# Q3 2021 results

October 29, 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. Please see “Risk Factors and Risk Management” in Chapter 12 of the Annual Report 2020 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 2020 and Semi-Annual Report 2021. 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 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 and Semi-Annual Report 2021.

**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

2021 outlook by Eric Rondolat

Q&A

# Third quarter 2021 highlights

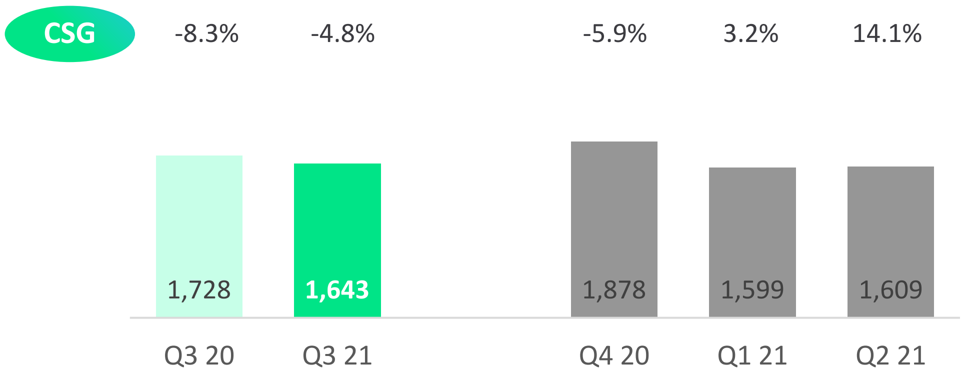
- Improving market demand in line with our Strategic priorities
- Order book increase of 90% in Q3 21 vs. Q3 20

- Continued supply chain disruptions, caused by electronic component shortages and logistics challenges impacting top line by more than 100 million
- Comprehensive set of short and medium-term mitigating actions in place to minimize disruptions to our customers

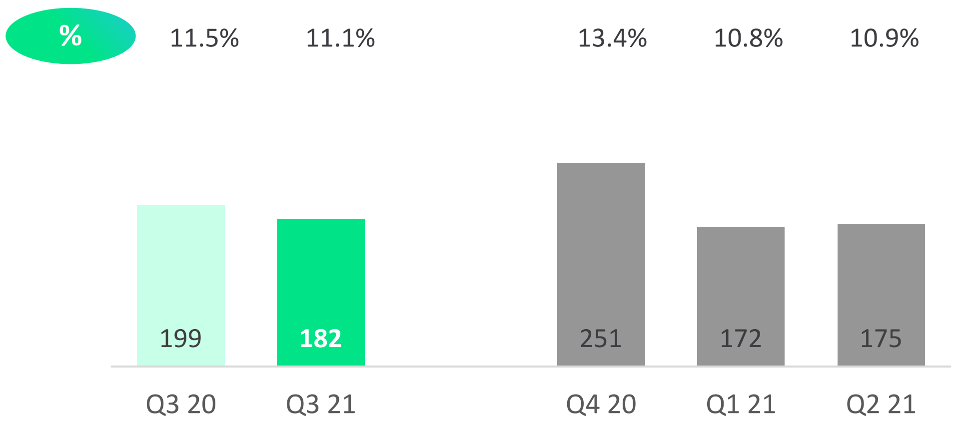
- Strong adjusted EBITA margin of 11.1% driven by price/mix and indirect cost savings while continuing to invest in our digital initiatives
- Continued year on year working capital improvement; free cash flow generation delayed but on track

# Signify reported a Q3 21 sales of EUR 1.6 billion, an adj. EBITA margin of 11.1% and a free cash flow of EUR 85m

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




## **Adjusted EBITA** (in EURm & as % of sales)




## Key observations for Q3 21

- Installed base of connected light points increased from 86m in Q2 21 to 92m
- LED-based sales represented 83% of total sales
- Nominal sales of -4.9% to EUR 1,643m
- Comparable sales of -4.8%

- Strong adjusted EBITA margin of 11.1%
  - Price increases offsetting structural cost inflation
  - Indirect cost savings allowing further investments in digitalization
- Net income increased to EUR 94m (Q3 20: EUR 90m)
- Free Cash Flow of EUR 85m (Q3 20: EUR 214m)

