03 - 27 - 2025

Mister Spex SE

FY 2024 Results

TOTAL PAGES: 20

Mister Spex SE

FY 2024 Results

CORPORATE SPEAKERS:

Irina Zhurba
Mister Spex SE; Head of Investor Relations
Stephan Schulz-Gohritz
Mister Spex SE; Chief Financial Officer

PRESENTATION:

Operator: Good morning. (Operator Instructions) At this time, I would like to welcome everyone to the Mister Spex SE Fiscal Year 2024 Results. (Operator Instructions)

As a reminder to everyone, this call is being recorded. Thank you.

I would now like to turn the call over to Irina Zhurba, Head of Investor Relations.

You may begin your conference.

Irina Zhurba: Great. Thank you so much. Good morning, everyone. And welcome to our full year 2024 results.

As usual, the presentation will last around 30 to 45 minutes, then we'll allow another 10 to 15 minutes for the Q&A.

As always, you can find the presentation, the financials, the annual report on the IR website at misterspex.com.

The speaker today here with me is Stephan, who will guide you through today's presentation.

That said, let me hand over to Stephan to begin today's call. Thank you.

Stephan Schulz-Gohritz: Yes. Thanks, Irina. Good morning. And thank you for joining this morning, your interest in Mister Spex and also in the '24 full year results.

Mister Spex SE

FY 2024 Results

2024 was for Mister Spex truly a year of transition and transformation. We introduced our restructuring transformation program, SpexFocus in August 2024 and of course, the program also had an impact on our 2024 results.

Overall, looking at the key financial KPIs, we met the guidance with the net revenues of EUR 270 million, representing a reduction of 3% versus 2024. And the major impact here was coming from our price repositioning and our discount detox, which had an impact on our top line.

The adjusted EBITDA ended up at minus EUR 5.8 million, also within the guidance, which was plus EUR 2 million to minus EUR 8 million.

Overall, in Germany, we achieved a zero growth like-for-like, plus 2% and international coming from the store closures and also the price detox a reduction of 13% international in the top line.

SpexFocus is the key driver in 2024. It's basically consisting of two elements. The one is the restructuring part, which is laying the foundation on the cost base. And the other side is the transformational part, which is basically the rebuilding of our business model and building our future.

On the restructuring side, we have heavily restructured our cost base and gained efficiencies.

We have rationalized our product offering and product portfolio, and we exited our offline business international.

On top, we also have undergone an efficiency improvement program for all operations and also overheads with the objective to create a far leaner organization.

On the transformational side, we are basically rebuilding our business model now with a strong focus on the optical expertise, number one, on the offline business; number two, of course, with the omnichannel element as a differentiating factor; and number three, on services.

Overall, this program is well underway, and I'm giving you an update here in a minute.

With respect to the management, I also would like to give you an update here as we have a change in the Supervisory Board, Tobias Krauss is going to assume the role as CEO as April 1, 2025, and Nicola Brandolese will take over his role as Chairman of the Supervisory Board also as of April 1, 2025.

Now let's quickly recap the transformation and restructuring program, SpexFocus.

Basically, the whole program is built on four major building blocks. The first is the improvement of our store performance and lower discount. The second is variable cost improvement in all operations including purchasing. The third one is store portfolio rationalization, specifically with the focus on the international stores, but also to some of the underperforming German stores. And the fourth element, the rightsizing and cost cutting.

Overall, the program has an improvement potential of more than EUR 20 million annualized with the majority already becoming effect in 2025.

Overall, the one-offs of SpexFocus are about EUR 9 million and in order to further close the gap in the direction of cash flow neutral, we also are pursuing additional cash flow measures to support our cash flow.

So that is basically the overall program, and I would like to give you a quick update about where we are today.

So first of all, the store portfolio rationalization, rightsizing and cost cutting, we can say that basically the objectives that we pursued are achieved. All international stores are closed by the end of the year.

We closed also three German stores, which is Nuremberg, Saarbrucken and Hamburg. And we also closed down the international warehouse in Stockholm.

Overall, that gave us a significant reduction together with all the other improvements in the overhead on operations, which led to a reduction in headcount by 238 headcounts from 1,225 to 987. That is a reduction of almost 20% that we have achieved in just six months only. The second element is the store performance improvement program.

