AFFLELOU

Press release

*Afflelou and its subsidiaries (the "**Group**") publishes its annual results for the fiscal year ended July 31, 2022.*

Paris, November 10th, 2022

Afflelou's full-year results for the year ended July 31, 2022

- **Network sales[1] up 1.9% to €859.5 million for the fiscal year**
- **Adjusted EBITDA[2] up 6.2% to €106.9 million for the fiscal year**

Commercial performance of the Group

	For the three months ended July 31,				For the twelve months ended July 31,				For the year ended July 31,		
€ in millions (except %)	**2022**	**2021**	*Δ €m*	*Δ %*	**2022**	**2021**	*Δ €m*	*Δ %*	**2020**	**2019**	**2018**
France	170.8	176.0	*(5.2)*	*(3.0%)*	666.8	657.4	*9.3*	*1.4%*	539.5	636.6	607.0
Spain	34.5	32.8	*1.7*	*5.2%*	127.9	124.6	*3.3*	*2.6%*	107.4	124.5	120.9
Other countries	18.2	16.7	*1.4*	*8.5%*	64.9	61.6	*3.3*	*5.4%*	50.2	57.4	53.6
Total network sales	**223.4**	**225.6**	*(2.1)*	*(0.9%)*	**859.5**	**843.6**	*15.9*	*1.9%*	**697.1**	**818.5**	**781.5**
like for like sales											
France	(4.2%)	10.8%			0.2%	21.0%			(14.4%)	4.8%	1.5%
Spain	0.8%	7.3%			(0.5%)	14.5%			(12.7%)	5.5%	1.5%
Other countries	5.9%	12.0%			3.7%	22.0%			(13.7%)	7.0%	0.6%
Total Lfl sales	**(2.7%)**	**10.3%**			**0.3%**	**20.0%**			**(14.1%)**	**5.1%**	**1.5%**

Network sales registered a 1.9% growth in the past fiscal year ended July 31, 2022 despite a more difficult economic and political environment since the start of the 2022 calendar year. Our network continued to grow in each of our geographies of operation, with our hearing aid business sales in particular increasing by 9.4% during the whole fiscal year. In the context of a rapid rise in France and Spain of the demand for hearing aid devices, this business grew to reach 7.5% of our total network sales, as compared to 4.2% five years prior, while maintaining strong long-term potential for growth.

Despite the slowdown in the last quarter of the fiscal year ended July 31, 2022, which resulted in a slight decline of our network sales by 0.9%, the activity in our network has again been positively oriented since the start of the current fiscal year ending July 31, 2023.

In France, our network sales grew by 1.4% during the fiscal year ended July 31, 2022, leaving the negative impact of COVID-19 on our network sales mostly behind us, apart from marginal disorder at the start of the 2022 calendar year following a rapid spread of the pandemic among the French population. Our positive performance was attenuated by a slowdown in the second half of the fiscal year, with a decline in sales of 3.0% in the last quarter of the fiscal year ended July 31, 2022 due to the political context of the start of the war in Ukraine in February 2022 and a recession threat affecting consumption in France. Nevertheless, sales in the last quarter of the past fiscal year continued to show a positive evolution of 1.7% versus pre-COVID-19. The past fiscal year was also

[1] Network sales comprise sales (excluding VAT) to end customers by all of the Group's distribution channels, including directly-owned stores. Sales of the franchisees are based on monthly sales reports provided by the franchisees pursuant to their reporting obligations under their respective franchise agreements.

[2] Adjusted EBITDA is defined as operating income from ordinary activities as presented in the Group's consolidated financial statements before (i) depreciation and amortization of property, plant and equipment, and intangible assets, (ii) changes in provisions for trade receivables and inventories, and (iii) management fees, management long term incentives and acquisition price supplements, as applicable in each case.

marked by a significant growth by 6.4% of our sales in the hearing aid business, supported by the *100% Santé* regulation changes. While sales temporarily consolidated after a strong growth in the 2021 calendar year, we believe the hearing aid business will continue to grow over the medium-term, benefitting from strong synergies with our optical business and capitalizing on our umbrella brand, ALAIN AFFLELOU. Finally, sales since the start of the fiscal year ending July 31,202 were again positively oriented, despite political uncertainty and high levels of inflation.

