Q3 2020 results

October 23, 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.

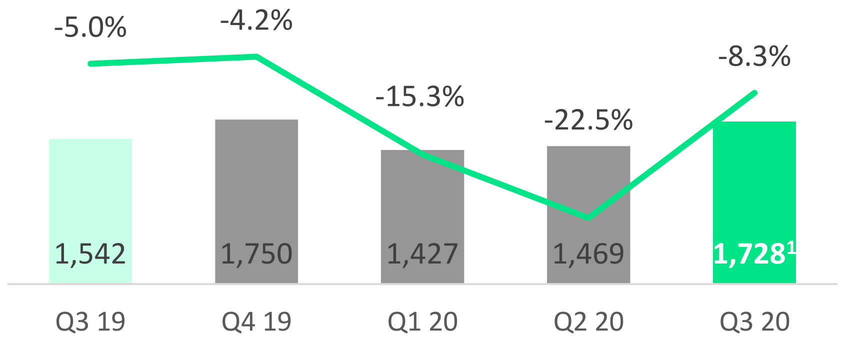
Market Abuse Regulation

This presentation contains information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

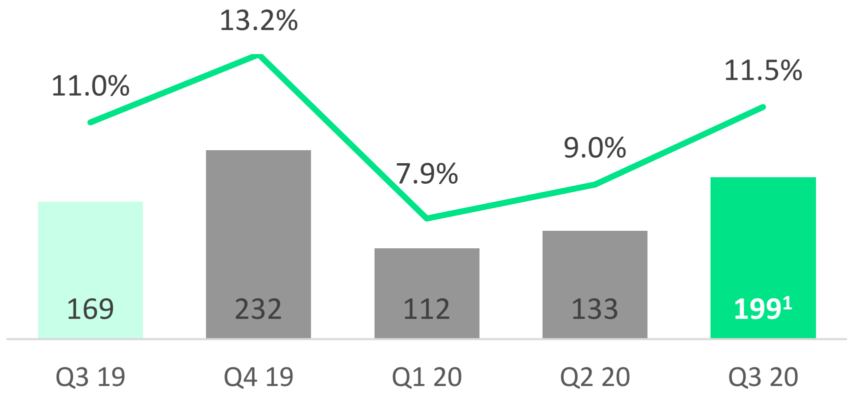
Content

Q3 20 sales of EUR 1.7bn, operational profitability of 11.5% and FCF of 214m

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q3 20

- Sales of EUR 1.7bn, nominal sales growth of 12.1% and CSG of -8.3%
- LED-based sales represented 82% of total sales (Q3 19: 81%)
- Installed base of connected light points increased from 64m in Q2 20 to 71m in Q3 20
- Adjusted indirect costs down EUR 22m, or -4.9% excl. FX effects and changes in scope (Cooper Lighting and Klite)
- Adj. EBITA margin increased by 50 bps to 11.5%, incl. currency impact of -30 bps
- Net income increased to EUR 90m (Q3 19: EUR 74m)
- FCF increased to EUR 214m (Q3 19: EUR 45m)
- Cooper Lighting integration and synergies ahead of plan

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

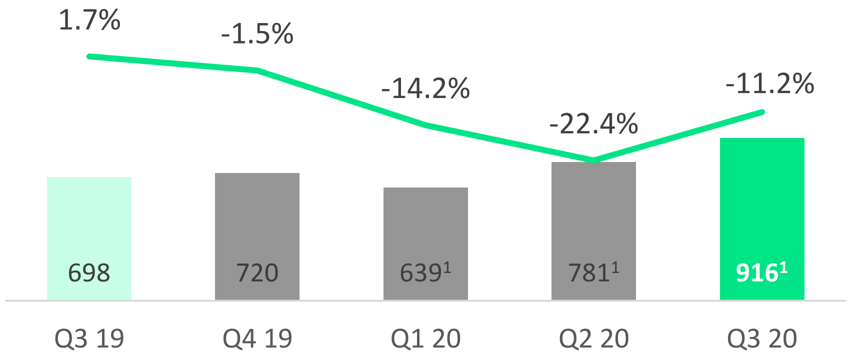
Growing profit engines: CSG of -7.9% and Adjusted EBITA margin improvement of 130 bps

