

FLASH REPORT

INDITEX (BME: ITX) 1Q17 Results: Continued Sales and Margin Strength

Figure 1. Inditex 1Q17 Key Metrics

	1Q17	1Q16	YoY Change
Revenues (EUR Mil.)	€5,569	€4,879	14.1%
Gross Margin	58.2%	58.1%	10 bps
SG&A/Sales	38.2%	38.5%	(30) bps
Operating Margin	15.0%	14.4%	60 bps
Diluted EPS (EUR)	€0.21	€0.18	18.0%

Source: Company reports/Fung Global Retail & Technology

- Inditex reported 1Q17 revenues of €5.6 billion, an increase of 14.1% year over year and above analyst estimates. Constant currency sales increased 12.5% year over year in 1Q17, which ended April 30.
- EBIT increased by 18.3% year over year to €834 million, and 1Q17 EBIT margin expanded by 60 bps year over year to 15.0%.
- Inditex's store and online sales at constant currencies for the trading period of February 1 to June 3, 2017 have increased by 12% year over year.

1Q17 Results

Inditex, an international textile company based in Spain, reported a 1Q17 revenue increase of 14.1% year over year to €5.6 billion, above the consensus estimate. EPS was €0.21, an increase of 18.0% versus 1Q16.

1Q17 gross profit margin expanded by 10 bps year over year to 58.2%. Operating expenses were tightly controlled and the SG&A margin declined by 30 bps to 38.2%.

Inditex reported growth of 18.3% year over year in EBIT to €834 million and 1Q17 EBIT margin expanded by 60 bps year over year to 15.0%.

Inditex's results were underpinned by very strong comps and by store and online expansion. The company opened 93 new stores in 30 markets in 1Q17, reaching a total of 7,385 stores in 93 markets. The majority of new store openings included Stradivarius, Zara and Bershka stores. So far this year, online sales for Zara were launched in Singapore, Malaysia, Thailand and Vietnam.

Outlook

Inditex's store and online sales at constant currencies for the trading period of February 1 to June 3, 2017 have increased by 12% year over year.

Zara expects to launch online sales in India in Autumn 2017.

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

Analysts estimate that Inditex will generate €26.1 billion in net sales in FY17, along with €4.7 billion in EBIT and EPS of €1.18. Consensus estimates imply FY17 year-over-year revenue growth of 11.8%, an EBIT margin of 18.0% and EPS growth of 16.8%.



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