



# Strategy Update 2024 Financial Deep Dive

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March 13, 2024

**01**

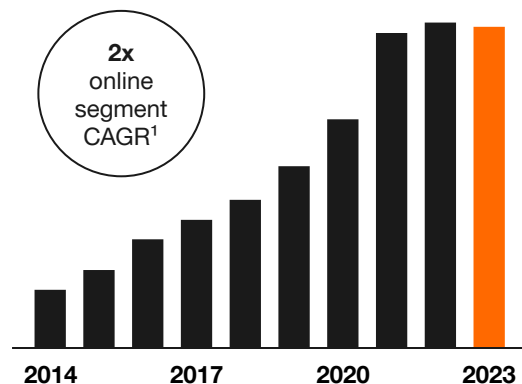
What we have achieved so far



# Our financial track record since IPO reflects strong and profitable growth, combined with positive cash generation

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

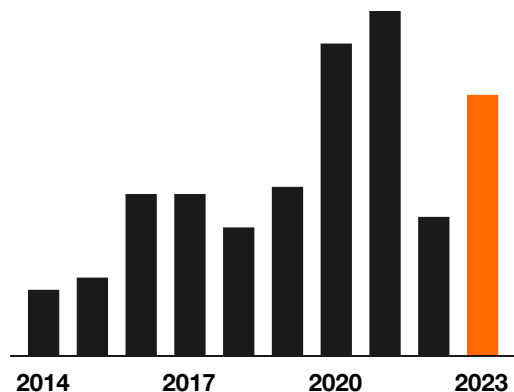
GMV CAGR (2013–2023): 21%



Group GMV in EUR billion

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

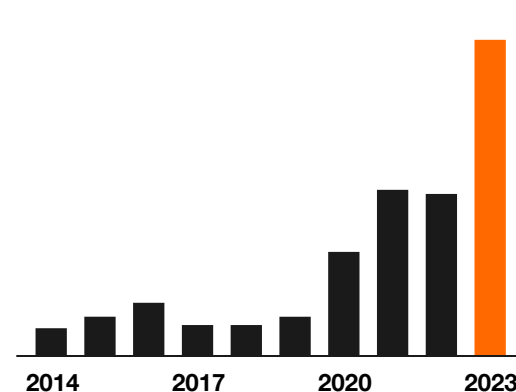
Adjusted EBIT of EUR 350m in 2023



Group adjusted EBIT in EUR million

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

Cash position of EUR 2.5bn<sup>2</sup> at YE/23



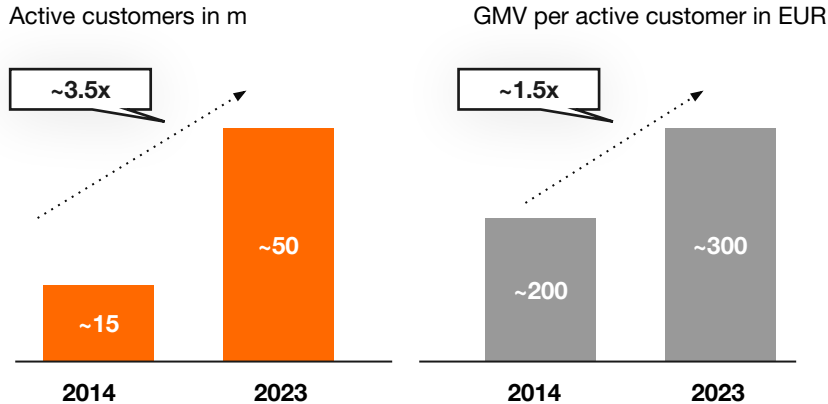
Accumulated Group free cash flow in EUR million (since 2014)

<sup>1</sup> 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; <sup>2</sup> Includes proceeds of convertible bond issued in 2020

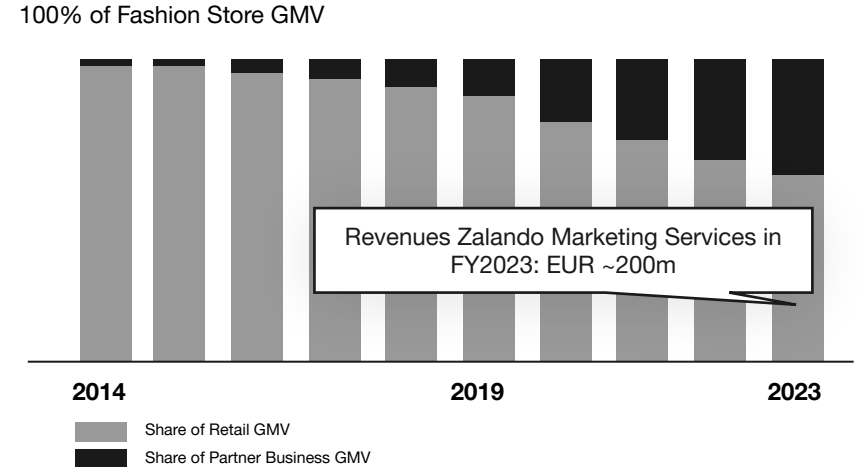


# As the leading multi-brand destination, we serve a large and loyal customer base and enable our brand partners to leverage our reach

