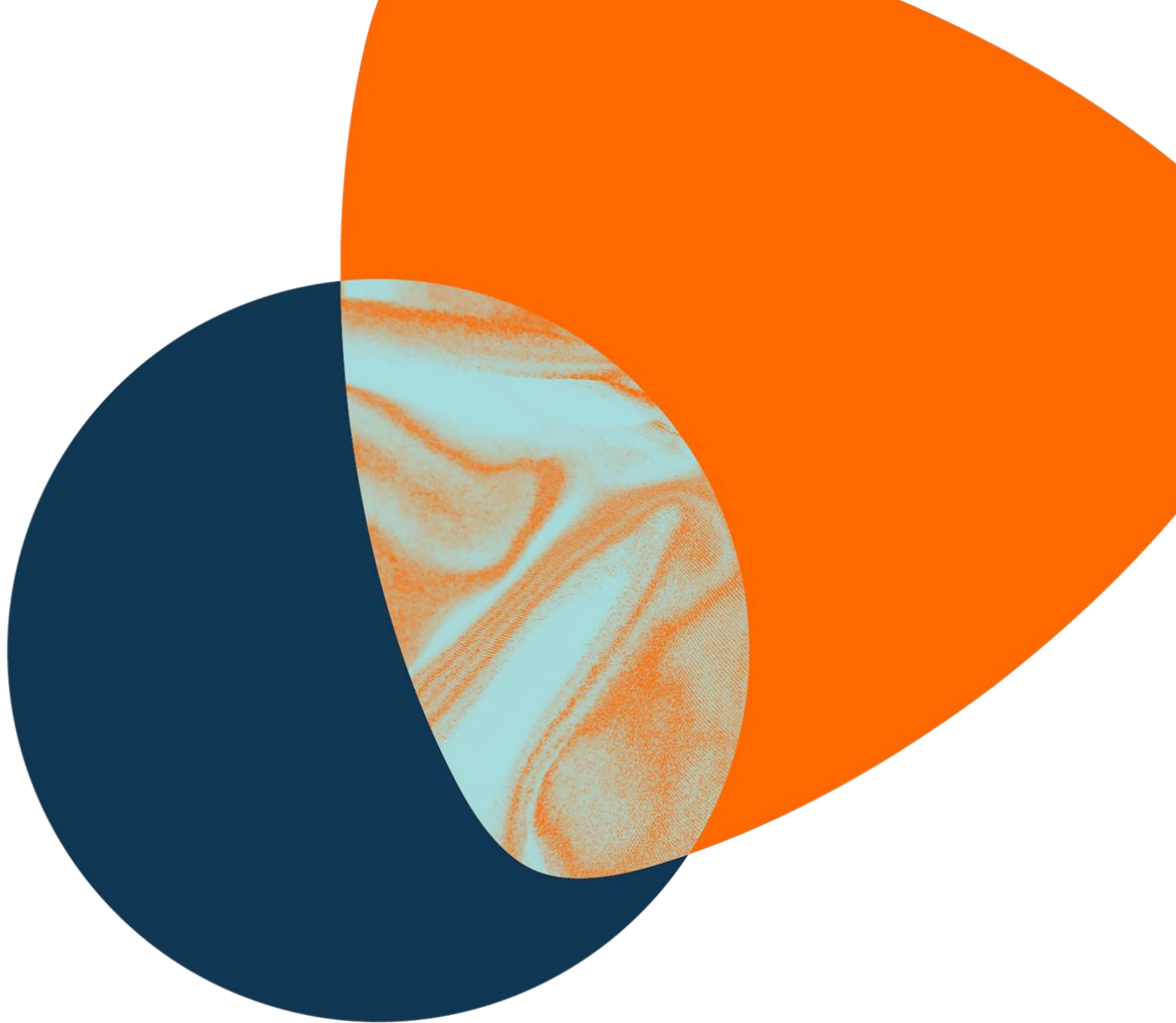




# Roadshow Presentation

August 2021



# Agenda



## Investment highlights

Bringing our growth ambitions to life  
Building a truly sustainable platform  
Creating long term value  
Q2/2021 Results

## Zalando. The Starting Point for Fashion.

- 01** We have a **clear vision and strategy** and our **number one priority is growth**
- 02** Over the last years we have made **tremendous progress** and **consistently delivered on our targets**
- 03** The opportunity for Zalando is immense, making us confident that we can reach **>30bn EUR GMV by 2025** and capture **>10% of the fashion market long-term**
- 04** We continue to **drive investments that will catalyze long-term growth** for our business
- 05** At scale, our platform strategy will result in an **attractive financial profile** characterized by a double digit margin and strong cash generation



# Our vision is to be the Starting Point for Fashion

We provide customers a **distinct and compelling fashion proposition** ...



