

# EssilorLuxottica

## EssilorLuxottica Capital Market Day 2022

### Transcript

#### Company Speakers:

Francesco Milleri, Chairman and Chief Executive Officer

Paul du Saillant, Deputy Chief Executive Officer

Dr. Amir Khoshnevis, Vision Source Chief Medical Officer

Giorgio Striano, Chief Operating Officer

Federico Buffa, Head of Eyewear R&D, Product Style and Licensing

Norbert Gorny, Chief Operating Officer

Arnaud Ribadeau Dumas, Head of Group Myopia

Chrystel Barranger, President of Wholesale EMEA

Fabrizio Uguzzoni, President of Wholesale North America

Massimiliano Mutinelli, President of Retail Optical EMEA

Alessandro Cobelli, Head of Global E-Commerce

Stefano Grassi, Chief Financial Officer

#### Questions from:

Susy Tibaldi, UBS

Alberto Chiandetti, Fidelity International

Cedric Lecasble, Stifel

Louise Singlehurst, Goldman Sachs

Luca Solca, Bernstein

Anne-Laure Bismuth, HSBC

Graham Renwick, Berenberg

Edouard Aubin, Morgan Stanley

Veronika Dubajova, Citi

Domenico Ghilotti, Equita

Julien Dormois, BNP Paribas

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*Video played*

*Growing with the market, not in the market*

## **Francesco Milleri, Chairman and Chief Executive Officer**

Hello, good afternoon to everybody. Welcome to the ones that are here in person in our venue and welcome to the other ones that are connected on the webcast.

This is, for us, quite a special moment. I would like to say just a few words to celebrate our Chairman, Leonardo Del Vecchio, who, as you can feel, we all miss so much. We lost a visionary, we lost an entrepreneur, we lost our Chairman but, first of all, we all lost a friend.

I believe that this place is telling a lot of him, it is telling his dreams, how he projected the future. He designed pieces of this building personally, and we spent the last two years really trying to shape the place in the way he can really share the vision that he had.

Now, we start this Capital Market Day, it is the second after the one that we had in London, and we are so happy to be in person again, connected, and really take the best of the two experiences.

My job today is very easy, I will be very short. I will not explain the pieces of our Group, I will try to give you some key words, some passwords, maybe, to better understand our industry, to better understand our strategy and, at the end, also to better read our numbers.

We had this feeling in the past that we could not share - well enough - completely the vision of our Group, what we really are, and so we try to fill this gap today, and we started with the visit.

If you had the chance to visit our showcase, showroom, or what we call Tortona Experience Centre, for the first time you touch and see altogether all products and services that we manufacture, we distribute, you can feel the technology. And the market, you will see, is so unique that, if you don't start sharing the clear understanding of the market and the competitive dynamics, it becomes difficult to share numbers and our vision.

I start from a video that we already had in London. This is just a different phase, anything that you see is already done. This is how the competition is structured in our market.

*Video played*

It is not because we want to be bold, we don't want to show our muscles, it's the opposite. In a market like ours, this kind of competition puts many constraints on the leadership. Obligation, some ethics problems sometimes and the responsibility really to think about the entire industry and not just to the Group.

I go ahead and I try to share some views of the market and the industry. We are the biggest in the industry, of course, but what has to be understood is the disparity in scale. That is something that will influence all our decisions in the future, and it is something that matters for everybody, first for the final consumer.

Second, our industry is unique, not just because there is such a big leader but also because we don't see any other global player. We compete against niche players.

You know very well the names that you usually underline that are in the arena like, I don't know, Specsavers, a pure player in retail, then you have Marchon and Marcolin, Thélios that are manufacturers, we have VSP competing with us on the managed vision care. We see some producers of machinery, like Schneider, that is competing with us on the big machinery for labs.

But as you understand, we are the only ones that take responsibility to play in all segments, to follow the strategy to unify the offer because what you have in mind, is clear, is that the customer, at the end, is one. But despite that, we don't see any player that is taking this challenge and trying to manage all the technology and all the products to improve and to better serve our customers.

Another thing that you have to understand is also the market geography of the players. We don't see any players playing everywhere. VSP is playing in US, Specsavers in playing the UK and in Australia

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and New Zealand. Everybody is taking one market and trying to take out of the market the best they can.

We decided, because of our mission, to play everywhere, also in markets where it's very hard, where maybe it's not really good, in the short term, for the Company, but we try to be everywhere because we think that our customers need to be served in the same way everywhere.

Fourth - and this is a really complete set of information for you to have in mind to better read our strategy - that our industry is deeply interconnected. We are not just selling frames or lenses or machinery or services, we are supplying most of the players in the market. And we don't supply just finished goods, we supply acetate, we supply lenses, when you buy Maui Jim's spectacular frames and lenses you buy Barberini, fully owned by the Group. And also the brands, the luxury brands in the market, are using, as a key supplier, one of our companies, Fedon, and I can make hundreds of examples.

So, you see that the value added of the market is created through a full interconnection from our Company to all players. And just to say that we are the biggest customers of Gucci or Thélios or Marcolin or whatever, but we are also the biggest customer of Hoya, and sometimes is not easy to understand this, but we decided to play in this way.

And then we arrived very quickly to the decision that we took some years ago and now we are executing: to be an open company, to support, to help everybody in the market. And that is really not easy because, when we have meetings and we have to judge our new strategy, usually the only question that you have to answer is how profitable is it for a Group? How good is it for our strategic positioning? But this is not the approach that we are taking anymore.

Now we ask if what we are doing will be good for the entire market. That is not just because we want to be as fair as a good Company, we believe this is an obligation from one side but, what's more, this is constraint. We are, in many parts of the world, a proxy of the market. That means that, if the market will grow, we grow, maybe better, more profitable than the others, but we'll grow. If the market will not grow, we will be, at a certain point, in trouble. So, that is the position, and the information that I'm trying to give you.

And to end in the best way, fortunately, we are in a market that is growing naturally because of an aging population, because myopia is more present in the fast-growing populations and so on. So, we believe that we are in the best position to change our strategy, to adopt this new model and support the market. We believe that this can be a model that can inspire our industry and other industries that are struggling. They are competing while the market is dying, that is something that we don't want for our industry. Fortunately, the industry is in great shape, but I believe that a big change has to happen when the industry is doing well. With that in mind, I'll hand over to Paul du Saillant who will give more color on our assets.

*A new integrated end-to-end omnichannel company*

## **Paul du Saillant, Deputy Chief Executive Officer**

Thank you, Francesco. Good afternoon, good morning, good evening. My pleasure to be with you here after three years ago, like Francesco was reminding us, being in London, it is very special.

So, I will try, after what you heard from Francesco about the strategic vision - which is very powerful - to give you granularity on what EssilorLuxottica has become - since the last time we were together a lot has happened - and what we are aiming to deliver. So, I will take three prisms to explain and give some strong substance on what we are doing.

First, I remind you we are really a new integrated end-to-end omnichannel company. Francesco referred to our Chairman, and he had a very strong vision about this integrated end-to-end omnichannel company. So, it's a great legacy that we have. But I put the word "new" because I think the company that you have in front of you is a very young company.

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So three prisms, first one is what we are in terms of assets. And I really try to give you good color on that because it's important to understand what we have become. Second, how we have successfully integrated two world class companies and, more recently, GrandVision. And then, how the M&A activity fits into that.

So, very simple, a few pictures on the company. People-wise, you have 180,000 people, 60% female, representing all the competency, expertise, craftsmanship of this industry, half of us being less than 35 years old – I am, unfortunately, not in that category – and 40% of our employees being shareholders, a very important element.

Second, we have a unique brand portfolio, product portfolio. I won't go in detail, you know it, you have to see it, it's the best way to share it with you. But, in this industry, to have, for all segments, all categories of products at all price points that we can deploy in all geographies is a major asset. So keep that in mind, we have this number that we have 6,000 years of heritage in our brand if we accumulate all of the life of all of our brands, retail, lens brands, frame brands.

Third, innovation. Of course, Federico Buffa and Norbert will give you more color on that, but it's important in an industry which is a complex industry to have the portfolio of patents, of knowledge and, at the same time, to be able to put to market 3,500 new models every year. It's a major capability for us, for our partners, for the other players.

Fourth, we have a go-to-market which is quite unique, being able to be balanced in between Professional Solutions and Direct to Consumer. It's very rare to find an actor that, with the assets I described, is able, in every single geography, to go into the market and to contribute to the overall development of that market in a balanced way. It demands very good commercial discipline, segmentation, price management, brand management, and that is a core capability, and you will hear it from our executives as we go through the afternoon.

We are global, Francesco said it, we are balanced in between mature markets, in between North America and Europe, and the acquisition of GrandVision has rebalanced our presence in the mature markets, and we are sub-developed, if I can talk like that, in the emerging markets. The entire market needs to be growing, we are generating only 17% of total revenue in the emerging markets. This is a great opportunity for the Group because we already have presence, we are already present with our teams in 150 countries.

And key to keep in mind is that the structure of the Group gives us a local presence with local teams with this omnichannel presence - that is different from country to country - and, at the same time, with global capability. This is a very important aspect.

And last, it will be covered in the afternoon, the supply chain. The supply chain, in this industry is complex, frame, lens, of all kinds of categories, global plants for frames, for lenses, local lab network. So, you have a supply chain, behind all this I have just described, that is powerful, flexible, agile, but Giorgio will give you color on it.

So, please be mindful to take the full understanding of what is EssilorLuxottica because sometimes we have the feeling that it is not totally understood, and it is a coherent company, totally under control and it is not a complex agenda actually because there is a clear purpose, a clear product and the way we go to market is very clear for our teams.

That brings me to the second prism which is – we were, a few years back, two or three, with this big question - How are you going to make it one company? And this was an impressive task that we had in front of us to bring together, to combine Essilor and Luxottica, Luxottica and Essilor, and later on GrandVision. And I'm quite appreciative and if we say in French “admiratif”, of our teams about what they have done and in such a short period of time. Because of this difficult task, we have been able to become one company fully integrated in a pretty short time agenda.

Francesco will challenge me and say – well, we still have a lot to execute – and, yes, we do, and we are working with the team, but we have become really, since 2021, one company. What does it mean? It means that we have created the new culture together, we have put in place a single organization with clear accountability which is very well deployed throughout all of the elements of the Company. We have deployed the Eyes on the Planet and the OneSight EssilorLuxottica Foundation, which is our sustainability and mission agenda, very clearly, well positioned at the heart of the creation of EssilorLuxottica, and we have, you saw it, a great learning and knowledge platform, Leonardo, that is

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behind the whole of EssilorLuxottica and the industry. So, very clear, core cement to bring everything together.

Then, two key ideas for you to keep in mind. We have developed a new growth agenda, a top line agenda. I won't go into detail, you heard us in the calls, in the reports about the top line synergies, the cross-selling, all of the key categories, how we improve that penetration in each of the segments. You have heard us talk about all of the product innovation, creating new categories. You have heard us talk about, and you will hear this afternoon, about the whole new partnering with key customers. So, there is a new agenda on the top line growth that is very rich.

And then the third element of creating this one Company is the backbone, the infrastructure. Big work on the supply chain, big work on the IT digitalization agenda, simplification of all of the back-office, unification of the processes.

So, this is two, or three, or four minutes summary of the integration, but what I want to leave with you is this company you have in front of you this afternoon is one company, fully integrated, that has successfully become EssilorLuxottica with a very fresh agenda in front.

And of course GrandVision, Max will talk about it, it's part of this agenda, absolutely.

The third prism, the M&A, because what I describe is really, in a way, I know you like to think that way, the organic growth engine. Now, the three companies, Essilor, Luxottica and GrandVision have been, I won't say best in class, but have been quite good at doing M&A. What we want to do this afternoon is to give you a little bit of a color on this M&A activity of the Group.

The scope is simple, it's the full playing field, so don't ask me what are the kinds of areas in which you do your M&A activity? It's the playing field as it was described by Francesco and me in the last ten minutes. But what is interesting in this slide is to look at it by saying we have three ways to M&A in the market. We have acquisitions, like GrandVision, an acquisition that completely changed scale of our Direct to Consumer presence, as you know.

You have acquisitions like Barberini. It is a beautiful brand and is the world leader in mineral lenses. This is a core capability, and they are best in class by far and, like what Francesco said, on top of that, it's a category that is used by everybody, once you have luxury sunglass brands. Fedon, you saw it in the back, this is a vertical integration example leaning to sustainability packaging. Shamir is completely another angle. Ten years ago, we created a JV with Shamir, very innovative, kibbutz based company with research, advanced research in lens mathematics and also very good commercial presence throughout North America, Europe, some countries in Asia, and we decided to go to 100% ownership in full support of the kibbutz and now it's an integrated part of EssilorLuxottica, a great asset for R&D, for commercial presence. The last one, the last example of many, Walman. Walman was the largest lab, independent lab in the US with a very interesting Mid-West presence that came to complement our network, and that is a great asset to continue to cover the market in the US. These are the main acquisitions.

Partnerships, you know the importance of partnerships. We have 100-plus active JVs with 51% ownership, 60%, 70%, 80%, 90%, depends. We have JVs with Nikon Corp, which is the Nikon Essilor JV, the name of it, key for the Japanese market and for access to a key brand outside of Japan.

Bolon and Molsion is an example of a 50/50 JV, in China, which is the leading sunglass and optical frame brand in China, very complementary to our other portfolio brands.

And last one, it will be covered on myopia, is this JV we did with Cooper to acquire a second technology in the field of myopia management.

Now, what might be a bit new for you is what is called "main minority investments". It is interesting, linked to what we explained as this open model network companion. We think it is an interesting topic to have minority position in some key players, key actors of the market. For example, Mazzucchelli is this Italian company, in acetate, which is very advanced in bio-acetate and the whole circularity agenda. Mister Spex is the e-commerce leader in Europe, based in Germany, with an interesting go-to-market also with an omnichannel position. Paris Miki retailer in Japan. Synsam, key retailer in the Nordics, that has some interesting subscription models.

So, through that, I just wanted to open and to structure a little bit of M&A activity in between the main acquisitions, the partnerships and the minorities. It gives you color also of how we complement the entire strategy of the open model of participating in the growth of the industry.

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So, these were my key messages and I hope that you feel from that that you have a unified company with amazing assets in the heart of that industry, occupied to grow the industry and to grow with the industry, and that has successfully, in a short period of time, become one integrated Company with, I think, very good values, very good agenda. Francesco, this is what I wanted to share before we invite somebody on stage.

## **Francesco Milleri, Chairman and Chief Executive Officer**

Okay, thanks, Paul. So, now I have pleasure to introduce a really special person, Dr Amir Khoshnevis. He's a doctor first of all, second, he's an entrepreneur, he's run a fantastic practice in the US, but what more for us is the doctor and the person that is helping us to really partner, to be a partner with one of the most amazing alliance groups in the US. Amir, come on stage.

*Vision Source, unique open platform for eyecare, leveraging the partnership with EssilorLuxottica*

## **Dr. Amir Khoshnevis, Vision Source Chief Medical Officer**

Good afternoon. It is a pleasure to be with you all. My name is Amir Khoshnevis and, as Francesco mentioned, I am Chief Medical Officer for Vision Source.

