



SdK Investors Forum Zalando Presentation

August 17, 2023

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zalando





Agenda

Investment highlights

Our Q2 2023 results



Investment highlights

- 01 Zalando - The Starting Point for Fashion**
Best-in-class proposition for customers, partners and planet
- 02 Industry-leading platform business model**
Highly flexible model tailored to our partners to enable their Direct-to-consumer business on Zalando
- 03 Unrivalled scale**
Scale leadership and partner business translating to highly attractive financial profile
- 04 Long term focus**
Significant runway to increase market share and profitability

To turn Zalando into the starting point for every fashion-loving European we focus on three strategic dimensions



Customers

We create deep customer relationships at scale



Partners

We transition towards a true platform business



People & Planet

We build a sustainable platform



Customer value proposition centered around relevant choice, a tailored digital shopping experience and seamless convenience

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



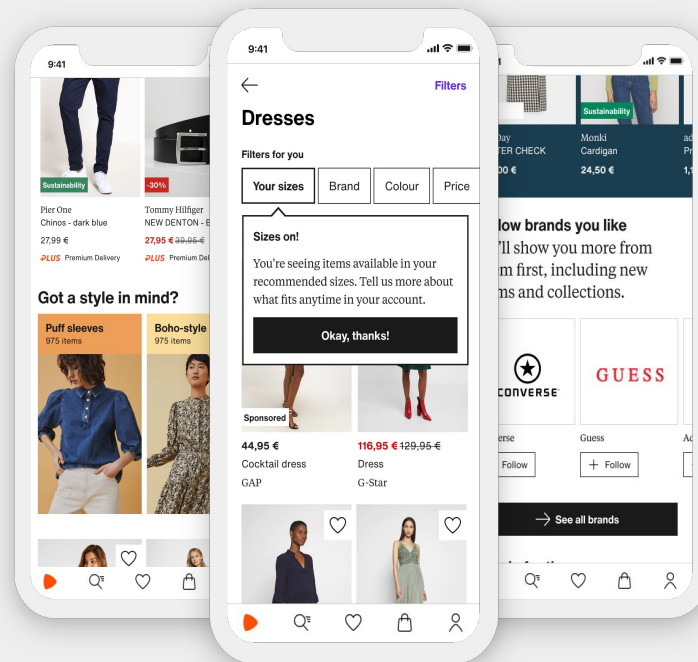
Relevant choice



Tailored digital shopping experience

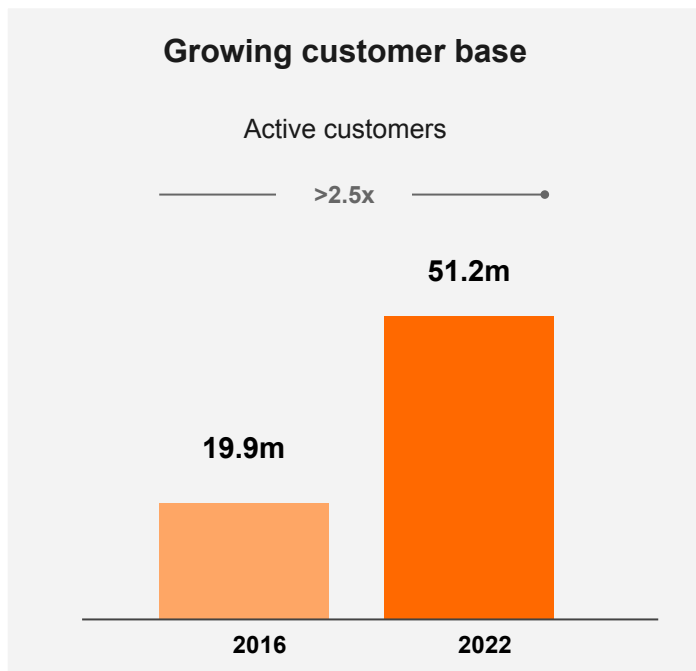


Seamless choice





...resulting in a highly loyal and monetizable customer base





Next to our core fashion proposition, we are elevating multiple newer propositions to make it easier for customers to engage with Zalando for all their shopping needs

Improve core fashion experience

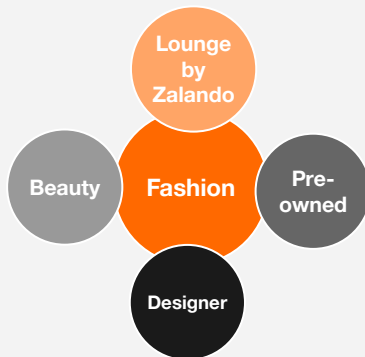
MMG x Salomon
From the peaks to the streets
The worlds of trail running and haute couture collide as MMG, Miu Miu, Margiela and Salomon drop their first ever collab.

Dunk Low "Community Pack"
Fresh takes on the Nike icon
Dunk mania continues with the "Community Pack" release.

Fashion

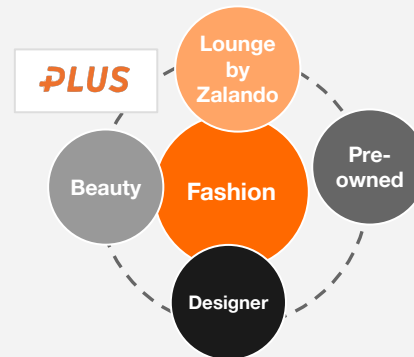
90% of our active customers buy fashion with us

Elevate distinct propositions



~20% of customers are active in 2+ propositions

Connect all our propositions



Over two million Zalando Plus members



We enable our customers to engage **with their most desired brands in a best-in-class multi-brand environment**

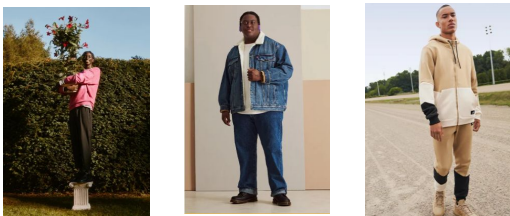
New Brand launches spark customer engagement, elevate brand equity



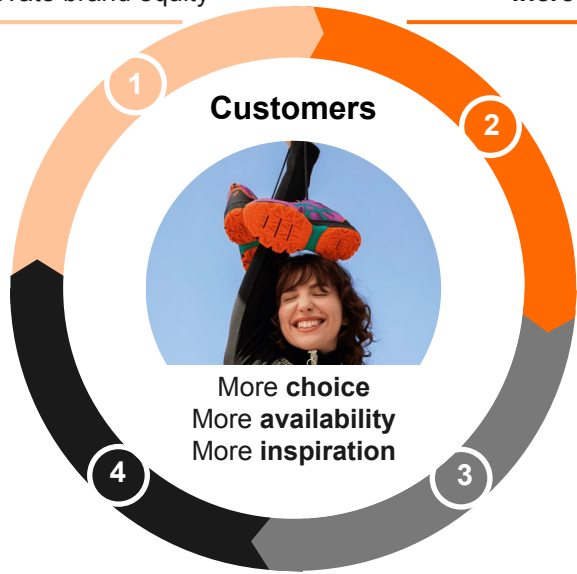
Increased assortment showcases full brand offer¹

>2 million SKUs
>6,000 Brands

Shared values enable impactful brand collaborations



#Sustainability #Inclusivity #Genderless



Dedicated Brand Homes **enable elevated storytelling** and brand followship



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



Launched several high-profile brands on Zalando to ever improve our proposition towards our customers

