signify

Q4 2022 results

January 27, 2023

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, in particular the impacts of the Russia-Ukraine conflict, the energy crisis in Europe, the impacts of COVID-19, supply chain constraints, component shortages, cost inflation, 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.

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 2021.

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 2021 and the Semi-Annual Report 2022.

Market Abuse Regulation

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

Content

Full year 2022 highlights

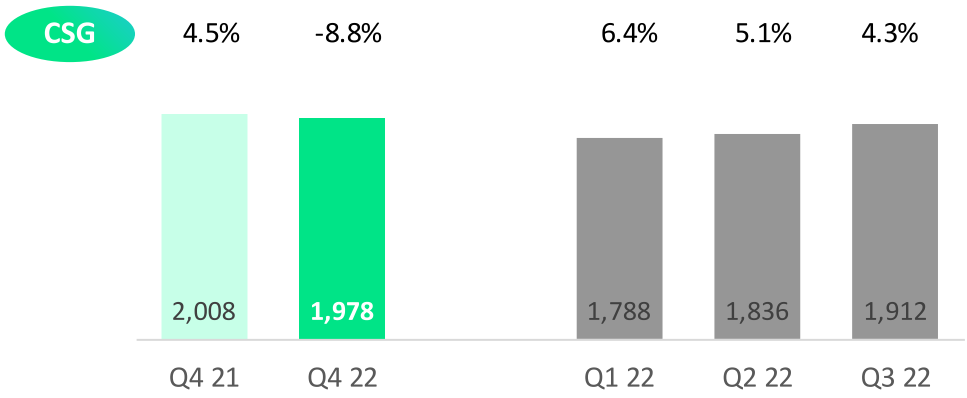
- Connected lighting sales grew to EUR 1.6 billion
- Our growth platforms grew to EUR 0.4 billion
- Digital Solutions and Digital Products representing more than 85% of sales, profit and cash
- Continued progress in the second year of our Brighter Lives, Better World 2025 sustainability program

- Comparable sales growth of 1.2%
- Adj. EBITA margin of 10.1%
- Free Cash Flow at 5.9% of sales
- Net debt/EBITDA ratio lowered to 1.3x
- Proposal to pay cash dividend of EUR 1.50 per share over 2022

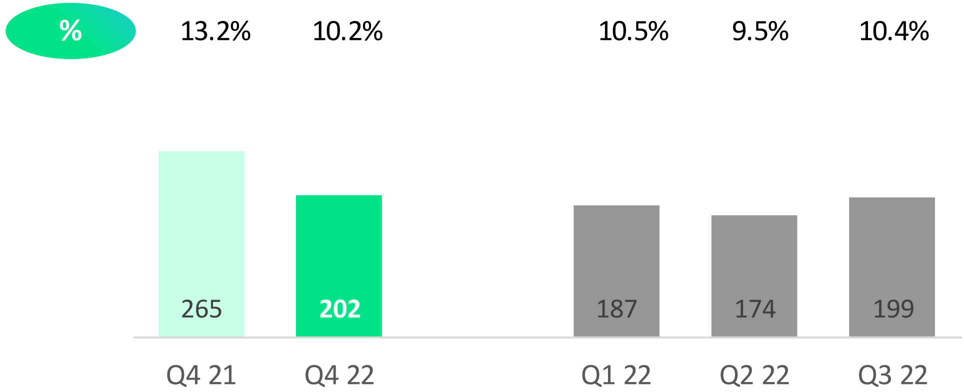
Content

Signify reported Q4 22 sales of EUR 2.0 billion, CSG of -8.8% and an adj. EBITA margin of 10.2%

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



Adjusted EBITA (in EURm & as % of sales)



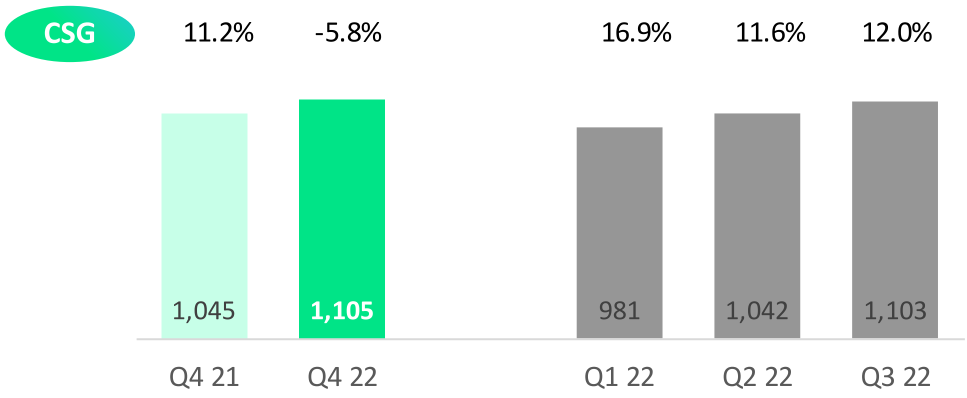
Key observations for Q4 22

- 114 million connected light points (Q3 22: 109 million)
- LED-based sales were 82% of total sales
- Nominal sales decline of 1.5% to EUR 1,978m
- Comparable sales decline of 8.8%

