

WESTWING

QUARTERLY STATEMENT

January – March 2022



WESTWING AT A GLANCE

Q1 2022 HIGHLIGHTS

- Strong gross margin of 48.7% (Q1 2021: 50.6%) despite continuous margin pressure from sea freight container costs and material cost inflation
- Westwing Collection share at 37% of GMV, an increase of 6 percentage points (Q1 2021: 31%)
- Average basket size up by 14% to EUR 147 (Q1 2021: EUR 129)

KEY FIGURES (UNAUDITED)

	Q1 2022	Q1 2021	Change
Results of operations			
Revenue (in EURm)	111.1	138.4	-19.7%
Adjusted EBITDA (in EURm)	-1.7	19.6	-21.3
Adjusted EBITDA margin (in % of revenue)	-1.5%	14.2%	-15.7pp
Financial position			
Free cash flow (in EURm)	-17.1	13.3	-30.4
Cash and cash equivalents as of March 31 (in EURm)	79.3	116.4	-37.1
Key performance indicators			
Westwing Collection share (in %)	37%	31%	6pp
GMV (in EURm)	128	164	-22%
Number of orders (in k)	872	1,268	-31%
Average basket size (in EUR)	147	129	14%
Active customers (in k)	1,593	1,720	-7%
Average orders per active customer in the preceding 12 months	2.5	2.7	-8%
Average GMV per active customer in the preceding 12 months (in EUR)	345	337	2%
Mobile visit share (in %)	80%	79%	1pp
Other			
Full-time equivalent employees (as of reporting date)	2,309	1,742	32.5%

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REPORT ON ECONOMIC POSITION

1.1 FINANCIAL PERFORMANCE OF THE GROUP¹

The condensed income statement for the first quarter of 2022 showed revenue of EUR 111.1m, a reduction by 19.7% compared to the same quarter of the previous year (Q1 2021: EUR 138.4m). GMV was down by 22% year-over-year. The weaker topline development was primarily driven by a lower consumer sentiment in the first quarter 2022. The strong relative decline was caused by the extraordinary baseline from the first quarter in 2021. As a result, the number of orders reduced by 31% compared to the previous-year period. This was partially compensated by the higher average basket size that increased to EUR 147 (Q1 2021: EUR 129). The number of Active Customers who made at least one order in the last twelve months was at 1.6m, thus 7% below the number in the same period of the previous year (Q1 2021: 1.7m).

Both segments, DACH and International, showed negative revenue growth in the first quarter of 2022 with the DACH segment at -23.3% and the International segment at -15.0% year-over-year.

As a result of the lower top line and a lower contribution margin our Adjusted EBITDA margin in the first quarter 2022 was -1.5% (Q1 2021: 14.2%). Adjusted EBITDA in absolute terms declined to EUR -1.7m (Q1 2021: EUR 19.6m).

CONDENSED FIRST QUARTER 2022 CONSOLIDATED INCOME STATEMENT ON ADJUSTED BASIS (UNAUDITED)

EURm	Q1 2022	In % of revenue	Q1 2021	In % of revenue
Revenue	111.1	100.0	138.4	100.0
Cost of sales	-57.0	-51.3	-68.4	-49.4
Gross profit	54.1	48.7	70.1	50.6
Fulfilment expenses	-26.0	-23.4	-26.8	-19.4
Contribution profit	28.1	25.3	43.2	31.2
Marketing expenses	-11.5	-10.4	-10.3	-7.4
General and administrative expenses	-22.1	-19.8	-16.6	-12.0
Other operating expenses	-0.7	-0.6	-0.3	-0.2
Other operating income	0.5	0.4	0.5	0.3
Depreciation, amortization and impairments	4.0	3.6	3.0	2.2
Adjusted EBITDA	-1.7	-1.5	19.6	14.2

¹ Figures in this section are presented on an adjusted basis, i.e. excluding (i) share-based compensation (in Fulfilment expenses, Marketing expenses as well as in General and administrative expenses), (ii) income/expenses for the restructuring of the French business. We calculate "Adjusted EBITDA" by adjusting reported EBITDA for these items.

Revenue

In the first quarter 2022 our revenue declined by –19.7% and amounted to EUR 111.1m (Q1 2021: EUR 138.4m). The Westwing Collection share increased from 31% in the previous-year period to 37% in the first quarter of 2022.

