FLASH NOTE – INDITEX

JANUARY 14TH, 2021

Inditex	
Ticker MyBolsa/website BiG	ITX
Ticker BiGlobal Trade	ITX
Ticker BiGTrader24	ITX
Ticker BiG Power Trade	ITX
P/E Ratio 2021E	56.17
P/BV Ratio	5.68
EV/EBITDA	12.25

Source: Bloomberg;

Price and Performance (Values in EUR)	
Price	25.78
52 Week High	32.28
52 Week Low	18.51
YTD	-1.0%
Average Daily Volume (mn)	5,644,908
Market Cap (mn)	80,347
Beta	1.03
Dividend	0.28
EPS	1.17

Source: Bloomberg;

Consensus (last 5m)	
Buy	21
Hold	9
Sell	4

Source: Bloomberg;

Financial Information	
Sales (EUR mn)	28,286
EBITDA (EUR mn)	7,598
Nº of Employees	176,611
ROA	5.5%
ROE	11.3%
D/E	0.1%
Dividend Yield	1.4%

Source: Bloomberg;

Notes:

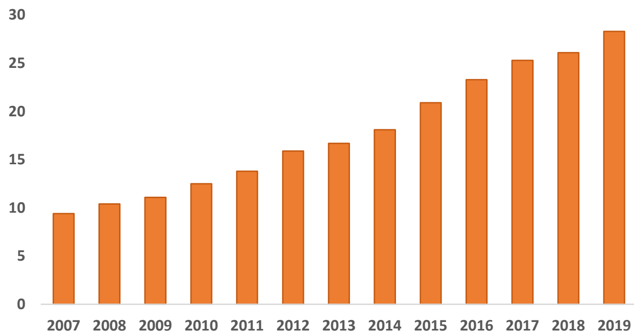
All quotes were updated in Bloomberg at 17h40 of January 13th, 2021.

Inditex (Ticker: ITX)

Description

Inditex (Industria de Diseño Textil, S.A.) is one of the world's largest fashion retailers, and it has eight brands – Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. It was co-founded by Amancio Ortega in A Coruña, Spain, in 1963 as Confecciones GOA, a small family business that produced clothes for women. The first Zara store opened in 1975, and the group officially became Inditex in 1985. The headquarters remain in Arteixo, were the company was born. Inditex went public in 2001, when listed on the Madrid Stock Exchange. Nowadays it is present in 202 markets and 96 countries and it has over 7100 stores.

Inditex's sales evolution (€ billion)



Source: Company´s data

Investment Case

Business model. The company's model includes the four stages of the business, which allows to create more products than competitors, at a smaller price, and make them available at stores faster. This integrated model also avoids costs, related with international expansion, allows a single inventory position, no local distribution centres, and eases the integration of store and online sales.

Inditex 2022. There is a well-established strategy for the 2020-2022 period, which has three key areas, linked between them and the business model, to keep the company's growth in the next years – digitalisation, integration between stores and online, and sustainability.

Store optimisation. The strategy is to have a network of less, but bigger and better located stores – the flagship stores. This includes a better integration with online stores, with the development of Inditex Open Platform, and is expected to generate long-term like-for-like sales growth of 4%-6%.

Online business. All Inditex brands sell online, and those sales have been growing every year. During the Covid-19 pandemic, online platforms allowed Inditex to keep selling, as online sales grew 76% yoy (9M20). By 2022 Inditex expects that their online sales represent over 25% of the group sales.

Sustainability. The company has a big agenda to fight for the environment and human rights. It has been implementing many changes in all facilities and production process to decrease the negative impact on the environment.

Robust finances. Inditex's solid condition allowed them to go through the pandemic without (much) harm. They were able to manage costs and generate cash flow, while keeping their investments. The liquidity position is very strong.

