

## **Important information**

#### Forward-Looking Statements and Risks & Uncertainties

This document and the related oral presentation contain, and responses to questions following the presentation may contain, forward-looking statements that reflect the intentions, beliefs or current expectations and projections of Signify N.V. (the "Company", and together with its subsidiaries, the "Group"), including statements regarding strategy, estimates of sales growth and future operational results.

By their nature, these statements involve risks and uncertainties facing the Company and its Group Companies and a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties. Such risks, uncertainties and other important factors include but are not limited to: adverse economic and political developments, impacts of COVID-19, the rapid technological change, competition in the general lighting market, development of lighting systems and services, successful implementation of business transformation programs, impact of acquisitions and other transactions, impact of the Group's operation as a separate publicly listed company, pension liabilities and costs, establishment of corporate and brand identity, adverse tax consequences from the separation from Royal Philips and exposure to international tax laws. Please see "Risk Factors and Risk Management" in Chapter 12 of the Annual Report 2019 for discussion of material risks, uncertainties and other important factors which may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group. Such risks, uncertainties and other important factors should be read in conjunction with the information included in the Company's Annual Report 2019. Additional risks currently not known to the Group or that the Group has not considered material as of the date of this document could also prove to be important and may have a material adverse effect on the business, results of operations, financial condition and prospects of the Group or could cause the forward-looking events discussed in this document not to occur. The Group undertakes no duty to and will not necessarily update any of the forward-looking statements in light of new information or future events, except to the extent required by applicable law.

#### **Market and Industry Information**

All references to market share, market data, industry statistics and industry forecasts in this document consist of estimates compiled by industry professionals, competitors, organizations or analysts, of publicly available information or of the Company's own assessment of its sales and markets. Market share, ranking and other data contained in this document may also be based on the Company's good faith estimates, the Company's own knowledge and experience and such other sources as may be available. Industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Rankings are based on sales unless otherwise stated.

#### **Non-IFRS Financial Statements**

Certain parts of this document contain non-IFRS financial measures and ratios, such as comparable sales growth, adjusted gross margin, EBITA, adjusted EBITA, EBITDA, and free cash flow, and other related ratios, which are not recognized measures of financial performance or liquidity under IFRS. The non-IFRS financial measures presented are measures used by management to monitor the underlying performance of the Group's business and operations and, accordingly, they have not been audited or reviewed. Not all companies calculate non-IFRS financial measures in the same manner or on a consistent basis and these measures and ratios may not be comparable to measures used by other companies under the same or similar names. A reconciliation of these non-IFRS financial measures to the most directly comparable IFRS financial measures is contained in this document. For further information on non-IFRS financial measures, see "Chapter 18 Reconciliation of non-IFRS measures" in the Annual Report 2019.

#### Presentation

All amounts are in millions of euros unless otherwise stated. Due to rounding, amounts may not add up to totals provided. All reported data are unaudited. Unless otherwise indicated, financial information has been prepared in accordance with the accounting policies as stated in the Annual Report 2019 and the semi-annual report 2020.

#### **Market Abuse Regulation**

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



# **Presenting team**



**Eric Rondolat**Chief Executive Officer



Maria Letizia Mariani
Member of the Board of Management
Division Leader Conventional Products



**Nicola Kimm** Head of Sustainability



**Rowena Lee**Division Leader Digital Products



Javier van Engelen Chief Financial Officer



**Harshavardhan Chitale**Division Leader Digital Solutions

# **Agenda Capital Markets Day**

	Outline	Time CET	GMT	EST	Presenter	
	Opening	14:00-14:05	13:00-13:05	08:00-08:05	Rogier Dierckx	
Session I	Vision for the Future	14:05-14:45	13:05-13:45	08:05-08:45	Eric Rondolat	
	Sustainability Leadership And Stakeholder Value Creation	14:45-15:00	13:45-14:00	08:45-09:00	Nicola Kimm	
	Accelerating Shareholder Value Creation	15:00-15:30	14:00-14:30	09:00-09:30	Javier van Engelen	
	Q&A	15:30-16:00	14:30-15:00	09:30-10:00		
BREAK – 15 min						
Session II	Conventional Products	16:15-16:30	15:15-15:30	10:15-10:30	Maria Letizia Mariani	
	Digital Products	16:30-17:00	15:30-16:00	10:30-11:00	Rowena Lee	
	Digital Solutions	17:00-17:30	16:00-16:30	11:00-11:30	Harsh Chitale	
	Q&A	17:30-18:00	16:30-17:00	11:30-12:00		
	Closing of the day	18:00-18:05	17:00-17:05	12:00-12:05	Eric Rondolat	
	Total duration	4 hours				



## Investor feedback – we heard you

When will Signify return to growth?

How are your ESG targets translating into value creation?

How are you managing the decline in Conventional Products? Can you tell us more about the volume and pricing dynamics in LED?

What are the growth opportunities of connected lighting and the growth platforms?

How much more margin improvement is feasible?

Can you provide us with an update on Cooper cost synergies?

What is the size of the UV-C lighting market?

What is the growth potential of the overall Lighting market?

How much more potential cost savings could we expect?

Can you provide an update on your capital allocation policy?

What is your M&A strategy going forward?

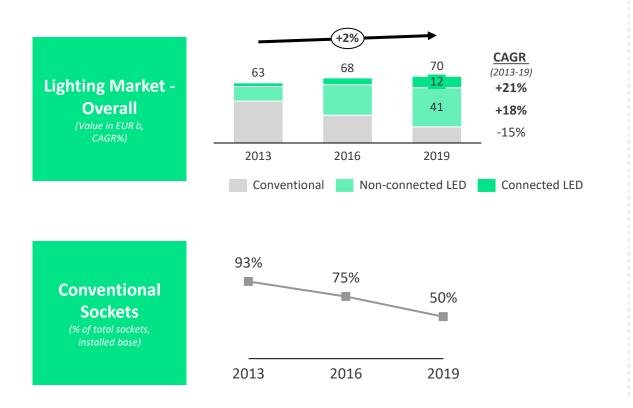


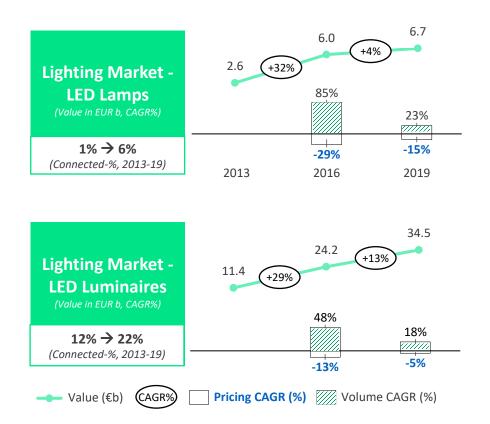
# Signify



Capital Markets Day
Vision for the Future

Eric Rondolat, CEO 9 December 2020 The transition to LED is well underway, Connected Lighting has started





Only 3 of top 6

players from 2013 are still in top 6 in 2019

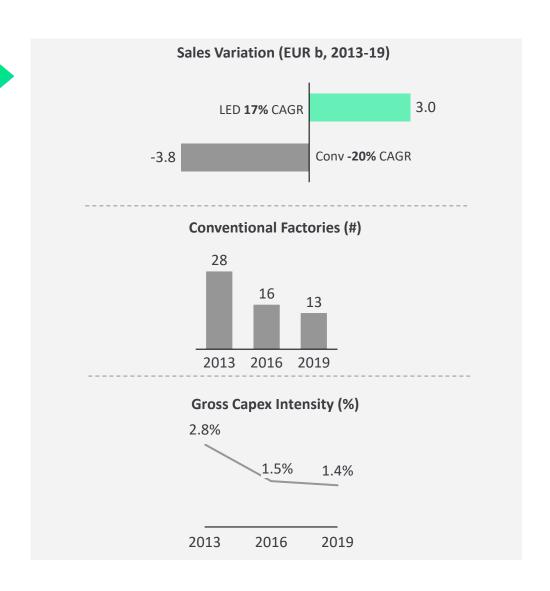
~40%

of the global lighting corporate assets changed hands in last 5 years

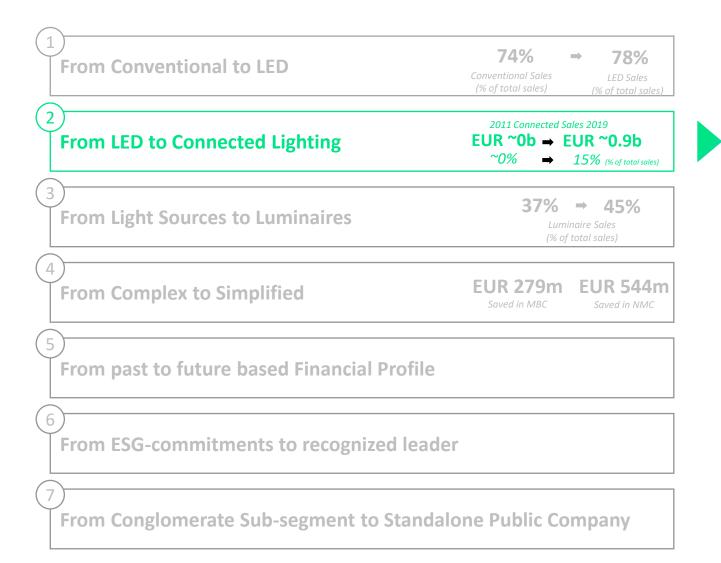


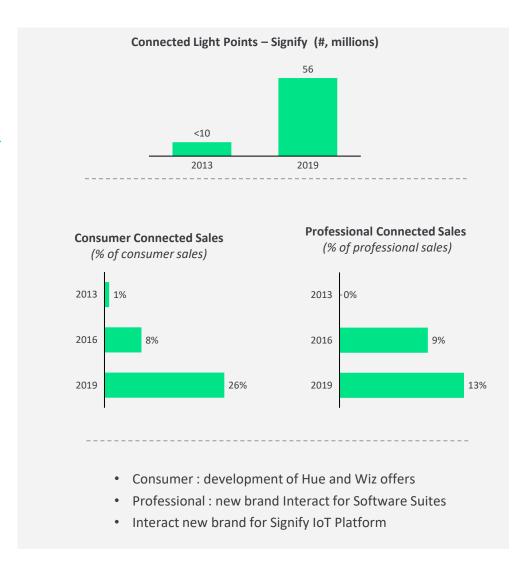
Past Market

From Conventional to LED	74% → 78%  Conventional Sales (% of total sales)  LED Sales (% of total sales)	
From LED to Connected Lighting	2011 Connected Sales 2019  EUR $\sim$ 0b $\Rightarrow$ EUR $\sim$ 0.9b $\sim$ 0% $\Rightarrow$ 15% (% of total sale)	es)
From Light Sources to Luminaires	37% → 45%  Luminaire Sales (% of total sales)	
From Complex to Simplified	EUR 279m EUR 544 Saved in MBC Saved in NMC	
From past to future based Financial Pro	ofile	
From ESG-commitments to recognized	leader	
7 From Conglomerate Sub-segment to St	tandalone Public Company	