Contribution Margin

Our gross margin remained on a healthy level at 48.7% compared to 50.6% in the first quarter 2021. The slight decrease in our gross margin was mainly driven by increased prices for sea freight transportation.

Our fulfilment costs as percentage of revenue increased from 19.4% in the previous-year period to 23.4% in the first quarter of 2022. This increase was driven by additional investments into warehouse space – not fully utilized at the current size – as well as wage inflation and continued extra storage costs driven by high inventory levels due to supply chain disruptions.

As a result, our contribution margin declined from 31.2% for the first three months of 2021 to 25.3% in the first quarter of 2022.

Marketing Expenses

Marketing expenses were up to EUR 11.5m (10.4% of revenue) in the first quarter of 2022 compared to EUR 10.3m (7.4% of revenue) in the same period of the previous year.

General and Administrative Expenses

In percent of revenue, general and administrative expenses increased by 7.9 percentage points in the first quarter of 2022 to 19.8% compared to the same period of the previous year (Q1 2021: 12.0% of revenue). This development is primarily driven by the lower revenue base while we invested into key areas like Technology and Westwing Collection. In absolute terms, general and administrative expenses increased by EUR 5.5m to EUR 22.1m in the first quarter of 2022 (Q1 2021: EUR 16.6m).

Adjusted EBITDA²

The Group's Adjusted EBITDA was EUR –1.7m in the first quarter of 2022, compared to the previous-year result of EUR 19.6m. This corresponds to a decrease of the Adjusted EBITDA margin from 14.2% in the first quarter of 2021 to –1.5% in the same period of 2022. The main reasons for this development are as explained before: lower size leading to negative operating leverage across all cost lines and increases of our cost base in the areas of Logistics, Marketing and G&A to deliver future growth.

² Adjusted EBITDA is excluding (i) share-based compensation (in Fulfilment expenses, Marketing expenses as well as in General and administrative expenses), (ii) income/expenses for the restructuring of the French business.

1.2 SEGMENT INFORMATION

CONSOLIDATED SEGMENT RESULTS (UNAUDITED)

EUR m	Q1 2022	Q1 2021	Change
Revenue			
DACH	60.7	79.1	-23.3%
International	50.4	59.3	-15.0%
Adjusted EBITDA			
DACH	2.3	15.8	-13.4
International	-3.8	4.0	-7.7
Headquarter/reconciliation	-0.3	-0.1	-0.1
Adjusted EBITDA margin			
DACH	3.8%	19.9%	-16.1pp
International	-7.5%	6.7%	-14.2pp

The Group's results are broken down into the segments DACH (Germany, Austria and Switzerland) and International (other European markets).

Segment Revenue

Both segments, DACH and International, showed negative revenue growth with the DACH segment down by -23.3% and the International segment by -15.0% respectively.

Segment Adjusted EBITDA

In the first quarter of 2022 the Adjusted EBITDA margin in the DACH segment decreased by 16.1 percentage points to 3.8% (Q1 2021: 19.9%). In the International segment the Adjusted EBITDA margin was at -7.5%, thus 14.2 percentage points below the first quarter of 2022 (Q1 2021: 6.7%). The reasons for the decline in Adjusted EBITDA are the same ones we see on Group level.

1.3 FINANCIAL POSITION

CASH FLOWS (UNAUDITED)

EURm	Q1 2022	Q1 2021
Cash flows from operating activities	-13.9	15.5
Cash flows from investing activities	-3.1	-2.2
Cash flows from financing activities	-1.1	-1.8
Net increase/(decrease) in cash and cash equivalents	-18.2	11.4
Effect of exchange rate fluctuations on cash held	0.1	0.1
Cash and cash equivalents as of beginning of the period	97.4	104.9
Cash and cash equivalents as of March 31	79.3	116.4
Free cash flow	-17.1	13.3

Cash flows from operating activities amounted to EUR -13.9m in the first three months of 2022 compared to EUR 15.5m in the same period of 2021. This development was primarily driven by the negative operating result as well as investments into working capital – mainly into Westwing Collection inventory.

Cash flows from investing activities decreased slightly from EUR -2.2m in the first three months of 2021 to EUR -3.1m in the same period in 2022. This was mostly caused by higher investments into internally developed software.

