EssilorLuxottica Q1 2021 Revenue Conference Call Transcript

Date: May 6, 2021

Operator: Welcome to the EssilorLuxottica Q1 revenue presentation, we have here Mr. Paul du Saillant, Deputy CEO of the Company and Mr. Stefano Grassi, co-CFO. I now hand the call over to Mr. du Saillant.

Mr. Paul du Saillant: Good morning, I am happy to welcome you to our Q1 Conference Call together with our co-CFO, Stefano Grassi, and the IR team. EssilorLuxottica had a strong start to the year, with revenue surpassing 2019 levels, despite the continued effects of the pandemic, at constant exchange rates our Q1 revenue was up 2% compared to Q1 2019 and 14% compared to Q1 2020. The need for good vision confirmed its structural and resilient nature. Our customers have continued to adapt to the new environment. We have provided them with innovative products, brands and digital tools and with daily help to adapt their sales protocols. In parallel, we constantly improve the consumer journey in our own stores and across the industry. Francesco Milleri and I are very grateful to our teams, who display a unique wealth of talents and skills and show high engagement, energy and adaptability. By activities, the optical business, which accounts for about three-quarters of our revenue continues to drive the performance. We saw good momentum in optical retail as well as in prescription lenses, especially in our big categories of anti-fatigue, blue-cut, anti-reflective and photochromics. Sun demand bounced back in North America with sunglasses outpacing optical banners. By channel, e-commerce continued to accelerate at 47% compared to Q1 2020. Continuing the solid trend of +40% growth observed in full-year 2020. The mono-brand platforms doubled in revenue and made e-commerce overall margin accretive for the Group. Our Retail division was up compared to Q1 2019. Both showing the strength of our direct-to-consumer approach. On the independent channel, our ECP Alliance and Partnership Programs outperformed significantly. We increased in the US the number of EssilorLuxottica 360 partners to 1,700 and Essilor Experts to 7,800 in the first quarter. By countries, the US, China and Australia drove the business in Q1 and our teams adapted to this reality very quickly. We saw a big improvement in the US consumption from March thanks to the stimulus package of the new administration. And Greater China became the second biggest country of the Group in terms of revenue. Other regions were still mixed in Q1 and should progressively improve through the year. In particular, Europe lagged behind because of persisting COVID-19 restrictions and a lack of tourism. During the quarter, the Company actively pursued its integration drive. We remain on track to deliver cumulative synergies of 300-350 million Euros in adjusted operating profit by the end of 2021 and 420-600 million by the end of 2023. We continued the digitalization of our business and processes. This included the combination of our B2B digital platform, the further ramp up of a unified SAP system throughout the Group as well as progress in the remodeling of store formats around digital tools, in particular with the “easy concept” deployed at Salmoiraghi & Viganò. We are also in the process of harmonizing our sustainability programs, which are at the heart of our Mission and business model. We are defining a consolidated sustainability roadmap setting targets to reduce our environmental footprint and covering key topics such as climate change, circularity, diversity and inclusion, to name a few. We introduced bio-based materials in several collections, like the Costa Untangled Sun Collection made of recycled fishing nets, and the Arnette frames which are fully recyclable. We also follow the recommendation of the TCFD, the Task Force on Climate-related Financial Disclosures. During the quarter, we signed two important acquisitions: the SightGlass Vision joint-venture with Cooper Vision in myopia control and Walman Labs in the US.

Our balance sheet remains strong and we had good Free Cash Flow generation during the quarter.

Now I would like to focus on the ramp up of our innovations, which highlight the priority given by EssilorLuxottica to create categories and products addressing consumer needs.

In the new myopia control category, the deployment of the Stellest Lens continued in Q1 in several geographies after its successful launch in China in July last year. We will continue to roll it out across more geographies in the months to come.

And I am very pleased to share with you that the US FDA has granted a “breakthrough designation” for our Stellest spectacle lens which is being evaluated for the correction of myopia and slowing the progression of myopia.

Varilux Comfort Max drove the progressive category. While we are starting to deploy the redesigned Crizal range, starting with the new Crizal Rock in the US in April. We continue to drive the photochromic category with the global launch of Transitions XTRActive from the second semester onwards.

Ray-Ban Authentic, our first complete pair fitting Ray-Ban frames with Essilor prescription lenses, was deployed in North America during the quarter after being well received in Italy. It will launch in more countries, including France in the next few months. Furthermore, on Ray-Ban, the brand continues to focus on the four icons: Aviator, Wayfarer, Round, and Clubmaster with the addition of two new trends, bold acetate and wired metal.

And last but not least, we are launching today, Oakley Kato, a new collection with a radical, purpose-built design that conforms to the contours of the face. It is based on the new lens platform, incorporating advancements in optical design that produce unparalleled optics and vision clarity.

All this gives us even greater confidence than before in our ability to outperform the industry. And we have the ambition in 2021 to deliver a performance that is at least comparable to 2019 in both revenue and adjusted operating profit margin at constant exchange rates. In conclusion, Francesco and I feel the first quarter confirmed the solidity of the Group and our unique position in the industry. We are ready to move from two operating companies to one unified Group. With this, I would now like to hand over the call to Stefano.

Mr. Stefano Grassi: Good morning, Paul, and good morning everybody, welcome to our Q1 sales release. Let's jump directly into our revenue across the different segments on page 3 of the presentation, where we're comparing Q1 2021 with Q1 2019 result. The overall top line was up 1.9% at constant exchange rates. Once you look at our number on a current exchange rate basis, you look at negative 3.6%. So, we have about 5.4 percentage points of difference between constant and current exchange rate results. And the reason for that is very much in two currencies. On the one hand, we have the US dollar that was devalued approximately 6% compared to 2019 Euro levels. The other currency is the Brazilian Real that was devalued approximately 35% versus 2019 Euro levels. If currencies remain at those levels, we can expect those headwinds to very much continue throughout the remaining part of 2021.

Now let's jump into our different divisions, beginning with the biggest one, the Lenses and Optical Instruments. The Lenses & Optical Instruments posted revenue up 3.1%, at constant exchange rates, with all the four regions that posted positive growth compared to Q1 2019. We continue to build a tighter partnership with our ECP and key accounts around the world, thanks to a strong product innovation pipeline. And if you think about it, in the last few months, we launched the new version of Transitions, the Transitions Gen8, we launched the Varilux Comfort Max, and, last but not least, in China, we launched the myopia management lens called Stellest.

The Sunglasses & Readers division was up 3.4% with Bolon at a double digit pace and with the FGX business that was solid positive in both readers as well as sunglasses.

The only division that posted negative revenues on Q1 on a constant exchange rates basis was really the Wholesale one.

In the Wholesale division, we were high single digits in North America with all the other regions on the negative territory. From a product mix standpoint, I'm happy to report the optical business that was positive on the mid-single digit territory while the sun part of our Wholesale division was still trending in negative territory. We have a favorable price mix, and this is obviously very encouraging to see, and we expect to see that also throughout the remaining part of the year.

From a Retail perspective, our top line was up 4% during the course of the first quarter. I was stumped with the e-commerce business that posted a very encouraging triple digit growth rate, very much doubling the size of the business, improving once again the success of our strategy for the online branded business.

From a Retail brick-and-mortar perspective, we were slightly negative during the course of Q1 with a strong recovery pace in North America on both the optical as well as the sun part of the business.

