



Zalando Q2/2021

Earnings Call

August 5th, 2021
David Schröder, CFO



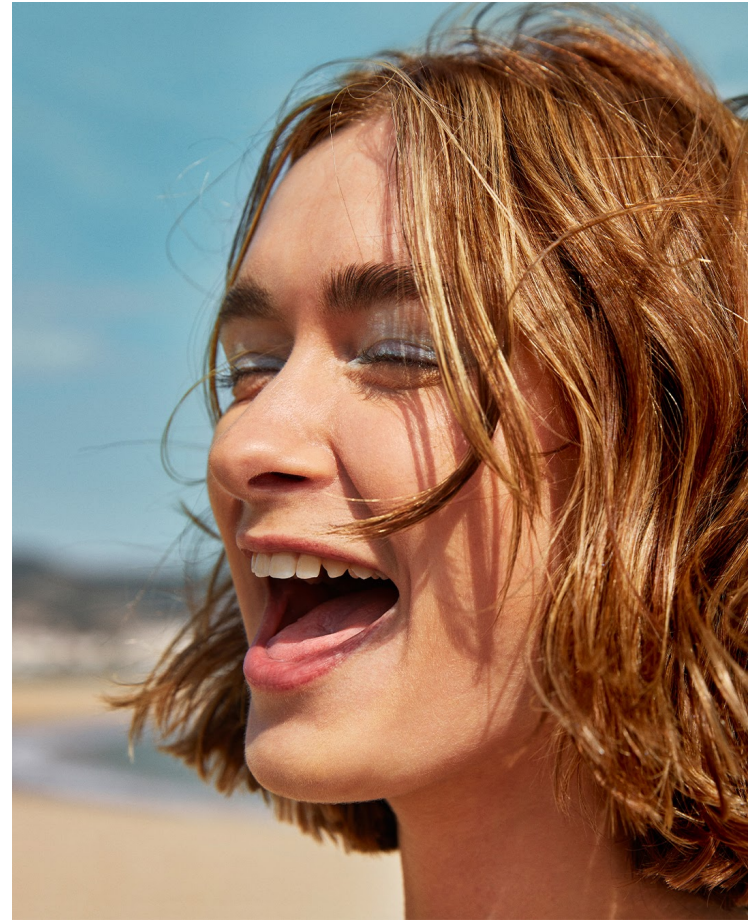
Exceptional H1 performance underlines our opportunity to play an even bigger role for customers and partners through our platform strategy

- **Growing customer and partner engagement:** Active Customers grew by >30% to 44.5m and Partner Program GMV by >100% in H1 while pandemic induced restrictions have been gradually lifted.
- **Elevating our Beauty proposition:** Building a distinct Beauty proposition is a key priority for us and the Sephora partnership presents an attractive opportunity to accelerate our growth trajectory.
- **Expanding our footprint in Europe:** Customers in six additional markets can now enjoy Zalando's endless choice, seamless convenience and tailored digital experience.
- **Delivering strong financial results in Q2:** Delivered GMV growth of +40% YoY and strong profitability with an adj. EBIT margin of 6.7% against exceptional Q2/2020 comparables.
- **Reiterating FY/2021 guidance:** GMV and revenue growth unchanged at +31-36% and +26-31% YoY, respectively, adj. EBIT now expected to reach the upper half of the guided 400-475m EUR range.

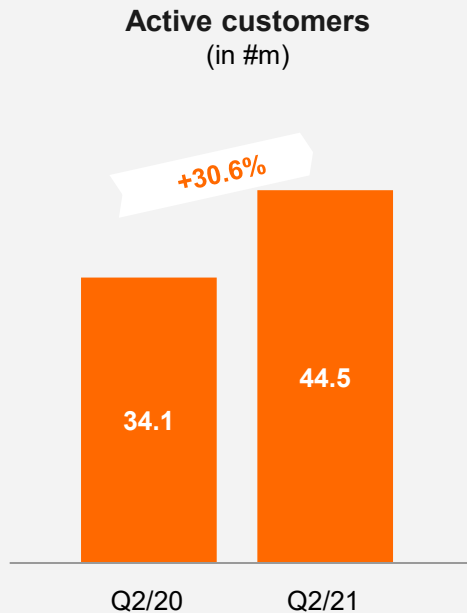


Business Update

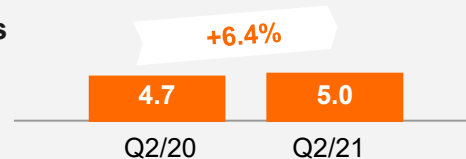
Q2 2021



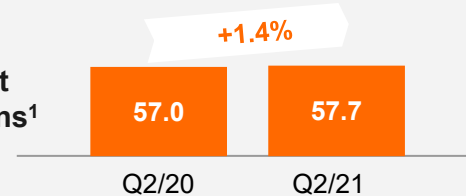
Strongest absolute growth in active customers on record and increasing order frequency demonstrate strong consumer demand