My story, a little bit, just so you know who I am, I'm the owner of two private practices in the United States but, for 25 years, I've been in practice in optometry and, for the last 20, I've been a member of Vision Source. It's been very near and dear to my heart because Vision Source was the way that I would take on the market as an individual. It would be my X factor in the practice, the thing that accelerates my practice growth because I'll share with you how this organization works and why it's so important.

Then I became a leader in a region of the US for the company as I started to share my story and helping others grow and succeed. Then I became an advisor to the company and, eventually, over the last few years, I've taken on a role in the Executive Team as the Chief Medical Officer because I care so much about private practice and the way that we operate.

So, enough about me, who is Vision Source? Vision Source is, simply put, a collective of private practice optometrists who are outpacing the industry in growth, leveraging the EssilorLuxottica relationship and, if I were to share with you what the organization is, I would break it down in these four pillars.

It is a very large group of private practice optometrists. Traditionally, groups like this don't operate like we do. We are very much a group that believes in locking arms and moving forward together. We point our practices in the same direction because we believe that, if we were to move together, that we actually have a bigger impact on the industry.

The community is by invitation only. They join Vision Source once we invite them. They are leading practices, they're the kind of practices that the industry admires and wants to partner with. But we bring the culture to them, sharing, collaborating, meeting, making sure that our doctors are working with one another so that they can solve problems and move forward. But, most interestingly, we bring them resources from the industry, we bring them programs that are curated to their type of practice, and we elevate their ability to compete, to serve and to, hopefully, excel in practice.

One of the things that's critical is that we've had a 30-year history and, in that 30 years, we've built a very strong culture of trust and, in fact, our currency is trust. So, when we partnered with EssilorLuxottica, our goal was to make sure that they understood they had a real partner, a partner that was going invest in their growth.

It wasn't apparent initially, but I'm very excited to share with you that, over the last six to seven years of our partnership, this incredible network has seen the fastest growth per office in those seven years. It has the deepest penetration of our programs into the practices, and, most importantly, member sentiment. We currently have the highest net promoter score in our history, and that should be a perfect proof point that a partnership that's meaningful, that is genuine, that is collaborative, can have a powerful impact, even on private practices that traditionally did not partner well within the industry.

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The second thing that's important to note about Vision Source is that it is a very mission-driven organization. We believe, as optometrists, that we have the responsibility to not only protect private practice but to elevate the care that our doctors are providing to the communities. We are the gateway to the healthcare system in the United States. And we invest a great deal in learning and development, and we teach the ways that they should take their practice to the market so that they are completely taking care of the patients, that is not just refractive or just medical but the total care of the patient.

This mission to strive for excellence has given us the opportunity to work with the industry to provide those resources necessary for those doctors to reach their full potential. As you can imagine, if you are a doctor/owner you're so busy seeing patients that it's very difficult for you to actually do all that you want to do outside of just patient care. We partnered together to make sure that their practices have the foundational items needed to be successful without the heavy lift. They get to take care of patients and win.

This commitment to excellence has led to not only improvements in patient care but outcomes. We see, in the healthcare system, that our doctors are at the very top of the outcomes index. They also are caring for over 10 million patients per year, that is an incredible feat for a group our size, that's a deep trusting relationship with the community.

But the secret sauce to Vision Source, by far, is what I'm about to share with you. We have recruited the 200 most loved, trusted doctors in the communities, and these doctors now are responsible for their tribes, if you would, their network. These doctors are the people you'd admire in the community, their practices are the leading practices, and they give us an opportunity to have them vet programs, to guide us as we make decisions for our practices. They communicate directly with our partners, like EssilorLuxottica, to make sure that, when we go to market, they have tested the programs, they have proven it to work in their practices, and they carry that to the market from a first-hand perspective.

What that does so beautifully is that it builds a bond that is much more than just a strategy to grow, but it's a deep partnership, and a proof point for that is the general ECP community outside of Vision Source, no matter how good a program is, may get adoption rates of 20% to 30% on any program for some time. Vision Source almost always can get 75%, 80% adoption rate immediately because of the way that we collaborate and work together to bring to market solutions, bring to our members solutions that are advantageous for them and meet our mission and values.

So, behind me you see a lot of ways that, today, we've partnered with EssilorLuxottica. You see all the resources that they bring to us and all of them are critically important at the practice level. We feel very strongly that the support that we're getting from EssilorLuxottica is giving our doctors a chance to truly lead the market, they are the tip of the spear in optometry. But I want to just mention a couple that are really intriguing growth opportunities.

We met with the leadership of EssilorLuxottica and shared with them one of the challenges we face at private practice is, sort of, the inefficiency of practice, the practice management software, the solutions that we need in order to create better patient care, better management of our practices, the ability to communicate better with our patients and draw them to our practices.

Private practice is riddled with inefficiencies, and this is a major opportunity. I am so excited to share that we're working together to launch practice technologies that will improve the practice efficiency and deliver the kind of practice management that we need in our practices. I believe that's a very big deal and a massive opportunity for growth in Vision Source.

Another opportunity is myopia. It's no secret that myopia is owned by optometry in the United States, we see those patients today, but Vision Source has been on a journey to make sure that our practices are ready. They're already treating myopia with everything that's available today, but they are extremely well-positioned, as a strategic partner, to go to market and to lead optometry in North America in myopia management.

We have specialty protocols, learning development courses, we have practice management courses already done, and the vast majority of our network has already taken part in that, so another wonderful opportunity to go together.

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I'll mention tele-optometry because it's a really neat opportunity. We have been on a journey for five years to look for cases where tele-optometry can support our members. And most notably we have practices that are rich with patients but cannot see any more patients because they lack doctors, and this enhances the practice as a side-by-side opportunity to continue to grow the practice, see patients in the practice, while the doctor is seeing one type of patient, another one can be seen. That's an awesome growth opportunity. Another one is expanding hours, creating new patient traffic. And also, we have a lot of rural practices in the United States where no doctor is going to be present when the senior doctor retires, and we are creating a hub and spoke model to make sure those practices are alive and well and thriving in those communities and we don't lose them.

And lastly, what I think is most important to me is practice succession. With the partnership that we have, we've created a solution called Vision Source Next. Vision Source Next is a practice lifecycle solution that looks to address the pain points of doctors in the practice. So, whether you're recruiting talent into the practice, whether you're looking to expand in the new locations, add new practices to the field, or you're looking to transition out but want to ensure that you sell to another private buyer, we have formed a fund that allows for that transition to happen and to support the doctors through that. This is at the heart of Vision Source. When you want to win people's hearts and minds, you take care of them in these pain points in their career.

So, I hope this gives you a sense of how independent or private practice optometrists can partner with EssilorLuxottica to elevate the care and elevate the profession together, and I thank you for the opportunity to be here, thank you.

## *Supply chain & Carbon roadmap*

### **Giorgio Striano, Chief Operating Officer**

Hello. Good afternoon, good morning, good evening everyone. So, here we are going to introduce supply chain and carbon roadmap, so we will talk about our footprint, our network configuration and innovation and also the sustainability roadmap that we have in our operations.

So, in the past four years, we worked with our organization to create an integrated and resilient supply chain. So, we worked in a very diligent way through workstreams and KPIs that were able to deliver the majority of the total cost synergies of the Group in the period. We maximized in-group production, we rationalized the footprint, leveraging the large campuses for mass production that we have of frames and lenses. We worked on acquisition and joint ventures, leveraging brand equity of selected partners, and we rationalized the organization announcing a clear governance with clear leadership with the wider Group responsibilities. This is what we have done in the previous years.

And then, at the end result, we have a very integrated supply chain which helped us to serve the market better, even during the difficult times, we were able to do that in a very effective way. So, one single supply chain obtained through simplification and standardization and unlocking the new opportunities in terms of new products and new services like the complete pair, like the sun RX, like the digital services that we brought into our brick and mortar or the wholesale market.

And also, taking the advantage of the difficult situation of the pandemic, we created alternative production and alternative distribution routes in order to make a more resilient supply chain. So, a supply chain that is trustable, reliable and efficient in all conditions. This is what we did in the past four years. And, of course, with the mindset that always distinguishes the product and the operation teams, it's not just to overcome the difficulties or the specific challenges, but also to look ahead to be ready to cope for the next challenges according to the strategy that was introduced by Francesco and Paul.

Therefore, we planned the footprint in order to be very specific for service and quality excellence. We leveraged the assets that we had, and we expanded from that. Of course, we have many different products with different peculiarities, frames, lenses, RX jobs, instruments, equipment, digital services



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that required a very flexible approach because we needed to provide in the right place, with the right size, with the right level of complexity to cope with the market, the flexible market demand.

So, we leveraged the assets, we leveraged the asset in Brazil in order to make an integrated campus that is offering all the products and services for Latin America. We leveraged the asset in Mexico to provide nearshore approach for the US market, so offering all the products, all the services with a great lead time and cost efficiency. We leveraged the assets in Europe, in Italy and France, to provide very complex products with the premium services in 24 or 48 hours. We leveraged the asset in Poland to provide the nearshore approach, so good service with the cost efficiency for the European market.

We leveraged the assets in India and Thailand, and we expanded those to support very efficient services for the European market, and, of course, we leveraged the assets in Thailand and in China to support the expansion for the market in Asia-Pacific. So, we always have to balance.

From one side, we have a global integrated campuses able to cope with the larger scale, larger volume, larger complexity, highly automated, and, of course, that are able to provide, in the same shipment, all different types of products and even the latest customization of the product.

And, on the other side, we have local proximity stock points that are capable to serve local customers with the premium service on selected categories of product, and we have more than 500 of those stock points inside our network.

Of course, the way to reach quality and service excellence, for us, is only through innovation, cutting edge technology and continuous innovation is part of our DNA. If you visited our factory, you saw that they are highly automated. Automation is not enough to be reactive with the market, so automation today is also supported by data science or artificial intelligence to elaborate the process data and to find the best production configuration.

We adopt real time data in manufacturing in order to take a fast decision and also to have large adoption of robot handling inside our manufacturing. The adoption of robots inside our manufacturing is equal to many countries in the world, or even superior of the average automotive industry, into our factories.

Vertical integration, if we need to be reactive with the market demand and to always have the right stock, we need to have the capability to change and to adapt. And, together with the vertical integration, now there is the horizontal integration that is able to extend the product and the process innovation into the brick and mortar, facilitating faster replenishment, waste reduction, inventory accuracy.

And finally, of course, we are not only improving each single area, but we are creating synergies, lens design, frame design, eye measurement instruments, equipment for the manufacturing, we are putting all together, we are touching every single step of the customer journey so that we create an unbeatable experience for our consumer since the very starting touchpoint inside our perimeter.

And the way to do that is also through sustainability, Eyes on Carbon. The sustainability roadmap has solid roots since many years already into our daily operations. We started our renewable project of producing energy through our photovoltaic panels 11, 12 years ago, and we are continuing doing that the new design of the buildings, and not just through renewable energy, but also with the sustainable design.

We have process optimization thanks to the automation and the innovation that I was mentioning before in order to reduce energy, to reduce the water utilization, to reduce the emissions in the air. All the energy that we buy, we procure, it's 100% from renewable sources. We do care about the communities where we are, creating reforestation projects in order to incentivize the wellbeing of the territories in which we are present.

And also, we offer to our customers, e-commerce customers or brick and mortar customers, the possibility to select the green shipping option, the greener way to ship the product, certified by third parties.

Innovation and sustainability go along together in our journey, in our daily activity. It's not just inside the process but also is inside the product, and now I leave the word to Federico.

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## *Smart Glasses & Circularity*

### **Federico Buffa, Head of Eyewear R&D, Product Style and Licensing**

Thank you very much. We are always aligned, not only in the dressing code like this morning! So, welcome to everybody. It's really a pleasure to have you here all together.

When we are talking about innovation and product, I hope you enjoyed the visit this morning at our venue, because our booths are representing all the brands, showcasing today all the products that in the next three or four weeks will reach the market, and they are already bringing visible levels of innovation. As Giorgio was saying, in the last three years we were capable to join the forces in R&D, from Shamir to Transitions, Barberini, Mazzucchelli, EssilorLuxottica. We've really got a lot of contributions in R&D and this gives us the opportunity to launch in the market, already this season, a lot of products coming from integrated innovation.

Talking about innovation, in the next eight or ten minutes, we will try to share with you the vision that EssilorLuxottica has on two main branches of the R&D, where we are really accelerating and shifting the gear. One is the smart glasses and the other, in continuity with what Giorgio was saying on Eyes on Carbon, on Eyes on Circularity.

Let's start from smart glasses, from what we want to stand for in this world as EssilorLuxottica. Our aim, our vision is to be the right partner in building the journey to the metaverse, specifically building the gateway that will allow all our consumers, all of us, in the next future, to enjoy the possibility to physically and virtually join information, and put those two worlds together. Therefore, we are mainly addressing our attention to the devices that, in every daily usage, allow us to have access to the augmented reality. Naturally, we are not doing this journey alone. You know very well that we are partnering with Meta, that is one of the biggest players designing the metaverse. And the way in which we will do it is mainly following a pace and a journey that has to be very easy to use and very compliant with the excellence of the product that today we have in the analogical world.

Ray-Ban Stories was the first product launched with the aim not to disrupt any technology or any new use cases but to give the same iconic Wayfarer or Ray-Ban confidence to our consumers simply adding some superpowers. This journey will be a sequence. What can we do to continue this journey, what do we need to enable? We call this human interface R-EVOLUTION.

This is the right approach because, on one side, we are investing into more research centers, M&A, JVs in revolution, with three or four technological bricks that are still missing to make this journey available. On the other hand, we want to evolve, simply evolve and continue the journey that our brand, our consumer, our product has to do in continuity with expectation for the right wearability, the right look and feel, the brand rightness and the right use cases. Therefore, an evolution in adoption and a revolution in the technology.

Why technological revolution? Because three of these blocks will be a revolution enabling us to get the smart eyewear running perfectly in everyday usage for the augmented reality, but they are also revolutionizing other industries. The first technological brick is the eye tracking. We recently communicated that here, in the Politecnico of Milan, we are investing more than Euro 50 million to open three research lines regarding eye tracking cameras and sensors.

This kind of technology is what will enable our device to understand where we are pointing our attention to in a specific moment. That means that our device has to know what the environment around is but, moreover, what we are looking at in the physical world, what we are pointing our attention to in that moment. This is a technology that is giving us the possibility to combine the digital world with the physical world, but is also important for other industries. You can imagine automotives started with some early applications of the eye tracking for accident prevention, but you can imagine that for other industries as well the capability to understand exactly where we are looking at is becoming very important.

So, this kind of R&D is really one of the biggest technical brick that we want to work on, and we are investing hard, as a Group, to make smooth the adoption of this technology inside the smart eyewear.

The second technological block is the super audio. Ray-Ban Stories already allow an open-ear experience. While you are listening to Giorgio's voice, you can also listen to music or receive a phone

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call, combining two experiences. It's nothing revolutionary, but we are investing, both in California and in Israel, to enhance a couple of technologies that, from a space point of view and from a unidirectional point of view, will enable us to have a superpower, the super hearing. Therefore, not only addressing our eye attention on something but increasing our capability to listen exactly where we are looking to. Hence, this is another combination of augmenting the reality and appreciating the physical world. This is another big chunk of investments that we are doing, with some M&A coming up as well.

