



# Zalando FY/2022

Financial Update

March 7, 2023  
Dr. Sandra Dembeck (CFO)



## We delivered on our updated 2022 guidance

		2022 guidance	2022 results	
Growth	GMV	3% - 7%	3%	✓
	Revenue	0% - 3%	0%	✓
Profitability	Adj. EBIT <sup>1</sup> (in EUR m)	180 – 260	185	✓
Cash	Capex (in EUR m)	350 – 400	352	✓
	Net working capital (in EUR m)	neutral	(212)	

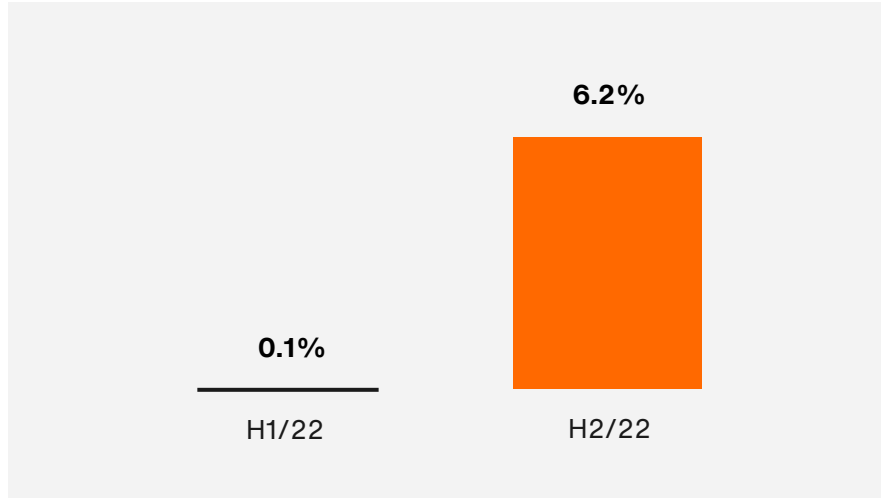
<sup>1</sup> Excludes equity-settled share-based payment expense ("SBC"), restructuring costs, non-operating one-time effects and acquisition-related expenses



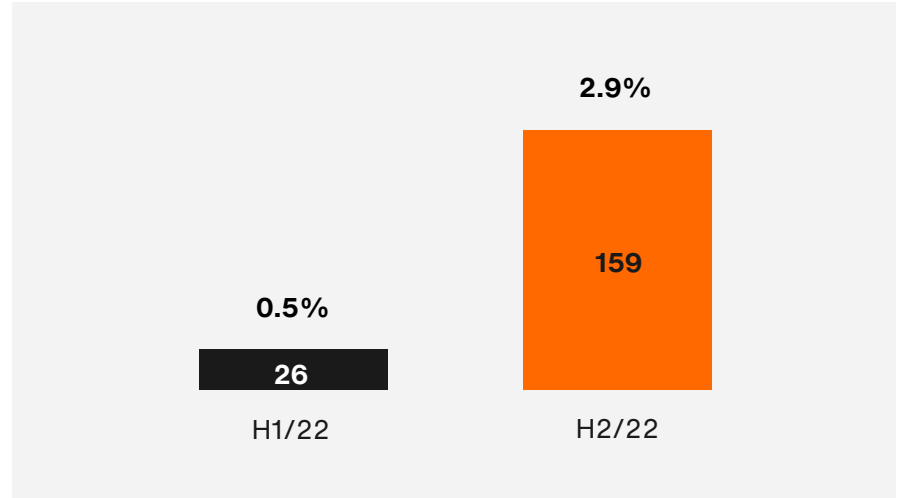


# In H2/22, we returned to growth and delivered improved profitability, against an increasingly challenging economic backdrop

