

Quarterly Statement Q3 2023



zalando

A large, stylized graphic of the letters 'Q3' in white, set against a solid blue background. The 'Q' is a simple, rounded shape with a small tail. The '3' is composed of two rounded, overlapping shapes. A thin white line curves around the 'Q' and '3'. On the left side of the blue area, there are vertical decorative elements: a pink bar, a black and white striped bar, and a black and white curved striped bar.

Zalando at a glance

Key figures

	Q3 2023	Q3 2022	Change	9M 2023	9M 2022	Change
Key performance indicators						
Gross Merchandise Volume (GMV*) (in EUR m)	3,202.2	3,280.4	-2.4%	10,175.2	10,220.0	-0.4%
Revenue (in EUR m)	2,274.9	2,349.1	-3.2%	7,086.9	7,177.2	-1.3%
Adjusted EBIT (in EUR m)**	23.2	13.5	71.8%	167.3	39.1	>100%
Adjusted EBIT margin (as %)	1.0	0.6	0.4pp	2.4	0.5	1.8pp
EBIT (in EUR m)	-18.9	-7.4	>100%	41.7	-14.5	>100%
EBIT margin (as %)	-0.8	-0.3	-0.5pp	0.6	-0.2	0.8pp
Capex (in EUR m)	-70.4	-77.0	-8.6%	-147.3	-217.8	-32.4%
Active customers (LTM***) (in millions)	50.1	50.2	-0.2%	50.1	50.2	-0.2%
Number of orders (in millions)	54.5	58.8	-7.3%	174.4	184.6	-5.5%
Average GMV per active customer (LTM***) (in EUR)	294.5	290.2	1.5%	294.5	290.2	1.5%
Average orders per active customer (LTM***)	5.0	5.2	-3.2%	5.0	5.2	-3.2%
Average basket size (LTM***) (in EUR)	58.9	56.2	4.8%	58.9	56.2	4.8%
Other key figures						
Net working capital (in EUR m)****	-11.6	-211.6	94.5%	-11.6	-211.6	94.5%
Equity ratio (as % of total assets)****	31.0	28.8	2.2pp	31.0	28.8	2.2pp
Cash flow from operating activities (in EUR m)	-81.1	141.6	>100%	123.3	-183.7	>100%
Cash flow from investing activities (in EUR m)	-71.3	-190.1	62.5%	-154.8	-337.8	54.2%
Free cash flow (in EUR m)	-152.4	-48.4	>100%	-26.6	-523.9	94.9%
Cash and cash equivalents (in EUR m)	1,901.8	1,549.4	22.7%	1,901.8	1,549.4	22.7%
Average number of employees****	16,161	16,999	-4.9%	16,161	16,999	-4.9%
Basic earnings per share (in EUR)	-0.03	-0.14	77.5%	0.04	-0.32	>100%
Diluted earnings per share (in EUR)	-0.03	-0.14	77.5%	0.04	-0.32	>100%

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 other significant non-operating one-time effects.

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

*****) As of Sep 30, 2023 and Dec 31, 2022 respectively

1.1 Financial performance of the group

Consolidated income statement 9M 2023

IN EUR M	9M 2023	As % of revenue	9M 2022	As % of revenue	Change
GMV	10,175.2	143.6%	10,220.0	142.4%	1.2pp
Revenue	7,086.9	100.0%	7,177.2	100.0%	0.0pp
Cost of sales	-4,360.1	-61.5%	-4,329.7	-60.3%	-1.2pp
Gross profit	2,726.7	38.5%	2,847.5	39.7%	-1.2pp
Fulfillment costs	-1,786.5	-25.2%	-1,988.5	-27.7%	2.5pp
Marketing costs	-498.3	-7.0%	-545.0	-7.6%	0.6pp
Administrative expenses	-369.8	-5.2%	-341.3	-4.8%	-0.5pp
Other operating income	15.7	0.2%	18.6	0.3%	0.0pp
Other operating expenses	-46.1	-0.7%	-5.9	-0.1%	-0.6pp
EBIT	41.7	0.6%	-14.5	-0.2%	0.8pp
Share-based payments	63.2	0.9%	50.0	0.7%	0.2pp
Acquisition-related expenses	14.5	0.2%	3.6	0.1%	0.2pp
Restructuring costs	31.5	0.4%	0.0	0.0%	0.4pp
One-time effects	16.4	0.2%	0.0	0.0%	0.2pp
Adjusted EBIT	167.3	2.4%	39.1	0.5%	1.8pp

