



# WESTWING

## Q2 2022 Results

Munich, August 11, 2022



**Our mission:**

“ **To inspire and make every home a beautiful home.** ”



# Management Board update



## Dr. Andreas Hoerning

CEO Westwing Group SE

- Jul 2022** ● **Chief Executive Officer, Westwing Group SE**
- Feb 2022** ● Chief Commercial Officer
- 2015** ● Founder Westwing Collection
- 2009** ● Consultant & Project Leader at Boston Consulting Group (BCG)





## AGENDA

- Business update
- Financial update
- Strategy update
- Q&A



## Business Update



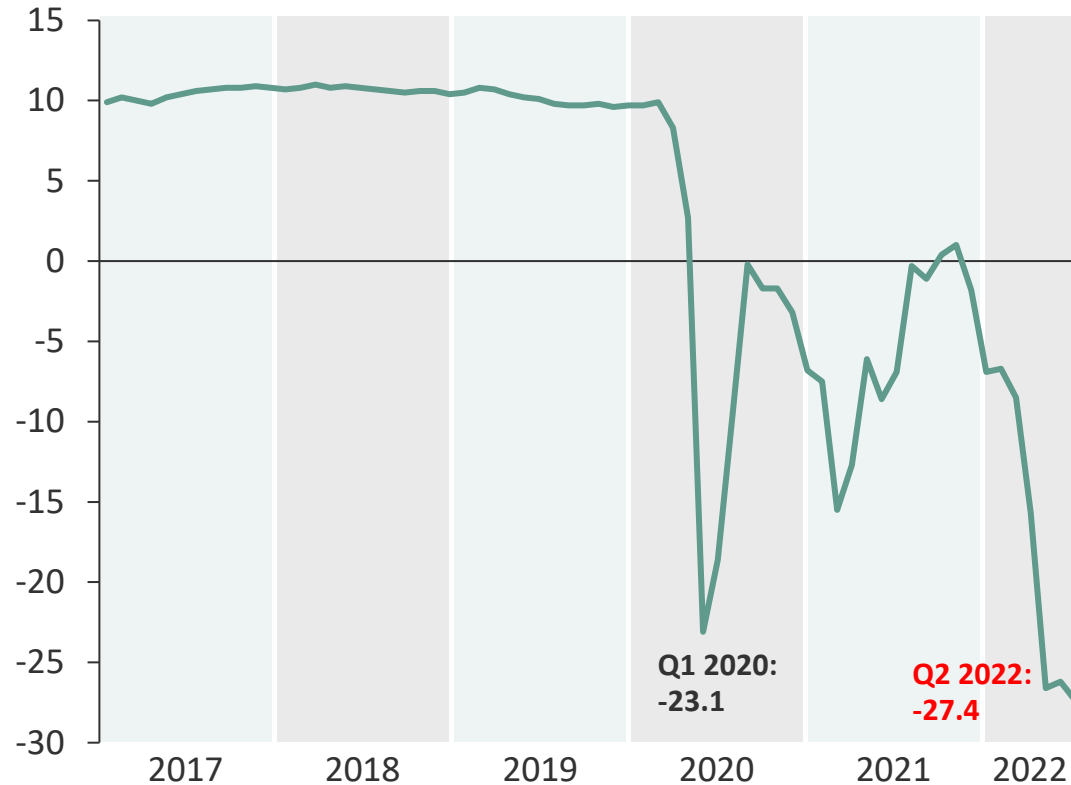
# State of Westwing

1	<b>Topline significantly below previous year</b>	<ul style="list-style-type: none"><li>• Home &amp; Living market heavily impacted by <b>low consumer sentiment</b></li></ul>
2	<b>Focus on protecting profitability</b>	<ul style="list-style-type: none"><li>• <b>Protecting unit economics</b> alongside inflationary cost pressure and lower operating leverage</li><li>• Investment decisions of 2021 partially incompatible with current topline level: c. <b>EUR 15m of annualized cost reduction already implemented</b></li></ul>
3	<b>Supply chains slowly normalizing</b>	<ul style="list-style-type: none"><li>• <b>Global supply chains are recovering:</b> currently no immediate risk to operations</li><li>• <b>High inventory levels</b> in the aftermath of past supply chain disruptions and lower topline</li></ul>
4	<b>Fundamentals of business model fully intact</b>	<ul style="list-style-type: none"><li>• <b>Loyalty, inspiration</b> and <b>focus on sustainability</b> will fuel the next phase of growth, with our high-margin Westwing Collection plus the best design brands at the forefront</li></ul>
5	<b>Strong cash position</b>	<ul style="list-style-type: none"><li>• <b>Ample liquidity</b> to navigate through the current challenging market environment</li></ul>

1

# Geopolitical uncertainty, inflationary pressures and acute risk of recession plunge current consumer climate to an all-time low

