



Zalando FY/2021

Performance Deep Dive

March 1, 2022
David Schröder (CFO/COO)

zalando



In 2021, we delivered exceptional growth and made strides on our journey towards being the Starting Point for Fashion



- 01 Being the Starting Point for Fashion**
Strong active customer growth to 48.5m customers (+25% YoY) and deeper customer relationships with increasing GMV per customer (+7% YoY)
- 02 Driving the Platform Transition**
Increasing partner share of 30% (+6pp YoY) in Q4, enabling services ZFS and ZMS scaling even faster as partners accelerate their internationalization efforts
- 03 Building a sustainable platform**
Significant progress on 2025 sustainability goals, GMV share from more sustainable products increasing to 22%
- 04 Delivered exceptionally strong FY/2021 performance**
GMV growth of 34.1%, revenue growth of 29.7% and adj EBIT of EUR 468.4m, well on track to reach our mid-term ambition of >30bn EUR GMV by 2025
- 05 Aiming to outperform the online fashion segment in 2022**
FY/2022 guidance: GMV and revenue growth of 16% - 23% and 12% - 19% YoY respectively, adj. EBIT in the range of EUR 430m - 510m, EUR 400m - 500m CAPEX, and negative net working capital





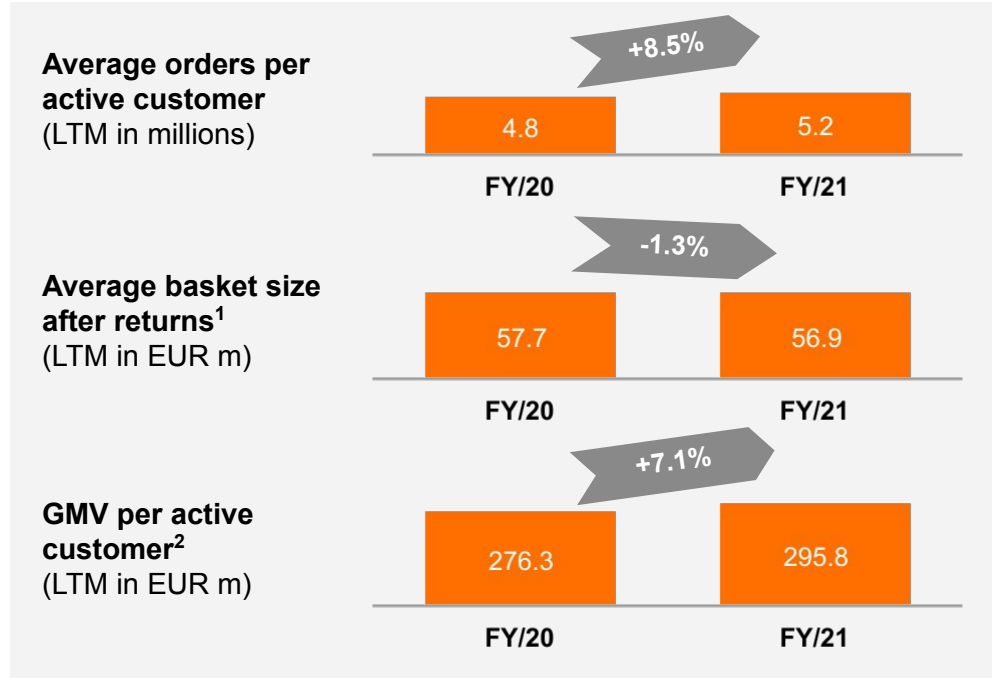
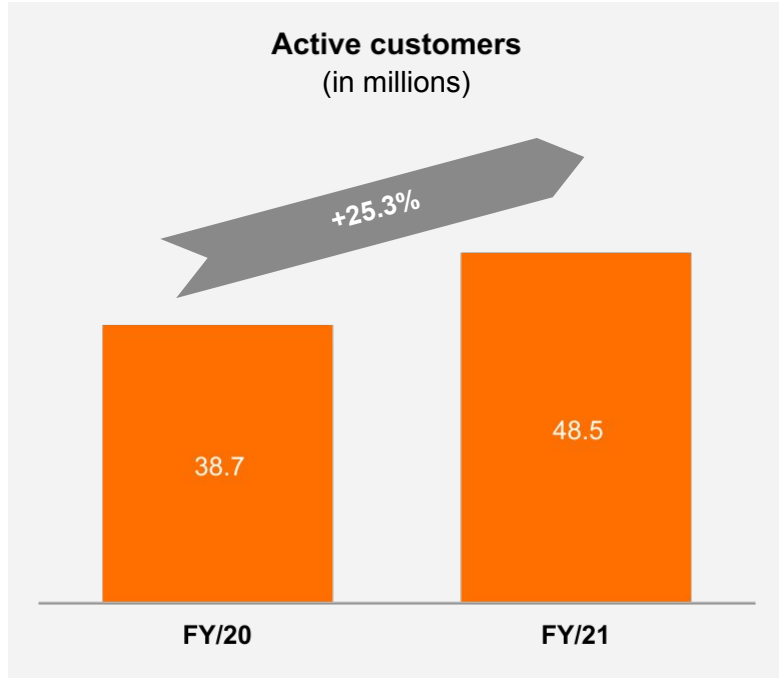
To achieve our vision to be the **Starting Point for Fashion** we focus on three strategic dimensions and have set ourselves ambitious targets for 2025