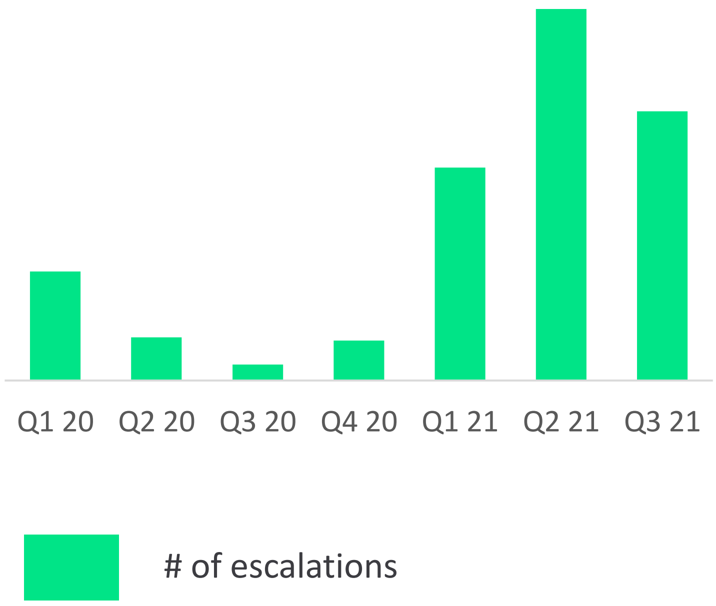


signify

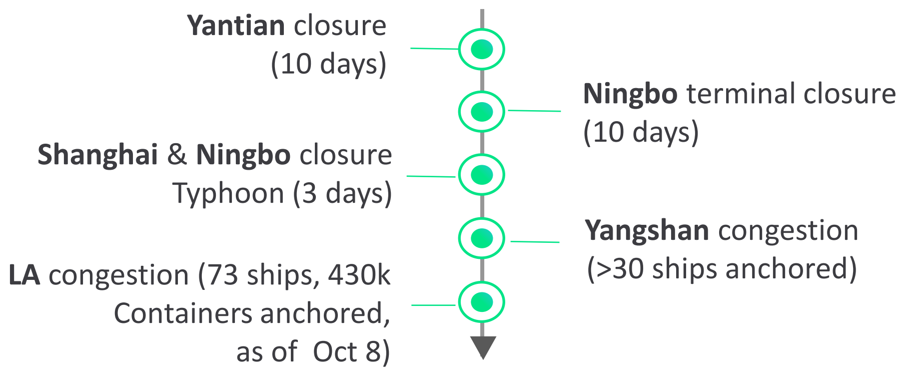
# Strong customer demand against the backdrop of components shortages and global supply chain disruptions