The third technological brick is probably the most complex but also the most revolutionary one, it is what we call the lens display. Lens display is the way through which we will be capable, on our lenses, to display the digital information exactly overlapping the physical world we are looking to and adding information that we are interested in.

This means that our lens has to be what we call laminated: it has to combine, in a multiple stack, in a fully transparent manner, all the actual lens values, for example filtering the light, polarizing the light or correcting my prescription, together with waveguides, microlight projectors, holographic treatments, to visualize the images in a seamless way.

This is not a mature technology yet. We are all working together with JVs, with partnerships, and we are investing, especially in Europe in this moment, in France and Italy, because we strongly believe that this revolution will help also other industries. You can imagine construction, here we probably have the biggest windows in Milan, you can imagine how, in construction, in transportation, in train, in aircraft, in automotive, we could include what today is being called head-up display inside any transparent surface. So, this is the reason why for all those investments we are not alone, we are joining forces, we are collaborating with other partners: at the Politecnico of Milan, we will be in the same research center together with STMicroelectronics. In other locations, we will work with big giants of the software industry as well, because we need to have everybody onboard to revolutionize this technology. On the other hand, we need, step-by-step, to continue the journey that we are doing in the smart eyewear. This was the first chapter of my presentation.

The second chapter is complementing what Paul was mentioning before on Eyes on the Planet and Giorgio on Eyes on Carbon. When we are talking about product innovation, we need to talk about Eyes on Circularity. This slide is simply summarizing why, as EssilorLuxottica, we can be really powerful on Eyes on Circularity.

First of all, circularity is starting from the design, hence we are addressing and training all our designers to, first of all, design something which is suitable for circularity, designed for circularity. We are using the right materials since the beginning, biobased, bio sourced and coming from renewable sources. We are recycling hence reinventing, upcycling materials already present inside the company, and we are designing processes which allow lower consumption of materials. The last one is the most important program, and we internally call it Slim Fit: this is a design for optical lenses that allows the calculation system to correct the refraction error to start from a thinner stack of material. That means that we are grinding less material during the generation of the optical stack.

The second pillar of Eyes on Circularity is: not doing it alone. What does it mean? On one side, we are leveraging on external partners that can certify that what we are doing is really measured and proportionate. Here we just put an example related to the recycling of nylon: in Italy, every day, we are mechanically internally recycling more than 100kg of nylon and this is a certified ISCC Plus.

Moreover, the partnership can be inside the Group and outside. Outside we can really work with other partners like Bureo: with Costa del Mar, with the Untangled Collection, we are recollecting the fishing nets released in the ocean. Those fishing nets are in polyimide: polyimide can allow us to implement circularity internally because polyimide or polycarbonate are present in the lenses, in the frame, in the packaging. And, moreover, if we extend our ratio of upcycling, something that cannot be upcycled in the lenses can be upcycled in the frame. Something that cannot be upcycled in the frames can be upcycled in the hardcore of the packaging. Something that cannot be upcycled in the packaging can end up in the POP, so in the point of sales, as trade materials used seasonally to support our collections.

The vertical integration is supporting us on Eyes on Circularity. This section of my presentation is really complementary with what Giorgio was saying on Eyes on Carbon. Our presentations were complementary on innovation as well, since, as a company, we are investing in the processes, in the operations and in the products.

Now we are opening the first session of Q&A related to our session.

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## Questions & Answers

### **Susy Tibaldi, UBS**

Thank you. I have one question for each of you. On the supply chain, you showed what was done from 2018 to 2022, which was quite a lot, and so I wanted to understand: is that all the integration already took place now that you're operating fully as one company? Or how much more is there to do to fully optimize to reach really your optimal supply chain capabilities and integration?

And the question on smart glasses would be if you can give us a bit of a flavor on what has been the success of Ray-Ban Stories? How has the adoption rate been from consumers? What's the feedback? And also, when you're thinking about all of these additional capabilities in the smart eyewear space, like what kind of timeline are we talking about? I think everyone can have a different idea, but you probably are very close to the development, so how long before this screen-on lens becomes a reality and a product that we can actually wear on a day-to-day basis?

### **Giorgio Striano, Chief Operating Officer**

Thank you for the question. For EssilorLuxottica, integration is over, we are already one company. We integrated and we simplified what was the network coming from the two companies, now we are one single organization. Now the integration is more related to GrandVision, how can we integrate the GrandVision assets in our footprint.

And we are expanding the network that we created after the integration in order to face the challenges of the now wider Group. Hence, the main investments that we are doing, and Stefano will talk about all the capex, are the result of the integration moving to the next challenges of the new unified company. Therefore, integration is over and it is expanding more from what we have already done, and we are executing, we designed and now we are executing.

### **Federico Buffa, Head of Eyewear R&D, Product Style and Licensing**

We will go to the first part of your question: Ray-Ban Stories. The program is still open and up and running every day, if you want to buy such a good product. For us, this is the first launch. First of all, it is a success because it is a lesson learnt, we learned a lot of stuff in regulation. There are still few countries in Europe where we don't have the authorization, because the system has to use the local language and we are therefore learning by doing. But the program, until now, is running in a smooth and continuous ramp up.

There are still some features that we need to implement. Recently, we launched the connection with WhatsApp. We will, every month, or every two months, release new features. The adoption rate, until now, is probably the highest in the wearable space and we cannot say if it's enough or not or if we are satisfied or not.

We are running at the right pace and the right rhythm, but the program will still be active at least for another year, enlarging the scope of utilization, powering the software, enlarging the scope of distribution, adding countries. This is the status of Ray-Ban Stories.

From a product perspective, we are super happy because it was also the first time that we internally produced an electronic device, and I can sincerely tell, after one year, that we really do not have any quality issue neither in the launch nor in the market. And the appreciation from an aesthetical and fashion point of view has been really well scored by all the kind of rankings, also the tech rankings always underlined that the product is performing well.

To the second question, there are still a lot of open points. Like any new technology, we are expecting, especially talking about the lens display, that it will take probably in the range of three to four years before the appearance of some techie exercise. I am not referring to a seamless usage of the technology, but to the testing of the maturity of different systems, holographic etc.

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If I had to project myself in a complete access to the metaverse, it's probably more around five to seven years, this is the target that we are looking to. It doesn't mean that we will not experiment and, as I told at the beginning, Ray-Ban Stories, with their next program, will be a continuous release of products increasing the super power and improving the technology. The most complex product that will combine everything, super audio, eye tracking, lens display, will probably reach maturity in the range of five to six years, depending also on how fast we will be in the development.

## **Cedric Lecasble, Stifel**

Thank you. Excuse me to come back on the past, on the 2018 to 2022 period. For the integration of supply chain, on different levels you have the software of two companies becoming one, you have the flows of products with the hubs which weren't in the same locations, not too far but not too close. Can you explain to us how you have come to a single company in terms of software integration, probably this is done, and in terms of flows of products, how do the frames and lenses come together whereas you had different locations for your hubs in the US, in Europe and in China? Thank you very much.

## **Giorgio Striano, Chief Operating Officer**

Thank you. So, as you said, the software integration, the system integration was really the backbone. So, from one side, we looked at the network, on the other side we needed to have a big enabler. That was the software.

Integrating the software, of course, we had the possibility to have access to all the products, all the categories, all the master data and the technical data for all the products to the customers. And then we started understanding which product has to be in which place. There was a specific team for supply chain that was working in a very analytical way. Country by country, region by region, we designed what has to be and where, and also which level of size. This is what we did.

Hence it was a four years' work with the daily activities, with a very disciplined governance, projects, workstreams monitoring, checking the KPIs, something that we looked for four years every week. And now that we are benefiting from this activity, we have started to execute the new design, the next step. It was teamwork, a larger team coming from the two companies bringing their respective expertise in their fields and put together under a clear leadership. The key point was to assign the clear leaders for each function that were capable to put the two experiences all together.

## **Cedric Lecasble, Stifel**

Just to understand what has changed in the organization, how it was before, we had two companies that we were working with different organizations, with different hubs. In pushing the frames and the lenses to the same places, to have a unified product to offer to the optician, from the outside, it's not easy to understand what has been done precisely.

## **Giorgio Striano, Chief Operating Officer**

I can mention some examples. As for the distribution center in Italy, we had our RX prescription capabilities and we moved the previous Essilor customers to be served by that hub and we closed other locations that were serving those customers.

In Poland, we moved some parts of the frames in Poland to provide the customer of that area with the complete pair from that Polish hub. We had a similar approach in Brazil. In Brazil, before, we had a plant for frames, a distribution center and another hub for lenses: we consolidated, we created a new location, an integrated hub, and consolidated, reducing other warehouses that were just dedicated to a specific category and concentrating into one integrated warehouse.

We are doing the same in Peru. We are doing the same in other labs in North America. We closed some labs where there was a duplication because of the proximity, and we streamlined into a lower number

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of locations in order to provide the same services, and everything was possible thanks to the system integration.

## **Luca Solca, Bernstein**

Thank you very much. A question for Federico on Ray-Ban Stories, how much of a limitation do you think is the fact that you have an exclusive partnership with Meta while the operating systems on which apps are developed are controlled by Apple, and Google to a large extent? When you think about the medium-term development of apps for smart glasses, how can they integrate functions, such as geolocation for example or augmented reality, and is that within the planning horizon?

Then a question for Giorgio, on the back of the redundancies that you've built in the EssilorLuxottica corporations globally, are we right to assume that the current COVID-19 related disruption in China is not an issue for you? And, as I am at it, how are you coping with the fact of cost inflation that seems to be rampant? Thank you very much.

## **Federico Buffa, Head of Eyewear R&D, Product Style and Licensing**

I will take the first one. The history of the partnership with Meta is clear: the two entrepreneurs met to share a vision of the metaverse two years ago, and we decided to run the first step together. The roles inside this kind of partnerships, where there is also friendship, are quite clear: we care about the device, we will concentrate all our efforts in making the perfect device as gateway and making this vision possible. If we layer the journey between the consumer and the metaverse, we will sit in between the infrastructure, 5G, 6G, and the space computing of the creators.

This is the reason why we are limiting our attentions to that, and this is the reason why we need a partner that now gives us as vision. That does not mean that all the technology that we are investing in cannot function with other applications, with other systems. Hence, for the moment, we do not foresee a limitation, but we see a robust friend showing us the polar star, limited to the device. Thank you, Luca.

## **Giorgio Striano, Chief Operating Officer**

The two questions on China: we were not impacted so much by the first wave at the beginning of 2020. That was a big learning phase for us in order to create a protocol and procedure to mitigate the potential impact of COVID-19 arriving within our premises.

We had a small impact in Shanghai when it happened before the summer: there was the Shanghai lockdown, and we have facilities, lab and lens mass production within the Shanghai area. But, thanks to the organization, to redundancy and the protocol that we created, we were able to cope with that.

We immediately leveraged the flexibility around the network, first using the other assets that we have in China for mass production for lenses, and also leveraging the assets that we have in Thailand in order to support.

And, during that period, we had good business in China, because Shanghai was under lockdown, but the other cities were not, and we were able to provide services even during that difficult time. Maybe the experience is never enough, but we got good experience and good protocol in place and good flexibility of the network to cope with COVID-19 or any other disruption.

Related to the other question that was on cost inflation, this is a very nice question because there is cost inflation, energy costs are very high, logistics costs very high, and labor inflation very high. Energy inflation is very high, especially for European countries. We see it increasing everywhere but the biggest disruption in energy is coming from European countries. In terms of global exposure, Europe is not the major contributor in terms of manufacturing. In terms of made in Italy frame production, yes, but if we look at the overall production, more than 60% of frames are manufactured outside Europe and the majority of the lenses are not coming from Europe and, therefore, the energy inflation is a headache but it's not a terrible headache.

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The big headache is labor inflation, to be honest, because we see labor increase across all the geographies, not just in mature markets like Europe or US, but we see also inflation in the emerging markets, we see it in Mexico, we see it in Poland and in Thailand. How to cope with that? We are pushing strongly in terms of productivity increase and automation. I was mentioning before robot handling. We have a larger number of indirect people that we are reducing because we are implementing such kinds of automation in order to reduce the number of people that do these no value added tasks. The key point is to reduce the number of no value added tasks and to make those be executed by robots and machines and to adjust the workforce for the key value-added activities that cannot be replicated by machines only but can be done in collaboration with a machine.

Hence, labor inflation is a big headache we are focusing on and we are supporting, through the flexibility of the network, the mitigation of the labor inflation playing between the different geographies.

## **Federico Buffa, Head of Eyewear R&D, Product Style and Licensing**

We have to leave the chair to our friends, Norbert and Arnaud, that will drive you through the next chapter of innovation and myopia. Thank you for your attention and see you soon.

## **Giorgio Striano, Chief Operating Officer**

Thank you.

*Lens innovation as a differentiating factor*

## **Norbert Gorny, Chief Operating Officer**

Hello. Luca, it is not my style to answer questions asked to other people but given the fact that Giorgio and myself are partners in crime let me just give you one more explanation on why we managed the Shanghai lockdown that well.

Our Shanghai employees, a couple of dozens of them volunteered to get locked into the factory for almost a month to keep service and production up. That is the style, how to work in our company.

Now onward with innovation. In EssilorLuxottica we consider innovation as one of the most important cornerstones of our strategy. We believe that innovation is a source of differentiation, and we know that differentiation is what we need to grow the market and the business that we own in that market. That is the reason why year after year we keep investing more than Euro 230 million in developing new products, new technologies, establishing entirely new categories and instruments.

Predicated on our deep knowhow of vision science and guided by our digital and sustainability strategy we focus our attention more and more on four areas of activity.

First to be mentioned, E-lens - or the complementary components from the optical technology that feeds into the smart glasses roadmap that was presented to you by Federico; near vision management; myopia; and light management.

The output of those four focal areas of attention and resource allocation feeds into the branded offers of our company, as they are Ray-Ban, Transitions, Varilux, Crizal, and nowadays also Stellest, because our brands carry these technologies. And they make them accessible and recognizable for customers and consumers.

So let's focus for a few minutes on E-lens. As said, E-lens is the optical component that compliments the design and the total system of a piece of smart eyewear. You know that we have been working for quite some time on e-chromic technology, we have extended now into e-focals and e-filter technology. And, as we have mentioned before, we are also developing technology that gives us free form opportunities in displaying information in AR, first to be mentioned the development of holographic mirrors, where we already have a proprietary technology in the monomer design.

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Let's move on with near vision and have a quick focus on what that means. Near vision is managed by the usage of progressive lenses. You may say, what's new about that? That's not new. But what is new about that category and the wearers is that people, in the last 20 years, have dramatically changed their visual behavior. Like you do while you operate on your computer or iPad in front of me.

This has led to a requirement that designs for progressive lenses need to be adapted to this type of behavior. We have started in this context three initiatives of which we believe will bring a lot of value to the industry in the foreseeable future. Because the penetration of the consumer group that is actually supposed to use progressive lenses is still less than 20% worldwide. So there is enormous potential to grow.

Design superiority is what we will achieve by the usage of our proprietary Avatar technology. We have developed a design and testing tool that is founded on millions of consumer data that will help us to accelerate design options, but also rapid testing in order to deliver solutions to the market more quickly. But the best design doesn't do the job if it's not adapted to the wearer or to the individual vision strategy of a wearer. Therefore, fitting a design to a consumer which is covered by the advanced personalization technology is a must in order to move the penetration further ahead. And, in that context, we have developed digital metrology and scanning technology to really get every movement, every pose and every aspect of an individual into the fitting of the design.

