# Q1 2023 results

May 3, 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 financial measures" in the Annual Report 2022.

**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 2022.

**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 - Eric Rondolat**

Financial performance - Javier van Engelen

Outlook and closing remarks - Eric Rondolat

Q&A

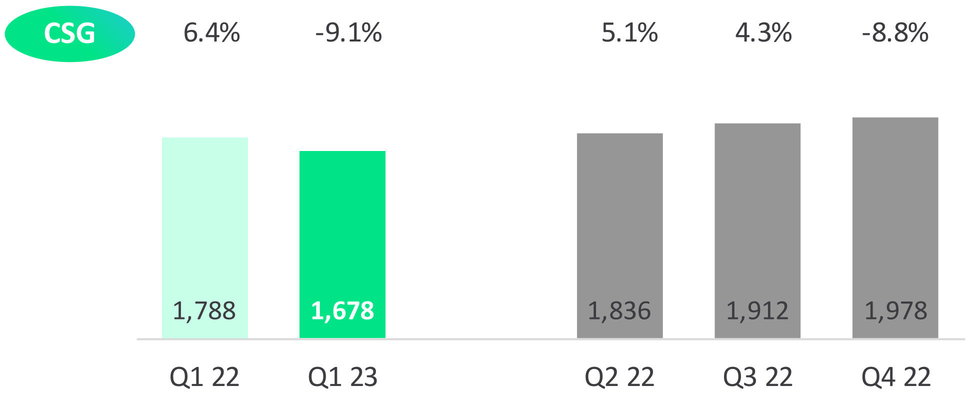
# First quarter 2023 highlights

- Persistent weakness in the consumer segment and the indoor professional business; slowdown in OEM sales
- Recovery of gross margin thanks to price discipline and effective COGS management

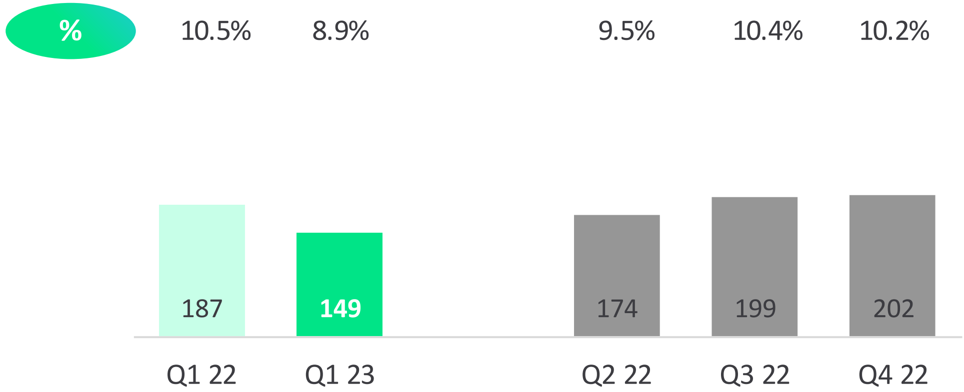
- Comparable sales growth of -9.1%
- Adjusted EBITA margin of 8.9%, impacted by fixed cost under-absorption, while benefiting from structural gross margin recovery
- Net income of EUR 28 million
- Free cash flow of EUR 51 million, mainly due to a lower cash outflow from working capital

# Signify reported Q1 23 sales of EUR 1.7 billion, CSG of -9.1% and an adj. EBITA margin of 8.9%

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




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




## Key observations for Q1 23

- 117 million connected light points (Q4 22: 114 million)
- LED-based sales were 82% of total sales
- Nominal sales decline of 6.1% to EUR 1,678m
- Comparable sales decline of 9.1%

- Adjusted EBITA margin decline of 160 bps to 8.9%
  - Structural gross margin recovery
  - Under-absorption of fixed costs
  - Temporary impact from the unwinding of previous FX hedging policy
- Net income of EUR 28m (Q1 22: EUR 87m)
- Free Cash Flow of EUR 51m (Q1 22: EUR -189m)



