



# Zalando Q3/2021 Earnings Call

November 3rd, 2021

Robert Gentz (co-CEO & Founder) & David Schröder (CFO)



# We successfully navigated through the first full quarter of a reopened economy, continued to make significant progress on our strategic agenda and delivered a strong set of financial results

- **Successfully launched in six new markets** with locally tailored assortment, digital experience and convenience services, paving the way to be the Starting Point for Fashion across Europe
- **Increased frequency of brand collaborations** showcasing our progress in bringing brand relationships to the next level and exciting our customers with exclusive offers
- **Introduced new business practices for circularity** along the full product lifecycle to ultimately extend the life of 50 million fashion products by 2023
- **Delivered strong financial performance:** GMV growth of +25.3%, Revenue growth of +23.4% and adj. EBIT of 9.8m EUR in Q3
- **Reiterating upgraded FY/2021 guidance:** GMV and revenue growth unchanged at +31-36% and +26-31% YoY, respectively, adj. EBIT in the upper half of the guided 400-475m EUR range



# Business Update

## Q3 2021

Robert Gentz (co-CEO & Founder)

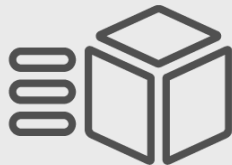


To achieve our vision to be the Starting Point for Fashion we focus on three strategic dimensions and have set ourselves ambitious targets for 2025



## Customers

We grow our active customer base and deepen customer relationships



## Partners

We transition towards a true platform business



## People & Planet

We build a truly sustainable platform

### Our 2025 Ambition

**>30bn EUR GMV // 50%<sup>1</sup> partner share // do.MORE sustainability targets**

1) Aggregated volume of Partner Program and Connected Retail in % of Fashion Store GMV

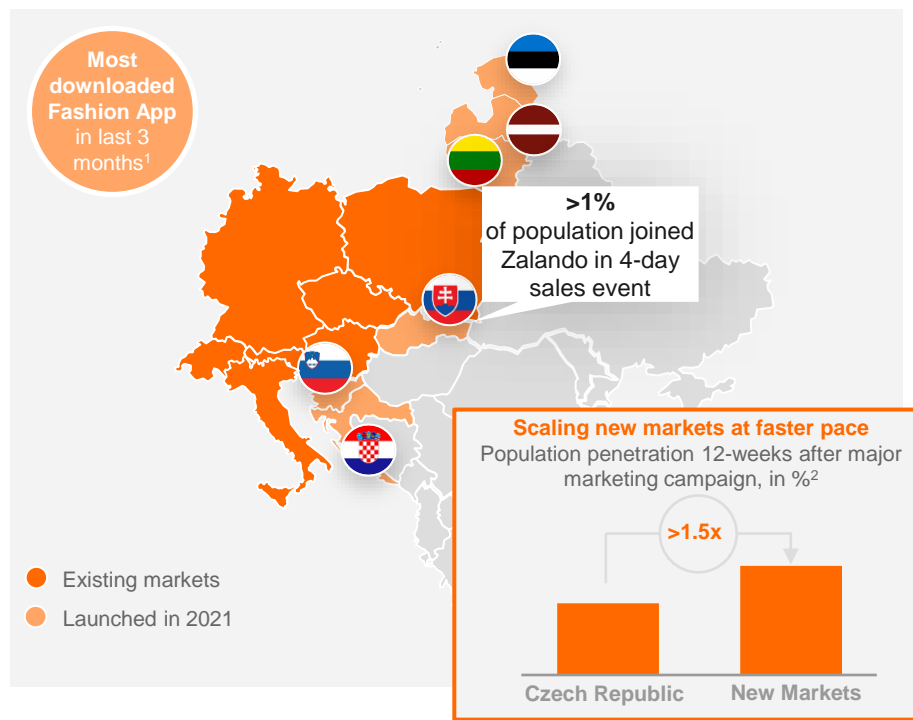
# We successfully launched 6 markets in 2021 to be the Starting Point for Fashion across Europe

