UNIVERSIDADE CATÓLICA PORTUGUESA

Company Valuation and Investment Case of Inditex

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Católica Porto Business School
April 2025

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Valuation and Investment Attractiveness of Inditex

Master's Final Assignment – Witten Assignment
Presented to *Universidade Católica Portuguesa*
to obtain a Master's Degree in Finance

by

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April 2025

Acknowledgements

I would like to thank my parents for giving me the necessary base and support during my academic career. To my sister, for her motivating words and encouragement during this challenging phase. To my grandparents, for the example of hard work and resilience that they have always passed on to me and which inspires me daily.

I would also like to thank my friends, who were with me every day at Católica Porto Business School during these months filled with intensive research and writing.

Last but not by any means the least, a special thank you to my supervisor, Professor Gonçalo Faria, for guiding and supporting me, for his patience in the difficult times and for the knowledge he made available during this study. His dedication was essential in enabling me to overcome the obstacles that arose.

To everyone who contributed in some way to this achievement, my sincerest gratitude.

Abstract

Inditex is one of the world's largest fashion companies in the retail sector. This study evaluates the company and the attractiveness of investing in it. The aim is to assess Inditex's financial performance from 2020 to 2024 and to carry out a financial forecast from 2025 to 2030.

The study starts by analysing the company's trends using historical data and then applying DCF model, to quantify projections for the forecast period. The Relative Valuation is then carried out by comparing the P/E Ratio (Price-to-Earnings) multiple between the companies that make up Inditex's Peer Group.

The work concludes that Inditex is a mature, stable company with positive cash flows, where the debt-to-equity structure is conservative, the level of liquidity is stable over the years and it’s a profitable company with a gross margin above 50% with an attractive dividend distribution policy.

However, as a fast fashion company, it must pay special attention to emerging competitors on the Asian continent, keep up with trends in the digitalization of the business and dedicate itself to the sustainable objectives to which it has committed.

Finally, after analysing the intrinsic and relative value of the company, it is recommended to invest in Inditex, as there are expectations of a potential increase in its value.

Summary

This study presents a comprehensive analysis of Inditex, one of the world's largest fashion retailers, focusing on its financial and strategic position. The research aims to provide an in-depth valuation of the company and assess its investment attractiveness through various analytical frameworks.

It begins by outlining the study's objectives, emphasizing its relevance in understanding Inditex's valuation and investment potential. A literature review follows, establishing the theoretical foundation by discussing key valuation methods while exploring market dynamics.

Then the study offers an industry and market analysis, examining macroeconomic trends and competitive forces shaping the fashion industry, providing insights into the industry's evolving dynamics and their implications for Inditex.

It details the research methodology, explaining the data sources and valuation techniques used to assess the company's worth and investment appeal. A detailed financial analysis presents an evaluation of Inditex's income statement, balance sheet, and cash flow trends, including financial forecasting and the application of the chosen valuation model to derive an accurate assessment of Inditex's value.

Additionally, the study conducts a peer group analysis, comparing Inditex's performance with its competitors, followed by a relative valuation positioning Inditex within the industry and providing a benchmark for its valuation metrics.

The study concludes by presenting its key findings, offering strategic recommendations for Inditex to enhance its operations and performance in the future, and providing a final investment recommendation based on the analysis.

Keywords: Inditex; Valuation; Financial Analysis; Investment Attractiveness; Strategic Positioning

Sumário

Este estudo apresenta uma análise abrangente da Inditex, uma das maiores retalhistas de moda a nível mundial, focando-se na sua posição financeira e estratégica. O estudo tem como objetivo realizar uma avaliação aprofundada da empresa e avaliar a sua atratividade como investimento, recorrendo a vários modelos de análise.

Inicia com a enunciação dos objetivos do estudo, realçando a sua relevância na compreensão da avaliação e do potencial de investimento da Inditex. De seguida, realiza-se uma revisão da literatura, estabelecendo a fundamentação teórica ao discutir métodos de avaliação chave enquanto se explora a dinâmica do mercado.

Seguidamente, o estudo oferece uma análise setorial e de mercado, examinando tendências macroeconómicas e forças competitivas que moldam a indústria da moda, proporcionando insights sobre a dinâmica evolutiva do setor e as suas implicações para a Inditex.

São igualmente apresentados os métodos de investigação utilizados, nomeadamente as fontes de dados e técnicas de avaliação utilizadas para determinar o valor e o potencial de investimento da empresa. A análise financeira detalhada avalia a Inditex através da sua demonstração de resultados, balanço e fluxos de caixa, incluindo previsões financeiras e a aplicação da metodologia de avaliação escolhida para determinar o valor exato da empresa.

Adicionalmente, o estudo realiza uma análise da amostra de pares, comparando o desempenho da Inditex com o dos seus concorrentes, seguida de uma avaliação relativa que posiciona a Inditex no setor e estabelece um ponto de referência para as suas métricas de avaliação.

Por fim, o estudo apresenta as suas principais conclusões, oferecendo recomendações estratégicas para a Inditex melhorar as suas operações e o seu desempenho no futuro, e apresentando uma recomendação final de investimento com base na análise efetuada.

Palavras chave: Inditex; Avaliação; Análise financeira; Atratividade do investimento; Posicionamento Estratégico

Contents

List of Figures

List of Tables

1. Introduction

1.1 Background of the study

1.1.1 Overview of the Company

The world's largest fast fashion company, Inditex, was founded by Amancio Ortega. He entered the world of fashion through his first job at *La Maja Boutiques* as an assistant, becoming shop manager in 5 years. With the expertise gained, in 1963 decided to open the first clothing manufacturing company, *Confecciones GOA*.

In 1975, he opened his first *ZARA* shop in La Coruña. The success of this first shop made the business grow in Galicia and in 1988, *ZARA* was already present throughout the country, opening its first shop outside of Spain, in Porto, Portugal and in New York (1989) and finally Paris (1990).

Shortly afterwards he founded Inditex, a totally independent company that works without intermediaries, between 1991 and 1999 new brands appeared: Pull&Bear, Massimo Dutti, Bershka and Stradivarius. Between 200-2001, Inditex floated on the Madrid Stock Exchange and Oysho and Zara Home brands were launched.

Based on 2023 Annual Report, Inditex is currently present in 213 markets with 161.281 employees of 174 nationalities and net sales of €35,947M.

According to International Institute for Management Development (2024), Inditex ranks the third position among the leading global fashion companies, only behind the French luxury companies Hermès and LVMH, "Against a backdrop of widespread criticism of the fast fashion industry, Zara surged up to the #3 spot through a deft combination of cultural resonance and digital integration".

1.1.2 Inditex Brands

Inditex is a made up of seven brands globally known for selling fast fashion apparel through physical and online channels. Each brand has a diverse range of customers, offering a unique style and focus:

- Zara: Trend-focused, all ages; values accessible, stylish, and responsible fashion.
- Pull&Bear: Socially conscious, community-driven; prefers casual and comfy wear.
- Massimo Dutti: Sophisticated, independent; prioritizes quality, elegance, and timeless style.
- Bershka: Urban, trend-savvy youth; highly engaged on social media.
- Stradivarius: Young women seeking confidence and self-expression through fashion.
- Oysho: Active, health-conscious; values stylish, functional, and sustainable sportswear.
- Zara Home: Design-conscious customers seeking stylish, cozy, and modern interiors.

Together, these brands demonstrate Inditex's ability to target a wide range of customer preferences and lifestyles. This strategic approach ensures adaptability and reinforces its leadership in the global fashion industry.

1.1.3 Logistics

According to Inditex's Supplier Report (2022), the company’s supply chain is characterized as efficient and agile, with the capability to adapt to always changing industry needs and environmental standards. In 2022, Inditex worked with 1729 direct suppliers located in 50 markets distributed through four continents, creating a proximity model. The factories that make the garments are mainly located in Spain, Portugal, Morocco and Turkey.

Finally, products are quickly shipped to one of Inditex’s central distribution hubs, where they undergo quality checks before being sent to stores in two weeks’ time.

1.2 Research Objectives

This study aims to provide a comprehensive analysis of Inditex's financial, operational, and strategic performance. Its primary objective is to determine the intrinsic value of the company and evaluate its potential as an attractive investment opportunity to offer valuable insights for investors and stakeholders.

A critical component of the study is the valuation analysis, which employs various methodologies to estimate Inditex's fair market value. Techniques such Discounted Cash Flow (DCF) analysis and comparative company analysis are used to provide company's value.

Additionally, the study evaluates Inditex's historical financial performance by examining revenue growth, profitability, and efficiency metrics.

To contextualize Inditex's performance, the study also explores the broader industry and market environment, examining the company’s competitive position within the global fashion retail sector, as well as relevant consumer trends, market dynamics and key growth drivers or risks.

1.3 Research Questions

The research questions guide the study and clarify its purpose, provide structure, enhance relevance and facilitate critical thinking. These questions provide a clear framework for addressing the study’s objectives and structuring the analysis.

The first question is "What is the intrinsic value of Inditex based on its financial performance and growth potential?", which seeks to establish a comprehensive understanding of the company's true value, going beyond market perceptions to explore its fundamental financial metrics and long-term growth prospects.

The second question "What factors affect the valuation of Inditex?" which investigates the key drivers and challenges impacting the company's valuation, including internal and external elements.

The third and last question "How attractive is investing in Inditex compared to companies in its peer group?" which aims to position Inditex within its competitive landscape and assess its investment appeal.

These research questions guide the methodology and ensure alignment with the study's objectives.

2. Literature Review

2.1 Valuation Methods

Valuation is a fundamental aspect of financial decision-making, guiding the allocation of resources to create sustainable value. Brealey, Myers, and Allen (2013) emphasize the role of valuation in maximizing shareholder wealth by using methods such as Net Present Value (NPV) and Internal Rate of Return (IRR).

Additionally, Damodaran (2002) highlights the significance of DCF analysis, advocating for precise cash flow estimation and the inclusion of risk factors through models like the Capital Asset Pricing Model (CAPM) to determine appropriate discount rates. Moreover in 2012, Damodaran, present other income-based methods, such as the Residual Income Model (RIM), focus on profitability by analysing the excess earnings over a required return.

Market-based methods, including the use of comparable company multiples, are another significant approach. Liu (2002) emphasize that price-to-earnings (P/E) and Enterprise Value to EBITDA (EV/EBITDA) multiples, allow for industry Relative Valuation. Nonetheless, these may not fully account for company-specific factors, such as growth potential and risk exposure.

Additionally, McKinsey & Company (2020) refers the importance of integrating risk-adjusted returns and forecasting future performance, which positions valuation as a strategic tool that transcends mere numerical calculations.

Therefore, to support a robust analysis of a multinational retail company's financial and strategic positioning (like Inditex), hybrid models combining DCF with market multiples provide a balanced perspective, incorporating intrinsic and comparative insights.

2.2 Factors influencing investment attractiveness

The attractiveness of an investment combines financial and non-financial factors. Financial performance metrics, such as revenue growth, profit margins, and Return on Invested Capital (ROIC) are primary considerations. As noted by Ferreira and Matos (2008), consistent financial outperformance often signals effective management and operational efficiency.

Macroeconomic conditions also play a critical role. Elements like consumer spending trends, currency exchange rates, and global economic stability can significantly affect multinational corporations, as it is defended by Shleifer & Vishny (1997). Therefore, Inditex's global presence makes it vulnerable to fluctuations in regional economic cycles and disparities in purchasing power.

Moreover, according to Eccles (2014), investors increasingly evaluate Environmental, Social and Governance (ESG) criteria, recognizing their impact on long-term performance and risk management. Inditex's efforts in sustainability and ethical sourcing enhance its investment profile by appealing to socially conscious investors.

