REFINITIV STREETEVENTS

EDITED TRANSCRIPT

LIGHT.AS - Q1 2025 Signify NV Earnings Call

EVENT DATE/TIME: APRIL 25, 2025 / 7:00AM GMT

CORPORATE PARTICIPANTS

Thelke Gerdes *Signify NV - Head of Investor Relations*

Eric Rondolat *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

Zeljko Kosanovic *Signify NV - Chief Financial Officer*

CONFERENCE CALL PARTICIPANTS

Martin Wilkie *Citigroup Inc - Analyst*

Meihan Yang *Goldman Sachs - Analyst*

Tim Ehlers *Kepler Cheuvreux - Analyst*

Marc Hesselink *NG Group - Analyst*

Claire Liu *Morgan Stanley - Analyst*

Adam Parr *Redburn Atlantic - Analyst*

Anna Ractliffe *Bank of America - Analyst*

PRESENTATION

Operator

(Operator Instructions)

Hello and welcome to the Signify's first quarter 2025 results conference call hosted by Eric Rondolat, CEO Zeljko Kosanovic, CFO, and Thelke Gerdes, Head of Investor Relations.

(Operator Instructions) And now I'm pleased to have the call over to Thelke Gerdes. Please go ahead, ma'am.

Thelke Gerdes - *Signify NV - Head of Investor Relations*

Good morning, everyone, and welcome to Signify's earnings call for the first quarter 2025. With me today are Eric Rondolat, CEO of Signify and Zeljko Kosanovic, CFO.

During this call, Eric will first take you through the first quarter highlights, after which Zeljko will present the company's financial performance. Eric will then come back to discuss the outlook for the remainder of the year. After that, we will be happy to take your questions.

Our press release and presentation were published at 7:00 this morning. Both documents are available for download from our Investor Relations website. The transcript of this conference call will be made available as soon as possible.

And with that, I will hand over to Eric.

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

Thank you, Thelke. Good morning, everyone, and thank you for joining us today.

Let's start with some highlights, for the first quarter of 2025 on slide 4. Our first quarter performance landed, in line with our expectations, showing sequential improvements in most of our businesses with a strong contribution of our connected offers. Indeed, we increased the install base of connected light points from EUR126 million in Q1 '24 to EUR153 million at the end of the last quarter.

Nominal sales decreased by 1.3% to EUR1,448 million, including a positive currency effect of 1.4%. Comparable sales declined by 2.8% as growth in the consumer business across all regions was upset by weakness and in professional Europe and the OEM business.

Comparable sales declined by 0.9%, without the negative drag of the conventional business. Collected sales grew in the professional and consumer businesses.

In China, we saw a faster than expected return to growth in both professional and consumer segments, which brings optimism for the rest of the year. And the adjusted EBITA margin decreased by 30 basis points to 8%, mainly due to the adverse absorption of fixed costs, as well as the weakness of the high margin professional business in Europe, causing an adverse segment mix effect. These two effects offset the benefits from the cost reduction program.

Net income came in at EUR67 million compared to EUR44 million in Q1 last year. The year-on-year improvement is mainly driven by lower restructuring costs and financial expenses. Finally, our free cash flow generation was EUR40 million this quarter.

Let me now move on to our four businesses and starting with Professional business on slide 5. Nominal sales in Q1 were EUR942 million with comparable sales showing a decline of 1.8%. During the quarter, we saw sequential improvements across most of our businesses and robust growth of agricultural lighting.

In Europe, we saw continued softness, particularly in the trade channel and the public segment. The adjusted EBITA decreased by 30 basis points to 7.1% and showed great resilience. Indeed, the negative contribution of Europe was partially compensated by a profit expansion in all of the other businesses and the contribution from our cost reduction program.

Let's now move on to the Consumer business, and we move to slide 6. And nominal sales in Q1 were EUR311 million and the business achieved sales growth of 3.1% with a positive contribution of all the regions. During the quarter, we continue to see strong demand for our connected home offerings, in particular, driven by online sales.