### Zalando group GMV growth in %

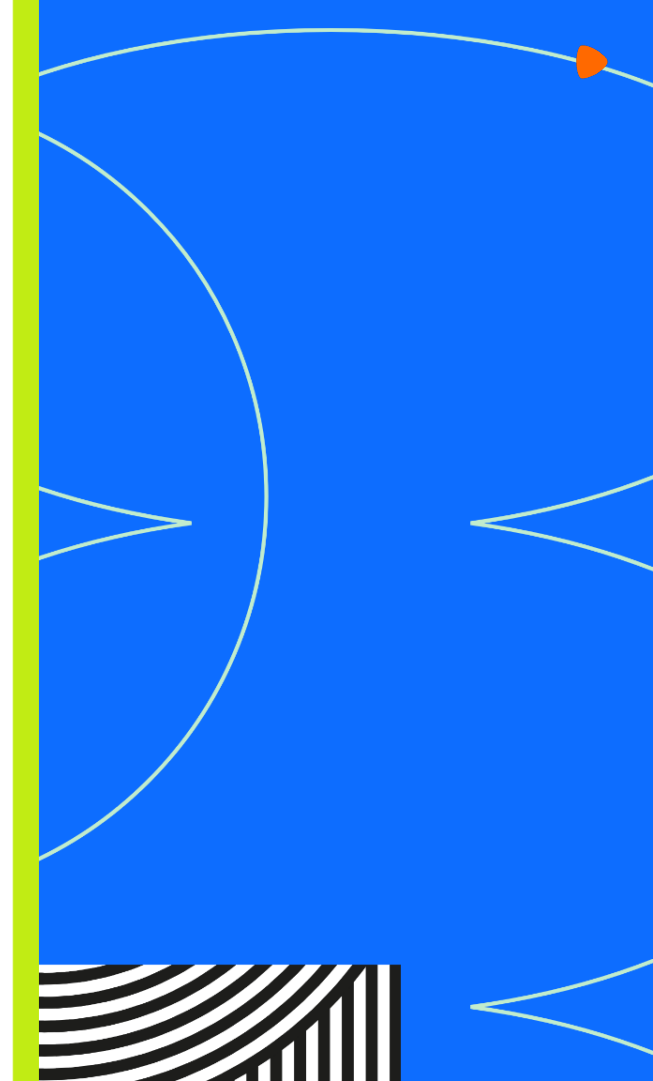


### Zalando group adjusted<sup>1</sup> EBIT in EUR m and % of revenue



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

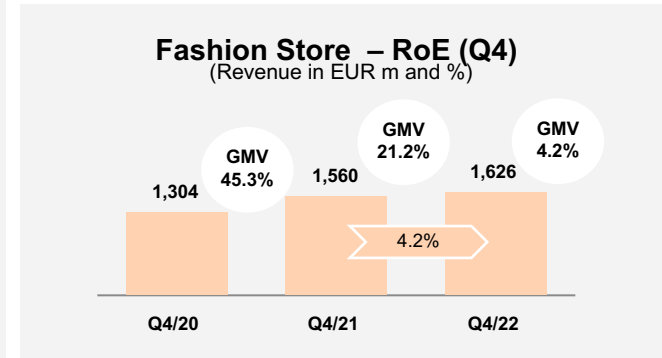
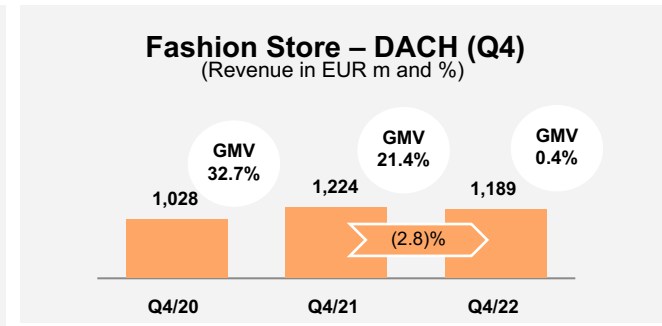
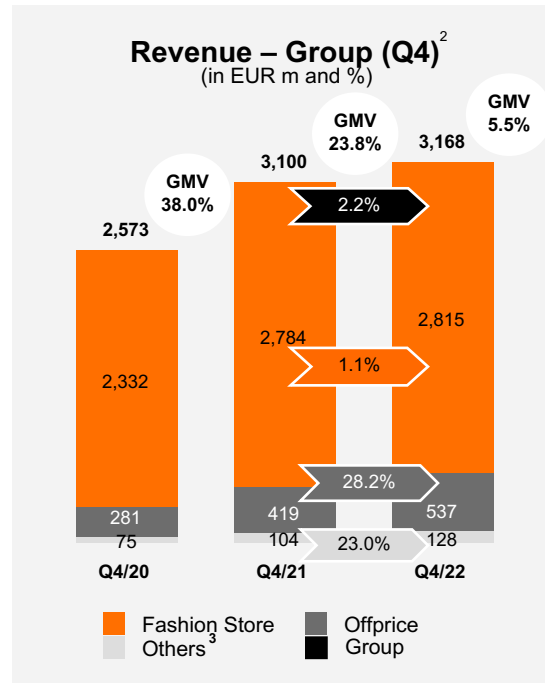
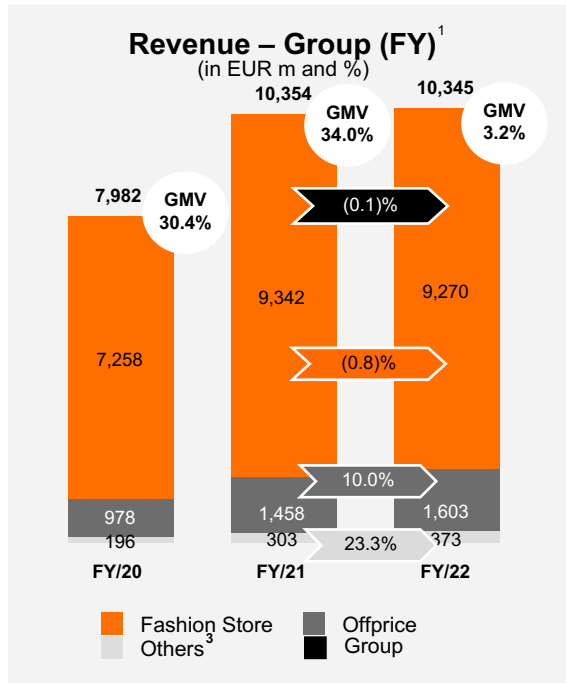
# Financial Deep Dive FY & Q4/2022







# In Q4, we delivered solid growth with strong Offprice business and we successfully captured demand during Cyber Week and Christmas



