



# Zalando Q2/2021 Earnings Call

August 5th, 2021  
David Schröder, CFO



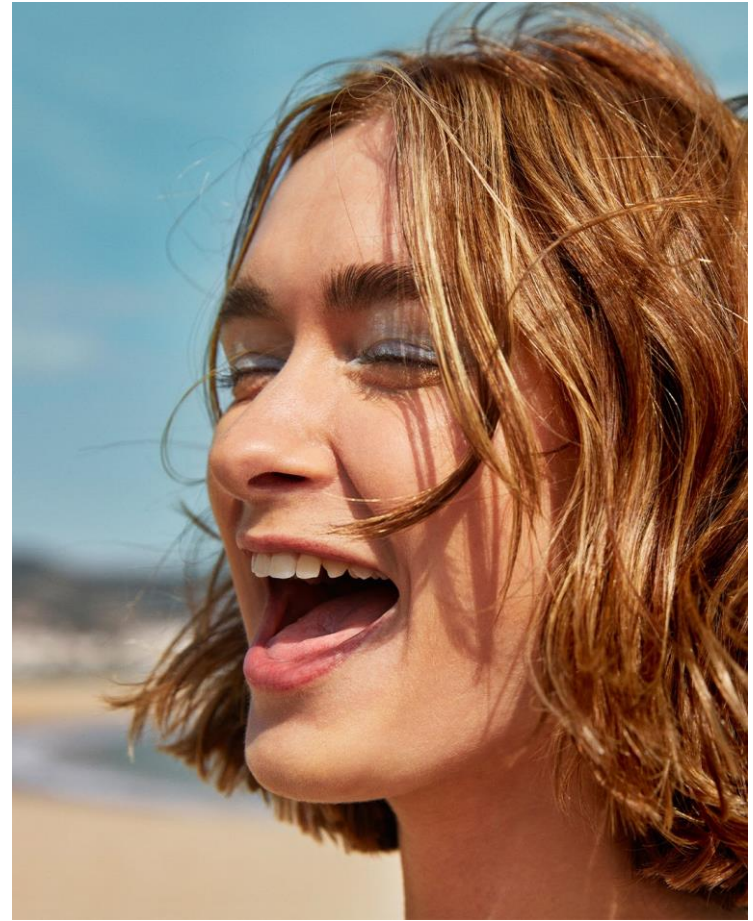
# Exceptional H1 performance underlines our opportunity to play an even bigger role for customers and partners through our platform strategy

- **Growing customer and partner engagement:** Active Customers grew by >30% to 44.5m and Partner Program GMV by >100% in H1 while pandemic induced restrictions have been gradually lifted.
- **Elevating our Beauty proposition:** Building a distinct Beauty proposition is a key priority for us and the Sephora partnership presents an attractive opportunity to accelerate our growth trajectory.
- **Expanding our footprint in Europe:** Customers in six additional markets can now enjoy Zalando's endless choice, seamless convenience and tailored digital experience.
- **Delivering strong financial results in Q2:** Delivered GMV growth of +40% YoY and strong profitability with an adj. EBIT margin of 6.7% against exceptional Q2/2020 comparables.
- **Reiterating FY/2021 guidance:** GMV and revenue growth unchanged at +31-36% and +26-31% YoY, respectively, adj. EBIT now expected to reach the upper half of the guided 400-475m EUR range.