As a result of the developments in the operating and investing cash flows described above, the free cash flow for the first quarter of 2022 amounted to EUR -17.1m (Q1 2021: EUR 13.3m).

Cash flows from financing activities were EUR -1.1m in the first three months of 2022 (Q1 2021: EUR -1.8m). Payments for lease liabilities and interest expenses were partially offset by a one-time lease incentive payment of EUR 1.5m.

Our net cash balance decreased by EUR 18.1m in the first three months of 2022 to EUR 79.3m (December 31, 2021: EUR 97.4m).

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	March 31, 2022		December 31, 2021	
	EURm	In % of Total	EURm	In % of Total
Total assets	261.6	100.0	277.4	100.0
Non-current assets	87.6	33.5	87.4	31.5
Current assets	173.9	66.5	190.1	68.5
Total liabilities + equity	261.6	100.0	277.4	100.0
Equity	116.7	44.6	119.3	43.0
Non-current liabilities	48.9	18.7	54.0	19.5
Current liabilities	96.0	36.7	104.2	37.5

As of March 31, 2022, total assets amounted to EUR 261.6m (December 31, 2021: EUR 277.4m).

Non-current assets hardly changed compared to year-end 2021.

The decrease in current assets by EUR 16.1 is mainly caused by lower cash and cash equivalents which decreased by EUR 18.1m to EUR 79.3m (December 31, 2021: EUR 97.4m). Inventories were up by EUR 9.5m and prepayments on inventories were down by EUR 4.3m.

Equity decreased from EUR 119.3m as of December 31, 2021, to EUR 116.7m as of March 31, 2022, primarily due to the result of the period.

Non-current liabilities were at EUR 48.9m as of March 31, 2022, which is EUR 5.1m below the amount as of December 31, 2022. This was particularly driven by lower liabilities for cash-settled share-based compensation.

Current liabilities were down by EUR 8.2m to EUR 96.0m (December 31, 2021: EUR 104.2m), primarily resulting from decreases in trade payables and accruals by EUR 8.8m as well as refund liabilities by EUR 2.5m. This was partially offset by a EUR 3.1m increase in contract liabilities.

Overall assessment of the Group's economic position

The first quarter 2022 was impacted by an unstable political and economic situation, especially caused by the Russian large-scale military invasion of Ukraine, which started on February 24, 2022, and which challenged all existing estimations of the future macroeconomic and sector-specific environment development. Consumer sentiment has deteriorated sharply, while inflation increased strongly. At the same time, we still had to cope with supply chain disruptions and increasing sea freight costs. Furthermore, the previous year quarter was very strong with 105% revenue increase year-over-year, thus we are comparing to a very high baseline. Nevertheless, we anticipated this development – although not to this degree – and still see good unit economics and a very positive development of our Westwing Collection share. Therefore, we are confident to return to profitable growth again.

1.4 OUTLOOK

As mentioned in our Annual Report 2021, we expect significantly stronger results in the second half of the year 2022. However, based on a significantly lower consumer sentiment observed across all segments over the last months, we now expect to meet the lower half of the full year guidance in terms of revenue (EUR 460m to 540m at a growth rate of -12% to +3%) and Adjusted EBITDA (EUR -9m to EUR +16m at an Adjusted EBITDA margin of -2% to +3%).

1.5 EVENTS AFTER THE BALANCE-SHEET DATE

There were no events after the balance-sheet date that would have a material impact on Westwing's results of operations, net assets or financial position.

Munich, May 11, 2022

Stefan Smalla
Chief Executive Officer

Sebastian Säuberlich
Chief Financial Officer

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CONSOLIDATED FINANCIAL STATEMENTS

for the Period Ended March 31, 2022 (Unaudited)

2.1 CONSOLIDATED INCOME STATEMENT

EURm	Q1 2022	Q1 2021
Revenue	111.1	138.4
Cost of sales	-57.0	-68.4
Gross profit	54.1	70.1
Fulfilment expenses	-26.0	-26.8
Marketing expenses	-11.5	-10.3
General and administrative expenses	-18.3	-19.2
Other operating expenses	-0.7	-0.3
Other operating income	0.5	0.5
Operating result	-1.9	13.9
Finance costs	-0.5	-0.5
Other financial result	-0.4	-0.3
Financial result	-0.8	-0.8
Result before income tax	-2.7	13.1
Income tax expense	-1.3	-1.9
Result for the period	-4.0	11.1
Result attributable to:		
Owners of the Company	-4.0	11.1
Non-controlling interests	-	-0.0

