press release

GrandVision

GrandVision reports HY18 revenue growth of 11.8% at constant exchange rates and comparable growth of 2.8%

Schiphol, the Netherlands – 6 August 2018. GrandVision N.V. publishes Half Year and Second Quarter 2018 results.

Half Year 2018 highlights

- Revenue in HY18 grew by **11.8%** at constant exchange rates. Comparable growth was **2.8%**
- 2Q18 revenue growth of **12.6%** and comparable growth of **3.5%** were driven by all three segments and product categories
- Adj. EBITDA (i.e. EBITDA before non-recurring items) increased by **8.0%** at constant exchange rates with a solid improvement from 1.0% in 1Q18 to **14.8%** in 2Q18
- The adj. EBITDA margin declined by **40 bps** to **15.6%** in HY18 mainly due to the dilutive effect of acquisitions. In 2Q18, the adj. EBITDA margin improved by **38 bps** to **16.4%**
- Adj. EPS was **€0.44** in HY18, compared to €0.47 in HY17 as adjusted EBITDA growth was offset by higher non-cash depreciation and amortization charges in the period
- Store base remained stable at **7,002 stores** in line with our network optimization strategy, as openings of 163 new stores were offset by store closings. The rebranding of all 209 Tesco Opticians stores to Vision Express was completed ahead of schedule in June 2018.

The Half Year 2018 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)	HY18	HY17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,874	1,721	8.9%	11.8%	3.9%	7.9%
Comparable growth (%)	2.8%	2.4%				
Adjusted EBITDA	293	276	6.2%	8.0%	5.2%	2.8%
Adjusted EBITDA margin (%)	15.6%	16.0%	-40bps			
Net result	116	124	-5.9%			
Net result attributable to equity holders	106	114	-7.0%			
Adjusted earnings per share, basic (in €)	0.44	0.47	-5.7%			
Earnings per share, basic (in €)	0.42	0.45	-7.6%			
Number of stores (#)	7,002	6,631				
System wide sales	2,054	1,894	8.4%			

in millions of EUR (unless stated otherwise)	2Q18	2Q17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	961	876	9.8%	12.6%	4.5%	8.1%
Comparable growth (%)	3.5%	0.7%				
Adjusted EBITDA	157	140	12.4%	14.8%	10.4%	4.4%
Adjusted EBITDA margin (%)	16.4%	16.0%	38bps			
System wide sales	1,054	963	9.5%			

Management comments

Stephan Borchert, GrandVision's CEO said: "We are pleased with the progress we have made so far this year, resulting in an accelerated level of comparable growth compared to the previous year.

The G4 segment has returned to growth driven by strong performance in Germany and a recovery in France. Although the French market continued to decline, we have accelerated our market share gains and achieved 1.3% comparable growth during the first half of the year. Despite these good developments, we remain cautiously optimistic in the short term until the changes to the reimbursement schemes are fully annualized. Nevertheless, our recent performance demonstrates the resilience of our business model, especially in an environment where further changes are likely to be implemented.

During the first half, we continued to make good progress in the Americas & Asia segment by accelerating organic revenue growth and significantly improving adjusted EBITDA. The reduction of the loss in the United States and the strong operating performance of our businesses in Mexico, Russia and Turkey helped us to significantly enhance the adjusted EBITDA margin for the segment.

As expected, adjusted EBITDA growth in the first half of the year was subdued due to the integration and rebranding of the newly acquired Tesco Opticians business in the UK. The rebranding process was finished in June and we are seeing a significant improvement of profitability of the rebranded stores. For the full year, we remain confident in achieving our objective of revenue and adjusted EBITDA growth of high single digits at constant exchange rates.

One of our most important strategic objectives is to accelerate our omni-channel readiness, including the stronger drive of e-commerce sales. Investments in our online appointment booking tools have led to an increase of bookings by more than 80% in the second quarter, and website visits are up by almost 40%. This increase in online conversion has shown first positive effects on comparable growth in many parts of the group.

I'm looking forward to discussing our strategic priorities at our first Capital Markets Day on 20 September 2018 in Amsterdam."

Outlook and medium term objectives

GrandVision's medium term financial objectives are to achieve annual revenue growth of at least 5%, excluding large scale acquisitions, as well as high single digit annual adjusted EBITDA growth at constant exchange rates.

The targeted net debt/adj. EBITDA ratio remains at a maximum of 2.0x and we expect our cash flow generation to enable us to make further acquisitions without significantly altering our capital structure.

