

WESTWING



QUARTERLY STATEMENT

January 1 – September 30, 2018

WESTWING AT A GLANCE



KEY FIGURES ¹

	9M 2018	9M 2017	Change	Q3 2018	Q3 2017	Change
Key Performance Indicators						
Private Label share (in %)	15%	9%	6pp	18%	11%	7pp
GMV (in EUR m)	202	171	18.0%	63	56	10.9%
Number of orders (in k)	1,673	1,498	11.7%	507	496	2.1%
Average basket size (in EUR)	121	114	5.6%	124	114	8.6%
Active customers (in k)	921	802	14.8%			
Average orders per active customer in the preceding 12 months	2.6	2.6	-1.6%			
Average GMV per active customer in the preceding 12 months (in EUR)	307	297	3.5%			
Mobile visit share (in %)	73%	69%	4pp	74%	71%	3pp
Results of operations						
Revenue (in EUR m)	175.2	146.4	19.6%	54.7	47.6	15.0%
Adjusted EBITDA (in EUR m)	1.2	-7.3	8.5	-1.6	-2.3	0.7
Adjusted EBITDA margin (in % of revenue)	0.7%	-5.0%	5.7pp	-2.9%	-4.9%	2.0pp
Financial position						
Free cash flow (in EUR m)	-18.1	-20.3	2.2	-7.5	-6.9	-0.6
Cash and cash equivalents (in EUR m)	4.0	8.0	-4.0			
Other						
Employees (as of reporting date)	1,069	920	16.2%			

¹ From continuing operations only



Revenue grew by 15.0% year over year to EUR 54.7m
in the third quarter of 2018, despite unusually warm weather in Europe;
first nine months of 2018 profitably grew by

19.6%

to EUR 175.2m



Adjusted EBITDA margin at –2.9% for the third quarter of 2018;
Profitable at

0.7%

adjusted EBITDA margin in the first nine months of 2018,
improving by 5.7 percentage points vs same period of prior year



DACH segment showed

33.2%

growth in the third quarter, International segment remained flat;
both segments proportionally affected by hot weather this year.



Roll-out of our full Westwing business model progressing as planned.
Share of Private Label sales already

18%

of Group GMV in the third quarter 2018, increasing 7 percentage points compared to the prior-year period.
In DACH segment, Private Label share already at 27% of GMV in the third quarter of 2018. Our permanent assortment,
WestwingNow, is already live in eight of our 11 European markets with France added in the third quarter.



Guidance for FY 2018 confirmed with revenue growth between

15–20%

and adjusted EBITDA margin of between 1–2%

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Report on
ECONOMIC POSITION

1.1 FINANCIAL PERFORMANCE OF THE GROUP ²

The condensed income statement for the nine-month period ended September 30, 2018 continues to show strong revenue growth of 19.6 % compared to the prior year. Adjusted EBITDA has increased resulting in Westwing being profitable for the nine-month period ended September 30, 2018. At the same time, we have meaningfully progressed in rolling out our full business model across various Westwing markets.

CONSOLIDATED INCOME STATEMENT ON ADJUSTED BASIS FOR FIRST NINE MONTHS

EUR m	9M 2018	In % of revenue	9M 2017	In % of revenue
Revenue	175.2	100.0%	146.4	100.0%
Cost of sales	-100.6	-57.4%	-84.1	-57.4%
Gross profit	74.6	42.6%	62.4	42.6%
Fulfilment expenses	-38.9	-22.2%	-31.6	-21.6%
Contribution profit	35.7	20.4%	30.7	21.0%
Marketing expenses	-11.9	-6.8%	-10.0	-6.8%
General and administrative expenses	-29.6	-16.9%	-35.3	-24.1%
Other operating expenses	-0.5	-0.3%	-1.0	-0.7%
Other operating income	0.4	0.2%	0.7	0.5%
Central costs allocated to discontinued operations	1.8	1.0%	3.3	2.3%
Depreciation, amortization and impairments	5.3	3.0%	4.1	2.8%
Adjusted EBITDA	1.2	0.7%	-7.3	-5.0%

² Figures in this section are presented on an adjusted basis, i.e. excluding share-based compensation (in Fulfilment expenses and in General and administrative expenses) and IPO costs recognized in profit and loss (in General and administrative expenses). We calculate "Adjusted EBITDA" by adjusting EBITDA for (i) share-based compensation expenses, (ii) IPO costs recognized in profit or loss (for periods after January 1, 2018) and (iii) central costs allocated to discontinued operations.