## Entering new markets with locally tailored offer ...

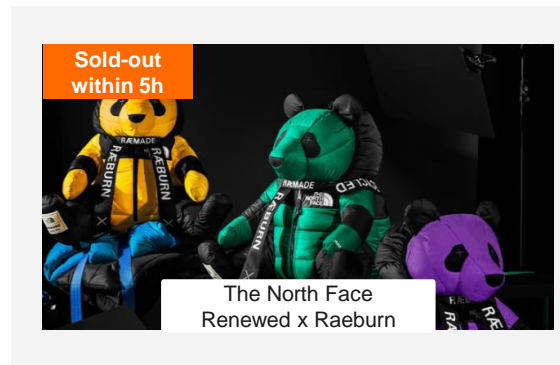
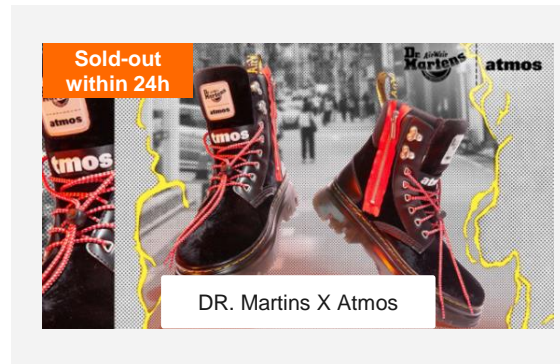
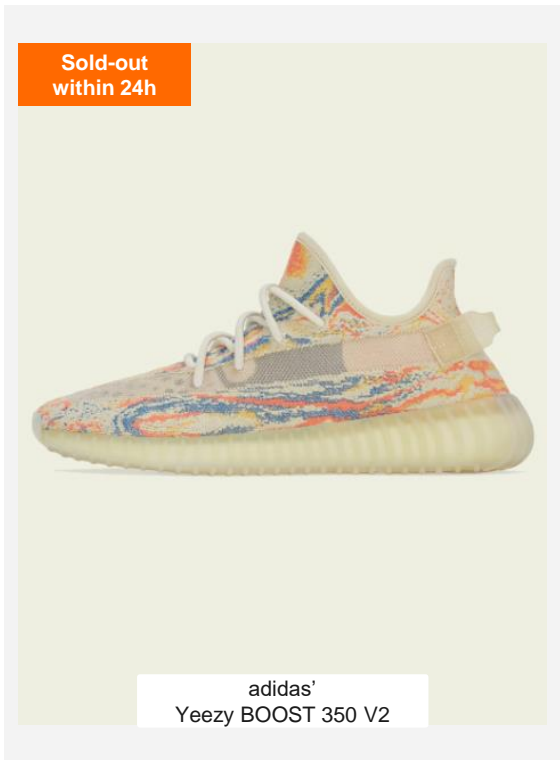
- **More choice and freshness** by bringing many new brands to the market and **offering >2.5x of SKUs** vs. next best competitor
- **Fully localized digital experience**, leveraging locally relevant influencers for “get the look” experience, and specific landing pages to highlight locally relevant assortment
- **Best-in-class convenience experience** based on local payments, fast delivery and convenient return options

1) Source: AppAnnie. According to AppAnnie 1.6x more downloads than next best competitor.  
2) Average population penetration across Croatia, Estonia, Lithuania, Latvia, Slovakia, Slovenia.

## ... reflected in early success indicators



## Establishing the next level of collaboration with our partners to engage our customers by providing the best assortment from their most desired brands



# On our path towards a truly sustainable fashion platform, we continue to shape new business models and expand into circular systems

## We move the fashion industry from linear to circular...

Products are collected for recycling or other end-of-use technologies

Products are designed for circularity and last longer



Products are re-used and their lives extended



Products are used for as long as possible within original intended purpose

## ...to extend the life of 50 million fashion products by 2023

### Design & Manufacture

Launch of second private label “redeZIGN for circularity” collection to meet customer demand for more sustainable fashion



### Use

Launch of the Care and Repair pilot program in Berlin & Düsseldorf



### Re-Use

Pre-owned offer grew tenfold from 20,000 to now over 200,000 articles empowering customers to reuse and resell their clothes



### Closing the loop

Investment in Infinited Fiber Company whose technology can turn cellulose-based materials into textile fiber



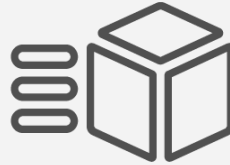
# In 2022, we will double-down on our strategic initiatives to make strong headway towards our long-term vision



