



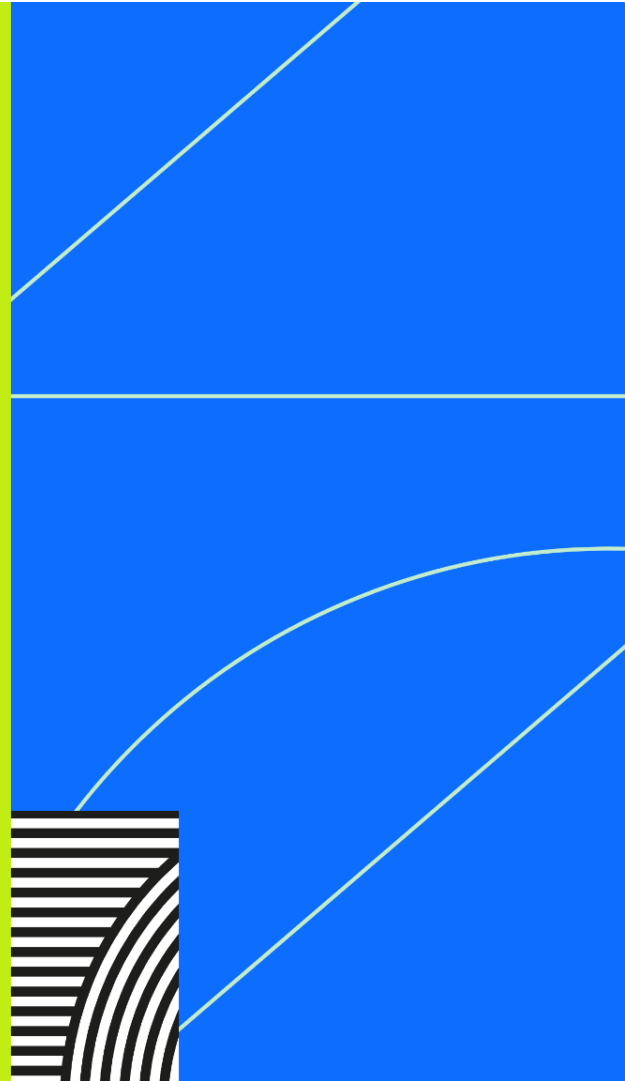
Zalando Q2/23 Earnings Call

August 3, 2023

Robert Gentz (Co-CEO)

Dr. Sandra Dembeck (CFO)

zalando



Business update Q2/23



Executive summary

01 H1 performance reflects our continued focus on profitable growth

Significant y-o-y improvement in adjusted EBIT of over EUR 100m to EUR 144m with flat GMV growth in a temporarily demand constrained and inflationary cost environment

02 Launched several high-profile brands on Zalando - among them lululemon

Zalando is lululemon's partner of choice for reaching millions of European customers

03 Partners continue to leverage our logistics infrastructure

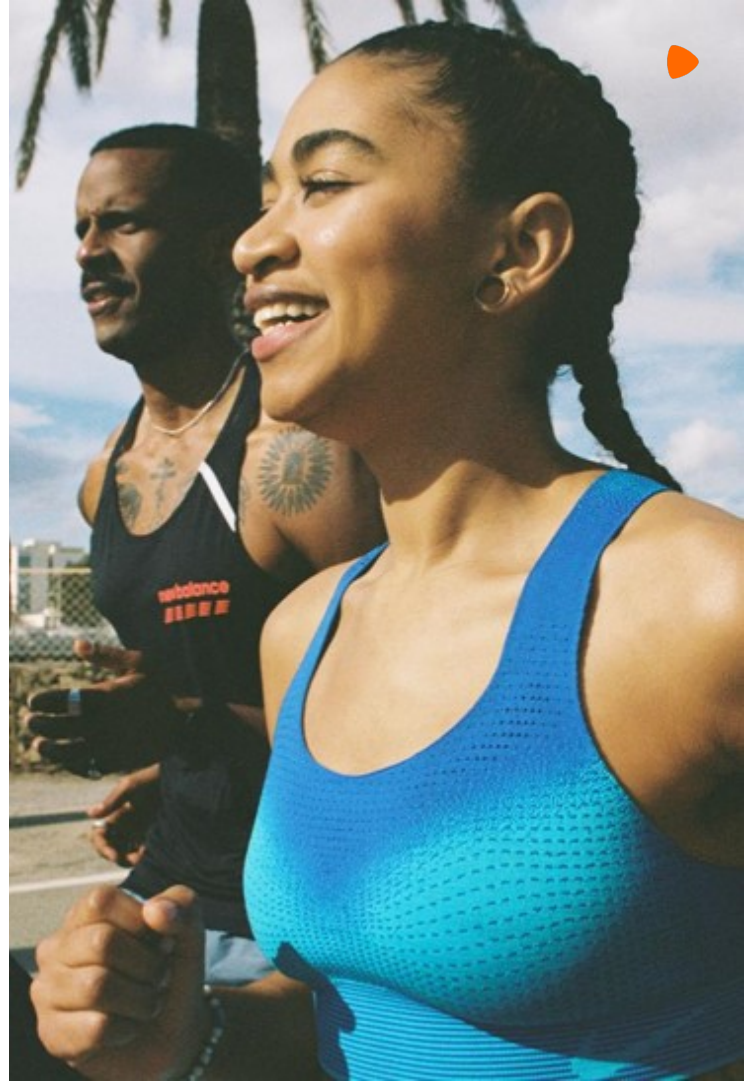
Increasing shares of Partner Business (+7pp) and Zalando Fulfillment Solutions (+3pp) in H1; multi-channel fulfillment available in additional markets to our partners