In Spain, our network sales grew by 2.6% during the fiscal year ended July 31, 2022, reflecting a stronger performance of 5.2% growth in the last quarter of the past fiscal year as compared to the corresponding period in the prior fiscal year. We successfully relaunched our hearing aid business with a massive communication campaign during spring 2022. As is the case in France, we believe the hearing aid business, together with our historical optical business, will result in growing network sales in the context of greater concern by potential clientele for hearing aid devices. Sales in this segment, while still representing less than 4% of our ALAIN AFFLELOU optical network sales (versus 11% in France), are also expected to continue to grow as a proportion of optical network sales in coming years.

In our Other countries geographical area, sales reported a growth of 5.4% in the past fiscal year, with growth of 8.5% in the last quarter. Our two major geographical areas in terms of network sales, Belgium and Switzerland, showed solid performances, with the performance of our Swiss network supported by the rise of the Swiss franc versus euro. Lastly, sales in other areas continued to grow significantly, including the Middle East area where we have promising activity.

In terms of network expansion, the Group added 12 store units during the past fiscal year reaching 1,461 stores as at July 31,2022, as compared to 1,449 a year before. We increased our focus on our historical banner in the optical and hearing aid businesses with an objective to reinforce our presence in our domestic markets and conquer the white space estimated at 100 to 150 optical stores in France through a series of measures and support to our franchisees, like the Adelante program, which has proven successful since its inception in France five years ago.

We also continued to reinforce our presence in the hearing aid business, accounting for a total of 443 points of sales (reflecting both corners inside optical stores and dedicated hearing aid points of sale), versus 396 a year before. We plan to begin expanding the hearing aid business in the coming months in Belgium, as we did in France and Spain. Finally, we plan to accelerate the pace of renovation of our banner, especially in France and Spain where the new Champs Elysées concept only accounts for less than half of the total store count. As is the case for the expansion, we will facilitate the renovation of the banner through support to our franchisees like the Adelante program, providing our franchisees with the financial means when necessary to refurbish stores which we believe will generally result in a 8% to 10% increase in sales, after refurbishment.

On a whole, the net gain of 34 stores in the past fiscal year at the ALAIN AFFLELOU banner was attenuated by the reduction of stores at our discount banner. Indeed, we plan to close down or terminate the franchise agreements with our partners in the discount banner which do not correspond to our concept and requirements and generate a lower contribution to the Group's expansion, maintaining a clear focus on the future of our historical banner for both of our business segments.

Finally, the past fiscal year has been marked by the increase of our owned stores portfolio to 183 units, versus 160 a year before. In the past fiscal year, we have bought two perimeters of 8 and 12 stores, respectively, from former franchisees, representing sales of €10 million and €7 million, respectively. While we do not have a specific plan to resell the 8 stores bought back in the Bordeaux region, we have already started the resale of the Normandy perimeter with an aim to have resold 6 of 12 stores within the end of the first half of this fiscal year ending July 31, 2023. These transactions are part of our medium-term strategy to reduce our owned stores portfolio to a proportion of one tenth of our network store count.

