

# EssilorLuxottica

## 1Q 2019 Revenue presentation 7<sup>th</sup> May 2019

### **EssilorLuxottica**

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### **Q&A**

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Cédric Lecasble, MainFirst Bank AG

Antoine Belge, HSBC

Julien Dormois, Exane BNP Paribas

Delphine Le Louet, Societe Generale

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Domenico Ghilotti, Equita

Ed Ridley-Day, Redburn

**Ms. Véronique GILLET, Investor Relations**

Good morning everyone and thank you for joining EssilorLuxottica conference call. Today's conference call is dedicated to the first quarter 2019 revenue of the group, which was communicated to the market this morning. We will comment and answer questions on consolidated revenue for the combined Group and both Essilor and Luxottica. We will not comment on governance-related matters, as there are no significant updates at present.

On this call, Laurent VACHEROT CEO of Essilor, Hilary HALPER and Stefano GRASSI, co-CFOs of EssilorLuxottica will share the presentation. Let us now start with Laurent.

**2019 OFF TO A GOOD START**

**Mr. Laurent VACHEROT, Essilor International CEO**

Merci Véronique, good morning everyone.

I will do a brief introduction to give you the key takeaways you should bear in mind about the business of EssilorLuxottica for the first quarter.

As you have seen, 2019 is off to a good start, with revenues growing at 7.5% for the first quarter, of which 3.7% at constant exchange rates. This is in line with our annual guidance and ahead of plan. Q2 is starting well, and we should see an acceleration of growth in the next few quarters, both organically and through acquisitions.

In addition, integration and synergies are now in execution mode, so we are optimistic for the remainder of the year and we confirm the outlook.

So, what are the key drivers for growth in the quarters to come? In other words, what are the reasons to believe that growth will accelerate quarter after quarters? There are five I want to mention today.

First, we will continue to rejuvenate Transitions brands that we started in 2018 with the launch of Transitions GEN 8 early in H2. As you know, each time there is a new generation of Transitions it has a big hit, positive hit on the market. This year, this launch is supported by an outstanding, stronger than ever sales and marketing programme for Transitions and this should show growth in H2 across the combined group, mainly in the US, little bit in Latam inside LensCrafters, where we see penetration of Transitions increasing drastically. On the new product front, we also expect additional momentum from the blue-filtering lenses from Eyezen, but also from our new refraction instrument, Vision R 800, and as you will remind I'm sure, it's a totally new way, revolutionary way to measure the eye, faster, more precise and more consumer-friendly.

Second, the Sun segment should accelerate with the start of the sun season, and we already saw encouraging signs in this month of April. Sunglass Hut just started a very exciting marketing campaign with its ambassador Gigi Hadid. We should also see better performance for FGX and Costa and we saw the first impact of the new Sun Rx initiatives at the end of the year.

Third element, we continue to drive digitalisation of our businesses with this year three main topics. First, the digital acceleration of the consumer journey, which basically is stitching together all the traffic hitting our websites with our e-commerce sites and our physical stores and those of our customers. This is deployed at the moment, first in the US but also in other countries like India, where we have added a

Hindi version to our flagship, AllAboutVision, and also Android access to Coolwinks. Second, investment in in-store digitalisation in order to enhance the omni-channel strategy, well engaged already at Luxottica. Third, targeted partnerships, such as the acquisition of Brille 24, a leading online retailer of optical products in Germany, which are developing an interesting drive-to-store concept with participating ECPs to offer mid-tier solutions to consumers.

Fourth reason to believe in the acceleration of the next quarters, we also continue to invest in fast-growing markets, expect further improvements in several of them in the few next quarters. For instance, in China, where we invested heavily in myopia management, which has a very promising upside potential. The fast-growing market drive will also likely involve bolt-on acquisitions in wholesale, but also in retail further down the road.

Finally, we keep enhancing our proximity with eye-care professionals by enhancing the STARS program, Essilor Experts network, doctor alliances and buying groups.

Those are some of the initiatives that we believe will accelerate the growth of EssilorLuxottica in the next quarter.

To end this introduction, I would like to say a few words about integration. Although today it is about revenues and not about integration, let's show how it's progressing very well. As you'll remember, in March, during the call for the year 2018, we said we've identified twenty priority synergy workstreams that will allow us to confirm the synergies for €420 million to €600 million adjusted operating profit within the next three to five years. What we can say now, two months later, is that all those programmes are in execution mode. We moved from identification to decision and execution. The integration committee led by Mr DEL VECCHIO and Mr SAGNIÈRES meet up every two weeks with a very structured agenda prepared by Pierluigi Longo and Eric Leonard, our two chief integration officers, to take appropriate decisions on the advancement of the workstreams. More than 300 people of both organizations are involved, key executives were appointed to lead each project and are incentivised on the success of those synergies. Together with their teams, they are developing strong working relationships and common view on the opportunities.

The team of Essilor and Luxottica are working together to grow the market through, as you know, better awareness and access to vision solutions. Our initiatives to eradicate poor vision from the world in one generation helped to deliver vision solutions to more than 2 million new wearers this quarter. Many employees of Essilor have volunteered to participate to the programme organized by OneSight, of which Luxottica is the founding sponsor, as you know. These kinds of initiatives positively strengthen the cultural ties between the two companies. So, in short, we completed a solid quarter, we have many opportunities to grow in the next quarter and to implement synergy, working together. With this, I am happy to handover the call to Hilary.

## **SUSTAINED MOMENTUM IN ESSILOR'S LENSES AND LUXOTTICA'S RETAIL**

**Ms. Hilary HALPER, Essilor International CFO and EssilorLuxottica co-CFO**

Thank you Laurent, and good morning everybody.

As Laurent said, revenue for the group was up 7.5%, of which a solid 3.7% at constant exchange rate.

If I turn now to the Essilor side, after what we believe was an outstanding Q4 in 2018, Essilor delivered a very sound growth of 4.3% at constant currency in Q1 and this includes a like-for-like growth of 3.3% and a perimeter effect of 1.1%, which is an acceleration versus 2018. We anticipate that this will continue to increase, as our bolt-on acquisitions strategy is gaining momentum. Actually, in April, we already see an uptick here. Essentially, this is in relation to the acquisition that Laurent mentioned, of Brille24 in Germany, which happened late in the first quarter.

At Essilor, all divisions trended positively in Q1, revenues in the Lens business rose 3.6% like-for-like, and this was driven by the ongoing take-up of our innovative products, which translated into sound growth of our key brands. I would specifically like to flag Transitions, which enjoyed close to 6% growth in Q1 through the Essilor network.