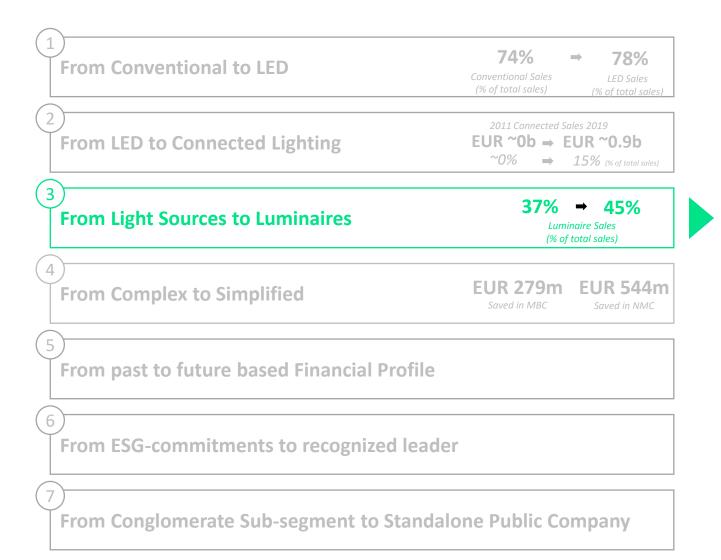


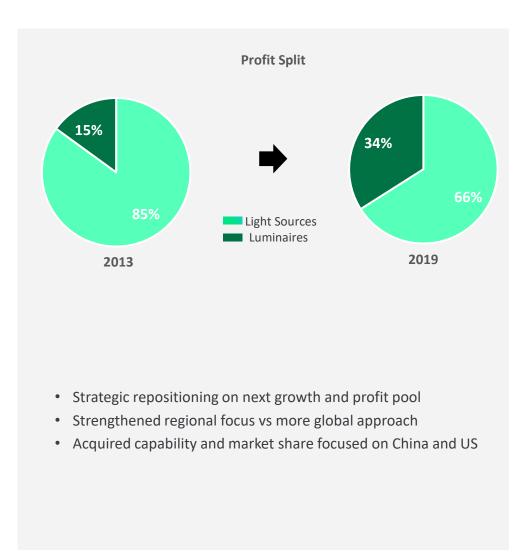


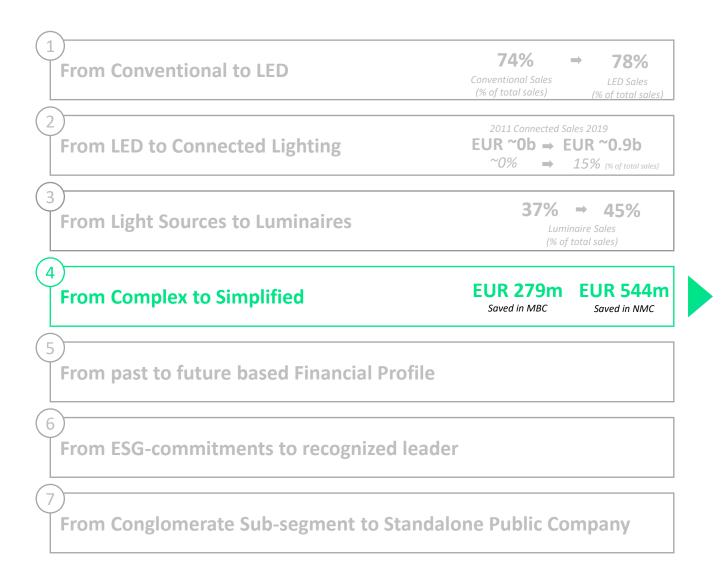


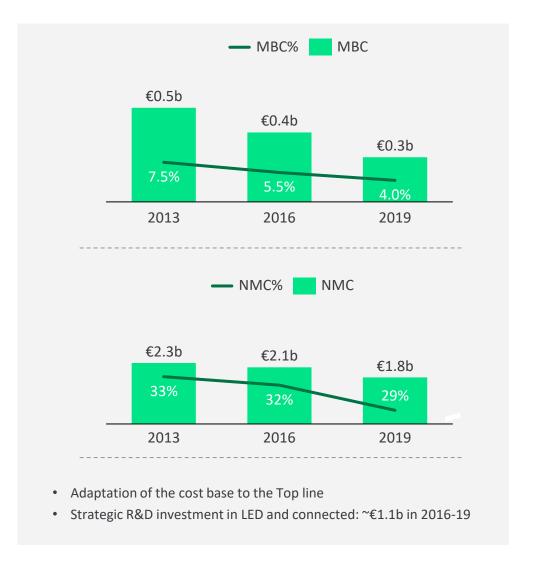




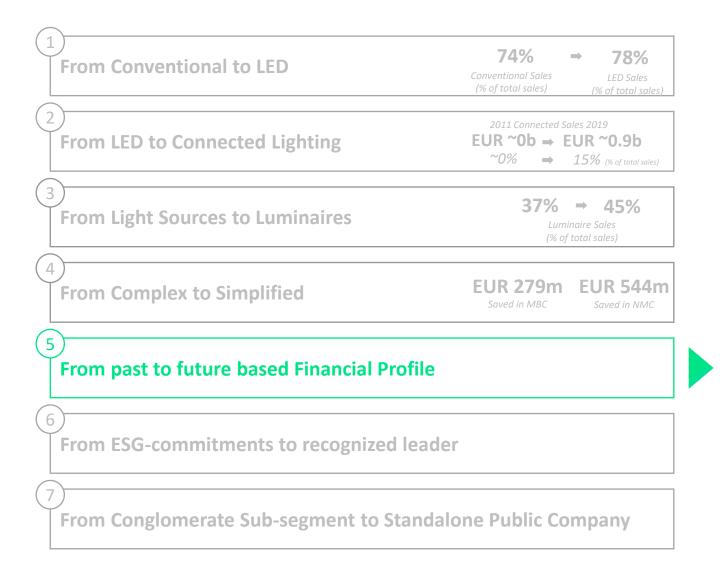


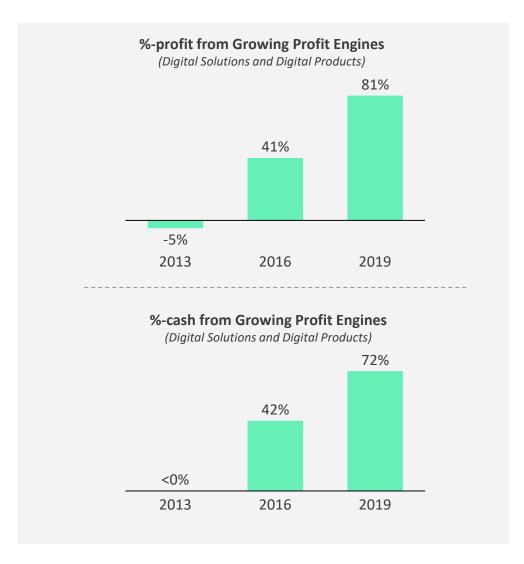






# Signify underwent 7 transformations 2013-19 to remain market leader







- >80% sustainable revenues
   100% carbon neutrality
   100% use of renewable electricity
   Zero waste to landfill

  External Recognitions
  - Member of
    Dow Jones
    Sustainability Indices

(non-exhaustive)

Powered by the S&P Global CSA

4 consecutive years

From Conventional to LED

74%

Conventional Sales
(% of total sales)

LED Sales
(% of total sales)

From LED to Connected Lighting

2011 Connected Sales 2019

EUR ~0b → EUR ~0.9b

~0% → 15% (% of total sales)

From Light Sources to Luminaires

37% → 45%

Luminaire Sales
(% of total sales)

From Complex to Simplified

EUR 279m
Saved in MBC

Saved in NMC

From past to future based Financial Profile

From ESG-commitments to recognized leader

From Conglomerate Sub-segment to Standalone Public Company





## Today, we are a EUR ~6b world innovation leader in lighting

We provide our customers with high quality, sustainability enabling lighting products, systems and services

#1
In Connected
In LED
In Conventional

€6.2b

Sales in 2019

37,000
People in 74 countries

2020

Achieved carbon neutrality

100%
Electricity from renewables

56m Connected light points in 2019

19,500
Patents worldwide

**2x**R&D invested than our nearest competitor

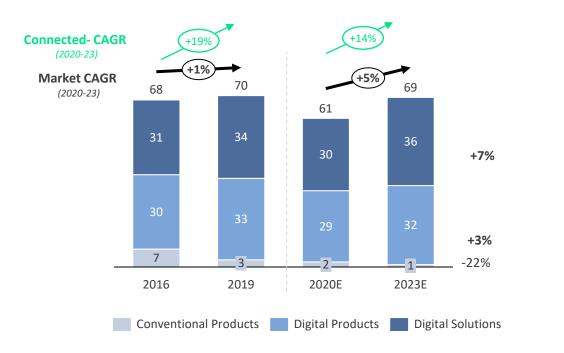
"Our purpose is to unlock the extraordinary potential of light for brighter lives and a better world"

# General lighting market growth profile is attractive while transition continues

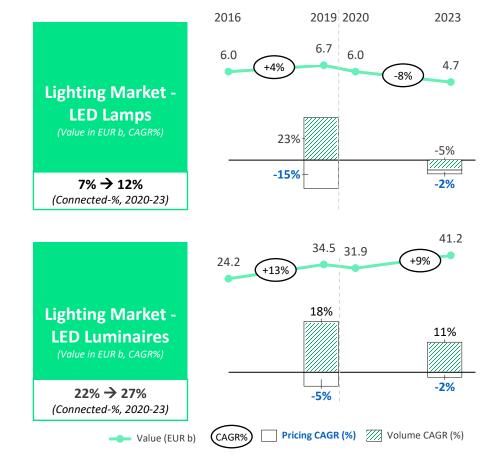
The development of connected systems creates new growth and profit pools

#### **Attractive growth potential for Digital Solutions and Digital Products**

# General Lighting Market - By Signify Division (Value in EUR b, CAGR%)



### **LED Lamps transitions into LED Luminaires; Connected keeps increasing**

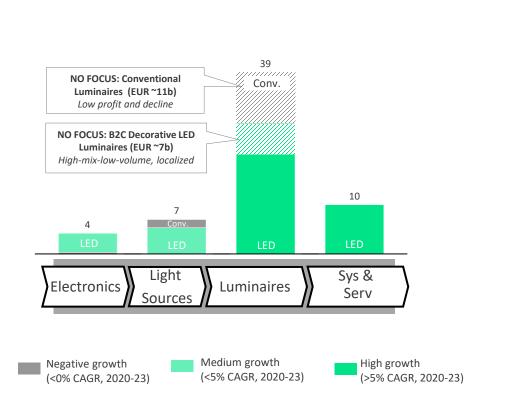




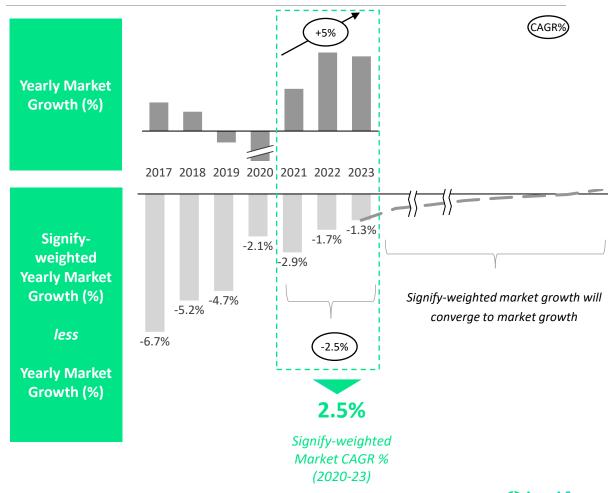
# Signify growth profile will structurally improve over the coming years

### Signify focuses on 70% of the lighting market

Market Size 2020, **61 EUR b** 



## Signify-weighted market CAGR gradually reaches market CAGR



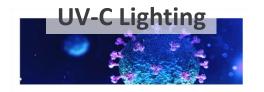
# Growth platforms for sustainability offer a EUR ~5b market opportunity

These require new technologies, innovation and adapted Go-to-market

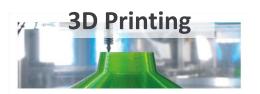




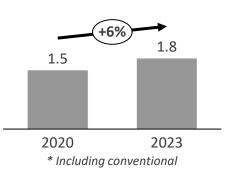


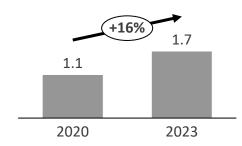


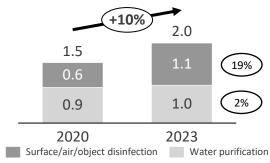
Past Market

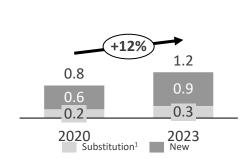


Market Size /
Opportunity
Size
(EUR b)









Growth Drivers

- Food availability and security
- Yield optimization in agriculture sector

- Climate action
- Clean energy
- "Green funding"

- Health & safety
- Pandemic response
- Future need for disinfection
- Replacement market for light sources
- Circularity
- Design speed and flexibility
- Delivery speed improvement
- Reduction of transportation

Our Right to Win

Unique IP position in light recipes

Leader in both Technology and Quality

Decades long experience and application expertise

First mover advantage with extensive knowledge on materials, process



## 2 Growth ventures with high-growth potential

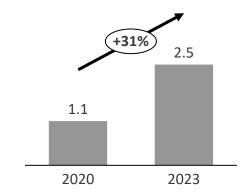
## **Potential Opportunity Size** (EUR b)

#### **Growth Drivers**

#### **Our Right to Win**



Last mile indoor communications



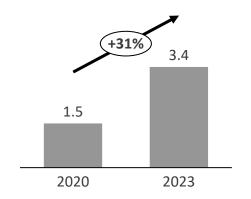
- Cyber-security: Secure meeting rooms, co-working spaces
- Industry 4.0: Higher data and performance needs
- Consumer device integration

Industry leading technology & IP portfolio

Usage of existing Lighting infrastructure



Deployment of 5G



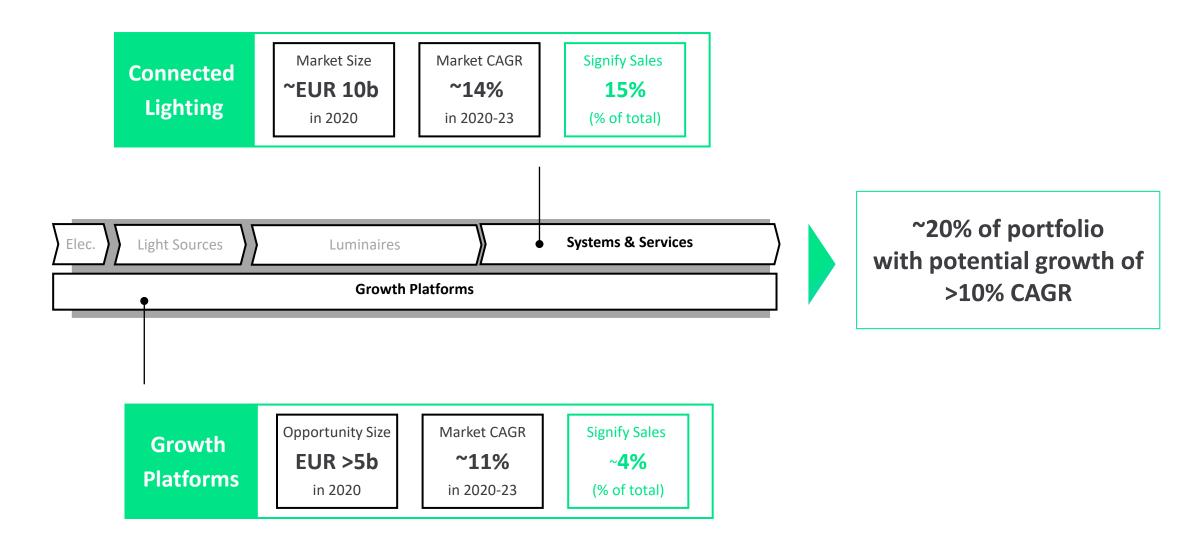
### **Increasing Connectivity Demands**

- Deployment of 5G
- ~20B new IOT devices by 2025
- Shift to broadband IOT vs narrow-band
- Smart cities

Access through lighting infrastructure



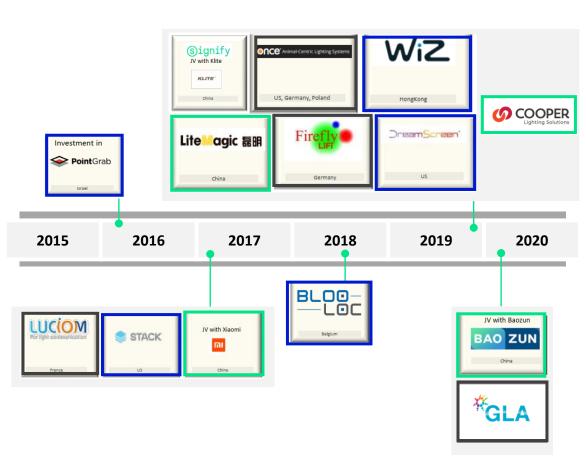
# Signify focuses on Innovation led Organic Growth opportunities



# Successful M&As in the past, specific business priorities for future M&A

#### **Key M&A over last few years**





**Mergers & Acquisition Focus (Business Lens)** 

Reach and Market Share

- Luminaires Companies for market share
- Online access gain

Technology building

- **Systems:** Companies bringing complementary technology
- **Services:** Companies bringing capability and technological platforms

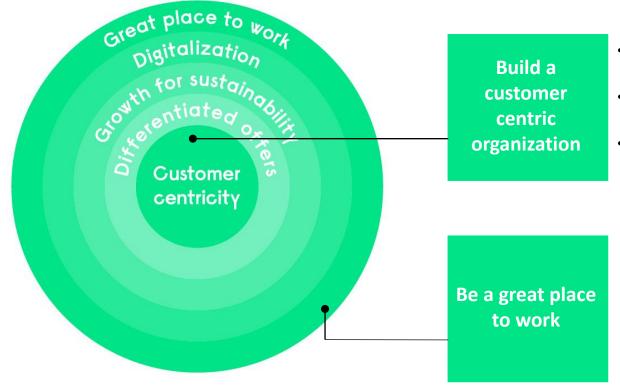
**Specialty** applications

• **Growth Platforms:** Companies bringing capabilities in the sustainability-focused growth platforms