04 Zalando well positioned to unlock potential of new innovations

Introduced a step change solution to help our customers finding the right size and fit and launched a fashion assistant powered by ChatGPT

05 Narrowing full year 2023 guidance

GMV and revenue growth now expected at the lower half of our initial guidance ranges of 1% to 7% for GMV and (1)% to 4% for revenue respectively; adjusted EBIT narrowed to EUR 300m – EUR 350m





Launched several high-profile brands on Zalando to ever improve our proposition towards our customers

Sports

Zalando is lululemon's partner of choice for reaching millions of European customers

Beauty

Deepened partnerships with luxury perfumes and cosmetics houses Lancôme, Shiseido and Mugler

Locally relevant heroes

Onboarded locally relevant brands Le Slip Français and Claudie Pierlot to win in France





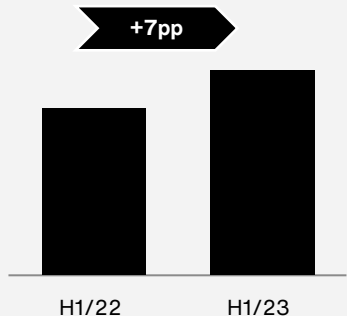
Partners continue to leverage our fulfillment service offerings to scale their business on and off Zalando as we further productize our logistics infrastructure

Continued strong growth of partner business on Zalando driven by an increased adoption of ZFS...

...and our partners increasingly leverage our multi-channel fulfillment solutions to scale their business beyond Zalando

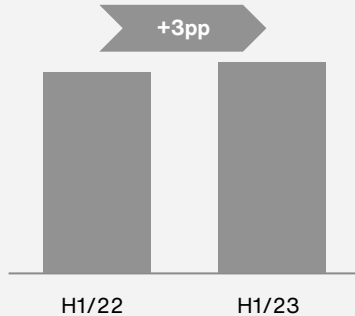
Partner Business

(%-share of Fashion Store GMV)




Zalando Fulfillment Solutions


(%-share of Partner Program items shipped)



Items shipped with multi-channel fulfillment

>100.000

 Markets where multi-channel fulfillment is already available

 Markets where multi-channel fulfillment is soon available



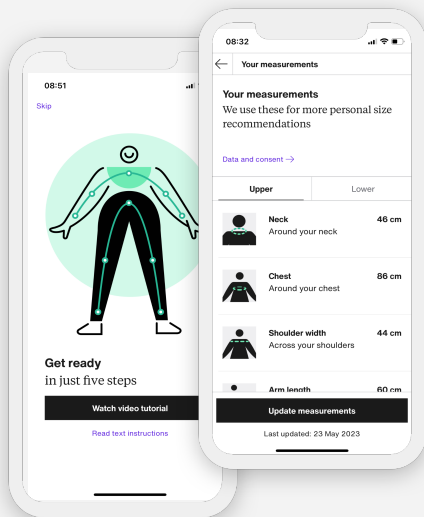


Zalando well positioned to unlock potential of new innovations to address critical pain points for customers

Launched new size advice experience based on customers' own body measurements to further reduce size-related return

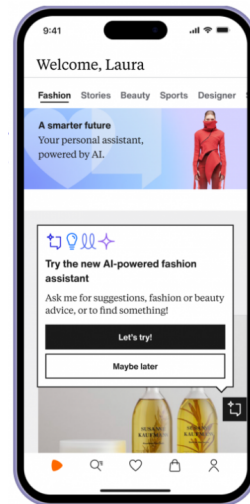
Existing size and fit experience already **reduce size-related returns by 10%** compared to items without size advice¹

New experience is a step-change on Zalando's journey to help customers find the right size at first try

