GrandVision reports 3Q18 revenue growth of 13.3% at constant exchange rates and comparable growth of 5.1%

Schiphol, the Netherlands – 31 October 2018. GrandVision N.V. publishes Nine Months and Third Quarter 2018 results.

Nine Months and Third Quarter 2018 highlights

- In 3Q18, revenue growth of **13.3%** at constant exchange rates with comparable growth of **5.1%**, driven by a particularly strong performance in the G4 and Americas & Asia segments
- Revenue in 9M18 grew by **12.3%** at constant exchange rates. Comparable growth was **3.6%**
- Adj. EBITDA (i.e. EBITDA before non-recurring items) increased by **8.6%** at constant exchange rates in 9M18. The adj. EBITDA margin declined by **45 bps** to **15.9%** mainly due to the dilutive effect of acquisitions
- In 3Q18, adj. EBITDA grew by **9.7%** at constant exchange rates with an adj. EBITDA margin decline of **57 bps** to **16.5%**
- GrandVision booked a non-cash goodwill impairment charge of €19 million, reflecting the continued low EBITDA margin of the Italian business
- The store base increased to **7,041 stores** from 7,002 in June 2018, in line with our network optimization strategy, as openings of more than 250 new stores were partially offset by store closings.

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)	9M18	9M17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	2,822	2,579	9.4%	12.3%	4.5%	7.8%
Comparable growth (%)	3.6%	2.6%				
Adjusted EBITDA	449	422	6.4%	8.6%	5.7%	2.9%
Adjusted EBITDA margin (%)	15.9%	16.4%	-45bps			
Number of stores (#)	7,041	6,709				
System wide sales	3,094	2,835	9.1%			

in millions of EUR (unless stated otherwise)	3Q18	3Q17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	948	858	10.5%	13.3%	5.7%	7.5%
Comparable growth (%)	5.1%	3.1%				
Adjusted EBITDA	156	146	6.8%	9.7%	6.7%	3.0%
Adjusted EBITDA margin (%)	16.5%	17.1%	-57bps			
System wide sales	1,040	941	10.5%			

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Management comments

Stephan Borchert, GrandVision's CEO said: "During the third quarter, GrandVision achieved its highest quarterly comparable growth performance in more than 3 years, driven by strong sales in the G4 and Americas & Asia segments.

One of the key priorities of driving growth and value creation is to strengthen our digital business, and to become a real leader in optical e-commerce. I am glad to report that online appointment bookings increased by more than 80% and that we achieved an e-commerce sales growth of over 60% during the first nine months.

Our strategy of turning customers into fans, and providing a fully transparent value proposition works particularly well in markets characterized by customers who are equally price conscious and quality focused. This, for example, enabled us to deliver a successful commercial campaign in Germany, which helped us to not only accelerate market share gains but also to drive revenue growth and EBITDA margin expansion. Despite these positive developments, EBITDA margins in the G4 continued to be negatively impacted by the margin dilutive effect of the recently acquired Tesco Opticians business and its integration costs.

In the Other Europe segment, we saw strong comparable growth particularly in Eastern Europe, which grew by nearly 10% and helped offset some weakness in Southern Europe, particularly Italy.

Although we have made some progress in Italy, the business performance, and especially the EBITDA margin, remains still below our expectations. Following this year's impairment test, we have booked a non-cash impairment charge of €19 million, reflecting the slower profitability growth of the business against earlier projections. With a new management team on board, we are confident that we now have the right people and approach to improve revenue and margins and are looking forward to expanding our leadership position in this highly fragmented market.

Finally, we are pleased with the progress we have made in the Americas & Asia segment, particularly in Argentina, Mexico, Turkey and the United States resulting in a strong margin improvement. Overall, the segment's EBITDA more than doubled from €11 million last year to €24 million during the first nine months, despite significant currency headwinds, especially in Turkey."

Outlook and medium-term objectives

GrandVision reconfirmed the following medium-term objectives 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 2018, GrandVision expects improved revenue and adjusted EBITDA growth. Revenue growth is expected to benefit from comparable growth and the addition of the Visilab and Tesco Opticians businesses, leading to high single digit revenue growth for the full year.

Adjusted EBITDA growth of high single digits will be supported by lower integration costs in the United States and the continued implementation of our global capabilities and efficiencies, despite integration costs in the United Kingdom. For the fourth quarter, we continue to expect a strong comparable growth performance in line with the first nine months, driven by 1.5 additional selling days, and lower prior year comparables.

Group financial review

REVENUE

Revenue increased by 12.3% at constant exchange rates to €2,822 million in 9M18 (€2,579 million in 9M17) or 9.4% at reported rates, including a negative foreign exchange rate impact of 2.8% or €73 million on revenue growth, mainly impacting the Americas and Asia segment. Acquisitions, primarily Visilab in Switzerland and Tesco Opticians in the United Kingdom, contributed 7.8% to revenue growth. Organic revenue growth of 4.5% was primarily driven by comparable growth of 3.6% (2.6% in 9M17). All three segments and product categories delivered revenue and comparable growth.