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.

GrandVision expects adjusted EBITDA growth in line with revenue growth, supported by lower integration costs in the United States and the continued implementation of our global capabilities and efficiencies.

We are expecting adjusted EBITDA growth in the second half to improve compared to the first half of 2018, with a weaker third quarter adjusted EBITDA performance and a stronger one in the fourth quarter. We are also forecasting lower third quarter comparable growth in our core European markets as hot weather conditions are negatively affecting retail traffic. We continue to expect a strong year-end performance driven by 1.5 additional selling days in the fourth quarter, and lower prior year comparables benefiting both the comparable growth and adjusted EBITDA performance.

Group financial review

Consolidated Income Statement

in millions of EUR	HY18	HY17
Revenue	1,874	1,721
Cost of sales and direct related expenses	- 512	- 459
Gross profit	1,362	1,262
Selling and marketing costs	- 953	- 874
General and administrative costs	- 224	- 201
Share of result of associates	0	2
Operating result	185	189
Financial income	1	2
Financial costs	- 11	- 9
Net financial result	- 10	- 7
Result before tax	174	182
Income tax	- 58	- 58
Result for the period	**116**	**124**
Attributable to:		
Equity holders	106	114
Non-controlling interests	11	10
	116	124

REVENUE

Revenue increased by 11.8% at constant exchange rates to €1,874 million in HY18 (€1,721million in HY17) or 8.9% at reported rates. Acquisitions, primarily Visilab in Switzerland and Tesco Opticians in the United Kingdom contributed 7.9% to revenue growth. Foreign exchange fluctuations, mainly driven by the strengthening of the euro against major currencies, led to a negative impact of 2.8% or €49 million on revenue growth, mainly impacting the Americas and Asia segment. Organic revenue growth of 3.9% was primarily driven by comparable growth of 2.8% (2.4% in HY17).

Revenue growth was delivered in all three regions. Optical and contact lens sales outperformed in the first half of the year, while sunglass sales levels stayed behind our expectations. Solaris was further introduced in approximately 500 stores, resulting in a total of more than 4,000 points of sale worldwide at the end of June.

In 2Q18, revenue grew by 12.6% at constant exchange rates or 9.8% at reported rates. Comparable growth of 3.5% was driven by an improved performance in the G4 with 1.8% growth, 3.8% comparable growth in the Other Europe segment and 10.0% in the Americas and Asia segment.

ADJUSTED EBITDA

Adjusted EBITDA (i.e. EBITDA before non-recurring items) increased by 8.0% at constant exchange rates to €293 million in HY18 (€276 million in HY17) or 6.2% at reported rates.

The adjusted EBITDA margin decreased by 40 bps to 15.6% in HY18 (16.0% in HY17) as margin improvements in the Other Europe and Americas & Asia segments were offset by a margin decline of 300 bps in the G4 segment, which was impacted by the dilutive effect of the Tesco Opticians acquisitions as well as the refurbishment and rebranding costs during the first half of the year, as well as higher overhead expenses in the Benelux business.

In 2Q18, adjusted EBITDA grew by 14.8% at constant exchange rates or 12.4% at reported rates, leading to an adjusted EBITDA margin improvement of 38 bps to 16.4%. Adjusted EBITDA growth and margin expansion were driven by comparable growth leading to operating leverage as well as adjusted EBITDA growth in the Other Europe and Americas & Asia segment, while the G4 segment was impacted by rebranding and refurbishment costs in the UK as well as higher overhead expenses in the Benelux.

OPERATING RESULT

The operating result decreased by €4 million from €189 million in HY17 to €185 million in HY18 as higher adjusted EBITDA was offset by higher non-recurring items and non-cash depreciation and amortization charges. A reconciliation from adjusted EBITDA to earnings before taxes is presented in table below.

in millions of EUR	HY18	HY17
Adjusted EBITDA	**293**	**276**
Non-recurring items	- 9	- 6
EBITDA	**284**	**270**
Depreciation and amortization of software	- 73	- 65
EBITA	**211**	**204**
Amortization and impairments	- 26	- 15
Operating result	**185**	**189**

Non-recurring items of -€9 million in HY18 (-€6 million in HY17) are mainly related to restructuring, legal and VAT provisions.

Depreciation and amortization of software increased from -€65 million in HY17 to -€73 million in HY18 driven by the expansion of the business through acquisitions at the end of 2017 as well as additions to software mainly related to GrandVision's global ERP project.

