



# Roadshow presentation

September 2020



# Agenda

## **Our vision: The Starting Point for Fashion**

Platform as key lever  
to become the Starting Point

do.More sustainability strategy

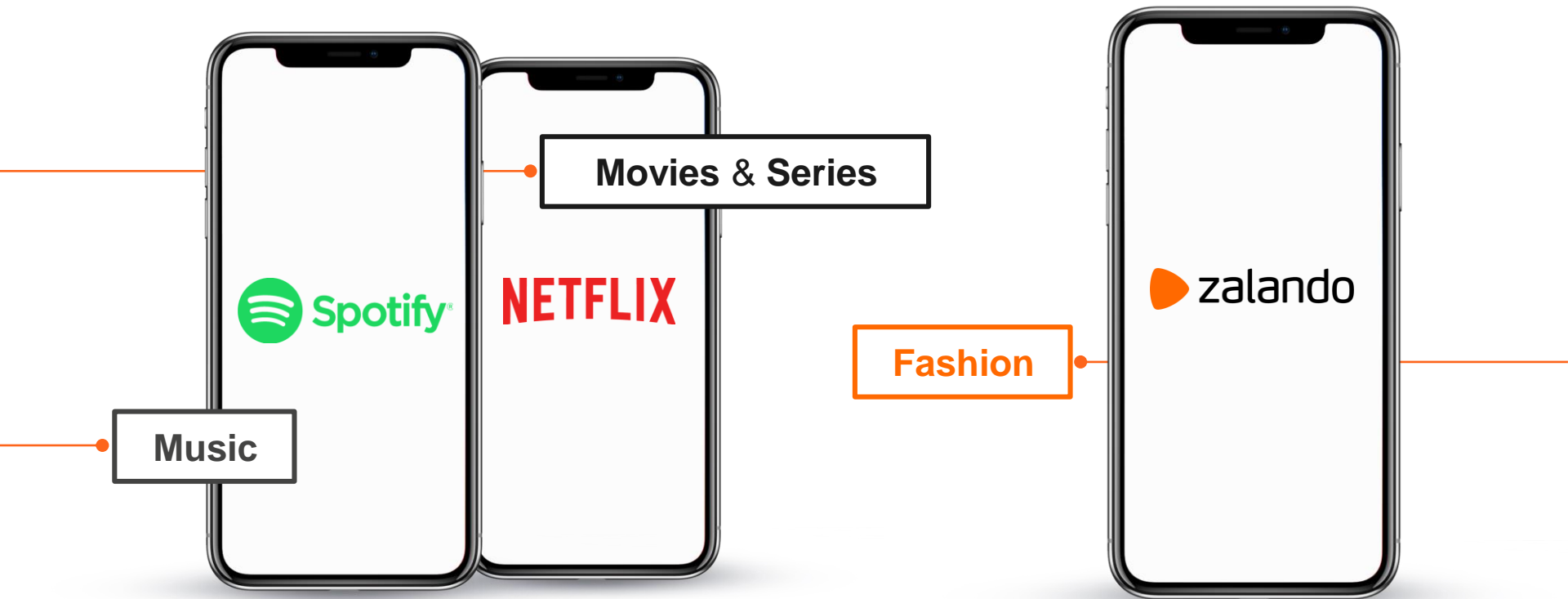
Our business model of the future

Business Update Q2/2020

Q2/2020 Results



## Our vision: To become the Starting Point for Fashion

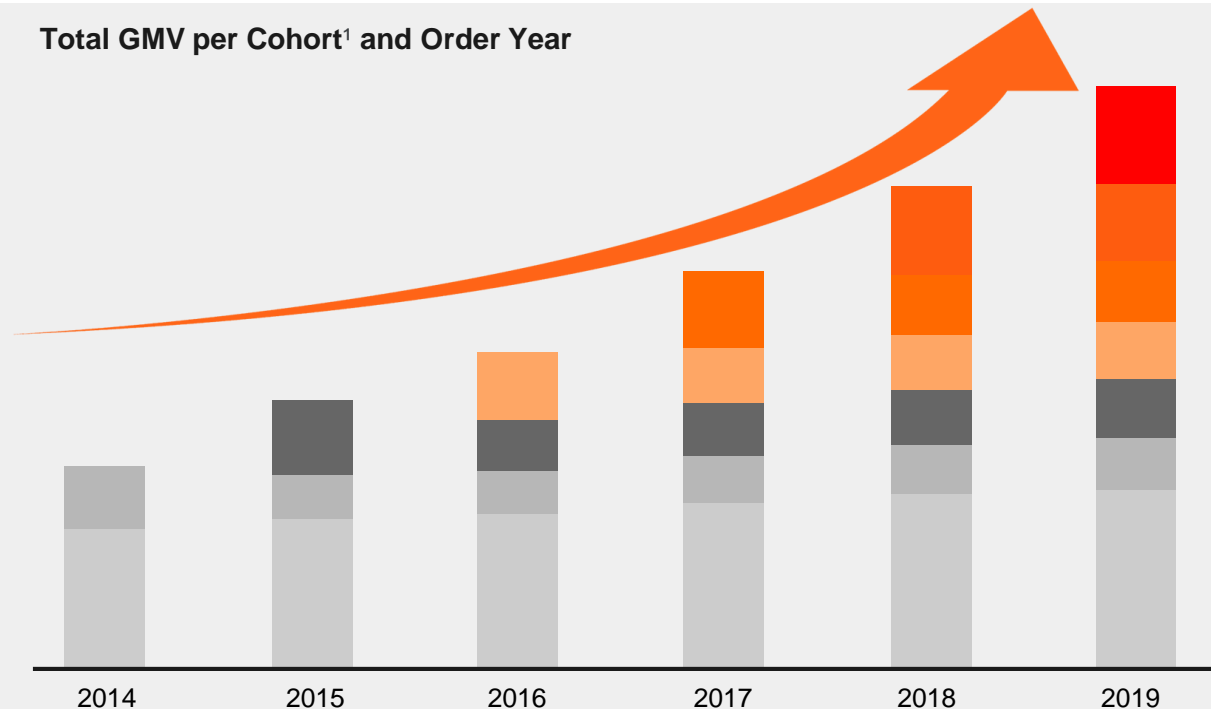


# Our vision is build on two key levers - Deep Customer Relationships and our Platform Strategy



## Cohort analysis shows that we are creating a healthy customer base

Total GMV per Cohort<sup>1</sup> and Order Year



1. Old cohorts grow again over time

2. Customer churn goes down

3. Every new cohort is bigger than the previous one

(1) Cohort refers to customers grouped by the calendar year in which they first placed an order with Zalando.