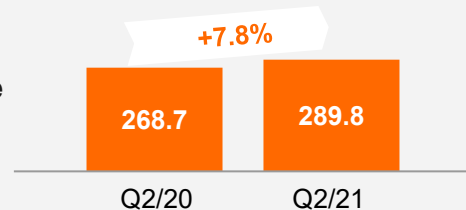
Average orders per active customer
(LTM in #)



Average basket size after returns¹
(LTM in €)



GMV per active customer²
(LTM in €)



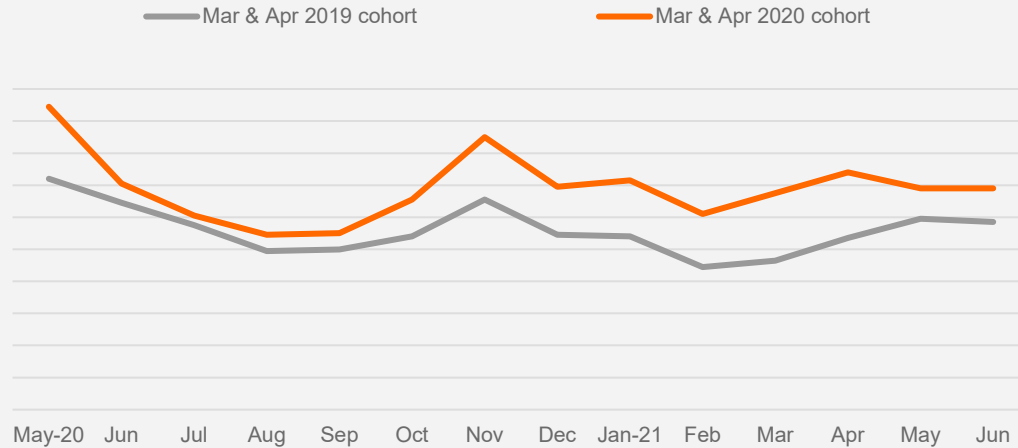
1) Defined as GMV divided by the number of orders

2) Defined as GMV divided by the number of active customers

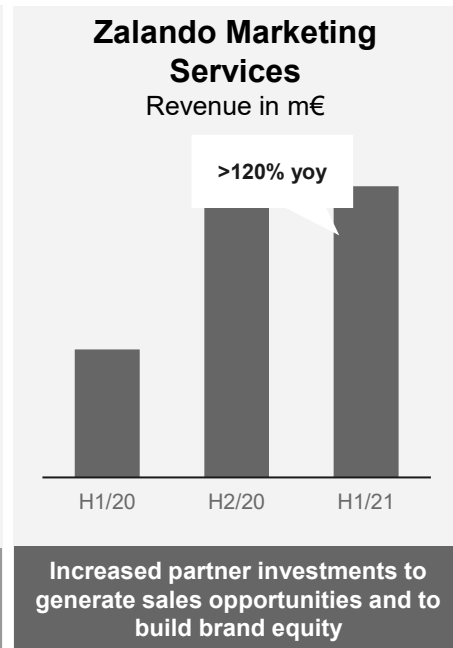
Customers acquired during the first lockdown in 2020 continued to remain very active as stores reopened and restrictions eased throughout Q2

