

INDITEX
INDITEX
INTERIM THREE MONTHS

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

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Inditex Participants

Pablo Isla - Chairman & CEO

Ignacio Fernández - CFO

Marcos López - Capital Markets Director

Conference Call Participants

Chiara Battistini – JP Morgan - Analyst

Andreas Inderst - Macquarie - Analyst

Richard Chamberlain - RBC – Analyst

Rebeca McClellan - Santander - Analyst

Anne Critchlow - Societe General – Analyst

James Grzanic Jefferies – Analyst

Andrew Hughes - UBS – Analyst

Warwick Okines - Exane – Analyst

Operator

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Good Morning Ladies and Gentlemen. Welcome to the webcast of Inditex Results for the Interim Three Months 2019. The presentation will be chaired by Mr. Pablo Isla, Chairman and CEO.

As usual the presentation will be followed by a Q&A session starting with the questions received on the telephone, followed by those received through the webcast. Mr. Isla you have the floor.

Slide 3

A very good morning to you all. I would like to welcome you all to Inditex's first quarter 2019 results presentation.

Joining me here today are Ignacio Fernández, our CFO and Marcos López, Capital Markets Director.

Slide 4: Unique business model: Global fully integrated Store & Online

Let me open by pointing to the fact that not only does Inditex operate a unique business model, but also that the level of differentiation is becoming clearer and clearer as time passes. We enjoy an unparalleled level of integration between the online side of the business and the physical side.

Slide 5: Unique business model: Global fully integrated Store & Online

So what underpins this uniqueness? Managing inventory from a central position allows us to offer our customers a unique experience in terms of quality of service. We can now offer customers same or next day online delivery across the globe. When our customers visit any one of our stores, they are invariably visiting a store that has been recently optimised to offer a better experience. By 2020, all stores will be fully digit and sustainable.

Slide 6: 2019: Interim Three Months 2019: Continue developing our LT strategy

The first quarter saw a strong execution of the business model. This increasingly differentiated model of ours remains firmly at the forefront of fashion trends. Our global, fully integrated store and online model, combined with close management of inventory over the quarter has resulted in very strong cash generation.

We continue to see very significant growth opportunities well into the future.

Slide 7: Zara

To give you a taste of the sorts of exceptional locations we are opening, you only have to look as far as the Zara store just refurbished in Cannes, France...

Slide 8: Zara

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...or even our new store at the very large development in Hudson Yards, New York.

Slide 9: Zara

Just look at this powerful new location for Zara store in Time World Mall in Daejeon, South Korea.

Slide 10: Online launch of Zara in Brazil on 20 March

Many of you will have noted the launch of Zara online in Brazil earlier this year, in March, to a very strong reception.

Slide 11: Museo del Prado 200 years: Zara Man

Zara Man has designed a capsule collection to celebrate the 200th anniversary of the Prado Museum.

Slide 12: Zara Home

Zara Home has also been very busy with the launch of the Zara Home Business collection.

Slide 13: Bershka: Festivalism collection

Likewise, Bershka recently launched the Festivalism collection...

Slide 14: Massimo Dutti: Campaign

...and Massimo Dutti has released its Campaign Collection...

Slide 15: Pull&Bear: Partnership with Primavera Sound Festival

...while of course Pull & Bear have been working on a partnership with the Primavera Sound Festival and

Slide 16: Stradivarius

...continuing with the younger concepts, Stradivarius recently entered the Belgium market for the first time.

Slide 17: Oysho: Watersports collection

Oysho on the other hand recently launched their very nice Watersports collection.

Slide 18: Uterque: The Ünseen collection

...and last but not least, Uterque recently launched the Ünseen collection

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Slide 19: Financial Summary

I'm going to pass you over to Ignacio now for a review of the financial performance of the Group.

Slide 20: IFRS 16

As I'm sure everyone on this call is aware, at the start of 2019, financial reporting requires the adoption of IFRS 16.

As highlighted back in March of this year, these changes do not affect the cash flow or the business.

This new reporting standard will result in an estimated increase of 2% to 4% in net income in FY2019 vs the former IAS 17.

Slide 21: Interim Three Months 2019

In the First quarter 2019 Net sales increased 5% to 5.9 billion euros, while gross profit grew 6% to 3.5 billion euros. Profit before Taxes rose 10% to 952 million euros and finally, net income over the first quarter 2019 increased 10% to 734 million euros.

Let me highlight to you that the impact on Net Income of Leases under the new IFRS 16 rules in the quarter was 21 million euros.

