



## 1H 2018 results

Milan, July 23, 2018

**LUXOTTICA**

## FORWARD-LOOKING STATEMENT

Certain statements in this investor presentation may constitute “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Such statements involve risks, uncertainties and other factors that could cause actual results to differ materially from those which are anticipated. Such risks and uncertainties include, but are not limited to, our ability to manage the effect of the uncertain current global economic conditions on our business, our ability to successfully acquire new businesses and integrate their operations, our ability to predict future economic conditions and changes in consumer preferences, our ability to successfully introduce and market new products, our ability to maintain an efficient distribution network, our ability to set and achieve our business objectives and manage growth, our ability to negotiate and maintain favorable license arrangements, the availability of correction alternatives to prescription eyeglasses, fluctuations in exchange rates, changes in local conditions, our ability to protect our proprietary rights, our ability to maintain our relationships with host stores, any failure of our information technology, inventory and other asset risk, credit risk on our accounts, insurance risks, changes in tax laws, as well as other political, economic, legal and technological factors and other risks and uncertainties described in our filings with the US Securities and Exchange Commission. These forward-looking statements are made as of the date hereof, and we do not assume any obligation to update them.

In addition, such forward-looking statements include, but are not limited to, statements regarding the proposed business combination between Essilor International and Luxottica Group (including the benefits, results, effects and timing of a transaction), all statements regarding Luxottica’s (and Essilor’s and Luxottica’s combined) expected future financial position, results of operations, cash flows, dividends, financing plans, business strategy, budgets, capital expenditures, competitive positions, growth opportunities, plans and objectives of management. Statements used herein concerning the business outlook or future economic performance, anticipated profitability, revenues, expenses, dividends or other financial items, and product or services line growth of Luxottica (and the combined businesses of Essilor and Luxottica), together with other statements that are not historical facts, are forward-looking statements that are estimates reflecting the best judgment of Luxottica based upon currently available information

The Company’s press release titled “Net sales improve in the second quarter, record net margin in the first half of 2018” dated July 23, 2018, is available on the Company’s website [www.luxottica.com](http://www.luxottica.com) under the Investors tab.

## 1H 2018: SOLID PROFITABILITY RESULTS

2Q sales showing sequential improvements vs. 1Q

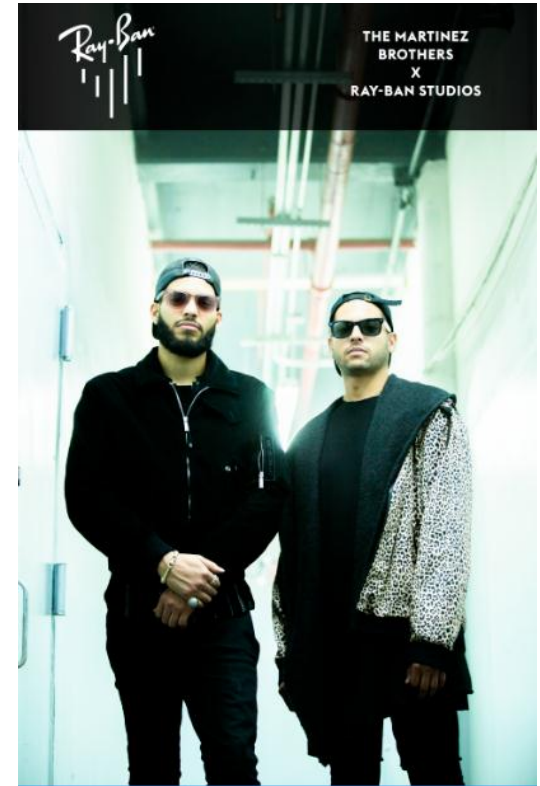
- Group sales: +0.3% at constant forex<sub>(1)</sub> in 1H, showing sequential improvement in 2Q, up by 1.4%<sub>(1)</sub>
  - 2Q results driven by retail and e-commerce, accelerating growth in North America and Asia-Pacific
  - Weak wholesale in Europe
- 1H Group adj. operating margin<sub>(3)(4)</sub>: +10bps at constant forex<sub>(1)</sub>
  - Wholesale margin dilution: -20bps at constant forex<sub>(1)(3)(4)</sub>
  - Retail reaping the benefits of strategic initiatives and investments: operating margin up by 60bps<sub>(1)(3)(4)</sub>
- All-time high adj. net margin<sub>(3)(4)</sub> of 12% (12.8% at constant forex<sub>(1)</sub>) in 1H
- Free cash flow<sub>(3)</sub> generation of approx. €400 million
- Net debt/adj. EBITDA<sub>(3)(4)(5)</sub> at 0.5x after dividend payment of €484 million

