



# Zalando Q3/2022 Earnings Call

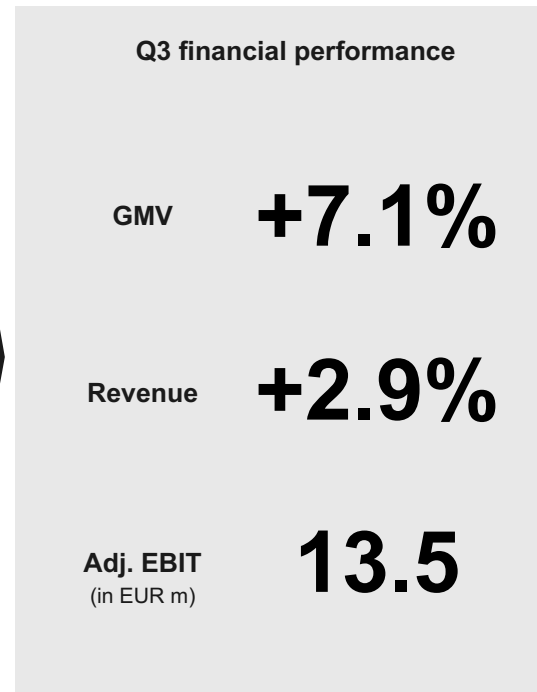
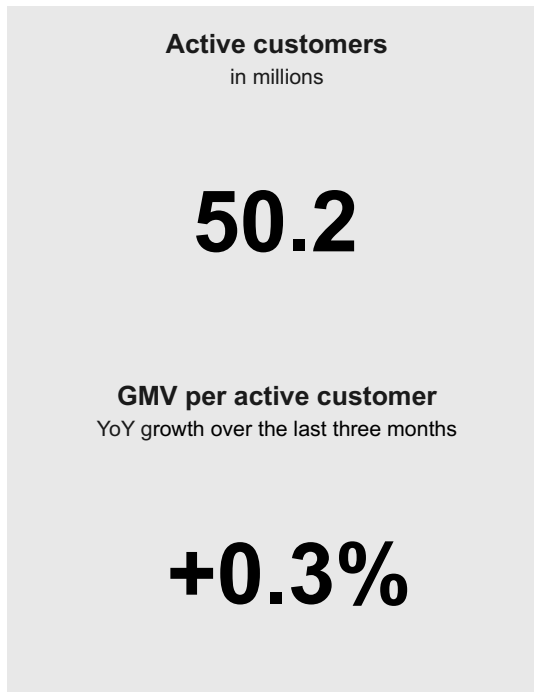
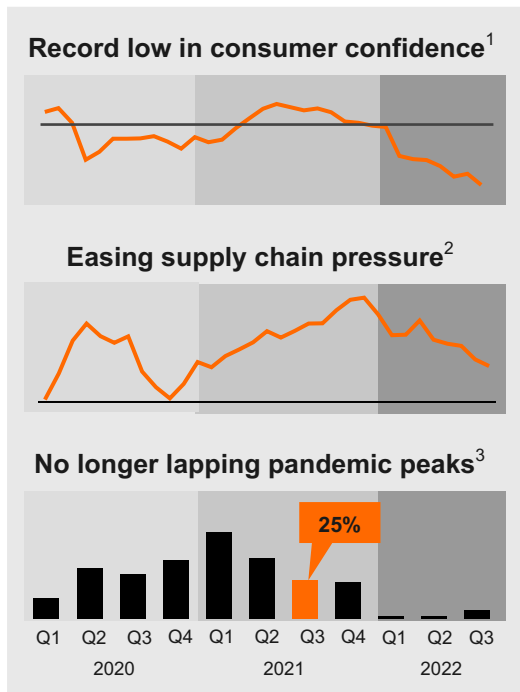
November 3, 2022  
Robert Gentz (Co-CEO)  
Dr. Sandra Dembeck (CFO)

zalando





# In Q3, we were able to return to growth in a declining demand environment with consumer confidence hitting a record low

