

Signify

Q1 2021 results



April 30, 2021

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 2020.

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 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 Javier van Engelen

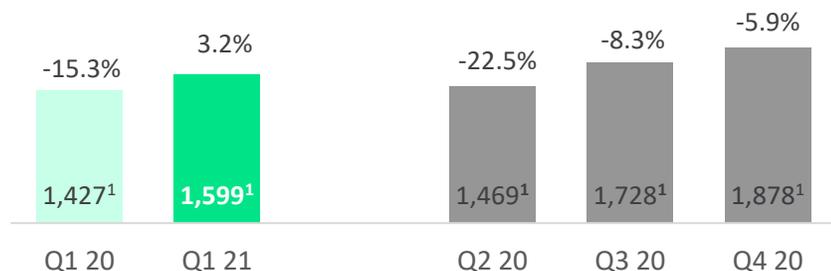
Outlook & conclusion by Eric Rondolat

Q&A

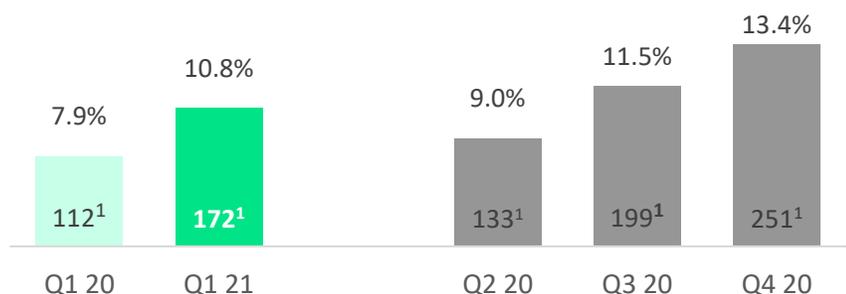


Signify achieved Q1 21 comparable sales growth of 3.2%, an Adj. EBITA margin of 10.8% and a free cash flow of EUR 168m

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



Adjusted EBITA (in EURm & as % of sales)

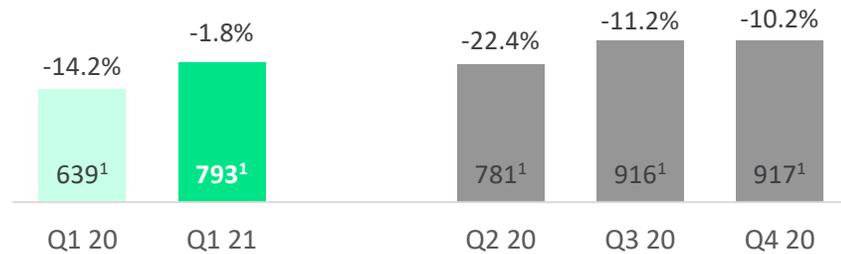


Key observations for Q1 21

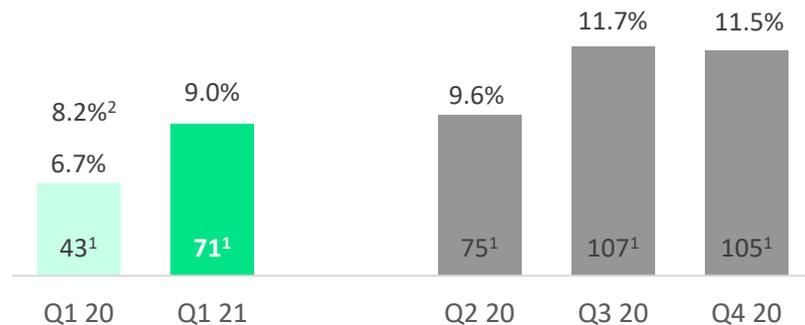
- Installed base of connected light points increased from 77m in Q4 20 to 83m in Q1 21
- LED-based sales represented 82% of total sales
- Sales growth of 12.0% to EUR 1,599m; CSG of 3.2%
- Adj. EBITA margin increased by 290 bps to 10.8%
- Adjusted indirect costs as percentage of sales decreased by 120 bps to 31.0% supported by continued spending discipline and positive operating leverage
- Net income increased to EUR 60m (Q1 20: EUR 27m)
- Free Cash Flow increased to EUR 168m (Q1 20: EUR 112m)

Digital Solutions Adj. EBITA margin improved by 230 bps, mainly driven by gross margin and cost management