Our 2025 Ambition



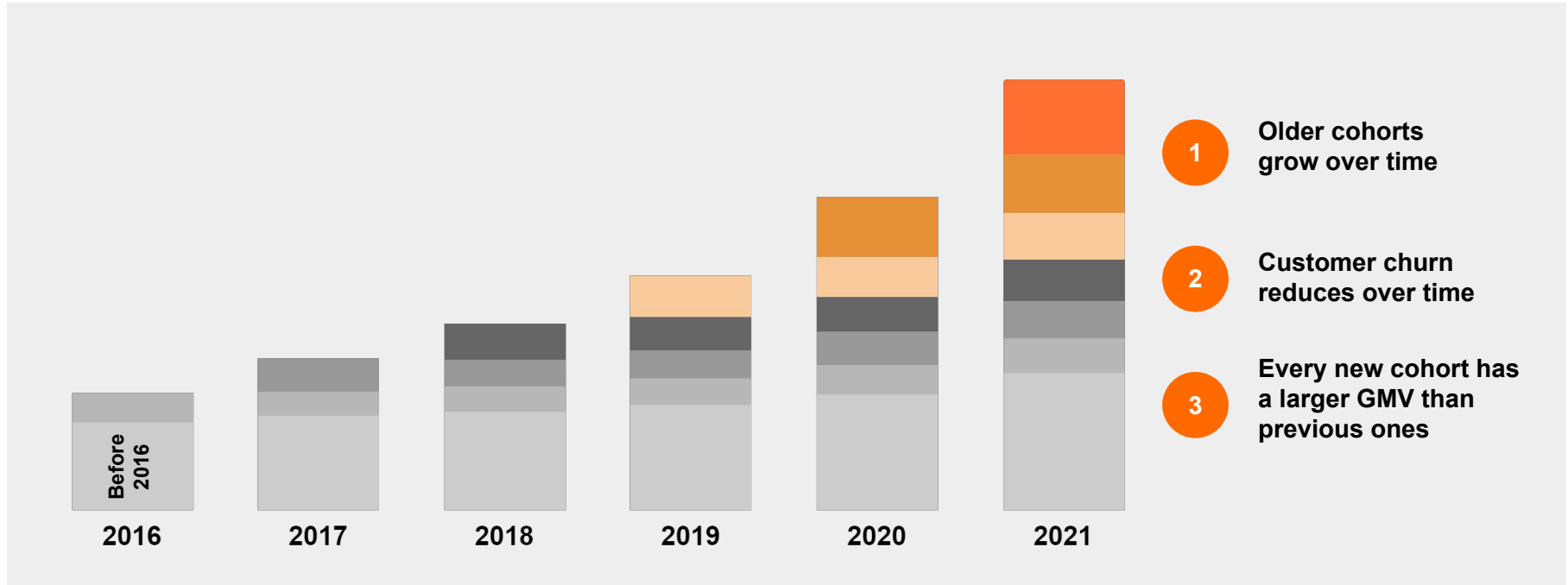


Strong active customer growth and accelerated share of wallet growth on the back of significant customer experience enhancements





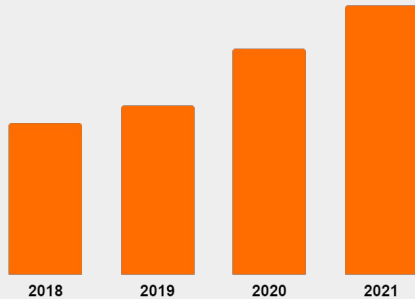
Consistently positive long term development of customer cohorts demonstrates our ability to build deeper customer relationships



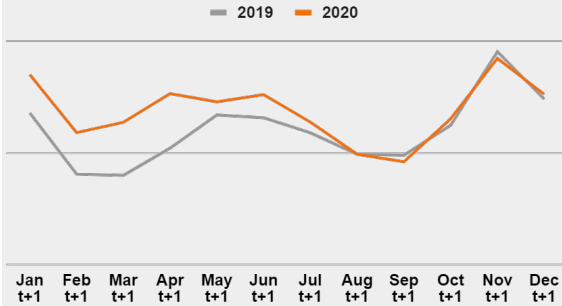


Covid-19 pandemic accelerated the structural industry change, leading to record levels of new customers showing continued high engagement

New customers per year
in millions



360 day repurchase rate
of 2019 and 2020 FY cohorts¹
by month t+1



Significant step up in customer acquisition in 2020 and 2021



2020/21 customer cohorts are healthy showing similar or better metrics than older cohorts