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# The platform strategy is one key lever towards being the Starting Point



Only in partnership with our brand partners, we are able to offer a superior experience for our customers to enjoy

Partner Program offers growth opportunities and advantages to all parties

**ZMS**

Zalando Marketing Services

**ZFS**

Zalando Fulfillment Solutions



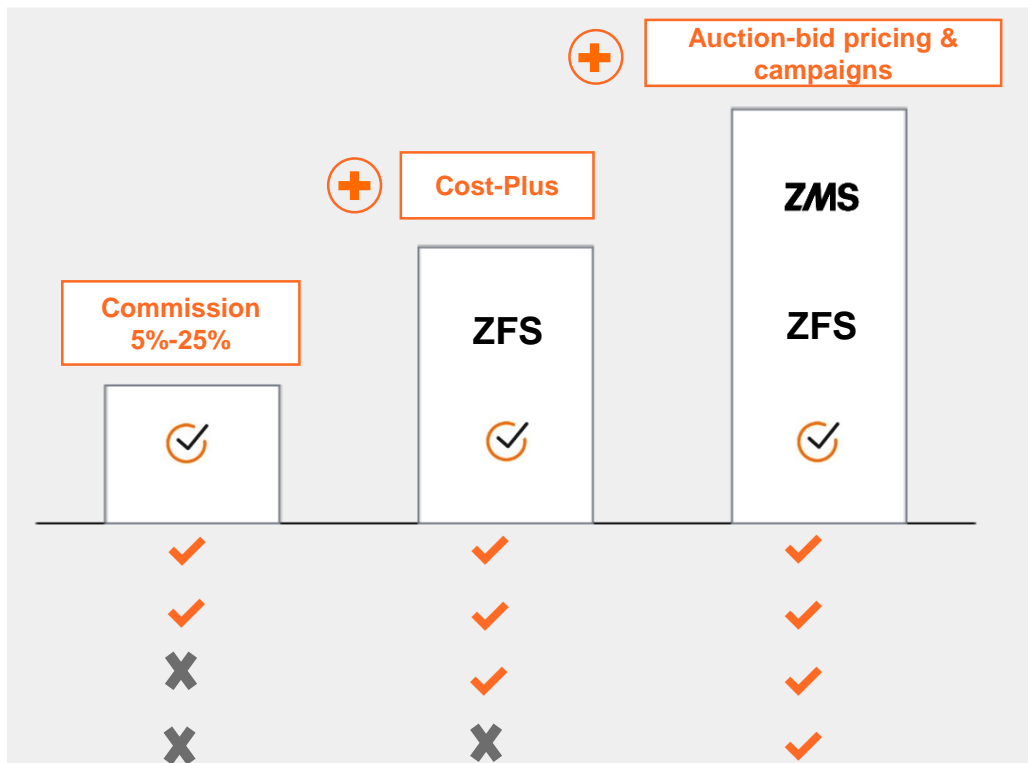
Partner Program

Direct-to-Consumer

Control of Product, Content & Pricing

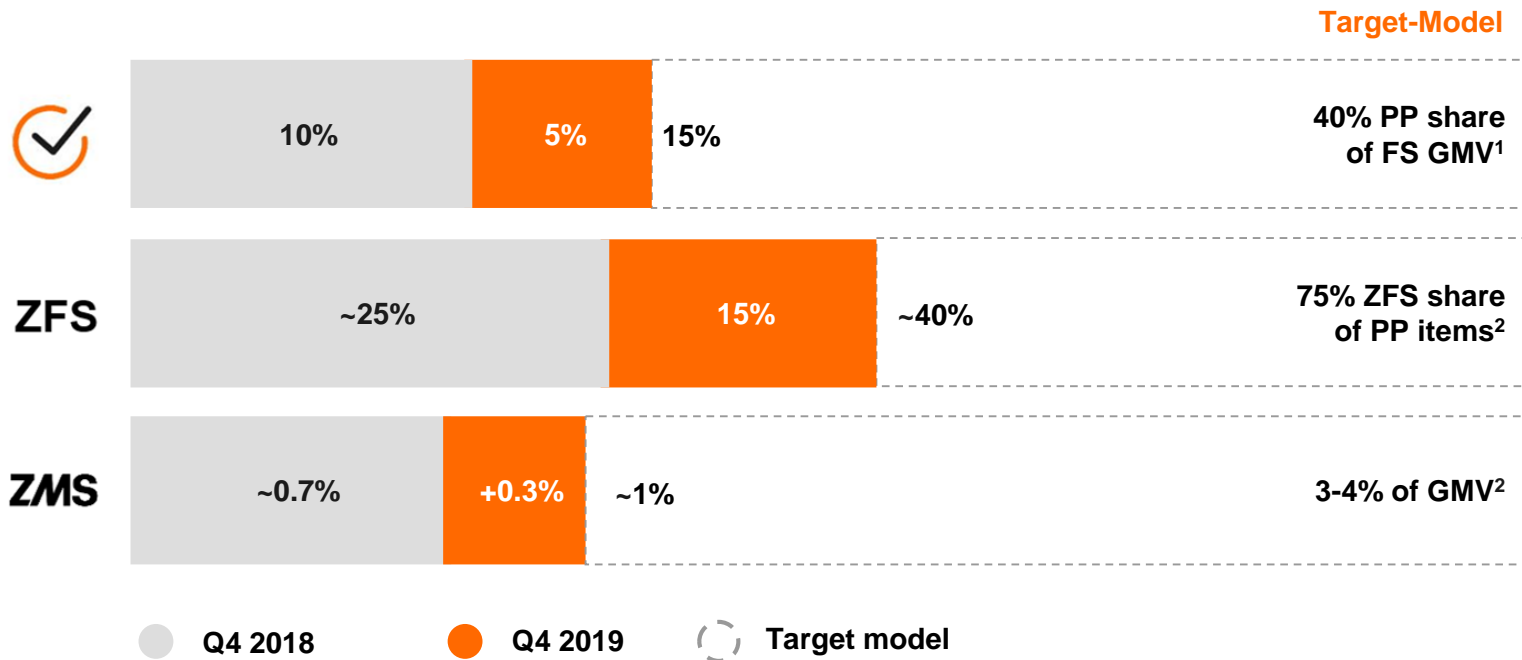
Superior Order Economics, Convenience to Consumer & Physical Access to Consumer

High Sell-Through & Brand Building





## In 2019, we achieved important milestones in driving the Platform Transition



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.

