



Lisbon School  
of Economics  
& Management  
Universidade de Lisboa

# **MASTERS IN FINANCE**

## **MASTERS FINAL WORK PROJECT**

**EQUITY RESEARCH:  
ZALANDO SE**

**PEDRO MIGUEL DOS REIS MONTEIRO**

**JUNE 2025**



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**PEDRO MIGUEL DOS REIS MONTEIRO**

**SUPERVISOR:  
PEDRO SAMPAYO RAMOS**

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## Abstract

Zalando SE (“Zalando” or “Company” or “Zal”) is one of the largest European online fashion and lifestyle platform, operating across 25 markets and offering products from more than 5,000 brands. The Company focuses on fashion e-commerce, logistics and platform services through its Partner Program and Connected Retail model.

This report issues a BUY recommendation for Zalando, with a 2025YE PT of €31.71/Share, representing an upside potential of approximately 17% compared to the closing price of €27.11/Share, as of 30<sup>th</sup> June 2025. The valuation was supported by a Discounted Cash Flow (DCF) model and complemented by the Relative Valuation method using EV/Revenue and EV/EBITDA as multiples. The recommendation is issued with a Medium Risk level.

The Company’s recommendation is mainly explained by: i) Zalando’s strong market position; ii) Strong ESG profile; and, iii) Advanced logistics network across Europe. However, Zalando’s stock is trading at a discount mostly due to: i) Having missed Earnings per Share estimates in the 1<sup>st</sup> Quarter of 2025; and, ii) High macroeconomic vulnerability.

While Zalando’s fundamentals remain strong, several risks persist, including macroeconomic headwinds, changing consumer behaviour and competitive pricing pressure. The Company is actively addressing these through investments in AI, logistics automation and premium services to enhance customer lifetime value and margin resilience.

From an ESG perspective, Zalando demonstrates strong environmental and workforce performance, but exhibits room for improvement in governance practices and product responsibility. Continued progress in these areas could also be the key to strengthening stakeholder confidence and long-term Equity Value.

JEL classification: G10; G17; G32; G34.

Keywords: Equity Research; Valuation; DCF; WACC; Retail; Fashion and Apparel Industry; E-commerce

## Resumo

A Zalando SE (“Zalando” ou “Empresa” ou “Zal”) é uma das maiores plataformas europeias de moda e *lifestyle* online, operando em 25 países e com um portfólio de produtos de mais de 5,000 marcas. A Empresa centra-se no comércio eletrónico de moda, logística e serviços de plataforma através do seu *Partner Program* e modelo *Connected Retail*.

Este relatório emite uma recomendação de COMPRA para a Zalando, com um Preço-Alvo para o final de 2025 de €31.71/ação, representando um potencial de valorização de aproximadamente 17% face ao preço de fecho de €27.11/ação, a 30 de junho de 2025. A avaliação foi realizada através do modelo de *Discounted Cash Flow* (DCF), complementado pelo método de Avaliação Relativa, utilizando os múltiplos EV/Receitas e EV/EBITDA. A recomendação é emitida com um nível de risco médio.

A recomendação da Empresa é justificada: i) Pela forte posição de mercado; ii) Pelo seu excelente perfil ESG; e, iii) Pela sua rede logística avançada por toda a Europa. Contudo, as ações da Zalando estão a ser transacionadas com desconto principalmente devido: i) A terem falhado as estimativas de Lucro por Ação no 1.º trimestre de 2025; e, ii) À elevada vulnerabilidade macroeconómica.

Apesar dos fortes fundamentais da Zalando, persistem alguns riscos, incluindo uma visão macroeconómica com algum risco, alterações no comportamento dos consumidores e pressão competitiva ao nível dos preços. A Empresa está a abordar ativamente estes desafios através de investimentos em Inteligência Artificial, automação logística e serviços premium, com o objetivo de aumentar o valor do consumidor no longo-tempo e de reforçar a resiliência das margens.

Do ponto de vista ESG, a Zalando apresenta um desempenho robusto nas vertentes ambiental e de força de trabalho, mas revela margem de melhoria nas práticas de *governance* e responsabilidade sobre os produtos. Um progresso contínuo nestas áreas poderá ser essencial para reforçar a confiança dos *stakeholders* e o valor de mercado a longo prazo.

Classificação JEL: G10; G17; G32; G34.

Palavras-Chave: Equity Research; Avaliação de Empresas; DCF; WACC; Retalho; Indústria de Moda e Vestuário

# Acknowledgements

“Success is the sum of small efforts, repeated day after day”

**Robert Collier**

This Master’s Final Work stands as a culmination of six rigorous and enriching years at ISEG. It has been among the most challenging experiences I have encountered, but also one of the most rewarding. The insights and competencies developed throughout this period will serve as a strong foundation for my future career.

And that is how I built my journey so far, through days market by great effort, dedication and the ability to overcome the many obstacles encountered along this demanding, yet deeply meaningful path.

None of this would have been possible without the unwavering support of those who have stood by my side.

I extend my heartfelt gratitude to my parents, who have given me the opportunity to build a better future and have supported me with endless care and affection throughout the years.

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Last but not least, I would like to thank Professor Pedro Sampayo for his valuable guidance, particularly in helping me make sense of Python when it felt like a foreign language.

To all of you, my deepest and most sincere thanks, this achievement is not mine alone, but ours.

## **Disclaimer & Disclosures**

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This project was developed with strict adherence to the academic integrity policies and guidelines set forth by ISEG, Universidade de Lisboa. The work presented herein is the result of my own research, analysis, and writing, unless otherwise cited. In the interest of transparency, I provide the following disclosure regarding the use of artificial intelligence (AI) tools in the creation of this thesis/internship report/project:

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- AI-based research tools were used to assist in the literature review and data collection.
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Pedro Monteiro  
June 2025

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### Recommendation System

Level of Risk	SELL	REDUCE	HOLD/NEUTRAL	BUY	STRONG BUY
High Risk	$0\% \leq$	$>0\% \ \& \ \leq 10\%$	$>10\% \ \& \ \leq 20\%$	$>20\% \ \& \ \leq 45\%$	$>45\%$
Medium Risk	$-5\% \leq$	$>-5\% \ \& \ \leq 5\%$	$>5\% \ \& \ \leq 15\%$	$>15\% \ \& \ \leq 30\%$	$>30\%$
Low Risk	$-10\% \leq$	$>-10\% \ \& \ \leq 0\%$	$>0\% \ \& \ \leq 10\%$	$>10\% \ \& \ \leq 20\%$	$>20\%$

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# Glossary

€ or EUR	Euro	K	KPI	Key Performance Indicator
#	Number	L	LTV	Lifetime Value
A	AI	M	M&A	Mergers and Acquisitions
	AR		MBV	Multiples Based Valuation
B	B2B		MM	MergerMarket
	B2C		Mn	Million(s)
	Bn		MSCI	Morgan Stanley Capital International
	BofA		MV	Multiples Valuation
C	CAGR	N	NCI	Non-Controlling Interests
	CAPEX		NOPAT	Net Operating Profits After Taxes
	CAPM		NWC	Net Working Capital
	CEO	O	OPEX	Operational Expenditures
	CFO	P	PER	Price Earnings Ratio
	CFO		PP&E	Plant, Property and Equipment
	Co-CEO		PT	Price Target
	COGS	Q	Q	Quarter
	CO <sub>2e</sub>	R	R&D	Research and Development
	CRP		R <sub>e</sub>	Cos of Equity
	CSR		R <sub>d</sub>	Cost of Debt
D	D		RFR	Risk-free rate
	DAX		ROA	Return on Assets
	D&A		ROCE	Return on Capital Employed
	DCF		ROE	Return on Equity
	DEI		ROI	Return on Investment
E	E		ROIC	Return on Invested Capital
	EAP		RV	Relative Valuation
	EBIT	S	S&P	Standard and Poor's
	EBITDA		SARD	Sum of Absolute Rank Differences
	EPS		SE	Societas Europaea
	ER		SG&A	Selling, General & Administrative Expenses
	ESG		SGR	Sustainable Growth Rate
	ETR		Sh	Share
	EU		SR	Shareholder Representative
	EV	T	Tc	Corporate tax rate
F	F		TV	Terminal Value
	FCFF	U	UK	United Kingdom
	FCF		UN	United Nations Organization
	FY		US	United States
G	G	W	WACC	Weighted Average Cost of Capital
	GDP		WC	Working Capital
	GDPR		WEO	World Economic Outlook
	GHG	Y	YE	Year End
	GICS		YoY	Year-over-year
	GMV		YTD	Yield to Date
I	ICR	Z	ZAL	Zalando
	IMF		ZFS	Zalando Fulfilment Services
	IPO		ZMS	Zalando Marketing Services
	IT		ZPP	Zalando Partners Program

<u>Ticker:</u> ZAL	<u>Current Price:</u> € 27.11 (30/06/2025)	<u>Target Price:</u> € 31.71 (31/12/2025)	<u>Recommendation:</u> <b>BUY</b>	<u>Upside Potential:</u> ↑ 17.0% (IRR: 36.8%)	<u>Level of risk:</u> Medium
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## 1. Research Snapshot

Zalando has a **BUY recommendation, with a 2025YE PT of €31.71/Sh., using a combination of DCF and Relative Valuation**, representing an **upside potential of 17.0%** (annualized upside potential of 36.8%) against the closing price of €27.11/Sh., as of 30<sup>th</sup> June 2025, with a **Moderate Risk**.

This suggests that the **stock may be trading at a significant discount**, reflecting heightened volatility over the past few months, primarily driven by the **market's negative reaction to an Earning per Share (EPS) miss**, on analysts' estimates, in the 1Q 20205. However, sentiment is expected to stabilize by the second or third Quarter as earnings performance normalizes and investor confidence gradually recovers.

### Maintain Competitive Position

The Company has maintained a **strong position and competitive advantage in the online fashion sector of Europe** through a combination of a platform-based model, an expansive collection of brands and a high level engagement of the customers.

Zalando persists in **distinguishing itself through targeted investments in technology, logistics systems and personalization tools** that improve user experience and foster customer loyalty.

Even with recent market fluctuations, Zalando's continuous innovation, scale advantages and focus on operational efficiency placed it in a strong position to protect and expand its market Share in key European regions.

### Sustainability

**Sustainability remains a key pillar for Zalando's long-term plan**, enhancing its attractiveness to ever more aware consumers and investors.

From an ESG evaluation perspective, the Company has performed well regarding environmental resources management as well social metrics pertaining to employees.

**It aims for net zero emissions by 2040**, is also focused on expanding it sustainable products with "do.MORE" and has made strong improvements in relation to supply chain transparency. This makes Zalando in the best position to benefit from regulatory tailwinds arising from new consumer market shifts towards sustainability.

### Operational Efficiencies & Profitability

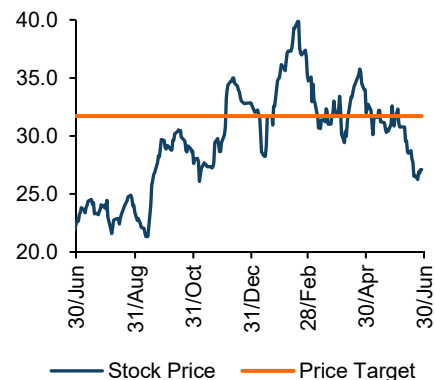
Zalando keeps improving its operational effectiveness, furthering the path towards sustainable profitability.

The Company, while using its proprietary logistics systems with automated fulfilment centres, alongside with asset-light strategies like expansion of the Partner Program and Zalando Fulfilment Solutions (that shift inventory and logistics partially or fully to brands and partners) **is able to lower unit costs and reduce delivery times simultaneously**.

With Revenue projected to grow at a faster pace compared to its fulfilments costs (Figure 2), it's expected than in the **long-term Zalando will have higher operating margins**, reaching Gross Margin values of 39.3% in 2030.

Market Cap (€'Mn)	7,007
Free Float (%)	89.7%
No. Shares outstanding (#Mn)	263.9
YTD performance (%)	18.06%
52-week range (€/Share)	€20.9 - €39.9

Figure 1 – 52-week stock price vs PT



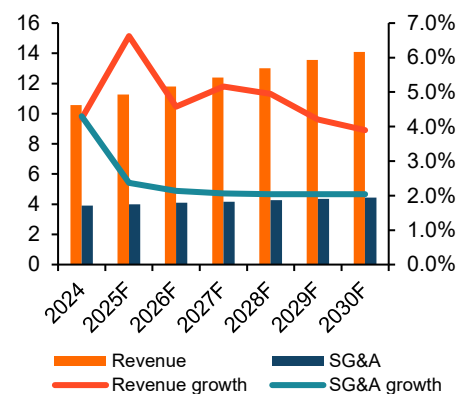
Source: Author analysis

Table 1 – Financial Highlights

	2024	2025F	2030F
Revenue (€'Bn)	10,572	11,272	14,086
EBITDA (€'Mn)	742	797	1,707
EBITDA Mg. (%)	7.0	7.1	12.1
Net Income(€'Mn)	251	273	748
Net Income Mg.(%)	2.4	2.4	5.3
CFO (€'Mn)	654	703	1,371
CAPEX (€'Mn)	517	529	524
Int. Bear. Debt (€'Mn)	1,726	1,361	992
Debt Ratio (%)	21.6	16.5	8.6
Debt/EBITDA (x)	2.3	1.71	0.58
Book Debt/Equity (%)	64.7	46.32	17.3
ROCE (%)	21.8	21.9	60.2
ROE (%)	9.4	9.3	13.0
Trade Pay. (days)	32	32	32
Trade Rec. (days)	90	93	93
Inventory (days)	160	162	162
EPS (€)	0.95	1.04	2.83

Source: Author analysis

Figure 2 – Revenues and SG&A growth (€'Bn)



Source: Author analysis

## 2. Business Description

Zalando SE (“Zalando”, “Zal”, or “Company”) is one of the **leading European online fashion retailers** (Figure 4), with a Market cap. of €7,007 Bn and total revenues amounting to €10.6 Bn in 2024YE. It was **founded by Robert Gentz and David Schneider, in 2008**, and later supported by Rocket Internet (a startup incubator owned by the Samwer brothers), who is well known for their “clone strategy”, where they replicate successful business models to minimize the risk associated with the development of original products and Zalando was, no difference, being inspired by the success of Zappos, a U.S. online shoe retailer.

In its early years, Zalando focused exclusively on footwear but quickly expanded into apparel, accessories and beauty products. By 2010, the company had entered international markets, starting with Austria and later extending to most of the Europe. Its aggressive growth strategy, supported by substantial marketing investments, allowed it to become a household name across the continent.

A significant milestone in Zalando’s journey came in **2014, when it did its IPO** (Initial Public Offering) on the Frankfurt Stock Exchange, raising over €600 million in one of Germany’s largest tech IPOs. Since then, the company has continued to evolve, shifting from a **traditional retail model to a platform-based approach**, emphasizing partnerships, data-driven services and sustainability.

Today, Zalando is headquartered in Berlin serves more than 50 million active customers across **25 European countries** (Figure 4) and has a **logistics network that includes 12 fulfilment centres and 20 return centres spread across Europe**.(Figure 3 and 5)

### Vision and Strategy

Zalando’s vision is to become the **“Starting Point for Fashion”** by creating a **one-stop destination for fashion and lifestyle**. To do so, their strategy is based on three main points:

- **Customer Centricity** by building a seamless and personalized shopping experience through advanced algorithms, extensive product offerings, and premium services like same-day delivery to be able to follow the new retail trends.
- **Platform Growth** through expanding the marketplace model by onboarding more brands through the Connected Retail program, enabling smaller businesses to access Zalando’s large customer base.
- **Sustainability Leadership** via driving initiatives to promote circular fashion, sustainable sourcing, and carbon-neutral operations, aligned with its goal to be a net-positive company by 2040.

### Acquisitions

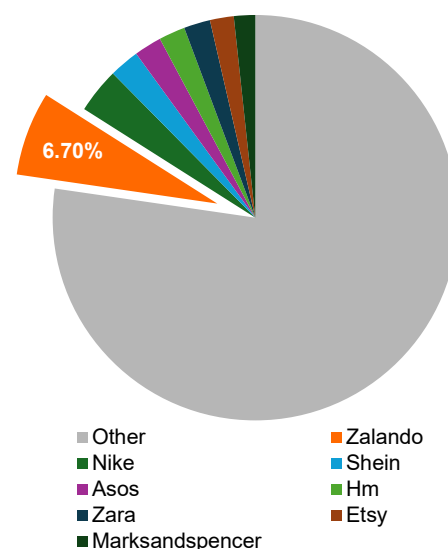
The company has strategically expanded its operations and market share through several acquisitions, **enhancing its capabilities in fashion, technology and e-commerce** (Table 2). Related to fashion the most notable acquisition was of Highsnobiety (2022) aimed to strengthen Zalando’s cultural relevance and content creation capabilities, enabling deeper engagement with fashion-forward consumers. Regarding technology, the acquisition of Nugg.ad, a Berlin-based provider of predictive behavioural targeting solutions to bolster Zalando’s data

Figure 3 – Zalando highlights

Leading European online fashion retailer		
Market Cap €7,007 Mn		
12 Fulfilment Centres 20 Return Centres	<u>Earnings</u>	<u>Revenues</u>
	FY2024 €251.1 Mn	FY2024 €10,572 Mn
<u>People</u> 15,309 employees		

Source: Company data

Figure 4 – Zalando Market Share



Nota: This graph has companies like Amazon and Aliexpress, so in theory, Zalando has a bigger market share.

Source: Statista

Figure 5 – Zalando European presence



Source: Company data

Table 2 – M&A Transactions by Zalando

Acquired company	Year	Industry
About You	2025	Online Retail
Highnobiety	2022	Media Brand
Tradebyte	2016	Software Provider
Nugg.ad	2015	Data Management

Source: MergerMarket

analytics capabilities, enabling more personalized marketing and improved customer targeting. Finally, the acquisition of Tradebyte, which provided a platform that connected brands and retailers with online marketplaces, improved brand integration and thus resulting in expanded product options and improved supply chain efficiency.