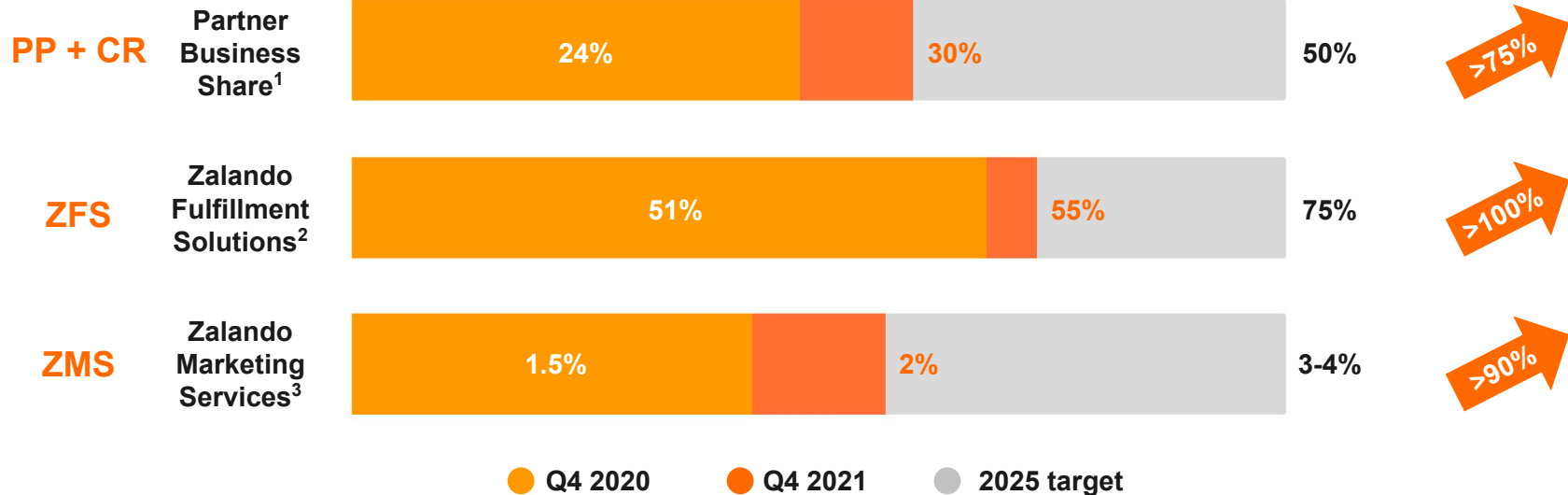
Continued high engagement as consumers and economies gradually return to normal



Our partners are growing their Direct-to-Consumer business on Zalando leveraging our services to take advantage of our increasing consumer reach

Strong progress towards our partner business targets

2021 growth⁴



1) expressed as %-share of Fashion Store GMV. Partner business share of 50% (Partner Program and Connected Retail) refers to our business model mix ambition for 2025.
 2) expressed as %-share of Partner Program items shipped. ZFS share of 75% refers to our business model mix ambition for 2025.
 3) expressed as %-share of Fashion Store GMV. ZMS share of 3-4% refers to our long-term target model ambition.
 4) Partner Business growth YoY in EUR m GMV, ZFS growth YoY in number of Partner Program items shipped, ZMS growth YoY in EUR m of external revenue.



We aim to drive positive change in the industry and lead by example



Our **sustainability investments build credibility** with customers, partners and capital markets alike

