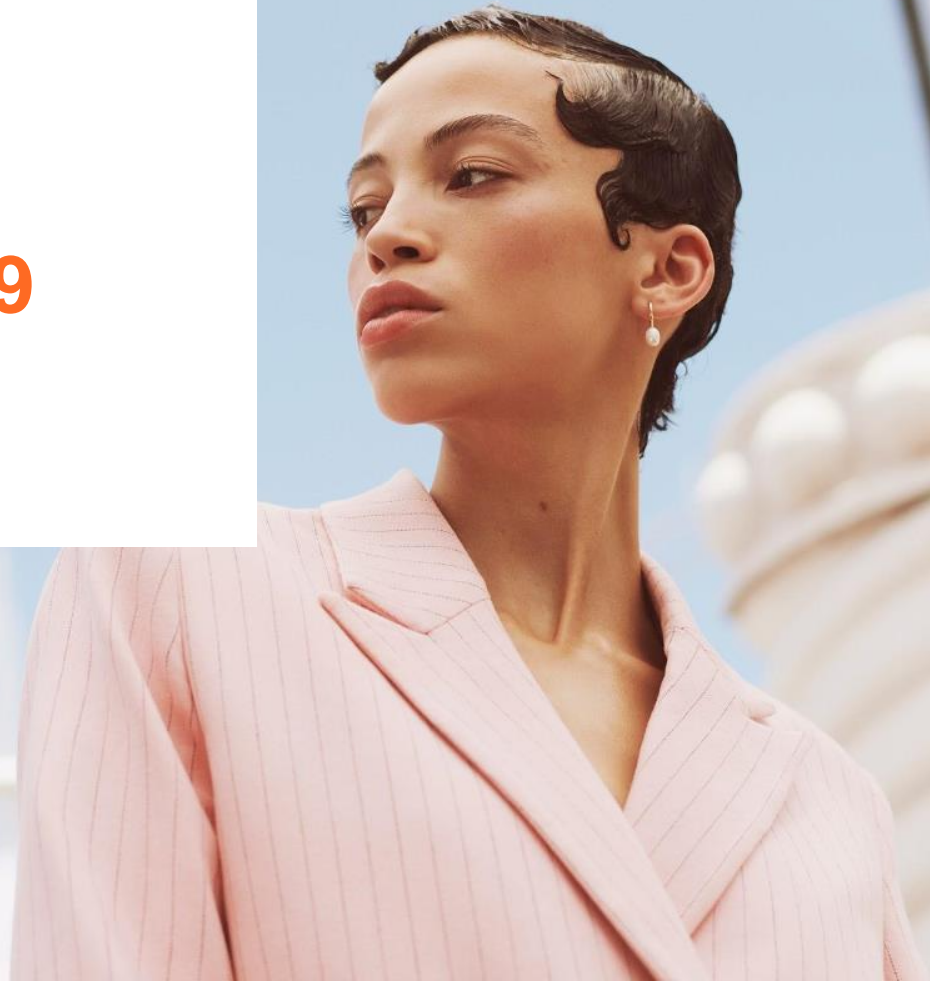




Zalando FY/2019 Earnings Call

February 27th, 2020



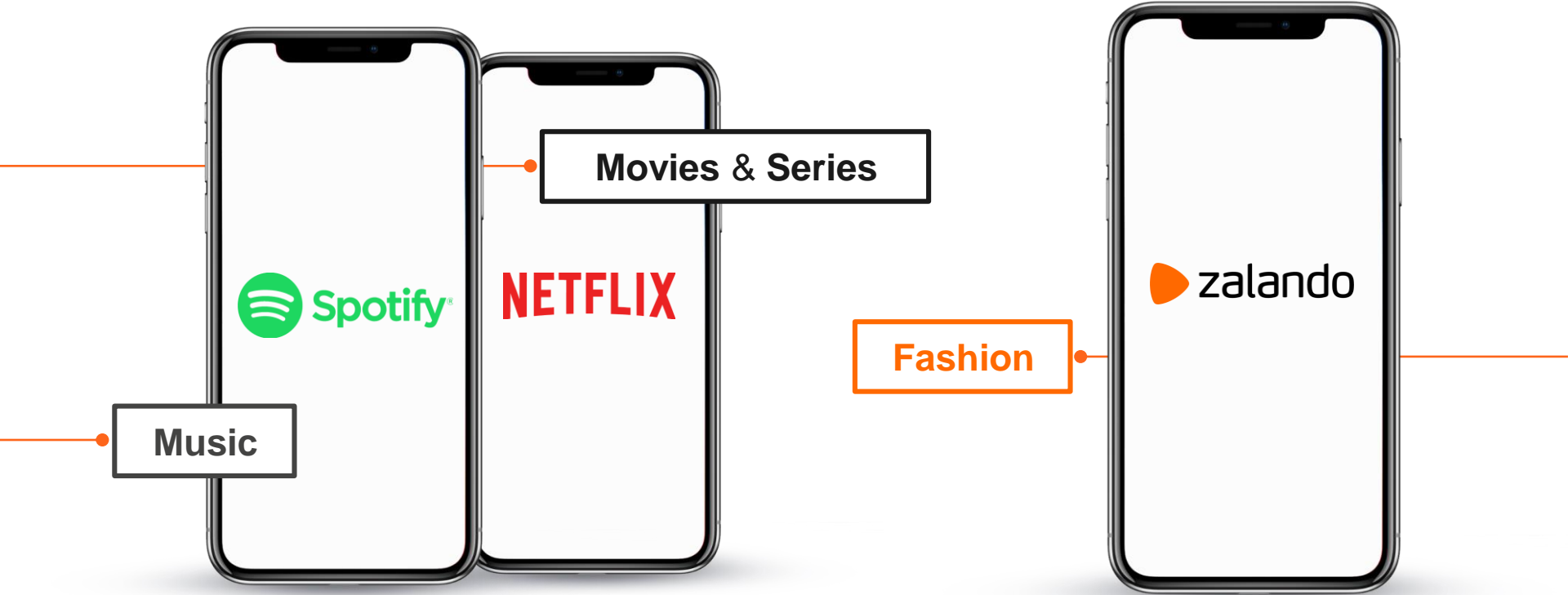
Building the Starting Point for Fashion

Rubin Ritter