We are also happy to report that our Chinese consumer business has returned to moderate growth. As a result, the top line growth and the cost reduction program, our adjusted EBITA margin improved by 40 basis points to 10.8%.

Continuing with the OEM business on slide 7, and nominal sales were EUR92 million with comparable sales showing a decline of 10.7%. I would like to give a little more perspective on that performance, and about half of that decline is attributable to two major customers, and we believe that this effect will persist in the quarters ahead.

In addition to this, we also are seeing a market environment with intensified price pressure on the gross margin, very specifically in the company business. Consequently, the adjusted EBITA margin decreased to 4.2% due to the gross margin impact and under absorption of fixed costs. Given the start of the year, we anticipate an adjusted EBITA margin in the mid to high single digit in 2025 still remaining above industry average.

And finally, let's go to the Conventional business on slide 8. Nominal sales in Q1 were EUR92 million with comparable sales showing a decline of 23.9% reflecting the structural decline of that business. The business retained a solid adjusted EBITA margin of 18.4% also driven by positive pricing.

On the next slide, this is slide 9. I would like to discuss a couple of business highlights. Starting off with the latest Corporate Knights rankings. We were ranked 15th globally, in the global 100 most sustainable corporation by Corporate Knights. But we also ranked 3rd in our sector, which is a testament to our leadership in sustainability.

Our Professional business upgraded the landmark lighting of the Pasupati Bridge in Bandung in Indonesia. So this project we partnered with the Bandung and city governments to install dynamic lighting on the Pasupati Bridge. The new lighting will enhance the visual appeal of this landmark and reinforce its status as a city icon. The installation enables flexible, theme-based lighting, and through the automated control, the city will achieve 47% of energy save.

The Professional business also delivered the lighting for Renault's concept store in Milan, Italy. We equipped this new concept store with customized lighting solution using 3D printing and providing connectivity through the Interact Retail management platform. The lighting design enhances the immersive customer experience and supports Renault's brand identity focused on innovation, design, and sustainability while delivering 60% energy saving.

Moving on to the Consumer business. So we rolled out new features for the Philips Hue Secure cameras. These include smoke alarm, sound detection, allowing users to receive instant alerts and activate navigational lighting during emergencies. We also enhance the compatibility with other smart home systems such as Amazon Alexa, Google Nest Hub, and more. These updates improve a real-time safety response and enable broader integration into smart home ecosystems.

Next, on slide 10, I would like to discuss our sustainability performance. The first quarter of 2025 marked the start of Signify's fifth and final year of its Brighter Lives Better Worlds 2025 sustainability program commitments.

During the first quarter, we were tracking ahead of our 2025 target to reduce emissions across the entire value chain by 40% against the 2019 baseline. Circular revenues increased to 36%, up 1% versus the previous quarter and surpassing the 2025 target of 32%.

The main contribution was from serviceable luminaires in the professional business with a strong performance from horticultural lighting. Bright to large revenues remained at 33% and beyond the ['25] target of 32%. This includes a strong contribution from both consumer and professional products with eye comfort that supports health and well-being.

The percentage of women in leadership position decreased by 1% to 27%, which is not in line with our 2025 ambitions.

And with this, I would like now to hand over to Zeljko who will take you through our financial performance in more detail.

Zeljko Kosanovic - *Signify NV - Chief Financial Officer*

Thank you, Eric. And good morning to everyone on the call.

So let me dive straight into the financial highlights on slide 12, where we are showing the adjusted EBITA bridge for total Signify. The adjusted EBITA margin will decrease by 30 basis points from 8.3% in Q1 2024 to 8% in Q1 this year. With the following developments: The negative volume was 50 basis points. The combined effect of price and mix was negative 200 basis points. The effect of price erosion remained stable compared to the previous quarters. And this effect is partially compensated by our bill of material savings and other cost savings, which had a positive effect of 120 basis points.

It's also good to highlight that the Q1 2024 gross margin comparison base was at a historically high level of 41.2%. Indirect costs improved by 120 basis points on adjusted EBITA margin level, reflecting the capture of savings from our cost reduction program. We are also continuing to see a segment mix in our total business driven by the decline of a high margin professional Euro business as Eric had mentioned earlier. Finally, the currency has a small negative effect of 20 basis points.

