



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

**Q2 / 2019
Earnings Call**



August 1, 2019

Highlights and Business Update

**Outstanding customer growth
resulting in profitable growth in Q2/19 and raised full-year profit outlook**

Starting point strategy: Strongest ever Q2 active customer growth and fastest site visit growth since 2013

Financial performance: Profitable growth continued with GMV +23.7% and yoy higher adj. EBIT of €102m

Profit outlook: Adj. EBIT now expected in upper half of initial €175-225m range

Customer proposition: Expansion of fulfillment network and broadening of our assortment range

Platform transition: ZFS is already a great success – and we are taking it even further

Expansion of European fulfillment network will enable us to meet and exceed local customer expectations

New fulfillment center in the Netherlands

Create the capacity for future growth:

12 warehouses can fulfill ~€14bn GMV

Get closer to our customers:

Lead time to BENELUX and France will further improve

Leverage state of the art technology:

Next generation of automation will reduce lead times and drive both labor productivity and cost efficiency

1. Erfurt

2. Brieselang

3. Mönchengladbach

4. Lahr

5. Paris (FR)

6. Stockholm (SE)

7. Szczecin (PL)

8. Olsztynek (PL)

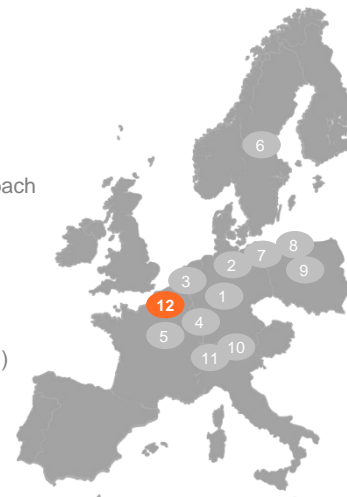
9. Lodz (PL)

10. Verona (IT)

11. Milano (IT)

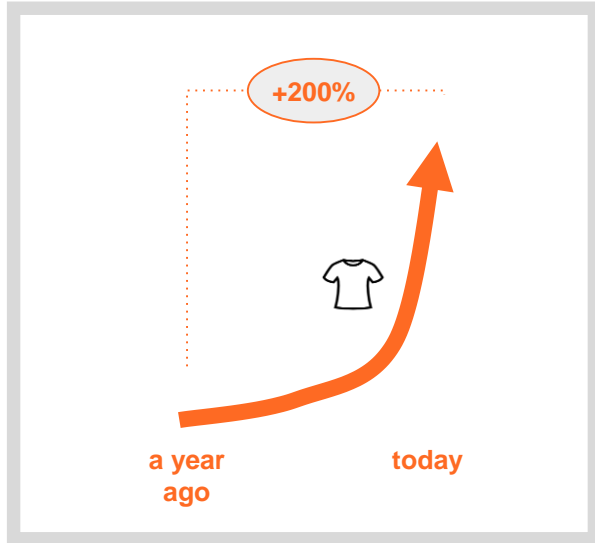
12. Rotterdam (NL, Bleiswijk)

- 140.000 sqm
- €200m capex invest
- First parcel: mid 2021
- Fully automated: mid 2022

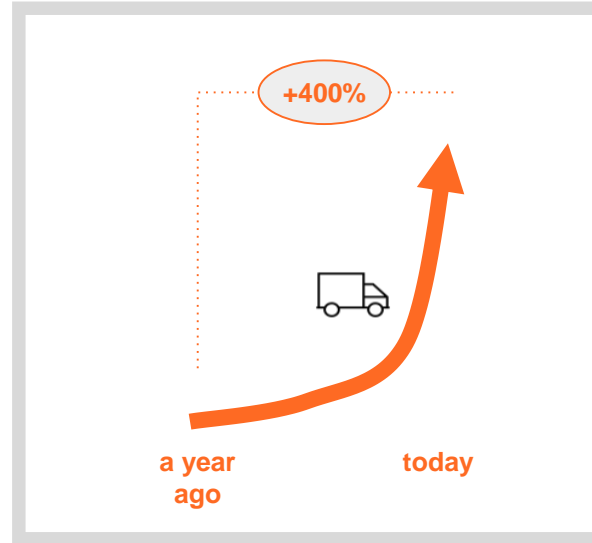


Enabling our partner to tap into our growing European fulfillment network, Zalando Fulfillment Solutions (ZFS) is already a great success...

