

WESTWING

QUARTERLY STATEMENT

January – March 2023



WESTWING AT A GLANCE

Q1 2023 HIGHLIGHTS

- Very positive development of gross and contribution margin now at 50.3% and 27.9% respectively
- Cost savings in marketing and administrative expenses of EUR 2.3m each, CapEx reduced by EUR 2.6m
- Adjusted EBITDA increased by EUR 6.8m to EUR 5.1m, with Adjusted EBITDA margin up to 4.9%
- Westwing Collection share all-time high at 46% of GMV, an increase of 9 percentage points (Q1 2022: 37%)
- Average basket size up by 15% to EUR 169 (Q1 2022: EUR 147)
- Free cash flow strongly improved by EUR 26.9m and net working capital by EUR 21.1m with strong cash balance at EUR 80.0m

KEY FIGURES (UNAUDITED)

	Q1 2023	Q1 2022	Change
Results of operations			
Revenue (in EURm)	102.9	111.1	-8.2%
Adjusted EBITDA (in EURm)	5.1	-1.7	6.8
Adjusted EBITDA margin (in % of revenue)	4.9%	-1.5%	6.5pp
Financial position			
Free cash flow (in EURm)	9.9	-17.1	26.9
Cash and cash equivalents as of March 31 (in EURm)	80.0	79.3	0.7
Key performance indicators			
Westwing Collection share (in % of GMV)	46%	37%	9pp
GMV (in EURm)	118	128	-8%
Number of orders (in k)	694	872	-20%
Average basket size (in EUR)	169	147	15%
Active customers (in k)	1,262	1,593	-21%
Average orders per active customer in the preceding 12 months	2.3	2.5	-6%
Average GMV per active customer in the preceding 12 months (in EUR)	373	345	8%
Mobile visit share (in %)	79%	80%	-1pp
Other			
Full-time equivalent employees (as of reporting date)	1,657	2,309	-28%

REPORT ON ECONOMIC POSITION

1.1 FINANCIAL PERFORMANCE OF THE GROUP¹

The condensed income statement for the first quarter of 2023 showed revenue of EUR 102.9m, a reduction by 7.4% compared to the same quarter of the previous year (Q1 2022: EUR 111.1m). GMV was down by 8.2% year-over-year. The weaker topline development was primarily driven by a lower consumer sentiment in the first quarter 2023. As a result, the number of orders reduced by 20% compared to the previous-year period. This was partially compensated by the higher average basket size that increased to EUR 169 (Q1 2022: EUR 147). The number of Active Customers who made at least one order in the last twelve months was at 1.3m, thus 21% below the number in the same period of the previous year (Q1 2022: 1.6m).

Both segments, DACH and International, showed negative revenue growth in the first quarter of 2023 with DACH segment at -8.0% and the International segment at -6.7% year-over-year.

Lower top line was offset by pricing adjustments and cost discipline within all functional areas in the first quarter of 2023. Both gross margin and contribution margin improved. In addition, marketing and administrative expenses declined by EUR 2.3m each. As a result, Adjusted EBITDA margin reached positive 4.9% in the first quarter of 2023. In absolute terms, Adjusted EBITDA increased by EUR 6.8m to EUR 5.1m (Q1 2022: EUR -1.7m).

CONDENSED FIRST QUARTER 2023 CONSOLIDATED INCOME STATEMENT ON ADJUSTED BASIS (UNAUDITED)

EURm	Q1 2023	In % of revenue	Q1 2022	In % of revenue
Revenue	102.9	100.0	111.1	100.0
Cost of sales	-51.2	-49.7	-57.0	-51.3
Gross profit	51.7	50.3	54.1	48.7
Fulfilment expenses	-23.1	-22.4	-26.0	-23.4
Contribution profit	28.7	27.9	28.1	25.3
Marketing expenses	-9.2	-9.0	-11.5	-10.4
General and administrative expenses	-19.7	-19.2	-22.1	-19.8
Other operating expenses	-0.9	-0.8	-0.7	-0.6
Other operating income	1.5	1.5	0.5	0.4
Depreciation, amortization and impairments	4.7	4.6	4.0	3.6
Adjusted EBITDA	5.1	4.9	-1.7	-1.5

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) and (ii) the shift in the cost of sales and fulfilment expenses resulting from the capitalization of inbound costs to inventory. We calculate "Adjusted EBITDA" by adjusting reported EBITDA for these items.

