



Strategy Update 2024 Financial Deep Dive

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March 13, 2024

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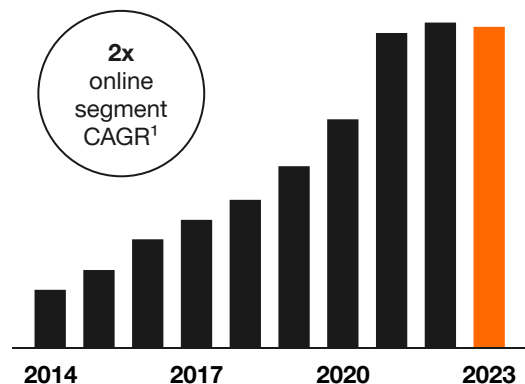
What we have achieved so far



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

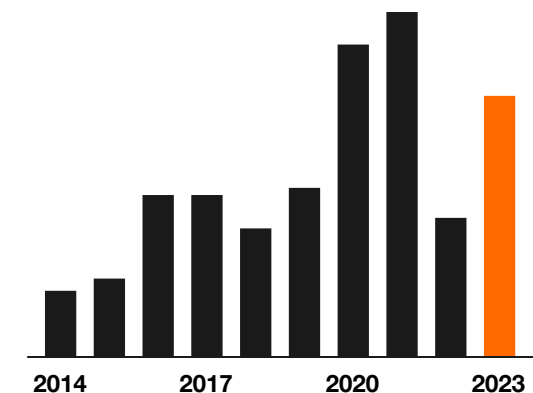
GMV CAGR (2013–2023): 21%



Group GMV in EUR billion

Consistently delivered profitability with high re-investment into growth

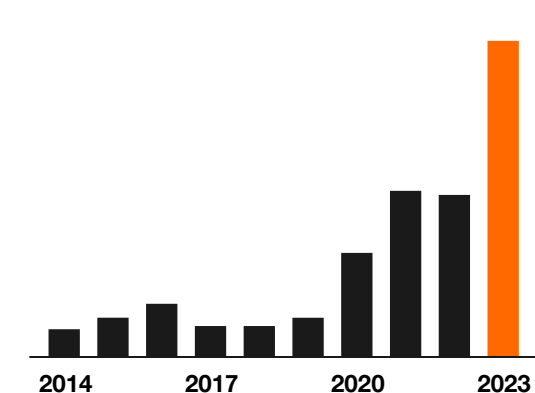
Adjusted EBIT of EUR 350m in 2023



Group adjusted EBIT in EUR million

Positive cash generation translates into well-financed balance sheet

Cash position of EUR 2.5bn² at YE/23



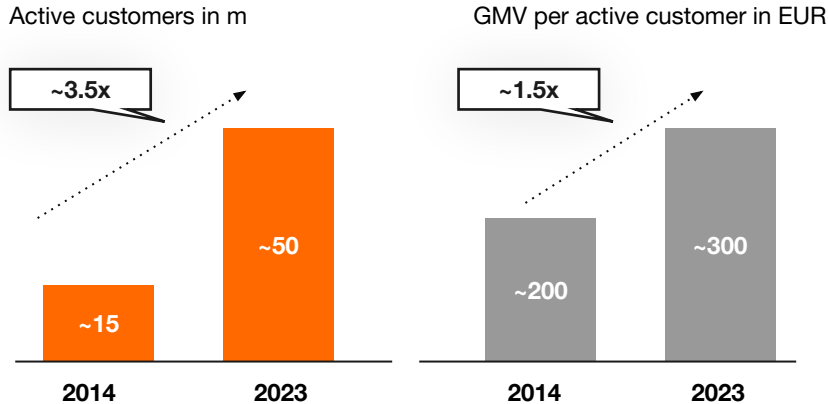
Accumulated Group free cash flow in EUR million (since 2014)