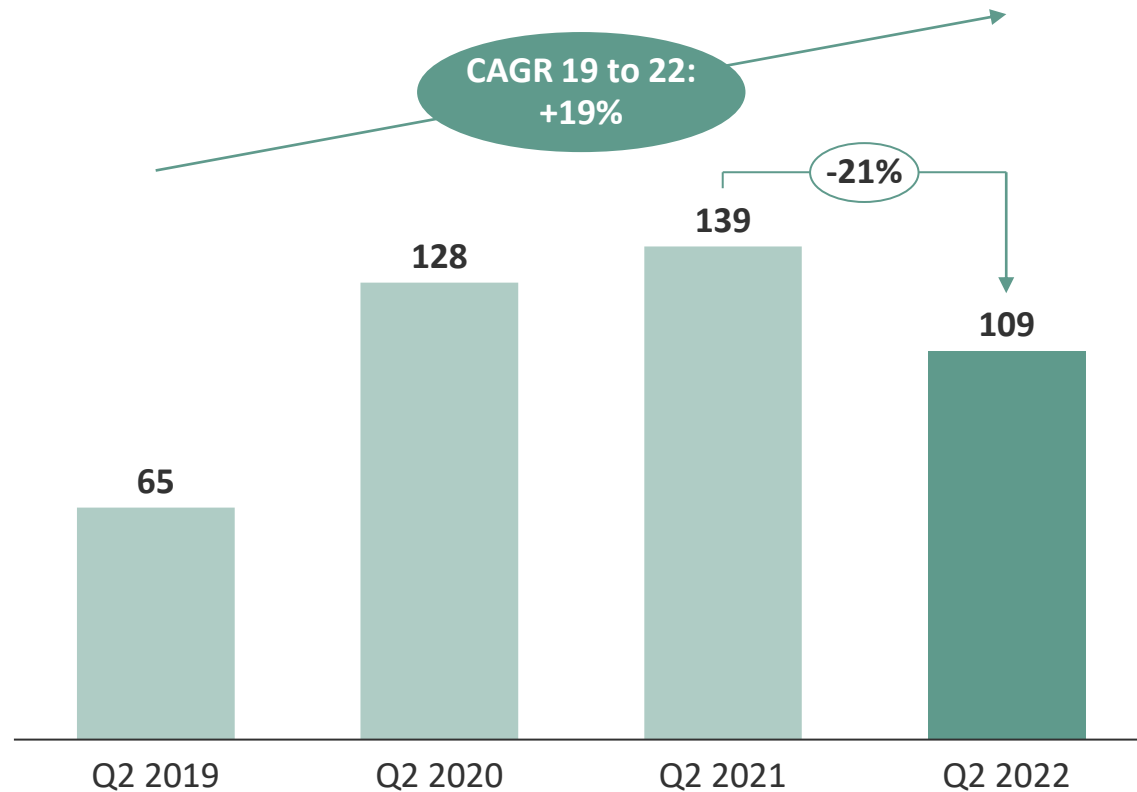
GfK Consumer Climate Index



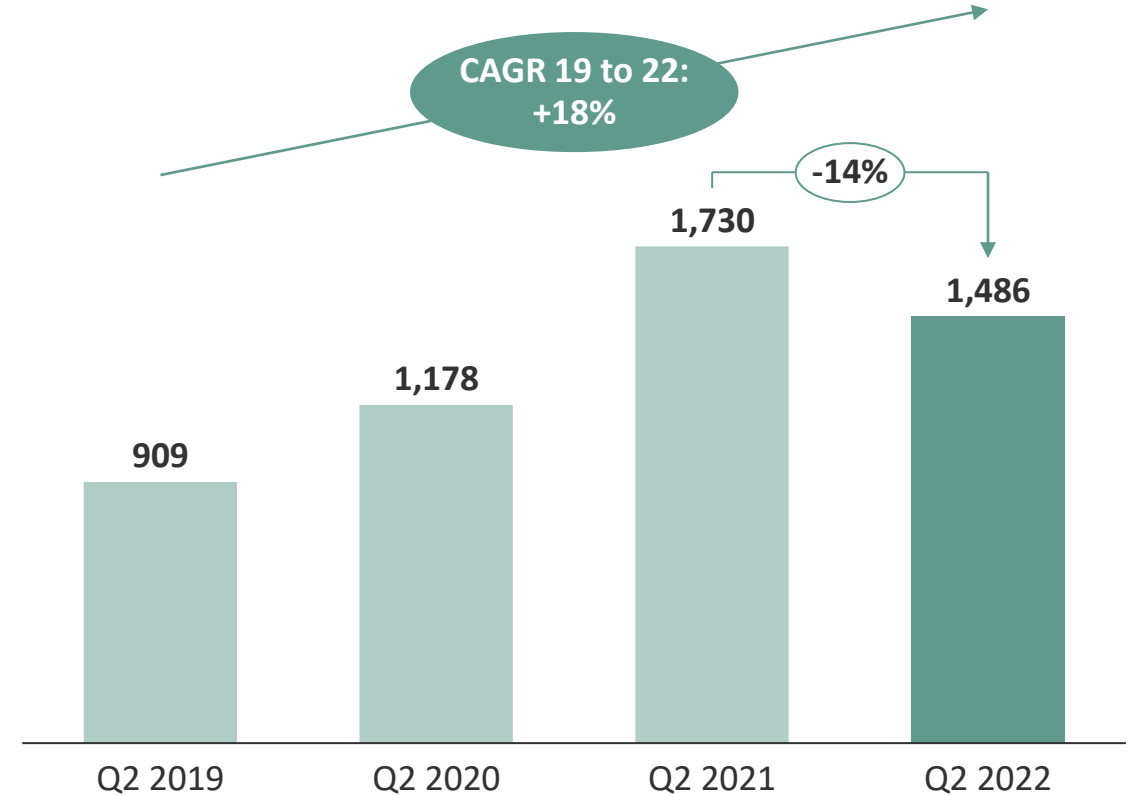
- Consumer confidence level recorded in Q2 2022 was even lower than at the onset of COVID-19 in Q1 2020
- Weak demand driven by rising costs, the war in Ukraine and fears of a potential recession
- Lower consumer sentiment and reduced discretionary household spending forecasted to last in the nearer-term

# 1 Strong compound annual GMV growth of +19% and Active Customer growth of +18% vs. Q2 2019

Group GMV [in EUR m]



Active Customers LTM [in k]



Note: All figures unaudited.



## 2 Robust measures focusing on margin and cost discipline to mitigate against a lower topline

### Retain Unit Economics

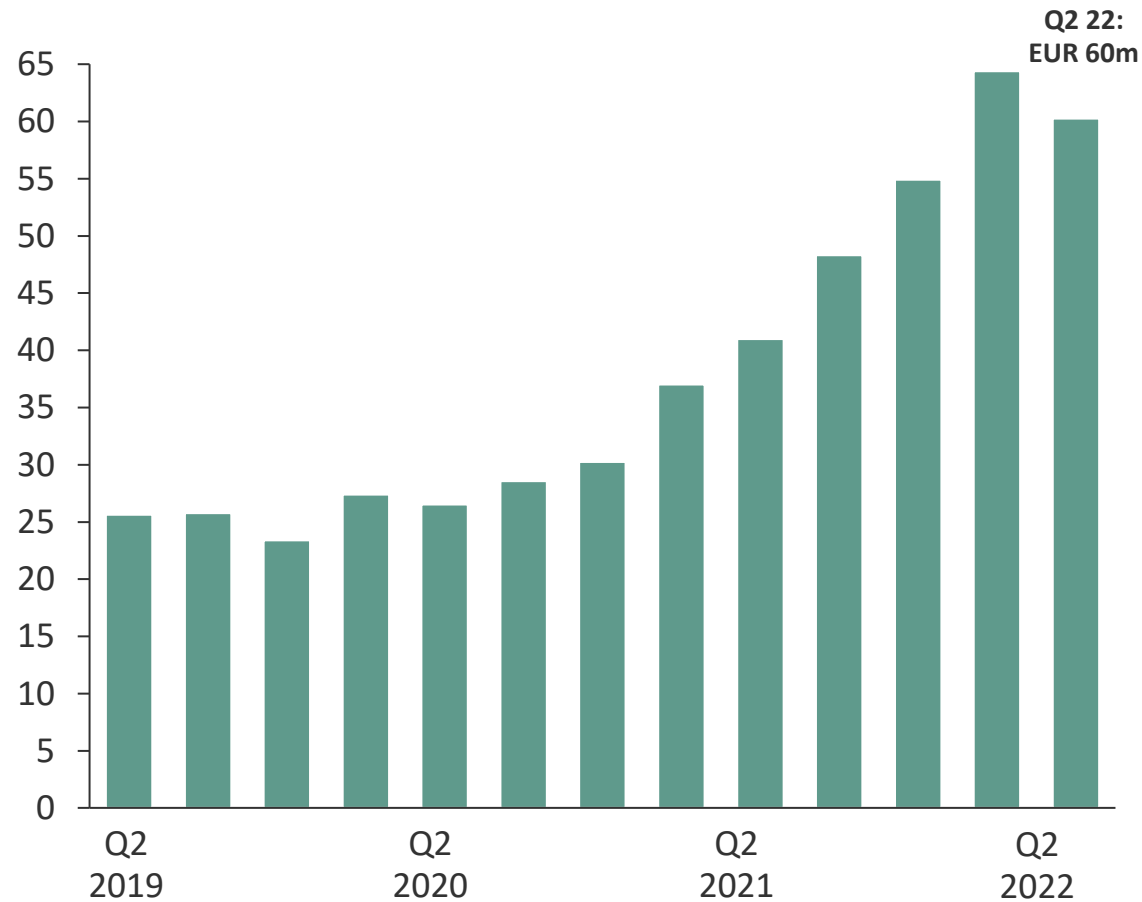
- Price increases to account for inflation
- Selective discounting, but no reduction of high inventory levels at unreasonable cost
- Further category and portfolio expansion of the highly-profitable Westwing Collection
- Successful downsizing of expensive, short-term warehousing capacity

### Adjust cost base to current topline level

- Reduction in SG&A and marketing expenses: annual benefit of c. EUR 15m per annum
  - Significantly lowered paid marketing and reduced organic marketing investments
  - Operational savings through review of investments and organizational structure
- Additional capex investment into further warehousing capacity on hold

### 3 Global supply chain situation improving, no more immediate risk to business operations; high inventory levels in the aftermath of past disruptions and lower topline

Total inventory Q2 2019 – Q2 2022 [in EUR m]



#### IMPACT ON OPERATIONS

- No immediate risk to business operations (production capacity, transport & warehouse capacity) as supply chains begin to normalize

#### SUPPLY CHAIN COSTS

- Sea container freight rates easing, but still at significantly higher levels than before
- Purchase prices affected by inflation
- Higher costs only partially compensated via retail price increases

#### INVENTORY

- High inventory levels in the aftermath of past supply chain disruptions and lower than expected topline
- Inventory levels to be reduced from Q1 2023 onwards, as inventory turns improve



## 4 Launch of two exclusively co-created Westwing Collection collaborations



4

## We will offer our customers multiple touchpoints to our brand: Further growing the Westwing Collection brand via our first permanent store



Located in one of Hamburg's prime spots at Jungfernstieg

530 sqm sales floor

Opening planned for Q4 2022

Our permanent store will enable us to offer our customers  
**new aspects of the customer experience**



Giving customers the opportunity to experience our brand: interact, touch and products in real-life

Strengthens the positioning of the Westwing Collection and helps to build a love brand

Reach and entertain existing and new customers

Make Westwing a full-rounded experience



## 4 Westwing joins the UN Global Compact, underpinning our commitment to pursue a more sustainable future



### Westwing is now a proud participant of the UN GLOBAL COMPACT

- Westwing is committed to contributing to the achievement of the **Sustainable Development Goals (SDGs)**
- The UN Global Compact is the **world's largest corporate sustainability initiative**

### We commit to setting SCIENCE-BASED TARGETS

- Westwing has committed to the **Science Based Targets** initiative to help limit global warming to 1.5 °C in line with the **Paris Climate Agreement**
- Westwing is **carbon neutral** in its own operations since 2021

