



Zalando FY/2020 Earnings Call

David Schröder, CFO
March 16th, 2021



In 2020 we made significant progress towards our vision to become the Starting Point for Fashion, combined with an outstanding financial and operational performance

- **Becoming the Starting Point for Fashion in Europe:** Accelerated new customer growth of 33% YoY, lifting our active customer base to 38.7m
- **Accelerated Platform Transition:** 24% Partner Program share¹ (+9pp) in Q4, ZFS surpassing 50% share in Q4 and ZMS with strong recovery in HY2/2020
- **Outstanding Performance:** GMV growth of 30.4%, revenue growth of 23.1% and adjusted EBIT margin of 5.3% in FY/20, exceeding our initial 2020 guidance
- **Strong Balance Sheet:** Successful placement of 1bn EUR in Convertible Bonds to further accelerate our growth strategy and to invest with even more conviction



1) Including Connected Retail

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

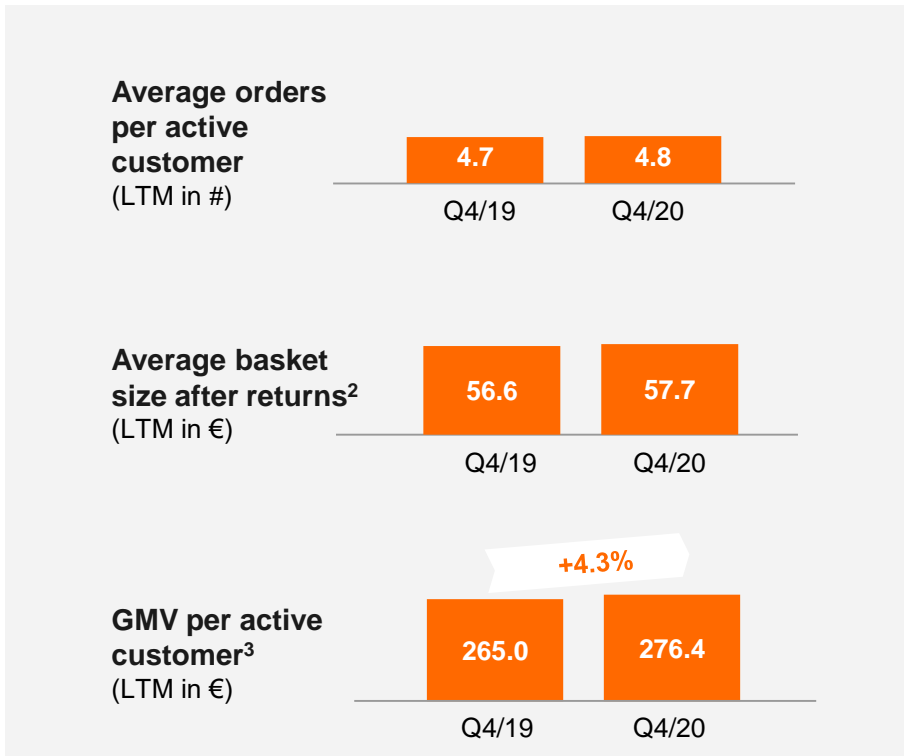
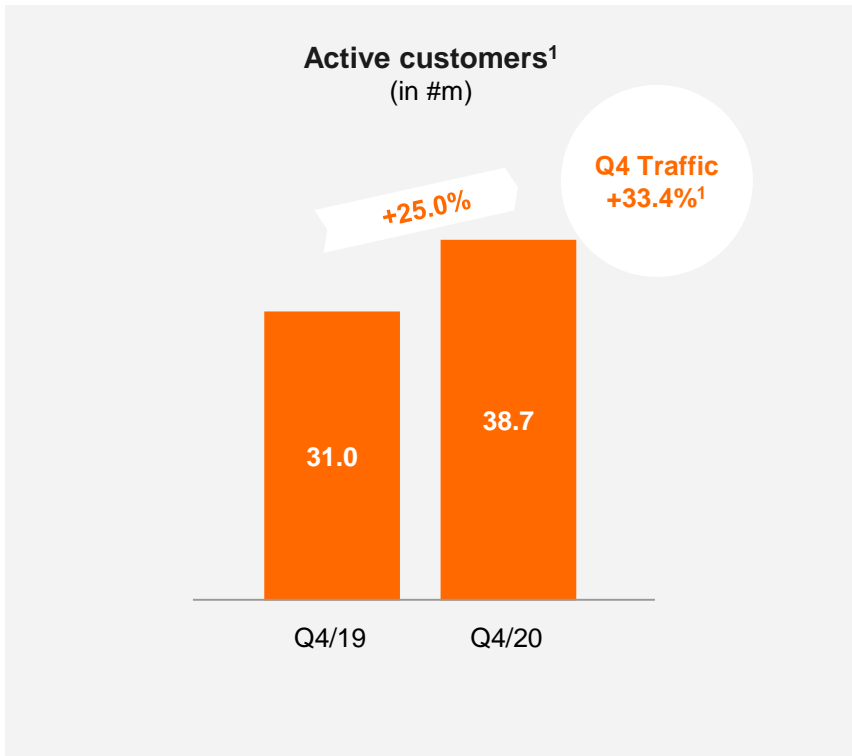
Zalando is relevant to a broad audience across Europe