Sports

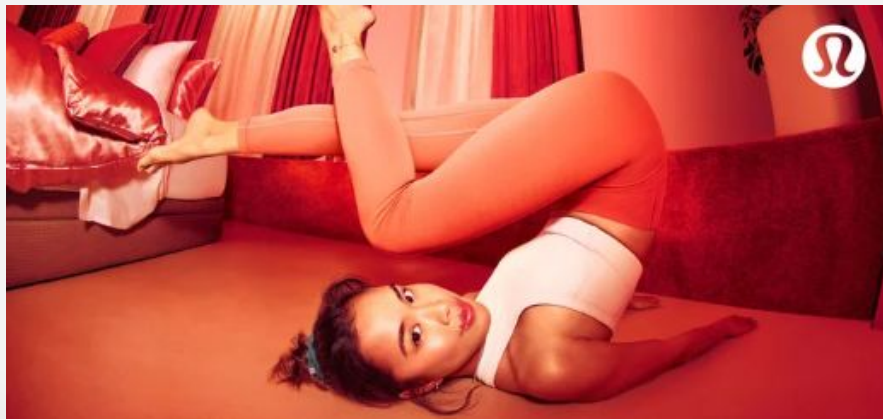
Zalando is lululemon's partner of choice for reaching millions of European customers

Beauty

Deepened partnerships with luxury perfumes and cosmetics houses Lancôme, Shiseido and Mugler

Locally relevant heroes

Onboarded locally relevant brands Le Slip Français and Claudie Pierlot to win in France





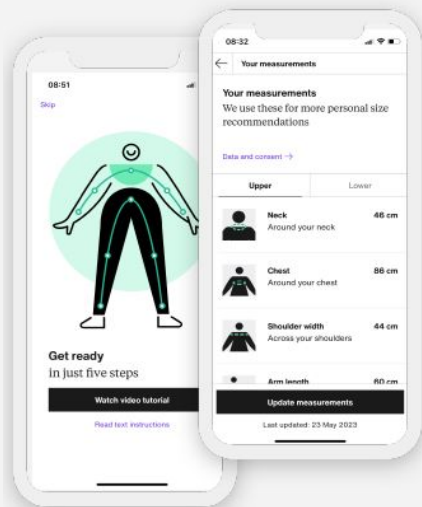
Zalando well positioned to unlock potential of new innovations to address critical pain points for customers

Launched new size advice experience based on customers' own body measurements to further reduce size-related return

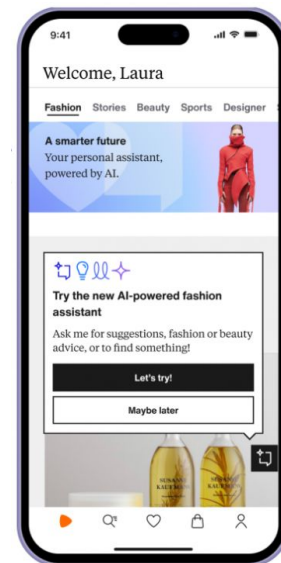
New fashion assistant powered by ChatGPT helps customers to navigate through Zalando's large assortment

Existing size and fit experience already **reduce size-related returns by 10%** compared to items without size advice¹

New experience is a step-change on Zalando's journey to help customers find the right size at first try



Allows customers to ask questions using their own fashion language and **discover Zalando in a more intuitive way**

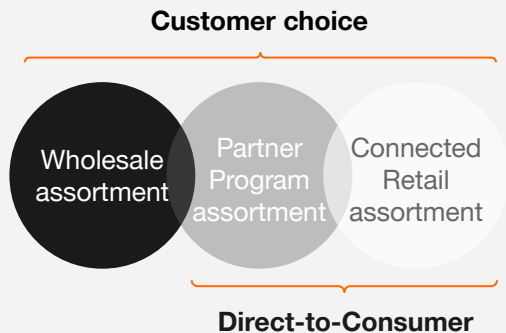


¹ On average on a per article basis



We further empowered brands to grow their direct-to-consumer business on Zalando by leveraging our state-of-the-art enabling capabilities

Enabling Direct-to-Consumer on Zalando



Partner business share¹: 36%

Driving internationalisation across Europe

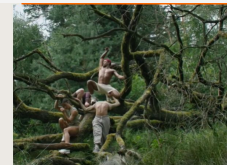


Zalando-fulfilled partner business²: 58%

Connecting to consumers

Zalando Marketing Services

We connect brands to consumers



Powerful performance solutions

Turbo-charge your sales performance, for selected products or your whole assortment. Leverage our powerful performance marketing tools, driven by machine learning and constantly optimized to ensure your success.



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

¹ Refers to Partner Program and Connected Retail, Q4/2022, Partner Business GMV expressed as %-share of Fashion Store GMV

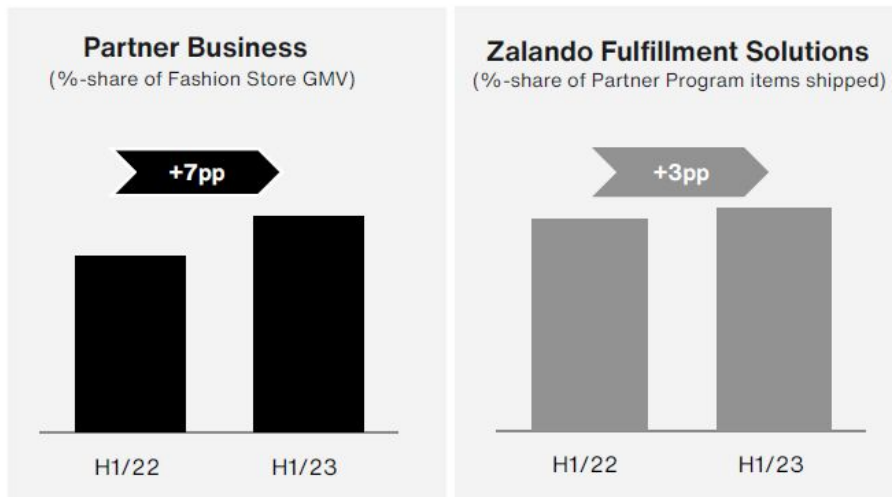
² Refers to Zalando Fulfillment Solutions, Q4/2022, ZFS items expressed as %-share of Partner Program items

³ Refers to Zalando Marketing Services, Q4/2022, ZMS revenues expressed as %-share of Fashion Store GMV



Partners continue to leverage our fulfillment service offerings to scale their business on and off Zalando as we further productize our logistics infrastructure

Continued strong growth of partner business on Zalando driven by an increased adoption of ZFS...



