

# WESTWING

QUARTERLY STATEMENT

*January – March 2020*



# WESTWING AT A GLANCE



## Q1 2020 HIGHLIGHTS

- Revenue at EUR 67.6m in the first quarter of 2020, with 10 % growth year-over-year and GMV growth of +12 % year-over-year
- Significantly improved profitability with an Adjusted EBITDA margin of – 1.8 % (Q1 2019: – 6.3 %)
- Own and Private Label share increased to 25 % of GMV, increasing by 4 percentage points compared to the first quarter of 2019
- Gross margin at 46.7 % (+4.3 percentage points year-over-year)
- Free Cash Flow at EUR – 6m, improved by EUR +10m compared to the first quarter of 2019

## KEY FIGURES (UNAUDITED)

	Q1 2020	Q1 2019	Change
<b>Results of operations</b>			
Revenue (in EUR m)	67.6	61.4	10.0 %
Adjusted EBITDA (in EUR m)	-1.2	-3.9	2.7
Adjusted EBITDA margin (in % of revenue)	-1.8 %	-6.3 %	4.5pp
<b>Financial position</b>			
Free cash flow (in EUR m)	-6.4	-16.2	9.8
Cash and cash equivalents (in EUR m)	65.2	105.4	-40.2
<b>Other performance indicators</b>			
Private Label share (in %)	25 %	21 %	4pp
GMV (in EUR m)	85	76	12.4 %
Number of orders (in k)	675	591	14.2 %
Average basket size (in EUR)	127	129	-1.6 %
Active customers (in k)	986	927	6.4 %
Average orders per active customer in the preceding 12 months	2.5	2.6	-0.9 %
Average GMV per active customer in the preceding 12 months (in EUR)	324	318	1.9 %
Mobile visit share (in %)	76 %	75 %	1pp
<b>Other</b>			
Full-time equivalent employees (as of reporting date)	1,263	1,136	11.3 %

# 1

## REPORT ON ECONOMIC POSITION

### 1.1. FINANCIAL PERFORMANCE OF THE GROUP <sup>1</sup>

The condensed income statement for the three-month period ended March 31, 2020 showed revenue of EUR 67.6m, a solid growth of 10 % (at the upper end of the guidance range for the full year) compared to the same quarter of the previous year (Q1 2019: EUR 61.4m). Concurrently, GMV grew at +12 % year-over-year. This development was primarily driven by the higher number of orders which was up by 14.2 % compared to the previous-year period. The number of Active Customers increased by 6.4 % to 986k while the share of wallet measured as GMV / Active Customer in the preceding twelve months increased slightly to EUR 324 (Q1 2019: EUR 318). Customer loyalty remained very strong with 81 % of orders coming from repeat customers. Higher investments in marketing since the third quarter of 2019 supported the acceleration of our revenue growth in the last three quarters. These marketing investments will also benefit us in mid and long-term. At the same time, we continue to invest in our permanent assortment and develop our Own and Private Label business further (Private label share increased by 4 percentage points year-over-year).

Both segments, DACH and International, increased revenues in the first quarter of 2020. The DACH segment grew by more than 12 % and the International segment by around 7 % year-over-year.

After having addressed our operational inefficiencies in the second half of 2019, we focused on expanding our customer base and further improving our contribution margin in the first quarter of 2020. Our contribution margin increased by 5.7 percentage points compared to the previous-year quarter to an all-time high of 24.3 % in the first quarter of 2020 (Q1 2019: 18.6 %).

As a result of higher revenue and improved margins in the first three months of 2020, our Adjusted EBITDA margin improved to – 1.8 % in the first quarter of 2020 (Q1 2019: – 6.3 %).

Despite during March most of our employees in administrative functions working from home and warehouse workers following strict health procedures due to COVID-19, we were able to run our business and operations smoothly. We are constantly monitoring the situation and have established a taskforce (led by the CEO) in order to react fast to the rapidly developing situation. However, at the time this report was prepared, we see strong growth momentum from short-term elevated demand across all customer cohorts.

Overall, we see strong improvements for the third quarter in a row and continue to focus on profitable growth.

