

GrandVision reports 1Q20 results and COVID-19 update

Schiphol, the Netherlands – 5 May 2020. GrandVision N.V. publishes its First Quarter 2020 trading update.

Highlights

- First quarter revenue declined by 4.4% at constant exchange rates, strongly impacted by the coronavirus pandemic
- Comparable growth was -8.2%, reflecting a negative COVID-19 impact in the second half of March, following a strong start to the year with 5.5% comparable growth in January and February
- Adj. EBITA (i.e. EBITA before non-recurring items) decreased to €41 million from €107 million in 1Q19 due to the sharp decline of revenue in the second half of March
- In the month of April 2020, COVID-19 caused revenue reduction of more than 80% across GrandVision's business
- COVID-19 contingency plans have been developed and are starting to deliver a mitigating effect
- GrandVision's net debt slightly increased to €755 million by the end of March, from €753 million at year-end 2019
- GrandVision has decided not to schedule any dividend distribution proposal for the agenda of the Annual General Meeting of 30 June 2020.

First Quarter 2020 key figures

in millions of EUR (unless stated otherwise)	1Q20	1Q19	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	926	974	-4.9%	-4.4%	-8.0%	3.6%
Comparable growth (%)	-8.2%	5.0%				
Adjusted EBITA	41	107	-61.5%	-60.9%	-64.0%	3.1%
Adjusted EBITA margin (%)	4.5%	11.0%	-656bps			
System wide sales	996	1,063	-6.4%			
Number of stores (#)	7,320	7,216	1.4%			

Management comments

Stephan Borchert, GrandVision's CEO commented: "Our business has been facing unprecedented challenges over the past weeks due to the global outbreak of COVID-19.

In compliance with governmental measures and health authority recommendations around the world, we either fully closed our stores or have strongly reduced the opening hours and services offered, and this in almost all countries we operate in. As a result, we have seen a significant decline of revenue and profit, in particular since mid-March.

Our primary focus lies on managing these challenges. As the crisis developed over the course of March, we have adjusted our plans and actions throughout and our contingency plans are beginning to deliver first mitigating effects. We remain confident in our ability to preserve liquidity and secure additional funding, also in the event of a prolonged COVID-19 crisis.

Even though some countries are gradually beginning to lift COVID-19 measures and allowing retailers to re-open stores, we are not expecting a quick recovery due to enhanced health and safety protocols and general consumer uncertainty resulting in lower customer traffic. However, we have taken all necessary measures and efforts to support operational ramp up activities with the aim of enabling all our stores to serve our customers to the best possible extent under the applicable safety protocols and local regulations.

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Our e-commerce activities have shown great resilience and we have seen a sharp increase of online revenue of 85% in the first quarter, particularly driven by e-commerce sales through our banner websites with growth of almost 250%.

I have great confidence in the resilience of our business, the structural drivers of our industry and the strength of our local brands. The actions we are taking and are preparing to take to protect our employees, our customers and our business will help us not only to continue offering our customers the best optical care through our more than 7,300 stores but also to retain our strong position in optical retail."

COVID-19 update

The global spread of the coronavirus is leading to a significant number of store closures in many markets, restrictions with regards to openings hours and the performance of essential in-store services in many other regions as well as a significant reduction in traffic due to consumer uncertainty.

In compliance with governmental measures and health authority recommendations around the world as of 30 April 2020, approximately 60% of GrandVision's stores were fully closed and 40% were partially open but impacted by various degrees of sales limitations and a significant reduction in traffic. Although the situation continues to develop rapidly, GrandVision faced a negative revenue impact of more than 80% against the previous year in April 2020.

Given the adverse impact of store closures and sales restrictions on its business, GrandVision is expecting a significant reduction of revenue and to report a loss for the second quarter 2020. Due to the dynamics and uncertainties of the COVID-19 developments, we currently refrain from issuing a new outlook for the year 2020.

At the end of April, some countries, including Austria, Denmark, Germany and Norway, have started to relax COVID-19 measures, allowing stores to re-open under certain conditions. This means we are generally able to serve our customers but may be restricted in providing personal in-store services, such as eye tests. We are therefore proactively working with local authorities and country specific optical retail associations to implement health and safety protocols to provide a safe environment for our customers and eye care professionals. For this purpose, we are for example equipping our stores with protective dividers and providing our staff with personal protective equipment. This will enable us to conduct eye tests while complying with applicable health and safety standards.

