



**Zalando.
The Starting
Point for Fashion.**

**Q1 / 2019
Earnings Call**

May 2, 2019



**Highlights and
Business Update**

Strong and profitable growth in Q1

Solid financial performance: GMV +23%, Revenue +15%, adj. EBIT €6m

Guidance confirmed for FY/19: Strong growth and solid profitability – in line with long-term growth outlook

Progress on starting point strategy: NPS at all time high and growing reach (traffic +29%)

Progress on platform scaling: PP, ZFS and ZMS

Aligning the company on a more focused strategy: concentrating on the right priorities and investments

Customer satisfaction hitting all time high

NPS

**All-time
high**



+4pts

Q1/18 – Q1/19



zalando **PLUS**

Now available to all customers
in Germany for €15 / year



Premium
delivery



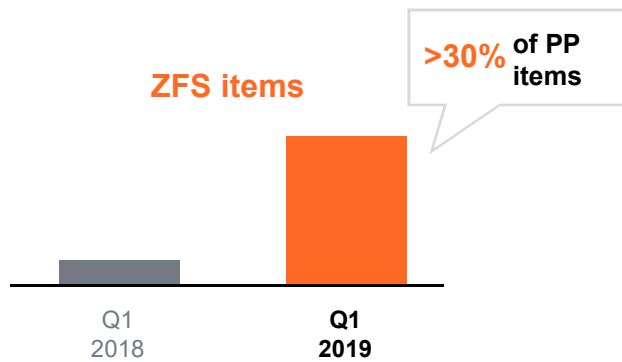
Personal
style advice



Exclusive
offers

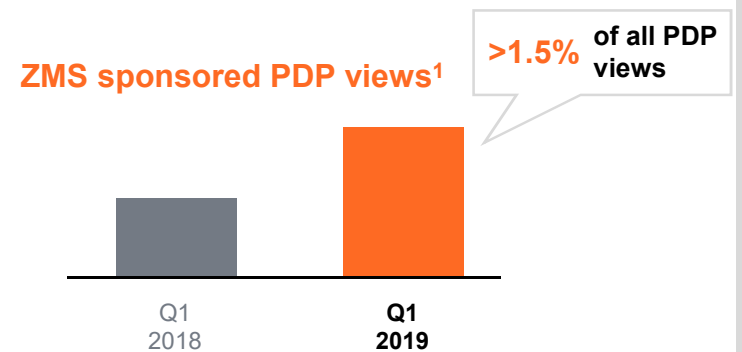
Platform transition continues to gain traction

ZFS



ZFS scaling quickly as brand partners continue to shift more volume to our logistics network

ZMS



Brands are starting to use ZMS to drive their own business on Zalando

We create focus in our strategy, our priorities and our investments

Brieselang



- Our fulfillment network has evolved and we always strive for optimization
- Brieselang site has been handed over to a 3rd party operator and will focus on return handling

zLabels



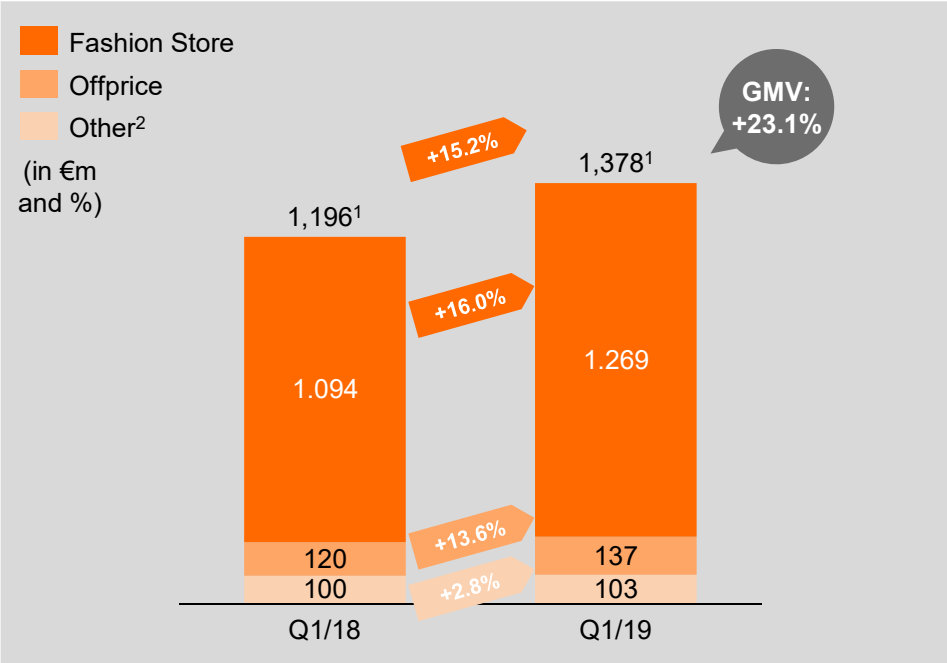
- Offering of third party brands has become more comprehensive since zLabels launch in 2011
- Private label business will be continued in a more focused and integrated way

