



# WESTWING

Q3 2019 Results

November 7, 2019

# Disclaimer | Forward Looking Statements

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*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 on this call due to a number of factors, including without limitation, risks from macroeconomic developments, external fraud, inefficient processes at fulfillment centers, inaccurate personnel and capacity forecasts for fulfillment 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.*



## AGENDA

- Results and Business Update
- Financial Details
- Q&A
- Appendix



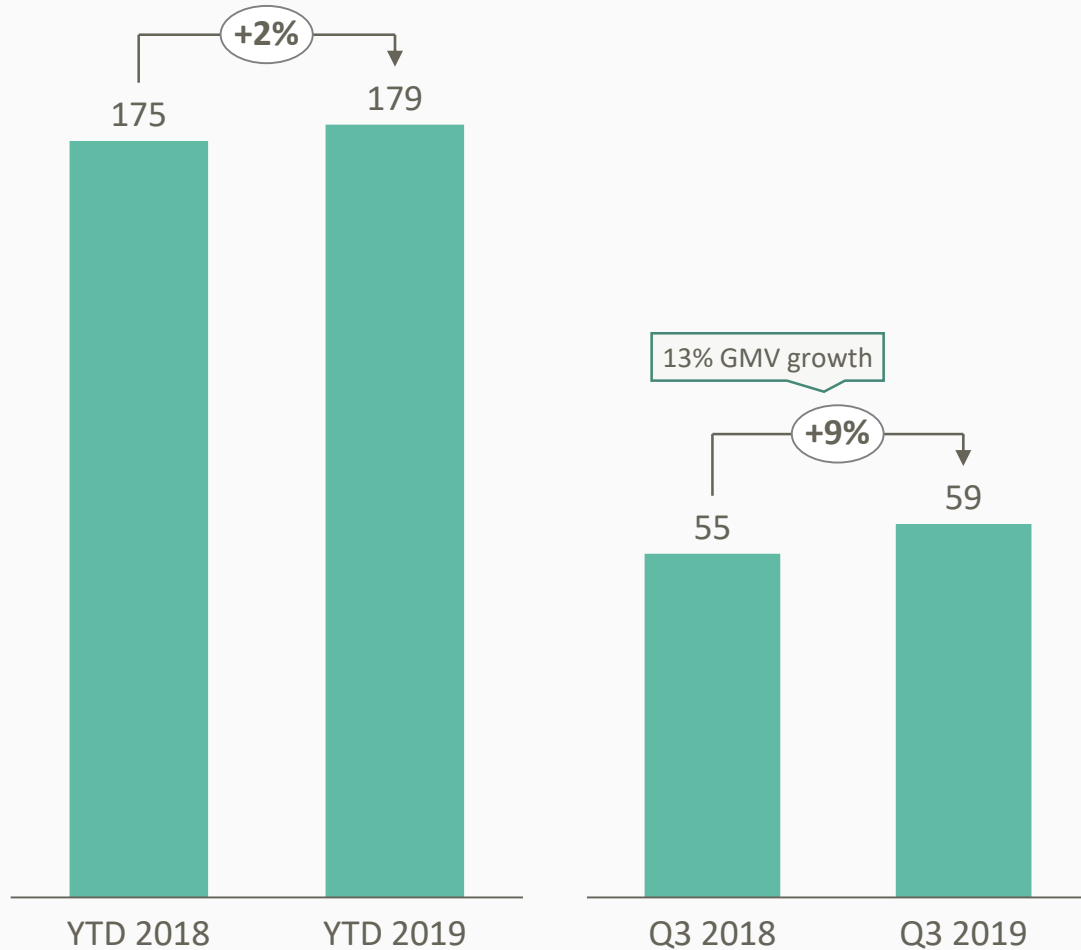
OUR MISSION

“ To inspire and make  
every home a  
beautiful home ”