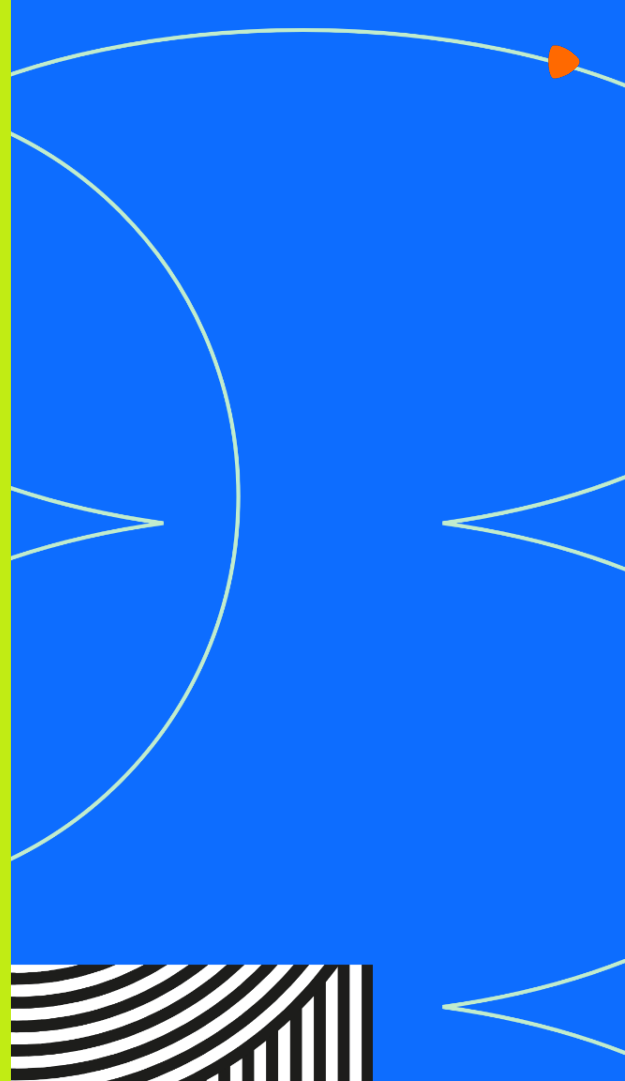


New fashion assistant powered by ChatGPT helps customers to navigate through Zalando's large assortment

Allows customers to ask questions using their own fashion language and **discover Zalando in a more intuitive way**



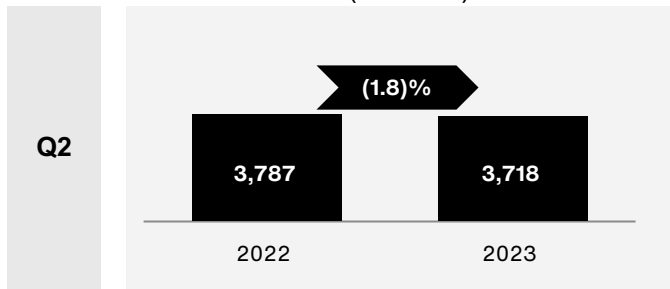
Financial update Q2/23



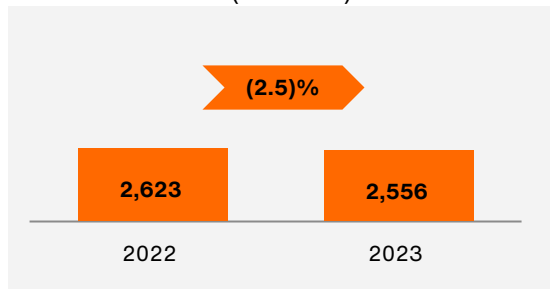


In Q2, we significantly improved profitability while top line growth was dampened by ongoing normalization between offline and online sales channels

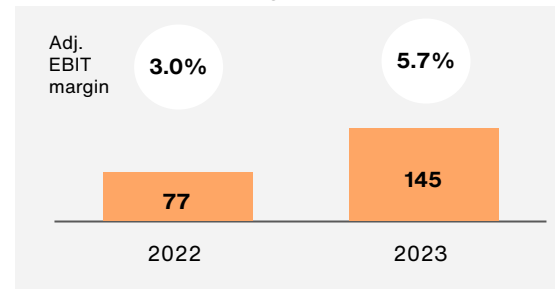
Group GMV
(in EUR m)



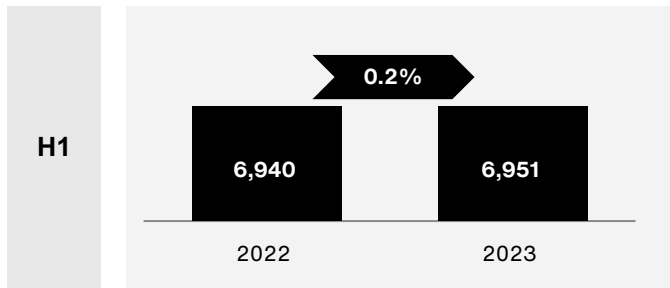
Group revenue
(in EUR m)



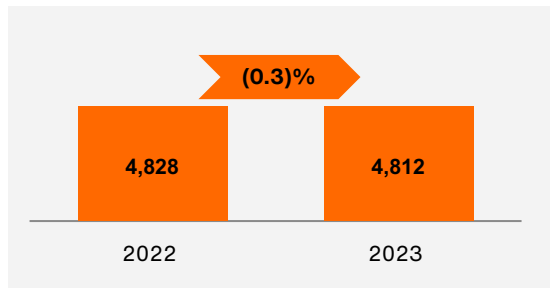
Group adjusted EBIT
(in EUR m, margin in % of revenues)



