

INDITEX Inditex (BME:ITX) 9M17 Results: Continued Strong Sales Performance

	9M17	9M16	YoY Change
Revenues (€ Bil.)	€16.4	€14.7	11.3%
Gross Margin	57.9%	58.8%	(90) bps
SG&A/Sales	35.8%	36.2%	(40) bps
Operating Margin	17.2%	17.5%	(30) bps
EPS (€)	€0.71	€0.65	9.1%

9M17 ended October 31, 2016

Source: Company reports/Fung Global Retail & Technology

- **Inditex reported 9M17 EPS of €0.71, an increase of 9.1% over 9M16 and slightly below the consensus estimate of €0.72. The company reported that revenue (store and online) increased by 11.3%, to €16.4 billion, in line with the consensus estimate. Constant-currency 9M17 sales increased 14.5% year over year and same-store sales remained strong, with positive comps in all geographic regions.**
- **EBIT increased by 9.3% to €2.8 billion, in line with the consensus estimate. 9M17 EBIT margin contracted by 30 basis points year over year to 17.2%.**
- **Inditex's results were supported by store and online expansion and very strong comps. Constant-currency store and online sales increased by 16.0% year over year during the period of November 1 to December 12, 2016.**

9M17 Results

Spanish apparel retailer Inditex reported a revenue increase of 11.3% year over year for 9M17 to €16.4 billion, in line with the consensus estimate. EPS was €0.71, an increase of 9.1% versus 9M16 and slightly below the consensus estimate of €0.72. Revenues in 9M17 increased by 14.5% year over year on a constant-currency basis.

9M17 gross profit increased 9.5% year over year to €9.5 billion and 9M17 gross profit margin contracted by 90 basis points year over year. Operating expenses were tightly controlled and the SG&A margin declined by 40 basis points to 35.8%.

Inditex reported growth of 9.3% in EBIT to €2.8 billion, in line with the consensus estimate. FY17 EBIT margin contracted by 30 basis points year over year to 17.2%.

Inditex's results were underpinned by strong comp growth as well as store and online expansion. The company did not report specific same-store sales growth figures, but stated that same-store sales were positive in all geographic regions. In 9M17, the company opened a net 227 stores (150 net openings in 3Q17) in 50 different markets, including 41 Zara Home stores, reaching a total of 7,240 stores in 93 markets.

In 3Q17, stores were opened in new markets such as Vietnam and New Zealand, and online sales were launched for all concepts in Turkey. In 3Q17, Inditex rolled out online sales in 10 new markets, and now operates e-commerce platforms in 41 markets.



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Sales by Concept

Among Inditex's concepts, Zara makes up about one-third of total group sales. Management noted that among the younger concepts, Oysho, Pull and Bear and Massimo Dutti performed very strongly during 9M17.

Guidance

The group expects to incur capex of €1.5 billion in FY17.

Store and online revenues increased by 16% in local currencies during the period of November 1 to December 12, 2016.

The Stradivarius banner will launch a men's collection in selected stores and online on February 1, 2017.

New store square footage growth is expected at 6.0%–8.0% for FY17.

Analysts estimate that Inditex will generate €23.4 billion in net sales in FY17, along with €4.1 billion in EBIT and EPS of €1.03. Consensus estimates for FY17 imply year-over-year revenue growth of 11.9%, EBIT growth of 12.1% and EPS growth of 12.0%.



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