E-commerce also had a very positive contribution to the overall performance in the division, and specifically, revenue in the eyeglasses segment was up almost 17%. Growth in the Lens business is also driven by the robust dynamic in emerging markets, but I'll really come back to that a little bit later in our presentation.

If I move on to the Sun and Readers division, sun and readers delivered modest growth in Q1, with 1.7% at constant currency, but this was actually fully anticipated and it's really consistent with our ambition to grow the division in the mid-single digits in 2019. We knew that FGX business in the US would face a tough comparable in relation to business that was lost a year ago in the readers business. However, that being said, point of sale data is strong across sun and is moderate in the readers category, and we know that this impact will not repeat in the next three quarters.

Finally, if I come on to the Equipment business, because of the elimination of the sales to Luxottica, which are now seen as intercompany, you see smaller revenue than usual, but we're pleased with both the sales momentum and the backlog, especially in the surfacing and polishing line of our equipment division.

With that, I'll hand it over to Stefano.

### **Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

Thank you, Hilary, and good morning everybody. Let's comment Luxottica Group first-quarter results. Our top line grew 3.2% on a constant forex basis, while on a current forex basis, in the first quarter, you look at an outstanding growth of 7.5%. Clearly, the US dollar and currency in general created some tailwinds in our results, in particular the US dollar revaluated approximately 8% against the Euro during the course of the first quarter, and generally speaking for EssilorLuxottica, we would expect the next couple of quarters to create further tailwinds in our results thanks to currency, if the US dollar remains at the current level.

But now, let's look at our two divisions, Wholesale and Retail. Both of them actually posted in the first quarter an accelerated performance compared to the twelve months of 2018. The Wholesale division was up 0.9% in the first quarter on a constant currency basis, while last year you might remember our Wholesale division was negative 1.1% [at constant forex, for the FY 2018].

A couple of highlights here. The growth in our Wholesale division was very much driven by volumes, while, from a price mix standpoint, we experienced some deceleration during the first quarter. The second important highlight is the STARS program. Laurent mentioned it before. We have the STARS

program up double digit during the first quarter thanks also to a lot of enhancements in the overall program and a lot of expansion of the STARS program throughout the world.

And now let's move to the Retail division. Retail was up 4.7% on a constant effects basis, again, an acceleration story versus the twelve-month trend of 2018 that you might remember was up 3% in our Retail division. On a current effects basis, our top-line grew 10.7% in our retail division, thanks to the strong US dollar revaluation that we experienced during the first quarter.

Now, if you look at our retail numbers, a couple of highlights here, first of all comp sales, which were up 1.7%. Very much led by LensCrafters performance in the first quarter, with comps up by 2.6% in Q1 and those are actually the best comps in LensCrafters since the third quarter of 2015, so remarkable start of the year for our leading optical retail chain in North America. The other highlight is Sunglass Hut. Sunglass Hut, on a global basis, was up 4.1% on a constant effects basis. We were double digit in Europe, we were double digit in Andes, we were double digit in Southeast Asia, mid-single-digit growth in Brazil, and that largely offset the deceleration that we've experienced at Sunglass Hut in North America in the first quarter. So, overall, a very compelling story for our sun specialty retail chain.

#### **NORTH AMERICA: UP 1.2% AT CONSTANT EXCHANGE RATES**

##### **Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

But now, let's give the overview of the different regions, and let's get directly into the pages that will commence each one with the different geographies, and let's start obviously with the most important one, that is North America.

And I will commence first with the overall Luxottica number, give you a little bit more colour on the Luxottica performance and then hand it over to Hilary for more details around the Essilor one.

So, in North America, EssilorLuxottica delivered a plus 1.2% growth on a constant effects basis, while on a current effects basis, because of the benefit of the US dollar, we are up 9.1% during the first quarter.

From the Luxottica side, a couple of highlights. First of all, on the wholesale side, volume was essentially flattish during the first quarter, while we did experience a deceleration during Q1 from a price mix standpoint. If we now move to retail, retail optical was very strong in North America. We mentioned before LensCrafters that posted comps up 2.6%. That performance was very much driven by strong price mix in the first quarter, in particular on the lens side. We experienced the Blue IQ penetration that increased during Q1. We had higher penetration of anti-reflective lenses and we had a higher penetration of Transitions lenses into our LensCrafters, so overall a very compelling story from a price mix standpoint that clearly helped the result of LensCrafters during the course of the first quarter. The other important asset we have during Q1 and that helped our growth in North America retail was Target Optical. Target Optical was up 13% [comparable store sales] during the first quarter, and together with the LensCrafters performance, largely offset the deceleration that we experienced in Sears Optical, where we do have 170 stores less than what we used to have last year. Top line was actually down about 50% in Sears Optical, all of that because of the challenging situation that Sears department store is going through and you all are aware of.

The last mention is to Sunglass Hut. We talked before about the deceleration in the first quarter for Sunglass Hut in North America. I would just share with you a couple of highlights here.

First of all, a tough comp base. Q1 2018 for Sunglass Hut in North America were actually the best comps for all 2018 in Sunglasses Hut. The second important aspect in my view is the weather condition. We

experienced a quite wet and cold weather in North America, if I'm not mistaken, I mean, I don't necessarily look at a lot through the statistics, but the month of February was probably the coldest and wet weather in the United States during the last four years, and that clearly had an impact on our sun business.

Last but not least, the Easter shift. Easter was actually a little bit of help in April, that created some headwinds in the month of March. So, again, it's just a matter of timing but it had a negative impact in the first quarter for Sunglasses Hut. With that, let me hand it over to Hilary, who will give you a little bit more colour on the Essilor side.

**Ms. Hilary HALPER, Essilor International CFO and EssilorLuxottica co-CFO**

Thank you, Stefano. On the Essilor side for North America, Essilor delivered modest growth, which was a mix of healthy ongoing trends and a few temporary headwinds.

Our core US Lens business showed satisfactory revenue gains in what we think is a rather soft market, as Essilor continue to convert more EyeCare Professional practices in its Essilor Experts programme, which we have now crossed over the 4,500 practices threshold, of practices that we have under contract and, as a result, our daily sales trended 2% above last year in the lens business.

If I move on to that e-commerce side, our e-commerce activities continued to perform well and we're focussing more and more on our marketing investments in to our winning models, such as EyeBuyDirect and we are really seeing the benefits of that.

