



Signify Annual General Meeting of Shareholders 2023

Presentation by CEO Eric Rondolat

May 16, 2023 | Eindhoven, the Netherlands

Good afternoon, ladies and gentlemen. Let me start by saying it's quite a special day for us. Not only is it the International Day of Light, but it is exactly five years to the day since our company became Signify.

Let's now look back at 2022.

The world endured a third year of exceptionally challenging conditions in 2022. War returned to Europe with the Russian invasion of Ukraine, and the external environment grew increasingly more volatile throughout the year. This profoundly tested our agility and resilience, and led us to adapt the company and our objectives accordingly.

At the same time, the increased urgency of energy efficiency heightened the relevance of our extensive portfolio of sustainable and connected lighting solutions.

By the close of 2022, our two digital divisions had grown to represent more than 85% of sales, profit and cash, up from 80% in 2021. We increased our installed base of connected light points to 114 million globally. Our connected lighting business and growth platforms grew to reach almost EUR 2 billion of sales.

Comparable sales growth was 1.2%, benefiting from traction in the professional segment, partly offset by the impact of COVID-related measures in China, and softness in the consumer segment.

Adjusted indirect costs amounted to 28.9% of sales, a decline of 70 basis points year-on-year. We invested 3.9% of sales in R&D and further invested in digitalization initiatives.



Our Adjusted gross margin declined by 210 bps to 37.3%, mainly due to inflation and an adverse currency impact. Adjusted EBITA margin consequently declined by 150 bps to 10.1%.

We had free cash flow of 445 million euros, representing 5.9% of sales impacted by persistent supply chain disruption and long supplier lead times.

We successfully completed the second year of our Brighter Lives, Better World 2025 sustainability program.

We also reinforced our leading position with the acquisitions of Fluence and Pierlite. Fluence strengthens our global Agriculture lighting growth platform, extending our position in the North American market. On the other hand, Pierlite's strong local distribution network and well-recognized brand strengthens our position in Australia and New Zealand.

Let's focus now on our commitment to sustainability.

In 2020, we launched our Brighter Lives, Better World 2025 sustainability program, with the objective to double our positive impact on the environment and society. We continued to make substantial progress towards that target in 2022.

Having reduced our operational carbon footprint by more than 70% over the last decade, we ramped up our efforts in 2022 to minimize the impact of climate change across the entire value chain. We are on track to deliver against our ambitious goal of doubling the pace of the Paris Agreement's 1.5° scenario by the end of 2025 across all Scopes.

Last year, 29% of our revenues came from circular products, systems or services. 27% of our revenues were Brighter lives revenues.

At the same time, we increased the percentage of women in leadership to 28%.

We are proud of having published our first-ever report on Diversity, Equity, and Inclusion at Signify in 2022. We confirmed that we have achieved gender pay equity. This means that men and women throughout our organization are paid equitably for the same or similar work.



Our sustainability commitment and performance were again recognized externally. We were included in the Dow Jones Sustainability World Index for the sixth consecutive year, and were ranked in the top 1% of our industry by Sustainalytics. We were also again recognized in CDP's Climate A list for our leadership in environmental performance.

Let's now take a deeper look at how we continued to execute our 5 Frontiers strategy.

We are building a more customer-focused and more localized operating model and we are driving improvements in process excellence. In 2022, We achieved a strong customer Net Promoter Score of 44 globally despite very adverse supply conditions.

We are delivering differentiated offerings through multiple distinctive brands. We expanded our Ultra Efficient LED portfolio and extended it into the professional sector, offering 50 to 60% greater savings to energy-conscious customers. In fact, we have a 40W LED A-class bulb as a gift for our shareholders today, so you can test this technology for yourself at home.

We are driving 5 growth areas to help address the world's greatest sustainability challenges: climate action, circular economy, food availability, safety & security, and health & well-being.

Our investment in the Internet of Things is bearing fruit. We have now surpassed 100 million IoT-connected devices. And on the consumer side, our WiZ and Philips Hue lamps were the first in the lighting industry to support the Matter standard for smart home interoperability.

As we drive growth for sustainability, our connected lighting and growth platform sales grew to reach almost 2 billion euros.

Revenues from our Growth Platforms – that is, Agriculture, Solar, 3D Printing and UV-C – grew to almost 400 million euros.



We continued to prioritize digital transformation initiatives, almost doubling our investment to deliver meaningful progress at speed.

