



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

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**Q3 / 2019  
Earnings Call**



October 31, 2019

# **Highlights and Business Update**

**Strong financial performance  
driven by outstanding traffic and active customer growth**

**Starting point strategy:** Site visits >1bn for the first time and continued outstanding active customer growth

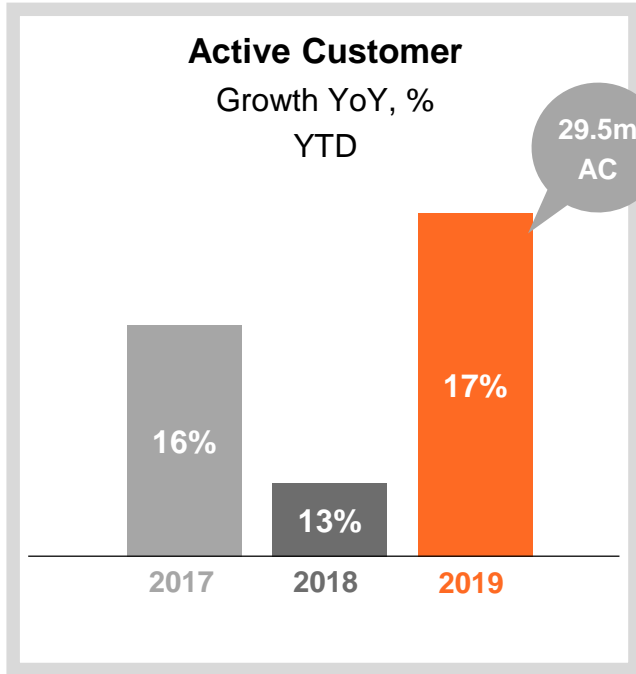
**Strong financial performance:** GMV +24.6%, revenue +26.7%, adj. EBIT €6.3m

**Outlook confirmed:** GMV growth of 20% to 25%, revenue growth around 20%, adj. EBIT between €200-225m

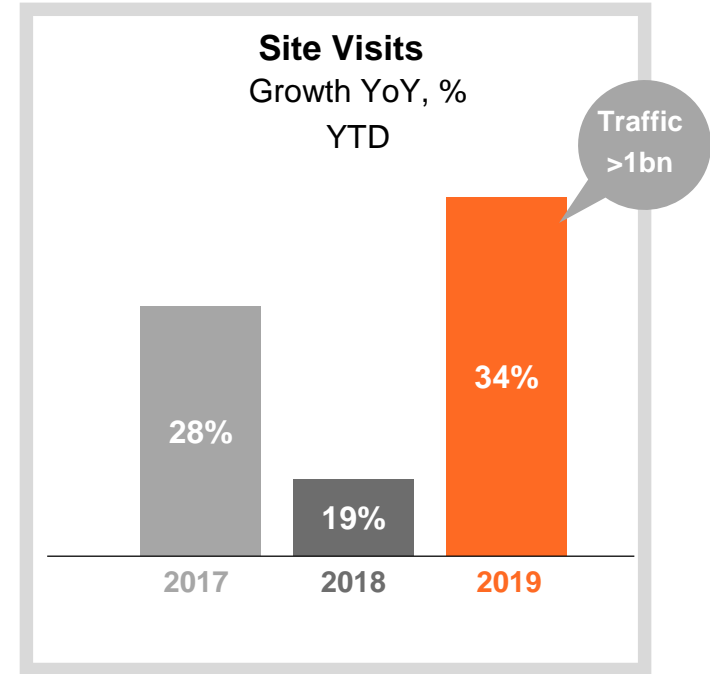
**Platform transition:** Continued strong adoption of our platform services ZFS and ZMS