**We serve a huge customer base with a high fashion spend**



**We successfully transition from a retail to a platform model with a full-funnel advertising offering**





# We monetize our fashion logistics network as more partners leverage our fulfillment services to scale more of their business across Europe

## Zalando European logistics network

12

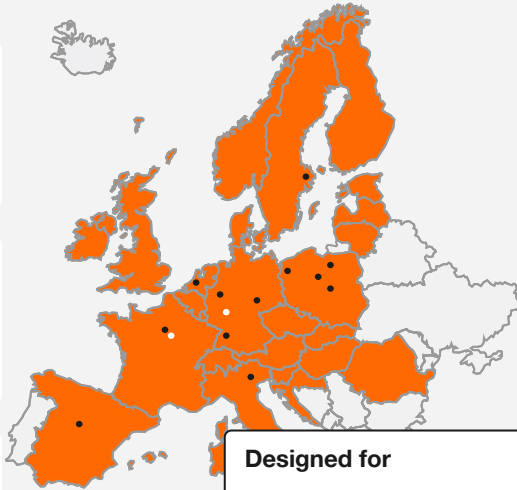
Fulfillment centers

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

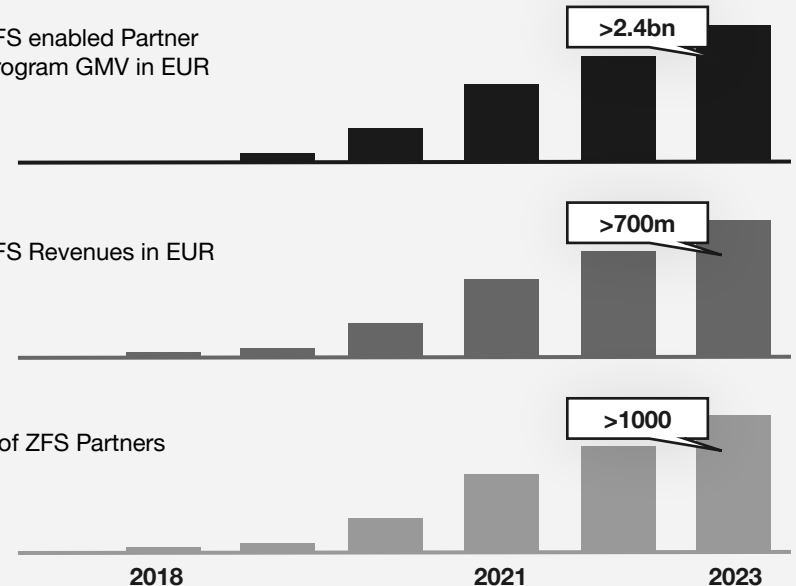
>2.4bn

ZFS Revenues in EUR

>700m

# of ZFS Partners

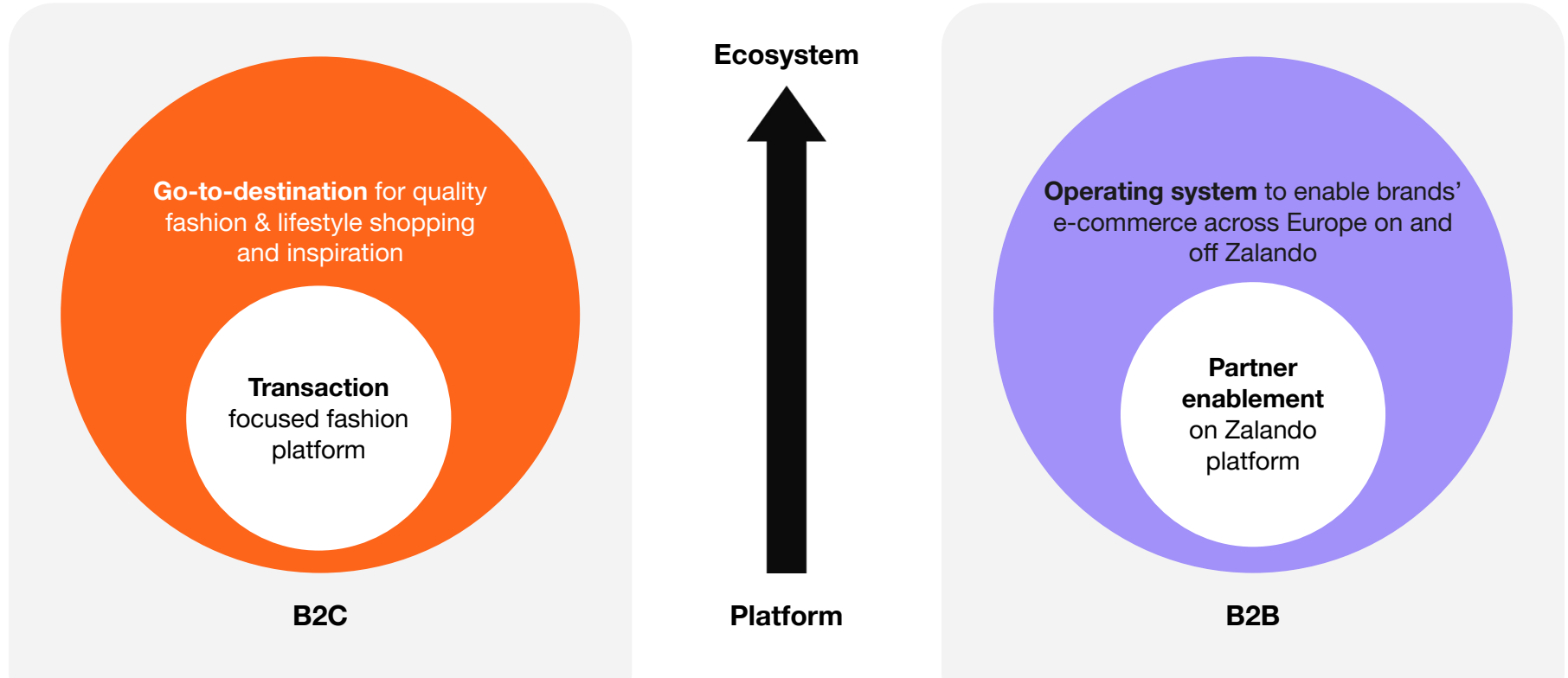
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**02**

Where we go from here

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





# We steer the business by B2C and B2B - B2C remains the largest segment, B2B is already a profitable EUR ~0.9 billion revenue business

2023	Zalando group	B2C segment	B2B segment <sup>1</sup>
GMV	<b>EUR 14.6bn</b> (gross merchandise volume on Zalando)		Includes ZEOS Fulfillment (incl. ZFS) and Tradebyte
Revenue	<b>EUR 10.1bn</b>	<b>EUR 9.3bn</b> (revenues derived from transactions via Zalando channels, incl. ZMS)	<b>EUR 0.9bn</b> (primarily revenues from fulfillment services)
Adj. EBIT   margin (% rev)	<b>EUR 350m   3.5%</b>	<b>~3%</b>	<b>~5%</b>

<sup>1</sup> B2B segment also includes Highsnobility as brand-facing businesses of Zalando Group



**03**

How we define success going forward



# We define financial success across the three pillars of growth, profitability and cash flow

## Growth

Outgrowing the online fashion segment by elevating our B2C business

Scaling our B2B business

Clear ambition to return to strong growth

## Profitability

Strengthen the gross margin in B2C

Focus on creating efficiencies and drive operating leverage across the group

Continue our margin expansion

## Cash Flow

Strong free cash flow generation

Self-fund strategic investments into our logistics and tech capabilities and maintain financial flexibility



# In our B2C business, we continue to outgrow the online segment by elevating and expanding our multi-brand platform

Online fashion segment growth

~5%<sup>1</sup>

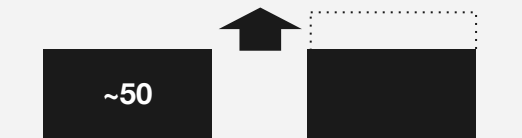
Zalando incremental share capture

Differentiate through quality  
Lifestyle expansion  
Entertainment & inspiration