And here, a key driver is the introduction of the premium private label lens SpexPro that we introduced together in collaboration with Rodenstock. And what we can say is that overall, more than 20% of our customers choose SpexPro as the lenses which gives us a significant upgrade in the AOV, which is increasing from EUR 159 to EUR 205 per pair of glasses. And which is more important is that we are almost doubling our gross profit margin on those products.

Specifically, I would also like to highlight that SpexPro is a true driver in the offline business as here, the share is between 30% and 40% of our customers choosing for SpexPro. And with strengthening our store operating network, SpexPro is becoming a very important driver for us.

And the next step for us is to introduce the next upgrade to SpexPro, which will be then branded plans.

So from that perspective, the improvement program of the store performance is running well.

On top, we are improving the customer journey in the stores, optimizing the conversion and upselling process. And right now we are introducing the eye health check and subscription is going to come soon. A key initiative in 2024 was the price detox -- discount detox and the price repositioning.

In the second half of the year 2023, we were running nine campaigns, pricing and discount campaigns in 2024 just 3.

At the same point of time we increased the prices for the white-label products, and we introduced high-value products like the SpexPro. And altogether, we got a significant improvement on the margins. And specifically, you can see that the discount rate increased overall by 6 percentage points. With respect to gross margin, we have seen in the first half year 2024, a reduction of 2.4% reduction or decline, whereas the second half, and this is basically due to price repositioning and discount detox, we have an increase of 0.8 percentage points.

So from that perspective, the discount and price repositioning program is implemented.

We also adjusted and improved our commercial strategies in order to facilitate our margins and profitability.

First of all, we reduced our brand portfolio and we substituted the lower end of the brands by private label, which gives us a margin uptake.

We significantly reduced the complexity in our product offering and portfolio by reducing from 150 to 100 brands.

As I said, we eliminated predominantly the lower end of our brand portfolio and substituted it by private label. And overall, that gives us a significant reduction in SKUs from 20,000 to approximately 12,000, which significantly reduces complexity in our operations. On top, we have implemented an online and offline pricing strategy.

In omnichannel, it's a bit tricky from the pricing side as the online channel is quite price-sensitive, where the offline channel is not price-sensitive at all. And if you don't manage pricing right, then you inherit offline, the price pressure from online. And therefore, you have to have a clear strategy what products you are offering online with what pricing and on the other side, what you're doing offline.

So that has been -- we have been working on and the online and offline pricing strategy is already implemented. We also negotiated our purchasing conditions.

So with some suppliers, we are still under negotiations, but it's now in the final stage. So we expect here also significant savings from the purchasing side.

We increased our home trial fee from EUR 6.95 to EUR 9.95. The home trial fee is for us a very important marketing tool to acquire customers. Nevertheless, the costs are significant, and therefore, we decided to implement the home trial fee from 0 to EUR 6.95 in 2024.

We saw that overall, the impact on conversion was very beneficial. And therefore, we decided then to further increase the home trial fee to EUR 9.95.

And then one thing is clear that the changes in our business model require a lot of training in the stores for the new processes, the new customer journey, and specifically for conversion and for upselling. And this is something that we are still working on, and we will be working on in 2025 as this is one of the key drivers driving our gross profit margin.

So overall, if we look at the store performance program and all the measures that we have implemented, looking at the first two months in 2025, we can say that we have a significant uplift in overall margins in the stores by approximately 400 basis points.

You can also see that basically all cohorts that we have in our portfolio has benefited from the program.

And overall, if you look at the structure of our store operating network by profitability, you can see that we have achieved a significant uplift of stores that are now significantly positive and reduced the ones that are negative.

We are, for sure, not at the end of the journey here, but it shows that in a very short period of time we have achieved a significant improvement. So overall, as a summary, SpexFocus is an extremely important program to us.

We have implemented and executed it very disciplined in a very disciplined and intense way. And overall, we are on a good way here.

So then I would like to start with the financial update, and I would like to start with the segment reporting.

So first of all, how was our German business doing? We can say that the German business was overall flat.

However, the like-for-like development was positive with 2 percentage points. And we also have to take into consideration that our offline business was performing by far better than the online business.

