



Zalando Q2/2022

Earnings Call

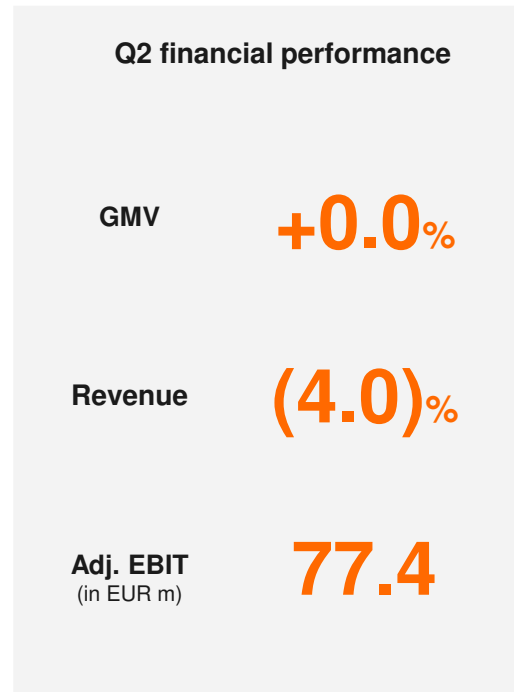
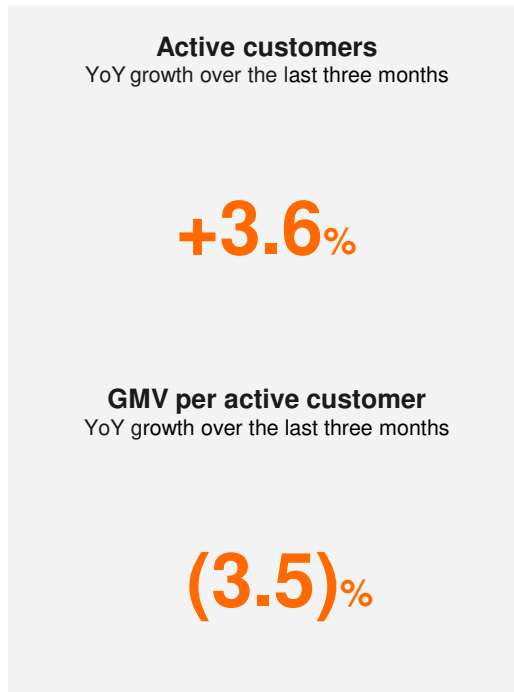
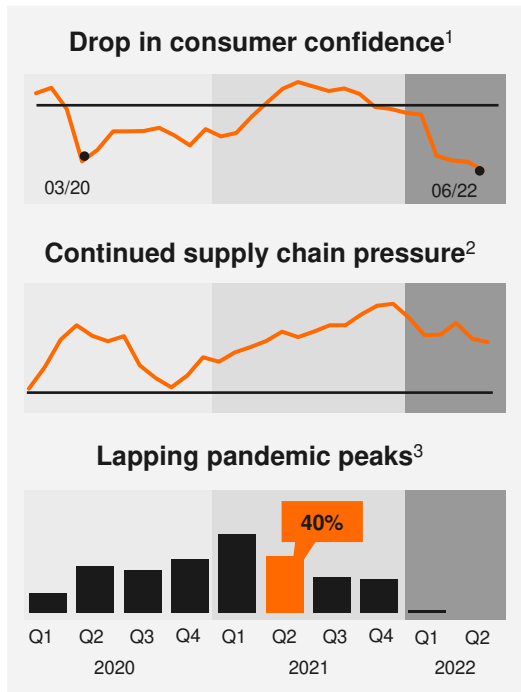
August 4th, 2022
Robert Gentz (Co-CEO)
Dr. Sandra Dembeck (CFO)

zalando





We continue to grow our active customer base and deepen customer relationships, but also observe a contraction in spending as the market environment has further deteriorated

