



# Zalando Q1/2022

## Earnings Call

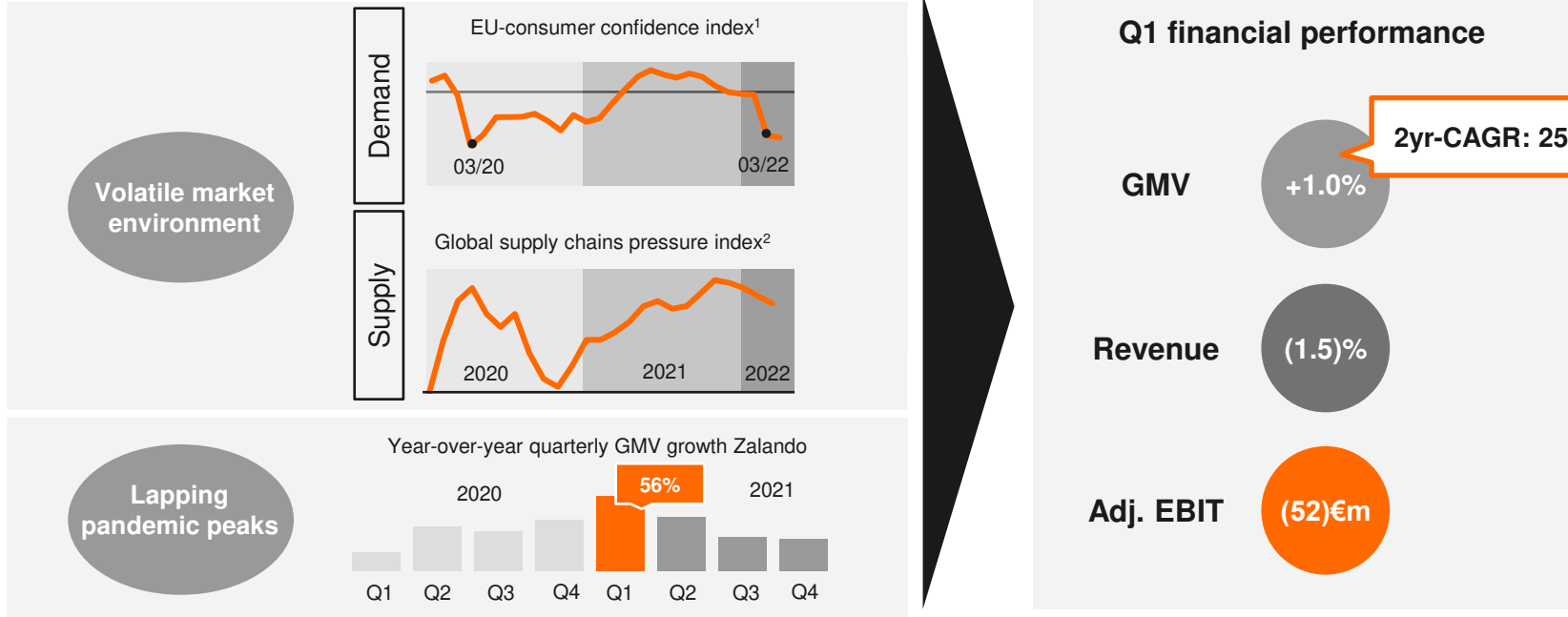
May 5th, 2022  
Robert Gentz (Co-CEO)  
Dr. Sandra Dembeck (CFO)

zalando





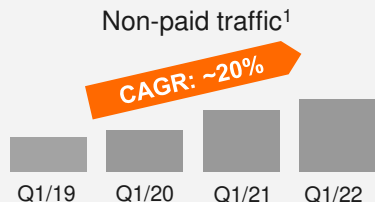
**As previously communicated, we have seen a challenging start to the year** as we lap pandemic peaks amid an increasingly volatile market environment