For additional disclosures regarding information in this presentation, please see “Notes to the presentation” in the Appendix \_\_\_\_\_



# RAY-BAN STUDIOS

The 2018 campaign: Feel Your Beat



## 2Q AND 1H 2018 NET SALES PERFORMANCE

Millions of Euro

### 2Q 2018

GROUP

**2,416.5**

-4.9%

+1.4% @c.fx<sub>(1)</sub>

WHOLESALE

**900.5**

-8.2%

-3.1% @c.fx<sub>(1)</sub>

RETAIL

**1,516.0**

-2.8%

+4.3% @c.fx<sub>(1)</sub>

### 1H 2018

GROUP

**4,552.5**

-7.7%

+0.3% @c.fx<sub>(1)</sub>

WHOLESALE

**1,730.9**

-9.6%

-3.6% @c.fx<sub>(1)</sub>

RETAIL

**2,821.6**

-6.5%

+2.8% @c.fx<sub>(1)</sub>

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## CONSOLIDATED INCOME STATEMENT

€ mn	1H 2017		1H 2018		2018 vs. 2017	
	restated*				Curr. fx	Const. fx <sup>(1)</sup>
<b>Net sales</b>	<b>4,932</b>		<b>4,553</b>		<b>-7.7%</b>	<b>0.3%</b>
- Wholesale	1,915		1,731		-9.6%	-3.6%
- Retail	3,017		2,822		-6.5%	2.8%
<b>Adjusted gross profit<sub>(3)(4)</sub></b>	<b>3,225</b>	<b>65.4%</b>	<b>2,945</b>	<b>64.7%</b>	<b>-70bps</b>	<b>+20bps</b>
<b>Operating income</b>	<b>869</b>	<b>17.6%</b>	<b>763</b>	<b>16.8%</b>	<b>-80bps</b>	<b>+30bps</b>
Adjustments (pre tax)	-31		-19			
<b>Adjusted operating income<sub>(3)(4)</sub></b>	<b>899</b>	<b>18.2%</b>	<b>781</b>	<b>17.2%</b>	<b>-100bps</b>	<b>+10bps</b>
- Adjusted wholesale operating income <sub>(3)(4)</sub>	547	28.6%	466	26.9%	-170bps	-20bps
- Adjusted retail operating income <sub>(3)(4)</sub>	457	15.1%	420	14.9%	-20bps	+60bps
<b>Net income</b>	<b>562</b>	<b>11.4%</b>	<b>530</b>	<b>11.6%</b>	<b>+20bps</b>	<b>+110bps</b>
Adjustments (after tax)	-5		-15			
<b>Adjusted net income<sub>(3)(4)</sub></b>	<b>567</b>	<b>11.5%</b>	<b>545</b>	<b>12.0%</b>	<b>+50bps</b>	<b>+130bps</b>
<b>EPS</b>	<b>1.18</b>		<b>1.11</b>			
<b>Adjusted EPS<sub>(3)(4)</sub></b>	<b>1.19</b>		<b>1.14</b>		<b>-4.1%</b>	<b>11.3%</b>

