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LIGHT.AS - Q1 2024 Signify NV Earnings Call

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CORPORATE PARTICIPANTS

Eric Rondolat *Signify N.V. - Chairman of the Board of Management & CEO*

Thelke Gerdes *Signify N.V. - Head of IR*

Zeljko Kosanovic *Signify N.V. - CFO*

CONFERENCE CALL PARTICIPANTS

Adam Parr *Redburn (Europe) Limited, Research Division - Research Analyst*

Akash Gupta *JPMorgan Chase & Co, Research Division - Research Analyst*

Daniela de Carvalho e Costa *Goldman Sachs Group, Inc., Research Division - MD and Head of the European Capital Goods Equity Research Team*

Marc Hesselink *ING Groep N.V., Research Division - Research Analyst*

Martin Wilkie *Citigroup Inc., Research Division - MD*

Tim Ehlers *Kepler Cheuvreux, Research Division - Equity Research Analyst*

PRESENTATION

Operator

Hello, and welcome to the Signify First Quarter Results 2024. (Operator Instructions). Today, I am pleased to present Eric Rondolat, CEO; Zeljko Kosanovic, CFO; and Thelke Gerdes, Head of IR. Please go ahead with your meeting.

Thelke Gerdes - *Signify N.V. - Head of IR*

Good morning, everyone, and welcome to Signify's earnings call for the first quarter 2024. With me today are Eric Rondolat, CEO of Signify; and Zeljko Kosanovic, who has recently been appointed as Signify CFO, succeeding Javier van Engelen. 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. And 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 N.V. - Chairman of the Board of Management & CEO*

Thank you, Thelke. Good morning, everyone, and thank you for joining us today. Let's start with some of the highlights for the first quarter 2024 on Slide 4. In the first quarter, we saw improving dynamics in our U.S. professional OEM and consumer businesses where the market in China remains soft, and the European professional business was substantially below our expectations. We increased the installed base of connected light points from EUR 124 million in Q4 last year to EUR 126 million at the end of Q1 this year. LED-based sales were 87% of total sales compared to 82%, one year ago. Nominal sales declined by 12.5% to EUR 1.468 billion, including a negative currency effect of 2.6%. Comparable sales declined by 10.1%.

Overall, the adjusted EBITDA margin decreased by 60 basis points to 8.3% due to the under absorption of fixed costs despite an improvement of the gross margin. Net income came at EUR 44 million compared to EUR 28 million in Q1 last year. The year-on-year improvement is mainly driven by lower financial expenses and higher income from operations. Finally, we delivered EUR 18 million of free cash flow during the quarter as we continued to improve our working capital. During the first quarter, we successfully implemented our new organizational structure effective April 1. It has received strong support internally and externally as it brings an enhanced focus and accountability to our businesses from an end-to-end market perspective. In terms of our reporting this quarter, we will only report sales and comparable sales growth by business as during the first quarter, proceedings with our social partners were still pending. As of Q2 2024, we will report sales and adjusted EBITDA by business. We will provide 2023 and Q1 2024 comparable financials for sales and profit by business by the end of June 2024.

So, let's move to Slide 5, starting with the professional business. Nominal sales in Q1 were at EUR 943 million, with comparable sales showing a decline of 7.6%, mainly due to weak professional sales in Europe, offsetting moderate growth in India and emerging markets. We saw a much more resilient performance in the U.S. market from a top line pricing and also bottom-line perspective. Moving on to the consumer business on Slide 6, nominal sales were at EUR 299 million with comparable sales showing a decline of 5.7%. Overall, we saw a sequential improvement compared to previous quarters of our connected business. We also saw inventory levels of retailers return to normalized levels. Continuing with the OEM business on Slide 7, nominal sales in Q1 were EUR 103 million, with comparable showing a decline of 7.4% on a sequential basis. We are starting to see improvements as inventory levels of OEM are returning to normalized levels in the majority of our business. And finally, the conventional business, moving to Slide 8, nominal sales in Q1 were EUR 119 million, with comparable sales showing a decline of 34.1%, reflecting the full impact of the fluorescent bands in Europe, while in Q1 2023, we benefited from a prebuying effect.