Now, let's jump directly into our different regions. And as usual, let's begin with the biggest one, North America. In North America, I'm particularly pleased with the results that we achieved in Q1, with a top line that was up 6.4% at constant exchange rates. Because this comes as a result of a sequential improvement in our performance. You may remember in third quarter 2020, our top line was up 2.5%. In the fourth quarter, we further accelerated at 4.2%, and now landing at 6.4% in Q1 versus 2019. The Lenses and Optical Instruments division was on the low single digit territory. The sales of lenses to ECP was actually in the low single digit territory, but accelerated in the month of April. We continued to make remarkable progress on the joint effort and program called EL360, where we are now rolling out about 1,700 doors as anticipated by Paul. Looking at our branded Lens portfolio in North America, we have our Crizal lenses that perform in the mid-single digit territory, the Eyezen lenses that were actually double-digit pace in Q1. We're also looking ahead at what we expect in the second quarter as an important media campaign that activates the Varilux lens in Q2. And this is going to be, obviously, very important and will give great visibility to the Varilux brand that is such a critical asset for EssilorLuxottica.

From a Wholesale perspective, our top line was in the high single digit territory during the course of the first quarter, we were positive on both sun as well as optical, which is, by the way, trended on the double digit pace. From a channel mix standpoint, we have our independent channel leading the way on the mid-single digit territory, but also department stores and our third-party e-commerce partners that actually performed at double digit pace.

We continue to leverage this good momentum in our Wholesale division. You might remember the second half of 2020 we delivered double digit growth, and now we are in the high single digits in Q1, and we leverage that good momentum to continue and reinvest in the Wholesale division, reorganizing our sales force that is now focusing more on individual brands and leveraging more and more the technology that the Group has made available for our sales reps.

A last word on brands. The Oakley brand is on fire, delivering double digit growth rate in the course of the first quarter, very much proving that the strong performance that we've seen during the second half of 2020 was not really isolated but is now very much the trend continuing quarter after quarter.

Moving to Retail now. Retail was in the high single digit territory in Q1. The first part of the quarter was probably more challenging than the second part. In particular, in the month of February, due to the winter storm that impacted North America, we saw a deceleration in our retail performance. But in the month of March, with the stimulus package approved by the US Government, with a favorable calendar with Easter shift, we saw an acceleration in our performance. It actually led in the last three weeks of the month of March to a double digit comp sales in Retail North America.

LensCrafters trend is very much in continuation with the fourth quarter trend. What I mean by that: comp sales in the low single digit territory, no mall locations on the high single digit territory, while mall locations still trending on the negative side. Price mix that is helping and supporting us, very much thanks to a strong mix of lenses that is supporting our average price. From a SunglassHut perspective, I'm happy to report comp sales in the mid-single digit territory with a strong rebound in the month of March. As usual, we continue to see the non-international SunglassHut locations and the Bass Pro locations very much leading the growth that was strong in the month of March. And obviously, the international locations in the major cities like New York, L.A., Miami, were the ones that were struggling the most.

The last mention on e-commerce. We've doubled the size of e-commerce compared to 2019, and we grew 90% compared to 2020. And this is not just the result of limitation in getting into stores during the first quarter, but is also the continuous and restless effort that the entire e-commerce team put into enhancing the platforms. The perfect example for that is represented by the re-platforming exercise on Ray-Ban.com that now provides an enhanced consumer experience to the Ray-Ban fan.

But now let's jump into more a challenging territory, and that is Europe. As you can see, Europe sales declined 7% during the course of the first quarter 2021. Clearly, the storyline in Europe is heavily impacted by the restrictions related to COVID-19. Despite that, the Lenses and Optical Instruments division posted low single digit revenues with few countries that were on the positive territory during the course of the first quarter. France, for example, thanks to a multinetwork distribution strategy, Turkey, Nordic countries, Russia, as well as Eastern Europe they were strong on the positive side, while southern Europe, UK, Germany and Benelux were lagging behind on a negative territory.

From a Wholesale perspective, our sales were negative in the course of the first quarter. Optical part of the business was more resilient than the sun part, and sun was very much negative throughout the majority of European countries, with the only real exception of Russia as well as Turkey.

Retail business in Europe was in a challenging situation. Our revenue was down at a double digit pace. And just to give you an example of how challenging the operating environment was during the course of the first quarter in Europe, I'll give you two examples. Salmoiraghi & Viganò, our optical retail chain in Italy, operated with 40% reduction in trading hours in their mall locations due to the COVID restrictions. In SunglassHut in Europe, we operated in January and February with 50% of our store base that was closed.

In the United Kingdom, the largest SunglassHut division, we had pretty much the entire store base closed in January, in February, as well as in March. So, very, very challenging operating environment for our Retail brick-and-mortar. On the positive side, we have our e-commerce division that in Europe hosted a growth rate in triple digit territory.

But now, let's move east and let's go to such a critical geography like Asia, Oceana and Africa. I'm pleased to report top line in positive territory, and this is a story of sequential improvement, similar to North America, but the starting point here was actually on the negative territory. You might remember during the course of the third quarter, our Asian region posted revenue down 8%. In the fourth quarter, our top line was actually negative 1%. And we were seeing as we met in March early signs of improvement in our performance, and there we go. We finally moved into the positive territory of Q1 2021.

The Lenses and Optical Instruments were up into high single digit territory. The China lens business was up double digits, very much driven by strong volume as well as supported by strong price mix. Crizal, Varilux, blue-cut lenses as well as Transitions, they all trended on double digit pace in China. The Stellest rollout is continuing to a high pace even during the course of the first quarter. And just to give you an idea, in Q1, the volume of Stellest lenses that were sold was doubled compared to the ones that we sold in the fourth quarter. So, the rollout is progressing at a high pace. We're very pleased with the result that we're getting so far.

The Sunglasses and Readers division was up 16% during the course of the first quarter, so double digit pace here. The Bolon delivered another outstanding quarter of double digit pace with a solid performance in wholesale, in physical retail, as well as in e-commerce. We successfully launched a new collection at the beginning of the year, and we're very much appreciated by our clients in China, and that is obviously very reassuring for the remaining part of the year.

Moving to Retail, our revenues were overall positive during the course of the first quarter. Optical retail Australia was up on the high single digit territory, despite several localized lockdowns in the country. Those localized lockdowns very much impacted approximately 330 stores during the course of the first quarter in different planning time. And impacted for a total closure of about 26 days throughout Q1.

We continue to experience favorable price mix, very much thanks to the more recently launched lenses, like the Eyezen Start as well as the Varilux lenses that were a successful story within OPSM.

A last word on Retail in China. Retail in China was soft during the course of the first quarter. A couple of readings here. On the one hand, the Hong Kong situation that continues to be pretty challenging, I would say. And on the other hand, the Beijing area that very much suffered several restrictions due to COVID-19.

But now let's go south, into the Latin America region where I'm pleased in a way to see top line on the positive territory. Revenue here was very much impacted by the pandemic outbreak in Latin America that was pretty severe during the course of the first quarter, in particular in Brazil as well as in Chile. I'm happy to report the Lenses and Optical Instrument division was in the mid-single digit territory. Varilux, Crizal, and Eyezen lenses were all solid positive during the course of Q1. From a country mix standpoint, Brazil, Argentina, Chile, as well as Mexico, they were all in the positive territory again for the first quarter. I also want to mention the successful results of the rollout of the Essilor Experts program. I would define that as a great success. We have already enrolled about 4,200 doors as of the end of Q1.

From a Wholesale perspective, our top line declined during the course of Q1. In Brazil, that is the main country for Wholesale, the situation is quite challenging. Just to give you an idea, 50% of our key accounts had their door closed during the course of Q1.