THIRD QUARTER CONSOLIDATED INCOME STATEMENT ON ADJUSTED BASIS

EUR m	Q3 2018	In % of revenue	Q3 2017	In % of revenue
Revenue	54.7	100.0 %	47.6	100.0 %
Cost of sales	-31.3	-57.2 %	-27.6	-58.1 %
Gross profit	23.4	42.8 %	19.9	41.9 %
Fulfilment expenses	-13.4	-24.6 %	-10.3	-21.6 %
Contribution profit	10.0	18.3 %	9.7	20.3 %
Marketing expenses	-4.2	-7.8 %	-3.4	-7.2 %
General and administrative expenses	-10.0	-18.4 %	-11.3	-23.7 %
Other operating expenses	-0.1	-0.3 %	-0.6	-1.4 %
Other operating income	0.1	0.2 %	0.2	0.5 %
Central costs allocated to discontinued operations	0.6	1.1 %	1.0	2.1 %
Depreciation, amortization and impairments	2.1	3.9 %	2.1	4.4 %
Adjusted EBITDA	-1.6	-2.9 %	-2.3	-4.9 %

Revenue

Westwing increased revenue from EUR 47.6m to EUR 54.7m in the third quarter of 2018 compared to the prior-year period. This corresponds to a year-over-year revenue growth rate of 15.0%. We have achieved that despite very hot and dry weather across Europe which negatively impacted eCommerce in general.

The increase in revenue was driven by a higher number of active customers and an increase in share of wallet with our customers. As of September 30, 2018, the Group had 921 thousand active customers compared to 802 thousand active customers as of September 30, 2017. Revenue growth was supported by Westwing's successful further build-up of its Private Label business. The Private Label share (in % of GMV) grew by 7 percentage points from 11% to 18% in the third quarter of 2018 compared to the prior-year period. Adding to existing Private Label brands, Westwing prepared and successfully launched its Westwing-branded "Westwing Collection Fall/Winter" on October 25, 2018 offering a wide range of beautiful home & living products.

In the first nine months of 2018, revenue showed strong growth of 19.6% to EUR 175.2m compared to the corresponding prior-year period (EUR 146.4m), driven by the key performance indicators outlined above.

Contribution Margin

The gross margin increased slightly to 42.8% in the third quarter 2018 compared to 41.9% in the prior-year period. This development is in line with the steady increase of Private Label share. The contribution margin was at 18.3% in the third quarter of 2018, compared to 20.3% in the prior-year period. It was impacted by EUR 1.2m one-time expenses relating to our warehouse move from Berlin, Germany, to Poznan, Poland, which we expect to be completed in early 2019. It includes EUR 0.7m severance provision and EUR 0.5m impairment related to the right-of-use asset. Without these one-off effects, contribution margin in the third quarter of 2018 would have been 20.5%. Notwithstanding these investments, absolute contribution profit improved considerably in the first nine months of 2018 to EUR 35.7m from EUR 30.7m in the prior-year period.

Marketing Expenses

Marketing expenses increased to EUR 4.2m or 7.8% of revenue in the third quarter of 2018 compared to EUR 3.4m or 7.2% of revenue in the prior-year period. This increase reflects our strategy to invest more aggressively into organic marketing, in particular, social media and content creation. For the first nine months of 2018, marketing expenses increased from EUR 10.0m to EUR 11.9m compared to the prior year. As a percentage of revenue our marketing costs remained unchanged at 6.8% for the first nine months of 2018 compared to the same period in the prior year.