**Sustainability:** Becoming a sustainable fashion platform with a net positive impact for people and planet

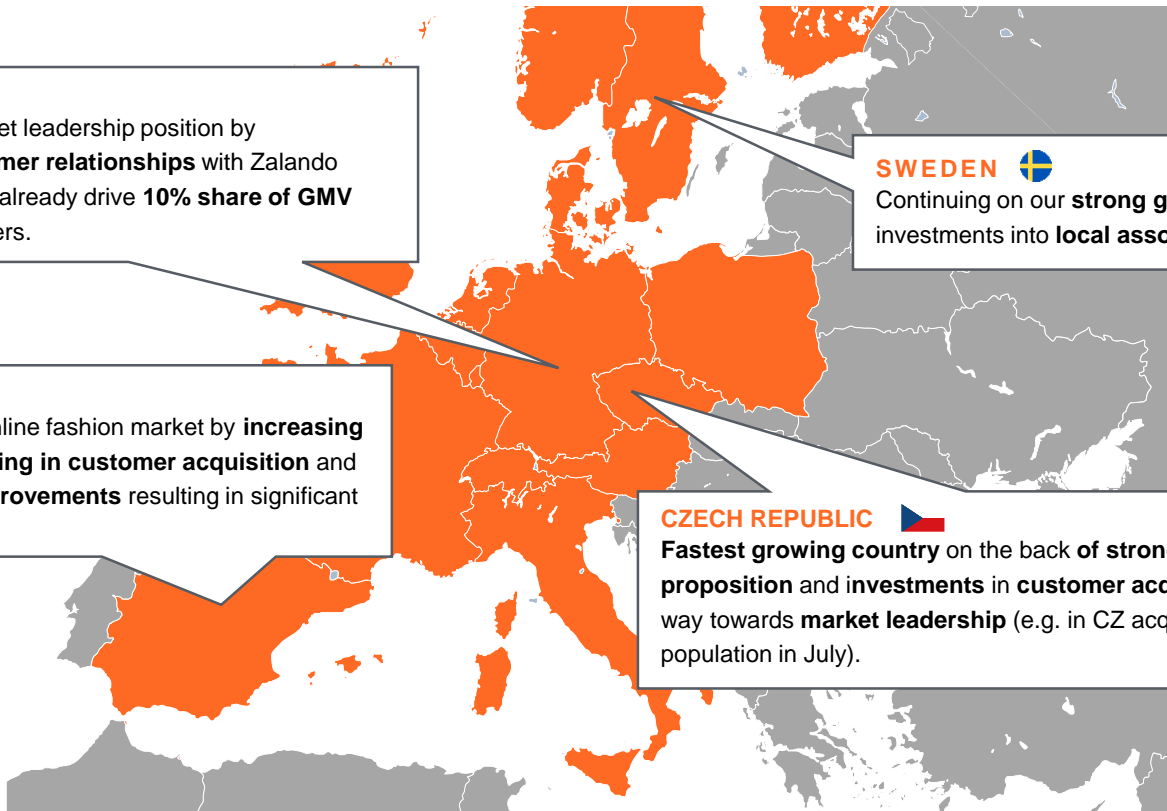
We continue to deliver against our starting point strategy as we broaden our customer base and create deeper customer relationships...



Starting Point  
for Fashion



## ...and continue to capture market share across Europe based on a highly localized and customer centric approach



### GERMANY

Strengthening our market leadership position by **creating deeper customer relationships** with Zalando Plus - **Plus customers** already drive **10% share of GMV** in DE after only 2 quarters.

### SWEDEN

Continuing on our **strong growth trajectory** on the back of investments into **local assortment** and **local warehouse**.

### SPAIN

Developing less mature online fashion market by **increasing brand awareness**, **investing in customer acquisition** and **driving convenience improvements** resulting in significant growth acceleration.

### CZECH REPUBLIC

**Fastest growing country** on the back of **strong customer proposition** and investments in **customer acquisition**, paving the way towards **market leadership** (e.g. in CZ acquired 1% of population in July).

## do.MORE Strategy 2023:

Becoming a sustainable fashion platform with a net positive impact for people and planet

### CARBON NEUTRALITY

Of our operations, all deliveries and returns



### OPTIMIZED PACKAGING

Minimize waste and keep materials in use; eliminate single-use plastics.