3

Drive Platform Transition

Zalando is the digital strategy for fashion brands

We strongly delivered against our strategic priority to grow our active customer base

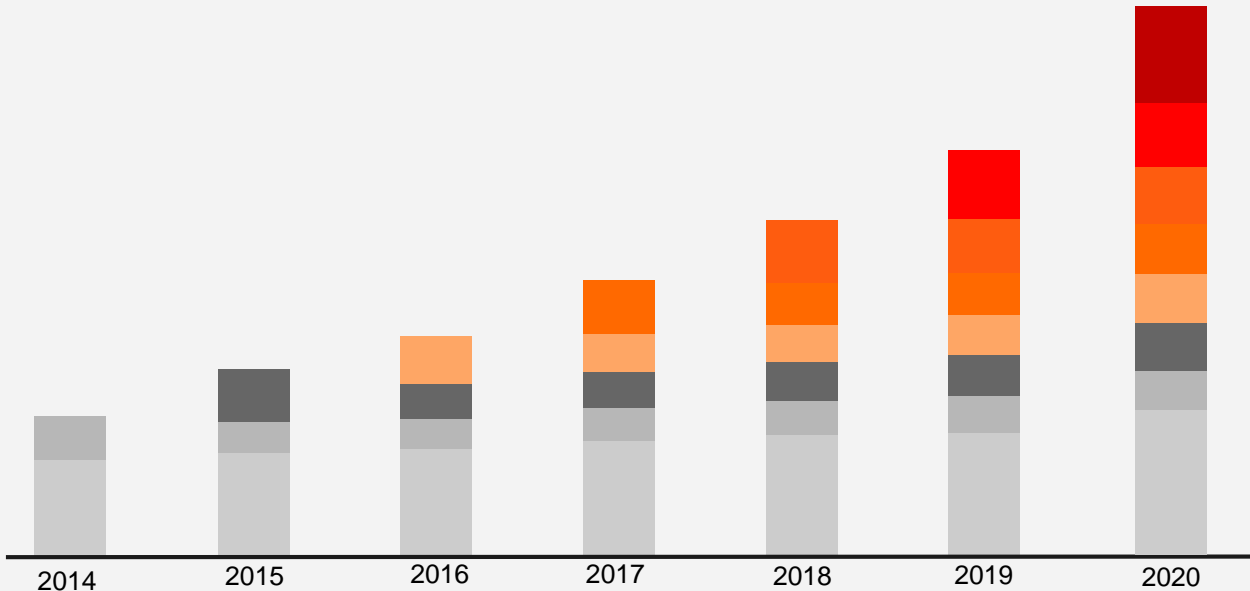


1) Based on the change in consent management following the GDPR introduction, part of the data is estimated on a statistical method
2) Defined as GMV divided by the number of orders
3) Defined as GMV divided by the number of active customers

The consistently positive long term development of our customer cohorts demonstrates our ability to build deeper and healthier customer relationships over time

