

# Transitions Optical & Intercast

July 29, 2013

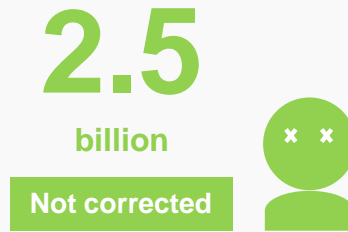
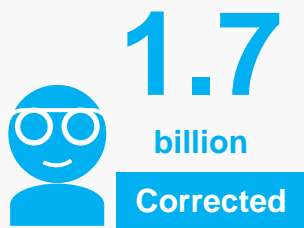
# Transitions and Intercast, a Very Good Fit with Essilor Strategy

## A Large and Growing Market, Still Significantly Underpenetrated

7 billion people in the world



4.2 billion people (60%) require vision correction



## A Strategy that Delivers Results

**INNOVATE**

Products & Services

**DEVELOP**

Top & Mid-range Markets

**GROW**

Acquisitions & Partnerships

**STIMULATE**

Demand for Vision Improvement

*Operational and management efficiency*

*Corporate social responsibility*

**↗ Global market growing at 3-4%**

# Highlights

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- Transitions: a key Essilor asset for past 23 years
- Global leader in organic photochromic lenses and one of the most successful optical brands
- Unique, open business model supplying major lens manufacturers, including Essilor (62%)
- Photochromic and Sun: among the fastest-growing optical categories
- Low execution risk
- Enhanced value creation for Essilor and its shareholders

# Transitions: 23-Year Partnership With Essilor

## Transitions

**2012 revenue: \$814m**

- Of which \$310m with third party lens manufacturers

### Strong ties with Essilor

- Co-created in 1990 with PPG Industries

### Innovation leadership

- 170 patent families
- 90% of revenue from products less than 4 years old

### A powerful product portfolio with promising innovation

- Everyday lenses (clear to dark):
  - Transitions Signature VII
  - Transitions Vantage (clear to polarized)
- Sun lenses (dark to darker)

### Global presence

- Distribution in 75 countries
- Available in over 100 designs (24,000 SKUs)

## Intercast

**2012 revenue: \$34m**

### Leading sun-lens manufacturer

- Plano, semi-finished single vision, shields for visors/goggles
- Comprehensive range of materials
- Cutting edge manufacturing expertise



# Leading Brand in Photochromic Lenses Worldwide

Strong Consumer Recognition



Powerful Product Portfolio with Promising Innovation



# Global Supply Chain and Distribution Network

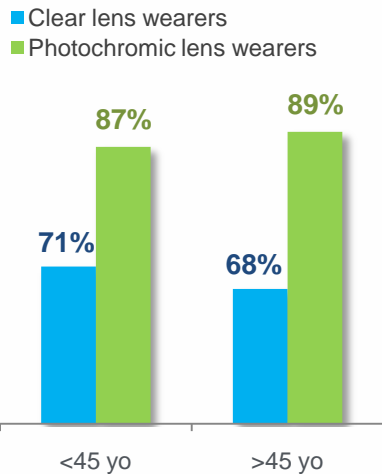


-  5 Plants
-  Headquarters
-  3 Regional hubs: Paris, Singapore & Sao Paulo

# Meeting an Essential Vision Need: Brightness Management

## Loyal Existing Customer Base

### Very High Satisfaction Level

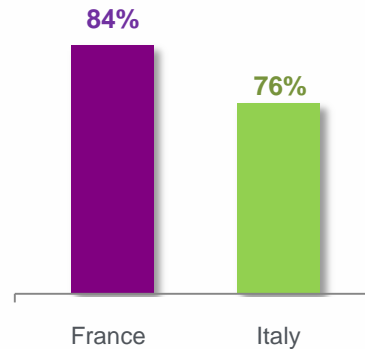


**70%** of existing wearers would replace with another pair of photochromics

## Significant Growth Potential

### Multipair

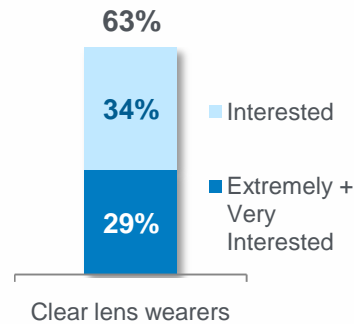
Share of Photochromic Wearers with Multiequipment