Repurchase rate March & April 2020 vs. March & April 2019 cohorts

% of acquired customers repurchasing in upcoming months

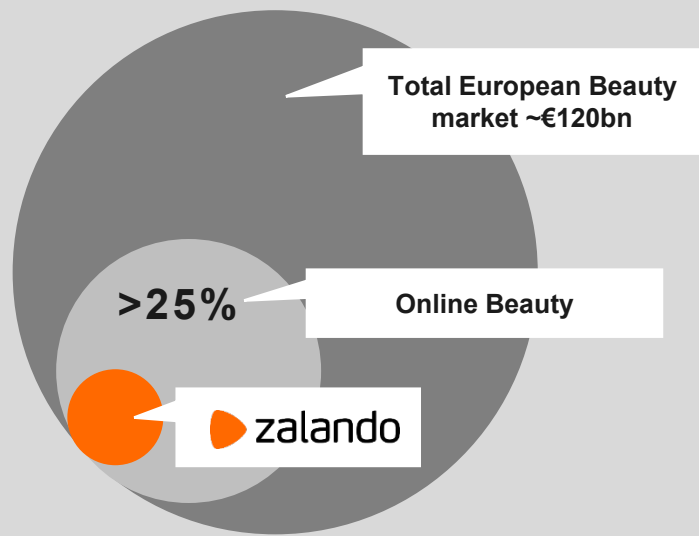


COVID-19 induced a step change in online penetration and our partners capitalized strongly on the online growth opportunity by leveraging our Direct-To-Consumer platform offerings



Next to improving our core fashion experience, elevating distinct and marketable propositions such as Beauty is a key priority for us to drive customer engagement and spending

Beauty enlarges our already massive ~€450bn fashion TAM by another ~€120bn in the next 5-10 years^{1,2}



Beauty is highly complementary to Fashion:

3 out of 5 of our customer also buy fashion products when shopping Beauty

Comparatively low online penetration despite COVID-19 step change: share of online beauty sales jumped from 8% in 2019 to 11% in 2020², still significantly lower than in fashion

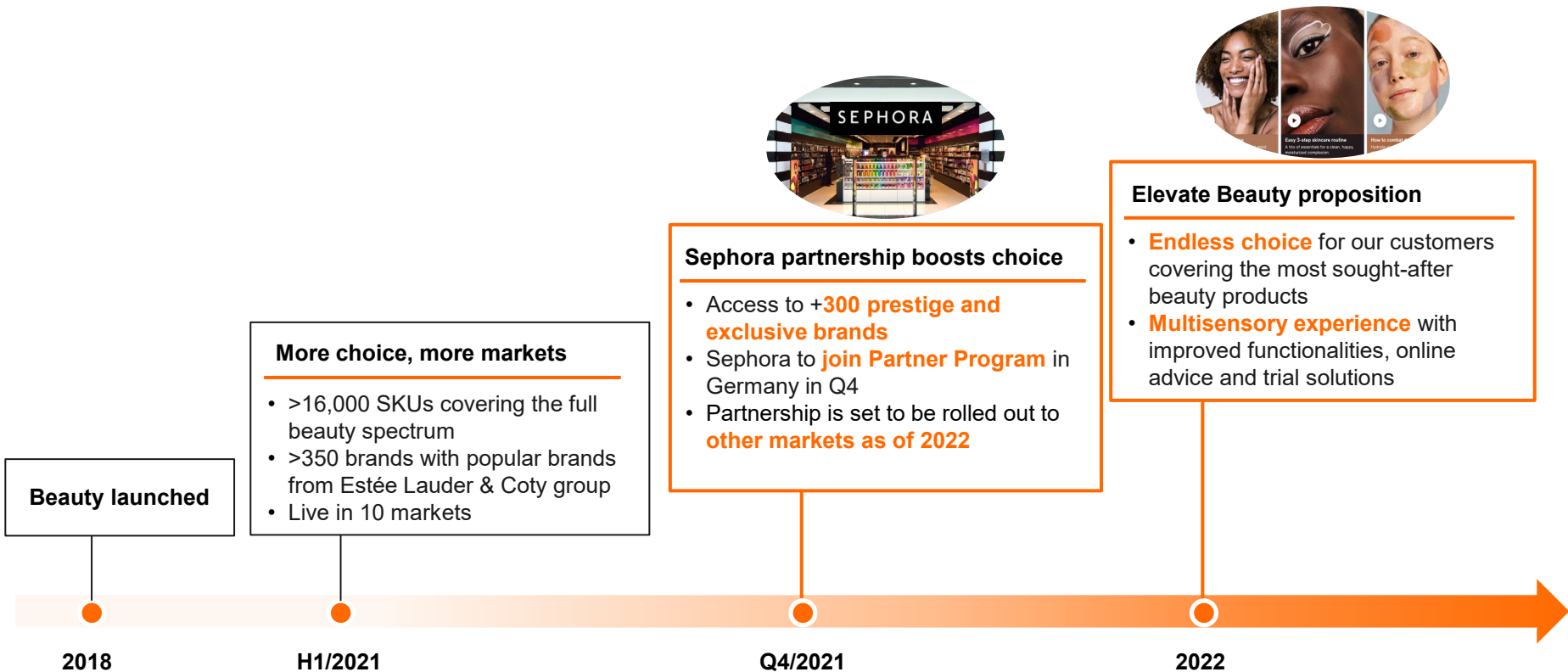
We are distinctly positioned to capitalize on this additional growth opportunity:

We have the necessary customer insights, infrastructure and capabilities to support our growth ambitions

1) TAM: Total Addressable Market

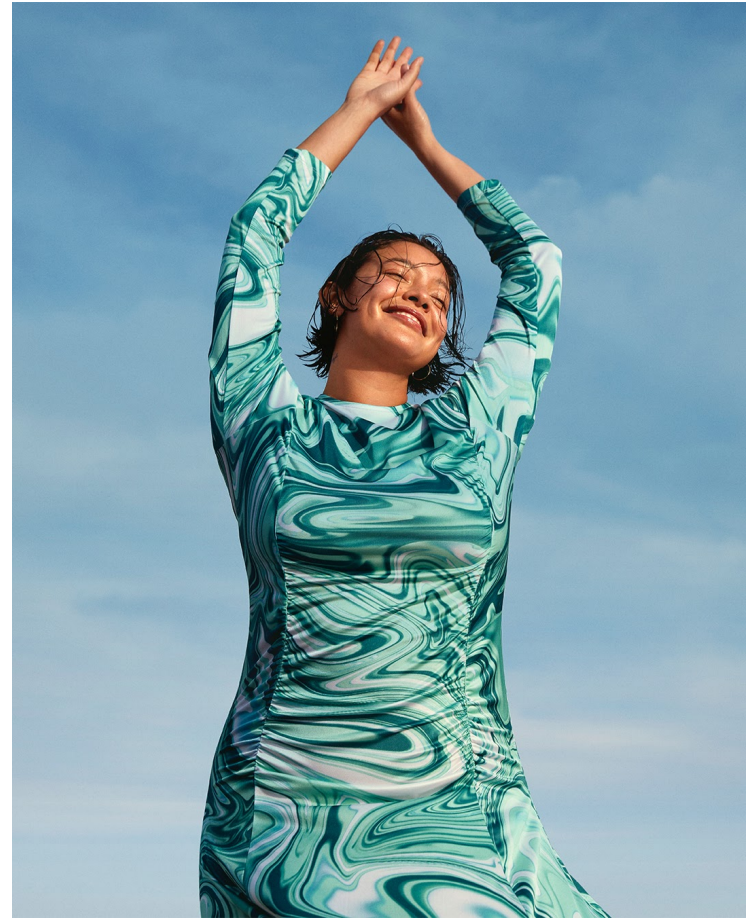
2) Source: Company and Euromonitor International, July 2021. Values based on actuals and estimates; fixed exchange rates. Western and Eastern Europe excluding Russia; Beauty and Personal care

We are excited about our multi-year vision to build an industry-leading Beauty proposition, which is being further accelerated by our Sephora partnership