**Most extensive assortment**

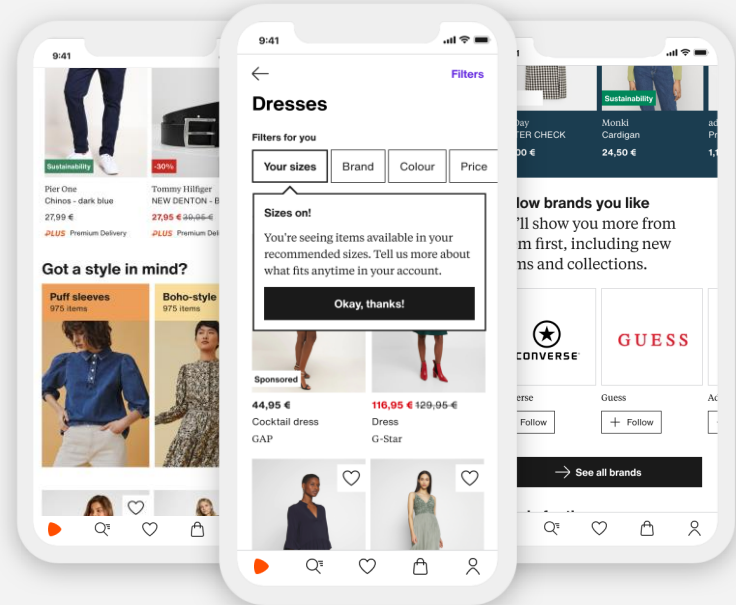


**Seamless convenience**

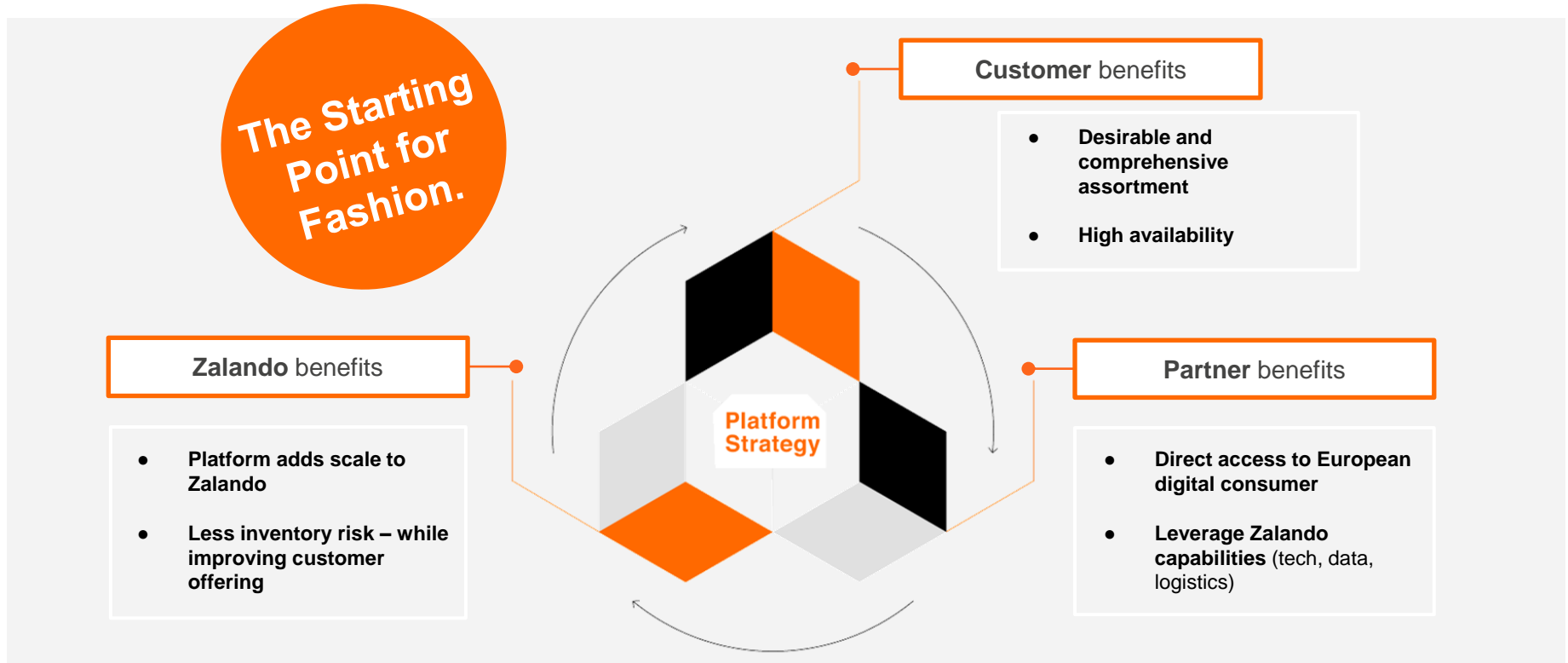


**Tailored digital experience**

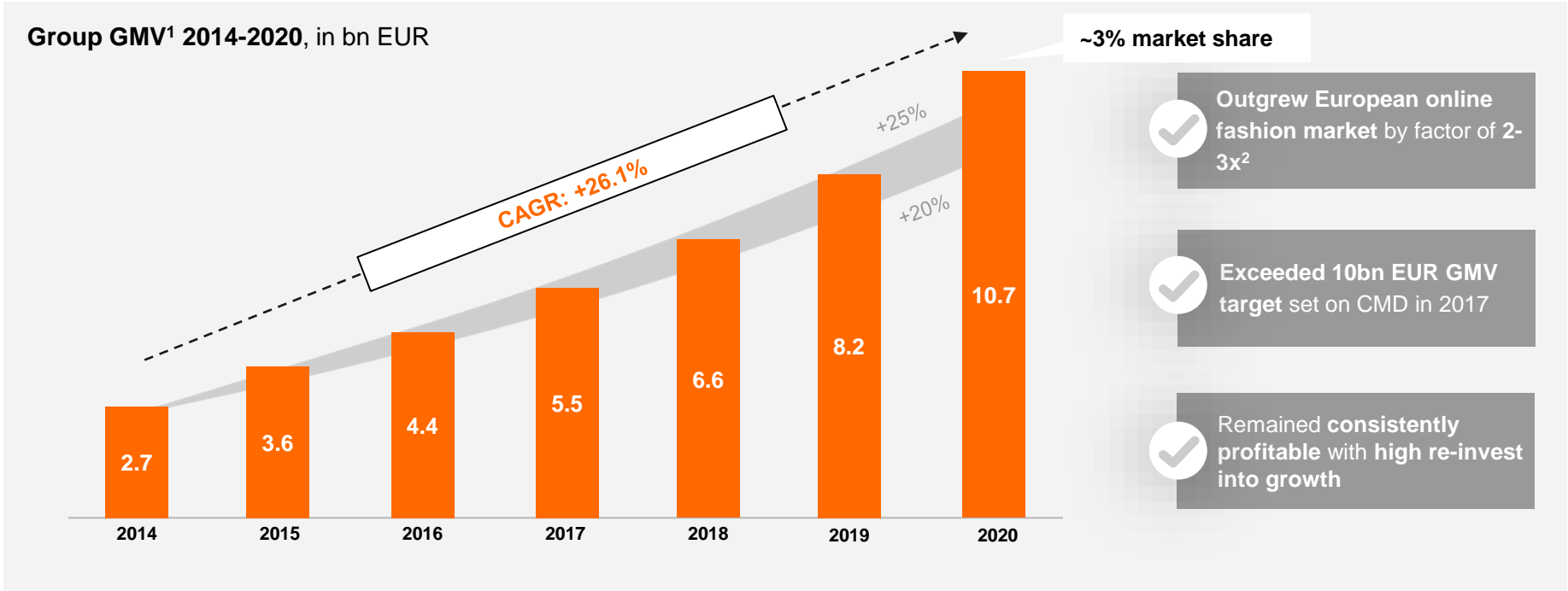
... making Zalando **THE app for fashion**



# The most important building block of the Starting Point vision is to transition towards a true platform business model



# We have a strong and consistent growth track record, growing 4x in 6 years after IPO - clear confirmation of our strategy



1) Gross Merchandise Volume (GMV) incl. VAT  
2) Source: Euromonitor International, February 2020. 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

# We are confident that we can capture more than 10% of the total European fashion market long-term by further executing on our vision and strategy

The COVID-19 pandemic **has accelerated change** in the fashion industry **that has long been in progress** and **blurred the boundaries between offline and online**

Our **platform strategy** allows us to **play an even bigger role** in fashion for customers and partners

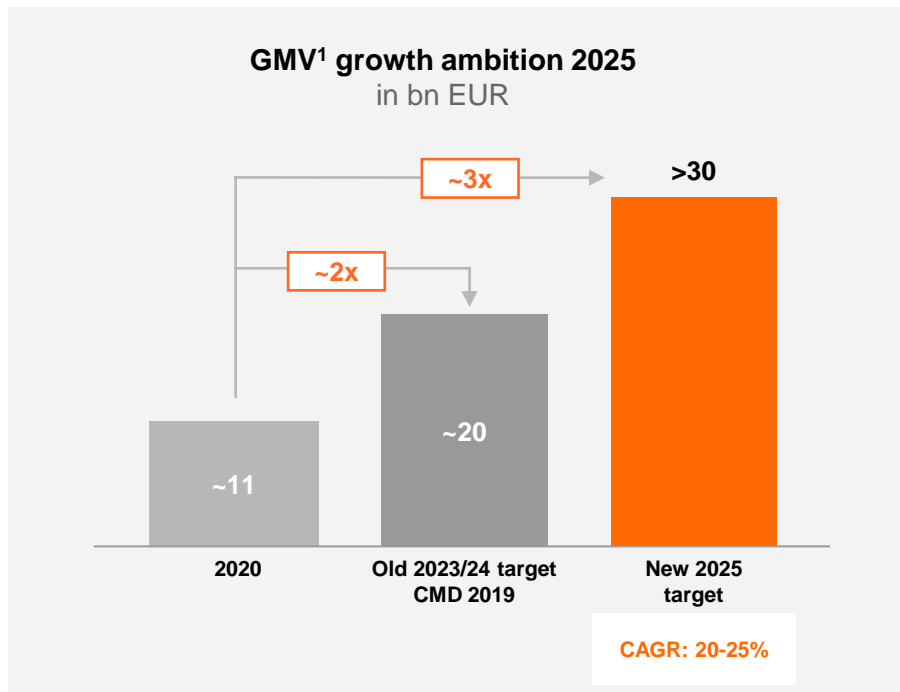
Total fashion  
>450bn EUR<sup>1</sup>

>10%

 zalando

1) Source: Company estimates and Euromonitor International forecasts, February 2020. Euromonitor forecasts the overall European Fashion Market to grow to roughly 450bn EUR over the next 5-10 years. 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

# We significantly upgrade our 2025 GMV ambition to more than 30bn EUR



**Margin trajectory**

Primary focus is on **capturing the immense growth opportunity**

Coming years therefore marked by **continued growth investments**

Long term **double digit profitability ambitions are unchanged**, but on a higher level of scale

1) Gross Merchandise Volume (GMV) incl. VAT



# Our long term profitability ambitions are unchanged, but on a higher level of scale by transitioning to higher margin business and increasing economies of scale

## Target Margin (growth in line with / slightly above online fashion market)

| In % of revenue          | Wholesale <sup>1</sup> | Partner Business | Group margin impact vs. 2020 | Key Drivers   |
|--------------------------|------------------------|------------------|------------------------------|---|
| <b>Gross margin</b>      |                        |                  | ↑                            | <ul style="list-style-type: none"> <li>Transition to a Platform business model and economies of scale</li> </ul>                                  |
| <b>Fulfillment costs</b> |                        |                  | ↗                            | <ul style="list-style-type: none"> <li>Reversal of temporary return rate benefit and enhanced, more sustainable convenience experience</li> </ul> |
| <b>Marketing costs</b>   |                        |                  | ↓                            | <ul style="list-style-type: none"> <li>Starting Point Vision unfolds and share of existing customers increases</li> </ul>                         |
| <b>Admin expenses</b>    |                        |                  | ↓                            | <ul style="list-style-type: none"> <li>Continued focus on overhead-efficiencies and economies of scale</li> </ul>                                 |
| <b>Adj. EBIT margin</b>  | <b>6-8%</b>            | <b>20-25%</b>    | <b>10-13%</b>                | <ul style="list-style-type: none"> <li>Transition to higher margin platform business and increasing economies of scale</li> </ul>                 |

