



LUXOTTICA® Luxottica (BIT: LUX) FY16 Trading Update: Solid Performance in Retail Segment Outweighs Weakness in Wholesale

- Luxottica reported that adjusted revenue in FY16 increased by 0.8% (1.9% at constant currency), to €9,086 million, which was slightly above the consensus estimate of €9,070 million. The company also announced an agreement to acquire 100% of Óticas Carol, one of the largest optical retail franchisors in Brazil.
- Sales growth was driven by strong performance in Europe and Latin America, as well as by solid performance in the retail segment. Luxottica's e-commerce sales increased by 24% year over year at constant exchange rates in FY16.
- The company did not provide explicit numerical guidance for FY17, but stated that growth was healthy in the first few weeks of 2017 and that management expects growth to accelerate during the year.
- On January 16, 2017, Luxottica agreed to a merger with France-based Essilor (ENXTPA: EI) to create an eyewear industry powerhouse valued at €46 billion.

FY16 Trading Update

Luxottica, an Italy-based manufacturer and distributor of fashion, luxury, sport and performance eyewear, reported that FY16 adjusted revenue increased by 0.8% (1.9% at constant currency), to €9,086 million, slightly above the consensus estimate of €9,070 million. Luxottica's e-commerce sales increased by 24% year over year at constant exchange rates in FY16.

Sales growth was driven by strength in the retail segment, mainly in Europe and Latin America. During 4Q16, Luxottica's adjusted net revenue increased by 3.0% year over year at constant currency, to €2,142 million, which was above the consensus estimate of €2,120 million. In 4Q16, the retail division was a standout performer, with year-over-year, constant currency-adjusted sales growth of 5.2%.

Luxottica stated that it expects to report a higher FY16 net profit on a year-over-year adjusted basis. The company will report detailed FY16 earnings results on March 1, 2017.

Sales by Division

The retail division generated adjusted revenue of €5,558 million in FY16, an increase of 3.4% year over year at constant currency rates. Sunglass Hut worldwide comparable store sales increased by 2.6% year over year in FY16.

The wholesale division generated adjusted revenue of €3,528 million in FY16, a decrease of 0.4% year over year at constant currency rates.

Sales by Geography

Adjusted sales in North America increased by 0.8% in constant currency in FY16. North American wholesale sales declined by 2.6% and US retail sales increased by 1.7% in constant currencies. LensCrafters' comps increased by 0.2% in FY16, reflecting a subdued North American market.



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Sales in Europe increased by 6.9% year over year at constant exchange rates in FY16. Sales were driven by strength in the wholesale division in Italy, the UK, Spain and Eastern Europe.

Adjusted sales in the Asia-Pacific region declined by 1.9% year over year at constant currency rates in FY16.

Adjusted sales in Latin America jumped by 9.9% year over year in constant currency during FY16, driven by Mexico and Brazil.

Adjusted sales in the Rest of the World segment declined by 6.6% year over year at constant currencies.

Outlook

The company did not provide explicit numerical guidance for FY17, but stated that growth was healthy in the first few weeks of 2017 and that management expects growth to accelerate during the year.

FY17 revenue consensus estimates stand at £9,653 million, implying annual year-over-year growth of 6.2%. Consensus expects operating profit of £1,534 million, implying year-over-year growth of 9.7%. Consensus expects FY17 EPS of €2.12, implying year-over-year growth of 7.1%.

Luxottica also announced an agreement to acquire 100% of Óticas Carol, one of the largest optical retail franchisors in Brazil. Óticas Carol has 950 retail franchise stores and annual sales of approximately €200 million. The transaction is valued at €110 million and is expected to close in 1H17.

On January 16, 2017, Luxottica agreed to a merger with France-based Essilor to create an eyewear industry powerhouse valued at €46 billion. Luxottica has a current market value of €24 billion, while Essilor's current market value is €22 billion.



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