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Income Statement (EUR mn)	2019	2018
Net sales	**28,286**	**26,145**
Cost of sales	(12,479)	(11,329)
Gross profit	**15,806**	**14,816**
Operating expenses	(8,176)	(9,329)
Others	(33)	(30)
EBITDA	**7,598**	**5,457**
Amortisation and depreciation	(2,826)	(1,100)
EBIT	**4,772**	**4,357**
Financial results	(152)	17
Others	61	54
Profit before taxes	**4,681**	**4,428**
Income tax	(1,034)	(980)
Net profit	**3,647**	**3,448**
Earnings per share	**1.168**	**1.106**

Source: Company´s data

Income Statement

- In 2019 **sales** kept growing, just like the previous years, and increased by **8.2%**. Online sales grew 23% to EUR 3,9 bn, representing 14% of net sales. Europe (ex-Spain) continues to be Inditex's biggest market, with over EUR 13 bn in sales in 2019, followed by Asia (and Row), with EUR 6,4 bn, and Spain and the American continent, with sales around EUR 4,4 bn each.
- The cost of sales also increased, by 10.15%, and this includes mainly raw materials and consumables, but also change in inventories and change in provisions. Inditex booked an inventory provision of EUR 287 mn to account for the impact that the covid-19 pandemic might have.
- The company's gross profit increased by 6.7%, and the gross margin reached 55.9%.
- As for the **net profit**, it increased 5.8%, and the net profit margin was **12.9%**.
- On January 31st, 2020, the earnings per share were EUR 1.168. In 2019 the Group totalled 3,114,384,195 shares.

Free Cash Flows (EUR mn)	2019	2018
Operating Cash Flow	**6,900**	**4,029**
Operating Profit	4,681	4,428
Amortisation and depreciation	2,826	1,100
Income tax	(1,207)	(1,070)
Others	396	(81)
Change in working capital	205	(349)
Investment Cash Flow	**(2,377)**	**(1,875)**
Capex	(1112)	(1462)
Changes in cur fin invest	(1,390)	(457)
Others	(72)	(27)
Financial Cash Flow	**(4,629)**	**(2,260)**
Payments (leases)	(1,836)	-
Dividends	(2,741)	(2,335)
Others	(126)	(44)
Cash and cash equivalents	**4,780**	**4,886**
Net increase in cash	(106)	(106)

Source: Company´s data

Free Cash Flow

- There was a big increase in the operating cash flow, in part because of the increase in amortisation and depreciation due to IFRS16. It is also important to note the positive account of **change in working capital**, which shows Inditex's good management with clients, inventories and suppliers.
- There was a decrease in capex, but its expenditures amounted to EUR 1,1 bn. The Group's organic growth and its Capex needs have been financed substantially in full with the funds generated by the business, which has enabled the Group to maintain its solid cash position. The plan for 2022 predicts annually investments in capex of EUR 900 mn between 2020 and 2022, which includes a **digital investment** of EUR 1 bn.
- Regarding **dividends**, there was a 17.4% increase. In May and November of 2019, Inditex shared dividends of EUR 0.88 per share, but in the 2019 Annual Meeting of the Board of Directors, it was decided an ordinary dividend for FY2019 of 35 cents per share. In FY2019 Inditex will resume its dividend policy, which consists of a 60% ordinary pay out and bonus dividends of EUR 0.78 per share to be distributed in FY2021 and FY2022.

Balance Sheet	2019	2018
Assets	**28,391**	**21,684**
Rights of use	6,043	-
Property, plant and equipment	8,355	8,339
Deferred tax assets	1,236	858
Inventories	2,269	2,716
Current financial investments	3,319	1,929
Cash and cash equivalents	4,780	4,866
Other assets	2,389	2,977
Liabilities	**13,442**	**7,002**
Non-current lease	5,163	-
Current lease	1,649	-
Trade and other payables	5,443	5,099
Other liabilities	1,187	1,903
Equity	**14,949**	**14,682**
Liabilities + Equity	**28,391**	**21,684**

Source: Company´s data

Balance Sheet

- In 2019 assets increased by 30.9%, mainly because of the rights of use assets (IFRS 16), and the investments made by the company in 2019. Inditex's biggest asset is still its '**Property, plant and equipment**' (EUR 8,355 bn), which includes land and buildings, fixtures, furniture and machinery, work in progress, and other property, plant and equipment.
- **Inventory** decreased in 2019, as Inditex's strategy is to run the business with less inventory as a percentage of sales, because it allows them to have higher full price sales. This account includes raw materials and consumables, goods in process, and mostly finished goods for sale (EUR 2,1 bn).
- The current financial investments along with the cash and equivalents, leaves Inditex with a robust liquidity position, with a **net financial cash** of **EUR 8,06 bn**.
- The liabilities also grew due to IRFS 16, with current and non-current leases of over EUR 6,8 bn. Their trade and other payables account grew slightly, and it is mostly payments to suppliers.
- Inditex has EUR 14,95 bn of equity, greater than the company's liabilities.