Another challenging area is the Retail area. In GMO, our optical retail chain in South America, we experienced a deterioration of the performance due to the high number of cases, in particular, in Chile, as well as in Peru. In Brazil, 80% of our store base was closed. The good thing is that on the remaining 20%, we had the performance that was in the positive territory. But again, the overall environment is quite challenging, and we now start seeing some early signs of recovery throughout the month of April.

But now let me hand it over to the operator for the Q&A session. Thank you.

OPERATOR: Thank you. Ladies and gentlemen, if you would like to ask a question, please press Star followed by 1 on your telephone keypad. You may withdraw your question by pressing Star 2. Please make sure your phone is unmuted locally before asking your question. The first question comes from Graham Renwick of Berenberg. Graham, your line is open.

Mr. GRAHAM RENWICK: Hi, good morning, everyone. Thanks for taking my question. I just have three please. I'm just focusing on trading and the acceleration you noted through the quarter. I think on the full-year call, you said trading had been broadly flat versus 2019 across January and February, so is it okay to assume March was on mid-to-high single digit up since 2019? And how has that continued through April? Has it remained stable, accelerated or, decelerated?

Then on guidance, there was an improvement in the guidance with respect to EBIT margins. You're now expecting them to be at least at 2019 levels. Previously, you said they would be in line. So, there could be greater confidence there on margin development. So, what are the main drivers for that? I think in the statement, you said that integration synergies had gained momentum in Q1, so I wanted to see if they were potentially dropping through quicker than expected.

Lastly on GrandVision, there was no comment on this today, but there have been key developments in the period with the deal gaining regulatory approval from the EC, although an appeal you made in the Amsterdam Courts was rejected. I just wanted an update there. Has there been any change to your view on the deal? You know, does it still make strategic sense for you to be acquiring GrandVision? Thank you.

Mr. STEFANO GRASSI: Okay, so, I will start. Good morning, Graham. On a current trading and the guidance evolution, I would say, and then probably, Paul, you might want to comment on the GrandVision deal.

With respect to the guidance, we clearly started the year in a very promising way, I would say. We have definitely seen a turning point in the month of March in the United States, and that is obviously a very encouraging turning point. Looking at the month of April, we continue to see that solid trend in North America, and I would say we are also carefully looking at the restart in certain parts of Europe, namely UK, where just a few days ago, we have seen the restarting of the retail activities. In respect to Latin America, I would say that the situation in Brazil continues to be quite challenging, in a way, but we've got, let me say, early signs of optimism. Clearly, we know that that region, that country in particular, it's going to be key in particular during the end of the third and through the fourth quarter as we're going to get into the high seasonality there.

With respect to Asia, I think we continue to see throughout the month of April a strong pace in our Oakley sun business and that is obviously very reassuring. And we are carefully looking at the evolution of the situation in China. We still have some restrictions that have impacted Hong Kong with respect to the Beijing area. Some of the restrictions that affected in particular the first quarter have now been lifted. So, all in all, again, in the light of what I would define as a promising start to the year, we thought it was wise to revise our guidance and very much provide a new ambition, in a way, to put ourselves at least at 2019 levels in both revenue as well as adjusted operating profit margin. Paul, do you want to take on the GrandVision?

Mr. PAUL du SAILLANT: Yes sure, Stefano. Thank you very much. Within GrandVision, the few things that I can update you on. First, the strategic merit of this acquisition. Like we have always said, it is confirmed. Second, you have seen important developments on the antitrust filing. We were very pleased to see the outcome of the EU antitrust decision back in March. We are satisfied with the clearance we obtained in Chile. And now we are waiting for the last approval which should come from Turkish authorities in the weeks to come.

Then there was the summary proceedings on which we issued a press release to give you all clear information, and we did acknowledge that on April 6, the Amsterdam Court of Appeal rejected the Company’s document request. That was due mainly to the disclosures recently ordered in the arbitral proceedings brought by HAL and GrandVision.

EssilorLuxottica initiated these legal proceedings to obtain such information from GrandVision. And with regards to the arbitration, this is by nature a confidential proceeding that I will make no comment on as of today. So, this is where we are, and I think that gives you the most recent update, Graham. We can go to the next question.

OPERATOR: The next question comes from Susy Tibaldi of UBS. Susy your line is open.

Ms. SUSY TIBALDI: Hi, thank you, thanks for taking my questions and good morning. Just to follow up on the current trading and the comments in April. I was wondering if you have any early observation when it comes to the European market, because we had few countries where the rules have become a little bit more relaxed. So, if you have any observations within this geography, it would be very helpful.

Then my second question was regarding the growth that over the past two quarters, up until now, you have been saying that it has been driven by price mix. So, I was wondering if this continues to be the case, or are you also expecting to see some volume growth on top of that and whether this price mix improvement, you're seeing it across the world or is it focused in the developed markets?

And lastly, one question on the margins. So, I understand that with your guidance today, you are expecting most of your top line and margins to be at least in line with, comparable to 2019, but I was wondering, even so, in terms of top line, the top line mix is better, and you also have your online growth, which is accretive. So, shouldn't we actually see the margins benefit from these drivers? Or if we may not see this, is it because you are choosing to reinvest some of this accretion? Thank you very much.

Mr. STEFANO GRASSI: So, I will take on some of the current trading considerations here. Let me say that if we look at Europe, as we said, the first, the restart of retail activities was really in the UK. But I guess we need to, you know, carefully looking at the trend that we're seeing here in the United Kingdom, in retail, because clearly, we see the queues of people standing outside the stores. Now, clearly, we want to understand if that's going to be a trend throughout the remaining part of the second quarter as we get into the summer season. I'd say that, generally speaking, the feeling, the perception is that it’s positive, but let's not forget that in several countries we still have a quite severe limitation in accessing, for example, into shopping malls during weekends, in Italy.

In other countries, we were just deconfined the population, like in Germany. So, again, it's something that we're carefully looking at through the month of May, and particularly in early June. But I do expect a progressive recovery of the situation in Europe as well. Don't expect that pace of recovery to be as strong as we have seen, or at least as fast as we have seen in North America, to a certain extent.

With respect to price mix, we continue to see a nice price mix. That is very much the result of us being very diligent on discounting, and at the same time, we've also seen a tendency for consumers to appreciate our brands. The tendency for the consumer to purchase add on, on lenses, and the price mix has been very solid on retail, and it is obviously very encouraging, because there is more demand for branded lenses, more demand for Blue IQ, for anti-fatigue. They are clearly very much supportive of our price mix.

With respect to the margin, I think the guidance pretty much states that we have an expectation of getting to at least 2019 level. Now, how are we going to get there? I think it's a journey that we're going to look at together throughout the remaining part of the year. We continue to see an e-commerce platform format that is solid, and we are..., other parts of the business, I'd say other regions that are definitely more challenging. Remember, we are still navigating with one independent variable that is out of our control, and it is the pandemic evolution. That is very much the one that we can't control. But again, we've seen that as the population can come out of confinement and there is, as you know, a restart of consumer spending, we are there to support not just for the optical product, but also with the sun part. That's really where we are today.

Ms. SUSY TIBALDI: Thank you.

OPERATOR: The next question comes from Luca Solca from Bernstein. Luca, your line is open.

Mr. LUCA SOLCA: Yes, good morning. I have a question on laboratories and your recent acquisitions. I had the understanding that part of the post-merger integration effort is going to be that of rationalizing the number of laboratories that you operate from. So, I wonder if that is indeed correct and part of the plan and how you see the network of laboratory evolution going forward?

Second question on China. You mentioned China is the second largest geography after the US in the quarter. I wonder if you could give us more granularity on how or when it comes to mono-brand retail, retail, and wholesale, knowing the initial teething problems in some of these fronts that you've experienced, and the very significant importance of breaking through in emerging markets and in China, in particular.

