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# ESSILORLUXOTTICA

## 4Q/FY 2019 RESULTS

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## 2019 HIGHLIGHTS

- **Solid operational momentum**
  - Essilor's Lenses and Sun & Readers delivering strong growth
  - Luxottica's business accelerating in both Retail and Wholesale
  - Direct e-commerce up 16% at constant exchange rates
- **At work on the plan presented at the CMD**
  - Synergies
  - Product innovation: e-chromic, myopia, Ray-Ban Rx
  - Digitalization
  - Moving to one single lab platform
- **Promising investments in new products, digitalisation, fast-growing markets, store remodelling**
- **Solid acquisition momentum**
- **More than 33m new consumers thanks to Mission and Onesight**



# KEY FINANCIALS FY 2019

AT CURRENT EXCHANGE RATES

FY 2019

REVENUE GROWTH

+7.4%

ADJUSTED OPERATING PROFIT

16.2% of revenue

ADJUSTED NET PROFIT \*

€1.9bn

FREE CASH FLOW

€1.8bn

*\* Adjusted net profit attributable to the owners of the parent*

# RESULTS VERSUS TARGETS

## AT CONSTANT EXCHANGE RATES

	OUTLOOK 2019	ACTUAL 2019
REVENUE GROWTH	+3.5-5%	+4.4%
ADJUSTED OPERATING PROFIT	0.8-1.2x revenue	0.8x
ADJUSTED NET PROFIT *	1.0-1.5x revenue	1.3x

*\* Adjusted net profit before minority interests*

## REVENUE BY DIVISION, FY 2019

€ millions	FY 2019	FY 2018 pro-forma restated*	Change at constant exchange rates	Currency effect	Change (reported)
Lenses & Optical Instruments	6,791	6,283	+5.5%	+2.6%	+8.1%
Sunglasses & Readers	885	787	+8.9%	+3.6%	+12.5%
Equipment	221	210	+2.0%	+3.3%	+5.3%
<b>Essilor revenue</b>	<b>7,897</b>	<b>7,280</b>	<b>+5.8%</b>	<b>+2.7%</b>	<b>+8.5%</b>
Wholesale	3,260	3,145	+1.8%	+1.9%	+3.7%
Retail	6,232	5,769	+4.0%	+4.0%	+8.0%
<b>Luxottica revenue</b>	<b>9,493</b>	<b>8,914</b>	<b>+3.2%</b>	<b>+3.3%</b>	<b>+6.5%</b>
<b>TOTAL</b>	<b>17,390</b>	<b>16,194</b>	<b>+4.4%</b>	<b>+3.0%</b>	<b>+7.4%</b>

\* Restated for IFRS-16

## REVENUE BY REGION, FY 2019

€ millions	FY 2019	FY 2018 pro forma restated*	Change at constant exchange rates	Currency effect	Change (reported)
North America	9,154	8,433	+3.1%	+5.4%	+8.5%
Europe	4,236	4,038	+5.1%	-0.2%	+4.9%
Asia, Oceania and Africa	2,892	2,694	+5.4%	+2.0%	+7.4%
Latin America	1,108	1,028	+9.5%	-1.8%	+7.7%
<b>TOTAL</b>	<b>17,390</b>	<b>16,194</b>	<b>+4.4%</b>	<b>+3.0%</b>	<b>+7.4%</b>

\* Restated for IFRS-16

## REVENUE BY REGION, 4Q 2019

€ millions	4Q 2019	4Q 2018 restated*	Change at constant exchange rates	Currency effect	Change (reported)
North America	2,273	2,113	+4.3%	+3.3%	+7.6%
Europe	971	918	+4.9%	+0.8%	+5.7%
Asia, Oceania and Africa	756	707	+5.0%	+1.8%	+6.8%
Latin America	304	301	+3.8%	-2.9%	+0.9%
<b>TOTAL</b>	<b>4,304</b>	<b>4,040</b>	<b>+4.5%</b>	<b>+2.0%</b>	<b>+6.5%</b>

