

GrandVision reports HY16 revenue growth of 6.7% at constant exchange rates and EPS growth of 8.0%

Schiphol, the Netherlands – 5 August 2016. GrandVision N.V. publishes Half Year and Second Quarter 2016 results.

Highlights

- HY16 Revenue grew by 3.7% or 6.7% at constant exchange rates (2Q16: 4.8%; 8.4%) to €1,670 million (2Q16: €867 million)
- Comparable growth of 2.3% (2Q16: 3.6%)
- Adjusted EBITDA (i.e. EBITDA before non-recurring items) increased by 5.3% or 6.5% at constant exchange rates (2Q16: 9.8%; 11.7%) to €272 million (2Q16: €150 million)
- The adjusted EBITDA margin improved by 26 bps to 16.3% (2Q16: +80 bps to 17.3%)
- Net result attributable to equity holders rose by 7.9% to €117 million
- Earnings per share grew by 8.0% to €0.46
- Total number of stores grew to 6,211 (6,110 at year-end 2015)
- The Half Year 2016 Financial Report is available at www.grandvision.com
- GrandVision will host an analyst call on 5 August at 9:00 am CET. Dial-in details are available at www.grandvision.com and at the bottom of this press release

Key figures

in millions of EUR (unless stated otherwise)	HY16	HY15	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,670	1,611	3.7%	6.7%	3.5%	3.2%
Comparable growth (%)	2.3%	5.2%				
Adjusted EBITDA	272	259	5.3%	6.5%	5.7%	0.8%
Adjusted EBITDA margin (%)	16.3%	16.1%	26bps			
Net result	127	118	7.3%			
Net result attributable to equity holders	117	109	7.9%			
Earnings per share (in €)	0.46	0.43	8.0%			
Number of stores (#)	6,211	5,871				
System wide sales	1,840	1,783	3.2%			

in millions of EUR (unless stated otherwise)	2Q16	2Q15	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	867	827	4.8%	8.4%	5.3%	3.2%
Comparable growth (%)	3.6%	4.8%				
Adjusted EBITDA	150	136	9.8%	11.7%	10.7%	1.0%
Adjusted EBITDA margin (%)	17.3%	16.5%	80bps			
System wide sales	954	914	4.4%			

GrandVision N.V.

WTC Schiphol, G-5, Schiphol Boulevard 117, 1118 BG Schiphol
 PO Box 75806, 1118 ZZ Schiphol, The Netherlands
 W www.grandvision.com T +31 88 887 0100

Chamber of Commerce 50.33.82.69
 VAT number NL 8226.78.391 B01

Group financial review

Consolidated Income Statement

in millions of EUR	HY16	HY15
Revenue	1,670	1,611
Cost of sales and direct related expenses	- 457	- 442
Gross profit	1,213	1,168
Selling and marketing costs	- 839	- 811
General and administrative costs	- 187	- 180
Share of result of associates	2	3
Operating result	189	180
Financial income	3	4
Financial costs	- 9	- 12
Net financial result	- 6	- 8
Result before tax	182	172
Income tax	- 56	- 54
Result for the period	127	118
Attributable to:		
Equity holders	117	109
Non-controlling interests	10	9
	127	118

Revenue

Revenue increased by 3.7% to €1,670 million in HY16 (€1,611 million in HY15) or 6.7% at constant exchange rates. Organic revenue growth of 3.5% came primarily from comparable growth of 2.3% (5.2% in HY15).

In 2Q16, revenue increased by 4.8%, or 8.4% at constant exchange rates. The comparable growth rate of 3.6% was driven by growth in all three segments and benefited from more selling days than in the previous year mainly related to the timing of Easter.

Adjusted EBITDA

Adjusted EBITDA (i.e. EBITDA before non-recurring items) increased by 5.3% to €272 million in HY16 (€259 million in HY15) or 6.5% at constant exchange rates.

