



Zalando - The Starting Point for Fashion

Nils Pöppinghaus
November 2022

zalando

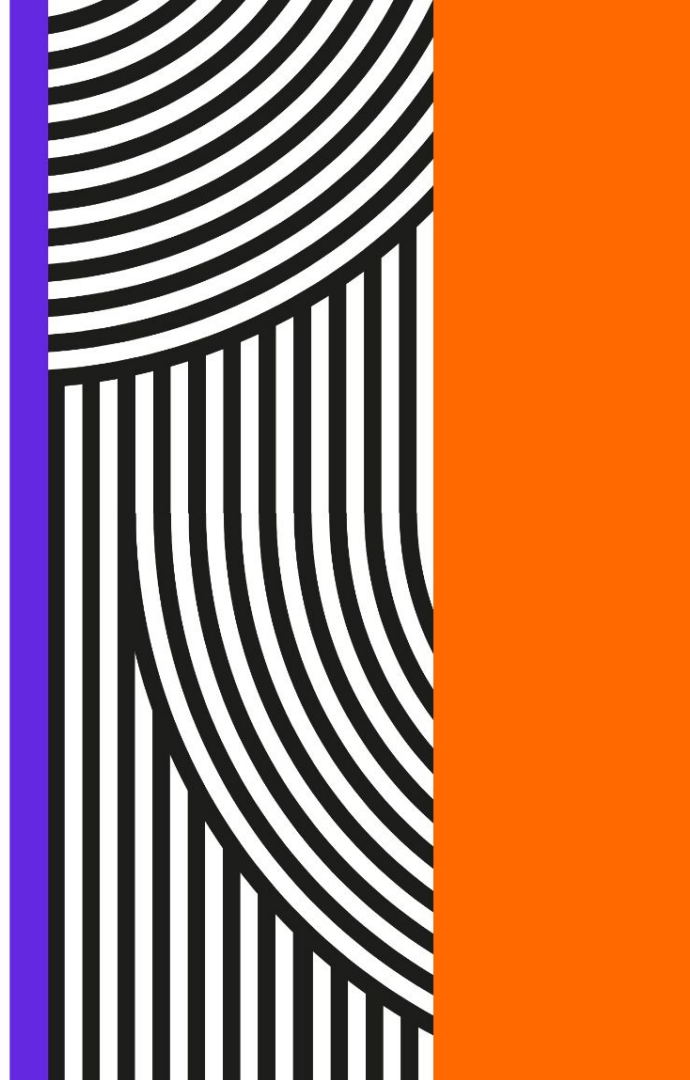


Agenda

Business model and strategy

Long-term opportunity

Q3/2022 Results





Investment Highlights

- 01 Clear vision and strategy**
We have a clear vision and strategy: to be the **Starting Point for Fashion**, the destination that consumers gravitate to for all their fashion needs
- 02 High ambition**
The opportunity for Zalando is immense, making us confident that we serve >10% of the fashion market long-term.
- 03 Capitalizing on the learnings of the past months**
We are successfully executing our action plan to adapt to current volatile environment, with growth and improved profitability expected for H2/2022
- 04 Long term focus**
We remain focused on our long term opportunities and continue to selectively invest through the cycle.
- 05 Attractive financial profile**
At scale, our platform strategy will result in double digit margins and strong cash generation

Zalando in a Nutshell

Unmatched Reach to European fashion consumer



25
European countries



90%
mobile traffic



>7bn
site visits last year



>50M
active customers

Strong Localization



>6,000
(local) Brands



>22
payment methods



>80
delivery & return
solutions



20
languages

Starting
Point for
Fashion

Platform Strategy



Zalando is leveraging its position to develop from an online retailer to a **platform business model with strong network effects**

Best-In-Class Logistics & Tech Capabilities

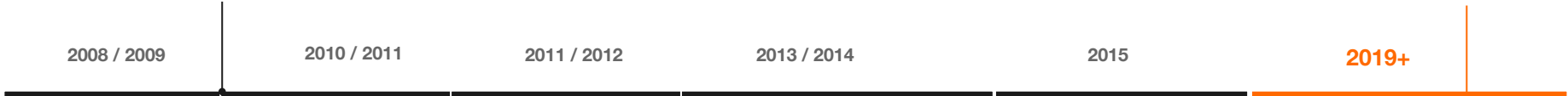


Best-in-class e-commerce logistics infrastructure and technology platform

Strong growth track record since foundation in 2008

2009 GMV
€6m

2021 GMV
€14.3bn



Market Entry

- Focus on shoes
- Defined value proposition
- Leadership in Germany



Category Expansion

- Apparel
- Sports
- Accessories
- Private label



Geographic Expansion

- 15 European markets
- 425m population
- Highly localized approach



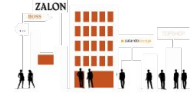
Operational Excellence

- Building proprietary technology and logistics infrastructure
- Creating scalable and efficient processes
- Successful IPO October 2014



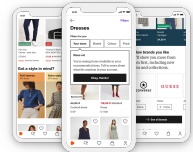
Platform Transition

- Opening our platform for partners (e.g. Partner Program, Connected Retail)
- Leveraging capabilities beyond wholesale (e.g. ZFS, ZMS)
- Focusing on customer loyalty (e.g. Zalando Plus)



Starting Point Vision & Sustainability

- Pursuing our vision to be the Starting Point for Fashion
- Ambitious sustainability strategy “Do More” as core part of our business strategy



We are a truly European fashion platform and are present in 25 European markets...

