



WESTWING

QUARTERLY STATEMENT

January – March 2019

WESTWING AT A GLANCE



Q1 2019 HIGHLIGHTS

- Revenue at EUR 61m with growth of – 1% in the first quarter of 2019 due to International/Italy, impact of growth investments not yet visible, and strong baseline from first quarter of 2018
- Solid DACH segment with + 11% growth; DACH business model being rolled out internationally
- Profitability impacted by contribution margin and investments into future growth
- Own and Private Label share increased to 21% of GMV, increasing by + 8 percentage points
- Revised guidance for fiscal year 2019

KEY FIGURES (UNAUDITED)¹

	Q1 2019	Q1 2018	Change
Key Performance Indicators			
Private Label share (in %)	21%	13%	8pp
GMV (in EUR m)	76	72	4.8%
Number of orders (in k)	591	611	– 3.3%
Average basket size (in EUR)	129	119	8.4%
Active Customers (in k)	927	881	5.3%
Average orders per Active Customer in the preceding 12 months	2.6	2.6	– 2.5%
Average GMV per Active Customer in the preceding 12 months (in EUR)	318	302	5.1%
Mobile visit share (in %)	75%	72%	3pp
Results of operations			
Revenue (in EUR m)	61.4	62.1	– 1.0%
Adjusted EBITDA (in EUR m)	– 3.9	2.1	– 5.9
Adjusted EBITDA margin (in % of revenue)	– 6.3%	3.3%	– 9.6pp
Financial position			
Free cash flow (in EUR m)	– 16.2	– 6.5	– 9.7
Cash and cash equivalents (in EUR m)	105.4	5.4	100.0
Other			
Full-time equivalent employees (as of reporting date)	1,136	1,005	13.0%

¹ From continuing operations only

1

Report on

ECONOMIC POSITION

1.1 FINANCIAL PERFORMANCE OF THE GROUP ²

The condensed income statement for the three-month period ended March 31, 2019 shows roughly flat revenue growth of EUR 61m (first quarter of 2018: EUR 62m). While this development was still in line with the expected range due to a strong previous year baseline, weak performance in the International segment, especially Italy, negatively impacted results. The solid DACH segment with +11% growth partially compensated these effects.

To lay the path for future profitable growth, we made several investments in the first quarter of 2019: As part of rolling out the DACH business model internationally, our permanent assortment, WestwingNow, is now live in already 9 of 11 markets with a recent launch in Spain in February 2019. Furthermore, a key strategic driver for our profitable growth, our Own and Private Label share is already at 21% share of Group GMV (+8 percentage points yoy). Additionally, we have further intensified our organic marketing efforts with hiring a larger team and have reached an Instagram follower base of 1.7m per end of the quarter. Lastly, we have successfully completed the move of our biggest warehouse from Berlin into a new warehouse of 35,000 sqm in Poznan (Poland). Despite some delay and challenges in ramp-up, the new warehouse is now fully operational and will bring cost savings in the second half of the year.

Due to our investments made, some operational challenges in the business that affected contribution margin, and flat revenue growth, our Adjusted EBITDA margin was -6% for the first quarter of 2019. While we currently incur the costs for our investments, we do not see measurable results for many of them yet. We expect that they start to materialize in the second half of the year.

CONDENSED FIRST QUARTER 2019 CONSOLIDATED INCOME STATEMENT ON ADJUSTED BASIS (UNAUDITED)

EUR m	Q1 2019	In % of revenue	Q1 2018	In % of revenue
Revenue	61.4	100.0%	62.1	100.0%
Cost of sales	-35.4	-57.6%	-35.8	-57.7%
Gross Profit	26.0	42.4%	26.2	42.3%
Fulfilment expenses	-14.6	-23.8%	-12.9	-20.8%
Contribution profit	11.4	18.6%	13.3	21.4%
Marketing expenses	-4.5	-7.3%	-3.7	-5.9%
General and administrative expenses	-12.7	-20.7%	-9.5	-15.3%
Other operating expenses	-0.4	-0.6%	-0.4	-0.6%
Other operating income	0.3	0.5%	0.3	0.4%
Central costs allocated to discontinued operations	-	0.0%	0.5	0.8%
Depreciation, amortization and impairments	2.0	3.2%	1.6	2.5%
Adjusted EBITDA	-3.9	-6.3%	2.1	3.3%

² Figures in this section are presented on an adjusted basis, i.e. excluding share-based compensation (in fulfilment expenses, general and administrative as well as marketing expenses). We calculate "Adjusted EBITDA" by adjusting EBITDA for (i) share-based compensation expenses and (ii) for FY 2018 central costs allocated to discontinued operations.

