Q4 & Full Year 2021 results

January 28, 2022

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 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, the impacts of COVID-19, supply chain constraints, component shortages, 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, 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

2021 Highlights - Eric Rondolat

Q4 21 Performance - Javier van Engelen

Full Year 21 Performance - Eric Rondolat

Outlook & closing remarks - Eric Rondolat

Q&A

Full Year 2021 Highlights

- Connected lighting sales grew by 21% to EUR 1.4 billion
- Our growth platforms grew by 19% to EUR 326 million
- 8th consecutive year of adj. EBITA margin progression, improvement of 90 bps in 2021
- Digital Solutions and Digital Products representing more than 80% of sales, profit and cash
- Significant progress in our first year of our Brighter Lives, Better World 2025 sustainability program

- Delivered against commitment for the year and on track to achieve our medium-term target:
  - Comparable sales growth of 3.8%
  - Adj. EBITA margin to 11.6%
  - Free Cash Flow at 8.9% of sales
  - Debt repayment of EUR 350 million, leverage lowered to 1.4x
  - Proposal to pay cash dividend of EUR 1.45 per share over 2021

Content

2021 Highlights - Eric Rondolat

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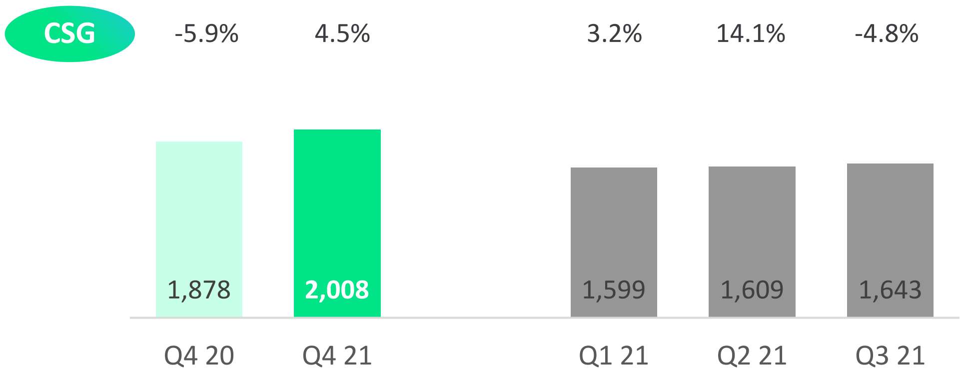
Full Year 21 Performance - Eric Rondolat

Outlook & closing remarks - Eric Rondolat

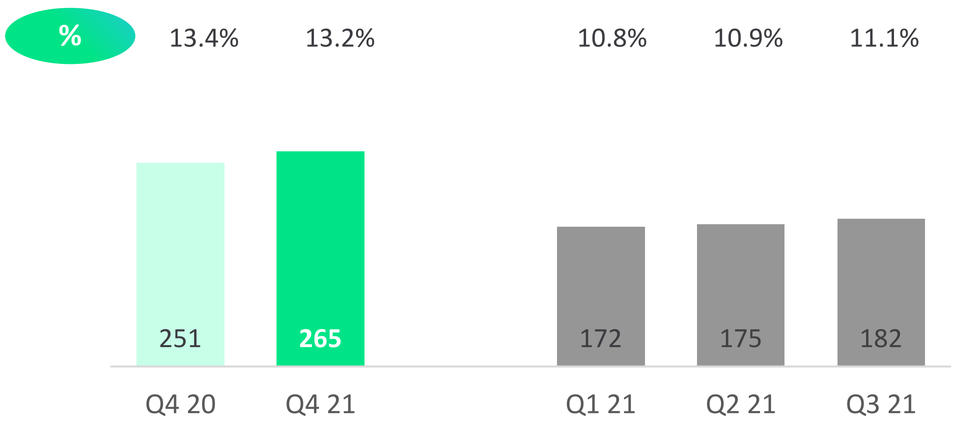
Q&A

Signify reported a Q4 21 sales of EUR 2.0 billion, an adj. EBITA margin of 13.2% and a free cash flow of EUR 257m

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



Adjusted EBITA (in EURm & as % of sales)



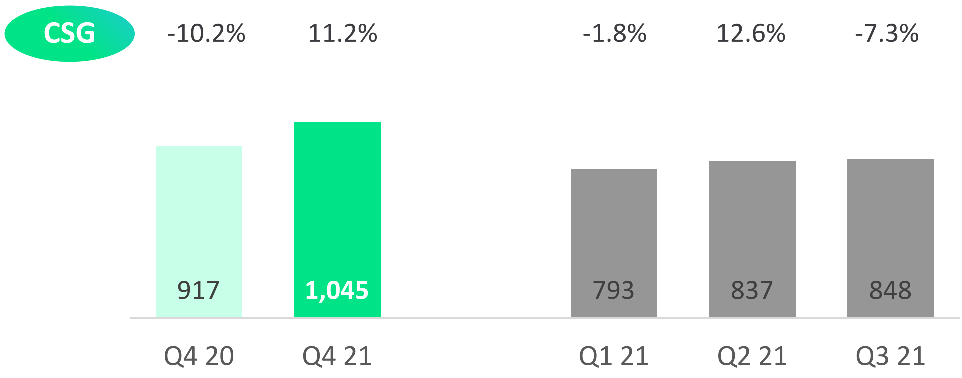
Key observations for Q4 21

- 96 million connected light points (Q3 21: 92 million)
- LED-based sales were 83% of total sales
- Nominal sales growth of 6.9% to EUR 2,008m
- Comparable sales growth of 4.5%