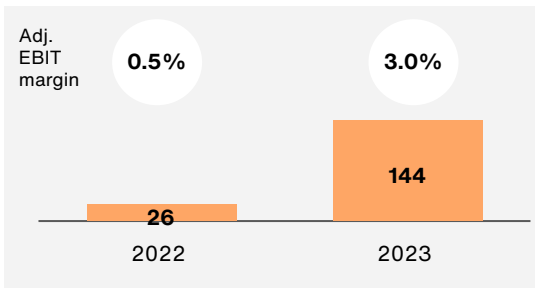
0.2%



(0.3)%



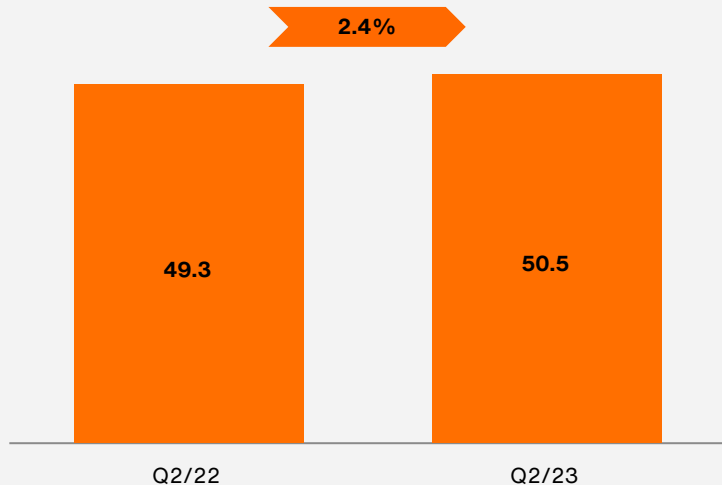
0.5%



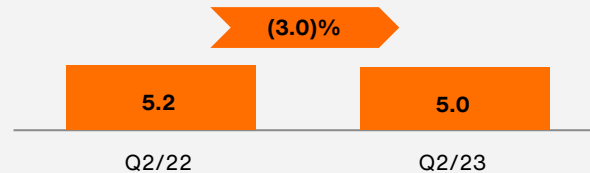


Increase in customer spend driven by larger basket sizes

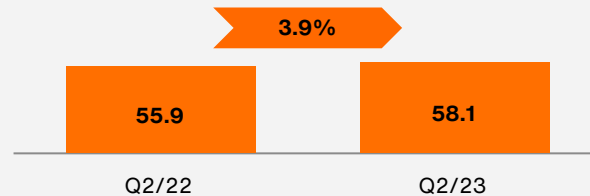
Active customers
(L12M¹ in millions)



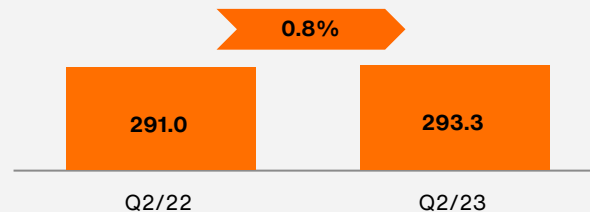
Average orders per active customer
(L12M¹ in #)



Average basket size after returns²
(L12M¹ in EUR)



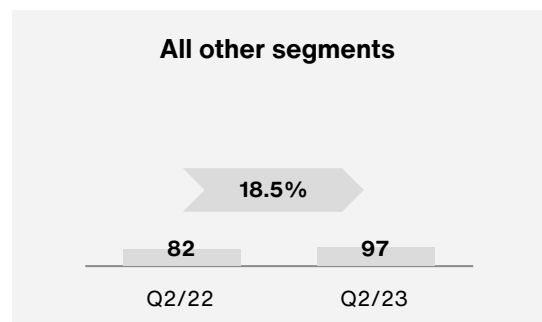
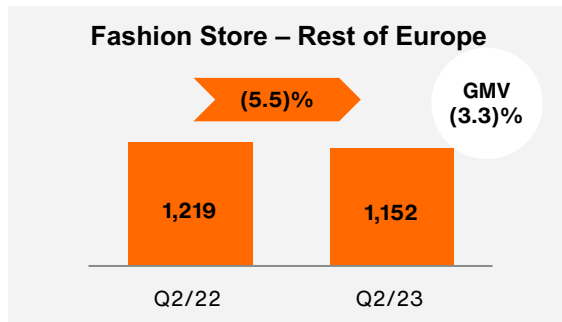
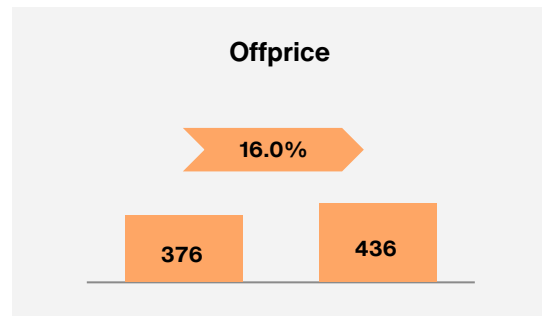
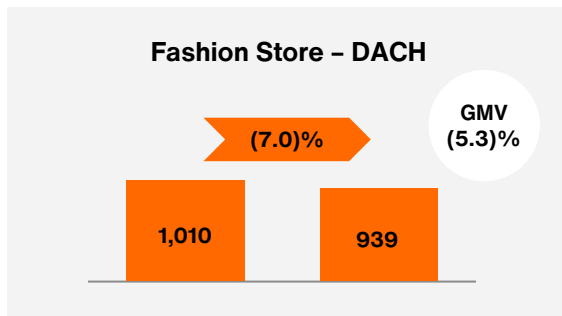
GMV per active customer³
(L12M¹ in EUR)





