

ITX – Inditex

Company overview

Industria de Diseño Textil SA, known as Inditex SA, is a Spain-based company primarily engaged in the textile industry.

The Company's activities include the design, confection, manufacturing, distribution and retail of men, women and children apparel, footwear and fashion accessories, as well as home furnishings and household textile products.

The Company's business is divided into three segments: Zara, which provides various fashion and home items under the Zara brand name; Bershka, offering clothes under the Bershka brand name, which aims at teenagers, and Other, which retails apparel under Stradivarius, Oysho, Pull&Bear and Massimo Dutti brand names, among others. The Company operates worldwide through numerous subsidiaries. It is controlled by Pontegadea Inversiones SL.

€ million	Sales	24/23	PBT/Sales	ROCE
Zara & Zara Home	27,778	6.6%	19.5%	36%
Pull&Bear	2,469	4.6%	18.6%	48%
Massimo Dutti	1,960	6.6%	20.5%	51%
Bershka	2,930	11.8%	18.7%	45%
Stradivarius	2,664	14.1%	23.1%	70%
Oysho	831	11.8%	17.6%	51%
Total	38,632	7.5%	19.6%	40%

ITX annual presentation

Recommendation: Buy

CMP: 46,54€

Target Price: 62,91€

Stock Data (as on Nov 22, 2025)

52 Weeks(H/L): 40,80€/56,34€

Market Cap: 145.000 M€

No. of shares : 3.115.000.000

Dividend Yield: 2,9%

Absolute Return

6 months: -4,18%

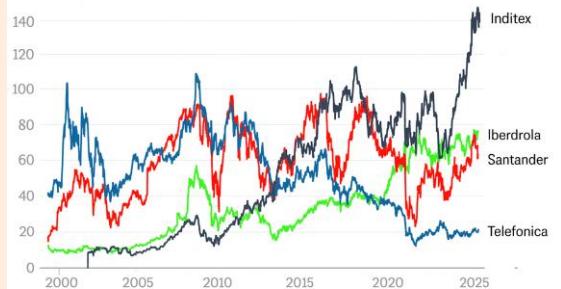
1 year: -10,15 %

3 years: 70,85 %

Performance vs Spanish Stocks

The struggle for the IBEX 35 throne

Market capitalization, in billions of euros



Bloomberg

Made by: Adrian Anton Biezma

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ITX annual presentation

Inditex has a truly global presence, operating across 214 markets worldwide through a combination of physical stores and online platforms. Its retail network is primarily concentrated in Europe but extends across all continents. By the end of fiscal year 2024, the Group operated 5,563 stores under its various concepts, including flagship locations in major cities and a growing number of smaller markets reached through franchising or digital channels.

Apparel Market Size

The global apparel market size was valued at USD 1.67 trillion in 2024 and is projected to reach from USD 1.80 trillion by 2025 to USD 2.97 trillion by 2033, exhibiting a CAGR of 8.02% during the forecast period (2025-2033). The global apparel market is a dynamic and multifaceted sector encompassing a wide range of clothing products, including casual wear, formal attire, sportswear, and luxury items.

According to the World Trade Organization (WTO), this market is characterized by the influence of various factors, such as rising disposable incomes, population growth, and the increasing impact of fashion trends. The industry operates through a complex supply chain involving raw material suppliers, manufacturers, distributors, and retailers, all of which play crucial roles in delivering products to consumers. In recent years, sustainability has emerged as a key focus within the apparel industry, with many companies committing to environmentally friendly practices.

The United Nations Industrial Development Organization (UNIDO) highlights that many manufacturers are adopting circular economy principles, which emphasize recycling and reducing waste. This shift toward sustainable production methods is driven by consumer demand for ethical and environmentally friendly products, pushing brands to innovate in their materials and supply chain processes. Trade policies and regulations significantly influence the global apparel market.