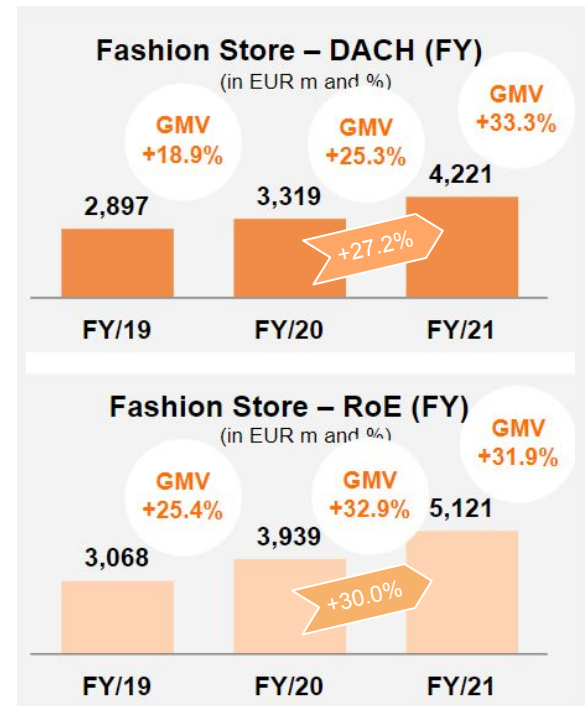
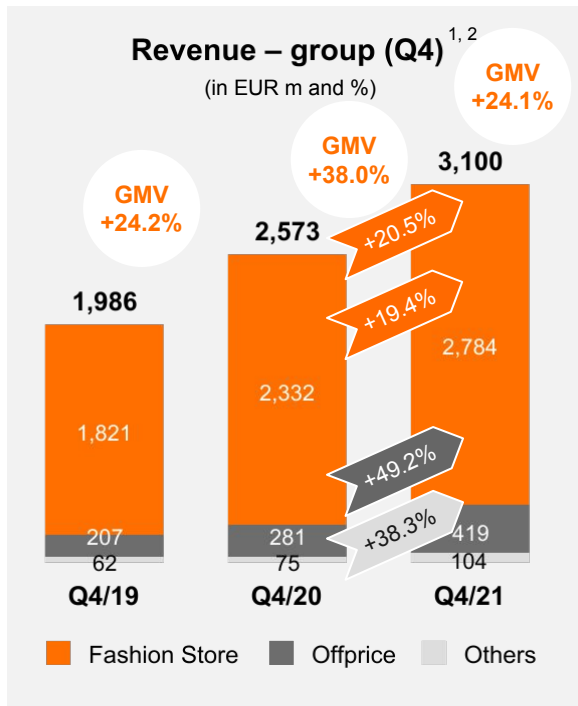
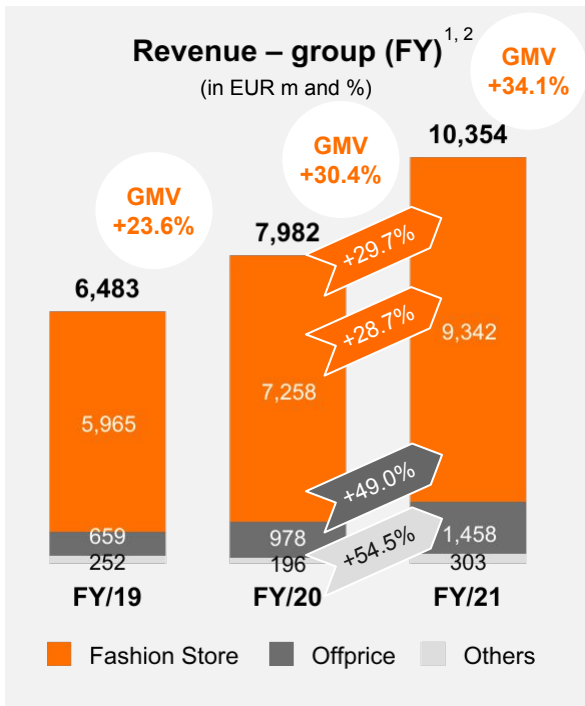
A-	AA	B-	13.8 (low risk)

Financial Update FY & Q4/2021





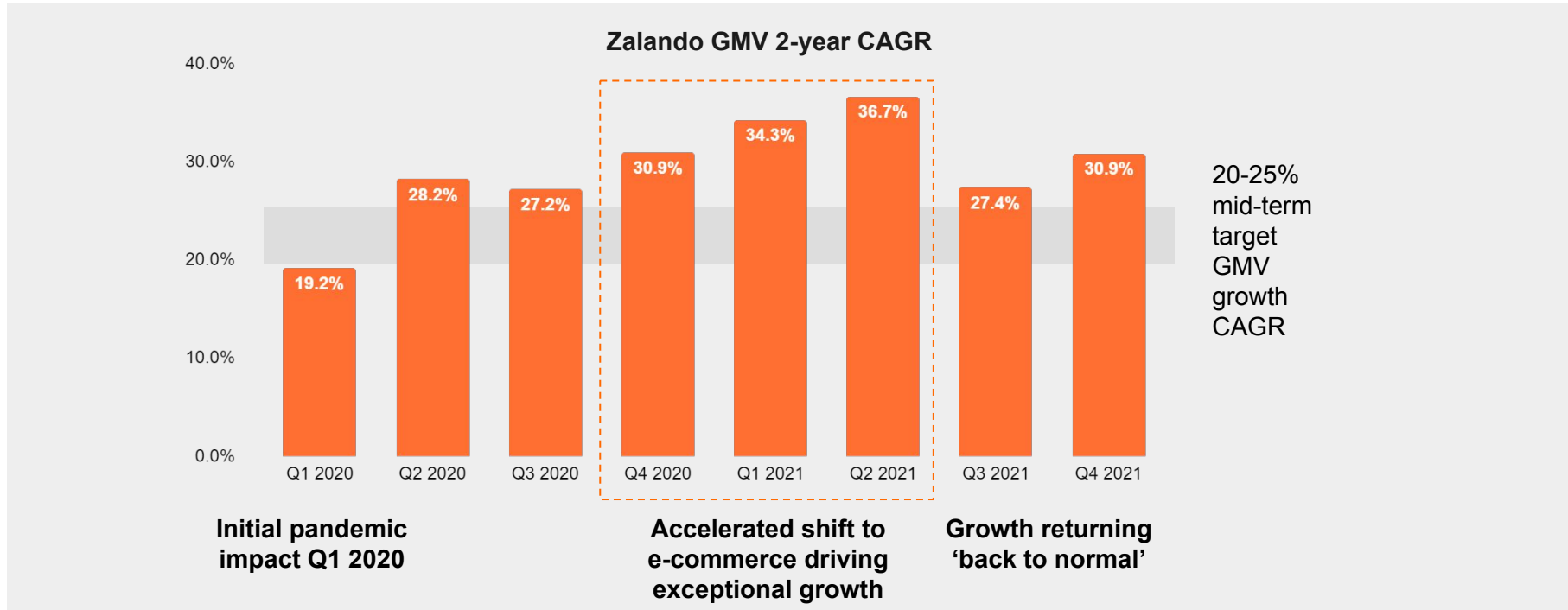
Delivered exceptional growth in FY/21 across all segments and regions with Q4 performance well in line with our 20-25% target growth corridor



