Inditex Q1 easily beats pre-pandemic period, sales and profits soar

By Sandra Halliday - 8 June 2022

Inditex’s Q1 net profit soared 80% to €760 million as its sales beat pre-pandemic levels, hitting €6.7 billion for a rise of 36% year-on-year, the company said on Wednesday.

Its pre-Covid Q1 (the three months to the end of April 2019) had seen it reporting profits of €734 million on sales of €5.93 billion.

It didn't break out individual figures for its chains that include Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, and Oysho, but it was all good news for the world’s biggest fashion retailer. The company said the period was marked by “a significant rebound in traffic to Inditex’s stores” with its shop sales having “increased markedly”. They also “continue to do so” with “store differentiation being key”.

That said, recovery in physical stores post-pandemic was always likely to come at a cost and online sales in constant currency were 6% lower. But they were up against a very strong comparable base (67% growth in Q1 2021) “and are expected to exceed 30% of total sales by 2024”.

The performance was “very strong across all geographies, with the exception being those markets subject to restrictions”, and the powerful growth in the US continued.

Digging deeper into its figures, the group said gross profit increased 37% to €4.1 billion. The gross margin hit 60.1% (up 20 bps versus a year ago) and the highest figure in 10 years.

Admittedly, operating expenses increased too — by 24% — but that was below sales growth, and it helped EBITDA increase 55% to €1.9 billion.

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Reuters
The company has decided “to provision all expected expenses for FY22 in the Russian Federation and Ukraine”. So an extraordinary charge of €216 million was recorded in the latest accounts.

Meanwhile, EBIT increased 82% to €1 billion and pre-tax profit also shot up 82% to €990 million.

We’ve already mentioned the 80% increase in net profit to €760 million and the company said that without the aforementioned provision, the figure would have been €940 million.

Looking at the performance behind all those figures, Inditex said that the SS22 collections were “very well received by our customers”.

And that good reception seems to have continued as the season has worn on with store and online sales in constant currency between 1 May and 5 June up 17% versus the same period in 2021 and up 13% in the last two weeks. Currently, 90% of stores are open so the company is clearly outperforming even with some of its shops still shut.

Of course, stores in the Russian Federation and in Ukraine remain closed and in China, 67 stores were subject to lockdowns during the first quarter. At the moment, four of its shops remain temporarily closed in China.

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