### Westwing is now a member of the BETTER COTTON INITIATIVE

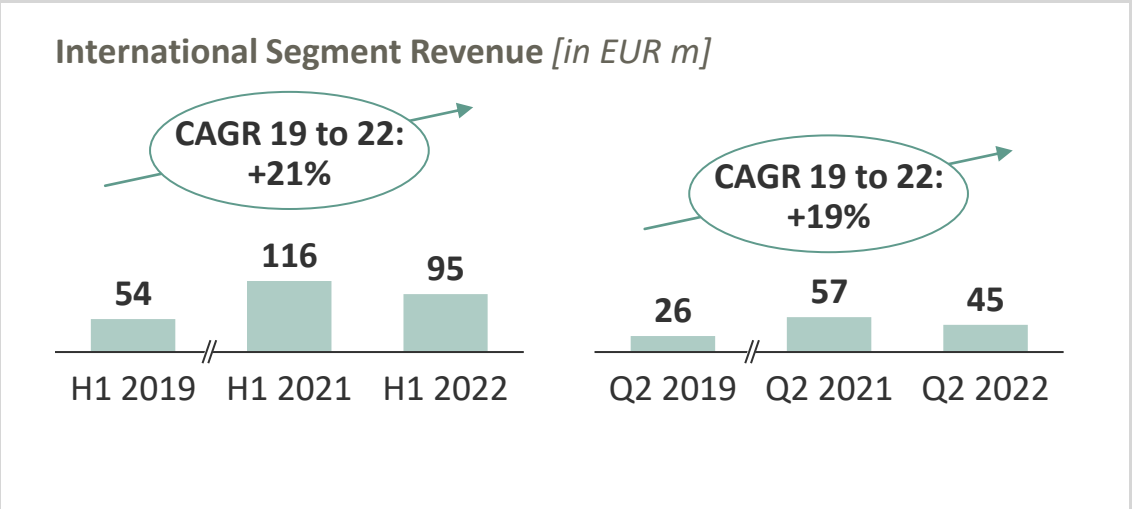
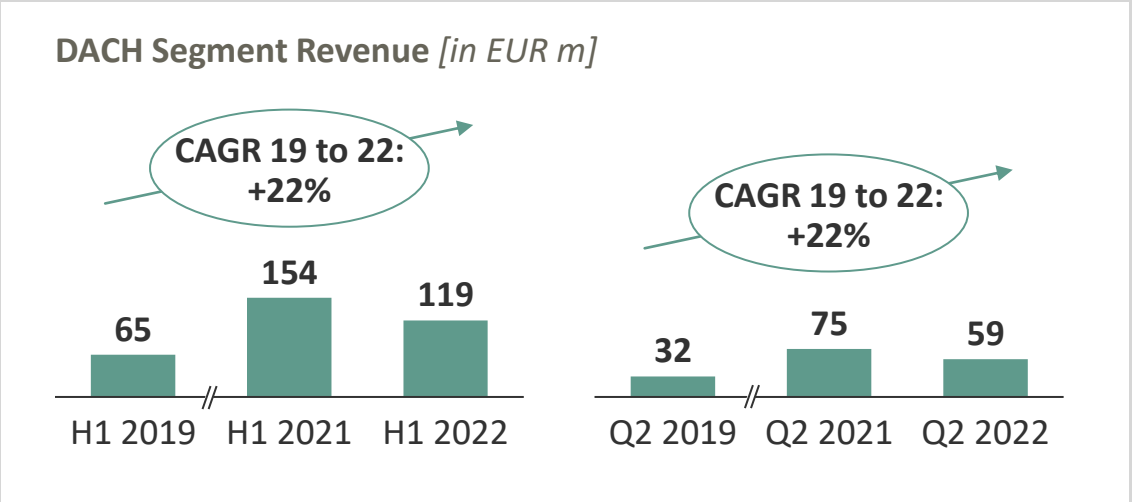
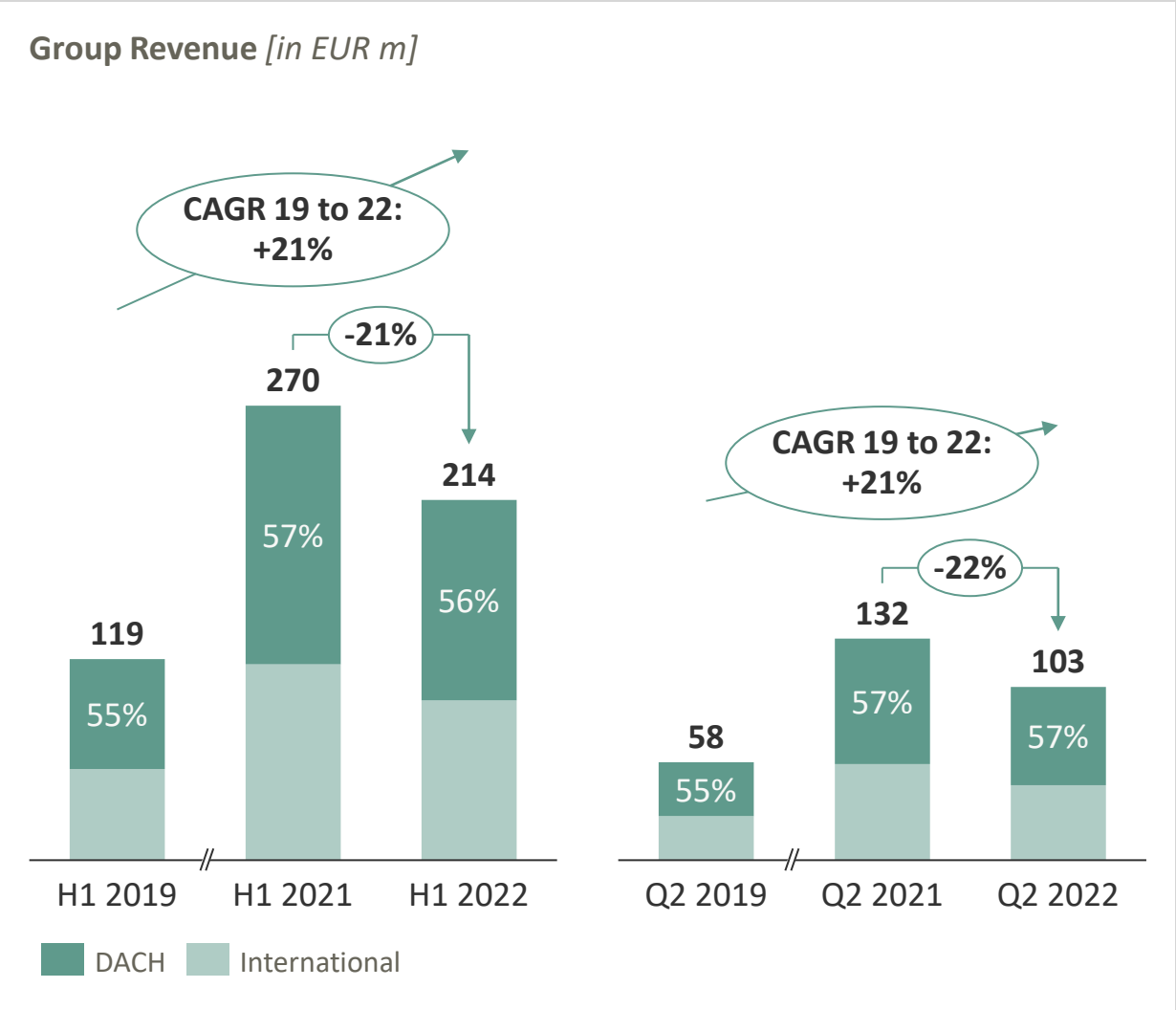
- Choosing cotton products from Westwing allows our customers to **support responsible cotton production** through the **Better Cotton Initiative**

## Financial Update





# Compound annual revenue growth of +21% in Q2 2022 and H1 2022 over a 3-year period



Note: All figures unaudited.