The adjusted EBITDA margin increased by 26 bps to 16.3% in HY16 (16.1% in HY15) with improvements in all three segments. Excluding the dilutive effect from acquisitions, the adjusted EBITDA margin would have improved by 65 bps to 16.7%.

Non-recurring items of -€6 million in HY16 (-€3 million in HY15) are mainly related to acquisition costs for recently acquired businesses and integration costs following the merger of the Italian business as well as one-off adjustments of inventory and insurance income.

In 2Q16, adjusted EBITDA grew by 9.8% or 11.7% at constant exchange rates, with an organic growth of 10.7%. The adjusted EBITDA margin increased by 80 bps to 17.3% (16.5% in 2Q15), driven by a higher proportion of Exclusive Brand frames in the sales mix and efficiency gains, particularly in the G4 segment.

A reconciliation from adjusted EBITDA to operating result for HY16 is presented in the table below:

in millions of EUR	HY16	HY15
Adjusted EBITDA	272	259
Non-recurring items	- 6	- 3
EBITDA	267	255
Depreciation and amortization of software	- 63	- 59
EBITA	204	196
Amortization and impairments	- 15	- 16
Operating result	189	180

Financial result

The financial result was -€6 million in HY16 (-€8 million in HY15). This improvement was mainly due to lower financing cost as a result of lower debt levels and interest rates, lower bank fees and an option valuation gain. This overall positive variance is more than offsetting foreign currency gains in HY15, which did not re-occur in HY16.

Income tax

Income tax increased by €2 to €56 million in HY16 (€54 million in HY15). The effective tax rate decreased to 30.5% (31.4% in HY15), mainly due to one-time tax effects in some countries.

Net result for the period

Net result for the period increased by 7.3% to €127 million in HY16 (€118 million in HY15). Net result attributable to equity holders increased by 7.9% to €117 million (€109 million in HY15).

Earnings per share

Earnings per share (basic and diluted) increased by 8.0% to €0.46 per outstanding share in HY16 (€0.43 in HY15).

Segment review

G4

in millions of EUR (unless stated otherwise)	HY16	HY15	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,013	997	1.6%	2.9%	2.4%	0.5%
Comparable growth (%)	1.8%	5.8%				
Adjusted EBITDA	220	208	5.5%	6.6%	5.9%	0.7%
Adjusted EBITDA margin (%)	21.7%	20.9%	82bps			
Number of stores	2,997	2,953				

in millions of EUR (unless stated otherwise)	2Q16	2Q15	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	519	506	2.5%	4.6%	4.1%	0.5%
Comparable growth (%)	3.2%	4.9%				
Adjusted EBITDA	119	107	11.0%	12.6%	12.1%	0.6%
Adjusted EBITDA margin (%)	23.0%	21.2%	177bps			

Revenue in the G4 segment rose by 1.6% to €1,013 million in HY16 and by 2.9% at constant exchange rates. Organic revenue growth and comparable growth were 2.4% and 1.8%, respectively.

In 2Q16, revenue in the G4 grew by 2.5%, or 4.6% at constant exchange rates. Comparable and organic growth reached 3.2% and 4.1%, respectively, with a consistent performance across all countries.

Adjusted EBITDA in the G4 segment increased by 5.5% to €220 million in HY16 (€208 million in HY15). The adjusted EBITDA margin increased by 82bps to 21.7% in HY16 (20.9% in HY15).

In 2Q16, adjusted EBITDA in the G4 segment grew by 11.0% and 12.6% at constant exchange rates, with organic adjusted EBITDA growth of 12.1%. The adjusted EBITDA margin increased by 177 bps to 23.0%. Adjusted EBITDA generation during the quarter improved due to a higher share of prescription glasses and Exclusive Brand frames as well as efficiency gains.

