



Zalando Q1/2020 Earnings Call

May 7th, 2020



While COVID-19 impacts Q1 financials, we see strong traction on our Starting Point Strategy

COVID-19 Response: Company-wide response effort successfully ensuring employee safety, financial health and strategic response

Q1 financial performance has been impacted negatively: GMV Growth (+13.9% YoY) and adj. EBIT (-99m EUR)

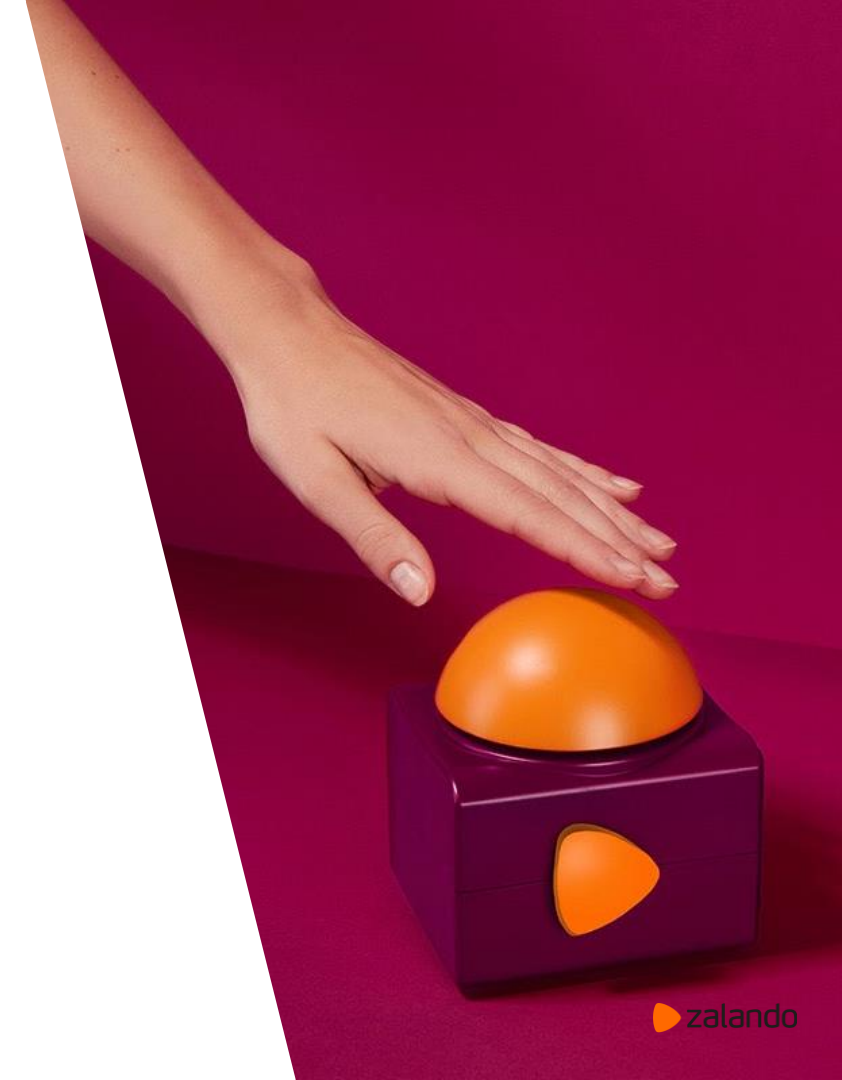
Our **Starting Point Strategy is even more relevant than before** and we see strong traction: fast Active Customer growth (+17.2% YoY) and accelerated platform transition (+4.4pp YoY Partner Program share)

We are confident to give an optimistic outlook for the full year guiding to double-digit GMV growth and clear profitability, and we continue to aim for our 2023/24 targets.



Executing our Strategy in times of Covid-19

Rubin Ritter, Co-CEO



Our #1 priority is to ensure the safety of our employees



All colleagues who can **work from home** are in home office



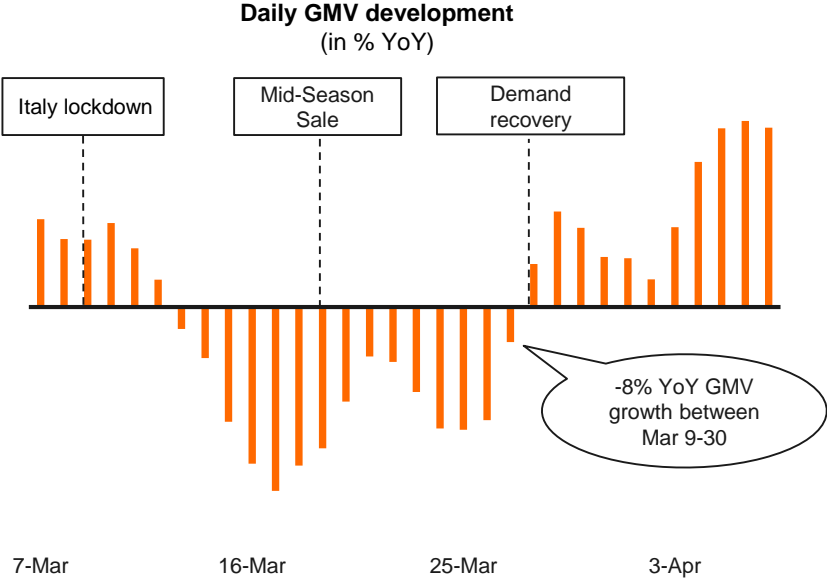
For colleagues who cannot work from home, we do everything possible to create a **safe working environment**.