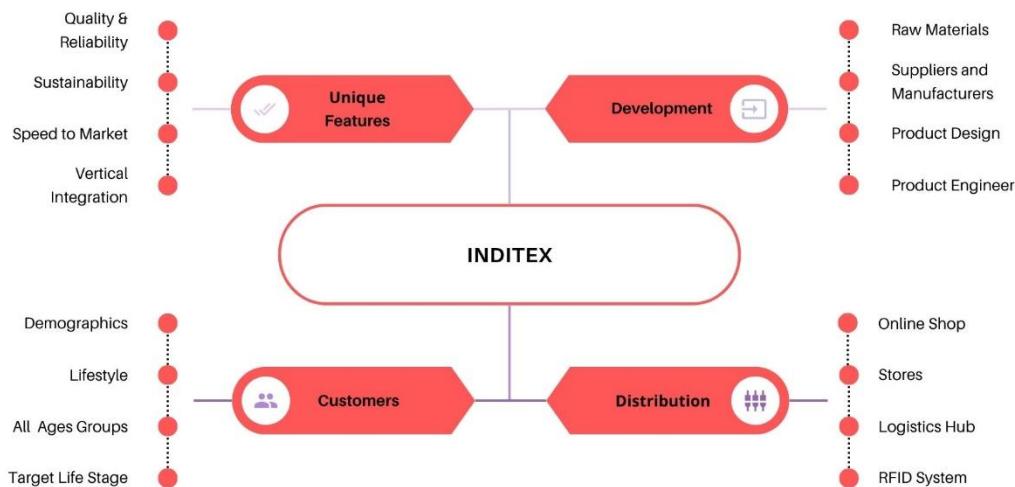
The International Trade Centre (ITC) reports that trade agreements play a crucial role in shaping market dynamics, enabling manufacturers to access new markets and consumers to enjoy a broader selection of products. Countries with strong textile and apparel industries, such as China, India, and Bangladesh, benefit from favorable trade terms, which facilitate export growth and increase their competitive positioning in the global market.

Company and business model

Inditex's success is founded on a distinctive business model that integrates every stage of the fashion value chain, from design and manufacturing to logistics and retail. This structure enables exceptional agility and rapid product turnaround. Recognized as a pioneer of fast fashion, the company has mastered the ability to transform runway and street trends into affordable collections within weeks.

This efficiency is made possible by strong vertical integration and a highly flexible supply chain. Unlike many competitors that rely heavily on long production cycles in Asia, Inditex manufactures a substantial share of its garments close to its core markets in Spain, Portugal, Morocco, Turkey, and Eastern Europe through a mix of owned facilities and specialized suppliers.

This proximity model allows the company to adjust production in real time, scaling successful items and discontinuing underperformers quickly. The result is a demand-driven approach that minimizes fashion risk and creates a sense of scarcity, as new designs arrive in limited quantities twice a week, encouraging frequent store visits.



Another cornerstone of Inditex's strategy is its fully integrated omnichannel ecosystem, which unifies online and offline operations through a single stock management system known as SINT.

This system enables seamless order fulfillment across channels, allowing online orders to be shipped directly from stores and store inventory to be replenished via online logistics. The approach optimizes stock levels, reduces markdowns, and enhances customer experience.

Physical stores remain central to this strategy, serving as both brand showcases and local distribution hubs. In recent years, Inditex has prioritized quality over quantity, closing smaller, less productive stores while opening larger flagships in premium locations. In 2024, total retail space expanded by 2.0%, even as the total number of stores decreased by 2.3%, highlighting the focus on efficiency and customer experience.

The company continues to invest in modern store formats, including innovative layouts, in-store cafés, and pop-up concepts, while maintaining a strong emphasis on digital growth. In 2024, Inditex's online platforms attracted 8.1 billion visits, supported by more than 200 million app users and 250 million social media followers, underscoring its global digital reach.



Inditex's business model, built on fast-fashion logistics and tight control of its vertically integrated supply chain, is reflected in the steady recovery of revenues after 2020.

The strong rebound in revenue from 2021 onward highlights the resilience of Inditex's global retail footprint and its ability to adapt quickly to shifts in consumer demand. EBITDA growth closely tracks the expansion in revenue, indicating disciplined cost management and operating leverage across the company's store network and online platform.