On slide 13, I'd like to zoom in our working capital performance during the quarter. Compared to the end of March 2024, working capital reduced by EUR31 million or by 10 basis points from 7.3% to 7.2% of sales. Inventory decreased by EUR41 million. Receivables reduced by EUR23 million. Payables were EUR38 million lower. And finally, other working capital items reduced by EUR5 million.

And with that, I would like to hand back to Eric to wrap up with the outlook and closing remarks.

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

Thanks, Zeljko. Let's, conclude with the outlook on slide 15.

Our teams are highly focused on executing our mitigation plans for the short-term impact of tariffs in Q2, while also implementing more structural measures and to address the second half of the year.

We have built sufficient inventory in the US to cover our exposure in Q2 and have stopped all further imports from China to the US. Our global production and sourcing footprint is allowing us to quickly ramp up our sourcing from geographies other than China, which will be fully in place in H2.

Based on our performance in Q1, our current market visibility, and these measures to mitigate trade tariffs, we confirm our guidance for the year. So we continue to expect a low single digit comparable sales growth excluding conventional.

We also expect a stable, adjusted EBITA margin compared to 2024. And finally, we are continuing to expect a free cash flow generation in the range of 7% to 8% of sales and driven by a strong cash conversion.

Our share buyback program began in February. And we already completed the share repurchases to cover share-based remuneration. We are now continuing with the share repurchases for capital reduction.

And with that, I will hand over back to the operator for the Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Martin Wilkie, Citi.

Martin Wilkie - *Citigroup Inc - Analyst*

The first question was just to dig deeper into the tariff comment you just made a moment ago. It sounds like you can shift all or certainly a good amount of the China sourcing in the second half. Does that cover all components, and I'm guessing you're buying a lot of electronics and other things that are -- at the moment, very heavily dependent on China for certain components. Just if you give us a bit of clarity as to where you can source those from, is it 100% of what you buy from China just to understand how you're shifting that sourcing.

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

When we talked, at the end of Q4, in the previous report, we talked about, less than 20% being our imports to China that was encompassing everything.

Of course, at the time, it was 25%, [145] is slightly different. So, we have decided, a few weeks ago that we needed to have a very flexible, supply chain, especially given, the uncertainties that are still lying ahead. And the very high volatility that we've seen in the way the tariffs were implemented in the past weeks.

So we are basically, carrying many activities with suppliers, also with our own manufacturing plants in order to be able to move the productions that are Chinese dependent, whether they are finished products or components and to other countries.

Now what is important also, Martin, is to understand the notion of country of origin. So there's a percentage of added value that we need to reach in order to define and that the content is local, so the teams are looking at all these different element.

So the answer is yes, we have a plan and to be able to mitigate and flexibilize the supply chain to the absolute maximum and to have the choice to produce in China or in other countries. The countries that we are targeting at this point in time are mainly countries of Asia with our suppliers or with our own factories.

Martin Wilkie - *Citigroup Inc - Analyst*

And a follow up on tariffs, obviously, as an industry, there are many lighting players that are fully sourced in China, in particularly white label manufacturers, things like that. So competitors to you. It's probably too early to tell, but it is an opportunity for you to gain share then in the US if other smaller competitors of yours are much more dependent on China and perhaps are less able to do that sourcing shift that you're looking at.

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

Yes, we do believe so. But then it's a matter of time and it's a matter also of timing. But when you look at our footprint, basically, we talked a bit about it previously, but there's a limited portion of the import that are coming from Europe, and here we can adjust through cost improvements or some price increases, which we have started to implement in the US.

Then the big part of what we import to the US is coming from Mexico and Canada. And for this, we are under the USMCA agreement, meaning that most of what we import is not subject to tariffs. And that's a big advantage.

And then we have less than 20%, which is coming from China, and we think that, that profile is much better effectively than other competitors that are much more dependent on China.