Slide 22: Satisfactory sales growth

The sales growth over the quarter was satisfactory. Sales in local currencies grew 5%.

Sales in the second half of the quarter were affected by adverse weather patterns. Upon the return to normal trading conditions sales recovered accordingly. Store & Online sales in local currencies from the 1st of May to the 7th of June grew 9.5%.

Store & Online sales in local currency from the 1st of February to the 7th of June grew 6.5%.

Slide 23: Disciplined execution shown in gross margin

The execution of the business model over the period has been good. This is clearly reflected in the gross profit performance. The gross margin increased 61 basis points to 59.5%. Gross profit increased 6% to 3.5 billion euros. We have sustained our commercial policies.

Slide 24: Tight control of operating expenses

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As you can see, we have maintained tight control over operating expenses in the first quarter of the year. Operating expense growth without the impact of Leases under IFRS16 rules in the quarter would have been plus 5%.

Slide 25: Financial results

The financial results line of the P and L includes an impact of Leases under IFRS16 rules of 39 million euros.

Slide 26: Flexible business model

The flexibility of the business model is illustrated in the working capital performance with inventory growing only 1%, helping to drive the healthy growth in operating working capital of 18% and a growth in the cash position of 9%.

Slide 27: +17% Dividend increase for FY18

Keeping in mind our principles of providing an attractive and predictable remuneration to our shareholders, relating to fiscal 2018, the Board of Directors is proposing a dividend increase of 17% to 88 cents. € 44 cents was paid on the second of May and € 44 cents is due to be paid on the 4th of November 2019.

Let me hand you over to Marcos now who will provide you with a brief review of the concepts.

Slide 28: Concept

Slide 29: Store & Online sales by concept

Over 2019 we have continued with our global expansion. We opened stores in 23 markets over the year. Global online launches have continued rapidly as you can see.

Zara represents approximately 70% of group sales, the younger concepts around 30%.

Slide 30: Performance per concept

The younger concepts grouped together continue developing their operations satisfactorily.

In the year Stradivarius and Massimo Dutti have performed strongly.

Slide 31: Outlook

I'll hand you over to Pablo now who will provide a few comments on the outlook.

Slide 32: FY2019 Outlook

Inditex operates a global fully integrated store and online sales platform. The strong organic growth we have seen is driven largely by the ongoing efforts to differentiate the business.

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Store & Online sales in local currencies from the 1st of May to the 7th of June grew 9.5%.

Store & Online sales in local currencies from the 1st of February to the 7th of June grew 6.5%.

To this end, I would like to reiterate the guidance we provided back in March of this year. Like-for-like sales are expected to increase by between 4 and 6% in FY2019. We also expect to see strong cash generation this year.

Slide 33: CEO appointment

Many of you will have seen our recent announcement on the proposed appointment of Carlos Crespo as Chief Executive Officer. Carlos will lead the digital transformation of the business and will also push forward the area of sustainability.

He will be responsible for Technology, IT security, Logistics & Transportation, Construction & Works, Legal, Procurement and Sustainability.

Subject to approval at this year's AGM, the appointment will take effect in July.

Slide 34: Seamless Store & Online integration

We have proceeded with the seamless integration of stores and online as evidenced over the period with the launching of Click and Collect at our Zara store in Corso Vittorio Emanuele, Milan.

Slide 35: Global online

All key markets now offer same and/or next day delivery as standard and we expect inventory integration to be fully rolled out globally by 2020.

Slide 36: May: Online launches of Zara in Saudi Arabia, UAE, Lebanon...

In May, Zara launched online for the first time in Saudi Arabia, United Arab Emirates and Lebanon...

Slide 37: ...Egypt, Morocco, Indonesia, Serbia and Israel

...and also in Egypt, Morocco, Indonesia, Serbia and Israel.

Slide 38: A/W: S. Africa, Kuwait, Qatar, Colombia, Philippines, Ukraine

Later on in the year, in time for the Autumn/Winter campaign, you'll see Zara launch online in South Africa, Kuwait, Qatar, Colombia, Philippines and Ukraine.

Slide 39: Store & Online: Getting ready

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Emblematic collections that you can see right now both in store and online include the Getting Ready collection...

Slide 40: Campaign 19

...the Campaign 19 collection...

Slide 41: Tie Dye

...the Tie Dye collection...

Slide 42: #Essentials

...the Essentials collection.

Slide 43: Join Life collection

...and of course the Join Life collection, which incorporates the latest sustainability initiatives.