Revenue

Our revenue remained roughly flat with EUR 61.4m in first quarter of 2019 compared to EUR 62.1m in the prior-year period. This development was expected to some extent given the strong first quarter of 2018 with growth of 30 %.

Westwing successfully continued to build its Own and Private Label business. The Private Label share (in % of GMV) grew by 8 percentage points from 13 % to 21% in the first quarter of 2019 compared to the prior-year period.

As of March 31, 2019, the Group had 927 thousand active customers compared to 881 thousand active customers as of March 31, 2018.

Contribution Margin

Our gross margin remained stable at 42.4% in the first quarter of 2019 compared to 42.3% in the prior-year period. Given an increase of 8 percentage points in Private Label share, our gross margin should have improved by around 1 percentage point. However, due to operational issues in our return process that have been fixed by now, insufficient margin discipline in our daily themes businesses as well as too aggressive pricing on 3rd party products on our permanent assortment, this improvement did not yet materialize. By now we have increased the target margins in our daily themes, permanent assortment and Private Label businesses.

Our fulfilment costs increased to 23.8% in the first quarter of 2019 compared to 20.8% in the prior-year period. With a slight delay, we successfully opened our new warehouse in Poznan, Poland. We saw negative cost impact from the move of our warehouse from Berlin to Poznan, including ramp-up costs to gain full efficiency. We expect to see some further negative effects from this warehouse move in the second quarter of 2019 and anticipate cost savings from the second half of 2019 onwards. Furthermore, our Italian warehouse was under-utilized, resulting in negative leverage on fulfilment costs which is being addressed by shifting some additional European volumes there. As expected, increased freight costs from our carriers had a negative impact on our fulfilment costs – we will counter those by cost-optimized carrier selection going forward.

As a result, our contribution margin was at 18.6% in the first quarter of 2019, compared to 21.4% in the prior-year period.

Private Label continues to be the key driver for the increase of our contribution margin going forward. Increasing its share of our sales is one of our strategic priorities.

Marketing Expenses

Marketing expenses increased to EUR 4.5m or 7.3% of revenue in the first quarter of 2019 compared to EUR 3.7m or 5.9% of revenue in the prior-year period. This increase reflects our strategy to invest more into organic marketing, focussing on social media and content creation.

General and Administrative Expenses

In the first quarter of 2019, general and administrative expenses amounted to EUR 12.7m, an increase by 5.4 percentage points to 20.7% of revenue compared to the same period in the prior year. This development is primarily driven by growth investments into technology, Private Label and permanent assortment. While we currently do incur the costs for our investments, we do not see the results for many of them yet. We expect results to materialize starting from the second half of the year. Furthermore, we will limit further investments and selectively reduce cost and complexity in our business.

Adjusted EBITDA

The Group's Adjusted EBITDA was EUR –3.9m in the first quarter of 2019, compared to the prior-year period result of EUR 2.1m. This corresponds to a decrease of the Adjusted EBITDA margin from 3.3% in the first quarter of 2018 to –6.3% in the same period in 2019.

1.2 SEGMENT INFORMATION

The Group's results are broken down into the segments DACH (Germany, Austria and Switzerland) and International (other European markets). The condensed segment results for the first quarter of 2019 show solid growth in revenue in the DACH segment while there was a revenue reduction in the International segment compared to the prior-year period. Adjusted EBITDA was negative for both, the DACH and International segment.

