Q4 & Full Year 2020 results

January 29, 2020

Important information

Forward-looking statements

This release contains forward-looking statements that reflect the intentions, beliefs or current expectations and projections of Signify, including statements regarding strategy, estimates of sales growth and future operational results. By their nature, these statements involve risks and uncertainties facing Signify, and a number of important factors could cause actual results or outcomes to differ materially from those expressed or implied 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 COVID-19, technological change, competition in the general lighting market, development of lighting systems and services, successful implementation of cost-savings initiatives and business transformation programs, impact of acquisitions and other transactions, reputational and adverse effects on business due to activities in Environment, Health & Safety, compliance risks, ability to attract and retain talented personnel, adverse currency effects, pension liabilities, and exposure to international tax laws. Signify 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

Summary performance 2020 by Eric Rondolat

Financial performance for Q4 20 by Javier van Engelen

FY 20 highlights by Eric Rondolat

Outlook & conclusion by Eric Rondolat

Q&A

Summary financial & business performance 2020

- LED-based sales represented 80% of sales
- Signify's installed base of connected light points increased from 56m at YE19[1] to 77m at YE20

- Adj. EBITA margin improved by 30 bps to 10.7%, despite a negative currency impact of 30 bps
- Adj. indirect costs decreased by EUR 166m, or 9.1%, excluding currency effects and scope changes

- FCF of EUR 817m (FY 19: EUR 529m); 12.6% of sales
- Proposal to pay extraordinary dividend payment of EUR 170 million (EUR 1.35 per share), as announced on January 13, 2021
- Proposal to pay regular cash dividend of EUR 1.40 per share over 2020
- Reduced our debt by EUR 350 million, lowering our leverage from 2.7x to 1.7x

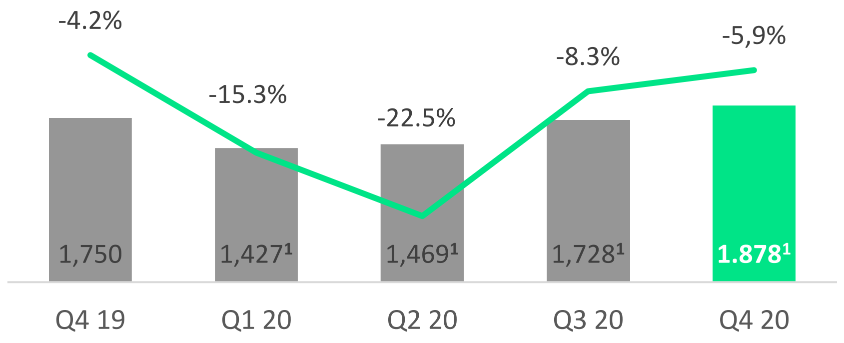
- Cooper Lighting Solutions and Klite integration and synergy delivery ahead of plan
- Overachieved all targets from Brighter Lives, Better World 2020 sustainability program and started working on doubling our positive impact on the environment and society in 2025

[1]2019 includes pro-forma Cooper Lighting and Wiz

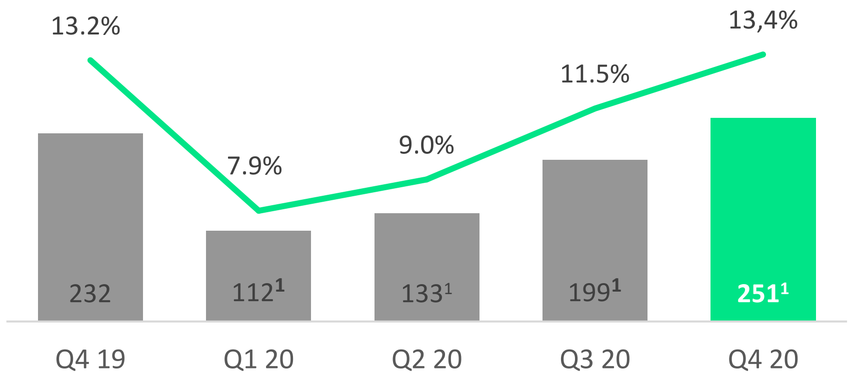
Content

Signify achieves Q4 20 sales of EUR 1,878m, an Adj. EBITA margin of 13.4% and free cash flow of EUR 332m

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



Adjusted EBITA (in EURm & as % of sales)



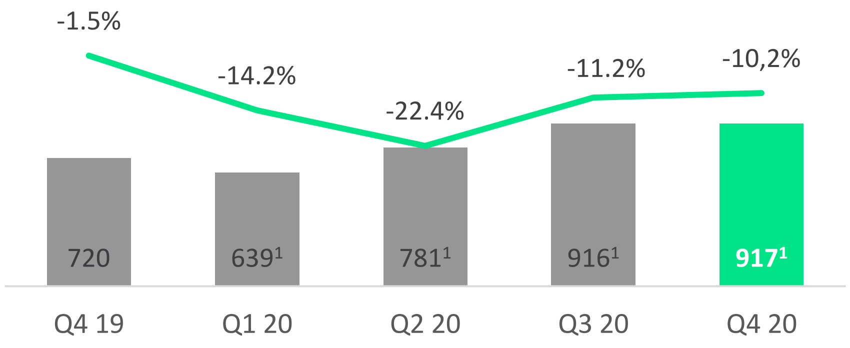
Key observations for Q4 20

- Installed base of connected light points increased from 71m in Q3 20 to 77m in Q4 20
- LED-based sales represented 82% of total sales
- Sales of EUR 1,878m nominal sales growth of 18.0% and CSG of -5.9%
- Adjusted indirect costs down EUR 18m, excluding FX effects, changes in scope and provisions for the reimbursement of employee contributions
- Adj. EBITA margin increased by 20 bps to 13.4%, mainly driven by gross margin improvements
- Net income increased to EUR 137m (Q4 19: EUR 98m)
- Free Cash Flow increased to EUR 332m (Q4 19: EUR 308m)

