



Strategy Update 2024

Building the ecosystem
for fashion and lifestyle
e-commerce

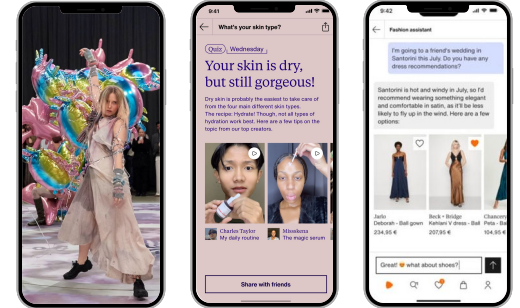
Robert Gentz, Co-CEO
David Schneider, Co-CEO

March 13, 2024

01

Our story and impact so far

Our strong focus on the needs of customers and partners made us what we are today

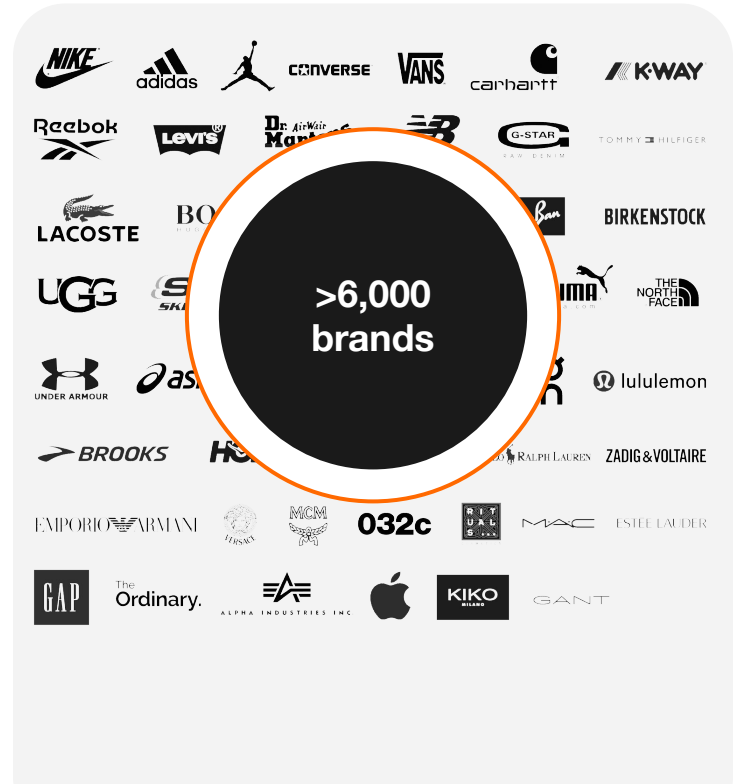


We have become THE European meeting point of customers and lifestyle brands



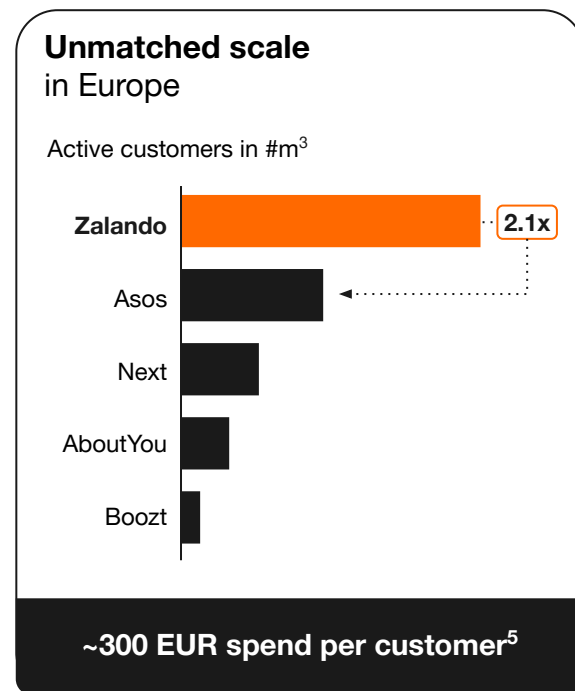
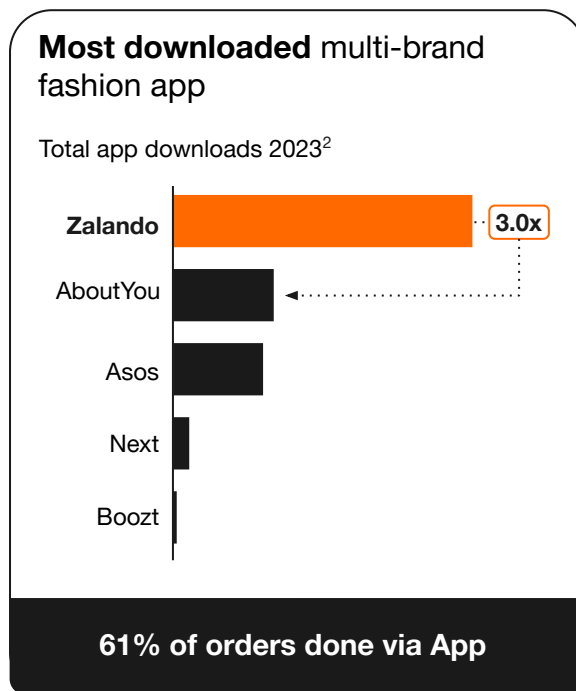
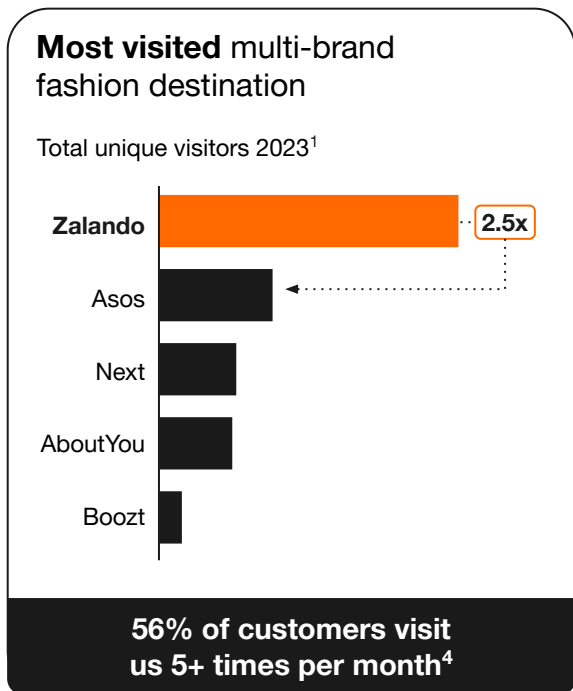
61%
of consumers prefer to shop fashion at multi-brand retailers¹

