

# 2018 Results

13 March 2019

**INDITEX**



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# Overview

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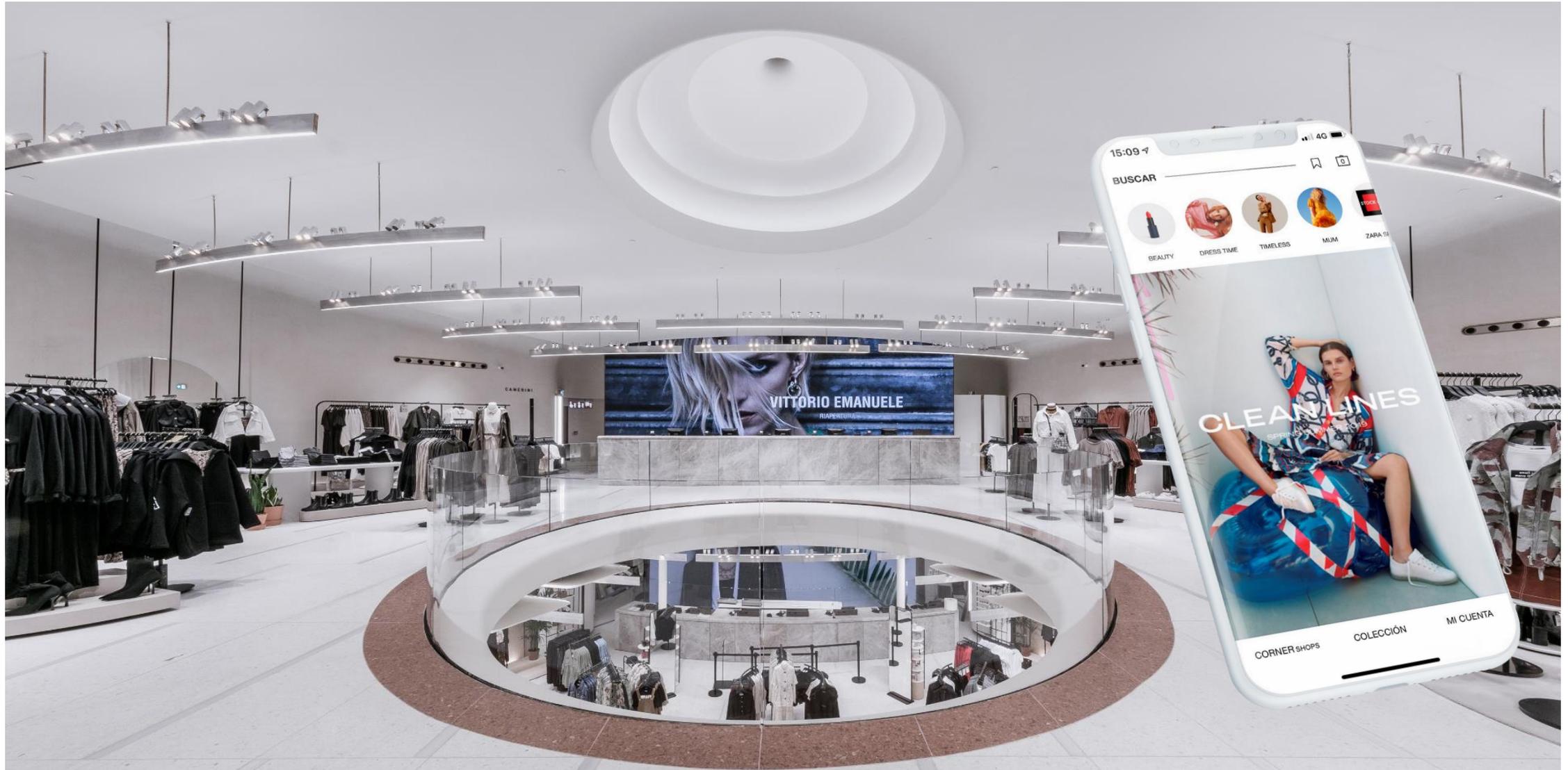
# 2018: Continue developing our long term strategic initiatives

- ▶ Highly differentiated model at the forefront of fashion and sustainability
- ▶ Global fully integrated Store & Online
- ▶ Unique customer experience
- ▶ Strong cash generation and lower capital intensity
- ▶ Global growth opportunities

# 2018: Strong operating performance

- ▶ Satisfactory sales growth +7% in local currencies
- ▶ LFL sales +4%
- ▶ Online sales +27% to €3.2 billion (12% of sales / 14% in markets with online)
- ▶ EBITDA €5.5 bn, +11% in local currencies
- ▶ Accelerating free cash flow
- ▶ New dividend policy. Proposed dividend increase +17%