CONSOLIDATED SEGMENT RESULTS (UNAUDITED)

EUR m	Q1 2019	Q1 2018	Change
Revenue			
DACH	33.5	30.0	11.5%
International	28.0	32.1	-12.8%
Adjusted EBITDA			
DACH	-0.9	1.2	-2.1
International	-2.9	0.9	-3.8
Headquarter/Reconciliation	-0.1	-0.0	-0.1
Adjusted EBITDA margin			
DACH	-2.7%	3.9%	-6.5pp
International	-10.3%	2.9%	-13.2pp

Segment Revenue

In our DACH segment we saw a solid result of +11.5% growth and relative strength, but our assortment being skewed not enough towards low-price-point products limited further growth. We are in the process of optimizing our DACH assortment towards a higher share of high-converting low price point products to further drive growth.

The International segment showed a revenue reduction of 12.8%, significantly driven by continued challenges and negative growth in our Italian business. We continue to work on a transformation program for Italy which yet has to show measurable results. In addition, while international marketing build-up is in progress, the resulting growth improvements are still pending.

We will continue to roll out our successful DACH business model internationally, e.g. by continuing our transformation program in Italy and launching our permanent assortment WestwingNow in the Czech Republic and Slovakia. Furthermore, we increased the Private Label share of GMV in the International segment from 5% to 12% in the first quarter of 2019 compared to the prior-year period.

We are reviewing marketing budgets and allocation for more short-term growth effects, in particular for International.

Segment Adjusted EBITDA

In the first quarter of 2019, the Adjusted EBITDA margin in the DACH segment was at -2.7% compared to +3.9% in the prior-year period. In the International segment, the Adjusted EBITDA margin in the first quarter of 2019 amounted to -10.3%, compared to 2.9% in the prior-year period, reflecting investments made into future growth.

1.3 FINANCIAL POSITION

CASH FLOWS (UNAUDITED)

EUR m	Q1 2019	Q1 2018
Cash flows used in operating activities	-13.1	-4.8
Cash flows used in investing activities	-3.1	-1.6
Cash flows from financing activities	-1.3	-0.8
Cash flows from discontinued activities	-	-0.4
Net decrease in cash and cash equivalents	-17.5	-7.7
Effect of exchange rate fluctuations on cash held	-0.1	-0.1
Cash and cash equivalents as of January 1	123.0	13.8
Cash and cash equivalents as of March 31	105.4	6.0
thereof – discontinued operations	-	0.6
thereof – continuing operations	105.4	5.4
Free cash flow	-16.2	-6.5

Cash flow used in operating activities amounted to EUR – 13.1m in the first three months of 2019 compared to EUR – 4.8m for the same period in 2018. This development was primarily driven by the negative operating result as well as investments into working capital.

Cash outflows used in investing activities were up from EUR -1.6m in the quarter of 2018 to EUR – 3.1m for the same period in 2019. This development is mainly driven by internally developed software as well as some investments in property plant and equipment.

Cash outflow from financing activities resulted primarily from the payments of leasing liabilities according to IFRS 16.

We will continue to be very cash-efficient by maintaining roughly neutral working capital and an asset-light business model (capex ratio of 4 % for the first quarter of 2019).

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	March 31, 2019		December 31, 2018	
	EUR m	In % of Total	EUR m	In % of Total
Total assets	192.8	100.0%	197.5	100.0%
Non-current assets	43.0	22.3%	33.3	16.9%
Current assets	149.8	77.7%	164.2	83.1%
Total Liabilities + Equity	192.8	100.0%	197.5	100.0%
Equity	99.0	51.3%	104.9	53.1%
Non-current liabilities	37.8	19.6%	32.4	16.4%
Current liabilities	56.0	29.1%	60.2	30.5%

On March 31, 2019, total assets amounted to EUR 192.8m (December 31, 2018: EUR 197.5m).

The non-current assets increased by EUR 9.7m, primarily due to higher property, plant and equipment caused by the recognition of right-of-use assets related to the new warehouse in Poznan. The reduction in current assets by EUR 14.3m is mainly driven by the decrease in cash and cash equivalents, partially offset by higher inventories.

Equity decreased from EUR 104.9m on December 31, 2018, to EUR 99.0m on March 31, 2019, primarily due to the loss of the period, while other reserves increased as a result of share-based payments.

Non-current liabilities were up by EUR 5.4m mainly resulting from new leasing liabilities related to the warehouse move. The current liabilities decreased by EUR 4.2m primarily due to lower refund and VAT liabilities.