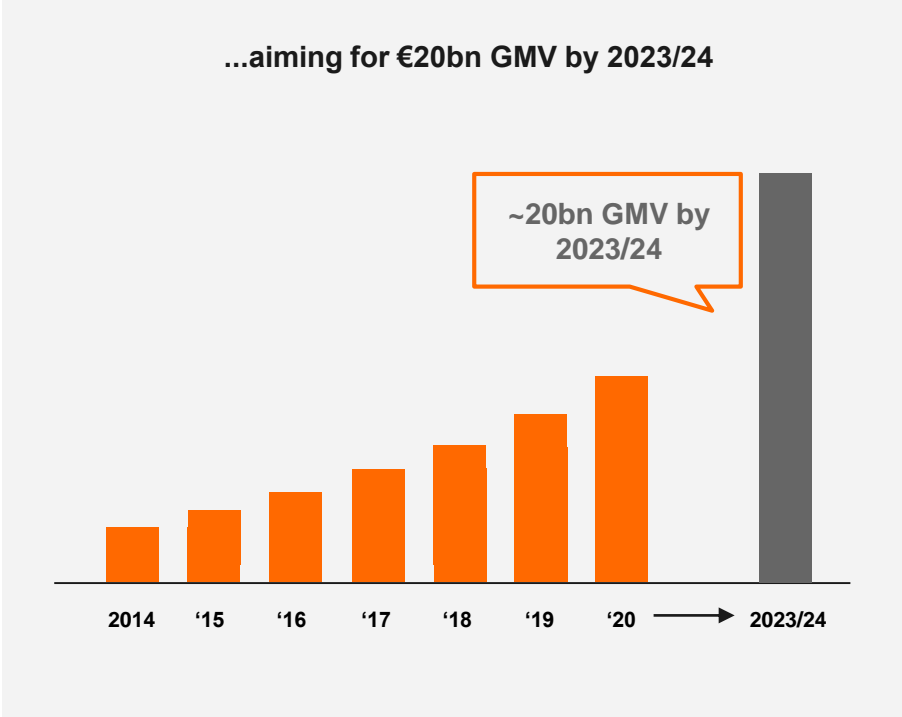
Co-CEO



Our vision: To become the Starting Point for Fashion

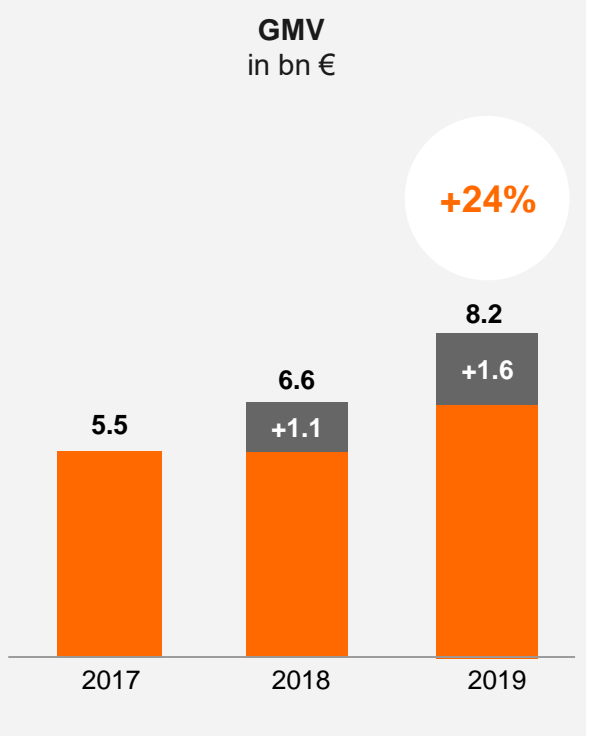
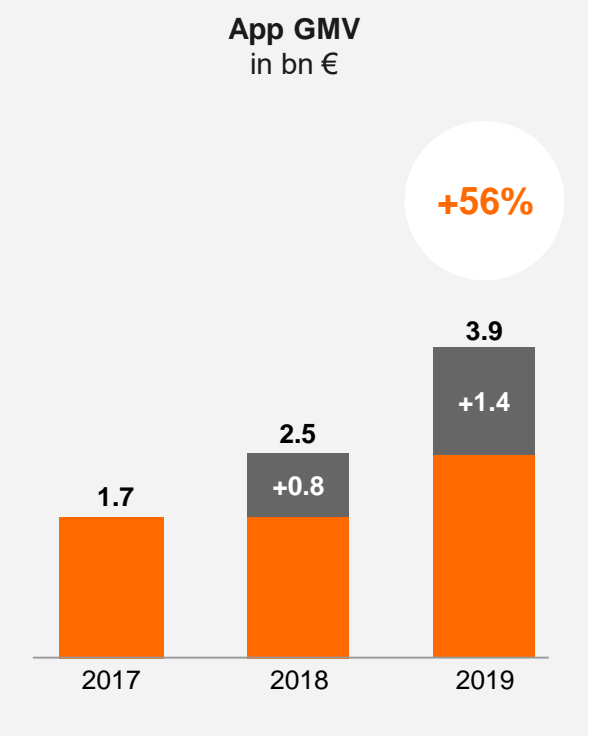
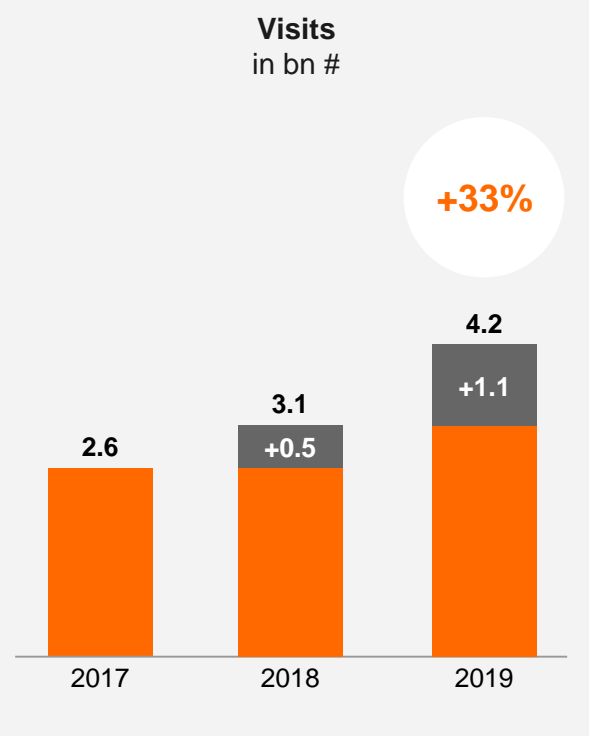


