

Quarterly Statement Q1 2023



zalando



Zalando at a glance

Key figures

	Q1 2023	Q1 2022	Change
Key performance indicators			
Gross Merchandise Volume (GMV*) (in EUR m)	3,242.3	3,152.6	2.8%
Revenue (in EUR m)	2,255.6	2,205.0	2.3%
Adjusted EBIT (in EUR m)**	-0.7	-51.8	98.6%
Adjusted EBIT margin (as %)	0.0	-2.4	2.3pp
EBIT (in EUR m)	-26.2	-68.1	61.6%
EBIT margin (as %)	-1.2	-3.1	1.9pp
Capex (in EUR m)	-37.7	-66.3	-43.1%
Active customers (in millions)	51.2	48.8	4.8%
Number of orders (in millions)	56.7	58.0	-2.3%
Average GMV per active customer (LTM***) (in EUR)	291.0	293.4	-0.8%
Average orders per active customer (LTM***)	5.1	5.2	-2.5%
Average basket size (LTM***) (in EUR)	57.4	56.3	1.9%
Other key figures			
Net working capital (in EUR m)****	8.9	-211.6	104.2%
Equity ratio (as % of total assets)****	30.0	28.8	1.2pp
Cash flow from operating activities (in EUR m)	-166.8	-461.5	63.9%
Cash flow from investing activities (in EUR m)	-38.2	-70.2	45.6%
Free cash flow (in EUR m)	-205.0	-531.7	61.5%
Cash and cash equivalents (in EUR m)	1,784.8	1,594.8	11.9%
Average number of employees****	16,761	16,999	-1.4%
Basic earnings per share (in EUR)	-0.15	-0.24	37.5%
Diluted earnings per share (in EUR)	-0.15	-0.24	37.5%

pp = percentage points

For an explanation of the performance indicators please refer to the glossary to the annual report 2022 (section 4.3).

Rounding differences may arise in the percentages and numbers shown in this quarterly statement.

*) GMV (Gross Merchandise Volume) is defined as the value of all merchandise sold to customers after cancellations and returns and including VAT, dynamically reported. It does not include B2B revenues (e.g. Partner Program commission, Zalando Marketing Services or Zalando Fulfillment Solutions) and other B2C revenues (e.g. service charges like express delivery fees); these are included in revenue only. GMV is recorded based on the time of the customer order.

***) Adjusted EBIT is defined as EBIT before equity-settled share-based payment expenses, restructuring costs, acquisition-related expenses and non-operating one-time effects.

****) Calculated based on the last twelve months (LTM).

*****) As of Mar 31, 2023 and Dec 31, 2022 respectively

1.1 Financial performance of the group

Consolidated income statement Q1 2023

IN EUR M	Q1 2023	As % of revenue	Q1 2022	As % of revenue	Change
Revenue	2,255.6	100.0%	2,205.0	100.0%	0.0pp
Cost of sales	-1,401.1	-62.1%	-1,351.9	-61.3%	-0.8pp
Gross profit	854.5	37.9%	853.2	38.7%	-0.8pp
Fulfillment costs	-594.7	-26.4%	-650.6	-29.5%	3.1pp
Marketing costs	-164.0	-7.3%	-168.2	-7.6%	0.4pp
Administrative expenses	-118.5	-5.3%	-107.3	-4.9%	-0.4pp
Other operating income	5.3	0.2%	7.4	0.3%	-0.1pp
Other operating expenses	-8.9	-0.4%	-2.5	-0.1%	-0.3pp
EBIT	-26.2	-1.2%	-68.1	-3.1%	1.9pp
Share-based payments	21.1	0.9%	16.3	0.7%	0.2pp
Acquisition-related expenses	4.4	0.2%	0.0	0.0%	0.2pp
Adjusted EBIT	-0.7	0.0%	-51.8	-2.4%	2.3pp

At the end of Q1 2023, we served 51.2 million active customers compared to 48.8 million active customers as of March 31, 2022, both measured on an LTM-basis. This corresponds to an increase of 4.8%.

Amid a challenging macro-economic environment, we achieved a GMV growth of 2.8% year-on-year. This increase of EUR 89.8m resulted in a total GMV of EUR 3,242.3m in Q1 2023. The Partner Business, continued to grow, thereby increasing its share of Fashion Store GMV to 39.4% in Q1 2023 (Q1 2022 at 31.8%).