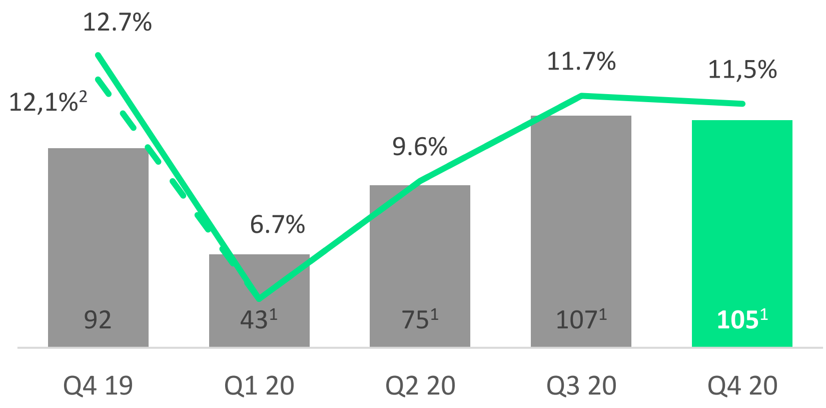
[1]Cooper Lighting has been consolidated from March 2nd, 2020

Digital Solutions delivers 27.3% nominal sales growth and continues to show sequential CSG improvement

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q4 20

- LED-based sales accounted for 89% of total sales and connected-based sales represented 22%[3] of total sales
- Nominal sales increase of 27.3% as a result of the consolidation of Cooper Lighting
    - CSG decline of 10.2%
    - Sequential CSG improvement since 2Q20 despite continued weakness in the Americas, parts of Europe and Southeast Asia

- Strong EBITA performance despite the topline decline and the high comparable base of 4Q19
- Adj. EBITA margin of 11.5%, a decline of 60 bps including Cooper Lighting financials

[1]*Cooper Lighting has been consolidated from March 2nd, 2020*
[2]*Adj. EBITA margin when including the pro-forma Cooper Lighting financials in Q4 19*

[3]*Excluding Cooper Lighting*

Digital Solutions highlights

Expanding UV-C portfolio for professionals in Asia-Pacific & Middle East

- Designed UV-C trolley to disinfect within 30 min. (1-arm) or 15 min. (with 2-arms) covering a 36m^2 circular or 20m^2 square area
- 360° wheels deliver flexible (re)placement, incl. safety features as remote control
- China, Indonesia, Malaysia, Vietnam, Korea, Philippines, Thailand, KSA

Providing extra protection layer to shoppers EDEKA Clausen with UV-C

- Installed 31 Philips UV-C disinfection upper air and one Philips BioShift UV-C disinfection chamber
- Disinfects in upper air layers, while shopping activity below continues
- First supermarket chain in Germany to install UV-C disinfection lighting

Improving occupant experience through Honeywell partnership

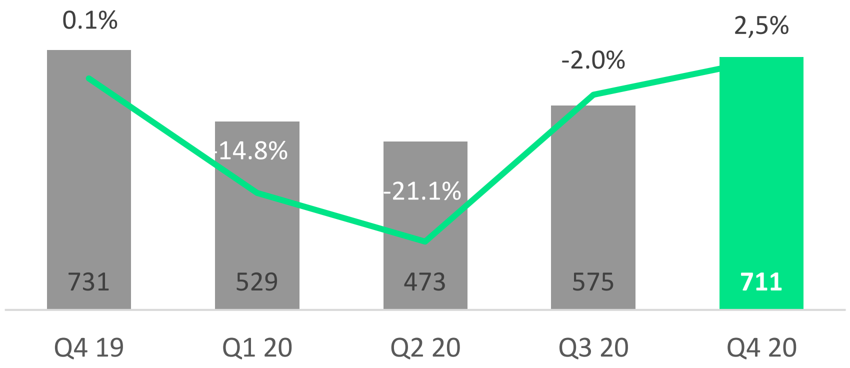
- Global partnership to further improve productivity and wellbeing in offices
- Integrates our lighting systems & software – including Interact Office, NatureConnect and UV-C disinfection lighting – with Honeywell's Healthy Buildings

Harnessing power of the sun to improve road safety on Leipsoi island

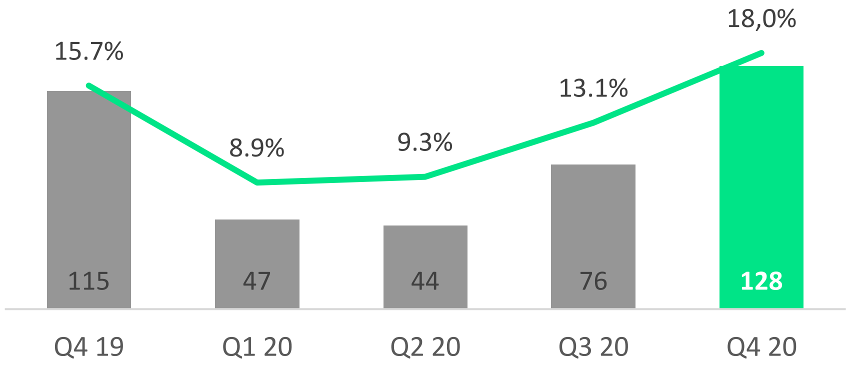
- Installed 28 Philips Sunstay luminaires
- Built-in Passive Infrared motion sensors increase light levels automatically when detecting motion, or decrease to 30% when not detecting motion
- Provides road safety based on clean energy

