

INDITEX
INTERIM NINE MONTHS 2024

CONFERENCE CALL TRANSCRIPT
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Important notice: Although we try to accurately reflect the speech delivered, the actual speech that was delivered may deviate from this transcript.

INDITEX PARTICIPANTS

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Marcos López - Capital Markets Director

Conference Call Participants

Georgina Johanan - JP Morgan - Analyst

Monique Pollard - Citigroup - Analyst

James Grzanic - Jefferies - Analyst

Richard Chamberlain - RBC - Analyst

Warwick Okines - Exane BNP - Analyst

Introduction: Marcos López – Capital Markets Director

[Image]

Buenos días a todos, good morning to everybody. A warm welcome to all of those attending the presentation of Inditex's Results for the Interim Nine Months 2024. I am Marcos López, Capital Markets Director.

The presentation will be chaired by Inditex's CEO Óscar García Maceiras. Also with us today is our CFO Ignacio Fernández.

The presentation will be followed by a Q&A session starting with the questions received on the telephone and then those received through the webcast platform. Before we start, we will take the disclaimer as read.

Over to you Óscar.

Slide 4: CEO

[Image]

Slide 5: To the next level

[Image]

Slide 6: 9 Months 2024: Strong growth and execution continues

Good morning and welcome to our results presentation. It is my pleasure to join you today.

In the interim nine months of twenty twenty-four (9M2024) Inditex saw a very robust operating performance driven very much by the creativity of our teams and the strong execution of our fully integrated business model.

This performance relies on the four key pillars of the strategy we have been presenting throughout the year: Our unique fashion proposition, an optimised customer experience, our focus on sustainability and the talent and commitment of our people. These are the principal factors driving our differentiation.

The Autumn/Winter collections have been very well received by our customers. In the nine months of twenty twenty four (9M2024), sales in constant currency grew ten point five percent (10.5%), showing very satisfactory development both in stores and online. Sales were positive in all concepts.

In the nine months of twenty twenty-four (9M2024), sales grew seven point one percent (7.1%) to reach twenty seven point four (€27.4) billion euros.

We continue to operate with very healthy margins on sales across the different lines of the Income Statement.

The execution of the business model has also been very robust with controlled cost management.

PBT increased nine point nine percent (9.9%) to five point eight (€5.8) billion euros.

On the bottom line, net income increased eight point five percent (8.5%) to four point four (4.4) billion euros.

The operating performance of the Group further underpins our sound financial position. We have generated significant free cash flow over the period.

You will note, this strong performance has continued into the fourth quarter. Store and online sales in constant currency between the first (1st) of November and the ninth (9) of December grew nine (9%) percent.

Slide 7: To the next level

Our diversified presence in two hundred and fourteen (214) markets with low market penetration across the board offers us significant global growth opportunities.

We have complete confidence in our ability to grow this business, mainly because the model we operate is entirely unique. This in turn drives the increasing differentiation we have all been seeing.

I will hand you over to Ignacio to go into some of the headline numbers.

Slide 8: CFO

[Image]

Slide 9: Financial Summary

Thanks Óscar.

Slide 10: 9 Months 2024: Very strong execution

As you have seen in our financial release, Inditex performed strongly in the first nine months of 2024.

Sales have progressed well, at plus 7.1%.

We have actively managed the supply chain, and this has driven a very healthy gross margin performance. Operating expenses have of course been tightly managed and this has generated operating leverage.

Consequently, EBITDA grew 7.2% to 8.0 billion euros, and profit before tax increased 9.9% to 5.8 billion euros.

We have also seen very strong progress on the net income line, with an increase of 8.5% to 4.4 billion euros.

The Group continues to generate significant free cash flow and this has taken our net cash position to 11.8 billion euros.

Slide 11: Sales

I would like to reiterate that sales have progressed very well at plus 7.1% and have reached 27.4 billion euros. That's 10.5% in constant currency. You will note that the third quarter saw the strongest sales growth for the year in constant currency, offset by a particularly negative currency impact.

Sales growth was strong both in stores and online. Additionally, sales have been positive across all concepts.

At current exchange rates, Inditex reiterates its expectation of around -3.0% currency impact on sales in 2024.