GMV per active customer remained broadly stable at EUR 291.0 (prior-year period: EUR 293.4) as the increase in average basket size to EUR 57.4 (prior-year period: EUR 56.3) partly compensated the lower average orders per active customer which stood at 5.1 at the end of the first quarter 2023 (prior year: 5.2).

Revenue increased by EUR 50.6m corresponding to 2.3% compared to the prior-year period and reaching EUR 2,255.6m. The difference between GMV growth and revenue growth is mainly the result of the growing Partner Business. Selling prices for the Partner Business are fully reflected in the GMV metric, while revenue only includes the commission income on the selling price and service income stemming from our platform services Zalando Fulfillment Solutions and Zalando Marketing Services.

In Q1 2023, we generated an adjusted EBIT of EUR -0.7m (prior year: EUR -51.8m), and an adjusted EBIT margin of 0.0% (prior year: -2.4%). The improvement was driven largely by lower fulfillment costs as well as marketing costs.

Cost of sales rose by EUR 49.3m to EUR 1,401.1m, leading to a gross margin decrease of 0.8 percentage points, which is mostly attributable to price investment in respect of the remaining inventory clearance.

Compared to the first quarter of 2022, fulfillment costs as a percentage of revenue decreased by 3.1 percentage points. Despite inflationary headwinds, the fulfillment cost ratio was positively affected by efficiencies and improved order economics.

Marketing costs slightly decreased to EUR 164.0m with the marketing cost ratio ending 0.4 percentage points lower at -7.3% of revenues as a result of the increased scale of the Offprice business which operates at a lower marketing investment rate.

Administrative expenses increased from EUR 107.3m in the prior-year period to EUR 118.5m in Q1 2023, corresponding to a rise of 0.4 percentage points in proportion to revenue. This is mainly driven by an increase in share-based expenses and Highsnobiety, which was not part of the Zalando Group in Q1 2022.

The financial result amounts to EUR -25.6m in the first quarter of 2023 (prior-year period: EUR -21.3m). Furthermore, we recorded income taxes of EUR 13.3m (prior-year period: EUR 28.2m). Net income for the first quarter of 2023 amounted to EUR -38.5m (prior-year period: EUR -61.3m).

1.2 Results by segment

The condensed segment results for Q1 2023 are shown in the table below:

Segment results of the group Q1

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total group
GMV	2,787.6	454.7	0.0	3,242.3	0.0	3,242.3
<i>(prior year)</i>	<i>(2,805.1)</i>	<i>(347.4)</i>	<i>(0.0)</i>	<i>(3,152.6)</i>	<i>(0.0)</i>	<i>(3,152.6)</i>
Revenue	1,812.6	415.5	82.9	2,311.0	-55.4	2,255.6
<i>(prior year)</i>	<i>(1,879.0)*</i>	<i>(312.6)</i>	<i>(58.9)</i>	<i>(2,250.5)*</i>	<i>(-45.4)*</i>	<i>(2,205.0)</i>
thereof intersegment revenue	37.0	0.0	20.6	57.7	-57.7	0.0
<i>(prior year)</i>	<i>(31.5)*</i>	<i>(0.7)</i>	<i>(13.3)</i>	<i>(45.4)*</i>	<i>(-45.4)*</i>	<i>(0.0)</i>
Adjusted EBIT	-19.2	24.6	-1.5	4.0	-4.7	-0.7
<i>(prior year)</i>	<i>(-60.2)</i>	<i>(6.5)</i>	<i>(-0.9)</i>	<i>(-54.6)</i>	<i>(2.7)</i>	<i>(-51.8)</i>
Share-based payments	16.9	2.8	1.4	21.1	0.0	21.1
<i>(prior year)</i>	<i>(12.9)</i>	<i>(2.3)</i>	<i>(1.1)</i>	<i>(16.3)</i>	<i>(0.0)</i>	<i>(16.3)</i>
Acquisition-related expenses	0.0	0.0	4.3	4.4	0.0	4.4
<i>(prior year)</i>	<i>(0.0)</i>	<i>(0.0)</i>	<i>(0.0)</i>	<i>(0.0)</i>	<i>(0.0)</i>	<i>(0.0)</i>
EBIT	-36.1	21.9	-7.2	-21.5	-4.7	-26.2
<i>(prior year)</i>	<i>(-73.0)</i>	<i>(4.2)</i>	<i>(-2.0)</i>	<i>(-70.8)</i>	<i>(2.7)</i>	<i>(-68.1)</i>

*) prior year figures adjusted, see further explanation below

Financial information for the Fashion Store segment, including intersegment transactions, breaks down into the regions DACH and Rest of Europe as follows:

Fashion Store results by region Q1

IN EUR M	DACH	Rest of Europe	Fashion Store
GMV	1,278.0	1,509.6	2,787.6
<i>(prior year)</i>	<i>(1,303.5)</i>	<i>(1,501.6)</i>	<i>(2,805.1)</i>
Revenue	792.2	1,020.4	1,812.6
<i>(prior year)</i>	<i>(839.9)*</i>	<i>(1,039.1)*</i>	<i>(1,879.0)*</i>
thereof intersegment revenue	-12.5	49.6	37.0
<i>(prior year)</i>	<i>(16.8)*</i>	<i>(14.7)*</i>	<i>(31.5)*</i>
Adjusted EBIT	32.3	-51.5	-19.2
<i>(prior year)</i>	<i>(22.2)</i>	<i>(-82.3)</i>	<i>(-60.2)</i>
EBIT	24.6	-60.8	-36.1
<i>(prior year)</i>	<i>(17.0)</i>	<i>(-90.0)</i>	<i>(-73.0)</i>

*) prior year figures adjusted, see further explanation below

GMV developed flat with -0.6% in the Fashion Store segment in Q1 2023. The stable GMV compared to the same quarter in the prior year is mainly attributable to an ongoing normalization between the use of online and offline retail channels in an environment of low consumer sentiment. Revenue decreased by 3.5% in the Fashion Store segment in Q1 2023, 2.9% below the GMV growth rate as the Partner Business share continued to increase.

Q1 2022 revenue is restated by EUR -109.6m as internal stock transfers and services are no longer shown as external revenues but rather netted with the corresponding cost lines and thus shown on a net basis starting Q1 2023. This change follows a corresponding adjustment in the internal steering of our segments to rather focus on the contribution of our segments to the group figures. The change does not impact Group or Offprice GMV, Revenue, Gross Margin or adjusted EBIT, nor Fashion Store GMV and adjusted EBIT.

The adjusted EBIT margin in the Fashion Store segment was at -1.1% (prior-year period: -3.2%) in Q1 2023. The improvement is a result of lower fulfillment costs.

The Offprice segment showed an extraordinary strong development with revenue growth of 32.9% year-on-year to EUR 415.5m as we successfully captured demand through our Lounge by Zalando proposition. In Q1 2023, the Offprice segment recorded an adjusted EBIT of EUR 24.6m versus EUR 6.5m in Q1 2022, with the adjusted EBIT margin increasing from 2.1% in the prior-year period to 5.9% in Q1 2023. The higher Offprice adjusted EBIT margin is attributable to lower fulfillment and marketing costs.

In all other segments, revenue increased by 40.8% to EUR 82.9m, primarily driven by the inclusion of revenues stemming from Highsnobiety. The adjusted EBIT reached EUR -1.5m (prior-year period: EUR -0.9m), and the adjusted EBIT margin reached -1.8% (prior-year period: -1.5%) in Q1 2023.

1.3 Cash flows

The group's condensed statement of cash flows is presented in the following table:

Condensed statement of cash flows

IN EUR M	Q1 2023	Q1 2022
Cash flow from operating activities	-166.8	-461.5
Cash flow from investing activities	-38.2	-70.2
Cash flow from financing activities	-29.6	-159.5
Net change in cash and cash equivalents from cash relevant transactions	-234.5	-691.2
Change in cash and cash equivalents due to exchange rate movements	-5.5	-1.9
Cash and cash equivalents at the beginning of the period	2,024.8	2,287.9
Cash and cash equivalents at the end of the period	1,784.8	1,594.8
Free cash flow	-205.0	-531.7

In the first quarter of 2023, we generated a negative cash flow from operating activities of EUR -166.8m (prior year: EUR -461.5m), which was mainly driven by the development of our net working capital (EUR -216.5m) and partly compensated by our operating income (considering that our net income comprises higher non-cash expenses like depreciation and share-based payments). In comparison to the first quarter of 2022 the improvement of EUR 294.7m was predominately resulting from the positive change of the development of our net working capital (EUR 116.8m) as well as of our other assets and liabilities (EUR 115.6m).

Cash outflow from investing activities is predominately impacted by capex, amounting to EUR 37.7m (prior-year period: EUR 66.3m), primarily consisting of investments in the logistics infrastructure, relating to the fulfillment centers in Poland, the Netherlands and Germany, as well as capital expenditures on internally developed software.