## Performance Overview

Zalando has consistently demonstrated **strong financial performance**, having for the past 6 years **positive Net Income and significant Revenues values**, with CAGRs of 20.29% and 10.28% respectively (Figure 6 and 7). Regarding Revenues, it has seen a bigger increase in 2020 and 2021 mostly because of Covid-19. Because of several lockdowns, consumer trends started to shift more towards online purchases and since Zalando is **one of the biggest player in the Fashion Apparel and accessories** industry, it has captured a big proportion of this increase in demand. In 2024 the company had its **highest Net Income value reaching €251.1 million** even though it had increased its marketing costs by almost €250 million. After 2021 the revenues have been consistent over €10 million, but in 2022, despite reporting GMV (Gross Merchandise Value) having increased by 3%, their Net Income decreased by almost 93 % percent reaching €16.8 million explained by the lower consumer sentiment which impacted the Average Basket Size, this evolved to excess of stock, leading to Zalando inserting a minimum order value to reduce its shipping costs and **removing several hundred overhead roles** across many of Zalando's teams.

After Cost of Sales mainly related to the actual price that Zalando has to pay for the product, Fulfillment Costs are the second most important costs in Zalando business. This arises from all the expenses involved in the course of handling products from receiving them, to distributing them. Since 2022, Zalando, with its ZFS (Zalando Fulfillment Solutions) and with the minimum order value, started to be more cost efficient thus, for almost the same GMV, decreased the Fulfillment Costs by more than €250 million.

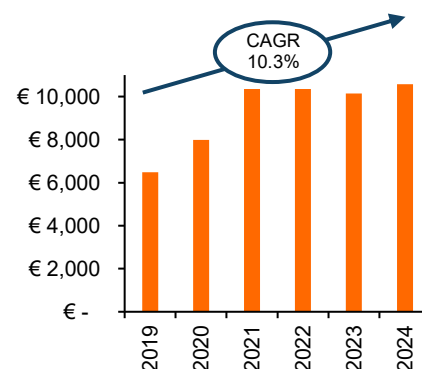
## Business Segments

Zalando's internal management structure is composed by three business units: Fashion Store, Off-price and "All other segments" (Figure 8).

The **Fashion Store segment accounted for 77% of Total Revenues** in 2024. It's accessible via the Zalando App and website and serves as the mainstay of the company's retail operation. These revenues (Figure 9) are generated from a variety of product categories from over **7000 brands**, not only from the sale of traditional fashion, but also from pre-owned fashion, beauty, and designer products. In this segment the company makes **revenue from the traditional wholesale model, where it purchases the products directly from the brand and resells them to their customers at a higher price than what they were originally purchased for**.

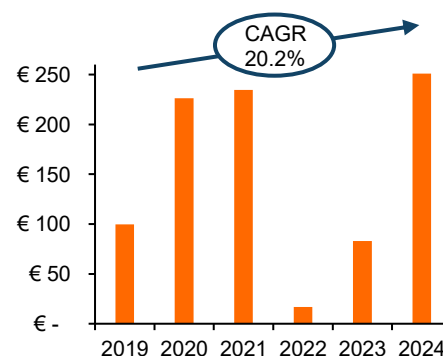
The other source of revenue, aggregated to the Fashion Store segment, is from their **ZPP (Zalando's Partner Program)** where they **allow brands to sell their products directly through the Zalando platform**. In this case the partners are the ones responsible for holding the inventory, while Zalando provides the customer base. In this program, a commission is charged on each sale which allows Zalando to offer a wider variety of

Figure 6 – Revenues growth (€Mn)



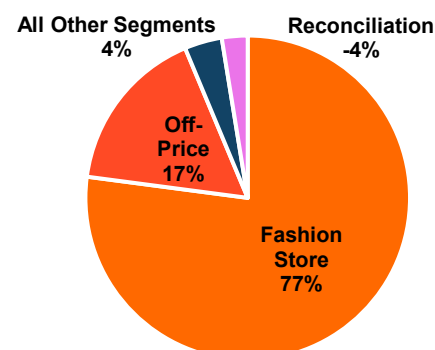
Source: Company data

Figure 7 – Net Income growth (€Mn)



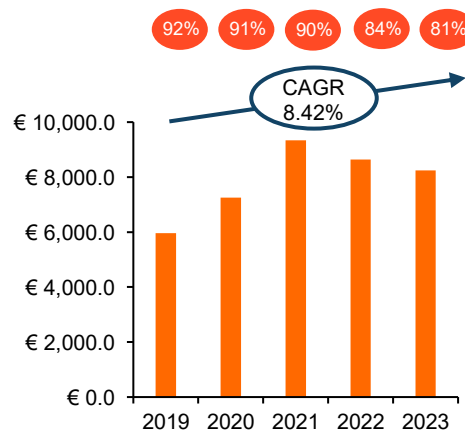
Source: Company data

Figure 8 – Business Segments in 2024 (%)



Source: Company data and Author analysis

Figure 9 – Fashion Store segment Revenues and percentage of Total Revenue (€Mn and %)



Source: Company data and Author analysis



products without having to hold additional merchandise. After becoming partners, they can choose to further integrate their operations with a different services, mainly ZFS and ZMS (Zalando Marketing Services).

In ZFS, Zalando handles the logistics for its partners, such as the storage, shipping and returns, so the company makes additional profit by providing these services while their partners profit from its vast logistical network and expertise. In ZMS it charges a variety of marketing services like targeted advertising, promotional campaigns and analytics.

The second business segment is **Off-price**, that represented close to **17% of Total Revenues** (Figure 10), where it includes revenues from the sales channels **Lounge by Zalando**, a **13 brick-and-mortar outlet stores** (accessed only by members) across Germany, which allows Zalando to expedite excess stock to consumers that are more price sensitive.

Last but not least, **“All Other Segments”** (Figure 11), that include services such as **Zalando Pay** and **ZMS** through which Zalando has worked with emblematic brands such as Adidas and Asics.

There's also a Reconciliation (Figure 8), that takes place since there are exchanges of goods and services between segments.

## Key Drivers of Profitability

Zalando's profitability is driven by a combination of operational efficiencies, strategic initiatives and market dynamics such as:

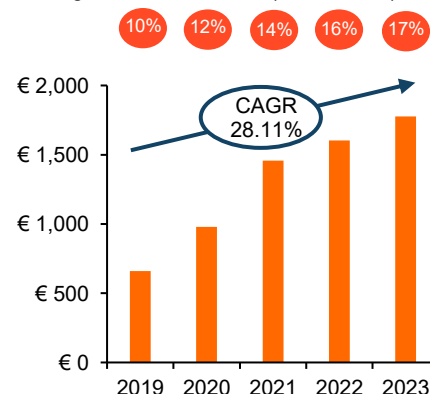
- **Scale and Operational Efficiency** - Being one of Europe's largest online fashion retailers, Zalando can benefit from economies of scale in logistics, technologies and operations by managing logistics for partner brands through ZFS, it captures additional revenue streams while maximizing the utilization of its infrastructures and by automation and AI-driven personalization reduces its costs associated with marketing and customer acquisition improving conversion rates.
- **Customer Retention and Growth** - Through their expanding active customer base (Figure 12) and high customer retention it drives repeat purchases, which reduces the cost per acquisition. This retention is already tried to be maximized due to the Zalando Plus membership, that offers discounts that will result in long-term customer loyalty and higher order frequency.
- **Efficient Inventory and Off-price Management** - Zalando uses Off-price channels like Lounge by Zalando to clear inventory without significant write-offs, protecting margins and the platform's hybrid model (own-stock and partner programs) allows for better inventory management and cost control.
- **Sustainability Initiatives** - Growing demand for eco-friendly products helps Zalando attract conscious consumers. Such initiatives like selling pre-owned clothing pieces.

## Ownership Structure

The company has **263.9 million shares**, each share representing one vote, with a **free float of circa 89.73%** (according to Reuters). Among the traded shares, only about 10% is held by individual investors.

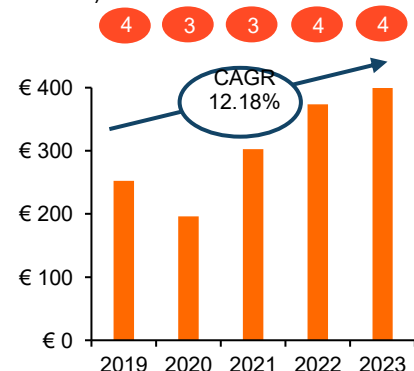
The Top 5 largest shareholders (Table 3) are **Anders Holch Povlsen (10.07%)**, **BlackRock (5.63%)**, **MFS Investment Management (4.82%)**, **DWS Investment GmbH (3.46%)** and **Amundi Asset Management (3.41%)**.

**Figure 10 – Off-price segment Revenues and percentage of Total Revenue (€Mn and %)**



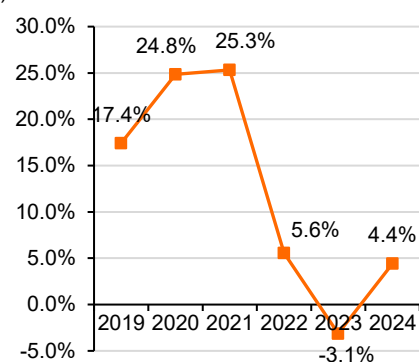
Source: Company data and Author analysis

**Figure 11 – All Other Segments segment Revenues and percentage of Total Revenue (€Mn and %)**



Source: Company data and Author analysis

**Figure 12 – Active number of customers growth (%)**



Source: Company data and Author analysis

**Table 3 – Zalando Top Shareholders**

Top 5 Shareholders		
#	Shareholders	Out. (%)
1	Anders Holch	10.07%
2	BlackRock	5.63%
3	MFS Investment Management	4.82%
4	DWS Investment GmbH	3.46%
5	Amundi Asset Management	3.41%
Total		27.39%

Source: Reuters and Author analysis



### 3. Management and ESG

Regarding ESG metrics, **Zalando has positive absolute metrics and it is above its peers**, with an ESG overall score of B+, and Controversies core of A+, which results in an **ESG combined score of B+ or 73/100** (Figure 13). This higher ranks among peers is mainly due to **Social** and **Governance** pillars score.

#### Environment

Zalando has **good Environmental score** (A- or 76/100) and these results were obtained by a well-developed **comprehensive environmental strategy** centred on ESG metrics, being them resource efficiency, emissions management and emissions innovation.

#### Resource Efficiency and Circularity

In this metric, Zalando aimed on **reducing waste and promoting circular economy principle** (Figure 14). One of the programs that the company initiated in this topic was in 2019 with aim to 2025, with the **do.MORE sustainability strategy** aiming to i) Eliminate single-use, ii) Derive 25% of GMV from more sustainable products and iii) Extend the life of at least 50 million fashion products.

Even though, most of the targets were not hit by 2023, mostly because of being too ambitious, they helped **Zalando making more changes in their operations**, which led them to hit an impressive **Resource use score of 97/100**.

#### Emissions Management

As an e-commerce and logistics company, Zalando greenhouse gas (GHG) emissions are dominated by Scope 3 (value-chain) emissions. In 2023 ,**Scope 3 emissions reached about 4.77 million metric tons of CO<sub>2</sub>e** (71% from Product Manufacturing, 14% from use of sold products and 15% in Others), **accounting for 99.9% of Zalando’s total GHG emissions**.

On this topic, Zalando aimed to 2025 for its emissions objectives (Figure 15), but already in 2023 it hit, or nearly hit, most of the objectives, such as an 80% reduction in Scope 1 & 2 emissions compared to 2017, a 40% reduction of private label emissions per gross profit and 90% of its partners to set science-based targets (SBTs) (on this objective is still at 72% at 2023).

All of this helped Zalando **hitting another impressive score of 93/100** on this emissions management score.

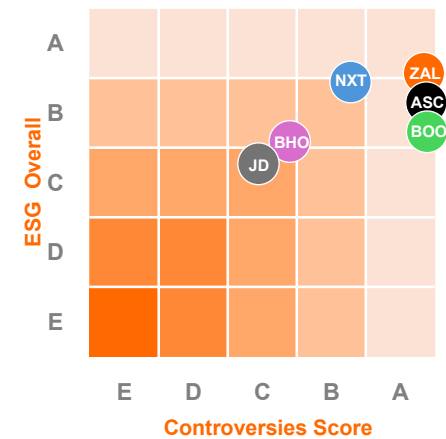
#### Emissions Innovation

Zalando Environmental Innovation score is 52/100, meaning that the company excels in optimizing existing systems but lags in pioneering new environmental solutions or disruptive technologies.

#### Social

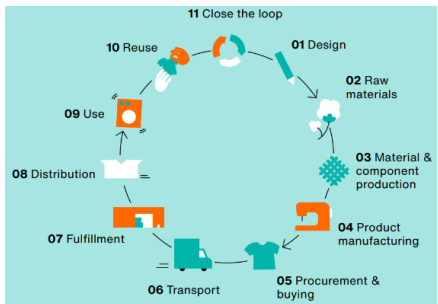
Zalando Social Pillar of B score was driven by strong internal workforce policies centred on human capital management, diversity and inclusion, labour rights in the supply chain and community impact but limited by weak product responsibility oversight.

Figure 13 – Refinitiv ESG Score Matrix



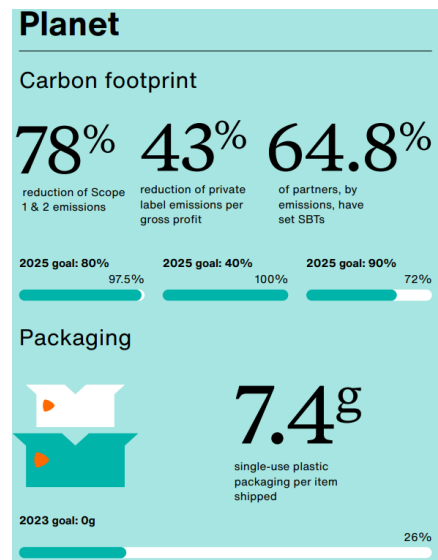
Source: Refinitiv, adapted by Author

Figure 14 – Product life cycle



Source: Zalando Sustainability Progress 2023

Figure 15 – Zalando Emissions and Packaging progression



Source: Zalando Sustainability Progress 2023

## Workforce

Employee health, safety and development are prioritized within Zalando's operations. In 2020, they deployed **Employee Assistance Program (EAP) offering confidential and mental health support for employees and their families**. Alongside this program, Zalando invests a lot of resources in upskilling and training as well as ergonomic training and on-site wellness facilities (e.g. fitness and childcare at the office).

In addition, **having more than 50% women in senior leadership** (Table 4) and **having a diverse workplace with around 140 nationalities**, helped Zalando achieve an outstanding **score of 98/100** (Figure 16).

## Human Rights & Community

Zalando, with a **score of 79/100 and 66/100 in Human Rights and Community** score (Figure 17), respectively. Mainly due to its strong due diligence procedure, e.g. when the German Supply Chain Diligence Act came out, they were the first ones to adopt it.

Also, in 2020, suspended and delisted products from fast-fashion brand Boohoo after reports of worker exploitation at Boohoo's Leicester factory. Community contributions exist but are less prominent in disclosures.

## Product Responsibility

This is the lowest Social score for Zalando, 33/100 (Figure 18), mostly explained by **it's lack of full product traceability**, in the sense that although it has already introduced some filters such as "sustainability" and "eco-friendly" in some products, there is still not detailed end-to-end traceability for most products (e.g. raw material origins).

Other point that helps this low score is that even though its private labels follow sustainability targets, third-party items vary greatly. This results in a mixed product responsibility profile.

## Management and Corporate Governance

In this pillar, the company demonstrates strong corporate governance, reflected in its **score of 81/100**, supported by high marks in Management Quality and with room to improvements on Shareholders engagement and Corporate Social Responsibility (CSR) strategy.

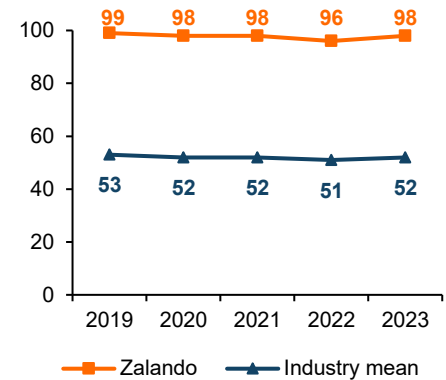
## Corporate Governance Structure

Zalando operates under the **dual-board model** (Figure 19) mandated by the German corporate law (Societas Europaea – SE structure), which ensures a strict separation between executive and supervisory functions, meaning that there is a:

- **Management Board (Vorstand)** – Responsible for day-to-day operations and accountable for setting and executing Zalando's strategic direction.
- **Supervisory Board (Aufsichtsrat)** – Provides oversight, appoints and evaluates the Management Board, and includes a majority of independent members, some of whom are elected by employees in accordance with German co-determination law.

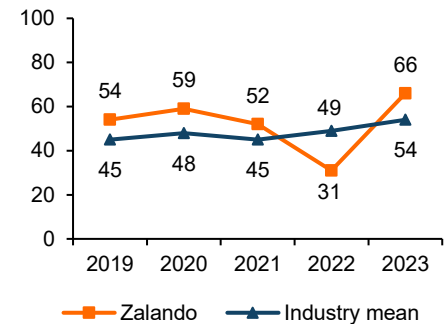
This structure reduces the risk of unchecked executive power and increases accountability and avoids problematic CEO/Chairman duality.

Figure 16 – Workforce Score



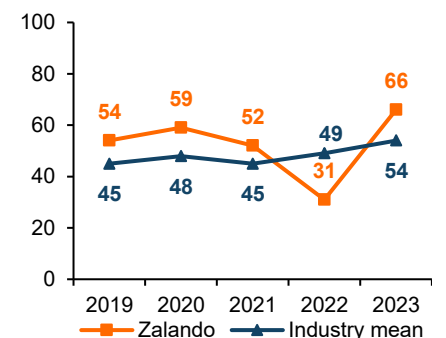
Source: Refinitiv and Author analysis

Figure 17 – Community Score



Source: Refinitiv and Author analysis

Figure 18 – Product Responsibility Score



Source: Refinitiv and Author analysis

Figure 19 – Dual-board model

Supervisory Board	Management Board
Supervises the Management Long-term decision	Tactical issues Sustainable management Minor transactions



Source: Author analysis

## Supervisory Board Composition and Diversity

It consists of 9 members (Table 4), including both shareholder (SR) and employee (ER) representatives, which are elected for terms of four years at the annual general meeting. The company has achieved a **female majority, one of only a few among DAX 40 firms**, with more than 50% female representation, exceeding Germany's 30% gender quota,

Its core functions are **i) appointment and monitoring of the Management Board; ii) approval of major strategic decisions; iii) supervision of risk management systems; iii) oversight of ESG performance; iv) review of executive compensation.**

Additionally, Zalando has created a specialized Committee within the Supervisory Board, the **Sustainability and Diversity Committee**, which meets biannually to review the integration of ESG into strategic planning, ensuring that sustainability considerations are embedded into top-level governance, rather than handled at the operational margins.