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IS (EUR mn)	3Q2020	2Q2020	1Q2020	4Q2019
Net sales	6,052	4,730	3,303	8,571
Gross profit	3,661	2,582	1,930	4,306
EBITDA	1,848	1,002	484	1,898
Net profit	866	214	(409)	947

Source: Company´s data

Last Earnings (2020) – COVID-19 impact

2020 sales have been materially impacted by COVID-19, especially in the first quarter, when Inditex got a negative net profit for the first time. The **net income** in 1Q2020 was EUR **-409 mn** (vs EUR 734 mn in 1Q2019), although this includes the **provision** of EUR 308 mn for the completion of the store optimisation programme. Also, they got to decrease the inventory in 10%, and the net cash position was Eur 5,8 bn. Online sales in 1Q2020 increased 50%, and they increased 95% in April.

After presenting the results for the first quarter, Inditex presented its Strategic Update: Inditex 2022, with three key strategic areas - digitalisation, integration between stores and online, and sustainability.

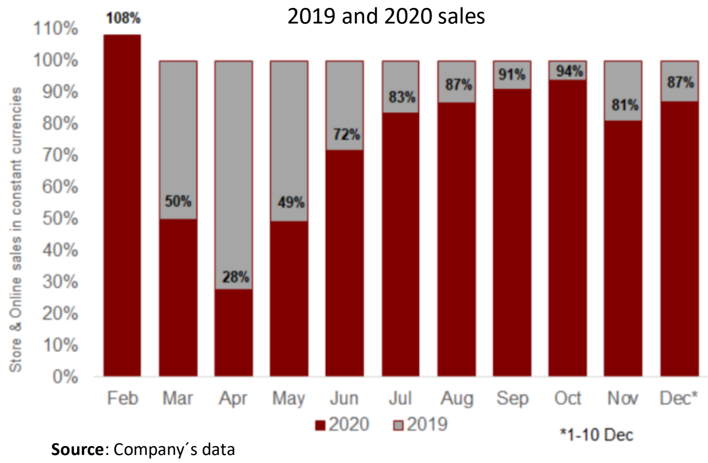
The second quarter marked a turning point, with the reopening of physical stores. The net income was EUR 214 mn (vs EUR 816 mn in 2Q2019), the inventory decreased 19% and the net cash position grew to EUR 6,5 bn.

Last earnings (EUR mn) – 3Q2020

	3Q20	3Q19	20/19	CC
Net sales	6,052	7,000	(14%)	(10%)
Gross profit	3,661	4,254	(14%)	(8%)
EBITDA	1,848	2,255	(18%)	(10%)
Net income	866	1,171	(26%)	(13%)

Source: Company´s data

In the third quarter of 2020 (August-October), around 95% of Inditex stores reopened, but with restrictions. To minimize the impact of the pandemic, Inditex have actively managed the supply chain, inventory (-11%) and operating expenses in the period. While store sales are recovering progressively, online sales continue to grow outstandingly (76% yoy). So, the third quarter was marked by a strong recovery in sales, getting closer to the 2019 numbers, making EUR 6,05 bi (-10% cc) in net sales and a **net income** of **EUR 866 mn** (-13%). As of 31 October, the **cash position** was **EUR 8,3 bn**, a historic high, due to the strong operating performance and the healthy working capital evolution.



Source: Company´s data

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3Q2020 earnings call Q&A overview (paraphrasing)

Q: About inventory?

Pablo Isla (PI): Always managed the company with a low level of inventory, but thanks to the stock integration, to the FRID and to the store optimisation plan, have been able to run the company with less inventory, which was very evident starting in 2018. No concerns regarding the inventory at the end of the quarter. Will continue to run the company with less inventory as a percentage of sales in the coming years.

Q: Outlook for 2021?