## Customers

We grow our active customer base and deepen customer relationships

Engage customers across multiple propositions



## Partners

We transition towards a true platform business

Replicate the success of our Partner Business internationally



## People and Planet

We build a truly sustainable platform

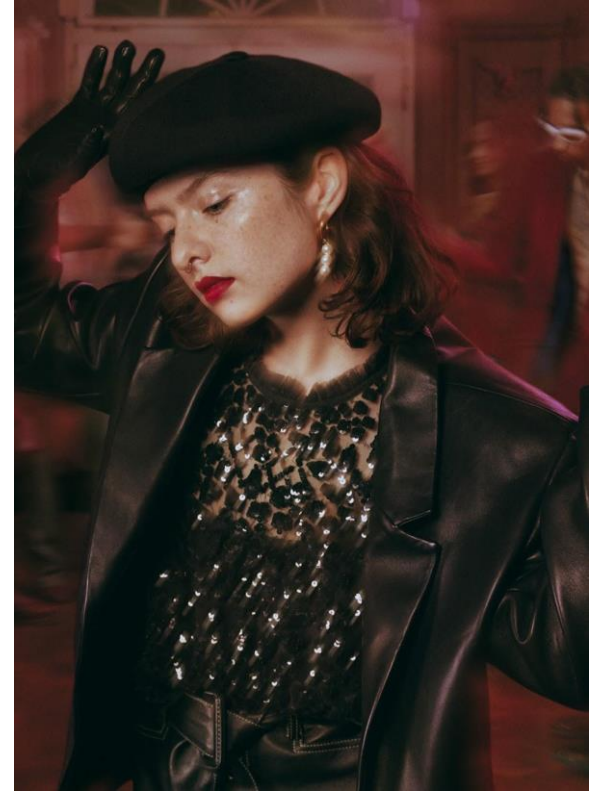
Ingrain Sustainability and D&I across all parts of the company



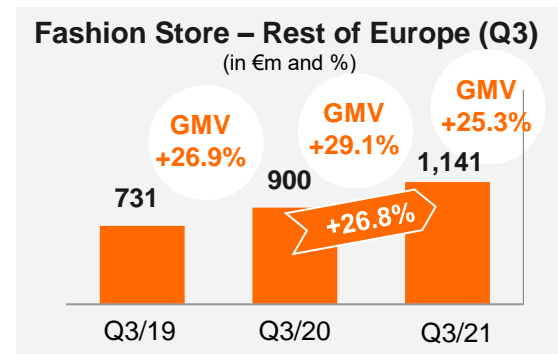
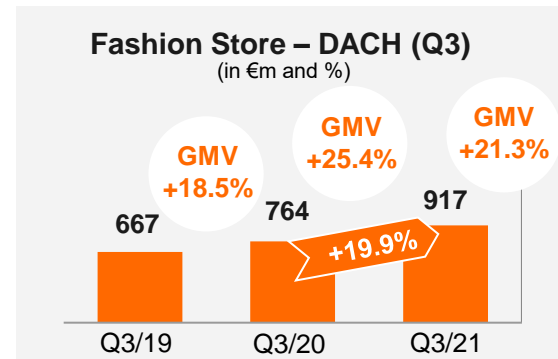
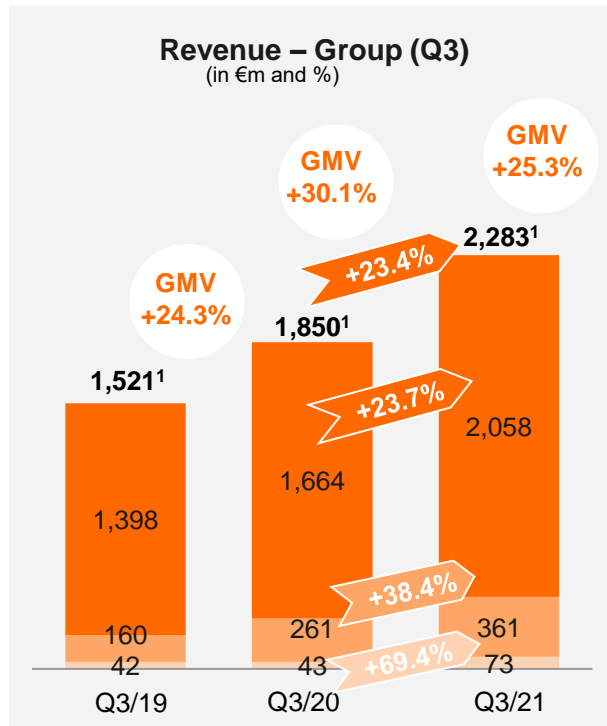
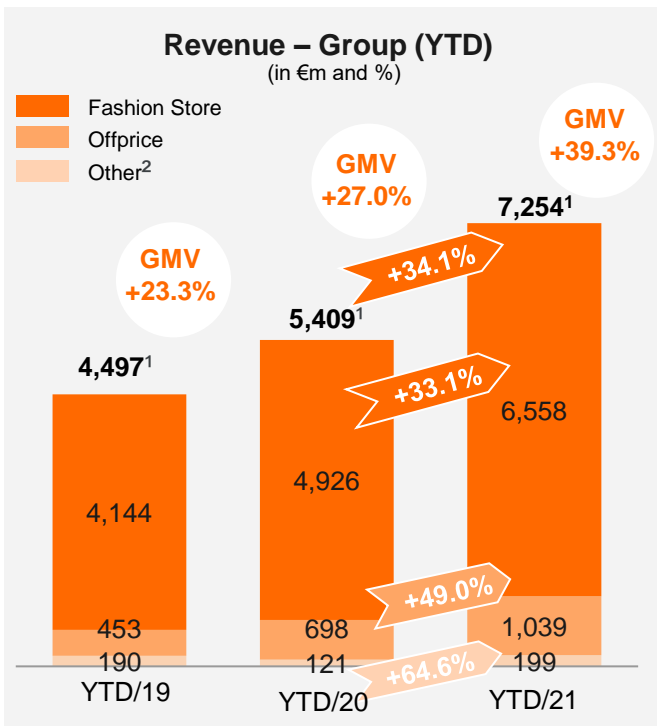
# Financial Update

