



Q3 2023 results

October 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 conflict in the Middle East, the energy crisis in Europe, the expected recovery trajectory of China post COVID, 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 and the Semi-Annual Report 2023.

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

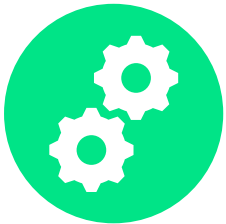
Financial performance - Javier van Engelen

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Q&A



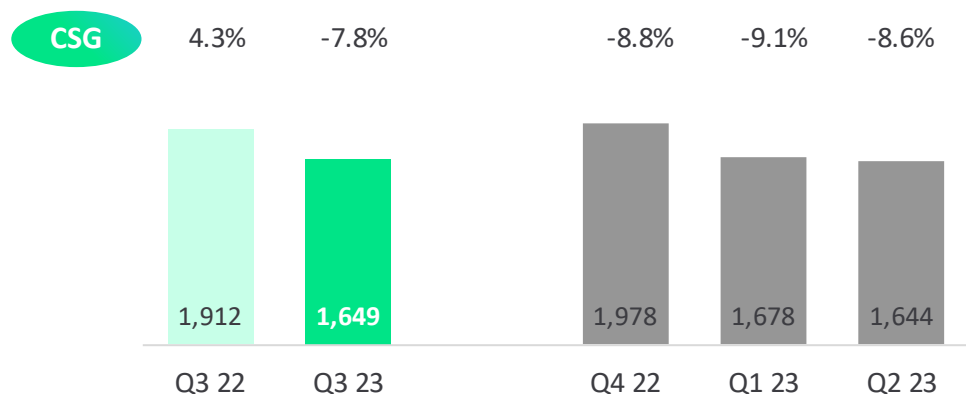
Third quarter 2023 highlights



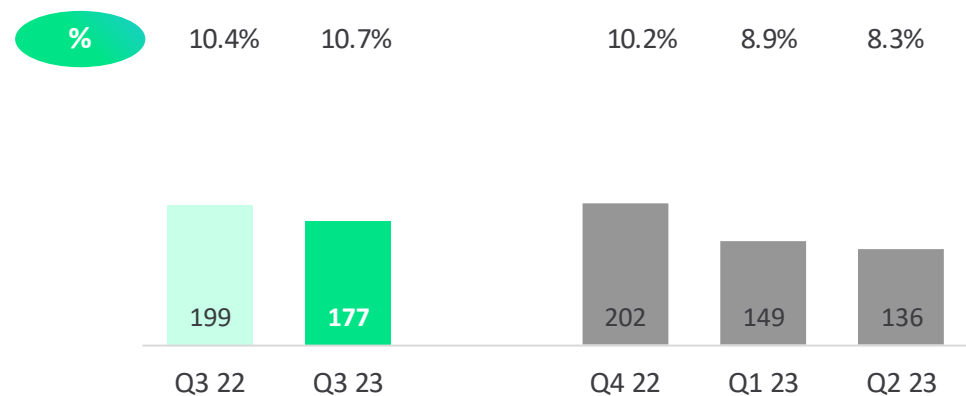
- Brighter Lives, Better World 2025 sustainability program, circular revenues 2025 target already reached
- Continued softness in consumer connected, OEM and China putting pressure on topline
- Adjusted EBITA margin expansion driven by continued gross margin recovery and cost discipline
- Solid free cash flow generation

Signify reported Q3 23 sales of EUR 1.6 billion, CSG of -7.8% and an adj. EBITA margin of 10.7%

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



Adjusted EBITA (in EURm & as % of sales)