Other Europe

in millions of EUR (unless stated otherwise)	HY16	HY15	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	442	436	1.3%	2.6%	1.7%	0.9%
Comparable growth (%)	0.8%	3.3%				
Adjusted EBITDA	61	60	2.0%	3.6%	2.6%	1.0%
Adjusted EBITDA margin (%)	13.9%	13.8%	9bps			
Number of stores	1,787	1,730				

in millions of EUR (unless stated otherwise)	2Q16	2Q15	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	234	228	2.6%	4.1%	3.2%	0.9%
Comparable growth (%)	2.1%	4.6%				
Adjusted EBITDA	35	34	2.9%	4.5%	3.4%	1.1%
Adjusted EBITDA margin (%)	14.9%	14.9%	4bps			

Revenue in the Other Europe segment increased by 1.3% to €442 million in HY16 (€436 million in HY15), or 2.6% at constant exchange rates. Organic revenue growth was 1.7%.

In 2Q16, revenue grew by 2.6%, or 4.1% at constant exchange rates. Organic growth in 2Q16 was 3.2%. Comparable growth of 2.1% was driven by high single digit comparable growth in Eastern Europe, but partially reduced by a weaker performance in Southern Europe. Comparable growth in Northern Europe benefited from additional selling days related to the timing of Easter.

Adjusted EBITDA in the Other Europe segment increased by 2.0% to €61 million in HY16 (€60 million in HY15). The adjusted EBITDA margin increased by 9 bps to 13.9% in HY16 (13.8% in HY15).

In 2Q16, adjusted EBITDA grew by 2.9% to €35 million (€34 million in HY15). The adjusted EBITDA margin remained stable at 14.9%.

Americas & Asia

in millions of EUR (unless stated otherwise)	HY16	HY15	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	215	177	21.1%	38.0%	14.6%	23.4%
Comparable growth (%)	9.2%	7.1%				
Adjusted EBITDA	9	7	36.6%	49.4%	49.2%	0.2%
Adjusted EBITDA margin (%)	4.2%	3.7%	47bps			
Number of stores	1,427	1,188				

in millions of EUR (unless stated otherwise)	2Q16	2Q15	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	113	92	22.8%	40.3%	17.2%	23.2%
Comparable growth (%)	9.7%	5.3%				
Adjusted EBITDA	6	5	24.0%	37.7%	29.6%	8.1%
Adjusted EBITDA margin (%)	5.0%	5.0%	5bps			

Revenue increased by 21.1% to €215 million (€177 million in HY15), or 38.0% at constant exchange rates excluding the devaluation of several emerging market currencies. Comparable growth and organic growth reached 9.2% and 14.6%, respectively.

In 2Q16, revenue grew by 22.8%, or 40.3% at constant exchange rates; 23.2% due to acquisitions and 17.2% based on organic growth. Comparable growth during the quarter was 9.7%. The operations in Mexico and Turkey showed particularly strong comparable growth and the business in Russia returned to mid-single digit growth following a period of decline.

Adjusted EBITDA reached €9 million in HY16 (€7 million in HY15) and the adjusted EBITDA margin improved by 47 bps to 4.2% in HY16 (3.7% in HY15). Excluding new acquisitions, the adjusted EBITDA margin would have improved by 146 bps.

In 2Q16, adjusted EBITDA in the Americas & Asia segment increased to €6 million, as strong organic growth of 29.6% was partly reduced by the margin dilutive impact of the U.S. acquisition. The adjusted EBITDA margin remained stable 5.0%.

Liquidity and debt

in millions of EUR (unless stated otherwise)	HY16	HY15	change versus prior year
Free cash flow	92	124	- 32
Capital expenditure	63	64	- 1
- Store capital expenditure	48	44	4
- Non-store capital expenditure	15	20	- 5
Acquisitions	10	4	6
Net debt	911	863	
Net debt leverage (times)	1.7	1.8	

In HY16, free cash flow (defined as cash flow from operating activities minus capital expenditure) decreased to €92 million (€124 million in HY15) as working capital levels in 2015 were impacted by the ERP system go-live in key countries, as well as the timing of tax payments.