2 Jan 2020 to April 2022, source: European commission, EU-27, black line represents long-term average  
 Jan 2020 to April 2022, source: New York Fed, black line represents long-term average



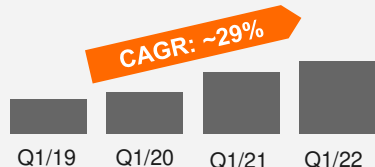
## Despite headwinds, the execution of our Starting Point strategy is progressing well, resulting in continued and sustained improvement of key customer and partner metrics



Our customer base continues to grow and customers visit us more often, engaging with our growing portfolio of exciting customer propositions



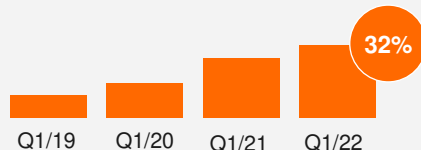
Customers spending 500+ EUR per year



We are building deeper relationships with a growing number of customers and this customer segment is growing even faster than the customer base overall



Partner business share<sup>2</sup>



We continue to drive the platform transition by enabling more brands to run and scale their DTC business on our platform

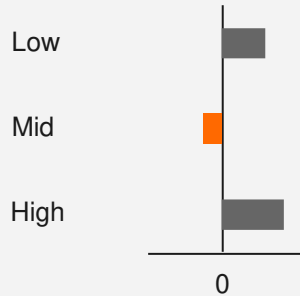


The past few months have provided us with key insights that we will leverage to successfully navigate through the volatile market environment ahead

## Shifting customer demand

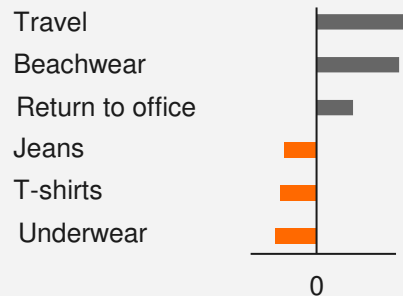
### Shift in price segments

Q1 yoy growth in price segments



### Shift to occasion wear<sup>1</sup>

Q1 yoy growth in selected categories

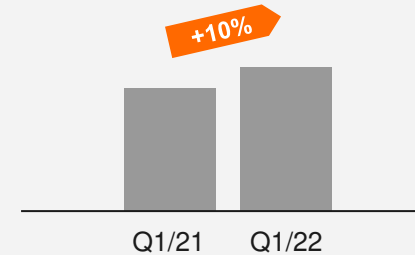


Deliberate increase in wholesale commitments in anticipation of continued supply chain disruptions and higher demand led to overstock and suboptimal wholesale offer for SS2022

## Challenging order economics

### Fulfillment cost per order

in €



Increasing return rates, lower volumes and cost inflation in logistics put pressure on order economics



**We are confident in our strategy and are taking decisive action** to address short-term challenges and capture opportunities to accelerate growth

**We have a clear plan that we are acting on decisively to improve performance and drive long-term value**



**Adjust offer to meet changing demand**

- Leverage strong brand relationships and the flexibility of the platform model to capture demand opportunities as they arise
- Adjust Fall/Winter wholesale offer to changing demand



**Improve order economics**

- Introduce minimum order values in additional markets
- Continue to deaverage our convenience proposition
- Pass through cost increases via surcharge for ZFS partners



**Drive cost efficiency across the business**

- Maintain clear focus on marketing ROI
- Focus on driving productivity and utilization in logistics
- Pace our overhead investments



**Invest through cycle to drive long-term value**

- Continue to execute our Starting Point strategy
- Identify and invest into opportunities that allow us to accelerate our strategy in the current environment