We continue to benefit from our business mix with Lounge by Zalando capturing the strong demand in the Offprice segment

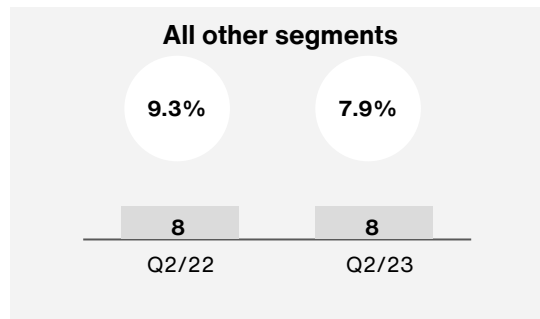
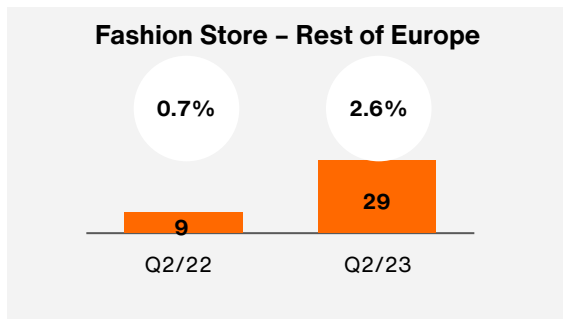
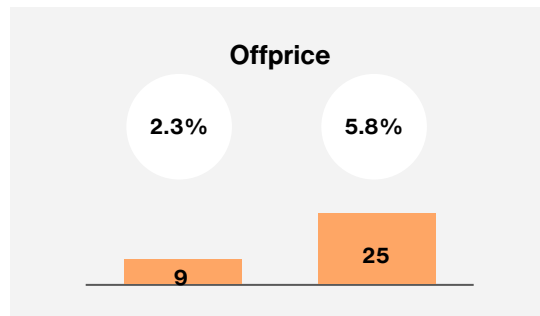
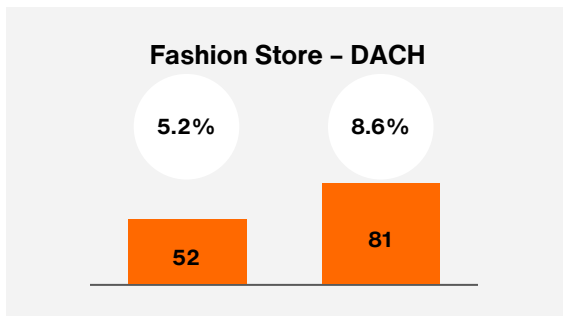
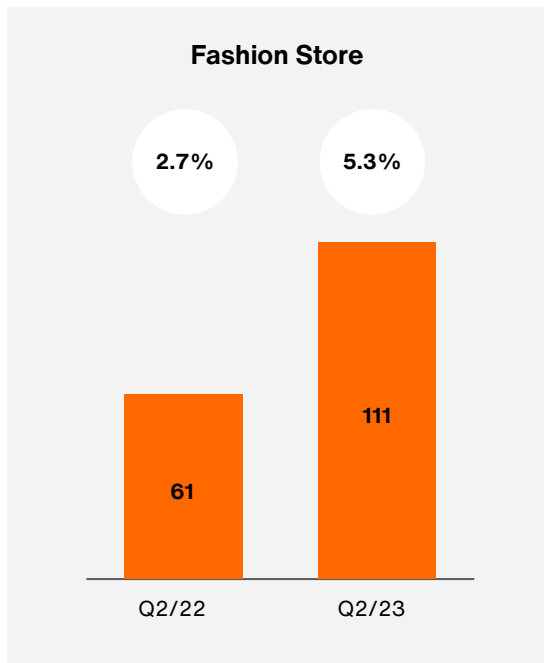
Revenue¹ (EUR m) - % growth yoy





Our focus on profitability is underlined by doubling of our adjusted EBIT margin in Fashion Store and Offprice