\* Restated for IFRS-16

# NORTH AMERICA: 4Q UP 4.3% AT CONSTANT EXCHANGE RATES

- **Essilor**

- Continued momentum from Transitions Signature GEN-8 launch
- Robust growth with Alliance members and Essilor Experts
- Strong e-commerce performance led by EyeBuyDirect. Acquisition of 4PatientCare underpins new digital models
- Solid growth from Sunglasses & Readers

- **Luxottica**

- Strongest year since 2015 in top line growth, best quarter of the year for both Wholesale & Retail
- Wholesale further accelerating at high-single digit pace, boosted by all channels
- Retail sales up mid-single digit led by LensCrafters, Target and Insurance, despite negative momentum at Sears
- Direct e-commerce keeping the strong pace at +27% in 4Q, all major proprietary platforms up double-digit
- Oakley eyewear accelerating in 2H, fuelled by NFL partnership





# EUROPE: 4Q UP 4.9% AT CONSTANT EXCHANGE RATES

- **Essilor**

- Resilience in France and solid growth in Southern, Northern and Eastern Europe
- Business driven by progressive lenses, Transitions, Eyezen
- Strong e-commerce performance (especially VisionDirect)
- Robust gains in Instruments driven by new products (Vision-R 800, Visioffice X)

- **Luxottica**

- Wholesale strong Spain, Portugal, Greece, UK, Turkey and Eastern Europe in Q4
- STARS continuing to drive growth
- Sun accelerating in Wholesale, up high-single digit
- Retail up high single-digit posting 24<sup>th</sup> consecutive quarter of sales growth
- Sunglass Hut growing double-digit in sales, S&V positive



# ASIA, OCEANIA, AFRICA: 4Q UP 5.0% AT CONSTANT EXCHANGE RATES

## • Essilor

- Strong growth in Lenses & Optical Instruments
- Strong performance in China, driven by branded lenses, myopia control and midrange innovation
- South Korea and South-East Asia driven by progressive and photochromic lenses and Japan by value-added lenses and key accounts
- Sunglasses & Readers up double-digit, driven by Bolon's expansion into optical frames and robust online sales

## • Luxottica

- All major countries contributing to growth powered by Australia, Mainland China and South East Asia
- Mid single-digit growth in Optical Australia and New Zealand Retail thanks to strong execution and store refurbishment program
- Mainland China gaining traction at double-digit growth in 4Q on the back of revamped Wholesale and positive Retail
- Mainland China Ray-Ban stores running at 6% comp sales
- Hong Kong down double-digit, no sign of improvement in Retail



# LATIN AMERICA: 4Q UP 3.8% AT CONSTANT EXCHANGE RATES

- **Essilor**

- Continued double-digit growth
- Spanish-speaking countries driven by product mix and market growth
- Brazil: solid growth and preparation for the launch of Transitions GEN 8
- New partnership with Devlyn in Mexico
- Brisk expansion in e-commerce and digital marketing

- **Luxottica**

- Positive momentum continuing in Brazil, in both Wholesale and Retail
- Sunglass Hut and Oakley Retail both firing in Brazil
- Óticas Carol franchise network at 1,335 locations (195 new doors in the year)
- GMO positive overall in the year, suffering from protests in Chile and Equador in 4Q
- Mexico deteriorating in 2H



**SEE MORE.  
DO MORE.**

**#1 IN SPECTACLE LENSES WORLDWIDE\***

**Eyezen**

RELAX YOUR EYES AND HELP PROTECT FROM SCREENS.  
With EYEZEN™ lenses, your eyes will not tire! thanks to their specific design enhancing your vision on screens. They also protect you against harmful blue-violet light!™.