1) Wholesale includes Offprice

# Agenda



Investment highlights

**Bringing our growth ambitions to life**

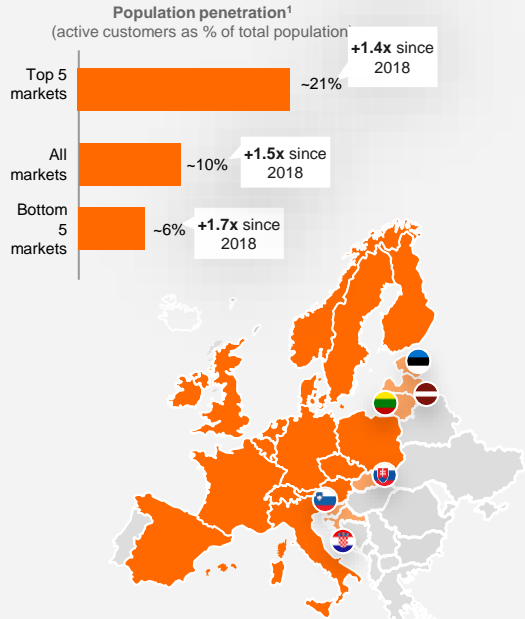
Building a truly sustainable platform

Creating long term value

Q2/2021 Results

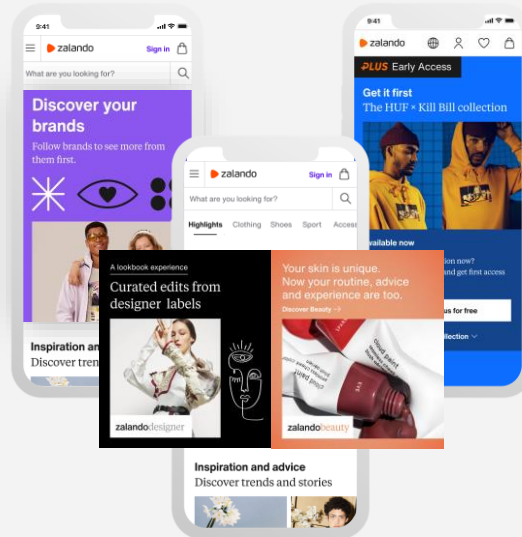
# To bring our growth ambition to life, we follow clear strategic priorities

## Increase penetration in existing markets and expand to new markets in Europe



1) Excl. UK & Ireland

## Innovate the way we engage with our customers



## Build a platform that is relevant for all our partners

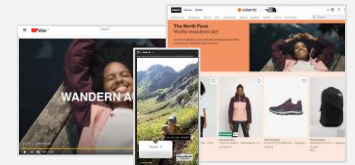


## Driving internationalisation

- ZFS < 50% of GMV
- ZFS > 50% of GMV

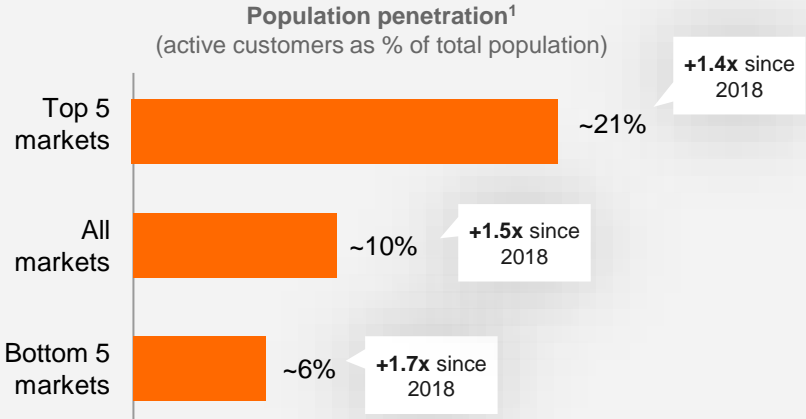


## Connecting to consumers



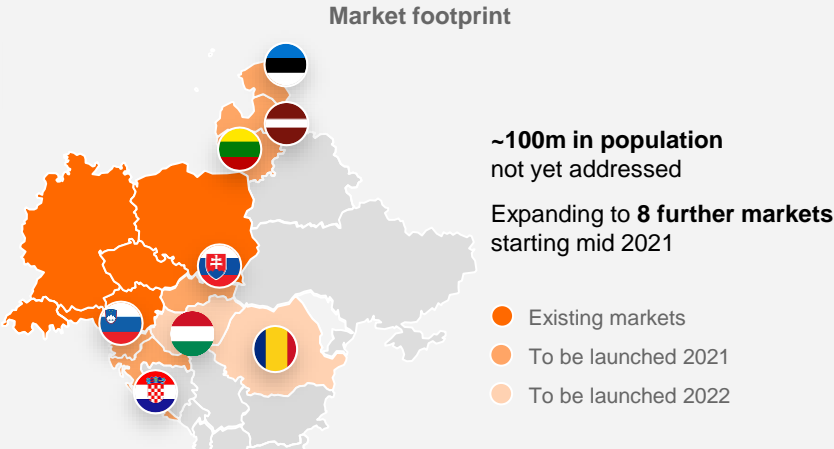
# We have substantial leeway to grow active customers in existing markets and will expand our footprint to reach even more customers

## Increasing penetration in existing markets



Increasing our overall penetration to the level already achieved in top 5 markets would **double our active customers<sup>1</sup>**

## Expanding footprint in Europe



We want to be the **Starting Point for Fashion** across Europe

1) Source: Statista, February 2021. Excluding UK & Ireland

# We innovate and improve the customer experience along two dimensions

## Improving the core (fashion) experience



Endless choice



Seamless convenience



Tailored digital experience

## Elevating distinct customer propositions

**Pre-Owned**  
**Beauty**  
**Zalando Lounge**  
**Designer**  
**Zalando Plus**  
**And more.**

# We are building a platform that provides a scalable solution for brands, retailers and stores and thereby allows us to serve an increasing number of active customers...

