



EL.PA | ESSILORLUXOTTICA

Societe anonyme | Euronext Paris

RECOMMENDATION

HOLD / WATCHLIST

Current Price	Fair Value (Base)	Target Entry	WP Score
EUR 245.70	EUR 275 - 295	EUR 210 - 220	68 / 100

Return Profile	Value	Risk Assessment
Dividend Yield	1.63%	WP Score: 68 / 100
Base Case CAGR	6.8%	Downside Protection: 62 / 100
Bear Case CAGR	+3.1%	Recession Profile: RESILIENT
Bull Case CAGR	11.4%	Prob. Permanent Loss: <5%
Expected CAGR	7.0%	Credit Rating: A2 / A (IG)

One-Line Thesis: EssilorLuxottica is a fortress-quality global monopoly in eyewear with exceptional brand power and a transformative AI-glasses opportunity, but its current premium valuation offers insufficient margin of safety for our wealth preservation mandate.





EXECUTIVE SUMMARY

EssilorLuxottica (EL.PA) is the undisputed global leader in the eyewear and eye care industry, commanding more than 15% of the fragmented global market and operating at a scale more than twice that of its nearest competitor. Born from the 2018 merger of France-based Essilor (the world leader in ophthalmic lenses) and Italy-based Luxottica (the world leader in frames and sunglasses), the company controls the entire value chain from lens R&D; and frame design through manufacturing, wholesale distribution, and retail. Its brand portfolio is unmatched, spanning iconic owned brands (Ray-Ban, Oakley, Persol, Oliver Peoples, Costa) and more than 20 premium licenses (Prada, Chanel, Armani, Burberry, Ralph Lauren, Versace, Tiffany). Its retail network of approximately 17,750 stores worldwide (LensCrafters, Sunglass Hut, Pearle Vision, Target Optical, OPSM, GMO, Salmoiraghi & Vigano) provides an unparalleled direct-to-consumer channel.

The investment case for EssilorLuxottica centers on three pillars: (1) a wide and durable competitive moat supported by vertical integration, brand dominance, and regulatory complexity in ophthalmic lenses; (2) a defensive end-market driven by favorable long-term demographics (aging populations, rising myopia prevalence globally, and growing middle classes in emerging markets); and (3) transformative optionality from new product categories including AI-powered smart glasses (Ray-Ban Meta, Oakley Meta), hearing-aid glasses (Nuance Audio), and myopia management lenses (Stellest). In FY2025, the company delivered its first-ever year of double-digit organic revenue growth at constant currency (+11.2%), with AI glasses exceeding 7 million units sold, and record free cash flow of EUR 2.8 billion.

However, under our Wealth Preservation Framework, EssilorLuxottica presents a nuanced picture. The balance sheet is a fortress (A2/A credit ratings, Moody's-adjusted debt/EBITDA at ~2.0x, interest coverage above 12x). Downside protection is strong: even in our bear case, total returns remain positive. The concern is valuation. At EUR 245.70, the stock trades at approximately 48x trailing IFRS earnings and ~36x adjusted earnings, which is at or above its 5-year average multiple. Our base case total return of approximately 6.8% CAGR barely meets our 7% hurdle rate, and there is no meaningful margin of safety at the current price. We rate this as a HOLD / WATCHLIST, with a target entry price of EUR 210-220 where the risk-adjusted return becomes compelling.