Slide 44: Zara

By way of important store openings, Zara recently opened in Lille, on Rue de la Bourse. As you can see, very beautiful.

Slide 45: Zara

As well as a great store location in Gran Roma Mall in Rome.

Slide 46: Zara

Zara also recently enlarged its store at Istinye Park in Istanbul.

Slide 47: Zara

...and in the One Mall in Nanjing.

Slide 48: Zara

And finally, it is certainly worth highlighting and finishing on, the excellent location of the new Zara store in Jewel City, in Singapore.

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QUESTIONS & ANSWERS

Operator

Ladies and gentlemen, the telephone Q&A session starts now. If you wish to ask a question, please dial 01 on your telephone keypad. We request that you limit yourself to only one question per turn so we can maximize the number of participants in the session. If you have further queries, you may dial 01 again after the next person's question has been address. Thank you.

The first question comes from Chiara Battistini, from JP Morgan. Please go ahead.

Chiara Battistini – JP Morgan - Analyst

Good morning. Thank you very much for taking my question. Can I just ask on the gross margin and the very strong performance you achieved in Q1, could you perhaps comment on the drivers behind that strong performance and how much was the effects and how much was due to promotional activity? And as a follow-up to that, any comments you could also share with us on your promotional approach in the current trading during the period of May that might have also supported your top line during the period. Thank you very much.

Pablo Isla - Inditex - Chairman & CEO

Thank you. As you know, we do not like to elaborate very much on the gross margin regarding a short period of time. What we can say is that the gross margin evolution during the first quarter is 100% related with the global execution of the business model, with the idea of quality, with the idea, of course, of full-price sales, our ability to react during the season, a very low level of inventory. You are seeing that at the end of the period our inventory was only growing 1%, so flat we can say. So it is always the same, it is the execution of the business model and what we can tell you is that we are happy with the evolution of the gross margin during the first quarter, but we always prefer to look for a longer period. And then, you were asking specifically about the month of May and what I can tell you is that there is nothing relevant or significant in terms of promotional activity. We continue with the execution of our business model and always thinking in the medium and long-term evolution of the company. Very recently, whenever we talk, we always talk about the quality of our products, about the quality of our inventory and business model, about the quality of our stores, the fully integrated approach between stores and online, the quality of our online offer. We believe very much in this approach, in all the different markets, this is what we are focused. At the same time, as you can see, we are extremely active with a lot of initiatives, regarding openings, regarding collections and different areas of the business: Zara Home professional, different sports in Oysho, a lot of initiatives, of course, in Zara, in Massimo Dutti, in Pull&Bear, Bershka, Stradivarius... So being very very active, very focused, fully integrated approach between stores and online and always thinking about our customers and always thinking about quality from every point of view. And this finally translates into numbers, into the figures. What we always say is that we work for the stability of the gross margin and this is our approach and we always prefer to analyse not in a very short period of time, but in a longer period. At least on a season by season basis.

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Chiara Battistini – JP Morgan - Analyst

Thank you. Maybe if I can follow up in this acceleration that you saw in the current trading. Any region you would call out where that drove this acceleration, please?

Pablo Isla - Inditex

I come back to what I was saying before. For us is much more relevant the fact that from 1st of February to the 7th of June store and online sales growth in local currency was 6.5%. That is why we reiterate our 4 to 6% like-for-like sales growth guidance for the year. Whenever you look at a very short period of time, there could be many different reasons in one direction or in the other direction. So that is why we prefer not to focus very much in a short period and thinking much more about the longer period and about the global season, and this 4 to 6% like-for-like sales growth guidance that we were providing to you in the month of March for the full year.

Chiara Battistini – JP Morgan - Analyst

Okay. Understood. Thank you.

Operator

The next question comes from Andreas Inderst, from Macquarie. Please, go ahead.

Andreas Inderst - Macquarie - Analyst

Hi. Thank you very much. Good morning, everyone. I have a question on your dedicated online area in the store. How is the feedback on that from customers? And maybe related to that, how much was your online sales growth in the period? Thank you very much.

Pablo Isla - Inditex - Chairman & CEO

So you are talking about the automated click and collect that we have in several stores? I think you referring to this?

Andreas Inderst - Macquarie - Analyst

Yes.

Pablo Isla - Inditex - Chairman & CEO

The feedback is unbelievable, because for the customers it is like magic. In a few seconds they have the package. I would say it is much more the global approach. It is this fully integrated approach. It is the stock integration. It is the service we provide to our customers. They could ask for in-store delivery, for home delivery, same day, next day, delivery, fully integrated, full integration of the stock... We believe very much in this approach but particularly about your question, well these stores in which we have the automated click and collect, the experience, of course, from the point of view of the customers is very good.

