



LUXOTICA®

2Q 2014 results

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Milan, July 24, 2014

## FORWARD LOOKING STATEMENTS

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 uncertain global economic conditions on our business, fluctuations in exchange rates, 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 achieve and manage growth, our ability to negotiate and maintain favorable license arrangements, the availability of correction alternatives to prescription eyeglasses, 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.

**This investor presentation contains measures that were not prepared in accordance with IAS/IFRS. For a reconciliation of non-IAS/IFRS measures used in these materials, see the Company’s press release titled “Luxottica reports accelerated growth in the second quarter of 2014: record operating income and free cash flow” dated July 24, 2014, available on the company’s website [www.luxottica.com](http://www.luxottica.com) under the Investors tab.**

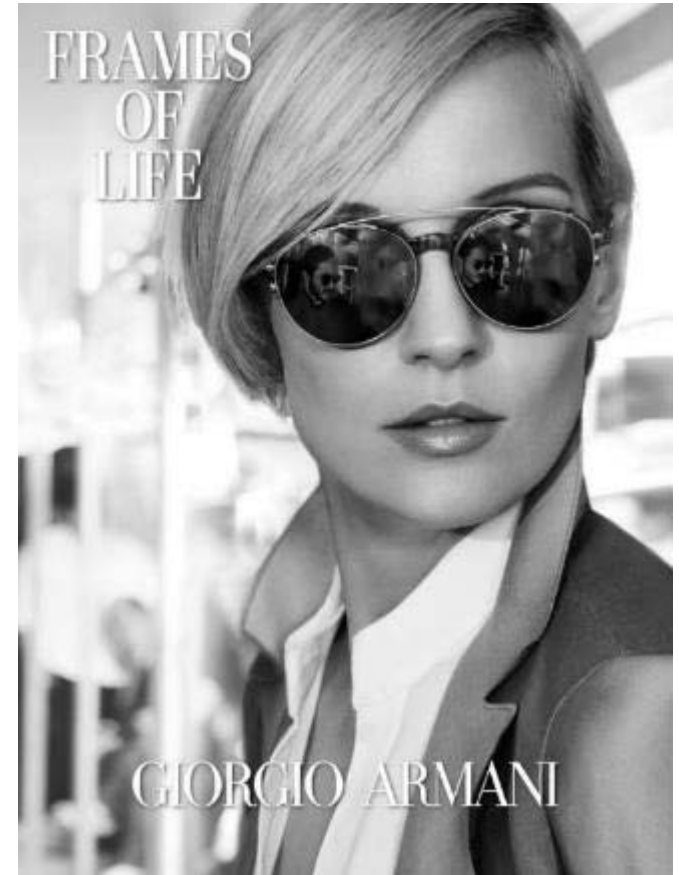
# MARKING A NEW QUARTERLY SALES RECORD

- › Accelerating Group sales: +7.0% at constant forex<sub>(1)</sub>
  - Wholesale sales +10.3% vs. a record +13.9% at constant forex<sub>(1)</sub> in 2Q 2013
    - Strong momentum in North America and emerging markets, solid Europe
    - Ray-Ban and Oakley: robust growth across geographies and channels
    - Premium and luxury once again confirm eyewear as must-have fashion accessories
  - Retail comps<sub>(2)</sub> +4.8%
    - Strong Sunglass Hut comps<sub>(2)</sub> worldwide: +9.9%
    - LensCrafters improving in North America, mid-teens growth in China

