

Westwing Group SE

Consumer Goods - Germany



NuWays

by Hauck Aufhäuser Lampe

Buy (old: Buy)

08.11.2024

EUR 17.50 (old: EUR 17.50)

Q3 review: benefitting change in mix; chg. est.

Topic: Westwing released solid Q3 results yesterday, which were slightly above our sales estimates, but in line at adj. EBITDA. Overall, the product and cost mix both showed improvements, positioning WEW well for the important Q4 ahead and beyond. In detail:

Q3 sales increased by 3% yoy to € 96m (eNuW: € 90m), driven by **growth in active customers** (+1% yoy to 1.28m) and a surging **basket size** (+16% yoy to € 206), which offset the trend of declining number of orders (-13% yoy). DACH grew 4%, implying continued market share gains amid ongoing challenges in the German online Home & Living market (-5% yoy in DACH; +9pp outperformance), whereas International (+2% yoy) was burdened by the switch in product assortment in the short-term.

Adj. EBITDA grew by 46% yoy to € 4m (eNuW: € 4.1m; 9M: € 13.7m, +15% yoy), thanks to an improved cost mix. Next to a rising gross margin (+0.7pp, thanks to the ongoing rise of the Westwing collection share by 10pp to 58%), the larger lever was a **decrease in the fulfilment cost ratio by 2.7pp**. In return, WEW spent 20% yoy more in brand marketing (especially in DACH), to **prepare for the seasonally important Q4**. Within the segments, DACH's adj. EBITDA of € 1.3m (2.4% margin) was burdened by the aforementioned marketing campaign, whereas International expanded EBITDA to € 2.4m (5.2% margin), mainly driven by the strong increase of the Westwing collection share.

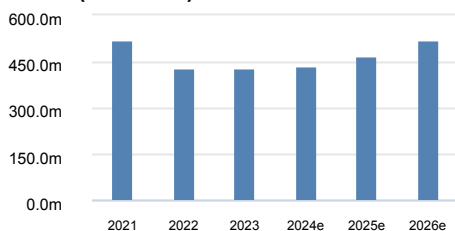
FCF came in at € -6m in Q3 and was burdened by the seasonal inventory ramp up (€ +6m qoq WC effect in Q3). Per 9M, FCF thus stood at € -9m, containing already some € 5m of the € 10-12m one-off cash effective SaaS tech-platform restructuring. As management guides for FCF break even in FY'24e, this implies a **positive FCF of € 9m** (eNuW: € 10m; € 14-16m FCF excl. one-offs), on the back of positive WC reversals, but also due to a better cost mix.

The fact that WEW was able to show growth despite an ongoing market decline, ultimately increasing market share, while also turning to a leaner cost base, shows that management is on track to prepare the company for disproportionate growth and operating leverage should consumer sentiment pick up again. Moreover, the more than healthy balance sheet (net cash explains 45% of market cap) provides the basis for further country expansions. Therefore, we reiterate our **BUY recommendation with an unchanged PT of € 17.50**, based on DCF. - *analyst change* -

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	522.5	430.8	428.7	434.7	472.5	519.8
Sales growth	20.7%	-17.6%	-0.5%	1.4%	8.7%	10.0%
Adj. EBITDA	40.4	-4.2	17.8	17.9	24.7	38.9
Net debt (if net cash=0)	-87.1	-56.2	-82.0	-66.8	-67.7	-77.7
FCF	3.8	-21.4	29.5	1.3	7.9	17.0
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.55	-1.51	-0.61	-0.58	-0.01	0.50
Adj. EBITDA margin	7.7%	-1.0%	4.2%	4.1%	5.2%	7.5%
ROCE	22.2%	-23.5%	-9.0%	-15.4%	0.1%	15.6%
EV/sales	1.4	0.2	0.2	0.2	0.2	0.1
EV/EBITDA	17.9	-10.9	6.4	8.7	4.5	2.3
PER	67.5	-4.8	-12.0	-12.5	-849.4	14.6
Adjusted FCF yield	3.0%	-22.6%	6.1%	2.2%	13.0%	28.0%

