

Philips to spin off lighting branch in 'historic' IPO (Update)

May 3 2016

Dutch electronics giant Philips announced Tuesday it was floating its lighting arm on the stock market in a "historic" initial public offering, after failing for over 18 months to find a buyer.

Philips said it aimed to spin off at least a quarter of Philips Lighting division's shares, in a move described by some analysts as "born out of necessity".

"The offering would consist of a sale of existing shares only held by Royal Philips, the current sole shareholder of Philips Lighting. The offering and listing, and their timing, are subject to, among other factors, market conditions," Philips said in a statement.

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

But since then, Philips said it has been "examining its options", hesitating between a straight sale and an IPO on the Amsterdam stock exchange.

Analysts, who have valued the division at around 5 billion euros (\$5.78 billion), said the option to list was no surprise.

"We saw it coming because there was a lack of interest from private equity buyers," said Durk Veenstra an RTL Z financial news television

channel financial specialist said.

"This is a choice not born out of luxury, but born out of necessity," said Veenstra.

"When a price doesn't reach expectations, a float on the stock exchange is a logical alternative," Joost van Beek, an analyst at Theodoor Gilissen private bank told AFP.

'Shifting focus'

Philips said it would retain the majority stake in the lighting arm "with the aim to fully sell down over the next several years" as it shifts its focus to healthcare products.

"Today's announcement is a historic one for Philips as we aim to separate our company into two market-leading companies focused on capturing opportunities in the health technology and connected LED lighting solutions markets respectively," Philips chief executive Frans van Houten said in the statement.

"Philips Lighting is well-positioned as a stand-alone company," he added.

After the announcement, shares in Philips fell by around 2.0 percent in noon trade to around 23.43 euros (\$27.12) per share on a sluggish Amsterdam stock exchange's AEX index.

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 on 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.

Its lighting business, which produces LED lights, halogen and fluorescent lamps and other electronic components, however 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.

Philips Lighting however carries debt of 950 million euros, but analyst Van Beek said the division "essentially has healthy finances."

A household name around the world for home appliances, Philips said in April it had earned 37 million euros (\$41.5 million) 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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