1. SECTOR & THEME IDENTIFICATION

Sector: Healthcare / Medical Devices & Instruments (Eye Care & Eyewear)

Sub-Industry: Ophthalmic Lenses, Eyewear Frames, Sunglasses, Smart Eyewear, Retail Optical

Screening Question	Assessment	Verdict
Is the sector understandable?	Yes - vision correction & eyewear is intuitive	PASS
Is the sector in secular decline?	No - secular growth (aging, myopia, emerging markets)	PASS
Defensive or Cyclical?	Largely defensive - vision is a medical necessity	PREFERRED
Sector-level tailwinds?	AI glasses, myopia epidemic, aging demographics	FAVORABLE





Screening Question	Assessment	Verdict
Sector valuation vs. history?	Premium segment trading above historical avg	CAUTION

The global eyewear market benefits from powerful secular tailwinds. The WHO estimates that 2.7 billion people worldwide suffer from uncorrected poor vision, representing a vast addressable market. The rising prevalence of myopia, particularly in Asia (affecting over 80% of young adults in some East Asian countries), is creating sustained demand for corrective lenses. Meanwhile, the emergence of AI-powered smart glasses and hearing-aid eyewear is opening entirely new product categories that could expand the industry's total addressable market by 30-50% over the next decade.

Sector Verdict: CONTINUE - Defensive sector with strong secular tailwinds, understandable business model, and favorable long-term growth dynamics.

2. FINANCIAL FORTRESS ANALYSIS

2.1 Solvency Check: Balance Sheet Strength

Metric	Value	Threshold	Assessment
Debt/Equity (LT Debt)	0.17x	< 1.0x	FORTRESS
Total Debt/Equity	0.36x	< 1.0x	FORTRESS
Gross Debt/EBITDA (Moody's Adj.)	2.0x	< 3.0x	ADEQUATE
Interest Coverage (EBIT/Interest)	12.9x	> 5.0x	FORTRESS
Net Debt (incl. leases)	EUR 10.85B	Manageable	ADEQUATE
Cash & Equivalents	EUR 3.54B	> 20% of debt	ADEQUATE
Free Cash Flow (FY2025)	EUR 2.80B	Positive	FORTRESS
FCF Positive (Last 5 Years)	5 / 5	5 / 5	FORTRESS
Credit Rating	A2 (Moody's) / A (S&P)	Investment Grade	FORTRESS
Undrawn Credit Facilities	EUR 2.5B+	Available	FORTRESS

EssilorLuxottica maintains a fortress-quality balance sheet. The company carries investment-grade credit ratings from both Moody's (A2 stable) and S&P; (A stable), reflecting its dominant market position and disciplined financial management. Moody's-adjusted gross debt/EBITDA has stabilized at approximately 2.0x following the deleveraging from the GrandVision acquisition (which peaked at 4.7x in 2020). The company generates approximately EUR 5.0-5.5 billion in cash flow from operations annually, comfortably covering capital expenditures of EUR 2.5 billion, dividend payments of approximately EUR 1.5 billion, and bolt-on M&A; of EUR 500 million-1.5 billion per year. Record free cash





flow of EUR 2.8 billion in FY2025 demonstrates exceptional cash generation capability.

Solvency Verdict: FORTRESS

Recession Stress Test: If revenue dropped 30% for two years, EssilorLuxottica would remain solvent with comfortable debt service coverage. The company demonstrated this during COVID-2020 when revenue dropped ~20% yet it maintained liquidity, preserved its credit rating, and resumed dividend payments (via scrip dividend as a prudent cash conservation measure). With EUR 3.5 billion in cash, EUR 2.5 billion in undrawn facilities, and no meaningful debt cliff in the near term, the company can weather a severe recession without distress.

2.2 Earnings Quality

Operating cash flow consistently exceeds net income, confirming high earnings quality. In FY2025, reported IFRS net profit was EUR 2.315 billion while free cash flow reached EUR 2.8 billion, demonstrating strong cash conversion. The divergence between adjusted and IFRS figures primarily reflects purchase price allocation amortization from the Essilor-Luxottica combination and GrandVision acquisition (approximately EUR 900 million annually), which is a non-cash accounting charge that does not reflect operational reality. No financial restatements in the past five years.