Q3 20	CSG %	Adjusted EBITA (EURm)	vs LY (EURm)	Adjusted EBITA %	vs LY (bps)
Digital Solutions	-11.2%	107	+21	11.7%	-60
Digital Products	-2.0%	76	+23	13.1%	+370
Total	**-7.9%**	**183**	**+44**	**12.3%**	**+130**

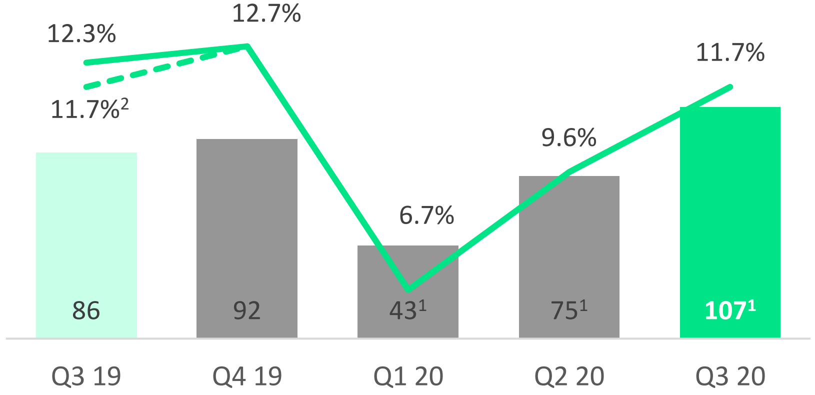
Adj. EBITA margin remained stable YoY when including the pro-forma Cooper Lighting financials in Q3 19

Digital Solutions Adjusted EBITA margin remained stable year-on-year when including the pro-forma Cooper Lighting financials in Q3 19

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q3 20

- Nominal sales increase of 31.2% as a result of the consolidation of Cooper Lighting
- CSG declined by 11.2% and reflects a continued difficult market environment, albeit an improved trend compared with Q2 20
- Most severely impacted markets were Latin America, Canada, India, Southeast Asia, Italy and France
- LED-based sales accounted for 92% of total sales and connected-based sales represented 27%[3] of total sales

- Adjusted EBITA margin of 11.7%; remained stable YoY when including the pro-forma Cooper Lighting financials in Q3 19

[1]Cooper Lighting has been consolidated from March 2nd, 2020
[2]Adj. EBITA margin when including the pro-forma Cooper Lighting financials in Q3 19

[3]Excluding Cooper Lighting

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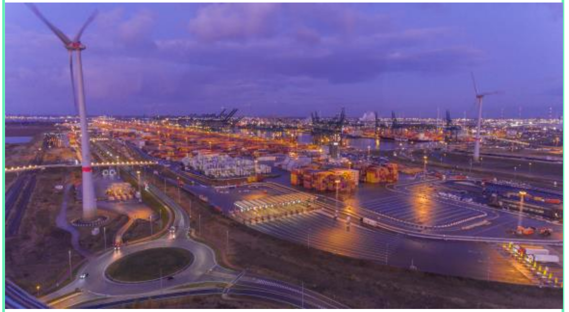
Digital Solutions highlights

Equipped Port of Antwerp with smart lighting infrastructure



- Switching 1,300 luminaires to LED reduces energy usage by 30%
- Luminaires are equipped with two connectors, one to connect to Interact City to drive operational efficiencies and a second connector to enable measurement of motion, traffic and noise

Signed partnership with RB Leipzig to create stadium of the future

- Includes upper air UV-C disinfection for different indoor spaces, including dressing rooms
- Trulifi to provide reliable, secure and high-speed connectivity in press room
- Also includes Philips Hue for 'Home of eSport' and Interact Sports and Interact Landmark

ScaleAQ partnership accelerates switch to sustainable fish farming

- Global partnership helps to expand sales of aquaculture LEDs across the world
- Signify to provide the LED lighting expertise, while ScaleAQ will resell with an initial focus on marine based/seacage products
- Accelerates switch to sustainable fish farming

