press release

GrandVision reports 3Q19 revenue growth of 9.7% at constant exchange rates and comparable growth of 4.0%

Schiphol, the Netherlands – 30 October 2019. GrandVision N.V. publishes the Nine Months and Third Quarter 2019 results.

Nine months and third quarter 2019 highlights

- 9M19 revenue growth of **8.1%** at constant exchange rates and comparable growth of **3.9%** (9M18: 3.6%)
- 3Q19 revenue growth of **9.7%** at constant exchange rates and comparable growth of **4.0%** (3Q18: 5.1%)
- 9M19 adjusted EBITDA (i.e. EBITDA before non-recurring items) increased by **3.3%** at constant exchange rates
- 3Q19 adjusted EBITDA increased by **4.9%** at constant exchange rates
- The 9M19 adjusted EBITDA margin decreased by 75 bps to **15.2%** (9M18: 15.9%), in part driven by higher investments in the ongoing product value chain transformation and into digital capabilities
- The 3Q19 adjusted EBITDA margin decreased by 76 bps to **15.7%** (3Q18: 16.5%)
- The net debt position was **€ 831 million** (€ 867 million as of June 2019)
- E-commerce sales grew over **60%** in 9M19, also driven by the expansion of Lenstore and the acquisition of Charlie Temple. In addition, GrandVision's omni-channel platform has now been successfully launched in 7 countries
- Our store base grew by 101 to **7,366** stores during the quarter driven by store openings and acquisitions.

GrandVision will host an analyst call on 30 October at 9 am CET. Dial-in details are available at the end of this press release.

Key figures

in millions of EUR (unless stated otherwise)	Reported 9M19	Pre-IFRS 16 9M19	9M18	Change vs. prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	3,040	3,039	2,822	7.7%	8.1%	4.9%	3.2%
Comparable growth (%)	3.9%	3.9%	3.6%				
Adjusted EBITDA	747	461	449	2.6%	3.3%	0.7%	2.5%
Adjusted EBITDA margin (%)	24.6%	15.2%	15.9%	-75bps			
Adjusted EBITA	369	342	338	1.0%	1.9%	-0.9%	2.8%
Adjusted EBITA margin (%)	12.1%	11.2%	12.0%	-74bps			
System wide sales	3,316	3,316	3,094	7.2%			
Number of stores (#)	7,366	7,366	7,041				

in millions of EUR (unless stated otherwise)	Reported 3Q19	Pre-IFRS 16 3Q19	3Q18	Change vs. prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,045	1,044	948	10.1%	9.7%	5.1%	4.6%
Comparable growth (%)	4.0%	4.0%	5.1%				
Adjusted EBITDA	261	164	156	5.0%	4.9%	0.8%	4.1%
Adjusted EBITDA margin (%)	25.0%	15.7%	16.5%	-76bps			
Adjusted EBITA	132	123	118	4.4%	4.4%	-0.2%	4.6%
Adjusted EBITA margin (%)	12.6%	11.8%	12.5%	-65bps			
System wide sales	1,137	1,137	1,040	9.4%			

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Management comments

Stephan Borchert, GrandVision's CEO said: "We are pleased to announce another good quarter in terms of comparable and revenue growth, despite some operational and macroeconomic headwinds in parts of our business. Revenue growth of 9.7% at constant exchange rates was driven by comparable growth of 4.0% and a strong contribution from acquisitions of 4.6%.

Our Dutch business showed an impressive recovery after a challenging year of management transition, as we met customer expectations through the successful execution of commercial campaigns and the re- launch of the Pearle and Eyewish websites.

At the same time, we saw only modest comparable growth in the United Kingdom driven by the growth of our Tesco stores, while the overall business continued to be impacted by the weaker retail environment, evidenced by a significant decrease in footfall during the month of September. In addition to this, we remain focused on improving profitability in the United States over the mid-term by sharpening the store footprint and customer value proposition.

During the first nine months of the year, we went live with the centrally developed omni-channel platform in 7 countries. In addition, online appointment bookings grew by 37% year-to-date and global e-commerce sales increased by 64% reflecting the continued expansion of Lenstore into new markets, the acquisition of Charlie Temple as well as strong growth of Zonnebrillen.com.