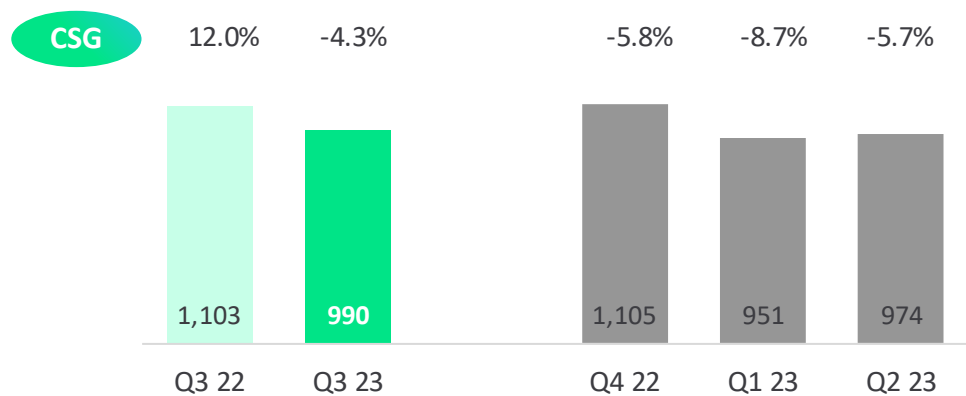


Key observations for Q3 23

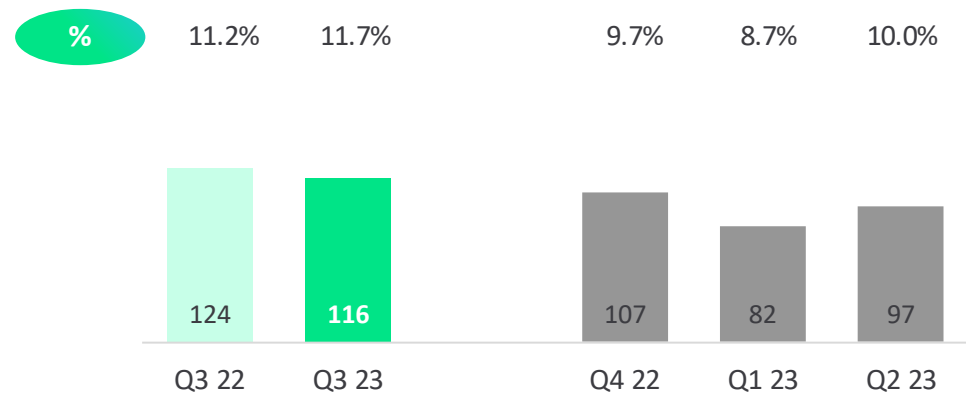
- 121 million connected light points (Q2 23: 119 million)
- LED-based sales were 85% of total sales
- Nominal sales decline of 13.8% (including FX impact of -6.2%) to EUR 1,649m
- Comparable sales decline of 7.8%
- Adjusted EBITA margin increase of 30 bps to 10.7%
 - Gross margin improvements
 - Cost discipline
- Net income of EUR 83m (Q3 22: EUR 112m)
- Free Cash Flow of EUR 152m (Q3 22: EUR 135m)

Digital Solutions reported a CSG of -4.3% and an adj. EBITA margin of 11.7%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q3 23

- Comparable sales decline of 4.3%
 - High base of comparison of 12.0% growth
 - Continued strength in professional systems and services
 - Softness in indoor professional and horticulture lighting
- Adjusted EBITA margin increased by 50 bps to 11.7%
 - Mainly driven by gross margin expansion

Digital Solutions highlights

Introducing Interact Space analysis



- Launched Interact Space analysis together with two new sensors: the Environmental sensor and the People sensor
- It is a data-driven solution that gives building owners the information they need to optimize working conditions
- Signify is the first lighting company to offer this solution

Installing new lighting in the Meny supermarket in Rønne, Denmark



- The new solution includes NatureConnect, the new Philips StoreFlow and various 3D-printed spots
- Collaborated with KFI Erhvervsdrivende Fond and the local grocer to create a new lighting design
- It highlights the natural colors of the products and improves the overall experience

Providing Algam EKO with energy-efficient LED lighting



- Installed Philips CoreLine Highbay and Philips CoreLine Tempo LED lighting fixtures at the company's facilities in Montelupone, Italy
- The lighting upgrade was done in the company's warehouses and surrounding external areas
- The new installation reduces energy consumption by ~50%