10 1) FY/21 (FY/20) [FY/19] contains EUR -749m (EUR -450m) [EUR -394m] reconciliation of internal revenues; Q4/21 (Q4/20) [Q4/19] contains EUR -207m (EUR -114m) [EUR -103m] reconciliation of internal revenues.
 2) Other segments including various emerging businesses, private label offering zLabels no longer presented as separate unit since Q2/19.

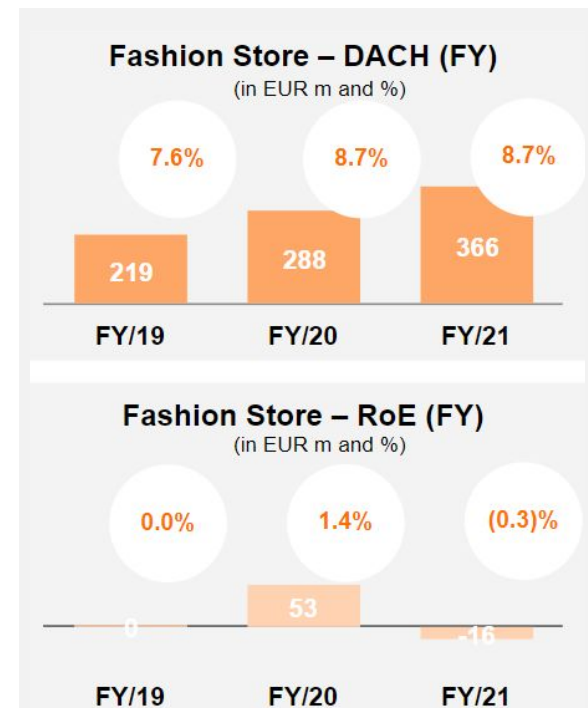
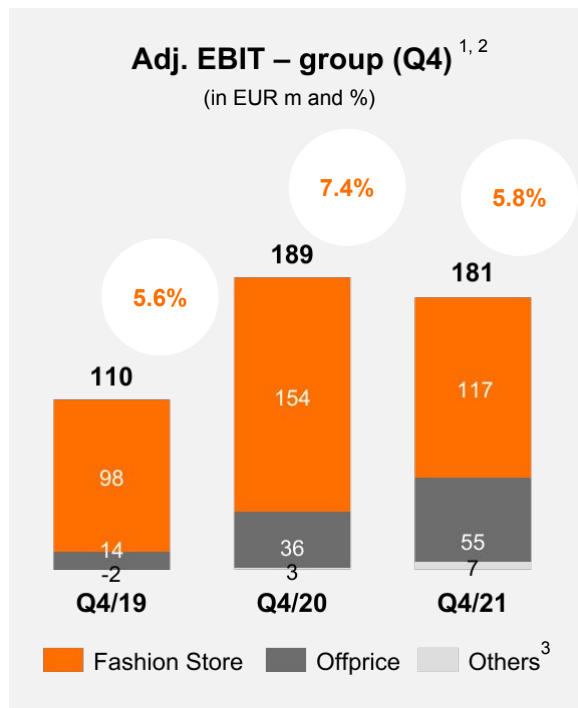
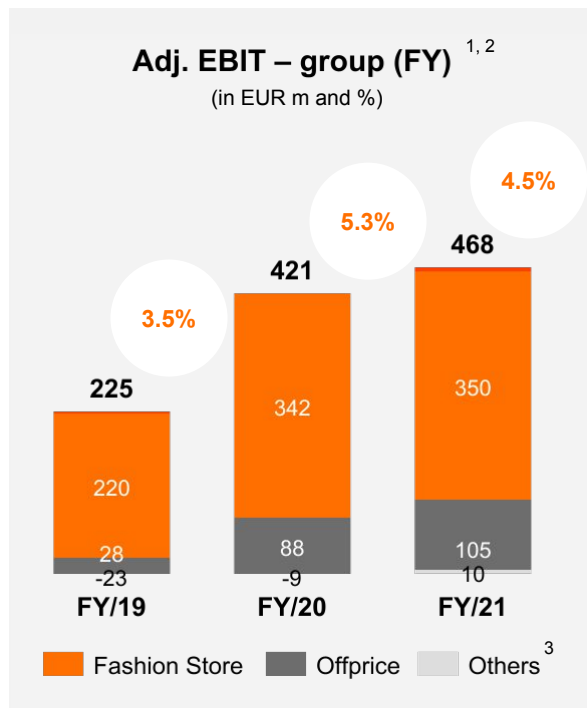