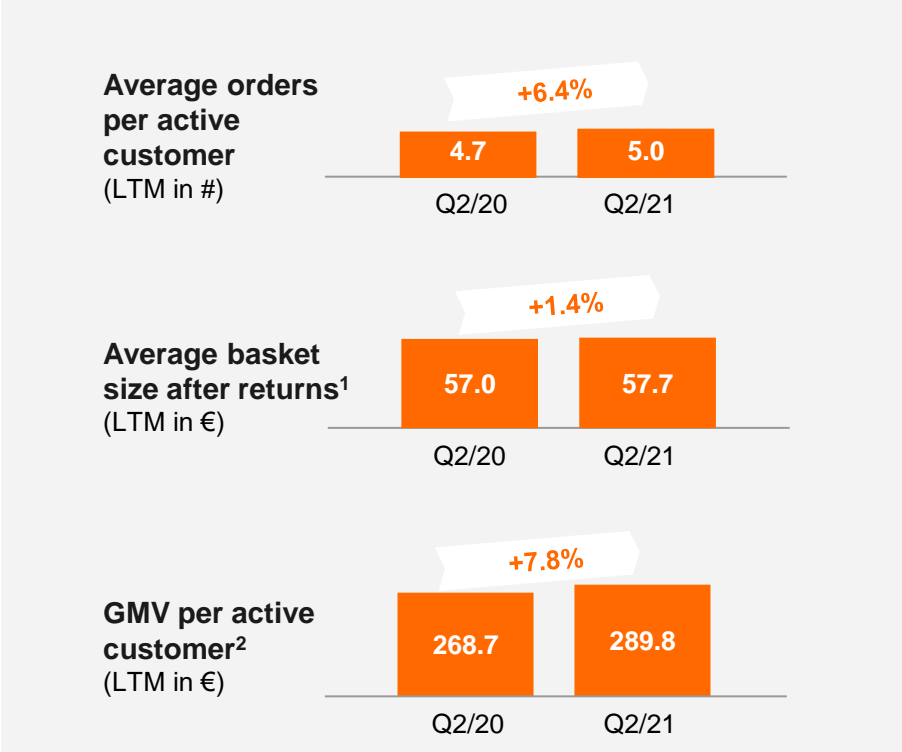
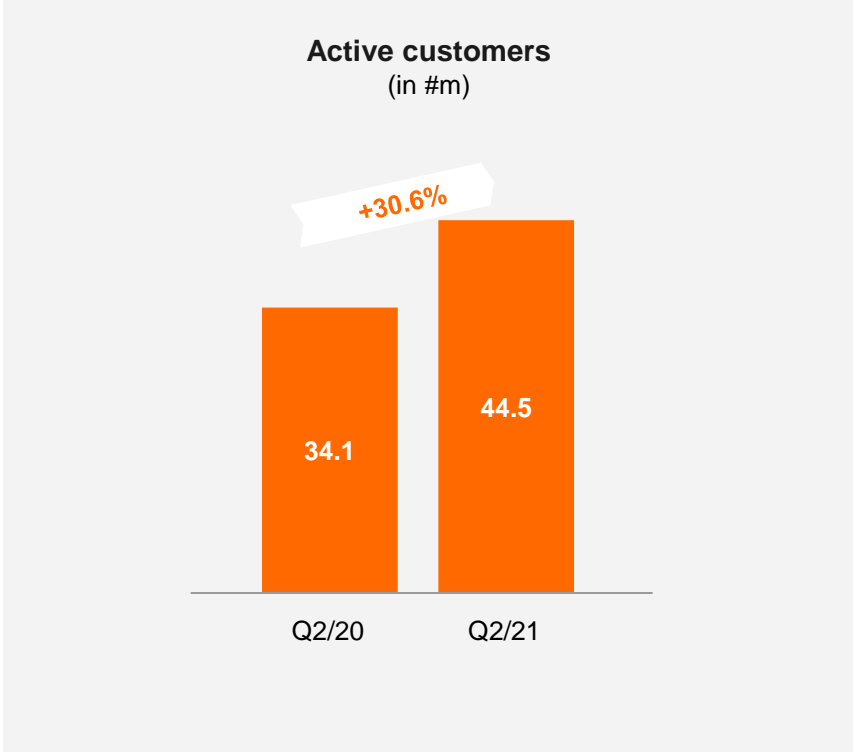


# Business Update

## Q2 2021



# Strongest absolute growth in active customers on record and increasing order frequency demonstrate strong consumer demand

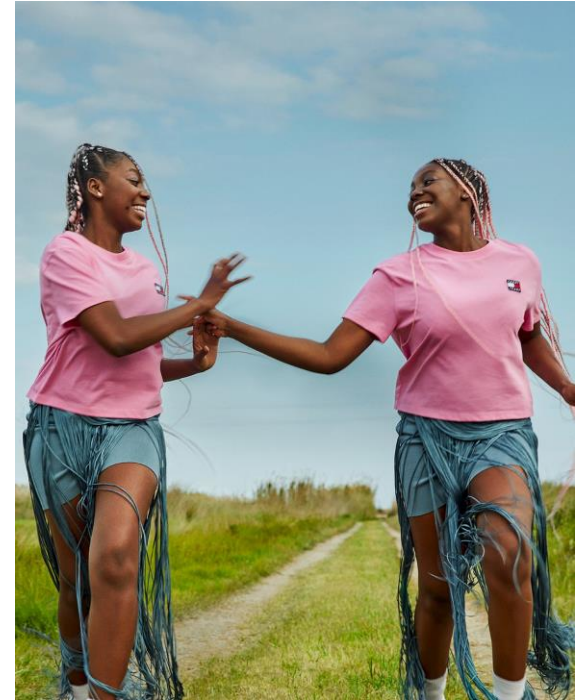
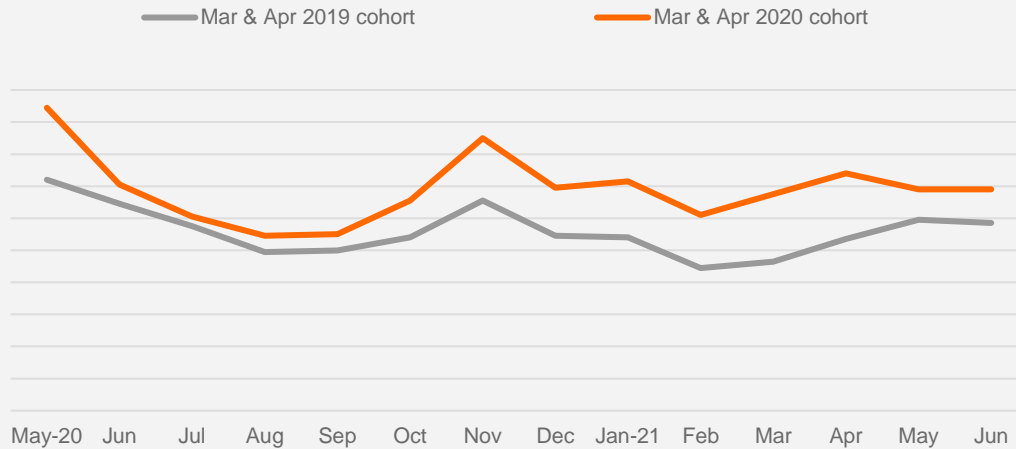


1) Defined as GMV divided by the number of orders  
2) Defined as GMV divided by the number of active customers

