



Zalando Q2/2020 Earnings Call

August 11th, 2020



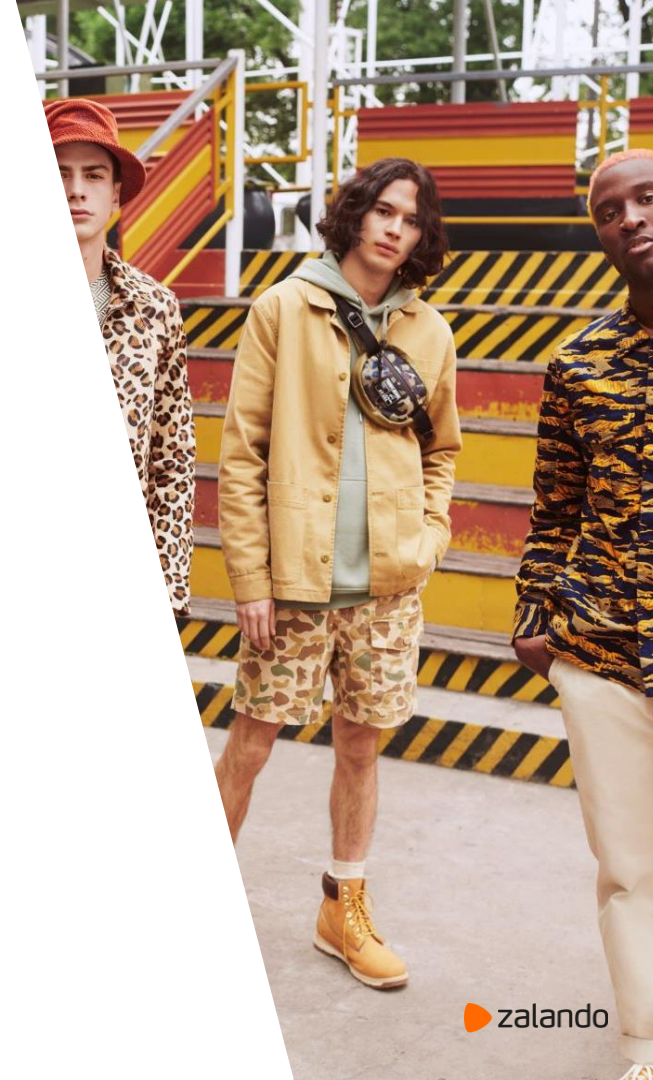
Strong H1/2020 performance underlines our continued progress with regards to both our strategy and our financial targets

Continued progress on our strategic agenda to become the Starting Point for Fashion supported by an accelerated offline to online shift driving record numbers of new customers and partners to our platform

Strong financial performance in H1/20 with GMV growth of 25% and adjusted EBIT of 113m EUR, driven by faster than expected demand recovery and underlying changes in customer behavior

Successful placement of 1bn EUR in Convertible Bonds allowing us to further accelerate our growth strategy and to invest through-cycle with even more conviction

Upgrade of our FY2020 guidance as we are back on track to deliver strong and profitable growth for the full year



Business Update Q2/2020



We continue to progress on our strategic priorities to become the Starting Point for Fashion

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

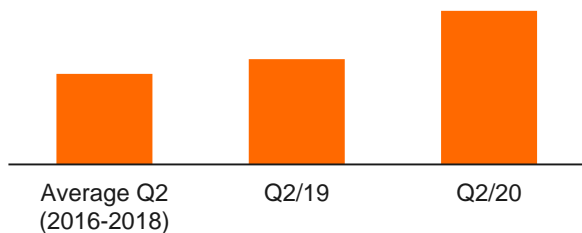
3

Drive Platform Transition

Zalando is the digital strategy for fashion brands

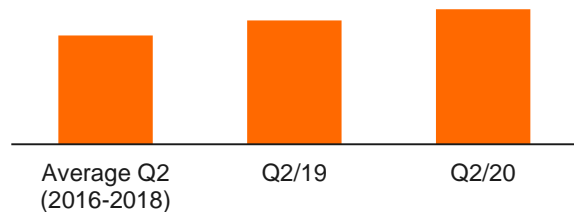
Strong new customer growth and healthy repurchase behavior drive growth of our Active Customer base