# We will address the market opportunities with our 5 Frontiers Strategy

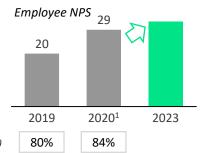
Implemented Q3-2019 as part of our annual Strategic Process



- **Reputation** and **brand** are important differentiators versus competition
- Ordering & Delivery is focus for improvement
- Customer NPS surveys conducted quarterly with quarterly actions



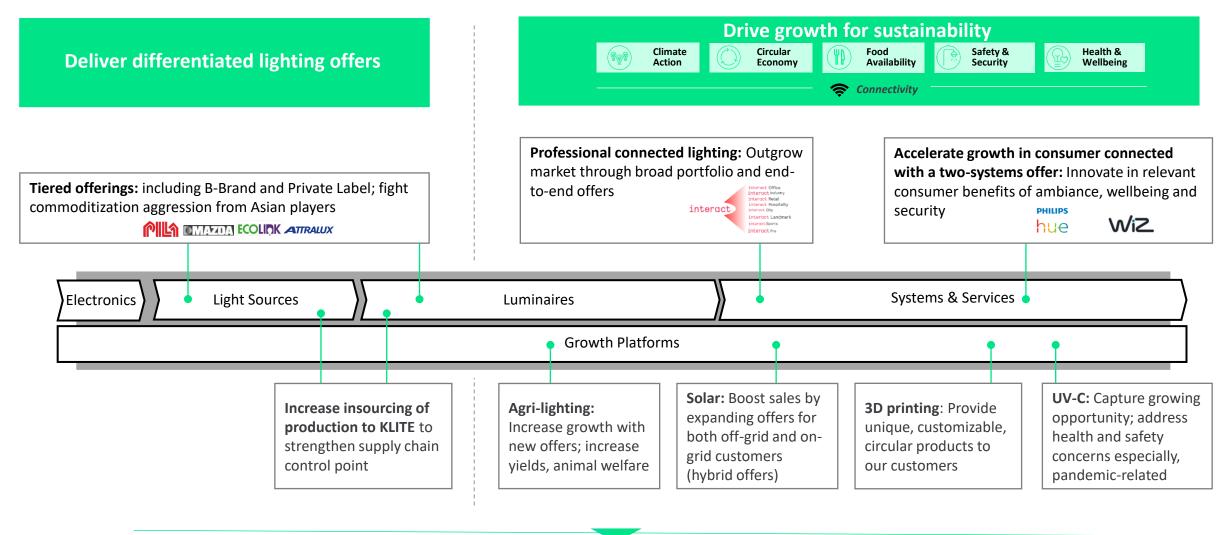
- Strong focus on diversity & inclusion, succession health, skill development
- **Employee NPS surveys conducted** quarterly with quarterly actions



Participation Rate (%)

# Growth strategy driven by differentiation & sustainability







# Digitalization multi-year plan in execution



## Digitalize and transform for the future

Digitalize customer interfaces

**Example: LightFinder** 

**Innovative mobile app** to find, buy and use lighting products



**AI-based Light** Bulb Recognition



**Browse Light** bulb catalog





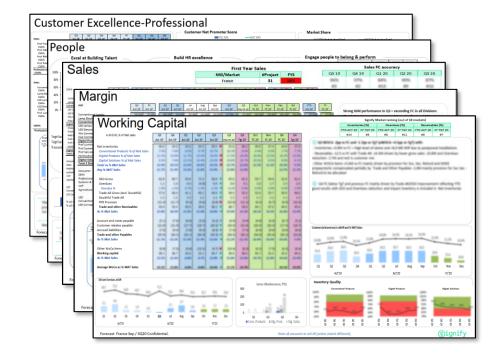
**AR-based Live Preview** 



**Purchase** convenience Digitalize internal processes

**Example: Performance review** 

Automated monthly review process for markets across multiple databases, legacy software covering comprehensive KPIs



**Develop offers over** entire digital stack



Asset-Space Mgmt. tracking Navigation

# **Connected Lighting Systems**









## **Products**

100% connectable

(drivers, light sources, luminaires)



# Unlocking the extraordinary potential of light for Brighter Lives and a Better World

**5 Frontiers Strategy** 

**Brighter Lives, Better World 2025** 

**Financial Targets 2021-23** 



Climate action

Double the pace

Paris Agreement

**Double Brighter** 

Lives revenues to

we achieve the



Circular **Economy** 



12 ESPONSIBLE CONSUMPTION PROPERTY.

**Double Circular** revenues to 32%

Comparable **Sales Growth%** 0 to 5%<sup>1</sup>

Margin 11 to 13% Adj. EBITA

by 2023

**Brighter** Lives

32%



**Great place to** work

Double % women in leadership to 34%

**Free Cash Flow** > 8% of sales

Return on **Capital Employed** ≥ 11%



# Signify

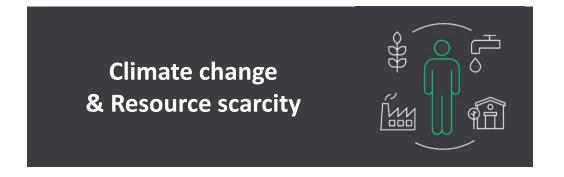


Capital Markets Day
Sustainability leadership and
stakeholder value creation

**Dr. Nicola Kimm, Head of Sustainability, Environment, Health and Safety**9 December 2020

## Signify successfully undertook a sustainability driven transformation

Our purpose addresses macro-trends and the UN Sustainable Development goals are our compass





"Our purpose is to unlock the extraordinary potential of light for brighter lives and a better world"





## Brighter Lives, Better World 2020 program

We overachieved our objectives and we are recognized externally

#### Revenues

83% Sustainable revenues (vs target of 80%)

## **Operations**

Carbon neutral & 100% renewable electricity

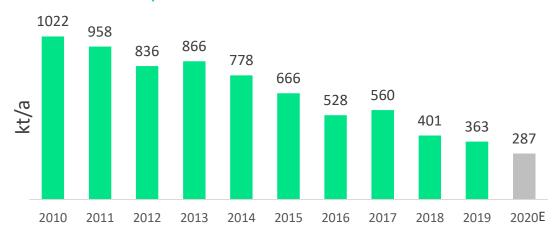
Zero waste to landfill

50% less safety incidents over 5 years

99% supplier sustainability performance (vs target 90%)

## 2.5 billion LED delivered (vs target of 2 billion)

## Carbon footprint



External Recognitions (2020):



Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA

World Index 4 consecutive years



Leader 'AA' rating



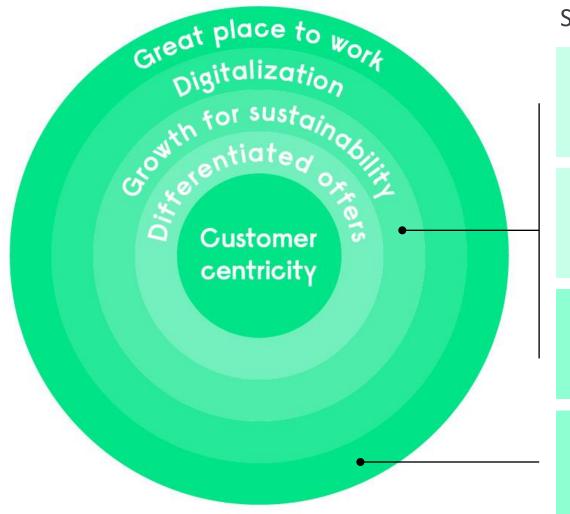
#1 in electronics industry



Platinum top 1%

## Our growth strategy fully aligns with Brighter Lives, Better World 2025

We added two Sustainable Development Goals: 3 and 8



Sustainability focus and UN SDGs

Climate action





Circular economy



Food availability
Safety & security
Health & wellbeing





Great place to work



**Brighter Lives** 

**Better World** 

# Our new Brighter Lives, Better World 2025 program sets very ambitious targets

We aim to double our positive impact on the environment and society

**Better World** 

**Climate action** 

**Circular economy** 

## **Doubling objectives**

**Double** the pace we achieve the 1.5°C scenario of the Paris

Agreement

**Double** our Circular revenues to 32%

## **Continue and strengthen**

Carbon neutral operations & 100% renewable electricity



Increase Climate action revenues from 58% to 72%



Zero waste to landfill and sustainable packaging



**Brighter Lives** 

**Food availability** 

Safety & security

Health & wellbeing

**Great place to work** 

**Double** our Brighter Lives revenues to 32%

**Double** our % of women in leadership to 34%

10 million lives lit through our Signify Foundation



Safe & healthy workplace with a TRC rate less than 0.30



Supplier sustainability performance of 95%





## Double our positive impact on the environment

Our Climate action and Circular economy commitments contribute to a better world

## **Double** the pace of the Paris Agreement

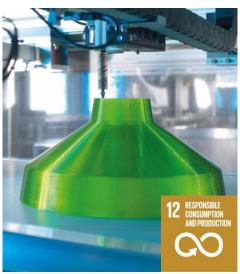
- Achieve the 1.5°C target of the Paris Agreement over our value chain 6 years early
- Carbon neutral in our operations
- Energy-efficient and solar solutions

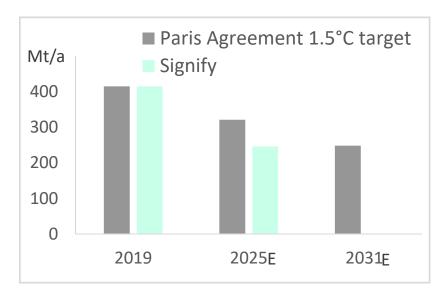
## **Double** our Circular revenues to 32%

Circular products, systems and services preserve value and avoid waste:

- Serviceable luminaires
- Circular components
- Intelligent systems
- Circular services











## **Double our positive impact on society**

Our Brighter Lives and Diversity commitments contribute to brighter lives

**Double** Brighter Lives revenues to 32%

### **Food availability**

- Horticulture
- Aquaculture
- Animal centric lighting

### Safety & security

- Smart street lighting
- Security at home and work
- Trulifi

## **Health & wellbeing**

- UV-C light
- Human Centric Lighting







## **Double** % of women in leadership to 34%

## Strengthen diversity & inclusion through:

- Succession plans
- Sponsorship, mentoring
- Leadership development
- Unconscious bias trainings





# **Sustainability: Key Takeaways**

- Doubling targets for 2025 are **bold** and ambitious
- Our leading technology and innovation drives our growth for sustainability strategy
- We enable our customers to deliver on their sustainability ambitions
- Brighter Lives, Better World delivers financial, environmental and social value for our stakeholders and society



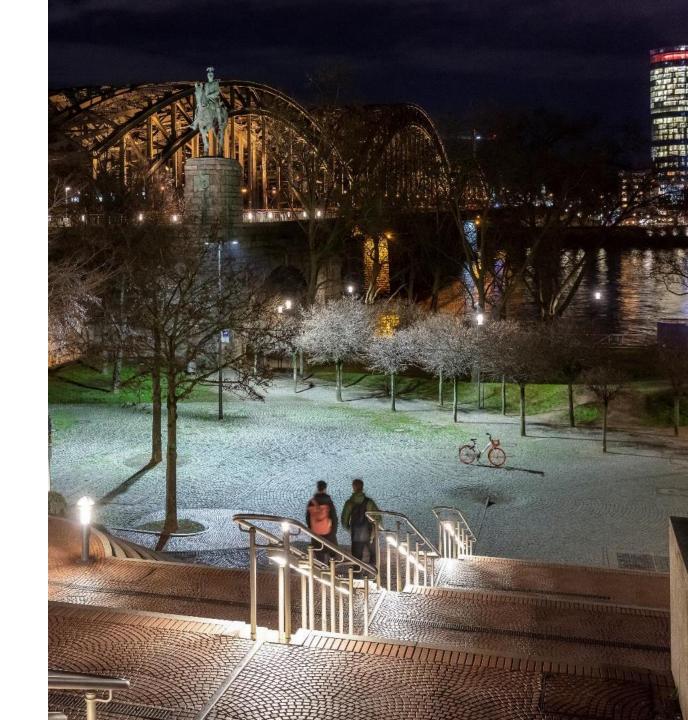












# Signify



# Innovation and transformation-driven value creation since 2016 IPO

Key focus areas post-IPO	2016-19 achievements	
Shift to LED and Connected Lighting	• 78% LED; 15% connected	<b>✓</b>
Average Comparable Sales Growth	<ul> <li>Overall: -2.7%</li> <li>LED (+10.7%), Conventional (-20.1%)</li> </ul>	X
Adj. EBITA Margin Expansion	• ~310 bps since start of 2016	<b>✓</b>
Free Cash Flow Generation	• EUR 1.7b cumulative (6.2% of sales)	<b>✓</b>
Average Return on Capital Employed	• ~10%	<b>✓</b>
Balance Sheet Strength	<ul> <li>Consistent investment grade rating</li> <li>Net leverage: ~0.9x by end of 2019</li> </ul>	<b>✓</b>
Sustainability Targets	Overachievements of Brighter Lives, Better World 2020 objectives	<b>✓</b>
Value Creation	<ul> <li>Share price appreciation since IPO: +78%</li> <li>Dividend payouts since IPO: EUR 492m in total</li> <li>Share buy-backs to the amount of EUR 669m</li> </ul>	



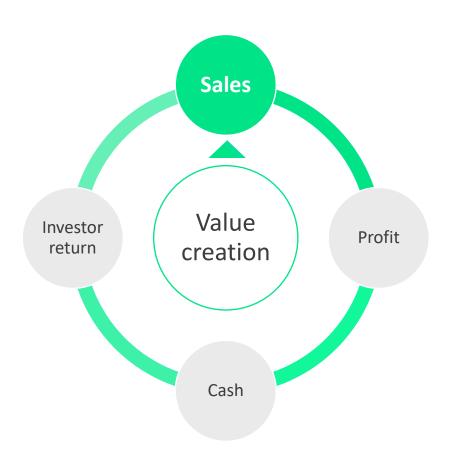
# Outlook 2020: Strengthened financial profile in unprecedented market conditions

		9 months 2020	Full Year – 2020E	Remarks (Full Year – 2020E)
Growth CSG%	Signify	-15.3%	-13.5 to -13%	Top-line severely impacted by COVID-19 pandemic
	Digital Solutions			Slow professional recovery due to continued COVID-19 restrictions
	Digital Products			Strong demand for connected home lighting
	Conventional Products			<ul> <li>Decline of conventional lamps compensated by UV-C and horticultural lighting</li> </ul>
Adj. EBITA%	Signify	9.6%	10.2 to 10.6%	Margin resilience despite top-line decline
Free Cash Flow (% of sales)	Signify	10.5%	>11%	<ul> <li>Free-cash flow increase driven by structural working capital improvement</li> </ul>