### APPLY PRINCIPLES OF CIRCULARITY

And extend the life of at least 50m fashion products.



### MORE SUSTAINABLE FASHION

Generate 20% of GMV by more sustainable products.



### INCREASED ETHICAL STANDARDS

We will work only with partners who align with them



### UPSKILLING

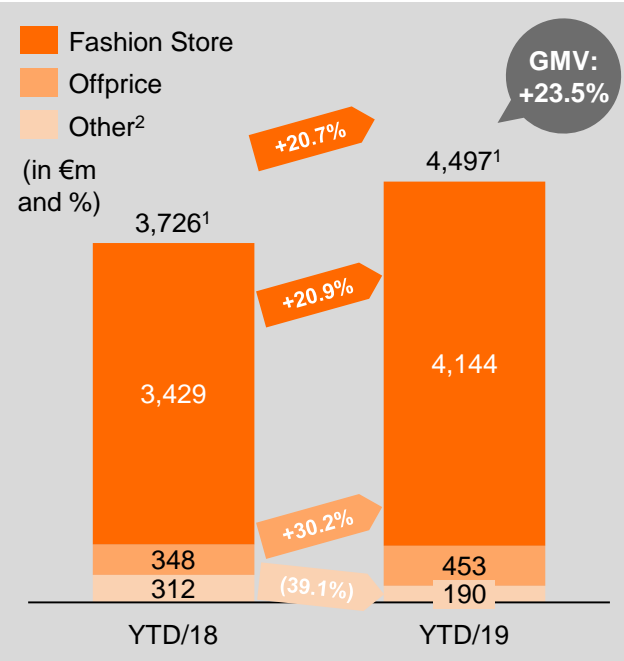
Our employees receive skilling chances that match future work needs



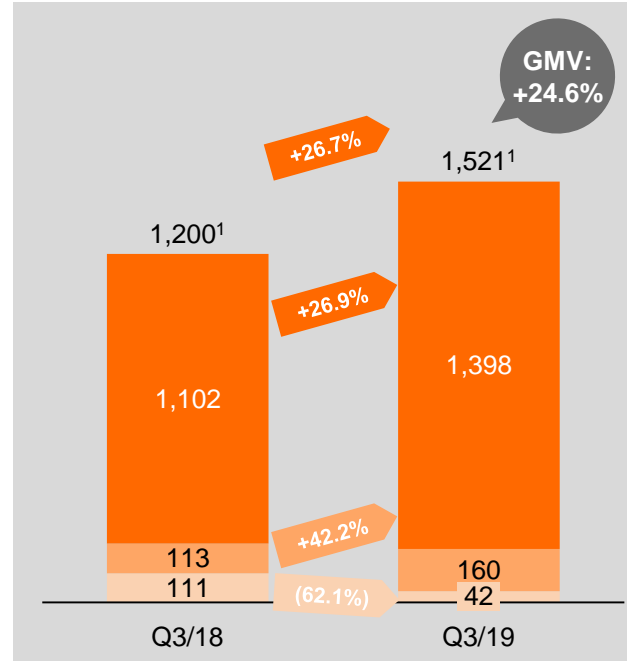
**Financial Update**  
**Q3 / 2019**

# All regions contributed to strong revenue development

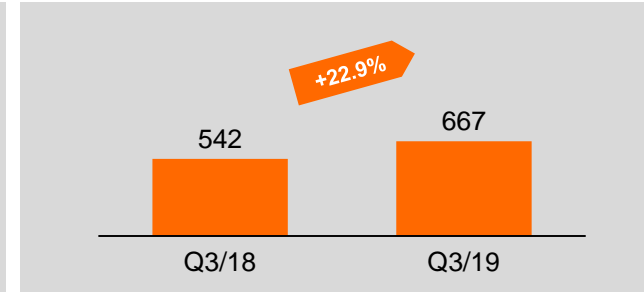
## Revenue: Group (YTD)



