

The Signify logo, consisting of a green circle with a stylized 'S' inside, followed by the word 'ignify' in a green, lowercase, sans-serif font.

Signify

Q4 2023 results

January 26, 2024

# 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

## Q4 23 Performance - Javier van Engelen

Full Year 23 Performance - Eric Rondolat

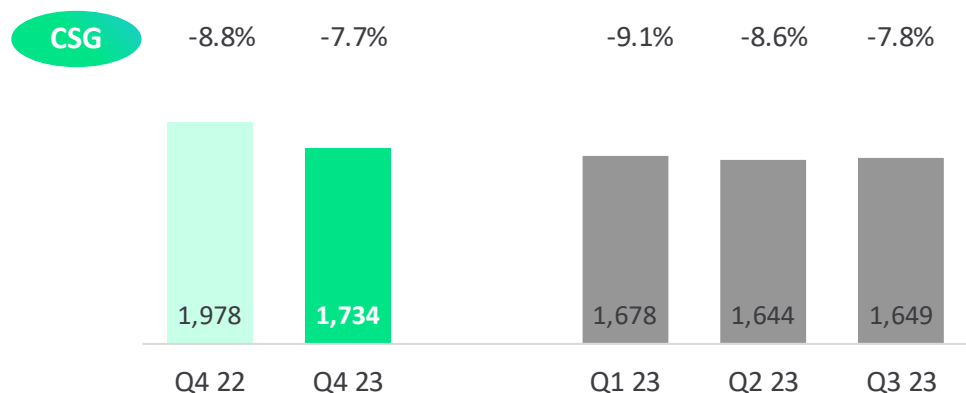
Outlook & closing remarks - Eric Rondolat