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

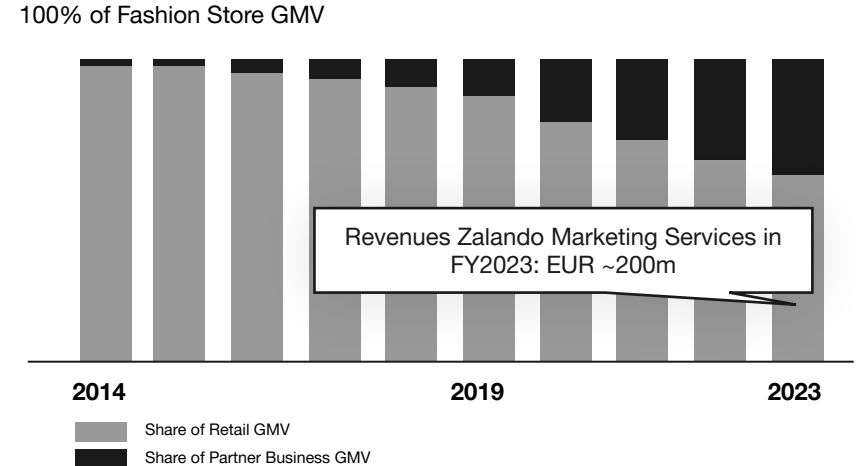


As the leading multi-brand destination, we serve a large and loyal customer base and enable our brand partners to leverage our reach

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

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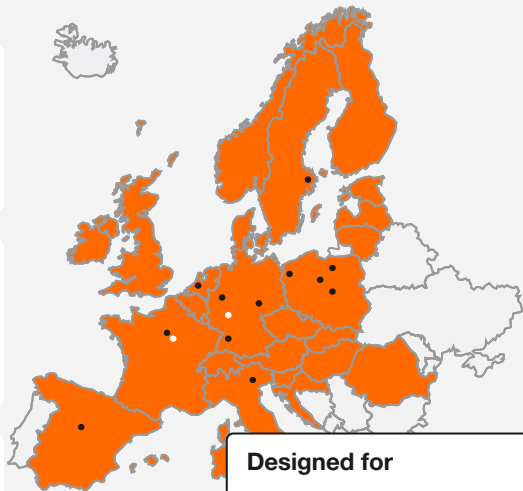
Fulfillment centers

20

Return centers

40+

Carrier integrations



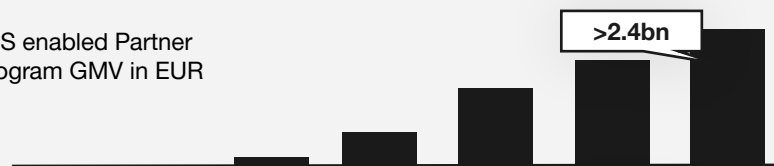
Designed for

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

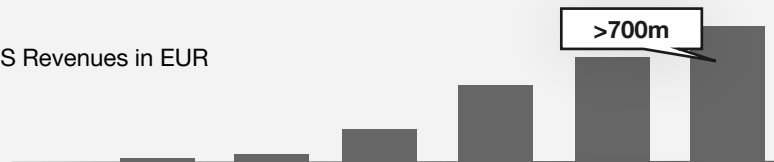
Under construction

Zalando Fulfillment Solutions (ZFS)

