



Zalando Q3/2020 Earnings Call

November 4th, 2020



Q3 combined exceptional financial performance and continued progress towards our vision to become the Starting Point for Fashion

Delivered exceptionally strong financial performance with GMV growth of 29.9% and adjusted EBIT margin of 6.4% in Q3

Continued to make progress on key strategic priorities by winning almost 3m new customers, further enhancing our customer experience and accelerating our platform transition

Enabled next level size & fit advice for our customers by acquiring mobile body scanning developer Fision

Upgraded FY/20 guidance on the back of exceptionally strong and profitable growth in Q3

Prepared to manage the upcoming peak season and to support our partners as the second wave of the Covid-19 pandemic hits Europe



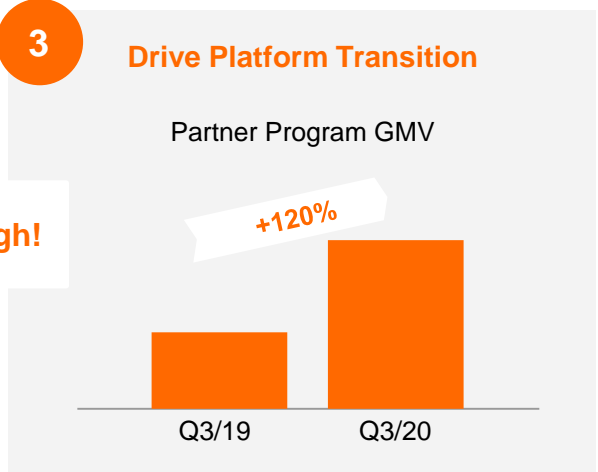
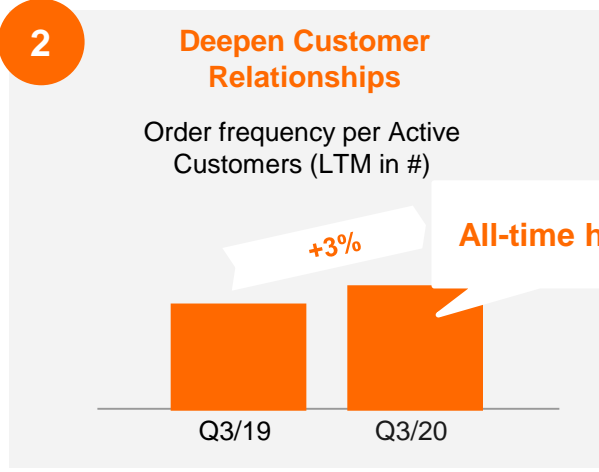
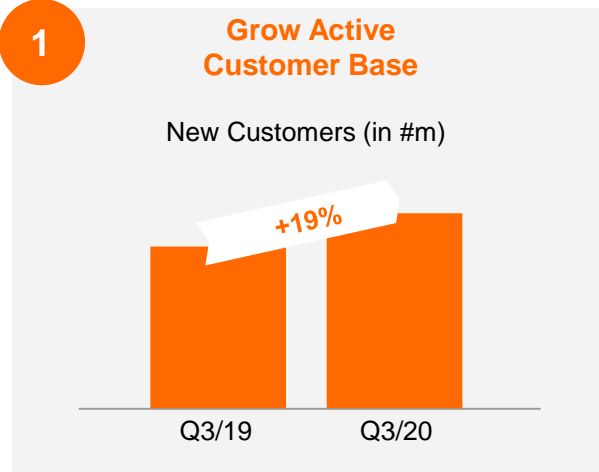
Business Update

Q3/2020



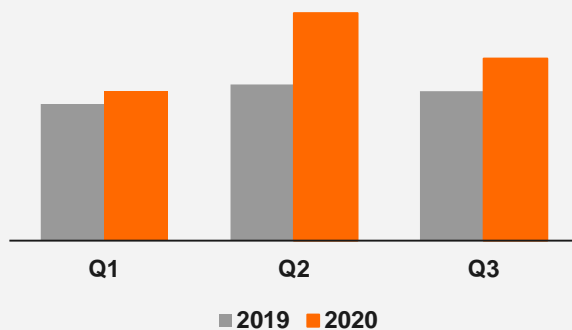
In Q3, we were able to make continued progress along all our key strategic priorities on our journey to become the Starting Point for Fashion