## Customers acquired during the first lockdown in 2020 continued to remain very active as stores reopened and restrictions eased throughout Q2

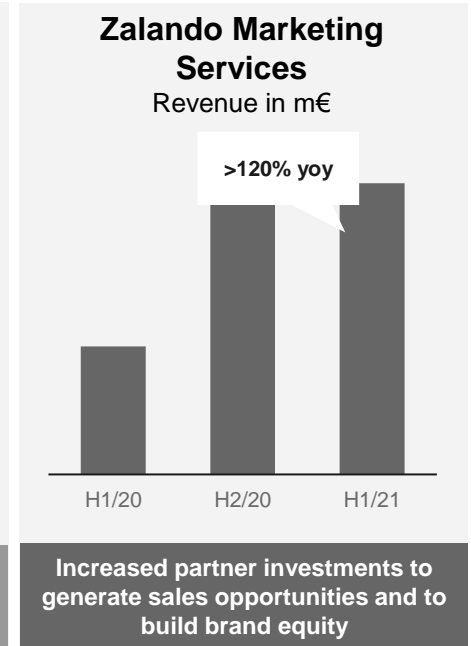
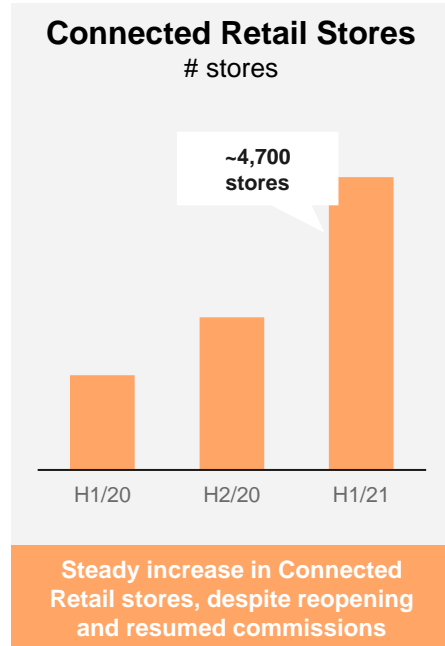
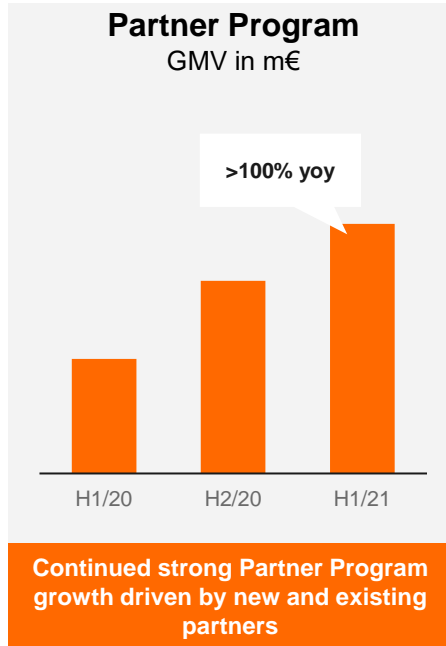
### Repurchase rate March & April 2020 vs. March & April 2019 cohorts

% of acquired customers repurchasing in upcoming months



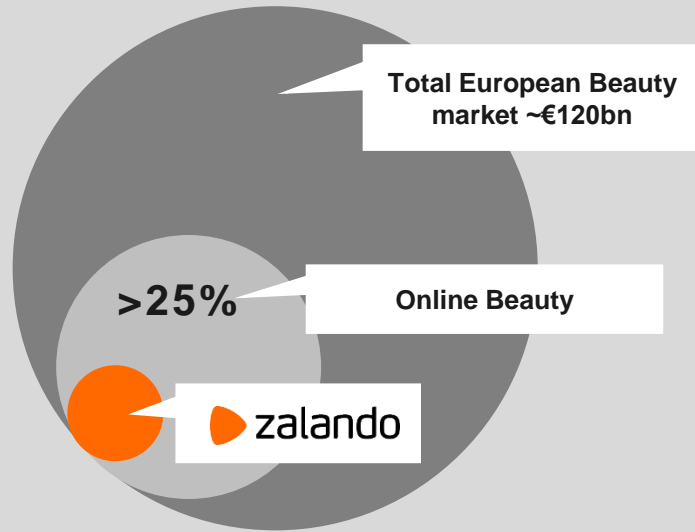


# COVID-19 induced a step change in online penetration and our partners capitalized strongly on the online growth opportunity by leveraging our Direct-To-Consumer platform offerings



## Next to improving our core fashion experience, elevating distinct and marketable propositions such as Beauty is a key priority for us to drive customer engagement and spending

Beauty enlarges our already massive ~€450bn fashion TAM by another ~€120bn in the next 5-10 years<sup>1,2</sup>



### Beauty is highly complementary to Fashion:

3 out of 5 of our customer also buy fashion products when shopping Beauty

**Comparatively low online penetration despite COVID-19 step change:** share of online beauty sales jumped from 8% in 2019 to 11% in 2020<sup>2</sup>, still significantly lower than in fashion

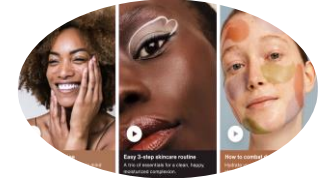
### We are distinctly positioned to capitalize on this additional growth opportunity:

We have the necessary customer insights, infrastructure and capabilities to support our growth ambitions

1) TAM: Total Addressable Market

2) Source: Company and Euromonitor International, July 2021. Values based on actuals and estimates; fixed exchange rates. Western and Eastern Europe excluding Russia; Beauty and Personal care

# We are excited about our multi-year vision to build an industry-leading Beauty proposition, which is being further accelerated by our Sephora partnership



Beauty launched

2018

## More choice, more markets

- >16,000 SKUs covering the full beauty spectrum
- >350 brands with popular brands from Estée Lauder & Coty group
- Live in 10 markets

H1/2021

## Sephora partnership boosts choice

- Access to +**300 prestige and exclusive brands** with halo-brands like Chanel and Dior
- Sephora to **join Partner Program** in Germany in Q4
- Partnership is set to be rolled out to **other markets as of 2022**

Q4/2021

## Elevate Beauty proposition

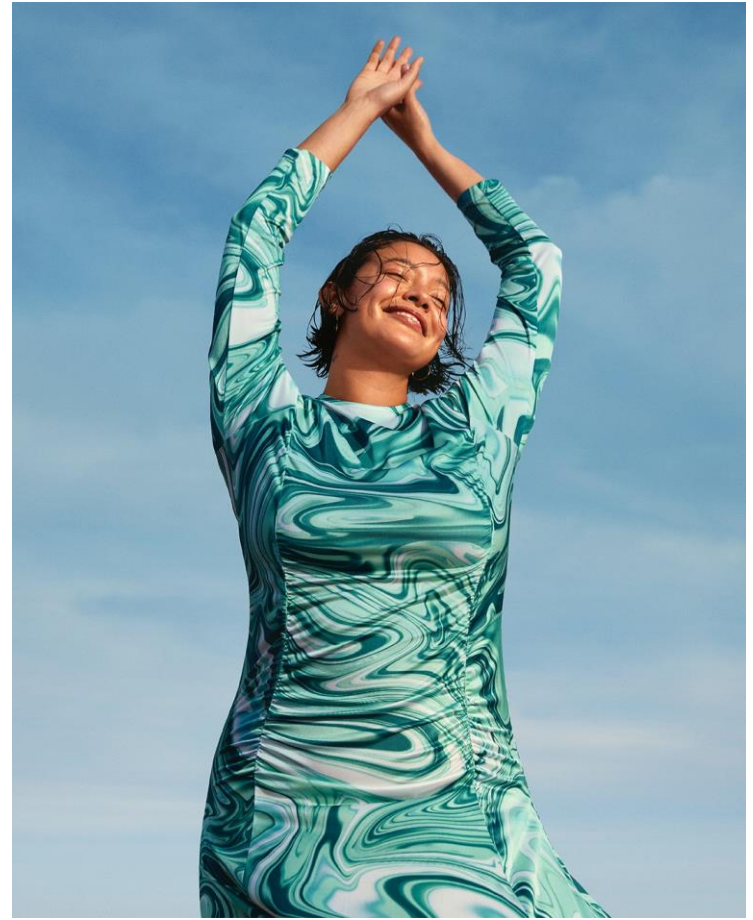
- **Endless choice** for our customers covering the most sought-after beauty products
- **Multisensory experience** with improved functionalities, online advice and trial solutions

2022



# Financial Update

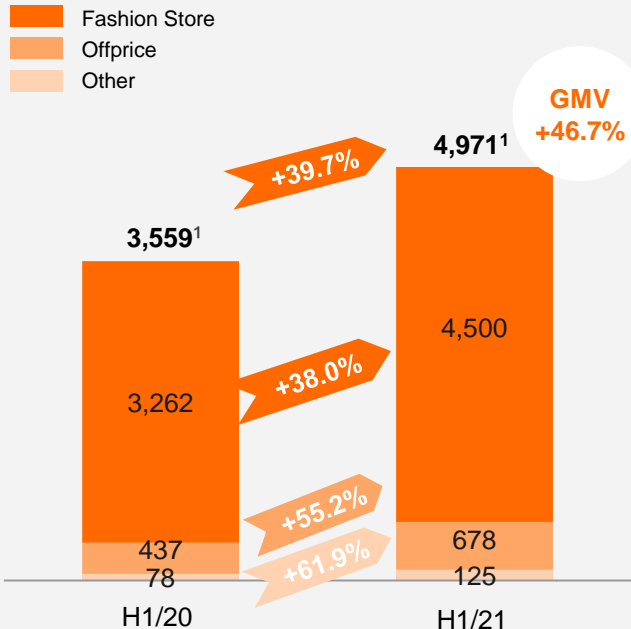
## Q2 2021



# Outstanding topline momentum fueled by strong customer and partner engagement even as restrictions eased and stores re-opened