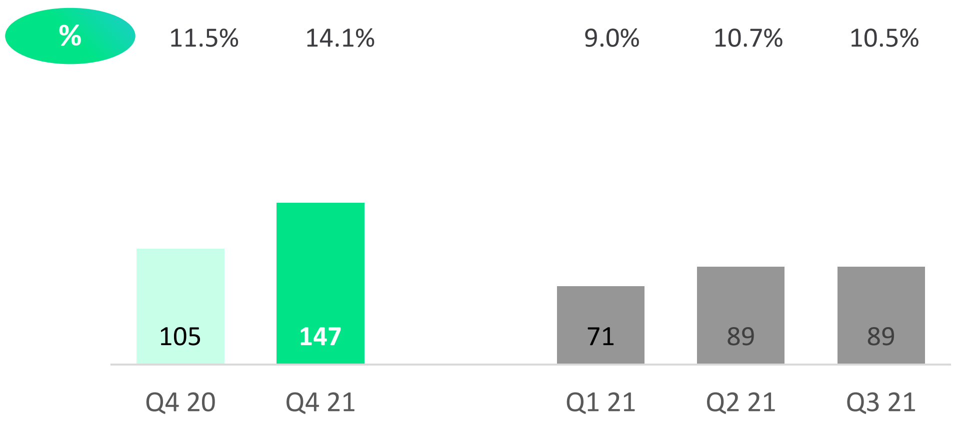
- Adjusted EBITA margin decline of 20 bps to 13.2%
  - Lower gross margin, reflecting high comparison base of 2020
  - Improved operating leverage
- Net income of EUR 170m (Q4 20: EUR 137m)
- Free Cash Flow of EUR 257m (Q4 20: EUR 332m)

Digital Solutions reported a CSG of 11.2% and an adj. EBITA margin of 14.1%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q4 21

- Comparable sales growth of 11.2%
  - Strong underlying growth
  - Solid contribution from Cooper Lighting
- Adjusted EBITA margin increased by 260 bps to 14.1%
  - Positive price and sales mix more than compensating higher COGS
  - Improved operating leverage

Digital Solutions highlights

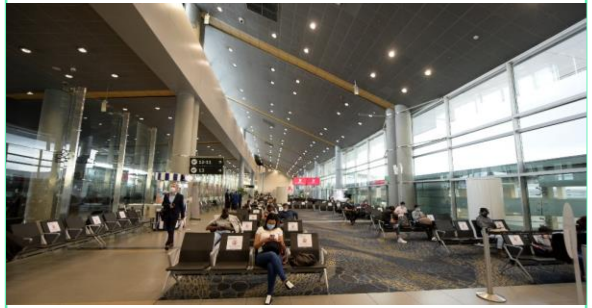
Adding layer of protection to diners in Taiwan with UV-C

- Philips UV-C disinfection upper air luminaires in dining area and Philips UV-C disinfection battens in kitchens help to disinfect 34 restaurants of the TTFB group
- TTFB is looking into extending UV-C disinfection to another 100 restaurants

Entering growing market with smart solutions for Equinix datacenters

- Combines Philips Maxos fusion luminaires with advanced presence detection technology
- LED luminaires with extreme long life improve lighting maintenance
- High-quality lighting enables service engineers to carry out their tasks more easily

Helping one of South America's largest airports generate energy savings



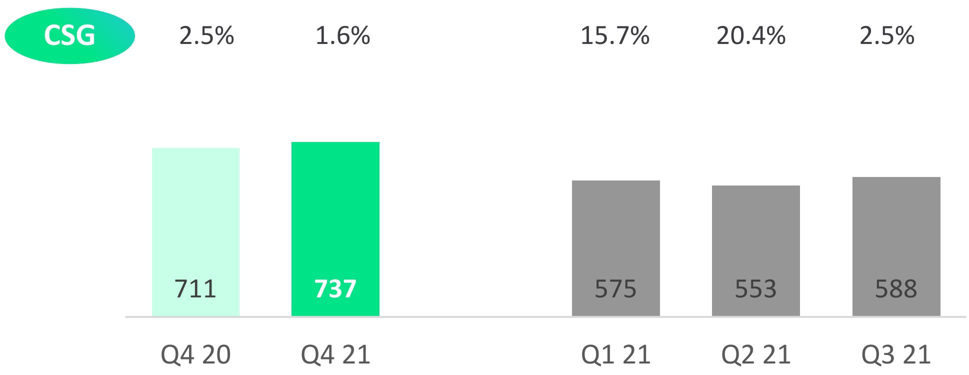
- Almost 9,000 3D printed downlights and 14,000 LED retrofits help El Dorado International Airport reduce electricity use by >50%, significantly reducing carbon emissions
- Outdoor lights were integrated with Interact to improve management & maintenance

Extending solar & hybrid street lighting benefits to municipalities in Italy

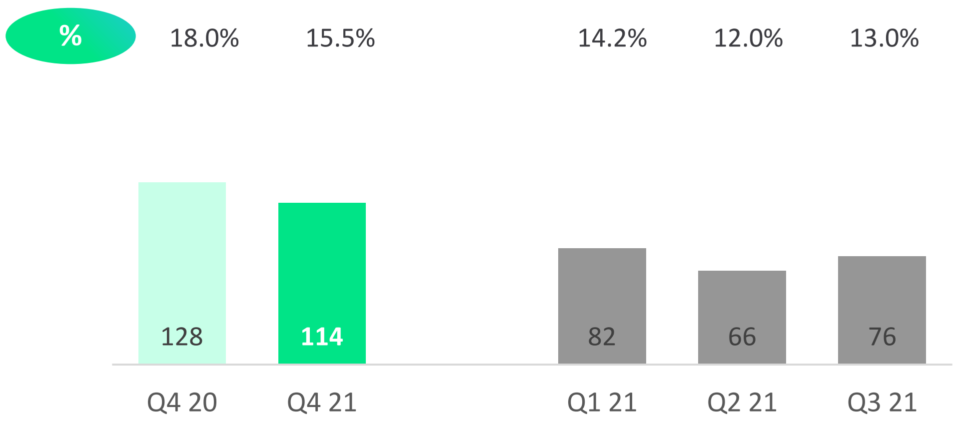
- Over 100 Philips Sunstay streetlights provide 10 Italian municipalities with safe & secure roads after darkness
- Harnesses power of the sun to reduce electricity use
- Supports Italy in its transition to using renewable energy sources

