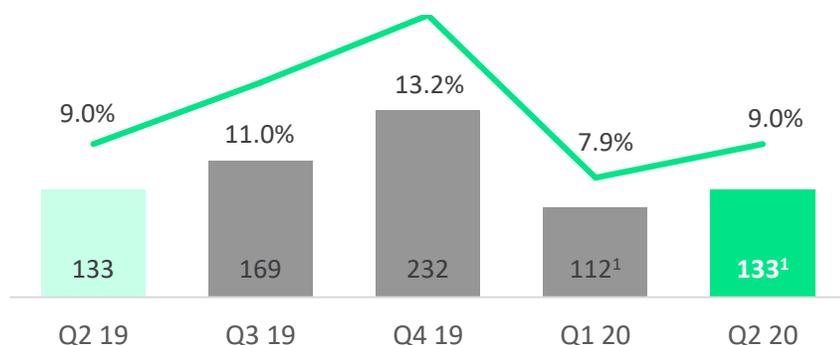


Q2 20 sales of EUR 1.5bn and operational profitability maintained at 9.0%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 20

- Sales of EUR 1.5bn, nominal sales growth of -0.6% and CSG of -22.5%
- LED-based sales represented 80% of total sales (Q2 19: 79%²)
- Installed base of connected light points increased from 61m in Q1 20 to 64m³ in Q2 20
- Adjusted indirect costs down EUR 86m, or -19.1% excl. currency effects and changes in scope
- Adj. EBITA margin remained stable at 9.0%, incl. currency impact of -60 bps
- Net income increased to EUR 81m (Q2 19: EUR 50m) mainly due to one-off items
- FCF increased to EUR 158m (Q2 19: EUR 121m)

¹Cooper Lighting has been consolidated from March 2nd, 2020

²Pro-forma incl. Cooper Lighting and Klite

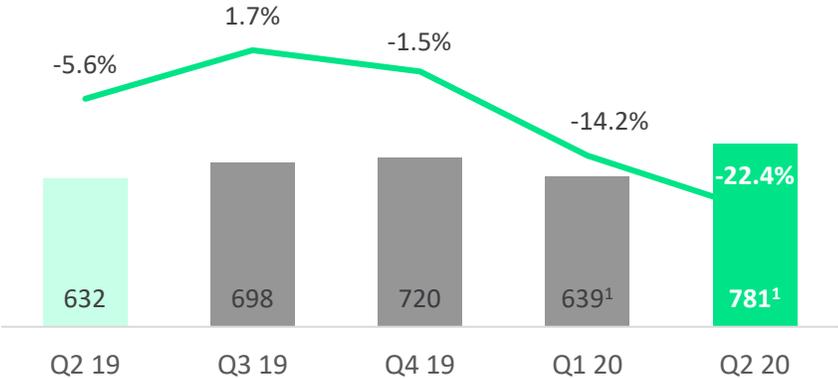
³Excluding Cooper Lighting

Growing profit engines: CSG of -21.9% and Adjusted EBITA margin improvement of 100 bps

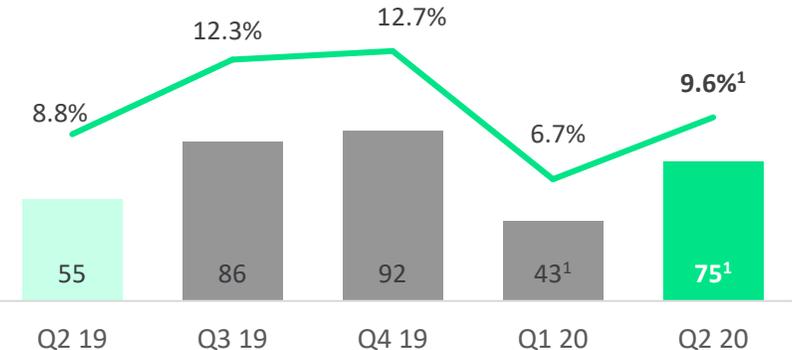
Q2 20	CSG %	Adjusted EBITA (EURm)	vs LY (EURm)	Adjusted EBITA %	vs LY (bps)
Digital Solutions	-22.4%	75	+20	9.6%	+80
Digital Products	-21.1%	44	-1	9.3%	+110
Total	-21.9%	119	+19	9.5%	+100

Digital Solutions Adjusted EBITA margin improved by 80 bps, mainly driven by an increase in gross margin and indirect cost savings

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 20

- Nominal sales increase of 23.6% as a result of the consolidation of Cooper Lighting
- CSG declined by 22.4% and reflects a significant decline in demand across all regions as a result of COVID-19 measures taken by governments and customers
- Most severely impacted markets were North America, India and France
- LED-based sales accounted for 91% of total sales and connected-based sales represented 18%² of total sales
- Adjusted EBITA margin increased by 80 bps to 9.6%, which was driven by an increase in gross margin and indirect cost savings