Earnings Quality: HIGH

2.3 Profitability Metrics

Metric	FY2022	FY2023	FY2024	FY2025	Trend
Revenue (EUR B)	24.5	25.4	26.5	28.5	Improving
Gross Margin	63.7%	63.2%	63.4%	60.9%*	Stable/Pressure
Adj. Operating Margin	16.3%	16.3%	16.7%	16.0%**	Stable
Adj. Net Margin	11.0%	11.1%	11.8%	11.1%	Stable
FCF Margin	13.0%	14.2%	9.1%	9.8%	Stable
EBITDA (EUR B)	6.2	6.2	6.7	~7.0E	Improving

* Gross margin decline in FY2025 driven by US import tariffs and higher-cost AI glasses components. ** 16.0% at constant exchange rates.

2.4 Capital Efficiency: ROIC Analysis

EssilorLuxottica's reported ROIC of approximately 4.6-4.9% appears low and would normally trigger a "wealth destruction" flag under our framework (threshold: ROIC > 6% required). However, this metric requires significant context. The company carries approximately EUR 32 billion in goodwill and intangible assets from three transformative acquisitions: the Essilor-Luxottica merger (2018), the GrandVision acquisition (2021), and numerous bolt-on deals. This inflated invested capital base mechanically depresses ROIC despite excellent operational performance.

When we calculate ROIC excluding acquisition-related goodwill (a more appropriate measure of operational capital efficiency), ROIC rises to approximately 10-11%, comfortably above the company's weighted average cost of capital (WACC ~8-9%). Furthermore, cash-on-cash returns are exceptional: the company generates EUR 2.8 billion in free





cash flow on a tangible asset base, and its operating margins of 16-17% are at the premium end of consumer durables. We assess capital efficiency as GOOD on an adjusted basis, acknowledging the goodwill distortion.

ROIC Metric	Value	Assessment
Reported ROIC (incl. goodwill)	4.9%	Below WACC (distorted)
ROIC excl. goodwill (est.)	~10-11%	Above WACC
WACC (estimated)	~8.5%	Benchmark
ROIC Trend (3Y)	Stable/Improving	Positive
FCF Yield on Enterprise Value	~2.2%	Moderate

ROIC Verdict: Reported 4.9% (distorted by goodwill) | Adjusted ~10-11% | Trend: Stable | Value Creating on adjusted basis

2.5 Dilution Check

Shares outstanding have been relatively stable at approximately 453-461 million, with minor dilution from employee stock programs offset by buyback programs. In FY2025, the company delivered 2.6 million shares under performance and stock-option plans and repurchased approximately 1.9 million shares. CEO Francesco Milleri and the Del Vecchio family maintain a 32.3% controlling stake, providing strong alignment with minority shareholders. Annual dilution rate is approximately 0.5-1.0%, which is within acceptable bounds.

Dilution Assessment: ACCEPTABLE

3. DIVIDEND ANALYSIS

Metric	Value	Assessment
Current Yield (on EUR 245.70)	1.63%	Below sweet spot (1.5-5%)
FY2025 Dividend	EUR 4.00 per share	+1.3% YoY
FY2024 Dividend	EUR 3.95 per share	
Payout Ratio (IFRS EPS)	~79%	Elevated (>75% threshold)
Payout Ratio (Adj. EPS)	~58%	Comfortable (<60%)
FCF Payout Ratio	~66%	Sustainable (<70%)
Dividend Growth (3Y CAGR)	~7.0%	Above inflation
Consecutive Years Paid	5 years (post-merger)	Adequate





Metric	Value	Assessment
FCF Coverage (FCF/Div)	1.9x	Strong (>1.3x)
Scrip Dividend Option	Yes (reduces cash outflow)	Positive
Maintained Through COVID?	Scrip dividend (prudent)	Adequate

EssilorLuxottica's dividend policy is evolving. Post-merger, the company initially prioritized deleveraging following the GrandVision acquisition. Dividends have been growing steadily, with the proposed EUR 4.00 for FY2025 representing a 7% CAGR over the past three years. The elevated IFRS payout ratio of ~79% is misleading because it is inflated by PPA amortization reducing reported earnings; the adjusted payout ratio of ~58% and the FCF payout ratio of ~66% are both comfortable. The scrip dividend option (allowing shareholders to receive shares instead of cash) further reduces actual cash outflow. We assess the dividend as sustainable but note the relatively low yield of 1.63% limits the income cushion for wealth preservation.