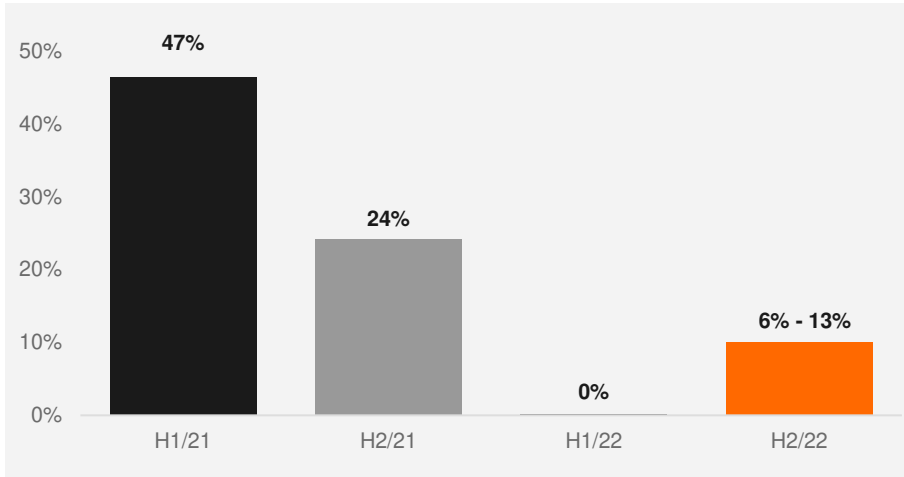


1) Jan 2020 to June 2022, source: European commission, EU-27, black line represents long-term average
 2) Jan 2020 to June 2022, source: Global Supply Chain Pressure Index, New York Fed, black line represents long-term average
 3) Year-over-year GMV growth Zalando Group

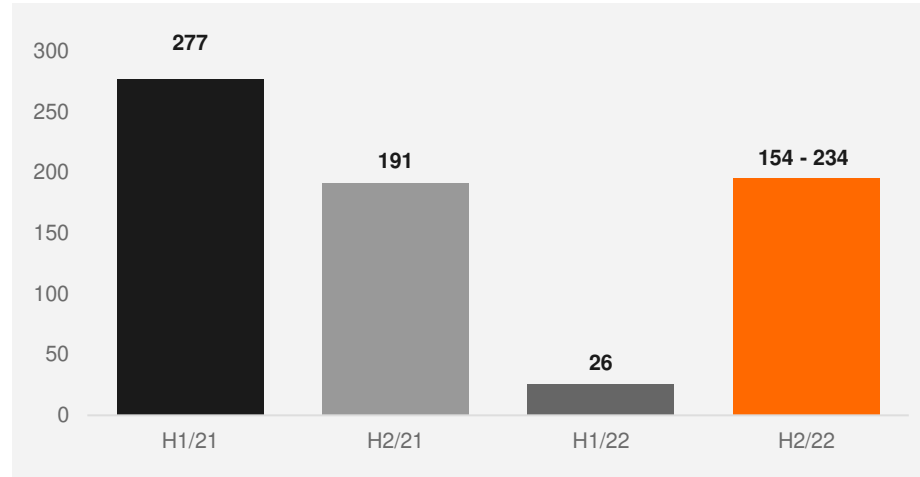


For H2/22, we expect return to growth and improved profitability,
as we are no longer lapping pandemic peaks and our efficiency measures take full effect