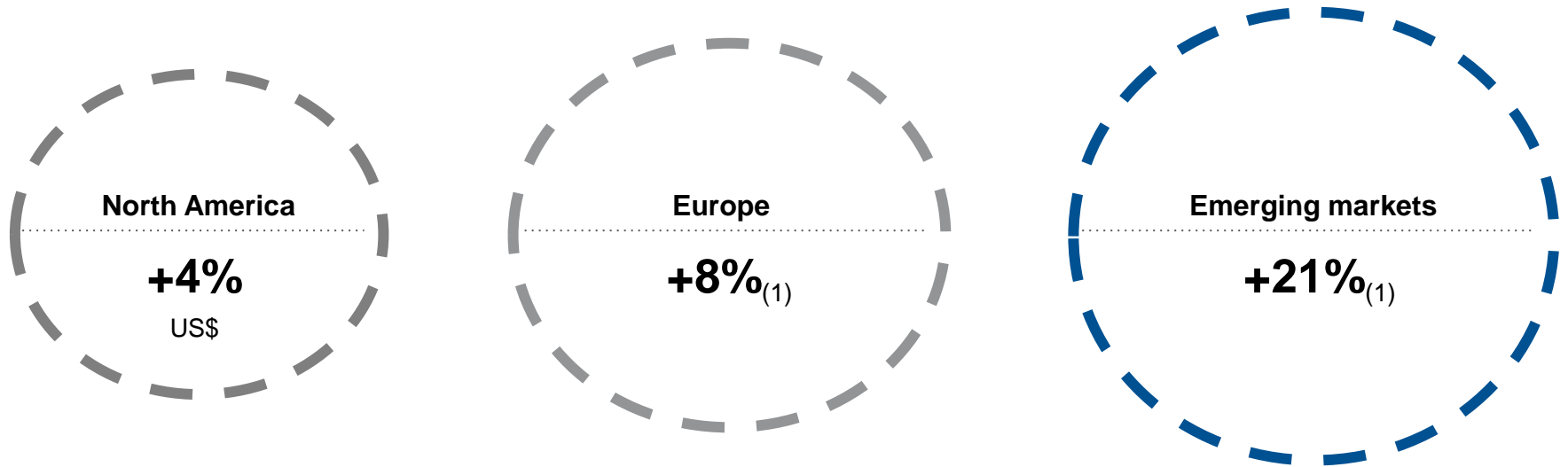


# RECORD PROFITABILITY AND FREE CASH FLOW GENERATION

- › Record quarterly Group profitability at 19.2%: +110bps at constant forex<sub>(1)(4)</sub>
  - Solid wholesale margin expansion: +110bps at constant forex<sub>(1)(4)</sub>
  - Retail margin: +50bps at constant forex<sub>(1)</sub>, all regions posting higher profitability
- › Effective control of working capital and one-off positive effects leading to record free cash flow<sub>(3)</sub> generation of €321 million
  - Dividend payment of €308 million
  - Net debt/EBITDA<sub>(3)</sub>: stable at 1.0x



## 2Q 2014 GROUP SALES GROWTH ACCELERATING ACROSS GEOGRAPHIES



For additional disclosures regarding information in this presentation, please see "Notes to the presentation" in the Appendix. Sales performance includes wholesale and retail.

# SALES PERFORMANCE

Currency headwinds persist

**2Q 2014**

**+2.1%**

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

**+7.0%**

Wholesale at constant forex<sub>(1)</sub>

**+10.3%**

Retail comps<sub>(2)</sub>

**+4.8%**

**1H 2014**

**+0.5%**

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

**+5.6%**

Wholesale at constant forex<sub>(1)</sub>

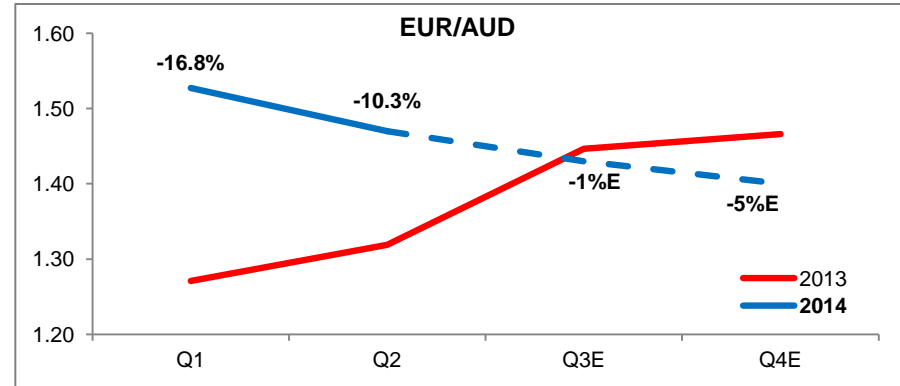
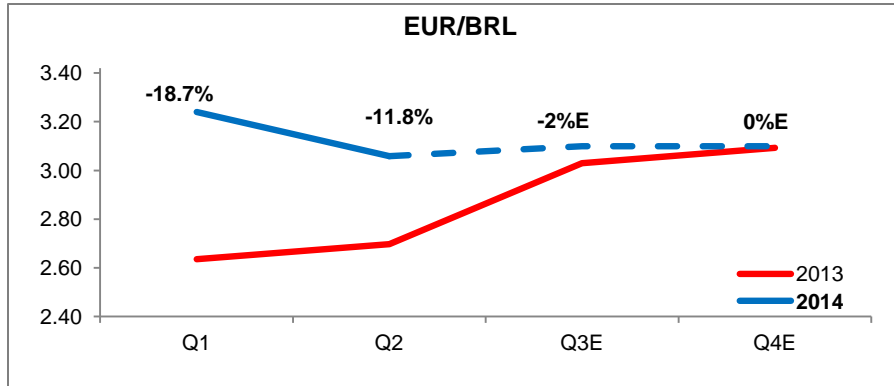
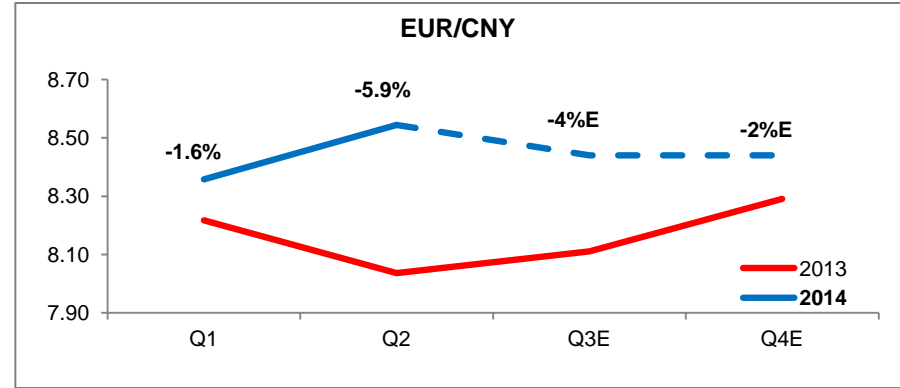
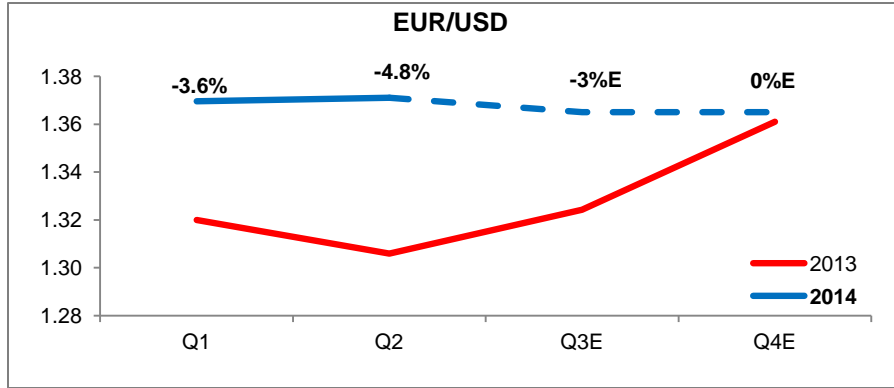
**+9.2%**