General and Administrative Expenses

In the third quarter of 2018, general and administrative expenses were lowered from EUR 11.3m to EUR 10.0m. In percentage of revenue, this is a reduction by 5.3 percentage points to 18.4 % of revenue compared to the same period in the prior year. For the nine months of 2018, general and administrative costs decreased to EUR 29.6m or 16.9 % of revenue compared to EUR 35.3m or 24.1 % of revenue in the prior-year period. We were able to show strong operating leverage by focusing on a lean cost base and increasing efficiency across the Group.

Adjusted EBITDA

The Group improved adjusted EBITDA from EUR – 2.3m to EUR – 1.6m in the third quarter of 2018 compared to the prior-year period. This corresponds to an improvement of the adjusted EBITDA margin from – 4.9 % in the third quarter of 2017 to – 2.9 % of revenue in the same period in 2018. In the first nine months, we showed an adjusted EBITDA of EUR 1.2m or 0.7 % of revenue, improving 5.7 percentage points compared to the same period in the prior year.

As of January 1, 2018, with the first-time application of IFRS 16 most leasing and rent expenses are no longer shown as operating expenses but are reported as depreciation and interest expenses and accordingly are not included in 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 third quarter of 2018 shows a strong growth in revenue in the DACH segment with flat growth in the International segment compared to the prior-year period. Adjusted EBITDA improved considerably for both the DACH and International segments, compared to the prior-year period.

CONSOLIDATED SEGMENT RESULTS

EUR m	9M 2018	9M 2017	Change	Q3 2018	Q3 2017	Change
Revenue						
DACH	89.3	62.5	42.8%	29.5	22.2	33.2%
International	85.8	83.9	2.3%	25.1	25.4	-0.9%
Adjusted EBITDA						
DACH	2.6	-1.3	3.9	-0.2	-0.4	0.1
International	-1.2	-5.8	4.6	-1.3	-1.9	0.6
Headquarter/Reconciliation	-0.2	-0.2	-	-0.1	0.0	-0.0
Adjusted EBITDA margin						
DACH	2.9%	-2.1%	5.0pp	-0.8%	-1.7%	0.9pp
International	-1.4%	-6.9%	5.5pp	-5.2%	-7.6%	2.4pp

Segment Revenue

The positive development of revenue was led by the DACH segment, showing significant revenue growth of 33.2 % in the third quarter of 2018 compared to the prior-year period. The International segment remained flat in terms of growth. Both segments were proportionally affected by the hot and dry weather.

The International segment shows high potential for future growth and will be a key area of focus for Westwing going forward. Rolling out Westwing's business model across the international markets progressed as planned. Private Label share in the International segment increased from 3 % to 7 % in the third quarter of 2018 compared to the prior-year period. In France, the permanent range WestwingNow was successfully launched in the third quarter of 2018.

Segment Adjusted EBITDA

The adjusted EBITDA margin in the DACH segment was at – 0.8% in the third quarter of 2018 compared to – 1.7% in the prior-year period. For the first nine months of 2018 the adjusted EBITDA margin in the DACH segment improved by 5.0 percentage points to 2.9%. In the International segment, the adjusted EBITDA margin in the third quarter of 2018 was at – 5.2%, thus 2.4 percentage points better than the prior-year period, reflecting improvements in cost structure made during the last year. For the nine-month period, adjusted EBITDA margin in the International segment improved from – 6.9% to – 1.4%.

