



# Zalando Q1/2021 Earnings Call

May 6th, 2021  
David Schröder, CFO



## 2021 is off to a great start as we delivered exceptional growth and made fast strides on our journey towards being the Starting Point for Fashion

- **Growing our Customer Base:** Surpassed 40m active customers in Q1, driven by exceptional new customer growth.
- **Building Great Customer Experiences:** Expanded pre-owned fashion experience internationally, enabled more sustainable choices and enhanced our Plus program.
- **Expanding our European Logistics Network:** Adding 5 new fulfillment centers to our network by 2023 to serve our customers even better and to enable continued strong growth.
- **Exceptional Q1 financial performance:** Delivered GMV growth of +55.6% YoY and strong profitability with adj. EBIT margin of 4.2%.
- **Upgraded full-year 2021 outlook:** GMV growth of 31-36%, Revenue growth of 26-31% and adj. EBIT of 400-475m EUR.



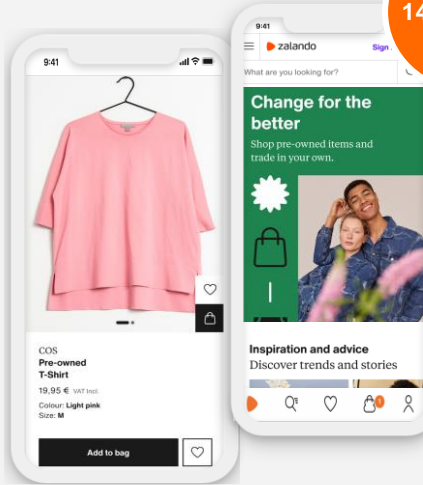
# Business Update

## Q1 2021



# We continue to innovate the way we engage with our customers by launching a number of exciting new experiences

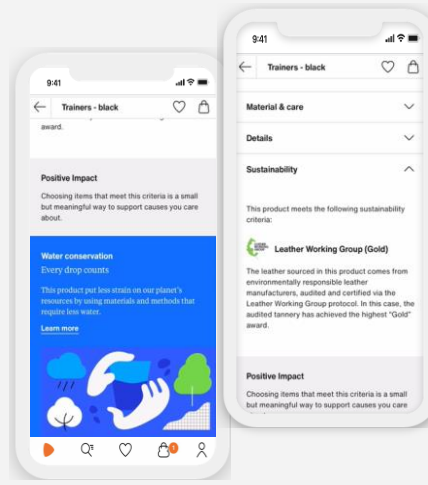
## Introduced Pre-Owned in Seven New Markets



Pre-Owned:  
14 out of 17  
markets

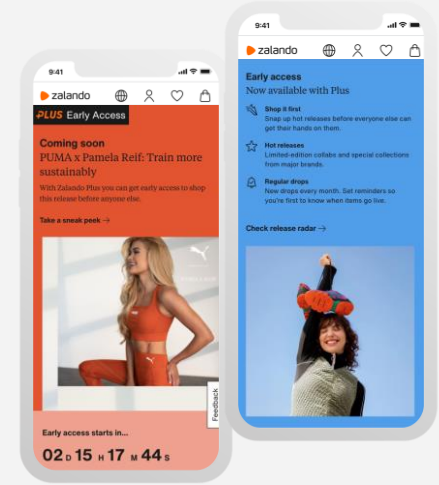
- More customers can now enjoy the most convenient Pre-owned fashion experience in Europe
- Enables customers to trade in and buy Pre-owned fashion with the same seamless Zalando experience

## Launched New Value Based Browsing Experience



- Customers are now able to filter our vast selection by different sustainability causes
- New experience allows customers to make more informed choices based on values they care about