By 2024, both revenue and EBITDA reach their highest levels in the period, underscoring the robustness of Inditex's business model and its capacity to generate profitable, scalable growth.

Industry and competitive landscape

Inditex dominates the global fashion market and, together with other major competitors, captures a significant share of the textile industry. For the first half of 2024, Inditex's sales grew by 7%, and the company has made significant investments in logistics to support further growth. In the online fashion market, Zara holds a **36.4% market share**.

The global fast fashion market is estimated at **~US\$110–120 billion in 2024**, with a **moderate annual growth forecast (+5–6% CAGR through 2030)**, driven by:

- Increasing online penetration.
- Growth in emerging markets (Asia, Latin America, Africa).
- Younger consumer segment and the “frequent purchase, low average ticket” trend.

However, the sector faces **structural challenges**:

- Environmental and regulatory pressures.
- A more conscious consumer → rise of sustainable fashion and second-hand markets.
- Intense digital competition (Shein, Temu) with ultra-low prices

Inditex operates in one of the world's largest and most fragmented consumer sectors. Despite its leadership in fast fashion, the company maintains a relatively low global market share, a point highlighted in its 2024 Annual Results. Zara remains a dominant player in online and offline apparel, holding a **36.4% share** in the French ultra-fast-fashion segment according to NielsenIQ.

The global fast-fashion market is valued at **US\$148 billion in 2024** and is expected to grow at a **10% CAGR** through 2032. Growth is driven by rising online penetration, expansion in emerging economies, and a younger consumer base that favors frequent, low-ticket purchases.

However, the sector faces notable structural pressures: tightening environmental and regulatory requirements, the shift toward sustainable and second-hand fashion, and aggressive price-driven competition from digital-native players such as Shein and Temu. Analysts at NielsenIQ describe Shein as an ultra-fast disruptor, while Zara is increasingly positioned toward higher-quality and more premium assortments to preserve differentiation.

Key competitors

H&M (Sweden)

- 2024 Sales: ~€22B.
- More traditional fast fashion model, less vertically integrated.
- Undergoing digitalization and sustainability initiatives, but with lower margins than Inditex.
- H&M operates **4,250 stores** compared to Inditex's **5,563**, and is present in **79 markets** versus Inditex's **214**.

Fast Retailing / Uniqlo (Japan)

- 2024 Sales: ~€19B.
- Focused on higher-quality “basic fashion” with longer product cycles than pure fast fashion.
- Strong growth in Asia, especially China and Japan.

Shein (China, private)

- 2024 Estimates: ~€30B in sales.
- Digital-first, ultra-fast fashion model, with minimal physical presence.
- Significant threat due to low prices and an aggressive digital marketing strategy

Strengths and Competitive Advantages

Inditex operates within a highly competitive and fragmented global apparel industry, yet several structural advantages make it difficult for new entrants to replicate its success.

The company's vertically integrated business model represents one of the strongest barriers to entry. By controlling the entire value chain from design to production, logistics, and retail.

Inditex achieves unmatched speed and flexibility in responding to consumer trends. Its proximity sourcing strategy, with significant production in Spain, Portugal, Morocco, Turkey, and Eastern Europe, allows for short lead times and agile inventory management that few competitors can match.

Scale and operational efficiency further reinforce these barriers. Inditex's vast global footprint, spanning 214 markets with over 5,500 stores, gives it significant purchasing power, logistical advantages, and marketing reach.

Its unified stock management system (SINT) enables real-time coordination between online and physical channels, reducing markdowns and improving margins. The combination of data-driven decision-making and rigorous cost control has allowed Inditex to maintain strong profitability and cash generation, supporting continued investment in technology, sustainability, and store innovation.

Finally, the company's strong brand equity and sustainability commitments add a softer but increasingly relevant barrier. Inditex's brands especially Zara, benefit from high customer loyalty, frequent store visits, and global recognition.

Meanwhile, initiatives such as using 73% lower-impact fibers and reducing GHG emissions by 5% in 2024 strengthen its reputation as a responsible retailer, which new entrants would find difficult to emulate at scale. Together, these factors make Inditex's competitive moat exceptionally resilient.