Q&A

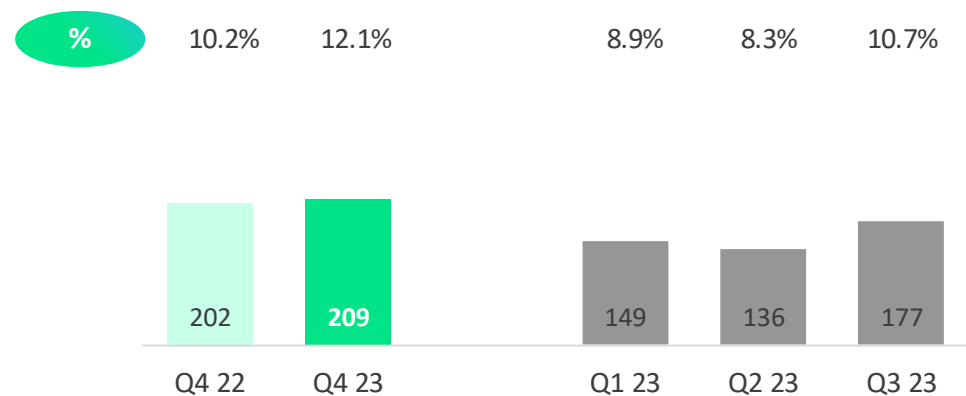


# Signify reported Q4 23 sales of EUR 1.7 billion, CSG of -7.7% and an adj. EBITA margin of 12.1%

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



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

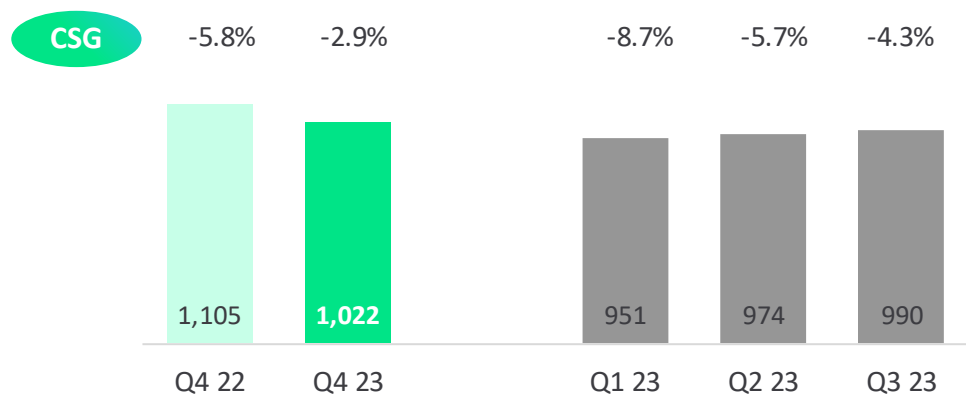


## Key observations for Q4 23

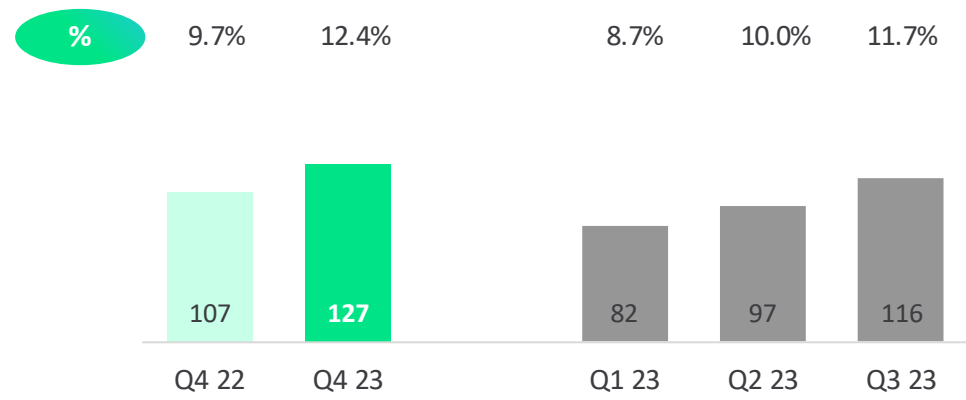
- 124 million connected light points (Q3 23: 121 million)
- LED-based sales were 87% of total sales
- Nominal sales decline of 12.3% (including FX impact of -4.9%) to EUR 1,734m
- Comparable sales decline of 7.7%
- Adjusted EBITA margin increase of 190 bps to 12.1%
  - Continued gross margin recovery
- Net income of EUR 59m (Q4 22: EUR 86m)
- Free Cash Flow of EUR 295m (Q4 22: EUR 364m)

# Digital Solutions reported a CSG of -2.9% and an adj. EBITA margin of 12.4%

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



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



## Key observations for Q4 23

- Comparable sales decline of 2.9%
  - Continued strength in professional systems and services
  - Softness in indoor professional and horticulture lighting
- Adjusted EBITA margin improved by 270 bps to 12.4%
  - Gross margin recovery

# Digital Solutions highlights

## Winning the Prototype Phase of U.S. DoE's L-Prize competition



- Two winning prototypes
- The Generation Flex modular luminaire prototype delivers energy efficiency and light quality through flexible, circular design and sustainable materials
- Interact Next Gen connected lighting prototype increases energy savings and occupant experience, while reducing operational expenses

## Upgrading the Nicola Ceravolo Stadium in Catanzaro to LED



- Together with City Green Light adapting the lighting to Serie B standards and making it more sustainable
- Installed 110 Philips ArenaVision LED gen3.5 floodlights and 6 Philips UniFlood M G2 outdoor LED floodlights
- The floodlights can be connected to Interact Sports
- Energy savings of over 35%

## Reducing carbon footprint by rethinking the classic Copenhagen street lamp



- The fittings will be produced in Bio-PE (polyethylene), a plant-based material with a lower carbon footprint
- The material does not compromise on either durability, appearance or functionality
- Carbon footprint reduction of over 50% compared with the old aluminum fitting

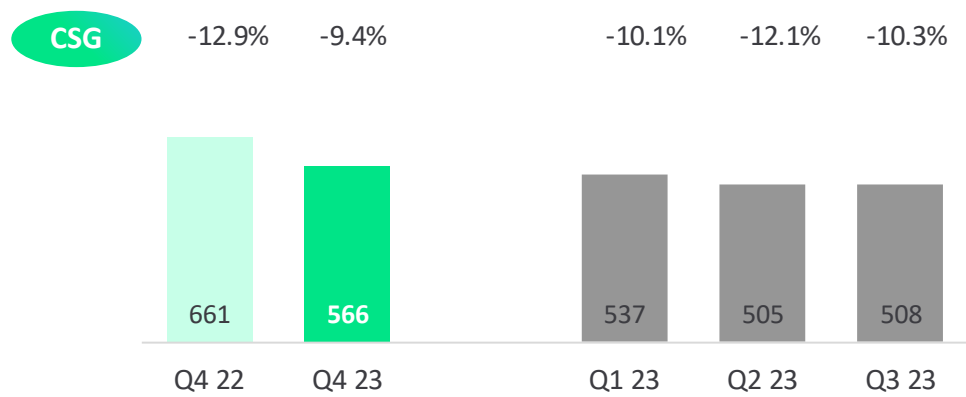
## Modernizing the lighting in more than 200 Netto stores in Poland



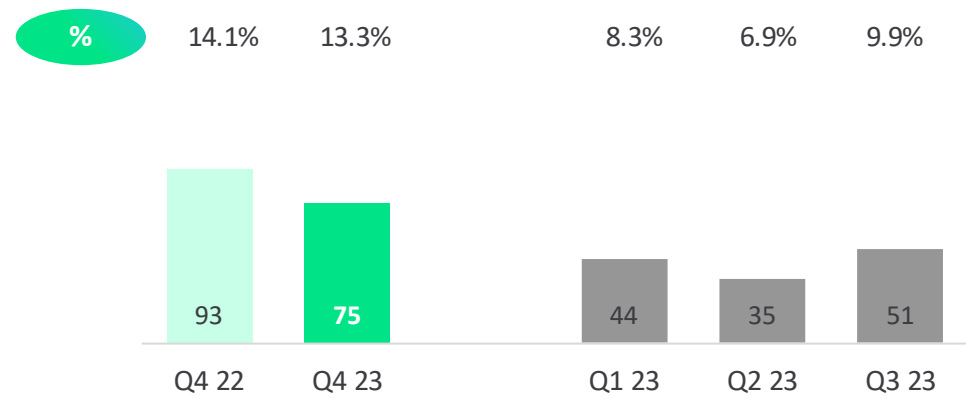
- Replacing the old generation of LED fixtures with the modern and energy-saving Philips Maxos Fusion LED products resulted in 43% energy savings
- Integration of the lighting with the Interact system will increase energy savings by an additional 35%

