Fashion retail giant Inditex said on Wednesday that its recovery is continuing to gain momentum with its sales, EBITDA and net income in the second quarter of its financial year reaching "historic highs".

And importantly, at the start of its second half (from August 1), its AW21 collections have been "very well received by customers". Store and online sales in constant currency between August 1 and September 9 rose 22% compared to the same period in 2020 (YoY) and even managed a 9% increase compared to the same period in 2019 (2YoY).

Currently, 99% of stores are open, sales are "returning to normal levels" and online sales continue to grow.

There are plenty of new initiatives to help drive sales growth further too, the company saying that on September 30, Zara Man will launch the sports collection Zara Athleticz online and in selected stores.

In fact, growth-focused investments between 2020-2022 will add up to around €900 million a year, including a digital investment of €1 billion over the three years.

STRONG PERFORMANCE

So, looking back at its most recent reporting period, what actually happened? In Q2 (which covers the period from May to July), sales growth in constant currency reached 7% compared to Q2 two years ago. Over the first half as a whole, while its physical store sales steadily improved, online sales continued to grow strongly.

In fact online sales in constant currency rose 36% for the first half compared to 2020 and a massive 137% 2YoY.
In fact online sales in constant currency rose 36% for the half-year compared to 2020 and a massive 137% YoY, highlighting just how big an investment Inditex has made in e-commerce over the last year or so. It expects online sales to be more than 25% of sales in FY21 as a whole.

In total, the company said that H1 net sales reached €11.9 billion, 49% up YoY, or 53% higher in constant currencies. Gross profit reached €6.9 billion, also 53% higher YoY, and the gross margin reached 57.9% (+170bps). Net income was €1.3 billion, up sharply from the loss of €195 million a year earlier.

It added that its migration to the Inditex Open Platform (IOP) is close to 95% complete, boosting its digital ambitions as it targets a fully integrated, digital and sustainable business model.

And as well as its new AW21 collection proving popular so far, it said its SS21 offer was also well received.

Getting these collections in front of consumers was helped by that digital drive but also by its investment in stores as it “continues to be very active in differentiating its retail space”. The growth of space in the first half saw openings in 27 markets. At the end of the period, Inditex operated 6,654 stores.

Zara continues to be its biggest chain with sales there rising to €8.488 billion in the first half, compared to €5.532 billion a year earlier. Meanwhile Pull&Bear sales rose to €786 million from €578 million, while Massimo Dutti rose to €607 million from €490 million. Bershka was up to €919 million from €692 million and Stradivarius rose to €782 million from €502 million. Oysho jumped to €305 million from €208 million and Uterqüe rose to €48 million from €31 million. As part of Inditex’s strategy, Uterqüe will be fully integrated into Massimo Dutti over the next year and will be available only on Massimo Dutti’s website and in selected stores.

EARLY WINNER

Analyst Harry Barnick at research firm Third Bridge said that “Inditex is emerging as an early winner in the post-Covid retail world” and called Zara “the shining star” of its brand portfolio.

“Zara has emerged as a fashion leader, creating rather than simply following trends,” he said. “Combined with an agile supply chain and quick lead times, Zara is now at the front of today’s fashion scene and can realise trends quickly and effectively”.

Zara
And he highlighted how “gross margins continue to be resilient due to reduced discounting. Inditex has benefited from relatively modest stock levels as it successfully cancelled orders with suppliers to avoid heavy discounting during end of season sales”.

By Sandra Halliday

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