Dividend Sustainability: SUSTAINABLE (adequate but low yield provides limited income cushion)

4. PEER COMPARISON & QUALITY RANKING

Dimension	EssilorLuxottica	Hoya Corp	Alcon	Best for Preservation
Market Cap	EUR ~114B	JPY ~9.2T (~EUR 55B)	CHF ~30B (~EUR 31B)	EssilorLuxottica
Revenue (LTM)	EUR 28.5B	JPY ~700B (~EUR 4.3B)	USD ~9.8B (~EUR 9.0B)	EssilorLuxottica
Debt/Equity	0.36x	~0.15x	~0.55x	Hoya
Gross Margin	60.9%	~55%	~56%	EssilorLuxottica
Operating Margin (Adj.)	16.0%	~28%	~20%	Hoya
Dividend Yield	1.63%	~0.8%	~0.3%	EssilorLuxottica
P/E (TTM)	~48x	~38x	~45x	Hoya
Credit Rating	A2 / A	N/R	BBB+ / Baa1	EssilorLuxottica
Revenue Growth (FY)	+11.2%	~7%	~6%	EssilorLuxottica
Beta	0.61	~0.75	~0.80	EssilorLuxottica

EssilorLuxottica stands out among peers for its unmatched scale, vertical integration, brand portfolio diversity, and lowest beta (0.61), making it the most defensive play in the eyewear space. Hoya offers higher operating margins due to its focus on premium specialty lenses and lighter asset model, while Alcon is more focused on surgical and contact lens markets. For wealth preservation specifically, EssilorLuxottica's combination of scale, diversification, investment-grade credit rating, and lowest volatility makes it the preferred choice, though Hoya's cleaner balance sheet and higher margins are notable.





Wealth Preservation Quality Score

Category	Criteria	Points Earned	Max Points
Balance Sheet Fortress	D/E < 0.5x	15	15
	Interest Coverage > 8x	15	15
	FCF Positive 5 consecutive years	10	10
Income Reliability	Div yield 1.63%, payout ~58% adj.	10	15
	Div growth ~7% CAGR	10	10
	Div history 5 years	3	5
Capital Efficiency	ROIC ~4.9% (adj. ~10-11%)	4	10
	ROIC trend improving	3	5
Valuation	Trading near 50th-75th %ile of 5Y range	5	15
TOTAL		75*	100

* Score of 75 achievable if ROIC assessed on adjusted basis (excl. goodwill). On reported ROIC basis, score would be ~68.

Framework Assessment: On a reported ROIC basis, the WP Quality Score is 68/100 (Good candidate, standard position if entry price is favorable). On an adjusted ROIC basis acknowledging the goodwill distortion, the score rises to ~75 (excellent candidate). Given the nuance, we conservatively use 68 as the operative score but acknowledge the company's operational quality is higher than reported metrics suggest.





5. QUALITATIVE DEEP DIVE

5.1 Competitive Moat Assessment

Moat Type	Evidence	Durability (1-10)	Preservation Value
Vertical Integration	Controls lenses, frames, retail, wholesale	9	Excellent
Brand Power	Ray-Ban, Oakley, 20+ luxury licenses	9	Excellent
Scale Advantages	2x+ larger than nearest competitor	8	Excellent
Switching Costs	Optician relationships, lens prescriptions	7	Good
Regulatory/Certification	Medical device certification barriers	7	Good
Network Effects	Retail network + data flywheel (AI glasses)	6	Emerging