1.3 FINANCIAL POSITION

CASH FLOWS

EUR m	9M 2018	9M 2017	Q3 2018	Q3 2017
Cash flows used in operating activities	-13.1	-16.6	-5.6	-6.0
Cash flows used in investing activities	-5.0	-3.7	-1.9	-0.9
Cash flows from financing activities	9.7	12.9	4.6	2.0
Cash flows from discontinued activities	-0.2	-1.4	-0.0	0.1
Net decrease in cash and cash equivalents	-8.7	-8.8	-2.9	-4.8
Effect of exchange rate fluctuations on cash held	-0.5	-0.2	-0.2	-0.0
Cash and cash equivalents as of January 1 / July 1	13.8	17.9	7.7	13.7
Cash and cash equivalents as of September 30	4.6	8.9	4.6	8.9
thereof – discontinued operations	0.5	0.9	0.5	0.9
thereof – continuing operations	4.0	8.0	4.0	8.0
Free cash flow	-18.1	-20.3	-7.5	-6.9

Cash flow used in operating activities³ improved from EUR – 16.6m in the first nine months of 2017 to EUR – 13.1m for the same period in 2018, primarily driven by the better operating result.

Cash outflows used in investing activities³ increased from EUR – 3.7m in the first nine months of 2017 to EUR – 5.0m for the same period in 2018. This mostly related to internally developed software amounting to EUR 4.2m (first nine months of 2017: EUR 2.6m).

Cash inflow from financing activities³ resulted primarily from cash receipts from a credit facility and repayment of an existing loan.

³ Continuing operations.

CONDENSED STATEMENT OF FINANCIAL POSITION

	September 30, 2018		December 31, 2017	
	EUR m	In % of Total	EUR m	In % of Total
Total Assets	81.0	100.0%	62.7	100.0%
Non-current assets	32.5	40.1%	13.8	22.1%
Current assets ⁴	40.8	50.3%	48.9	77.9%
Assets held for sale	7.8	9.6%	-	-
Total liabilities + equity	81.0	100.0%	62.7	100.0%
Equity/(deficit)	-27.6	-34.0%	-65.8	-104.8%
Non-current liabilities	36.4	44.9%	55.9	89.1%
Current liabilities ⁴	62.8	77.5%	72.6	115.7%
Liabilities held for sale	9.5	11.7%	-	-

On September 30, 2018, total assets amounted to EUR 81.0m. The increase of EUR 18.3m is primarily due to first-time application of the new leasing standard IFRS 16 starting from 1 January 2018. Right-of-use assets in the amount of EUR 19.0m and lease liabilities in the amount of EUR 20.0m were recognized in the balance sheet of the Group.

Equity increased from EUR - 65.8m on December 31, 2017, to EUR - 27.6m on September 30, 2018, mainly as a result of the conversion of the liabilities from a warrant agreement of EUR 40.5m into equity.

Since June 30, 2018, Westwing has shown the assets and liabilities of the discontinued operations in Russia and Brazil as assets and liabilities held for sale.

1.4 OUTLOOK

Management confirms the guidance for FY 2018 of revenue growth between 15% and 20% compared to the prior year and adjusted EBITDA margin of between 1% and 2%.

⁴ Excluding assets/liabilities held for sale

1.5 EVENTS AFTER THE BALANCE-SHEET DATE

On October 9, 2018, Westwing was successfully listed on the regulated market of the Frankfurt Stock Exchange. The public offering consisted of a capital increase of 4.4m shares placed at EUR 26.0 per share (EUR 114m) to further invest into growth. In addition, there was potential for over-allotment of up to 0.66m shares, covered by a primary greenshoe option which was valid for 30 days after the first day of trading. This greenshoe option was partially exercised with gross proceeds amounting to EUR 8.1m.

Westwing intends to use the proceeds from the offering for investments in our technology platform, Private Label, enhancing customer experience, further driving international growth as well as repayment of debt.

On October 29, 2018 Westwing signed a contract with Longwalk Holdings Limited and Elbrus Capital Fund II, L.P. to sell the Russian company for an immaterial amount. The sale became effective on November 6, 2018. Furthermore, on October 16, 2018, Westwing received approval from the Administrative Council for Economic Defense, CADE Brazil, to conclude the sale of our Brazilian business. The Group has already received majority of the selling price.