# Unique business model: Global fully integrated Store & Online



# Unique business model: Global fully integrated Store & Online

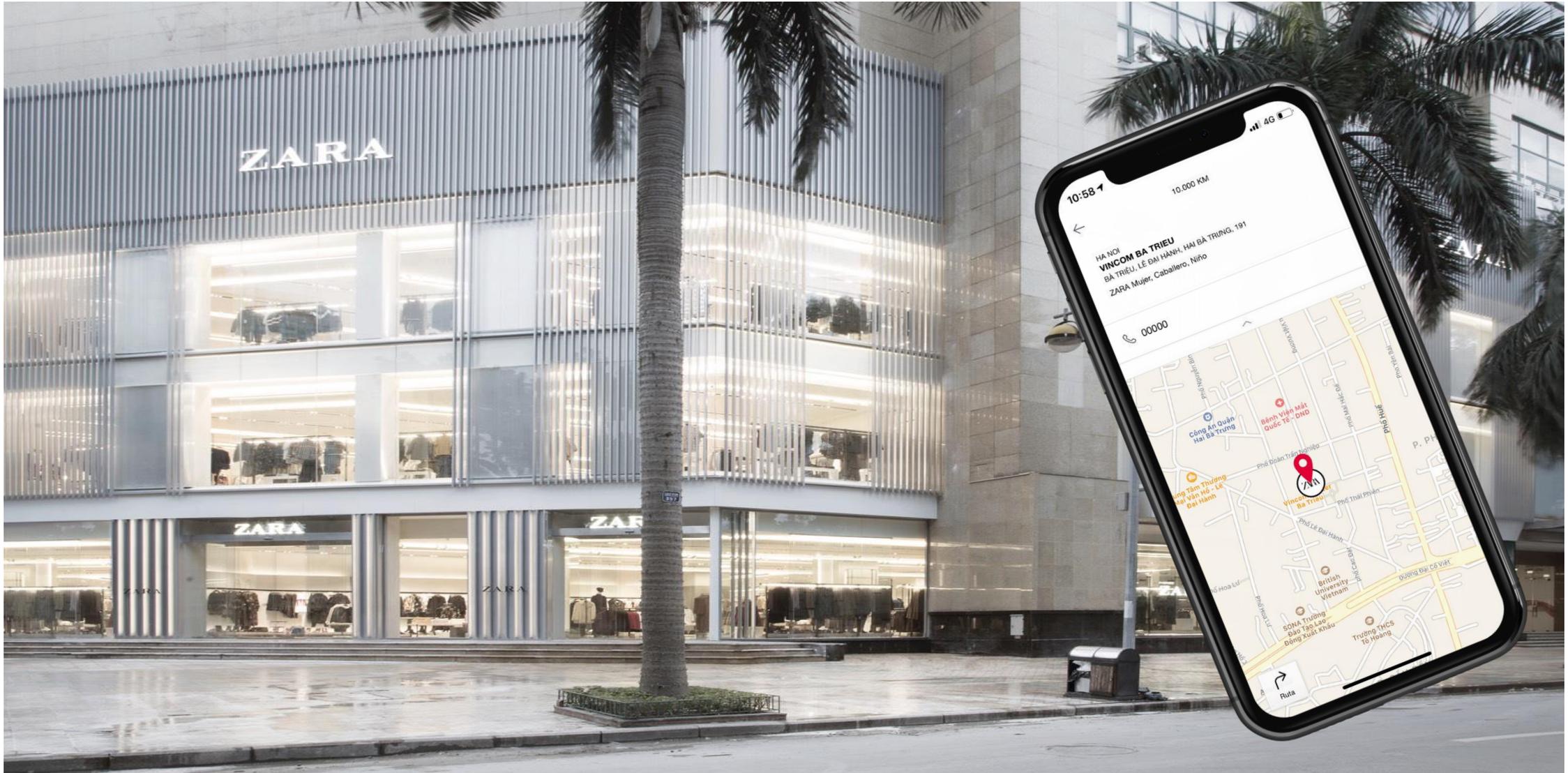
- ▶ Unique customer experience
- ▶ Central inventory
- ▶ Distribution to all stores worldwide twice a week
- ▶ Highly differentiated stores: 90% of store portfolio optimised 2012-2018
- ▶ Global online same day/next day



# Strength of business model reflected in LFL consistency

- ▶ +4% LFL on a demanding comparable
- ▶ Positive LFL in both stores and online
- ▶ Positive LFL across all geographical areas and concepts

# New space in prime locations globally grew 8% (4.7% Net)



# Store optimisation a key competitive advantage

Store optimisation	2012-2018
Gross openings	3,364
Refurbishments	2,374
Enlargements	1,019
Absorptions	(1,401)