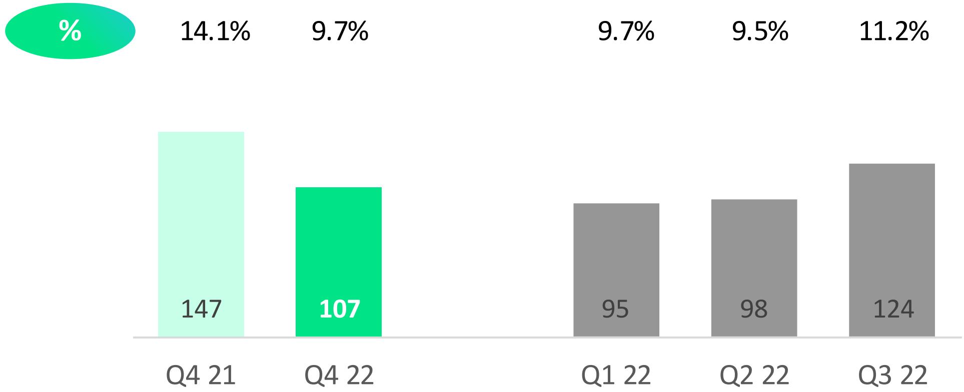
- Adjusted EBITA margin decline of 300 bps to 10.2%
  - Volume decline leading to under-absorption of fixed costs
  - Continued adverse FX impact
  - Price increases fully covering higher COGS
- Net income of EUR 86m (Q4 21: EUR 170m)
- Free Cash Flow of EUR 364m (Q4 21: EUR 257m)

Digital Solutions reported a CSG of -5.8% and an adj. EBITA margin of 9.7%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q4 22

- Comparable sales decline of 5.8%
  - High base of comparison
  - Chinese market impacted by COVID-related disruptions
  - Weakening of the indoor professional business
- Adjusted EBITA margin decreased by 440 bps to 9.7%
  - High base of comparison
  - Under-absorption of fixed costs and an adverse currency impact

Digital Solutions highlights

Helping NSG Group achieve their sustainability and smart factory goals

- NSG Group installed a suite of smart lighting solutions from Signify
- Including cutting edge connected lighting systems via Signify's Lighting-as-a-Service model, innovative 3D-printed luminaires, Trulifi and Interact
- Upgraded the lighting at two UK sites with ongoing work across several sites in the UK

Switching Den Haan Greenhouses to LED lighting

- Installed Philips GreenPower LED interlighting and toplighting linear at Canadian grower Den Haan Greenhouses
- Decision driven by high electricity prices, insufficient natural light during winter and year-round demand
- Production increased by as much as 40%

Equipping a Berlin school with Trulifi technology

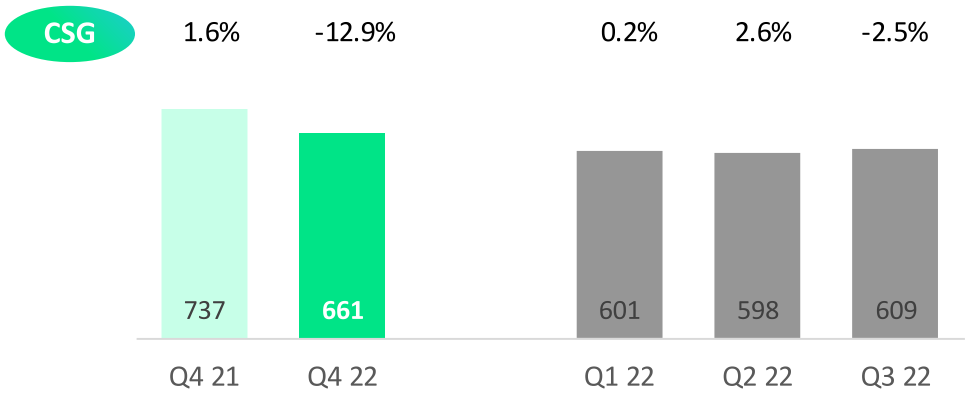
- Equipped nine rooms of Berlin's Freie Waldorfschule with custom-built transceivers and USB access keys
- Trulifi technology enables fast and secure data transmission through light waves
- The school joins a growing number of educational facilities adopting Trulifi

