

# LETTER TO SHAREHOLDERS

Dear Shareholders,

We founded Westwing nine years ago with the vision to inspire our customers and to make every home a beautiful home. With our unique business model, we combine creativity, content and eCommerce seamlessly in a “shoppable magazine”. We offer something to our customers that is very much a highly emotional and ever-present part of their lives: a beautiful home.

Over the past year we have taken many steps that have brought us closer to materializing our vision: We delighted our customers every day with new, exciting ideas on how to furnish and decorate their homes, and how to make their lives better. We inspired them with our daily themes that combine thousands of home and living ideas with hundreds of thousands of exciting products. We translated our insights into a growing Westwing Collection, showcasing our bestsellers which combine the most recent trends with affordability and high quality. Today, around one million active customers find their inspiration at Westwing, and we work tirelessly to bring them a great customer experience and make their home a bit more beautiful with every order they make. In 2019 alone, we had 2.4 million orders and sold 6.7 million items, resulting in EUR 310m of GMV. We thank our customers for their enormous loyalty and trust in us which was evidenced by more than 80 % of orders from repeat customers. We believe that our customers’ loyalty is the key to our future success.

Strategically, we made significant progress in 2019: By now we have rolled out our full platform and business model consisting of our daily themes, our permanent assortment offering and our Own and Private Label products as well as our organic marketing model to all our eleven European countries. Based on strong collaboration with our business partners and suppliers, we were able to move closer to our strategic target of 50 % Private Label share – in the fourth quarter of 2019 we already did 25 % of our GMV with our Own and Private Label offering, which is an increase of 7pp compared to the

previous year. On marketing, we have strengthened and solidified our organic marketing setup in all markets: With more than 160 dedicated team members in our marketing organization we have engaged with customers and prospects on a broad range of social platforms such as Instagram and provided them with appealing content around home and living.

Operationally, the year 2019 was marked by multiple challenges in the first half of the year, some of which were self-inflicted. Our warehouse move from Berlin to Poznan got delayed. Paired with other operational issues – for instance in our Italian business, cost discipline, marketing investment levels, and retail focus – this resulted in significant negative impact on contribution margin, profitability, and growth.

Fueled by the trust of our customers and the hard and work of our team, we were able to move back on track during the second half of the year and have continued our successful journey from the previous years. Based on our key principles and our core beliefs, we have focused on providing our customers with inspiration and great products. Thus, step-by-step, we solved the problems of the first half of the year with improved execution of our business processes as well as complexity reduction throughout our business. We were able to finish the second half of the year with 11 % of growth and – 1 % Adjusted EBITDA, returning back to profitable growth of 12 % and 3 % Adjusted EBITDA in the fourth quarter of the year.

As of the end of 2019, Westwing is in a strong position. Our business model is fully rolled out. Our operations are running well. We have a very strong cash balance of EUR 73m in the bank (and no debt).

We have a highly motivated team in place that will continue to delight our customers and implement our clear strategy for the coming years.

For 2020, based on our overall principle of profitable growth, our core priority for the year is the focus on our customers. Specifically, we want to increase the number of our customers to drive further growth by providing the best-in-class home and living online shopping experience across our sites and apps. This will be supported by continued efforts

to increase the share of our Own and Private Label products – our own designs that our customers love. We will also focus on cost discipline and the “silent running” of our operations with flawless execution.

While there is significant uncertainty regarding the coronavirus situation among our customers, employees and partners, we will focus first and foremost on the health and safety of our team. We are also closely monitoring our supply chain, working tightly with our partners, and inspiring our customers to mitigate any negative impact that might come our way. While the situation is evolving and may result in risk and disruptions for us, we are confident that we are well prepared to deal with whatever comes.

The challenges of the previous year and how our team has solved them have demonstrated again that building the company we envision is in our own hands. We must never lose sight of our key priority, to enable an exceptional customer experience, that we want to execute with excellence. The opportunity ahead continues to be enormous for us and we are confident that we are pursuing the right strategy and have the team as well as the resources to realize it.

We would like to thank you, our shareholders, as well as our business partners, our team members, and our customers, for your trust.

The Westwing Founders & Management Board

Munich, March 26, 2020



**Stefan Smalla**  
Chief Executive Officer  
Westwing Group AG



**Delia Fischer\***  
Chief Creative Officer  
Westwing Group AG



**Dr. Dr. Florian Drabeck**  
Chief Financial Officer  
Westwing Group AG

\* Stepped down from her role as Board Member effective March 1, 2020.