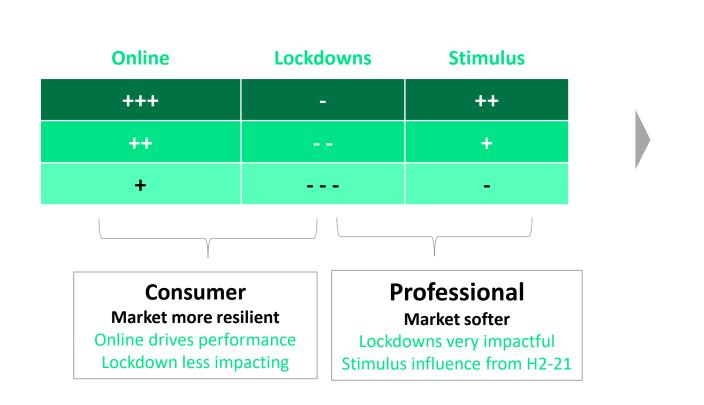
## **Total company sales growth**

Mid-term guidance



- Rebound from COVID-19 crisis will offer growth and market share gain opportunities
- Our sustainability-driven businesses target an attractive market opportunity
- Continuous innovation in connected lighting and new growth platforms improves Signify's growth profile

## Our 3 scenarios for post-pandemic business recovery using market modelling

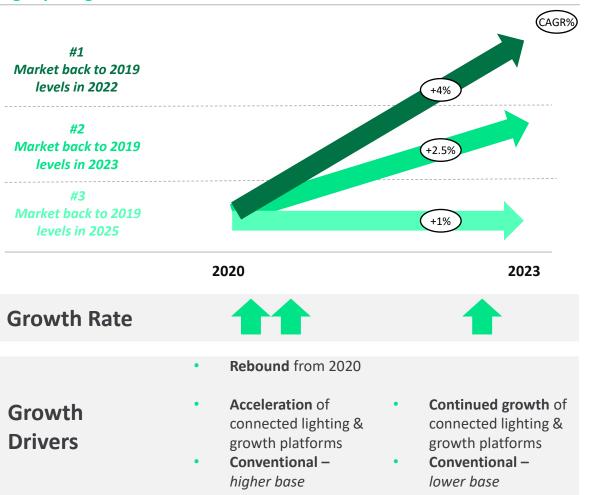


#1 Market back to 2019 *levels in* **2022** #2 Market back to 2019 *levels in* **2023** #3 Market back to 2019 *levels in* **2025** 

## Our sales growth is driven by technology innovation and sustainability

Early period will benefit from a lower base of comparison

#### Signify-weighted Market CAGRs under the 3 scenarios

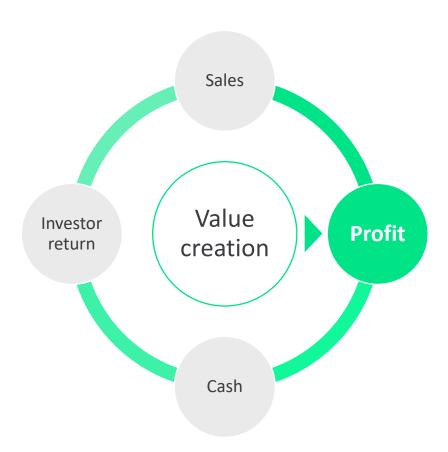


# 2021-23 Sales Guidance Yearly comparable sales growth: 0 to 5%

Yearly guidance provided at Q4 earnings release

- Market rebound from COVID-19
- Growth platforms offset conventional decline
- Digital Products & Digital Solutions: >90% of sales

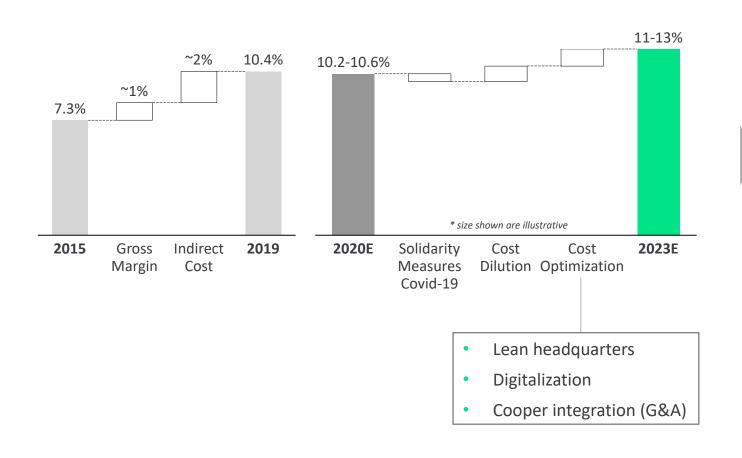
# Continued profit margin improvement Mid-term guidance



- Gross margin to remain broadly stable
- Indirect costs (as % of sales) to decrease due to cost dilution and continued cost efficiency drive
- Products profitability will further diminish

## Continued profit margin improvement strengthens financial profile

Driven by cost dilution and continued efficiency improvements

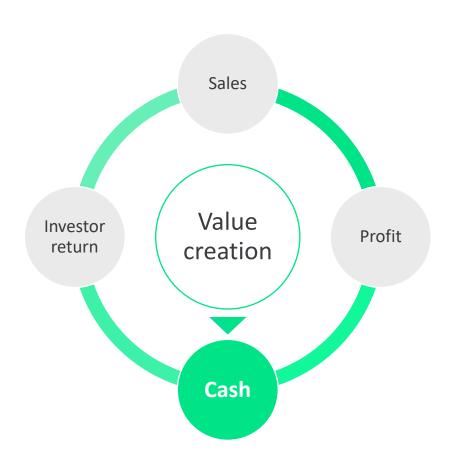


# 2023 Profit Margin Guidance Adj. EBITA margin: 11 to 13%

- Build on proven track record of margin improvement
- Stabilize gross margin & dilute/optimize current cost base
- Reinvest into innovation and digital
- Drive Digital Products & Digital Solutions to >85% of Adj EBITA

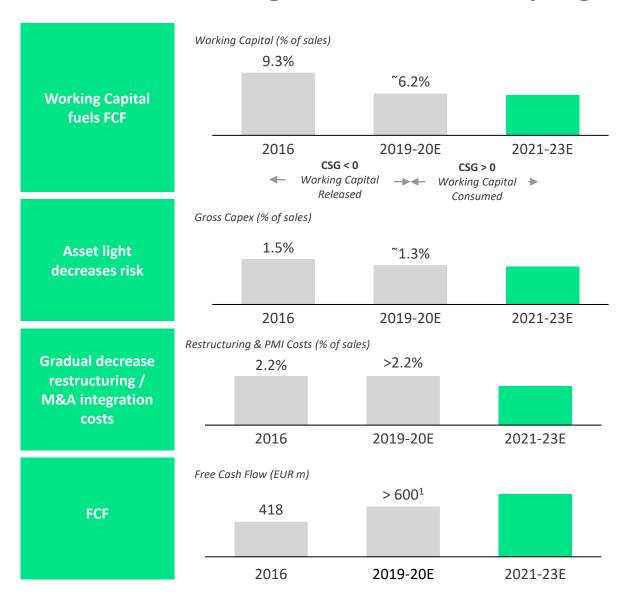


# Sustained solid free cash flow generation Mid-term guidance



- Further anchor Digital Product & Digital
   Solutions as key drivers for cash flow
- Continued working capital discipline
- Strict management of capex and investment returns
- Gradual decrease of M&A integration and restructuring costs

## Solid Free Cash Flow generation driven by Digital Solutions & Digital Products

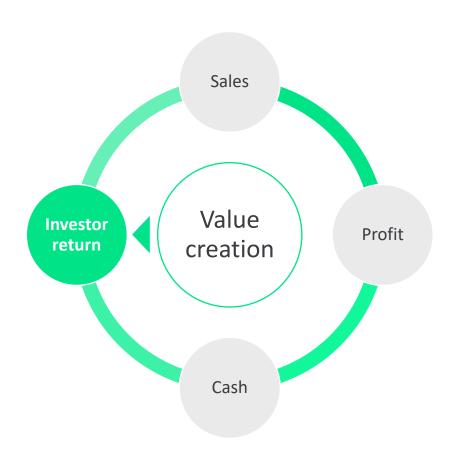


# 2021-23 Free Cash Flow Guidance Free Cash Flow: >8% of sales

- Maintain structural improvements in working capital
- Gradually decrease restructuring / PMI costs

### A reliable investment

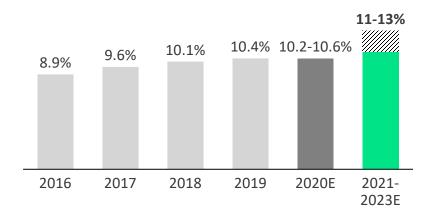
## Mid-term guidance



- A continued **steady profit increase**
- Reinforced **asset-light profile**

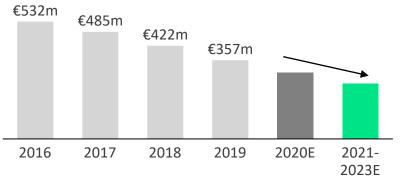
# A steady ROCE increase aligned to the company strategy

Adj. EBITA margin (%)



# Tangible Fixed Assets

(FX-comparable, excl. M&A and IFRS 16 impact)



Reduced # of conventional factories: 28 → 13 in 2013-19

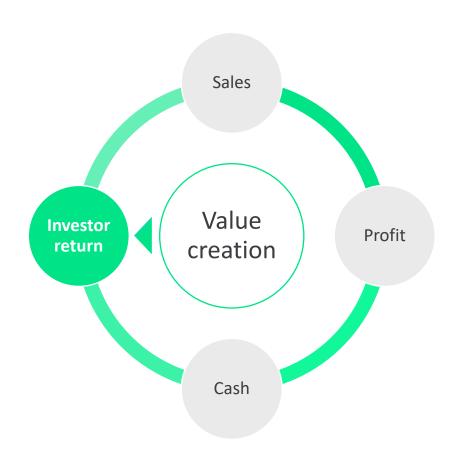


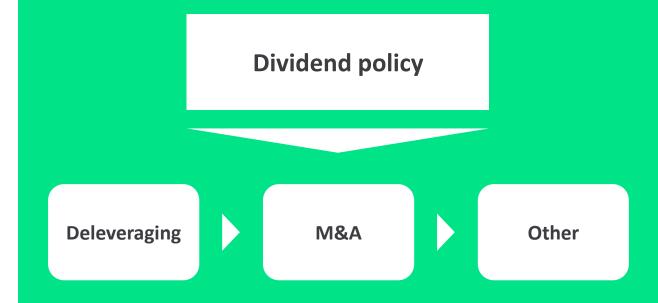


- **Gradual improvement** after Cooper integration
- Anchor Signify at upper-end of peer companies

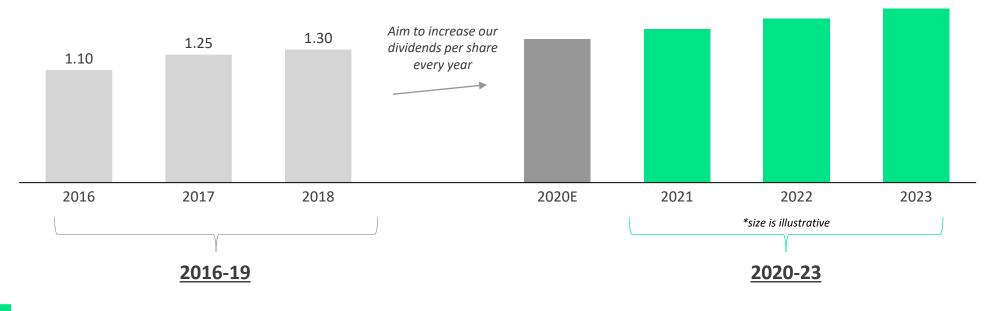
# **Capital Allocation**

Delivering on our promises





# Maintain dividend policy – annual increase of dividend per share



**Policy** 

40-50% of Continuing Net Income

 Pay out an increased dividend per share, to be paid out annually in cash

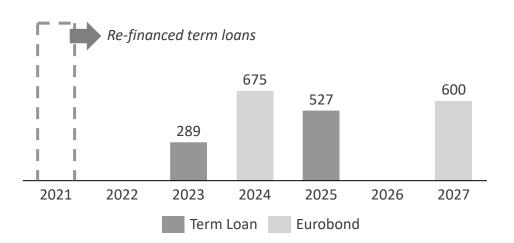
Application

- EUR 492m dividends since IPO
- Between 44-49% of continuing net income paid per year
- Year-on-year increase in dividend per share
- 2019 suspended due to COVID-19 uncertainty

# Honor deleveraging commitment to be <1x by end 2022

#### A balanced debt maturity profile with flexibility

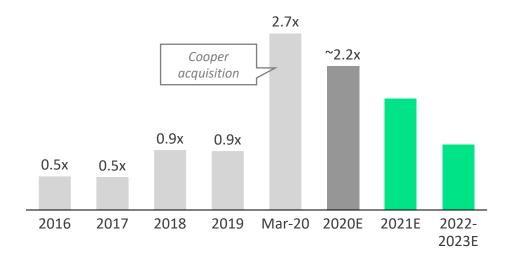
Debt maturity profile of term loans and bonds (EUR m)



- New term loans split between 3 and 5 year to repay the debt we put in place at the IPO (Q1-20)
- Accessed Eurobond market to repay the bridge financing for the Cooper Lighting (Q2-20)

#### A strong commitment to maintain investment grade rating

Net debt / reported EBITDA (x)



**S&P Global** Ratings

BBB- (stable)