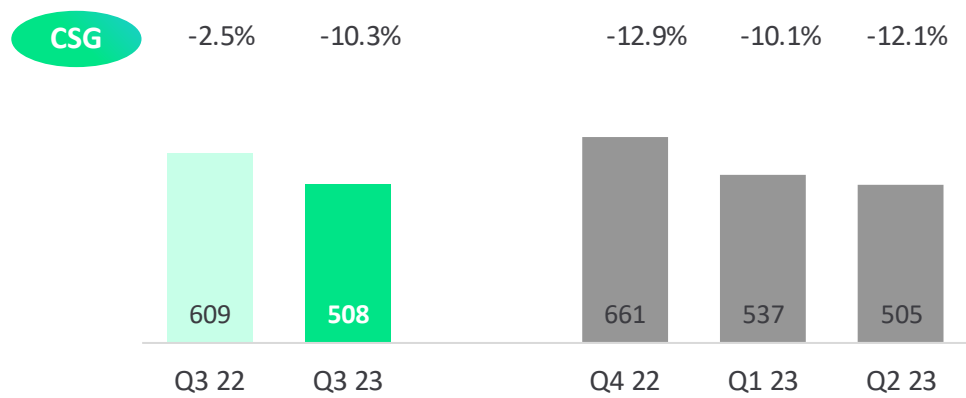
Lighting up community volleyball courts in Assam, India



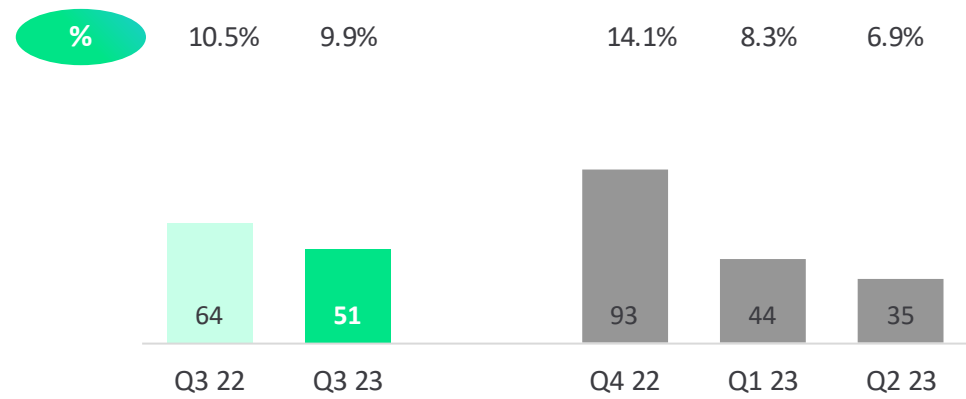
- Partnered with Brahmaputra Volleyball League to install 120 Philips BVP483 floodlights in 20 community volleyball courts
- The project aims to support the growth and adoption of volleyball in rural communities in the state
- Young players can now practice under professional illumination levels

Digital Products reported a CSG of -10.3% and an adj. EBITA margin of 9.9%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q3 23

- Comparable sales decline of 10.3%
 - Continued weakness in consumer connected, LED Electronics and Klite
- Adjusted EBITA margin decreased by 60 bps to 9.9%
 - Gross margin expansion
 - Under-absorption of fixed costs

Digital Products highlights

Integrating smart lighting, sensors, and cameras to help secure your home



- Introduced new Philips Hue Secure cameras, sensors, and app features to help secure your home
- Monitor your home in real time and receive instant motion notifications
- Use the Security Center in the Philips Hue app to trigger and sound alarms, and arm or disarm the system

Developing branded 3D-printed pendant lamps with Werder Bremen



- Signify and Werder Bremen created branded 3D-printed pendant lamps, available in the club's fan shop
- The lampshade and green band with Werder branding are largely made from recycled materials
- In 3D printing, customers can take part in the design process and design a lamp according to their wishes

Launching Ultra Efficient A-class Philips LED SON-T lamps



- The Ultra Efficient A-class Philips LED SON-T lamps are the first A-class HID lamps in Europe
- These lamps allow for an easy replacement of Conventional HID lamps with LEDs
- Energy savings of up to 55%