# Income statement details

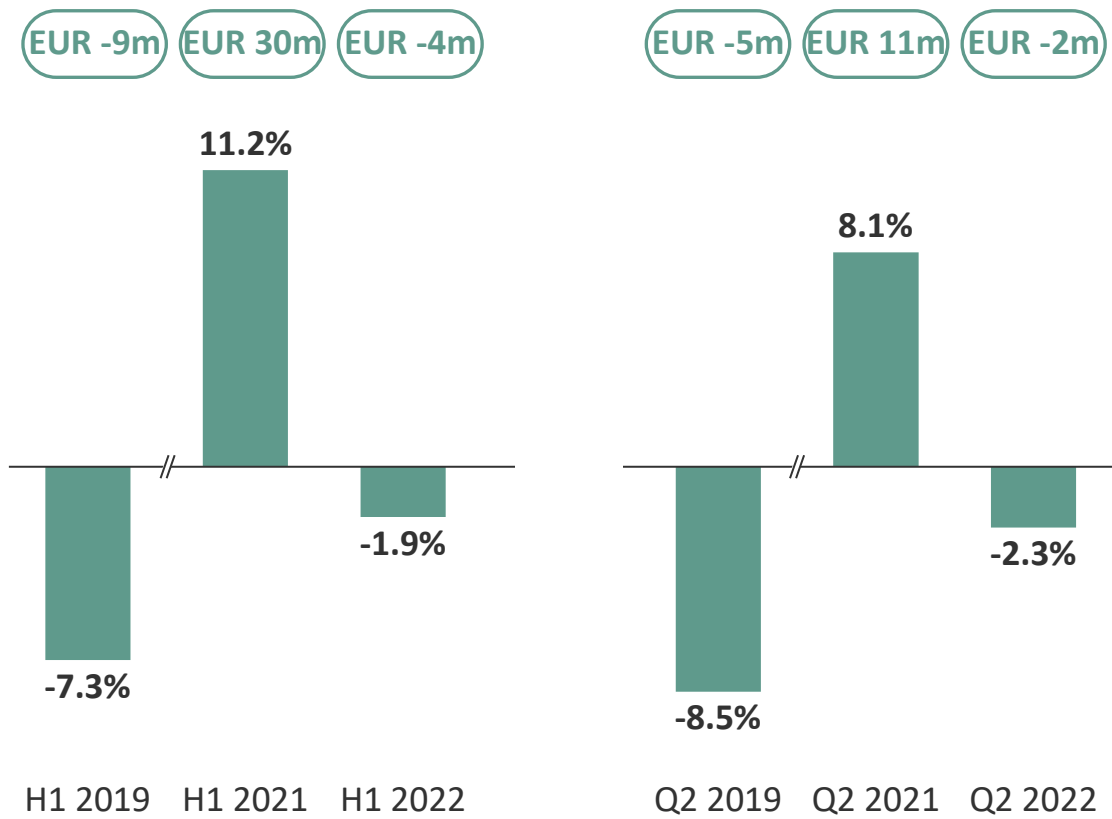
<i>[as % of revenue]</i>	H1 2019	H1 2021	H1 2022	Delta 21 vs 22	Q2 2019	Q2 2021	Q2 2022	Delta 21 vs 22	
Gross margin	42.9%	50.1%	<b>48.7%</b>	-1.4%pts	43.4%	49.5%	<b>48.6%</b>	-0.9%pts	Cost inflation mostly passed through
Fulfilment ratio	-24.3%	-19.9%	<b>-23.4%</b>	-3.5%pts	-24.9%	-20.5%	<b>-23.5%</b>	-3.0%pts	Less scale at increased capacity levels in operations
Contribution margin	18.5%	30.2%	<b>25.2%</b>	-4.9%pts	18.5%	29.0%	<b>25.2%</b>	-3.8%pts	
Marketing ratio	-7.8%	-8.5%	<b>-10.2%</b>	-1.8%pts	-8.4%	-9.6%	<b>-10.0%</b>	-0.5%pts	
G&A ratio <sup>(1)</sup>	-21.4%	-12.7%	<b>-20.7%</b>	-8.0%pts	-22.2%	-13.6%	<b>-21.5%</b>	-7.9%pts	Less scale and 2021 investments
D&A ratio	3.4%	2.2%	<b>3.8%</b>	+1.6%pts	3.6%	2.3%	<b>4.1%</b>	+1.8%pts	
Adj. EBITDA margin	-7.3%	11.2%	<b>-1.9%</b>	-13.1%pts	-8.5%	8.1%	<b>-2.3%</b>	-10.4%pts	

Note: All figures unaudited. Figures in this section are presented on an adjusted basis, i.e. excluding (i) share-based compensation (in Fulfilment, Marketing and General and Administrative expenses); (ii) income/expenses for restructuring and (iii) expenses for a tax claim provision against a divested entity regarding previous years. "Adjusted EBITDA" is calculated by adjusting for these items; (1) Includes "Other result".

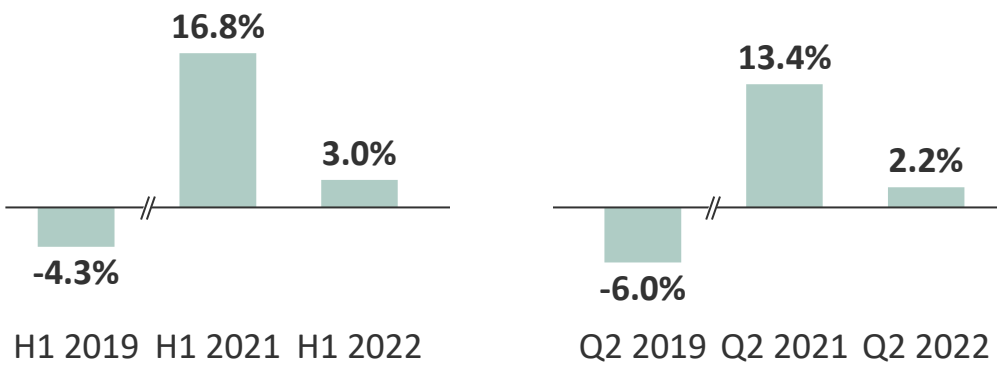


# Group profitability at -2.3% Adj. EBITDA in Q2 2022

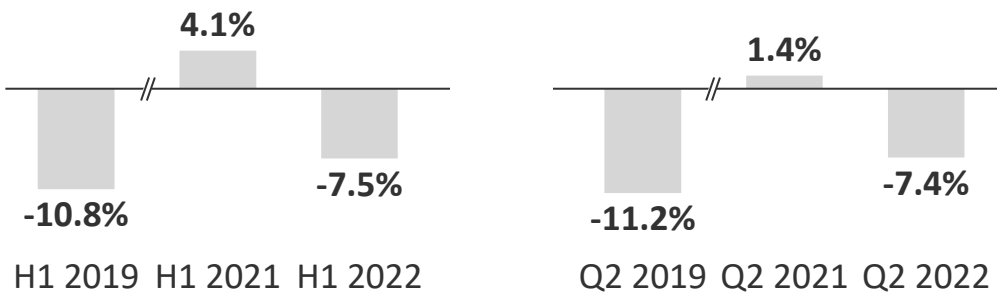
Group Adj. EBITDA [in EUR m and % of Revenue]



DACH Segment Adj. EBITDA [as % of Revenue]



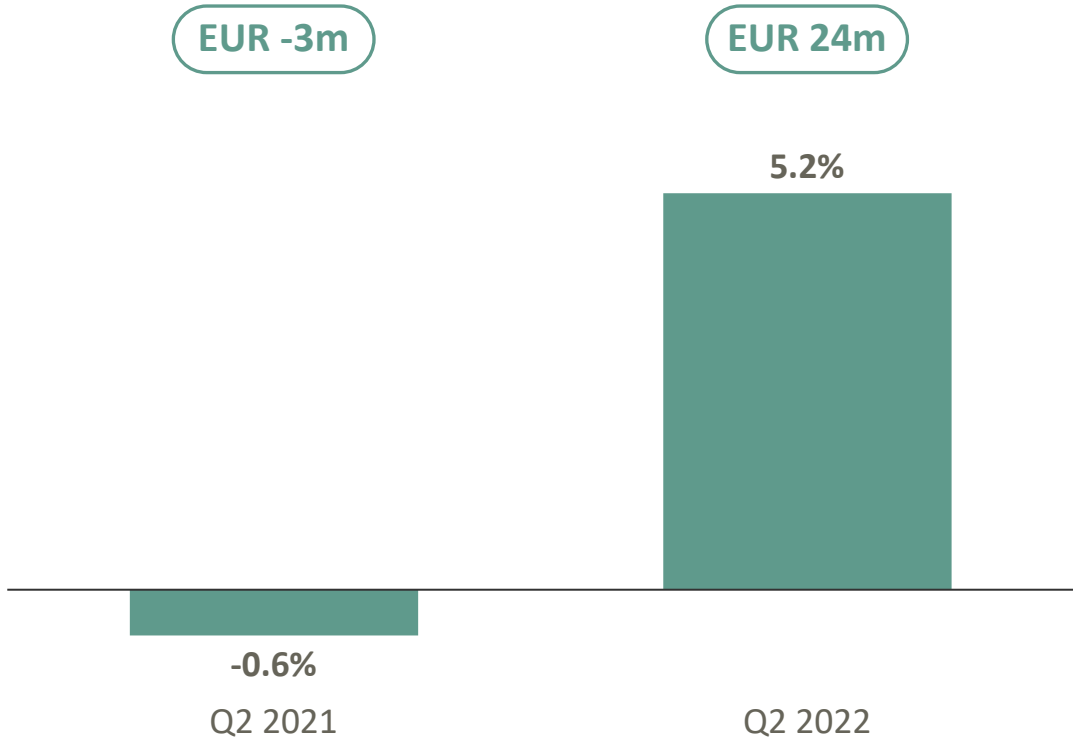
International Segment Adj. EBITDA [as % of Revenue]



