GrandVision

# GrandVision reports €2.8 billion Revenue and €449 million EBITDA for 2014

**Schiphol, the Netherlands – 18 March 2015.** GrandVision N.V. publishes Full Year and Fourth Quarter 2014 results.

## 2014 Highlights

- Revenue grew by 8.5% at constant exchange rates to of €2,817 million with comparable growth of 4.3%
- Adjusted EBITDA (i.e. EBITDA before non-recurring items) increased by 12.2% to €449 million
- Adjusted EBITDA margin improved by 68 bps to 16.0%
- Net result rose by 12.0% to €175 million
- Pro forma EPS reached €0.64, with growth of 13.8%
- Add-on acquisitions in Colombia, Germany, Italy and the United Kingdom
- New markets entered through acquisitions in China, Peru and Turkey
- Total number of stores grew by 821 to 5,814.

CEO, Theo Kiesselbach said "We are pleased with our 2014 financial results as well as the execution of our strategic priorities and the deployment of GrandVision's global capabilities".

## Full Year and Fourth Quarter key figures

| in millions of EUR (unless stated otherwise) | 2014 | 2013 | Change versus prior year | Growth at constant currency | Organic growth | Growth from acquisitions |
|---|---|---|---|---|---|---|
| Revenue | 2,817 | 2,620 | 7.5% | 8.5% | 5.7% | 2.8% |
| Comparable growth (%) | 4.3% | 1.6% | 270bps | | | |
| Adjusted EBITDA | 449 | 400 | 12.2% | 12.3% | 12.7% | -0.4% |
| Adjusted EBITDA margin (%) | 16.0% | 15.3% | 68bps | | | |
| Net result | 175 | 156 | 12.0% | | | |
| Net result attributable to equity holders | 161 | 141 | 13.9% | | | |
| Pro forma earnings per share (in €) | 0.64 | 0.56 | 13.8% | | | |
| Number of stores (#) | 5,814 | 4,993 | | | | |

| in millions of EUR (unless stated otherwise) | Fourth Quarter 2014 | Fourth Quarter 2013 | Change versus prior year | Growth at constant currency | Organic growth | Growth from acquisitions |
|---|---|---|---|---|---|---|
| Revenue | 722 | 645 | 12.0% | 12.8% | 7.5% | 5.3% |
| Comparable growth (%) | 6.1% | 1.0% | 510bps | | | |
| Adjusted EBITDA | 106 | 99 | 7.5% | 8.2% | 11.7% | -3.5% |
| Adjusted EBITDA margin (%) | 14.7% | 15.4% | -62bps | | | |

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## Dividend

As communicated during the Initial Public Offering earlier this year, GrandVision proposes not to pay a dividend for the financial year 2014.

For the financial year 2015, GrandVision intends to pay an interim dividend of €35 million to the Shareholders in September 2015, subject to the prior approval of the Supervisory Board.

The remainder of the dividend over the financial year 2015, if any, will be determined at the General Meeting in 2016 and paid in May 2016. In the future years, 2016 and beyond, the Company intends to pay an ordinary dividend annually.

## Group financial review

### Consolidated Income Statement

| in millions of EUR | 2014 | 2013 |
|---|---|---|
| Revenue | 2,817 | 2,620 |
| Cost of sales and direct related expenses | - 744 | - 672 |
| Gross profit | 2,073 | 1,948 |
| Selling and marketing costs | - 1,446 | - 1,377 |
| General and administrative costs | - 342 | - 303 |
| Share of result of associates | 3 | 1 |
| Operating result | 289 | 270 |
| Financial income | 4 | 7 |
| Financial costs | - 39 | - 48 |
| Financial result | - 34 | - 41 |
| Result before tax | 254 | 229 |
| Income tax | - 80 | - 73 |
| **Result for the year** | **175** | **156** |
| **Attributable to:** | | |
| Equity holders | 161 | 141 |
| Non-controlling interests | 13 | 14 |
| | 175 | 156 |

## Revenue

Revenue increased by 7.5% to €2,817 million in 2014. At constant exchange rates revenue grew by 8.5% as foreign currency fluctuations affected revenue by -1.0%. Revenue growth resulted primarily from the comparable growth of 4.3% (1.6% in 2013). Acquisitions had a positive impact on revenue of 2.8%.