Starting Point for Fashion

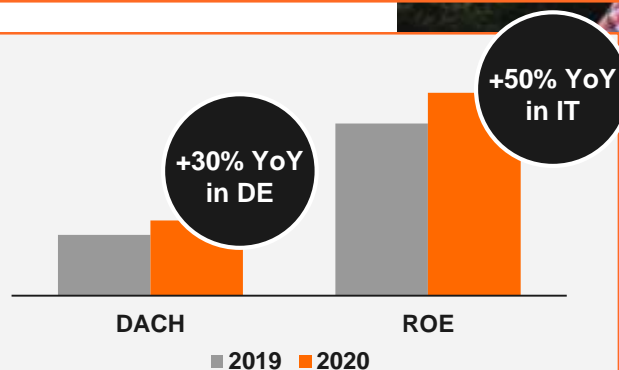


We continue to benefit from an accelerated offline to online shift as evidenced by strong new customer growth YTD, even in our most mature market Germany

New Customer Growth
in m#



Split of New Customer Growth
DACH vs Rest of Europe
in m#



By investing into further enhancing the customer experience along the entire customer journey, we drive customer engagement, order frequency and spend

Introduced Pre-Owned Fashion as new category

- Fast and simple process of trading-in over 3,000 brands in exchange for credit
- Products curated and quality checked by Zalando
- Better convenience with fast shipping and easy returns



Rolled out more emotional user experience

- Visual redesign of app and web experiences creates richer overall experience to drive brand differentiation
- Enhanced welcome experience improves new customer onboarding and first time buying experience



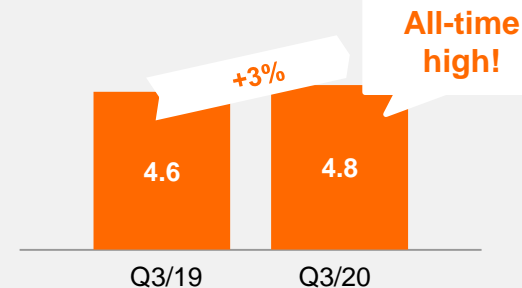
Enabled next level size advice by acquiring Fision

- Further step to solve one of our customers' biggest problems - finding the right size & fit
- Body scanning app and virtual dressing room technologies allow also new customers to find the perfect fit



Deepening customer relationships

Average orders per Active Customer
(LTM in #)



Doubling down on the success of our Connected Retail platform for fashion offline stores, we aim to further invest to triple the number of connected stores in 2021

Largest platform for fashion stores in Europe already today



~2,000

Active Stores



~6%

GMV Share in DE Fashion Store in Q3

Targeting to triple the size of our Connected Retail network in 2021

- Drive geographic expansion with recent launch of Norway, Denmark, Finland (now available in 8 markets) and **extending to further markets in 2021**
- Invest into establishing **local sales force, B2B marketing and affiliate partnerships** for each market to accelerate store acquisition, onboarding and support
- Build up **dense networks in key metropolitan areas** to enable **locally relevant choice and better, more sustainable convenience**

 zalando

CONNECTED RETAIL



As the second wave of COVID-19 sweeps across Europe, our number one priority remains health and safety and we are well prepared to manage the upcoming peak season