¹Cooper Lighting has been consolidated from March 2nd, 2020

²Excluding Cooper Lighting

Digital Solutions highlights

Partnered with NYPA to connect half a million streetlights



- NYPA provides financial, logistical, technical, and informational support for cities who want to upgrade street lighting
- Illustrates the important role that connected street lighting can play in creating a smart city infrastructure

Rated as global leader in smart street lighting by Guidehouse Insights



- Guidehouse Insights places Signify as the clear #1, both in strategy and execution, a position Signify has held since 2018
- Signify's connected street lighting recognized as reliable, mature and of high quality

First lighting company with connected lighting security certification



- DEKRA confirms that our connected lighting systems are based on a certified secure development process
- Illustrates our leadership in embedding security in all aspects of our innovations, products, systems, and services

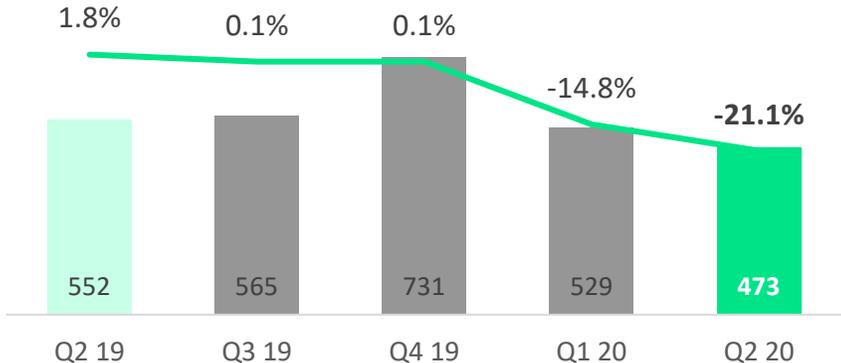
Launched NatureConnect, a lighting innovation inspired by Nature



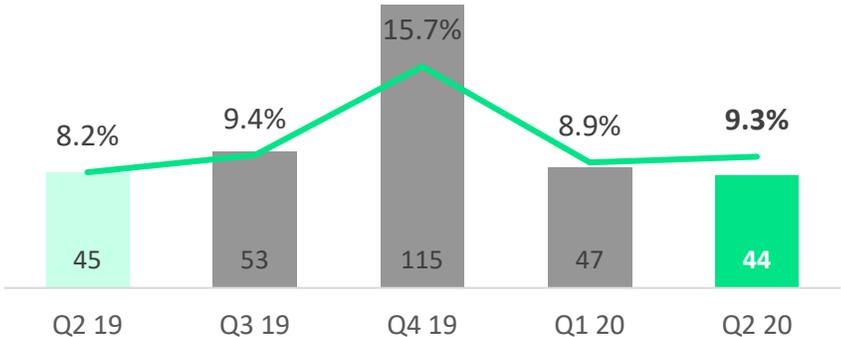
- Creates healthy, engaging and inspiring environments
- Leads to increased productivity, engagement and workplace satisfaction
- First implementation at one of Skanska's offices in Warsaw, Poland

Digital Products Adjusted EBITA margin improved by 110 bps, as a result of positive price/mix impact and improved cost structure in connected home

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 20

- Comparable sales declined by 21.1%
 - LED-based sales accounted for 98% of total sales
 - Connected-based sales represented 14% of sales
 - Overall demand was significantly impacted by the COVID-19 measures taken by governments and customers
 - Online sales in the consumer channel showed a solid performance
 - Sell-out rates for connected home lighting remained strong
- Adjusted EBITA margin improved by 110 bps, driven by:
 - Positive mix impact
 - Reduced price erosion
 - Improved cost structure in connected home lighting

Digital Products highlights

Introduced new Philips Hue bulbs, fixtures and updated lights



- Includes new Philips Hue White bulb with output doubled to 1600 lumen
- Adds Bluetooth-capable Philips Hue White ambiance indoor range
- New products also include new family of indoor ceiling fixtures and updated Philips Hue lightstrip

Launched Philips Hue product portfolio in Russia



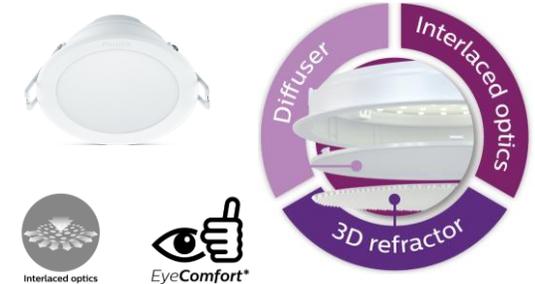
- Provides Russian consumers with a broad Philips Hue portfolio, incl. bulbs, fixtures, dimmer switch, lightstrips and sensors

Launched the MasterConnect SNS210 sensor



- Provides simple, scalable and standardized solution for indoor connected lighting in schools, offices, hospitals and other indoor areas
- Allows to upgrade lighting to become fully automatic with no need to touch any switches