Adjusted EBIT¹ (EUR m) - margin in % of revenue





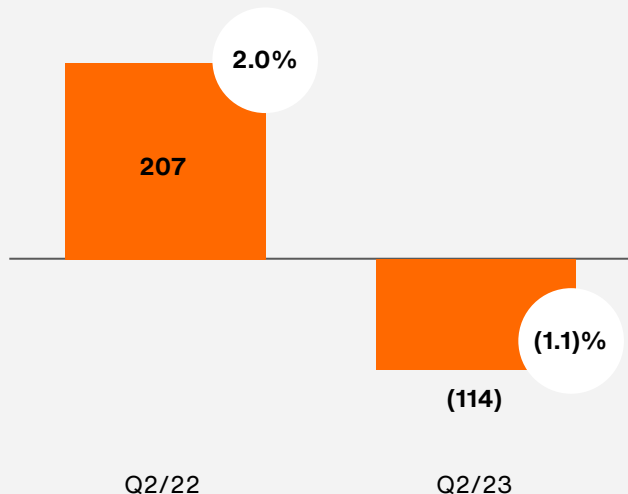
Achieving notable progress in the group's performance through ongoing efficiency gains, with a particular emphasis on fulfillment and marketing

Costs and margins (in % of revenue)	HY/22	HY/23	YoY Δ	Q2/22	Q2/23	YoY Δ	
Gross profit	40.0%	39.3%	(0.6)pp	41.0%	40.6%	(0.4)pp	Continued promotional market environment pronounced by late season start as well as business mix effect
Fulfillment costs	(27.6)%	(25.3)%	2.3pp	(26.0)%	(24.4)%	1.6pp	Improved order economics and scaling of our partner business
Marketing costs	(7.8)%	(7.0)%	0.8pp	(8.0)%	(6.8)%	1.1pp	Improved return on marketing investment and increased scale of Offprice
Administrative expenses & Other	(4.7)%	(5.7)%	(1.0)pp	(4.7)%	(5.9)%	(1.2)pp	
Administrative costs	(4.8)%	(5.0)%	(0.2)pp	(4.8)%	(4.8)%	0.0pp	
Other income & expenses	0.2%	(0.7)%	(0.8)pp	0.1%	(1.1)%	(1.2)pp	Other expenses driven by EUR 33m one-time effect for Reshaping program 2023
EBIT	(0.1)%	1.3%	1.4pp	2.3%	3.4%	1.1pp	
Adjusted EBIT ¹	0.5%	3.0%	2.5pp	3.0%	5.7%	2.7pp	



Lean net working capital position as a result of higher trade payables

Net working capital (end of Q2)
(in EUR m and % of annualized revenue)