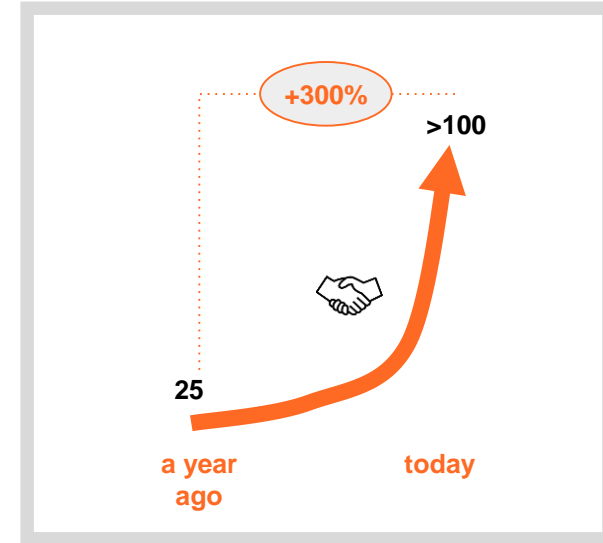
Share of Partner program items



Total ZFS shipped items



Total signed ZFS partners



...and we are taking it even further by adding three key new features this year

ZFS and Switzerland

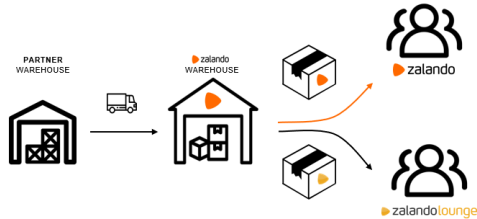


Key benefits

Adding Switzerland as first market with customs

In pilot mode

ZFS and Offprice integration

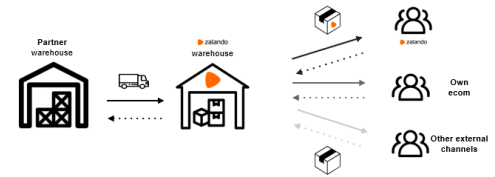


Key benefits

Increasing stock flexibility and limiting inventory risk for partners by shifting remaining stock to Zalando Lounge at the end of the season

Pilot in Q4/19

ZFS and multi-channel fulfillment



Key benefits

Superior customer offering and less inventory risk for partners by offering Zalando fulfillment for transactions in alternative channels

Pilot in H2/19

On the assortment side we are focusing our efforts on three strategic dimensions to offer our customers even more choice

Assortment expansion through Partner Program & Connected Retail

FEELUNIQUE

15 new high profile beauty brands through beauty retailer FeelUnique like *Button London*, *Nuxe*, and *Lierac*



KK
KATAG
THE FASHION PEOPLE

Added German KATAG group to our Connected Retail Program which will add 50 offline stores to the Zalando Platform

Push into high price premium

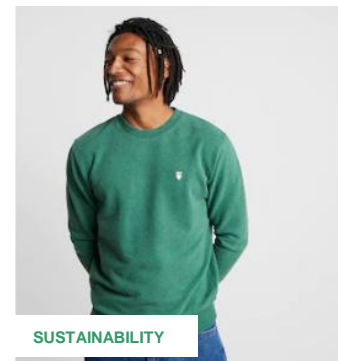
All prices from high to low: Added several new high price premium brands



Phillip Lim

Focus on Sustainable Fashion

New brands including *Ecoalf*, *Mud Jeans*, *Girlfriend Collective*, and *Stripe + Stare* will launch soon on Zalando

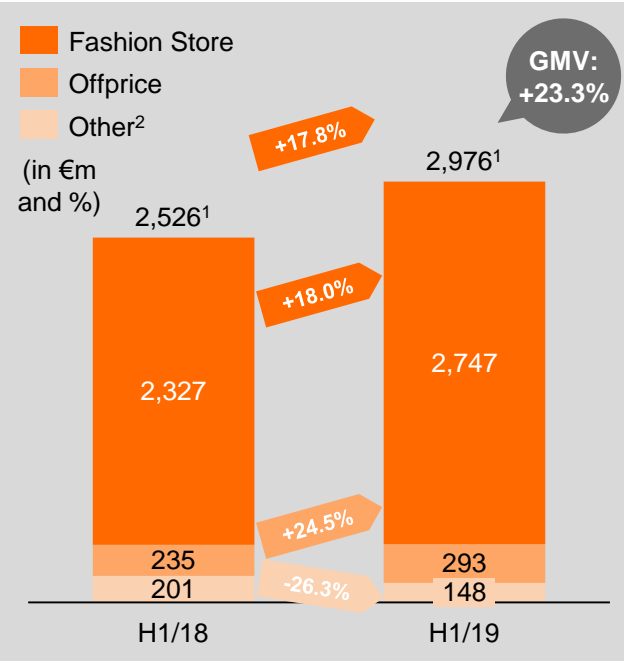


sustainable fashion assortment: more than 15,000 items and over 240 brands.

