Retail

Zalando out of fashion after sales slowdown

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Worries over slowing growth overshadowed Zalando's new efforts to fight competition from Amazon, as the online fashion retailer saw its worst day of trading in more than two years.

Shares in the Berlin-based group fell as much as 9.8 per cent yesterday and were down 8.27 per cent at the close.

The company said yesterday it expected to report first-half revenues of about €2.1bn, representing year-on-year growth of 21 to 22 per cent.

Although the figures were in line with a medium-term target growth rate of 20 to 25 per cent, they represented a slowdown compared with the first quarter of this year and first half of 2016. Profit margins were also weaker, falling from 8.8 per cent in the first half of last year to between 7.3 and 7.8 per cent on an earnings before interest and tax basis.

Richard Chamberlain, analyst at RBC Capital Markets, said second-quarter earnings of between €80m and €86m were 11 per cent below consensus analyst forecasts. Mr Chamberlain warned that "the fundamental outlook and competitive environment is at odds with Zalando's strong share price performance year-to-date", predicting the company would face further pressure on margins over the longer term.

Zalando is one of Europe's most successful technology groups but has been investing heavily to fend off competition from Amazon, which has been expanding its own fashion arm.

The US group has been muscling into more segments of the retail sector, from bricks and mortar stores to online meal delivery. In fashion, it set up five local language sites and added more than 350 brands to its European offering last year.

In an attempt to maintain its position as the continent's largest online fashion retailer, Zalando yesterday took a leaf out of Amazon's book, announcing the launch of a premium membership service akin to Amazon Prime.