...and our partners increasingly leverage our multi-channel fulfillment solutions to scale their business beyond Zalando

Items shipped with multi-channel fulfillment

>100.000

-  Markets where multi-channel fulfillment is already available
-  Markets where multi-channel fulfillment is soon available





We continue to work towards our sustainability targets and driving a diverse and inclusive assortment with products in every category across price, size and style

Carbon Footprint



Partner Engagement

Learning platform to set Science Based Targets

58%

of our suppliers¹ have set science-based targets

¹ By emissions, including brand, packaging, and last-mile-delivery partners



Adaptive Fashion

+ 300 styles launched with Tommy Hilfiger, Nike and within Zalando's own private labels

Product Packaging



Plastic Packaging Reduction

Improved folding techniques & stop of void fill usage

~38% reduction in single-use plastic packaging per item shipped

99% packaging material is recyclable



Genderless

Inspiring customers with a dedicated **fashion hub** and **exclusive collections**



+60%

Inclusive beauty assortment since 2019

Sustainability Assortment



Circular Design Criteria

Private label assortment

~775,000 products designed and produced with **circular design criteria**



+66

Onboarded **black-owned brands** across beauty, jewelry and fashion in 2022

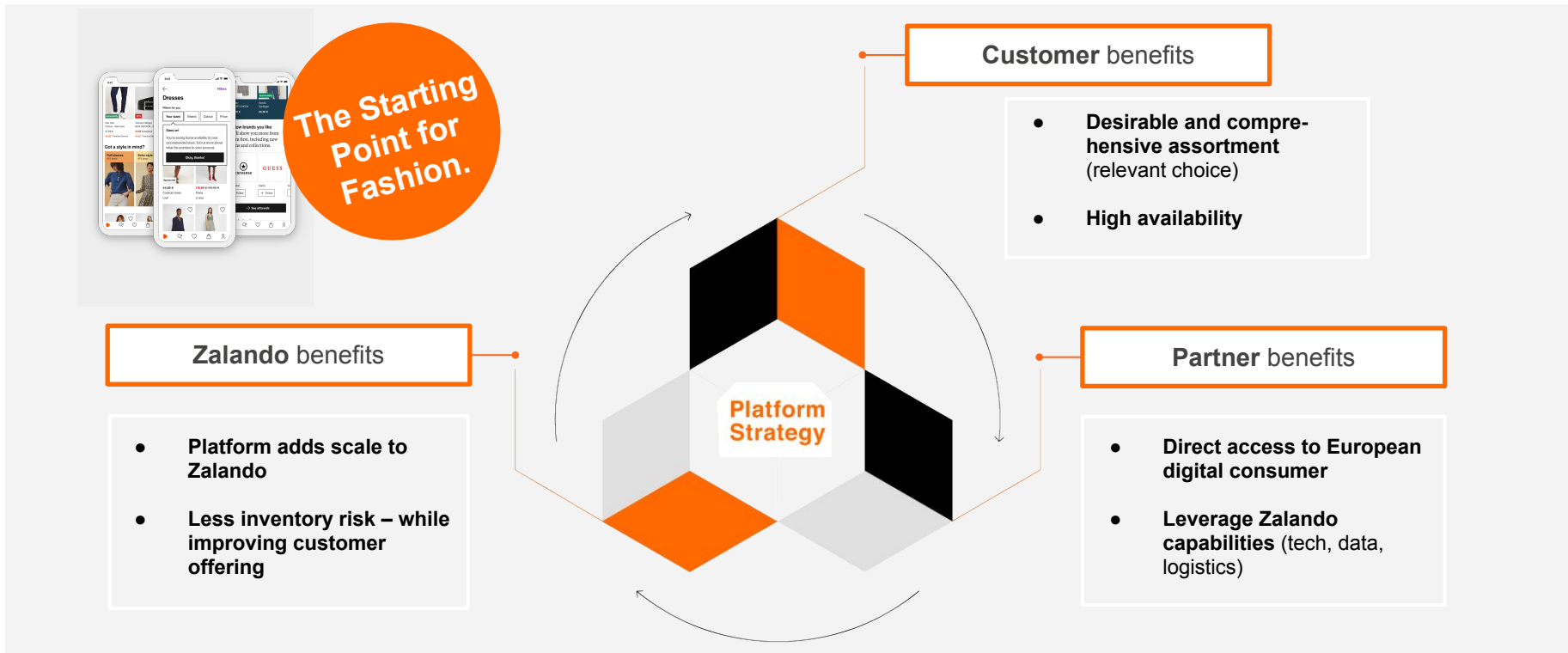


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Significant runway to increase market share and profitability



One key building block to achieve our version is to transition to an industry-leading platform business model...

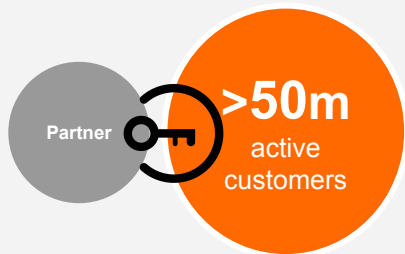




...where our brand partners can leverage our access, technology and logistic infrastructure to tackle their challenges in selling direct-to-consumer

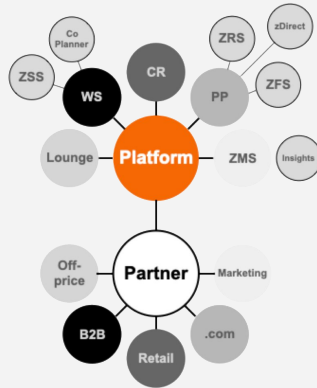
Fast & easy access

...to the largest & most diverse online **customer base** in fashion in Europe



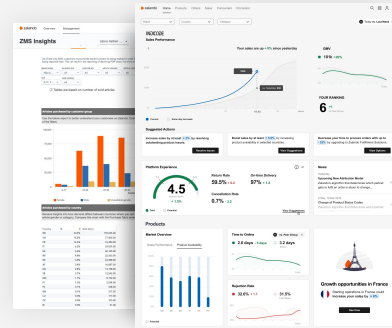
Complementing capabilities

...with a variety of **business models & services**



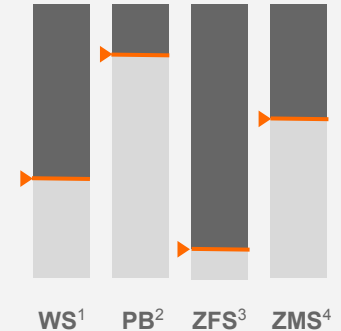
Easy to use tools

...to steer performance and gather **insights** on customers and products



Highly flexible






...**business model and service mix** to fit any Partners' challenges & strategy



1) Wholesale
 2) Partner Business
 3) Zalando Fulfillment Solutions
 4) Zalando Marketing Services



Highly flexible model tailored to our partners

	 Partner Program	CR Connected Retail	ZFS Zalando Fulfillment Solutions	ZMS Zalando Marketing Services
Value Proposition	<ul style="list-style-type: none"> Curated Marketplace enabling brands' direct-to-consumer business across Europe 	<ul style="list-style-type: none"> Digital Storefront for Offline Retailers with Nationwide Reach 	<ul style="list-style-type: none"> Flexible and cost-efficient turnkey solution for European E-Commerce logistics 	<ul style="list-style-type: none"> Data infused marketing service to elevate branding and drive sales on and off premise
Long-term Target	~50% of GMV ¹		~75% of Partner Program Items Shipped	~3-4% of GMV
Current Status (Q4 2022)	~36% of GMV		~58% of Partner Program Items Shipped	~2% of GMV
Revenue Model	5-25% Commission in % of GMV		Cost Plus Model	Auction Model
Gross Margin Impact (vs. Group 2021)				

1) Partner Program Share in % of Fashion Store GMV



ZFS offers partners a cost efficient fulfilment solution to internationalise in Partner Program while meeting the high convenience expectations of our customers