Market trends and competitive positioning further influence investment attractiveness. As highlighted by Porter (1980), companies operating in industries with low competitive rivalry and high barriers to entry tend to be more appealing. Inditex benefits from its vertically integrated supply chain and strong brand portfolio, providing competitive advantages in the retail sector.

2.3 Retail Industry Overview

The retail industry is undergoing transformative changes driven by technological advancements and evolving consumer preferences. According to Brynjolfsson (2013), the rise of e-commerce has reshaped traditional retail paradigms, compelling companies to adopt omnichannel strategies. Inditex's integrated online and offline model exemplifies this trend, enhancing customer experience and operational efficiency.

Globalization is another critical factor; retailers are increasingly expanding into emerging markets to capitalize on untapped growth opportunities. However, as Burt (2011) note, this expansion involves navigating diverse regulatory, cultural, and economic environments. For Inditex, its adaptability and scalable business model have been instrumental in maintaining its global leadership.

As noted by Chkanikova & Mont (2015) sustainability is a growing focus within industry, the retailers face pressure to address environmental concerns through eco-friendly practices and transparent supply chains. Inditex's commitment to sustainability aligns with these demands, reinforcing its reputation among consumers and investors alike.

Tokatli (2008) said that retail competitive landscape intensity is captured through frameworks like Porter's Five Forces. Inditex's fast-fashion model, characterized by rapid product turnover and trend responsiveness, provides a strategic edge.

In conclusion, understanding valuation methodologies, investment determinants, and industry dynamics provides a comprehensive basis for assessing Inditex's valuation and investment case.

3. Industry and Market Analysis

Inditex, is the parent company of seven brands operating within a multifaceted and quick evolving fashion industry. A comprehensive analysis of the macro-environmental factors, industry dynamics, prevailing trends and Inditex's market position provides valuable insights into its strategy and operational landscape.

3.1 Macro-environmental Analysis

To evaluate the macro-environment of Inditex was used the PESTLE framework that evaluates the Political, Economic, Social, Technological, Legal, and Environmental factors influencing Inditex's operations:

Political: Inditex operates in 213 markets, so it's in contact with different political environments and trade policies. For instance, geopolitical tensions create instability and affect shipping routes.

The insecurity in the Red Sea led the company to increase air freight from India to Spain to avoid delays, impacting environmental and costs goals as the air freight is more expensive than sea shipping which increased 28% in 2024. Moreover, the Russia – Ukraine war made Inditex close 514 stores in 2022.

Economic: Fluctuations in the global economy, inflation rates, exchange rates fluctuations, consumer purchase power, energy costs and economic disruptions are all factors that affect Inditex performance.

In recent years, the post-COVID economic recovery has reshaped the company's strategy, driving a global shift from physical stores to online sales. In addition, according to the Wall Street Journal (2024), new competitors have emerged with only online sales with millions of products at affordable prices, such as Shein and Temu.

Social: The social factors affect Inditex's business model and competitive strategy. Changing in consumer preferences, evolving shopping behaviours, ethical and social responsibility and impact of global trends are crucial to shape company strategies.

According to the Journal of Marketing and Communications (2022), Zoomers, Millennials, and women are the most sustainability-conscious—especially in fast fashion. In response, Inditex has set clear goals for 2025, 2030, and 2040, while also investing in start-ups and low-impact supply chain solutions. An example is the launch of Zara Pre-Owned in the U.S., catering to the growing demand for second-hand and sustainable fashion.

Technological: The advancements in digital platforms and e-commerce reshape supply chain management strategies employed by fast-fashion retailers, what transformed labour processes across production and logistics.

Inditex has implemented advanced digital Supply Chain Management (SCM) systems to enhance speed, flexibility and cost-efficiency. These systems facilitate real-time data exchange between online and offline sales operations and across various stages of the value chain.

Legal: Intellectual property rights and trademark disputes, compliance with labour laws and ethical standards, environmental regulations and sustainability compliance, corporate governance, compliance framework, data protection and privacy laws are inside of the legal factors that affect the retail industry.

Inditex upholds labour and ethical standards through a robust Code of Conduct for its supply chain, ensuring fair wages, safe working conditions, and compliance with international laws. The Occupational Health and Safety Policy further underscores its commitment to employee well-being. Additionally, the company adheres to environmental regulations, such as Spain's Law 7/2022 on waste management, by participating in initiatives that promote recycling and circular economy practices. These efforts reflect their dedication to sustainability and reducing its environmental impact.

In the digital sphere, Inditex ensures compliance with data protection laws, including the EU's General Data Protection Regulation (GDPR), safeguarding customer privacy. Its internal Compliance Policy, Audit and Compliance Committee oversees adherence to legal and ethical standards, fostering transparency and integrity across its global operations.

Environmental: Environmental concerns are driving companies to adopt sustainable practices, from which fast fashion companies are not excluded.

Inditex, as mentioned under social factors, is changing its strategy in line with growing consumer awareness of the environment. This has led Inditex to make a sustainable commitment to its consumers, shareholders and stakeholders, with main objectives from 2025 to 2040.

Exemplifying, as an attempt to reduce the greenwashing claims targeted at the group, on 23 December 2024, Inditex demanded more transparency from *Better Cotton*, the company that certifies and examines the cotton used by the

Spanish fashion giant, following an investigation that found evidence of bad practices: land grabbing, illegal deforestation and violent acts against local communities.

3.2 Key Trends in the Fashion Industry

When analysing the Fashion industry over the years, the industry has undergone several changes. These changes are not only imposed legally by the regulator entities, but mainly by consumers, who are increasingly demanding and worried with issues such as sustainability, diversity, inclusion, innovation and ethics.

Aligned with the information above, according to McKinsey & Company, "State of Fashion 2025", it's possible to identify various factors that will affect revenues in the Fashion Industry.

Inventory remains a challenge for the industry, with both excess stock and stocks-outs impacting brand costs and environment. In 2025, margin pressures and sustainability regulation will place greater emphasis on end-to-end planning excellence. In addition, 20% of the monthly losses, is due to inaccurate stock buying across sizes.

Human side of sales is going to be an important factor. It's known that 75% of shoppers are likely to spend more after receiving high-quality service from store personnel, indicating upsell and cross-sell opportunities.

Online marketplaces are facing challenges, from 2017 to 2022, there was a 60% increase in e-commerce customer acquisition costs, as 20% to 30% of online fashion purchases are returned (Shein, one of inditex's biggest competitors, adds up do 10'000 new products on their online platform daily).

In sum, the fashion sector is undergoing profound transformations driven by sustainability, technological advancements and evolving consumer preferences. Brands must reimagine strategies to prioritize these demands.

4. Methodology

The research methodology used to assess the "Company Valuation and Investment Attractiveness of Inditex" was the quantitative research method to establish a structured approach to evaluate the financial performance, macro-environment and investment attractiveness of Inditex.

To construct this quantitative research method, Inditex trends over the last 5 years (2020-2024) were analysed, to collect historic events and carry out analyses to serve as a basis for forecast assumptions.

For this, data was collected from the official Inditex website, which includes quarters, half and annual reports; brands, sustainability, investors and brands information, classified as primary data, collected directly from the original source. In addition, secondary data was analysed to complement primary data, characterized by numerical data that was already collected by others, like Refinitiv Software, Yahoo Finance, Papers, and others.

After collecting all the data to justify the assumptions estimated for Inditex's financial statements, from 2025 to 2030, 6 years of forecast, an analysis was carried out to select the most appropriate Valuation Method to quantify the intrinsic value of Inditex Equity.

There is a family of DCF models, that diverge between them based on their focus of valuation (enterprise or equity) and the way financing and investing decisions interact. The most used in corporate finance is the Free Cash Flow to the Firm (FCFF), which is focused on enterprise valuation and where financing decisions are exclusively considered in the estimated cost of capital, this model is use in this study.

Aswath Damodaran (2002) defends the use of FCFF as a standard method for companies with stable financial structures and Richard Brealey and Stewart Myers (2013), explain the ideal conditions for applying each method, considering factors such as capital stability, volatility and the availability of specific financial parameters, such as the beta of the assets.

As such, the FCFF adjusted by the WACC, was selected as the most appropriate method to evaluate Inditex, as it is a non-financial company in the fast-fashion retail sector with a stable capital structure, known by low levels of debt and a consistent financial policy.

Then, information was collected from several sources and official company websites to select companies and form the most accurate Inditex Peer Group. The analysis was complemented by a Relative Valuation using the P/E Ratio multiple.

The reference period for valuation is year-end 2025 and the reference market price is €49.64 (31st, December 2024).

This comprehensive approach, combining primary and secondary data with robust valuation techniques, provided a reliable assessment of Inditex's investment attractiveness.

5. Financial Analysis - Trends and Forecast

To develop a Valuation Model, first it is necessary to analyse the company's historical information and study company's trends, strategy, objectives and understand the impact of these factors on the organization's financial statements.

Through Inditex Website, it was possible to download historical (2020 to 2024) Inditex's financial statements: Income Statement and Balance Sheet. Regarding Income Statement, all the items were analysed, with particular attention to Revenue, Cost of Operating Income, D&A (Depreciation and Amortisation), Gross Margin, Operating Expenses, EBIT (Earnings before Interests and Taxes), EBT (Earnings before Taxes), Taxes and Net Profit.

In Balance Sheet, the following items were analysed; Cash and Cash Equivalents, Accounts Receivable, Inventory, Accounts Payable, Tangible Fixed Assets, Intangible Assets, Short-Term and Long-Term Debt, Retained Earnings and Shareholders' Equity.

5.1 Income Statement

Since 2020, revenues have gradually increased, except in 2021, which saw a sharp drop due to the pandemic. Even so, in relation to other sectors that have shown zero revenue figures, it is important to emphasize that Inditex has had a positive revenue figure. According to El Economista (2021), these figures were a consequence of the sale of products on its online platform, which has accelerated the company's digital transformation.

5.1.1 Revenue

Since Inditex is a mature company with stable financial results, Negócios (2023), to calculate the growth rates of revenues for the forecast years, 2025 to 2030, were analysed factors that represent the latest changes in the company that led to modifications in Inditex's strategy and revenues.

The first factor assesses the growth rate of the economic impact of sales in a specific region in relation to the total GDP. Looking at the tables below, we realize that the estimated values from 2025 to 2030 are the result of multiplying the ratio of net sales in each region (Inditex, n.d.) including all the places where Inditex has sales: Spain, Europe excluding Spain, America and Asia with other Foreign Countries (with smaller representation) and the respective value of the GDP growth rate, by region and respective year (Refinitiv, n.d.)(Data ADB, n.d.). The geographical region with the highest sales representation is Europe excluding Spain, with more than half of the company's sales.

While all the zones will show stable evolution until 2030, Asia and Other Foreign will show a slight decrease in its representation, which could be due to the growing presence of Chinese brands like Shein and Temu, which are beginning to be a clear competitor in the industry. According to Bloomberg (2023), in 2022, Shein was the only fashion brand to show growth in the United States, which proves its desire to remain and establish a position in the market.

