



Zalando Q3/24 Earnings Call

5 November 2024
Dr. Sandra Dembeck (CFO)

zalando



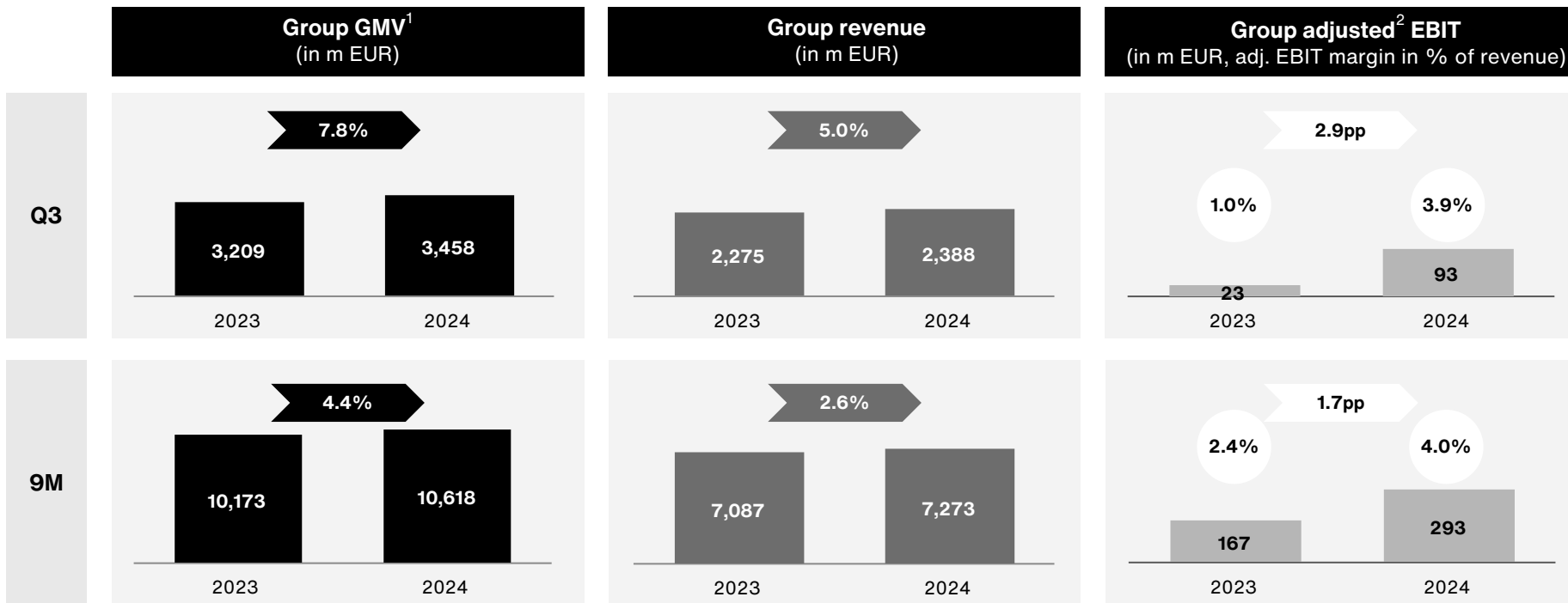
Executive summary

- 01 9M growth with further acceleration fueled by strong start into A/W season**
GMV and revenue growth accelerated to 4.4% and 2.6%, respectively as our updated ecosystem strategy enabled us to capture increasing consumer demand amid an industry-wide strong season start
- 02 Strong adjusted EBIT margin expansion driven by B2C gross margin improvement**
Adjusted EBIT margin up 1.7pp to 4.0% in 9M mainly driven by a strongly improved gross margin on the back of a better sell through rate
- 03 Confirming our upgraded FY 2024 guidance (as published on 10 October)**
GMV growth of 3% - 5%, revenue growth of 2% - 5%, adjusted EBIT in the range of 440 - 480m EUR, CAPEX of ~200m EUR and negative net working capital (unchanged)
- 04 In B2C, we double down on our investments into key growth initiatives**
We are evolving our Zalando Plus programme to reward customers' loyalty. This experience was successfully tested in Spain in July and now expands to France and Austria
- 05 B2B continues its double digit growth trajectory ahead of group revenue in Q3**
ZEOS added ASOS, the British online retailer, as a new sales channel, and is now able to fulfill orders that are placed via 9 major e-commerce platforms and brands' own e-commerce