<sup>1</sup> 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) expenses for the restructuring of the French business. We calculate “Adjusted EBITDA” by adjusting EBITDA for these items.

**CONDENSED FIRST QUARTER 2020 CONSOLIDATED INCOME STATEMENT ON ADJUSTED BASIS  
(UNAUDITED)**

EUR m	Q1 2020	In % of revenue	Q1 2019	In % of revenue
<b>Revenue</b>	<b>67.6</b>	<b>100.0%</b>	<b>61.4</b>	<b>100.0%</b>
Cost of sales	-36.0	-53.3%	-35.4	-57.6%
<b>Gross profit</b>	<b>31.5</b>	<b>46.7%</b>	<b>26.0</b>	<b>42.4%</b>
Fulfilment expenses	-15.1	-22.4%	-14.6	-23.8%
<b>Contribution profit</b>	<b>16.4</b>	<b>24.3%</b>	<b>11.4</b>	<b>18.6%</b>
Marketing expenses	-6.4	-9.5%	-4.5	-7.3%
General and administrative expenses	-13.4	-19.9%	-12.7	-20.7%
Other operating expenses	-0.6	-0.9%	-0.4	-0.6%
Other operating income	0.5	0.7%	0.3	0.5%
Depreciation, amortization and impairments	2.4	3.5%	2.0	3.2%
<b>Adjusted EBITDA</b>	<b>-1.2</b>	<b>-1.8%</b>	<b>-3.9</b>	<b>-6.3%</b>

### Revenue

Our revenue grew by 10 % to EUR 67.6m in the first quarter of 2020, compared to EUR 61.4m in the same period of the previous year. The number of orders increased from 591k in the first quarter of 2019 to 675k at the end of the first quarter 2020, while at the same time the number of Active Customers grew from 927k to 986k. On top, we also further increased the share of wallet with our customers: The GMV per active customer was up from EUR 318 at the end of the first quarter of 2019 to EUR 324 at the end of the same quarter of the current year.

### Contribution Margin

Our gross margin improved significantly from 42.4 % in the previous-year period to an all-time high of 46.7 % in the first quarter of 2020. This increase was influenced by the positive development of our Own and Private Label share which was up by 4 percentage points to 25 % GMV share in the first quarter of 2020 (Q1 2019: 21 %). Further expanding our Own and Private Label business remains one of our strategic priorities. Additionally, we improved the general margin discipline and pricing in our retail businesses.

Our fulfilment costs ratio decreased from 23.8 % in the previous-year period to 22.4 % in the first quarter of 2020. This improvement was mainly due to the warehouse move in the previous year that had caused additional costs in the first quarter of 2019. Due to the warehouses all working very well in the first quarter of 2020, those additional cost from a year ago were not present anymore.

As a result, our contribution margin grew from 18.6 % for the first three months of 2019 by 5.7 percentage points to 24.3 % in the first quarter of 2020.

### Marketing Expenses

Marketing expenses were EUR 6.4m (9.5 % of revenue) in the first quarter of 2020 compared to EUR 4.5m (7.3 % of revenue) in the previous-year period. Based on the success of our increased marketing expenses in the second half of 2019, we have been continuing our higher marketing investments in 2020 as well. However, due to economic uncertainty and to preserve cash, we have slowed down some paid marketing spending during the end of the first quarter of 2020.

## General and Administrative Expenses

General and administrative expenses were up by EUR 0.7m to EUR 13.4m in the first quarter of 2020. In percent of revenue this corresponds to a decrease by 0.8 percentage points to 19.9% compared to the same period in the previous year (Q1 2019: EUR 12.7m or 20.7% of revenue). This improvement mostly resulted from higher operating leverage in the current period. We continue to invest into technology to make our apps and website more attractive for our customers.

## Adjusted EBITDA<sup>2</sup>

The Group's Adjusted EBITDA improved significantly to EUR –1.2m in the first quarter of 2020 (Q1 2019: EUR –3.9m). Our Adjusted EBITDA margin increased accordingly from –6.3% in the first three months of 2019 to –1.8% in the first quarter of 2020.