## Q3 2021

David Schröder (CFO)



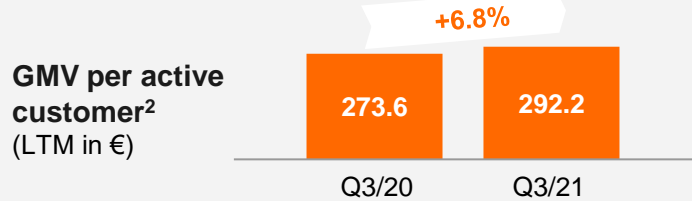
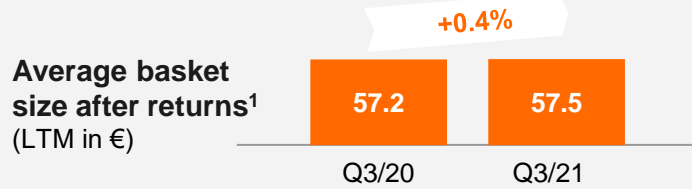
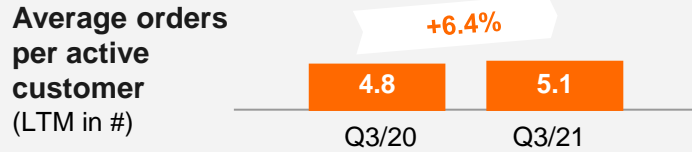
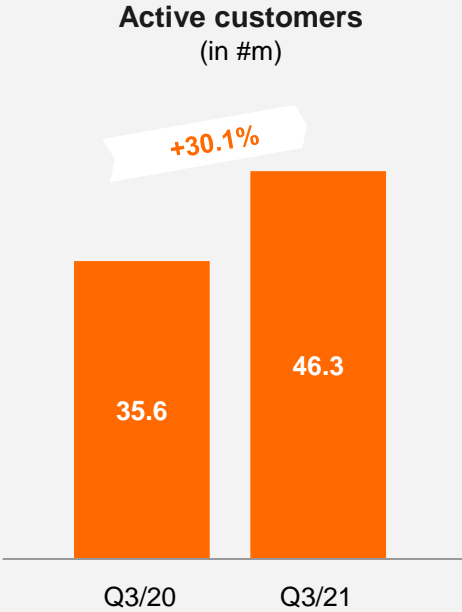
# Continued strong topline momentum in Q3 in light of reopening of European economies and later than usual fall winter season start



1) YTD/21 (YTD/20) [YTD/19] contains -€541.7m (-€335.6m) [-€290.8m] reconciliation of internal revenues; Q3/21 (Q3/20) [Q3/19] contains -€208.8m (-€118.2m) [-€79.4m] reconciliation of internal revenues