Consolidated income statement Q3 2023

IN EUR M	Q3 2023	As % of revenue	Q3 2022	As % of revenue	Change
GMV	3,202.2	140.8%	3,280.4	139.6%	1.1pp
Revenue	2,274.9	100.0%	2,349.1	100.0%	0.0pp
Cost of sales	-1,440.2	-63.3%	-1,431.2	-60.9%	-2.4pp
Gross profit	834.7	36.7%	918.0	39.1%	-2.4pp
Fulfillment costs	-567.1	-24.9%	-654.6	-27.9%	2.9pp
Marketing costs	-159.3	-7.0%	-168.0	-7.2%	0.1pp
Administrative expenses	-128.4	-5.6%	-107.7	-4.6%	-1.1pp
Other operating income	2.4	0.1%	6.8	0.3%	-0.2pp
Other operating expenses	-1.1	0.0%	-1.9	-0.1%	0.0pp
EBIT	-18.9	-0.8%	-7.4	-0.3%	-0.5pp
Share-based payments	21.9	1.0%	17.3	0.7%	0.2pp
Acquisition-related expenses	5.4	0.2%	3.6	0.2%	0.1pp
Restructuring costs	-1.6	-0.1%	0.0	0.0%	-0.1pp
One-time effects	16.4	0.7%	0.0	0.0%	0.7pp
Adjusted EBIT	23.2	1.0%	13.5	0.6%	0.4pp

GMV came in at EUR 10,175.2m and developed broadly flat at -0.4% compared to the prior year. The first nine months in 2023 were characterized by the normalization of e-commerce penetration, ongoing pressure on consumers' disposable income, and a delayed fall/winter season start caused by adverse weather conditions.

As of September 30, 2023, the number of our active customers reached 50.1 million, compared to 50.2 million in the prior-year period. The flat development is attributable to a slowdown in new customer acquisition. GMV per active customer increased slightly to EUR 294.5 (prior-year period: EUR 290.2). This increase was driven by a 4.8% rise in average basket size to EUR 58.9 (prior-year period: EUR 56.2) which compensated for lower average orders per active customer of 5.0 at the end of 9M 2023 (prior-year period: 5.2). All KPIs were calculated on the basis of the last twelve months.

Revenue declined by 1.3% compared to the prior-year period and reached EUR 7,086.9m. The difference between GMV and revenue development is inherent in our Partner Business model where selling prices are fully reflected in the GMV metric, while revenue only includes the commission income on the selling price. Furthermore, revenue from our platform services like Zalando Fulfillment Solutions (ZFS) and Zalando Marketing Services (ZMS) are considered in revenue but not in GMV.

As a result of our continued focus on cost efficiency, we generated an improved adjusted EBIT of EUR 167.3m in the first nine months of 2023 (prior-year period: EUR 39.1m). In addition to expenses for equity-settled share-based payments and acquisition-related expenses, we also excluded restructuring costs of EUR 31.5m relating to the reshaping program launched at the beginning of 2023¹ as well as other significant non-operating one-time effects of EUR 16.4m. These one-time effects mainly stem from the impairment of lease assets for office buildings and warehouses that are no longer planned to be used for our own business. The adjusted EBIT margin improved to 2.4% (prior-year period: 0.5%).

Our gross margin declined by 1.2 percentage points to 38.5% in the first nine months of 2023, mainly due to the ongoing promotional market environment, which was partially impacted by a delayed season start in the third quarter and high inventory positions across the sector.