Now let's move to Slide 9, where I would like to discuss a couple of business highlights, starting off with 2 highlights of our professional business. So, in Austria, we equipped the Vienna City Hall with Color Kinetics connected LED lighting. We completely renovated the festive lighting and installed over 1,100 Color Kinetics luminaires. The installation results in lower operating and maintenance costs while generating energy savings of up to 50%. We also introduced LumXpert, an industry-first application for professional installers. The app simplifies and accelerates lighting projects. The in-app design tool enables project management and professional lighting calculations. Users (inaudible) can buy all Signify brands directly from our distributors with competitive delivery times.

We expanded the collaboration between Philips Hue and Samsung SmartThings aimed at optimizing the interaction between the Philips Hue Sync TV app, Samsung's TV and the SmartThings ecosystem. So, the Philips Hue Sync TV app is available to consumers on a monthly subscription basis as a onetime purchase or as a onetime purchase. We have seen particularly good traction so far for the subscription model. Next, we achieved 2 [test] victories for Philips Hue and WiZ in the German Stiftung Warentest. The test compared 10 smart labs, 7 with the base station and without. The Philips Hue white and Color Ambiance lamp with Hue Bridge was the overall test winner due to its lighting properties, smart functions and the interaction between the light bulb and the bridge. The WiZ Tunable White and Colour E27 lamp won the category smart lamps without base station. In addition, the WiZ lamp was highlighted for its affordability and environmental properties. \

Next, I would like to discuss our sustainability performance on Slide 10. So, we have now entered the fourth year of our Brighter Lives, Better World 2025 sustainability program. And during the first quarter, we were ahead of schedule to achieve our 2025 target to reduce emissions across the entire value chain by 40% against the 2019 baseline, doubling the pace required to the Paris Agreement, 1.5-degree scenario. In addition, the company has received approval from the SBTi for its ambitious 2040 net zero target with a 90% absolute reduction of scope 1, 2 and 3 emissions. Circular revenues increased to 34%, surpassing already the 2025 target of 32%. The main contribution was from serviceable luminaires with a strong performance from both consumer and professional. [Bright Lives] revenues remained at 31%, on track to reach the 2025 target of 32%. This includes a strong contribution from consumer products that support health and well-being, mainly [icomfort].

The percentage of women leadership position decreased to 28%, a 1% decrease versus the last quarter and slightly behind our target. Signify continues its actions to increase women representation through focused hiring practices for diversity across all levels and through retention and engagement actions to reduce attrition. In addition, we received several external recognitions. Signify was placed on the CDP Climate A list for the seventh consecutive year. We were recognized on CDP's 2023 supplier engagement leader board for our commitment to engagement in our supply chain to decrease carbon emissions. And we are also recognized on the Clean 200 list of companies putting sustainable investment at the heart of this strategy. With this, I am now very pleased to introduce Zeljko who has just been appointed as Signify's new CFO . Zeljko take us through our financial performance in more details.

Zeljko Kosanovic - *Signify N.V. - CFO*

Thank you, Eric, and good morning to everyone on the call. It is my pleasure to present our first quarter 2024 results this morning. So let me dive straight into the financial highlights on the Slide 12 where we are showing the adjusted EBITDA bridge for the total Signify. The adjusted EBITDA margin decreased by 60 basis points from 8.9% in Q1 2023 to 8.3% in Q1 this year as a strong 190 basis point gross margin improvement was more than offset by the negative impact from volume decline. Looking at the bridge in more detail, first, the negative volume effect was 270 basis points. On the other hand, the combined effect of price and mix was a negative 120 basis points as the price erosion in some parts of our business was offset by a positive sales mix. Cost of goods sold improvements contributed with 200 basis points. Adjusted indirect cost savings had a positive effect of 80 basis points. However, we are not able to keep pace with the volume decline. Currency overall had a positive effect of 70 basis points, mainly helped by the evolution of the Chinese Yuan currency. Finally, other effects contributed a negative 20 basis points.