2

Total GMV per Cohort¹ and Order Year

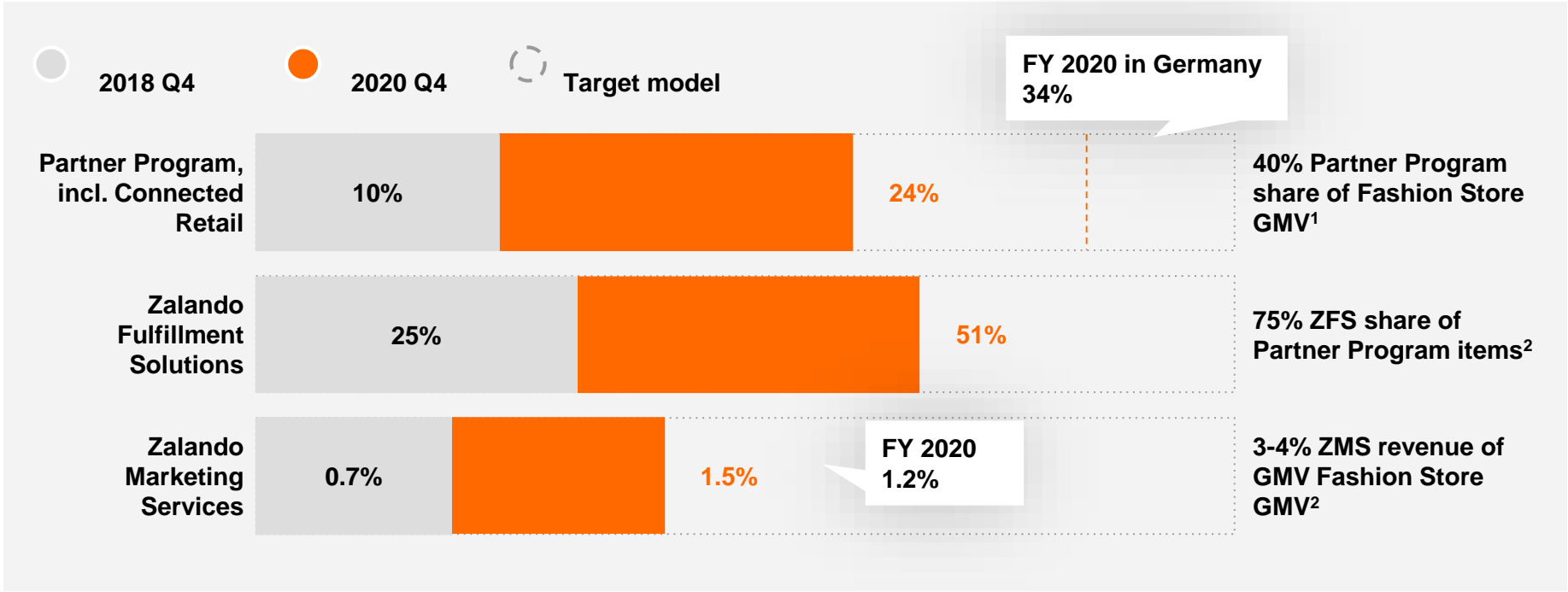


1. Old cohorts grow again over time
2. Customer churn goes down
3. Every new cohort is bigger than the previous one

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

We were able to significantly accelerate our journey to become a platform business

Progress towards our target model



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

Financial Update FY and Q4 2020

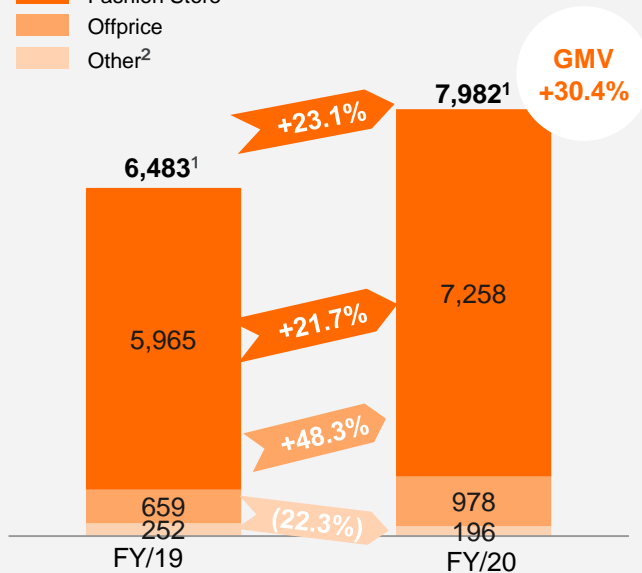


Despite a challenging start, 2020 saw a significant acceleration in GMV growth with an outstanding finish in Q4

Revenue – Group (FY)

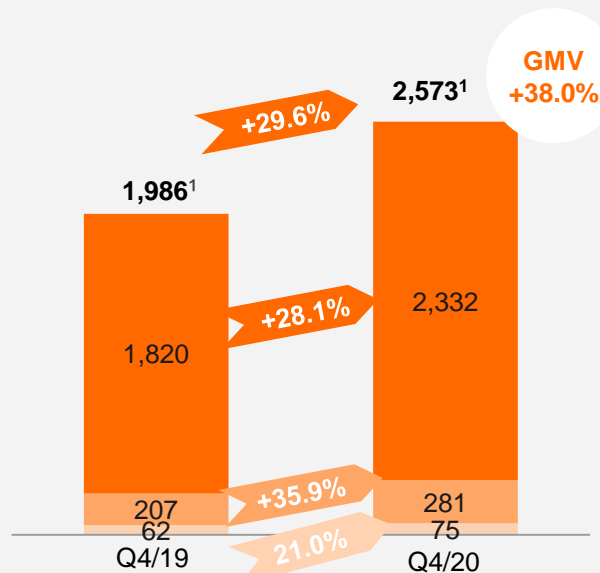
(in €m and %)

- Fashion Store
- Offprice
- Other²



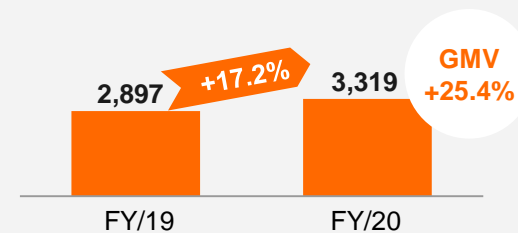
Revenue – Group (Q4)