So, it's a game where we can have a lot of opportunities and speed is obviously to be able to see customers that are depending from some competitors and try to convince them to work with us. So these are the actions that we also carrying at this point in time on top of all the other actions that we do in the back office.

So yes, Martin, we believe that our footprint is advantageous compared to others, and we could potentially acting very quickly in the coming months and take some shares.

Operator

Meihan Yang, Goldman Sachs.

Meihan Yang - *Goldman Sachs - Analyst*

Meihan Yang, Goldman Sachs. I have two, so first one is what have you observed on demand and pricing, and what you have done in the first few weeks since tariffs got implemented in April and I'll ask the second one.

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

Yes, Meihan. Look, in terms of pricing, what we've seen if you do was a relative stability, when it comes to price in most of our businesses, I really have report we've seen heightened intensity when it comes to price on the OEM business, but it's very specific -- with a very specific technology, but it's not been the case throughout the rest of the portfolio.

We have started to increase price in the US and we have communicated that to the market and it's already accepted. And we're monitoring the situation because pricing is a factor of two things. First, where is competition, in order to stay competitive, and making sure that we have a price which is on the markets below the threshold above which there are stronger incidents on the demand. So it's a complicated equation, but this is what the teams are doing locally. Trying to increase price, remaining competitive, and still attractive on the market.

Meihan Yang - *Goldman Sachs - Analyst*

The second question is, there's been talks on there could be a potential tariff deal with China if anything is negotiated and there could be a step down in the tariffs. Should we expect a material step up in your own inventories in 2Q if there is actually a deal?

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

That's not what we planned. That's not what we have simulated at this point in time. I think the time is to --what I would say extreme consciousness also on our side, on the side of our customers because there's a lot of volatility, there's a lot of uncertainty. We just trying to adapt having a very flexible supply chain. I think that's the name of the game, and we can do it because we have a global footprint and we have a manufacturing plants and suppliers all over the world, and that's what we're trying to do at this point in time. I think it's not about doing eventually at this stage, it's about making sure that we are extremely flexible to adapt to whatever we're going to have to face in the future.

Operator

[Chase Coughlin, Hansfoot Campden].

Unidentified Participant

I'll start off maybe with regard to the professional demand in Europe. Of course, you mentioned in the press release and the presentation there was quite a bit of margin effects there from the mix. I'm curious on, yeah, we're seeing some rates come down. Are you seeing any improvement in the order book there or what are your expectations in terms of recovery for the rest of the year?

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

Look, we are -- as we said previously, we're cautious on Europe. Yes, the rates are coming down, but we see also the economy is being in a situation of transition.

We've seen still an economy in Germany, in the UK, now in France, being quite impacted at this point in time. So we've seen that slowness continuing. Of course, in Q1, this is where we still have a high compare versus last year when it comes to our governments in Europe, both top and bottom line.

But we're cautious. The rates are down. It's a positive. It has not translated at this point in time in an immediate business recovery. We are staying cautious for the rest of the year in Europe, and we are pretty much in line with what we said at the time, which is, of course, Q1 is a high compare, but we believe that the business should moving forward, stop degrading and stabilize, but we don't plan a rebound in Europe in 2025.

Unidentified Participant

And then as my follow up, regarding the full year '25 margin guidance, of course, you still expect a stable margin, no change there, but I'm curious because I think it sounds like the OEM margin was perhaps incrementally worse than last communicated and now of course there will be some effects from tariffs and then as you mentioned again, maybe Europe stays weaker for longer. You're quite cautious there.

So I'm curious on what's your thought process there in terms of what are the positive margin drivers do you think that they will now -- the cost savings will be able to offset some of these more incrementally negative items now, or how are you thinking about that?

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

Well, Chase, first of all, you may remember when we gave our guidance in -- at the end of Q4, we were told that we were very conservative. So I think the guidance that we give at this point in time, because when we give a guidance for the year, we try to make the right assumptions of what can happen, and I think we did well because, maybe it was seen as cautious, but when we see where we are now, probably it was the right thing to do, to be cautious in an environment ,which is extremely volatile.