Slide 12: Gross profit

In the interim 9 months of 2024 the gross profit increased 7.2% to 16.3 billion euros and clearly illustrates a healthy execution of the business model. The gross margin reached 59.4%.

Based on current information, we are reiterating our vision of a stable gross margin in financial year 2024 of plus/minus 50 basis points versus FY2023.

Slide 13: Operating efficiencies

There has been very tight control of operating expenses across all departments and business areas.

Operating expenses increased below sales growth over the 9 months of 2024. Including all lease charges, operating expenses grew 73 basis points below sales growth.

Slide 14: Working capital and net cash position

Over the period, we have experienced a robust operating performance. Inventory at Inditex as of the 31st of October 2024 was 3% lower than at the same date in 2023.

Let me highlight that the end of period inventory is considered to be of high quality.

We continue to generate strong cash flow and reinvest back into the business. The net cash position grew 3.0% to €11.8 billion.

And now over to you Marcos.

Slide 15: Capital Markets Director

[Image]

Slide 16: Concepts

Thank you.

Slide 17: Concepts

Over the interim nine months of 2024 the performance of the group has been very good. Notably, this performance was across all the concepts. We are very happy with the execution over the period.

Slide 18: Concepts

We have carried on with our expansion and opened stores in 45 different markets over the period.

We have also continued the rollout of concepts in new markets. Massimo Dutti has recently opened its store in Miami Aventura Mall. Stradivarius continues its growth with its first store in Berlin, following openings in Stuttgart, Hannover and Dresden.

We are pleased with the execution of the concepts. Store and Online sales have been robust. The performance has been strong at all levels.

And now back to you Óscar.

Slide 19: CEO

[Image]

Thank you Marcos.

Slide 20: To the next level

Thank you Marcos.

I'm going to cover some of the recent initiatives which have been driving the increasing levels of differentiation.

Slide 21: Unique fashion proposition

Our priority remains to continually increase the appeal of our fashion proposition.

Creativity, innovation, design and quality are defining features of our collections and a key focus across all our teams.

Our meticulous design process impacts every detail of our garments and collections, while striving to provide the latest quality fashion to customers around the world.

Our approach involves integrating the talent of our designers with highly artisanal tasks carried out by our skilled teams and the latest technological solutions to achieve the highest level of quality and sustainability.

Slide 22: (video) Zara Woman Metropolis, Zara Man Edition, Zara Kids Studio, Zara Home Editions, Massimo Dutti Midnight Allure, Pull&Bear Not just a DJ, Bershka Series, Stradivarius Movement of Autumn, Oysho Apres Ski

The results of this unique integrated approach can be clearly seen in the multiple collections we offer every season and our swift response to customer demands.

We continue generating a very broad range of fashion propositions for each of our differentiated concepts.

Slide 23: Zara Man Madrid Hermosilla

The focus on an ever more enhanced customer experience comes as a result of the continuous process of upgrading stores with strong architectural features and with highly curated internal spaces.

One of the recent flagship projects has been the opening of the Zara Man store at Madrid Hermosilla. With more than 700 square metres spread over two floors, this integrative space is located in the heart of Madrid's Salamanca district. Each area of Zara Man Hermosilla has been carefully adapted to Zara Man's collections and offers a unique shopping experience. This very unique

landmark store opened at the end of November and is an example of our continued optimisation programme.

This project is similar to previous dedicated stand-alone Zara Man stores in Milan and Barcelona. The former Zara Man space at the neighbouring Serrano store will host a new The Apartment section, the third globally, next year.

Slide 24: Zara Stores (Dublin South King, Birmingham Bullring Leeds Trinity, Istanbul Istinye, Los Angeles Topanga)

Thanks to our integrated store and online model, our teams have been able to take advantage of the remarkable growth opportunities we see across all channels, concepts and markets.

Underpinning this growth are new openings, enlargements and refurbishments of stores in the best locations, expanding to new cities and new territories and the launch of new services that enhance the customers shopping experience.