PI: Good performance in 2020, given the context, so there is a lot of confidence in the future. Solid team, adapting constantly to the changing situation, strong condition and very strong position.

Q: Adjust the inventory, due to store absorptions?

PI: Ongoing process. If inventory grows, it will be below sales growth. The store optimisation plan is a key feature of the company today and going forward.

Q: About the gross margin on the second half of 2020?

PI: In constant currency there is a significantly positive gross margin in the third quarter and so, this is the combination of the way of managing sales and inventory. At this stage, continue seeing positive gross margin in the second half and stable gross margin for the full year, as anticipated.

Q: About online visits/sales and integration?

PI: Online sales growth is 97% organic, as has always been. Have gained online customers every year, but way more significantly in 2020. In general, when the stores reopen in any particular market and begin to operate normally all this integration in terms of in-store deliveries, in-store returns, etc, tends to come back to a much more normalised level.

Q: About sales in November (21% of stores closed)?

Marcos López (ML): Through all the year, the moment that the stores reopen, even with restrictions, there is a very strong increase in store traffic. People are willing to go back to the stores and the way customers behave is very normal. Extraordinary and remarkable growth of online.

Q: Expanding in markets where stores are closing? Or being more online?

ML: Integrated strategy, importance of optimising stores. Relocation of the store in Wangfujing in Beijing and expansion of the Bluewater store in London (bigger and better located stores strategy). Online sales grew 75% in the nine months of 2020, great acceptance on the online business during the pandemic. The integrated model is very good for the good times, but it is even better for the difficult times – flexibility.

Q: About OPEX?

PI: Around 50% are variable costs and evolve in line with sales. Finding additional efficiencies in all different lines of costs – stores, rental renegotiations, etc. The idea is to continue running the costs in a very efficient way.

Q: About online in the different concepts?

PI: Strong online growth across all concepts and across all geographies.

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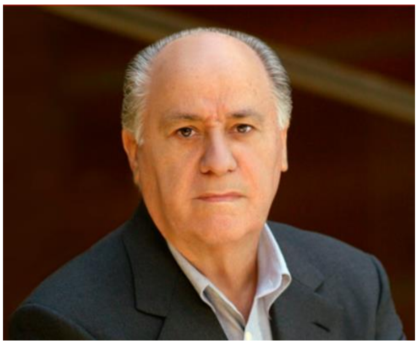
Management



Amancio Ortega Gaona (Founder and Member of the Board) was born in 1936 in León, Spain, in a poor family, and left school at a young age to work in a shirt store. Working there, Ortega realized that what made clothing more expensive was the segmented process of making it, so, from the start of his business, he wanted to cover the design, production and distribution of the clothing. In 1963 he created Confecciones GOA with Rosalia Mera, his late ex-wife. It all started in a small workshop, in A Coruña, were they created mostly dresses and quilt dressing gowns for distribution. Since he opened the first Zara shop, in 1975, his brand developed a close relationship with the customers, trying to learn what they want and always creating new products from there. Due to his business model, given it covered all the production process, the stores could have new items of clothing in 2/3 weeks, and at an affordable price, which made Amancio Ortega the father of fast fashion. Inditex kept growing, and so did Ortega's investments, especially in real estate. He stopped being Inditex's chairman in 2011, but he still holds around 60% of the company (1 848 000 315 shares). Nowadays he is one of the world's richest people, with a net worth of USD 74 bn (jan 14th), and he keeps a very low profile.

Pablo Isla (Chairman) joined Inditex in 2005, serving as Deputy Chairman and CEO, and he is Inditex's Executive Chairman since 2011, when Ortega retired. Isla has a Law degree and became a Spanish State Attorney in 1988. He later worked at Banco Popular as Group General Counsel, at the Ministry of Economy and Finance as General Director of State Assets, and at Altadis Group as Chairman until 2005. He is an independent director on the board of directors of Nestlé, and he holds almost 1 972 156 shares in Inditex.

Carlos Crespo (CEO) joined the group in 2001 as a member of the Financial Administration Department, and in 2005 he was appointed Chief Audit Officer. In 2018 he became Chief Operating Officer, and he serves as Inditex's CEO since 2019. He holds 26258 shares in the company. Carlos Crespo has a degree in Business Administration, a major in Business Management and he is a chartered accountant, and before joining Inditex he worked as an auditor in Deloitte.