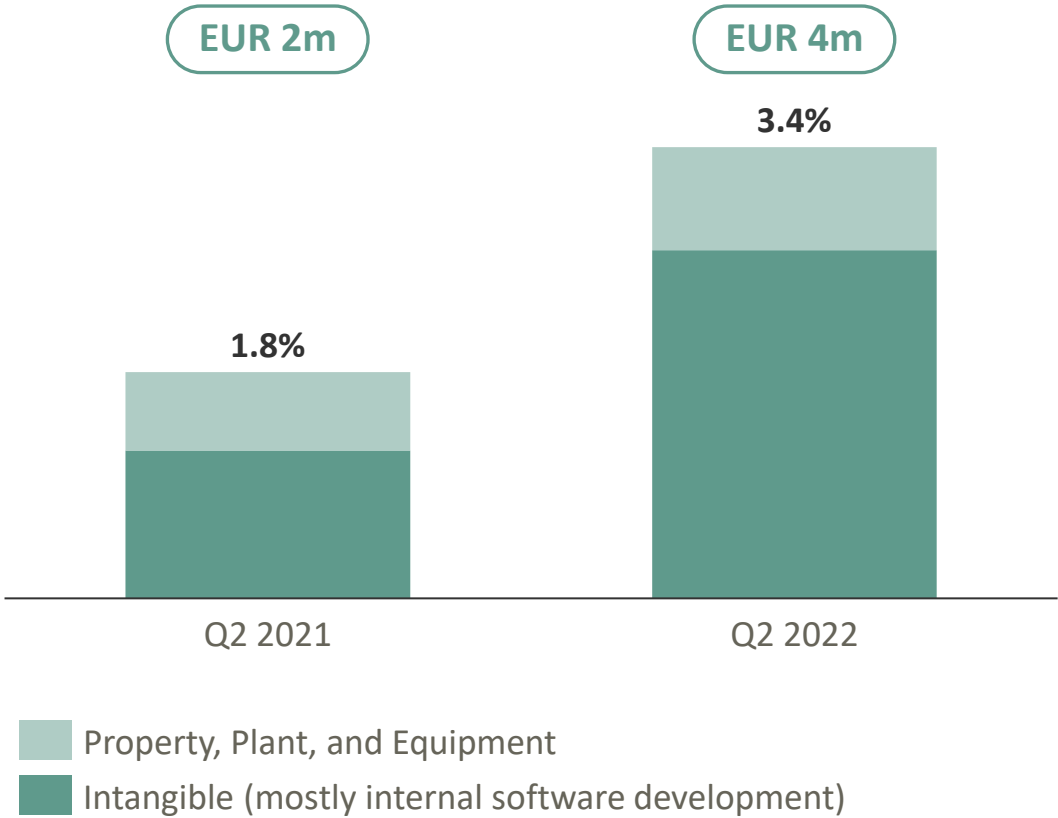
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# Net working capital positive at EUR 24m mainly due to higher inventory levels; Capex increase driven by strategic investments into technology

Net Working Capital [in EUR m and % of LTM Revenue]



Capex ratio [in EUR m and % of Revenue]



Note: All figures unaudited.

# Net working capital expected to decrease towards Q4 2022 and then returning to single-digit millions in 2023

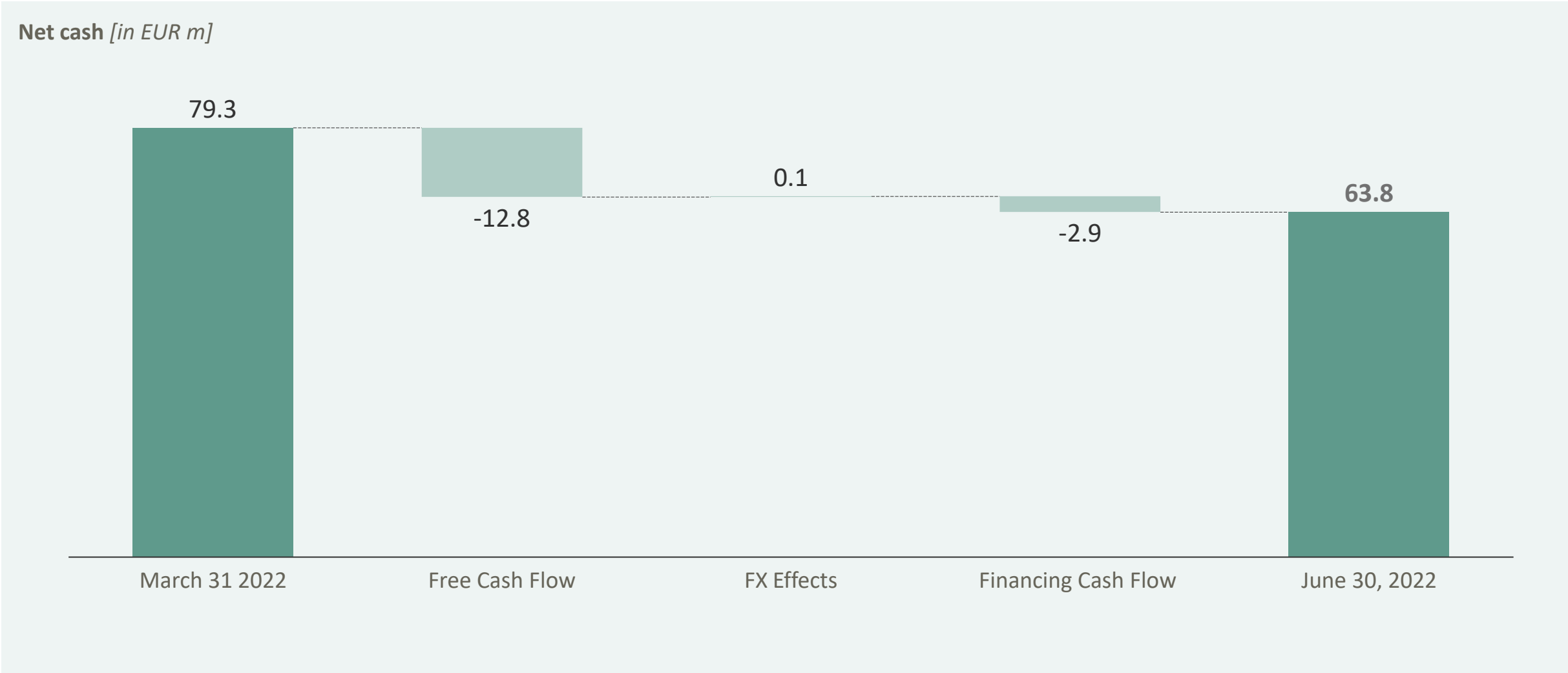


	Q3 2022	Q4 2022
Inventories	Further increase expected due to lower topline vs. order assumptions	Reduction expected given lower order levels and high sales in seasonally strong Q4
Inventory Prepayments	Stabilizing on lower levels	Stabilizing on lower levels
Trade receivables	No significant impact	No significant impact
Trade payables	Decreasing due to seasonal impact and lower topline	Increasing again in the seasonally strong fourth quarter
Contract liabilities	No significant impact	No significant impact

Note: All figures unaudited. Contract liabilities in the IFRS balance sheet refers to customer prepayments; (1) Includes accruals.



# Our financial debt free balance sheet holds a strong net cash position of EUR 64m end of Q2 2022



# Outlook 2022

## Guidance FY 2022

as of August 10, 2022



### EUR 410m to 450m Revenue

-22% to -14% yoy growth

(Previously: EUR 460m to 540m Revenue  
at -12% to +3% yoy growth)



