Signify to acquire Cooper Lighting Solutions

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Operator: Question and one follow-up per round. I would now like to give the floor to Robin Jansen, Head of Investor Relations. Mr Jansen, please go ahead.

Opening Comments from Robin Jansen
Head of Investor Relations

Robin Jansen: Yes, thank you very much Sarah. Good morning everyone and welcome to this call. We are pleased to announce the acquisition of Cooper Lighting from Eaton. With me are Eric Rondolat, CEO of Signify and Stéphane Rougeot, CFO. In a moment, Eric and Stéphane will take you through the presentation to describe the key features of this transaction. After that, we will be happy to answer your questions. The related press release and slides were published yesterday evening. Both documents are available for download from our investor relations website. A full transcript of the call will be made available as soon as possible on our investor relations website. With that, I will now hand over to Eric.

Introduction from Eric Rondolat, CEO, Signify

Acquisition of Cooper Lighting

Eric Rondolat: Thank you Robin. Morning everyone and thank you for joining us today. We are indeed very pleased to announce the acquisition of Cooper Lighting. Let's go directly to slide three where you can see the key terms of the transaction.

So, we are buying Cooper Lighting for $1.4 billion in cash. The acquisition will be fully funded with debt for which there is a committed bridge financing in place. And we intend to replace the bridge loan and the existing term loan debt obtained at IPO with a new financing structure before or shortly after the closing of this transaction. Based on our strong free cash flow generation we expect to drive down the net leverage ratio from around two times at the closing to one time net debt to EBITDA within three years.

Closing the transaction is expected to take place in the first quarter of 2020, of course, subject to regulatory approvals and other customary conditions.

Strategic Benefits of this Transaction

Let's now go to slide 4, which captures how attractive this transaction is for us. So, the transaction offers a clear strategic fit further strengthening our position globally and in North America, the largest professional lighting market in the world, which is valued at $12 billion. Based on the attractive financial terms of the transaction and the sizeable cost synergies we've identified, this transaction offers a lot of value creation potential. Finally, it will be beneficial to all stakeholders.

A Globally Strengthened Market Position

Let's now go to slide 5. So, as you can see, this transaction strengthens our market position globally and in particular, in the attractive North American professional lighting market. It is the largest lighting market in the world which is growing on the back of the continued conversion to LED and also the increased demand for connected lighting systems and controls. And by combining our innovation power and investments in R&D, we will further strengthen our offering in the North American professional lighting market, particularly in connected lighting. Next to that, the larger scale will enable us to achieve substantial operational synergies that will allow our offering to be more cost-efficient.

The North American Market

I propose that we now move to slide 6 to take a closer look at the northern American market. North America is the largest lighting market in the world with a total market size of $23 billion, of which $12 billion dollars is related to professional lighting. It is one of the most advanced lighting markets in the world and the largest lighting systems market globally. It serves as an innovation hub for connected lighting, where many new features are developed and rolled out.

Snapshot of Cooper Lighting

Let's now go to slide 7 to provide you with a snapshot of Cooper Lighting.

So, Cooper Lighting is a leading provider of professional lighting with a large breadth of products and applications, both in indoor and outdoor that are sold under renowned brands in North America, including brands like Halo, Metalux, Corelite and McGraw-Edison. Cooper Lighting generated $1.7 billion of sales in 2018, of which 95% were generated in North America, 84% were LED-based and 11% connected. The company reported EBITDA of $187 million and free cash flow of $143 million in 2018.

Cooper Lighting's Product Offering and Brands

Let's now have a look at slide 8 to take a closer look at Cooper Lighting's extensive product offering and brands. So, the breadth and depth of Cooper Lighting's portfolio, of which you see a selection on this slide, is among the best in the industry with strong positions in most of the segments. Next to that, Cooper Lighting has built industry-leading brands that are well-known and highly regarded by North American customers.

