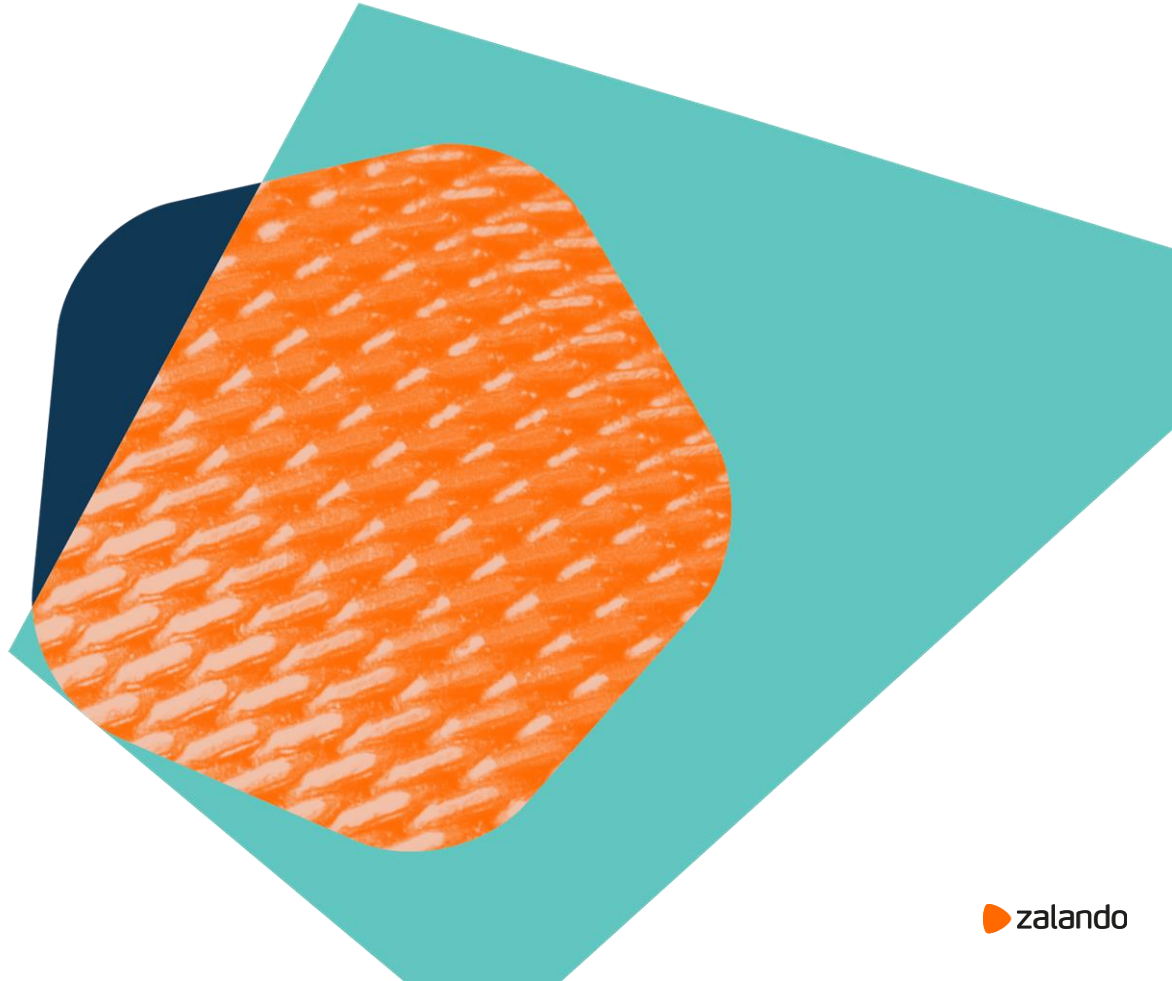


Financial Deep Dive

CMD 2021
David Schröder, CFO



Looking Back

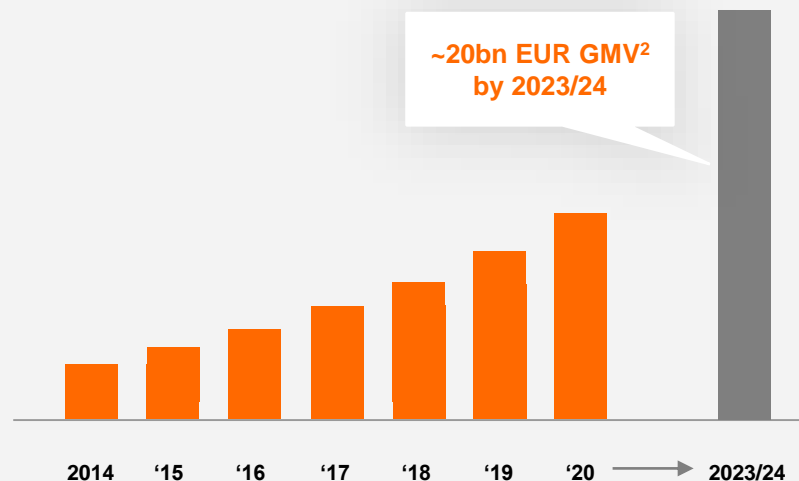


Two years ago we shared with you our ambition to reach 5% market share in the long term and to deliver 20bn EUR in GMV by 2023/24

Market opportunity in 5-10 years as outlined in 2019












Mid-term growth ambition as communicated in 2019



- 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
- 2) Gross Merchandise Volume (GMV) incl. VAT

Since 2019 we have consistently delivered on the mid-term targets

	Guidance Transition Phase 2019 – 2021	2019	2020
 Growth	GMV growth of 20-25%	23.6% 	30.4% 
 Profitability	Adj. EBIT margin between 2-4%	3.5% 	Actual: 5.3% Pro-forma: 3.8% ¹ 
 Cash	<ul style="list-style-type: none"> • Cash flow negative • NWC neutral • Capex of 4-5% of revenue 	FCF: +42m EUR NWC negative Capex: 4.7% 	FCF: +285m EUR NWC negative Capex: 3.1% 

1) Excluding positive impact from temporary Covid-19 related lower Return Rate in 2020.