### EUR -15m to 0m Adj. EBITDA

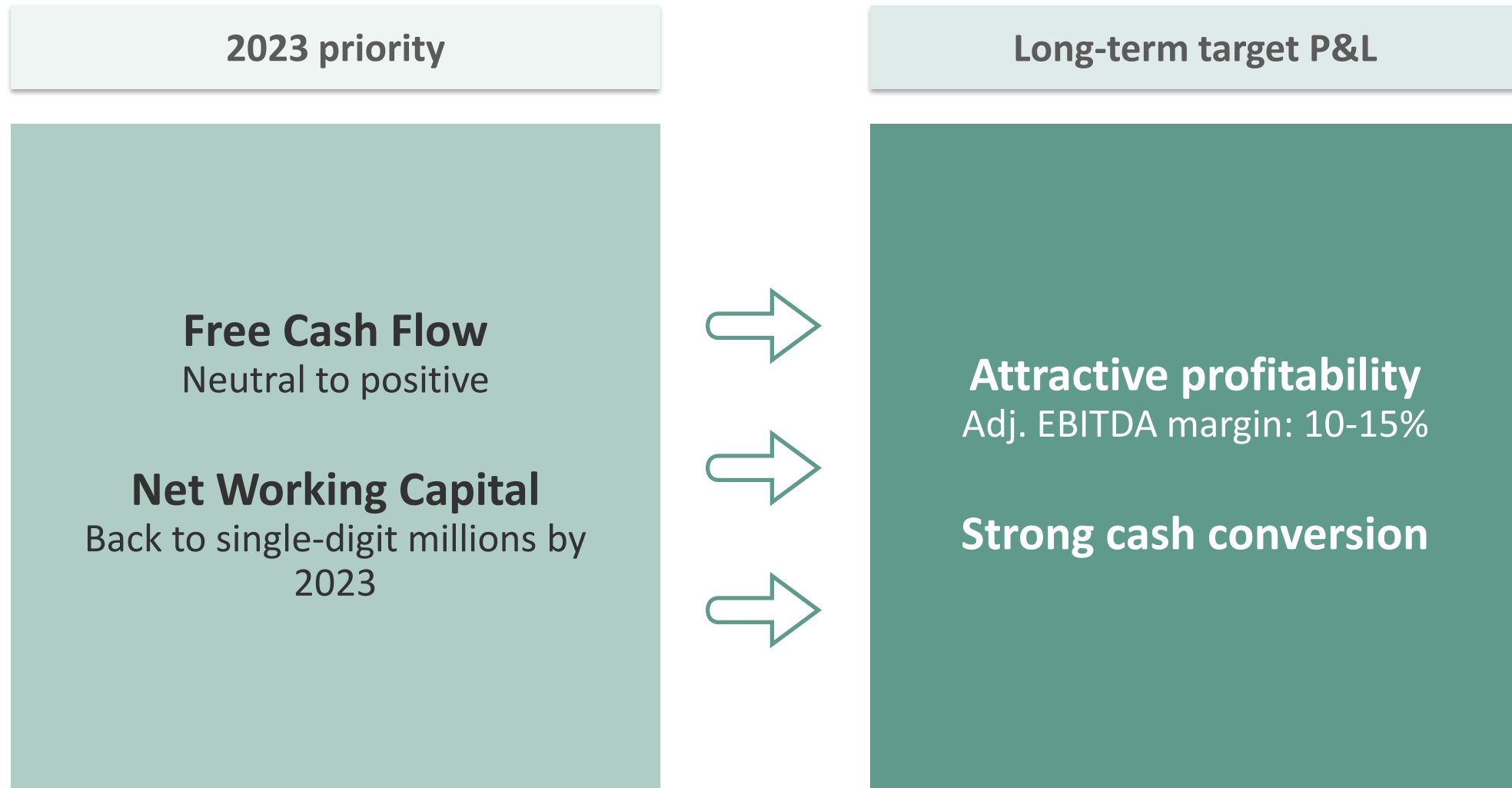
-4% to 0% Adj. EBITDA margin

(Previously: EUR -9m to +16m Adj. EBITDA  
-2% to +3% Adj. EBITDA margin)

- *The updated guidance reflects the current very low consumer sentiment observed across all segments, with no short-term improvement expected in H2 2022*
- *Updated Adj. EBITDA guidance based on growth expectations, additional margin investments to reduce inventory levels and already implemented cost reductions*



# Driving clear short-term priorities in 2023 to support the path towards our long-term target of 10-15% Adj. EBITDA with strong cash conversion



## Strategy Update



# We have built a loyalty-based business model with extremely valuable assets



A consumer love brand with creativity, inspiration and loyalty at the very core



Unique and highly profitable **Westwing Collection** loved by our customers



Huge, organically built audience with more than **10 million followers** across our active social media channels<sup>(1)</sup>



Outstanding **customer experience** with best-in-class customer service and unique propositions such as **Westwing Studio** and **Westwing Delivery Service**

Note: All figures unaudited; (1) As of March 2022; (2) Repeat order share as of FY 2021; (3) Based on the DACH 2013 cohort of c. 80k first-time customers.

## 80%

of orders are placed by **loyal repeat customers**<sup>(2)</sup>

## EUR 1,500

GMV after 8 years  
**high customer lifetime value**<sup>(3)</sup>

## 85%

of sales from customers who visit us on average  
**>100x per year**



We will further evolve our commercial model to unleash Westwing's full potential by bringing the Westwing Collection to the forefront



### Product Assortment

- Rapid build-up of Westwing Collection to get to 50% Group GMV share fast
- Best design brands in Daily Themes and also in Permanent Assortment



### Digital customer experience

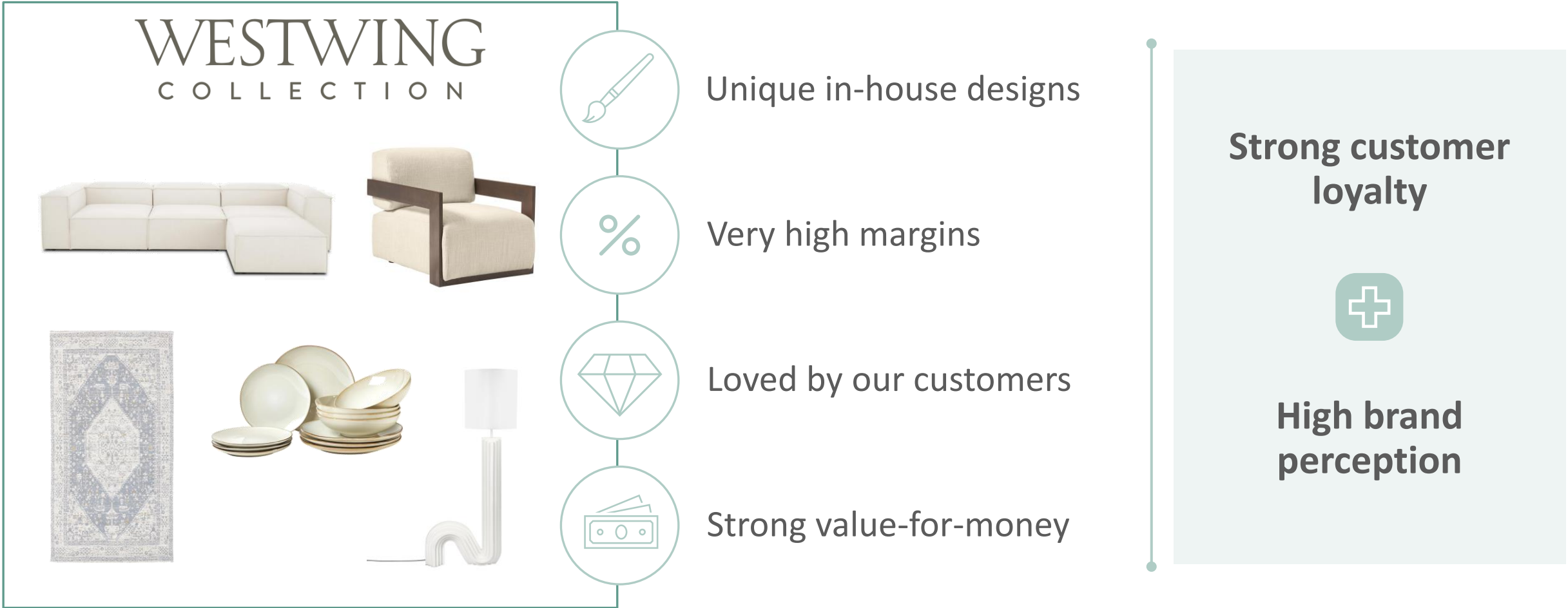
- Seamless, personalised experience with world-class shoppable content
- Higher visibility for Permanent Assortment and Westwing Collection to drive growth & margins



### Marketing & Sales

- More product focused marketing for high margins & superior traffic
- First offline store & Westwing Collection in selected external sales channels

# The highly profitable Westwing Collection will be at the core of our next growth phase



# We're building the One-Stop-Shop for Home Enthusiasts



## What makes us unique

- 1 Our love brand
- 2 Daily Inspiration and Content
- 3 Westwing Collection and best 3<sup>rd</sup> party design brands

**One-Stop-Shop  
for  
Home Enthusiasts!**



## Investment Highlights



# Investment highlights

## The opportunity is massive

Huge Home & Living **market of EUR 120bn** very early in eCommerce;  
We target c. 70% of the overall market by **targeting Home Enthusiasts**

## Customer loyalty at the core

The **differentiating creative and inspirational core** of Westwing drives superior loyalty for our **love brand** with **80% repeat order share<sup>(1)</sup>**

## Westwing Collection

Our Westwing Collection perfectly **leverages the loyalty to our love brand** at **>10%pts margin upside**

## Strong cash profile

Our financial **debt free balance sheet** allows us **ample liquidity** to navigate through the current challenging market environment