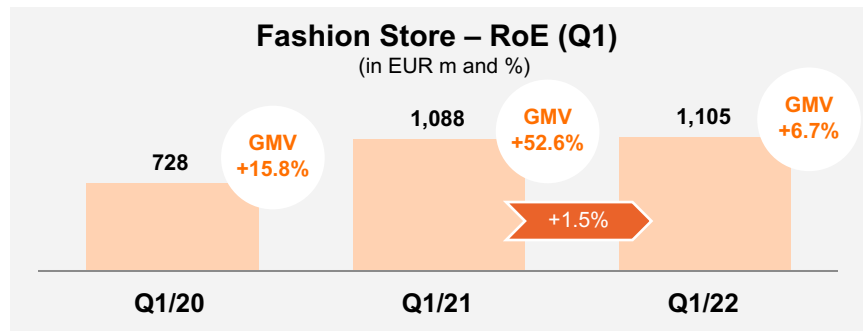
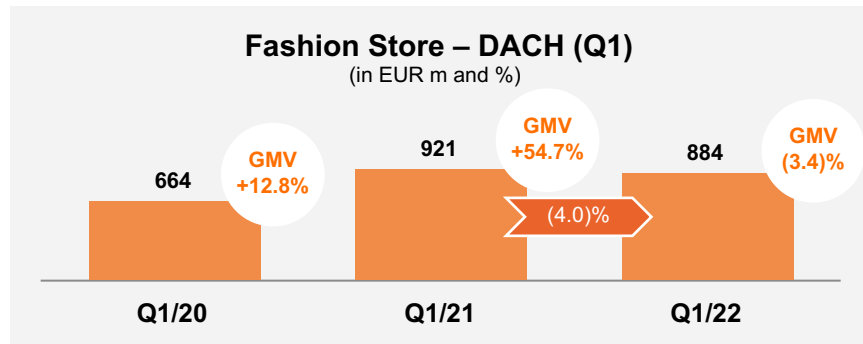
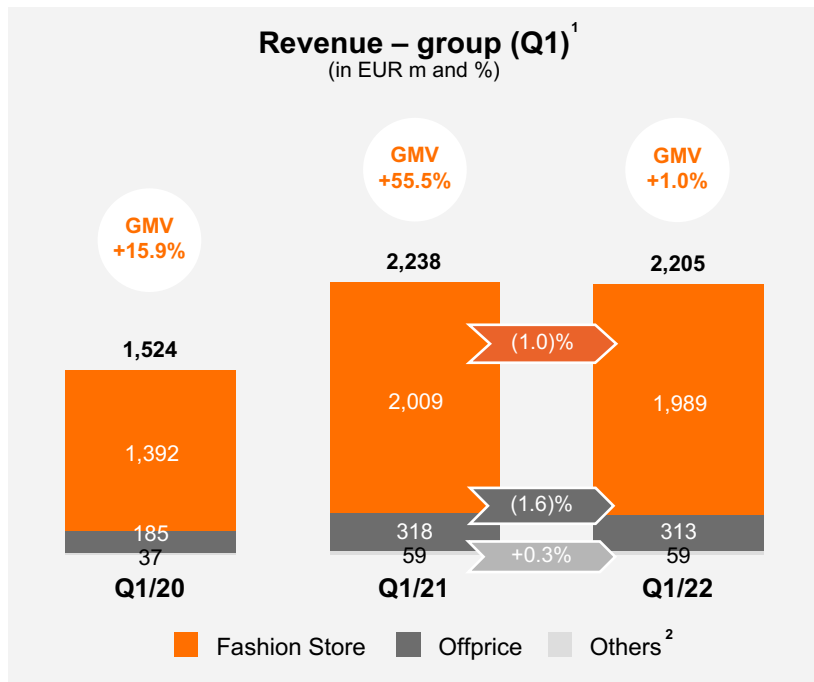
# Financial Update

## Q1/2022





**Q1 2022 saw a flat topline development** as we lapped an exceptional performance in Q1 2021 amid an increasingly volatile market environment