\*1H 2017 net sales and results have been restated to reflect the application from 1Q 2018 of the new accounting standard IFRS 15 and the inclusion of net sales and results of the Group's e-commerce platforms in the Retail division. For additional disclosures, please see the Appendix

## FINANCIAL POSITION OVERVIEW

€ mn	June 30, 2017	June 30, 2018	YoY change
<b>Adjusted EBITDA<sub>(3)(4)</sub></b>	<b>1,176</b>	<b>1,032</b>	<b>(144)</b>
Change in working capital	(228)	(313)	(85)
Capex	(232)	(242)	(10)
<b>Operating cash flow<sub>(3)</sub></b>	<b>717</b>	<b>478</b>	<b>(238)</b>
<b>Free cash flow<sub>(3)</sub></b>	<b>535</b>	<b>400</b>	<b>(135)</b>
<b>Net debt<sub>(3)</sub></b>	<b>(1,113)</b>	<b>(899)</b>	<b>214</b>
<b>Net debt/adjusted Ebitda<sub>(3)(4)</sub></b>	<b>0.6x</b>	<b>0.5x</b>	
<b>Net debt/adjusted Ebitda excluding exchange rate effect<sub>(3)(4)(5)</sub></b>	<b>0.5x</b>	<b>0.5x</b>	
<b>Total operating working capital days<sub>(4)</sub></b>	<b>141</b>	<b>129</b>	<b>(12)</b>

1H 2017 net sales, results and working capital have been restated to reflect the application from 1Q 2018 of the new accounting standard IFRS 15. For additional disclosures, please see the Appendix

## CONFIRMING OUTLOOK FOR 2018, POSITIONING SALES IN THE LOW END OF THE RANGE

At constant forex<sup>(1)</sup>

	2018E <sup>(6)</sup>	1H 2018
SALES GROWTH	+2-4%	+0.3%
ADJ. OPERATING INCOME <sup>(3)(4)</sup>	0.8-1.0x SALES	1.4x
ADJ. NET INCOME <sup>(3)(4)</sup>	1.0-2.0x SALES	high
NET DEBT/ADJ. EBITDA <sup>(3)(4)(5)</sup>	0.3-0.4x	0.5x

For additional disclosures regarding information in this presentation, please see "Notes to the presentation" in the Appendix



## NORTH AMERICA: ACCELERATING RESULTS IN 2Q

- 2Q 2018 sales +3.4% at constant forex<sub>(1)</sub> benefiting from a solid trading environment in both wholesale and retail
- 2Q wholesale sales: +5.5% at constant forex<sub>(1)</sub>, all sales channels growing
- 2Q retail sales: +2.9% at constant forex<sub>(1)</sub>
  - Enduring positive momentum for Sunglass Hut, completed the roll-out in Bass Pro Shops and Cabela's stores
  - Improving LensCrafters' performance: sales up by 2%, comps<sub>(2)</sub> -1.4% in 2Q
  - Double-digit growth of e-commerce led by Ray-Ban.com



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## MIXED RESULTS IN EUROPE

- 2Q 2018 sales down by 4.5% at constant forex<sub>(1)</sub>: positive high single-digit growth in retail not sufficient to offset negative high single-digit performance in wholesale
- Delayed sun season and commercial policy realignment created a cautiousness among clients that negatively affected wholesale
  - Double-digit negative sales in Mediterranean Europe, strong performance in the UK and Nordics
- Solid retail improving vs. 1Q, outperforming the market
  - Positive comps<sub>(2)</sub> and healthy performance of new stores contributing to the overall results
- Exclusive product and limited editions, best-in-class delivery service and strong branded storytelling drove the increase in e-commerce traffic and conversion rates



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## ASIA-PACIFIC: RETURN TO STRONG GROWTH