We remain convinced that online fashion is a long-term growth opportunity



(1) Source: Company estimates and Euromonitor International forecasts, February 2020. Euromonitor forecasts the overall European Fashion Market to grow to roughly 450bn EUR over the next 5-10 years. 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

In 2019, we have delivered towards our growth ambition



We are taking decisive and transformative steps to enable our future growth

Starting Point for Fashion

1

Deepen Customer Relationships

Zalando plays an indispensable role in customers' lives

2

Grow Active Customer Base

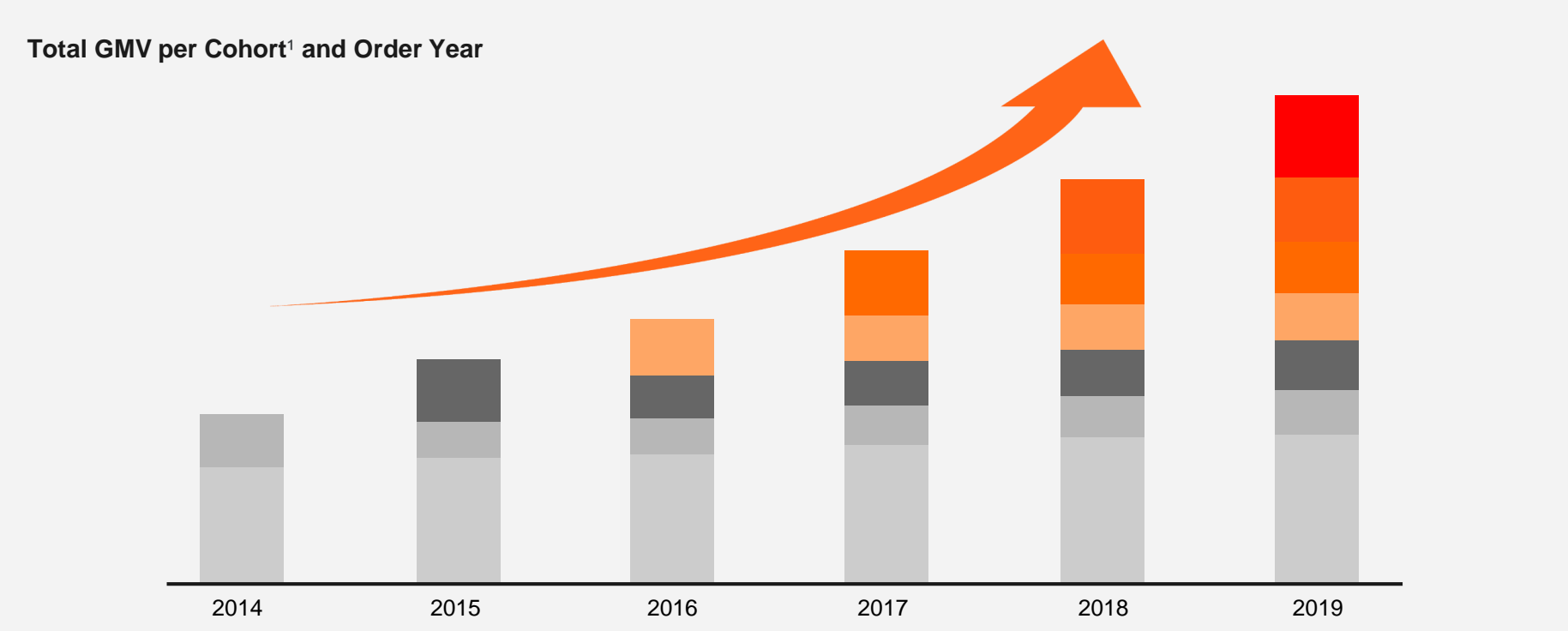
Zalando is relevant to a broad audience across Europe

3

Drive Platform Transition

Zalando is the digital strategy for fashion brands

Cohort analysis shows deeper and healthier customer relationships



(1) Cohort refers to customers grouped by the calendar year in which they first placed an order with Zalando.

Zalando Plus is set to become an essential lever in deepening our relationship with our most valuable customers

1

Plus customers are a lot happier, ...
Net-Promoter-Score¹

+4



...engage more with us...
Sessions per user¹

+70%



...and hence spend more
GMV per active Customer¹

>3x



(1) Comparison of NPS, Sessions per User and GMV per active customer is based on FY/19 numbers based on Plus vs Non-Plus Customers in Germany

Zalando to launch pre-owned category on main destination after testing since 2018, connecting buyers and sellers of pre-owned products

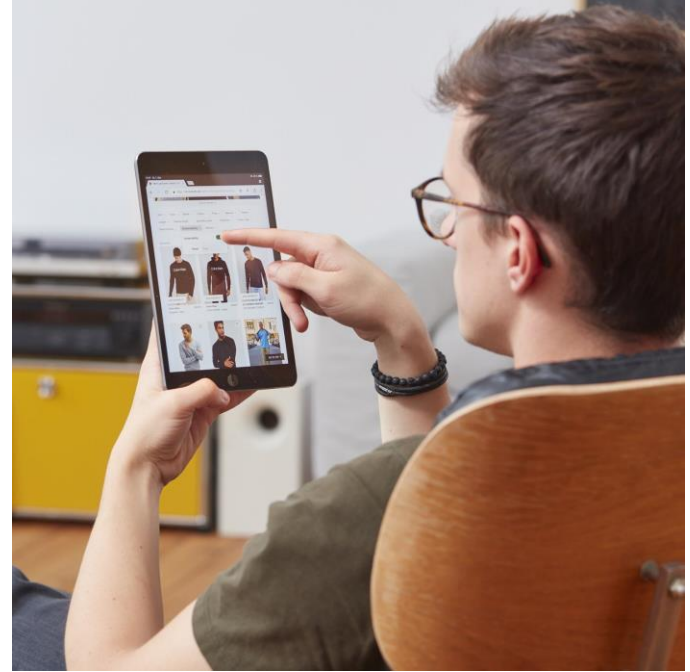
1



Customers declutter their wardrobe



Pre-owned



Customers discover pre-owned item on Zalando

Stronger cohort dynamics and our data-driven marketing approach allow us to scale active customer growth

In 2018, we refined our Marketing approach...