So now we see, if you take a bit of distance and you look at the big ticket items, we believe that we're going to do better than we had forecasted initially on the consumer business. We believe that we're going to do a bit worse than we had initially forecasted on the OEM business, but we believe that one can compensate the other one and we maintain our guidance for the year.

Operator

Tim Ehlers, Kepler Cheuvreux.

Tim Ehlers - *Kepler Cheuvreux - Analyst*

So the first question would be about the price development you mentioned and the cost savings that partially offset the price pressure and the gross margin development. Could you maybe elaborate a little bit more on what you see there in terms of trends and do you see the ability to offset declining prices with better input cost going forward, or is there some downside risk that costs could come up eventually.

Zeljko Kosanovic - *Signify NV - Chief Financial Officer*

So maybe to give a bit of perspective on the different components on the dynamics of the margin. As Eric mentioned earlier, first of all, what we've observed and that has been confirmed over the last quarter is a stabilization on the dynamic of pricing, that we've seen -- confirmed also if you want. At the same time, we're also seeing the volumes, improving sequentially.

And then to your question on the effect and the contribution of in particular, a bit of material savings, we do have a very strong line of sight on the ability to extract further bit of material savings moving forward.

So I think we have with the different components, stability on price, improvement on the volume, and continued contribution momentum of coming from the bill of material savings, which is also coming from all the efforts we are taking on the procurement side as we speak. So I think these are the different elements we see.

Tim Ehlers - *Kepler Cheuvreux - Analyst*

Okay. So net-net gross margin should come up again in the next quarters.

Zeljko Kosanovic - *Signify NV - Chief Financial Officer*

What we had indicated earlier, if you, recall, I think the comparison base, of course, if you look at Q1 in particular, that was the highest comparison base. So we are positioned at, let's say at a very, solid, 40.8% in Q1. So what we see is a stabilization moving forward with all those different components, playing together. But again, it's good to remind that we are comparing ourselves to what was a relatively high comparison based in 2024.

So stabilization --

Tim Ehlers - *Kepler Cheuvreux - Analyst*

I think that.

Zeljko Kosanovic - *Signify NV - Chief Financial Officer*

All the components of the gross margin playing as I indicated.

Tim Ehlers - *Kepler Cheuvreux - Analyst*

And for our question on China, you mentioned that things are actually improving there better than expected. Could you explain the dynamics a little bit? Maybe also comment a bit on the pricing environment because I know that it has been very challenging for you guys. Which trends do you observe in China?

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

Yeah, 2024 has been very difficult for us in China. I think we explained it many times, when we reported our results last year. But we worked a lot especially, in the second half of 2024.

On adapting to the market, rebuilding some of the portfolio offerings. We also looked very specifically at some go to markets. And I think, we're reaping what we have sown basically in Q1, understanding that Q1 is in 2024, the best quarter for China.

We had a sequential degradation in Q2, Q3, and Q4. So at the end of the day, it's a very good sign that the efforts that we have done in the second half of 2024 are bearing fruit at this point in time. And we have, I would say a performance, which is first showing growth both on the professional and the consumer business.

The profitability has never been the problem because we adjusted it, but the profitability that we're recording for both of those businesses in Q1 2025, as we have said also previously, is a credit. So at the end of the day, it's a top line game there and we're very happy with what we see in Q1 and as Q1 was our weakest -- strongest quarter in 2024, it's a good thing for the rest of the year.

But what we're doing there is solid. It's about the offer. It's about the channels, it's about the go to markets, it's about the customers. Are we out of the woods? We're not out of the woods, but I think the good start that we take in 2025 Q1 is a very good sign for the rest of the year.

So, I was probably -- in the past, discussions very cautious on China. We were when we started the year very cautious on China. What we see today is that China could be a positive contributor to the performance in 2025 and certainly above the expectations we had when we started there.

Operator

Marc Hesselink, ING.

Marc Hesselink - *NG Group - Analyst*

First question is actually on the US market. I think in the previous update you really called out the US as being one of the strong parts of the portfolio. I think it's still relatively strong, also looking at what some of the comments on the geographies and for example, also on horticulture. Just want to get your full picture on how you see that market. Is it as strong as it last year? Is it changing a bit, and yeah, also given the tariffs and just on the demand side, did you see any impact there yet?