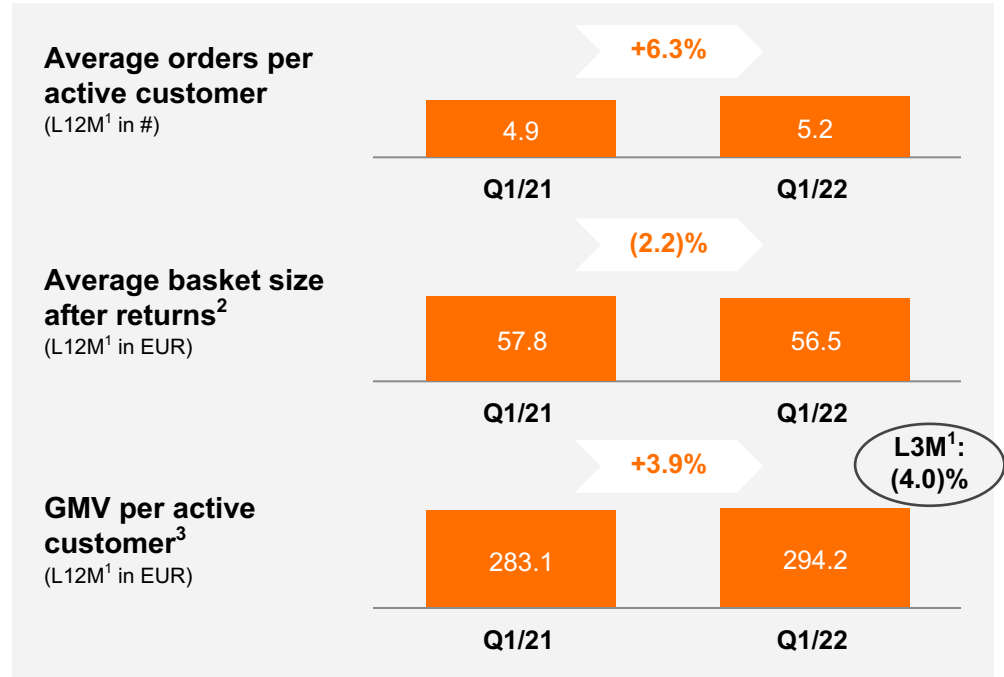
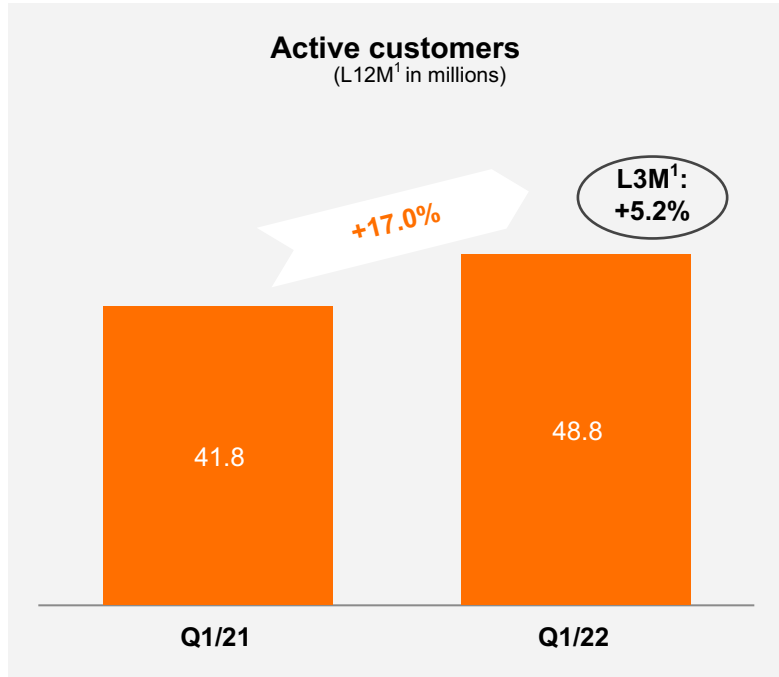