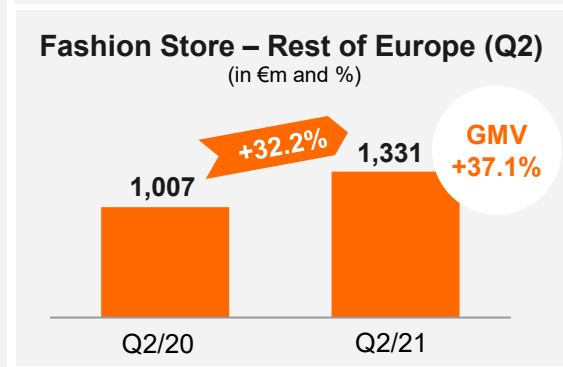
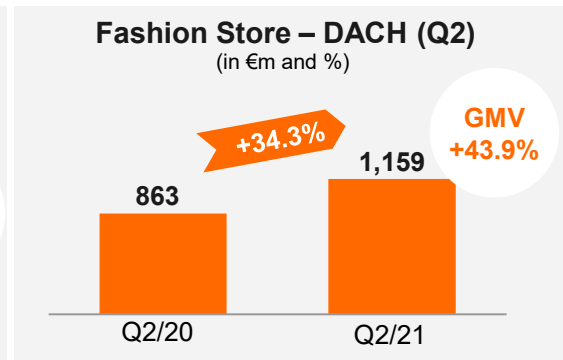
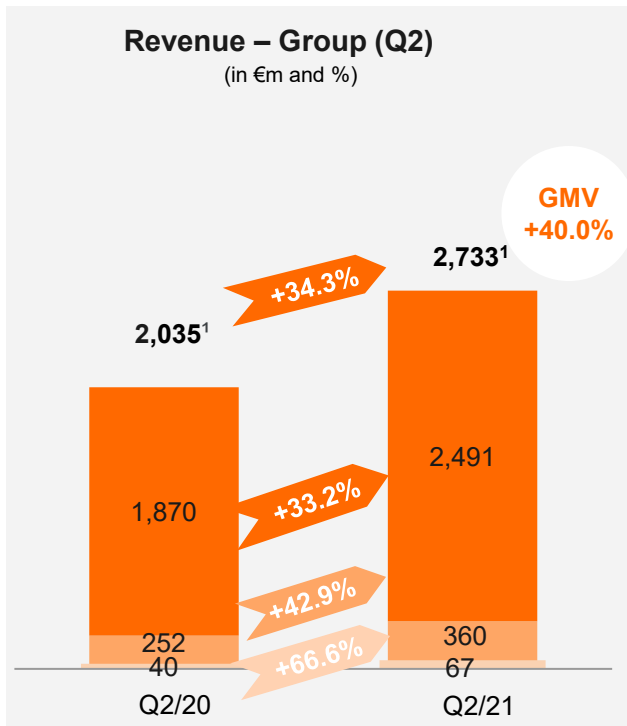
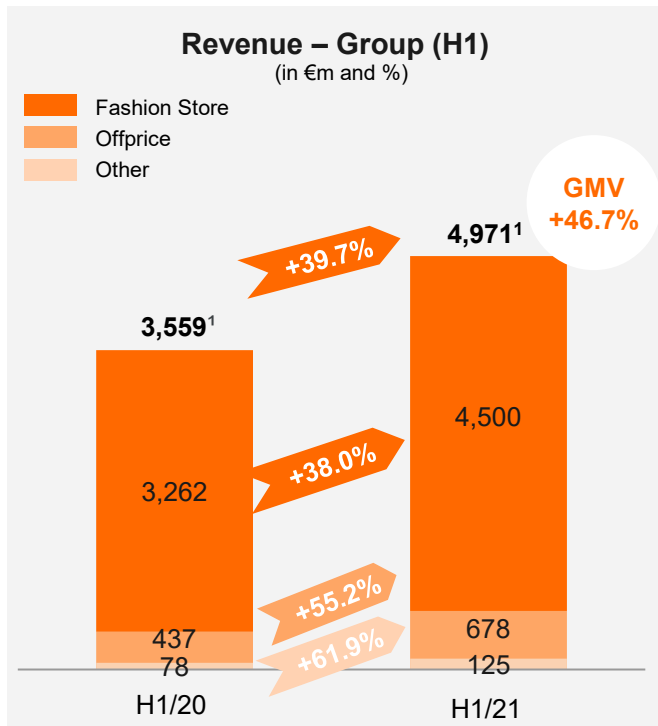