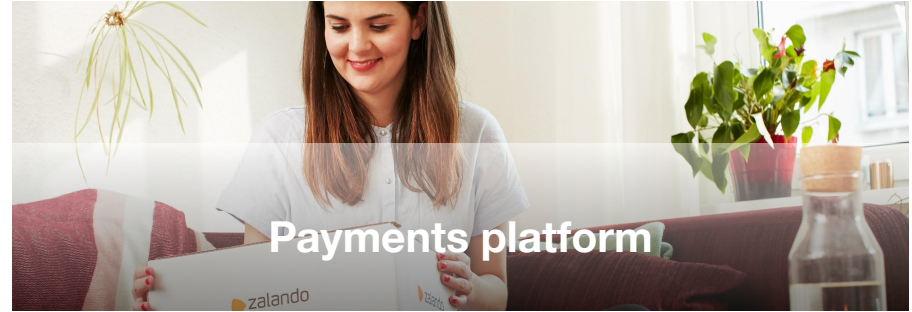
With the successful launch of eight new markets, we are now **active in 25 European markets**

We serve **>50m active customers¹**, more than 10% of the European population

And we serve our customers in a more meaningful way as active customers spending over 500 euros make up **more than 60% of our GMV²** in 2021



...with our success built on best-in-class e-commerce capabilities



We want to be the destination that consumers gravitate to for all their fashion needs

We provide customers a **distinct and compelling fashion proposition** making Zalando **THE app for fashion**



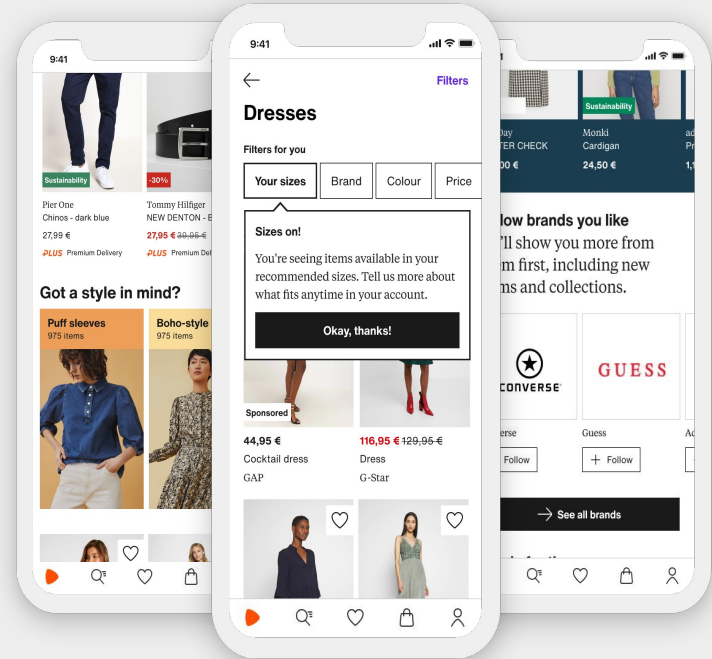
Endless choice



Seamless convenience



Tailored digital experience



To achieve our vision to be the Starting Point for Fashion we focus on three strategic dimensions

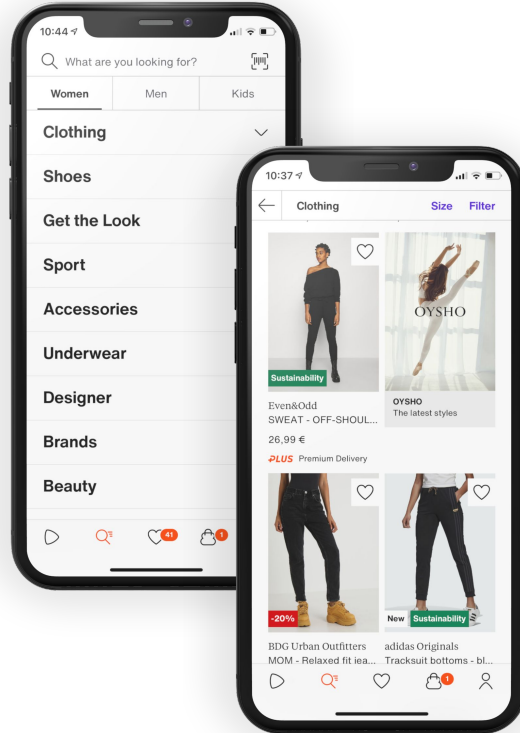


Consumers in the post-digital age prefer to have it all with one click in one app...

57% App order share
(+16pp vs. 2018)

3x App customers return more often:
More visits (compared to browser)¹

6x App customers browse more:
More products viewed²
(compared to browser)



~1/2 of orders contain more
than one brand³

18 average number of
purchased brands⁴

1) Number of sessions per logged-in customer in HY2 2020, App vs desktop customers
2) Number of PDPs viewed per logged-in customer in HY2 2020, App vs desktop customers
3) Zalando basket analysis, 2020
4) Brands per active customer based on customer lifetime

...and we are creating a best-in-class multi-brand environment that allows customers to engage with their most desired brands

