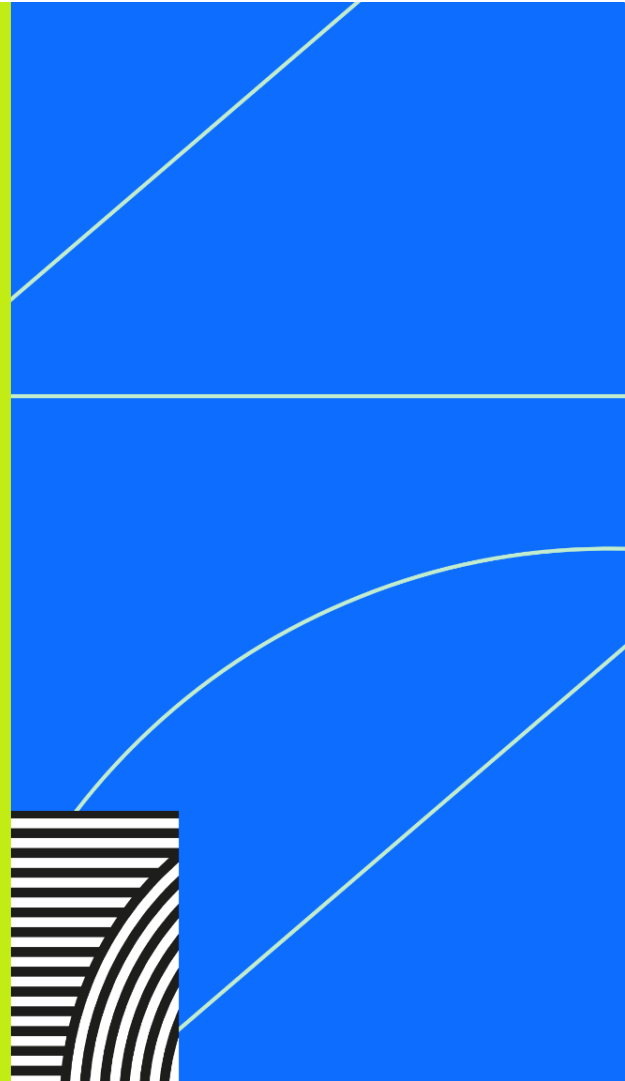




Zalando Q3/23 Earnings Call

November 2, 2023
Dr. Sandra Dembeck (CFO)

zalando



Executive summary

- 01 9M performance reflects our continued focus on profitable growth**
Significant y-o-y improvement in adj. EBIT of over EUR 120m to EUR 167m with flat GMV growth despite continued challenging market environment
- 02 Continued strong growth of Partner Business driven by record-high ZFS adoption**
9M Partner business share up +6pp to 39% fueled by increased adoption of Zalando Fulfillment Solutions (Zalando-fulfilled partner business up +4pp to 64%)
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'Stories on Zalando' allows customers to discover carefully curated inspirational content around new trends, fashion personalities and exclusive brand collaborations
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Confirming full-year guidance for adjusted EBIT, revising outlook for GMV and revenue on expectation of continued pressure on demand for the rest of year