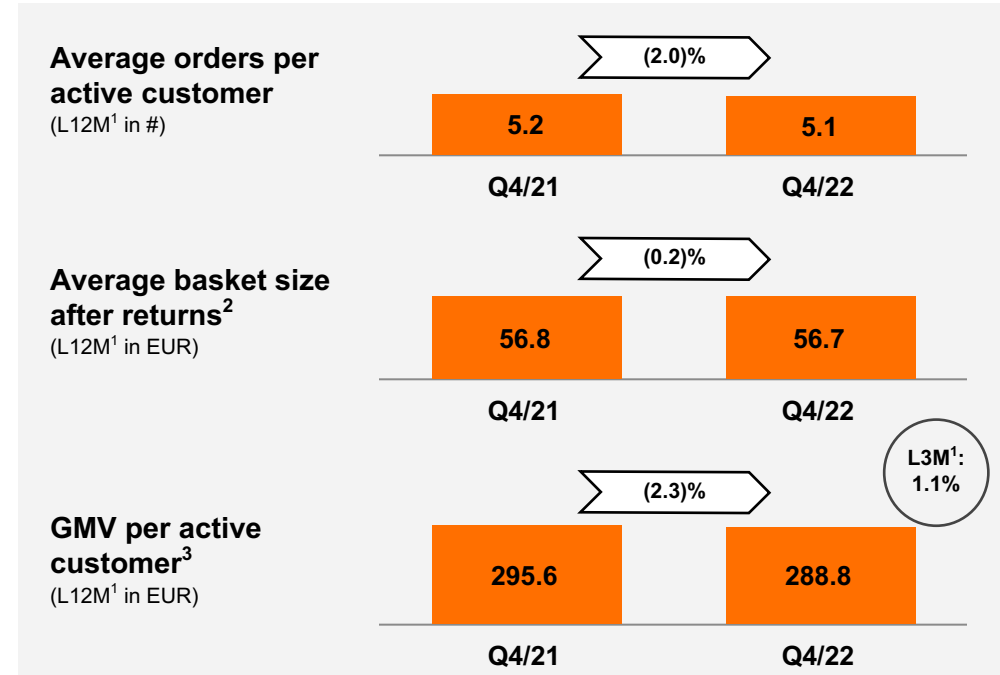
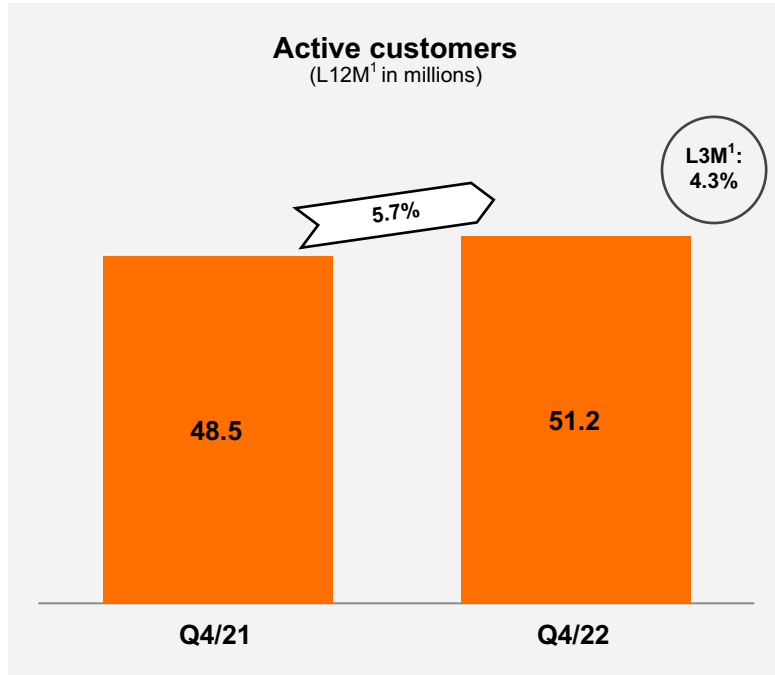
<sup>1</sup> FY/22 contains (901)EUR m | FY/21 (749)EUR m | FY/20 (450)EUR m reconciliation of internal revenues

<sup>2</sup> Q4/22 contains (312)EUR m | Q4/21 (207)EUR m | Q4/20 (114)EUR m reconciliation of internal revenues

<sup>3</sup> Other segments including various emerging businesses, Zalon is reported in Fashion Store unit since Q1/22. Others include Highsnobility from Q3/22



## Growth was driven by an increase in active customers across all propositions



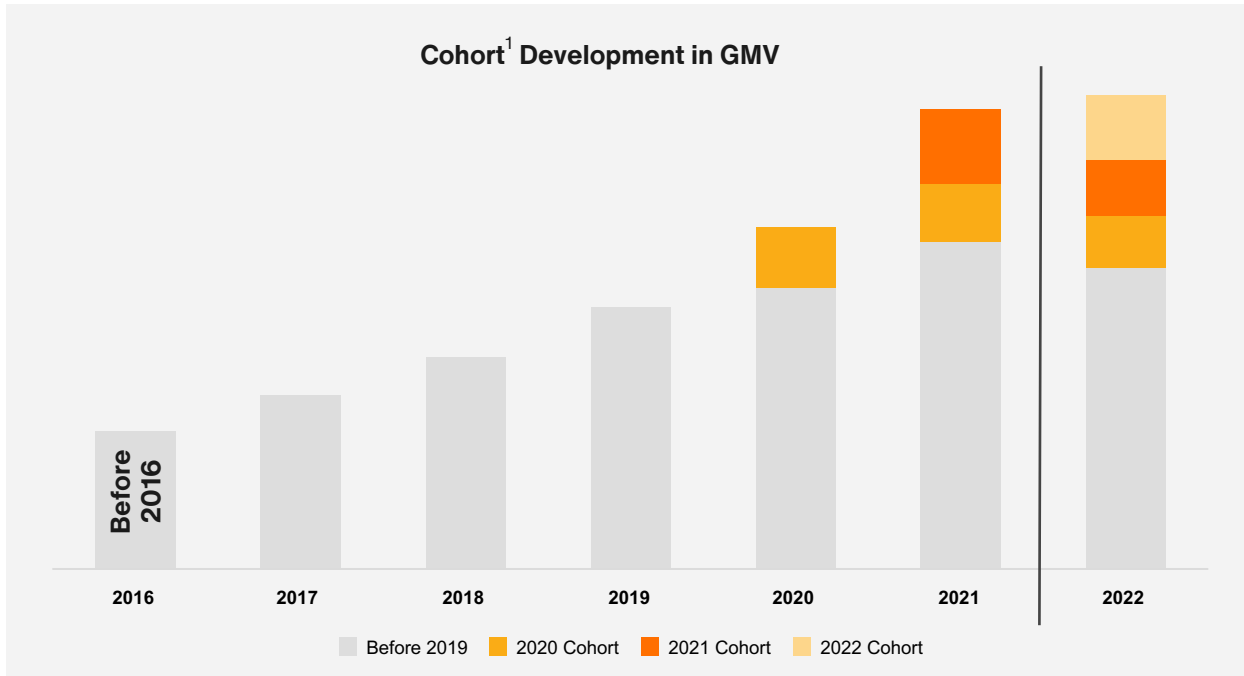
<sup>1</sup> L3M = last three months, L12M = last twelve months