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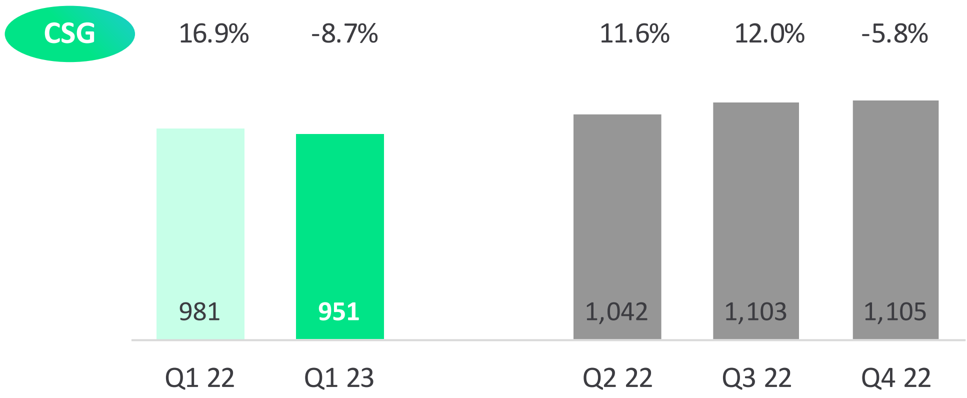
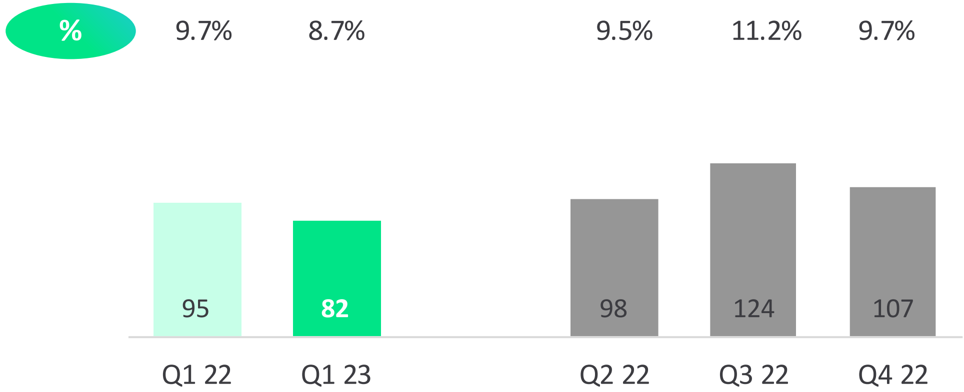
# Digital Solutions reported a CSG of -8.7% and an adj. EBITA margin of 8.7%

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




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




## Key observations for Q1 23

- Comparable sales decline of 8.7%
  - High base of comparison of 16.9%
  - Weak indoor professional business
  - Softness in horticulture lighting
- Adjusted EBITA margin decreased by 100 bps to 8.7%
  - Gross margin improvements
  - Under-absorption of fixed costs
  - Negative currency/hedging impact

# Digital Solutions highlights

## Bringing energy-efficient outdoor lighting to West Cambridge site

- Partnered with University of Cambridge's Estates Division
- Replaced over 300 streetlights with energy-efficient Philips TownTune luminaires
- The new LEDs require less maintenance time and will provide an improved night-time experience

## Completing a large-scale smart city project in Huanggang City

- Supplied BrightSites smart poles, Philips LED streetlights and the Interact connected lighting system
- The BrightSites smart poles integrate security cameras, environmental sensors, Wi-Fi and other devices
- Reduces energy consumption by about 60% and operational costs by about 50%