In the first quarter of 2020 a positive effect of EUR 0.2m was recognized due to the partial release of the restructuring provision for the centralization of the French business which was done in 2019. Due to their non-recurring nature, related expenses and income are excluded from our Adjusted EBITDA.

## 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 2020 show double-digit growth of revenue in the DACH segment together with a solid development in the International segment. Adjusted EBITDA for the DACH segment was positive as it was in the last quarter of 2019.

### CONSOLIDATED SEGMENT RESULTS (UNAUDITED)

EUR m	Q1 2020	Q1 2019	Change
<b>Revenue</b>			
DACH	37.6	33.5	12.4%
International	29.9	28.0	7.1%
<b>Adjusted EBITDA</b>			
DACH	0.9	-0.9	1.8
International	-2.0	-2.9	0.9
Headquarter/reconciliation	-0.1	-0.1	0.0
<b>Adjusted EBITDA margin</b>			
DACH	2.4%	-2.7%	5.1pp
International	-6.7%	-10.3%	3.6pp

## Segment Revenue

Our DACH segment continued to show strong revenue growth of 12.4% year-over-year in the first quarter of 2020. Revenue of the International segment grew by 7.1% year-over-year, demonstrating the continued improvements in this segment.

## Segment Adjusted EBITDA

In the first quarter of 2020 the Adjusted EBITDA margin in the DACH segment increased by 5.1 percentage points to +2.4% (Q1 2019: –2.7%). In the International segment the Adjusted EBITDA margin amounted to –6.7% in the first quarter of 2020, compared to –10.3% in the previous-year period.

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

## 1.3 FINANCIAL POSITION

### CASH FLOWS (UNAUDITED)

EUR m	Q1 2020	Q1 2019
Cash flows used in operating activities	-4.5	-13.1
Cash flows used in investing activities	-1.9	-3.1
Cash flows from financing activities	-1.5	-1.3
Net decrease in cash and cash equivalents	-7.9	-17.5
Effect of exchange rate fluctuations on cash held	-0.1	-0.1
Cash and cash equivalents as of January 1	73.2	123.0
<b>Cash and cash equivalents as of March 31</b>	<b>65.2</b>	<b>105.4</b>
Free cash flow	-6.4	-16.2

Cash flows used in operating activities improved strongly and amounted to EUR – 4.5m in the first three months of 2020 compared to EUR – 13.1m for the same period in 2019. This development was primarily driven by our better operating result.

Cash flows used in investing activities decreased from EUR – 3.1m in the first three months of 2019 to EUR – 1.9m for the same period in 2020. This development is mainly due to a lower capitalization ratio of internally developed software as well as reduced investments in property, plant and equipment and rent deposits.

As a result of the developments in the operating and investing cash flows described above, the free cash flow for the first quarter of 2020 substantially improved by EUR 9.8m to EUR – 6.4m (Q1 2019: EUR – 16.2m).

The slight increase in cash flows from financing activities to EUR – 1.5m in the first three months of 2020 (Q1 2019: EUR – 1.3m) results from higher payments for leasing liabilities and related interest expenses.

Our net cash balance remains very strong at EUR 65.2m. We continue to improve our cash flow and operate our business in a very cash-efficient way by maintaining roughly neutral working capital and an asset-light business model (capex ratio of 3% for the first three months of 2020).

### CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

EUR m	March 31, 2020	In % of Total	December 31, 2019	In % of Total
<b>Total assets</b>	<b>163.6</b>	<b>100.0%</b>	<b>165.4</b>	<b>100.0%</b>
Non-current assets	52.6	32.1%	51.5	31.1%
Current assets	111.1	67.9%	113.9	68.9%
<b>Total liabilities + equity</b>	<b>163.6</b>	<b>100.0%</b>	<b>165.4</b>	<b>100.0%</b>
Equity	70.3	43.0%	74.4	45.0%
Non-current liabilities	26.9	16.5%	26.7	16.1%
Current liabilities	66.4	40.6%	64.4	38.9%

On March 31, 2020, total assets amounted to EUR 163.6m (December 31, 2019: EUR 165.4m).