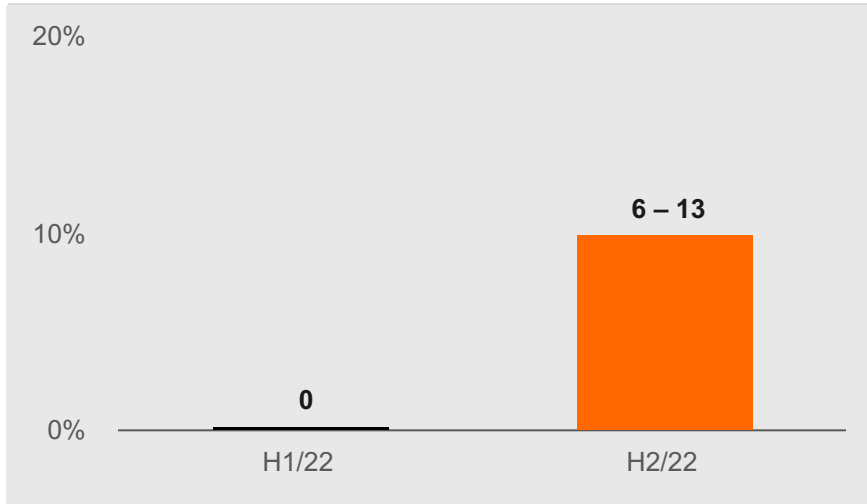


2 1) Jan 2020 to September 2022, source: European commission, EU-27, black line represents long-term average  
 2) Jan 2020 to September 2022, source: Global Supply Chain Pressure Index, New York Fed, black line represents long-term average  
 3) Year-over-year GMV growth Zalando group

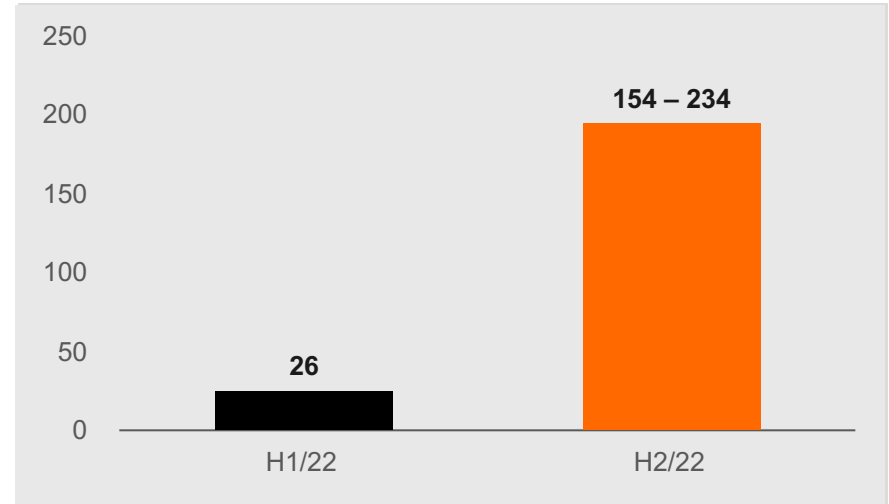


**As a result of our decisive actions we are on track to deliver improved profitability compared to H1/22 and remain laser-focused as we enter the key commercial quarter of the year**

Group GMV year-over-year growth (in %)



Group adj. EBIT development (in EUR m)





# We advanced on all of our strategic initiatives to be the starting point for fashion for our customers



## Customers

Create deep customer relationships at scale

Our loyalty program Zalando Plus almost tripled its membership year-over-year



## Partners

Transition towards a true platform business

Strong growth in share of Partner Business with an increase of 7pp compared to last year



## People & planet

Build a sustainable platform

Zalando launches first Adaptive Fashion collections embracing the disabled community

