GrandVision reports HY17 revenue growth of 4.4% at constant exchange rates and comparable growth of 2.4%

Schiphol, the Netherlands – 1 August 2017. GrandVision N.V. publishes Half Year and Second Quarter 2017 results.

Half Year 2017 highlights

- Revenue grew by 4.4% at constant exchange rates with all segments contributing to this growth
- Comparable growth of 2.4% driven by all categories: spectacles, contact lenses and sunglasses
- Continued network expansion with more than 400 stores added over the last 12 months
- Adj. EBITDA (i.e. EBITDA before non-recurring items) increased by 3.4% at constant exchange rates
- Adj. EBITDA margin decline of 27 bps to 16.0%, as EBITDA margin expansion in the G4 and Other Europe segments was offset by the increasing exposure to faster growing markets as well as additional costs to build the platform in the United States
- Ongoing digital transformation with continued investments in global ERP and omnichannel systems
- 2Q17 revenue, comparable growth and adj. EBITDA impacted by timing of Easter, as anticipated
- GrandVision expects an improved revenue, adj. EBITDA and comparable growth performance in 3Q17

The Half Year 2017 Financial Report is available at www.grandvision.com. Dial-in details for the analyst call at 9:00 am CET are available at the end of this press release.

Key figures

in millions of EUR (unless stated otherwise)	HY17	HY16	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,721	1,670	3.1%	4.4%	3.7%	0.7%
Comparable growth (%)	2.4%	2.3%				
Adjusted EBITDA	276	272	1.3%	3.4%	3.1%	0.3%
Adjusted EBITDA margin (%)	16.0%	16.3%	-27bps			
Net result	124	127	-2.3%			
Net result attributable to equity holders	114	117	-3.0%			
Adjusted earnings per share, basic (in €)	0.47	0.48	-2.0%			
Earnings per share, basic (in €)	0.45	0.46	-3.2%			
Number of stores (#)	6,631	6,211				
System wide sales	1,894	1,840	3.0%			

in millions of EUR (unless stated otherwise)	2Q17	2Q16	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	876	867	1.1%	2.8%	2.1%	0.6%
Comparable growth (%)	0.7%	3.6%				
Adjusted EBITDA	140	150	-6.4%	-4.2%	-4.6%	0.4%
Adjusted EBITDA margin (%)	16.0%	17.3%	-127bps			
System wide sales	963	954	0.9%			

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Group financial review

Consolidated Income Statement

in millions of EUR	HY17	HY16
Revenue	1,721	1,670
Cost of sales and direct related expenses	- 459	- 457
Gross profit	1,262	1,213
Selling and marketing costs	- 874	- 839
General and administrative costs	- 201	- 187
Share of result of associates	2	2
Operating result	189	189
Financial income	2	3
Financial costs	- 9	- 9
Net financial result	- 7	- 6
Result before tax	182	182
Income tax	- 58	- 56
Result for the period	**124**	**127**
Attributable to:		
Equity holders	114	117
Non-controlling interests	10	10
	124	127

Revenue

Revenue increased by 4.4% at constant exchange rates to €1,721 million in HY17 (€1,670 million in HY16) or 3.1% at reported rates. Organic revenue growth of 3.7% was primarily driven by comparable growth of 2.4% (2.3% in HY16), which was in line with the previous year. Revenue growth came from all regions, with an increasing weight of the Other Europe and Americas & Asia segments, in line with the GrandVision strategy. All product categories contributed positively to revenue and comparable growth with the highest performance in contact lenses and sunglasses, also following our strategic intent.

In 2Q17, revenue grew by 2.8% at constant exchange rates or 1.1% at reported rates. As anticipated, comparable growth of 0.7% was impacted by the timing of Easter, primarily in the G4 and Other Europe segments. In France, the expected change in regulation led to an overall market decline, and while impacting G4 comparable growth, allowed our French business to gain further market share.

Adjusted EBITDA

Adjusted EBITDA (i.e. EBITDA before non-recurring items) increased by 3.4% at constant exchange rates to €276 million in HY17 (€272 million in HY16) or 1.3% at reported rates.

The adjusted EBITDA margin decreased by 27 bps to 16.0% in HY17 (16.3% in HY16) as margin improvements in the G4 and Other Europe segments were offset by the increasing relevance of faster growing emerging markets in our revenue and profit mix, as well as additional costs to build our presence and platform in the United States, which were mainly incurred in 2Q17. On a constant geographic basis, i.e. excluding the margin dilutive effect of the faster growing Americas & Asia segment, the EBITDA margin would have improved by 8 bps to 16.4%.