EssilorLuxottica possesses one of the widest and most durable moats in consumer-facing industries. The company's vertical integration is unmatched: it designs lenses (Varilux, Transitions, Stellest), manufactures frames (Ray-Ban, Oakley, Persol), operates the world's largest optical retail network (LensCrafters, Sunglass Hut), and controls the wholesale distribution channel to independent opticians. This integration creates significant barriers to entry and allows the company to capture margin across the entire value chain. The brand portfolio is a formidable asset: Ray-Ban alone generated billions in revenue and has proven remarkably resilient across economic cycles. The addition of AI-glasses and hearing-aid capabilities is creating an entirely new competitive dimension that no competitor can currently match.

Moat Assessment: WIDE & DURABLE | Primary Moat: Vertical Integration + Brand Power (9/10) | Moat Erosion Risk: LOW

5.2 Management Quality & Capital Allocation

Francesco Milleri serves as Chairman and CEO, with Paul du Saillant as Deputy CEO. Milleri has led the company since the Essilor-Luxottica combination and has successfully navigated the complex integration of two corporate cultures (French and Italian). The Del Vecchio family (Delfin) maintains a 32.3% controlling stake, ensuring long-term orientation and alignment with minority shareholders. CFO Stefano Grassi has provided steady financial management, maintaining disciplined leverage targets while funding strategic investments.

Capital allocation has been prudent and value-accretive. The company successfully deleveraged from 4.7x debt/EBITDA post-GrandVision to ~2.0x within three years while funding organic growth investments, progressive dividends, and bolt-on M&A.; The Meta partnership for AI glasses represents a masterclass in capital-light innovation: EssilorLuxottica provides the industrial platform, brand, and retail distribution while Meta provides the technology, sharing development risk. The acquisition strategy has shifted from transformational deals to bolt-on acquisitions in medtech (Heidelberg Engineering, Optegra clinics) and adjacent categories (Supreme from VF Corporation).

Management Quality: EXCELLENT | Capital Allocation: STRONG





5.3 Recession Performance History

Event	Revenue Impact	Dividend Action	Stock Decline (Peak-Trough)	Recovery Time
COVID-19 (2020)	~-20% (annual)	Scrip dividend (preserved)	~-35%	~12 months
2022 Drawdown	Revenue grew +4%	Maintained & grew	~-25%	~18 months
2025 Tariff Impact	Revenue grew +11%	Increased to EUR 4.00	-24% (from ATH)	Ongoing

EssilorLuxottica has demonstrated remarkable resilience through economic stress. During COVID-2020, despite a ~20% revenue decline, the company maintained its credit rating, preserved liquidity, and offered a scrip dividend to conserve cash while still rewarding shareholders. The subsequent recovery was rapid, with revenue exceeding pre-COVID levels by 2022. The company's low beta of 0.61 confirms its defensive characteristics. The current 24% decline from the November 2025 all-time high of EUR 323.80 reflects tariff concerns and margin pressure from AI-glasses investments, not fundamental deterioration.

Recession Profile: RESILIENT

5.4 Catalyst Identification

Catalyst	Timeline	Probability	Impact	Risk to Downside
AI Glasses Volume Ramp	2026-2028	High	Significant revenue driver	Low
AI Glasses Margin Improvement	2027-2029	Medium-High	Material margin uplift	Low
Nuance Audio Scale-Up	2026-2028	Medium	New category revenue	Low
Myopia Management (US Launch)	2026-2027	High	Meaningful growth driver	Low
Tariff Resolution/Mitigation	2026-2027	Medium	Margin recovery	Low
Dividend Acceleration	2026-2028	Medium	Yield support	Low
Multiple Re-Rating	2026-2028	Medium	Share price appreciation	Medium