**73%** of existing wearers have at least one additional pair of sunglasses

### Presbyopes

Clear lens wearers over 45yo interested in having a photochromic pair



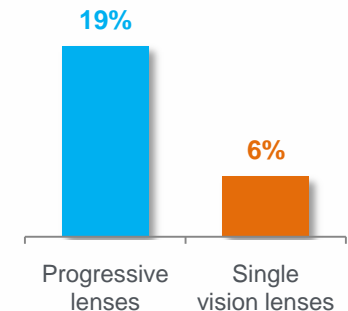
Photochromic wearers >45yo:

**65%** pay special attention to their health

**56%** willing to pay more for higher quality products

### Myopes/Hyperopes

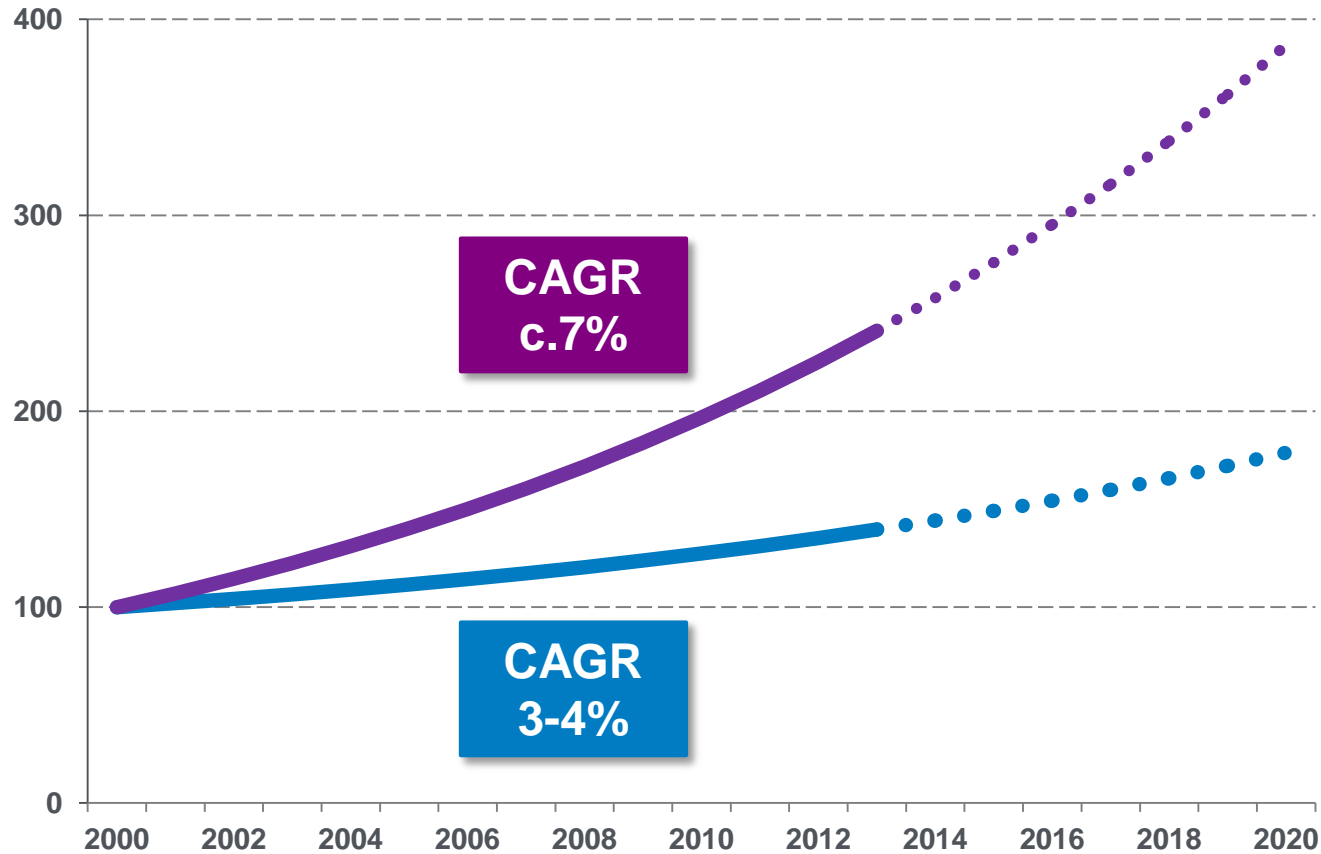
Penetration rate of photochromic lenses in volume