ZFS enabled Partner Program GMV in EUR



ZFS Revenues in EUR



of ZFS Partners



2018

2021

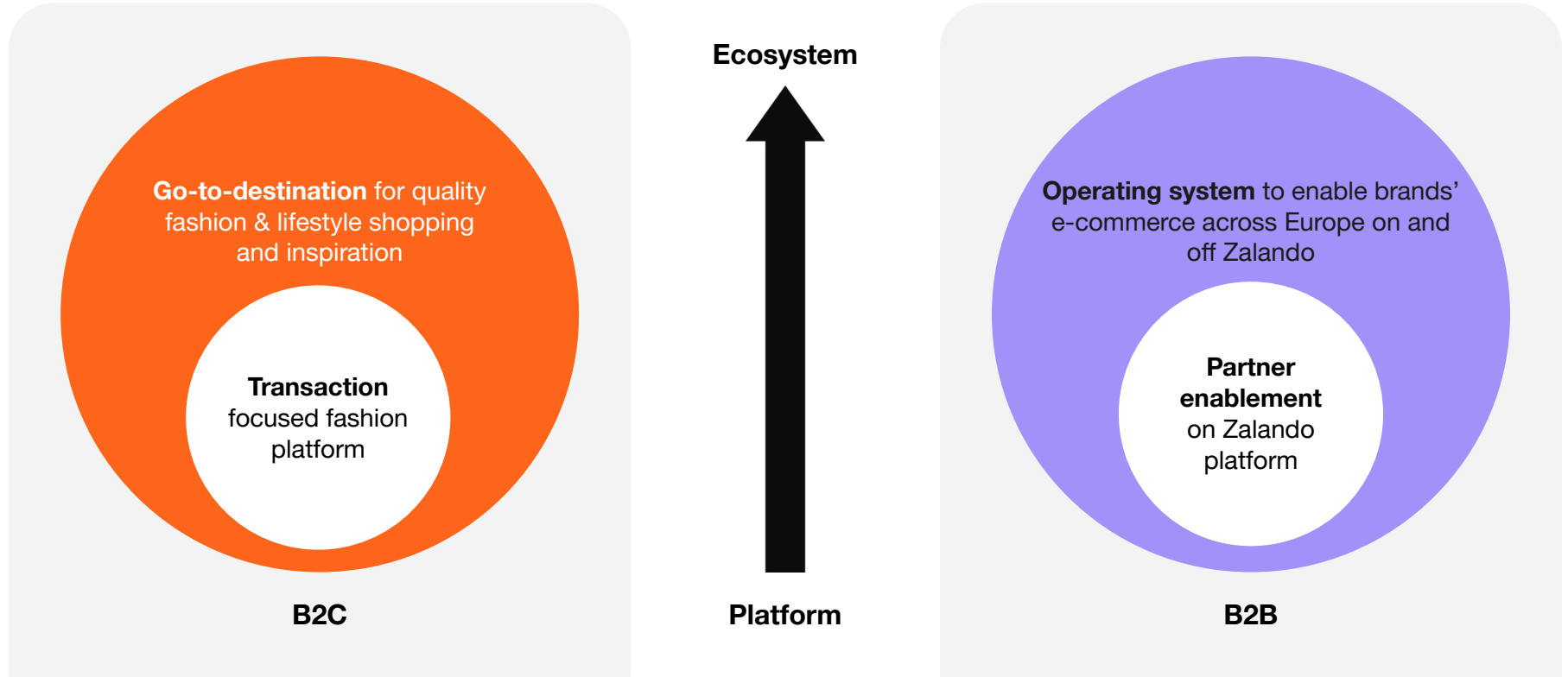
2023

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

¹ B2B segment also includes Highsnobiety as brand-facing businesses of Zalando Group

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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