Financial Update

Q2 2021

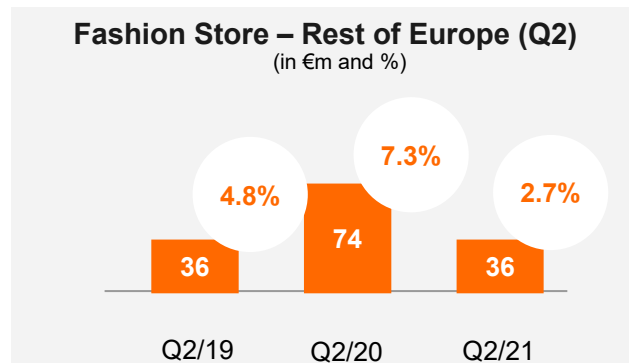
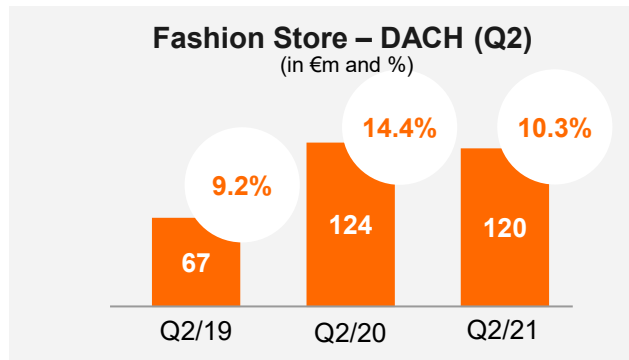
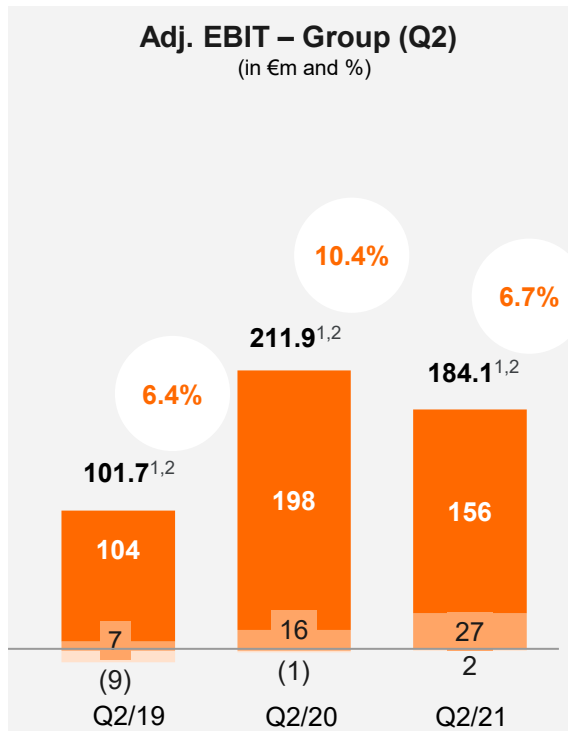
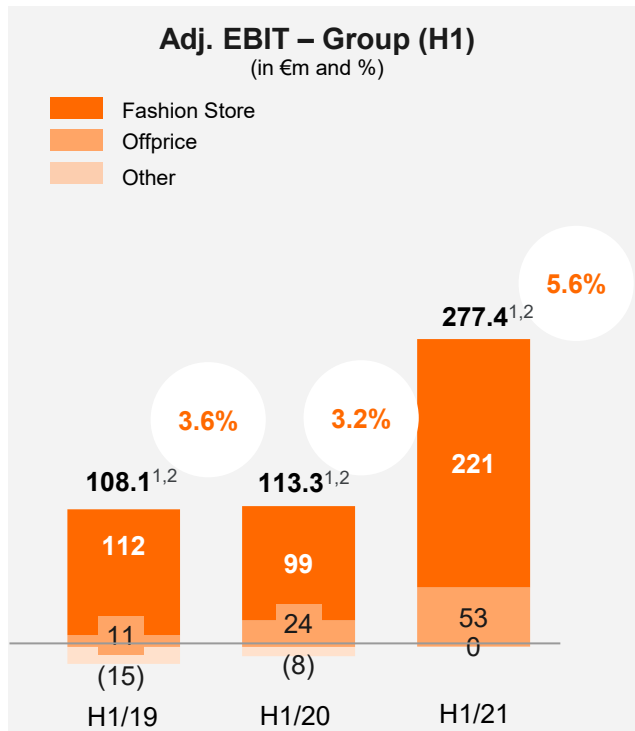


Outstanding topline momentum fueled by strong customer and partner engagement even as restrictions eased and stores re-opened



1) H1/21 (H1/20) contains -332.9 €m (-217.4 €m) reconciliation of internal revenues; Q2/21 (Q2/20) contains -184.9 €m (-127.8 €m) reconciliation of internal revenues

We delivered healthy profitability on the back of strong topline momentum



- 1) H1/21 (H1/20) contains 3.2 €m (-0.7 €m) reconciliation of internal EBIT; Q2/21 (Q2/20) contains 1.8 €m (-0.7 €m) reconciliation of internal EBIT
- 2) Excluding equity-settled share-based compensation (SBC) in H1/21 of -26.0 €m, H1/20 of -27.9 €m, Q2/21 of -11.3 €m, Q2/20 of -13.5€m; and non-operating one-off effects in Q2 & H1/21 of +13.6 €m

Increased marketing spend to capture full demand potential drives Q2 profitability lower