We are focused on ensuring **business continuity** despite high absence rates and struggling carrier networks.



Our #2 priority is to safeguard our financial success



Developed different demand scenarios for the year and stress-tested our financial health



Initiated cost savings and drew our revolving credit facility to remain flexible also in worst case



Adjusted our trading routines to the new environment (preponed mid-season sale, adjusted marketing steering and messaging to customers)

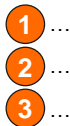
Our #3 priority is to find the right strategic response



Opportunity to be part of **the solution for the fashion industry**



Accelerate our **Starting Point strategy**, specifically platform transition



Adjust our priorities for the year accordingly



We see first signs that customers may shift to online even faster: highest number of new customers ever achieved in month of April

New customer groups discover e-commerce

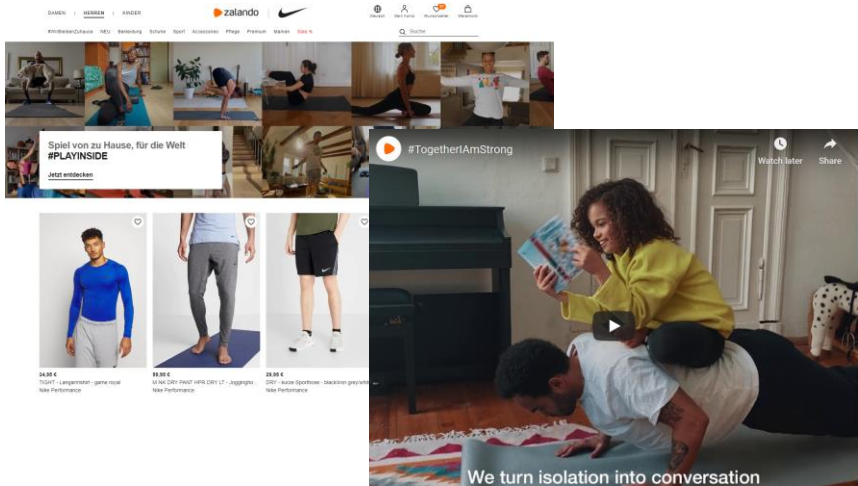


Growing new customer numbers

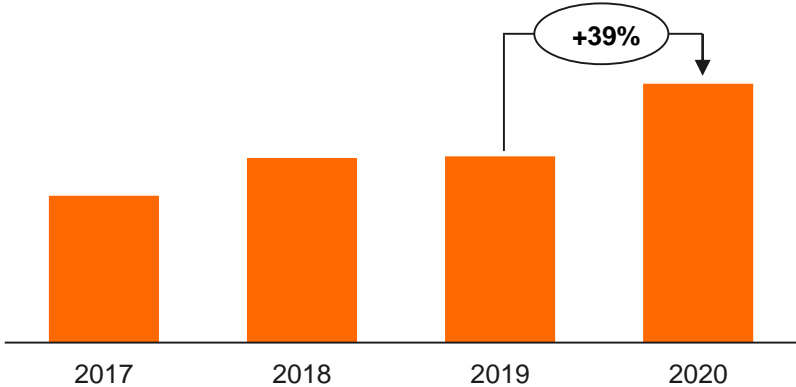


Starting Point strategy

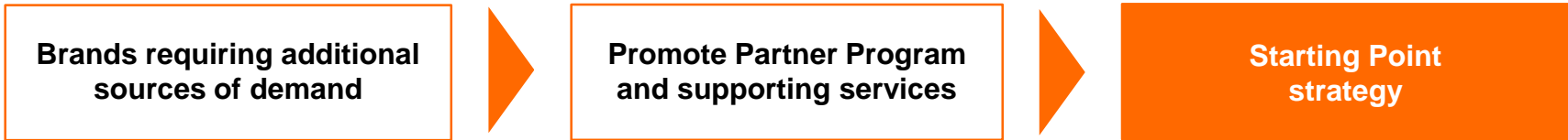
Shift towards social first



Accelerating new customer growth in # new customers in April for each year



Brands need to shift towards digital even faster - and we are supporting them by accelerating the platform transition



Our offer to the brands

- Faster integration
- Early pay-out to support cash needs
- Matching ZMS investments
- Increased visibility in shop
- Dedicated partner sales event on May 10-12