Revenue

In the first quarter 2023 our revenue declined by –7.4% and amounted to EUR 102.9m (Q1 2022: EUR 111.1m). The Westwing Collection share increased from 37% in the previous-year period to our all-time high of 46% in the first quarter of 2023.

Contribution Margin

Our gross margin improved by 1.6 percentage points from 48.7% in the first quarter of 2022 to 50.3% in the same period of the current year. The improvement of our gross margin was mainly driven by adjustments in pricing and a higher Westwing collection share.

Our fulfilment costs as percentage of revenue decreased by 1.0 percentage point from 23.4% in the previous-year period to 22.4% in the first quarter of 2023. This was mostly driven by improving our cost efficiency in the warehouse.

As a result, our contribution margin increased by 2.6 percentage points from 25.3% for the first three months of 2022 to 27.9% in the first quarter of 2023.

Marketing Expenses

Marketing expenses were down to EUR 9.2m (9.0% of revenue) in the first quarter of 2023 compared to EUR 11.5m (10.4% of revenue) in the same period of the previous year. Given the lower market demand we have adjusted our structural and paid marketing expenses accordingly.

General and Administrative Expenses

In percent of revenue, general and administrative expenses decreased by 0.7 percentage points in the first quarter of 2023 to 19.2% compared to the same period of the previous year (Q1 2022: 19.8% of revenue). This development is primarily driven by the cost savings and lower investments in technology. In absolute terms, general and administrative expenses decreased by EUR 2.3m to EUR 19.7m in the first quarter of 2023 (Q1 2022: EUR 22.1m).

Adjusted EBITDA²

The Group's Adjusted EBITDA was positive at EUR 5.1m in the first quarter of 2023, compared to the previous-year result of EUR –1.7m. This corresponds to an increase of the Adjusted EBITDA margin from –1.5% in the first quarter of 2022 to 4.9% in the same period of 2023. As announced in our forecast for 2023, we focused on a strict margin and cost discipline, while at the same time this was supported by the all-time high of our Westwing Collection share.

² 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) and (ii) the shift in the cost of sales and fulfilment expenses resulting from the capitalization of inbound costs to inventory. We calculate "Adjusted EBITDA" by adjusting reported EBITDA for these items.

1.2 SEGMENT INFORMATION

CONSOLIDATED SEGMENT RESULTS (UNAUDITED)

EURm	Q1 2023	Q1 2022	Change
Revenue			
DACH	55.8	60.7	-8.0%
International	47.1	50.4	-6.7%
Adjusted EBITDA			
DACH	5.0	2.3	2.7
International	0.1	-3.8	3.9
Headquarter/reconciliation	-0.1	-0.3	0.1
Adjusted EBITDA margin			
DACH	9.0%	3.8%	5.2pp
International	0.3%	-7.5%	7.8pp

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 -8.0% and the International segment by -6.7% respectively.

Segment Adjusted EBITDA

In the first quarter of 2023 the Adjusted EBITDA margin in the DACH segment increased significantly by 5.2 percentage points to 9.0% (Q1 2022: 3.8%). In the International segment the Adjusted EBITDA margin showed a slightly positive result at 0.3%, thus 7.8 percentage points above the first quarter of 2022 (Q1 2022: -7.5%).

1.3 FINANCIAL POSITION

CASH FLOWS (UNAUDITED)

EURm	Q1 2023	Q1 2022
Cash flows from operating activities	11.4	-13.9
Cash flows from investing activities	-1.5	-3.1
Cash flows from financing activities	-5.9	-1.1
Net increase/(decrease) in cash and cash equivalents	4.0	-18.2
Effect of exchange rate fluctuations on cash held	-0.0	0.1
Cash and cash equivalents as of beginning of the period	76.0	97.4
Cash and cash equivalents as of March 31	80.0	79.3
Free cash flow	9.9	-17.1

Cash flows from operating activities amounted to EUR 11.4m in the first three months of 2023 compared to EUR -13.9m in the same period of 2022. This development was primarily driven by the significantly increased operating result as well as strongly improved net working capital.

Cash flows from investing activities decreased from EUR -3.1m in the first three months of 2022 to EUR -1.5m in the same period in 2023. This was mostly caused by lower investments into internally developed software and office equipment.

