

Mister Spex SE XTRA:MRX

FY 2023 Earnings Call Transcripts

Call Participants

EXECUTIVES

Dirk Graber
Founder and CEO

Irina Zhurba
Head of Investor Relations

Stephan Schulz-Gohritz
Chief Financial Officer

ANALYSTS

Cédric Rossi
*Bryan Garnier & Co Ltd, Research
Division*

Harrison Woodin Lygo
Berenberg

Ralf Marinoni
*Quirin PrivatBank AG, Research
Division*

Presentation

Operator

Good day, and welcome to the Mister Spex SE Full Year 2023 Results Conference Call. [Operator Instructions] And finally, I would like to advise all participants that this call is being recorded. Thank you. I'd now like to welcome Irina Zhurba, Head of Investor Relations to begin the conference. Irina, over to you.

Irina Zhurba

Head of Investor Relations

Thank you. Good morning, everyone, and welcome to our full year 2023 results call. As usual, the presentation will last approximately 30 to 45 minutes, and then we'll allow another 10 to 15 minutes for the Q&A. As usual, you can find the presentation online on our Investor Relations website on the Reports and Presentations. The speakers today are here with me, Dirk Graber, the Founder and CEO of Mister Spex; and Stephan Schulz-Gohritz, the CFO of Mister Spex. That said, let me hand over to Dirk to begin today's call, and thank you.

Dirk Graber

Founder and CEO

Thank you, Irina, and also hello to everyone from my side. This is Dirk, the Founder and CEO of Mister Spex. So 2023 has been a year for Mister Spex where we achieved significant improvements on our strategic initiatives, but also on the financial side. So what we do today? We will give you first and strategic update, which I will do, and then Stephan will introduce himself as well plus his views on Mister Spex after roughly 3 months with the company. He will then also share with you the financial update for 2023, followed by the guidance, and then we will move to a Q&A session.

So 2023 -- if you look at the eyewear market, I think the market still is pressured from the overall environment that you see. We saw a 3% growth in Germany in 2023 in an environment with a lot of inflation but also pressure on the consumer sentiment in the market. We see the concentration of the industry continued with over 200 independent opticians going out of the market, and we see a continued polarization of the market. So we see still an ongoing outperformance of the luxury segment, which is the premium independent label segment, plus we see that the economy segment, especially price entry is also overperforming because of the high inflation and consciousness of the consumers.

Now if you look at Mister Spex side, we again outperformed the market in terms of revenue growth. We grew 6% for the full year. We, as you already know, focused more on Prescription and Sunglasses where we, in total, outperformed with 12%. And also looking at the German market, we grew 10% in that segment, which is in line with our focus that we communicated for 2023. We also significantly worked on the cost side, improved margin by 435 basis points, which is an absolute improvement of over EUR 9 million, ending up with a positive adjusted EBITDA in 2023. So for us, this was the core topic to work on and a significant achievement for the year that was carried by the entire organization and we went through all the cost lines, and we will look at that at a later point. We also see that this polarization of the market in terms of demand patterns is reflected in our revenues as well. So we've seen that the boutique segment over proportionately grew in the Prescription and Sunglass business and also the own brands that we develop and distribute grew over proportionately as well.

So now Mister Spex is already a brand that's over 15 years old, and we've built a strong competitive position in the market. And this competitive position really comprises a number of topics. And just let me remind you which these are. So on the one hand, it's an omnichannel model. It's the leading omnichannel model coming from the digital world and are moving step by step also in the physical retail world. We're covering 10 countries with 75 own stores and a strong partner network with over 320 opticians. Over the years, we built this expertise in the brand segment of the market. So