6. VALUATION & SCENARIO ANALYSIS

6.1 Relative Valuation

Metric	Current	5Y Avg	10Y Avg	Percentile	Assessment
P/E (TTM, IFRS)	47.8x	~46x*	~40x	55th %ile	FULL
P/E (Adjusted)	~36x	~35x	~30x	55th %ile	FULL





Metric	Current	5Y Avg	10Y Avg	Percentile	Assessment
P/E (Forward, 2026E)	~34x	-	-	-	FAIR
EV/EBITDA	~18.7x	~17x	~16x	60th %ile	FULL
P/S	4.0x	~3.8x	~3.2x	55th %ile	FULL
P/FCF	~41x	~38x	-	55th %ile	FULL
Dividend Yield	1.63%	~1.5%	~1.5%	50th %ile	FAIR

* 5Y average P/E excludes 2020 outlier (COVID-depressed earnings created artificially high P/E).

6.2 Fair Value Calculation

Normalized Adjusted EPS (using 5Y average adjusted margin ~16.5% applied to current revenue): ~EUR 7.00. Applying the 5-year average adjusted P/E multiple of ~35x: Fair Value = EUR 7.00 x 35x = EUR 245. Applying a quality premium of 10% for dominant market position and AI-glasses optionality: EUR 270. Fair value range: EUR 245 - 295, with a midpoint of approximately EUR 270.

Margin of Safety at current price (EUR 245.70): Approximately 0% to -10% (trading near the low end of fair value). For our wealth preservation mandate, we require a minimum 10% margin of safety. **Target Entry Price: EUR 210-220** (providing 15-20% margin of safety to fair value midpoint).

Valuation Verdict: FULL | Margin of Safety: ~0% (insufficient for buy recommendation)

6.3 Scenario Analysis (10-Year Horizon)

Parameter	Bear Case (25%)	Base Case (50%)	Bull Case (25%)
Revenue CAGR	3.0%	6.0%	9.0%
Adj. Op. Margin (Terminal)	14.0%	17.0%	19.5%
Adj. EPS (Year 10)	~EUR 9.20	~EUR 12.30	~EUR 16.50
Terminal P/E (Adjusted)	28x	33x	38x
10-Year Price Target	~EUR 258	~EUR 406	~EUR 627
Cumulative Dividends (est.)	~EUR 50	~EUR 55	~EUR 65
Dividend Yield (Year 10)	~2.0%	~1.8%	~1.6%
Price CAGR	+0.5%	+5.2%	+9.8%
Total Return CAGR	+3.1%	+6.8%	+11.4%





Scenario	Total CAGR	Weight	Contribution
Bear	+3.1%	25%	+0.8%
Base	+6.8%	50%	+3.4%
Bull	+11.4%	25%	+2.9%
Probability-Weighted Expected Return			+7.0%

Bear Case Assumptions: Global recession or prolonged tariff war compresses margins. AI-glasses growth slows due to consumer fatigue or Meta partnership deterioration. Multiple contracts to historical trough levels. Dividend growth stalls but is maintained.

Base Case Assumptions: Company delivers on mid-single-digit organic revenue growth guidance. AI-glasses reach profitability and margin-accretive scale by 2028-2029. Tariff headwinds gradually mitigated through supply chain diversification and pricing. Multiple remains near current levels.

Bull Case Assumptions: AI-glasses category explodes, capturing significant wearable market share. Nuance Audio creates a meaningful new revenue stream. Myopia management drives above-trend growth. Full margin recovery to 19-20% range as management targets.

6.4 Downside Protection Analysis

Metric	Value	Assessment
Bear Case Total Return	+3.1% CAGR	POSITIVE (capital preserved)
Bear Case Price Return	+0.5% CAGR	Near capital preservation
Max Historical Drawdown (5Y)	-35% (COVID)	Moderate
Current Drawdown from ATH	-24%	Meaningful decline already
Dividend Floor (current yield)	1.63%	Limited income cushion
Probability of >50% Permanent Loss	<5%	Very Low
Beta (5Y Monthly)	0.61	Low volatility profile

Critical Downside Check: Bear case total return is POSITIVE at +3.1% CAGR. Capital is preserved in the downside scenario. The combination of an investment-grade balance sheet, defensive end-market, dominant market position, and low beta provides strong downside protection. The primary risk to capital preservation is valuation compression, not business deterioration.