Group GMV year-over-year growth

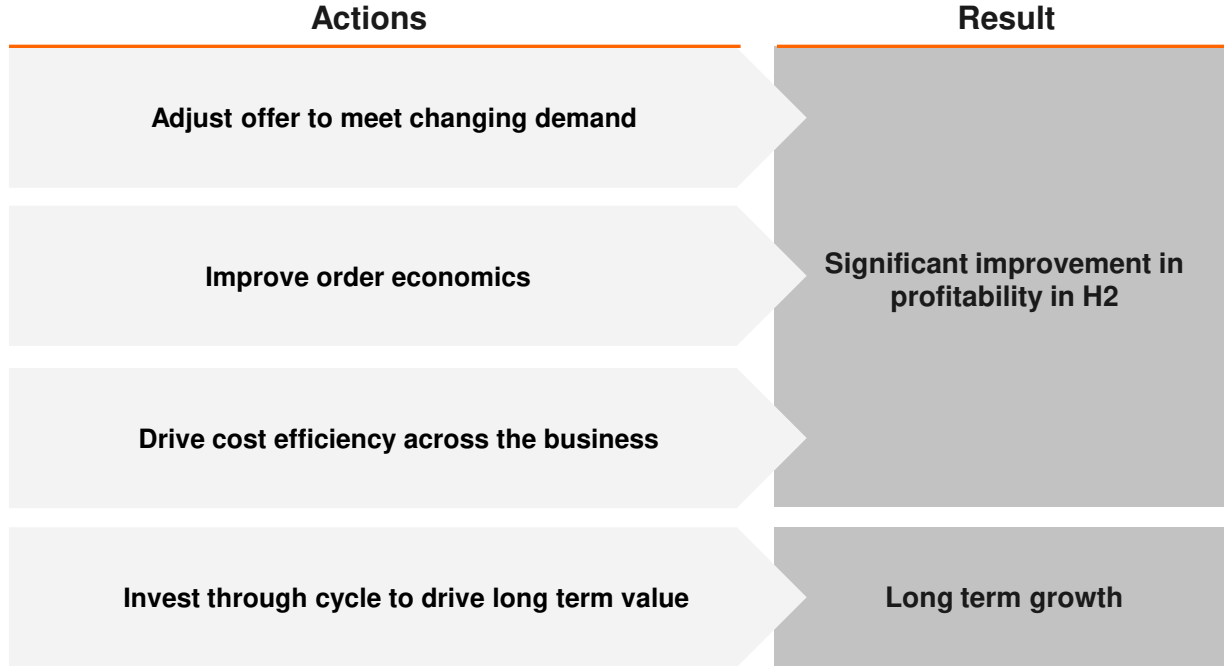


Group adj. EBIT development¹





Capitalizing on the learnings of the past months, we are successfully executing our action plan to adapt our business to the new environment and to emerge stronger





Key measures to drive efficiency across cost lines successfully implemented in the second quarter

Action	H2/22 Impact	Example
Adjust offer to meet changing demand		<ul style="list-style-type: none"> Reduced wholesale order volume for fall/winter season to reflect revised growth expectations and to tighten inventory control Full effect will materialize in 2023 with the start of the spring/summer season
Improve order economics		<ul style="list-style-type: none"> Implemented MOV¹ in 15 additional markets with MOV now live across all Zalando markets, incentivizing higher basket sizes and increasing small basket profitability Positive impact from MOV and other efficiency measures in logistics are expected to offset cost inflation in fulfillment costs
Drive cost efficiency across the business		<ul style="list-style-type: none"> Adjusted expenditures in both performance and brand marketing to the lower growth environment to ensure attractive ROI², reducing payback periods from 720 to 360 days Paced our overhead investments, targeting flat headcount development until year end



We remain focused on our long term opportunities and thus continue to selectively invest through the cycle across the core dimensions of our strategy



Customers

We create deep customer relationships at scale



Partners

We transition towards a true platform business



People & Planet

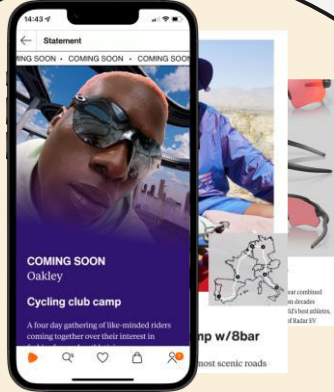
We build a sustainable platform



We join forces with Highsnobiety to combine content and commerce for a truly inspirational experience in a multi-brand environment

HIGHSNOBIETY

Leading culture magazine, creative agency and consultancy and the global pioneer of the new luxury culture



Highsnobiety is bolstering Zalando's storytelling and curation capabilities to create an exciting and engaging online environment for both consumers and brands

Leading fashion platform re-inventing the online shopping experience with best-in-class e-commerce know-how and operational capabilities

