FLASH REPORT

zalando (XETRA: ZAL) 1H16 RESULTS: IMPRESSIVE REVENUE GROWTH AND MARGIN EXPANSION

- **Zalando reported revenue growth of 24.4% year over year to €1,712.6 million in 1H16, slightly below the consensus estimate of €1,715.7 million.**
- **The company reported 1H16 adjusted EBIT up 70.9% to €101.2 million and the adjusted EBIT margin reached 5.9%, up from 4.3% in 1H15. Adjusted EBIT margin reached 8.8% in 2Q16 and expanded 470 bps from 4.1% in 2Q15.**
- **Zalando reiterated the company expects to deliver FY16 revenue growth at the upper end of the forecasted 20% to 25% revenue growth range, and adjusted FY16 EBIT margin to fall in the range of 4% to 5.5%.**

Figure 1. Zalando Key Metrics

	1H16	1H15	YoY Change
Revenues (EUR Bil.)	€1.7	€1.4	24.4%
Gross Margin	44.9%	47.0%	(210) bps
SG&A/Sales	39.0%	42.7%	(370) bps
Operating Margin	5.9%	4.3%	160 bps
Adjusted EPS	€0.22	€0.19	15.8%

Source: Company reports/Fung Global Retail & Technology

1H16 RESULTS

German-based online fashion retailer Zalando reported 1H16 revenue growth of 24.4% year over year to €1,712.6 million. Sales were driven by the increase in active customers and growth in the number of orders per customer. Zalando added Club Monaco, Kate Spade and Fenty by Rihanna to its brand assortment.

The company reported 1H16 adjusted EBIT of €101.2 million, which corresponds to an adjusted EBIT margin of 5.9%, up 160 bps year over year.

2Q16 RESULTS

Zalando reported very strong 2Q16 revenues of €916.4, up 25% year over year. Adjusted EBIT margin in 2Q16 expanded a very impressive 470 bps to 8.8%.

Zalando's management said the company had a very strong second quarter and delivered a substantial increase in profitability. They commented the operating leverage of the business developed strongly and they continue to push forward with growth investments in customer proposition and platform initiatives.

GUIDANCE

Zalando officials reiterated their FY16 guidance to deliver revenue growth at the upper end of the 20% to 25% estimated range. The company also reiterated FY16 guidance for adjusted EBIT margin to fall between 4% and 5.5%.

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