



# ANALYSIS OF INDITEX

## Executive Summary

<b>Company Name:</b>	Inditex ( <i>Industria de Diseño Textil Sociedad Anónima</i> )
<b>Sector/Industry:</b>	Retail: fashion & accessories
<b>Head Office:</b>	Arteixo, Spanje
<b>Employees:</b>	152,631
<b>CEO:</b>	Óscar García Maceiras
<b>Founded:</b>	1963
<b>Revenue/Turnover:</b>	€38,9 billion
<b>Market Position:</b>	World leader in fast fashion
<b>Competitors:</b>	H&M group, Fast Retailing Co.
<b>Date:</b>	06/10/2025 -
<b>Analyst:</b>	Chloé De Rijck
<b>Version:</b>	1

## Inhoudsopgave

<u>EXECUTIVE SUMMARY.....</u>	<u>1</u>
<u>KEY FINDINGS &amp; PROPOSAL.....</u>	<u>3</u>
<u>SWOT HIGHLIGHTS: .....</u>	<u>4</u>
<u>1. BUSINESS MODEL.....</u>	<u>5</u>
<u>2. CAPABILITY OF MANAGEMENT .....</u>	<u>8</u>
<u>3. SUSTAINABLE COMPETITIVE ADVANTAGE .....</u>	<u>10</u>
<u>4. ATTRACTIVENESS OF THE INDUSTRY.....</u>	<u>12</u>
<u>5. MAIN RISKS.....</u>	<u>15</u>
<u>6. BALANCE SHEET.....</u>	<u>17</u>
<u>7. CAPITAL INTENSITY .....</u>	<u>19</u>
<u>8. CAPITAL ALLOCATION.....</u>	<u>20</u>
<u>9. PROFITABILITY.....</u>	<u>22</u>
<u>10. HISTORICAL GROWTH .....</u>	<u>24</u>
<u>11. OUTLOOK.....</u>	<u>26</u>
<u>12. VALUATION.....</u>	<u>28</u>
<u>13. HISTORICAL VALUE CREATION.....</u>	<u>29</u>
<u>14. INDUSTRY.....</u>	<u>FOUT! BLADWIJZER NIET GEDEFINIEERD.</u>

## **Key Findings & Proposal:**

### ***Strategic Fit in the portfolio:***

Inditex is an excellent strategic fit for the portfolio due to its leading position in the global fast fashion industry and its vertically integrated business model. The company's brand portfolio – which includes Zara, Massimo Dutti and Bershka – creates efficiencies through shared logistics, technology and data-driven operations. Inditex combines solid financial performance with sustainable growth initiatives, which aligns well with modern ESG-focused strategies.

### ***Risks:***

- **Intensifying competition:**  
The rise of ultra-fast fashion brands such as Shein and Temu increases pressure on Inditex's market share, as these companies offer lower prices and faster online product turnover.
- **Dependence on Zara:**  
The company remains highly reliant on its flagship brand, making it vulnerable if Zara's performance declines or consumer tastes shift. (71%)
- **Macroeconomic uncertainty:**  
Economic slowdowns, inflation, and reduced consumer confidence can negatively affect discretionary spending on clothing, particularly in key European and Asian markets.
- **Supply chain disruptions:**  
Geopolitical tensions, transport delays, or rising fuel prices could disrupt Inditex's global logistics network and lead to higher costs or stock shortages.

### ***Opportunities:***

- **Expansion in emerging markets:**  
Rising middle-class incomes in regions such as Asia and Latin America create strong demand for affordable, trend-driven fashion, presenting growth potential for Inditex.
- **Growth in online retail:**  
Enhancing digital platforms and integrating online and physical store experiences can improve customer engagement, convenience, and overall sales performance.
- **Increasing demand for sustainable and ethical fashion:**  
Consumer preference for eco-friendly products offers an opportunity to capitalize on Inditex's investments in circular production, sustainable materials, and ethical supply chains.

### ***Buy proposal: current***

# shares	Buy price	Total Price	Weight in wallet
50	43,17	€ 2 158,65	5,45%

## **SWOT Highlights:**

### ***Strengths:***

- Strong brand portfolio, especially Zara as the flagship brand
- Extensive global presence across 200+ markets with premium store locations.
- Vertically integrated business model controlling design, production, and retail
- Efficient supply chain (2-3 weeks from design to store)
- Both e-commerce and in-store experience
- Strong financial position: high profitability, solid cash flow, low debt

### ***Weaknesses:***

- Heavy dependence on Zara for most of the total revenue
- Ongoing criticism over sustainability and environmental practices
- Limited product differentiation within the fast-fashion segment

### ***Opportunities:***

- Expansion of e-commerce and digital sales channels
- Rising consumer demand for sustainable and circular fashion
- Growth potential in emerging markets (Asia, Latin America, Middle East)
- Use of artificial intelligence for demand prediction and trend analysis

### ***Threats:***

- Stricter environmental and labour regulations (especially in the EU)
- Rising competition from ultra-fast fashion brands (Shein, Temu, etc.)
- Macroeconomic uncertainty reducing consumer spending power

## 1. Business Model

Inditex operates a fast-fashion business model, controlling every stage from design to production and distribution. Its strategy focuses on speed, efficiency, and sustainability, supported by a strong global retail and online presence. Inditex was founded in 1985 in Arteixo, Spain, by Amancio Ortega. Today, Inditex operates in over 200 markets worldwide and manages more than 5,700 stores across its various brands. As of 2024, the group employs around 165,000 people globally.