And finally we aim at a simplification, we want to simplify the consumer journey from the refraction room all the way through dispensing, starting with our superior refraction technology that you can see here in this demo center. But also moving into dispensing tools that can be mobile, that can be digitally supported, as scanning devices, in order to grab the fitting and optimization data.

Moving on to light management. Light management is a summary term for all the features that we put on a design, because a design by itself is not a product. Light management is for transmission management, clarity, robustness, wellbeing, and many of the other features. And we distinguish two major fields of application. On the one hand all the visual functions of the eye, which is everything you need from the technology to make you see images in the most natural way. And we have just introduced a few months ago a new family of Crizal, which excels as we speak through the rollout in clarity, in robustness and in anti-reflective features.

And as a second element, the non-visual functions of the eye. This is an area of application that demands more and more of our intention and resource allocation, because the non-visual functions of the eye cover elements like photophobia management, migraine management, or, for example, eye fatigue management. Hence, expect us to deliver more light management features through coatings, through laminates, but also through wafer technologies in the years to come, focusing on a more medial application.

One of the most prominently discussed non-visual functions of the eye is the mechanism that onsets myopia and makes it progress. And I remember well three years ago when we met last in London, Federico and myself gave a joint presentation on a technology that in those days was still in clinical test. This technology has become a product in the meantime and some of you who may have paid attention to what happened in Rotterdam a few days ago, where there was the biggest international myopia conference ever, will maybe join me in the analysis that there is no one out there that neglects that myopia is becoming one of the most exciting new categories in our industry.

There are three technologies currently in discussion which are considered being mature enough for a real treatment plan. The first technology is a lens that creates an optical signal in front of the retina. The second technology is a technology that does something else, it softens the image on the retina, taking hard contrasts out. And the third technology and most recent discovery, and scientifically speaking still in its infancy, is a light therapy from the spectrum of the longer wavelength lights or something out of the red spectrum.

We, as a Group, already three years ago decided to provide to the market the most comprehensive basket of clinically proven solutions. That is why our Group is exactly active in these three technologies. The first one to be covered by our product Stellest, which I think is a big success and I think is having the potential as well to become a gold standard one fine day. We are engaged with CooperVision in a joint venture to develop the second technology, which is the D.O.T., Diffusion Optics Technology, contrast management on the retina. And our EssilorLuxottica research teams, with academic partners, are exploring at this moment in time what type of light therapy could play in this field as well.



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To be frank, the most perfect and the best clinically tested product will never be sufficient to create a new category in our industry. It takes awareness, key opinion leaders, parents; it takes new technologies to detect myopia, to monitor myopia, to predict the progression of myopia. We are working on all of those technologies as we speak. And that portfolio of ingredients finally gives us the foundation to establish myopia control products as a new category.

The person who knows best how to do this is Arnaud, who sits next to me.

*Myopia management: shaping the next category*

## **Arnaud Ribadeau Dumas, Head of Group Myopia**

Thank you, Norbert, and good afternoon everybody. I am Arnaud Ribadeau Dumas, I have been the Head of Myopia now for a couple of months, and before that I was the Head of EssilorLuxottica in Greater China, and I was lucky not to be there during the lockdown of the last few months.

I am going to share with you now how we bring the technology that Norbert explained very well, into the reality of the market. Giving you a little bit of the recipe of how we shape the next category which is myopia. And bear with me because I am the last one between now and your break.

A wide portfolio of solutions is the first key pillar to build up this category. So, what we have is the products that have been explained by Norbert already, but what we are distributing as well is more than just one product, it's also contact lenses, soft contact lenses and hard contact lenses, thanks to a partnership we have with CooperVision, which is absolutely key because the products are complementary one to each other. Not every kid is reacting the same way to all of the solutions so it's good to have different solutions. Not all the parents are at ease with contact lenses, so sometimes they prefer lenses. Not all the kids have the same age or the same lifestyle. So, if you want to go sporting it's better that you have contact lenses, if you want to go to school, it's good that you have your lenses. So, the complementarity of the portfolio we believe is absolutely key. We have it at play in China and we are rolling it out in our Retail across the rest of the world and of course in the rest of the Professional Solutions worldwide. We have another component which is extremely important, this is another partnership of the business with the innovation, which is the frames. When you have a lens which is myopia controlled you need to wear it 12 hours a day to be very efficient, it's a question of compliance. The more you treat the better you feel. To be able to wear it 12 hours a day when you are a kid you need something more than just a treatment, so it's important to have nice frames, light frames, comfortable frames, beautiful frames that you like, so that you really have the willingness to keep it on your nose. And Federico and his team they have developed wonderful frames and they are the Ray-Ban, the Vogue, the Polo, the Versace and even the Oakley. So, you have frames for every kind of kid and children. So, the full portfolio is absolutely necessary, we have it at play, and we are rolling it out everywhere.

The second key pillar is to have a very strong medical base. Myopia management is a treatment, so it has to be prescribed by a doctor. It is not about a single vision that you can get from an optician. It is really about having a doctor, prescribing. In that field there is a lot of work being done, clinical trials as it has been explained. But then with the clinical trials that have proved the efficacy you need to engage the doctors and we have now a lot of advisory boards at play in many places of the world for the different technologies we have. The advisory board is crucial for the development and the adoption of the technology. There is a second thing that we are doing with all the key opinion leaders, the ophthalmologists and optometrists. It is to make sure that there is an industry and expert consensus. We are pushing for the experts to create a whitepaper to set up what are the protocols and the conditions, as Amir was explaining, to well dispense a myopia controlled product. And those protocols are being adopted as the reference for the industry and for the other doctors. I'll give you one example, the whitepaper that was built up in China has been adopted by the China Medical Association, which is a government body to become the reference for treating myopia management. And this is what we are also working on with our partners, CooperVision and other players in the industry, to roll it out in other

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countries. So, you understand that we build it up not alone, we build it up with all the industry stakeholders because we are an open company, and we build it up to develop the value of the market. Because the more we develop the market, the best we will be able to create value for you, shareholders, as well.

The third element which is key is to engage the public and the government. We have 3 billion myopic people in the world today. There will be 5 billion by 2050. There are 350 million kids who are myopic today and there will be more than 500 million by 2050. So, it means there are 65 to 70 million new myopes, every year. This is the size of the opportunity which is kicking in. And we have to make sure that the parents understand this need, but more importantly that the governments understand that if the kids are not screened at school, they will fail at school, if they are myopic. And if the kids are not treated for their myopia, then they will develop long term pathologies that will affect their eyes and can even cause blindness. So, the cost for the society can be extremely high. We are engaging the governments, we did a very simple study in China with a university to prove the cost of myopia on the society. It was hundreds of billions of euros, it was points of GDP. And at the end of the day the government, after this study, the Ministry of Health and Education decided that it was a priority to screen these kids at school twice a year. And then doctors of course followed up and then the parents as well. It's important to involve the government. It's important to involve the parents so that they can get their questions cleared on social platforms and use social media to get access to information. And we are also investing, when we are launching a product, a lot on media and communication. If you are in France, in Italy, in China, you will see a lot of communication and advertising around Stellest, for example. We have to wake up the consumer and the patient as well.

The last pillar, which is also very important because we are prescribing a new category is to have the opticians ready to talk about the product. And they used to be able to talk about correction but not about the treatment. So, we are investing also big time in the treatment protocols and in the training. And Leonardo already makes available a strong platform built up by ophthalmologists on what are the treatment protocols that an ECP needs to have in his hands to be able to dispense and sell the product. Quite interestingly also, we are changing the ECPs, we have made a test in China with the LensCrafters stores where we have set up a specific optometry room for kids because they are smaller, and they have to have a different chair. In the same way, we have also reduce the size and the height of the dispensing table so they can see the product and they feel in a less medical environment, in a place which is more comfortable for them to understand what is happening with their myopia. And in these stores we have seen a huge increase of the comp sales, it has been a great success. And now in most of the stores in China more than 5% of the sales are about myopia management products. When you activate properly the Retail, it is working pretty well.

As you understood then, we are moving part of the company from a more correction to a medical field, meaning that we have to invest in organization, in new talents, in new people that are already ready and happy to join the company because we are leading in the field and somehow this is going to benefit the other categories. Presbyopia, light management would benefit from the medical orientation of the company. And EssilorLuxottica is really entering a medical field, being a kind of med-tech sort of a company by developing the myopia management technologies.

That's it for myopia management, I am sure you have a lot of questions, but due to time we will take two questions now and then you have a break after and we will be available, Norbert and I, to answer all of the other questions.

## *Questions & Answers*

### **Graham Renwick, Berenberg**

Hello, can you talk a little bit about competition in myopia management, it's a very attractive category, but it sort of feels with Stellest and your partnership with Cooper that you almost have all the solutions in the market, at the moment. And earlier on it was said in a presentation that it took 30 years of research

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to develop Stellest. So, I just wondered how far behind are competitors in terms of launching credible rival solutions in that category?

## **Norbert Gorny, Chief Operating Officer**

So, of course we welcome competition because competition is needed to get the best out of your own organization, I mean that's a rule that is applicable for almost any type of industry. We see one Japanese competitor having a solution that uses a different optical pathway. For the definition of a solution, let's say a solution is a clinically tested and proven product. Beyond that you have atropine, which is a therapy that in the US, in Europe is currently coming to the end of a testing phase. It can potentially be expected to be approved by the FDA, but we will maybe know in the next year. Beyond that there are many clinical trials, but proven efficacy means 50% or more effect. And that limits the competition to the mentioned technologies. What we see is, on the other hand, if you have a proven technology, you have freeloaders in some parts of the world lining up very, very fast trying to copy your concept. That is why it is extremely important to protect your technology with IP. Not to allow other companies with not clinically proven, but similar looking technology to follow your heels.

## **Arnaud Ribadeau Dumas, Head of Group Myopia**

And to add to that, I think competition is good because it creates the market and the demand and the awareness. But on the other hand, the regulators are going to look at it – because you cannot put a product on the market which is not clinically proven and say that it is making an effective treatment. There will be a balance between high competition and regulation.

## **Veronika Dubajova, Citi**

Thank you very much, great to see you guys. One question with two parts from me. One, if you can maybe give us a sense for the size of revenues for Stellest today and if you fast forward five years from today, what do you think the market opportunity looks like? And then as a sort of follow on to that, what is the shape of the curve until you get there, is it back-end loaded, front-end loaded? I note this is market creation activity, in many markets it's a brand-new market. I'm just thinking of the US in particular, if you do launch next year how quickly would you think that that launch progresses? Thank you.

## **Arnaud Ribadeau Dumas, Head of Group Myopia**

We don't disclose the sales of Stellest, we also don't disclose an ambition, because as you very well said it is a category we are building up, so it is difficult to really say. Now of course it's a huge potential, no doubt, and it is a very significant revenue in China, also no doubt. And it is rolling out in the rest of the world at a speed which will depend on the four pillars that I just explained to you. So, if government kicks in, if awareness is increasing, we are going to get there more rapidly than we think.

## **Norbert Gorny, Chief Operating Officer**

What I think one could say, Arnaud, is once the preparation of the arrival of the product is implemented, exactly following Arnaud's talk, the growth that can be expected is beyond linear. I'll leave that to your fantasy.

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## **Arnaud Ribadeau Dumas, Head of Group Myopia**

What we can say probably, if you want, we sold in H1 roughly what we sold in the full year last year. And we sold in Q3 what we sold in H1. It's a bit exponential.

## **Norbert Gorny, Chief Operating Officer**

We would be pleased to answer all your questions during the break, if you let us. Thank you for your attention.

## **Arnaud Ribadeau Dumas, Head of Group Myopia**

Thank you, we break now.

*Independent, but not alone*

## **Fabrizio Uguzzoni, President of Wholesale North America**

Okay, welcome back. I hope you enjoyed the break and that you're having a good time so far, starting from this morning with a tour of the venue. Chrystel and I are really happy you had the possibility to see our new venue because it's really our house when we engage with our customers. And I believe today it is really the best you can find in the way of explaining and engaging with our customers.

My name is Fabrizio Uguzzoni and I have the pleasure to lead the North America market and today, together with Chrystel, we will give you some flavor about the Professional Solutions, what are the strategies and some of the highlights.

## **Chrystel Barranger, President of Wholesale EMEA**

Thank you, Fabrizio. Good afternoon everyone, I'm Chrystel Barranger and actually I'm leading EssilorLuxottica EMEA Professional Solutions.

You have already heard a lot about the Group's ambition and the power of its assets. And now together with Fabrizio we will showcase how our leadership in North America and EMEA can help us to unlock the growth of the industry, together with the optical professional. Historically, the development of the optical industry has been the result of our strong bond, our close relationship and our close collaboration with the industry experts. And we are growing together. Today, EssilorLuxottica is stronger and has a wider ability to impact, to give more. Our scale brings both stability and new possibility. And our value-add is 360. Eyecare professionals cherish their independence as healthcare providers and as entrepreneurs. But it never meant that they wanted to be isolated and all alone, especially today in a fast-moving world and in a volatile and challenging context, we can really make a difference and help them to ramp up even better. So, our intention is to further grow with them, powering them to be independent, but not alone.

So, why is it so key to nurture our collaboration with eyecare professionals? It's not the romantic vision of business, the answer sits actually in the market key figures and its anchor in the business fundamentals. It's primary a vision care market and more than 80% of the global market value is driven by a prescription offer and primarily by prescription glasses. And before anything, the value is built on answering an essential need for good vision. It's not also by chance that this industry is an expert industry, because as a matter of fact more than half of the market value is collected by independent ECPs, they are the backbone of our industry. Patients, and especially those who have real vision challenges and who are wearing their glasses on their face all day long, rely on their expertise and their

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trusted advice. When you buy prescription glasses you buy a fully customized health and style product. And it's a complicated purchase with a very high impact on your daily life, so you want to get it right. The last thing about the market, it's a very local business with very different maturity and reality across the globe. People serve people in hundreds of thousands of doors. And to perform, even segmenting the doors, both a robust supply network and a strong local commercial anchor, are needed.

So now, let's have a perspective on our EssilorLuxottica Professional Solutions and on the market trend.

## **Fabrizio Uguzzoni, President of Wholesale North America**

Looking at EssilorLuxottica, we are highlighting here something which is extremely important for us when we play in the market. The first one is understanding we provide solutions to our customers, it's not any more about a single transaction of selling one frame, one lens, one product. It is to be consultative with our customers in the whole range of product categories and solutions that we can offer to them. How we can partner with them to make them more successful in what they do. Understanding that our customer base is very diversified, as Chrystel said, 50% is still represented by independent eyecare professionals. But almost all of them are doctors, they are practicing in the medical space. And it is important that we enhance their medical capability, and we help them to be successful. As you have heard before from Dr. Amir Khoshnevis, they want to be medical, but they want to be successful in their practice.