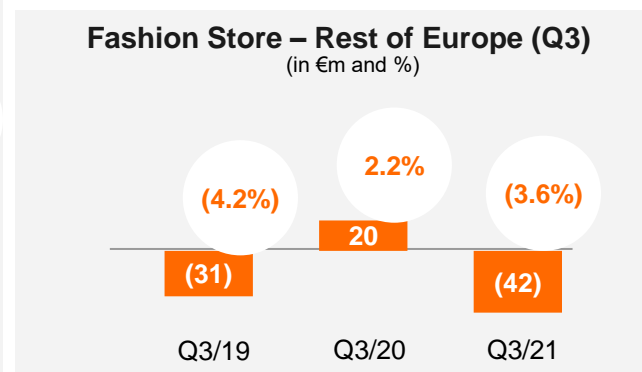
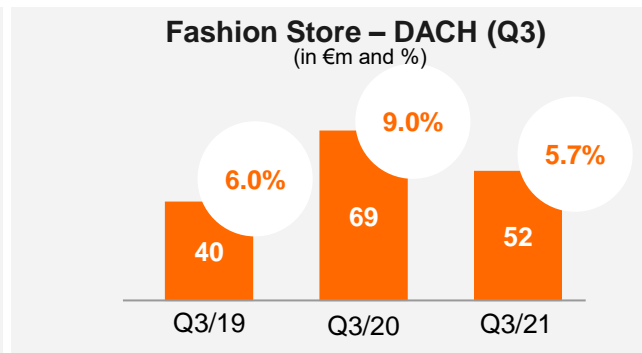
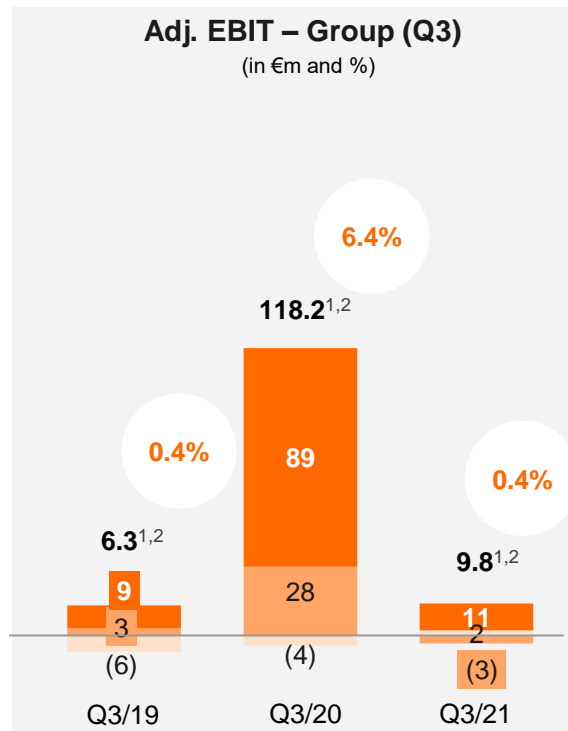
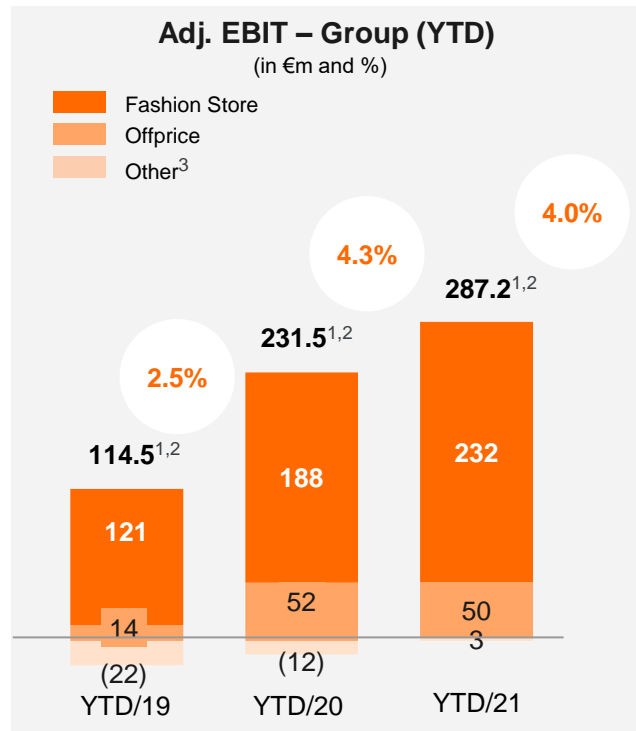
2) Other segments including various emerging businesses, private label offering zLabels no longer presented as separate unit since Q2/19

