

Westwing Group SE

Consumer Goods - Germany



NuWays

by Hauck Aufhäuser Lampe

Buy (old: Buy)

09.08.2024

EUR 17.50 (old: EUR 18.00)

Solid Q2'24 results // FY'24 guidance confirmed; chg.

Westwing released solid Q2 results and was able to continue the trend of yoy GMV growth witnessed in the recent quarters (+5% yoy to € 114m in Q2). **Q2 sales were slightly higher than expected and increased by 4.1% yoy to € 106m** (eNuW: € 104m), driven by **healthy growth in active customers** (+2% yoy to 1.28m) and a **surging basket size** (+11% yoy to € 198). DACH grew 4.5%, while International remained flat yoy, implying continued market share gains amid a flat German online Home & Living market yoy.

At the same time, **adj. EBITDA was below estimates at € 3.9m in Q2** (eNuW: € 5.7m), representing a margin of 3.7% (-0.7ppts yoy), as a result of elevated investments in brand awareness, which - although flagged in our last update - came in higher than expected. Having said that, **Westwing's higher marketing ratio should be regarded as a net positive** since it allows the company to increase share of mind with the consumer which eventually can be translated into a higher share of customer wallet once the macroeconomic picture improves.

Nonetheless, **Westwing demonstrated a contribution margin expansion of +1.8ppts yoy to 30.6%**, thanks to a **favorable product mix** (i.e. significantly higher private label share, +7ppts yoy to 53% of GMV in Q2), and **reduced fulfilment expenses** (-1.4ppts yoy) as a result of cost savings through consolidation in logistics. Working capital increased by € 7.7m but was once again negative at € -11m (Q1: € -19m) due to payment-related timing effects in Q1 as well as the seasonal build-up of inventory, leading to Q2 FCF of € -7.3m (Q2'23 FCF: € 0.2m).

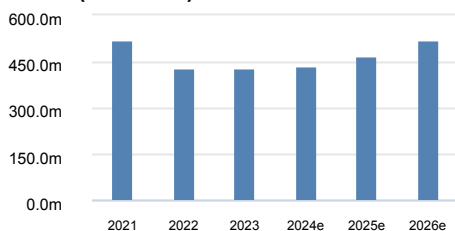
The company confirmed its FY24 guidance with sales growth seen at -3% to 4% yoy to € 415-445m (eNuW new: € 435; eNuW old: € 442m). Management continues to expect H2'24 sales to be weighed down by complexity reductions and strategic adjustments of the product offering in Spain and Italy (now completed) as well as Czech Republic, Poland, and Slovakia (to be implemented in H2), and the ongoing challenges in the general home & living market.

(continued)

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	522.5	430.8	428.7	435.4	472.5	519.8
Sales growth	20.7%	-17.6%	-0.5%	1.6%	8.5%	10.0%
Adj. EBITDA	40.4	-4.2	17.8	18.3	24.7	38.9
Net debt (if net cash=0)	-87.1	-56.2	-82.0	-65.5	-65.7	-79.7
FCF	3.8	-21.4	29.5	0.3	10.2	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	-0.79	-0.20	0.36
Adj. EBITDA margin	7.7%	-1.0%	4.2%	4.2%	5.2%	7.5%
ROCE	22.2%	-23.5%	-8.4%	-16.2%	0.1%	18.9%
EV/sales	1.4	0.2	0.2	0.2	0.2	0.1
EV/EBITDA	17.9	-10.9	6.4	10.2	4.6	2.2
PER	67.5	-4.8	-12.0	-9.3	-37.1	20.5
Adjusted FCF yield	3.0%	-22.6%	6.1%	-0.3%	12.7%	30.7%

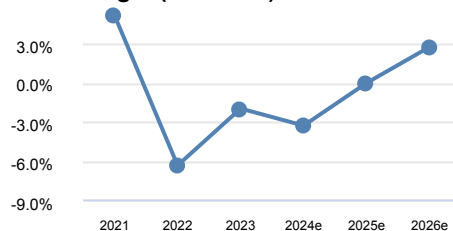
Source: Company data, NuWays, Close price as of 05.08.2024

Sales (2021-26e)



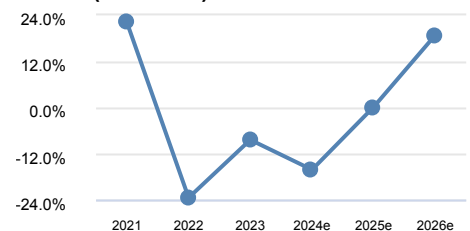
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

ROCE (2021-26e)



Source: NuWays Research

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.