Table 1:GDP growth rate per geography (2020-2030)

	GDP Growth Rate per Geography										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Spain	-10.94%	6.68%	6.18%	2.68%	2.10%	1.90%	1.40%	1.40%	1.40%	1.40%	1.40%
European Union	-5.57%	6.11%	3.44%	0.45%	0.80%	1.50%	1.40%	1.40%	1.40%	1.40%	1.40%
USA	-2.21%	5.80%	1.94%	2.54%	2.65%	1.95%	2.03%	2.13%	2.08%	2.02%	1.98%
Asia	-0.70%	7.50%	4.70%	4.70%	4.80%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

Table 3: Percentage of net sales per geography (2020-2030)

	Net Sales per Geography (%)											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Evolution
Spain	17%	16%	15%	15%	16%	16%	16%	17%	17%	17%	17%	**Stable**
Europe - Spain	48%	51%	51%	50%	51%	51%	51%	52%	52%	52%	52%	**Stable**
America	16%	14%	18%	20%	20%	20%	20%	20%	20%	20%	20%	**Stable**
Asia and Other Foreign	19%	20%	16%	14%	13%	13%	12%	12%	11%	11%	10%	**Decrease**

Table 2: Weighted net sales per region given the GDP growth (2020-2030)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Weighted Net Sales/Region Given the GDP growth	-5.02%	6.50%	3.78%	1.79%	1.90%	**1.97%**	**1.84%**	**1.85%**	**1.83%**	**1.81%**	**1.79%**

The growth rate of the economic impact of sales in a specific region in relation to the total GDP will tend to decrease till 1.79% in 2030 (apart from 2025 which shows an increase).

The second factor is the e-commerce sales growth rate. In 2020, with the emergence of the pandemic, the online sales channel became the most important with a radical growth in sales compared to previous years. Inditex, therefore presented an investment plan in which, "Investments in the period 2020-2022 will be around €900 million per year. The investment plan includes a digital investment of €1 billion over the 3 years" to respond quickly to market needs.

By 2021, Inditex had invested in various technologies to improve processes right up to the sale of the final product. It implemented the Real Time Traceability of Products (RFID) throughout the supply chain and the Systems for Integrating and Synchronizing Information (SINT) in shops what enable to share information between different departments, points of sale and distribution. Additionally, the migration to the Inditex Open Platform (IOP) was completed, further supporting the company's digital transformation efforts.

Despite an extraordinary growth rate of 77% in 2020, there was a slowdown until 2022, returning to more stable figures in 2023 and 2024 (Inditex, n.d.). According to the Global Fast Fashion Report (2023), which evaluates different dimensions from 2024 to 2032, offline sales will remain predominant over online sales, however, online sales will increase their share and will have a Compound Annual Growth Rate (CAGR) between 19.53% and 22.03% in the years of the forecast.

Table 4: E-commerce sales growth rate (2020-2030)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
E-commerce Sales Growth Rate	77.00%	14.00%	4.00%	16.00%	18.98%	**19.53%**	**20.03%**	**20.53%**	**21.03%**	**21.53%**	**22.03%**

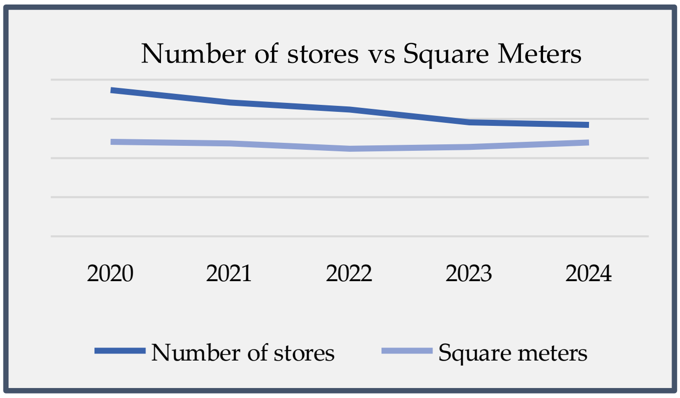
The third factor is the square metres growth rate, which assesses the size of Inditex's physical shops. This factor represents one of Inditex's latest strategies: closing small physical shops and opening larger ones in premium locations, such as Zara in Rossio, a shop in Portugal, in line with the closure of Chiado and Baixa shops in 2024.

If we look at the graph below, we can see the evolution of the number of shops in relation to Inditex's total square metres. The lines are moving in opposite directions, with a tendency to converge (YouTube-Bloomberg Originals, n.d.).

Table 5: Number of stores and total square meters of stores (in thousands), (2020-2030)

	2020	2021	2022	2023	2024
Number of stores	7,469	6,829	6,477	5,815	5,692
Square meters	4,826	4,742	4,473	4,557	4,785

Figure 1: Evolution of nº of stores vs square meters of stores (2020-2024)



In addition, in 2020, Inditex closed 100% of their sales due to the pandemic, which led Inditex to adapt and shift 20% of its sales to the online channel. This led to the closure of several small shops, going from 7469 to 5692 shops in 5 years, a decrease of 1798 shops, according to Refinitiv Software and own calculations. Even so, it maintained shop openings under construction in 2020, after the pandemic.

On March 5th of 2022, with the Russia-Ukraine war, Inditex ceased the activity of its 514 stores and its online platform.

The square meters growth rate assumed from 2025 to 2030, was around 2%, given the trend in the last 2 years and company's ongoing desire for growth.

Table 6: Square meters growth rate (2020-2030)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Square Meters Growth Rate	0.00%	-1.75%	-5.67%	1.84%	1.84%	**1.84%**	**1.89%**	**2.39%**	**2.89%**	**3.39%**	**3.89%**

The last factor is the cost of operating revenue growth rate. This item includes all the costs inherent to the company's core business: cost of sales and D&A.

What could affect this line are the sustainable objectives that Inditex has committed to achieving from 2025 to 2040. The share of sales of sustainable clothing has been steadily increasing over the last decade, according to Statista (2024) 'the trend is expected to continue, with the market share reaching more than 6 per cent by 2026', as consumer preferences have changed and the pressure to commit to the proposed objectives is intensifying. The application of strategies may in the long term show a reduction in costs for Inditex, however, in the short term, and therefore in the forecast years, the impact of ESG policies is difficult to quantify.

In the table below, that item fluctuated between 2021 and 2023 because of the pandemic, in 2024 it returns to historical values of around 7%-8% (values pre-coronavirus). For the reasons mentioned, in the 6 years of the forecast, where several investments are taking place, the cost of operating revenue growth rate was fixed between 7.72% and 8.02% (value from 2024).

After analyzing the historical growth rates of the four factors, I used the obtained coefficients to determine the revenue growth rate for each year of the forecast.

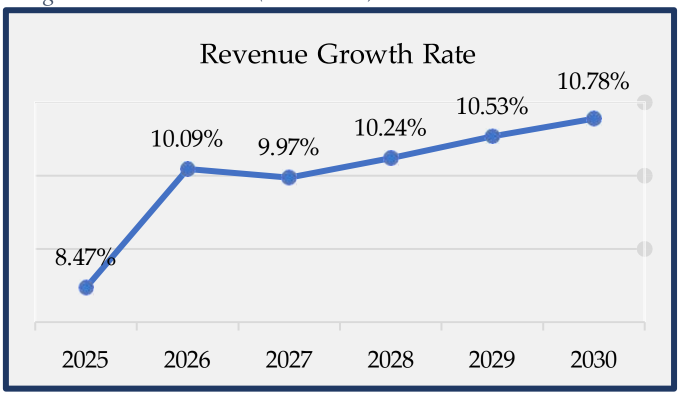
Table 7: Cost of operating revenue growth rate (2020-2030)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cost of Operating Revenue Growth Rate	7.60%	-21.68%	25.43%	13.81%	**7.72%**	**7.77%**	**7.82%**	**7.87%**	**7.92%**	**7.97%**	**8.02%**

Looking at the four factors, when growth rates increase, they negatively affect the value of the revenue growth rate for each year. This result is essentially due to the negative impact of the pandemic in the case of 1st factor, as well as the deceleration that occurred after the pandemic with the 2nd and 3rd factors.

Lastly the 4th factor has practically no influence on the value of the revenue growth rates, however, it was decided to keep this factor in the evaluation to show the non-quantifiable impact of ESG on the analysis. Given this analysis, over the forecast period, the Revenue Growth Rates will grow sharply from 2025 to 2026, followed by a slight drop in 2027 and gradual growth until 2030.

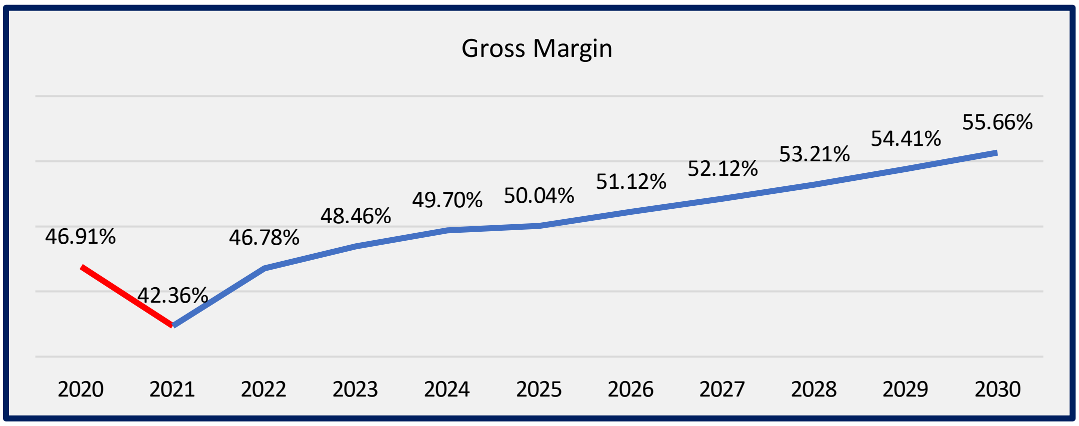
Figure 2: Expected revenue growth rate evolution (2025-2030)



5.1.2 Inditex Profitability

To study Inditex's profitability, it's important to look to the company's costs in relation to its sales. To do so, the Gross Margin was used, which reflects the percentage of revenue that remains after deducting the direct production costs of Inditex's goods. Although there was a decrease in this ratio in 2021, essentially due to the pandemic period, shop closures and exclusively online sales, the gross margin is expected to increase till 2030.

Figure 3: Gross margin (2020-2030)



5.1.3 Depreciation and Amortization

D&A refer to the allocation of the costs of tangible and intangible assets over their useful lives. These costs, although they don't have a cash outflow, negatively affect the operating cost and therefore the Profit Margin.

When assessing the depreciation of Inditex's tangible assets, its weight was between 9% and 12% from 2020 to 2024, with a tendency to increase, as Inditex announced the implementation of a logistics expansion plan in 2024 and 2025. According to the Interim Nine Month 2024 Results: "The growth of annual gross space in the period 2024-2026 is expected to be around 5%.". The investment in Property, Plant and Equipment (PPE) Gross due to store expansion and logistics investments and the consequent increase in PPE Construction, will lead to moderate growth in Depreciation. For these reasons, the weight of depreciation in relation to Inditex's tangible assets will stay at 12% until 2030, the highest rate in the historical range.

The amount of amortization also depends on the quantity of Inditex's intangible assets excluding Goodwill. Amortization ranged from 40% to 60% of the value of intangible assets in previous years. As there is no mention of any investment in intangible assets by the company, a CAGR of 4% was assumed.

Table 8: Amortization and Depreciation (in million €), (2020-2030)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Amortization	159.00	183.00	355.00	324.00	386.00	399.76	414.00	428.76	444.04	459.86	476.25
Depreciation	2665.00	2564.00	2493.00	2452.00	2511.00	3468.39	3656.74	3859.33	4080.97	4323.55	4589.16
A&D	2824.00	2747.00	2848.00	2776.00	2897.00	**3868.15**	**4070.74**	**4288.09**	**4525.01**	**4783.41**	**5065.41**

5.1.4 Operating Expenses

Operating expenses represent the costs needed to keep the company operating, but they are not directly related to the production of goods.

