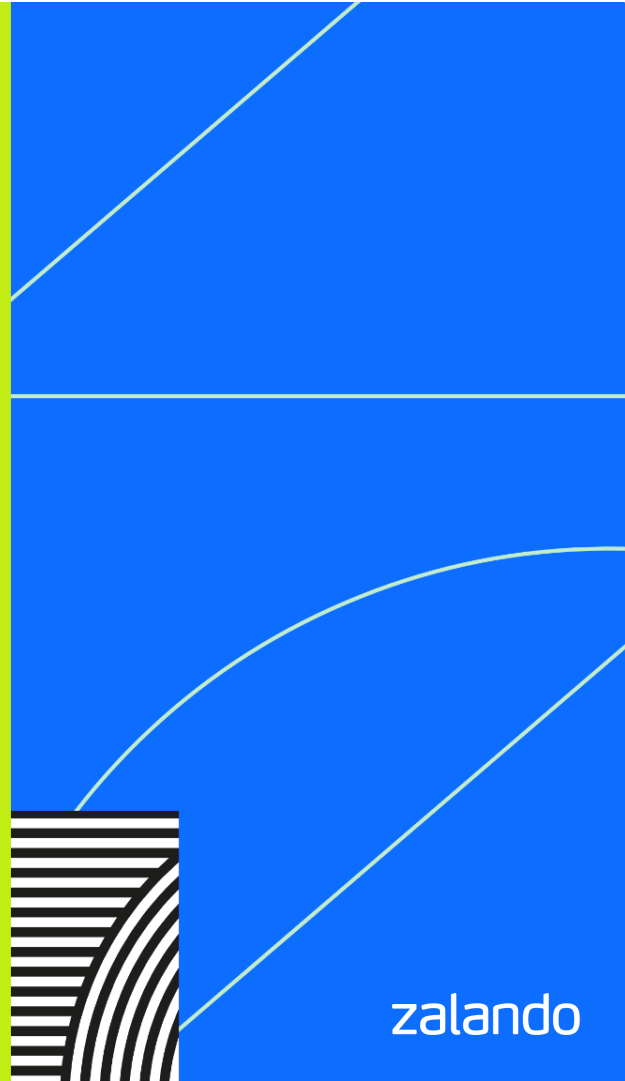




Zalando Q1/23 Earnings Call

May 4, 2023
Dr. Sandra Dembeck (CFO)