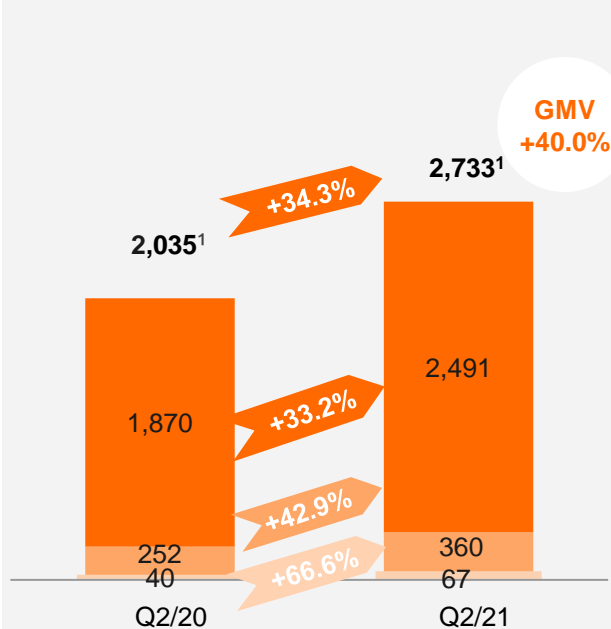
## Revenue – Group (H1)

(in €m and %)



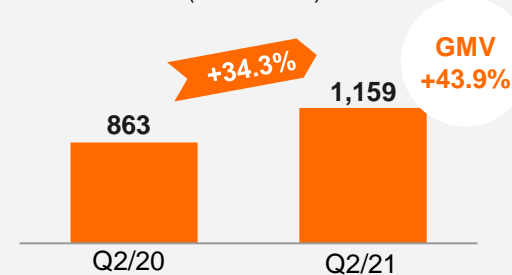
## Revenue – Group (Q2)

(in €m and %)



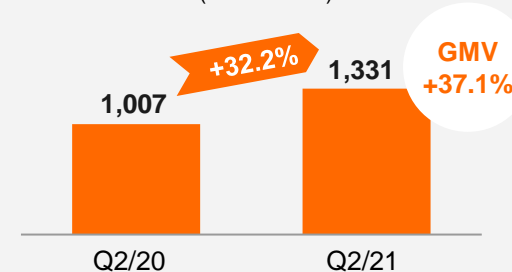
## Fashion Store – DACH (Q2)

(in €m and %)



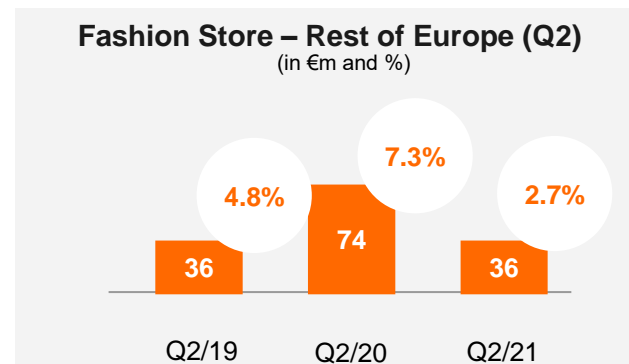
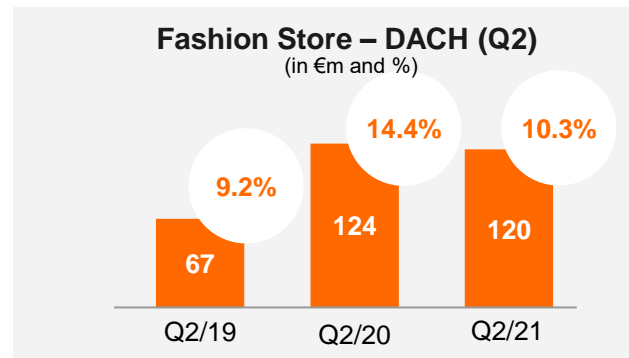
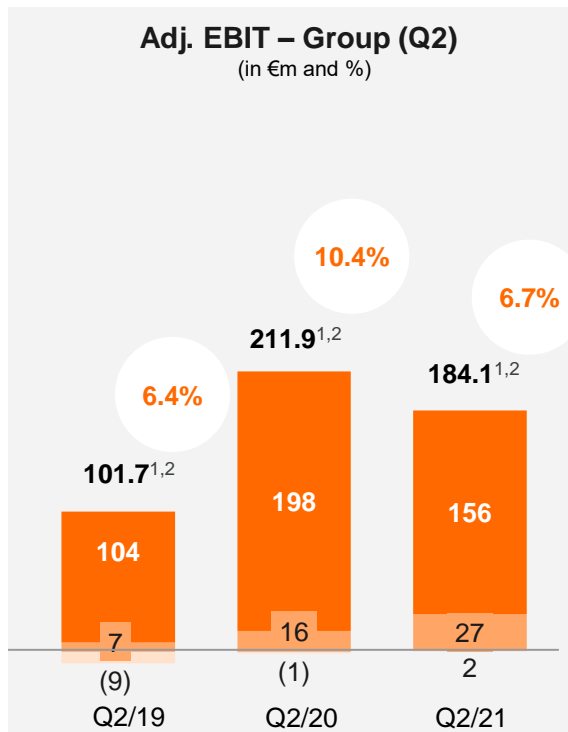
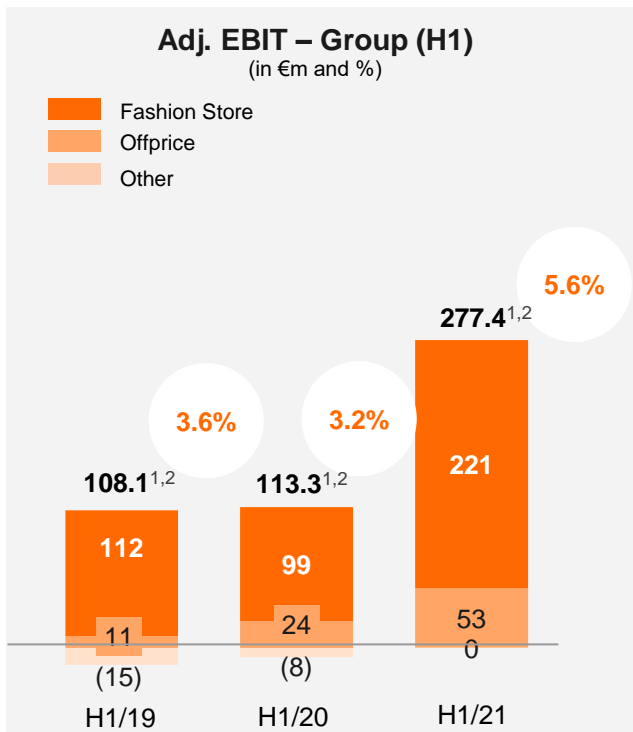
## Fashion Store – Rest of Europe (Q2)