In 3Q18, revenue grew by 13.3% at constant exchange rates or 10.5% at reported rates. Comparable growth accelerated to 5.1%, driven by a strong performance in the G4 with 4.8% growth, 2.6% in the Other Europe segment and 11.5% in the Americas and Asia segment.

ADJUSTED EBITDA

Adjusted EBITDA (i.e. EBITDA before non-recurring items) increased by 8.6% at constant exchange rates to €449 million in 9M18 (€422 million in 9M17) or 6.4% at reported rates.

The adjusted EBITDA margin decreased by 45 bps to 15.9% in 9M18 (16.4% in 9M17) as margin improvements in the Other Europe and Americas & Asia segments were offset by a margin decline of 230 bps in the G4 segment, which was impacted by the dilutive effect of the Tesco Opticians acquisition as well as transitional investments in overheads in the Benelux.

In 3Q18, adjusted EBITDA grew by 9.7% at constant exchange rates or 6.8% at reported rates, leading to an adjusted EBITDA margin decline of 57 bps to 16.5%. Adjusted EBITDA growth and margin contraction was impacted by the dilutive effect of the Tesco Opticians acquisition and integration costs in the UK as well as higher overheads in the Benelux, which offset operating leverage benefits from higher comparable growth.

OPERATING RESULT

The operating result increased by 6.5% from €252 million in 9M17 to €268 million in 9M18 mainly driven by higher adjusted EBITDA. A reconciliation from adjusted EBITDA to earnings before taxes is presented in table below.

in millions of EUR	9M18	9M17
Adjusted EBITDA	**449**	**422**
Non-recurring items	- 14	- 11
EBITDA	**435**	**412**
Depreciation and amortization of software	- 111	- 99
EBITA	**324**	**312**
Amortization and impairments	- 55	- 61
Operating result	**268**	**252**

Non-recurring items of -€14 million in 9M18 (-€11 million in 9M17) are mainly related to restructuring, legal and VAT provisions.

Depreciation and amortization of software increased from -€99 million in 9M17 to -€111 million in 9M18 driven by the expansion of the business through acquisitions at the end of 2017.

Amortization and impairments of -€55 million (-€61 million in 9M17) includes a goodwill impairment charge of €19 million, in line with IFRS accounting guidelines, reflecting the lower profitability of the Italian business.

CAPITAL EXPENDITURE

Store capital expenditure increased to €98 million in 9M18 (€93 million in 9M17) due to higher refurbishment costs linked to the increased size of our store network, as well as the rebranding of the Tesco Opticians stores in the UK. Non-store capital expenditure decreased from €37 million in 9M17 to €28 million in 9M18 due to the timing of investments in the global ERP platform. Total capital expenditure therefore decreased from €130 million in 9M17 to €126 million in 9M18, representing 4.5% of revenue.

Segment review

G4

in millions of EUR (unless stated otherwise)	9M18	9M17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,623	1,498	8.4%	8.7%	3.6%	5.1%
Comparable growth (%)	2.6%	0.5%				
Adjusted EBITDA	316	326	-3.1%	-3.0%	-1.7%	-1.3%
Adjusted EBITDA margin (%)	19.5%	21.8%	-230bps			
Number of stores	3,375	3,108				

in millions of EUR (unless stated otherwise)	3Q18	3Q17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	546	494	10.5%	10.5%	5.3%	5.3%
Comparable growth (%)	4.8%	1.8%				
Adjusted EBITDA	110	104	5.7%	5.7%	5.5%	0.2%
Adjusted EBITDA margin (%)	20.2%	21.1%	-93bps			

Revenue

Revenue in the G4 segment increased by 8.7% at constant exchange rates to €1,623 million in 9M18. Organic revenue growth and comparable growth were 3.6% and 2.6%, respectively.

In 3Q18, revenue growth in the G4 was 10.5% at constant exchange rates. Comparable growth of 4.8% was driven by a successful commercial campaign in **Germany** during the quarter, in which customers could temporarily purchase multifocal spectacles for the price of single vision glasses. The campaign, which was well communicated in the German media, drove both market share gains and EBITDA margin expansion for the business. For the third consecutive year, Apollo was named the best optical retailer in customer satisfaction in the nation-wide "Service Champion" survey by Die Welt.

The Northern European markets within the G4 all benefited from strong sunglass sales, particularly during July and August.

In **France**, we continued to achieve market share gains in the third quarter as revenue grew more than 3%, compared to a flat industry performance, benefiting from recent regulatory changes.

In the **United Kingdom**, revenue grew by more than 20% at constant exchange rates mainly due to the inclusion of the Tesco Opticians business and positive comparable growth, even though comparable growth was negatively impacted by the hot weather during the summer period.

Adjusted EBITDA

Adjusted EBITDA declined by 3.0% at constant exchange rates to €316 million in 9M18, primarily due to the integration of 209 Tesco Opticians stores in the UK, with the EBITDA margin declining by 230 bps to 19.5%.

In 3Q18, adjusted EBITDA grew by 5.7% at constant exchange rates with an EBITDA margin decline of 93 bps to 20.2%, as margin expansion from higher operating leverage in Germany and France was offset by integration costs in the UK and temporarily higher overhead expenses in the Benelux.