Digital Products Adj. EBITA margin improved by 230 bps, mainly driven by robust gross margin improvement from higher connected home sales

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q4 20

- Connected-based sales represented 30% of sales
- CSG increased by 2.5%
  - Strong progression during the quarter driven by consumer channel; particularly in the connected home category

- Adjusted EBITA margin improved by 230 bps to 18.0%, driven by:
  - Positive impact of cost dilution from CSG growth
  - Positive mix impact from higher connected home sales
  - Gross margin expansion, driven by solid price management and continued procurement savings

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Digital Products highlights

Offering consumers more ways of protection with UV-C disinfection lighting

- Launched **UV-C disinfection box** in China and Indonesia
- Disinfects viruses & bacteria from small objects
- Expanded availability of **UV-C disinfection desk lamp** in Asia, Europe & LatAm

Providing customers in India with more LED shapes by launching Radial Lamp

- This higher ASP product provides a higher efficacy of 2100 lumen at 20 Watt, making it suitable for wall & ceiling applications
- Launched on Amazon and reached a 5-star rating shortly after launch and now features in Top 100
- Appreciated by retailers with multiple repeat orders

Answering customer needs with retractable ceiling fan light

- Convertible DC motor technology reduces noise by 20% and provides 70% additional energy savings
- Includes reverse operation feature to effectively support cooling/heating system
- Launched in China with plan to extend to other markets

Supporting OEMs in Asia by expanding Electronic Outdoor Drivers portfolio

- Expands fast-growing range of robust and water-resistant Electronic Outdoor Drivers
- Adds application flexibility thanks to programmability features with patented NFC technology
- Enables OEMs to apply these drivers for domestic use & global export

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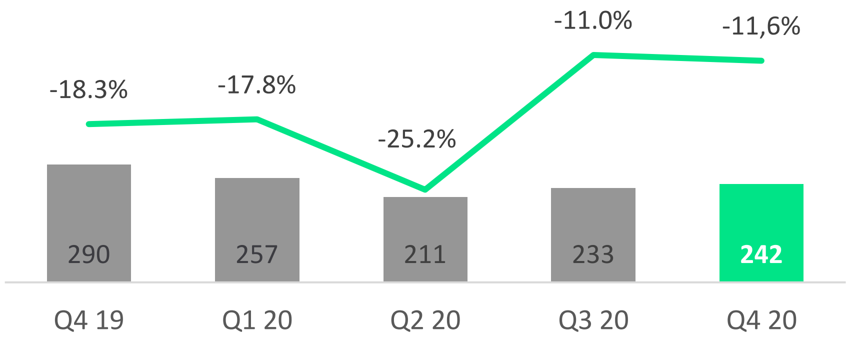
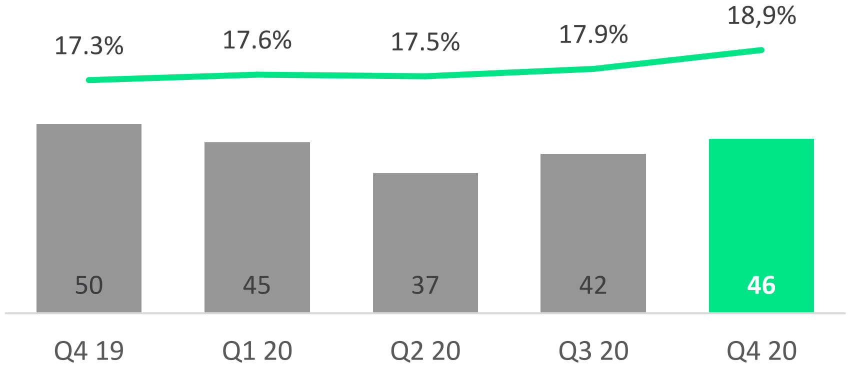
Conventional Products delivers robust Q4 Adj. EBITA performance and continued market share gains

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q4 20

- Market share gains driven by successful continuation of “last company standing” strategy
- CSG decreased by 11.6%
- Strong demand for UV-C and horticulture lighting

- Adjusted EBITA margin increased by 160 bps to 18.9% driven by adjusted indirect cost savings and higher productivity and lower topline decline