Non-recurring items of -€6 million in HY17 (-€6 million in HY16) are mainly related to restructuring, employee related provisions and costs related to prior years. A reconciliation from adjusted EBITDA to earnings before taxes is presented in table below.

in millions of EUR	HY17	HY16
Adjusted EBITDA	**276**	**272**
Non-recurring items	- 6	- 6
EBITDA	**270**	**267**
Depreciation and amortization of software	- 65	- 63
EBITA	**204**	**204**
Amortization and impairments	- 15	- 15
Operating result	**189**	**189**

In 2Q17, adjusted EBITDA decreased by 4.2% at constant exchange rates or 6.4% at reported rates. The adjusted EBITDA margin decreased to 16.0% against a high comparable of 17.3% in 2Q16 as comparable growth and therefore operating leverage were impacted by the timing of the Easter, particularly the G4 segment. Adjusted EBITDA was also impacted by the aforementioned additional costs related to building our presence and platform in the United States.

Financial result

The financial result of -€7 million in HY17 remained in line with the previous year (-€6 million in HY16).

Income tax

Income tax increased by €2 million to €58 million in HY17 (€56 million in HY16). The effective tax rate in HY17 was 32.1% (30.5% in HY16). The change in the effective tax rate mainly relates to further unrecognized tax losses.

Net result for the period

Net result for the period decreased by 2.3% to €124 million in HY17 (€127 million in HY16) and the net result attributable to equity holders by 3.0% to €114 million (€117 million in HY16).

(Adjusted) Earnings per share

Adjusted earnings per share, which excludes non-recurring items, was €0.47 per outstanding share in HY17 (€0.48 in HY16). Earnings per share was €0.45 per outstanding share in HY17 (€0.46 in HY16).

The weighted average number of shares outstanding was 252,983,208 in HY17. On a fully diluted basis, EPS was €0.45 in HY17 (€0.46 in HY16).

Segment review

G4

in millions of EUR (unless stated otherwise)	HY17	HY16	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,004	1,013	-0.9%	1.3%	0.8%	0.4%
Comparable growth (%)	-0.2%	1.8%				
Adjusted EBITDA	222	220	1.2%	2.7%	2.2%	0.5%
Adjusted EBITDA margin (%)	22.1%	21.7%	46bps			
Number of stores	3,081	2,997				

in millions of EUR (unless stated otherwise)	2Q17	2Q16	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	506	519	-2.4%	-0.4%	-0.8%	0.4%
Comparable growth (%)	-1.7%	3.2%				
Adjusted EBITDA	110	119	-7.6%	-6.2%	-6.7%	0.5%
Adjusted EBITDA margin (%)	21.8%	23.0%	-121bps			

Germany continued its positive trend by achieving the segment's highest revenue and comparable growth performance during the half year, while 2Q17 was impacted by the expected Easter effect.

In France, we maintained our revenue level during the first half year, while the market declined by 2.3% (January-May 2017, source: GfK) following recently implemented regulatory changes leading to reduced subsidies. GrandVision gained market share through its strategic positioning of providing high quality eye care at affordable prices. In addition, the accelerating pressure on the market has allowed us to further consolidate through acquisitions and store openings.

As a consequence, revenue in the G4 segment increased by 1.3% at constant exchange rates to €1,004 million in HY17, excluding the devaluation of the British Pound. Organic revenue growth and comparable growth were 0.8% and -0.2%, respectively.

As expected, comparable growth of -1.7% in 2Q17 was affected by the timing of Easter and commercial campaigns between the first and second quarter. Revenue in the G4 decreased by 0.4% at constant exchange rates.

In HY17, further operational and supply chain efficiency gains led to an adjusted EBITDA growth in the G4 segment of 2.7% at constant exchange rates. The adjusted EBITDA margin increased by 46bps to 22.1% (21.7% in HY16).

Adjusted EBITDA generation during 2Q17 followed the lower revenue growth in the segment leading to lower operating leverage, and decreased by 6.2% at constant exchange rates. The adjusted EBITDA margin decreased by 121 bps to 21.8%.

In the UK , the acquisition of 209 Tesco optical stores is on track to close during 4Q17.

