

Westwing Group SE

Consumer Goods - Germany



NuWays

by Hauck Aufhäuser Lampe

Buy (old: Buy)

08.05.2024

EUR 18.00 (old: EUR 18.00)

Healthy Q1 results // FY24 guidance confirmed

Healthy Q1 results underpin that Westwing was able to continue the trend of yoy GMV growth witnessed in recent quarters. **Q1 sales increased by 6% yoy to € 109m** (eNuW: € 107.7m), showing an acceleration of growth versus Q4 (+2% yoy), driven by growth in active customers (+2% yoy to 1.28m) and basket size (+9% yoy to € 185). International and DACH grew 3% and 8% yoy, respectively, implying continued market share gains amid ongoing challenges in the German online Home & Living market (-4% yoy).

At the same time, efficiency measures are bearing fruit. **Adj. EBITDA arrived in line with expectations at € 6m in Q1** (eNuW: € 6.5m), representing a margin improvement of 0.8ppts yoy to 5.8%. This was carried by a strong contribution margin expansion of +4ppts yoy to 32%, a favorable product mix (i.e. higher private label share, +5ppts yoy to 51% of GMV in Q1), reduced fulfilment expenses (-2ppts yoy) as well as lower G&A costs (-1ppts yoy) as a result of cost savings (i.e. consolidation of logistics and warehouses and streamlining the organization). Notably, **Westwing was able to translate the favorable adj. EBITDA development into healthy FCF of € 4m in Q1**, supported by net working capital of € -18m, likely concluding the reduction of excess inventory built up during Covid.

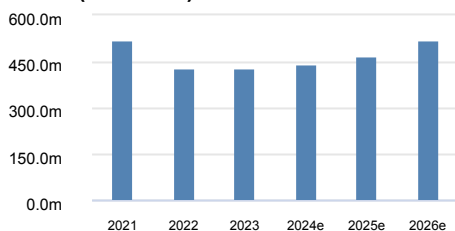
Westwing confirmed its FY24 guidance and with sales expected to develop within a range of **-3% to 4% yoy** to € 415-445m (eNuW: € 442m). While the Q1 performance was overall satisfactory, management continues to expect H2'24 sales to be weighed down by a strategic adjustment of the product offering in Spain and Italy (low to mid single-digit percentage impact) along with ongoing challenges in the home & living market as consumers continue to hold back on higher-value products such as furniture. **The adj. EBITDA outlook was reiterated at € 14m to € 24m implying a 3.1 to 5.8% margin** (eNuW: € 23.7m with a 5.4% margin). Considering € 6m adj. EBITDA in Q1, the bottom-line guidance looks achievable, in our view, while FCF for the full year should likely be close to break-even (eNuW: € 0.3m) due to one-off restructuring costs (i.e. complexity reduction, SaaS transition) and normalizing inventory patterns.

Overall, Westwing has adapted successfully to the current transition period towards a leaner and more scalable organizational setup. While visibility on a return of consumer confidence remains low, Westwing's mid-term prospects continue to look bright driven by the structural shift towards e-commerce and its unique positioning in the European home & living market. We reiterate our **BUY** recommendation

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	522.5	430.8	428.7	441.6	472.5	519.7
Sales growth	20.7%	-17.6%	-0.5%	3.0%	7.0%	10.0%
Adj. EBITDA	40.4	-4.2	17.8	23.7	30.3	38.9
Net debt (if net cash=0)	-87.1	-56.2	-82.0	-65.5	-70.9	-84.9
FCF	3.8	-21.4	29.5	0.3	15.5	24.1
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.55	-1.51	-0.61	-0.52	0.06	0.36
Adj. EBITDA margin	7.7%	-1.0%	4.2%	5.4%	6.4%	7.5%
ROCE	22.2%	-23.5%	-8.4%	-9.8%	7.0%	17.1%
EV/sales	1.4	0.3	0.2	0.2	0.2	0.2
EV/EBITDA	17.9	-14.2	9.0	7.3	4.5	2.9
PER	67.5	-5.8	-14.4	-16.9	144.8	24.6
Adjusted FCF yield	3.0%	-17.2%	4.2%	2.9%	14.7%	22.7%