At Inditex, most of these expenses are essentially allocated to “Employee Compensation and Benefits”: all expenses relating to personnel and social contributions. This is followed by “Selling, General & Administrative Expenses” which mainly includes expenses relating to store and online operations, commissions on credit, debit card payments, logistics and shipping to customers and, finally, “Operating Leases” relating to the rental of commercial premises in which Inditex carries out its commercial activity.

It's important to emphasise that marketing spending it's not explicit in Inditex's public accounts, since it’s essentially focused on strategic geographical positioning and the customer experience in the shop, with very low spending. As María Rengifo’s thesis shows, Inditex focus on attracting masses of consumers by advertising through influencers, which doesn't involve much expenditure.

As a result, operating costs will continue to grow at a similar rate of that seen in previous years. In this way, only the CAGR was applied to the above items, resulting in the figures shown in the table below.

Table 9: Operating expenses (in million €), (2020-2030)

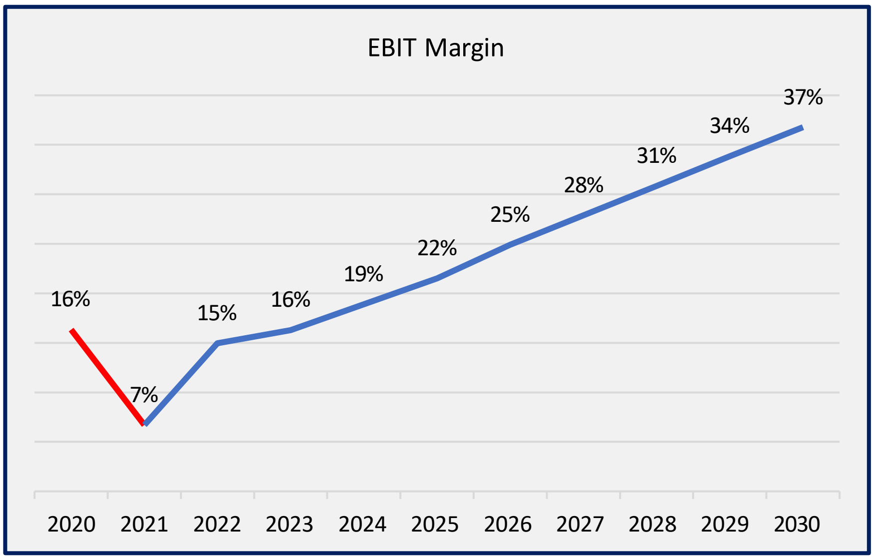
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
SG&A	2185.00	2422.00	3030.00	3105.00	3368.00	3423.22	3479.34	3536.38	3594.35	3653.28	3713.17
Employee Compensation and Benefits	4430.00	3376.00	4179.00	4753.00	5357.00	5486.72	5619.57	5755.64	5895.01	6037.75	6183.95
Operating Leases	695.00	181.00	519.00	859.00	989.00	1017.27	1046.35	1076.26	1107.03	1138.67	1171.22
Net Other Operating Expense/Income	896.00	1405.00	895.00	1400.00	1236.00	1192.72	1114.93	1076.62	1039.50	1003.50	968.56
Operating Expenses	8206.00	7384.00	8623.00	10117.00	10950.00	**11119.93**	**11260.19**	**11444.91**	**11635.89**	**11833.21**	**12036.91**

5.1.5 EBIT

Earnings before interests and taxes (EBIT) reflect the company's operating performance before financial charges and taxes. When we analyse Inditex's EBIT Margin (EBIT/Revenues), shown in the graph below, we realize that it increases over the years of the forecast, reaching 37% in 2030.

This result comes from higher sales volume, with an annual increase between 8.47% and 10.78%, inclusive, and a reduction in costs of sales (excluding D&A), which is expected to decrease in relation to the volume of revenue each year of the forecast.

Figure 4: EBIT margin (2020-2030)



5.1.6 EBT

The Earnings before Taxes (EBT) reflects the company's financial performance, considering both core operations and the effects of non-operating activities. It provides a clear view of the result before tax influence, allowing profitability to be assessed independently of specific tax regimes.

Over the 10 years period from 2020 to 2030, the EBT for Inditex shows a consistent upward trajectory, growing from €6,798M historically (2020) to a forecasted €22,720.20M. This growth highlights the company's robust operational performance and effective cost management, despite potential non-operating fluctuations like financing expenses or gains/losses on asset sales.

5.1.7 Taxes

Taxes correspond to the obligations arising from Inditex's taxable income and represent a crucial portion of the company's cash outflows. The tax values exhibit a proportional increase alongside EBT, rising from €1,475M historically (2020) to a projected €4,497.52M (2030). This progression is expected, given the positive correlation between pre-tax earnings and tax liabilities.

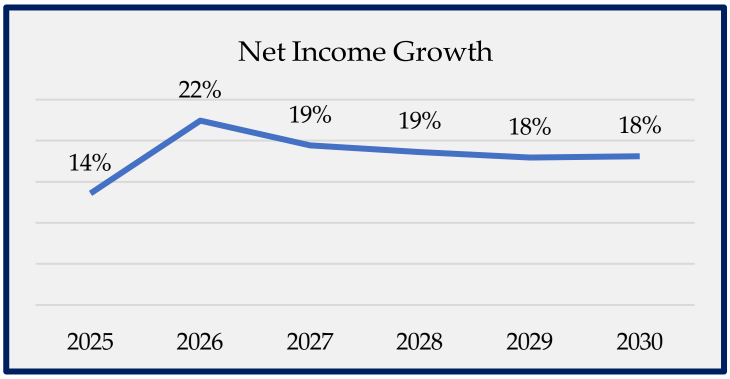
However, the company's effective tax rate appears stable, suggesting consistent fiscal policies and potential optimization strategies in jurisdictions where Inditex operates. This stability reflects the group's careful planning to manage tax obligations efficiently while complying with international tax regulations.

5.1.7 Net Income

Net income is the last metric of a company's financial performance, representing what is left over from revenues after deducting all costs, operating expenses and interest and taxes. It reflects the value generated for shareholders, serving as the basis for decisions on dividend distribution, reinvestment or expansion of operations.

The evolution of Net Income during the forecast period shows a sharp increase in 2026 (8%), decreasing by 3% in 2027 and 2028 compared to the previous year, with a tendency to stabilize and reaching growth figures in 2030, equal to 2019 (18%), resulting in an efficient financial performance.

Figure 5: Expected net income growth (2025-2030)



5.2 Balance Sheet

The Balance Sheet gives an overview of the company's financial situation during the historical years (2020-2024) and the forecast years (2025-2030). Its structure shows all the items relate to the company's current and non-current assets and liabilities, as well as the shareholder's equity.

5.2.1 Cash and Cash Equivalents

Cash and cash equivalents represent Inditex's highly liquid assets, which are available for immediate use. The historical values remain at around €7bn for most of the years, apart from 2020, due to the pandemic, and 2023, due to a decrease in the investment in fixed-income securities.

If we exclude the two years with values considered outliers, we have a roughly constant value. A value of €7007M, was therefore, assumed throughout the forecast period.

Table 10: Cash and cash equivalents (in million €), (2020-2030)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Cash and Cash Equivalents	4780.00	7398.00	7021.00	5561.00	7007.00	**7007.00**	**7007.00**	**7007.00**	**7007.00**	**7007.00**	**7007.00**

5.2.2 Receivables, Inventories and Payables

Receivables are mainly customer debit/credit card payments pending collection. If we look at the weight of customer credit in relation to Inditex's revenues, the figure is low, since payment for products is mainly cash or card based.

In historical years, the trend was downwards from 2021 to 2024, returning in 2024 with similar pre-pandemic figures (1.73%), which is much closer to the 2020 figure (1.76%).

In this way, the ratio Receivables/Revenues for 2024 (1.73%) was used to estimate the value of the receivables in the years of the forecast, which allowed a realistic projection.

Table 11: Receivables and Inditex revenues (in million €) and ratio between both (2020-2030)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Receivables	498.00	431.00	509.00	590.00	622.00	**674.69**	**742.77**	**816.84**	**900.49**	**995.35**	**1102.62**
Revenues	28286.00	20402.00	27716.00	32569.00	35947.00	**38992.14**	**42926.40**	**47207.56**	**52041.71**	**57523.68**	**63723.39**
Receivables / Revenues	1.76%	2.11%	1.84%	1.81%	1.73%	**1.73%**	**1.73%**	**1.73%**	**1.73%**	**1.73%**	**1.73%**

Inventories include "raw materials and consumables", "goods in process" and "finished goods for sale", which account for the largest share of the item.

If inventories increase, then there will be an increase in the cost of operating revenues, since this item directly reflects production-related costs.

Calculating the ratio Inventories/Cost of Operating Revenues shows a decreasing weight over the years, due to investment in expansion and logistical innovation, as reported in the Spanish newspaper "Cinco Días", an investment of €1800M has been made between 2024 and 2025.

It's natural that the first benefits are expected from 2026 onwards, with the full impact of inventory management being felt over the following years, so the 2024 ratio was maintained in 2025 and the CAGR (-1.30%) was applied in the following years (2026-2030), resulting in the figures in the table below.

Table 12: Inventory and Inditex cost of operating revenue (in million €) and ratio between both (2020-2030)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Inventory	2129.00	2142.00	2784.00	2898.00	2715.00	**2924.61**	**2886.70**	**2849.28**	**2812.35**	**2775.90**	**2739.93**
Costs of Operating Revenue	15016.00	11760.00	14750.00	16787.00	18083.00	**19479.05**	**20982.89**	**22602.82**	**24347.82**	**26227.53**	**28252.37**
Inventory/Costs of Operating Revenue	14%	18%	19%	17%	**15%**	**15%**	**14%**	**13%**	**12%**	**11%**	**10%**

Payables refer to the debts that the company owes to its suppliers; Inditex has an average payment period of 39.24 days, according to the Annual Report 2023.

Payables are directly linked to the cost of acquiring the goods and services needed to generate operating revenue, which is why the forecast payables were calculated based on the historical weight. This tends to fluctuate between 27% and 32% (an extraordinary figure due to the pandemic), so a ratio of 28.15% was assumed for the forecast years, the same as for 2024.

Table 13: Payables and Inditex cost of operating revenue (in million €) and ratio between both (2020-2030)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Payables	3985.00	3436.00	4636.00	4544.00	5090.00	**5482.96**	**5906.26**	**6362.24**	**6853.42**	**7382.52**	**7952.47**
Costs of Operating Revenue	15016.00	11760.00	14750.00	16787.00	18083.00	**19479.05**	**20982.89**	**22602.82**	**24347.82**	**26227.53**	**28252.37**
Payables / Costs of Operating Revenue	26.54%	29.22%	31.43%	27.07%	28.15%	**28.15%**	**28.15%**	**28.15%**	**28.15%**	**28.15%**	**28.15%**

5.2.3 PPE

Property, Plant and Equipment (PPE) refers to “Land and buildings” “Fixtures, furniture and machinery”, “Right of Use Tangible Assets”, “Other property” and “Work in progress”, with the first two items having the highest weight in the total value of the PPE.

Historically, the PPE increased most sharply in 2022 and continued to do so until 2024. Consequently, this growth continued from 2025 to 2030, with a CAGR of 12.8 %.