Other Europe

in millions of EUR (unless stated otherwise)	HY17	HY16	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	472	442	6.8%	6.6%	6.2%	0.4%
Comparable growth (%)	5.3%	0.8%				
Adjusted EBITDA	68	61	10.9%	10.6%	10.1%	0.6%
Adjusted EBITDA margin (%)	14.4%	13.9%	54bps			
Number of stores	1,854	1,787				

in millions of EUR (unless stated otherwise)	2Q17	2Q16	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	244	234	4.0%	4.0%	3.7%	0.4%
Comparable growth (%)	2.8%	2.1%				
Adjusted EBITDA	36	35	3.7%	3.6%	3.1%	0.5%
Adjusted EBITDA margin (%)	14.9%	14.9%	-4bps			

In HY17, revenue growth was achieved in Northern, Eastern and Southern Europe. The segment's biggest market, Italy, continued to achieve positive comparable growth while the rebranding process was being completed.

Revenue in the Other Europe segment increased by 6.6% at constant exchange rates to €472 million in HY17 (€442 million in HY16). Organic revenue growth was 6.2%.

In 2Q17, revenue grew by 4.0% at constant exchange rates with organic growth of 3.7%. Comparable growth of 2.8% was also in the quarter driven by growth in most markets, particularly in Northern and Eastern Europe.

As a result of operating leverage from higher sales, adjusted EBITDA in the Other Europe segment increased by 10.6% at constant exchange rates to €68 million in HY17 (€61 million in HY16). The adjusted EBITDA margin increased by 54 bps to 14.4% in HY17 (13.9% in HY16).

In 2Q17, adjusted EBITDA grew by 3.6% at constant exchange rates to €36 million (€35 million in HY16). The adjusted EBITDA margin remained stable at 14.9%.

Americas & Asia

in millions of EUR (unless stated otherwise)	HY17	HY16	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	245	215	14.0%	14.9%	12.4%	2.6%
Comparable growth (%)	7.4%	9.2%				
Adjusted EBITDA	5	9	-46.0%	-18.2%	-10.8%	-7.3%
Adjusted EBITDA margin (%)	2.0%	4.2%	-218bps			
Number of stores	1,696	1,427				

in millions of EUR (unless stated otherwise)	2Q17	2Q16	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	126	113	11.1%	14.7%	12.6%	2.1%
Comparable growth (%)	7.2%	9.7%				
Adjusted EBITDA	3	6	-47.8%	-18.4%	-15.7%	-2.8%
Adjusted EBITDA margin (%)	2.4%	5.0%	-266bps			

The America & Asia segment achieved the highest revenue increase of 14.9% at constant exchange rates to €245 million (€215 million in HY16). Comparable growth and organic growth reached 7.4% and 12.4%, respectively. The growth from acquisitions of 2.6% mainly relates to acquisitions in Mexico and Uruguay.

The extensive integration and rebranding of the 181 Walmart optical stores in Mexico, which has led to additional costs throughout HY17, is nearly completed. Following the encouraging results, a further 55 Walmart optical stores will be acquired and integrated before year-end 2017.

The US business continued to deliver revenue and comparable growth in the second quarter and half year. While the supply chain integration is completed and is yielding the expected results, the business is still impacted by the additional costs from the ongoing restructuring process and building of the platform, particularly during 2Q17.

In 2Q17, revenue in the segment grew by 14.7% at constant exchange rates with 11.1% reported and 12.6% organic growth. Comparable growth during the quarter was 7.2%.

Adjusted EBITDA decreased to €5 million in HY17 (€9 million in HY16) with an adjusted EBITDA margin of 2.0% (4.2% in HY16). In 2Q17, adjusted EBITDA in the Americas & Asia segment decreased to €3 million (€6 million in 2Q16).

Liquidity and debt

in millions of EUR (unless stated otherwise)	HY17	HY16
Free cash flow	84	92
Capital expenditure	83	63
- Store capital expenditure	59	48
- Non-store capital expenditure	25	15
Acquisitions	4	10
Net debt	755	911
Net debt leverage (times)	1.4	1.7

In HY17, free cash flow (defined as cash flow from operating activities minus capital expenditure) decreased to €84 million (€92 million in HY16) as improvements in working capital were offset by a higher level of capital expenditure and cash outflows compared to the previous year. These cash outflows include an earlier phasing of tax payments.

In line with our digital strategy, non-store capital expenditure increased by €10 million in HY17 to €25 million in HY17 (€15 million in HY16). This includes the final phase of the global ERP roll-out in the G4, the ERP project launch in Latin America, as well as increasing investments in omnichannel and ecommerce functionalities throughout GrandVision.