Strong Go-to-market Setup

Let's move to slide nine, where I would like to give you a bit more details on Cooper Lighting's strong go-to-market setup, which reflects a comprehensive coverage of all channels. Indeed, Cooper Lighting has a strong agent network in North America with more than 125 agents strategically located, which will continue to operate independently. They have long-lasting relationships with their agents, with an average tenure of more than 20 years. Around 90% of Cooper Lighting's sales are realised through these agents who are generally specialised either on commercial and industrial end markets or on outdoor and infrastructure. They generally tend to have very high rankings in the districts they cover. Cooper Lighting also has a solid position with major distributors carrying a broad portfolio. It also has a team that is fully dedicated to serve large specifiers in North America as well as end-users sales team, which have direct relationships with key accounts.

I will now hand over to Stéphane who will tell us more about the value creation potential, the integration plan and our capital allocation policy once we have completed that transaction.

Stéphane Rougeot CFO Signify

Significant Value Creation Potential

Stéphane Rougeot: Yes, thank you, Eric. Let's now turn to page 10, which gives you more details on the significant value creation potential that this deal provides. As mentioned by Eric, we are acquiring a great business with substantial cost synergy opportunities at attractive acquisition multiples. The enterprise value, when you net off the future tax benefits, is close to $1.3 billion. And that translates into an EV to EBITDA multiple of seven times before synergies and 5.3 times after synergies.

Overall, we've been very disciplined in our due diligences, in order to set the price, given the strategic fit, given also the attractiveness of the business and the potential for value creation that we have identified. We've made a very thorough assessment of the cost synergies that we can generate. Discussed synergies are expected to reach more than $60 million per year, and we believe they will be largely achieved in the first three years.

All in all, this transaction scores very well on our value creation criteria. For instance, it will be highly accretive to our earnings per share with an expected increase in the mid-teens in the first year. The ROIC of the transactions is also expected to exceed our weighted average cost of capital after the first year.

Cost Synergies

If you turn to slide 11, you will see in more details how and where we expect these cost synergies of more than $60 million per year. When you look at the bill of materials, it will be optimised through a number of things like negotiation with suppliers, consolidation of suppliers, and also re-engineering of the product lines wherever possible.

On the supply chain side, this is also an important area of savings. They will be achieved, among others, through the collaborative implementation of manufacturing standards and operational excellence across the two companies.

Finally, the combination of our two businesses will allow for sourcing optimisation. For instance, once part of Signify, Cooper Lighting will source more drivers and other electronic components from us. And as mentioned before, we expect the vast majority of these savings will be achieved within the next three years.

Integration Plan for Cooper Lighting

Let's now have a look at slide 12, as we lay out the integration plan for Cooper Lighting. So, during the due diligence, we took a lot of time thinking on what is the best way to integrate this business. And we wanted to make sure we would ensure the continued commercial success, both of their business and our business, while still being able to capture very rapidly the synergies. That's why we've decided that the respective brand and product portfolios, as well as sales, marketing and the product development, will remain separate, and this will allow Cooper Lighting to maintain its growth momentum and to avoid disruptions for customers, agents and distributors.

The core innovation capabilities, technologies and IT will be leveraged globally. With respect to the cost synergies, we are focused on rapidly generating the identified savings by sharing the expertise and the optimisation opportunities both ways. And next to that, of course, the back-office functions will be integrated in order to optimise the support function costs and leverage the scale.

An Increased Presence in North America

On the next page, slide 13, you can see how this acquisition will improve our business mix and further increase our presence in North America on the basis here of the 2018 full-year numbers.

First, our business mix will improve, and the share of our professional business will increase from 42% to 53% of our total sales after the acquisition. Again, this is based on the 2018 numbers. So, a bit more than 10 points of increase. Secondly, the proportion of our sales in North America will increase from 28% to 40%.

Capital Allocation Policy Update

Now, let me hand – before I hand back to Eric, I'd like to go to page 14 and update you on our capital allocation policy in light of this transaction. Overall, as we have always said, since the IPO, our intention is to maintain a robust capital structure and to continue to aim towards a financing structure that is compatible with an investment-grade profile. Since the IPO, we've been very clear and consistent in our capital allocation policy. Following this transaction, we will change the order of priority of how we allocate our capital. First, we will prioritise the deleveraging with a strong free cash flow that is expected to drive down our net leverage ratio from around two times at closing to below one times net debt to EBITDA within three years. Furthermore, we plan to pay a stable or increased dividend per share. While we prioritise deleveraging, we will continue to invest organically in R&D and other organic growth opportunities. And finally, as we will focus on integrating Cooper Lighting business and on delivering the synergies, M&A will have a lower priority. Let me now hand back to Eric for the final part of this presentation.