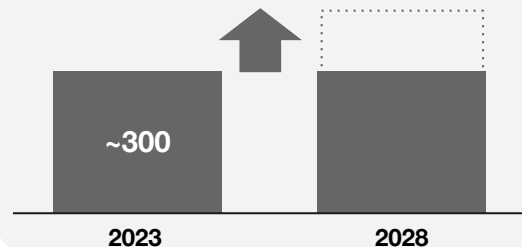
Zalando 5-year GMV CAGR

+5 – 10%<sup>2</sup>

Active customer  
in m



GMV per active customers  
in EUR

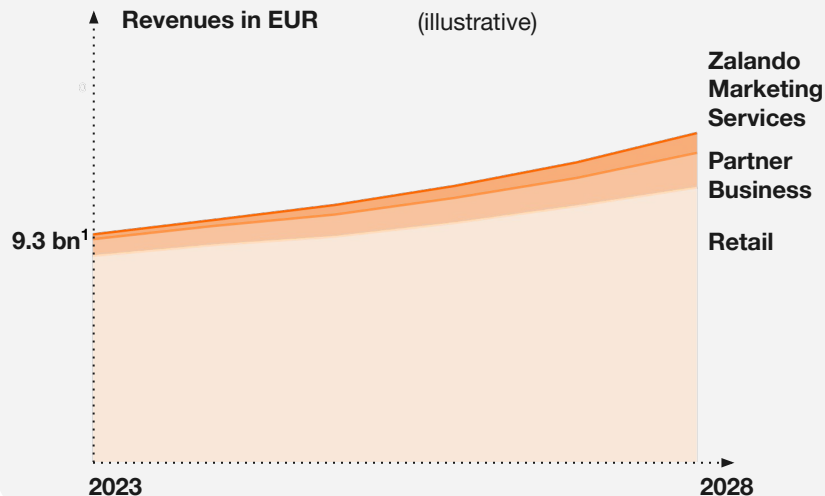


<sup>1</sup> Source: Euromonitor as of February 2024, International forecasts, values based on actuals and estimates; fixed exchange rates. Fashion data incl. apparel and footwear, bags and luggage, jewelry and watches. Data for Europe (excluding Russia) inclusive of sales tax; <sup>2</sup> Zalando GMV 2023-2028 CAGR

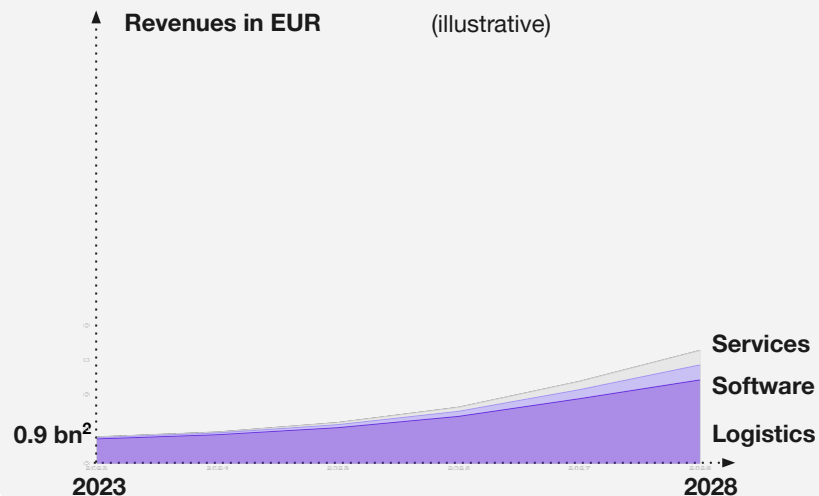


# In B2C and B2B, we accelerate growth over time enabled by our purpose-built e-commerce capabilities

**B2C generates revenue growth leveraging the growth dimensions active customers and share of wallet**



**B2B generates revenues with ZEOS building on the growth dimensions merchants, geographies and products**



Customer reach & brand engagement | Strong brand partnerships | Sustainability | Logistics Infrastructure | Technology & data

<sup>1</sup> B2C also includes other B2C service revenues like shipping fees; <sup>2</sup> B2B segment also includes Highsnobiety as another brand-facing business of Zalando group