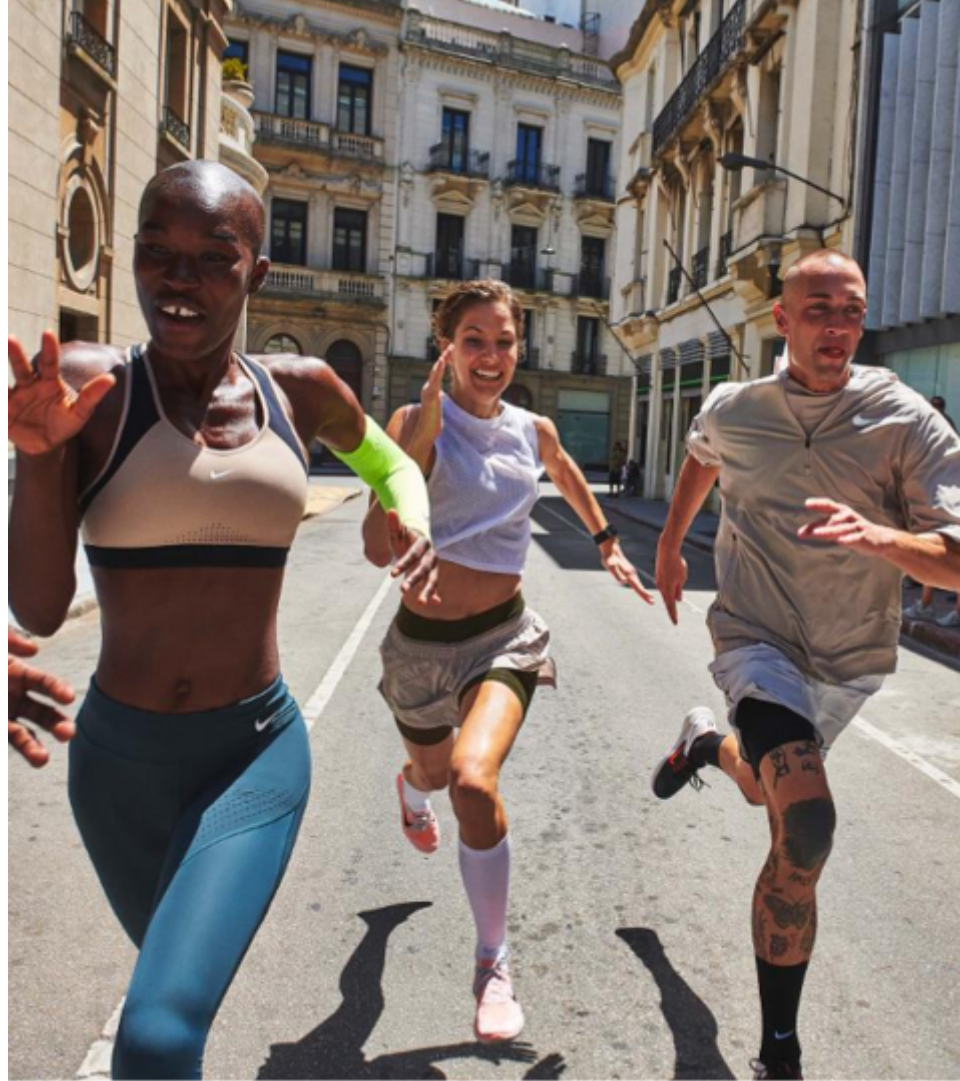
## Strategic partnership with Nike, Inc strengthens our efforts to be the Starting Point for Fashion

**Access to Nike member-exclusive products** and benefits for Zalando customer<sup>1</sup>

Distinctive shopping experience through **elevated storytelling and inspiration**

Joint commitment **to creating an exclusive experience** with a better assortment

5 1) The experience will go live in all ten markets Nike is present in with Zalando's Partner Program (Germany, Austria, the Netherlands, France, Belgium, Denmark, Sweden, Finland, Italy and Poland), started with Austria in October





**We are excited about our multi-year vision to build a new fashion discovery experience that will increasingly merge content and commerce for a truly inspiring customer experience**

