press release

GrandVision reports 1Q19 revenue growth of 7.5% and comparable growth of 5.0%

Schiphol, the Netherlands – 26 April 2019. GrandVision N.V. publishes the First Quarter 2019 trading update

First Quarter 2019 highlights

- Revenue in 1Q19 grew by **7.5%** at constant exchange rates. Comparable growth was 5.0**%**
- Adj. EBITDA (i.e. EBITDA before non-recurring items and IFRS16) increased by **2.5%** at constant exchange rates to **€138 million** (€136 million in 1Q18)
- The adj. EBITDA margin declined by **70 bps** to **14.2%** in 1Q19 mainly due to higher central expenses related to digital capabilities
- Following the implementation of IFRS16 Leases, adjusted EBITDA was **€231 million** in 1Q19
- GrandVision's store network increased to **7,216 stores** vs. 7,095 at year-end 2018, mainly due to the acquisition of Opticas2000 in Spain of 108 stores.

Dial-in details for the analyst call at 9:00 am CET are available at the end of this press release.

All comments in the press release are pre-IFRS 16, unless otherwise stated.

First Quarter 2019 key figures

		Pre-IFRS 16					
in millions of EUR (unless stated otherwise)	Reported 1Q19	1Q19	1Q18	Change vs. prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	974	974	913	6.7%	7.5%	5.7%	1.8%
Comparable growth (%)	5.0%	5.0%	1.9%				
Adjusted EBITDA	231	138	136	1.7%	2.5%	1.1%	1.4%
Adjusted EBITDA margin (%)	23.7%	14.2%	14.9%	-70bps			
Adjusted EBITA	107	99	99	0.2%	1.2%	-0.3%	1.6%
Adjusted EBITA margin (%)	11.0%	10.2%	10.9%	-66bps			
System wide sales	1,063	1,063	1,000	6.4%			
Number of stores (#)	7,216	7,216	6,980	3.4%			

Management comments

Stephan Borchert, GrandVision's CEO commented: "During the first quarter, we delivered strong topline growth driven by continued momentum in almost all our markets, resulting in comparable growth of 5%. With 3.9% comparable growth in the G4 segment, 5.9% in Other Europe and 7.9% in the Americas & Asia segment, we did not only see a strong performance in fast-growing emerging markets but, also very importantly, in our more mature markets. Particular mentions are the encouraging performance at Vision Express in the Tesco located stores, and a strong sunglass category performance and the continuing strong performance in France.

Adjusted EBITDA growth in 1Q19 was impacted by several factors during the quarter. Firstly, within the G4 segment the management transition in the Benelux region had an obvious impact but we expect to see positive momentum as the year progresses. Secondly, the strong operational performance in Latin America and Asia was more than offset by the expected weakness in the United States. Thirdly, following the strategic review last year, we have increased our headcount at the central level to strengthen our digital and supply chain capabilities resulting in higher corporate costs. These investments are critical to achieve our ambition of turning customers into fans by providing a better digital proposition and a more relevant, modern assortment with faster delivery times.

Finally, we are excited about the completion of two important acquisitions during the quarter, Óptica2000 in Spain and Charlie Temple in the Netherlands. We are currently in the process of integration and have seen good first performance at both companies."

Outlook and medium-term objectives

GrandVision reconfirms the following medium-term objectives laid out at its Capital Markets Day on 20 September 2018:

- Medium-term average revenue growth target of at least 5% at constant exchange rates maintained, which includes on average at least 3% comparable growth, at least 1% contribution from store openings and at least 1% contribution from small acquisitions
- An increase of medium and large M&A to deliver additional revenue growth, while maintaining financial discipline
- Adjusted EBITDA growth in line with total revenue growth as organic margin expansion will continue to be offset by segment mix and the initially dilutive impact of acquisitions
- Capital expenditure to remain at 4-6% of revenue
- Dividend payout ratio to remain at 25-50% with the intention to increase dividend per share over time.

For 2019, GrandVision expects revenue and EBITDA growth to be broadly in line with the medium-term objectives, as EBITDA growth is expected to progress throughout the year.

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, leading to higher net financial costs.

