Case Study
Mister Spex – Takeover Strategy

ABC Consulting

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Executive Summary

Unlocking Growth Potential: Acquiring Mister Spex to Strengthen EssilorLuxottica's Online Market Presence

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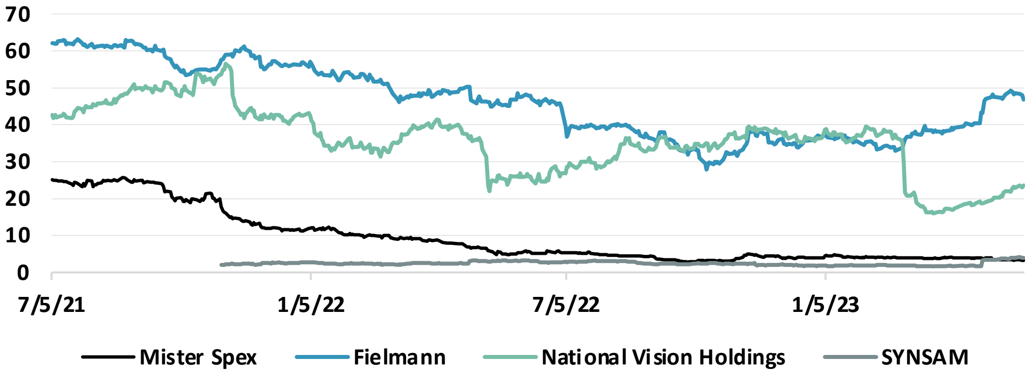
Company Profile

Co-CEO's	Dr. Mirko Caspar, Dirk Graber
Employees	1,350
Headquarters	Berlin, Germany
Largest shareholder	EssilorLuxottica (11.3%)
Founding	2007
Share price	3.43€

Mister Spex SE, an omnichannel optician, offers a wide array of eyewear, sunglasses, and contact lenses in line with market trends: 40% prescription glasses, 32% contact lenses, and 26% sunglasses. Featuring over 10,000 styles from 100+ brands, they host top names like Ray-Ban, Calvin Klein, along with exclusive brands and influencer collaborations.

Stock Performance



Document Overview

Acquisition Rational

Market Expansion: Acquiring Mister Spex could provide EssilorLuxottica with a significant foothold in the online retail segment of the eyewear market. Mister Spex has an established presence in various European markets, offering EssilorLuxottica an expanded customer base and geographical reach.

Synergy Potential: Given EssilorLuxottica's existing portfolio of eyewear brands, there are likely opportunities for operational, supply chain, and marketing synergies. The merger could lead to cost savings and increased efficiency by combining resources and leveraging shared capabilities.

Digital Expertise: Mister Spex's proven expertise in online retail and digital customer engagement could enhance EssilorLuxottica's digital strategy. This could boost EssilorLuxottica's online sales, improve customer experiences, and foster a more diversified omnichannel strategy.

Sources: www.misterspex.de, www.essilorluxottica.com, Financial Times, Reuters, Yahoo Finance (May 2023)

Company Overview

Revolutionizing eyewear through innovative business model and balancing the books at Mister Spex SE

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Highlights

Mister Spex is an omnichannel eyewear retailer offering a wide selection of prescription glasses, sunglasses, and contact lenses. They operate through their online platform and physical stores, providing customers with an extensive range of branded and designer eyewear products. Their revenue is generated from the sale of eyewear and related accessories, leveraging a seamless shopping experience and affordable pricing to attract customers.

Management Board

Dirk Graber – Founder and Co-CEO

Dr. Mirko Caspar - Co-CEO

Maren Kroll - Chief Human Resources Officer

Key Financials *(in k €)*

Year	2020	2021	2022
Revenue	**164,201**	**194,248**	**210,067**
Change	*12%*	*18%*	*8%*
EBITDA	**5,814**	**-8,238**	**-11,974**
Change	*43%*	*>-100%*	*-45%*
EBIT	**-5,123**	**-23,453**	**-41,821**
Change	*3%*	*>100%*	*78%*
Adjusted EBITDA	**6,754**	**4,149**	**-8,289**
Change	*36%*	*-39%*	*>-100%*
Net Profit/Loss	**-10,258**	**-31,515**	**-44,927**
Change	*10%*	*>100%*	*43%*
Net Cash change	**126,349**	**-99,928**	**-14,530**
Free Cash Flow	**-23,049**	**-75,203**	**-25,374**
Total assets	**122,743**	**325,320**	**293,232**
Total liabilities	**89,330**	**80,535**	**92,227**
Total equity	**33,412**	**244,785**	**201,005**
Net Debt	**N/A**	**-69,109**	**-35,565**