We also achieved our first milestone in the product value chain transformation with the launch of our first Regional Fulfillment Hub in Porto, which will process customer orders from Denmark, Italy, Portugal, Spain and Sweden. In combination with the further roll-out of our showroom model, these Regional Fulfillment Hubs enable us to stock only the display products, without in-store inventory. The implementation of this strategy will help us to improve our customer value proposition by significantly increasing product availability and decreasing lead times.

We have seen a sequential improvement of EBITDA growth throughout the first nine months, and are also expecting EBITDA growth progression in the fourth quarter. However, macroeconomic developments and operational challenges in key markets as well as the accelerated pace of strategic investments behind our digital and product value chain capabilities have led to EBITDA growth below our initial expectations. As a consequence, we are now expecting adjusted EBITDA growth for the year to be below our medium-term objective.

Finally, I would like to say a few words regarding the announced acquisition of GrandVision by EssilorLuxottica. While there is no news to share as the two companies are working through the regulatory approval processes, I would like to assure all stakeholders that our focus remains on business continuity, and in particular on achieving our medium-term objectives. Through the execution of our strategy, we are continuing to grow our business and attract more customers to our store network and our digital platforms."

Outlook

We expect a further sequential improvement in 4Q19 EBITDA growth, however we are now expecting FY19 EBITDA growth to be below our medium-term objective.

IFRS 16 impact

IFRS 16 Leases, the new leasing standard, is effective for accounting periods beginning on, or after, 1 January 2019. It will result in the majority of the leases being recognized on the consolidated Balance Sheet, as the distinction between operating and finance leases is removed for leases where the entity is a lessee. Overall, GrandVision has close to 10,000 lease contracts in all countries that are subject to IFRS 16.

GrandVision has adopted the new standard on the required effective date using the modified retrospective transition approach, with the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity on 1 January 2019. GrandVision will therefore not restate comparative amounts for the year 2018.

Due to the occupancy costs change from an operating expense to depreciation, EBITDA increases. The depreciation of leases is lower than the previous occupancy costs as a financing component is taken out and recognized as additional finance costs, leading to higher net financial result.

Overall, GrandVision's 9M19 net result increases by EUR 3 million following the adoption of IFRS 16. A reconciliation table is presented below.

in millions of EUR	9M19
Occupancy costs included in pre-IFRS 16 adjusted EBITDA	285
IFRS 16 impact on depreciation	-259
IFRS 16 impact on net financial result	-24
Total IFRS 16 impact (increase in net result)	3

Given the decreased operational relevance of adjusted EBITDA following the adoption of the new accounting standard, GrandVision will measure its performance on adjusted EBITA as of 2020.

Group financial review

REVENUE

Revenue increased by 8.1% at constant exchange rates to €3,039 million in 9M19 (€2,822 million in 9M18) or 7.7% at reported rates. Acquisitions, primarily Optica2000 in Spain and McOptic in Switzerland as well as a number of smaller acquisitions in the G4 segment contributed 3.2% to revenue growth in 9M19. Comparable growth of 3.9% (3.6% in 9M18) was mainly driven by strong optical and contact lens sales.

In 3Q19, revenue grew by 9.7% at constant exchange rates or 10.1% at reported rates, mainly driven by the appreciation of the Turkish lira and US dollar. Comparable growth was 4.0% driven by a strong performance in all three segments despite difficult prior year comparables.

ADJUSTED EBITDA

Adjusted EBITDA (i.e. EBITDA before non-recurring items) increased by 3.3% at constant exchange rates to €461 million in 9M19 (€449 million in 9M18) or 2.6% at reported rates.

The adjusted EBITDA margin decreased by 75 bps to 15.2% in 9M19 (15.9% in 9M18) mainly due to higher central investments to support our digital and product value chain strategy.

In 3Q19, adjusted EBITDA grew by 4.9% at constant exchange rates or 5.0% at reported rates as segment EBITDA growth of 7.0%, was partially offset by higher central investments. The adjusted EBITDA margin declined by 76 bps to 15.7%.