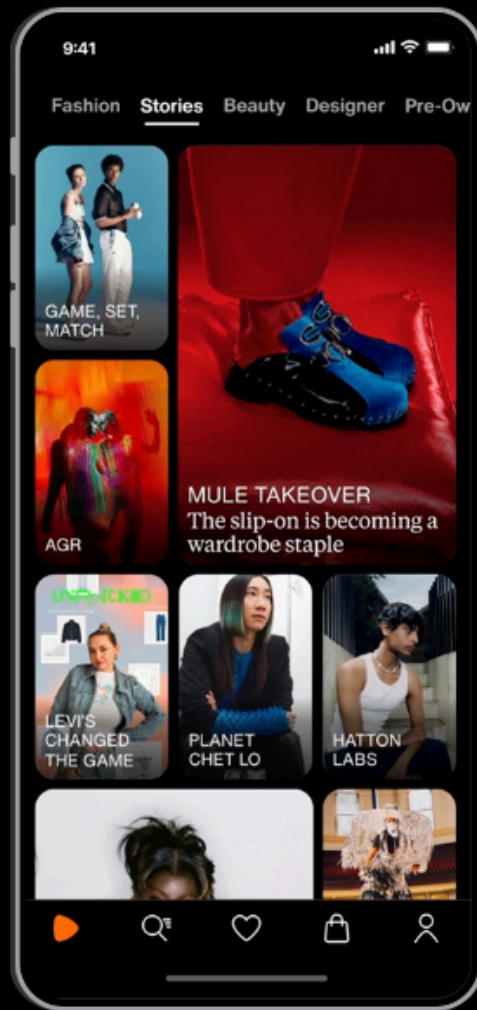


New inspiration experience 'Stories on Zalando' offers customers a new way of discovering fashion trends and perspectives on opinions

Inspiration environment offering an expertly-curated view on new trends, fashion personalities and exclusive brand collaborations

Customers get the inspiration and information they need to make **confident and better-informed fashion choices**

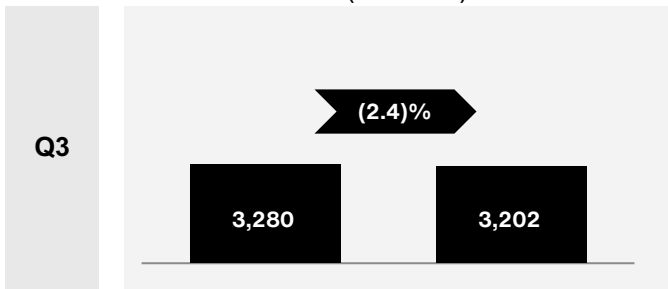
Social-first, inclusive and participatory environment, empowering our customers to discover and shape their own style identity – and have fun while they're at it.



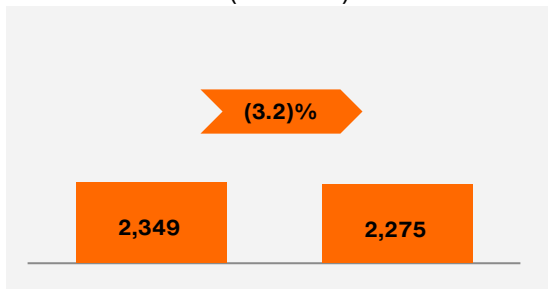


Delivering profitability improvement in an ongoing challenging market environment

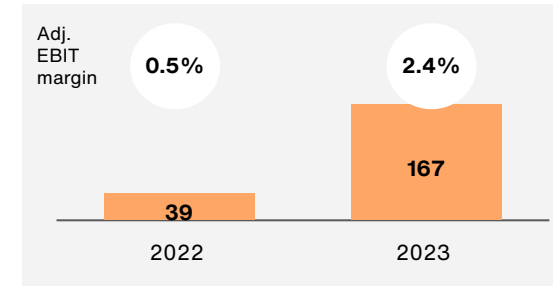
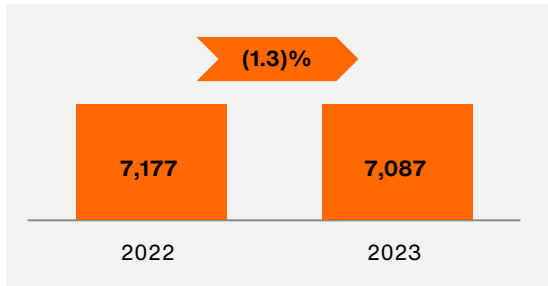
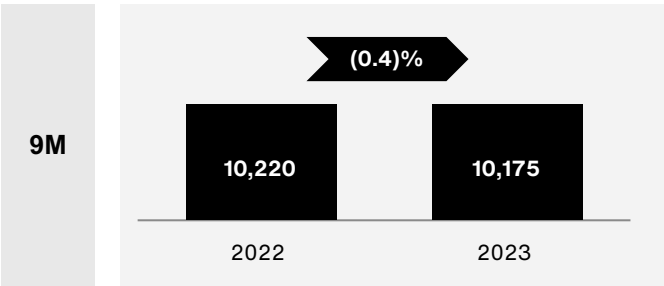
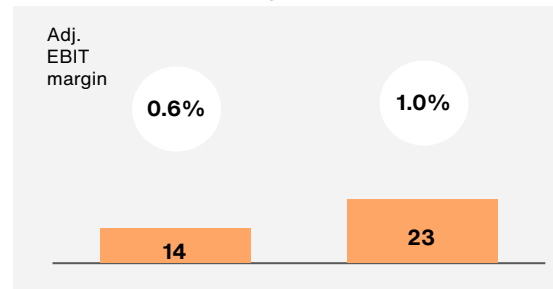
Group GMV¹
(in EUR m)