In Q3, we continued to deliver accelerated growth on GMV and revenue with strongly improved profitability driven by our B2C segment

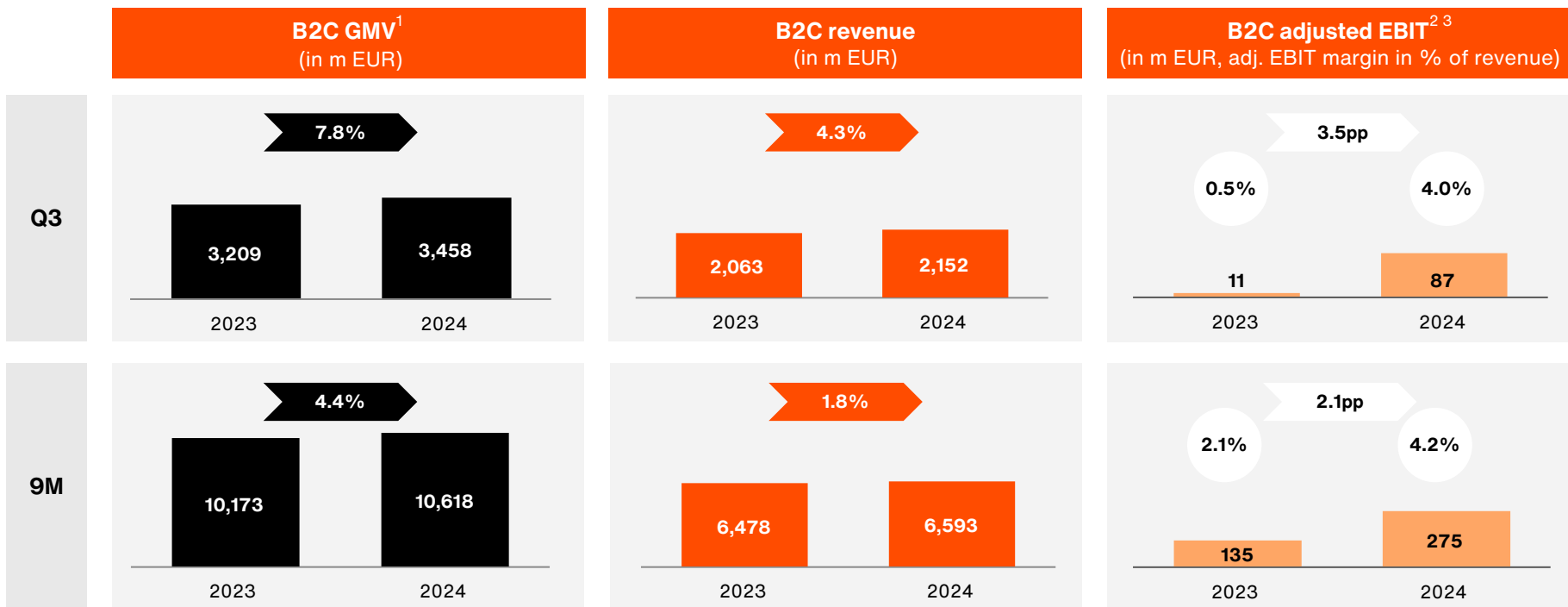


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¹ Gross merchandise volume after returns (GMV): dynamically reported² Excluding equity-settled share-based payment expense ("SBC"), restructuring costs, significant non-operating one-time effects and acquisition-related expenses



B2C segment captured consumer demand in the third quarter amid an industry-wide strong start to the autumn/winter season