Financial performance of the Group

€ in millions (except %)	For the three months ended July 31, 2022	2021	Δ€m	Δ%	For the twelve months ended July 31, 2022	2021	Δ€m	Δ%
Consolidated Income Statement								
Revenue	**108.8**	**105.1**	*3.8*	*3.6%*	**383.8**	**365.3**	*18.6*	*5.1%*
Operating income from ordinary activ.	**21.8**	**20.2**	*1.6*	*7.8%*	**77.0**	**73.1**	*3.8*	*5.2%*
Other operating items	(5.6)	(4.1)	*(1.5)*	*(38.0%)*	(6.5)	(7.3)	*0.8*	*10.3%*
Operating profit	**16.2**	**16.1**	*0.0*	*0.1%*	**70.4**	**65.8**	*4.6*	*7.0%*
Net financial income /(expense)	**(9.8)**	**(16.9)**	*7.1*	*41.9%*	**(48.2)**	**(64.5)**	*16.4*	*25.3%*
Net income/(loss) before tax	**6.3**	**(0.8)**	*7.1*	*na*	**22.2**	**1.3**	*20.9*	*na*
Income tax expenses	(5.2)	(5.1)	*(0.1)*	*(2.3%)*	(7.3)	(8.0)	*0.7*	*8.4%*
Deferred tax	(3.7)	(32.1)	*28.5*	*88.6%*	(4.8)	(32.2)	*27.4*	*85.0%*
Tax income/(expense)	**(8.9)**	**(37.3)**	*28.4*	*76.1%*	**(12.1)**	**(40.2)**	*28.1*	*69.8%*
Net income/(loss) att. to equity	**(2.6)**	**(38.0)**	*35.4*	*93.2%*	**10.1**	**(38.4)**	*48.5*	*na*
in € millions								
Adjusted EBITDA	**30.3**	**28.5**	*1.8*	*6.4%*	**106.9**	**100.7**	*6.3*	*6.2%*
Adjusted EBIT	23.0	23.4	*(0.4)*	*(1.7%)*	79.3	78.2	*1.1*	*1.4%*
Net Debt	**578.6**	**541.3**	*37.3*	*6.9%*	**578.6**	**541.3**	*37.3*	*6.9%*
Net Debt from subleases	**559.9**	**524.0**	*35.9*	*6.8%*	**559.9**	**524.0**	*35.9*	*6.8%*

The Group performance in the past fiscal year benefitted on one hand from the overall positive performance of our network over the course of the fiscal year, and on the other hand, from the aforementioned acquisition of 20 owned stores, generating additional revenues and significant profitability. On a whole, the Group's revenue demonstrated a 5.1% growth during the fiscal year ended July 31, 2022 to €383.8 million versus €365.3 million a year before, and our Adjusted EBITDA demonstrated a growth of 6.2% to €106.9 million, versus €100.7 million a year before, reaching a historical level of 12.4% of our network sales thanks to higher profitability at our historical banner in mature areas such as France and Spain.

€ in millions (except %)	For the three months ended July 31, 2022	2021	Δ€m	Δ%	For the twelve months ended July 31, 2022	2021	Δ€m	Δ%
France	170.8	176.0	*(5.2)*	*(3.0%)*	666.8	657.4	*9.3*	*1.4%*
Spain	34.5	32.8	*1.7*	*5.2%*	127.9	124.6	*3.3*	*2.6%*
Other countries	18.2	16.7	*1.4*	*8.5%*	64.9	61.6	*3.3*	*5.4%*
Total Network sales	**223.4**	**225.6**	*(2.1)*	*(0.9%)*	**859.5**	**843.6**	*15.9*	*1.9%*
France	82.6	80.3	*2.3*	*2.8%*	293.5	276.8	*16.7*	*6.0%*
Spain	21.5	20.3	*1.2*	*5.9%*	74.5	72.9	*1.6*	*2.2%*
Other countries	4.7	4.4	*0.3*	*6.2%*	15.8	15.5	*0.3*	*1.7%*
Total Revenue	**108.8**	**105.1**	*3.8*	*3.6%*	**383.8**	**365.3**	*18.6*	*5.1%*
France	**24.6**	**23.2**	*1.4*	*5.9%*	**88.0**	**81.0**	*7.0*	*8.6%*
as % of network sales	14.4%	13.2%			13.2%	12.3%		
Spain	**4.4**	**4.2**	*0.2*	*4.4%*	**15.5**	**16.3**	*(0.8)*	*(5.1%)*
as % of network sales	12.8%	12.9%			12.1%	13.1%		
Other countries	**1.2**	**1.0**	*0.3*	*27.4%*	**3.5**	**3.4**	*0.1*	*3.2%*
as % of network sales	6.8%	5.8%			5.4%	5.5%		
Total Adjusted Ebitda	**30.3**	**28.5**	*1.8*	*6.4%*	**106.9**	**100.7**	*6.3*	*6.2%*
as % of network sales	13.6%	12.6%			12.4%	11.9%		
as % of revenue	27.8%	27.1%			27.9%	27.6%		
Total Adjusted EBIT	**23.0**	**23.4**	*(0.4)*	*(1.7%)*	**79.3**	**78.2**	*1.1*	*1.4%*
as % of network sales	10.3%	10.4%			9.2%	9.3%		
as % of revenue	21.2%	22.3%			20.7%	21.4%		

