



# Overview of **ALAIN AFFLELOU**

# Schedule

- ▶ **OVERVIEW**
- ▶ **ALAIN AFFLELOU BUSINESS MODEL**
- ▶ **OUR FUTURE**

# Main characteristics

- ▶ Founded in 1972 by ALAIN AFFLELOU
- ▶ Shareholders :
  - ▶ Alain Afflelou 18%
  - ▶ Bridgepoint 48%
  - ▶ Apax Partners 14%
  - ▶ Free float 19%
  - ▶ Management 1%
- ▶ History of the group
  - ▶ 1989 : Crédit Lyonnais purchases 25% of the company
  - ▶ 1999 : Wendel (VC) acquires 70% of the company
  - ▶ 2000 : LBO on Alain Afflelou, managed by Apax Partners
  - ▶ 2002 : Floatation of the company on Euronext Paris at 15€ per share
  - ▶ 2006 : Takeover bid initiated by Bridgepoint at 33€ per share (x2.2)
- ▶ Market Cap. as of = 600M€ @ 40€ / share

# Overview of our activity

## ► First franchise in Europe in the Optical Sector

► Our goal is to attract end customers in the franchisees' stores with :

§ our **commercial policy** : Tchín Tchín, Tercera, Protect, LeCinq, l'Ephémère, Cent pour Cent...

§ our **communication strategy** : first brand awareness among opticians in France (73% spontaneous awareness)

► our services consist of **helping franchisees run their business**, on a day to day basis

► our offer aims to leverage our network in the optical sector : price conditions with suppliers, sector representation, competition...

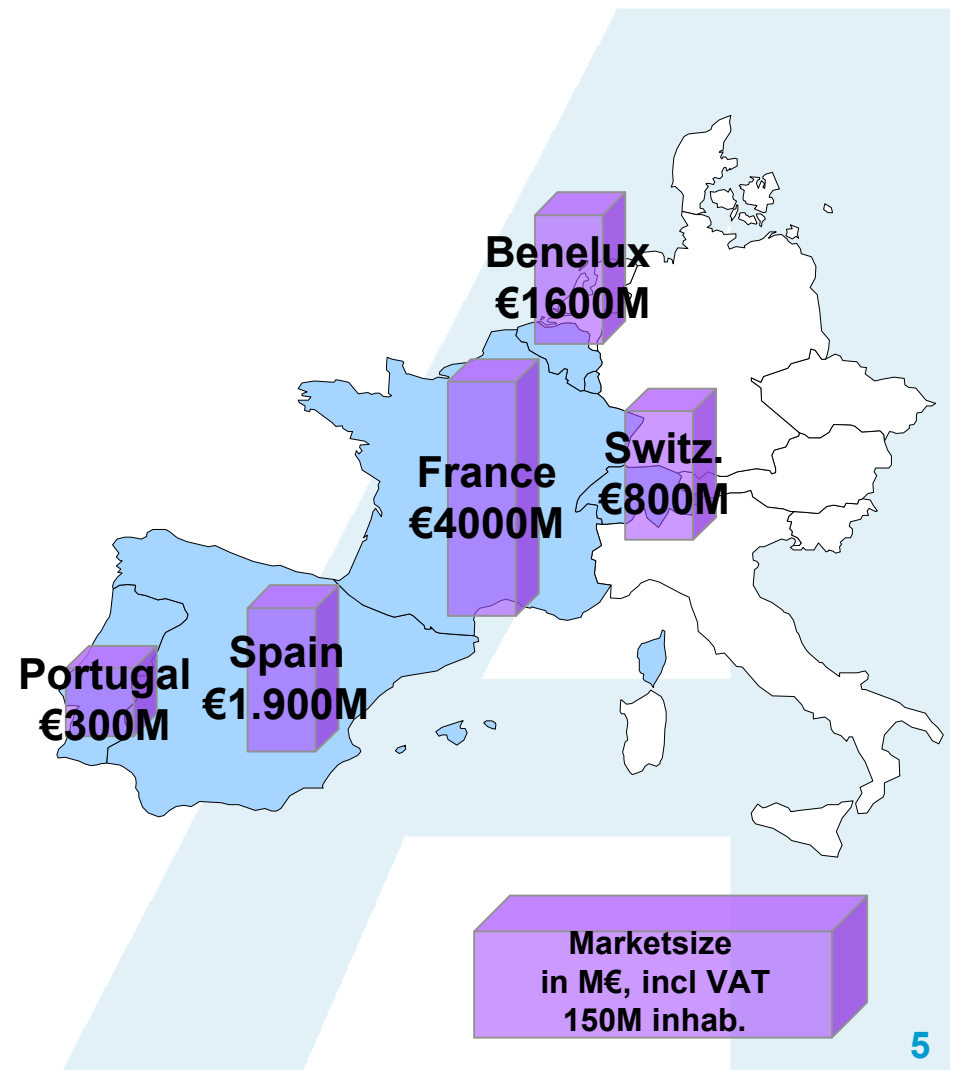
► **Exclusive products activity** : develop and sell products directly to franchisees in order to increase their sales, with the best products at the best price.