# Highly prominent and differentiated stores 2018



Corso Vittorio Emanuele, Milano

# Highly prominent and differentiated stores 2018



Boulevard Haussmann, Paris

# Highly prominent and differentiated stores 2018



Karl Johans Gate, Oslo

# Highly prominent and differentiated stores 2018



Gran Vía, Bilbao

# Highly prominent and differentiated stores 2019



Hudson Yards, New York

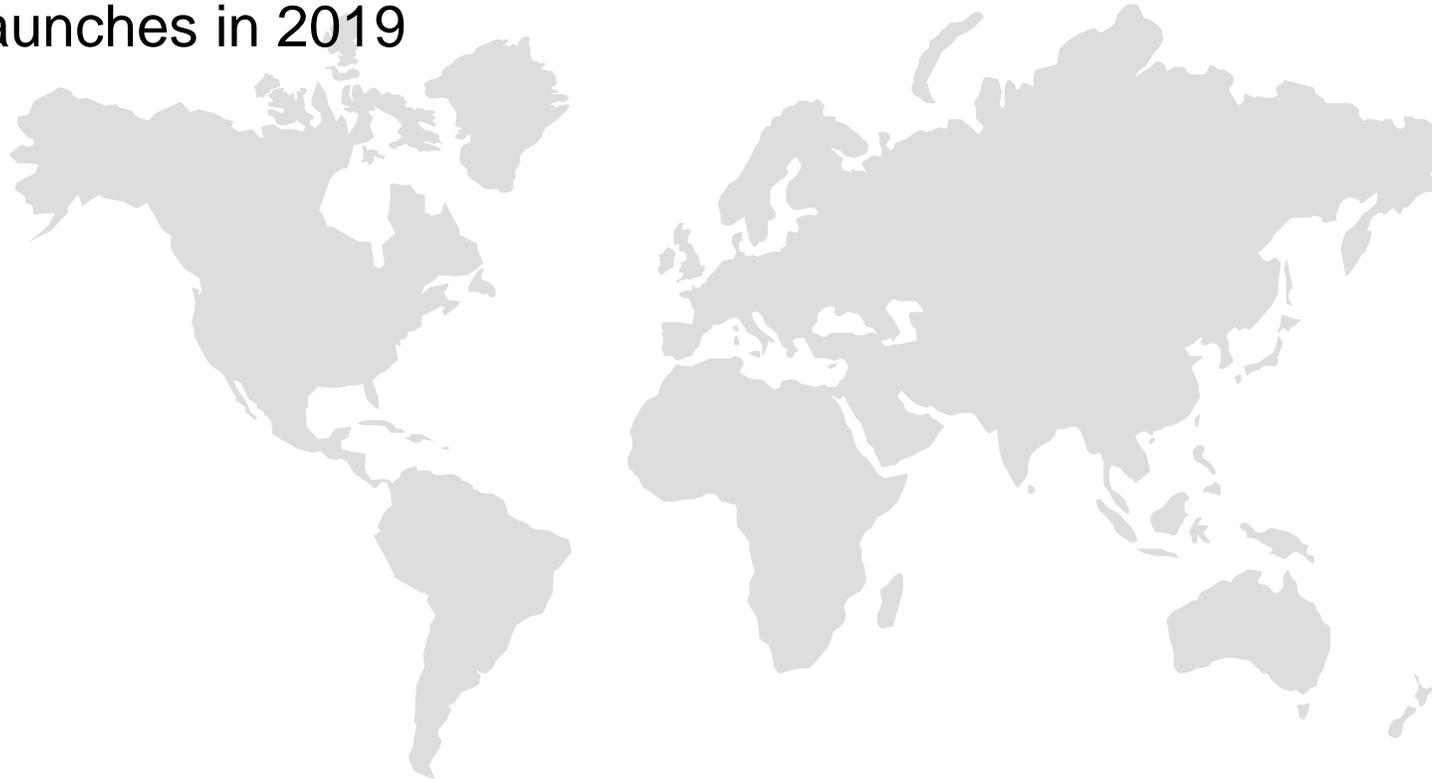
# Seamless Store & Online integration



Click & Collect, Zara Corso Vittorio Emanuele Milano

# Sector leading online sales

- ▶ Global online €3.2 billion in sales in 2018, +27%
- ▶ 12% of sales / 14% in markets with online sales
- ▶ Important launches in 2019



# 2020 Global online

- ▶ Full global integration
- ▶ Central inventory + Online stockrooms + Store network
- ▶ Same day delivery metropolitan areas / Next day global standard



# Financial Summary

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# Full Year 2018

€ million	FY18	FY17	18/17	LC
Net sales	26,145	25,336	3%	7%
Gross profit	14,816	14,260	4%	8%
EBITDA	5,457	5,277	3%	11%
EBIT	4,357	4,314	1%	9%
Net income	3,444	3,368	2%	12%