Helping the city of Chieti transition to connected LED lighting

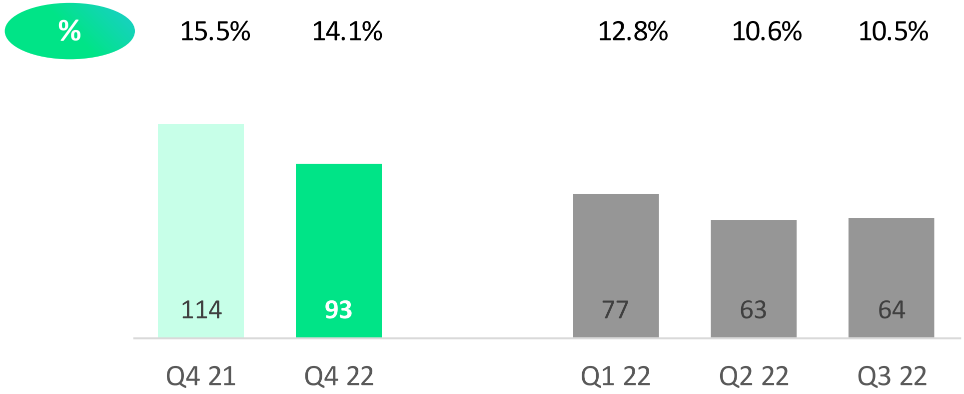
- CEIE POWER SpA is replacing the city's street lighting, installing Interact City and 6,800 Philips LED fixtures
- Interact City enables real time management of luminaires, data collection and analysis
- Provides energy savings of 60%
- Incremental benefits such as operational efficiency

Digital Products reported a CSG of -12.9% 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 22

- Comparable sales decline of 12.9%
  - Lower consumer sales
  - COVID-related disruptions in China impacting Klite
  - Lower than expected growth in OEM channel

- Adjusted EBITA margin declined by 140 bps to 14.1%
  - Resilient gross margin as pricing offsets cost increases
  - Lower volumes leading to fixed cost under absorption

Digital Products highlights

Winning the prestigious Gold IDEA 2022 design award

- The sustainable 3D-printed Coastal Breeze pendant lamp wins the prestigious Gold IDEA 2022 design award
- It also received an honorable mention in Fast Company's Innovation by Design Awards
- The collection is 3D printed using discarded fishing nets for cleaner oceans and a low carbon footprint

Offering a personalized lighting experience during the holiday season

- Philips Hue Festavia string lights create the perfect ambiance inside your home for the holidays and special occasions
- Allows users to dim and brighten lights, change color, create a gradient light effect, set timers and schedules and more
- Added the Sparkle effect and Scattered style

Certifying all WiZ products to work with Matter

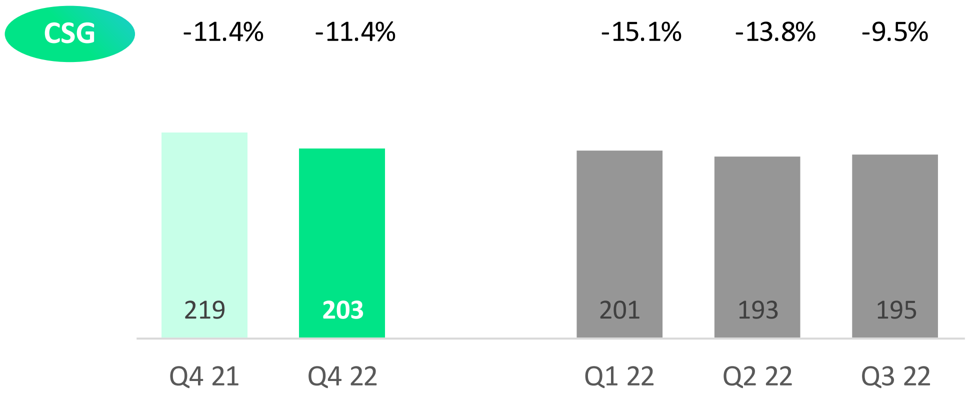
- WiZ is among the first IoT brands to support the Matter standard
- All WiZ products, manufactured since Q2 21, are being certified to work with Matter
- Allows users to control their lights with any Matter compatible ecosystem
- Advanced functionalities still available in the WiZ app

Addressing the retrofit tunnel lighting market in China

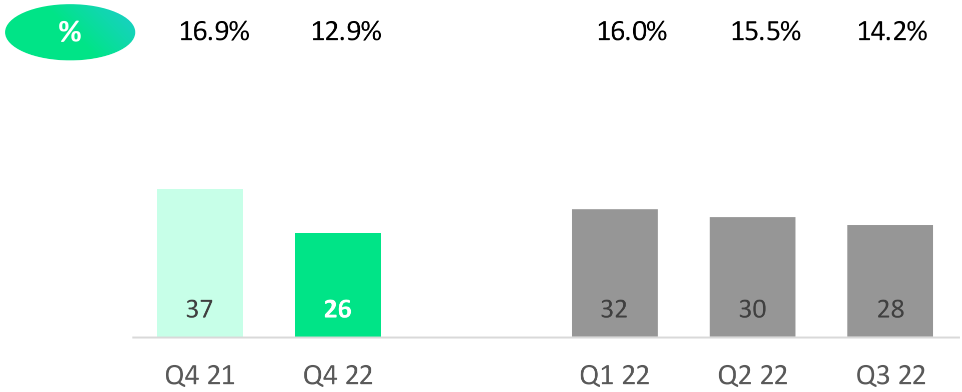
- Launched a new range of IP66 low power Outdoor drivers
- The new range addresses the fast growing retrofit Tunnel market in China
- A breakthrough in size reduces material usage by more than 20%, thereby positively contributing to sustainability