Financial Update

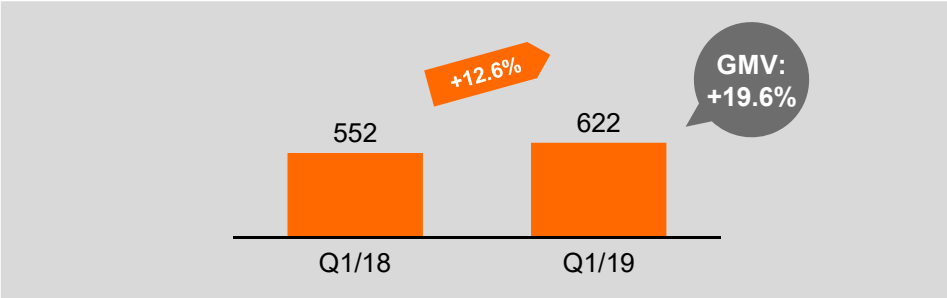
Q1 / 2019

Strong GMV growth notably outpacing revenue growth

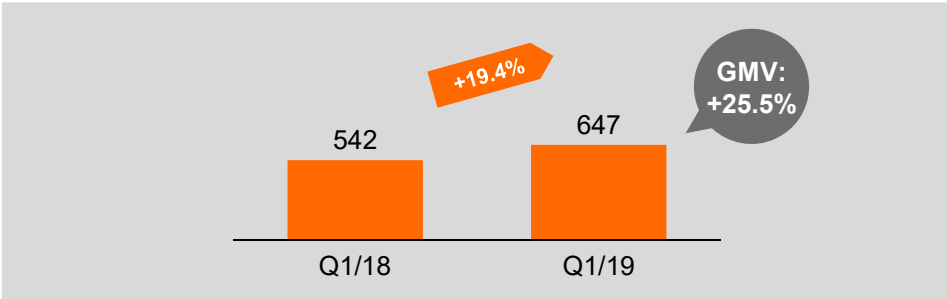
Revenue: Group



Fashion Store – DACH



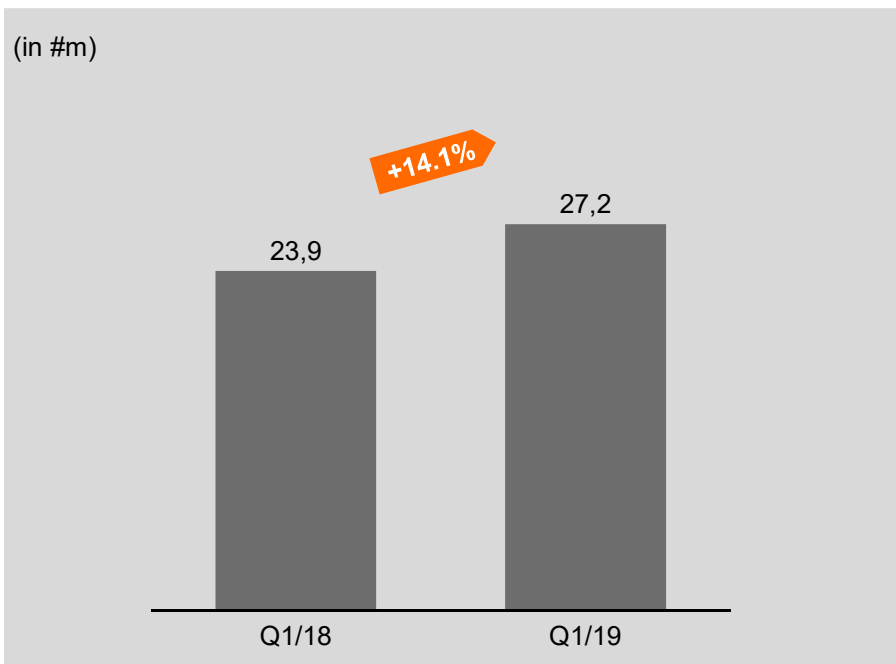
Fashion Store – Rest of Europe



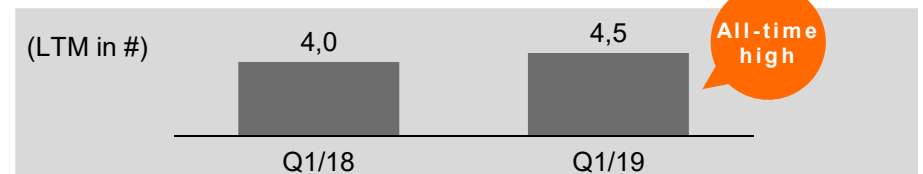
8 (1) Q1/19 (Q1/18) contains -€130m (-€118m) reconciliation of internal revenues
 (2) All other segments including private label offering zLabels and various emerging businesses