## ZFS unlocks positive platform dynamics for Partners...

Fast Internationalization to  
all our European Markets



Superior Order Economics  
through shared parcels

**~50%**

lower shipping costs (on  
average) per item for  
brands

Making shopping economics in  
some case better than own e-com

Allows offering of low  
price point assortment

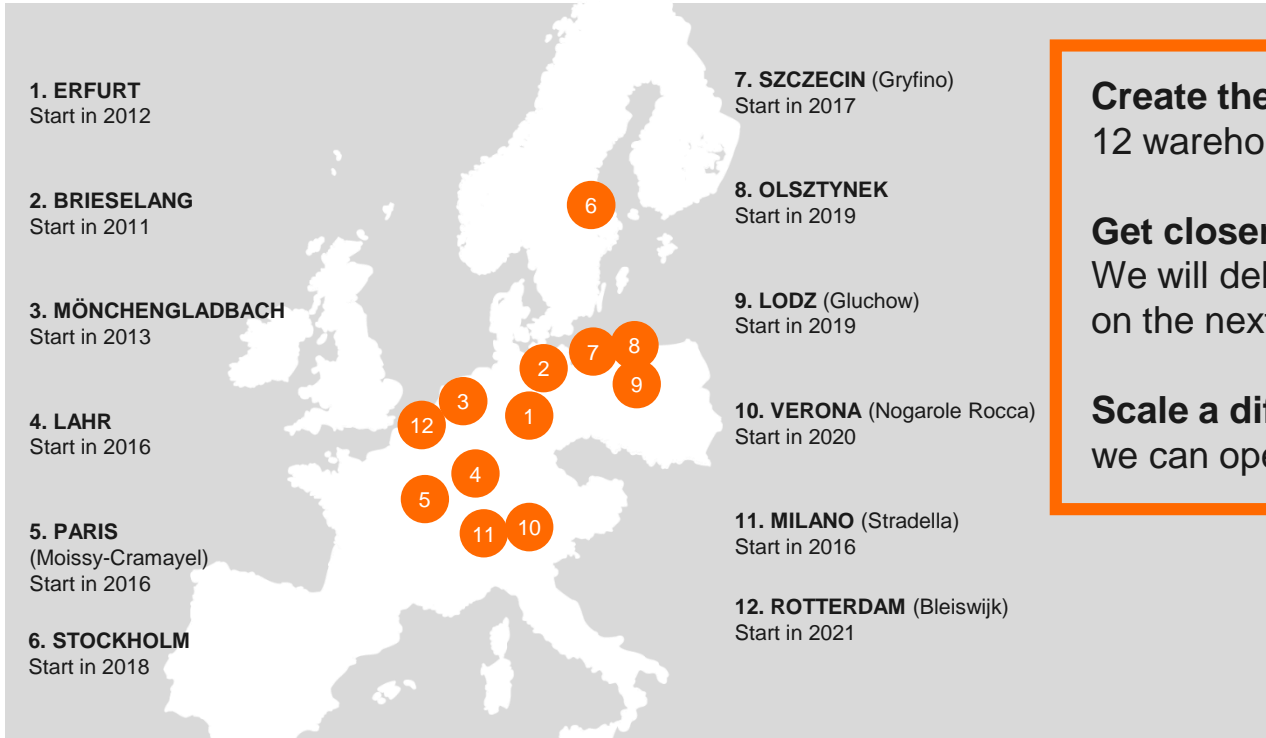
Bershka P&B  
MANGO PULL&BEAR  
next  
stradivarius  
OYSHO  
JACK & JONES®  
VERO MODA®

Unmatched  
Zalando Convenience



We get closer to our customers  
by delivering **30% of orders on  
the next day** by 2020

## ...by leveraging our European logistic network



**Create the capacity for future growth:**  
12 warehouses allow > 14bn GMV

**Get closer to our customers:**  
We will deliver 30% of orders  
on the next day by 2020<sup>1</sup>

**Scale a differentiating asset** which  
we can open up to brand partners

(1) 3pm cut-off time

## With Zalando Marketing Services brands can drive growth and branding ...

Brands can reach Europe's largest fashion audience **at the point of sale...**



**>1,000m site visits**

**>34m Active Customers**

**17 fashion markets**

...to push sales and to build their brand in a **multi-brand environment**

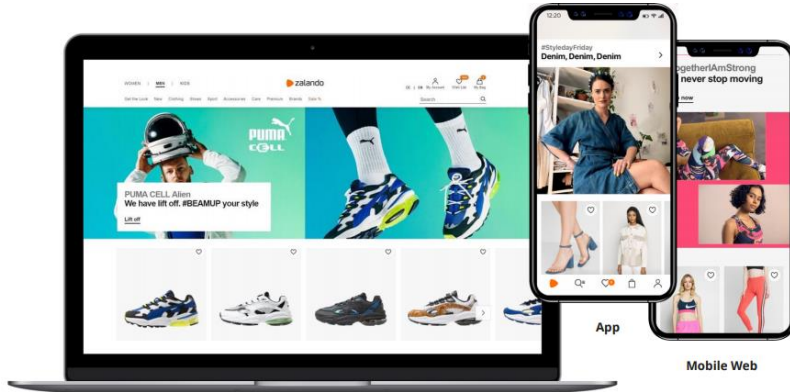


**>2,500 brands**

**>640,000 products**

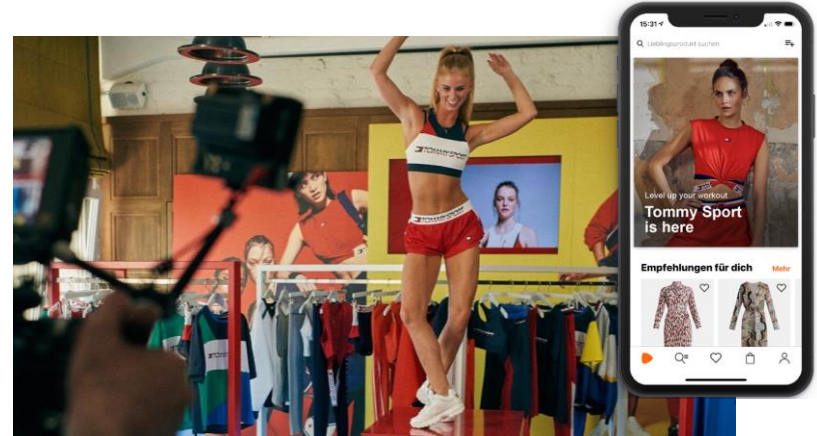
...by tailoring content and reaching customers across all relevant touchpoints on and off Zalando's premises