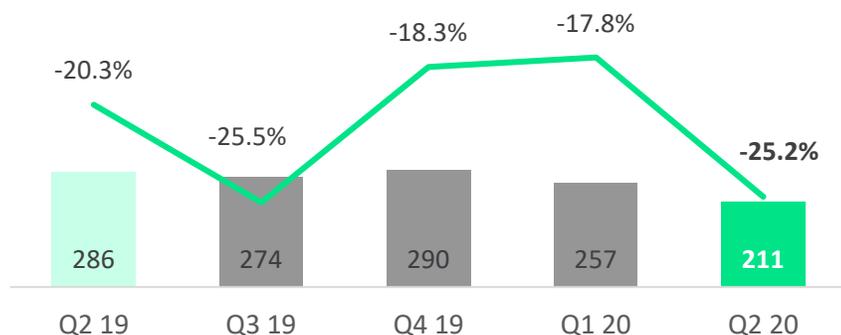
Launched Meson Interlaced Optics in our emerging markets



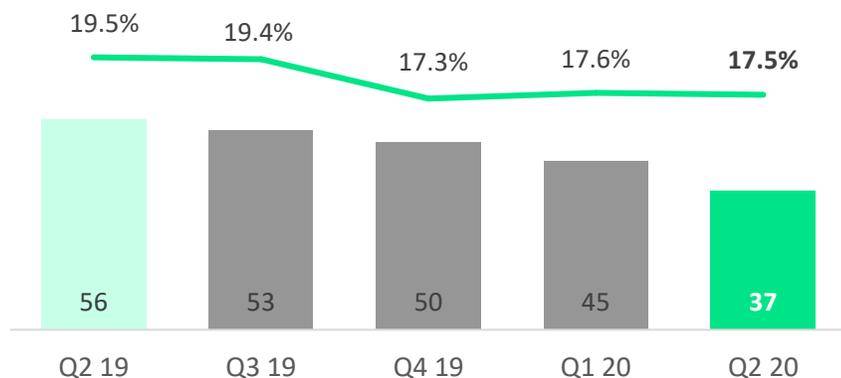
- Reinforces EyeComfort proposition with Interlaced optics
- Double-layered optic design with micro-lens produces even light distribution and reduces glare

Conventional Products Adjusted EBITA margin remained robust at 17.5%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 20

- Comparable sales decreased by 25.2%
 - Conventional Products showed a relatively solid performance partly as a result of strong demand for UV-C and horticulture lighting
 - Continued market share gains and solid FCF
-
- Adjusted EBITA margin remained robust at 17.5%

Invested in UV-C to meet growing demand for disinfection

- The leader in UV-C light sources; at the forefront of UV technology for > 35 years
- Boston University validated effectiveness of our light sources on inactivating the virus that causes COVID-19
- Acquired GLA to complement portfolio with upper-room air disinfection luminaires
- Expanded our portfolio with 12 families of UV-C-based products for air, surfaces and objects for professional markets
- Increasing our UV-C light source production capacity by a factor 8 this year



Cooper Lighting and Klite integrations are well on track

Cooper Lighting

Accelerated cost synergies in the first year

Planned cost synergies of > USD 60m per year, to be achieved over 3 years, have been accelerated in 1st year:

- Bill of Material savings remain ahead of plan
- Sourcing Optimization ahead of plan
- Supply Chain on track

Increased innovation power and competitive offerings to capture growth

- Cooper Lighting deploying Signify's global leading UV-C technology to its North American Markets
- R&D technology sharing is accelerating overall Signify product roadmaps
- Cooper Lighting IP strengthens Signify's portfolio of licensed technology

Klite

Integration well on track

- Supply chain fully operational again in Q2
- People and system integration complete
- Insourcing ahead of plan
- Sales to thirds: continued loyalty of existing customers; capture of new customers



Content

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Financial performance by René van Schooten

