

## CAPITAL STRUCTURE as of 31 March 2019 (USDm)

Instrument	Coupon	Maturity	Face Amt	Price	Market Amt	Yield	Est. Annual Interest	Leverage at Face	Leverage at Market
Revolver (USD 200m) <sup>1</sup>	-	30 June 2022	-	-	-	-	-	-	-
First Lien TL <sup>1</sup>	Libor+ 350bps	30 June 2024	1,683	67/68.8	1,143	15.2%/14.5%	98	5.6x	3.8x
<b>Total Debt</b>			<b>1,683</b>		<b>1,143</b>			<b>5.6x</b>	<b>3.8x</b>
Cash			109		109				
<b>Net Debt</b>			<b>1,574</b>		<b>1,034</b>			<b>5.3x</b>	<b>3.5x</b>
<b>TTM Adjusted EBITDA</b>	<b>300</b>								

Sources: *Debtwire*, Markit, rating agencies.

1. The revolver and TL are pari passu.

## REVIEW OF 1Q19 RESULTS

Lumileds' revenue continued to weaken in 1Q19, falling approximately 31% year-over-year (YoY), to USD 318m from USD 459m.

The company's top line has softened for several consecutive quarters, largely driven by lower demand from its core automotive and smartphone customers. Historically, the automotive industry comprised roughly 60% of Lumileds' total sales, according to Moody's and S&P. More than 60% of these sales are from customers in China and Europe, which experienced weak automotive sales in 1Q19. S&P also stated that sales to mobile phone manufacturers accounted for 24% of 2017 sales.

Coupled with weaker demand, Lumileds also confronted pricing pressures. Its 1Q19 gross margin deteriorated by nearly 1,100 basis points YoY, to 19.4%. The company's gross profit was approximately USD 61.7m versus USD 139.1m in the

year-ago period.

The lower sales and gross profit hurt Lumileds' adjusted EBITDA, despite management cutting SG&A by around USD 13m. It has been implementing a cost reduction program that it expects will reduce SG&A and R&D by USD 50m annually when it is fully executed at the end of 2020.

Its 1Q19 adjusted EBITDA fell to USD 28.7m from USD 93m, a 69% YoY decline.

With USD 1.7bn of debt and our calculated TTM EBITDA of USD 28.7m, Lumileds was levered 5.6x, a turn higher than at year end. It is also noteworthy that the company has increased debt to fund over USD 520m worth of dividends since July 2017, following Apollo's acquisition of a majority interest in the firm.

## BUSINESS DESCRIPTION

Lumileds, headquartered in the Netherlands, manufactures LED lighting components. It is licensed to use the Philips brand for its automotive lighting and accessories product portfolio. Lumileds was a wholly-owned Royal Philips N.V. subsidiary until 2017, when the parent company sold an 80.1% interest to Apollo.

The company had USD 109m in cash and its USD 200m revolver remained undrawn.

The USD 1.7bn TL is quoted at 67/68.8, down about 12 points from late May, before Lumileds reported 1Q19 earnings, according to Markit.

The earnings, credit metrics and other financial information used in this report are from previous *Debtwire* stories.

## RECENT DEBTWIRE COVERAGE

[Lumileds releases dim 1Q earnings, as EBITDA sinks - 31 May 2019](#)

[Lumileds CFR downgraded to B3 from B1; stable outlook - Moody's - 27 May 2019](#)

[Lumileds outlook on B ratings changed to negative from stable - S&P - 26 April 2019](#)

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FINANCIAL SUMMARY (USDm)						
DEBTWIRE STORY DATE	5-Apr-19	5-Apr-19	31-May-19	5-Apr-19	5-Apr-19	31-May-19
	2018	4Q17	1Q18	3Q18	4Q18	1Q19
<b>Revenue</b>	<b>1,768.0</b>	<b>522.7</b>	<b>459.0</b>	<b>448.0</b>	<b>419.5</b>	<b>318.0</b>
Gross Profit	N/A	N/A	139.1	N/A	N/A	61.7
Gross Margin	N/A	N/A	30.3%	N/A	N/A	19.4%
<b>Adjusted EBITDA</b>	<b>364.0</b>	<b>107.0</b>	<b>93.0</b>	<b>N/A</b>	<b>66.0</b>	<b>28.7</b>
Adjusted EBITDA Margin	20.6%	20.5%	20.3%	N/A	15.7%	9.0%
<b>TTM EBITDA</b>			<b>93.0</b>	<b>N/A</b>	<b>364.0</b>	<b>299.7</b>
Debt	1,683	N/A	N/A	N/A	1,683	1,683
<b>Leverage</b>	<b>4.6x</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>4.6x</b>	<b>5.6x</b>
Cash	119.0	N/A	N/A	N/A	119.0	109.0
Availability under Revolver	200.0	N/A	N/A	N/A	200.0	200.0

Sources: *Debtwire*, ratings agencies. Not all periods are shown since this is a private company, and *Debtwire's* availability to the information is limited. TTM Adjusted EBITDA is the figure provided to *Debtwire*, where available. TTM 1Q19 Adjusted EBITDA was calculated by *Debtwire*.

PUBLIC COMPANY COMPS (USDm)										
Company	Enterprise Value	TTM EBITDA	TTM EBITDA Multiple	EBITDA Margin	NTM EBITDA	NTM EBITDA Multiple	TTM Revenue	TTM Revenue Multiple	NTM Revenue	NTM Revenue Multiple
Acuity Brands Lighting	5,258	558	9.4x	15%	617	8.5x	3,796	1.4x	3,841	1.4x
Hella GmbH	5,753	1,047	5.5x	13%	N/A	N/A	8,275	0.7x	N/A	NA
Valeo SA	10,689	2,768	3.9x	12%	N/A	N/A	22,562	0.5x	N/A	N/A
Peer Average			6.3x			8.5x		0.9x		1.4x
<b>Lumileds</b>	<b>1,574</b>	<b>300</b>	<b>5.3x</b>	<b>18%</b>			<b>1,627</b>	<b>1.0x</b>		

Sources: Peer companies, FactSet.

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