► **Run a directly owned network** : around 30 stores, mainly in Paris and its suburbs

**... all together in a network accounting for 846 stores at the end February 2007.**

# Geographical presence : Large and wide market base

- ▶ Leading position on our historical market =15% market share
- ▶ A rapid increase in the market share in Spain (153 shops), Belgium (23) and Switzerland (10), with the aim of becoming the first international brand
- ▶ Other countries : leverage our knowledge and our commercial policy, with independent networks





# **ALAIN AFFLELOU BUSINESS MODEL**

# Management Know-How

## Services : franchiser's contribution

- ▶ the right to use the house brand
- ▶ territorial exclusivity
- ▶ shop layout specifications
- ▶ business strategy know-how
- ▶ communication
- ▶ access to centralised payment & listing with optical products suppliers

## Remuneration

- ▶ Entry fees : € 50.000
- ▶ Royalties calculated as a % of sales (3.3%)

## Results

- ▶ Franchisees sales twice the market average (M€ 0.9 per store)



# Communication strategy

## Services

- ▶ the franchiser manages the entire communication budget of the network, as voted by the franchisees
- ▶ management includes strategy, concept and design of commercial campaigns, and buying advertising space
- ▶ the franchiser acts as an advertising agency
- ▶ highest brand awareness among optical retailers in France

## Results

- ▶ French leader in spontaneous and assisted brand awareness (Ipsos 2005)
- ▶ First advertising budget and share of voice on french television





# Managing suppliers' relationship

## Services

- ▶ the franchiser has agreements with all significant suppliers in the optical sector
- ▶ the agreements include product assessment and price optimisation for franchisees
- ▶ by these agreements, suppliers obtain access to the central listing structure and to each of our franchisee as in a directly owned network
- ▶ payments from franchisees are guaranteed by the franchiser

## Remuneration

- ▶ management of purchases simplified for both franchisees and suppliers
- ▶ price optimisation by the volume purchased

# Exclusive optical products

## Services

- ▶ The franchiser designs products which carry his name, and are sold exclusively
- ▶ Prices and quality of the products are guaranteed via exclusive agreements with a few suppliers : Zeiss, Rodenstock...
- ▶ Examples :
  - ▶ 'LeCinq', (2006) tailormade multifocal lens
  - ▶ 'Protect' (2006) polycarbonate lens
  - ▶ 'L'éphémère' (2002), one day contact lenses

## Results

- ▶ Half of the total purchases of the franchisees are our exclusive products
- ▶ 2 million exclusive frames sold per year