A Major Milestone in the Execution of Strategy

Eric Rondolat: So, thank you Stéphane and let's move to the last slide, slide 15 to recap. The acquisition of Cooper Lighting represents for us a major milestone in the execution of our strategy. The combination will create a strong force in North America, benefiting our customers, agents, employees and shareholders. They have built a high-performance company based on professionalism, truly innovative offers and a long and strong relationship with their customers. And we've been able to be with them and see that we share a true, genuine passion and single focus for lighting and also a successful track record in innovation.

So, with that, I would like to end this presentation and open the line to hear your questions.

Questions and Answers

Operator: Thank you. Ladies and gentlemen, we are now ready to take your questions. If you wish to ask a question, please press 0 1 on your telephone keypad. That is 0 1 on your telephone

keypad to ask a question. Please remember that you are limited to one question and a follow-up per round. Let's wait for the first question.

And our first question comes from the line of Lucie Carrier from Morgan Stanley. Please go ahead. Your line is now open.

Lucie Carrier (Morgan Stanley): Good morning, gentlemen. Thanks for taking my question. The first one, I was hoping you could give us a little bit more granularity on the financials of Cooper. And if you could maybe give us a sense of how much that business has been growing organically over the last three to five years. What we can look at in terms of EBITA margin because EBITD is kind of, the number you guys are all guiding on. And if you can speak maybe a little bit around the level of investment in the business, I mean, is the business well invested? Because, of course, it had been marked as non-core by Eaton. So, is it well invested? And where is the manufacturing? So that was my first question, more on the profile of Cooper.

Stéphane Rougeot: Yes, maybe Lucie let me start and first say that because we are at the time of signing and not closing and because, of course, this is not a business that is disclosed by Eaton, unfortunately, there is not much that we can provide in terms of data for the past. Of course, once the closing is done and once it will be integrated in our books, we will provide some pro-forma and therefore colour. So, we won't be able to be specific, but we can give you directionally some elements here.

So, in terms of growth profile, as they went historically through the conversion to LED, of course, there was the weight of the decline of conventional, lesser than what we suffered. So, they got a better growth profile than we had. And on the LED business they enjoyed a pretty satisfactory growth over the last few years.

On the capitalisation of the business, even though it was not core, it's been well capitalised. They've continued to invest in terms of CapEx. They have a CapEx level that is a little bit higher than ours. And what we've seen in our due diligence in their operations and in their manufacturing is that they are – they've been investing in order to have their operations at the right level.

We've seen opportunities to improve in terms of manufacturing standards and operational excellence. But again, the business has enjoyed continued investment. Their manufacturing is both largely in the US and in Mexico, and these are the two main regions where they have manufacturing locations. But it's a business that is operating very well.

Lucie Carrier: Okay. Thank you. Thank you very much for that. My second question as a follow-up and I guess this is somewhat linked to the growth profile, I mean, we were getting in the past some indication around the growth. I mean, I was hoping we could get something a bit more precise, but I understand it's not possible. But previously it seemed over the last few years the business was not massively growing. I mean, higher than Signify, but probably more in the low single-digit range. So, to me, at least from the outside, the business seems a fairly mature business in lighting and seems also quite comparable with what you are already doing. So, I was just curious to understand what does Cooper really bring in terms of specific technology or capabilities that you guys do not have already in professional lighting? And wasn't there maybe in the industry more innovative or highly growing business that you guys could have gone after?

Eric Rondolat: Yes, good morning, Lucy. Well, when it comes to the growth profile and the way we looked at the company, because we had some information, of course. So, we see that company growing and growing profitably and we will stay at that level at this point in time because, as Stéphane has said, there's not much more that we can – that we can disclose.