Based on adverse media search and screening procedures, there is no evidence of potential conflicts of interests regarding Board members private interests, political entanglements or reputational controversies.

## Management

Composed by 4 members (Table 5), being them the co-founders Robert Gentz and David Schneider, Co-CEO David Schröder and by CPO Dr. Astrid Arndt.

In Management, Zalando has a **score of 98/100** showing a top-tier leadership standards, that starts with experienced leadership, with the co-founders that have led the company combining their vision with operational resilience and with the management board having professionals with strong backgrounds in technology, logistics and finance, and ending in ESG accountability, through tying ESG performance to executive evaluation by embedding KPIs in their long-term incentive plans.

## Executive Compensation

Zalando's executive direct compensation framework was redeveloped in 2024 and is composed by: **i) Base salary; ii) Annual bonus; iii) Performance shares**. In 2024, Zalando's total reported compensation of the Management Board under the new 2024 Remuneration System is composed by a fixed salary (Minimum) ranging from €319,000 to €575,000 and variable compensation ranging from €6,780,241 to €13,740,297 (Figure 20).

## Shareholders Engagement

Despite strong internal governance mechanisms, Zalando scores **only 39/100** in Shareholders engagement, which suggests that **proactive communication with investors can be improved** (Figure 21).

For example, Zalando has not held frequent ESG investor roadshows or published investor letters detailing its ESG mitigation progress since 2023.

## CSR Strategy

CSR strategy pillar, with a **score of 55/100** suggests moderate but improving integration of sustainability into corporate strategy.

One of Zalando initiative in this matter, is the do.MORE framework, a sustainable strategy focused on a net-positive impact for people and the planet.

**Table 4 – Zalando Supervisory Board**

Supervisory Board		
Kelly Bennett	Chairperson of the Supervisory Board	SR
Mariella Röhm-Kottmann	Deputy chairperson of the Supervisory Board	SR
Anders Holch Povlsen	Member of the nomination committee	SR
Niklas Östberg	Member of the nomination committee	SR
Alice Delahunt	Member of the D&I and Sustainability committee	SR
Susanne Schröter-Crossan	Member of the audit committee, Member of the remuneration committee, Chairperson of the D&I and Sustainability committee	SR
Zbigniew Laskowski	Member of the remuneration committee	ER
Rose Reynolds	Member of the audit committee	ER
Maggie Ratay Sloan	Member of the D&I and Sustainability committee	ER

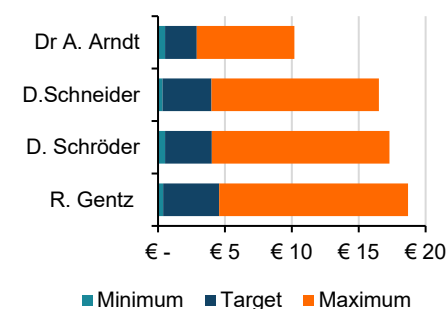
**Source:** Zalando Website and Author analysis

**Table 5 – Zalando Supervisory Board**

Management Board	
Robert Gentz	Co-founder and co-CEO
David Schröder	Co-CEO and interim CFO
David Schneider	Co-founder
Dr Astrid Arndt	Chief People Officer

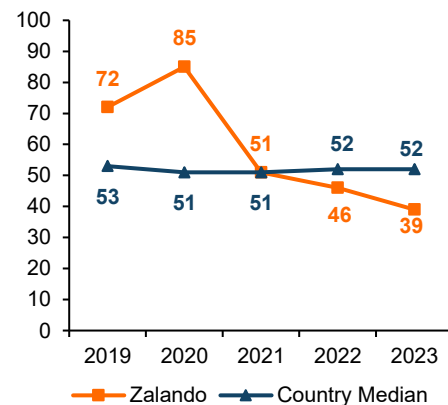
**Source:** Zalando Website and Author analysis

**Figure 20 – Zalando Supervisory Board Compensation (€'Mn)**



**Source:** Zalando 2024 Report and Author analysis

**Figure 21 – Shareholder Score**



**Source:** Reuters and Author analysis

## 4. Industry Overview and Competitive Positioning

### Europe Economic Outlook

#### Europe Population

Europe population rose from 738 Mn to 750 Mn people in the 2010-20 period, growing at a 1.55% CAGR in the last decade. In the 2020-40 period, a **negative 3.69% CAGR is expected**, reaching a population of 722 Mn people (Figure 22). This is due lower fertility rates over the years, meaning that not enough children are being born to replace the current generation.

#### World GDP Growth and Consumer Prices

The COVID-19 pandemic triggered a severe global recession in 2020, with real GDP contracting by -3% YoY worldwide and -5% YoY in Europe (Figure 23). The economic shock was sharper in Europe due to stricter lockdowns and heavier reliance on services. A strong rebound followed in 2021, driven by fiscal stimulus and vaccine rollout (global growth reach 7% YoY, and Europe grew by 6% YoY).

However, the recover was uneven, from 2022 onward, global growth began to stabilize around 4%YoY, **while Europe lagged behind at 2%, reflecting structural weakness and slower productivity gains.**

Inflation, which had been low pre-Covid, **surged in 2021-2022 due to supply chain disruptions, energy shocks and demand recovery.** Europe saw inflation spike to 10% YoY in 2022, while the World averaged 9% YoY (Figure 24). Over the past period, inflation is expected to gradually normalize, settling at 2-3% YoY by 2027.

### European Online Fashion Retail

#### Industry Structure

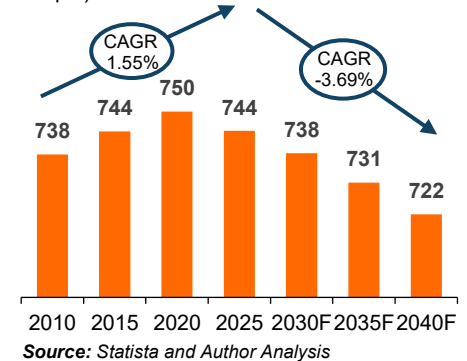
The European online fashion retail industry includes **e-commerce platforms, brand-operated online stores and fashion marketplaces** that serve consumers. Key players range from dedicated online retailers (e.g. Zalando, ASOS, Boohoo) to the digital divisions of traditional fashion commerce (e.g. Zara online store, H&M online) and global marketplaces like Amazon. The market is broadly **competitive and fragmented, with no single monopolist**, instead, several large platforms coexist alongside myriad smaller and niche online boutiques.

This industry has **grown rapidly since 2020** (Figure 25), **fuelled by the shift in consumer buying from physical stores to online.** Even after the pandemic boost, online fashion sales continue to expand faster than overall retail sector.

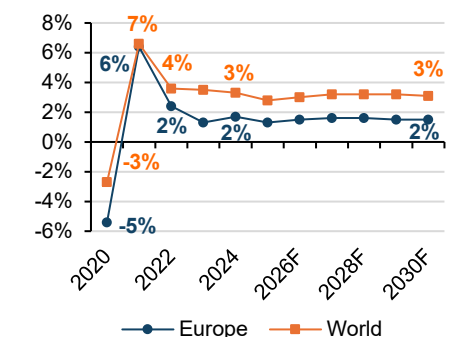
**Since fashion retail is a discretionary consumer sector it's indeed subject to economic cycles.** During economic downturns or periods of low consumer confidence, demand for apparel can soften (especially for higher-priced or non-essential items), impacting all retailers including e-commerce.

Overall, **the market is characterized by high consumer choice and relatively low switching costs**, meaning customer experience, price and assortment breadth are critical competitive factors.

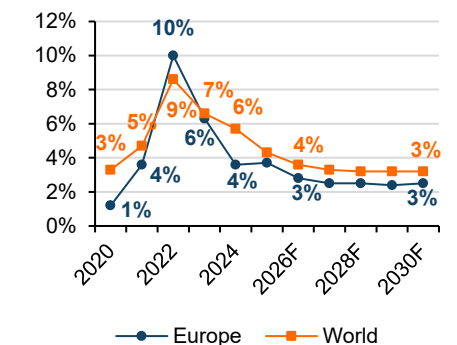
**Figure 22 - Europe population projections (Mn People)**



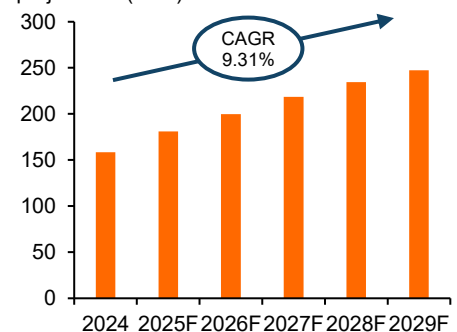
**Figure 23 - World and Europe real GDP growth forecast**



**Figure 24 - World and Europe Inflation rate growth forecast**



**Figure 25 - E-commerce Fashion Revenues projections (€Bn)**



## Mergers & Acquisitions Activity

M&A activity in the online fashion industry **can be characterized as active and mostly driven by goals like consolidation, expansion to new markets and acquisition of new technologies**. Larger online platforms have often snapped up distressed brick-and-mortar brands or smaller competitors, while others acquire tech start-ups to bolster capabilities.

These deals **enable e-commerce companies to expand their customer-base, enter new categories and geographies and gain competitive edges** (such as improved tech).

## Digital and Technological Innovation

**Technological innovation is a cornerstone of success in online fashion retail**. Over the past years, the industry has rapidly adopted AI, big data Analytics, personalization engines, advanced logistics tech and mobile-first experiences to improve customer satisfaction and operational efficiency.

- **AI/AR Powered Personalization and Search:** Online fashion retailers aggregate vast data on browsing behaviour, clicks and purchase to feed recommendation algorithms. Modern AI and ML can offer personalized product recommendations, outfits and size advice to each user. Augment Reality also has been implemented in online fashion retailers, enabling customers to try clothes in the comfort of their house (Figure 27). Zalando implemented in 2023 an AI Fashion Assistant (a chatbot powered by OpenAI's GPT Model) which allows users to have a conversational shopping experience

- **Logistics and Fulfilment Technology:** Online fashion retail depends heavily on efficient logistics (orders need to be picked, packed and delivered quickly, and returns processed seamlessly). Major e-com warehouses are increasingly automated. Zalando, for example, has been deploying robots in its fulfilment centres to assist human workers, since 2018, to automatize and speed-up processes, becoming more efficient.

- **Mobile-first Commerce:** Mobile commerce (m-commerce) has become the dominant mode of online fashion shopping. A majority of browsing and transactions occur on smartphones via websites or, more frequently, dedicated shopping apps (Figure 29). All major retailers have invested in mobile-first design and app features (such as in-app mobile payments, app-only discounts, or early access to sales), knowing that this convenience translates to higher conversion and frequency.

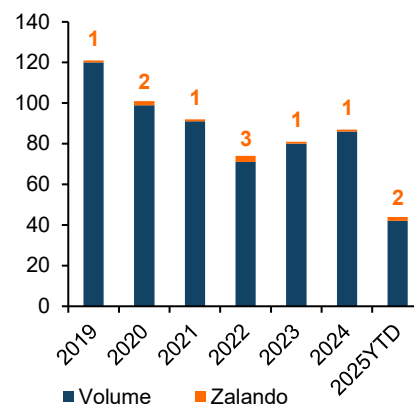
## Industry Key Drivers of Profitability

Despite strong growth, **this industry can have thin margins due to operational costs and competition**. Several Key drivers determine profitability in this industry:

- **Scale and Volume:** Economies of Scale are crucial. Larger players can spread fixed costs over bigger revenue based, lowering per-unit cost. Scale also improves buying power with suppliers and enables investment in automation that smaller rivals can't afford;

- **Logistics and Operational Efficiency:** Profitability hinges on optimizing fulfilment and delivery costs. This includes warehouse efficiency (e.g. automation), efficient labour management and negotiating bulk shipping rates with carriers;

**Figure 26 – M&A Volume in Europe in the Apparel and footwear sector vs Zalando deals**



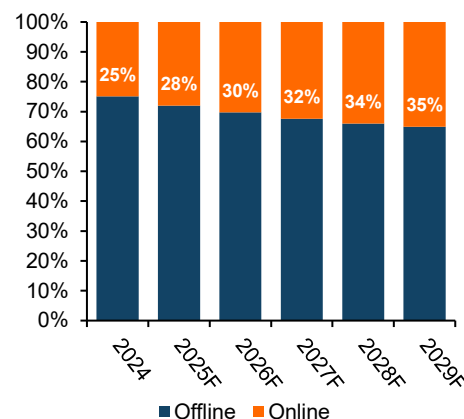
Source: MergerMarket and Author analysis

**Figure 27 – AR implemented in the fashion industry**



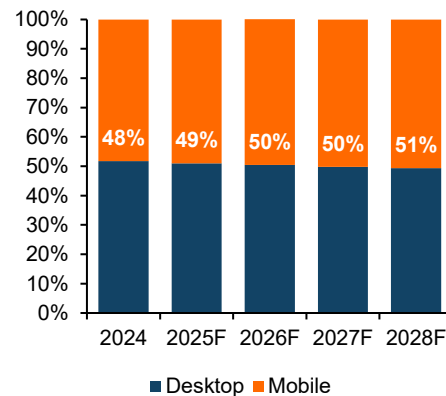
Source: SmartTek

**Figure 28 – Online & Offline split (%)**



Source: Statista and Author analysis

**Figure 29 – Desktop & Mobile split (%)**



Source: Statista and Author analysis



- **Technology Integration:** Investing in technology pays off in efficiency and differentiation. (i) Automation reduces costs (as noted, Zalando's use of robots to cut down labour on certain tasks); (ii) AI-driven forecasting can prevent overstock (fewer markdowns) and stockouts (capturing sales);
- **Customer Acquisition & Retention:** Online retail can incur high marketing costs (digital ads, influencers, promotions) to attract customers in a crowded marketplace. Profitability improves if a company manages to increase a customer lifetime value (LTV) and depend more on repeat purchases rather than costly new acquisition each time
- **Private Labels:** Selling own-brand products or having exclusive brand partnerships can yield higher margins than reselling third-party brands. Many online fashion retailers developed private label collections (ASOS Design, Zalando's zLabels like "Anna Field" or "Zign Studio") (Figure 30). These cut out the wholesale supplier margin and give more pricing control
- **Unit Economics & Average Basket Size:** Profitability can hinge on increasing the average order value and units per order, since each order has a somewhat fixed fulfilment cost. Encouraging customers to add an extra item ("complete the look" suggestions, free shipping thresholds) can improve unit economics

## COVID-19 and Industry Challenges: Aftermath and Adaptation

The **COVID-19** pandemic in 2020 unsettled the retail sector, particularly brick-and-mortar shops, while also impacting online fashion retailers with a significant decline in revenue. **Nonetheless, it accelerated innovation and adaptation, enabling more agile e-commerce players to gain market share over slower competitors.**

One adaptation made by Zalando was what is called "Connected Retail", where e-commerce players allowed brick-and-mortar stores to sell through their platform, turning an economic downturn into a win-win situation for both. After stores reopened, many continued with the program created by Zalando, marking a permanent change in how physical and online retail can collaborate.

## Industry Trends

For the past few years, several key trends have emerged or intensified, shaping strategies across the industry.

### SUSTAINABILITY

**Sustainability has moved from a niche concern to a mainstream priority in fashion retail.** Consumers, especially younger generations, are increasingly aware of the environmental and social impact of clothes. This has driven demand for eco-friendly products, transparent supply chain and circular fashion models. **The main trend, when it comes to sustainability is related to the Resale and circular fashion** (Figure 31), where companies enable customers to sell their clothes to other customers on their platforms.

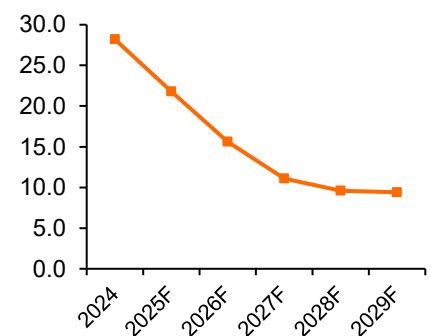
Zalando already implemented this strategy in 2020, when it launched a "Pre-owned" section on its platform (Figure 32). It allowed customers to trade their used fashion items for Zalando credit and buy pre-owned items directly from Zalando.

Figure 30 – Zalando Private labels



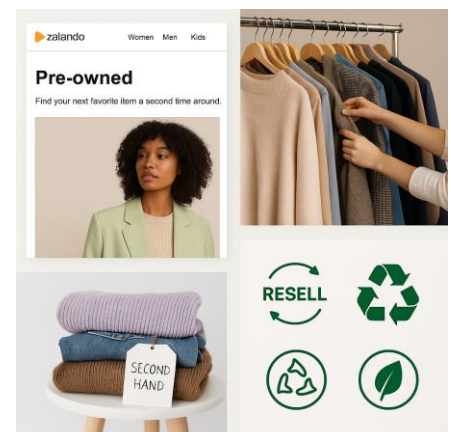
Source: Zalando website

Figure 31 – Recommerce fashion revenue change (%)



Source: Statista

Figure 32 – Pre-owned section in Zalando website



Source: Zalando Website

## Influencer Marketing

**Influencers play a huge role in shaping purchase decisions** (Figure 33). Brands allocate significant budget to sponsor influencer content because **the ROI on influencer marketing can be high as it feels more authentic than traditional ads**. There are also the trends of social media challenges or trends driving fashion sales. For instance, a viral TikTok trend for a certain item can cause that item to sell out across retailers.