A significant **UNTAPPED** potential

Source: Ipsos U&A Sunwear 2012 conducted in France, Italy and in the US

# Photochromic Segment Growing Twice As Fast As The Optical Market ...



Basis 100 in 2000 / Source : Essilor estimates

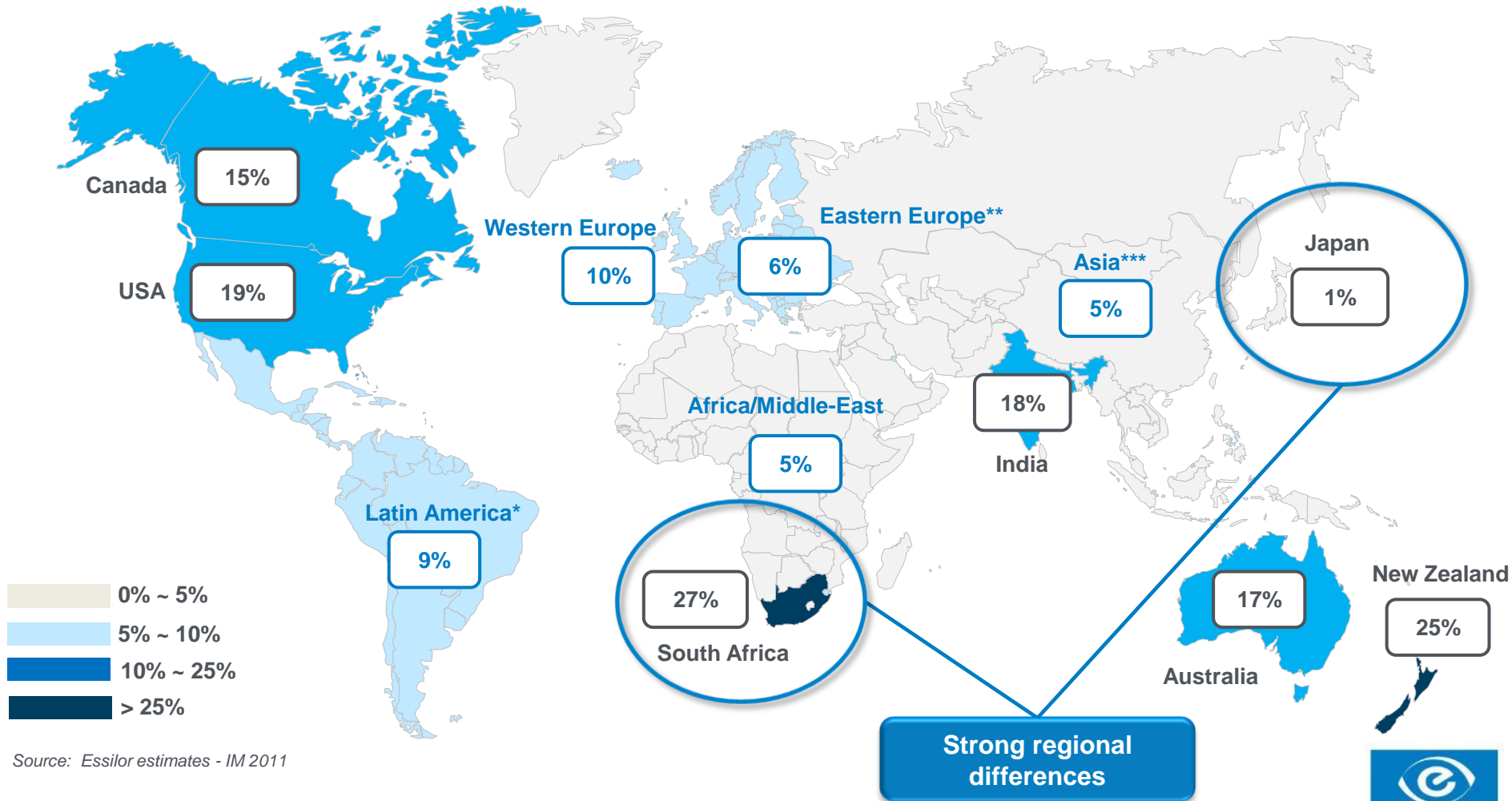
— Optical market volume

— Photochromic market volume



# ... With Significant Worldwide Additional Growth Potential

Worldwide Penetration Rate of Photochromic Lenses in volume: 10%



Source: Essilor estimates - IM 2011

# Strengthening Essilor's Offer in Sunwear

## Prescription Sun Lenses



- Photochromic: Transitions® Performance Sunwear
- Polarized: Xperio®, Polaroid® & Onbitt technologies
- Prescription lenses for wrap-around sunwear
- UV Protection: Crizal® UV, e-SPF 50
- Shamir outdoor activities designs