1.4 OUTLOOK

As the current GMV trading for March and April has been below expectations, we have reassessed the outlook for the current year. For the fiscal year 2019, we now expect revenue growth of 6 to 12% (previously: in line with 2018 levels, i.e. within a range of 2 to 3 percentage points of 16%). Moreover, we expect Adjusted EBITDA to come in slightly lower at around 0% (within a range of -1% to +1%) due to lower expected growth (previously: in line with 2018 levels, i.e. within a range of 1 percentage point of +1%).

Our current results don't reflect the ambition level for the full year. We are confident that we have the right strategy, team and resources in place to continue to build a profitably growing business. We expect acceleration of growth and improved profitability in the second half of 2019, and we will benefit from a lower growth baseline. Despite the revised guidance, we see ourselves on track to deliver on our long-term vision.

1.5 EVENTS AFTER REPORTING PERIOD

We have started a project to centralize our currently unprofitable French business. Break-even of project is expected within 24 months; given their non-recurring nature, we will exclude the related restructuring cost from our Adjusted EBITDA. Local regulations prevent us on communicating on any further details of the project at this point in time. We expect to provide an update with our results for the first half of 2019.

Munich, May 7, 2019

Stefan Smalla

Delia Fischer

Dr. Dr. Florian Drabeck

Chief Executive Officer

Chief Creative Officer

Chief Financial Officer

2

Selected

FINANCIAL INFORMATION (UNAUDITED)

2.1 CONSOLIDATED INCOME STATEMENT

EUR m	Q1 2019	Q1 2018
Revenue	61.4	62.1
Cost of sales	-35.4	-35.8
Gross profit	26.0	26.2
Fulfilment expenses	-14.7	-12.9
Marketing expenses	-4.5	-3.7
General and administrative expenses	-16.2	-10.7
Other operating expenses	-0.4	-0.4
Other operating income	0.3	0.3
Operating result	-9.4	-1.2
Finance costs	-0.7	-3.5
Finance income	0.5	0.0
Other financial result	-0.1	-0.1
Financial result	-0.4	-3.6
Result before income tax	-9.7	-4.8
Income tax expense	0.0	-0.1
Result for the period from continuing operations	-9.8	-4.8
Result for the period from discontinued operations after taxes	0.0	0.3
Result for the period	-9.8	-4.5
Result attributable to:		
Owners of the Company	-9.8	-4.4
Non-controlling interests	0.0	-0.0

2.2 RECONCILIATION OF ADJUSTED EBITDA

EUR m	Q1 2019	Q1 2018
Operating result	-9.4	-1.2
Adjustments		
Share-based compensation expenses	3.6	1.2
Central costs allocated to discontinued operations	-	0.5
Depreciation, amortization, and impairments	2.0	1.6
Adjusted EBITDA	-3.9	2.1

2.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR m	March 31, 2019	December 31, 2018
Assets		
Non-current assets		
Property, plant and equipment	29.4	21.9
Intangible assets	9.5	8.0
Trade and other receivables	3.6	2.9
Deferred tax assets	0.5	0.5
Total non-current assets	43.0	33.3
Current assets		
Inventories	26.5	22.6
Prepayments on inventories	2.3	2.5
Trade and other receivables	10.5	10.0
Other assets	5.2	6.1
Cash and cash equivalents	105.4	123.0
Total current assets	149.8	164.2
Total assets	192.8	197.5
Equity and liabilities		
Equity		
Share capital	20.7	20.7
Capital reserves	349.7	349.1
Treasury shares	-	-0.8
Other reserves	46.0	43.6
Retained earnings	-315.0	-305.2
Other comprehensive income (OCI) reserve	0.3	0.3
Equity attributable to the owners of the Company	101.8	107.7
Non-controlling interests	-2.7	-2.7
Total equity	99.0	104.9
Non-current liabilities		
Borrowings	13.9	14.9
Lease liabilities	22.1	15.8
Other financial liabilities	-	-
Other non-financial liabilities	1.2	1.5
Provisions	0.6	0.2
Total non-current liabilities	37.8	32.4
Current liabilities		
Borrowings	1.4	-
Lease liabilities	2.9	2.3
Trade payables and accruals	26.7	32.0
Contract liabilities	12.8	7.9
Refund liabilities	3.2	6.2
Other financial liabilities	0.2	0.7
Other non-financial liabilities	8.4	10.4
Provisions	0.5	0.7
Total current liabilities	56.0	60.2
Total liabilities	93.8	92.5
Total equity and liabilities	192.8	197.5