zalando

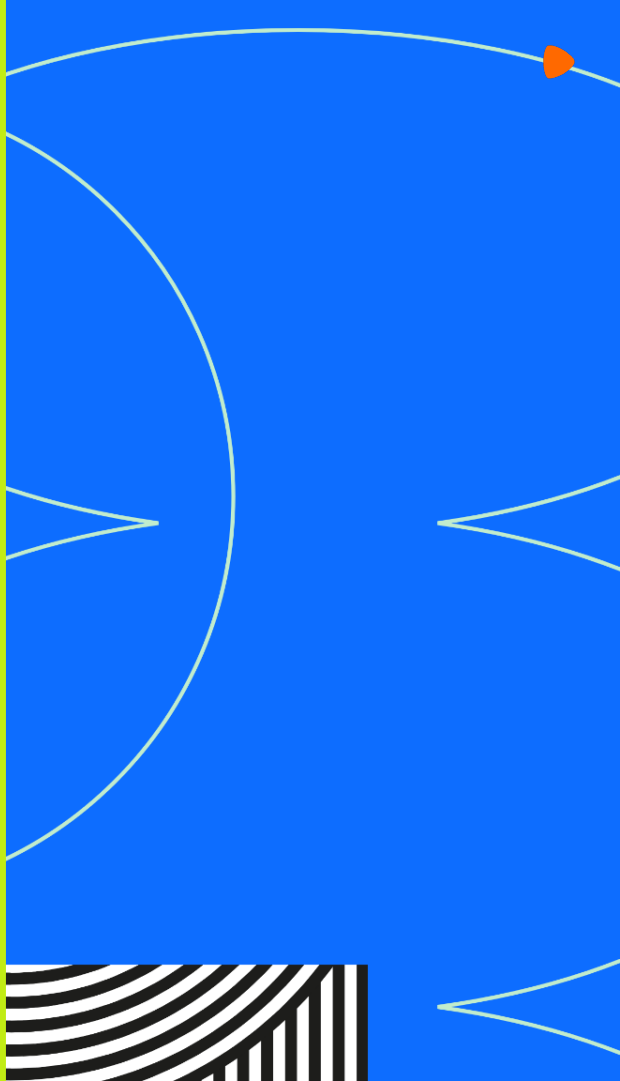
Executive summary

- 01 Solid Q1 performance despite continued macroeconomic headwinds**
Performance reflects continued focus on profitable growth with GMV growing at +2.8% and a year-over-year improvement in adjusted EBIT from EUR (52)m to EUR (1)m
- 02 On track to reach 2025 partner business target of 50% share of GMV**
Partner business share up +8pp to 39% fueled by increased adoption of Zalando Fulfillment Solutions
- 03 Successfully leveraged our Lounge by Zalando proposition to fuel growth while clearing excess inventory**
Resulting in exceptionally strong Offprice revenue growth of +33%
- 04 Remain committed to our two main ambitions for 2023:**
Profitable growth and ongoing selective investment through the cycle
- 05 Reiterating full year 2023 guidance**
GMV and revenue growth of 1% – 7% and (1)% – 4% respectively, adj EBIT in the range of EUR 280 – 350m, CAPEX of EUR 300 – 380m and negative net working capital



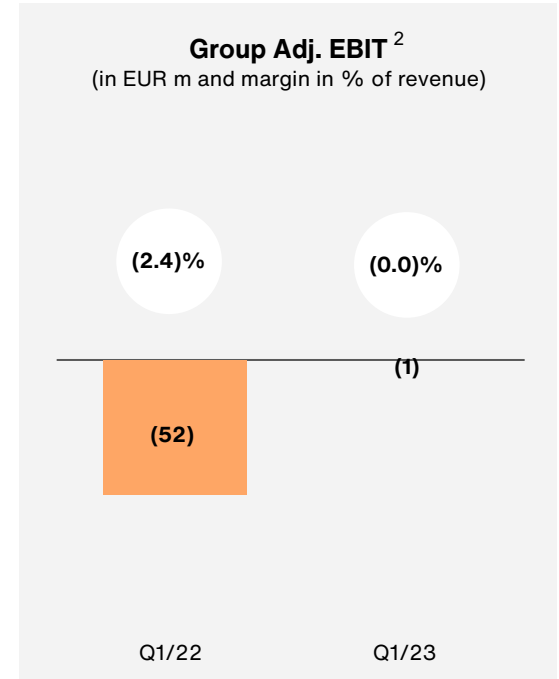
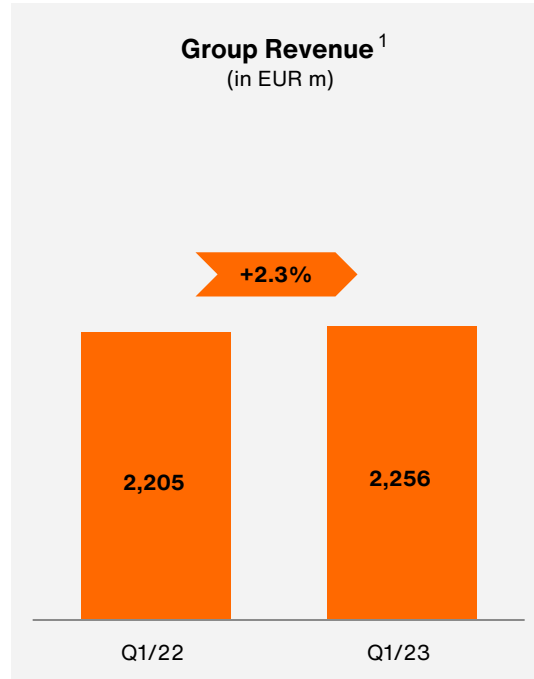
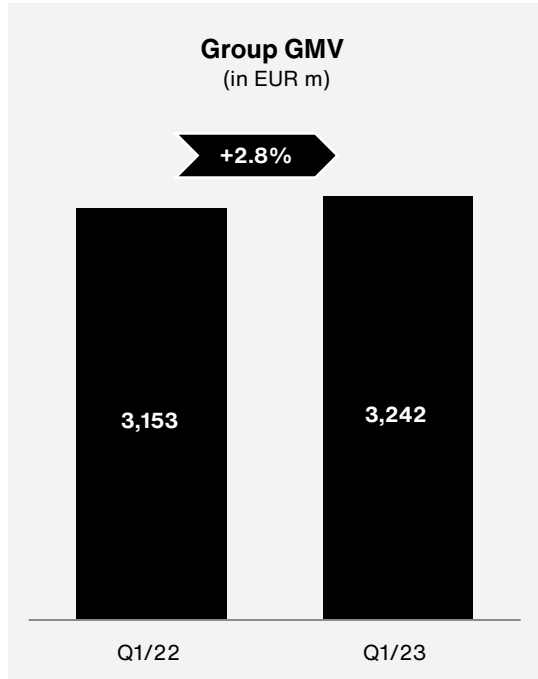
Financial update