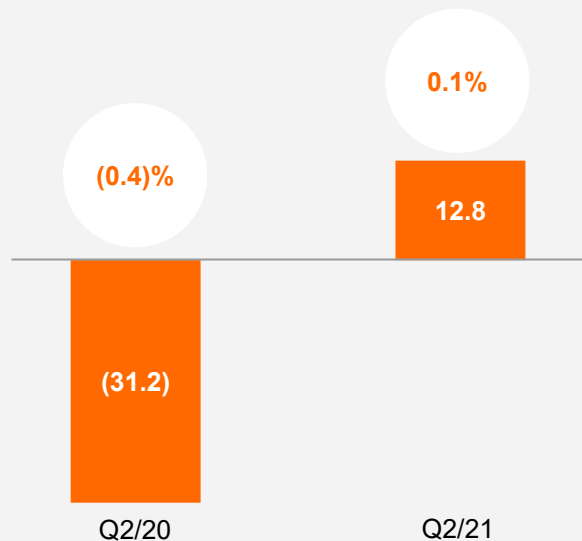
Costs and margins (in % of revenue) ¹	H1				Q2				
	2019	2020	2021	YoY Delta	2019	2020	2021	YoY Delta	
Cost of sales	(57.0%)	(59.5%)	(57.3%)	2.2pp	(54.3%)	(55.6%)	(55.8%)	(0.2pp)	
Gross profit	43.0%	40.5%	42.7%	2.2pp	45.7%	44.4%	44.2%	(0.2pp)	
Fulfillment costs	(28.0%)	(27.3%)	(24.8%)	2.5pp	(27.3%)	(25.4%)	(24.2%)	1.2pp	Continued return rate benefit and high network utilization
Marketing costs	(7.6%)	(6.4%)	(8.9%)	(2.4pp)	(8.2%)	(5.2%)	(9.8%)	(4.6pp)	
Administrative expenses & Other	(4.9%)	(4.3%)	(3.7%)	(0.6pp)	(4.4%)	(4.0%)	(3.4%)	0.6pp	ROI based marketing and lapping of LYs savings measures
EBIT	2.5%	2.4%	5.3%	2.9pp	5.8%	9.8%	6.8%	(2.9pp)	
Adj. EBIT ²	3.6%	3.2%	5.6%	2.4pp	6.4%	10.4%	6.7%	(3.7pp)	

1) Rounding differences may occur.

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

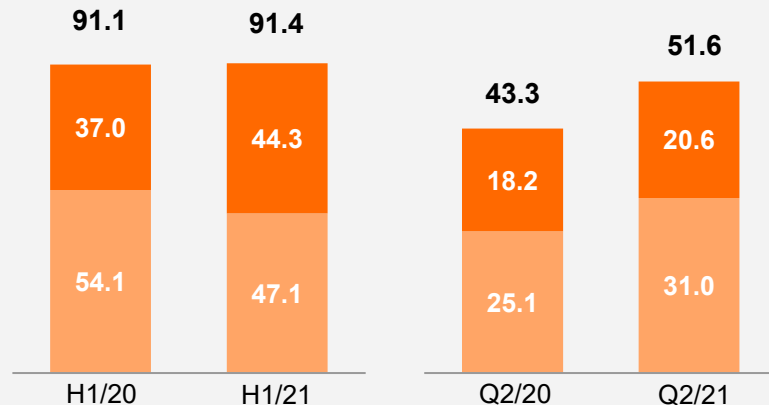
Net working capital increased as a result of strong inventory intake while capex spend remains back-end loaded in 2021

Net working capital (end of Q2)
(in €m or % of annualized revenue)



Capital expenditure¹
(in €m)

Intangibles
PP&E



1) Excluding payments for acquisitions of 0.0 €m in H1/21, 0.0 €m in Q2/21 (H1/20: 0.0 €m, Q2/20: 0.0 €m)

Outlook



Upgraded FY/2021 outlook confirmed

GMV growth of 31 – 36%, and Revenue growth of 26 – 31%

Adj. EBIT¹ in the upper half of the €400 – 475m range

Negative net working capital and Capex around €350m (previously: €350-400m range²)

