

# 2020 Results

10 March 2021



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This document contains forward-looking statements. All statements other than statements of historical fact included herein, including, without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations are forward-looking statements. Any such forward-looking statements are subject to risk and uncertainty and thus could differ materially from actual results.

Some of these risks include, amongst others, ongoing competitive pressure in the sector, consumer tastes and spending trends, economic, political, regulatory and trade conditions in the markets where the Inditex Group is present or in the countries where the Group's products are manufactured or distributed.

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The contents of this disclaimer should be taken into account by all persons or entities.



2020: A year marked  
by the pandemic and  
key in Inditex's  
strategic  
transformation



# A year marked by the pandemic and key in Inditex's strategic transformation

- ▶ We express our solidarity with the people affected
- ▶ People first. Top priority health and safety of local communities, customers, suppliers and employees
- ▶ Operations seriously disrupted by lockdowns and restrictions
- ▶ We want to express enormous gratitude to our dedicated teams who have been an inspiration during this period

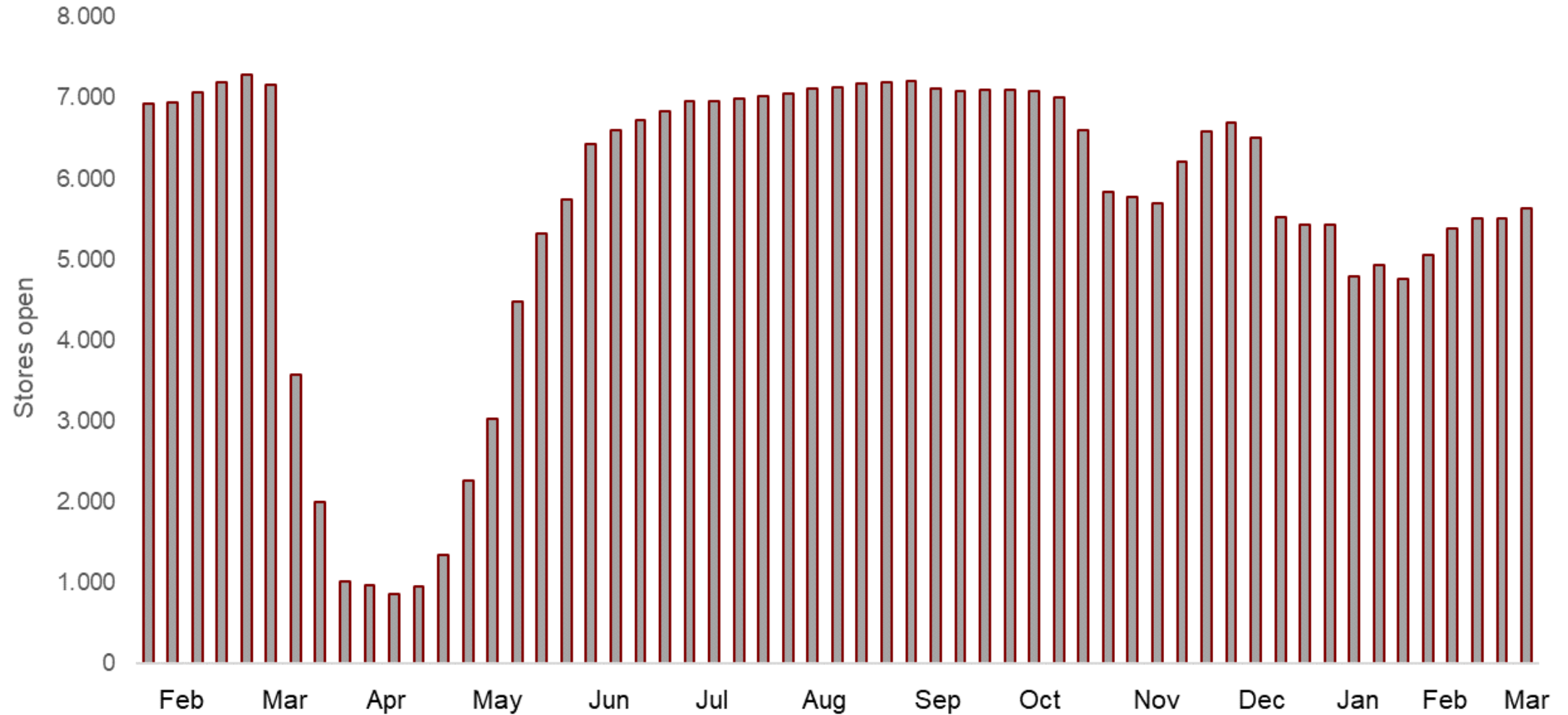
# Strong operating performance

- ▶ Remarkable execution in a challenging operational environment
- ▶ Store performance marked by lockdowns and restrictions
- ▶ Outstanding growth in online sales continues
- ▶ Disciplined management of operating expenses
- ▶ Strong cash flow and financial condition
- ▶ Fully confident in our unique business model and strategy: Store & Online integration, digitalisation and sustainability