New Brand launches spark customer engagement, elevate brand equity



Increased assortment showcases full brand offer

>75% Increased assortment across the most relevant brands
>5,800 Brands

Shared values enable impactful brand collaborations



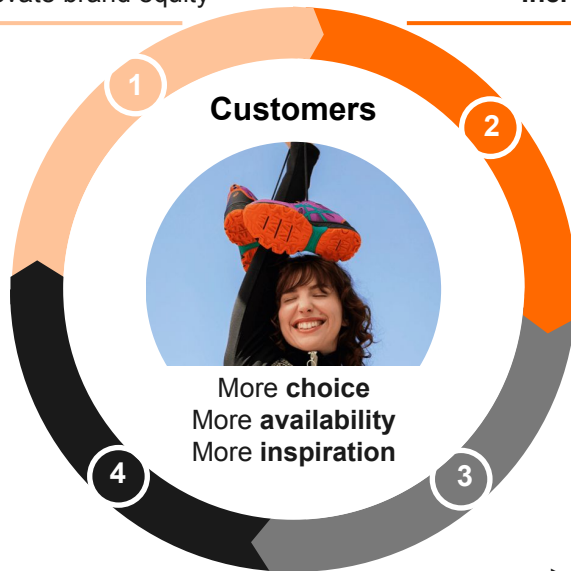
#Sustainability



#Inclusivity



#Genderless



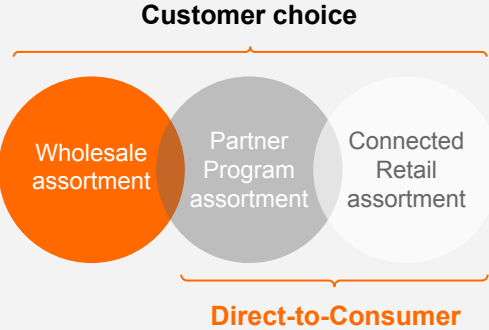
Dedicated Brand Homes enable elevated storytelling and brand followship



>40% increased followship resulting in 14m Zalando customers converted in "brand fans"

Partners are growing their DTC business on Zalando by leveraging our enabling capabilities...

Enabling Direct-to-Consumer



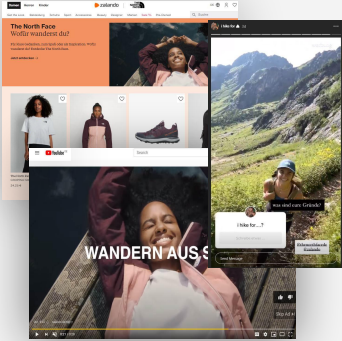
Partner business share¹: 30%

Driving internationalisation



Zalando-fulfilled partner business²: 55%

Connecting to consumers



Revenue generated through Zalando Marketing Services (in % of GMV)³: 2%


1) Dec 2021
2) Partner expansions to a market other than Germany

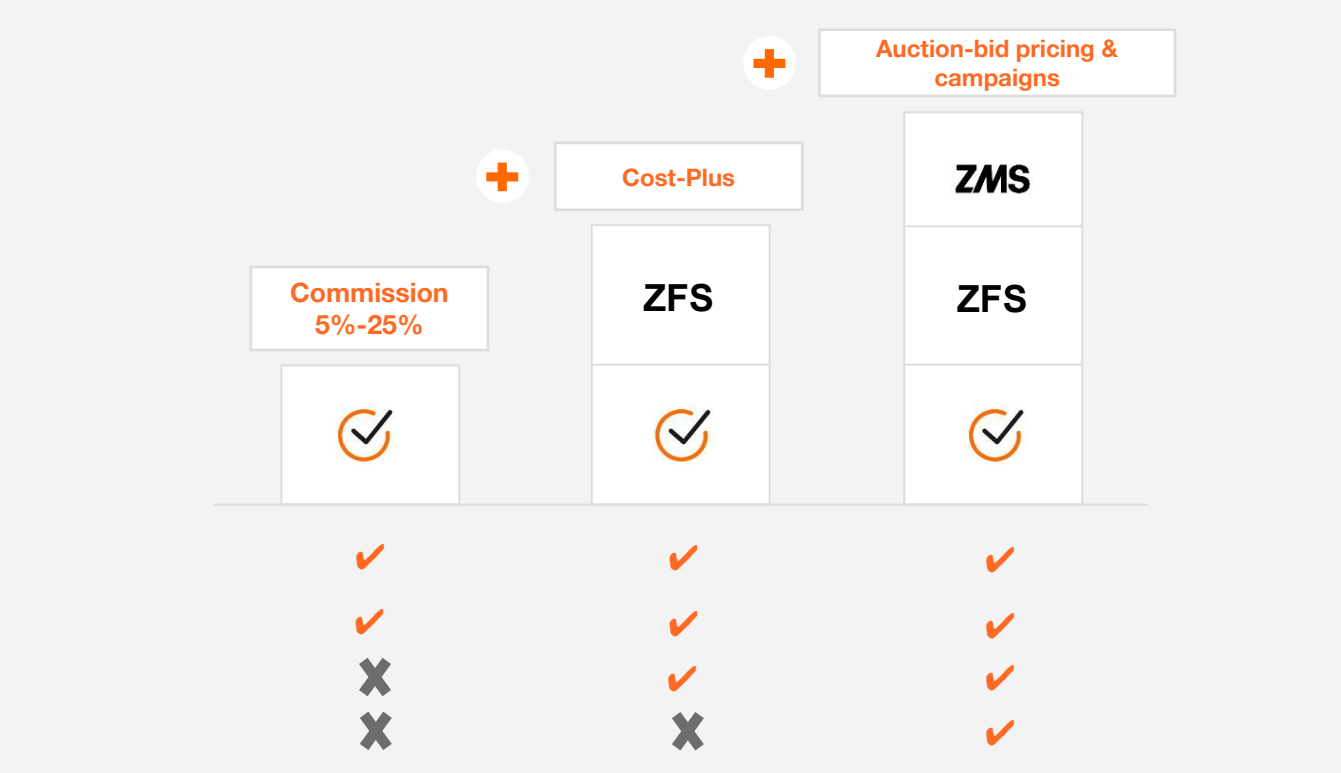
...because only in partnership with our brand partners, we are able to offer a superior experience for our customers to enjoy