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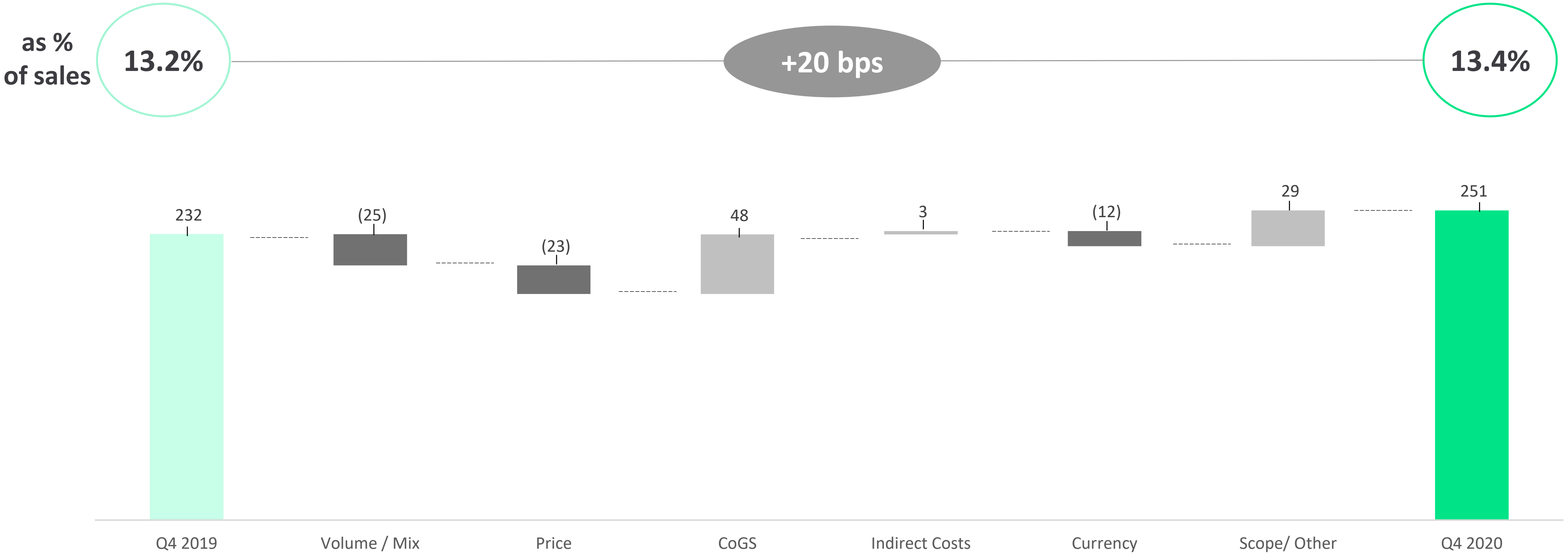
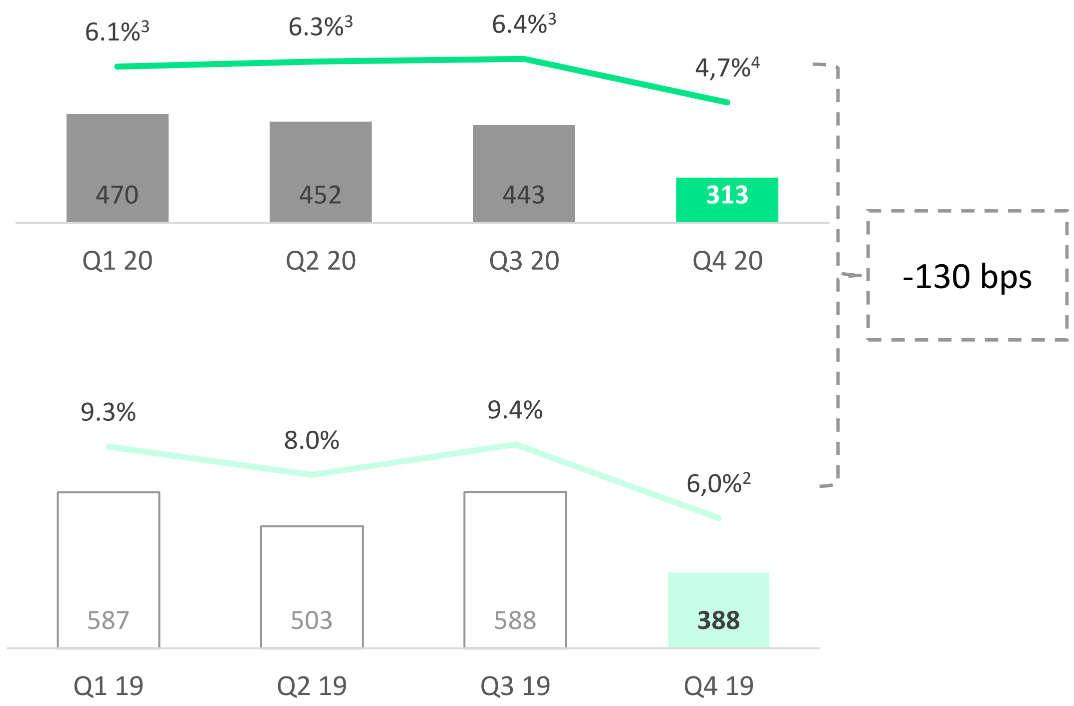
Adj. EBITA growth and margin expansion driven by procurement savings and productivity gains offsetting the effect of lower volume and price erosion

Adjusted EBITA (in EURm)