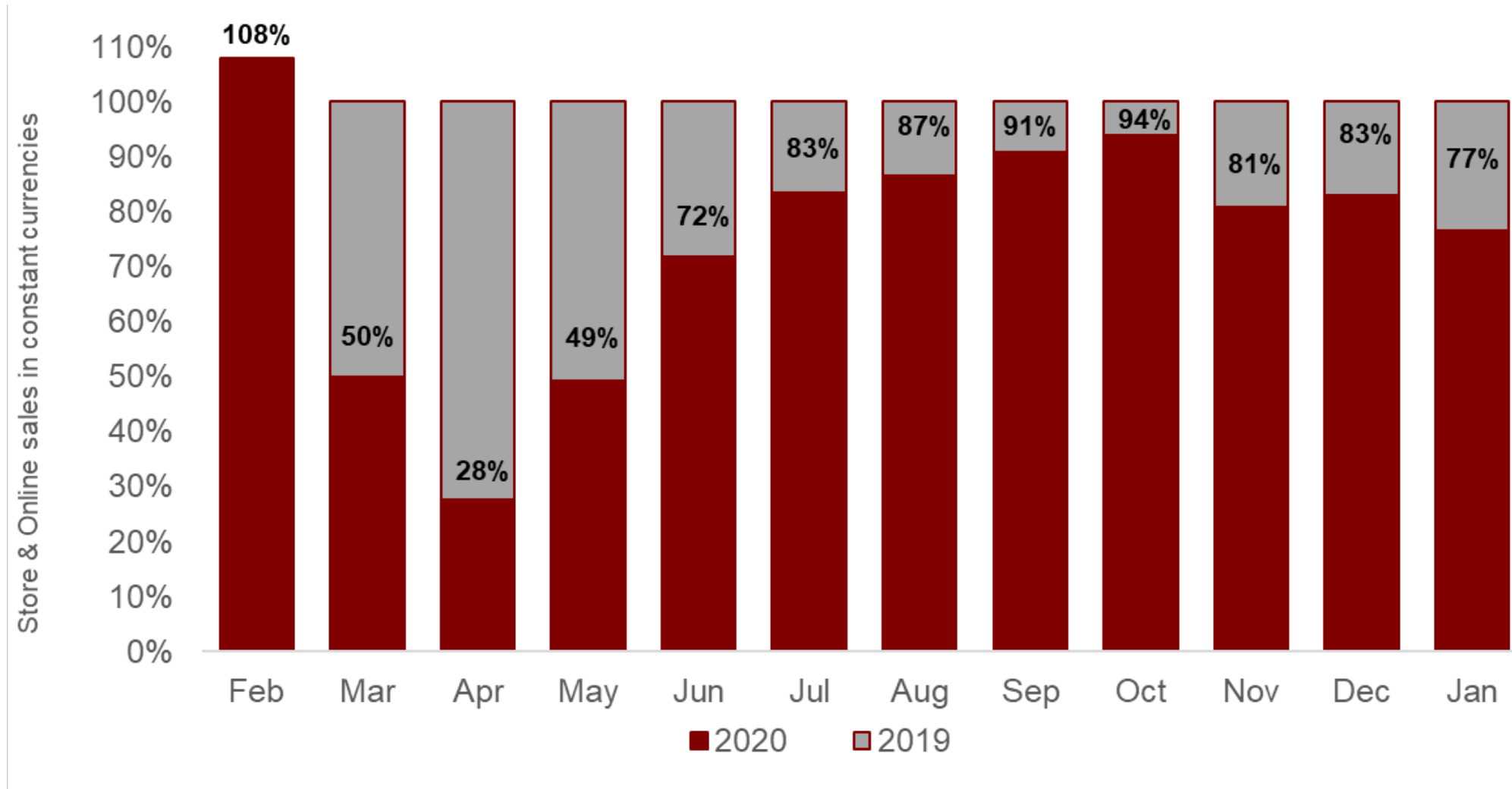
# Strong operating performance

- ▶ Total integration of Stores & Online
- ▶ 100% implementation of RFID and SINT. Inditex Open Platform 80% developed
- ▶ Online sales grew +77% in constant currencies
- ▶ Strong customer engagement (5.3 billion online visits, +50%)
- ▶ Gross space growth +2%. Store optimisation in final stages as planned (751 stores absorbed already in 2020)
- ▶ Higher flexibility and lower inventory required. Inventory down 9% (ex-4Q19 provision)
- ▶ A more responsive, adaptable and agile company

# A year marked by the pandemic: stores open



# A year marked by the pandemic: store & online sales



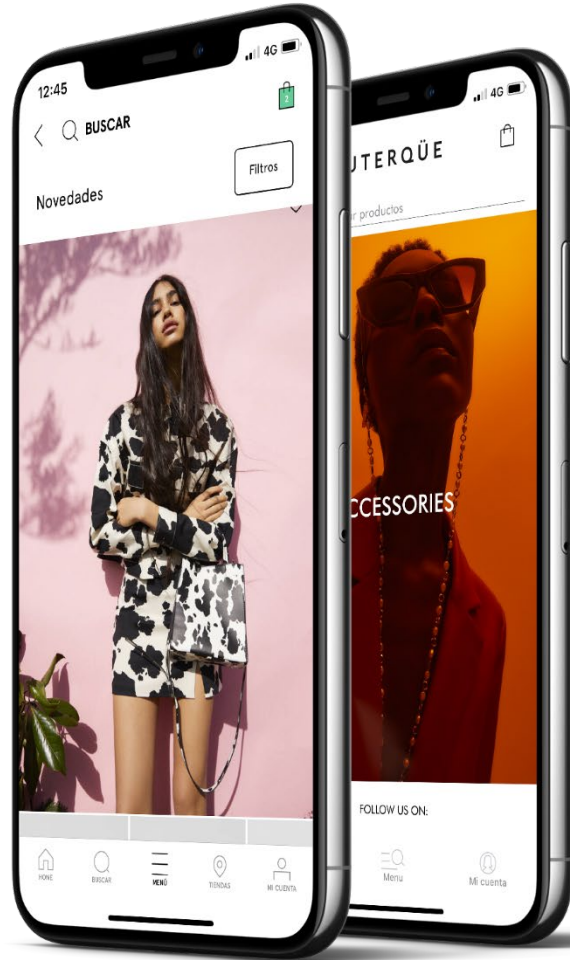


## FY2020: Healthy sales productivity

	2020	2H2020	4Q2020
Trading hours	(25.5%)	(15%)	(23.5%)
Total store & online sales growth	(24.5%)	(15%)	(19.5%)

- ▶ On 31 January 2021 30% of stores were in full lockdown (versus 8% on 31 October 2020) and 52% had restrictions