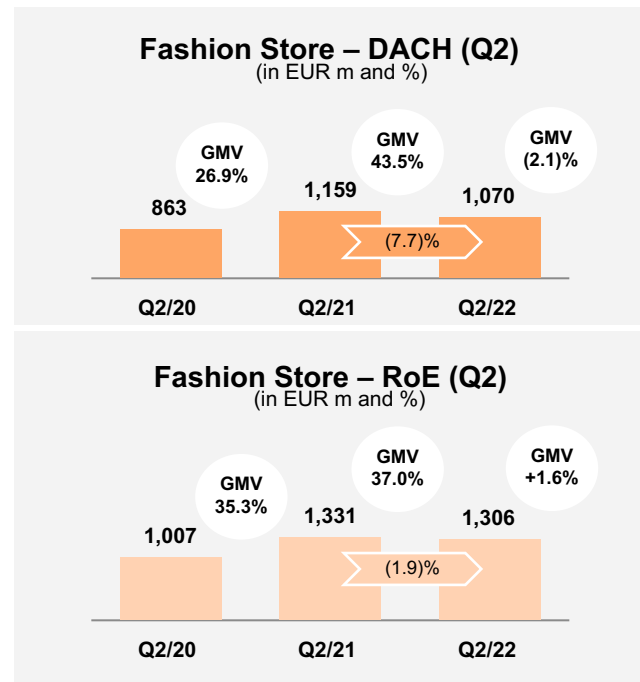
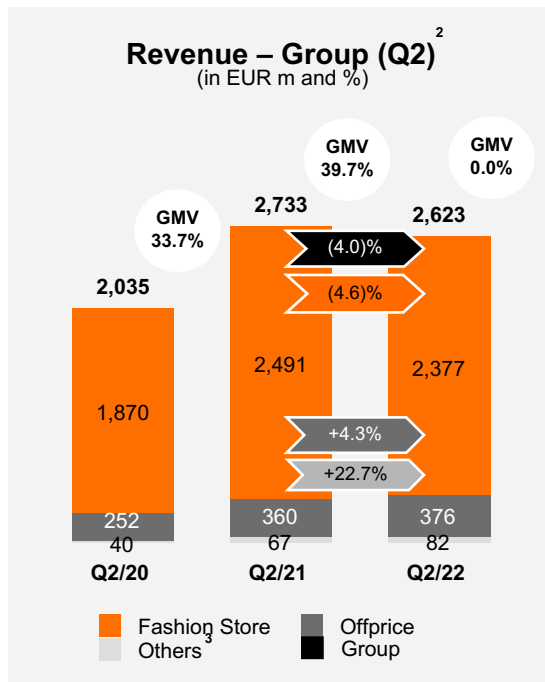
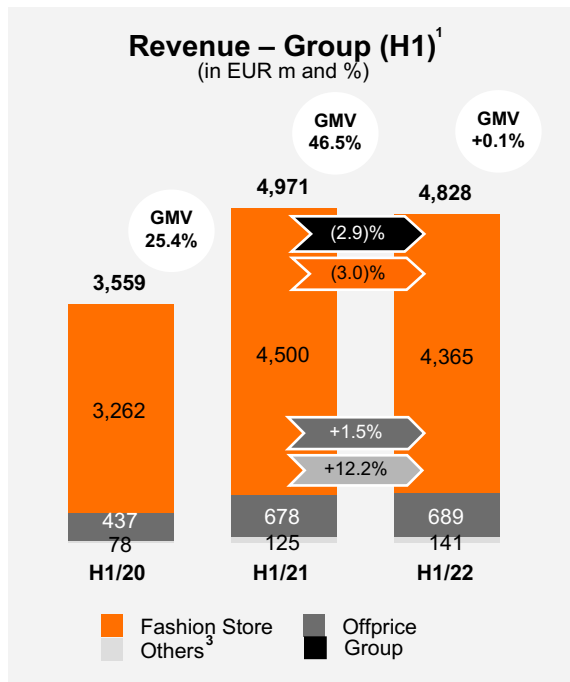
Financial Update