## Growth campaigns



- Boost sales across whole assortment or specific products with targeted advertising formats
- Extensive data insights to identify the best growth opportunities

## Branding campaigns



- Tailored branding campaigns and strategies
- Data-driven, integrated campaigns across all consumer touchpoints
- Specific target groups and exclusive Zalando audiences

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# do.MORE 2023 Strategy: Becoming a sustainable fashion platform with a net-positive impact for people and the planet

Take a stand			Style with care	Shape our future	
					
<b>Carbon Neutrality</b>	<b>Optimized Packaging</b>	<b>Increased Ethical Standards</b>	<b>More Sustainable Fashion</b>	<b>Apply Principles Of circularity</b>	<b>Upskilling</b>
Of our operations, All deliveries And returns	Minimize waste and Keep materials in use; Eliminate single-use plastics	We will work Only with Partners who Align with them	Generate 20% of GMV by more Sustainable products	And extend the life of at least 50m fashion products	Our employees Receive skilling Chances that match Future work needs



# Bringing the do.MORE Strategy to Life by Setting Science Based Targets



As first platform worldwide, we set **science-based targets** to reduce carbon emissions in line with the **1.5 degrees Celsius Paris Agreement** figure.

## We want to achieve two targets by 2025

### We commit ...



1

To reduce scope 1 and 2 **greenhouse gas (GHG) emissions by 80 %** by 2025 against a 2017 base year.<sup>1, 2</sup>

To increase annual sourcing of **renewable electricity** from 34 % in 2017 to **100%** by 2025.



2

To reduce scope 3 GHG emissions from **private label products by 40 %** per million euros gross profit by 2025 from a 2018 base year.<sup>3</sup>

That **90 % of our suppliers will have science-based targets** by 2025.<sup>4</sup>

- 1) Scope 1 refers to direct greenhouse gas emissions (GHG) that occur from sources controlled by Zalando (e.g. emissions in our warehouses)
- 2) Scope 2 refers to indirect GHG emissions from consumption of purchased electricity and distant heating
- 3) Scope 3 refers to all other (indirect) value chain GHG emissions
- 4) Emissions covering purchased goods and services sold on its platform, packaging and last-mile-delivery partners

1.5

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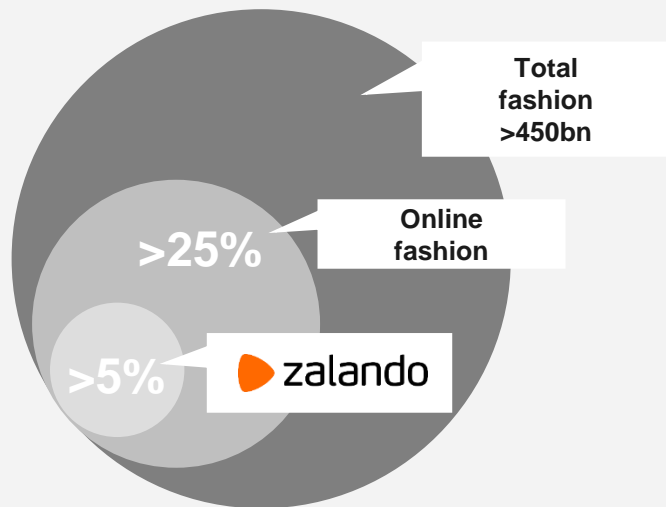
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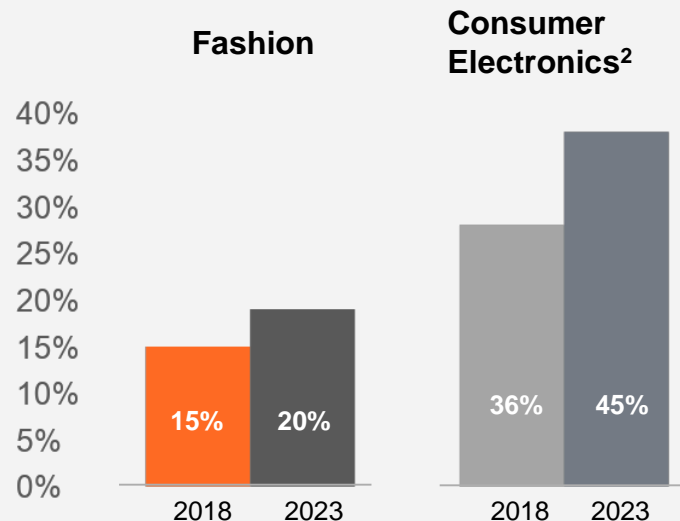


# We remain convinced that online fashion is a long-term growth opportunity

We are targeting a massive opportunity in 5-10 years<sup>1</sup>...



...with low online share compared to other categories



(1) Source: Company estimates and Euromonitor International forecasts, February 2019. 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.

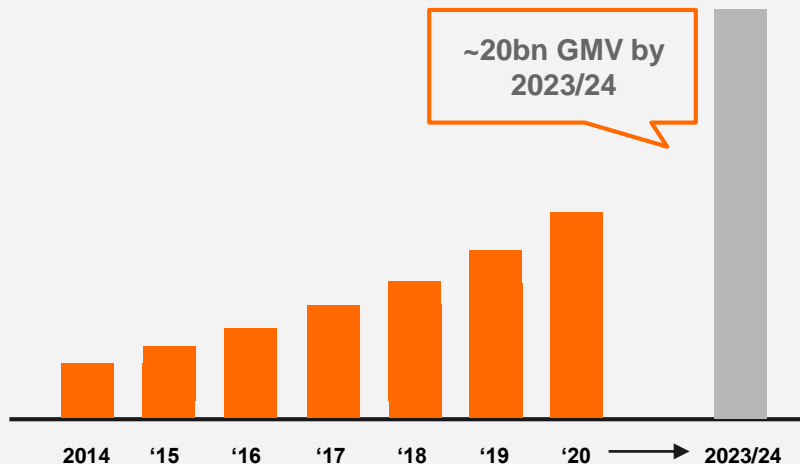
Fashion data incl. apparel and footwear, bags and luggage, jewelry and watches. Data for Europe (excluding Russia) inclusive of sales tax