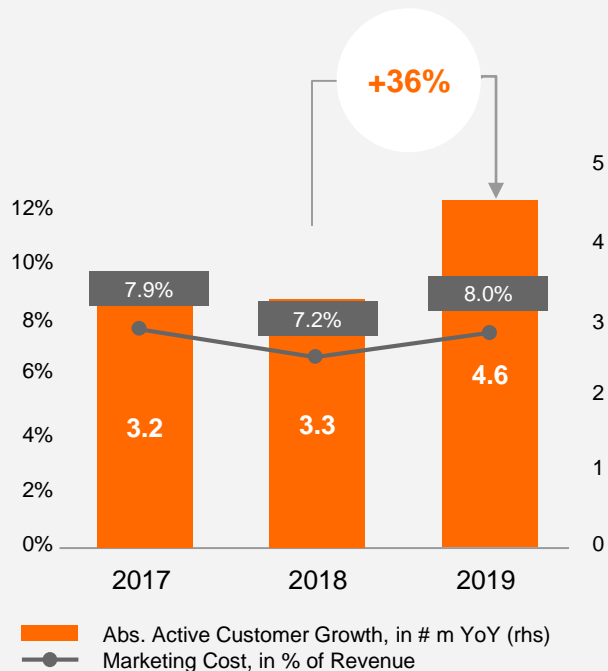
“The Amazing Ways Retail Giant Zalando Is Using Artificial Intelligence (...) To Understand Its Customers Better.”

(Forbes, 2019)

“German fashion retailer Zalando plans to roll out an online shopping service that uses artificial intelligence to make personalized suggestions.”

(Handelsblatt, 2018)

...which has resulted in an acceleration of Active Customer Growth



Our 2020 initiatives to drive Active Customers growth

We double down on Premium

Large segment

Market Size: ~40bn EUR

Shifting online

16% online CAGR

Customer interest

20m searches for luxury brands we do not have yet

Order economics

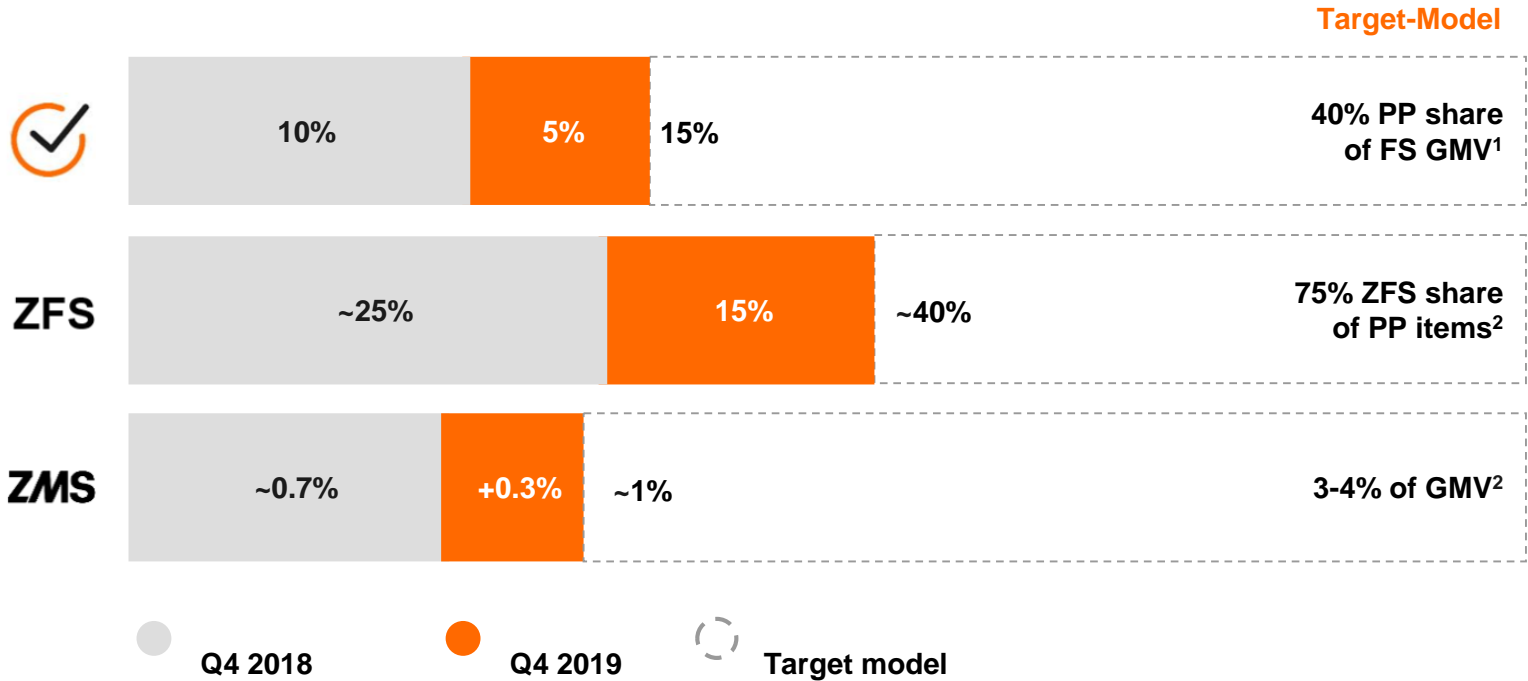
Above average basket sizes



Getting closer to our Spanish customers by opening a local warehouse

-
1. Erfurt
 2. Brieselang
 3. Mönchengladbach
 4. Lahr
 5. Paris (FR)
 6. Stockholm (SE)
 7. Szczecin (PL)
 8. Olsztynek (PL)
 9. Lodz (PL)
 10. Verona (IT)
 11. Milano (IT)
 12. Rotterdam (NL)
 13. Madrid (ES)

In 2019, we achieved important milestones in driving the Platform Transition



1) Partner Program share of 40% refers to our business model mix ambition for 2023/24. In our long-term target model, we aim for a 50% Partner Program share.

2) Refers to our long-term target model ambition.