## Enhanced Experience for our Zalando Plus Customers



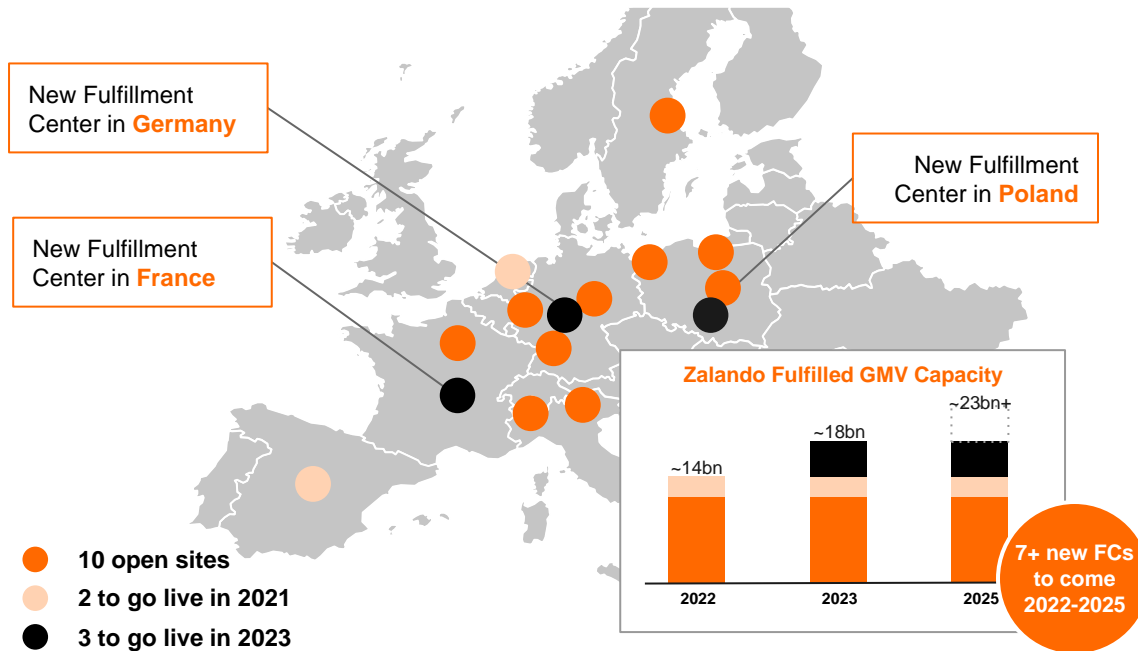
- Plus customers get early access to limited product launches ahead of everyone else
- Provides brands with an exciting new tool to target our best customers with their most exciting offers

# To serve our customers even better, we will expand our European logistics network by adding five new fulfillment centers by 2023

## Key Focus Areas

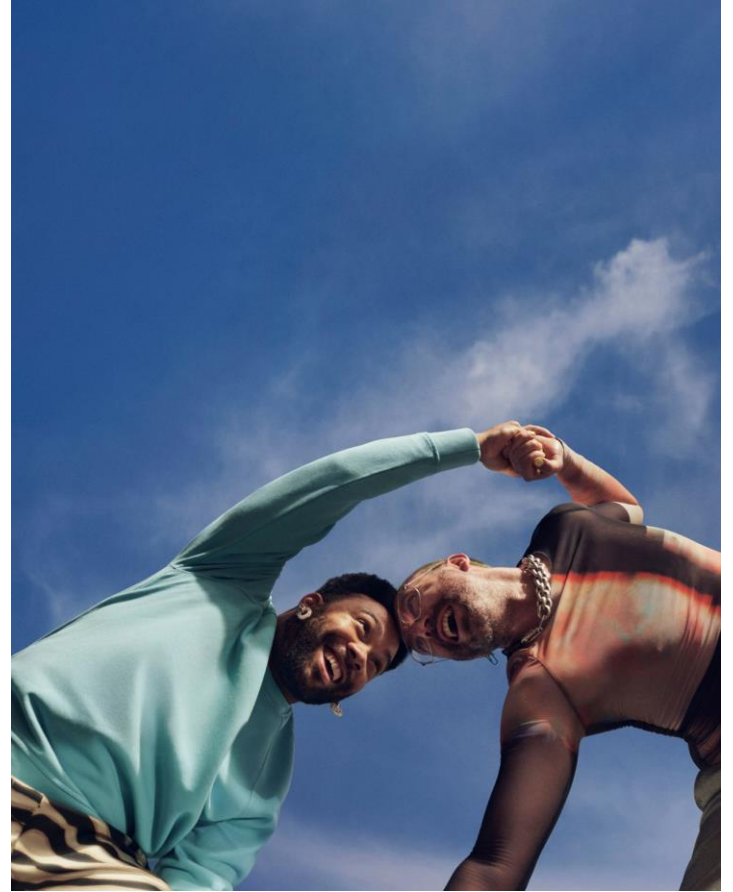
- Offer even more customers **faster and more convenient deliveries**
- Provide customers with **more sustainable logistics services**
- Enable our **long term growth ambition** by providing sufficient capacity
- Continue to drive **cost efficiency** through tailored automation