# Digital Products reported a CSG of -9.4% and an adj. EBITA margin of 13.3%

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



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



## Key observations for Q4 23

- Comparable sales decline of 9.4%
  - Continued weakness in consumer and OEM
  - Sequential improvement in consumer connected
- Adjusted EBITA margin decreased by 80 bps to 13.3%
  - Positive sales mix effect
  - Under-absorption of fixed costs

# Digital Products highlights

## Introducing the WiZ A60 filament ultra-efficient smart bulb



- The WiZ A60 filament ultra-efficient smart bulb is the most energy-efficient smart bulb
- This A-class rated smart light bulb consumes 40% less energy than standard LED and connected LED light bulbs
- With SpaceSense, two or more bulbs can act as motion sensors

## Launching the new Philips Rádi auto-linkable Ultra Efficient solar lights



- The new Philips Rádi solar lights are automatically linked together and light up simultaneously when triggered by motion
- Powered by Ultra Efficient technology, the new solar lights can brighten your outdoor space for up to six nights on one charge

## Introducing the battery-powered Secure camera



- The battery-powered Secure camera works with the whole Philips Hue collection
- Turn on lights when the camera detects motion and trigger alarms to deter intruders
- All recorded video and audio can only be seen by authorized users and is encrypted end to end

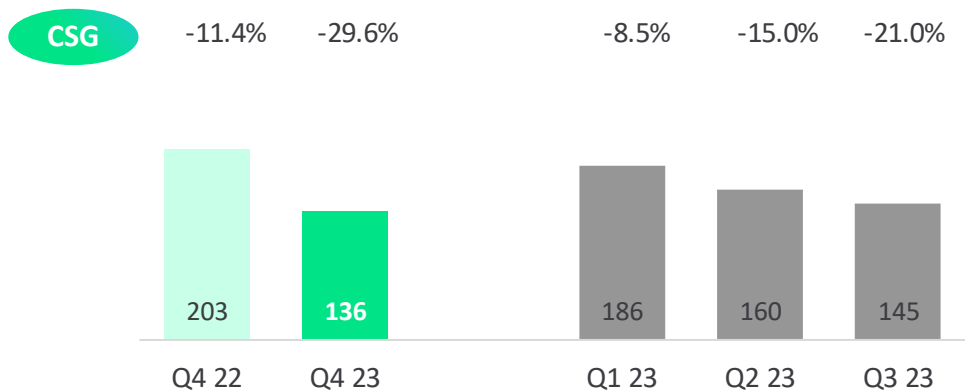
## Launching a new collection of 3D-printed pendants



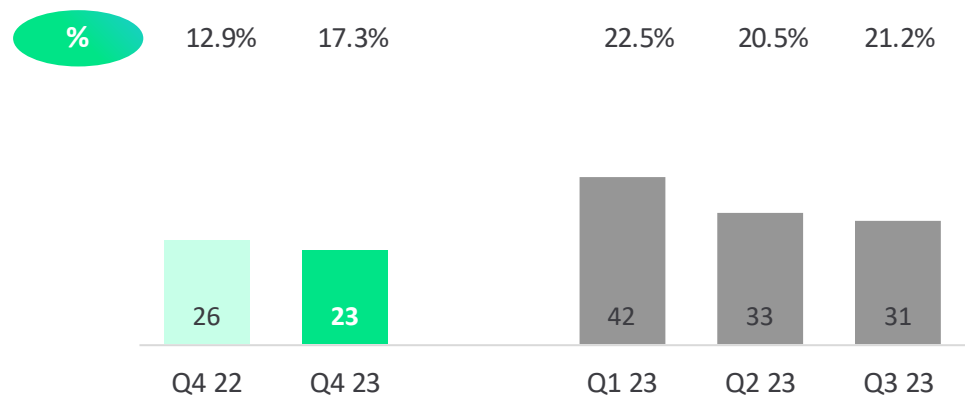
- The new Spring Oasis collection from Philips MyCreation features two unique pendant lamps, made with materials recovered from used water jugs
- 50% of the pendant's outer shade is made from recycled water jugs