# We will double our adjusted EBIT margin driven by increasing gross margin in B2C and improvements in key cost areas

## Path to 2028 profitability (vs. 2023)

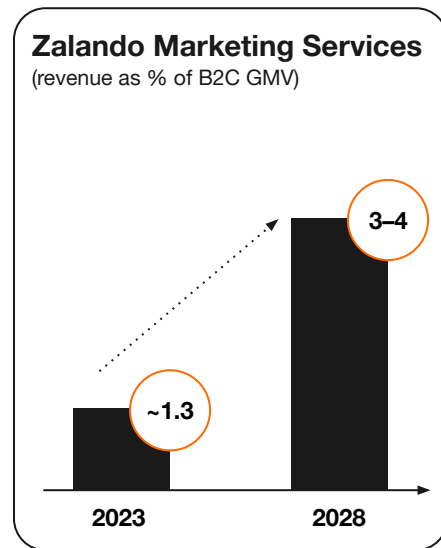
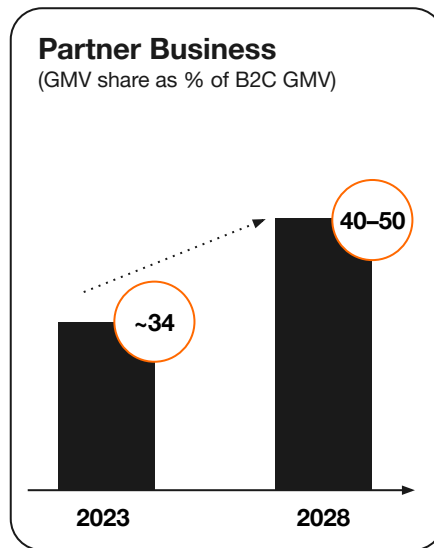
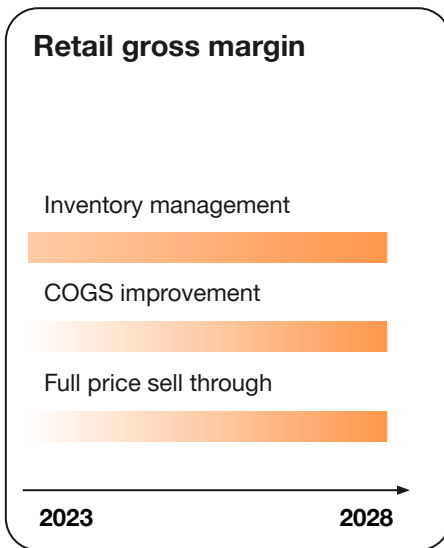
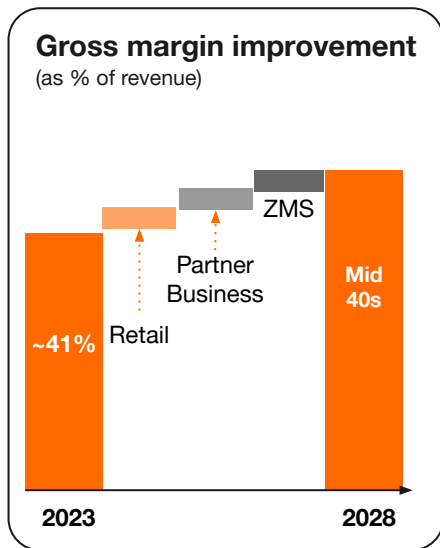
		2023	Impact to group		2028	Key drivers
in % of revenue		Group	B2C	B2B	Group	
1	Gross margin	38.7%	Accretive	Dilutive	~40%	Strong increase in B2C gross margin offset by fast growing lower-gross-margin B2B logistics business
	Fulfillment costs	(24.2)%	Accretive		Lower (30)s	Cost improvements driven by increasing utilization, automation, use of AI and improved order economics
2	Marketing costs	(7.4)%	Dilutive	Accretive		Similar marketing intensity in B2C; overall low marketing intensity in B2B
	Admin expenses	(5.2)%	Accretive			Continued efficiency focus and selective investment in growth pillars and in capabilities
Adj. EBIT margin <sup>1</sup>		3.5%	Accretive		6% to 8%	

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



# Strong increase in B2C gross margin driven by improved retail margins combined with further scaling of our Partner Business and ZMS