Now moving on to Slide 13. I would like to zoom in on our working capital performance during the quarter. Compared to the end of March 2023, working capital reduced by EUR 144 million or by 100 basis points from 8.3% to 7.3% of sales on a 12-month sales basis. The level of inventories decreased by EUR 273 million, mainly as a result of our improving supply chain lead times. Receivables reduced by EUR 95 million due to both our efforts to further minimize overdues and also due to the lower year-on-year sales level. Payables were EUR 224 million lower, which is a logical consequence of driving down our inventories while structural payment terms remains largely unchanged. As lead times continue to normalize, we see further potential to reduce our working capital back to the historical levels of low to mid-single-digit percentage of sales. And with that, I would like to hand back to Eric to wrap up with the outlook and closing remarks.

Eric Rondolat - *Signify N.V. - Chairman of the Board of Management & CEO*

Yes. Thanks Zeljko. Let's conclude with the outlook on Slide 15. So, for the full year, we continue to expect an adjusted EBITDA margin improvement of up to 50 basis points, including the first benefits from the announced restructuring program. Free cash flow of 6% to 7% of sales, including an incremental and nonrecurring negative impact of around EUR 150 million related to the restructuring program and the reduction of our U.S. pension liabilities. And as the year progresses, we anticipate a sequential comparable sales growth improvement driven by improving dynamics in the Americas and the OEM and consumer businesses. The continuous effort to manage the gross margin combined with the implementation of our cost reduction program will deliver a positive effect on our operating margin in the quarters ahead, in line with our guidance for the full year. And with all that, I will hand back to the operator for the Q&A.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator Instructions) I will take the first question from Akash Gupta from JPMorgan.

Akash Gupta - *JPMorgan Chase & Co, Research Division - Research Analyst*

My first one is on organic sales decline, which came in a bit ahead of what people were expecting. And the question I have is that did this internal reorganization that you are currently undergoing through, has that played any role in terms of your ability to fulfil some commitments or orders? And wondering if you can comment about your growth versus the end market growth in the first quarter?

Eric Rondolat - *Signify N.V. - Chairman of the Board of Management & CEO*

Yes. Akash. Look, we looked at this subject precisely -- we don't believe so. I mean there could be given the reorganization a little bit of some adjustments needed. But what needs to be understood is we are not in that reorganization fundamentally touching our front offices, meaning that the teams that were in front of the customers yesterday are the same teams being in front of the customer today. In our previous organizations, every market had Mr. or Mrs. Professional, Mr. or Mrs. OEM or Mr. or Mrs. consumer. So that connection to our customers has not changed. So that's one thing. But what happened in Q1 and it will happen also to a lesser extent in the upcoming quarters, is the big base of comparison challenge that we had on the conventional part of the business. If you remember last year, we had the first time -- the last time buy from our customer, which position our conventional business in a very strong growth compared to what it was doing normally at minus 4.6%, if I remember well, in Q1 last year. So, we expect a very strong decline of the conventional on a comparable basis, which is basically close to 300 basis points of negative drag on the whole top line. So, these are answers to your question.

