signify

Q4 2024 results

January 24, 2025

NatureConnect
Pittarello Office

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 geopolitical developments including the potential impact of trade tariffs, the impact of the increasing conflicts globally, volatility in interest rates, inflation and currency fluctuations, changes in international tax laws, economic downturns in key geographies to the company, supply chain disruptions, new technological disruptions, cybersecurity risk, competition in the general lighting market, reputational and adverse effects on business due to activities in Environment, Health & Safety, compliance risks, ability to attract and retain talented personnel, pension liabilities.

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, 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 nor 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 19 Reconciliation of non-IFRS 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 and the Semi-Annual Report 2024.

Market Abuse Regulation

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

Content

Full Year 24 performance - Eric Rondolat

Q4 24 Financial performance - Željko Kosanović

Capital Allocation and Outlook - Eric Rondolat

Q&A

NatureConnect
Stirixis Office

2024 was a year of successful transition for Signify

- ✓ Implemented **new organizational structure** in April 2024, consisting of four verticalized businesses with full profit and loss responsibility
- ✓ Launched **cost reduction program** with 2/3 of savings realized in 2024, as committed
- ✓ Successfully managed the accelerated decline of the Conventional Business
- ✓ Launched **Climate Transition Plan** to reduce greenhouse gas emissions by 90% across its entire value chain and reach net-zero by 2040
- ✓ Repaid EUR 440 million of debt, **strengthening our balance sheet** and reducing interest charges for the coming years
- ✓ Partnered with Mercedes-AMG PETRONAS Formula 1 Team to drive responsible innovation and **enhance the visibility of Signify brand**

Signify delivers a robust 2024 profitability despite continued headwinds

Connected light points: 144 million

- Strong connected sales in Professional and Consumer businesses

Comparable Sales Growth (CSG): - 6.6%

- Progressively improving topline
- Signify CSG excluding Conventional at -4.2%

Adj. EBITA margin: 9.9%

- Professional, Consumer and OEM adj. EBITA margin expansion of 30 bps
- Successful implementation of cost reduction program, delivering savings of EUR 131 million

Net income: EUR 334 million

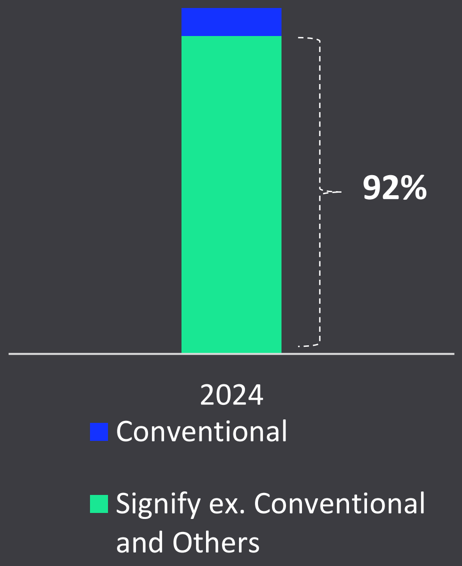
- Robust bottom-line result driven by lower restructuring costs and financial expenses

Free Cash Flow: 7.1% of sales

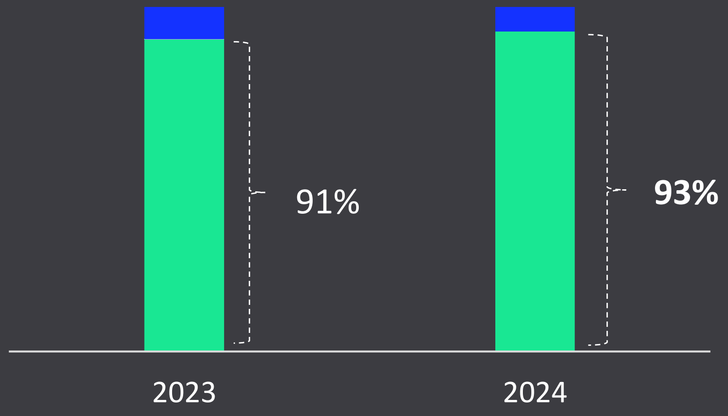
- Strong Free cash flow generation of EUR 438M

The Professional, Consumer and OEM businesses further increased their contribution to overall Signify