## Helping retailers become more sustainable through new lighting solutions

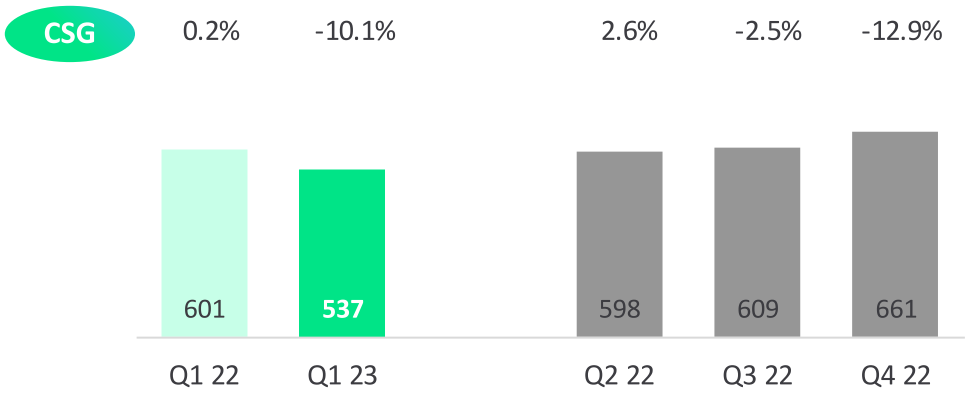
- Launched new Philips StoreFlow retail lighting, Interact Retail hybrid lighting controls, and a range of luminaires made from waste materials
- Philips StoreFlow is made of at least 68% biobased plastic, reducing the $CO_2$ footprint of the plastics by ~80%
- Efficacy ranges from 120lm/W up to 142lm/W

## Bringing wireless broadband connectivity to Eichenzell

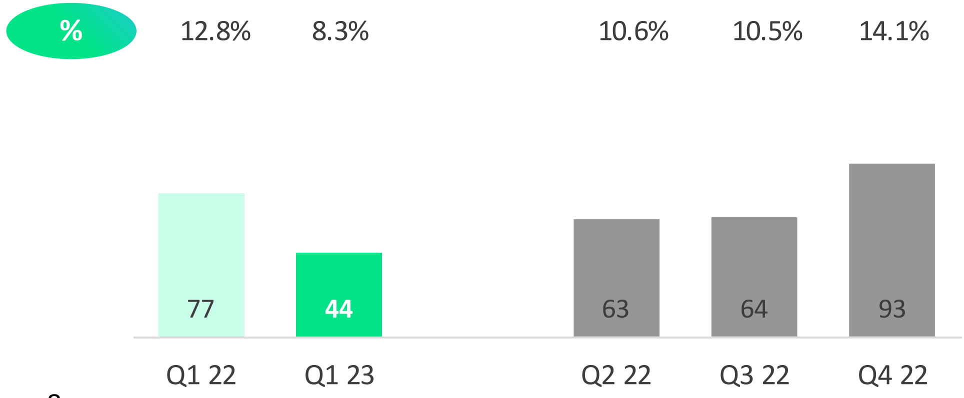
- The German municipality of Eichenzell installs Brightsites by Signify to support its smart city vision
- Through our LED lighting and Interact City system, Eichenzell can continuously monitor and manage all lights
- Cost-effective and sustainable solution creates super-fast communication through connected streetlights

# Digital Products reported a CSG of -10.1% and an adj. EBITA margin of 8.3%

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




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




## Key observations for Q1 23

- Comparable sales decline of 10.1%
  - Continued weakness in consumer connected and OEM businesses
  - Partly compensated by higher sales of LED lamps & luminaires
- Adjusted EBITA margin declined by 450 bps to 8.3%
  - Positive impact from price and mix
  - Under-absorption of fixed costs



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# Digital Products highlights

## Introducing the Philips Hue Sync TV app for Samsung TVs

- The new Philips Hue Sync TV app synchronizes Philips Hue smart lights with your Samsung TV
- Experience immersive and seamless light syncing in your home when watching TV or playing games
- Compatible with all TV content and video formats, including native apps

## Helping customers switch from fluorescent to LED as EU ban comes into effect

- From 24 February, the RoHS Directive bans the placing on the EU market of CFL-ni lamps
- Linear fluorescent lamps (T5, T8) will be phased out as per 24 August
- Signify extended the range of energy-efficient alternatives
- These LED alternatives provide energy savings between 45% and 70%

## Launching a new low voltage outdoor range

- The new outdoor range is available with wall, path light, and sensor accessories
- Safe and easy installation with Twist & Lock connector
- Designed to perform in all weather conditions
- Launched in Europe and planning to extend internationally

## Expanding the WiZ outdoor portfolio with new products

- Introduced a spotlight, a wall light and a bollard
- The outdoor range is available in tunable white & full colors
- The range is waterproof & weatherproof
- Matter certification allows for seamless integration and collaboration with other Matter-certified devices