<sup>2</sup> Defined as GMV divided by the number of orders

<sup>3</sup> Defined as GMV divided by the number of active customers



## Customer cohort dynamics reflect post-pandemic trends and lower consumer sentiment



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Our growth continues to be supported by new customer acquisition

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Higher churn in covid cohorts (FY 2020 / 2021) post-pandemic as e-commerce adoption normalises

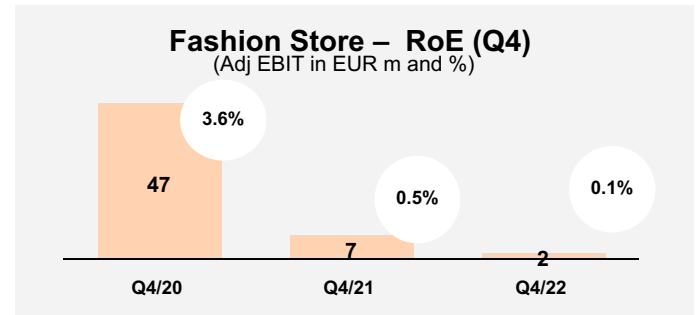
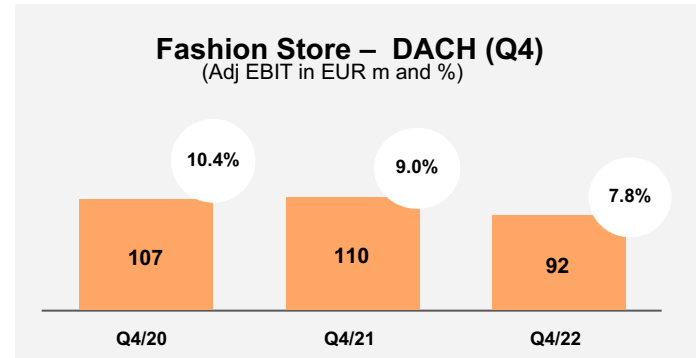
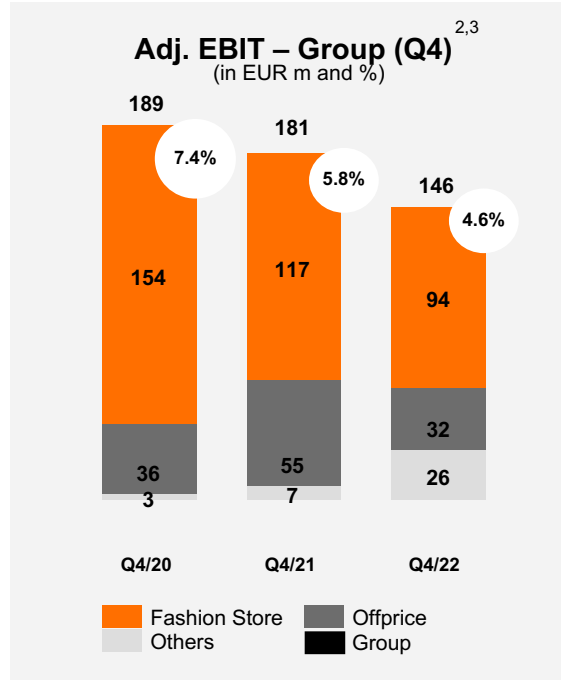
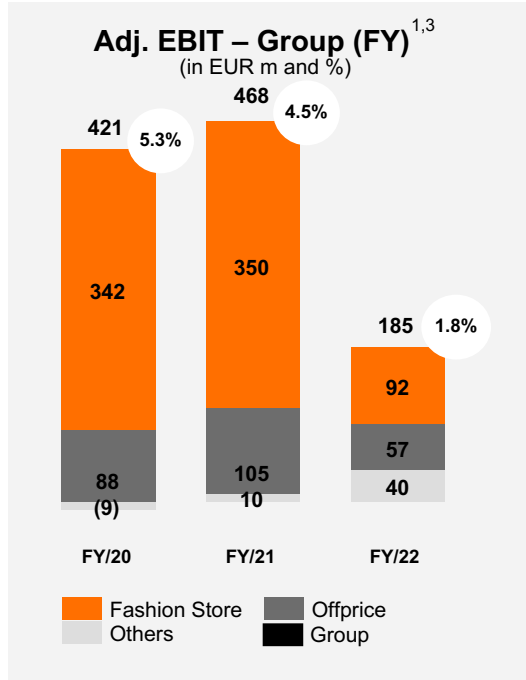
3

Pre-covid cohorts temporarily impacted by current macroeconomic environment

<sup>1</sup> Cohort refers to customers grouped by the calendar year in which they first placed an order with Zalando.Bulk shows EUR m GMV



## Improved profitability in Q4, delivering majority of FY/22 adjusted EBIT



<sup>1</sup> FY/22 contains (3.3)EUR m | FY/21 contains 4.4EUR m | FY/20 contains 0.2EUR m reconciliation of internal EBIT

<sup>2</sup> Q4/22 contains (5.9)EUR m | Q4/21 contains 1.7EUR m | Q4/20 contains (3.9)EUR m reconciliation of internal EBIT

<sup>3</sup> Excluding equity-settled share-based compensation in FY/22 of (72.5)EUR m | Q4/22 of (22.5)EUR m | FY/21 of (57.3)EUR m | Q4/21 of (16.9)EUR m | FY/20 of (53.8)EUR m | Q4/20 of (12.7)EUR m; and non-operating one-off effects in FY/21 +13.6EUR m and -19.6EUR m in FY/22 as well as acquisition-related expenses of (11.5)EUR m in FY/22 and (8.0) EUR m in Q4/22