7 1) Q1/22 contains EUR (155)m | Q1/21 EUR (148)m | Q1/20 EUR (90)m reconciliation of internal revenues

2) Other segments including various emerging businesses, private label offering zLabels no longer presented as separate unit since Q2/19, Zalon is reported in Fashion Store unit since Q1/22



## Our customer metrics reflect our continued progress in creating deep customer relationships at scale even as pandemic tailwinds are being replaced by macro headwinds

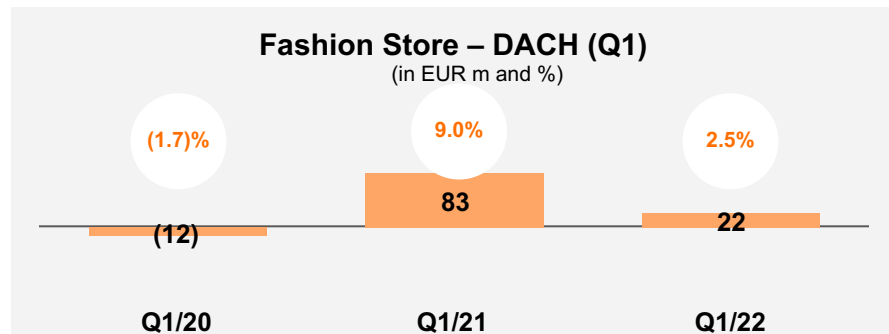
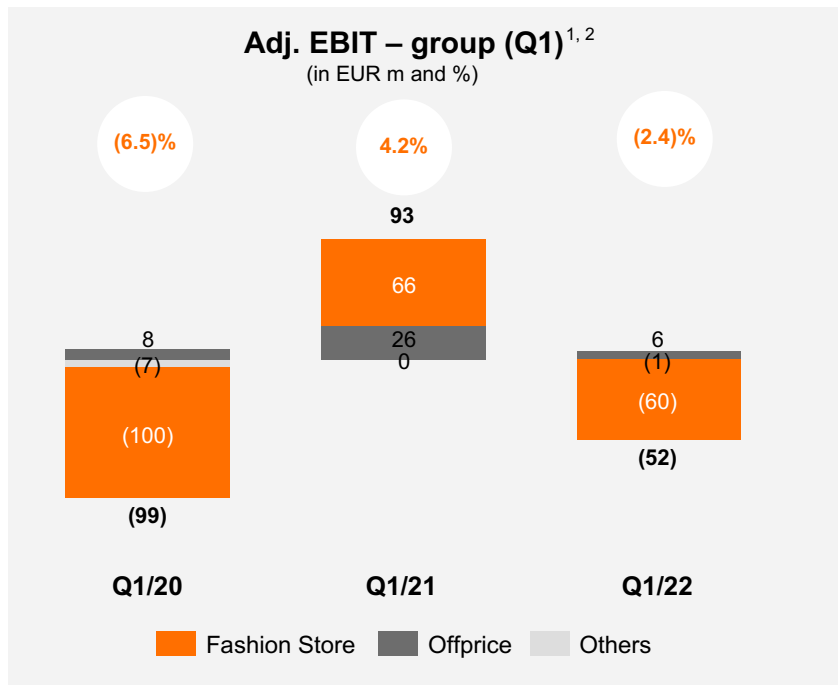


8 1) L3M = last three months, LTM = last twelve months  
 2) Defined as GMV divided by the number of orders  
 3) Defined as GMV divided by the number of active customers





## Q1 adjusted EBIT significantly below exceptional levels of last year



9 1) Q1/22 contains EUR 2.7m | Q1/21 contains EUR 1.4m reconciliation of internal EBIT

2) Excluding equity-settled share-based compensation in Q1/22 of EUR (16.3)m | Q1/21 of EUR (14.8)m; and non-operating one-off effects in Q1/22 of EUR 0.0