1

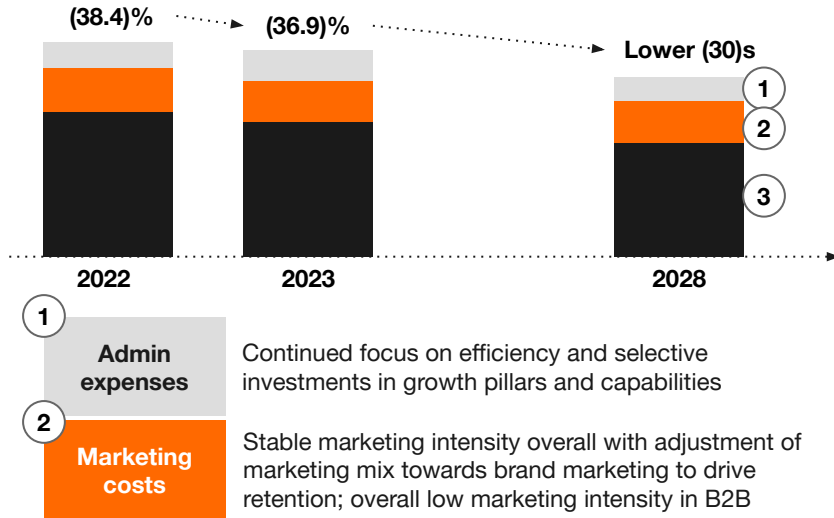




# Lower OPEX as we continue to drive efficiency across all cost lines and leverage scale as we grow into an ecosystem

2

## Significant lower operating expenses



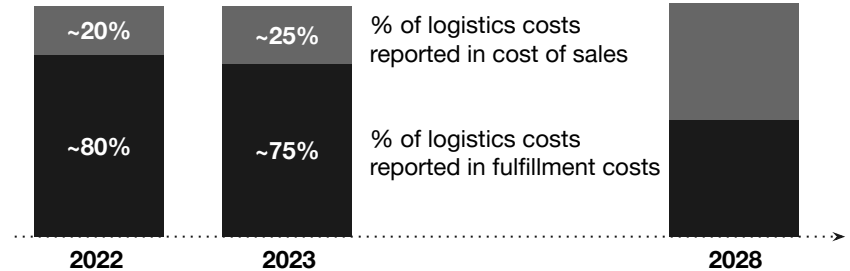
## Reduced fulfillment costs

3

### Fulfillment costs

- Scaling of our B2B business with a growing ZEOS logistics share (incl. Zalando Fulfillment Solutions)
- Cost improvements driven by increasing utilization, automation, use of AI and improved order economics
- Convenience investments into customer propositions
- More sustainable fulfillment practices

## Shift of logistics costs from fulfillment to cost of sales

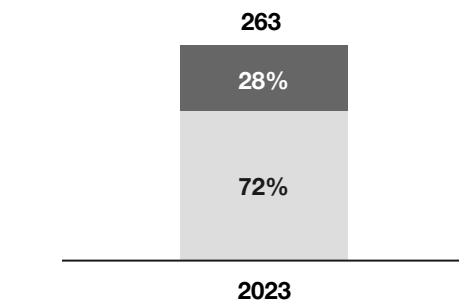




# Strong cash generation, providing us with financial flexibility

## Capex components

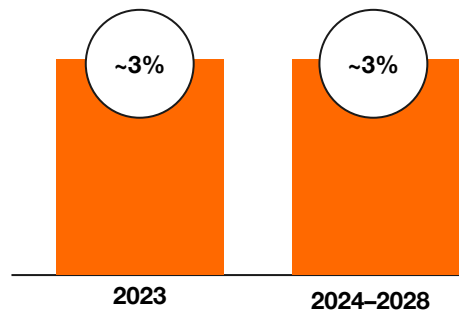
in EUR million, in % of total capex



- Tech investments to drive growth initiatives + capabilities (intangibles)
- Strategic capex into our logistics network to enable growth

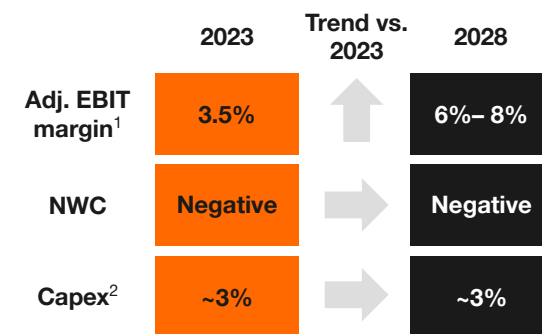
## Capex outlook

in % of revenue



- Continued investments into tech (e.g. AI capabilities)
- Investments into new fulfillment centers, maintenance and upgrades to existing sites

## Free Cash Flow



**Strong cash generation<sup>2</sup>**

<sup>1</sup> In % of revenue; <sup>2</sup> Excludes M&A transactions





# Our mid-term guidance until 2028

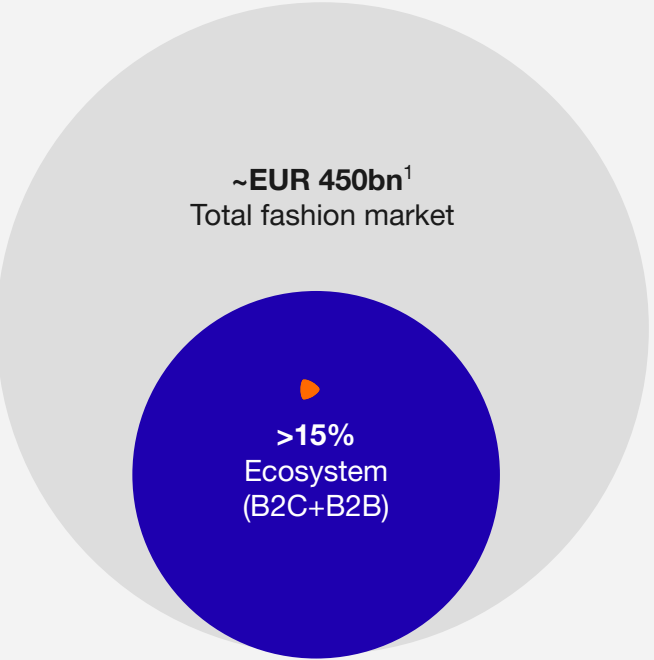
5-year CAGR (2023–2028)  
Adjusted EBIT margin in % rev