Prio #1

Ensure safety of our people



Prio #2

Safeguard financial success



Prio #3

Be part of the solution



We have the right assets and the right strategy

Online Customer Reach

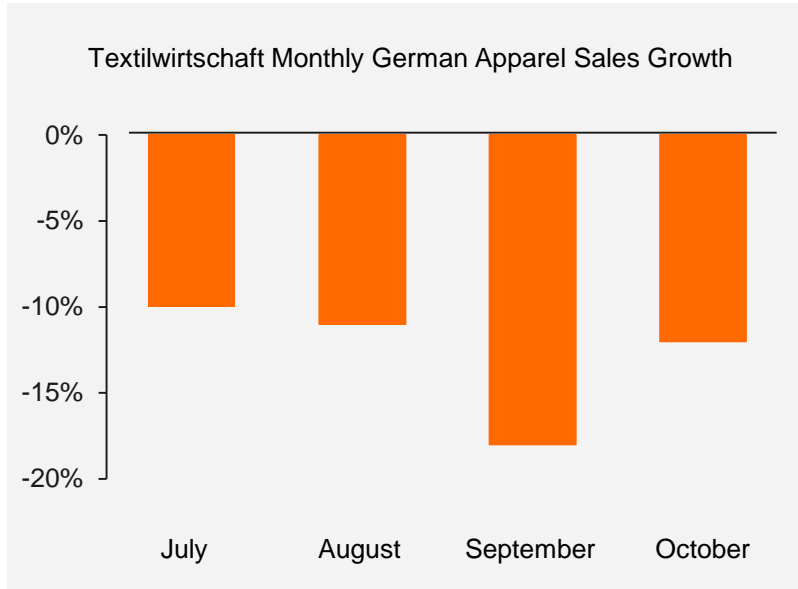
Strong Partnerships

European Logistics Network

Strong Cash Balance

To be part of the solution for the overall fashion industry in these difficult times, we reinforce our support for our partners by enabling them to leverage our platform even more

Our partners face significant challenges...



...and we are committed to support them through the 2nd wave