Now, all the companies that were in the transition in the lighting industry had a part of conventional and a part of LED. A part of conventional declining and a part of LED growing. The penetration of LED of Cooper Lighting is 84%, which is the average, you know, of companies that are involved in the luminaire space. You know, if you were looking at only our professional business, we would also be at these levels. So, I think it's a company that has moved on, you know, over the years making the transition of LED happening, and I tell you, we have been looking at the growth profile and their profitability. And it was – and it was fine for us.

Now, what are they bringing? So, first of all, when you look at the two companies, there's a high level of complementarity, which was very important for us in order to move forward. And that was one of the main strategic points. Complementarity in terms of offering, and not to go into many details where we're going to be probably a bit more involved on the outdoor part of the business. They're probably going to be a bit more involved on the indoor part of the business. And I'm being very simplistic here because then we need to go into more details brand by brand. And SKU by SKU. But globally, that was one of the first approaches.

The second one is a complementary approach when we talk about go-to-market. Our strategy going to the market in Northern America and specifically, I'm talking here about the US and Canada, is probably not to go in district and region with one only agent, but to go with many different agents. And as we have said previously, the front office, the operational front office which is sales, marketing and R&D are going to be left independent.

The other element, which is also important for me and for us is – and I've just hinted at it. 11% of the business today is already connected. And it's connected partly in the home-part of the business, the professional part of the business with systems, but also, with loose controls offer, which we believe is an asset that can be deployed further in North America and beyond.

And lastly, we have a lot of technology, as you know, that we are developing in Signify for many years now when it comes not only - it's not only about connectivity and lighting, but it's also what we do for solar, what we do for 3D printing, what we do for horticulture or agriculture, what we're now doing also for Li-fi. And we see that platform, the Cooper Lighting platform and go-to-market a very interesting one to also promote all these new technologies in order to penetrate the northern American market faster. Once again, it's the most progressive and the biggest lighting market in the world.

Lucie Carrier: Thank you very much. I'll go back in the queue.

Operator: Thank you. Our next question comes from the line of Joseph Zhou from Redburn. Please go ahead. Your line is now open.

Joseph Zhou (Redburn): Hello, Eric and Stéphane, thank you for taking my questions. I have two. And my first question is about what you will do following the deal. So, this deal clearly moves you from a number four player to a number two player in the North American market. And compared to the Genlyte deal, what would you do differently this time? We all know that you have been around in the US for more than 10 years now and that there must have been a

lot of lessons learned from the Genlyte deal. I wonder what [inaudible] and things that you would do now compared to Genlyte. I think one of the points you mentioned was the brand consolidation and maybe you can elaborate a little bit on that as well? Thank you. That's my first question.

Eric Rondolat: Yes, good morning, Joseph. I think your read is correct in terms of positioning. Now, I would say that it's not only a different company that we are acquiring, but we are also different in terms of maturity and understanding of the US markets. You would remember that, at the time, Genlyte was the entry, of what was the company at the time Philips Lighting, into luminaire markets in the US.

I would say that the companies are radically different. You know, when you look at Genlyte, Genlyte was a very decentralised organisation with a very – with a lot of very autonomous brands, and autonomous brands, 48 of them at the time. And you know, moving through the transition, especially the LED transition, was very complicated to maintain such a platform that was not offering enough possibilities to rationalise and optimise. When we look at Cooper Lighting, it's a company which is very similar to us in the way it does the business, in the way it is organised. From a values standpoint, you know, I was myself here, not yesterday, it was Monday in Atlanta and I was discussing with the management team over there. And it was not the first discussion we had and every discussion we have had along that process reinforced the fact that we were sharing common values. We were sharing the same vision about the business, you know, strategically. From an organisational standpoint, we're talking about a company which is very similar to the way we do things. So, in terms of integration in our sphere, we're not talking about, you know, bringing a totally different animal, if I can put it that way, you know, it's an organisation that is fairly well structured in accordance to what we believe is the right way to do things.