# Online continues to be a major growth driver

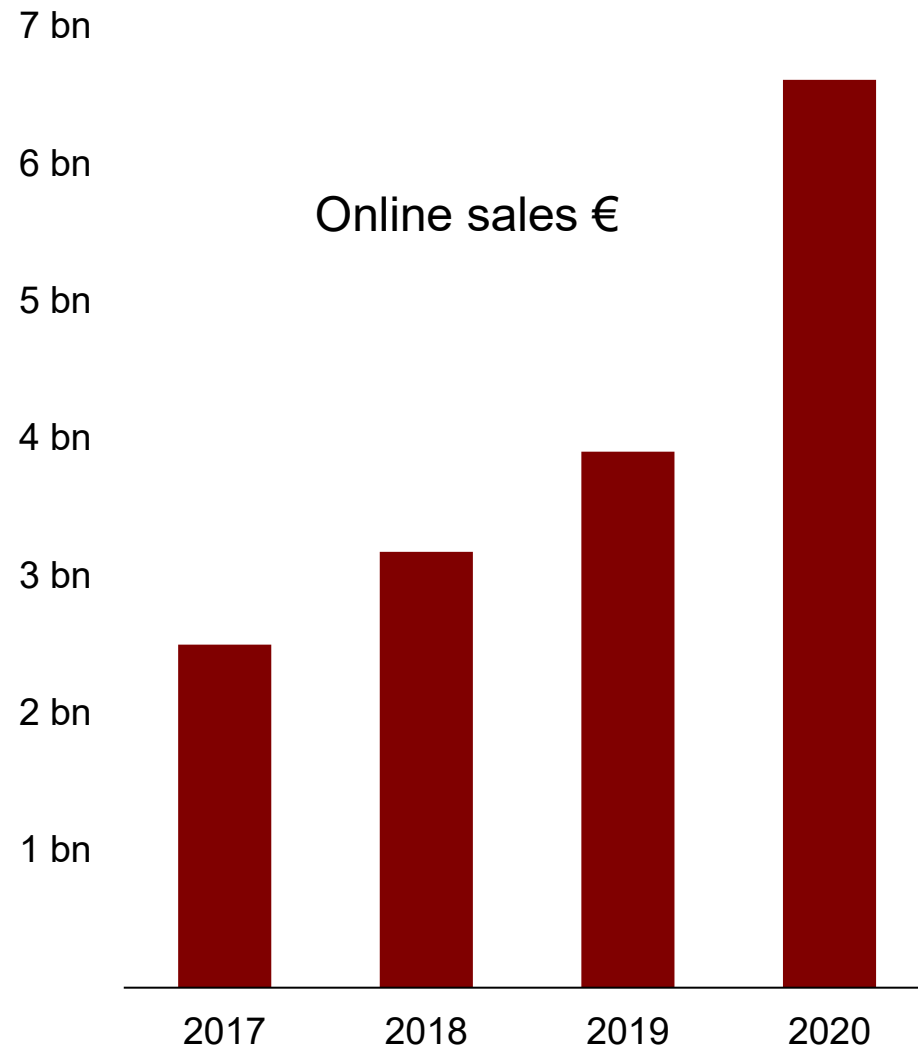


€6.6bn

Online sales  
in 2020

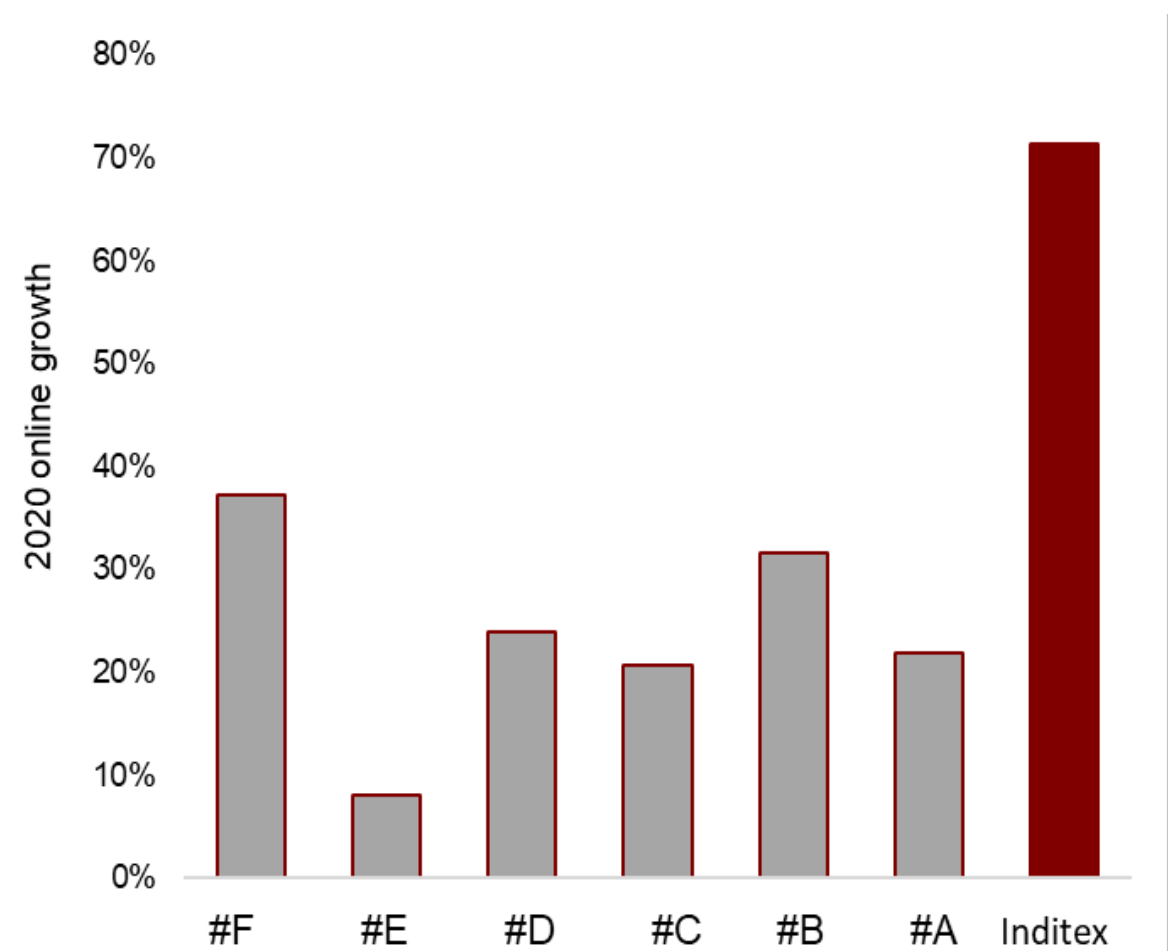
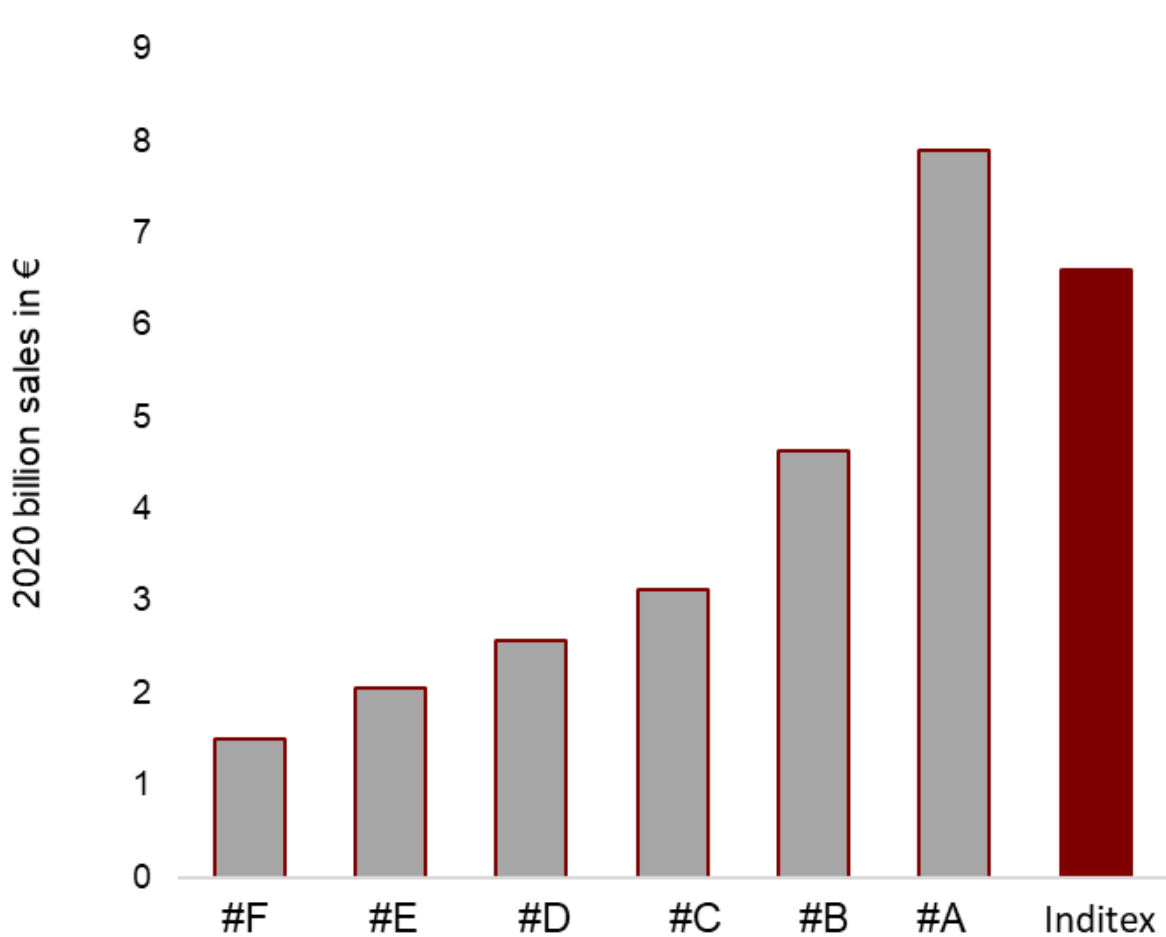
- ▶ Confirms strength of business model and fashion proposition
- ▶ Sector leading growth and profitability
- ▶ Non-dilutive to margins and lower capital intensity