First milestone release went live



A-T°

PLUS Early Access



**SALOMON**

Launch of new fashion discovery experience

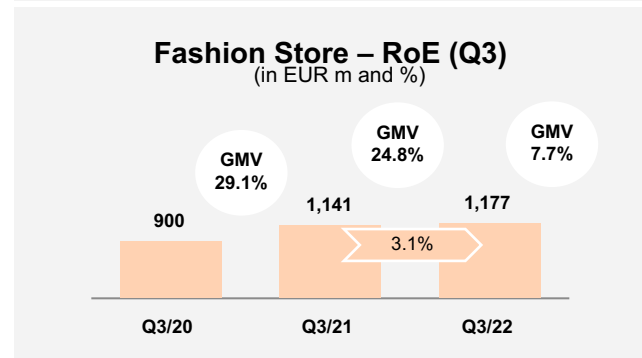
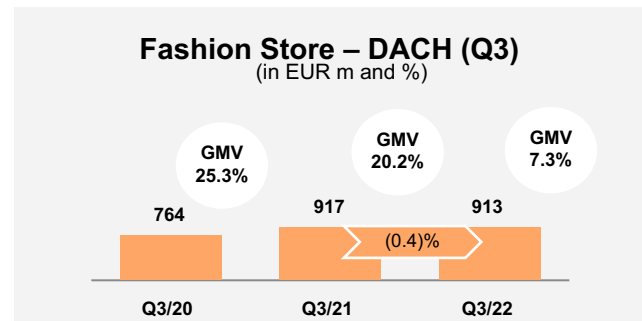
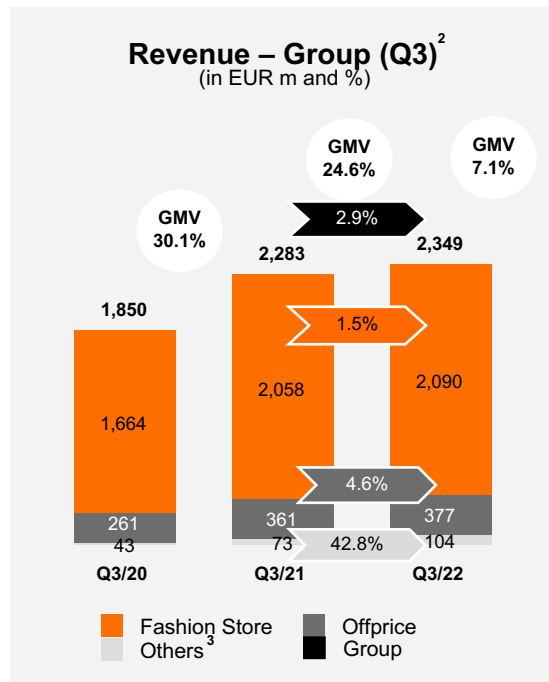
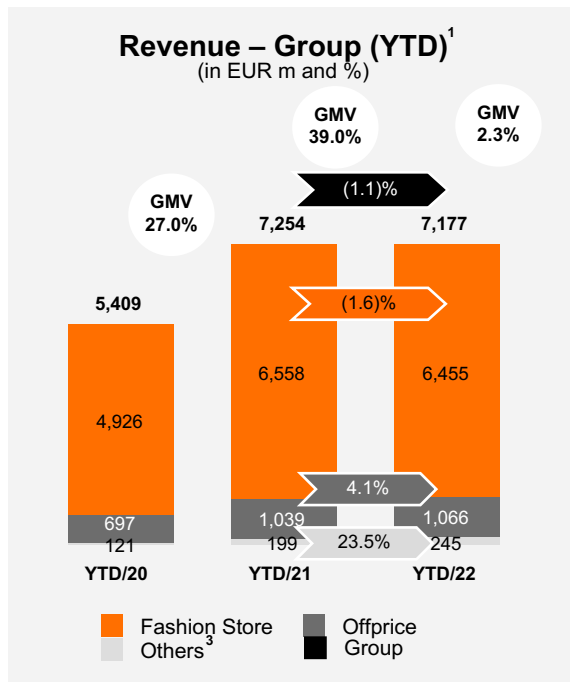
# Financial update

## Q3/2022





# After two quarters with no growth, we delivered a single digit growth on the back of a timely start into the fall winter season