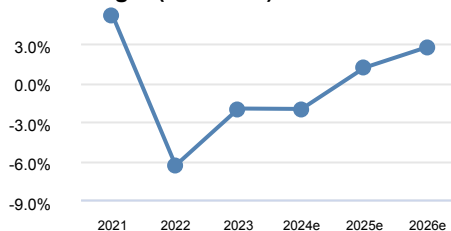
Source: Company data, NuWays, Close price as of 22.04.2024

Sales (2021-26e)



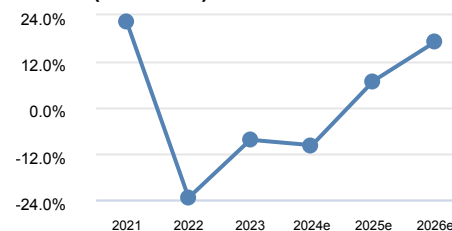
Source: NuWays Research

EBIT margin (2021-26e)

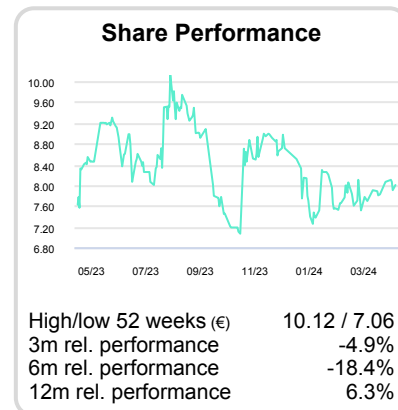


Source: NuWays Research

ROCE (2021-26e)



Source: NuWays Research



Market data

Share price (in €)	8.00
Market cap (in € m)	175.7
Number of shares (in m pcs)	20.1
Enterprise value (in € m)	102.4
Ø trading volume (6 months)	7,200

Identifier

Bloomberg	WEW GR
Reuters	WEW
WKN	A2N4H0
ISIN	DE000A2N4H07

Key shareholders

Zerena	28.9%
Amiral Gestion	9.9%
The Capital Group	7.6%
Blackwell Partners	5.7%
Bram Cornelisse	5.3%
Free Float	13.3%

Estimates changes

	2024e	2025e	2026e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	-6%	6%	6%

Comment on changes

- Adjustments reflect lower share count due to buybacks implemented by the company

Company description

Westwing is a leading e-commerce platform that allows customers to have the combined advantages of online and offline shops for home and living products. The company's product portfolio is complemented by consultation services from professional designers.

Guidance

- Sales: -3% to +4% yoy
- Adj. EBITDA: € 14-24m

Westwing Group SE

Preview / Review - 08.05.2024



with a PT of € 18.00, based on DCF, and keep the stock on our Alpha List.

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	522.5	430.8	428.7	441.6	472.5	519.7
Sales growth	20.7%	-17.6%	-0.5%	3.0%	7.0%	10.0%
Cost of sales	265.7	228.1	215.7	216.9	230.2	251.6
Gross profit	256.8	202.7	213.0	224.7	242.3	268.1
Sales and marketing	156.4	134.8	135.8	135.5	143.5	157.4
General and administration	79.3	92.9	85.3	91.8	90.2	94.1
Research and development	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	3.9	2.8	5.9	3.1	2.8	3.1
Other operating expenses	3.8	5.2	6.2	9.3	5.7	5.2
EBITDA	40.4	-9.4	11.4	14.0	23.7	31.6
Unusual or infrequent items	6.2	0.0	6.4	9.7	6.6	7.3
Adj. EBITDA	40.4	-4.2	17.8	23.7	30.3	38.9
Depreciation	9.2	12.2	13.2	15.2	10.8	9.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	3.8	5.8	6.6	7.6	7.2	7.6
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	27.4	-27.4	-8.4	-8.8	5.7	14.6
Interest income	0.0	0.0	1.1	0.0	0.0	0.0
Interest expenses	1.6	2.0	1.9	1.8	3.3	3.6
Investment income	-0.6	-0.9	0.1	0.0	-0.9	-1.0
Financial result	-2.2	-2.9	-0.7	-1.8	-4.3	-4.7
Recurring pretax income from continuing operations	25.2	-30.3	-9.1	-10.6	1.5	9.9
Extraordinary income/loss	-6.2	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	19.0	-30.3	-9.1	-10.6	1.5	9.9
Income tax expense	7.0	2.1	3.3	0.0	0.4	3.0
Net income from continuing operations	12.0	-32.4	-12.4	-10.6	1.0	7.0
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	12.0	-32.4	-12.4	-10.6	1.0	7.0
Minority interest	0.0	0.0	-0.2	-0.2	-0.2	-0.2
Net profit (reported)	12.0	-32.4	-12.2	-10.4	1.2	7.2
Average number of shares	21.7	21.5	20.1	20.1	20.1	20.1
EPS reported	0.55	-1.51	-0.61	-0.52	0.06	0.36