## Zalando European Logistics Network

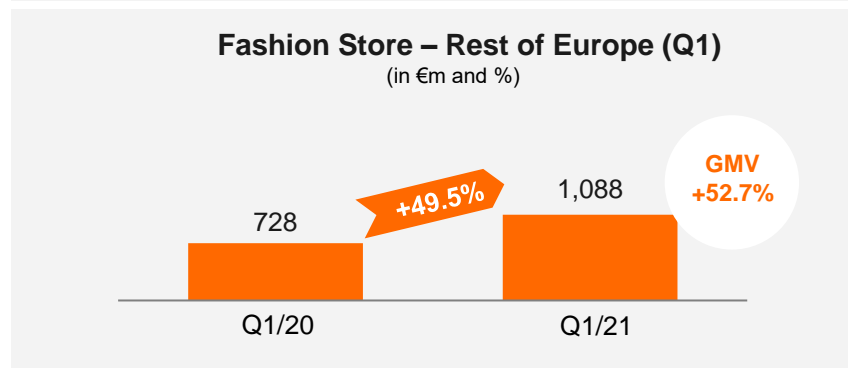
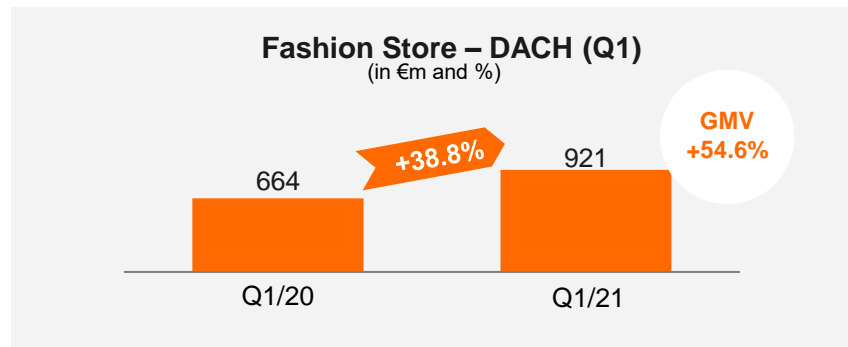
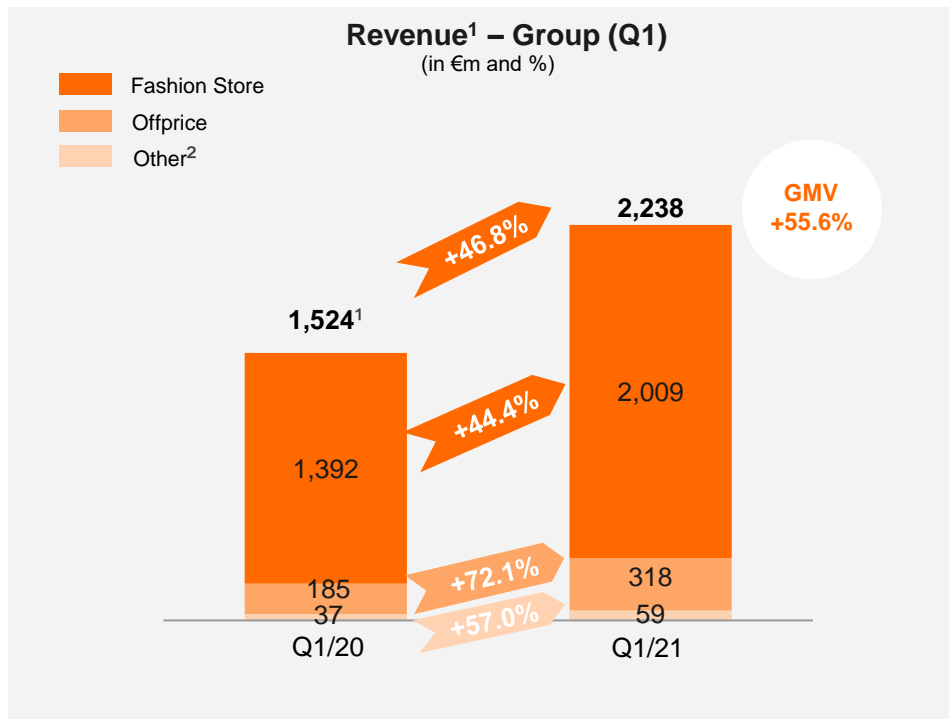