# Online sales €6.6 billion



- ▶ +77% increase in online sales in constant currency
- ▶ 95% of online growth organic
- ▶ SINT €1.2 billion
- ▶ 5.3 billion online visits, a +50% increase
- ▶ Strong growth continues into 2021

# Online €6.6 billion with leading growth rates and profitability



Company data / Bloomberg estimates



# A key year in Inditex's strategic transformation



## 2020: A key year in Inditex's strategic transformation

- ▶ Further strengthen our competitive advantage: Integrated store and online reinforce one another
- ▶ Stronger customer experience: Improved management of stores, inventory, supply chain, sales conversion
- ▶ Strong growth of online sales and reinforcement of digital capabilities
- ▶ Focus on high quality stores: all integrated, digital, eco-efficient
- ▶ Sustainability a key part of the strategy
- ▶ Reinforce long-term growth drivers. Higher returns. Lower capital intensity

# Continuous investment in digitalisation



Digital capex €1bn over 2020-22  
Zara online studio (67,000 m<sup>2</sup>) 2020  
Inditex Open Platform 2019-2021



# New Online studios for Zara





# Single Inventory Integration (SINT)

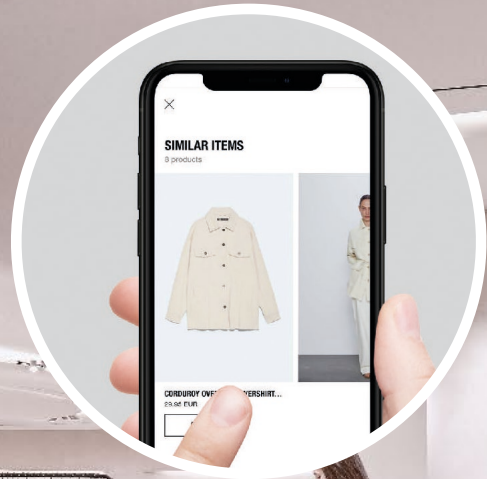
- ▶ 2020 marked the completion of SINT rollout to all concepts and geographies
- ▶ SINT contribution to 2020 online sales €1.2 billion



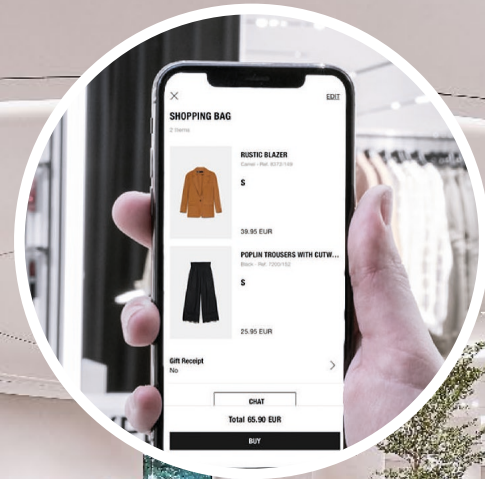
**INTEGRATED**  
**SINT**  
**STOCK PROJECT**



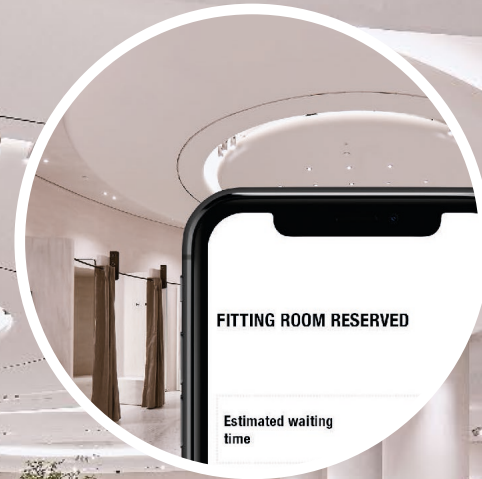
# Investment in digital integration: the store in-your-pocket 24/7



Discovery



Geolocation



Fitting



Acquisition /  
Customer service

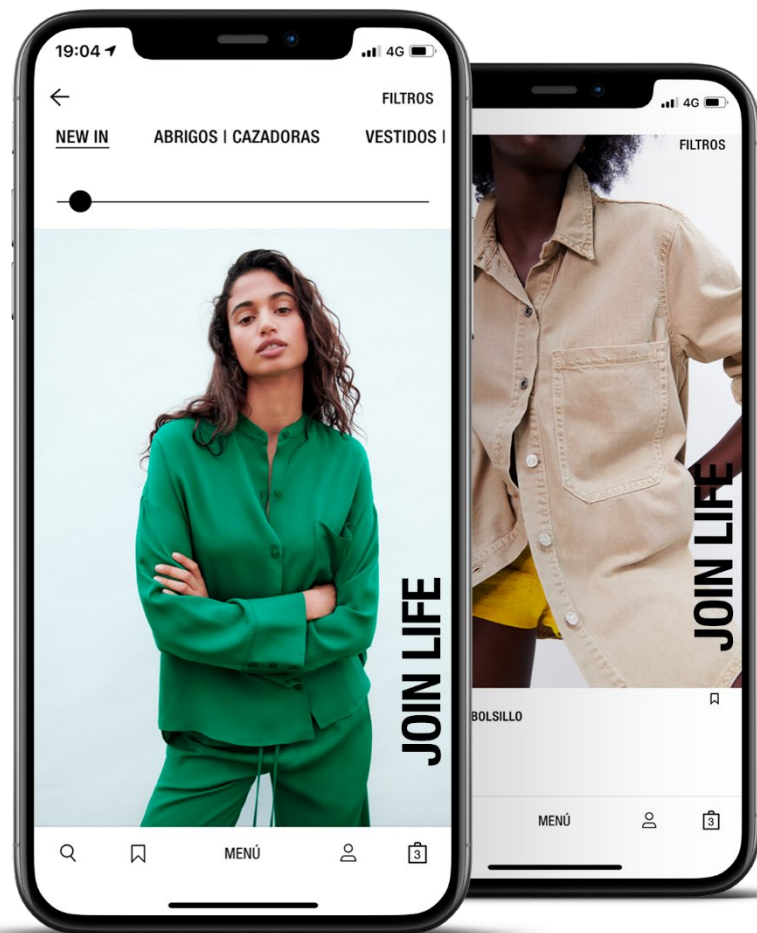


# Sustainability a key part of the strategy



- ▶ Sustainability in supply chain
- ▶ Renewable energies
- ▶ Sustainable fabrics
- ▶ Eco-efficient stores
- ▶ Zero-waste / recycling