## Order book development


## E-Components Scarcity

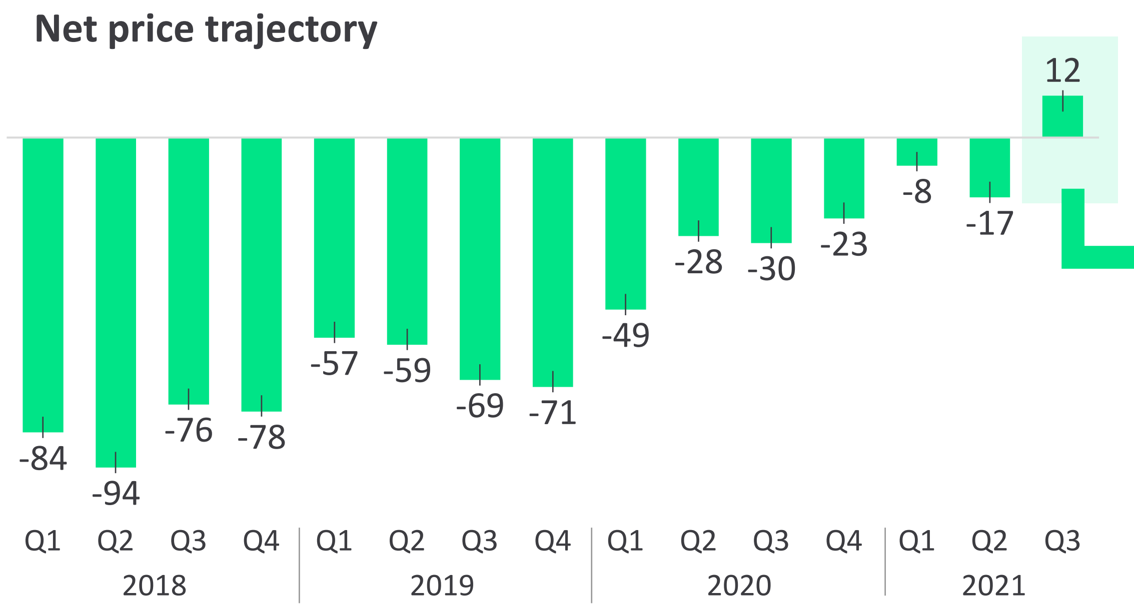


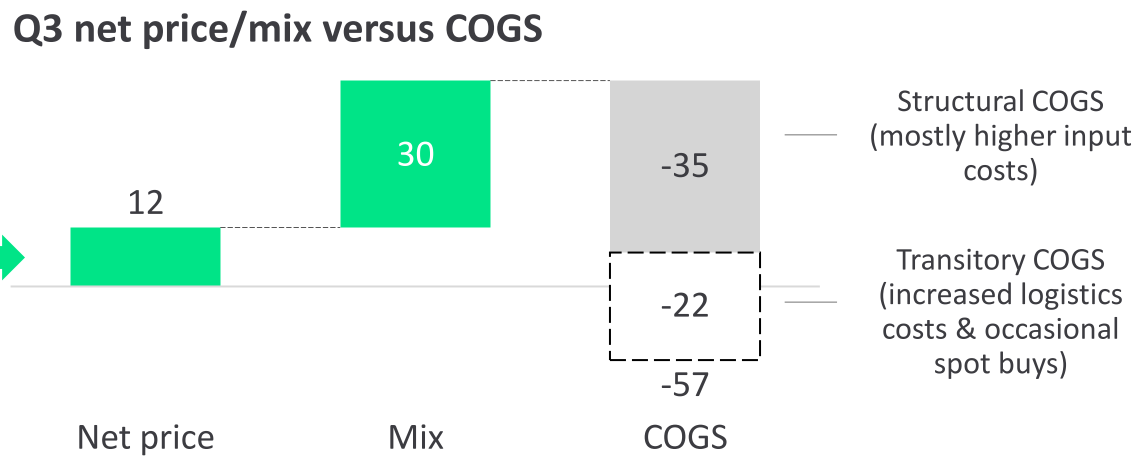

## 10% of the world's shipping capacity taken out due to port congestion issues




- >116 ports reported congestion challenges in Q3
- Port closures create backlogs and 'blank sailings' (voyage cancellations) to recover delays

# Positive price and sales mix more than offset structural COGS inflation

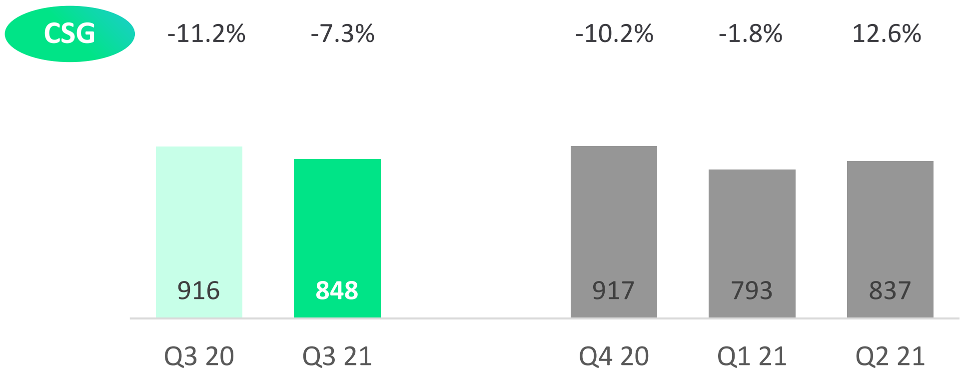


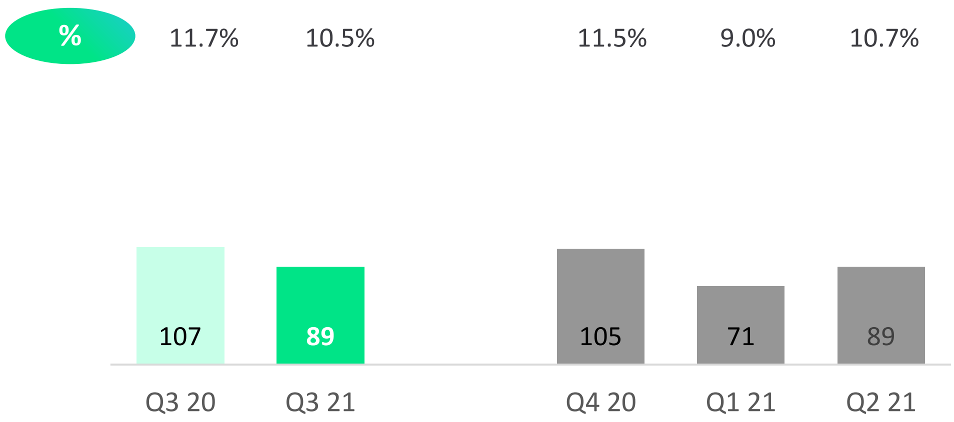

- Underlying price erosion continuing to reduce
- Sales mix of EUR 30 million mainly driven by product mix, including launches of new products at higher prices and gross margin