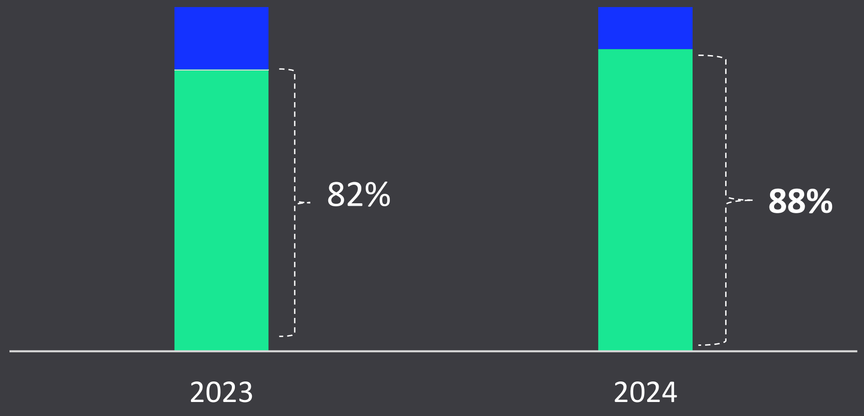
FCF contribution



Sales contribution

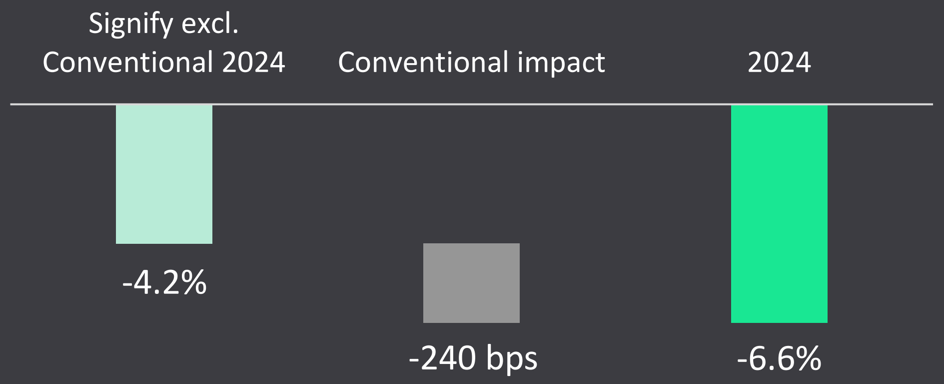


Adj. EBITA contribution

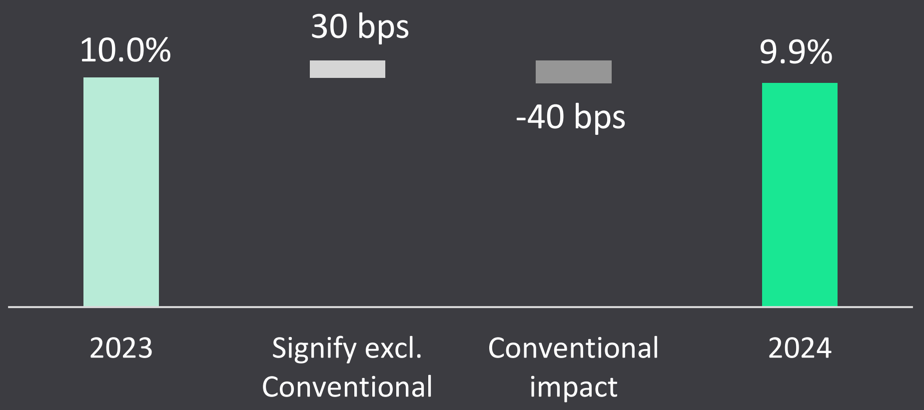


The decline of the Conventional business has led to a drag effect on Signify's CSG and Adj. EBITA performance

Impact of Conventional business on FY 24 CSG

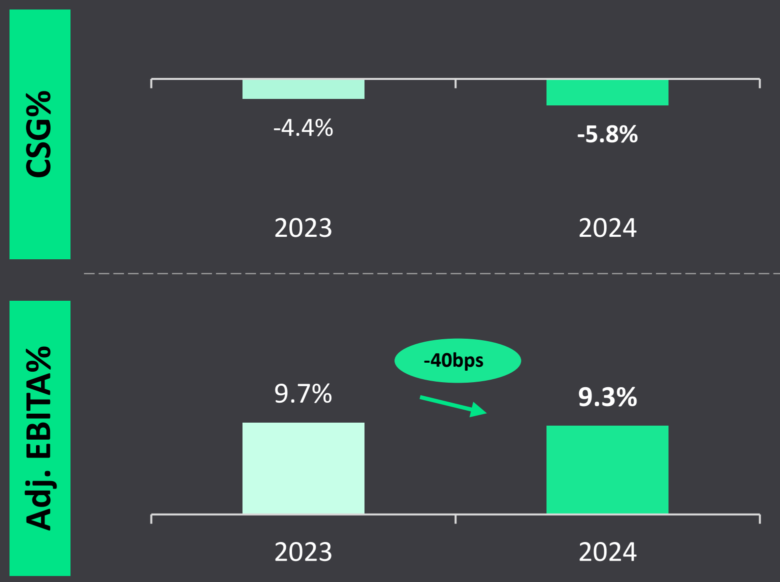


Impact of Conventional business on FY 24 Adj. EBITA margin



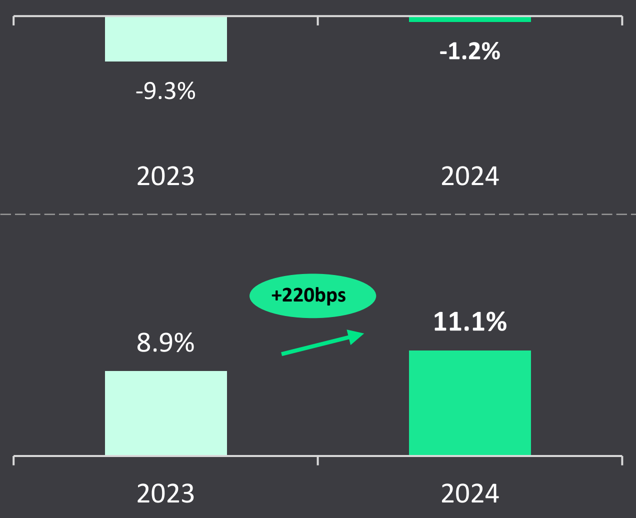
OEM and Consumer stabilized and delivered margin expansion; Professional continued to face headwinds in Europe

Professional



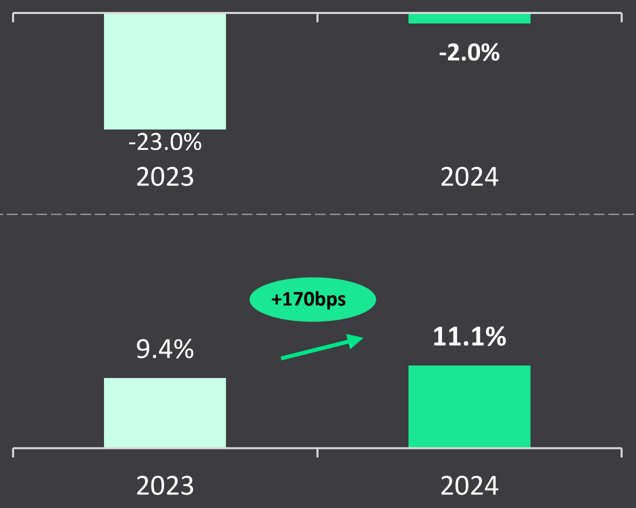
- CSG at -5.8% due to challenging market conditions in Europe and China
- Connected sales continue to progress
- Adjusted EBITA margin impacted by lower operating leverage