And then last, but not least, concerning your guidance and the fact that you would be now looking at 2019 revenues with 2019 profits, I wonder that, other than the mix, what is the contribution that you are getting from the synergies that would be maturing, and where, instead, would you be facing extra costs so that the operating profit margin doesn't improve? Thank you very much, indeed.

Mr. PAUL du SAILLANT: Thank you Luca. I will take the first one on the lab. This is Paul talking. To understand the lab footprint of the Group, you have to keep in mind that we have a combination of three types of labs. We have integrated labs, like we have in Atlanta, in Sedico in Thailand, or at Tristar in China, which are integrated platforms with the frame, with the lens, and the labs, all together. And they do a lot of complete pairs.

Then we have large prescription labs at the heart of each country or region that we have in Columbus, Dallas, in France, and many countries across the globe. And then we have smaller service centers to help the granularity, to be very close to the optician and to the point of sales. So, when you look at the Walman acquisition, which is a network of 35 labs and service centers, we complement our footprint in the US with two large labs and some small service centers. And this nicely complements our geographical footprint because of the Midwest position of Walman. And it gives us a very good reach throughout the US, complementing our existing reach.

We constantly, on your question on the optimization of this lab network, with some 500 labs worldwide, we constantly modernize, rationalize, optimize that footprint, country by country, region by region. Leveraging the technology platform of the Group and all of the IT infrastructure, because this network of labs is integrated, interconnected. That's a two-minute summary on the lab strategy. And Walman is a nice complement to this network in the US. Walman is the last major independent lab network in the US.

Stefano, take the next one?

Mr. STEFANO GRASSI: Absolutely, Paul. Buongiorno Luca, Good morning. So, with respect to China, we've seen that from a B2B perspective, we're marching at a very strong pace with respect to revenues. We see that, as Paul mentioned on the presentation, the contribution of Stellest lenses is progressively higher and higher, quarter after quarter. By the way, we introduced the Stellest lens into our retail LensCrafters with early encouraging results, I would say.

What we continue to see again, the first quarter has been kind of an unusual quarter from a Retail perspective, right. You remember that during Chinese New Year, the population was very much - the Chinese population - was very much limited on the movement around the country. And so, we saw a consumer spending that was pretty strong on the local, on the big cities. Then after Chinese New Year, there was a lot of deconfinement and freedom of movement was allowed around the country, and we've seen a little bit more touristic flows moving around, still within China.

Beijing and Hong Kong remain in the negative territory for the reasons that I explained before. The Ray-Ban business is solid in the course of the first quarter, again, carving out the things that I just mentioned. We do see a stronger appreciation of the Ray-Ban brand. Clearly, this is a journey that will progress throughout the following quarter, it doesn't change from day to night in that respect in China.

But again, our strategy is pretty clear here. It's very much through a further announcement of a lens assortment in our Retail brick-and-mortar. It's an investment that we continue to do, not just in the traditional retail, but also trying to understand whether our new way to develop our business in China. And again, there is a huge investment in terms of innovation and products. Stellest Lens is the last we talk about it, but for sure it won't be the only one isolated. So, we'll see more and more new products launching into this part of the world very much to attract the Chinese consumer.

With respect to the guidance and the way we're looking at 2021, clearly, the recent contribution of synergies into our number, and that is, obviously, on track with what we planned, with what we shared in our Capital Market Day in 2019. So, everything is advancing in that respect. The combination of synergies, growth, as well as investment activities very much gives you that expectation, that ambition that we have to get at least to 2019 levels in terms of sales and profitability.

We haven't slowed down our investment pipeline. I mean, our plan to renovate our store base, it's still there. Our plan to make an unprecedented investment in LensCrafters during the course of 2021 is still there. The plan to renovate our sales force in our Wholesale B2B with sales reps that are now focused on individual brands, rather than on portfolio brands, is still there. And those are investments that are paying back.

We see for example in recent new stores we get a strong lift in the performance. We've seen that now reorganizing sales force with the help of technology, with the help of new tools that replace the traditional bags that a sales rep would carry on in their visit were more effective. We actually have a bigger assortment available and we've seen very good results in first of all the United States. So, those are investments that we very much want to do, and we believe are right for the long-term health of the Company.

Mr. PAUL du SAILLANT: Thank you very much. On China, I would just like to give a complimentary perspective on it. We flagged it in the release, as China is becoming the second largest country. Just to show how important it is, it is the largest market in terms of number of consumers today asking for vision correction, vision protection. It's already the largest market in terms of volumes. We have established a good presence in the lens part over the years for EssilorLuxottica, and that growth of the lens activity has been very strong in the first quarter. It's made of everything we talked about, including myopia. It's addressing the key categories, the key brands, addressing many eyecare solutions such as protection from blue light. So, there is a very good dynamic in the lens business where we have already built significant market share.

It's then the other part which I think is also important for you to have in mind, to see what we have as assets to address the Chinese market. It's the brands of the Group including the Bolon brand, which is a powerful local brand in China. Delivering solid growth both in optical and in sunglasses which complement the portfolio of brands that you know very well at EssilorLuxottica.

So, it's the beginning of journey. There is a lot of upselling potential, a lot of consumer needs to address, a big myopia topic and like Stefano was saying very well, how do we progressively expand the footprint in retail and online for the Group, knowing that we have the infrastructure behind with local production frame, lens, labs already established in China to support that growth. I just wanted to add this to give you some more color on the importance of this opportunity for EssilorLuxottica. Thanks.

Mr. LUCA SOLCA: Thank you, Paul. Maybe just one clarification on something you said before, if I may. I understand that the arbitration process is confidential, but can you clarify the way it or let's say, the timeline that it's going to take? And also the goal of this arbitration process, is that the same goal as the challenge that you brought to the court or is it a different one?

Mr. PAUL du SAILLANT: I'm sorry to disappoint you, but as I said, the arbitration process is a confidential proceeding by nature, so I will make no comment.

Mr. LUCA SOLCA: Okay, thank you. Thank you, anyway.

OPERATOR: The next question comes from Anne-Laure Bismuth from HSBC. Anne-Laure, your line is open.

Ms. ANNE-LAURE BISMUTH: Yes, hi. I have two questions, please, and mainly on this myopia topic. Actually, I would like to ask, what are the key milestones achieved in terms of roll out in China for Stellest in Q1. And if I'm correct, you mentioned that you rolled it out in other countries in Q1, so if you can say where you rolled it out, and the other question is about the SightGlass Vision. So, it's just to, are there other lens to slow down the progress of myopia that you have acquired with the FDA in the US. But just, do you plan to roll out SightGlass in US soon and given that have just been granted approval from the FDA, and also, will you balance the rollout of Stellest with SightGlass, please? Thank you.

Mr. PAUL du SAILLANT: Thank you Anne-Laure. I will take that one. So, to address the myopia pandemic, you need some key things. You need a good technology platform. You need to create the awareness. You need to involve the eye doctor, the ophthalmologist, if that leads to new protocols, in order to deploy the solution. It's a whole new category. It's a whole new consumer experience that is targeting kids first, kids from 4 years old to 12 years old. So, you have to see it as a holistic topic and this is what at EssilorLuxottica we are trying to do is to really take it with a deep approach. So, we started with the Stellest platform, which is a great technology. Very impressive results. I remind you that it is slowing down the myopia progression from the clinical trials we had in China by 67% on average after two years compared to a normal single vision lens, so it is a massive reduction in the development of myopia when those lenses are worn more than 12 hours a day.