Digital Products reported a CSG of 1.6% and an adj. EBITA margin of 15.5%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q4 21

- Comparable sales growth of 1.6%
  - Particularly strong performance of LED Electronics and Klite
  - Connected Home category impacted by high comparison base and supply chain constraints
- Adjusted EBITA margin declined by 250 bps vs 2020 record of 18.0%
  - Pricing and mix compensated higher COGS
  - Negative impact from stronger Chinese RMB
  - Increased investments in future growth not fully diluted due to supply shortages

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Digital Products highlights

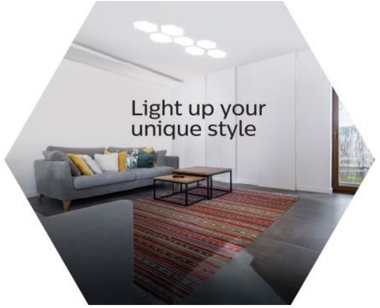
Expanding options to disinfect the air in homes with UV-C air cleaner

- UV-C disinfection air cleaner makes it easier than ever to disinfect the air at home
- Deactivates >99% of viruses and bacteria in an average sized room in ~3 hours
- Introduced in the Netherlands, Korea, Australia, Indonesia, Thailand, Vietnam & Japan

Accelerating fluorescent lighting replacement with new North American TLEDs

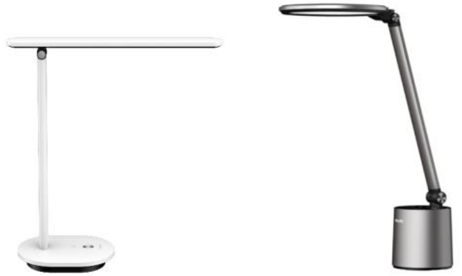
- New type B Corepro TLEDs deliver up to 55% energy savings, making it the natural replacement for fluorescent tubes
- Double-end connection makes it easy to rewire and install
- Most affordable Type B (mains) LED tube in the range

Offering unlimited ceiling light patterns with HexaStyle Downlight



- Mix & match option provides customers unlimited possibilities to create ceiling lighting patterns
- Easy to install as it fits in existing cut outs
- Launched India and exploring opportunities to roll out in ASEAN and Indonesia

Enhancing convenience with new reading/desk lights



- New desk lights are portable and rechargeable, increasing the levels of convenience that consumers get to experience
- Available in Korea, Japan and ASEAN, both via online and offline sales channels
- Also exploring launch on Amazon in Europe

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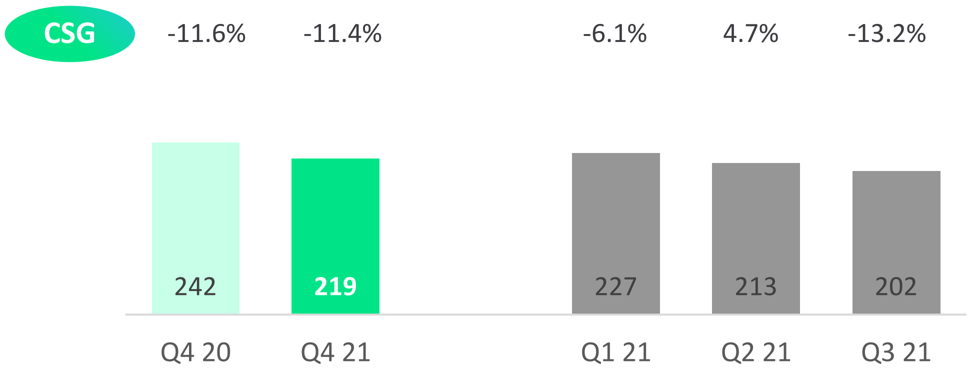
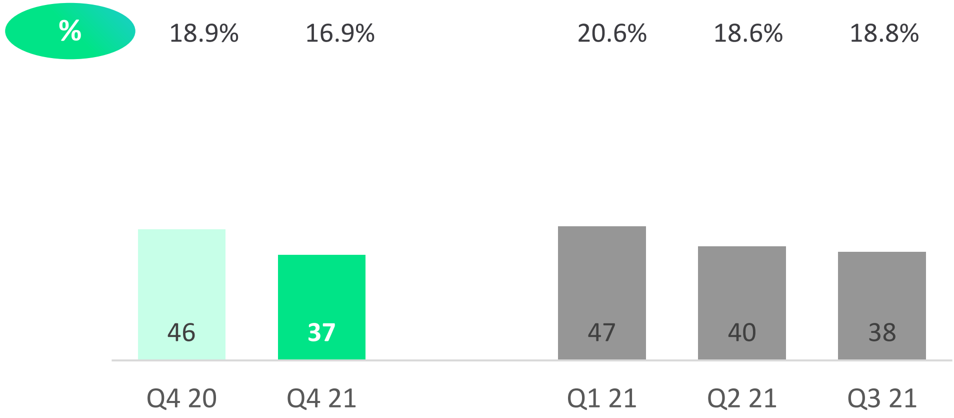
Conventional Products reported a CSG of -11.4% and an adj. EBITA of 16.9%

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



Adjusted EBITA (in EURm & as % of sales)