Group revenue
(in EUR m)

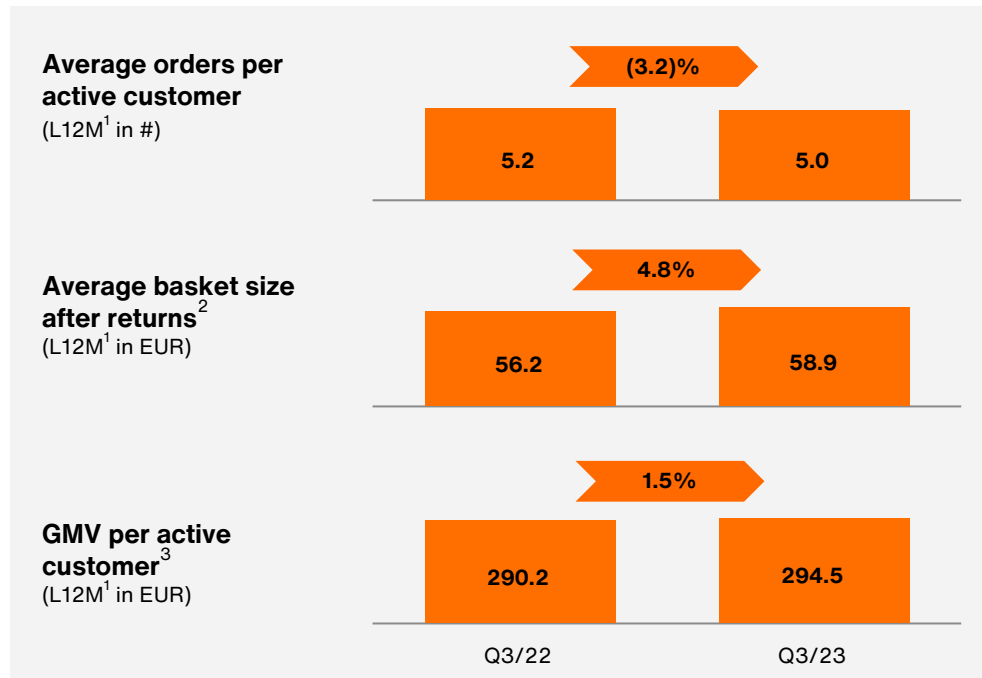
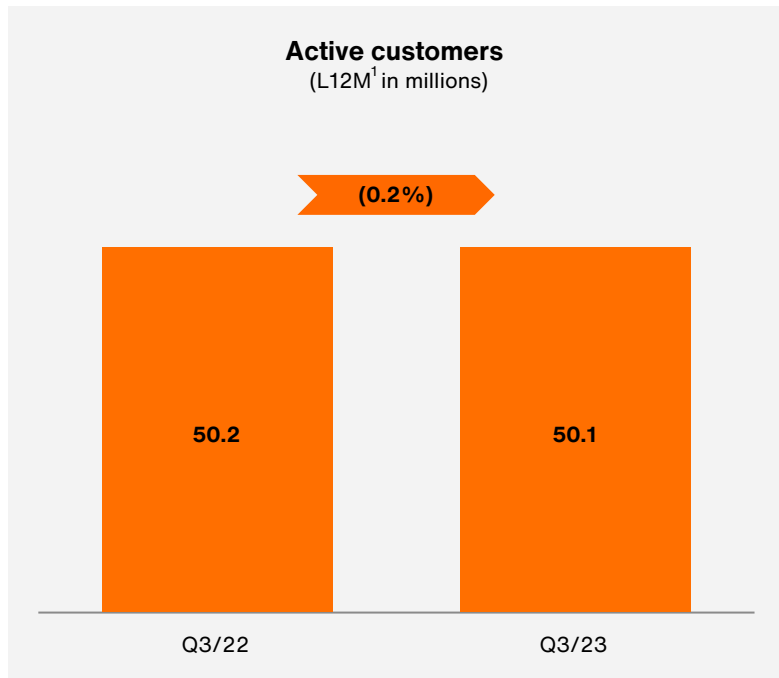