# Digital Solutions reported a CSG of -7.3% and an adj. EBITA margin of 10.5%

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




## Adjusted EBITA (in EURm & as % of sales)




## Key observations for Q3 21

- Comparable sales growth of -7.3%
  - Division most exposed to component shortages and logistics disruptions
- Adjusted EBITA margin declined by 120 bps to 10.5%
  - Increased input and logistics costs
  - Lower fixed cost absorption
  - Indirect cost savings



signify

# Digital Solutions highlights

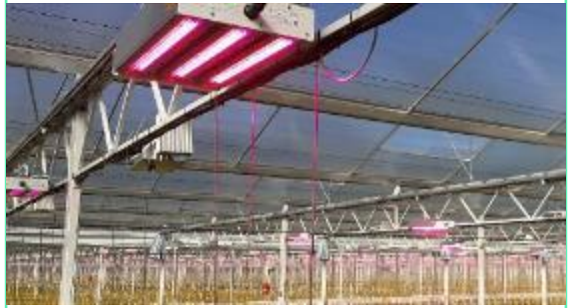
## Expanding our smart cities offering by acquiring Telensa

- Adds a narrow-band and TALQ-compliant solution to smart city infrastructure
- Affordable solution for cities utilizing the unlicensed radio space
- Telensa will continue to sell its systems under its own brand name

## Improving occupant experience at Honeywell's Charlotte HQ

- Integrates our lighting systems & software with Honeywell's Healthy Buildings & Honeywell Employee app
- Sensors deliver people estimates, temperature, humidity & noise
- Improves employee wellbeing and productivity in the office

## Helping largest Belgian tomato grower to boost production



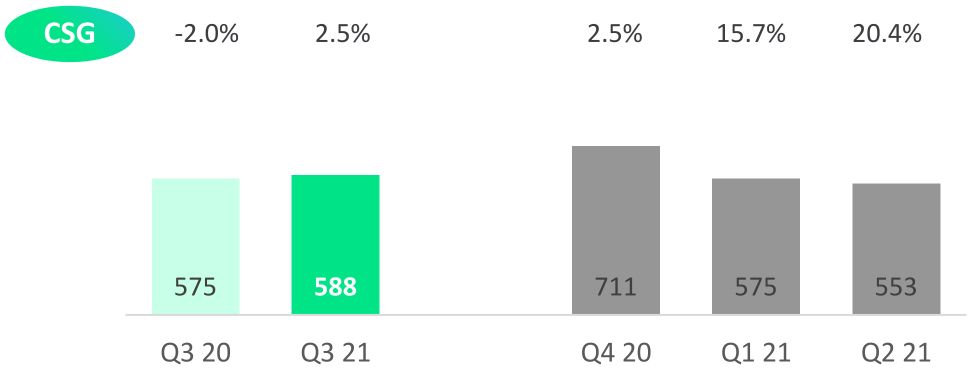
- Philips GreenPower Toplighting Force boosts growth & yields of light loving crops, resulting in higher output for farmers
- GrowWise control system provides ability to dim light levels when necessary, improving growth cycle & reducing energy use & costs

## Expanding UV-C offering for professionals with new UV-C devices

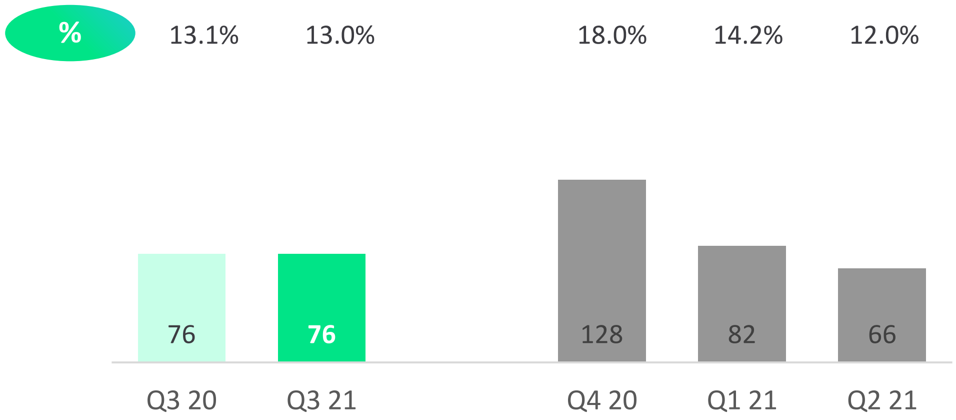
- New UV-C disinfection devices continuously disinfect air in indoor spaces
- Prevent exposure to UV-C light as UV-C light is only emitted within device
- Different device sizes cater to usage in different spaces and for multiple customer needs

# Digital Products reported a CSG of 2.5% and an adj. EBITA margin of 13.0%

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




## **Adjusted EBITA** (in EURm & as % of sales)




## Key observations for Q3 21

- Comparable sales growth of 2.5%
  - Most segments continued to grow
  - Sales of connected home products held back by supply constraints
- Adjusted EBITA margin of 13.0% broadly in line with last year
  - Positive effect of sales mix and price increases
  - Higher COGS and increased marketing investments

# Digital Products highlights

### Helping consumers save on electricity usage with Philips Ultra Efficient LEDs

- Our most energy-efficient Philips LED bulb ever
- Reduces electricity consumption by 60% vs standard Philips LEDs
- Saves consumers money on their electricity bills
- First LED fulfilling new European labelling and design standard