You know, Genlyte, we had to substantially change the setup, not only from a manufacturing standpoint, not only from a supply chain standpoint, not only from a commercial standpoint. We had to modify so many things from what Genlyte was originally. That's not going to be the case here for Cooper Lighting. You have probably heard me in terms of integration plan. There's a very important mention, which is to maintain the front office independent. Meaning that there will not be brand rationalisation. We would keep the brands as-is and we're going to reinforce further their strength on the market, which means that the sales force, the agents, at the same time, the marketing and the R&D, which is providing adapted offer to that channel, will be maintained independent.

From a strategic standpoint this is also what we wanted to do at Signify, if we had not done that acquisition, which is operating in the different districts in Northern America with many reach to the market depending on what are the different abilities of agents to sell and what are their markets of destination. So, it is - it is – yes, it is not only a different company on their side. I think we are a different company on our side. And of course, the lesson learned from Genlyte was the disruption of the front office that you have now understood we're not going to do this time.

Joseph Zhou: Yes, thank you, Eric. That's very helpful. And my second question is on your channel structure strategy. We understand that the US market is very much dominated by the lighting agents and do you see any risk from competing with your existing brands in the US?

And what is the level of overlap? You know, for the agent networks in the different regions in the US?

Eric Rondolat: So, you know, we start from a situation that exists today, and today there may be, in some situation, competition. Now, you named it yourself. We go from a position of number four, number three to a position of number two. Even if we have a position of number two, and you look at the market that is not ours, there's a big market outside. So, that the way I look at it, I'm not obsessed about, you know, what are going to be the points of friction, which is the market share that we own. But I'm much more interested in how dynamic the two front offices are going to be, trying to take market share of what is not ours. And so, at this point in time, we are monitoring the situation. Yesterday we have been calling all our agents on both sides in order to explain to them the basic principle of that integration. In order for them to have a very clear understanding of what – of what we want to be doing. But once again, we're talking about stability and we're talking about continuity. I have myself, you know, a lot – I see a lot of opportunities in us catching a market share in the market share, which is not ours, which is the vast – which is still the vast majority.

Joseph Zhou: Thank you.

Operator: Thank you. Our next question comes from the line of Andreas Willi from J.P. Morgan. Please go ahead. Your line is open.

Andreas Willi (J.P. Morgan): Yes. Good morning. Thanks for your time. I have some questions around your assumptions for the EPS accretion calculation, if you could maybe help us with that. So, you talked about mid-teens impact in the first year. I assume that – does that include or exclude integration costs? And what will be the integration costs that you assume? And also, for the refinancing of the overall Phillips debt – Signify debt, what do you assume for the rate there and in your calculation? And has there been anything in the [20]19 performance of Cooper Lighting that we should know about, compared to the 2018 number that you have provided in the – in the release?

And the follow-up question is on the manufacturing or the setup of Cooper Lighting. How many plants do they have? How fragmented or centralised is their manufacturing in North America? Thank you very much.

Stéphane Rougeot: Yes, Andreas, thank you for your questions. So, let me start with more on the financial aspects. So, on the EPS, yes, indeed. On the first year, we expect the continued EPS to be in the mid-teens. We've taken into account, of course, integration cost. We've done, as you understood, some detailed due diligence and assessment on the synergies. It's too early for us to provide some information about those costs. We have, of course, our own estimates. We will, of course, provide information about those integration costs in due time, probably after closing. But it's too early right now, but we took that into account in our business case. We took that into account, of course, in the EPS. Now, remember, the EPS calculation for us, especially as the basis of the dividend, is a continuing EPS. So, it takes out the restructuring. It takes out all the costs that are non-recurring so that when we serve the dividend and calculate the dividend, we do it on the basis of a EPS that is normalised. And of course, that's what we have taken into account when we've said it would be an increase of mid-teens at the beginning and of course, going up later as we realise the synergies.

On the refinancing, so in terms of rate, of course, it's going to depend on the ultimate financing structure that we put in place and as we indicated, we will work on that in the coming weeks. And we expect either before closing or potentially slightly after closing, to be able to put in place that final financing structure. I won't be too specific; you know about the rates and you know about the financial market conditions. So, I won't be too specific. I don't want to prejudge about the discussions that we will have either with rating agencies or then with lenders. So, unfortunately, I won't be too specific, but I guess you can take some high-level estimates. This is also what we have taken into account in our business case, and then we will see what type of financing conditions we can get at the time of putting in place into the financing structure. Of course, we have assumed attractive conditions because we see the financing market, how they are, and we expect that in the coming months we'll still be able to access those attractive financing conditions.