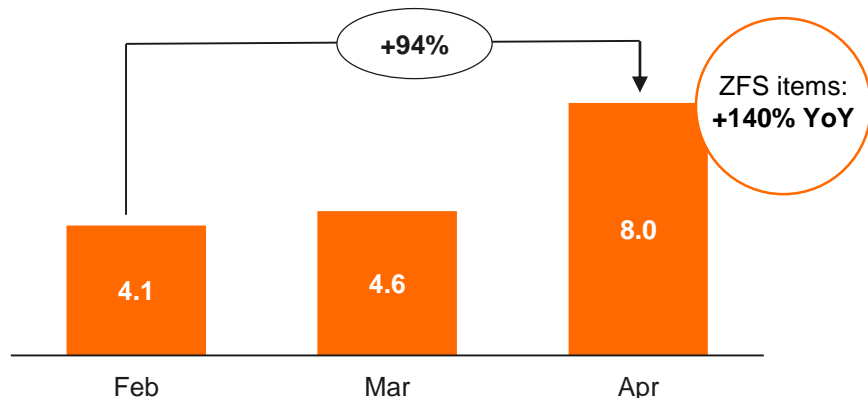
Signing-up new brands



+50
partners in
last 3 weeks

Accelerating Partner Program growth

Items shipped (in m)



We are supporting bricks and mortar retail by accelerating our Connected Retail program, driving offline/online convergence

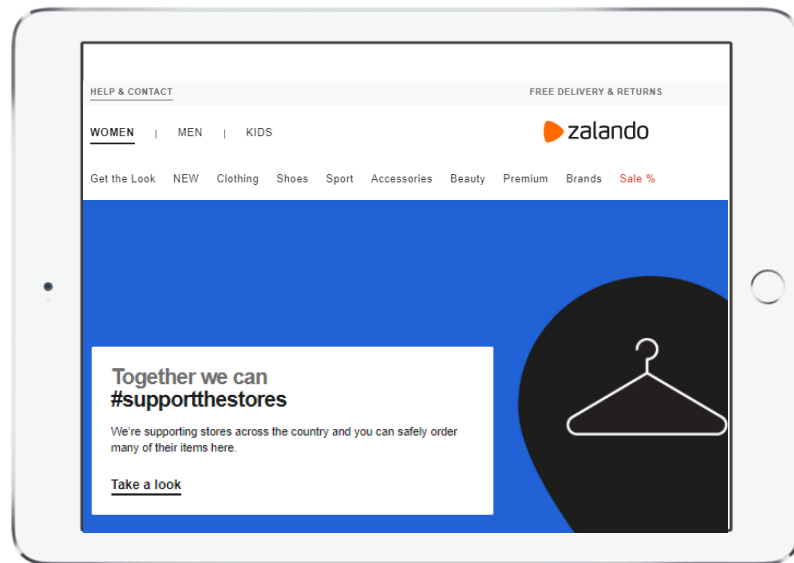
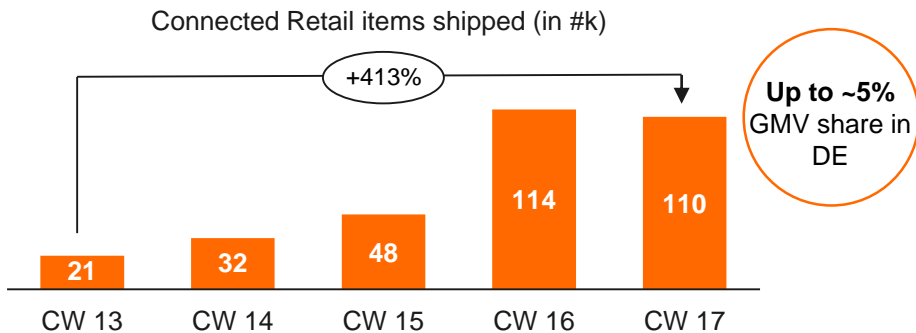
Bricks and mortar store revenues suffer significantly

Promote Connected Retail Program and increase visibility

Starting Point strategy

Our offer to the stores

- Zero commission for April and May
- Weekly pay-out of revenues
- Accelerated integration speed
- High visibility onsite



We have the right assets and the right strategy to grow stronger throughout this crisis

We have the right assets...

Customer Reach
32m Active Customers



Strong Partnerships
2500+ brand relationships



European Logistics Network
11 sites in 4 countries



Cash Balance
>1bn EUR



...and the right strategy...

Our Vision:
to become the Starting Point for Fashion



...to grow stronger throughout this crisis.

Confident to finish 2020 with strong growth and profitability,
remaining on track to our targets 2023/2024