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q1 21

- LED-based sales accounted for 92% of total sales
- Nominal sales increase of 24.1% as a result of the consolidation of Cooper Lighting
- CSG decline of 1.8%
 - Continued lockdowns
 - Component shortages
 - Continued softness in the Americas
 - Strong performance in China, the Middle East and India
 - Partial recovery across Europe
- Adj. EBITA margin of 9.0%, an increase of 230 bps

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

²Adj. EBITA margin when including the pro-forma Cooper Lighting financials in Q1 20

Digital Solutions highlights

Validating effectiveness of UV-C lighting on disinfecting the air



- In lab tests by Innovative Bioanalysis, our Philips UV-C disinfection upper air luminaires inactivated 99.99% of SARS-CoV-2 in the air in 10 minutes
- Installed UV-C disinfection upper air luminaires at different customers, including rugby union club Harlequins in the UK

Helping North American ice rinks switch to sustainable lighting with NHL



- Partnership to help the more than 4,800 ice rinks across North America transition to sustainable LED & connected lighting
- Can reduce carbon footprint, energy consumption and operational costs of major arenas and community sports facilities

Expanding eco-friendly fish growth to Yellowtail fish with aquaculture LED



- Reduces stress levels in fish and promotes consistent growth
- Helps fish farmers to improve energy efficiency, optimize feed conversion and reduce costs
- Enables Kingfish company to achieve 30% higher output than facility was designed for

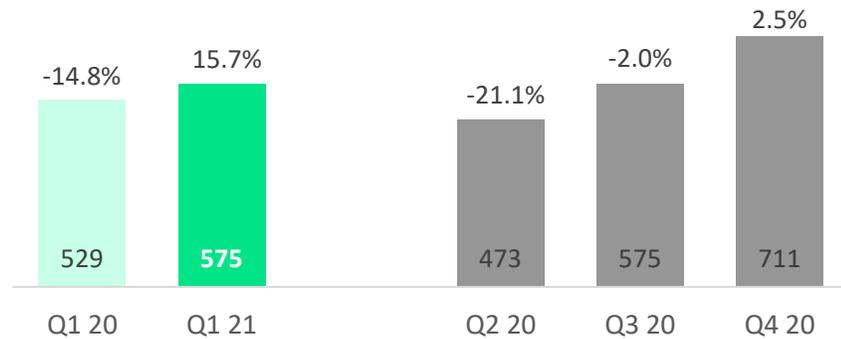
Providing safe & secure connectivity to guests of World Forum The Hague



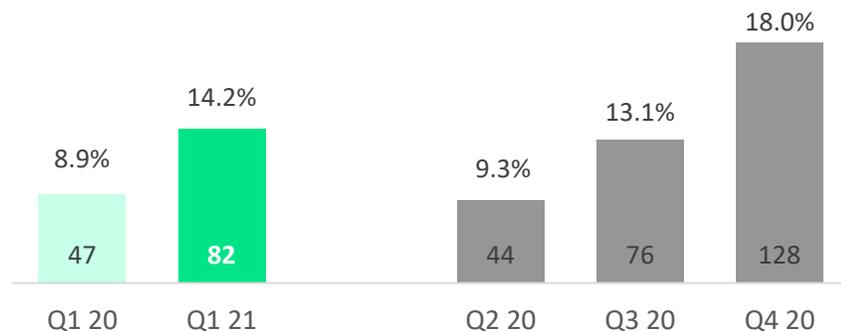
- Illustrates value of LiFi in providing safe & secure connectivity to congress centers around the globe
- Enables guests to enjoy safe, secure, reliable and high-speed connectivity
- Offers specific control over security through custom encryption and specific access keys

Digital Products delivered a CSG of 15.7% and an Adj. EBITA margin of 14.2%, driven by the consumer segment

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q1 21

- CSG increased by 15.7%
 - Continued strong growth in the consumer segment for both connected home and LED lamps and luminaires categories
 - Lower recovery speed in the professional segment
- Adjusted EBITA margin improved by 530 bps to 14.2%
 - Operating leverage
 - Solid gross margin
 - Higher contribution and improvement from connected home lighting

Digital Products highlights

Offering additional layer of protection to more consumers around globe



- Expanded the availability of the UV-C disinfection box in countries in Europe, Korea and Vietnam
- Effectively disinfects viruses and bacteria from small objects
- Box switches off automatically when lid is opened

