



Zalando. The Starting Point for Fashion.



David Schneider
Robert Gentz
Rubin Ritter

Capital Markets Day 2019

February 28, 2019

 zalando

The Starting Point for Fashion.





Agenda

**Our Vision:
The Starting Point for Fashion**

Platform as Key Lever
To Become the Starting Point

Our Business Model
of the Future

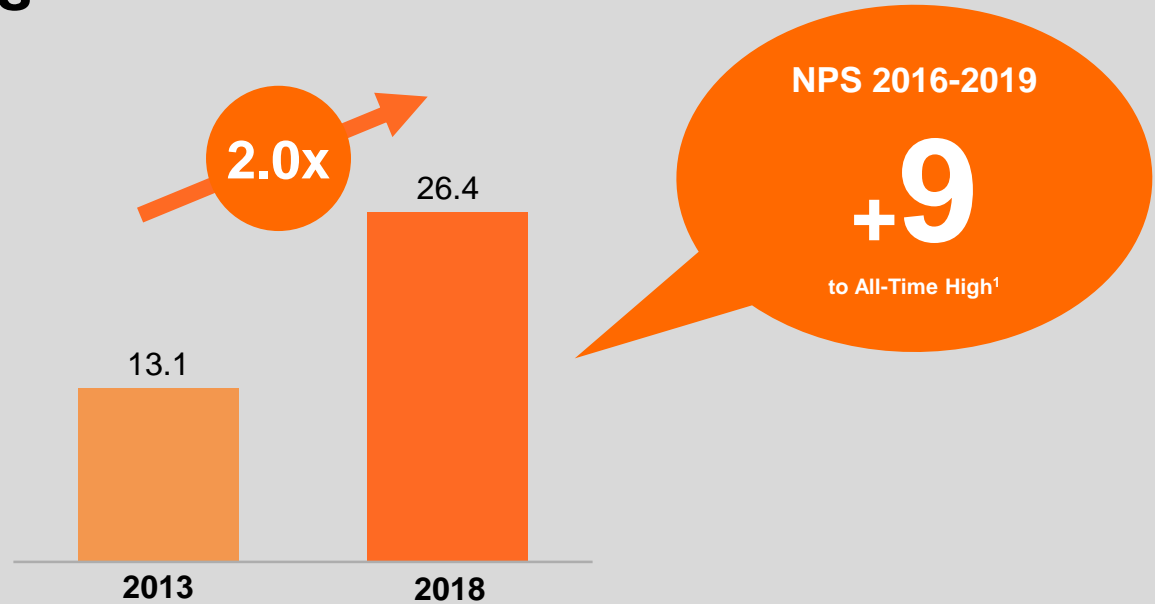


“Most people overestimate what they can do in one year and underestimate what they can do in ten years.”

Bill Gates

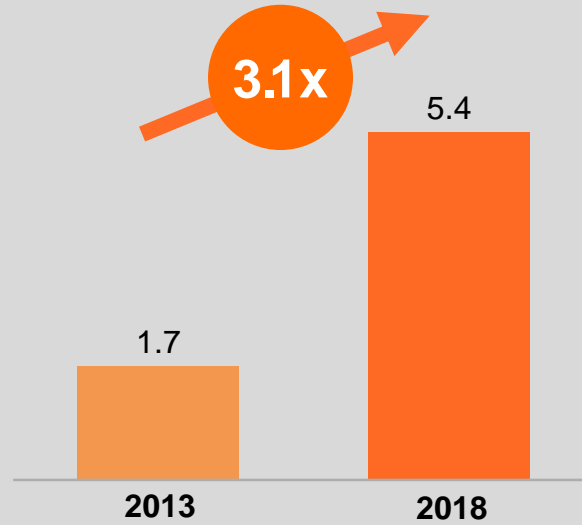
Active Customers

(in # m)



Revenues

(in # bn EUR)





Our Vision:

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What Are Successful Starting Points?