Additionally, as stated in the Interim Nine Month 2024 Results “The growth of annual gross space in the period 2024-2026 is expected to be around 5%” what directly affects the “Work in progress-Gross” item, with an additional rate of 5% being applied in the first two years of the forecast (2025 and 2026), with a gradual increase until 2030. The values of Gross PPE are shown below.

Table 14: Gross PPE (in million €), (2020-2030)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Gross PPE	22750.00	22791.00	24267.00	25426.00	27472.00	**29406.89**	**31510.79**	**33765.78**	**36213.59**	**38871.78**	**41759.56**

The value recorded in total non-current assets is Net PPE, which is the difference between the Gross PPE, explained above, and the value of Impairment and Depreciation (I&D) of PPE.

The relation of I&D in the Gross PPE, has been decreasing over the years, as shown in the table below, which means that the value of Net PPE is expected to decrease and consequently the non-current assets are expected to increase in the forecast years.

Table 15: Gross PPE and depreciation and impairment of PPE (in million €) and ratio between both (2020-2030)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Gross PPE	22750.00	22791.00	24267.00	25426.00	27472.00	**29406.89**	**31510.79**	**33765.78**	**36213.59**	**38871.78**	**41759.56**
Depreciation & Impairment PPE	8352.00	9913.00	11562.00	12925.00	14038.00	**14280.23**	**14529.51**	**14786.06**	**15050.12**	**15321.93**	**15601.73**
%	**37%**	**43%**	**48%**	**51%**	**51%**	**49%**	**46%**	**44%**	**42%**	**39%**	**37%**

5.2.4 Short-term and Long-term debt

As described in point 5.2.1, Inditex maintains a strong net cash position, with cash and cash equivalents with a total of €7,007M. Both short-term debt and long-term debt refer to current and non-current lease obligations (Annual Report, 2023), which incorporate the obligation to make future payments under the lease contract, containing short-term contracts (up to 12 months) and long-term contracts (over 12 months).

Looking at the table below, one can see that long-term debt has a greater weight than short-term debt. Historically, short-term debt has decreased over time at a CAGR of (-1.2%), which has been applied for forecast years. The same happen with long-term debt in historical years, but in the analysis is used to balance the value of Liabilities and Equity with the value of Assets, showing a steady increase with a tendency to stabilise.

Table 16: Short-term and long-term debt (in million €), (2020-2030)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Short-Term Debt	1675.00	1559.00	1596.00	1529.00	1443.00	**1426.52**	**1410.28**	**1394.28**	**1378.51**	**1362.97**	**1347.67**
Long -Term Debt	5163.00	4599.00	4262.00	3924.00	4123.00	**5009.02**	**5726.26**	**6303.51**	**6734.14**	**6976.82**	**6950.28**

5.2.5 Shareholder's Equity

Shareholder's Equity is the total value of the company's assets that belong to the shareholders after all obligations. This item incorporates the sum of "Common Equity– Contributed", "Reserves", "Retained Earnings" and "Minority Interest" with the subtraction of "Common Stock-Treasury/Repurchased". Retained earnings has the highest weight in the total value of Equity.

It's therefore essential to analyse retained earnings, its behaviour in the past and the expected values in the forecast period. According to Inditex's dividend policy, the company has a payout ratio of 60% with an extraordinary value between 20% and 30%.

So, to the net income values, from the income statement, the rate of 60% has been applied, referred to dividend policy, plus 20%, referred to the extraordinary value (it has been chosen 20% since historically the value is almost closer to 20%) to obtain the expected dividends (table below)

In turn, the value of retained earnings for each year of the forecast was calculated using the value of the previous year plus the value of net income and subtract the value of dividends, for each year.

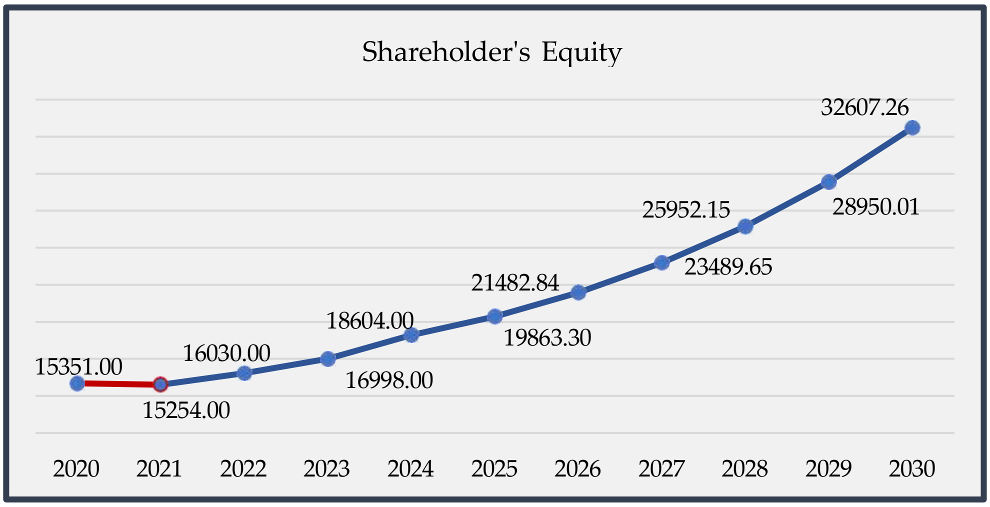
In conclusion, retained earnings will increase gradually over the forecast period.

Table 17: Retained earnings, net income and dividends (in million €), (2020-2030)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Retained Earnings	15051.00	14924.00	15462.00	16460.00	17991.00	19236.41	20842.35	22835.83	25285.22	28270.18	31914.72
Net income					5323.00	6227.04	8029.71	9967.38	12246.96	14924.83	18222.68
Dividends					2845.00	4981.63	6423.77	7973.90	9797.57	11939.87	14578.14

The behaviour of shareholders' equity, despite a slight decrease in 2021, has continued to grow significantly and is expected to continue to do so, as shown in the graph below.

Figure 6: Shareholder's equity (2020-2030)

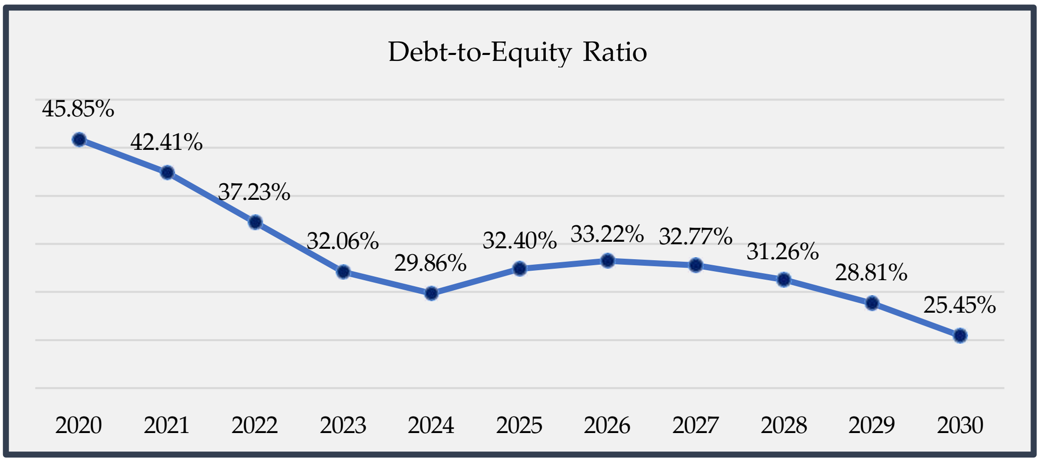


5.2.6 Inditex Financing

To analyse Inditex's capital structure and financial risk, the Debt-to-Equity Ratio was calculated, given by the weight of total debt (short-term and long-term debt) in the shareholder's equity. Historically, the ratio has been decreasing, with a slight increase in 2025 and 2026, however, it declines again by 2030 to 25.45%.

This value is lower than historic values, which is expected, as it was explain in point 5.2.4, a decrease in debt is anticipated. Therefore, Inditex has a low financing risk, what's expected from a conservative company with a strong cash position and low absolute debt.

Figure 7: Debt-to-Equity ratio (2020-2030)



5.2.7 Inditex Liquidity

Finally, to assess liquidity, we used the current ratio, given by the weight of current assets in current liabilities. The forecast figures show a similar behaviour of historical values, with a downward trend. Between 2020 and 2030, the ratio fell by 10%, reflecting a stronger liquidity position, showing company's improved ability to meet short-term obligations.

Table 18: Total current liabilities, total current assets (in million €), (2020-2030)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Current Liabilities	7306	6338	8030	8137	8937	**9389**	**9875**	**10396**	**10956**	**11557**	**12203**
Total Current Assets	11414	10957	13602	14456	16016	**17006**	**17863**	**18838**	**19952**	**21222**	**22671**
Current Ratio	64%	58%	59%	56%	56%	55%	55%	55%	55%	54%	54%

5.3 Cash Flow Statement

The cash flow statement helps monitor how Inditex generates and uses cash in its operations, through working capital, investments, capital expenditures (CAPEX,) and financing, and through the cash flow resulting from transactions related to external or internal financing.

5.3.1 Working Capital and Changes in Working Capital

Working capital represents the resources available to finance the company's daily operations, by subtracting current liabilities (payables) from current assets (receivables and inventory). In the case of Inditex, working capital in the forecast years is always negative, indicating that current liabilities are higher than assets.

In the case of the retail company, these figures are congruent, since the average payment time to its suppliers, according to Annual Report 2023, is 39.24 days and orders are placed with some frequency due to the type of business in which Inditex operates: manufacturing different collections/garments in a short period of time and selling at low prices. In addition, the value of inventories is high, since it must maintain significant levels of inventory to guarantee the availability of products in all shops and online platforms.

Working capital values increase in constant proportions over the forecast period, consequently, changes in working capital also show negative values, with tendency to stabilize.

Table 19: Changes in working capital (in million €), (2020-2030)

	2025	2026	2027	2028	2029	2030
Payables	5483	5906	6362	6853	7383	7952
Inventory	3182	3151	3120	3090	3061	3032
Receivables	675	743	817	900	995	1103
Working Capital	-1626	-2013	-2425	-2863	-3327	-3818
Changes in working Capital	-1023.26	-386.55	-412.57	-437.54	-463.59	-491.36

5.3.2 CAPEX

CAPEX includes investment in tangible assets (TA) and intangible assets (IA). The following table analyses the expected investment from 2025 to 2030. It should be noted that investment in TA is higher than investment in IA.

As mentioned in point 5.2.3, Inditex will make an additional investment from 2024 to 2026, and this increase is notable in TA investment, as can be seen below, while IA investment has increased gradually.

Table 20: CAPEX (in million €), (2020-2030)

	2024	2025	2026	2027	2028	2029	2030
Gross PPE	27472.00	29406.89	31510.79	33765.78	36213.59	38871.78	41759.56
Intangible Assets	1223.00	1339.49	1471.82	1622.70	1795.31	1993.44	2221.59
Change in Gross PPE	0.00	1934.89	2103.91	2254.98	2447.81	2658.19	2887.78
Change in Intangible Assets	0.00	116.49	132.34	150.88	172.61	198.13	228.15
CAPEX	**0.00**	**2051.38**	**2236.24**	**2405.86**	**2620.42**	**2856.32**	**3115.93**

5.3.4 Taxes

The taxes included FCF calculations represent the corporate tax obligations applied to EBIT. These taxes are derived using the effective tax rate, which reflects the percentage of taxable income that Inditex is required to pay based on the jurisdictions in which it operates (21.5%), value from 2023, this implies that 21.5% of Inditex's EBIT is allocated to tax payments.