15
different brands ordered by average Zalando customer²





We are the leading multi-brand fashion destination in Europe



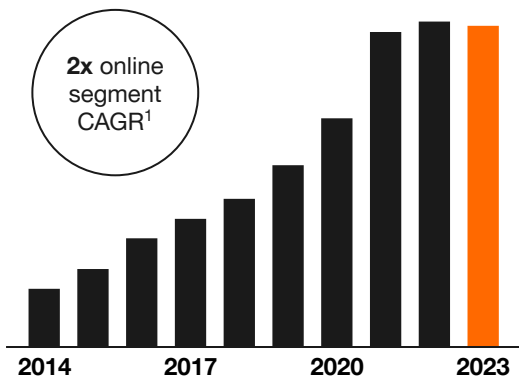
^{1,2} Source: SimilarWeb, February 2024; ³ Company information, latest published last 12 month figures, Q4/23; ⁴ Defined as "logged-in visitor" and Fashion Store only; ⁵ Defined as GMV divided by the number of active customers, last 12 months, Q4/23



We have delivered strong and profitable growth since our IPO - and quickly adapted to a new macroeconomic environment

Serving **~50m customers** translating into **~15bn euros** of GMV

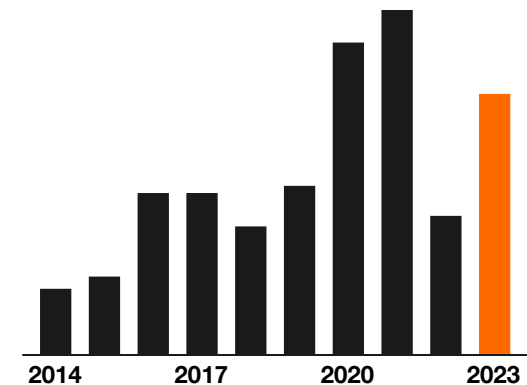
GMV CAGR (2013–2023): 21%



Group GMV in EUR billion

Consistently delivered profitability with **high re-investment** into growth

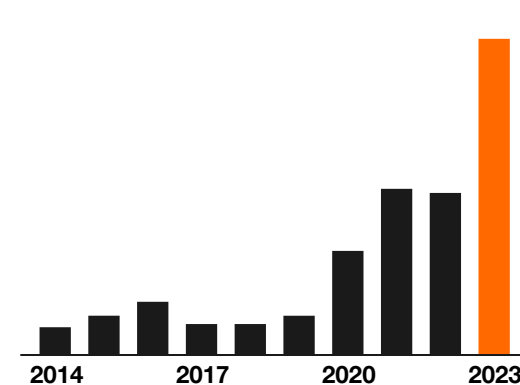
Adjusted EBIT of EUR 350m in 2023



Group adjusted EBIT in EUR million

Positive cash generation translates into **well-financed balance sheet**

Strong cash position of EUR 2.5bn² at YE 2023

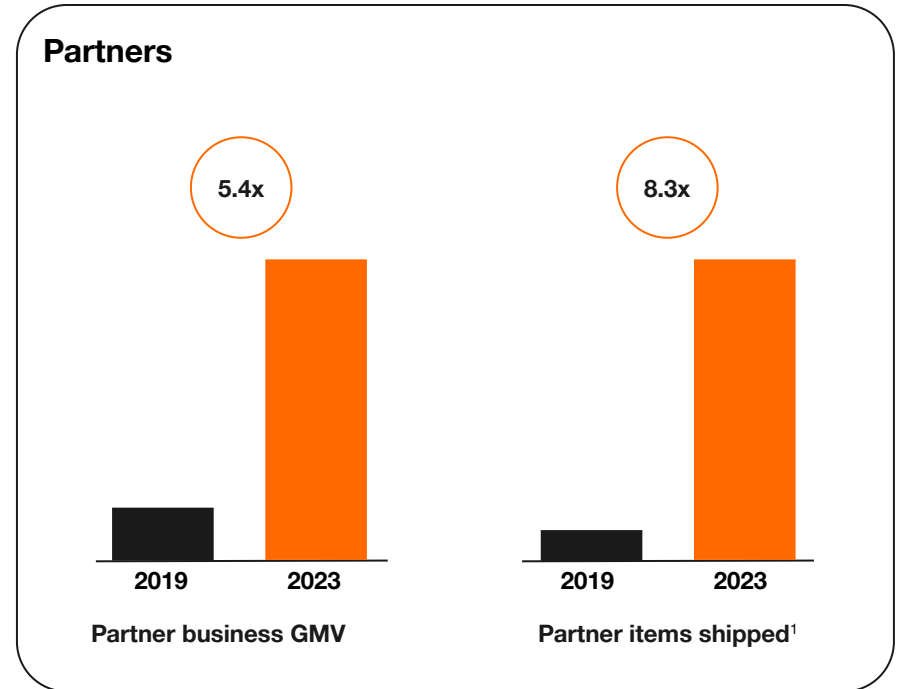
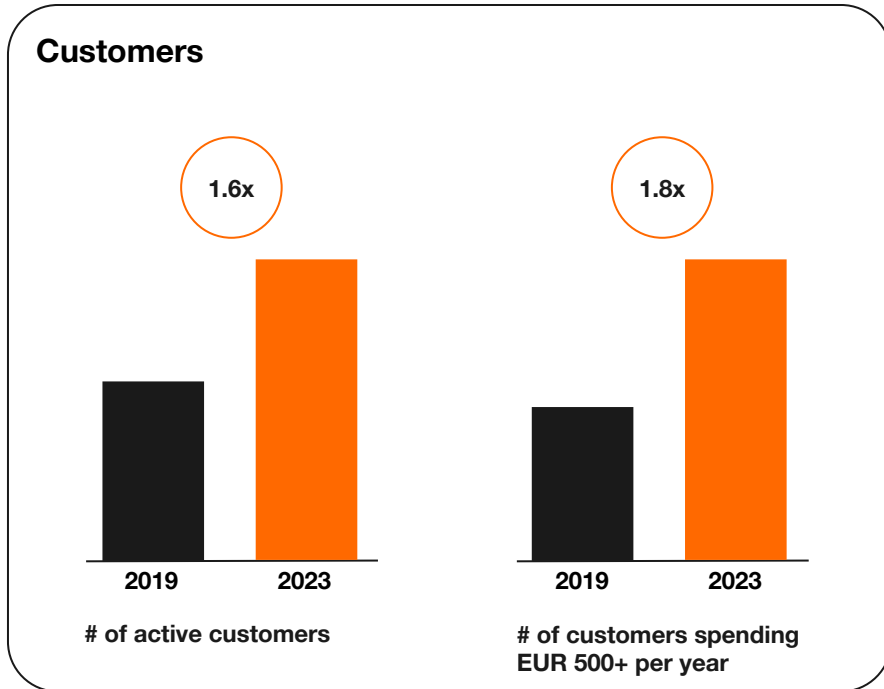


Accumulated Group free cash flow in EUR million (since 2014)

¹ Source: Euromonitor as of February 2024, International forecasts, values based on actuals and estimates; fixed exchange rates. Fashion data incl. apparel and footwear, bags and luggage, jewelry and watches. Data for Europe (excluding Russia) inclusive of sales tax; ² Includes proceeds of convertible bond issued in 2020



Our unique platform strategy accelerated our growth trajectory with customers and partners