# Sustainability 2020 targets



Objective	2020
100% eco-efficient stores	✓
100% stores w. containers for used garments	✓
More than 25% of Join Life garments	35%
100% certified forest friendly fibres	✓
Removal of plastic bags in all concepts	✓
Zero discharge commitment	✓
65% renewable energy in own facilities	80%



# Sustainability 2023 targets



## Objective

Zero waste from our facilities

100% sustainable cellulosic fibres

100% free of single-use plastic

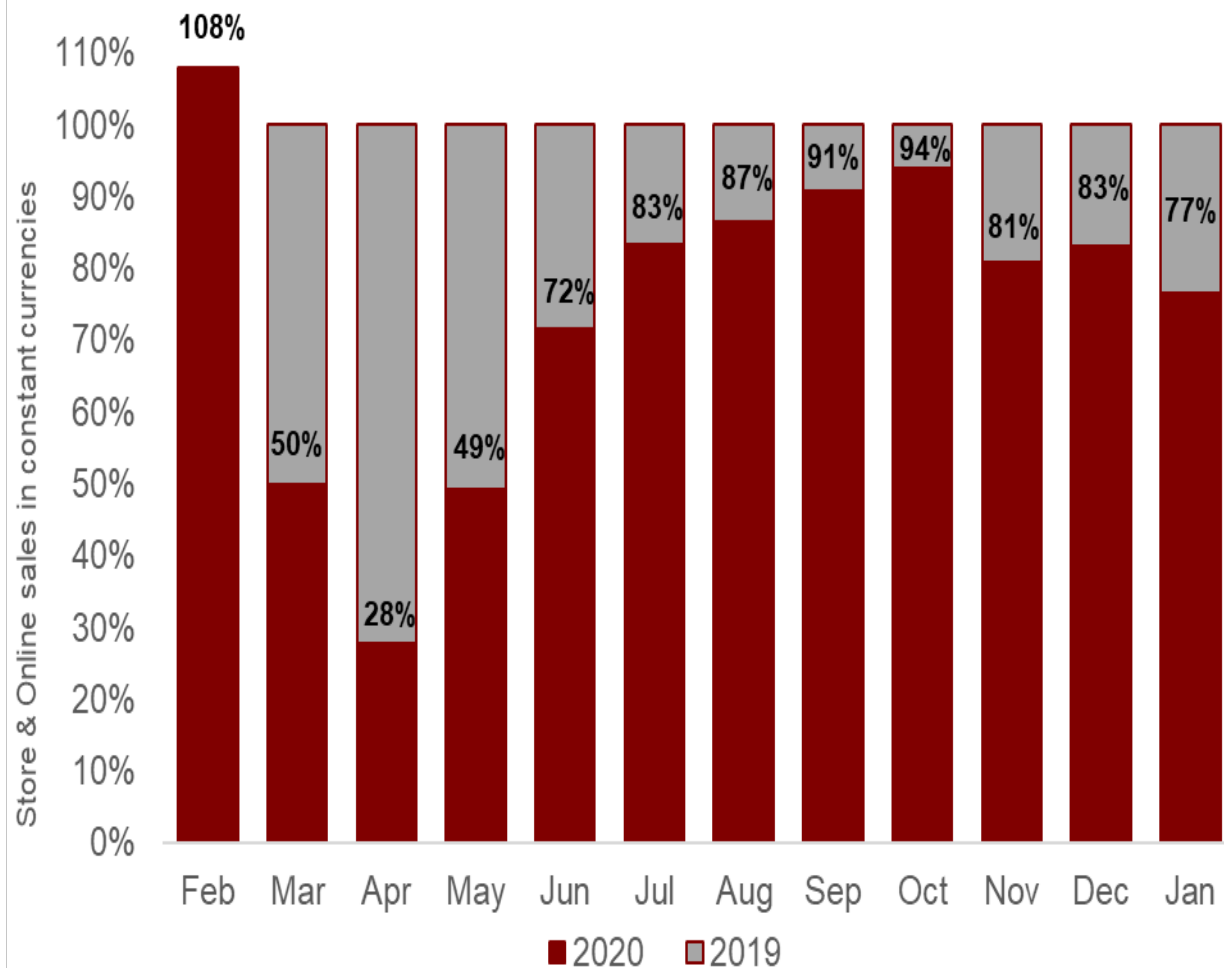
100% of all packaging materials collected for reuse/recycle in our supply chain



# Financial Summary



# 2020: A year marked by the pandemic



- ▶ Remarkable execution of store, online and supply chain
- ▶ Store sales recovering progressively
- ▶ Online sales continue growing at an outstanding pace
- ▶ New temporary restrictions in some markets from 19 October 2020
- ▶ Healthy sales productivity



## 2020: A year marked by the pandemic

€ million	2020	20/19
Net sales	20,402	(28%)
Gross profit	11,390	(28%)
EBITDA	4,552	(40%)
Net income	1,106	(70%)

- ▶ Active management of supply chain
- ▶ Healthy gross margin evolution
- ▶ Strong reduction in operating expenses



## 2020: Second half recovery

€ million	2H2020	20/19
Net sales	12,369	(20%)
Gross profit	6,878	(19%)
EBITDA	3,066	(26%)
Net income	1,300	(38%)