The increasing number of store openings as well as the rebranding process in Italy and Mexico led to store capital expenditure of €59 million in HY17 (€48 million in HY16). Consequently, total capital expenditure grew to €83 million in HY17 (€63 million in HY16).

Net debt was €755 million at the end of June 2017, compared to €750 million at year-end 2016. During the first half year, the net debt position was impacted by the higher dividend payment, a higher level of capital expenditure as well as higher taxes paid. The 12-month rolling net debt/EBITDA ratio remained stable at 1.4x.

Conference call and webcast details

GrandVision will hold a conference call and webcast for analysts and investors on 1 August 2017 at 9:00 am CET (8:00 am GMT):

- Webcast registration: http://edge.media-server.com/m/p/azk43do2
- Conference call details: http://investors.grandvision.com/phoenix.zhtml?c=253951&p=irol-EventDetails&EventId=5260214
- The presentation will be available at www.grandvision.com shortly before the conference call

Financial Calendar 2017

31 October 2017 Third Quarter 2017 Trading Update

About GrandVision

GrandVision is a global leader in optical retailing and delivers high quality and affordable eye care to more and more customers around the world. The high quality eye care offered by GrandVision includes a wide range of services provided by its vision experts, prescription glasses including frames and lenses, contact lenses and contact lens care products, and sunglasses both plain and with prescription lenses. These products are offered through its leading optical retail banners which operate more than 40 countries across Europe, the Americas, the Middle East and Asia. GrandVision serves its customers in over 6,600 stores and with more than 31,000 employees which are proving every day that in eye care, we care more. For more information, please visit www.grandvision.com.

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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Annex 1: Consolidated Balance Sheet

in millions of EUR	30 June 2017	31 December 2016
ASSETS		
Non-current assets		
Property, plant and equipment	444	444
Goodwill	994	1,012
Other intangible assets	440	446
Deferred income tax assets	14	14
Investments in Associates and Joint Ventures	38	36
Other non-current assets	42	45
	1,972	1,998
Current assets		
Inventories	342	293
Trade and other receivables	312	291
Current income tax receivables	5	6
Derivative financial instruments	1	5
Cash and cash equivalents	353	181
	1,013	777
Total assets	**2,985**	**2,775**
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	57	58
Other reserves	- 116	- 93
Retained earnings	1,015	981
	956	947
Non-controlling interests	**61**	**60**
Total equity	**1,018**	**1,007**
Non-current liabilities		
Borrowings	367	388
Deferred income tax liabilities	67	74
Post-employment benefits	74	76
Provisions	23	12
Derivative financial instruments	3	4
Other non-current liabilities	12	13
	545	568
Current liabilities		
Trade and other payables	623	588
Current income tax liabilities	42	42
Borrowings	736	543
Derivative financial instruments	4	1
Provisions	17	26
	1,422	1,200
Total liabilities	1,967	**1,768**
Total equity and liabilities	**2,985**	**2,775**

Annex 2: Consolidated Cash Flow Statement

in thousands of EUR	Six months ended 30 June 2017	Six months ended 30 June 2016
Cash flows from operating activities		
Cash generated from operations	231	205
Tax paid	- 63	- 50
Net cash from operating activities	**167**	**155**
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	- 4	- 10
Purchase of property, plant and equipment	- 64	- 53
Proceeds from sales of property, plant and equipment	2	2
Purchase of intangible assets	- 20	- 10
Proceeds from sales of intangible assets	0	1
Other non-current receivables	4	- 1
Interest received	3	2
Net cash used in investing activities	**- 78**	**- 69**
Cash flows from financing activities		
Purchase of treasury shares	-	- 2
Proceeds from borrowings	166	51
Repayments of borrowings	- 170	- 55
Dividends paid to shareholders	- 78	- 35
Dividends paid to non-controlling interest	- 8	- 7
Interest swap payments	- 2	- 2
Interest paid	- 6	- 7
Net cash generated from/ (used in) financing activities	**- 98**	**- 58**
Increase / (decrease) in cash and cash equivalents	**- 9**	**28**
Movement in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	38	- 82
Increase / (decrease) in cash and cash equivalents	- 9	28
Exchange gains/ (losses) on cash and cash equivalents	- 4	- 1
Cash and cash equivalents at end of the period	**25**	**- 55**