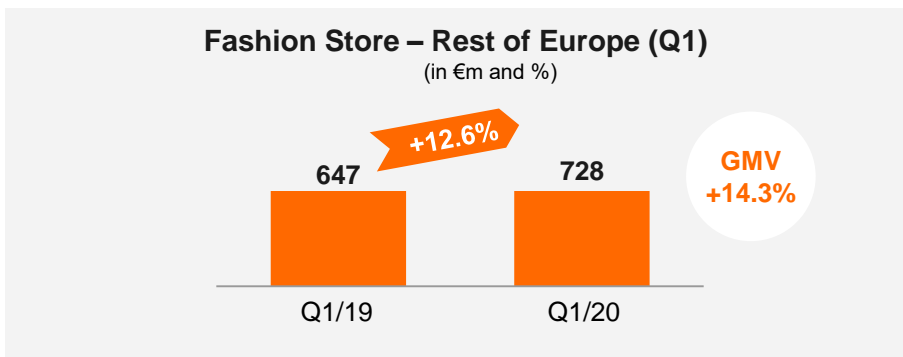
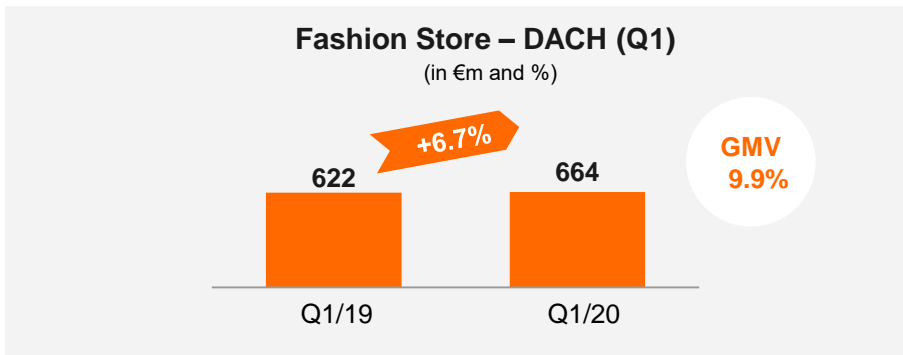
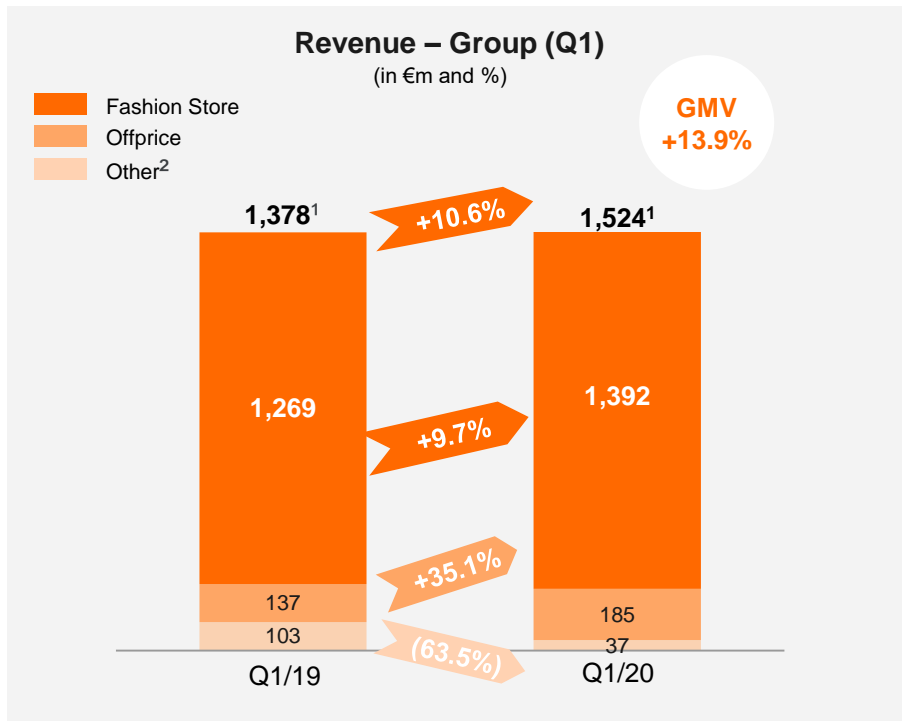
Financial Update