# Conventional Products reported a CSG of -29.6% and an adj. EBITA margin of 17.3%

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



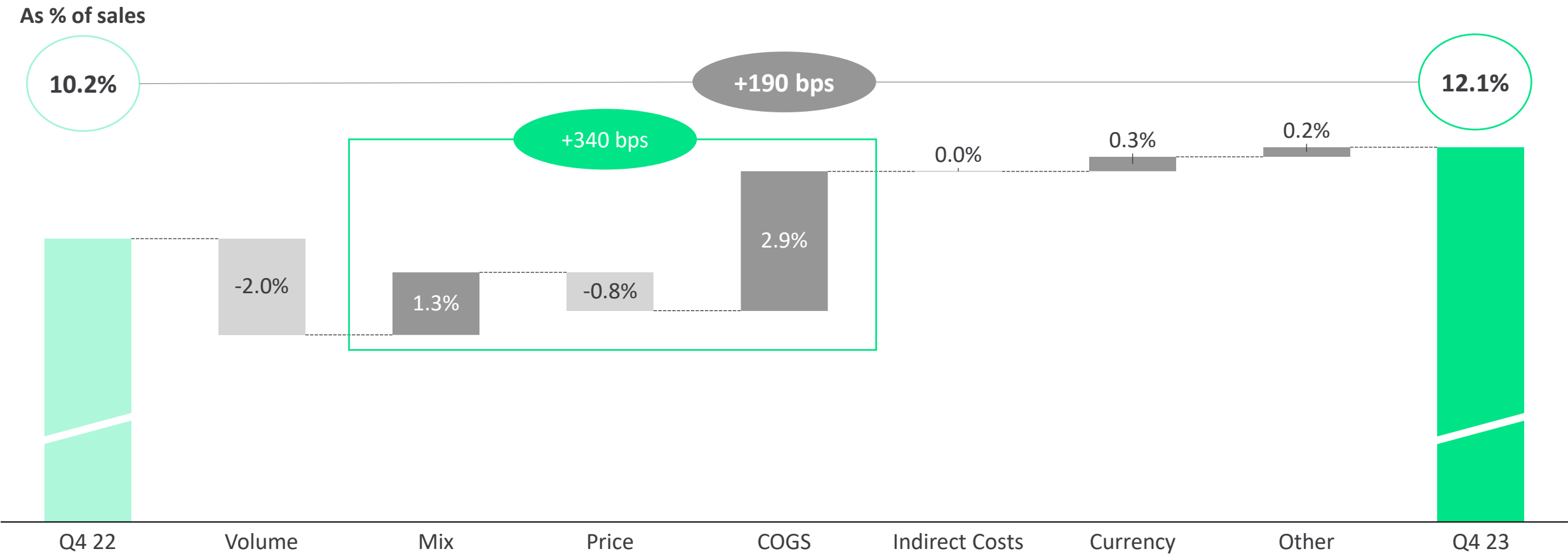
## Adjusted EBITA (in EURm & as % of sales)



## Key observations for Q4 23

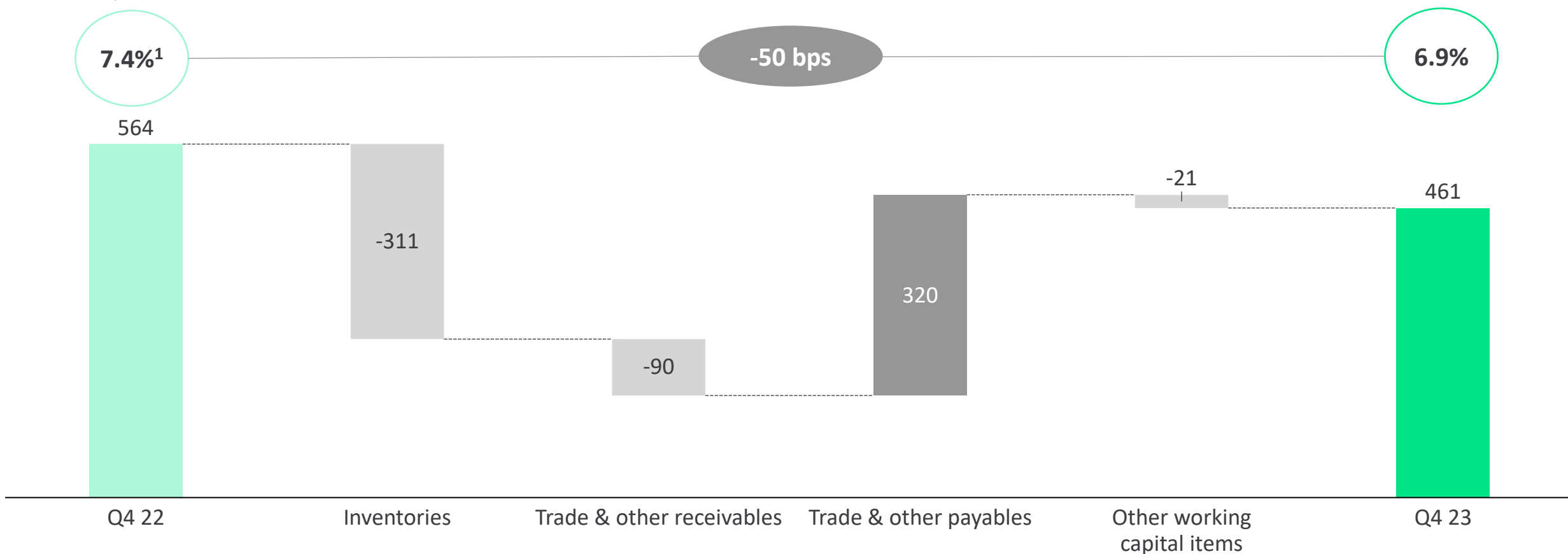
- Comparable sales decline of 29.6%
  - Structural decline exacerbated by the fluorescent bans in Europe
- Adjusted EBITA margin increased by 440 bps to 17.3%
  - Gross margin recovery