Significant growth acceleration since spring 2020 with particularly strong momentum in the first half of 2021 and normalization thereafter





Healthy levels of profitability in FY/21 on the back of strong topline momentum and continued, yet temporary return rate benefit





Q4 profitability slightly above pre-pandemic levels, yet below prior year due to promotional activity and convenience investments

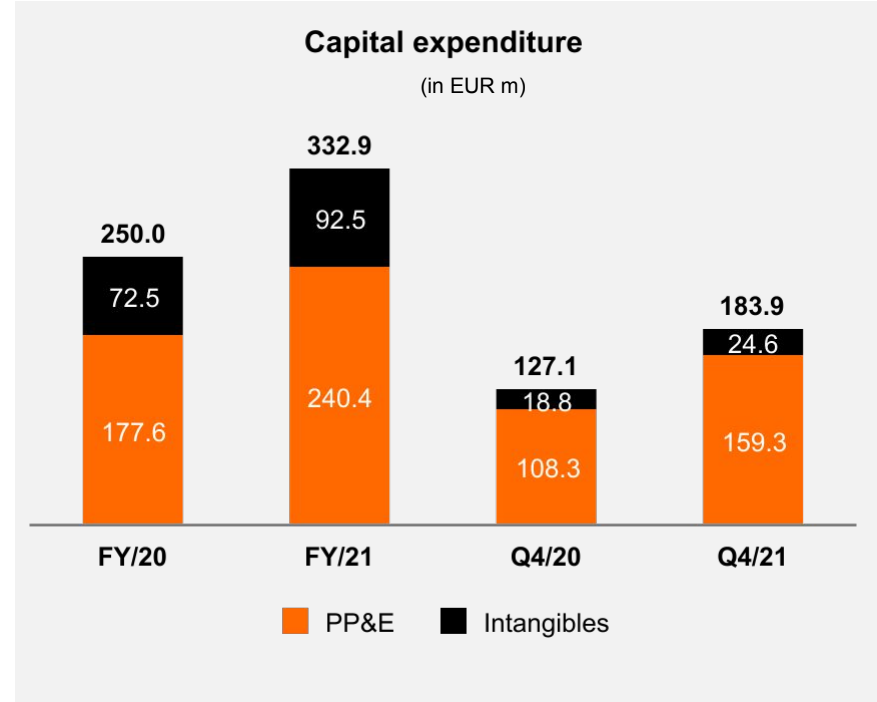
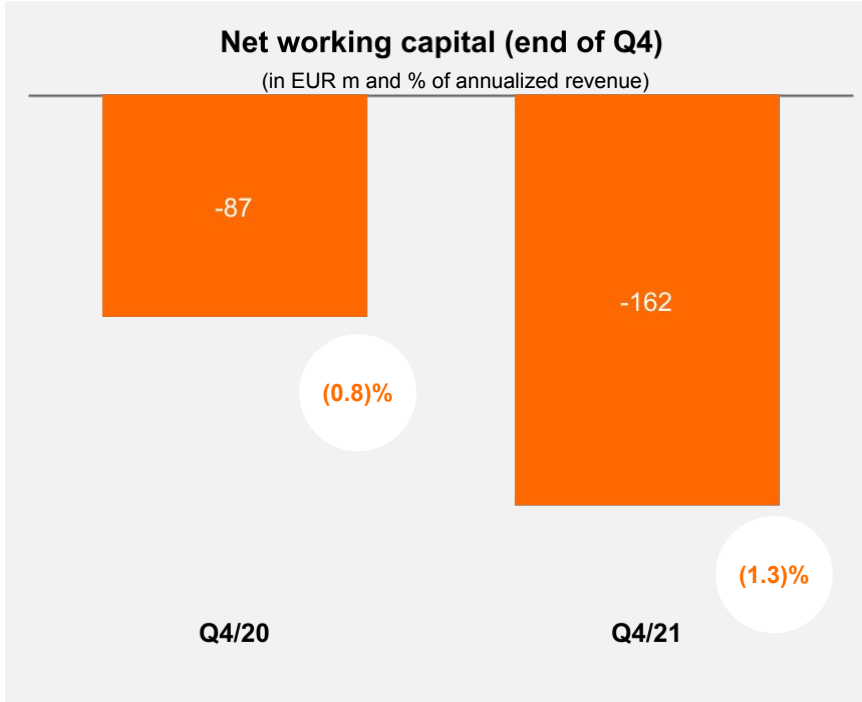
Costs and margins (in % of revenue)	FY/19	FY/20	FY/21	YoY Δ	Q4/19	Q4/20	Q4/21	YoY Δ
Cost of sales	(57.5%)	(57.5%)	(58.2%)	(0.7pp)	(57.0%)	(56.0%)	(57.5%)	(1.5pp)
Gross profit	42.5%	42.5%	41.8%	(0.7pp)	43.0%	44.0%	42.5%	(1.5pp)
Fulfillment costs	(27.3%)	(25.7%)	(25.1%)	0.6pp	(25.3%)	(22.9%)	(24.6%)	(1.7pp)
Marketing costs	(8.1%)	(8.3%)	(9.0%)	(0.7pp)	(8.7%)	(11.1%)	(9.4%)	1.7pp
Administrative expenses & Other	(4.6%)	(3.9%)	(3.6%)	0.3pp	(4.0%)	(3.2%)	(3.2%)	0.0pp
EBIT	2.6%	4.6%	4.1%	(0.5pp)	5.0%	6.9%	5.3%	(1.6pp)
Adj. EBIT ¹	3.5%	5.3%	4.5%	(0.8pp)	5.6%	7.4%	5.8%	(1.6pp)
pro-forma adj. EBIT ²		3.8%	3.4%					