(2) Source: United States online penetration, Statista, last update 2018-10

# We aim to achieve a scale of 20bn EUR GMV by 2023/24

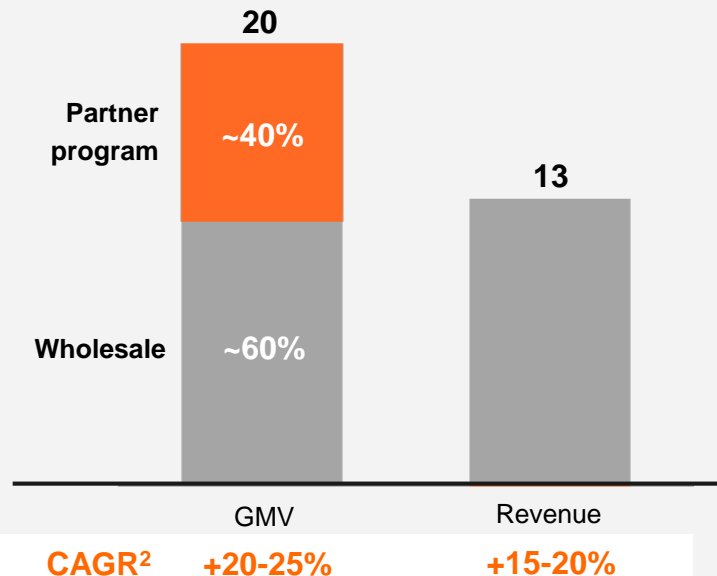
## Growth Ambition 2023/24

in €bn GMV<sup>1</sup>



## Business Model Mix 2023/24

in €bn



(1) GMV (Gross Merchandise Volume) incl. VAT

(2) 5-year CAGR (2018-2023): high end of range, 6-year CAGR (2018-2024): low end of range

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

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




In % of revenue	Wholesale <sup>1</sup>	Partner Program	Group margin impact <sup>2</sup>
<b>Gross margin</b>			↑
<b>Fulfillment costs</b>			→
<b>Marketing costs</b>			↓
<b>Admin expense</b>			↓
<b>Adj. EBIT margin</b>	<b>6-8%</b>	<b>20-25%</b>	<b>10-13%</b>

### Key assumptions:

- PP share ~50% of GMV
- ZFS share ~75% of PP items
- ZMS revenue 3-4% of GMV
- Operating leverage and fixed cost degression
- Cash Flow: WC neutral and CapEx slightly above D&A

(1) Wholesale includes Offprice and Private label  
 (2) Trend vs. 2018 cost lines

## Financial profile during transition to platform model

	2019	Transition Phase 2019 – 2021	Years Following	Target Model
GROWTH		Continued high GMV growth of 20-25% until 2023/24		Growth in line with / slightly above online market
PROFITABILITY		Margins between 2-4%, driven by growth investments and platform transition	Margins start to increase as platform transition progresses (e.g. impact of ZMS)	Target margin of 10-13%
CASH		<ul style="list-style-type: none"><li>• Cash flow negative</li><li>• NWC neutral</li><li>• Capex of 4-5% of revenue</li></ul>		Target margin leading to a strong cash generation

## Investment Highlights - The Starting Point for Fashion

1

Our vision is to become the **Starting Point for Fashion**, the destination that consumers gravitate to for all their fashion needs.

2

The number 1 priority is to **focus on growth** with **20-25% topline CAGR** to achieve a scale of 20bn EUR GMV by 2023/24.

3

The most important building block on that journey is to transition our business towards a **true platform business**.

4

At scale our strategy will result in an **attractive financial profile**, characterized by double-digit margin profile and strong cash generation.

5

To become the starting point **we aim to invest** our economic surplus in our **customer experience across assortment, digital experience and convenience** to drive customer satisfaction and retention.



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**Business Update & Results Q2/2020**



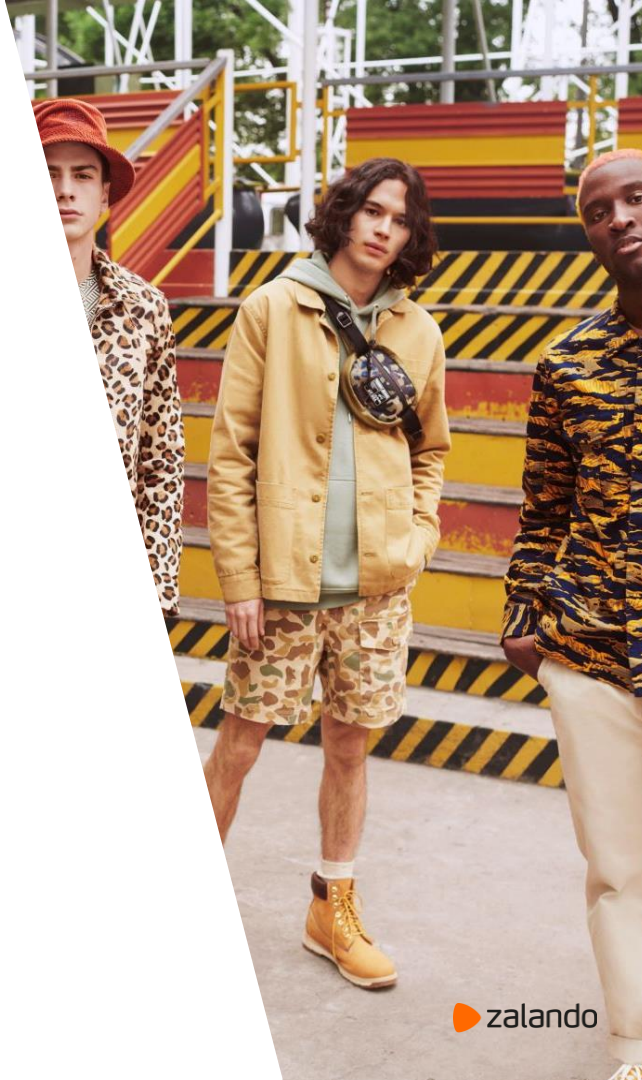
## Strong H1/2020 performance underlines our continued progress with regards to both our strategy and our financial targets

**Continued progress on our strategic agenda** to become the Starting Point for Fashion supported by an accelerated offline to online shift driving record numbers of new customers and partners to our platform

**Strong financial performance in H1/20** with GMV growth of 25% and adjusted EBIT of 113m EUR, driven by faster than expected demand recovery and underlying changes in customer behavior

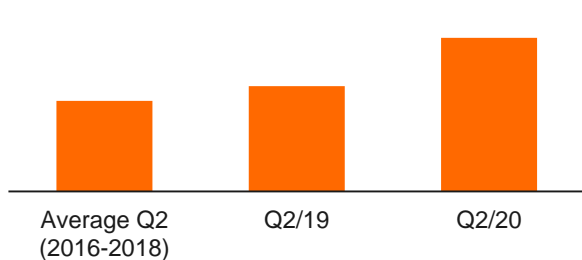
**Successful placement of 1bn EUR in Convertible Bonds** allowing us to further accelerate our growth strategy and to invest through-cycle with even more conviction