(in €m and %)



1) H1/21 (H1/20) contains -332.9 €m (-217.4 €m) reconciliation of internal revenues; Q2/21 (Q2/20) contains -184.9 €m (-127.8 €m) reconciliation of internal revenues

# We delivered healthy profitability on the back of strong topline momentum



- H1/21 (H1/20) contains 3.2 €m (-0.7 €m) reconciliation of internal EBIT; Q2/21 (Q2/20) contains 1.8 €m (-0.7 €m) reconciliation of internal EBIT
- Excluding equity-settled share-based compensation (SBC) in H1/21 of -26.0 €m, H1/20 of -27.9 €m, Q2/21 of -11.3 €m, Q2/20 of -13.5€m; and non-operating one-off effects in Q2 & H1/21 of +13.6 €m

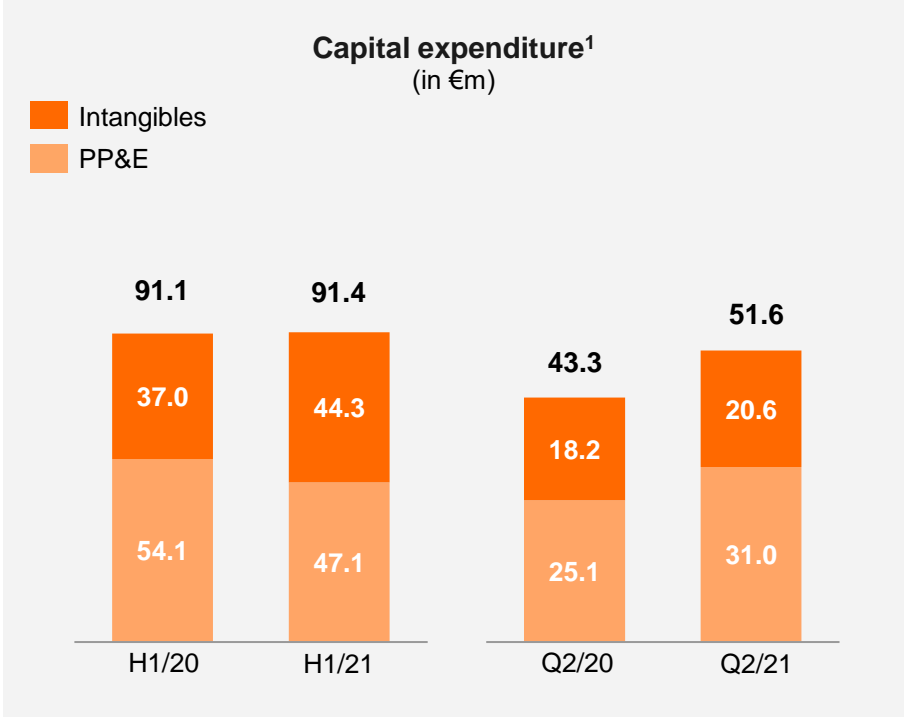
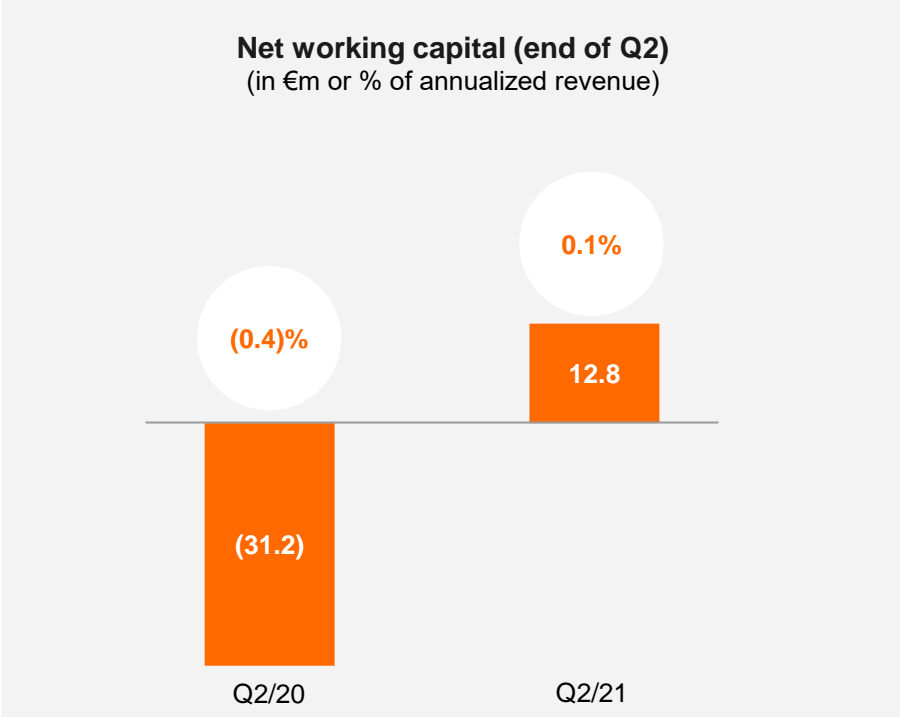
# Increased marketing spend to capture full demand potential drives Q2 profitability lower