- ***Primary Products/Services:***

Inditex's primary products and services include the design, production, and sale of clothing, footwear, and fashion accessories for men, women, and children. The company operates several global brands such as Zara, Bershka, Pull&Bear, Massimo Dutti, Stradivarius, Oysho, Lefties, and Zara Home, covering a wide range of styles and price segments. It also offers online retail services and manages an integrated logistics and supply chain system that supports its worldwide store and e-commerce network.

- ***Revenue Sources:***

- **Product Sales:**

The main source of income comes from the sale of fashion apparel, footwear, and accessories across its brands.

- **Online Sales:**

A growing portion of revenue comes from digital retail platforms, which are closely integrated with the company's physical stores to provide a seamless shopping experience.

- **Franchise Operations:**

In some international markets, Inditex operates through franchise agreements, earning income from franchise fees and royalties.

- **Other Income:**

Additional revenue streams include licensing, logistics services, and other minor operating income related to brand management and retail operations.

- ***Recurring Revenue (%) of the total revenue:***

- ***One-time Revenue (%) of the total revenue:***

- ***Scalability Assessment of the total revenue:***

Inditex's revenue is partially scalable, particularly through the expansion of its online sales channels, which can grow without a proportional increase in physical infrastructure or labour costs. However, as a significant portion of its revenue still depends on physical retail, inventory management and logistics, overall scalability remains limited compared to digital or software-based companies.

The company benefits from economies of scale through its centralized production and distribution, which reduce costs and allow faster turnaround as volumes increase. Still, Inditex does not have network effects, since additional customers do not directly increase value for others; growth primarily improves operational efficiency.

Growth also faces challenges, including market saturation in key regions, increasing sustainability and regulatory requirements, and strong competition from other fast-fashion and online retailers such as H&M, Shein, and ASOS. Expanding into new markets can require significant investment and complex supply chain adjustments, which may further limit scalability.

- ***Revenue Diversification:***

Inditex's business model is not highly dependent on a single customer or product, as revenue comes from a diverse portfolio of brands and thousands of products across multiple categories. Each brand operates in numerous countries, and income is generated through both physical stores and online channels, which spreads risk geographically and by sales channel.

Nevertheless, there are some risks. If one brand or product line underperforms, it could reduce overall revenue, particularly since Zara contributes the largest share of total income (71,6%). On a positive note, the revenues of Stradivarius (+5,6%) and Oysho (+5,6%) are growing rapidly, helping to offset this concentration risk. Overall, while Inditex is relatively diversified, performance remains sensitive to the success of its core brand Zara.

- ***Overview: based on interim half year 2025 results***

### 1. Product type

Product/services	Type Revenue	Revenue	Revenue/total revenue	Growth year-on-year
Zara (Zara, Zara home & Lefties)	- Product sales (clothing, footwear, accessories, and home goods) - Online sales	€13,2 bn	71,63%	0,90%
Pull&Bear	- Product sales (casual youth apparel and accessories) - Online sales	€1,2 bn	6,39%	3,02%
Massimo Dutti	- Product sales (premium fashion for men and women) - Online sales	€0,9 bn	4,88%	-1,00%
Bershka	- Product sales (young and trendy fashion collections) - Online sales	€1,4 bn	7,83%	4,05%
Stradivarius	- Product sales (women's fashion and accessories) - Online sales	€1,4 bn	7,23%	5,74%
Oysho	- Product sales (lingerie, activewear, and loungewear) - Online sales	€0,4 bn	2,12%	5,71%

### 2. Geographic representation

Country/Region	Revenue	Revenue/ Total Revenue	Growth YoY (%)
Europe ex-Spain	/	50,7%	0,8%
Americas	/	17,8%	-1,00%
Asia & RoW	/	16,0%	-0,6%
Spain	/	15,5%	0,8%

## 2. Capability of Management

The management team at Inditex is generally experienced and professional, with a strong track record in fast-fashion retail, supply chain management, and international expansion. They are known for efficient decision-making, strategic agility, and the ability to quickly respond to changing fashion trends, which has helped maintain the company's leading market position. On the other hand, some critics note that the organization's hierarchy can be complex, and succession planning for key roles may pose challenges in the future.