### Blending light, color & sound with new Philips Hue innovations

- Collaboration with Spotify provides immersive music experience like no other
- Expands gradient range with new products
- Extends smart bulb range with more brightness levels
- Dynamic scenes adds light scenes to create ambiance like no other

### Offering more options to equip homes with Wifi WiZ smart lighting

- Hero table lamp helps create cozy reading spaces
- Portable WiZ Squire lamp's dual-zone effect paints walls with light and cascades soft glow
- Connected ceiling lights transform every room
- Smart Plug with energy monitoring function makes any socket smart

### Servicing customers with broader range of ceiling lighting products

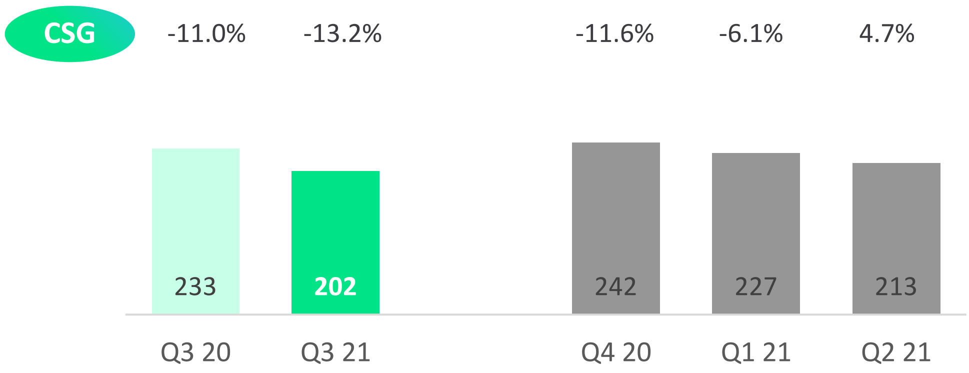
- First Irregular Ceiling light creates richer light effects and an enlarged sense of space, while its large illumination area provides sufficient brightness
- New SuperSlim ceiling lights fit growing interior trend, while SceneSwitch Dimming makes it easy to switch light experience



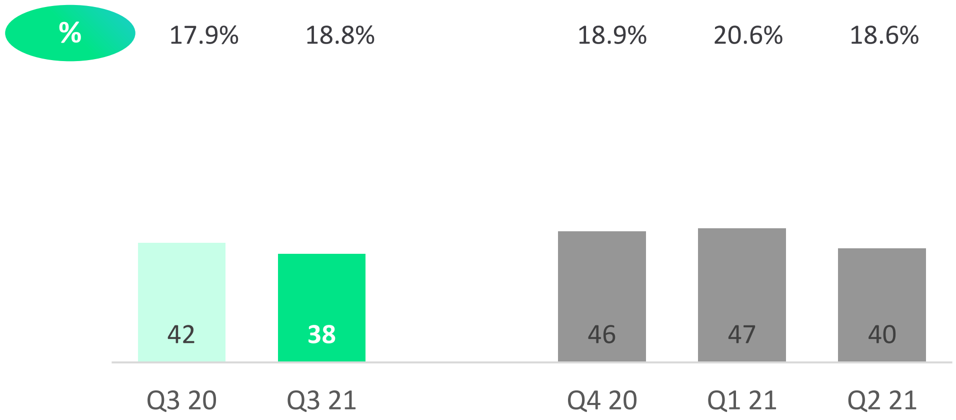
signify

# Conventional Products reported a CSG of -13.2% and an adj. EBITA of 18.8%

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




## Adjusted EBITA (in EURm & as % of sales)




## Key observations for Q3 21

- Comparable sales growth of -13.2%
  - In line with long-term trajectory
  - High comparison base for UV-C
- Adjusted EBITA margin improved by 90 bps to 18.8%
  - Positive effect of price increases
  - Operational efficiencies



signify

# Brighter Lives, Better World 2025 Q3 2021 results

## Doubling our positive impact on the environment and society

| | | | 2019 Baseline | Q3 2021 Result | 2025 Target |
|---|---|---|---|---|---|
| Better World | Climate action | Carbon reduction over value chain against Paris Agreement | 0 | 48 MT | 340 MT |
| Better World | Circular economy | Circular revenues | 16% | 24% | 32% |
| Brighter Lives | Food availability<br>Safety & security<br>Health & wellbeing | Brighter lives revenues | 16% | 26% | 32% |
| Brighter Lives | Great place to work | Women in leadership positions | 17% | 25% | 34% |

- CDP: A list for climate and supply chain
- SUSTAINALYTICS (a Morningstar company): #1 in our industry and top 5% of ESG Risk Ratings Universe
- EcoVadis: EcoVadis Platinum Medal and top 1%