Online was suffering from the discount detox and price repositioning. So we are basically losing on the online side, but we are gaining on the high-margin offline side.

Overall, we can say that prescription glasses was slightly growing by 1%, whereas sunglasses and contact lenses were flat.

On the international business, we have a significant decline of 13%. Already 2023 was negative by 3%. And here, we got basically a double hit, one from the closure of the international stores and the other from the price repositioning in discount detox, specifically countries like U.K. are extremely price sensitive. And therefore, we were losing business here.

On the other hand, this is basically unprofitable business.

So overall, if you look at the margin, the absolute margin, then the margins are increasing.

So overall, this is the right direction to go to focus on the profitable business, which brings margin and let business go that is not profitable. Then let's have a look at our P&L for 2024.

Overall, the gross profit margin is at 49.8%, which is a reduction of 0.8 percentage points. Here, we got specifically a hit because of the discount detox and the reduced volumes as we did not achieve the threshold for supplier bonuses in 2024.

So from that perspective, that was a hit in 2024 on the gross profit margin. The personnel expenses are at EUR 28.7 million reported and EUR 26.3 million adjusted. You can see that the share or the portion of personnel expenses are increasing in relation to the top line, we have to take into consideration that the top line is down. And therefore, overall, the personnel expenses improved by EUR 1 million after adjustments.

On the marketing side, we have an improvement of 0.3 percentage points, both reported and adjusted.

Overall, the marketing expenses reduced by EUR 1.4 million after adjustments.

The other operating expenses are at 23.8% reported and 17.5% adjusted, which is an increase of 7.1% reported and 1.3 percentage points adjusted.

Of course, in the other operating expenses, we have also expenses for the restructuring transformation program.

If we adjust that, then still 1.3 percentage points remain, and this is basically due to rental increases for stores and also headquarter.

Overall, the EBITDA is at minus 11.4%, which is 9.3% down to previous year, of course, significantly impacted by the transformation and restructuring program, SpexFocus. The adjusted EBITDA is down by 3.1%. That is basically due to lower sales after the discount detox and price repositioning and the effect from the year-end supplier bonuses that I have explained already. Then let's have a look at our cash flow development.

At year-end 2023, we had EUR 111 million cash at hand when at closing 2024, EUR 72 million cash and cash equivalents, which is a reduction of EUR 37 million overall, of which EUR 13 million referred to expenses costs and cash outs from the program SpexFocus. The major items in the bridge are basically the negative EBIT, minus EUR 85 million negative in 2024.

On the positive side, the working capital improvement of EUR 8 million, predominantly from the inventory improvement.

Impairments, EUR 29 million; depreciation and amortization, EUR 31 million. So that's basically the reversal of noncash items.

Provisions for HR and others, EUR 1 million, also a noncash item. Then on the negative side, the cash flow negative side, the investment, EUR 6 million, which is significantly reduced to previous year and consists of EUR 1.5 million for new store in 2024 and all the maintenance investments in the other remaining 65 stores that we have in our portfolio.

So it's basically maintenance investments and also on the IT side, a significant reduction here, very few projects being capitalized overall, approximately EUR 4.5 million.

A big item in our business is rent under IFRS 16 is a lease liability and depreciation on the cash side, of course, it's cash, EUR 14 million negative in the cash flow statement. And then EUR 1 million for other financing activities gives us then the EUR 72 million cash and cash equivalents in 2024.

Very quickly, a breakdown on the transformation and restructuring costs.

Store closures, approximately EUR 5 million, the severance payments, EUR 4 million, then product assortment adjustments. So basically, the restructuring of our product portfolio, EUR 3 million and EUR 1 million approximately for different consulting services.

Then some other onetime effects, provisions for unused rental space, specifically here in the headquarter, and EUR 1 million for cost for the EGM and the AGM in 2024, specifically with a high level of legal expenses here. So that's basically the overview of the cash flow development.

Then I would like to give you a deep dive on the inventory.

We have achieved improvements over the past years already in 2023, we show a reduction. And in 2024, a further reduction to the level of EUR 28.2 million based on the brand portfolio reduction and SKU reduction and also inventory levels that we reduced across the border.