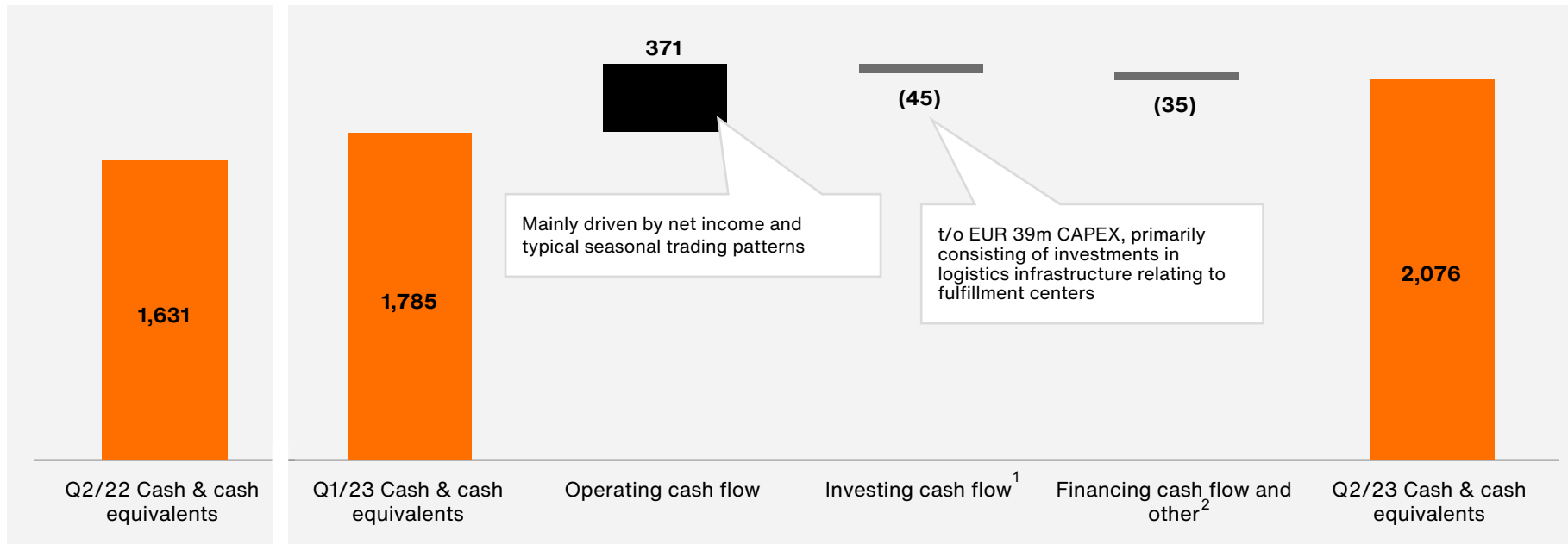


EUR m	Q2/22	Q2/23	YoY Δ	
Inventories	1,759	1,730	(1.6)%	Conservative wholesale buy and reduced overstock
Trade receivables	695	863	24.2%	
Trade payables	2,247	2,707	20.5%	Strong growth momentum in partner business
Net working capital	207	(114)		



Cash and cash equivalents remain strong at EUR ~2.1 billion

in EUR m






14 1) Includes sales and investments in fixed assets (22.4)m and intangible assets of EUR (16.8)m, payments for acquisitions of EUR (1.2)m and change in restricted cash of EUR (4.9)m
 2) Includes financing cash flow of EUR (32.0)m and effect of exchange rate on cash and cash equivalents of EUR (3.0)m

Outlook





We remain committed to our two main ambitions for 2023, profitable growth and continued investment through the cycle

Key objective	Immediate focus & decisive action	Achievements
 Strengthen gross margin	<ul style="list-style-type: none"> • More conservative wholesale buy, scale up via re-order and partner business 	✓
	<ul style="list-style-type: none"> • Increase relevance of assortment and drive customer engagement towards black prices 	(✓)
	<ul style="list-style-type: none"> • Update partner commission table 	✓
 Simplify for speed of execution	<ul style="list-style-type: none"> • Reduce complexity in our organisation and simplify for speed of execution 	(✓)
	<ul style="list-style-type: none"> • Operating model in line with customer-centric decision making to accelerate our strategy 	✓
 Selectively invest in future growth	<ul style="list-style-type: none"> • Continue to invest in logistics network built out, yet pace adjusted to current macro environment 	✓
	<ul style="list-style-type: none"> • Continued investment in key capabilities which power the platform 	✓

✓ Actions implemented (✓) Ongoing

Narrowing our full year 2023 guidance

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

		H1 2023	Guidance 2023
Growth	GMV	0.2%	Lower half of 1% – 7%
	Revenue	(0.3)%	Lower half of (1)% – 4%
Profitability	Adjusted EBIT ¹ (in EUR m)	144.1	300 – 350 from 280 – 350
Cash	Capex (in EUR m)	76.9	Low end of 300 – 380
	Net working capital (in EUR m)	(114.2)	negative

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



Key takeaways

- 01 H1 performance reflects our continued focus on profitable growth**
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Q&A





Issued share capital

Share information

(as of Jun 30, 2023)

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	263,627,929
Issued capital	EUR 263,627,929

Stock options programs Management Board (as of Jun 30, 2023)

Program	# Options outstanding	Weighted average exercise price (EUR)
VSOP	60,000	29.84
LTI 2018 ²	4,296,949	47.44
LTI 2019	296,442	24.38
LTI 2021-2023	677,917	38.91
ZOP	21,681	1.00
Total	5,352,989	44.70

Stock options programs Senior Management (as of Jun 30, 2023)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP ¹	540,793	24.27
EIP ¹	2,666,381	38.17
ZOP	4,562,489	28.83
LTI	47,569	1.00
Total	7,817,232	31.53



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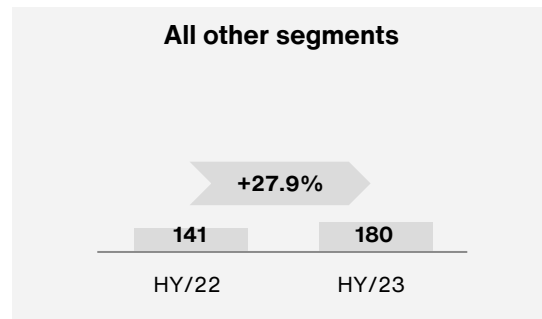
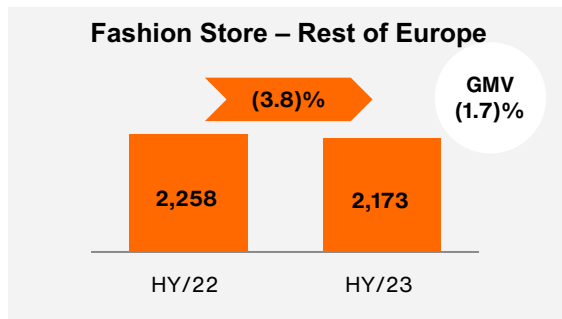
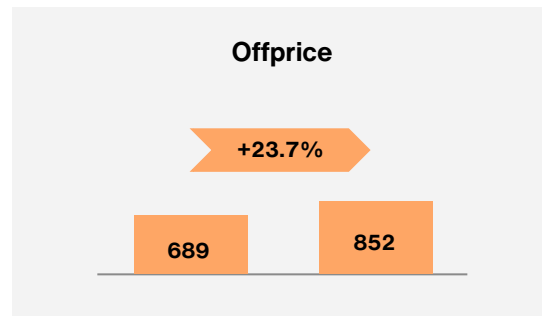
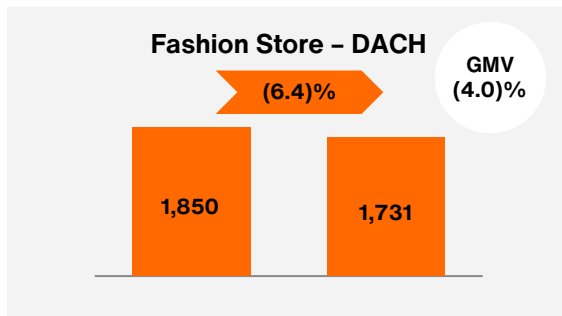
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<https://corporate.zalando.com/en>