Costs and margins (in % of revenue) <sup>1</sup>	H1				Q2				
	2019	2020	2021	YoY Delta	2019	2020	2021	YoY Delta	
<b>Cost of sales</b>	(57.0%)	(59.5%)	(57.3%)	2.2pp	(54.3%)	(55.6%)	(55.8%)	(0.2pp)	
<b>Gross profit</b>	43.0%	40.5%	42.7%	2.2pp	45.7%	44.4%	44.2%	(0.2pp)	
<b>Fulfillment costs</b>	(28.0%)	(27.3%)	(24.8%)	2.5pp	(27.3%)	(25.4%)	(24.2%)	1.2pp	Continued return rate benefit and high network utilization
<b>Marketing costs</b>	(7.6%)	(6.4%)	(8.9%)	(2.4pp)	(8.2%)	(5.2%)	(9.8%)	(4.6pp)	ROI based marketing and lapping of LYs savings measures
<b>Administrative expenses &amp; Other</b>	(4.9%)	(4.3%)	(3.7%)	(0.6pp)	(4.4%)	(4.0%)	(3.4%)	0.6pp	
<b>EBIT</b>	2.5%	2.4%	5.3%	2.9pp	5.8%	9.8%	6.8%	(2.9pp)	
<b>Adj. EBIT<sup>2</sup></b>	3.6%	3.2%	5.6%	2.4pp	6.4%	10.4%	6.7%	(3.7pp)	

1) Rounding differences may occur.

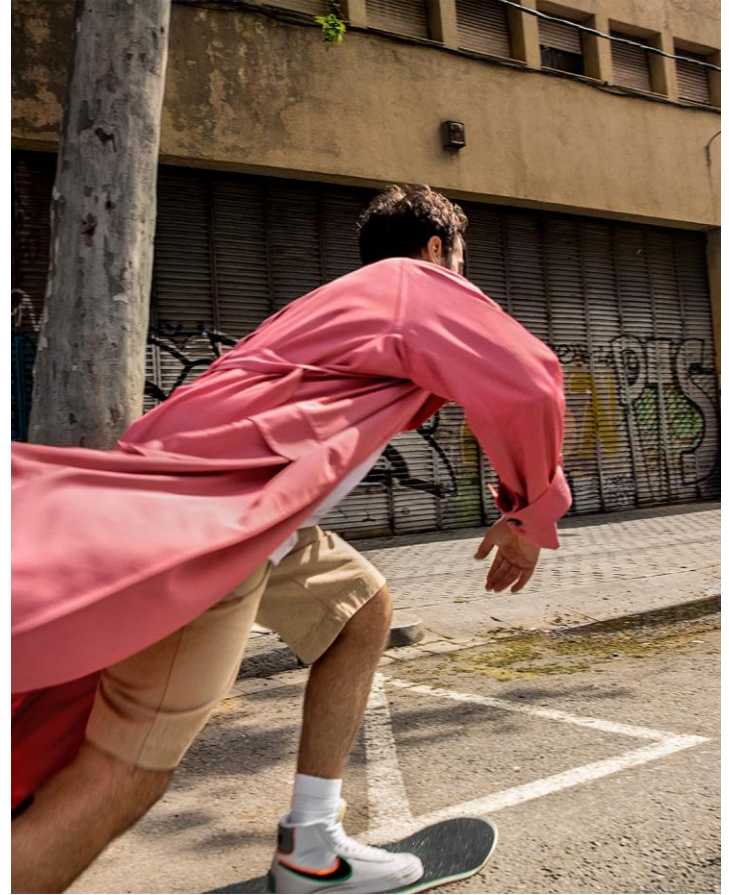
2) Excluding equity-settled share-based payment expense ("SBC"), restructuring costs and non-operating one-time effects

# Net working capital increased as a result of strong inventory intake while capex spend remains back-end loaded in 2021



1) Excluding payments for acquisitions of 0.0 €m in H1/21, 0.0 €m in Q2/21 (H1/20: 0.0 €m, Q2/20: 0.0 €m )