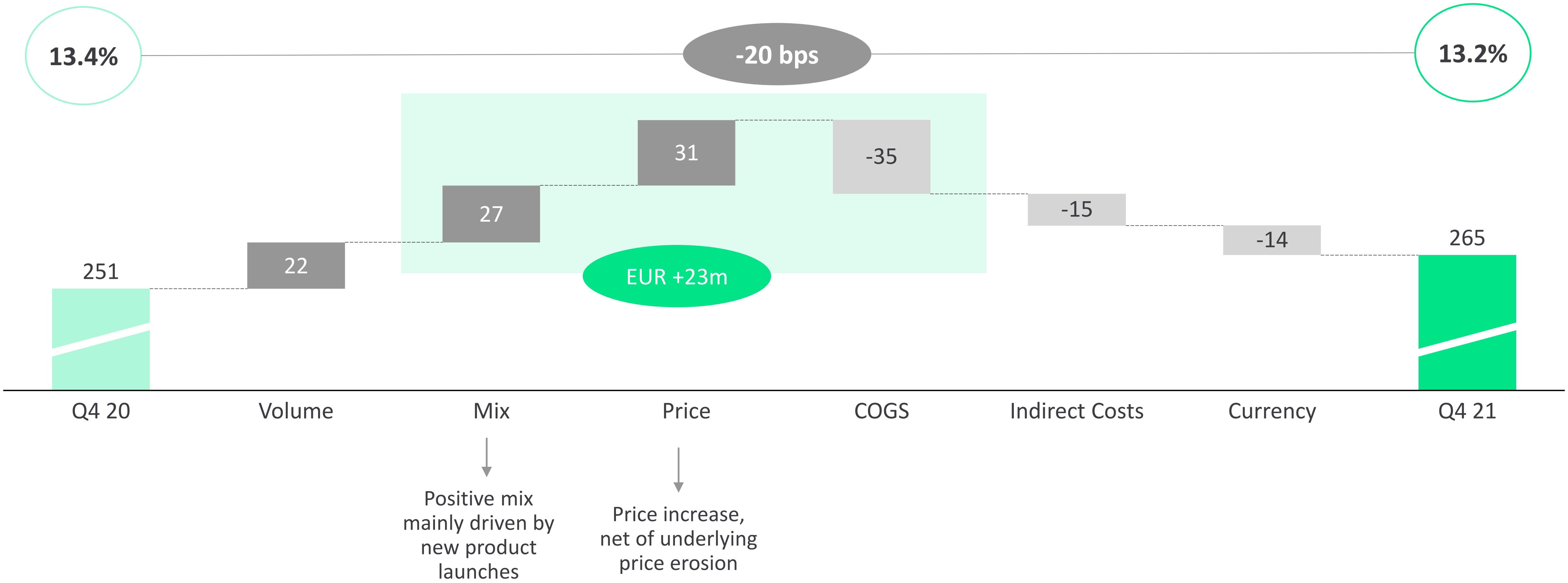


Key observations for Q4 21

- Comparable sales growth of -11.4%
  - Continued to outperform in declining market
- Adjusted EBITA margin decreased by 200 bps to 16.9%
  - Negative operating leverage

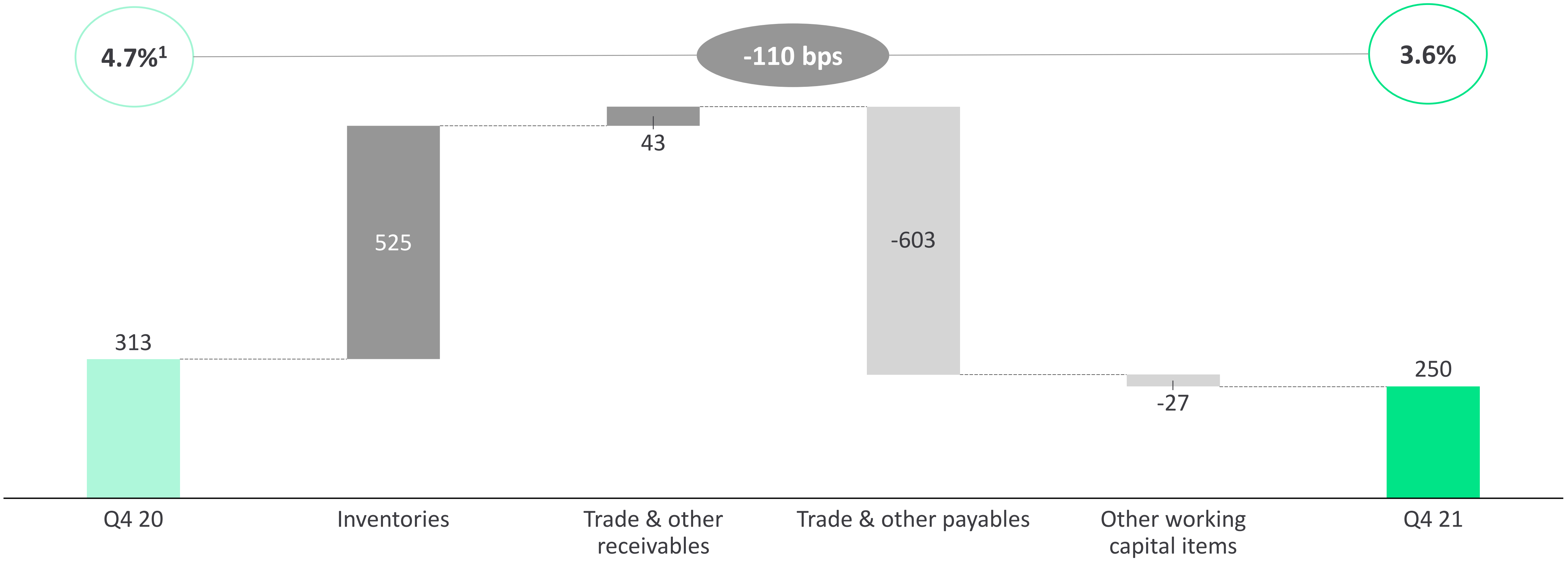
Adjusted EBITA margin of 13.2% as positive price and sales mix fully compensate higher COGS