In 2022, direct online sales made up 12.5% of revenues. We launched online channels for some of our new offerings, modernized our online presence across multiple markets, and improved the robustness of our digital platforms.

Last year, we also invested further in our people to create a diverse and inclusive workplace, and to deepen our digital and commercial competencies.

We were able to return to the pre-pandemic situation, with our offices and factories as our standard workplace.

Our Employee Net Promoter Score was 36 in 2022 – its highest-ever recorded level.

Nearly 80% of our senior management and leadership roles were filled internally, which confirms our strong internal succession pipeline.

Let's look briefly now at the highlights of where our strategic journey has brought us so far.

We are the world leader in conventional, LED and connected lighting. We provide high quality and efficient light sources, luminaires, systems and services.

We achieved 7.5 billion euros of sales in 2022. We employ more than 34,000 people in 74 countries.

Our company has achieved a major transition over the past decade.

In 2012, we generated just 22% percent of our sales from LED-based activities. By the end of 2022, this had increased to 83%.

A growing number of those were connected. Connected-based sales represented 21% of total Signify sales in 2022, including Cooper Lighting.



Let me now talk you through our performance in the first three months of this year.

We reported first-quarter sales of 1.7 billion euros, a comparable sales decline of 9.1 percent, and an operational profitability of 8.9 percent.

We increased the installed base of connected light points from 114 million in fourth-quarter 2022 to 117 million in first-quarter 2023. LED-based sales represented 82 percent of our total sales in Q1.

A few more words now on the outlook for full-year 2023.

For this year, we expect:

An Adjusted EBITA margin in the range of 10.5–11.5%; and

Free cash flow between 6–8% of sales.

Now I'd like to talk a bit more about our Connected Lighting Systems and Growth platforms.

As part of our drive to be a Great place to work, 86 of our offices have installed Signify's own leading technology to make our workplaces healthy, productive, and inspiring, including our Interact IoT platform, NatureConnect, UV-C disinfection lighting, and Trulifi.

Our LED lighting and 3D-printed luminaires address Climate action and the Circular economy.

For example, Everlast gyms in the UK elevated the training experience at 69 of their sites. They now consume a fraction of the electricity previously needed.

They are also helping to make the economy more circular with our tailor-made 3D printed pendant and projector lights.

We're tackling Climate Action and Safety & security through our solar-powered solutions. The Signify Foundation brought our energy efficient LED battens and solar-powered street lighting to a vocational training center in Arusha, Tanzania, keeping the surrounding area well-lit and safe, while generating no electricity costs.



Our horticulture lighting solutions help address Food availability and are used by growers around the world. For example, the Nedre Hanasand nursery in Norway increased its high-quality tomato yield by 30% year-round, and improved its environmental profile, thanks to Philips GreenPower LED toplighting.

Our UV-C solutions also support Health & well-being. Even with the gradual return to everyday life post-pandemic in most countries, high hygiene standards are set to remain the cornerstone of our social coexistence. That's why places like Bad Dürkheim in Germany equipped busy public spaces with our disinfection solutions, which can be seamlessly integrated into the existing environment.

Before I close, let me mention the great work of the **Signify Foundation**, an independent NGO funded by Signify that enables under-served communities to access the benefits of sustainable lighting solutions.

The foundation focuses on 3 key areas.

First: Lighting lives by supporting a range of sustainable projects.

The foundation has enabled access to sustainable lighting technology for 8.3 million people globally since it began operating in 2017. We are on track towards our target of lighting 10 million lives by the end of 2025.

Second: To date, we have supported 12,000 local entrepreneurs with training and knowledge programs, building their competencies to enable community development.

And third: Lighting to help relieve humanitarian crises. The foundation redoubled its efforts to provide relief for displaced people in 2022.

Signify has committed 800,000 euros in cash for the foundation to provide immediate relief and medium-term developmental support for Ukraine. Over 35,000 lights were sent to international aid agencies in 2022. The foundation also worked directly with local organizations to provide lights to shelters, schools and hospitals. Many Signify employees worldwide also donated directly to the foundation's relief efforts.



In closing, on behalf of the Board of Management and the Leadership Team, I'd like to extend my thanks to all our employees for their commitment and dedication over the past very demanding year. We are grateful to our customers for their continued trust, and to our shareholders for their confidence and support, especially as we navigate these challenging circumstances.

Our world remains volatile in 2023. Yet I am confident we will weather the storm and adapt to become an even stronger company and fulfil our promise to making lives brighter and our world better.

Thank you.