5th August 2016

Luxury & Consumer Goods

Grandvision

Price EUR23.42

Q2 results slightly above expectations

Fair Value EUR28 (+20%) **BUY**

Bloomberg	GVNV NA
Reuters	GVNV AS
12-month High / Low (EUR)	27.7 / 21.9
Market Cap (EURm)	5,959
Ev (BG Estimates) (EURm)	6,716
Avg. 6m daily volume (000)	91.70
3y EPS CAGR	10.0%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-0.8%	0.1%	-10.8%	-15.3%
Consumer Gds	1.6%	4.6%	4.8%	-2.0%
DJ Stoxx 600	2.4%	1.8%	2.8%	-7.6%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	3,205	3,444	3,605	3,775
% change		*7.5%*	*4.7%*	*4.7%*
EBITDA	512	557	599	641
EBIT	353.2	387.8	422.3	456.0
% change		*9.8%*	*8.9%*	*8.0%*
Net income	212.7	237.3	263.1	288.5
% change		*11.5%*	*10.9%*	*9.7%*

	2015	2016e	2017e	2018e
Operating margin	11.0	11.3	11.7	12.1
Net margin	6.6	6.9	7.3	7.6
ROE	27.3	24.6	23.6	22.6
ROCE	18.7	20.3	22.0	24.0
Gearing	112.9	74.4	52.0	32.4

(EUR)	2015	2016e	2017e	2018e
EPS	0.85	0.93	1.03	1.13
% change	-	*9.6%*	*10.9%*	*9.7%*
P/E	27.5x	25.1x	22.7x	20.7x
FCF yield (%)	3.9%	4.5%	4.9%	5.6%
Dividends (EUR)	0.14	0.35	0.39	0.45
Div yield (%)	0.6%	1.5%	1.7%	1.9%
EV/Sales	2.2x	1.9x	1.8x	1.7x
EV/EBITDA	13.5x	12.1x	11.0x	10.0x
EV/EBIT	19.5x	17.3x	15.6x	14.0x

This morning, GrandVision unveiled Q2 sales of EUR867m, a touch above CS forecast (EUR858m), with a comparable growth of 3.6% (CS: +2.3%) that accelerated vs. Q1 (+0.9%). The adj. EBITDA reached EUR150m (CS: EUR143m), implying a 80bp-margin improvement to 17.3% (CS: 16.7%). Conference call today at 9.00am CET. Buy recommendation and FV of EUR28 confirmed.

ANALYSIS

- **Q2 revenue increased 4.8% to EUR867m (+8.4% FX-n). Comparable growth** accelerated to 3.6% vs. 0.9% in Q1, driven by Western Europe (=G4) and the emerging markets, especially Russia which returned to growth in Q2. As such, **organic growth** reflected the same trend with +5.3% vs. +1.7% in Q1, whilst the **perimeter impact** amounted to 3.2% (Q1: +3.2%) given the consolidation of US chain *For Eyes*.

- **Adj. EBITDA came in at EUR150m (+9.8% and +10.7% in organic terms) vs. CS of EUR143m.** The margin improved 80bp to 17.3% (CS: 16.7%e) since the weight of own brand frames increased in the sales mix, but also thanks to efficiency gains. These tailwinds were partly dented by another dilutive impact from *For Eyes*. It is worth noting that in H1 GrandVision registered non-recurring charges of EUR6m related to integration costs (*Randazzo* chain in Italy) and adjustments of inventory and insurance income.

GrandVision Q2 and H1 15 results:

EURm	Q2 16	H1 16
Net sales	**867**	**1,670**
Reported growth (%)	*4.8*	*3.7*
Comparable growth (%)	*4.8*	*2.3*
Adj. EBITDA *	**150**	**272**
Adj. EBITDA margin (%)	17.3 (+80bp)	16.3 (+20bp)

* *After "Other reconciling items"* *Source: Company Data*

- By region: sales in the **G4** segment were up 2.5% to EUR519m. Organic growth of 4.1% was notably driven by comparable growth of 3.2%, representing a sharp acceleration vs. Q1 (+0.3%). As for the **adj. EBITDA** margin, it expanded 180bp to 23% thanks a higher share of prescription glasses and brand frames in the sales mix, as well as efficiency gains.

EURm – G4	Q2 16	H1 16
Net sales	**519**	**1,013**
Reported growth (%)	*2.5*	*1.6*
Comparable growth (%)	*3.2*	*1.8*
Adj. EBITDA	**119**	**220**
Adj. EBITDA margin (%)	23.0 (+180bp)	21.7 (+80bp)

Source: Company Data

- Revenue in the **Other Europe** segment amounted to EUR234m, up 2.6% reported and 3.2% in organic terms, while comparable growth returned to positive territory with 2.1% following a 0.5% decline in Q1, thanks to good momentum in Eastern Europe as well as Northern Europe which benefited from additional selling days (this region was soft in Q1). The **adj. EBITDA** margin remained stable this quarter to 14.9%.

EURm – Other Europe	Q2 16	H1 16
Net sales	**234**	**442**
Reported growth (%)	*2.6*	*1.3*
Comparable growth (%)	*2.1*	*0.8*
Adj. EBITDA	**35**	**61**
Adj. EBITDA margin (%)	14.9 (=)	13.9 (+10bp)

Source: Company Data

(continued next page)

- Sales in **Americas & Asia** increased 22.8% to EUR113m, including comparable growth of 9.7% (Q1: +8.5%). Momentum remained strong in Mexico and Brazil but, as stated earlier, Russia rebounded to mid-single-digit, same-store growth vs. A mid single digit decline the previous quarters. The adj. EBITDA did not change at 5%, but this is only due to the dilutive impact from the integration of *For Eyes*, as profitability would have been 150bp excluding M&A over the H1.

EURm – Americas & Asia	Q2 16	H1 16
Net sales	**113**	**215**
Reported growth (%)	*22.8*	*21.1*
Comparable growth (%)	*9.7*	*9.2*
Adj. EBITDA	**6**	**9**
Adj. EBITDA margin (%)	5.0 (=)	4.2 (+50bp)

Source: Company Data

- **Improving Financial Position.** Although FCF was lower in H1 (EUR92 vs. EUR124m the prior year) due to the implementation of the ERP system (= impact on WC levels) and a negative phasing effect on tax payments, the Group lowered its net debt to EUR911m vs. EUR941m in H1 15, hence a leverage ratio of 1.7x vs. 1.8x the prior year.

VALUATION

- Following these reassuring Q2 results that mark an improvement vs. the first quarter, we expect a positive market reaction this morning. At 15.6x 2017e EV/EBIT, the stock trades at 21% discount vs. Fielmann, its most direct peer within the Optical & Eyewear sector. Buy recommendation and FV of EUR28 confirmed.

NEXT CATALYSTS

- Conference call today at 9.00am (Paris time) // Q3 16 Trading Update on 27th October.

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