Partner Program offers growth opportunities and advantages to all parties

ZMS Zalando Marketing Services

ZFS Zalando Fulfillment Solutions

 Partner Program & Connected Retail

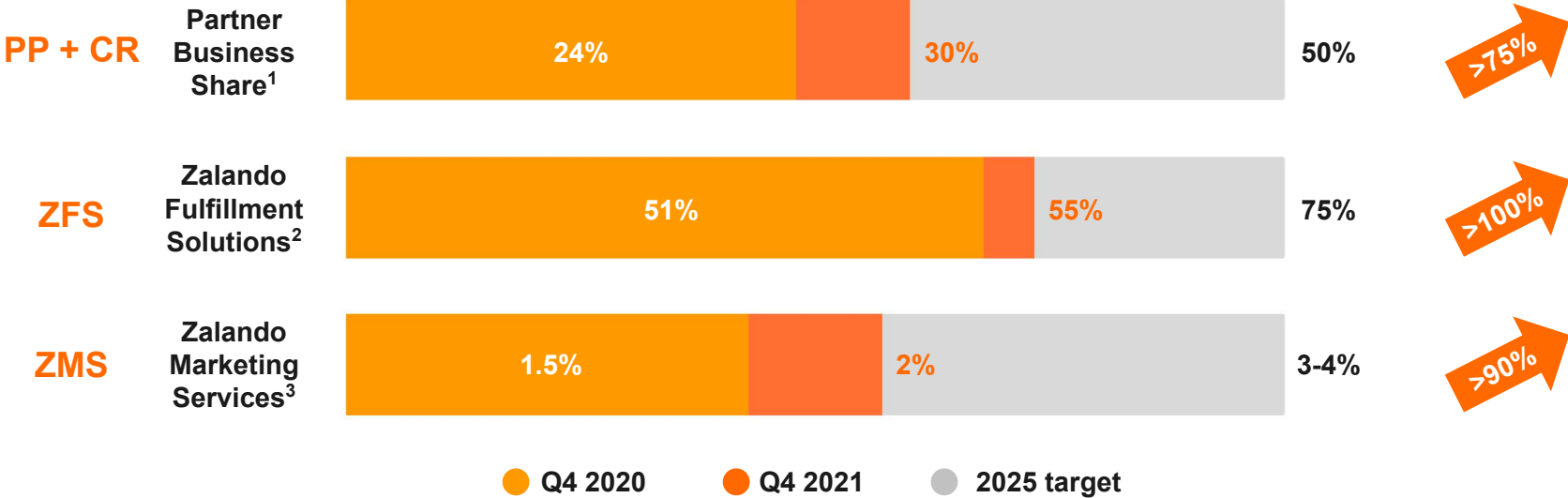


In 2021, we have further accelerated our transition towards a platform business

Progress towards our target model

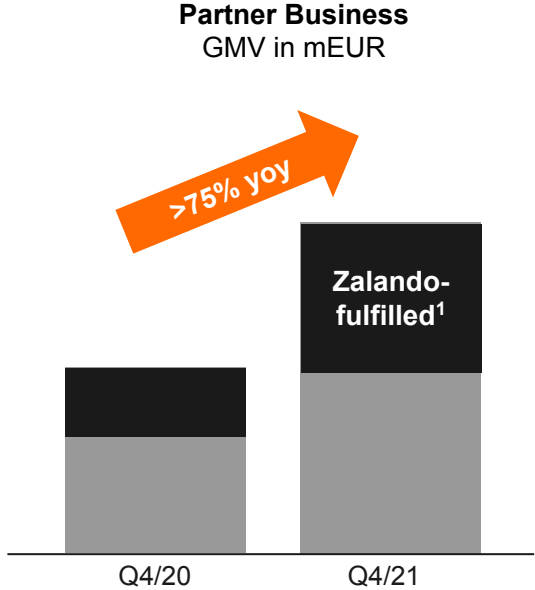
Strong progress towards our partner business targets