Consumer



- CSG down 1.2% driven by high-teens decline in China
- Adj. EBITA margin expansion driven by recovery in most markets and benefits from cost reduction program

OEM



- Stabilization of CSG following normalization of inventory levels
- Adj. EBITA margin expansion driven by topline recovery and benefits from cost reduction program

The cost reduction program was successfully implemented and delivered gross savings of EUR 131 million, in line with commitment

Brighter Lives, Better World 2025 – FY 2024 results

Doubling our positive impact on the environment and society

			2019 Baseline	FY 2024 Result	2025 Target
Better World	Climate action	Carbon reduction over value chain against Paris Agreement	0	Ahead of track	324 MT
	Circular economy	Circular revenues	16%	35%	32%
Brighter Lives	Food availability Safety & security Health & well-being	Brighter lives revenues	16%	33%	32%
	Great place to work	Women in leadership positions	17%	28%	34%

CDP A list for climate and supply chain leader

Member of the **Dow Jones Sustainability World Index**

EcoVadis Platinum Medal and top 1%

On track

Off track

Content

Full Year 24 performance - Eric Rondolat

Q4 24 Financial performance - Željko Kosanović

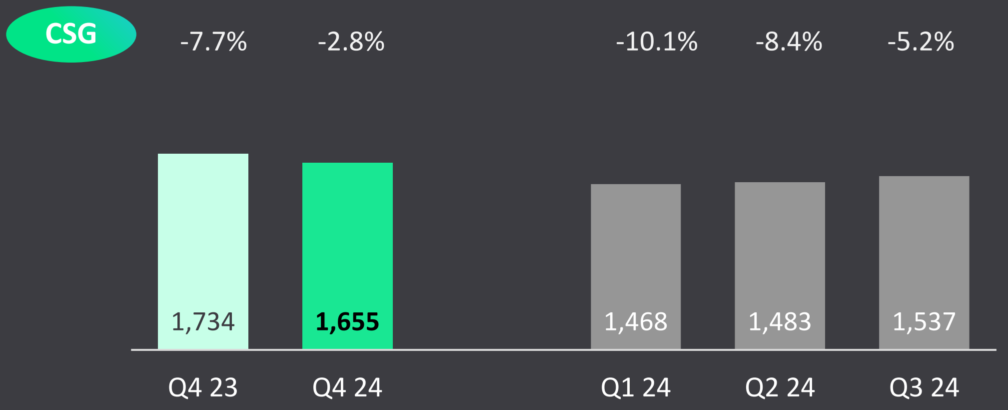
Capital Allocation and Outlook - Eric Rondolat

Q&A

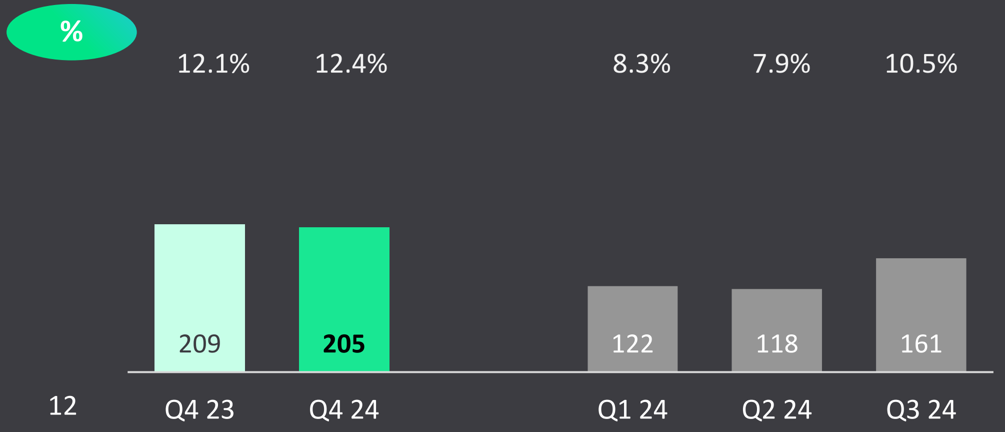
NatureConnect
Stirixis Office

Signify delivers sequential sales improvement in Q4 2024, adj. EBITA margin expansion and solid free cash flow generation

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



Adjusted EBITA (in EURm & as % of sales)



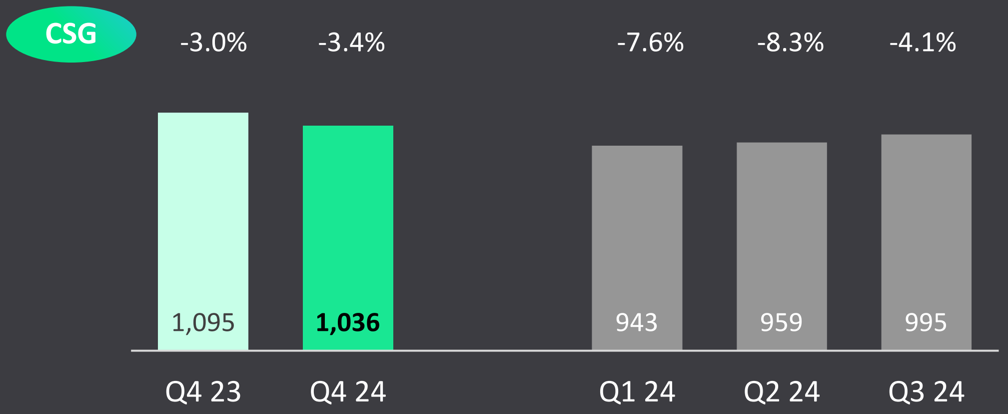
Q4 key developments

- Comparable sales decline of 2.8%
    - Sequential sales improvement
    - Strong connected consumer performance
    - Challenging market environment in China and Europe Professional continuing to weigh