Group adjusted EBIT
(in EUR m, margin in % of revenues)





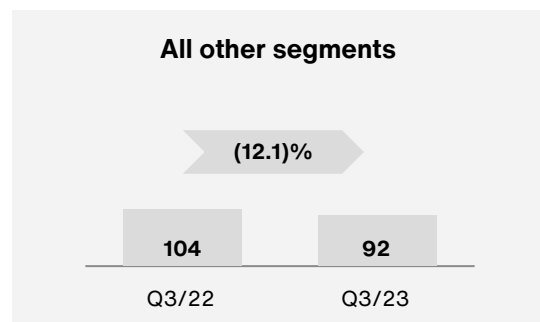
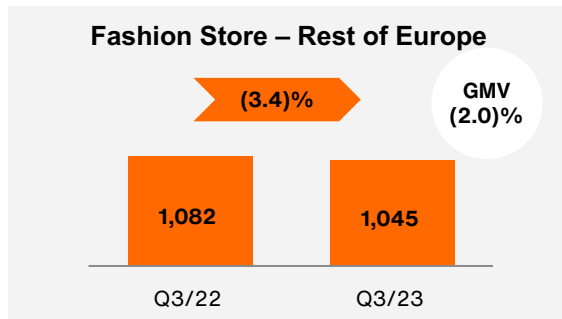
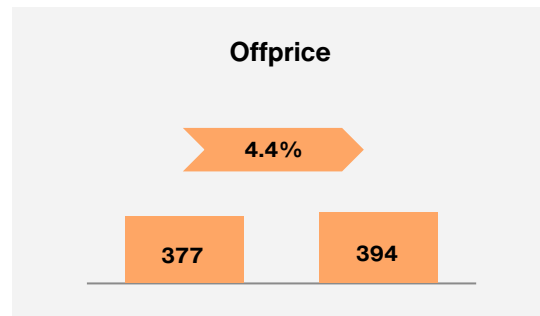
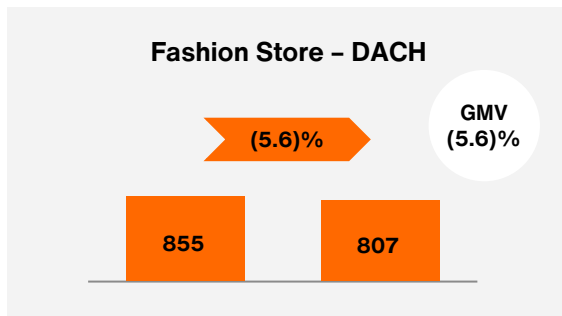
Flat active customer development driven by lower new customer acquisition; increase in basket sizes outweighed the decline in order frequency





Fashion Store development characterized by delayed fall/winter season start while Offprice continues to grow

