



Signify Annual General Meeting of Shareholders 2024

Presentation by CEO Eric Rondolat

May 14, 2024 | Eindhoven, the Netherlands

Agenda Item 1: Presentation by CEO Eric Rondolat

Good afternoon, ladies and gentlemen, and welcome to our 2024 AGM.

Let's start by looking back at 2023.

We continued to experience tough global conditions but succeeded in strengthening our financial profile.

We expanded our gross margin by 180 bps to 38.2%, through a combination of lower cost of goods sold and a positive pricing effect. We delivered a healthy free cash flow of 586 million euros, representing 8.7% of sales.

Our adjusted EBITA margin was 10%, stable compared to 2022.

While the consumer connected segment was impacted by inflation and reduced disposable income, we successfully gained ground in connected professional systems. Connected lighting and growth platforms reached 30% of sales, and LED made up 85% of sales. Globally, our installed base of connected light points reached 124 million by the end of the year.

The past three years have been marked by supply chain disruptions that impacted deliveries and customer experience. Resolving this has been a priority in 2023. As a result of the measures we have taken, we have steadily increased order and delivery customer satisfaction over eight consecutive quarters.

We continued to advance our innovation, investing 4.2% of our sales in Research & Development. 88% of our R&D expenditure was dedicated to sustainable innovation, driving a future-proof and purposeful portfolio of products, systems, and services.

Let's take a closer look at our sustainability results.

I am pleased to say that we continued to make substantial progress in 2023.

We are on track to deliver against our ambitious goal of doubling the pace of emissions reduction required by the Paris Agreement's 1.5C scenario by the end of 2025.



In 2023, we reported our full scope Greenhouse Gas emissions, including the scope 3 product use phase. This has been audited with reasonable assurance, which is an unprecedented milestone for a multinational manufacturing company like Signify with tens of thousands of products in our portfolio. This is significant not just in reducing our own footprint, but in driving transparency of the environmental impact of products and enabling customers to make informed decisions.

Signify's operations have been powered by 100% renewable electricity since 2020. In 2023, we secured access to renewable electricity in Europe for the next ten years with a third Virtual Power Purchase Agreement.

We surpassed our 2025 circular revenues target of 32%, mainly driven by serviceable luminaires with a strong performance for both consumer and professional.

Our Brighter Lives revenues are tracking ahead of schedule at 31%, with a strong contribution from the professional luminaires portfolio.

Women hold 29% of our leadership positions, slightly lower than our 2023 target. We are continuing to increase representation through focused hiring practices for diversity at all levels, and through retention and engagement actions.

Finally, Signify has enjoyed some very valuable external recognition, including our seventh consecutive year in the Dow Jones Sustainability World Index, our fourth EcoVadis Platinum rating, and a seventh year on the CDP Climate A-List for transparency and performance on climate action.

Let's now move to our 5 Frontiers strategy.

We are building a more customer-focused organization and driving process excellence. We are steadily building on our customer Net Promoter Score, which increased to 53 globally.

We continue to drive toward a differentiated position in the market. We continue to invest in R&D, and as of 2023, we hold 20,000 patents.

In addition, we achieved double digit sales growth on our tiered offerings including B-brand and private label, as well as continuing to drive innovation within the established LED segment with our ultra energy efficient products.

Signify continued to gain ground in connected professional systems and services, with connected lighting and growth platforms reaching 30% of sales and LED-based sales at 85%.

To digitalize and transform for the future, we are improving our digital front and back-ends and increasing our data analytics capabilities to better serve our



customers. In 2023, we launched online channels for new offerings, modernized our online presence, and improved the robustness of our digital platforms. Our direct online sales remained stable at 12.7% of revenues. AI is now being deployed to enhance our customer experience and optimize our operations, including in our customer care centers.

To ensure Signify is a great place to work, we are investing in our people, creating a diverse and inclusive workplace, and deepening our digital and commercial competencies. Our employee Net Promoter Score declined to 26 in 2023, which we expected following announcements at the end of the year on the need to restructure the business and reduce our costs. 63% of Signify employees work on their own development as active participants on our learning platform.