OPERATING RESULT

The operating result decreased by €20 million from €268 million in 9M18 to €248 million in 9M19, as adjusted EBITDA growth was more than offset by a goodwill impairment charge booked during the second quarter of this year.

		Pre-IFRS 16	
in millions of EUR	Reported 9M19	9M19	9M18
Adjusted EBITDA	**747**	**461**	**449**
Non-recurring items	- 16	- 16	- 14
EBITDA	**731**	**445**	**435**
Depreciation and amortization of software	- 378	- 120	- 111
EBITA	**352**	**325**	**324**
Amortization and impairments	- 78	- 78	- 55
Operating result	**275**	**248**	**268**

Non-recurring items of -€16 million in 9M19 (-€14 million in 9M18) were mainly related to one-off restructuring and business integration costs. During the quarter, we recorded an initial -€4 million attributable to the EssilorLuxottica transaction.

Depreciation and amortization of software increased from -€111 million in 9M18 to -€120 million in 9M19 driven by the expansion of the business and additions to software mainly related to GrandVision's new digital strategy.

Amortization and impairments increased by €23 million to -€78 million in 9M19 due to the previously disclosed goodwill impairment charge reflecting the operational performance of the United States business which remains below initial expectations.

Segment review

G4

in millions of EUR (unless stated otherwise)	Reported 9M19	Pre-IFRS 16 9M19	9M18	Change vs. prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,715	1,714	1,623	5.6%	5.6%	3.8%	1.8%
Comparable growth (%)	3.5%	3.5%	2.6%				
Adjusted EBITDA	472	327	316	3.5%	3.5%	1.7%	1.8%
Adjusted EBITDA margin (%)	27.5%	19.1%	19.5%	-39bps			
Adjusted EBITA	274	265	257	3.1%	3.1%	1.2%	1.9%
Adjusted EBITA margin (%)	16.0%	15.4%	15.8%	-38bps			
Number of stores (#)	3,420	3,420	3,375				

in millions of EUR (unless stated otherwise)	Reported 3Q19	Pre-IFRS 16 3Q19	3Q18	Change vs. prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	584	583	546	6.8%	6.8%	4.6%	2.2%
Comparable growth (%)	4.1%	4.1%	4.8%				
Adjusted EBITDA	162	114	110	3.1%	3.1%	0.4%	2.7%
Adjusted EBITDA margin (%)	27.7%	19.5%	20.2%	-69bps			
Adjusted EBITA	95	92	89	3.8%	3.8%	0.8%	3.0%
Adjusted EBITA margin (%)	16.2%	15.9%	16.3%	-46bps			

Revenue

Revenue in the G4 segment increased by 5.6% at constant exchange rates to €1,714 million in 9M19. Comparable growth of 3.5% was driven by continued momentum in most of our markets during the first nine months. Acquisitions, which contributed 1.8% to revenue growth, are mainly related to the acquisition of franchise stores across Germany and the Netherlands over the last 12 months.

In the **Benelux**, we saw a strong business performance in the Netherlands, partly offset by weaker performance in Belgium, during the first nine months driven by successful commercial campaigns, following a difficult year of management transition. In **France**, our business continued to deliver solid comparable growth during the first nine months. In **Germany**, total revenue grew by high single digits during the first nine months driven by solid comparable growth and the acquisition of 21 franchise stores. Our business in the **United Kingdom** saw modest comparable growth as it has continued to be impacted by a weaker retail environment. This was compensated by growth in online sales as well as an improving performance of the Vision Express business in the Tesco stores.

In 3Q19, revenue growth in the G4 was 6.8% at constant exchange rates. Comparable growth of 4.1% in 3Q19 was particularly encouraging given the solid comparable growth base of 4.8% in 3Q18. Comparable growth during the quarter was broad-based across GrandVision's markets in the segment, with France and the Netherlands delivering the highest performance.

Adjusted EBITDA

Adjusted EBITDA increased by 3.5% at constant exchange rates to €327 million in 9M19. EBITDA growth was strongest in the Netherlands, which saw improvements in its performance compared to the previous year. The EBITDA margin declined by 39 bps to 19.1% mainly due to investments in online platforms and omni-channel solutions. During the quarter, five of the G4 banners were connected to the new omni-channel platform for the first time.