Weaknesses and risks

Despite its strong fundamentals, Inditex faces several structural risks that could limit future growth. The company's heavy reliance on Zara remains a key vulnerability, as the brand accounts for more than 70% of total sales and profits. Any decline in consumer interest or an unsuccessful collection could significantly affect overall performance.

Growth in mature markets such as Europe is also slowing, and while emerging markets offer expansion opportunities, they bring higher exposure to currency fluctuations, regulatory complexity, and supply chain risks.

As a global fast-fashion retailer, Inditex is exposed to external risks linked to macroeconomic and consumer trends. Customer preferences are becoming increasingly unpredictable, and abrupt shifts toward ultra-casual, second-hand, or sustainable fashion could weaken demand for its traditional model.

Tightening environmental and social regulations in Europe, along with potential sustainability-related taxes, may increase operating costs and put pressure on margins. Moreover, competition continues to intensify, both from established rivals like H&M and Uniqlo and from digital-native disruptors such as Shein, Temu, and ASOS, which challenge Inditex's pricing power and market share.

The fast-fashion model also presents operational and reputational challenges. Maintaining efficiency in inventory management while reducing waste and emissions remains complex. Any failure to meet sustainability expectations could affect the company's public image and investor confidence.

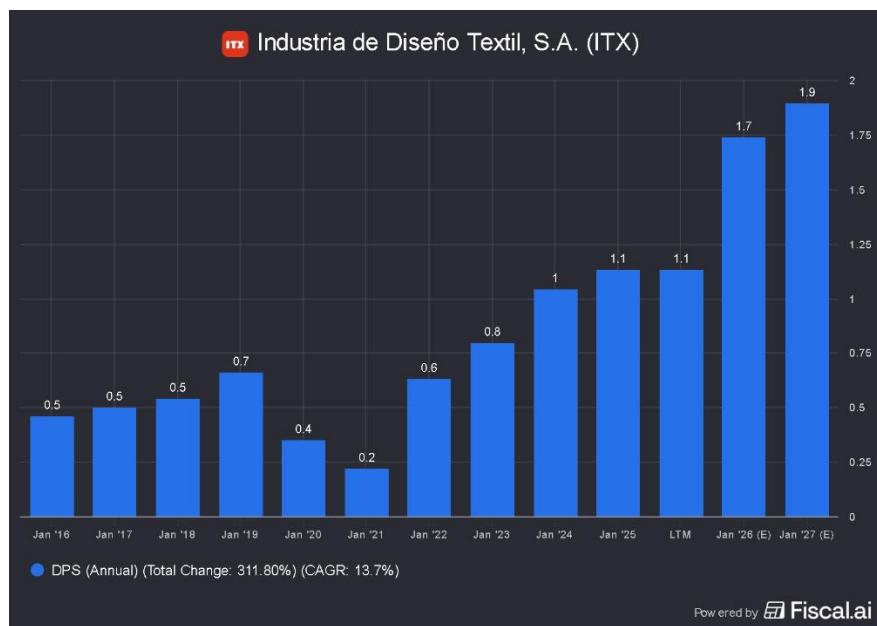
Inditex's own materiality assessment identifies climate-related risks, supply chain dependencies, and evolving ESG regulations as key long-term concerns. In addition, macroeconomic factors such as inflation, lower consumer confidence, and currency volatility could weigh on earnings, particularly given the Group's strong exposure to European markets.

Dividends

Dividends paid by the Parent Company during fiscal years 2024 and 2023 amounted to €4,797 million and €3,736 million, respectively. The above amounts correspond to payments of €1.54 per share and €1.20 per share, respectively.

The Board of Directors will propose to the General Shareholders' Meeting to distribute a gross amount of €1.68 per share to shares entitled to dividends, of which €1.13 per share corresponds to an ordinary dividend and €0.55 per share to an extraordinary dividend. Of the total amount of €1.68 per share, €0.84 per share will be payable on May 2, 2025, as an interim ordinary dividend charged to the 2024 financial year, and €0.84 per share will be distributed from the Parent Company's available reserves and payable on November 3, 2025, as complementary ordinary and extraordinary dividends.