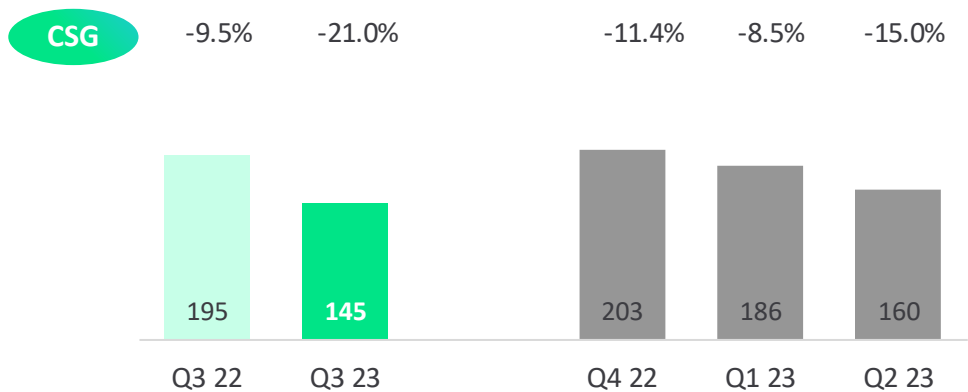
Introducing new WiZ products



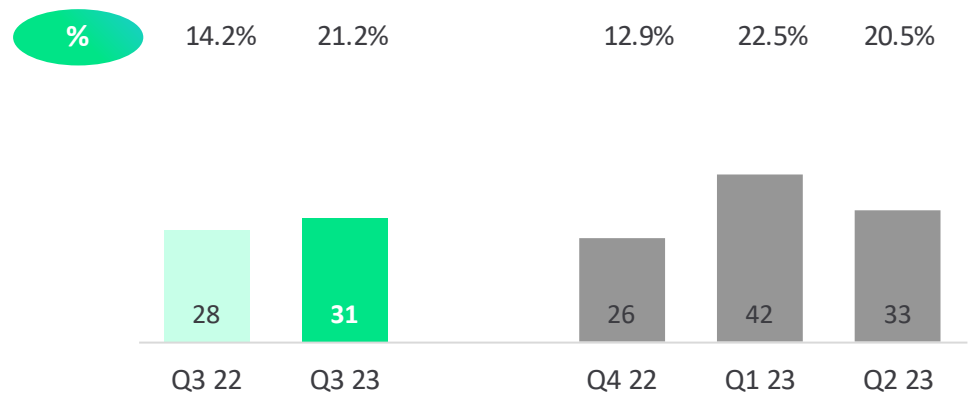
- Launched a new Color Filament range and the new Neon flex strip
- The new Color Filament range has a vintage transparent glass style paired with curved filament design
- The new Neon flex strip can be formed into any shape you like

Conventional Products reported a CSG of -21.0% and an adj. EBITA margin of 21.2%

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



Adjusted EBITA (in EURm & as % of sales)









Key observations for Q3 23

- Comparable sales decline of 21.0%
 - Volume decline in line with expectation
- Adjusted EBITA margin increased by 700 bps to 21.2%
 - Gross margin recovery
 - Cost discipline

Brighter Lives, Better World 2025 – Q3 2023 results

Doubling our positive impact on the environment and society

Doubling our positive impact on the environment and society			2019 Baseline	Q3 2023 Result	2025 Target	
Better World	Climate action	 	Carbon reduction over value chain against Paris Agreement	0	On track	324 MT
	Circular economy		Circular revenues	16%	32%	32%
Brighter Lives	Food availability Safety & security Health & well-being	 	Brighter lives revenues	16%	31%	32%
	Great place to work		Women in leadership positions	17%	29%	34%