In 3Q19, adjusted EBITDA increased by 3.1% at constant exchange rates with an EBITDA margin contraction of 69 bps to 19.5%, driven by strong performance in the Netherlands, while the contribution from Germany and the UK was weaker during the quarter.

OTHER EUROPE

in millions of EUR (unless stated otherwise)	Reported 9M19	Pre-IFRS 16 9M19	9M18	Change vs. prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	944	944	849	11.1%	11.3%	4.0%	7.3%
Comparable growth (%)	2.9%	2.9%	2.2%				
Adjusted EBITDA	234	146	132	10.8%	11.1%	6.7%	4.4%
Adjusted EBITDA margin (%)	24.8%	15.4%	15.5%	-5bps			
Adjusted EBITA	114	110	97	13.7%	14.2%	9.3%	4.9%
Adjusted EBITA margin (%)	12.1%	11.6%	11.4%	27bps			
Number of stores (#)	2,124	2,124	1,903				

in millions of EUR (unless stated otherwise)	Reported 3Q19	Pre-IFRS 16 3Q19	3Q18	Change vs. prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	333	333	289	15.3%	15.2%	4.5%	10.8%
Comparable growth (%)	3.1%	3.1%	2.6%				
Adjusted EBITDA	84	54	47	16.9%	17.2%	10.0%	7.2%
Adjusted EBITDA margin (%)	25.2%	16.3%	16.1%	23bps			
Adjusted EBITA	43	42	35	21.0%	21.5%	13.4%	8.1%
Adjusted EBITA margin (%)	13.0%	12.6%	12.0%	59bps			

Revenue
In 9M19, revenue growth in the Other Europe segment of 11.3% at constant exchange rates to €944 million, was driven by the acquisition of Optica2000 in Spain and McOptic in Switzerland, which contributed 7.3% in addition to organic growth of 4.0%. Comparable growth of 2.9% in 9M19 was ahead of the previous year (9M18: 2.2%).

The business units in Northern and Southern Europe delivered low single digit comparable growth. Eastern Europe continued to grow by high single digits with a strong performance across all markets.

In 3Q19, revenue grew by 15.2% at constant exchange rates with organic growth of 4.5%. Acquisitions, primarily Optica2000 in Spain and McOptic in Switzerland, contributed 10.8%. Comparable growth was at 3.1% (3Q18: 2.6%).

Adjusted EBITDA
Adjusted EBITDA in the Other Europe segment increased by 11.1% at constant exchange rates to €146 million in 9M19 driven by operational improvements in Italy following adjustments to the commercial proposition, and the positive contribution from the Optica2000 acquisition. However, the adjusted EBITDA margin slightly decreased by 5 bps to 15.4% in 9M19.

In 3Q19, adjusted EBITDA improved 17.2% at constant exchange rates to €54 million with an adjusted EBITDA margin growth of 23 bps.

AMERICAS & ASIA

in millions of EUR (unless stated otherwise)	Reported 9M19	Pre-IFRS 16 9M19	9M18	Change vs. prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	381	381	350	8.9%	12.1%	12.0%	0.1%
Comparable growth (%)	7.9%	7.9%	10.6%				
Adjusted EBITDA	75	22	24	-7.2%	2.8%	3.0%	-0.2%
Adjusted EBITDA margin (%)	19.6%	5.8%	6.8%	-101bps			
Adjusted EBITA	18	5	8	-36.8%	-7.0%	-6.4%	-0.6%
Adjusted EBITA margin (%)	4.6%	1.3%	2.2%	-93bps			
Number of stores (#)	1,822	1,822	1,763				

in millions of EUR (unless stated otherwise)	Reported 3Q19	Pre-IFRS 16 3Q19	3Q18	Change vs. prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	128	127	113	12.8%	9.4%	9.3%	0.1%
Comparable growth (%)	6.4%	6.4%	11.5%				
Adjusted EBITDA	27	9	8	2.7%	-1.3%	-1.4%	0.1%
Adjusted EBITDA margin (%)	21.0%	6.7%	7.3%	-65bps			
Adjusted EBITA	8	3	3	-9.3%	-15.9%	-16.1%	0.1%
Adjusted EBITA margin (%)	6.2%	2.3%	2.9%	-57bps			