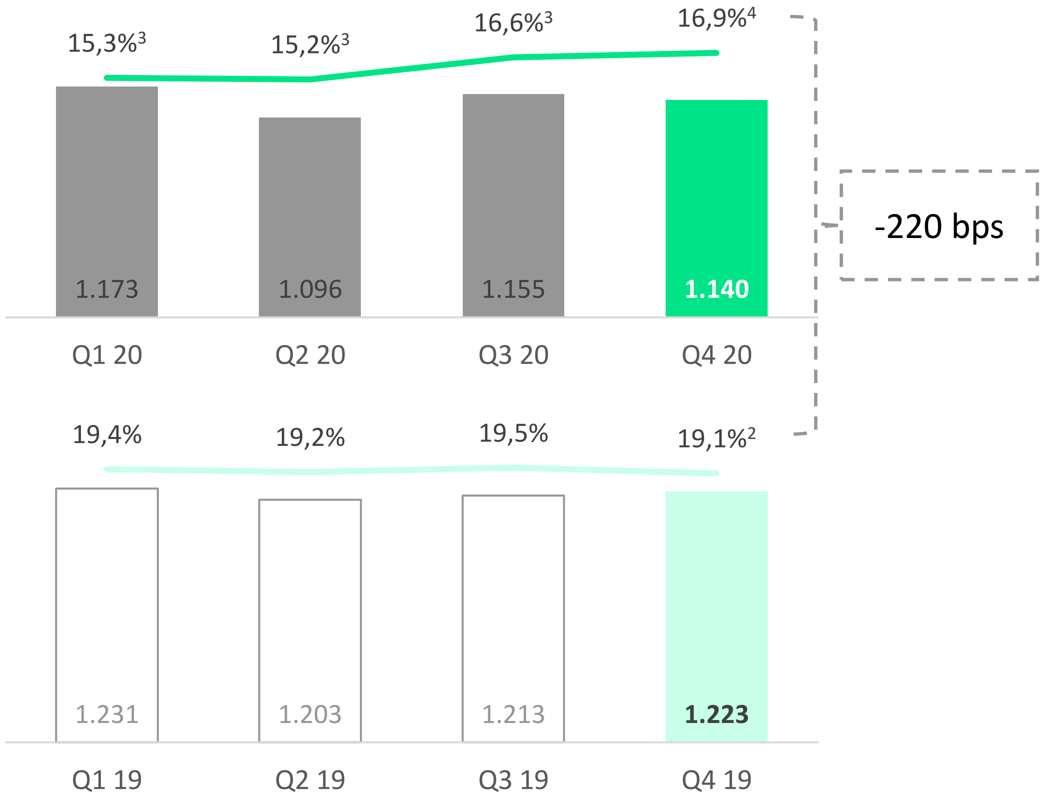


Working Capital improved by 130 bps, reflecting structural changes in receivables, other working capital items and payables

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

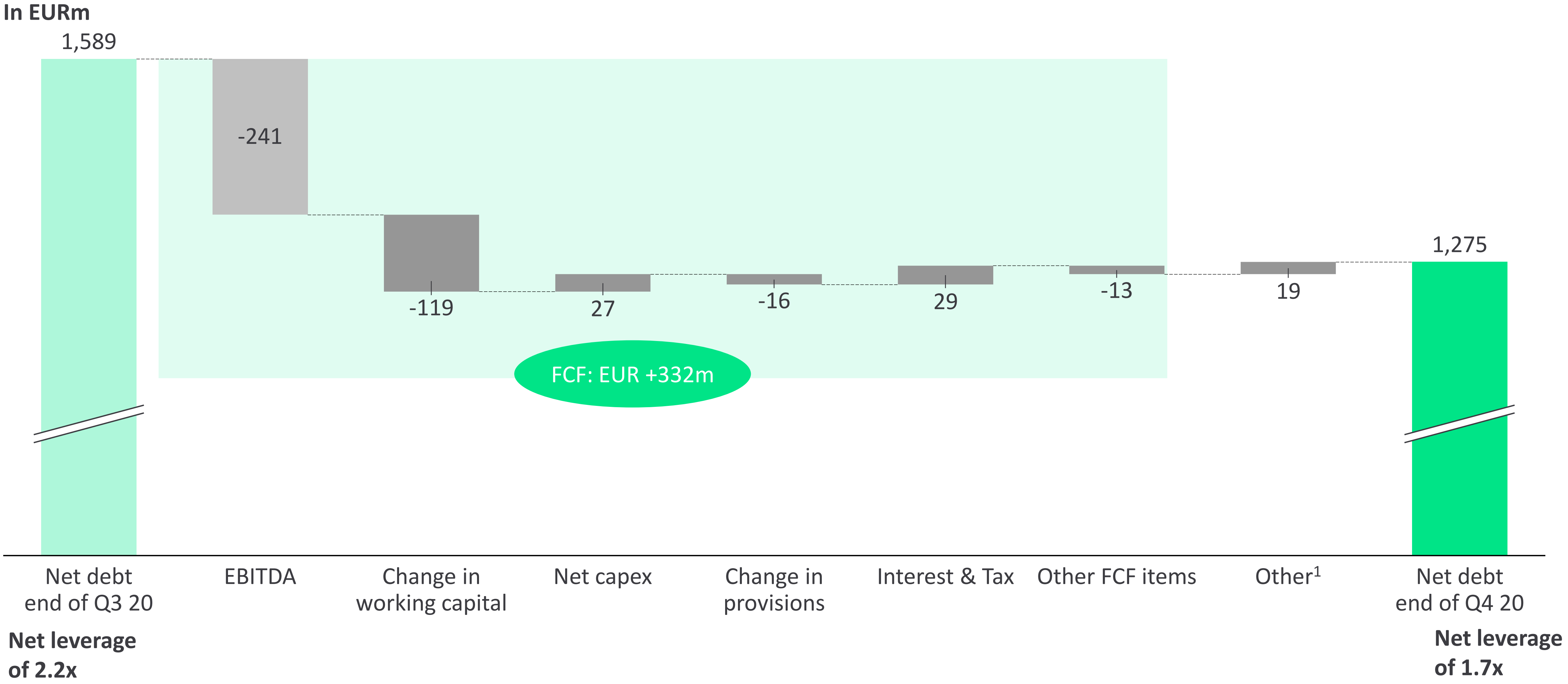


Trade and other receivables (in EURm & as % of sales)



[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
[4] Includes sales of Cooper Lighting on a 12-month pro-forma basis

Reduction of leverage ratio from 2.2x in Q3 to 1.7x in Q4 driven by strong free cash flow generation of EUR 332m



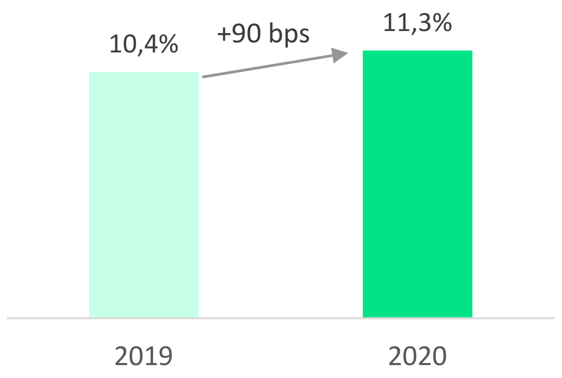
[1]Other includes cash used for derivatives, acquisitions, new lease liabilities, dividends to minority shareholders and FX effect on cash, cash equivalents and debt