Record-high order frequency and basket size decline slowing down

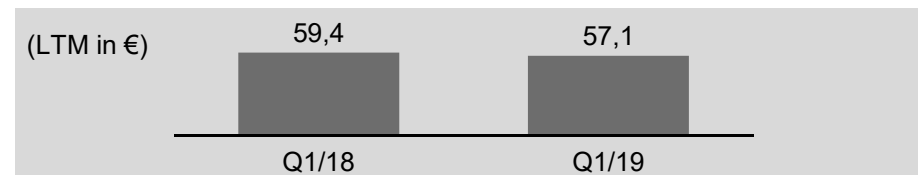
Active customers



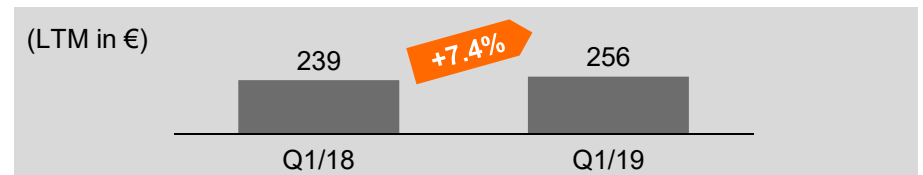
Average orders per active customer



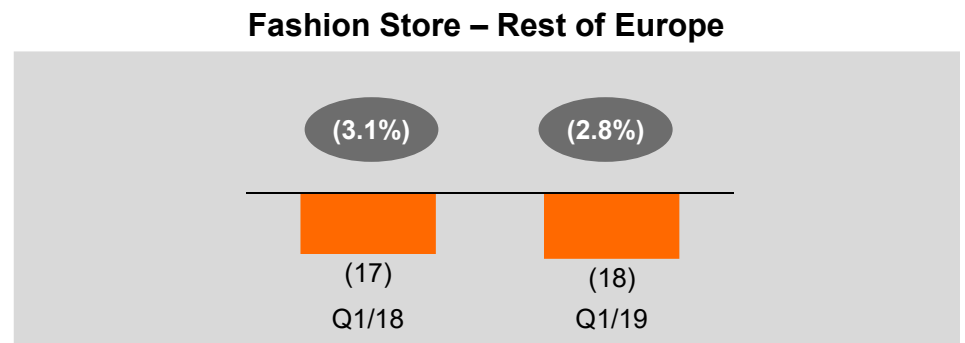
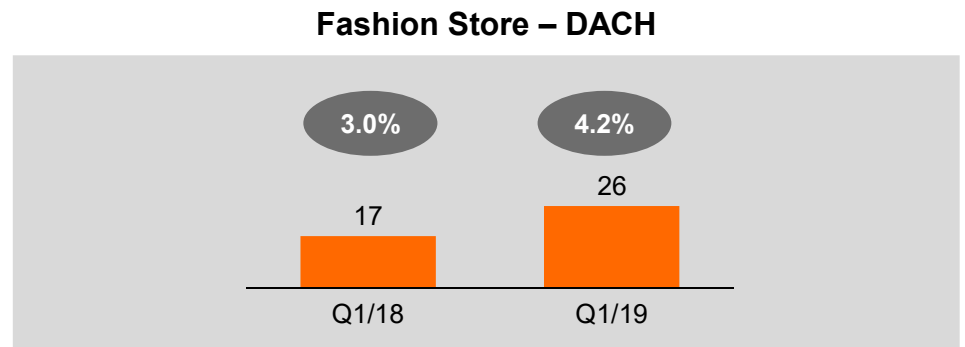
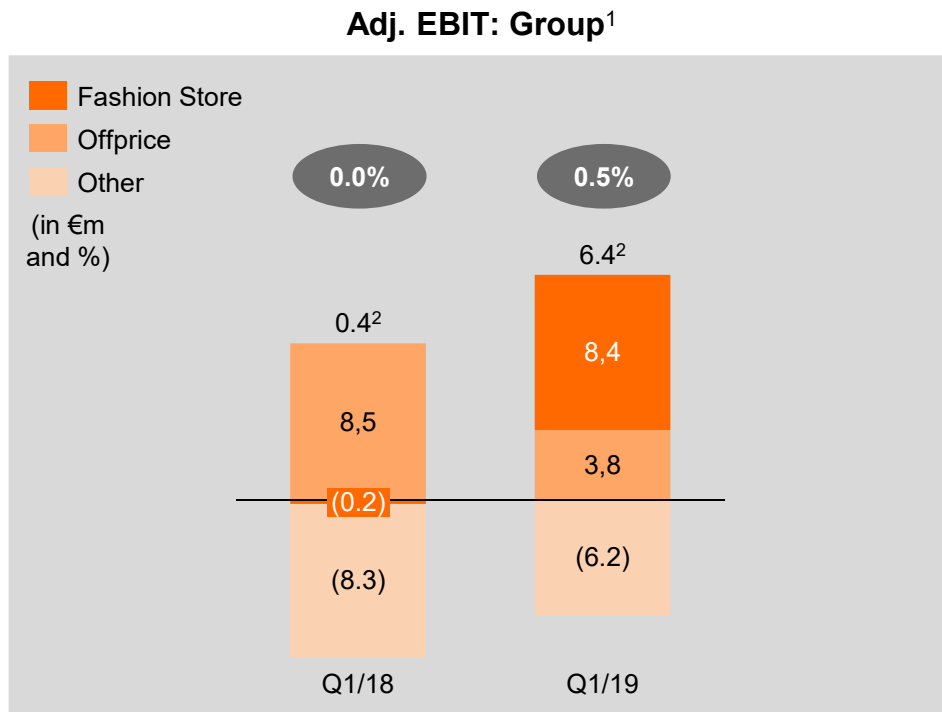
Average basket size after returns¹



