Q2 2024 results

July 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 recovery trajectory of the Chinese economy, 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. Above-mentioned risks are also applicable to the second half of 2024. The Group will continue to monitor how these topics develop.

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 2023.

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 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

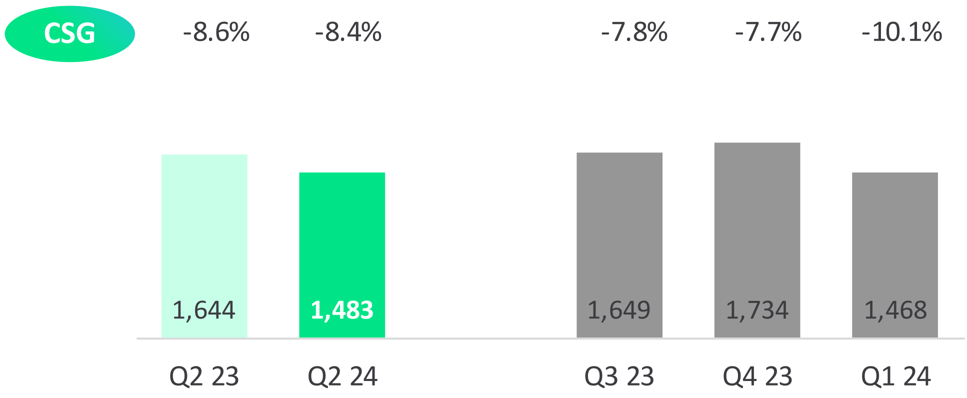
Financial performance and highlights - Željko Kosanović

Outlook and closing remarks - Eric Rondolat

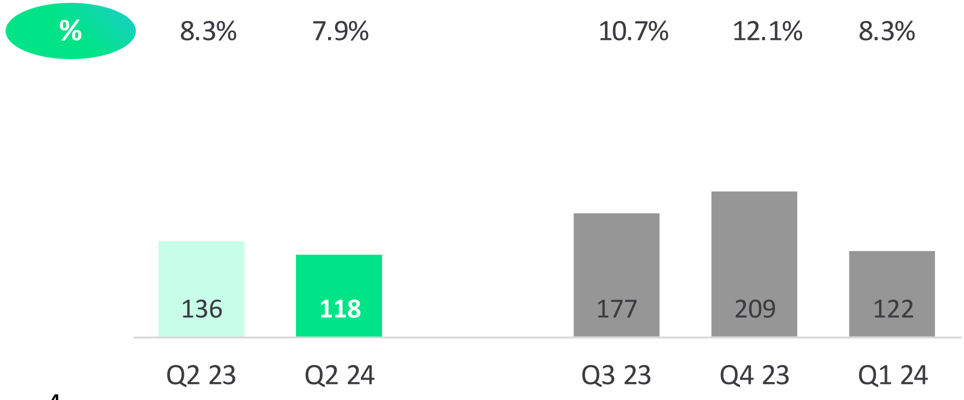
Q&A

Signify reported Q2 24 sales of EUR 1.5 billion, CSG of -8.4% and an adj. EBITA margin of 7.9%

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



Adjusted EBITA (in EURm & as % of sales)



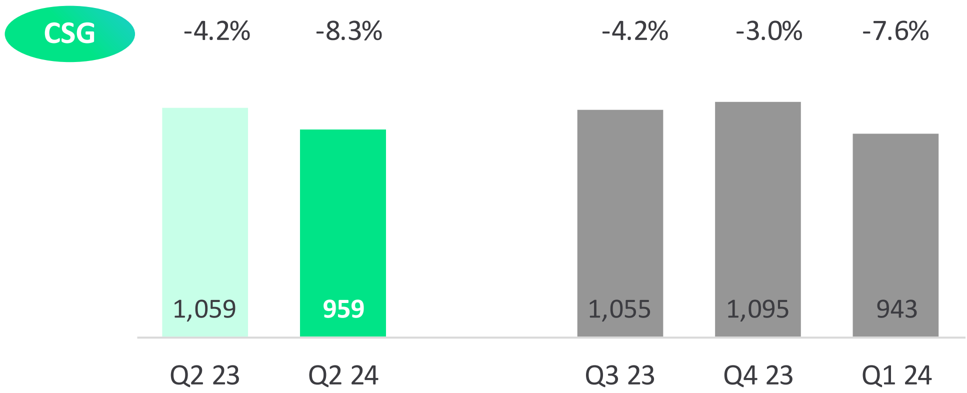
Key observations for Q2 24

- 136 million connected light points
- LED-based sales were 86% of total sales
- Nominal sales decline of 9.8% (including FX impact of -1.4%) to EUR 1,483m
- Comparable sales decline of 8.4%