On your question regarding 2019 performance, there is not much we can say. Everything that we've been told and that we have discussed with them looking at their 2019 performance, well, there was nothing particular compared to 2018. As mentioned by Eric, they had been performing in a satisfactory way. And we do not expect, at least what we have seen for the first two quarters and the trading update, anything different from – in terms of trends and performance compared to 2018.

And then finally, the manufacturing, yes, they have about 10 manufacturing sites, a mix of the US and Mexico. And yes, from what we have seen, there are opportunities to improve the efficiencies. So that's why we've indicated that in terms of synergies with respect to operational excellence, with respect to manufacturing standards, our teams, and as you know, we have a number of plants in the US and in Mexico. So, we have also experience in those locations. The teams will exchange to see how we can get the best practice and generate synergies there. That's what we have identified.

Andreas Willi: Thank you very much.

Operator: Thank you. Our next question comes from the line of Martin Wilkie from Citi. Please go ahead. Your line is open.

Martin Wilkie (Citi): Thank you. Yes, this is Martin from Citi. The first question is just to understand the outlook for the US market that you've embedded in your calculations for 2020. You've talked about mid-teens EPS and so forth. In that outlook, are you assuming that from a tariff perspective, from a market perspective, that it's essentially unchanged for 2019? Just to understand a little bit about the backdrop you assume for 2020.

The follow-up question would then be on tax. So, I understand there is a net present value of a tax asset and also Cooper was due to be spun out, Irish domiciled, which would have had a very low tax base. So, it was just to understand a little bit about where will Cooper be domiciled? Will it meaningfully lower the Signify tax rate and just how you have embedded that into your EPS and return on capital calculations? Thanks.

Eric Rondolat: Yes, so, Martin, in terms of outlook, we've taken the situation the way it is today, both in terms of tariffs and tariff impacts as they are known today and that's what we have taken into account in our perspectives. And same with respect to the macroeconomic

environment. We haven't assumed any improvement or any material degradation, but pretty much what we are seeing and the type of trading that we are seeing in the US these days.

On the tax assets. So, as you probably know, when there are acquisitions in the US, this is an asset deal from a tax standpoint and there you are allowed to amortise the acquisition goodwill, and that lowers your tax base in the US. So, this is what we have highlighted when we've made the calculation for the enterprise value. The amount is a little bit less than $100 million. And that is something that we will benefit from and will reduce our tax cash outflow moving forward. So that's, of course, both in terms of value and then in terms of business case and free cash flow. This is also what we have taken into account as a benefit.

In terms of domiciliation, at this stage, we will not change. We are acquiring the company and we will not change the structure of the company, both in terms of legal and in terms of tax standpoint.

Operator: Thank you. Our next question comes from the line of Sven Weier from UBS. Please go ahead. Your line is now open.

Sven Weier (UBS): Yes. Good morning. Thanks for taking my questions. So, first one here is on the timing. You just said that you do not assume any change in the operating environment in the US market, which obviously has been tough, also going by the acuity numbers. I mean, why is the timing then attractive to buy it? Given that there is unlikely to be any change in this environment. There's some structural pressure also, especially at the lower end of the market. So, could you just explain why the timing is attractive? That's the first one. Thank you.

Eric Rondolat: Look, I don't – I don't specifically remember that we said that the timing is attractive. You know, at this point in time, we know that the market is driven by a lot of uncertainties. It's not only between, you know, China and the US. It's also in Europe in many different – in many different ways. Now, there is a moment where there is an asset that is coming for potential acquisition and consolidation. So, you look at it whenever it comes. I'm not saying – and I don’t think we have said that the timing is particularly attractive. But the – the target in terms of strategic fit is particularly attractive, and I think that we have an interesting case also for value creation. And as you have seen, the way we have indicated the value that we believe we are going to create, we are talking about synergies that are more on the back office.