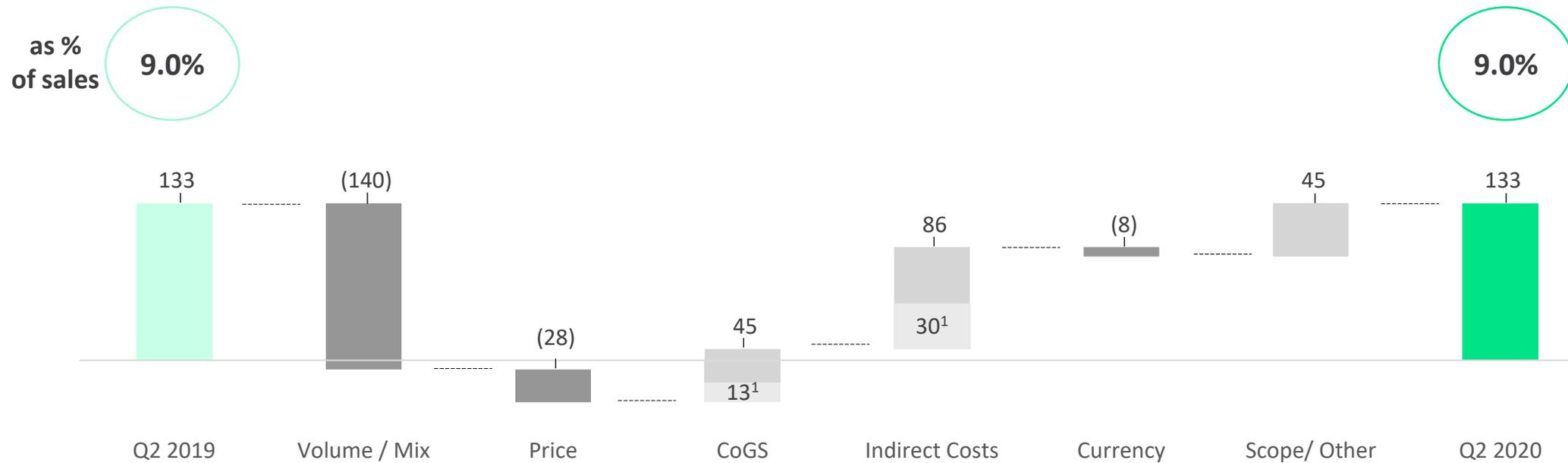
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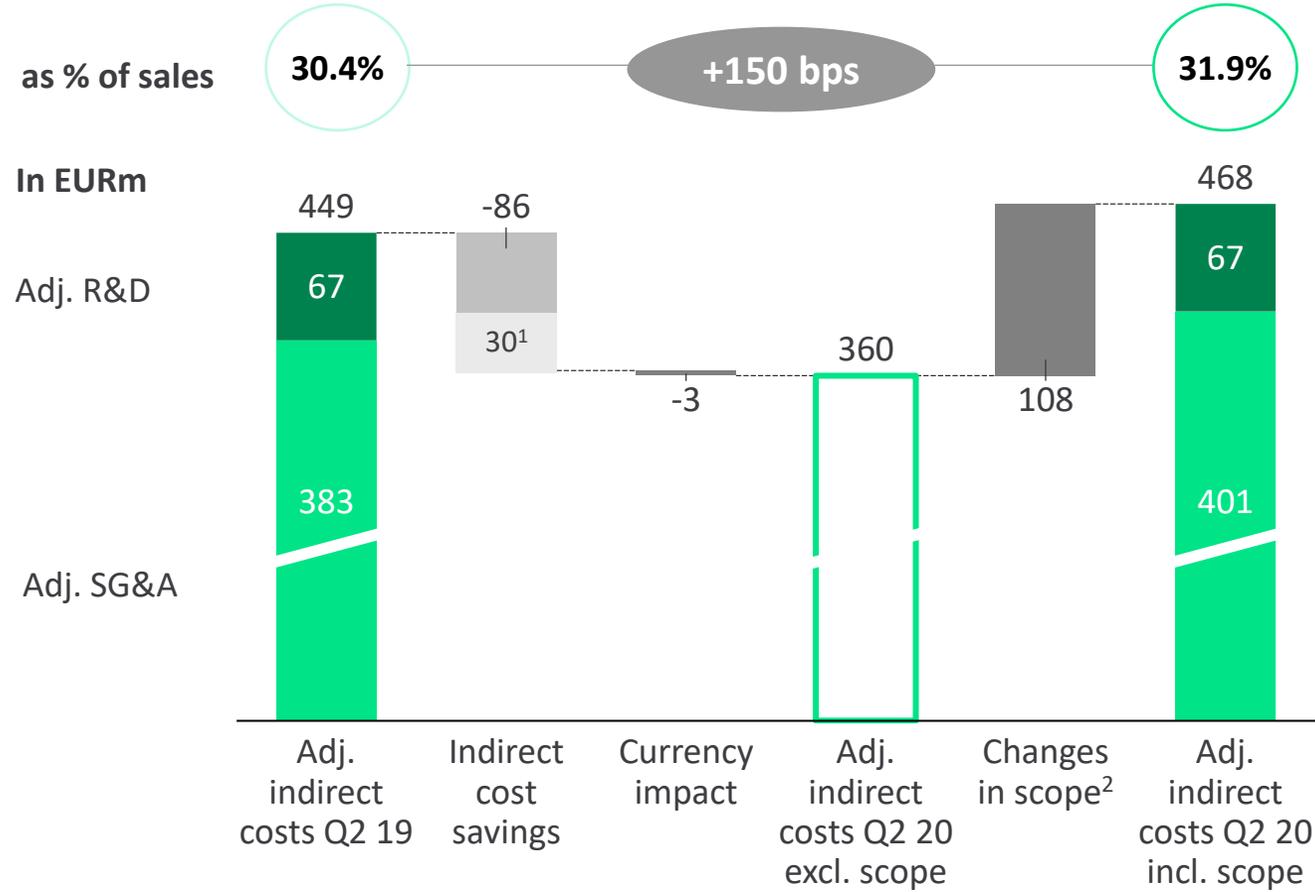
Signify Adj. EBITA margin: improvement driven by pricing and ongoing cost reductions