Providing consumers with broader range of Philips Hue products & accessories



- Includes two outdoor lights to further personalize gardens and porches,
- New wall switch module makes existing light switches smart
- Redesigned Philips Hue dimmer switch enables intuitive wireless control for Philips Hue lighting without using the app

Addressing new interior trend with deep recessed downlight range in China



- Delivers high brightness without glare thanks to deep recessed mechanics and well-designed optics
- Long lifetime and waterproof design make it suitable for multiple applications
- Launched in consumer channel in China

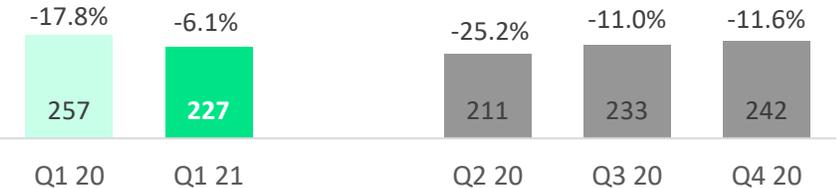
Expanding Constant Voltage Driver range with Digital control features



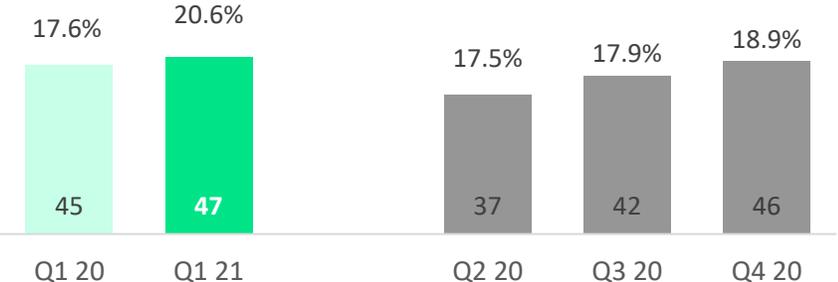
- Taps into growing business of “Constant Voltage” Drivers
- Easy and flexible to apply in decorative lighting
- Digital control features are standard and up-to-date
- This set of features enable sales through professional trade channels

Conventional Products delivered an Adj. EBITA margin of 20.6%, helped by lower CSG decline

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



Adjusted EBITA (in EURm & as % of sales)

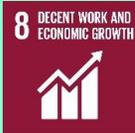


Key observations for Q1 21

- CSG decreased by 6.1%
 - Continued strong traction in consumer and horticulture segments
- Adjusted EBITA margin increased by 300 bps to 20.6%
 - Pricing discipline
 - Operational efficiencies

Brighter Lives, Better World 2025 Q1 2021 results

Doubling our positive impact on the environment and society

			2019 Baseline	Q1 2021 Result	2025 Target
Better World	Climate action	 	0	18 MT	340 MT
	Circular economy		16%	19%	32%
Brighter Lives	Food availability Safety & security Health & wellbeing	 	16%	23%	32%
	Great place to work		17%	24%	34%