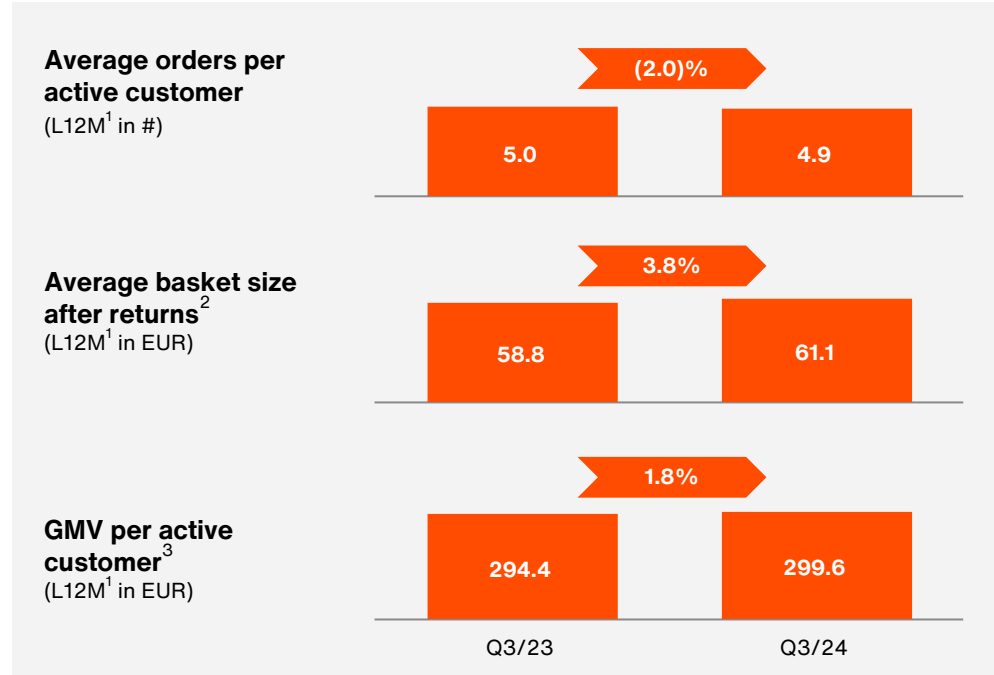
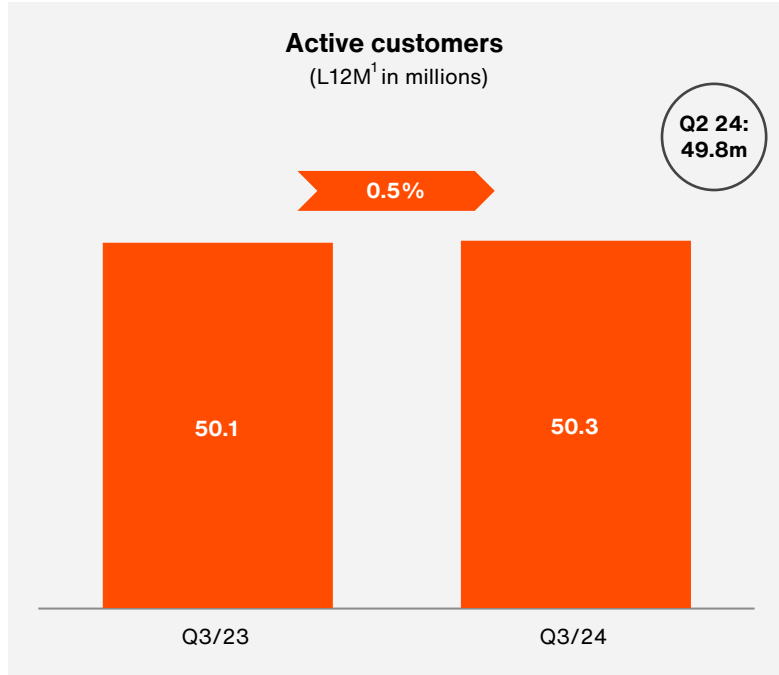
4 ¹ Gross merchandise volume after returns (GMV): dynamically reported