## Enabling Direct-to-Consumer

### Customer choice

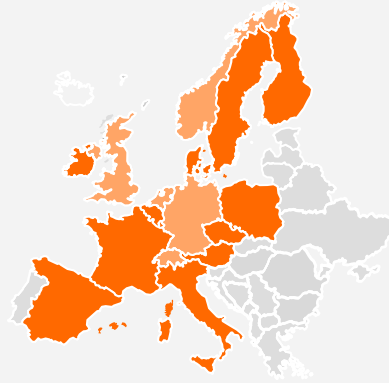


### Direct-to-Consumer

Long-term target: **50% GMV share** from Partner Program & Connected Retail

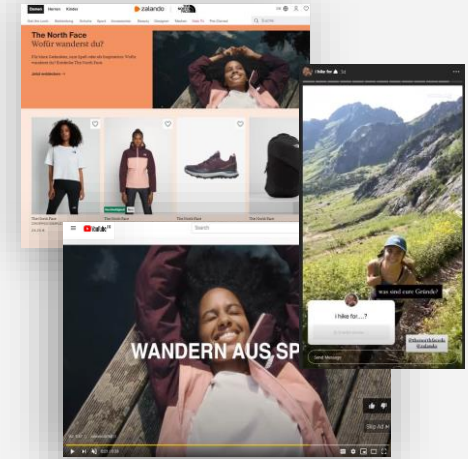
## Driving internationalisation

- ZFS > 50% of sold items in PP
- ZFS < 50% of sold items in PP



Long-term target: **~75%** of Partner Program items **shipped by ZFS**

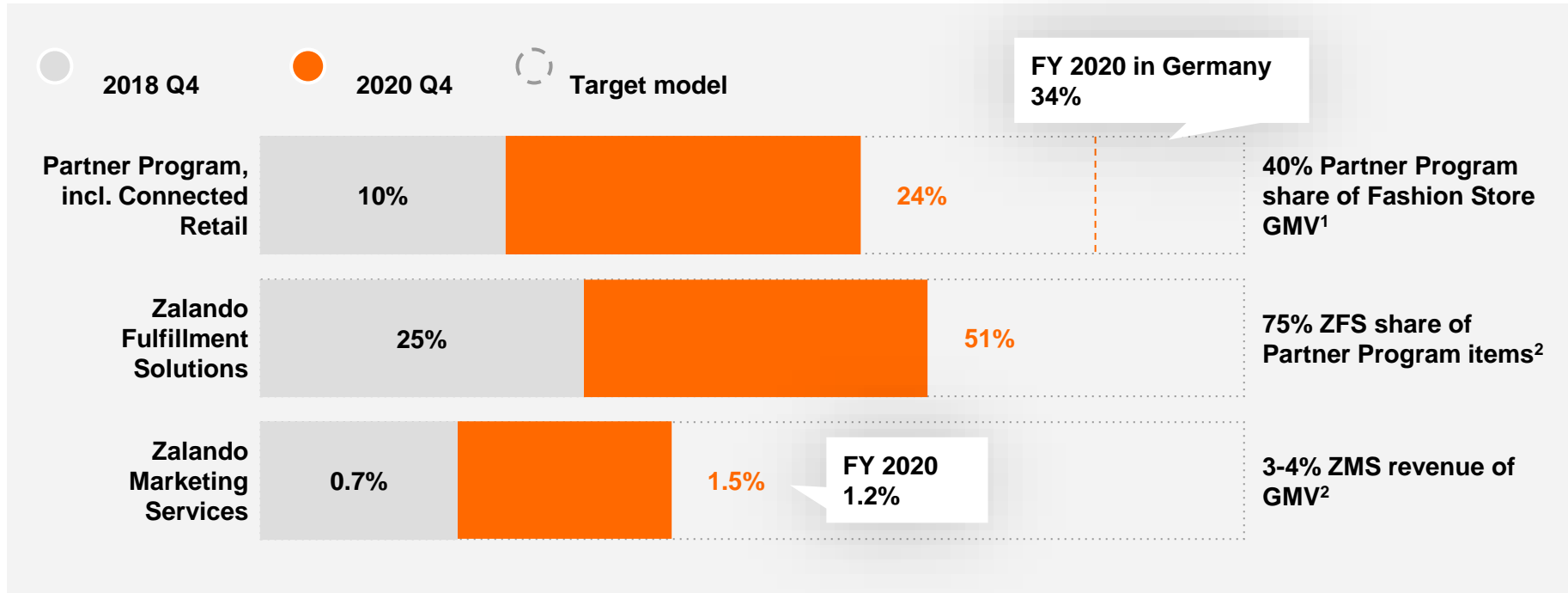
## Connecting to consumers



Long-term target: **3-4% GMV share** from **ZMS**

# Over the past the two years, we achieved important milestones in driving the Platform Transition

## Progress towards our target model



1) Partner Program share of 40% refers to our business model mix ambition for 2023/24. In our long-term target model, we aim for a 50% Partner Program share  
 2) Refers to our long-term target model ambition

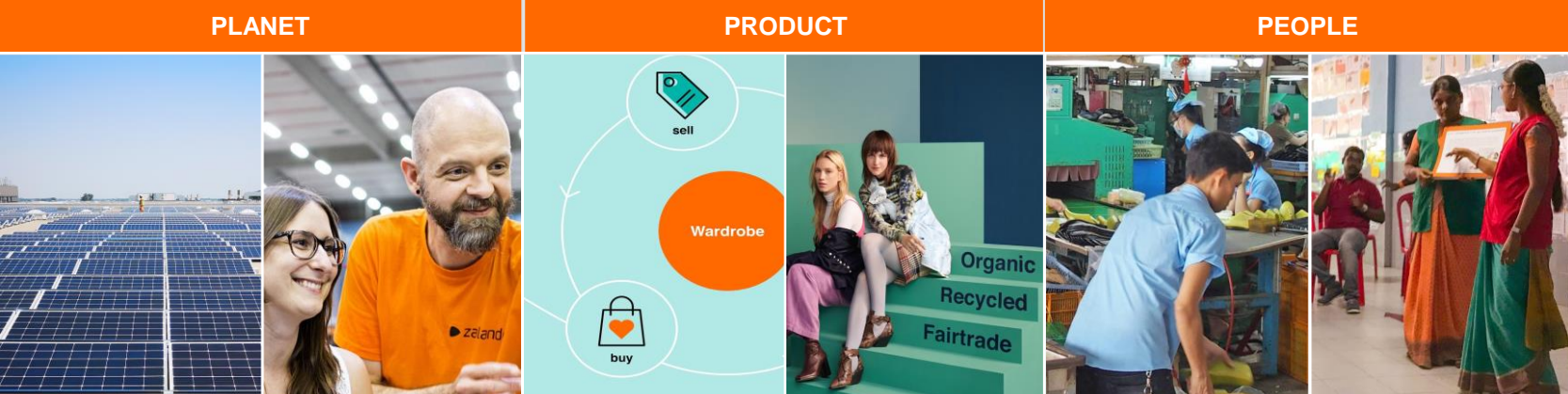
# Agenda



Investment highlights  
Bringing our growth ambitions to life  
**Building a truly sustainable platform**  
Creating long term results  
Q2/2021 Results



# We aim to become a truly sustainable Platform with a net positive impact for People and the Planet



**Aspiration** Reduce Carbon Footprint

**2020 Milestones** Set Science Based Targets

Increased renewable electricity to 100% in own operations

Reduced carbon footprint in own operations by 64%

**Aspiration** Minimize waste + eliminate single-used plastics

Pre-owned 100% plastic free packaging

22% of overall packaging plastic free

87% of all packaging material recycled

**Aspiration** Apply Principles of Circularity

**Launch Pre-owned Fashion category** in 6 countries for man + women

1st collection designed for reuse and recycling

**Aspiration** 25% of GMV with more sustainable fashion

**16% GMV in 2020**

Tripled assortment to > 80.000 items from 500 brands

Raised target from 20% to 25%

**Aspiration** Increase Ethical Standards + only partners who align

**100% disclosure Tier 1 private label suppliers**

Introduction assessment tool Higg BRM partner brands

Updated policies and standards

**Aspiration** Support 10,000 people in the workforce

**Defined scope of goal + planned measures**

Upskilled 1355 people in the workforce

# To maximise impact, Sustainability is well integrated into all business units



## Management Board

**Provides guidance** on specific sustainability topics

**Receives updates** at least twice a year about the overall progress with relation to our sustainability strategy.

## Sustainability Forum

**Chair** (David Schneider, Founder & Co-CEO)

Responsible for overall strategy and for sustainability strategy

+ **Goal sponsors** + **Sustainability Team**  
+ **additional experts (incl. Finance)**