Music



**Movies &
Series**



Fashion

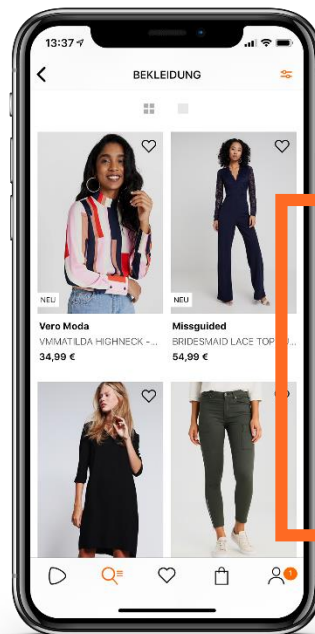


Customers Clearly Want One Multi-Brand Fashion Aggregator, Serving Them Head to Toe

45%
of orders
contain more
than one brand



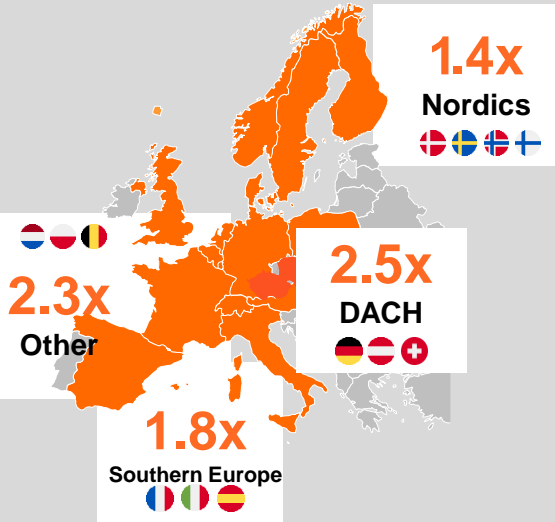
13
different brands
bought per year by
female customers



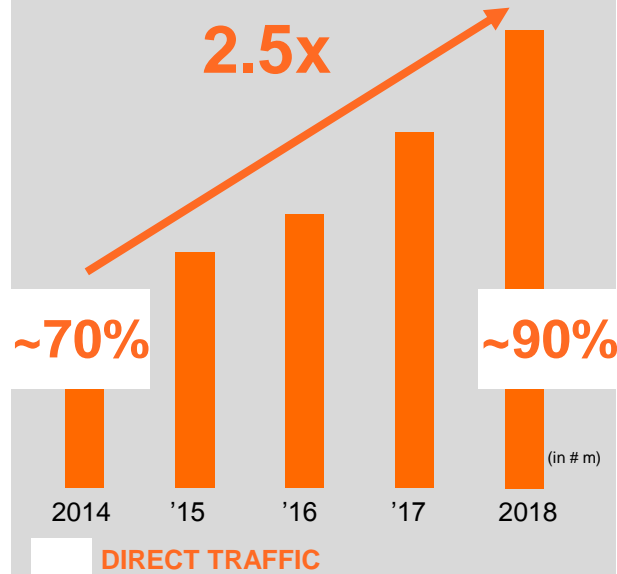
We See Clear Progress on Our Journey to Build the Starting Point for Fashion

Unaided Brand Awareness

(relative to following competitor¹)



Site Visits



Most Visited Fashion Destination in Europe

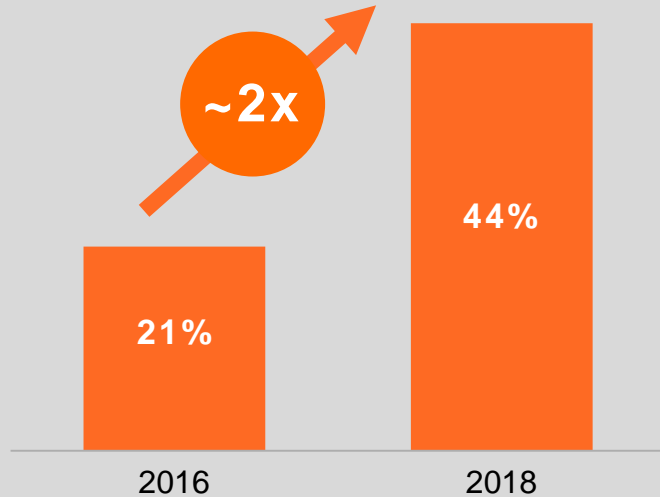
(average # of monthly unique visitors in Europe 2018²)



App Users Engage More Actively With Us

Customers Gravitate Towards App...