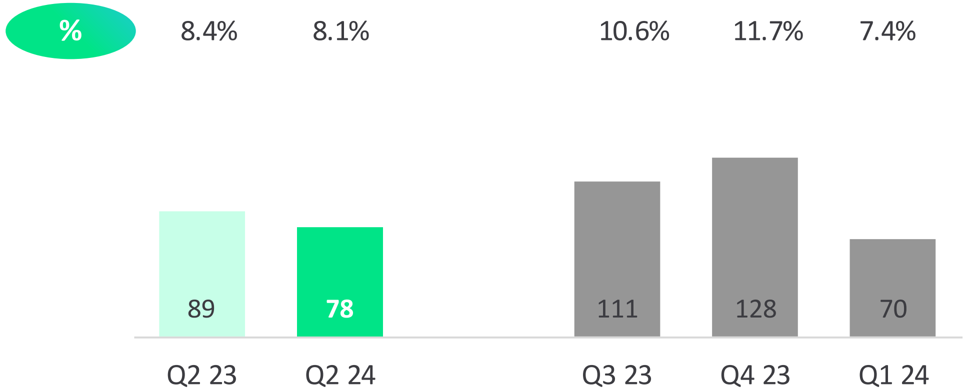
- Adjusted EBITA margin decrease of 40 bps to 7.9%
  - Gross margin expansion
  - Under-absorption of fixed costs
- Net income of EUR 63m (Q2 23: EUR 45m)
- Free Cash Flow of EUR 51m (Q2 23: EUR 88m)

The Professional Business reported a CSG of -8.3% and an adj. EBITA margin of 8.1%

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



Adjusted EBITA (in EURm & as % of sales)

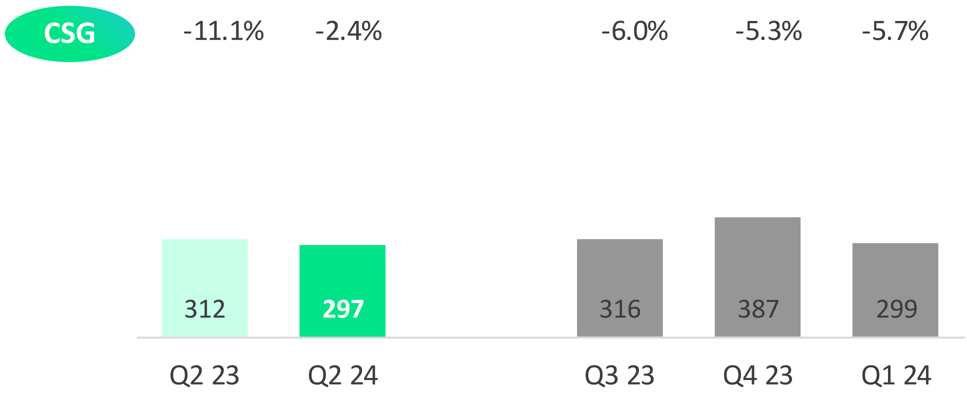


Key observations for Q2 24

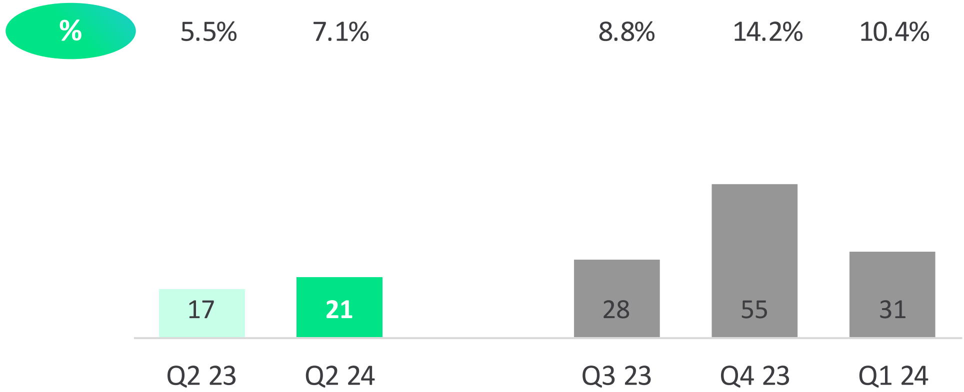
- Comparable sales decline of 8.3%
  - Continued softness in Europe and China
  - Sequential improvements in Agriculture lighting
- Adjusted EBITA margin decrease of 30 bps to 8.1%
  - Negative pricing compensated by BOM savings
  - Positive sales mix
  - Under-absorption of fixed costs