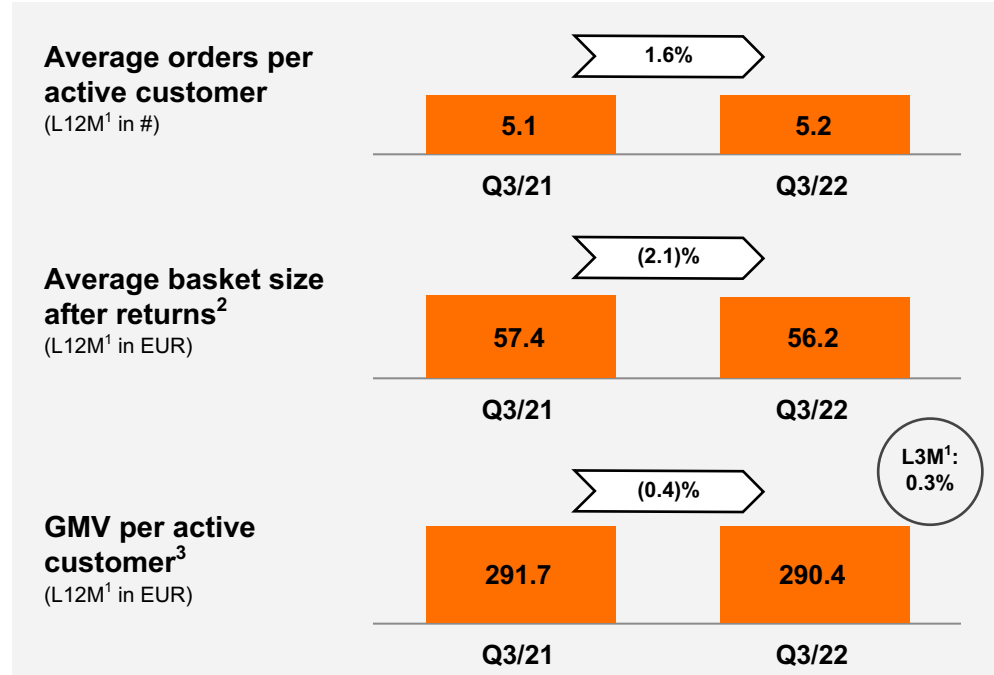
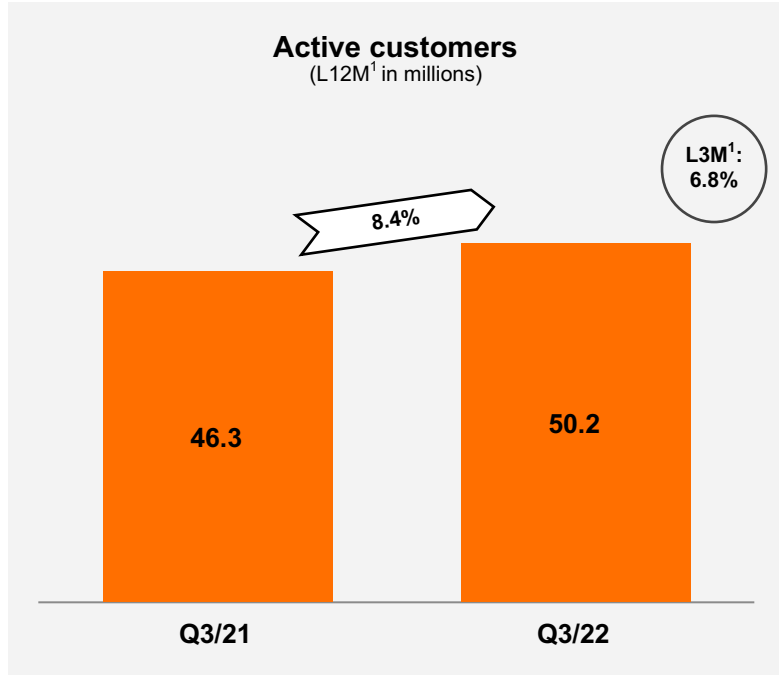


8 1) YTD/22 contains (589)EUR m | YTD/21 (542)EUR m | YTD/20 (336)EUR m reconciliation of internal revenues  
 2) Q3/22 contains (223)EUR m | Q3/21 (209)EUR m | Q3/20 (118)EUR m reconciliation of internal revenues  
 3) Other segments including various emerging businesses, Zalora is reported in Fashion Store unit since Q1/22