Even as countries are gradually beginning to lift COVID-19 measures and allowing retailers to re-open stores, GrandVision is not expecting a quick recovery due to social distancing measures.

As mentioned in the press release of 20 March 2020, we have developed contingency plans to safeguard the financial health of the company. The implementation of these plans is starting to deliver a mitigating effect on the development of the company's cash position. A dedicated cross-functional task force has developed various scenarios with regards to the length and severity of the COVID-19 impact in different markets, allowing us to monitor developments and apply or adjust our plans in line with these scenarios. In addition, GrandVision is planning for a conservative ramp-up scenario based on the current knowledge that ramp-up will begin slowly given the continued sales restrictions and reduced traffic.

During the first quarter, e-commerce sales grew by almost 250% across GrandVision banner websites and 60% on GrandVision's owned pure-player websites, with particularly strong contact lens category sales across all our e-commerce platforms and pure players such as Lenstore and Sightful. In order to continue serving our customers, we are significantly enhancing the web stores of our banner websites by adding prescription glass sales in a few countries and expanding the sunglass and contact lens assortments.

By enhancing our service center capacities or introducing chat functions on various websites, customers can continue to reach our eyecare professionals, access emergency services or set up contact lens subscription plans. In the Netherlands, for example, the number of customer calls has increased more than ten times since the introduction of country-wide COVID-19 measures.

Overall, we are confident that our previous investments in digital capabilities and platforms are putting us in a good position to benefit from the current sales channel shift from physical stores to e-commerce, while partially compensating for the sharp revenue decline across our store network.

Financial position

At the end of 1Q20, GrandVision's net debt position was €755 million, compared to €753 million at year-end 2019, with borrowings of €994 million and cash and cash equivalents of €240 million.

In 2019, GrandVision renewed its Revolving Credit Facility (RCF) of €1,200 million until 2024. During March, GrandVision started to draw from its RCF, with funds both applied to refinancing of maturing Commercial Paper and adding immediately available liquidity to the Company. As of closing of March 2020, a total of €705 million was drawn under the RCF with the remainder debt obtained in short term flexible finance, among others the Commercial Paper market.

We are also actively engaging with our relationship banks and have proactively informed them of our strategy to preserve cash and financing. We therefore remain confident in our ability to retain liquidity and secure additional funding, also in the event of a prolonged COVID-19 crisis.

Status of transaction with EssilorLuxottica

GrandVision continues to support EssilorLuxottica with the shared objective to obtain regulatory approval for the closure of the acquisition by EssilorLuxottica of HAL's 76.72% interest in GrandVision within 12 to 24 months from the announcement date of 31 July 2019. Together with EssilorLuxottica and HAL, we are working on fulfilling all relevant requirements under the transaction documentation, including obtaining the requisite regulatory approvals and in compliance with our business conduct obligations. GrandVision believes that the transaction will be closed within the previously announced timetable.

As previously disclosed, the transaction is subject to various other conditions, including GrandVision's net debt at closing being less than € 993 million. GrandVision's main shareholder HAL has the right to provide a capital injection to cure a potential net debt position in excess of that limit at closing of the transaction.

2019 Dividend

GrandVision has decided to revise its previously announced dividend proposal and will not schedule any dividend distribution proposal for the fiscal year 2019 at the Annual General Meeting on 30 June 2020.

Group financial review

REVENUE

GrandVision's 1Q20 revenue declined by 4.4% at constant exchange rates to €926 million in 1Q20 (€974 million in 1Q19), driven by the effect of lower store traffic and store closings and related COVID-19 measures around the world. Comparable growth during the period was -8.2%, driven by a decline of 32.9% in March due to store closings in many of GrandVision's markets.

Our e-commerce platforms delivered a growth of 85% during the first quarter, driven by our pure play e-commerce platforms such as Lenstore and Charlie Temple and the omni-channel enabled banner websites. We have seen a strong acceleration of online sales since the beginning of March as more customers shifted channels to purchase eyecare products online, especially contact lenses.