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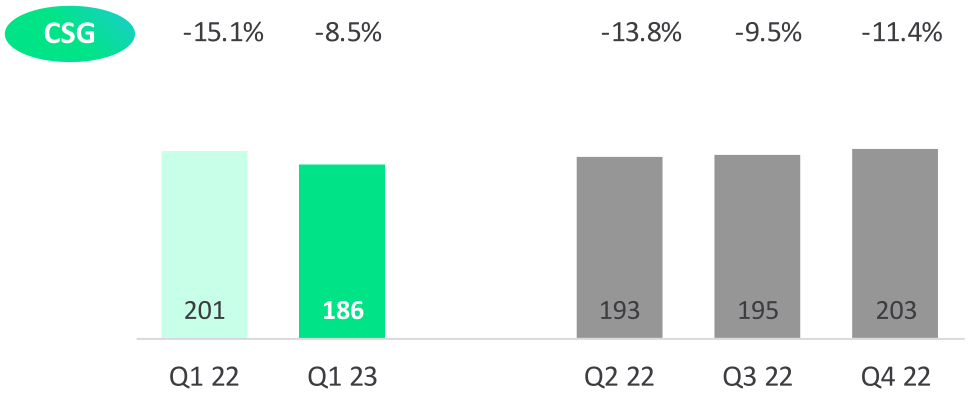
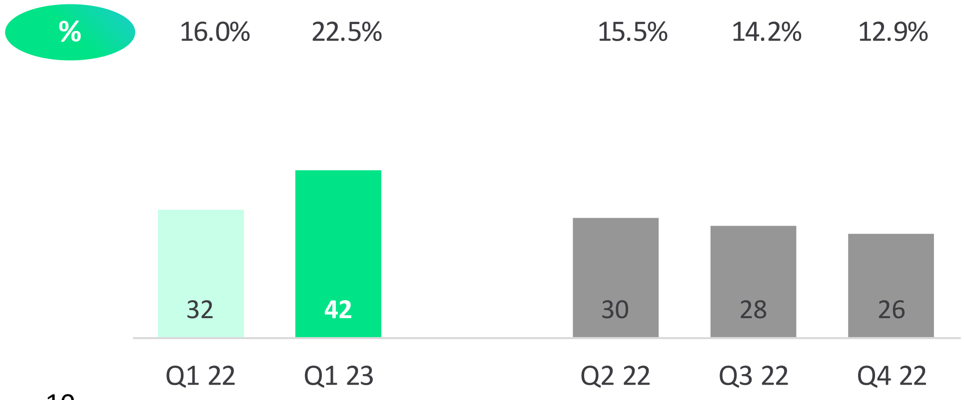
# Conventional Products reported a CSG of -8.5% and an adj. EBITA of 22.5%

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




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




## Key observations for Q1 23

- Comparable sales decline of 8.5%
  - Continued strong price discipline
  - Volume decline in line with expectation and helped by last time buys
- Adjusted EBITA margin increased by 650 bps to 22.5%
  - Strong price discipline
  - Reversal of 2022 headwinds: energy, logistics, FX
  - One-off benefits

# Brighter Lives, Better World 2025 – Q1 2023 results

## Doubling our positive impact on the environment and society

| | | | 2019 Baseline | Q1 2023 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<br>Safety & security<br>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% | 29% | 34% |