Retail comps<sub>(2)</sub>

**+3.3%**

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# CURRENCIES EVOLUTION AND PROJECTED RATES FOR 3Q AND 4Q 2014



## CURRENCY IMPACT

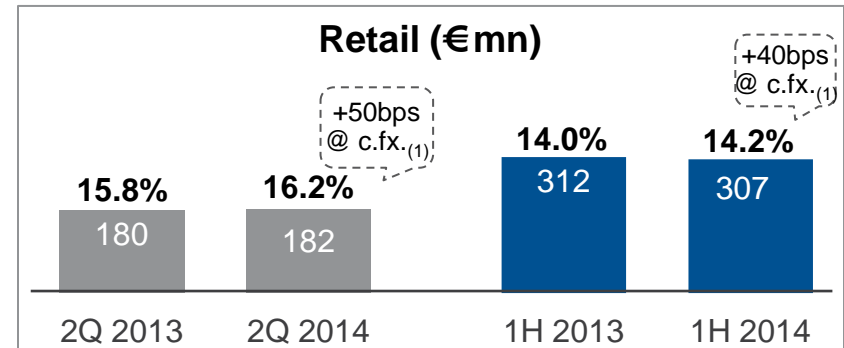
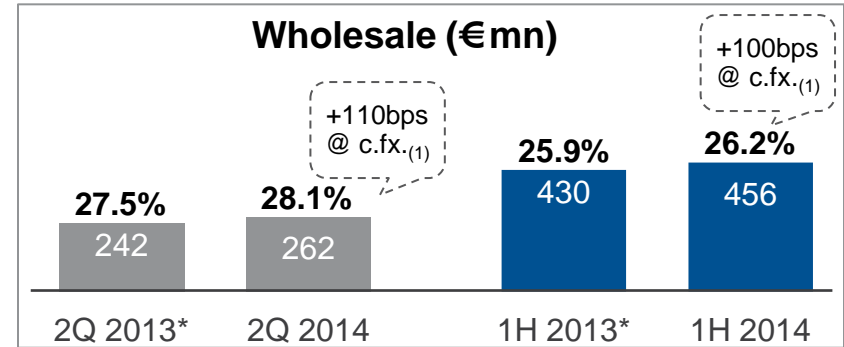
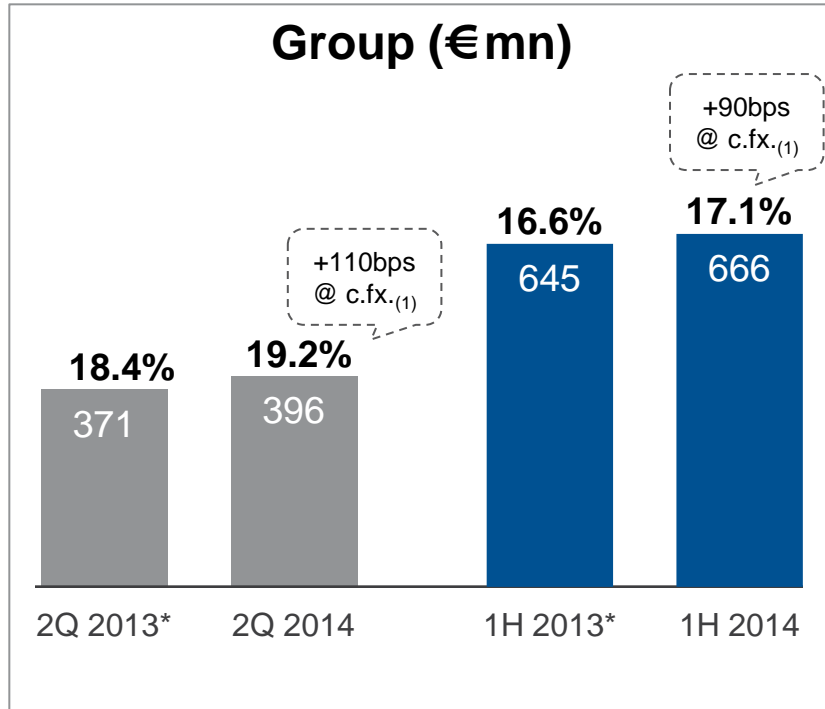
Negative currency impact expected to ease in 2H