Content

Digital Solutions and Digital Products significantly increased their profitability and Free Cash Flow contribution

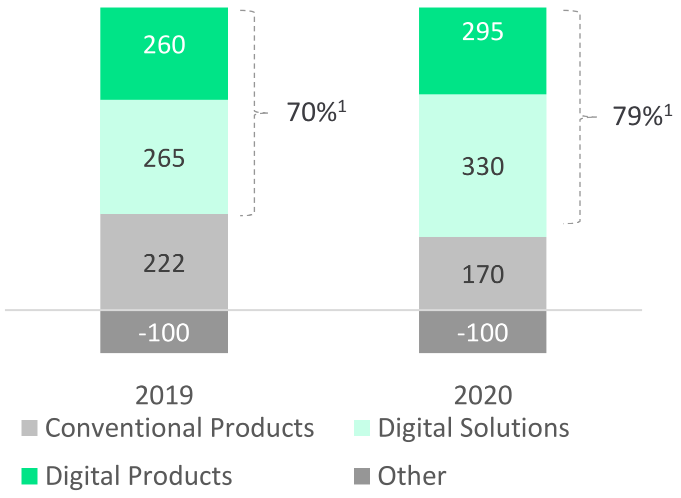
Adj. EBITA margin (%)

Digital Solutions & Digital Products



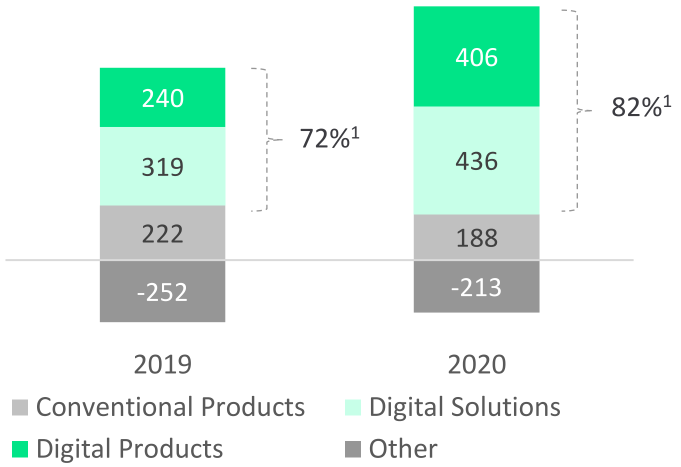
- Operational profitability improved by 90 bps supported by both divisions

Adj. EBITA contribution (in EUR m)



- Digital Solutions and Digital Products represent 79% of Adj. EBITA (excl. other), versus 70% in 2019

Free Cash Flow (in EUR m)



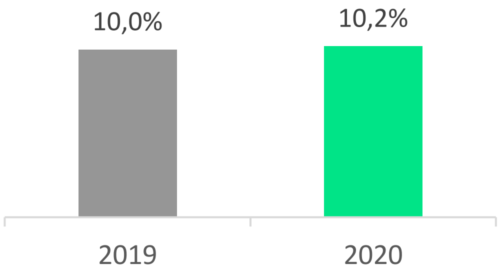
- Digital Solutions and Digital Products strongly increased FCF from EUR 559m to EUR 842m,
- FCF growth of Digital Solutions and Digital Products more than offsets the FCF decline in Conventional Products

[1] Calculated as the sum of Digital Solutions and Digital Products divided by the sum of Digital Solutions, Digital Products and Conventional Products.

Adj. EBITA margin improvement despite COVID-19 impact on topline

Digital Solutions CSG & **Adj. EBITA margin** (%)

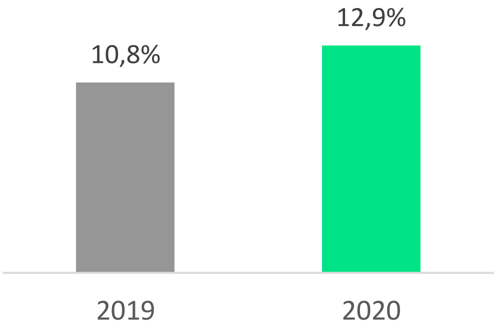
CSG	-1.7%	-14.4%



- The Adjusted EBITA margin improved by 20 bps to 10.2%
- Positive impact from Cooper Lighting consolidation and synergy realization

Digital Products CSG & **Adj. EBITA margin** (%)

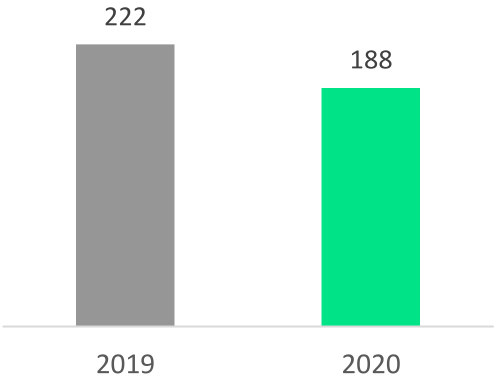
CSG	1.4%	-8.3%



- The Adjusted EBITA margin improved by 210 bps to 12.9%, driven by connected home sales
- Strong sales in the consumer channel

Conventional Products CSG & **FCF** (in % and EUR m)