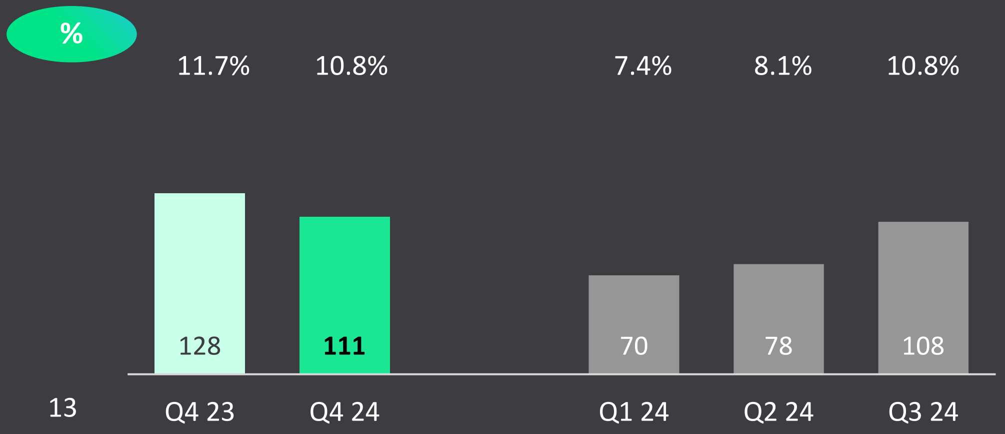
- Adjusted EBITA margin increase of 30 bps to 12.4%
    - Continued gross margin discipline
    - Increased contribution from cost reduction program

The Professional Business reported a CSG of -3.4% and an adj. EBITA margin of 10.8%

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



Adjusted EBITA (in EURm & as % of sales)

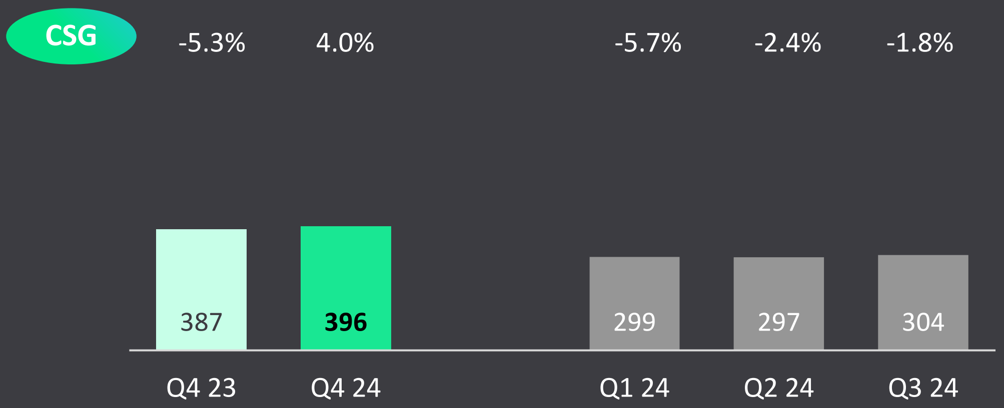


Key developments

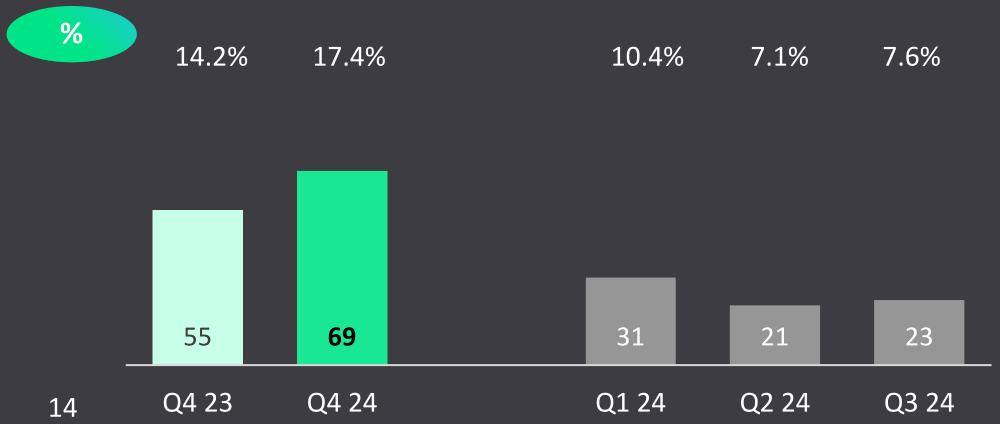
- Comparable sales decline of 3.4%
    - Sequential sales improvement with strong agriculture lighting and connected system sales
    - Continued weakness in China and Europe
- Adjusted EBITA margin decrease of 90 bps to 10.8%
    - Negative portfolio mix effect of Europe

The Consumer Business delivered a CSG of 4.0% and a strong adj. EBITA margin expansion to 17.4%

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



Adjusted EBITA (in EURm & as % of sales)