Waiving all commissions for Connected Retail sales to allow brands and stores to recoup lost offline revenues and to create a future-proof digital strategy

Matching our partners marketing investments via ZMS to increase the visibility of their brands and products across our European customer base and to drive incremental sales

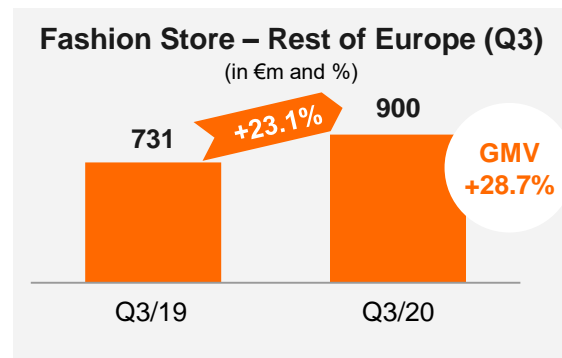
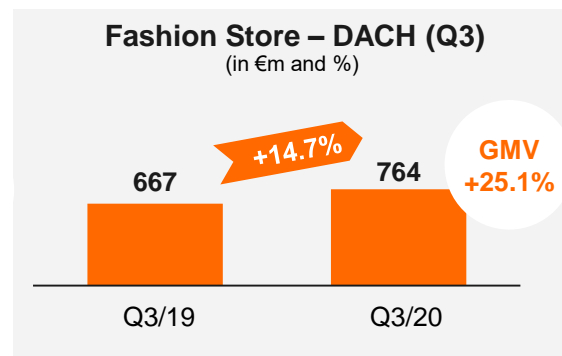
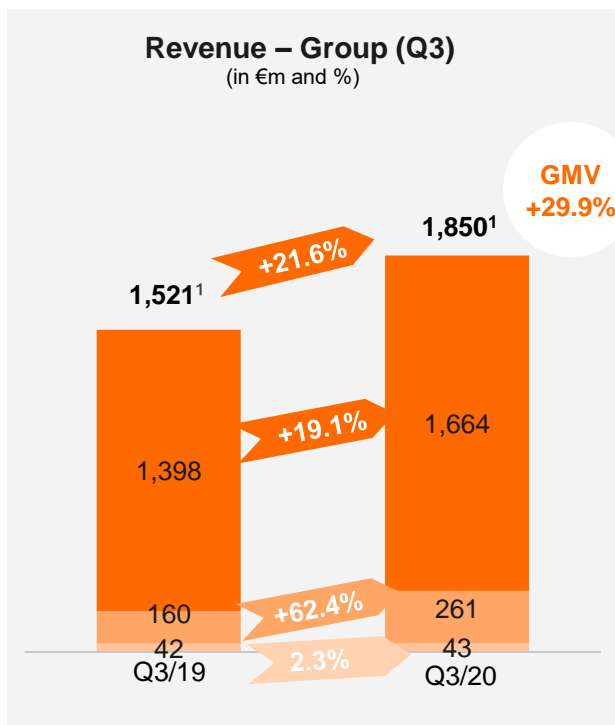
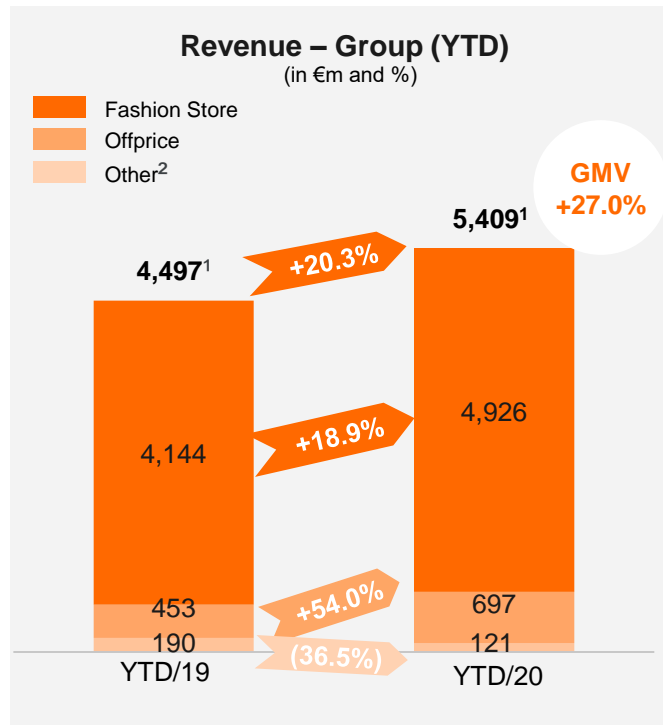
Providing liquidity support through early payouts for Connected Retail and Partner Program partners