In EURm / as % of sales



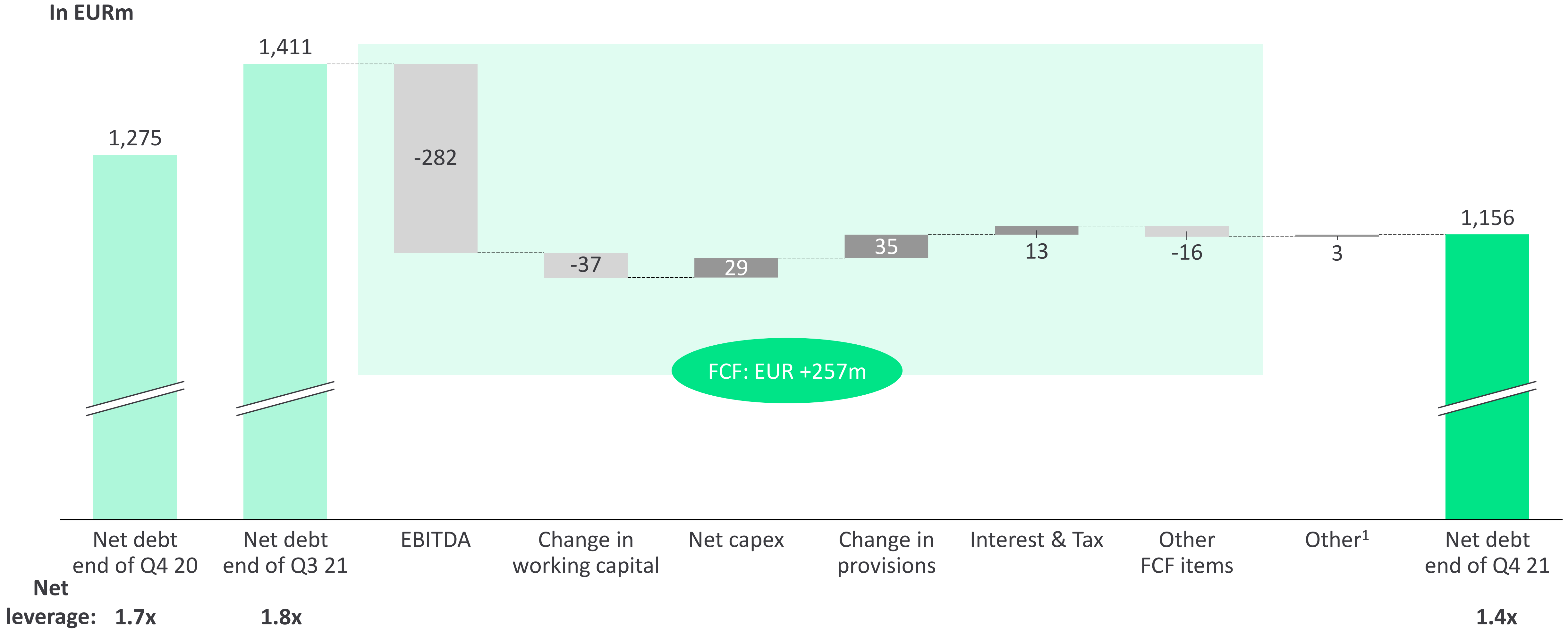
Continued improvement of working capital as higher payables compensate higher inventory levels

In EURm / as % of sales



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

Leverage ratio improved from 1.8x in Q3 21 to 1.4x in Q4 21; repaid EUR 350m of debt



[1]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.

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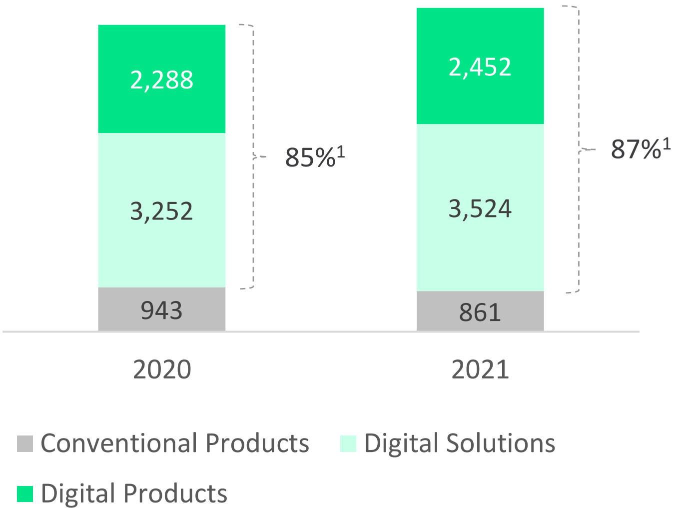
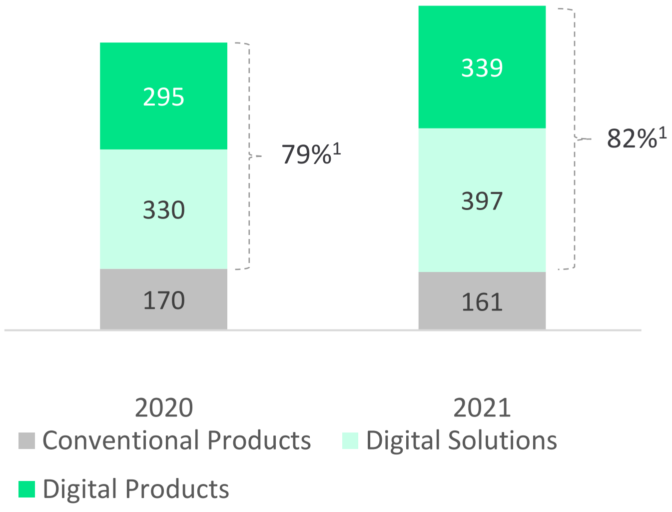
Digital Solutions and Digital Products further increased their contribution to sales, Adj. EBITA and Free Cash Flow