Conventional Products reported a CSG of -11.4% and an adj. EBITA of 12.9%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q4 22

- Comparable sales decline of 11.4%
  - Price increases partially compensated volume declines

- Adjusted EBITA margin decreased to 12.9%
  - Indirect cost savings not fully offsetting combined impact of volume decline and temporary adverse FX impact
  - Price increases largely compensated higher input and energy costs
  - Negative impact from one-off effects

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Adjusted EBITA margin decreased to 10.2%, mainly due to lower volume and an under-absorption of fixed costs

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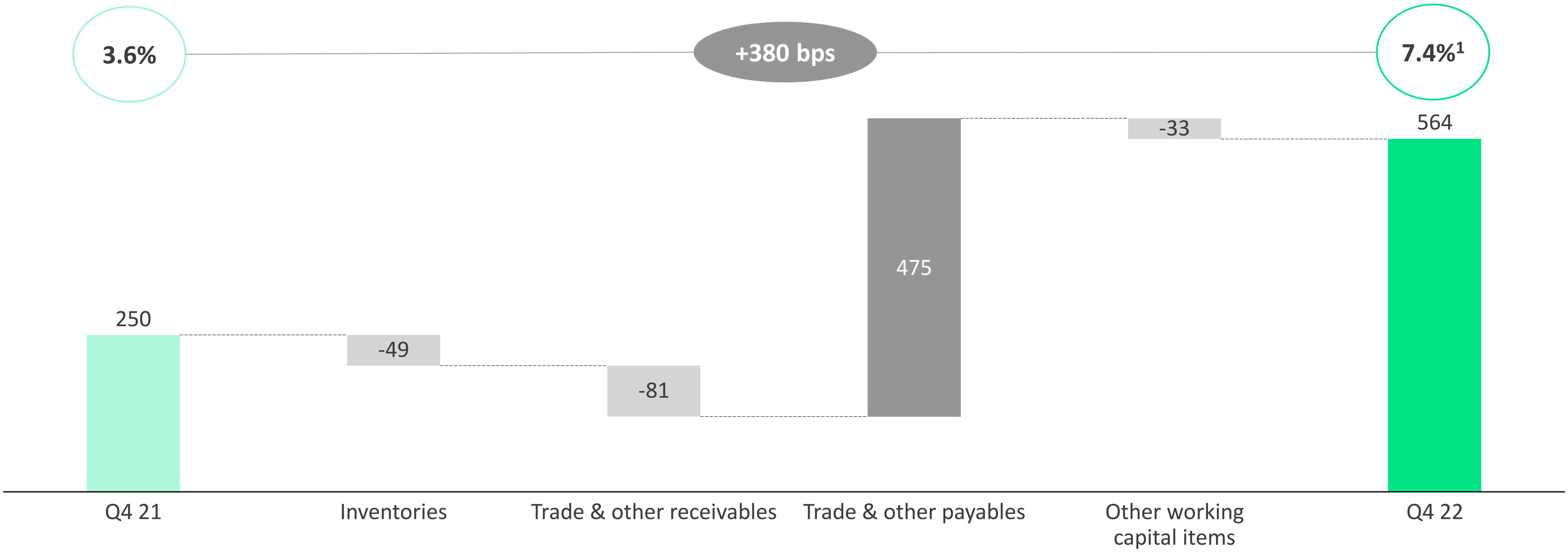
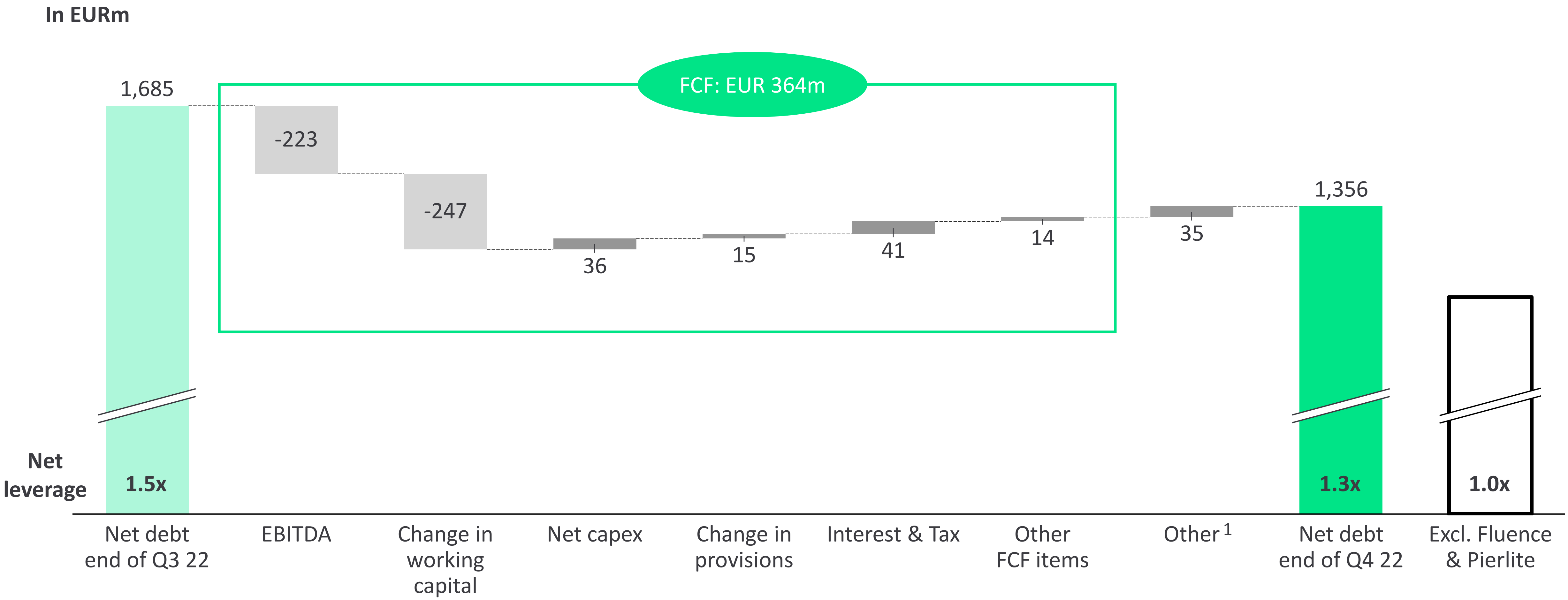
Working capital increased year on year, as payments for the 2021 inventory build-up were settled, partly offset by lower receivables and inventories