On track

Off track

# Content

Business and operational performance by Eric Rondolat

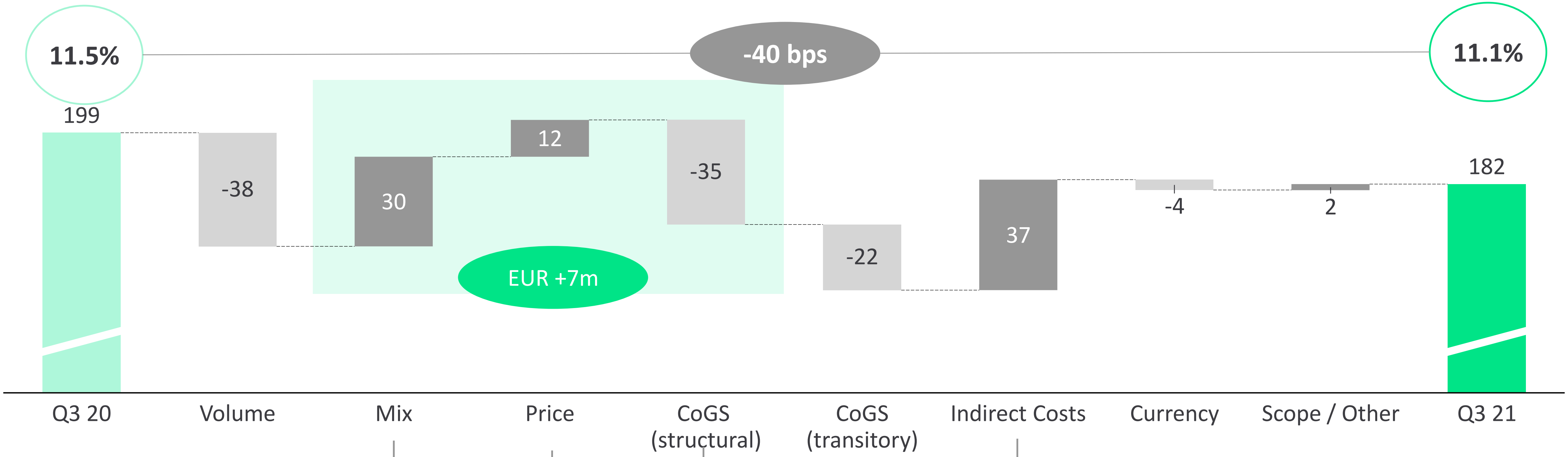
**Financial performance by Javier van Engelen**

2021 outlook by Eric Rondolat

Q&A

# Adj. EBITA margin strong with pricing/mix more than offsetting structural inflation; indirect costs largely offsetting volume and transitory cost impact

**In EURm / as % of sales**




Positive mix mainly driven by new product launches

Price increase, net of underlying price erosion

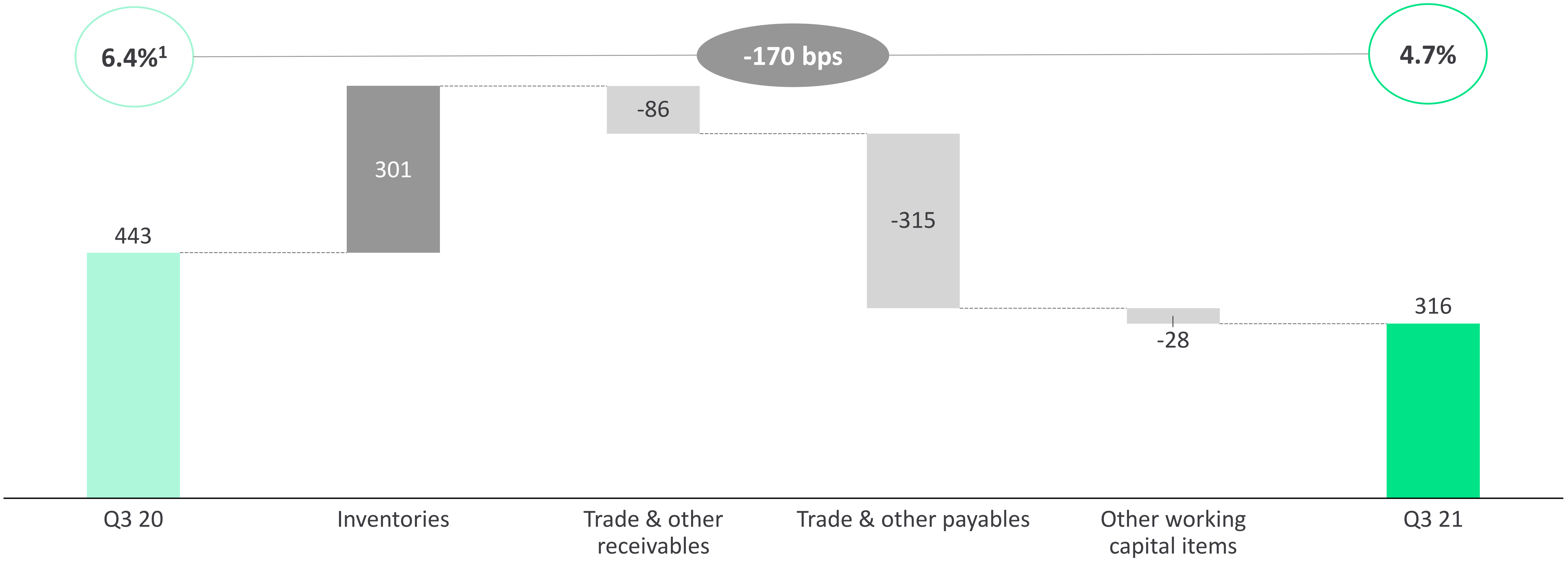
Mostly driven by structural input cost inflation