- ***Track Record Summary:***

The management team of Inditex combines decades of experience in retail, fashion, finance, and corporate governance, driving both operational excellence and strong financial results.

Marta Ortega Pérez, Non-Executive Chair since April 2022, worked in various international departments and in the Zara Woman design and product development team. In recent years she has focused on brand and product strategy, strengthening Zara's market positioning. Under her leadership, Inditex has achieved record revenues, with a 23% increase in customer visits, despite a reduction in store count by 10% and a 6% decrease in store space.

Óscar García Maceiras, CEO since November 2021, brought extensive legal and corporate governance experience from senior roles at Banco Pastor, Banco Popular, SAREB, and Banco Santander. Since becoming CEO, he has focused on operational efficiency and improving the customer experience, contributing to record financial performance. In 2024, his compensation of €10.32 million reflected his value in steering the company through growth and profitability.

Amancio Ortega Gaona, founder and Board member, established Inditex with the creation of Confecciones Goa in 1972 and Zara España in 1975. His strategic vision has been central to positioning Inditex as a global leader in fast fashion, with his controlling stake ensuring alignment between management decisions and shareholder value. In 2025, he received €3.1 billion in dividends, reflecting both the company's performance and his significant ownership.

Other key board members, such as Flora Pérez Marcote and Roberto Cibeira Moreiras, contribute expertise in corporate governance, investment strategy, and sustainable growth, further supporting Inditex's operational and financial objectives.

- ***Insider Ownership (%):***

Total (%)	"CEO" (%)	CFO (%)	CTO (%)	Board Members (%)	Other Key Managers (%)
~59,3 %	0,0038%	...	...	59,29% (Amancio Ortega Maceiras)	...

- ***Relevant Industry Experience:***

- **Marta Ortega Pérez** (non-executive chair, since 2022):
 

She joined Inditex in 2007 after earning a degree in International Business from Regent's University London. Since then, she has worked across several international areas and later in the Zara Woman design team, focusing in recent years on Zara's brand and product strategy. She also sits on the boards of Pontegadea Inversiones and Partler Participaciones, key Inditex shareholders, and is the daughter of founder Amancio Ortega. She owns 0,0014% of Inditex shares.
- **Óscar García Maceiras** (CEO, since 2021):
 

He holds a Bachelor's and PhD in Law and began his career as a State Attorney. He later held senior legal and corporate roles at Banco Pastor, Banco Popular, SAREB, and Banco Santander, including General Counsel and Board Secretary positions. He joined Inditex in 2021 as General Counsel and Secretary of the Board before becoming CEO. He owns 0,0038% of Inditex shares.
- **Amancio Ortega Gaona** (founder and a member of the Board of Directors):
 

He began his career in textiles in 1963, founded Confecciones Goa in 1972, and Zara España in 1975. He served as Chairman of Inditex from its founding until 2011. He is the controlling shareholder, owning 59,29% of Inditex shares.
- **Andrés Sánchez Iglesias** (CFO, since 2025):
 

He previously served as Chief Tax Officer at Inditex, giving him extensive experience in tax matters, compliance, and corporate tax structures. His background also provides deep knowledge of internal financial controls, which is key for risk management and profitability.

- ***Incentive Structure: not really found***

### 1. CEO

Incentive type	% of total compensation	Performance Link (KPI)	Notes
Base Salery			Annual base salary; in 2024, €10.32 million total remuneration including bonus
Bonus			
Equity/options			

### 2. Other Key Managers

Incentive type	% of total compensation	Performance Link (KPI)	Notes
Base Salery			
Bonus			
Equity/options			

### **3. Sustainable Competitive Advantage**

Inditex has a sustainable competitive advantage due to its highly efficient supply chain and vertically integrated business model, which allow it to quickly respond to changing fashion trends. Its strong global brand portfolio and large physical and online presence give it significant market reach and customer loyalty.

- ***Competitive Advantage / Moat:***

Inditex has a strong competitive position thanks to its brand recognition, scale and operational efficiency. Its extensive brand portfolio, integrated supply chain and global presence make it difficult for competitors to quickly replicate its business model. This advantage is reinforced by the speed with which Inditex brings new designs from concept to store, offering clear differentiation.

- ***Switching Costs / Network Effects:***

The switching costs for customers are relatively low, as they can easily choose other brands such as H&M or Shein. There are no significant network effects; the value for the customer does not increase as more users join. Nevertheless, brand loyalty helps core brands such as Zara retain part of their customer base.

- ***Pricing Power:***

Inditex has moderate to strong pricing power, as customers accept a certain price increase due to brand recognition and perception of quality. Customers remain sensitive to competition and price comparison, especially with cheaper alternatives, but the combination of brands and quality gives Inditex room to adjust prices reasonably without significant losses in market share.

- ***Replicability by Competitors:***

Inditex's business model is moderately difficult to replicate. Competitors may try to implement similar fast-fashion models, but the combination of scale, rapid logistics, supplier relationships and operational know-how forms a solid barrier. Although there are no major patents, the exclusive brand positioning and efficient processes provide additional protection against replication.