The Consumer Business reported a CSG of -2.4% and an adj. EBITA margin of 7.1%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 24

- Comparable sales decline of 2.4%
  - Lower sales in China
  - Connected offers back to growth

- Adjusted EBITA margin increase of 160 bps to 7.1%
  - COGS savings
  - Positive sales mix
  - Positive currency effect

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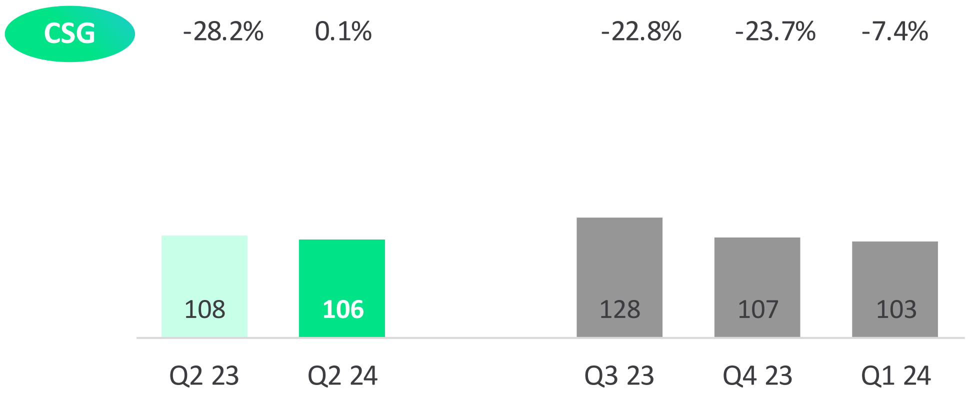
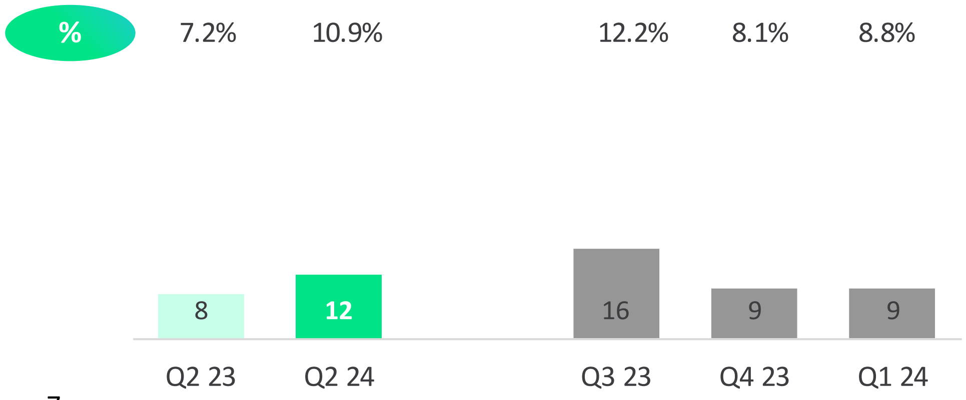
The OEM Business reported a CSG of 0.1% and an adj. EBITA margin of 10.9%

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



Adjusted EBITA (in EURm & as % of sales)