# Key customer KPIs reflect exceptionally strong customer acquisition and development over the past 12 months



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

# Normalized level of profitability reflecting usual seasonal pattern as well as continued significant long term growth investments including recent market launches in Rest of Europe



1) YTD/21 (YTD/20) contains €2.7m (€4.1m) reconciliation of internal EBIT; Q3/21 (Q3/20) contains -€0.5m (€4.8m) reconciliation of internal EBIT

2) Excluding equity-settled share-based compensation (SBC) in YTD/21 (YTD/20) of -€40.4m (-€41.1 m); Q3/21 of -14.3 €m, Q3/20 of -13.2€m; and non-operating one-off effects in Q3/21 of 0.0€m

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

## Delayed season start, increased price and marketing investments drove Q3 profitability below prior year, which had seen significant one-off benefit from reversal of inventory write-down

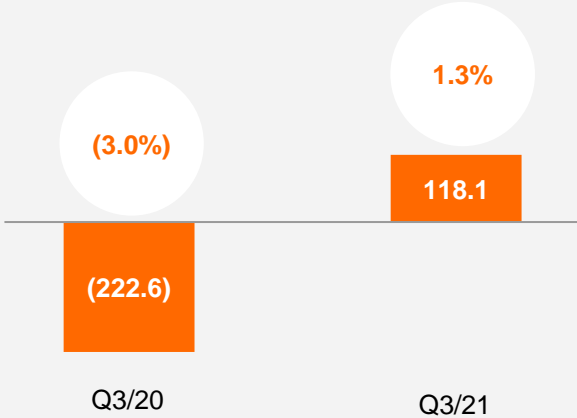
Costs and margins (in % of revenue)	YTD				Q3			
	2019	2020	2021	YoY Delta	2019	2020	2021	YoY Delta
Cost of sales	(57.6%)	(58.2%)	(58.5%)	(0.4pp)	(58.9%)	(55.6%)	(61.2%)	(5.6pp)
Gross profit	42.4%	41.8%	41.5%	(0.4pp)	41.1%	44.4%	38.8%	(5.6pp)
Fulfillment costs	(28.2%)	(27.1%)	(25.3%)	1.8pp	(28.7%)	(26.7%)	(26.5%)	0.2pp
Marketing costs	(7.8%)	(6.9%)	(8.8%)	(1.9pp)	(8.1%)	(7.9%)	(8.6%)	(0.8pp)
Administrative expenses & Other	(4.8%)	(4.3%)	(3.7%)	0.5pp	(4.7%)	(4.1%)	(3.9%)	0.3pp
EBIT	1.5%	3.5%	3.6%	0.1pp	(0.5%)	5.7%	(0.2%)	(5.9pp)
Adj. EBIT <sup>1</sup>	2.6%	4.3%	4.0%	(0.3pp)	0.4%	6.4%	0.4%	(6.0pp)

Delayed season start, price Investments & lapping of reversal inventory write-down

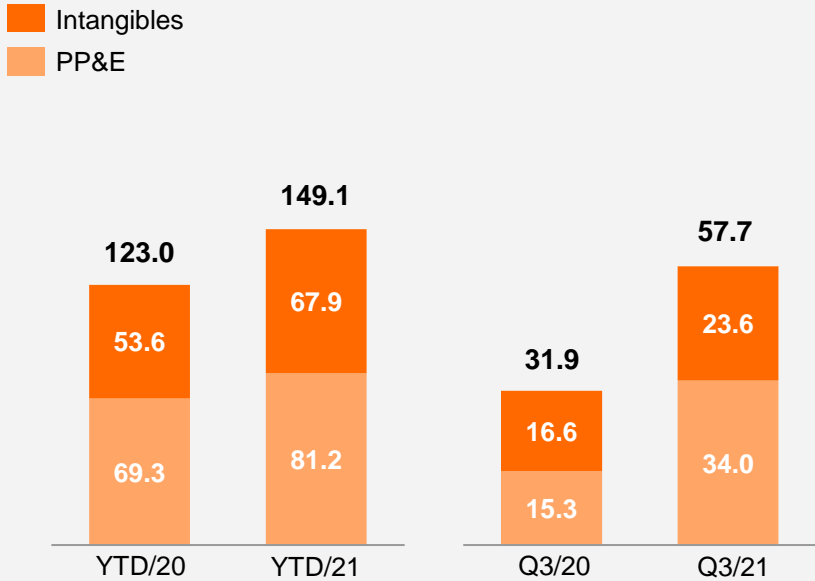
1) Excluding equity-settled share-based payment expense ("SBC"), restructuring costs and non-operating one-time effects