2021 growth⁴

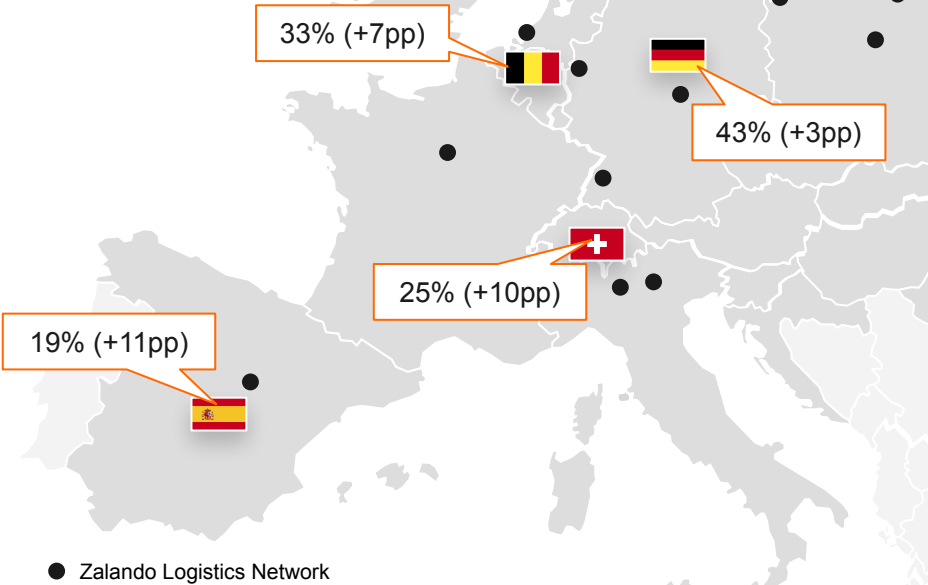


1) expressed as %-share of Fashion Store GMV. Partner business share of 50% (Partner Program and Connected Retail) refers to our business model mix ambition for 2025.
 2) expressed as %-share of Partner Program items shipped. ZFS share of 75% refers to our business model mix ambition for 2025.
 3) expressed as %-share of Fashion Store GMV. ZMS share of 3-4% refers to our long-term target model ambition.
 4) Partner Business growth YoY in EUR m GMV, ZFS growth YoY in number of Partner Program items shipped, ZMS growth YoY in EUR m of external revenue.

Many partners leverage our logistics capabilities to internationalize their business in Partner Program ...



Partner business GMV share across markets (Q4): 30% (+6pp yoy)



15 1) Illustrative, refers to Zalando Fulfillment Solutions

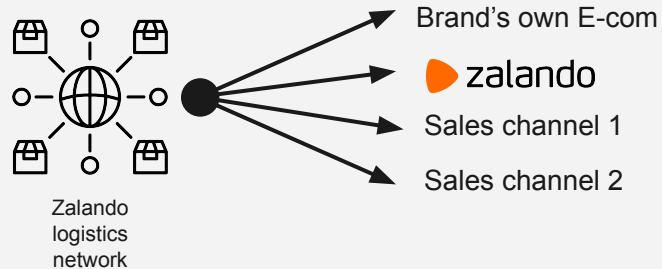
... and we will enable our partners with our unique logistics backbone to drive the success of their DTC business across all channels

Brands face a variety of complex challenges when growing their own Direct-to-Consumer business

- ❌ Fragmentation of inventories
- ❌ Increasing cross-border e-commerce
- ❌ Raising customer expectations
- ❌ Sustainability is difficult to address structurally alone



By opening up ZFS to channels beyond Zalando we enable multi-channel fulfillment for our partners



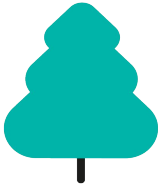
One network,
one stock pool



- ✓ Better customer service
- ✓ Superior economics
- ✓ More sustainable business

Our goal is be a sustainable fashion platform with a net-positive impact for planet and people

Planet



Aspiration Reduce carbon footprint

Minimize waste & eliminate single-used plastics

Milestones 2021 51% of our partners have set Science Based Targets

89% of packaging material is recycled and 99% is recyclable

Switched to 100% biogas in German fulfillment centers

Started switch from plastic to paper shipping bags

Product



Apply the principles of circularity

25% of GMV with more sustainable fashion

Pre-owned Fashion in 13 countries with over 245,000 articles

Increased sustainable assortment to >140,000 items

Scaled circular collection to 50 pieces

Launched value based browsing experience

Invested in recycling technologies

21.6 % GMV in 2021

People



Increase Ethical Standards & only partners who align

Support 10,000 people in the workforce

100% disclosure Tier 1 private label suppliers

Provided skilling opportunities to 2,773 people since 2020

Update of policies and standards

Developed upskilling program for supplier factory in Bangladesh

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We have an immense opportunity ahead of us and invest through cycle to create long term value while navigating through a volatile market environment

Long term opportunity

Total fashion
>450bn EUR¹

>10%

 zalando

Volatile market environment 2022

- 1 Consumer sentiment
- 2 Supply chain
- 3 Inflation

Focusing on value creation

- ✓ Investing through the cycle
- ✓ Steering business in an agile manner
- ✓ Driving efficiencies

1) Source: Company estimates and Euromonitor International forecasts, February 2022. Euromonitor forecasts the overall European Fashion Market to grow to roughly 450bn EUR over the next few 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

Our long term profitability ambitions are unchanged, but on a higher level of scale by transitioning to higher margin business and increasing economies of scale

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

In % of revenue	Wholesale ¹	Partner Business	Group margin impact vs. 2020	Key Drivers
Gross margin			↑	<ul style="list-style-type: none"> Transition to a Platform business model and economies of scale
Fulfillment costs			→	<ul style="list-style-type: none"> Reversal of temporary return rate benefit and enhanced, more sustainable convenience experience
Marketing costs			↓	<ul style="list-style-type: none"> Starting Point Vision unfolds and share of existing customers increases
Admin expenses			↓	<ul style="list-style-type: none"> Continued focus on overhead-efficiencies and economies of scale
Adj. EBIT margin	6-8%	20-25%	10-13%	<ul style="list-style-type: none"> Transition to higher margin platform business and increasing economies of scale