Overall, GrandVision's 1Q19 net income increases by €1 million following the adoption of IFRS 16. A reconciliation table for 1Q19 is presented below.

in millions of EUR	1Q19
Occupancy costs included in pre-IFRS 16 adjusted EBITDA	93
IFRS 16 impact on depreciation	-85
IFRS 16 impact on net financial result	-7
Total IFRS 16 impact (additional net income)	**1**

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 7.5% at constant exchange rates to €974 million in 1Q19 (€913 million in 1Q18). Acquisitions, primarily Óptica2000, contributed 1.8% to revenue growth. Foreign exchange fluctuations, mainly driven by the strengthening of the euro against major currencies, led to a negative impact of 0.8%, largely from the Americas and Asia segment.

Comparable growth was 5.0% during the quarter, driven by solid growth across all three segments. In parts of Europe, our businesses benefited from lower prior year comparables related to adverse weather conditions in 2018. Sunglass sales were especially strong as weather conditions this year were improved, especially in Southern Europe.

System wide sales, which reflects the retail sales of GrandVision's own stores plus that of its franchisees, increased by 6.4% to €1,063 million (€1,000 million in 1Q18).

GrandVision 's store network increased to 7,216 stores (7,095 at year-end 2018), mainly due to the acquisition of Óptica2000 in Spain of 108 stores.

ADJUSTED EBITDA

Pre-IFRS 16 adjusted EBITDA (i.e. EBITDA before non-recurring items) increased by 1.7% at constant exchange rates to €138 million in 1Q19 (€136 million in 1Q18).

The adjusted EBITDA margin decreased by 70 bps to 14.2% in 1Q19 (14.9% in 1Q18) as margin improvements in the Other Europe segment were more than offset by a margin decline of 56 bps in the G4 segment, which continued to be impacted by weaker operational performance in the Benelux region, as well as lower profitability in the Americas & Asia segment. In addition, group costs increased by €4 million, reflecting the strong investments behind the digital strategy as well as the product value chain.

Following the implementation of IFRS 16, adjusted EBITDA increases to €231 reflecting the shift of the majority of occupancy costs to depreciation.

OPERATING RESULT

GrandVision's operating result (EBIT) increased by 2.4% to 89 million in 1Q19, compared to 87 million in 1Q18. The increase in the operating result was mainly driven by adjusted EBITDA growth during the quarter

Following the adoption of IFRS 16, the operating result is 97 million, as occupancy costs shift from operating expenses to depreciation and financial costs.

		Pre-IFRS 16	
in millions of EUR	Reported 1Q19	1Q19	1Q18
Adjusted EBITDA	**231**	**138**	**136**
Non-recurring items	- 2	- 2	- 2
EBITDA	**229**	**136**	**134**
Depreciation and amortization of software	- 124	- 39	- 37
EBITA	**105**	**97**	**97**
Amortization and impairments	- 9	- 9	- 11
Operating result	**97**	**89**	**87**

Non-recurring items remain at -€2 million in 1Q19 and mainly relate to business integration and restructuring costs.

Depreciation and amortization of software increased by -€2 million to -€39 during 1Q19 mainly driven by the expansion of the business as well as additions to software. Amortization and impairments decreased by €2 million to -€9 million.

Segment review

G4

in millions of EUR (unless stated otherwise)	Reported 1Q19	Pre-IFRS 16 1Q19	1Q18	Change vs. prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	561	561	531	5.6%	5.4%	4.1%	1.3%
Comparable growth (%)	3.9%	3.9%	1.0%				
Adjusted EBITDA	152	103	101	2.5%	2.4%	1.3%	1.2%
Adjusted EBITDA margin (%)	27.1%	18.4%	19.0%	-56bps			
Adjusted EBITA	87	83	82	1.7%	1.6%	0.4%	1.2%
Adjusted EBITA margin (%)	15.4%	14.8%	15.4%	-57bps			
Number of stores (#)	3,389	3,389	3,365	0.7%			

Revenue

Revenue in the G4 segment increased by 5.4% at constant exchange rates to €561 million in 1Q19, driven by strong comparable growth of 3.9%. Our businesses in France, Germany and the UK delivered strong comparable growth in-line with or ahead of the GV average, while the Benelux saw low single digit growth. Acquisitions, including Charlie Temple in the Netherlands and single stores across the region contributed 1.3% to revenue.

Our **German** business delivered strong comparable growth as Apollo in Germany and Pearle in Austria continue to benefit from increasing customer traffic generation driven by omni-channel channel initiatives, efficient marketing campaigns and selective adjustments in assortment.