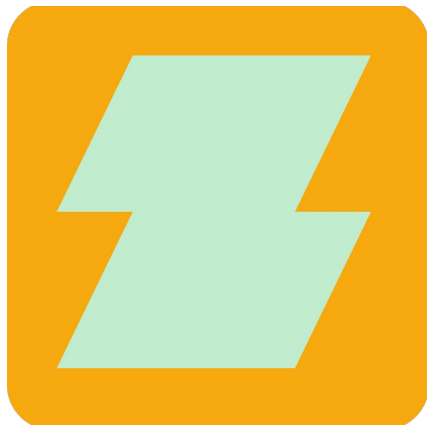
¹ via Zalando Fulfillment Solutions (ZFS)

02

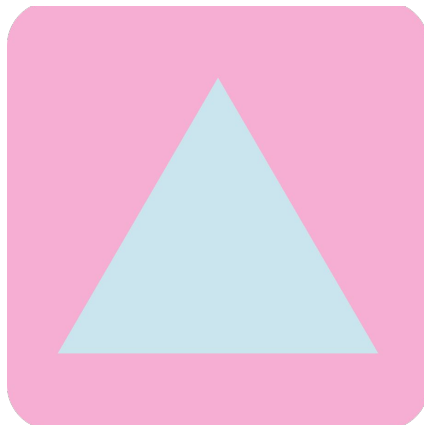
Looking forward



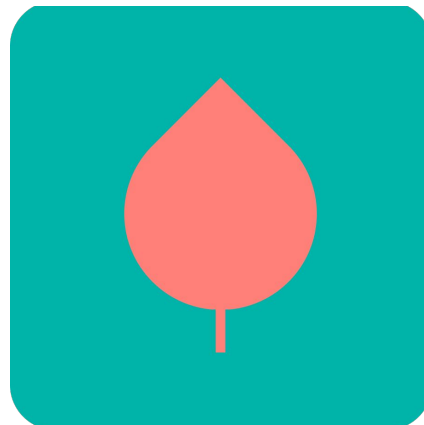
Societal shifts and evolving needs of customers and partners create new opportunities



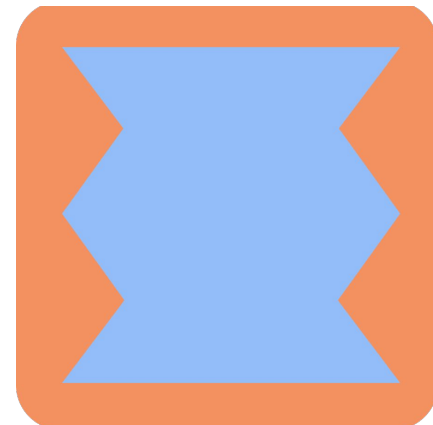
A digital-first generation shops differently and seeks inspiration throughout their shopping journey



Generative Artificial Intelligence radically transforms how businesses create content and engage with customers



Regulators and consumers drive the fashion industry towards a **lower environmental footprint** and a more equitable and circular supply chain



Brands and retailers struggle with an ever more **complex, demanding and fragmented European market** and channel landscape

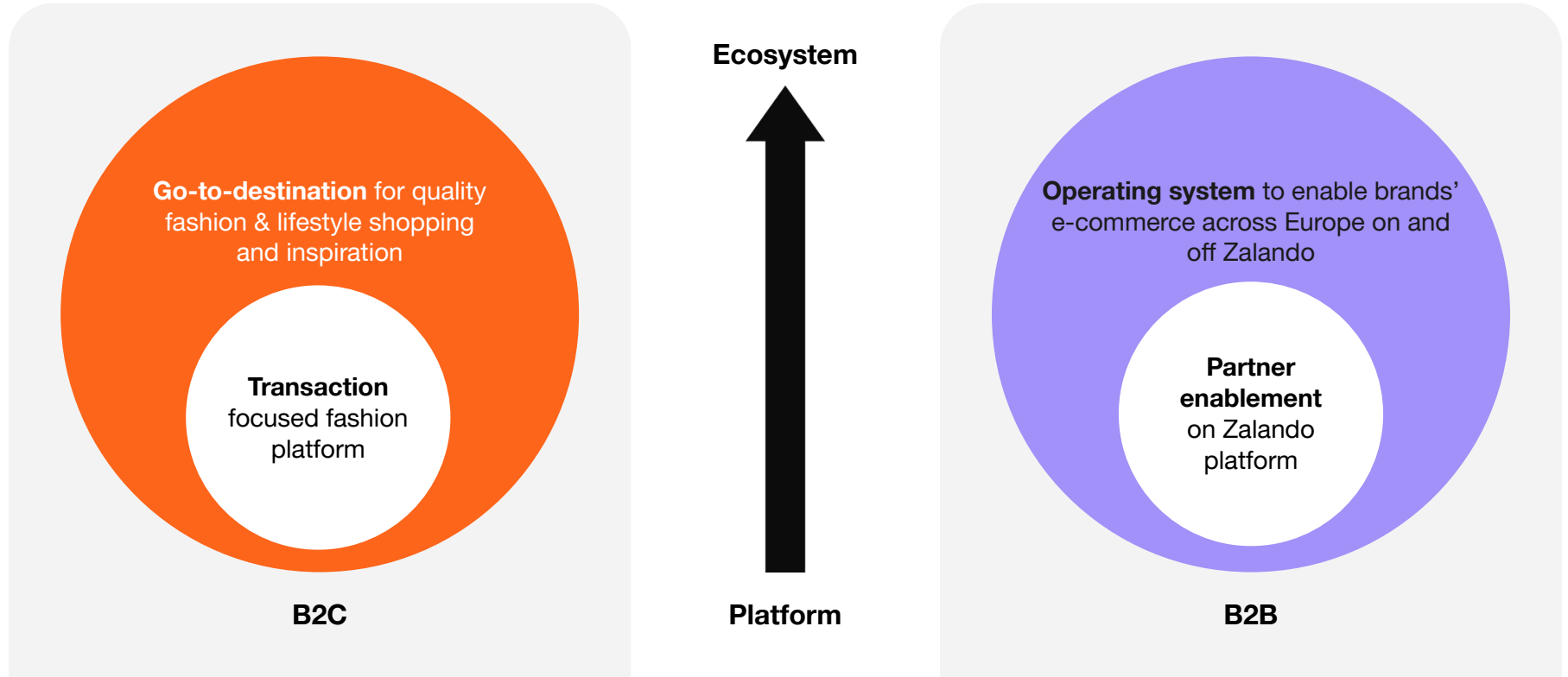


We expand our strategy towards building a pan-European ecosystem for fashion & lifestyle e-commerce





Expanding from platform to ecosystem boosts the scope and impact of our growth vectors B2C and B2B





Our ecosystem enables a more sustainable fashion and lifestyle industry at scale

Strategy



Sustainability

Ecosystem



Platform

Ambition



03

B2C: The go-to-destination for quality fashion & lifestyle shopping and inspiration



The growth of our B2C platform is driven by three strategic pillars

Multi-brand platform

Differentiation through quality



Lifestyle expansion

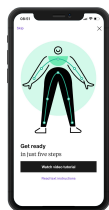


Inspiration & entertainment



We are differentiating through quality across the customer journey

Trusted European brand



Tailored & innovative digital experience



Sustainable & inclusive choices

89%

customer satisfaction with 'product quality'

60%

of all items sold on Zalando use size advice

>430

adaptive fashion styles launched

92%

customer satisfaction with 'ease of payment process'

Highly relevant assortment & content

crocs

HELMUT LANG

MISSONI

MOSCHINO

adidas

no

LACOSTE

Rapha.