Sales volumes in 2014 benefited from improvements in commercial execution. Global initiatives in purchasing and the supply chain resulted in savings, which were largely reinvested into the competitiveness of the product and services offering. Thereby GrandVision's promise of providing high-quality products at affordable prices was reinforced.

Fourth Quarter revenue increased by 12.0%, or 12.8% at constant exchange rates. The comparable growth rate of 6.1% during the Fourth Quarter was accomplished by good growth in all three segments.

## Impact of acquisitions

The total revenue contribution of acquisitions amounted to €72 million, or 2.8% of revenue growth.

The following acquisitions were completed during 2014:

- In February, 65 Rayner stores in the United Kingdom and 71 MultiOpticas stores in Colombia
- In April, 20 Robin Look stores in Germany
- In August, 62% of the shares of Topsa which operates 176 stores in Peru
- In September, 96 Atasun stores from an acquisition in Turkey as well as 52 stores in China through the acquisition of GrandVision Shanghai and 78% of the shares in Red Star Optical
- In December, 19 Conlons stores in the United Kingdom and 190 stores in Italy through the acquisition of Angelo Randazzo.

## Adjusted EBITDA

Adjusted EBITDA, which is EBITDA excluding exceptional and non-recurring items, grew by 12.2% to €449 million. The adjusted EBITDA margin improved by 68 bps to 16.0% (15.3% in 2013).

The 2014 increase in adjusted EBITDA is the result of higher comparable growth combined with increased operational efficiency at store level. While revenue and gross profit grew, the increase of operating costs was well contained. This was achieved by efficient operational execution of the commercial processes, product assortment, marketing as well as store network optimization.

The full-year impact of currency fluctuations on the total adjusted EBITDA was not material while acquisitions had a small negative impact of -€2 million or -0.4%. This was caused by the newly acquired companies in emerging markets in the second half of 2014.

The non-recurring items in 2014 are mainly related to the costs of the listing preparation including adjustments to the long-term incentive plans. A reconciliation from adjusted EBITDA to Operating result is presented in the table below.

| in millions of EUR | 2014 | 2013 |
|---|---|---|
| **Adjusted EBITDA** | **449** | **400** |
| Non-recurring items | - 24 | - |
| **EBITDA** | **426** | **400** |
| Depreciation and amortization of software | - 108 | - 103 |
| **EBITA** | **317** | **297** |
| Amortization and impairments | - 29 | - 27 |
| **Operating result** | **289** | **270** |

Fourth Quarter adjusted EBITDA increased by 7.5%, or 8.2% at constant exchange rates. Organic growth of the adjusted EBITDA for the quarter was 11.7%. However, the total adjusted EBITDA margin decreased by 62 bps as the strong organic growth was partially offset by the negative EBITDA contribution from acquisitions made in the later part of the year. These had an adverse impact of 3.5% on EBITDA growth in the quarter.

## Financial result

The financial result improved by 16.2% to -€34 million in 2014 (-€41 million in 2013). These lower financial costs resulted from lower borrowings and also the lower interest rates following the 2014 refinancing.

The average interest rates decreased due to the full settlement of the outstanding shareholder loans as well as lower interest bank borrowings under the newly arranged credit facility.

## Income tax

Income tax increased to €80 million in 2014 (€73 million in 2013), primarily as a result of the increase in operating profit. The effective tax rate decreased to 31.3% in 2014 (31.9% in 2013).