(in €m and %)



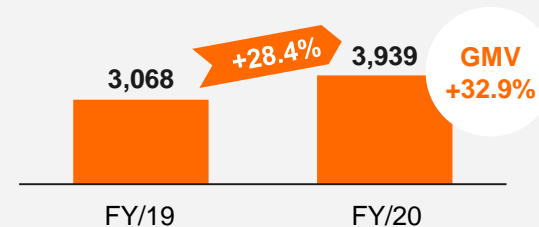
Fashion Store – DACH (FY)

(in €m and %)



Fashion Store – Rest of Europe (FY)

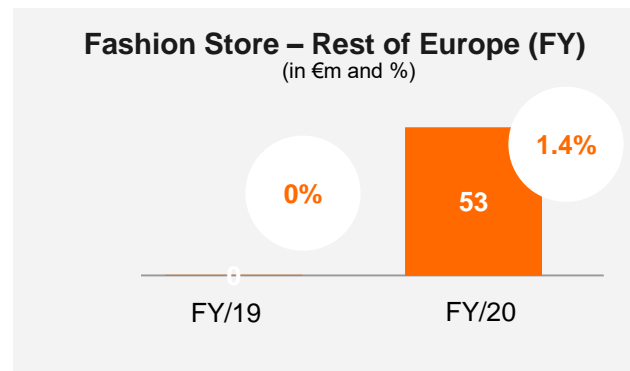
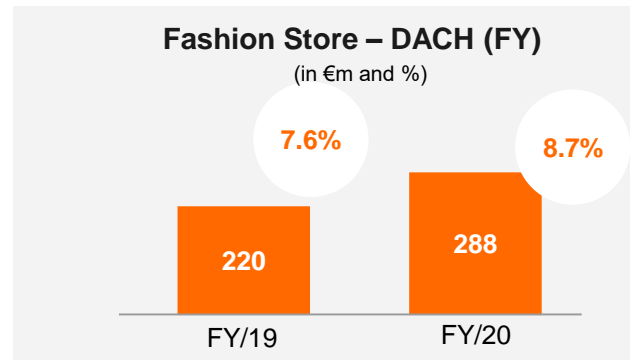
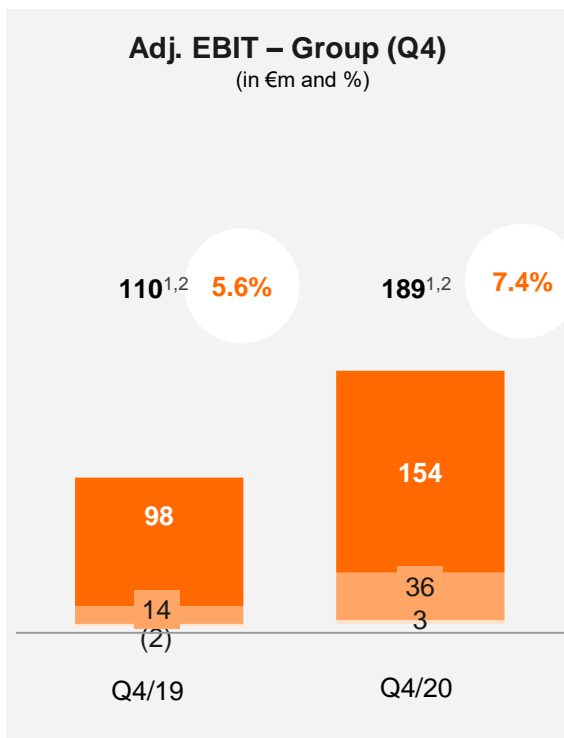
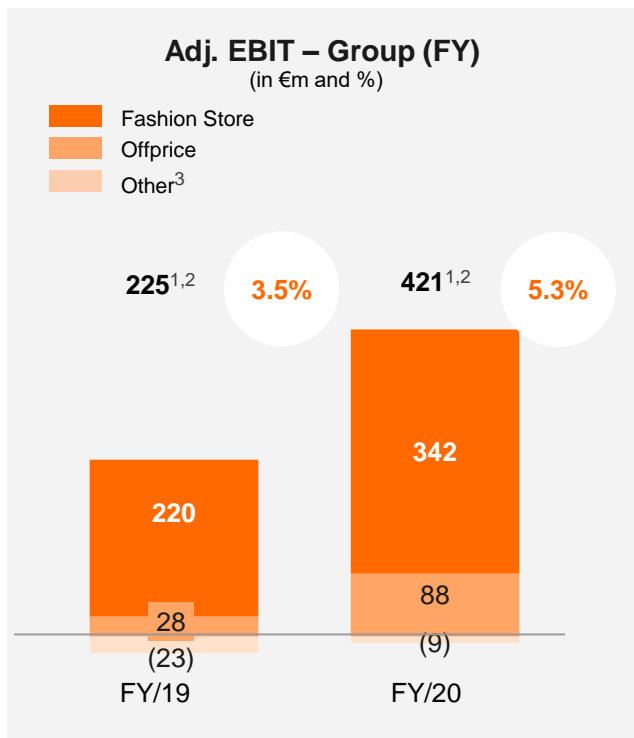
(in €m and %)