EDZCOM partnership accelerates LiFi adoption in manufacturing industry

- Signify to offer LiFi connectivity to European manufacturing companies, which currently rely on congested radio spectrum
- EDZCOM brings technological knowledge and commercial experience in designing and operating private wireless solutions

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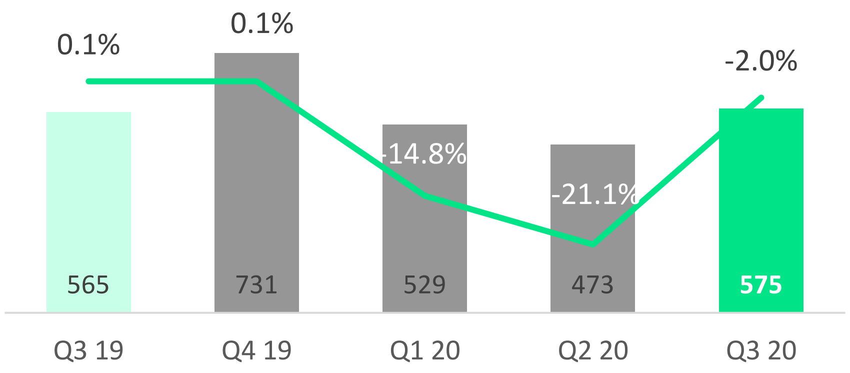
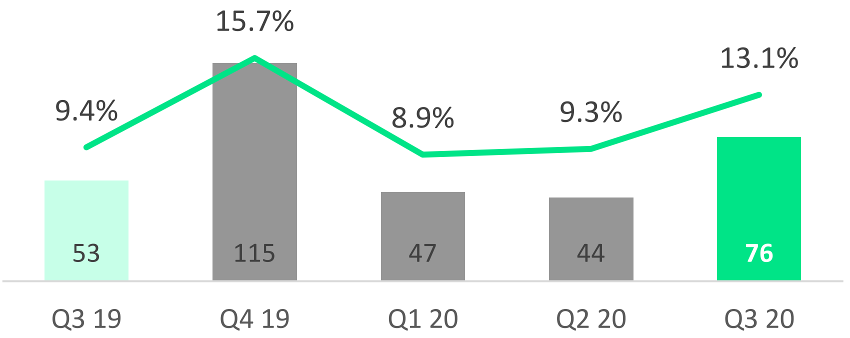
Digital Products Adj. EBITA margin improved by 370 bps, mainly as a result of a strong performance in connected home and solid price management

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q3 20

- Nominal sales increased by 1.9%; CSG of -2.0%
  - Connected-based sales represented 21% of sales
  - Sales in the consumer channel showed a strong performance, particularly in the connected home category
  - Demand in the OEM and professional channels continued to be impacted by the COVID-19 measures taken by governments and customers
  - Most severely impacted markets were Canada, India, Southeast Asia and Indonesia

- Adjusted EBITA margin improved by 370 bps, driven by:
  - Positive mix impact from connected home
  - Solid price management and continued COGS savings
  - Ongoing successful integration of Klite

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Digital Products highlights

Launched UV-C disinfection desk lamp for homes in Asia & ME

- Effectively disinfects viruses & bacteria
- Voice guidance & built-in sensor that shuts off device when detecting movement provides extra protection layer
- China, Vietnam, Thailand, Singapore, UAE, Malaysia, Indonesia, Hong Kong & Philippines

Launched new innovative dual-zone ceiling range for China

- Innovative modular design concept inspired by the leaf of the Lotus flower, distinguishing from traditional ceiling lights
- Terraced multi-zone with superior light effects and 360-degree light emission
  Personalized ambiance creation powered by dual-zone technology