As a result of the developments in the operating and investing cash flows described above, the free cash flow for the first quarter of 2023 amounted to EUR 9.9m (Q1 2022: EUR -17.1m).

Cash flows from financing activities were EUR -5.9m in the first three months of 2023 (Q1 2022: EUR -1.1m) that were mostly driven by the share buy-back, increased payments for lease liabilities as well as the repayment of supplier finance arrangements. Additionally, cash outflow from financing activities in the first quarter of 2022 were partially offset by a one-time lease incentive payment of EUR 1.5m.

Our net cash balance increased by EUR 4.0m in the first three months of 2023 to EUR 80.0m (December 31, 2022: EUR 76.0m).

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	March 31, 2023		December 31, 2022	
	EURm	In % of Total	EURm	In % of Total
Total assets	229.6	100.0	228.3	100.0
Non-current assets	81.7	35.6	82.3	36.1
Current assets	147.9	64.4	146.0	63.9
Total liabilities + equity	229.6	100.0	228.3	100.0
Equity	89.7	39.1	90.1	39.4
Non-current liabilities	43.2	18.8	45.6	20.0
Current liabilities	96.6	42.1	92.7	40.6

As of March 31, 2023, total assets amounted to EUR 229.6m (December 31, 2022: EUR 228.3m).

Non-current assets hardly changed compared to year-end 2022.

The increase in current assets by EUR 1.9m is mainly caused by cash and cash equivalents that were up by EUR 4.0m to EUR 80.0m (December 31, 2022: EUR 76.0m) and by EUR 1.3m higher prepayments on inventories that amounted to EUR 5.0m (December 31, 2022: EUR 3.6m). This development was partially offset by EUR 2.9m lower inventories.

Equity decreased slightly by EUR 0.4m. The impact of the positive net result and an increased share-based compensation reserves was offset by the higher amount of treasury shares which is deducted from equity.

Non-current liabilities were at EUR 43.2m as of March 31, 2023, which is EUR 2.3m below the amount as of December 31, 2022. This was particularly driven by lower lease liabilities and lower liabilities for cash-settled share-based compensation.

Current liabilities were up by EUR 3.9m to EUR 96.6m (December 31, 2022: EUR 92.7m), primarily resulting from an increase in trade payables and accruals by EUR 4.1m as well as contract liabilities by EUR 2.9m. This was partially offset by a EUR 2.0m decrease in refund liabilities.

Overall assessment of the Group's economic position

The first quarter of 2023 was still impacted by lower consumer sentiment as a result of the unstable political and economic situation. This resulted in lower GMV and revenue levels comparing to the same period of the previous year. At the same time, we improved our margin discipline and continued to deliver cost savings implemented in the second half of 2022.

As a result of these measures, we reached a positive Adjusted EBITDA in the first quarter 2023 and significantly improved our free cash flow. Our cash balance was up by EUR 4.0m at EUR 80.0m.

Therefore, we are confident to return to revenue growth in the second half of 2023 while at the same time keep margins high and maintain cost consciousness on a reasonable level.

1.4 OUTLOOK

For 2023, we are focusing on growth initiatives, expanding the categories offered by our Westwing Collection and driving forward sustainability in all our processes and offerings. We confirm our previously provided guidance for the full year 2023 and expect revenue between EUR 390m and EUR 440m, with a growth rate of -9% to +2%, and an Adjusted EBITDA in a range of EUR 4m to EUR 13m, at a corresponding Adjusted EBITDA margin of 1% 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, 2023

Dr. Andreas Hoerning
Chief Executive Officer

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CONSOLIDATED FINANCIAL STATEMENTS

for the Period Ended March 31, 2023 (Unaudited)

2.1 CONSOLIDATED STATEMENT OF PROFIT OR LOSS

EURm	Q1 2023	Q1 2022
Revenue	102.9	111.1
Cost of sales	-51.9	-57.0
Gross profit	51.0	54.1
Fulfilment expenses	-22.3	-26.0
Marketing expenses	-9.2	-11.5
General and administrative expenses	-18.7	-18.3
Other operating expenses	-0.9	-0.7
Other operating income	1.5	0.5
Operating result	1.4	-1.9
Finance costs	-0.5	-0.5
Finance income	-	-
Other financial result	-0.0	-0.4
Financial result	-0.5	-0.8
Result before income tax	0.9	-2.7
Income tax expense	-0.0	-1.3
Result for the period	0.9	-4.0
Result attributable to:		
Owners of the Company	0.9	-4.0
Non-controlling interests	-	-