GMV per active customer²



Good profitability achieved in an off-season quarter



10 (1) Excluding equity-settled share-based payment expense ("SBC"), restructuring costs and non-operating one-time effects of €24.8m in Q1/19 (Q1/18: €15.6m)
 (2) Q1/19 (Q1/18) contains €0.4m (€0.4m) reconciliation of internal adj. EBIT

Gross margin showing healthy recovery

Costs and margins¹

(in % of revenue)

	Q 1		
	2018	2019	Delta
Cost of sales	(60.3%)	(59.3%)	(1.0pp)
Gross profit	39.7%	40.7%	1.0pp
Fulfillment costs	(28.1%)	(28.6%)	0.5pp
Marketing costs	(6.9%)	(7.0%)	0.1pp
Administrative expenses and Other	(4.7%)	(4.6%)	(0.1pp)
Adj. EBIT	0.0%	0.5%	0.5pp

Less discounting given a more normalized trading environment and a better stock position at the end of F/W season 2018

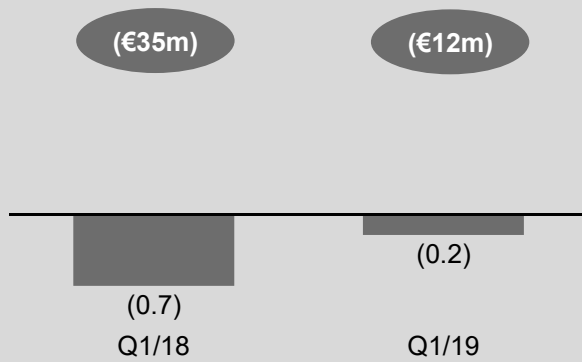
Continued convenience and warehouse network invest and higher carrier costs

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

Working capital and capex in line with prior year

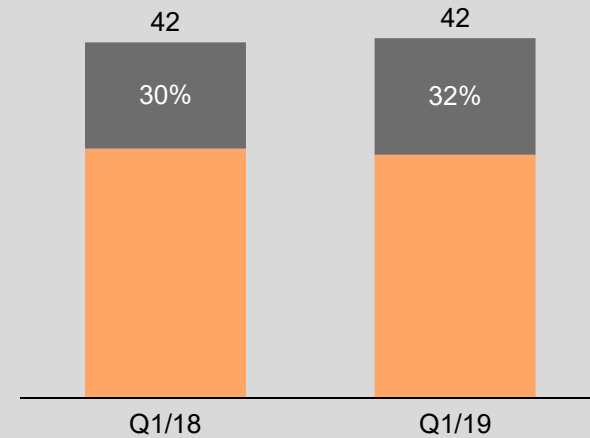
Net working capital (end of Q1)

(in % of annualized revenue)