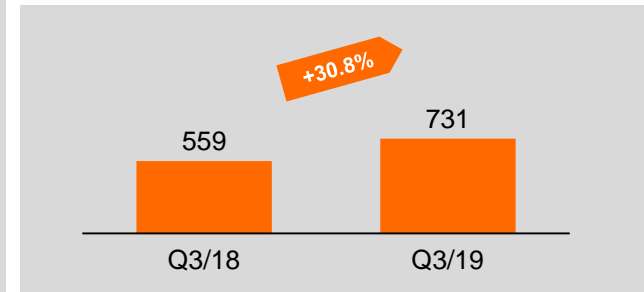
## Group (Q3)



## Fashion Store – DACH (Q3)



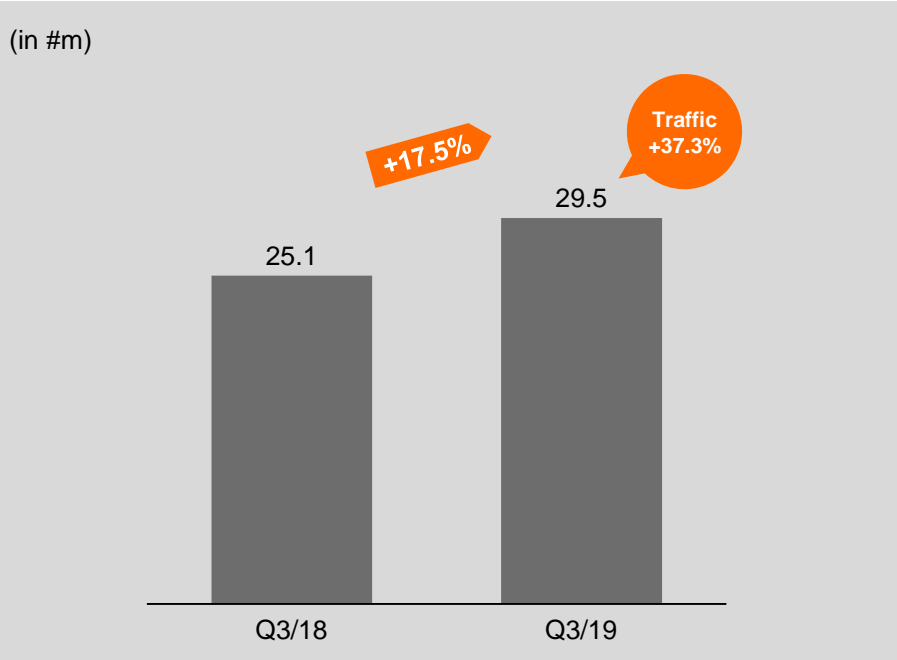
## Fashion Store – Rest of Europe (Q3)