**Upgrade of our FY2020 guidance** as we are back on track to deliver strong and profitable growth for the full year



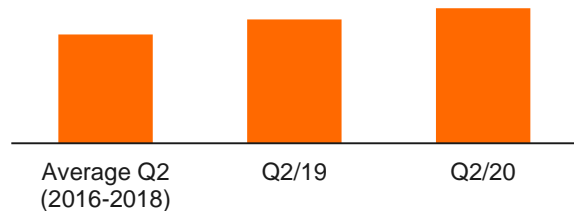
## Strong new customer growth and healthy repurchase behavior drive growth of our Active Customer base

**New customer growth**  
in m#



- Added more than 3m new customers in Q2/20
- Increasing share of first-time online shoppers as well as male shoppers

**New Customer Repurchase Rate**  
30-day Repurchase Rate LTM, in %



- New customers show higher engagement and repurchase rates than in the past
- Qualitative customer surveys indicate strong willingness to shop at Zalando again in the future



We have successfully accelerated our platform business in Q2 by helping our partners to grow their digital business along with us and...

## Internationalization of existing partners

>900 partner country launches

Thereof  
80%  
with ZFS



## New partner integration & range extensions of existing partners

180 new partner sign-ups

Record  
high



## ZFS enablement

Reached 50% ZFS items share

+180%  
ZFS items  
YoY



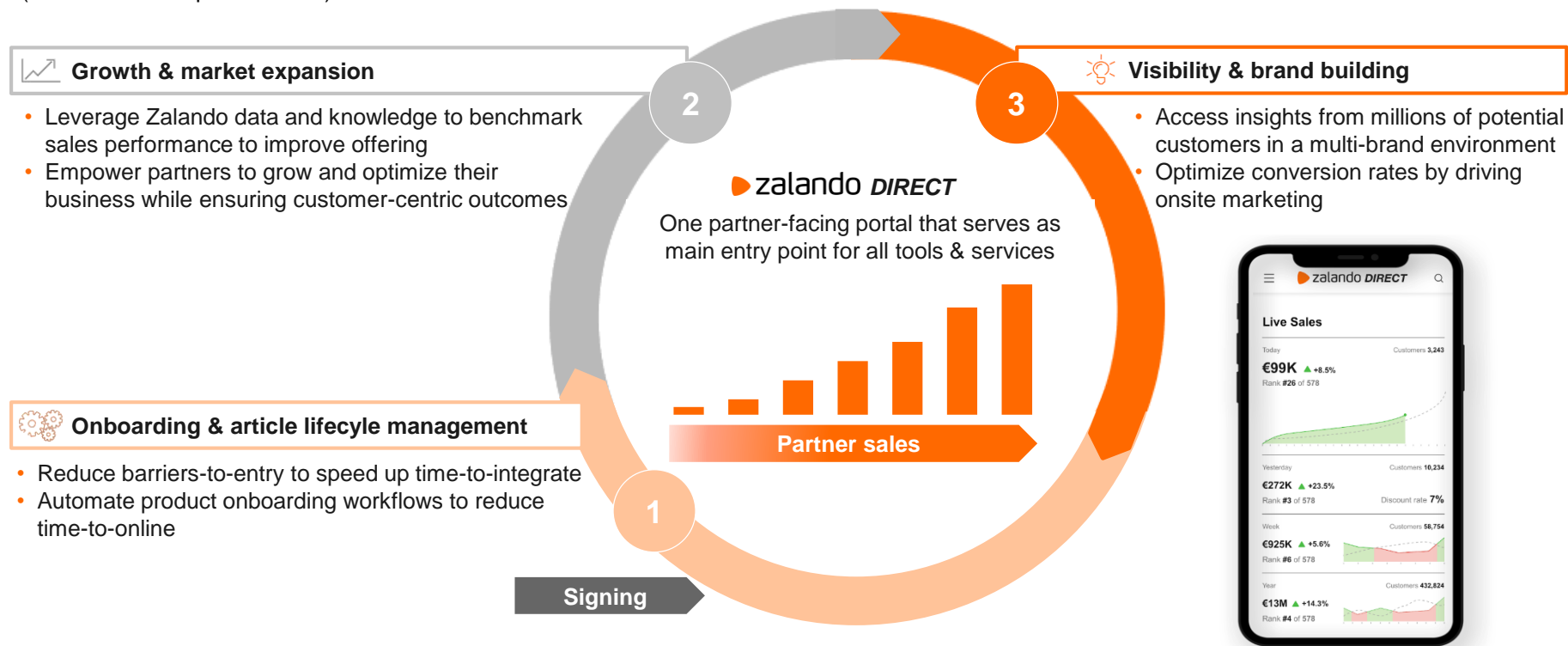
## Next generation of tooling

Launch of zDirect portal



## ... our next generation of data-driven partner tooling Zalando Direct will enable them to maximize the sales opportunity on our platform

(illustrative sales performance)



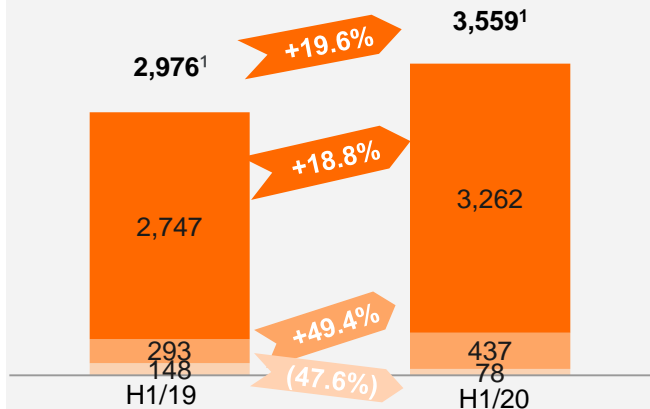
# Strong H1/20 topline momentum at the upper end of our mid-term guidance corridor of 20-25%

## Revenue – Group (H1)

(in €m and %)