**LeCinq**  
Le Verre Progressif  
exclusif ALAIN AFFLELOU

**PROTECTAFFLELOU**  
verre garanti incassable à vie

# 'Tchin Tchin' the multi-ownership revolution

## Services

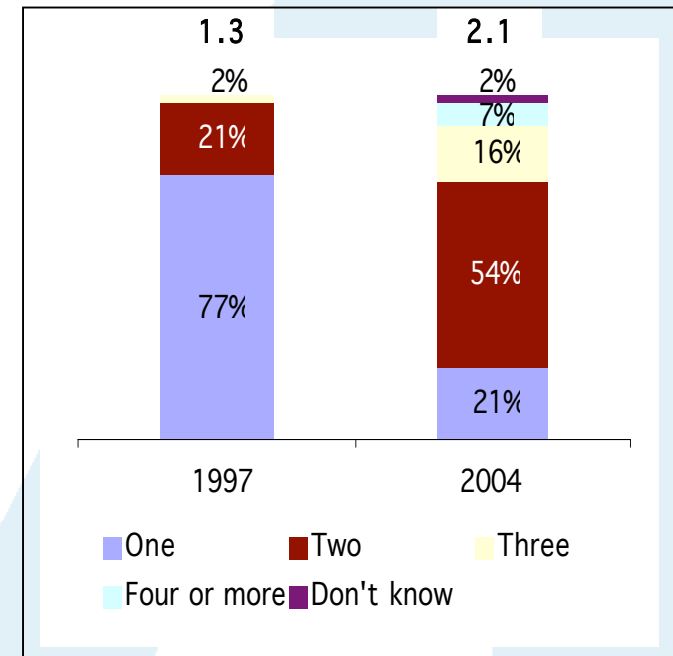
- ▶ 'Tchin Tchin' : by one get one free (at 1€)
- ▶ In 1999, Alain Afflelou created Tchin Tchin, the innovative concept which fits the clients' needs
- ▶ Since then, the french customers have sharply changed their habits of wearing glasses
- ▶ The Tchin Tchin frames are designed and manufactured exclusively for Alain Afflelou in a collection of 200 references

## Result

- ▶ An increase of more than 50% in the franchisees' sales

**Evolution of multi-possession in France**

Source: OC&C, 2006



# the multi-ownership revolution



Alain Afflelou created “La Forty d’Afflelou”, reading glasses that can be worn anywhere, in response to growing demand. These glasses are sold in sets of 4, at a price of Euro 59 per box.



« La Tercera d’Afflelou », the third glasses for 15 € more.

# Exclusive brands & licences

## Owned brands

ACTUELLE  
D'AFFLELOU

LECTURE  
D'AFFLELOU

action de dessin lueux

L'Idéale  
D'AFFLELOU

LES DIVINES  
D'AFFLELOU

L'idéale  
D'AFFLELOU

LES GRANDS  
CLASSIQUES  
D'AFFLELOU

i Primera!

ALAIN AFFLELOU  
TITANE

a.l.i.b.i  
D'AFFLELOU

ALAIN AFFLELOU  
CRÉATEUR

Les futees D'AFFLELOU

## Exclusive Children licences

Le Petit Prince



Une exclusivité  
ALAIN AFFLELOU



POKÉMON



## Exclusive licences

jennyfer

FILA

AIRNESS



# Directly owned stores

## A network of approx. 40 stores

- ▶ 20 stores in Paris and its suburbs
- ▶ 20 stores in region

## 3 key points strategy

- ▶ Flagship stores : Champs Elysées,  
La Défense 4 Temps, that can't be run by franchisees
- ▶ Pilot stores, for new concepts
- ▶ Buy and sell stores from franchisees to manage the network



The background is a solid blue color. On the right side, there is a large, light blue, semi-transparent geometric shape that resembles a stylized letter 'A' or a large triangle. This shape is composed of several overlapping rectangular and triangular areas, creating a layered effect. The text "Our future" is centered horizontally and vertically on the left side of the image, overlaid on the solid blue background.