A list for climate and supply chain leader

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

DJSI World Index



EcoVadis Platinum Medal and top 1%

 On track
 Off track

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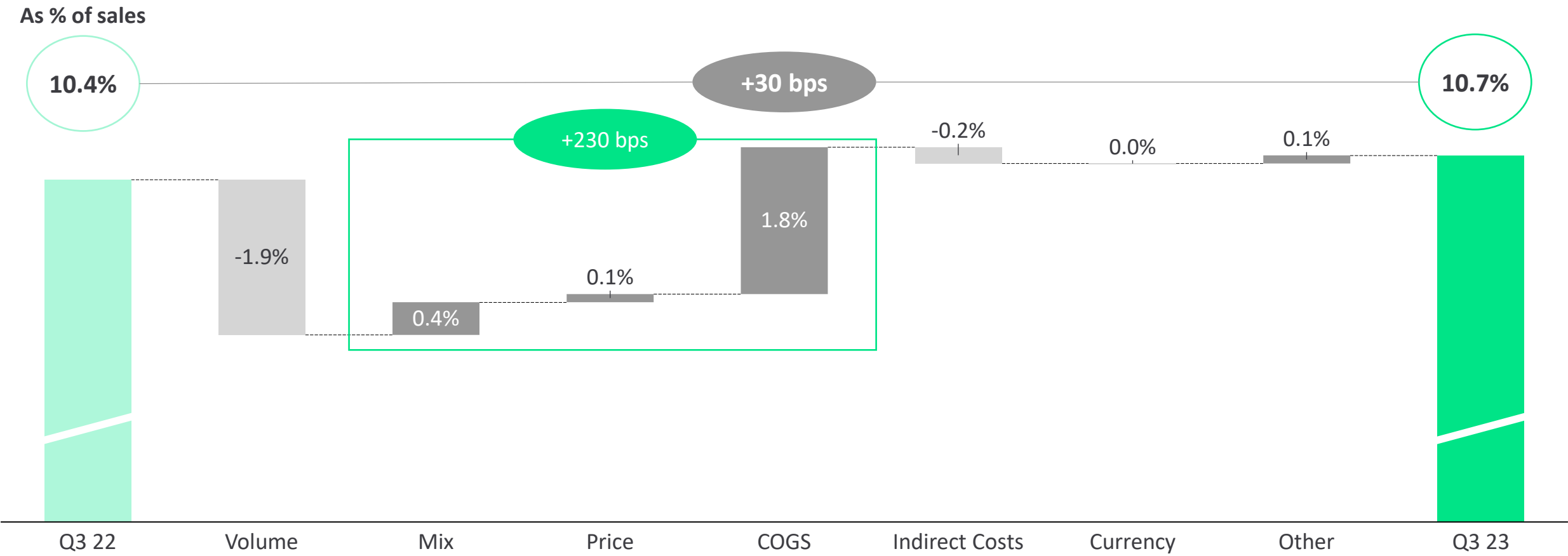
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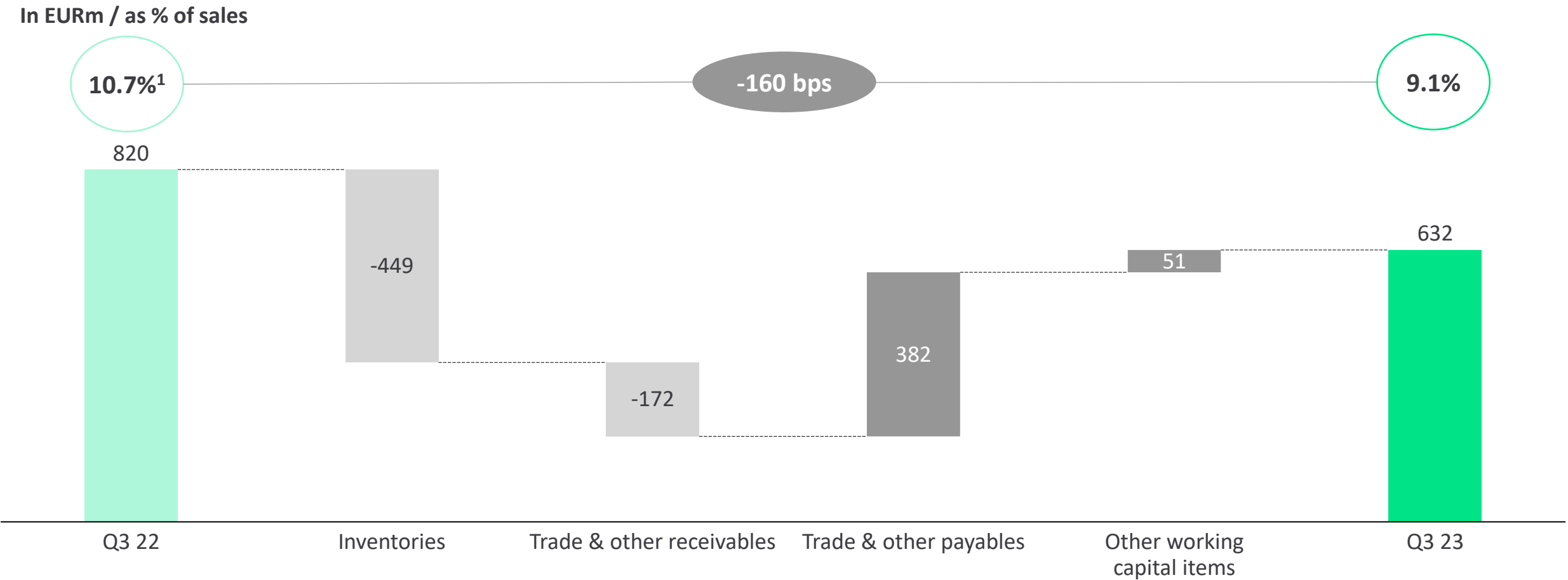
Q&A



