

Corporate Succession and Holistic Succession Planning – Alternative Opportunities for the German “Mittelstand”

Even experienced entrepreneurs have not frequently sold their business. The sale of a company in the form of its succession strategy, is an extraordinary situation for entrepreneurs and shareholders, particularly when international players are involved.



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The “German Mittelstand” represents the German Economy to a great extent. Rumours in the nineties of last century state that this category of entrepreneurship is outdated and will lose its importance, were proven to be untrue. Within the last 4 decades, the portion of small and midsize family-owned companies to German’s economy, is stable and not decreasing. However, quite a substantial number of these family-owned companies are facing a company succession today, or within the next years. For their succession planning, internal solutions (to family members) are the first priority, despite unresolved financial needs and/or insufficient professional know-how expertise inter alia for their internationalisation and further growth.

THE SALE OF BIRKENSTOCK

On the other side a sale to private equity (PE) - or other financial investors, is viewed as the last and least favourable option of family entrepreneurs, which is caused merely by their profit/EBITDA-driven image.

One solution to this dilemma is shown in a prominent case, recently reported by the financial press: the sale of Birkenstock to Bernard Arnault, the owner of LVMH, and his financial partners who intend to develop the brand further (in Asia in particular) within the highly developed LVMH-network.

Birkenstock is an iconic part of Germany’s family businesses with a 250-year history. In recent years, the two remaining family members, Alexander and Christian Birkenstock, together with the company’s management, achieved a substantial change of image, from that of ‘mundane sandals’ worn by doctors and elderly people, a hipster accessory, as shown by Kate Moss and Heidi Klum. In addition, the company was very successful during the corona crisis and increased its financial results of



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2019 sales by approximately 722 Million and 129 Million earnings before interest and taxes (EBIT), to approximately 1 billion in sales in 2020, with an EBIT of 200 Million (All EUR).

Nevertheless, the sales process was initiated in the middle of 2020, with enormous success. Ex-

Goldman-Sachs manager Dibelius, now partnered with CVC, provided an enormous bid of €5 billion. In the end, the €1 billion lower bid of Arnault and his LVMH group succeeded. Although details of the deal were not disclosed, it can be speculated that Arnault has proven with recent acquisitions such as Tiffany or Rimowa, that Birkenstock may continue its proprietary strategy and development and this was the decisive factor in the race.

A THIRD OPTION FOR INVESTING

Of course, the Birkenstock case is at the upper end of “Mittelstand” businesses and the usual case of single or double-digit investments. Nevertheless, a lot of family offices in Germany and worldwide, are looking to implement their investment opportunities in a similar way as Mr. Arnault offered. They are prepared and willing to represent a true third option, instead of a stand-alone strategy or the traditional PE-investor. **EG**

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