OTHER EUROPE

in millions of EUR (unless stated otherwise)	9M18	9M17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	849	718	18.2%	20.3%	3.1%	17.2%
Comparable growth (%)	2.2%	4.7%				
Adjusted EBITDA	132	110	19.3%	21.7%	6.7%	15.0%
Adjusted EBITDA margin (%)	15.5%	15.4%	15bps			
Number of stores	1,903	1,855				

in millions of EUR (unless stated otherwise)	3Q18	3Q17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	289	246	17.3%	19.1%	3.4%	15.7%
Comparable growth (%)	2.6%	3.7%				
Adjusted EBITDA	47	42	9.8%	11.7%	1.8%	9.9%
Adjusted EBITDA margin (%)	16.1%	17.2%	-109bps			

Revenue

9M18 revenue growth in the Other Europe segment of 20.3% at constant exchange rates was driven by the addition of the Swiss Visilab business, which contributed 17.2%, as well as organic growth of 3.1%. Comparable growth was 2.2% as strong growth in Eastern Europe was partially reduced by low single digit growth in Northern and Southern Europe.

In 3Q18, revenue grew by 19.1% at constant exchange rates with organic growth of 3.4%. Comparable growth of 2.6% reflects the continued high single digit growth in Eastern Europe during the summer season, and low single digit growth across Northern and Southern Europe. Sunglass sales were particularly weak across Southern Europe during the peak summer season.

Adjusted EBITDA

Adjusted EBITDA in the Other Europe segment increased by 21.7% at constant exchange rates to €132 million in 9M18. The adjusted EBITDA margin increased by 15 bps to 15.5% in 9M18.

In 3Q18, adjusted EBITDA grew by 11.7% at constant exchange rates to €47 million with an adjusted EBITDA margin decline of 109 bps, due to lower organic EBITDA growth and a lower contribution from the Swiss Visilab business, given the timing of commercial campaigns and business seasonality.

AMERICAS & ASIA

in millions of EUR (unless stated otherwise)	9M18	9M17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	350	362	-3.5%	11.0%	11.0%	0.0%
Comparable growth (%)	10.6%	7.4%				
Adjusted EBITDA	24	11	111.6%	167.9%	168.3%	-0.4%
Adjusted EBITDA margin (%)	6.8%	3.1%	371bps			
Number of stores	1,763	1,746				

in millions of EUR (unless stated otherwise)	3Q18	3Q17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	113	118	-4.0%	12.4%	12.3%	0.1%
Comparable growth (%)	11.5%	7.1%				
Adjusted EBITDA	8	6	27.8%	79.9%	80.3%	-0.3%
Adjusted EBITDA margin (%)	7.3%	5.5%	182bps			

Revenue
The Americas & Asia segment achieved revenue growth of 11.0% at constant exchange rates. Comparable growth and organic growth reached 10.6% and 11.0%, respectively, with particularly strong comparable growth in Colombia, Mexico, Russia and Turkey. However, reported revenue was 3.5% lower due to negative currency translation effects resulting from the depreciation of a number of currencies with a particularly strong impact from the Turkish lira. Overall, the impact of FX fluctuations was -14.5% during the nine months, or €52 million.

The number of stores decreased from 1,777 at year-end 2017 to 1,763 in September 2018 following the termination of an agreement with a department store chain in Chile as well as selective store closings in Brazil, Colombia and Peru to enhance profitability in these markets, offsetting continued openings in Mexico and Turkey. However, the store count increased by 43 stores during the quarter, compared to June 2018.

In 3Q18, revenue increased by 12.4% at constant exchange rates with comparable growth of 11.5% as most markets in the segment showed continued momentum in the third quarter. On a reported basis, revenue declined by 4.0% due to the depreciation of a number of currencies, which had a negative impact of €19 million.

Adjusted EBITDA
Adjusted EBITDA increased to €24 million in 9M18 (€11 million in 9M17) with an adjusted EBITDA margin of 6.8% (3.1% in 9M17) driven by the reduction of the loss in the United States and a strong operating performance in other key markets of the segment such as Mexico, Russia and Turkey. The strong EBITDA performance was partially reduced by foreign exchange fluctuations, which had a negative effect of over €6 million.

In 3Q18, adjusted EBITDA improved to €8 million from €6 million in 3Q17. The adjusted EBITDA margin improved by 182 bps to 7.3%.

Conference call and webcast details

GrandVision will hold a conference call and webcast for analysts and investors on 31 October 2018 at 9:00 am CET (8:00 am GMT):

- Webcast registration: https://edge.media-server.com/m6/p/eojuu3nx
- Conference call details: http://investors.grandvision.com/events/event-details/third-quarter-2018-trading-update

Financial Calendar 2019

Date	Event
22 January 2019	Preliminary 2018 Revenue Growth
27 February 2019	Full Year 2018 Results Press Release
26 April 2019	First Quarter 2019 Trading Update
	Annual General Meeting (AGM)
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.

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ABOUT GRANDVISION

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