MCM

NIKE

BOSS HUGO BOSS



Localized & personalized convenience

Loyalty Program





Our quality differentiation drives a flywheel for customers, partners and Zalando with substantial benefits

Customer benefits

- **Access** to more than **6,000 brands**
- **11,000 exclusive** products (2023)
- **300 hot drops** (2023)



Partner benefits

- Unparalleled access to about **50m active customers** in **23 markets** via Partner Program
- Ability to **authenticate** in a **quality multi-brand environment**

Zalando benefits

- **Higher scalability and flexibility** with a **50% Partner Program CAGR** (2019-2023)
- **Margin accretive** platform business



Three strategic growth pillars elevate our B2C business

Multi-brand platform

Differentiation through quality



Lifestyle expansion

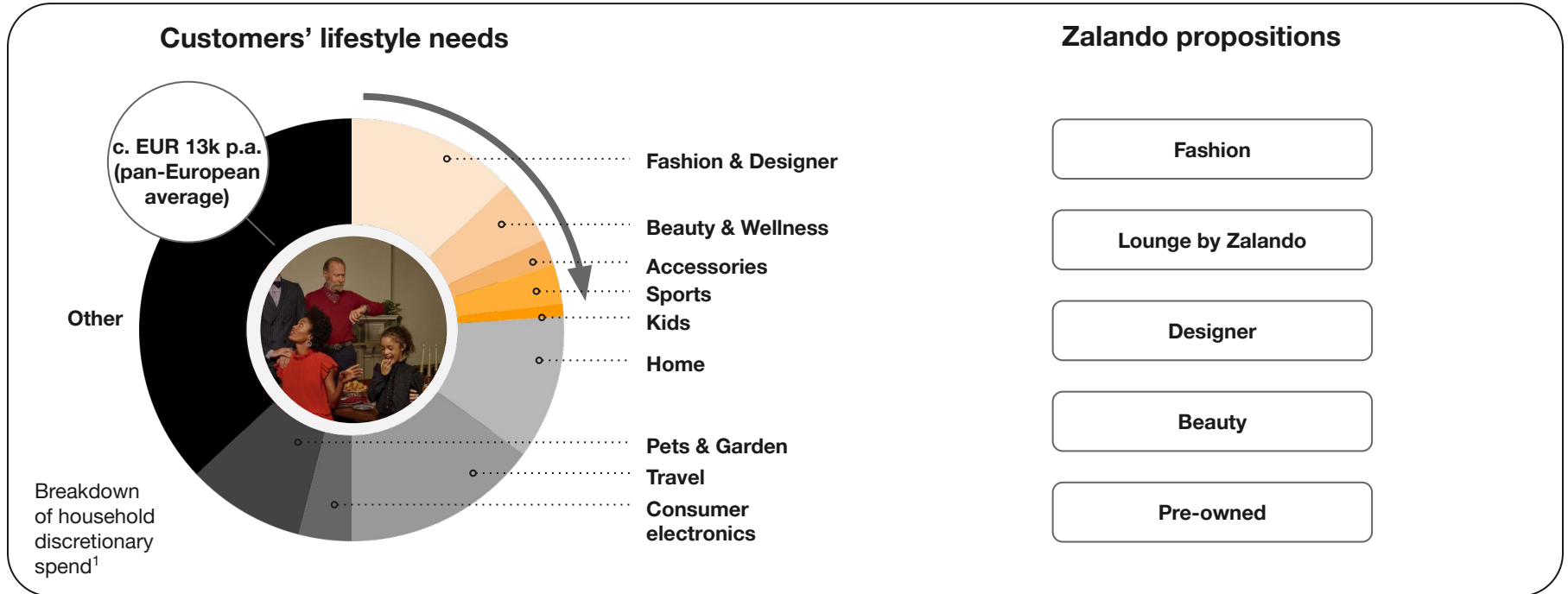


Inspiration & entertainment





We serve more of our customers' lifestyle needs with growing and powerful propositions



¹ Source: Eurostat COICOP excl. Rent, Utilities, etc. (2020), Statista

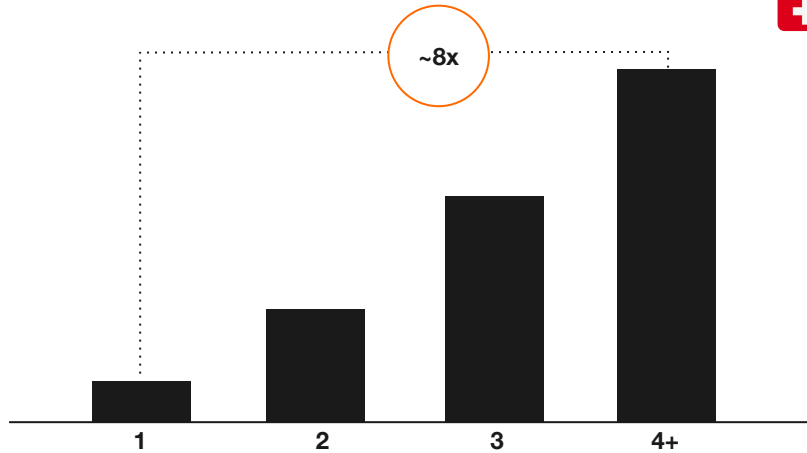


Our multi-proposition machine has been delivering results – even in a challenging environment

Customers shopping multiple propositions spend more ... (in DACH, 2023)



GMV spent per customer

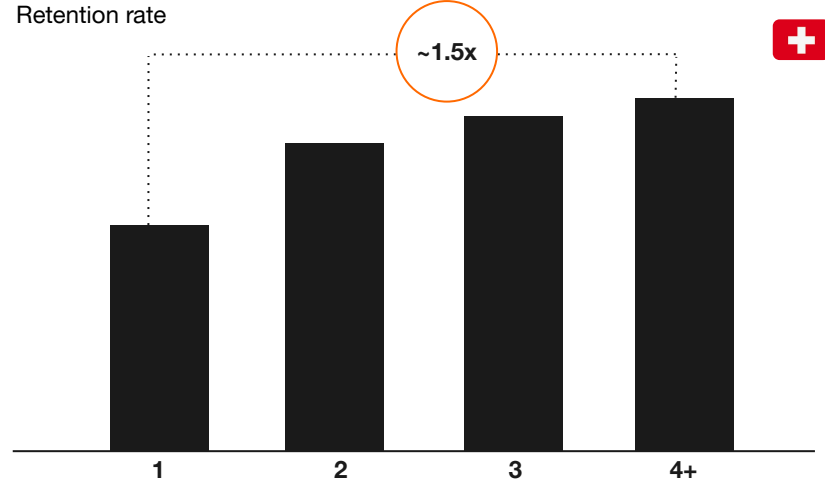


No. of propositions

... and show significantly higher retention rates (in DACH, 2023)