## Technological Innovations

Retailers are **leveraging AI to offer personalized shopping experiences, including tailored recommendations and virtual try-ons**. Also, the integration of digital fashion, encompassing virtual garments and augmented reality (AR) fitting rooms are gaining traction.

## Competitive Positioning

### Peers Identification

The identification of Zalando peers for the competitive positioning analysis considered all companies classified as "Apparel Retail" (code 25504010) under "Speciality Retail", from Bloomberg's and Capital S&P Capital IQ, by MSCI and Standard & Poor's classification, Global Industry Classification Standard (GICS). Additional corporate intelligence procedures were performed: **i) selection of companies that are quoted; ii) Selection using SARD Approach for the MBV.**

Zalando's peers group includes a mix of the last procedure selection (SARD approach) and another more specific selection (based on companies that are more focused on the European market, just like Zalando) for the best possible fit (Table 6). **The final list of peers includes ASOS, Boohoo, Boozt, Next, and JD Sports Fashion.**

## Porter's 5 Forces

### Threat of new entrants | Medium (3)

The risk of new competitors in the online fashion retail sector is average. Although capital demands are minimal for niche players (e.g. dropshipping), **extensive multi-brand platforms encounter significant obstacles because of the necessity for strong infrastructure, marketing expenditures and logistics systems**. The crowded market renders brand development and customer acquisition expensive.

Established players benefit from **economies of scale**, whereas technological complexity and the requirement for continuous investment in personalization and data analytics pose additional challenges for newcomers. Moreover, regulatory obstacles in various markets contribute to the difficulties of entry.

### Bargaining Power of Buyers | Medium-High (4)

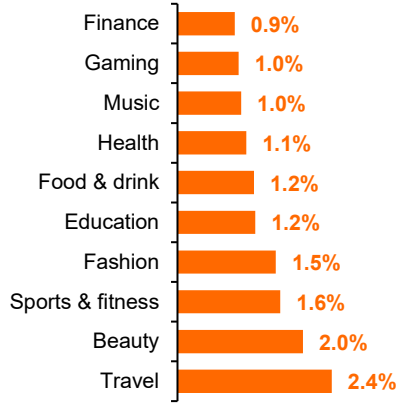
Regarding bargaining power of buyers, it's **considered as high, since there are minimal to none, switching expenses**, enabling the buyers to transition effortlessly between platforms. Their strong price sensitivity leads to a fierce competition and pressure on profit margins.

Access to information allows buyers to have more informed choices, while the extensive range of products available on various platforms decreases consumer dependency on a single retailer.

### Bargaining Power of Suppliers | Medium (3)

Supplier power in this sector is moderate and **varies based on the type of supplier**. Major or luxury fashion brands possess greater influence

**Figure 33 – Influencer Marketing engagement rates worldwide 2023 (%)**



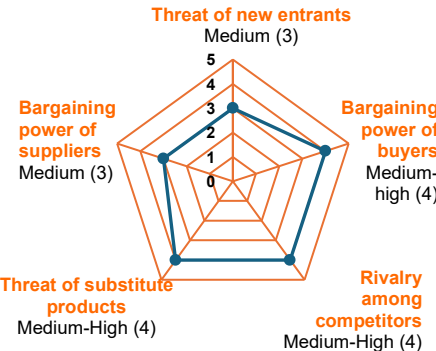
Source: Statista and Author analysis

**Table 6 – Peer selection**

Peer Selection		
Company	SARD	Author
About you	No	No
Revolve Group	Yes	No
ASOS	No	Yes
Boohoo	Yes	Yes
Boozt	Yes	Yes
Next	No	Yes
H&M	No	No
Amazon	No	No
Urban Outfitters	No	No
Adidas	No	No
Foot Locker	Yes	No
JD Sports	No	Yes
Shoe Carnival	Yes	No

Source: Author analysis

**Figure 34 – Online Fashion Retail Industry Porter 5 Forcers**



Legend: Scale of 1 to 5 (from lower to higher threats to industry companies)

Source: Author Analysis

because of robust demand and the shift towards direct-to-consumer. Conversely, smaller brands rely more on major platforms, providing retailers with an advantage.

Logistics companies and tech suppliers can hold moderate influence, particularly when their services are specialized or critical to operations

**Threat of Substitute Products or Services | Medium-High (4)**

The threat of substitute products or services is considered high due to **numerous compelling alternatives** (Figure 35).

**Brick-and-mortar shops** offer the tactile experience of trying on clothes, immediate satisfaction and personalized in-store service that online shopping cannot replicate.

**Direct brand sites** are starting to invest heavily in their own e-commerce platforms, offering consumers a direct purchasing channel, often with exclusive items and perks.

**Secon-hand and Recommerce** is another strong alternative, driven by sustainability and affordability trends.

**Rivalry Among Existing Competitors | Medium-High (4)**

Competition is fierce because of a **multitude of varied competitors** (Figure 36), from **pure-play platforms** (e.g. Zalando, Asos) and **e-commerce giants** (e.g. Amazon, Ebay) to **fast-fashion brands** (e.g. Zara, H&M) and **luxury platforms**(e.g. Farfetch).

**Price competition is intense**, fuelled by minimal switching costs and strong buyer influence. **Participants heavily allocate resources to marketing, technology and innovation for differentiation**, yet minimal product differentiation results in rivalry based on convenience and service.

**SWOT Analysis**

Zalando **remains one of the leading European online fashion platform**, supported by its **strong brand reputation, technological capabilities and established relationships with global fashion brands**.

Its platform model and logistics infrastructure facilitate high scalability and accessibility to customers, supporting its market position. **However, the company’s third-party reliance limits its price power and margins**.

These structural weaknesses are more relevant as Zalando functions in an intensely competitive environment.

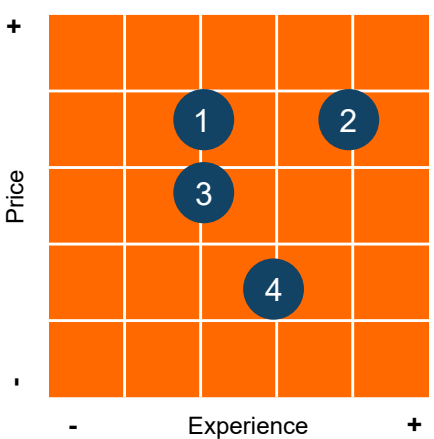
Zalando is **actively pursuing mechanisms to maintain or improve its positioning, such as AI-driven personalization, development of private labels and fulfilment innovation** that should improve profitability and reduce reliance on third-party partners.

**Table 7 – SWOT Analysis**

Strengths	Weaknesses
Association with major brands	Dependence on third-party brands
Operational network	No global presence
Strong Brand Recognition	
Techonological Innovation	
Opportunities	Threats
Greater personalization (AI)	Intense Competition
Expanded Product Offering	Economic Downturn
Physical Retail Presence	Cybersecurity and data breaches
Private Labels	
Technological Advancements	

Source: Author Analysis

**Figure 35 – Substitute Products and Services by Price vs Experience**



**Legenda:** 1 - Online retailer  
2 – Brick-and-mortar shop  
3 - Direct brand websites  
4 – Secon-hand and Recommerce

Source: Author Analysis

**Figure 36 – Competitors by segment**



Source: Author Analysis



## 5. Investment Summary

The base case recommendation assigned to Zalando SE (ETR: ZAL) is a **BUY with a 2025YE PT of €31.71/Sh., representing an upside potential of 17% in 6 months (Figure 37), with a Medium Risk.**

Despite the base case neutral recommendation, ZAL stock is trading at a discount, mainly explainable by **i) Having missed earnings per share estimates in the 1Q of 2025; ii) High macro vulnerability**

Nevertheless, the recommendation is based on the following key pillars:

Zalando's **strong ESG profile**, driven by strong performance in environmental resource use and workforce-related social metrics, reflects its commitment to sustainability. In a market where investors are increasingly factoring ESG considerations, Zalando's robust ESG standing not only enhances its brand reputation and consumer trust but also positions it favourably in regulatory and capital market environments.

Another key pillar is the Company **advanced data analytics** to tailor product recommendations and user experience, which increases conversion rates and customer satisfaction

Also, Zalando's **well established logistics network across Europe** that ensure fast delivery and efficient returns, which are the key differentiators in e-commerce, strengthens its position in the sector.

Last but not least, **being one of Europe's largest online fashion platforms, benefits them with strong brand reputation, a large active customer base and a wide regional footprint.**

### Valuation Methods

Several methodologies were computed to determine Zalando's PT, with mostly similar conclusions, **ranging from €14.43/Sh. to €32.62/Sh.** (Figure 39).

The methodologies were the **Discounted Cash Flow** method discounted at the Weighted Average Cost of Capital (WACC), the **Relative Valuation (RV)** method and the **Precedent Transactions** method.

### Investment Risks

Zalando is exposed to significant risks, that must be highlighted to Investors. Zalando's profitability is **sensitive to macroeconomic factors such as inflation and interest rates.**

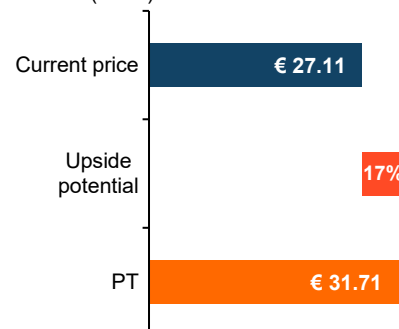
Additionally, there is an emphasis on the Political, Legal & Regulatory Risks, particularly, related to cybersecurity and data protection risks, that although unlikely, it would significantly impact Zalando's Price Target, changing the base case recommendation.

### Price Target Calculation

Since Precedent transactions methodology was not used, for the calculation of the Price Target a weighted average was used by giving weights to the different methodologies.

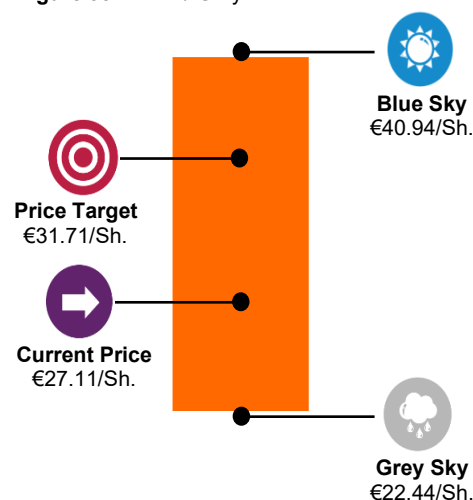
The result was a **70% weight for the DCF method, 20% for the EV/EBITDA multiple** and the last **10% for the EV/Revenue**. This combination of methods allows for a **balanced and comprehensive assessment, enabling both intrinsic valuation accuracy and validation through market comparables.**

**Figure 37 – Zalando Upside Potential 2025YE (€/Sh.)**



Source: Author analysis

**Figure 38 – Blue / Grey Scenarios**

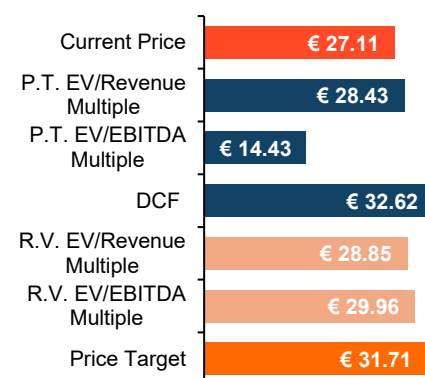


Note: Not at scale

Scenarios Assumptions			
Description	Blue Scenario	Base Case	Grey Scenario
Inflation rate	-0.5%	x	+0.5%
Fashion Demand	+1%	x	-1%

Source: Author Analysis

**Figure 39 – Price Target results under the various methodologies**



Source: Author Analysis

## 6. Valuation

For Zalando's valuation, please refer to the forecasted macroeconomic and operational data in Appendix 2, standardized, rearranged and common-size financial statements, as well as complementary tables in Appendix 1.

### Forecasted Drivers

#### Revenue and COGS

To forecast Revenue, first it's needed to have a look at the **most important KPI of the industry, in this case the GMV**, which is the key metric in e-commerce that represents the total amount customers pay for products before any deductions like fees, discounts or returns.

As show in Appendix 2.2, to estimate GMV, three main drivers must be considered: **i) Number of active customers; ii) Average number of orders per customer; iii) Average basket size**. The historical data for these drivers is attainable for everyone on the Zalando Yearly Report.

The number of active customers (Figure 41) was **projected based on the growing number of users of e-commerce platforms in Europe**. Since Zalando is the player with one of the biggest market share in the industry and assuming that in the future will, at least, remain a big player in the industry, **it will capture the attention of most of these new users and retain them under active customers**.

As for the average basket size (Figure 42), **it was forecasted based on inflation** and the average number of orders per customer is **expected to remain stable** throughout the years, so it was kept an average of the last three years, since in 2021 there was the "boom" effect that resulted of COVID-19 and since then the average number of orders has decreased.

Since Zalando does **not disclose an exact way on how to convert GMV to Revenue** the **GMV-to-Revenue ratio was estimated using the last three years of historical data**, before the company transitioned to a B2B/B2C segmentation.

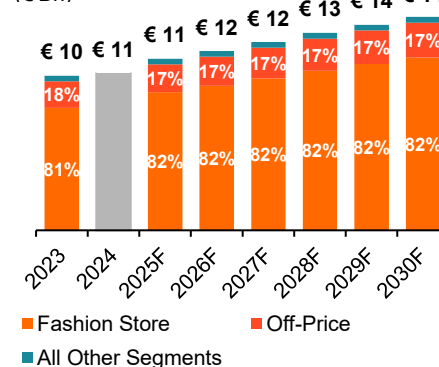
#### Weighted Average Cost of Capital (WACC)

The FCF were discounted using the WACC method (Table 8), considering the **long-term equity weight of 84.9%**, knowing that the last convertible bond is going to mature in 2027.

The **cost of equity** was determined using the **Capital Asset Pricing Model (CAPM)**. The model includes **i) a 2.54% Risk-free Rate (RFR)**, corresponding to the 10-year YTM of the German Treasury Bonds, i.e., the local bond methodology, assuming a **null Country Risk Premium (CRP)** according to Aswath Damodaran, since the Company's country is Germany; **ii) Market return of 9.51%**, according to the calculation of the last 5 years STOXX Europe 600 return; **iii) a beta of 1.42**, based on a regression analysis against the STOXX Europe 600 and after **Blume's adjustment**. **This resulted in a cost of equity of 12.43%**.

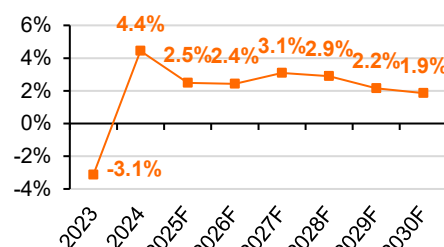
The **3.15% cost of debt** was determined using **Aswath Damodaran Synthetic Rating** based on the company interest coverage ratio (Appendix 3.3), which results in a **credit rating of A-** and an **according spread of 2.00%**. Adding the **spread to the Risk-free Rate** of 2.54% and to the CRP of 0.00%, will result in a cost of debt before taxes of 4.54% of which after tax rate adjustment **arrives at 3.15%**.

**Figure 40 – Growth of revenues by segment (€'Bn)**



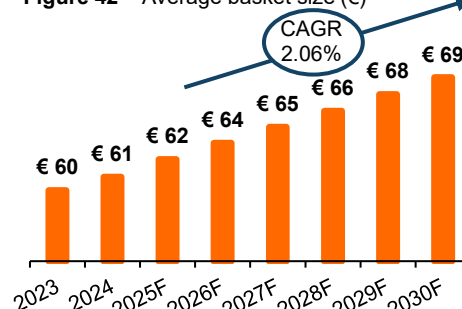
Source: Company data and Author analysis

**Figure 41 – Growth of the number of active customers in Zalando**



Source: Company data and Author analysis

**Figure 42 – Average basket size (€)**



Source: Company data and Author analysis

**Table 8 – WACC determination and Weights**

WACC Components	
Cost of Equity	
Risk-free rate	2.54%
Market return	9.51%
Beta	1.63
Beta with Blume's adjustment	1.42
Cost of Debt	
3.15%	
Spread (Damodaran Synthetic rating of A-)	2.00%
Risk-free rate	2.54%
Country Risk Premium	0%
Tax rate	30.5%
WACC	
11.07%	
Target Weights (2030)	
Debt Weight	14.7%
Equity Weight	85.3%

Source: Author analysis

## Discounted Cash Flow Model

The DCF was used as the main model for the valuation of Zalando stock. The model can be breakdown in two-stages, **one comprising the forecasting period between 2025-2030**, and the other being the Terminal Value, where the values of the Free Cash Flow to the Firm (FCFF) were discounted at the WACC rate to reflect the Present Value of the Terminal Value and the Enterprise Value (EV).

The terminal growth rate was assessed through the average GDP growth rate, since Zalando is a mature company and in the long run is unlikely to consistently outpace the overall economic growth, a 2% terminal growth rate was assumed.

Due to the Company's net cash position, resulting in a **negative Net Debt** (i.e., its Cash & Cash Equivalents exceed Total Debt), **the Equity Value will be higher than the Enterprise Value**. This reflects the fact that, in a net cash position, the excess cash accrues to shareholders and increases the value of the firm's equity beyond its operating value.

**Net Working Capital** was projected using a **driver-based approach**, relying on Accounts Receivable Days, Inventory Days and Accounts Payable Days. For each metric, an average of the last three historical years was used to smooth out anomalies to the Company's operational performance and provides a realistic and stable projection across the forecast period.

This **method yielded a €32.62/Sh.**, (Figure 43) which corresponds to a **20.3% upside potential** (Figure 44) return for 2025YE.

## Relative Valuation

For the Relative Valuation methodology, a **peer group was selected to compare it to Zalando** and the multiples used were the **EV/EBITDA** since it is the best multiple to assess a company's value, especially when comparing companies with different capital structures, and the **EV/Revenues** that even though is not the best multiple to use in mature companies, was calculated to see if it was worth it to integrate or not, since other multiples such as P/E and EV/EBIT could not be used in this year **because most of the selected peers and candidate peers in the industry, had negative EBIT's/Earnings**.