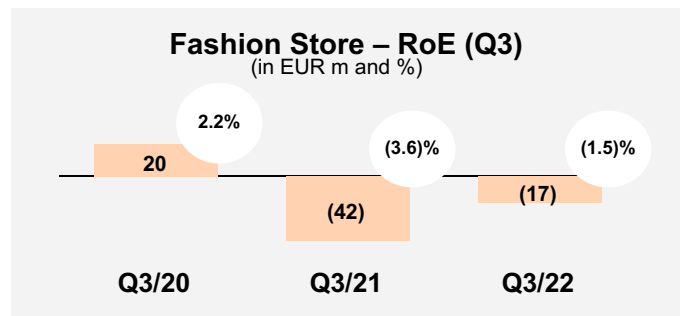
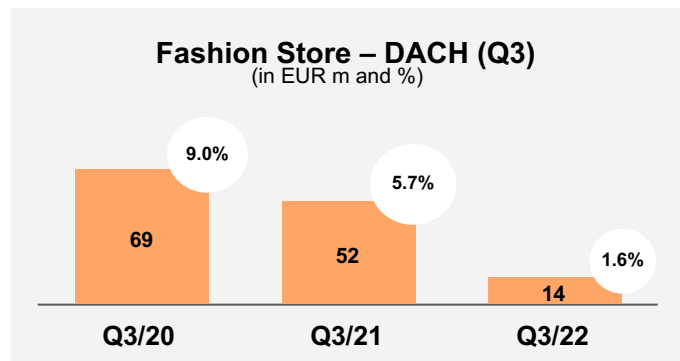
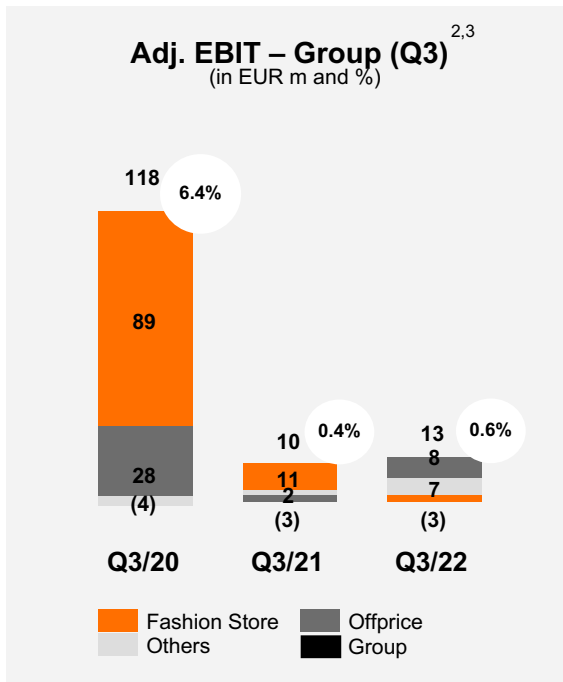
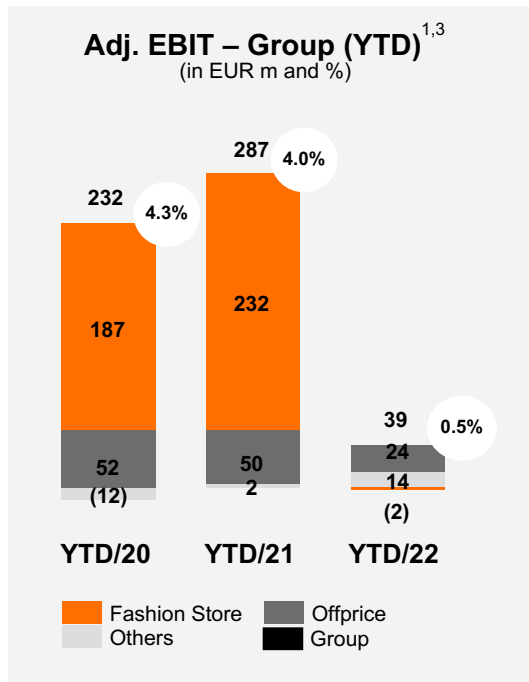
## Active customers crossed the 50 million mark while spend per customer remained broadly flat



9 1) L3M = last three months, L12M = last twelve months  
 2) Defined as GMV divided by the number of orders  
 3) Defined as GMV divided by the number of active customers



## Q3 profitability is in line with last year. Fashion Store focused on clearing excess inventory



10 1) YTD/22 contains 2.6EUR m | YTD/21 contains 2.7EUR m | YTD/20 contains 4.1EUR m reconciliation of internal EBIT

2) Q3/22 contains 0.5EUR m | Q3/21 contains (0.5)EUR m | Q3/20 contains 4.8EUR m reconciliation of internal EBIT

3) Excluding equity-settled share-based compensation in YTD/22 of (50.0)EUR m | Q3/22 of (17.3)EUR m | YTD/21 of (40.4)EUR m | Q3/21 of (14.3)EUR m | YTD/20 of (41.1)EUR m | Q3/20 of (13.2)EUR m; and non-operating one-off effects in YTD/21 +13.6EUR m and (3.6)EUR m in Q3/22 & YTD/22