In France, the growth of network sales at our historical banner, the expansion of revenues in our owned stores perimeter, which generated solid profitability, and the growing profitability at our hearing aids business resulted in a historical level of Adjusted EBITDA at 13.2% of network sales, with a growth of 8.6% at €88.0 million, versus €81.0 million a year before.

In Spain, Adjusted EBITDA recorded a decline of 5.1%, or €0.8 million, to €15.5 million, versus €16.3 million a year before. This decline is linked to our specific expense of €1.1 million, to relaunch the hearing aid banner, while the rest of our business was consistent with the positive network activity.

In our Other countries, our revenue and profitability continued to grow consistently with the expansion of this geographical area, with a goal to grow the profitability of mature countries like Belgium and Switzerland at closer levels to those in Spain and France.

Again, as in past years, our business generated strong cash flows, despite the acquisition of the two owned stores perimeters and continued efforts on our digital transformation plan. This performance allowed the Group to distribute €59 million to shareholders thanks to the issuance of additional Senior Secured notes for an aggregate total of €50 million at the start of the 2022 calendar year. This issuance of additional notes was part of the evolution of our financial structure, with a buyback by the Afflelou family of Apax's participation in the Group, thereby increasing their stake to 28% of the total equity. This buyback was accompanied by governance changes with the appointment of Anthony Afflelou as General Manager of the Group in July 2022.

Anthony AFFLELOU General Manager of Afflelou, stated: *"the past fiscal year confirmed the positive trend on our historical banner, consolidating the growth after the COVID-19 troubles. We believe the quite solid performance of ALAIN AFFLELOU in each of its geographical areas, and in both businesses keep strong headroom to grow, either in the network expansion or in the hearing aids business. Our growth is totally focused on the historical banner with a series of initiatives and innovations, like the current deployment along our digital transformation plan of teleophthalmology in our French network allowing us to continue to outperform our sector and keep our leading image in innovation and brand awareness. Of course, in a context of recession threat, we will carefully monitor the evolution of our main markets in coming months, in order to keep the sound performance of our whole network and cash flow generation as in past years while our network sales performance in the first quarter of the current fiscal year have been reassuring with a positive evolution from a year before."*

About Afflelou:

Founded in Bordeaux in 1972 by Alain Afflelou, the Group is one of Europe's leading franchisors of optical products and hearing aids. In 2019, the Group operated the largest franchise network of optical products (in terms of store numbers) and the Alain Afflelou banner ranked third in France with a 10% market share (in terms of store numbers), in a historically fragmented market that includes many independent retailers. The Group has a long-standing presence in France, but also a strong foothold in Spain, where it operates the largest banner of optical products (in terms of store numbers) and the fourth largest (in terms of revenue). The Group, which is continuing its global expansion, is present worldwide, with 1,461 stores in 20 countries as of July 31, 2022

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Forward Looking Statements

This press release may include forward looking statements. These forward looking statements can be identified by the use of forward looking terminology, including the terms as "believe", "expect", "anticipate", "may", "assume", "plan", "intend", "will", "should", "estimate", "risk" and or, in each case, their negative, or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts and include statements regarding the Company's or any of its affiliates' intentions, beliefs or current expectations concerning, among other things, the Company's or any of its affiliates' results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which they operate. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward looking statements are not guarantees of future performance and that the Company's or any of its affiliates' actual results of operations, financial condition and liquidity, and the development of the industries in which they operate may differ materially from those made in or suggested by the forward looking statements contained in this press release. In addition, even if the Company's or any of its affiliates' results of operations, financial condition and liquidity, and the development of the industries in which they operate are consistent with the forward looking statements contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods.

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