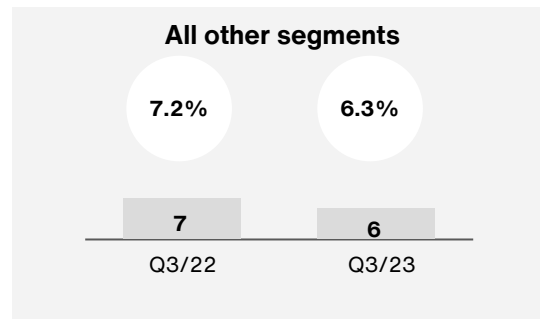
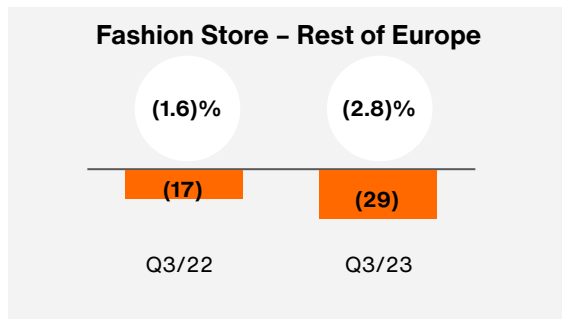
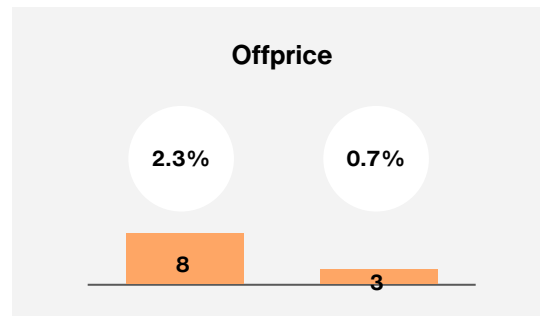
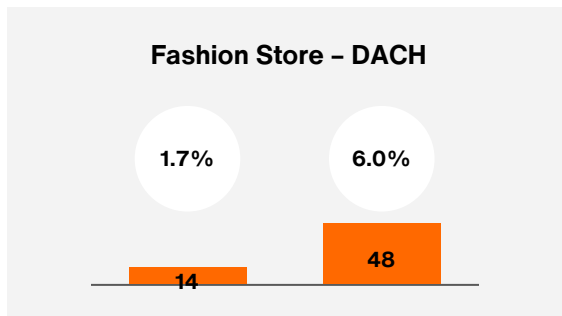
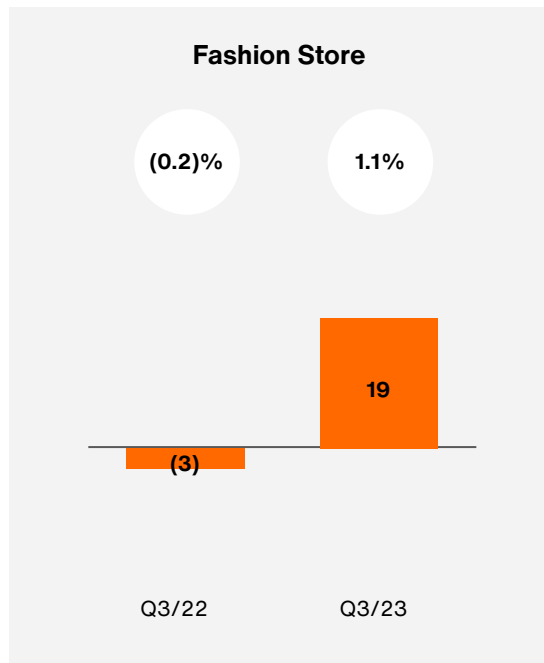
Revenue¹ (EUR m) - % growth yoy





Strong margin improvement in Fashion Store driven by DACH segment

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





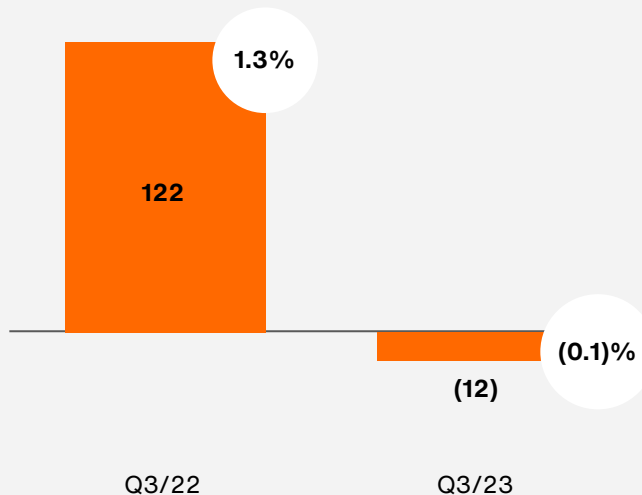
Increase in profitability as a results of further improvements in fulfillment cost while pressures on gross margin continue