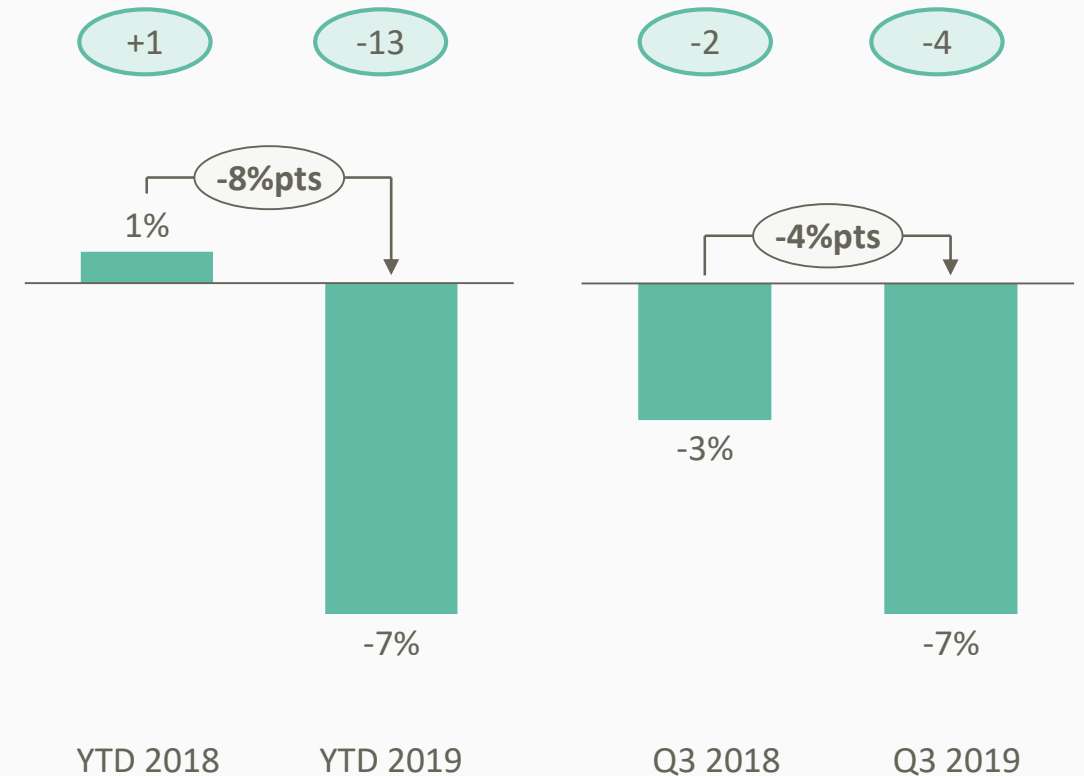


# Q3 2019 back to growth as indicated in guidance update

**Group Revenue** (in EUR m)



**Group Adj EBITDA** (in EUR m, % of Revenue)



Note: Unaudited. Adj EBITDA is excluding (i) share-based compensation expenses, (ii) expenses for the centralization of the French business in FY 2019, (iii) IPO costs recognized in profit or loss in FY2018 and (iv) central costs allocated to discontinued operations in FY2018

# We saw good progress in Q3 2019 and expect profitable growth in Q4: business fundamentals strong, 2019 challenges back on track, others work in progress

## Business fundamentals strong

- ✓ Customer loyalty very strong
  - 81% of orders from repeat customers
  - EUR 326 GMV/Active Customer LTM
- ✓ Business model (daily themes, permanent assortment, private label, organic marketing) in all 11 countries, built on DACH blueprint
- ✓ Own & Private label share continues to grow strongly to 27% of Group GMV
  - Gain of 9%pts vs Q3-2018 at 8-10%pts better contribution margin than 3<sup>rd</sup>-party
- ✓ Strong Free Cash-Flow profile
  - 3-4% Capex (mostly capitalized technology)
  - Neutral Net Working Capital
  - Cash burn 2019 mostly driven by EBITDA loss and post-IPO inventory increases
- ✓ Cash balance strong at EUR 68m

## 2019 challenges back on track

- ✓ Logistics back on track
  - New warehouse in Poland running well, now improving productivity for benefits of lower factor costs
  - Sufficient Group warehouse capacity for 2020, moderate 2021 expansion expected
- ✓ Topline growing
  - GMV at 13% yoy in Q3 (vs 1% in H1)
- ✓ Contribution margin strong
  - Always seasonally low in Q3; this year Q3 at 20% better than last year's 18% in Q3
  - Gross margin all-time high 44.3%
- ✓ New customer acquisition ramping up
  - Active customers improving to 926k at the end of Q3 from 909k at the end of Q2
  - Higher number of low-price point products
  - First impacts from increased Marketing

## Work in progress

- International segment
  - Back growing for first time since 2018
  - Italy improving, Q3 only single-digit decline
  - France restructuring/centralization done
- Operating leverage
  - After SG&A increase for International roll-out, we expect absolute SG&A cost roughly stable through 2019 and also 2020
  - Biggest profitability driver going forward is operating leverage
- Marketing
  - Target Marketing cost ratio updated to 9% with new investments leveraging existing organic assets
  - Payback times attractive at 12-15 months, with strong profitability in years thereafter
- Profitable growth
  - Expect it for Q4 2019

# New Own & Private Label product releases

**Cushion Mads**  
from EUR 7.99



**Velvet Sofa Saga**  
from EUR 1,499



**Table Lamp Laurel**  
EUR 39



**Solid Wood Sideboard Harry**  
EUR 799



**Velvet Armchair Emilie**  
EUR 499



**Marble Side table set Ella**  
EUR 129



## New Westwing Collection “A TIMELESS FALL” launched



*“For the colder season, it was important to us to design a look that would convey the feeling of cocooning and staying at home but in a modern way. Cuddly, soft, autumnal textures like teddy and faux fur meet toned-down nuances and a few splashes of color. The result is a sophisticated yet very inviting and cozy collection.”*