7. INVESTMENT DECISION FRAMEWORK





7.1 Wealth Preservation Scoring

Input	Score	Weight	Weighted Score
Downside Protection Score	62 / 100	45%	27.9
Return Adequacy Score	55 / 100	30%	16.5
Quality Score	68 / 100	25%	17.0
Composite WP Score			61.4 / 100

Downside Protection Score (62/100): Starts at 50; +15 for positive bear case; +10 for D/E < 0.5x; +10 for dividend maintained through COVID; -10 for low dividend yield; -3 for payout >75% on IFRS basis.

Return Adequacy Score (55/100): Base case total return of 6.8% is just below our 7% hurdle, scoring 55 (marginal).

Quality Score (68/100): As calculated in the WP Quality Score above.

7.2 Absolute Requirements Check

[PASS] Bear case total return $\geq$ 0%: **+3.1% CAGR**

[FAIL] Base case total return $\geq$ 7%: **6.8% CAGR**

[PASS] Solvency: FORTRESS or ADEQUATE: **FORTRESS**

[PASS] Dividend sustainability: ROCK SOLID or SUSTAINABLE: **SUSTAINABLE**

[PASS] Probability of >50% permanent loss < 10%: **<5%**

Framework Verdict: EssilorLuxottica FAILS one absolute requirement: the base case total return of 6.8% falls marginally below our 7% hurdle rate at the current price. All other absolute requirements are met, including the critical positive bear case return test. This results in a HOLD recommendation rather than a BUY. The stock becomes a BUY candidate at prices that would lift the base case total return above 7% with meaningful margin of safety.

8. FINAL RECOMMENDATION

RECOMMENDATION

HOLD / WATCHLIST

Exceptional quality business at full valuation. Wait for better entry.

Current Price	EUR 245.70
Fair Value Range (Base Case)	EUR 245 - 295





Target Entry Price	EUR 210 - 220
Margin of Safety at Current Price	~0% (insufficient)
Required Discount for BUY	-10% to -15% from current
Position Size (if BUY triggered)	Standard (EUR 75 per EUR 100 allocation)
Expected Total Return (Base)	6.8% CAGR
Bear Case Total Return	+3.1% CAGR (capital preserved)
Bull Case Total Return	11.4% CAGR
Probability-Weighted Return	7.0% CAGR
Dividend Yield + Expected Growth	1.6% + 7.0% = 8.6% total
Wealth Preservation Score	68 / 100 (Good)

Entry Strategy:

Set limit buy order at EUR 210-220 range. This level would be reached through either: (1) broader market correction pulling the stock lower; (2) additional tariff-related margin concerns; or (3) short-term disappointment with AI-glasses monetization timeline. At EUR 215, the base case total return rises to approximately 8.5-9.0% CAGR, well above our 7% hurdle, with a bear case return of approximately +5%, providing robust downside protection.

Expected Outcome (10 Years, Base Case):

Investment	EUR 100 Becomes	CAGR	Outperformance vs HYSA
EssilorLuxottica (at current)	EUR 193	6.8%	+EUR 45
EssilorLuxottica (at EUR 215)	EUR 225	8.5%	+EUR 77
HYSA (4%)	EUR 148	4.0%	Baseline
European Government Bonds (~3%)	EUR 134	3.0%	-EUR 14

Why Wait: At the current price, the expected outperformance vs. a risk-free HYSA is EUR 45 per EUR 100 over 10 years, which represents adequate but not compelling compensation for the equity risk undertaken. At our target entry of EUR 215, the outperformance rises to EUR 77 per EUR 100, providing more appropriate compensation for a wealth preservation mandate.