Compared to the prior-year period, fulfillment costs as a percentage of revenue decreased by 2.5 percentage points due to efficiency measures, favourable order economics and a higher Partner Program share.

Marketing costs decreased to EUR 498.3m, with the marketing cost ratio at 7.0% of revenue, 0.6 percentage points lower than last year. The decline is a result of a more focused investment approach aiming to maximize returns and growth in Offprice, which operates at lower marketing costs.

¹ Please refer to the corresponding press release: <https://corporate.zalando.com/en/company/update-zalando-co-ceos-company>.

Administrative expenses amounted to EUR 369.8m (prior-year period: EUR 341.3m).

The increase was mainly related to share-based compensation, the inclusion of Highsnobiety, which was not part of the Zalando group in H1 2022 as well as the impairment of lease assets that are no longer planned to be used for our own business. Administrative expenses as a percentage of revenue rose 0.5 percentage points to 5.2% (prior-year period: 4.8%).

Other operating expenses of EUR 46.1m (prior-year period: EUR 5.9m) include costs of EUR 31.5m relating to the reshaping program, which include expenses for severance and garden leave payments as well as consulting fees.

Considering the financial result of EUR -31.8m (prior-year period: EUR -54.9m) and income taxes of EUR 0.2m in the first nine months of 2023 (prior-year period: EUR -13.3m), our net income for the first nine months of 2023 amounted to EUR 10.0m (prior-year period: net loss EUR -82.7m).

1.2 Results by segment

Segment results of the group 9M

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total group
GMV	8,782.3	1,392.8	0.0	10,175.2	0.0	10,175.2
<i>(prior year)</i>	<i>(9,033.2)</i>	<i>(1,186.8)</i>	<i>(0.0)</i>	<i>(10,220.0)</i>	<i>(0.0)</i>	<i>(10,220.0)</i>
Revenue	5,759.7	1,245.8	271.9	7,277.4	-190.6	7,086.9
<i>(prior year)</i>	<i>(6,044.6)*</i>	<i>(1,066.0)</i>	<i>(245.3)</i>	<i>(7,355.8)*</i>	<i>(-178.6)*</i>	<i>(7,177.2)</i>
thereof intersegment revenue	118.1	0.1	72.5	190.6	-190.6	0.0
<i>(prior year)</i>	<i>(119.3)*</i>	<i>(3.9)</i>	<i>(55.4)</i>	<i>(178.6)*</i>	<i>(-178.6)*</i>	<i>(0.0)</i>
Adjusted EBIT	114.9	52.7	11.9	179.5	-12.3	167.3
<i>(prior year)</i>	<i>(-2.2)</i>	<i>(24.4)</i>	<i>(14.2)</i>	<i>(36.5)</i>	<i>(2.6)</i>	<i>(39.1)</i>
Share-based payments	49.8	9.0	4.4	63.2	0.0	63.2
<i>(prior year)</i>	<i>(40.1)</i>	<i>(7.0)</i>	<i>(2.9)</i>	<i>(50.0)</i>	<i>(0.0)</i>	<i>(50.0)</i>
Acquisition-related expenses	1.2	0.0	13.3	14.5	0.0	14.5
<i>(prior year)</i>	<i>(0.0)</i>	<i>(0.0)</i>	<i>(3.6)</i>	<i>(3.6)</i>	<i>(0.0)</i>	<i>(3.6)</i>
Restructuring costs	26.7	2.5	2.2	31.5	0.0	31.5
<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>
One-time effects	9.9	6.2	0.3	16.4	0.0	16.4
<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	27.3	34.9	-8.2	54.0	-12.3	41.7
<i>(prior year)</i>	<i>(-42.2)</i>	<i>(17.4)</i>	<i>(7.7)</i>	<i>(-17.2)</i>	<i>(2.6)</i>	<i>(-14.5)</i>

*) Prior-year figures adjusted, see below for more information

Financial information for the Fashion Store segment is broken down into the regions DACH and Rest of Europe as follows:

Fashion Store results by region 9M

IN EUR M	DACH	Rest of Europe	Fashion Store
GMV	4,053.5	4,728.8	8,782.3
<i>(prior year)</i>	<i>(4,230.0)</i>	<i>(4,803.3)</i>	<i>(9,033.2)</i>
Revenue	2,539.7	3,220.0	5,759.7
<i>(prior year)</i>	<i>(2,704.5)*</i>	<i>(3,340.0)*</i>	<i>(6,044.6)*</i>
Adjusted EBIT	163.6	-48.7	114.9
<i>(prior year)</i>	<i>(88.8)</i>	<i>(-90.9)</i>	<i>(-2.2)</i>
EBIT	124.4	-97.1	27.3
<i>(prior year)</i>	<i>(72.5)</i>	<i>(-114.7)</i>	<i>(-42.2)</i>

*) Prior-year figures adjusted, see below for more information

The condensed segment results for Q3 2023 are shown in the table below:

Segment results of the group Q3

IN EUR M	Fashion Store	Offprice	All other segments	Total	Reconciliation	Total group
GMV	2,752.7	449.6	0.0	3,202.2	0.0	3,202.2
<i>(prior year)</i>	<i>(2,857.5)</i>	<i>(422.9)</i>	<i>(0.0)</i>	<i>(3,280.4)</i>	<i>(0.0)</i>	<i>(3,280.4)</i>
Revenue	1,852.2	393.8	91.9	2,337.9	-62.9	2,274.9
<i>(prior year)</i>	<i>(1,936.5)*</i>	<i>(377.2)</i>	<i>(104.5)</i>	<i>(2,418.2)*</i>	<i>(-69.1)*</i>	<i>(2,349.1)</i>
thereof intersegment revenue	36.4	0.0	26.4	62.9	-62.9	0.0
<i>(prior year)</i>	<i>(44.7)*</i>	<i>(2.0)</i>	<i>(22.4)</i>	<i>(69.1)*</i>	<i>(-69.1)*</i>	<i>(0.0)</i>
Adjusted EBIT	19.5	2.8	5.7	28.0	-4.8	23.2
<i>(prior year)</i>	<i>(-3.0)</i>	<i>(8.4)</i>	<i>(7.5)</i>	<i>(13.0)</i>	<i>(0.5)</i>	<i>(13.5)</i>
Share-based payments	16.9	3.4	1.7	21.9	0.0	21.9
<i>(prior year)</i>	<i>(13.8)</i>	<i>(2.5)</i>	<i>(1.0)</i>	<i>(17.3)</i>	<i>(0.0)</i>	<i>(17.3)</i>
Acquisition-related expenses	0.9	0.0	4.5	5.4	0.0	5.4
<i>(prior year)</i>	<i>(0.0)</i>	<i>(0.0)</i>	<i>(3.6)</i>	<i>(3.6)</i>	<i>(0.0)</i>	<i>(3.6)</i>
Restructuring costs	-1.3	-0.2	-0.1	-1.6	0.0	-1.6
<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>
One-time effects	9.9	6.2	0.3	16.4	0.0	16.4
<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	-6.8	-6.5	-0.7	-14.0	-4.8	-18.9
<i>(prior year)</i>	<i>(-16.8)</i>	<i>(6.0)</i>	<i>(2.9)</i>	<i>(-7.9)</i>	<i>(0.5)</i>	<i>(-7.4)</i>

*) Prior-year figures adjusted, see below for more information

Financial information for the Fashion Store segment is broken down into the regions DACH and Rest of Europe as follows:

Fashion Store results by region Q3

IN EUR M	DACH	Rest of Europe	Fashion Store
GMV	1,252.6	1,500.1	2,752.7
<i>(prior year)</i>	<i>(1,327.3)</i>	<i>(1,530.2)</i>	<i>(2,857.5)</i>
Revenue	807.3	1,044.9	1,852.2
<i>(prior year)</i>	<i>(854.9)*</i>	<i>(1,081.6)*</i>	<i>(1,936.5)*</i>
Adjusted EBIT	48.4	-28.9	19.5
<i>(prior year)</i>	<i>(14.2)</i>	<i>(-17.2)</i>	<i>(-3.0)</i>
EBIT	36.1	-42.9	-6.8
<i>(prior year)</i>	<i>(9.0)</i>	<i>(-25.7)</i>	<i>(-16.8)</i>