we carry over 150 brands with a huge assortment of close to 20,000 SKUs, 16% of our revenues, our own brands and 18% are boutique shares. We also focus on technology. So the capabilities that we've built up really help us to, on the one hand, I would say, build a strong USP versus our competitors, but really building something customers need. So -- and really, which helps them to enjoy buying prescription glasses online. So one -- on the one hand, these are recommendation tools in terms of which products customers really are selecting and wanting. We work here with obviously, 3D face scans, where we determine the pupillary distance but also the face width and all the entire topology of a 3D scan, which we then basically use for our bespoke frame offering, customized frames customer brands. We also use technology for a lot of other processes to optimize. So in 2023, we started with chatbots for our customer service, significantly improving on the one hand, the customer service levels; on the other hand, driving down costs. And the fourth pillar, which really is unique about Mister Spex is our culture and our people. So we have close to 1,300 employees at Mister Spex at the end of 2023 from over 60 nationalities, and we put a lot of emphasis on optician trainees, which is core basically to really support our ongoing growth in terms of retail stores. So in the last years, we really continue to build a strong network of our own retail stores that drive the synergies between the online and the physical world. We focused on our brand promise, meaning to deliver for our customers the perfect frame and the perfect lens. So this is done by recommendation tools, but also by a lot of detail when it comes to optical expertise to select the right lens for our consumers. And in the last couple of years, we also focused tremendously on cost consciousness to simplify the organization on the one hand, to keep up the entrepreneurial spirit and to move fast. So -- and -- taking all of that together, it really helped us to consistently outperform the market. Here you see the performance compared to the German market, which is our core and home market throughout the year 2023. And all of that is despite a quite negative consumer sentiment, which improved over 2023 in the first half and then continued to decrease again and still at a very, I would say, low level compared to prior years. So we reported on Lean 4 Leverage since the end of 2022 and -- which is an important foundation for our continued outperformance -- and what are the pillars and what did we achieve? So on the one hand, we wanted over to focus on the core, delivering growth in our core business. So the German market grew 10%, supported by a 3% like-for-like growth of our retail stores. We improved further labor flexibilization and labor productivity in 2023 by using a number of new tools and also training setups for our retail, but also for our corporate overheads departments.

We improved gross margin by reducing discounts throughout the year 2023 by 140 basis points, and we actively steered our business towards a higher growth in Prescription and Sunglasses. And for contact lenses, we explicitly decided to focus more on margin and not to buy revenues on behalf -- on expense of gross margin. That's why you see a declining contact lens business in 2023 at Mister Spex. And all of that was supported, as I mentioned already, by a Boutique share of 18%. Our organization becomes better and better to apply the lean management philosophy. We started in the operating department. So our logistics and fulfillment and also manufacturing side, customer service as well as the retail stores and now moving more and more also into our corporate overhead department focusing on value creation for the customers and enabling our employees to really apply the lean philosophy in terms of optimizing on a continuous basis or core processes within the company. And the fourth pillar is personalization where we went live with a new version of our iOS app in the App Store to precisely measure faces for our consumers to determine PD, but also the full face map, which is then the basis for our bespoke frame collection, which we call Mister Spex EyeD and which is now live in all our German retail stores. So what is next for Mister Spex? We believe in profitable long-term growth. And these, for us, is based on 4 pillars. The one is, and which is totally in line with Lean 4 Leverage simplicity, meaning a lean process-driven organization that really supports an efficient customer journey and focuses on value creation for customers.

Customer centricity -- we come to that in a second. Optical expertise as an optician, you all know that trust is the most important element in the customer experience landscape, but we need to live up to the market expectations and even over deliver on our promises here. And obviously, the fashion and style expertise that we filled up over the years in terms of curated assortment, but also the collaborations with a number of influencers and fashion designers that really help us to be an integral part of that community. So now let's have a look in all of these 4 pillars in a little more detail. One is simplicity. And here, as I mentioned, we started in the more operating departments and now moving step by step also into overheads coming up with a new organizational model, platform operating model for Mister Spex in 2024. Customer focus. That's something which we've always had on our agenda for 15 years or so since the start of Mister Spex. And it really helps to -- for us in terms of outperformance, both in terms of -- when it comes to customer expectation, right? So a lot of people may remember our presentations where we always start that the majority of customers don't like or don't enjoy buying glasses. And that's a KPI that we look at, and we are significantly better than the market with half of the people already enjoying it. There is still a lot of room for improvement, but that's something

where we clearly outperformed the market as well. Repurchase retention, that's obviously a very strong sign for did people like the customer experience that they had from the last time, and did they like the overall package that they received. So here, with 59%, that's also a clear outperformance that we've shown over the years and the range of eyewear styles that speaks for themselves as well.