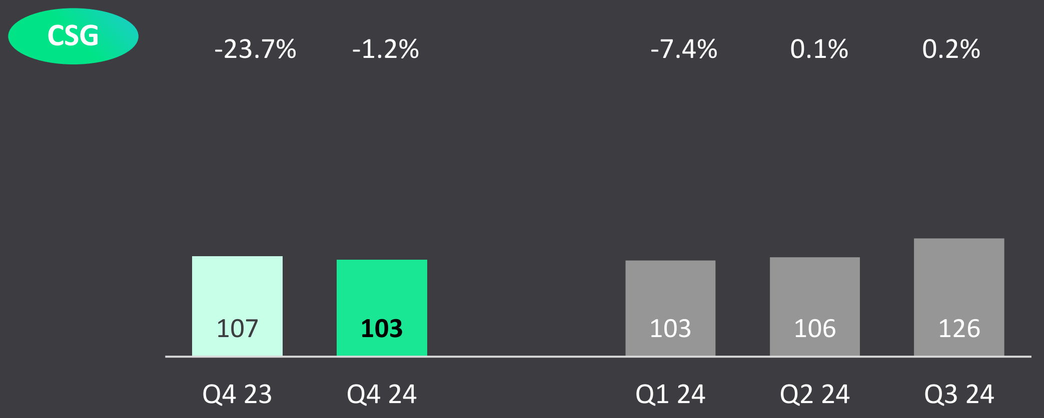


Q4 key developments

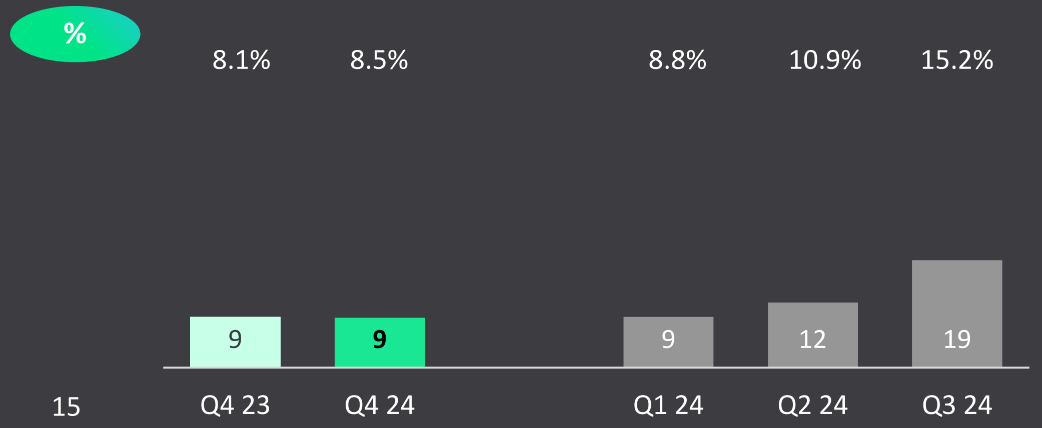
- Comparable sales growth of 4.0%
  - Consumer business growing in all regions except China
  - Strong connected home performance driven by online sales
- Adjusted EBITA margin increase of 320 to 17.4% driven by:
  - Operating leverage driven by topline growth
  - Benefits from cost reduction program

The OEM Business reported a CSG of -1.2% and Adj. EBITA margin expansion of 40 bps to 8.5%

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



Adjusted EBITA (in EURm & as % of sales)



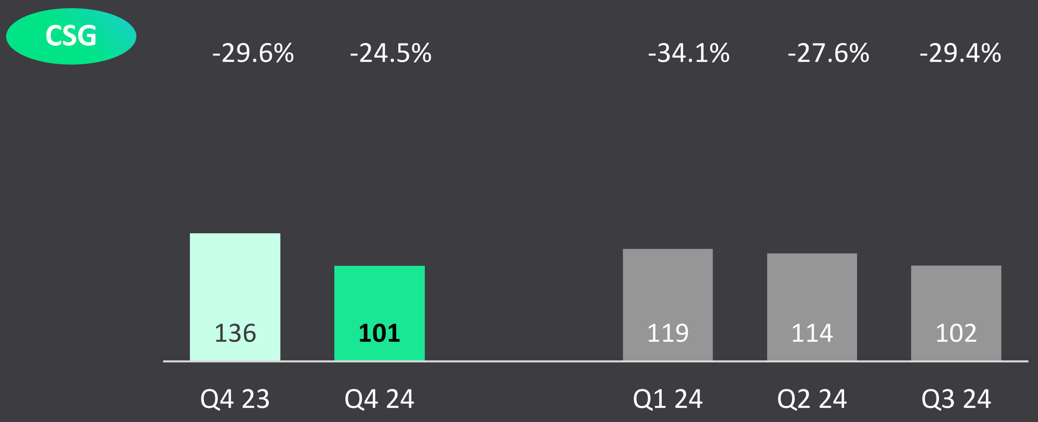
Key developments

- Comparable sales decline of -1.2%
  - Stable performance in most markets
  - Softness in APAC region

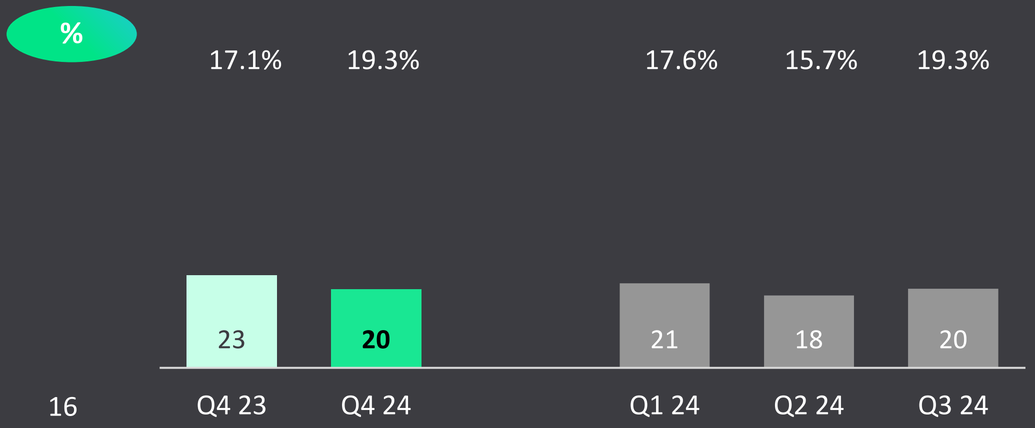
- Adjusted EBITA margin increase of 40 bps to 8.5% driven by:
  - Benefits from cost reduction program