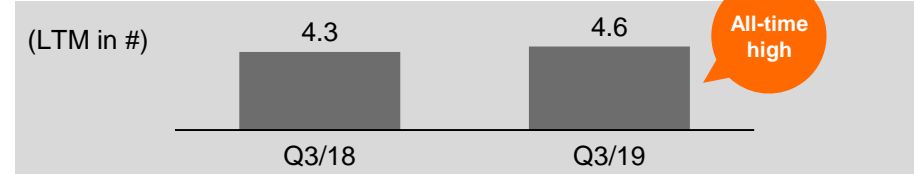


# Growth in Active Customers further accelerated

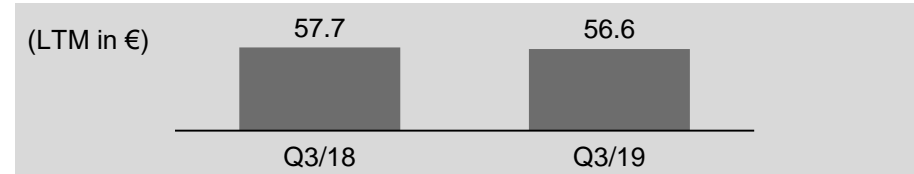
## Active customers



## Average orders per active customer



## Average basket size after returns<sup>1</sup>



## GMV per active customer<sup>2</sup>

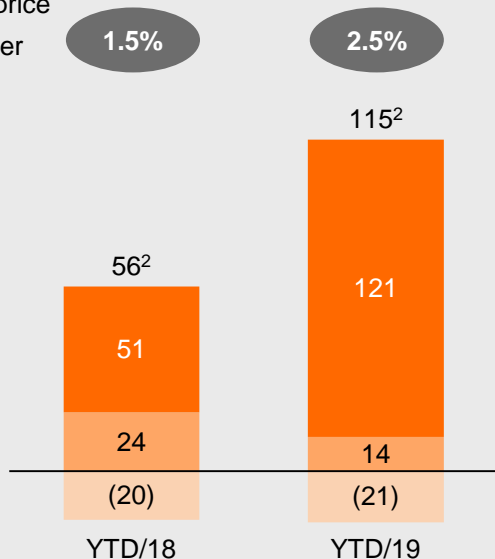


# Adj. EBIT of €6m in Q3/19 – strong recovery from depressed level of last year

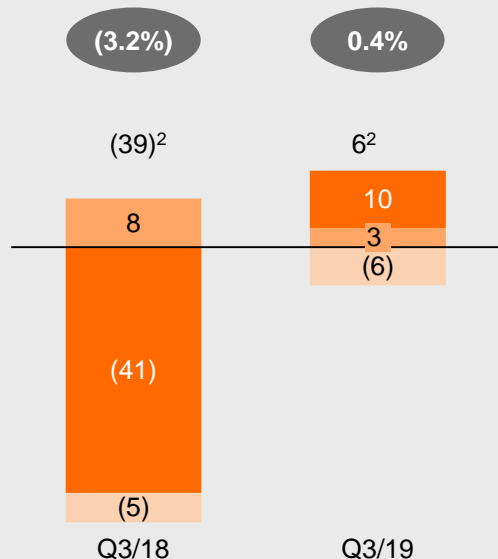
## Adj. EBIT: Group (YTD)<sup>1</sup>

■ Fashion Store  
■ Offprice  
■ Other

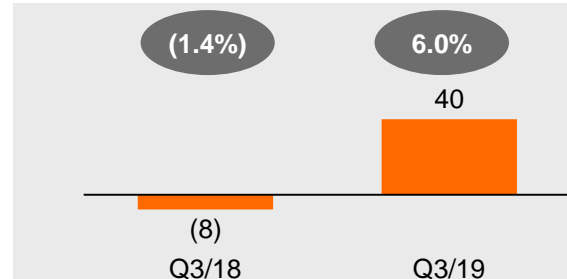
(in €m and %)



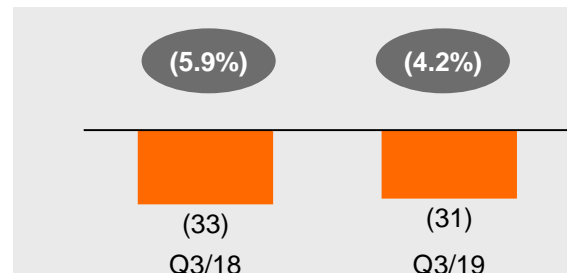
## Group (Q3)<sup>1</sup>



## Fashion Store – DACH (Q3)



## Fashion Store – Rest of Europe (Q3)



**10** (1) Excluding equity-settled share-based payment expense (SBC), restructuring costs and non-operating one-time effects of €47.8m in YTD/19 (YTD/18: €39.1m); Q3/19: €13.2m (Q3/18: €16.8m)  
 (2) YTD/19 (YTD/18) contains €0.6m (€0.8m) reconciliation of internal adj. EBIT; Q3/19 (Q3/18): €0.1m (€-1.3m).