Transitory inflation related to logistics costs and occasional spot buys

Indirect cost savings mostly related to structural savings and one-offs

# Improvement of working capital position as increase in payables and receivables more than offsets increase in goods in transit

In EURm / as % of sales

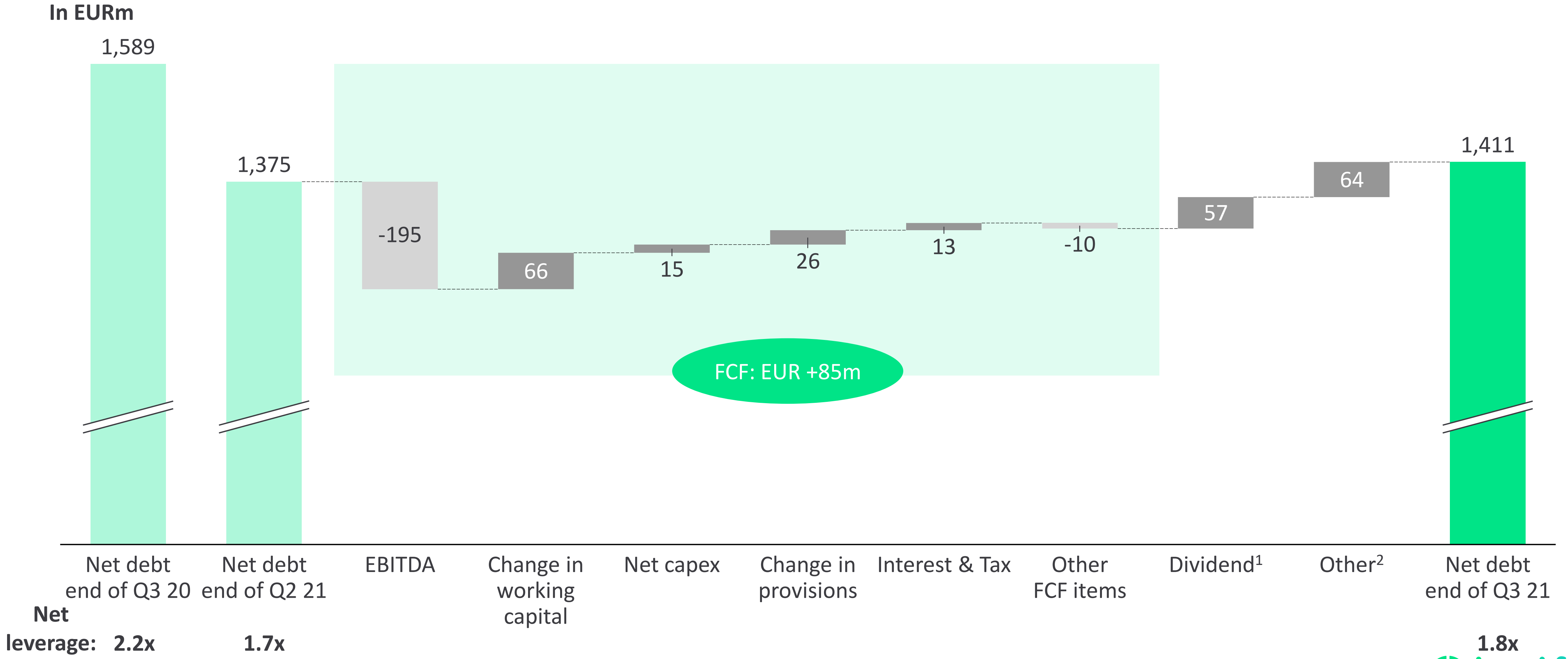





[1]Includes sales of both Cooper Lighting and Klite on a 12-month pro-forma basis.

signify

# Leverage ratio from 2.2x in Q3 20 to 1.8x in Q3 21, and stable vs. Q2 21 after dividend tax payment, leases and M&A






[1]Mainly related to the dividend tax payment.

[2]Other includes cash used for new lease liabilities, acquisitions, the purchase of treasury shares, derivatives, repayment of debt, and FX effect on cash, cash equivalents and debt.