So, we started in China, we launched it in July last year, first with hospitals, then with retail. And we are expanding progressively this lens across China. And as Stefano and I said, we are now every day equipping, since the first quarter more than 1,000 children every day in China. It is the beginning. We are extending the launch of this product progressively in other countries in Asia, and we will in the weeks to come start the launch in Europe. A key point on Stellest that we mentioned earlier was the FDA's decision last week. The status of a breakthrough designation for this spectacle lens is very important, because it does recognize the value of that technology and it allows us to work very efficiently with the FDA in the months to come.

So, that is the whole Stellest platform. And as I said, it's a holistic approach with the key actors that will deliver this new experience for children. In parallel to that, to complement that, we have done this joint-venture for the acquisition of SightGlass Vision, which is a very good technology also that complements the technology platform I just described. And that, progressively, we will also launch in the market.

So, this is in a nutshell the way we approach it, in taking a wide approach, a complementary approach in different geographical areas progressively. I hope that clarifies your understanding.

Ms. ANNE-LAURE BISMUTH: Yes, perfect. Thank you very much.

OPERATOR: The next question is from Cedric Lecasble from Stifel. Cedric, your line is open.

Mr. CEDRIC LECASBLE: Yes, good morning, Paul and Stefano. Thank you for taking my questions. I'm sorry to come back on the guidance, but I'm just thinking of the landing point in 2021 versus '19, which is very helpful in your comments and in your figures. On top line, we are slightly ahead and projecting ourselves in the year, things should more improve than deteriorate, hopefully. So, what are the potential headwinds you consider to come to this kind of guidance of at least '19? Is it the tourism on which you are to caution or is there more reasons for that?

And same kind of question on the margin. I know it was asked already, but you have a strong mix this year. Seems to be very strong starting the year. You have the synergies ramping up. So, here, again, as we exclude FX, which has a negative impact, what prevents you from being a little more aggressive on your guidance? Are you on the conservative side or are there some elements that I'm not taking into account?

And just a clarification on China. Would it be possible to have percentage of total sales? That's a very quick and easy one.

Mr. STEFANO GRASSI: Okay, so, with respect to the first couple of questions, Cedric, if we look at our guidance, what we said is that we have the ambition to be at least at the 2019 level. So, that is very much where we are. Clearly, there is one independent variable, as I said before, and that is the COVID-19 outbreak. I think we know that we had a good delivery in the first quarter. We have full confidence in our capability and we also are about to face an important turning point from a governance point of view. And as Paul mentioned, we are moving to a truly unified Group here. We're marching on track with synergies and this is where we are.

So, clearly, that is going to give us very much the confidence to face the later part of the year.

Now, with respect to margins, again, the consequence of that confidence is not just on the top line, but it is also on the margin, where we said, "at least." And that's really where we are. With respect to the contribution on China in the overall results, we're looking at about 6%.

Mr. CEDRIC LECASBLE: Thank you.

OPERATOR: The next question comes from Piral Dadhania from RBC Capital Markets. Piral, your line is open.

Mr. PIRAL DADHANIA: Hi, Paul, Stefano. Good morning. Just a quick follow up please, to Anne-Laure's question. Just on Stellest, could you just help us understand, following the FDA breakthrough designation approval you received, what the timing will be in terms of deployment into the US market, and you know, the sort of time frames around commercialization of myopia management in the US? Thank you.

Mr. PAUL du SAILLANT: Piral, it's a bit too early to say. We are working with the FDA. When you are granted the breakthrough designation by the FDA, it provides you with an accelerated proceeding and the FDA prioritizes resources to review the dossier. So, that's, I think, is the way you should take it, but I will not today tell you anything with regards to the launch of the lens in the US. But you should take that as a very, very positive sign that they have granted us with this designation. That's why I wanted to share it with you.

Mr. PIRAL DADHANIA: Okay, understood. Thank you, Paul. Maybe just to broaden the question, then. You know, what, could you share with us your perception and your viewpoint as to how big or how important you think myopia management can be on a long-term time frame? Do you think this is a revolutionary innovation in sort of myopia management? Do you think it will change the direction of travel for the way in which people are treated for short sightedness on a long term, 20 plus year time frame, or is it incremental to your broader product suite and you think, you know, it's not maybe as revolutionary as maybe some are suggesting? Thank you.

Mr. PAUL du SAILLANT: No, it's definitely revolutionary. Because you know, we have for decades corrected vision and we protect the eye, and we have created progressive lenses, all kind of categories to allow good correction or good protection. Here you are slowing down the elongation of the eye through the early age of youth. So, it's something that is new that's why it's called myopia management. It's not just correction only.

And I will remind you that the number of myopic people in the world will be, by 2050, half of the population will be myopic, meaning close to 5 billion people. Today it's already 2.6 billion people that are myopic on Earth. And in that, if I take only kids today, 300 million children from the age of 5 to 19 are myopic. So, it's and that will increase, of course, over the years. So, we are creating a new solution that, as I explained, needs to be embraced by the eye doctors, embraced by the eye hospitals, by the independent practicians to deliver it and to manage it through childhood, because it's not just about equipping the children but also checking every year, every six months, the evolution of their vision. So, it's something that will progressively get established, but it's really a new category, a new technology platform, and dealing on top of that with children's vision, so it is a very sensitive and important matter. So, that's why we take it with small steps with our teams and go market by market, making sure we have the right technologies and products to address this issue. I hope it helps.

Mr. PIRAL DADHANIA: Yes, no, absolutely. It's just that in Q1, obviously, China, Stellest was a big contributor to growth, as you alluded to on the call and also in your prepared presentation and press release. So, as you roll out in Europe, you know, is it fair to assume you'll have a similar level of uplift, and then as and when the US comes, then that's also the case, given that's also your largest market.

Mr. PAUL du SAILLANT: Yes, but I would like you to take from what Stefano and I shared with you that our growth engine is not just Stellest, but we have rich innovation platform of products beyond Stellest. We have new progressive lenses, we have new Crizal platform fully modernized and with some new technology features. We have the whole Blue Protection category, which is very successful, as well as the demand from consumers for Eyezen's range of anti-fatigue products. So, we are at work, whether you talk about the US, Europe, or other developed markets. The rich portfolio of products and innovations alongside our key brands are at work. So, I think you should look at the growth engine that is driving the growth, not just at Stellest, even in China, you have plenty of other categories that are growing fast.

So, do not limit your reading about our growth dynamic to Stellest. Transitions is a very powerful brand too with a very modernized offer with the new Transitions Signature that is now completely deployed and growing. We have the XTRActive version coming soon. That's one of the takeaways of this call. The power of our wide range of products and brands at EssilorLuxottica is at work. As we progressively reaccelerate, as vaccination is being deployed, the market is restarting, and the opticians are very dynamic. So, there is a good dynamic at work here.

Mr. PIRAL DADHANIA: Thank you. That is very clear. Thank you, Paul.

OPERATOR: The next question comes from Veronika Dubajova of Goldman Sachs. Veronika, your line is open.

Ms. VERONIKA DUBAJOVA: Hi, good morning, and thank you for taking my questions. I have three, please, if that's okay. My first one is just and Stefano, apologies, I know you threw out a lot of numbers in your prepared remarks and I was just hoping that you'd talk a little bit more about the LensCrafters same store growth rate that you're seeing in the U.S. and how confident you are that you've turned the corner there and competitively how you're thinking about the brand from here onwards. I know you also mentioned that you are still planning to continue with the store relocation and rebranding exercise. If you can refresh my memory on how far along you are with that process, that would be helpful.