*) Prior-year figures adjusted, see below for more information

GMV in the Fashion Store segment decreased by 2.8% in the first nine months of 2023. The decrease is attributable to the continuing normalization between online and offline retail channel usage. Furthermore, in the third quarter the Fashion Store segment faced challenges due to a delayed fall/winter season start. This occurred in an environment marked by pressure on consumers disposable income and improved, yet still relatively low, consumer sentiment. Revenue in the Fashion Store segment decreased by 4.7% in the first nine months of 2023, 1.8% below the GMV growth rate, as the Partner Business share continued to grow, increasing its share of Fashion Store GMV to 38.8% (prior-year period: 32.6%), partly offset by increasing ZFS revenue.

In the first nine months of 2022 revenue for the Fashion Store segment was adjusted by EUR -410.8m as internal stock transfers and services are no longer reported as Fashion Store segment revenues but netted with the corresponding cost lines and thus reported on a net basis starting Q1 2023. This change follows a corresponding adjustment in the internal steering of our segments to focus more on the contribution of our segments to the group figures. The change does not impact neither group or Offprice GMV, revenue, gross margin, or adjusted EBIT, nor Fashion Store GMV and adjusted EBIT.

In the first nine months 2023, adjusted EBIT in the Fashion Store segment improved and reached EUR 114.9m compared to EUR -2.2m in the prior year period. The adjusted EBIT margin in the Fashion Store segment was at 2.0% in the first nine months of 2023 (prior-year period: 0.0%). The improvement resulted from lower fulfillment and lower marketing costs.

The Offprice segment continued to show a strong development with revenue growth of 16.9% year-on-year to EUR 1,245.8m as we successfully capture demand through our Lounge by Zalando proposition. The Offprice segment recorded an adjusted EBIT of EUR 52.7m in the first nine months of 2023 compared to EUR 24.4m in the prior-year period, with an adjusted EBIT margin of 4.2% up from 2.3% in the prior-year period. As in the Fashion Store segment, Offprice's higher adjusted EBIT margin was attributable to lower fulfillment and marketing costs.

In all other segments (including ZMS), revenue increased by 10.9% to EUR 271.9m, primarily driven by the inclusion of Highsnobiety which has been consolidated since Q3 2022. During the first nine months of 2023, adjusted EBIT reached EUR 11.9m (prior-year period: EUR 14.2m) and the adjusted EBIT margin 4.4% (prior-year period: 5.8%).

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	Q3 2023	Q3 2022	9M 2023	9M 2022
Cash flow from operating activities	-81.1	141.6	123.3	-183.7
Cash flow from investing activities	-71.3	-190.1	-154.8	-337.8
Cash flow from financing activities	-29.7	-32.2	-91.3	-220.1
Net change in cash and cash equivalents from cash relevant transactions	-182.1	-80.7	-122.8	-741.5
Change in cash and cash equivalents due to exchange rate movements	8.3	-1.0	-0.1	3.0
Cash and cash equivalents at the beginning of the period	2,075.6	1,631.1	2,024.8	2,287.9
Cash and cash equivalents at the end of the period	1,901.8	1,549.4	1,901.8	1,549.4
Free cash flow	-152.4	-48.4	-26.6	-523.9

In the first nine months of 2023, we generated positive cash flow from operating activities of EUR 123.3m (prior-year period: EUR -183.7m). This was mainly driven by our operating income (considering that our net income comprises non-cash expenses like depreciation, change of provisions and share-based payments), but partly compensated by our net working capital.

In comparison to the first nine months of 2022, the significant improvement of the cash flow from operating activities of EUR 306.9m resulted primarily from the positive change in the development of our operating income, our other assets and liabilities, as well as our net working capital.