Optical expertise, that's something where we, let's say, will focus even more in the coming years. So we started to train and -- to develop our own training centers and train our own people for over 6 years now. Last year, we took on 38 new optician trainees, and that's something which we will continue. And that's something where we are strongly committed, investing up to EUR 2 million a year in our own training programs, including all the trainees, but also the opportunities that are for master optician classes and so on. The second part is about technology, where we believe we are a clear leader in our industry when it comes to apps and measurement devices that we use to customize products and to offer that level of expertise that's needed to do so. And we will, in the future, also increase our lens offerings with further products to even address more customers or customer needs in the future. Fashion, that's something where we've been strong over the last years and is something where we stand out also versus our competition. We do have a lot of expertise to which luxury trends are relevant in the market are upcoming. And we do have very close relationships with all the relevant luxury independent labels to offer the product in the right direction, in the right setup on the website, but also in our retail stores. And on top of that, we do work, as I already mentioned, very closely with influencers, fashion designers, artists to come up with new exclusive eyewear collections for Mister Spex. And in 2023, we've done over 20 of these collaborations. So that's more than 1.5 new collaborations every month, which generates a lot of interest, but also a lot of traffic and reach into the community.

So maybe summing up what can customers expect from Mister Spex and what do they get? They really get the highest level of frame and lens personalization, including now our bespoke frame offering, Mister Spex ID. We they can expect an outstanding explanation and visualization to support in decision making. What does it mean is that we are very transparent and very supportive in enabling our customers to make their own decisions, right? And that's something which is the core of our value proposition and that they are not dependent on the precise expert in the store, which is a gatekeeper to them and which is making the process of buying eyewear less joyful. And that's something which we are addressing in a very different way. Customers can expect to get a comprehensive set of omnichannel features, you remember. So when you walk into our stores, you see all products have a digital signage. They have a digital price tag with the QR code. So there's a lot of interaction. They can use their own trials and walk into the stores to get the advice that they want on the lenses side or getting an eye exam. So there are many, many features which make the customer journey much more omnichannel than in any other environment. And we can expect the widest and most fashion forward eyewear assortment in the industry in the German market. So having said that, I'm now handing over to Stephan, who will give you a quick introduction, but also his priorities starting at Mister Spex.

Stephan Schulz-Gohritz
Chief Financial Officer

Yes. Thanks. Thanks, Dirk, for the strategic overview. It's now my pleasure to give you the overview on the 2023 financials and the outlook on 2024. I'm now, as a CFO on board since 3 months, and therefore, I would like to start with a short overview on my first impressions, which also will guide my future priorities as well. And some of those impressions are quite obvious because they are reflected in the numbers and some others might not be that obvious. And therefore, I would like to start on the right with our strong liquidity and strong balance sheet that create substantial financial headroom that we can now use to further execute on our strategy that was presented by Dirk and also on our Lean 4 Leverage program. So it's a strong position, but it is also clear that the cash flow is still negative and that this has to be #1 priority for us on the longer term. And that brings me to an important point, which is profitable growth and strengthening our business model. Looking at our gross profit margin, it is very clear that we are running behind compared to competition. And that comes down to price performance. It has root causes in the mix, in the target groups and other aspects of our business, such as, for example, our international business. So overall, this is the key level that we need to address is improving the gross margin. And the gross margin at the end is a measure for the value that we are generating for our consumers. The consumer experience that the customer is willing to pay for. So from that perspective, the value creation process has to be in the center of our focus and our considerations. The next aspect that is also important is that looking at the numbers over the past 5 years, it is also quite obvious that we have a kind of what