CSG	-20.5%	-16.5%



- Free Cash Flow as % of sales remained solid at 19.9%

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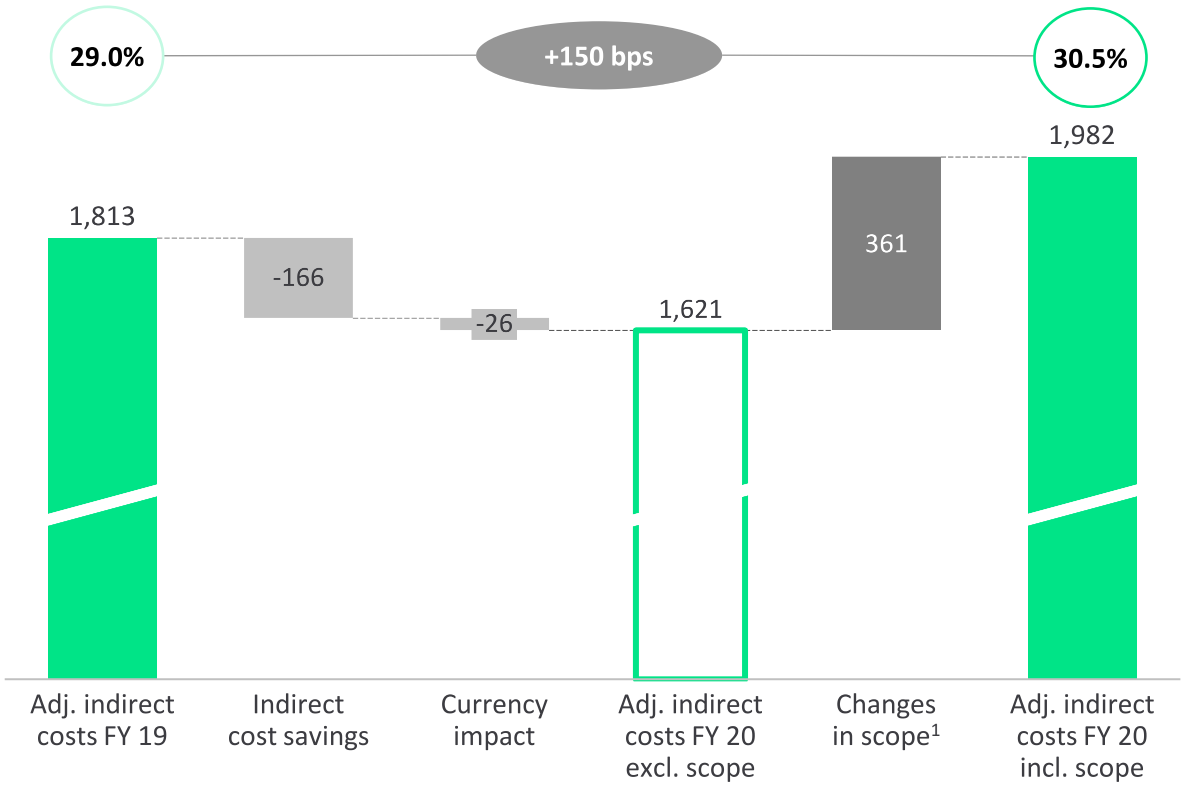
Adj. indirect costs excl. currency/scope effect decreased by EUR 166 million in FY20

Adj. indirect cost savings (in EUR m & as % of sales)



Key observations

- EUR 166m saved in FY20; down 9.1%, excl. FX and scope changes

Signify overachieved its 2020 Sustainability targets

		Q4 2020 result	Achievement	2020 target
Sustainable revenues	Sustainable revenues	84.1%	Overachieved	80%
	LED lamps & luminaires delivered	2.923 billion (cumulative from 2015)	146% of our commitment completed	>2 billion
Sustainable operations	Carbon footprint Gross/Net (FY)	260 / 0 kt CO_2	Signify is carbon neutral since Q3 2020	Carbon neutral
	% of sites sending zero waste to landfill	100%	All our sites sending 0 waste to landfill	100% of sites zero waste
	Safe & healthy workplace	TRC = 0.22	31% decreased TRC vs Q4 2019	TRC = 0.35
	Sustainable supply chain	99%	99% of risk suppliers passed the audit	90% performance rate

CDP: A-list for climate and supply chain

Member of Dow Jones Sustainability Indices, Powered by the S&P Global CSA: World Index 4 consecutive years

MSCI ESG Research: Leader 'AA' rating

SUSTAINALYTICS: #1 in electronics industry

PLATINUM Top 1% 2020 ecovadis Sustainability Rating: Platinum - top 1%

Signify proposes 2020 dividend of EUR 1.40 plus an extraordinary dividend of EUR 1.35 to be paid in cash in 2021[1]