# Healthy gross margin improvement due to reversal allowance of defective returns in Q3/18 and good trading environment

## Costs and margins<sup>1</sup>

(in % of revenue)

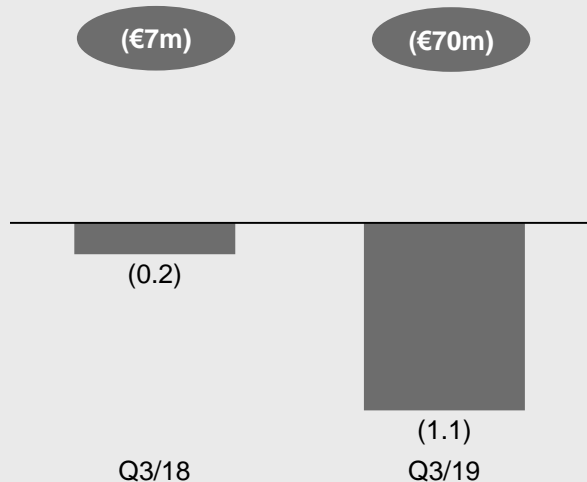
	YTD			Q 3		
	2018	2019	Delta	2018	2019	Delta
<b>Cost of sales</b>	(58.2%)	(57.4%)	(0.8pp)	(60.4%)	(58.9%)	(1.6pp)
<b>Gross profit</b>	41.8%	42.6%	0.8pp	39.6%	41.1%	1.6pp
<b>Fulfillment costs</b>	(28.8%)	(28.1%)	(0.6pp)	(30.0%)	(28.6%)	(1.4pp)
<b>Marketing costs</b>	(7.1%)	(7.8%)	(0.7pp)	(8.0%)	(8.0%)	(0.1pp)
<b>Administrative expenses &amp; Other</b>	(4.5%)	(4.2%)	(0.4pp)	(4.8%)	(4.0%)	(0.7pp)
<b>Adj. EBIT</b>	1.5%	2.5%	1.1pp	(3.2%)	0.4%	3.7pp

Higher warehouse utilization

## NWC impacted by preparation for Q4, Capex spend is accelerating towards the end of the year

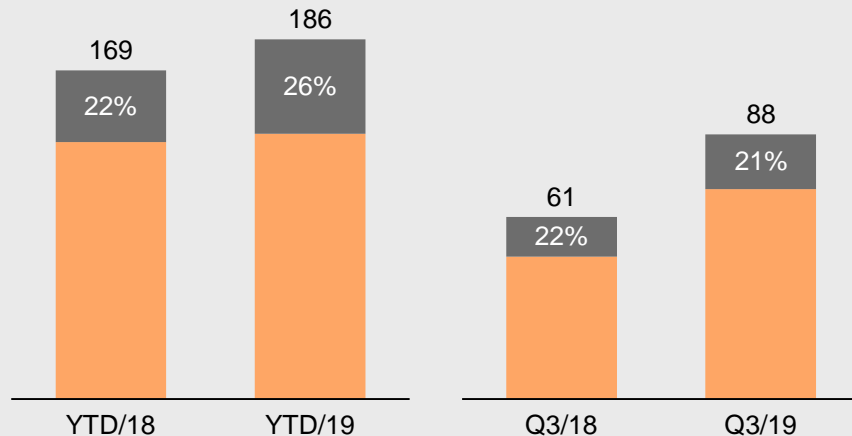
### Net working capital (end of Q3)

(in % of annualized revenue)



### Capital expenditure<sup>1</sup>

■ Intangibles  
■ PP&E  
(in €m)



