

Philips eyes almost billion euro IPO windfall

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Dutch electronics giant Philips announced Monday it will float 25 percent of its shares in a highly anticipated IPO of its lighting arm which could raise almost one billion euros.

The Amsterdam-based company said it would release some 37.5 million shares for the initial public offering on May 27, with an option of releasing more if the offer is over-subscribed.

The floatation could raise between 694 million euros to 970 million euros (\$784 million to \$1.09 billion).

In September 2014, Philips said it was selling off its core lighting business—a mainstay of its income for more than a century—to focus more on medical equipment.

The expected price range for the initial public offering would be set at between 18.50 euros to 22.50 euros, valuing the lighting arm at around 2.78 to 3.38 billion euros.

But in a statement Monday, Philips, a household name around the world for its home appliances, acknowledged its lighting arm would still carry some 4.32 to 4.92 billion euros in debt.

"Today's announcement is an important next step in the planned initial public offering of Philips Lighting on Euronext Amsterdam, signalling that the process is well on track," said chief executive Frans van Houten.

The stock market however reacted coolly, with Philips shares on the AEX dropping 2.82 percent in early trade to 22.36 euros.

Philips sold its first light bulb a few years after it was founded in 1891, but for the past dozen years has increasingly shifted its focus to medical equipment, which now accounts for more than 40 percent of sales.

Philips said it was making the move into medical technology where margins are strong and less vulnerable to competition from emerging markets.

But its lighting business, which produces LED lights, halogen and fluorescent lamps and other electronic components, remains a major money-spinner, selling products in around 180 countries.

Last year Philips Lighting raked in 547 million euros in adjusted earnings before interest, tax, and amortisation, the company said.

It has manufacturing plants in more than 20 countries and holds a patent portfolio of over 14,000 patent rights.

Interest 'encouraging'

The offer and subscription period opened at 9:00 am (0700 GMT) Monday and will remain open until midday on Thursday for some investors.

The final price offer will be announced on Thursday, May 26.

Company officials said the interest they had already received was "very encouraging" and had pledged to release up to 28.75 percent of shares if the IPO was oversubscribed.

Van Houten said he was "convinced" that as separately listed companies both Royal Philips and Philips Lighting would "be even better equipped to focus on innovation, entrepreneurship" and growth.

"As a standalone, listed company we will be committed to further expanding our global market-leading position in the general lighting market," said the chief executive of the lighting arm, Eric Rondolat.

The net proceeds of the sale will go to Royal Philips, and the remaining shares will be sold off over the coming years, the company said in its statement.

Philips said in April it had earned 37 million euros in net income for the first quarter, compared with 100 million euros in the same period in 2015.

The group however in January announced net profit in 2015 up by 55 percent to 645 million euros, compared to 415 million euros in 2014.

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