## Attractive target P&L

We have a long-term **Adj. EBITDA margin target of 10-15%**





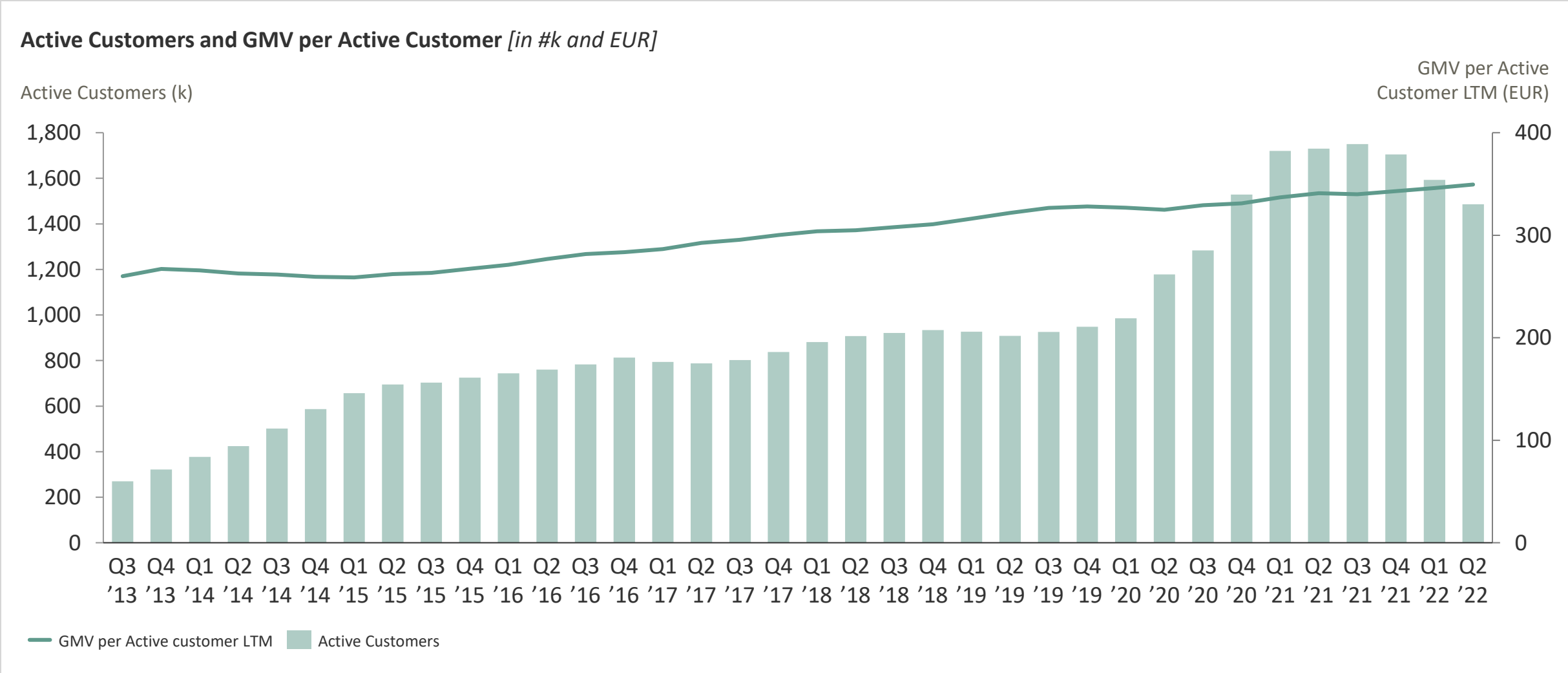
Q&A



## Appendix

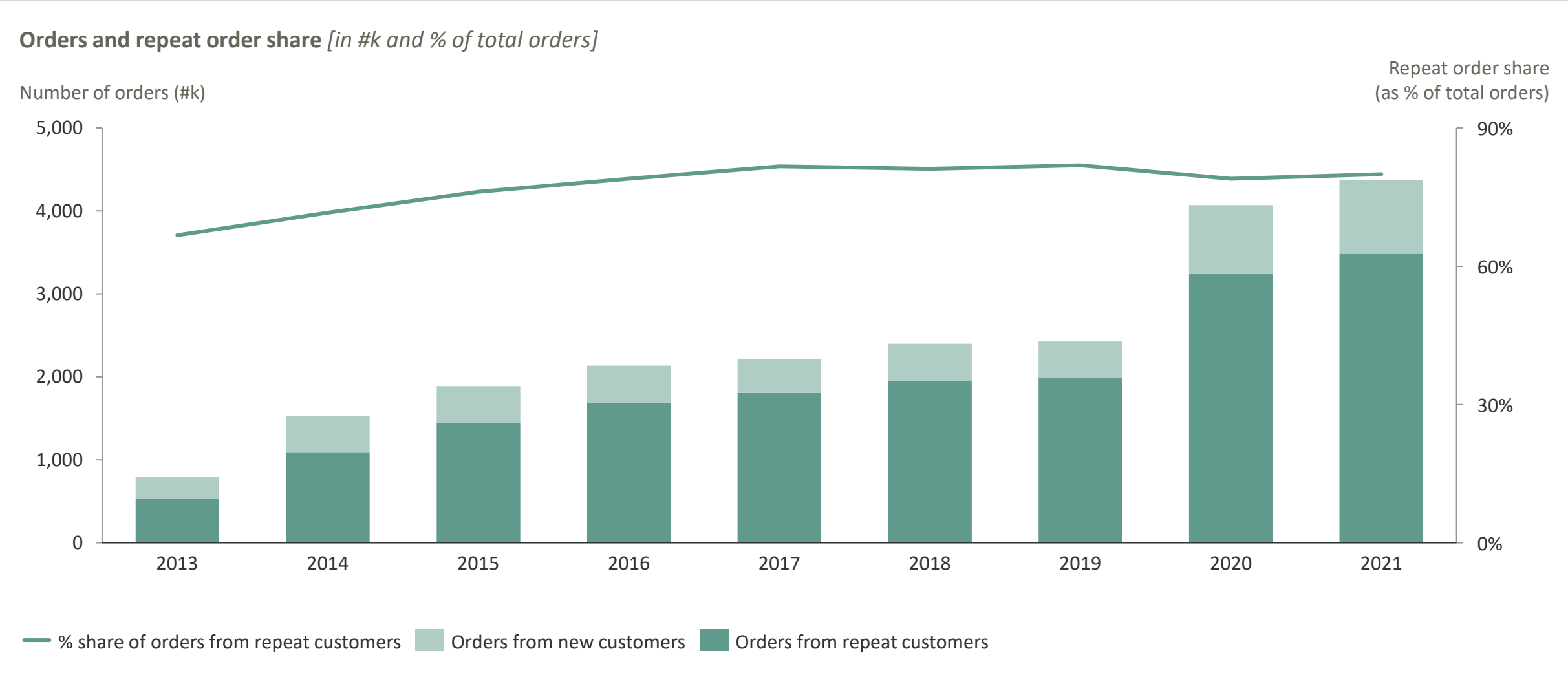


# Growing Active Customer base while expanding share of wallet



Note: All figures unaudited. Active customer defined as a customer who has made a valid order within the last 12 months.

# Loyalty-driven business model results in exceptional repeat order rates



Note: All figures unaudited. Repeat orders defined as total number of valid orders (excluding failed and cancelled orders) from customers, which have placed a valid order before at Westwing.



# KPI overview

Group KPIs	Unit	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Westwing Collection share	in % of GMV	21%	22%	27%	25%	25%	22%	26%	28%	31%	32%	38%	37%	37%	38%
Active Customers	in k	927	909	926	949	986	1,178	1,284	1,529	1,720	1,730	1,750	1,705	1,593	1,486
Number of orders	in k	591	492	539	805	675	1,051	874	1,474	1,268	1,022	819	1,262	872	685
Average basket size	in EUR	129	132	132	121	127	122	129	119	129	135	144	131	147	159
Average orders LTM per Active Customer	in #	2.6	2.6	2.6	2.6	2.5	2.6	2.7	2.7	2.7	2.7	2.6	2.6	2.5	2.4
Average GMV LTM per Active Customer	in EUR	318	322	326	327	324	325	330	328	337	341	340	343	345	349
GMV	in EUR m	76	65	71	98	85	128	113	175	164	139	118	166	128	109
Mobile visit share	in %	75%	76%	77%	76%	76%	79%	80%	79%	79%	80%	80%	80%	80%	80%

## KPI definitions

Westwing Collection share	GMV share of Westwing Collection (formerly “Own & Private Label”): GMV of Westwing Collection business as % of GMV Group in the same reporting period
Active Customers	A customer who has made a valid order within the last 12 months
Number of orders	Total number of valid orders (excluding failed and cancelled orders) of a reporting period
Average basket size	Weighted average value of an order: GMV divided by total number of orders of the same reporting period
Average orders LTM per Active Customer	Total number of orders of the last 12 months divided by active customers of a reporting period
Average GMV LTM per Active Customer	GMV of the last 12 month divided by active customers
GMV	Gross Merchandise Volume: Value of all valid customer orders placed of a reporting period (i.e. excluding cancelation and VAT, but including returns).
Mobile visit share	Share of daily unique visits per platform via mobile devices (tablets and smartphones) as % of all daily unique visits per platform of a reporting period

# Consolidated income statement

EUR m, in % of Revenue	H1 2021	H1 2022	Q2 2021	Q2 2022
<b>Revenue</b>	<b>270.1</b>	<b>214.1</b>	<b>131.7</b>	<b>103.0</b>
Cost of Sales	-134.8	-110.0	-66.5	-52.9
<b>Gross profit</b>	<b>135.3</b>	<b>104.2</b>	<b>65.2</b>	<b>50.1</b>
Fulfilment expenses	-53.8	-50.1	-27.0	-24.2
Marketing expenses	-22.9	-22.5	-12.6	-11.0
General and administrative expenses	-41.3	-40.8	-22.1	-22.6
Other operating expenses	-1.9	-1.1	-1.6	-0.5
Other operating income	1.6	0.9	1.2	0.4
<b>Operating result</b>	<b>17.0</b>	<b>-9.5</b>	<b>3.1</b>	<b>-7.6</b>
Financial result	-0.5	-1.8	0.3	-1.0
<b>Result before income tax</b>	<b>16.4</b>	<b>-11.4</b>	<b>3.4</b>	<b>-8.6</b>
Income tax expense	-3.5	-1.1	-1.6	0.2
<b>Result for the period</b>	<b>12.9</b>	<b>-12.5</b>	<b>1.8</b>	<b>-8.4</b>
<b>Reconciliation to Adj. EBITDA</b>				
<b>Operating result (EBIT)</b>	<b>17.0</b>	<b>-9.5</b>	<b>3.1</b>	<b>-7.6</b>
Share-based compensation expenses	6.3	-3.8	3.6	-0.1
Restructuring severances	-	1.1	-	1.1
Provision tax claim discontinued operations	1.0	-	1.0	-
Expenses/(income) for the restructuring of the French business	-0.0	-	-	-
D&A	6.0	8.2	3.0	4.2
<b>Adj. EBITDA</b>	<b>30.3</b>	<b>-4.0</b>	<b>10.7</b>	<b>-2.3</b>
<b>Adj. EBITDA margin (%)</b>	<b>11.2%</b>	<b>-1.9%</b>	<b>8.1%</b>	<b>-2.3%</b>

Note: All figures unaudited. Figures in this section are presented on an adjusted basis, i.e. excluding (i) share-based compensation (in Fulfilment, Marketing and General and Administrative expenses); (ii) income/expenses for restructuring and (iii) expenses for a tax claim provision against a divested entity regarding previous years. "Adjusted EBITDA" is calculated by adjusting for these items.