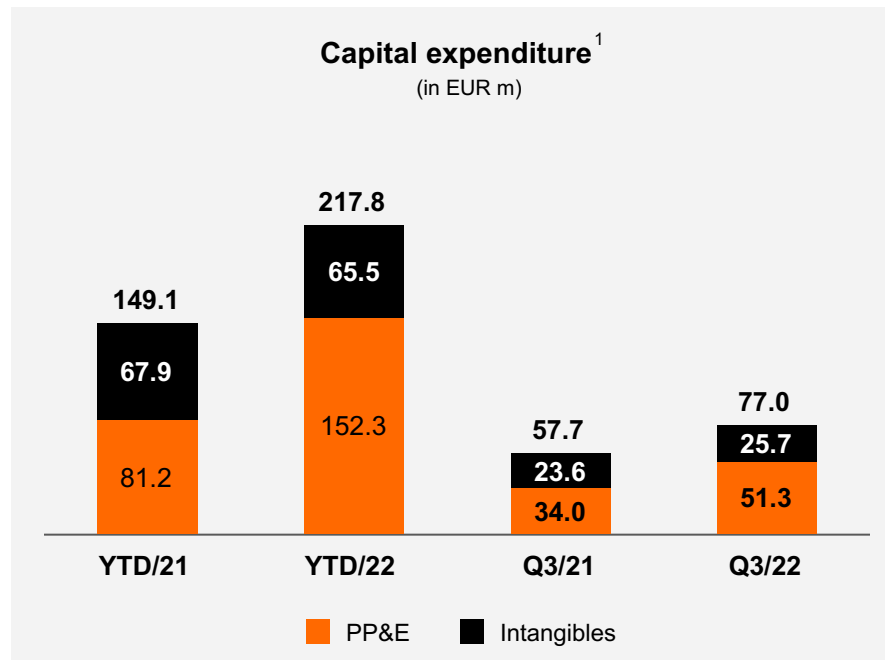
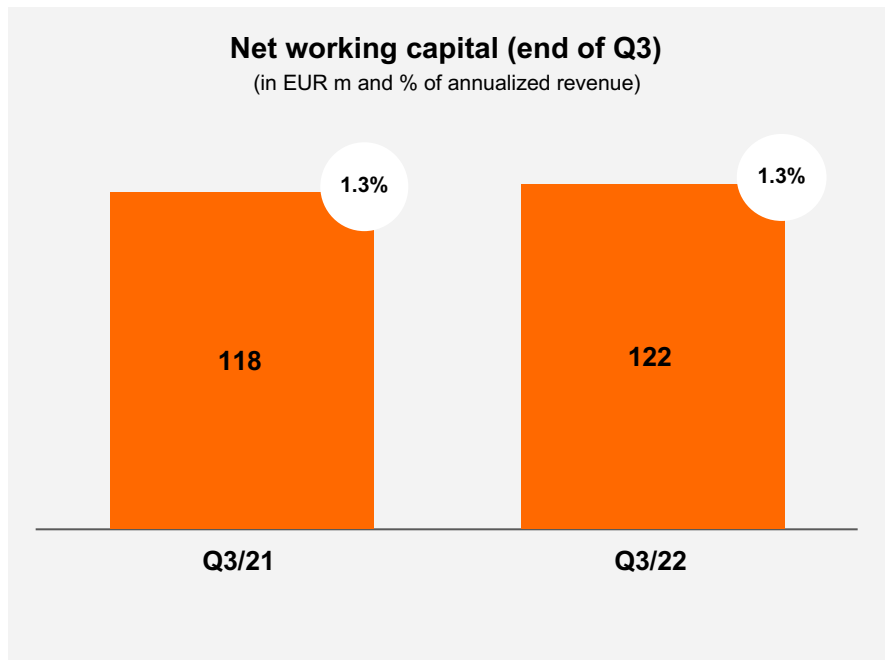


## Stable Q3 adjusted EBIT margin as efficiency measures take effect

Costs and margins (in % of revenue)	YTD/20	YTD/21	YTD/22	YoY Δ	Q3/20	Q3/21	Q3/22	YoY Δ	
Gross profit	41.8 %	41.5 %	39.7 %	(1.8)pp	44.4 %	38.8 %	39.1 %	0.3pp	Successful end of season sale and timely start to F/W season
Fulfillment costs	(27.1) %	(25.3) %	(27.7) %	(2.4)pp	(26.7) %	(26.5) %	(27.9) %	(1.4)pp	Ongoing cost deleverage and convenience investments but improved order economics
Marketing costs	(6.9) %	(8.8) %	(7.6) %	1.2pp	(7.9) %	(8.6) %	(7.2) %	1.5pp	Increased marketing efficiencies
Administrative expenses & Other	(4.3) %	(3.7) %	(4.6) %	(0.9)pp	(4.2) %	(3.9) %	(4.4) %	(0.5)pp	Cost deleverage and investment in capabilities
EBIT	3.5 %	3.6 %	(0.2) %	(3.8)pp	5.7 %	(0.2) %	(0.3) %	(0.1)pp	
<b>Adj. EBIT <sup>1</sup></b>	<b>4.3 %</b>	<b>4.0 %</b>	<b>0.5 %</b>	<b>(3.4)pp</b>	<b>6.4 %</b>	<b>0.4 %</b>	<b>0.6 %</b>	<b>0.1pp</b>	