$\Delta$ vs. previous period	1H 2014	2H 2014E*	FY 2014E*
<b>Impact on net sales</b>	-5.1%	-1%	-3%
<b>Impact on operating margin</b>	-50bps	-10bps	-30bps

\*Estimated impact in 2H and FY 2014 is calculated using the average between reported 1H exchange rates and the exchange rates currently projected for 2H 2014

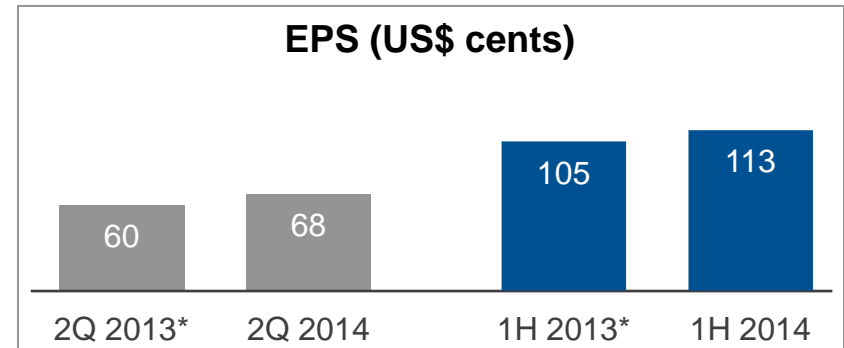
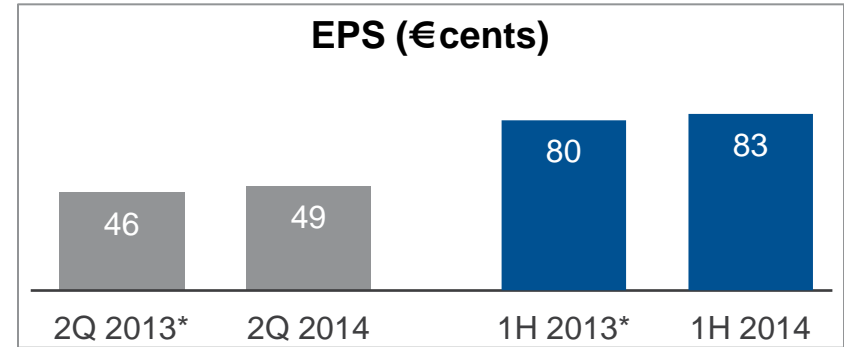
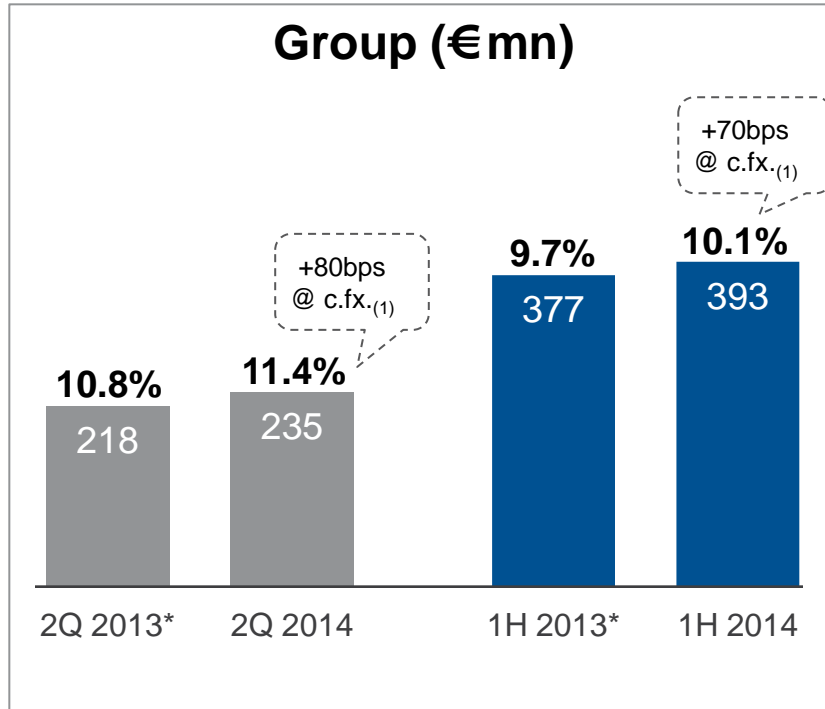