And there are four different trends we have highlighted here which are important for us to consider in looking at the market and looking at the way we are approaching the market as EssilorLuxottica, one unified company. Consolidation, I have received so many questions about what is happening within the market with the consolidation. Despite the pace of consolidation in the last few years, the market is still very much fragmented, as you have seen in the chart at the beginning. And the consolidation can be an opportunity, because there is consolidation, of course, of people acquiring practices, but there is also consolidation like the network of Vision Source, you have seen before, a network of 4,500 doctors that came together to be stronger and this is a great platform for us to partner with and to be more effective in the way we go to the market. The second is digital and teleoptometry, a trend that was already there before 2020, but definitely 2020 accelerated the trends that were already there. And to be capable to provide those needs to the market with the digital and teleoptometry to better leverage the resources they have, it's fundamental. As a company we cannot ignore that, we needed to be ready. The second to last is the need for vision. And you have heard about myopia before and the different needs that are evolving because of aging, of course, which has been always there. But also because of the different behavior of consumers and patients with the screentime increasing exponentially in the last years. So, the need for vision correction and protection is increasing exponentially. And last, but not least, is the patient journey. How we can help our doctors to manage the patient in all the cycle, before, during and after. How to engage and how to go where the patient is and not anymore waiting for the patient to walk into our practices for an eye exam.

But having said that, back to Chrystel for having a highlight on Europe and then we will see North America as well.

## **Chrystel Barranger, President of Wholesale EMEA**

Thank you. So, back to how we lead in EMEA. EMEA is a very large region and the first optical market, for EssilorLuxottica it's the second region in our review and it's the historical anchor, especially in France and Italy. Professional Solutions in EMEA has a massive coverage as we're addressing 50k out of the 75k doors in the region. And a lot has changed over the last three years. We become one integrated company, including GrandVision and this has been a bold move in this region. One thing did not change though, and it is even more reinforced. Our Professional Solutions' team commitment to grow with the optical professional and to drive the industry ecosystem towards the future. We passed the COVID acid test I would say and we're back to growth and we're leveraging four strategic pillars.

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The first one, is that we now act as one company. We operate in 52 countries and we are advantaged as we have the Group's scale. But we are also strongly locally implanted, actually we are local at scale. Our lab footprint, with more than 50 commercial labs, as explained by Giorgio, in the region ensures the product quality, the customer proximity, the supply and the service reliability, very key in this moment. And our commercial networks and teams out in the field bring us a very deep commercial intimacy in the market. Over the last year we really became one in action. We have now one integrated leadership team across the geographies, we are a one stop shop across the category, offering end to end solutions for our customers. It is now by the way very tangible for our customers. In this location, for example, we have recently presented our new collection, showcasing our complete portfolio and our innovation, our digital windows, our smart shopper, our teleoptometry solution, our Leonardo education platform. And being clear that all this innovation, we would be delighted to let our customers benefit from in their practice. Overall, the new EssilorLuxottica is energizing, and it's a common culture that has really emerged, with a more extensive understanding of our customer reality and need in the field. And it has stimulated to find new solutions.

The second lever that we are leveraging is our geographical footprint. We operate in the wide region with a mix of mature and emerging markets. In the emerging markets the level of vision needing to be corrected treated is usually lower than in mature markets and our position is less developed. One very straightforward lever to grow is to fast track our business in these emerging markets. And it is delivering. In EMEA, for example, we are growing in the East nine times faster than in the average of EMEA and six times faster in Meta. We also rediscover new growth opportunities in our strongholds, becoming EssilorLuxottica. For example, in France 75% of the business is driven by lenses, while in Italy 65% of our business is driven by frames. So, clearly developing the categories, the complementary category with key customers is a new white space.

The third one is to accelerate category and innovation. It's the main expectation of our customers to have the ability to support the market value creation. To develop categories and to boost their valorization with advanced innovation and brands has always been our signature. And we will keep on building on our playbook, but also open new frontiers. So, today some growth levers are very straightforward, as the expansion of our portfolio distribution, for example phasing the sun cross channel opportunity, in particular in e-commerce and in sport channels. Our brand management can be boosted by our accretive lenses blockbusters. But we also have new levers capitalizing across the categories, for example across instruments and lenses with the introduction of our new eyecare consumer journey in store to best serve patient needs and also to support ECP upselling. I mean across channels, having a multichannel investment in a geography and we already have the great result of Transition acceleration, investing in Italy across Professional Solutions and in our banner of Salmoiraghi & Viganò. Finally, being future ready, driving the optical stores attractiveness and traffic, with digitalization solutions across the consumer journey and you can probably still discover just behind you the Smart Shopper and the Digital Windows which we are widely implementing in EMEA. Of course, we are bringing now also a new generation to store being the sponsor of myopia control management, offering therapeutical lenses, but also not forgetting to match them with good frames. Of course we are now also introducing the first and, very soon, the new generation of smart eyewear. So, as you can see, we have large levers of growth activating our category and innovation. Both playing on our playbook, our historical playbook, but also pushing it further.

Last, but not least, our last lever of growth in EMEA is really to level up our customer partnership. As I said before, we have a massive coverage and we work across all channels, eyecare professional, key accounts, buying groups, e-comm, department store, world travel retail, sport channels and we offer to all of them differentiated value propositions. We have a long-lasting partnership and a deep connection with many customers thanks to our 4,500 commercial people serving them daily. Across the region, just to give you some numbers, 12,000 of the doors are part of our Essilor Expert programs and they differentiate themselves with an Essilor ambassador stamp on the front of their window. We also have 6,000 doors who are leveraging our Stars program, our integrated supply replenishment model for frames and the benefit, for example, to have in one week all the collection newness in their stores. With our partners we are far beyond a transactional business, nevertheless we want to bring them even more.

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And to our ECP partners we want to have a turnkey solution and services, driving in-store traffic, elevating the in-store experience, simplifying their store operations and also sustaining the expertise and differentiation. These services are embedded in our new 360 EssilorLuxottica program that Fabrizio will detail later. But we just introduced it this year in EMEA, and I have to say the first results are really promising, as the partners are outperforming. To our chain partners, store efficiency is even more central, having the new eye exam solution, but also complete pair supplies are attractive for them. And finally for all partners and customers, we know from experience that staff training and education is key to sell added value categories and products. And the challenge with training in general is to be able to perform it at scale, at reasonable cost, in an easy and simple way for a large number of staff in store. So, Leonardo, our innovative educational platform will uniquely simplify this challenge. And it is already appreciated by our customers.

So, I gave you a very fast overview of our key growth levers and to conclude on EMEA to leave you with an idea. A major part of the market value is built on the assumption and need for good vision and addressing this need is also the core business of the industry expert. As a leader we do not take it lightly to stimulate the value creation for all the stakeholders, even in mature geographies. But let me pause here for a second, because I just want to say what a fabulous object – these prescription glasses are. Actually they are critical to help me see you, but also to influence the way that you see me and to tell you about my style. It adapts to light changes around me and protects my vision capital. And tomorrow probably it will also be the vehicle for me to see more than the simple reality, maybe I will just see your LinkedIn profile when looking at you. So, in our new company configuration we have no limitation for invention and reinvention, we have endless possibilities to best address the vision needs with added value and many avenues to give better access, to offer differentiation, to bring people in store. We have the chance to be this disruptive, inclusive and fully reborn vision care champion that together with the industry experts, our historical partners, can unlock the real category potential and co-shape the future. This is definitely our aspiration, and we'll keep working on it in EMEA.

## **Fabrizio Uguzzoni, President of Wholesale North America**

Thank you, Chrystel, an amazing journey we are on in Europe. Similar to Europe, I want to give you a flavor about North America, and I hope I'm going to be capable of translating what we're doing in North America to what you have seen before by the previous speakers. Because everything that is here, it's translating into a commercial solution for our customers.

So, the first thing you see is partner programs. Chrystel mentioned about Essilor Experts, we have more than 8,000 Essilor Experts in the US. But EssilorLuxottica 360 is the program that we have launched in the US a little bit less than two years ago and in less than two years we have arrived already to 5,000 members. But what is even more important is that those programs have been built to improve the performance of our customers. And when we measure the performance, it's the traffic, the number of eye exams, the capture rate, and the profitability. We see the Essilor Expert and the EssilorLuxottica 360 outperform by far the market. In terms of the number of eye exams we see them growing at twice what the market is doing and in terms of capture rate being 50% higher than the rest of the customers. That is giving us the confidence that what we are doing is right for our customers. But it is much more in terms of a program. You have heard before from Dr. Amir Khoshnevis on Vision Source. Frame Dream is one of the programs we developed with those networks of doctors for the complete pair solution, with a showroom model, where in your practice you don't get any more the frame out of your board but you receive the complete pair, one way, faster, higher quality and also in terms of reliability. Then it is extremely important to leverage on what Giorgio said on the supply chain.

Second is the product and brand. This is our core. And I have two examples on the number one brands we bring to the table on frames, the number one on lenses that create so much demand and desirability for our consumer, but so much trust from our doctors. So, I put the picture of the NFL, of Oakley. The partnership we started with Oakley a few years ago means millions, millions of consumers every Sunday when the NFL plays seeing the logo of Oakley on the face of their idols, of their favorite players. This is an incredible driver of our business that we have seen. But if I take the lens, I believe the example we

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can take is the Transition and how much we made a brand a category name, how much education we do with our doctors on the photochromic category and we match with the demand of the consumer pulling and convincing them about the needs to protect their eyes in a photochromic type of lenses.

The third is the customer centric approach. In the US, we started an approach where we wanted to make sure with our customers, as anticipated at the beginning, to be consultative, not anymore transactional. We want to make sure that when we sit with our customers, we understand what their needs are, what they need to better practice from the moment a patient is entering into the practice until the moment he is going to the eye exam room and then to the dispensing. And helping them to understand our product, but also our service and our solution that can help them to be more successful. We created an organization which is embedding frames, lenses and all the solutions. Depending on the type of customers that you serve, if you serve an EssilorLuxottica 360 customer it's different than if you're onboarding a new customer, you need to be capable to talk about the business 360 degrees and not just on the single category that we represented in the past.

And last, but not least, something I am extremely passionate about – education and awareness. And I am glad that you came here before and you had the possibility to see Leonardo which is the first, open, digital learning and educational platform available to all our customers. And the content we have there with thousands and thousands of hours of education, hundreds of teachers, it's incredible and goes from product, brand, medical, for everyone, not just for our doctor customers, but for everyone that touches a patient it's important to understand. We know it is difficult to skill up the people we have in our practices, our locations, our retail stores and Leonardo gives that opportunity. And to make sure it is relevant we are partnering with the top universities and colleges in the United States to make sure the content is certified. And the partnership with them is a two-way partnership, so they benefit from our platform, and we benefit from the knowledge of all the academic world in the United States. And finally, awareness, we are partnering with institutions in the United States to increase the awareness of the need of high quality eyecare, it is extremely important. The association of doctors, the press, everyone, will help us to increase the frequency of the patient seeing a doctor and making sure there is awareness about the importance of protecting your most important sense, which is your sight and your eyes.

The message for the US that I want to leave you with is, we are building a partnership for life with our customers. We are partnering with them 360 degrees, I mean not by chance the program is EL 360, and we are partnering with them from the beginning of their journey in all their professional lifetime, since even when they are in college. As I said, partnering with colleges it means we started to interact with the doctor students even before they started to practice. And they start to become familiar and we help them to be ready for the world that is waiting for them. All the way to the transition, as Dr. Amir Khoshnevis said on Vision Source, Vision Source next or understanding of what might be an exit strategy for a doctor. That is for us important, we are a partner for the lifetime of our customers.

Thank you very much for listening to Chrystel and I, we are very happy to take any questions.

**Chrystel Barranger, President of Wholesale EMEA**

I think two questions.

*Questions & Answers*

**Julien Dormois, BNP Paribas**

Thank you, two questions, one on Europe and the other one on the US. In Europe it's now been a year since you acquired GrandVision. And we can remember that by the time Essilor and Luxottica merged there was quite a bit of customer pushback. Interestingly it seems that this time around, there has been very little customer pushback following the acquisition of GrandVision. Can you just confirm this impression and maybe tell us how you've managed to do things differently this time?



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And on the US, a basic question about short term trends from the customers. What do you see on a weekly basis? Are we seeing what most industries are seeing, and what some of the competitors in your space are seeing, which is a slowdown?

## **Chrystel Barranger, President of Wholesale EMEA**

Okay, I will start on your first question. You're actually right, it was a big move, the acquisition of GrandVision, and it was new in this region for our customers to see us becoming a retailer of this size. And you're also right, we're not experiencing big retaliation. I think it's clear that our customers are asking themselves a question, what's in it for me in this combination? Should I fear it? What they have seen is us engaging even more with them and trying even more to develop their business. And as we said we are offering them the opportunity to grow and to be better.

So, they are smart, our customers. They see the value we bring, what we can co-build with them. I think the responsibility is on us to continue to be very good at leveraging our footprint of distribution, to grow the industry, so that they see the benefit for them. Then we are going to continue to develop together.

By the way, another thing I want to add is that, on the contrary, we have also reconquered some of our key customers, who have not been working for us for some time and are now seeing that not working with a leader could be also a difficulty in the future.

## **Fabrizio Uguzzoni, President of Wholesale North America**

On the US business trend, the business is going well in the US and of course it's very different depending on the product and the customer segment we look at. Luxury is doing amazing. It's growing very much on top of last year in which we were growing very much. We have seen some KPIs getting even better than last year, in some areas and in some customers, even though the traffic and the number of eye exams are doing well, and also the capture rate.

Then definitely the US in 2021 was an incredible year, but we see that all the value we created in 2021 are retaining in 2022. So, we are not going back to the value we created. We are still growing, slower than the growth we have seen last year, definitely yes, but we still see the growth and in very different segments we still see extremely positive feedback from the customers. It started very good, it slowed a little bit down, and now we are back on track with the positive trend that we see.

Of course, the US is not immune to what you see in the rest of the world and between consumer confidence and all the rest of the customers, so they are very much out there looking at what is happening. But I would not say today that the market is not a good one.

It was two questions from one person, or it's two questions? I'm kidding. Are there any other questions?

## **Alberto Chiandetti, Fidelity International**

Two questions. The first one is on the European side but can be answered by both. The company has shown how organization wise, supply chain wise, IT wise, the integration between Essilor and Luxottica has happened. But on the front-end side, selling a frame and selling a lens are different. Where would you say you are on the path towards reaching the sort of cross-selling synergies of putting together the two companies, that was one of the reasons why this company has been created? Do you think we still have a lot of room to gain from this, or have we already reached, let's say the maximum capacity?

And the second one is on the tele-optometry side, which today for me at least was one of the most important things to see. I believe it's early, in the early phase, also for your own retail, it started one year

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ago. Where are we in the US market that I think is going to be developed first on the wholesale side? And if you could share some KPIs of the business models? Will it be just a way to provide an additional service to your wholesale clients, or will it be an additional business with fees paid to access these sorts of things? Thank you.

## **Fabrizio Uguzzoni, President of Wholesale North America**

I'll start with the US, it's a lot on here. First of all, on the front-end customer sales organization and the way we got organized. We created one organization for all the optical customers in the United States. And when I say optical, it can be an independent eyecare professional, a private practice ophthalmologist or it can be a big box optical retailer.

So, one commercial organization for the key account is one account per customer, that is serving and providing all the solutions and the commercial offers 360 degrees. Then we have the category manager. Of course, as you said, the technicalities or the skills you need to have to explain a lens versus a frame are different, but the account manager taking care of the customer is one. When you go to the independent instead, which is much more fragmented, we have a salesforce field based as well.