App order share in %



...and Increase Engagement¹



App users visit more often:
8.8x vs 3.5x on desktop



...spend more time:
104 vs 23 products seen



... shop more²:
+31% GMV



... and are happier³:
NPS +8

(1) Data from December 2018, if not stated otherwise

(2) Existing customers who uses the App compared to existing user without App usage (period: 6 months 2017-2018)

(3) App vs Desktop customer (Jan-May 2018)

THE STARTING POINT FOR FASHION



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The Platform Strategy Is One Key Lever Towards Being the Starting Point



- Offer desirable and comprehensive assortment
- High availability

- Direct access to European digital consumer
- Leverage Zalando capabilities (tech, data, logistics)

- Platform adds scale to Zalando
- Less inventory risk – while improving customer offering (50% of PP volume incremental)

In 2018, We Achieved a Number of Important Milestones...

PP scale

>€ 600 m

GMV, representing 10% of our
Fashion Store business

ZFS

25 %

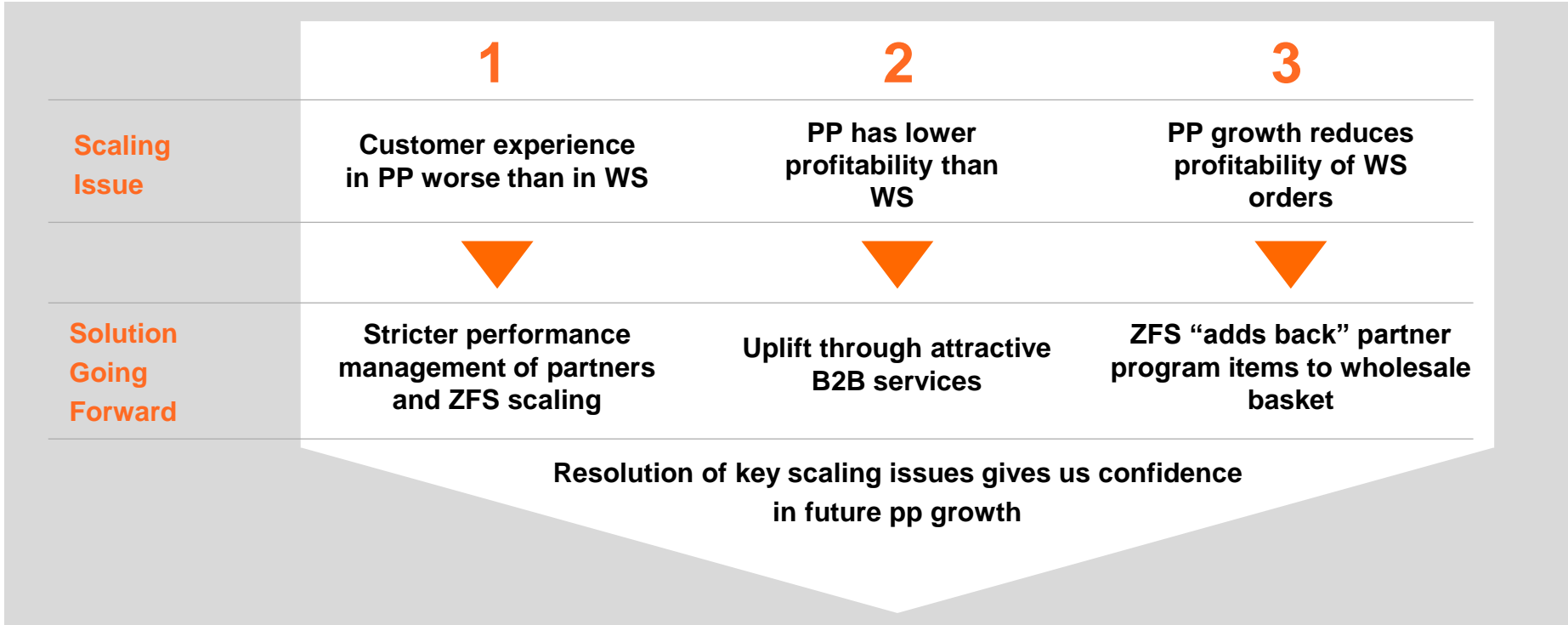
of items

ZMS

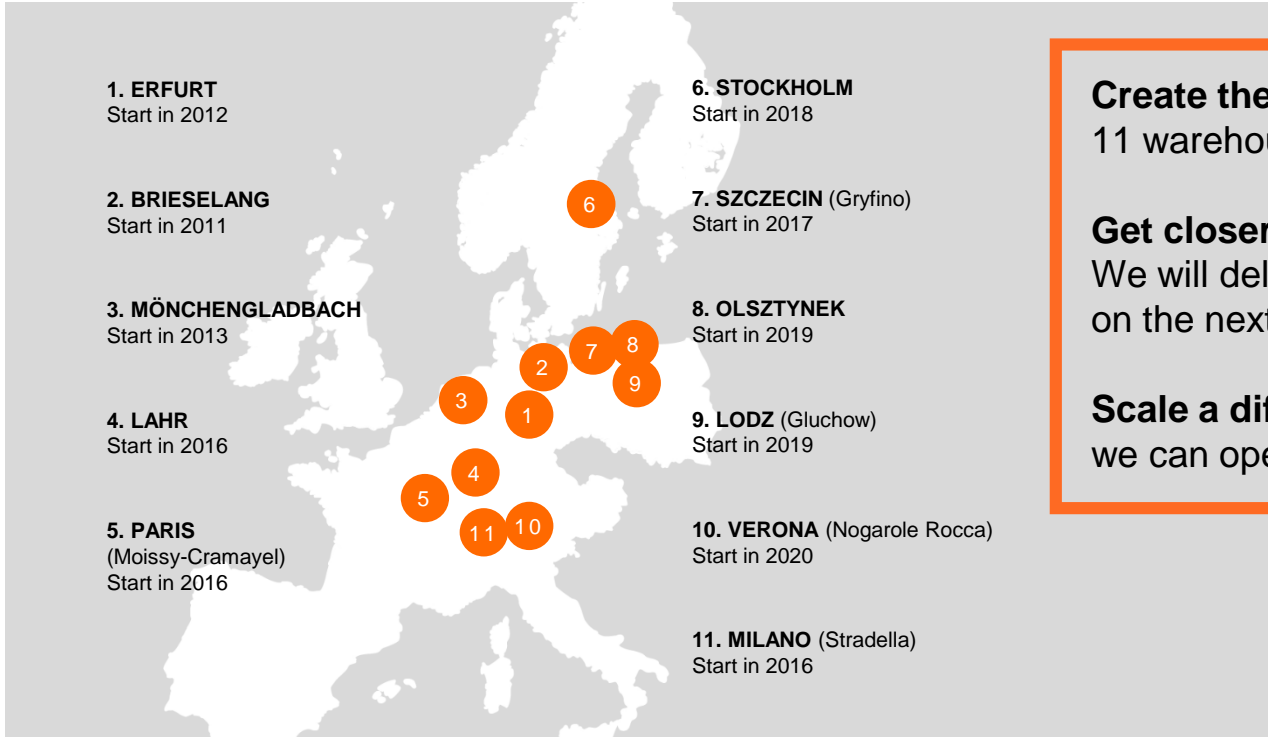
>60 %

revenue growth yoy

...but More Importantly, We Solve Three Major Scaling Challenges



ZFS Leveraging Our European Logistic Network to Enable PP Success



Create the capacity for future growth:
11 warehouses allow > 12bn GMV

Get closer to our customers:
We will deliver 30% of orders on the next day by 2020¹

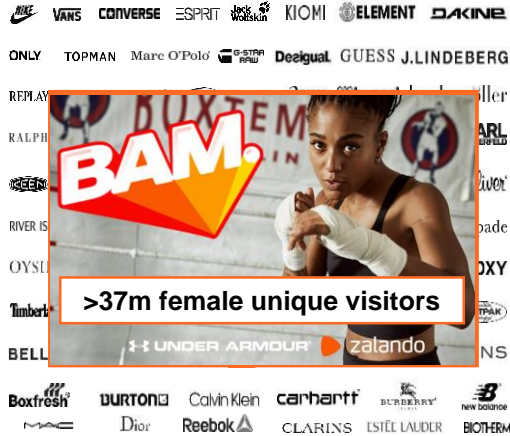
Scale a differentiating asset which we can open up to brand partners