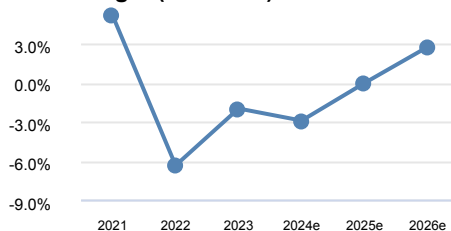
Source: Company data, NuWays, Close price as of 04.11.2024

Sales (2021-26e)



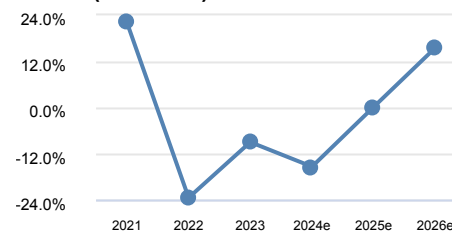
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

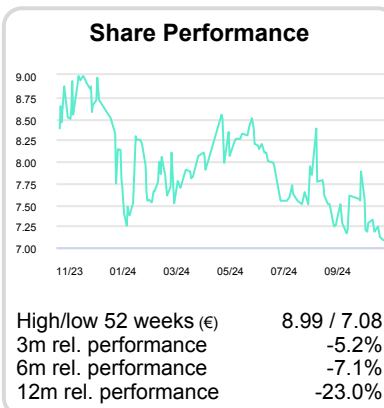
ROCE (2021-26e)



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 €)	7.08
Market cap (in € m)	146.7
Number of shares (in m pcs)	20.1
Enterprise value (in € m)	80.0
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	-0%	0%	0%
EBIT	12%	0%	0%
EPS	26%	96%	41%

- ### Comment on changes
- better FY'24e EBIT and EPS estimate stem from revised D&A estimates for Q4'24e.
 - EPS changes for FY'25e & '26e stem from revised financial result assumptions.

Guidance

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

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	522.5	430.8	428.7	434.7	472.5	519.8
Sales growth	20.7%	-17.6%	-0.5%	1.4%	8.7%	10.0%
Cost of sales	265.7	228.1	215.7	215.1	230.2	251.6
Gross profit	256.8	202.7	213.0	219.6	242.3	268.1
Sales and marketing	156.4	134.8	135.8	141.3	149.1	157.4
General and administration	79.3	92.9	85.3	88.1	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	4.7	2.8	3.1
Other operating expenses	3.8	5.2	6.2	7.5	5.7	5.2
EBITDA	40.4	-9.4	11.4	9.2	18.1	31.6
Unusual or infrequent items	6.2	0.0	6.4	8.7	6.6	7.3
Adj. EBITDA	40.4	-4.2	17.8	17.9	24.7	38.9
Depreciation	9.2	12.2	13.2	14.5	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	7.3	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	-12.6	0.1	14.6
Interest income	0.0	0.0	1.1	1.7	1.4	1.6
Interest expenses	1.6	2.0	1.9	1.7	1.9	2.1
Investment income	-0.6	-0.9	0.1	0.0	0.0	0.0
Financial result	-2.2	-2.9	-0.7	0.0	-0.5	-0.5
Recurring pretax income from continuing operations	25.2	-30.3	-9.1	-12.6	-0.4	14.1
Extraordinary income/loss	-6.2	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	19.0	-30.3	-9.1	-12.6	-0.4	14.1
Income tax expense	7.0	2.1	3.3	-0.7	0.0	4.2
Net income from continuing operations	12.0	-32.4	-12.4	-11.9	-0.4	9.9
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	-11.9	-0.4	9.9
Minority interest	0.0	0.0	-0.2	-0.2	-0.2	-0.2
Net profit (reported)	12.0	-32.4	-12.2	-11.7	-0.2	10.1
Average number of shares	21.7	21.5	20.1	20.1	20.1	20.1
EPS reported	0.55	-1.51	-0.61	-0.58	-0.01	0.50