The Conventional Business maintained a solid profitability despite the continued topline decline

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



Adjusted EBITA (in EURm & as % of sales)



Key developments

- Comparable sales decline of 24.5%
  - Strong decline of general lighting sales in most geographies, partly compensated by specialty lighting
- Adjusted EBITA margin improvement to 19.3%
  - Cost reductions in line with business decline
  - Profitability in line with expectations

Business highlights

Signify

Earning Platinum medal from EcoVadis for the 5th consecutive year

PLATINUM Top 1%

ecovadis

Sustainability Rating

- This top rating reflects a strong performance in sustainability areas such as environmental impact, labor & human rights, ethics, and procurement practices
- This achievement highlights Signify's ongoing commitment to sustainability and positive impact on the planet and society.

Professional

Optimizing PSV's stadium pitch maintenance with innovative lighting

- Installed a combination of energy-efficient LED and infrared lamps, controlled by sensors that continuously measure environmental factors
- The data collected is processed to determine the precise light and heat needed for optimal grass growth
- Improving the condition of the grass while achieving energy savings of 50%.

Improving patients' comfort at Sightour ophthalmic Hospital, China

- Delivered a customized connected lighting solutions, illuminating various areas of the hospital while preserving the historic building's charm
- Flicker-free, low-glare luminaires were installed, reducing visual fatigue and discomfort for the patients
- Achieving up to 20% energy consumption savings.

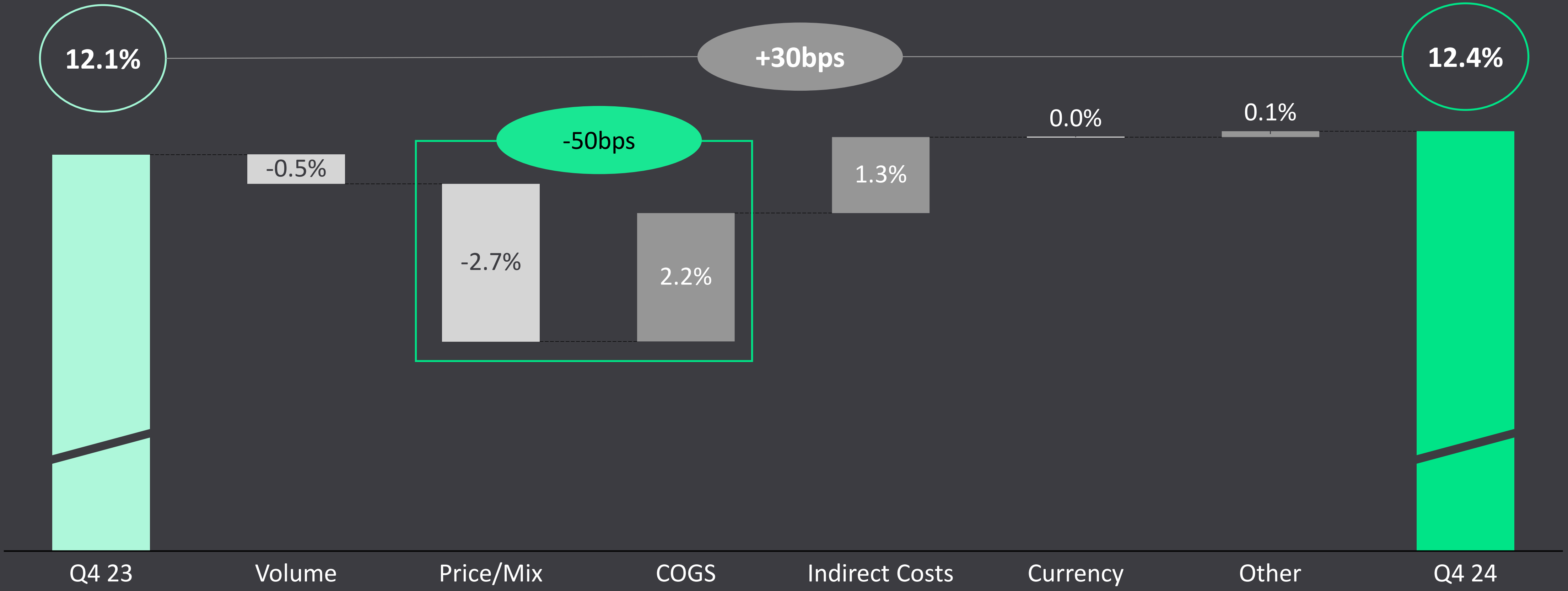
Consumer

Elevating experiences at Mercedes-AMG PETRONAS F1 Team's Las Vegas Club

- Transformed the Mercedes-AMG PETRONAS F1 Team VIP hospitality venue during the Las Vegas Grand Prix
- Across three floors, the teams delivered interactive and immersive lighting from Philips Hue, Signify myCreation, PrentaLux and Color Kinetics to elevate the trackside experience for the team's guests.