Q1/23





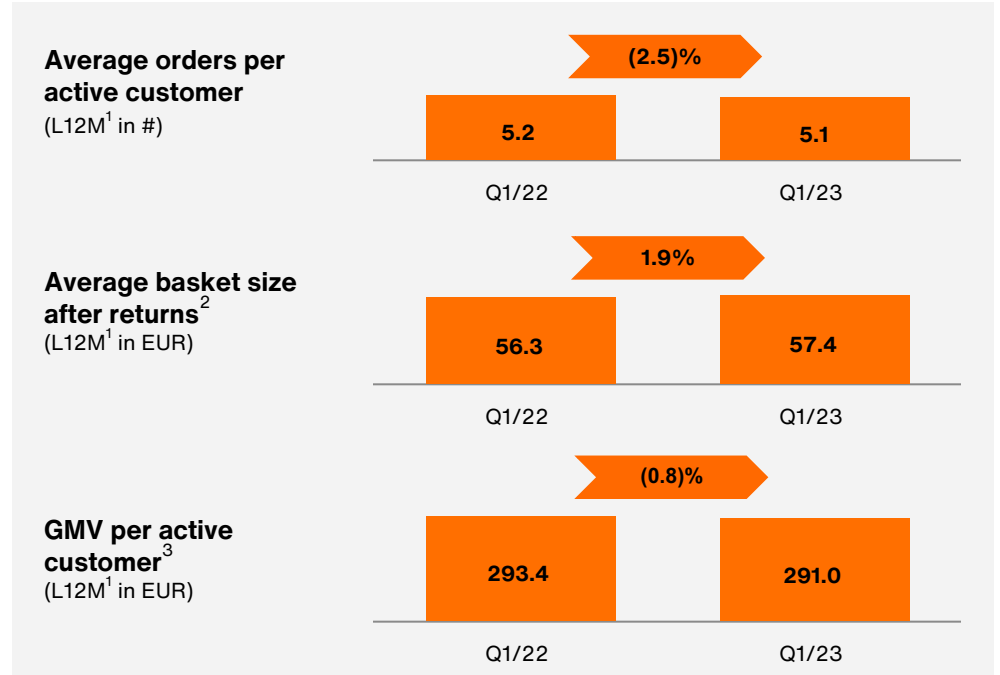
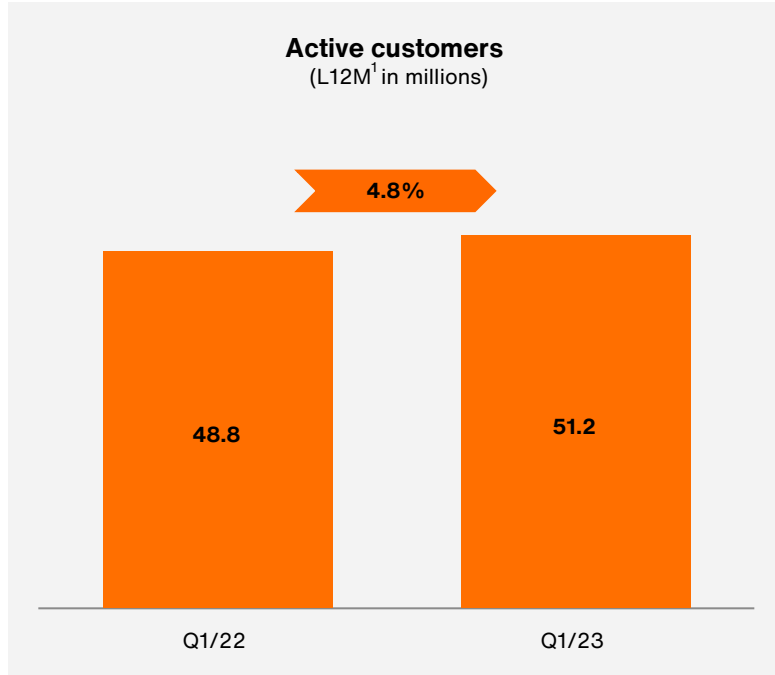
In Q1, we grew our top line and continued to significantly improve our profitability profile



