



## Consumer, Brands & Retail

### ZALANDO (NEUTRAL, FV EUR43) | Kinnevik sold 5.2% of capital through a private placement

- Kinnevik has completed the private placement, launched yesterday evening post-market closure, to sell a part of its stake in Zalando to institutional investors. Out of its 31% stake in Zalando, Kinnevik sold 5.2% at c.EUR42.5/share, implying a c.7% discount compared to yesterday's closing price. Kinnevik also committed to a lock-up period of six months regarding its remaining 25.8% stake in Zalando.
- Kinnevik's move doesn't seem illogical as the fund has been backing Zalando since its early days in 2010, when it acquired 16% of the capital and then increase its stake twice before the IPO. With an IPO set at EUR21.5/share in 2014 and a share price now reaching EUR45.5/share, we assume Kinnevik has generated tremendous profits and is now looking to secure at least a part of these profits. Especially since the share price closed not far from its all-time-high yesterday (i.e. EUR50/share in the summer of 2018) after an impressive 104% rebound YTD.
- We expect a negative share price reaction today as the market might: 1/ integrate the c.7% discount applied during the private placement; 2/ become more sceptical regarding Zalando's investment case following the partial withdrawal of the anchor shareholder Kinnevik; 3/ expect to see Kinnevik selling further shares in the future once the six-month period lock-up is lifted.
- This operation doesn't question our confidence in Zalando's business model and fundamentals. As a reminder, we became more optimistic in our speech since the Q2 publication with the faster ramp-up of marketplace and Minimum Order Values (boosting profitability). But with a FV of EUR43 (derived from a WACC of 9.9%), we still struggle to justify a sufficient upside to Buy on the stock.

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### Distribution of stock ratings

BUY ratings 49,4%

NEUTRAL ratings 42,9%

SELL ratings 7,6%

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