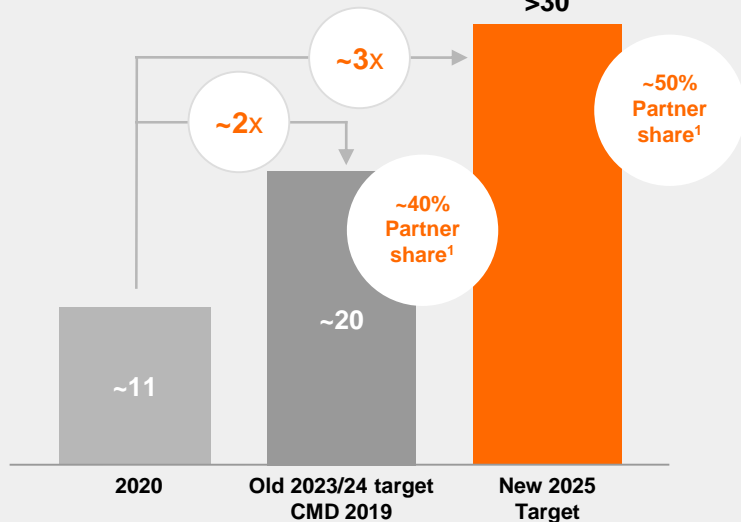
Looking Ahead Until 2025



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

GMV Growth Ambition 2025

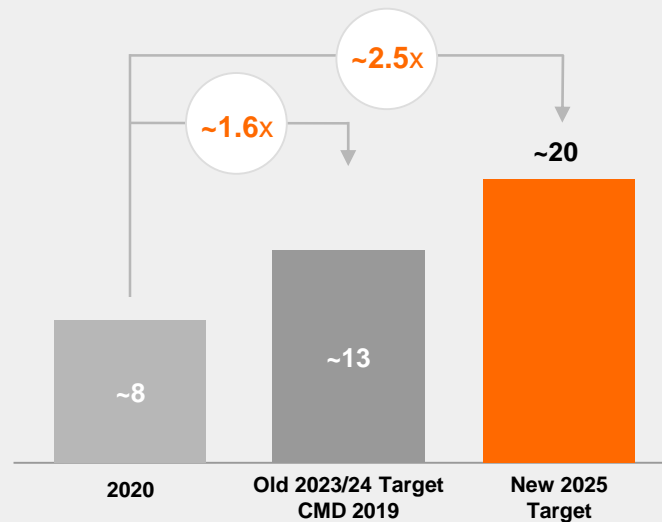
in bn EUR



CAGR: 20-25%

Revenue Growth Ambition 2025

in bn EUR



CAGR: ~20%

1) Partner Program Share in % of Fashion Store GMV