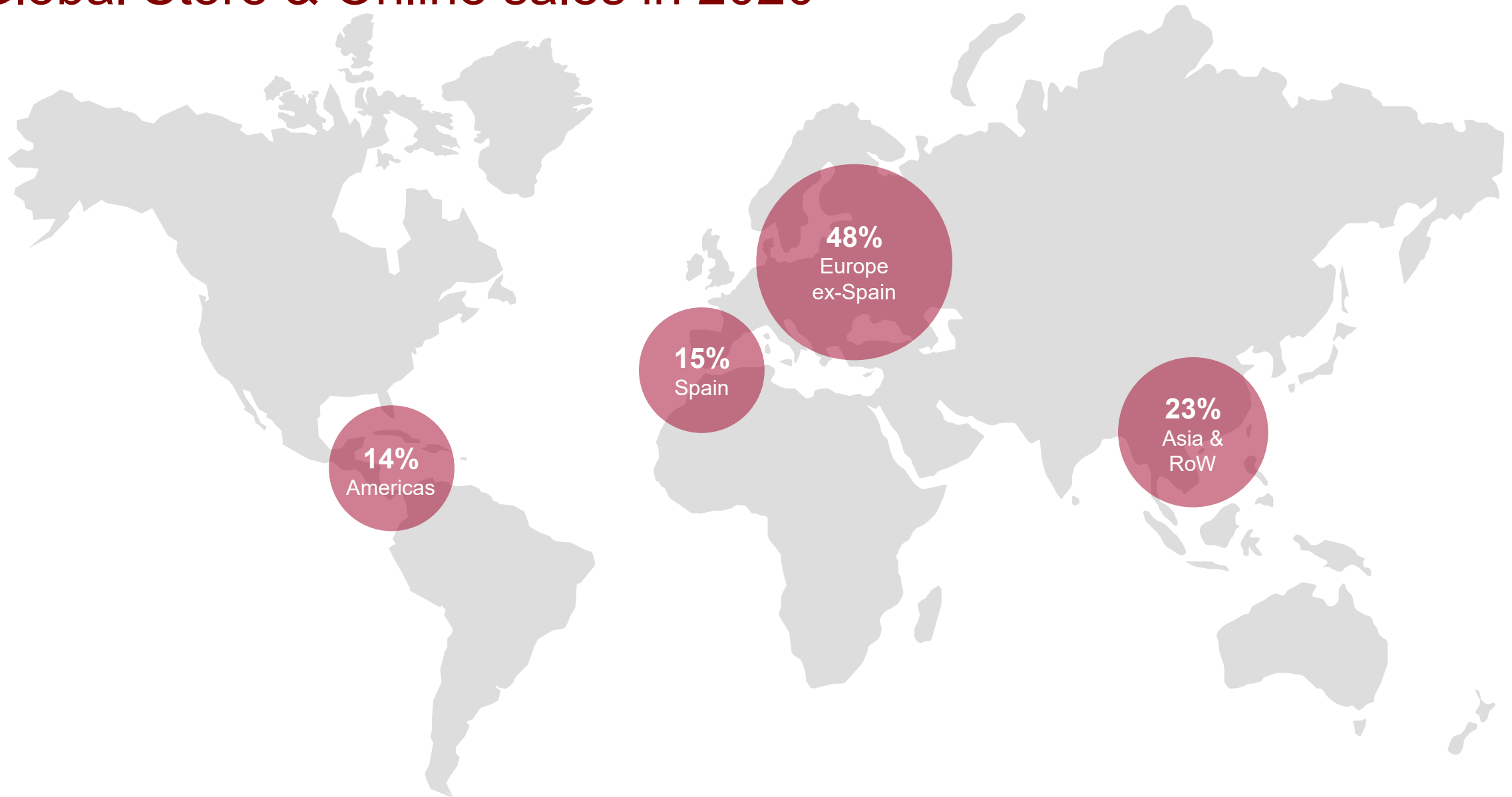
- ▶ Strong recovery in challenging environment
  - ▶ Active management of supply chain
  - ▶ Healthy gross margin evolution
  - ▶ Strong reduction in operating expenses
- 
- ▶ Exceptional costs of €394m in 2H2020 due to Covid-19

# 2020: Sales

€ million	2020	2019
Net sales	20,402	28,286

- ▶ Second half recovery in sales
- ▶ Online sales +77% CC in 2020
- ▶ 2020 sales trends improve as stores reopen and online sustains outstanding progress

# Global Store & Online sales in 2020



# Gross margin

	2020	2019
Gross margin	55.83%	55.88%

- ▶ Flexibility of supply chain key to gross margin performance
- ▶ CC gross margin +170 bps to 57.58% (+257 bps in 2H2020)

# Operating efficiencies

€ million	2020	2019	20/19
Op. expenses	6,807	8,176	(17%)

- ▶ Very efficient cost management across all departments and business areas
- ▶ Demonstrates our ability to react and adapt continuously to the changing trading environment
- ▶ The main components of operating expenses have shown a very good performance
- ▶ Exceptional costs of €394m in 2H2020 due to Covid-19

# Depreciation

€ million	2020	2019	20/19
Depreciation	(3,045)	(2,826)	8%

- ▶ Depreciation & Amortisation includes completion of space optimisation 2020-2021 booked in 1Q2020

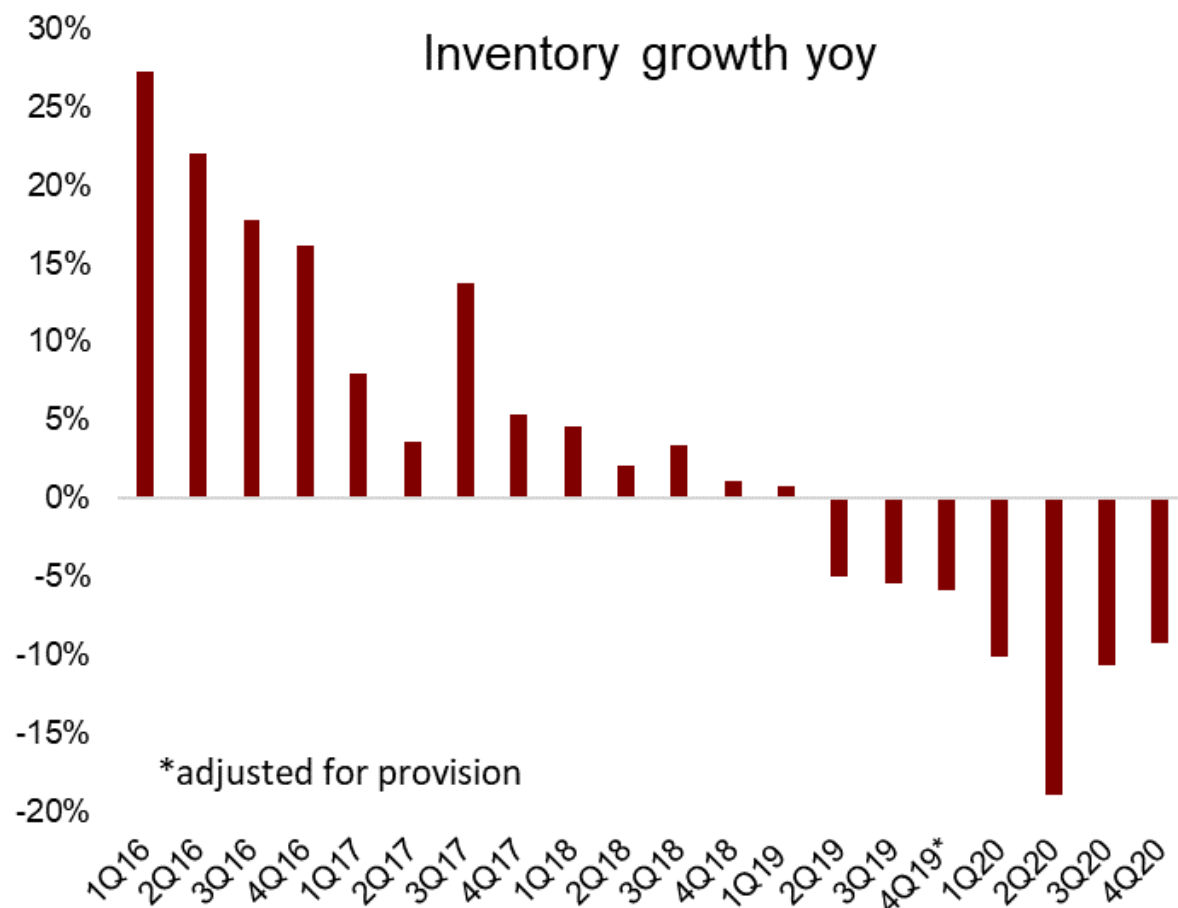


# Financial results

€ million	2020	2019	20/19
Financial results	(139)	(152)	(8%)