# Financial Update

## Q1 2021



# In Q1, we delivered the strongest topline performance since IPO, fueled by a strong momentum in Germany on the back of an outstanding performance of our Partner Business

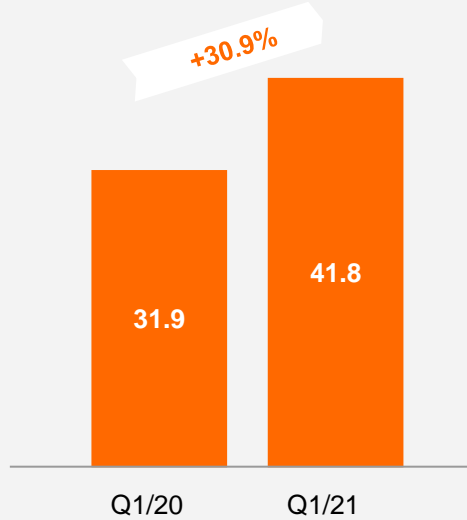


1) Q1/21 (Q1/20) contains -€148.0m (-€89.6m) reconciliation. Fashion Store DACH contains -€68.9m (-€43.7m) and Fashion Store RoE contains -€65.6m (-€37.6m).

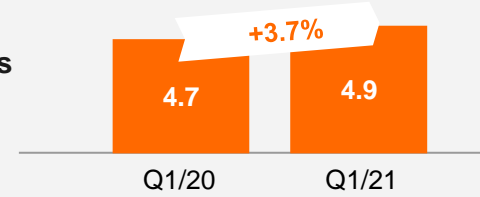
2) Other segments includes various emerging businesses

# All our key customer metrics showed significant improvements

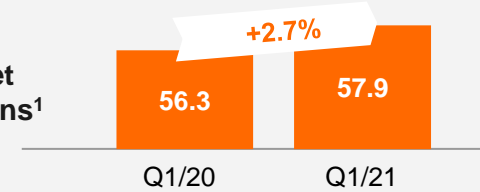
## Active customers (in #m)



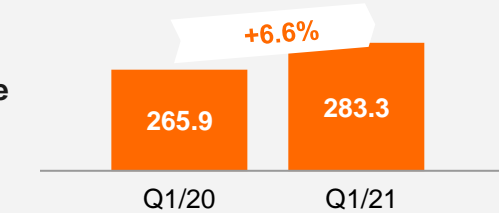
## Average orders per active customer (LTM in #)