1) FY/20 (FY/19) contains -€449.8m (-€394.1m) reconciliation; Q4/20 (Q4/19) contains -€114.2m (-€103.3m) reconciliation

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

Significant YoY profitability increase across all regions



1) FY/20 (FY/19) contains €0.2m (€0.6m) reconciliation; Q4/20 (Q4/19) contains -€3.9m (€0.0m) reconciliation

2) Excluding equity-settled share-based compensation (SBC) in FY/20 of -53.8€m, FY/19 of -46.0 €m, Q4/20 of -12.7 €m, Q4/19 of -11.3€m; and non-operating one-off effects in FY/19 of -13.0€m

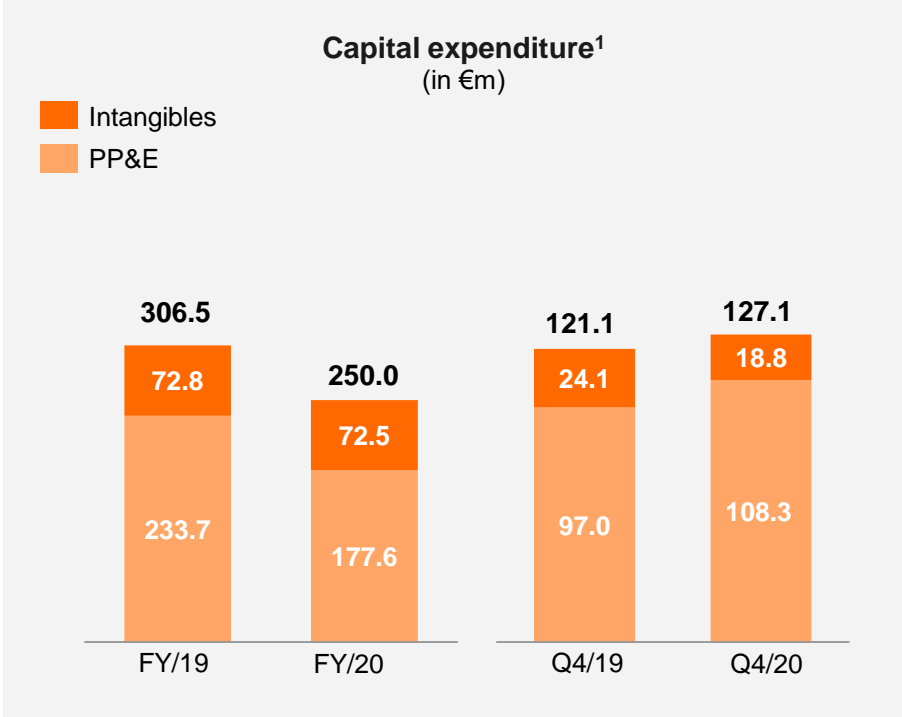
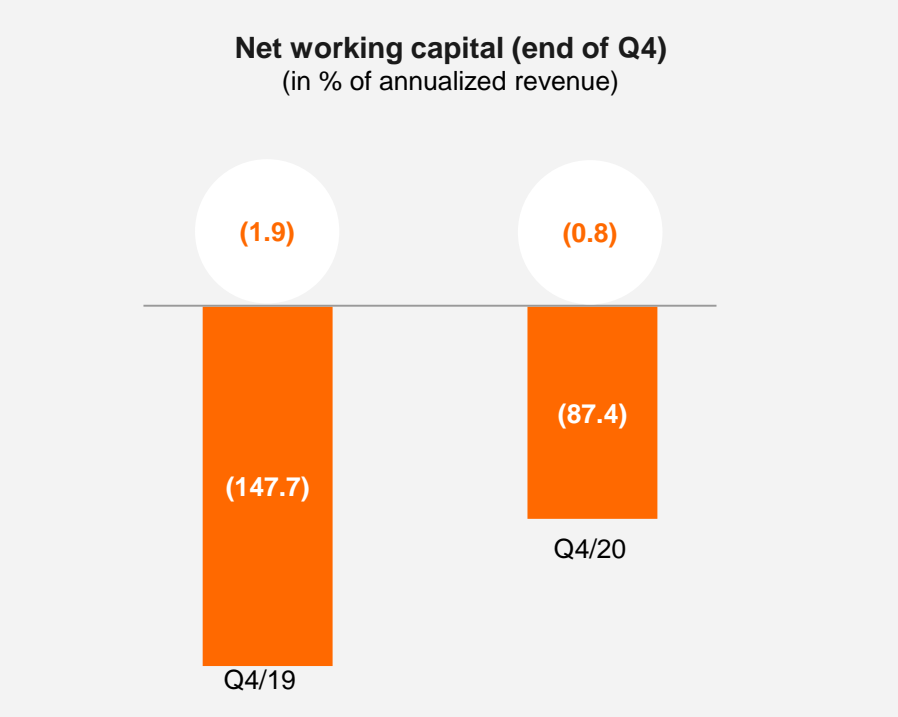
3) All other segments including various emerging businesses; private label offering zLabels no longer presented as separate unit since Q1/19