We created a salesforce that is made up of three different pillars. Depending if you look at the pyramid of our customers, at the top of our pyramid you are a 360-degree customer of EssilorLuxottica. There is an account manager taking care of you, having a monthly business review, seeing where you're going and then consulting on what you need to do to perform better, to increase the mix, to improve the performance, the penetration of the brands, I mean, consulting and making you better. And then we have still the category out there, consulting on the frame and on the lenses when we have a new collection, when we have a new launch. We are preparing for myopia as you have seen before, which is extremely important to have a subject matter expert. So, there is an account management structure taking care of the customer 360 degrees, but still injecting with subject matter experts when it goes and you need to explain a new product or a new solution visiting customers.

On the tele-optometry it's relatively – it's definitely too early to give you some KPIs. The way we see tele-optometry - we have the solution available and as we speak, we are preparing the presentation and the pilot to our customers. Before Vision Source mentioned, we already identified customers with which to pilot the solution we have.

The idea for tele-optometry for our customer is complementarity on the way. That can serve and perform an eye exam, creating a network of doctors they can have access to. And they can perform with a very trained technician in practice because that is definitely an important element, remotely, with the patient still going to the practice but having the doctor remotely. That is going to help our customers to increase the number of eye exams with patients they can see. So, definitely yes, it can drive much more business than what they do today. This is helping them from a resources point of view, because there is a scarcity of resources today as you know very well, and definitely in the US, a scarcity of availability of doctors and of optometrists. And it is helping them to add an eye exam room without having to recruit doctors, even more when it comes to rural areas, but not only in areas where the doctors want to go and to live. Definitely it is helping to have a much more coverage during the week and during the hours.

## **Chrystel Barranger, President of Wholesale EMEA**

So, back to Europe and EMEA. I will start with the question on tele-optometry. For the moment, yes, we are at the beginning. And it is really promising because it's a bit like tele-medicine, we know this is the direction.

I think if I look at the region, there are the mature geographies and in the mature geographies, one of our key challenges is to accelerate the renewal of eyeglasses to ensure that people still have the right collection. Sometimes there is a bottleneck on getting a prescription. When you think about the pandemic

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that is coming on myopia it is going to be probably even more difficult to get an appointment. So, I think tele-optometry will really help to get an accelerated access to prescriptions and therefore to serve the people's needs.

On emerging markets it's different. I think sometimes in these geographies you have even more scarcity of doctors that can perform and in long distances. So tele-optometry will be a way probably to help, to accelerate the corrections, to have more people who need a correction to be treated. So, I think here we see the destination and we are very keen to start the first test with our customers also in EMEA.

If I go now to your question of cross selling. In terms of organization, I will differentiate organization and the way of operating. Because yes in terms of organization, we have moved supply chain, we have moved all our geographies and all our key functions into one organization. And we did not dramatically change on the front line. It does not mean we did not change the way to operate. Today, there is not one roadshow or one meeting with a key account, which is just a lens or a frame. Each time you have people – sometimes the same people are responsible, or even though they are not exactly the same people, they go and have the same meeting to understand how to best help the customer to benefit from the offer.

In terms of cross selling, I would say we have scratched the surface and that's the first thing we have done, working our commercial synergy across the geographies. But I would say we would be done with cross selling when we have totally integrated the eye exam with the fitting of the lens, with the choice of the lens, with the choice of the glasses. So that's from the end to end, actually we have solutions in the mass part of our customers who are really complete. So, I think we're scratching the surface here. And as you have heard, we also start to think on our differentiated complete glasses. We speak about kids, but that's also an avenue. So, I think cross selling is really the surface of what we can get in terms of the synergies of all this Company.

## **Fabrizio Uguzzoni, President of Wholesale North America**

Thank you very much for your time, it's a pleasure and enjoy the rest of the day. And we will be happy to answer any other questions afterwards.

### *GrandVision integration*

## **Massimiliano Mutinelli, President of Retail Optical EMEA**

Hello everybody, I am pleased to be here today to introduce you GrandVision, which has been consolidated into EssilorLuxottica since the 1st of July 2021, bringing more than 8,000 locations and 38 banners globally.

Since many years, I have been in charge of the commercial relationship with GrandVision as Head of the Wholesale business for EssilorLuxottica in Europe. Today, I run the Optical Retail business in EMEA, with nearly 6,000 shops, 30 local leading banners, mentioning some of them, Vision Express in the UK, Synoptik in Scandinavia, Générale d'Optique and GrandOptical in France, Apollo in Germany, Atasun in Turkey and many others.

The combination of GrandVision into EssilorLuxottica will contribute to our strategy to elevate and grow the optical market in Europe. It will also support our strategy to educate final consumers about the importance of comprehensive eye tests and up-to-date prescriptions.

Now, let's talk about growth opportunities. As you may know, the European market is expected to grow in the coming five years and the combination of GrandVision into EssilorLuxottica will contribute to fuel this growth and to elevate the market. We see four pillars of growth at the same time, four opportunities for synergies.

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Let's start with the team. In GrandVision, we have a talented team of 30,000 people. Together with our Leonardo platform, we will further enhance their skills and capabilities to prepare them for the next journey.

Stores, this is an unmatched store portfolio, as I said of 6,000 stores in Europe. If you combine this network with our technology with our savoir faire store design, we are ready to design a new customer journey.

Product assortment is an incredible opportunity. Let's start with lenses. We have in GrandVision, many underpenetrated categories, progressive lenses, blue Cut, Transitions, myopia control. Together with EssilorLuxottica brands, products and technology, we can really boost and elevate the market and our business. And let's talk about frames. Now we can combine GrandVision private label with EssilorLuxottica brands, which are covering all price segments. Sunglasses, another untapped opportunity in GrandVision. And again, with EssilorLuxottica brand portfolio, our Smart Shopper technology that you have seen today, our savoir faire in sun business, we can really boost and develop the market at our business.

Then customer journey. Normally it starts online with an appointment booking. It continues in the shops with an eye check and a purchase of a frame. Now we can combine EssilorLuxottica and GrandVision omnichannel capabilities to further develop the market.

And then, last but not least, external growth. It is clear that we are continuously monitoring opportunities for bolt-on acquisition in existing markets and in new markets. I have an example for you, we have just completed the acquisition of 70 stores in Scandinavia of Smart Eyes.

And now let's talk about synergies, integration synergies. As I said, in Europe GrandVision is 30 local banners, 20 of them are mid-low and 10 are mid-high. We want to build one integrated platform of 30 strong local brands. We have identified 5 key initiatives.

The first one is to accelerate the deployment of EssilorLuxottica brands, products and technology. The second one is to roll out a common IT and digital platform. The third one is integrating GrandVision supply chain into the EssilorLuxottica one to further improve the level of service to our final consumer and to boost sales. Consolidation and renegotiation of contracts with existing vendors. And last but not least, we want to leverage EssilorLuxottica's center of excellence and share services in marketing, CRM, omnichannel and finance.

With this strategy we are pursuing two targets. The first one is to have a leaner and more efficient organization, to deliver the best service to our customers and to fuel growth. The second one is to deliver substantial synergies.

To sum up this presentation, I want to stress that GrandVision is almost a perfect fit into EssilorLuxottica. And for three main reasons. It is a market leader in optical retail in Europe with 6,000 shops. It is the perfect platform for EssilorLuxottica brands, products and technology, both in lenses and in frames. The third point, the combination as I said, is contributing to an elevation and to the growth of the market.

Thank you and I hand over to Alessandro.

*E-commerce, one global team*

**Alessandro Cobelli, Head of Global E-Commerce**

Thank you very much Max and good afternoon everyone. I am Alessandro Cobelli. I'm Head of Global E-Commerce.

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I would like to reassure you, I will be very fast, not because e-commerce is smaller, or less important, not at all, but because I want to focus on a few important messages. And the first one is here, in front of you and it's not me, it's one global team. I guess you have heard a lot of times today, one, one. And believe me it's true. We are one.

We have gone through an integration process, we reduced complexity, we built capabilities and skills, and we built the COEs that are serving digitally in any specialized digital process in our Group, not just e-commerce, I would like to underline it, not just e-commerce. And our COEs that are really proficient in the digital skills and, coming back to what Francesco was saying this afternoon, are also available externally to our licensees, to our wholesalers. So, it's an open model and we are a network company.

And this is the first message. How big is this business? Here you are. This is the ID card of global e-commerce. It's a business worth €1.5bn, with 75 banners which is huge, in 44 countries and touching every year 500 million visitors, massive. And our COE, the digital team, is made up of 800 people. Again, this is a business that is not just profitable, but also accretive as Stefano will say in a while.

Our portfolio is made up by sites selling prescriptions online, sunglasses, which is our bread and butter, and contact lenses, the high frequency, high volume generator. This team is sharing tech stack, processes, practices and data, a lot of data, remember 500 million visitors a year. If you put together a lot of data, plus analytics, and plus a global platform, what you achieve is a fully personalized experience online.

For example, in [eyebuydirect.com](http://eyebuydirect.com), we are able to put together offline and online data, and to provide the best personalized experience for any visitor, proposing any personalized content and products. And this is the second message, the first one global team, the second a fully personalized experience. And now we arrive to the third one, a fully integrated customer journey.

Max was just mentioning how strong and important is the customer journey and omnichannel. It was actually true some years ago, and what happened in the last two years has made it simply even more important. You know the story, online has boosted, then we had a continuous shift between online, offline and go back. So, what we can say after these two years, we can say that we have been ready. We have been ready when lockdown appeared and we're boosting online. We were ready to enhance our appointment booking tool when restrictions were announced. And then we were ready to go back offline when it was the moment of the removal of restrictions.

For us it's very important, I can provide you will a lot of examples and I am available later to provide you with all the omnichannel scenarios, but I would like to mention one important program, which I would like to share with you.

We have a customer curation program cross banners, that means that we put our 15,000 stores available for enabling omnichannel scenarios to all the banners. It's a cross-banner, let's say, approach, which is unique, and it is requiring a cultural shift and it is a huge opportunity. And this program is also available for our pure online players.

Here you will see also what we are investing in. Artificial intelligence, driving the best frame advice online. We are investing in virtual reality, augmented reality to provide the virtual try on with the highest quality. We are continuously investing in developing a lens configurator that is providing education towards the end consumer, but also providing a clarity on how the lens is configured online. And RX for us is a key pillar.

Social commerce. Of course we have a strong partnership with Meta. And we want to boost also Social commerce.

I am almost done, you are willing to listen to Stefano Grassi. I am finishing and I would like to underline the three messages that I want to leave with you to bring them home. One global team, building one

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global platform, working and focusing on prescription RX and investing in innovation in order to provide a fully personalized experience and integrated customer journey.

Thank you very much, me and Max are now available for two questions.

## *Questions & Answers*

### **Susy Tibaldi, UBS**

I have a question for Massimiliano please on GrandVision on the integration. It's been one year, a bit more than one year. I think it would be very helpful if you could help us understand what is the penetration of the EssilorLuxottica products in the GrandVision network, maybe explaining – I don't know if you could give precise numbers, that would be amazing - but explaining what was the starting point, how much has been achieved after one year and what is the full potential?

And I guess also the same question, but more on the integration, on the cost simplification side, how much was done in this first year and how much more do you think there is to do?

### **Massimiliano Mutinelli, President of Retail Optical EMEA**

Let's say there is a lot, but this is a journey. It's a journey and as I said it started in July 2021 and accelerated in April 2022. I'm in this position since April 2022. I would not disclose numbers, but I'm telling you that there are massive opportunities, both in terms of EssilorLuxottica brands, products and technology, and in synergies.

We are at the beginning of this journey, and I am giving two examples. The first one, we started a pilot with the new assortment both in lenses and frames in July 2022. And the first results are really encouraging. The second one, talking about cost and creating one platform, we have done the first pilot in IT and digital integration in Portugal and this pilot has been successful. Now we are ready to roll out the new IT and digital platform in Italy, North America and Latin America.

We are starting now a journey and I'm saying that I'm really confident after four months. From what I've seen, the opportunities are huge.

### **Alessandro Cobelli, Head of Global E-Commerce**

Let me add that everything that Max said is also true for e-commerce, GV e-commerce. You know the banners are omnichannel in most of the cases, but it is also including some pure players in GV scope.

### **Veronika Dubajova, Citi**

Thank you, I'll keep it to one so we can move on to Stefano. But maybe just if you fast forward on the integration process, I'm curious the three priorities Massimiliano that you've outlined, how long until all three are completed, what's the timeframe? And then which ones can move faster versus which ones you think will take more time?

### **Massimiliano Mutinelli, President of Retail Optical EMEA**

You know, as I said this is a journey and I think we will complete this journey within the end of 2024. For certain initiatives like product assortments, so frames, sunglasses and lenses I think we can go faster.

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## Alessandro Cobelli, Head of Global E-Commerce

Okay, it's Stefano Grassi time. Thank you very much.

## Massimiliano Mutinelli, President of Retail Optical EMEA

Thank you very much.

### *Financial roadmap*

## Stefano Grassi, Chief Financial Officer

I'm glad to have the Stefano Grassi time right at the end of this journey today. My time will be very much dedicated to our financial roadmap. And before starting looking at our bright future, I think it's important to take a look at our recent past.

What you see on this slide represents very much the journey of EssilorLuxottica from the period 2018 up to 2021, from a top line perspective as well as from a profitability standpoint. What you see on this slide, you have a top line that grew 3.5% during the course of the last four years. Those numbers do not include GrandVision.

And from a profitability standpoint, as you can see, we had a marginal appreciation of our adjusted operating profit from 16.2%, that we had on a *pro forma* basis in 2018, to the 17%, that we posted for the full year 2021.

Now as you all know in 2021, we closed the GrandVision transaction, and we published our *pro forma* results which include EssilorLuxottica plus GrandVision. And as a result of that, our top line increase on a *pro forma* basis south of €18bn to €21.5bn, and our profitability was actually diluted by including GrandVision into EssilorLuxottica and therefore our adjusted operating profit moved from 17% on a standalone basis to 16.1% including GrandVision in our results.

Now you all remember that at the beginning of 2022, we shared a revised outlook for the Group, a five-year outlook which encompasses top line expectation as well as profitability expectations. And in particular we said that we have an expectation to grow the EssilorLuxottica top line by 2026 at €27-28bn, which implies a mid-single-digit growth rate for our top line.

From a profitability standpoint, we had an indication to hit the 19-20% adjusted operating profit by 2026. This is an acceleration compared to the previous trend. From a top line perspective, we were growing 3.5% and now we guided for the mid-single-digit growth. That is also an improvement from a profitability standpoint. As a matter of fact, 80 basis points appreciation in the last four years and now as one EssilorLuxottica we do have an expectation to roughly improve our adjusted operating profit 300-400 basis points over the next five years.

How do we get there? What are the key drivers of our top line? What are the fundamental pillars that will drive our improvement in the profitability? This is what you're going to see on the next few slides.

From a sales key driver standpoint, it is really a mix, it's really a combination between regions, business units and volume. And if I look at this chart from left to right, what you are seeing here from a geographic standpoint, the most mature regions, namely North America and Europe, the ones that represent more than 80% of our revenue base as Paul was showing before, will grow on average in the low-to-mid-single-digit territory.