Adjusted EBITA (in EURm)



¹Non-structural cost savings related to solidarity measures and government support

Comparable indirect costs decreased by 19.1%, adjusted for currencies and changes in scope



Key observations

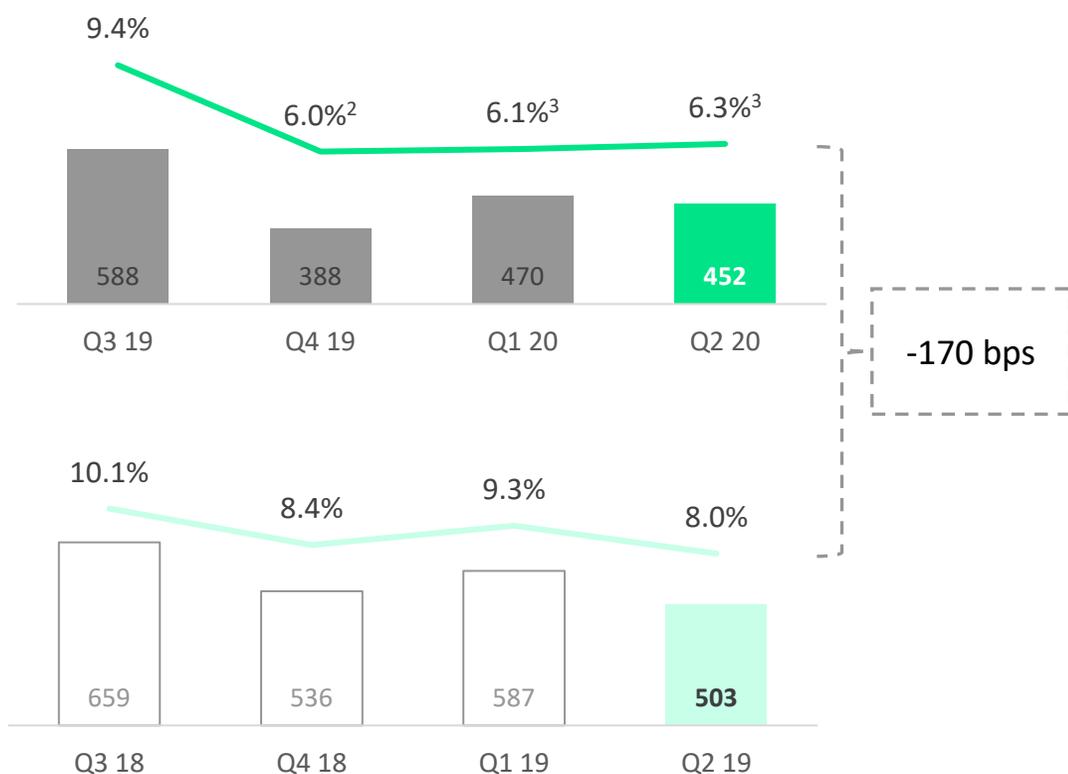
- At a very early stage of the COVID-19 outbreak, a broad range of mitigating actions to preserve profitability were identified
- Underlying indirect cost reduction of EUR 86m
- Positive currency impact of EUR 3m
- Impact from changes in scope of EUR 108m
- Continue to execute initiatives to further reduce the indirect cost base

¹Non-structural cost savings related to solidarity measures and government support

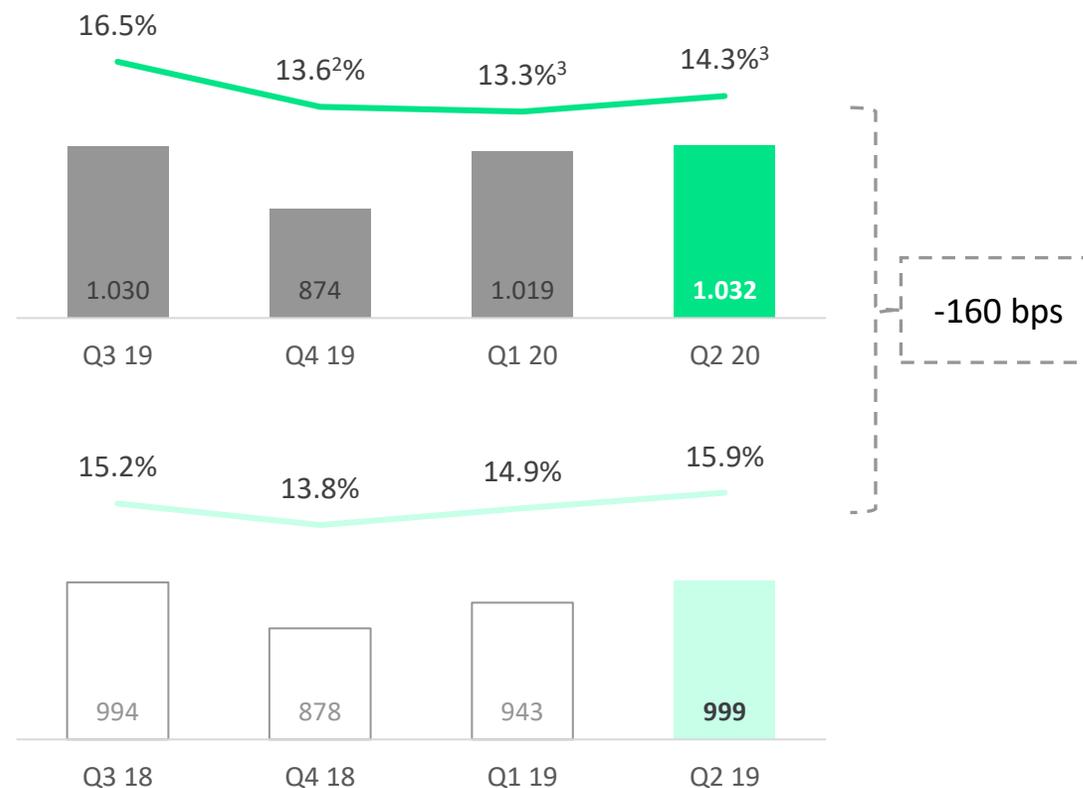
²Consolidation effects from Cooper Lighting and Klite