Cash flow from investing activities was mainly impacted by capex, amounting to EUR 147.3m (prior-year period: EUR 217.8m) in the first nine months of 2023. Our capex mainly consisted of investments in logistics infrastructure related to the fulfillment centers in France, Poland, and Germany, as well as capex in internally developed software. The lower capex compared to the prior-year period reflects shifts of investments to the last quarter of 2023 and beyond, as well as an adaptation to the current economic environment. In addition, the cash flow from investing activities of the prior-year period comprised the purchase price paid for the acquisition of Highsnobiety of EUR 123.6m.

As a result, our free cash flow improved in the first nine months of 2023 by EUR 497.3m to EUR -26.6m from EUR -523.9m (including Highsnobiety investment) in the prior-year period.

In first nine months of 2023, cash flow from financing activities predominately consisted of payments of the principal portion of lease liabilities in the amount of EUR 95.5m (prior-year period: EUR 81.9m). The difference of EUR 128.8m compared to the prior-year period is

attributable to cash outflows of EUR 136.0m for the repurchase of treasury shares in the prior-year period.

Cash and cash equivalents seasonally decreased by EUR 122.9m during the first nine months of 2023 compared to year end 2022, but remained strong at EUR 1,901.8m as of September 30, 2023 (December 31, 2022: EUR 2,024.8m).

1.4 Financial position

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

Assets

IN EUR M	Sept 30, 2023		Dec 31, 2022		Change	
Non-current assets	2,309.3	31.3%	2,342.3	30.7%	-33.0	-1.4%
Current assets	5,069.9	68.7%	5,283.8	69.3%	-213.9	-4.0%
Total assets	7,379.2	100.0%	7,626.1	100.0%	-246.8	-3.2%

Equity and liabilities

IN EUR M	Sept 30, 2023		Dec 31, 2022		Change	
Equity	2,288.6	31.0%	2,199.2	28.8%	89.4	4.1%
Non-current liabilities	1,738.4	23.6%	1,760.0	23.1%	-21.5	-1.2%
Current liabilities	3,352.2	45.4%	3,666.9	48.1%	-314.7	-8.6%
Total equity and liabilities	7,379.2	100.0%	7,626.1	100.0%	-246.8	-3.2%

Compared to December 31, 2022, our total assets decreased by 3.2% to EUR 7,379.2m. 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 nine months of 2023, the development of non-current assets resulted from additions to property, plant and equipment amounting to EUR 92.2m (prior-year period: EUR 159.2m), primarily relating to our fulfillment centers in France, Poland and Germany. The effects were compensated by depreciation.

The decrease in current assets by EUR 213.9m was mainly driven by a decrease in our trade and other receivables and cash and cash equivalents, as well as due to the collection of VAT receivables in Poland.

Equity increased by 4.1% to EUR 2,288.6m as of September 30, 2023 (December 31, 2022: EUR 2,199.2m) primarily due to share-based compensation effects and our positive total comprehensive income. The equity ratio increased from 28.8% at the beginning of the year to 31.0% as of September 30, 2023.

While our non-current liabilities slightly decreased, the development of our current liabilities was mainly driven by trade payables and similar liabilities, which decreased by EUR 159.8m to EUR 2,774.3m as of September 30, 2023, due to higher stock inbound levels at the end of last year. Furthermore, suppliers' claims against Zalando, totaling EUR 574.8m as of September 30, 2023, 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. In addition, other financial liabilities decreased by EUR 95.5m to EUR 157.6m as of September 30, 2023, mainly due to effects from valuation of our hedging instruments.

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 -11.6m as of September 30, 2023. The development was mainly driven by a decrease in trade payables and similar liabilities as described above as well as an increase in inventories, reflecting our inbound preparation for the fall/winter season.

1.5 Outlook

In light of the expected continued pressure on demand throughout the rest of the year, we adjust our topline outlook for 2023. GMV growth for 2023 is now expected in the range of -2% to 1% (from previously the lower half of 1% – 7%). Revenue growth is adjusted accordingly and is now expected to be in the range of -3.0% to -0.5% (from previously the lower half of -1% to 4%).