Retention rate



No. of propositions



Our multi-proposition machine has tremendous room for growth

We will drive growth by rolling out existing **propositions to more markets**

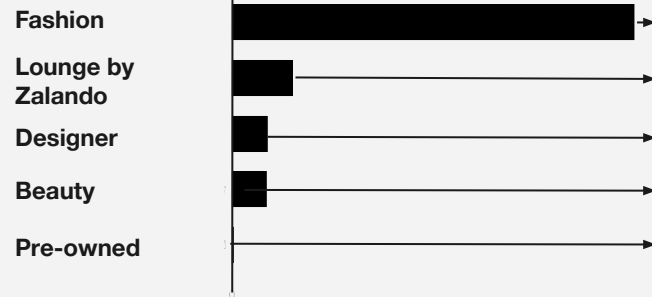
Average no. of propositions per market cluster (illustrative)



All propositions live in all markets

And we see a massive opportunity for driving **multi-proposition adoption**

Customers per proposition (in #m)¹ (illustrative)



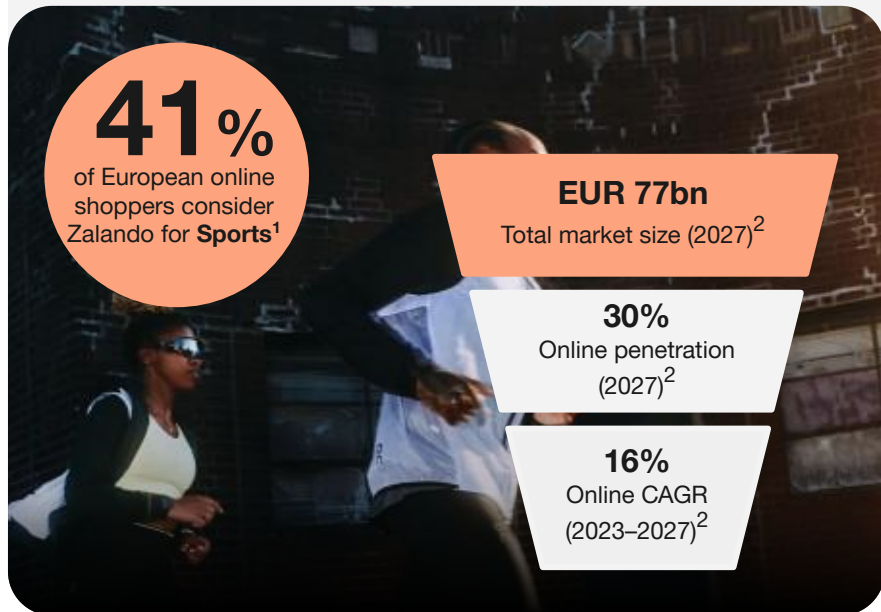
All customers buying all propositions

¹ Active customers per proposition. Data for 2023

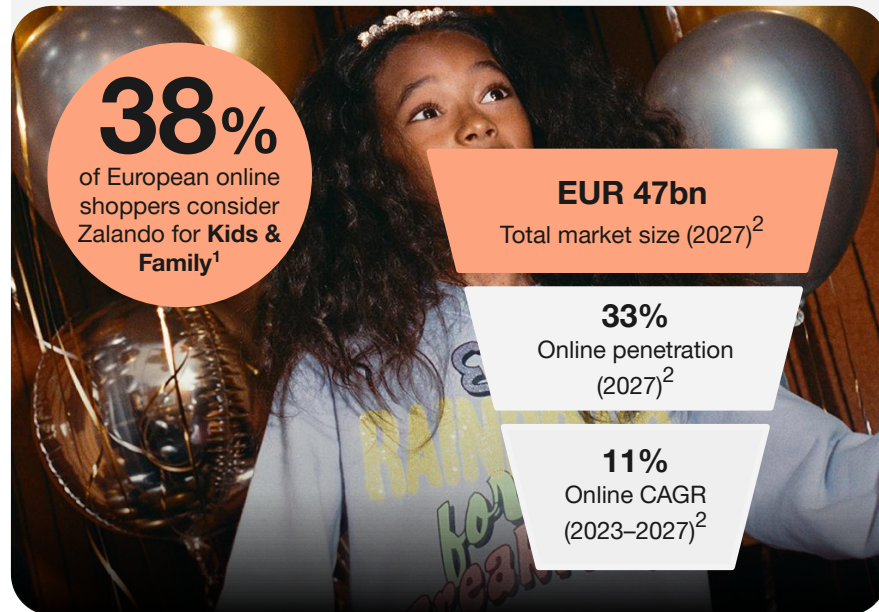


We build powerful new propositions in Sports and Kids & Family

Sports



Kids & Family



¹ BCG Survey, November 2023; ² Euromonitor data as of February 2024, International forecasts, values based on actuals and estimates; fixed exchange rates



Three strategic growth pillars elevate our B2C business

Multi-brand platform

Differentiation through quality



Lifestyle expansion



Inspiration & entertainment





We set out to solve major customer challenges around inspiration & entertainment in fashion & lifestyle e-commerce



I love my mobile phone but sometimes I am overwhelmed by all the noise and information I get online

Information Overload



I love to shop online but it often takes too much time to really find what I need. I would love to have some sort of digital Fashion Assistant

Lack of Personalisation



I have so many apps on my phone. Some for online shopping, some for entertainment. But it would be nice to have one app that combines both!

Shopping - Inspiration Disconnect



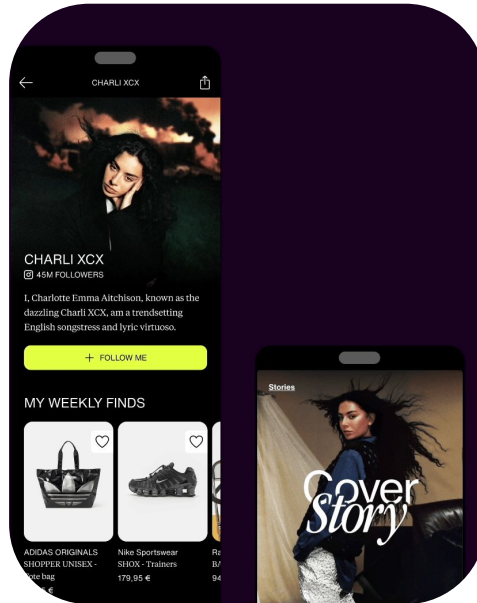
We already integrated inspirational and conversational content into the e-commerce experience – and people love it