# Outlook

## FY 2019 outlook confirmed

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

**Adj. EBIT<sup>1</sup> in upper half of initial €175 – 225m range**

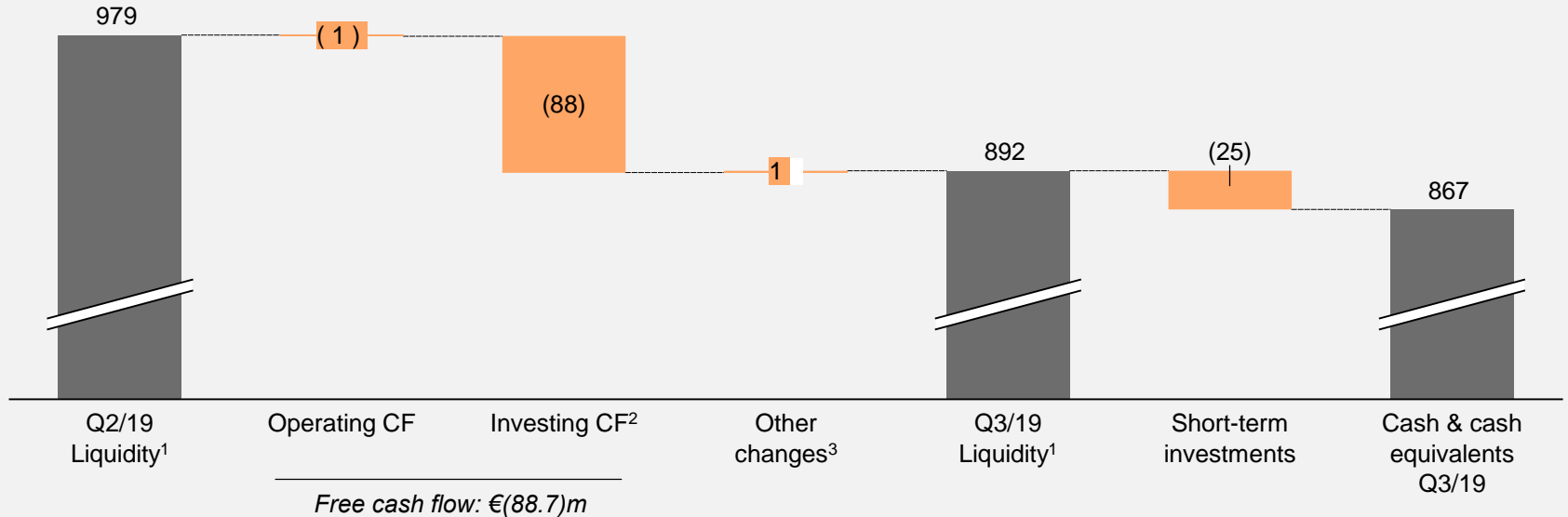
**Slightly negative working capital and around €300m capex<sup>2</sup>**

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 Q2/19 and Q3/19 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 (€4.1m) and effect of exchange rate on cash and cash equivalents (-€2.8m)



# Issued share capital

## SHARE INFORMATION (AS OF SEP 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
<b>Total Number of Shares Outstanding</b>	<b>252,765,235</b>
<b>Issued Share Capital</b>	<b>€252,765,235</b>

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

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2011 <sup>1</sup>	1,346,400	5.65
SOP 2013 <sup>1</sup>	9,275,200	15.56
VSOP 2017	290,000	42.24
LTI 2018 <sup>2</sup>	5,250,000	47.44
VSOP 2018	500,000	29.84
LTI 2019	784,000	15.71
<b>Total</b>	<b>17,445,600</b>	<b>25.11</b>

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

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 <sup>1</sup>	2,192,677	21.10
EIP <sup>1</sup>	3,636,670	35.31
VSOP 2017	459,166	42.24
ZOP	171,063	11.92
<b>Total</b>	<b>6,495,576</b>	<b>30.32</b>

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

## Upcoming events

Date	Event
Monday/Tuesday, November 4+5	Roadshow Switzerland (Geneva and Zurich)
Tuesday, November 5	Roadshow Frankfurt
Tuesday, November 12	UBS European Conference London
Wednesday/Thursday, November 13+14	Morgan Stanley TMT Conference, Barcelona
Monday/Tuesday, November 18 + 19	Roadshow Australia
Thursday, November 21	Roadshow Hongkong
Friday, November 22	Morgan Stanley's Eighteenth Annual Asia Pacific Summit, Singapore
Tuesday, January 14	German Investment Seminar, New York
Tuesday, January 21	GCC KeplerChevreux, Frankfurt
Thursday, February 27	FY/2019 Results

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