- Fashion Store
- Offprice
- Other<sup>2</sup>

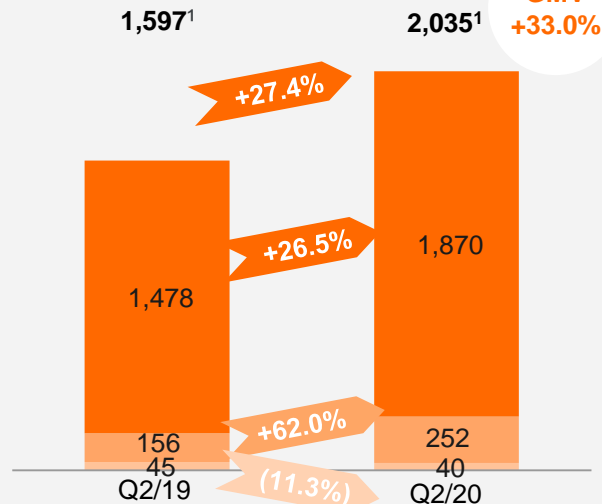
GMV  
+25.1%



## Revenue – Group (Q2)

(in €m and %)

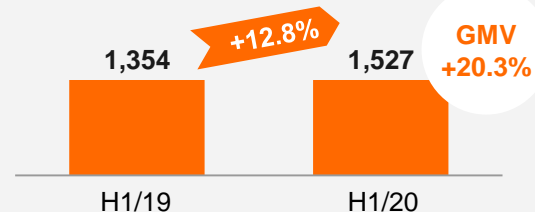
GMV  
+33.0%



## Fashion Store – DACH (H1)

(in €m and %)

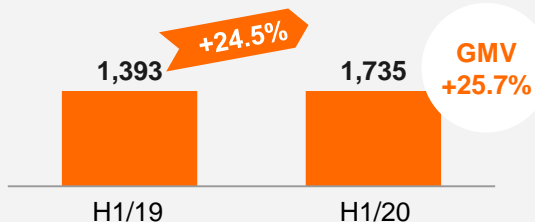
GMV  
+20.3%



## Fashion Store – Rest of Europe (H1)

(in €m and %)

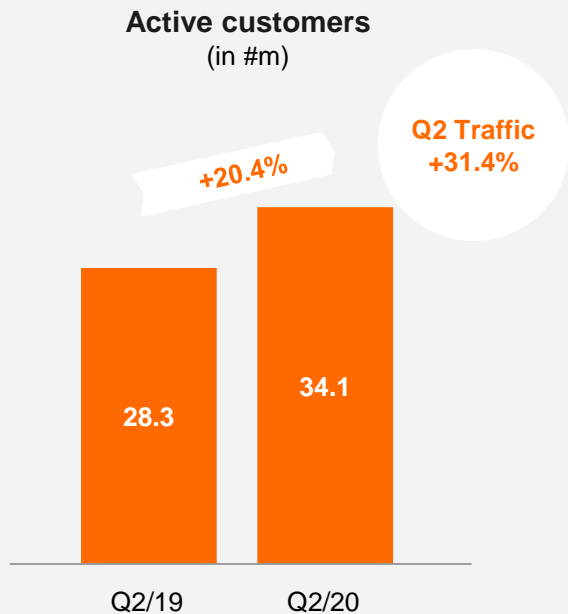
GMV  
+25.7%



1) H1/20 (H1/19) contains -€217.4m (-€211.4m) reconciliation of internal revenues; Q2/20 (Q2/19) contains -€127.8m (-€81.7m) reconciliation of internal revenues

2) Other segments including various emerging businesses; private label offering zLabels no longer presented as separate unit since Q2/19

## Key customer metrics continue to show positive trends



**Average orders  
per active  
customer**  
(LTM in #)

4.6

4.7

Q2/19

Q2/20

**Average basket  
size after returns<sup>1</sup>**  
(LTM in €)

56.7

56.9

Q2/19

Q2/20

**GMV per active  
customer<sup>2</sup>**  
(LTM in €)

259.1

268.4

Q2/19

Q2/20

+3.6%

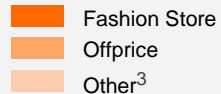
- 1) Defined as GMV divided by the number of orders  
2) Defined as GMV divided by the number of active customers



# Solid level of profitability in H1/20 despite challenging Q1 trading driven by strong Q2 results

## Adj. EBIT – Group (H1)

(in €m and %)



108.1<sup>1,2</sup>

3.6%

113.3<sup>1,2</sup>

3.2%

112

11

(15)

H1/19

99

24

(8)

H1/20

## Adj. EBIT – Group (Q2)

(in €m and %)

101.7<sup>1,2</sup>

6.4%

211.9<sup>1,2</sup>

10.4%

104

7

(9)

Q2/19

198

16

(1)

Q2/20

## Fashion Store – DACH (H1)

(in €m and %)

6.9%

94

H1/19

7.4%

113

H1/20

## Fashion Store – Rest of Europe (H1)

(in €m and %)

1.3%

18

H1/19

(0.8%)

(14)

H1/20

1) H1/20 (H1/19) contains -€0.7m (€0.6m) reconciliation of internal EBIT; Q2/20 (Q2/19) contains -€0.7m (€0.1m) reconciliation of internal EBIT

2) Excluding equity-settled share-based compensation (SBC) in H1/20 of -27.9€m, H1/19 of -21.5€m, Q2/20 of -13.5€m, Q2/19 of -9.7€m; and non-operating one-off effects in H1/19 of -13.1€m