I call a strategy and execution gap. So we have a great strategy and also an attractive long-term plan. But at the end, we are not executing fully to the strategic plan, and this is a gap. And at the end, it's the people that materialize and execute on the strategy. And therefore, it is very important that besides on all the strategic considerations, it is extremely important that we also bring the people aspect of our business much more into focus and strengthening our base for executing on our strategy.

The fourth aspect on the left is at the end, structure, processes and efficiencies. The Lean 4 Leverage program is addressing it already, and we have made a great success and progress in the past year. When we started it, nevertheless, there's obvious potential for improvement, for example, in the sense that we need to define much clear responsibilities for P&L for cost for the different functions, corporate functions and other functions in our business. So responsibility will be clear. And this is not a kind of criticism. It is very natural when the business is strongly growing, and we are talking about getting from EUR 0 to EUR 230 million of sales in 15 years is a great achievement and great growth of the business and structures and processes are always lagging behind. So from that perspective, this will be the fourth priority to work on efficient processes and creating much clearer responsibilities in our business. So that is a quick overview on first impressions and priorities that I personally will focus on in the years to come. Now coming back to the financial overview. As Dirk pointed out already, we delivered on our promises despite that we had significant external headwinds. Net growth overall was plus 6%, which is a like-for-like growth of 3% and another 3% coming from the 8 additional new stores that we opened up in 2023. Although a great achievement is the significant improvement on our adjusted EBITDA, which is now positive EUR 0.9 million and also within the guidance, and it's a significant improvement of EUR 9 million compared to previous year.

And then on the right, we also delivered on cash and cash equivalents. Net cash is EUR 11 million, which is, as I said before, within the guidance. And there is also some improvement besides the adjusted EBITDA that we have significant improvements also on net working capital, for example. Now let's go a bit more into details. The net revenue overall was driven by both channels, online and off-line, but specifically more on the offline side. And here, you can see on the right that we have significant improvements with respect to the performance of the stores when we clustered it by -- them by the different cohorts. And there's basically 2 major conclusions. In the past, it took quite a while until the stores really started to perform. So you can see that the cohort of 2016 is growing 6% as the others, younger stores are growing under proportionately. So from that perspective, it takes -- it took a while until the stores really got strong and delivered. And now -- and this is the second conclusion and new stores that we opened up really are growing strongly already in the first year. And this is a great achievement and on the basis of optimizing our store operating model.

So then we can have another view, and that is supporting what I said before, the optimization of our store operating model is also reflected in the percentage of stores that are profitable versus our below the water line. And here, you can see that we also significantly improved our store portfolio in the year 2023. So that is basically we worked on our store operating model, the Lean 4 Leverage measures like flexibilization, gross margin focus, lean management in the stores, they're effective and at the end, materialized on a stronger store performance overall. Now let's have a look at the gross margin. I said in the beginning that we are compared to competition below what the competition is achieving. But nevertheless, all the measures that we have taken in 2023 materialized in a significant gross margin improvement by 212 basis points. And here, basically, we were working on pricing. And at the same point of time, we materialized on a significant product mix improvement. We have a significant gain in the share of prescription glasses and sunglasses whereas contact lenses, our margin or low-margin business contributed less.

So from that perspective, it's also a great achievement already on the gross profit line of our business. Now let's have a look at our business segments, how the Germany and International performed? And when we presented the Lean 4 Leverage program, it was very clear that the key focus is Germany. And here, you can see that this is really effective. Germany over proportionately contributed to the growth of our business by 10%. And on the other hand, International, you can see that we have a reduction of 3% compared to 2022. Here, to be fair, we have to take into consideration that we had significant negative FX effects, specifically in Nordics, which had approximately a 3 percentage effect on the top line. So if we eliminate those currency effects, we can say that on a fair basis, International was running flat. So -- and what does it mean for us for 2024? It means that Germany will remain in the focus, and we are driving growth and profitability in Germany as a key focus. And International, we will focus on improving our margin. And specifically, we will

also evaluate options to develop our International business in the future.