# STRONG GROWTH IN OPERATING MARGIN



\*Adjusted 2Q and 1H 2013 operating income<sub>(3)(4)</sub> For additional disclosures regarding information in this presentation, please see "Notes on the presentation" in the Appendix

# RECORD NET MARGIN



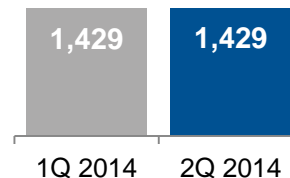
\* Adjusted 2Q and 1H 2013 net income<sub>e(3)(4)</sub> For additional disclosures regarding information in this presentation, please see "Notes on the presentation" in the Appendix

## DEBT OVERVIEW

Net debt/EBITDA<sub>(3)</sub> stable at 1.0x after:

- €308 million dividend payment
- €10 million paid in connection with minor acquisition

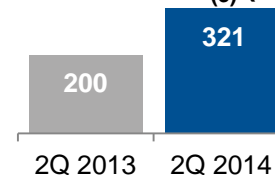
**Net debt<sub>(3)</sub> (€ mn)**



Record quarterly free cash flow<sub>(3)</sub> generation

- Profitability increase and effective working capital control
- Capex increase from €85 million to €93 million

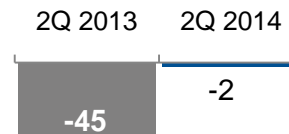
**Free cash flow<sub>(3)</sub> (€ mn)**



Δ days

- DSO -5
- DSI -17
- DPO +1

**Operating working capital (€ mn)**



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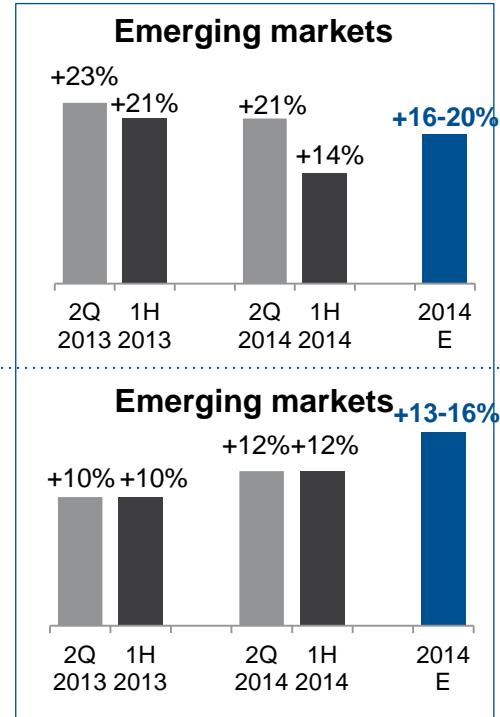
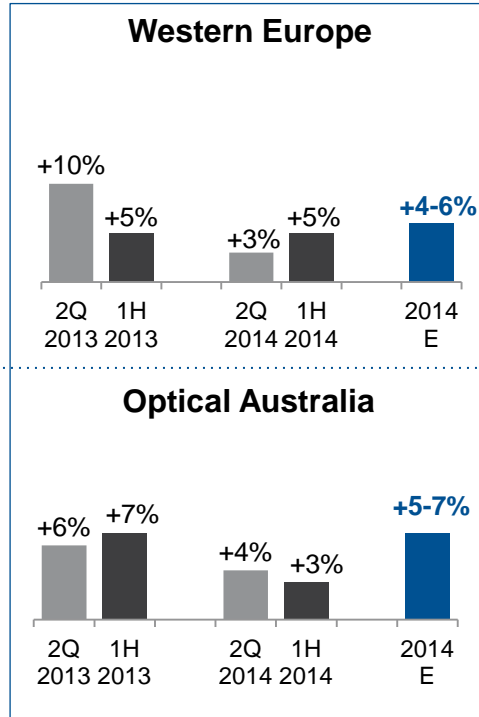
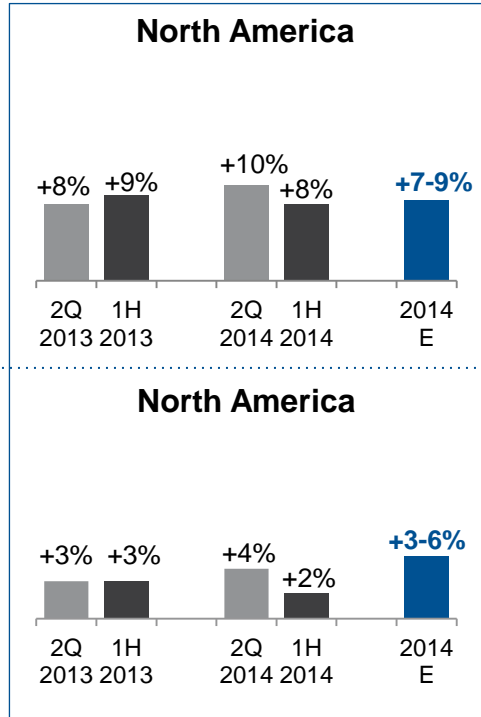
## 2014 “RULE OF THUMB”