With this in mind, we feel good about our activity in North America in general and in particularly in the US. One of the item we continue to gain confidence going forward is the upcoming Transitions Signature Gen 8 launch. This is a new Transitions lens will be rolled out early in Q3, and on top of the Gen 8, the Transitions brand is supported by the very recent launch of the first photochromic contact lens ever by JNJ, which is under the name of Acuvue Oasys, which is really supporting the ongoing rejuvenation of the Transitions brand. That being said, as is customary ahead of a new launch of Transitions lens, we see a decline in Transitions sales to third-party manufacturers and this is because they're adjusting for the expected launch. So, while we're really, really excited about the opportunity in the back half, this does create some temporary headwinds for us. I already mentioned the context of FGX, which we really don't expect to repeat in the upcoming quarters, and these two factors together had a negative impact of about two percentage points on the like-for-like growth in North America in Q1. And that held back what was otherwise a very healthy quarter for the rest of the businesses.

**EUROPE: UP 5.3% AT CONSTANT EXCHANGE RATES**

**Ms. Hilary HALPER, Essilor International CFO and EssilorLuxottica co-CFO**

If I move on to Europe, again, I'll comment here on the EssilorLuxottica performance and then I'll move on to Essilor and hand it back to Stefano to comment on Luxottica.

So, in Europe, revenue for EssilorLuxottica was up 3.9%, of which a solid 5.3% on a constant currency basis.

On the Essilor side, we had a very good first quarter in Europe, with revenue growth close to mid-single digits at constant currency, and just to provide a little bit of context here and remind you that we now

have Turkey being reported in the region, which brings a positive contribution to our growth. Interestingly, Turkey, Russia and all the eastern part of Europe together account for more than 10% of Europe and should be seen as emerging markets in the optical industry.

All of these markets are growing in the high teens, driven by material improvement of the product mix, and also supported by effective media campaigns. It's also important to note that growth was also in the double digits in the UK, where both e-commerce and traditional businesses delivered good performance. Europe also benefitted from an increased contribution from acquisitions at positive 0.4% in the first quarter. We complimented our distribution capabilities in Greece, as our partner Shamir acquired Union Optics, and as we've already mentioned, we also acquired Brille 24 in Germany towards the end of the quarter and will really leverage this opportunity to build an omnichannel model with a panel of opticians willing to join in the project.

So, overall, Essilor had very solid performance in the Lens business and we're pleased so say that the positive trends continued in the first weeks of Q2, and that more importantly, Europe should benefit in the coming months from the actual delivery of the new Vision R 800 optometry instrument, which Laurent mentioned earlier, whose orderbook has significantly increased over the last six months.

In the Sun division, all of our businesses trended positively against the backdrop of the favourable weather conditions.

So with that, I'll hand it to Stefano.

#### **Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

Thank you, Hilary and let's talk a little bit about Europe for Luxottica, which is a great story. I mean, we're positive, we're in the mid-single-digit territory for Europe. You might remember last year we were actually in the negative territory with -1% [at constant forex, FY 2018], so strong rebound for our performance in Europe. I will just give you a couple of highlights for wholesale and retail.

On the wholesale side, actually, if you remember, first half of last year was quite challenging. We're now back on track with solid growth in the first quarter of 2019: all the major key countries in Europe were in the positive territory, we were positive in the UK, we were positive in Germany, positive in France and positive in Italy, top markets. And, really, the only country in which we experienced a negative performance, but that was largely expected, was Spain. You might remember, during Q1 of last year, 2018, we decided to realign our commercial strategy in Spain, a very promotional market, to the one that we have in the rest of Europe. That created a little bit of road bumps in our growth trajectory in Spain, but now we're fully anniversary that and if I had to look at really the last four to five weeks of order intakes in Spain, well, we actually are very optimistic. We are in the double-digit territory and now we have a new asset to be added in Europe wholesale, which, again, we do expect to see in acceleration from a growth rate standpoint during the second quarter, compared to the trend that we got in the first quarter. So, again, very promising start of the year in that part of the world for the Wholesale division.

Retail had an outstanding growth rate in the first quarter, with growth that was close to 20% in Q1. Sunglass Hut led the way, very much growing around in excess of 20% during Q1. Every major geography for Sunglass Hut in Europe was in the positive territory and I would say also Salmoiraghi & Viganò, our Italian retail chain, was actually up double digits with comp sales in the high single-digit territory. Clearly, the weather was a help during Q1, but I would also add a very strong retail execution in both our retail chains, Sunglass Hut as well as Salmoiraghi & Viganò, so extremely happy and we couldn't wish anything better to start the year in Europe.

But now, let's look at our fast-growing regions, beginning in Asia, Oceania and Africa on the next page. I will commence first on the overall EssilorLuxottica number, give you a highlight on Luxottica and then pass over to Hilary.

### **ASIA, OCEANIA, AFRICA: UP 5.9% AT CONSTANT EXCHANGE RATES**

#### **Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

For Asia, Oceania and Africa, EssilorLuxottica sales were up 5.9% on a constant forex basis, while on a current forex basis, our sales were up 8%.

If you look at Luxottica number, we're very extremely happy with the performance we're getting there, mid-single-digit growth over there. A couple of highlights first of all.

In our retail business in Australia, both optical and sun posted comp sales in the mid-single-digit territory. In particular, in Optical Australia, we experienced the benefit of all the major refurbishment program that we undertook in 2018 and that is continuing in 2019, when we do expect 80 to 90 stores to be fully refurbished with new equipment and with omnichannel technology in the store.

The other important highlight is Greater China. Greater China is back to positive growth for the first quarter, very much driven by our Mainland China performance, in particular thanks to the wholesale. Why do we mention wholesale? Well, because you remember, a couple of years ago we went through an important strategic repositioning of our wholesale in Mainland China. We suffered, but now we have a much cleaner marketplace and we are ready to really position ourselves for strong growth in this critical part of the world, and again, if you look at the results that we're getting from a wholesale perspective in China, those are very promising. And the Mainland China performance largely offsets a deceleration that we experienced in Hong Kong. A little bit of that is due to the economic environment, which is quite challenging. The other part of that is around a lot of talking about a potential reduction in healthcare government subsidy in Hong Kong, and that is obviously creating a little bit of slowdown. With that, let me pass it to Hilary, for more colour around this region.

#### **Ms. Hilary HALPER, Essilor International CFO and EssilorLuxottica co-CFO**

So – thank you, Stefano. On the Essilor side, our growth was very solid, with like-for-like growth just short of 10% and this performance really reflects ongoing strong momentum in emerging markets, as well as a sound performance in the mature markets in this region.