- **Overview**

*Competitive Advantage / Moat*

- 1 = No clear differentiation, easily substitutable.
- 2 = Small advantage, but not unique (e.g., price advantage that can be copied).
- 3 = Some differentiation (e.g., brand recognition, technology), but not sufficiently defensive.
- 4 = Strong competitive advantage (e.g., IP, economies of scale, unique data).
- 5 = Very strong moat, difficult to impossible to replicate (e.g., platform with massive network effects, regulatory protection).

*2. Switching Costs / Network Effects*

- 1 = Customers can easily switch, no network effects.
- 2 = Some switching costs (e.g., contracts) but limited.
- 3 = Reasonable switching costs or emerging network effects.
- 4 = High switching costs or strong network effects.
- 5 = Extremely high switching costs, customers are "locked in," or network effects reinforce themselves exponentially.

*3. Pricing Power*

- 1 = No pricing power, completely price-driven market.
- 2 = Low pricing power, margins under pressure from competition.
- 3 = Some pricing power, can implement price increases within limits.
- 4 = Strong pricing power, can raise prices without significantly impacting demand.
- 5 = Very strong pricing power (e.g., monopolistic position, luxury brand, crucial technology).

*4. Replicability by Competitors*

- (Note: a low score is positive here → difficult to copy)
- 1 = Very easy to copy, no barrier to entry.
  - 2 = Easy to copy, low barriers to entry.
  - 3 = Some barriers (e.g., capital, know-how).
  - 4 = Difficult to copy due to high barriers (e.g., specialised knowledge, regulation).
  - 5 = Practically impossible to copy (e.g., unique IP, secret processes, exclusive access).

Factor	Score (1-5)	Explanation
Competitive Advantage / Moat	4	Inditex has a strong competitive advantage thanks to its integrated supply chain, large brand portfolio (Zara, Bershka, etc.) and rapid response to fashion trends. It is difficult, but not impossible, to replicate.
Switching Costs / Network Effects	2	Customers can switch to other brands quite easily. There are no real network effects, only brand loyalty among some customers.
Pricing Power	4	Inditex can raise prices relatively independently of competition thanks to strong brand recognition and efficient distribution, although it does not have a monopoly.
Replicability by Competitors	3	Operational efficiency and supply chain are not trivial to replicate, but competitors can develop similar models with sufficient capital and expertise.

## 4. Attractiveness of the Industry

The fast-fashion retail sector is reasonably attractive. It benefits from strong global demand for affordable and trendy clothing, and there are strong growth opportunities in emerging markets and digital channels. However, the sector is also highly competitive, with intense price pressure, rapid trend cycles and low switching costs for customers.

Other challenges include cyclical consumer spending, pressure around sustainability and ESG, and the threat of online competitors such as Shein and ASOS. Overall, the sector offers significant revenue potential, but success depends on brand strength, operational efficiency and the ability to respond quickly to changing trends and regulations.

- ***Industry Growth (% CAGR):***

	2Y CAGR	5Y CAGR	10Y CAGR	15Y CAGR
<b>Inditex</b>	9%	19%	7%	
<b>H&amp;M group</b>	5%	1%	2%	
<b>Fast Retailing CO.</b>	16%	27%	13%	
<b>Sector average</b>		7%		

- ***Competition Intensity:***

The fast fashion industry is highly competitive and evolving rapidly. Inditex competes with both traditional global retailers, such as H&M and Fast Retailing (Uniqlo), and online platforms such as Shein and ASOS, which offer fast product cycles and low-cost alternatives. Competition is fierce on multiple fronts, including price, speed to market, responsiveness to trends, brand awareness and digital presence.

- ***Cyclical / Defensive:*** Cyclical Defensive

The fashion retail industry is generally cyclical, as demand for clothing and accessories often rises and falls in line with economic conditions, consumer confidence and disposable income. During periods of economic growth, consumers spend more on fashion, while during recessions, the amount of money spent on non-essential items often falls.

- ***Major Industry Trends / Regulations:***

#### **Trends:**

- **Digitalisation:**  
Strong growth in online sales, integration of digital platforms, use of AI and data analysis for inventory management and customer experience.
- **Sustainability:**  
Increasing focus on sustainable materials, energy-efficient production and CO<sub>2</sub> reduction.
- **Consumer behaviour:**  
Increased demand for fast delivery, flexibility and personalisation, with a growing preference for online shopping.
- **Competition & Globalisation:**  
Intense competition from both traditional retailers (H&M) and online players (Shein, ASOS), and expansion into emerging markets.