So, that's my first question. My second question is a follow up on Stellest. Did I hear you right, Paul, to say that you are selling about 1,000 units, say, a day in China? And if so, that seems like a pretty meaningful pickup and acceleration. Just to sort of follow on to some of the other questions that have been asked, I guess. What do you think you will need to do in the U.S. and in Europe to generate the same level of awareness of myopia control as there is in China?

And my last question is a financial one on the growth margin. From memory at full year, you talked about some headwinds and some tailwinds, which I think you were netting out to be still negative for the full year in 2021, most likely. I'm just kind of curious with some of the progress you've seen on e-commerce, some of the progress you've seen on the product mix and the geographic mix. Is that still your expectation at this point in time? Thank you guys.

Mr. STEFANO GRASSI: All right, Veronika, I'll take the first and the last. With LensCrafters, with respect to LensCrafters. So, we've seen that the journey, LensCrafters, it's on the right track. We've seen that, you know, the consumers do see LensCrafters as a retail chain where people go for the service, the quality of the lenses that we offer. And just to give you an idea, the underlying KPIs that we're looking at LensCrafters are all going in that direction.

If we're looking at, for example, the penetration of Blue IQ Lenses in LensCrafters during the first quarter, it is up five percentage points. We look at the penetration of progressive lenses, two percentage points. We look at the penetration of photochromic lenses, four percentage points. We're looking at the penetration of the antireflective, three percentage points. So, we're really looking at LensCrafters, the place where the US consumers are very much going to get a product they can really get over there, they can get a service level that they cannot get anywhere else.

In order to enhance that experience as much as possible, we need to have a place where we host our consumer that is very much up to date with the latest and greatest technology, is up to date with the latest development of the digital application. The telemedicine is one example that we are rolling out progressively into LensCrafters.

We are also making an important investment to evolve the store, itself. We do imagine the LensCrafters stores over the longer run to be stores that are not just about the product, they're about the service, the eyecare service that we can provide to the consumer that steps into our location.

So, we imagine stores that are going to be ultimately with fewer products, with more services, and very much with aftermarket products and service capability. So, stores that very much are evolving from the one that you've seen in many optical retailers today. This is for us very important. It is also going to be the place where you can see the personalization of lenses, personalization of frames happening. And this is the way we imagine LensCrafters over the longer run. It's very important. It is an important investment for us. It is a journey that I believe we could complete in, let's say, in a couple of years.

But again, we know how to do this job, because whenever we've done it, I go back again to Australia, we've seen the successful result of that. Whenever we've done it in Italy, for example with Salmoiraghi & Viganò, we have a very positive momentum in our retail chain in Italy. And so, we have very much a positive track record for doing that in a constructive manner.

With respect to the margin, what I can say, Veronika, is that we're shortening the gap on a gross margin basis, and that's really where we are. Paul, you might want to take on the Stellest plan?

Mr. PAUL du SAILLANT: Yes. On Stellest, just to be sure, Veronika, you have a good understanding, I said it's 1,000 children per day that we're equipping, not lenses. 1,000 children per day. And it's the beginning, Veronica.

Your question on what does it take to establish this category? It takes at least three things, in terms of who will embark on this journey. It takes the children with their parents. That's very important. The parents have really to understand what we are talking about and be a full part of the journey. It takes the whole eye doctor, ophthalmologist community, because they have a very key role in prescribing. And it takes, of course, the point of sale, the opticians, to participate. So, to roll out this solution, we work with these actors, country by country, methodically. And that's when I tell you we are launching, we are going to launch in Europe in the weeks to come. This launch is being done with those actors, and it will be the same in the US, to do it properly. It's very key. Thank you, Veronika. Back to you, Stefano?

Ms. VERONIKA DUBAJOVA: Thank you, that was helpful. Stefano, can I ask really cheekily, are you able to say what the same store LensCrafters growth was in Q1 versus Q1 '19 or not?

Mr. STEFANO GRASSI: Comp sales in the low single digits, Veronika. That's really where we are. In acceleration in the month of March, in acceleration in the month of April.

Ms. VERONIKA DUBAJOVA: Wonderful. Thank you guys so much. Super helpful.

Mr. STEFANO GRASSI: You're welcome.

OPERATOR: The next question comes from Francesca DiPasquantonio from Deutsche Bank. Francesca, your line is open.

Ms. FRANCESCA DiPASQUANTONIO: Yes, hi. Good morning, everyone. I have a few quick questions, please. The first is about your supply chain. As we move to elaborate our model for Q2, we are about to see very strong growth. I was wondering whether your supply chain is all in place to support the growth which should be expected or whether you could face some bottlenecks and in what stage of your supply chain?

The second question is, when you refer to the guidance and the fact, you know, I understand the moving parts, but I was wondering whether lockdowns in the first quarter, in the first half, are potentially a source for your lack of greater aggressiveness on the guidance through the fact that maybe they develop a negative operating leverage. So, that's another question.

Third question is about China. And if I remember correctly, you had a plan to develop a similar insurance business to the one you have in the US. Can you give us an update on that?

And finally, on arbitration, I know you won't comment on the arbitration. My question is really whether it has an implication for the timing of the deal, given the hard stop on the 31st of July? And as a follow up, is Turkey anti-trust the only condition which separates you from the completion of the deal? Thank you.

Mr. PAUL du SAILLANT: So, I can start, maybe, Francesca, with the supply chain. Yes, our supply chain, whether it is for frame or lens or laboratory delivery, is a very robust supply chain that is able to support a reacceleration of the demand. I remind you that we have a full network of frame manufacturing plants in Luxottica deployed throughout the world, all interconnected. We have a lens manufacturing capability that is fully deployed worldwide with plants in all the key countries, key geographical areas, the production of which can be intensified.

And then we have laboratories, I commented earlier following your question, that are integrated platforms or local labs or local service centers. So, there is a lot of flexibility and resilience in the system. We proved it last year when we had the shock wave of COVID in the second quarter when demand drastically reduced. And then we had to restart, a very steep restart, that we were able to follow throughout H2, the second semester. So, the supply chain of EssilorLuxottica is unique in the industry and very widely deployed to provide flexibility, adjustability with top-quality teams who know how to manage the demand quite well.

On the arbitration, I won't make any more comments, as I said. There is no comment on the arbitration, neither on the timing. Of course, we will communicate if and when there is news about it. But for today, I think I've already given you the information to be shared. So, maybe, Stefano, to you for the guidance?

Mr. STEFANO GRASSI: Yes, thank you, Paul. Francesca, good morning. I would say, I will look at the guidance the other way around, right? If anything, I think the first quarter gave us more confidence in the way we look at 2021. I mean, if it's not by chance that we met together in early March and we shared an outlook. We're here together a couple of months after, and we already revised our outlook, our ambition for 2021. So, if anything, I would say that now we're more confident than before to see the Company progressing and marching on the right track. Again, April trends is remarkably improving compared to the first quarter. So, but again, we need to look at how the deconfinement of the population will happen in several parts of the world. That is an obvious statement.

With that said, we know the things which we are solid. We know that the investment and the strategy that we are putting behind our initiative is the right one, and we have full confidence that we're going to deliver on that. So, that's really where we are. Probably just a quick word on China.

There are several things that we're looking at in China. I think as Paul mentioned, the approach that we need to take for China, let me say, in a way, cannot be conventional. I mean, for sure, there is the expansion on the B2B, B2C side. For sure, there is a development of our e-commerce platforms to third-party platforms as well. But there are more and more things that we are exploring very much looking at 360 degree the eye-care proposition in China, which might encompass hospitals, which might encompass insurance. So, we are going to be very disruptive.

I think the myopia management lens that we launched, well, it is not by chance that it was launched in China. So, we are going to take more and more disruptive approach to this critical country because I think that's the way we're going to have to do it, in order to be successful.