Profitability improvements driven by temporary benefits from lower return rates and structurally increasing operating leverage

Costs and margins (in % of revenue)	FY			Q4			
	2019	2020	Delta	2019	2020	Delta	
Cost of sales	(57.5%)	(57.5%)	0.0pp	(57.0%)	(56.0%)	(1.0pp)	Less price investments offset by category mix
Gross profit	42.5%	42.5%	0.0pp	43.0%	44.0%	1.0pp	
Fulfillment costs	(27.3%)	(25.7%)	(1.6pp)	(25.3%)	(22.9%)	(2.5pp)	Higher utilization & lower return rate
Marketing costs	(8.1%)	(8.3%)	0.2pp	(8.7%)	(11.1%)	2.5pp	Increased marketing to capture full demand potential
Administrative expenses & Other	(4.6%)	(3.9%)	(0.7pp)	(4.0%)	(3.1%)	(0.9pp)	
EBIT	2.6%	4.6%	2.0pp	5.0%	6.9%	1.9pp	FY/20 pro-forma margin: 3.8%
Adj. EBIT ¹	3.5%	5.3%	1.8pp	5.6%	7.4%	1.8pp	

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

Negative net working capital and lower level of capex in line with guidance












1) Excluding payments for acquisitions of €31.5m in YTD/20, €31.5m in Q4/20 (YTD/19: €1.7m, Q4/19: €0.0m)

Outlook



Since 2019 we have consistently delivered on the mid-term targets

	Guidance Transition Phase 2019 – 2021	2019	2020
 Growth	GMV growth of 20-25%	23.6% 	30.4% 
 Profitability	Adj. EBIT margin between 2-4%	3.5% 	Actual: 5.3% Pro-forma: 3.8% ¹ 
 Cash	<ul style="list-style-type: none"> • Cash flow negative • NWC neutral • Capex of 4-5% of revenue 	FCF: +42m EUR NWC negative Capex: 4.7% 	FCF: +285m EUR NWC negative Capex: 3.1% 

1) Excluding positive impact from temporary Covid-19 related lower Return Rate in 2020.

For 2021, we aim to continue to grow at an accelerated pace while investing to further elevate our customer experience and to drive our platform transition

GMV growth of 27 – 32%, and Revenue growth of 24 – 29%

Adj. EBIT¹ of €350 – 425m

Negative net working capital and €350 – 400m in Capex²

1) Excluding equity-settled share-based payment expense ("SBC") of ~€57m, restructuring costs and non-operating one-time effects for FY/21