- ▶ Good operating performance

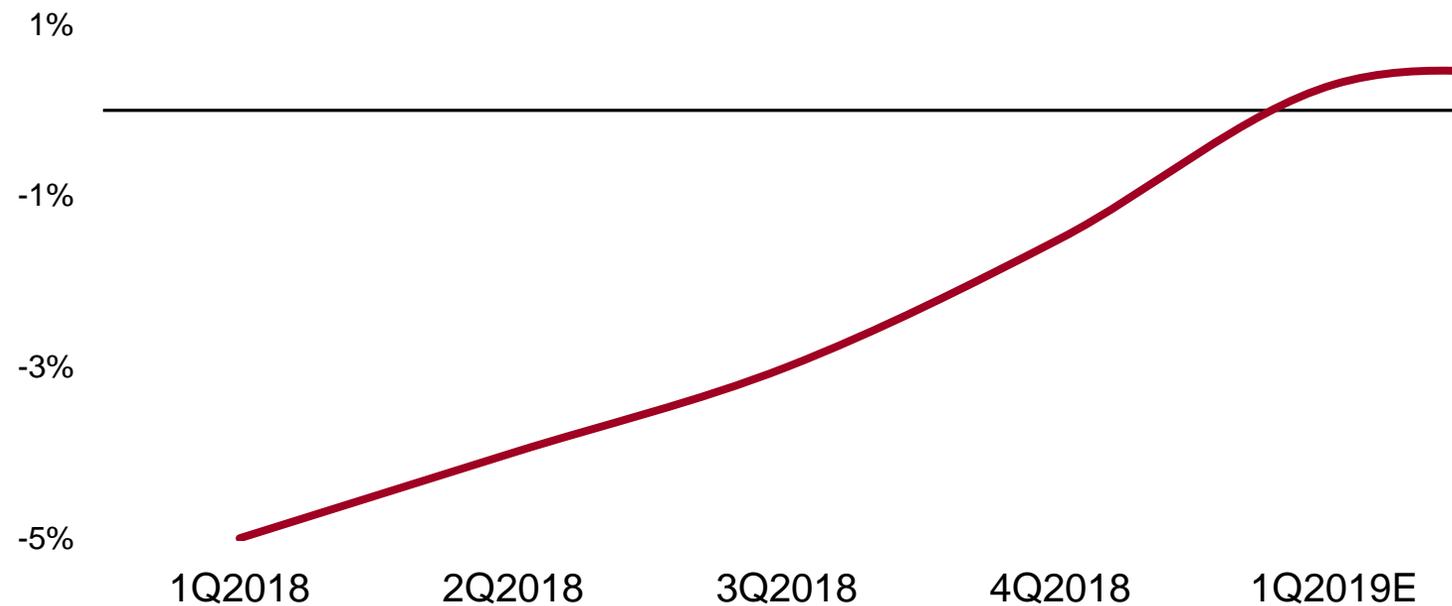
# Satisfactory sales growth

€ million	FY18	FY17	18/17
Net sales	26,145	25,336	3%

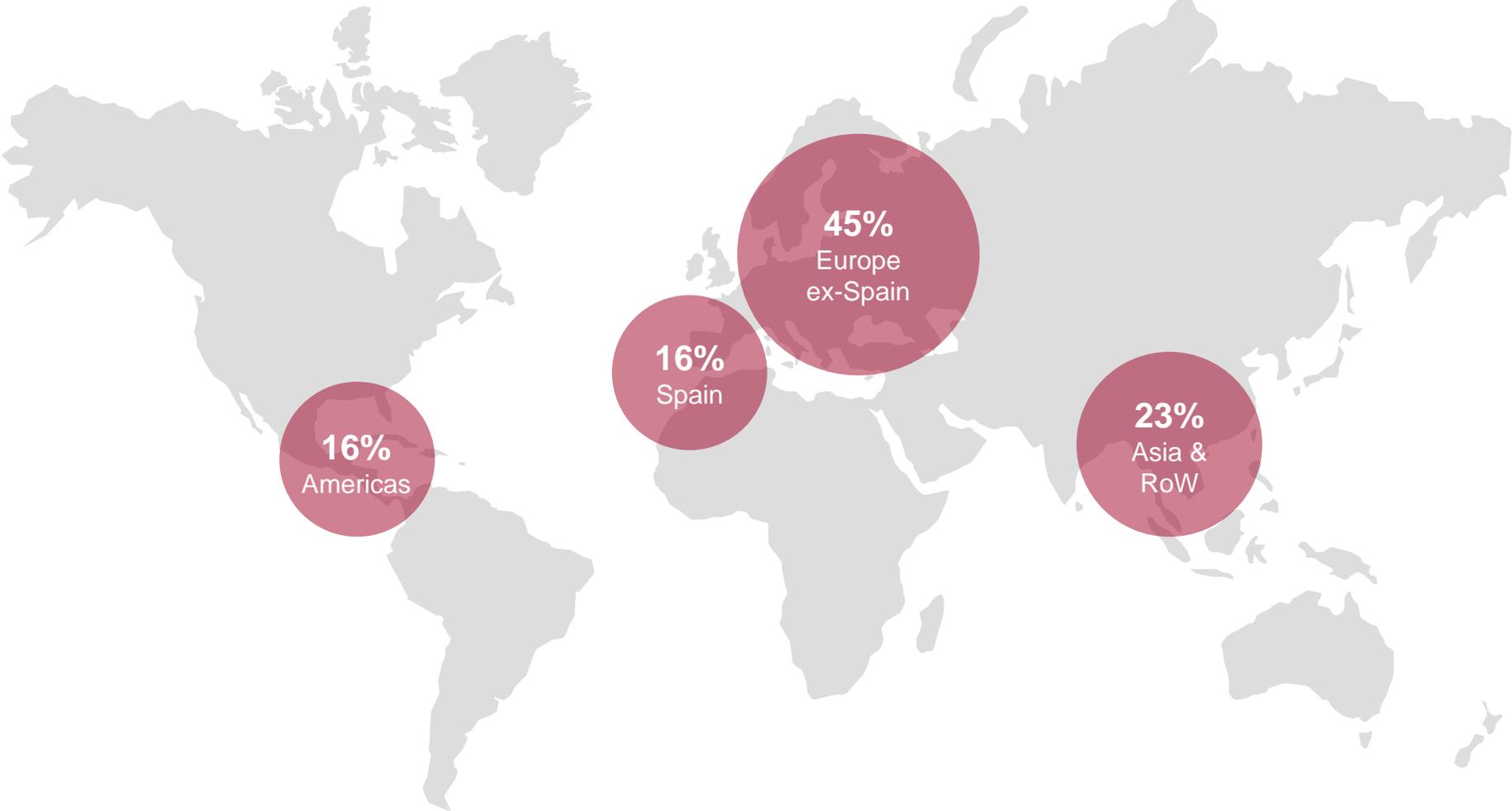
- ▶ +7% sales growth in local currencies
- ▶ Strong LFL performance
- ▶ Euro strength vs. all key currencies