## Average basket size after returns<sup>1</sup> (LTM in €)



## GMV per active customer<sup>2</sup> (LTM in €)



1) Defined as GMV divided by the number of orders, dynamically reported

2) Defined as GMV divided by the number of active customers; rounding differences may occur, dynamically reported



# We delivered exceptional profitability in Q1 on the back of strong topline momentum and continued tailwind from lower return rate

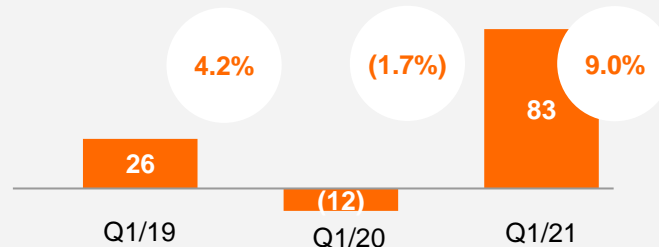
## Adj. EBIT<sup>1,2</sup> – Group (Q1)

(in €m and %)



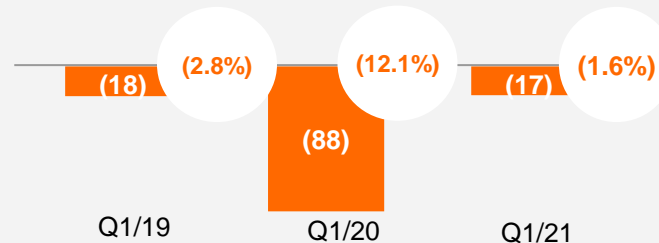
## Fashion Store – DACH (Q1)

(in €m and %)



## Fashion Store – Rest of Europe (Q1)

(in €m and %)



- 1) Q1/21 (Q1/20) contains €1.4m (€0.0m) reconciliation
- 2) Excluding share-based compensation (SBC) in Q1/21 (Q1/20) of 14.8 €m (14.5€m)
- 3) Other segment includes various emerging businesses