Munich, November 20, 2018

Stefan Smalla

Delia Fischer

Dr. Dr. Florian Drabeck

Chief Executive Officer

Chief Creative Officer

Chief Financial Officer

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Selected

FINANCIAL INFORMATION

2.1 CONSOLIDATED INCOME STATEMENT

EUR m	9M 2018	9M 2017	Q3 2018	Q3 2017
Revenue	175.2	146.4	54.7	47.6
Cost of sales	-100.6	-84.1	-31.3	-27.6
Gross profit	74.6	62.4	23.4	19.9
Fulfilment expenses	-38.0	-31.8	-13.4	-10.1
Marketing expenses	-11.9	-10.0	-4.2	-3.4
General and administrative expenses	-32.9	-39.1	-15.5	-11.2
Other operating expenses	-0.5	-1.0	-0.1	-0.6
Other operating income	0.4	0.7	0.1	0.2
Operating result	-8.3	-18.8	-9.8	-5.2
Finance costs	-7.8	-7.7	-1.1	-3.0
Finance income	0.0	0.0	-	0.0
Other financial result	-0.2	0.3	-0.0	0.0
Financial result	-7.9	-7.3	-1.1	-3.0
Result before income tax	-16.2	-26.2	-10.9	-8.2
Income tax expense	-0.2	-0.1	-0.1	-0.1
Result for the period from continuing operations	-16.4	-26.3	-11.0	-8.3
Result for the period from discontinued operations after taxes	1.0	0.6	0.2	0.2
Result for the period	-15.4	-25.8	-10.8	-8.1
Result attributable to:				
Owners of the Company	-17.3	-23.3	-10.4	-7.0
Non-controlling interests	1.9	-2.5	-0.4	-1.1

2.2 RECONCILEMENT OF ADJUSTED EBITDA

EUR m	9M 2018	9M 2017	Q3 2018	Q3 2017
Operating result	-8.3	-18.8	-9.8	-5.2
Adjustments				
Share-based compensation expenses / (income)	-1.2	4.0	2.0	-0.2
IPO costs recognized in profit or loss	3.5	-	3.4	-
Central costs allocated to discontinued operations	1.8	3.3	0.6	1.0
Depreciation, amortization, and impairments	5.3	4.1	2.1	2.1
Adjusted EBITDA	1.2	-7.3	-1.6	-2.3

2.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR m	September 30, 2018	December 31, 2017
Assets		
Non-current assets		
Property, plant and equipment	22.3	6.1
Intangible assets	7.0	4.0
Trade and other receivables	3.2	3.7
Total non-current assets	32.5	13.8
Current assets		
Inventories	22.0	21.7
Prepayments on inventories	3.8	2.4
Trade and other receivables	8.0	9.0
Other assets	2.9	2.1
Cash and cash equivalents	4.0	13.8
Assets held for sale	7.8	-
Total current assets	48.6	48.9
Total assets	81.0	62.7
Equity and liabilities		
Equity / (deficit)		
Share capital	15.5	0.1
Treasury shares	-1.0	-1.0
Share premium	235.4	210.3
Other reserves	35.2	22.7
Retained earnings	-286.8	-269.3
Other comprehensive income (OCI) reserve	7.6	7.2
Equity / (deficit) attributable to the owners of the Company	5.9	-30.0
Non-controlling interests	-33.5	-35.8
Total equity / (deficit)	-27.6	-65.8
Non-current liabilities		
Borrowings	20.4	4.4
Lease liabilities	15.6	0.0
Other financial liabilities	-	35.5
Other non-financial liabilities	0.1	15.7
Provisions	0.2	0.2
Total non-current liabilities	36.4	55.9
Current liabilities		
Borrowings	6.6	7.1
Lease liabilities	3.2	-
Trade payables and accruals	29.4	39.7
Customer prepayments	8.9	11.7
Other financial liabilities	3.7	1.6
Other non-financial liabilities	7.6	9.5
Provisions	3.4	2.9
Liabilities in connection with assets held for sale	9.5	-
Total current liabilities	72.2	72.6
Total liabilities	108.6	128.5
Total equity and liabilities	81.0	62.7