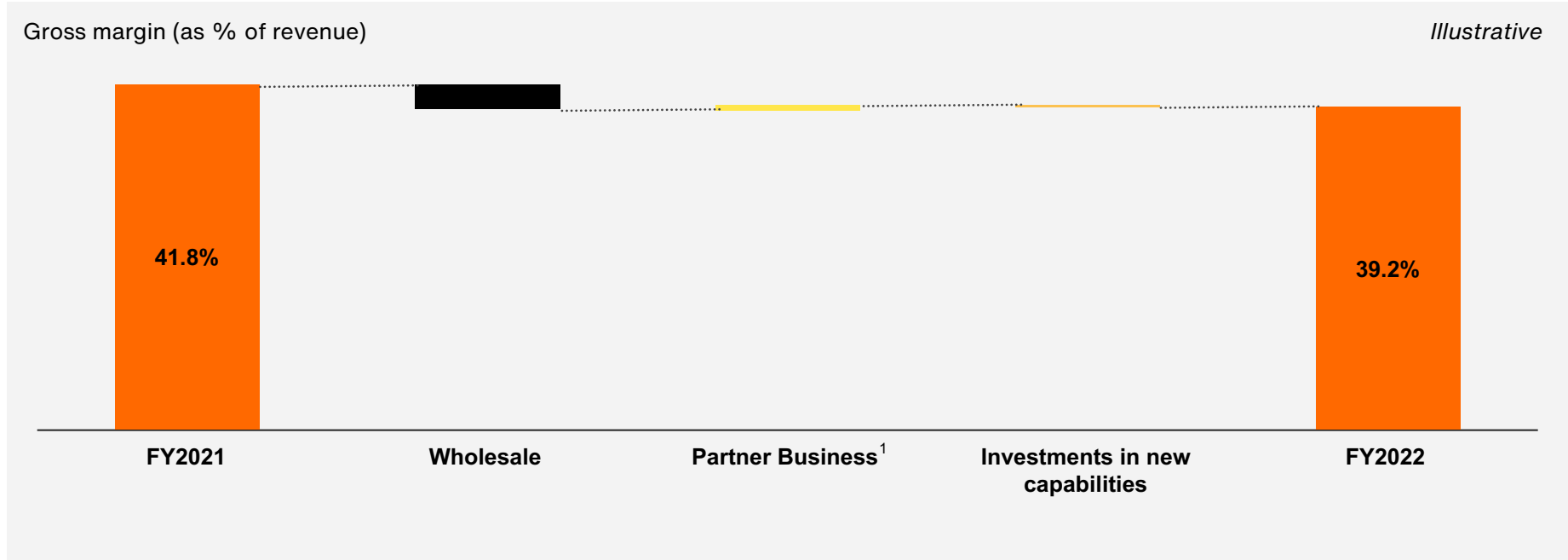
## Pressure on gross margin in Q4 partly offset by efficiency gains in fulfillment and marketing

Costs and margins (in % of revenue)	FY/20	FY/21	FY/22	YoY Δ	Q4/20	Q4/21	Q4/22	YoY Δ	
Gross profit	42.5 %	41.8 %	39.2 %	(2.6)pp	44.0 %	42.5 %	38.1 %	(4.4)pp	Fashion Store and Offprice jointly cleared overstock albeit at a cost
Fulfillment costs	(25.7) %	(25.1) %	(26.2) %	(1.1)pp	(22.9) %	(24.6) %	(22.9) %	1.7pp	Improved order economics
Marketing costs	(8.3) %	(9.0) %	(7.7) %	1.3pp	(11.1) %	(9.4) %	(7.9) %	1.5pp	Increased marketing efficiency
Administrative expenses & Other	(3.9) %	(3.6) %	(4.5) %	(0.9)pp	(3.1) %	(3.2) %	(4.4) %	(1.2)pp	Investment in capabilities
EBIT	4.6 %	4.1 %	0.8 %	(3.3)pp	6.9 %	5.3 %	3.0 %	(2.3)pp	
Adj. EBIT <sup>1</sup>	5.3 %	4.5 %	1.8 %	(2.7)pp	7.4 %	5.8 %	4.6 %	(1.3)pp	