- 2Q 2018 sales growth accelerated to 7.5% at constant forex<sub>(1)</sub> led by double-digit growth in Greater China and India. Solid contribution from Australia
  - Strong retail across all countries
- Greater China back to positive sales
  - Strategic repositioning completed in Mainland China: sales on fire, up by 33% at constant forex<sub>(1)</sub>
  - Hong Kong posting solid growth
  - Ray-Ban continuing its store expansion
- Australia: another quarter of solid retail growth at OPSM and Sunglass Hut
  - Sunglass Hut confirming its strength also in e-commerce



For additional disclosures regarding information in this presentation, please see “Notes to the presentation” in the Appendix

## LATIN AMERICA: RESILIENCE IN A CHALLENGING MACRO ENVIRONMENT

- 2Q 2018 sales +2.3% at constant forex<sub>(1)</sub> driven by Brazil and Argentina
- Brazil growing high single-digit<sub>(1)</sub>
  - Successful first year with Óticas Carol
    - Strong growth of the franchising business, with 80 new franchisees joining the network in the first half
- Strengthening the wholesale direct presence in Chile and Colombia
- Further retail expansion of Sunglass Hut and Ray-Ban stores across the region



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## ENTERING 2H: WELL-POSITIONED TO DELIVER SOLID GROWTH

- Expecting accelerated growth in 2H driven by solid momentum in retail and recovering wholesale
  - LensCrafters on its way back to positive comps<sub>(2)</sub>
  - Wholesale: looking for a trend reversal in 2H. Positive signs as strategic initiatives start to prove their value
- Continuing investments in innovation
  - Full-digital brand and service experience presented at Luxottica Days





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APPENDIX

## NOTES TO THE PRESENTATION

- › <sup>1</sup> Figures at constant exchange rates are calculated using the average exchange rates in effect during the corresponding period of the previous year. Please refer to the “Major currencies” table in the press release titled “Net sales improve in the second quarter, record net margin in the first half of 2018” dated July 23, 2018 available at the [www.luxottica.com](http://www.luxottica.com) website under the Investors tab
  - › <sup>2</sup> “Comps” or comparable store sales reflect the change in sales from one period to another, that, for comparison purposes, includes in the calculation only stores open in the more recent period that also were open during the comparable prior period, and applies to both periods the average exchange rate for the prior period and the same geographic area. Comparable store sales do not include e-commerce sales
  - › <sup>3</sup> Net debt/EBITDA, net debt/adjusted EBITDA, net debt, EBITDA, adjusted EBITDA, adjusted gross profit, adjusted operating income, adjusted operating margin, adjusted net income, adjusted earnings per share and free cash flow are not measures in accordance with IFRS. For additional disclosure, see the press release titled “Net sales improve in the second quarter, record net margin in the first half of 2018” dated July 23, 2018 available at the [www.luxottica.com](http://www.luxottica.com) website under the Investors tab.
  - › <sup>4</sup> Excluding adjusting items
  - › <sup>5</sup> Net debt figures are calculated using the average exchange rates used to calculate EBITDA figures
  - › <sup>6</sup> FY 2018 outlook data is included in Luxottica’s presentation of its FY 2017 results. See the “When strategy meets execution: a new operating model” presentation dated February 26, 2018 available at [www.luxottica.com](http://www.luxottica.com) under the Investors tab.
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## 2Q 2018 SALES BREAKDOWN