I'll limit most of my comments here really to talk about our businesses in China and India, so let me start off with China, where revenue growth was in the mid-teens.

Double-digit growth in the domestic Lens business with strong performance in all segments of the market. So, I'll split this really into the high end and then I'll move into the mid-tier.

So, in the high-end, Transitions and myopia management solutions are driving revenue expansion, then we have the blue cut lenses, which continue to grow very fast, and our relationships with hospitals and key accounts are particularly fruitful in this region. In the mid-tier, our partners are growing fast in high-index lenses, such as the 1.6 and the 1.67.



If I move on to the sun business in China, the sun business is booming and it's really driven by the continued strong growth at Bolon, which benefits from new opportunities as the brand is really building strong recognition, not only in sun but in the optical frame segment on top of the sun segment, which is really quite positive for us. And then MJS, MJS is also growing, but this is with a different balance compared to last year. So, the teams here are really focussing their efforts to accurate the comparable store growth, and this is really notably being done through a clearer brand identity from Aoyo to Mujosh. And on the other hand, the opening of new stores has slowed down. If I turn now to India, India's a little bit of a dual-speed story. On the one hand, we have our Coolwinks e-commerce business, which is very robust in both the prescription and sunwear segments, we have the release of this new iOS application, which has had a strong impact on sales and traffic, and this is really promising for the future, but on the other hand our traditional business is not growing at full speed.

However, we have a new team in place that's working very hard on how to better seize opportunities in the fast-changing retail landscape in India. And I'll just limit my comments on the rest of the countries. The rest of the countries are really trending well overall and, as an example, the Asean countries continued to grow at double digit, showing strong consistency from one quarter to another. With this, I'll move on to Latin America.

#### **LATIN AMERICA: UP 11.7% AT CONSTANT EXCHANGE RATES**

**Ms. Hilary HALPER, Essilor International CFO and EssilorLuxottica co-CFO**

For Latin America, EssilorLuxottica grew 8.1%, of which 11.7% at constant exchange rate.

On the Essilor side, Latin America was definitely the star within our Q1. Not only did we maintain strong momentum that we had at the end of 2018 with double-digit like-for-like growth, but Latin America benefited from a meaningful contribution from new partnerships and here, I'm really referring to the two acquisitions we had at prescription laboratories that we signed in Ecuador and Argentina in Q4 of 2018. So, all in all, growth at constant currency is in the upper teens.

In Brazil, our growth foundations are solid and as we stand today, and as we mentioned in the press release, revenue gains were well spread across all of the different channels. Essilor is leveraging all of its own and the partner's distribution capabilities to disseminate innovations very effectively and, as a result, Varilux volumes are growing at double digit. In lower tiers of the market, the Kodak brand is also performing well.

I'll move now to the Spanish-speaking countries, which had strong like-for-like growth, very similar to Brazil in quality, and Mexico is one of the fastest-growing countries, where lens and sunwear sales growth were just short of 20%. The lens business here enjoys strong momentum, with both independent and ECPs and key accounts, notably Costco. And in Chile, Costa Rica, Nicaragua, the business in the retail segment posted strong revenue gains as well, so very, very happy with our performance in the Latin America region.

So, I'll now hand it back over to Stefano.

**Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

Thank you, Hilary. I would probably just share one highlight on Latin America, and a very important one. Happy with the growth we're getting over there. And the highlight pertains to Brazil. We couldn't be happier than what we got here in Q1. Brazil was up double digit in the first quarter, both retail and wholesale were very strong. In particular, if we look at our wholesale side, we were happy with the performance that we got there in the double-digit territory. We got Óticas Carol growing faster, more and more partners joining the Óticas Carol brand. We do see solid growth in the double-digit territory, for example with our independent channel, which accounts, give or take, for about 50% of the total client base and also on the top of key accounts.

So, very compelling story in a challenging part of the world and happy with the work that the team has done over there. But now, before we move to Q&A, let's reiterate our guidance in the following page.

**2019 OUTLOOK CONFIRMED**

Our outlook, as Laurent mentioned before, for 2019, is confirmed. Our top-line range is between 3.5% to 5% guidance on a constant forex basis for the full year. Our adjusted operating profit guidance is 0.8 to 1.2 times top-line growth and our adjusted net profit guidance for the full year 2019 is to position EssilorLuxottica anywhere between one and 1.5 times the top line for the full year. With that, let me hand it over to the operator for the Q&A session. Thank you.

**QUESTIONS AND ANSWERS**

**Ms. Elena MARIANI, Morgan Stanley**

Good morning everybody. Three questions from me, please. The first one is on the US market. I just wanted to better understand what you've been observing in the region over the past few months. I was surprised by the slowdown in Luxottica wholesale and you've also mentioned several other pockets of weakness. To what extent do you think your performance relates to a difficult market environment, i.e. how much do you think the market has grown in the quarter compared to the 1.2% organic growth you've posted? And still part of this question, you mentioned in the release that you have already seen some business expansion in the region as a result of a combined approach with key customers. Could you elaborate on this point please? Second question is on the synergies, you mentioned that the vast majority of the twenty workstreams identified have been already launched and activated. Could you give us further details on the progress you've done? I was hoping to get some more quantitative information on the potential phasing of both cost and revenue synergies now that you seem to have done more work.

I understand you will disclose much more in September, but it's quite difficult for us to come up with assumptions, as you might imagine. And, final question, on your announced CEO search, your top management seems to have agreed on the profile of the potential candidate. Could you elaborate more on this and whether the search is now happening more outside than inside the company, and perhaps your views on whether you think the search is going to take a few months as opposed to a few years? Any views on this would be much appreciated. Thank you.

**Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

Yeah, hi Elena, so I will start with the question on the US performance and in general speaking about the market, in particular for the wholesale. I mean, we don't necessarily have a source of concern with respect to our performance in wholesale. Remember, when we look at our wholesale, we always say that we need to look at our performance over a six-month period.

You remember last year, for example, our Wholesale division in the fourth quarter actually delivered growth around 3% on top of a 14%, so on, on a two years basis, our wholesale in North America actually grew close to 20% [at constant forex]. So, again, we need to look at things a little bit more in perspective over the longer range than just in a single quarter and again, the positive thing is that, again, we experience a little bit of a price mix deceleration. That was very much due to channel mix, I would say, but again, we don't necessarily have a, at this stage, a source of concern on North America.