Costs and margins (in % of revenue)	YTD/22	YTD/23	YoY Δ	Q3/22	Q3/23	YoY Δ	
Gross profit	39.7%	38.5%	(1.2)pp	39.1%	36.7%	(2.4)pp	Continued promotional market environment further aggravated by a delayed start to the F/W season
Fulfillment costs	(27.7)%	(25.2)%	2.5pp	(27.9)%	(24.9)%	2.9pp	Improved order economics and scaling of our partner business
Marketing costs	(7.6)%	(7.0)%	0.6pp	(7.2)%	(7.0)%	0.1pp	
Administrative expenses & Other	(4.6)%	(5.6)%	(1.1)pp	(4.4)%	(5.6)%	(1.2)pp	Increase in non-personnel cost and impairment for lease assets for office buildings
EBIT	(0.2)%	0.6%	0.8pp	(0.3)%	(0.8)%	(0.5)pp	
Adjusted EBIT ¹	0.5%	2.4%	1.8pp	0.6%	1.0%	0.4pp	



Improved net working capital position as a result of lower inventories

Net working capital (end of Q3)
(in EUR m and % of annualized revenue)



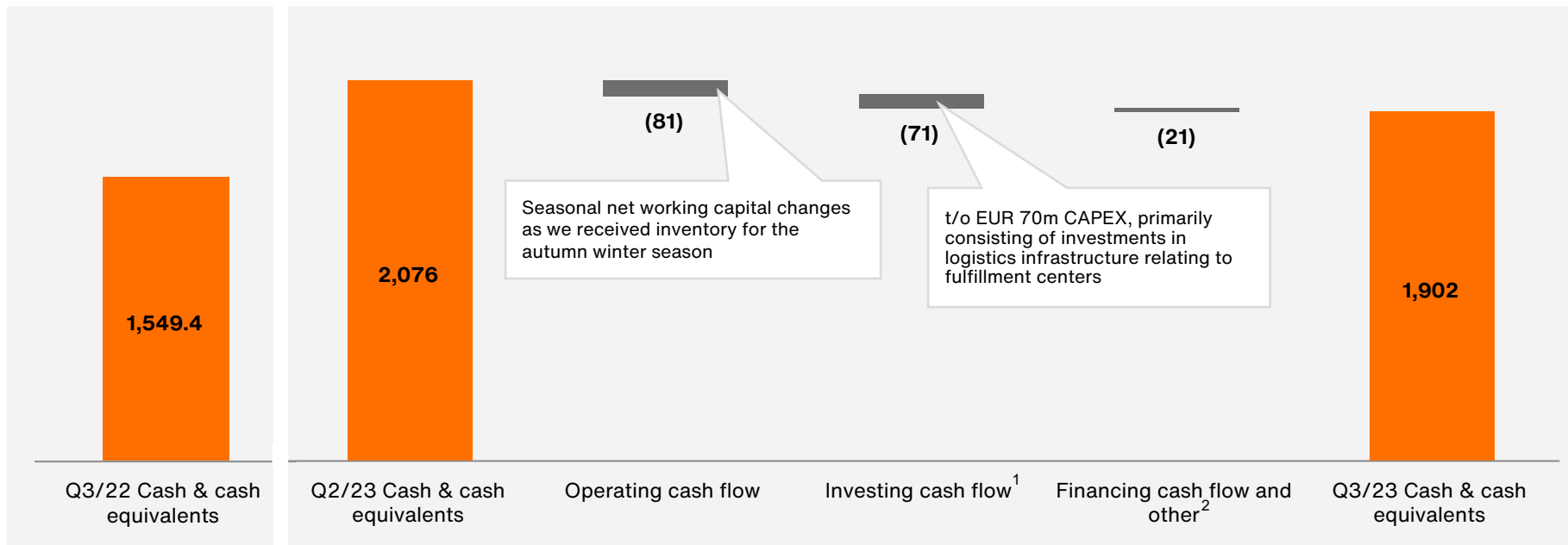
EUR m	Q3/22	Q3/23	YoY Δ
Inventories	2,164	1,938	(10.4)%
Trade receivables	726	825	13.6%
Trade payables	2,768	2,774	0.2%
Net working capital	122	(12)	