promotional activity

convenience investments



Improved net working capital and Capex step up to enable future growth ambition



Outlook





FY/2022 Outlook

16% - 23%

GMV growth

12% - 19%

Revenue growth

EUR 430 - 510m

Adj. EBIT¹

EUR 400 - 500m

Capex² and negative net working capital

Excludes a potential negative impact from Russia-Ukraine armed conflict



1) Excludes equity-settled share-based payment expense ("SBC") of EUR ~65m, restructuring costs and non-operating one-time effects for FY/22

2) Excludes M&A transactions



Our strategy and investment principles will enable us to outperform the European online fashion segment in a volatile market environment

Leveraging platform model

- ✓ **Strong brand relationships**
securing access to stock
- ✓ **Dynamic offer adjustment**
to meet changing customer demand
- ✓ **Flexibility to adjust stock and capacity**
to various demand scenarios

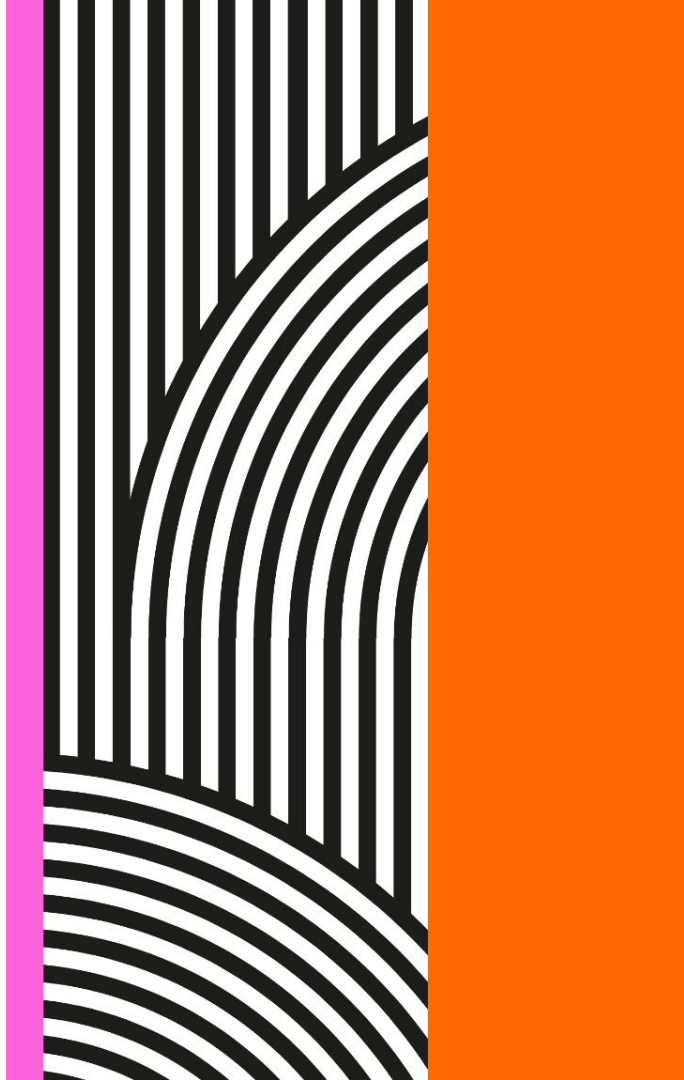
Focusing on value creation

- ✓ **Investing through the cycle**
to enable long-term value creation
- ✓ **Steering business in an agile manner**
with clear focus on RoI
- ✓ **Driving efficiencies**
to fund growth investments