A list for climate and supply chain

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

DJSI World Index since
IPO for 4 consecutive
years



EcoVadis Platinum Medal and top 1%

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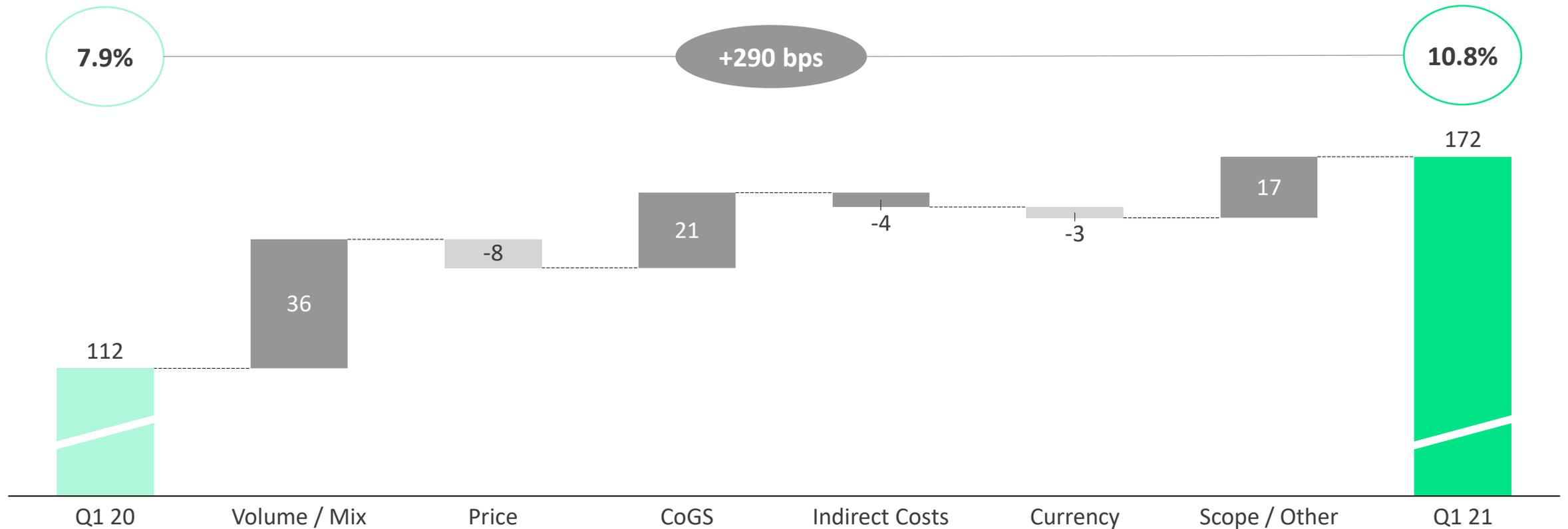
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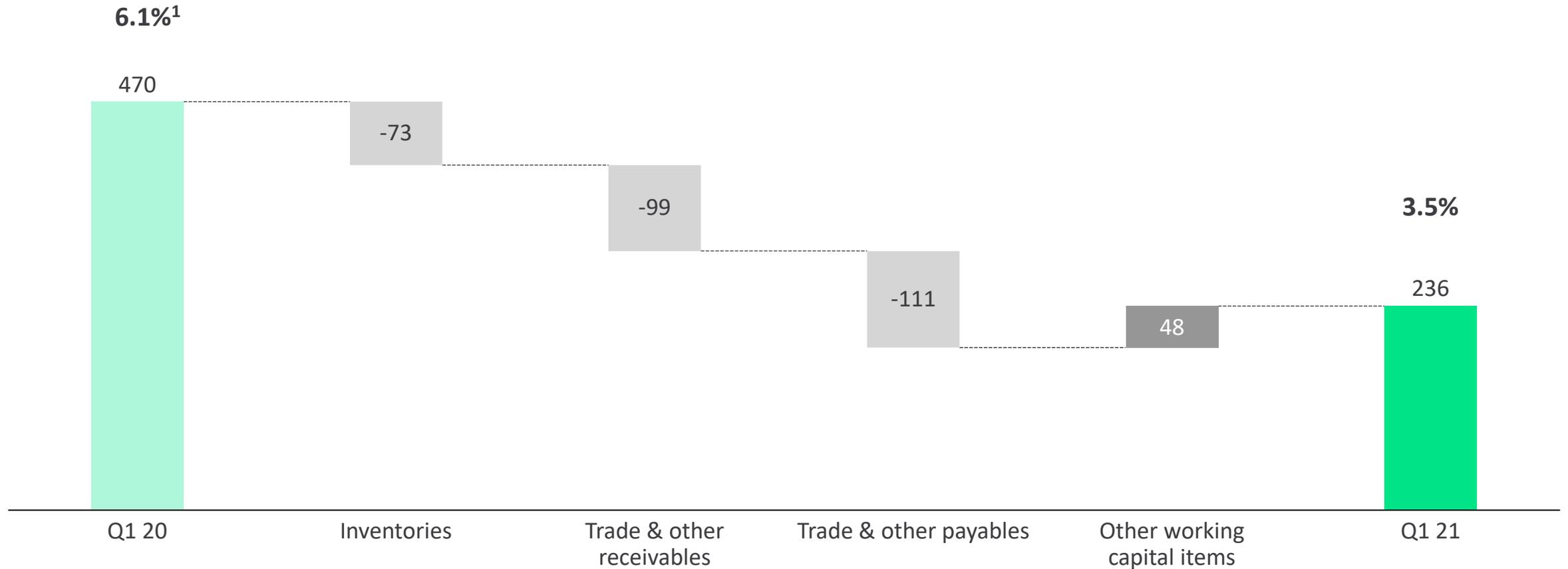
Adj. EBITA growth and margin improvement driven by higher volume and COGS improvements

