Inditex powered ahead in 2021, new year starts well

By Sandra Halliday - 16 March 2022

Zara owner Inditex is on a roll and said on Wednesday that net profit soared 193% in the year to January 2022, reaching €3.2 billion as sales almost recovered from the hit taken during the pandemic.

The period saw most of its more-than-6,600 stores globally able to operate from the middle of 2021 and that helped sales surge 36% year-on-year to €27.7 billion. That figure was up 3% compared to 2019 on a currency-neutral basis, although on a reported basis it was down 2%.

That said, the Omicron variant in Q4 had a negative impact and restrictions in countries such as Germany and Japan meant it took a €400 million hit.

Importantly during the year, online revenue reached €7.5 billion and made up 25.5% of the group's total sales as e-tail rose 14%.

Looking at profitability, EBITDA rose 58% to €7.2 billion, EBIT jumped 184% to €4.3 billion and pre-tax profit skyrocketed 200% to €4.2 billion. Gross profit increased 39% to €15.8 billion and the gross margin reached 57.1% (up 123 bps versus 2020), the highest in six years. It also said all expense lines have shown "a favourable evolution. Operating expenses increased 26%, below sales growth".

And the company had good news on current trading as well with the new financial year having started strongly. Total sales up to March 13 have risen 33% against 2021 and a healthy 21% compared to the pre-Covid period. But the company is likely to be affected by its decision to temporarily close all of its more-than-500 stores and website in Russia. In the quarter so far, In this period, sales in the Russian Federation and Ukraine represented approximately 5 percentage points of sales growth.

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During the last year, Zara remained the firm’s star brand with sales rising 39% compared to 2020, but its other, smaller labels also saw strong growth. Pull&Bear rose 32%, Massimo Dutti 30%, Berhska 23%, Stradivarius 42% and Oysho 15%.

The company also saw important developments regionally as the US became its largest individual country market. In fact, America accounted for 17.5% of sales during the year compared to 13.5% in 2020. Spain accounted for 14.4% of sales compared to 14.6% a year earlier.

Meanwhile Europe excluding Spain was the biggest combined market overall, accounting for 48.4% of sales (down slightly from 48.7% in 2020). Asia and the rest of the world accounted for 19.7% of sales last year compared to 23.2% a year earlier.

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