In EURm / as % of sales



[1]Includes sales of Fluence and Pierlite on a 12-month pro-forma basis.

Leverage ratio improved from 1.5x at the end of Q3 22 to 1.3x at the end of Q4 22 driven by a strong free cash flow generation



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

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2022 Highlights - Eric Rondolat

Q4 22 Performance - Javier van Engelen

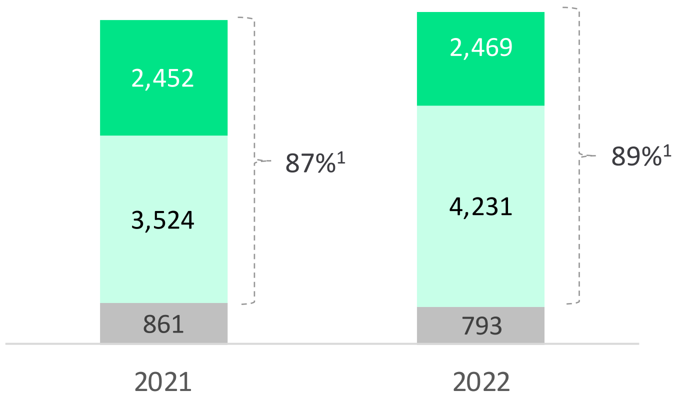
Full Year 22 Performance - Eric Rondolat

Outlook & closing remarks - Eric Rondolat

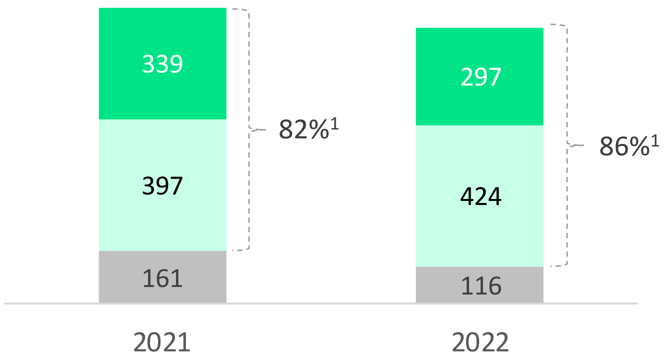
Q&A

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

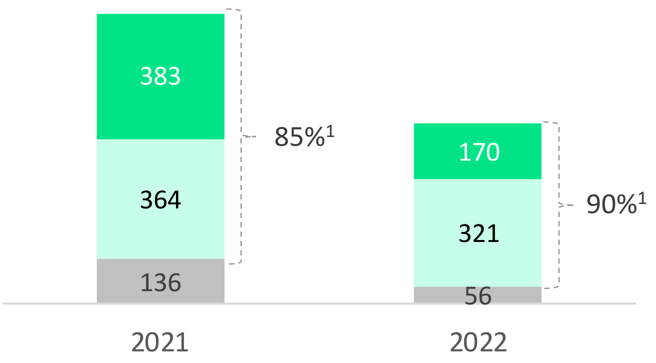
Sales contribution (in EUR m)



