

FLASH REPORT

## ▶ zalando (XTRA: ZAL) FY16 Results: Stellar Sales and EBIT Margin Performance

**Figure 1. Zalando FY16 Key Metrics**

	FY16	FY15	YoY Change
Revenues (€ Mil.)	€3,639.0	€2,958.2	23.0%
Gross Margin	44.2%	45.1%	(90) bps
SG&A/Sales	38.5%	41.6%	(310) bps
Operating Margin	5.9%	3.6%	230 bps
Diluted EPS (€)	€0.47	€0.48	(2.1)%

Source: Company reports/Fung Global Retail & Technology

- Zalando reported FY16 revenue growth of 23.0% year over year to €3,639.0 million, slightly below the consensus estimate of €3,649.5 million.
- The company reported FY16 adjusted EBIT of €216.3 million and the adjusted EBIT margin reached 5.9%, up from 3.6% in FY15. For 4Q16, the adjusted EBIT margin reached 8.8%, expanding 50 bps from 8.3% in 4Q15.
- Zalando issued FY17 guidance to deliver year-over-year revenue growth in the range of 20.0%–25.0%, in line with FY16. The company expects the FY17 adjusted EBIT margin to fall between 5.0% and 6.0%.

### FY16 Results

German-based online fashion retailer Zalando, reported FY16 revenue growth of 23.0% year over year to €3,639.0 million. Sales were driven by growth in the number of active customers and the number of orders, up 11% and 25.1% year over year, respectively.

FY16 gross margin contracted by 90 bps year over year to 44.2%. However, with the meaningful progress the company made in cost control, the SG&A margin declined by 310 bps, leading to operating margin expansion of 230 bps year over year to 5.9%.

The company reported FY16 adjusted EBIT of €216.3 million.

### 4Q16 Results

Zalando reported very strong 4Q16 revenues of €1,091.6 million, up 25.7% year over year. The adjusted EBIT margin expanded by 50 bps year over year to 8.8% during the quarter.

### FY17 Guidance

Zalando issued FY17 guidance to deliver year-over-year revenue growth in the 20.0%–25.0% range, in line with FY16. The company expects the FY17 adjusted EBIT margin to fall between 5.0% and 6.0%.

Analysts expect Zalando to generate FY17 revenues of €4,442.5 million, up 22.1% year over year. The consensus forecast for FY17 EBIT is €273.9 million, implying an EBIT margin of 6.2%. Analysts expect normalized EPS of €0.75.



FLASH REPORT

---

**Deborah Weinswig, CPA**

Managing Director  
Fung Global Retail & Technology  
New York: 917.655.6790  
Hong Kong: 852.6119.1779  
China: 86.186.1420.3016  
deborahweinswig@fung1937.com

**Eva K.**

Senior Research Associate

---

**Hong Kong:**

8th Floor, LiFung Tower  
888 Cheung Sha Wan Road, Kowloon  
Hong Kong  
Tel: 852 2300 4406

**London:**

242–246 Marylebone Road  
London, NW1 6JQ  
United Kingdom  
Tel: 44 (0)20 7616 8988

**New York:**

1359 Broadway, 9th Floor  
New York, NY 10018  
Tel: 646 839 7017

**[FungGlobalRetailTech.com](http://FungGlobalRetailTech.com)**