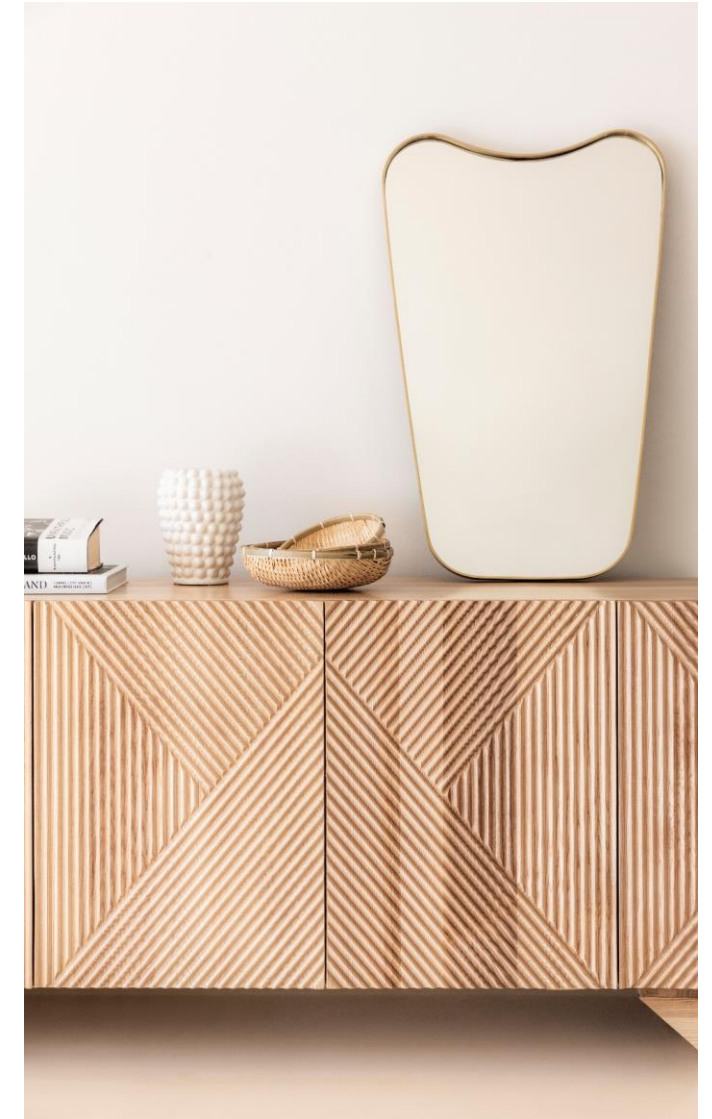


# We inspired our customers with a vast variety of daily themes through Q3



# Outlook for Q4 2019 / FY 2019

- **We expect in Q4 to be profitably growing**
- We expect Free Cash-Flow to be positive for the remainder of year (seasonally positive in Q4)
- **Key focus areas in Q4 2019** are:
  1. Deliver fantastic Q4, our seasonally strongest quarter, both from our offering side as well as silent running of operations with strong contribution margin
  2. Marketing investments continued at elevated levels for future growth
- **Financial targets 2019:** We expect to reach our updated guidance of 6-12% revenue growth at the lower end. We expect to reach our updated Adj. EBITDA margin guidance of -3.5% (within a range of 1%pts). We expect Free Cash-Flow to not exceed EUR -29m.



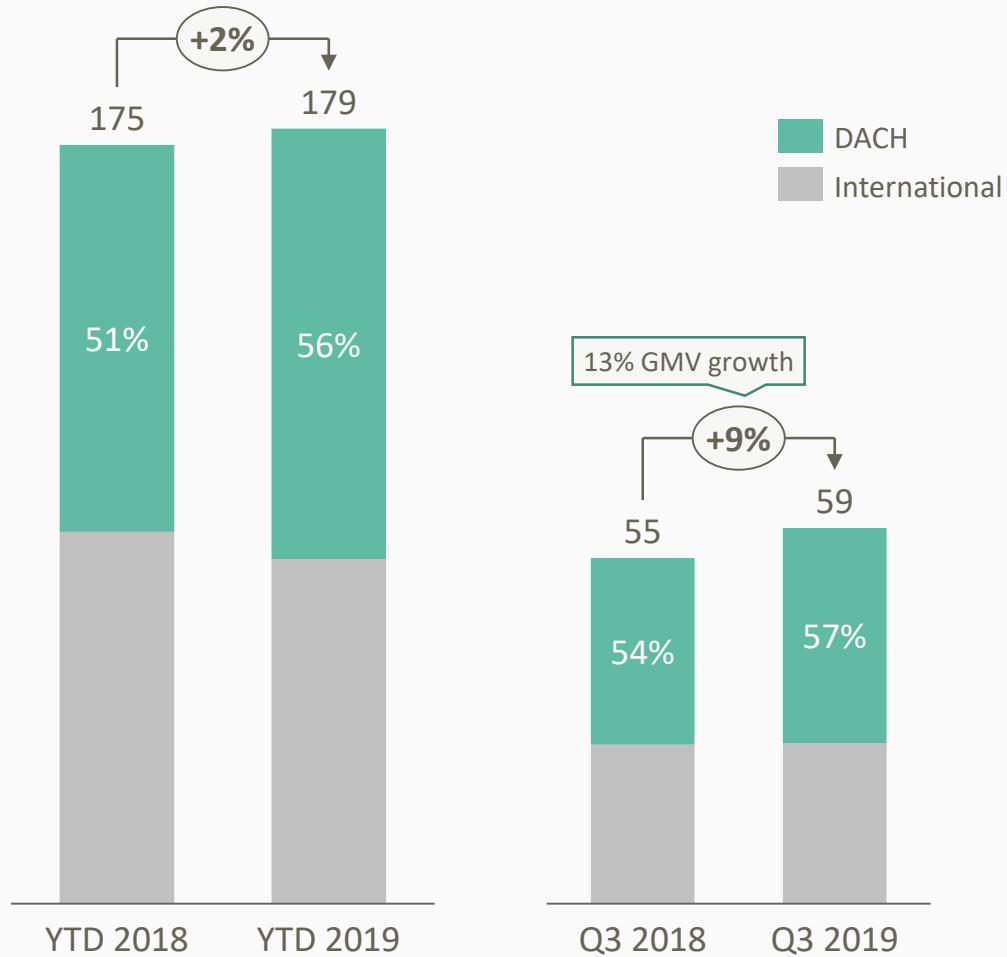


## AGENDA

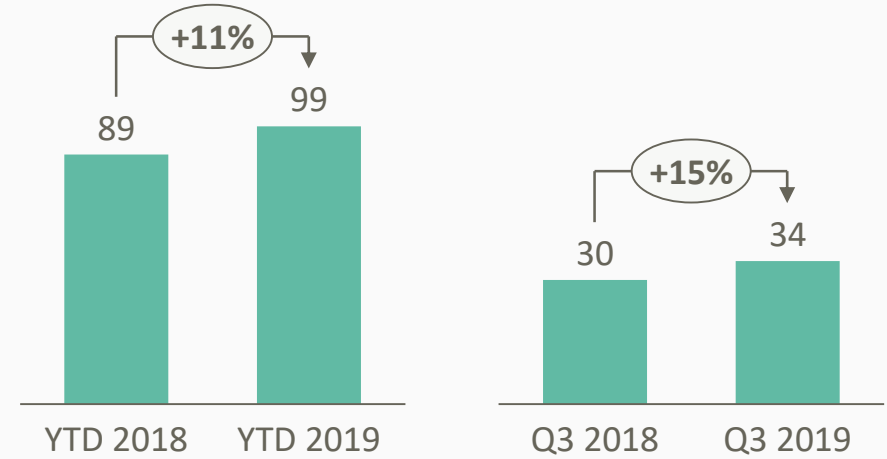
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# Revenue at 9% growth