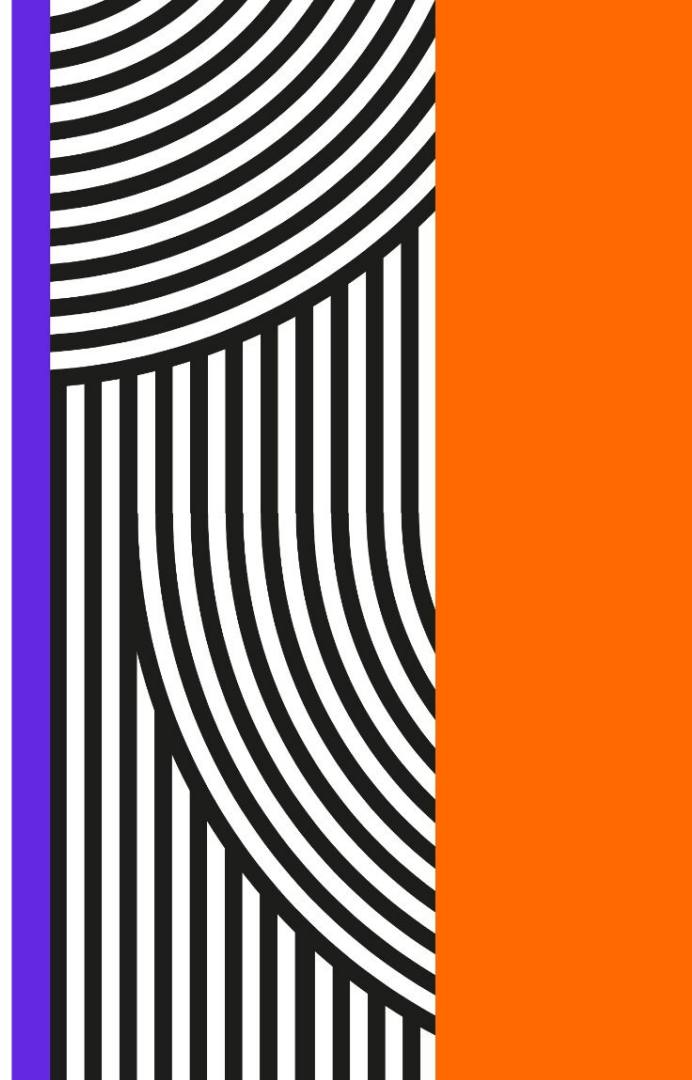
1) Wholesale includes Offprice

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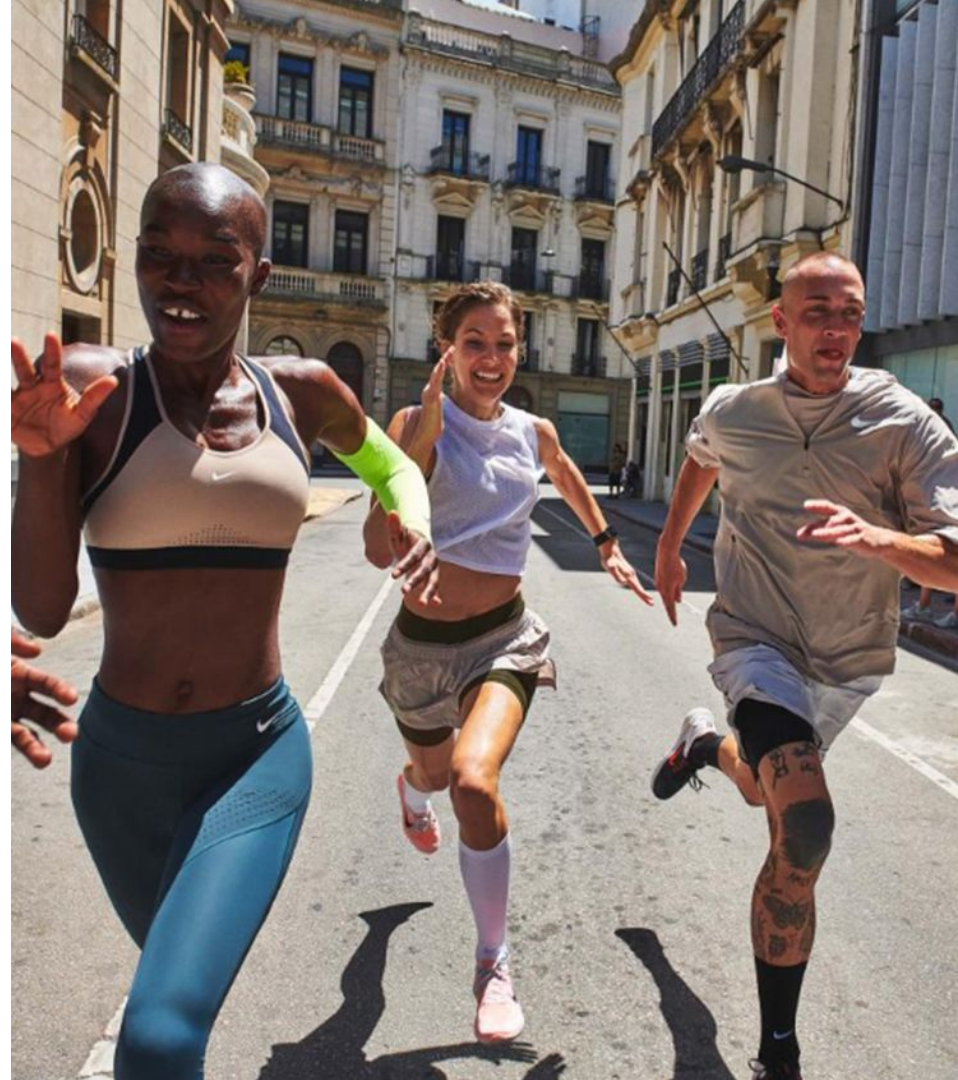
Strategic partnership with Nike, Inc strengthens our efforts to be the Starting Point for Fashion