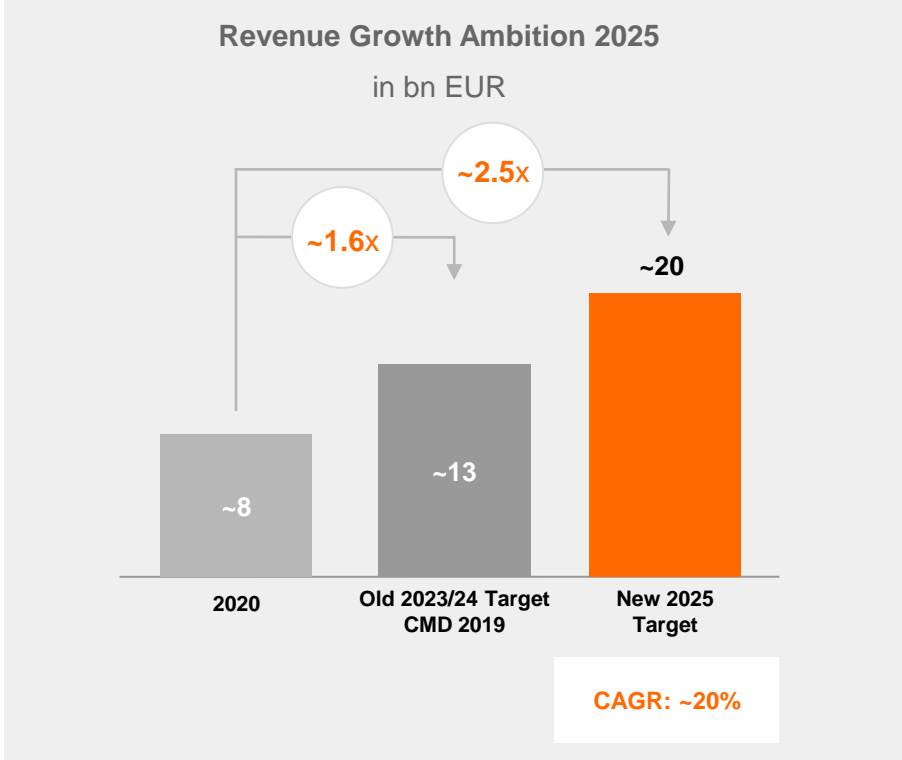
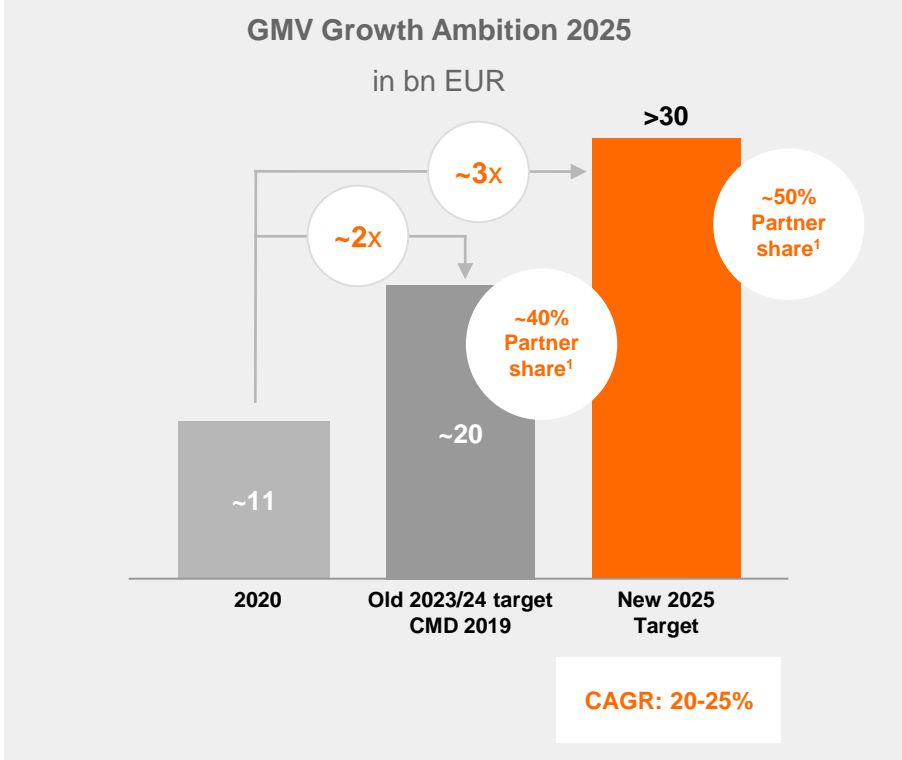
As the **highest decision-making body**, the Sustainability Forum serves as the **overarching steering committee** and keeps the necessary **strategic oversight**.

# Agenda






Investment highlights  
Bringing our growth ambitions to life  
Building a truly sustainable platform  
**Creating long term value**  
Q2/2021 Results

# We aim to triple our business to more than 30bn EUR GMV over the next 5 years



1) Partner Program Share in % of Fashion Store GMV

# New mid-term guidance until 2025 reflects continued strong and profitable growth

|  | 2019 Guidance<br>Transition Phase<br>2019 – 2021  | New Guidance<br>2021 <sup>1</sup>  | New Guidance for<br>2022 – 2025  |  |
|--|---|--|--|--|
| <br><b>GROWTH</b><br>(GMV)                            | 20-25%  | 27-32%   | <b>20-25%</b>  | Continue to grow 2-3x faster than online market growth               |
| <br><b>PROFITABILITY</b><br>(ADJ. EBIT <sup>2</sup> ) | 2-4%  | 3.5-4.1%   | <b>3-6%</b><br>Starting in lower half in 2022 and approaching high end by 2025   | (Re-)invest platform benefits and economies of scale to drive growth |
| <br><b>CASH GENERATION</b>                            | <ul style="list-style-type: none"> <li>• Cash flow negative</li> <li>• NWC neutral</li> <li>• Capex of 4-5% of revenue</li> </ul> | <ul style="list-style-type: none"> <li>• <b>FCF neutral</b></li> <li>• NWC negative</li> <li>• Capex of 3.5-3.9% of revenue<sup>3</sup></li> </ul> | <ul style="list-style-type: none"> <li>• <b>FCF neutral</b></li> <li>• <b>NWC negative</b></li> <li>• <b>Capex of 3.5-4.5% of revenue<sup>3</sup></b></li> </ul> | Enable growth through investments in technology and infrastructure   |

1) Guidance as of March 16<sup>th</sup>

2) Excluding equity-settled share-based payment expense ("SBC"), restructuring costs and non-operating one-time effects

3) Excludes M&A transactions

# We have the necessary infrastructure and capabilities to support our 2025 ambition

## Payments Platform

- **Powerful inhouse Payments Platform** equipped with e-Money license
- **Processing payment volume of ~20bn EUR** in 2020 for all customers and partners
- **Proprietary Buy Now Pay Later solution** with >70% Offering Rate across 11 countries driving conversion and customer satisfaction



## Access to Fashion Supply

- **Unique ability to access global fashion supply** via three sources: own Wholesale inventory, Partner Program brand & retailer inventory, **Connected Retail** store inventory
- **Enabling broad selection and high availability** while sharing inventory risk with partners



Highly scalable

## Technology & Data Platform

- **Highly scalable proprietary cloud based technology platform** covering the whole value chain of fashion commerce – for us and our partners
- **Unique data infrastructure and state of the art AI expertise** that drive data based value creation (e.g. size & fit)




## European Logistics Network

- **Unique European logistics network** with 10 sites across 5 countries
- **Adding 2 new fulfillment centers** in Madrid, Spain, and Rotterdam, the Netherlands, in 2021
- **12 warehouses can fulfill ~14bn EUR GMV**, plan to invest **1bn EUR Capex** to build **7 more** and enable **23bn EUR Zalando fulfilled GMV**.



# Platform model to drive higher long-term profitability at scale

|  |  <b>Partner Program</b>                         | <b>CR</b> <b>Connected Retail</b>  | <b>ZFS</b> <b>Zalando Fulfillment Solutions</b>  | <b>ZMS</b> <b>Zalando Marketing Services</b>  |
|--|--|--|--|---|
| <b>Value Proposition</b>                       | <ul style="list-style-type: none"> <li>Curated Marketplace enabling brands' direct-to-consumer business across Europe</li> </ul> | <ul style="list-style-type: none"> <li>Digital Storefront for Offline Retailers with Nationwide Reach</li> </ul> | <ul style="list-style-type: none"> <li>Flexible and cost-efficient turnkey solution for European E-Commerce logistics</li> </ul> | <ul style="list-style-type: none"> <li>Data infused marketing service to elevate branding and drive sales on and off premise</li> </ul> |
| <b>Long-term Target</b>                        | ~50% of GMV <sup>1</sup>   |  | ~75% of Partner Program Items Shipped  | ~3-4% of GMV  |
| <b>Current Status</b><br>(Q4 2020)             | ~24% of GMV  |  | ~51% of Partner Program Items Shipped  | ~1.5% of GMV  |
| <b>Revenue Model</b>                           | 5-25% Commission in % of GMV   |  | Cost Plus Model  | Auction Model   |
| <b>Gross Margin Impact</b><br>(vs. Group 2020) | ↑  | ↑  | ↓  | ↑   |