Q2/2022





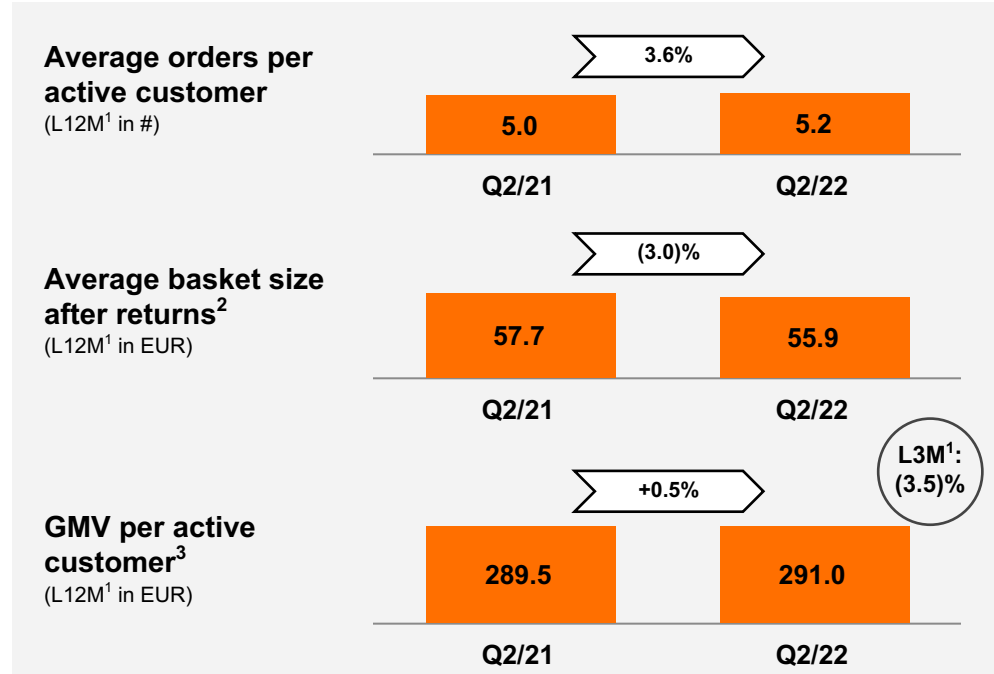
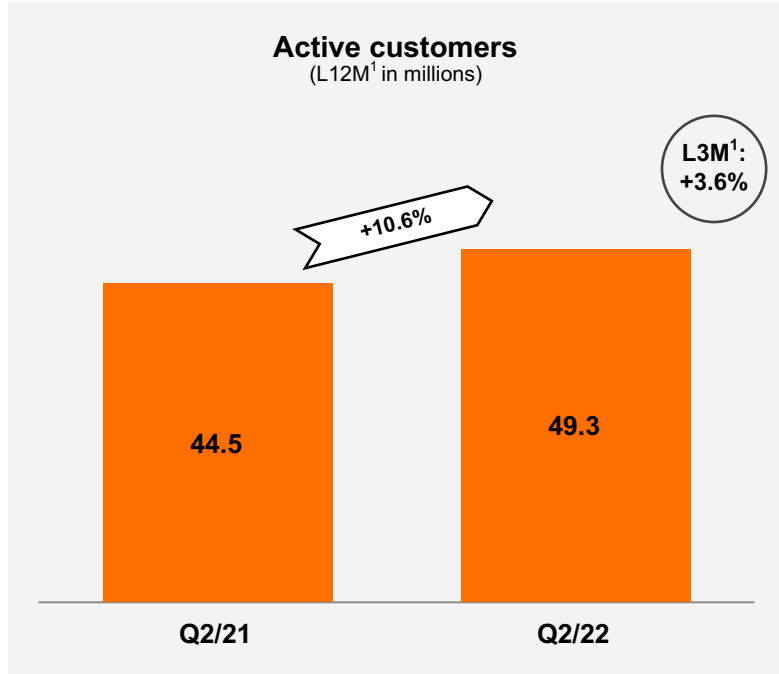
Q2 slowdown in demand driven by deteriorating consumer sentiment, accelerated inflation and selected supply shortages



9 1) H1/22 contains EUR (367)m | H1/21 (333)m | H1/20 (217)m reconciliation of internal revenues.
 2) Q2/22 contains EUR (212)m | Q2/21 EUR (185)m | Q2/20 EUR (128)m reconciliation of internal revenues
 3) Other segments including various emerging businesses, Zalora is reported in Fashion Store unit since Q1/22