Revenue

The Americas & Asia segment achieved revenue growth of 12.1% at constant exchange rates to €381 million in 9M19 (€350 million in 9M18). Comparable growth reached 7.9% with particularly strong comparable growth in Colombia, Russia and Turkey, and despite difficult prior year comparables (9M18: 10.6%). However, reported revenue was only 8.9% higher due to the negative currency translation effect of 3.2% during the first nine months of the year, or €11 million mainly driven by the depreciation of the Turkish lira.

In 3Q19, revenue increased by 9.4% at constant exchange rates with a strong comparable growth of 6.4% with robust contribution from Russia and Turkey delivering high single digit and double-digit comparable growth respectively. Revenue growth benefited from the appreciation of the Turkish lira and US dollar during the quarter.

Adjusted EBITDA

Adjusted EBITDA decreased to €22 million in 9M19 (€24 million in 9M18) with an adjusted EBITDA margin of 5.8% (6.8% in 9M18) driven by lower operating performance in some key markets such as Chile, Mexico and Turkey, while the profitability in the United States continues to be below expectations. The EBITDA performance was partially reduced by foreign exchange fluctuations, which had a negative effect of €2.4 million, mainly attributable to the depreciation of the Turkish lira.

In 3Q19, adjusted EBITDA improved to €9 million from €8 million in 3Q18. The adjusted EBITDA margin declined on 65 bps to 6.7%.

Conference call and webcast details

GrandVision will hold an analyst and investor conference call and webcast for analysts and investors on 30 October 2019 at 9:00 am CET (8:00 am GMT):

- Webcast registration: https://edge.media-server.com/mmc/p/zd26536u

- Conference call details for investors/analysts intending to participate in the Q&A
  - Participant Access: Dial in 5-10 minutes prior to the start time using the number/Conference ID below
  - Passcode: **4144238**

Location	Purpose	Phone Type	Phone Number
Standard International	Participant	Local	+44 (0) 2071 928000
Belgium	Participant	Local	+32 (0) 24009874
China	Participant	Local	4006225517
France	Participant	Local	+33 (0) 176700794
Germany	Participant	Local	+49 (0) 6924437351
Italy	Participant	Local	+39 0687502026
Netherlands	Participant	Local	+31 (0) 207143545
UK	Participant	Local	+44 (0) 8445718892
USA, New York	Participant	Local	+1 6315107495

- Conference call details can also be found at: http://investors.grandvision.com/events/event-details/third-quarter-2019-trading-update
- The presentation will be available at www.grandvision.com shortly before the conference call

Financial calendar 2020

Date	Event
24 January 2020	Preliminary 2019 Revenue Growth
26 February 2020	Full Year 2019 Results Press Release
24 April 2020	First Quarter 2020 Trading Update
	Annual General Meeting (AGM)
5 August 2020	Half Year and Second Quarter 2020 Results Press Release
30 October 2019	Third Quarter 2020 Trading Update

Disclaimer

This press release contains forward-looking statements that reflect GrandVision's current views with respect to future events and financial and operational performance. These forward-looking statements are based on GrandVision's beliefs, assumptions and expectations regarding future events and trends that affect GrandVision's future performance, taking into account all information currently available to GrandVision, and are not guarantees of future performance. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future, and GrandVision cannot guarantee the accuracy and completeness of forward-looking statements. A number of important factors, not all of which are known to GrandVision or are within GrandVision's control, could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement as a result of risks and uncertainties facing GrandVision. Any forward-looking statements are made only as of the date of this press release, and GrandVision assumes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information or for any other reason. The financial figures in this press release are presented in EURO (€) and all values are rounded to the nearest million unless otherwise stated. As a consequence, rounded amounts may not add up to the rounded total in all cases.

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ABOUT GRANDVISION

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