OPERATOR: The next question is from Julien Dormois from Exane BNP Paribas. Julien, your line is open.

Mr. JULIEN DORMOIS: Hi, good morning, Paul. Good morning, Stefano. Three questions on my side as well, please. So, the first one, again, sorry for coming back on the 2021 guidance, but trying to approach that from a slightly different angle, looking at the phasing of the performance throughout the year and comparing that with 2019. So, you start with a Q1 growth of about two percentage points. Should we expect another solid print in Q2 and then maybe a slight weakening in the back half of the year, given the tougher comps you will be facing compared with H2 of '19 or should we see basically just an even performance across every quarter? So, that is the first question.

Second question is in e-commerce, a housekeeping question, but could you please remind us what is the share of Group revenues for e-commerce in Q1? Sorry if you said that but I missed it.

And within this e-commerce business, could you also help us dissect the contribution to sales between the proprietary mono-brand website and the rest of the online activity? And the last point is you highlighted that we are now reaching the turning point in terms of governance with the AGM at the end of this month. Just wondering whether you are planning to hold a capital markets day, I don't know, in late 2021 or early 2022? That would be helpful.

Mr. STEFANO GRASSI: Good morning, Julian. I think on the guidance we've been pretty explicit and clear. I mean, you know the fundamentals on how we developed that guidance. You know our expectations. I want to re-emphasize the "at least”, because that is very important to be emphasized. I don't think we should spend more time on that. Let's very much look at how second quarter evolves.

I think if the deconfinement progresses as we've seen, no reason to believe that things will not get better. But again, we need to see and observe.

With respect to the e-commerce contribution, we're looking at the 7% contribution. Paul, I don't know if you want to comment on governance.

Mr. PAUL du SAILLANT: No. No comment on the governance. We have to generalize beyond the 21st of May. No communication yet on the CMD, if and when there will be one. I think we will get to that more after the new governance is in place and we operate as one company and then we will decide with Francesco, with the IR team, if and when we call for a CMD. That's where we are. Thanks for asking.

Mr. JULIEN DORMOIS: I had to try. Thank you. Just on the e-commerce as a follow up. Can you share with us what is the proportion of shares in the e-commerce business coming from the proprietary platforms, from the mono-brand websites? Is it, I don't know, like half? Is it two quarters, two thirds? What is it?

Mr. STEFANO GRASSI: We don't disclose that. I mean, at the end of the day, we manage all the platforms, so that's really how we manage the overall e-commerce.

Mr. JULIEN DORMOIS: Okay. Thank you guys.

OPERATOR: The next question comes from Ashley Wallace of Bank of America. Ashley, your line is open.

Ms. ASHLEY WALLACE: Thank you very much. Hi, good morning. I actually have four questions, if that's okay. Firstly, I was wondering if you could dig a little bit more deeply into the impact of reopening in the US market? While the first quarter '21 growth in the US accelerated past 6% versus 2019, which is obviously ahead of the 4% year-on-year growth you did in Q4, if you compared it the two years back in Q1 '21, versus the two-year stack in Q4, actually the US market decelerated about 200 to 300 basis points. So, I guess as you've gone through reopening in the US market, I was wondering if you're seeing a clear acceleration on a two-year stacking of prescription business as well as the sun business, or has the recent improvement in March mainly come from the more discretionary part of your US business?

And if you can maybe, like, mention what it is in March that has driven this acceleration that has continued into April, as you mentioned. Is it the US stimulus or is this something else to talk about from this perspective?

Staying a little bit on the US. Sorry, it’s a live discussion, from a state perspective, I think the US in the south, you're much further ahead in terms of reopening and a return to normal. I was just wondering, in this part of the country, if you can see your business is outperforming the other US states, and if so, how big is the gap, say, in the south versus the states which still operate with some COVID restrictions or lower vaccine penetration, just to give us a sense of how we should think about the progressive impact of reopening, if other states catch up?

My second question is on the synergy guidance, the 300-350 million at EBIT level for '21. Can you please give us a sense of the revenue versus cost component for the synergies for this year? My third question, sorry to rehash on this, but it is about full-year guidance for revenue and profits at least at 2019 levels. I guess when we think about the bridge in the EssilorLuxottica business in 2021 versus 2019, there should be two big tailwinds. The first is M&A. I guess on revenues last year I think you had almost 100 million of revenue contribution from M&A last year. And in 2021, you’ve already announced the number of acquisitions, including Walman that generated 500 million in annual revenues. So, if I'm correct, M&A is about 3% to your 2021 revenues, versus 2019. Then you have the synergies, 300-350 million at the EBIT level. Obviously, it's a big proportion of 2019 EBIT. So, I was wondering, on the '21 guidance, to be at least at 2019 levels, if this is also true for the underlying business, excluding the impact of M&A and synergies?

Then my last question, which is a housekeeping question on FX. Obviously, a big transition headwind in Q1. If you assume the spot rate continues, can you just help to quantify the impact of FX on 2021 EBIT, please? Thank you.

Mr. STEFANO GRASSI: Okay, so, Ashley, there's a lot of questions in one question, but just generally speaking, the US market from a consumer standpoint clearly benefited from the acceleration that we observed in the month of March that is continuing throughout April here. Our wholesale B2B business continues to be solid, whether we're talking about lenses, whether we're talking about frames.

We continue to build up on the trust and strong relationship that we have throughout the years on both lenses and frames with our ECPs, with our key accounts. We do see a market that is very vibrant, I would say, in particular on the optical side. It's vibrant because the ECPs were really the first one to reopen the doors and get hands on into the business and restarting it. It's vibrant because we've seen that there is a growing demand for attracting prescription needs, and clearly, we see that in both the B2B first, and now ultimately, the B2C side. So, I would say, again, the demand for products that have more and more features - people are definitely spending more time in front of electronic devices as they demand more coating on the lenses - it's very much there. It's happening every day and every month we see an improvement in the penetration of certain coatings. So, the market is pretty strong.

We shouldn't rest on that, because we believe that there is still a journey that we need to undertake. We described before that kind of journey.

With respect to the synergy guidance, I think, you know, the even display between revenue and cost is still valid. I think that's really where we are. We have definitely privileged, in 2020, the cost optic of that, because we knew that during the pandemic outbreak, that was the part of the business in which we had more capability to influence and deliver. But now in 2021, we do see also the execution of certain revenue initiatives. Paul mentioned it, the EL360.

We also have some important strategic developments not just in North America but also, for example, in South America. That will definitely gives us more momentum. And I think we're looking at, for example, in South America, in the development of our relationship in Óticas Carol, our relationship that has been traditionally more based on frames and lenses, and now we're developing and coupling that in frames for Óticas Carol franchisee. We're looking at a way to think how we can make the EL360 program, that you might remember was launched in July last year in the United States for ECPs, suitable also for other geographies. Those are all the things that we're looking at.

Clearly, there was the expansion of Ray-Ban Authentic in several different geographies. Those are things that will create a support also from a synergetic standpoint on the top line, not just on the cost side.

Last but not least, I think it’s important to mention when Paul talked about a unified Group, that we're now going to make the first appearance as EssilorLuxottica at the Vision EXPO East in Orlando, Florida. It's a great momentum, I believe, to celebrate that, because it's really the first time that the Company comes together in a phase of our clients, wholesale clients, and it's a very, very exciting moment. And Paul, I think you've been very much instrumental into that. You might want to comment more.