Half year revenues 2023 by segment

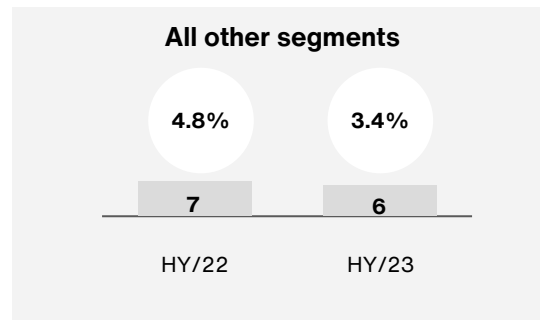
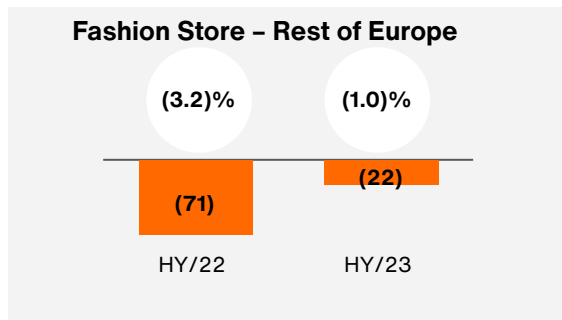
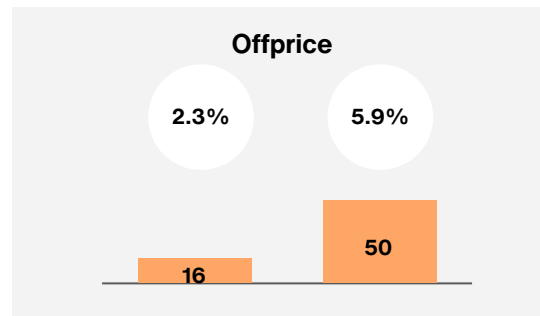
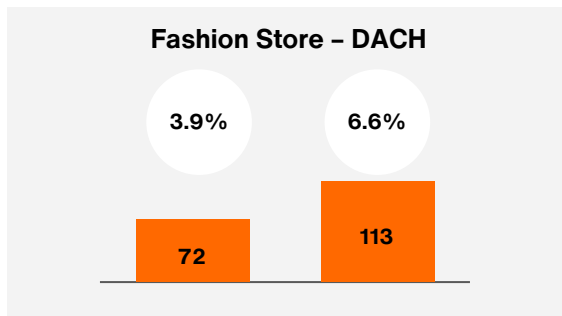
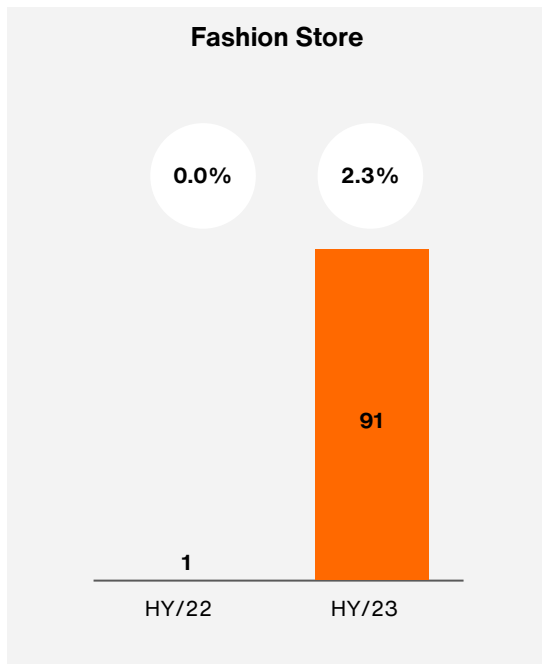
Revenue¹ (EUR m) - % growth yoy





Half year adjusted EBIT by segments

Adjusted EBIT¹ (EUR m) - margin in % of revenue





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.