Financial Update

Q3/2020



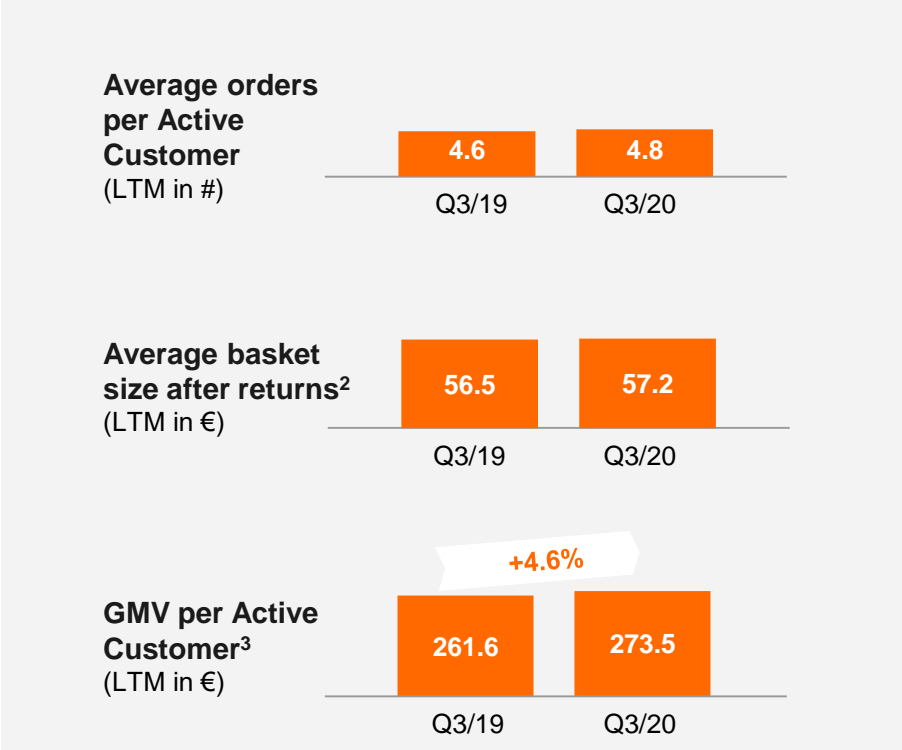
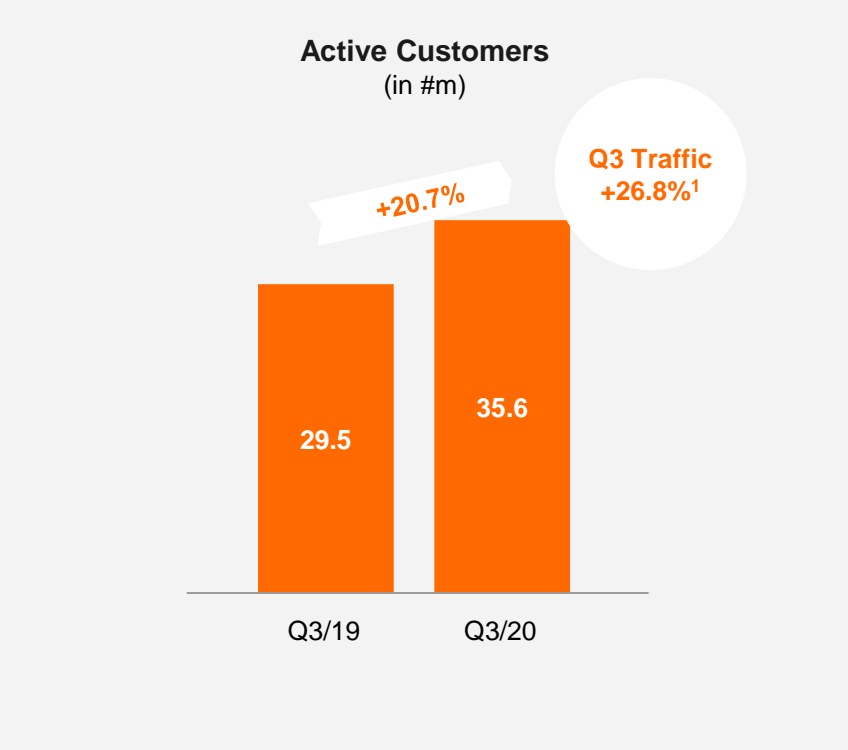
Outstanding topline momentum fueled by very strong Partner Program and Lounge performance



1) YTD/20 (YTD/19) contains -€335.6m (-€290.8m) reconciliation; Q3/20 (Q3/19) contains -€118.2m (-€79.4m) reconciliation