# Content

Business and operational performance by Eric Rondolat

Financial performance by Javier van Engelen

**2021 outlook by Eric Rondolat**

Q&A

# Outlook 2021

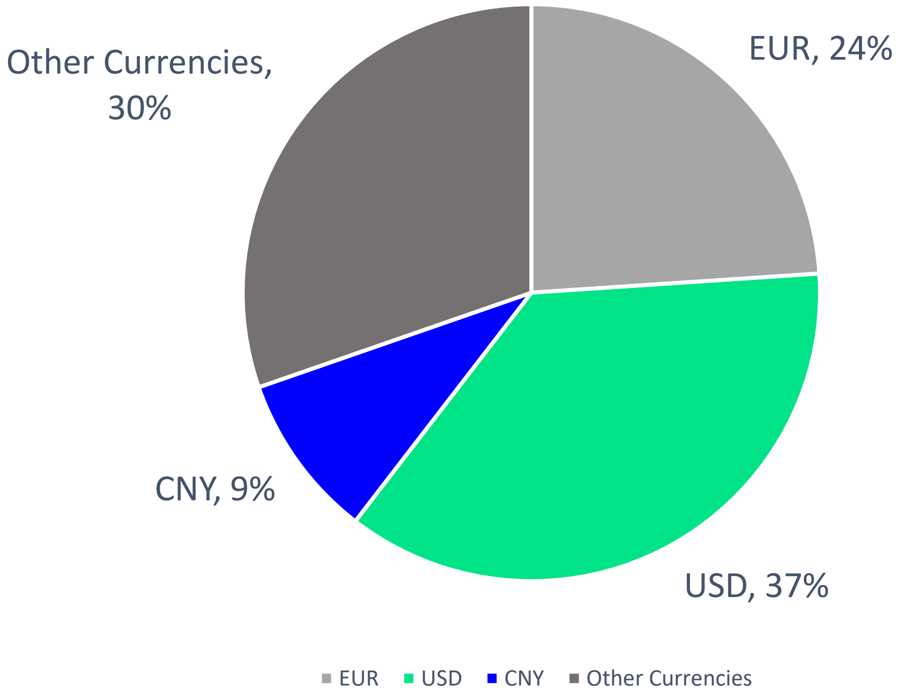
- Supply chain disruptions will continue to have an impact over the coming months

- Signify expects to end at the lower end of its 2021 guidance ranges:
  - 3-6% comparable sales growth
  - Adj. EBITA margin of 11.5-12.5%
  - Free cash flow exceeding 8% of sales

# Q&A

# Currency movements had a minor negative impact on sales and Adjusted EBITA

## **Q3 21 Sales FX Footprint** (% of total)




## Key observations

- Currency movements negatively impacted sales and Adjusted EBITA
- Sales impact of -0.3%, mainly from US dollar depreciation.
- Adjusted EBITA impact of EUR -4m, and -20 bps on the Adjusted EBITA margin, mainly coming from CNY appreciation.
- 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 increase to EUR 94m, as lower EBIT was more than offset by lower financial expenses and lower income tax expense

## From Adjusted EBITA to net income (in EURm)

| | | Q3 20 | Q3 21 |
|---|---|---|---|
| | **Adjusted EBITA** | **199** | **182** |
| | - Restructuring | -25 | -19 |
| 1 | - Acquisition-related charges | -14 | -10 |
| 2 | - Other incidental items | 1 | -5 |
| | **EBITA** | **161** | **149** |
| | Amortization | -31 | -31 |
| | **EBIT** | **131** | **118** |
| | Net financial income / expenses | -16 | -4 |
| | Income tax expense | -25 | -20 |
| | Results from investments in associates | 0 | 0 |
| | **Net income** | **90** | **94** |

## Key observations

1. Mainly related to Cooper Lighting
2. Non-recurring by nature and mainly related to environmental provisions for inactive sites and transformation costs



signify

# Free Cash Flow of EUR 85m

## Free cash flow (in EURm)

| | Q3 20 | Q3 21 |
|---|---|---|
| Income from operations | 131 | 118 |
| Depreciation and amortization | 82 | 77 |
| Additions to (releases of) provisions | 40 | 32 |
| Utilizations of provisions | -40 | -58 |
| Change in working capital | 46 | -66 |
| Net interest and financing costs received (paid) | -4 | 1 |
| Income taxes paid | -23 | -14 |
| Net capex | -26 | -15 |
| Other | 9 | 10 |
| **Free cash flow** | **214** | **85** |
| *As % of sales* | 12.4% | 5.2% |

## Key observations

- Free cash flow of EUR 85m
- Reflecting lower income from operations and an outflow from working capital, as inventories temporarily increased in Q3 vs Q2 21
- Restructuring pay-out of EUR 26m (Q3 20: EUR 11m)

Signify