Capital expenditure¹

■ Intangibles
■ PP&E
(in €m)



Outlook

2019 Guidance confirmed – very strong GMV growth and solid profitability

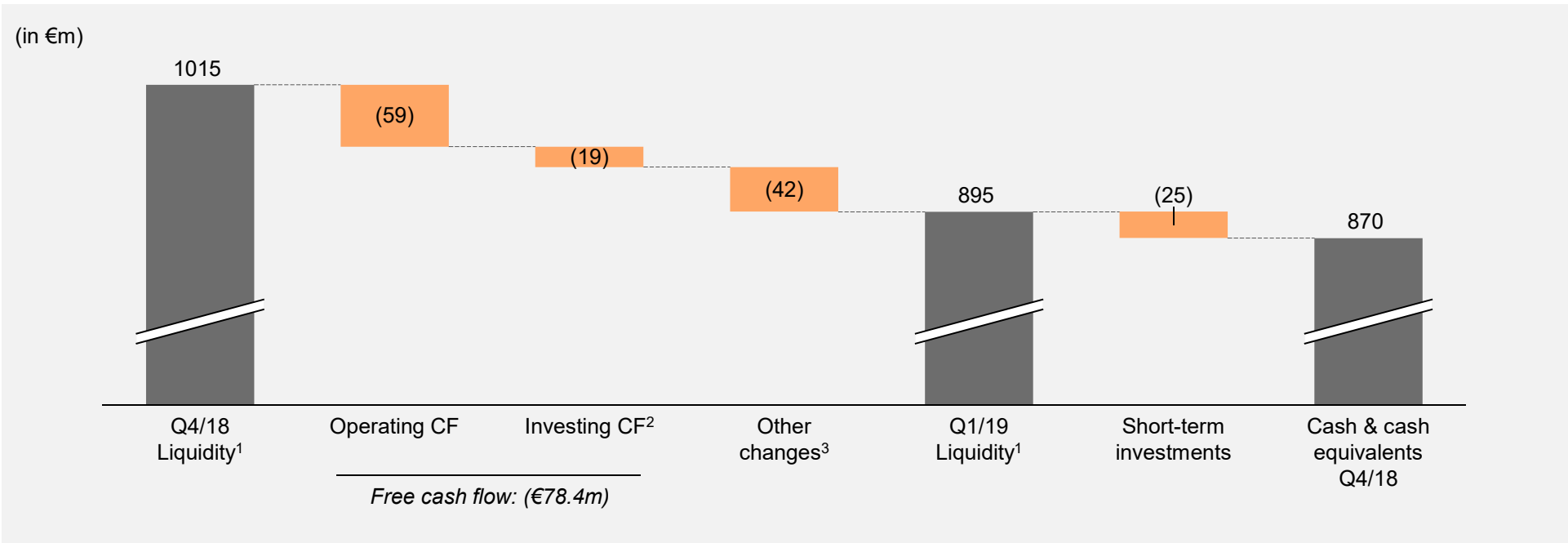
GMV growth in 20 – 25% range; revenue growth at the low end of the 20 – 25% range

Adj. EBIT¹: €175 – 225m

Slightly negative working capital + around €300m capex²



Liquidity position



16 (1) Both Q4/18 and Q1/19 liquidity include investments into short-term deposits with maturity of more than 3 and less than 12 months of -€20m, respectively
 (2) Includes investments in fixed and intangible assets and payments for acquisitions and change in restricted cash (+€1.0m) and a fixed asset sale (+€21.8m)
 (3) Includes financing cash flow (-€8.6m) and effect of exchange rate on cash and cash equivalents (+€1.6m)

Issued share capital

SHARE INFORMATION (AS OF MAR 31, 2019)

Type of Shares	Ordinary bearer shares with no-par value (<i>Stückaktien</i>)
Stock Exchange	Frankfurt Stock Exchange
Market Segment	Regulated Market (<i>Prime Standard</i>)
Index Listings	MDAX
Total Number of Shares Outstanding	251,054,778
Issued Share Capital	€251,054,778

STOCK OPTION PROGRAMS (AS OF MAR 31, 2019)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2011 ¹	1,346,400	5.65
SOP 2013 ¹	9,445,771	15.37
SOP 2014 ¹	3,750,608	20.31
LTI 2018 ²	5,250,000	47.44
Total	19,792,779	24.15

EMPLOYEE INCENTIVE PLANS (AS OF MAR 31, 2019)

Program	# Options outstanding	Weighted average exercise price (EUR)
EIP ¹	3,720,331	35.45
VSOP 2017	870,000	42.24
VSOP 2018	750,000	39.02
Total	5,340,331	37.06