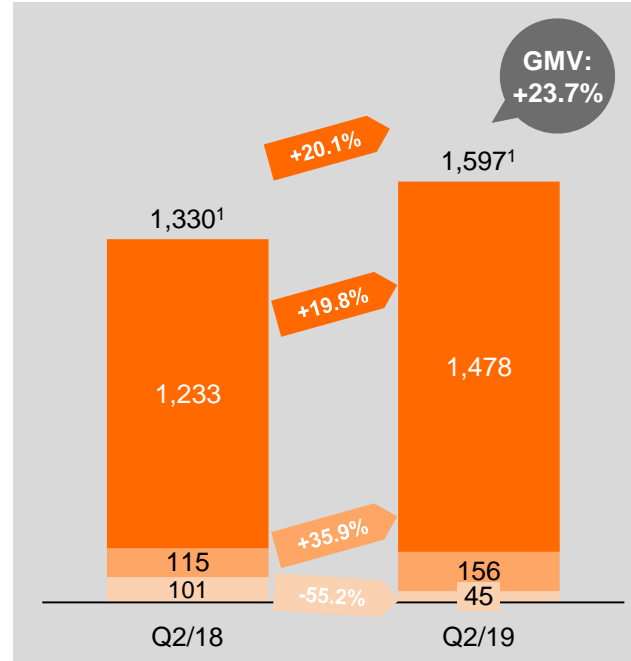
Financial Update
Q2 / 2019

Continued strong market outperformance in Q2/19

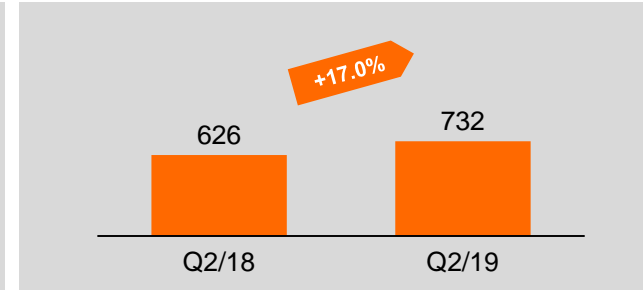
Group (H1)



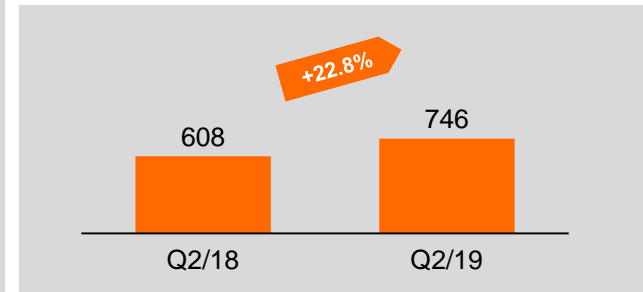
Group (Q2)



Fashion Store – DACH (Q2)