€ mn	2Q 2018		2Q 2017 restated*		2018 vs. 2017	
		%		%	Const. fx <sup>(1)</sup>	Curr. fx
<b>North America</b>	<b>1,368</b>	<b>57%</b>	<b>1,432</b>	<b>56%</b>	<b>3.4%</b>	<b>-4.5%</b>
Wholesale	255	11%	261	10%	5.5%	-2.1%
Retail	1,113	46%	1,172	46%	2.9%	-5.0%
<b>Europe</b>	<b>590</b>	<b>24%</b>	<b>628</b>	<b>25%</b>	<b>-4.5%</b>	<b>-6.1%</b>
<b>Asia-Pacific</b>	<b>294</b>	<b>12%</b>	<b>290</b>	<b>11%</b>	<b>7.5%</b>	<b>1.5%</b>
<b>Latin America</b>	<b>128</b>	<b>5%</b>	<b>143</b>	<b>6%</b>	<b>2.3%</b>	<b>-10.3%</b>
<b>Rest of the World</b>	<b>36</b>	<b>2%</b>	<b>47</b>	<b>2%</b>	<b>-19.4%</b>	<b>-23.2%</b>
<b>GROUP TOTAL</b>	<b>2,417</b>	<b>100%</b>	<b>2,540</b>	<b>100%</b>	<b>1.4%</b>	<b>-4.9%</b>

\*2Q 2017 net sales have been restated to reflect the application from 1Q 2018 of the new accounting standard IFRS 15 and the inclusion of net sales of the Group's e-commerce platforms in Retail division net sales.



## 1H 2018 SALES BREAKDOWN

€ mn	1H 2018	%	1H 2017 restated*	%	2018 vs. 2017	
					Const. fx <sub>(1)</sub>	Curr. fx
<b>North America</b>	<b>2,566</b>	<b>56%</b>	<b>2,809</b>	<b>57%</b>	<b>1.8%</b>	<b>-8.7%</b>
Wholesale	495	11%	534	11%	3.0%	-7.4%
Retail	2,071	45%	2,274	46%	1.5%	-9.0%
<b>Europe</b>	<b>1,079</b>	<b>24%</b>	<b>1,145</b>	<b>23%</b>	<b>-4.3%</b>	<b>-5.8%</b>
<b>Asia-Pacific</b>	<b>573</b>	<b>13%</b>	<b>597</b>	<b>12%</b>	<b>3.5%</b>	<b>-4.0%</b>
<b>Latin America</b>	<b>259</b>	<b>6%</b>	<b>288</b>	<b>6%</b>	<b>2.5%</b>	<b>-10.1%</b>
<b>Rest of the World</b>	<b>76</b>	<b>2%</b>	<b>93</b>	<b>2%</b>	<b>-13.0%</b>	<b>-17.8%</b>
<b>GROUP TOTAL</b>	<b>4,553</b>	<b>100%</b>	<b>4,932</b>	<b>100%</b>	<b>0.3%</b>	<b>-7.7%</b>

\*1H 2017 net sales have been restated to reflect the application from 1Q 2018 of the new accounting standard IFRS 15 and the inclusion of net sales of the Group's e-commerce platforms in Retail division net sales.

## 2017 RESTATED FINANCIAL DATA

€ mn	1Q 2017	2Q 2017	1H 2017	3Q 2017	4Q 2017	FY 2017
<b>Net sales</b>	<b>2,391</b>	<b>2,540</b>	<b>4,932</b>	<b>2,153</b>	<b>2,099</b>	<b>9,184</b>
- Wholesale	934	981	1,915	739	717	3,371
- Retail	1,458	1,559	3,017	1,414	1,382	5,813
<b>Adjusted operating income<sub>(3)(4)</sub></b>	<b>372</b>	<b>528</b>	<b>899</b>	<b>325</b>	<b>219</b>	<b>1,443</b>
- Adjusted wholesale operating income <sub>(3)(4)</sub>			547			782
- Adjusted retail operating income <sub>(3)(4)</sub>			457			862

2017 Net sales and results have been restated to reflect: (i) the application from 1Q 2018 of the new accounting standard IFRS 15; (ii) the inclusion of net sales and results of the Group's e-commerce platforms in the Retail division and (iii) the finalization of Oticas Carol purchase price allocation.

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### **Upcoming event**

- October 22 – 3Q 2018 net sales

[www.luxottica.com/en/company/investors/financial-calendar](http://www.luxottica.com/en/company/investors/financial-calendar)

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