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

When we look at the portfolio of countries and geographies, probably, things are changing a little bit because we see now India being very strong. We see China becoming also strong. It's very important for us because these are countries where we are well implemented and for a very long time enjoying very high market share in India and probably much lower market share in China, but in markets that have their own dynamics. So we believe that these markets are going to contribute positively.

We've talked about horticulture. Then would come the US market, which has still been, in Q1 performing still better than Europe. But you start to see, small signs in the US of investment that could take place and maybe are not taking place out of consciousness because not only about the tariffs, also because of an expectation on the rates.

I think the US market has been for us systematically much more sensitive to rates, then the European market takes a bit more time in the European market, but it goes very quickly in the US. So look, we don't see alarming signs in the US in Q1, but we are cautious. We know that price increases could at one stage. The demand. If you remember, Mark, this is also the reason why we didn't transfer you know all the inflation to price in '21 and in 2022 just to make sure that we were staying at a level that was helping the demand not to fall.

Now you know what the future is made of, we don't know. We will just adapt with that. We just adjust. Now what we also think is when it comes to price increases, given our footprint and given our strong footprint in Mexico and Canada, we probably will have to increase prices much less than others in order to cover for the tariffs.

So at this point in time. No signs that the market is impacted by the tariffs, but we know that they can be and there will be a bit of a pressure on price that can on one hand impact the demand, but the price will also increase the top line. So we're navigating in those two different types of situation and we try to find the right balance. This is where we are at this point in time.

Marc Hesselink - *NG Group - Analyst*

And then the second question on the OEM. You call out the two large clients, and the price pressure, but also sometimes in the past there's also been a bit of a division that is a bell water for the rest of the industry, maybe also because stocking effects and just try to separate that is this -- these two clients, is that a one-off element? is it more structural, does it concern you that this business is deteriorated a bit or is it more of a quarterly blip? Just a bit more detail please.

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

Yeah, important question, Mark. Look, First of all, we see that business is very different from the other ones given the technology that it's using and also given the competitive landscape and it's nature, which is more, a global business and a regional business.

But at the end of the day, yeah, we wanted to call two large clients because they're part of -- they make 55% of the decline that we have experienced. So for one of them, it's in the US and it's a known story that one of our customers bought a business, which is similar to our OEM business to insource. And that has been an ongoing situation because we were doing big volumes with that customer and we've seen a regulation over probably a year to a year and a half.

So it's still continuing at a lower level, but we have also with that customer, agreed volumes and the volumes in Q1 were much lower than the agreed volume between us. So that's the reason why we want to call it.

The second case is that the big customer, that's this time it's very specific and it's in Europe, and we believe that this customer is facing slight headwinds on the market. That's why they're buying less from us. But at the same time, we also believe that these customers may have found other suppliers.

So I would say these two situations have a structural element in it. That's the reason why we see that they're going to be somehow, a bit of what we have experiencing Q1 continuing in the upcoming quarters. This is also the reason why, we see that business performing for the full year in terms of adjusted EBITA margin in between, single to high with the mid to high single digit performance. So this is where we're positioning that business at this point in time now.

When you take a bit of distance and you look at the industry. With that level of performance, we are probably 2 to 3 times more profitable than the other competitors on that market. So our performance still stays high above the industry.

Is it announcing anything specific on the other businesses? I don't think so, Mark, even at the time of component that was very specifically targeted on that specific business.

Operator

Claire Liu, Morgan Stanley.

Claire Liu - *Morgan Stanley - Analyst*

My first one is just on tariff and related China competition. What do you expect or what do you see as the risk of intensifying competition in China and Europe with all these excess capacity from Chinese players potentially if their products cannot go into the US anymore and any related pricing pressure in Europe and China.