## Peer Group Selection

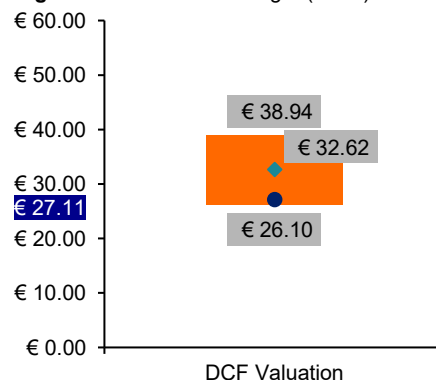
The peer group selection (Table 9) was performed combining corporate intelligence procedures and the **Top 5 players using the Sum of Absolute Rank Difference (SARD) approach** (Appendix 3.7 and 3.8).

First a group of companies was selected on characteristics such as quoted companies and in the online fashion retail industry. A filter of companies had to be done since there were companies such as **Inditex or H&M that cannot be really compared to Zalando because they are mainly manufacturers**.

## Results

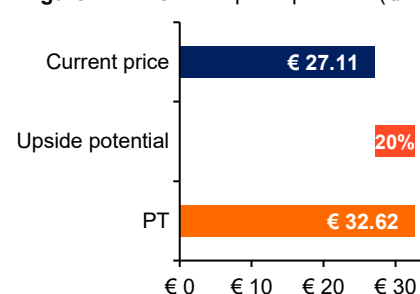
Before going to the results, it's important to compare Zalando's multiples with the peers. Zalando has an EV/EBITDA of 9.72x and an EV/Revenues of 0.66x, and it's possible to tell that **the peers have very similar multiples** (Table 10) with an exception of JD Sports that has a lower EV/EBITDA because this company has higher costs related to their core business.

Figure 43 – DCF Price Target (€/Sh.)



Source: Author analysis

Figure 44 – DCF PT upside potential (€/Sh.)



Source: Author analysis

Table 9 – Peer Group Selection

Peer Companies	
#	Peer
1	ASOS PLC
2	Boohoo Group PLC
3	Boozt AB
4	Next PLC
5	JD Sports Fashion PLC

Source: Author analysis

Table 10 – Peer Multiples

Peers Multiples		
	EV/EBITDA	EV/Revenues
Average	9.9x	0.7x
Median	9.0x	0.7x
Maximum	14.5x	1.2x
Minimum	4.4x	0.4x

Source: Author analysis

These multiples provided a good overview of the market since it resulted in a lower and closer values to actual current Zalando stock price (Figure 45). On the **EV/EBITDA** a price of **€29.96/Sh.** was achieved and on the multiple **EV/Revenue** a price of **€28.85/Sh.**

## Precedent Transactions

The last valuation method used was the precedent transactions method, where it involves analysing historical acquisitions of comparable companies to estimate a fair market value of a target firm.

For this approach, M&A deals in the sector and from the last five years were exported from databases such as MergerMarket and S&P Capital IQ and were filtered after based on Geography of the target company.

Given the difficulty in **identifying truly comparable** targets to Zalando and the fact that most deals are not fully disclosed on terms of valuation multiples, only a small number of transactions could be selected, resulting in an **insufficient sample size** to assign strong analytical weight to this valuation approach.

The **prices obtained in this valuation were €14.43/Sh. on the EV/EBITDA multiple and €28.43/Sh. on the EV/Revenue multiple** (Figure 46). Although the price from the last multiple does look good, **this valuation will not be used for the final calculation of the Price Target.**

## Price Target Calculation

To derive a balanced and credible Price Target for Zalando, a **blended valuation approach was employed where it combines intrinsic and market-based perspectives.**

The rationale for this combination stems from the **strengths and limitations of each method.** The DCF model allows for a **detailed projection of Zalando's future free cash flows, capturing its long-term value creation potential.** Relative Valuation, as a **market-based model offers a valuable cross-check by anchoring the valuation to how similar companies are currently priced.** By combining both approaches, **it's possible to reduce the risk of relying on a single method,** especially in a volatile stock like this one. Based on this weighted approach, a **PT of €31.71/Sh.** was calculated (Table 11).

## Author vs Consensus

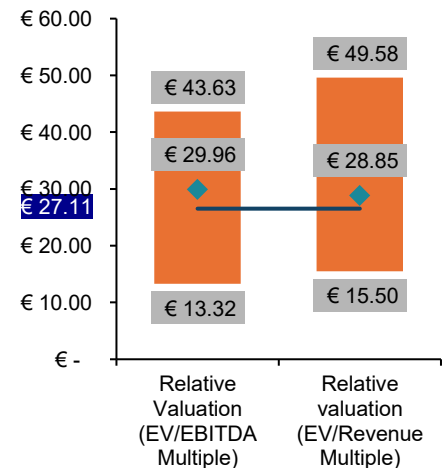
Author recommendation **is aligned with consensus,** with **55.2% of Buy recommendations,** and **75.9% if combined with Strong Buy recommendations** (according to Reuters).

In May, both J.P. Morgan and Bank of America (BofA) released detailed valuations of Zalando, reflecting different outlooks. **J.P. Morgan adopted a more conservative approach** with a Hold recommendation (close to Buy recommendation), whereas BofA expressed greater confidence in the stock's potential with a Buy recommendation.

When comparing these two perspectives with the author's recommendation (Figure 47) and analyzing the projections presented by each institution (Appendix 4.3), it becomes evident that the author's stance lies between the conservative view of J.P. Morgan and the more optimistic outlook of BofA.

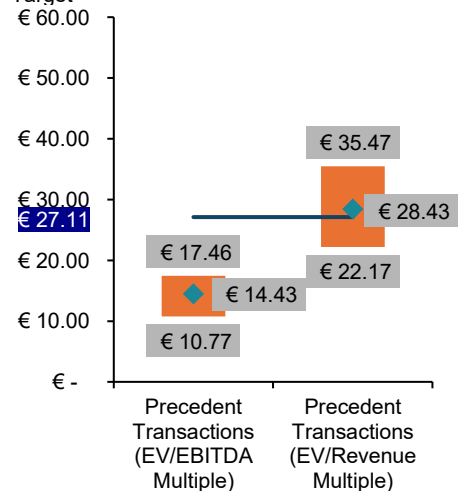
This middle-ground position **reflects not only a balanced valuation approach but also alignment in key forecast assumptions** such as revenue growth and in the WACC calculation.

**Figure 45 – Relative Valuation Price Target (€/Sh.)**



Source: Author analysis

**Figure 46 – Precedent Transactions Price Target**



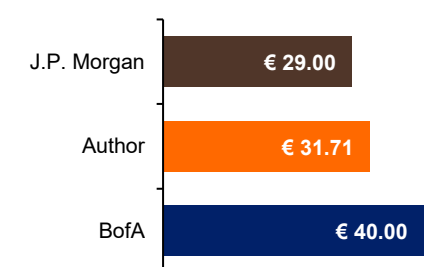
Source: Author analysis

**Table 11 – Price Target Calculation**

Price Target Calculation		
Weight	Method	PT
70%	DCF	€ 32.62
20%	R.V. EV/EBITDA	€ 29.96
10%	R.V. EV/Revenue	€ 28.85
Final Price Target		€ 31.71

Source: Author analysis

**Figure 47 – Author v.s. J.P. Morgan v.s. BofA (€/Sh.)**



Source: Reuters Author analysis

## 7. Financial Analysis

### Growth and Profitability

The Company is expected to demonstrate solid fundamentals in terms of profitability, with **increasing revenues with a CAGR 2025F-2030F of 4.56%** and **a stable gross profit margin of around 40%** (Figure 48).

This margin reflects the **Company's ability to manage inventory efficiently, negotiate favourable terms with partners and maintaining prices within its marketplace and against peers**. It provides a healthy buffer to support operational costs, such as fulfilment costs and marketing costs, and creates room for margin expansion as scale efficiencies are realized.

When looking at return metrics, **Zalando presents a mixed picture**. The **Return on Assets (ROA) stands at approximately 3.18%**, which while modest, is not uncommon in an e-commerce business that requires a significant logistics and distribution infrastructure. It's projected to be 6.73% in 2030, mostly derived by its growing Net Income.

**The Return on Equity (ROE) is 9.42%**, indicating that it is creating steady value for shareholders without taking on excessive leverage. It's expected to become even higher, 13.02%, with increasing net profit.

More importantly, the **Return on Invested Capital (ROIC) is estimated at 19.87%** in 2030, well above the estimated WACC. It shows that for every euro invested, the company is generating significantly more in returns than it costs to finance its operations (Figure 49).

### Leverage and Solvency

**Zalando demonstrates a robust liquidity and solvency profile across both historical and projected periods**, enabling them to maintain considerable financial flexibility.

The Company has maintained a steady net cash status, with **Net Debt/EBITDA ratios negative** throughout all years analysed. This highlights **Zalando's minimal dependence on debt financing and strong ability to self-fund its operations and investments**.

Regarding interest coverage, the ratios show that Company ability to generate earnings far in excess of its interest obligations, reinforcing a very low financial risk profile.

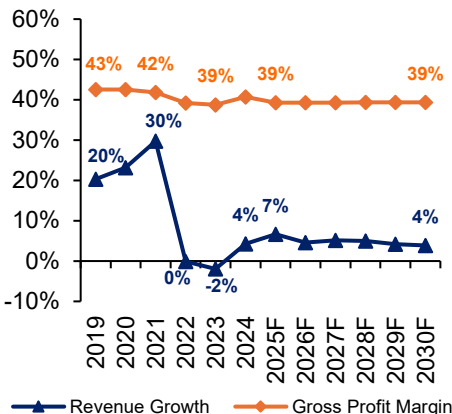
### Liquidity

On the Working Capital front, Trade Receivables Days, Trade Payables Days and Inventory days since they were projected as an average of the last three historical years are expected to remain the same.

This projection indicates that Zalando is **anticipated to maintain a negative CCC, implying that its suppliers are funding its operations**, which points to effective cash management that enables the business to function with a cash surplus and improve its liquidity.

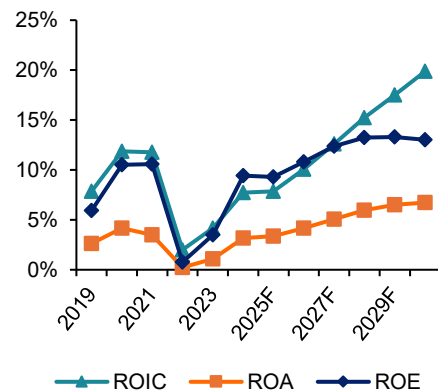
Zalando also maintains a healthy liquidity positions in ratios such as current ratio and quick ratio (also known as Acid Test), **indicating it can comfortably meet short-term obligations without relying heavily on inventory**.

**Figure 48 – Revenue Growth and Gross Profit Margin evolution (%)**



Source: Author analysis

**Figure 49 – ROIC, ROA and ROE evolution**



Source: Author analysis

**Table 12 – Cash Conversion Cycle analysis (Days)**

Cash Conversion Cycle		
Days	2020	2030
Trade Receivable Day	28	32
Trade Payable Days	-163	-162
Inventory Days	108	93
CCC	-27	-37

Source: Author analysis



## 8. Investment Risks

### Risk Identification and Characterization

While Zalando remains a leader in the online fashion retail industry with strong growth prospects, potential investors must consider several risks that may affect the company's future performance. This section will provide a detailed description of Zalando risks on five key areas: **i) Market Risks; ii) Political, Legal & regulatory Risks; iii) Operational Risks** (Figure 50).

#### Market Risks

Zalando operates in a highly dynamic market influenced by consumer behaviour and competitive pressures. Major market risks include macroeconomic downturns and intense competition.

##### Macroeconomic Downturn & Consumer Spending (M1)

The growth of Zalando is influenced by the state of the overall economy. On the short term if consumer confidence (Figure 51) decreases, it will reduce their spending on non-essential fashion items, because of high inflation and rising interest rates, **will result in a decrease on demand**. In this event, **retailers, like Zalando, are forced to do heavy discounts across the apparel sector, which severely impacts its profitability**.

This happened after the pandemic boost to Zalando with revenues declining by 1%, after three years with revenues growing up to 30% YoY.

##### Intense Competition (M2)

In addition to macroeconomic challenges, **Zalando faces the structural problem of heightened competition in the increasingly crowded European online fashion sector**.

The entry of ultra-fast fashion rivals like Shein and the ongoing growth of international firms like Amazon have raised the bar considerably. Zalando continues to be one of the biggest in the European market, **but doing so requires constant investment in order not to lose market share**. As said before, in a market where switching costs for customers are low, the company runs the danger of losing market share if it can't stay different through pricing, assortment or customer experience.

#### Political, Legal & Regulatory Risks

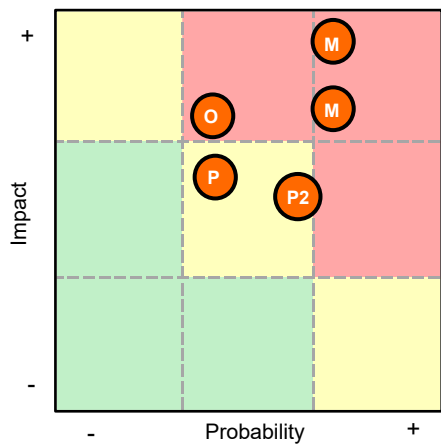
Since it operates throughout Europe, **Zalando must deal with a complicated array of regulations and political considerations**. Major risks consist of data protection and cybersecurity, and disruptions in trade and geopolitical situations.

##### Data Protection & Cybersecurity (P1)

**Cybersecurity and data privacy regulations present significant legal challenges**. Even with considerable investments in infrastructure and compliance with the General Data Protection Regulation (GDPR) (Figure 52), no system is immune to cyberattacks or data breaches.

Such events could lead to regulatory penalties as well as it could damage customer confidence and brand reputation. **Although the current risk of a breach is relatively low, the potential consequences for profitability and reputation are substantial**, especially in light of recent notable incidents in the sector, such as the 2023 breach that affected JD Sports.

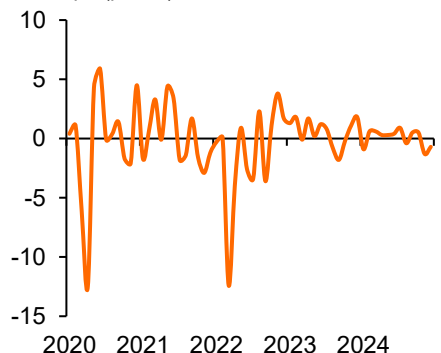
Figure 50 – Risk Matrix



**Legend:**  
**Impact** - Economic-financial translation of potential risk impact on yield, growth, market share, operational efficiency or organizational efficiency  
**Profitability** - Degree of likelihood of risk materialization

Source: Author Analysis

Figure 51 – Change in Consumer Confidence in Europe (points)



Source: Refinitiv and Author Analysis

Figure 52 – GDPR scope



**Purpose, Minimization & Storage**  
Data must be collected for specific and legitimate purposes, and it also shouldn't be kept longer than necessary.



**Individual Rights**  
Includes the rights to access, rectify, eliminate and restrict its personal data.



**Lawfulness, Fairness & Transparency**  
Processed legally, fairly and in a transparent way. Individuals have the right to know how their data is



**Accuracy, Security & Accountability**  
Personal data must be accurate and protected with appropriate technical and organizational measures.

Source: Refinitiv and Author Analysis

## Geopolitical Situations (P2)

Geopolitical uncertainties introduce an additional level of complexity. For instance, Brexit, introduced friction for UK-EU e-commerce with Zalando facing customs and VAT rules on shipments to UK, which on a first level increases consumer prices, and on a second slows delivery times.

On the other side of Europe, the war in Ukraine, that while not directly involving Zalando's markets, has had knock-on effects on subjects such as lower consumer sentiment and increasing energy prices, raising fulfilment and delivery costs across Europe, not speaking of fixed costs like electricity.

## Operational Risks

Operational risks encompass the internal and supply chain issues that may interfere with Zalando's daily operations or diminish its profitability.

### Reliability of IT Systems (O1)

Zalando's IT systems are essential to daily operations, since any significant platform outage, particularly during high-traffic periods such as promotional campaigns or seasonal peaks, would halt sales and potentially drive customers to competitors. Although of **low probability thanks to Zalando's strong technical infrastructure and disaster recovery protocols**, the impact of serious disruption would be high, both financially and reputationally.

## Risk Assessment

### Scenario Analysis

A blue and grey scenario was assessed, using changes in i) **inflation rate** and ii) **Fashion Demand**. The blue scenario assumes an **increase of 0.5% relative to the base case inflation rate and also a decrease of 1% relative to the base case Fashion Demand**, leading to a **2025YE PT of €40.94/Sh..** The grey scenario assumes the opposite as of blue scenario, **leading to a 2025YE PT of €22.44/Sh.** (Figure 53).

### Cost of Capital (WACC)

The base case uses a WACC of 11.07% which leads to the **€31.71/Sh..** The relationship between WACC and PT is non-linear. All other variables remaining equal, the recommendation **would change to a HOLD position if the WACC was around 11.3% and to a STRONG BUY position if the WACC reached close to 9.9%** (Figure 54).

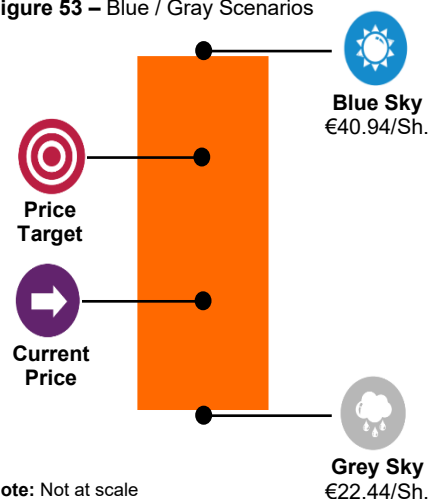
### Monte Carlo Simulation

Based on the Monte Carlo simulation of 100,000 trials on the DCF valuation incorporating variability in WACC and Terminal Growth rate, the stock has a mean intrinsic value of €33.13/Sh.. According to the Monte Carlo simulation, a **65.4% probability of a BUY/STRONG BUY recommendation** was estimated, against a **10.4% SELL/REDUCE** and a **24.2% HOLD**, corroborating that the level of risk in investing in Zalando is **Medium** (Figure 55, Table 13 and Appendix 4.1).