## The increase in profitability was primarily driven by healthy gross margin improvement and lower return rates

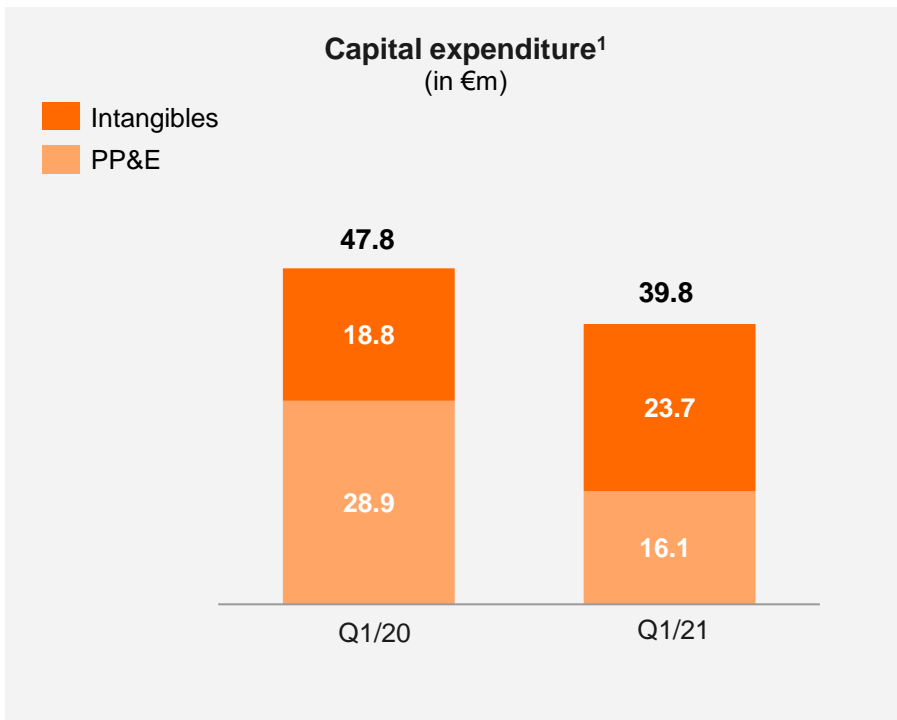
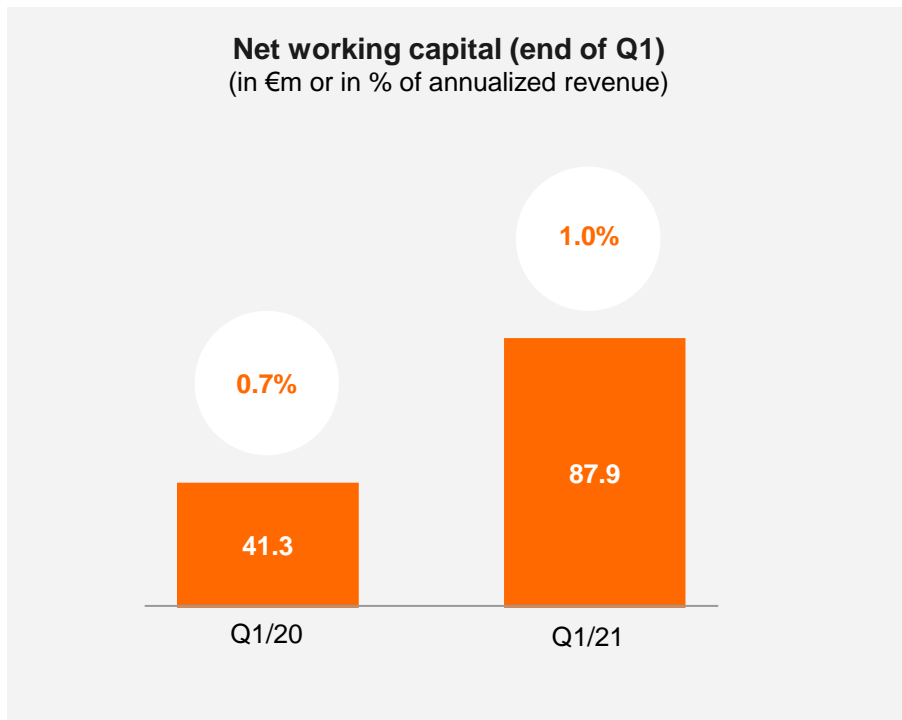
Costs and margins (in % of revenue)	Q1			
	2019	2020	2021	YoY Delta
Cost of sales	(60.1%)	(64.7%)	(59.2%)	(5.5pp)
Gross profit	39.9%	35.3%	40.8%	5.5pp
Fulfillment costs	(28.7%)	(29.9%)	(25.5%)	(4.4pp)
Marketing costs	(7.0%)	(8.1%)	(7.7%)	(0.4pp)
Administrative expenses & Other	(5.4%)	(4.7%)	(4.0%)	(0.7pp)
EBIT	(1.3)%	(7.4%)	3.5%	10.9pp
Adj. EBIT <sup>1</sup>	0.5%	(6.5%)	4.2%	10.7pp