Enables internationalisation

Fast and easy internationalisation in just one contract

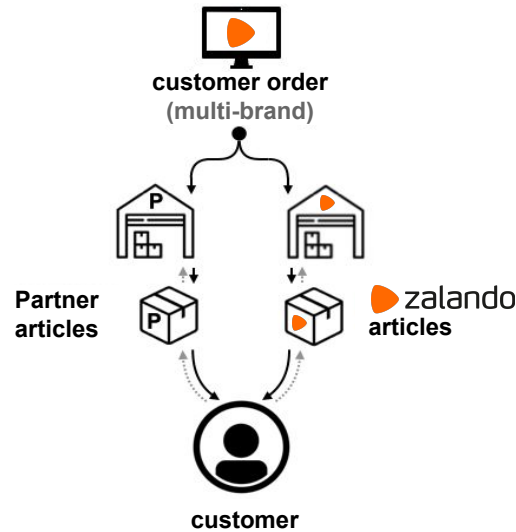
Superior Order Economics

Significant savings through bundling multi-brand orders in a single parcel

Unmatched convenience experience

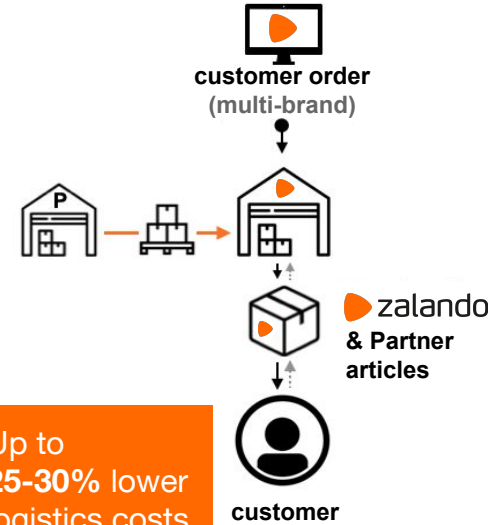
Convenience proposition on par with Zalando wholesale

Drop ship model



- No parcel sharing
- High fulfilment cost
- Less compelling convenience proposition

ZFS model




Up to
25-30% lower
logistics costs

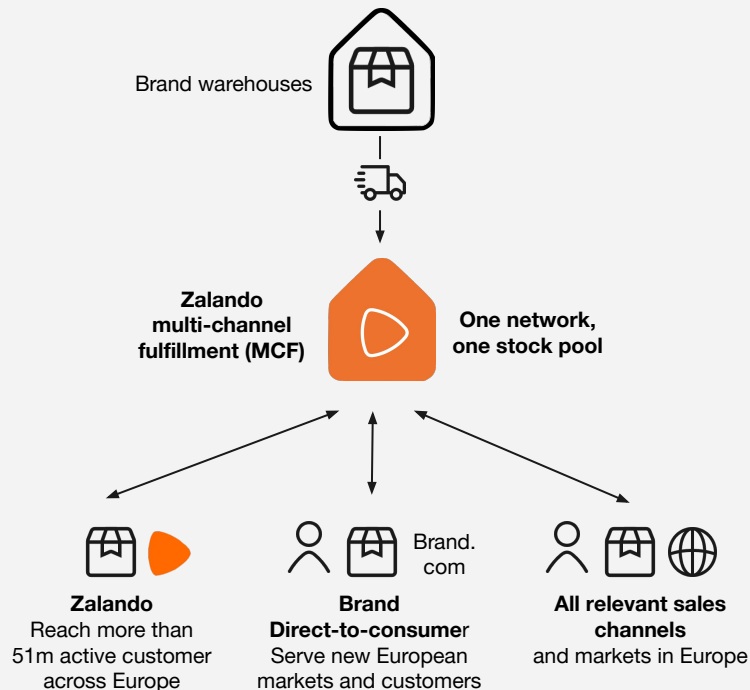
- Multi-Brand orders in one parcel
- Parcel sharing cuts fulfilment cost
- ZFS orders are enabled for Zalando Plus

As a next step, we will also enable multi-channel fulfillment for our partners to enhance and extend our role in the industry

>50k Number of items processed since October as part of pilot phase across six major European markets

10 Number of partners signed

 Further invest into our highly differentiated fashion fulfillment capability to enhance and extend our role in the industry





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Significant runway to increase market share and profitability