In EURm / as % of sales

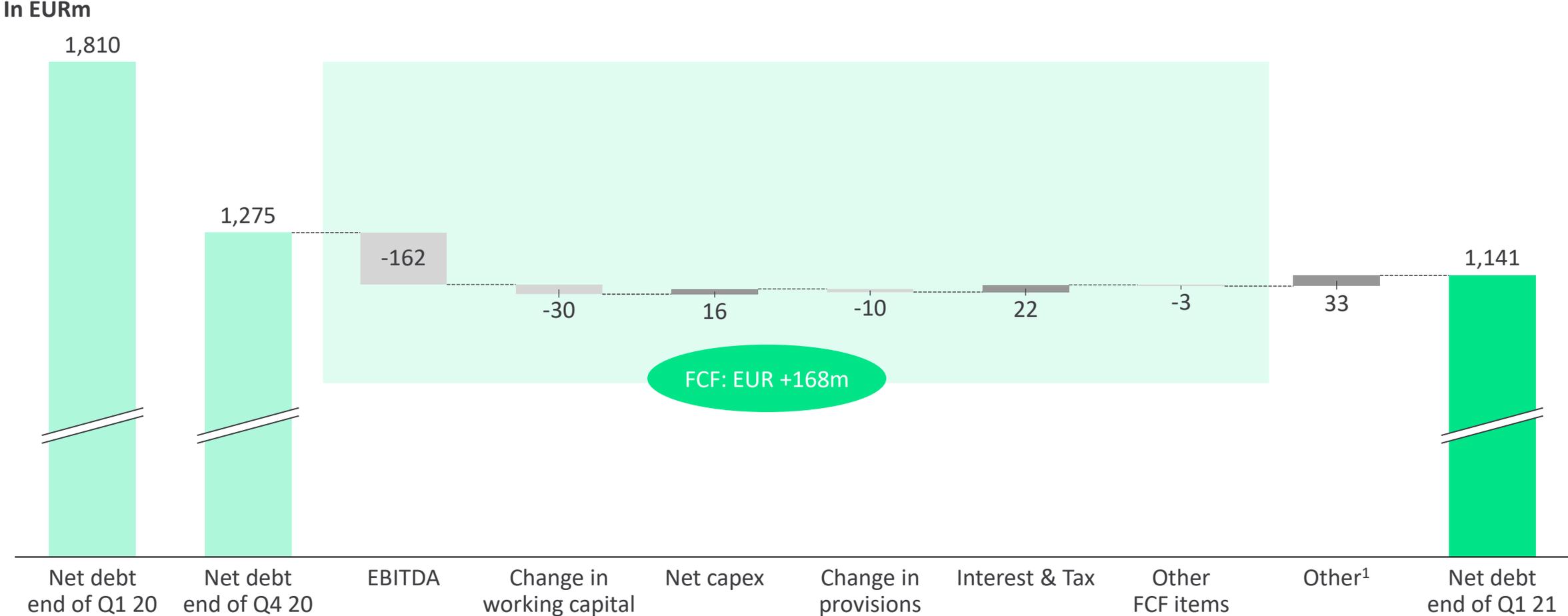


Continued structural improvements across all working capital levers

In EURm / as % of sales



Reduction of leverage ratio from 1.7x in Q4 to 1.4x in Q1, driven by solid free cash flow generation of EUR 168m



Net leverage: **2.7x** (Q1 20) and **1.7x** (Q4 20)

1.4x (Q1 21)

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

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Q&A



Economic recovery plans around the globe

Green and digital initiatives



EU Green Deal

- European Green Deal agreed with EUR 1.8 trillion for green growth and economic recovery 2021-2027
- Funds available as of H2 2021



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- Significant business potential in all segments
- Green Switch program launched
- Green Deal inspired project wins Q1
 - OUiD Kalisz, Poland
 - Residential Lighting Enschede



American Jobs Plan

- American Jobs Plan announced with USD 2.3 trillion infrastructure spending 2022-2031
- Congress bill expected August/September
- Funds availability expected end 2021