4 ¹ Q1/23 contains EUR (55)m | Q1/22 EUR (45)m reconciliation of internal revenues
² Q1/23 contains EUR (5)m | Q1/22 contains EUR 3m reconciliation of internal EBIT



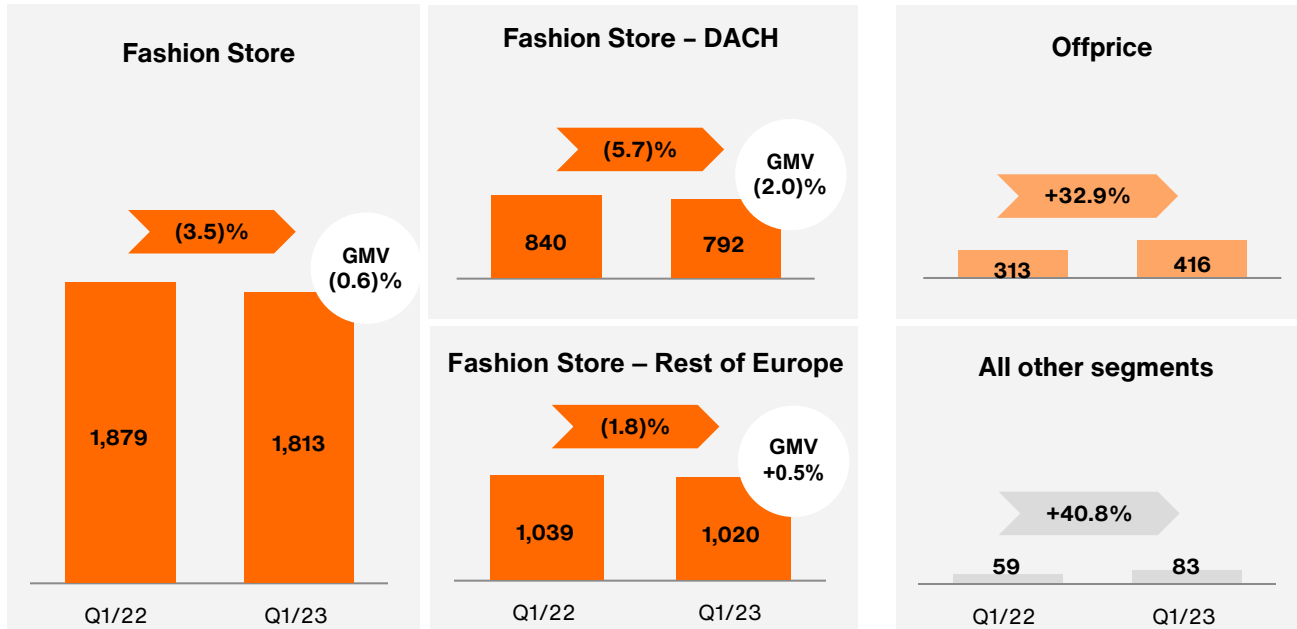
Resilient customer spend driven by larger basket sizes





Fashion Store GMV broadly flat complemented by strong growth in Offprice and all other segments