MOODY'S INVESTORS SERVICE

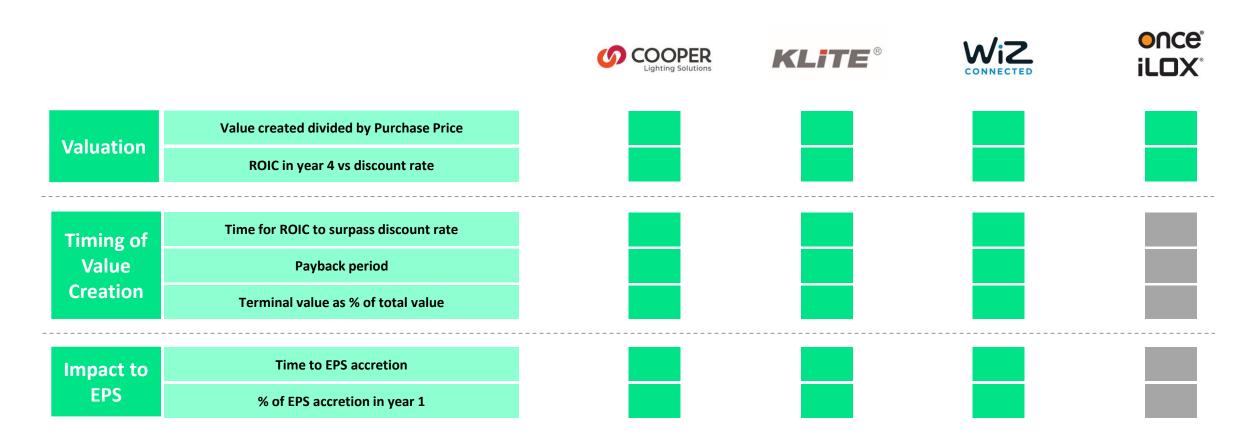
Baa3 (stable)



## Disciplined inorganic growth drives shareholder value

Robust, disciplined financial methodology to evaluate M&A

Monitored strictly to ensure inorganic value creation is on track



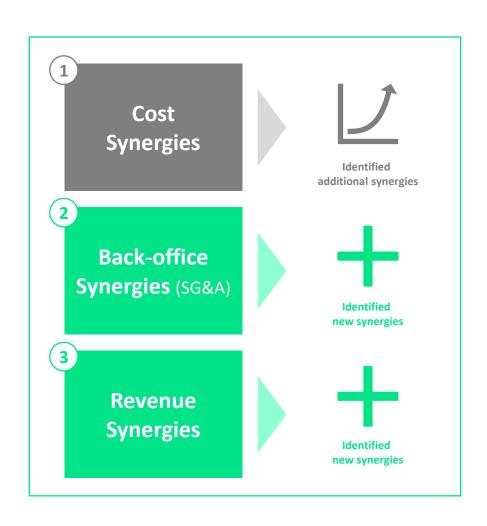
Progress vs initial combinations

On-track Slightly off-track Off-track



# Cooper Lighting synergy target increased to USD ~100m



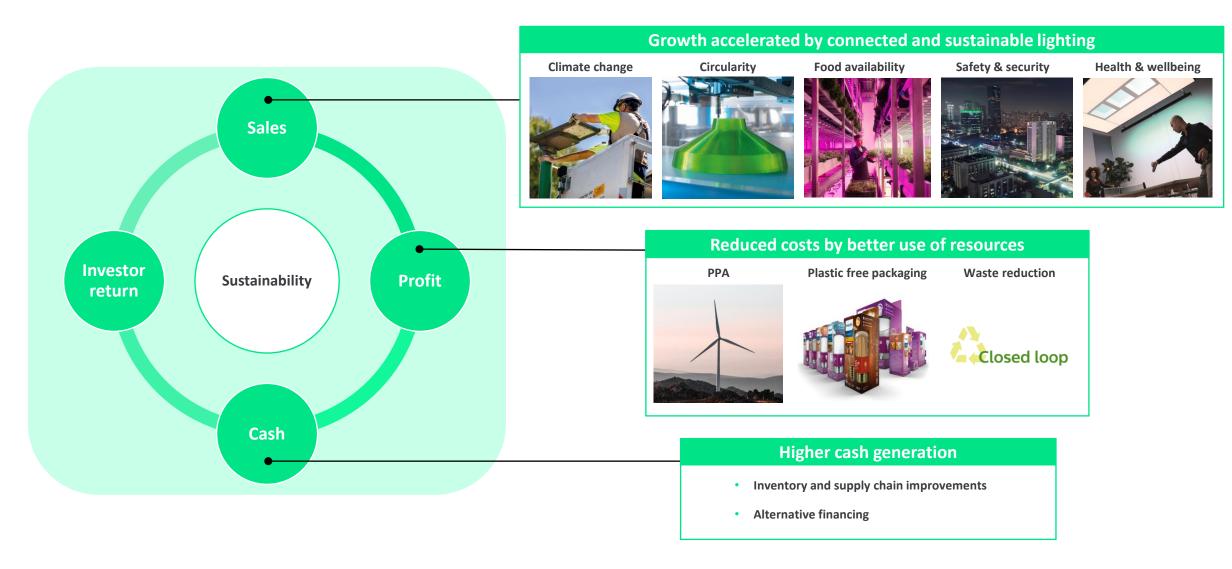




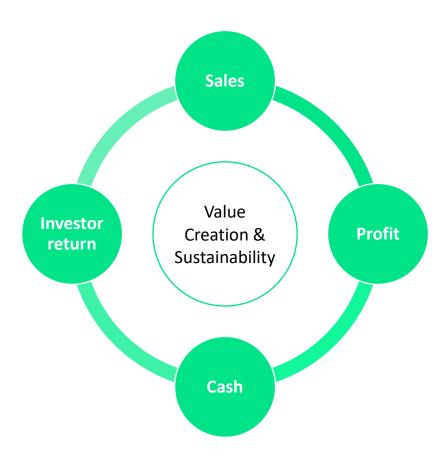
# USD 60m → USD 100m

total synergies to be achieved over 3 years

# Sustainability at the heart of value creation



### In summary: our renewed value creation framework



#### Our path to drive shareholder value creation

- Positive Signify comparable sales growth (0 to 5%), driven by technology innovation and sustainability
- Continued Adj. EBITA margin improvement to 11-13% by 2023
- Solid free cash flow generation, above 8% of sales for 2021-23
- Steady increase of ROCE, of at least 11% for 2021-23
- Double our Brighter Lives, Better World impact by 2025

#### While -

- Raising Cooper Lighting synergies from USD >60m to USD ~100m
- Increasing dividends to shareholders year-on-year
- Deleveraging in line with commitment to <1x by 2022</li>

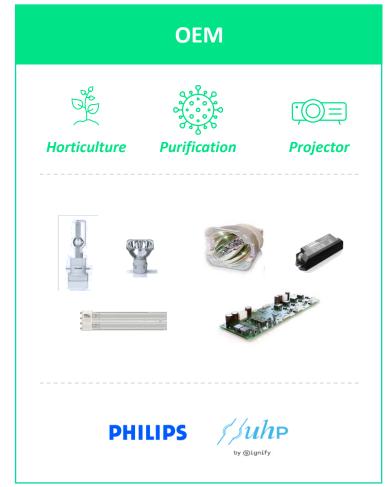


# Signify



# Division Conventional Products serves multiple customer segments with a world-leading portfolio







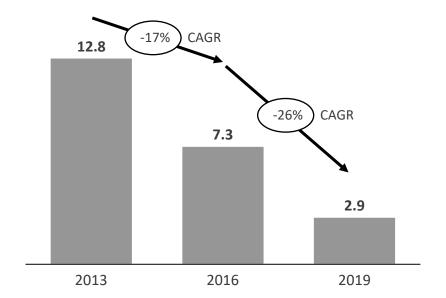


# Conventional market: sharp decline driven by energy efficiency and legislation

The market saw a further concentration benefitting the traditional actors

#### **Double-digit conventional market decline**

EUR b

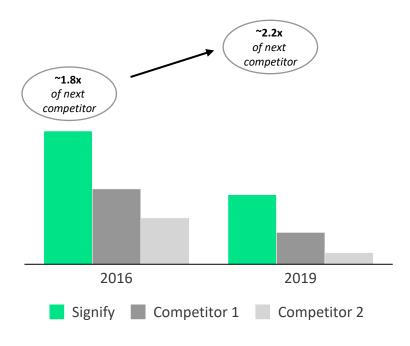


#### **Market Drivers**

- Energy efficiency objectives
- Improving price points of LED Light sources
- Legislative bans (Incandescent, Halogen)

#### Further market concentration in conventional lamps & electronics

**Past Market** 



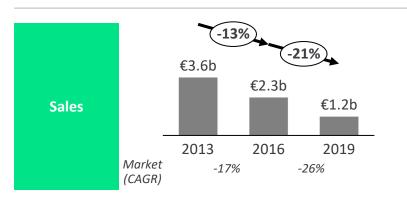
- Traditional players divested heavily to meet declining demand
- Main actors consolidated their positions



# Signify gained market share and strengthened its financial profile

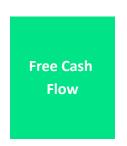
Leadership position was strengthened, customer and employee Net Promoter Scores increased

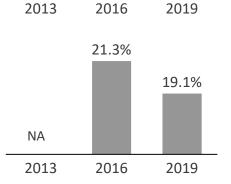
#### Strengthened financial profile in a declining market



16.9%



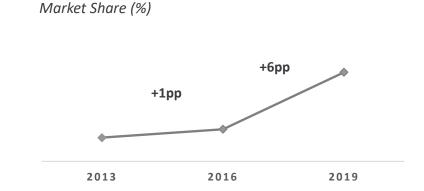




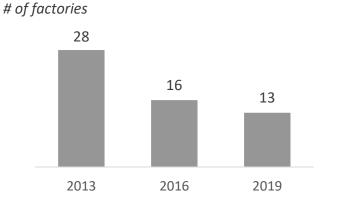
20.2%

19.2%

#### **Continuous market share gain**



#### Significant and timely footprint optimization



#### **Global leading market player**

end of 2019:





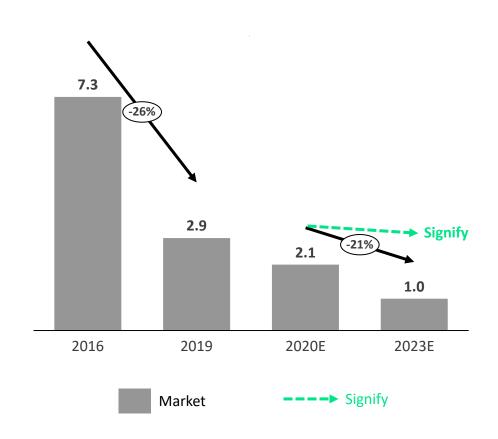




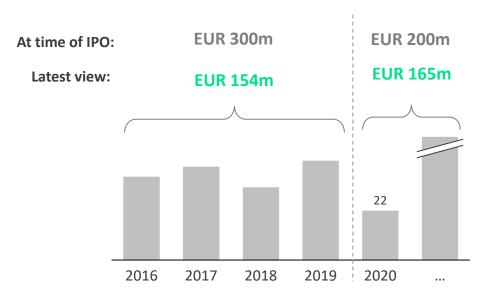
# Signify continues to increase market share in a less declining market

#### Double-digit but slowing market decline ahead

EUR b



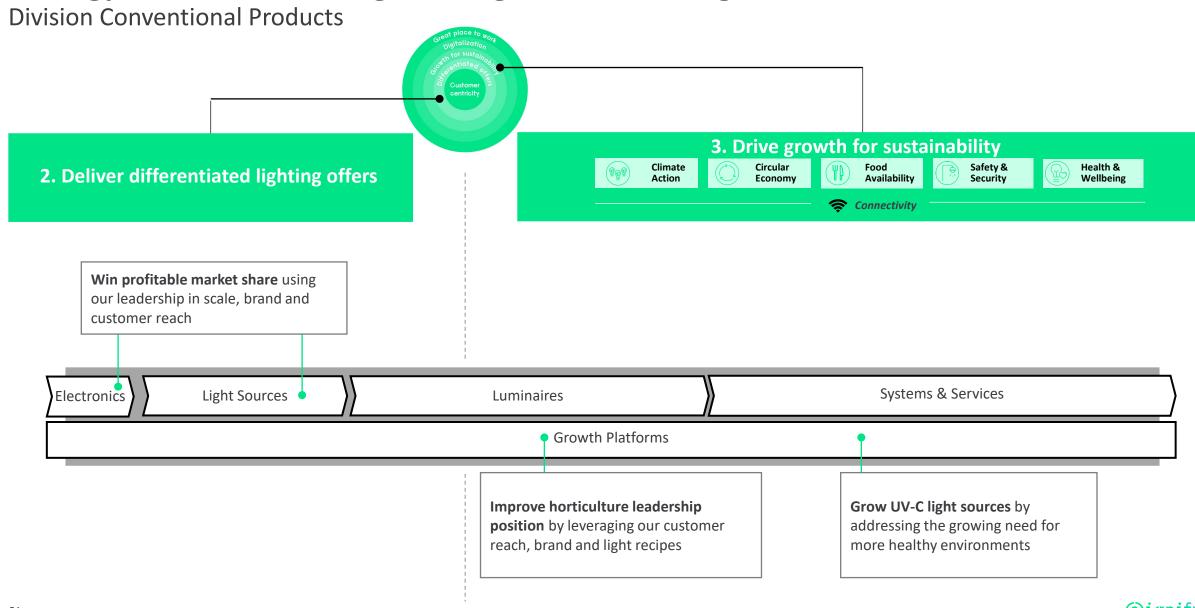
#### Restructuring charges reduced vs IPO guidance



- Fewer factories closures because of improved growth performance (vs. IPO hypothesis)
- Delayed, thus reduced impairment and restructuring costs
- Proven track record of efficient and cost optimized factory closures
- Clearly defined inter-divisional talent-flow objective

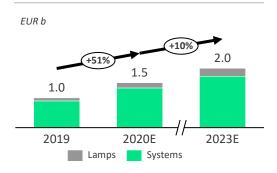


# Strategy: Continuous share gain and growth in UV-C light sources

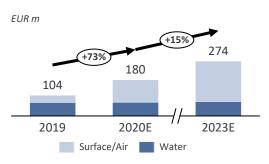


# Grow UV-C by leveraging our decades-long expertise and expanded production capacity

#### **Market Size**



#### **Market Size (Lamps only)**



#### **Market Growth Drivers**

- Pandemic response
- Health & safety concerns
- Replacement market for light sources drives recurring revenues

#### **Signify & OEM offerings**



Water Disinfection -Consumer





Industrial Water purification



Object
Disinfection Consumer



Air / Surface Disinfection -Professional



#### **Signify Competitive Strengths**

- 35 years of expertise in UV-C; market leader with double-digit market share
- Unparalleled manufacturing capability and capacity; recent investment to increase capacity by 8x
- Significant R&D capabilities to explore complementary technologies to enhance the portfolio
- Broad customer base: >300 OEM partners in >50 countries

#### **Customer benefits and proof points (non-exhaustive)**





- Inactivates SARS CoV-2 based on independent analysis
- **Disinfection robots:** can be effectively used across the healthcare, hospitality, and other sectors