We have built the unrivalled #1 online fashion platform in Europe

Active customer development¹

Zalando Plus development¹

More than

51m

Active customer
+5.7% yoy

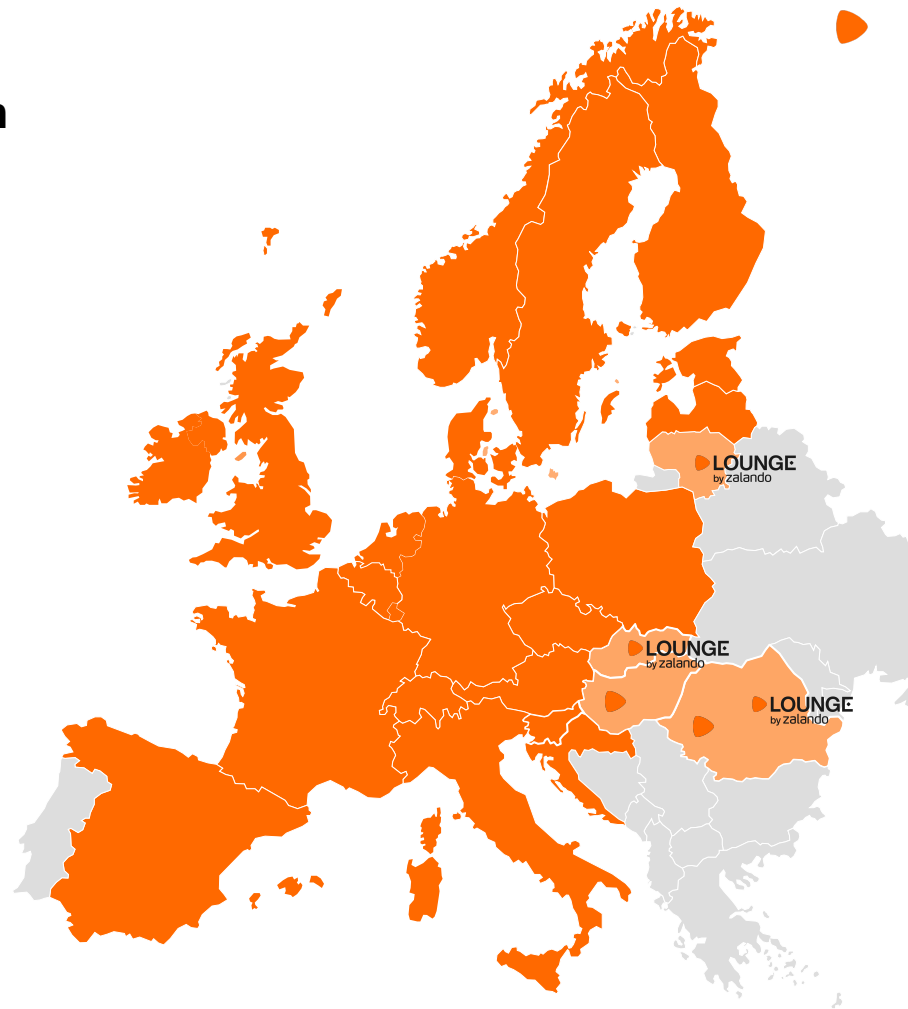
More than

2m

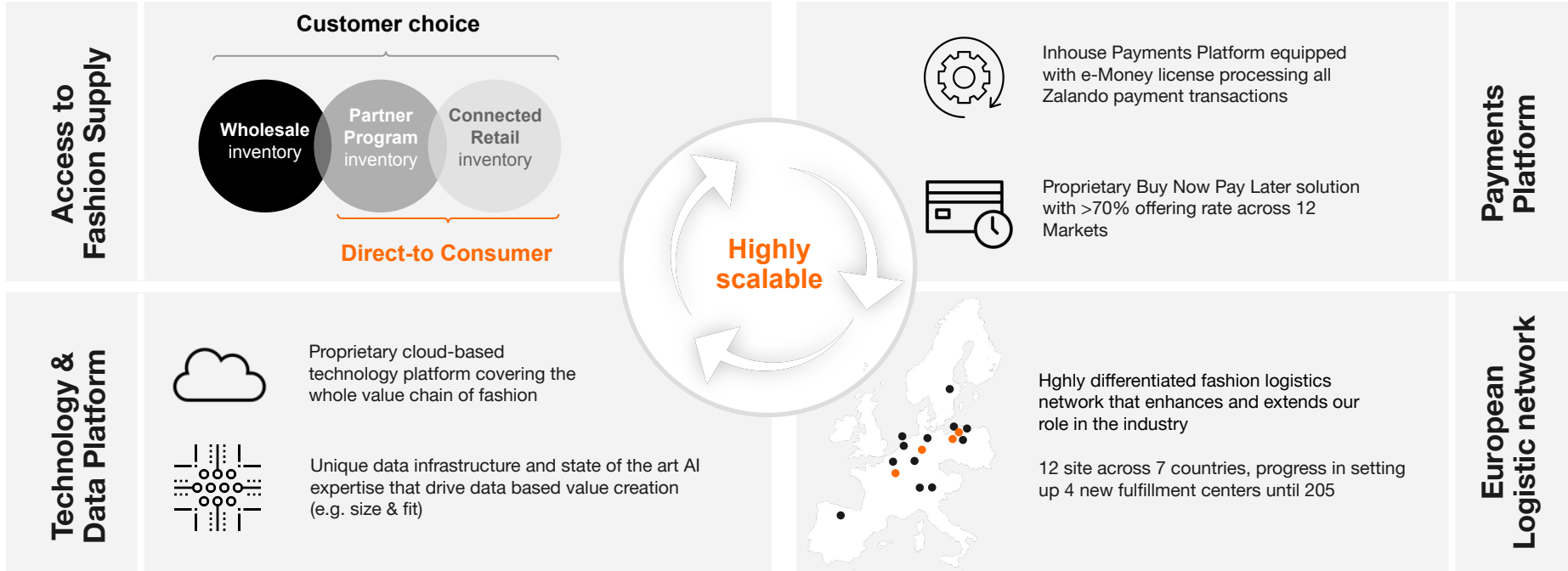
Zalando Plus members
+130% yoy

Fashion Store and Lounge by Zalando markets

Fashion Store	23	+2	→	25	
Lounge by Zalando	14	+3	markets	→	17

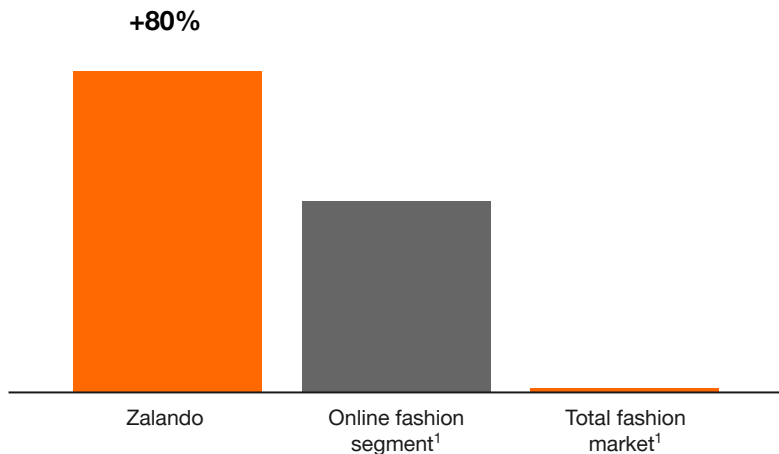


Our true technology platform coupled with pan-European logistics network enables our position in the European fashion market



We continued to outgrow the online fashion segment in a sustained period of significant disruption

3-year GMV growth in % (2022 over 2019)



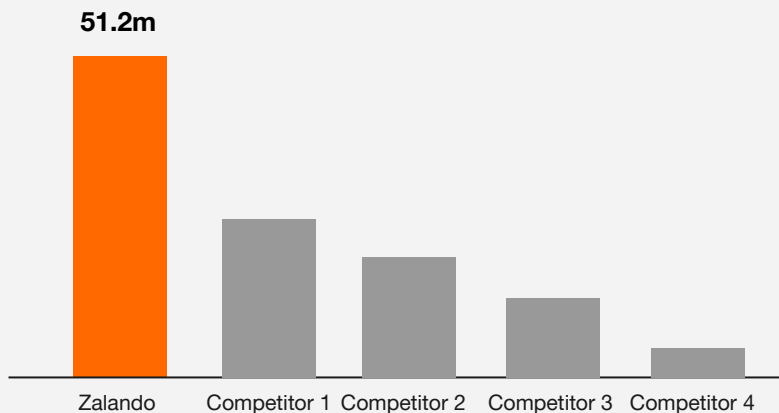
¹ Euromonitor International, February 2023, values based on actuals and estimates; fixed exchange rates. Fashion data incl. apparel and footwear, bags and luggage, jewelry and watches. Data for Europe (excluding Russia) inclusive of sales tax



...resulting in scale that provides us with **significant benefits**

Clear leader in Europe

Active customer (last 12 months)¹



¹ Company information, latest last 12 month figures available, Q4/22

The Starting Point for Fashion.

- 1 Leverage **brand awareness**
- 2 Unique ability to **access global fashion supply**
- 3 Proximity to **logistics infrastructure**
- 4 Invest into **platform strategy**
Partner Business
ZFS
ZMS



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Significant runway to increase market share and profitability

We have an immense opportunity ahead of us and are confident to return to a double-digit growth trajectory in the medium term

	Mid-term	Long-term
Growth	<ul style="list-style-type: none"> Return to double digit GMV growth rates 	<ul style="list-style-type: none"> Long-term goal to serve 10% of European fashion market Deliver EUR 30bn GMV on the way to get there
Profitability	<ul style="list-style-type: none"> Deliver margin progression towards our adj. EBIT margin corridor of 3-6% Approaching high-end of corridor by 2025 	<ul style="list-style-type: none"> Double digit adj. EBIT margin ambition remains unchanged

Total fashion
~450bn EUR¹

10%



¹ Source: Company estimates and Euromonitor International forecasts, February 2023, 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

Significant runway to increase market share and profitability

~500m people in a growing EUR 450 billion fashion and lifestyle market

Population penetration¹ (active customers as % of total population)

