Inditex recovery picks up pace in Q3, and Q4 starts strongly

By Sandra Halliday - December 15, 2021

Fashion retail giant Inditex delivered its nine-month and Q3 results report on Wednesday and it showed its recovery continuing to gain momentum. It also said its “strategic transformation towards a fully integrated digital and sustainable business model” is accelerating.

The company reported that net income and pre-tax profit both reached historic highs in Q3 (although it didn’t break out detailed monetary figures for the quarter), with a strong comparison against the pre-pandemic period in 2019. And sales growth in constant currency in the three months to the end of October continued to speed up with a 21% rise year-on-year and a 10% increase versus 2019.
Store sales have been steadily improving all year and in Q3, they exceeded 2019 levels despite the firm having 11% fewer stores. The AW21 collections on sales during the quarter have been “very well received by our customers”.

Importantly as well, the group said store and online sales combined (in constant currency) in Q4 between 1 November and 10 December have increased as much as 33% against the year ago period. And they’ve maintained that 10% increase against 2019 that was seen in Q3.

Looking at the headline figures for the nine months as a whole, the company said that total net sales on a reported basis in the latest period reached €19.3 billion, 37% higher than a year ago, or 39% higher on a constant currency basis. That was below the €19.8 billion reported in 2019, but that's hardly surprising given the widespread (and temporary) enforced store closures during this year.

But online sales continued to grow strongly with impressive two-year comparisons. They saw a constant currency increase of 28% on the year and a massive 124% compared to two years ago. As a result, the company expects online sales to reach more than 25% of its total for this financial year.

Gross profit for the nine months was 40% higher year-on-year at €11.4 billion and the gross profit margin rose 101
bps to 59%. It also said that its nine-month EBITDA rose 63% to €5.4 billion, while EBIT was up a huge 248% at €3.3 billion. Pre-tax profit rose 277% to €3.2 billion and net income was up 273% at €2.5 billion. Net income two years ago had been €2.7 billion, so the company still has some catching up to do to get back to that level, although as seen above, its sales progress made during Q3 and Q4 so far suggests that it's well on its way.

Inditex added that at current exchange rates, the currency impact on sales in the second half is expected to be around +0.5% versus H2 2020 and -5.5% versus 2019.

And it said the migration to the Inditex Open Platform (IOP) is close to 97% complete and as of today, all its stores are open. Sales are “returning to normal levels and online sales continue to grow”.

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