Accurately accounting for taxes ensures that Inditex’s FCF reflects the true cash flow available after meeting statutory tax obligations, highlighting its operational efficiency and the cash it can reinvest or distribute to stakeholders

5.3.5 FCF

The FCF calculation is given by the sum of EBIT and D&A and the deduction of changes in working capital, CAPEX and taxes.

From 2025 to 2030, Inditex generates cash after discounting the investments needed to maintain or expand its assets, having the capacity to reinvest, pay down debt - reducing indebtedness and interest costs, increase the value of dividends or increase liquidity.

The FCF figures below are gradually increasing, compared to historical figures as in the forecast period, signalling a healthy company with long-term growth potential.

Table 21: FCF (in million €), (2020-2030)

	2025	2026	2027	2028	2029	2030
EBIT	8393.16	10683.32	13159.84	16058.00	19462.94	23434.11
A&D	3928.58	4195.30	4480.65	4789.67	5124.48	5487.40
Changes in working Capital	-1023.26	-386.55	-412.57	-437.54	-463.59	-491.36
CAPEX	2051.38	2236.24	2405.86	2620.42	2856.32	5487.40
Taxes	1804.53	2296.91	2829.36	3452.47	4184.53	5038.33
FCF	**9489.09**	**10732.02**	**12817.83**	**15212.31**	**18010.16**	**18887.14**

6. Valuation

The purpose of this chapter is to present the Valuation model used to calculate the intrinsic value of Inditex, considering the context, business model, historical values and the strategy of Inditex explored in the previous sections.

6.1 Valuation Model

From the reasoning exposed in section XXX, it is used the FCFF model to value Inditex. This method is based on projecting the future cash flows that the company will generate, discounted at a rate that reflects the company's cost of capital, weighted average cost of capital (WACC).

Valuation using the DCF method is widely used to estimate the intrinsic value of companies, especially those with predictable and stable cash flows, such as Inditex.

6.2 WACC

The target capital structure is the mix of debt, equity, and other financing sources that a company aims to maintain to optimize its cost of capital and risk-return balance. It reflects the company's long-term financial strategy, considering factors like industry standards, profitability, interest rates, and risk tolerance.

Firms adjust their capital structure over time to align with their target, ensuring financial stability and maximizing shareholder value.

According to Damodaran (2012), the WACC reflects the weighted average cost of all sources of capital, calculated by multiplying Inditex's Equity and Debt, in the last year of the forecast (2030), by its cost of equity and cost of debt, respectively. The term (1-Tc) is used to adjust the cost of debt (rd), considering the tax benefits associated with paying interest on the debt.

Figure 8: WACC formula

$$\mathrm{WACC} = \frac{E}{V} \times r_e + \frac{D}{V} \times r_d \times (1 - T_c)$$

With the values calculated in the following points of this chapter that gave us the target capital structure, the WACC, which is given by the formula above, is equal to 8.08%.

Table 22: Target capital structure and WACC

E/V	79.71%
D/V	20.29%
Tc	21.50%
Re	8.75%
Rd	6.97%
WACC	**8.08%**

6.2.1 Equity, Debt and Value of the firm

The values for calculating the WACC are based on values for the year 2030, the last year of Inditex's forecast.

The value of Equity is given by the Balance Sheet item "Total Shareholder's Equity", with a value of €32,607.26M. The value of Debt, in turn, is represented by the sum of short-term and long-term debt, explored in point 5.2.4, giving a total of €82,97.95M.

The Value of the firm is given by the sum of Equity and Debt, giving us €40,905.21M.

6.2.3 Corporate Tax Rate

The corporate tax rate (Tc) represents the share of tax on profits that the company must pay to the government. This rate is incorporated into the WACC calculation so that the interest paid on the debt is deductible from the cost of debt.

According to the Corporate Finance Institute (CFI), interest payments are deductible for tax purposes, so the cost of debt must be multiplied by (1-Tc) to reflect the value of the tax benefit. The portion reflects that debt is less costly for the company compared to equity that does not offer this tax benefit.

According to the 2023 Annual Report, Inditex's corporate tax rate is 23.5%, so this value has been maintained.

6.2.4 Cost of Debt

The cost of debt is the return that lenders demand on the firm’s debt. xxx is given by the ratio between the interest paid “Interest Expense -Bank” (€578.76M), and the total debt (€8297.95 M). So, the cost of debt is 6.97%. Is this the cost of debt in last year of estimation? Should have a more granular estimation: risk free + credit risk premium (associated with target capital structure) net of tax effect

6.2.5 Cost of Equity

According to the CFA Institute, the cost of equity is “The return required by equity investors given the risk of the company's cash flows.”.

The cost of equity is estimated using the CAPM model. According to Sharpe, Lintner and Mossin, the researchers credited by developing this model, said that CAPM is the equilibrium model that underpins all modern financial theory and allows us to predict the relationship between the risk of an asset and its expected return.

In financial theory, only systemic risk (market-wide risk) is priced because investors cannot eliminate it through diversification. In the CAPM, systemic risk is measured by beta (β) and is exclusively captured by the market risk premium (the return difference between the market portfolio and the risk-free rate).

Although the CAPM doesn't fully stand up for empirical testing, it's widely used because of the insight it offers and because its accuracy is sufficient for important applications.

Figure 9: Cost of Equity formula

$$r_e = R_f + \beta \times (R_m - R_f)$$

6.2.5.1 Risk-free

Risk-free (Rf) will be given by a 10-year Eurozone Bond, due to the stability and security associated to these bonds, which are backed by governments with high credibility, presenting extremely low risk. As of October 2024, the rate of return on the 10-year Eurozone Bond, according to the European Central Bank, is 2.87%. So Rf is equal to 2.87%.

6.2.5.2 Unlevered Beta

Brealey, together with Stewart C. Myers and Franklin Allen, in the book "Principles of Corporate Finance" argue that the unlevered beta (βU) represents the beta of a hypothetical company that has no debt and reflects only the risks of the company's underlying assets, ignoring the additional effects of financial leverage. On the other hand, the levered beta (βL) incorporates both operational and financial risks. The same authors use the following formula to convert βU into βL:

Figure 10: Levered Beta Formula

$$\beta_{\text{Levered}} = \beta_{\text{Unlevered}} \times \left(1 + \frac{D}{E}(1 - T)\right)$$

According to Damodaran's betas by sector, the βU of the Apparel sector is equal to 0.87. Applying the formula above gives a value of βL equal to 1.04.

6.2.5.3 ERP

The final factor involved in calculating the cost of equity is market risk (Rm). As Inditex operates in 3 developed markets: Europe, America and Asia, according to Damodaran, the global Equity Risk Premium (ERP) should be calculated using the weighting of the country risk premium (CRP). Thus, the geographical distribution of Inditex shops was calculated and multiplied by the CRP of each area.

According to the 2023 Annual Report, Inditex has a total of 5692 shops, with 3000 shops located in Europe (52.7%), 1500 shops in Asia and the rest of the world (26.4%) and 1192 shops in America (21%). In turn, the CRP in Europe (6%), Asia (5.80%) and America (USA) (5.55%) (KROLL, 2024) (Aswath Damodaran, 2022).

After weighting the three CRP values, Inditex's ERP was obtained, which has a value of 5.86%.

6.3 DCF

The Enterprise Value (year-end 2025), given by discounting the FCF of the forecast years (2025-2030), explored in point 5.3.5, discounted at the WACC rate, applying the formula of FCFF, DCF model, is equal to €221,680M. In table below we can see all the components to reach the annual FCF since 2025 until 2030.

Table 23: FCF, DCF (2025-2030) and Enterprise Value (2025 year-end)

	2025	2026	2027	2028	2029	2030
EBIT	8393.16	10683.32	13159.84	16058.00	19462.94	23434.11
A&D	3928.58	4195.30	4480.65	4789.67	5124.48	5487.40
Changes in working Capital	-1023.26	-386.55	-412.57	-437.54	-463.59	-491.36
CAPEX	2051.38	2236.24	2405.86	2620.42	2856.32	5487.40
Taxes	1804.53	2296.91	2829.36	3452.47	4184.53	5038.33
FCF	**9489.09**	**10732.02**	**12817.83**	**15212.31**	**18010.16**	**18887.14**
DCF		**9929.52**	**10972.57**	**12048.59**	**13197.92**	**12805.63**
Terminal Value						**162725.81**
Enterprise Value (2025)	**221680.03 M€**					

The Terminal Value is given by the FCF in the year 2030 multiplied by (1-g), where g is the growth rate. This rate represents world GDP, since Inditex operates in several countries and is dependent on the development of the economies in several countries, which, according to the World Bank Group is 2.7%.

Finally, after calculating Inditex's Value in 2025, Inditex's Equity Value in 2025 must be calculated, to deduct Net Debt, Financial Investments and Minority Interest, resulting in a value of €222,611M. In the table below we can see those values. Dividing the Equity Value by the weighted average common shares outstanding (3,112,836,551) the 2025 year-end target price to Inditex is €71.51.

Table 24: Equity Value (2025) and Price per share (2025 end-year)

Total Debt	**6435.54**
Cash & Cash Equivalents	**7007.00**
Net Debt	**-571.46**
Financial Investments	**391.03**
Minority Interest	**31.11**
Equity Value (2025)	**222611.41 M€**
Price per share	**71.51€**

Based on the valuation analysis using the FCFF model, it can be concluded that the company has potential for appreciation, since the projected Enterprise Value for 2025 (€71.51) is higher than the Actual Market Value (€49.64) per share in 31st of December 2024).

7. Peer Group

This chapter identifies the Inditex Peer Group, with a brief presentation of each company, followed by the reason why they were considered for the analysis.

1) H&M Hennes & Maurid is a Sweden based company made up of 8 brands, operating in 60 online markets and 75 markets with physical shops. It produces, distributes and sells clothes and accessories.
2) Fast Retailing CO Ltd is Japanese based company that operates under the UNIQLO brand divided in 3 sub-brands of different products. It produces, distributes and sells clothes in 4 business segments (Men, Woman, Children and Baby).
3) GAP Inc. is an American based company, is made up of 4 different brands and is mainly present in the USA, with physical shops and online sales, selling clothing.
4) ASOS is a United Kingdom-based global online fashion retailer, with 13 own brands and 900 partnerships with other brands.
5) Boohoo Group Plc is a United Kingdom based company with 5 brands and 8 labels. The company designs, manufacture and sells clothing, home and beauty products to consumers globally by its online channel.
6) Zalando SE is a German based online shoes and fashion retailer, with more than 4500 brands of clothes, shoes, accessories, beauty products and sport clothes for men, women and children. Its present in 25 markets.

In the selection of the six companies above to construct Inditex's Peer Group, analyses of business strategy were carried out, with the aim of selecting strictly comparable companies: all of them are in the fashion sector, in the fast fashion industry, operate under more than one brand, sell in physical and online channel or exclusively on online channel and are listed on the stock exchange, which allows to access up-to-date information at all times.

In addition to these 6 companies, Chinese companies like Shein and Temu, have been increasing their position in the retail sector, since the pandemic, in 2021. Shein became the largest market share in the USA, growing 160%. According to Jornal Expresso (2024), the Chinese digital shop has planned to lay the foundations for an initial public offering in the United Kingdom, with the potential to value the company in more than €58.7bn.

8. Relative Valuation

Relative Valuation is used to complement DCF Valuation. It's a simpler and easier method that reflects market trends needed for comparative judgements.

According to Damodaran (2011), relative valuation makes it possible to compare a company with other similar companies on the market, providing information about the pricing of companies with similar characteristics in terms of risk, growth and cash flows.