**Strong sell-through and one-off inventory write-down in Q1/20**

**Lower return rates and high network utilization**

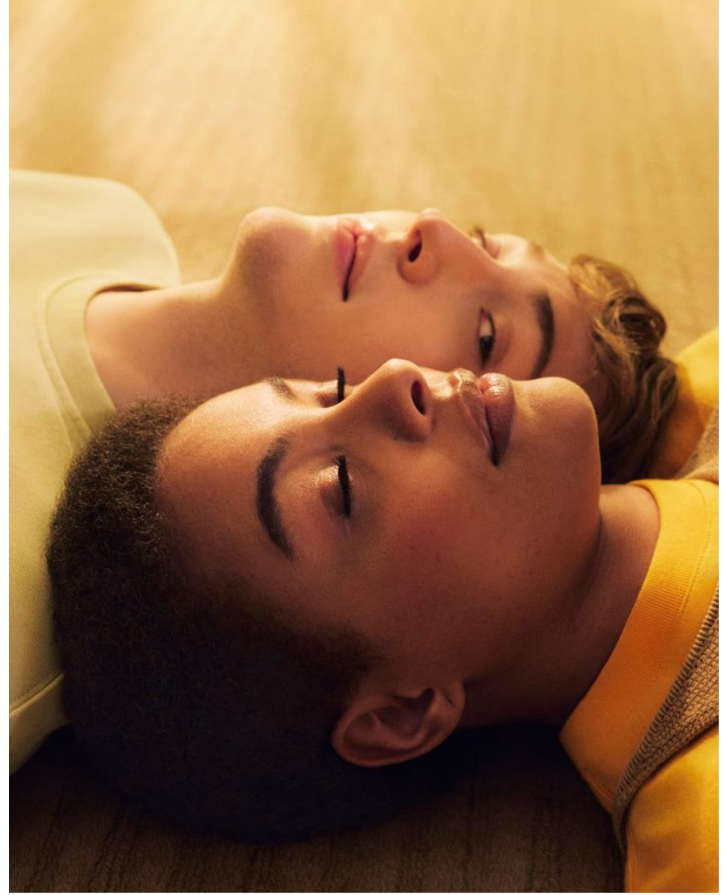
1) Excluding equity-settled share-based payment expense ("SBC"), restructuring costs and non-operating one-time effects