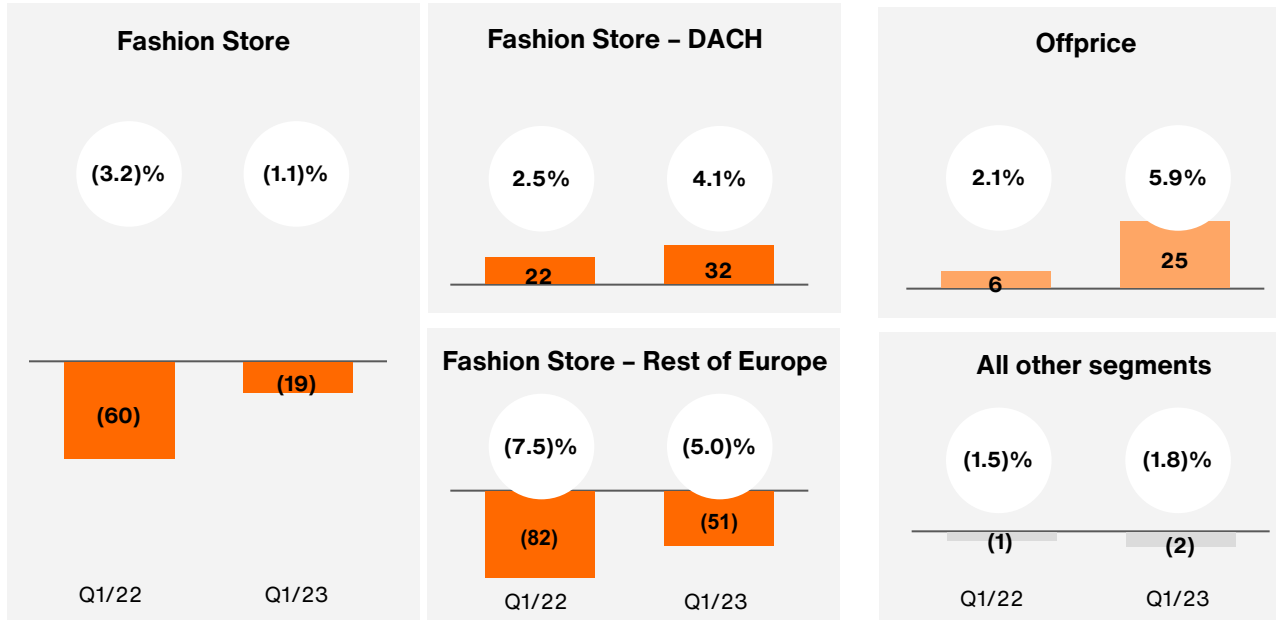
Revenue¹ (EUR m) - % growth yoy





Significantly improved profitability across Fashion Store and Offprice segment

Adj. EBIT¹ (EUR m) - margin in % of revenue





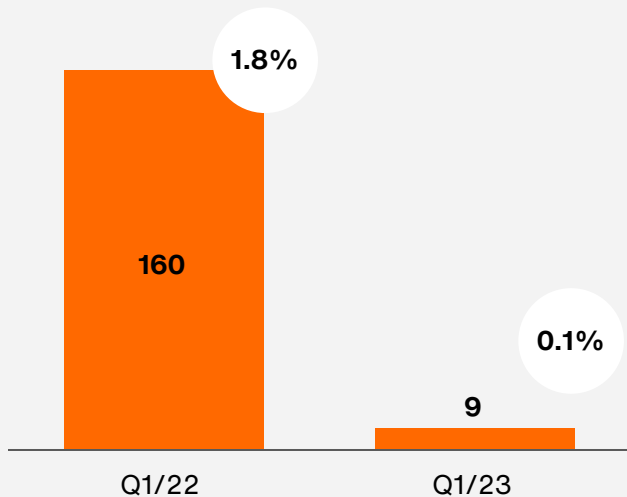
Improved group profitability through continued efficiency gains with particular focus on fulfillment

Costs and margins (in % of revenue)	Q1/22	Q1/23	YoY Δ	
Gross profit	38.7%	37.9%	(0.8)pp	Remaining inventory clearance
Fulfillment costs	(29.5)%	(26.4)%	3.1pp	Improved order economics and sustained efficiency measures more than offsets inflationary headwinds
Marketing costs	(7.6)%	(7.3)%	0.4pp	Increased scale in the Offprice business
Administrative expenses & Other	(4.6)%	(5.4)%	(0.8)pp	Inflation driven cost increases, increased SBC and inclusion of Highsnobity
EBIT	(3.1)%	(1.2)%	1.9pp	
Adj. EBIT ¹	(2.4)%	(0.0)%	2.3pp	