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	50.9%	52.9%	50.3%	49.1%	48.7%	48.4%
Gross profit	49.1%	47.1%	49.7%	50.9%	51.3%	51.6%
Sales and marketing	29.9%	31.3%	31.7%	30.7%	30.4%	30.3%
General and administration	15.2%	21.6%	19.9%	20.8%	19.1%	18.1%
Research and development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	0.7%	0.6%	1.4%	0.7%	0.6%	0.6%
Other operating expenses	0.7%	1.2%	1.4%	2.1%	1.2%	1.0%
EBITDA	7.7%	-2.2%	2.7%	3.2%	5.0%	6.1%
Unusual or infrequent items	1.2%	0.0%	1.5%	2.2%	1.4%	1.4%
Adj. EBITDA	7.7%	-1.0%	4.2%	5.4%	6.4%	7.5%
Depreciation	1.8%	2.8%	3.1%	3.4%	2.3%	1.8%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.7%	1.3%	1.5%	1.7%	1.5%	1.5%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	5.2%	-6.4%	-2.0%	-2.0%	1.2%	2.8%
Interest income	0.0%	0.0%	0.3%	0.0%	0.0%	0.0%
Interest expenses	0.3%	0.5%	0.4%	0.4%	0.7%	0.7%
Investment income	-0.1%	-0.2%	0.0%	0.0%	-0.2%	-0.2%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	4.8%	-7.0%	-2.1%	-2.4%	0.3%	1.9%
Extraordinary income/loss	-1.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	3.6%	-7.0%	-2.1%	-2.4%	0.3%	1.9%
Tax rate	36.8%	-6.9%	-36.3%	0.0%	30.0%	30.0%
Net income from continuing operations	2.3%	-7.5%	-2.9%	-2.4%	0.2%	1.3%
Net income	2.3%	-7.5%	-2.9%	-2.4%	0.2%	1.3%
Minority interest	0.0%	0.0%	-0.0%	-0.0%	-0.0%	-0.0%
Net profit (reported)	2.3%	-7.5%	-2.9%	-2.4%	0.3%	1.4%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	18.9	23.3	19.3	21.0	21.0	21.0
Property, plant and equipment	55.5	53.2	44.6	33.8	33.8	33.8
Financial assets	0.0	2.3	1.6	1.6	1.6	1.6
FIXED ASSETS	74.4	78.8	65.5	56.4	56.4	56.4
Inventories	54.9	45.2	28.1	27.5	28.5	30.4
Accounts receivable	11.5	12.6	12.1	12.5	13.3	14.7
Other assets and short-term financial assets	18.9	22.2	21.2	21.2	21.2	21.2
Liquid assets	97.4	62.3	81.4	71.5	76.9	90.9
Deferred taxes	8.2	3.6	1.5	1.5	1.5	1.5
Deferred charges and prepaid expenses	12.1	3.6	7.1	7.1	7.1	7.1
CURRENT ASSETS	203.0	149.5	151.4	141.3	148.5	165.8
TOTAL ASSETS	277.4	228.3	216.9	197.7	204.9	222.2