WoCa decreased by 170 bps as % of sales, mainly due to solid inventory management, lower receivables and higher payables

Working capital¹ (in EURm & as % of sales)



Inventories (in EURm & as % of sales)

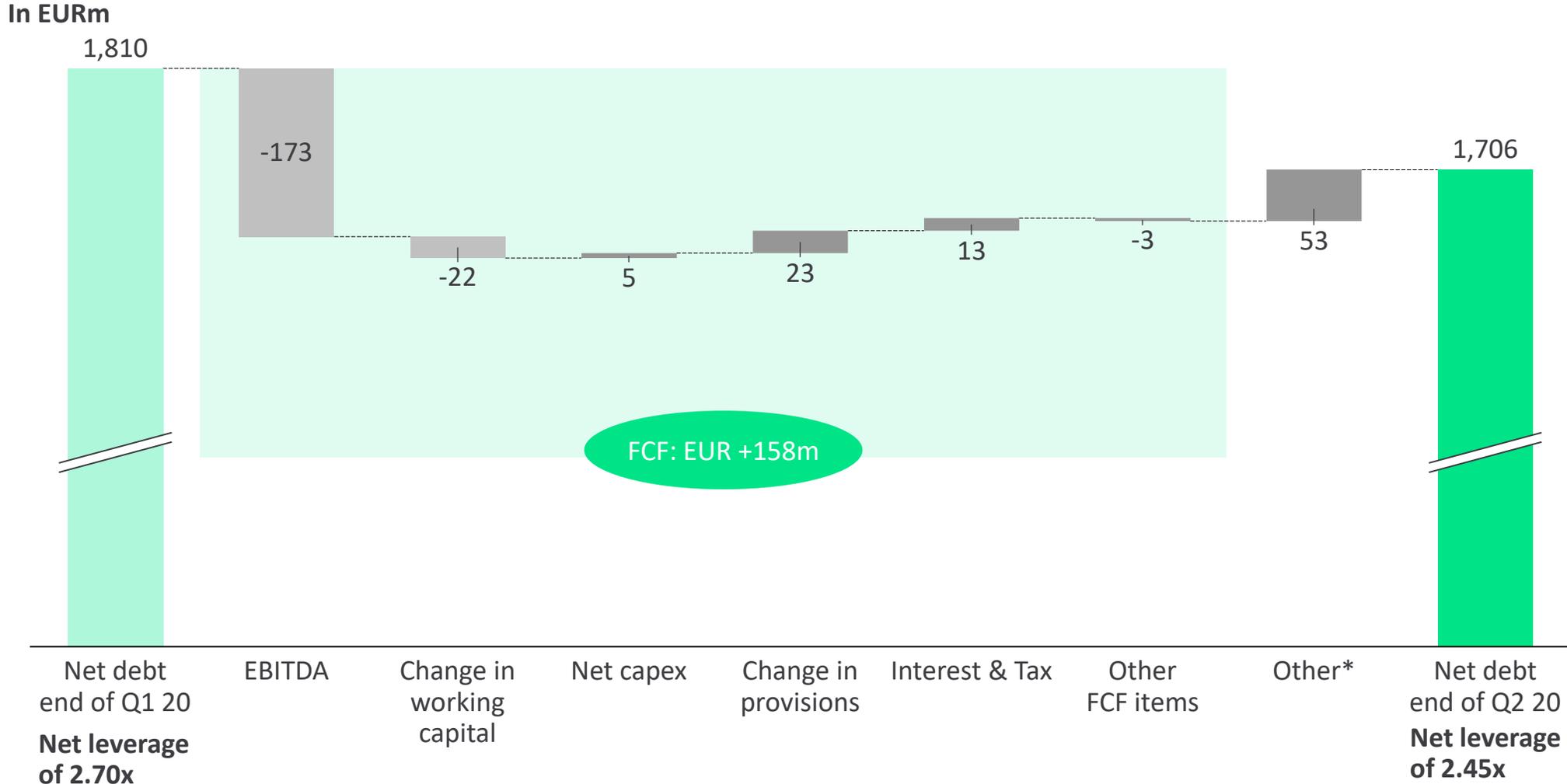


¹ Working capital includes inventories, trade and other receivables, trade and other payables, other working capital items