Lean net working capital position fuelled by increasing share of partner business

Net working capital (end of Q1)
(in EUR m and % of annualized revenue)



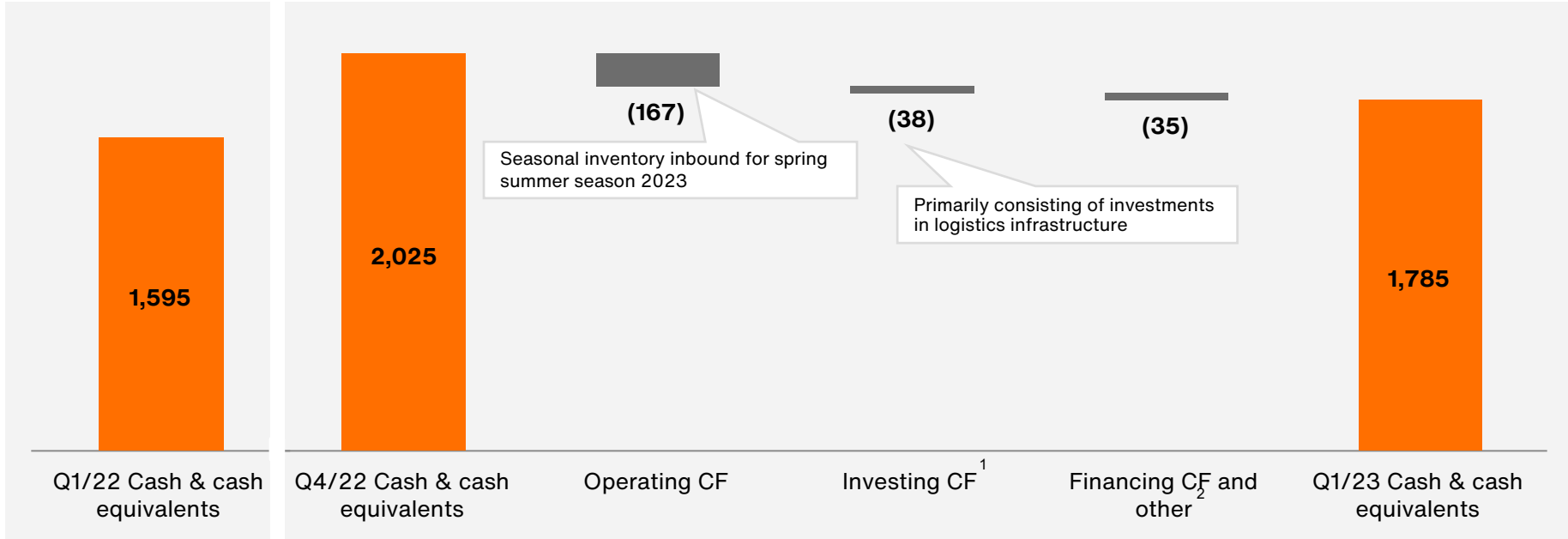
EUR m	Q1/22	Q1/23	YoY Δ
Inventories	1,953	2,058	5%
Trade Receivables	635	738	16%
Trade Payables	2,428	2,787	15%

Strong growth momentum
in partner business



Cash and cash equivalents remain strong at EUR ~1.8 billion

in EUR m



10 1) Includes sales and investments in fixed and intangible assets of EUR (37.7)m, payments for acquisitions of EUR (0.5)m and change in restricted cash of EUR 0.0m
2) Includes financing cash flow of EUR (29.6)m and effect of exchange rate on cash and cash equivalents of EUR (5.5)m

Outlook



We remain committed to our two main ambitions for 2023, profitable growth and continued investment through the cycle

Key objective

Immediate focus & decisive action



Strengthen gross margin

- More conservative wholesale buy, scale up via re-order and partner business
- Increase relevance of assortment and drive customer engagement towards black prices
- Update partner commission table