# Adjusted EBITA margin increased to 12.1%, mainly driven by the recovery of gross margin



# Working capital decreased to 6.9%, mainly due to lower inventories, lower receivables and other working capital items, partly offset by lower payables

In EURm / as % of sales



# Content

Q4 23 Performance - Javier van Engelen

**Full Year 23 Performance - Eric Rondolat**

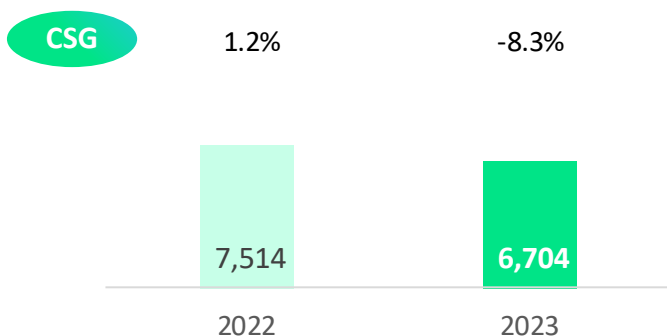
Outlook & closing remarks - Eric Rondolat

Q&A

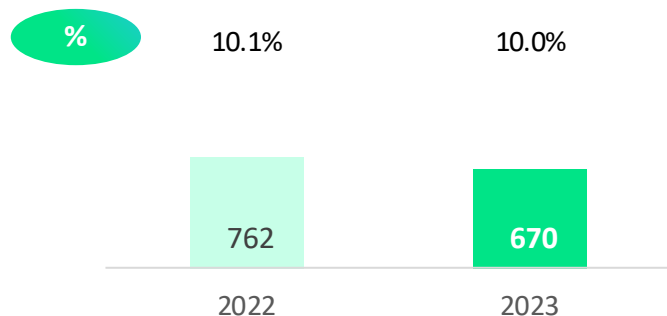


# Signify reported 2023 sales of EUR 6.7 billion, CSG of -8.3% and an adj. EBITA margin of 10.0%

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



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

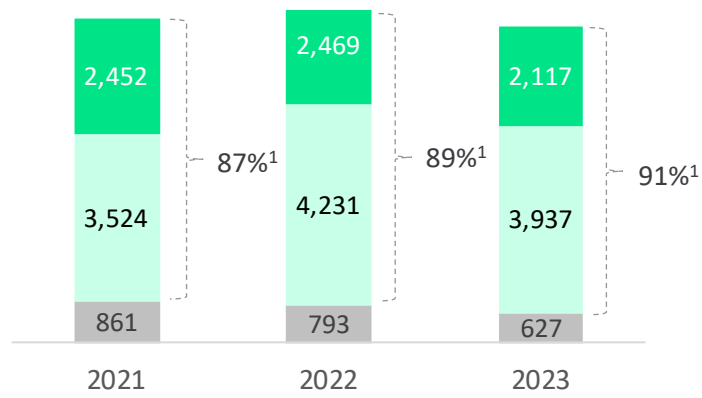


## Key observations for 2023

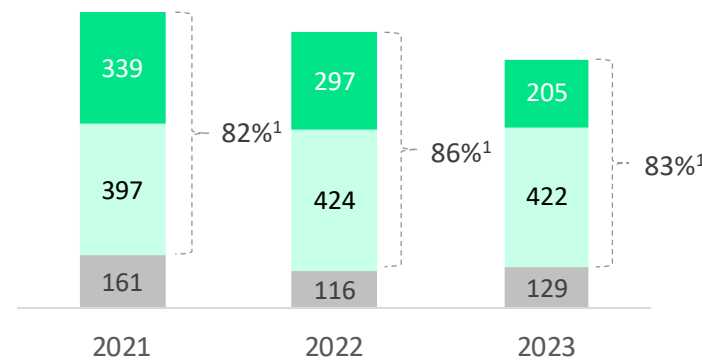
- Connected lighting and growth platforms were 30% of total sales
- Nominal sales decline of 10.8% (including FX impact of -3.3%) to EUR 6,704m
- Comparable sales decline of 8.3%
- Adjusted EBITA margin of 10.0%, broadly in line with 2022
  - Gross margin improvement
  - Under-absorption of fixed costs
- Net income of EUR 215m (2022: EUR 532m incl. one-time effects of EUR 184m)
- Free Cash Flow of EUR 586m, 8.7% of sales (2022: EUR 445m)

# Digital Solutions and Digital Products contributing 91% to sales, 83% to Adj. EBITA and 88% to Free Cash Flow

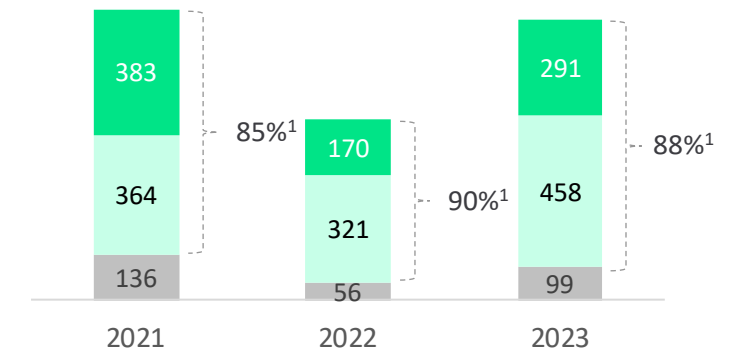
Sales contribution (in EURm)