1) Partner Program Share in % of Fashion Store GMV

# Agenda



Investment highlights

Bringing our growth ambitions to life

Building a truly sustainable platform

Creating long term value

**Q2/2021 Results**

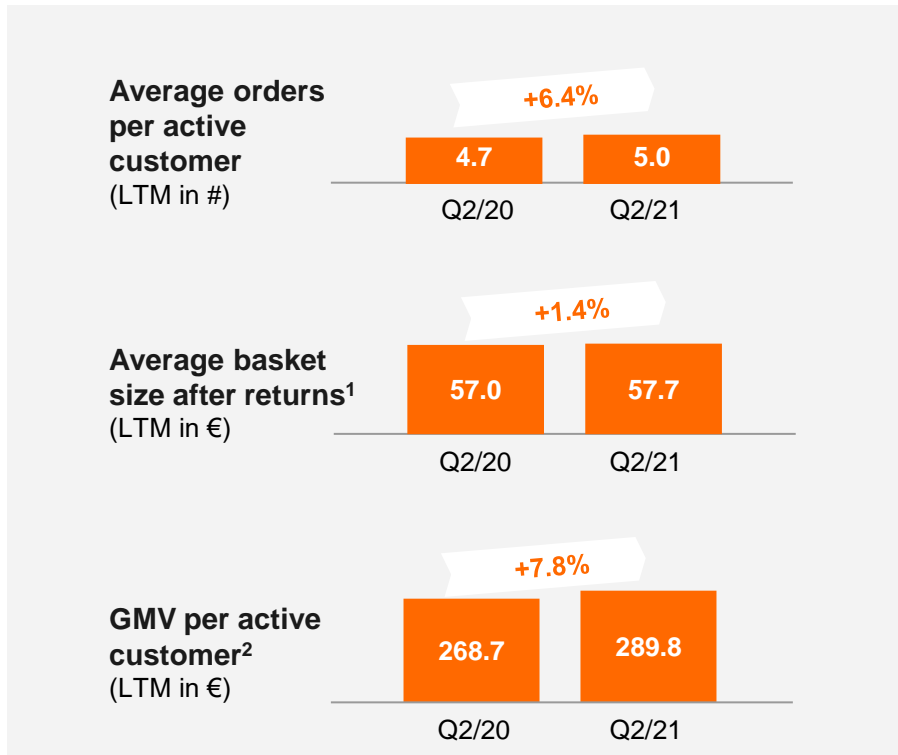
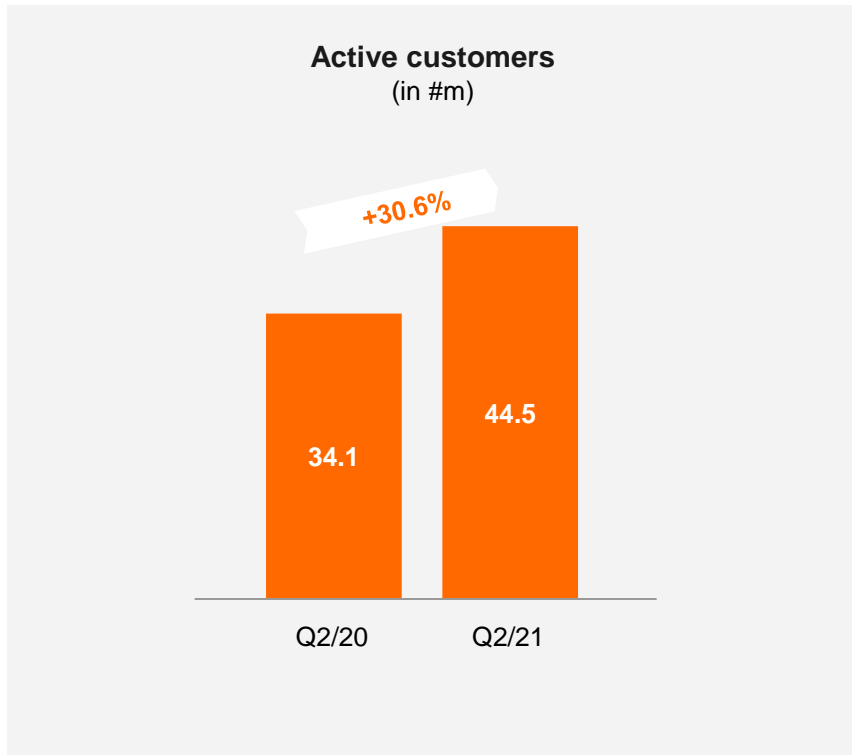


# Exceptional H1 performance underlines our opportunity to play an even bigger role for customers and partners through our platform strategy

- **Growing customer and partner engagement:** Active Customers grew by >30% to 44.5m and Partner Program GMV by >100% in H1 while pandemic induced restrictions have been gradually lifted.
- **Elevating our Beauty proposition:** Building a distinct Beauty proposition is a key priority for us and the Sephora partnership presents an attractive opportunity to accelerate our growth trajectory.
- **Expanding our footprint in Europe:** Customers in six additional markets can now enjoy Zalando's endless choice, seamless convenience and tailored digital experience.
- **Delivering strong financial results in Q2:** Delivered GMV growth of +40% YoY and strong profitability with an adj. EBIT margin of 6.7% against exceptional Q2/2020 comparables.
- **Reiterating FY/2021 guidance:** GMV and revenue growth unchanged at +31-36% and +26-31% YoY, respectively, adj. EBIT now expected to reach the upper half of the guided 400-475m EUR range.



# Strongest absolute growth in active customers on record and increasing order frequency demonstrate strong consumer demand

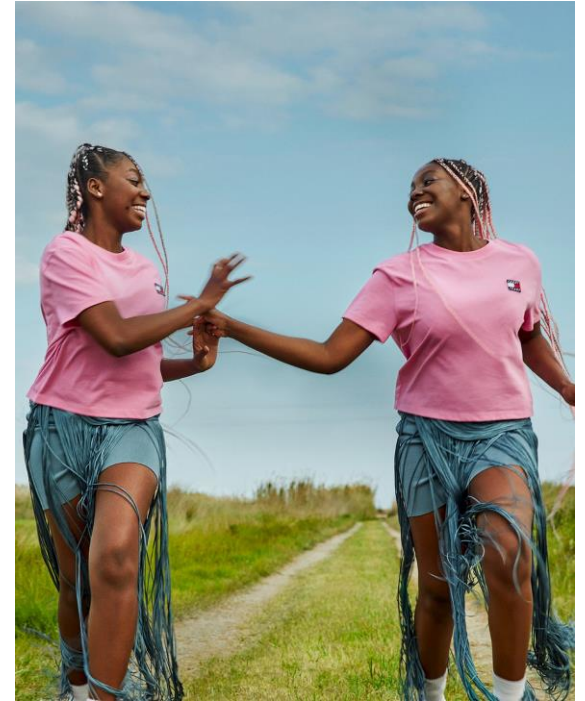
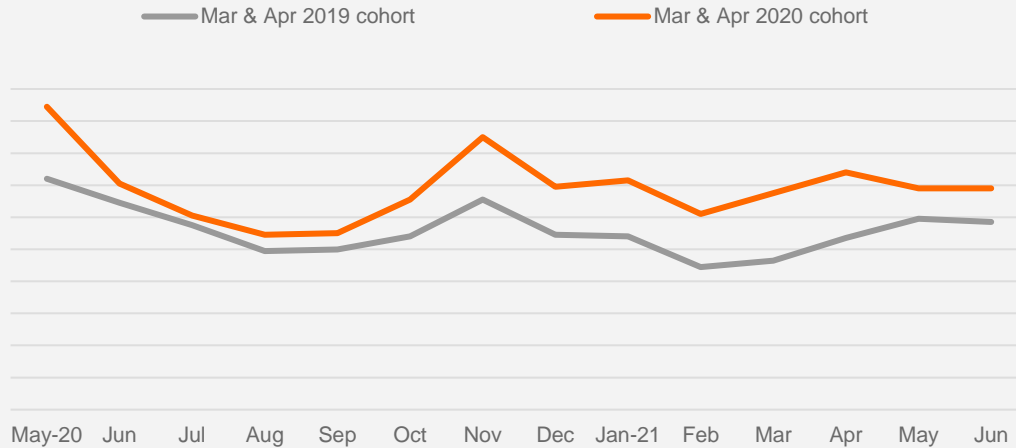


- 1) Defined as GMV divided by the number of orders
- 2) Defined as GMV divided by the number of active customers