**Mr. Laurent Vacherot, Essilor International CEO**

So, yes Stefano, I totally support your vision of the US market and on the Essilor side there is no specific concern either. Actually, if it's in the low part of the growth we used to have in the US, we don't see specific concern and it's planned and most of the biggest reason for that performance was the switch of a generation of Transitions that Hilary mentioned. And it's always happening like that, and we should see in Q2 and Q3 specifically, acceleration. No specific concern on the US market itself and on plan or better than plan.

**Ms. Elena MARIANI, Morgan Stanley**

And, and you think you have grown, that the market has grown more than 1.2%? Just wanting to understand whether there was also correlation with the market there, rather than just maybe being a bit company-specific.

**Mr. Laurent Vacherot, Essilor International CEO**

We don't have, at the moment, the figures of the market. I don't think it was growing faster than 2%, but I think basically, again, it was planned like that in our quarterly budget for both Essilor and Luxottica and, I think the specific reason for that relatively low performance, and it should improve in Q2, Q3 and further, so no specific concern in the US market.

**Ms. Elena MARIANI, Morgan Stanley**

And, no, one point about what you've mentioned about the business expansion in the region with key customers.

**Mr. Laurent Vacherot, Essilor International CEO**

The customers waited a very long time during this anti-trust process, so we can offer them better solution when we combine the strengths and the assets of Essilor and Luxottica in any region, and specifically in the US. So, we see a lot of customer, big, mid-size and and small size, independent, that want to benefit of that better solution, better products, faster service, better quality, and it's just what's starting to happen. And, they had to wait for two years to see it happen and it's happening and it's all over the place. Some bigger customers, some mid-size customers, some independent, and I think that's really what the market was expecting.

On synergies, no, I think we are not in a situation to go much further, neither quantitative, quarter-per-quarter, nor in what will be the benefit on the sales or savings and so on. Really, we need to wait for September. What really you should take away from this call is: it's working, the team are active, they're working well together, the integration committee is very efficient, very well-prepared and we've focussed the last two, three months on putting all that in motion, more than on planning and doing figures, because at the end the figures will come from the actions not from the Excel spreadsheet. So, I really encourage you to wait for September for much more detail and vision on integration.

CEO search, no, this is not the place to comment. We have nothing more to say that isn't public, so you should wait maybe for the AGM in ten days from now for those kind of questions.

**Ms. Elena MARIANI, Morgan Stanley**

Yeah, okay. Maybe just one very, very small follow up, again, on the business expansion in the US. Have you started to approach customers, as a combined entity and the business expansion is because you're doing already some cross selling with third-party customers? Is that how we should interpret that?

**Mr. Laurent Vacherot, Essilor International CEO**

Yes, absolutely. From the product side, from the service side, from the manage care side. It was one of the duties of this combination, that they can benefit of the best world of frame and lenses and manage care in the US and it's working pretty well.

**Ms. Elena MARIANI, Morgan Stanley**

Fantastic, thank you very much.

**Mr. Laurent Vacherot, Essilor International CEO**

Thank you Elena

**Mr. Cédric LECASBLE, MainFirst Bank AG**

Thank you for taking my questions. I have two questions actually. So, first one is on examples of where the combination is already working or helping such as LensCrafters in North America. Actually, I wanted to know if the combination really accelerated things, you mentioned the success of LensCrafters in Q1, the fact that you had higher penetration of Transitions, higher penetration of Blue IQ, and these topics were priorities for Essilor, especially – well in all geographies.

So we see that LensCrafters is already benefitting from some critical points, that were priorities for Essilor. Do you see some other examples in the world of such increased penetration of Essilor products within Luxottica retail chains? That's the first question and the second question is a relative to the first one. On your margin guidance, I know it's a revenue call but your margin guidance is relatively cautious. You are speaking of good performance in the high-end, you are expecting a good performance from new products, which are generally positive for margin, you have some volume growth, so I was wondering where this relatively neutral guidance on margin comes from. Is it that you are going to invest more in marketing, is it dilution from e-commerce or is it everything despite the start of synergies kicking in?

**Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

Okay, Cédric, I'll probably get both of the answers here. First of all, on the North American cooperation and obviously it's great that we have on the same table the EssilorLuxottica team discussing that but there's definitely a tighter partnership between our retail network and Essilor. You know, we already knew each other, but there's no doubt that today we get a progressively deeper understanding of each other's operations and we are able to better understand priorities. Some of the launches that Laurent mentioned before, for example Transitions Gen 8 is gonna be an important launch in LensCrafters during the back-to-school time period. So, we do have a tighter partnership over there, yes, for sure and that clearly helps our penetration on lenses and obviously, at the same time, do not underestimate the importance and the capability that the LensCrafters team has on improving execution in the store.

Remember, in the last couple of years we undertook a lot of different initiatives in LensCrafters that were very much focused on retail execution. Just to give you an example, conversion rate continuously improved over the last few quarters in LensCrafters. Another example is the Net Promoting Score, the appreciation that our consumers, that have a purchasing experience in LensCrafters, continues to improve. So, those are the indicators that we've got a tighter partnership with our friends in Essilor. At the same time, we're getting stronger and better in retail execution in LensCrafters. Obviously that kind of journey that we've done in LensCrafters and that kind of tighter partnership is happening also in the other parts of the world. Also, from a prioritisation standpoint, you can imagine that LensCrafters is the priority number one, because of the size of our own retail network.

And obviously we have other important retail chains in Australia, in China and in South America, which will obviously benefit from this partnership.

On the second question with respect to margins guidance. They look cautious, but I think we reiterated quite a few times that EssilorLuxottica is a very complex machine. It's a complex machine from a channel distribution standpoint, because it encompasses wholesale and encompasses retail, so we do require an important amount of investments to further boost and enhance our logistic and supply chain infrastructures. We do require investments to be made on our retail brick and mortars, on the digital side of the company and, at the same time, yes, also in marketing. I mean we do have important campaigns that are starting, one of them started last weekend in North America with Sunglass Hut, a very promising start.

We're gonna have another sunny campaign in LensCrafters that does require certain investments. And, again, the balancing game that we're doing here, is on one side getting efficiency and a more effective way of doing business, on the other side continuing to fuel our pipeline of investments, which will probably not maximise in the short-term, but they are very much needed for the longer term health and growth of EssilorLuxottica.