But we always say the same: we prefer to have the global approach than to analyze what is coming from this and from that particular initiative. Because if you do that, you could lose the global perspective of the company and the global perspective on the way we operate our business.

What we were saying in the presentation is that we really consider that our approach, this fully integrated approach, and the way we are implementing it all across the world, is very unique. Very

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unique and very characteristic of our company. This global experience that we are offering to our customers.

Andreas Inderst - Macquarie - Analyst

Okay. Thank you. And just quickly, store expansion was flat in Q1. What was actually the space growth in Q1 and any change to your full year expectations of around 4%? Thank you.

Marcos López - Inditex

As you know, Andreas, we prefer to focus especially on space growth over at least a year and think the relevant metric here is clearly space and not stores, and we have reiterated guidance for the year, in terms of 5 to 6% gross space growth for the year.

Andreas Inderst - Macquarie - Analyst

Thank you.

Pablo Isla - Inditex - Chairman & CEO

Yeah, we had very relevant openings during the period. We were mentioning some of them in the call, openings, enlargements, refurbishments... We also have very relevant ones for the second half of the year, so it is the approach we have always mentioned about quality and about the store optimisation plan. You can see, for example, one of the stores that we are mentioning, which is Istinye in Istanbul, this is the best shopping mall in Turkey. And now we have a huge flagship completely refurbished of the store in Lille or Hudson Yards in New York, Daejeon in South Korea... So very relevant activity and very relevant openings, with Zara and with the other brands, and always with this focus in terms of the quality of the openings and everything in line with our global strategy. This fully integrated approach between stores and online, central inventory position, flexibility, ability to react during the season, offering to our customers the latest fashions with very high quality. This is our global approach and we have always been more focused on bringing to our customers however they want to buy, stores, online, the best product and in the best environment.

Operator

Thank you. The next question comes from Richard Chamberlain from RBC. Please go ahead.

Richard Chamberlain – RBC- Analyst

Thanks very much. Good morning. Could I just ask Pablo what your latest view on FX is in terms of impacts on sales and I guess gross margin, given the dollar for the full year? What is your view on that as things stand?

Marcos López - Inditex

Richard, for the year we are not changing our views in any significant way. In terms of the year, we expect a slightly positive effect on the top line and regarding the gross margin, stable, because the dollar is just one of many factors. What I would like to highlight is, in terms of gross margin and the execution, is how strong this first quarter has been in the sense that you clearly see that the gross margin has expanded 61 basis points. This was reflected very clearly in the working capital, with inventory growing just 1%, the healthy inflow into the working capital, plus 18%, and cash growing by 9%. So what we try to focus is very much on the fundamentals of the business. If I would sustain what we mentioned in March about the mildly positive effect and stable gross margin.

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Richard Chamberlain – RBC- Analyst

Okay, great. While I have got you on the line, the improvement that you have seen in Q2 it is quite a strong improvement versus Q1. Is that something that you have seen generally across all regions? Or is that something being driven by the weather in southern Europe being warmer than last year? I know it was quite good in northern Europe last year. It was obviously quite soft in southern Europe. So, is that a comment specific to one region or are you actually seeing a general improvement across the board so far in Q2?

Pablo Isla - Inditex - Chairman & CEO

Well, you know that we do not like to elaborate very much over a short period of time, as it is the start of the second quarter. But, globally, what we can tell you is that we analyze the decision globally and this 6.5% sales growth that we have during the season is very well spread all across the world. So it is not specific about any particular region. It is a very consistent performance with positive like-for-like in all the different geographical areas.

Richard Chamberlain – RBC- Analyst

Great. Good to know. Thank you very much.

Operator

Thank you. The next comes from Rebecca McClellan, from Santander. Please, go ahead.

Rebeca McClellan - Santander - Analyst

Good morning, everybody. Just one question, please. Pablo, how do you manage inventory according to the volatility in the business? And would that 1% growth have been similar had there not been a slowdown in the second part of the first quarter. And is 1% growth enough to short of meet the demands as it picked up in the second quarter?