## Q1 adjusted EBIT margin decreased driven by increased promotional activities, pressure on order economics and significant cost deleverage

| <b>Costs and margins</b><br>(in % of revenue) | <b>Q1/20</b>  | <b>Q1/21</b> | <b>Q1/22</b>  | <b>YoY Δ</b>   |
|---|---------------|--------------|---------------|----------------|
| Cost of sales                                 | (64.7)%       | (59.2)%      | (61.3)%       | (2.1)pp        |
| Gross profit                                  | 35.3%         | 40.8%        | 38.7%         | (2.1)pp        |
| Fulfillment costs                             | (29.9)%       | (25.5)%      | (29.5)%       | (4.0)pp        |
| Marketing costs                               | (8.1)%        | (7.7)%       | (7.6)%        | 0.1pp          |
| Administrative expenses & Other               | (4.7)%        | (4.0)%       | (4.6)%        | (0.6)pp        |
| EBIT  | (7.4)%        | 3.5%         | (3.1)%        | (6.6)pp        |
| <b>Adj. EBIT<sup>1</sup></b>                  | <b>(6.5)%</b> | <b>4.2%</b>  | <b>(2.4)%</b> | <b>(6.5)pp</b> |

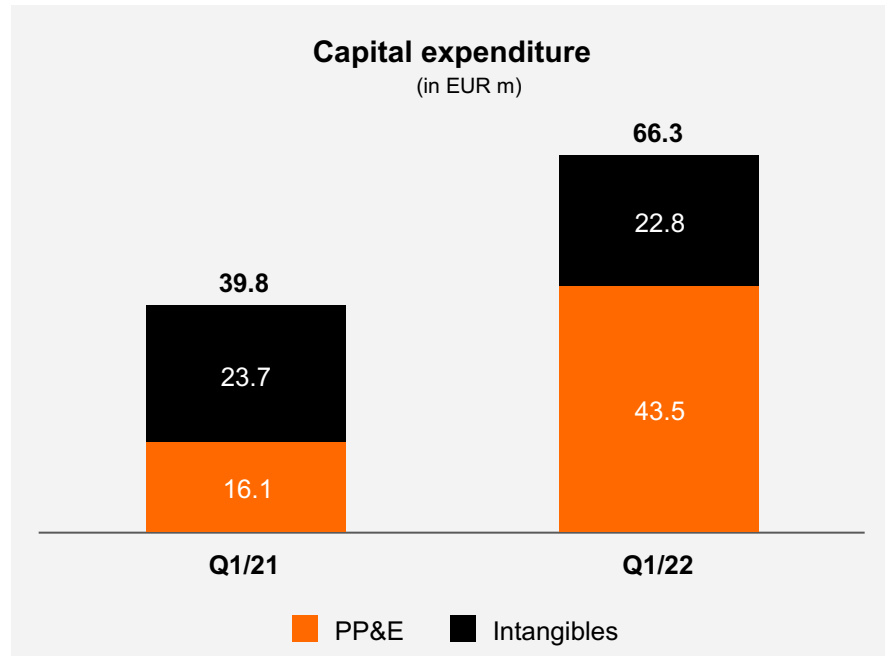
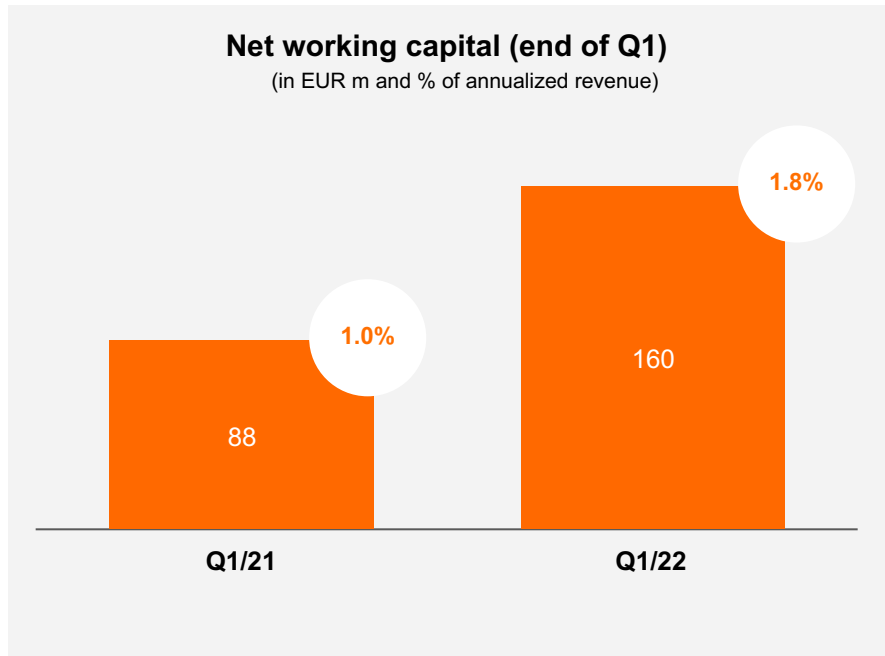
- Increased promotional activities