Introduced Hue Play gradient lightstrip to step up immersive experience

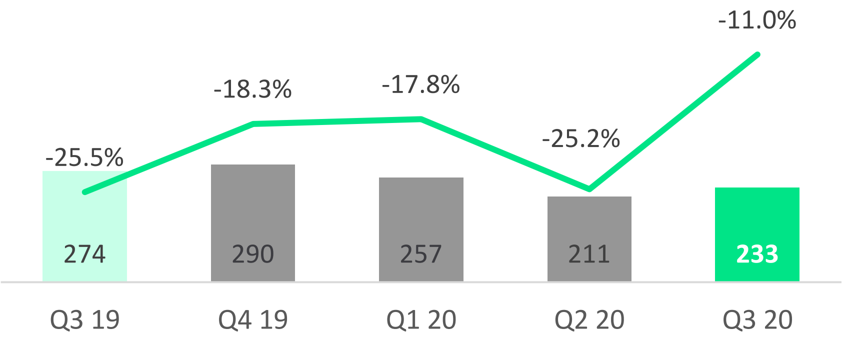
- Specifically designed so lightstrip can be mounted behind any TV
- Pixelated lightstrip produces almost unlimited combination of colors that can seamlessly blend together and provide more nuance
- Creates truly immersive experience

Extended smart lighting accessibility with new WiZ products

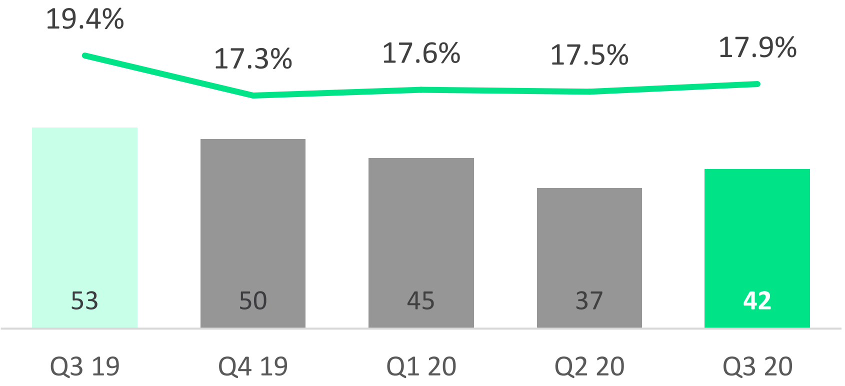
- Launched 100 new products that are easy to set-up with Bluetooth and existing WiFi network
- Includes smart plug, sensor, remote and wide range of bulbs and spots in different colors
- Further extends accessibility of smart home lighting

Conventional Products Adjusted EBITA margin remained robust at 17.9%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q3 20

- Comparable sales decreased by 11.0%
- Benefited from strong demand for consumer lamps, UV-C and horticulture lighting; continued market share gains
- Solid FCF

- Adjusted EBITA margin remained robust at 17.9%

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Signify achieves carbon neutrality and sets course to double its positive impact on the environment and society

		Year-to-date result	Achievement	2020 target
Sustainable revenues	Sustainable revenues	83.6%	Increasing energy efficiency of portfolio	80%
	LED lamps & luminaires delivered	2.734 billion (cumulative from 2015)	137% of our commitment completed	>2 billion
Sustainable operations	Carbon footprint Gross/Net (YTD)	Net 0 kt CO_2	**Signify is carbon neutral!**	Carbon neutral
	Waste to landfill % of sites zero waste (In Q)	16 tonnes 97%	92% decrease vs Q3 2019	100% of sites zero waste
	Safe & healthy workplace	Total recordable cases rate = 0.20	43% decreased TRC vs Q3 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

Content

Business and operational performance by Eric Rondolat

Financial performance by René van Schooten

Outlook and conclusion by Eric Rondolat

Q&A

Signify Adj. EBITA margin improved by 50 bps as a result of solid pricing management, continued COGS and indirect cost savings

Adjusted EBITA (in EURm)