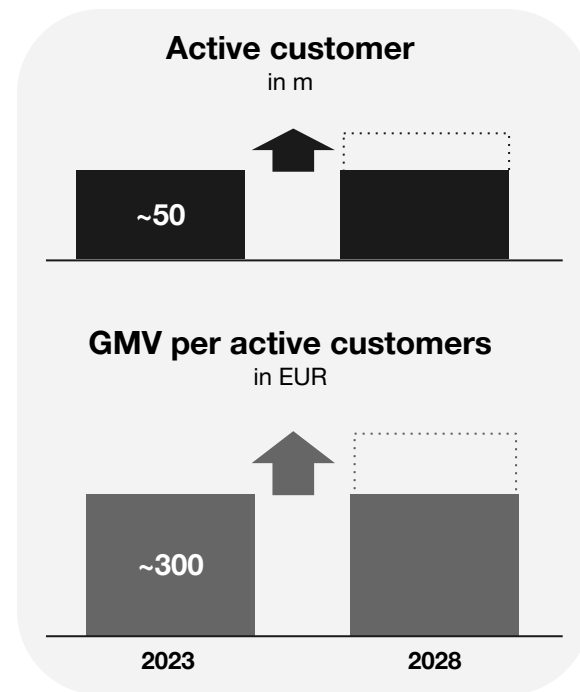
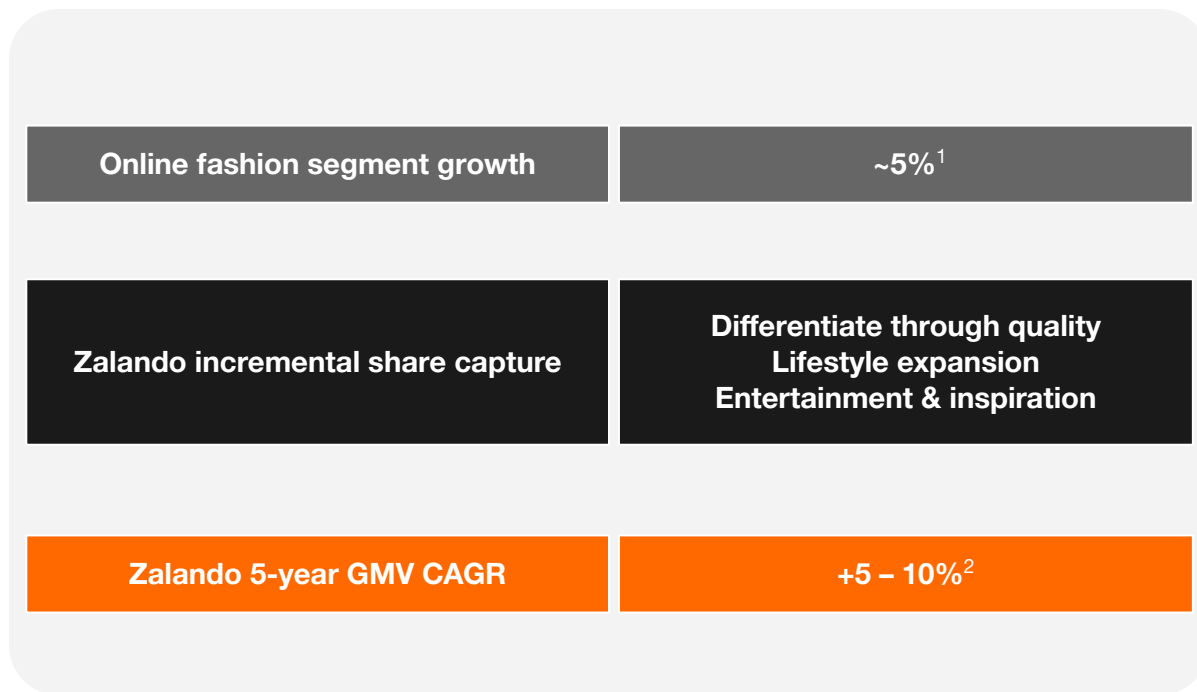
Cash Flow

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

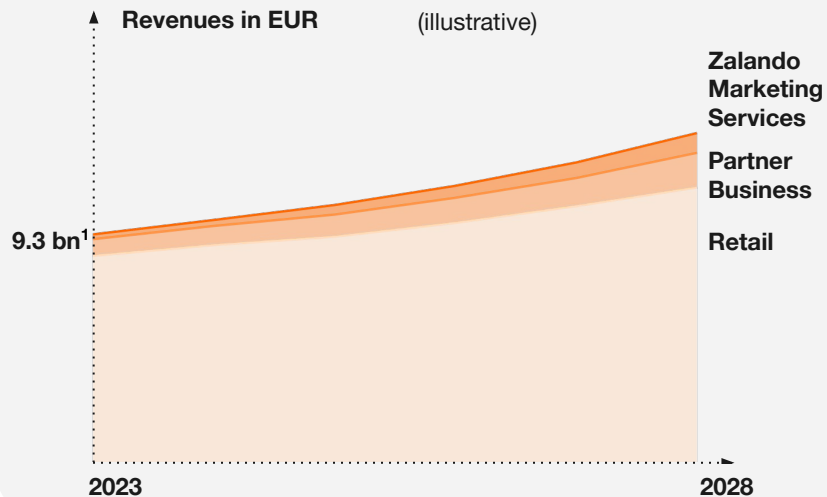


¹ Source: Euromonitor as of February 2024, International forecasts, values based on actuals and estimates; fixed exchange rates. Fashion data incl. apparel and footwear, bags and luggage, jewelry and watches. Data for Europe (excluding Russia) inclusive of sales tax; ² Zalando GMV 2023-2028 CAGR