So let's have a look on the cash development and cash equivalents of EUR 111 million in our balance sheet. We started with a cash basis of EUR 128 million in 2022. The adjusted EBITDA was EUR 1 million. We invested approximately EUR 15 million in our business. Approximately 50% of that was in brick-and-mortar and the other 50% in tech. Leasing, EUR 9 million. We also had to pay some interest, some tax on money market deposits and the interest derived from that. On the other side, we have gained efficiencies, as I said before, on the working capital, that was EUR 5 million and EUR 2 million with others. So we end up with EUR 111 million cash and cash equivalents in 2023, which is a reduction overall of EUR 17 million.

Now let's have a look at the improvements in the different areas of our business. First of all, the gross profit margin, we discussed already, with an improvement of 212 basis points. But we -- on top of that, achieved efficiency gains, specifically on the marketing expenses and also the other operating expenses, where we were striving for efficiencies via our Lean 4 Leverage program. On the personnel expenses, you can see small deterioration that is basically an optical effect because we have to take into consideration that we have significant one-offs coming from the Lean 4 Leverage program. And if we eliminate those one times, then we also gain approximately 2 percentage points on personnel expenses. So that means adjusted EBITDA overall EUR 9 million improvement year-on-year.

Now let's have a look at our outlook for the year 2024. We are starting with a revenue base of EUR 224 million. We will focus on Germany, and we will open up, up to 5 stores. So we will grow overall with a low and mid-single digit percentage range in a still volatile market and low consumer sentiment. On the adjusted EBITDA, we will further improve on the gross margin. We will open up, as I said before, up [to] new stores. This will drive EBITDA up our personnel expenses and also other costs so that the overall guidance on the adjusted EBITDA for the year 2024 is a low single-digit percentage range.

So let's have a look at the different elements of our guidance. Revenue, low to middle single-digit percentage range. Gross profit will further improve, driven by pricing, product mix and also our brand assortment. Personnel expenses, overall will improve. We will strike the balance between expansion and store portfolio rationalization. So we are working -- continue to work on our store operating model so that we build the foundation for more accelerated growth in the years to come. Marketing expenses will be roughly flat. We will continue to optimize our marketing efficiency, but we also will invest the efficiency gains in our brand. So from that perspective, we expect marketing expenses roughly flat. And same applies to the other operating expenses. We will further gain efficiencies here, but we also have to invest in our business, specifically in scalability with respect to processes and also platforms. That gives us overall a low single-digit percentage range. The free cash flow overall will improve. CapEx, we estimate to be approximately EUR 13 million. Inventory also will further improve. We will optimize here as well. And the objective is to get at a level of EUR 27 million. And overall, with the cash and cash equivalents, we estimate to get -- to be beyond EUR 90 million in the year 2024. So overall, to summarize, the financials, we can fairly say that we significantly improved on the adjusted EBITDA and the cash flow in 2023. We further improved our -- we will further improve our performance in 2024 in a volatile market environment, and we will further build the foundation for sustainable, profitable growth and positive cash flows in the future. So having said that, we would like to open up the next point of our agenda, which is Q&A.

Question and Answer

Operator

[Operator Instructions] And your first question comes from the line of Cedric Rossi from Bryan Garnier.