Adjusted EBITA margin increased to 10.7%, driven by COGS improvements and positive mix, partly offset by under-absorption of fixed costs



Working capital decreased to 9.1%, mainly driven by lower inventories and receivables, partly offset by lower payables



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Outlook



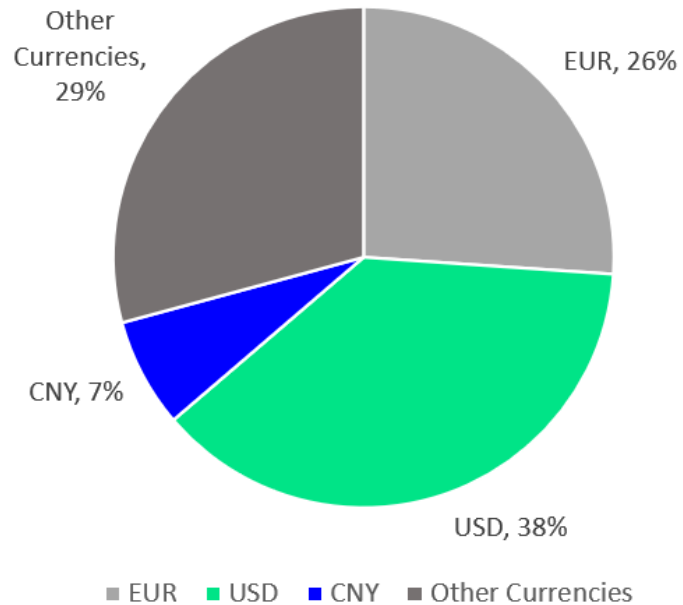
- Signify confirms its guidance for the full year 2023 and expects
 - Adjusted EBITA margin of 9.5-10.5%
 - Free cash flow generation at the higher end of the 6-8% range

Q&A



Currency movements had a negative impact on sales and neutral impact on the Adjusted EBITA margin

Q3 23 Sales FX Footprint (% of total)



Key observations

- Overall currency impact of -6.2% on sales, mainly from USD depreciation
- Neutral currency impact on the Adjusted EBITA margin

Net income decreased to EUR 83m, mainly due to lower income from operations

From Adjusted EBITA to net income (in EURm)

	Q3 22	Q3 23
Adjusted EBITA	199	177
- Restructuring	-6	-27
- Acquisition-related charges	-10	-3
1 - Other incidental items	10	4
EBITA	193	151
Amortization	-32	-19
EBIT	161	131
Net financial income / expenses	-17	-22
Income tax expense	-32	-26
Results from investments in associates	0	0
Net income	112	83

Key observations

- 1 Non-recurring by nature and relate to:
 - Impairment and other non-cash charges related to operations in Russia and Ukraine
 - Separation
 - Transformation
 - Results on real estate transactions
 - Legal cases
 - Incidental warranty costs
 - Environmental provision for inactive sites
 - The discounting effect of long-term provisions

Free cash flow increased to EUR 152m, as a lower income from operations was compensated by a cash inflow from working capital

Free cash flow (in EURm)

	Q3 22	Q3 23
Income from operations	161	131
Depreciation and amortization	78	66
Additions to (releases of) provisions	25	46
Utilizations of provisions	-56	-53
Change in working capital	-9	28
Net interest and financing costs received (paid)	-2	-5
Income taxes paid	-17	-21
Net capex	-32	-31
Other	-13	-9
Free cash flow	135	152
<i>As % of sales</i>	<i>7.1%</i>	<i>9.2%</i>

Key observations

- Free cash flow of EUR 152m
 - Cash inflow from working capital
 - Lower income from operations
- Restructuring payout of EUR 21m (Q3 22: EUR 14m)

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