In 2020, we will focus on four areas to drive the platform transition



- **Internationalization of existing Partners**
Partner Program
Share Germany: >25%
- **New Partner Integration & Range Extensions of existing Partners**
- **ZFS / Offprice Integration**
- **Next Generation of Tooling**



Building the
**Starting
Point**
for Fashion

Financial Update FY and Q4 / 2019

David Schröder CFO



In 2019, we made strong progress on our strategic agenda and delivered strong financial results

Starting Point Strategy:

Accelerated traffic (+33% YoY) and active customer growth (+4.6m YoY)

Platform Transition:

15% Partner Program share (+5pp) in Q4 and strong progress along our B2B services ZFS and ZMS

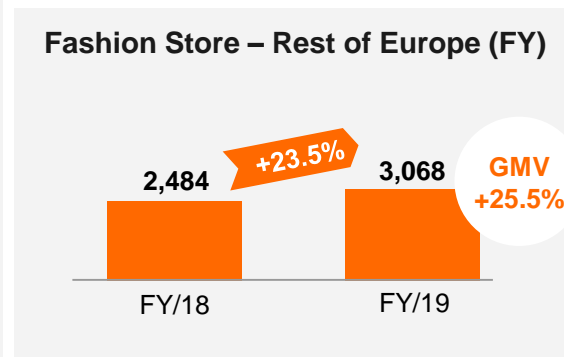
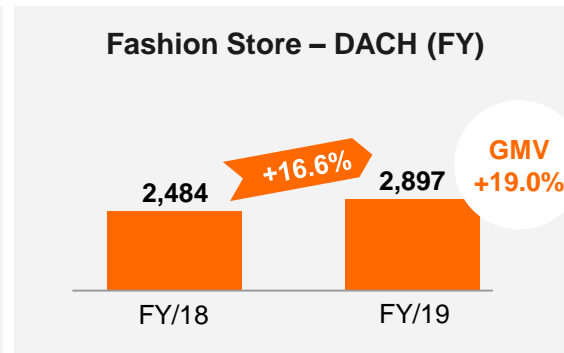
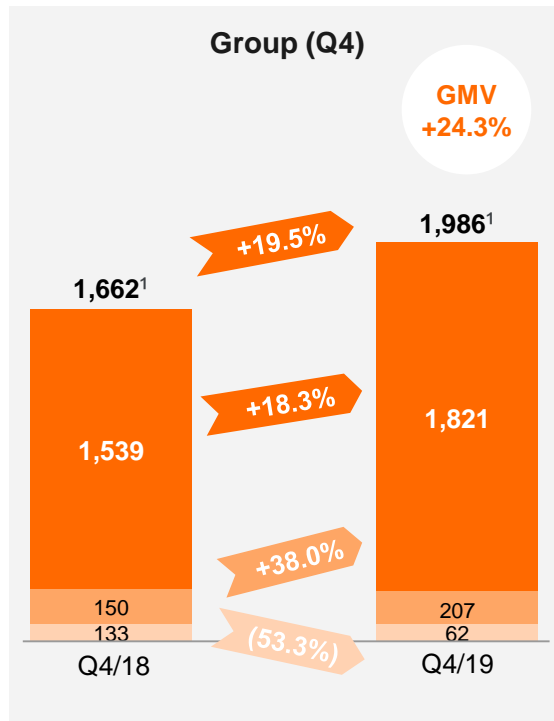
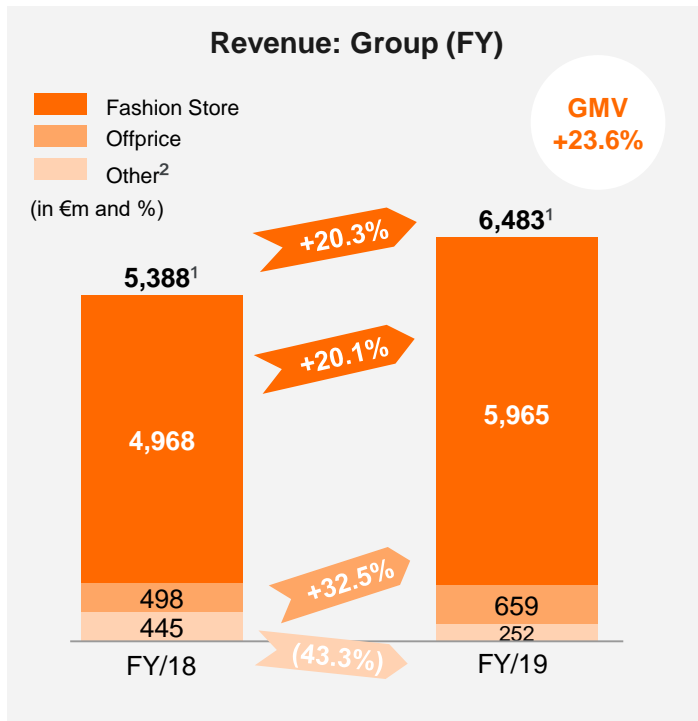
Strong Financial Performance:

GMV +23.6%, revenue +20.3%, adj. EBIT €224.9m

Operating Leverage:

Profit contribution before marketing increased (+0.8pp YoY) and admin cost ratio improved (-0.3pp YoY)

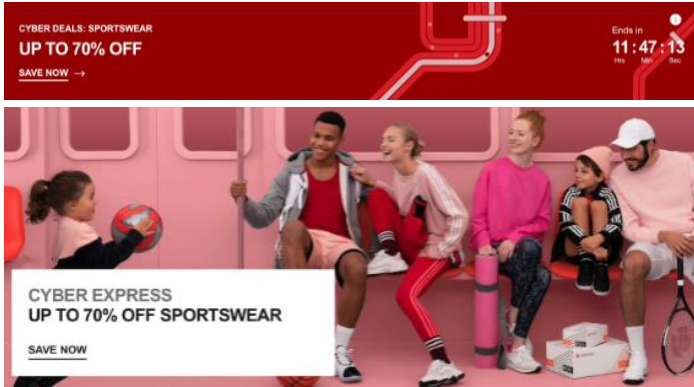
2019 saw an acceleration in GMV growth, driven by healthy customer demand and increasing adoption of Partner Program



1) FY/19 (FY/18) contains -€394m (-€522m) reconciliation of internal revenues; Q4/19 (Q4/18): -€103.3m (-€160.0m)

2) All other segments including various emerging businesses; private label offering zLabels no longer presented as separate unit since Q2/19

Cyber Week marked another important proof point for the potential of our platform business



