

## Westwing: Shareholder-Friendly Online Retailer With Margin Upside

Brad Hathaway of Far View Capital Management presented his investment thesis on Westwing Group (Germany: WEW) at European Investing Summit 2025.

### *Thesis summary:*

Westwing is a European direct-to-consumer online home furnishings retailer operating in 22 countries. Founded in Germany in 2011, the company uses a content-led strategy to drive strong user engagement and cohort economics, with 80% of orders coming from repeat customers. It targets a premium “masstige” position with a primarily female customer base. Westwing is exiting a multi-year transformation that unified its commercial model, reduced costs, and migrated its backend to an external SaaS platform, creating a more scalable foundation.

Brad believes an opportunity exists as the industry begins a cyclical recovery from a post-COVID downturn. This downturn improved WEW’s competitive environment, as key online competitors like Made.com have liquidated and Wayfair has exited the German market. Westwing is positioned as a survivor ready to take share in an upturn. Furthermore, the company’s progress is currently obscured in its 2025 financials.

2025 results are artificially depressed, masking the transformation’s success. The company’s upgrade to a more premium, globalized product assortment creates a temporary headwind, resulting in flat revenue guidance (FY25: -4% to +2% yoy). Simultaneously, 2025 EBITDA margins (guided 6% to 8%) are hampered by ramp-up costs from an accelerated expansion into 10 new countries. Brad anticipates an inflection in 2026, driven by the scaling of these new markets and the continued growth of the high-margin “Westwing Collection” private label, which reached 65% of GMV in Q2 2025.

The long-tenured management team, led by CEO Andreas Hoerning and founder Delia Lachance, is long-term oriented, evidenced by multiple insider purchases. Capital allocation is a key strength. The company executed a tender offer in November 2024 — an unconventional move for a German company — and holds 9.9% of shares in Treasury. This shareholder-friendly approach is expected to continue once technical limitations on share retirement are resolved in 2026.

The shares recently traded at under €12. He sees downside protection at €9-€10, a valuation based on a 4x multiple of 2025 guided EBITDA (approx. €35M) and an 8% FCF yield, supported by a strong balance sheet with ~€50M in net cash. Conversely, Brad calculates an upside potential of ~€45 per share. This target is based on a 2028 scenario assuming a return to double-digit growth and >10% EBITDA margins, applying a 12x EBITDA multiple to ~€69M of EBITDA. This remains below the company’s mid-term aspiration for 15% EBITDA margins.

*The following transcript has been edited for space and clarity.*

**Brad Hathaway:** I always appreciate what you've built here and how useful it is for all of us.

The company I'm going to present today is Westwing Group. Just first off, our disclaimer. Far View owns shares in Westwing. We may change that position at any time. My information is what I believe to be true, but obviously I may have made mistakes, so please do your own due diligence.

What is Westwing? Westwing is a European direct-to-consumer online home furnishing retailer. The unique things about Westwing is its content-led strategy leads to very strong user engagement and great cohort economics.

Why is this position potentially interesting? First off, the industry has been struggling from a cyclical downturn post-COVID that they're just beginning to see the recovery of. Obviously during the coronavirus, a lot of people over-indexed their purchasing to home furnishing. They bought a lot of rugs and lamps and stuff to decorate their living space because everyone was at home. That led to a significant downturn in the industry as people's purchasing patterns normalized post-pandemic.

One of the good things about the pandemic, though, is it materially improved Westwing's competitive environment. Whereas previously they had a lot of well-funded, aggressive competitors, now many of those competitors have left the market, leaving them in a better position for the upturn.

They also used the downturn to do a multi-year strategic transformation, which has greatly simplified and improved the underlying business foundation. As a result of that better foundation, they've actually begun to significantly expand into multiple new countries in Europe in 2025.

However, this improved business performance has not actually shown up yet fully in the 2025 results due to the transition and the ending of the transformation, which has artificially depressed those results. We're getting... the progress has been made, but you actually don't quite see it in the numbers yet.

Just briefly, how do we think about the upside here? If they return to double-digit top-line growth and get to improved EBITDA margins, I could see the stock easily getting to 45 euros a share versus the price of sub 12 as of 10/23.