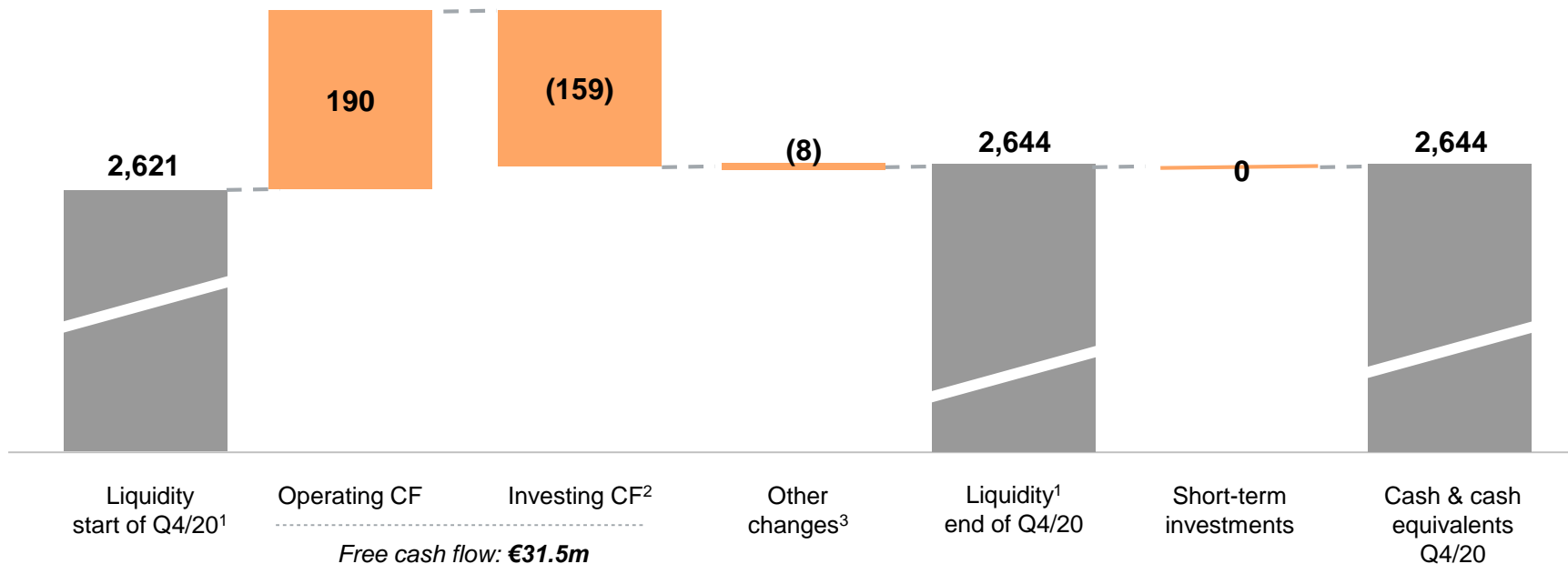
2) Excludes M&A transactions

Q&A



Liquidity position

(in €m)



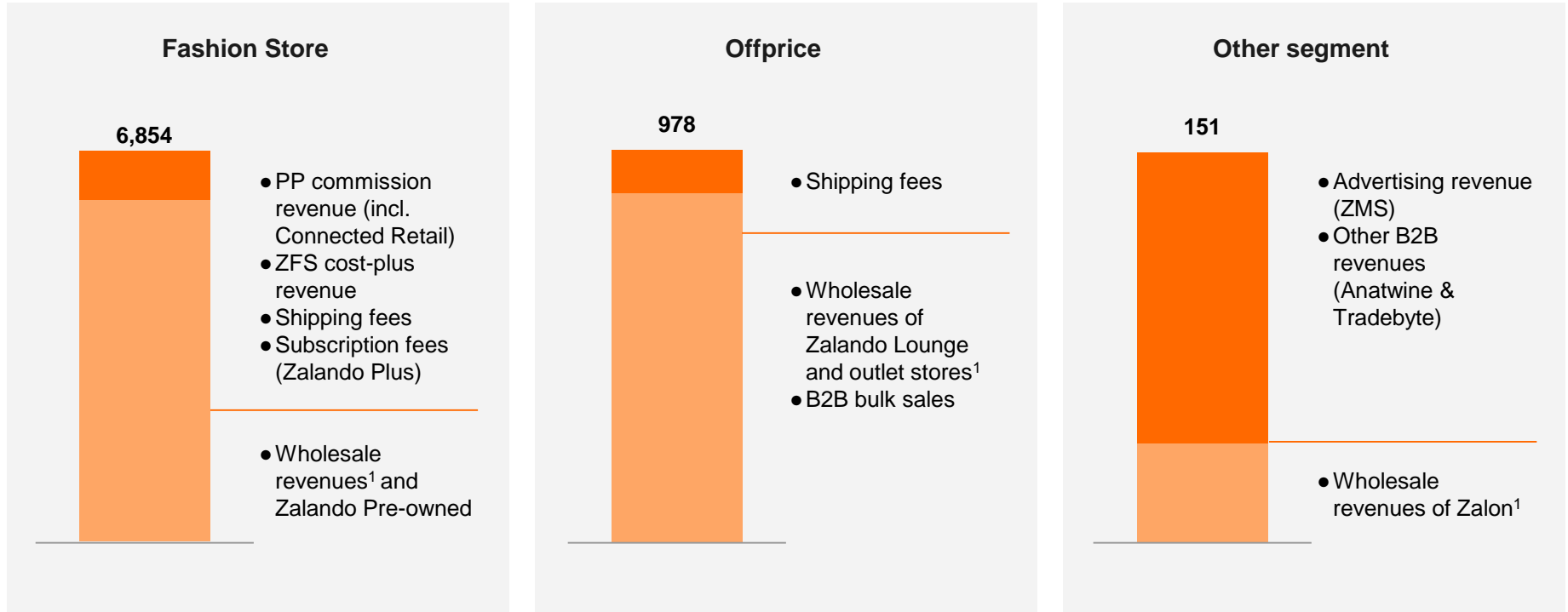
- (1) "Start of Q4/20" liquidity include short-term deposits of 25€m with maturity of more than 3 and less than 12 months, which were withdrawn in Q4
- (2) Includes sales and investments in fixed and intangible assets (-€127.1m), payments for acquisitions (-€31.5m) and change in restricted cash (+€0.0m)
- (3) Includes financing cash flow (-€11.9m) and effect of exchange rate on cash and cash equivalents (+€3.6m)