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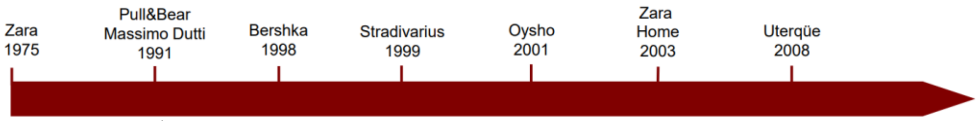
Inditex's brands

Inditex has eight brands – Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe – and they represent the group's multi-concept strategy. All brands have independent management teams and operating autonomy, but they have the same business model. Each brand presents a distinctive store and products aesthetic, and Inditex's stores are often located in high-profile commercial areas and landmark buildings. The commitment with important causes has been growing over the years, like the environment (Join Life collections) and social issues. In 2007 Inditex launched the first online store, and nowadays all the eight brands have online stores and apps.



Source: Company´s data

Zara is Inditex's biggest brand, with over 2100 stores and around 70% of the group's sales (considering Zara+Zara Home). The first Zara store opened in 1975 in A Coruña, and then it expanded through Spain's biggest cities. It went international in 1988, with the opening of Oporto's store, and the year after it opened its first store in New York. It kept expanding around the world, and nowadays is present in all 202 markets and 96 countries. Zara's approach to fashion was considered a success from the start, because of their business model, that brought customers closer to the fashion creation process, and its affordable prices. Its concept is to bring the latest attractive and responsible fashion for women, men and children.

Pull&Bear was created in 1991, and its concept is casual fashion and sport styles for young men and women, from 14 to 28 years. It has over 900 stores, in 73 countries, and it is (usually) the third highest selling brand.

Massimo Dutti makes elegant design with excellent quality for men, women and children. Since 2001 Massimo Dutti has been working with mental health and disability charities. The brand has over 700 stores, and three of them are part of Inditex's 'for&from' program, which means they are managed by and providing long-term employment for people with disabilities.

Bershka was born in 1998 as a ground-breaking fashion concept for young women and men (13 to 23) that reflects the most recent developments in music, social networking and new technologies. It has three main lines – Bershka, BSK and Man, – and in 2016 launched 'Stage', a new approach to its stores that intends to turn shopping into an immersive experience. It has 1060 stores, and it is Inditex's second highest selling brand.

Stradivarius provides urban fashion for young women (18 to 35). It has 978 stores, and it grew 17% yoy in 2019. In 2017 it inaugurated its new offices, built with recycled materials and it is able to save a 45% in electricity and a 30% in water.

Oysho has the latest trends in women's lingerie, loungewear, beachwear and sport style. 37% of the brand's clothing items in 2019 had the Join Life label.

Zara Home is Inditex's brand for interior living, with its textiles, decoration, and clothing and accessories for home life. It was created in 2003, and in 2007 it became Inditex's first brand selling online.

Uterqüe is the most recent brad, and it provides premium accessories – bags, shoes, costume jewelry, – leatherwear and clothing. It has stores in only 16 countries, but the brand sells in 158 markets.

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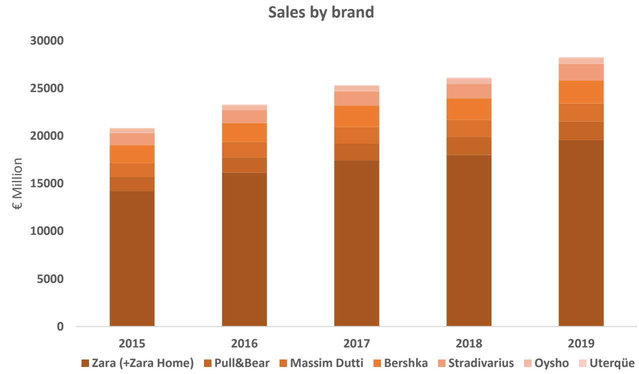
Inditex's sales and stores

Sales by brand (EUR mn)