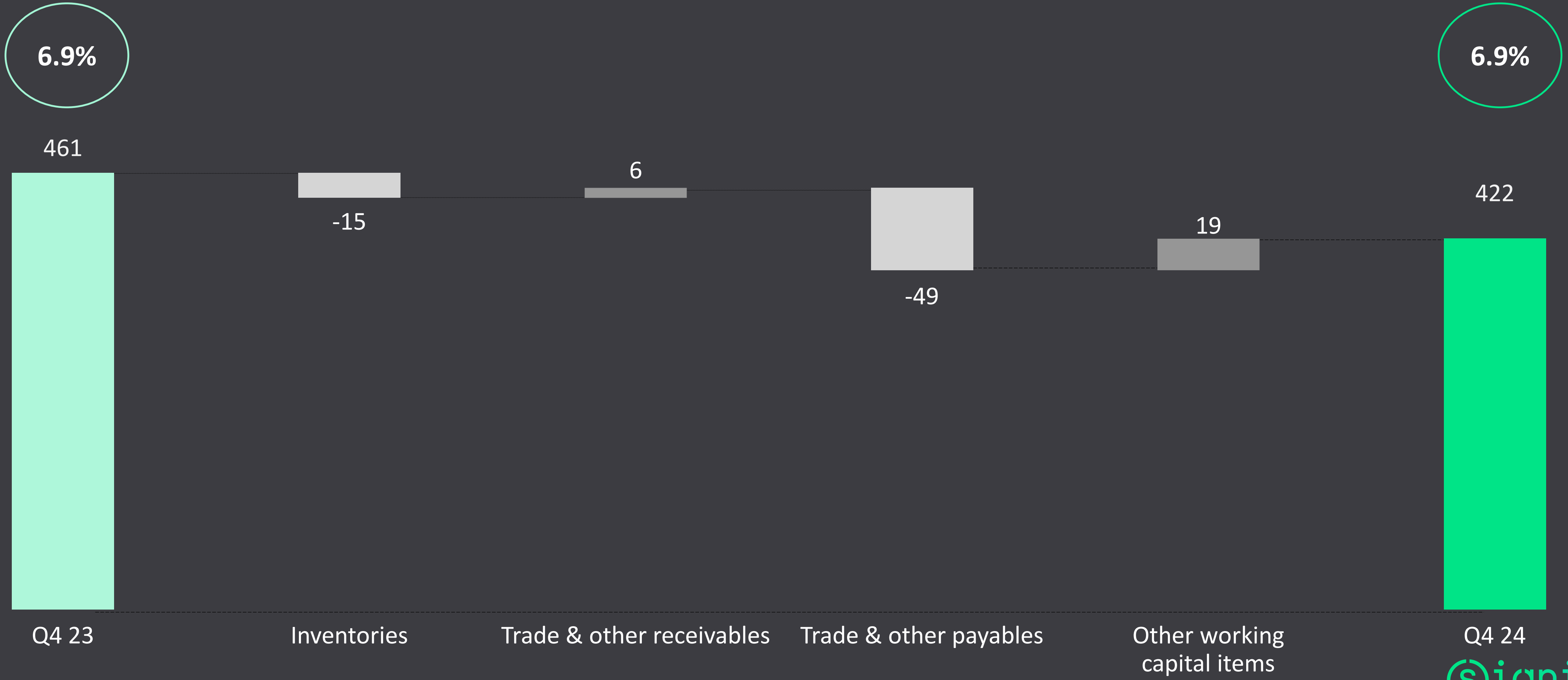
Adj. EBITA increases to 12.4% driven by productivity gains and indirect cost savings; price stable vs. Q3 2024 while mix slightly deteriorated

As % of sales

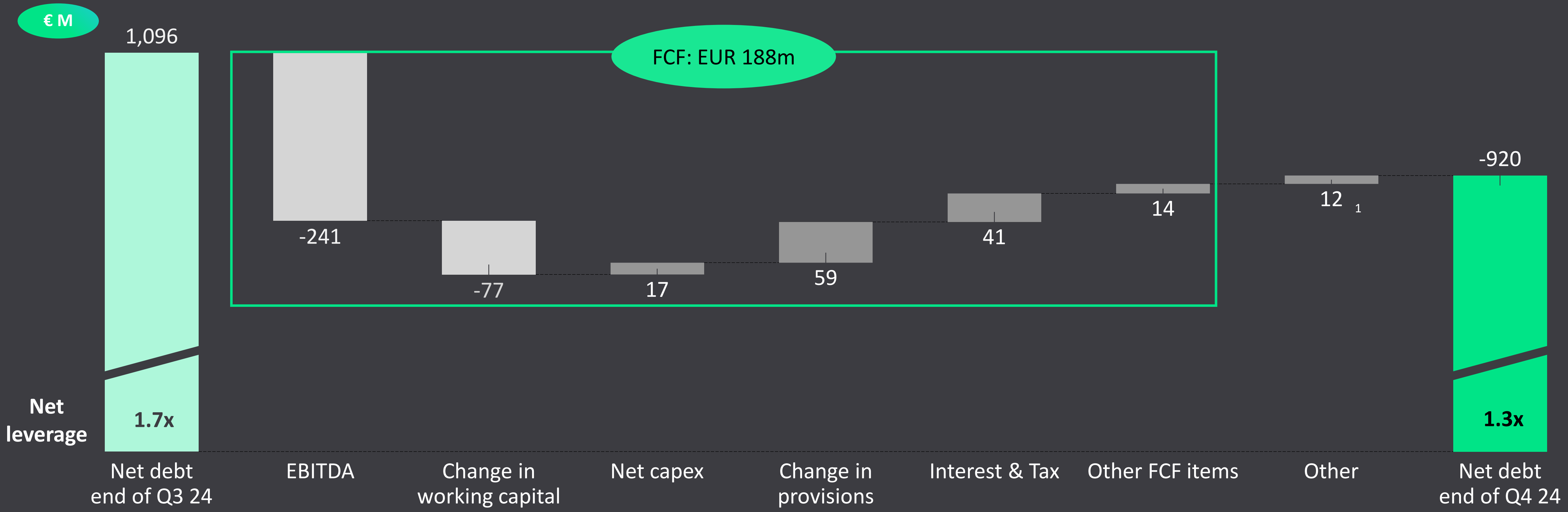


Working capital reduced by EUR 39 million driven by higher payables and lower inventories