Adj. EBITA contribution (in EURm)



Free Cash Flow contribution (in EURm)



- Digital Products
- Digital Solutions
- Conventional Products

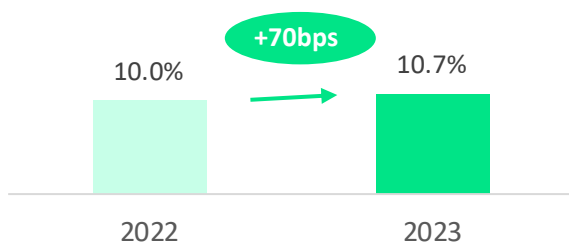
# Adjusted EBITA margin benefited from gross margin recovery in all divisions, offset by under-absorption of fixed costs – mainly in Digital Products

## Digital Solutions

CSG%

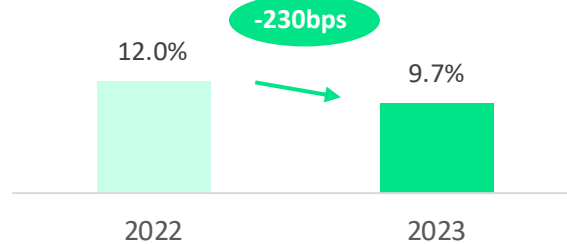
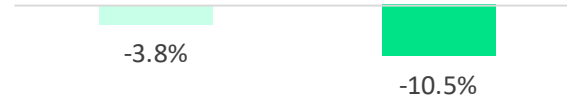


Adj. EBITA%



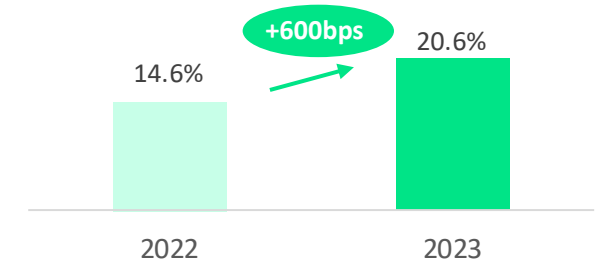
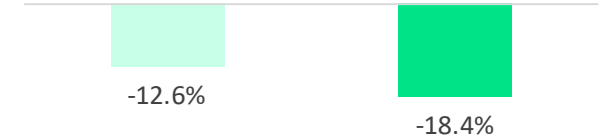
- High CSG comparison base
- Market share gains for professional connected systems
- Adj. EBITA margin expansion driven by gross margin recovery

## Digital Products



- CSG decline driven by weakness in consumer and OEM businesses
- Adj. EBITA margin decline mainly due to lower volumes







## Conventional Products



- Adj. EBITA margin expansion driven by gross margin recovery

# Brighter Lives, Better World 2025 – Q4 2023 results

Doubling our positive impact on the environment and society

Doubling our positive impact on the environment and society				2019 Baseline	Q4 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%	33%	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

# Signify proposes a cash dividend of EUR 1.55 per share for 2023

## Key observations

- Proposed dividend<sup>1</sup> of EUR 1.55 per share, a year-on-year increase of 5 cents per share
- Dividend yield of 5.1% over the year-end share price of EUR 30.32
- Total cash dividend of EUR 196m
- Signify expects to further deleverage its gross debt and reduce its US pension liabilities in 2024

## 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 organic and inorganic growth opportunities in line with strategic priorities

## Dividend per share since IPO (in EUR)



17 <sup>1</sup> Dividend proposals are subject to approval at the AGM to be held on May 14, 2024.

<sup>2</sup> The extraordinary dividend of EUR 1.35 per share was related to the 2019 dividend proposal, which was withdrawn.