~20%

Partner Program
Share

33m

Site Visits on
Black Friday

+5

YoY in NPS
in Cyber Week

~840k

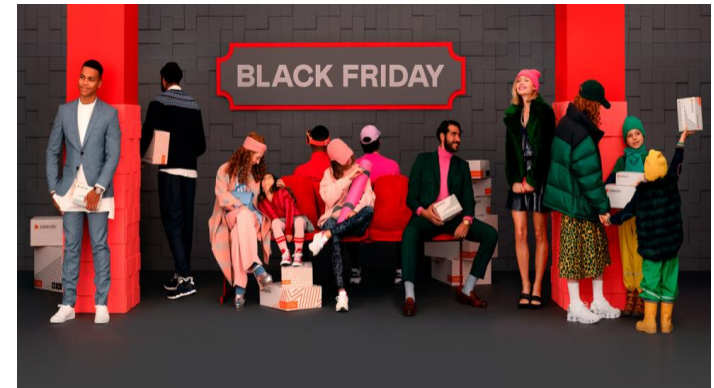
Newly Acquired
Customers

7,200

Orders/Minute
at Peak Times

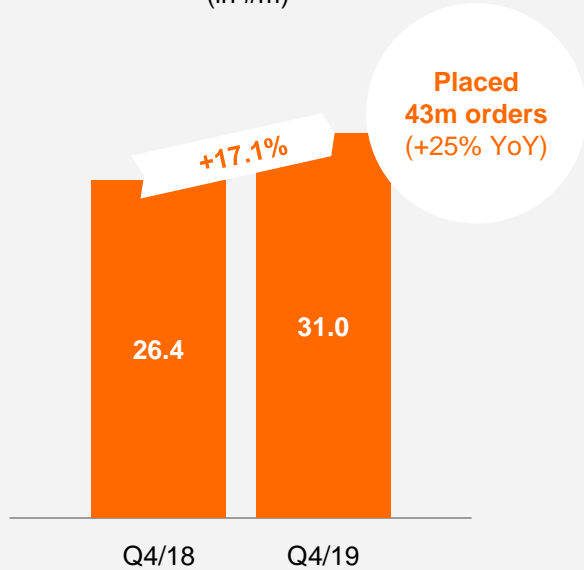
32%

YoY GMV
Growth

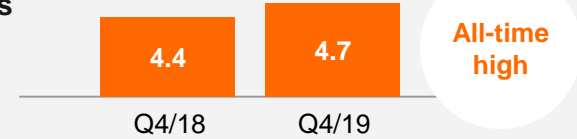


We continue to grow our active customer base and to deepen our customer relationships

Active customers (in #m)



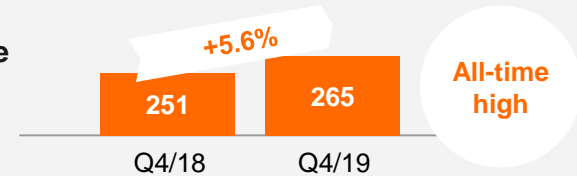
Average orders per active customer (LTM in #)



Average basket size after returns¹ (LTM in €)



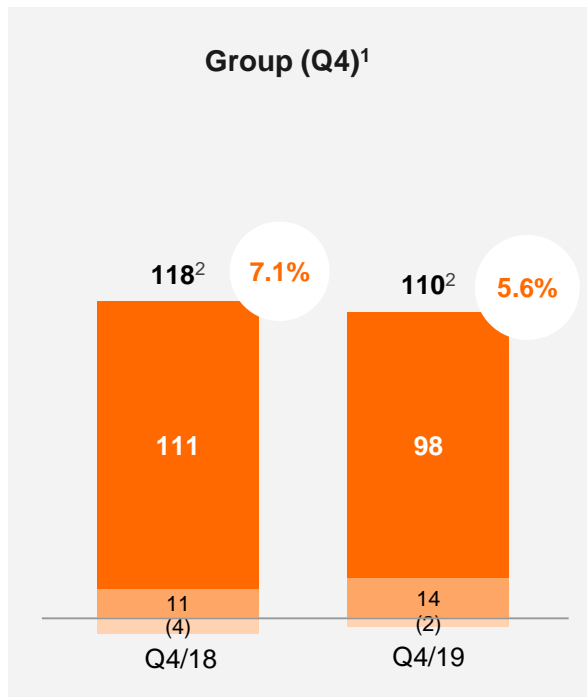
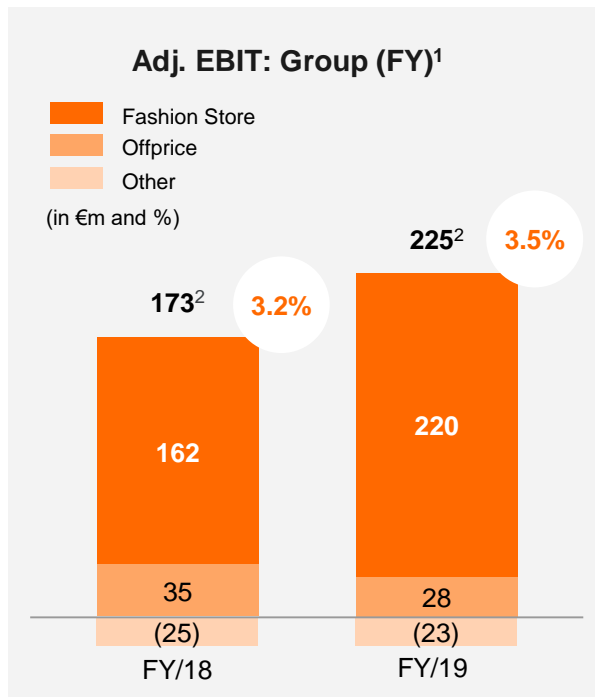
GMV per active customer² (LTM in #)



1) Defined as GMV divided by the number of orders

2) Defined as GMV divided by the number of active customers

Full year adjusted EBIT grew by 30% despite continued growth and platform investments



1) Excluding equity-settled share-based payment expense (SBC), restructuring costs and non-operating one-time effects of €59.1m in FY19 (FY18: €54.2m); Q4/19: €11.3m (Q4/18: €15.1m)
 2) FY19 (FY18) contains €0.6m (€0.7m) reconciliation of internal adj. EBIT; Q4/19 (Q4/18): €0.0m (€-0.1m).