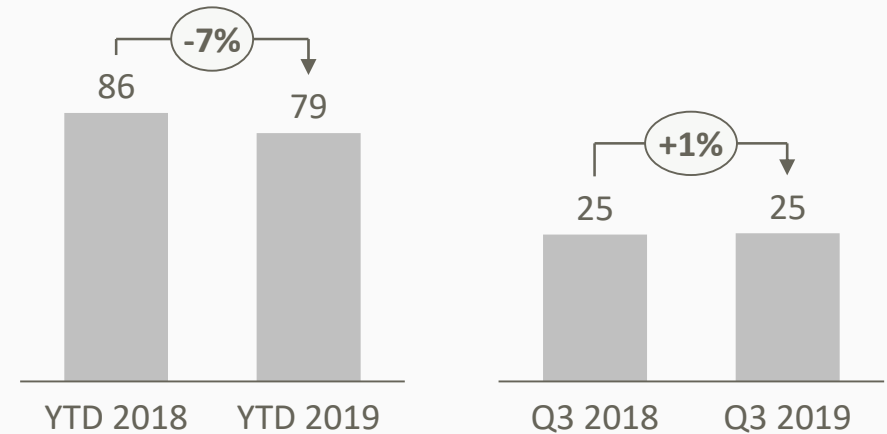
Group Revenue (in EUR m)



DACH Segment Revenue (in EUR m)

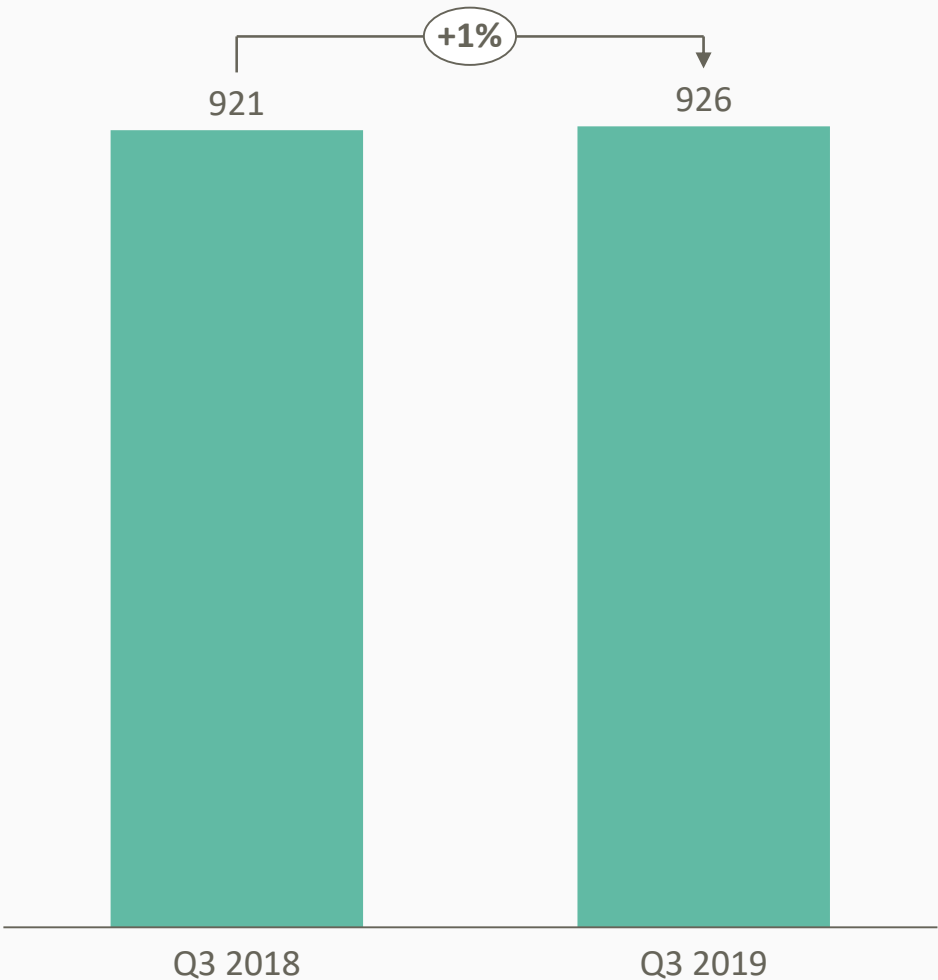


International Segment Revenue (in EUR m)

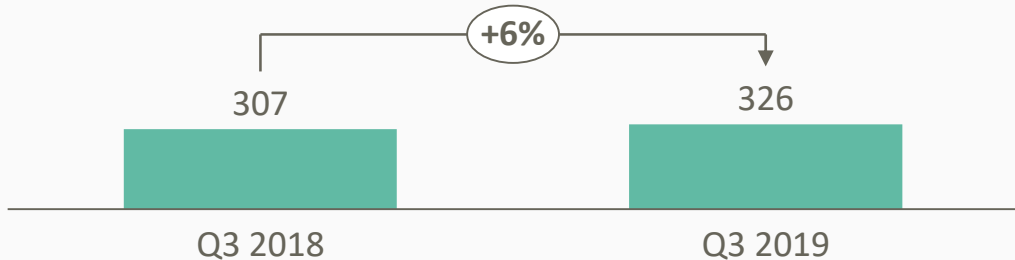


# Active Customers growing to 926k

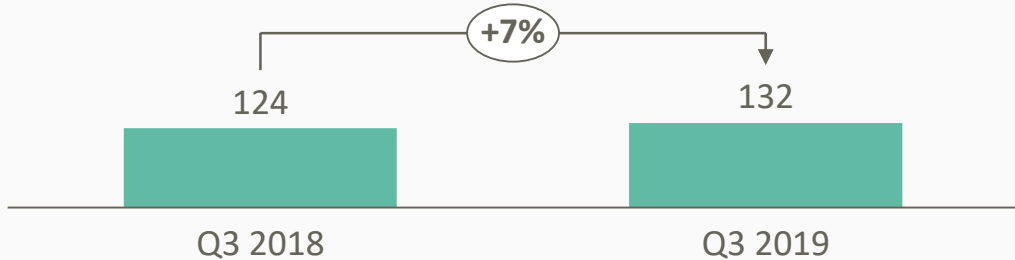
Active Customers (in k)