Flipping that around, on the downside, I think Westwing has a very strong balance sheet with a substantial net cash position. They've proven to be shareholder-friendly with that cash, and they also have a very sticky customer base. That combined with their valuation on their 2025 results should provide solid downside protection at 9 to 10 euros a share.

Obviously there are risks. One risk is that the online home furnishing addressable market in Europe is smaller than we expect. They also still are exiting this transformation, so perhaps they could miss guidance on near-term results. If they make mistakes with their content or brand, given their emotional attachment with their customers, that could be damaging. They also could have logistics issues; these are challenging things to ship. Finally, a continued or worsening European economic downturn could hurt consumer demand. Obviously there are probably other risks outside of this as well.

In more detail, here's a brief business overview on Westwing. They sell home furnishings in 22 countries in Europe to over 1.2 million customers. It is a premium assortment, so upper middle class and above, and it's mainly a female customer base. It's mainly home décor, so

it's a lot of lamps and decorations, but they do also sell things like couches and rugs.

It's a very loyal customer base. 80% of their orders come from repeat customers. They used to talk about a metric: 90% of their customers would visit either the email or the site at least once a week. There's a tremendous amount of customer interaction with their content.

Home furnishing is obviously a very large addressable market, and it is still shifting online. In Europe, this shift is still well behind where we are in the US. Westwing currently only has 0.3% market share of this 150 billion addressable market. The market has been aggressively moving online, and there's still substantial room for it to move online in the future.

One of the nice things about the downturn, if you can call it that, is the competitive environment for Westwing has substantially improved. If you look back during COVID, they had multiple venture-backed players and well-funded players, including Made.com, Wayfair, and Home24, who were all aggressively competing. Made.com was probably their closest competitor. It's a UK company that during COVID started to aggressively expand into their core European markets. But they ended up getting massively over-inventoried and didn't fix their cost structure. In 2022, they actually liquidated.

Home24 was another German e-commerce player, a lower quality player than Westwing, but they were still a competitor. They had to be rescued by a brick-and-mortar player, XXXLutz, in April 2023, and they're not nearly as aggressively investing in online anymore.

There have also been some shuttering of brick-and-mortar chains like Depot and Opti-Wohnwelt, who filed for insolvency.

Finally, US competitor Wayfair, in the COVID period was substantially investing in European marketing and really trying to make a push there. They've been pulling back on this marketing investment for multiple years now, and they actually exited the German market at the start of 2025. If we look at it going forward, many of these well-funded competitors are no longer there just as the industry is about to enter an upturn. That should allow Westwing to take substantial incremental market share as demand recovers.

The other interesting thing about Westwing is the Westwing Collection, which is effectively their private label brand. It's become a significant portion of their revenue base, representing roughly two-thirds now at the most recent quarter. It's very well regarded by their customers. It is their best sellers, well reviewed. Private label makes a tremendous amount of sense in the furnishing industry because you have a very fragmented supplier base who don't generally have that strong brand. It provides Westwing substantial bargaining power and the ability to use their brand as the leading way to approach customers. Collection revenue has done very well, consistently growing at high double-digit rates, and they are significantly more profitable than the third-party product for Westwing. Continued shifts in this direction will help margins.

As I mentioned at the beginning, Westwing is very focused on content. They are the largest home and living brand on Instagram with 8.6 million followers, and they have over 13 million followers on social media. Unlike a lot of their competitors, they actually produce... they have internal studios where they produce their own content. They're taking their own pictures of their products as opposed to using stock photos like a Wayfair. That allows them to much more attractively place their higher-end products for their customer base and create substantial content that leads to this repeat customer interaction that drives this long-term sticky relationship.

One of the great opportunities here is they have 8.6 million followers on Instagram but 1.2 million customers, and 13 million if you think about all social media. There's a huge market that already knows who Westwing is and already is interacting with their content that actually isn't shopping there yet. As Westwing continues to improve their commercial operation, there's room to substantially increase their customer market share.

The other interesting thing here is Westwing used the downturn to do a substantial shift of their business. In 2022, the company had basically two business models. They had Westwing club, which was more of a daily deal type model, and then the normal e-commerce model. Both of those had fully separate tech stacks and fully separate commercial operations, which was wildly inefficient. In 2022-2023, they combined those together in the one Westwing commercial model, which greatly simplified the business and allowed them to benefit more from their scale.