Connecting Brands to Consumers with Zalando Marketing Services

Brands

Zalando Marketing Services

Consumers

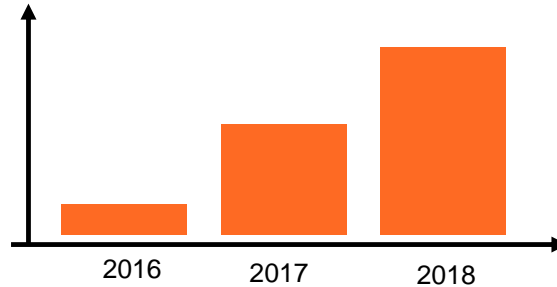


Influencer Products (Collabary)

Consumer Insights

Media Products

No. of campaigns



>750 m visits per quarter

>26 m active customers



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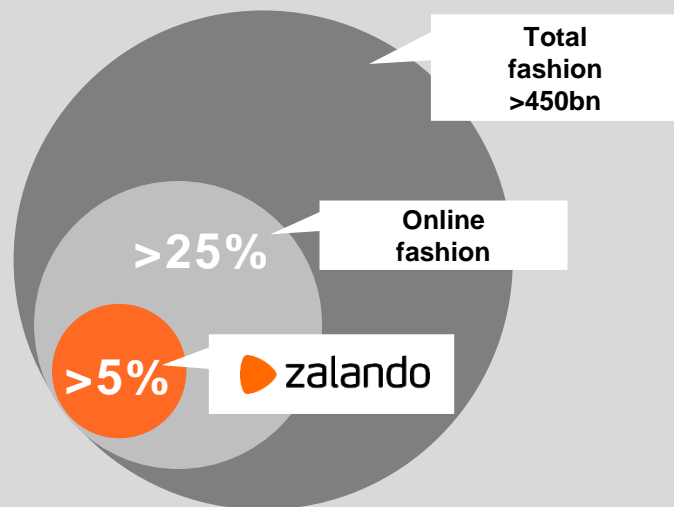
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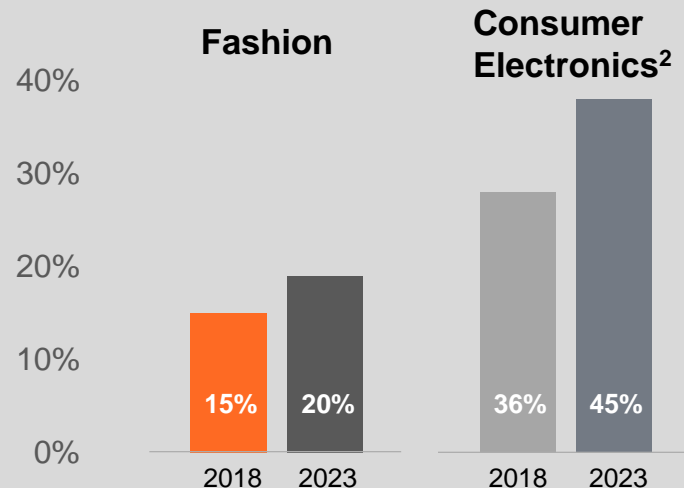
**Our Business Model
of the Future**

Facing an Immense Market Opportunity, Our Number One Priority Is to Capture Market Share

We are targeting a massive opportunity in 5-10 years¹...



...with low online share compared to other categories



(1) Source: Company estimates and Euromonitor International, February 2019. Values based on actuals and estimates; fixed exchange rates. Fashion data incl. apparel and footwear, bags and luggage, jewelry and watches. Data for Europe (excluding Russia) inclusive of sales tax
2 0 (2) Source: United States online penetration, Statista, last update 2018-10

Bringing Our Growth Ambition into Reality

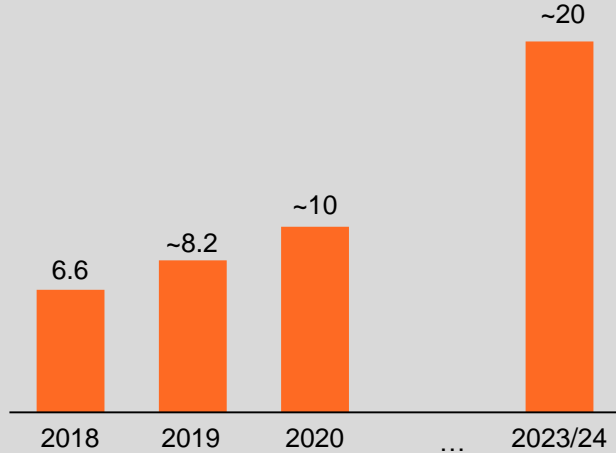
Being the **starting point** will help us to drive growth through higher share of wallet