Of course, there are also other potential synergies on the front office, but at this point in time we take a cautious approach, and this is in general, you know, what we do, whatever the timing is for acquisition. We rely much more on the back office synergies than the front office synergies to assess value creation. So, that's the way we behave in general.

Now, moving forward, what can we say about the markets moving forward? You see the uncertainty that we see. But we believe that this opportunity to bring Cooper Lighting in the Signify world is one of the opportunities that we had to go for. If you remember, they had – you know, there has been a lot of different companies that came for consolidation worldwide and also on the US market. And if you take a bit more of distance, you would see that's in the past three to four years, probably 20 to 30% of the assets and the companies operating on the lighting market have changed ownership. So, we looked at all these movements and of course, you know, given our position, we were all the time consulted whether we wanted to go for it or

not. And no, the answer was no. Until that asset, you know, came for sale, we looked at it and we thought that it was a fantastic strategic fit with the potential to create value, once again, looking primarily at the back office synergies, and that's why we went for it. But in terms of timing, you know, we'll see what the future will bring. Of course, you know, when we have done our due diligence, we also have simulated many different scenarios in terms of markets with the uncertainty that we have in front of us. And we are comfortable on our capacity to adapt to whatever the market conditions are going to be moving forward.

Sven Weier: And then the follow-up question I had was just also on the deal rational in general, because if I remember talking to you in the past, you always sounded relatively sceptical about doing big transformative deals that don't really bring in any major new technologies. So, my understanding of your M&A strategy was more bolt-on technology-driven deals. I mean, you elaborated a little bit on that already on the previous question. But I mean, is it a fair assumption that you were rather a bit more sceptical on such big deals in the past, and you have changed your mind? Or did I misunderstand it in the past?

Eric Rondolat: Well, our position - well, you're not completely wrong, but you're not completely correct neither. Let me – let me rephrase what we said on and on. So, we had a clear, you know, M&A strategy, which was luminaire companies or bricks for systems or companies, you know, that would bring at platform and capabilities for services. And when we come to the first one, which is luminaire companies, we said we look for, you know, bolt-on acquisitions, probably small to medium size, unless there is a big company that comes for consolidation that we would have to look at. That was our position from the very beginning.

Now, I would not say that this deal is fundamentally transformational. I think it brings to us complementarity in terms of offers, complementarity in terms of go-to-market on the market, which is extremely important in terms of size and extremely important in terms of us achieving our final objective and strategic aim, which is to move the industry to connected lighting. So, this is why it was attractive. So, it's true that we very often talked about bolt-on, but we never exclude the fact that if there was one big asset coming for consolidation, we would look into it.

Sven Weier: Ok, thank you, Eric.

Operator: Thank you. Our next question comes from the line of Marc Hesselink from ING. Please go ahead. Your line is now open.

Marc Hesselink (ING): Yes. Thanks for taking the question. My question is actually on your explanation what this will do to the US markets. So, you clearly reinforce your own position. But will there also be some really positive benefits for the market as a whole, given that this consolidation is happening?

Eric Rondolat: Yes, I believe it is good for Cooper Lighting, I believe it's good for Signify, I think it's good for the market. It will help us to further develop innovative technologies. And this is one of the things that we have started to look at, you know, also with the team of Cooper Lighting, which is, as I was mentioning previously, systems, you know, we have developed a suite of software platforms by vertical that we call Interact. We have developed leading technologies in agriculture, in solar, in 3D printing, in Li-fi. We're going to be able to bring these technologies to the go-to-market of Cooper Lighting and I think that's also one clear way to bring the market up. That's also one clear way to increase the level of involvement of our

customers and further differentiate the lighting industry. So, yes, I believe it's positive for the US market because with Cooper Lighting we're going to be able to do that much faster than what we would have done on our own.

Marc Hesselink: Yes, so clearly you talked about cost synergies, but is then - there's also a significant amount of revenue synergies then?