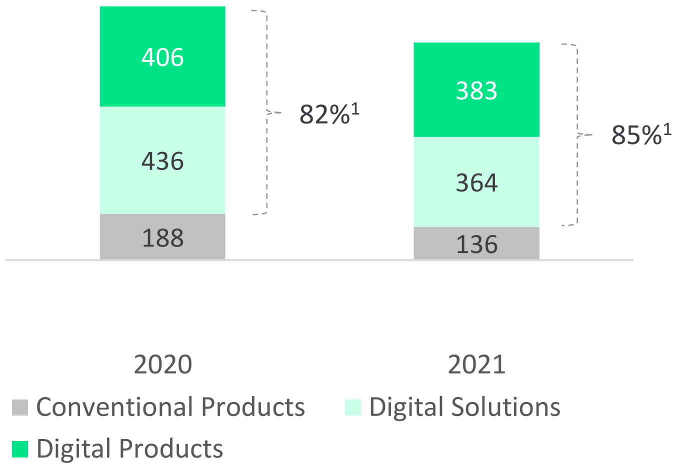
Sales contribution (in EUR m)



Adj. EBITA contribution (in EUR m)



Free Cash Flow contribution (in EUR m)

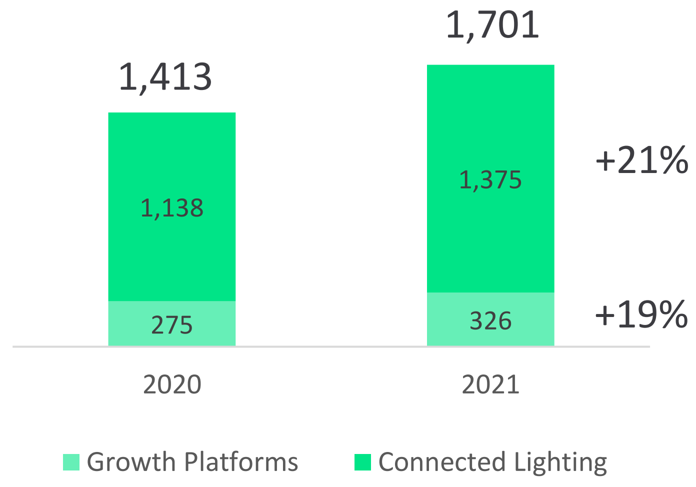


- Driven by innovation in energy-efficient and digital lighting technologies

[1] Excludes ‘Other’.

Connected lighting and Growth platforms strongly contributed to Signify's overall growth

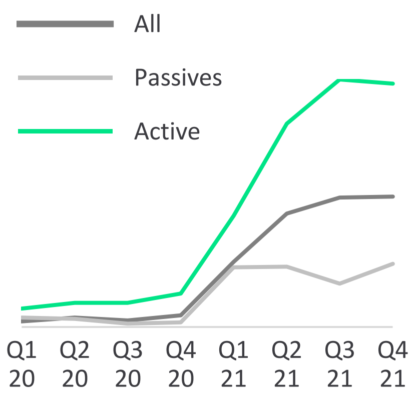
Sales contribution (in EUR m)



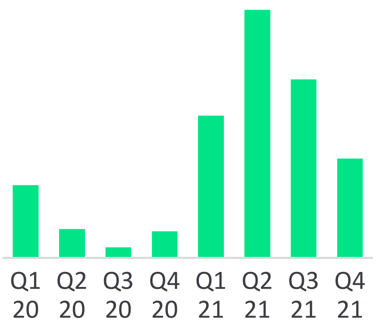
- Connected lighting and growth platform sales increased to EUR 1.7 billion in 2021
  - Connected lighting grew by 21%, driven by strong consumer and professional demand for our global connected brands
  - The growth platforms grew by 19%
  - Acquisition of Fluence will further strengthen Signify's growth platforms

2021 component and logistics crisis brought an unexpected challenge to Signify’s operational performance

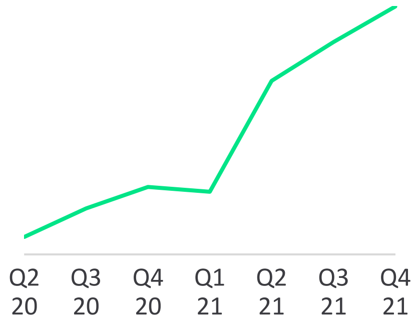
Supplier Lead-Time by commodity
Average number of weeks



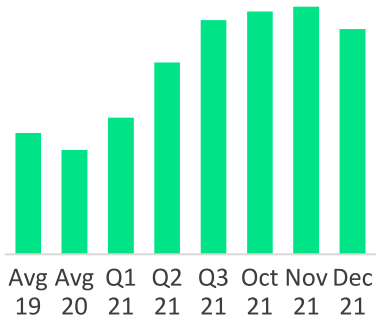
E-Components Scarcity
Number of top escalations