Amortization and impairments increase from -€15 million in HY17 to -€26 million in HY18 is mainly related to the expansion of the business and a one-off impairment of a trademark in Italy following the periodic review of trademarks in use.

FINANCIAL RESULT

The financial result of -€10 million in HY18 increased from -€7 million in HY17 mainly due to a combination of higher non-operational FX losses, a revaluation of certain options on minority stakes that GV doesn't own yet and a slightly higher and changed debt portfolio better reflecting the underlying assets.

INCOME TAX

Income tax remained stable at €58 million in HY18. The effective tax rate in HY18 was 33.2% (32.1% in HY17). The increase in effective tax rate mainly relates to the effect of changes in results in certain countries.

NET RESULT FOR THE PERIOD

Net result for the period decreased by 5.9% to €116 million in HY18 (€124 million in HY17) and the net result attributable to equity holders by 7.0% to €106 million (€114 million in HY17), as adjusted EBITDA growth was offset by higher non-cash depreciation and amortization charges as well as finance costs.

(ADJUSTED) EARNINGS PER SHARE

Adjusted earnings per share, which excludes non-recurring items, was €0.44 per outstanding share in HY18 (€0.47 in HY17). Earnings per share was €0.42 per outstanding share in HY18 (€0.45 in HY17).

The weighted average number of shares outstanding was 253,635,216 in HY18. On a fully diluted basis, adjusted EPS was €0.44 in HY18 (€0.47 in HY17), and EPS was €0.42 (€0.45 in HY17).

Segment review

G4

in millions of EUR (unless stated otherwise)	HY18	HY17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	1,077	1,004	7.3%	7.8%	2.8%	5.0%
Comparable growth (%)	1.4%	-0.2%				
Adjusted EBITDA	206	222	-7.2%	-7.0%	-5.0%	-2.0%
Adjusted EBITDA margin (%)	19.1%	22.1%	-300bps			
Number of stores	3,386	3,081				

in millions of EUR (unless stated otherwise)	2Q18	2Q17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	546	506	7.9%	8.2%	3.0%	5.2%
Comparable growth (%)	1.8%	-1.7%				
Adjusted EBITDA	105	110	-4.6%	-4.4%	-3.1%	-1.3%
Adjusted EBITDA margin (%)	19.3%	21.8%	-251bps			

Revenue
Revenue in the G4 segment increased by 7.8% at constant exchange rates to €1,077 million in HY18, excluding the devaluation of the British Pound. Organic revenue growth and comparable growth were 2.8% and 1.4%, respectively.

In **France**, we saw a recovery in the first half of 2018 with comparable growth of 1.3% and revenue growth of 2.0% , while the market was down 1.1% (January-May 2018, source: GfK) driven by the continued effect of changes to insurance reimbursement schemes. However, growth overall was reduced by lower sunglass sales due to the delayed summer season in Southern Europe, particularly in April and May.

Our **German** business continued to outperform the market in HY18, delivering over 5% revenue growth at constant exchange rates and nearly 2% comparable growth as well as a strong contribution from new stores.

In the **United Kingdom**, revenue grew by more than 20% at constant exchange rates mainly due to the inclusion of the Tesco Opticians business with positive comparable growth.

In 2Q18, revenue growth in the G4 was 8.2% at constant exchange rates. Comparable growth of 1.8% in 2Q18 benefited from the timing of Easter as well as an improved performance in France with accelerated market share gains. During the quarter, Germany delivered the strongest comparable growth in the segment driven by a positive Easter impact, increasing online contact lens sales and successful commercial initiatives.

Adjusted EBITDA
Adjusted EBITDA declined by 7.0% at constant exchange rates to €206 million in HY18, primarily due to the integration of 209 Tesco Opticians stores in the UK. The operational improvements of the newly rebranded stores are encouraging and we are expecting the EBITDA performance of the UK business to improve considerably in the second half of the year.

In addition, the Benelux and German businesses were impacted by higher operating expenses related to increased personnel costs. In Germany, these cost pressures could be offset by revenue growth and operating leverage. The EBITDA margin declined by 300 bps to 19.1%.

In 2Q18, adjusted EBITDA decreased by 4.4% at constant exchange rates with an EBITDA margin decline of 251 bps to 19.3%.