Non-current assets hardly changed compared to year-end 2019. The slight increase by EUR 1.1m to EUR 52.6m is primarily due to increased right-of-use assets and a higher amount of self-developed intangible assets. Current assets decreased by EUR 2.9m to EUR 111.1m caused by the reduction in cash and cash equivalents of EUR 8.0m that was partially compensated by the increase in inventories of EUR 4.0m.

Equity decreased from EUR 74.4m as of December 31, 2019, to EUR 70.3m as of March 31, 2020, primarily due to the loss of the period.

Overall, non-current liabilities remained nearly unchanged with small deviations in leasing liabilities only.

Current liabilities were up by EUR 2.0m to EUR 66.4m, resulting from some adverse effects. While contract liabilities increased by EUR 6.6m, refund liabilities decreased by EUR 2.4m and other non-financial liabilities by EUR 1.6m.

## **1.4 OUTLOOK**

Westwing had a good start into 2020 with profitability for the first three months significantly improved compared to the previous-year period.

Very recently, we have seen accelerated GMV growth which may positively impact the results of the second quarter with respect to growth and profitability due to operating leverage. However, at this stage Westwing would not extrapolate the currently elevated growth rate for the remainder of the year.

We consider the uncertainties regarding a recession as well as lower consumer spending and the impact created by the COVID-19 pandemic on the full year results as not reliably quantifiable yet. Therefore, we are not amending our previously provided guidance for the full year 2020 and expect revenue growth in 2020 in a range of 5 – 10 % and Adjusted EBITDA margin to moderately improve compared to 2019 fiscal year.

## **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 12, 2020

Stefan Smalla  
Chief Executive Officer

Sebastian Säuberlich  
Chief Financial Officer

# 2

## CONSOLIDATED FINANCIAL STATEMENTS

for the Period Ended March 31, 2020 (Unaudited)

### 2.1 CONSOLIDATED INCOME STATEMENT

EUR m	Q1 2020	Q1 2019
Revenue	67.6	61.4
Cost of sales	-36.0	-35.4
<b>Gross profit</b>	<b>31.5</b>	<b>26.0</b>
Fulfilment expenses	-15.1	-14.7
Marketing expenses	-6.4	-4.5
General and administrative expenses	-15.0	-16.2
Other operating expenses	-0.6	-0.4
Other operating income	0.5	0.3
<b>Operating result</b>	<b>-5.1</b>	<b>-9.4</b>
Finance costs	-0.3	-0.7
Finance income	-	0.5
Other financial result	-0.2	-0.1
<b>Financial result</b>	<b>-0.5</b>	<b>-0.4</b>
<b>Result before income tax</b>	<b>-5.6</b>	<b>-9.7</b>
Income tax expense	-0.1	0.0
<b>Result for the period</b>	<b>-5.7</b>	<b>-9.8</b>
<b>Result attributable to:</b>		
Owners of the Company	-5.7	-9.8
Non-controlling interests	-0.0	0.0

### 2.2 RECONCILIATION OF ADJUSTED EBITDA

EUR m	Q1 2020	Q1 2019
<b>Operating Result</b>	<b>-5.1</b>	<b>-9.4</b>
Adjustments		
Share-based compensation expenses	1.7	3.6
(Income) / expenses for restructuring France	-0.2	-
Depreciation, amortization, and impairments	2.4	2.0
<b>Adjusted EBITDA</b>	<b>-1.2</b>	<b>-3.9</b>