17 ⁽¹⁾ Share settled 43%
⁽²⁾ Cash settled 57%

Income statement

€m	FY/15 ¹	FY/16 ¹	FY/17 ¹	FY/18	Q1/18 ¹	Q1/19
Revenue	2,958.2	3,639.0	4,489.0	5,387.9	1,196.0	1,378.2
<i>% growth</i>	33.6%	23.0%	23.4%	20.0%	22.0%	15.2%
Cost of Sales	(1,624.0)	(2,029.6)	(2,529.6)	(3,107.0)	(722.0)	828.7
Gross Profit	1,334.1	1,609.4	1,959.4	2,280.9	474.0	549.5
<i>% margin</i>	45.1%	44.2%	43.6%	42.3%	39.6%	39.9%
Selling and Distribution Costs	(1,118.9)	(1,223.7)	(1,530.8)	(1,899.2)	(429.7)	(492.8)
Administrative Expenses	(129.0)	(191.3)	(242.9)	(268.9)	(61.1)	(77.8)
Other Operating Income	10.2	16.7	11.8	18.7	2.7	5.2
Other Operating Expenses	(7.0)	(4.1)	(9.9)	(12.3)	(1.1)	(2.5)
EBIT	89.6	207.0	187.6	119.2	(15.2)	(18.4)
<i>% margin</i>	3.0%	5.7%	4.2%	2.2%	(1.3%)	(1.3%)
Net Financial Result	(3.0)	(14.1)	(12.4)	(13.6)	(3.4)	(2.8)
EBT	86.6	192.9	175.2	105.6	(18.6)	(21.2)
<i>% margin</i>	2.9%	5.3%	3.9%	2.0%	(1.6%)	(1.5%)
Income and Other Tax	34.9	(72.5)	(73.6)	(54.4)	3.5	3.6
Net Income	121.5	120.5	101.6	51.2	(15.1)	(17.6)
<i>% margin</i>	4.1%	3.3%	2.3%	0.9%	(1.3%)	(1.3%)
Depreciation & Amortization	34.2	48.2	58.7	86.5	17.9	42.8
EBITDA	123.8	255.2	246.4	205.7	2.7	24.4
<i>% margin</i>	4.2%	7.0%	5.5%	3.8%	0.2%	1.8%
Share Based Compensation (SBC)	17.9	19.9	27.5	43.3	4.7	11.8
Adj. EBIT²	107.5	216.3	215.1	173.4	0.4	6.4
<i>% margin</i>	3.6%	5.9%	4.8%	3.2%	0.0%	0.5%
Adj. EBITDA²	141.7	264.5	273.8	259.9	18.3	49.2
<i>% margin</i>	4.8%	7.3%	6.1%	4.8%	1.5%	3.6%

18 (1) Prior year figures not re-stated for shifts between cost lines as a result of new segment structure as of Jan 18.
 (2) Excluding equity-settled share-based payment expense ("SBC"), restructuring costs and non-operating one-time effects.

Share based compensation and adjustments

€m	FY/15	FY/16	FY/17	FY/18	Q1/18	Q1/19
Per Income Statement Line Item						
Cost of Sales	4.5	5.0	6.9	3.6	0.6	0.8
Selling and Distribution Costs	9.0	9.9	13.7	10.1	1.3	2.0
Administrative Expenses	4.5	5.0	6.9	29.5	2.7	8.9
Share Based Compensation	17.9	19.9	27.5	43.3	4.7	11.8
Restructuring Costs / Non-Operating One-Time Effects	0.0	(10.6)	0.0	10.9	10.9	13.0
Delta between adj. EBIT and EBIT	17.9	9.3	27.5	54.2	15.6	24.8