Top 5 Markets +2 23%

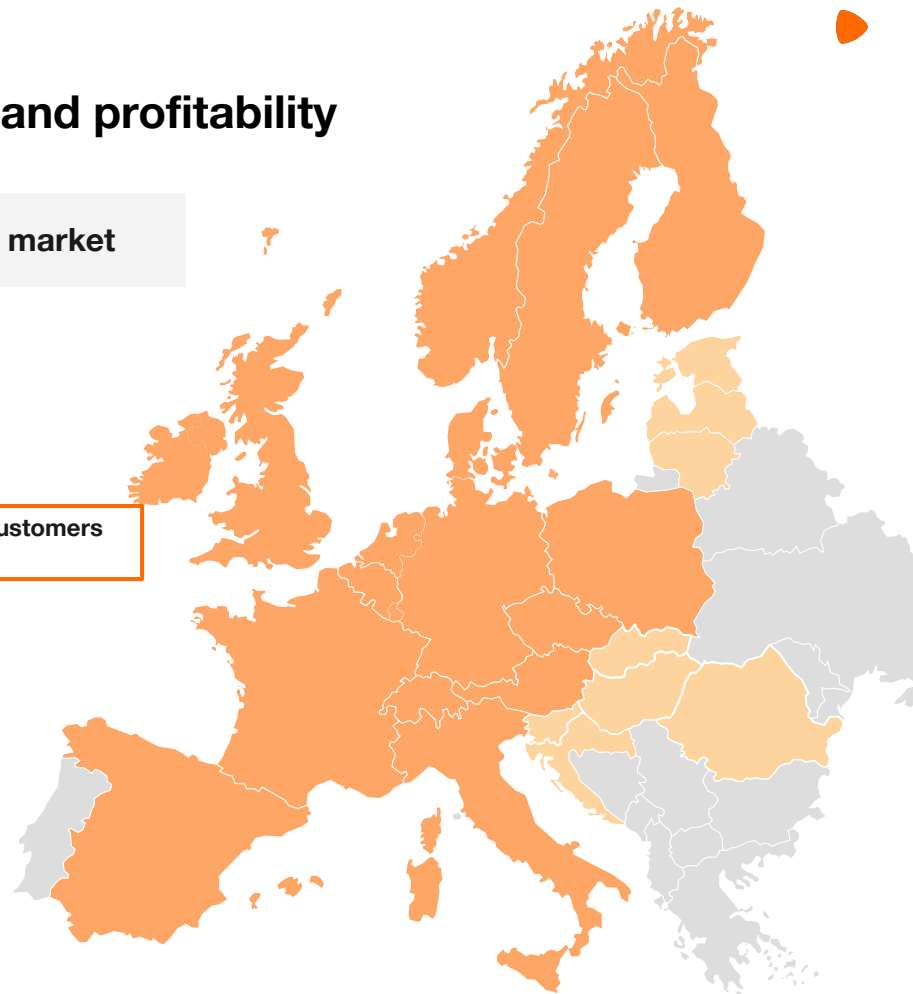
All remaining Markets launched before 2020 +3 10%

New Markets +3 3%

■ 2020 ■ 2022

Added 7x more active customers than in Top 5 markets

launched before 2020
new markets



¹ Source: Statista, February 2023



Our long term profitability ambitions are unchanged as we continue to transitioning to a higher margin business and benefitting from 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			↑	Transition to a Platform business model and economies of scale
Fulfillment costs			→	Reversal of temporary return rate benefit and enhanced, more sustainable convenience experience
Marketing costs			↓	Starting Point Vision unfolds and share of existing customers increases
Admin expenses			↓	Continued focus on overhead-efficiencies and economies of scale
Adj. EBIT margin	6-8%	20-25%	10-13%	Transition to higher margin platform business and increasing economies of scale