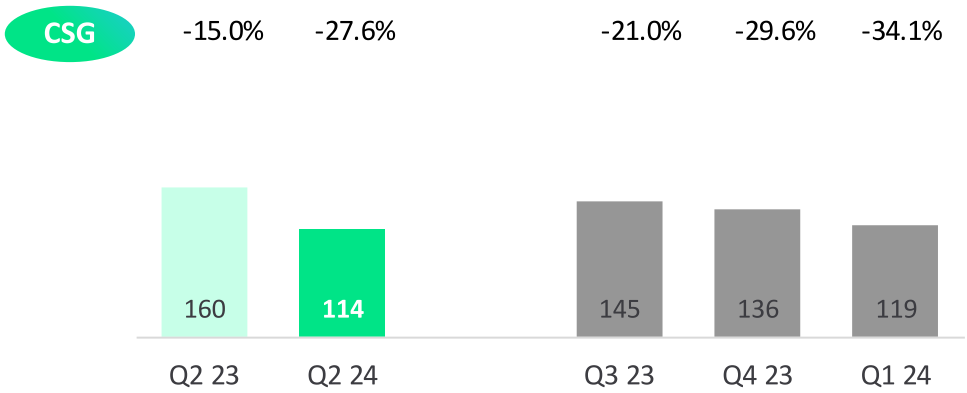


Key observations for Q2 24

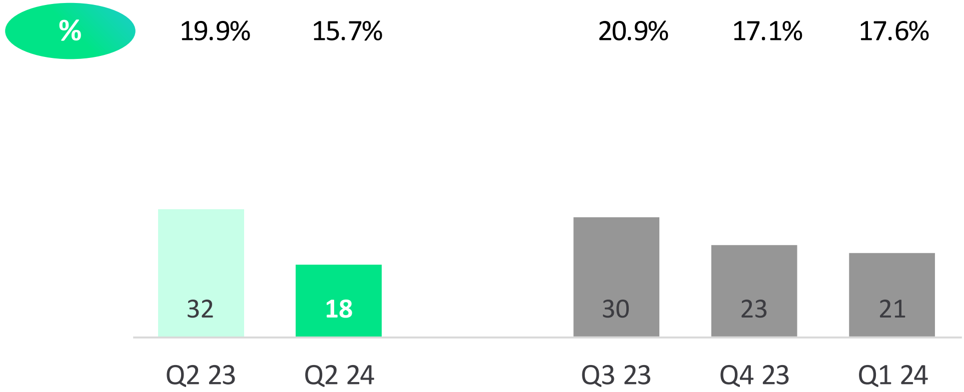
- Comparable sales growth of 0.1%
  - Inventory levels of OEM distributors normalized
- Adjusted EBITA margin increase of 370 bps to 10.9%
  - COGS savings

The Conventional Business reported a CSG of -27.6% and an adj. EBITA margin of 15.7%

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



Adjusted EBITA (in EURm & as % of sales)



Key observations for Q2 24

- Comparable sales decline of 27.6%
  - Impact of the fluorescent bans in Europe, which became effective in February and August 2023
- Adjusted EBITA margin decrease of 420 bps to 15.7%
  - Under-absorption of fixed costs following the accelerated sales decline
  - One-off charges

Business highlights

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Announcing partnership with Mercedes-AMG PETRONAS Formula 1 Team

- Signify and Mercedes-AMG PETRONAS F1 are driven by a shared passion for responsible innovation.
- Our innovations in lighting support the team's ambition to become one of the world's most sustainable in sport, serve well-being and performance, and deliver powerful experiences for fans, trackside and at home.

Professional

Introducing new UltraEfficient and 3D printed innovations

- Continued to expand the UltraEfficient range with new panels, recessed luminaires, and downlights.
- These UltraEfficient luminaires generate energy savings of up to 21.7% compared to other LED luminaires.
- Expanded the Philips MyCreation range of 3D-printed products.

Consumer

Launching new Philips Hue lights and app features

- The Philips Hue Twilight sleep and wake up light was designed to support your circadian rhythm.
- It mimics the wide palette of colors in both morning and evening sky light.
- The new Sunset Go to sleep automation simulates a sunset with a rich blend of red tones.

Launching Music Sync and expanding the WiZ LED strip portfolio

- The new Music Sync feature enables users to have their lights change brightness and color with the rhythm of music.
- Users can add as many lights to the Music Sync area as they wish as long as they are all connected to the same Wi-Fi network.

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Brighter Lives, Better World 2025 – Q2 2024 results

Doubling our positive impact on the environment and society

			2019 Baseline	Q2 2024 Result	2025 Target
Better World	Climate action	Carbon reduction over value chain against Paris Agreement	0	Ahead of schedule	324 MT
Better World	Circular economy	Circular revenues	16%	35%	32%
Brighter Lives	Food availability Safety & security Health & well-being	Brighter lives revenues	16%	31%	32%
Brighter Lives	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

