Inditex online revenues soar, but Q3 still sees sales fall

By Sandra Halliday - 15 December 2020

The world’s biggest fashion retailer may have seen a 14% sales fall in Q3, the three months to the end of October, but the company was firmly profitable and remains a powerhouse in global retail.

On Tuesday Inditex reported surging e-sales and also said that the 14% drop was an improvement on the 31% fall of the previous quarter as the relaxing of lockdown rules globally sent shoppers back to stores, albeit cautiously. But like rival H&M Group, the company has been affected by a second wave of lockdowns more recently.

Total sales were €6.1 billion in Q3 (down 10% in constant currency) and online sales grew as much as 76%. Net profit was €866 million and while this was down 26% in total and 13% in constant currency, it was a good result in the circumstances.

For the first nine months of its financial year, the company also said that net sales fell 26.9% in constant currency to €14.1 billion. Online sales continue to grow strongly, rising 75%. It’s interesting that the 76% increase for Q3 shows that e-sales continued to power ahead even after stores reopened. Overall online visits in the nine months grew 44% to 3.4 billion.

On the profits front for the nine months, gross profit came to €8.2 billion, compared with €11.5 billion a year ago. The gross margin dipped to 58% from 58.2% but in constant currency, it increased 110 bps to 59.3%. EBITDA came to €3.3 billion, compared to €5.7 billion a year earlier.
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The company said its AW20 collections have been well received and when it's able to operate along more normal lines, “stores sales have recovered strongly”.

In fact, between October 1 and October 18, its sales had already reached “the historic highs of the same period in 2019”. But closures from that date onwards have taken their toll.

That means the fourth quarter is likely to be weaker than Q3. As mentioned earlier additional lockdowns have hurt the firm and in November, 21% of the group’s stores remained closed, “with a significant impact on store sales”. A majority of these stores started to reopen in the first week of December. Currently, 8% of the stores are temporarily closed and an additional 10% are closed at weekends. Additionally, a significant number of stores have restrictions in terms of space, capacity and opening hours. But at least online sales in Q4 are continuing to grow at the fast rate seen during the rest of this year.

The company also said its physical retail space growth is on track as it continues to invest heavily in its stores. It opened stores in 25 markets in the nine months and operated 7,197 stores by the end of the period.

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