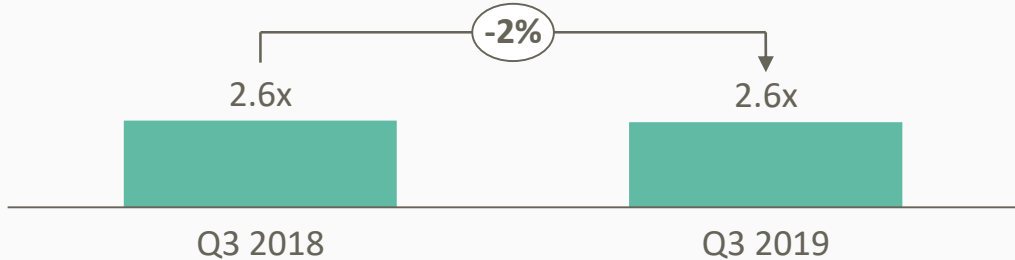
GMV per Active Customer LTM (in EUR)



Average basket size (in EUR)



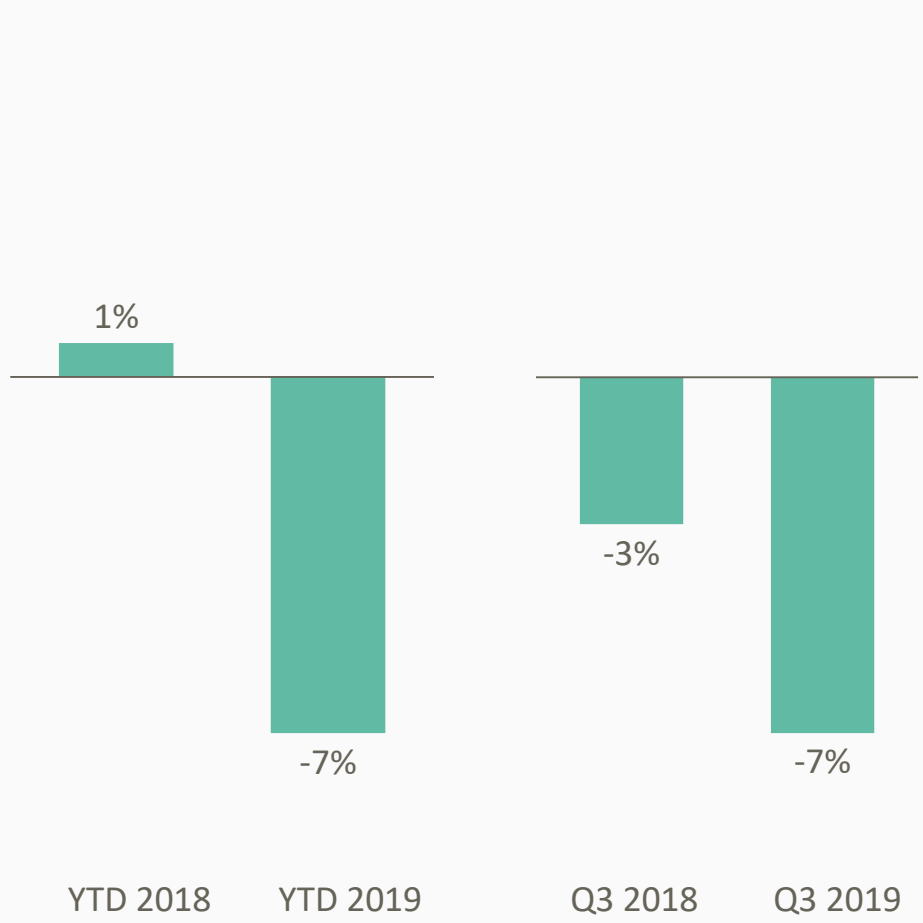
Average orders per Active Customer LTM



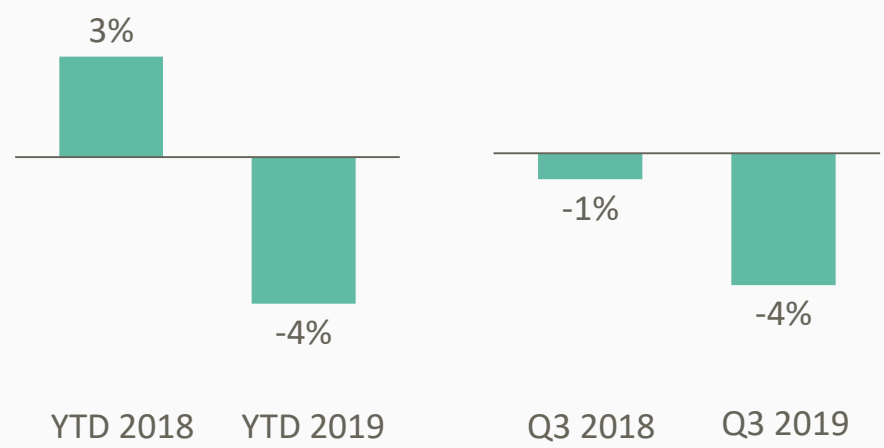
Note: Unaudited

# Adj EBITDA margin Q3 2019 reflecting increased marketing spend for future growth as well as customary summer seasonality