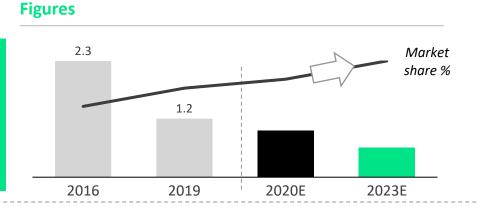


**Air-circulators:** Provides safe environment to their customers



# Improved leading market share and sustained strong financial profile

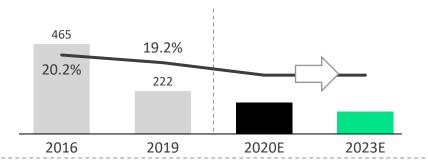




#### **Comments (Forward Looking)**

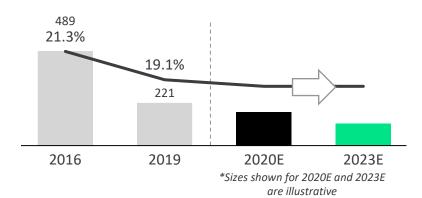
- Continuous commercial market share gain though customer conversion
- Continuous industrial market share expansion
- Positive sales growth mix impact of professional, horticulture and UV-C lamps





Leading profitability stability by adapting margin and costs to top-line decline





Further optimization of industrial footprint



# **Key takeaways**

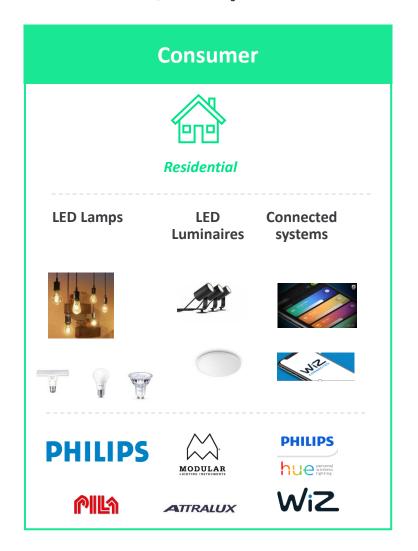
- We gained market share, strengthened our leadership and financial profile in a declining market
- Our strategy is built around:
  - Continuous share gain
  - Growth in UV-C by leveraging our decades-long expertise
- We will continue to deliver solid operating margins and free cash flow by adapting margin and costs to top-line decline and optimizing our industrial footprint



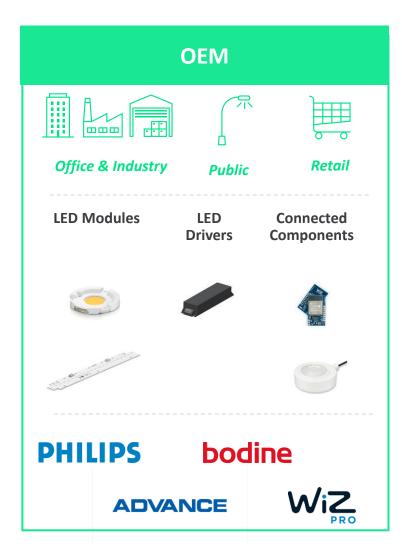
# Signify



# Digital Products serves multiple customer segments with technology leading light sources, luminaires, components and connected systems





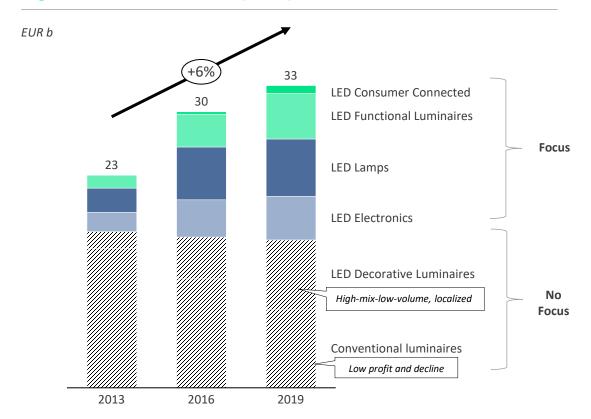




# The industry has transformed driven by energy efficiency and cost innovation

LED business saw increased competition while technology-enabled, differentiated connected offers emerged

#### **Digital Products market size (value)**

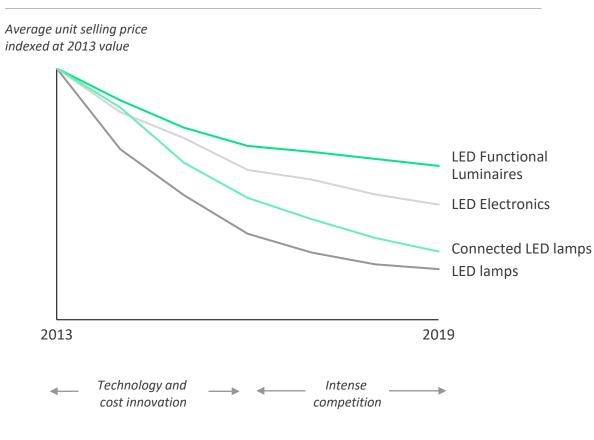


#### **Market Growth Drivers:**

- Government regulations for sustainability
- **Energy efficiency** improvement
- Cost innovation drive to more affordability
- Smart applications led by connected technologies

#### Market price development, selected categories

**Past Market** 



#### Only 3 of top 6

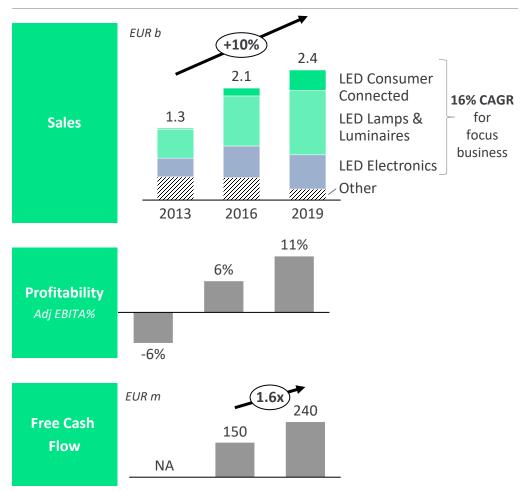
LED players from 2013 are still in top 6 in 2019



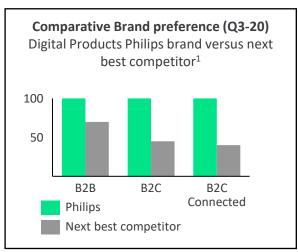
# Digital Products is an innovation world leader with strong financial profile

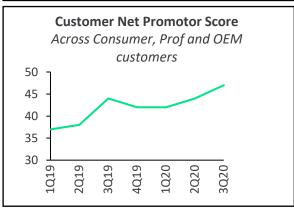
Profitable leadership position in LED and connected lighting driven by strong brand and customer preference

#### **Improved financials**



#### **Increased customer preference**





#### **Became market leader**

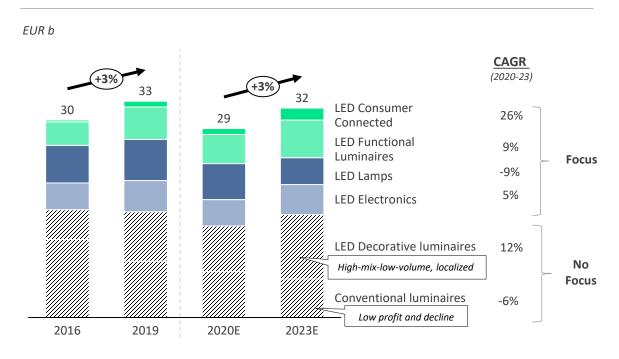
Rank	hν	product category	. 2020
Mann	$\omega_y$	product category	, 2020

LED Lamps	1
LED Electronics	1
LED Functional Luminaires	Top 3
LED Consumer Connected	1

# Growth driven by integrated LED luminaires and connected technology

Price decline forecasted to slow down in line with technology maturity

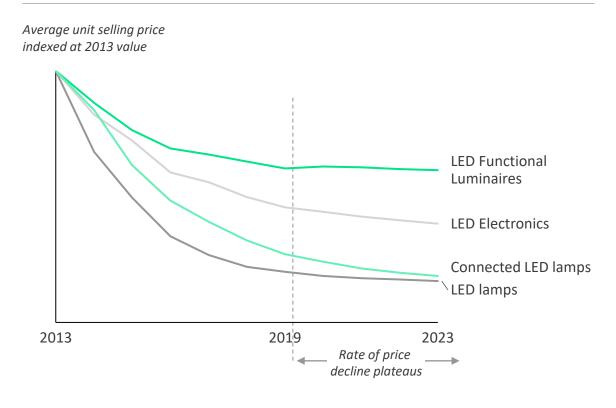
#### **Digital Products market size (value)**



#### **Market Growth Drivers:**

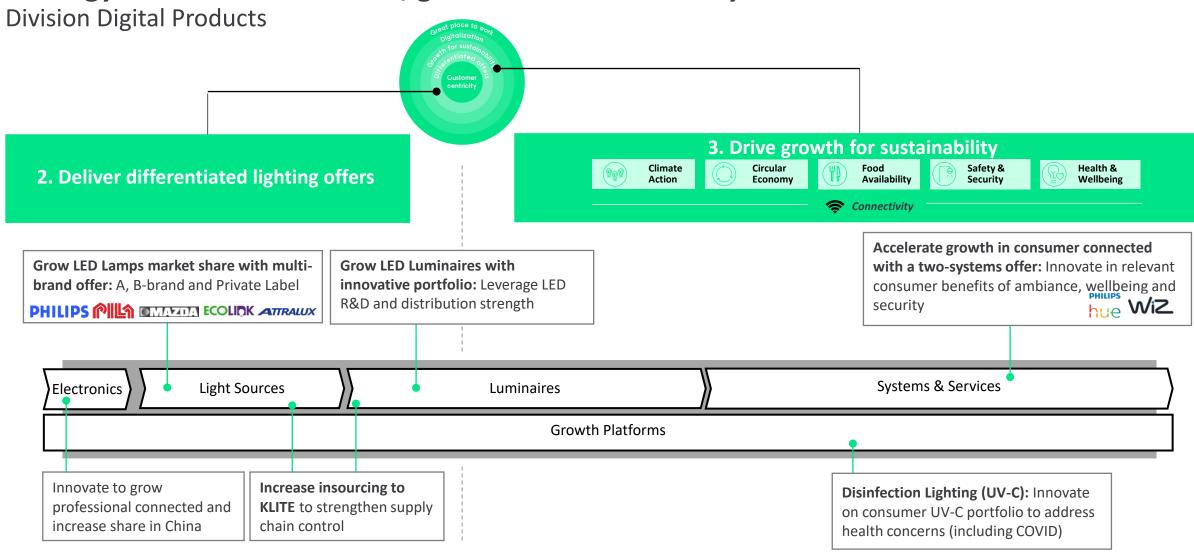
- Sustainability-driven socket-base conversion
- Smart home adoption boosts connected lighting
- Shift to integrated LED luminaires
- LED component growth in line with B2B luminaires growth

#### Market price development, selected categories





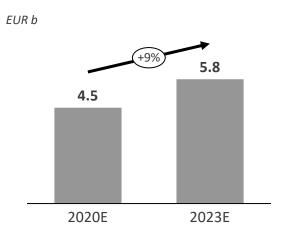
# Strategy: Differentiated offers, growth for sustainability



# Key growth area: Capture growth from the transition to integrated luminaires

Expand luminaires portfolio and distribution

#### **Market Size**



#### **Market Growth Drivers**

- Population growth and urbanization
- Sustainability-led socket base conversion
- Technology transition from lamps to LED integrated luminaires

#### Signify offering (non-exhaustive)

Living Room

Europe



Living Room
China



**Study Room** 



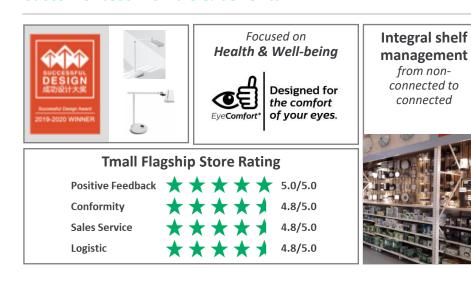
om |

Outdoor

#### **Signify Competitive Strengths**

- Multi-brand strategy to address different customer segments
- Portfolio strength with unique EyeComfort light recipes
- Industry-leading R&D capabilities from LED lamps to luminaires
- Global scale in manufacturing and distribution

#### **Customer testimonials & benefits**





# EyeComfort: Light that's easy on the eyes across LED Lamps and Luminaires portfolio

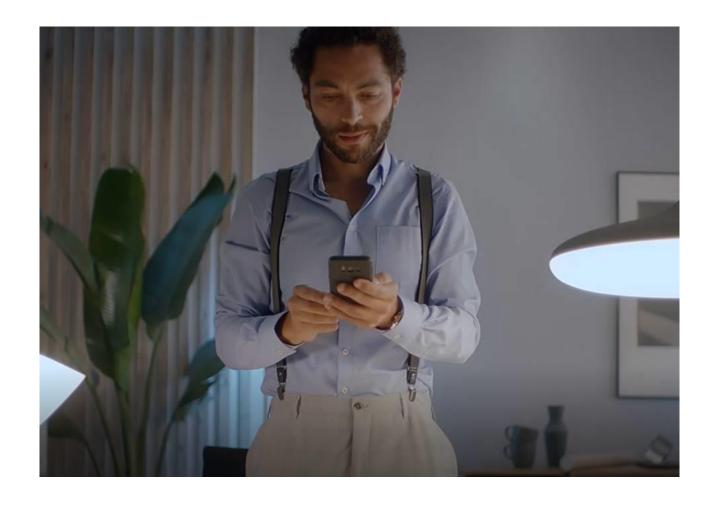


#EyeComfort #PhilipsEyeComfort

It's time to take visual comfort seriously - Philips EyeComfort LED lights



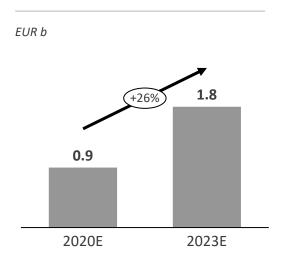
# PHILIPS hue



# Key growth area: IOT-technology driven consumer connected lighting

Accelerate growth with a complementary two-system offer leveraging Signify's global market leadership position

#### **Market Size**



#### **Market Growth Drivers**

- Personalized lighting experience for consumers
- Technology-enabled ease of installation, customization & automation
- Increasing consumer awareness & adoption of smart home ecosystem



#### **Signify Competitive Strengths**

- Innovation leadership in industry leading technology (Zigbee, WiFi, Bluetooth) and use case
- Higher brand equity and preference against competitors
- Engagement and expansion with millions of households
- Cross-industry alliances to drive future technologies & protocols