Market data

Share price (in €)	7.50
Market cap (in € m)	146.7
Number of shares (in m pcs)	20.1
Enterprise value (in € m)	81.2
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%
Aymeric Chaumet	5.7%
Bram Cornelisse	5.3%
Free Float	10.2%

Estimates changes

	2024e	2025e	2026e
Sales	-1%	0%	0%
EBIT	-62%	-98%	0%
EPS	-53%	-426%	0%

Comment on changes

- Changes reflect slightly lower estimated revenues for H2 due to strategic adjustments of the product portfolio in Central & Eastern Europe as well as a higher marketing ratio in 2024-25e

Guidance

- 2024 Sales: -3% to +4% yoy
- 2024 Adj. EBITDA: € 14-24m

Westwing Group SE

Preview / Review - 09.08.2024



The adj. EBITDA outlook was reiterated at € 14m to € 24m, implying a 3-6% margin (eNuW new: € 18.5m; eNuW old: € 23.7m). Considering € 10.2m adj. EBITDA in H1, 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.

All in all, the company impresses with (1) a **clear vision and action plan** for reviving and continuing its growth story, (2) **management's long-term focus** over short-term considerations, and (3) its **cost-conscious and sensible capital allocation** to the benefit of the brand. Considering the currently very undemanding valuation, we continue to like the stock and **reiterate our BUY rating** with a changed **PT of € 17.50** (old: € 18.00), based on DCF.

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	522.5	430.8	428.7	435.4	472.5	519.8
Sales growth	20.7%	-17.6%	-0.5%	1.6%	8.5%	10.0%
Cost of sales	265.7	228.1	215.7	214.5	230.2	251.6
Gross profit	256.8	202.7	213.0	220.9	242.3	268.1
Sales and marketing	156.4	134.8	135.8	142.3	149.1	157.4
General and administration	79.3	92.9	85.3	89.0	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	3.5	2.8	3.1
Other operating expenses	3.8	5.2	6.2	7.3	5.7	5.2
EBITDA	40.4	-9.4	11.4	7.9	18.1	31.6
Unusual or infrequent items	6.2	0.0	6.4	10.4	6.6	7.3
Adj. EBITDA	40.4	-4.2	17.8	18.3	24.7	38.9
Depreciation	9.2	12.2	13.2	14.8	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	7.4	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	-14.3	0.1	14.6
Interest income	0.0	0.0	1.1	0.0	0.0	0.0
Interest expenses	1.6	2.0	1.9	1.7	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	-1.7	-4.3	-4.7
Recurring pretax income from continuing operations	25.2	-30.3	-9.1	-16.0	-4.1	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	-16.0	-4.1	9.9
Income tax expense	7.0	2.1	3.3	0.0	0.0	3.0
Net income from continuing operations	12.0	-32.4	-12.4	-16.0	-4.1	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	-16.0	-4.1	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	-15.8	-4.0	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	-0.79	-0.20	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%	49.3%	48.7%	48.4%
Gross profit	49.1%	47.1%	49.7%	50.7%	51.3%	51.6%
Sales and marketing	29.9%	31.3%	31.7%	32.7%	31.6%	30.3%
General and administration	15.2%	21.6%	19.9%	20.5%	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%	0.8%	0.6%	0.6%
Other operating expenses	0.7%	1.2%	1.4%	1.7%	1.2%	1.0%
EBITDA	7.7%	-2.2%	2.7%	1.8%	3.8%	6.1%
Unusual or infrequent items	1.2%	0.0%	1.5%	2.4%	1.4%	1.4%
Adj. EBITDA	7.7%	-1.0%	4.2%	4.2%	5.2%	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%	-3.3%	0.0%	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%	-3.7%	-0.9%	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%	-3.7%	-0.9%	1.9%
Tax rate	36.8%	-6.9%	-36.3%	0.0%	0.0%	30.0%
Net income from continuing operations	2.3%	-7.5%	-2.9%	-3.7%	-0.9%	1.3%
Net income	2.3%	-7.5%	-2.9%	-3.7%	-0.9%	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%	-3.6%	-0.8%	1.4%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	18.9	23.3	19.3	19.3	19.3	19.3
Property, plant and equipment	55.5	53.2	44.6	32.8	32.8	32.8
Financial assets	0.0	2.3	1.6	1.6	1.6	1.6
FIXED ASSETS	74.4	78.8	65.5	53.7	53.7	53.7
Inventories	54.9	45.2	28.1	27.2	28.5	30.4
Accounts receivable	11.5	12.6	12.1	12.3	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	71.7	85.7
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	140.9	143.3	160.6
TOTAL ASSETS	277.4	228.3	216.9	194.6	197.0	214.3