### Price Target vs WACC & G-rate

A sensitivity analysis on the Upside/Downside potential of the PT using the DCF method was done based on **0.5% variations on the WACC** and on **0.25% variations on the Terminal Growth rate**, to understand the Upside/Downside potential against the current prices with different overviews (Appendix 4.2).

Figure 53 – Blue / Gray Scenarios



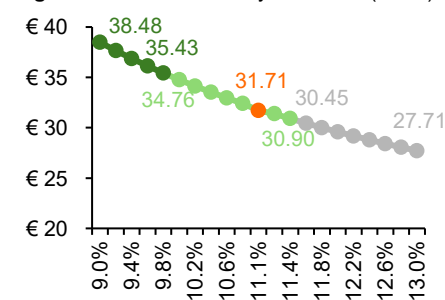
Note: Not at scale

### Scenarios Assumptions

Description	Blue Scenario	Base Case	Grey Scenario
Inflation rate	-0.5%	x	+0.5%
Fashion Demand	+1%	x	-1%

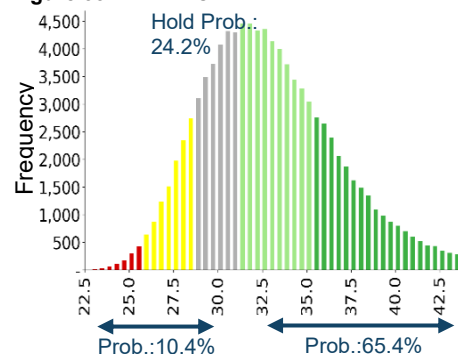
Source: Author Analysis

Figure 54 – PT Sensitivity to WACC (€/Sh.)



Source: Author Analysis

Figure 55 – Monte Carlo Simulation



Source: Author Analysis

Table 13 – Monte Carlo statistics

Indicator	Amount
Number of Trials	100,000
Base Case	€32.62
Median	€32.63
Mean	€33.13
Standard Deviation	€4.11
10 <sup>th</sup> Percentile	€28.39
90 <sup>th</sup> Percentile	€38.46
Upside Potential	22%

Source: Author Analysis

## 9. Appendices

### Appendix 1 – Financial Statements

#### Appendix 1.1 – Income Statement

Description (€M)	Years End December 31												
	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue	5,387.90	6,482.50	7,982.00	10,354.00	10,344.80	10,143.10	10,572.50	11,272.77	11,788.77	12,397.08	13,010.44	13,557.78	14,085.96
Cost of Sales	3,107.00	3,724.30	4,587.80	6,027.80	6,289.30	6,212.70	6,270.50	6,843.79	7,155.52	7,523.02	7,893.57	8,224.23	8,543.32
<b>Gross Profit</b>	<b>2,280.90</b>	<b>2,758.20</b>	<b>3,394.20</b>	<b>4,326.20</b>	<b>4,055.50</b>	<b>3,930.40</b>	<b>4,302.00</b>	<b>4,428.98</b>	<b>4,633.25</b>	<b>4,874.06</b>	<b>5,116.87</b>	<b>5,333.55</b>	<b>5,542.64</b>
SG&A	-2,168.10	-2,594.10	-3,035.20	-3,922.80	-3,987.50	-3,701.60	-3,910.90	-4,003.59	-4,089.27	-4,173.50	-4,258.64	-4,345.52	-4,434.17
Other	6.40	1.70	8.00	21.30	13.00	37.90	0.80	8.03	8.03	8.03	8.03	8.03	8.03
Depreciation	86.50	194.80	214.50	235.40	312.40	334.00	349.90	379.51	425.23	470.23	515.64	561.02	606.40
<b>EBITDA</b>	<b>205.70</b>	<b>360.60</b>	<b>581.50</b>	<b>660.10</b>	<b>393.40</b>	<b>524.90</b>	<b>741.80</b>	<b>796.87</b>	<b>961.18</b>	<b>1,162.76</b>	<b>1,365.84</b>	<b>1,541.02</b>	<b>1,706.84</b>
Depreciation	86.50	194.80	214.50	235.40	312.40	334.00	349.90	379.51	425.23	470.23	515.64	561.02	606.40
<b>EBIT</b>	<b>119.20</b>	<b>165.80</b>	<b>367.00</b>	<b>424.70</b>	<b>81.00</b>	<b>190.90</b>	<b>391.90</b>	<b>417.36</b>	<b>535.95</b>	<b>692.52</b>	<b>850.19</b>	<b>979.99</b>	<b>1,100.44</b>
Interest	- 9.70	- 19.00	- 41.90	- 55.10	- 54.00	- 39.10	- 17.70	- 17.70	- 17.70	- 17.70	- 17.70	- 17.70	- 17.70
Result of investments	- 3.50	- 3.90	0.10	-	-	-	-	-	-	-	-	-	-
Other financial result	- 0.40	2.00	- 6.70	15.40	11.80	1.10	6.20	- 6.20	- 6.20	- 6.20	- 6.20	- 6.20	- 6.20
<b>EBT</b>	<b>105.60</b>	<b>144.90</b>	<b>318.50</b>	<b>354.20</b>	<b>38.80</b>	<b>152.90</b>	<b>368.00</b>	<b>393.46</b>	<b>512.05</b>	<b>668.62</b>	<b>826.29</b>	<b>956.09</b>	<b>1,076.54</b>
Tax Expense	- 54.40	- 45.20	- 92.40	- 119.70	- 22.00	- 69.90	- 116.90	- 120.01	- 156.18	- 203.93	- 252.02	- 291.61	- 328.34
<b>Net income/loss</b>	<b>51.20</b>	<b>99.70</b>	<b>226.10</b>	<b>234.50</b>	<b>16.80</b>	<b>83.00</b>	<b>251.10</b>	<b>273.45</b>	<b>355.88</b>	<b>464.69</b>	<b>574.27</b>	<b>664.48</b>	<b>748.19</b>

#### Appendix 1.2 – Balance Sheet

Description (€M)	Years End December 31												
	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
<b>ASSETS</b>													
Intangible Assets	189.10	192.80	236.00	263.00	414.10	399.20	402.20	428.52	445.52	456.51	461.29	458.88	449.80
Property, Plant and Equipment	546.40	708.40	810.10	959.40	1,145.50	1,254.10	1,229.50	1,304.83	1,357.84	1,379.10	1,394.04	1,388.84	1,366.16
Right-of-use Assets	-	525.60	479.80	584.20	679.30	785.50	742.30	790.11	824.30	839.37	829.33	800.01	749.47
Other non-current Assets	24.70	28.20	34.10	94.90	103.40	101.70	158.30	171.99	179.48	185.84	190.74	194.15	195.65
<b>Total Non-current Assets</b>	<b>760.20</b>	<b>1,455.00</b>	<b>1,560.00</b>	<b>1,901.50</b>	<b>2,342.30</b>	<b>2,540.50</b>	<b>2,532.30</b>	<b>2,695.44</b>	<b>2,807.15</b>	<b>2,860.82</b>	<b>2,875.39</b>	<b>2,841.89</b>	<b>2,761.09</b>
Inventories	819.50	1,098.30	1,361.20	1,547.40	1,809.50	1,440.90	1,549.70	1,750.77	1,830.52	1,924.53	2,013.81	2,103.92	2,185.55
Accounts Receivable	408.30	462.40	602.50	727.40	913.00	899.30	926.10	994.83	1,040.37	1,094.06	1,145.05	1,196.49	1,243.10
Other Current Assets	250.70	340.90	327.10	432.80	536.50	375.80	388.00	421.54	439.90	455.50	467.50	475.87	479.55
Cash and Cash Equivalents	995.00	976.50	2,644.00	2,287.90	2,024.80	2,533.20	2,587.80	2,397.78	2,699.53	3,165.88	3,304.83	4,046.66	4,911.03
<b>Total Current Assets</b>	<b>2,473.50</b>	<b>2,878.10</b>	<b>4,934.80</b>	<b>4,995.50</b>	<b>5,283.80</b>	<b>5,249.20</b>	<b>5,451.60</b>	<b>5,564.93</b>	<b>6,010.32</b>	<b>6,639.97</b>	<b>6,931.18</b>	<b>7,822.93</b>	<b>8,819.22</b>
<b>Total Assets</b>	<b>3,233.70</b>	<b>4,333.10</b>	<b>6,494.80</b>	<b>6,897.00</b>	<b>7,626.10</b>	<b>7,789.70</b>	<b>7,983.90</b>	<b>8,260.38</b>	<b>8,817.47</b>	<b>9,500.79</b>	<b>9,806.58</b>	<b>10,664.82</b>	<b>11,580.31</b>
<b>LIABILITIES</b>													
Lease liabilities	-	481.40	443.00	579.00	670.10	780.00	712.80	729.69	745.31	760.66	776.18	792.01	808.17
Convertible bonds	-	-	873.70	895.00	916.90	939.40	469.80	469.80	469.80	469.80	-	-	-
Other Non-current Liabilities	70.90	61.20	87.50	106.70	173.00	171.00	145.80	158.40	165.30	171.17	175.67	178.82	180.20
<b>Total Non-current Liabilities</b>	<b>70.90</b>	<b>542.60</b>	<b>1,404.20</b>	<b>1,580.70</b>	<b>1,760.00</b>	<b>1,890.40</b>	<b>1,328.40</b>	<b>1,357.90</b>	<b>1,380.41</b>	<b>1,401.63</b>	<b>951.85</b>	<b>970.83</b>	<b>988.37</b>
Lease liabilities	-	68.00	73.70	101.00	129.70	132.20	148.80	161.66	168.71	174.69	179.29	182.50	183.91
Accounts Payable	1,298.90	1,708.30	2,050.50	2,437.00	2,934.10	2,782.00	2,745.10	3,039.15	3,177.59	3,340.78	3,495.76	3,652.17	3,793.88
Other Current Liabilities	314.80	330.40	815.30	559.60	603.10	611.90	702.20	762.91	796.13	824.37	846.08	861.23	867.88
Convertible bonds	-	-	-	-	-	-	394.10	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>1,613.70</b>	<b>2,106.70</b>	<b>2,939.50</b>	<b>3,097.60</b>	<b>3,666.90</b>	<b>3,526.10</b>	<b>3,990.20</b>	<b>3,963.72</b>	<b>4,142.43</b>	<b>4,339.84</b>	<b>4,521.12</b>	<b>4,695.90</b>	<b>4,845.66</b>
<b>Total Liabilities</b>	<b>1,684.60</b>	<b>2,649.30</b>	<b>4,343.70</b>	<b>4,678.30</b>	<b>5,426.90</b>	<b>5,416.50</b>	<b>5,318.60</b>	<b>5,321.62</b>	<b>5,522.84</b>	<b>5,741.47</b>	<b>5,472.98</b>	<b>5,666.74</b>	<b>5,834.04</b>
<b>EQUITY</b>													
Common Equity	1,398.60	1,433.60	1,674.70	1,507.80	1,471.40	1,562.30	1,603.30	1,603.30	1,603.30	1,603.30	1,603.30	1,603.30	1,603.30
Retained Earnings	150.70	250.40	476.60	711.10	727.80	810.90	1,062.00	1,335.45	1,691.33	2,156.02	2,730.30	3,394.78	4,142.98
Non-controlling interest	- 0.20	- 0.20	- 0.20	- 0.20	-	-	-	-	-	-	-	-	-
<b>Total Shareholders' Equity</b>	<b>1,549.10</b>	<b>1,683.80</b>	<b>2,151.10</b>	<b>2,218.70</b>	<b>2,199.20</b>	<b>2,373.20</b>	<b>2,665.30</b>	<b>2,938.75</b>	<b>3,294.63</b>	<b>3,759.32</b>	<b>4,333.60</b>	<b>4,998.08</b>	<b>5,746.28</b>
<b>Total Liabilities &amp; Equity</b>	<b>3,233.70</b>	<b>4,333.10</b>	<b>6,494.80</b>	<b>6,897.00</b>	<b>7,626.10</b>	<b>7,789.70</b>	<b>7,983.90</b>	<b>8,260.38</b>	<b>8,817.47</b>	<b>9,500.79</b>	<b>9,806.58</b>	<b>10,664.82</b>	<b>11,580.31</b>



## Appendix 1.3 – Cash Flow Statement

Description (€M)	Years End December 31												
	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
CASH FROM OPERATING ACTIVITIES													
Net income/loss for the period	51.20	99.70	226.10	234.50	16.80	83.00	251.10	273.45	355.88	464.69	574.27	664.48	748.19
Depreciation & Amortization	86.50	194.80	214.50	235.40	312.40	334.00	349.90	379.51	425.23	470.23	515.64	561.02	606.40
Income taxes	54.40	45.20	92.40	119.70	22.00	69.90	116.90	120.01	156.18	203.93	252.02	291.61	328.34
Cash From Inventory	- 40.60	- 278.80	- 262.90	- 186.30	- 260.10	368.60	- 108.80	- 201.07	- 79.75	- 94.01	- 89.28	- 90.11	- 81.63
Cash From Accounts Receivable	- 116.40	- 67.20	- 139.60	- 125.50	- 169.50	13.70	- 26.80	- 68.73	- 45.54	- 53.68	- 50.99	- 51.44	- 46.61
Cash From Accounts Payable	180.60	403.60	329.20	391.70	489.90	- 168.90	- 18.10	294.05	138.43	163.20	154.97	156.42	141.70
Other	- 2.90	- 70.10	67.70	- 53.30	48.40	249.20	89.90	- 93.92	- 141.90	- 191.80	- 242.69	- 285.10	- 325.49
Net cash flows from operations	212.80	327.20	527.40	616.20	459.90	949.50	654.10	703.30	808.53	962.56	1,113.95	1,246.88	1,370.91
CASH FROM INVESTING ACTIVITIES													
CapEx From PP&E, Intangibles	- 219.50	- 284.00	- 217.40	- 332.90	- 351.60	- 259.70	- 206.80	- 528.97	- 529.44	- 517.55	- 525.32	- 524.10	- 524.10
Other	12.50	- 6.30	- 0.40	- 3.00	- 124.60	- 61.00	- 63.00	-	-	-	-	-	-
Net cash flows from investing	- 207.00	- 290.30	- 217.80	- 335.90	- 476.20	- 320.70	- 269.80	- 528.97	- 529.44	- 517.55	- 525.32	- 524.10	- 524.10
CASH FROM FINANCING ACTIVITIES													
Cash received from capital increases	38.20	38.50	55.10	22.40	4.40	4.50	4.00	-	-	-	-	-	-
Repurchase of treasury shares	- 110.90	- 38.80	-	- 200.00	- 136.20	-	- 99.50	-	-	-	-	-	-
Payments for shares in other entities	- 0.40	-	-	-	-	-	-	-	-	-	-	-	-
Loans	- 2.80	- 2.80	372.10	- 377.70	- 3.30	-	-	-	-	-	-	-	-
Cash paid for the repurchase of convertible bonds	-	-	-	-	-	-	- 95.50	- 394.10	-	-	- 469.80	-	-
Cash received from the issue of convertible bonds	-	-	994.00	-	-	-	-	-	-	-	-	-	-
Cash payments for the principal portion of lease liability	-	- 54.20	- 67.20	- 84.50	- 110.80	- 128.10	- 134.50	29.76	22.66	21.34	20.12	19.04	17.57
Net cash flows from financing	- 75.90	- 57.30	1,354.00	- 639.80	- 245.90	- 123.60	- 325.50	- 364.34	22.66	21.34	- 449.68	19.04	17.57
Cash Balance													
Beginning of the Year	1,064.70	995.00	976.50	2,644.00	2,287.90	2,024.80	2,533.20	2,587.80	2,397.78	2,699.53	3,165.88	3,304.83	4,046.66
Increase / (Decrease)	- 70.10	- 20.40	1,663.60	- 359.50	- 262.20	505.20	58.80	- 190.02	301.75	466.35	138.95	741.83	864.37
Effect of exchange rate fluctuations on cash held	0.40	1.90	3.90	3.40	0.90	3.20	4.20	-	-	-	-	-	-
Cash and cash equivalents as of Dec 31	995.00	976.50	2,644.00	2,287.90	2,024.80	2,533.20	2,587.80	2,397.78	2,699.53	3,165.88	3,304.83	4,046.66	4,911.03

## Appendix 1.4 – Key Financial Ratios

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>Performance Ratios</b>													
Return on Capital Employed (ROCE)	21.51%	13.19%	40.89%	28.20%	4.28%	11.29%	21.74%	21.94%	27.08%	34.65%	42.85%	50.88%	60.22%
Gross Profit Margin	42.33%	42.55%	42.52%	41.78%	39.20%	38.75%	40.69%	39.29%	39.30%	39.32%	39.33%	39.34%	39.35%
Asset Turnover	1.67x	1.50x	1.23x	1.50x	1.36x	1.30x	1.32x	1.36x	1.34x	1.30x	1.33x	1.27x	1.22x
Return on Equity	3.31%	5.92%	10.51%	10.57%	0.76%	3.50%	9.42%	9.31%	10.80%	12.36%	13.25%	13.29%	13.02%
<b>Liquidity and Solvency</b>													
Net Debt/EBITDA	-484%	-118%	-216%	-108%	-78%	-130%	-116%	-130%	-137%	-151%	-172%	-199%	-230%
Current ratio	1.53x	1.37x	1.68x	1.61x	1.44x	1.49x	1.37x	1.40x	1.45x	1.53x	1.53x	1.67x	1.82x
Acid test ("Quick ratio")	1.02x	0.84x	1.22x	1.11x	0.95x	1.08x	0.98x	0.96x	1.01x	1.09x	1.09x	1.22x	1.37x
Working Capital Investment % sales	15.96%	11.90%	25.00%	18.33%	15.63%	16.99%	13.82%	14.20%	15.84%	18.55%	18.52%	23.06%	28.21%
Trade receivables days	27.66 days	26.04 days	27.55 days	25.64 days	32.21 days	32.36 days	31.97 days	32.21 days	32.21 days	32.21 days	32.12 days	32.21 days	32.21 days
Trade payables days	152.59 days	167.42 days	163.14 days	147.57 days	170.28 days	163.44 days	159.79 days	162.09 days	162.09 days	162.09 days	161.64 days	162.09 days	162.09 days
Inventory days	96.27 days	107.64 days	108.30 days	93.70 days	105.01 days	84.65 days	90.21 days	93.37 days	93.37 days	93.37 days	93.12 days	93.37 days	93.37 days
Interest Cover (EBIT)	7.74x	5.64x	6.32x	7.16x	1.29x	2.23x	4.20x	4.47x	5.74x	7.41x	9.10x	10.49x	11.78x
Interest Cover (EBITDA)	13.36x	12.27x	10.01x	11.13x	6.27x	6.13x	7.94x	8.53x	10.29x	12.45x	14.62x	16.50x	18.27x
<b>Capital Structure</b>													
Gearing	0.00%	32.63%	64.64%	70.99%	78.06%	78.02%	64.74%	46.32%	42.00%	37.38%	22.05%	19.50%	17.26%
Leverage	0.00%	24.60%	39.26%	41.52%	43.84%	43.83%	39.30%	31.66%	29.58%	27.21%	18.06%	16.32%	14.72%
<b>Shareholder and market measures</b>													
Earnings per share (EPS)	€ 0.20	€ 0.39	€ 0.88	€ 0.87	€ 0.06	€ 0.31	€ 0.95	€ 1.04	€ 1.35	€ 1.76	€ 2.18	€ 2.52	€ 2.83
Price to earnings ratio	109.86x	115.58x	103.77x	81.54x	540.18x	66.99x	34.53x	31.69x	24.35x	18.65x	15.09x	13.04x	11.58x
Market/book ratio	3.63x	6.84x	10.91x	8.62x	4.13x	2.34x	3.25x	2.95x	2.63x	2.30x	2.00x	1.73x	1.51x