SHAREHOLDERS EQUITY	119.3	90.0	88.5	69.1	74.1	75.3
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	1.1	2.1	2.1	2.1	2.1	2.1
Other provisions and accrued liabilities	0.7	0.6	1.5	1.5	1.5	1.5
Short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	56.8	34.1	35.9	36.1	38.3	41.9
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	83.1	91.4	78.9	78.9	78.9	91.4
Deferred taxes	5.1	2.3	3.1	3.1	3.1	3.1
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	139.9	125.5	114.8	115.0	117.2	133.3
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	277.4	228.3	216.9	197.7	204.9	222.2

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	6.8%	10.2%	8.9%	10.6%	10.2%	9.4%
Property, plant and equipment	20.0%	23.3%	20.6%	17.1%	16.5%	15.2%
Financial assets	0.0%	1.0%	0.7%	0.8%	0.8%	0.7%
FIXED ASSETS	26.8%	34.5%	30.2%	28.5%	27.5%	25.4%
Inventories	19.8%	19.8%	13.0%	13.9%	13.9%	13.7%
Accounts receivable	4.1%	5.5%	5.6%	6.3%	6.5%	6.6%
Other assets and short-term financial assets	6.8%	9.7%	9.8%	10.7%	10.3%	9.5%
Liquid assets	35.1%	27.3%	37.5%	36.2%	37.5%	40.9%
Deferred taxes	3.0%	1.6%	0.7%	0.8%	0.7%	0.7%
Deferred charges and prepaid expenses	4.4%	1.6%	3.3%	3.6%	3.5%	3.2%
CURRENT ASSETS	73.2%	65.5%	69.8%	71.5%	72.5%	74.6%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	43.0%	39.4%	40.8%	35.0%	36.2%	33.9%
MINORITY INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	0.4%	0.9%	1.0%	1.1%	1.0%	0.9%
Other provisions and accrued liabilities	0.3%	0.3%	0.7%	0.8%	0.7%	0.7%
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	20.5%	14.9%	16.6%	18.3%	18.7%	18.8%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	30.0%	40.0%	36.4%	39.9%	38.5%	41.1%
Deferred taxes	1.8%	1.0%	1.4%	1.6%	1.5%	1.4%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	50.4%	55.0%	52.9%	58.2%	57.2%	60.0%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	12.0	-32.4	-12.4	-10.6	1.0	7.0
Depreciation of fixed assets (incl. leases)	9.2	12.2	13.2	15.2	10.8	9.4
Amortisation of goodwill & intangible assets	3.8	5.8	6.6	7.6	7.2	7.6
Other costs affecting income / expenses	-2.6	20.0	6.5	1.3	6.0	10.0
Cash flow from operating activities	6.8	-18.6	29.0	3.0	17.5	26.2
Increase/decrease in inventory	-24.7	9.7	17.1	0.6	-1.0	-1.9
Increase/decrease in accounts receivable	5.9	-1.1	0.5	-0.4	-0.9	-1.3
Increase/decrease in accounts payable	15.1	-22.7	1.8	0.2	2.2	3.6
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-3.7	-14.1	19.4	0.4	0.4	0.3
Cash flow from operating activities	18.7	-7.5	33.3	13.9	25.4	34.3
CAPEX	14.9	13.9	5.4	13.7	9.9	10.1
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	1.1	2.5	1.6	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	-16.0	-11.4	-3.8	-13.7	-9.9	-10.1
Cash flow before financing	2.7	-23.9	26.3	0.3	15.5	24.1
Increase/decrease in debt position	0.0	-4.2	-0.1	0.0	0.0	0.0
Purchase of own shares	0.0	-0.5	-3.7	0.0	0.0	0.0
Capital measures	0.4	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-10.1	1.0	-20.1	-10.1	-10.1	-10.1
Effects of exchange rate changes on cash	-0.5	0.1	-0.1	0.0	0.0	0.0
Cash flow from financing activities	-9.7	-2.7	-23.9	-10.1	-10.1	-10.1
Increase/decrease in liquid assets	-7.5	-26.5	9.7	-9.9	5.4	14.0
Liquid assets at end of period	97.4	75.9	81.4	71.5	76.9	90.9