SHAREHOLDERS EQUITY	119.3	90.0	88.5	66.4	66.2	67.4
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
Long-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	56.8	34.1	35.9	35.7	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	114.6	117.2	133.3
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	277.4	228.3	216.9	194.6	197.0	214.3

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	6.8%	10.2%	8.9%	9.9%	9.8%	9.0%
Property, plant and equipment	20.0%	23.3%	20.6%	16.9%	16.7%	15.3%
Financial assets	0.0%	1.0%	0.7%	0.8%	0.8%	0.7%
FIXED ASSETS	26.8%	34.5%	30.2%	27.6%	27.3%	25.1%
Inventories	19.8%	19.8%	13.0%	14.0%	14.5%	14.2%
Accounts receivable	4.1%	5.5%	5.6%	6.3%	6.8%	6.8%
Other assets and short-term financial assets	6.8%	9.7%	9.8%	10.9%	10.8%	9.9%
Liquid assets	35.1%	27.3%	37.5%	36.8%	36.4%	40.0%
Deferred taxes	3.0%	1.6%	0.7%	0.8%	0.8%	0.7%
Deferred charges and prepaid expenses	4.4%	1.6%	3.3%	3.6%	3.6%	3.3%
CURRENT ASSETS	73.2%	65.5%	69.8%	72.4%	72.7%	74.9%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	43.0%	39.4%	40.8%	34.1%	33.6%	31.4%
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%	1.1%	1.0%
Other provisions and accrued liabilities	0.3%	0.3%	0.7%	0.8%	0.8%	0.7%
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Long-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%	19.4%	19.5%
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%	40.6%	40.1%	42.7%
Deferred taxes	1.8%	1.0%	1.4%	1.6%	1.6%	1.4%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	50.4%	55.0%	52.9%	58.9%	59.5%	62.2%
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	-16.0	-4.1	7.0
Depreciation of fixed assets (incl. leases)	9.2	12.2	13.2	14.8	10.8	9.4
Amortisation of goodwill & intangible assets	3.8	5.8	6.6	7.4	7.2	7.6
Other costs affecting income / expenses	-2.6	20.0	6.5	4.0	6.0	10.0
Cash flow from operating activities	6.8	-18.6	29.0	2.3	12.2	26.2
Increase/decrease in inventory	-24.7	9.7	17.1	0.9	-1.3	-1.9
Increase/decrease in accounts receivable	5.9	-1.1	0.5	-0.2	-1.0	-1.3
Increase/decrease in accounts payable	15.1	-22.7	1.8	-0.2	2.6	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	0.5	0.3	0.3
Cash flow from operating activities	18.7	-7.5	33.3	10.7	20.2	34.3
CAPEX	14.9	13.9	5.4	10.4	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	-10.4	-9.9	-10.1
Cash flow before financing	2.7	-23.9	26.3	0.3	10.2	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	0.1	14.0
Liquid assets at end of period	97.4	75.9	81.4	71.5	71.7	85.7

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	20.7%	-17.6%	-0.5%	1.6%	8.5%	10.0%
EBITDA growth	-19.2%	-123.3%	-221.3%	-30.4%	128.4%	74.5%
EBIT growth	-30.4%	-200.0%	-69.3%	69.9%	-100.8%	12755.3%
EPS growth	-53.2%	-373.1%	-59.7%	29.5%	-75.0%	-281.0%
Efficiency						
Sales per employee	290.1	253.4	218.4	260.5	287.7	264.8
EBITDA per employee	22.4	-5.5	5.8	4.7	11.0	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	10.2	24.1
Free cash flow/sales	0.7%	-5.0%	6.9%	0.1%	2.2%	4.6%
FCF / net profit	31.7%	66.0%	neg.	neg.	neg.	347.4%
Capex / sales	3.1%	3.8%	1.6%	2.4%	2.1%	1.9%
Solvency						
Net debt	-87.1	-56.2	-82.0	-65.5	-65.7	-79.7
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%	29.0%	55.1%	60.6%
Returns						
ROCE	22.2%	-23.5%	-8.4%	-16.2%	0.1%	18.9%
ROE	10.1%	-36.0%	-13.8%	-23.9%	-6.0%	10.6%
Adjusted FCF yield	3.0%	-22.6%	6.1%	-0.3%	12.7%	30.7%
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	-0.79	-0.20	0.36
Average number of shares	21.7	21.5	20.1	20.1	20.1	20.1
Valuation ratios						
P/BV	6.8	1.7	1.7	2.2	2.2	2.2
EV/sales	1.4	0.2	0.2	0.2	0.2	0.1
EV/EBITDA	17.9	-10.9	6.4	10.2	4.6	2.2
EV/EBIT	26.4	-3.7	-8.7	-5.7	732.1	4.7

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

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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

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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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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under: www.nuways-ag.com

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