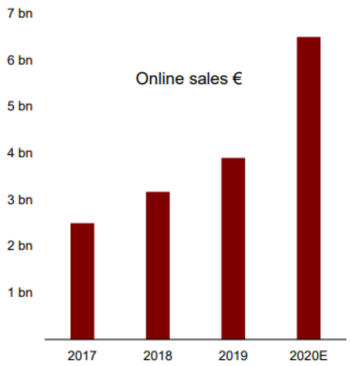
	2019	2018	2017	2016	2015
Zara (+Zara Home)	19,564	18,021	17,449	16,168	14,249
Pull&Bear	1,970	1,862	1,747	1,566	1,417
Massimo Dutti	1,900	1,802	1,765	1,630	1,498
Bershka	2,384	2,240	2,227	2,012	1,875
Stradivarius	1,750	1,534	1,480	1,343	1,289
Oysho	604	585	570	509	452
Uterqüe	115	101	97	83	75
	28,287	26,145	25,335	23,311	20,855

Source: Company´s data



Source: Company´s data

Online sales – 14% of net sales in 2019



Source: Company´s data

Inditex's sales have been growing every year, and they kept that tendency on the first two months of 2020. But for the first time in the group's history, sales decreased, and the company got a negative profit, due to the pandemic. Nevertheless, they showed a good recovery, especially in the third quarter of 2020. Zara (+Zara Home) provides around 70% of the Group's sales.

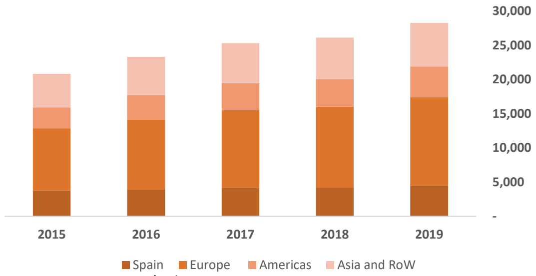
Geographically, the business is divided in four main regions: Spain, Europe (ex-Spain), Americas, and Asia and RoW. The percentage of sales in each region has not changed much in the past years, although Europe and America show a small increase, compared to the small decrease in Spain and Asia and Row. Europe (with Spain) is Inditex's biggest market, making EUR 17,453 bn in net sales in 2019, which represents almost 2/3 of all sales.

Sales by region (EUR mn)

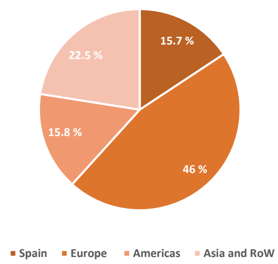
	2019	2018	2017	2016	2015
Spain	4,441	4,235	4,130	3,940	3,691
Europe	13,012	11,791	11,375	10,234	9,176
Americas	4,469	4,052	3,952	3,567	3,066
Asia and RoW	6,365	6,066	5,878	5,571	4,901

Source: Company´s data

Inditex sales by region (€ Million)



Source: Company´s data



Source: Company´s data

Evolution of sales by region

	2019	2018	2017	2016
Spain	-3.1%	-0.6%	-3.6%	-4.5%
Europe	2.0%	0.4%	2.3%	-0.2%
Americas	1.9%	-0.6%	2.0%	4.1%
Asia and RoW	-3.0%	0.0%	-2.9%	1.7%

Source: Company´s data

Inditex's stores on January 31st, 2020

Stores	Spain	China	Russia	Mexico	Italy	Portugal	Total
Zara	302	179	100	91	99	70	2142
Zara Kids	107	0	0	0	0	15	128
Zara Home	123	52	49	32	29	28	596
Pull&Bear	198	65	87	70	56	49	970
Massimo Dutti	180	89	55	43	7	41	754
Bershka	191	62	103	78	71	48	1107
Stradivarius	277	35	82	52	88	44	1006
Oysho	170	87	70	56	34	33	677
Uterqüe	32	1	12	16	0	6	89
	1580	570	558	438	384	334	7469

Source: Company´s data

Closing stores - Inditex's strategy for 2022

Stores	31-Oct-20	31-Jan-20
Zara	2105	2142
Zara Kids	103	128
Zara Home	575	596
Pull&Bear	920	970
Massimo Dutti	715	754
Bershka	1060	1107
Stradivarius	978	1006
Oysho	654	677
Uterqüe	87	89
	7197	7469

Source: Company´s data

One of the key areas for Inditex's strategy for 2022 is the integration between stores and online. This comprises the closing of physical stores, that will be absorbed by bigger and better ones – the flagship stores. 1000 to 1200 small stores, mainly of the younger concepts, stores that can be recovered in neighbouring stores and online, and stores with low net income are expected to be absorbed during 2020 and 2021. This strategy also includes the goal of online sales representing 25% of the group sales by 2022.