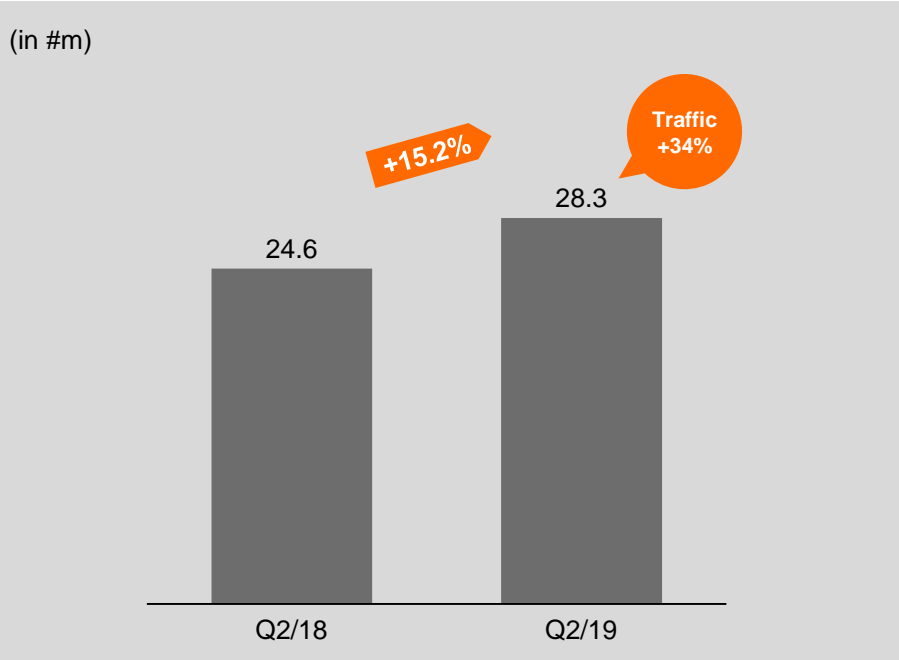


Fashion Store – Rest of Europe (Q2)

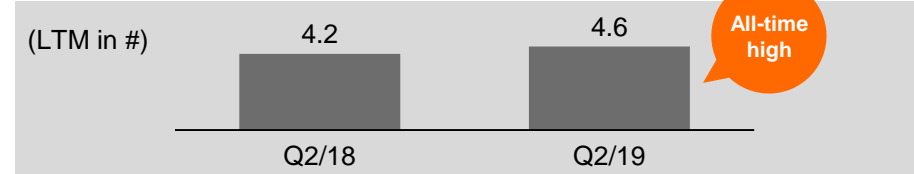


Strongest ever Q2 active customer growth and fastest site visit growth since 2013

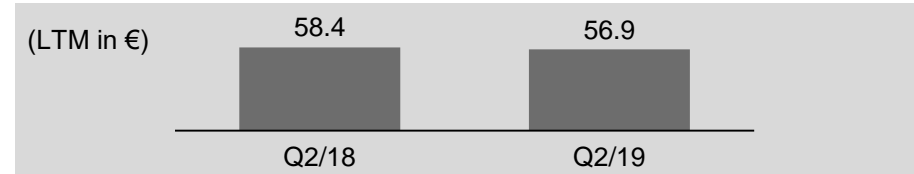
Active customers



Average orders per active customer



Average basket size after returns¹



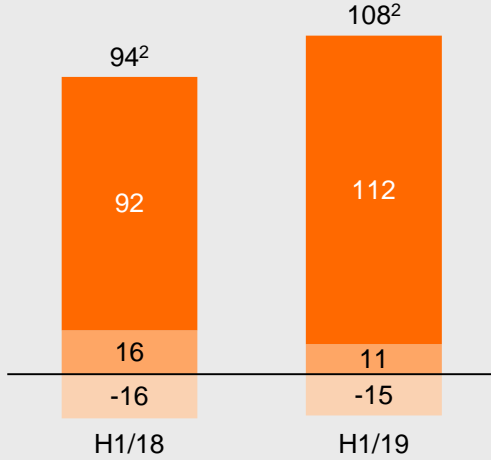
GMV per active customer²



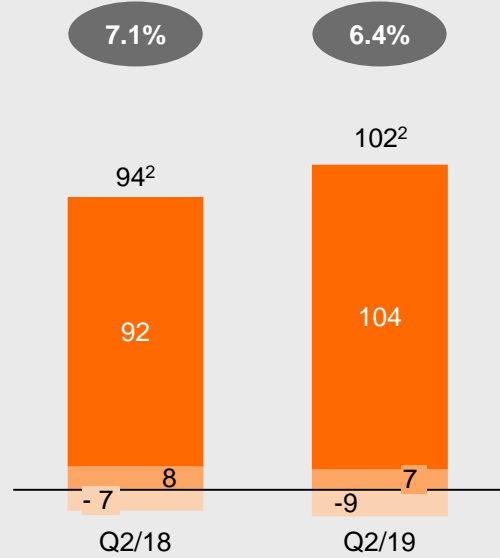
Adj. EBIT of €102m in Q2/19 – notably above prior year

Adj. EBIT: Group (H1)¹

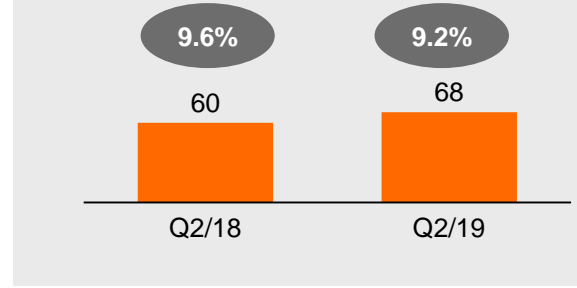
■ Fashion Store
■ Offprice
■ Other
 (in €m and %)