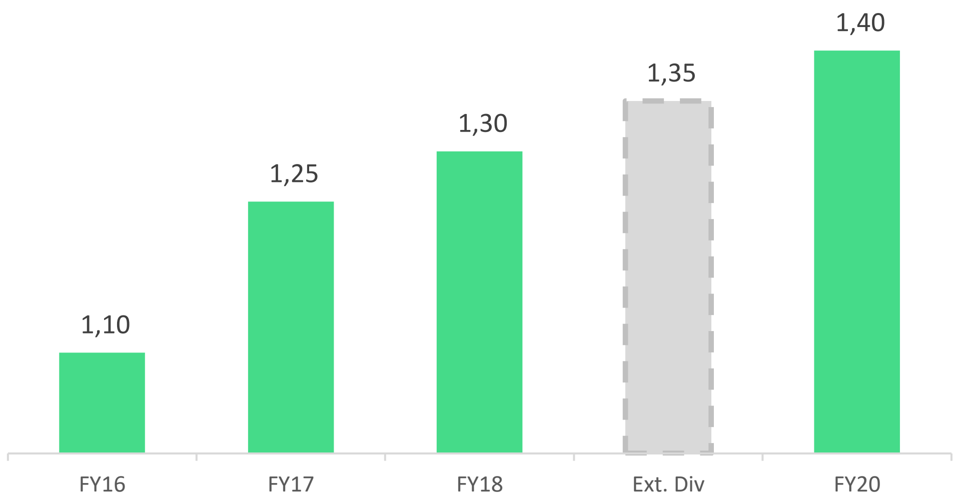
Key observations

- The proposed extraordinary dividend[1] of EUR 1.35 per share (EUR 170m), announced on January 13, 2021, is in line with the dividend proposal for 2019, which was withdrawn to ensure the company's resilience during the COVID-19 crisis
- The proposed dividend[1] of EUR 1.40 per share (EUR 176m) represents a dividend yield of 4.1%
- In line with our commitments to an investment grade rating, Signify announced its intention to repay a minimum of EUR 350 million of debt in 2021

Capital allocation policy

- Pay an increasing annual dividend per share in cash year-on-year
- Deleveraging and achieve < 1x net debt/EBITDA by 2022
- Continue to invest in R&D and other organic growth opportunities, while pursuing selective M&A opportunities in line with strategic priorities

Dividend per share since IPO (in EUR)



[1] Both dividend proposals will be subject to approval at the AGM to be held on May 18, 2021.

Content

Outlook 2021

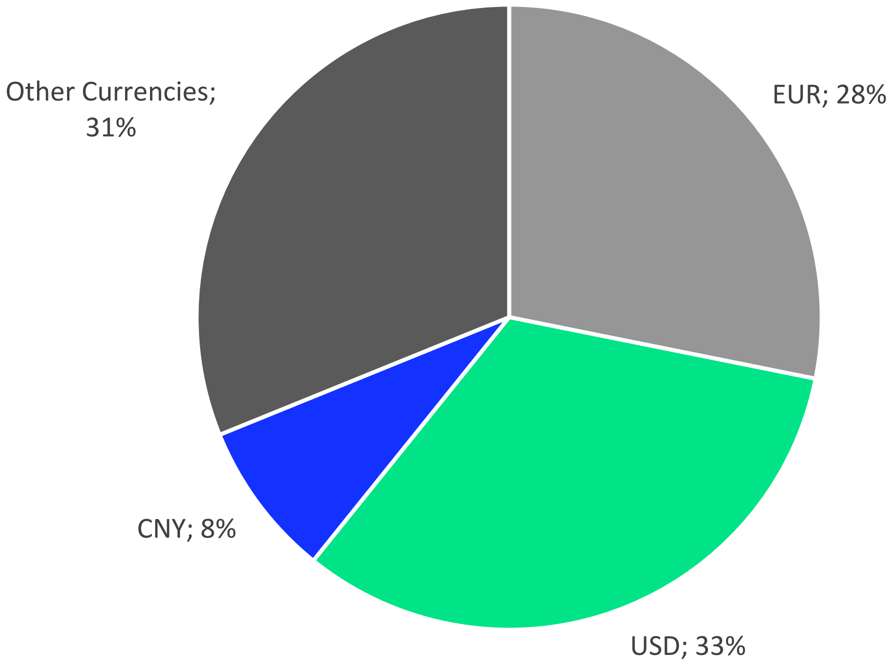
- Signify expects positive comparable sales growth, the level of which will depend on the recovery pattern in its markets

- Progress towards its medium-term adjusted EBITA margin objective
- Free Cash Flow, is expected to exceed 8% of sales

Q&A

Currency movements had a negative impact on sales and Adj. EBITA

Q4 20 Sales FX Footprint (% of total)



Key observations

- Currency movements negatively impacted sales and Adjusted EBITA
- Sales impact of -4.8%, mainly from US dollar depreciation.
- Adjusted EBITA impact of EUR -15m, and -10 bps on the Adjusted EBITA margin, mainly coming from US dollar depreciation.
- 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 39m to EUR 137m, mainly as a result of higher operational profitability and lower income tax expense

From Adjusted EBITA to net income (in EURm)

		Q4 19	Q4 20
	Adjusted EBITA	**232**	**251**
	- Restructuring	-42	-43
1	- Acquisition related charges	-11	-16
2	- Other incidental items	-15	-6
	EBITA	**164**	**185**
	Amortization	-26	-30
	EBIT	**138**	**155**
	Net financial income / expenses	-11	-12
3	Income tax expense	-29	-6
	Results from investments in associates	-	-
	Net income	**98**	**137**

Key observations

1. Related to Cooper Lighting and Klite
2. Non-recurring by nature and relate to the separation, company name change, environmental provision for inactive sites and discounting effect of long-term provisions
3. Income tax expense decreased by EUR 23m, mainly due to a one-time non-cash tax benefit resulting from the revaluation of deferred tax assets, triggered by the fact that the Netherlands did not decrease the tax rate

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Free Cash Flow of EUR 332m

Free cash flow (in EURm)

	4Q19	4Q20
Income from operations	138	155
Depreciation and amortization	77	86
Additions to (releases of) provisions	65	75
Utilizations of provisions	-69	-59
Change in working capital	152	119
Net interest and financing costs paid	-4	-6
Income taxes paid	-26	-23
Net capex	-26	-27
Other	1	13
Free cash flow	**308**	**332**
As % of sales	17.6%	17.7%

Key observations

- Free cash flow of EUR 332m versus EUR 308m last year
- Reflects higher income from operations and structural working capital improvement
- Restructuring pay-out of EUR 10m (Q4 19: EUR 25m)

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