		% growth vs. 1H13 (@ constant forex <sub>(1)</sub> )
SALES GROWTH	HIGH SINGLE-DIGIT	<b>+6%</b>
OPERATING INCOME	2x SALES GROWTH	<b>+11%</b>
NET INCOME	2x SALES GROWTH	<b>+13%</b>

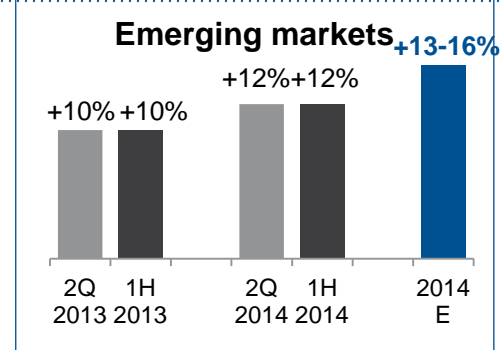
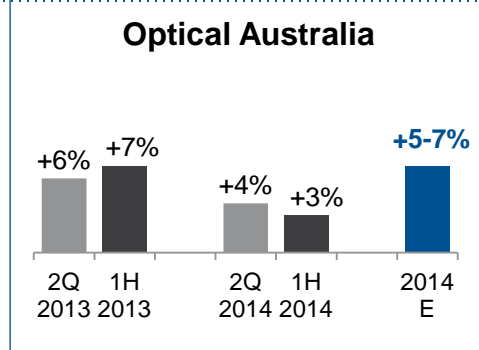
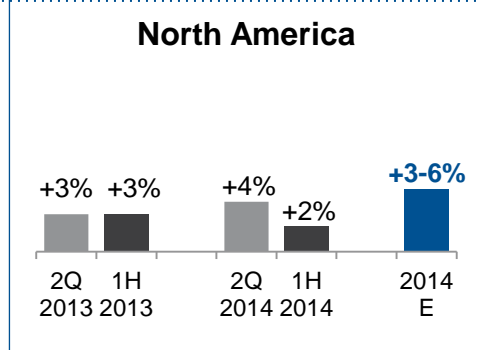
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# REVENUE ROADMAP BY GEOGRAPHY

Wholesale<sup>(1)</sup>



Retail<sup>(2)</sup>



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

## 2Q 2014 NORTH AMERICA

### Strong results outperforming the market

- › Strong wholesale sales: +10% in US\$, reaping the benefits of a consistent growth strategy across channels
  - 3-year cumulative growth above 40%
- › Strong momentum at Sunglass Hut: +8.5% comps<sub>(2)</sub>
  - “94 shades of summer” campaign, great emphasis on fashion brands
- › LensCrafters : +0.9% comps<sub>(2)</sub>, led by a strong customer conversion



# SUNGLASS HUT OWNING SUMMER WITH THE LARGEST GLOBAL CAMPAIGN EVER LAUNCHED

- › Sunglass Hut in the global spotlight: comps<sub>(2)</sub> up by 9.9%, strong growth across geographies and channels
  - Outstanding performance in North America, Iberia, South Africa and Latam
  - Stepping forward in omni channel with Sunglass Hut “experience 360” in North America: an endless assortment available in all stores
- › Boosting penetration in new channels
  - Testing new partnerships and setting a new landmark in the travel retail channel with the “Ray-Ban shop-in-shop”
  - Sunglasshut.com now live in the UK and Brazil



# LENSCRAFTERS

## The journey towards a more contemporary customer experience continues

- › Action plan defined in 1Q now in place, organization aligned
  - Conversion up 5% in 2Q, offsetting mall traffic decline, showing improvement in brand consideration
  - 3Q strategy entirely focused on further raising brand perception around quality of eyecare and eye exams, changes in messaging
  - Even stronger focus on customer satisfaction with the implementation of new store segmentation, new product assortment strategy and new entry price segments, as well as more effective planning of labor shifts in stores





## 2Q 2014 EUROPE

### Buoyant but dual speed performance

- › Strong Continental Europe: +9%<sub>(1)</sub> on top of 15%<sub>(1)</sub> growth in 2Q 2013
  - Growth engines: Germany, France, UK and Nordics
- › Early Summer languor in Mediterranean Europe: -1%<sub>(1)</sub> vs. +11%<sub>(1)</sub> in 2Q 2013
- › Stellar sales growth in Eastern Europe: >40%<sub>(1)</sub>