2.4 CONSOLIDATED STATEMENT OF CASH FLOWS

EUR m	9M 2018	9M 2017	Q3 2018	Q3 2017
Result before income tax	-16.2	-26.2	-10.9	-8.2
Adjustments				
Depreciation and impairment of property, plant and equipment	4.2	1.3	1.8	0.5
Amortization and impairment of intangible assets	1.1	2.9	0.3	1.6
Loss on disposal of property, plant and equipment	0.0	0.0	0.0	0.0
Share-based compensation (income) / expenses	-1.0	4.0	2.2	-0.2
Fair value loss on financial liabilities	0.3	0.7	0.2	0.0
Finance income	-0.0	-0.0	-0.0	-0.0
Finance costs	7.7	7.0	1.1	3.0
Foreign currency effects	0.2	-0.3	-0.0	-0.0
Other non-cash related adjustments	0.0	-0.0	-0.0	-
Changes in provisions	0.7	0.1	0.4	0.0
Cash effective operating profit/(loss) before changes in working capital	-3.1	-10.6	-5.0	-3.3
Adjustments for changes in working capital:				
Changes in trade and other receivables and prepayments	-2.2	-3.0	-0.1	-3.3
Changes in inventories	-5.0	-4.6	-2.1	-0.5
Changes in trade and other payables	-2.7	1.7	1.6	1.1
Cash used in operations	-12.9	-16.5	-5.5	-6.0
Tax paid	-0.2	-0.1	-0.1	0.0
Net cash flows used in operating activities – continuing operations	-13.1	-16.6	-5.6	-6.0
Net cash flows generated / used in operating activities – discontinued operations	0.9	-0.4	0.5	0.3
Net cash flows used in operating activities – continuing and discontinued operations	-12.2	-17.0	-5.1	-5.6
Investing Activities:				
Proceeds from sale of property, plant and equipment	0.2	0.0	0.0	0.0
Purchase of property, plant and equipment	-1.0	-1.1	-0.4	-0.2
Purchase of intangible assets	-4.2	-2.6	-1.5	-0.7
Other investing activities	0.0	0.0	-0.0	-
Interest received	0.0	0.0	-	0.0
Net cash flows used in investing activities – continuing operations	-5.0	-3.7	-1.9	-0.9
Net cash flows used in investing activities – discontinued operations	-0.2	-0.1	-0.1	-0.0
Net cash flows used in investing activities – continuing and discontinued operations	-5.2	-3.8	-2.0	-0.9
Financing Activities:				
Proceeds from shareholder's funding	0.0	-	0.0	-
Sale of minority interests	-	0.2	-	-
Interest and other finance charges paid	-2.2	-0.5	-1.1	-0.3
Proceeds from / (repayment of) borrowings	16.2	13.1	8.6	2.3
Payments of lease liabilities	-2.4	-0.0	-0.8	-0.0
Purchase of equity instruments	-1.9	-	-1.9	-
Purchase of minorities	-0.1	-	-0.1	-
Net cash flows from financing activities – continuing operations	9.7	12.9	4.6	2.0
Net cash flows from financing activities – discontinued operations	-1.0	-0.9	-0.4	-0.3
Net cash flows from financing activities – continuing and discontinued operations	8.7	11.9	4.2	1.8
Net change in cash and cash equivalents	-8.7	-8.8	-2.9	-4.8
Effect of exchange rate fluctuations on cash held	-0.5	-0.2	-0.2	-0.0
Cash and cash equivalents as of January 1 / July 1	13.8	17.9	7.7	13.7
Cash and cash equivalents as of September 30	4.6	8.9	4.6	8.9
thereof – discontinued operations	0.5	0.9	0.5	0.9
thereof – continuing operations	4.0	8.0	4.0	8.0

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