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



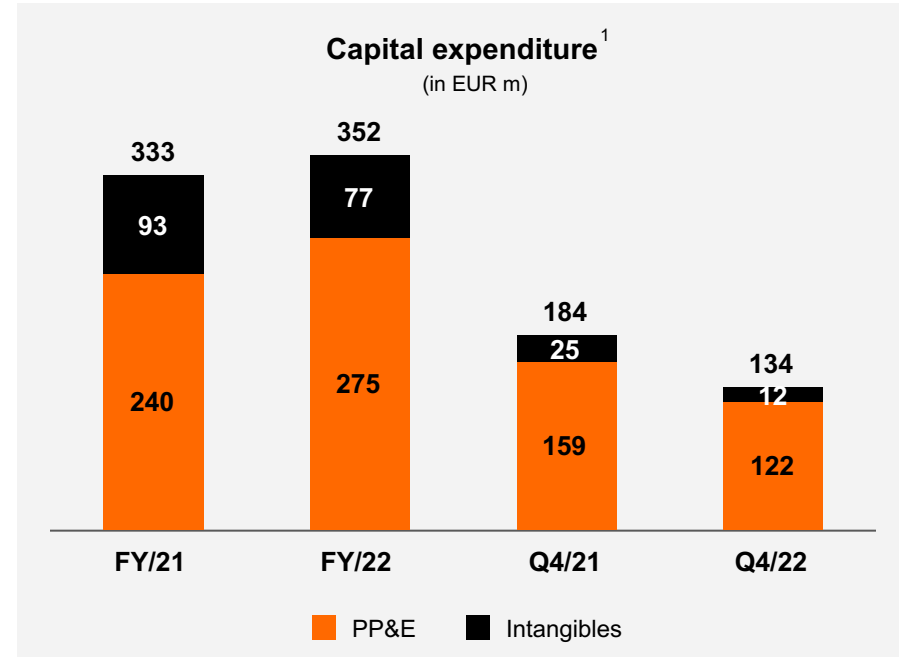
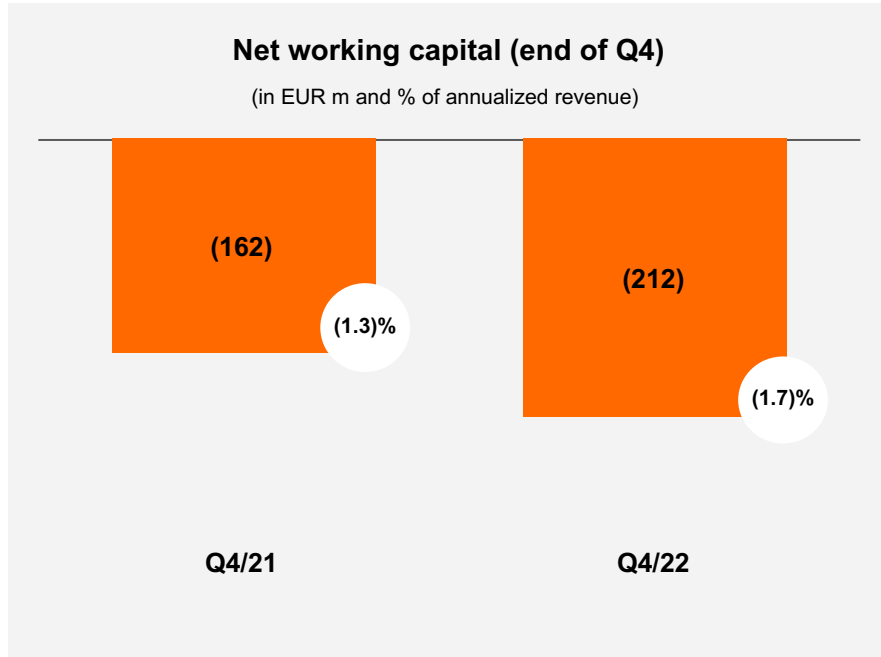
## Decrease in gross profit margin from inventory clearance, benefit of platform business offset by overhead investment



<sup>1</sup> Gross margin impact of Partner Program and Connected Retail, ZFS and ZMS



## Net working capital development. Continued capex investment through cycle

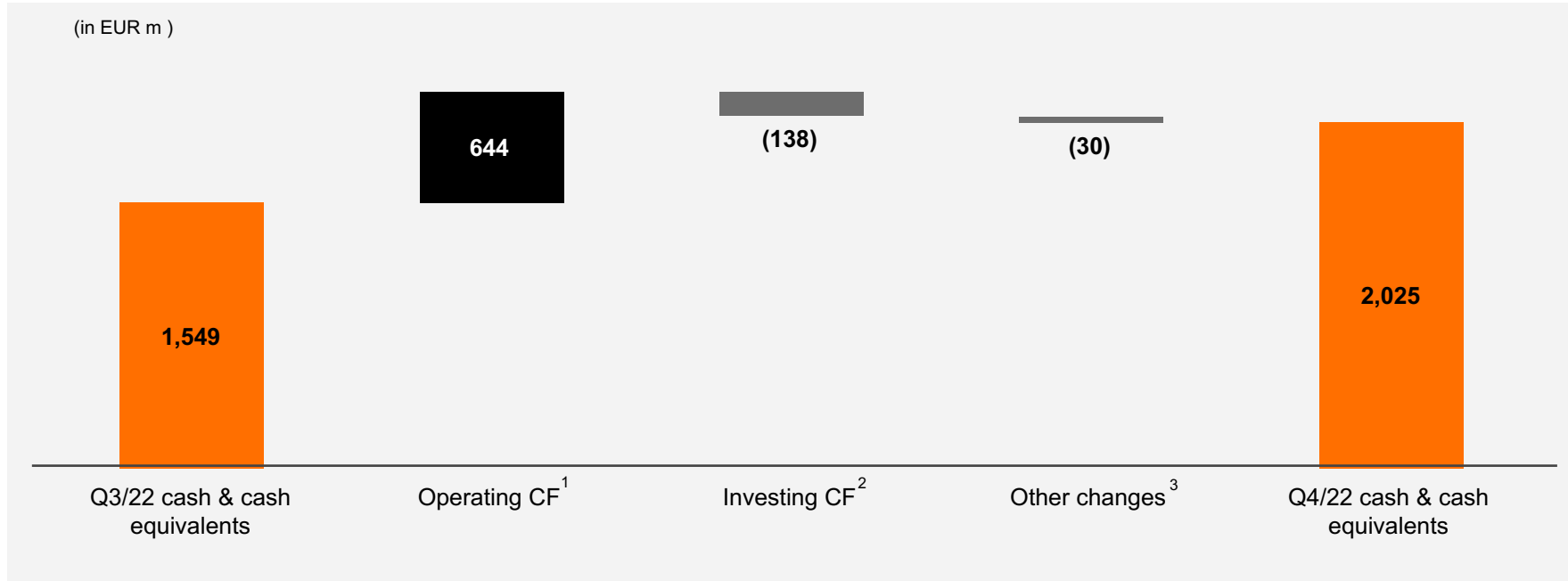


<sup>1</sup> Excluding payments for acquisitions of (4.5)EUR m in Q4/22 and (127.0)EUR m in FY/22 | Q4/21 & FY/21: 0.0EUR m





## Year-end cash at over 2 billion euros driven by strong free cash flow in Q4



<sup>1</sup> Includes net income of EUR 99.5 m, Depreciation and amortisation of EUR 93.2 m, change in net working capital of EUR 333.2m, change in other assets and liabilities of 79.6m and others EUR 38.1m

<sup>2</sup> Includes sales and investments in fixed and intangible assets of (133.9)EUR m, payments for acquisitions of (4.5)EUR m and change in restricted cash of 0.0EUR m

<sup>3</sup> Includes financing cash flow of (25.8)EUR m and effect of exchange rate on cash and cash equivalents of (3.9)EUR m