BVLGARI

## 2Q 2014 EMERGING MARKETS

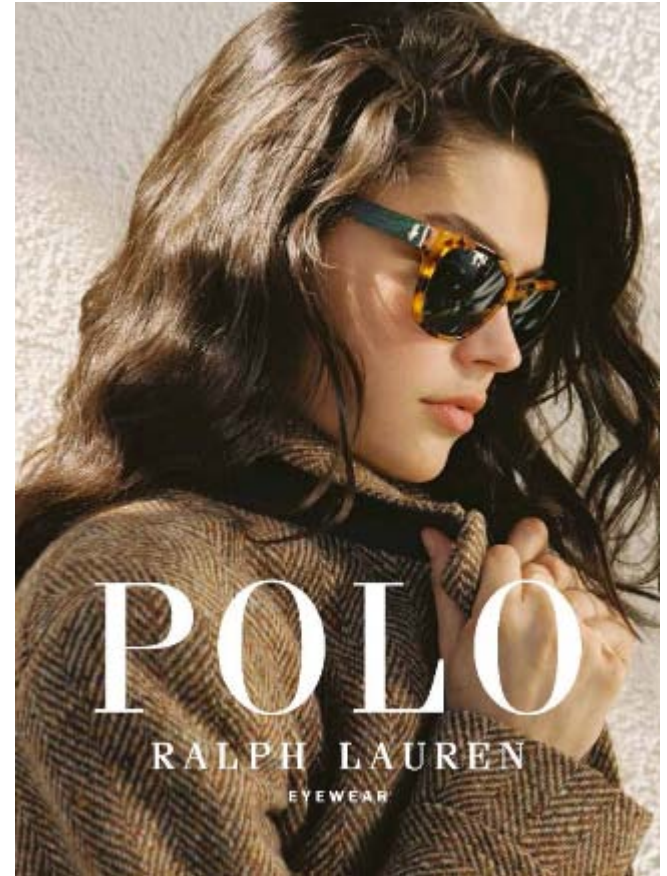
### Solid trading environment across markets

- › Best performers: Turkey +66%<sub>(1)</sub>, China +28%<sub>(1)</sub>, India +24%<sub>(1)</sub> and Brazil +17%<sub>(1)</sub>
- › Continuously investing to improve the customer experience
  - Brazil outpacing market growth: building up wholesale, “Sunglasshutization” on track with over 50 stores
  - LensCrafters China posting another quarter of double-digit comps<sub>(2)</sub>
  - Engaging with the Turkish consumer: first ever local brand ambassador for Vogue strongly driving sales
- › Growing store footprint: over 100 new stores from 2Q 2013, totaling approx. 1,250 stores



## THE WAY FORWARD

- › Positive sales momentum continues, currency impact projected to ease
- › Order portfolio up double-digits
- › Full benefit of price increases in emerging markets and North America visible from 3Q
- › Confident for the “back-to-school” season





OneSight is a non-profit providing access to quality vision care and eyewear in underserved communities worldwide. Since 1988, OneSight has engaged thousands of skilled volunteers across Luxottica and other industry partners to hand-deliver the sight to 8.6 million people in 40 countries.

## 2Q 2014 RESULTS

### Vision care programs

OneSight helped 55,000 people through 11 vision clinics and numerous community outreach programs

### Research foundation

Awarded \$50,000 to optometry students through the Dr. Stanley Pearle Scholarship Foundation.

### Launched two new vision centers and central manufacturing facility in the Gambia

In 2014, OneSight is expanding models to provide sustainable access to affordable vision care. Building on the success of the vision center in Farafenni, The Gambia, a country in West Africa that previously had one optometrist to serve 1.8 million people, OneSight opened two new vision centers and a central manufacturing lab in 2Q. To date, more than 4,000 Gambians in Farafenni have received an eye exam. A fourth vision center will open later this year in Brikama. By the end of 2015, eight vision centers will serve the needs of the entire country.



Ebrima is a local metal worker in The Gambia. Before purchasing glasses at the Vision Center in Farafenni, he struggled to read a tape measure. His poor vision caused him to make many mistakes that resulted in lost business. He now wears his glasses every day and also has a back-up pair because they have made such a difference. Now he's saving for a pair of photochromic lenses because he learned how important sun protection is from optical leads that visited his village.

*2014 Sustainable Vision Center in The Gambia*



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## NOTES ON 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 “Luxottica reports accelerated growth in the second quarter of 2014: record operating income and free cash flow” dated July 24, 2014 available at the [www.luxottica.com](http://www.luxottica.com) website under the Investors tab.
- › <sup>2</sup> 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.
- › <sup>3</sup> Net debt/EBITDA, net debt/adjusted EBITDA, net debt, EBITDA, adjusted EBITDA, adjusted operating income, adjusted operating margin, adjusted net income, adjusted earnings per share and free cash flow are not measures in accordance with IAS/IFRS. For additional disclosure, see the press release titled “Luxottica reports accelerated growth in the second quarter of 2014: record operating income and free cash flow” dated July 24, 2014 available at the [www.luxottica.com](http://www.luxottica.com) website under the Investors tab.
- › <sup>4</sup> Excluding non-recurring items
- › <sup>5</sup> Equals interest income minus interest expenses
- › <sup>6</sup> Equals extraordinary income minus extraordinary expenses
- › <sup>7</sup> Net debt figures are calculated using the average exchange rates used to calculate EBITDA figures