Now what we did not forecast in Q1 was a substantial stronger decline in the professional business in Europe than what we had originally expected. And that takes place at 2 different levels. First, on the trade side. So, we've seen that our sales to trade were really substantially lower than what we expected in Q1. And we need to study that a bit more, but we believe it's more structural, and it's not only the lighting industry, it's a bit more global. Germany being probably one of the country which has complicated economical situation at this point in time, and it has probably also spread to other countries in Europe. We've seen also, but we believe it's a bit -- it's more a temporary thing, slowness on our public business in Europe, which was very strong Q1 last year. And so, a strong base of comparison, a bit weaker in Q1, but we have seen in Q2 that our order intake is going back quite strongly. So that should be a temporary effect. So that's what would explain the delta between what was expected and what we have seen. Our growth versus the end markets, the end markets you get always the information one quarter later. But what we see, if we go back to Q4, I think we performed very well at that point in time in U.S. and in Europe, and we compare with sales to our peers that are listed companies, and we have performed better in -- from a top line perspective. So, we were pretty much well positioned given the market dynamics in Q3. We don't think it has dramatically changed in Q1. It's just a surprise we had on the distributed market in Europe, but I believe it's something that will have surprised other companies, but we have to wait for people to publish their results in order to confirm that. But from an end market perspective, we think that we were well positioned in Q4, and there's no reason that this would have dramatically changed in Q1.

Akash Gupta - *JPMorgan Chase & Co, Research Division - Research Analyst*

And my follow-up question is in the backlog-driven professional businesses, can you tell us how does it compare because against last couple of quarters? And is there any soft indication of Q2 organic growth where we might land?

Eric Rondolat - *Signify N.V. - Chairman of the Board of Management & CEO*

Yes, our backlog is today a bit weaker than what we had experienced previously on the professional business. So, your question is a good one. We effectively entering the quarter with a percentage of order backlog, which is lower than what we would normally experience for that business. On the contrary, it is very strong for OEM. It is very good for conventional and very well positioned for the consumer. So yes, entering the quarter, we see a bit of softness on the order book on provision.

Operator

We'll take the next question from Martin Wilkie from Citi.

Martin Wilkie - *Citigroup Inc., Research Division - MD*

It's Martin from Citi. My first question was just around the stocking levels. You've highlighted in both OEM and in consumer that distributor stocking levels have normalized, I think, completely or perhaps to some degree during Q1. If you could just let us know is the destocking now completely come to an end there? And also, just in terms of what we think about how big a drag that has been, obviously, we'll get the restated numbers for those divisions in June, but if we look last year, do you have some sort of sense as to what the difference was between the selling and the sellout in those divisions just so we can get some understanding as to sort of how big a drag that destocking has been, both in consumer and in OEM?

Eric Rondolat - *Signify N.V. - Chairman of the Board of Management & CEO*

Yes, Martin. So, let's take it by part. So, on the OEM side, effectively, inventories have gone back to healthy levels. And we have seen that quite quickly because we're experiencing now a clear increase of our order book with OEMs. So that's very positive. Look, if you take some distance and we take a specific geography like the Americas, it went up to 21 weeks, at the peak and went down to 6 weeks. So, at the end of the day, we didn't calculate exactly what was the resulting impact on the selling in versus selling out. But you can imagine that they had to bring the inventory to more decent levels, understanding also that the market was not particularly having a good traction. So, you get the two negative effect in a market which is not extremely dynamic, while at the same time, an inventory that needs to be reduced. If we talk about Europe, it went from 15 to 5 weeks. So that had a material impact on the OEM business that we believe we're going to see a rebounding in the coming quarters. On the consumer side, it has been probably less extreme because the stocking levels were adjusted while the economy was performing. So, we've seen regular and gradual adjustments.

Now we are at very healthy levels, I would say, not everywhere, but I would say in the vast majority of our retailers. And we have seen it already. We see already the trend that is about having a more direct rejection between selling in and selling out. So, these are good news. We have seen that some of our consumer business and especially the connected business, now taking another direction in terms of growth, which we believe is also a [traduction] of that. So, complicated given that the market is also fluctuating to give a number on how much the selling in was hampered, but you get an understanding between 21 to 6 weeks, between 15 to 5 weeks. So that has important consequences on the top line, and we see that changing.