They also took a significant organizational rightsizing and cost reduction, which fixed their cost base for the new demand environment and left them in the position to play offense when the business improved, as opposed to their competitors that were slower to react and ended up getting in trouble as we discussed before.

This was the first step. The second step was they worked to build a scalable platform. They changed their product assortment to move it up market and into the more premium area. They also transitioned their back end to an external SAS provider, Shopify, who significantly improved their commercial operations. Listening to the management team describe it shows how logical they are. They, as they put it, "When we were founded in 2011, building our own e-commerce engine was a true differentiator for us, but at this point now given the quality of the external tools, it no longer became a point of differentiation." So they decided it was better to outsource to someone with greater resources. Again, a very logical decision.

These improvements have set the company up to now begin scaling again in 2025. They've started with a significant country expansion; they're working to increase their market share, which should allow them to grow their top line with expanding margins.

The first step of this is substantially expanding the countries they're in. At the beginning of the year, they planned to roll out to 5 to 10 new countries in fiscal 2025. They've actually had really strong initial results, so they've already done the 10 countries year to date. They still have substantial room to expand to other European countries, and that is on the plan. This will give them a much bigger addressable market to attack and more room to grow with their existing improved commercial operation.

But the good thing is these improvements haven't yet shown up in the results, which might explain why the stock is mispriced. In 2024, Westwing made the choice to upgrade and globalize the product assortment. Basically they went to a more premium model and they centralized more of the assortment as opposed to having more unique things in Italy and unique things in Spain. As a result, this has hurt 2025 revenue. They have talked roughly as if being a mid-single digit, mid- to high-single digit impact to revenue. As opposed to flat revenue guidance, you'd think that pro forma for this growth would have been mid- to high-single digits. You can see generally they've been very much at the higher end of their guidance for the last few years. I think they guide relatively conservatively.

They've also hampered the EBITDA margins. While the guidance for this year has substantially better EBITDA margins, they're actually not as good as they probably should be because there are ramp-up costs for each of the 10 new countries they entered during the

year. Initial marketing spend is less efficient as you have to build a customer base and bring your brand to customers who don't know them. This massive country expansion has had a significant impact on 2025 EBITDA margins.

If you look at the change from the local assortment (which was very inefficient) and also the drag from that to the top line, the drag to the margins from the country expansion, you could actually argue that 2025 results should be much higher than what they have guided for.

As a result of this, they started to talk qualitatively about 2026. Revenue growth, now once they're past the assortment change, should accelerate in 2026. They should also get the benefit from the country expansion because a lot of the countries in 2025 were launched in the middle of the year and they also take a long time to ramp. They should actually scale in 2026, allowing for substantially faster growth.

They have talked about an ambition of upper single to double digit growth in 2026. Again, I believe based on my history here that they generally guide quite conservatively. They also talk about improvements in profitability in 2026. While the country expansion hampers margins, these countries tend to be profitable quite quickly. The first country they entered was Portugal and while it was loss-making initially, it became profitable within one year. They've commented that they really believe they have a clear path to a 10% plus EBITDA margin.

This management team is long-tenured and, in my opinion, I hold them in very high regard. Delia Lachance is the Chief Creative Officer. She was the founder, and I would consider her the creative muse for the company. Her Instagram following is substantial as well and she's considered a style leader in Europe. Andreas Hoerning is now the CEO. He was previously the Chief Commercial Officer, and he was responsible for the Westwing Collection, which I think will be a driver of substantial success. Sebastian Westrich also has e-commerce experience previously. All of them have impressed me with their focus; they've been willing to take near-term pain with a focus on generating long-term returns. I think they have a great long-term orientation. They've also bought shares in the company multiple times over the past couple years.

Again, another example: their capital allocation has been very strong. They're shareholder friendly. While they have had excess cash, they initially did a normal repurchase of shares, which was somewhat limited by the volume in the market. In November 2024, they announced a tender offer for 6% of the shares outstanding. This is actually pretty outside-the-box thinking for a German company because tender offers are not widely used there. It shows their willingness to think in an aggressive, shareholder-friendly manner.

At this point, they actually own almost 10% of the company in Treasury, which is what they're limited to own. They will either have to start retiring some shares, which they can't do quite yet, but they should be able to do in 2026. That will also give them some room to repurchase more shares.