This proposal includes the distribution of a maximum total amount of €5,236 million as dividends, corresponding to a gross payment of €1.68 per share for all the Parent Company's shares (3,116,652,000 shares).



Full Year 2024 Financial Results Summary

In 2024, Inditex continued to demonstrate strong operational performance, driven by the creativity of its teams and the solid execution of its integrated store and online business model. The collections were very well received by customers. Sales grew by 7.5%, reaching €38.6 billion, with highly satisfactory performance both in stores and online, and positive results across all formats.

Execution of the business model has been outstanding. Gross profit reached €22.3 billion, up 7.6% from 2023, representing 57.8% of sales. Operating expenses were tightly controlled, increasing by 6.5% year-on-year, below the growth rate of sales.

Operating income rose by 8.9% to €10.7 billion, while EBIT grew by 11.0% to €7.6 billion. Profit before tax increased by 10.3% to €7.6 billion.

Net income rose by 9.0% to €5.9 billion, building on the company's solid growth trajectory in recent years.

Inditex's goodwill remained stable in 2024, closing the year at €196 million, with only a minor impact from exchange rate movements. The balance reflects goodwill associated with acquired subsidiaries such as Stradivarius España, ITX Portugal, Zara Polska and Massimo Dutti Benelux, all of which continue to demonstrate sufficient profitability to justify their carrying value.

The company also confirms that sensitivity analyses on key valuation variables show recoverable amounts comfortably above book value. Financial investments increased to €450 million at year-end 2024, driven mainly by additions to loans, other credits, and equity-accounted investments, offset partially by divestments.

The carrying amount of Inditex's stake in Grupo Tempe remained broadly unchanged, with no material impact on the consolidated balance sheet. Overall, both goodwill and financial investments reflect a conservative balance-sheet structure and disciplined capital allocation.

Inditex's 2024 results include non-recurring items mainly related to extraordinary personnel expenses and the valuation of cross-option agreements linked to minority stakes in subsidiaries in South Korea, South Africa and India, all recorded under "Other net gains and losses."

Depreciation and amortisation reached €3.174 billion, slightly higher than 2023, reflecting continued investment in stores, logistics and technology. Financial income increased to €519 million driven by higher interest rates and positive currency effects, while financial expenses rose to €596 million, mainly due to lease-related costs and negative exchange rate movements.

Overall, the financial result remained solid, supported by strong cash generation and efficient balance-sheet management despite currency volatility.

Valuation

Figures in Millions(Except EPS)	FINANCIAL ANALYSIS				
	2020	2021	2022	2023	2024
Revenue	28.286	20.402	27.716	32.569	35.947
Cost of Revenue	12.479	9.013	11.902	14.010	15.185
Gross Profit	15.806	11.390	15.814	18.559	20.762
EBIT	4.772	1.507	4.282	5.520	6.809
EBITDA	7.598	4.552	7.183	8.649	9.850
Net Income	3.629	1.106	3.243	4.130	5.381
EPS	1.17	0.36	1.04	1.33	1.73

Inditex registers a solid post-pandemic recovery, with strong increases in Revenue, EBIT, EBITDA and Net Income throughout 2021–2024. The extraordinary jump in 2021 reflects the reopening of stores and the rebound in global consumption, but from 2022 onward growth becomes more moderate, indicating a normalization of demand.

Gross Profit rises consistently, while Cost of Revenue also increases but at a controlled pace, showing efforts to improve efficiency and protect margins. By 2024, Inditex reaches higher profitability than pre-Covid levels, though the pace of growth is clearly decelerating. Overall, the company demonstrates stable expansion and strong financial fundamentals in a more mature and cost-sensitive market environment.