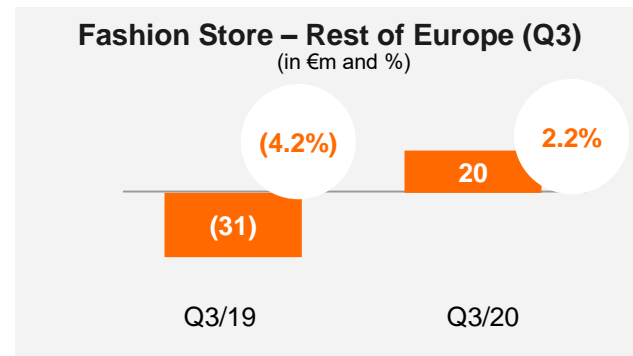
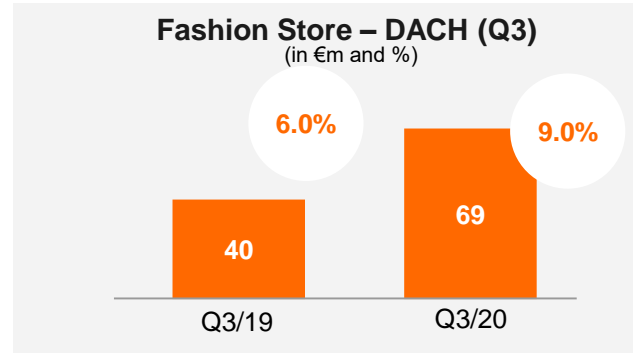
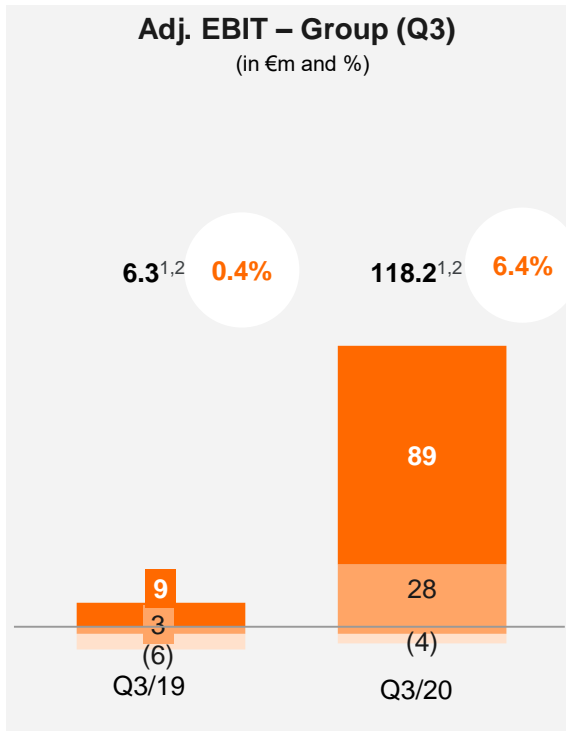
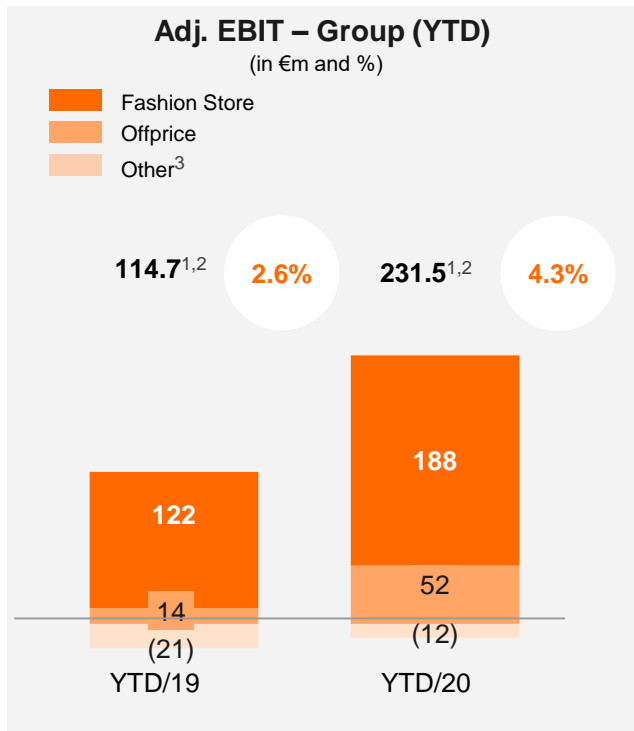
2) Other segments including various emerging businesses; private label offering zLabels no longer presented as separate unit since Q1/19

Key customer KPIs continue to show healthy dynamics



1) Based on the change in consent management following the privacy requirements, part of the data is estimated on a statistical method
2) Defined as GMV divided by the number of orders
3) Defined as GMV divided by the number of active customers

Extraordinary profitability levels in Q3 driven by strong growth and special items



1) YTD/20 (YTD/19) contains €4.1m (€0.6m) reconciliation; Q3/20 (Q3/19) contains €4.8m (€0.1m) reconciliation

2) Excluding equity-settled share-based compensation (SBC) in YTD/20 of -41.1€m, YTD/19 of -34.7€m, Q3/20 of -13.2€m, Q3/19 of -13.2€m; and non-operating one-off effects in YTD/19 of -13.0€m

3) All other segments including various emerging businesses; private label offering zLabels no longer presented as separate unit since Q1/19