"Stores will play a stronger role in the development of online sales due to their digitalisation and capacity to reach customers from the best locations worldwide. It is for this reason that we must focus on those high-quality stores that are best able to deliver on these long-term strategic goals."

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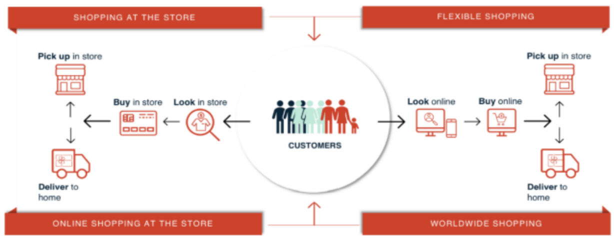
Business model

Inditex's business model is inspired by Amancio Ortega's own experience and his learnings working at a clothing store. It is an integrated model that includes the four stages of the process – design, production, logistics, and sales – all developed separately by each brand. Their aim is to "create value through the design of beautiful, ethically-produced, high-quality, trend-driven fashion products, which are accessible to everyone". From the beginning, Inditex developed a customer drive model, prioritizing customer interaction, with constant feedback from them to modify the collections. These characteristics allow Inditex's brands to present new items of clothing in stores in 2 or 3 weeks, which is half the time it takes H&M, Zara's biggest competitor. Also, Zara alone produces over 10,000 new articles every year. In 2019, Inditex introduced around 65,000 new designs, and delivered to stores at least twice per week.

- **Design stage**: over 700 designers are in charge of the creativity process, and they work alongside with global sales professionals, who focus on analysing the customer preferences and choosing the correct processes and raw materials to better fulfil the sustainability commitment. The collections are updated constantly throughout the season, due to the designers' work, to respond to customer preferences as they emerged.
- **Manufacturing and supply stage**: in 2019, 54% of the factories where Inditex's items were produced were located in Spain, Portugal, Morocco and Turkey. The remaining were mostly in India, Bangladesh, Pakistan, Vietnam, China, Cambodia, Brazil and Argentina. Inditex works with these 12 supplier clusters, that comprise 96% of the total manufacture, and have the purpose to foster sustainable production within a framework of compliance with human rights and environmental friendliness.
- **Logistics and distribution stage**: each brand have its logistic facilities, where they receive and store its inventory for distribution twice per week to its stores and online warehouses all over the world. Inditex works with a radio frequency identification technology system (FRID) that tracks every garment, that allows for the integrated process of warehouse store, transport and distribution.
- **Stores and online sales**: for the physical stores, there is a particular attention to the architectural design and customer service, and stores are often located on the most popular shopping streets around the world. For the online stores, each brand offers the possibility to shop at any time and any place, and gives customers the choice of receiving their purchases however suits them best.

Inditex's headquarters

Source: Company´s data



Relative Valuation

P/E ratio is lower than the other three companies', although in a post pandemic context it should be very similar to H&M's, its main competitor. EBITDA margin is above average, and Net debt to EBITDA is very remarkable, both better than the competitors'.

Name	Country	Market Cap (mn)	Currency	P/E (TTM)	P/E 2022E	EV/EBITDA	YTD	Net Debt to EBITDA	EBITDA Margin
NIKE INC -CL B	UNITED STATES	226,400	USD	70.4	37.1	45.2	2%	0.2	12%
ADIDAS AG	GERMANY	57,479	EUR	119.3	33.4	26.4	-4%	1.5	11%
HENNES & MAURITZ AB-B SHS	SWEDEN	290,879	SEK	98.7	25.5	10.6	2%	2.3	14%
INDUSTRIA DE DISENO TEXTIL	SPAIN	80,347	EUR	50.5	25.1	12.3	-1%	-0.4	23%
Average exc. Inditex				96.2	32.0	27.4	0%	1.3	12%