Slide 25: Concepts (Massimo Dutti Miami Aventura Mall, Pull&Bear's Milan Via Torino, Bershka Madrid Gran Vía, Stradivarius Berlin, Zara Home Dubai Mall, Oysho A Coruña Plaza de Lugo)

As we have mentioned previously, all our concepts remain very active. The rollout in new locations, like Massimo Dutti's launch in Miami Aventura Mall or Stradivarius and Bershka's flagship stores in Berlin are good examples. We also continue optimising our store presence in all concepts, with key projects like Bershka Madrid Gran Vía, Zara Home Dubai Mall and Oysho A Coruña Plaza de Lugo.

Slide 26: Roll-out of new self check-out and security technology

The full implementation of the new security technology at Zara by the end twenty-twenty four (2024) is going to plan. In twenty-twenty five (2025) we will roll this out in the concepts, beginning with Bershka and Pull&Bear.

Slide 27: Sustainability

As part of our commitment to the development of new raw materials, Inditex has approved an investment in Epoch Biodesign, a startup that uses artificial intelligence to design enzymes that allow the recycling of mixed plastics and textiles.

This alternative allows the transformation of textile waste into the equivalent of virgin materials, promoting textile-to-textile circularity.

Our Sustainability Innovation Hub currently works with more than three hundred and fifty (350) start-ups.

Slide 28: People

At Inditex, we are firmly committed to the training and development of our people as fundamental pillars to drive our transformation and guarantee the leadership of the future.

We have launched the Creatives programme, an initiative to identify and enhance the talent of the new generation of designers in our creative teams. Hand in hand with the best fashion schools in the world, we are looking for new talent to whom we offer a unique experience of training and professional development. The participants have begun their journey with us through a comprehensive training program that provides them with key tools

to successfully face the challenges of a constantly evolving industry.

Slide 29: Outlook 2024

Let me now move to the outlook for the remainder of twenty twenty-four (2024).

We are on track to deliver upon all of our long-term goals.

The talent, commitment and passion of our teams all around the globe will always be key to our competitive edge.

We offer a unique fashion proposition, defined by creativity, innovation, design and quality. The continuous optimisation of the customer experience is central to our approach.

We operate in two hundred and fourteen (214) markets with low share in what continues to be a highly fragmented sector and we see strong growth opportunities.

To meet the current strong demand, which builds on the significant growth of the business in twenty twenty-two to twenty twenty-three (2022-23), we are undertaking a number of initiatives. We are investing to scale our capabilities, obtain efficiencies and increase our competitive differentiation to the next level.

The growth of annual gross space in the period twenty twenty-four to twenty twenty-six (2024-2026) is expected to be around five percent (5%). Over this same time period, Inditex expects space contribution to sales to be positive, in conjunction with a strong evolution of online sales.

For twenty twenty-four (2024), we estimate ordinary capital expenditure of approximately one point eight billion euros (€1.8 billion). This investment is principally directed at optimisation of

commercial space, its technological integration and the improvement of our online platforms.

Slide 30: 28% dividend increase

A brief note on dividends. The final dividend payment for twenty twenty-three (2023) of zero point seven seven euros (€0.77) per share was made on the fourth (4) of November.

Slide 31: 4Q2024

I would like to finish with a comment on our current performance.

Autumn/Winter collections continue to be very well received by our customers.

Store and online sales in constant currency between the first (1) of November and the ninth (9) of December twenty twenty-four (2024) increased nine percent (9%).

Slide 32: Interim Nine Months 2024 Results

Thank you all for attending this results presentation. That concludes our presentation for today. We would be happy to answer any questions you may have.

Q&A: James O'Shaughnessy – Investor Relations

The telephone Q&A session starts now. If you would like to ask a question, please press *5 on your telephone keypad. If you wish to withdraw your question, please press *5 again.

We request that you limit yourselves to only one question per turn so we can maximise the number of participants in the session. If you have further queries, you may press *5 again after the next person's question has been addressed. Please ensure your phone is not on mute.

The first question goes to Georgina Johanan from JPMorgan. Go ahead, Georgina.

Georgina Johanan – JP Morgan - Analyst

Good morning. Thank you for taking my question. Just on the flooding that took place, the very sad events in Spain, a month or so ago. Can you just talk about any impact, or not, as the case may be, from that, please, be it on sales or logistics more broadly? Thank you.