- ▶ Interest on lease liability amounted to €120m

# Efficiencies in operations



- ▶ Efficiencies from single inventory position
- ▶ Technology enabled by RFID & SINT fully rolled out in 2020
- ▶ In-store inventory to fulfill online orders
- ▶ Store optimisation improves inventory allocation
- ▶ Higher product availability and full price sales
- ▶ Strong cash generation

# Flexible business model

€ million	FY2020	20/19
Inventory	2,321	(9%)*
Receivables	715	(8%)
Payables	(4,747)	(15%)
Operating working capital	(1,711)	(24%)*
Net Cash & Equivalents	7,560	(6%)

- ▶ Robust cash generation in a disrupted trading environment

\*Excluding 4Q2019 inventory provision

# Cash flow summary

€ million	FY2020
Funds from operations	3,864
Lease payments	(1,673)
<b>Funds from operations*</b>	<b>2,191</b>
Change in working capital	(847)
<b>Cash from Operations</b>	<b>1,344</b>
Capital expenditure	(713)
<b>Free cash flow</b>	<b>631</b>
Dividends	1,090

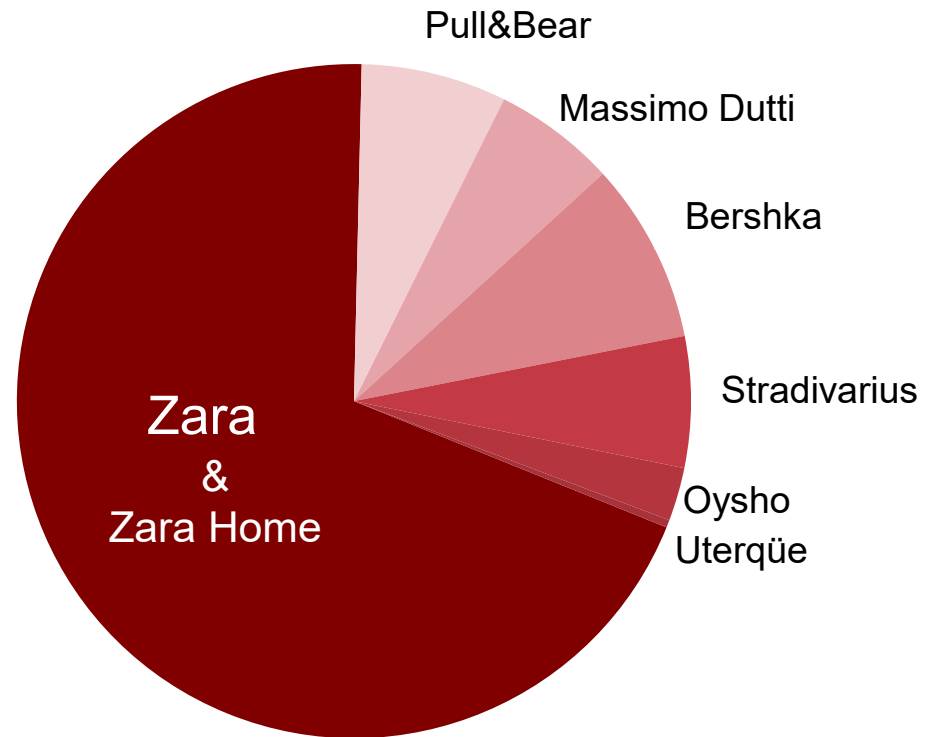
\*FFO including lease payments



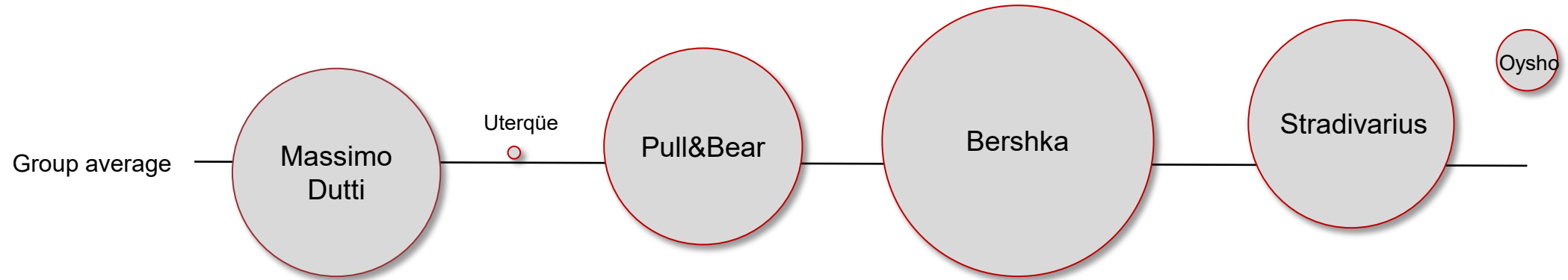
# Concepts



# Store & Online sales by concept

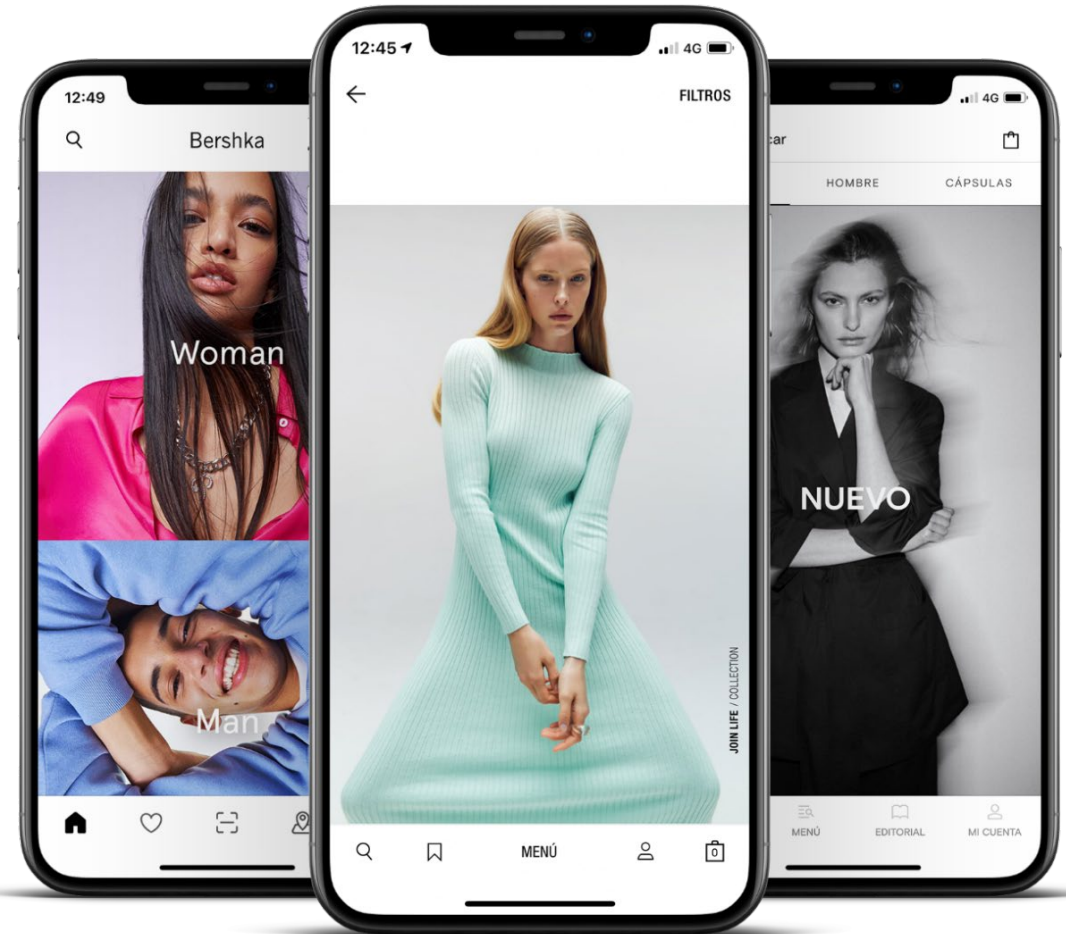


# Performance per concept



# Concepts

- ▶ Remarkable online growth across all concepts
- ▶ Strong performance of Oysho and Zara Home
- ▶ Optimisation activity in all concepts





# Outlook



# FY2022 outlook

- ▶ Global fully integrated Store & Online
- ▶ Strong organic growth. Increased differentiation of the model
- ▶ Strong online sales growth to continue
- ▶ Capital expenditure c€900m annually (2020-22). Digital capex €1 billion for 2020-2022