² Includes sales of Klite on a 12-month pro-forma basis

³ Includes sales of both Cooper Lighting and Klite on a 12-month pro-forma basis

Net debt decreased by EUR 104m, mainly as a result of strong FCF generation



*Other includes new lease liabilities (following the application of IFRS 16 for new lease contracts signed in 2020), and FX effect on cash, cash equivalents and debt

Content

Business and operational performance by Eric Rondolat

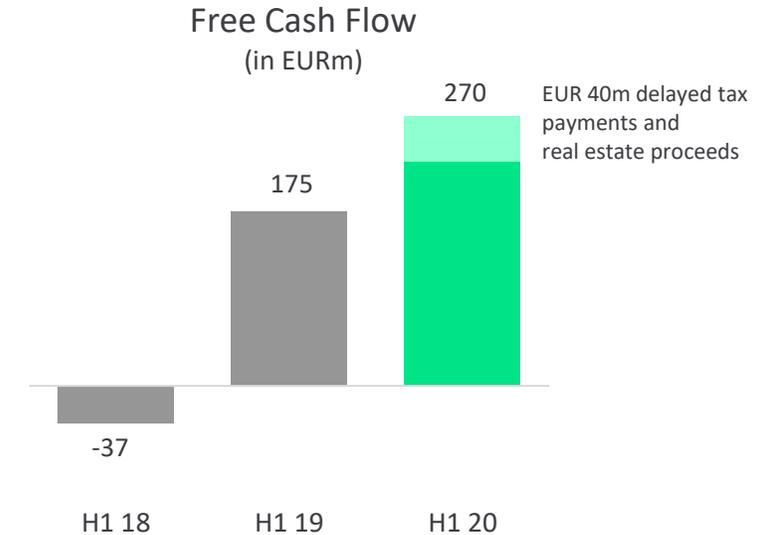
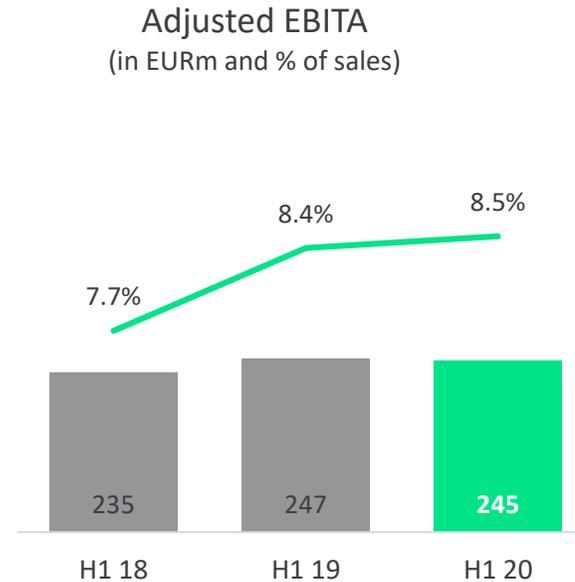
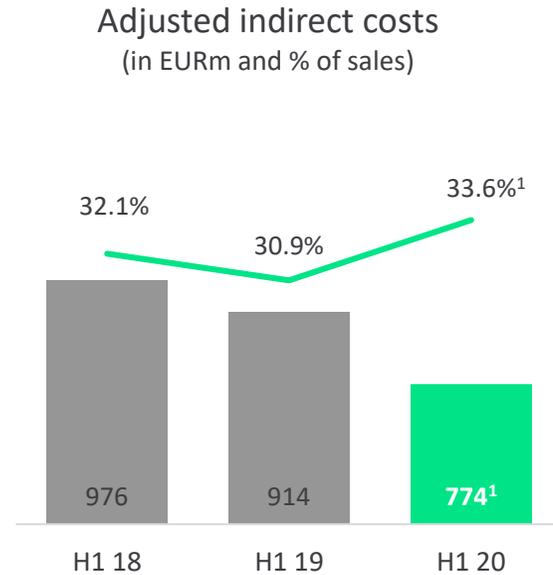
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Strong progress made in H1 20 on cost reductions and FCF generation