CDP™ A list for climate and supply chain leader

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

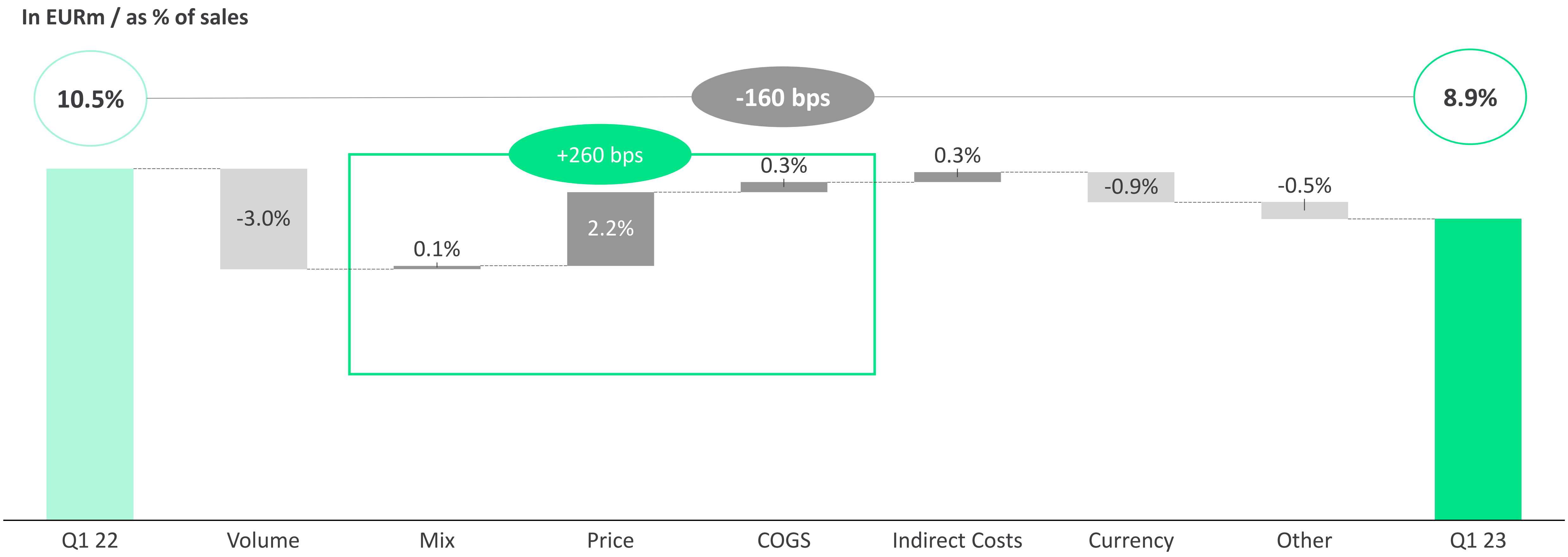
PLATINUM Top 1% 2022 ecovadis Sustainability Rating EcoVadis Platinum Medal and top 1%