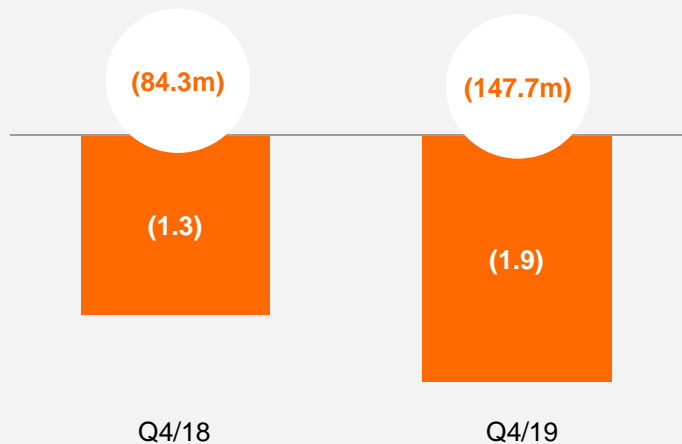
In 2019 our operating leverage increased due to higher profit contribution before marketing and lower admin costs

Costs and margins ¹ (in % of revenue)	FY			Q4			
	2018	2019	Delta	2018	2019	Delta	
Cost of sales	(57.6%)	(57.2%)	(0.4pp)	(57.0%)	(56.3%)	0.7pp	<p>Price investments during Cyber Week to capture additional demand</p> <p>Continued high utilization</p> <p>Elevated marketing investment as guided</p>
Gross profit	42.4%	42.8%	0.4pp	43.7%	43.0%	(0.7pp)	
Fulfillment costs	(27.7%)	(27.3%)	(0.4pp)	(25.4%)	(25.2%)	(0.2pp)	
Marketing costs	(7.2%)	(8.0%)	0.8pp	(7.4%)	(8.6%)	1.2pp	
Administrative expenses & Other	(4.3%)	(4.0%)	(0.3pp)	(3.8%)	(3.6%)	(0.2pp)	
Adj. EBIT	3.2%	3.5%	0.3pp	7.1%	5.6%	1.5pp	

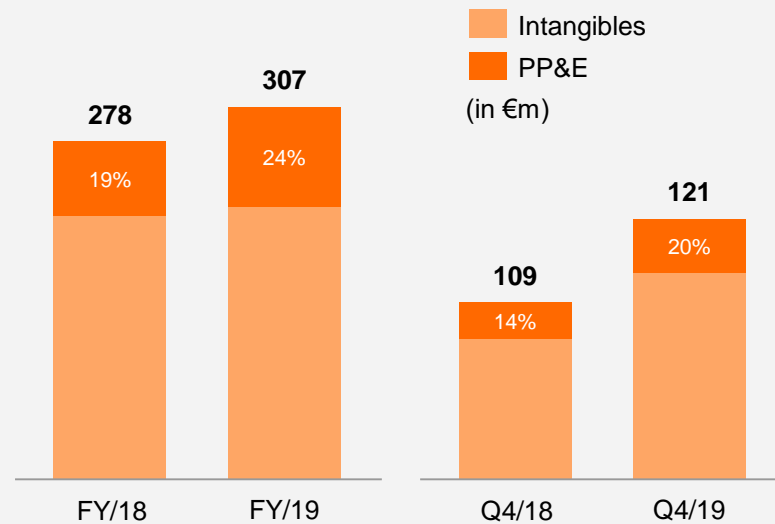
1) Excluding equity-settled share-based payment expense ("SBC"), restructuring costs and non-operating one-time effects

Working capital and capex developed in line with guidance

Net working capital (end of Q4)
(in % of annualized revenue)



Capital expenditure¹






1) Excluding payments for acquisitions of €1.7m in FY/19 (FY/18: €7.1m); Q4/19: €0.0m (Q4/18: €1.8m)

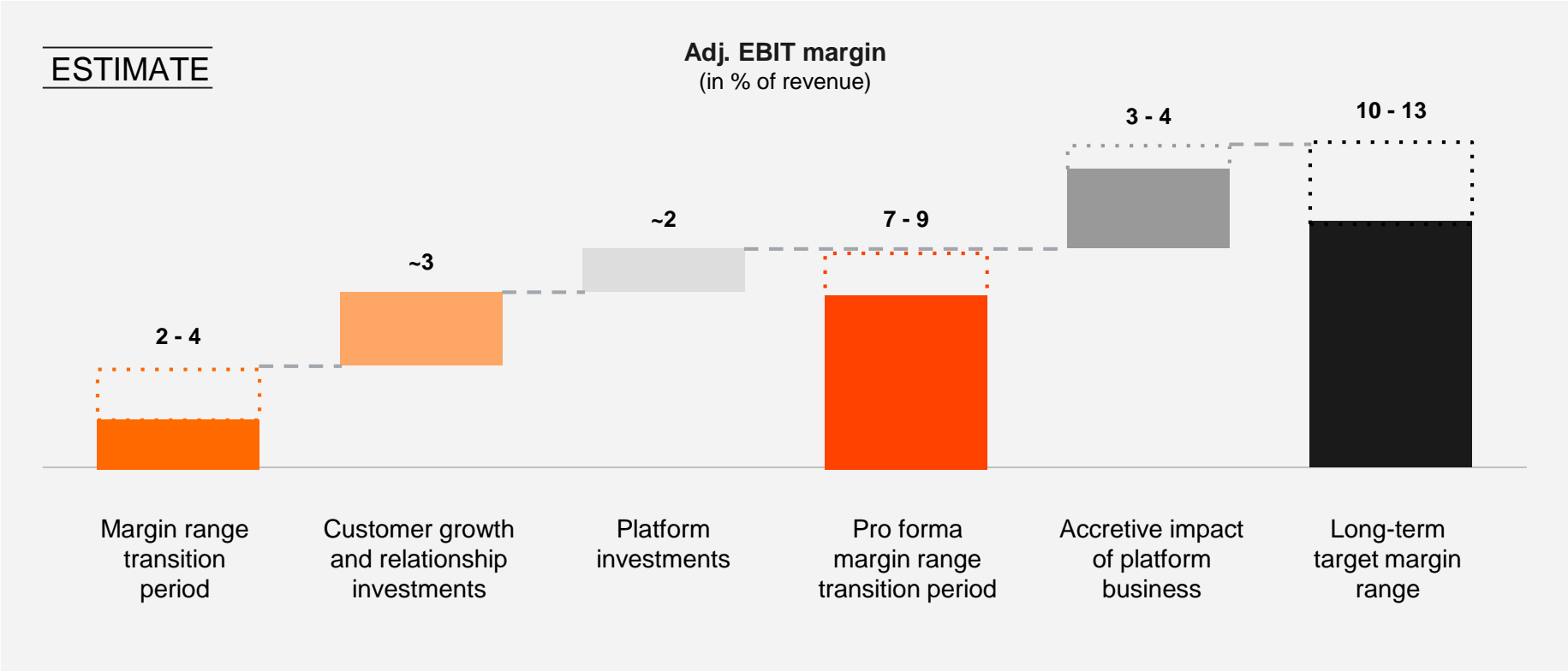
Outlook



With our strong 2019 performance we successfully managed the first year of our platform transition phase and delivered in the upper half of our target growth and profitability corridors