Access to Nike member-exclusive products and benefits for Zalando customer¹

Distinctive shopping experience through **elevated storytelling and inspiration**

Joint commitment to **creating an exclusive experience** with a better assortment

¹) The experience will go live in all ten markets Nike is present in with Zalando's partner program (Germany, Austria, the Netherlands, France, Belgium, Denmark, Sweden, Finland, Italy and Poland), started with Austria in October



In Q3, we were able to return to growth in a declining demand environment with consumer confidence hitting a record low

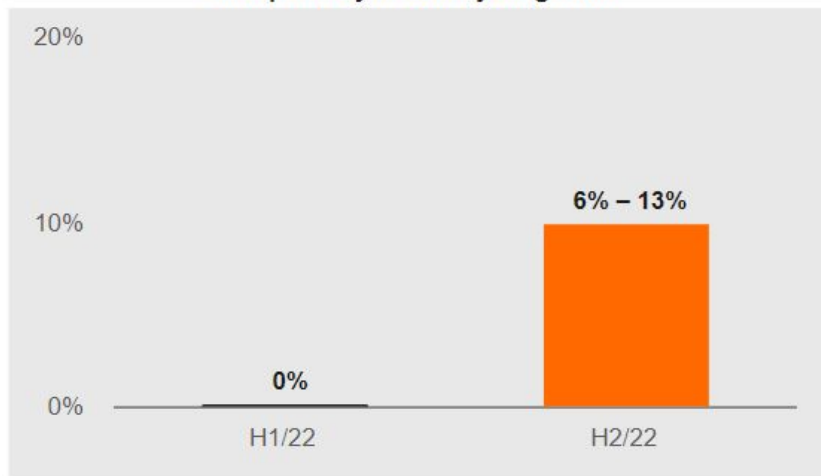


1) Jan 2020 to September 2022, source: European commission, EU-27, black line represents long-term average
 2) Jan 2020 to September 2022, source: Global Supply Chain Pressure Index, New York Fed, black line represents long-term average
 3) Year-over-year GMV growth Zalando group

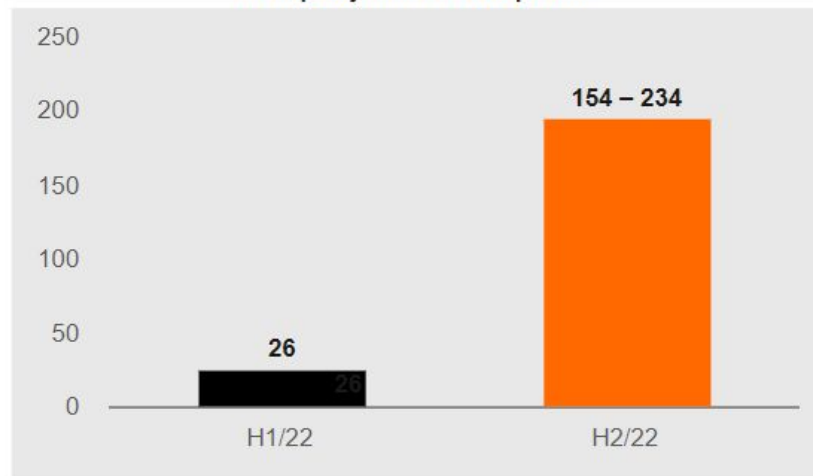
As a result of our decisive actions we are on track to deliver improved profitability compared to H1/22 and remain laser-focused as we enter the key commercial quarter



Group GMV year-over-year growth



Group adj. EBIT development¹



We expect to reach the lower end of the guidance range

3% - 7%

GMV growth

0% - 3%

Revenue growth

EUR 180 - 260m

Adj. EBIT¹

EUR 350 - 400m

Capex² and neutral net working capital

1) Excludes equity-settled share-based payment expense ("SBC") of EUR ~65m, restructuring costs and non-operating one-time effects for FY/22

2) Excludes M&A transactions



Appendix

Management Board

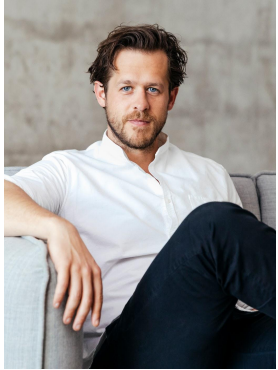
Share information

Zalando Investor Relations Team

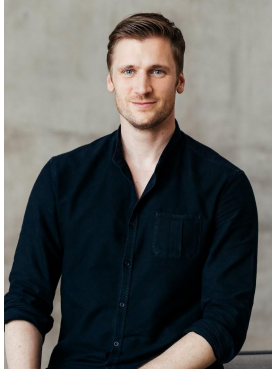




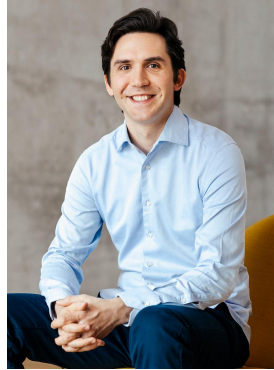
Zalando Management Board



Robert Gentz
Founder & Co-CEO



David Schneider
Founder & Co-CEO



David Schröder
COO (former CFO)