## Net result for the period

The result for the period increased by 12.0% to €175 million (€156 million in 2013). Net result attributable to equity holders increased by 13.9% to €161 million (€141 million in 2013).

## Pro forma earnings per share

Pro forma earnings per share (basic and diluted) increased to €0.64 per issued and outstanding share (€0.56 in 2013). The pro forma average number of shares attributable to equity holders was 250,748,330 in 2014 (250,513,760 in 2013).

## Segment review

### G4

| in millions of EUR (unless stated otherwise) | 2014 | 2013 | Change versus prior year | Growth at constant currency | Organic growth | Growth from acquisitions |
|---|---|---|---|---|---|---|
| Revenue | 1,820 | 1,686 | 8.0% | 6.8% | 4.8% | 2.0% |
| Comparable growth (%) | 3.7% | 0.6% | 310bps | | | |
| Adjusted EBITDA | 364 | 326 | 11.8% | 11.1% | 10.2% | 0.9% |
| Adjusted EBITDA margin (%) | 20.0% | 19.3% | 69bps | | | |
| Number of stores (#) | 2,979 | 2,823 | 5.5% | | | |

| in millions of EUR (unless stated otherwise) | Fourth Quarter 2014 | Fourth Quarter 2013 | Change versus prior year | Growth at constant currency | Organic growth | Growth from acquisitions |
|---|---|---|---|---|---|---|
| Revenue | 455 | 412 | 10.5% | 9.0% | 7.0% | 2.1% |
| Comparable growth (%) | 5.9% | | | | | |
| Adjusted EBITDA | 87 | 76 | 14.6% | 13.7% | 12.7% | 1.0% |
| Adjusted EBITDA margin (%) | 19.2% | 18.5% | 68bps | | | |

Revenue increased by 8.0% to €1,820 million in 2014 including a positive effect of 1.2% from a stronger British pound against the euro. At constant exchange rates revenue growth was 6.8%, and 4.8% when also excluding the impact from the acquisitions. Comparable growth for the segment amounted to 3.7% primarily due to good results in Germany and the United Kingdom and the ongoing recovery of Spain.

During 2014, GrandVision concluded further acquisitions in Germany and the United Kingdom. The optical retail chain Robin Look was acquired in Germany and in the United Kingdom the Rayner and Conlons chains.

In total, the number of stores in the G4 segment increased to 2,979 (2,823 in 2013).

Adjusted EBITDA in the G4 segment increased by 11.8% to €364 million in 2014. The adjusted EBITDA margin increased to 20.0% in 2014 (19.3% in 2013).

In the Fourth Quarter 2014, revenue in the G4 grew by 10.5%, or 9.0% on a constant exchange rate basis. Comparable and organic growth reached 5.9% and 7.0%, respectively. All G4 countries contributed to the strong year-end performance.

Adjusted EBITDA in the G4 segment grew by 13.7% at constant exchange rates with organic adjusted EBITDA growth of 12.7%. The adjusted EBITDA margin increased by 68 bps to 19.2%.

## Other Europe

| in millions of EUR (unless stated otherwise) | 2014 | 2013 | Change versus prior year | Growth at constant currency | Organic growth | Growth from acquisitions |
|---|---|---|---|---|---|---|
| Revenue | 732 | 694 | 5.4% | 7.3% | 6.1% | 1.2% |
| Comparable growth (%) | 4.1% | 3.3% | 80bps | | | |
| Adjusted EBITDA | 114 | 92 | 23.7% | 26.3% | 25.0% | 1.3% |
| Adjusted EBITDA margin (%) | 15.6% | 13.3% | 232bps | | | |
| Number of stores (#) | 1,660 | 1,412 | 17.6% | | | |

| in millions of EUR (unless stated otherwise) | Fourth Quarter 2014 | Fourth Quarter 2013 | Change versus prior year | Growth at constant currency | Organic growth | Growth from acquisitions |
|---|---|---|---|---|---|---|
| Revenue | 181 | 170 | 6.8% | 8.6% | 7.3% | 1.3% |
| Comparable growth (%) | 5.2% | | | | | |
| Adjusted EBITDA | 28 | 23 | 19.5% | 22.2% | 21.2% | 1.1% |
| Adjusted EBITDA margin (%) | 15.3% | 13.7% | 164bps | | | |