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

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

We achieved 6.7 billion euros of sales in 2023 and have expanded the number of connected lighting points to 124 million. We employ around 32,000 people in 74 countries.

In the past decade, Signify led the transition of our industry from conventional to LED.

In 2012, conventional lighting made up 78% of our sales. In 2023, 85% was LED, with connected LED and growth platforms reaching 30%.

Now let's take a moment to focus on our new operating model.

At the end of 2023, we announced our plans to transition to a new, customer-centric organization while reducing structural costs. Through this step, we organize our company around four vertically integrated businesses.

The professional business will offer LED lamps, luminaires, connected lighting systems and services to customers in the professional segment.

The consumer business will offer LED lamps, luminaires and connected products to customers in the consumer segment.

The OEM business will offer lighting components to the industry.



The Conventional business will offer special lighting, digital projection, conventional lamps and lamp electronics.

Our previous structure was process-driven and supported our transition to an LED-based business. The new model is based on end-to-end Profit & Loss responsibility, enabling adapted process alignment, and execution. In addition, by reallocating resources and reducing centralization, we simplify our structure and reduce our non-manufacturing costs by over 200 million euros.

These changes to our organization and the cost restructuring program will be implemented through 2024 with the majority being achieved by Q2.

We will look now at our progress in the first quarter of 2024.

We reported first-quarter sales of 1.5 billion euros, a comparable sales decline of -10.1%, and an operational profitability of 8.3%.

Our installed base of connected lighting grew to 126 million. LED represented 87% of our sales and our free cash flow was 80 million euros.

And our outlook for the remainder of 2024.

We expect an adjusted EBITA margin improvement of up to 50 bps, including the first benefits from the restructuring program.

And we expect free cash flow generation of 6 – 7 % of sales, including an incremental and non-recurring negative impact of around 150 million euros related to the restructuring program and a reduction of US pension liabilities.

Now I will share some examples of our connected LED and growth platforms in action.

In 2023, we diversified within the connected consumer segment, launching fully integrated home monitoring and connected lighting solutions under both the Philips Hue and WIZ brands.

In North Sumatra, we deployed Philips Smartbright All-in-One Solar Street Lights. These are fully autonomous, requiring no cabling, so they could be installed in this challenging landscape without damaging nature or scenery.

Our 3D-printed lights are lightweight and printed locally to reduce CO2 emissions. They eliminate waste by using recycled and mass balanced bio circular materials. And because they are custom made, we can incorporate special colors and logos. German football club Werder Bremen chose special customized 3D-printed downlights at its stadium, also available as a consumer product for fans who want to take a piece of the club home with them.



Our horticulture solutions are at work growing food crops on the farm. Great Lakes Greenhouses in Canada is North America's largest supplier of hydroponic cucumbers. With Philips GreenPower LED and GrowWise control systems, they can harvest fresh, premium vegetables all year round.

Built for the Chinese consumer market, our F9 floor lamp expands our EyeCare concept from the desktop to the whole room, incorporating state-of-the-art sensing and AI technology.

UMass Memorial Health is the largest health care system in Central Massachusetts offering the region's most sophisticated medical technology and support. They've deployed ArcMED products from Cooper Lighting Solutions in 80 rooms to improve patient experience and well-being. These tunable lights support a trend to make patient rooms more home or hospitality-like.

Finally, I want to draw your attention to the work of the Signify Foundation.

The Signify Foundation is an independent NGO funded by Signify that enables under-served communities to access the benefits of sustainable lighting solutions.

In 2023, the Foundation completed 31 Brighter Living projects focusing on informal and refugee settlements, 15 Brighter learning projects in schools, playgrounds, and children's homes, and 6 Brighter health projects in clinics and health centers around the world.

Through their tireless work, and aided by Signify employees, the Foundation supports organizations working on the ground to bring the many benefits of lighting to the communities who need it most.

In closing, on behalf of the Board of Management and the Leadership Team, I would like to thank our employees worldwide for their dedication, resilience, and passion for our business. I would also like to thank the customers who continue to put their trust in Signify, and our shareholders for their ongoing confidence and support.

Thank you.