# Outlook





## Upgraded FY/2021 outlook confirmed

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

**Adj. EBIT<sup>1</sup> in the upper half of the €400 – 475m range**

**Negative net working capital and Capex around €350m (previously: €350-400m range<sup>2</sup>)**

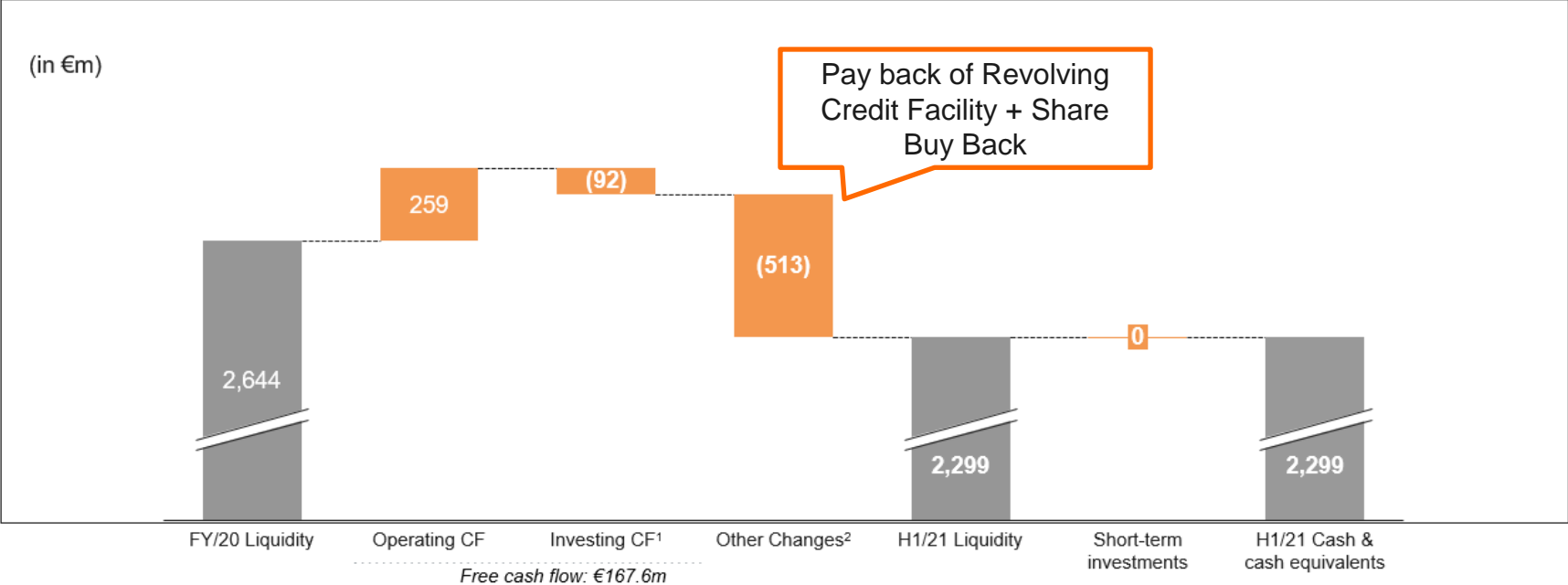
1) Excluding equity-settled share-based payment expense ("SBC") of ~60 €m, restructuring costs and non-operating one-time effects for FY/21

2) Excludes M&A transactions

# Q&A



# Liquidity position



(1) Includes sales and investments in fixed and intangible assets (-91.4 €m), payments for acquisitions (+0.0 €m) and change in restricted cash (-0.2 €m)  
 (2) Includes financing cash flow (-503.9 €m) and effect of exchange rate on cash and cash equivalents (-8.8 €m).

## Upcoming events



All events  
are virtual

Date	Event
Tuesday, August 10th	Fireside Chat with our CFO David Schröder (hosted by RBC)
Thursday, September 2nd	Commerzbank Corporate Conference, Frankfurt
Tue-Wed, September 7th-8th	Asia Roadshow (DAIWA)
Mon-Wed, September 13th-15th	Citi Tech Conference, New York
Mon-Tue, September 20th-21st	Goldman Sachs/Berenberg German Corporate Conference, Munich
Wed-Thu, September 22nd-23rd	Baader Bank Investment, Conference Munich
Wednesday, November 3rd	Publication Q3/2021 Results

## Issued share capital

### SHARE INFORMATION

(AS OF JUN 30, 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>261,531,764</b>
<b>Issued Share Capital</b>	<b>€261,531,764</b>

### STOCK OPTION PROGRAMS MGMT BOARD (AS OF JUN 30, 2021)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2013 <sup>1</sup>	657,475	1.00
LTI 2018 <sup>2</sup>	4,296,949	47.44
VSOP 2018	140,000	29.84
LTI 2019	513,442	23.36
<b>Total</b>	<b>5,607,866</b>	<b>39.35</b>

### STOCK OPTION PROGRAMS SENIOR MGMT (AS OF JUN 30, 2021)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 <sup>1</sup>	715,614	23.42
EIP <sup>1</sup>	3,066,217	37.11
VSOP 2017	60,000	50.00
ZOP	1,220,533	33.77
<b>Total</b>	<b>5,062,364</b>	<b>31.21</b>

1) Settled with new shares

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

# Zalando Investor Relations Team



**Patrick Kofler**  
Head of IR

[Patrick.Kofler@zalando.de](mailto:Patrick.Kofler@zalando.de)



**Dorothee Schultz**  
Manager IR - ESG

[Dorothee.Schultz@zalando.de](mailto:Dorothee.Schultz@zalando.de)



**Nils Pöppinghaus**  
Senior Manager IR

[Nils.Poeppinghaus@zalando.de](mailto:Nils.Poeppinghaus@zalando.de)



**Jan Edelmann**  
Manager IR

[Jan.Edelmann@zalando.de](mailto:Jan.Edelmann@zalando.de)



## Team Contact

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

[investor.relations@zalando.de](mailto:investor.relations@zalando.de)  
<https://corporate.zalando.com/en>



## 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.