Marcos López – Capital Markets Director

Thank you, Georgina. The first thing we would like to say is, obviously, our condolences to the people involved in that tragedy. I think that the company has responded in two ways; first of all, trying to provide direct support in a number of directions, but also in the same way, we are very, very proud of the contribution made by our employees through their own donations.

In terms of both logistics and retail, we can tell you that the impact has been very, very limited. Practically no impact at all. Only three shopping centres were affected, and they're getting back to business. So, no significant impact on that.

James O'Shaughnessy – Investor Relations

The next question comes from Richard Chamberlain, from RBC. Go ahead, Richard.

Richard Chamberlain – RBC – Analyst

Yeah, thanks, James. Good morning, guys. I just wondered if you could comment on the competitive environment in the quarter in fashion. I know you don't like to get into quarterly gross margin comments and so on, but I wondered if you could talk, in general terms, about what you're seeing in terms of competitive environment, promotional environment, also any sort of effects and external sourcing headwinds impacting the gross margin or expectations for the second half. Thank you.

Marcos López – Capital Markets Director

Thank you very much, Richard. What we can tell about this recent period is that we are very satisfied with the sales. You can see that sales growth in constant currency was strong at 10.5%, in fact an acceleration from the previous quarters. You will note that the third quarter 2024, shows the strongest sales growth for Inditex in constant currency.

What is true is that in currency, what we are seeing in the third quarter is a particularly negative impact on sales due to a combination of two factors. The first one is the strength of the euro versus a majority of currencies, and then some specific depreciation in the Brazilian Real and Mexican peso. These

headwinds appear to be abating in Q4. We are now seeing that a stronger U.S. dollar versus the euro and higher stability in the Brazilian Real and Mexican Peso provide more stability to that. And at current rates, we expect a lower currency impact over the fourth quarter.

For this reason, we also reiterated our estimate of a currency impact on sales for the year, for the full year, that, as Ignacio has mentioned, remains unchanged at minus 3%.

Regarding the gross margin and the execution, we are very pleased. We have flexed the supply chain, as usual. You see that the gross margin remains stable, and we are reiterating as well our gross margin vision for the year.

Costs remain tightly under control. So, this has resulted in very high margins in all the different lines of the P&L on sales, and that's very, very clear, if you analyse that, versus historical levels.

So, we continue generating strong free cash flow. We continue to reinvest into the business. And what we can tell you is that we continue to see very strong opportunities for growth.

James O'Shaughnessy – Investor Relations

The next question comes from Warwick Okines, from BNP Paribas Exane. Go ahead, Warwick.

Warwick Okines – BNP Paribas Exane – Analyst

Thank you for taking my question. Has the online sales mix increased in nine months, year-on-year and how is click-and-collect versus home delivery being trended? I'd just be interested in overall dynamics in the online space, please.

Marcos López – Capital Markets Director

Thank you, Warwick. Well, what we have mentioned in the presentation is that both store sales and online sales keep on growing. As you imagine, the secular trends of online growing slightly above stores, remains in place. Last year, if you remember, online sales were 24% of total, and you should expect this very natural growth in both lines.

In fact, one of the differentiating factors of Inditex is this fully integrated model that allows us to grow satisfactorily in both channels. So, we can tell you that the sales growth that we had during these first nine months is very satisfactory, both in stores and online.

James O'Shaughnessy – Investor Relations

The next question comes from Monique Pollard from Citi. Go ahead, Monique.

Monique Pollard – Citi – Analyst

Good morning. Thank you for taking my question. I had a question just on whether you're targeting more, and you see a gap in the younger market. And, I think, that in relation to the fact that there are now nearly 80 stores of Lefties in Spain, that I can see, and it's in 17 markets, and you've also launched this Z3D collection, the affordable range for teens. I'm wondering if you see that there's a bit of a gap in the market related to discount or younger targets and whether you're trying to fill that with things like the Lefties offering and the Z3D offering.

Marcos López – Capital Markets Director

Thank you, Monique. My view on this is, obviously, supported by the numbers, we see a lot of opportunities in all the different segments in which we operate. I will not just, you know, highlight one.