New customer growth
in m#



- Added more than 3m new customers in Q2/20
- Increasing share of first-time online shoppers as well as male shoppers

New Customer Repurchase Rate
30-day Repurchase Rate LTM, in %



- New customers show higher engagement and repurchase rates than in the past
- Qualitative customer surveys indicate strong willingness to shop at Zalando again in the future



We have successfully accelerated our platform business in Q2 by helping our partners to grow their digital business along with us and...

Internationalization of existing partners

>900 partner country launches

Thereof
80%
with ZFS



New partner integration & range extensions of existing partners

180 new partner sign-ups

Record
high



ZFS enablement

Reached 50% ZFS items share

+180%
ZFS items
YoY



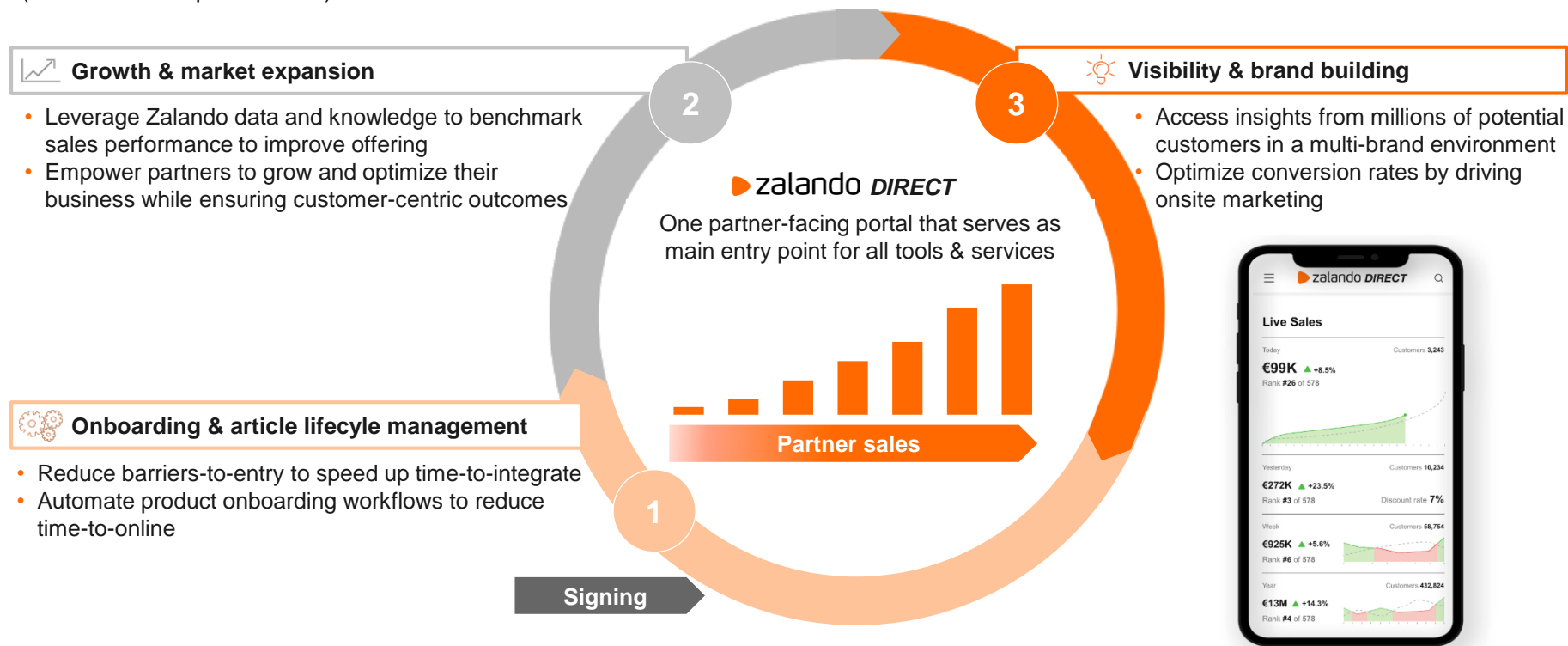
Next generation of tooling

Launch of zDirect portal



... our next generation of data-driven partner tooling Zalando Direct will enable them to maximize the sales opportunity on our platform

(illustrative sales performance)



Financial Update

Q2/2020



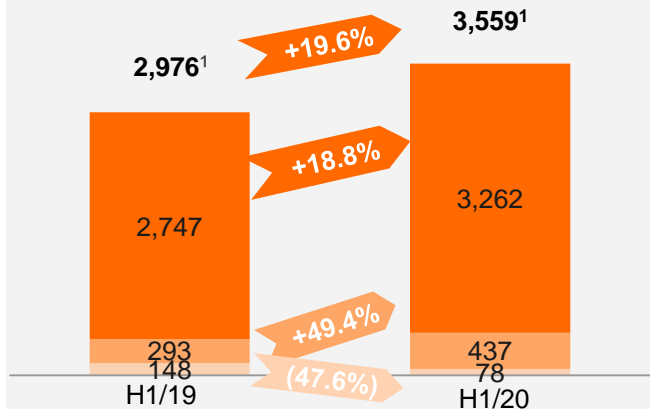
Strong H1/20 topline momentum at the upper end of our mid-term guidance corridor of 20-25%

Revenue – Group (H1)

(in €m and %)

- Fashion Store
- Offprice
- Other²

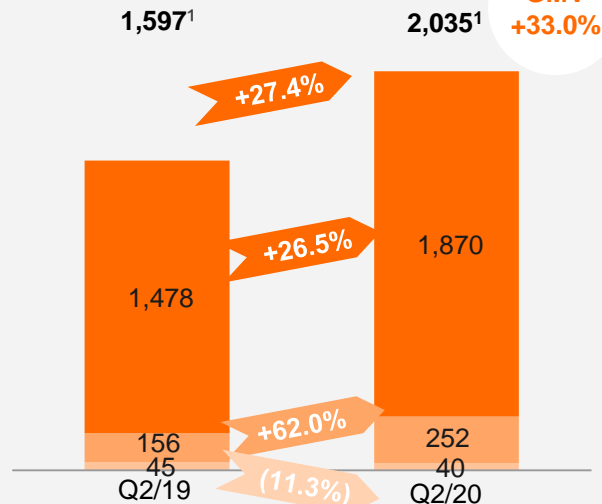
GMV
+25.1%



Revenue – Group (Q2)

(in €m and %)

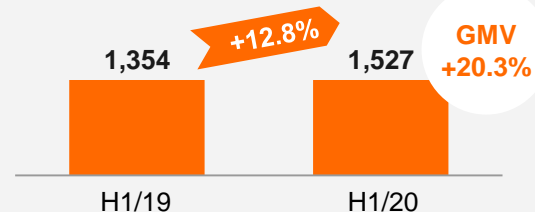
GMV
+33.0%



Fashion Store – DACH (H1)

(in €m and %)

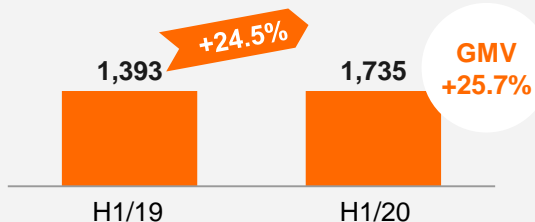
GMV
+20.3%



Fashion Store – Rest of Europe (H1)