We remain committed to our path of profitable growth and therefore make no adjustments to our adjusted EBIT guidance. The adjusted EBIT guidance 2023 remains unchanged with EUR 300m – EUR 350m.

With regard to capex, we adjusted the speed of our investments throughout 2023 to reflect the macroeconomic situation and slowing growth. We recalibrated the timelines of our investments in fulfillment centers in France and Germany and therefore forecasted capex will be lowered. Now, it is expected to be in the range of EUR 260m – EUR 300m (from previously the low end of EUR 300m – EUR 380m).

Berlin, November 1, 2023

The Management Board

Robert Gentz

David Schneider

David Schröder

Dr. Astrid Arndt

Dr. Sandra Dembeck

2.1 Consolidated statement of comprehensive income

Consolidated income statement

IN EUR M	Q3 2023	Q3 2022	9M 2023	9M 2022
Revenue	2,274.9	2,349.1	7,086.9	7,177.2
Cost of sales	-1,440.2	-1,431.2	-4,360.1	-4,329.7
Gross profit	834.7	918.0	2,726.7	2,847.5
Fulfillment costs	-567.1	-654.6	-1,786.5	-1,988.5
Marketing costs	-159.3	-168.0	-498.3	-545.0
Administrative expenses	-128.4	-107.7	-369.8	-341.3
Other operating income	2.4	6.8	15.7	18.6
Other operating expenses	-1.1	-1.9	-46.1	-5.9
Earnings before interest and taxes (EBIT)	-18.9	-7.4	41.7	-14.5
Interest and similar income	12.8	1.2	27.8	3.8
Interest and similar expenses	-17.5	-16.0	-58.6	-44.6
Other financial result	1.9	-16.6	-1.0	-14.0
Financial result	-2.8	-31.3	-31.8	-54.9
Earnings before taxes (EBT)	-21.7	-38.7	9.9	-69.4
Income taxes	13.5	3.4	0.2	-13.3
Net income/loss for the period	-8.2	-35.4	10.0	-82.7

2.2 Consolidated statement of financial position

Consolidated statement of financial position – assets

IN EUR M	Sept 30, 2023	Dec 31, 2022
Non-current assets		
Intangible assets	409.4	414.1
Property, plant and equipment	1,145.2	1,145.5
Right-of-use assets	650.9	679.3
Financial assets	85.6	85.2
Non-financial assets	3.5	4.2
Investments accounted for using the equity method	6.9	8.3
Deferred tax assets	7.9	5.7
	2,309.3	2,342.3
Current assets		
Inventories	1,937.7	1,809.5
Trade and other receivables	825.1	913.0
Other financial assets	73.3	78.6
Other non-financial assets	332.0	457.9
Cash and cash equivalents	1,901.8	2,024.8
	5,069.9	5,283.8
Total assets	7,379.2	7,626.1

Consolidated statement of financial position – equity and liabilities

IN EUR M	Sept 30, 2023	Dec 31, 2022
Equity		
Issued capital	260.2	259.0
Capital reserves	1,303.0	1,237.8
Other reserves	-12.5	-25.4
Retained earnings	737.9	727.8
	2,288.6	2,199.2
Non-current liabilities		
Provisions	91.0	85.3
Lease liabilities	644.5	670.1
Convertible bonds	933.7	916.9
Other financial liabilities	7.0	12.1
Other non-financial liabilities	5.4	4.6
Deferred tax liabilities	56.8	71.0
	1,738.4	1,760.0
Current liabilities		
Provisions	21.9	0.0
Lease liabilities	133.8	129.7
Trade payables and similar liabilities	2,774.3	2,934.1
Prepayments received	40.2	49.2
Income tax liabilities	18.5	24.8
Other financial liabilities	157.6	253.1
Other non-financial liabilities	205.8	276.0
	3,352.2	3,666.9
Total equity and liabilities	7,379.2	7,626.1