Simplify for speed of execution

- Reduce complexity in our organisation and simplify for speed of execution
- Operating model in line with customer-centric decision making to accelerate our strategy



Selectively invest for future growth

- Continue to invest in logistics network built out, yet pace adjusted to current macro environment
- Continued investment in key capabilities which power the platform



**Capsule by Paco Rabanne
exclusively on Zalando**

Reiterating our full year 2023 guidance

Our outlook reflects our continued focus on profitable growth in a temporarily demand constrained and inflationary cost environment

Growth	GMV	1% – 7%
	Revenue	(1)% – 4%
Profitability	Adj. EBIT ¹ (in EUR m)	280 – 350
Cash	Capex (in EUR m)	300 – 380
	Net working capital (in EUR m)	negative

13 ¹ Excludes equity-settled share-based payment expense ("SBC"), restructuring costs, non-operating one-time effects and acquisition-related expenses



Key takeaways

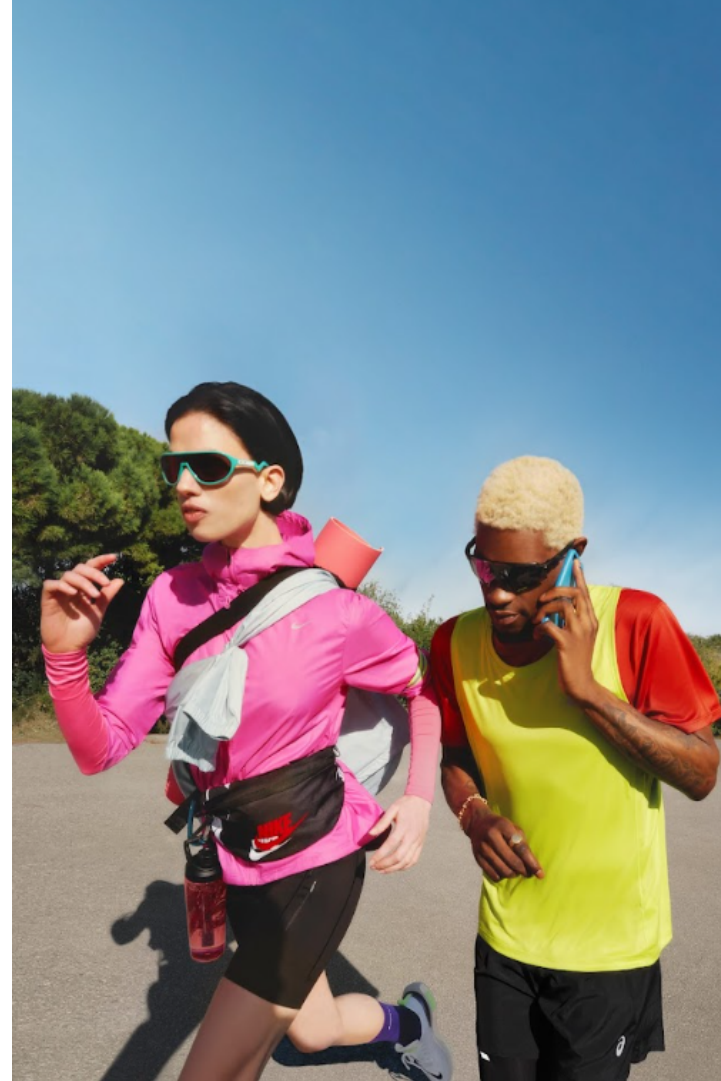
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Q&A





Issued share capital

Share information

(as of Mar 31, 2023)

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	263,558,926
Issued capital	EUR 263,558,926

Stock options programs Management Board (as of Mar 31, 2023)

Program	# Options outstanding	Weighted average exercise price (EUR)
LTI 2018 ²	4,296,949	47.44
VSOP 2018	60,000	29.84
LTI 2019	339,256	21.43
LTI 2021/2022	236,417	48.53
ZOP	17,525	1.00
Total	4,950,147	45.33

Stock options programs Senior Management (as of Dec 31, 2022)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 ¹	603,901	24.08
EIP ¹	2,677,558	38.07
ZOP	4,097,867	28.69
Total	7,379,326	31.72



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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.