



## Consumer, Brands &amp; Retail

28th February 2019

## GRANDVISION

- Consumer, Brands & Retail
- Optical & Eyewear

## BUY

Fair Value	EUR26(+31%)
Share price	-18.90
EPS 3Y Cagr	3.9%

## Resilient business model in a challenging European macro

## Q1 LFL expected to be roughly in line with Q4 (+2.9%)

Management delivered a cautious message on the economic environment particularly in Europe (Yellow Vest, Brexit, volatile consumer sentiment), which was also echoed by Beiersdorf. Yet, GNVV is guiding on Q1 2019 LFL to be roughly in line with Q4 2018 (+2.9%), as weaker trends in January were more than offset by a “strong month of February”. GNVV can count on the easiest comparable base of the year (Q1 2018: +1.9%), but also thanks to ongoing market share gains in key markets such as **Germany** or **France**. Moreover, the completed integration of **Tesco Opticians (UK)** and an improving execution in **Italy** (which was still below group’s plans) may help accelerate in those markets.

## US: Focus on execution in 2019

Despite positive comparable growth and a reduction in net losses in 2018, management was not totally satisfied by the performance in light of the robust underlying trends and significant growth opportunities for GNVV (US = -30% of the global market and only -2% of GNVV revenue).

Although Q1 will remain impacted by the POS implementation, revenue and earnings growth is expected to accelerate further this year. For 2019, we believe that *For Eyes* will focus in priority on retail expansion and execution. Indeed, we believe it is too soon to expect M&A in the US, as integration efforts could endanger the ramp-up phase of *For Eyes*, which has just completed its turnaround.

## Omnichannel implementation runs full steam ahead

Last year, **eCommerce sales soared by 60% from a low base** (~2% of total revenue). As an illustration, GNVV’s UK online contact lens retailer *Lenstore* was successfully launched in Germany, which reinforces the group’s omnichannel approach there, in addition to *Apollo Optik* that runs its own platform. Interestingly, GNVV is currently testing a new omnichannel platform concept in Portugal, before a global rollout, which may start before the end of 2019. Last month, the acquisition of the Dutch DNVB **Charlie Temple** will help GNVV adopt a digital mindset and expertise.

## Minor FY19 forecast adjustments, Buy rating confirmed

It is worth noting that both our FX-n sales growth assumption (+4.7%e) and guidance (“at least 5% FX-n”) do not include the contribution from large acquisitions, such as Charlie Temple and Optica2000. Hence, we still expect a 30bp-margin improvement since the potential dilutive impact from M&A is not factored in, even though we have slightly nudged down our earnings forecast by -1%.

As already seen in the past, the negative market reaction (-4.7%), explained by the lack of near-term catalysts and the conservative tone of management during the conference call, is exacerbated by the narrow free float.

However, we maintain our positive stance on GNVV, which is a safe-haven in the retail industry, on top of an attractive valuation (P/E 12m forward: -40% discount vs. FIE).

## Market Data

Bloomberg / Reuters	GNVV NA/GNVV AS
Market Cap.	-4 809
E.V.	-5 874
Free Float	22,5
Avg. Daily volume (6m)	85.00
12m high / low	22.8 / 17.9
Ytd Perf.	-1.2%

EURm	12/17	12/18	12/19	12/20
Sales	3,450	3,721	3,895	4,081
% Change		7.9%	4.7%	4.8%
EBITDA	551.5	576.4	613.6	655.7
% Change		4.5%	6.5%	6.9%
EBIT	326.8	336.9	372.7	402.4
% Change		3.1%	10.6%	8.0%
Net Income	227.9	215.9	236.3	259.0
% Change		-5.3%	9.5%	9.6%
ROE	0.22	0.19	0.18	0.18

	12/17	12/18	12/19	12/20
EV/Sales	1.6x	1.5x	1.4x	1.3x
EV/EBITDA	10.2x	9.6x	8.7x	7.9x
EV/EBIT	17.2x	16.3x	14.3x	12.8x
EPS	0.95	0.91	0.97	1.06
% change		-4.2%	7.1%	9.2%
P/E	19.9x	20.8x	19.4x	17.8x
Div Yield	1.7%	1.7%	1.7%	1.9%

Next Catalyst: Q1 2019 Trading Statement on 26th April.

Cédric Rossi

33(0) 1 70 36 57 25  
crossi@bryangarnier.com

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# BRYAN, GARNIER & CO

## London

Bryan, Garnier & Co Ltd  
Beaufort House  
15 St. Botolph Street  
London EC3A 7BB  
United Kingdom  
+44 207 332 2500

## Paris

Bryan, Garnier & Co Ltd  
26 Avenue des Champs-  
Elysées  
75008 Paris  
France  
+33 1 56 68 75 20

## Munich

Bryan, Garnier & Co. GmbH  
Widenmayerstrasse 29  
80538 Munich  
Germany  
+49 89 2422 62 11

## Zurich

Bryan, Garnier & Co  
Theaterstrasse 4  
8001 Zurich  
Switzerland  
+41 44 991 3300

## New York

Bryan Garnier Securities  
750 Lexington Avenue  
16th floor  
New York, NY 10022  
United States  
+1 212 337 7000

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