FY/20 GMV to merchandise revenue bridge

GMV to revenue bridge FY/20	(in €m)	Comment
Group GMV	10,700	Net ¹ B2C merchandise value incl. VAT
Partner Program GMV	-1,998	20.8% of Fashion Store GMV (incl. Connected Retail)
Group GMV ex Partner Program	8,702	
VAT (excl. Partner Program VAT)	-1,358	~ 16% of GMV
Group NMV ex Partner Program	7,347	Net ¹ B2C merchandise value excl. VAT
Other merchandise revenue	+...	e.g. B2B bulk sales revenue (offprice), dunning fees
Revenue recognition	-/+...	Point of order (GMV) vs. customer receipt (revenue)
Revenue from the sale of merchandise	7,322	IFRS standards, Zalando annual report 2020
Partner Program commission	+...	Incl. Connected Retail commissions
B2B service revenue	+...	Zalando Fulfillment Solutions, Zalando Marketing Services, Tradebyte and Anatwine
Other B2C revenue	+...	e.g. shipping fees, express delivery charges, Zalando Plus
Group revenue	7,982	IFRS standards, Zalando annual report 2020

1) After returns and cancellations, dynamically reported

Merchandise and service revenue – Segment view FY/20

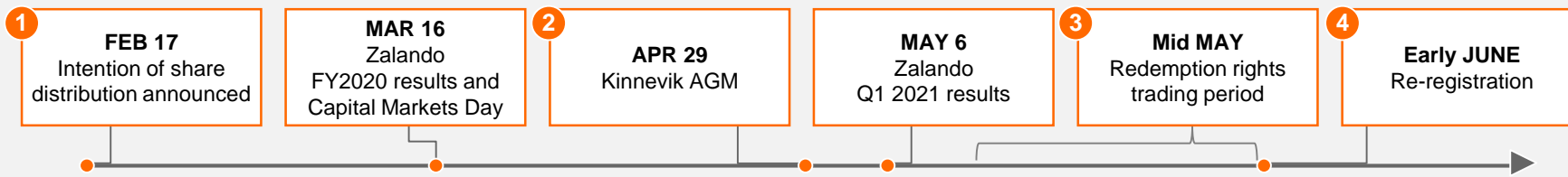


1) Incl. dunning fees

Merchandise revenue in €m Service revenue in €m

Overview on Kinnevik's share distribution

Transaction timeline



Transaction details

1	Share Distribution <ul style="list-style-type: none"> • Kinnevik intends to distribute its shareholding in Zalando of 54.0m shares through an automatic redemption program • The distribution is subject to the approval of Kinnevik's shareholders at the AGM on April 29, 2021
2	Share Split <ul style="list-style-type: none"> • Every Kinnevik share is split into 2 new shares <ul style="list-style-type: none"> ◦ One redemption share reflecting the value of Kinnevik's ownership in Zalando ◦ One ordinary share reflecting the value of Kinnevik excluding the ownership in Zalando
3	Redemption rights trading <ul style="list-style-type: none"> • Redemption shares trade for ~3 weeks on Stockholm Stock Exchange • Kinnevik shareholders have 2 options: <ul style="list-style-type: none"> ◦ Keep redemption shares and receive Swedish Zalando shares for every redemption shares ◦ Sell redemption shares during the trading period
4	Re-registration <ul style="list-style-type: none"> • Swedish Zalando shares can be re-registered into German Zalando shares that can be traded on the Frankfurt Stock Exchange

Benefits

Liquidity	<ul style="list-style-type: none"> • Substantially increases Zalando's free float from currently ~67%¹ to up to 88% and thus improving the liquidity in the stock
Index	<ul style="list-style-type: none"> • Expected increase in the weighting of current indices and thus triggering of additional passive demand • Timing of re-weighting and hence emergence of passive demand will depend on each individual index • Larger free float clearly positions Zalando as DAX candidate
Direct exposure	<ul style="list-style-type: none"> • Opportunity to grant Kinnevik shareholders direct exposure to Zalando and gain renewed support for its vision and strategy going forward

(1) As per Deutsche Boerse DAX ranking

Issued share capital

SHARE INFORMATION

(AS OF DEC 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	255,253,304
Issued Share Capital	€255,253,304

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

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2011 ¹	74,800	5.65
SOP 2013 ¹	6,779,835	1.00
LTI 2018 ²	5,223,983	47.44
VSOP 2018	245,974	29.84
LTI 2019	682,533	17.79
Total	13,007,125	21.10

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 DEC 31, 2020)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 ¹	806,649	23.12
EIP ¹	3,163,195	36.88
VSOP 2017	215,000	50.00
ZOP	914,900	23.84
Total	5,099,744	32.92

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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.