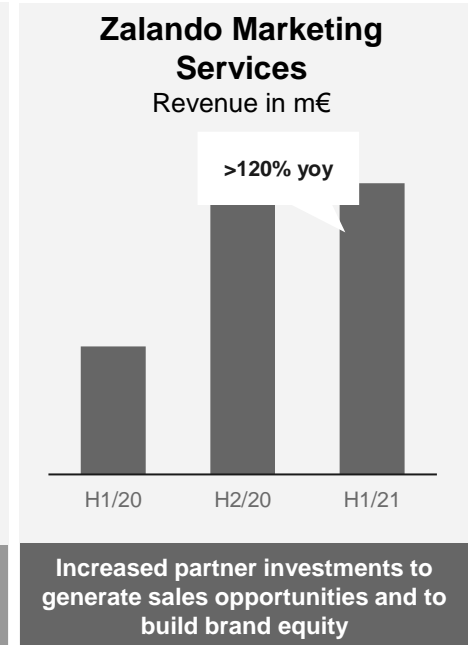
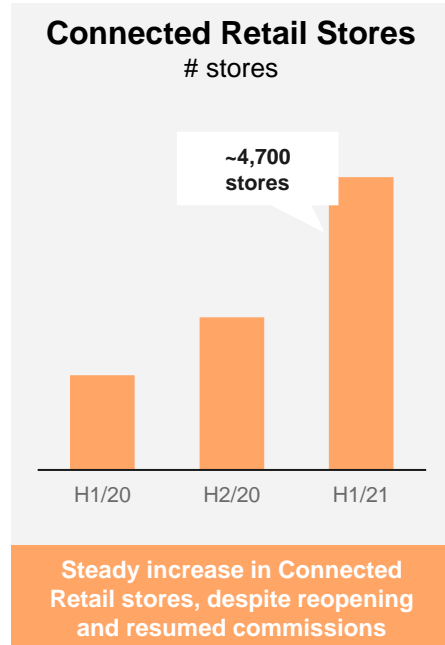
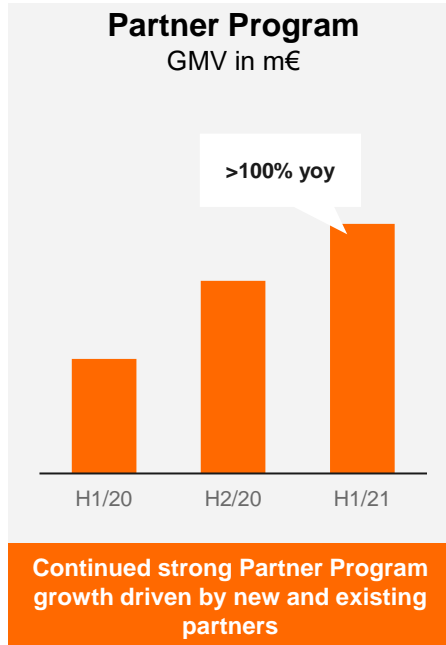
## Customers acquired during the first lockdown in 2020 continued to remain very active as stores reopened and restrictions eased throughout Q2

### Repurchase rate March & April 2020 vs. March & April 2019 cohorts

% of acquired customers repurchasing in upcoming months

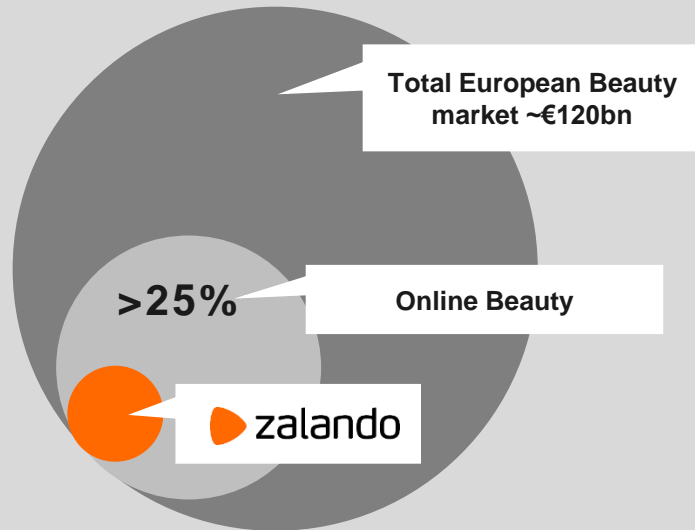


# COVID-19 induced a step change in online penetration and our partners capitalized strongly on the online growth opportunity by leveraging our Direct-To-Consumer platform offerings



## Next to improving our core fashion experience, elevating distinct and marketable propositions such as Beauty is a key priority for us to drive customer engagement and spending

Beauty enlarges our already massive ~€450bn fashion TAM by another ~€120bn in the next 5-10 years<sup>1,2</sup>



### Beauty is highly complementary to Fashion:

3 out of 5 of our customer also buy fashion products when shopping Beauty

**Comparatively low online penetration despite COVID-19 step change:** share of online beauty sales jumped from 8% in 2019 to 11% in 2020<sup>2</sup>, still significantly lower than in fashion

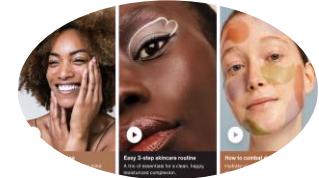
### We are distinctly positioned to capitalize on this additional growth opportunity:

We have the necessary customer insights, infrastructure and capabilities to support our growth ambitions

1) TAM: Total Addressable Market

2) Source: Company and Euromonitor International, July 2021. Values based on actuals and estimates; fixed exchange rates. Western and Eastern Europe excluding Russia; Beauty and Personal care

# We are excited about our multi-year vision to build an industry-leading Beauty proposition, which is being further accelerated by our Sephora partnership



Beauty launched

2018

**More choice, more markets**

- >16,000 SKUs covering the full beauty spectrum
- >350 brands with popular brands from Estée Lauder & Coty group
- Live in 10 markets

H1/2021

**Sephora partnership boosts choice**

- Access to +**300 prestige and exclusive brands** with halo-brands like Chanel and Dior
- Sephora to **join Partner Program** in Germany in Q4
- Partnership is set to be rolled out to **other markets as of 2022**

Q4/2021

**Elevate Beauty proposition**

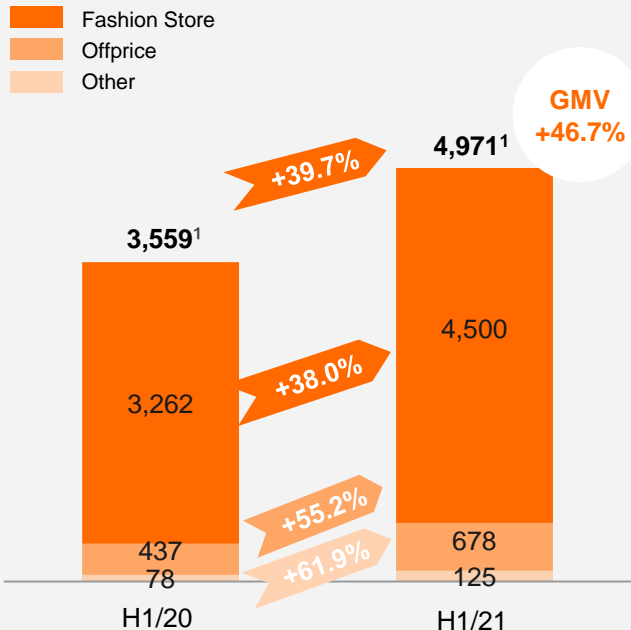
- **Endless choice** for our customers covering the most sought-after beauty products
- **Multisensory experience** with improved functionalities, online advice and trial solutions

2022

# Outstanding topline momentum fueled by strong customer and partner engagement even as restrictions eased and stores re-opened

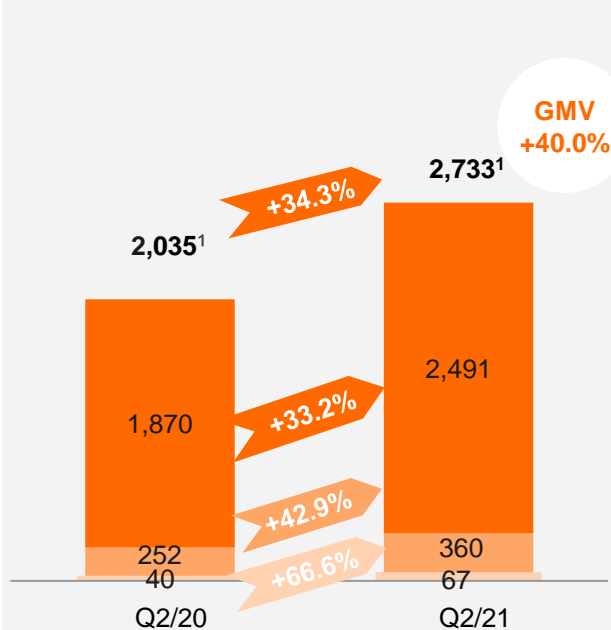
## Revenue – Group (H1)

(in €m and %)



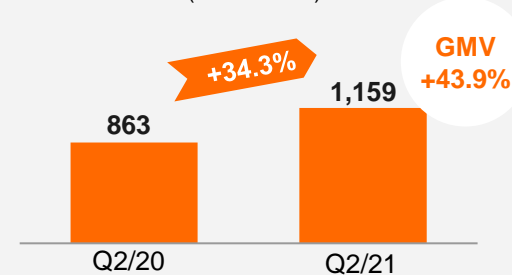
## Revenue – Group (Q2)

(in €m and %)