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	20.7%	-17.6%	-0.5%	3.0%	7.0%	10.0%
EBITDA growth	-19.2%	-123.3%	-221.3%	22.9%	69.2%	33.3%
EBIT growth	-30.4%	-200.0%	-69.3%	4.6%	-165.1%	155.4%
EPS growth	-53.2%	-373.1%	-59.7%	-15.2%	-111.7%	489.8%
Efficiency						
Sales per employee	290.1	253.4	218.4	264.2	287.7	264.8
EBITDA per employee	22.4	-5.5	5.8	8.4	14.4	16.1
No. employees (average)	1,801	1,700	1,963	1,672	1,642	1,963
Balance sheet analysis						
Avg. working capital / sales	1.5%	3.9%	3.3%	0.9%	0.8%	0.6%
Inventory turnover (sales/inventory)	4.8	5.0	7.7	7.9	8.1	8.3
Accounts receivable turnover	8.0	10.7	10.3	10.3	10.3	10.3
Accounts payable turnover	78.0	54.6	60.7	60.7	60.7	60.7
Cash flow analysis						
Free cash flow	3.8	-21.4	29.5	0.3	15.5	24.1
Free cash flow/sales	0.7%	-5.0%	6.9%	0.1%	3.3%	4.6%
FCF / net profit	31.7%	66.0%	neg.	neg.	1507.2%	347.4%
Capex / sales	3.1%	3.8%	1.6%	3.1%	2.1%	1.9%
Solvency						
Net debt	-87.1	-56.2	-82.0	-65.5	-70.9	-84.9
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	21.6%	24.4%	31.4%	29.4%	55.1%	60.6%
Returns						
ROCE	22.2%	-23.5%	-8.4%	-9.8%	7.0%	17.1%
ROE	10.1%	-36.0%	-13.8%	-15.0%	1.6%	9.5%
Adjusted FCF yield	3.0%	-17.2%	4.2%	2.9%	14.7%	22.7%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	0.55	-1.51	-0.61	-0.52	0.06	0.36
Average number of shares	21.7	21.5	20.1	20.1	20.1	20.1
Valuation ratios						
P/BV	6.8	2.1	2.0	2.5	2.4	2.3
EV/sales	1.4	0.3	0.2	0.2	0.2	0.2
EV/EBITDA	17.9	-14.2	9.0	7.3	4.5	2.9
EV/EBIT	26.4	-4.9	-12.2	-11.7	18.7	6.4

Source: Company data, NuWays

Disclosures

Disclosures regarding research publications of NuWays AG pursuant to section 85 of the German Securities Trading Act (WpHG)

Indication of conflict of interest

It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analysed company. A conflict of interest is presumed to exist in particular if NuWays AG

- (1) or any other person belonging to the same group with it was part of a consortium within the past twelve months that issued the financial instruments of the analysed company by way of a public offer.
- (2) or any other person belonging to the same group with it has entered into an agreement on the production of the research report with the analysed company.
- (3) or any other person belonging to the same group with it has been party to an agreement on the provision of investment banking services with the analysed company or have received services or a promise of services under the term of such an agreement within the past twelve month.
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Company	Disclosures
Westwing Group SE	2

Historical target price and rating changes for Westwing Group SE

Company	Date	Analyst	Rating	Target Price	Close
Westwing Group SE	01.04.2024	Schüssler, Mark	Buy	EUR 18.00	EUR 7.90
	28.03.2024	Schüssler, Mark	Buy	EUR 17.00	EUR 7.69
	09.11.2023	Salis, Christian	Buy	EUR 19.00	EUR 8.38
	10.08.2023	Salis, Christian	Buy	EUR 18.00	EUR 8.33
	12.05.2023	Salis, Christian	Buy	EUR 17.00	EUR 8.32

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

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