Source: BiG Research

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Some of Inditex's partners for sustainability

Source: Company´s data

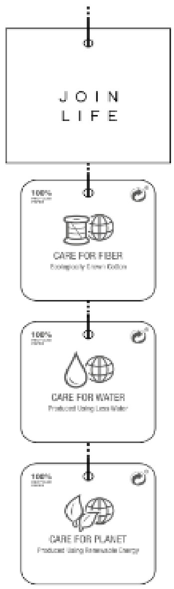
ESG

In its **Sustainability Roadmap**, Inditex shows its growing concern regarding the environment, especially decarbonisation and circularity, and the promotion and respect of human rights, where they aligned their strategy with the United Nations 2030 Agenda.

This sustainable approach is present throughout the production process; all the designers are trained in the principles of circular economy, and over 10000 employees have received training on environmental sustainability in 2019. As for the selection of materials, the company is introducing more sustainable raw materials every year. In 2019, they increased the use of recycled materials by 250%, and increased the use of sustainable cotton by 105%. **Join Life** is the label for clothing made of the most sustainable raw materials and the production processes that are most respectful of the environment.

The **decarbonisation** measures applied to the headquarters, stores and logistic centres allowed that, in 2019, the company reduced energy consumption as well as electricity consumption by 9% per square metre, 63% of the Group's electricity needs were covered by clean energy, and achieved a 35% reduction per m^2 in emissions of CO_2.

The **circular economy** initiatives include the Closing the Loop programme, which consists in collecting used garments in containers and either donate them (reuse) or recycle them; the Zero Waste programme intends to collect, classify, recycle or recover the waste generated, and the goal for 2023 is for none of the waste generated by the company's activities in offices, logistics and stores ends up in a landfill; and the Green to Pack programme, that uses recycled materials in packaging and has eliminated plastic from online orders and from all the bags.



Inditex has reached the following targets in **2020**:

- 100% eco-efficient stores in all formats
- 100% stores with containers for used garments
- More than 25% of Join Life garments (>30%)
- 100% certified forest friendly fibres
- Removal of plastic bags in all concepts
- Zero discharge commitment

Goals for **2023**:

- Zero Waste from all facilities
- 100% of sustainable cellulose fibres
- 100% elimination of single use plastic for customers
- 100% collection of all packaging materials for reuse or recycle

Goals for **2025**:

- 80% of renewable energy consumption in all facilities
- 100% sustainable cotton, polyester and linen

Regarding the **workforce**, in 2019 Inditex employed 176,611 people, of which 76% were women and 24% were men, from 172 different countries and an average work of 28.9 years. In 2019 the InditeXher pilot programme was devised, and it aims to develop women's empowerment programmes in factories, regarding health, finance, training for commercial teams, etc.

Inditex's **Board of Directors** has 11 members, of which 4 are women (36.4%).

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Risks

Inditex seems like a reliable company, with a well-established business model and growing strategy, a very stable financial position, and a big concern with sustainability. Regardless, they have identified some potential events that may have a negative impact on the fulfilment of the business objectives: the business environment, legislative and regulatory, reputation, human resources, operational, financial, information for decision-making, technology and information systems, and corporate governance.

One of Inditex's advantages, may be becoming its main risk. Although **fast fashion** has been suiting people consumerism, with cheaper clothes that are trending, there is a growing discussion and concern around its consequences. In one hand, fast fashion is often associated with precarious labour in developing countries. In the other hand, it is considered the second most polluting industry nowadays, because of the materials used, the big emissions of greenhouse gases, the intensified disposal of clothing, among other reasons. Even though Inditex keeps working towards sustainability, its reputation could be damaged, as it is one the biggest fast fashion retailers in the world.

Although Inditex is particularly interested in the consumer feedback, **consumer preferences** can change, affecting sales, which is an inherent risk to all fashion retailers. Another one is **competition**, although the company is more protected by having several brands, which cover different market targets. Also, there is growing interest towards **second-hand** clothing.

Graph

Calendar

March 10th, 2021: FY2020 Results

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  - Accumulate, expected absolute return between +5% and +15%;
  - Keep/Neutral, expected absolute return between -5% and +5%;
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