# Net working capital increased YoY reflecting deliberately preponed inventory intake to mitigate potential supply chain disruptions in preparation for peak season

**Net working capital (end of Q3)**  
(in €m or % of annualized revenue)



**Capital expenditure<sup>1</sup>**  
(in €m)



1) Excluding payments for acquisitions of €0.0m in YTD/21, €0.0m in Q3/21 (Q3/20: €0.0m)

# Outlook



## Upgraded FY/2021 outlook confirmed

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

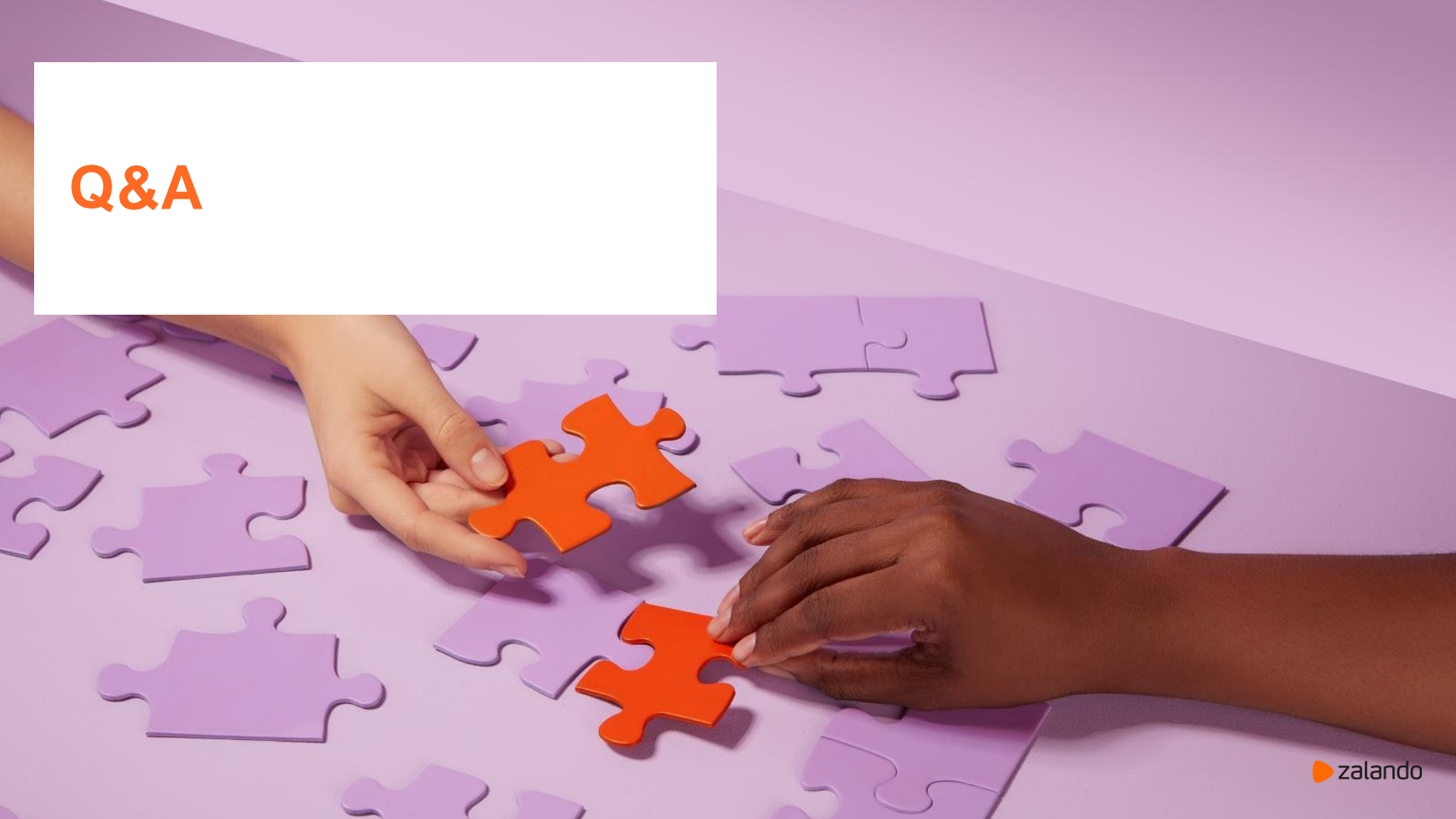
**Adj. EBIT<sup>1</sup> in the upper half of the €400 – 475m range**