Rest of world

- Exploring comparable economic recovery initiatives, no major funding yet
- Carbon-neutral trend accelerating in run-up to COP26



Sustainable economic recovery must be green & digital and accelerate a carbon neutral future

Outlook 2021



- Economic recovery, easing of lockdowns and stimulus packages to drive an upswing in demand for our professional portfolio in H2 2021



- Component shortages to impact supply chain in H1 2021 and to a lesser extent in H2 2021



- Signify expects comparable sales growth between 3% and 6% for the full year 2021



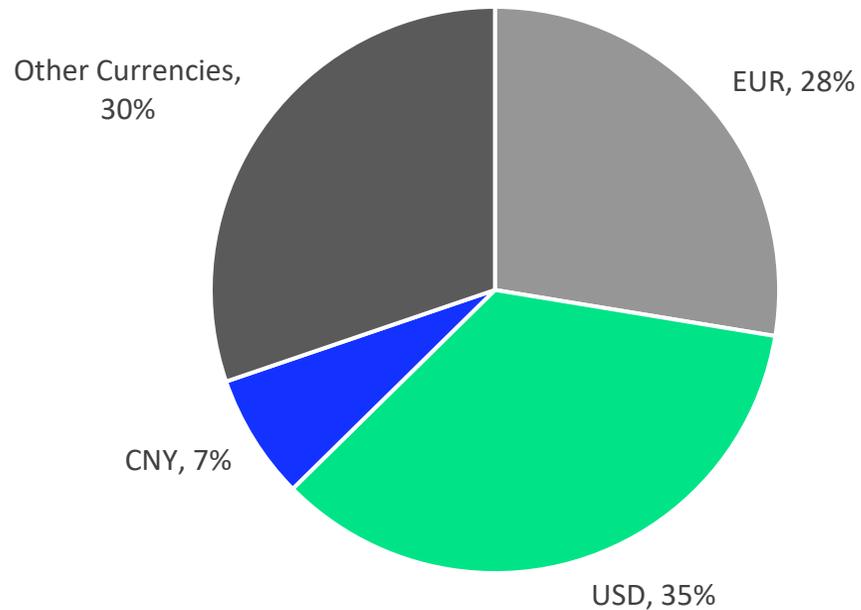
- Signify expects to achieve an Adjusted EBITA margin of 11.5% to 12.5% and continues to expect free cash flow to exceed 8% of sales
- Signify is fully committed to repaying EUR 350m of debt in Q4 2021

Q&A



Currency movements had a negative impact on sales and Adjusted EBITA

Q1 21 Sales FX Footprint (% of total)



Key observations

- Currency movements negatively impacted sales and Adjusted EBITA
- Sales impact of -6.4%, mainly from US dollar depreciation.
- Adjusted EBITA impact of EUR -3m, and +40 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

Net income increased by EUR 33m to EUR 60m, mainly driven by higher operating profitability

From Adjusted EBITA to net income (in EURm)

	Q1 20	Q1 21
Adjusted EBITA	112	172
- Restructuring	-13	-47
① - Acquisition related charges	-18	-14
② - Other incidental items	-11	4
EBITA	70	115
Amortization	-27	-30
EBIT	43	85
Net financial income / expenses	-10	-10
③ Income tax expense	-6	-15
Results from investments in associates	-	-
Net income	27	60

Key observations

- ① Related to Cooper Lighting and Klite
- ② Non-recurring by nature and relate to real estate gains and transformation
- ③ Income tax expense increased by EUR 9m, mainly due to a higher income before tax

Free Cash Flow of EUR 168m

Free cash flow (in EURm)

	Q1 20	Q1 21
Income from operations	43	85
Depreciation and amortization	78	77
Additions to (releases of) provisions	33	60
Utilizations of provisions	-52	-50
Change in working capital	52	30
Net interest and financing costs paid	-10	-1
Income taxes paid	-28	-21
Net capex	-17	-16
Other	12	3
Free cash flow	112	168
<i>As % of sales</i>	7.9%	10.5%

Key observations

- Free cash flow of EUR 168m versus EUR 112m last year
- Reflects higher income from operations and a lower albeit continued inflow from working capital
- Restructuring pay-out of EUR 13m (Q1 20: EUR 18m)

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