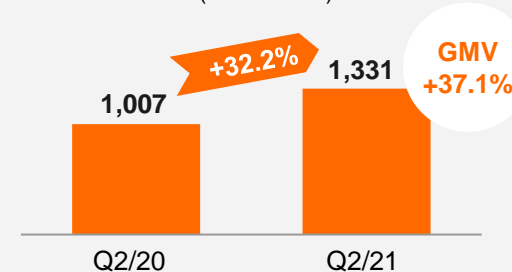
## Fashion Store – DACH (Q2)

(in €m and %)



## Fashion Store – Rest of Europe (Q2)

(in €m and %)



1) H1/21 (H1/20) contains -332.9 €m (-217.4 €m) reconciliation of internal revenues; Q2/21 (Q2/20) contains -184.9 €m (-127.8 €m) reconciliation of internal revenues

## We delivered healthy profitability on the back of strong topline momentum, but increased marketing spend to capture full demand potential drives Q2 profitability lower.

| Costs and margins<br>(in % of revenue) <sup>1</sup> | H1      |         |         |           | Q2      |         |         |           |  |
|---|---------|---------|---------|-----------|---------|---------|---------|-----------|--|
|   | 2019    | 2020    | 2021    | YoY Delta | 2019    | 2020    | 2021    | YoY Delta |  |
| <b>Cost of sales</b>                                | (57.0%) | (59.5%) | (57.3%) | 2.2pp     | (54.3%) | (55.6%) | (55.8%) | (0.2pp)   |  |
| <b>Gross profit</b>                                 | 43.0%   | 40.5%   | 42.7%   | 2.2pp     | 45.7%   | 44.4%   | 44.2%   | (0.2pp)   |  |
| <b>Fulfillment costs</b>                            | (28.0%) | (27.3%) | (24.8%) | 2.5pp     | (27.3%) | (25.4%) | (24.2%) | 1.2pp     | Continued return rate benefit and high network utilization |
| <b>Marketing costs</b>                              | (7.6%)  | (6.4%)  | (8.9%)  | (2.4pp)   | (8.2%)  | (5.2%)  | (9.8%)  | (4.6pp)   | ROI based marketing and lapping of LYs savings measures    |
| <b>Administrative expenses &amp; Other</b>          | (4.9%)  | (4.3%)  | (3.7%)  | (0.6pp)   | (4.4%)  | (4.0%)  | (3.4%)  | 0.6pp     |  |
| <b>EBIT</b>   | 2.5%    | 2.4%    | 5.3%    | 2.9pp     | 5.8%    | 9.8%    | 6.8%    | (2.9pp)   |  |
| <b>Adj. EBIT<sup>2</sup></b>                        | 3.6%    | 3.2%    | 5.6%    | 2.4pp     | 6.4%    | 10.4%   | 6.7%    | (3.7pp)   |  |

1) Rounding differences may occur.

2) Excluding equity-settled share-based payment expense ("SBC"), restructuring costs and non-operating one-time effects



## Upgraded FY/2021 outlook confirmed

**GMV growth of 31 – 36%, and Revenue growth of 26 – 31%**

**Adj. EBIT<sup>1</sup> in the upper half of the €400 – 475m range**

**Negative net working capital and Capex around €350m (previously: €350-400m range<sup>2</sup>)**

1) Excluding equity-settled share-based payment expense ("SBC") of ~60 €m, restructuring costs and non-operating one-time effects for FY/21

2) Excludes M&A transactions

# Appendix



Management Board

The Zalando Share

Zalando Investor Relations Team

## Management responsibilities following the Annual General Meeting



**Robert Gentz**  
Co-CEO



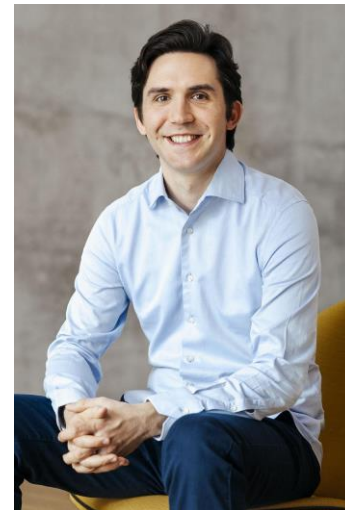
**David Schneider**  
Co-CEO



**Astrid Arndt**  
Chief People Officer



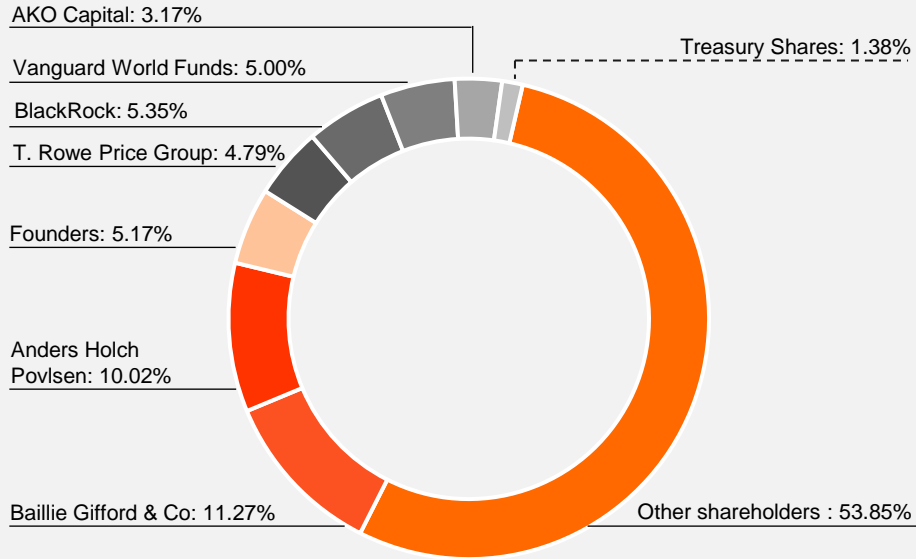
**Jim Freeman**  
Chief Business and  
Product Officer



**David Schröder**  
Chief Financial Officer

# The Zalando Share

## Shareholder structure<sup>1,2</sup>



## Share information<sup>1</sup>

|   |   |
|---|---|
| <b>Type of Shares</b>                     | Ordinary bearer shares with no-par value ( <i>Stückaktien</i> ) |
| <b>Stock Exchange</b>                     | Frankfurt Stock Exchange  |
| <b>Market Segment</b>                     | Regulated Market ( <i>Prime Standard</i> )                      |
| <b>Index Listings</b>                     | MDAX, STOXX600, FTSE4Goods                                      |
| <b>First day of trading</b>               | October 1, 2014   |
| <b>Issue price</b>                        | EUR 21.50   |
| <b>Total Number of Shares Outstanding</b> | 261,903,651   |
| <b>Issued Share capital</b>               | EUR 261,903,651   |

- 1) Free-Float of 88.61%
- 2) Aggregated Shareholdings of Founders

# Zalando Investor Relations Team



**Patrick Kofler**  
Head of IR

[Patrick.Kofler@zalando.de](mailto:Patrick.Kofler@zalando.de)



**Dorothee Schultz**  
Manager IR - ESG

[Dorothee.Schultz@zalando.de](mailto:Dorothee.Schultz@zalando.de)



**Nils Pöppinghaus**  
Senior Manager IR

[Nils.Poeppinghaus@zalando.de](mailto:Nils.Poeppinghaus@zalando.de)



**Jan Edelmann**  
Manager IR

[Jan.Edelmann@zalando.de](mailto:Jan.Edelmann@zalando.de)




## Team Contact

T: +49 3020 9681 584  
Zalando Tamara-Danz-Straße 1  
10243 Berlin

[investor.relations@zalando.de](mailto:investor.relations@zalando.de)  
<https://corporate.zalando.com/en>

## Upcoming events



All events  
are virtual

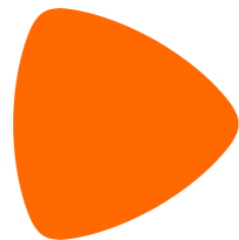
| Date                         | Event   |
|------------------------------|---|
| Tuesday, August 10th         | Fireside Chat with our CFO David Schröder (hosted by RBC)   |
| Thursday, September 2nd      | Commerzbank Corporate Conference, Frankfurt                 |
| Tue-Wed, September 7th-8th   | Asia Roadshow (DAIWA)                                       |
| Mon-Wed, September 13th-15th | Citi Tech Conference, New York                              |
| Mon-Tue, September 20th-21st | Goldman Sachs/Berenberg German Corporate Conference, Munich |
| Wed-Thu, September 22nd-23rd | Baader Bank Investment, Conference Munich                   |
| Wednesday, November 3rd      | Publication Q3/2021 Results                                 |

## 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.



**zalando**