In fact, I think that what is quite relevant is that in this fourth quarter, we have released our trading update of 9% growth from the 1st of November to the 9th of December. We believe this is a remarkable number, because in the same period last year, our comparable was plus 14%, in constant currency. So, I would not highlight any specific segment of the market as, you know, in any specific way.

I think we're making good progress in all of them. We're happy with the performance of Zara, of course, with the performance of the concepts, and we have mentioned that we are growing in stores and online. So, nothing is specific over the

recent quarter or recent trends. We continue to see opportunities in all businesses.

James O'Shaughnessy – Investor Relations

The next question comes from James Grzinic, from Jefferies. Go ahead, James.

James Grzinic – Jefferies – Analyst

Yes, good morning, all. Can you give us a feel for what you think wage growth will do for the business next year compared to this year? Do we expect a little bit of a stepdown? And if so, of what sort of magnitude, please?

Marcos López – Capital Markets Director

Thank you James. Well, in terms of operating expenses, they remain very much under control. You see that, as we have a strong focus to have operating expenses growing below sales growth. You know, there is a significant variable component in the personal expenses as well, relating to sales. We all have part of our remuneration based on the performance of different targets of the company. So, we're not seeing anything specific regarding wage growth for next year versus this year.

James O'Shaughnessy – Investor Relations

That concludes the Q&A session. We can now move over to the Webcast questions. The first of which is: “What is the strategy behind the new stand-alone Zara Man stores and The Apartment concept? Are you targeting a new type of customer?”

Óscar García Maceiras – Chief Executive Officer

Well, thanks for the question. Well, it's important to highlight that the growth of the group is broad-based and non-dependent on a single commercial initiative, just like it's not dependent on a single market, as Marcos has just mentioned. We see opportunities for growth in different segments, in different concepts, and in all of our markets.

As we mentioned in our presentation, we remain with an important focus on the improvement of the customer experience, consistent with our store optimization program. And with that in mind, we have been opening several stand-alone Zara Man stores in key locations, such as Barcelona, Passeig de Gràcia; Milan, Vittorio Emanuele II; or the recent Hermosilla, Madrid. At the end of 2024, we will have 90 stand-alone Zara Man stores, a model that we have new projects in 2025, including Zurich, Bahnhofstrasse or, for instance, Roma Palazzo Verospi.

The Apartment is a highly curated space which combines a premium part of the Zara Woman and Zara Home collections, and this initiative is currently available in A Coruña, Compostela, since September 2023; and in Paris, Rue du Bac, since May 2024 with

very, very positive performance and very positive feedback from our customers.

As we mentioned in the presentation, The Apartment will open in Madrid, Serrano, in 2025 in the space vacated by the Zara Man section moved to its own stand-alone store in Hermosilla.

James O'Shaughnessy – Investor Relations

Thank you, Oscar. Next question. “Given that we are nine months through the year, can you comment a little bit on the evolution of CapEx or space growth, please?”

Óscar García Maceiras – Chief Executive Officer

Well, we are on track in the ordinary investments and the logistic expansion plans we announced in March. In the case of the logistic expansion plan, the new distribution center for Zara, Zaragoza II, will begin its operations in May-June 2025. Just a reminder, this plan is consistent with the evolution of our business and builds on the significant growth that we have experienced recently.

At the same time, it's consistent with our ambition to keep on offering our customers what they are looking for, where, when, and how they want.

On space growth, as you know, we do not provide disclosure on a quarterly basis, but I can confirm that net space was positive

in the first nine months and that the space growth for the year is also on track.

And just to give you an additional color, to give you two examples of our store optimization strategy, we have recently reopened our stores in L.A. Topanga and Tampa International Plaza, both in the U.S. Both stores have grown from a space below 1,000 square meters to over 2,500 square meters, with a significant improvement of the customer experience. Performance and feedback have been very positive so far.

James O'Shaughnessy – Investor Relations

Thank you very much! That concludes the Webcast questions for today.

Óscar García Maceiras – Chief Executive Officer

Thank you to all of those participating in the presentation today. For any additional questions you may have, please get in touch with our Capital Markets Department, and we will welcome you back in March for the full-yearly 2024 results.