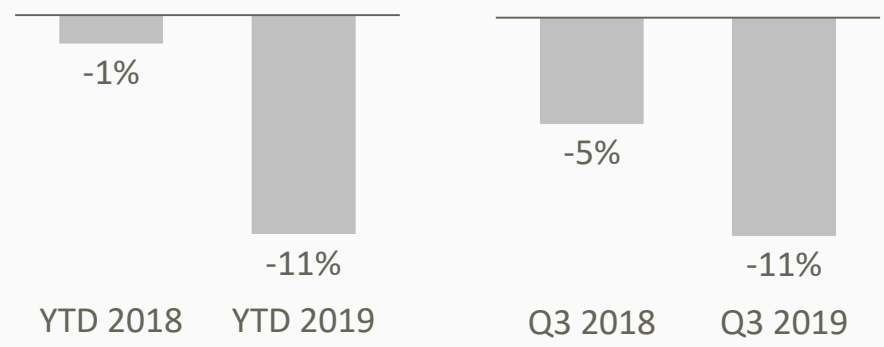
**Group Adj EBITDA** (in % of Revenue)



**DACH Segment Adj EBITDA** (in % of Revenue)



**International Segment Adj EBITDA** (in % of Revenue)



Note: Unaudited. Adj EBITDA is excluding (i) share-based compensation expenses, (ii) expenses for the centralization of the French business in FY 2019, (iii) IPO costs recognized in profit or loss in FY2018 and (iv) central costs allocated to discontinued operations in FY2018

# Income statement details

	YTD 2018	YTD 2019	Delta	Q3 2018	Q3 2019	Delta	
Revenue (EUR m)	175	179	+2.1%	55	59	+8.7%	Gross margin at all-time high due to margin discipline and increased private label share
Gross margin	42.6%	43.3%	+0.8%pts	42.8%	44.3%	+1.5%pts	Contribution margin improving as logistics inefficiencies addressed
Contribution margin	20.4%	19.1%	-1.3%pts	18.3%	20.2%	+1.9%pts	Marketing investment increased for future growth
Marketing ratio	-6.8%	-8.8%	-2.1%pts	-7.8%	-10.9%	-3.2%pts	Not yet showing effect of France centralization and future operating leverage
G&A ratio	-16.9%	-21.0%	-4.1%pts	-18.4%	-20.2%	-1.8%pts	
D&A	3.0%	3.7%	+0.6%pts	3.9%	4.3%	+0.4%pts	
Adj EBITDA	0.7%	-7.3%	-8.0%pts	-2.9%	-7.1%	-4.2%pts	

Note: Unaudited. Adj EBITDA is excluding (i) share-based compensation expenses, (ii) expenses for the centralization of the French business in FY 2019, (iii) IPO costs recognized in profit or loss in FY2018 and (iv) central costs allocated to discontinued operations in FY2018

# Roughly neutral Net Working Capital and low Capex ratio

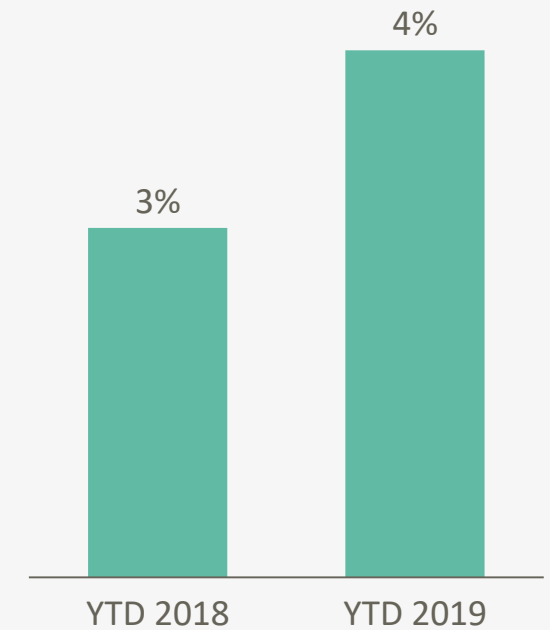
Net Working Capital (NWC) break down as of Sep 30, 2019

(EUR m)



Capex ratio YTD 2019

(as % of Revenue)



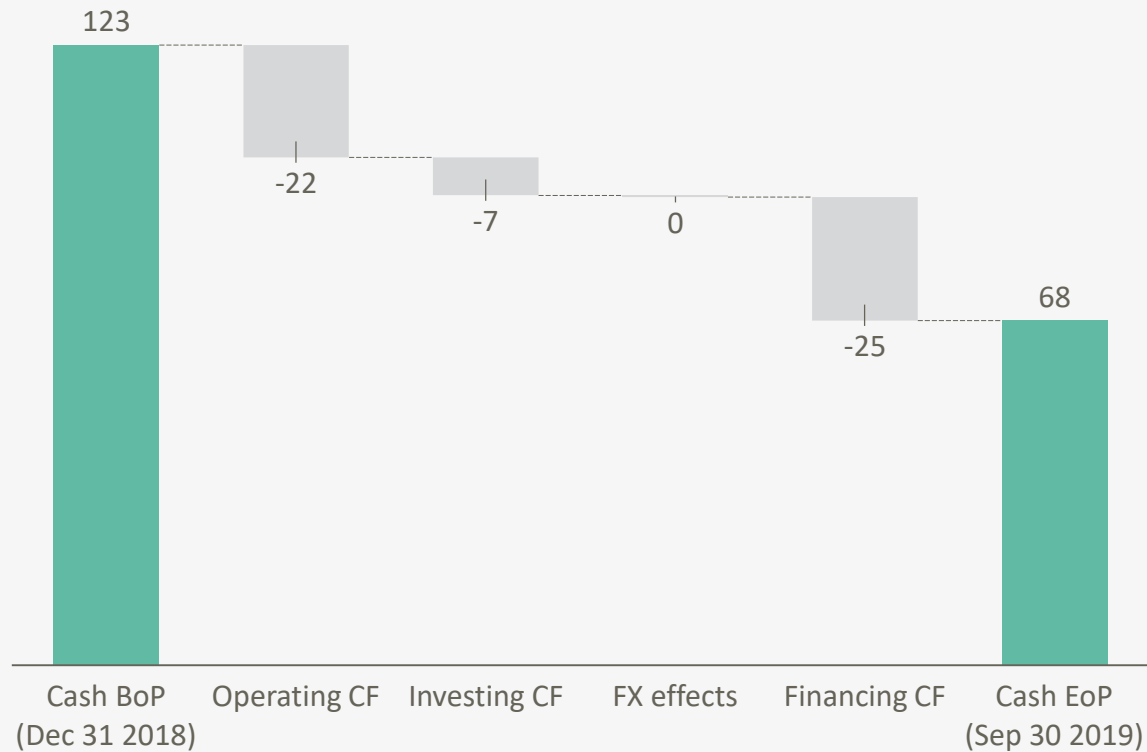
Note: Unaudited; (1) Previously called "Customer prepayments", relabeled in line with IFRS15