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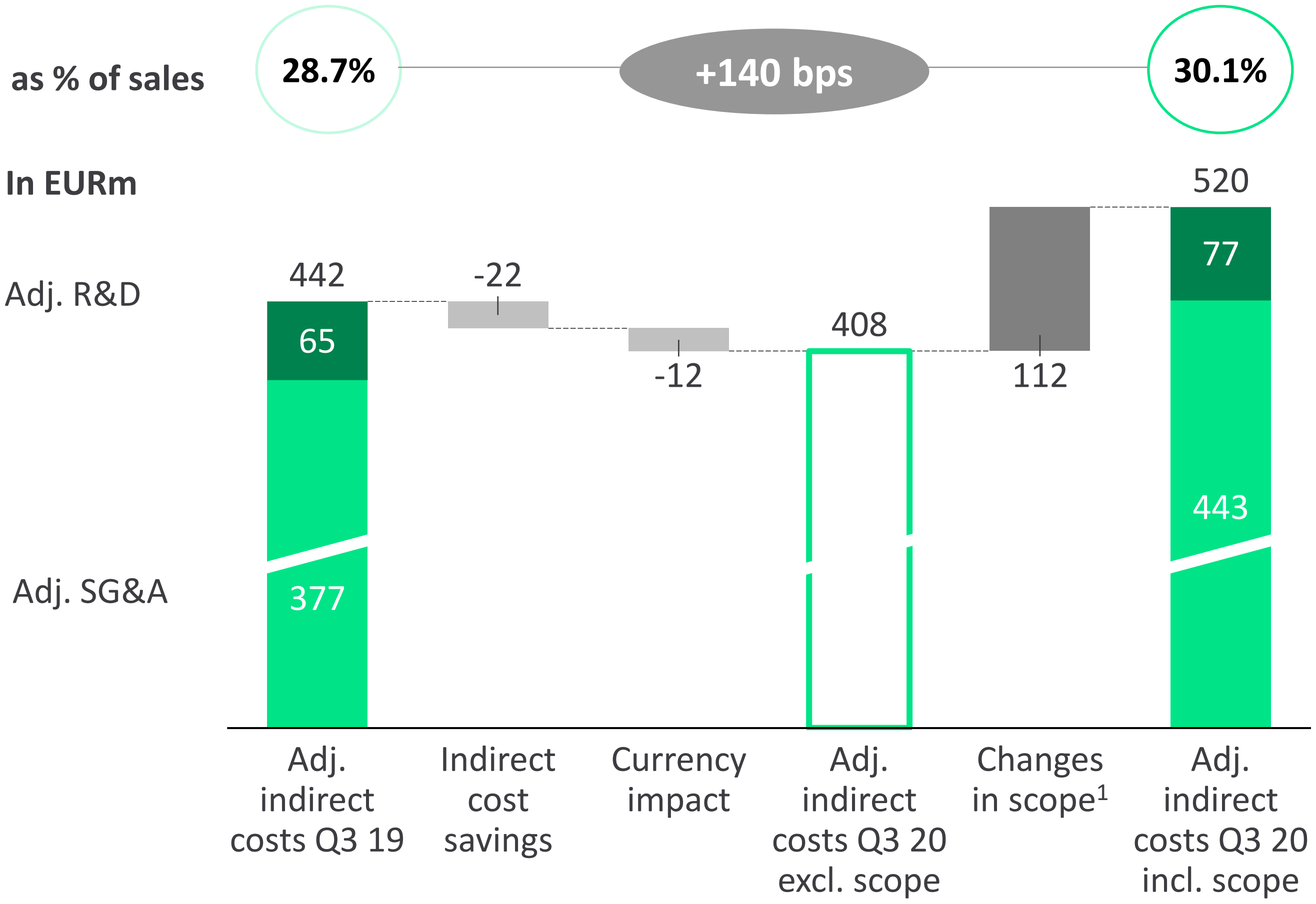
Comparable indirect costs reduced by EUR 22m, adjusted for currencies and changes in scope