## 2.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR m	March 31, 2020	December 31, 2019
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	35.7	35.4
Intangible assets	12.7	11.9
Trade and other receivables	4.2	4.2
<b>Total non-current assets</b>	<b>52.6</b>	<b>51.5</b>
<b>Current assets</b>		
Inventories	27.4	23.4
Prepayments on inventories	2.9	2.4
Trade and other receivables	9.9	9.4
Other assets	5.7	5.5
Cash and cash equivalents	65.2	73.2
<b>Total current assets</b>	<b>111.1</b>	<b>113.9</b>
<b>Total assets</b>	<b>163.6</b>	<b>165.4</b>
<b>Equity and liabilities</b>		
<b>Equity/(deficit)</b>		
Share capital	20.7	20.7
Capital reserves	351.1	351.1
Treasury shares	- 2.6	- 2.6
Other reserves	53.4	51.8
Retained earnings	- 350.0	- 344.2
Other comprehensive income (OCI) reserve	0.4	0.3
<b>Equity attributable to the owners of the Company</b>	<b>73.1</b>	<b>77.2</b>
Non-controlling interests	- 2.8	- 2.8
<b>Total equity</b>	<b>70.3</b>	<b>74.4</b>
<b>Non-current liabilities</b>		
Lease liabilities	25.7	25.6
Other non-financial liabilities	0.3	0.2
Provisions	1.0	1.0
<b>Total non-current liabilities</b>	<b>26.9</b>	<b>26.7</b>
<b>Current liabilities</b>		
Lease liabilities	5.4	5.1
Trade payables and accruals	29.5	29.7
Contract liabilities	15.5	8.9
Refund liabilities	4.6	7.0
Other financial liabilities	0.0	0.0
Other non-financial liabilities	10.4	12.0
Provisions	1.0	1.7
<b>Total current liabilities</b>	<b>66.4</b>	<b>64.4</b>
<b>Total liabilities</b>	<b>93.3</b>	<b>91.1</b>
<b>Total equity and liabilities</b>	<b>163.6</b>	<b>165.4</b>

## 2.4 CONSOLIDATED STATEMENT OF CASH FLOWS

EUR m	Q1 2020	Q1 2019
Result before income tax	-5.6	-9.7
Adjustments		
Depreciation and impairment of property, plant and equipment	1.7	1.5
Amortization and impairment of intangible assets	0.7	0.5
Loss on disposal of property, plant and equipment	-0.0	-0.0
Share-based compensation (income)/expenses	1.7	3.6
Fair value loss on financial liabilities	-	-0.5
Finance income	-	-0.0
Finance costs	0.3	0.7
Foreign currency effects	0.2	0.1
Other non-cash related adjustments	0.1	0.4
Changes in provisions	-3.0	-3.3
<b>Cash effective operating profit/(loss) before changes in working capital</b>	<b>-3.9</b>	<b>-6.7</b>
Adjustments for changes in working capital:		
Changes in trade and other receivables and prepayments	-1.1	-0.1
Changes in inventories	-4.7	-3.9
Changes in trade and other payables	5.4	-2.4
<b>Cash used in operations</b>	<b>-4.4</b>	<b>-13.2</b>
Tax paid	-0.1	0.1
<b>Net cash flows used in operating activities</b>	<b>-4.5</b>	<b>-13.1</b>
<b>Investing Activities:</b>		
Proceeds from sale of property, plant and equipment	0.0	0.0
Purchase of property, plant and equipment	-0.4	-0.7
Purchase of intangible assets	-1.5	-2.0
Other investing activities	-	0.0
Rent deposits	0.0	-0.5
<b>Net cash flows used in investing activities</b>	<b>-1.9</b>	<b>-3.1</b>
<b>Financing activities</b>		
Interest and other finance charges paid	-0.3	-0.3
Payments of lease liabilities	-1.2	-1.0
Purchase of equity instruments	-	0.0
Purchase of minorities	-	0.0
<b>Net cash flows from financing activities</b>	<b>-1.5</b>	<b>-1.3</b>
<b>Net change in cash and cash equivalents</b>	<b>-7.9</b>	<b>-17.5</b>
Effect of exchange rate fluctuations on cash held	-0.1	-0.1
Cash and cash equivalents as of January 1	73.2	123.0
<b>Cash and cash equivalents at March 31</b>	<b>65.2</b>	<b>105.4</b>

# FINANCIAL CALENDAR



**Annual General Meeting 2020**

Date not determined yet

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**Publication of half-year report 2020**

August 13, 2020

•

**Publication of third quarter results 2020**

November 10, 2020

# IMPRINT



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