So that is basically the first step to reduce the complexity in our product portfolio and brand portfolio. The next step is further optimization in replenishment, forecasting, and also inventory controls, which would give us approximately a further reduction potential of EUR 5 million. And then the third step is further optimization of our supply chain, specifically introducing drop shipping, which should give us additional reduction on working capital tied in inventories.

So that is the route to go. And now I would like to recap 2024 as the year of transition.

Key driver is the transformation program, SpexFocus, with the restructuring part on the overhead side, the operations, and the store closures. And this includes overall EUR 13 million of transformation costs, approximately EUR 9 million -- a bit more than EUR 9 million for SpexFocus and EUR 4 million for inventories.

We expect out of the program, and this is what we have communicated from the beginning, and this is still valid, an underlying improvement of more than EUR 20 million annualized in profitability with the majority impacting already 2025 and some continued benefits then in 2026.

Revenue and profitability declined by 3% with the international business down 13% and the German business running flat, major impact coming from discount detox and price repositioning.

The adjusted EBITDA went down as gross -- sorry, the EBITDA weakened as the gross profit went down coming from reduced sales and due to the decreased discounting and the other hit was coming from the supplier [only] as discussed before.

Cash and liquidity. The cash balance overall remains still solid at EUR 72 million, while free cash flow declined by EUR 38 million, and that includes EUR 13 million of one-time from the SpexFocus program.

What is important now in 2025 onwards is that we are changing the guidance KPI from adjusted EBITDA to EBIT. And that gives our investors the full view on the business and the full transparency, and that is basically full transparency, the basis for value creation in the future.

So that is basically 2024. And now I would like to give you an outlook to 2025.

2025 is basically the year where we are creating the basis for sustainable and profitable growth in the future. And here, we will continue with our program SpexFocus with three major pillars.

First of all, further improving on the cost structure and operational efficiency. Then the second pillar, working on store profitability. You have seen already the improvements in our store portfolio, and this is the work that we are continuing now in 2025. And that gives us then the possibility to invest in new stores in 2026 onwards once we have a sufficient level of profitability that creates cash flow for further investments in our business 2026 onwards.

And one key element here is the optical expertise that we are continuing to building up and to strengthening in our business.

So if you look at the store network, we plan for further efficiencies in the stores. We are implementing, for example, cashless stores. 21 additional stores will become fully cashless from February onwards and the remaining stores will also become cashless at a certain period of time.

We, on top, streamlined the governance. We took out one management layer, the multi-store manager. So that is a contribution to further efficiencies in the store network. What is extremely important in the stores is the efficiency of the sales. And this is something where we are intensively working on.

And one important step is now that we implemented the underneath this process, which is a systematic process in the beginning when we start the dialogue with the customers to really evaluate what exactly the needs of the customers are.

And this is then basically the basis to, number one, offer the best possible product; and number two, to also sell a second or even a third pair of glasses for different applications such as "I need to drive in a car, I need a special pair of glasses." "I am working 10 hours a day on a screen, so I need a pair of racking glasses."

So this is a very important process now because it's the best way to grow our business because the customer is already in the store. There's no more marketing cost related to that. And therefore, the second pair or the third pair is a true profit and sales booster. And that's why it's in the core of our efficiency program in the stores this year.

First metrics, this is just January and February, of course. Like-for-like, we grew 2%, even though we increased significantly prices and reduced discounts by 500 basis points. So that means we are growing and at the same point of time we are growing our margin. And this is exactly the way we want to drive our business forward.

So we are changing our business model. From the past, where we are positioned as online player, as a player that is focused on style and on brands, where the business and the whole industry is making the money is on the optical side and on the offline side. And therefore, it's a fundamental transformation that we are undergoing in 2025 onwards.

And here, I just would like to recap what our online story was at the end was the idea to disrupt the market selling optical products online and not in the stores.

So therefore, we inherited a relatively young population buying with Mister Spex, buying online, later also offline. The major point here is that the whole industry is making the money with multifocal glasses. And this is the cohort 45- to 59-year-old people. They need multifocal glasses, and this is basically where the margin is. This is basically where the profit is.

And therefore, this is the core of the transformation to focus on the optical expertise, number one; and number two, on the offline business supported by omnichannel feature.