Quality content Highsnobiety & Stories

“Stories”
enhance engagement

~5m

engaged customers
since launch

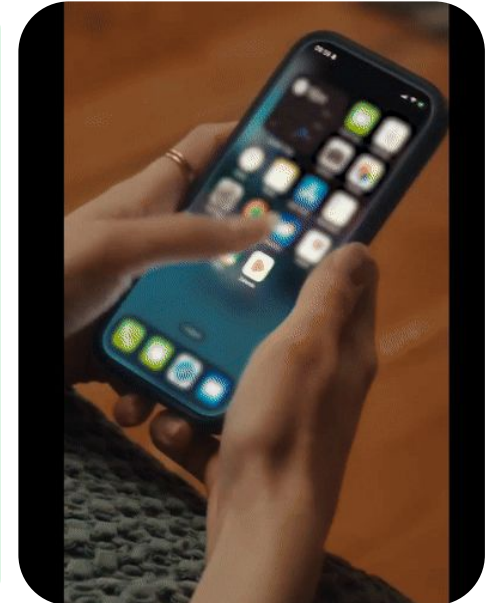


Personalised inspiration Zalando Assistant

Successful proof of
concept, ready to scale

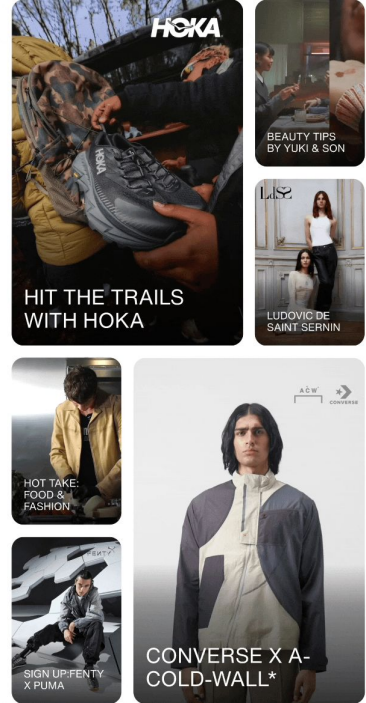
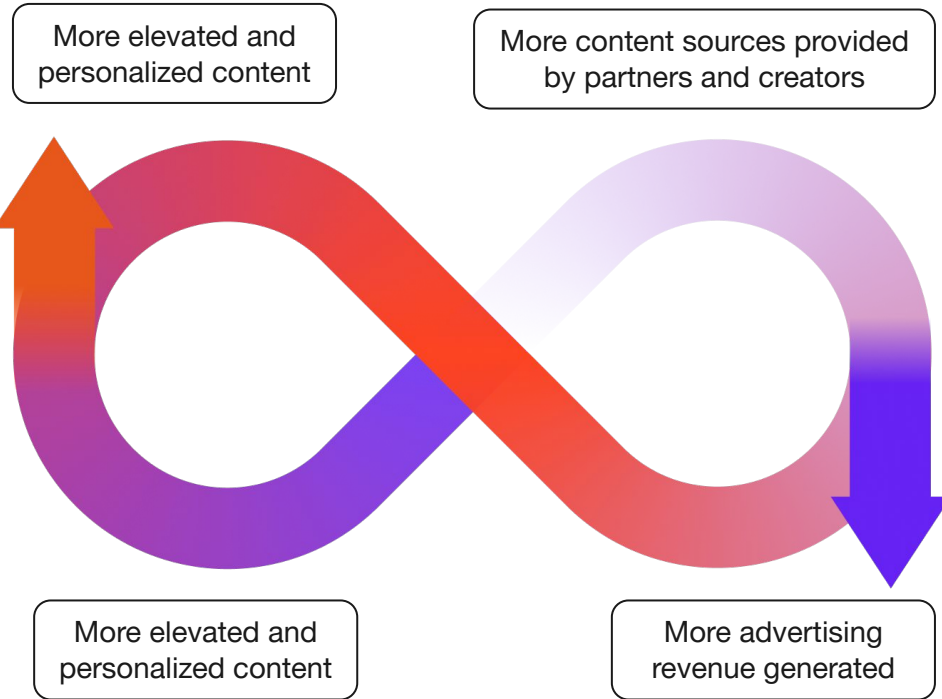
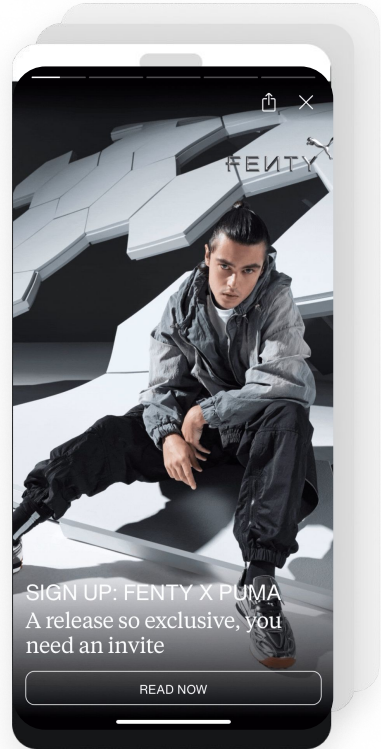
~0.5m

customers already
engaged with Zalando
Assistant in 4 markets



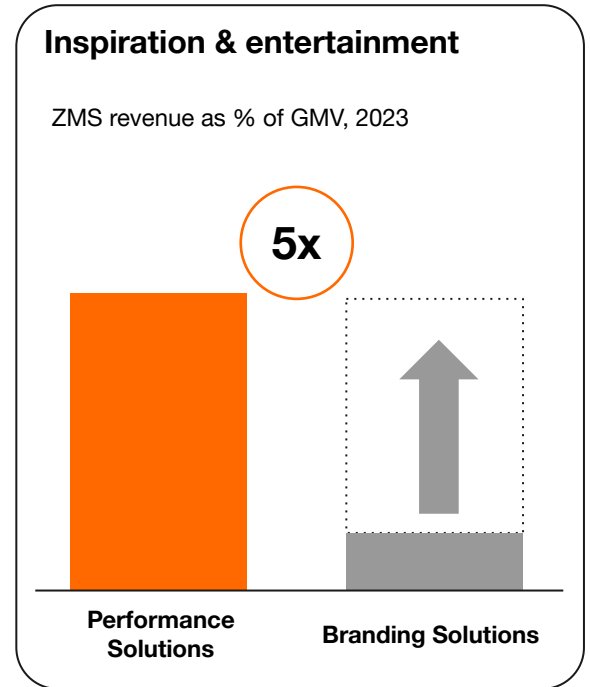
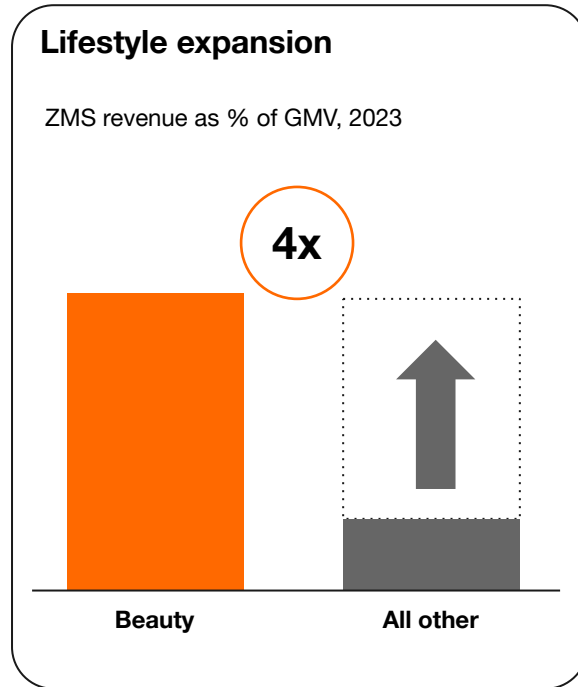
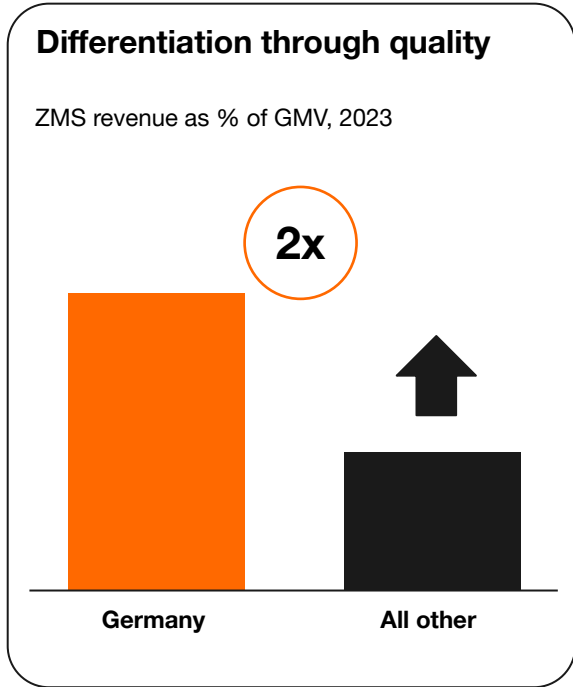