# Content

Q4 23 Performance - Javier van Engelen

Full Year 23 Performance - Eric Rondolat

**Outlook & closing remarks - Eric Rondolat**

Q&A



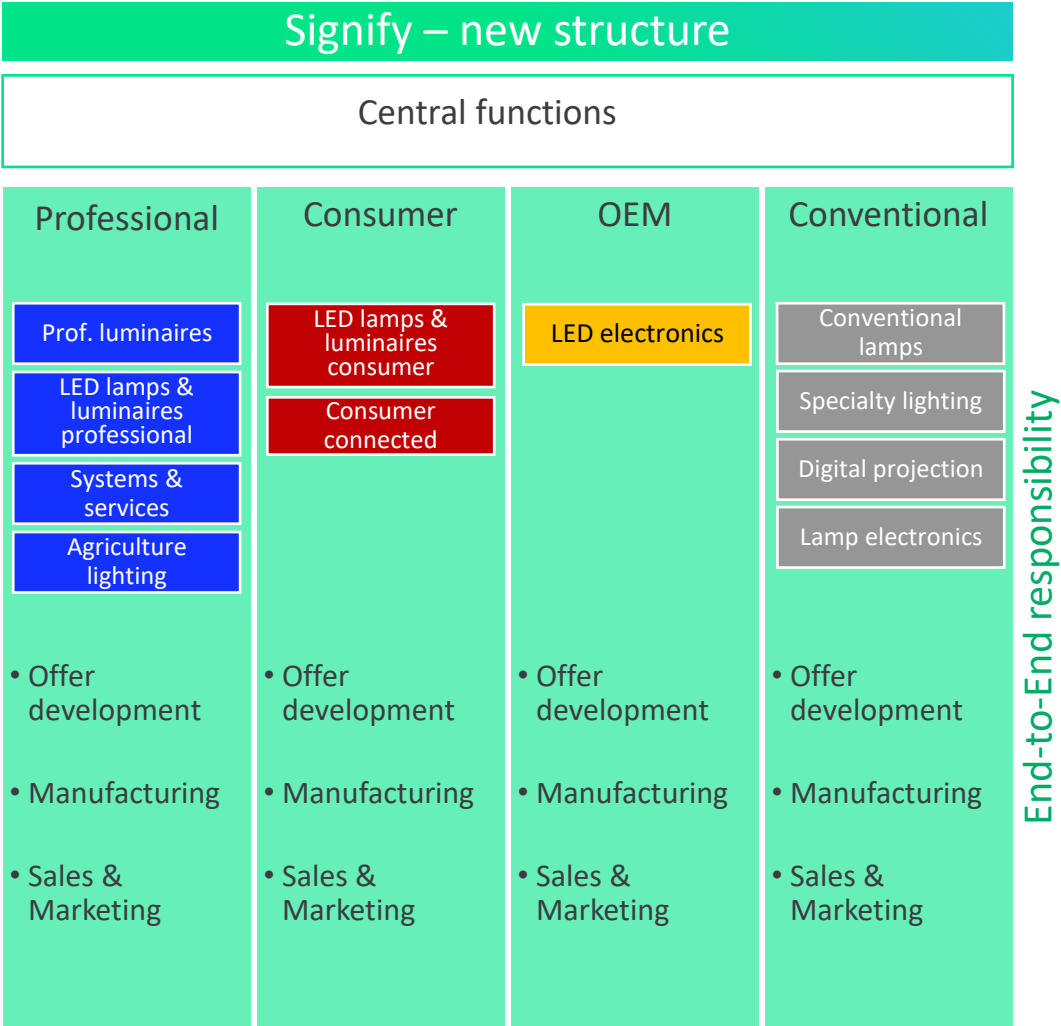
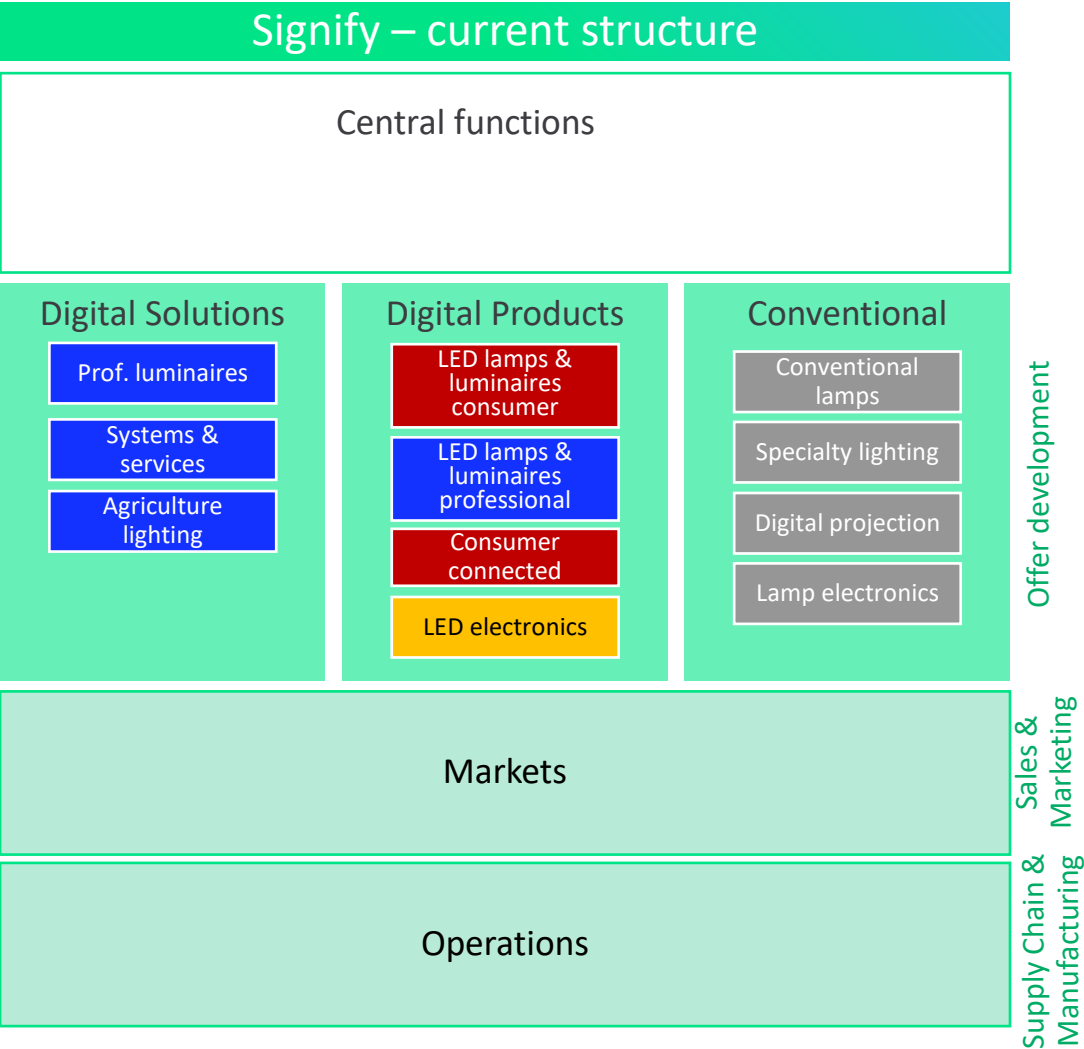
# Outlook