In the **United Kingdom**, comparable growth benefited from easier comps on the back of the weak weather conditions in the previous year as well as an acceleration of the former Tesco stores, in line with our expectations. The rebranding of these stores is starting to annualize and the further adaptation of our commercial proposition of these stores have shown a positive effect on revenue and profit growth.

Adjusted EBITDA (Pre-IFRS 16)

Adjusted EBITDA increased by 2.4% at constant exchange rates to €103 million in 1Q19, as EBITDA growth and margin progression in the UK, due to operational improvements of the Tesco store network, was offset by the continued operational weakness in the Benelux region during the ongoing management transition. As a consequence, the adjusted EBITDA margin decreased by 56 bps to 18.4%.

OTHER EUROPE

in millions of EUR (unless stated otherwise)	Reported 1Q19	Pre-IFRS 16 1Q19	1Q18	Change vs. prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	292	292	266	9.6%	10.2%	6.8%	3.4%
Comparable growth (%)	5.9%	5.9%	0.1%				
Adjusted EBITDA	72	43	36	20.5%	21.2%	19.1%	2.1%
Adjusted EBITDA margin (%)	24.6%	14.8%	13.4%	133bps			
Adjusted EBITA	33	31	24	29.8%	30.8%	28.3%	2.5%
Adjusted EBITA margin (%)	11.3%	10.8%	9.1%	166bps			
Number of stores (#)	2,036	2,036	1,879	8.4%			

Revenue

Revenue growth in the Other Europe segment was 10.2% at constant exchange rates, driven by strong comparable growth of 5.9% and contribution from acquisitions of 3.4%, related to the acquisition of Óptica2000 in Spain, which was completed on 20 February 2019.

The strong comparable growth performance was delivered throughout the segment, which also benefited from lower prior year comparables related to poor weather conditions. Sunglass sales were particularly strong in Southern Europe due to more normalized weather patterns this year.

Adjusted EBITDA (Pre-IFRS 16)
Adjusted EBITDA in the Other Europe segment grew by 21.2% at constant exchange rates as a result of operating leverage from higher sales and particularly strong growth in Switzerland and the first improvements in Italy. The Visilab business showed a stronger EBITDA contribution due to the timing of commercial campaigns in the previous year. The adjusted EBITDA margin increased by 133 bps to 14.8% in 1Q19.

AMERICAS & ASIA

		Pre-IFRS 16					
in millions of EUR (unless stated otherwise)	Reported 1Q19	1Q19	1Q18	Change vs. prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	121	121	115	4.9%	10.9%	10.8%	0.1%
Comparable growth (%)	7.9%	7.9%	9.8%				
Adjusted EBITDA	19	4	7	-48.0%	-36.1%	-35.6%	-0.5%
Adjusted EBITDA margin (%)	16.1%	3.0%	6.0%	-304bps			
Adjusted EBITA	0	- 2	1	-285.2%	-230.0%	-227.2%	-2.8%
Adjusted EBITA margin (%)	0.3%	-2.0%	1.1%	-312bps			
Number of stores (#)	1,791	1,791	1,736	3.2%			

Revenue
The Americas & Asia segment saw revenue growth of 10.9% at constant exchange rates, with comparable growth of 7.9%. Particularly our businesses in Russia and Turkey saw an accelerated performance during the quarter, while growth in the United States and across Latin America was somewhat weaker due to higher prior year comparables.

Adjusted EBITDA (Pre-IFRS 16)
Adjusted EBITDA decreased to €4 million in 1Q19 (€7 million in 1Q18) as the operational performance continued to be negatively impacted by our operations in the United States. The adjusted EBITDA margin was 3.0% (6.0% in 1Q18).

Conference call and webcast details

GrandVision will hold a conference call and webcast for analysts and investors on 26 April 2019 at 9:00 am CET (8:00 am GMT):

- Webcast registration: https://edge.media-server.com/m6/p/yp9qvuqp
- Conference call details: http://investors.grandvision.com/events/event-details/first-quarter-2019-trading-update
- The presentation will be available at www.grandvision.com shortly before the conference call

press release

Financial Calendar 2019

Date	Event
1 August 2019	Half Year and Second Quarter 2019 Results Press Release
30 October 2019	Third Quarter 2019 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.

Media and Investor Contacts

GrandVision N.V.
Thelke Gerdes
Investor Relations Director
T +31 88 887 0227
E thelke.gerdes@grandvision.com

GrandVision N.V.
Annia Ballesteros
Investor Relations Manager
T +31 88 887 0160
E annia.ballesteros@grandvision.com

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