Reduced wholesale buy



Cash and cash equivalents remain strong at EUR ~1.9 billion

in EUR m






10 ¹ Includes sales from fixed assets 3.5m, investments in fixed assets (50.9)m and intangible assets of EUR (19.5)m, payments for acquisitions of EUR (4.4)m and change in restricted cash of EUR 0.0m

² Includes financing cash flow of EUR (29.7)m and effect of exchange rate on cash and cash equivalents of EUR 8.3m



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	• 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 in 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	✓

✓ Actions implemented (✓) Ongoing

Revised topline and confirmed adjusted EBIT outlook for full year 2023

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

		9M 2023	Guidance 2023
Growth	GMV	(0.4)%	(2)% – 1% (prev.: lower half of 1 – 7%)
	Revenue	(1.3)%	(3.0)% – (0.5)% (prev.: lower half of (1) – 4%)
Profitability	Adjusted EBIT ¹ (in EUR m)	167.3	300 – 350
Cash	Capex (in EUR m)	147.3	260 – 300 (prev.: low end of 300 – 380)
	Net working capital (in EUR m)	(11.6)	negative

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



Key takeaways

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Q&A





Issued share capital

Share information

(as of Sep 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	263,764,509
Issued capital	EUR 263,764,509

Stock options programs Management Board (as of Sep 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	39,731	4.98
Total	5,371,039	44.58

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

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP ¹	415,061	26.98
EIP ¹	2,652,689	38.36
ZOP	5,166,027	27.96
LTI	47,569	1.00
Total	8,281,346	31.09

15 ¹ Settled with new shares

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



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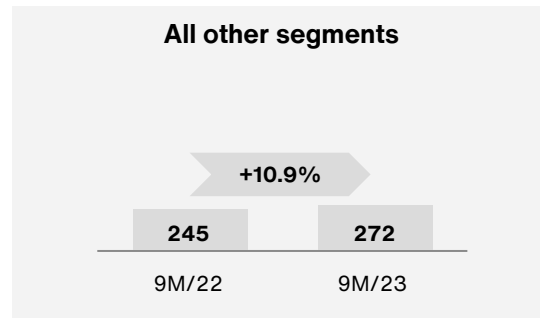
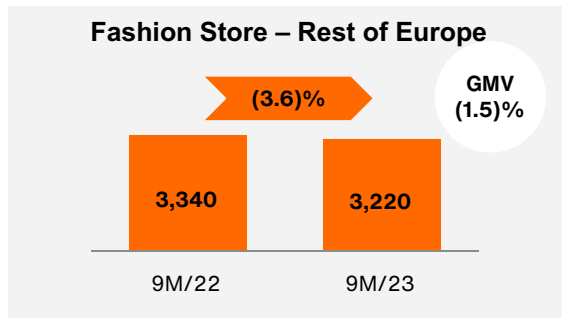
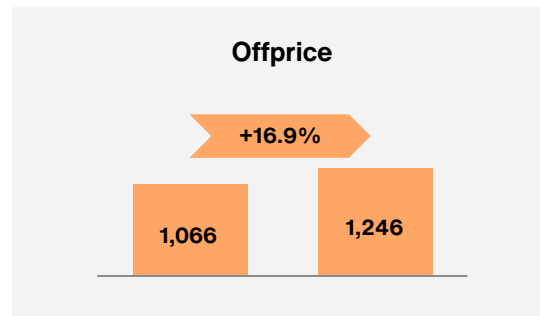
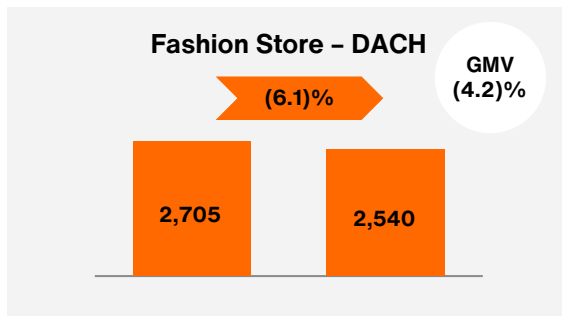
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<https://corporate.zalando.com/en>