**Mr. Laurent VACHEROT, Essilor International CEO**

As you remember, we are reaccelerating the bolt-on acquisitions, and for those of you was here following Essilor from the old time, when we have more acquisitions, it is more dilutive. And, also, Stefano mentioned marketing and obviously I mentioned, stronger-than-ever plan to support the launch of Gen 8, which is an unusual marketing plan that we wanted to try. And also, marketing spend in Indian for the

e-commerce company and also in the US, because we know it's working and we see it's working. So it's really marketing driving more consumer and building more consumer at the base, through those capabilities. So, I think you'll all want to see EssilorLuxottica growing faster and faster and it requires, like Stefano mentioned, on one side efficiency that we will reinvest in programmes that are working everywhere in the world.

**Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

That's the other important thing obviously, as Laurent mentioned before, there would be a progressive ramp-up of synergies, which will come on top of what we have.

**Mr. Antoine BELGE, HSBC**

Three questions and actually, before, just one clarification on Barberini: is it included in the numbers in the quarter? So, my true first question is, back about the US, I understand there are a lot of one-offs which affected the performance, to what extent those were known when you provided the Full-year guidance when you gave this overall worldwide 3.5 to 5% organic growth, how much did you have in mind for the US market?

The second question, I think you mentioned the price mix effects at Luxottica and then mentioned some channel mix, but, I'm not sure I got that, which channel outperformed and which one underperformed leading to that price mix reduction.

And thirdly, with regards to the amount of synergies, since you had given the initial guidance, there were sort of figures mentioning that for 2019 specifically, the synergies were, ranging maybe from 25 to 50 million is a net of any reinvestments. If you could be a bit more specific on that number, please. Thank you.

**Mr. Laurent VACHEROT, Essilor International CEO**

So, I may take the question on the US if you want, Stefano, and then if you would take the question on Barberini and price mix evolution. In the US it was totally planned and actually we are slightly better than budget for the Q1 in the US overall. So, no, no bad surprise and no specific concern. We are on track with all the plan that we explained, Stefano, Hilary and I for the next quarter, we are on good shape in the US.

**Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

Barberini wasn't planned to be on the first quarter at all as a contribution, so, again, we are where we needed to be also from that forecasting standpoint at the end of the first quarter and as Laurent reiterated.

With respect to the channel mix, this is purely driven by selling in certain accounts that have a lower price mix than others. But we do expect that to be recovered already beginning from the second quarter. So, I think we are pretty optimistic with respect to North America second quarter, as also Laurent reiterated.

Now, with respect to synergies, when you look at the numbers there, we didn't specifically provide guidance or disclosure on 2019 synergies.

When we gave the guidance, we said that those guidance figures do include synergy numbers as part of that and obviously we reiterate the guidance and as part of that guidance, there is a contribution from synergies that will obviously be bigger, the guidance and the business progresses in the following years.

**Mr. Antoine BELGE, HSBC**

Back to the US, is it fair to say that you're expecting maybe of the full around 3% from the US? And then back to Barberini, when is the best guess in terms of the new first date of integration and consolidation of that business into your numbers?

**Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

I think the way we wanna see, in general, EssilorLuxottica growing over the longer run is that we'll probably position the more mature markets, the developed markets in a way, on a low single-digit territory.

And then what we call the fast-growing markets, I mean Africa, Oceania and Latin America, those are the markets where we wanna have a faster pace. That's why, when you listen to Laurent, when you listen to us really, we're not concerned about North America, because in a way, within the range it's what we're expecting to have for North America. Then, with respect to Barberini, we do have a conversation going on with the US FTC authority and for this year we do not expect a material contribution of Barberini to our overall 2019 numbers for EssilorLuxottica.

**Mr Antoine BELGE, HSBC**

On the US, I understand for Luxottica, but two or four years ago in strategy plan, Essilor I think mentioned there was a big distinction to be made between Europe on the one side and the US.

I think Europe was gathered to be relatively flattish, zero to 1%, but then the US the medium-term goals was more like around 3, 4%. So, I was wondering if that's still the case or this is all part of the business that the US is structurally more underpenetrated and there is more potential than in Europe.

**Mr. Laurent VACHEROT, Essilor International CEO**

Yes, Antoine, you're totally right and yes this is still the kind of target we are shooting for in the US, so quite consistent with what Luxottica is saying and, it doesn't prevent a good surprise in Europe, like you see at the moment Europe performing very well, especially accelerated by a solid business in France and, acceleration in the eastern part of, Europe, including Eastern Europe, Russia and Turkey. And no, nothing changed since the plan to grow a little bit faster in the US on the long-term than in Europe

**Mr Antoine BELGE, HSBC**

Thank you.

**Mr. Julien DORMOIS, Exane BNP Paribas**

Hi, good morning all, thanks for taking my questions. I have three. The first one relates to the retail performance that Luxottica recorded in Europe, which was quite impressive with, double digit growth

across most countries, if I understood correctly. I'm not an expert here yet, I'm afraid, so my question may sound a bit dumb, but I'm just wondering how you can deliver that kind of very strong growth in any given quarter like this. Is it mainly – I think you mentioned weather and strong performance, but are we talking about really a volume play or is it based also on the price mix?

So any insight here would be very helpful. My second question relates to the sun and readers business. Would like to have the like-for-like growth in this business in Q1. You reported 1.7% constant currency, but just curious whether there was an inorganic effect in that 1.7%. And the last question, and I'm going to play the devil's advocate here, but you mentioned in the release, that in the US you have felt the benefits already of the engagement alongside Luxottica. Why put that openly for the US and not mention that for other regions? Is it just about the phasing and the integration process?

**Mr. Laurent VACHEROT, Essilor International CEO**

Okay, so there is a question of retail in Europe, it is a fantastic growth and thank you for the comment and Stephano will add some comments. Sun & Reader, maybe I will start with that, because I think you refer to the Essilor Sun & Readers number.

So, number one, it's on track, number two, yes, there is a small effect of acquisition with the One Click company we bought last year in the US, which is delivering reading glasses through e-commerce online and own the, domain name for Readers.com. So without that, I think the organic growth in the first quarter would be close to zero, with a very strong growth in China with Bolon and a quite strong decrease at FGX because of last year comp and also the loss of the Reader business for Walmart. All of that should come back to single digit growth for the full year, which means we should see the next quarter slight double digit for the Sun & Reader division inside Essilor and I speak under the control of Hilary.

**Ms. Hilary HALPER, Essilor International CFO and EssilorLuxottica co-CFO**

That's correct.

**Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

Retail in Europe actually is a very solid story. I mean, if we look at our comp sales in that region, it was up double digits. Now, you know, when we talk about the drivers, clearly volume was the primary driver of that growth. We also got some lift from a price mix standpoint, a lot of new collections were very much appreciated by our consumers in several different countries. It was a widespread double-digit growth rate. I mean, we look at Spain, we look at the UK, we look at France, clearly there is a tailwind in the weather condition. I mean, in the first quarter in Europe the weather was very favourable, but again I think we should never underestimate the amount of work that the GM in Sunglass Hut and Salmoiraghi & Viganò did to really improve and enhance the consumer experience in our stores.

So, the result of that is this double-digit growth. Now, if you ask me, 'Do you foresee a 20% growth rate in the remaining part of the year?' Probably not. I think, you know, we need to see how the weather is gonna help, but I can tell you that you're not gonna have anything less than the commitment and the strong execution that was seen during the first quarter. Now we're getting obviously in the high season and, if we get the support of sun and in many parts of Europe, I think you have a team that is very much committed and dedicated to deliver strong results in the second and the third quarter as well.

**Mr. Laurent VACHEROT, Essilor International CEO**



So, your last part of the question, Julien, about synergy it's a little bit unfair to say it's only in the US. We have workstreams everywhere in the world and we didn't mention R&D and innovation, we didn't mention insourcing, we didn't mention a lot of the different workstreams everywhere in the world, in China, in Australia, in Europe obviously, in Latin America as well.

For sure, US is more than half of the group, but more importantly it's also the country in the world where we have all the assets necessary to really improve and transform the industry. We have significant manage care presence, we have significant retail presence, we have a significant wholesale lens and frame presence, we have connections with independent healthcare professionals in many different ways, we have a strong presence of Transitions we have brands, not only the Luxottica brands but also the Essilor brands, so we are present in all segments. So, this is where really we can build the case that will at the same time create value for EssilorLuxottica and also accelerate the development of the industry for the benefit of all customers and consumers. So, this is maybe the reason why we focus more in the communication in the US, but obviously there are plans everywhere. In other regions as well.

**Mr. Julien DORMOIS, Exane BNP Paribas**

Okay, thanks very much, very clear. If I could just have a quick follow-up here, coming back to the retail for Luxottica, could you just give a ballpark estimate of how much Europe represents in your retail organisation. Is it, like, a quarter or a third or any estimate would be very helpful.

**Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

Yeah, I think Julien, you also had a question around the contribution of the overall comp sales to the total number. So, we look at retail, first of all, the 1.7% of comp sales, then you add on top of that, the new space for stores which accounts for about a percentage point.

Then the remainder part between comps and total sales, is very much driven by EyeMed, Bass Pro and Sears Optical.

Now, with respect to retail contribution, I think you look at retail contribution that in Europe represents about 9%.

**Mr. Julien DORMOIS, Exane BNP Paribas**

Of the retail sales, right?

**Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

Of the retail sales, yeah.

**Mr. Julien DORMOIS, Exane BNP Paribas**

Okay. Thank you very much, guys.

**Delphine LE LOUET, Societe Generale**

Good morning everybody. Sorry, but I find it very hard to, um, come back into and reconcile the figure for the US, so, I'm gonna have some more questions regarding the evolution for the mix and how should I look at the margin impact considering both the wholesale down and also the situation at Essilor, you had a very favourable Q1 in the US last year, so I'm very much surprised about seeing such a limited growth and I really want to know how should I look at the margin and regarding the mix that you're invoking in the future in the US region versus Europe, where effectively you have a very good growth. And so, can we expect a, sort of, rebalancing, in terms of margin, between the two regions at the group level? First question. Second question, regarding Transitions, Laurent, do you mean that what we've seen in Transitions and which was already the case, that we've seen in Q4 last year means that we probably lost between one and 1.5 organic growth in the US due to this new line to come later this year? Third question will deal with the e-commerce, which is a bit disappointing, in my point of view, with mid-single digit or high single digit. The question is, is it enough now that you've invested so much into these platforms and into the digitalisation of the businesses? So can we have an eye on that? And third question, regarding Oakley, it's been years now that Oakley is underperforming. Can we have a strategic view on the future for Oakley? Thank you.

**Mr. Laurent VACHEROT, Essilor International CEO**

Delphine, I could start with the Transitions and the e-commerce and then we could go to Oakley and go and finish with the US.

There are two parts in Transitions, there is the part which is the inside group, company selling Transitions to the market and it's doing pretty well in the first quarter, 5, 6% growth. And then there is the outside group, when we sell to competitors. There is it's a shift generation that is prepared and, I'm sure you remember that, each time there is a shift, there is a significant decrease in the buying from the third party. So, is it 1.5 or 2%?, honestly, I don't know, maybe we'll check during the call, but it's totally planned and normal what's happening vis a vis Transitions.

On the, e-commerce side, no, I think, at least for the Essilor side it's growing double digit, it's growing even faster with the brand.com we have, like Foster Grant, Costa and Bolon and it's growing quite fast for Eye Buy Direct in the US and for Coolwinks in India. So, no, we are on plan and I think we monitor marketing and investment to have at the same time double-digit growth around 15% and improving the profitability year after years.

**Delphine LE LOUET, Societe Generale**

For Ray-Ban, for Ray-Ban and Sunglass Hut.

**Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

Ray-ban.com in North America is actually up double digits, and obviously that is a primary market North America. So, no issue to report over there at all. Now, the other question that I think you had was with respect to price mix for the remaining part of the year in North America. Again, we experienced that in the first quarter, in particular in North America, remember, that we've been going through several quarters, almost a couple of years, in which the primary driver of our growth was very much, on the Luxottica side, price mix.

I mean, if you look at our 2017 and 2018, pretty much every quarter price mix was a material help in our numbers, so now we are kind of more stabilising the price mix factor during the course of the first quarter. I do expect that to improve progressively in the remainder part of the year in North America, but, again, I don't necessarily have at this stage, any sort of concern because of the first quarter.

Now the other question with respect to Oakley. Well, if we look at our Oakley performance, we're already turning on the positive territory for the first quarter. Oakley Eyewear is positive in Q1 and we're already working and doing a lot of products throughout this brand. The awareness of the Oakley brand in North America has increased.