#### **Customer testimonials and proof points**













"The greatest designs of modern time [... Hue...], makes lighting our homes as personal as the music we listen to." -Apr-20

#### "Best Overall

The Wiz app, which you'll use for setup and programming, is surprisingly full-featured" – Nov-20





# Wiz: Intuitive connected system that enhances your daily living





Further insourcing will lead to higher sales, higher profitability and working capital improvement

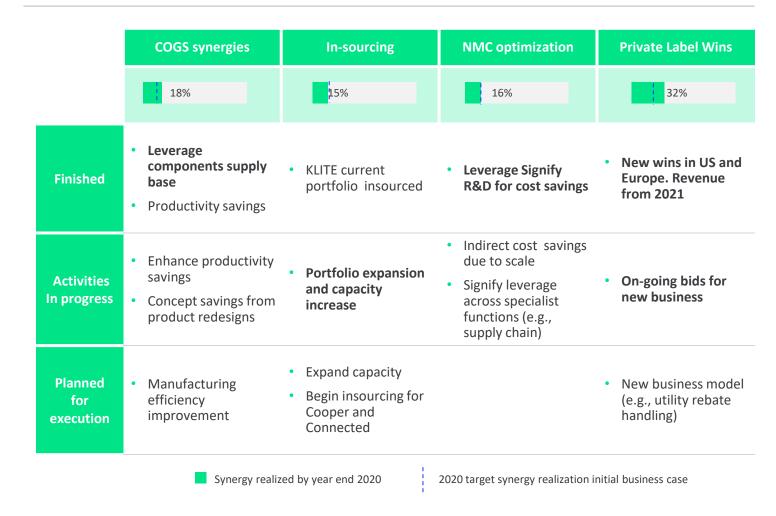
#### **Strategic rationale**

- Gain full control of supply chain
- Increase sales growth: Signify brands and private labels
- Dilute indirect costs
- Consolidate supplier margin
- Optimize cash

#### **Delivering strong contribution to division results**

- 3x increase in insourcing to KLITE planned by 2023
- Increase contribution of KLITE to Division Adj. EBITA throughout 2023
- Working capital improvement with KLITE insourcing

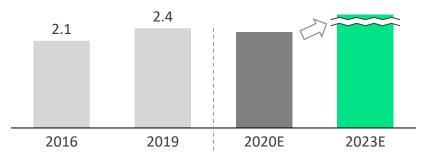
#### Synergy realization on plan







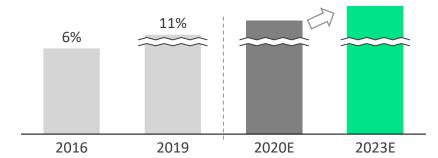
Sales (EUR b)



#### **Comments (Forward Looking)**

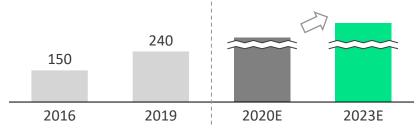
- **Growth driven by** consumer connected and LED Luminaires
- Growth for LED Lamps driven by multi-brand and private label via KLITE
- Growth for LED Electronics to come from professional connected, increasing market share in China - driven by innovation to grow

Adj. EBITA%



- **Pricing management** and BOM cost savings
- **Indirect cost savings** driven by process simplification and cost leverage
- Margin consolidation with KLITE insourcing increase

**Free Cashflow** (EUR m)



\*Sizes shown for 2020E and 2023E are illustrative

- FCF growth driven with EBITA improvement
- Working capital reduction contributed by inventory optimization and KLITE synergies



## **Digital Products: Key Takeaways**

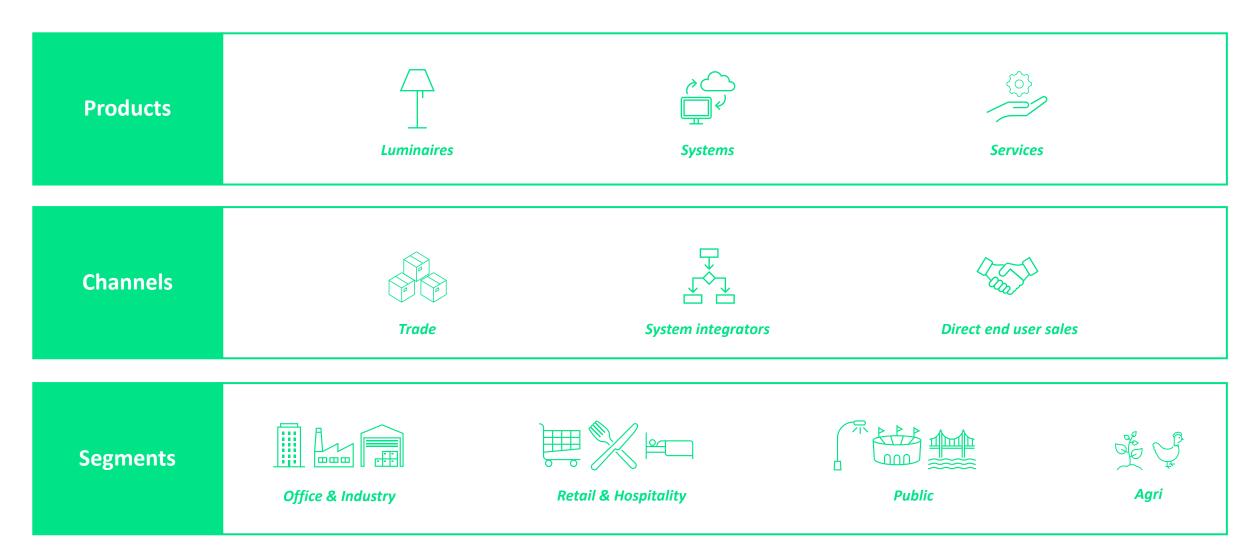
- Division Digital Products transformed successfully to a market and innovation leader in:
  - Consumer connected
  - LED luminaires & lamps
  - LED components
- Digital Products' strategy is focused on:
  - Capturing growth from the transition to integrated luminaires, driven by sustainabilityled socket base conversion
  - IOT-technology for consumer connected lighting
- We will strengthen our financial profile driven by growth, innovation and KLITE integration



# Signify

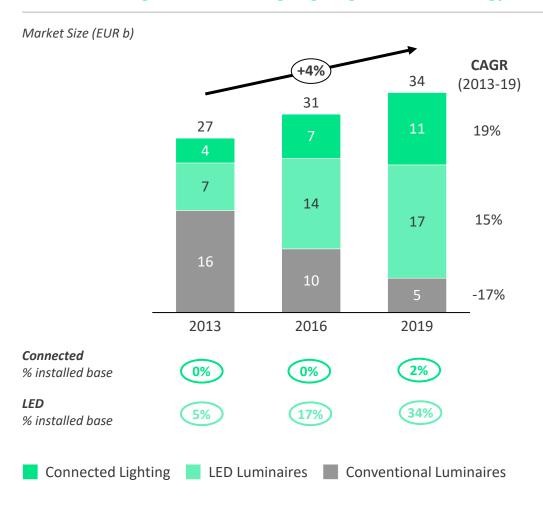


# Digital Solutions develops and sells luminaires, systems and services to all professional segments through multiple channels

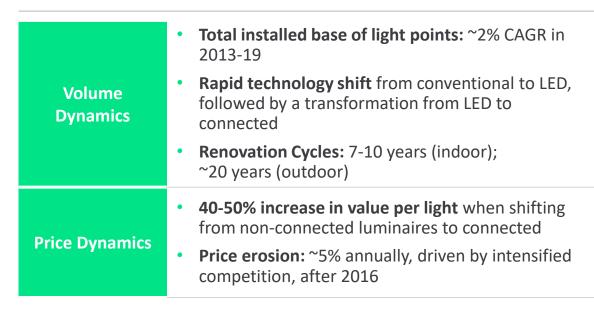




#### Overall market grew while undergoing a significant technology shift



#### **Key market dynamics**



#### Competitive landscape has seen substantial change

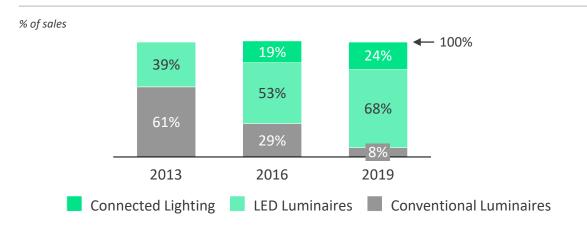
- Expansion of low-cost Asian players in luminaire market in Europe and Americas
- All traditional competitors have started building connected lighting portfolio
- Significant M&A activity



# Successful business transformation driven by innovation

Investments done ahead of curve to build foundations to win in the future

#### Successfully transformed our business towards LED



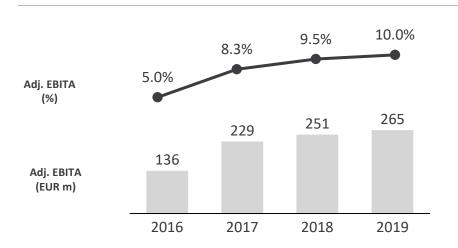
#### Improved customer satisfaction and operations

Changes shown for period 2016-2020 (YTD)

29 → 52
Customer NPS score

**45 ▶ 33** *Manufacturing sites*(incl. pro-forma Cooper)

#### Strong improvement in Adj. EBITA



#### Strengthened our business through acquisitions



Reach and











Specialty applications



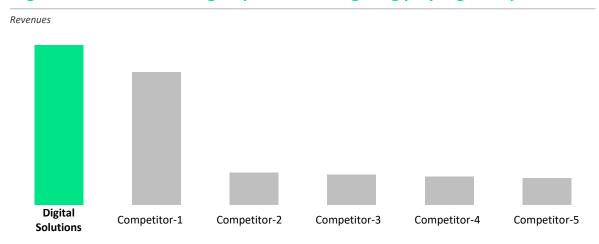




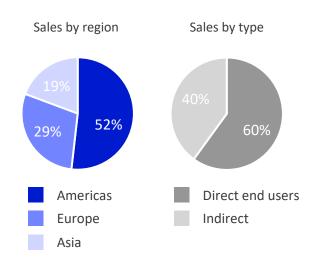


# Built an unmatched global scale while maintaining strong local presence

#### Digital Solutions is the largest professional lighting player globally

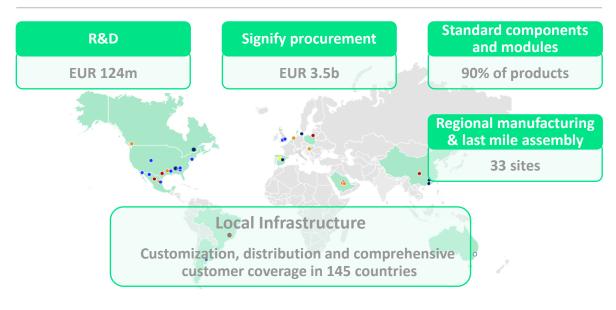


#### Uniquely balanced and diversified presence



- Directly selling to ~9,600 end users
- ~120 direct end user salespeople in systems organization
- Working with ~420 system integrators globally
- Strong relations with distributors, selling through ~13,000 branches

#### Strategic choices enable global and last-mile benefits for Digital Solutions



#### **Competitive advantages**

- Global presence allows serving our global customers wherever they are
- Unmatched scale in sourcing enabling 2-3% cost advantage
- **Optimized manufacturing footprint**, with high-volume plants in lowerwage countries and smaller local workshops for effective customization
- R&D spend can be leveraged over larger scale, helping in high innovation spend areas such as connected lighting and specialized applications
- Differentiated and cost-effective products leveraging platformization

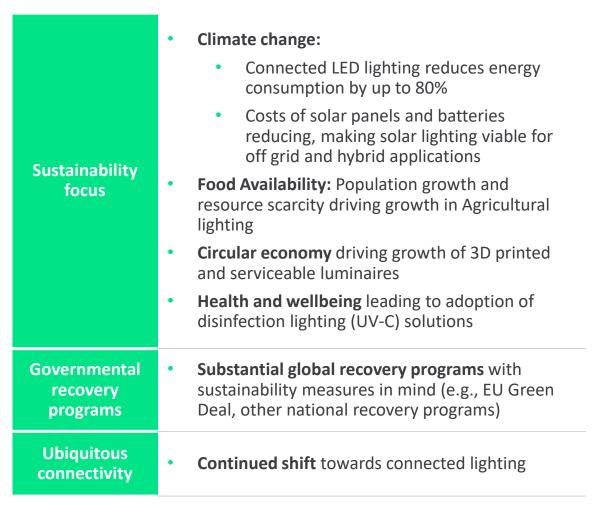


# Market is expected to show healthy growth driven by connected technology and sustainability

#### Prof lighting market expected to grow driven by connected and specialty

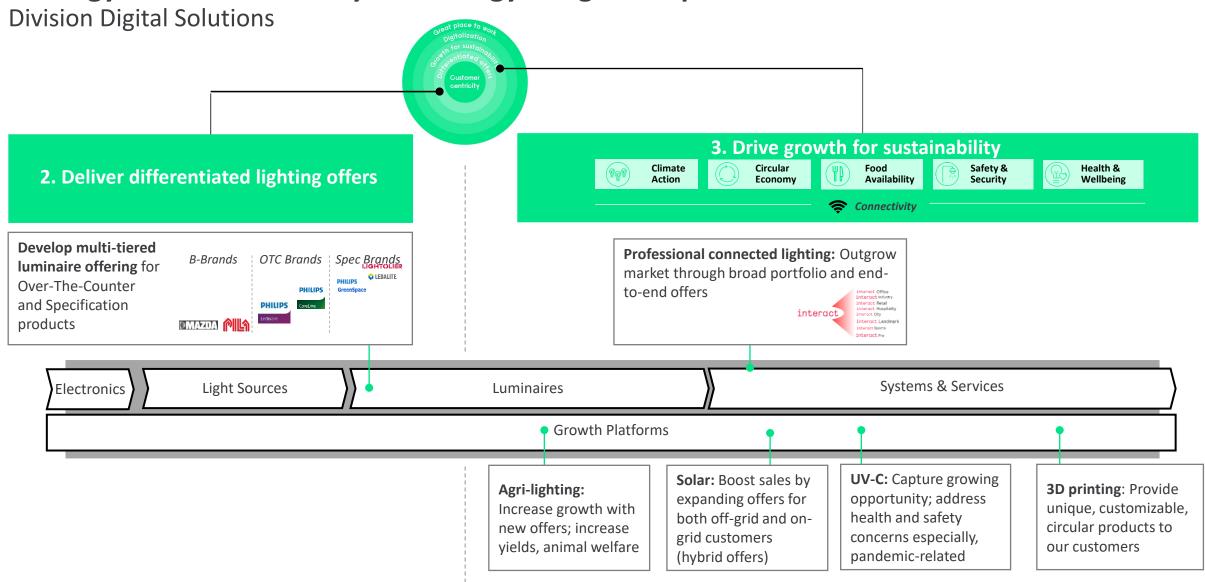
#### **CAGR** Market Size (EUR b) (2020E-23E) 31 30 14 11 12% General 14 17 16 20 7% Lighting --16% **Division Digital** 2016 2019 2020E 2023E **Solutions** Connected 0% 2% 3% 6% % installed base LED 39% 53% % installed base Conventional Luminaires Connected Lighting LED Luminaires Market Size (EUR b) Growth driven by specialty applications **CAGR** (2020-23)Growth 0.9 2.8 19% **Platforms** 0.5 1.7 15% 1.1 1.7 1.2 12% 2020E 2023E Agricultural Lighting Solar Lighting Disinfection Lighting (UV-C) \* Excludes conventional

#### Market growth is supported by key megatrends





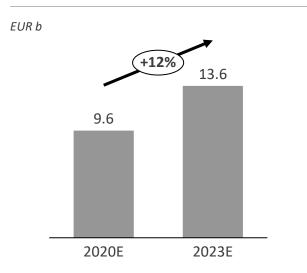
# Strategy: Growth driven by technology-led growth platforms



# **Growth platform 1: Innovation Leadership in Connected Lighting**

Signify is a global leader in high-growth connected lighting

#### **Market size**



#### Market growth drivers

- Only 3% of global installed base of luminaires has been connected
- Accelerating digitalization of the world driving adoption of connected
- Data-based services offer additional value to customers

### **Signify offering**

#### Architecture of a connected lighting system

#### Data enabled services

Space optimization, asset tracking, ...