Martin Wilkie - *Citigroup Inc., Research Division - MD*

That's helpful. And just a follow-up. Was all that impact just really through the volume? Or does the industry when you go through destocking, see some sort of price discounting or some price headwind as a result of that? Just when we think about the buckets in your earnings bridge between pricing and volume effects, would you say that destocking in terms of how it impacted you was mainly seen through the volume side, you didn't have to discount or anything like that to clear those channels?

Eric Rondolat - *Signify N.V. - Chairman of the Board of Management & CEO*

No, the destocking was mostly volume.

Operator

We'll take now the next question from Tim Ehlers from Kepler.

Tim Ehlers - *Kepler Cheuvreux, Research Division - Equity Research Analyst*

The first one is about conventional. So, I guess, a bit weaker than everybody has expected it to be. You always stated that you were overperforming the market for conventions. You were making some market share gains in a declining market. Was that still the case? Or did you now see your conventional sales decline below what the market has seen?

Eric Rondolat - *Signify N.V. - Chairman of the Board of Management & CEO*

Good morning, Tim. Look, in terms of market share gains, we'd only be able to talk about Q1 in Q2 because we have a lag of about a quarter to be able to analyse the numbers. The sales decline on conventional is pretty much linked to the good performance of conventional last year. So, when we had -- it was in, I think, June and September to have -- to go through a ban of some technologies in conventional, our customers do the last buys. So, you get on the year of the ban, increased sales on the side of conventional because they know that we're not going to be able to produce anymore, so, they buy the last inventory. The consequence of this is that our numbers in 2023 in the conventional business from a growth perspective, were increased by that phenomenon. That's the case for Q1 to a given extent in Q2 to a lesser extent in Q3 and much less in Q4. So, we know that in the first quarters of the year, we have a high compare when it comes to the conventional business. And this is why we have a decline, which is about 34% in Q1 this year.

As you can see also, we maintain a very healthy level in terms of a bottom line. And we believe that given this peculiarity in 2023 last buys, we should be continuing to gain on our market share. Just remember that in that business, we produce not only for us, but we produce also for many other companies that are still virtually active in that business. But we're going to be more precise on market share gains in Q2. But we believe that what we see in terms of market decline today is very circumstantial, given everything that I've explained.

Tim Ehlers - *Kepler Cheuvreux, Research Division - Equity Research Analyst*

Okay. Clear. Then maybe one follow-up question on that, a short one. You don't disclose the margins per division. But I think then it's probably fair to assume that in conventional, you're also seeing some margin deterioration due to the lower activity levels, right?

Eric Rondolat - *Signify N.V. - Chairman of the Board of Management & CEO*

Not really. We know how to adapt the structure to the volume in that business. So, we haven't released in that. Now the fact that we don't disclose, maybe just let me take the opportunity of the question to go a little bit broader. We finally finish the proceedings with the people who represent our employees at the end of March. So basically, we had very little time to reaffect the cost, especially in the geographies to the right businesses in [order] and to be able to give a comprehensive set of information. This doesn't mean that we don't have preliminary results. So, we have preliminary results, but they are not final, and that's why we're not showing them. What they tell us and they tell us that there's no regulation on the side of the conventional business and the three other business are more or less around the group average. But we will give more details and more precise details before the Q2 results in order for you to get a clear understanding of the performance of those business from a full P&L standpoint and also being able to compare them to what has happened in the past.

Tim Ehlers - *Kepler Cheuvreux, Research Division - Equity Research Analyst*

Okay. That's very useful. And then one last question before I pass on to the next colleague. You mentioned that you've seen consumer and OEM in the U.S. showing some sequential improvements. Is that a trend you also see in Europe? Or is it to somewhat lesser degree in Europe case?