2.3 Consolidated statement of cash flows

Consolidated statement of cash flows

IN EUR M		Q3 2023	Q3 2022	9M 2023	9M 2022
1	Net income/loss for the period	-8.2	-35.4	10.0	-82.7
2 +	Non-cash expenses from share-based payments	21.9	17.3	63.2	50.0
3 +	Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets	94.2	91.0	247.4	219.2
4 +/-	Income taxes	-13.5	-3.4	-0.2	13.3
5 -	Income taxes paid, less refunds	-23.2	-18.3	-76.7	-52.6
6 +/-	Increase/decrease in provisions	-3.8	0.0	27.9	0.0
7 -/+	Other non-cash income/expenses	-8.6	4.3	9.5	2.7
8 +/-	Decrease/increase in inventories	-207.5	-403.1	-128.2	-614.2
9 +/-	Decrease/increase in trade and other receivables	38.0	-14.9	87.9	17.3
10 +/-	Increase/decrease in trade payables and similar liabilities	90.9	521.0	-163.0	320.2
11 +/-	Increase/decrease in other assets/liabilities	-61.3	-16.9	45.3	-56.7
12 =	Cash flow from operating activities	-81.1	141.6	123.3	-183.7
13 +	Cash received from sales of property, plant and equipment, intangibles and other long-term assets	3.5	0.0	3.5	0.0
14 -	Cash paid for investments in property, plant and equipment	-50.9	-51.3	-91.0	-152.3
15 -	Cash paid for investments in intangible assets	-19.5	-25.7	-56.3	-65.5
16 -	Cash paid for acquisition of shares in associated companies, subsidiaries less cash acquired and other equity investments	-4.4	-113.0	-6.1	-122.5
17 +/-	Change in restricted cash	0.0	0.0	-4.9	2.5
18 =	Cash flow from investing activities	-71.3	-190.1	-154.8	-337.8
19 +	Cash received from capital increases by the shareholders and stock option exercises less transaction costs	2.5	0.1	4.2	1.1
20 -	Repurchase of treasury shares	0.0	0.0	0.0	-136.0
21 -	Cash repayments of loans and similar payments	0.0	0.0	0.0	-3.3
22 -	Cash payments for the principal portion of lease liabilities	-32.1	-32.4	-95.5	-81.9
23 =	Cash flow from financing activities	-29.7	-32.2	-91.3	-220.1
24 =	Net change in cash and cash equivalents from cash relevant transactions	-182.1	-80.7	-122.8	-741.5
25 +/-	Change in cash and cash equivalents due to exchange rate movements	8.3	-1.0	-0.1	3.0
26 +	Cash and cash equivalents at the beginning of the period	2,075.6	1,631.1	2,024.8	2,287.9
27 =	Cash and cash equivalents at the end of the period	1,901.8	1,549.4	1,901.8	1,549.4
	Free cash flow	-152.4	-48.4	-26.6	-523.9

3.1 Financial calendar 2024

Financial calendar

Date	Event
Wednesday, March 13	Publication of the Annual Report 2023
Tuesday, May 7	Publication of the first quarter results 2024
Friday, May 17	Annual General Meeting 2024
Tuesday, August 6	Publication of the second quarter results 2024
Tuesday, November 5	Publication of the third quarter results 2024

3.2 Imprint

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Disclaimer

This quarterly statement contains statements that relate to the future and are based on assumptions and estimates made by the management of Zalando SE. Even if the management is of the opinion that these assumptions and estimates are appropriate, the actual development and the actual future results may vary from these assumptions and estimates as a result of a variety of factors. These factors include, for example, changes to the overall economic environment, the statutory and regulatory conditions in Germany and the EU and changes in the industry. Zalando SE makes no guarantee and accepts no liability for future development and the actual results achieved in the future matching the assumptions and estimates stated in this quarterly statement. It is neither the intention of Zalando SE nor does Zalando SE accept a special obligation to update statements related to the future in order to align them with events or developments that take place after this quarterly statement is published.

The quarterly statement is also available in German. 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>.