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If we look at our Latin America region, our Asia Pacific region, the regions where we have the vast majority of our fast-growing markets, well, for those regions our expectation is to grow in the mid-to-high-single digit. And I can tell you that within those countries, within those regions we have countries that are going to grow at a double-digit pace during the next five years.

Then bolt-on M&A will continue to be part of our growth trajectory. We expect up to one percentage point of contribution from M&A to our mid-single-digit guidance.

Another important asset that we'll see growing at a pretty high pace is what Alessandro well described before, our e-commerce business. We expect our e-commerce to be at a double-digit pace and importantly to become approximately 10% of our revenue base by 2026.

Then I know many of you will ask me, okay, but what is your mix in order to get there? What is your trajectory between volume and price mix? Well, if you look at our last 12-18 months, you'll know that our primary driver of growth has been price mix. Our expectation for the future is to invert that relationship, to have volume that will drive the top line growth and to have price mix through innovation, through the launch of new products in new markets to be a couple and add-on to our growth rate.

But now the top line that you are seeing here represents what I would say is the base case. In all transparency, we are putting together on a table here additional opportunities for growth that we haven't reflected in our top line expectation of what I would call base case. Opportunities that we see there, opportunities that I hope you also heard, understood and in a certain way touched today that are not reflected in our mid-single-digit growth.

One example, our Myopia Solutions outside China. Arnaud well described the opportunity that we have there. We have quantified what we can see in China and obviously we haven't reflected the part that is outside the Chinese border.

Another important asset, a new category for the industry is represented by wearable devices. That, smart glasses, will be an important pillar of growth that we just haven't quantified and reflected into our base case.

The third important aspect here is the optical e-commerce, the end-to-end optical online, fully translated into an omnichannel position with our stores, it's not reflected there at its full potential.

And this is what pertains to our top line, but what about our profitability? What are the key building blocks that drive this company from a 16% margin rate to a 19-20% operating profit adjusted by 2026.

And when I think about that, there are really in my mind two profitability building blocks, and you see them on this page. On the left-hand side what I call the revenue-related building blocks and on the right-hand side the cost-related building blocks. So, if you spend a few seconds on the left-hand side, the revenue-related building blocks, what you have here is very much all the initiatives that we've been talking about before. The potential to grow at a fast pace, a faster pace in some of the fast-growing markets, Brazil, India, China, markets that today represent approximately 7% of our revenue base. The opportunity to tighten even more our partnerships, whether it's EL360, to take the lessons learnt that we have in the United States and leverage it outside the US. The continuous development of such a critical asset for the industry like Vision Source that was well explained by the experience of Amir before. And last but not least, the opportunity to expand our Managed Vision Care assets outside the US border.

Clearly there is also what I call the steady state, the operating leverage that we set at 3% as a growth, beyond which we have natural margin expansion.

And then we have on the right-hand side of the page the cost building blocks. And in particular we are talking about investments and efficiencies. Some of them are pretty obvious. The investment in our retail network, we own and run over 13,000 stores. We are going to take those stores progressively up to the



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latest and greatest technology. We are going to have those stores dialing in with our online platform, really creating that omnichannel position that was well described before by Alessandro.

We are also going to continue in the evolution of our supply chain and operation infrastructure and obviously, no need to say, the innovation pipeline of products will continue to be fueled.

Then another important chapter of cost-related building blocks for our profitability journey is related to the efficiencies. We know how to do that work. We know how to build up from scratch shared services centers that progressively will centralize the entire legal entity that we run under EssilorLuxottica. We are doing it. Every year we are centralizing in shared services centers in North America, in South America, in Europe, in Asia, 50 to 100 legal entities. And by the way, at the same time we are simplifying our machine. Every year in EssilorLuxottica we are closing 50 to 100 legal entities to very much create a much more simple operating machine.

But now we all know that the guidance and the outlook is provided at constant currency. But we also know that being an international and global company with a global footprint, currencies do play a role in our results, sometimes creating some headwinds and some others like in 2022 creating some light tailwinds in our results. So, what I thought I would put in here, it's a slide that you've already seen in London, so it's just a refresh of that slide, that very much shows you the main currencies that have an impact on EssilorLuxottica.

And in those currencies, you can clearly see three buckets. On one side currencies that have a net positive exposure, that is the US dollar, that is the Australian dollar. And then you have a set of currencies that show you a net negative exposure, the euro, the CNY and that is very much in light of our manufacturing footprint. And then you have currencies like the Brazilian real, that is on the natural hedge position.

Another important building block for our financial roadmap is represented by the use of cash. I will tell you upfront that this is a pretty academic chart that I think is important that you see that we show what are our priorities in terms of uses of cash. This is a company that has changed in recent times our leverage due to the acquisition of GrandVision. This is a company that does not have a dividend policy. This is a company that in recent times has undertaken quite a few share buybacks to serve mainly the employee shareholding plan. So, I thought it was important that you all see what are our priorities from a use-of-cash standpoint.

The last chapter of our financial roadmap is represented by an important pillar, the investments. And there are two questions that I want to answer with this slide. The first one is where do you put your money? Where are your investments? The second one, how much are you going to invest?

So, on the left-hand side of the page, you see our capex mix for the 2021 *pro forma* of EssilorLuxottica. And you can clearly see with three buckets we have over 80% of our overall capital investment. Some of the things that you see in here are the things that Giorgio, that Norbert, the Federico and the rest of the team has talked to you about today. The operation infrastructure investments are on one side dedicated to enlarging our scale, enlarging our capability. A perfect example is the investment we're making in Sedico, the investment that we're making in Barberini. On the other side is the evolution, the transformation of our manufacturing footprint, Thailand, Mexico, France, Brazil, those are excellent examples of what we're going to do and what we're already doing in several parts of the world to evolve our manufacturing footprint.

Another important chapter is represented by our retail network. No need to say, with such a large store base, the investments are there and are needed and we will do everything that we can to very much represent a benchmark with our retail network within each market. We continue to take a transformation journey and renovation journey for LensCrafters. We have in here the evolution and the elevation of the optical retail experience in Europe through GrandVision. And obviously, we will continue to invest in all the banners that haven't gone through this transformation yet.

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The third important pillar is the digital technology. This is all about the evolution of our digital platform online, the capability to have that omnichannel proposition online and offline, the ability to run EssilorLuxottica in one single ERP instance. All of that is part of our digital technology.

The second question that I answer with this slide is very much, how much we're spending. And as you can see in the recent past, we invest anywhere between 4-5% of the revenue as capital expenditure. That number will go up. We have the ability and the balance sheet to sustain that. Our free cash flow generation continues to be sound. So, we will see an acceleration of our capital spending because of all the projects that you heard about today. And I would say in the latter part of our five-year outlook, you will see a smooth-out, a normalization of our investment curve into the 4-5% investment profile.

With that, I concluded with my financial roadmap and now I call onto the stage Francesco and Paul for an exciting news regarding our mission. Please.

## **Francesco Milleri, Chairman and Chief Executive Officer**

We start. I expected to have this at the end, but that's fine. Paul, go ahead.

## **Paul du Saillant, Deputy Chief Executive Officer**

Okay, thank you Francesco. Yes, we want to share with you, just at the end of this presentation, one strong thing on the mission. We have asked a very famous artist, Steve McCurry, to give us his regard, his look at sight and eyes. And he came up with some really beautiful children's pictures that I will show you the two that stood out and that we are going to share on the World Sight Day on the 13th of October.

So, if I am correct it goes like that – so you have these very strong eyes looking at you. And the message behind is that we are going to go with the One Sight EssilorLuxottica Foundation from the duty to correct and protect the eye, which is what we were doing for the last ten years, to something way stronger, that there is a human right, which is the right to see, and really to go to a new area all around the mission that we serve and that motivates us.

So, this is what we wanted to share as a preview, because this is not yet going to be communicated, but it was a nice way – this Right to See with those two beautiful pictures from Steve McCurry, a worldwide recognized artist, before we go to the Q&A. So, I put Q&A as a background.

## *Questions & Answers*

## **Louise Singlehurst, Goldman Sachs**

Thank you very much for taking my questions and thank you very much for all the information we've had during the course of the day.

I wonder if you can help us to think a little bit more about the US, very specifically you called out a slowdown at the end of the first quarter, obviously we're a few weeks later on into the year now and I wonder if you can talk about the wholesale partners, their feedback, the retail environment and your sense in terms of the growth outlook?

And then very specifically for Stefano, if we can think about that 5% per annum to 2026, is that more back-end-loaded do you think under the current environment or do you see a fairly consistent pathway where consensus probably sits today? Thank you.

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## **Stefano Grassi, Chief Financial Officer**

So with respect to the trajectory in North America, that is still in the positive territory. So the numbers in North America are still positive, we are happy with that. I think some of the initiatives are in the execution phase, some of the ones that Fabrizio mentioned to you. No doubt that there is a tougher comparison base, I would say it's more about that than anything else in that respect.

While for the trajectory and the shape of the curve over the next five years, I think there are opportunities that are not easy to forecast now, some of the investments that will materialize with respect to top line in the latter part of the plan.

With that said, the resiliency of this platform, the fact that we are by 75% skewed towards Vision Care, the fact that we have been able to go through lockdowns in China and the headwinds of inflation, all that creates a very strong platform that I don't want to say it's immune from any kinds of headwinds, but it has definitely proven to be resilient to many of the adversities we have faced in the market.

## **Unidentified Analyst**

Thank you, my question is related to Optical. It feels like your communication to end customers could improve given that if you look at the product portfolio that you have shown us today it's absolutely fantastic. But it feels like your marketing, your brand building, particularly in relation to optical could improve. Do you agree with that assessment? And if you do, what do you plan to do to change in that respect? Thank you.

## **Francesco Milleri, Chairman and Chief Executive Officer**

The answer is quite complex because optical is not just a question of brand, it's not just a question of marketing, you have a patient in front of you, so communication has to be tuned carefully. And I believe that the best is not the one that can succeed the most, that it's more about how we are approaching this communication, that is mostly through a medical market. We are building a dedicated structure that will cover worldwide all our markets, really to drive communication. And since we enter a new category like myopia management – that is a treatment more than just a one-shot fix – we would like to see the medical world much more involved in our communication.

So we will act more like a pharmaceutical company, also if we don't have all the constraints that a pharmaceutical company has, but we want really to adopt this rigorous approach.

Then we have to really better understand how to communicate to someone that has a need for correction, because it's not just awareness, it's not just catching the attention, but really to be exactly at the side of our customer in the moment that there's a need that is perceived or detected.

We are really evolving a lot on that, we have capabilities, we have infrastructures. One of them is the digital infrastructure that is becoming every year more sophisticated. And now we have 40,000 screens that are talking to customers that are inside the third-party practices and our optical stores. That is really something that we have to leverage much better because it's not just like advertising campaigns, outdoor or on TV, we're really establishing the relationship with the customer inside an optical store, so in the moment when their needs are clearly perceived or detected. Still we have a lot to improve to one of the bests in class in the industry on that.

## **Anne-Laure Bismuth, HSBC**

Actually I have two questions related to the revenue building blocks. The first one, is it possible to have a bit more color on what could be the potential in the fast growing markets, that is 17% of the total business right now, is it possible to have a view on where it could go by the term of the plan?

Also, you've mentioned the insurance business expansion outside of the US, where you have EyeMed. How do you plan to do that expansion outside the US?

And finally, outside of the 70% of the business that you are doing with prescription products, how much is covered by the insurance? Thank you very much.

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## **Stefano Grassi, Chief Financial Officer**

Okay, so with respect to the fast-growing markets, we've mentioned markets that have a size and materiality that is not obvious. I mean in China for instance, where we are a €1bn revenue company, so you don't see that many players of such size anyway, but clearly our ambition is to be bigger in such a key market. We are definitely proving that we are resilient in the country, despite all the headwinds that we've faced. And I think what Arnaud has described should give you a good flavor of how big, how important, how thorough is the opportunity of myopia management in China. Some of those opportunities could also help the other fast-growing markets, as an additional pocket of growth.

As I mentioned in the region building block there are certain countries within those two regions (Asia-Pacific and Latin America) that will accelerate very likely with a double-digit pace over the next five years.

The second question is with respect to Eye Med, or actually the Managed Vision Care business outside of the US, in terms of potential expansion. We're already doing some partnerships to work in that field and make sure that we create a network, the infrastructure that can allow us to partner with companies and serve consumers and, to reach the agreements that can allow us to be much more Managed Vision Care driven within our optical retail stores outside the US.

To answer to the second part of the question, which was about how much of our revenue is related to Managed Vision Care, the easiest way to measure it for us is to look at what we see in our own retail network in the US, where from 40 to 50% of the volume is driven by the Managed Vision Care.

## **Luca Solca, Bernstein**

Thank you. Just a clarification question about your guidance for growth in Europe and North America being low to mid-single digit. Do I understand correctly that that includes the potential revenue synergies that you get from GrandVision? And if that is the case, isn't this guidance very prudent indeed because I would imagine that you have quite a significant opportunity to get EssilorLuxottica products within GrandVision which at the moment is selling primarily third party products?

And related to that, I'm wondering if you take a look at the return on invested capital and if indeed this low to mid-single digit growth is confirmed within GrandVision if the core business in North America and Europe wouldn't be significantly diluted from a return on invested capital standpoint, given that you've just invested a very significant amount of money to secure GrandVision?

And maybe a question on how you plan to evolve the ability for consumers to understand and choose lenses, my impression today as a consumer is that this purchasing process today is very in-transparent to consumers, as there are many different choices both in terms of correction and in terms of protection. There is the risk I think that consumers would not appreciate the quality and the advantages that you provide, or that sales associates, especially if they are third-party sales associates, may not sell the potential upgrades that you can give in terms of wavelength, blue-light cut and everything else that we've seen and learnt today. So I wonder if within this ambition to work more as a pharma company and rely on doctors you also have the space to teach consumers a bit more on the options available on the menu. Thank you.

## **Francesco Milleri, Chairman and Chief Executive Officer**

I'll take just the last part of the last question and then I'll leave to Stefano and Paul maybe to complement. We took the commitment to grow the market, that is really a complex thing, that's not easy as we know. And I believe that it's not worth to try to explain all of the actions, because that's not the point here. I believe we have some good examples – like France, a small one but very good. If you analyze the French optical market, in terms of the quality of lenses and the information to customers as well as the volume and the value of the business, that's really much higher than any other markets around the world, including the US.

This is really because Essilor created a culture of good vision in the market, with the government, all stakeholders, legislation and information, protecting in some way the high-end proposition, having in mind really first the health of the patient.

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So now we are really studying – we have a team dedicated to that – we are studying the experience we had in Italy. Italy, at the opposite of France, is one of the biggest countries for frames, because Luxottica did a great job educating people that not all the frames are the same, investing in communication and brands.

So I believe that we have to take the best of the Group expertise and experience, understand how we can locally adapt our actions, because China is not France, and the US is not Italy, and so on. But this is the approach, we have an entire company (close to 200,000 people globally) that is starting to think in this new way. And I am sure that in the years to come we will see bright ideas coming from the field, new innovations that comes for instance from our R&D department, which is changing its pace with this new mission.