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%	49.5%	48.7%	48.4%
Gross profit	49.1%	47.1%	49.7%	50.5%	51.3%	51.6%
Sales and marketing	29.9%	31.3%	31.7%	32.5%	31.6%	30.3%
General and administration	15.2%	21.6%	19.9%	20.3%	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%	1.1%	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%	2.1%	3.8%	6.1%
Unusual or infrequent items	1.2%	0.0%	1.5%	2.0%	1.4%	1.4%
Adj. EBITDA	7.7%	-1.0%	4.2%	4.1%	5.2%	7.5%
Depreciation	1.8%	2.8%	3.1%	3.3%	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%	-2.9%	0.0%	2.8%
Interest income	0.0%	0.0%	0.3%	0.4%	0.3%	0.3%
Interest expenses	0.3%	0.5%	0.4%	0.4%	0.4%	0.4%
Investment income	-0.1%	-0.2%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	0.0%	neg.	neg.
Recurring pretax income from continuing operations	4.8%	-7.0%	-2.1%	-2.9%	-0.1%	2.7%
Extraordinary income/loss	-1.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	3.6%	-7.0%	-2.1%	-2.9%	-0.1%	2.7%
Tax rate	36.8%	-6.9%	-36.3%	5.7%	0.0%	30.0%
Net income from continuing operations	2.3%	-7.5%	-2.9%	-2.7%	-0.1%	1.9%
Net income	2.3%	-7.5%	-2.9%	-2.7%	-0.1%	1.9%
Minority interest	0.0%	0.0%	-0.0%	-0.0%	-0.0%	-0.0%
Net profit (reported)	2.3%	-7.5%	-2.9%	-2.7%	-0.0%	1.9%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	18.9	23.3	19.3	19.4	19.4	19.4
Property, plant and equipment	55.5	53.2	44.6	33.1	33.1	33.1
Financial assets	0.0	2.3	1.6	1.6	1.6	1.6
FIXED ASSETS	74.4	78.8	65.5	54.1	54.1	54.1
Inventories	54.9	45.2	28.1	30.1	31.3	33.3
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	7.6	7.6	7.6	7.6
Liquid assets	97.4	62.3	81.5	72.8	73.7	83.7
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	137.9	131.3	134.6	147.9
TOTAL ASSETS	277.4	228.3	203.4	185.4	188.7	202.0

SHAREHOLDERS EQUITY	119.3	90.0	75.0	67.1	74.8	91.6
MINORITY INTEREST	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
Bonds (long-term)	0.0	0.0	0.0	0.0	0.0	0.0
other interest-bearing liabilities	10.3	6.1	6.0	6.0	6.0	6.0
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
NON-CURRENT LIABILITIES	12.1	8.8	9.6	9.6	9.6	9.6
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	35.8	38.3	41.9
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Accrued taxes	1.0	1.7	0.9	0.9	0.9	0.9
Other liabilities (incl. from lease and rental contracts)	83.1	91.4	78.9	68.9	61.9	54.9
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	146.0	129.5	118.8	108.7	104.2	100.8
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	277.4	228.3	203.4	185.4	188.7	202.0