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

³ Q3 2024 contains (0.7)m EUR | Q3 2023 EUR 0.0m EUR reconciliation of internal EBIT. 9M 2024 contains (1.6)m EUR | 9M 2023 0.0m EUR reconciliation of internal EBIT



Active customers surpassed the 50 million threshold once again



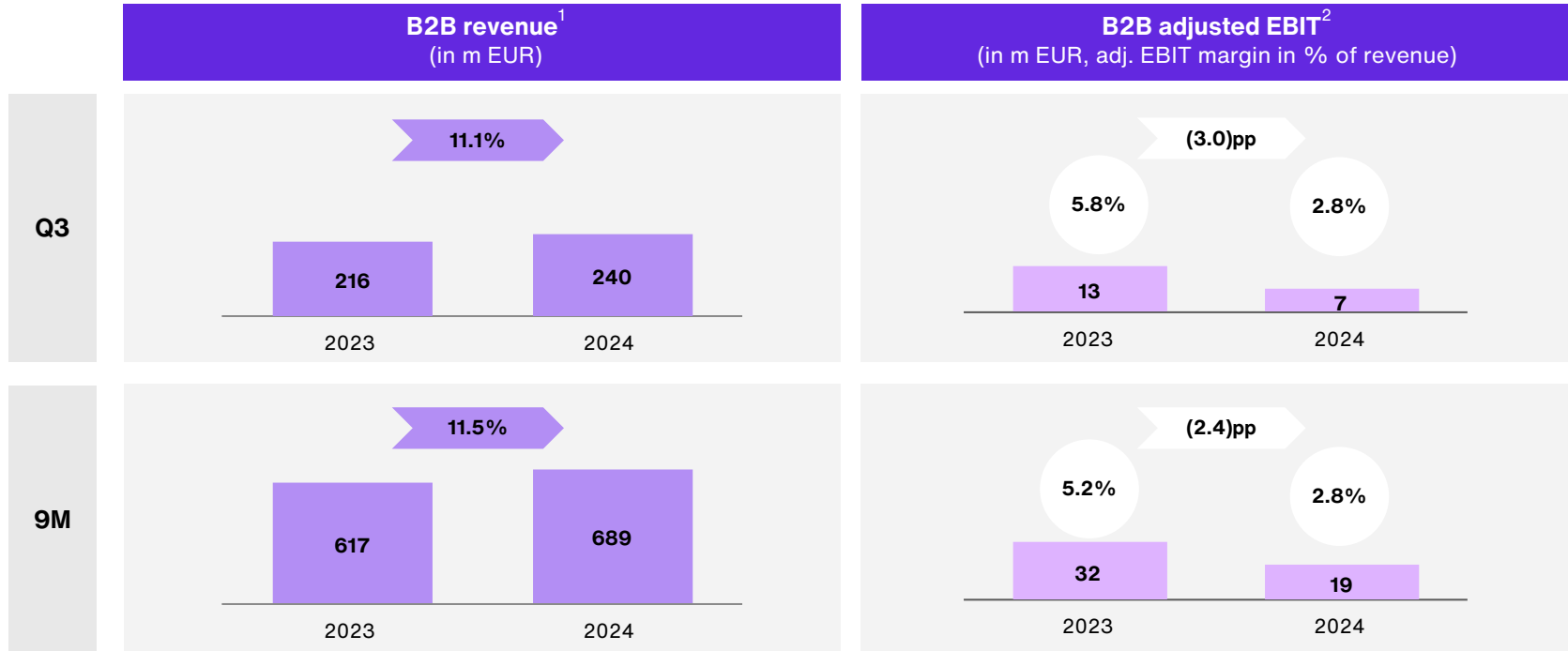
5 ¹ L12M = last twelve months

² Defined as GMV divided by the number of orders

³ Defined as GMV divided by the number of active customers



B2B continues its double digit growth trajectory driven by ZEOS fulfilment



6 ¹ Q3 2024 contains (2.8)m EUR | Q3 2023 (3.9)m EUR reconciliation of inter-segment revenue. 9M 2024 contains (8.1)m EUR | 9M 2023 (8.8)m EUR reconciliation of inter-segment revenue
² Excluding equity-settled share-based payment expense ("SBC"), restructuring costs, significant non-operating one-time effects and acquisition-related expenses