Ratios

	GROSS MARGIN				
	2020	2021	2022	2023	2024
Revenue	28.286	20.402	27.716	32.569	35.947
Cost of Revenue	-12.479	-9.013	-11.902	-14.010	-15.185
Gross Margin	55,88%	55,82%	57,06%	56,98%	57,76%

	EBITDA MARGIN				
	2020	2021	2022	2023	2024
Revenue	28.286	20.402	27.716	32.569	35.947
EBITDA	7.598	4.552	7.183	8.649	9.850
Gross Margin	26,86%	22,31%	25,92%	26,56%	27,40%

	NET MARGIN				
	2020	2021	2022	2023	2024
Revenue	28.286	20.402	27.716	32.569	35.947
Net Income	3.629	1.106	3.243	4.130	5.381
Net Margin	12,83%	5,42%	11,70%	12,68%	14,97%

	ROE				
	2020	2021	2022	2023	2024
Equity	14.049	14.550	17.033	18.672	19.676
Net Income	3.629	1.106	3.243	4.130	5.381
ROE	25,83%	7,60%	19,04%	22,12%	27,35%

	ROA				
	2020	2021	2022	2023	2024
Total Assets	28.391	26.418	28.495	29.983	32.735
Net Income	3.629	1.106	3.243	4.130	5.381
ROA	12,78%	4,19%	11,38%	13,77%	16,44%

Inditex shows a steady improvement in profitability and efficiency from 2020 to 2024. Gross Margin remains consistently strong above 55%, while EBITDA Margin recovers after 2021 and reaches healthier levels in 2024, reflecting better cost control and operational efficiency.

Net Margin increases significantly, demonstrating a solid rebound in net profitability. Both ROE and ROA rise sharply over the period, indicating that the company is generating higher returns from its equity and assets.

Overall, the ratios confirm Inditex's transition from post-pandemic recovery to a phase of stable and efficient growth.

DCF Valuation

Years	Historical				Predicted			
	2022	2023	2024	2025 E	2026 E	2027 E	2028 E	2029 E
Revenue	27.716	32.569	35.947	37.744,35	39.631,57	41.613,15	43.693,80	45.878,49
%Growth	36%	18%	10%	5%	5%	5%	5%	5%
EBIT Margin	15%	17%	19%	19%	19%	19%	19%	19%
EBIT	4.282	5.520	6.809	7171	7530	7906	8302	8717
Tax Payment	-949	-1211	-1475	-1578	-1657	-1739	-1826	-1918
CAPEX	-1126	-1418	-1889	-1887	-1982	-2081	-2185	-2294
Change In WC	-473	-1473	-2235	-1510	-1585	-1665	-1748	-1835
FCF	6.088	5.644	7.251	8991	9440	9912	10408	10928
Terminal Value								159.240

WACC 7%

Period	1	2	3	4	5
Discount Factor	0,93	0,87	0,82	0,76	0,71
PV of FCF	8403	8245	8091	7940	7792
PV of TV					144229

DCF VALUATION	
Enterprise value	184700
Net Debt	-11400
Equity Value	196100
Number of shares	3.117
Equity Value/Share	62,91
Market Value/Share	47,33
Verdict	Undervalued

Investment thesis

Based on our Discounted Cash Flow (DCF) analysis, we conclude that Inditex is currently undervalued relative to its intrinsic value.

Our model estimates an equity value per share of €62.9, compared to the current market price of €47.3, implying a potential upside of approximately 33%.

Key Drivers

- Valuation Gap:**

Our DCF valuation indicates that Inditex's current market price does not fully reflect its strong cash generation capacity and operational resilience. The company appears to be trading at a discount relative to its long-term fundamentals.

- Margin Stability:**

Despite inflationary pressures and higher logistics costs, Inditex has managed to maintain robust operating margins through its vertically integrated model, fast supply chain, and disciplined cost control. These factors continue to support healthy profitability and cash flow generation.

- Global Diversification:**

The company's growing online channel and international footprint particularly in the Americas and Asia, provide a balanced exposure that reduces dependence on mature European markets and supports long-term growth potential.

Conclusion

Given the valuation discount, solid fundamentals, and proven adaptability of Inditex's business model, we recommend a "Buy" rating on the stock.

We believe that the current market price offers an attractive entry point for long-term investors, with meaningful upside potential toward our intrinsic value estimate of €62.9 per share.