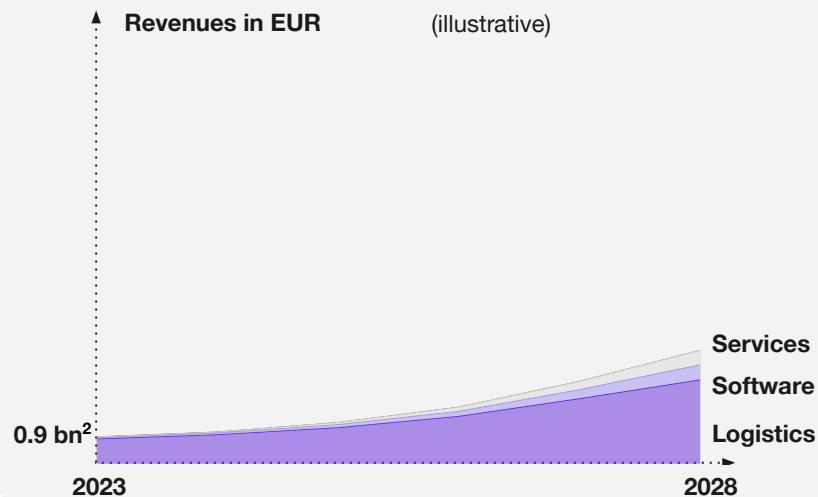


In B2C and B2B, we accelerate growth over time enabled by our purpose-built e-commerce capabilities

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

¹ B2C also includes other B2C service revenues like shipping fees; ² 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

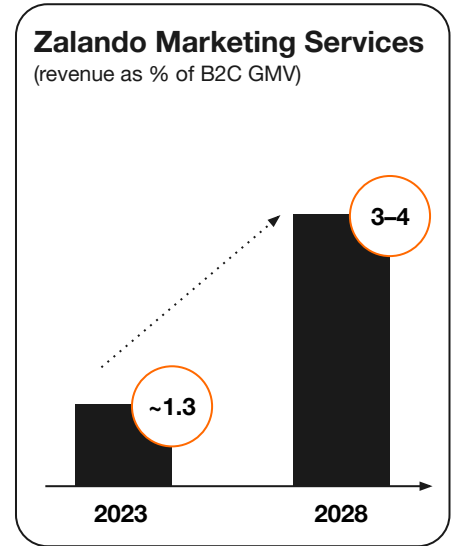
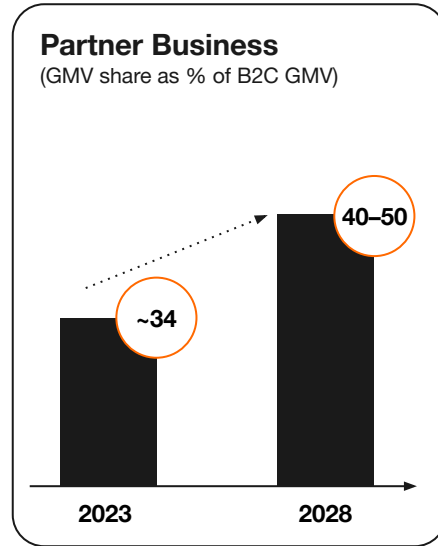
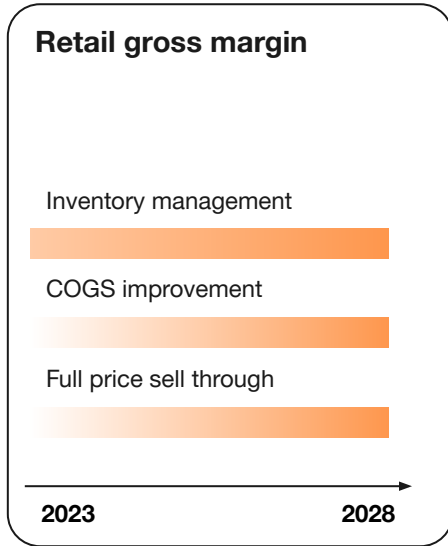
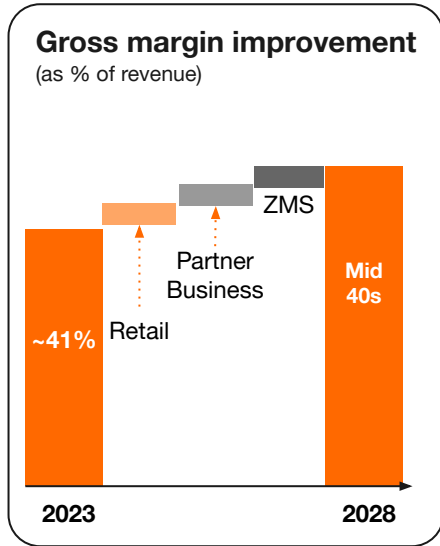
Path to 2028 profitability (vs. 2023)					
	2023	Impact to group		2028	Key drivers
in % of revenue	Group	B2C	B2B	Group	
1 { Gross margin	38.7%	Accretive	Dilutive	~40%	Strong increase in B2C gross margin offset by fast growing lower-gross-margin B2B logistics business
2 { Fulfillment costs	(24.2)%	Accretive		Lower (30)s	Cost improvements driven by increasing utilization, automation, use of AI and improved order economics
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 margin¹	3.5%	Accretive		6% to 8%	