(in €m and %)

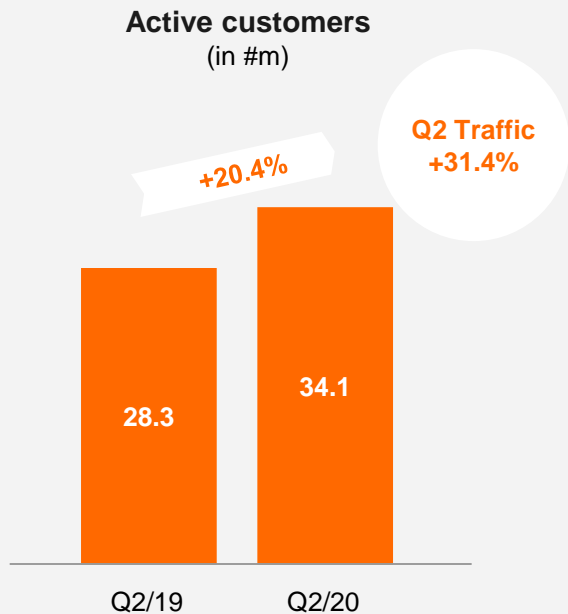
GMV
+25.7%



1) H1/20 (H1/19) contains -€217.4m (-€211.4m) reconciliation of internal revenues; Q2/20 (Q2/19) contains -€127.8m (-€81.7m) reconciliation of internal revenues

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

Key customer metrics continue to show positive trends



**Average orders
per active
customer**
(LTM in #)

4.6

4.7

Q2/19

Q2/20

**Average basket
size after returns¹**
(LTM in €)

56.7

56.9

Q2/19

Q2/20

**GMV per active
customer²**
(LTM in €)

259.1

268.4

Q2/19

Q2/20

+3.6%

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

Solid level of profitability in H1/20 despite challenging Q1 trading driven by strong Q2 results

Adj. EBIT – Group (H1)

(in €m and %)



108.1^{1,2}

3.6%

113.3^{1,2}

3.2%

112

11

(15)

H1/19

99

24

(8)

H1/20

Adj. EBIT – Group (Q2)

(in €m and %)

101.7^{1,2}

6.4%

211.9^{1,2}

10.4%

104

7

(9)

Q2/19

198

16

(1)

Q2/20

Fashion Store – DACH (H1)

(in €m and %)

6.9%

94

H1/19

113

H1/20

7.4%

Fashion Store – Rest of Europe (H1)

(in €m and %)

1.3%

18

H1/19

(14)

H1/20

(0.8%)

1) H1/20 (H1/19) contains -€0.7m (€0.6m) reconciliation of internal EBIT; Q2/20 (Q2/19) contains -€0.7m (€0.1m) reconciliation of internal EBIT

2) Excluding equity-settled share-based compensation (SBC) in H1/20 of -27.9€m, H1/19 of -21.5€m, Q2/20 of -13.5€m, Q2/19 of -9.7€m; and non-operating one-off effects in H1/19 of -13.1€m

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

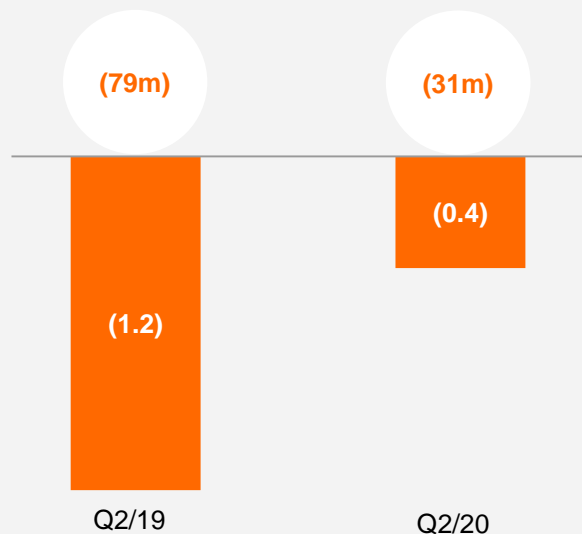
Strong profitability in Q2 mainly driven by lower return rates, scale effects and savings program