# Strong Net Cash position of EUR 68m per end of Q3; we expect Q4 Free Cash Flow to be positive

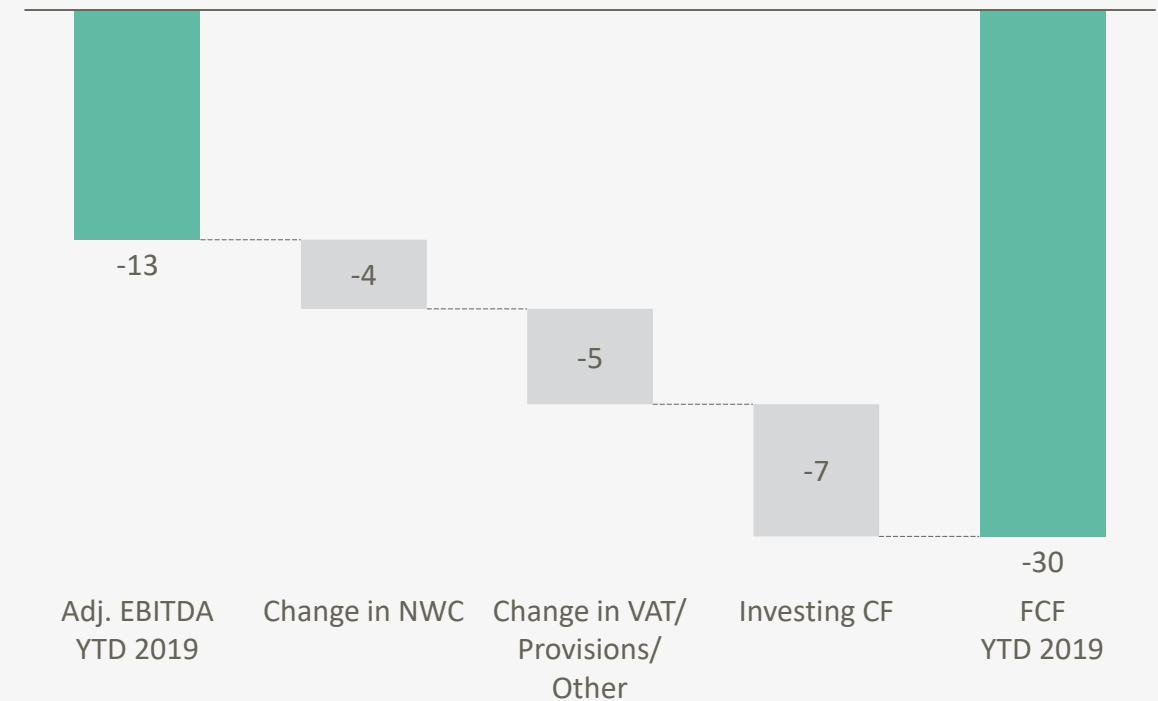
## Cash bridge in YTD 2019

(in EUR m)



## Adj EBITDA to Free Cash Flow YTD 2019

(in EUR m)



Note: Unaudited; Free Cash Flow defined as the sum of Operating Cash Flow and Investing Cash Flow



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Q&A



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# KPI overview

Group KPIs	Unit	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Own and Private Label share	in % of GMV	7%	9%	11%	12%	13%	15%	18%	18%	21%	22%	27%
Active customers	in k	794	788	802	838	881	907	921	934	927	909	926
Number of orders	in k	510	492	496	723	611	555	507	726	591	492	539
Average basket size	in EUR	115	114	114	113	119	120	124	122	129	132	132
Average orders LTM per active customer	in #	2.6	2.7	2.6	2.7	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Average GMV LTM per active customer	in EUR	289	293	297	301	302	305	307	312	318	322	326
GMV	in EUR m	58	56	56	81	72	67	63	89	76	65	71
Mobile visit share	in %	67%	69%	71%	71%	72%	73%	74%	74%	75%	76%	77%