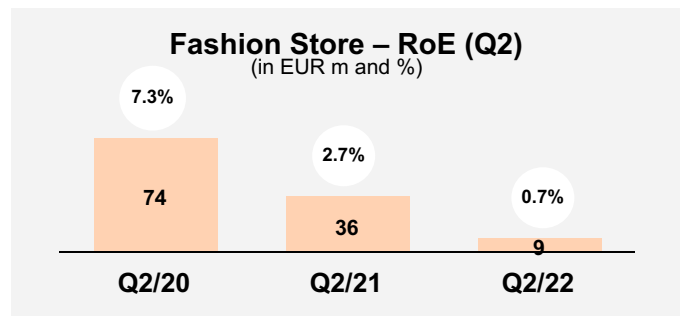
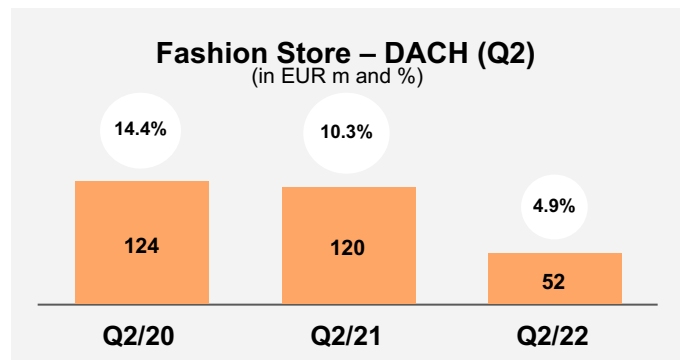
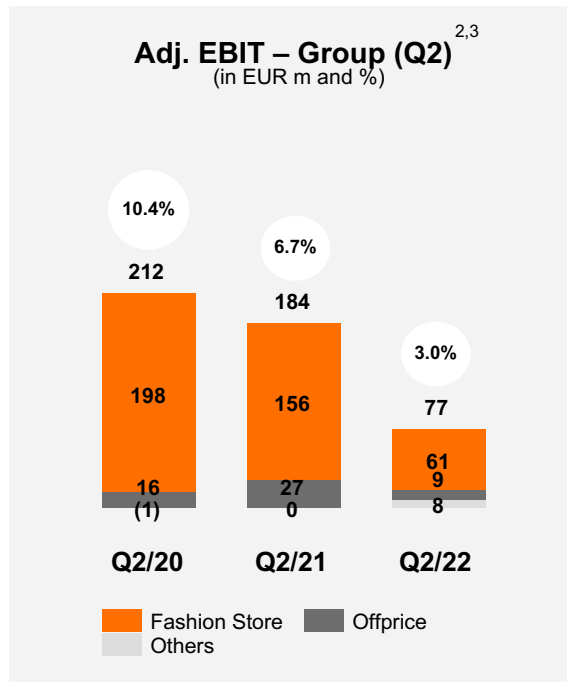
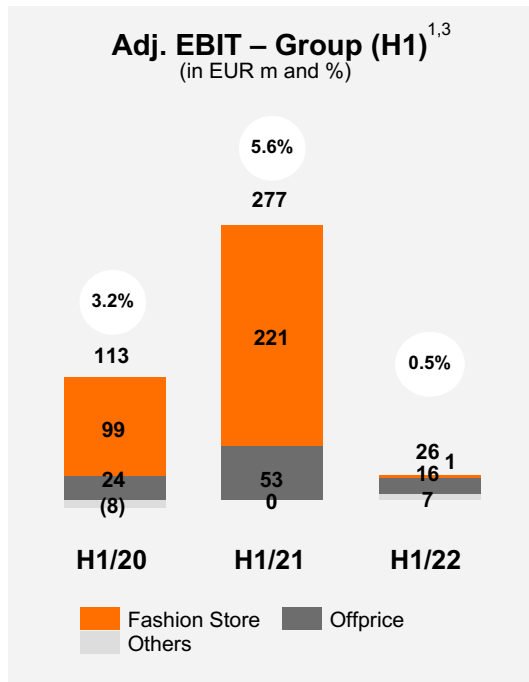


Increase in active customer offset by reduced spending per customer





Q2 adjusted EBIT significantly below the levels of previous years



11 1) H1/22 contains EUR 2.1m | H1/21 contains EUR 3.2m | H1/20 contains EUR (0.7)m reconciliation of internal EBIT

2) Q2/22 contains EUR (0.6)m | Q2/21 contains EUR 1.8m | Q2/20 contains EUR (0.7)m reconciliation of internal EBIT

3) Excluding equity-settled share-based compensation in H1/22 of EUR (32.7)m | Q2/22 of EUR (16.4)m | H1/21 of EUR (26.0)m | Q2/21 of EUR (11.3)m | H1/20 of (27.9)m | Q2/20 of (13.5)m; and non-operating one-off effects in Q2/21 & H1/21 +13.6€m



Q2 adjusted EBIT margin decreased driven by overstock clearance and cost deleverage

Costs and margins (in % of revenue)	H1/20	H1/21	H1/22	YoY Δ	Q2/20	Q2/21	Q2/22	YoY Δ
Gross profit	40.5 %	42.7 %	40.0 %	(2.7)pp	44.4 %	44.2 %	41.0 %	(3.2)pp
Fulfillment costs	(27.3) %	(24.8) %	(27.6) %	(2.8)pp	(25.4) %	(24.2) %	(26.0) %	(1.8)pp
Marketing costs	(6.4) %	(8.9) %	(7.8) %	1.1pp	(5.2) %	(9.8) %	(8.0) %	1.8pp
Administrative expenses & Other	(4.3) %	(3.7) %	(4.7) %	(1.0)pp	(4.0) %	(3.4) %	(4.7) %	(1.3)pp
EBIT	2.4 %	5.3 %	(0.1) %	(5.5)pp	9.8 %	6.8 %	2.3 %	(4.5)pp
Adj. EBIT ¹	3.2 %	5.6 %	0.5 %	(5.1)pp	10.4 %	6.7 %	3.0 %	(3.8)pp