¹ 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

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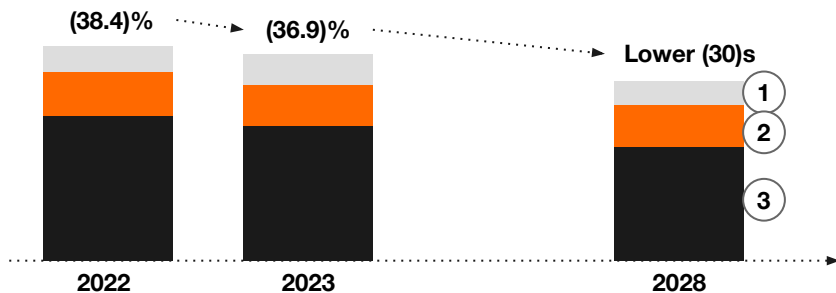




Lower OPEX as we continue to drive efficiency across all cost lines and leverage scale as we grow into an ecosystem

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Significant lower operating expenses

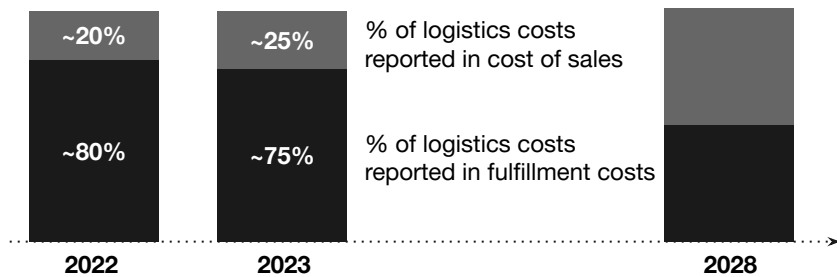


- 1 **Admin expenses** Continued focus on efficiency and selective investments in growth pillars and capabilities
- 2 **Marketing costs** Stable marketing intensity overall with adjustment of marketing mix towards brand marketing to drive retention; overall low marketing intensity in B2B