Sources: www.misterspex.de, Yahoo Finance (May 2023)

Industry Overview

Opportunities and implications for market players to capitalize on growth prospects and enhance their global presence

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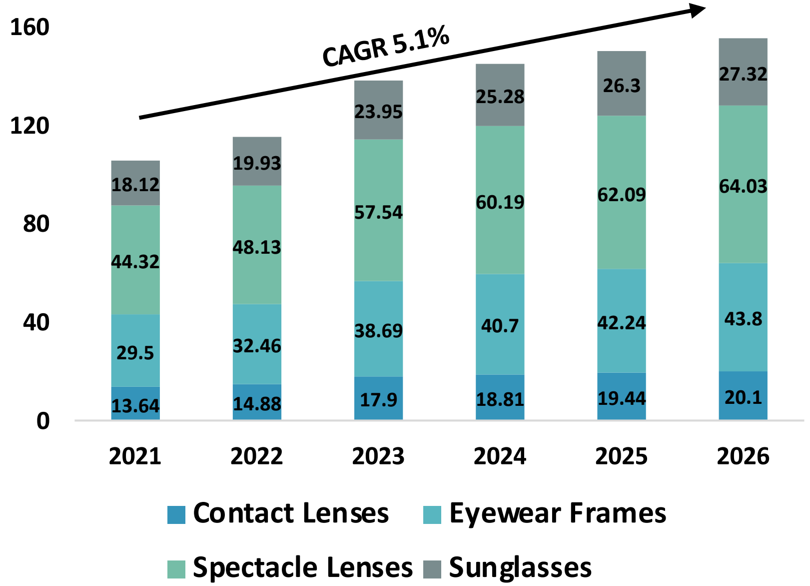
Product Segments

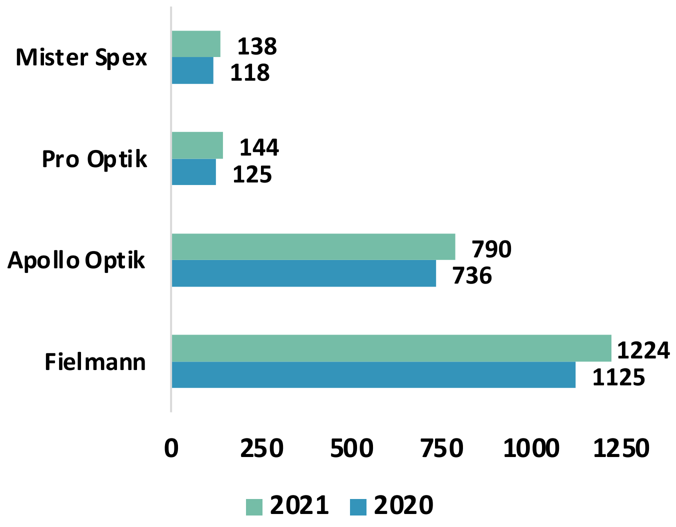
Revenue by Product Type Segments (in bio. EUR)



The global eyewear market, which encompasses spectacle lenses, prescription glasses, sunglasses, and contact lenses, was valued at approximately EUR 105.6 billion in 2021 and is expected to reach EUR 155.3 billion by 2026, growing at a CAGR of 5.1% during the forecast period.

Competitive Landscape

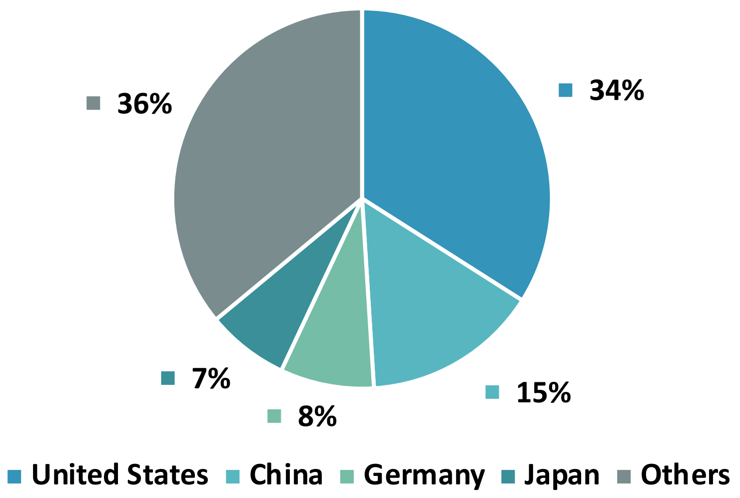
Largest optics companies ranked by net revenue in Germany (in mio. EUR)



The eyewear industry in Germany is characterized by the presence of several prominent players, including Fielmann, Apollo Optik, and other innovative firms. To solidify their standing companies frequently engage in mergers and acquisitions, particularly as major players like Fielmann maintain a strong grip on the market.