## RETAIL COMPARABLE STORE SALES<sup>(2)</sup>

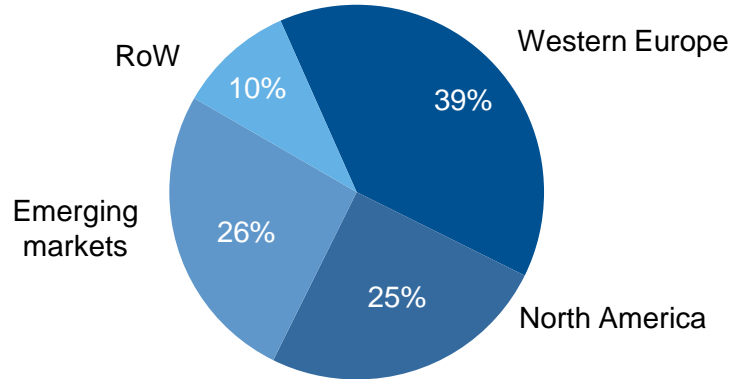
	2Q 2014	1H 2014
<b>Optical North America</b>		
• LensCrafters	+0.9%	-0.6%
• Licensed brands	+3.8%	+3.0%
<b>Optical Australia/New Zealand</b>	<b>+3.6%</b>	<b>+2.8%</b>
<b>Sunglass Hut worldwide</b>	<b>+9.9%</b>	<b>+8.3%</b>
<b>Group retail</b>	<b>+4.8%</b>	<b>+3.3%</b>

# WHOLESALE SALES BREAKDOWN

## WHOLESALE SALES BREAKDOWN FOR 2Q 2014

**Wholesale sales: + 10.3%**<sub>(1)</sub>

(Sales breakdown by region, 2Q 2014)<sub>(1)</sub>



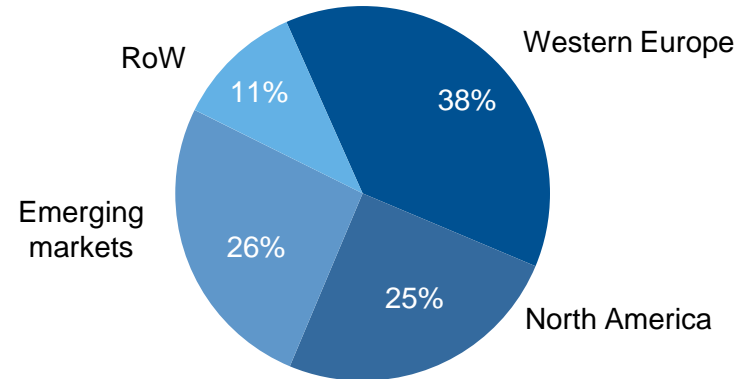
### YoY changes by region, 2Q 2014<sub>(1)</sub>

Western Europe	<b>+3%</b>
North America	<b>+10%</b>
Emerging markets	<b>+21%</b>
RoW	<b>+16%</b>

## WHOLESALE SALES BREAKDOWN FOR 1H 2014

**Wholesale sales: +9.2%**<sub>(1)</sub>

(Sales breakdown by region, 1H 2014)<sub>(1)</sub>



### YoY changes by region, 1H 2014<sub>(1)</sub>

Western Europe	<b>+5%</b>
North America	<b>+8%</b>
Emerging markets	<b>+14%</b>
RoW	<b>+16%</b>



## DEBT OVERVIEW

	2Q 2013	2Q 2014		March 31, 2014	June 30, 2014	Δ
<b>Adj. EBITDA</b> <sub>(3)(4)</sub>	<b>463</b>	<b>488</b>				
Δ working capital	3	70				
Capex	(85)	(93)				
<b>Operating cash flow</b>	<b>381</b>	<b>465</b>				
Financial charges <sub>(5)</sub>	(24)	(24)				
Taxes paid	(153)	(119)				
Extraordinary charges <sub>(6)</sub>	(4)	(1)				
<b>Free cash flow</b> <sub>(3)</sub>	<b>200</b>	<b>321</b>				
			Net US\$ debt <sub>(3)</sub>	(587)	(413)	174
			Net € debt <sub>(3)</sub>	(1,003)	(1,127)	(124)
			Translation adj.			(2)
			€ 1 = US\$	1.3788	1.3658	
			<b>Net debt (€)</b> <sub>(3)</sub>	<b>(1,429)</b>	<b>(1,429)</b>	<b>0</b>
			<b>Net debt/adj. EBITDA</b> <sub>(3)(4)</sub>	<b>1.0x</b>	<b>1.0x</b>	
			<b>Net debt/adj. EBITDA excluding exchange rate effect</b> <sub>(3)(4)(7)</sub>	<b>1.0x</b>	<b>1.0x</b>	

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## **Upcoming events**

› October 29 – 3Q 2014 results

<http://www.luxottica.com/en/company/investors/financial-calendar>

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