For 2024, Signify expects:

- An Adjusted EBITA margin improvement of up to 50 bps, including first benefits from the announced restructuring program
- Free cash flow generation of 6-7% of sales, including an incremental and non-recurring negative impact around EUR 150m related to the restructuring program and a reduction of US pension liabilities

# Introducing the new operating model

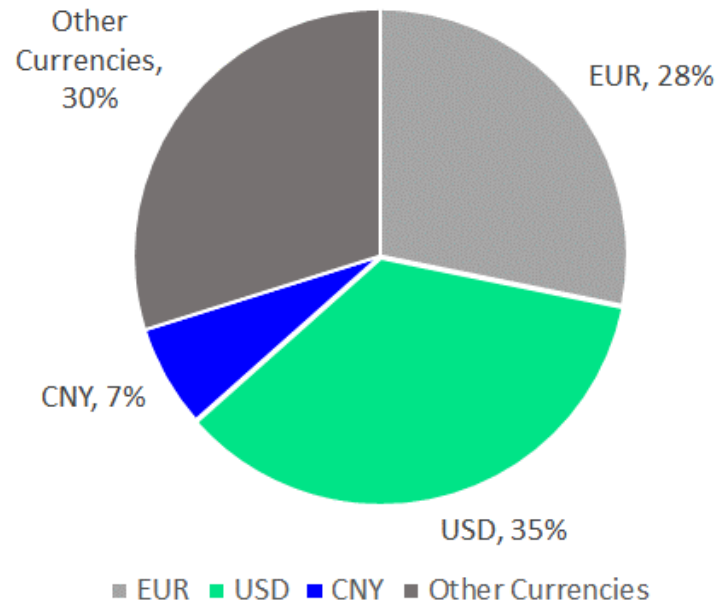


Q&A



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

## Q4 23 Sales FX Footprint (% of total)



## Key observations

- Overall currency impact of -4.9% on sales, mainly from USD depreciation.
- Positive impact of 0.3% on the Adjusted EBITA margin.

# Net income decreased to EUR 59m, as higher Adjusted EBITA, lower financial expenses and lower income tax expense were offset by restructuring costs

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

	Q4 22	Q4 23
<b>Adjusted EBITA</b>	<b>202</b>	<b>209</b>
- Restructuring	-47	-83
- Acquisition-related charges	-4	-5
<b>1</b> - Other incidental items	15	-13
<b>EBITA</b>	<b>166</b>	<b>108</b>
Amortization	-29	-20
<b>EBIT</b>	<b>137</b>	<b>89</b>
Net financial income / expenses	-29	-18
Income tax expense	-22	-12
Results from investments in associates	0	0
<b>Net income</b>	<b>86</b>	<b>59</b>

## Key observations

- 1 Non-recurring by nature and relate to:
  - Impairment and other non-cash charges/gains related to operations in Russia and Ukraine
  - A one-day FX loss from the devaluation of the Argentine peso by the Argentinian government
  - Separation costs
  - Transformation costs
  - Real estate gains/loss
  - Legal cases
  - Incidental warranty costs
  - Environmental provisions for inactive sites
  - The discounting effect of long-term provisions

# Free cash flow decreased to EUR 295m, mainly due to a lower inflow from working capital

## Free cash flow (in EURm)

	Q4 22	Q4 23
Income from operations	137	89
Depreciation and amortization	86	69
Additions to (releases of) provisions	41	107
Utilizations of provisions	-56	-46
Change in working capital	247	121
Net interest and financing costs received (paid)	-5	-1
Income taxes paid	-36	-23
Net capex	-36	-28
Other	-14	8
<b>Free cash flow</b>	<b>364</b>	<b>295</b>
<i>As % of sales</i>	<i>18.4%</i>	<i>17.0%</i>

## Key observations

- Free cash flow of EUR 295m
  - Lower inflow from working capital
  - Q4 last year benefited from a stronger reduction of inventories
- Restructuring payout of EUR 16m (Q4 22: EUR 11m)

@signify