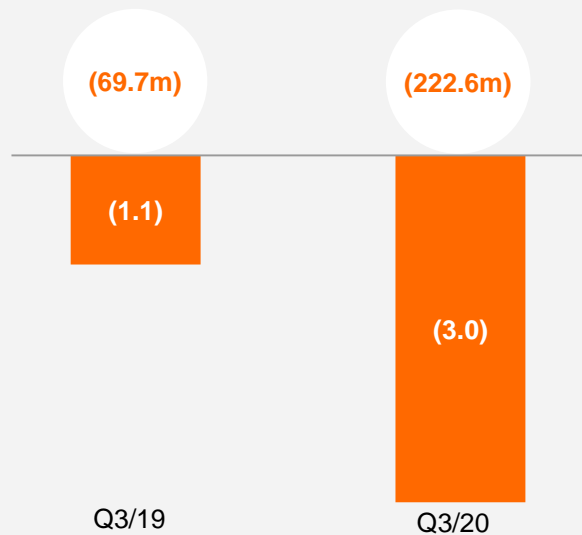
Q3 profitability supported by release in inventory write-offs and continued benefit from lower return rates

Costs and margins (in % of revenue, unadjusted)	YTD			Q3			
	2019	2020	Delta	2019	2020	Delta	
Cost of sales	(57.6%)	(58.2%)	0.5pp	(58.9%)	(55.6%)	(3.3pp)	
Gross profit	42.4%	41.8%	(0.5pp)	41.1%	44.4%	3.3pp	Release in AoGs and less price investments
Fulfillment costs	(28.2%)	(27.1%)	(1.1pp)	(28.7%)	(26.6%)	(2.1pp)	Higher utilization & lower return rate
Marketing costs	(7.8%)	(6.9%)	(0.9pp)	(8.1%)	(7.9%)	(0.2pp)	Re-accelerated ROI based marketing
Administrative expenses & Other	(4.8%)	(4.3%)	(0.6pp)	(4.7%)	(4.1%)	(0.5pp)	
EBIT	1.5%	3.5%	2.0pp	(0.5)%	5.7%	6.1pp	
Adj. EBIT ¹	2.6%	4.3%	1.7pp	0.4%	6.4%	6.0pp	

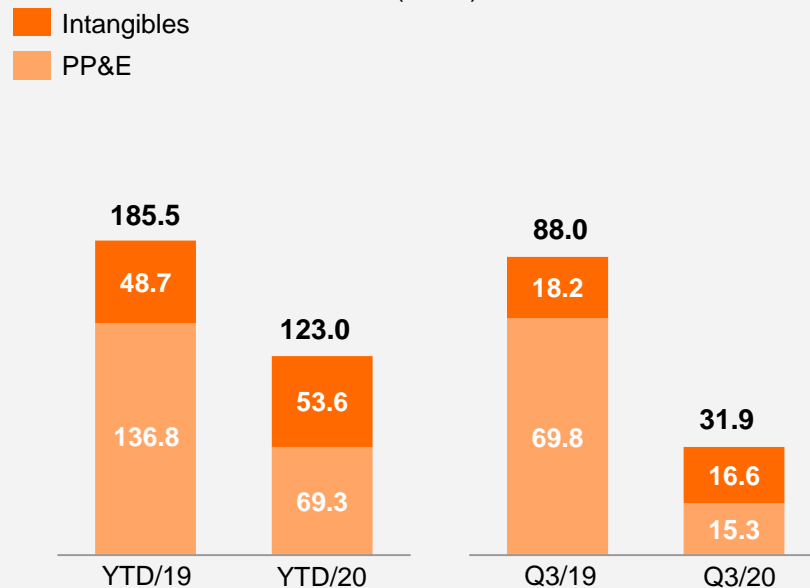
1) Excluding equity-settled share-based payment expense ("SBC"), restructuring costs and non-operating one-time effects

Negative working capital and lower Capex in line with 2020 guidance

Net working capital (end of Q3)
(in % of annualized revenue)



Capital expenditure¹
(in €m)



1) Excluding payments for acquisitions of €0.0m in YTD/20, €0.0m in Q3/20 (YTD/19: €1.7m, Q3/19: €0.0m)

Outlook



Upgraded FY/2020 outlook

GMV growth of 25 – 27%, and Revenue growth of 20 – 22%

Adj. EBIT¹ of €375 – 425m

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

1) Excluding equity-settled share-based payment expense ("SBC") of ~€55m, restructuring costs and non-operating one-time effects for FY/20