We know we need to do a lot of work to increase that awareness outside the United States. I think there is a lot of testimonial engagement at this stage with the Oakley team. We've done a lot of work with the testimonial on the NFL side and it's the first time actually that we do have with the Oakley brand a NFL testimonial and I think there's gonna be more news to come. I mean, I obviously won't be able to give you further disclosure at this stage, but you can expect a lot of news in terms of marketing, PR, communication and on top of that, our products, which have been very outstanding, have been very much appreciated by our consumers and our clients during the Luxottica Days, so, again, there is a lot of work that needs to be done there, but if you already look at our first quarter 2019 performance in Oakley, we are in positive territory for eyewear.

**Mr. Laurent VACHEROT, Essilor International CEO**

On the US, maybe on the Essilor side, Delphine, I think Hilary mentioned that the total performance of the US of Essilor have been affected by Transitions. It's almost half a point. And also, the specific situation plan on the sun and readers, which was 1.6 point. I want to comment on the Transitions part, because actually, overall, with all the effort that the Transitions team and Essilor team worldwide did in the last eighteen months, we see more and more renewed interest from third parties to support the brand and we believe it will be more and more like that. We have totally new products, new range of products, younger, with style mirrors, new colours and so on. We have this new product that will be really the best photochromic lenses in the world for a long period of time, the gen 8 is coming early in July in the US, and all the positive buzz that happened with the contact lens photochromic Oasys Acuvue by Transitions, which J&G is launching, which is not really a business of Essilor, but creates a lot of visibility about the brand, about the importance of light management and so on, I think we are up to renewed interest from many third parties, including some competitors that are willing to support that brand more than in the last few years.

**Delphine LE LOUET, Societe Generale**

Okay, thank you.

**Mr. James GRZINIC, Jefferies**

Good morning everybody. I have two very quick ones. The first one is, if I look at M&A, it looks to account for about 0.6% of that, Q1 sales growth, so when I consider your target for the year, the three and a half to five, how much of that is underpinned by M&A? And secondly, and just reverting back to the US and Hilary referenced a rather soft market in your prepared remarks when talking about the US. Can you perhaps expand on that?

**Ms. Hilary HALPER, Essilor CFO and EssilorLuxottica co-CFO**

Sure, let me start off by the M&A question. So, as most people are aware, our M&A over the past couple of years has been quite moderate obviously with respect to the ongoing antitrust process, and so there is a robust pipeline that's been put on hold that's now been fully reaccelerated, and we've seen that reacceleration start to come through in the first quarter of 2019 and we continue to believe that it will continue to reaccelerate over the course of the year. And so, yes, there will be an acceleration in M&A-led growth, coming through in 2019.

**Mr. James GRZINIC, Jefferies**

Can you perhaps give a little bit more context on that? I'm just wondering, 'cause I presume it's going to accelerate quite significantly from a starting point of 0.6. I was just wondering whether you think it's gonna be 100 basis points, 200 basis points, a multiple of what we've seen in Q1.

**Ms. Hilary HALPER, Essilor CFO and EssilorLuxottica co-CFO**

We're not going to be so prescriptive to give an exact number, but we will see acceleration coming through in the back half of the year, so certainly above the 60 basis points that we've seen for Q1.

**Mr. Dominic GHILOTTI, Equita**

Good morning. Just one question left and it's related to LensCrafters. So, you had a good performance in comp sales in Q1. I wonder if you can provide some colour in terms of traffic conversion and if you think the performance is sustainable, given the tougher comps that you are facing in the next two quarters.

**Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

Good morning Domenico. I think, when we look at the fundamentals of LensCrafter drivers for the first quarter, definitely there was an improvement in conversion during the first quarter. Traffic was on a slight decline compared to last year, but we did a very good job on our retail execution, improving conversion, back to my comment before.

The other important driver is price mix, especially on the lens side. We also look at the attach rate of our Oakley authentic and Ray-Ban authentic lenses and that materially improved quarter after quarter. So those drivers I believe are gonna continue in the remainder part of the year. We acknowledge that the comp base will actually probably be tougher as we progress throughout the year, but I think the fundamentals, which is what we're talking about here, price mix thanks to improved attach rate and penetration of premium lenses, if the fundamentals on conversion rates continue as we continue to see, we do expect that momentum to continue, even when we have challenging comps. Clearly, we acknowledge the fact that, you know, as we progress throughout the year, especially in the second half of the year, comp sales become tougher.

But, again, the fundamentals now on LensCrafters are much more solid than all the conversations that we've had in prior years.

**Mr. Laurent VACHEROT, Essilor International CEO**

Okay, I think we have a last question to take, please.

**Ed RIDLEY-DAY, Redburn**

Thank you, yes, just a couple of clarifications.

First of all, on North America like-for-like at Essilor, just backing out all your guidance on the quarter, that would perhaps imply flat to slightly negative like-for-like in North America. Could you confirm or comment on that? Secondly, on FX, at current rates, what would be your guidance on the full year FX effect for the group? And quickly, a follow up on J&J, obviously the Transitions licence, how should we view the potential revenue for you from that agreement?

**Mr. Laurent VACHEROT, Essilor International CEO**

The J&J partnership on Acuvue Oasys with Transitions, revenue would be relatively modest. What we do, is that we sell the dyes for contact lenses to become photochromic and there is a certain threshold where we could have a royalty but it's maybe 2020 or 21.

I think the most important part is the visibility that occur with the launch of the product, the first contact lenses photochromic and the credits its gives to the brand and to the light sensitivity and light management, which is very important from a consumer perspective. On the North America like-for-like, I think very low single-digit growth, like-for-like for the first quarter. And, again, as planned, or even actually better than planned.

So then FX it's very difficult for us to answer, because we don't have yet the capability to do it for the full year. So, I bet, I'm not a finance guy, I bet it could be positive for second part of the year, 2, 3% maybe, kind of, with the current rate we see today, but it's just a bet from management.

**Ms. Hilary HALPER, Essilor CFO and EssilorLuxottica co-CFO**

Yeah, we, we continue to see April trending better than the first quarter, but we really can't comment on the, on the full year.

**Mr. Stefano GRASSI, Luxottica CFO and EssilorLuxottica co-CFO**

But again, if you do expect the US dollar at current level, I mean, tailwinds will kind of lease for the next couple of quarters, that is something we can reassure you of.

**Mr. Laurent VACHEROT, Essilor International CEO**

So, I think we have no more questions, so thank you for your participation. I believe we have been able to convince you that the business is good for EssilorLuxottica, we foresee acceleration in the rest of the year and that integration is in progress and acquisition ramping up and I think the next rendezvous we have, we wish to see all of you at the AGM in ten days– the 16th May in Paris at La Maison de La Mutualite.

And I hope you will have a great day and a great rest of the week. Thank you.