Market Value by Region

Market Share of eyewear market by country in 2022



In 2022, the United States represented the largest single-country market share in the global eyewear industry, comprising approximately 34%. The Asia-Pacific region is anticipated to experience the most significant growth, fueled by factors such rising disposable incomes, increasing awareness for eye care, and growing demand for fashionable eyewear products.

Sources: www.statista.com (April 2023)

Friendly Takeover Strategy

Leveraging Strengths and Minimizing Risks: A Blueprint for EssilorLuxottica's Friendly Takeover of Mister Spex

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Characteristics

Mutual Agreement: The acquisition is agreed upon by both the acquiring and target company's management.
Negotiated Terms: The price and conditions are mutually acceptable.
Shareholder Approval: The target company's shareholders typically vote in favor.
Strategic Alignment: Both companies share a similar vision for the future, ensuring smoother integration.

Advantages and Disadvantages

+	-
I. Synergies and Efficiency Realizing operational and financial synergies, such as streamlined supply chains, boosting efficiency and profitability.	**I. Overpayment Risk** Potential risk of overpaying due to the eagerness to complete the acquisition, potentially reducing returns.
II. Smooth Transition Less resistance from Mister Spex's management, employees, and shareholders ensuring a smoother integration process.	**II. Integration Challenges** Despite a friendly takeover, integration of different company cultures and systems may pose challenges.

Process

1. **Target Identification:** EssilorLuxottica identifies Mister Spex as a potential acquisition target due to its established online platform, wide product range, and presence in various European markets.
2. **Due Diligence:** EssilorLuxottica would conduct comprehensive due diligence on Mister Spex, scrutinizing its financial performance, operational efficiency, customer base, market positioning, and more.
3. **Proposal:** Upon satisfactory due diligence, EssilorLuxottica would propose an acquisition deal to Mister Spex's management and board. The offer would detail the proposed acquisition price and terms.
4. **Negotiation:** If Mister Spex's board is receptive to the proposal, negotiations would commence to iron out the specifics, including final price, payment method, future management, and post-acquisition strategies.
5. **Agreement:** Upon reaching consensus on the deal specifics, EssilorLuxottica and Mister Spex would sign an acquisition agreement, outlining the transaction details and timeline.
6. **Shareholder and Regulatory Approval:** The agreement needs shareholder approval and regulatory clearance. The board will likely endorse it, and regulatory checks will ensure fair competition, given EssilorLuxottica's market prominence.
7. **Closing:** Following all approvals, the acquisition would be finalized. EssilorLuxottica would pay the agreed price to Mister Spex's shareholders, and operational changes would begin as per the terms of the agreement.

Sources: *"Mergers, acquisitions, and other restructuring activities"*, Academic Press, 2019 by Donald Demphilis

Hostile Takeover

A Friendly takeover is suggested, while a tender offer is the last resort due to its high costs

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General Definition of a Hostile Takeover

Refers to the acquisition of a target company by a bidder without the approval or cooperation of the target company's management and board of directors. In a hostile takeover, the bidder seeks to gain control of the target company by directly approaching its shareholders or by taking aggressive actions to replace the management and board against their wishes.

Approach	Description	Advantages	Disadvantages
Bear Hug Offer	Works well when the target is not strongly opposed to merger. The intention is to put pressure on the management and often comes with a generous premium.	I. Pressure on management to negotiate the deal II. Less costly and time consuming III. Discourage other potential buyers due to premium	I. "Fairness Opinion" II. Can still be costly due to generous premium
Proxy Fight Offer	Acquirer tries to attain enough proxy shareholder votes to approve the merger	I. Less costly than tender offer II. May avoid the need for a tender offer approach	I. Large institutional share-holders are often loyal to the company II. Most proxy battles are unsuccessful
Tender Offer	Public offer which is directed at the shareholders of a target firm. They make an offer to purchase their shares at a specific price. Shareholders can accept or reject this offer	I. Pressures target shareholders to sell their stock II. Bidder is not pressured to buy tender shares unless the desired number of shares is tendered	I. Potential loss of key managers, employees, and suppliers II. Tends to be most expensive approach

Rationale against hostile takeover

After carefully analyzing all the advantages and disadvantages, we concluded that a tender offer should be used as a last option. The associated costs need to be estimated before conducting this approach.
However, a tender offer should only be conducted after the failure of a friendly takeover. Since EssilorLuxottica already is the largest shareholder, a friendly takeover seems to be more reasonable than a hostile takeover.

Sources: "*Mergers, acquisitions, and other restructuring activities*", Academic Press, 2019 by Donald Demphilis