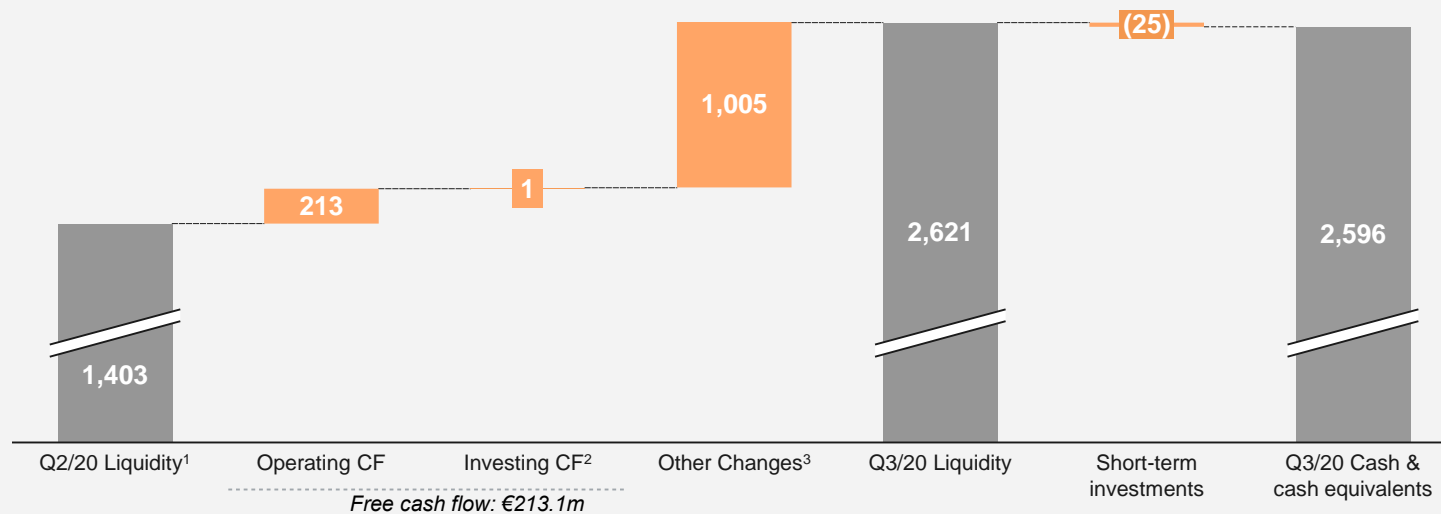
2) Excludes M&A transactions

Q&A



Liquidity position

(in €m)



- (1) Both Q1/20 and Q3/20 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 (+€0.8m), payments for acquisitions (+€0.0m) and change in restricted cash (+€0.0m)
- (3) Includes financing cash flow (+€1,004.2m) and effect of exchange rate on cash and cash equivalents (€1.1m).

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	255,961,397
Issued Share Capital	€255,961,397

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

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2011 ¹	74,800	5.65
SOP 2013 ¹	8,083,643	14.68
VSOP 2017	136,064	43.07
LTI 2018 ²	5,250,000	47.44
VSOP 2018	250,000	29.84
LTI 2019	698,375	17.52
Total	14,492,882	27.17

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 SEP 30, 2020)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 ¹	842,649	23.14
EIP ¹	3,205,591	36.70
VSOP 2017	229,982	47.42
ZOP	808,744	20.58
Total	5,086,966	32.38

Upcoming events

All events
are virtual

Date	Event
Thursday, November 12	JP Morgan Global Consumer, Retail &Luxury Conference
Thursday, November 12	HSBC Luxembourg Day
Wednesday, November 18-19	Morgan Stanley TMT Conference
Wednesday, November 18-19	Berenberg West Coast Consumer & E-Commerce Conference
Wednesday, November 18-19	Bank of America Consumer & Retail Virtual Conference
Tue-Thu, November 24-26	Roadshow Asia
Wednesday, December 2	Unicredit Convertible Bond Conference
Tuesday, December 8	Exane BNP Paribas New York Generalists Conference
Tuesday, March 2	FY/2020 Results

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Disclaimer

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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.