#### **Regulations:**

- **Legislation:**  
Inditex must comply with EU and local legislation, including labour laws, product safety, consumer protection and privacy regulations (GDPR).
- **Subsidies:**  
The company makes limited use of subsidies; for example, some regions offer energy or sustainability-related support for production and logistics.
- **Barriers to entry:**  
High capital costs, complex supply chains and strong brand recognition are significant barriers to new competitors.
- **ESG requirements:**  
Strong focus on sustainability, CO<sub>2</sub> reduction, ethical supply chains and social responsibility to comply with increasing legislation and consumer demands.

### PESTEL-Analyses:

Criteria	Explanation / Data (CAGR, sources, etc.)	Comments / Trends
Political	<ul style="list-style-type: none"> <li>- Active in 213 markets worldwide.</li> <li>- Support for EU trade agreements.</li> <li>- Political stability in most operational regions.</li> </ul>	<ul style="list-style-type: none"> <li>- Geopolitical tensions may affect supply chains.</li> </ul>
Economic	<ul style="list-style-type: none"> <li>- Revenue of €38.6 billion in 2024.</li> <li>- Net income of €5.86 billion in 2024.</li> <li>- Growth in online sales despite global economic challenges.</li> </ul>	<ul style="list-style-type: none"> <li>- Inflation and exchange rate fluctuations affect costs and profit margins.</li> <li>- Competition from cheaper brands such as Shein and Temu.</li> </ul>
Social	<ul style="list-style-type: none"> <li>- Strong brand recognition, especially among Gen Z.</li> <li>- Focus on inclusivity and diversity in marketing.</li> </ul>	<ul style="list-style-type: none"> <li>- Increased focus on sustainability and ethically responsible production.</li> <li>- Change in consumer behaviour towards more conscious shopping.</li> </ul>
Technological	<ul style="list-style-type: none"> <li>- Investments in AI and digital platforms.</li> <li>- Improved logistics and inventory management through technology.</li> </ul>	<ul style="list-style-type: none"> <li>- Innovation in digital sales channels and customer interaction.</li> <li>- Integration of AI in fashion advice and customer service.</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>- Target for net-zero emissions by 2040.</li> <li>- Use of sustainable materials and energy efficiency in production.</li> <li>- Active involvement in climate change initiatives.</li> </ul>	<ul style="list-style-type: none"> <li>- Pressure to comply with stricter environmental regulations.</li> <li>- Balance between fast fashion production and ecological responsibility.</li> </ul>
Legal	<ul style="list-style-type: none"> <li>- Complies with EU regulations and local labour laws.</li> <li>- Implementation of GDPR for data protection.</li> </ul>	<ul style="list-style-type: none"> <li>- Legal challenges relating to working conditions in supply chains.</li> <li>- Compliance with international laws and regulations essential for global operations.</li> </ul>

## 5. Main Risks

Inditex and the fast-fashion sector generally take a moderate and well-managed approach to risk. Although there are potentially disruptive events, such as geopolitical crises, pandemics or disruptive technologies, these are considered unlikely and the company has strategies in place to reduce their impact. Overall, the risks are manageable and do not pose a fundamental threat, allowing Inditex to continue to grow while maintaining its stability.

- ***Key Risks:***

- ***Main risk***

**Retail and market fluctuations:**

- Changes in consumer preferences or economic conditions may affect sales and profits.
- Risk of overstocking or late adaptation to trends due to rapid changes in fashion.

**Supply chain:**

- Heavy reliance on a global network of suppliers and distribution centres.
- Risks due to disruptions (e.g. political unrest, pandemics, transport problems).

**Regulation:**

- Risk of non-compliance with labour laws, environmental regulations and international trade rules.
- Penalties may affect financial performance.

**Reputation:**

- If sustainability claims, working conditions or product quality are called into question, this may undermine consumer confidence.

- ***Minor risk***

**Currency and interest rate fluctuations:**

- As Inditex operates internationally, exchange rates and interest rates can have a slight impact on results.

**Technology and cyber security:**

- IT failures or data breaches could temporarily disrupt operational processes and customer confidence.

**Competition:**

- New fast fashion or e-commerce players could take market share, but Inditex has a strong market position and brand loyalty.

- **Likelihood / Impact Assessment:** /
- **Risk Mitigation Strategies:**

#### Diversification (customers/suppliers/markets)

- *Customer diversification:* Inditex serves different market segments through brands such as Zara, Bershka and Stradivarius, therefore reducing dependence on one customer group.
- *Supplier diversification:* Purchasing textiles and materials from different suppliers worldwide to spread supply risks.
- *Market diversification:* Strong presence in Europe, America, Asia and emerging markets, limiting the impact of economic or political shocks in one region.

#### Contractual protection

- Long-term contracts with suppliers and logistics partners to guarantee continuity of supply and price stability.
- Protection against risks such as late deliveries or quality fluctuations through clear contract terms and penalties.

#### Operational redundancy

- Stores and warehouses are supported by backup logistics systems to reduce operational disruptions.
- Technology platforms for inventory and distribution are redundant and scalable to maintain continuity.