**Negative net working capital and Capex around €350m<sup>2</sup>**

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

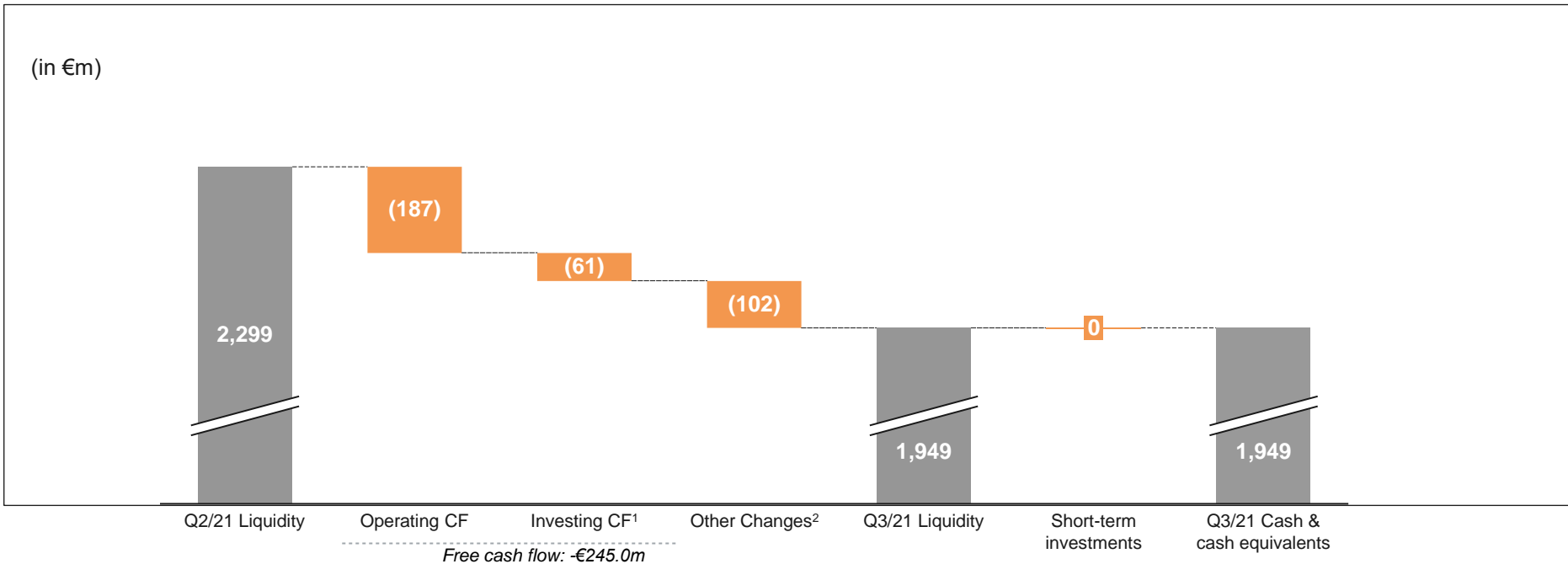


# Q&A



## Cash Position

(in €m)



(1) Includes sales and investments in fixed and intangible assets (-€57.7m), payments for acquisitions (+€0.0m), change in restricted cash (+€0.2m) and change in term deposits (-€3.0m).

(2) Includes financing cash flow (-€111.5m) and effect of exchange rate on cash and cash equivalents (€9.7m).

## Issued share capital

### SHARE INFORMATION

(AS OF SEP 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	DAX
<b>Total Number of Shares Outstanding</b>	<b>261,991,533</b>
<b>Issued Share Capital</b>	<b>€261,991,533</b>

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

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2013 <sup>1</sup>	407,475	1.00
LTI 2018 <sup>2</sup>	4,296,949	47.44
VSOP 2018	140,000	29.84
LTI 2019	412,450	17.31
<b>Total</b>	<b>5,256,874</b>	<b>41.01</b>

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

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 <sup>1</sup>	677,248	23.63
EIP <sup>1</sup>	2,798,403	37.26
VSOP 2017	30,000	50.00
ZOP	1,246,126	37.42
<b>Total</b>	<b>4,751,777</b>	<b>35.44</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.