- Prolonged sales period
- Price investment to reduce overstock levels

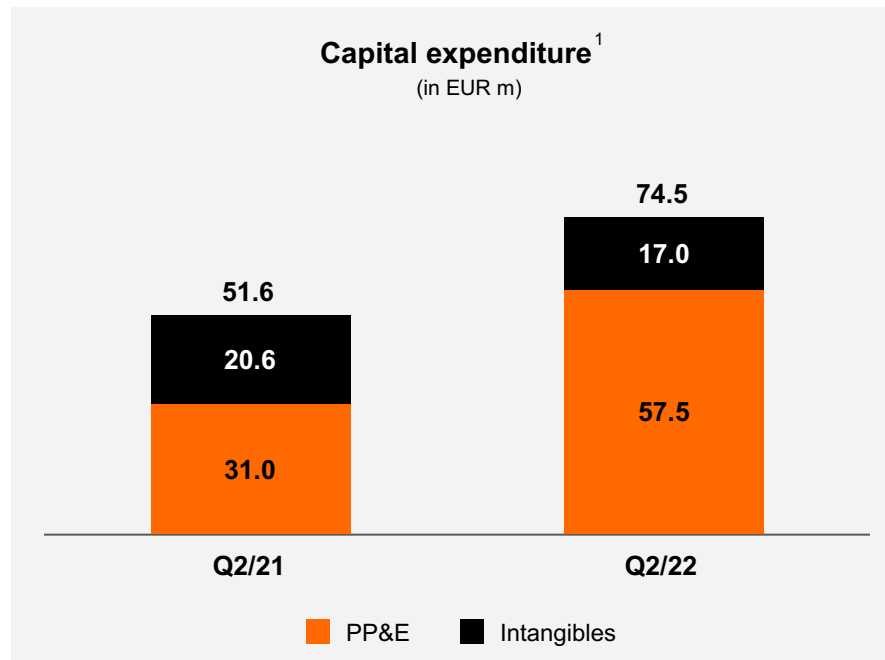
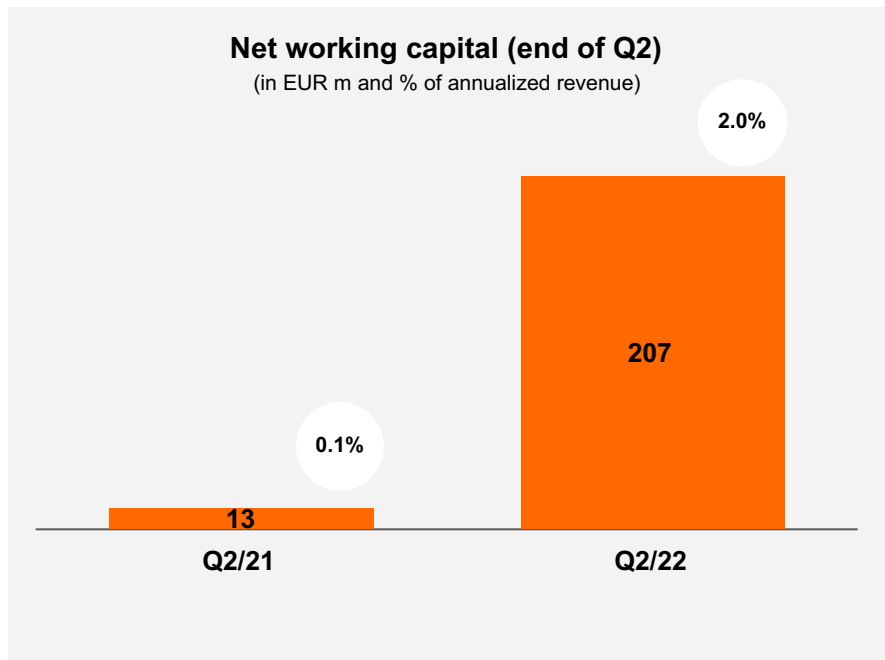
- Unfavourable order economics
- Convenience investment