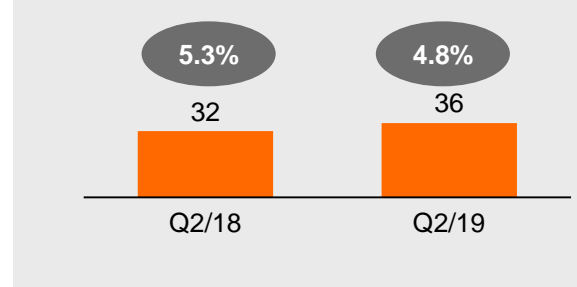
Group (Q2)¹



Fashion Store – DACH (Q2)



Fashion Store – Rest of Europe (Q2)



11 (1) Excluding equity-settled share-based payment expense ("SBC"), restructuring costs and non-operating one-time effects of €34.5m in H1/19 (H1/18: €22.3m); Q2/19: €9.7m (Q2/18: €6.7m)
 (2) H1/19 (H1/18) contains €1m (€2m) reconciliation of internal adj. EBIT; Q2/19 (Q2/18): €0m (€2m)

Stable gross margin development and healthy fulfillment cost improvement

Costs and margins¹

(in % of revenue)

	H 1			Q 2		
	2018	2019	Delta	2018	2019	Delta
Cost of sales	(57.1%)	(56.6%)	(0.5pp)	(54.2%)	(54.2%)	0.0pp
Gross profit	42.9%	43.4%	0.5pp	45.8%	45.8%	0.0pp
Fulfillment costs	(28.2%)	(27.9%)	(0.3pp)	(28.2%)	(27.3%)	(0.9pp)
Marketing costs	(6.6%)	(7.6%)	(1.0pp)	(6.4%)	(8.1%)	(1.7pp)
Administrative expenses & Other	(4.4%)	(4.3%)	(0.1pp)	(4.2%)	(4.0%)	(0.2pp)
Adj. EBIT	3.7%	3.6%	(0.1pp)	7.1%	6.4%	(0.7pp)

Higher warehouse utilization and attractive product mix

Both higher spend for personalized and brand marketing

Capex spend back-end loaded in 2019

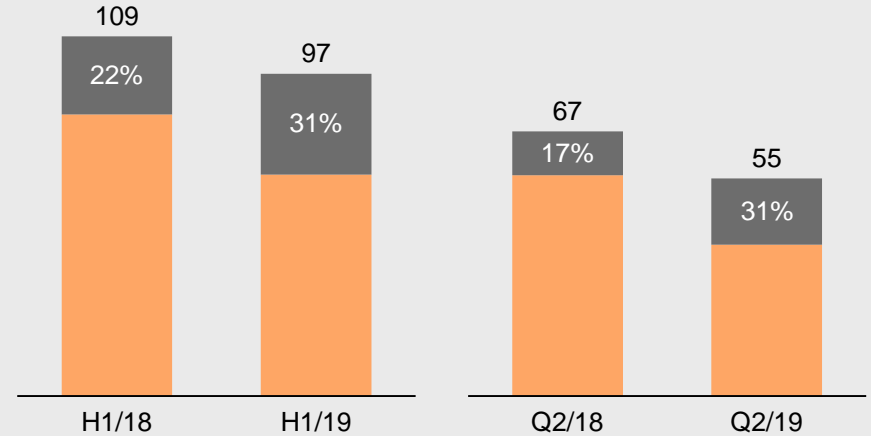
Net working capital (end of Q2)

(in % of annualized revenue)



Capital expenditure¹

■ Intangibles
 ■ PP&E
 (in €m)



Outlook

Profitability outlook raised – Adj. EBIT expected in upper half of initial €175-225m range