Mr. PAUL du SAILLANT: No, no, it’s great, Stefano. You are right to flag that. I could just add, we have been operating the Company together with Francesco, the two operating companies successfully through the pandemic in the last two years. It has been quite key to have two strong competitive companies. Why we were deploying the synergies in the beginning of integration and our teams have been working extremely well around the 27 workstreams to really start to share competency programs and deliver top line and cost synergies. And so now the two organizations are ready to be one company, and it is going to take the form of many different things. The vision is to implement integration projects such as the EL 360 program, and we could name many others, but I think it is great to flag that, Stefano. Thanks.

Mr. STEFANO GRASSI: And maybe just to probably address your last question, with respect to FX. So, I think we very much answered all of your questions here. With respect to FX, I suspect 2021 is going to be a year of headwinds from a currency standpoint, if the currencies remain at those levels. You have two currencies to watch for, Brazilian Real and US dollar. I think if those currencies remain at those levels, we can expect those headwinds also throughout the remaining part of the year.

Ms. ASHLEY WALLACE: On the full year guidance. Sorry I missed that, but is it true that we should expect that the underlying business, excluding the impact of M&A and synergies, will also be about 2019 levels?

Mr. STEFANO GRASSI: The full year guidance is provided at constant exchange rates.

Ms. ASHLEY WALLACE: Constant FX, sorry, no, this is not about currency, so just for the full year guidance, I guess the fact that you said that you expect revenue and profits to be at least 2019 levels at constant FX. I guess the bridge between your 2019 and 2021, you have contribution from M&A and you also have contribution from synergies. I was just wondering if with the underlying business, excluding the impact of both of those factors, you're still expecting revenue and profit to be at 2019 levels?

Mr. STEFANO GRASSI: The M&A impact from recently announced acquisitions is not part of our guidance.

Ms. ASHLEY WALLACE: Not part of the guidance. Ok.

OPERATOR: The next question comes from Delphine Le Louët from Société Générale. Delphine, your line is open.

Ms. DELPHINE LE LOUËT: Hi, very quick on my side. In terms of timing regarding the acquisition of Walman, can we see integration as soon as Q2 or do we have to wait for Q3? Paul, you were mentioning Turkey in a couple of weeks regarding the antitrust. Is there anything new on the antitrust in Turkey that makes you think it's going to be now weeks instead of months? You were far more vague in the annual presentation. And thirdly, finally, regarding the e-commerce and especially regarding the size of the business, it would be very nice if we could add more granularity regarding the underlying business, the breakdown between lenses, optical, sun versus vision-care business, and as well as per region. So, I know, Stefano, you don't want to have any more stuff on that, but possibly in terms of regions, can we get more? Thank you very much.

Mr. PAUL du SAILLANT: The question on the Walman closing, it is too early Delphine. We have started the antitrust process and we are now working with the FTC in US on this process. So, it is too early to tell you if and when it would be in the H2 or early next year. It's the process that has started.

On the antitrust, on Turkey, I said it's going to be possibly in the weeks to come. And I think that was on those two questions to be precise. And then Stefano?

Mr. STEFANO GRASSI: On the e-commerce side, yes. With respect to e-commerce. What we've seen in the first quarter is generally speaking a double digit pace across all the geographical areas. We've seen a strong delivery on our branded eyewear online business. We've seen a strong Ray-Ban. We've seen a very strong Oakley as well as SunglassHut.com. We've also seen a very solid delivery of EyeBuyDirect with an improved penetration of EssilorLuxottica frames into the brand portfolio. So, I think that's really where we are. It's very reassuring, if you look at the trend of the first quarter in e-commerce, is very much a continuation of what we've seen throughout the full year 2020. So, that's another reassuring message that I would say. But it's widespread positive.

And I think what is important that we shouldn't underestimate is that now we have a consistent trend in our business that is almost, let's say neutral, in a way, to what is the store retail situation in a way, because we have consumers that very much appreciate our proposition online, we have continuous investments to announce our platform, and those platforms are very much the place where consumers can compare products, can customize products, and can get avant premier of some our products and innovation. So, a very good place to be, in a way.

OPERATOR: The next question comes from Elena Mariani of Morgan Stanley. Elena, your line is open.

Ms. ELENA MARIANI: Hi. Good morning, Paul and good morning, Stefano. Many questions have been asked, so I'll try to be brief. I don't have much left. But one curiosity. I'm sure you track the industry very closely internally, and I was curious to know whether you think you've gained market share in the first quarter. So, do you think the industry was growing up 2% versus 2019 and up 6% in the US?

And secondly, very quickly, on the US, again. Based on your own experience, how would you expect the demand in these markets to evolve in the coming months? Would you expect some sort of normalization through the year as the pent-up demand and the stimulus effect fades? So, perhaps both volumes and ASP are probably going to normalize. Or do you feel that the environment is most likely going to remain supported? So, what are you factoring in your budget?

And then thirdly, quickly on wholesale. What are you hearing from your wholesale customers, particularly in Europe? So, how should we expect the reordering process to shape out once we get out of lockdowns? So, in essence, how should we think about retail versus wholesale performance in Q2? Thank you.

Mr. PAUL du SAILLANT: Okay Elena, you have wide questions. We think we are outperforming the industry. We think the performance of EssilorLuxottica in the first quarter was robust, like Stefano and I have been sharing with you, when you look at how we are performing in the US, in China, in Australia, in Europe, in a very complex situation still with the pandemic out there. So, we think that the Company and our teams are doing a very good job, and outperforming the industry.

Second, I think to read the restart phase and reacceleration, you can refer to what happened last year. We have always told you that the resilience of the need for good vision was out there, and you remember we just said again that three quarters of the activity of EssilorLuxottica is linked to the need for good vision or correction. And last year, you saw the strong rebound starting from the end of the Q2 and then into Q3. So, what we see in the US is encouraging, showing that resilience. The latter part of March and the month of April in Europe is encouraging in terms of seeing the order entry strengthening. So, yes, we are confident of the profile of the demand. Now we have to see if there is pent-up demand and if there is a structural underlying need for our category that has been reinforced by the pandemic. As we have explained in each call, people need to correct more because they have been so much on their computer and laptop and phones, and hence need further protection from blue light. So, the need is there, structural and strong. We will monitor that and see how it evolves in Q2. But last year's growth profile was quite telling in itself.

OPERATOR: The next question comes from James Grzinic from Jefferies. James, your line is open.

Mr. JAMES GRZINIC: Yes, good morning, Paul and Stefano. A quick one actually for Paul. I think all of your lens competitors offer myopia management proposition, so I was wondering whether you can help me understand in what way Stellest is a spirit to those offerings, whether it's on the 67% stat that you quoted specifically. I'd be interested to understand how that stacks up relative to others. Thank you.

Mr. PAUL du SAILLANT: It's an extremely efficient lens, and the results are very promising. 67% is a very high number. And actually, the SightGlass Vision results in the US are very powerful. So, we think we have extremely good technologies in order to address that the topic. But it's good that there is plenty of dynamic in the industry around myopia. We are happy that there are different product on offer, because the need is important.

Mr. JAMES GRZINIC: Understood. Thank you.

Mr. PAUL du SAILLANT: Okay. Thank you. So, maybe we should wrap it up here. Stefano and I will thank you, alongside the IR team for all your interest. You see us in good spirits, very determined and very happy to move soon into one company, EssilorLuxottica, which we are already in, but really now moving forward in the next phase of the integration of this beautiful Company in this great market. So, I'm happy about the Q1 and very determined and looking forward to the rest of the year. Thanks a lot. See you on the 30th of July for the half-year results. And be safe in the meantime. Take care. Bye-bye.

OPERATOR: Ladies and gentlemen, thank you for joining today's conference call. You may now disconnect your lines.