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

Look, it's difficult because we don't have a crystal ball, so we try to have an understanding of how the industry is performing and how the industry is behaving on the basis of what we know. Our assumption is the following one:

First, there's a lot of Chinese competition, which is already in Europe. So it's not as if Europe was a new territory that could be taken. The Chinese companies today that are operating in the US if they want to operate in Europe, they will have to adapt their productions because we don't manufacture the same products in Europe than in the US.

Nothing is impossible. But if you are a relatively small company in China and you're operating in the US, you have to change the products, you have to get them certified, and then you have to go on a market, which is already very populated.

It's a complicated undertaking, and we believe that given that situation, given that the market in Europe is not growing at this point in time, that risk is limited, and we are monitoring it as we speak. We know that our customers today are not in a situation where they want to take new suppliers because the market in Europe has been shrinking. We are supporting these customers to the best of our abilities. We know they go to market. We know the technology. We have the existing connections.

Look, we don't want to sound complacent, but we think It's going to be a difficult move. We're monitoring it, and we are ever more present in front of our customers and also proposing to our customers, an A brand and a B brand. The B brand operating at a lower level and at a more competitive level. So these are the answers that we bring to the market and we are there, we have it on the ground, we talk to our customers on a daily basis, and we're here to defend that territory but also try to grow and take shares.

So we'll see -- but we see that the risk of having an invasion of new players because of them not being able to sell on the US market is remote at this point in time, but we'll keep informing you as we go.

Claire Liu - *Morgan Stanley - Analyst*

And the second one is just quickly to confirm the structural measures that you mentioned to implement in the second half, diversifying the sourcing out of China. Would this bring any restructuring costs for the second half and any impact on margins?

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

No, that's not the way we have planned it. Maybe, when we talked about structural measures, we should have been a bit clearer, clear. This is structural measures on our manufacturing footprint. So at this point in time, we have listed, I think that 75 to 80, yeah, I think we have 75 to 80 projects, where we are bringing in some of our surplus factories or our own factories, new offers to be produced. And that's part of the diversification and the flexidation of the supply chain that I was talking about. We think it's absolutely paramount to do that. And this is why we've talked about structural measures because these measures will stay.

We think that at this point in time we need to be able very quickly to decide if we want to keep production in a given space or move it in a different geographical entity, whether it is an entity that belongs to our suppliers or belongs to us.

You may have seen also Claire that part of the strategy that we also had indicated previously we have sign, a JV in -- with [Dixon], India, which is a very important move for us. So it's similar to what we have done with [Keli] in China in order to make sure that in a major country. Major country for us because it is a major country, a major market, but also a major country because the market has a huge potential that we have the capability to manufacture locally for that market but also use that manufacturing capability to be able to exports.

So these are some of the structural measures that we have talked about. They are on the footprint working on our own manufacturing plants, our supplies manufacturing plants, and we have not planned for any restructuring as far as this is concerned.

Operator

Adam Parr, Redburn.

Adam Parr - *Redburn Atlantic - Analyst*

First, a question on pricing, if I may. Given OEM worse than expected, is it fair to say that you have increased prices more than expected in professional and consumer? And then very quickly, a second question, have you seen any improvement in discussions with customers due to the German infrastructure spending plan, please?

Zeljko Kosanovic - *Signify NV - Chief Financial Officer*

So maybe on the pricing look, in general, as we mentioned, the dynamic that we've seen on price across the businesses for most of the business, practically all the businesses has been stability in some cases, even it's a positive contribution.

So what we've seen in the components part, specifically on the components part of OEM. And also mostly in particular in the outdoor segments has been an acceleration and a further price erosion. But I think it's not necessarily because of the price increases, as we said before, depending on how we see also, of course, the effect of the tariffs that should lead to a more inflationary, dynamic moving forward.

But so far, what we've seen in the last quarter has been pretty much stabilization across all the businesses and yes, further intensity observed on the components part of the OEM business that has very different dynamics as Eric was mentioning earlier. So I think it's very specific to certain areas within the OEM business while it has stabilized across the Board on all the other businesses.

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

Adam on your German infrastructure stimulus question. So we're monitoring it, at this point in time we don't see a direct impact on our top line. Of course, we are equipping infrastructure with energy efficient lighting, so we believe that there should be opportunities in the coming weeks and months. We're monitoring it, but nothing that shows in the numbers in Q1.