- **Potential Black Swan Events:**

- Geopolitical Crisis: Trade restrictions, wars, or political instability in key markets could disrupt supply chains and sales.
- Global Pandemic: Major lockdowns could close stores, disrupt logistics, and reduce consumer demand.
- Natural Disasters: Large-scale events affecting production hubs, distribution centers, or flagship stores.
- Cybersecurity Breach: Significant IT or data breach affecting online sales, customer data, or operational systems.

## 6. Balance Sheet

- ***Is the balance sheet conservative or aggressive?***

Conservative, it shows low leverage (Debt/Equity 0.32), a strong equity ratio (0.50), and even a net cash position (-0.26 Net Debt/Equity) meaning the company holds more cash than debt. These figures indicate that Inditex relies primarily on its own funds rather than borrowed money.

- ***Are there any concerns about the leverage of the liquidity?***

Inditex's leverage and liquidity are well-balanced. There are no warning signs; in fact, the company's strong cash position reflects financial flexibility.

- ***How does the balance sheet compare to its peers?***

Inditex shows a stronger financial position than its main competitors. With a debt-to-equity ratio of 0.32, the company relies far less on external financing than H&M (1.46) and remains below the sector average. Its net cash position (-0.26) further highlights strong liquidity, in contrast to H&M's higher leverage. About half of Inditex's assets are financed with equity (0.50), showing solid solvency compared to H&M (0.23). The company also operates with low working capital (4.9%), reflecting efficient cash and inventory management. Finally, Inditex maintains a healthy current ratio (1.23) better than H&M's and slightly below Fast Retailing's. Overall, the company combines low debt, strong equity, and efficient operations sector.

- ***Overview***

Metric	Inditex	H&M group	Fast Retailing Co.	Sector average	Interoperation
Debt/Equity Ratio	0,32	1,46	0,30	0,59	Inditex has a low debt ratio, much lower than H&M and below the sector average. This shows that the company is not very dependent on external financing and is financially stable.

<i>Debt/EBITDA</i>	0,91	1,4	0,84	0,32	Inditex's ratios is healthy. It can easily repay its debts with operating profits, better than H&M and in line with Fast Retailing.
<i>Net Debt / Equity</i>	-0,26	1,29	-0,49	0,46	Inditex has more cash than debt, which means that the company has a net cash position. This is strong compared to the sector and H&M.
<i>Equity Ratio</i>	0,50	0,23	0,60	0,31	Half of Inditex's assets are financed with equity, compared to only 0.23 at H&M. This indicates a very solid capital structure and low dependence on debt.
<i>Working Capital</i>	4,9%	10,1%	13%	12,11%	Inditex operates with low working capital, indicating efficient inventory and cash flow management. H&M and Fast Retailing have much more capital tied up, which is less efficient.
<i>Current ratio</i>	1,23	1,05	2,77	4,23	Inditex has sufficient liquidity to cover its short-term liabilities. It performs better than H&M, but slightly lower than Fast Retailing.

## 7. Capital Intensity

Inditex operates as a relatively capital-light business compared to traditional manufacturing companies, though it still requires steady investment in stores, logistics, and technology. Its CapEx-to-operating cash flow ratio of 0.36 suggests that only about a third of its cash flow is reinvested, similar to H&M, while Fast Retailing operates even lighter at 0.17. This indicates that Inditex's investment are mainly focused on digital infrastructure and store refurbishments rather than heavy expansion. Compared to peers, Inditex shows a balanced profile—more efficient than H&M in converting cash but slightly more capital-intensive than Fast Retailing.

- ***Ratio's***

Metric	Inditex	H&M group	Fast Retailing Co.	Interpretation
<b>CapEx Needs</b>	€2.672 mld	SEK 11.6 mld €986 mld	¥112.112 mld €684 mld	High/low vs. turnover
<b>Maintenance CapEx</b>	/	/	/	Necessary to maintain operations
<b>Growth CapEx</b>	/	/	/	Needed for expansion
<b>Capex/Operating CF</b>	0,36	0,36	0,17	
<b>Free Cash Flow Conversion (%)</b>	108,61	180,18	102,79	Healthy (>80%) or worrisome

## 8. Capital Allocation

The company prioritizes organic growth through brand expansion, store openings, and e-commerce development rather than large acquisitions. Its share buybacks are modest and primarily aimed at fulfilling long-term incentive plans for management. Dividends are consistently paid and gradually increased. Overall, Inditex balances shareholder returns, reinvestment in the business, and low leverage, resulting in a strong, stable financial position.

- ***Dividend Policy:***

Inditex has consistently rewarded its shareholders with a reliable and growing dividend over the past several years. In 2020, the company initiated a trend of annual dividend increases, reflecting its strong financial performance and commitment to returning value to shareholders. By 2024, Inditex proposed a total dividend of €1.68 per share, consisting of €1.13 ordinary dividend and €0.55 as a bonus dividend, paid in two installments in May and November. In 2025, the company announced a 9% increase compared to the previous year.