1) Wholesale includes Offprice



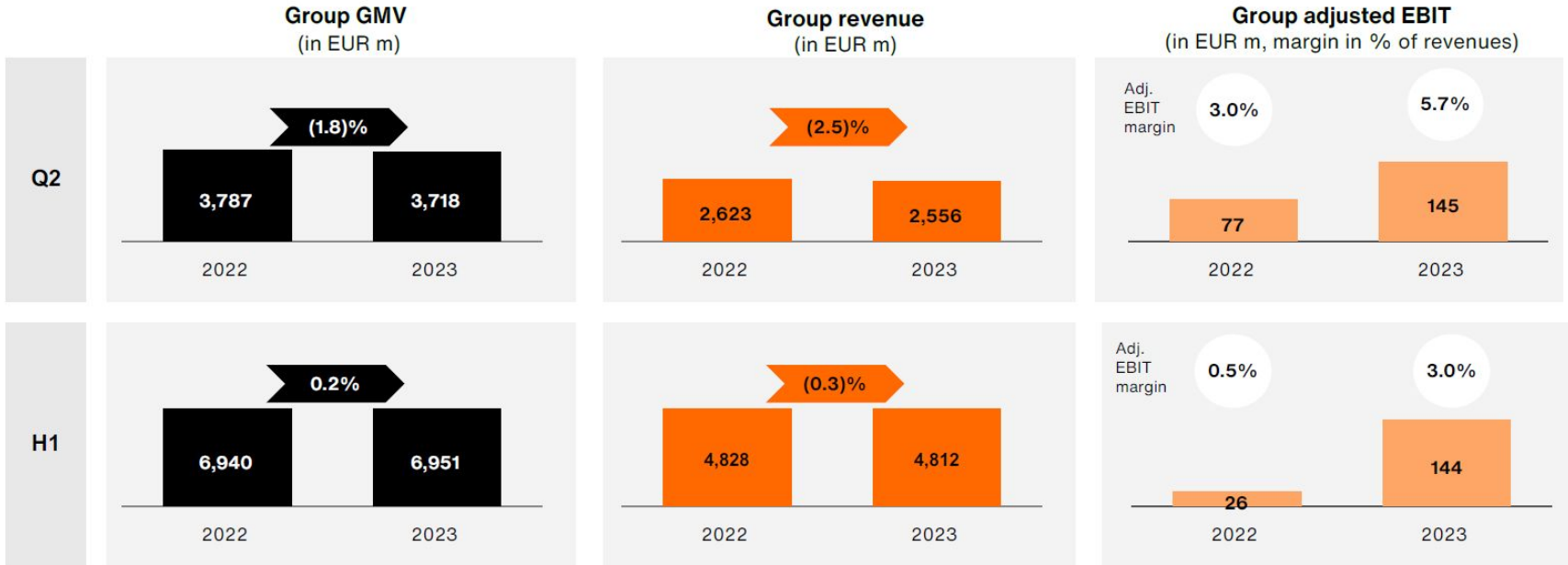
Agenda

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Our Q2 2023 results

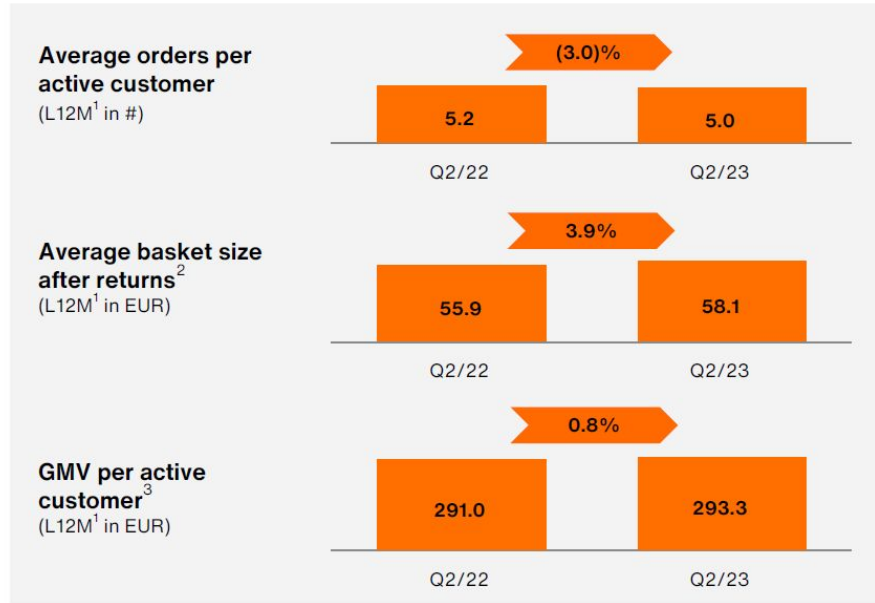
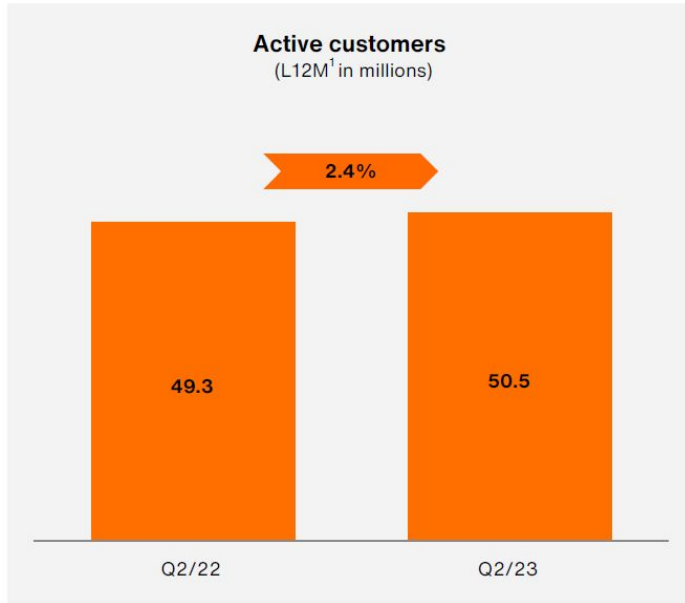


In Q2, we significantly improved profitability while top line growth was dampened by ongoing normalization between offline and online sales channels





Increase in customer spend driven by larger basket sizes



¹ L12M= last 12 months.

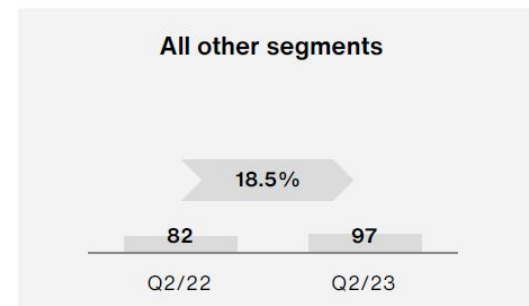
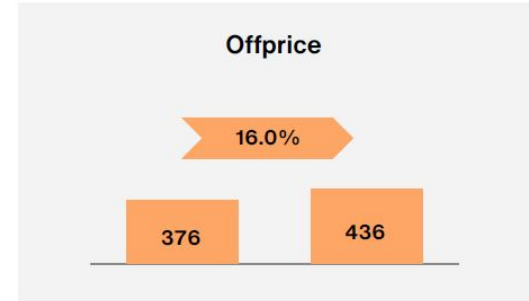
² Defined as GMV divided by the number of orders.

³ Defined as GMV divided by the number of active customers



Fashion Store GMV broadly flat complemented by strong growth in Offprice and all other segments

Revenue¹ (EUR m) - % growth yoy



¹ Q2/23 contains EUR (68)m | Q2/22 EUR (64)m reconciliation of internal revenues. Q2/22 Fashion Store revenues restated. All other segments include Highsnobility from Q3/22 onwards.



Our focus on profitability is underlined by doubling of our adjusted EBIT margin in Fashion Store and Offprice

Adjusted EBIT¹ (EUR m) - margin in % of revenue



¹ Q2/23 contains EUR 1.1m | Q2/22 contains EUR -0.6m reconciliation of internal EBIT. All other segments include Highsnobiety from Q3/22 onwards.



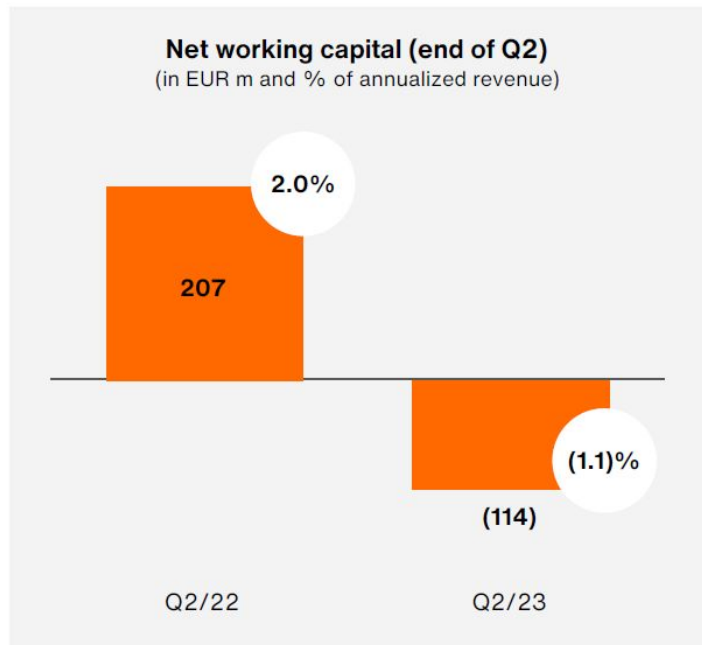
Achieving notable progress in the group's performance through ongoing efficiency gains, with a particular emphasis on fulfillment and marketing

Costs and margins (in % of revenue)	HY/22	HY/23	YoY Δ	Q2/22	Q2/23	YoY Δ	
Gross profit	40.0%	39.3%	(0.6)pp	41.0%	40.6%	(0.4)pp	Continued promotional market environment pronounced by late season start as well as business mix effect
Fulfillment costs	(27.6)%	(25.3)%	2.3pp	(26.0)%	(24.4)%	1.6pp	Improved order economics and scaling of our partner business
Marketing costs	(7.8)%	(7.0)%	0.8pp	(8.0)%	(6.8)%	1.1pp	Improved return on marketing investment and increased scale of Offprice
Administrative expenses & Other	(4.7)%	(5.7)%	(1.0)pp	(4.7)%	(5.9)%	(1.2)pp	
Administrative costs	(4.8)%	(5.0)%	(0.2)pp	(4.8)%	(4.8)%	0.0pp	
Other income & expenses	0.2%	(0.7)%	(0.8)pp	0.1%	(1.1)%	(1.2)pp	Other expenses driven by EUR 33m one-time effect for Reshaping program 2023
EBIT	(0.1)%	1.3%	1.4pp	2.3%	3.4%	1.1pp	
Adjusted EBIT ¹	0.5%	3.0%	2.5pp	3.0%	5.7%	2.7pp	

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



Lean net working capital position fuelled by increasing share of partner business



EUR m	Q2/22	Q2/23	YoY Δ
Inventories	1,759	1,730	(1.6)%
Trade receivables	695	863	24.2%
Trade payables	2,247	2,707	20.5%
Net working capital	207	(114)	

