Zalando invests in tech, cool Spring leads to profit tumble

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Fashion retailer Zalando reported a 30 percent fall in first-quarter profit hurt by a cool start to Spring and stepped up investment in technology by buying software firm Tradebyte to help digitalise stock in warehouses.

Europe's biggest dedicated online fashion retailer said on Thursday adjusted earnings before tax came in at 20.2 million euros (16 million pounds) compared to 29.1 million euros a year earlier. This was below a Thomson Reuters Smart Estimate of 23.3 million.

Launched in Berlin in 2008, Zalando serves customers in 15 European markets with more than 1,500 brands, including big names such as Gap, Banana Republic and Topshop.

Zalando hopes to eventually take 5 percent of the fragmented European fashion market, up from about 1 percent now, and is investing in technology to increase customer satisfaction and speed up delivery.

It is allowing brands such as Adidas and Superdry to sell directly on its website and said on Thursday it had bought Tradebyte Software GmbH this month to help digitise the stock in the warehouses of its partners.

The company reiterated full-year guidance for revenue growth at the upper end of a 20 to 25 percent range and an adjusted EBIT margin of 3.0 to 4.5 percent.

Zalando said last month the launch of a new sports label by Beyonce had boosted sales since the Easter holidays after revenue grew less rapidly than expected in the first quarter due to an earlier Easter and a cool start to spring.

First-quarter sales rose 24 percent to 796 million euros, versus consensus for 807 million euros.

Rival Asos has seen its shares boosted by stronger-than-expected sales for the first half to Feb. 29.