OTHER EUROPE

in millions of EUR (unless stated otherwise)	HY18	HY17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	560	472	18.7%	21.0%	2.9%	18.0%
Comparable growth (%)	2.0%	5.3%				
Adjusted EBITDA	85	68	25.2%	27.9%	9.8%	18.1%
Adjusted EBITDA margin (%)	15.2%	14.4%	79bps			
Number of stores	1,896	1,854				

in millions of EUR (unless stated otherwise)	2Q18	2Q17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	294	244	20.6%	23.0%	4.7%	18.3%
Comparable growth (%)	3.8%	2.8%				
Adjusted EBITDA	49	36	35.7%	39.0%	17.8%	21.2%
Adjusted EBITDA margin (%)	16.8%	14.9%	187bps			

Revenue

In HY18, revenue growth in the Other Europe segment of 21.0% at constant exchange rates to €560 million was driven by the addition of the Swiss Visilab business, which contributed 18.0% as well as organic growth of 2.9%. Visilab's contribution to revenue accelerated due to seasonality and weather effects in the first quarter. Comparable growth of 2.0% reflects an improvement in the second quarter of 3.8% following a weaker start to the year due to the shift of the Easter holiday.

The business units in Northern and Southern Europe delivered low single digit comparable growth despite weaker sunglass sales in Southern Europe due to the delayed summer season. Eastern Europe continued to grow by high single digits with a strong performance in Hungary and the Czech Republic.

In 2Q18, revenue grew by 23.0% at constant exchange rates with organic growth of 4.7%. Comparable growth of 3.8% reflects anticipated improvement in Northern Europe and Southern due to the timing of the Easter holidays as well as strong comparable growth in Eastern European markets.

Adjusted EBITDA

As a result of operating leverage from higher sales and the contribution from Visilab, adjusted EBITDA in the Other Europe segment increased by 27.9% at constant exchange rates to €85 million in HY18. The adjusted EBITDA margin increased by 79 bps to 15.2% in HY18. For the half year, the margin expansion was entirely driven by organic EBITDA growth of 9.8%.

In 2Q18, adjusted EBITDA grew by 39.0% at constant exchange rates to €49 million with an adjusted EBITDA margin improvement of 187 bps, driven by the strong organic growth of 17.8% as well as the accretive effect of acquisitions.

AMERICAS & ASIA

in millions of EUR (unless stated otherwise)	HY18	HY17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	237	245	-3.2%	10.3%	10.3%	0.0%
Comparable growth (%)	10.0%	7.4%				
Adjusted EBITDA	16	5	224.5%	286.5%	286.9%	-0.4%
Adjusted EBITDA margin (%)	6.6%	2.0%	462bps			
Number of stores	1,720	1,696				

in millions of EUR (unless stated otherwise)	2Q18	2Q17	Change versus prior year	Change at constant FX	Organic growth	Growth from acquisitions
Revenue	122	126	-3.6%	10.3%	10.3%	0.0%
Comparable growth (%)	10.0%	7.2%				
Adjusted EBITDA	9	3	191.0%	263.7%	264.4%	-0.7%
Adjusted EBITDA margin (%)	7.1%	2.4%	477bps			

Revenue

The America & Asia segment achieved revenue growth of 10.3% at constant exchange rates to €237 million in HY18 (€245 million in HY17). Comparable growth and organic growth reached 10.0% and 10.3%, respectively, with particularly strong comparable growth in Colombia, Mexico and Turkey. However, reported revenue was 3.2% lower due to negative currency translation effects due to the strengthening of the euro against a number of currencies, including the US dollar, Turkish lira, Mexican peso. Overall, the impact of FX fluctuations was -13.5% during the first half, or €33 million.

The number of stores decreased from 1,777 at year-end 2017 to 1,720 in June 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.

In 2Q18, revenue increased by 10.3% at constant exchange rates with comparable growth of 10.0% as most markets in the segment showed continued momentum in the second quarter.

Adjusted EBITDA

Adjusted EBITDA increased to €16 million in HY18 (€5 million in HY17) with an adjusted EBITDA margin of 6.6% (2.0% in HY17) 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 €3 million.

In 2Q18, adjusted EBITDA improved to €9 million from €3 million in 2Q17. The adjusted EBITDA margin improved by 477 bps to 7.1%.

Liquidity and debt

in millions of EUR (unless stated otherwise)	HY18	HY17
Free cash flow	99	84
Capital expenditure	93	83
- Store capital expenditure	73	59
- Non-store capital expenditure	20	25
Acquisitions	2	4
Net debt	826	755
Net debt leverage (times)	1.5	1.4

In HY18, free cash flow (defined as cash flow from operating activities minus capital expenditure) increased to €99 million (€84 million in HY17) driven by higher cash flow from operations.