On track
Off track

# Content

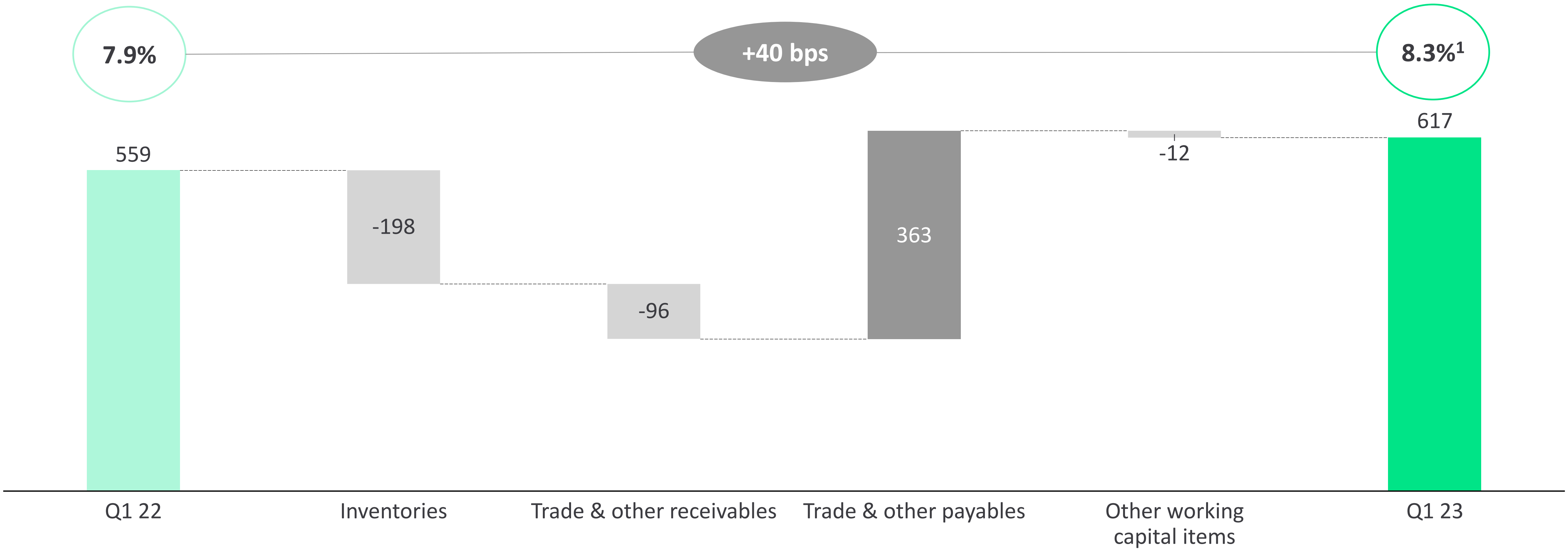


# Adjusted EBITA margin decreased to 8.9%, mainly due to under-absorption of fixed costs more than offsetting gross margin recovery