- Unfavorable order economics
- Convenience investments

- Cost deleverage
- Investment in future capabilities



# Positive Net Working Capital resulting from inventory build up, CAPEX in line with plan



11 1) Excluding payments for acquisitions of EUR (3.9)m in Q1/22 | Q1/21: EUR 0.0m

# Outlook





# FY/2022 Outlook

16% - 23%

GMV growth

12% - 19%

Revenue growth

EUR 430 - 510m

Adj. EBIT<sup>1</sup>

EUR 400 - 500m

Capex<sup>2</sup> and negative net working capital

*Our FY/2022 outlook, as communicated on March 1, 2022, excluded a potential negative impact from the war in Ukraine. In light of the increasingly volatile market environment (including the ongoing negative impact from the war in Ukraine), we now target to reach the lower end of our full year outlook in terms of GMV growth, Revenue growth and adjusted EBIT.*

13 1) Excludes equity-settled share-based payment expense ("SBC") of EUR ~65m, restructuring costs and non-operating one-time effects for FY/2  
2) Excludes M&A transactions

## Key takeaways

**01 We are confident in our strategy and execution is well on track.**

We see key customer and partner KPIs improve as we continue to deepen customer relationships and drive the platform transition.

**02 We are taking decisive action to address short term challenges.**

We have a clear plan that we are acting on decisively, leveraging our platform business model and steering our business in an agile manner.

**03 We continue to invest to capture the opportunity ahead of us.**

We remain committed to our growth ambition to achieve 30bn euros GMV by 2025 and continue to invest through cycle to drive long term value.