# Currency impact on sales

- ▶ -3.5% currency on sales in FY2018
- ▶ At current exchange rates, currency expected to be slightly positive in FY2019



# Global Store & Online sales in 2018



# Disciplined execution shown in gross margin

	FY18	FY17	18/17
Gross margin	56.7%	56.3%	+39 bps

- ▶ Strong execution of the model
- ▶ Gross profit growth of +4% to €14.8 bn
- ▶ Sustained commercial policies

# Tight control of operating expenses

€ million	FY18	18/17
Operating expenses	9,329	4%

# Depreciation & Amortisation

€ million	FY18	FY17	18/17
Depreciation & Amortisation	(1,100)	(963)	14%

- ▶ FY17 includes sale of 15 premises
- ▶ FY18 store absorption costs provisioned in 2017 impairment

# Flexible business model

€ million	FY18	18/17
Inventory	2,716	1%
Receivables	820	5%
Payables	(5,251)	4%
Operating working capital	(1,715)	8%
Net Cash & Equivalents	6,705	5%

# Cash flow

€ million	FY18	FY17	18/17
Cash from operations	4,029	3,961	2%
CAPEX - Ordinary	1,512	1,545	(2%)
Dividends	2,335	2,127	10%
Net Cash & Equivalents	6,705	6,387	5%

# IFRS 16

- ▶ Starting FY19
- ▶ Changes in presentation, no impact on cashflow or business
- ▶ IFRS 16 will result in:
  - ▶ An estimated increase of 2-4% in FY19 net income vs former IAS 17
  - ▶ Lease liabilities of €6.5bn-€6.9bn
- ▶ We will provide further details prior to the publication of 1Q19 results

# Concepts

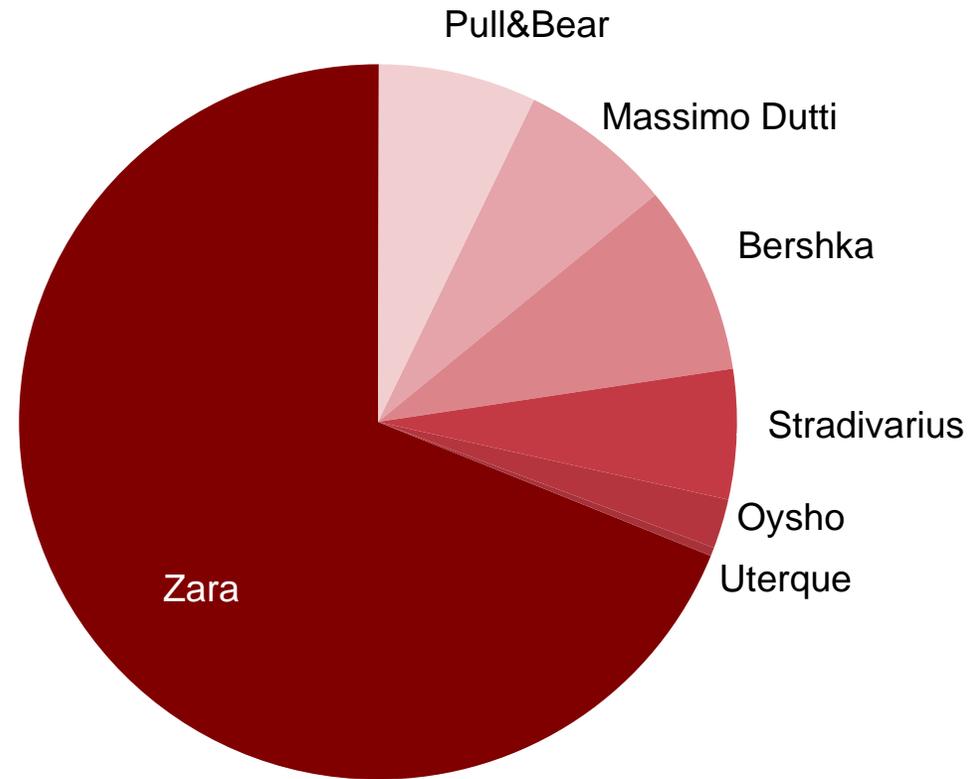
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# Zara & Zara Home

- ▶ Inditex has decided to integrate the reporting of Zara Home operations into Zara due to the increasing synergies
- ▶ The goal is to leverage operational and brand management of the store and online platform in a combined manner
- ▶ We plan to progressively incorporate Zara Home products on the Zara website in some markets from next Autumn/Winter onwards

# Store & Online sales by concept



# EBIT by concept

€ million	EBIT	EBIT/ sales	ROCE
Zara + Zara Home	3,122	17%	28%
Pull&Bear	300	16%	48%
Massimo Dutti	258	14%	36%
Bershka	327	15%	50%
Stradivarius	259	17%	50%
Oysho	86	15%	40%
Uterqüe	5	5%	11%
Total EBIT	4,357	17%	31%