2.2 RECONCILIATION OF ADJUSTED EBITDA

EURm	Q1 2023	Q1 2022
Operating Result	1.4	-1.9
Adjustments		
Share-based compensation income	-1.0	-3.8
Depreciation, amortization, and impairments	4.7	4.0
Adjusted EBITDA	5.1	-1.7

2.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EURm	March 31, 2023	December 31, 2022
Assets		
Non-current assets		
Property, plant and equipment	52.6	53.2
Intangible assets	23.6	23.3
Trade and other receivables	1.8	2.3
Deferred tax assets	3.6	3.6
Total non-current assets	81.7	82.3
Current assets		
Inventories	42.3	45.2
Prepayments on inventories	5.0	3.6
Trade and other receivables	12.4	12.6
Other assets	8.3	8.6
Cash and cash equivalents	80.0	76.0
Total current assets	147.9	146.0
Total assets	229.6	228.3
Equity and liabilities		
Equity		
Share capital	20.9	20.9
Capital reserves	364.6	364.5
Treasury shares	-3.2	-1.6
Other reserves	42.1	41.7
Retained earnings	-335.0	-335.9
Other comprehensive income (OCI) reserve	0.4	0.4
Equity attributable to the owners of the Company	89.7	90.1
Total equity	89.7	90.1
Non-current liabilities		
Lease liabilities	34.1	35.0
Other financial liabilities	4.7	6.1
Provisions	2.1	2.1
Deferred tax liabilities	2.3	2.3
Total non-current liabilities	43.2	45.6
Current liabilities		
Lease liabilities	10.2	9.7
Trade payables and accruals	38.1	34.1
Contract liabilities	19.9	17.0
Refund liabilities	4.8	6.8
Supplier finance arrangements	6.9	7.8
Other non-financial liabilities	14.4	15.1
Tax liabilities	1.7	1.7
Provisions	0.6	0.6
Total current liabilities	96.6	92.7
Total liabilities	139.9	138.3
Total equity and liabilities	229.6	228.3

2.4 CONSOLIDATED STATEMENT OF CASH FLOWS

EURm	Q1 2023	Q1 2022
Result before income tax	0.9	-2.7
Adjustments		
Depreciation and impairment of property, plant and equipment	3.2	2.8
Amortization and impairment of intangible assets	1.5	1.2
Gain on disposal of property, plant and equipment	0.0	0.0
Share-based compensation income	-1.0	-3.8
Finance income	-	-
Finance costs	0.5	0.5
Changes in other assets	0.4	3.0
Changes in other liabilities	-0.7	-0.4
Changes in provisions	-2.0	-2.5
Cash effective operating profit/(loss) before changes in working capital	2.8	-2.0
Adjustments for changes in working capital:		
Changes in trade and other receivables and prepayments	0.2	-0.4
Changes in inventories and prepayments on inventories	1.6	-5.2
Changes in trade and other payables	6.9	-5.8
Cash flows from operations	11.5	-13.3
Tax paid	-0.2	-0.6
Net cash flows from operating activities	11.4	-13.9
Investing Activities:		
Proceeds from sale of property, plant and equipment	0.0	0.0
Purchase of property, plant and equipment	-0.1	-1.5
Purchase of and investments in intangible assets	-1.8	-3.0
Rent deposits	0.5	1.4
Net cash flows from investing activities	-1.5	-3.1
Financing activities:		
Interest and other finance charges paid	-0.5	-0.5
Supplier finance arrangements	-0.8	-
Purchase of treasury shares	-1.6	-
Payments of lease liabilities	-2.9	-2.2
Contribution right-of-use assets	-	1.5
Net cash flows from financing activities	-5.9	-1.1
Net change in cash and cash equivalents	4.0	-18.2
Effect of exchange rate fluctuations on cash held	-0.0	0.1
Cash and cash equivalents at the beginning of the period	76.0	97.4
Cash and cash equivalents as of March 31	80.0	79.3

FINANCIAL CALENDAR

MAY 16, 2023

Annual General Meeting Fiscal Year 2022

AUGUST 10, 2023

Publication of half-year financial report 2023

NOVEMBER 9, 2023

Publication of third quarter results 2023

Dates could be still subject to change.

IMPRINT

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