In addition, Copeland, Koller and Murrin (2002) discussed the relevance of valuation methods considering market multiples, emphasising that comparison with similar companies provides insights into company's value.

However, this analysis ignores variables such as risk of inconsistency, market mood bias, lack of transparency, scope for bias and overreliance on comparable.

The P/E Ratio is a fundamental metric in relative valuation due to its straightforward calculation and wide availability of data. It allows for an effective comparison of companies within the same peer group, as firms operating in similar industries typically experience analogous market conditions, risk profiles, and growth opportunities. Additionally, Koller, Goedhart and Wessels (2010) argue that multiples such EPS are fundamental to complete DCF Valuation and studying market trends.

The value of Inditex's P/E Ratio for the years 2025 and 2026 was calculated from the Earnings per Share (EPS) in the respective years, which resulted from the ratio between Net Income and the weighted average common shares outstanding 3,112,836,551 shares (January 31st, 2024). The values obtained are shown in the table below.

Table 25: EPS calculation from net income and weighted average common shares outstanding (in millions) in 2025 and 2026

	2025	2026
Net Income	6227.04	8029.71
Weighted Average Common Shares Outstanding	3112.84	3112.84
EPS	**2.00**	**2.58**

Between 2025 and 2026, Inditex's EPS is expected to show significant growth, rising from €2.00 to €2.58. This increase reflects an improvement in the company's profitability, driven by growth in net income from €6,227.04M to €8,029.71M. This evolution generates greater value for shareholders, making the company potentially more attractive on the financial market.

The P/E Ratios of Inditex peer group, made up of six companies were obtained by multiplying the price per share (Refinitiv Software), from 31st December of 2024, by the expected EPS value in 2025 and 2026 (Yahoo Finance).

Table 26: P/E ratio, EPS and price per share of Inditex and its peer group in 2025 and 2026

	Price per share	EPS 2025	EPS 2026	P/E Ratio 2025	P/E Ratio 2026
Inditex	49.64	2.00	2.58	24.81	19.24
H & M Hennes & Mauritz AB	13.42	0.71	0.80	18.90	16.78
Fast Retailing CO Ltd	328.30	7.88	8.65	41.66	37.95
Gap Inc.	21.27	2.01	2.09	10.58	10.18
ASOS	518.78	-0.48	-0.15	-1080.79	-3458.53
Boohoo Group Plc	39.38	-0.03	-0.01	-1312.67	-3938.00
Zalando SE	32.39	0.87	1.13	37.23	28.66
Average (without ASOS and Bohoo)				27.09	23.39
Fair Value for Inditex				**54.20**	**60.34**

The values obtained from Inditex's P/E ratios for 2025 (24.81) and 2026 (19.24) are below the sector averages (27.09 and 23.39, respectively), indicating that the stock is trading at a discount compared to its peers. Fast Retailing (41.66, 37.95) and Zalando (37.23, 28.66) have significantly higher P/E ratios, reflecting stronger growth expectations, while H&M (18.90, 16.78) and Gap Inc. (10.58, 10.18) trade at lower valuations, likely due to weaker projected earnings growth.

The average P/E ratio for the selected peer group, excluding companies with negative earnings (ASOS and Boohoo), has been calculated as 27.09 for the year 2025 and 23.39 for the year 2026. This average works as a benchmark for evaluating Inditex's to its industry counterparts.

To estimate the fair value of Inditex, these sector-average P/E Ratios are applied to the company's projected EPS, for the respective years.

- For 2025, applying the sector P/E average of 27.09 to Inditex's forecasted EPS of 2.00 results in an estimated fair value of €54.20.
- For 2026, using the P/E average of 23.39 and Inditex’s projected EPS of 2.58, the estimated fair value rises to €60.34.

Currently, Inditex is trading at a share price of €49.64, which is below its estimated fair values for both 2025 and 2026. This implies that, based on relative valuation, Inditex appears to be undervalued when compared to its industry peers. If the stock price adjusts to align with the sector’s valuation multiples, there is a potential upside, suggesting an opportunity for investors to benefit from a possible price rise.

9. Discussion and Recommendations

This chapter synthesizes the key insights from the valuation and investment analysis of Inditex, evaluating its financial performance, strategic positioning, and industry trends. Based on the findings, it outlines strategic recommendations to enhance Inditex's competitive edge and the limitations of the model. Finally, it addresses the core research question: Should investors consider Inditex as an attractive investment opportunity?

9.1 Key Findings

Through the valuation and investment analysis of Inditex, we have drawn several important conclusions to answer the three research questions initially formulated.

Based on the intrinsic valuation of Inditex, using the selected DCF model, three characteristics can be noted that reflect strong financial performance. Inditex's revenue growth increased post-pandemic, with an expected growth of 27% in 6 years. The EBIT margin showed a gradual increase over the years of the forecast, reaching 37% in 2030. The low debt-to-equity ratio, between 25% and 34% in the forecast years, translates it financially robustness, since Inditex has a conservative capital structure, where the main source of financing is equity.

The projected share price for 2025 (€71.51 per share) is higher than the Market Value (€49.64 per share in 31st of December 2024) which shows the attractiveness of investing in Inditex. In relation to its peers, Inditex holds a stable position, with a P/E ratio (24.81 in 2025 and 19.24 in 2026) and an estimated fair value of €54.20 in 2025 and €60.34 in 2026, suggesting an opportunity for investors to benefit from a possible price rise.

When analysing Inditex's strategy and structural organization, it can be concluded that the company benefits from vertical integration with its centralized and agile supply chain, with constant investment; together with the capture of the latest market trends at international level by its designers who create garments on a daily basis, they obtain a manufacturing process with reduced costs, with an expected lower gross margin growth in relation to Inditex's sales volume. These factors emphasise Inditex efficient business model.

Nevertheless, Inditex has significant ESG commitments, aiming for 100% sustainable fabrics by 2030, yet faces challenges related to greenwashing accusations. The ESG controversies result in a score of "D", on a scale of A to E, which puts it in a tricky position that must be overcome. In addition, emerging Chinese companies have been gaining market share and becoming a direct competitor of Inditex.

9.2 Limitations of the Model

After carrying out the analysis, it's possible to identify some limitations. The first one lies in the factors that led to the revenue growth rates, which, despite using recent factors that will be maintained soon (until 2030), the values are based only on historical data, which may be skewed, since, what happens in the past, may not be repeated in the future. Moreover, the lack of scenario analysis, like a stress test scenario can change investment decisions.

Additionally, there is a limited consideration of the impact of the Chinese brands Shein and Temu on Inditex's business. It may be a suggestion for a future valuation of Inditex to include these brands in Inditex's Peer Group and analyse their impact, when more financial information becomes available on these companies.

Moreover, the impact of ESG on Inditex's financial statements remains uncertain, as its ambitious sustainability targets introduce complexities in valuation. While ESG initiatives may enhance reputation and compliance, their financial implications; such as costs, operational changes, and short-term and long-term profitability are difficult to quantify, making it challenging to assess how these factors influence Inditex’s overall valuation.

9.3 Investment Decision

Inditex is a stable, strong and mature company, made up of 8 internationally recognised brands, which sell a wide range of fashion products at a low-cost price, for all age groups and complement physical sales with a unique in-store experience, with online sales, covering a total of 217 markets.

Inditex's profitability, liquidity and financing indicators prove that Inditex can respond effectively to its obligations, ensuring a balance between profitability and strong financial management.

Throughout the DCF model, a share price of €71.51 (2025) was obtained, with an expected upside of 44% compared with the value from 2024. In addition, the dividend stability with 60% of payout and an extra between 20% and 30% makes Inditex very attractive for income-seeking investors.

In Relative Valuation, the estimated fair value of €54.20 in 2025 and €60.34 in 2026, have both an expected upside, suggesting an opportunity for investors to benefit from a possible price rise, as in saw through the DCF model.

Overall, there is a high investment appeal, as Inditex remains financially stable and profitable. It’s attractive for investors to invest in Inditex, since both the FCFF Valuation Model and the Relative Valuation Model show prospects for an increase in Inditex's share price and potential gains for investors, so investors must buy.

10. Conclusion

Inditex is the world's largest fashion retailer, a mature and financially stable company with consistent revenue growth and high profitability, with a conservative debt-to-equity ratio and strong liquidity.

About the growth potential, Inditex revenue is expected to grow steadily, its supply chain is centralized which decreases its costs of manufacturing, responds quickly to new market trends having an efficient response to consumer needs. Moreover, Inditex have both physical (replacement of smaller shops by bigger ones in a more attractive location) and online expansion and is continuously improving consumer experience with store optimization strategies. In addition, Inditex is committed to meet several sustainable targets by 2040.

Inditex can face some market and industry challenges from emerging players in emerging markets requiring reinforce in Inditex innovation and strategies to strengthen its market position worldwide. The company also faces challenges related to greenwashing accusations and ESG controversies that need to be addressed to maintain investor confidence.

The investor recommendation based on the value of Inditex from DCF model estimates a higher share price than its current market price and the same happens in Relative Valuation, making Inditex a compelling investment choice.

While Inditex remains an industry leader and appealing investment opportunity for investors, maintaining its competitive edge will require continued innovation to keep up to date with consumer trends and demands sustainability initiatives, and adaptation to shifting consumer preferences.

AI Statement

"During the preparation of my written dissertation, [Company Valuation and Investment Case of Inditex], the [Open AI] was used for tasks such as [bibliography review, content resume, search bibliography], with the prompts listed at the end of the document in the Prompt List section. After using this tool, I reviewed and edited the content as necessary and take full responsibility for the publication's content. I also declare that I am aware of and respect the Artificial Intelligence Conduct Rules of the Católica Porto Business School."

Prompt List

1. What are the main authors in Company Valuation subjects?
2. Please put my references in APA.
3. Resume, briefly the book/article submitted with the main topics.
4. Please summarize this sentence.