2022 Performance Scenarios¹

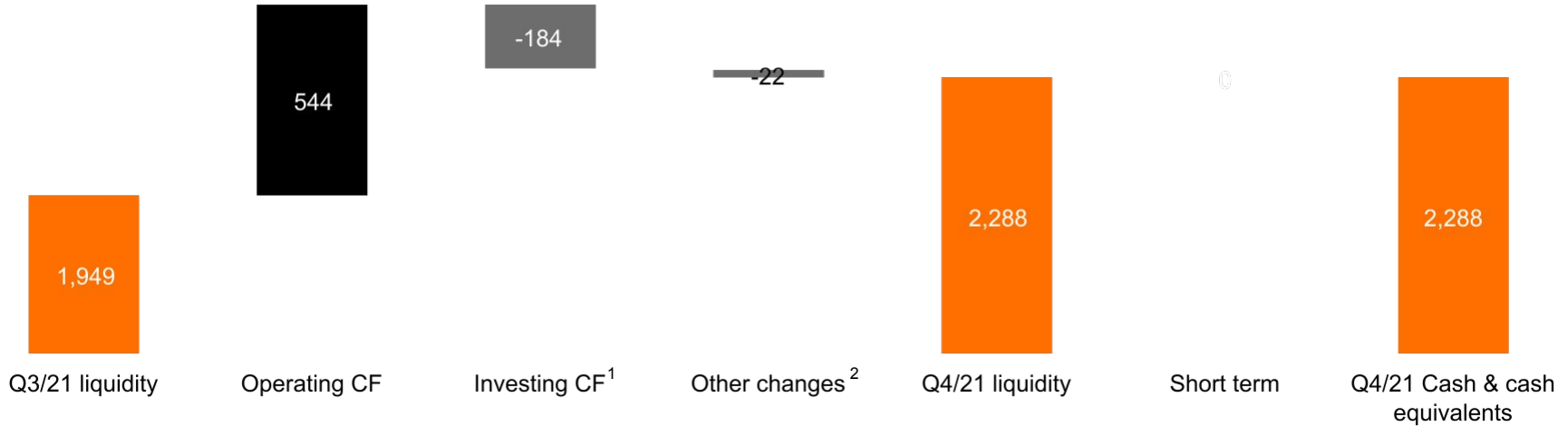
1 Consumer sentiment	2 Supply chain	3 Inflation	2022 guidance
Successful S/S 2022 season start without major negative impact	High degree of demand substitution	No impact on consumer demand	High end
Gradually fading negative impact in H1	Supply chains back to normal by H2	Volume effect and trading down	
Continued negative impact beyond H1	Continued supply chain disruptions in H2	Contraction of discretionary spend	Low end

Q&A





Cash position



19 1) Includes sales and investments in fixed and intangible assets (EUR -159.3m), payments for acquisitions (+ EUR 0.0m) and change in restricted cash (EUR 0.0m).
 2) Includes financing cash flow (EUR -24.4m) and effect of exchange rate on cash and cash equivalents (EUR -2.6m).



FY/21 GMV to revenue bridge

	(in €m)	Comment
Group GMV	14,348	Net ¹ B2C merchandise value incl. VAT
Partner Program GMV	-3,493	27.5% of Fashion Store GMV (incl. Connected Retail)
Group GMV ex Partner Program	10,855	
VAT (excl. Partner Program VAT)	-1,737	~ 16% of GMV
Group NMV ex Partner Program	9,118	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	9,114	IFRS standards, Zalando annual report 2021
Partner Program commission	+...	Incl. Connected Retail commissions
B2B service revenue	+...	Zalando Fulfillment Solutions, Zalando Marketing Services, Tradebyte Anatwine
Other B2C service revenue	+...	e.g. shipping fees, express delivery charges, Zalando Plus
Group revenue	10,354	IFRS standards, Zalando annual report 2021



Merchandise and service revenue – segment view FY/21 (illustrative)





Issued share capital

Share information

(as of Dec 31, 2021)

Type of shares	Ordinary bearer shares with no-par value (Stückaktien)
Stock exchange	Frankfurt Stock Exchange
Market segment	Regulated Market (Prime Standard)
Index listings	DAX
Total number of shares outstanding	262,022,099
Issued capital	EUR 262,022,094

Stock options programs Management Board (as of Dec 31, 2021)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2013 ¹	407,475	1.00
LTI 2018 ²	4,296,949	47.44
VSOP 2018	140,000	29.84
LTI 2019	407,756	17.99
LTI 2021	102,339	61.36
ZOP	1,903	1.00
Total	5,356,422	41.45

Stock options programs Senior Management (as of Dec 31, 2021)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 ¹	661,448	23.65
EIP ¹	2,760,276	37.26
VSOP 2017	30,000	50.00
ZOP	1,409,917	39.19
Total	4,861,641	36.05



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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.