Eric Rondolat - *Signify N.V. - Chairman of the Board of Management & CEO*

So, what I -- okay, I should maybe rephrase what I've said. We've seen that the professional business in the U.S. was stronger than Europe. We believe that when we look at the number in the past quarters that we have taken share in the U.S. What we said about the consumer and the OEM business, we see globally worldwide an improvement. So clearly, on the OEM side, but also on the consumer business, even if there are some new nuances depending on the regions, but we see positive upcoming traction on those 2 businesses.

Operator

We'll take now the next question from Marc Hesselink from ING.

Marc Hesselink - *ING Groep N.V., Research Division - Research Analyst*

Yes, first question is on the gross margin, pretty good at the 41%. Looking ahead, traditionally, you had more like 39% to 40%. And you also said like if gross margin moved up a bit, you can also use that a bit to lower prices a bit and get some extra growth. How are you thinking about that and how it's going to evolve in the coming quarters?

Eric Rondolat - *Signify N.V. - Chairman of the Board of Management & CEO*

Mark, what we have said when it comes to 2024, it's an expansion of the gross margin and a solid gross margin in H1 as a consequence of the numerous price increases that we have done but also the price decreases -- sorry, the cost decreases that we have been able to manage specifically in 2023 when we increased our gross margin by about 210 basis points, if I remember well. So, we're continuing on that trend, which is a price which is well positioned, but the continuation of extraction of cost. Now what we see in Q1, it varies across the businesses, but we see some price deflation, which is also pretty much linked to 2 things, the previous inflation, but also the fact that we can extract additional cost from the bill of material, which is translating to a solid gross margin and still an expanding gross margin. So, if I look at it from a business perspective, we see still a positive effect of price on the conventional business. This is the business also where we have increased the price the most. We, at this point, stable on the consumer business, and we are experiencing some negative price pressure on the OEM business and also on the professional business. But all this is happening with still a gross margin which is expanding and at 41.2% for the quarter.

What we think is as much as the first semester will be gross margin led when it comes to delivery of operating margin, it's going to be different in the second semester of the year. Well, it will not be so much gross margin expansion, but it will be the realization of our cost program that should help us to reduce costs and strengthen the operating margin. So that's what we said at the time, and it is also what we see happening these days. Are we reducing price to grow? I know this is a very interesting approach that we have to the subject or in a market, which is declining, bring the price down doesn't help to make more volume. So, it's really when the market is expanding quickly that by reducing price, we can increase our top line. So, look, but we're very dedicated with an approach by market with feet on the ground, adapting the markets and to the reality of the economical dynamics. So that's what we're doing in all the geographies where we operate.

Marc Hesselink - *ING Groep N.V., Research Division - Research Analyst*

Very clear. And my second question is on consumer connected. I think you just said that it's clearly improving. And as I recall from previous calls that maybe it's a bit more competition also in the U.S. Can you maybe talk about those dynamics, do you see the markets recovering and you're growing with the market or are you recouping some of that competitive pressure?

Eric Rondolat - *Signify N.V. - Chairman of the Board of Management & CEO*

Well, I think that business has been improving a lot in the two first years after the COVID started, which is basically 2020 and '21, then there was a correction in '22/'23, also with competition coming, but the fact that competition comes, it's normal because that market expands, it expands quickly. And when you have a market expanding and you have a very high market share, it's normal that there are new entrants. If I look at it, I look at it more from a macro perspective, 2 great years, 2 years of stability, and we see now that it seems that we have reached the bottom, and we are in a position to start to grow again on the connected part of the business.

Operator

We'll take now the next question from May Han Jang from Goldman Sachs.

Daniela de Carvalho e Costa - *Goldman Sachs Group, Inc., Research Division - MD and Head of the European Capital Goods Equity Research Team*

It's actually Daniela here. Just 2 quick follow-ups left. On your commentary earlier regarding the U.S. professional market having some signs of improvement, can you perhaps give us a little bit more color by segment? Is this offices or retail or something else? Or is it just maybe that the inventories got so low that the wholesalers are seeing some destocking -- some restocking, sorry? And then second point, on your fixed costs on the self-help actions, so, is it fair to assume that like all the action implementation has now taken place and the agreements were reached and we will start to see from next quarters onwards, the cadence of the savings that how does it take for us to get to full run rate basically?