Adjusted EBIT margin uplift driven by strong gross profit development more than offsetting increase in marketing costs

Costs and margin (in % of revenue)	9M/23	9M/24	YoY Δ	Q3/23	Q3/24	YoY Δ	
Gross profit	38.5%	40.3%	1.8pp	36.7%	40.7%	4.0pp	Improved sell-through rates and higher share of full price sales
Fulfilment costs	(25.2)%	(23.4)%	1.8pp	(24.9)%	(23.8)%	1.2pp	Favourable order economics reflected in higher average basket sizes and scaling of our ZEOS fulfilment business
Marketing costs	(7.0)%	(8.8)%	(1.7)pp	(7.0)%	(9.1)%	(2.1)pp	Accelerated investments in performance marketing to seize the opportunity of a strong season start as well as brand building for future growth
Administrative expenses & Other	(5.6)%	(5.0)%	0.6pp	(5.6)%	(4.9)%	0.6pp	
EBIT	0.6%	3.1%	2.5pp	(0.8)%	2.9%	3.7pp	
Adjusted EBIT ¹	2.4%	4.0%	1.7pp	1.0%	3.9%	2.9pp	

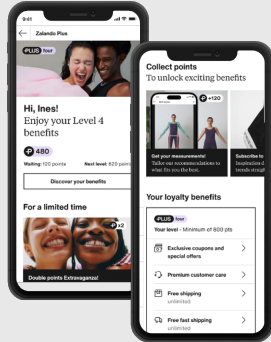
7 ¹ Excluding equity-settled share-based payment expense ("SBC"), restructuring costs, significant non-operating one-time effects and acquisition-related expenses



Growth initiatives to support topline growth in 2025 and beyond

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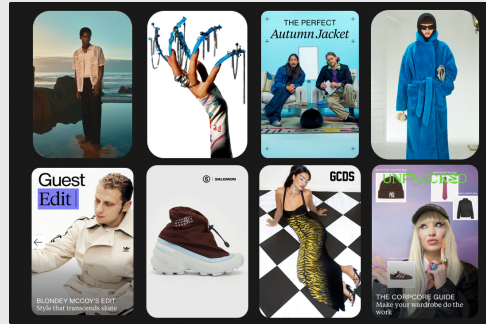
Driving customer loyalty



Evolving our Plus programme from a paid membership programme to one that is free and for all customers

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Making fashion discovery more inspiring and entertaining



Scaling of our content first experience
“Stories on Zalando”

Ramping up of new tech hub in China to tap into **local expertise in social commerce**

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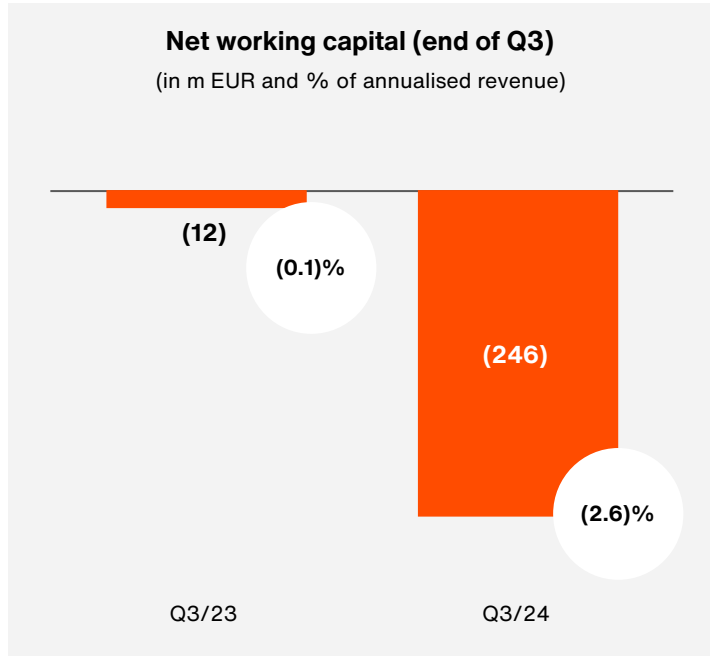
Strengthening of European logistics network