Revenue increased by 5.4% to €732 million including a -1.9% negative exchange rate impact from, in particular, the weakening of the Norwegian and Swedish krona against the euro. At constant exchange rates revenue growth was 7.3%, within which organic revenue growth was 6.1%. Comparable growth of 4.1% was the main contributor to this figure. Good comparable growth was seen in most countries within this segment.

In total, the number of stores in the Other Europe segment increased to 1,660 (1,412 in 2013), mainly as a result of the acquisition in Italy at year-end.

Adjusted EBITDA in the Other Europe segment increased by 23.7% to €114 million. The adjusted EBITDA margin increased to 15.6% in 2014 (13.3% in 2013).

In the Fourth Quarter, revenue grew by 6.8%, or 8.6% at constant exchange rates, driven by comparable growth of 5.2%. Good performance was seen in the Northern and Eastern European countries of this segment.

Fourth Quarter adjusted EBITDA grew by 19.5%, or 22.2% at constant exchange rates with underlying organic growth of 21.2%.

## Latin America & Asia

| in millions of EUR (unless stated otherwise) | 2014 | 2013 | Change versus prior year | Growth at constant currency | Organic growth | Growth from acquisitions |
|---|---|---|---|---|---|---|
| Revenue | 265 | 240 | 10.5% | 23.7% | 11.0% | 12.7% |
| Comparable growth (%) | 9.4% | 3.1% | 630bps | | | |
| Adjusted EBITDA | 5 | 6 | -7.8% | 6.6% | 108.7% | -102.1% |
| Adjusted EBITDA margin (%) | 1.9% | 2.3% | -38bps | | | |
| Number of stores (#) | 1,175 | 758 | 55.0% | | | |

| in millions of EUR (unless stated otherwise) | Fourth Quarter 2014 | Fourth Quarter 2013 | Change versus prior year | Growth at constant currency | Organic growth | Growth from acquisitions |
|---|---|---|---|---|---|---|
| Revenue | 86 | 63 | 36.1% | 48.1% | 11.4% | 36.7% |
| Comparable growth (%) | 10.4% | | | | | |
| Adjusted EBITDA | 1 | 3 | -73.5% | -51.1% | 81.7% | -132.7% |
| Adjusted EBITDA margin (%) | 1.0% | 5.3% | -428bps | | | |

Revenue increased by 10.5% to €265 million including a -13.2% negative impact from weaker Latin American currencies and the Russian ruble against the euro. At constant exchange rates revenue growth was 23.7%. The segment saw strong comparable growth of 9.4% with contributions from all markets, several of which reported double digit growth. The acquisitions in China, Colombia, Peru and Turkey added 12.7% to revenue growth. The number of stores in the segment increased to 1,175 (758 in 2013).

Adjusted EBITDA decreased by -7.8% to €5 million (€6 million in 2013) as the acquisitions in the later part of the year and weaker exchange rates had a negative effect in the segment and diluted the contributions from Brazil, Colombia and Russia. In summary, the change in adjusted EBITDA is a combination of contributions from high comparable growth, a small positive impact from store network expansion, and a negative impact from the acquisitions. Consequently, the adjusted EBITDA margin decreased to 1.9% in 2014 (2.3% in 2013). When excluding the 2014 acquisitions adjusted EBITDA margin grew to 4.6%.

In the Fourth Quarter, revenue grew by 36.1%, or 48.1% at constant exchange rates mostly due to the acquisitions in Turkey and China. Comparable growth during the quarter was 10.4% with a strong performance especially in Colombia, Argentina and Brazil.