	2019	Transition Phase 2019 – 2021	Years Following	Target Model
GROWTH		Continued high GMV growth of 20-25% until 2023/24		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		<ul style="list-style-type: none"> • Cash flow negative • NWC neutral • Capex of 4-5% of revenue 		Target margin leading to a strong cash generation

We continue to invest significantly into above-market growth to maximize company value



For 2020, we remain committed to our previous transition phase guidance, with strong growth momentum and continued investments in our customers and our platform

GMV growth of 20-25% and Revenue growth of 15-20%

Adj. EBIT¹ of €225 – 275m

Slightly negative working capital and around €330m capex²

- 1) Excluding equity-settled share-based payment expense ("SBC") of ~€50m, restructuring costs and non-operating one-time effects for FY/20E
- 2) Excludes M&A transactions

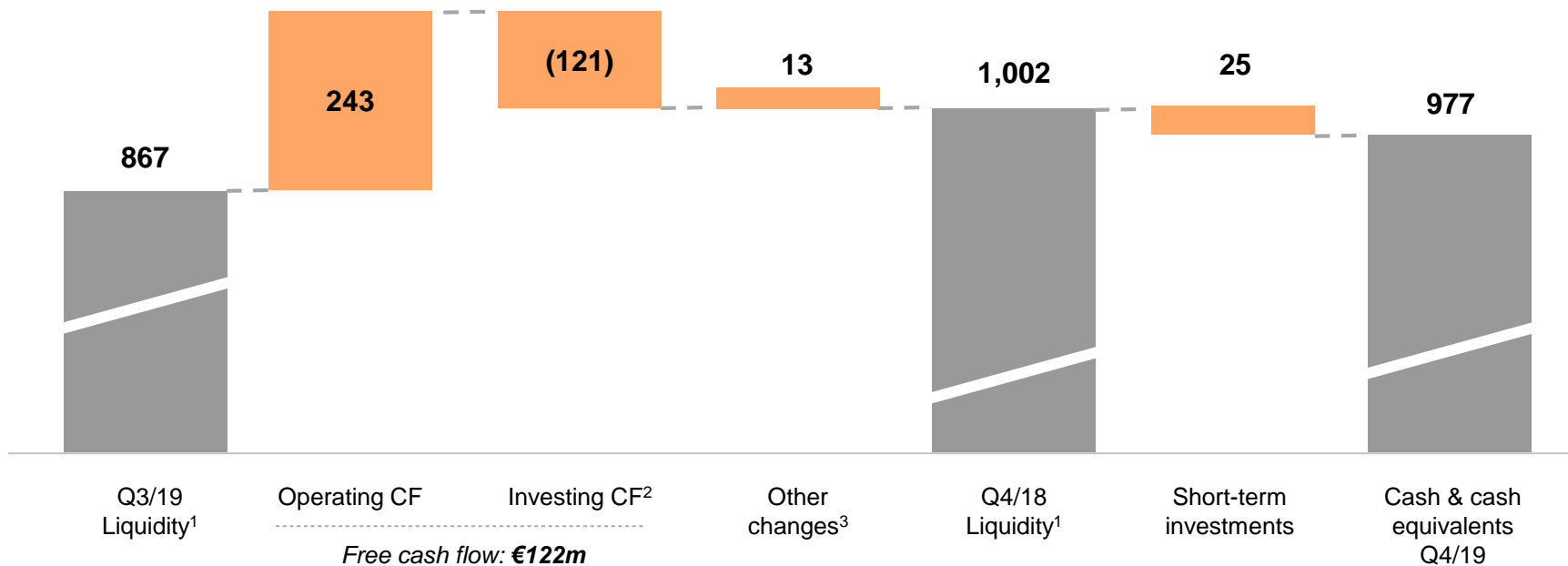
**Excluding a potential
negative impact from
Coronavirus**

Q&A



Liquidity position

(in €m)



(1) Both Q3/19 and Q4/19 liquidity include investments into short-term deposits with maturity of more than 3 and less than 12 months of -€25m, respectively.

(2) Includes investments in fixed and intangible assets and payments for acquisitions and change in restricted cash (+€0.0m)

(3) Includes financing cash flow (-€15.4m) and effect of exchange rate on cash and cash equivalents (+€2.7m).

Issued share capital

SHARE INFORMATION

(AS OF DEC 31, 2019)

Type of Shares	Ordinary bearer shares with no-par value (<i>Stückaktien</i>)
Stock Exchange	Frankfurt Stock Exchange
Market Segment	Regulated Market (<i>Prime Standard</i>)
Index Listings	MDAX
Total Number of Shares Outstanding	252,848,768
Issued Share Capital	€252,848,768

STOCK OPTION PROGRAMS MGMT BOARD (AS OF DEC 31, 2019)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2011 ¹	1,346,400	5.65
SOP 2013 ¹	9,275,200	15.56
VSOP 2017	290,000	42.24
LTI 2018 ²	5,250,000	47.44
VSOP 2018	500,000	29.84
LTI 2019	784,000	15.71
Total	17,445,600	25.25

STOCK OPTION PROGRAMS SENIOR MGMT (AS OF DEC 31, 2019)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 ¹	2,114,754	21.23
EIP ¹	3,628,749	35.31
VSOP 2017	459,166	42.24
ZOP	353,565	14.84
Total	6,556,234	30.15

1) Settled with new shares

2) Only to 43% dilutive / to be settled with new shares, remaining backed by treasury shares

Upcoming events

Date	Event
Tuesday, March 3	Roadshow Frankfurt
Wednesday/Thursday, March 4+5	Roadshow London
Tuesday, Wednesday, Thursday, March 17-19	Roadshow Scandinavia (Copenhagen, Oslo, Helsinki)
Monday, March 23	Roadshow Stockholm
Tuesday, March 24	Bankhaus Lampe Deutschlandkonferenz, Baden-Baden
Wednesday, March 25	2020 Credit Suisse Digital Consumer Retail Conference, London
Friday, March 27	Roadshow Munich
Tuesday, March 31	One-Stop-Shop Kepler Cheuvreux, Milan
Thursday, May 7	Q1/2020 Results
Wednesday, May 20	Annual General Meeting, Berlin

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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.