**Our future**

# International expansion

## French speaking regions

- ▶ Switzerland & Belgium,
  - § main characteristics of the market corresponding to France
  - § Immediate performances of new stores, because of our brand awareness
  - § Already leader french banner in these countries
- ▶ North Africa & middle east : medium term opportunities

## ▶ Other countries

- ▶ Regions where we consider our concepts will meet the needs of customers
- ▶ Federate existing networks



# Competition : becoming an european leader

- ▶ Already among the leading european competitors, in terms of our foreign network base
- ▶ An original approach consisting of
  - § partnership with independent opticians
  - § a commercial policy with original and successful concepts, primarily orientated to customers' comfort and pleasure
- ▶ Targetted territories : Southern and Western Europe, at first.



# Spain, a recent but impressive success story !

The Spanish market (1.9b€), stands at half the French one, but with average growth rates of 5.1% since 2000

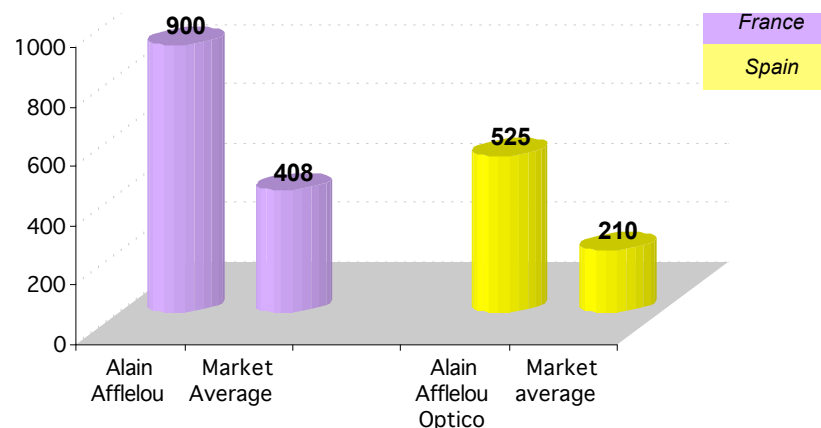
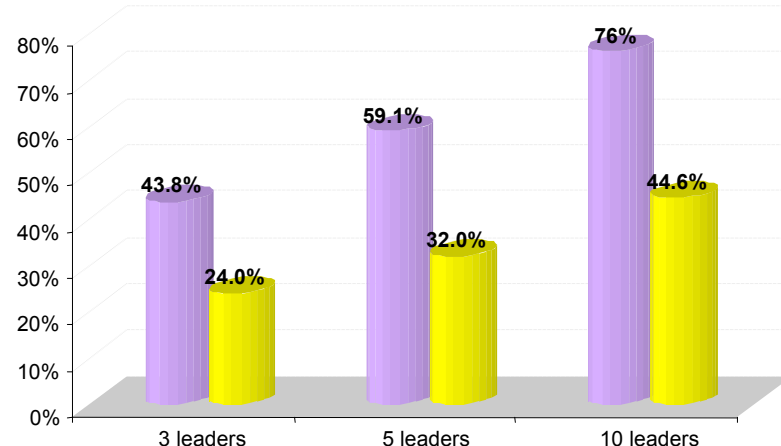
## Competitors :

- ▶ The optical retailing sector is much fragmented, with the first ten networks accounting for less than half the market
- ▶ The independent stores still represent a large part of the market in value, but sales per store are much lower than at Alain Afflelou

## Communication policy

- ▶ Our offers are welcomed by consumers
- ▶ We prioritise the Tchin Tchin offer
- ▶ Advertising expenses : Alain Afflelou already ranks among the leaders, in terms of its communication budget

Concentration of the optical retailing sector in value of market share



France

Spain

Stores sales inc VAT in K€

# Exclusive products development

## Already one half of franchisees' purchases

- ▶ complete and innovative range of optical products :  
2/3 of lenses come from us (or supplied by us)
- ▶ owned brand and licences shall represent approx.  
40% of frames on displays



## Help the franchisees manage their point of sales



# How to become the reference optician