Eric Rondolat: As I've said previously, you know, what we've looked at today is the opportunity that we have. This company is being spun off and you know the opportunities that spin-offs, you know, are bringing. So, we looked at it in exactly the same way and we are focusing on that because this is something that we know how to do, which is fairly sure, which is, you know, self-help. Basically, we can do it whatever the conditions are on the market. And that's what we are focusing on primarily. Of course, there are other potential benefits that we have not, you know, at this point in time, particularly sized. That's an exercise that we're going to do, you know, in more details between signing and closing. But yes, there's probably more to it than the synergies that we have described here.

Marc Hesselink: Ok. Thank you.

Operator: Thank you. Our next question comes from the line of Daniela Costa from Goldman Sachs. Please go ahead. Your line is open.

Daniela Costa (Goldman Sachs): Hi. Good morning. I have only two things left. The first one is, I guess your own business in the US is sizeable as well, in terms of when you go a little bit more underneath in product categories or areas. Is there sort of, any trims that you would have to do given overlaps might get too large? Just thinking about sort of, regulatory considerations there.

And then the second sort of, a small point you mentioned ROIC above WACC, I have been trying to find the WACC. What do you assume for WACC in your annual report, but – I couldn't find it. So, can you help us on that? Thank you.

Eric Rondolat: On your first question, Daniela, good morning. The market is very large in North America. So, having offers that overlap is not really an issue. Understanding that fundamentally, there's more complementarity in the catalogue than overlaps. From a regulatory perspective, I mean, we're going to go and carry, you know, the normal processes. Of course, we have simulated them in our due diligence process and we're going to be now very active and very quick in filing in the different jurisdictions where we need to make that happen.

Stéphane Rougeot: Yes, and Daniela, the WACC for the company's 8.5%. I don't know the page of the annual report where you can find it, but it's 8.5%.

Daniela Costa: That's alright. Thank you very much.

Operator: Thank you. Our next question comes from the line of Lucie Carrier from Morgan Stanley. Please go ahead, Lisa. Your line is open again.

Lucie Carrier: Oh, hi. Thank you. Thanks for the follow-up. Just two – two quick questions. The first one was around – if you could remind us your share of connected lighting in the professional – because I think you said Cooper was 11%. I was just hoping we could compare between Signify and Cooper.

And then the second question was more around the manufacturing footprint. I mean, I see it doesn't seem to be included in your new synergy generation. So, is it fair to assume that there is no plan at the moment to consolidate the production and you will still also keep, you know, a separate kind of production footprint?

Eric Rondolat: Lucie, if you take into account the connected lighting, if I do a rough calculation, we said at the time we are – and we compare apples to apples. So, if we look at the professional part of the business, we said that we had around 650 million, you know, in connected lighting, which was slightly above 20% for professional and about 300 million for the home side of the business of Signify. So, I would say that at this point in time Signify are probably above the 11%, but, you know, joining forces will be a huge asset on the American market, which is the most progressive.

On the manufacturing footprint, synergies are included, you know, of any – of any type. Now, we are not specifically disclosing, you know, what it is, but we believe that there are improvements that we can do in terms of operational excellence also on that front. They are included in the $60 million.

Lucie Carrier: Thank you.

Operator: Thank you. We're now approaching the end of the call. We will now take our last question from the line of Andreas Willi from J.P. Morgan.

Andreas Willi: Yes, thanks for the time again. I just wanted to follow-up on your own US professional business if you could – or North American professional business, whether you are happy to share, kind of, where that stands now in terms of size and profitability so we can look at the two together. Thank you.

Eric Rondolat: Yes, Andrea this is not something that we disclose specifically, but, you know, our business has been improving over the years. You know, after the important restructuration that we had to do five years ago, and that business is developing itself satisfactorily at this point in time. You know, once again, the go-to-market will be – will be independent, but our business has continued to improve in that part of the world.

Andreas Willi: Thank you.

Operator: Thank you very much, and I would like to return the conference call back to the speakers.

Robin Jansen: All right, thank you, ladies and gentlemen. Thank you very much for attending today's call and for taking part in the discussion about the transaction. If you have any additional questions, please do not hesitate to contact the IR team. We're very happy to answer your questions. And again, thank you very much and enjoy the rest of your day.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you very much for attending. You may now disconnect your lines.

[END OF TRANSCRIPT]