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

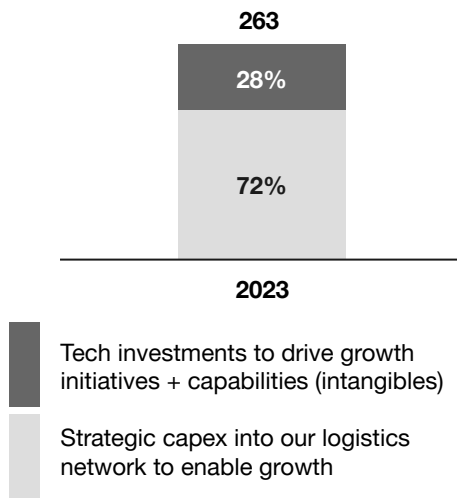




Strong cash generation, providing us with financial flexibility

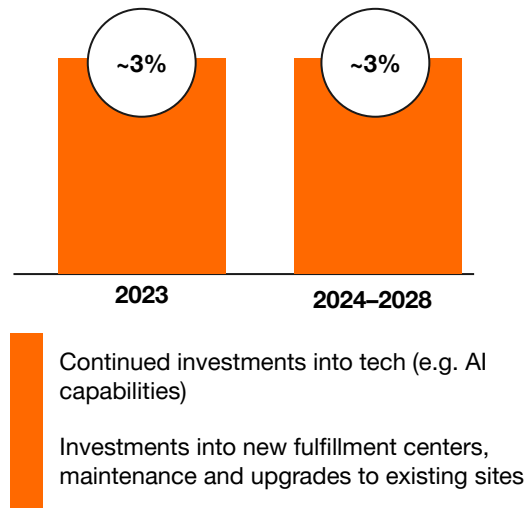
Capex components

in EUR million, in % of total capex

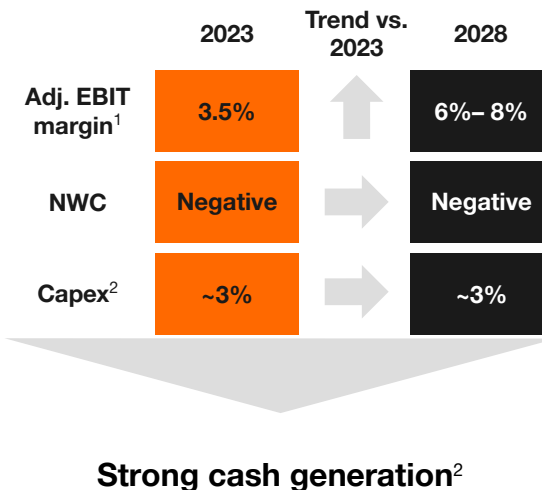


Capex outlook

in % of revenue



Free Cash Flow



¹ In % of revenue; ² 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
	Revenue	5% – 10% CAGR
Profitability	Adj. EBIT margin ¹	6% – 8% in 2028
Cash flow	NWC	Negative
	Capex	~3% revenue
	FCF ²	Strong free cash flow

We continue to outgrow the online fashion segment...

... while our B2B segment significantly outperforms the B2C growth rate.

We will double our adjusted EBIT margin ...

... and deliver strong cash generation throughout.

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



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

~EUR 450bn¹
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
Long-term scale ambition	~15%	
Long-term target margin	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

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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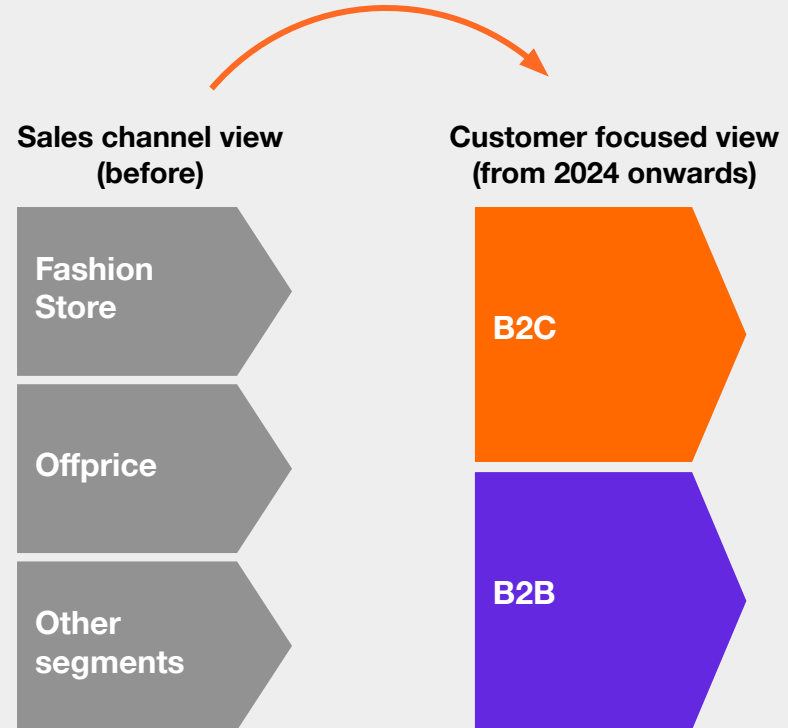
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Appendix