Personalised content at scale drives user engagement, time spent and advertising





Progressing on our strategic growth pillars in B2C will create an even more attractive advertising environment for brands





Three strategic growth pillars for our B2C business present a clear path to strong growth again

Multi-brand platform

Differentiation through quality



Active customers

Lifestyle expansion



Share of wallet

Inspiration & entertainment



User engagement

04

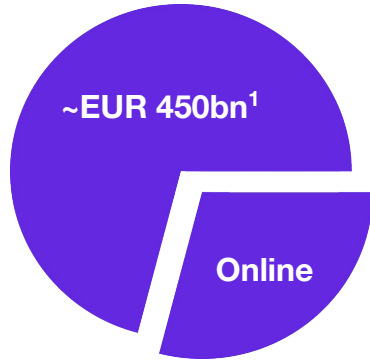
B2B: The operating system to enable e-commerce across Europe on and off Zalando








To unlock Europe's full potential, brands need to overcome the inherent complexities of cross-border e-commerce

The opportunity

Total fashion market Europe



The challenges

-  40+ countries
-  30+ languages
-  30 currencies
-  Dozens of payments, delivery & return solutions
-  Multiple sales channels

¹ Source: Euromonitor market size 2023 as of February 2024, International forecasts, values based on actuals and estimates; fixed exchange rates. Fashion data incl. apparel and footwear, bags and luggage, jewelry and watches. Data for Europe (excluding Russia) inclusive of sales tax



We've already successfully proven that we can build capabilities that help brands overcome Europe's challenges

Zalando European logistics network

12

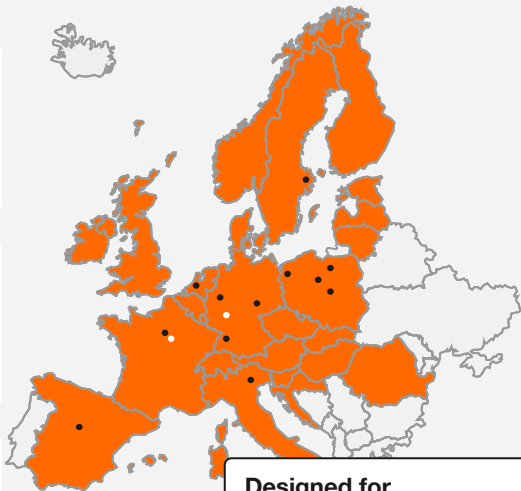
Fulfillment centers

20

Return centers

40+

Carrier integrations



Designed for

- Superior service quality
- More sustainable operations
- Scalability and cost efficiency

Under construction

Zalando Fulfillment Solutions (ZFS)