- ***Dividend Yield (%):***

3,43
------

- ***Payout Ratio (%):***

85
----

- ***Years of dividend growth***

5
---

- ***Acquisitions / M&A Strategy:***

Inditex takes a cautious approach to acquisitions and mergers. The company prefers to grow organically through its existing brands rather than making large-scale acquisitions. When it does make acquisitions, they are usually small and strategic, focusing on improving logistics, technology, or entering new markets. This approach allows Inditex to expand efficiently without disrupting its operations. The company also maintains low debt and prefers self-funded investments, ensuring financial stability while pursuing growth.

- **Peer Benchmark Comparison:**

<i>Capital allocation</i>	<i>Inditex</i>	<i>H&amp;M group</i>	<i>Fast Retailing Co.</i>	<i>Industry</i>
<i>Dividend Yield (%)</i>	3,43	3,95	0,97	1,72
<i>ROE (%)</i>	35,2	26,2	18,3	8,47
<i>ROIC (%)</i>	46,3	8,4	22,4	15,26
<i>Payout Ratio (%)</i>	85	97	36	62,84
<i>Buyback yield (%)</i>	0,06	0,4	/	/
<i>Share Buybacks</i>	2022: €22 million	2025: SEK 175 million	/	/
		2024: SEK 1 billion		

## 9. Profitability

Inditex has strong and stable margins compared to its peers. Its gross margin of 55.9% and operating margin of 19.5% are higher than H&M, Fast Retailing Co., and the industry average, showing that the company earns more profit from its sales. Net margin (15.1%) and EBITDA margin (22.9%) confirm that profitability is consistently strong. With a ROE of 35.2% and ROIC of 29.7%, Inditex efficiently uses its operations and financial leverage to generate high returns. Its cash conversion of 20.5% and free cash flow margin of 16.4% also show good liquidity and resources for growth. Overall, Inditex is more profitable and efficient than H&M, while Fast Retailing Co. performs well but slightly below Inditex

- **Gross Margin (%):**

55,9
------

- **Operating Margin (%):**

19,5
------

- **Net Margin (%):**

15,1
------

- **Cash Conversion (%):**

20,5
------

- **FCF Margin (%):**

16,4
------

- **EBITDA Margin (%)**

22,9
------

- **ROE (%):**

35,2
------

- **ROA (%):**

17,5
------

- **Peer Benchmark Comparison:**

<b>Ratio</b>	<b>Inditex</b>	<b>5Y avg</b>	<b>H&amp;M group</b>	<b>Fast Retailing Co.</b>	<b>Industry</b>
<b>Gross Margin (%)</b>	55,9	54,8	53,1	53,9	54,28
<b>Operating Margin (%)</b>	19,5	15,9	7,3	15,9	9,61
<b>Net Margin (%)</b>	15,1	12,0	4,7	12,0	2,98
<b>Cash Conversion (%)</b>	20,5	29,88	2,4	-20,6	/
<b>FCF Margin (%)</b>	16,4	18,1	8,4	14,6	/
<b>EBITDA Margin (%)</b>	22,9	20,0	10	22,4	11,79
<b>ROE (%)</b>	35,2	28,9	26,2	18,3	8,47
<b>ROIC(%)</b>	29,7	21,4	7,4	22,6	15,26
<b>ROA (%)</b>	17,5	15,0	6,1	10,8	/

## 10. Historical Growth

Over the past years, Inditex has shown consistent expansion in both sales and profits, supported by its global reach, fast fashion model, and efficient supply chain. The company's growth does not appear to be a temporary spike but rather the result of solid business fundamentals and continuous innovation in digital and store operations.

- ***Is the growth structural or cyclical?***

Inditex's growth seems to be structural, not cyclical. The company has been expanding steadily thanks to its strong business model, international presence, and focus on digital and store development.

- ***Is the growth organic or acquisition-driven?***

The growth is mainly organic, meaning it comes from its own activities rather than from buying other companies. Inditex grows by improving its stores, online channels, and supply chain.

- ***How stable have margins been during the growth?***

The company's margins have stayed stable over time. Even as Inditex grows, it manages costs well and keeps profitability at a solid level.