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

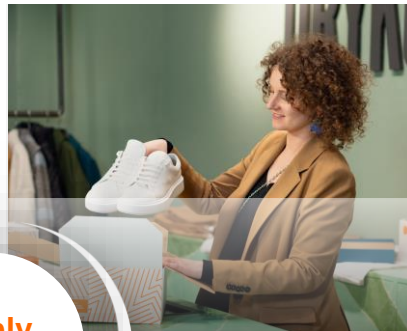
Payments Platform

- **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.



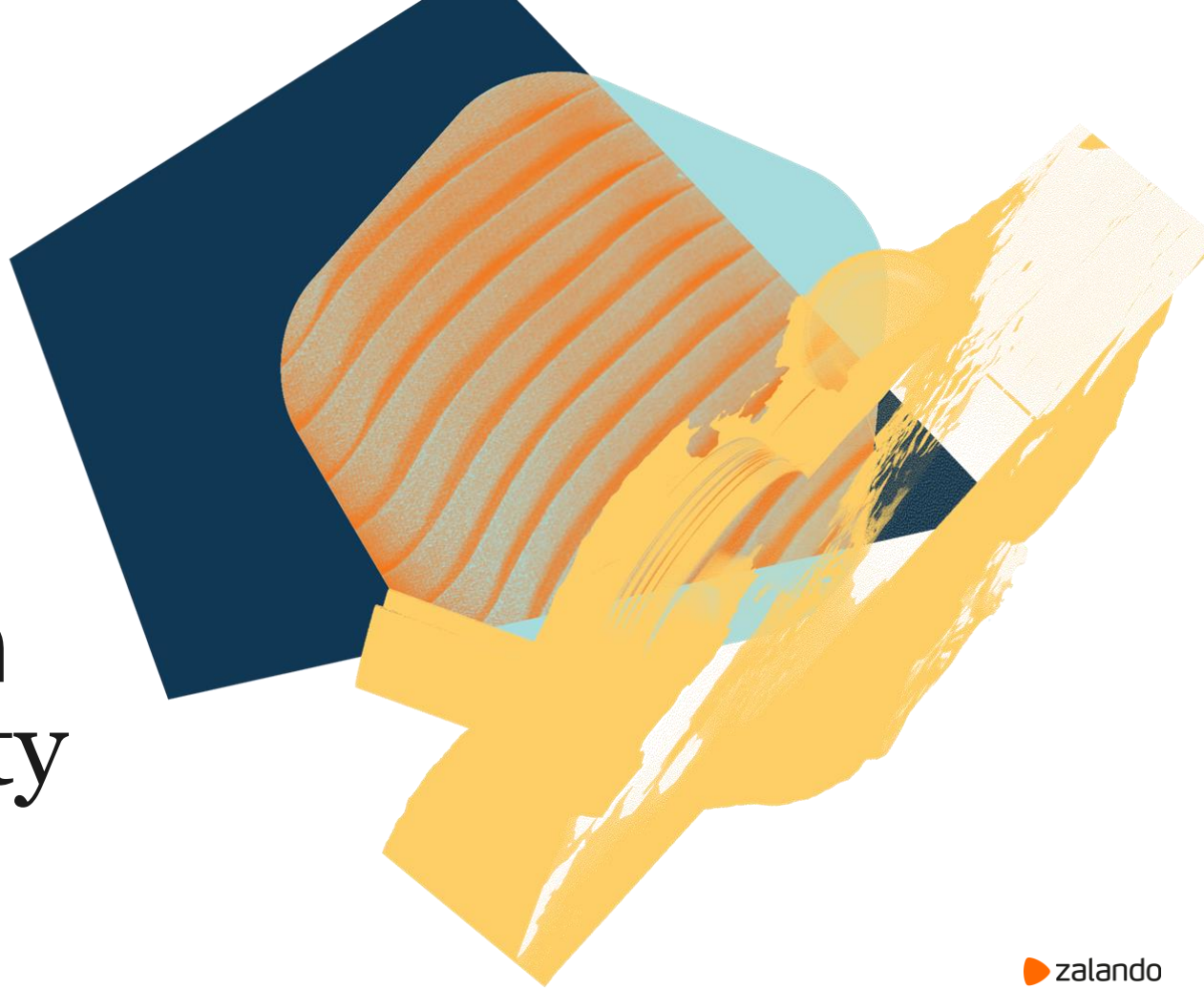
Our new mid-term guidance until 2025 reflects continued strong and profitable growth