As a result, our free cash flow increased by EUR 326.8m from EUR -531.7m to EUR -205.0m compared to the prior-year period.

In Q1 2023, the cash outflows from financing activities predominately consist of payments of the principal portion of lease liabilities amounting to EUR 30.0m. The year-on-year difference of EUR 129.9m was attributable to cash outflows of EUR 136.0m in connection with the repurchase of treasury share in the prior-year period.

Overall, versus year end 2022, cash and cash equivalents decreased by EUR 240.0m during the first quarter of 2023, but remained strong at EUR 1,784.8m as of March 31, 2023 (December 31, 2022: EUR 2,024.8m).

1.4 Financial position

The group's financial position is shown in the following condensed statement of financial position:

Assets

IN EUR M	Mar 31, 2023		Dec 31, 2022		Change	
Non-current assets	2,302.1	31.6%	2,342.3	30.7%	-40.2	-1.7%
Current assets	4,993.7	68.4%	5,283.8	69.3%	-290.1	-5.5%
Total assets	7,295.7	100.0%	7,626.1	100.0%	-330.3	-4.3%

Equity and liabilities

IN EUR M	Mar 31, 2023		Dec 31, 2022		Change	
Equity	2,191.6	30.0%	2,199.2	28.8%	-7.5	-0.3%
Non-current liabilities	1,730.3	23.7%	1,760.0	23.1%	-29.7	-1.7%
Current liabilities	3,373.8	46.2%	3,666.9	48.1%	-293.1	-8.0%
Total equity and liabilities	7,295.7	100.0%	7,626.1	100.0%	-330.3	-4.3%

Compared to December 31, 2022, our total assets decreased by 4.3% to EUR 7,295.7m. The statement of financial position is dominated by property, plant and equipment, net working capital as well as cash and cash equivalents.

During the first quarter of 2023, non-current assets comprise additions to intangible assets amounted to EUR 19.2m (prior-year period: EUR 22.8m). Additions to property, plant and equipment totaled EUR 10.3m (prior-year period: EUR 50.5m), primarily relating to the fulfillment centers in Poland and Germany. The effects were compensated by monthly depreciation.

The development of current assets was driven by a decrease in our cash and cash equivalents as well as trade and other receivables. For more detailed information on the cash and cash equivalents movement please refer to [1.3 Cash flows](#). Trade and other receivables decreased by 19.2% primarily resulting from a high-volume and high-priced Q4 2022. This effect was partly offset by the 13.7% increase in inventories to EUR 2,058.2m, reflecting our inbound preparation for the spring/summer 2023 season.

Equity remained almost unchanged with a carrying amount of EUR 2,191.6m as of March 31, 2023 (December 31, 2022: EUR 2,199.2m). The slight decrease primarily stems from our net income in the period, which was almost offset by share-based compensation effects. In the reporting period, the equity ratio increased from 28.8% at the beginning of the year to 30.0% as of March 31, 2023.

Non-current liabilities decreased by EUR 29.7m mainly impacted by our non-current lease liabilities, which decreased by EUR 18.3m to EUR 651.8m in the reporting period.

The development of current liabilities was mainly driven by our trade payables and similar liabilities, which decreased by EUR 147.3m to EUR 2,786.8m as of March 31, 2023 due to a high-volume and high-priced Q4 2022.

As of March 31, 2023, suppliers' claim against Zalando totaling EUR 769.5m were transferred to various factoring providers (December 31, 2022: EUR 794.2m). These balances were recognized under current liabilities, i.e. trade payables and similar liabilities.

Net working capital, consisting of inventories and trade and other receivables less trade payables and similar liabilities, rose from EUR -211.6m as of December 31, 2022 to EUR 8.9m as of March 31, 2023. The higher net working capital is driven by an increase in inventories and a decrease in trade payables and similar liabilities, partly compensated by the decrease in trade and other receivables, predominantly reflecting our inbound preparation for spring/summer 2023 season.