Continued focus on driving **localised and personalised convenience** to the next level



Improved net working capital position driven by higher Partner Business share



m EUR	Q3/23	Q3/24	YoY Δ
Inventories	1,938	1,894	(2.3)%
Trade receivables	825	934	13.2%
Trade payables	2,774	3,074	10.8%
Net working capital	(12)	(246)	

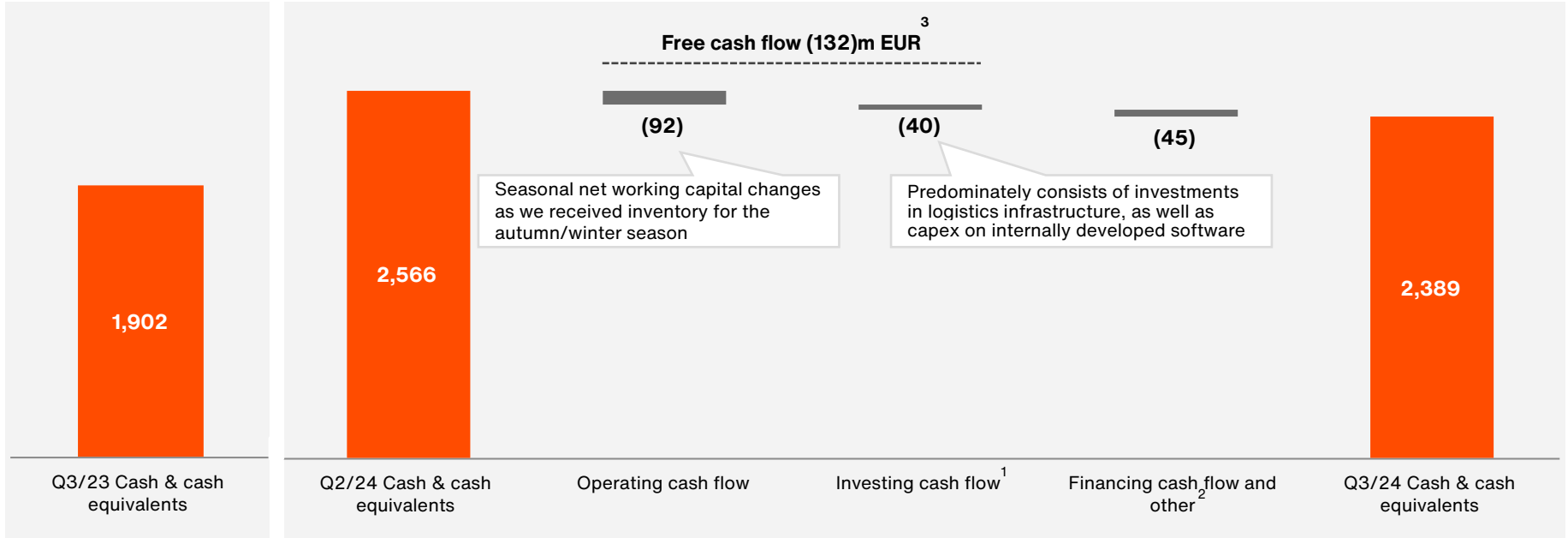
Strong business performance towards the end of the quarter

Overperformance of Partner Business and higher inbounds



Cash and cash equivalents increased by 0.5 billion EUR year on year to ~2.4 billion EUR

in m EUR



¹ Includes investments in fixed assets of (17.5)m EUR and intangible assets of (22.6)m EUR

² Includes financing cash flow of (45.1)m EUR and effect of exchange rate on cash and cash equivalents of 0.3m EUR