Astrid Arndt
CPO



Jim Freeman
CBPO



Sandra Dembeck
CFO



Issued share capital

Share information

(as of Sep 30, 2022)

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	263,487,642
Issued capital	EUR 263,487,642

Stock options Management Board (as of Sep 30, 2022)

Program	# Options outstanding	Weighted average exercise price (EUR)
LTI 2018 ²	4,296,949	47.44
VSOP 2018	140,000	29.84
LTI 2019	356,380	20.45
LTI 2021/2022	236,417	48.53
ZOP	11,545	1.00
Total	5,041,291	44.99

Stock options programs Senior Management (as of Sep 30, 2022)

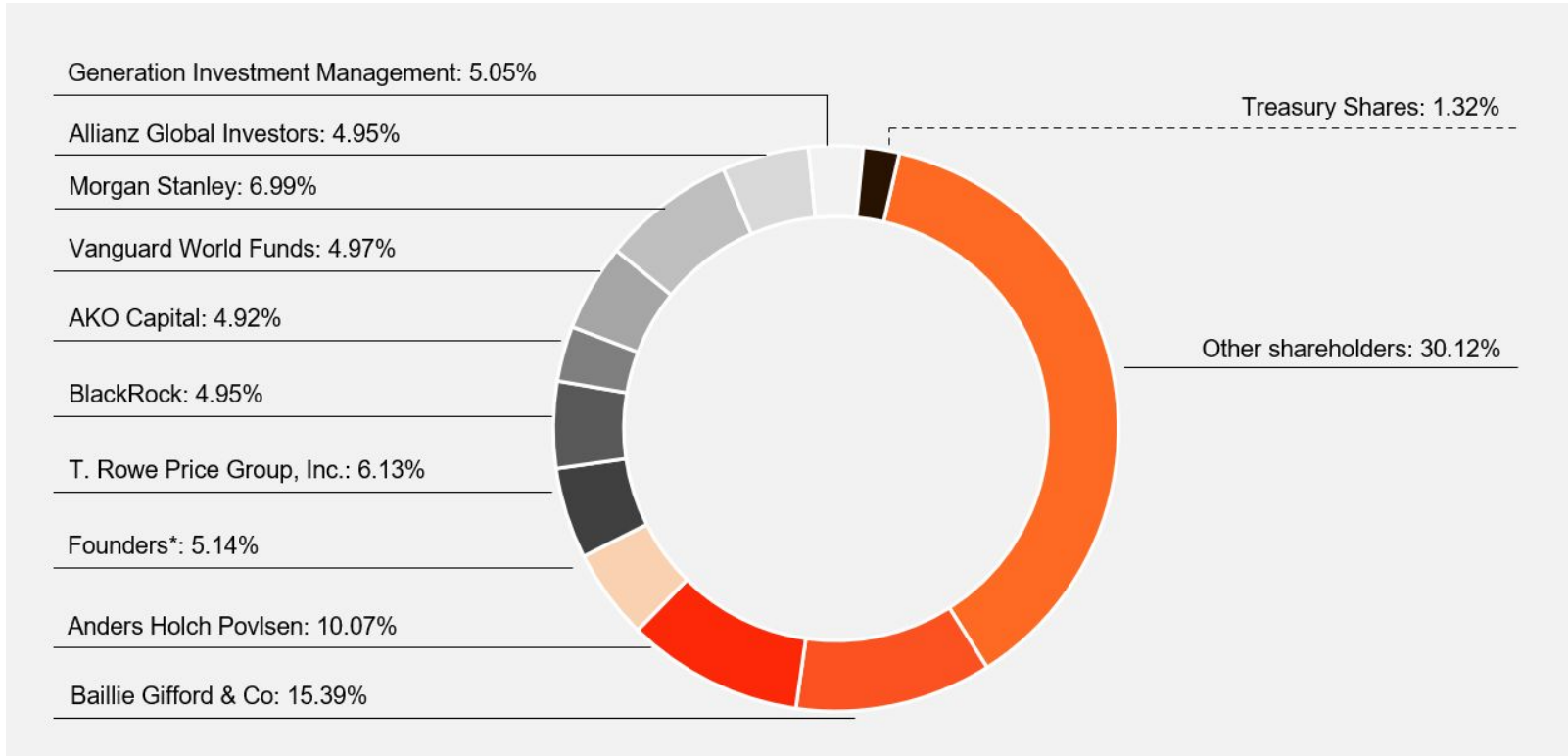
Program	# Options outstanding	Weighted average exercise price (EUR)
LTI 2014 ¹	647,418	23.66
EIP ¹	2,715,080	37.68
ZOP	2,608,454	33.93
Total	5,970,952	34.52

1) Settled with new shares

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



Shareholder structure



Voting rights held directly or by a subsidiary. Last update: November 8th, 2022

* Aggregate shareholding of the founders



Zalando Investor Relations Team



Patrick Kofler

Head of IR

Patrick.Kofler@zalando.de



Dorothee Schultz

Manager ESG IR

Dorothee.Schultz@zalando.de



Nils Pöppinghaus

Senior Manager IR

Nils.Poeppinghaus@zalando.de



Ignacio Azpitarte Garay

Junior Manager IR

ignacio.azpitarte.garay@zalando.de

Team Contact

T: +49 3020 9681 584

Zalando SE

Tamara-Danz-Straße 1

10243 Berlin

investor.relations@zalando.de

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



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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.

