

2.5 Outlook

- Significant growth is again forecast for internet retailing in Europe and Germany
- For 2018, a 9.7% increase in online fashion sales is forecast for Europe, while 14.8% is forecast for Germany
- Zalando aims to continue its course of profitable growth and capture further market share
- Revenue in 2018 is set to grow by 20%–25%, adjusted EBIT is expected to be between EUR 220m and EUR 270m

2.5.1 Future Overall Economic and Industry-Specific Situation

European online retail is expected to see continued strong growth. The European retail industry is expected to achieve year-on-year growth of just 1.5% in 2018, while online retail is expected to grow by 13.2%.³⁹ Similarly, in Germany the retail forecast is 1.9% growth, whereas internet retailing is set to grow by 10.9% in 2018.⁴⁰

The online fashion industry in Europe and Germany is also predicted to enjoy continued growth. Fashion sales in Europe are expected to grow minimally at 0.8%, while fashion sales in Germany are expected to grow even more slowly at 0.3%.⁴¹ In contrast, online fashion sales are expected to grow significantly faster in both regions. Online fashion sales in Europe are expected to increase by approximately 9.7% in 2018, while predictions for Germany anticipate strong growth of 14.8%⁴² compared with the previous year.

Due to its wide brand awareness among European consumers, a large customer base, strong supplier relationships, its infrastructure footprint and its fashion and mobile technology capacity, Zalando is certain that it is well positioned to benefit from these favorable market conditions. The high emotional factor that both brands and customers associate with fashion also provides independent and pure-play fashion e-commerce retailers, like Zalando, a considerable advantage over non-specialized e-commerce retailers.

2.5.2 Future Development of the Group

The goal is to grow further significantly faster than the online market, thereby strongly growing the company's market share. This growth will be enabled through continued investments in Zalando's customer proposition. Management believes this is the value-maximizing strategy for the company. As such, investments will continue also throughout 2018 into the most important elements of Zalando's customer proposition:

- Digital experience: we focus on building the leading digital experience in fashion e-commerce. A key driver of customers' experience is the level of personalization. With our ever-increasing assortment, it is important that we tailor the offering towards individual customers. As such, Zalando aims to provide every customer with his or her own personalized Zalando store.
- Convenience: Zalando continues to invest heavily in convenience for its customers. In 2018, Zalando will further automate its existing logistics footprint to increase efficiency and speed.



End of the Quick Reader
Information

39) Euromonitor, Europe excl. Russia, Germany
40) Euromonitor, Europe excl. Russia
41) Euromonitor, Germany
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The construction of two fulfillment hubs in Poland and one in Italy as well as a satellite warehouse in Sweden will continue. Additionally, we will build a new fulfillment center for our Lounge business.

- Assortment: Zalando provides customers in 15 European markets with access to more than 300,000 articles from almost 2,000 brands and aims to launch two additional European markets this year. We work towards continued progress through an ongoing expansion of our assortment, including the launch of additional brands, initiation of beauty as a new category, and the further expansion of our Partner Program.
- B2B services: the further build-out of platform initiatives such as Zalando Media Solutions and Zalando Fulfillment Solutions will enable additional growth opportunities.

In short, we will continue to work hard to make our customers' journey even more exciting.

As the European online fashion market is expected to grow at roughly 10% during 2018⁴³, Zalando targets to grow significantly faster and further build its markets share: the company forecasts revenue growth within a corridor of 20% to 25% in fiscal year 2018 (fiscal year 2017: 23.4%). The strong revenue growth is expected to be primarily driven by an increase of the active customer base as well as an increase in the number of orders per active customer. As in the past, we expect that both drivers contribute in a balanced way.

Zalando expects to continue to grow profitably, showing growth also in its adjusted EBIT in 2018. The company expects adjusted EBIT of EUR 220.0m to EUR 270.0m (EBIT EUR 185.0m to EUR 235.0m) (fiscal year 2017: adjusted EBIT of EUR 215.1m; EBIT of EUR 187.6m).

Due to continued strong logistics investments, the capex volume is expected to stay at an elevated level of around EUR 350m.

2.5.3 Overall Assessment by the Management Board of ZALANDO SE

Overall, the Management Board views the developments in fiscal year 2017 and the economic position of Zalando as positive. The group returned a profit once again at group level in the fiscal year. Zalando showed significant growth, made important long-term investments and achieved a solid level of profitability. The company has grown considerably in all markets and has improved its market position further. In 2018, Zalando expects to be able to continue the strong business performance seen in the past fiscal year.

The comments on future development in this management report are made by the Management Board to the best of their knowledge and belief based on estimates made at the time these financial statements were prepared. The statements are by nature subject to a series of risks and uncertainties. The actual results may therefore deviate from these forecasts should one of these or other uncertainties arise or the assumptions on which the statements are made prove to be inaccurate.

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