	2019 Guidance Transition Phase 2019 – 2021	New Guidance 2021	New Guidance for 2022 – 2025	
 GROWTH (GMV)	20-25%	27-32%	20-25%	Continue to grow 2-3x faster than online market growth
 PROFITABILITY (ADJ. EBIT ¹)	2-4%	3.5-4.1%	3-6% Starting in lower half in 2022 and approaching high end by 2025	(Re-)invest platform benefits and economies of scale to drive growth
 CASH GENERATION	<ul style="list-style-type: none"> Cash flow negative NWC neutral Capex of 4-5% of revenue 	<ul style="list-style-type: none"> FCF neutral NWC negative Capex of 3.5-3.9% of revenue² 	<ul style="list-style-type: none"> FCF neutral NWC negative Capex of 3.5-4.5% of revenue² 	Enable growth through investments in technology and infrastructure

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

2) Excludes M&A transactions

Long-term Opportunity



We aspire to serve more than 10% of the European fashion market long-term

European Fashion Market continues to offer massive growth opportunity¹

Total fashion
>450bn EUR

>10%

 zalando

Our Path towards Long Term Value Creation

#1

We remain primarily **focused on growth** and aim to significantly and consistently outperform the European online fashion market development

#2

In order to sustain this high level of growth and drive market share, we **aim to reinvest** our increasing economies of scale and platform benefits in our **customer experience as well as partner proposition**

#3

Once our **growth rate approaches** online fashion market level growth, our platform business model will result in an attractive financial profile, characterized by double-digit margins and strong cash generation.

(1) Source: Company estimates and Euromonitor International, January. 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