Q1/2020

David Schröder, CFO



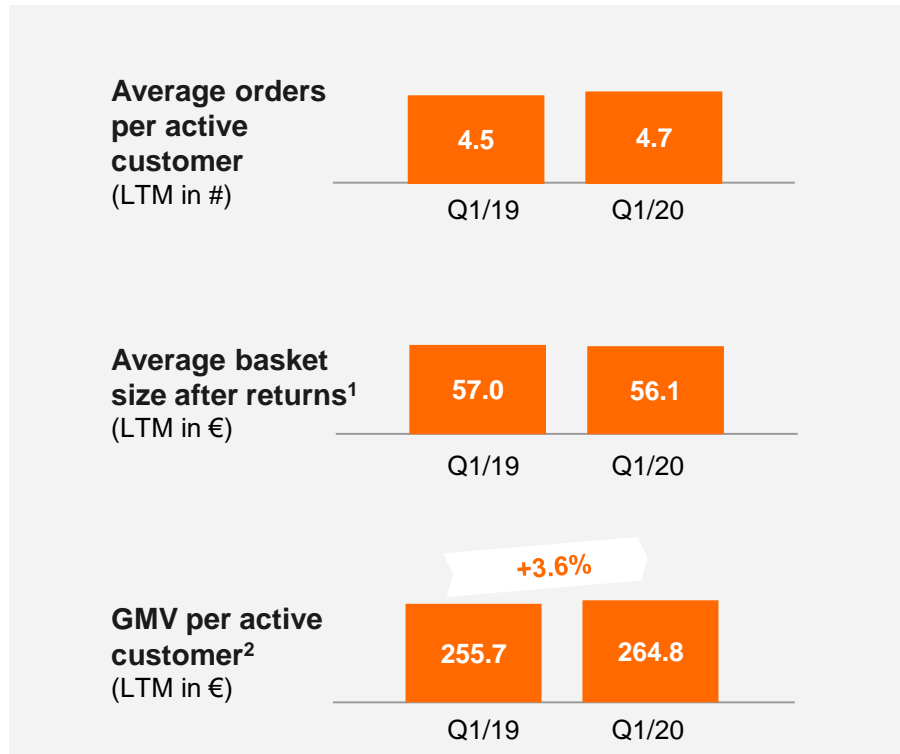
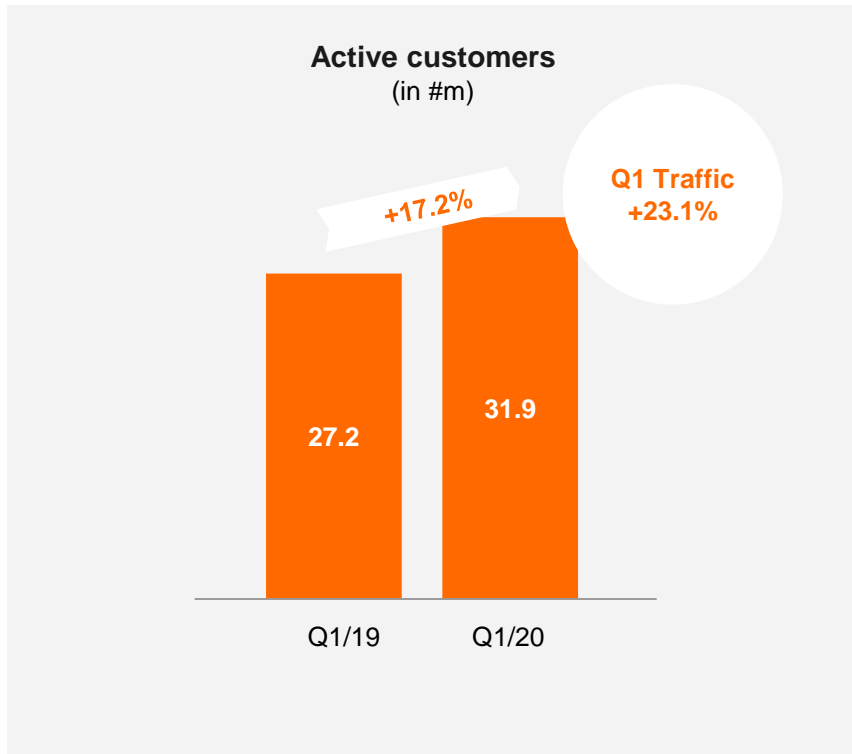
Continued double digit growth in a highly challenging environment