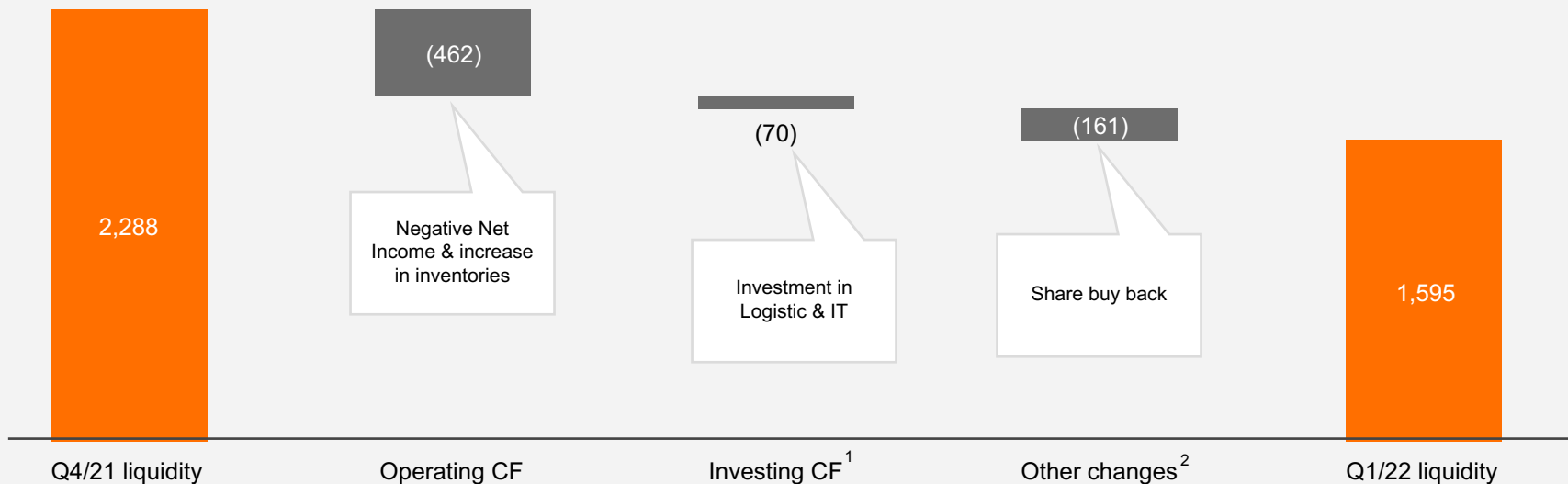
# Q&A





# Cash position Q1/22

(in EUR m)



1) Includes sales and investments in fixed and intangible assets of EUR (66.3)m, payments for acquisitions of EUR (3.9)m and change in restricted cash of EUR 0.0m

2) Includes financing cash flow of EUR (159.5)m and effect of exchange rate on cash and cash equivalents of EUR (1.9)m.





# Issued share capital

## Share information

(as of Mar 31, 2022)

|   |  |
|---|--|
| 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  |
| <b>Total number of shares outstanding</b> | <b>262,137,691</b>                                     |
| <b>Issued capital</b>                     | <b>EUR 262,137,691</b>                                 |

## Stock options programs Management Board (as of Mar 31, 2022)

| Program               | # Options outstanding | Weighted average exercise price (EUR) |
|-----------------------|-----------------------|---------------------------------------|
| SOP 2013 <sup>1</sup> | 307,475               | 1.00                                  |
| LTI 2018 <sup>2</sup> | 4,296,949             | 47.44                                 |
| VSOP 2018             | 140,000               | 29.84                                 |
| LTI 2019              | 407,756               | 17.99                                 |
| LTI 2021/2022         | 236,417               | 48.53                                 |
| ZOP                   | 3,075                 | 1.00                                  |
| <b>Total</b>          | <b>5,391,672</b>      | <b>42.13</b>                          |

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

| Program               | # Options outstanding | Weighted average exercise price (EUR) |
|-----------------------|-----------------------|---------------------------------------|
| SOP 2014 <sup>1</sup> | 649,698               | 23.64                                 |
| EIP <sup>1</sup>      | 2,748,830             | 29.14                                 |
| VSOP 2017             | 30,000                | 50.00                                 |
| ZOP                   | 1,585,631             | 40.23                                 |
| <b>Total</b>          | <b>5,014,159</b>      | <b>32.06</b>                          |

1) Settled with new shares

2) Only to 43% dilutive/to be settled with new shares, remaining backed by treasury shares



## Zalando Investor Relations Team



**Patrick Kofler**

Head of IR

Patrick.Kofler@zalando.de



**Dorothee Schultz**

Manager ESG IR

Dorothee.Schultz@zalando.de



**Nils Pöppinghaus**

Senior Manager IR

Nils.Poeppinghaus@zalando.de

### Team Contact

T: +49 3020 9681 584

Zalando SE

Tamara-Danz-Straße 1

10243 Berlin

[investor.relations@zalando.de](mailto:investor.relations@zalando.de)

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



# 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.