Operator

Anna Ractliffe, Bank of America.

Anna Ractliffe - *Bank of America - Analyst*

Appreciate all the regional cover. I was wondering if you could give us an update on what you're seeing by end market, maybe any boxes of strength or weakness to call out.

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

Yes, and the issue is that I need to -- now the situation is so contrasted that I need to look at end market and sometimes also geographies. But let me try to sum it up. What we are seeing a good traction on the consumer business. So that's something that we are seeing in all the geography where we operate.

You may remember that after a very strong 2020 and 2021, the market, on the consumer business when people were able to go out and go again on holidays, they spend less time on equipment. So we had then a negative performance in '22 and '23. At the same time, we saw '24 as the year where things would stabilize and that we would reach the bottom. That's the case.

We've been in the past quarters seeing a very good intake on the consumer business and I would say worldwide, also very strong in the US. We see also a good performance on the consumer business in, Europe.

So what we had envisaged is actually happening, after a big growth, a decline of stabilization, and now we are back on a normal growth path.

The good elements behind this, and then I can expand it more globally. We see also that the connected parts of our business, it's not exactly segments because we do connectivity in the consumer business but we do also connectivity in the professional business. So we see that overall category of offers on all the segments that it reaches being also fairly strong in Q1.

Maybe we have to put on the side, Europe where we see that connected in Europe, especially on the public segment has been weaker. But otherwise, we see also very good traction in the connected part of the business.

Now, moving forward, we see China and India strong have talked about it. And when we go more into, the segments that are touching at this point in time, our professional business and indoor, this is where we see also a bit of weakness in the US to a given extent also in Europe, and this is the market that goes also to very diffuse customers, the small installer.

And this is a translation of the fact that if there are projects that people had planned, maybe they don't do them at this point in time, they cancel or they delay, and we see also that trend, which is a direct consequence of the uncertainty, which is lying in the markets when it comes to some fundamental economic parameters or when it comes also from, what is going to happen to the rates.

So you see, there's a lot of very different segments, a lot of different situations that we need to deal also by geographies.

Another business that we're very happy with, but once again it's been a business that has grown, gone down, and growing again, is horticulture. So horticulture has been very strong in 2024. After a very difficult 2023, and it's showing very good signs also in 2025 we've done the [Stella] Q1, and we see with the other intake that, we have at this point in time that it should be a good business for the full year.

Anna Ractliffe - *Bank of America - Analyst*

And then I just wanted to -- if I could sneak in another one, ask a little bit about the consumer margin, it stepped up year over year but it stepped down sequentially even though growth was resilient. Is there anything to call out there or is that just normal Q1 seasonality?

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

Normal Q1 seasonality. Q2 -- Q4 is from far the biggest quarter in the consumer business. So you would expect, to have, basically Q4 is the equivalent of two quarters in terms of volume. And, so you can imagine that you can dilute the cost much better when you have 2 times the volume. So it's totally normal.

Operator

Thank you all, and we have time for one last question today. Tim Ellers, Kepler Cheuvreux.

Tim Ehlers - *Kepler Cheuvreux - Analyst*

Just a quick one on consumer. So, would you attribute the recovering consumer to the new products you introduced to the market last year or was it a recovery of existing products? Thanks for that.

Eric Rondolat - *Signify NV - Chief Executive Officer, Chairman of the Board of Management*

I think it's both. I think we see a clear rebound on the connected offers and new products, existing products. In China, we have developed new offers. We have position on special segments, which is probably explaining it, but the team it's both.

Operator

Thank you. With this, I'd like to hand the call back over to our speakers for any additional or closing remarks.

Thelke Gerdes - *Signify NV - Head of Investor Relations*

Ladies and gentlemen, thank you very much for joining our earnings call today. If you have any additional questions, please do not hesitate to contact Noelly or myself. Again, thank you very much and enjoy the rest of your day.

Operator

Thank you. This concludes today's conference call. Thank you for your participation. You may now disconnect.