Store capital expenditure increased to €73 million in HY18 (€59 million in HY17) 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 €25 million in HY17 to €20 million in HY18 due to the timing of investments in the global ERP platform, which included several major go-lives in key countries last year. Consequently, total capital expenditure grew to €93 million in HY18 (€83 million in HY17), representing 4.9% of revenue.

Net debt was €826 million at the end of June 2018, compared to €832 million at year-end 2017, and €755 at the end of June 2017. The 12-month rolling net debt/EBITDA ratio remained stable at 1.5x compared to year-end 2017.

Conference call and webcast details

GrandVision will hold a conference call and webcast for analysts and investors on 6 August 2018 at 9:00 am CET (8:00 am GMT):

- Webcast registration: https://edge.media-server.com/m6/p/3y5pv7ng
- Conference call details: http://investors.grandvision.com/events/event-details/half-year-and-second-quarter-results-press-release
- The presentation will be available at www.grandvision.com shortly before the conference call

Financial Calendar 2018

Date	Event
6 August 2018	Half Year and Second Quarter Results Press Release
20 September 2018	Capital Markets Day
31 October 2018	Third Quarter 2018 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 7,000 stores and with more than 36,000 employees which are proving every day that in EYE CARE, WE CARE MORE. For more information, please visit www.grandvision.com.

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Annex 1: Consolidated Balance Sheet

in millions of EUR	30 June 2018	31 December 2017
ASSETS		
Non-current assets		
Property, plant and equipment	496	489
Goodwill	1,072	1,065
Other intangible assets	573	589
Deferred income tax assets	19	17
Investments in Associates and Joint Ventures	1	1
Other non-current assets	45	44
	2,206	2,206
Current assets		
Inventories	381	350
Trade and other receivables	326	328
Current income tax receivables	9	6
Derivative financial instruments	4	1
Cash and cash equivalents	193	165
	913	851
Total assets	**3,119**	**3,056**
EQUITY AND LIABILITIES		
Equity attributable to equity holders		
Share capital	59	60
Other reserves	- 150	- 149
Retained earnings	1,151	1,129
	1,060	1,039
Non-controlling interests	82	81
Total equity	**1,141**	**1,121**
Non-current liabilities		
Borrowings	378	377
Deferred income tax liabilities	79	81
Post-employment benefits	98	99
Provisions	23	23
Derivative financial instruments	4	3
Contract liabilities	7	5
Other non-current liabilities	7	26
	596	615
Current liabilities	-	-
Trade and other payables	597	564
Contract liabilities	76	76
Current income tax liabilities	46	48
Borrowings	641	613
Derivative financial instruments	1	4
Provisions	21	17
	1,383	1,321
Total liabilities	**1,978**	**1,936**
Total equity and liabilities	**3,119**	**3,056**

Annex 2: Consolidated Cash Flow Statement

in millions of EUR	Six months ended 30 June 2018	Six months ended 30 June 2017
Cash flows from operating activities		
Cash generated from operations	258	231
Tax paid	- 66	- 63
Net cash from operating activities	**192**	**167**
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	- 2	- 4
Settlement of contingent consideration	- 3	-
Purchase of property, plant and equipment	- 73	- 64
Proceeds from sales of property, plant and equipment	4	2
Purchase of intangible assets	- 20	- 20
Proceeds from sales of intangible assets	1	0
Proceeds from sales of investments in buildings	0	-
Other non-current receivables	- 1	4
Interest received	1	3
Net cash used in investing activities	**- 93**	**- 78**
Cash flows from financing activities		
Proceeds from borrowings	150	166
Repayments of borrowings	- 63	- 170
Dividends paid to shareholders	- 81	- 78
Dividends paid to non-controlling interest	- 4	- 8
Interest swap payments	- 1	- 2
Acquisition of non-controlling interest	0	-
Interest paid	- 5	- 6
Net cash generated from/ (used in) financing activities	**- 4**	**- 98**
Increase / (decrease) in cash and cash equivalents	**94**	**- 9**
Movement in cash and cash equivalents		
Cash and cash equivalents at beginning of the period	12	38
Increase / (decrease) in cash and cash equivalents	94	- 9
Exchange gains/ (losses) on cash and cash equivalents	- 5	- 4
Cash and cash equivalents at end of the period	**102**	**25**