Eric Rondolat - *Signify N.V. - Chairman of the Board of Management & CEO*

Yes, Daniela. Yes, the U.S. has been much stronger in terms of performance for us than Europe. So where do we see that? Substantially in indoor. Especially, [Cooper] has been performing extremely well. And Cooper is pretty much indoor-focused -- we have also outdoor activity, but it's very indoor-focused. So, we've seen projects, very small sized, medium size and some projects of a bigger size being effectively pushed forward. We're successful also positioning ourselves from a price standpoint, expanding also the gross margin and the profit margin there quite substantially. So yes, it has been a good story, and I would say pretty much indoor for us. On the outdoor part of the market, this is more bigger projects, street lighting. These projects have been somehow delayed sometimes also depending on the money being made available by the incentive program, which is not as fluid as we thought it would be in the U.S. So, it's -- from a segment standpoint, to answer more precisely to your question then, it's going to be industry segment, office segment, then education, health care and probably last, the retail that has been the less dynamic segment over the past year and it still continues. The actions on the cost, we will see them quite a bit in Q2, more in Q3 and we should be at the run rate in Q4.

Operator

We'll take now the next question from Adam Par from Redburn Ltd.

Adam Parr - *Redburn (Europe) Limited, Research Division - Research Analyst*

So actually, just a question on horticultural. As a key growth driver, what are you seeing in horticultural orders in the first quarter and perhaps so far in April? And how quickly do you think this could recover and contribute to growth?

Eric Rondolat - *Signify N.V. - Chairman of the Board of Management & CEO*

Yes, Adam, Q1 is a very small quarter for horticulture. It's a very seasonal business. So, our order intake has been really growing substantially. And we see the recuperation of what we have lost last year, and we've lost substantially because of the price of energy at the back end of '22 and beginning of 2023. So basically, horticulture market works in such a way that you have the commitments in Q1, and you deliver a big part of it in Q3. And we see that happening. So Q3 will be a big quarter for us on the horticulture business and also participating to the overall growth of the company. That's why we see an improvement on the upcoming quarters, which is going to be horticulture on one side, but also the consumer business, also the OEM business and the continuation of a relatively good performance in U.S. professional. But yes, horticulture, we see it happening, and it's going to be taking place mostly in Q3.

Operator

(Operator Instructions) One more question from Akash Gupta from JPMorgan.

Akash Gupta - *JPMorgan Chase & Co, Research Division - Research Analyst*

The question I have is that when we look at your professional segment, can you give us some indication that how big is European indoor roughly, which is contracting and how big are other businesses where you are more upbeat when it comes to the growth profile in the coming quarters?

Eric Rondolat - *Signify N.V. - Chairman of the Board of Management & CEO*

Look, I guess we are giving quite a bit of information. We don't go at that level of detail. But probably, just to give you a hint, yes, U.S. is going to be and America is going to be the biggest subsegment we have in professional. And then it will be Europe. So, Europe and Europe indoor is quite substantial in the overall number. In Europe, as we explained in Q1, has an impact on its top line, it does impact that business quite substantially. It impacts the business at 2 level, at the level of the top line, but also at the level of the bottom line because we enjoy also on these segments, a good level of profit. So sorry, but at this point in time, we're not disclosing the subsegments, but I've given you a bit of a hierarchy on how they are and how they look like.

Operator

We've got no further questions, I will hand back to you, Thelke Gerdes to conclude today's conference.

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Thelke Gerdes - *Signify N.V. - Head of IR*

Thank you. 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 us. And again, thank you very much, and enjoy the rest of your day. Thank you for joining today's call. You may now disconnect.