Segments

€m	FY/15	FY/16	FY/17 (restated)	FY/18	Q1/18	Q1/19
Revenue	2,958.2	3,639.0	4,489.0	5,387.9	1,196.0	1,378.2
Fashion Store			4,150.5	4,967.7	1,093.9	1,268.5
<i>thereof DACH</i>	1,580.1	1,813.8	2,150.0	2,483.7	552.0	621.7
<i>thereof Rest of Europe</i>	1,211.6	1,570.2	2,000.4	2,484.0	541.9	646.8
Offprice			345.3	497.5	120.4	136.8
Other	166.5	255.1	345.3	444.8	99.8	102.6
Reconciliation			(352.0)	(522.0)	(118.1)	(129.7)
Adjusted EBIT	107.5	216.3	215.1	173.4	0.4	6.4
Fashion Store			213.7	162.0	(0.2)	8.4
<i>thereof DACH</i>	101.9	226.3	193.5	139.9	16.6	26.3
<i>thereof Rest of Europe</i>	(3.3)	(3.3)	20.3	22.0	(16.8)	(18.0)
Offprice			27.6	35.2	8.5	3.8
Other	8.9	(6.7)	(26.3)	(24.4)	(8.3)	(6.2)
Reconciliation			0.0	0.7	0.4	0.4
% adjusted margin	3.6%	5.9%	4.8%	3.2%	0.0%	0.5%
Fashion Store			5.2%	3.3%	(0.0%)	0.7%
<i>Fashion Store – DACH</i>	6.4%	12.5%	9.0%	5.6%	3.0%	4.2%
<i>Fashion Store – Rest of Europe</i>	(0.3%)	(0.2%)	1.0%	0.9%	(3.1%)	-2.8%
Offprice			8.0%	7.1%	7.1%	2.8%
Other		5.3%	(7.6%)	(5.5%)	-8.3%	(6.0%)
Reconciliation			0.0%	(0.1%)	(0.3%)	(0.3%)

20 New segment structure from Jan 1, 2018 onwards. Offprice reported separately from Q2/18 onwards. FY/15 and FY/16 not restated.

Balance sheet

€m	Q1/18	Q1/19
Total Non-Current Assets	588.9	1,266.9
Thereof: Property, Plant and Equipment	377.0	562.0
Lease Assets	-	490.6
Other Non-Current Assets	211.9	214.3
Total Current Assets	2,435.3	2,491.6
Thereof: Inventories	891.0	985.4
Trade and Other Receivables	294.8	376.6
Other Assets ¹	321.1	259.8
Cash and Cash Equivalents ¹	928.5	869.8
Total Assets	3,024.2	3,758.5
Total Equity	1,499.5	1,508.4
Thereof: Issued Capital	247.0	246.8
Capital Reserves	1,157.4	1,136.2
Retained earnings	10.4	(7.6)
Accumulated Loss	84.8	133.1
Minority Interests	(0.1)	(0.1)
Total Non-Current Liabilities	64.3	504.6
Thereof: Non-current Lease Liabilities	-	442.0
Financial Liabilities	7.7	4.8
Other Non-Current Liabilities	56.7	57.8
Total Current Liabilities	1,460.5	1,745.5
Thereof: Trade Payables and Similar Obligations	1,220.6	1,374.4
Other Current Liabilities	239.9	371.1
Total Equity & Liabilities	3,024.3	3,758.5
Net Working Capital	(34.8)	(12.4)

Cash flow statement

€m	FY/15	FY/16	FY/17	FY/18	Q1/18	Q1/19
Net Income	121.5	120.5	101.6	51.2	(15.1)	(17.6)
Non-Cash Expenses from Share-Based Payments	17.9	19.9	27.5	43.3	4.7	11.8
Cash Settlement of Claims from Share-Based Payments	(2.3)	0.0	0.0	0.0	0.0	0.0
Depreciation & Amortization	34.2	48.2	58.7	86.5	17.9	42.8
Income Taxes	(34.9)	72.5	73.6	54.4	(3.5)	(3.6)
Income Taxes Paid, Less Refunds	(0.0)	(33.8)	(49.4)	(42.4)	(10.4)	(13.3)
Change in Provisions	(0.5)	0.1	(1.5)	0.3	0.1	0.2
Other Non-Cash Income	(1.0)	1.2	6.5	4.2	1.0	0.3
Change in Inventories and Receivables	(154.2)	(147.4)	(251.0)	(157.0)	(128.2)	(147.4)
Change in Trade Liabilities	154.9	264.3	198.4	180.6	92.4	75.0
Change in Other Assets/Other Liabilities	(16.2)	(69.7)	29.2	(8.5)	(34.8)	(6.7)
Cash Flow from Operating Activities	119.4	275.8	193.7	212.8	(75.9)	(58.6)
Payments Received from the Sale of Fixed Assets	0.0	0.0	0.0	58.9	0.0	22.5
Payments for Investments in Fixed and Intangible Assets	(60.0)	(181.7)	(243.9)	(278.4)	(41.8)	(42.3)
Payments for Acquisitions	(16.8)	(30.4)	(34.9)	(7.1)	(4.5)	0.0
Cash Paid for Investments in Term Deposits	(155.0)	(65.0)	180.0	20.0	20.0	(5.0)
Change in Restricted Cash	35.3	0.0	10.4	(0.4)	0.0	0.4
Cash Flow from Investing Activities	(196.5)	(277.1)	(88.3)	(207.0)	(26.3)	(24.4)
Payments Received from Capital Increases	6.4	1.1	3.9	38.2	0.0	6.7
Cash Received from Loans	0.0	(0.7)	0.0	0.0	0.0	0.0
Repurchase of Treasury Shares	(1.7)	0.0	(11.3)	(111.3)	(33.2)	(38.8)
Cash Payments for the Principle Portion of Leasing Liabilities						(10.0)
Cash Repayments of Loans	(3.2)	(3.2)	(3.2)	(2.8)	(0.4)	(0.4)
Cash Flow from Financing Activities	1.5	(2.9)	(10.6)	(75.9)	(33.6)	(42.6)
Change in Cash & Cash Equivalents	(75.7)	(4.1)	94.8	(70.1)	(135.9)	(125.5)
Effects of Exchange Rate on Cash & Cash Equivalents	0.9	0.5	(1.9)	0.3	(1.2)	0.4