## Appendix 1.5 – Common Size Income Statement

Description	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of Sales	57.7%	57.5%	57.5%	58.2%	60.8%	61.3%	59.3%	60.7%	60.7%	60.7%	60.7%	60.7%	60.7%
<b>Gross Profit</b>	<b>42.3%</b>	<b>42.5%</b>	<b>42.5%</b>	<b>41.8%</b>	<b>39.2%</b>	<b>38.7%</b>	<b>40.7%</b>	<b>39.3%</b>	<b>39.3%</b>	<b>39.3%</b>	<b>39.3%</b>	<b>39.3%</b>	<b>39.3%</b>
SG&A	-40.2%	-40.0%	-38.0%	-37.9%	-38.5%	-36.5%	-37.0%	-35.5%	-34.7%	-33.7%	-32.7%	-32.1%	-31.5%
Other	0.1%	0.0%	0.1%	0.2%	0.1%	-0.4%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%
Depreciation	1.6%	3.0%	2.7%	2.3%	3.0%	3.3%	3.3%	3.4%	3.6%	3.8%	4.0%	4.1%	4.3%
<b>EBIT</b>	<b>3.8%</b>	<b>5.6%</b>	<b>7.3%</b>	<b>6.4%</b>	<b>3.8%</b>	<b>5.2%</b>	<b>7.0%</b>	<b>7.1%</b>	<b>8.2%</b>	<b>9.4%</b>	<b>10.5%</b>	<b>11.4%</b>	<b>12.1%</b>
Interest	-0.2%	-0.3%	-0.5%	-0.5%	-0.5%	-0.4%	-0.2%	-0.2%	-0.2%	-0.1%	-0.1%	-0.1%	-0.1%
Result of investments accounted for using the equity method	-0.1%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other financial result	0.0%	0.0%	-0.1%	-0.1%	0.1%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%	0.0%	0.0%	0.0%
<b>EBT</b>	<b>2.0%</b>	<b>2.2%</b>	<b>4.0%</b>	<b>3.4%</b>	<b>0.4%</b>	<b>1.5%</b>	<b>3.5%</b>	<b>3.5%</b>	<b>4.3%</b>	<b>5.4%</b>	<b>6.4%</b>	<b>7.1%</b>	<b>7.6%</b>
Tax Expense	-1.0%	-0.7%	-1.2%	-1.2%	-0.2%	-0.7%	-1.1%	-1.1%	-1.3%	-1.6%	-1.9%	-2.2%	-2.3%
<b>Net income/loss for the period</b>	<b>1.0%</b>	<b>1.5%</b>	<b>2.8%</b>	<b>2.3%</b>	<b>0.2%</b>	<b>0.8%</b>	<b>2.4%</b>	<b>2.4%</b>	<b>3.0%</b>	<b>3.7%</b>	<b>4.4%</b>	<b>4.9%</b>	<b>5.3%</b>

## Appendix 1.6 – Common Size Balance Sheet

Description	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
<b>ASSETS</b>													
Intangible Assets	5.8%	4.4%	3.6%	3.8%	5.4%	5.1%	5.0%	5.2%	5.1%	4.8%	4.7%	4.3%	3.9%
Property, Plant and Equipment	16.9%	16.3%	12.5%	13.9%	15.0%	16.1%	15.4%	15.8%	15.4%	14.5%	14.2%	13.0%	11.8%
Right-of-use Assets	0.0%	12.1%	7.4%	8.5%	8.9%	10.1%	9.3%	9.6%	9.3%	8.8%	8.5%	7.5%	6.5%
Other non-current Assets	0.8%	0.7%	0.5%	1.4%	1.4%	1.3%	2.0%	2.1%	2.0%	2.0%	1.9%	1.8%	1.7%
<b>Total Non-current Assets</b>	<b>23.5%</b>	<b>33.6%</b>	<b>24.0%</b>	<b>27.6%</b>	<b>30.7%</b>	<b>32.6%</b>	<b>31.7%</b>	<b>32.6%</b>	<b>31.8%</b>	<b>30.1%</b>	<b>29.3%</b>	<b>26.6%</b>	<b>23.8%</b>
Inventories	25.3%	25.3%	21.0%	22.4%	23.7%	18.5%	19.4%	21.2%	20.8%	20.3%	20.5%	19.7%	18.9%
Accounts Receivable	12.6%	10.7%	9.3%	10.5%	12.0%	11.5%	11.6%	12.0%	11.8%	11.5%	11.7%	11.2%	10.7%
Other Current Assets	7.8%	7.9%	5.0%	6.3%	7.0%	4.8%	4.9%	5.1%	5.0%	4.8%	4.8%	4.5%	4.1%
Cash and Cash Equivalents	30.8%	22.5%	40.7%	33.2%	26.6%	32.5%	32.4%	29.0%	30.6%	33.3%	33.7%	37.9%	42.4%
<b>Total Current Assets</b>	<b>76.5%</b>	<b>66.4%</b>	<b>76.0%</b>	<b>72.4%</b>	<b>69.3%</b>	<b>67.4%</b>	<b>68.3%</b>	<b>67.4%</b>	<b>68.2%</b>	<b>69.9%</b>	<b>70.7%</b>	<b>73.4%</b>	<b>76.2%</b>
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>LIABILITIES</b>													
Lease liabilities	0.0%	11.1%	6.8%	8.4%	8.8%	10.0%	8.9%	8.8%	8.5%	8.0%	7.9%	7.4%	7.0%
Convertible bonds	0.0%	0.0%	13.5%	13.0%	12.0%	12.1%	5.9%	5.7%	5.3%	4.9%	0.0%	0.0%	0.0%
Other Non-current Liabilities	2.2%	1.4%	1.3%	1.5%	2.3%	2.2%	1.8%	1.9%	1.9%	1.8%	1.8%	1.7%	1.6%
<b>Total Non-current Liabilities</b>	<b>2.2%</b>	<b>12.5%</b>	<b>21.6%</b>	<b>22.9%</b>	<b>23.1%</b>	<b>24.3%</b>	<b>16.6%</b>	<b>16.4%</b>	<b>15.7%</b>	<b>14.8%</b>	<b>9.7%</b>	<b>9.1%</b>	<b>8.5%</b>
Lease liabilities	0.0%	1.6%	1.1%	1.5%	1.7%	1.7%	1.9%	2.0%	1.9%	1.8%	1.8%	1.7%	1.6%
Accounts Payable	40.2%	39.4%	31.6%	35.3%	38.5%	35.7%	34.4%	36.8%	36.0%	35.2%	35.6%	34.2%	32.8%
Other Current Liabilities	9.7%	7.6%	12.6%	8.1%	7.9%	7.9%	8.8%	9.2%	9.0%	8.7%	8.6%	8.1%	7.5%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total Current Liabilities</b>	<b>49.9%</b>	<b>48.6%</b>	<b>45.3%</b>	<b>44.9%</b>	<b>48.1%</b>	<b>45.3%</b>	<b>50.0%</b>	<b>48.0%</b>	<b>47.0%</b>	<b>45.7%</b>	<b>46.1%</b>	<b>44.0%</b>	<b>41.8%</b>
<b>Total Liabilities</b>	<b>52.1%</b>	<b>61.1%</b>	<b>66.9%</b>	<b>67.8%</b>	<b>71.2%</b>	<b>69.5%</b>	<b>66.6%</b>	<b>64.4%</b>	<b>62.6%</b>	<b>60.4%</b>	<b>55.8%</b>	<b>53.1%</b>	<b>50.4%</b>
<b>EQUITY</b>													
Common Equity	43.3%	33.1%	25.8%	21.9%	19.3%	20.1%	20.1%	19.4%	18.2%	16.9%	16.3%	15.0%	13.8%
Retained Earnings	4.7%	5.8%	7.3%	10.3%	9.5%	10.4%	13.3%	16.2%	19.2%	22.7%	27.8%	31.8%	35.8%
Non-controlling interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total Shareholders' Equity</b>	<b>47.9%</b>	<b>38.9%</b>	<b>33.1%</b>	<b>32.2%</b>	<b>28.8%</b>	<b>30.5%</b>	<b>33.4%</b>	<b>35.6%</b>	<b>37.4%</b>	<b>39.6%</b>	<b>44.2%</b>	<b>46.9%</b>	<b>49.6%</b>
<b>Total Liabilities &amp; Equity</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

## Appendix 1.7 – Common Size Cash Flow Statement

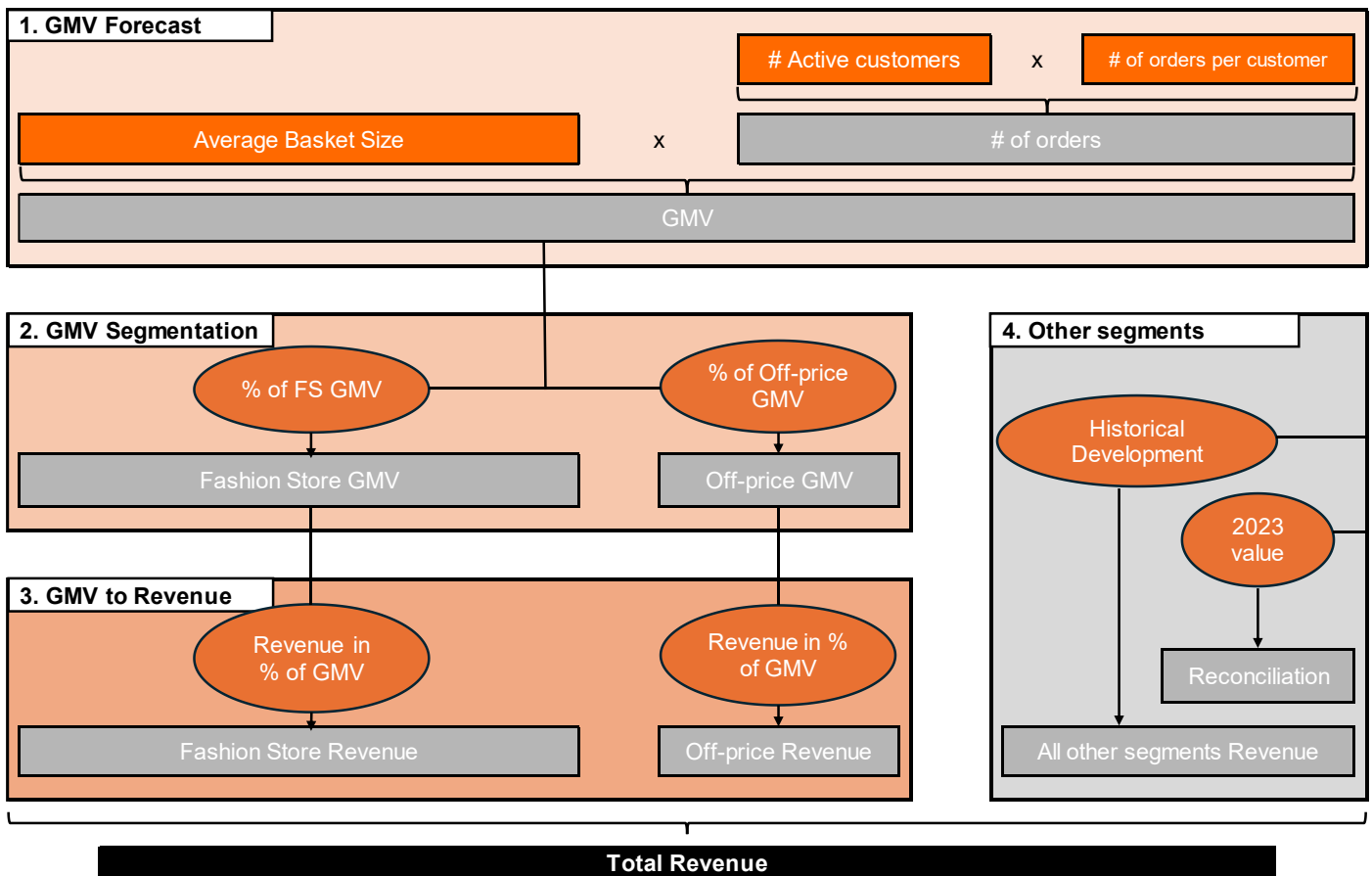
Description (€'M)	Years End December 31												
	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
<b>CASH FROM OPERATING ACTIVITIES</b>													
Net income/loss for the period	-73.0%	-488.7%	13.6%	-65.2%	-6.4%	16.4%	427.0%	-143.9%	117.9%	99.6%	413.3%	89.6%	86.6%
Depreciation & Amortization	-123.4%	-954.9%	12.9%	-65.5%	-119.1%	66.1%	595.1%	-199.7%	140.9%	100.8%	371.1%	75.6%	70.2%
Income taxes	-77.6%	-221.6%	5.6%	-33.3%	-8.4%	13.8%	198.8%	-63.2%	51.8%	43.7%	181.4%	39.3%	38.0%
Cash From Inventory	57.9%	1366.7%	-15.8%	51.8%	99.2%	73.0%	-185.0%	105.8%	-28.4%	-20.2%	-64.2%	-12.1%	-9.4%
Cash From Accounts Receivable	166.0%	329.4%	-8.4%	34.9%	64.6%	2.7%	-45.6%	36.2%	-15.1%	-11.5%	-36.7%	-6.9%	-5.4%
Cash From Accounts Payable	-257.6%	-1978.4%	19.8%	-109.0%	-186.8%	-33.4%	-30.8%	-154.8%	45.9%	35.0%	111.5%	21.1%	16.4%
Other	4.1%	343.6%	4.1%	14.8%	-18.5%	49.3%	152.9%	49.4%	-47.0%	-41.1%	-174.7%	-38.4%	-37.7%
<b>Net cash flows from operations</b>	<b>-303.6%</b>	<b>-1603.9%</b>	<b>31.7%</b>	<b>-171.4%</b>	<b>-175.4%</b>	<b>187.9%</b>	<b>1112.4%</b>	<b>-370.1%</b>	<b>267.9%</b>	<b>206.4%</b>	<b>801.7%</b>	<b>168.1%</b>	<b>158.6%</b>
<b>CASH FROM INVESTING ACTIVITIES</b>													
CapEx From PP&E, Intangibles and Other Long-term Assets	313.1%	1392.2%	-13.1%	92.6%	134.1%	-51.4%	-351.7%	278.4%	-175.5%	-111.0%	-378.1%	-70.6%	-60.6%
Other	-17.8%	30.9%	0.0%	0.8%	47.5%	-12.1%	-107.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net cash flows from investing</b>	<b>295.3%</b>	<b>1423.0%</b>	<b>-13.1%</b>	<b>93.4%</b>	<b>181.6%</b>	<b>-63.5%</b>	<b>-458.8%</b>	<b>278.4%</b>	<b>-175.5%</b>	<b>-111.0%</b>	<b>-378.1%</b>	<b>-70.6%</b>	<b>-60.6%</b>
<b>CASH FROM FINANCING ACTIVITIES</b>													
Cash received from capital increases less transaction costs	-54.5%	-188.7%	3.3%	-6.2%	-1.7%	0.9%	6.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Repurchase of treasury shares	158.2%	190.2%	0.0%	55.6%	51.9%	0.0%	-169.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Payments for shares in other entities without change in control	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Loans	4.0%	13.7%	22.4%	105.1%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash paid for the repur. of conv. bonds including tran. costs	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-162.4%	207.4%	0.0%	0.0%	-338.1%	0.0%	0.0%
Cash received from the issue of conv. bonds less tran. costs	0.0%	0.0%	59.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash payments for the principal portion of lease liabilities	0.0%	265.7%	-4.0%	23.5%	42.3%	-25.4%	-228.7%	-15.7%	7.5%	4.6%	14.5%	2.6%	2.0%
<b>Net cash flows from financing</b>	<b>108.3%</b>	<b>280.9%</b>	<b>81.4%</b>	<b>178.0%</b>	<b>93.8%</b>	<b>-24.5%</b>	<b>-553.6%</b>	<b>191.7%</b>	<b>7.5%</b>	<b>4.6%</b>	<b>-323.6%</b>	<b>2.6%</b>	<b>2.0%</b>
<b>CASH BALANCE</b>													
Beginning of the Year	-1518.8%	-4877.5%	58.7%	-735.5%	-872.6%	400.8%	4308.2%	-1361.9%	794.6%	578.9%	2278.4%	445.5%	468.2%
Increase / (Decrease)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Effect of exchange rate fluctuations on cash held	-0.6%	-9.3%	0.2%	-0.9%	0.3%	0.6%	-7.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Cash and cash equivalents as of Dec 31</b>	<b>-1419.4%</b>	<b>-4786.8%</b>	<b>158.9%</b>	<b>-636.4%</b>	<b>-772.2%</b>	<b>501.4%</b>	<b>4401.0%</b>	<b>-1261.9%</b>	<b>894.6%</b>	<b>678.9%</b>	<b>2378.4%</b>	<b>545.5%</b>	<b>568.2%</b>