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

1) Wholesale includes Offprice

Our platform business model creates significant long term margin upside

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

1) Partner Program Share in % of Fashion Store GMV

Key takeaways Financial Deep Dive

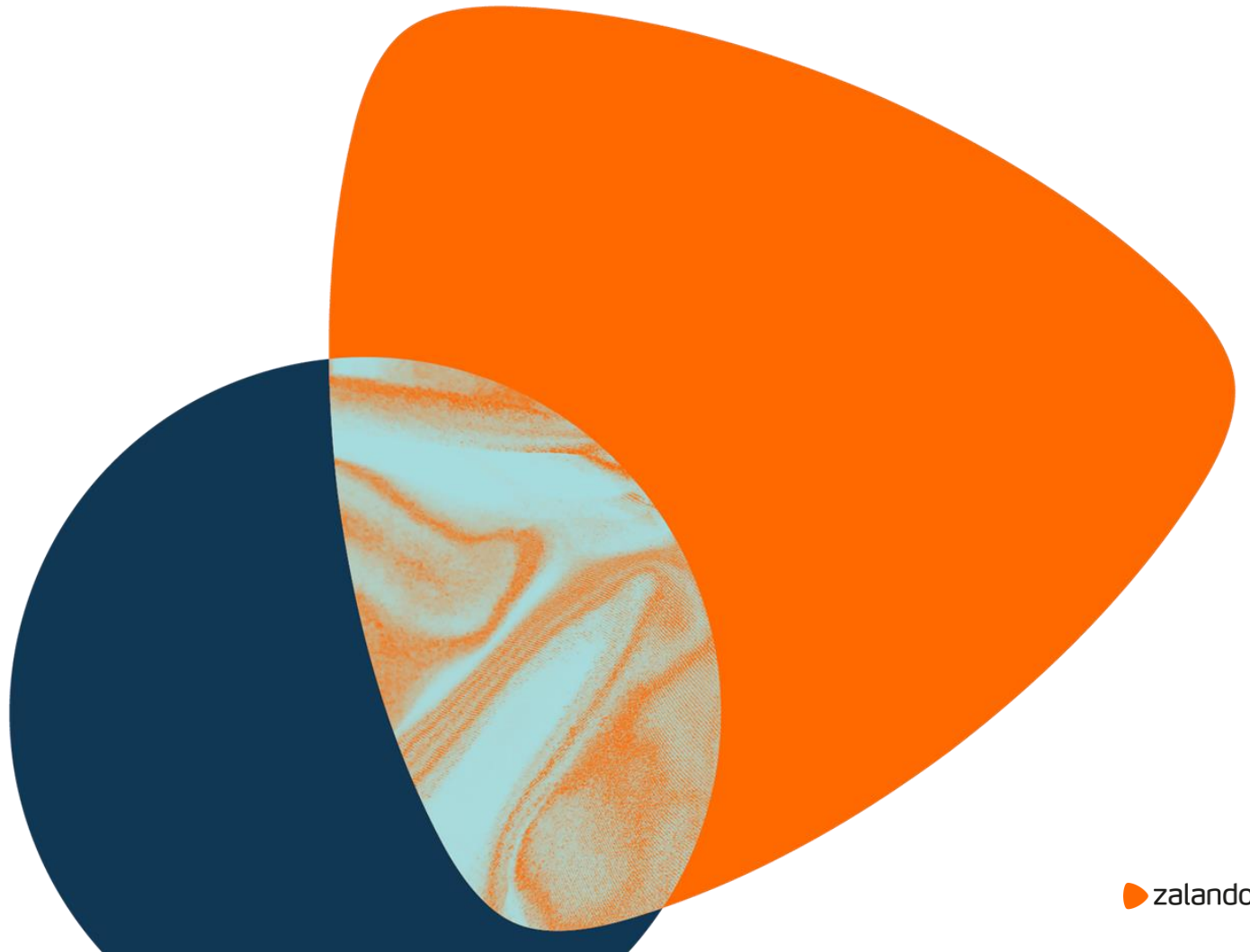
01 Strong track record
in executing our platform strategy
and consistently delivering on
our targets.

02 Upgraded growth ambition
to reach >30bn EUR GMV by 2025
and >10% share of the European
fashion market long-term.

03 At scale, attractive financial profile
characterized by a double digit
margin and strong cash generation.



Q&A



Key takeaways Zalando CMD 2021

- 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



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 in this communication 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.