1) Q1/20 (Q1/19) contains -€89.6m (-€129.7m) reconciliation of internal revenues

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

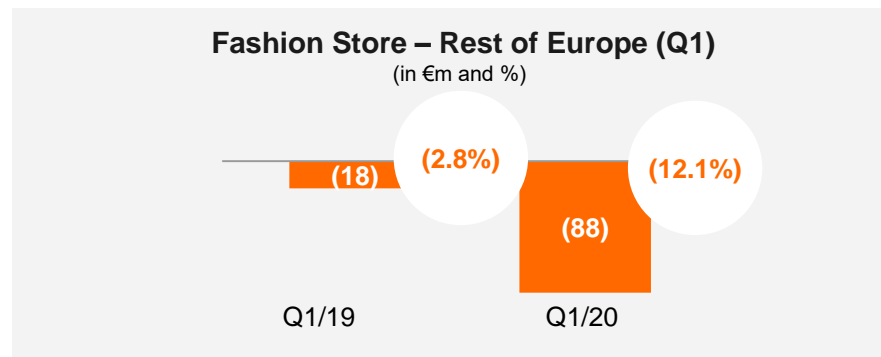
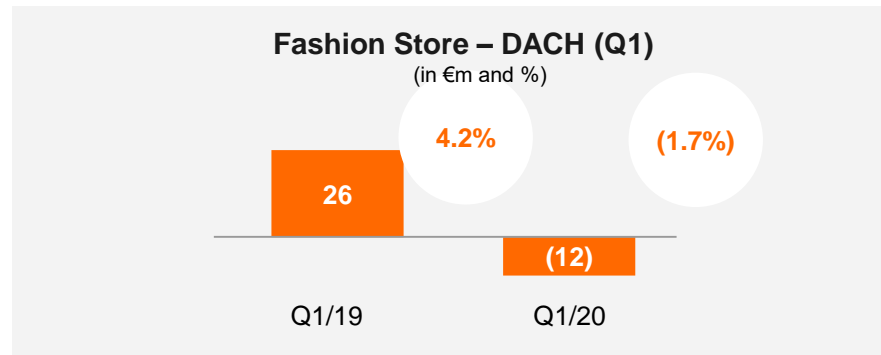
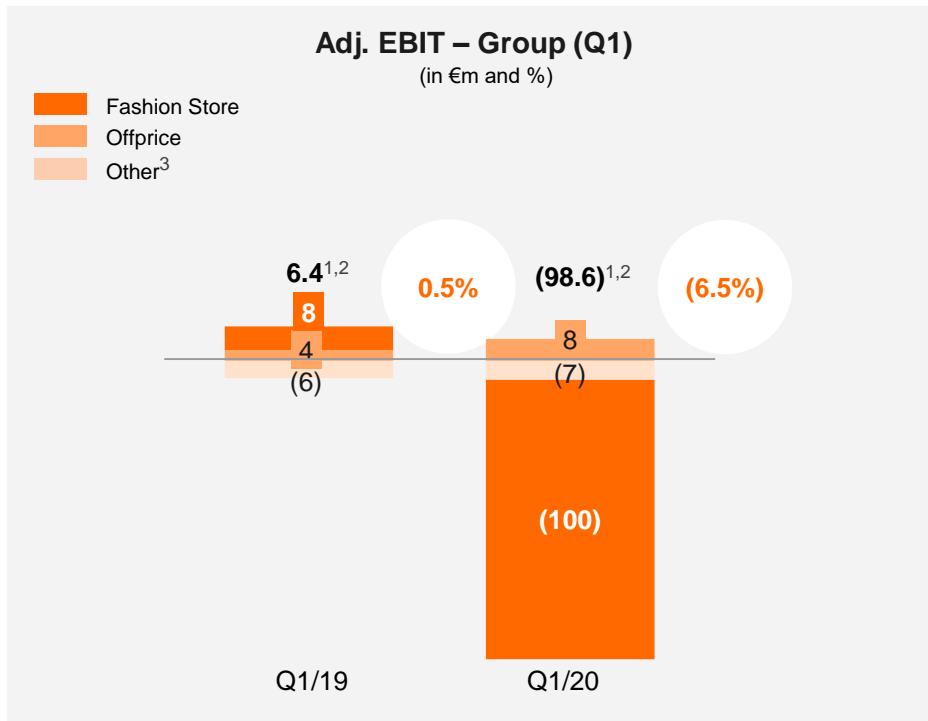
Underlying customer metrics continue to follow historical trends



1) Defined as GMV divided by the number of orders

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

Short-term profitability hit hard by negative impact from Covid-19



1) Q1/20 (Q1/19) contains -€0.0m (€0.4m) reconciliation of internal EBIT

2) Excluding equity-settled share-based compensation (SBC) in Q1/20 of €14.5m (Q1/19: €24.8m thereof SBC of €11.8m; restructuring costs and non-operating one-time effects of €13.1m)

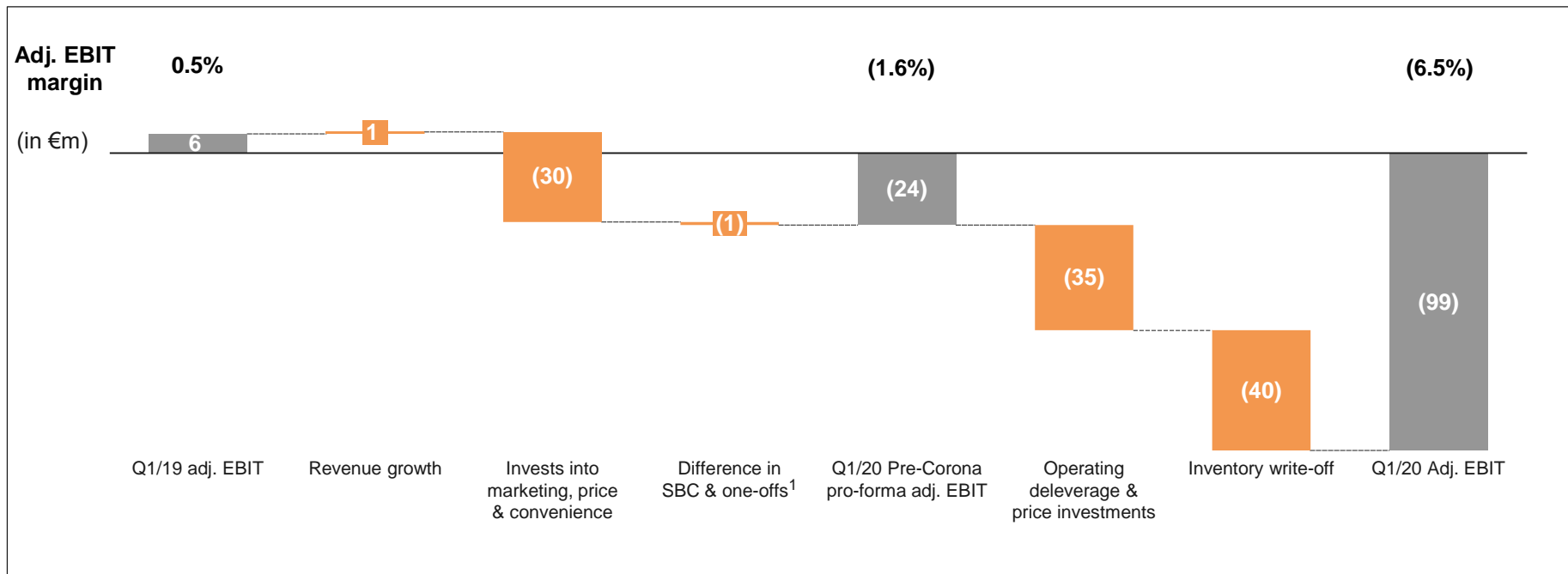
3) All other segments including various emerging businesses; private label offering zLabels no longer presented as separate unit since Q2/19