Cédric Rossi

Bryan Garnier & Co Ltd, Research Division

Yes. I have 3 questions. The first one is regarding your 2% decrease in your volumes in '23. Would you say it resulting from the price increases you have implemented last year? Or do you think it's maybe related to the consumer behavior, maybe a longer replacement rate or whatever? My second question is regarding the labor inflation you are expecting for '24. So I saw that you were expecting a slight improvement. But in pro forma -- on a pro forma basis, what kind of labor inflation you are budgeting for this year? And my third question is a broader one. Yes, could you comment a little bit on the current trading and what you are seeing with regard to the customer behavior in Germany?

Dirk Graber

Founder and CEO

Cedric, thank you for the questions. Can you just repeat the first one, which I didn't understand very well. Was it -- growth?

Cédric Rossi

Bryan Garnier & Co Ltd, Research Division

Exactly. Yes. Sorry, it was regarding your -- the performance in units, yes.

Dirk Graber

Founder and CEO

Okay. Good. Maybe I start, and Stephan can also then add on my responses as well. So looking at units, I think here we have, again, a mix effect as well. So one is that with the deprioritization of the contact lens business, obviously a larger number of units was impacted with lower average order values. So that's one of the effects. The other thing is that we did focus on higher-value products, which is basically -- it comes a little bit at the expense of units. So if you look here in our -- on Slide #3, you see in the Prescription and Sunglass segment, we grew 4% in units versus a market which was flat in units. And the overall minus 2% came from the deprioritization of the contact lens business, right? So that's on one.

On labor cost inflation for 2024, we do expect them to increase. I think we have something of 3% to 4% overall in the budget for labor cost inflation on the salary side. Typically, at Mister Spex, the entry-level salary benefit over proportionately versus management salaries. And therefore, the mix is somewhere in the 4 percentage ratio. What we've seen is versus 2023 that the labor cost inflation also slightly reduces or the pressure comes off it. I think there was a significant step in the last 2 years, which we try to compensate with Lean 4 Leverage measures as well. And the same applies to 2024. And therefore, we will see, as I said, on a inflation side, an improvement, but we will try to become more, I would say, we focus on optimizing processes and becoming more productive across all lines of business. And on current trading, I would say that the start in the year was quite soft, to be fair, especially in January and then step-by-step improved in February and in March. So therefore, we are back on what we expected, but with, I would say, significant improvement throughout the quarter. And we saw, I would say, a good start in the sunglass season given the weather in March, which is then a more relevant month for that category.

Operator

Your next question comes from the line of Harrison Woodin Lygo from Berenberg.

Harrison Woodin Lygo

Congratulations on closing year was a positive adjusted EBITDA figure in spite of the weaker consumer sentiment. I had a few questions centered around the International segment. So as you mentioned, the International adjusted EBITDA margin is still negative. In fact, there was a year-on-year decline. So the annual report mentions that the decline in International revenue can be entirely attributed to lower revenue from contact lenses. But as is the lowest margin category, why is there not a positive impact on the margin? And what is driving negative margin here? And when can we expect the margin to become nonnegative or even expect the gap to close? That's my first question, sorry. And then the second question, the prescription share of International is significantly lower than Germany with contact lenses still representing the lion's share. So with the International store expansion slowing as you focus more on Germany, what steps are being taken to increase the margin accretive categories like prescription and sunglasses. So those are my 2 questions.

Dirk Graber

Founder and CEO

So maybe trying to explain the first one to you. So the -- and Stephan explained it already in the presentation, there is a significant negative impact also in 2023 when it comes to FX rates in the Nordics. So the majority of our contact lens business for the International segment comes from Norway and Sweden. And so what we've seen here is obviously, 2 effects: one effect is the direct effect of the FX rate deterioration, so which is impacting revenues here. The other thing is the indirect effect because we are becoming less, I would say, competitive in the contact lens segment internationally when the FX rates are unfavorable. They are also losing basically the margin part. And that's something where we're clearly evaluating. I think that the year-over-year effect in 2024 will be very limited in terms of the negative interest -- like negative FX rate since we're now coming into a territory where the FX rate already was quite, I would say, unfavorable in 2023 the same period. But that's true, that's something where we need to improve. And we do work across, I would say, our cost categories, operations but also marketing. And on the other hand, we are looking how can we create growth within that segment within the category once the FX rates are improving again. So that is closely related, I would say, in the International segment, the top line plus the margin category. And you're right, the Prescription share internationally is compared to the German share, significantly lower -- and that's something where we have a closer look at for our International expansion. We focus here on first, optimizing marketing spend and cost structures before then, again, investing in further growth. And Stephan already mentioned. So in 2024, we will focus more on our -- I would say, we expect growth to be higher in the German segment was International. And so we still see that all the things we are doing, create, let's say, a higher bang for the buck in our German business at the moment. And after we've seen significant improvements here, we will then also look at International and how can we duplicate the success that we have in our German core business into other markets again?