So this is the journey that we are undergoing. And our objective is to become the best optician in the market with the best optical expertise with the best offering of interesting styles and products and brands with the best customer journey, that's the ease component and with the best value that you get for the money.

So that is basically our positioning we are working on. And in 2024, we already started with a lens assortment extended by the SpexPro.

In 2025, we will implement the next level, which will be branded or co-branded lens that is not yet fully clear, but it will be the next level of quality that we are offering in terms of lenses in the stores and online. We are right about to implement the eye health check.

I'm coming to that in a minute. This is a very important potential driver for our business and a very interesting tool. I'm going to explain it in a minute.

We are also working on subscription as a new payment model and service model for our customers. And we are not far away from getting into the market here, too.

So this is basically the optical expertise. Ease and style is still important for us as a differentiated factor.

So we are working on the best curated assortment, which is the most attractive assortment of brands and products. And at the same point of time, we are going to keep the best omnichannel experience.

So on all of that, supported by operational efficiency gains, we are working on driving the eye exam, which is an important lever to drive sales in the stores.

We are extremely intensively working on opticians as our brand promise to be the optician for your life requires the optical expertise in the stores and other parts of our business, and therefore, the opticians are extremely important.

So we are recruiting here. And we are working on efficiencies, for example, customer service automation, implementing AI bots and other technologies that are able to further improve our efficiency here.

And the next step is also on the logistics side, for example, drop shipping and other optimization potentials that we have on logistics.

Coming to the eye health check. And this is really a very interesting part of the business and a very important offering as the population is, number one, aging and it's under cared on the vision side.

So it takes a long time until you get your appointment at your doctor. And so from that perspective, many people don't go on a regular basis to an eye check.

So this is basically the opportunity that we have with our eye health check that we are offering in our stores. And it works very simple.

We have to a device, which basically screens the retina. We are measuring the eye pressure. And all the data is then transferred to a specialist and evaluated by an optician, for example, the Charite here in Berlin. And I did it myself, and I was really amazed, first of all, how quickly it went 10 minutes.

So I went in the store, I did the eye health check. And then after one hour, I had the result, and I was very happy that my eyes are fine. That's number one.

But number two, it was the best explanation of the status of my eye health that I've ever seen before.

So from that perspective, that was really an excellent service. And that is a true driver driving people to the store and convert business into margin and profits.

So first metrics, we have seven pilot stores. We did approximately 400 eye health checks since December 2024. And you have to imagine that 16% of the tests found anomalies in the age of 39 to 55 years, it was 31%.

So it's a high percentage of people that don't know that they have an issue with their vision. And there is one specific case. It's a young man, 25 years old. He went to the store, with the eye check, and they found some severe issues that would have led to being blind in the near future.

And this is also from a purpose perspective for us internally, a strong purpose and people are really extremely engaged driving eye health check and the business forward.

So from that perspective, internally and externally, this is a very promising service that we are going to offer.

Now let's have a look at the guidance 2025.

So 2025 will still be impacted from discount detox and price repositioning.

Overall, we expect revenues to be down by 5% to 10% versus 2024. Specifically, the first half year will suffer here for the second half of the year, we expect improvements on the basis of the program SpexFocus that we are implementing. So that's the revenue side.

On the EBIT side, we plan a significant improvement compared to 2024 and also 2023 of EUR 54 million to EUR 75 million related to 2024 EBIT and EUR 17 million to EUR 38 million referring to the 2023 EBIT.

Just a quick bridge from 2024 to the guidance 2025.

We had impairments of EUR 29 million in 2024 for different assets in our balance sheet. This is not going to happen again in 2025. So that will be eliminated. And the remaining part of the improvement is basically gross profit improvement, reduction of marketing expenses and further efficiency gains.

So from that perspective, a significant improvement on the EBIT side in 2025, whereas on the revenue side, it's going to be still a year of transition, implementing SpexFocus as our program.

So then let me conclude our presentation today.

2024 was a hard year for Mister Spex, and it was a year of transition. We launched SpexFocus as a program, and we let more than 200 of our colleagues go, and we significantly restructured our business, closed down stores, warehouses and improved operations. This included EUR 13 million of one-off transformation costs, primarily from those store closures and overhead reductions.