So I believe that the problem that we have to fix is the size of the market. I repeat to everybody that people spend more on sneakers than protecting their eyes, they spend more on suncreams than on sunglasses – our fault of course, we've not been able to transmit how important it is for kids and adults to protect, to correct. We are working with governments, we are working with the United Nations, now we are planning to move our Foundation to Geneva to be a partner of the World Health Organization to start this process. The key success factor is to join forces, and this is really promising for our company, for the entire industry and all our partners.

Paul, do you want to add something?

## **Paul du Saillant, Deputy Chief Executive Officer**

Maybe the only thing I would add Luca is that, as you've talked about the practitioners, they are on a real mission themselves to provide the right solutions. So they are a key partner to us, and it's been very well explained by Fabrizio and Chrystel, to propose to the consumer the right solutions. So it's the consumers, they don't know and like it's been said before they are not very well informed, they don't understand – Luca, you wear glasses and you know the experience.

Then it's for the practitioners, they play an absolutely key role. And that's why on the lens side we have been developing a whole set of solutions, different categories and many different options that the opticians, the eye doctors can work from to propose the right correction, the right protection, the right added functions and so on and so forth. So they play an extremely important role, and they want to become even more professional.

This was really well explained by Amir, by Fabrizio and Chrystel, they want to improve their exam rooms, they want to have better instruments, they want to provide better eye exams. From that they want to have a clear set of solutions. And the beauty of EssilorLuxottica now from what you have heard is that we have those two ways to be in the market, we have own stores where we can experience, test all of our solutions and of course we have the entire 300,000 practices that we serve through the Professional Solutions where then we can deploy this. So it's a fantastic opportunity for us looking forward with the set of capabilities that you saw today.

## **Stefano Grassi, Chief Financial Officer**

The earlier part of your question Luca, top line growth in Europe low to mid-single digit. I mean if I take the upper part of that guidance, I'm not sure we are on the conservative side. With that said, there are probably two velocities within that guidance, within that direction, probably the Professional Solutions side at a lower pace and then the GrandVision part, also in the light of some of the synergy work that we're doing, which by the way a lot of that you would agree will flow through more to the P&L because we're obviously taking higher penetration of our brands, in particular high penetration of our lenses from EssilorLuxottica, and that obviously will create not just the top line growth, but also exactly a margin lift that we have obviously baked into our guidance.

That is strictly linked also to the answer to your second question, with respect to return on invested capital. There is no doubt that there has been an important investment in GrandVision, you all know it. But let's look at the results that we have seen so far, GrandVision's performance has been very much aligned with the EssilorLuxottica one. The work that we've started doing it's starting back, the training, the development of the people in store to educate them to our brands, to educate them to all the new

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solutions that will become available it has started. So I have the confidence that this is going to be an exciting journey, and in terms of the return on the investment, again, we are on the right direction. Then I'll tell you when we look at the return on invested capital, if you think about it, what you saw before, retail is an important critical asset for this company, but there is so much more on top of retail where are investing and we do expect a return. A vertically integrated business model, investment in supply chain, investment in our manufacturing footprint, laboratory, frame manufacturing, that is another important area where we will see returns in this plan.

## **Susy Tibaldi, UBS**

Thanks. Starting one for Stefano, in your bridge, or in your guidance to the 19-20% EBIT margin, you highlighted several areas. Can you maybe flag a couple where you think we can see the biggest delta let's say to get to this guidance where there is the most to be done?

Then a question for Francesco and Paul, again, today was really I think amazing to see all of the various levers of growth and all of the various opportunities and you're involved in so many areas. And I was just curious, when you meet and you talk about the business, what are one or two things that you always talk about, what's really on top of your mind, your priorities and what really you see as crucial for the long-term vision for this company?

And then one last question, when it comes to emerging markets, again, you mentioned how it's very important in this industry to have a localized approach and these emerging markets, China, India are seeing growth well above the average of the industry. Do you think you can really be successful and penetrate in an organic way, or do you think in these markets there is quite an important potential for M&A activity?

## **Stefano Grassi, Chief Financial Officer**

Okay, Susy I will start with your first question. Probably I would mention two, store renovation, an excellent example also back to the return on invested capital. In the vast majority of our store renovation investment, and we're doing quite a lot of them each year, we have a return in usually less than a year. So they are extremely productive investments that create a lift and an acceleration in the top line, and they create also an improvement in our marginality.

I don't know if you've had the chance and if you haven't, please do so before you take off, to visit some of our stores, some of our Salmoiraghi & Viganò stores in town, the one that we have in Cordusio is a perfect example, those represent what we can express with our stores and those are a perfect example of what we can do with our products and the return that we get from those stores.

The other example that is fairly close to me is the legal entity simplification. In the last year we closed out 100 legal entities, meaning that we eliminated infrastructure that was not needed. I don't want to call it bureaucracy, because it wouldn't be fair, but it is definitely that we have been able to concentrate activities in a single legal entity. And the digital infrastructure was our partner in that, because we have been able to concentrate in a single legal entity Retail and Professional Solutions operations all in the same entity. And that creates obviously a lot of synergies that you also see reflected in our general and administrative costs.

## **Francesco Milleri, Chairman and Chief Executive Officer**

The question is about priorities at the end. The meeting is the way you set an agenda and you take the decision that will impact the business. It is not easy to answer directly to your question, but I can tell you how I manage my time: 50% of my time is really taking care of actions and ideas that will impact the Group in five to ten years. And this is my priority, define today what will be our Group in five or ten years. And that is, I believe it is in the nature of our Group and our people. One company, the digital network that now we are executing, that's what we started designing eight years ago. Eight years ago it was quite a dream with the Chairman, with some Executives of the company, and day by day, year by year

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we really better defined. And they we started to execute the basis, platform, IT investment, infrastructure, teaching people.

And 50% of my time is focused on what happened yesterday. This is the strength of the Group. You know that we collect every day the exact results of the company of yesterday. So at five o'clock I have the results of all the stores, wholesale, retail, e-commerce, per SKU, per color. I don't analyze all the data, but I analyze the outcome of our expert system that really indicates trends, indicates how people behave in Tokyo or in New York. And this is not because you can take every day one decision, but all this information starts shaping your future decisions.

And what I can add, our company, our organization is very simple, many times from my position, or Paul's position and the person that will execute the action, we have no more than two layers. So this is the way we act, this is the way we've learnt to manage the Group from our Chairman and we still believe it's the best way. Paul?

## **Paul du Saillant, Deputy Chief Executive Officer**

So it's always a tough question this kind of questions, but I will take an angle which is, what is a good day and what is a good night. So what is a good day is if I have this feeling that I have been working with the team on the offer, that we are really constructing the right offer, whether it's frames, lens, innovation, you name it. That is really a territory that I consider highly important and motivating and how we launch and execute all of that.

The other aspect of doing a good day is we take good people decisions. It's when you bring such large organizations together you have many, many human resource related decisions to do right, of any kind and one of them being the choice – keeping in mind a very meritocratic approach to it, and diversity as a horizon and so forth. So that is a good day.

A good night is a night when you are not prevented from sleeping because of a feeling of poor execution. For me a bad night is when I feel that we don't execute well. And I think today you felt that I will sleep well tonight, and I have been sleeping quite well because I think that fact of bringing the organization into one young new company we did well. The teams have done an amazing job at execution. And it was complex. So that would be my two cents on this tricky question, tough question.

## **Edouard Aubin, Morgan Stanley**

Good evening, the first question on M&A, so Stefano you mentioned that M&A should add about 100 basis points of growth over the next four or five years, which areas – I know you're involved in many different areas, but which areas do you find particularly attractive? And what is the probability that within the next four or five years you make a relatively significant acquisition, i.e. at least the size of GrandVision? So that is question number one.

Question number two is on luxury, so we have seen obviously over the past few years a luxury groups move their eyewear business in house, so Kering, Richemont, LVMH and so on. To what extent is that an issue for you guys?

## **Francesco Milleri, Chairman and Chief Executive Officer**

I'll take the last one. M&A, no answer for action. We welcomed really when Kering and Thélios decided to internalize these accessories, this is what they are – for these two companies this is not the core business. But not because we see better competition or higher competition, what we see in Thélios and Kering are two partners ready to invest and with their size, not as eyewear but as a group, the size big enough to invest in the category. So I believe that this is wonderful news when a big group takes a commitment to invest in sunglasses.

You know that we are suffering in the sunglasses business, we are growing but the category is not growing as sneakers or other categories because we are the only ones that can invest. So opticians, independent opticians, optical stores are not selling sun. This is really a sign, they are not going to spend

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because in the mind of the consumer the communication is not strong enough to underline how sunglasses are important, for life, for protecting. So when we see this kind of decision, they are welcome. And you know we are helping Thélios and Kering to grow. We are the biggest customer of Kering Eyewear, the biggest customer of Thélios and we remain in our position to partner, to open all our stores, all our e-com to promote their products. And the same we are doing with Tom Ford in Marcolin or many other brands. But this is really for us a good news.

So far, we didn't see really a change in the growth speed in the category, because they just took out the business from Safilo, especially Kering, and move to Kering Eyewear. But we expect in the years to come that they invest much more, and they enlarge the category, and we will benefit.

M&A, we have two visions. One is what is near to us, it is not a mystery that if you take where we are, what is left? Contact lenses, it could be an area. We are not sure that contact lenses are really a part of our industry. That is because the companies that are managing that category, they really commoditize a lot and now it's something – a positioning of contact lenses has to rebuild to be a part of our portfolio. But of course contact lenses is the one thing left.

If you go just a little bit further you have clinics, you have hospitals, you have any place connected with the decision to prescribe lenses. This really is not an easy business. Really, we would like to have a small test somewhere in the world, it's something we are analyzing but no decisions taken.

M&A has a tradition – M&A as we buy pieces of the market, I believe that there is very little left in the market, and we don't see any player with the size that really matters for us or with the offering that really can add value to our portfolio.

## **Graham Renwick, Berenberg**

I'll keep it to one because I think the bar has just opened. I think it's interesting that you said that the mid single revenue growth guidance is just volume driven and price mix is just upside to that, because you've obviously shown us a lot of great innovations today which would suggest that price mix should be quite material for you. So can you give us a sense of going forward, you know realistically what price mix could contribute, what has it contributed in the past?

I guess another way to put it is you know why shouldn't we go away from this presentation and think that in the future EssilorLuxottica could grow high single digit on average in the future with the element of price mix? Thanks.

## **Stefano Grassi, Chief Financial Officer**

Well for the past, as I mentioned before price mix has been a primary driver of that growth. When you look at the future you also have to remember – we all have to remind ourselves that we are a network company, that we have a vertically integrated business model. Meaning this is a company that manufactures and distributes, this is a network company that distributes all over the world, so volume is by our DNA a constituent part of our growth. No surprise.

Then you ask me how much the price mix will contribute, I don't know – I can tell you a third to a fourth of our growth could be driven by price mix. And it's a price mix driven as you rightly pointed out by innovation, by new products that will be launched in existing markets or in new markets. It won't be through price lift of the same product, that's not it, that's not what we're doing, I think Francesco and Paul have said it many times, and this is the direction that we're taking.

## **Cedric Lecasble, Stifel**

I had more or less the same question, so it's a follow up really on this one, on the last one. Do you think in the future the share of purse of the optical industry - you'll take more spending from the consumer, or is your industry growing because it's really improving penetration and correcting people that are not corrected today, even in developed markets?



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So your answer just now seems to be we have to capture more consumers and explain better what the solutions are and not necessarily leverage the cost for the consumers of optical solutions, is that your idea?

## **Paul du Saillant, Deputy Chief Executive Officer**

I think you have to be careful Cedric to try to put in a model, in a box this question. You have a category that is personalized to the wearer, so we will ship tonight one million pairs of eyeglasses in the world to opticians, to our stores to be delivered to consumers. Those one million pairs of eyeglasses for which we receive the order from yesterday, or maybe ten days ago and each of those are personalized, different frame, different prescription, different added value, different price. So the beauty of it is that it is a mass customized business.

And what you have to do well is to have all of those solutions available, the whole ecosystem understanding it, the frame, the brand, all the different price points, the assortment, the lens assortment. And then the opticians play a key role in that to adapt. And the result is what you see, it is volume growth, it is penetration growth, it is a trade up, it is a mix, it is a change of categories, new categories, if you try to model it good luck, I have been in this industry 15 years, I didn't model it.

But what you have to put to work is what we have been trying to showcase to you in a very organized manner because it is a mass customized with high volumetry and you need to do it with super quality, efficiency, service and so forth. It works and it's very powerful, but you don't find it in different industries, it's a very peculiar mix of vision and fashion, customized, high volumetry, direct and indirect go-to-market, it's cool, it's really interesting.

I didn't give you the model, sorry.

## **Domenico Ghilotti, Equita**

A few questions, first on the cost side – so you are saying basically you can keep the cost growing at around 3%, because 3% top line is implying operating leverage flattish. Can you really achieve this limited cost inflation with all the investment and also the inflationary trends that we are seeing particularly for 2023 and 2024?

The second question, we have been speaking about the concern of US consumers, I am more concerned about European consumers squeezed by energy bills, so if you can give us a sense of what's going on in Europe?

And the third question is on the online prescription, it is time to invest to accelerate on the online prescription business model, would you be looking for M&A opportunities if needed, or is it a bit too early?

## **Francesco Milleri, Chairman and Chief Executive Officer**

I'll go very short on the last one. Online prescription is really a part of our future because we believe that doctors play a big role in the safety of our customers, so it can be a part of the execution online. Renewal it will be online much more in the future.

Acquisitions, we don't see players that take seriously the prescription business. We see a big pressure on volume and discount that is very far from our approach. We try to deliver quality and respect our customers.

So yes, e-commerce for prescription will be a huge advantage in the future, but I don't see so far players that can be an M&A target for us.

## **Stefano Grassi, Chief Financial Officer**

The first question actually Domenico with respect to our ability to hold that steady state at the 3% implying our ability to manage a 3% growth of our cost base in the current environment. First of all, let

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me say the outlook is a five-year outlook it's not the next 6, 12, 18 months, so we need to look at the things over the perspective of five years where clearly the ending goal is pretty clear.

Then the second thing is to have a look at the first half results. I think if you look at our first half results, you'll see growth and you'll see margin expansion. You've seen margin expansion not only through some of the exercises that we described before on the cost operating expenses, but you also see margin expansion at the gross profit level. So I think that is probably the best answer.

## **Francesco Milleri, Chairman and Chief Executive Officer**

So we close, we thank you for coming and your participation, really it's amazing to see how many people are interested in our industry, in our company and how much time you've spent analyzing and helping us.

This for us is really an important announcement because first it reinforces the partnership with the Giorgio Armani Group, second because we signed for 15 years. And if we renew in 15 years this is really a long life partnership that we like. And this is a sign of how our Group, our open network is working. Armani is not any more a license partner, it's really a part of our Group and it will benefit from all the capability that we have. And we really love his brand and the whole luxury feeling that it can bring.

But we are starting a new era also on the relationship with the outside company and we will announce in the future many others of this kind of partnership, not only with licensed brands, but also with other players of our market or outside our market. It gives really the understanding that everybody is a part of our world.

So now we have cake, wonderful cake from Marchesi – if someone knows – and some drinks just to celebrate this announcement and close our meeting. Thank you very much.