Decisive adjustments in commercial steering and continued improvements in overhead efficiency could not compensate for lower growth and deterioration in gross margin

Costs and savings (in % of revenue, unadjusted)	Q1			
	2019	2020	Delta	
Cost of sales	(60.1%)	(64.7%)	4.6pp	
Gross profit	39.9%	35.3%	(4.6pp)	SS20 inventory write-off and price investments
Fulfillment costs	(28.7%)	(29.9%)	1.2pp	Lower utilization and higher sickness rate
Marketing costs	(7.0%)	(8.1%)	1.1pp	Elevated ROI based marketing investment
Administrative expenses & Other	(5.4%)	(4.7%)	(0.7pp)	
EBIT	(1.2%)	(7.4%)	(6.2pp)	
Adj. EBIT ¹	0.5%	(6.5%)	(7.0pp)	

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

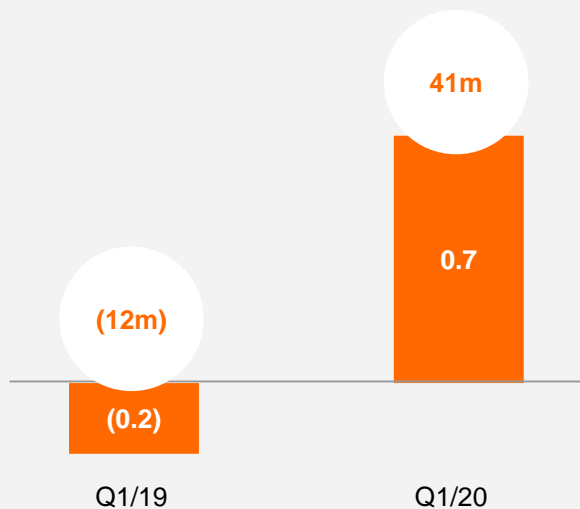
Negative Q1 YoY EBIT Development largely driven by operating deleverage, inventory write-off and price investments caused by Covid-19



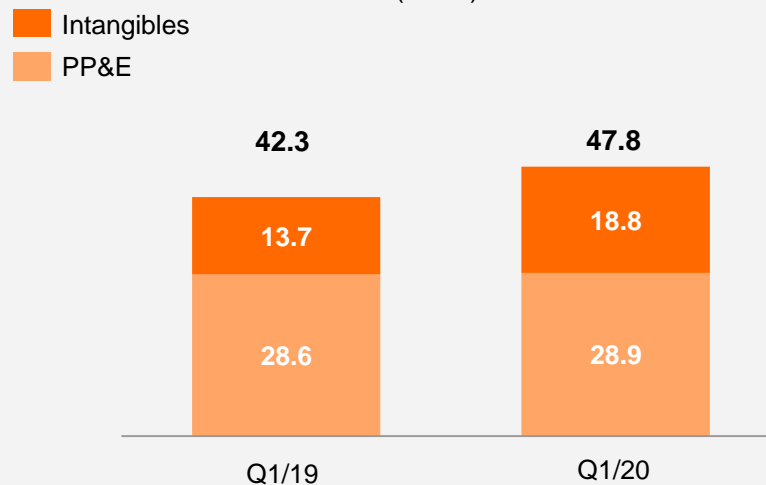
1) Net difference between equity-settled share-based compensation (SBC) in Q1/20 of €14.5m and Q1/19 of €24.8m (thereof SBC of €11.8m; restructuring costs and non-operating one-time effects of €13.1m) and a gain recognized from the sale and lease back of undeveloped land in Berlin (Zalando Campus) in Q1/20

Working capital increased significantly driven by increase in inventories and lower business volume

Net working capital (end of Q1)
(in % of annualized revenue)