ZFS enabled Partner Program GMV in EUR

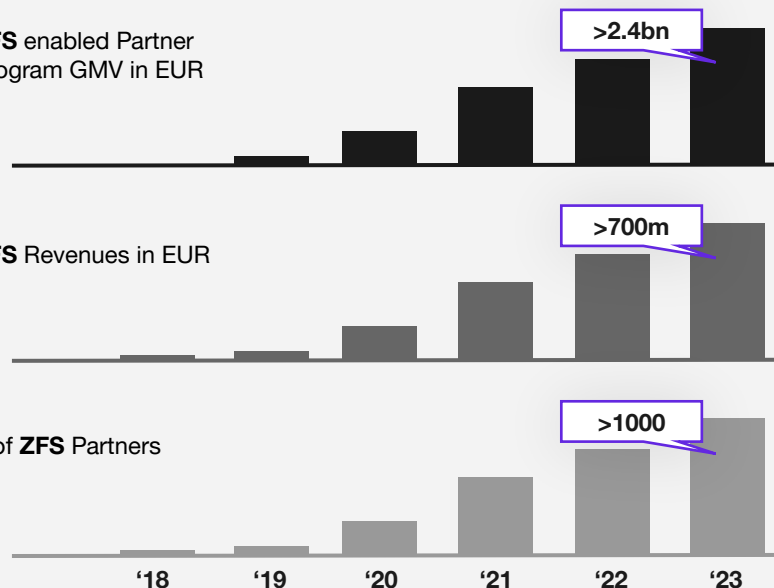
>2.4bn

ZFS Revenues in EUR

>700m

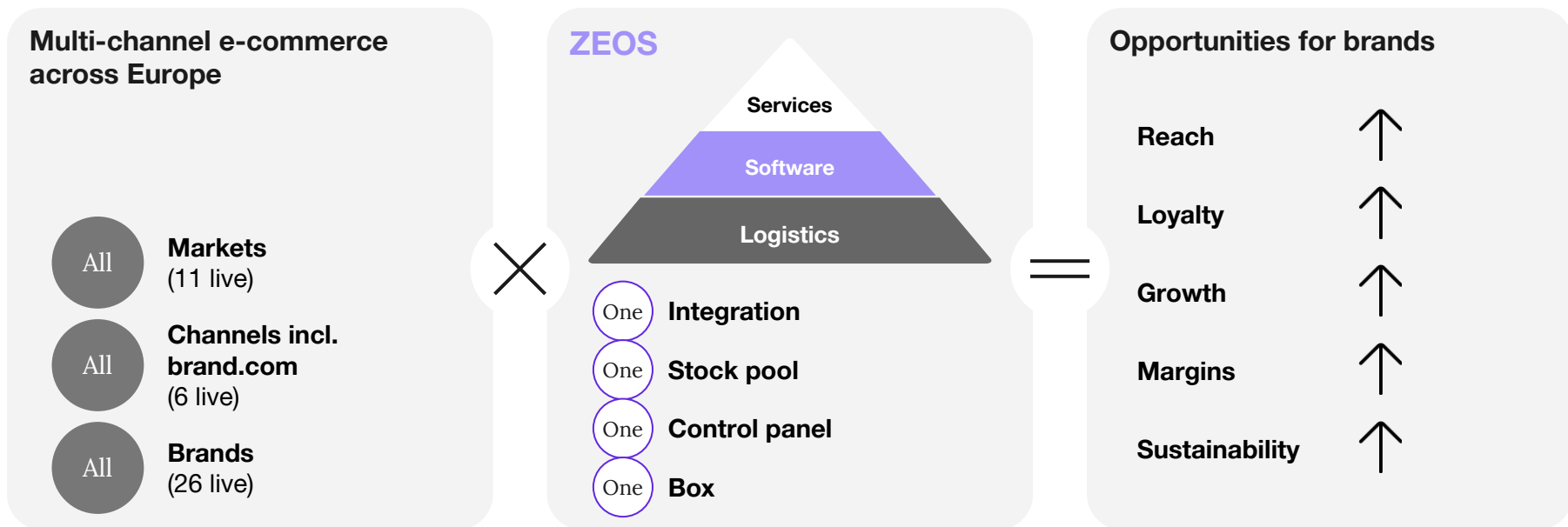
of ZFS Partners

>1000





With ZEOS, we are building an operating system that allows brands to run and scale their entire European e-commerce business



B2B already is a EUR ~0.9bn revenue business today¹

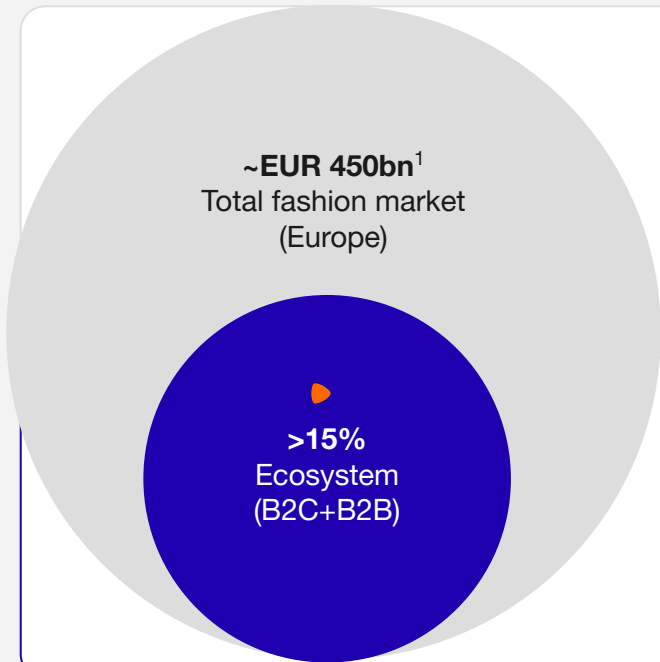
¹ ZEOS includes Zalando Fulfillment Solutions (ZFS); Multi-channel Fulfillment and Tradebyte; B2B segment also includes Highsnobiety as another brand-facing business of Zalando Group

05

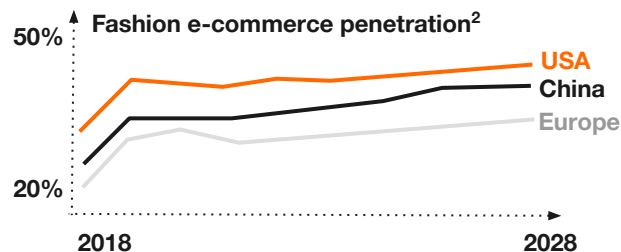
Our opportunity



We have a huge opportunity across fashion and lifestyle in Europe



Online fashion segment continues to grow



Our ecosystem strategy yields an attractive financial profile

	B2C	B2B
Long-term scale ambition (% of fashion market covered)	~15%	
Long-term target margin (adj. EBIT margin in % revenue)	10% – 13%	10% – 13%

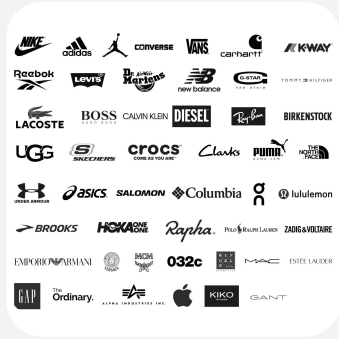
¹ Source: Euromonitor market size 2023 as of February 2024, International forecasts, values based on actuals and estimates; fixed exchange rates. Fashion data incl. apparel and footwear, bags and luggage, jewelry and watches. Data for Europe (excluding Russia) inclusive of sales tax; ² Boston Consulting Group, proprietary model (2023)



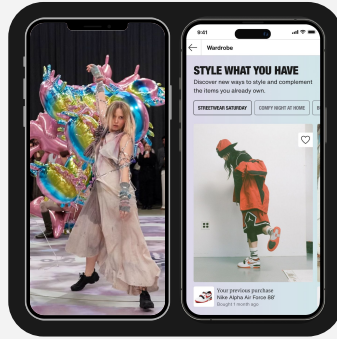
We have built unique capabilities that allow us to capitalize on this tremendous value creation opportunity



Customer reach & brand engagement



Strong brand partnerships



Sustainability



Logistics infrastructure



Technology & data

Focus on continued organic investments, supported by selective M&A



Our new mid-term guidance until 2028 reflects our ambition to return to strong growth and to continue our margin expansion

5-year CAGR (2023–2028)

Adjusted EBIT margin in % of revenue

		Zalando group
Growth	GMV	5% – 10% CAGR
	Revenue	5% – 10% CAGR
Profitability	Adj. EBIT margin ¹	6% – 8% in 2028
Cash generation	Free cash flow ²	Strong free cash flow

¹ Excludes equity-settled share-based payment expense ("SBC"), restructuring costs, non-operating one-time effects and acquisition-related expenses; ² Excludes M&A transactions



We capitalize on improvement opportunities across cost lines while continuing to invest long-term

Path to 2028 profitability (vs. 2023)				
	2023		2028	Key drivers
in % of revenue	Group		Group	
Gross margin	38.7%		~40%	Strong increase in B2C gross margin offset by fast growing lower-gross-margin B2B logistics business
Fulfillment costs	(24.2)%		Lower (30)s	Cost improvements driven by increasing utilization, automation, use of AI and improved order economics
Marketing costs	(7.4)%			Similar marketing intensity in B2C; overall low marketing intensity in B2B
Admin expenses	(5.2)%			Continued efficiency focus and selective investments in growth pillars and capabilities
Adj. EBIT margin¹	3.5%		6% to 8%	

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



Key takeaways

1 Our **ecosystem** strategy serves customers beyond transactions and partners beyond our platform. This allows us to cover a larger share of the fashion and lifestyle market.

2 We elevate our **B2C** growth vector with **quality, lifestyle and inspiration**. We add **B2B** as our second growth vector and **enable more brands to unlock their full potential** across Europe.

3 Our opportunity is huge and we have a **clear path to return to strong growth and to continue our margin expansion**, yielding an attractive financial profile at scale.



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.

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