Harrison Woodin Lygo

Yes. That's clear.

Operator

[Operator Instructions] Your next question comes from the line of Ralf Mariani from Quirin Bank.

Ralf Marinoni

Quirin PrivatBank AG, Research Division

Yes. Maybe you can explain to us why depreciation increased so much from EUR 30 million to EUR 43 million in the last business year? And what can we expect for current business [indiscernible] EUR 40 million level? And second question is, I [indiscernible] call, unfortunately. Maybe you can give us a feeling how Mister Spex started into its current business here? And whether you still see a strong headwind from the low consumer sentiment?

Dirk Graber
Founder, CEO

Stephan, do you want to take the depreciation part, and I may then comment on the current trading as well.

Stephan Schulz-Gohritz
Chief Financial Officer

Yes. As you all know, we are publishing our results and preparing our P&L balance sheet under IFRS standards, which require that we review the value of our assets during the year-end closing with impairment testing and the impairment testing resulted in an increased depreciation compared to previous year.

Dirk Graber
Founder and CEO

And the significant part of that was the Nordic business where we see the negative FX rate and profitability, I would say, putting pressure on the impairment test.

Ralf Marinoni
Quirin PrivatBank AG, Research Division

Okay. I understand.

Dirk Graber
Founder and CEO

And then maybe second part of the question, which was the current trading. Yes, so I commented on that, but quickly repeating it. So we saw a soft start into the year, especially in January across all the business lines, but that substantially improved in February and March where we now are back within our expectations for the quarter and also see a good start into the sunglass season in March, given that the weather, at least in our core markets is, I would say, in line with the expectation or even starting slightly early for positive sun business.

Operator

Your next question comes from the line of Cedric Rossi from Bryan Garnier.

Cédric Rossi
Bryan Garnier & Co Ltd, Research Division

Yes -- sorry, yes. I had a follow-up question regarding the gross margin trajectory. What kind of discount or promotion level is embedded in the guidance for the gross margin improvement for this year?

Dirk Graber
Founder and CEO

Yes. So we want for the full year to further reduce the, let's say, discount level that we provide to our consumers, which are heavily campaign-driven, but may be a little bit more aggressive in the first half year than in the second half. It has to do with marketing activities that we planned for the year. And where we, I would say, come up with some new campaigns and initiatives midyear. But overall, we plan to reduce discounts for the full year. And we also have some initiatives coming up midyear in terms of further improving gross margin by extending product range, especially in the -- on the lens side of the business, and we further work also on our private or own brand collections.

Operator

[Operator Instructions] And there are no further questions on the phones, I'd like to hand back.

Dirk Graber

Founder and CEO

Then thank you, everyone, for attending this call. Also, thank you for asking your questions and hope to catch up with you soon. If you have any further questions, please reach out to Irina, our Head of Investor Relations.

Stephan Schulz-Gohritz

Chief Financial Officer

Yes. Thank you to all of you, and I'm looking forward to seeing all of you during the year on the road.

Irina Zhurba

Head of Investor Relations

Thank you. Have a good rest of the day.

Operator: That does conclude our conference for today. Thank you for participating. You may now all disconnect.