9M revenues 2023 by segment

Revenue¹ (EUR m) - % growth yoy

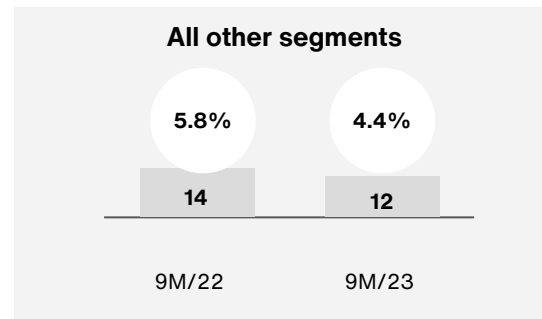
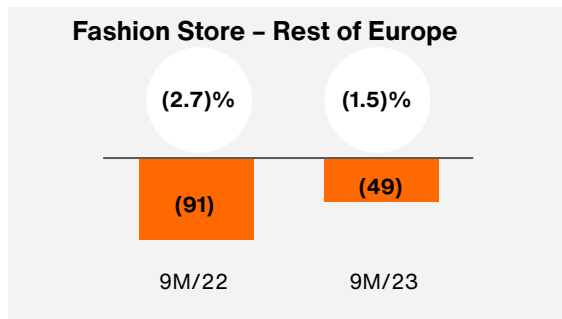
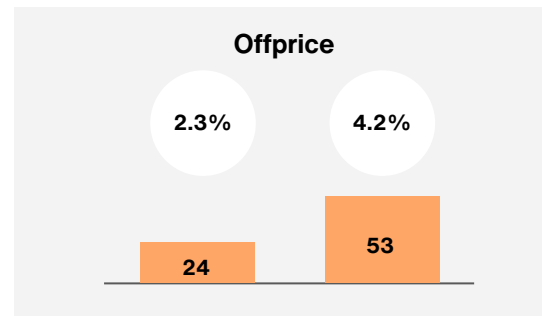
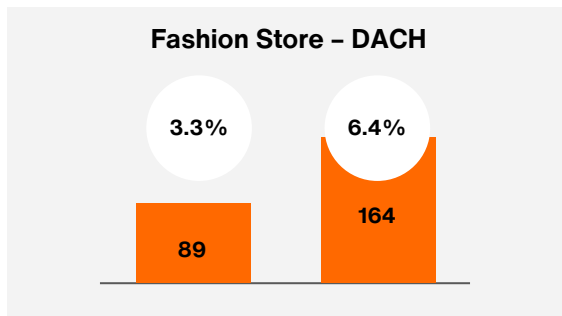
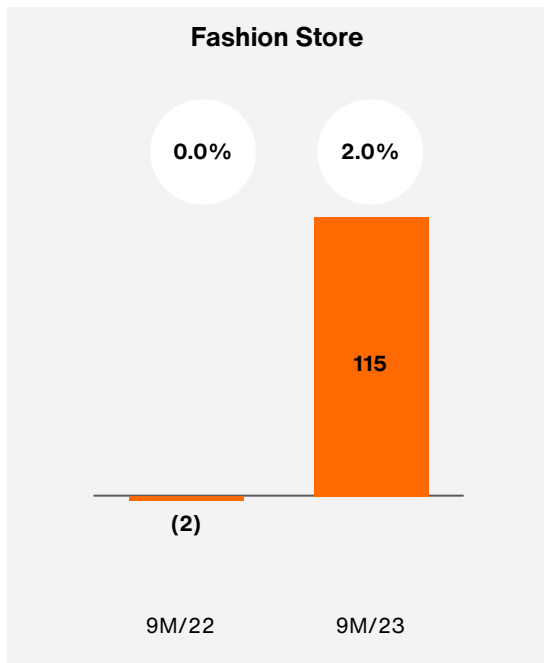


17 ¹ 9M/23 contains EUR (191)m | 9M/22 EUR (179)m reconciliation of internal revenues. 9M/22 Fashion Store revenues restated. All other segments include Highsnobiety from Q3/22 onwards.



9M 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.