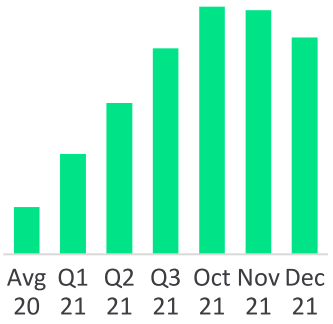
DC replenishment lead-time
Average days



Goods In Transit
In value



Backorders
In value

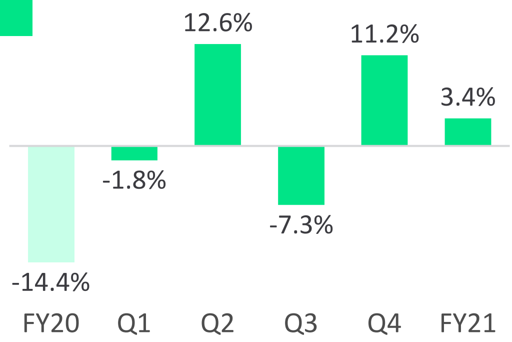


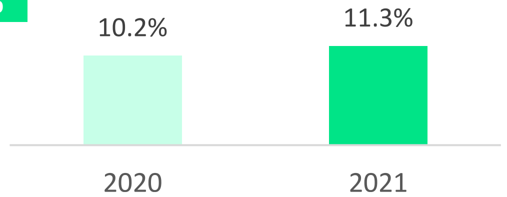
Continued Adjusted EBITA margin expansion despite supply chain constraints and component shortages

CSG%

Adj. EBITA%

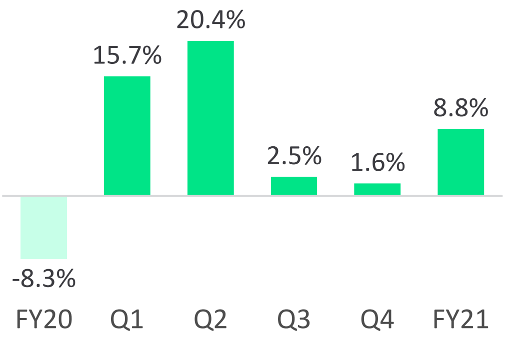
Digital Solutions CSG & Adj. EBITA margin (%)

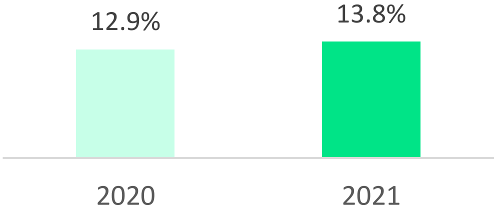




- Continued expansion of the Adjusted EBITA margin to 11.3%
  - Operating leverage
  - Indirect cost savings

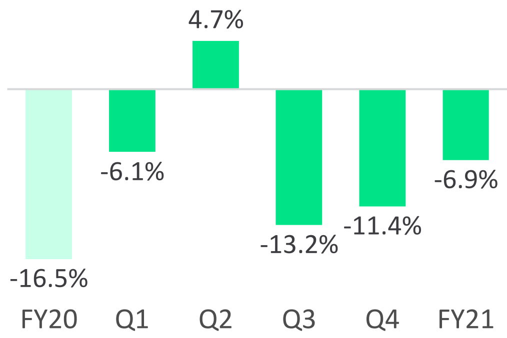
Digital Products CSG & Adj. EBITA margin (%)

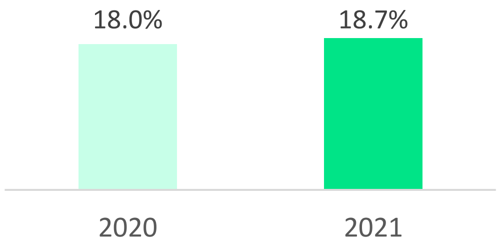




- Strong Adjusted EBITA margin of 13.8%
  - Operating leverage
  - Positive price/mix
  - Higher input costs
  - Investments in future growth

Conventional Products CSG & Adj. EBITA margin (%)





- Strong Adjusted EBITA margin of 18.7%
  - Positive price/mix
  - Indirect cost savings

Brighter Lives, Better World 2025 results

Doubling our positive impact on the environment and society

			2019 Baseline	2021 Result	2025 Target
Better World	Climate action	Carbon reduction over value chain against Paris Agreement	0	60 MT	324[1] MT
Better World	Circular economy	Circular revenues	16%	25%	32%
Brighter Lives	Food availability Safety & security Health & well-being	Brighter lives revenues	16%	27%	32%
Brighter Lives	Great place to work	Women in leadership positions	17%	25%	34%

CDP A list for climate and supply chain

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA — DJSI World Index and top 1% in our industry

PLATINUM Top 1% 2020 ecovadis Sustainability Rating — EcoVadis Platinum Medal and top 1%

On track

Off track

[1]The 2025 target for carbon reduction over the value chain was adapted to reflect the integration of Cooper Lighting.

Agreement to acquire Fluence to strengthen Agriculture growth platform

Signify to acquire Fluence for USD 272 million in cash

- Strengthens Signify's Agriculture lighting growth platform in North America
- Enables Signify to capture full potential of US market for bio-based and non-bio-based crops, building on our strong existing European footprint
- Global market for agricultural lighting expected to grow by more than 20% per year to EUR 1.6 billion in 2024
- Adds Fluence's complementary technology & market segments to our existing horticultural lighting operations

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Signify proposes a cash dividend of EUR 1.45 per share for 2021