- Reduced brand and performance marketing

- Cost deleverage
- Investment in capabilities



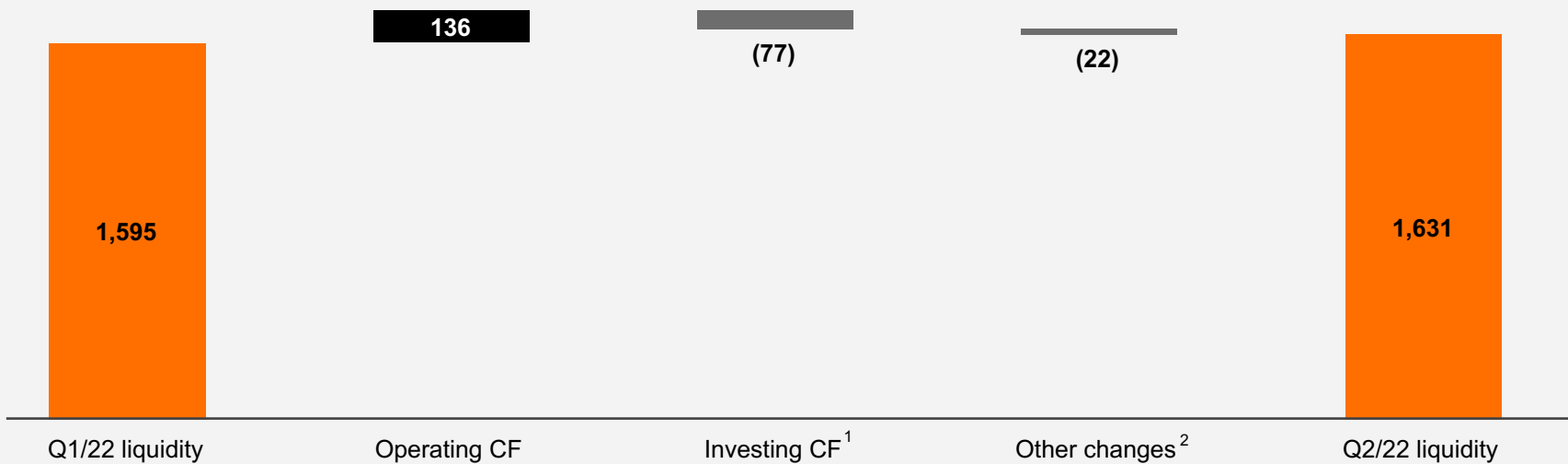
Increase in Net Working Capital as a result of higher inventory levels, CAPEX in line with plan





Cash position remained at 1.6 EUR billion in Q2

(in EUR m)



14 1) Includes sales and investments in fixed and intangible assets of EUR (74.5)m, payments for acquisitions of EUR (5.5)m and change in restricted cash of EUR 2.5m

2) Includes financing cash flow of EUR (28.4)m and effect of exchange rate on cash and cash equivalents of EUR 5.9m.

Outlook



Confirmation of updated FY/2022 outlook

3% - 7%

GMV growth

0% - 3%

Revenue growth

EUR 180 - 260m

Adj. EBIT¹

EUR 350 - 400m

Capex² and neutral net working capital

16 1) Excludes equity-settled share-based payment expense ("SBC") of EUR ~65m, restructuring costs and non-operating one-time effects for FY/22
2) Excludes M&A transactions



Key takeaways

- 01 For H2/22, we expect return to growth and improved profitability**, as we are no longer lapping pandemic peaks and our efficiency measures take full effect
- 02 We have a clear action plan that we are successfully executing** to adapt our business to the new environment and to improve performance
- 03 We remain focused on our long term opportunities** and thus continue to selectively invest through the cycle across the core dimensions of our strategy



Q&A





Issued share capital

Share information

(as of Jun 30, 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
Total number of shares outstanding	262,454,846
Issued capital	EUR 262,454,846

Stock options programs Management Board (as of Jun 30, 2022)

Program	# Options outstanding	Weighted average exercise price (EUR)
LTI 2018 ²	4,296,949	47.44
VSOP 2018	140,000	29.84
LTI 2019	364,942	19.99
LTI 2021/2022	236,417	48.53
ZOP	5,398	1.00
Total	5,043,706	44.97

Stock options programs Senior Management (as of Jun 30, 2022)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 ¹	647,698	23.65
EIP ¹	2,738,295	37.40
VSOP 2017	30,000	50.00
ZOP	1,919,726	39.57
Total	5,335,719	36.58

1) Settled with new shares

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



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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.