They're also willing to talk about how they think the share price is undervalued. In recent decks, they've started talking about their valuation based on analyst consensus. They've also talked about and shown how they've cut the number of shares in circulation. Again, these are relatively abnormal things for a European company. They are thinking on behalf of shareholders.

How do we think about the upside valuation here? Again, we think about this concept in a

three-year time frame out to 2028. I think they could return to consistent double-digit growth and recovery of EBITDA margins above 10%. That would give us just under 69 million-ish of EBITDA in this analysis and 45 million of free cash flow. If we think about a 12x EBITDA multiple, 5% free cash flow yield, that would be 45 a share, which is almost 4x the current 12 euro share price.

The interesting thing is that is not... that should in no way be the end state here. They will still have less than 1% market share in a market that's continued to shift online. The EBITDA margins will be well below their 15% aspiration. There are actually arguments for that aspiration to be very correct. While granted these were COVID boosted, in a period of high demand during COVID, their core Germanic regions (Germany, Austria, and Switzerland, which they call their DACH region) did a high teens EBITDA margin. When they've had the volume, they've proven the ability to get above 15% EBITDA margins before. I would argue the business is better now given the increased private label and the much improved commercial engine.

This 15% mid-term aspiration is highly achievable if they can get the top line to grow again. We think about this: these multiples... if people start to believe that this is a double-digit top-line grower with expanding margins, it's a capital-light business, they have a unique competitive position. These are the businesses that when they come into favor, they actually have the potential to have substantial margins.

As a reminder, these numbers are based on my assumptions, so they may not be correct. Again, please do your own due diligence.

The nice thing also is there should be strong downside support here. The company has roughly 50 million euros of net cash. They have been willing, as we've seen, to use that for shareholder-friendly uses. They've been willing to repurchase shares. I think they will again as soon as they get the treasury shares lower. They have a sticky, very loyal customer base, and again, a capital-light business.

If we think about the 2025 guidance, and you put a 4x EBITDA multiple on it and an 8% free cash flow yield, that's roughly 9 to 10 euros a share, which is not too far below the 12 euros a share where they trade currently. Again, these are based on my numbers and please do your own diligence.

Again, just to address the risks. The addressable market might be a lot smaller because e-commerce doesn't pick up as much in Europe. Their higher-end design-led niche is smaller than we expect, but again, they have such a fraction that I think we're a ways from that being a problem. A big, challenging risk to me could be if they somehow screw up their brand or their content asset. Because they have such an emotional relationship with their customers, there is the possibility that people could turn against them quickly if they ended up ruining that brand.

Obviously, economic recessions are challenging. Trade war can hurt the supply chain, but they have a pretty diverse supply chain. A lot of it is European-based. Obviously, as it's been a challenge, European small-cap companies have been out of favor for a very long time. That may continue, and that's maybe challenging for people to buy this.

Overall, I think Westwing represents an opportunity to invest in a competitively advantaged leader in an industry that has been out of favor for a while, is starting to turn around, and is still shifting online. The company has exited a substantial commercial transformation and is

now primed to really play offense and grow. Investors are perhaps missing this because those results are not readily apparent in the existing numbers due to some overhangs that should dissipate. But as we move forward to 2026, the strength of this business should become more readily apparent. The company should again have the capacity to repurchase more shares. I think there's the potential for this to substantially revalue from here.

**John Mihaljevic:** Please talk a bit more about new customer acquisition. Obviously it's very nice that they have a lot of repeat customers, and that probably brings their costs down. How do they go about acquiring new customers and what do we know about the economics there?

**Brad:** The new customer acquisition... obviously there's normal performance marketing, but what they've started to do in 2024 was invest in brand marketing. They started doing some brand marketing in the Germanic markets and it actually went really well. Their unaided brand awareness increased, their brand perception increased, and they saw an acceleration in growth in the Germanic markets (again, Germany, Austria, and Switzerland, which they call their DACH region). They saw that accelerate ahead of the other European markets that they're in.

They've started to increase brand as a percent of their marketing mix, and that has also helped them accelerate growth. The challenge for them again is turning people who just enjoy their content into people who really want to shop there. One of the big things they think the Westwing Collection will do... previously they had to split their marketing and their customer experience into two very separate channels. But now by unifying them, they think it'll be a much more efficient customer acquisition channel.