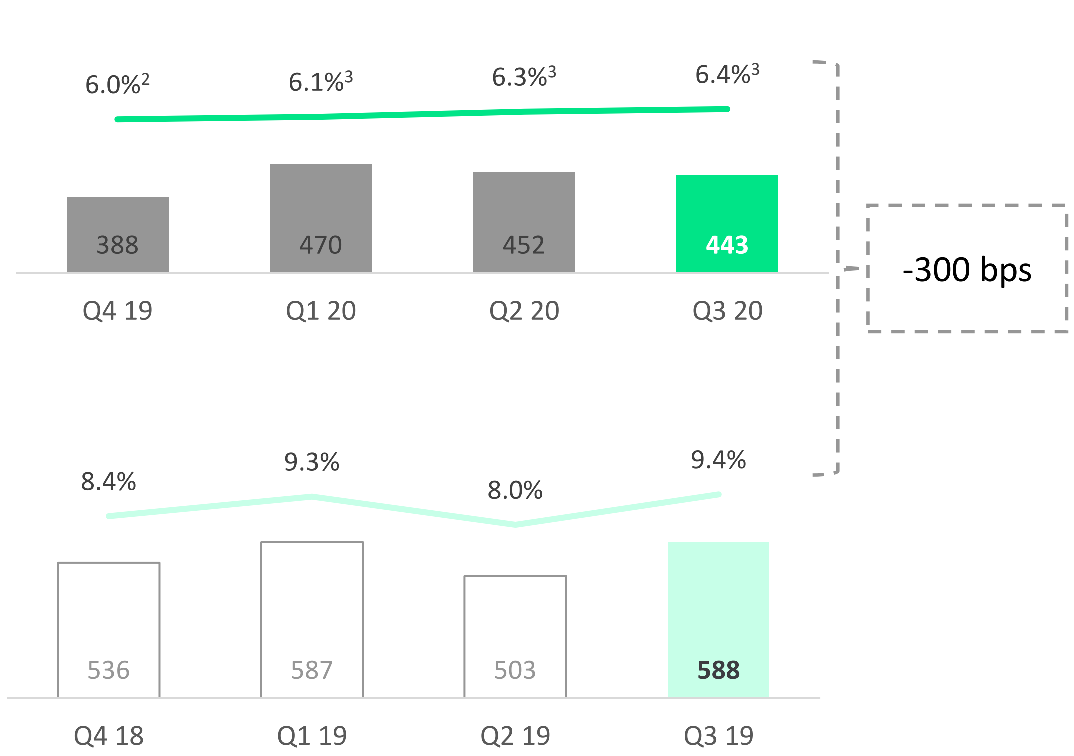
Key observations

- Indirect cost reduction of EUR 22m
- Positive currency impact of EUR 12m
- Impact from changes in scope of EUR 112m
- Continue to execute initiatives to further reduce the indirect cost base

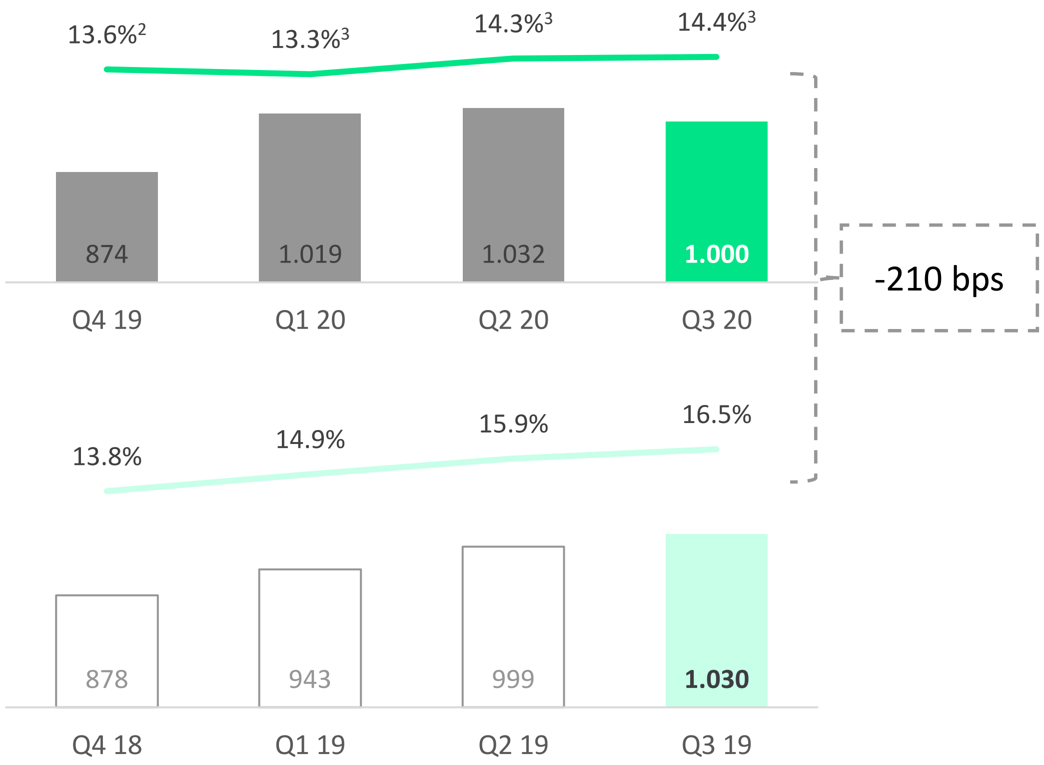
[1]Consolidation effects from Cooper Lighting and Klite