- ***Historical Growth Drivers: not found***

- ***Organic growth***

	<i>Value</i>	<i>% of total growth</i>
<i>1 Year avg.</i>		
<i>5 Year avg.</i>		
<i>10 Year avg.</i>		

- ***Inorganic growth***

	<i>Value</i>	<i>% of total growth</i>
<i>1 Year avg.</i>		
<i>5 Year avg.</i>		
<i>10 Year avg.</i>		

- ***Peer / Industry Comparison:***

	<i>Inditex</i>	<i>H&amp;M group</i>	<i>Fast Retailing Co.</i>	<i>Industry</i>
<b>5-Year Revenue CAGR (%)</b>	10,6	3,3	6,3	6,97
<b>5-Year EPS CAGR (%)</b>	25,4	30,2	36,7	
<b>5-Year EBITDA CAGR (%)</b>	8,09	-2,75	30,8	
<b>5-Year FCF CAGR (%)</b>	16,86	-1,42	10,15	

## 11. Outlook

- **Future Growth Drivers:**

Inditex's future growth is likely to be driven by several key factors. E-commerce expansion remains a top priority, with investments in digital platforms and logistics to support online sales globally. International market expansion, especially in Asia, Latin America, and emerging markets, offers new revenue opportunities. The company also focuses on store optimization, including opening new stores in high-potential locations while upgrading existing stores for a better customer experience. Sustainability initiatives and eco-friendly product lines are expected to attract environmentally conscious consumers and strengthen brand loyalty.

- **Management Guidance:**

Not found

- **Analyst Expectations:**

Growth expectations (%)	1y low	1y mid	1y high	Average
	-8%	9%	32%	11%

- **Risks to Outlook:**

➔ **Main Risk:** Slower consumer demand or fashion trends shifting away from Inditex's core brands, which could reduce sales growth.

➔ **Minor Risk:** Supply chain disruptions or cost increases (for materials, transport, or labor) that could pressure margins.

➔ **External Risk:** Global economic downturns, geopolitical tensions, or currency fluctuations that may affect international sales and profitability.

- **Short-Term Strategy:**

- Expand online sales channels
- Open new stores selectively
- Respond quickly to market trends

- **Long-Term Strategy:**

- Strengthen global presence
- Invest in technology

- Sustainability goals

## Our Main Goals

**2025 /** 100% lower-impact linen and polyester

**2025 /** Reducing our water consumption in our supply chain by 25%

**2025 /** Reaching three million people in our supply chain with our Workers in the Centre strategy

**2030 /** Protecting, restoring, regenerating or otherwise improving biodiversity across 5 million hectares

**2030 /** Reducing our emissions by over 50% (own operations and our value chain).

**2030 /** Using lower-impact textile fibres only (next gen fibres, recycled fibres and fibres obtained from organic or regenerative farming practices)

**2040 /** Achieving zero net emissions by reducing our carbon footprint by at least 90% by comparison with 2018

## 12. Valuation

Inditex stands out as a financially solid and efficiently managed company within the global fashion retail sector. With a price-earnings ratio of 25.3, it is slightly below H&M (26.8) and Fast Retailing (29.8), positioning Inditex between a value-oriented retailer and a high-growth competitor. Its dividend yield of 3.43% remains attractive — above the industry average (1.72%) and well above Fast Retailing's 0.97% — highlighting Inditex's strong cash generation and commitment to shareholder returns.

However, Inditex's EV/EBITDA ratio of 14.1 exceeds both H&M (9.3) and the industry average (9.22), suggesting that investors are willing to pay a premium for its stability and profitability. Meanwhile, the PEG ratio of 3.72, higher than that of H&M (2.42), Fast Retailing (2.70), and the industry average (2.97), indicates more moderate earnings growth expectations relative to peers.

Overall, Inditex combines financial strength and operational efficiency, but its current valuation implies that much of this stability is already priced in, leaving somewhat limited upside unless growth accelerates.

- **Current Stock Price:**

47,02
-------

- **Forward P/E:**

18,9
------

- **Dividend Yield (%):**

3,43
------

- **EV/EBITDA:**

14,1
------

- **PEG Ratio:**

9,1
-----

- **Comparison with the peer's**

	Inditex	H&M group	Fast retailing Co.	Industry
P/E	25,3	26,8	29,8	21,85
Dividend Yield (%)	3,43	3,95	0,97	1,72
EV/EBITDA	14,1	9,3	17,8	9,22
PEG Ratio	3,72	2,42	2,70	2,97

## 13. Historical Value Creation

- **Key value creation matrix:**

Metric	Inditex	5Y Avg	10Y Avg	Market Avg
5-Year TSR (%)	118,75	/	/	50,16
10-Year TSR (%)	265,6	/	/	125,47
CAGR of Shareholder Value (%)	/	15,48	13,6	/

- **Drivers of Value Creation:**

- **Revenue growth:**

7,5%

- **Margin expansion:**

0,2%

## 14. ESG

Inditex has made notable ESG efforts, particularly in sustainable sourcing, supply chain transparency, and eco-efficient stores. The company aims to reduce its environmental footprint through initiatives like eco-friendly materials and energy-efficient logistics, demonstrating a clear commitment to social and environmental responsibility.

Despite its sustainability initiatives, Inditex still faces challenges. Fast fashion's inherent model contributes to overproduction and resource use, and the company has occasionally been criticized for labor practices in its supply chain. While progress is being made, these areas remain potential ESG risks for investors.