Costs and margins (in % of revenue, unadjusted)	H1			Q2			
	2019	2020	Delta	2019	2020	Delta	
Cost of sales	(57.0%)	(59.5%)	2.5pp	(54.3%)	(55.6%)	1.3pp	
Gross profit	43.0%	40.5%	(2.5pp)	45.7%	44.4%	(1.3pp)	Business mix effects
Fulfillment costs	(28.0%)	(27.3%)	(0.6pp)	(27.3%)	(25.4%)	(1.9pp)	High utilization & lower return rate
Marketing costs	(7.6%)	(6.4%)	(1.2pp)	(8.2%)	(5.2%)	(3.0pp)	Marketing cost Savings
Administrative expenses & Other	(4.9%)	(4.3%)	(0.6pp)	(4.4%)	(4.0%)	(0.4pp)	Overhead cost savings
EBIT	2.5%	2.4%	(0.1pp)	5.8%	9.7%	4.0pp	
Adj. EBIT ¹	3.6%	3.2%	(0.5pp)	6.4%	10.4%	4.0pp	

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

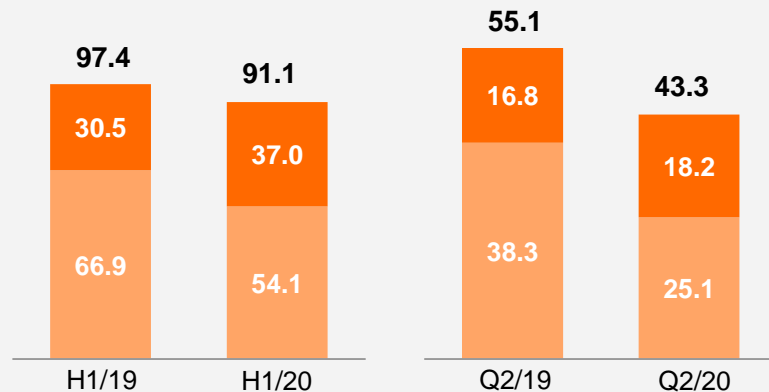
Net working capital back in negative territory and Capex in line with 2020 savings plan

Net working capital (end of Q2)
(in % of annualized revenue)