Adj. EBITA contribution (in EUR m)



Free Cash Flow contribution (in EUR m)

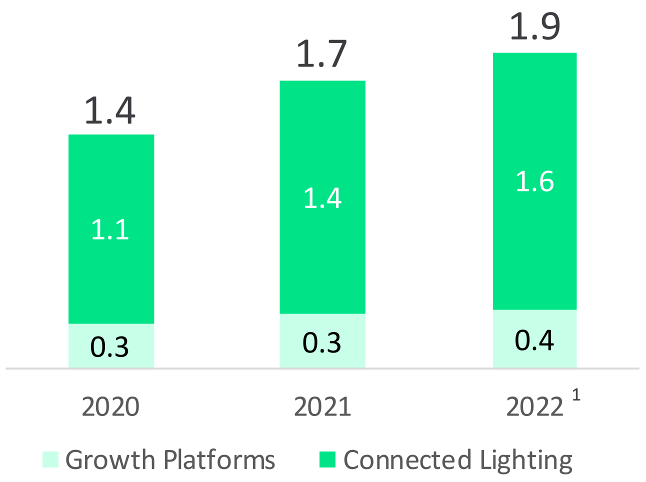


Digital Products
Digital Solutions
Conventional Products

[1] Excludes 'Other'.

Sales of Connected lighting and Growth platforms grew to EUR 1.9b

Sales contribution (in EUR m)

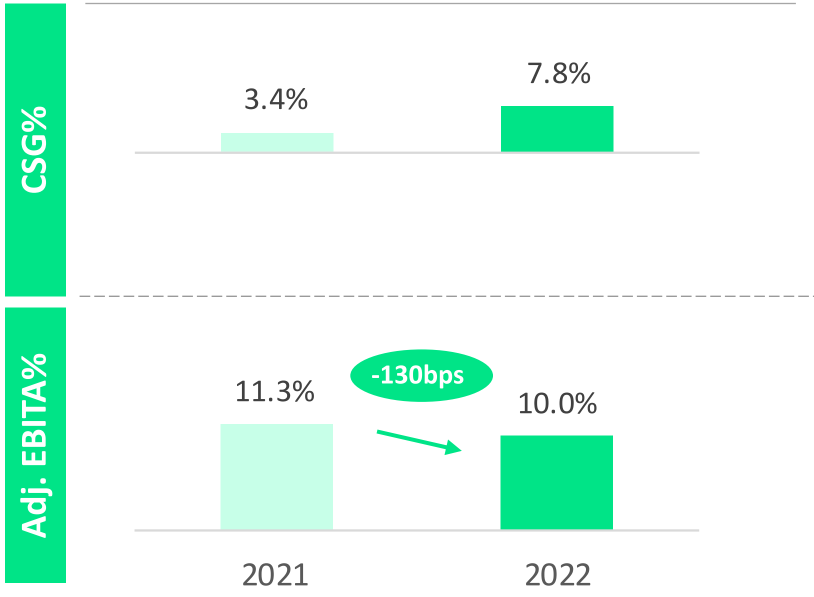


- Connected lighting and growth platforms sales increased to EUR 1.9 billion in 2022
  - Connected lighting grew to EUR 1.6 billion:
    - Strong professional demand for our global connected brands
    - Slowdown in consumer connected sales
  - The growth platforms grew to EUR 0.4 billion:
    - Accelerated transition from conventional to LED horticulture
    - Acquisition of Fluence

[1] Growth platforms include Fluence from May 2022.

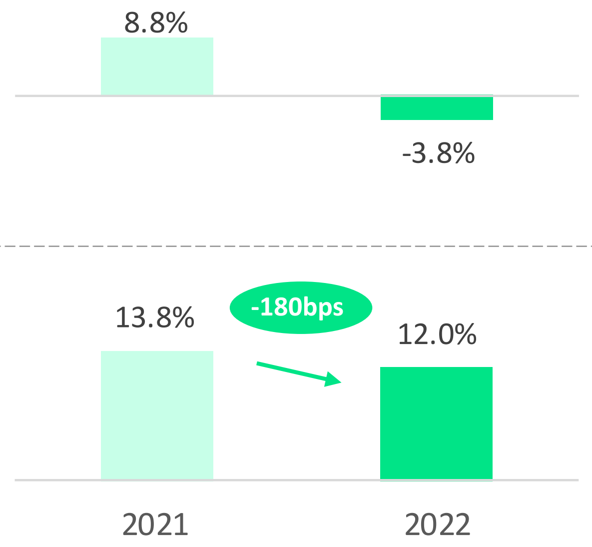
Adjusted EBITA margin of all divisions impacted by adverse currency impact; fixed cost under-absorption in Digital Products and Conventional Products