Content

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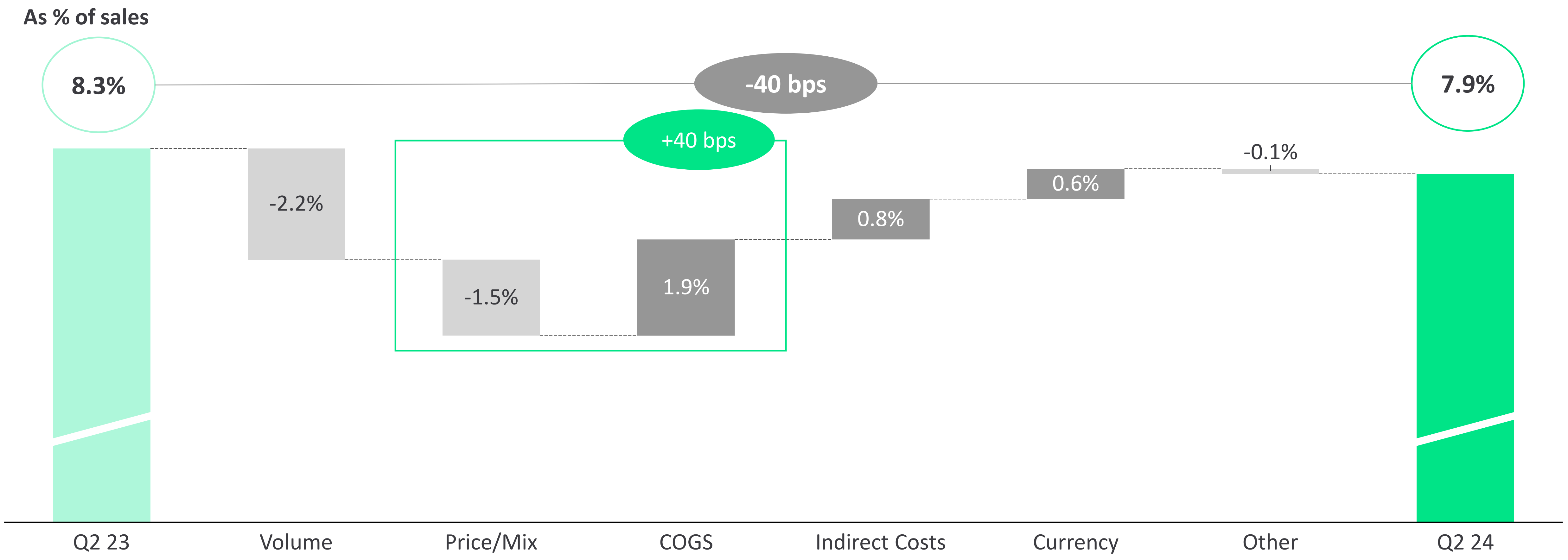
Q&A

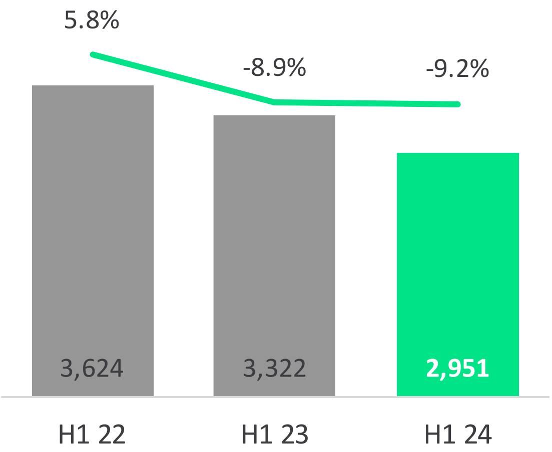
Adjusted EBITA margin decreased to 7.9%, as gross margin expansion was offset by under-absorption of fixed costs



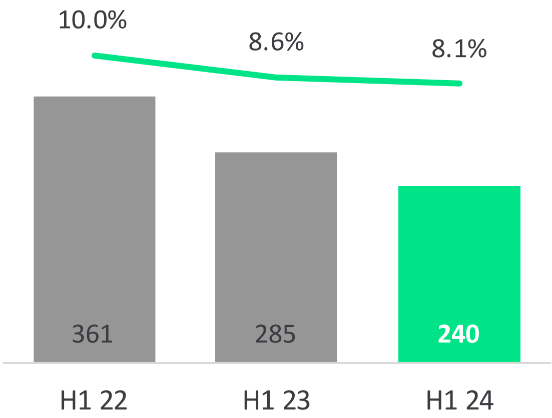
Working capital decreased to 7.9%, driven by lower inventories and lower receivables, partly offset by lower payables and other working capital items