- ▶ Sustainability is central to the strategy
- ▶ Increased profitability. Lower capital intensity

# Online key to Growing Markets

- ▶ Full integration between store & online key to best customer experience
- ▶ Online access in all markets
- ▶ Strong acceleration in online to date
- ▶ 5.3 billion online visits in 2020, +50%
- ▶ 200 million followers on social media
- ▶ 132 million active apps in 2020
- ▶ Leading online growth, not dilutive to group margins

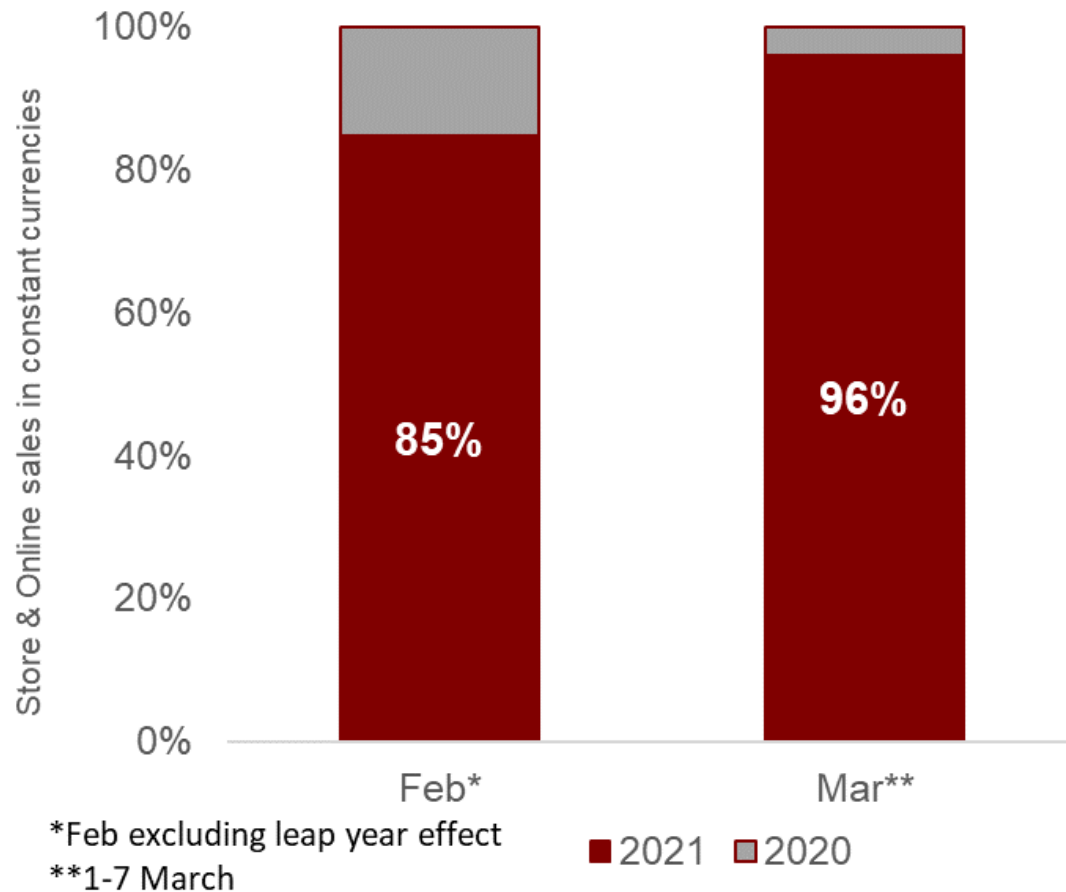


# Unique business model: Global fully integrated Store & Online





# FY2021 outlook



- ▶ Spring/Summer collections have been very well received by our customers
- ▶ In February an average of 21% of stores were temporarily closed. At 8 March 15% of stores remained temporarily closed
- ▶ Store and online sales 1-7 March were -4% vs -4% in same period last year. Excluding the 5 most relevant markets in lockdown at the moment (Brazil, Germany, Greece, Portugal and UK) sales grew +2%
- ▶ According to current information, practically 100% of stores will be open by 12 April

# Dividend

- ▶ Inditex's Dividend Policy of 60% ordinary payout and bonus dividends remains in place
- ▶ Inditex's Board of Directors will propose to the Annual General Meeting a dividend of 70 cents per share for fiscal 2020. This will be composed of an ordinary dividend of 22 cents and a bonus dividend of 48 cents per share
- ▶ The dividend will be made up of two equal payments on 3 May 2021 and 2 November 2021
- ▶ The remainder of the bonus dividend (30 cents per share) will be paid in calendar year 2022



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