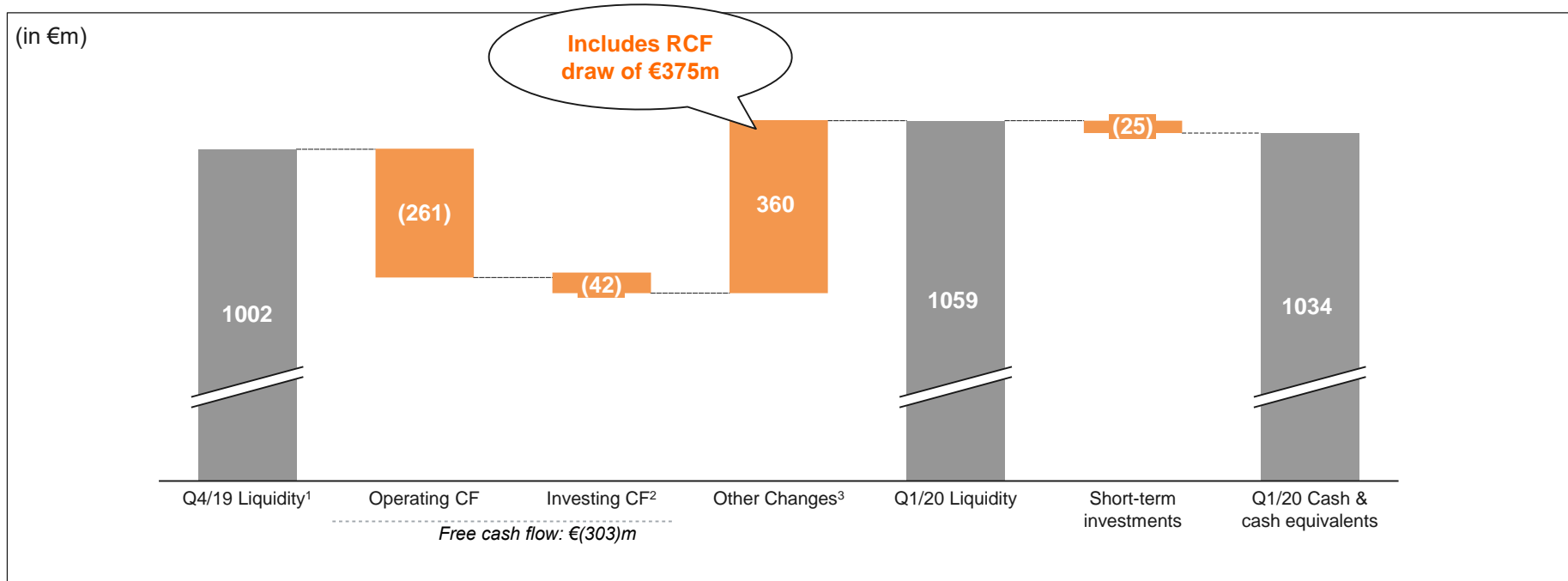


Capital expenditure¹
(in €m)



1) Excluding payments for acquisitions of €0.0m in Q1/20 (Q1/19: €0.0m)

Our strong cash position allows us to navigate confidently through this challenging time



(1) Both Q1/20 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 (€359.6m) and effect of exchange rate on cash and cash equivalents (+€0.5m).

Outlook



Updated FY2020 outlook

GMV and Revenue growth of 10 – 20%

Adj. EBIT¹: €100 – 200m

Negative net working capital and €230 – 280m in Capex²

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

2) Excludes M&A transactions

Q&A



Issued share capital

SHARE INFORMATION

(AS OF MAR 31, 2020)

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	252,883,564
Issued Share Capital	€252,883,564

STOCK OPTION PROGRAMS MGMT BOARD (AS OF MAR 31, 2020)

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

1) Settled with new shares

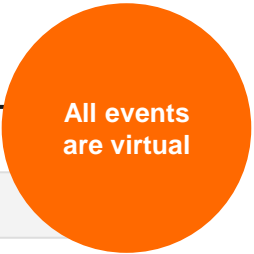
2) Only to 43% dilutive / to be settled with new shares, remaining backed by treasury shares

STOCK OPTION PROGRAMS SENIOR MGMT (AS OF MAR 31, 2020)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 ¹	2,061,931	21.28
EIP ¹	3,628,749	35.31
VSOP 2017	459,166	42.24
ZOP	707.439	17.58
Total	6,857,285	29.73

Upcoming events

Date	Event
Wednesday, May 13	UBS Pan European Small and Mid-Cap Conference 2020
Thursday, May 14	Exane BNP Paribas Frankfurt E-Commerce Day
Thursday, May 14	Roadshow Frankfurt, Hamburg & Austria
Monday/Tuesday, May 18-19	US-Roadshow
Monday/Tuesday, May 18-19	Roadshow Scandinavia
Wednesday, May 20	Roadshow Zurich
Thursday, May 28	Morgan Stanley Annual Berlin Internet Field Trip
Tuesday, June 2	Roadshow Paris
Monday, June 15	Barclays Internet Day
Tuesday/Wednesday, June 16-17	Erste Consumer Conference
Tuesday, June 23	Annual General Meeting
Tuesday, August 11	Q2/2020 Results



All events
are virtual

Zalando Investor Relations Team



Patrick Kofler
Head of IR

Patrick.Kofler@zalando.de



Dorothee Schultz
Junior Manager IR

Dorothee.Schultz@zalando.de



Nils Pöppinghaus
Manager IR

Nils.Poeppinghaus@zalando.de



Jan Edelmann
Manager IR

Jan.Edelmann@zalando.de



Team Contact

T: +49 3020 9681 584
Zalando Tamara-Danz-Straße 1
10243 Berlin

investor.relations@zalando.de
<https://corporate.zalando.com/en>

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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.