³ Includes operating cash flow of (91.9)m EUR, payments for investments in fixed assets of (17.5)m EUR and payments for investments in intangible assets of (22.6)m EUR

Upgraded full year 2024 guidance

In 2024, we return to growth, continue to increase profitability and invest in future growth

		9M 2024	Guidance 2024
Growth	GMV	4.4%	3% - 5% (previously 0% - 5%)
	Revenue	2.6%	2% - 5% (previously 0% - 5%)
Profitability	Adjusted ¹ EBIT (in m EUR)	293	440 - 480 (previously 380 - 450)
Cash	Capex (in m EUR)	140	~200 (previously 250 - 350)
	Net working capital (in m EUR)	(246)	negative (negative)

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



Key takeaways

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Appendix





P&L Overview - new segment reporting

	9M 23 ¹			9M 24 ¹		
	Group	B2C segment	B2B segment	Group	B2C segment	B2B segment
GMV² (in m EUR)	10,172.6	10,172.6	No GMV contribution	10,618.1	10,618.1	No GMV contribution
Revenue (in m EUR)	7,095.7	6,478.2	617.5	7,281.1	6,592.6	688.5
Adj. EBIT (in m EUR)	167.3	135.0	32.2	294.1	274.9	19.3
Adj. EBIT margin (in %)	2.4%	2.1%	5.2%	4.0%	4.2%	2.8%

15 ¹Please note that Group figures exclude reconciliations

²GMV is recorded based on the time of the customer order. Due to the dynamically reporting of GMV figures may deviate from former published reports



Evolving our loyalty programme Zalando Plus

Introducing a free Loyalty programme to feel recognized & rewarded

Why do we evolve Plus?

We open Plus to **all of our customers**, not just top tier (Plus customers around 2.6m)

In line with our updated group strategy we aim to **drive customer engagement**, create emotional connections and multi-proposition adoption thereby increasing order frequency and customer retention

How does the Loyalty programme work?

Customers **earn points for the money and time spent**

Based on the amount of collected points, customers reach different levels

Depending on the achieved level, **customers are rewarded through benefits, surprises and personalization**

e.g. birthday gifts, special member offers, fee-free shipping, free faster shipping when you need it, fast customer care, early access to new products, priority notifications for back in stock products, exclusive invites, etc.

Timing and financial indications

Roll-out started in Spain, France and Austria, with more markets to follow in 2025 and beyond

The reshaping will come with additional one-off costs associated with the **payback of Plus subscription fees**. Additionally, Zalando will build up provisions to account for the collected points, these will lead to a **deferral of revenues**



Issued share capital

Share information

(as of Sep 30, 2024)

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	263,897,115
Issued capital	263,897,115 EUR

Stock options programs Management Board (as of Sep 30, 2024)

Program	# Options outstanding	Weighted average exercise price (EUR)
LTI 2018 ²	4,296,949	47.44
LTI 2019	296,442	24.38
LTI 2021	1,521,904	25.27
LTI 2024	56,143	20.16
ZOP 2021	279,436	14.78
Total	6,450,874	39.50

Stock options programs Senior Management (as of Sep 30, 2024)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 ¹	164,475	31.60
EIP ¹	2,348,361	40.38
ZOP 2019	7,611,989	24.40
Total	10,124,825	28.23

17 ¹ Settled with new shares

² Only to 35% to be settled with new shares, remaining backed by treasury shares



Zalando Investor Relations Team



Patrick Kofler
Director of IR

Patrick.Kofler@zalando.de



Dorothee Schultz
Senior Manager ESG IR

Dorothee.Schultz@zalando.de



Andrea Frese
Senior Manager IR

Andrea.Frese@zalando.de



Nils Pöppinghaus
Expert Advisor IR

Nils.Poeppinghaus@zalando.de



Ignacio Azpitarte Garay
Junior Manager IR

Ignacio.Azpitarte.Garay@zalando.de

Team contact

T: +49 3020 9681 584
Zalando SE
Valeska-Gert-Straße 5
10243 Berlin

investor.relations@zalando.de
<https://corporate.zalando.com/en>



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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.