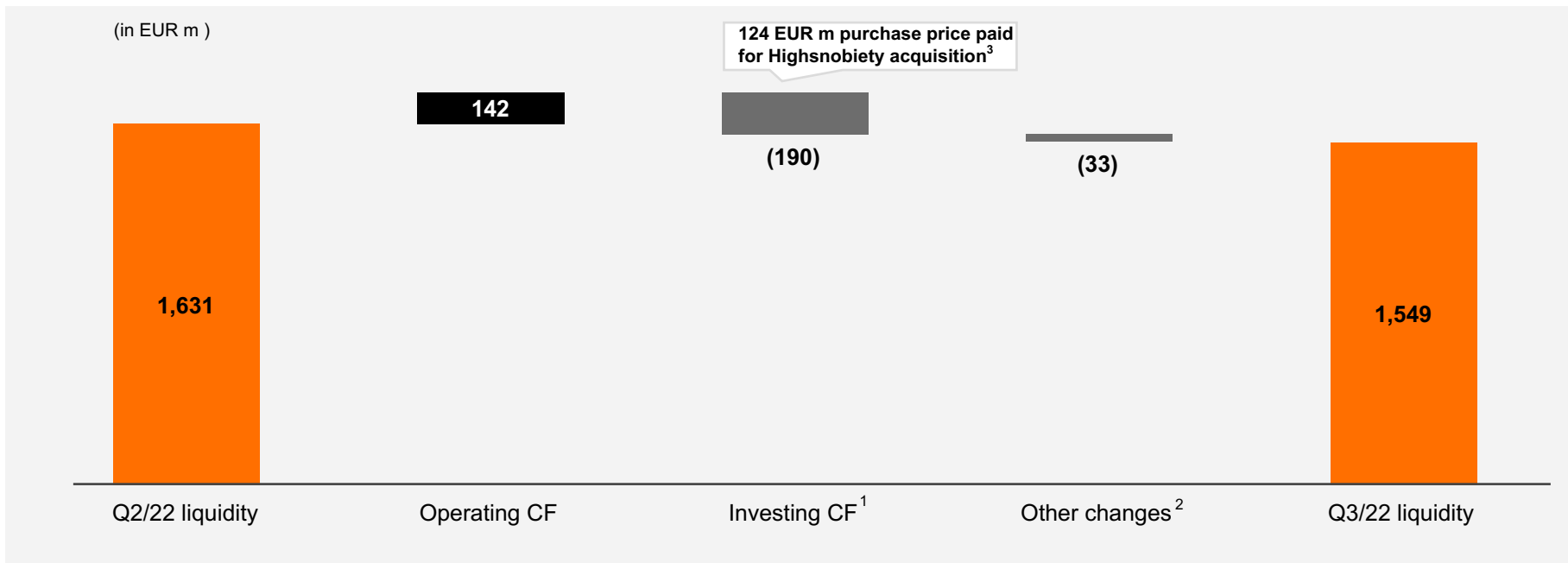


# Net working capital positive as a result of higher inventory levels to prepare for peak-trading in November and December





## Cash position at 1.5 EUR billion after acquisition of Highsnobiety



13 1) Includes sales and investments in fixed and intangible assets of (77.0)EUR m, payments for acquisitions of (113.0)EUR m and change in restricted cash of 0.0EUR m

2) Includes financing cash flow of (32.2)EUR m and effect of exchange rate on cash and cash equivalents of (1.0)EUR m

3) 113 EUR m cash paid for acquisition less cash acquired

# Outlook



We expect to reach **the lower end of the guidance range**

**3% – 7%**

GMV growth

**0% – 3%**

Revenue growth

**180 – 260 EUR m**

Adj. EBIT<sup>1</sup>

**350 – 400 EUR m**

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

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



## Key takeaways

- 01** We delivered growth and profitability after successful steps to protect profitability
- 02** Execution, execution, execution
- 03** We remain focused on our long term opportunities and continue to selectively invest through the cycle across the core dimensions of our strategy





# Q&A





# Issued share capital

## Share information

(as of Sep 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
<b>Total number of shares outstanding</b>	<b>263,487,642</b>
<b>Issued capital</b>	<b>EUR 263,487,642</b>

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

Program	# Options outstanding	Weighted average exercise price (EUR)
LTI 2018 <sup>2</sup>	4,296,949	47.44
VSOP 2018	140,000	29.84
LTI 2019	356,380	20.45
LTI 2021/2022	236,417	48.53
ZOP	11,545	1.00
<b>Total</b>	<b>5,041,291</b>	<b>44.99</b>

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

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 <sup>1</sup>	647,418	23.66
EIP <sup>1</sup>	2,715,080	37.68
ZOP	2,608,454	33.93
<b>Total</b>	<b>5,970,952</b>	<b>34.52</b>

1) Settled with new shares

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



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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.