Capital expenditure not related to acquisitions was €63 million in HY16 (€64 million in HY15). The majority of capital expenditure was directed towards store openings, maintenance and refurbishment.

Store capital expenditure increased by €4 million to €48 million in HY16 compared to HY15. Non-store capital expenditure decreased by €5 million in HY16 compared to HY15. This decrease is mainly driven by the timing of the global ERP system roll-out.

Net debt decreased to €911 million at the end of June 2016 from €941 million at year-end 2015. The 12-month rolling net debt/EBITDA ratio decreased to 1.7x from 1.8x at year-end 2015.

Conference call and webcast details

GrandVision will hold a conference call and webcast for analysts and investors on 5 August 2016 at 9:00 am CET (8:00 am GMT):

- Webcast registration: <http://edge.media-server.com/m/p/mww8x6bv>
- Conference call details are available on request
- The presentation will be available at www.grandvision.com shortly before the conference call

Financial Calendar 2016

27 October 2016 Third Quarter 2016 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 in 44 countries across Europe, the Americas, the Middle East and Asia. GrandVision serves its customers in over 6,200 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

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Media and Investor Contacts

GrandVision N.V.

Thelke Gerdes

Investor Relations Director

T +31 88 887 0227

E thelke.gerdes@grandvision.com

Annex 1: Consolidated Balance Sheet

in millions of EUR	30 June 2016	31 December 2015
ASSETS		
Non-current assets		
Property, plant and equipment	418	431
Goodwill	1,013	1,025
Other intangible assets	437	454
Deferred income tax assets	69	67
Investments in Associates	41	40
Other non-current assets	45	45
	2,023	2,063
Current assets		
Inventories	297	264
Trade and other receivables	300	267
Current income tax receivables	9	6
Derivative financial instruments	2	1
Cash and cash equivalents	188	198
	797	736
Total assets	2,820	2,799
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	53	52
Other reserves	- 102	- 60
Retained earnings	867	786
	818	779
Non-controlling interests	53	53
Total equity	871	832
Non-current liabilities		
Borrowings	770	776
Deferred income tax liabilities	139	143
Post-employment benefits	79	65
Provisions	11	11
Derivative financial instruments	6	1
Other non-current liabilities	16	16
	1,021	1,011
Current liabilities		
Trade and other payables	539	534
Current income tax liabilities	40	33
Borrowings	325	362
Derivative financial instruments	1	2
Provisions	23	26
	928	956
Total liabilities	1,949	1,968
Total equity and liabilities	2,820	2,799

Annex 2: Consolidated Cash Flow Statement

in millions of EUR	Six months ended 30 June 2016	Six months ended 30 June 2015
Cash flows from operating activities		
Cash generated from operations	205	222
Tax paid	- 50	- 34
Net cash from operating activities	155	188
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	- 10	- 4
Purchase of property, plant and equipment	- 53	- 51
Proceeds from sales of property, plant and equipment	2	5
Purchase of intangible assets	- 10	- 13
Proceeds from sales of intangible assets	1	0
Other non-current receivables	- 1	1
Interest received	2	2
Net cash used in investing activities	- 69	- 59
Cash flows from financing activities		
Purchase of treasury shares	- 2	- 51
Proceeds from borrowings	51	179
Repayments of borrowings	- 55	- 309
Interest swap payments	- 2	- 1
Acquisition of non-controlling interest	-	- 1
Dividends paid to shareholders	- 35	-
Dividends paid to non-controlling interest	- 7	- 8
Interest paid	- 7	- 10
Net cash generated from/ (used in) financing activities	- 58	- 201
Increase / (decrease) in cash and cash equivalents	28	- 73
Movement in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	- 82	54
Increase / (decrease) in cash and cash equivalents	28	- 73
Exchange gains/ (losses) on cash and cash equivalents	- 1	1
Cash and cash equivalents at end of period	- 55	- 18