# Concepts

- ▶ Continued growth for the concepts
- ▶ Strong performance of Pull&Bear and Stradivarius

# Outlook

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# Strategic initiatives

## Global fully integrated Store & Online

2012

Store optimisation plan

\*Larger more prominent stores

\*Enlargements/Absorptions

\*All key global flagships/New Images

Global Online

RFID launch

Upgrade HQs/Logistics

Increased organic growth

Lower capital intensity

2018

Global Online +27%

€3.2 bn 12% of sales

Zara online globally

RFID complete in Zara

Massimo Dutti and Uterqüe

Zara one global integrated stock

Upgrade HQs/Logistics

Lower capital intensity

2020e

Strong growth opportunity

Global online

Global RFID

Global stock integration

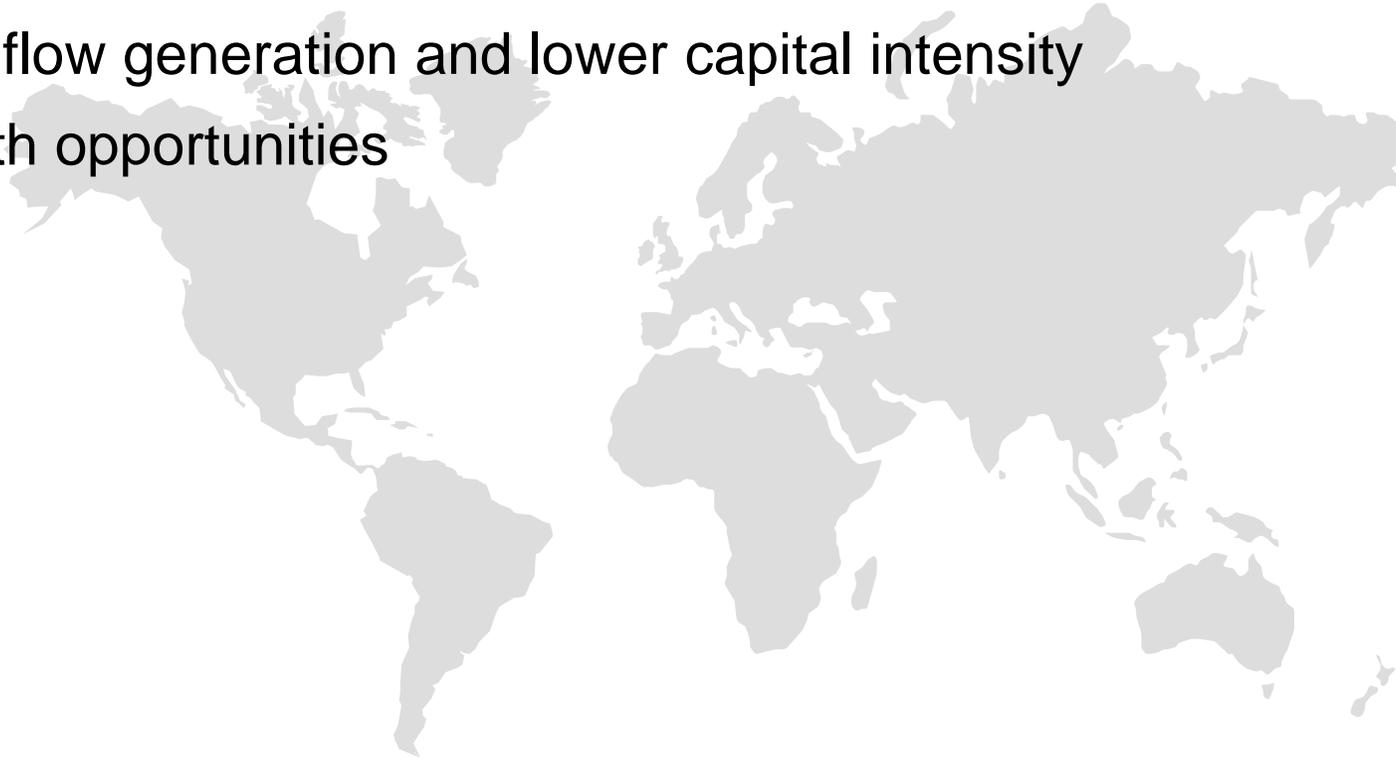
Upgrade HQs/Logistics

Increased organic growth

Lower capital intensity

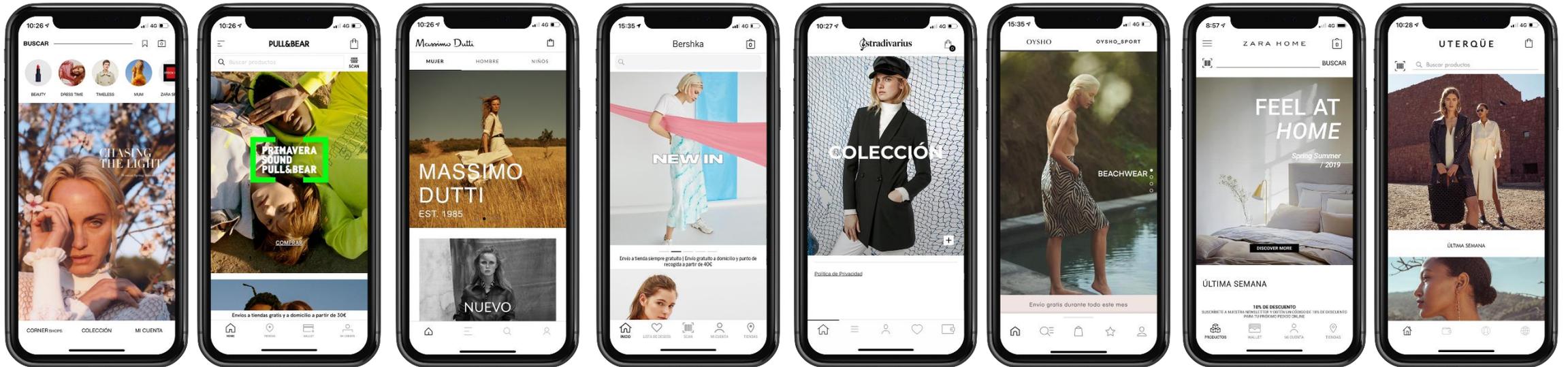
# Global growth opportunities

- ▶ Highly differentiated business model
- ▶ Global fully integrated Store & Online
- ▶ Unique customer experience
- ▶ Strong cash flow generation and lower capital intensity
- ▶ Strong growth opportunities



# Global online

- ▶ All key markets same day/next day



# Online launch of Zara in Brazil on 20 March



# Online launches of Zara in Middle East in May



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SHOP ONLINE  
WELCOME**

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**DEAR DUBAI  
SHOP ONLINE  
WELCOME**

*#deardubai*

*join us*

*join us and keep updated*  
ENTER YOUR EMAIL

## Store & Online: Campaign 19



Photography Steven Meisel, Art Direction Fabien Baron / Karl Templar

## Store & Online: Collection 01



Featuring Giorgia Tordini

## Store & Online: Shades of Beige



Photography Gregory Harris. Featuring Tim Schuhmacher

## Store & Online: Kids Campaign



Photography Mario Sorrenti

## Store & Online: Join Life collection



# Strong differentiation of stores

- ▶ Global fully integrated Store & Online
- ▶ Highly differentiated stores: Larger and more prominent
- ▶ RFID
- ▶ Click & Collect