WoCa decreased by 300 bps as % of sales, reflecting solid inventory and receivables management

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

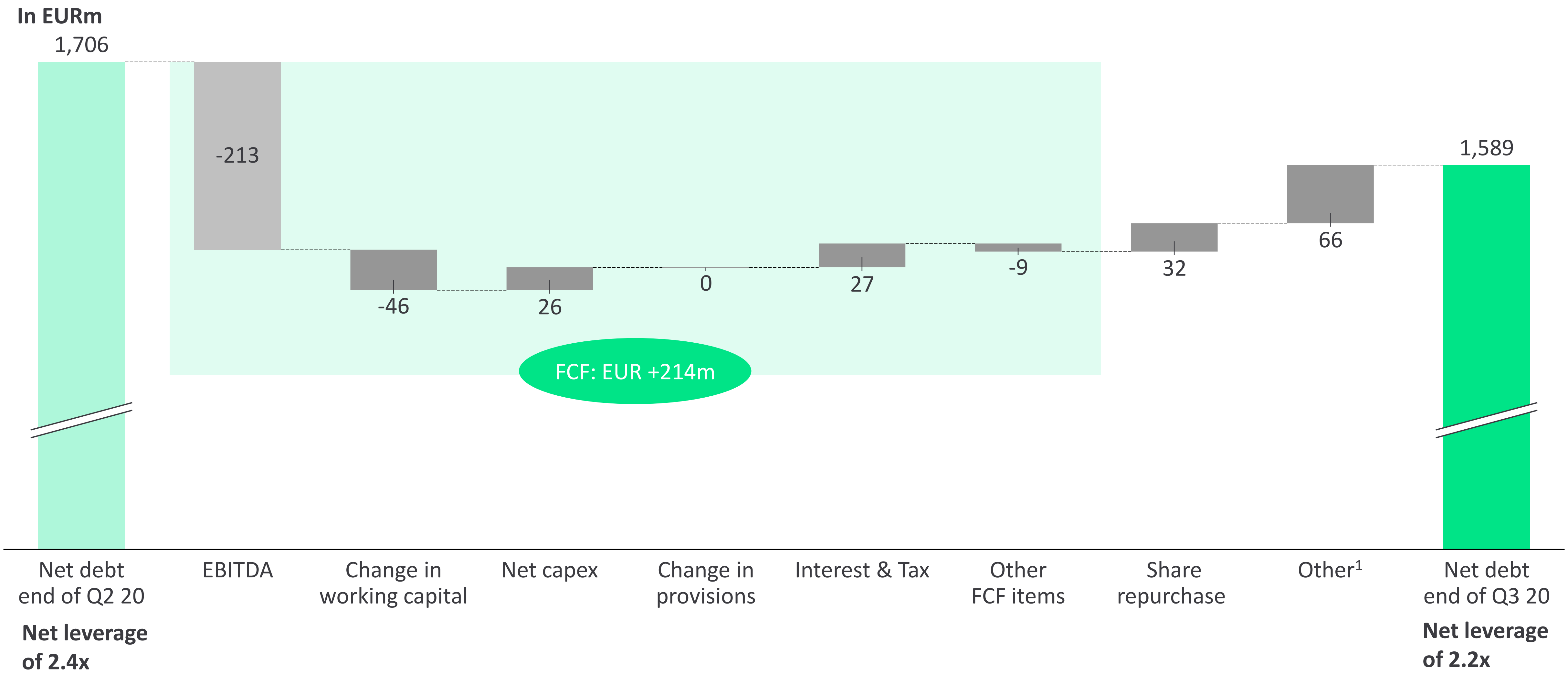


Inventories (in EURm & as % of sales)