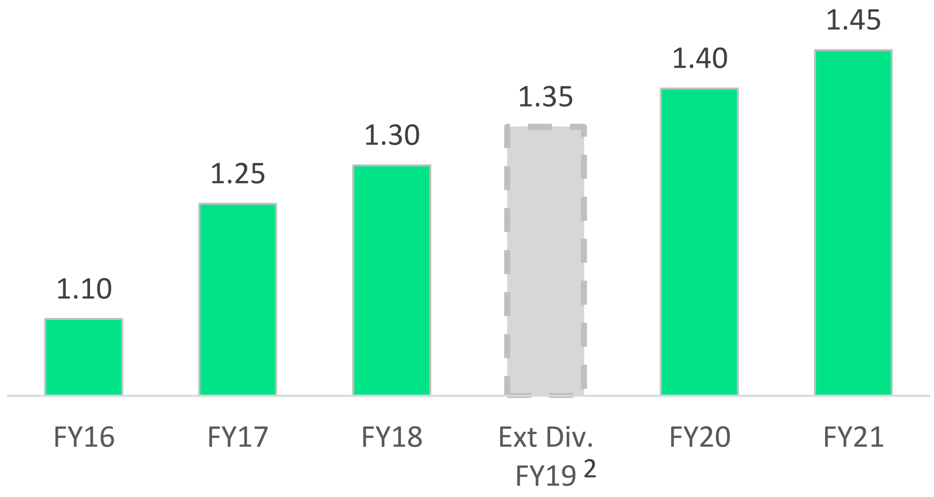
Key observations

- The proposed dividend[1] of EUR 1.45 per share (EUR 181m) represents a dividend yield of 3.6% over the year-end share price of EUR 40.78

Capital allocation policy

- Pay an increasing annual cash dividend per share year on year
- Expectation to achieve a leverage ratio of reported net debt/EBITDA of 1x by the end of 2022, including
  - The cash outflow from the intended Fluence acquisition
  - Cash inflow from operations and the continued rationalization of the company's real estate portfolio
- Continue to invest in organic and inorganic growth opportunities in line with our strategic priorities.

Dividend per share since IPO (in EUR)



[1] Subject to approval at the AGM to be held on May 17, 2022
[2] The extraordinary dividend of EUR 1.35 per share was related to the 2019 dividend proposal, which was withdrawn due to COVID-19 uncertainty

Content

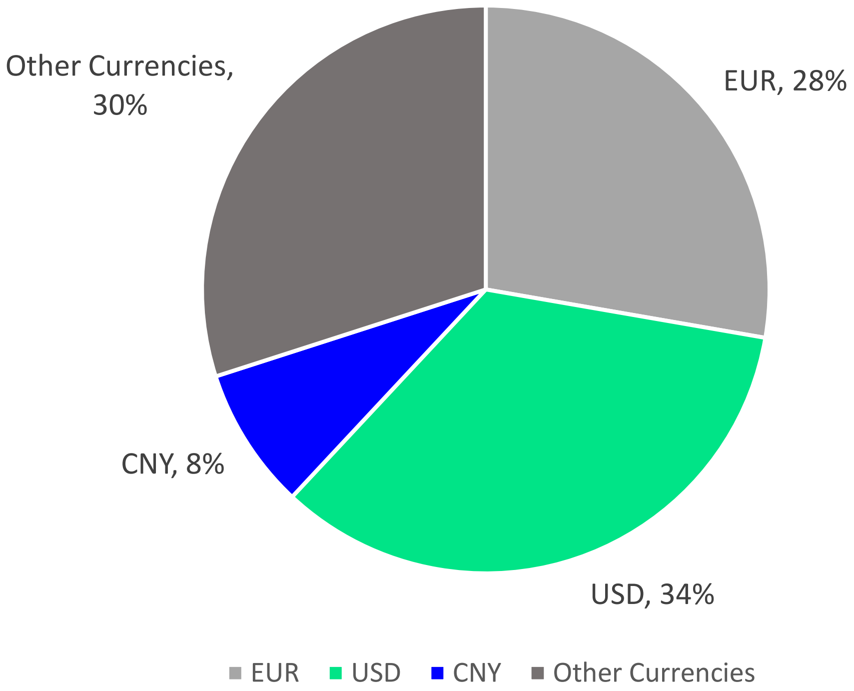
Outlook 2022

- Comparable sales growth in the range of 3-6%
- Continued Adjusted EBITA margin improvement of up to 50 bps
- Free cash flow in excess of 8% of sales

Q&A

Currency movements had a positive impact on sales and a negative impact on Adjusted EBITA

Q4 21 Sales FX Footprint (% of total)



Key observations

- Currency movements negatively impacted Adjusted EBITA and positively impacted Sales
- Sales impact of +2.2%, mainly from US dollar appreciation.
- Adjusted EBITA impact of EUR -14m, and -100 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 increased to EUR 170m, benefiting from a higher EBIT and lower net financial expenses

From Adjusted EBITA to net income (in EURm)

		Q4 20	Q4 21
	Adjusted EBITA	**251**	**265**
	- Restructuring	-43	-11
1	- Acquisition-related charges	-16	-13
2	- Other incidental items	-6	-5
	EBITA	**185**	**237**
	Amortization	-30	-32
	EBIT	**155**	**205**
	Net financial income / expenses	-12	-4
3	Income tax expense	-6	-31
	Results from investments in associates		
	Net income	**137**	**170**

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
3. 2020 income tax expenses benefited from the revaluation of deferred tax assets

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Free Cash Flow of EUR 257m

Free cash flow (in EURm)

	Q4 20	Q4 21
Income from operations	155	205
Depreciation and amortization	86	77
Additions to (releases of) provisions	75	30
Utilizations of provisions	-59	-65
Change in working capital	119	37
Net interest and financing costs received (paid)	-6	1
Income taxes paid	-23	-14
Net capex	-27	-29
Other	13	16
Free cash flow	**332**	**257**
As % of sales	*17.7%*	*12.8%*

Key observations

- Free cash flow of EUR 257m
  - Higher profitability
  - Yet, lower release of working capital
- Restructuring pay-out of EUR 26m (Q4 20: EUR 10m)