# Outlook



## Our 2023 outlook

Our outlook reflects our continued focus on profitable growth in a temporarily demand constrained and inflationary cost environment

Growth	GMV	1% - 7%
	Revenue	(1)% - 4%
Profitability	Adj. EBIT <sup>1</sup> (in EUR m)	280 – 350
Cash	Capex (in EUR m)	300 – 380
	Net working capital (in EUR m)	negative

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





## Two main ambitions for 2023, profitable growth and continued investment through the cycle

### Key objective

### Immediate focus & decisive action



**Strengthen gross margin**

- More conservative wholesale buy, scale up via re-order and partner business
- Increase relevance of assortment and drive customer engagement towards black prices
- Update partner commission table



**Simplify for speed of execution**

- Reduce complexity in our organisation and simplify for speed of execution
- Operating model in line with customer-centric decision making to accelerate our strategy



**Selectively invest for future growth**

- Continue to invest in logistics network built out, yet pace adjusted to current macro environment
- Continued investment in key capabilities which power the platform



## Key takeaways

- 01 Delivered on our updated 2022 guidance**  
 GMV growth of 3%, revenue growth of 0% and adj. EBIT of EUR 185m delivering a return to growth and improved profitability compared to H1/22
- 02 2023 outlook reflects our continued focus on profitable growth**  
 GMV growth of 1% to 7%, revenue growth of (1)% to 4% and adj. EBIT of EUR 280m to 350m, CAPEX of EUR 300m to 380m
- 03 Ambition 1: profitable growth**  
 Taking action to drive margin progression along two main objectives:  
 1) strengthen gross margin and 2) simplify for speed of execution
- 04 Ambition 2: selectively invest through the cycle**  
 Continue to selectively invest through the cycle across the core dimensions of our strategy to return to double digit growth in the future
- 05 Excited about our long-term opportunity**  
 Our long-term goal is to serve 10% of the European fashion market and on the way we will pass the milestone of EUR 30bn GMV



# Q&A





## FY/22 GMV to revenue bridge

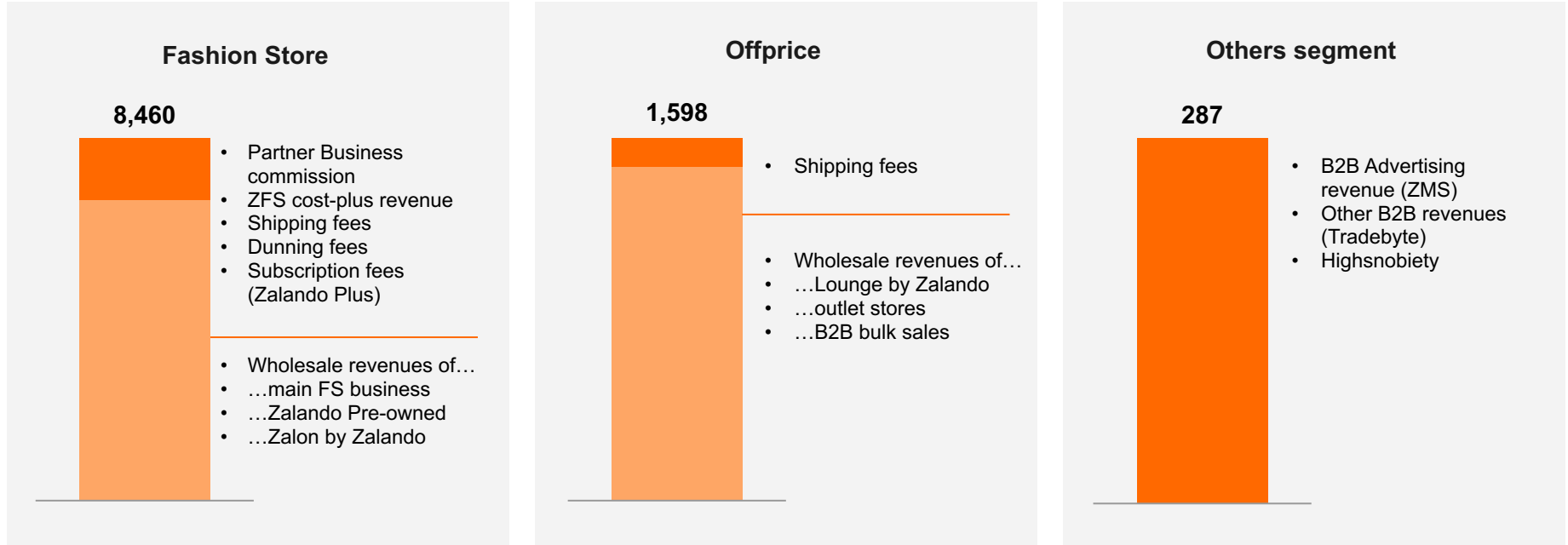
	2022 (in EUR m)	2021 (in EUR m)	Comment
<b>Group GMV</b>	<b>14,789</b>	<b>14,332</b>	Net <sup>1</sup> B2C merchandise value incl. VAT
Partner Business GMV	-4,392	3,483	34% (27.5%) of Fashion Store GMV (incl. Connected Retail)
Group GMV ex Partner Business	<b>10,397</b>	<b>10,849</b>	
VAT (excl. Partner Business VAT)	-1,664	1,736	~ 16% of GMV
<b>Group NMV ex Partner Program</b>	<b>8,734</b>	<b>9,113</b>	Net <sup>1</sup> B2C merchandise value excl. VAT
Other merchandise revenue	+...	+...	e.g. B2B bulk sales revenue (offprice)
Revenue recognition	-/+...	-/+...	Point of order (GMV) vs. customer receipt (revenue)
<b>Revenue from the sale of merchandise</b>	<b>8,609</b>	<b>9,114</b>	IFRS standards, Zalando annual report
Partner Program commission	+...	+...	Incl. Connected Retail commissions
B2B service revenue	+...	+...	Zalando Fulfillment Solutions, Zalando Marketing Services, Tradebyte
Other B2C service revenue	+...	+...	e.g. shipping fees, express delivery charges, Zalando Plus, dunning fees
<b>Group revenue</b>	<b>10,345</b>	<b>10,354</b>	IFRS standards, Zalando annual report