With 30-plus percent contribution margins and long customer lives, the lifetime value of these customers is very high. I think while I don't have a full-on LTV to CAC calculation, I'm confident that it would be highly attractive marketing. Now that they've exited this transformation and the end market is starting to show signs of life for the first time, they are ready to invest in growth, both in new countries and in the countries they're existing.

**John:** What would be the key data points to keep an eye on going forward to gauge how the thesis is playing out?

**Brad:** I would argue that they have proven that the margins can increase. They went from effectively EBITDA break-even to this year's guidance is 6 to 8% EBITDA margins. They've proven that even without a lot of top-line growth, the guidance can increase. What they need to prove now is that the top line will also grow.

They would argue that it's already growing if you adjust for the assortment shift challenges that they've faced. That is also shown in the Westwing Collection doing high double-digit growth. They would argue they've proven they can grow, but we haven't seen that show up in the true top-line numbers.

I think as you exit 2025 and into 2026, one of the most important things to see will be that acceleration in top-line growth because A) it is obviously good to grow revenue. But B) the way margins grow from 10% to 15% will be increased scaling of their fixed costs. Growing the top line is a really critical driver here.

**John:** Could you talk a bit more about how you see the capital allocation mix going forward? What can we expect as shareholders?

**Brad:** They have been very aggressive at buying their shares through the downturn. They

bought shares in a normal buyback for a while, but due to volume limitations, that wasn't an effective use of capital. They did a tender and got 6% of their stock in November 2024. Again, that's very abnormal for a German company. It shows that they're willing to be shareholder-friendly.

Right now, they're a little bit stuck due to some technical reasons. Due to the multi-year nature of the downturn, they need to rebuild equity a little bit more before they can retire shares. They have 9.9% of the stock in Treasury. They're not allowed to have over 10%. They are a little bit limited in 2025. They expect the equity... if you look at it... should rebuild by early 2026. That would allow them to retire some of these shares and give them more flexibility to repurchase more shares in the future. But they have certainly shown a willingness to be very shareholder-friendly. Once they get past some of these technical limitations, I would expect them to do that again.

**John:** Looking, let's say five years out, what's your vision for this business in terms of the sustainable growth that they may be able to achieve?

**Brad:** I think they benefit from several things. One is, again, the shift from offline to online in home furnishing. Europe is well behind the US in that. That's one thing. The second thing... that should be a driver of growth. They also should benefit, again, from growing these additional countries and eventually expanding to the rest of Europe. That would be another driver of growth.

The third thing is I expect they will continue to gain market share in the online home furnishing area because A) their competitors have been weakened substantially. And B) they are now a much better e-commerce experience than they were before the one Westwing change, before the Shopify move. It's now a much more efficient online engine. I expect them to gain market share.

As a result of all those things, I expect them to grow double digits for several years because again, even on my 2028 numbers, they're at less than 1% market share of a market that they should have a substantial share of. I think they have a long runway for significant growth.

Given their history, I would argue that they are in the mid-term quite likely to hit this 15% EBITDA margin aspiration. There's an argument where you could eventually see this as a billion euro revenue company doing 150 million of EBITDA. CapEx is roughly 2% of sales. You could argue that they could do over 100 million euros of free cash flow on less than 20 million shares, so over 5 euros a share of free cash flow, and you could put whatever multiple you feel is prudent on that.

**John:** Thanks again for joining us and articulating this investment thesis to fellow members.

#### *About the instructor:*

Brad Hathaway is the Managing Partner of Far View Capital Management, an investment firm based in Aspen, Colorado. Before founding Far View Capital Management in 2011, Mr. Hathaway worked for four years at J. Goldman & Company, a New York City-based hedge fund. At J. Goldman, Mr. Hathaway worked as an analyst and a portfolio manager on the firm's value team. His role there included sourcing and analyzing investment opportunities and managing a portfolio of global securities from multiple asset classes with a focus on US

publicly-traded equities. Prior to J. Goldman, Mr. Hathaway worked for three years as an analyst at Tocqueville Asset Management where he discovered and researched global long and short equity investments for the International Value mutual fund and the Global Partners hedge fund. Mr. Hathaway graduated with a B.A. in Political Science from Yale University. He is a board member of CDON AB, a Nordic 3P e-commerce marketplace listed on the Swedish stock exchange.