In EURm / as % of sales



The 2024 year-end leverage ratio significantly reduced to 1.3x through strong cash flow generation, allowing for successful deleveraging



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

Content

Full Year 24 performance - Eric Rondolat

Q4 24 Financial performance - Željko Kosanović

Capital Allocation and Outlook - Eric Rondolat

Q&A


NatureConnect
Stirixis Office

Signify announces dividend per share of EUR 1.56; launches share repurchase program of up to EUR 150m for 2025

Capital allocation policy

1. Continue to maintain a robust capital structure to support our commitment to an investment grade credit rating
2. Pay an increasing annual dividend per share in cash year on year
3. Continue to invest in organic and inorganic growth opportunities in line with strategic priorities
4. Provide additional capital return to shareholders with residual available cash

Key developments

2024

- Signify strengthened its balance sheet:
  - Successfully deleveraged EUR 440 million of debt; reduction of leverage ratio to 1.3x
  - Settled USD 48 million in US pension liabilities of main defined benefit plan

2025

- Proposed dividend of EUR 1.56 per share[1] representing a total cash dividend of EUR 197 million and a payout of 52% of continuing net income
- Launch of share repurchase program of EUR 350-450 million until the end of 2027; first wave of up to EUR 150 million in 2025

[1] Dividend proposals are subject to approval at the AGM to be held on April 25, 2025.

Outlook FY 2025: Stable CSG and Adj. EBITA margin, strong free cash flow generation enabling share buybacks

CSG:
Low single digit growth
(ex Conventional)

Signify expects low single digit comparable sales growth excluding Conventional for the year, driven by:

- Sales momentum building throughout the year

Adj. EBITA margin:
Stable vs. 2024

Signify expects a stable adj. EBITA margin compared to 2024, driven by:

- The Professional, Consumer and OEM businesses combined compensating the drag effect of the Conventional business
- Benefits from the cost reduction program

Free Cash Flow:
7.0% - 8.0% of sales

Signify expects free cash flow generation of 7- 8% of sales, driven by:

- Strong cash conversion

▼

Share repurchase program of up to EUR 150 million in 2025

Q&A

NatureConnect
Pittarello Office

Net income increased to EUR 119m achieved through lower restructuring costs

From Adjusted EBITA to net income (in EURm)

		Q4 23	Q4 24
	Adjusted EBITA	**209**	**205**
	- Restructuring	-83	-30
	- Acquisition-related charges	-5	5
①	- Other incidental items	-13	13
	EBITA	**108**	**194**
	Amortization	-20	-15
	EBIT	**89**	**179**
	Net financial income / expenses	-18	-23
	Income tax expense	-12	-37
	Results from investments in associates	0	0
	Net income	**59**	**119**

Key developments

① Incidental items are mainly related to a one-off gain in a real estate transaction of EUR 15m

Free cash flow decreased to EUR 188m, explained by a lower inflow from working capital

Free cash flow (in EURm)

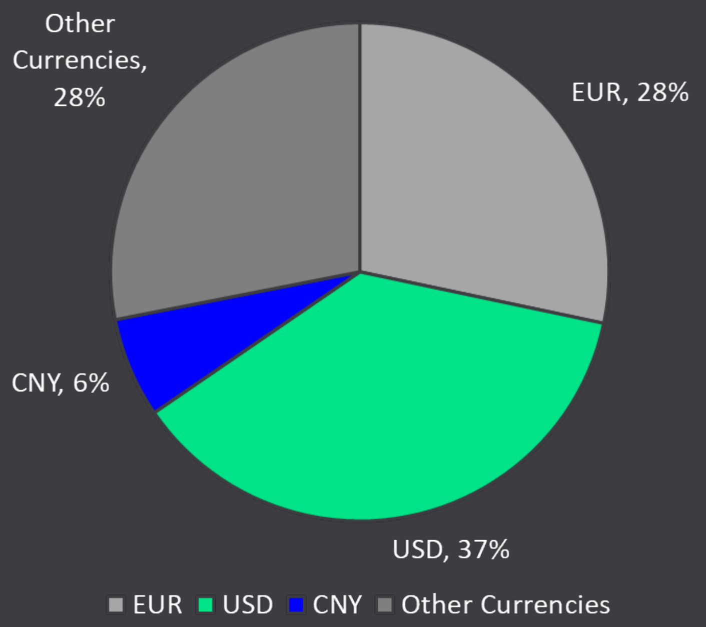
	Q4 23	**Q4 24**
Income from operations	89	179
Depreciation and amortization	69	63
Additions to (releases of) provisions	107	39
Utilizations of provisions	-46	-98
Change in working capital	121	77
Net interest and financing costs received (paid)	-1	-13
Income taxes paid	-23	-28
Net capex	-28	-17
Other	8	-14
Free cash flow	**295**	**188**
As % of sales	*17.0%*	*11.4%*

Key developments

- Free cash flow of EUR 188m
    - Cash outflow from US pensions de-risking of EUR 41m
    - Lower inflow from working capital
    - Q4 last year benefited from a stronger reduction of inventories
- Restructuring payout of EUR 28m (Q4 23: EUR 16m)

Currency movements had a negative impact on sales and no impact on the Adjusted EBITA margin

Q4 24 Sales FX Footprint (% of total)



Key developments

- Overall currency impact on sales of -1.8% coming from a mix of currencies.
- No impact on the Adjusted EBITA margin %.