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	6.8%	10.2%	9.5%	10.5%	10.3%	9.6%
Property, plant and equipment	20.0%	23.3%	21.9%	17.8%	17.5%	16.4%
Financial assets	0.0%	1.0%	0.8%	0.9%	0.8%	0.8%
FIXED ASSETS	26.8%	34.5%	32.2%	29.2%	28.7%	26.8%
Inventories	19.8%	19.8%	13.8%	16.2%	16.6%	16.5%
Accounts receivable	4.1%	5.5%	5.9%	6.6%	7.1%	7.3%
Other assets and short-term financial assets	6.8%	9.7%	3.7%	4.1%	4.0%	3.8%
Liquid assets	35.1%	27.3%	40.1%	39.2%	39.1%	41.4%
Deferred taxes	3.0%	1.6%	0.7%	0.8%	0.8%	0.7%
Deferred charges and prepaid expenses	4.4%	1.6%	3.5%	3.8%	3.8%	3.5%
CURRENT ASSETS	73.2%	65.5%	67.8%	70.8%	71.3%	73.2%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	43.0%	39.4%	36.9%	36.2%	39.7%	45.3%
MINORITY INTEREST	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%
Bonds (long-term)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
other interest-bearing liabilities	3.7%	2.7%	2.9%	3.2%	3.2%	3.0%
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%
NON-CURRENT LIABILITIES	4.4%	3.9%	4.7%	5.2%	5.1%	4.8%
Short-term liabilities to banks	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts payable	20.5%	14.9%	17.6%	19.3%	20.3%	20.7%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued taxes	0.4%	0.7%	0.4%	0.5%	0.5%	0.4%
Other liabilities (incl. from lease and rental contracts)	30.0%	40.0%	38.8%	37.2%	32.8%	27.2%
Deferred taxes	1.8%	1.0%	1.5%	1.7%	1.6%	1.5%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	52.6%	56.7%	58.4%	58.6%	55.2%	49.9%
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	-11.9	-0.4	9.9
Depreciation of fixed assets (incl. leases)	9.2	12.2	13.2	14.5	10.8	9.4
Amortisation of goodwill & intangible assets	3.8	5.8	6.6	7.3	7.2	7.6
Other costs affecting income / expenses	-2.6	20.0	6.5	4.0	0.0	0.0
Cash flow from operating activities	6.8	-18.6	29.0	3.4	9.9	19.0
Increase/decrease in inventory	-24.7	9.7	17.1	-2.0	-1.2	-2.0
Increase/decrease in accounts receivable	5.9	-1.1	0.5	-0.2	-1.1	-1.3
Increase/decrease in accounts payable	15.1	-22.7	1.8	-0.1	2.5	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	-2.3	0.2	0.2
Cash flow from operating activities	18.7	-7.5	33.3	11.7	17.9	27.1
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	1.3	7.9	17.0
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	-10.0	-7.0	-7.0
Effects of exchange rate changes on cash	-0.5	0.2	-0.1	0.0	0.0	0.0
Cash flow from financing activities	-9.7	-2.7	-23.9	-10.0	-7.0	-7.0
Increase/decrease in liquid assets	-7.5	-26.4	9.7	-8.7	0.9	10.0
Liquid assets at end of period	97.4	76.0	81.5	72.8	73.7	83.7

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	20.7%	-17.6%	-0.5%	1.4%	8.7%	10.0%
EBITDA growth	-19.2%	-123.3%	-221.3%	-19.1%	96.5%	74.5%
EBIT growth	-30.4%	-200.0%	-69.3%	49.8%	-100.9%	12755.3%
EPS growth	-53.2%	-373.1%	-59.7%	-4.3%	-98.5%	-5926.5%
Efficiency						
Sales per employee	290.1	253.4	218.4	260.1	287.7	264.8
EBITDA per employee	22.4	-5.5	5.8	5.5	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%	1.2%	1.4%	1.2%
Inventory turnover (sales/inventory)	4.8	5.0	7.7	7.2	7.4	7.6
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	1.3	7.9	17.0
Free cash flow/sales	0.7%	-5.0%	6.9%	0.3%	1.7%	3.3%
FCF / net profit	31.7%	66.0%	neg.	neg.	neg.	171.9%
Capex / sales	3.1%	3.8%	1.6%	2.4%	2.1%	1.9%
Solvency						
Net debt	-87.1	-56.2	-82.0	-66.8	-67.7	-77.7
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%	31.5%	34.7%
Returns						
ROCE	22.2%	-23.5%	-9.0%	-15.4%	0.1%	15.6%
ROE	10.1%	-36.0%	-16.3%	-17.4%	-0.2%	11.0%
Adjusted FCF yield	3.0%	-22.6%	6.1%	2.2%	13.0%	28.0%
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	-0.58	-0.01	0.50
Average number of shares	21.7	21.5	20.1	20.1	20.1	20.1
Valuation ratios						
P/BV	6.8	1.7	2.0	2.2	2.0	1.6
EV/sales	1.4	0.2	0.2	0.2	0.2	0.1
EV/EBITDA	17.9	-10.9	6.4	8.7	4.5	2.3
EV/EBIT	26.4	-3.7	-8.7	-6.4	714.1	4.9

Source: Company data, NuWays

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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	09.08.2024	Schüssler, Mark	Buy	EUR 17.50	EUR 7.64
	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

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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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