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

Adj. EBIT¹ in upper half of initial €175 – 225m range

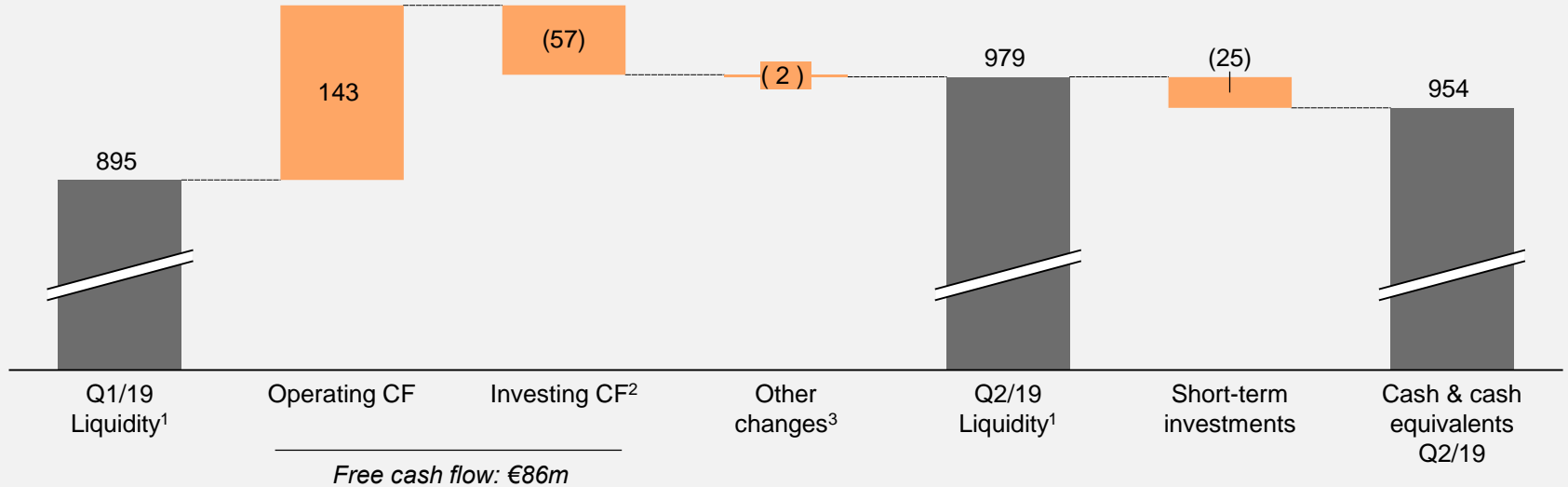
Slightly negative working capital and around €300m capex²

The image features a dark brown wooden surface with a prominent grain. Numerous small, white, square tiles with rounded corners are scattered across the surface. Most of these tiles are marked with a purple question mark. In the center, three white tiles are arranged horizontally to spell out 'Q & A' in a black, serif font. An orange rectangular border is drawn around the central 'Q & A' tiles and extends slightly beyond them, framing the main subject of the image.

Q & A

Liquidity position

(in €m)



(1) Both Q1/19 and Q2/19 liquidity include investments into short-term deposits with maturity of more than 3 and less than 12 months of -€25m, respectively

(2) Includes investments in fixed and intangible assets and payments for acquisitions

(3) Includes financing cash flow (-€3.5m) and effect of exchange rate on cash and cash equivalents (+€1.6m)

Issued share capital

SHARE INFORMATION (AS OF JUN 30, 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	251,705,353
Issued Share Capital	€251,705,353

STOCK OPTION PROGRAMS MGMT BOARD (AS OF JUN 30, 2019)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2011 ¹	1,346,400	5.65
SOP 2013 ¹	9,275,200	15.56
LTI 2018 ²	5,250,000	47.44
LTI 2019	784,000	15.71
Total	16,655,600	24.81

STOCK OPTION PROGRAMS SENIOR MGMT (AS OF JUN 30, 2019)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 ¹	3,258,794	20.50
EIP ¹	3,645,996	35.30
VSOP 2017	749,166	42.24
VSOP 2018	500,000	29.84
Total	8,153,956	29.69

18 (1) Settled with new shares
 (2) Only to 43% dilutive / to be settled with new shares, remaining backed by treasury shares

Upcoming events

Date	Event
Tuesday, August 6	Roadshow Frankfurt
Wednesday, August 7 + 8	Roadshow London
Thursday, August 29	Commerzbank Sector Conference, Frankfurt
Tuesday-Wednesday, September 3 - 4	Roadshow USA: Los Angeles, San Francisco
Thursday, September 5	Goldman Sachs Annual Global Retailing Conference, New York
Tuesday, September 24	Berenberg / Goldman Sachs German Corporate Conference, Munich
Wednesday, September 25 + 26	Baader Investment Conference, Munich
Thursday, October 31	Q3/19 Results

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