9. RISK ASSESSMENT





Risk Category	Score (1-10)	Key Concern	Mitigation
Balance Sheet	2	Acquisition leverage	A2/A rating, rapid deleveraging
Earnings Volatility	3	Margin pressure from tariffs/AI	Defensive demand, pricing power
Competitive Threat	2	Potential tech disruption	Scale, brands, vertical integration
Regulatory Risk	3	Antitrust, tariffs, medical device	Diversified geographically
Management Risk	3	Key man (Milleri), dual structure	Strong bench, family commitment
Valuation Risk	7	Premium multiple vulnerable	Quality commands premium
Currency Risk	4	EUR/USD exposure (45% NA rev)	Natural hedging, global footprint
Aggregate Risk	3.4		

The dominant risk for a wealth preservation investor is valuation risk. The business quality risks are exceptionally low (aggregate 3.4/10), but the premium multiple (>35x adjusted earnings) creates vulnerability to multiple compression if growth disappoints or market sentiment shifts. This is precisely why we recommend waiting for a better entry point rather than avoiding the stock entirely.

10. MONITORING CHECKLIST

Quarterly Review:

Revenue growth trajectory (target: mid-single-digit organic at minimum)

Adjusted operating margin trend (watch for tariff mitigation progress)

AI-glasses unit sales and revenue contribution

Free cash flow generation and net debt trajectory

Dividend maintained or increased

Competitive position: brand health, market share trends

Management guidance and capital allocation decisions

Exit Triggers:

Condition	Action
Adj. operating margin falls below 13% for 2+ quarters	Reassess; likely reduce/sell
Debt/EBITDA rises above 3.0x (excl. strategic M&A)	Sell
Meta partnership terminated or materially deteriorated	Reassess immediately
Dividend cut (not scrip shift)	Reassess immediately; likely sell





Condition	Action
ROIC (adj.) falls below 8% for 2+ years	Sell
Forward return falls below 5% at current price	Reduce/sell
Better opportunity with 10+ point higher WP Score	Replace

Upgrade Triggers (from HOLD to BUY):

Share price declines to EUR 210-220 range (margin of safety achieved)
 Earnings growth accelerates, lifting base case return above 7% at current price
 Margin recovery from tariff mitigation and AI-glasses profitability
 Dividend increase significantly boosts yield above 2%
 Multiple compression through earnings growth (P/E falls below 30x on forward estimates)

ANALYST NOTES

Key Assumptions:

1. AI-glasses category continues to grow but margins remain dilutive in near-term (2026-2028), before reaching profitability at scale by 2029. If margins improve faster, this significantly improves the investment case.
2. US tariff headwinds persist at current levels, gradually mitigated through supply chain diversification (manufacturing flexibility across 20+ countries) and selective pricing. Full resolution would be a material positive catalyst.
3. Meta partnership continues for the foreseeable future. This is a key assumption: if the partnership were to deteriorate, the AI-glasses growth story and associated valuation premium would be at risk.
4. No transformational M&A.; Large acquisitions would temporarily increase leverage and integration risk. Our analysis assumes bolt-on M&A; of EUR 500M-1.5B annually.

Limitations:

1. ROIC analysis is complicated by massive goodwill base; reported metrics understate operational efficiency.
2. Limited dividend history post-merger (5 years) makes long-term dividend sustainability assessment less certain than for established dividend aristocrats.
3. AI-glasses category is nascent and difficult to model with precision; scenario analysis for this revenue stream carries higher uncertainty.

Confidence Level: MEDIUM-HIGH - High confidence in business quality and downside protection assessment. Medium confidence in valuation and forward return estimates given uncertainty around AI-glasses margin trajectory and tariff resolution timeline.





MOSCHOVAKIS CAPITAL

Wealth Preservation Equity Research

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