#### **Lighting management software**

Scene management, energy optimization, ...

#### **Connectivity & gateways**

Wireless, cellular, ethernet, ...

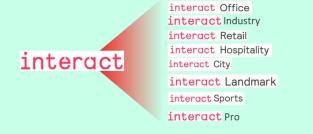
#### **Luminaire electronics**

Drivers, controllers

#### **Sensors & switches**

People counting, presence, daylight, environment, temperate, manual switches, ...

#### Suite of software adapted for different subsegments



#### **Competitive strengths**

- Specialized teams (sales, solution design and project delivery) across the world
- End-to-end offering: From sensor to dataenabled services
- **Partnerships** with key smart building and smart city players
- IoT platform optimized for subsegments
- Data enabled services that deliver value beyond illumination

#### **Customer benefits and proof points**

interact Office Deloitte.

**EUR 100,000** per year energy cost savings

- **40% reduction** in space per employee;
- EUR 1,800 per employee per year saved
- Improved employee satisfaction

#### interact Retail



- 15% increase in traffic to promotional areas
- 6% increase in sales



# interact technology creates value for different growth verticals warehouses example





EUR 5b glass manufacturer for auto sector

# interact technology creates value for different growth verticals street lighting example



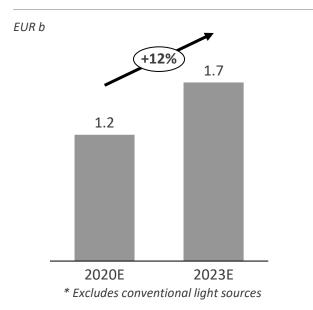


United States' largest public power utility

# **Growth platform 2: Distinctive advantages in agricultural lighting**

Signify is a global leader with a long heritage, unmatched know-how and unique IP position in light recipes

#### **Market size**



#### **Market growth drivers**

- Sustainability: Food security
- Increased customer preference for biological food grown closer to home
- Increased focus on resource efficiency
- Increased focus on animal welfare

#### **Select applications**

Horticultural



Vertical Farming



Animal barns and Aquaculture



#### **Competitive strengths**

- Unmatched know-how from decades-long experience combined with unique light recipes optimized for specific plants and animals
- Al for yield prediction
- Partnerships with agricultural ecosystem: greenhouse builders, universities and seed and feed providers
- Complete offering: Conventional + LED fixtures, connected system, light recipes and plant specialist advice
- Vertical farm design capabilities

#### **Customer benefits and proof points**





- Better yield of pesticidefree baby greens year round
- of the fresh produce thanks to growth recipes
- Boosted salmon growth by 10%
- Improved feed efficiency by 10%



# Horticultural lighting helps growers reduce resource consumption while increasing yield



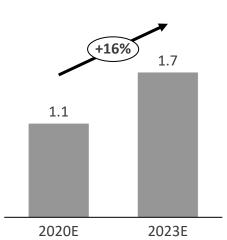


# Growth platform 3: Technology and quality leadership in Solar lighting

Signify is well-positioned to become the global leader in solar lighting

#### **Market size**

EUR b



#### **Market growth drivers**

- Off-grid areas in developing countries, driven by governmental programs
- Hybrid solutions on the back of focus on energy efficiency in developed markets, promoted by governmental programs such as EU's Green Deal

#### **Select applications**

Consumer solar lighting



Street lighting in off-grid areas



Hybrid solar in developed countries



#### **Competitive strengths**

- Customer access to cities as well as development funding agencies
- Integrated luminaire design: including charging, energy storage and fixture with better reliability and life
- Superior and patented charge controller
- Connected systems enabling better maintenance, tracking battery life and performance and improved energy efficiency

#### **Customer benefits and proof points**



Ayuntamiento de ALBACETE

- Installed >600
   luminaires to light a public park that had no lighting before
- Saving the city
   EUR ~650k capex
   and EUR ~130k opex
   annually



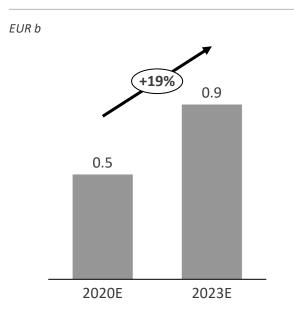
- >80,000 solar street lighting luminaires across 16,000 villages in rural India
- Saving EUR ~120m
   capex and EUR ~450k
   opex annually while
   improving the lives of
   21m people



# Growth platform 4: Disinfection lighting (UV-C) for health & well-being

Signify has already started to build position as global leader in growing disinfection lighting market

#### Market size<sup>1</sup>



#### **Market growth drivers**

- Proven technologies to kill bacteria and viruses
- Importance of hygiene and indoor air quality expected to remain after COVID-19 supporting market growth

#### **Select applications**

# Upper-air Disinfection

Used in retail, offices, gyms, etc.



# Surface Disinfection

Used in hotels, public spaces, etc.



#### Object Disinfection

using tunnels and chambers

Used in hotels, airports, stores warehouses, etc.



#### **Competitive strengths**

- Decades long experience in UV-C lighting, proven to be effective against Covid-19 by 3<sup>rd</sup> party labs
- Ability to offer full disinfection system: UV-C light source, fixture design as well as controls to ensure safe usage
- Connected systems offerings: Automatically disinfect when area is empty, run pre-scheduled routines

#### **Customer benefits and proof points**



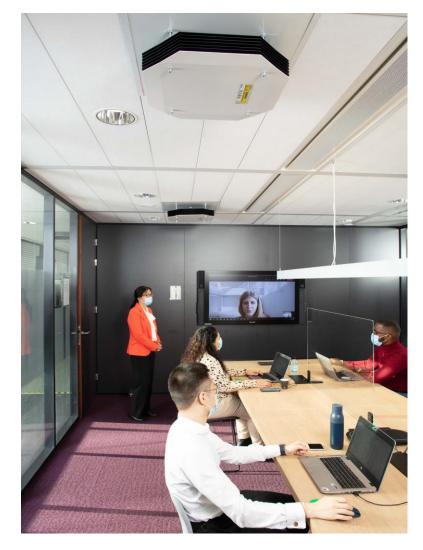
- Independent analysis shows Signify's UV-C lighting inactivates SARS CoV-2
- Virus becomes undetectable in less than 10 seconds



- Improved shopper and employee safety by installing UV-C upper-air luminaires
- Fast disinfection of objects by using the Bioshift chamber



# We're using our UV-C solutions to improve employee safety at Signify offices





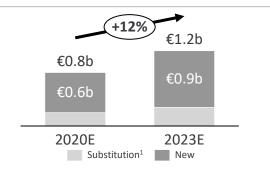






# Growth platform 5: 3D printed luminaires for circular economy

#### **Potential opportunity size**



#### Market growth drivers

- **Circularity** becoming increasingly important to customers
- 3D printing enables up to 75% reduction in carbon footprint due to materials used, transportation and end of life recycling
- Customers value customization options with short lead times



Impression of an automated 3D printing line

#### **Select applications**

#### Customized fixtures

to drive attention to promotional areas in a retail store



#### Unique retailerspecific range

to enhance brand image



#### Decorative pendants

with functional and office compliant specifications



#### Consumer **luminaires**

tailor your own *luminaire* online



#### **Competitive strengths**

- First mover advantage, having started 3.5 years ago; already 6 automated 3D manufacturing lines in Europe, North America and Asia
- **Extensive technical knowhow** on materials, process
- Ability to offer customized shapes and colors at scale in line with their designs, brands
- **Shortening of the end-to-end process** from design to delivery (days vs months)
- Further carbon footprint reduction by combining with connected system for improved energy efficiency

#### **Customer benefits and proof points**



- Reduced time from order to installation
- Improved atmosphere in promotional areas
- Circularity **preventing** waste



- 47% reduction in carbon footprint
- Exact fit with existing ceiling was impossible with standard luminaires





## Integration of Cooper is ahead of plan

Additional \$40m of bottom-line synergies identified, bringing total to \$100m

#### Meeting of hearts & minds before driving business results

- **Building a common culture**
- Improved career options to employees
- High engagement of Cooper employees

#### **Integration strategy is working**

Strategy	Results
<ul> <li>Maintain separate front office:</li> <li>Agent networks, brand portfolios, marketing teams</li> <li>Separate brands</li> </ul>	<ul> <li>All customers and agents retained</li> </ul>
Capture cost synergies in the back	• Synergy

- office functions
  - Rapidly capture procurement savings
  - Leverage core innovation capabilities and IP
  - Integrate and optimize all support functions
- realization ahead of plan
- Additional synergies identified

#### Synergy realization is ahead of plan



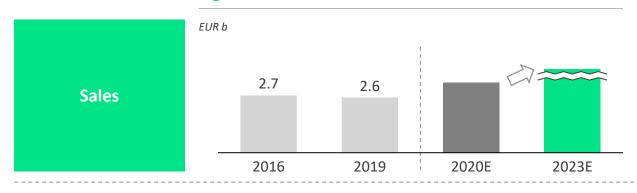
	Procurement & Insourcing savings	Operational costs	SG&A optimization	Growth synergies
	30%	7%	15%	17%
Finished	<ul><li>Procurement negotiations</li><li>Driver insourcing</li></ul>		<ul> <li>Accelerated closure of TSLAs with Eaton</li> </ul>	<ul><li>Retained all customer and agent relationships</li><li>Monetizing IP</li></ul>
				Launched UV-C
In progress	<ul> <li>Additional insourcing of components and finished goods</li> <li>Concept savings from product redesigns</li> </ul>	<ul> <li>Manufacturing cost optimization</li> </ul>	<ul> <li>Integration of IT systems</li> <li>Combination of HR back office</li> </ul>	<ul> <li>Accelerated launch of new connected offerings</li> <li>Stronger combined distributor incentive programs</li> </ul>
Newly identified	<ul> <li>Indirect material procurement integration</li> </ul>	<ul> <li>Logistics cost optimization</li> </ul>	<ul> <li>Additional savings through shared service centers</li> </ul>	<ul> <li>Leveraging Signify go to market outside North America</li> </ul>

2020 target synergy realization

initial business case

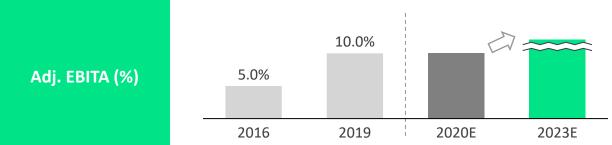


### Figures

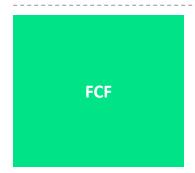


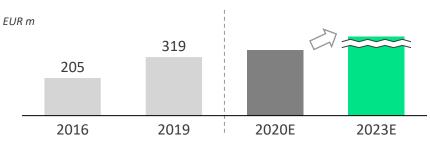
#### **Comments**

- Better growth profile with reduced weight of conventional luminaire in the business mix
- Connected lighting will be key growth driver
- Growth platforms such as Agri, UV-C and Solar will add substantial topline
- Sales synergies with Cooper Lighting



- **Price mix management** through multi-tier portfolio; Lower price mix erosion than historical
- **Continued procurement savings** and manufacturing productivity
- Continued optimization of non-manufacturing cost base
- Enhanced cost synergies from Cooper Lighting acquisition





\*Sizes shown for 2020E and 2023E are illustrative

- Increased FCF through EBITA expansion
- Cash conversion driven through further improved working capital management



## **Digital Solutions: Key Takeaways**

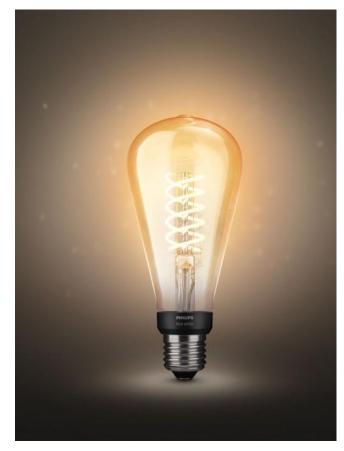
- Digital Solutions has successfully transformed to emerge as the market leader and innovation leader in professional lighting
- Digital Solutions' strategy is built around growth for sustainability in attractive growth platforms such as:
  - Connected lighting
  - Agriculture lighting
  - Solar lighting
  - 3D printed luminaires
  - Disinfection lighting
- Invested ahead of the curve to gain Innovation
   Leadership
- Strong financial profile with unmatched global scale and enhanced synergies from Cooper Lighting Integration



# Signify

## **Closing remarks**

- Signify will further strengthen its leadership position targeting attractive growth and profit pools
- The headwinds from the industry transition to LED will abate in the years to come
- Our innovation-led strategy will continue to shape industry standards and the technology leap towards connectivity
- Signify is uniquely positioned to achieve multi-dimensional, technology-led growth
- Sustainability will be at the heart of Signify's growth opportunities driving long term value creation
- Signify will continue to build a best-in-class financial profile repositioned with building technology players



Connected LED with conventional aesthetics

# Signify