# Consolidated income statement

EUR m, in % of revenue	YTD 2018	YTD 2019	Q3 2018	Q3 2019
<b>Revenue</b>	<b>175</b>	<b>179</b>	<b>55</b>	<b>59</b>
Cost of Sales	-101	-101	-31	-33
<b>Gross profit</b>	<b>75</b>	<b>78</b>	<b>23</b>	<b>26</b>
Fulfilment expenses	-38	-44	-13	-14
Marketing expenses	-12	-16	-4	-7
General and administrative expenses	-35	-48	-17	-15
Other operating expenses	-0	-1	-0	-0
Other operating income	0	1	0	0
Operating result	-10	-31	-12	-10
Financial result	-8	-4	-1	-2
<b>Result before income tax</b>	<b>-18</b>	<b>-35</b>	<b>-13</b>	<b>-12</b>
Income tax expense	-0	-0	-0	-0
<b>Result for the period from continuing operations</b>	<b>-18</b>	<b>-35</b>	<b>-13</b>	<b>-12</b>
Result for the period from discontinued operations	1	-	0	-
Result for the period	-17	-35	-12	-12
<b>Reconciliation to Adj EBITDA</b>				
<b>Operating result (EBIT)</b>	<b>-10</b>	<b>-31</b>	<b>-12</b>	<b>-10</b>
Share-based compensation expenses from continuing	1	10	4	3
Centralization France	-	2	-	-0
IPO costs recognized in profit or loss	4	-	3	-
Central costs allocated to discontinued operations	2	-	1	-
D&A	5	7	2	3
<b>Adj. EBITDA</b>	<b>1</b>	<b>-13</b>	<b>-2</b>	<b>-4</b>
<b>Adj EBITDA margin (%)</b>	<b>0.7%</b>	<b>-7.3%</b>	<b>-2.9%</b>	<b>-7.1%</b>

Note: Unaudited. Adj EBITDA is excluding (i) share-based compensation expenses, (ii) expenses for the centralization of the French business in FY 2019, (iii) IPO costs recognized in profit or loss in FY2018 and (iv) central costs allocated to discontinued operations in FY2018

# Adjusted income statement

EUR m, in % of revenue	YTD 2018	YTD 2019	Q3 2018	Q3 2019
<b>Revenue</b>	<b>175</b>	<b>179</b>	<b>55</b>	<b>59</b>
<i>Revenue Growth YoY</i>	19.6%	2.1%	15.0%	8.7%
Cost of Sales	-101	-101	-31	-33
<b>Gross Profit</b>	<b>75</b>	<b>78</b>	<b>23</b>	<b>26</b>
<b>Gross Margin</b>	<b>42.6%</b>	<b>43.3%</b>	<b>42.8%</b>	<b>44.3%</b>
Fulfillment expenses	-39	-43	-13	-14
Contribution profit	36	34	10	12
<b>Contribution margin</b>	<b>20.4%</b>	<b>19.1%</b>	<b>18.3%</b>	<b>20.2%</b>
Marketing expenses	-12	-16	-4	-7
General and administrative expenses	-30	-38	-10	-12
Other operating expenses	-0	-1	-0	-0
Other operating income	0	1	0	0
Central costs allocated to discontinued operations	2	-	1	-
Depreciation and Amortization	5	7	2	3
<b>Adj EBITDA</b>	<b>1</b>	<b>-13</b>	<b>-2</b>	<b>-4</b>
<b>Adj EBITDA Margin</b>	<b>0.7%</b>	<b>-7.3%</b>	<b>-2.9%</b>	<b>-7.1%</b>

Note: Unaudited. Adj EBITDA is excluding (i) share-based compensation expenses, (ii) expenses for the centralization of the French business in FY 2019, (iii) IPO costs recognized in profit or loss in FY2018 and (iv) central costs allocated to discontinued operations in FY2018

# Segment reporting

(in EUR m)

## DACH

Revenue

*YoY Growth (in %)*

Adj. EBITDA

*Adj. EBITDA Margin %*

YTD 2018

YTD 2019

Q3 2018

Q3 2019

89

99

30

34

43%

11%

33%

15%

3

-4

0

-1

2.9%

-4.2%

-0.8%

-4.1%

## International

Revenue

*YoY Growth (in %)*

Adj. EBITDA

*Adj. EBITDA Margin %*

YTD 2018

YTD 2019

Q3 2018

Q3 2019

86

79

25

25

2%

-7%

-1%

1%

-1

-9

-1

-3

-1.4%

-10.7%

-5.2%

-10.7%



# Selected figures consolidated balance sheet and cash flow statement

(in EUR m)		
<b>Assets</b>	<b>FY 2018</b>	<b>YTD 2019</b>
Non-Current Assets	33	51
Current Assets	164	110
thereof cash	123	68
<b>Total Assets</b>	<b>197</b>	<b>161</b>
<b>Total Liabilities + Equity</b>	<b>FY 2018</b>	<b>YTD 2019</b>
Equity	105	77
Non-current Liabilities	32	27
Current liabilities	60	58
<b>Total Liabilities and Equity</b>	<b>197</b>	<b>161</b>
<b>Cash flow</b>	<b>YTD 2018</b>	<b>YTD 2019</b>
Operating activities	-13	-22
Investing activities	-5	-7
Financing activities	10	-25

# Financial calendar

March 19<sup>th</sup>, 2020

Publication of Financial Report  
FY 2019

							1
2	3	4	5	6	7	8	
9	10	11	12	13	14	15	
16	17	18	19	20	21	22	
23	24	25	26	27	28	29	
30	31						

March

March 27<sup>th</sup>, 2020

Publication of Annual Report  
FY 2019

							1	2	3
4	5	6	7	8	9	10			
11	12	13	14	15	16	17			
18	19	20	21	22	23	24			
25	26	27	28	29	30	31			

May

May 12<sup>th</sup>, 2020

Publication of Financial Report  
Q1 2020

August 13<sup>th</sup>, 2020

Publication of Financial Report  
Q2 2020

								1	2
3	4	5	6	7	8	9			
10	11	12	13	14	15	16			
17	18	19	20	21	22	23			
24	25	26	27	28	29	30			
31									

August

November 10<sup>th</sup>, 2020

Publication of Financial Report  
Q3 2020

									1
2	3	4	5	6	7	8			
9	10	11	12	13	14	15			
16	17	18	19	20	21	22			
23	24	25	26	27	28	29			
30									

November