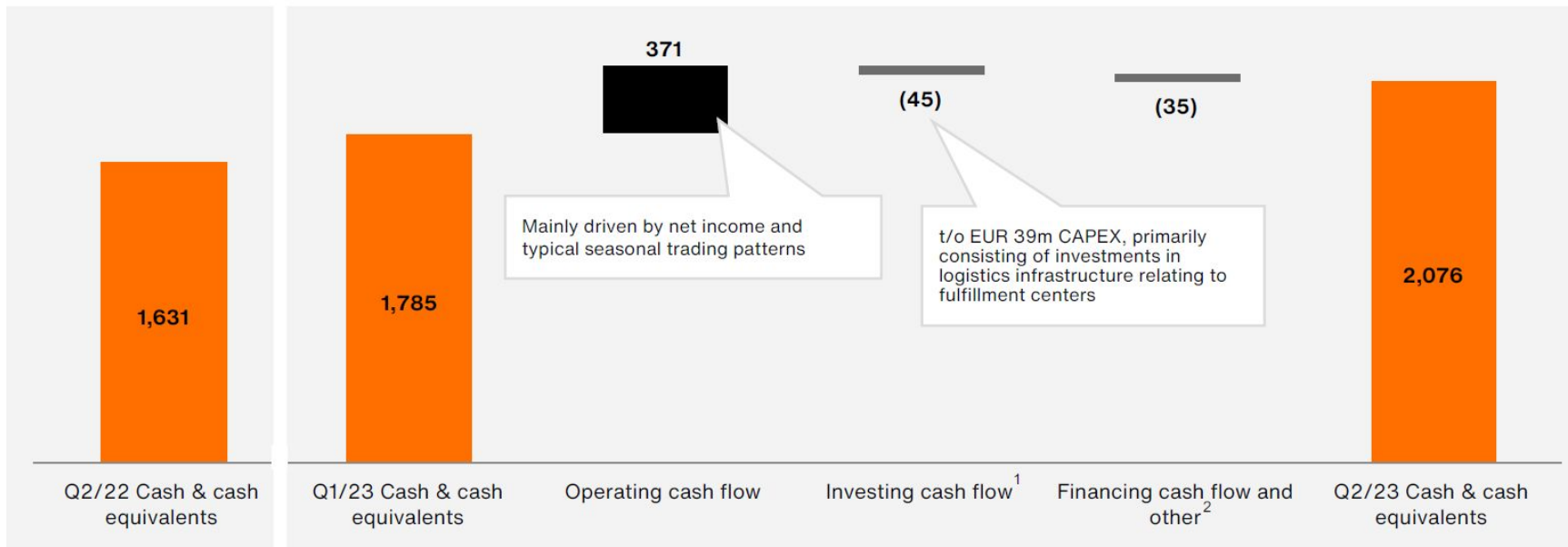
Conservative wholesale buy and reduced overstock

Strong growth momentum in partner business



Cash and cash equivalents remain strong at EUR ~2.1 billion

in EUR m






¹ Includes sales and investments in fixed assets (22.4)m and intangible assets of EUR (16.8)m, payments for acquisitions of EUR (1.2)m and change in restricted cash of EUR (4.9)m

² Includes financing cash flow of EUR (32.0)m and effect of exchange rate on cash and cash equivalents of EUR (3.0)m



We remain committed to our two main ambitions for 2023, profitable growth and continued investment through the cycle

Key objective	Immediate focus & decisive action	Achievements
 Strengthen gross margin	• More conservative wholesale buy, scale up via re-order and partner business	✓
	• Increase relevance of assortment and drive customer engagement towards black prices	(✓)
	• Update partner commission table	✓
 Simplify for speed of execution	• Reduce complexity in our organisation and simplify for speed of execution	(✓)
	• Operating model in line with customer-centric decision making to accelerate our strategy	✓
 Selectively invest in future growth	• Continue to invest in logistics network built out, yet pace adjusted to current macro environment	✓
	• Continued investment in key capabilities which power the platform	✓

✓ Actions implemented (✓) Ongoing

Outlook



Narrowing our full year 2023 guidance

Our outlook reflects our continued focus on profitable growth in a temporarily demand constrained and inflationary cost environment

Growth	GMV	0.2%	Lower half of 1% – 7%
	Revenue	(0.3)%	Lower half of (1)% – 4%
Profitability	Adj. EBIT ¹ (in EURm)	144.1	300 – 350 from 280 – 350
Cash	Capex (in EURm)	76.9	Low end of 300 – 380
	Net working capital (in EUR m)	(114.2)	negative

¹ Excludes equity-settled share-based payment expense (“SBC”), restructuring costs, non-operating one-time effects and acquisition-related expenses



Key takeaways

- 01 H1 performance reflects our continued focus on profitable growth**
Significant y-o-y improvement in adjusted EBIT of over EUR 100m to EUR 144m with flat GMV growth in a temporarily demand constrained and inflationary cost environment
- 02 Launched several high-profile brands on Zalando - among them lululemon**
Zalando is lululemon's partner of choice for reaching millions of European customers
- 03 Partners continue to leverage our logistics infrastructure**
Increasing shares of Partner Business (+7pp) and Zalando Fulfillment Solutions (+3pp) in H1; multi-channel fulfillment available in additional markets and channels for our partners
- 04 Zalando well positioned to unlock potential of new innovations**
Introduced a step change solution to help our customers finding the right size and fit and launched a fashion assistant powered by ChatGPT
- 05 Narrowing full year 2023 guidance**
GMV and revenue growth now expected in the lower half of our initial guidance ranges of 1% to 7% for GMV and (1)% to 4% for revenue respectively; adjusted EBIT narrowed to EUR 300m – EUR 350m





Appendix

Management Board

Share information

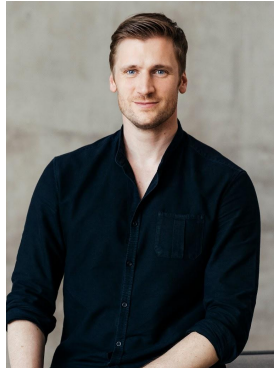
Zalando Investor Relations Team



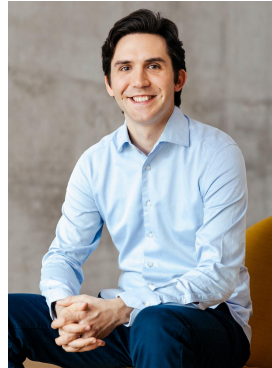
We further deliver on our strategic ambitions and create long-term value for customers, partners, and shareholders



Robert Gentz
Founder & Co-CEO



David Schneider
Founder & Co-CEO



David Schröder
COO



Astrid Arndt
CPO



Sandra Dembeck
CFO



Issued share capital

Share information

(as of Jun 30, 2023)

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	263,627,929
Issued capital	EUR 263,627,929

Stock options programs Management Board (as of Jun 30, 2023)

Program	# Options outstanding	Weighted average exercise price (EUR)
VSOP	60,000	29.84
LTI 2018 ²	4,296,949	47.44
LTI 2019	296,442	24.38
LTI 2021-2023	677,917	38.91
ZOP	21,681	1.00
Total	5,352,989	44.70

Stock options programs Senior Management (as of Jun 30, 2023)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP ¹	540,793	24.27
EIP ¹	2,666,381	38.17
ZOP	4,562,489	28.83
LTI	47,569	1.00
Total	7,817,232	31.53

¹ Settled with new shares.

² Only to 35% to be settled with new shares, remaining backed by treasury shares



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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.