		Zalando group	
Growth	GMV	5% – 10% CAGR	We continue to outgrow the online fashion segment...
	Revenue	5% – 10% CAGR	... while our B2B segment significantly outperforms the B2C growth rate.
Profitability	Adj.EBIT margin <sup>1</sup>	6% – 8% in 2028	We will double our adjusted EBIT margin ...
Cash flow	NWC	Negative	
	Capex	~3% revenue	
	FCF <sup>2</sup>	Strong free cash flow	... and deliver strong cash generation throughout.

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



# Our long-term opportunity across fashion and lifestyle in Europe is huge and results in an attractive financial profile at scale



**~EUR 450bn<sup>1</sup>**  
Total fashion market

**>15%**  
Ecosystem  
(B2C+B2B)

Our **ecosystem** strategy yields an attractive financial profile:

**Long-term scale ambition**  
(% of fashion market covered)

**Long-term target margin**  
(adj. EBIT margin in % revenue)

**B2C**

**B2B**

**~15%**

**10% – 13%**

**10% – 13%**

<sup>1</sup> 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

# 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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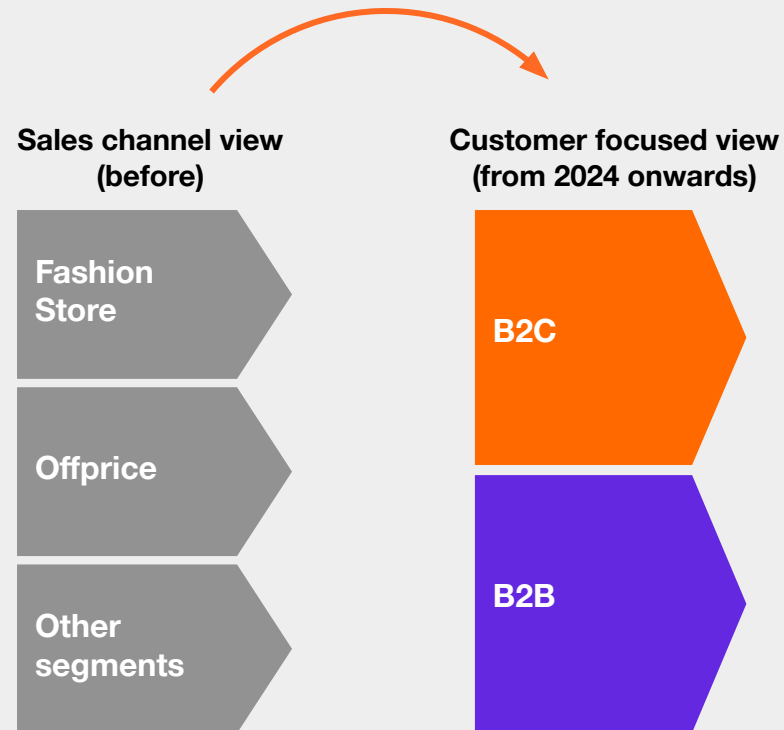
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<https://corporate.zalando.com/en>

# Appendix

## Our new segment reporting from 2024 onwards

- Our steering and decision-making starts from a customer point of view, now we are shifting from a sales channel view to a customer-focused distinction between B2C and B2B.
- Our external reporting will be adjusted to reflect these two operating segments.
- The majority of our business revenues is located in our B2C business and its supporting services, including our partner business and Zalando Marketing Services (ZMS).
- The B2B segment will comprise services that provide B2B products we offer to our partners on and off our Zalando Platform to meet their business needs (i.e. ZEOS including Zalando Fulfillment Solutions and Tradebyte as well as Highsnobiety as another brand-facing business of the Zalando group).