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).





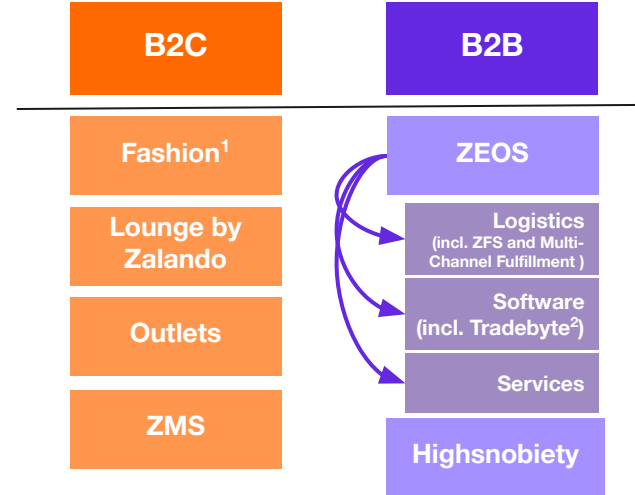
Our new segments and its components

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



New segment reporting (from Q1 2024 onwards)



¹ Including Wholesale and Partner Business

² Tradebyte operates legally independent from Zalando



How do FY 2023 numbers translate into new segment reporting?

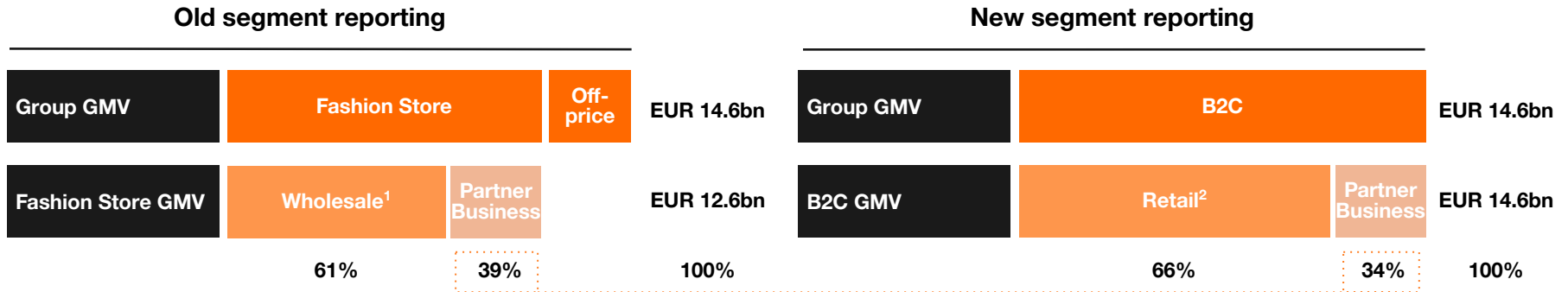
2023	Old segment reporting ¹			
	Group	Fashion Store	Offprice	All other segments
GMV (in EUR m)	14,632	12,630	2,001	No GMV contribution
Revenue (in EUR m)	10,143	8,242	1,776	400
Gross margin (in %)	38.7%	40.2%	34.9%	25.5%
Adj. EBIT (in EUR m)	350	282	44	29
Adj. EBIT margin (in %)	3.5%	3.4%	2.5%	7.4%

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%

¹ Please note that Group figures exclude reconciliations



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%

¹ Called retail going forward, ² Also includes Offprice



Summary | Transition to our new governance structure