Digital Solutions



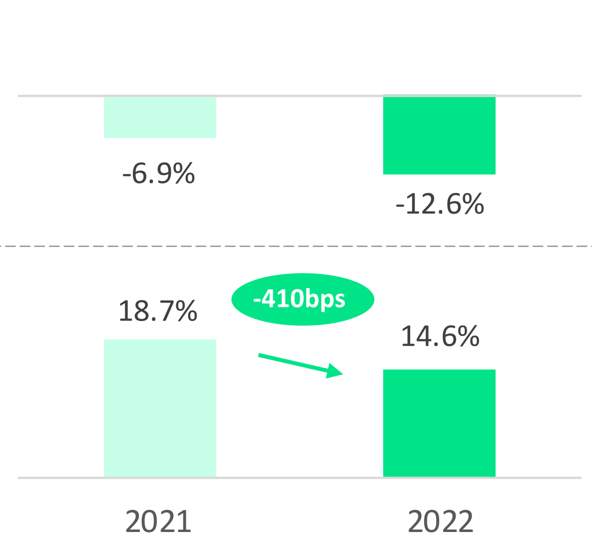
- Negative currency effect
- Partly offset by operating leverage

Digital Products



- Negative currency effect
- Lower volumes
- Adverse sales mix

Conventional Products



- Negative currency effect
- Higher input and energy costs
- Partly offset by price increases and indirect cost savings

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Brighter Lives, Better World 2025 – Q4 2022 results

Doubling our positive impact on the environment and society

			Metric	2019 Baseline	Q4 2022 Result	2025 Target
Better World	Climate action	13 CLIMATE ACTION; 7 AFFORDABLE AND CLEAN ENERGY	Carbon reduction over value chain against Paris Agreement	0	On track	324 MT
Better World	Circular economy	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Circular revenues	16%	29%	32%
Brighter Lives	Food availability Safety & security Health & well-being	11 SUSTAINABLE CITIES AND COMMUNITIES; 3 GOOD HEALTH AND WELL-BEING	Brighter lives revenues	16%	27%	32%
Brighter Lives	Great place to work	8 DECENT WORK AND ECONOMIC GROWTH	Women in leadership positions	17%	28%	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% 2022 ecovadis Sustainability Rating — EcoVadis Platinum Medal and top 1%

On track / Off track

Signify proposes a cash dividend of EUR 1.50 per share for 2022

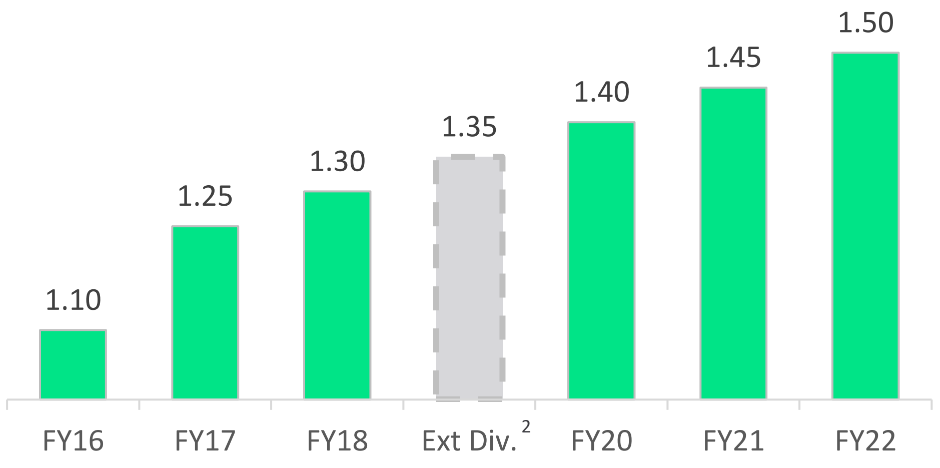
Key observations

- Proposed dividend[1] of EUR 1.50 per share, a year-on-year increase of 5 cents per share
- Dividend yield of 4.8% over the year-end share price of EUR 31.38
- Total cash dividend of EUR 188m

Capital allocation policy

- Pay an increasing annual cash dividend per share year on year
- Signify remains committed to maintaining a robust capital structure and an investment grade credit rating
- 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] Dividend proposals are subject to approval at the AGM to be held on May 16, 2023.
[2] The extraordinary dividend of EUR 1.35 per share was related to the 2019 dividend proposal, which was withdrawn.