**essilor**

# ADJUSTED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

€ millions	FY 2019	FY 2018 pro forma restated*	Change	Change at constant FX
<b>Revenue</b>	<b>17,390</b>	<b>16,194</b>	<b>+7.4%</b>	<b>+4.4%</b>
Cost of sales	(6,503)	(5,985)	+8.7%	+5.9%
<b>Gross profit</b>	<b>10,887</b>	<b>10,209</b>	<b>+6.6%</b>	<b>+3.5%</b>
<i>Margin %</i>	62.6%	63.0%		
Total operating expenses	(8,074)	(7,591)	+6.4%	+3.5%
<b>OPERATING PROFIT</b>	<b>2,812</b>	<b>2,618</b>	<b>+7.4%</b>	<b>+3.3%</b>
<i>Margin %</i>	16.2%	16.2%		
Cost of net debt	(115)	(149)	-23%	-24%
Other financial income / (expenses)	(26)	(11)		
<b>PROFIT BEFORE TAXES</b>	<b>2,672</b>	<b>2,458</b>	<b>+8.7%</b>	<b>+4.6%</b>
<i>Margin %</i>	15.4%	15.2%		
Income taxes	(618)	(593)	+4.3%	+0.8%
<b>NET PROFIT</b>	<b>2,054</b>	<b>1,866</b>	<b>+10%</b>	<b>+5.7%</b>
Minority interests	(116)	(91)	+26%	+24%
<b>NET PROFIT ATTRIBUTABLE TO THE OWNERS OF THE PARENT</b>	<b>1,938</b>	<b>1,774</b>	<b>+9.2%</b>	<b>+4.8%</b>
<i>Margin %</i>	11.1%	11.0%		

\* Restated for IFRS-16

# FREE CASH FLOW, NET DEBT, DIVIDEND

## Free Cash Flow

- Group FCF flat versus 2018 at Euro 1.8 billion
  - Essilor at Euro 0.6 billion, including the impact of the Thailand fraud
  - Luxottica at Euro 1.2 billion (approx. 30% up versus 2018)

## Net debt

- Group net debt at Euro 4 billion, 1x EBITDA adj.
- Successful bond issuance on Nov. 20<sup>th</sup>, for Euro 5 billion (subscribed for over Euro 13 billion)

## Dividend

- Payout at 50% of the adjusted net profit attributable to the owners of the parent
- DPS proposed at Euro 2.23
- Scrip dividend proposed

# INTEGRATION – SYNERGY UPDATE

## Synergies plan confirmed

- Expected impact on adjusted operating profit:
  - Euro 300 to Euro 350 million in the period 2019-21
  - Euro 420 to Euro 600 million by 2022-23

## 2019 results in line with expectations

- Development of most advanced Essilor lens categories in own Retail network
- Launch of key initiatives in R&D, procurement, prescription laboratories and insourcing

## Key decisions for synergy delivery in 2020/2021 taken

- Definition of one single IT platform to be rolled out across the Company
- Creation of one single network of prescription laboratories, as part of an integrated supply chain
- Establishment of a unified platform for complete pairs of branded glasses, full prescription products for Ray-Ban brand
- Full integration of Costa into Luxottica's brand portfolio
- Launch of a common employee shareholding plan

# GRANDVISION – ANTITRUST UPDATE

- **Unconditional clearance received in US, Russia and Colombia**
- **Phase II review started in EU**
- **Under review with authorities in Brazil, Chile, Mexico and Turkey**
- **Expected closing in 12-24 months from the announcement on July, 31<sup>st</sup> 2019**
- **Strategic rationale of transaction confirmed**
  - Catalyst to unlock the underlying growth potential of the eyewear and eyecare industry
  - Strengthening of direct-to-consumer and omnichannel distribution capabilities
  - Complementary product and banner positioning

## OUTLOOK 2020

INCLUDING SYNERGIES, EXCLUDING GV, AT CONSTANT EXCHANGE RATES

REVENUE GROWTH

+3.0-5.0%

ADJUSTED OPERATING PROFIT

0.7-1.2x revenue

ADJUSTED NET PROFIT \*

0.7-1.2x revenue

*\* Adjusted net profit before minority interests*