## Plano Sun Lenses



- Intercast complements BNL, Polycore & Gentex offerings: comprehensive lens material offer
- Mid to Premium market positioning

## Readers & Sunglasses



- Development of FGX & Stylemark sun presence
- Photochromic Readers
- Mid-market positioning

# Key Transaction Data

- Acquisition price: \$1.73bn on closing and \$125m spread over five years for 51% of Transitions and 100% of Intercast
- 100% cash acquisition
- Adjusted 2012 EBITDA acquisition multiple\*: 12.5x
- Post transaction Gearing\*\*: < 0.4x
- Expected closing: H1 2014, subject to regulatory approvals

\* Adjusted for royalties paid to shareholders \*\* Consolidated net debt to equity

# Full Ownership Enabling Essilor to Envisage Major Opportunities

- Drive faster growth in the expanding photochromic category, in particular in Europe, Asia, Latin America as well as in the mid-market
- Leverage Transitions brand worldwide, one of the top 3 lens brands with Varilux and Crizal
- Capitalize on synergies between Essilor and Transitions' networks and expertise
- Further expand market by continuing to offer Transitions products to all lens manufacturers
- Strengthen Essilor's strategy in sunwear



**Unlock the full potential of the photochromic and sun markets**

# A Value-creating Transaction for Essilor's Shareholders

- Increase Essilor contribution margin to 19.5% after PPA costs by Year 2 of the integration
- EPS accretive from Year 1 of the integration and by at least 5% per annum from Year 2
- Increase Essilor like-for-like growth by 50 bp from Year 3 of the integration

# To Sum Up

- Acquisition of a fast-growing optical category leader
- Unlocking the worldwide potential of a leading optical brand
- Strong impact on organic growth and contribution margin
- Low execution risk
- Strengthen Essilor's sunwear offer and positioning
- Significant value enhancement for Essilor's shareholders



**Strengthen Essilor's core business**



Imagine stepping out into an HD world.

ちょうどいい光で暮らそう

高級ラインナップを見る

Ljuset är livets motor

Transitions XTRActive™  
LENTI DINAMICHE

Erleben Sie eine bessere Sicht auf die Welt.

NEU Transitions Signature VII

Jetzt mit Chroma2™-Technologie

Regeln Sie das Licht.

Papá nos enseña lo mejor de la vida. Por eso y mucho más, ¡iFelicidad!

Life well lit.

Regeln Sie das Licht.

Transitions y el espejo son marcas registradas de Transitions Optical, Inc. ©2013 Transitions Optical, Inc. La temperatura, la exposición UV y el material del lente afectan el desempeño de los lentes.

Transitions LENTES ADAPTABLES

Lentes Transitions®  
Vea lo mejor de la vida.

Transitions LENTES ADAPTABLES

Transitions LENTES ADAPTABLES

LAZER LUMINO TRANSITIONS®  
VİZÖRLERİ

Yangı gürültü önler, yansıma kırılmaları, motoristler süzülürken göz gürültüsünü önler. Yüksek kaliteli polikarbonat lensler, bu motoristler için gözlük, güneş ve diğer motoristler için diğer parçaları da. Gözlükleriniz için yeni bir parçaya geçebilirsiniz. Motoristler için motoristler için. Daha fazla bilgi için bizimle iletişime geçin.

- Yüksek kaliteli polikarbonat lensler kullanılır.
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- Yüksek kaliteli polikarbonat lensler kullanılır.

Mükemmel kalite standartları. Lazer lensleri diğer kalite standartları ile uyumlu.



# Appendices

# Intercast: Premier Sun Lens Manufacturer

**2012 Revenue**

\$34m

**Main product lines**

Plano sunlens + SFSV sunlens + Shields for visors/goggles

**Materials**

NXT + CR-39 + Polyamide + Polycarbonate

**Locations**

Headquarters in Parma, Italy + Plant in Thailand

# Current Method of Consolidating Transitions' Results in Essilor's P&L