## Appendix 2 – Projections

### Appendix 2.1 – High Level rationale of assumptions

High Level Rationale of Author's Assumptions	
Variable	Rationale
<b>Macroeconomic assumptions</b>	
Real GDP Growth	Projections of Real GDP were based on the forecasts made by the International Monetary Fund in Europe and Worldwide
Inflation rate	Assumptions on Inflation rate were based on the forecasts made by the International Monetary Fund in Europe and Worldwide.
World Population	Long-term projections were based on Statista forecasts.
<b>Industry Assumptions</b>	
E-commerce Fashion Revenues	Projections based on Statista Forecasts
Online & Offline split of sales	Projections based on Statista Forecasts
Online & Offline split of sales	Projections based on Statista Forecasts
Recommerce Revenue	Projections based on Statista Forecasts
Influencer marketing engagement rates	Projections based on Statista Forecasts
Number of users of fashion e-commerce	Projections based on Statista Forecasts
<b>Zalando Operational Assumptions</b>	
Average Basket Size	Zalando's Average Basket Size was projected based on the growth of inflation in Europe
Number of Active customers	The number of Active customers was forecasted based on the growing number of users of fashion e-commerce platforms.
Number of orders per customer	Projected as an average of the last three historical years, so expected to remain stable throughout the years
<b>Zalando Financial Assumptions</b>	
<b>Income Statement</b>	
Cost of Sales	Forecasted as a percentage of Revenues. The percentage was calculated based on an average of the three last historical years.
SG&A	For simplification SG&A groups Fulfilment costs, Marketing costs and Administrative costs. Forecasted with inflation.
Other Operating Income/Expenses	Grouped together and forecasted based on an average of the last three years
Depreciation	Forecasted based on a Depreciation Schedule
Interest	Interest Income and Interest Expenses were grouped in this account and was projected to remain the same as the 2024 value.
Result of inv. accounted for using the equity method	Remained zero after 2021, so it was forecasted as zero throughout the years
Other financial result	Projected to remain the same as the 2024 value.
Tax Expense	Based on the corporate tax rate of Germany, 30.5%
<b>Statement of Financial Position</b>	
Capital Expenditures	Forecasted as an average of the last 4 years.
Inventories	Projected using a driver-based approach, relying on Inventory Days. An average of the last three years was used.
Accounts Receivable	Projected using a driver-based approach, relying on Accounts Receivable Days. An average of the last three years was used.
Accounts Payable	Projected using a driver-based approach, relying on Accounts Payable Days. An average of the last three years was used.
Convertible bonds	Expected to be zero after 2027 since the last tranche of convertible bonds is to mature on that year.
Lease Liabilities	Forecasted to grow at the same rate as inflation.
Other non/ current Assets/Liabilities	The "other"s account is expected to grow as an average of all the other Balance sheet accounts.
<b>Market Data</b>	
<b>Cost of Capital</b>	
Discount Factor Model	Capital Asset Pricing Model (CAPM).
Cost of Equity (Re)	Cost of Equity was determined using CAPM.
Risk-free rate (RFR)	Based on 10 Year German Treasury Bond Yield to Maturity.
Beta	Top Down Approach, based on a regression over STOXX 600 Europe Index.
Beta with Blume's adjustment	Adjustment to the Beta to not only rely on historical data.
Market Risk Premium (MRP)	Based on Damodaran (2024).
Cost of Debt (Rd)	Determined using Damodaran Synthetic Rating.
<b>Terminal Period</b>	
Long-run sustainable growth rate (g)	Assumed 2%, the long-term expected GDP growth rate.

## Appendix 2.2 – Revenue Forecast Structure



## Appendix 3 – Valuation

### Appendix 3.1 – WACC

WACC	
<b>Cost of Equity</b>	<b>12.43%</b>
10Y German Bunds	2.54%
Average STOXX Return (annual 5 Years)	9.51%
Beta	1.63
Beta W/ Blume's Adjustment	1.42
<b>Cost of Debt</b>	<b>3.15%</b>
Spread (using Damodaran synthetic rating)	2.00%
10Y German Bunds	2.54%
Country Risk Premium	0.00%
Tax Rate	30.50%
<b>Capital Structure</b>	
Debt	1,725.50
Equity	2,665.30
Total Capitalization	4,390.80
<b>WACC</b>	<b>11.07%</b>

### Appendix 3.2 – Beta Calculation

Regression Statistics	
Multiple R	0.450
R Square	0.202
Adjusted R <sup>2</sup>	0.189
Standard Error	0.124
Observations	61.000

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	0.230	0.230	14.957	0.000
Residual	59	0.907	0.015		
Total	60	1.137			

	Coefficients	St. Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-0.010	0.016	-0.617	0.539	-0.043	0.023	-0.043	0.023
X Variable 1	1.629	0.421	3.867	0.000	0.786	2.472	0.786	2.472

### Appendix 3.3 – Damodaran Synthetic rating

Damodaran Synthetic rating		
Interest Coverage Ratio	Rating	Spread
>8.5	AAA	0.75%
6.5-8.5	AA	1.00%
5.5-6.5	A+	1.50%
4.25-5.5	A	1.80%
3-4.25	A-	2.00%
2.5-3	BBB	2.25%
2-2.5	BB	3.50%
1.75-2	B+	4.75%
1.5-1.75	B	65.00%
1.25-1.5	B-	8.00%
0.8-1.25	CCC	10.00%
0.65-0.8	CC	11.50%
0.2-0.65	C	12.70%
<0.2	D	14.00%

## Appendix 3.4 – DCF Valuation

		Discrete Forecast					
		2025	2026	2027	2028	2029	2030
Unlevered Free Cash Flow	€	164.85	€ 281.42	€ 449.49	€ 595.92	€ 732.89	€ 860.56
<b>Cash Flow with Terminal Value</b>							
Discrete Forecast	€	164.85	€ 281.42	€ 449.49	€ 595.92	€ 732.89	
Terminal Value						9,490.26	
Total Cash Flow	€	164.85	€ 281.42	€ 449.49	€ 595.92	10,223.15	
<b>Discounted Cash Flow</b>							
Years of Discounting			1.00	2.00	3.00	4.00	
						0.09	
Discrete Forecast	€	164.85	€ 253.38	€ 364.37	€ 434.93	€ 0.00	
Terminal Value						6,236.27	
Total Cash Flow	€	164.85	€ 253.38	€ 364.37	€ 434.93	6,236.28	
		<b>Enterprise Value</b>		<b>Enterprise Value</b>			
Terminal Growth	2.00%	Sum of all FCFF	€ 7,453.81	PV of Discrete	16%	€ 1,217.54	
WACC	11.07%	XNPV Function	€ 7,933.35	PV of Terminal	84%	€ 6,236.27	
				Enterprise Value	100%	€ 7,453.81	
		<b>Equity Value</b>		<b>Equity Value per Share</b>			
		Enterprise Value	€ 7,933.35	Equity Value		€ 8,614.95	
		Less: Net Debt	€ -681.60	Shares Outstanding		264,103,243	
		Equity Value	€ 8,614.95	Equity Value	(€/sh)	€ 32.62	

## Appendix 3.5 – Relative Valuation

Peer Companies	Enterprise Value		Market Cap		EBITDA		Revenue		EV / EBITDA	EV / Revenues
Zalando SE	€	7,006,658,355.19	€	7,006,659,036.79	€	796,871,756.47	€	11,272,771,693.03	8.79x	0.62x
ASOS PLC	€	1,381,862,301.25	€	402,620,000.00	€	95,570,338.15	€	3,391,250,131.13	14.5x	0.4x
BOOHOO GROUP PLC	€	613,170,416.49	€	354,710,000.00	€	68,149,428.94	€	1,688,691,273.94	9.0x	0.4x
BOOZT AB	€	547,310,993.07	€	526,270,000.00	€	63,396,627.12	€	720,885,210.74	8.6x	0.8x
JD SPORTS FASHION PLC	€	8,530,658,000.00	€	6,859,496,580.15	€	1,931,818,851.20	€	12,387,612,122.45	4.4x	0.7x
<b>Target Company Valuation</b>										
Average	€	2,768,250,427.70	€	2,035,774,145.04	€	539,733,811.35	€	4,547,109,684.57	9.1x	0.6x
Median	€	997,516,358.87	€	464,445,000.00	€	81,859,883.55	€	2,539,970,702.54	8.8x	0.5x
Maximum	€	8,530,658,000.00	€	6,859,496,580.15	€	1,931,818,851.20	€	12,387,612,122.45	14.5x	0.8x
Minimum	€	547,310,993.07	€	354,710,000.00	€	63,396,627.12	€	720,885,210.74	4.4x	0.4x

Enterprise Value = Market Cap + Net Debt. <sup>(\*)</sup>

Zalando @30/12/2025	
EBITDA	€ 796,871,756.47
Revenue	€ 11,272,771,693.03
Net Debt	€ -681.60
Nb of Shares	264,103,243
Share Price	€ 27.11

Share Price	
EV / EBITDA	EV/Revenues
€ 29.96	€ 28.85
€ 27.15	€ 29.39
€ 43.63	€ 49.58
€ 13.32	€ 15.50

## Appendix 3.6 – Precedent Transactions Valuation

Target Company	Acquirer	EV / EBITDA		EV/Revenue		Share Price	
						EV / EBITDA	EV / Revenue
Destination XL Group, Inc.	Fund 1 Investments, LLC		3.57x		0.65x	€ 14.43	€ 28.43
Hibbett, Inc.	JD Sports Fashion Plc (LSE:JD.)		4.99x		0.83x	€ 15.05	€ 27.65
Nordstrom Inc	El Puerto de Liverpool SAB de CV; Nordstrom Family (P		5.79x		0.52x	€ 17.46	€ 35.47
						€ 10.77	€ 22.17
<b>Company Valuation</b>							
Average			4.8x		0.7x		
Median			5.0x		0.6x		
Maximum			5.8x		0.8x		
Minimum			3.6x		0.5x		

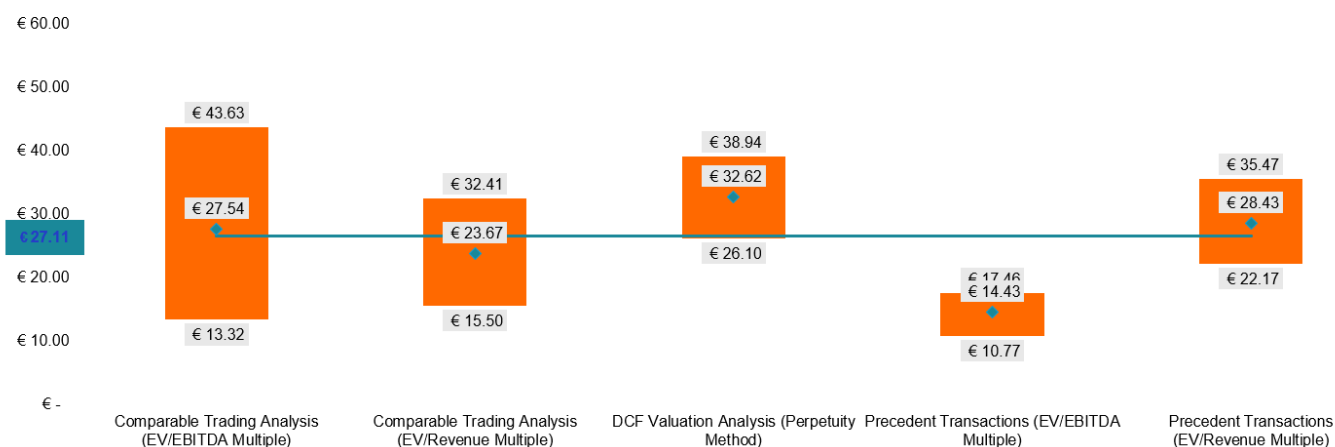
## Appendix 3.7 – SARD Approach

SARD Approach														
Name	Country	Mkt Cap (EUR)	Rank	ROE	Rank2	Net Debt to EBITDA	Rank3	Revenue Growth	Rank4	EBIT/Net Sales	Rank5	SARD	Rank6	Peers
ZALANDO SE	GE	8417.6	5	9.97	10	-1.3	12	10.02	7	3.71	10	0		
ABOUT YOU HOLDING SE	GE	1247.23	9	-35.4	12	37.2	1	35.63	1	-4.64	12	9	7	NO
REVOLVE GROUP INC	US	1255.9	8	12.04	8	-3.21	14	15.29	5	4.55	9	0	1	YES
ASOS PLC	GB	402.62	13	-48.8	14	-1.94	13	2.38	12	-11.42	14	22	11	NO
BOOHOO GROUP PLC	GB	354.71	14	-40.6	13	4.39	2	14.17	6	-10.05	13	4	3	YES
BOOZT AB	SE	526.27	11	11.99	9	-0.41	11	19.58	2	5.48	8	3	2	YES
NEXT PLC	GB	17804.63	4	60.04	1	1.57	4	6.8	8	17.58	1	26	13	NO
H&M HENNES & MAURITZ AB	SE	18608	3	24.7	3	1.41	5	3.59	11	7.38	5	17	8	NO
AMAZON.COM INC	US	1696372.84	1	24.29	4	0.35	10	18.31	3	10.75	2	24	12	NO
URBAN OUTFITTERS INC	US	4263.41	7	14.73	6	0.41	9	6.44	9	7.18	6	7	6	NO
ADIDAS AG	GE	42624	2	16.4	5	1.3	6	1.11	13	5.65	7	11	7	NO
FOOT LOCKER INC	US	1020.95	10	-10.7	11	2.78	3	0.97	14	1.74	11	5	4	YES
JD SPORTS FASHION PLC	GB	6859.49658	6	27.4	2	0.75	8	18.02	4	9.29	3	21	9	NO
SHOE CARNIVAL INC	US	411.83	12	13.23	7	1.3	6	3.83	10	7.95	4	5	4	YES

## Appendix 3.8 – Author Selection

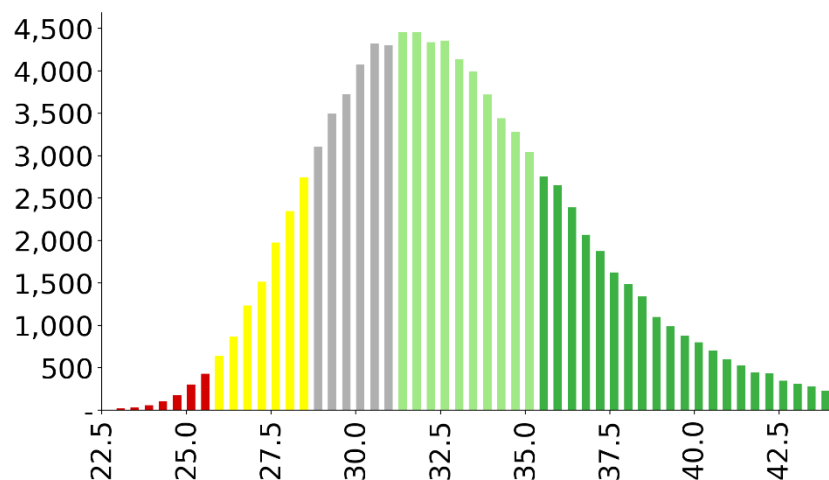
Name	Total Debt	Total Equity	Enterprise Value	EBITDA	Net Income	Mkt Cap (Mm)	ROE	Net Det/EBITDA	Margin	Revenue FY2024	Revenue Average	GEBIT/Net Beta 5y						
ASOS PLC	1,160,764,333.05	618,908,117.65	1,381,862,301.25	95,570,338.15	-	395,284,067.97	402.62	-	48.80	-	1.94	-	5.49	3,391,250,131.13	2.38	-	11.42	1.15
BOOHOO GROUP PLC	522,128,166.67	326,782,833.33	613,170,416.49	68,149,428.94	-	159,275,611.05	354.71	-	40.55	4.39	-	-	4.24	1,688,691,273.94	14.17	-	10.05	1.15
BOOZT AB	76,623,539.03	260,328,043.10	547,310,993.07	63,396,627.12	-	29,905,719.28	526.27	-	11.99	-	0.41	-	8.79	720,885,210.74	19.58	-	5.48	2.27
JD SPORTS FASHION PLC	3,000,664,609.74	2,876,636,220.11	9,319,570,042.45	1,931,818,851.20	-	697,327,854.09	6,859.50	-	27.40	0.75	n.a.	-	-	12,387,612,122.45	18.02	-	9.29	1.74
NEXT PLC	2,242,913,062.11	1,917,715,795.29	16,649,617,478.25	1,267,168,831.18	-	924,479,061.01	17,804.63	-	60.04	1.57	-	-	20.03	7,332,532,950.16	6.80	-	17.58	1.15

## Appendix 3.9 – Valuations Results



## Appendix 4 – Investment Risks

### Appendix 4.1 – Monte Carlo Simulation



### Appendix 4.2 – DCF Sensitivity Table (WACC vs g-rate)

	1.5%	1.75%	2.0%	2.25%	2.5%
10.1%	29%	32%	35%	39%	42%
10.6%	22%	25%	27%	30%	33%
11.1%	16%	18%	<b>20%</b>	23%	25%
11.6%	10%	12%	14%	16%	19%
12.1%	5%	7%	8%	10%	12%

### Appendix 4.3 – Author vs J.P. Morgan vs BofA

in € Mn	J.P Morgan		Author		BofA	
	2025	2027	2025	2027	2025	2027
GMV	16,038	17,017	16,329	17,975	16,590	19,710
Group Revenues	11,573	11,790	11,272	12,397	11,504	13,464
EBIT	585	645	417	693	574	795
WACC	12.00%		11.07%		9.10%	
Terminal Growth rate	1%		2%		3%	
Price Target	€29.00/Sh.		€32.62/Sh.		€40.00/Sh.	

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