2.4 CONSOLIDATED STATEMENT OF CASH FLOWS

EUR m	Q1 2019	Q1 2018
Result before income tax	-9.7	-4.8
Adjustments		
Depreciation and impairment of property, plant and equipment	1.5	1.1
Amortization and impairment of intangible assets	0.5	0.4
Loss on disposal of property, plant and equipment	-0.0	-0.0
Share-based compensation (income)/expenses	3.6	1.2
Fair value loss on financial liabilities	-0.5	0.1
Finance income	-0.0	-
Finance costs	0.7	0.6
Foreign currency effects	0.1	0.1
Other non-cash related adjustments	0.4	3.9
Changes in provisions and pensions	-3.3	0.1
Cash effective operating profit / (loss) before changes in working capital	-6.7	2.8
Adjustments for changes in working capital:		
Changes in trade and other receivables and prepayments	-0.1	-1.1
Changes in inventories	-3.9	-2.7
Changes in trade and other payables	-2.4	-3.8
Cash used in operations	-13.2	-4.8
Tax paid	0.1	-0.1
Net cash flows used in operating activities – continuing operations	-13.1	-4.8
Net cash flows generated / used in operating activities – discontinued operations	-	-0.1
Net cash flows used in operating activities – continuing and discontinued operations	-13.1	-4.9
Investing Activities:		
Proceeds from sale of property, plant and equipment	0.0	0.0
Purchase of property, plant and equipment	-0.7	-0.3
Purchase of intangible assets	-2.0	-1.4
Other investing activities	0.0	0.0
Rent deposits	-0.5	-
Net cash flows used in investing activities – continuing operations	-3.1	-1.6
Net cash flows used in investing activities – discontinued operations	-	0.1
Net cash flows used in investing activities – continuing and discontinued operations	-3.1	-1.7
Financing activities		
Sale of minority interests	-	-
Interest and other finance charges paid	-0.3	-0.5
Proceeds from / (Repayment of) borrowings	-	0.3
Payments of lease liabilities	-1.0	-0.7
Purchase of equity instruments	0.0	-
Purchase of minorities	0.0	-
Net cash flows from financing activities – continuing operations	-1.3	-0.8
Net cash flows from financing activities – discontinued operations	-	-0.2
Net cash flows from financing activities – continuing and discontinued operations	-1.3	-1.1
Net change in cash and cash equivalents	-17.5	-7.7
Effect of exchange rate fluctuations on cash held	-0.1	-0.1
Cash and cash equivalents as of January 1	123.0	13.8
Cash and cash equivalents at 31 March	105.4	6.0
thereof – discontinued operations	-	0.6
thereof – continuing operations	105.4	5.4

FINANCIAL CALENDAR



MAY 23, 2019

Annual General Meeting 2019

AUGUST 13, 2019

Publication of half-year report 2019

NOVEMBER 7, 2019

Publication of third quarter results 2019

IMPRINT



Contact:

Westwing Group AG
Moosacher Strasse 88
80809 Munich
Germany

Investor Relations:

Vidhi von Liel
ir@westwing.de

Press:

Hannah Neumann
presse@westwing.de

Concept, Design and Realization:

3st kommunikation,
Mainz, Germany



DISCLAIMER

Certain statements in this communication may constitute forward looking statements. These statements are based on assumptions that are believed to be reasonable at the time they are made, and are subject to significant risks and uncertainties. You should not rely on these forward-looking statements as predictions of future events and we undertake no obligation to update or revise these statements. Our actual results may differ materially and adversely from any forward-looking statements discussed in these statements due to a number of factors, including without limitation, risks from macroeconomic developments, external fraud, inefficient processes at fulfilment centers, inaccurate personnel and capacity forecasts for fulfilment centers, hazardous material / conditions in production with regard to Private Labels, lack of innovation capabilities, inadequate data security, lack of market knowledge, risk of strike and changes in competition levels.