The Fourth Quarter, adjusted EBITDA in the Latin America and Asia segment decreased to €1 million, as the organic growth was counter balanced by a negative adjusted EBITDA contribution from the recent acquisitions.

## Liquidity and debt

| in millions of EUR (unless stated otherwise) | 2014 | 2013 | change versus prior year |
|---|---|---|---|
| Free cash flow | 222 | 220 | 2 |
| Capital expenditure | 158 | 113 | 45 |
| - Store capital expenditure | 117 | 84 | 32 |
| - Non-store capital expenditure | 41 | 29 | 13 |
| Acquisitions | 233 | 14 | 219 |
| Net debt | 922 | 837 | 85 |
| Net debt leverage (times) | 2.1 | 2.1 | - |

In 2014, free cash flow (defined as cash flow from operating activities minus capital expenditure) amounted to €222 million, (€220 million in 2013).

Capital expenditure not related to acquisitions amounted to €158 million or 5.6% of revenue in 2014 (€113 million or 4.3% of revenue in 2013). The majority of capital expenditure, in line with prior years, was directed towards store maintenance and refreshing.

Store capital expenditure increased by €32 million in 2014 compared to 2013. This is the result of the continuous optimization of the existing store network through renovations, relocations and new store openings.

Non-store capital expenditure increased by €13 million in 2014 compared to 2013. Key areas of investments where the two new TechCenters in Portugal and the United Kingdom and the further investments into the global ERP system. The new TechCenters are fully operational and are providing further benefits in terms of cost, quality and speed in customer service.

Net debt amounted to €922 million as of 31 December 2014 (€837 million as of 31 December 2013). Net debt at year-end 2013 included the shareholder loans, with aggregate principal amounts outstanding of €325 million. All shareholder loans were repaid in 2014.

Net debt expressed as a multiple of adjusted EBITDA for the last twelve months (also referred to as the leverage ratio) was at 2.1x.

GrandVision

## Subsequent events

On 20 January 2015 the Group issued 241,721,553 ordinary shares and on 5 February 2015 the only priority share was converted into 100 ordinary shares. As a result the issued share capital amounts to 254,443,840 ordinary shares.

On 5 February 2015 GrandVision B.V. was converted into GrandVision N.V.

On 6 February 2015, GrandVision listed its shares by means of an Initial Public Offering ("IPO") on Euronext Amsterdam. Since that day, the shares have been trading under the symbol "GVNV".

At settlement of the IPO, on 10 February 2015, the Company drew an amount under the revolving credit facility to purchase 2,500,000 offer shares from the selling shareholder at the offer price for a total amount of €50 million in order to hedge the price risk of the grants made under its long-term incentive plans.

As per publication date of the 2014 full year results press release, 20.95% of the issued and outstanding share capital was held by institutional and retail investors with the remainder held by HAL Optical Investments BV (76.72%), GrandVision's Management Board members and certain other members of senior management (1.35%). The remaining shares (0.98%) are held by GrandVision in treasury.

## Conference call and webcast details

GrandVision will hold a conference call and webcast for analysts and investors on 18 March 2015 at 9:00 am CET (8:00 am GMT):

- Webcast registration link: http://edge.media-server.com/m/p/tstxsc7w
- Conference call details are available on request
- A presentation will be available at www.grandvision.com

## Financial Calendar 2015

| | |
|---|---|
| 18 March 2015 | Full Year 2014 results press release |
| 27 March 2015 | Publication Annual Report 2014 |
| 08 May 2015 | First Quarter 2015 trading update |
| 08 May 2015 | General Shareholders Meeting |
| 20 August 2015 | Half Year 2015 results press release |
| 10 November 2015 | Third Quarter 2015 trading update |

**ENDS**

## About GrandVision

GrandVision is the global leader in optical retail by number of stores (excluding sunglass specialty stores) 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 optical 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 43 countries across Europe, Latin America, the Middle East and Asia. GrandVision serves its customers in over 5,800 stores and with more than 25,700 full-time equivalent 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.