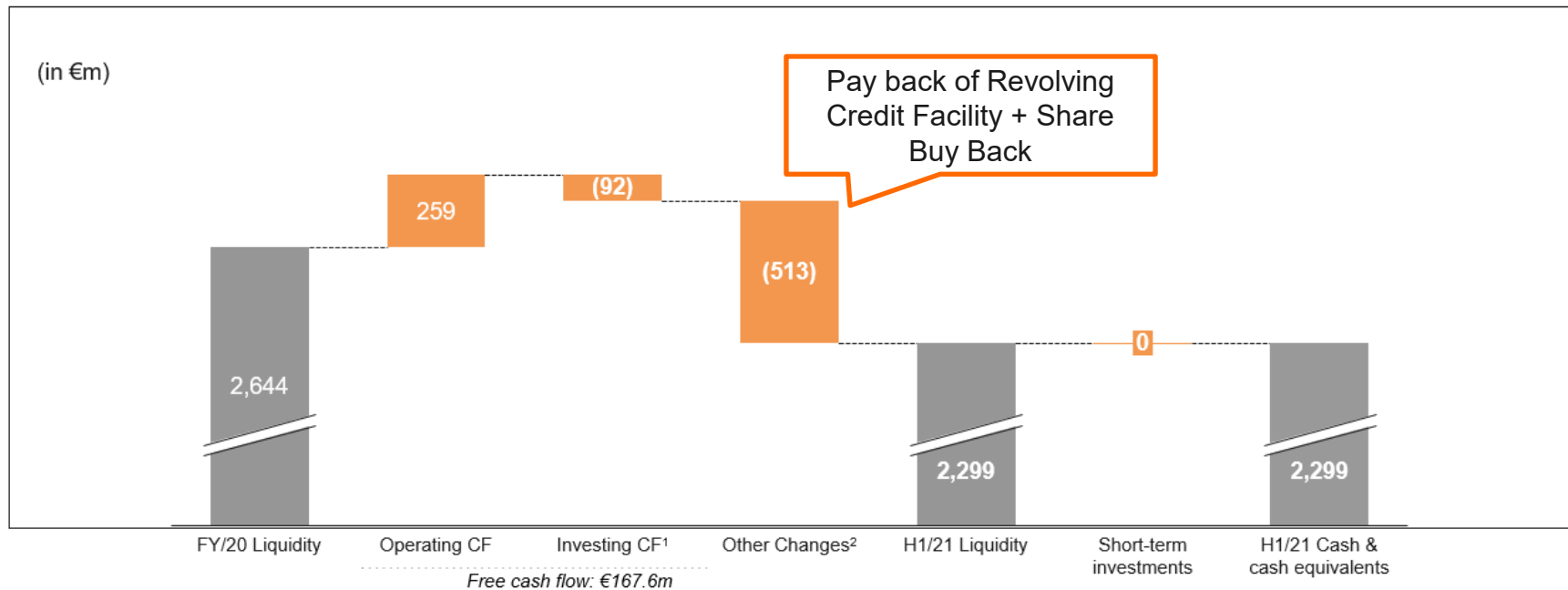
1) Excluding equity-settled share-based payment expense ("SBC") of ~60 €m, restructuring costs and non-operating one-time effects for FY/21

2) Excludes M&A transactions

Q&A



Liquidity position



- (1) Includes sales and investments in fixed and intangible assets (-91.4 €m), payments for acquisitions (+0.0 €m) and change in restricted cash (-0.2 €m)
- (2) Includes financing cash flow (-503.9 €m) and effect of exchange rate on cash and cash equivalents (-8.8 €m).

Upcoming events

All events
are virtual

Date	Event
Tuesday, August 10th	Fireside Chat with our CFO David Schröder (hosted by RBC)
Thursday, September 2nd	Commerzbank Corporate Conference, Frankfurt
Tue-Wed, September 7th-8th	Asia Roadshow (DAIWA)
Mon-Wed, September 13th-15th	Citi Tech Conference, New York
Mon-Tue, September 20th-21st	Goldman Sachs/Berenberg German Corporate Conference, Munich
Wed-Thu, September 22nd-23rd	Baader Bank Investment, Conference Munich
Wednesday, November 3rd	Publication Q3/2021 Results

Issued share capital

SHARE INFORMATION

(AS OF JUN 30, 2021)

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	261,531,764
Issued Share Capital	€261,531,764

STOCK OPTION PROGRAMS MGMT BOARD (AS OF JUN 30, 2021)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2013 ¹	657,475	1.00
LTI 2018 ²	4,296,949	47.44
VSOP 2018	140,000	29.84
LTI 2019	513,442	23.36
Total	5,607,866	39.35

STOCK OPTION PROGRAMS SENIOR MGMT (AS OF JUN 30, 2021)

Program	# Options outstanding	Weighted average exercise price (EUR)
SOP 2014 ¹	715,614	23.42
EIP ¹	3,066,217	37.11
VSOP 2017	60,000	50.00
ZOP	1,220,533	33.77
Total	5,062,364	31.21

1) Settled with new shares

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

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Disclaimer

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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.