Resilient H1 24 Adjusted EBITA margin and free cash flow despite topline decline

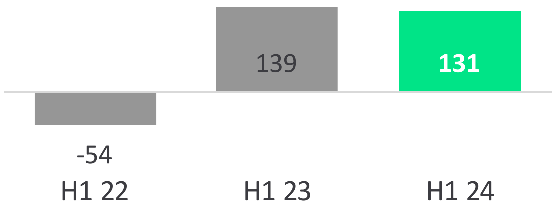
Sales & comparable sales growth
(in EURm and %)



Adjusted EBITA
(in EURm and % of sales)



Free Cash Flow
(in EURm)



H1 24 performance

Comparable sales declined by 9.2%
- Lower professional lighting sales in Europe
- Continued softness in China
- Accelerated decline Conventional
- Consumer and OEM improving sequentially

The Adjusted EBITA margin was mainly impacted by under-absorption of fixed costs
- Gross margin improvement, driven by effective COGS management and a positive sales mix effect
- Under-absorption of fixed costs

Continued strong cash flow generation
- Working capital improvement
- Higher restructuring payout

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Q&A

Outlook

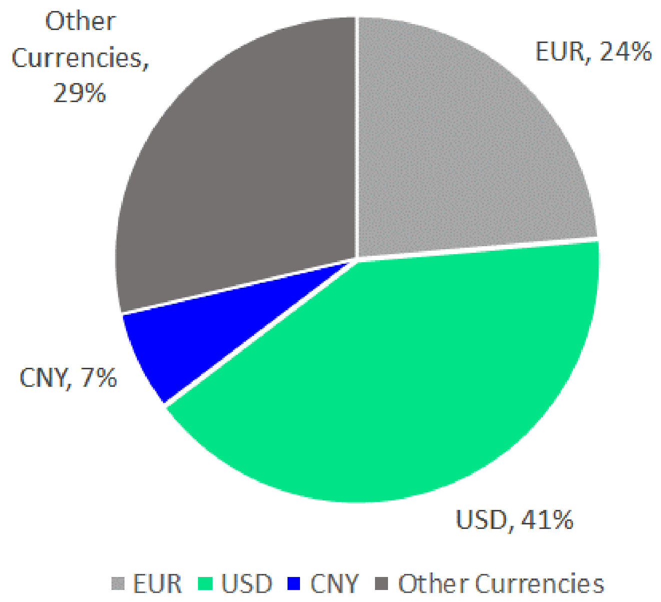
%

We remain cautious on Professional Europe and on China for the second semester, but expect to see positive traction for Professional in the Americas, as well as the OEM and Consumer businesses. As a result, we maintain our guidance, with an Adjusted EBITA margin at the lower end of the 10.0-10.5% range and free cash flow generation of 6-7% of sales.

Q&A

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

Q2 24 Sales FX Footprint (% of total)



Key observations

- Overall currency impact of -1.4% on sales, mainly from CNY depreciation.
- Impact of +0.6% on the Adjusted EBITA margin.

Net income increased to EUR 63m, mainly driven by lower adjusted items, lower non-cash losses on VPPAs and higher financial income

From Adjusted EBITA to net income (in EURm)

	Q2 23	Q2 24
Adjusted EBITA	**136**	**118**
- Restructuring	-9	-9
- Acquisition-related charges	-3	-2
1 - Other incidental items	-16	8
EBITA	**108**	**115**
Amortization	-20	-18
EBIT	**88**	**97**
Net financial income / expenses	-31	-21
Income tax expense	-12	-13
Results from investments in associates	0	0
Net income	**45**	**63**

Key observations

1 Non-recurring items by nature and are related to:
- Gains from the movements in the indemnification positions with Koninklijke Philips N.V. originating from the separation (EUR 8m)
- Other items with a combined effect of EUR 1m loss

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Free cash flow decreased to EUR 51m, mainly due to a higher restructuring payout and a higher cash outflow from working capital

Free cash flow (in EURm)

	Q2 23	Q2 24
Income from operations	88	97
Depreciation and amortization	67	64
Additions to (releases of) provisions	36	30
Utilizations of provisions	-41	-64
Change in working capital	-9	-15
Net interest and financing costs received (paid)	-32	-28
Income taxes paid	-15	-16
Net capex	-21	-20
Other	13	2
Free cash flow	**88**	**51**
As % of sales	*5.3%*	*3.4%*

Key observations

- Free cash flow of EUR 51m
  - Higher restructuring payout
  - Higher cash outflow from working capital
  - Partly offset by a higher income from operations
- Restructuring payout of EUR 39m (Q2 23: EUR 12m)

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