## Net working capital increased as a result of strong inventory inbound



1) Excluding payments for acquisitions

# Outlook



## Upgraded FY/21 Outlook

### Old FY/21 Guidance

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

Adj. EBIT<sup>1</sup> of €350 – 425m

Negative net working capital and €350 – 400m in Capex<sup>2</sup>

### New FY/21 Guidance

GMV growth of 31 – 36%, and Revenue growth of 26 – 31%

Adj. EBIT<sup>1</sup> of €400 – 475m

Negative net working capital and €350 – 400m in Capex<sup>2</sup>

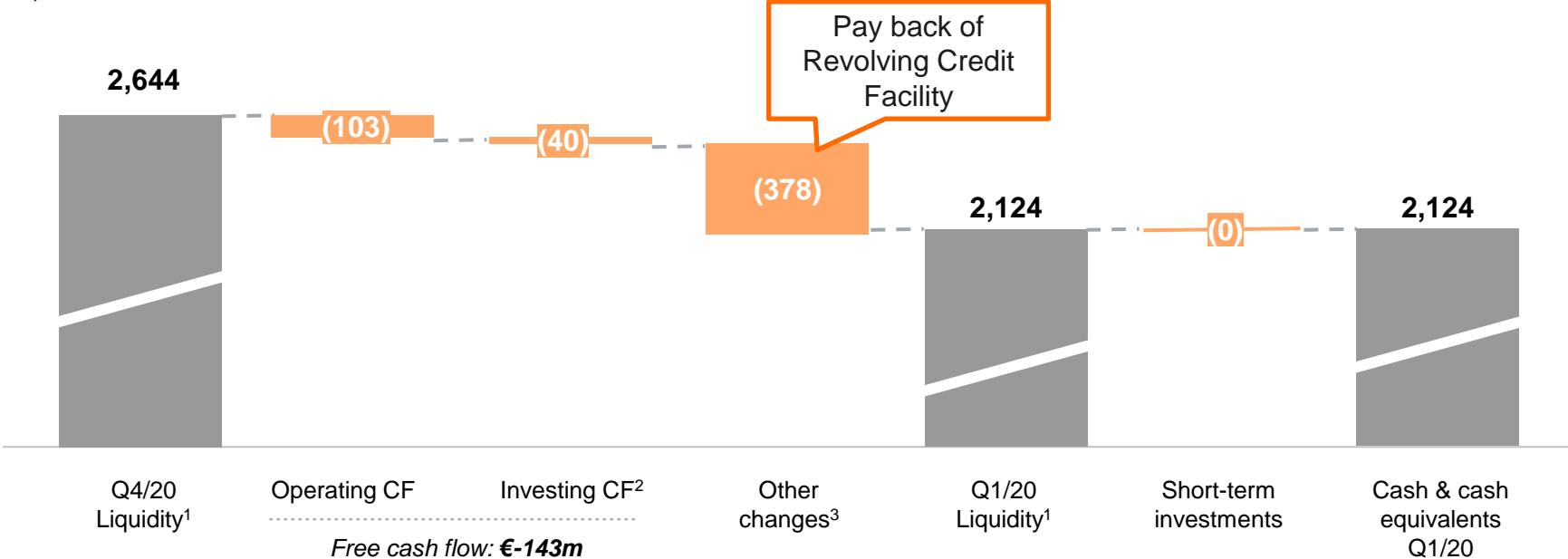
- 1) Excluding equity-settled share-based payment expense ("SBC") of ~€65m vs previously communicated ~€57m, restructuring costs and non-operating one-time effects for FY/21  
2) Excludes M&A transactions

# Q&A



# Liquidity position

(in €m)



1) Includes sales and investments in fixed and intangible assets (-€39.8m), payments for acquisitions (€0.0m) and change in restricted cash (+€0.0m)

2) Includes financing cash flow (-€378.1m) and effect of exchange rate on cash and cash equivalents (-9.4m)

# Overview of Kinnevik's Distribution of Zalando Shares

## Transaction timeline



## Transaction details

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

## Benefits

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



## Upcoming events

Date	Event
Friday, May 7-12	Roadshow different locations
Tuesday, May 11	Fireside Chat with our CFO David Schröder (Bernstein)
Wednesday, May 19	Annual General Meeting, Berlin
Friday, May 20	Morgan Stanley Virtual Internet Field Trip
Monday, June 7	Deutsche Bank Global Consumer Conference, Paris
Tuesday, June 8	Berenberg Innovation Conference, London
Tue - Wed, June 8-9	Erste Bank Conference, Warsaw
Tuesday, June 15	Barclays Internet Conference, London
Wed-Thu. June 16-17	dbAccess Berlin Conference 2021, Berlin
Friday, June 18	Goldman Sachs Inaugural Digital Economy Conference, London
Thursday, July 1	Unicredit Convertible Bond Conference
Thursday, August 5	Q2/2021 Results

All events  
are virtual

## Issued share capital

### SHARE INFORMATION

(AS OF MAR 31, 2021)

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
<b>Total Number of Shares Outstanding</b>	<b>260,939,349</b>
<b>Issued Share Capital</b>	<b>€260,939,349</b>

### STOCK OPTION PROGRAMS MGMT BOARD (AS OF MAR 31, 2021)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2013 <sup>1</sup>	1,157,475	1.00
LTI 2018 <sup>2</sup>	5,223,983	47.44
VSOP 2018	245,974	29.84
LTI 2019	682,533	17.79
<b>Total</b>	<b>7,309,965</b>	<b>36.73</b>

### STOCK OPTION PROGRAMS SENIOR MGMT (AS OF MAR 31, 2021)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 <sup>1</sup>	775,788	23.23
EIP <sup>1</sup>	3,113,420	37.01
VSOP 2017	60,000	50.00
ZOP	1,300,319	27.83
<b>Total</b>	<b>5,249,527</b>	<b>29.42</b>

1) Settled with new shares

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

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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.