<sup>1</sup> After returns and cancellations, dynamically reported





## Merchandise and service revenue – segment view FY/22 (illustrative)

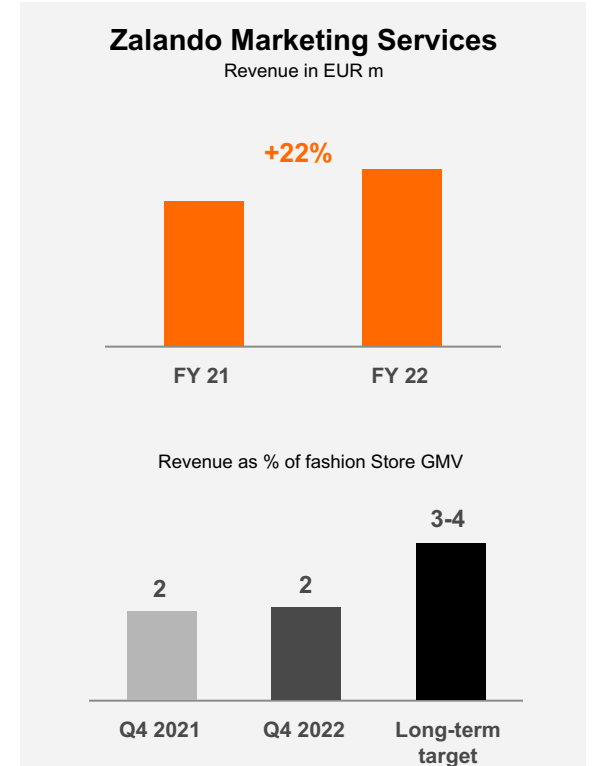
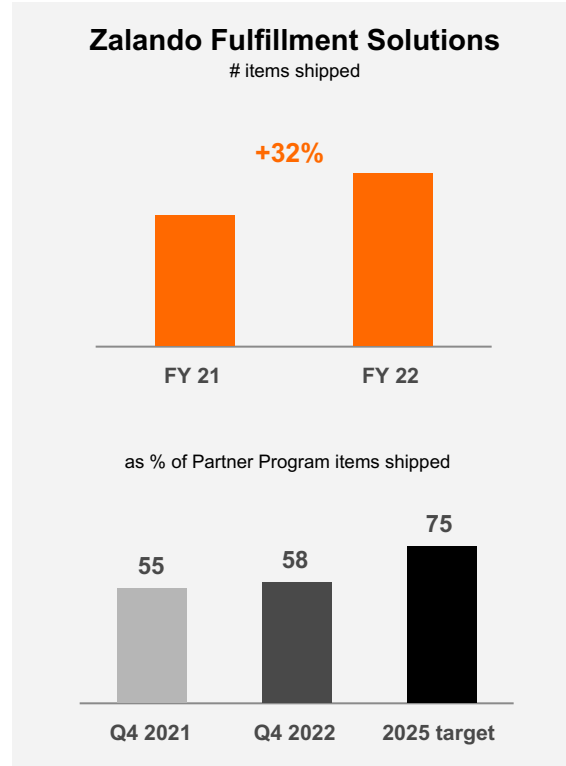
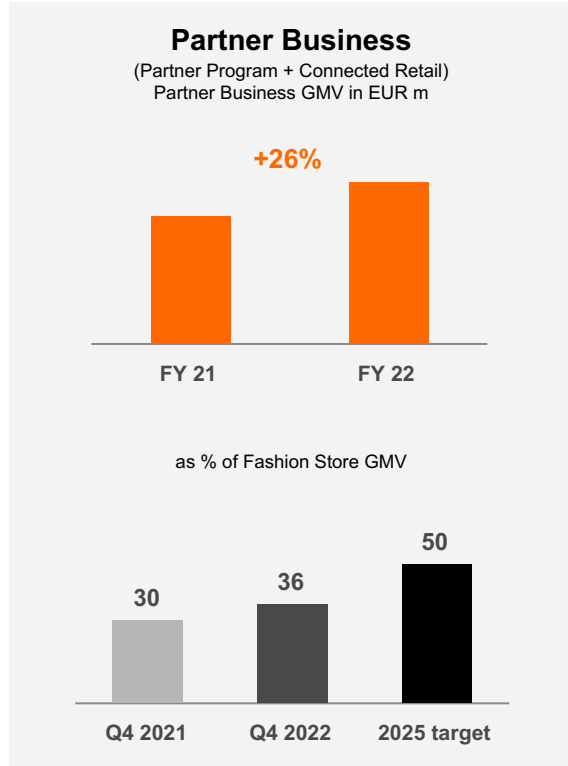


Merchandise revenue in EUR m

Service revenue in EUR m



# Our partners continue to grow their Direct-to-Consumer business on Zalando





# Issued share capital

## Share information

(as of Dec 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>263,531,672</b>
<b>Issued capital</b>	<b>EUR 263,531,672</b>

## Stock options programs management board (as of Dec 31, 2022)

Program	# Options outstanding	Weighted average exercise price (EUR)
LTI 2018 <sup>2</sup>	4,296,949	47.44
VSOP 2018	60,000	29.84
LTI 2019	339,256	20.43
LTI 2021/2022	236,417	48.53
ZOP	19,424	1.00
<b>Total</b>	<b>4,952,046</b>	<b>45.25</b>

## Stock options programs senior management (as of Dec 31, 2022)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 <sup>1</sup>	614,541	23.97
EIP <sup>1</sup>	2,701,574	37.83
ZOP	3,588,378	29.21
<b>Total</b>	<b>6,904,493</b>	<b>32.12</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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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.