## Media and Investor Contacts

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## Annex 1: Consolidated Balance Sheet

| in millions of EUR | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | 408 | 359 |
| Goodwill | 886 | 726 |
| Other intangible assets | 448 | 397 |
| Deferred income tax assets | 81 | 48 |
| Associates | 35 | 34 |
| Other non-current assets | 51 | 45 |
| | 1,908 | 1,609 |
| **Current assets** | | |
| Inventories | 240 | 193 |
| Trade and other receivables | 257 | 229 |
| Current income tax receivables | 8 | 8 |
| Derivative financial instruments | 1 | 0 |
| Cash and cash equivalents | 134 | 103 |
| | 640 | 532 |
| **Total assets** | **2,548** | **2,141** |
| **EQUITY AND LIABILITIES** | | |
| **Equity attributable to equity holders** | | |
| Share capital | 62 | 28 |
| Other reserves | - 55 | - 39 |
| Retained earnings | 616 | 513 |
| | 623 | 502 |
| **Non-controlling interests** | **45** | **44** |
| **Total equity** | **668** | **546** |
| **Non-current liabilities** | | |
| Borrowings | 960 | 845 |
| Deferred income tax liabilities | 141 | 117 |
| Post-employment benefits | 86 | 55 |
| Provisions | 28 | 32 |
| Derivative financial instruments | 3 | - |
| Other non-current liabilities | 16 | - |
| | 1,234 | 1,048 |
| **Current liabilities** | | |
| Trade and other payables | 503 | 391 |
| Current income tax liabilities | 20 | 33 |
| Borrowings | 93 | 89 |
| Derivative financial instruments | 2 | 6 |
| Provisions | 29 | 27 |
| | 646 | 547 |
| **Total liabilities** | **1,880** | **1,595** |
| **Total equity and liabilities** | **2,548** | **2,141** |

## Annex 2: Consolidated Statement of Cash Flow

| in millions of EUR | 2014 | 2013 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Cash generated from operations | 477 | 392 |
| Tax paid | - 97 | - 58 |
| **Net cash from operating activities** | **380** | **333** |
| **Cash flows from investing activities** | | |
| Acquisition of subsidiaries, net of cash acquired | - 233 | - 14 |
| Investment in associates and property | - 1 | - 1 |
| Purchase of property, plant and equipment | - 132 | - 97 |
| Proceeds from sales of property, plant and equipment | 4 | 4 |
| Purchase of intangible assets | - 26 | - 17 |
| Proceeds from sales of intangible assets | 3 | 2 |
| Other non-current receivables | 4 | - |
| Dividends received | 3 | 3 |
| Interest received | 5 | 5 |
| **Net cash used in investing activities** | **- 374** | **- 113** |
| **Cash flows from financing activities** | | |
| Proceeds from shareholder contribution | - | 2 |
| Proceeds from borrowings | 999 | 148 |
| Repayment of shareholder loan | - 325 | - 75 |
| Repayments of other borrowings | - 602 | - 282 |
| Interest swap payments | - 4 | - 5 |
| Acquisition of non-controlling interest | - | - 1 |
| Dividends paid | - 10 | - 8 |
| Interest paid | - 28 | - 38 |
| **Net cash generated from/ (used in) financing activities** | **29** | **- 259** |
| **Increase / (decrease) in cash and cash equivalents** | **36** | **- 39** |
| **Movement in cash and cash equivalents** | | |
| Cash and cash equivalents at beginning of the year | 22 | 55 |
| Increase / (decrease) in cash and cash equivalents | 36 | - 39 |
| Exchange gains/ (losses) on cash and cash equivalents | - 3 | 6 |
| **Cash and cash equivalents at end of year** | **54** | **22** |