[1] Working capital includes inventories, trade and other receivables, trade and other payables, other 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 117m



[1]Other includes cash used for derivatives, acquisitions, new lease liabilities, and FX effect on cash, cash equivalents and debt

Content

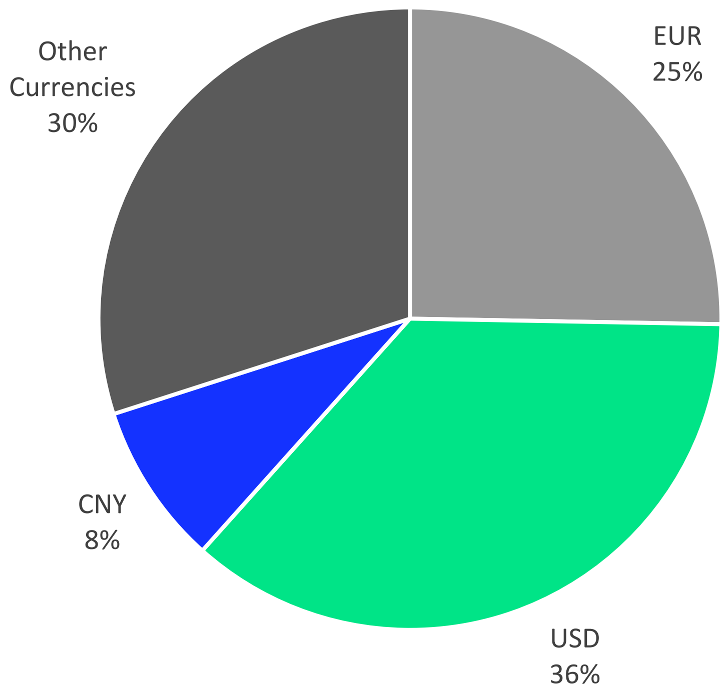
Outlook

- Given recent developments of the pandemic, Signify does not provide financial guidance for full year 2020
- Signify remains 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
- During the virtual Capital Markets Day 2020, which is scheduled on December 9, Signify will provide more details on its expectations for the medium-term

Q&A

Currency movements negatively impacted sales and Adjusted EBITA

Q3 20 Sales FX Footprint (% of total)



Key observations

- Negative FX effect on sales of -3.6%, largely driven by US dollar depreciation and emerging market currencies
- Negative FX effect on Adjusted EBITA of EUR -14m, and -30 bps on the Adjusted EBITA margin,
- Our policy is to hedge 100% of committed FX transactions and anticipated transactions up to 80% in layers over the next 15 months

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Net income increased by EUR 16m to EUR 90m, mainly as a result of higher operational profitability

From Adjusted EBITA to net income (in EURm)

		Q3 19	Q3 20
	Adjusted EBITA	**169**	**199**
	- Restructuring	-24	-25
1	- Acquisition related charges	-1	-14
2	- Other incidental items	-6	1
	EBITA	**138**	**161**
	Amortization	-25	-31
	EBIT	**114**	**131**
	Net financial income / expenses	-11	-16
1	Income tax expense	-28	-25
	Results from investments in associates	-	-
	Net income	**74**	**90**

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

1 Income tax expense decreased by EUR 3m mainly due to a non-cash tax benefit from a decrease in tax liabilities

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Free Cash Flow of EUR 214m

Free cash flow (in EURm)

	Q3 19	Q3 20
Income from operations	114	131
Depreciation and amortization	74	82
Additions to (releases of) provisions	44	40
Utilizations of provisions	-67	-40
Change in working capital	-69	46
Interest paid	-3	-4
Income taxes paid	-25	-23
Net capex	-8	-26
Other	-14	9
Free cash flow	**45**	**214**
As % of sales	2.9%	12.4%

Key observations

- Free cash flow of EUR 214m versus EUR 45m last year
- Reflects higher profitability, strong working capital management and the consolidation of Cooper Lighting
- Restructuring pay-out of EUR 11m (Q3 19: EUR 20m)

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