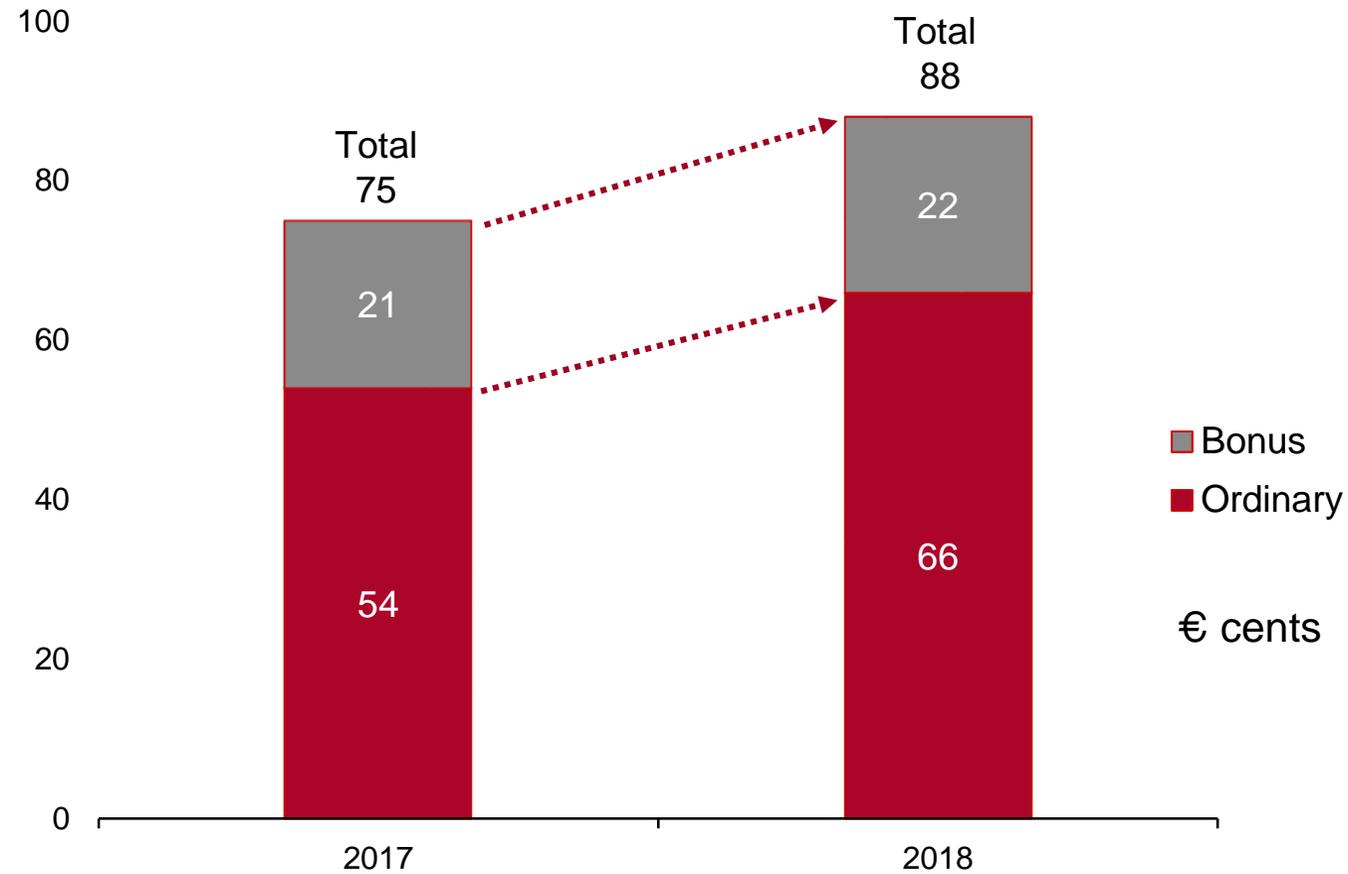
# Sustainability & Circular Economy



# New Dividend Policy

- ▶ Predictable attractive shareholder remuneration
- ▶ Increase of ordinary payout to 60% from 50%
- ▶ A total bonus dividend of €1 per share to be paid in relation to FY2018, FY2019 and FY2020

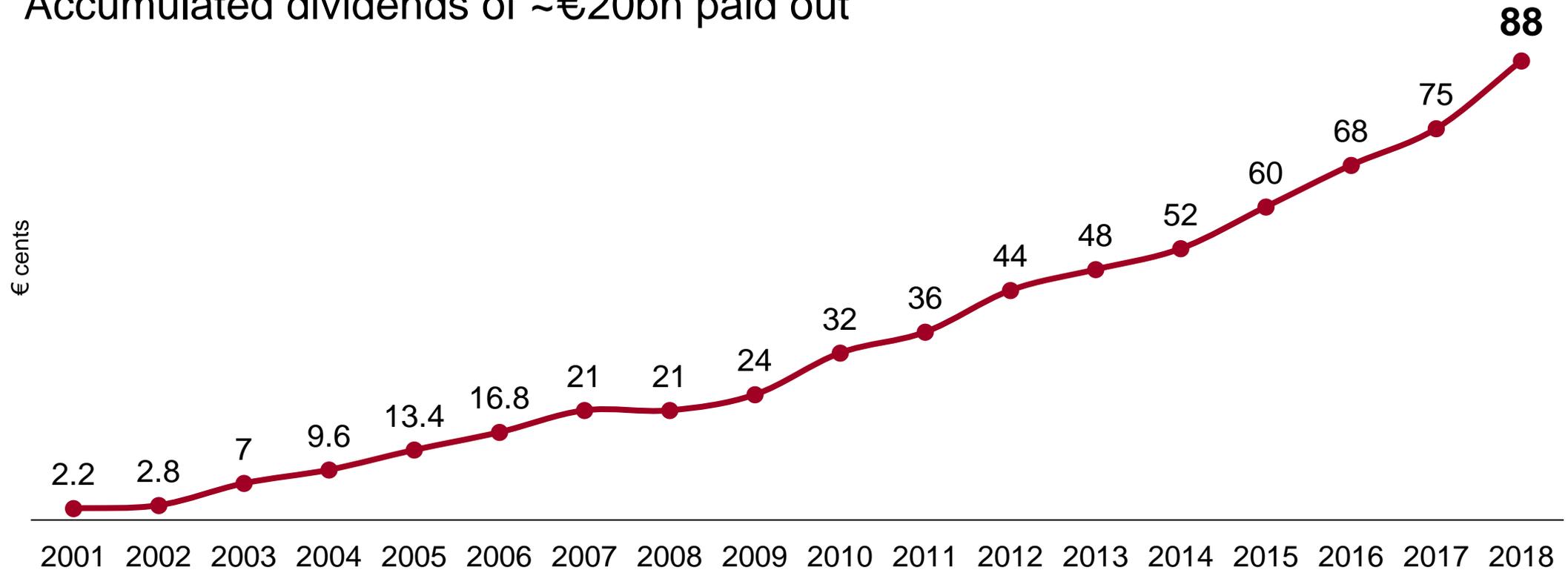
# +17% Dividend increase for FY18



- ▶ € 44 cents to be paid on 2 May and on 4 November 2019

# +17% Dividend increase for FY18

- ▶ 2001-2018: 24% CAGR
- ▶ Accumulated dividends of ~€20bn paid out



# FY2019 Outlook

- ▶ Global fully integrated Store & Online
- ▶ Strong organic growth. Increased differentiation of the model
- ▶ LFL sales are expected to increase 4%-6%
- ▶ Lower capital intensity required. Ordinary Capex c.€1.4 bn
- ▶ 5%-6% gross new space in prime locations. c.300 gross openings / selective absorption of c.250
- ▶ Strong free cash flow generation
- ▶ Store and Online sales in local currencies increased by 7% from 1 February to 9 March 2019

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