# Working capital increased year on year, due to lower payables, partly offset by lower inventories and receivables

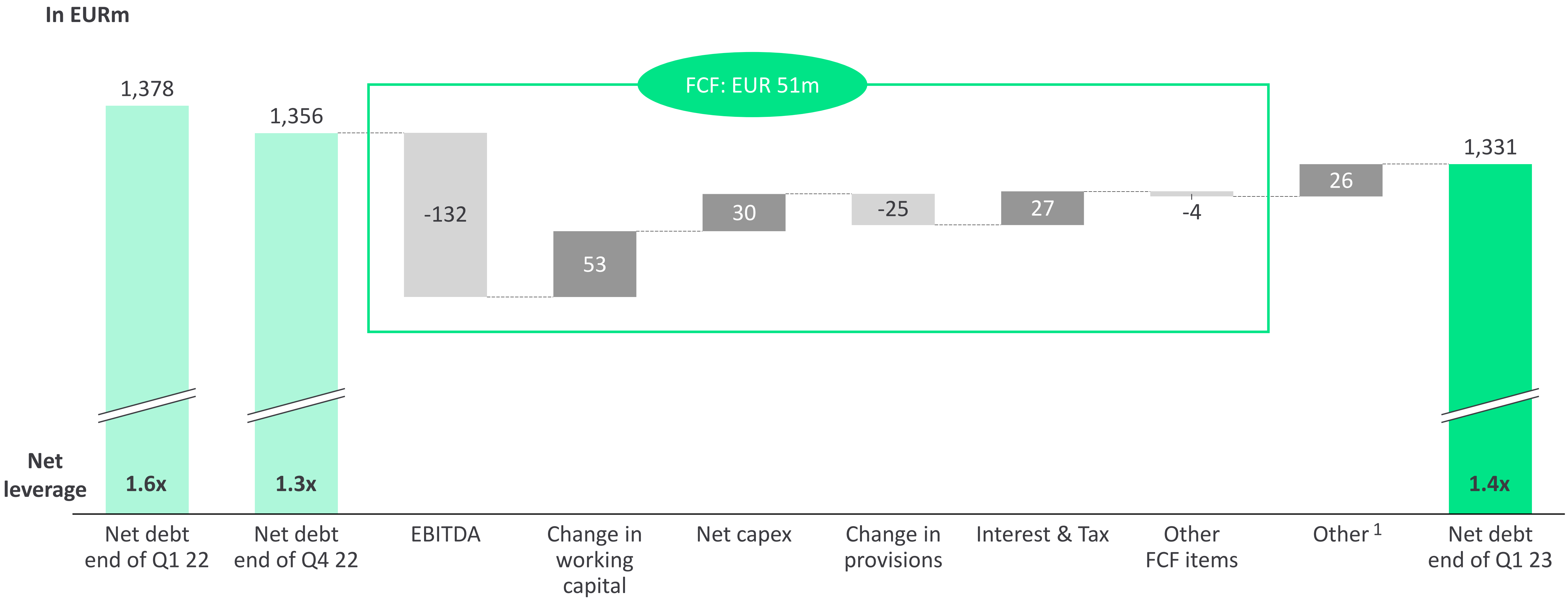
**In EURm / as % of sales**






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

# Leverage ratio at 1.4x, with improved cash flow offsetting lower profitability




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

# Content



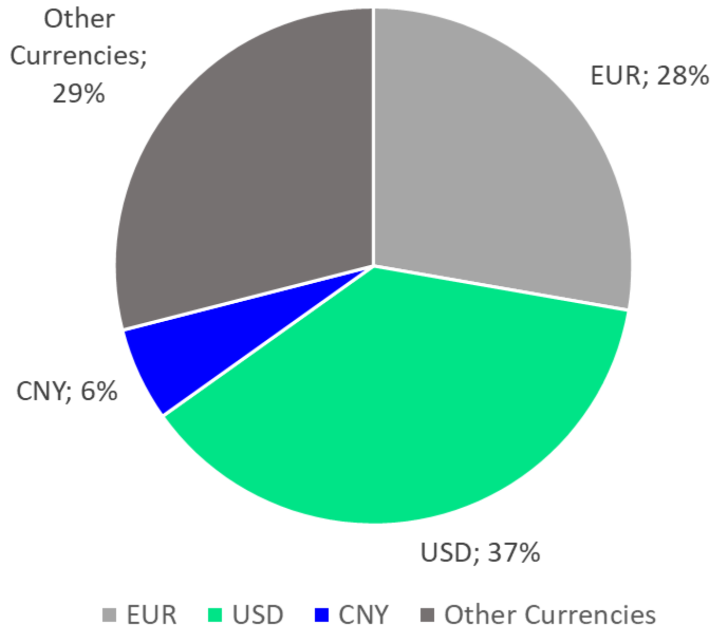
# Outlook

- Signify confirms its guidance for 2023. The company continues to focus its efforts on improving the 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 the Adjusted EBITA margin

## **Q1 23 Sales FX Footprint** (% of total)




## Key observations

- Overall currency impact on the Adjusted EBITA margin of -90 bps
- Benefit on main currencies largely offset by hedging
- Significant negative FX impact due to devaluation of EGP, TRY and ARS, yet largely offset through pricing to maintain gross margin
- Unwinding of FX hedging policy still having temporary negative effect on P&L, to be fully offset in remainder of 2023

# Net income decreased to EUR 28m, mainly due to lower EBIT and higher financial expenses, partly offset by lower income tax expense

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

| | | Q1 22 | Q1 23 |
|---|---|---|---|
| | **Adjusted EBITA** | **187** | **149** |
| | - Restructuring | -4 | -47 |
| | - Acquisition-related charges | -7 | -3 |
| 1 | - Other incidental items | -29 | -16 |
| | **EBITA** | **146** | **83** |
| | Amortization | -31 | -22 |
| | **EBIT** | **115** | **61** |
| 2 | Net financial income / expenses | -6 | -30 |
| 3 | Income tax expense | -22 | -3 |
| | Results from investments in associates | 0 | 0 |
| | **Net income** | **87** | **28** |

## 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
   - Environmental provision for inactive sites
   - The discounting effect of long-term provisions
2. Higher financial expenses were mainly impacted by:
   - Non-cash fair value adjustment of the Virtual Power Purchase Agreements
   - Higher interest costs
3. Lower income tax expenses were mainly driven by:
   - Lower taxable income
   - A release of tax liabilities



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# Free cash flow of EUR 51m, mainly due to a lower cash outflow from working capital

## Free cash flow (in EURm)

| | Q1 22 | Q1 23 |
|---|---|---|
| Income from operations | 115 | 61 |
| Depreciation and amortization | 76 | 71 |
| Additions to (releases of) provisions | 19 | 77 |
| Utilizations of provisions | -43 | -52 |
| Change in working capital | -315 | -53 |
| Net interest and financing costs received (paid) | 0 | -4 |
| Income taxes paid | -24 | -23 |
| Net capex | -27 | -30 |
| Other | 9 | 4 |
| **Free cash flow** | **-189** | **51** |
| *As % of sales* | *-10.6%* | *3.0%* |

## Key observations

- Free cash flow of EUR 51m
  - Lower cash outflow from working capital, which benefited from improved demand planning reliability and stricter inventory discipline
  - Increase in additions to provisions was mostly related to restructuring provisions in Conventional Products
- Restructuring pay-out of EUR 21m (Q1 22: EUR 14m)



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