H1 20 performance

Solid progress made on cost reductions

Adj. indirect costs decreased by EUR 141m, an increase of 270 bps as % of sales

Adjusted EBITA margin improved by 10 bps, despite currency impact of -30 bps

Strong cash management
Significant increase in FCF in H1 2020

¹Excluding currency effects and changes in scope

Continuous commitment to Sustainability

			H1 2020 result	Achievement	2020 target
Sustainable revenues	Sustainable revenues		83.1%	Increasing energy efficiency of portfolio	80%
	LED lamps & luminaires delivered		2.580 billion (cumulative from 2015)	129% of our commitment completed	>2 billion
Sustainable operations	Carbon footprint		Gross 146 kt CO ₂	26% decrease vs H1 2019	Net 0 kt CO ₂
	Waste to landfill		26 tonnes	89% decrease vs Q2 2019	0 tonnes
	Safe & healthy workplace		TRC = 0.25	22% decreased TRC vs Q2 2019	TRC = 0.35
	Sustainable supply chain		99%	99% of risk suppliers passed the audit	90% performance rate



We achieved the **highest score** in the CDP climate disclosure: A-List



We are named **DJSI Industry Leader** for 3 consecutive years



We received the EcoVadis **Platinum Medal** and are in the **top 1%** of companies assessed

Outlook

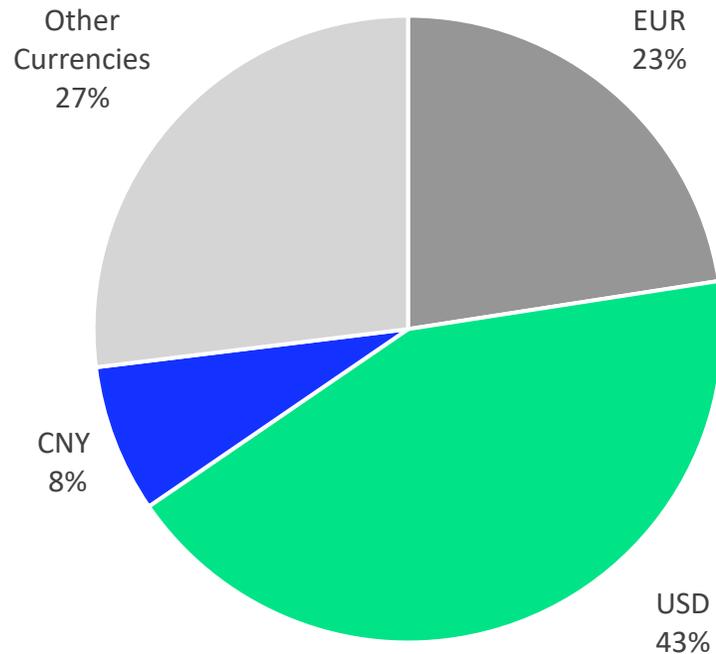
- Considering the persistent uncertainty about the future course of the pandemic, and the length and depth of the impact on the global economy, Signify still doesn't provide financial guidance at this point in time
- However, Signify is confident in the underlying resilience of its businesses and operating model, and that its liquidity needs are well covered by the financial framework it has in place
- In line with the company's policy to prioritize future deleveraging, Signify confirms its intention to utilize up to EUR 350 million to reduce gross debt in 2020





Currency movements negatively impacted sales and Adjusted EBITA

Q2 20 Sales FX Footprint (% of total)



Key observations

- Negative FX effect on sales of -80 bps, largely driven by CNY and emerging market currencies depreciation
- Negative FX effect on Adjusted EBITA of EUR 10m, and -60 bps on the Adjusted EBITA margin, mainly due to 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 increased to EUR 81m, mainly as a result of lower restructuring costs & other incidentals, and one-time non-cash tax benefits

From Adj. EBITA to net income (in EURm)

	Q2 19	Q2 20
Adj. EBITA	133	133
- Restructuring	-14	-2
1 - Acquisition related charges	-1	-15
2 - Other incidental items	-13	4
EBITA	104	119
Amortization	-24	-32
EBIT	80	87
Net financial income / expenses	-12	-16
3 Income tax expense	-19	10
Results from investments in associates	1	0
Net income	50	81

Key observations

- 1** Related to Cooper Lighting and Klite
- 2** Recurring by nature and relate to the separation, company name change, environmental provision for inactive sites and discounting effect of long-term provisions
- 3** Lower tax expense driven by one-time non-cash tax benefits from changes in the organizational structure

Free Cash Flow of EUR 158m

Free cash flow (in EURm)

	Q2 19	Q2 20
Income from operations	80	87
Depreciation and amortization	67	86
Additions to (releases of) provisions	29	24
Utilizations of provisions	-53	-47
Change in working capital	56	22
Net interest and financing costs paid	-6	-13
Income taxes paid	-20	0
Net capex	-27	-5
Other	-8	3
Free cash flow	121	158
<i>As % of sales</i>	8.2%	10.8%

Key observations

- Free cash flow increased by EUR 37m to EUR 158m, reflecting the consolidation of Cooper Lighting, lower cash tax paid, and proceeds from the sale of real estate (EUR 20m)
- Free cash flow in Q2 20 included restructuring cash-out of EUR 12m (Q2 19: EUR 27m)

Signify