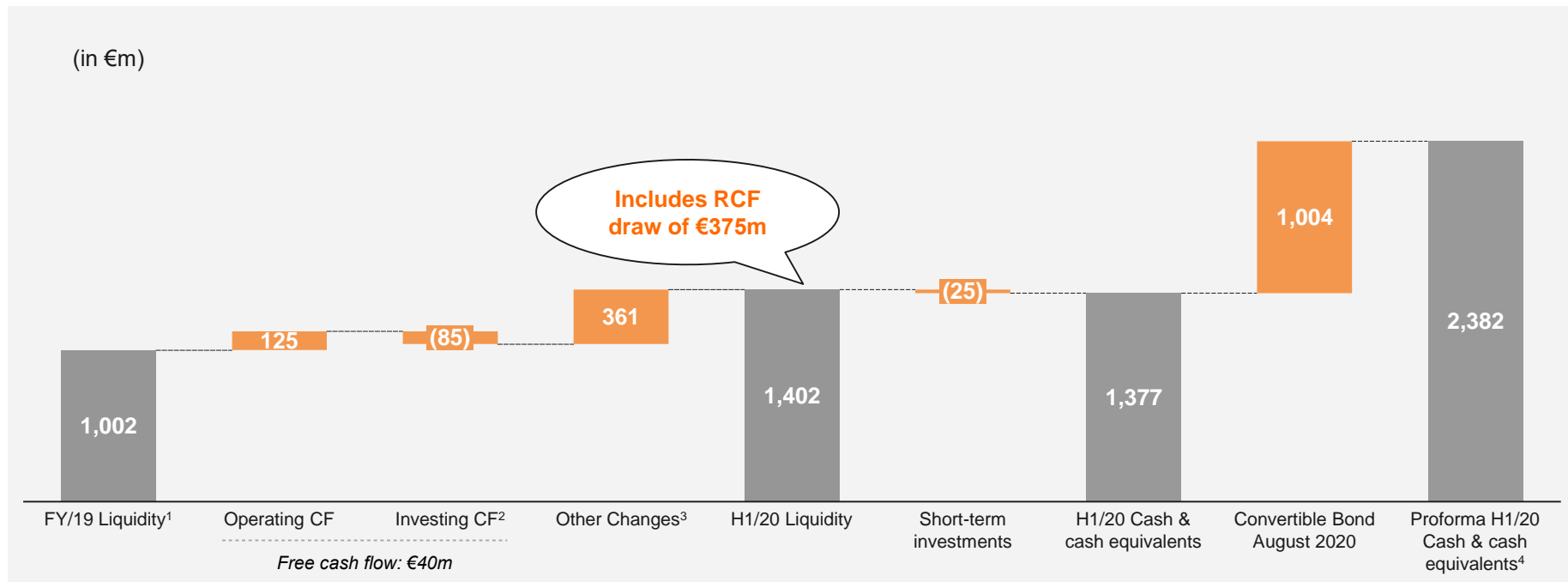
Capital expenditure¹
(in €m)

Intangibles
PP&E



1) Excluding payments for acquisitions of €0.0m in H1/20, €0.0m in Q2/20 (H1/19: €1.7m, Q2/19: €1.7m)

Liquidity position further strengthened by Q2 business performance and successful placement of €1bn Convertible Bonds, enabling continued through cycle growth investments



- (1) Both FY19 and H1/20 liquidity include investments into short-term deposits with maturity of more than 3 and less than 12 months of €25m, respectively.
- (2) Includes sales and investments in fixed and intangible assets (-€85.1m), payments for acquisitions (+€0.0m) and change in restricted cash (+€0.0m)
- (3) Includes financing cash flow (+€361.8m) and effect of exchange rate on cash and cash equivalents (-€0.8m).
- (4) Proforma including Convertible Bond August 2020

Outlook



Revised FY/2020 outlook

GMV growth in the range of 20 – 25%, and Revenue growth of 15 – 20%

Adj. EBIT¹ in the range of €250 – 300m

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 JUN 30, 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	254,121,532
Issued Share Capital	€254,121,532

STOCK OPTION PROGRAMS MGMT BOARD (AS OF JUN 30, 2020)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2011 ¹	1,346,400	5.65
SOP 2013 ¹	8,866,158	15.56
VSOP 2017	290.000	42.24
LTI 2018 ²	5,250,000	47.44
VSOP 2018	250,000	29.84
LTI 2019	715,500	15.71
Total	16,178,348	25.46

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 JUN 30, 2020)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 ¹	1,066,990	22.53
EIP ¹	3,628,749	35.31
VSOP 2017	499,166	42.24
ZOP	835.848	20.32
Total	6,030,753	31.48

Upcoming events

All events
are virtual

Date	Event
Thursday, August 13	Bank of America Fireside Chat with our CFO
Thursday, September 3	Commerzbank Corporate Conference, Frankfurt
Wednesday/Thursday, September 9-10	Goldman Sachs 27th Annual Global Retail Conference, New York
Monday/Tuesday, September 21-22	Berenberg / Goldman Sachs German Corporate Conference, Munich
Wednesday/Thursday, September 23-24	Baader Investment Conference, Munich
Wednesday, November 4	Q3/2020 Results

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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.