System wide sales, which reflects the retail sales of GrandVision's own stores plus that of its franchisees, decreased by 6.4% to €996 million (€1,063 million in 1Q19).

GrandVision 's store network decreased to 7,320 stores (7,406 at year-end 2019), mainly reflecting the previously announced decision to discontinue our Chinese operations.

ADJUSTED EBITA

Adjusted EBITA (i.e. EBITA before non-recurring items) decreased from €107 million in 1Q19 to €41 million in 1Q19 as a result of the revenue reduction due to COVID-19 related store closings and sales restrictions.

Segment review

G4

in millions of EUR (unless stated otherwise)	1Q20	1Q19	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	525	561	-6.4%	-6.7%	-8.2%	1.5%
Comparable growth (%)	-8.6%	3.9%				
Adjusted EBITA	39	87	-55.4%	-55.4%	-56.8%	1.5%
Adjusted EBITA margin (%)	7.4%	15.4%	-808bps			
Number of stores (#)	3,436	3,389	1.4%			

Revenue

Revenue in the G4 segment decreased from €561 million in 1Q19 to €525 million in 1Q20, with comparable growth of -8.6%. Following a strong start to the year, the business was impacted by the COVID-19 related measures, particularly in France where all stores have been closed as of 16 March 2020. Several stores in other main markets, including Germany, the Netherlands and the United Kingdom are continuing to provide emergency services to customers, but sales have also been severely impacted.

E-commerce sales, particularly Lenstore and Charlie Temple delivered strong growth year-to-date, and have particularly benefited from the sales restrictions in physical stores.

Adjusted EBITA

Adjusted EBITA decreased from €87 million in 1Q19 to €39 million in 1Q20, as a result of the revenue decline since mid-March.

OTHER EUROPE

in millions of EUR (unless stated otherwise)	1Q20	1Q19	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	288	292	-1.3%	-1.0%	-10.0%	9.1%
Comparable growth (%)	-9.7%	5.9%				
Adjusted EBITA	13	33	-60.6%	-59.5%	-65.8%	6.3%
Adjusted EBITA margin (%)	4.5%	11.3%	-682bps			
Number of stores (#)	2,113	2,036	3.8%			

Revenue

Revenue in the Other Europe segment decreased by 1.0% at constant exchange rates from €292 million in 1Q19 to €288 million in 1Q20, with comparable growth of -9.7% mainly driven by a particularly strong sales decline in Southern Europe, especially in Italy and Spain, which have implemented very strict COVID-19 measures.

Adjusted EBITA

Adjusted EBITA decreased from €33 million in 1Q19 to €13 million in 1Q20, as a result of the revenue decline since March.

AMERICAS & ASIA

in millions of EUR (unless stated otherwise)	1Q20	1Q19	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	113	121	-6.6%	-1.7%	-1.7%	0.0%
Comparable growth (%)	-2.4%	7.9%				
Adjusted EBITA	-2	0	-660.3%	-581.9%	-581.9%	0.0%
Adjusted EBITA margin (%)	-2.0%	0.3%	-235bps			
Number of stores (#)	1,771	1,791	-1.1%			

Revenue

Revenue in the Americas & Asia segment decreased from €121 million in 1Q19 to €113 million in 1Q20, with comparable growth of -2.4% mainly driven by sales restrictions related to COVID-19 measures across Latin America and the United States, which were partially compensated by comparable growth in Russia and Turkey, which only implemented stricter measures in the beginning of April.

Adjusted EBITA

Adjusted EBITA decreased from €0 in 1Q19 to -€2 million in 1Q20, as a result of the revenue decline related to COVID-19 measures across different markets.

Financial Calendar 2020

Date	Event
30 June 2020	Annual General Meeting 2020
5 August 2020	Half Year and Second Quarter 2020 Results Press Release
30 October 2020	Third Quarter 2020 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

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 leading optical retail banners which operate in more than 40 countries across Europe, the Americas, the Middle East and Asia. GrandVision serves its customers in approximately 7,300 stores and with more than 38,000 employees which are proving every day that in EYE CARE, WE CARE MORE. For more information, please visit www.grandvision.com.