KPI development

	FY/15	FY/16	FY/17	Q1/18	Q2/18	Q3/18	Q4/18	FY/18	Q1/19
Site Visits (m) ¹	1,656.4	1,991.6	2,563.5	713.5	734.3	728.7	960.7	3,137.2	923.6
Mobile Visit Share (in % of Site Visits) ²	57.1%	65.6%	70.7%	76.6%	78.4%	80.0%	81.6%	79.3%	82.4%
Active Customers (m) ³	17.9	19.9	23.1	23.9	24.6	25.1	26.4	26.4	27.2
Number of Orders (m) ⁴	55.3	69.2	90.5	25.4	29.0	27.7	34.1	116.2	31.4
Average Order per Active Customer (LTM)	3.08x	3.48x	3.92x	4.02x	4.18x	4.30x	4.40x	4.40x	4.49x
Average Basket Size (in €) (LTM) ⁵	-	-	60.6	59.4	58.4	57.7	57.2	57.2	57.1
Average Basket Site (in €) (quarter)	-	-	60.6	56.1	56.9	55.0	60.0	57.2	55.9
Gross Merchandise Volume (in €bn) ⁶	3.57	4.40	5.48	1.43	1.65	1.52	2.05	6.64	1.76
Fulfillment Cost Ratio (in % of revenue) ⁷	26%	23%	26%	28%	28%	30%	25%	28%	29%
Marketing Cost Ratio (in % of revenue) ⁸	12%	10%	8%	7%	6%	8%	7%	7%	7%

(1) Site Visits defined as the number of series of page requests from the same uniquely identified client at Zalando, including website, m.site and apps in the measurement period. A visit is considered ended when no requests have been recorded in more than 30 minutes.

(2) Mobile is defined as tablets, mobile site and apps.

(3) Active Customers defined as the number of customers placing at least one order in the last twelve months in the measurement period irrespective of cancellations or returns.

(4) Number of Orders defined as the number of customer orders placed in the measurement period irrespective of cancellations or returns. An order is counted on the day the customer places the order. Orders placed and orders delivered may differ due to orders that are in transit at the end of the measurement period or have been cancelled.

(5) Defined as GMV divided by the number of orders.

(6) GMV is defined as the value of all merchandise sold to customers after cancellations and returns and including VAT, dynamically reported. It does not include B2B revenues (e.g. Partner Program commission, Zalando Marketing Services or Zalando Fulfillment Solutions) and other B2C revenues (e.g. service charges like express delivery fees) – these are included in revenue only. GMV is recorded based on the time of the customer order. Dynamically reported.

(7) Fulfillment Cost Ratio defined as fulfillment cost as a proportion of revenue in the measurement period. Fulfillment costs mainly include logistics, content creation, service and payment expenses, as well as allocated overhead costs. Fulfillment costs therefore comprises all selling and distribution costs, except for marketing costs. All numbers shown excluding equity-settled SBC costs.

(8) Marketing Cost Ratio defined as marketing cost as a proportion of revenue in the measurement period. Marketing cost mainly consists of advertising expenses including search engine marketing, television, online display and other marketing channels as well as allocated overhead cost. All numbers shown excluding equity-settled SBC costs.

Upcoming events

Date	Event
Monday, May 6	NDR Frankfurt
Tuesday, May 7	NDR Brussels
Thursday, May 9	Citi's Internet & eCommerce Day, London
Wednesday, May 15	JP Morgan Global Consumer and Retail Conference, London
Thursday, May 16	Credit Suisse Stockholm Consumer IR Day, Stockholm
Wednesday, May 22	Annual General Meeting 2019
Thursday, August 1	Q2/19 Results
Thursday, October 31	Q3/19 Results

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