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Full Year 22 Performance - Eric Rondolat

Outlook & closing remarks - Eric Rondolat

Q&A

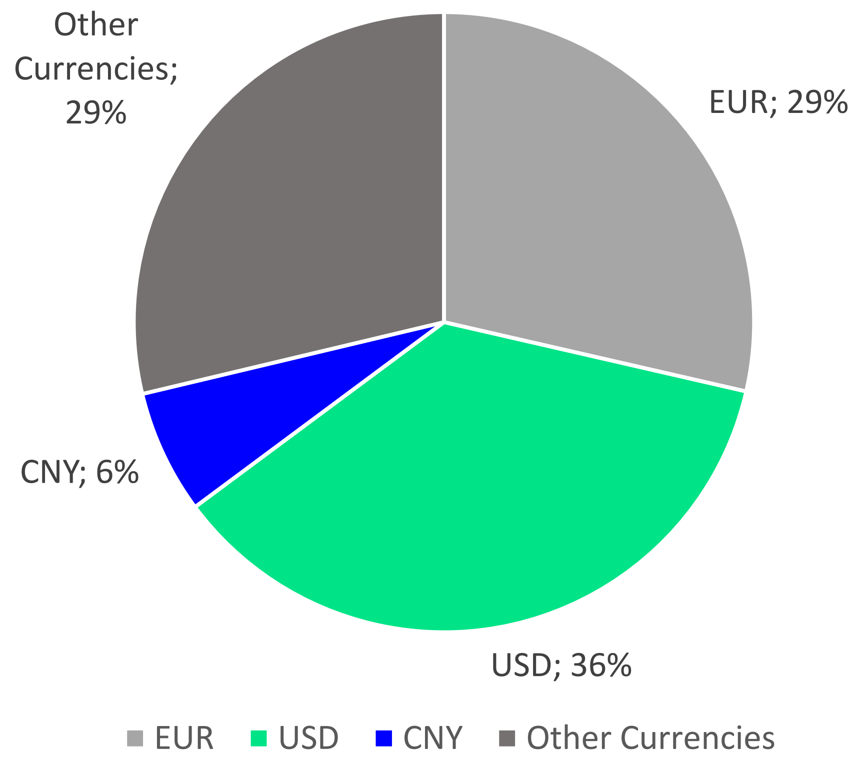
Outlook

- Signify continues to aim for growth, both organic and through selected acquisitions. Given the volatility of the current macro environment, Signify does not provide a comparable sales growth guidance for 2023. The company will focus its efforts on improving its Adjusted EBITA margin and free cash flow.
- Signify expects for 2023:
    - An Adjusted EBITA margin in the range of 10.5-11.5%
    - Free cash flow between 6-8% of sales

Q&A

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

Q4 22 Sales FX Footprint (% of total)



Key observations

- Currency movements benefited Sales and negatively impacted Adjusted EBITA
- Sales impact of +4.7%, mainly from US dollar appreciation
- Adjusted EBITA impact of EUR -16m, and -150 bps on the Adjusted EBITA margin

Net income decreased to EUR 86m, mainly driven by lower EBIT and higher financial expenses

From Adjusted EBITA to net income (in EURm)

		Q4 21	Q4 22
	Adjusted EBITA	**265**	**202**
	- Restructuring	-11	-47
	- Acquisition-related charges	-13	-4
1	- Other incidental items	-5	15
	EBITA	**237**	**166**
	Amortization	-32	-29
	EBIT	**205**	**137**
2	Net financial income / expenses	-4	-29
	Income tax expense	-31	-22
	Results from investments in associates	0	0
	Net income	**170**	**86**

Key observations

1. Non-recurring by nature and relate to among others:
   - Impairment and other non-cash charges related to operations in Russia and Ukraine
   - Separation
   - Transformation
   - Net real estate gains
   - Legal cases
   - Environmental provision for inactive sites
   - The discounting effect of long-term provisions
2. Higher financial expenses were mainly impacted by:
   - The Virtual Power Purchase Agreements
   - Higher interest costs
   - Recognition of a monetary loss due to hyperinflation in Turkey

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Free cash flow of EUR 364m, mainly driven by strong improvement of working capital, partly offset by lower income from operations

Free cash flow (in EURm)

	Q4 21	Q4 22
Income from operations	205	137
Depreciation and amortization	77	86
Additions to (releases of) provisions	30	41
Utilizations of provisions	-65	-56
Change in working capital	37	247
Net interest and financing costs received (paid)	1	-5
Income taxes paid	-14	-36
Net capex	-29	-36
Other	16	-14
Free cash flow	**257**	**364**
As % of sales	*12.8%*	*18.4%*

Key observations

- Free cash flow of EUR 364m
  - Strong improvement of working capital
  - Lower income from operations
- Restructuring pay-out of EUR 11m (Q4 21: EUR 26m)

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