The **Partner Program** makes our business even more scalable

We Aim to Achieve a Scale of 20bn EUR GMV by 2023/24

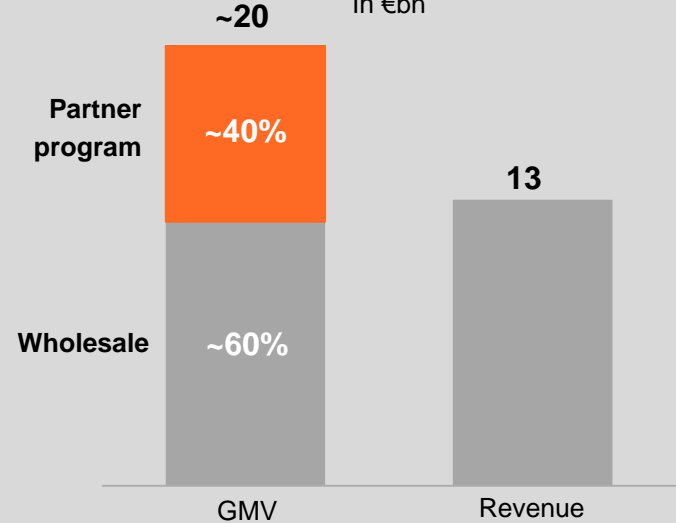
Growth Ambition 2023/24

In €bn GMV



Business Model Mix 2023/24

In €bn



CAGR¹ +20-25%

+15-20%

Building Scale Now Will Allow Us to Capture Benefits of Scale Later



Platform Model to Drive Higher Long Term Profitability at Scale

Target Margin (growth in line with / slightly above online market)

In % of revenue	Wholesale ¹	Partner Program	Group margin impact ²
Gross margin			↑
Fulfillment costs			→
Marketing costs			↓
Admin expense			↓
Adj. EBIT margin	6-8%	20-25%	10-13%

Key assumptions:

- PP share ~50% of GMV
- ZFS share ~75% of PP items
- ZMS revenue 3-4% of GMV
- Operating leverage and fixed cost regression
- Cash Flow: WC neutral and CapEx slightly above D&A

Financial Profile During Transition to Platform Model

Transition phase 2019 - 2021

Years following

Target model

Growth

Continued high GMV growth of 20-25%
for the next 5 years

- Growth in line with / slightly above online market

Profitability

- Margins between 2-4%, driven by growth investments and platform transition
- Margins start to increase as platform transition progresses (e.g. impact of ZMS)

- Target margin of 10-13%

Cash

- Cash Flow negative
- NWC neutral
- Capex of 4-5% of revenue, driven by logistics and technology investments

- Target margin leading to a strong cash generation

Enlarged Management Board to Drive Execution



Robert Gentz
Co-CEO

- Marketing / Sales
- Human Resources



David Schneider
Co-CEO

- Fashion Offer
(Assortment)



Rubin Ritter
Co-CEO

- Strategy



Jim Freeman
CTO

- Product
- Technology



David Schröder
CFO

- Finance
- Operations

Platform model drives superior financial model maximizing shareholder value

1

Our vision is to become the **starting point for fashion**, the destination that consumers gravitate to for all their fashion needs.

2

The most important building block on that journey is to transition our business towards a **true platform business**, with the PP, ZFS and ZMS as the most important elements.

3

Our strategy will result in an **attractive financial profile**, characterized by an attractive double-digit margin profile and strong cash generation at scale.

DISCLAIMER

Certain statements in this communication may constitute forward looking statements. These statements are based on assumptions that are believed to be reasonable at the time they are made, and are subject to significant risks and uncertainties. You should not rely on these forward-looking statements as predictions of future events and we undertake no obligation to update or revise these statements. Our actual results may differ materially and adversely from any forward-looking statements discussed on this call due to a number of factors, including without limitation, risks from macroeconomic developments, external fraud, inefficient processes at fulfillment centers, inaccurate personnel and capacity forecasts for fulfillment centers, hazardous material / conditions in production with regard to private labels, lack of innovation capabilities, inadequate data security, lack of market knowledge, risk of strike and changes in competition levels.