2.2 RECONCILIATION OF ADJUSTED EBITDA

EURm	Q1 2022	Q1 2021
Operating Result	-1.9	13.9
Adjustments		
Share-based compensation expenses	-3.8	2.7
(Income)/expenses for restructuring France	-	-0.0
Depreciation, amortization, and impairments	4.0	3.0
Adjusted EBITDA	-1.7	19.6

2.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURm	March 31, 2022	December 31, 2021
Assets		
Non-current assets		
Property, plant and equipment	55.4	55.5
Intangible assets	20.7	18.9
Trade and other receivables	3.4	4.8
Deferred tax assets	8.2	8.2
Total non-current assets	87.6	87.4
Current assets		
Inventories	64.4	54.9
Prepayments on inventories	7.8	12.1
Trade and other receivables	11.9	11.5
Other assets	10.6	14.2
Cash and cash equivalents	79.3	97.4
Total current assets	173.9	190.1
Total assets	261.6	277.4
Equity and liabilities		
Equity		
Share capital	20.9	20.9
Capital reserves	364.5	364.5
Treasury shares	-1.2	-1.2
Other reserves	39.5	38.1
Retained earnings	-307.5	-303.4
Other comprehensive income (OCI) reserve	0.4	0.4
Equity attributable to the owners of the Company	116.7	119.3
Total equity	116.7	119.3
Non-current liabilities		
Lease liabilities	37.5	37.4
Other financial liabilities	5.2	10.3
Provisions	1.1	1.1
Deferred tax liabilities	5.1	5.1
Total non-current liabilities	48.9	54.0
Current liabilities		
Lease liabilities	8.9	8.4
Trade payables and accruals	47.9	56.8
Contract liabilities	20.4	17.4
Refund liabilities	5.0	7.4
Other non-financial liabilities	12.1	12.5
Tax liabilities	1.0	1.0
Provisions	0.7	0.7
Total current liabilities	96.0	104.2
Total liabilities	144.9	158.1
Total equity and liabilities	261.6	277.4

2.4 CONSOLIDATED STATEMENT OF CASH FLOWS

EURm	Q1 2022	Q1 2021
Result before income tax	-2.7	13.1
Adjustments		
Depreciation and impairment of property, plant and equipment	2.8	2.2
Amortization and impairment of intangible assets	1.2	0.8
Gain on disposal of property, plant and equipment	0.0	0.0
Share-based compensation expenses	-3.8	2.7
Fair value gain/loss on financial liabilities	-	0.1
Finance costs	0.5	0.4
Changes in other assets	3.0	2.6
Changes in other liabilities	-0.4	1.8
Changes in provisions	-2.5	-2.4
Cash effective operating profit/(loss) before changes in working capital	-2.0	21.2
Adjustments for changes in working capital:		
Changes in trade and other receivables and prepayments	-0.4	-1.1
Changes in inventories and prepayments on inventories	-5.2	-9.0
Changes in trade and other payables	-5.8	7.0
Cash flows from operations	-13.3	18.2
Tax paid	-0.6	-2.7
Net cash flows from operating activities	-13.9	15.5
Investing Activities:		
Proceeds from sale of property, plant and equipment	0.0	0.0
Purchase of property, plant and equipment	-1.5	-0.6
Purchase of and investments in intangible assets	-3.0	-1.5
Rent deposits	1.4	-0.0
Net cash flows from investing activities	-3.1	-2.2
Financing activities		
Proceeds from capital increase/sale of equity instruments	-	0.1
Interest and other finance charges paid	-0.5	-0.4
Payments of lease liabilities	-2.2	-1.5
Contribution right-of-use assets	1.5	-
Net cash flows from financing activities	-1.1	-1.8
Net change in cash and cash equivalents	-18.2	11.4
Effect of exchange rate fluctuations on cash held	0.1	0.1
Cash and cash equivalents at the beginning of the period	97.4	104.9
Cash and cash equivalents as of March 31	79.3	116.4

FINANCIAL CALENDAR

MAY 18, 2022

Annual General Meeting Fiscal Year 2021

AUGUST 11, 2022

Publication of half-year financial report 2022

NOVEMBER 10, 2022

Publication of third quarter results 2022

IMPRINT

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