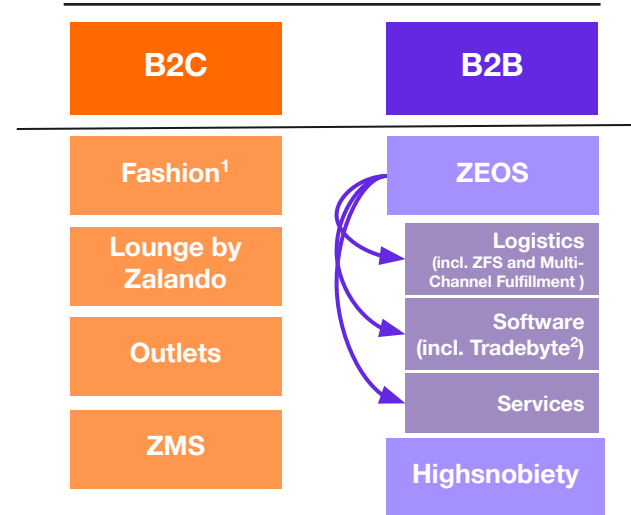
# Our new segments and its components

We adjust our segment reporting from a sales channel view (Fashion Store, Offprice) to a segment reporting view that distinguish between serving our **B2C customers** on the Zalando platform & **B2B customers** on and off the Zalando platform.

## Old segment reporting

Reported Segments	Fashion Store	Offprice	Other segments
Components (Without external reporting)	Fashion <sup>1</sup>	Lounge by Zalando	ZMS
	ZFS	Outlets	Tradebyte
	Multi-Channel Fulfillment		Highsnobiety

## New segment reporting (from Q1 2024 onwards)



<sup>1</sup> Including Wholesale and Partner Business

<sup>2</sup> Tradebyte operates legally independent from Zalando



# How do FY 2023 numbers translate into new segment reporting?

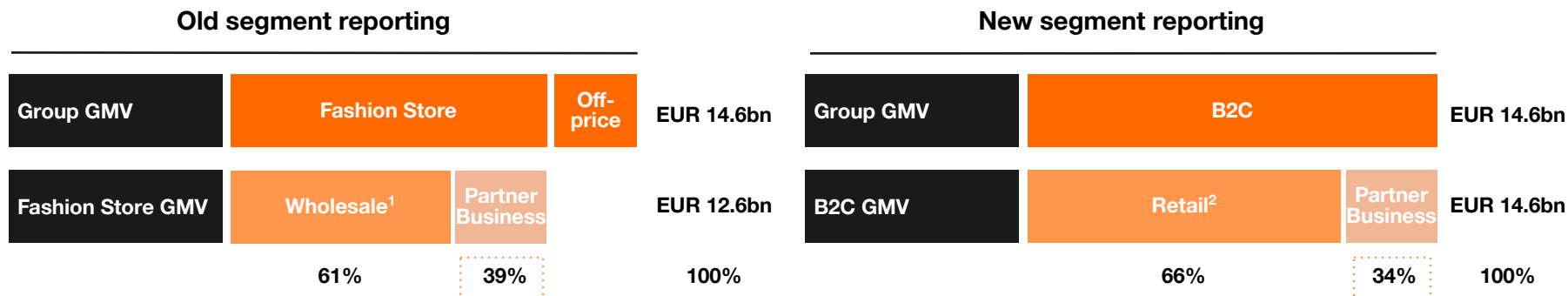
2023	Old segment reporting			
	Group	Fashion Store	Offprice	All other segments
<b>GMV</b> (in EUR m)	14,632	12,630	2,001	No GMV contribution
<b>Revenue</b> (in EUR m)	10,143	8,242	1,776	400
<b>Gross margin</b> (in %)	38.7%	40.2%	34.9%	25.5%
<b>Adj. EBIT</b> (in EUR m)	350	282	44	29
<b>Adj. EBIT margin</b> (in %)	3.5%	3.4%	2.5%	7.4%

New segment reporting		
Zalando group	B2C segment	B2B segment
14,632	14,632	No GMV contribution
10,143	9,298	855
38.7%	41.2%	12.6%
350	311	39
3.5%	3.3%	4.6%





# GMV contributors in old and new segment reporting and its impact on Partner Business share



- New segment reporting leads to an adjustment of **platform KPIs** as we no longer report on Fashion Store GMV (EUR 12.6bn) and switch to B2C GMV (EUR 14.6bn)
- As a consequence, Partner Business share 2023 is rebased from 39% to 34%, with a Partner Business share target of 40-50% until 2028
- Calculation of ZMS marketing intensity is adjusted accordingly, with a 2028 target of 3-4%

<sup>1</sup> Called retail going forward, <sup>2</sup> Also includes Offprice



# Summary | Transition to our new governance structure