# Adjusted income statement

EUR m, in % of Revenue	H1 2021	H1 2022	Q2 2021	Q2 2022
<b>Revenue</b>	<b>270.1</b>	<b>214.1</b>	<b>131.7</b>	<b>103.0</b>
<i>Revenue Growth YoY</i>	51.2%	-20.7%	18.6%	-21.8%
Cost of Sales	-134.8	-110.0	-66.5	-52.9
<b>Gross Profit</b>	<b>135.3</b>	<b>104.2</b>	<b>65.2</b>	<b>50.1</b>
<i>Gross Margin</i>	<i>50.1%</i>	<i>48.7%</i>	<i>49.5%</i>	<i>48.6%</i>
Fulfillment expenses	-53.8	-50.1	-27.0	-24.2
Contribution profit	81.5	-54.1	38.2	26.0
<i>Contribution margin</i>	<i>30.2%</i>	<i>25.2%</i>	<i>29.0%</i>	<i>25.2%</i>
Marketing expenses	-22.8	-21.9	-12.6	-10.3
General and administrative expenses	-35.0	-44.2	-18.5	-22.1
Other operating expenses	-0.9	-1.1	-0.6	-0.5
Other operating income	1.6	0.9	1.2	0.4
Depreciation and Amortization	6.0	8.2	3.0	4.2
<b>Adj. EBITDA</b>	<b>30.3</b>	<b>-4.0</b>	<b>10.7</b>	<b>-2.3</b>
<i>Adj. EBITDA Margin</i>	<i>11.2%</i>	<i>1.9%</i>	<i>8.1%</i>	<i>-2.3%</i>

Note: All figures unaudited. Figures in this section are presented on an adjusted basis, i.e. excluding (i) share-based compensation (in Fulfilment, Marketing and General and Administrative expenses); (ii) income/expenses for restructuring and (iii) expenses for a tax claim provision against a divested entity regarding previous years. "Adjusted EBITDA" is calculated by adjusting for these items.



# Segment reporting

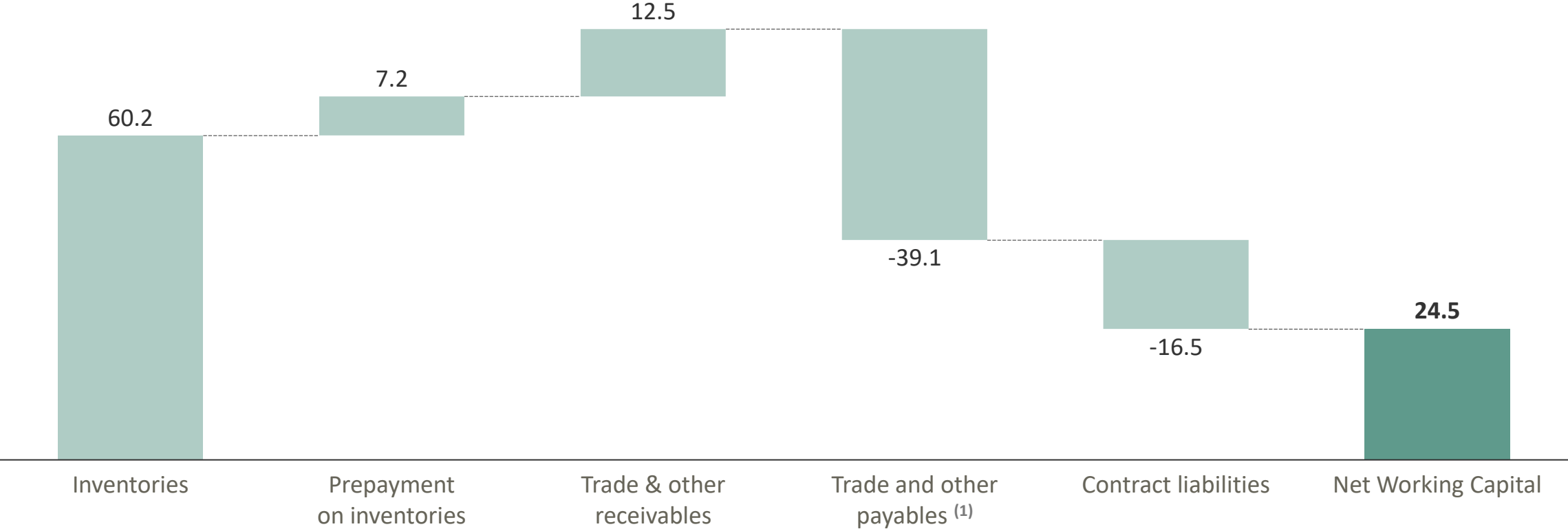
DACH, in EUR m	H1 2021	H1 2022	Q2 2021	Q2 2022
<b>Revenue</b>	<b>153.8</b>	<b>119.2</b>	<b>74.7</b>	<b>58.5</b>
<i>YoY Growth (in %)</i>	<i>57.9%</i>	<i>-22.5%</i>	<i>25.0%</i>	<i>-21.7%</i>
<b>Adj. EBITDA</b>	<b>25.8</b>	<b>3.6</b>	<b>10.0</b>	<b>1.3</b>
<i>Adj. EBITDA Margin %</i>	<i>16.8%</i>	<i>3.0%</i>	<i>13.4%</i>	<i>2.2%</i>

International, in EUR m	H1 2021	H1 2022	Q2 2021	Q2 2022
<b>Revenue</b>	<b>116.4</b>	<b>95.0</b>	<b>57.0</b>	<b>44.5</b>
<i>YoY Growth (in %)</i>	<i>43.2%</i>	<i>-18.4%</i>	<i>11.1%</i>	<i>-21.9%</i>
<b>Adj. EBITDA</b>	<b>4.8</b>	<b>-7.1</b>	<b>0.8</b>	<b>-3.3</b>
<i>Adj. EBITDA Margin %</i>	<i>4.1%</i>	<i>-7.5%</i>	<i>1.4%</i>	<i>-7.4%</i>

Note: All figures unaudited. Figures in this section are presented on an adjusted basis, i.e. excluding (i) share-based compensation (in Fulfilment, Marketing and General and Administrative expenses); (ii) income/expenses for restructuring and (iii) expenses for a tax claim provision against a divested entity regarding previous years. "Adjusted EBITDA" is calculated by adjusting for these items.

# Net working capital

Net Working Capital (NWC) breakdown as of June 30, 2022 [in EUR m]



Note: All figures unaudited; (1) Includes accruals.

# Issued share capital

## Share Information *as of June 30, 2022*

Type of Shares	Ordinary bearer shares with no-par value (Stückaktien)
Stock Exchange	Frankfurt Stock Exchange
Market Segment	Regulated Market (Prime Standard)
Number of Shares issued	20,903,968
Issued Share Capital	EUR 20,903,968
Treasury Shares	326,475

## Stock Option Programs *as of June 30, 2022*

Program	# of options outstanding	Weighted average exercise price (EUR)
VSOPs <sup>(1)</sup>	883,625	2.46 <sup>(1)</sup>
LTIP 2019 <sup>(2)</sup>	1,831,050	19.30 <sup>(2)</sup>
LTIP 2016	96,450	0.01
Other	754,925	11.24
<b>Total</b>	<b>3,566,050</b>	<b>12.90</b>

Note: All figures unaudited. Equity programs are shown on pre-conversion basis; (1) VSOPs are virtual, cash-settled option programs with an average cap of EUR 23.90, vesting end of 2022; (2) LTIP 2019 vesting end of 2022.

## Upcoming Events

**September 19, 2022**



**Berenberg and Goldman Sachs Eleventh German Corporate Conference**

**September 22, 2022**



**Baader Investment Conference 2022**

**November 10, 2022**



**Publication of quarterly statement Q3 2022**