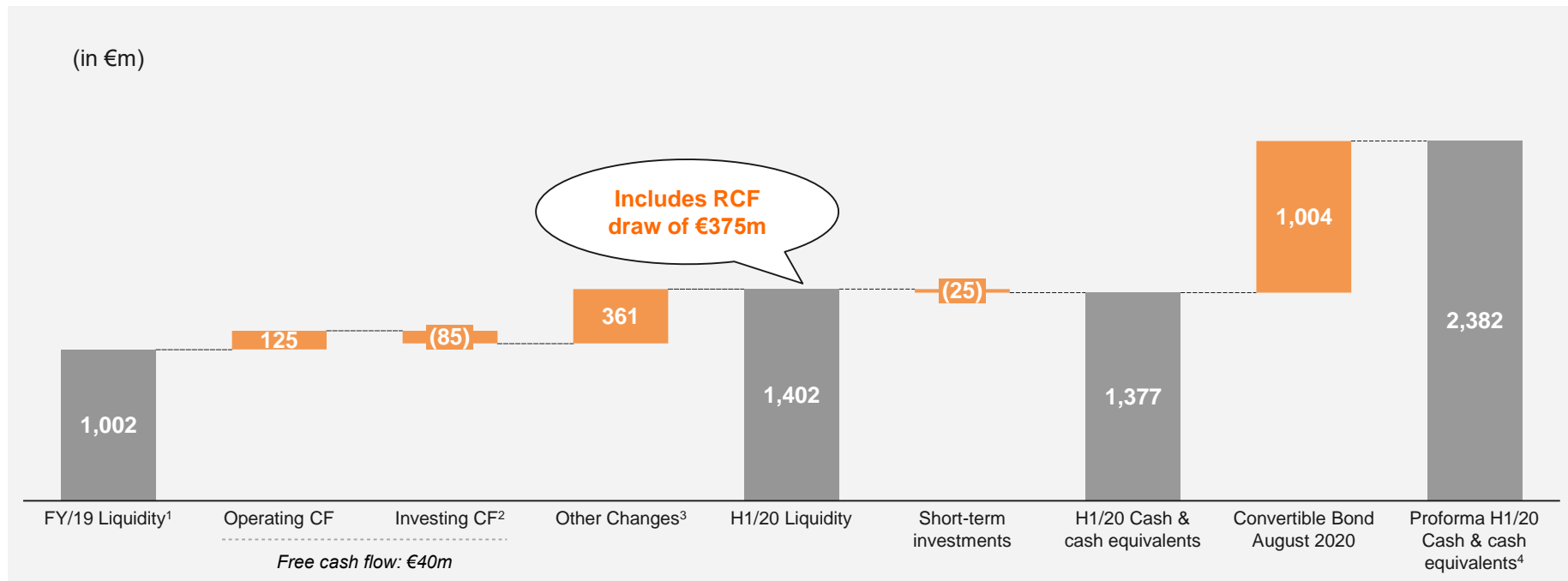
3) Other segments includes various emerging businesses; private label offering zLabels no longer presented as separate unit since Q2/19

## Strong profitability in Q2 mainly driven by lower return rates, scale effects and savings program

Costs and margins (in % of revenue, unadjusted)	H1			Q2			
	2019	2020	Delta	2019	2020	Delta	
Cost of sales	(57.0%)	(59.5%)	2.5pp	(54.3%)	(55.6%)	1.3pp	
Gross profit	43.0%	40.5%	(2.5pp)	45.7%	44.4%	(1.3pp)	Business mix effects
Fulfillment costs	(28.0%)	(27.3%)	(0.6pp)	(27.3%)	(25.4%)	(1.9pp)	High utilization & lower return rate
Marketing costs	(7.6%)	(6.4%)	(1.2pp)	(8.2%)	(5.2%)	(3.0pp)	Marketing cost Savings
Administrative expenses & Other	(4.9%)	(4.3%)	(0.6pp)	(4.4%)	(4.0%)	(0.4pp)	Overhead cost savings
EBIT	2.5%	2.4%	(0.1pp)	5.8%	9.7%	4.0pp	
Adj. EBIT <sup>1</sup>	3.6%	3.2%	(0.5pp)	6.4%	10.4%	4.0pp	

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

## Liquidity position further strengthened by Q2 business performance and successful placement of €1bn Convertible Bonds, enabling continued through cycle growth investments



- (1) Both FY19 and H1/20 liquidity include investments into short-term deposits with maturity of more than 3 and less than 12 months of €25m, respectively.
- (2) Includes sales and investments in fixed and intangible assets (-€85.1m), payments for acquisitions (+€0.0m) and change in restricted cash (+€0.0m)
- (3) Includes financing cash flow (+€361.8m) and effect of exchange rate on cash and cash equivalents (-€0.8m).
- (4) Proforma including Convertible Bond August 2020

## Revised FY/2020 outlook

**GMV growth in the range of 20 – 25%, and Revenue growth of 15 – 20%**

**Adj. EBIT<sup>1</sup> in the range of €250 – 300m**

**Negative net working capital and €230 – 280m in Capex<sup>2</sup>**

1) Excluding equity-settled share-based payment expense ("SBC") of ~€50m, restructuring costs and non-operating one-time effects for FY/20

2) Excludes M&A transactions

# Appendix

Management Board

The Zalando Share

Zalando Investor Relations Team



# Management Board



**Robert Gentz**  
Co-CEO

- Marketing / Sales
- Human Resources



**David Schneider**  
Co-CEO

- Fashion Offer  
(Assortment)



**Rubin Ritter**  
Co-CEO

- Strategy



**Jim Freeman**  
CTO

- Product
- Technology



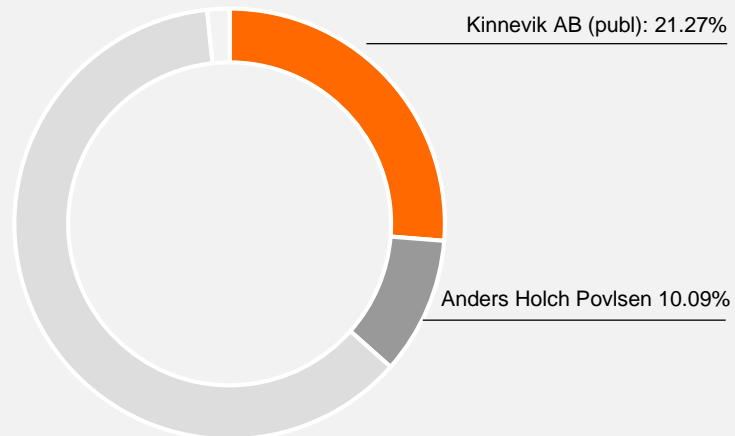
**David Schröder**  
CFO

- Finance
- Operations

# The Zalando Share

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

Treasury shares. 1.63%



Other shareholders (free float) 67.01%

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

### Type of Shares

Ordinary bearer shares  
with no-par value (*Stückaktien*)

### Stock Exchange

Frankfurt Stock Exchange

### Market Segment

Regulated Market (*Prime Standard*)

### Index Listings

MDAX, STOXX600, FTSE4Goods

### First day of trading

October 1, 2014

### Issue price

EUR 21.50

### Total Number of Shares Outstanding

254,121,532

### Issued Share capital

EUR 254,121,532

1) As of 30 June 2020

2) Free float definition of Deutsche Börse



# Zalando Investor Relations Team



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

## Upcoming events

All events  
are virtual

Date	Event
August	Bank of America Fireside Chat with our CFO
Thursday, September 3	Commerzbank Corporate Conference, Frankfurt
Wednesday/Thursday, September 9-10	Goldman Sachs 27th Annual Global Retail Conference, New York
Monday/Tuesday, September 21-22	Berenberg / Goldman Sachs German Corporate Conference, Munich
Wednesday/Thursday, September 23-24	Baader Investment Conference, Munich
Wednesday, November 4	Q3/2020 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.