2.1 Consolidated income statement

Consolidated income statement

IN EUR M	Q1 2023	Q1 2022
Revenue	2,255.6	2,205.0
Cost of sales	-1,401.1	-1,351.9
Gross profit	854.5	853.2
Fulfillment costs	-594.7	-650.6
Marketing costs	-164.0	-168.2
Administrative expenses	-118.5	-107.3
Other operating income	5.3	7.4
Other operating expenses	-8.9	-2.5
Earnings before interest and taxes (EBIT)	-26.2	-68.1
Interest and similar income	5.9	1.3
Interest and similar expenses	-19.3	-14.5
Other financial result	-12.1	-8.1
Financial result	-25.6	-21.3
Earnings before taxes (EBT)	-51.7	-89.5
Income taxes	13.3	28.2
Net income for the period	-38.5	-61.3

2.2 Consolidated statement of financial position

Consolidated statement of financial position – assets

IN EUR M	Mar 31, 2023	Dec 31, 2022
Non-current assets		
Intangible assets	414.1	414.1
Property, plant and equipment	1,125.9	1,145.5
Right-of-use assets	657.3	679.3
Financial assets	86.2	85.2
Non-financial assets	4.1	4.2
Investments accounted for using the equity method	8.3	8.3
Deferred tax assets	6.1	5.7
	2,302.1	2,342.3
Current assets		
Inventories	2,058.2	1,809.5
Trade and other receivables	737.6	913.0
Other financial assets	102.3	78.6
Other non-financial assets	310.8	457.9
Cash and cash equivalents	1,784.8	2,024.8
	4,993.7	5,283.8
Total assets	7,295.7	7,626.1

Consolidated statement of financial position – equity and liabilities

IN EUR M	Mar 31, 2023	Dec 31, 2022
Equity		
Issued capital	259.3	259.0
Capital reserves	1,259.0	1,237.8
Other reserves	-16.1	-25.4
Retained earnings	689.4	727.8
	2,191.6	2,199.2
Non-current liabilities		
Provisions	87.9	85.3
Lease liabilities	651.8	670.1
Convertible bonds	922.4	916.9
Other financial liabilities	5.8	12.1
Other non-financial liabilities	5.5	4.6
Deferred tax liabilities	56.7	71.0
	1,730.3	1,760.0
Current liabilities		
Lease liabilities	129.7	129.7
Trade payables and similar liabilities	2,786.8	2,934.1
Prepayments received	36.8	49.2
Income tax liabilities	12.1	24.8
Other financial liabilities	183.1	253.1
Other non-financial liabilities	225.4	276.0
	3,373.8	3,666.9
Total equity and liabilities	7,295.7	7,626.1

2.3 Consolidated statement of cash flows

Consolidated statement of cash flows

IN EUR M		Q1 2023	Q1 2022
1	Net income for the period	-38.5	-61.3
2 +	Non-cash expenses from share-based payments	21.1	16.3
3 +	Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	77.3	61.7
4 +/-	Income taxes	-13.3	-28.2
5 -	Income taxes paid, less refunds	-32.0	-21.1
6 +/-	Increase/decrease in provisions	2.5	0.0
7 -/+	Other non-cash income/expenses	11.0	-1.6
8 +/-	Decrease/increase in inventories	-248.7	-405.4
9 +/-	Decrease/increase in trade and other receivables	175.4	92.1
10 +/-	Increase/decrease in trade payables and similar liabilities	-143.3	-20.0
11 +/-	Increase/decrease in other assets/liabilities	21.6	-94.0
12 =	Cash flow from operating activities	-166.8	-461.5
13 -	Cash paid for investments in property, plant and equipment	-17.7	-43.5
14 -	Cash paid for investments in intangible assets	-19.9	-22.8
15 -	Cash paid for acquisition of shares in associated companies and subsidiaries less cash acquired	-0.5	-3.9
16 =	Cash flow from investing activities	-38.2	-70.2
17 +	Cash received from capital increases by the shareholders and stock option exercises less transaction costs	0.4	0.5
18 -	Repurchase of treasury shares	0.0	-136.0
19 -	Cash payments for the principal portion of lease liabilities	-30.0	-23.9
20 =	Cash flow from financing activities	-29.6	-159.5
21 =	Net change in cash and cash equivalents from cash relevant transactions	-234.5	-691.2
22 +/-	Change in cash and cash equivalents due to exchange rate movements	-5.5	-1.9
23 +	Cash and cash equivalents at the beginning of the period	2,024.8	2,287.9
24 =	Cash and cash equivalents at the end of the period	1,784.8	1,594.8
	Free cash flow	-205.0	-531.7

3.1 Financial calendar 2023

Financial calendar

Date	Event
Wednesday, May 24	Annual general meeting 2023
Thursday, August 3	Publication of the second quarter results 2023
Thursday, November 2	Publication of the third quarter results 2023

3.2 Imprint

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Disclaimer

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The quarterly statement is available in English. If there are variances, the German version has priority over the English translation. It is available for download in both languages at <https://corporate.zalando.com/en/investor-relations>.