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Appendix

Appendix A: Income Statement

Income Statement											
	Historical Values					Reforecast					
	2024	2023	2022	2021	2020	2025	2026	2027	2028	2029	2030
Revenues	35,947.00	32,569.00	27,716.00	20,402.00	28,286.00	38,992.14	42,926.40	47,207.56	52,041.71	57,523.68	63,723.39
Cost of Operating Revenue	18,083.00	16,787.00	14,750.00	11,760.00	15,016.00	19,479.05	20,982.89	22,602.82	24,347.82	26,227.53	28,252.37
Cost of Revenues	18,083.00	16,787.00	14,750.00	11,760.00	15,016.00	19,479.05	20,982.89	22,602.82	24,347.82	26,227.53	28,252.37
Cost of Revenues	15,186.00	14,011.00	11,902.00	9,013.00	12,192.00	15,550.47	16,787.59	18,122.17	19,558.15	21,103.06	22,764.97
Amortization	386.00	324.00	355.00	183.00	159.00	399.76	414.00	428.76	444.04	459.86	476.25
Depreciation	2,511.00	2,452.00	2,493.00	2,564.00	2,665.00	3,528.83	3,781.30	4,051.89	4,345.63	4,664.61	5,011.15
Gross Profit	17,864.00	15,782.00	12,966.00	8,642.00	13,270.00	19,513.09	21,943.51	24,604.74	27,693.89	31,296.15	35,471.02
Selling, General & Administrative Expenses - Total	9,714.00	8,717.00	7,728.00	5,979.00	7,310.00	9,927.20	10,145.26	10,368.28	10,596.39	10,829.71	11,068.35
SG&A Unclassified	3,368.00	3,105.00	3,030.00	2,422.00	2,185.00	3,423.22	3,479.34	3,536.38	3,594.35	3,653.28	3,713.17
Employee Compensation and Benefits	5,357.00	4,753.00	4,179.00	3,376.00	4,430.00	5,486.72	5,619.57	5,755.64	5,895.01	6,037.75	6,183.95
Operating Leases	989.00	859.00	519.00	181.00	695.00	1,017.27	1,046.35	1,076.26	1,107.03	1,138.67	1,171.22
Net Other Operating Expense/Income	1,236.00	1,400.00	895.00	1,405.00	896.00	1,192.72	1,114.93	1,076.62	1,039.50	1,003.50	968.56
Other Operating Income - Total	9.00	75.00		5.00	11.00	10.80	12.96	15.55	18.66	22.39	26.87
Other Operating Expense	1,197.00	1,422.00	913.00	858.00	899.00	1,156.47	1,117.31	1,079.47	1,042.92	1,007.60	973.48
Operating Provisions - Increase/(Decrease)	48.00	53.00	-18.00	158.00	8.00	47.06	10.59	12.71	15.25	18.30	21.96
Total Operating Expenses	29,033.00	26,904.00	23,373.00	19,144.00	23,222.00	30,598.98	32,243.08	34,047.73	35,983.71	38,060.74	40,289.28
Earnings Before Interests and Taxes	6,914.00	5,665.00	4,343.00	1,258.00	5,064.00	8,393.16	10,683.32	13,159.84	16,058.00	19,462.94	23,434.11
Non-Operating Expenses											
Net Financing Income/Expense	-11.00	-214.00	-142.00	-140.00	-152.00	-394.34	-432.39	-475.55	-524.46	-579.85	-642.63
Interest Expense - Net	-109.00	97.00	108.00	122.00	125.00	273.73	311.17	353.72	402.00	456.78	518.93
Interest Income - Non-Bank	380.00	47.00	5.00	6.00	31.00	33.81	37.82	42.32	47.42	53.23	59.83
Interest Expense - Bank	271.00	144.00	113.00	128.00	156.00	307.53	348.99	396.03	449.42	510.01	578.76
Non-Interest Financial Income/(Expense) - Total	-120.00	-117.00	-34.00	-18.00	-27.00	-120.61	-121.22	-121.84	-122.46	-123.08	-123.70
Foreign Exchange Gain/(Loss) - Non-Business	-120.00	-117.00	-34.00	-18.00	-27.00	-120.61	-121.22	-121.84	-122.46	-123.08	-123.70
Gain/Loss on Sale of Fixed Assets	-105.00	-145.00	-61.00	-145.00	-5.00	-98.44	-92.28	-86.51	-81.10	-76.03	-71.28
Earnings Before Taxes	6,798.00	5,305.00	4,141.00	1,368.00	4,620.00	7,900.39	10,158.65	12,597.77	15,452.43	18,807.05	22,720.20
Taxes	1,475.00	1,211.00	949.00	297.00	1,034.00	1,673.35	2,128.95	2,630.39	3,205.48	3,882.22	4,497.52
Income Taxes for the Year - Current	32.00	-14.00	69.00	-20.00	-89.00	32.00	32.00	32.00	32.00	32.00	32.00
Income Taxes - Deferred	1,443.00	1,225.00	880.00	317.00	1,123.00	1,443.00	1,443.00	1,443.00	1,443.00	1,443.00	1,443.00
Net Income	5,323.00	4,094.00	3,192.00	1,071.00	3,586.00	6,227.04	8,029.71	9,967.38	12,246.96	14,924.83	18,222.68

	Balance Sheet										
	Historical Values					Reforecast					
	2024	2023	2022	2021	2020	2025	2026	2027	2028	2029	2030
Cash & Short-Term Investments	11,436.00	10,099.00	9,439.00	7,578.00	8,127.00	12,036.56	12,718.74	13,493.62	14,373.80	15,373.58	16,509.22
Cash & Cash Equivalents	7,007.00	5,561.00	7,021.00	7,398.00	4,780.00	7,007.00	7,007.00	7,007.00	7,007.00	7,007.00	7,007.00
Investments	4,422.00	4,530.00	2,396.00	178.00	3,333.00	5,022.74	5,705.10	6,480.16	7,360.51	8,360.46	9,496.26
Financial Assets	7.00	8.00	22.00	2.00	14.00	6.82	6.64	6.46	6.29	6.13	5.96
Net Loans & Receivables	1,521.00	1,089.00	1,061.00	972.00	954.00	1,690.98	1,893.22	2,120.82	2,380.18	2,676.21	3,013.88
Net Trade Receivables	622.00	590.00	509.00	431.00	498.00	674.69	742.77	816.84	900.49	995.35	1,102.62
Income Tax	767.00	385.00	470.00	456.00	174.00	880.36	1,010.48	1,159.83	1,331.26	1,528.02	1,753.87
Other Receivables	132.00	114.00	82.00	85.00	282.00	135.93	139.97	144.14	148.43	152.84	157.39
Inventory	2,966.00	3,191.00	3,042.00	2,321.00	2,269.00	3,182.01	3,150.68	3,120.02	3,090.01	3,060.66	3,031.97
Raw Materials	187.00	228.00	199.00	146.00	104.00	192.16	197.46	202.90	208.50	214.25	220.16
Work in Progress	64.00	65.00	59.00	34.00	36.00	65.25	66.53	67.83	69.16	70.51	71.89
Finished Goods	2,715.00	2,898.00	2,784.00	2,142.00	2,129.00	2,924.61	2,886.70	2,849.28	2,812.35	2,775.90	2,739.93
Other	100.00	85.00	82.00	88.00	78.00	103.30	106.72	110.24	113.88	117.65	121.53
Total Current Assets	16,016.00	14,456.00	13,602.00	10,957.00	11,414.00	17,006.04	17,862.72	18,838.23	19,951.58	21,221.98	22,670.64
Investments	46.00	29.00	24.00	24.00	23.00	47.45	49.00	50.65	52.41	54.28	56.28
Investments in Associates, Joint Ventures and Unconsolidated Subsidiaries	339.00	317.00	295.00	258.00	246.00	343.58	348.22	352.93	357.69	362.53	367.42
Receivables & Loans	37.00	12.00	9.00	0.00	1.00	46.35	58.05	72.71	91.08	114.08	142.90
Net PPE	13,434.00	12,501.00	12,705.00	12,878.00	14,398.00	15,126.65	16,981.28	18,979.72	21,163.47	23,549.85	26,157.83
Gross PPE	27,472.00	25,426.00	24,267.00	22,791.00	22,750.00	29,406.89	31,510.79	33,765.78	36,213.59	38,871.78	41,759.56
Depreciation & Impairment PPE	14,038.00	12,925.00	11,562.00	9,913.00	8,352.00	14,280.23	14,529.51	14,786.06	15,050.12	15,321.93	15,601.73
Other	1,443.00	1,482.00	1,519.00	1,656.00	1,692.00	1,435.33	1,427.70	1,420.11	1,412.56	1,405.06	1,397.59
Deferred Tax	1,174.00	1,203.00	1,179.00	1,276.00	1,236.00	1,168.28	1,162.60	1,156.94	1,151.30	1,145.70	1,140.12
Other Non-Current Assets	269.00	279.00	340.00	380.00	456.00	267.04	265.10	263.17	261.26	259.36	257.47
Intangible Assets	1,420.00	1,003.00	791.00	645.00	617.00	1,537.30	1,670.45	1,822.14	1,995.57	2,194.52	2,423.50
Goodwill	197.00	193.00	202.00	201.00	207.00	197.81	198.62	199.44	200.26	201.08	201.91
Intangible Assets - excluding Goodwill	1,223.00	810.00	589.00	444.00	410.00	1,339.49	1,471.82	1,622.70	1,795.31	1,993.44	2,221.59
Total Non-Current Assets	16,719.00	15,344.00	15,343.00	15,461.00	16,977.00	18,536.66	20,534.70	22,698.26	25,072.79	27,680.33	30,545.53
Total Assets	32,735.00	29,800.00	28,945.00	26,418.00	28,391.00	35,542.70	38,397.42	41,536.49	45,024.37	48,902.31	53,216.17

Appendix B: Balance Sheet (continuation)

Trade Payables	5,090.00	4,544.00	4,636.00	3,436.00	3,985.00	5,482.96	5,906.26	6,362.24	6,853.42	7,382.52	7,952.47
Accrued Expenses	723.00	683.00	569.00	279.00	491.00	731.28	739.65	748.12	756.68	765.34	774.10
Short-Term Debt & Current Portion of Long-Term Debt	1,443.00	1,529.00	1,596.00	1,559.00	1,675.00	1,426.52	1,410.28	1,394.28	1,378.51	1,362.97	1,347.67
Current Portion of Long-Term Debt excluding Capitalized Leases	15.00	12.00	34.00	7.00	26.00	15.68	16.40	17.15	17.93	18.75	19.61
Capitalized Leases - Current Portion	1,428.00	1,517.00	1,562.00	1,552.00	1,649.00	1,410.84	1,393.88	1,377.13	1,360.57	1,344.22	1,328.07
Payable Income Taxes	1,000.00	817.00	701.00	573.00	142.00	1,041.25	1,084.20	1,128.93	1,175.50	1,223.99	1,274.48
Other	681.00	564.00	528.00	491.00	1,013.00	707.16	734.34	762.55	791.85	822.27	853.86
Total Current Liabilities	8,937.00	8,137.00	8,030.00	6,338.00	7,306.00	9,389.18	9,874.73	10,396.11	10,955.95	11,557.10	12,202.59
Long Term Debt	4,123.00	3,924.00	4,262.00	4,599.00	5,163.00	5,009.02	5,726.26	6,303.51	6,734.14	6,976.82	6,950.28
Deferred Tax - Liability - Long-Term	394.00	385.00	359.00	396.00	370.00	395.83	397.66	399.50	401.35	403.21	405.08
Provisions	609.00	504.00	535.00	535.00	603.00	632.83	657.70	683.67	710.79	739.11	768.69
Other	247.00	221.00	248.00	283.00	386.00	252.56	258.24	264.05	269.99	276.06	282.27
Total Non-Current Liabilities	5,373.00	5,034.00	5,404.00	5,813.00	6,522.00	6,290.23	7,039.85	7,650.73	8,116.27	8,395.20	8,406.31
Total Liabilities	14,310.00	13,171.00	13,434.00	12,151.00	13,828.00	15,679.40	16,914.58	18,046.84	19,072.22	19,952.30	20,608.91
Common Stock - Treasury/Repurchased	92.00	130.00	122.00	51.00	60.00	85.85	80.12	74.76	69.77	65.11	60.76
Common Equity - Contributed	114.00	114.00	114.00	114.00	114.00	114.00	114.00	114.00	114.00	114.00	114.00
Retained Earnings	17,991.00	16,460.00	15,462.00	14,924.00	15,051.00	19,236.41	20,842.35	22,835.83	25,285.22	28,270.18	31,914.72
Other Reserves	561.00	529.00	550.00	237.00	210.00	567.63	574.34	581.12	587.99	594.94	601.97
Minority Interest	30.00	25.00	26.00	30.00	36.00	31.11	32.27	33.47	34.71	36.00	37.34
Total Shareholder Equity	18,604.00	16,998.00	16,030.00	15,254.00	15,351.00	19,863.30	21,482.84	23,489.65	25,952.15	28,950.01	32,607.26
Total Liabilities & Equity	32,914.00	30,169.00	29,464.00	27,405.00	29,179.00	35,542.70	38,397.42	41,536.49	45,024.37	48,902.31	53,216.17