Net revenue declined by five to -- guidance 2025. The net revenues decline -- or we expect net revenues to decline by 5% to 10%, whereas EBIT margin will be between minus 5% and minus 15%, which gives us a significant improvement of EUR 54 million to EUR 75 million compared to 2024 numbers.

Cash and cash equivalents are expected at the level of EUR 65 million plus/minus EUR 5 million.

So looking ahead, quarter one on the top line, we expect the trend of Q4 to continue, while we're going to see slight improvement on gross profit margins on the other hand, for Q1.

So overall, we will continue in 2025 our programs SpexFocus, as I have outlined. And specifically in the first half of the year, we're going to see specifically the impact from discount detox and price reposition.

So that is basically a quick overview of the year 2025.

Now let's quickly look ahead on the reporting and conferences. 8th of May, Q1 2025 Financial Results, then 28th of August Half Year Results, 13th of November Q3 2025 Financial Results and conferences is the Equity Forum from 12th to 14th of May. And I'm looking forward to seeing quite a few of you then on the road in 2025.

So thank you for joining. And now, I think we are ready for Q&A.

Operator: (Operator Instructions) And it seems that we have no questions on the conference line.

I would now like to turn the call back over to Stephan.

Irina Zhurba: Thank you very much. We noticed one analyst posting a question in the chat in the Q&A, so I'll quickly read it.

I have three questions, please. Could you please give more color on some KPIs regarding eye health check, conversion rates? Are customers shifting to single vision lenses, progressive lenses, SpexPro?

Number two, price positioning. How is Mister Spex's positioning vis-a-vis the rest of the German eyewear market, which seem to be quite promotional in Q4?

Question number three, full year '25 outlook. What are your expectations regarding personnel expenses, labor inflation, pro forma and marketing investments. Cedric, Bryan Garnier.

Stephan Schulz-Gohritz: Okay. KPIs regarding the eye health check. It's a bit early to talk about KPIs with respect to the eye health check. We have just conducted 400 of eye health check in seven stores. The next step is now to roll out the equipment and facility to all the stores that we have.

And I have a hypothesis that the eye health check is going to drive traffic and also going to drive conversion, but this is something we are going to measure, but we are not yet ready to show any KPIs here. It's just too early.

Then the second question was?

Irina Zhurba: Price positioning.

Stephan Schulz-Gohritz: Price positioning.

We, of course, did some benchmarking our prices, products versus competition. And overall, what we can say is if we compare our products to our peers -- our main peers, Fielmann, Apollo and others, we are, I would say, a bit more economic overall. Even though we are now doing the pricing discount, the starting point where we start the discounts is different.

So from that perspective, if we compare net-net, we are still -- even though we are doing now the price discount attractive from the pricing perspective compared to our main peers, Fielmann and Apollo.

So on the third question was?

Irina Zhurba: The outlook, what are your expectations regarding personnel expense, labor inflation pro forma and marketing investments, so kind of the other P&L lines.

Stephan Schulz-Gohritz: Okay. Yes, labor inflation, I would say, something between2% and 3% maybe.

Of course, we are extremely reluctant in giving salary increases. Basically, there is no salary increases at Mister Spex except high performance or specific cases that we have to. But overall, we are extremely defensive on salary increases overall.

And of course, the headcount reduction will lead to a reduction of our personnel expenses. I expect a reduction of approximately 10%.

Irina Zhurba: Correct. And the marketing investments or kind of overall other operating expenses.

Stephan Schulz-Gohritz: Marketing expenses, other operating expenses, I would expect approximately minus 5% to minus 8%.

Irina Zhurba: Great. I think there are no more questions.

Stephan, closing remarks?

Stephan Schulz-Gohritz: Closing remarks.

So thank you for joining our presentation this morning.

It is clear that it was a challenging year for 2025 for Mister Spex. It was a year where we have intensively worked on our business model, where we have intensively worked on our cost base and created the foundation for sustainable and profitable growth.

So first half of the year will still be impacted by SpexFocus, but we are still working and implementing with all the discipline and all the energy and 2026 onwards, we expect to grow profitably into the future.

Thanks for coming. And have a nice day.

Irina Zhurba: Thank you.

Operator: Ladies and gentlemen, that concludes today's conference call. Thank you for your participation.

You may now disconnect.