Pablo Isla - Inditex - Chairman & CEO

Well, you know we always say the same, that for us the most relevant metric, even more than the inventory position, is what we call "the level of commitment at any point in time" during the season, because for us what is key is to reinforce the flexibility of our business model, the ability to react during decision. Of course, this flexibility, this low level of commitment at any point in time, translates into inventory position at the end of any particular quarter. Well, what we can tell you is that it is the execution of the business model. Of course, the level of inventory at the end of any particular month or quarter could be different in one way or another depending on the evolution of sales during that period of time. But what is key for us, this idea of executing the business model, the flexibility and ability to react, and this is something that we have totally in mind. You know that our business model is based much more on the idea that when we know what our customers want, because of this flexibility, this ability to react and this integration between our suppliers and this very efficient logistics that we have, when we know what our customers want, we try to deliver what they want in a very short period of time. This is the essence of our business model, this flexibility and this ability to react, and then this translates into an inventory position. We think that now we are mid-June and if we think about the Autumn/Winter season we have in front of us, we continue having huge room to take decisions during the season, as always. And this is something that we are reinforcing more and more, managing very carefully the level

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of commitment at any point in time during the season. So, I can say that this level of inventory at the end of the first quarter is very remarkable and it shows this flexibility that we have in our business model.

Rebeca McClellan - Santander – Analyst

Is the growth in commitment similar to the growth in inventory?

Pablo Isla - Inditex - Chairman & CEO

You cannot make an exact equation, because there are many things involved. But the way to translate the level of commitment in figures has a lot to do with the inventory position at the end of any particular moment. But, at the same time, we always say that this is a picture, a photo that takes place in one particular day. It is the working capital evolution, the negative working capital position, that shows how healthy is the evolution of the business globally.

Rebeca McClellan - Santander – Analyst

Okay. Thank you.

Operator

Thank you. The next question comes from Anne Critchlow, from Societé Générale. Please, go ahead.

Anne Critchlow - Societé Générale - Analyst

Thank you. My question is on FX. In the quarter, was the currency translation impact absolutely flat or was it something like plus 0.4%?

Marcos López - Inditex

I think that your question is really really precise. As we have mentioned in our note, sales growth was 5% and local currency was 5%. To enter into decimals in such a short period of time, I do not think is really the way that we manage the business. For the year, we still expect a slightly positive effect, but obviously, we are not going to comment on quarters.

Anne Critchlow - Societé Générale - Analyst

All right. Thank you.

Operator

Thank you. The next question comes from James Grzanic, from Jefferies. Please, go ahead.

James Grzanic - Jefferies - Analyst

Good morning, everybody. I have a couple of questions on gross margin dynamics. Should I assume that the impact of a stronger U.S. dollar on your Asian sourcing, would that accelerate in coming quarters relative to what you have seen in Q1? And should I assume that with the spring-summer season, most of the catch-up in emerging markets would have happened in terms of recovering that currency, that historic currency devaluation?

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Pablo Isla - Inditex - Chairman & CEO

I think what Marcos was answering before related to your question. In terms of the full year at current exchange rates, because we are in June and things could change between now and the end of the year, but at current exchange rates, what we are expecting for the full year is a slightly positive impact on sales. In terms of the gross margin, combining all the different currency impacts, we are not expecting any significant currency impact on the gross margin. This is what we can say at this stage.

James Grzinic - Jefferies - Analyst

Okay. Thank you.

Operator

Thank you. The next question comes from Andrew Hughes from UBS. Please, go ahead.

Andrew Hughes - UBS - Analyst

Yes. Good morning, everyone. I just have another question referring to the gross margin. Two of the areas you mentioned that were advantageous from your integrated model was the ability to fulfill online orders from store and so increase your full price sales proportion and also the problem of broken ranges being able to hold full price for longer there as well. Are those really happening now? And is it a real driver of the gross margin in Q1 and what I am trying to get at is that if that is the case, then are you more confident about the gross margin progression for the full year? Thank you.

Pablo Isla - Inditex - Chairman & CEO

As you know, this has a lot to do with the RFID and with the stock integration, which is fully implemented for this year. It is fully implemented in Zara, in Massimo Dutti and Uterqüe and, of course, this is something which is quite relevant in terms of service to our customers and in terms of full-price sales during the season. So this is one of the elements of this fully integrated approach that is driving the whole execution of our business model right now. But as I was saying before, we do not like to isolate this impact or that other impact. What for us is very relevant is the global fully integrated approach, but inside this global fully integrated approach, the stock integration and the ability to fulfill online orders from these stores, of course, is something which is relevant in terms of, as I was saying before, service to our online customers and for full-price sale during the season. And this will become more and more relevant as far as online becomes more and more relevant as a percentage over total sales.

Andrew Hughes - UBS - Analyst

Yes. Did you have a figure for what proportion of online sales are picked up in store?

Pablo Isla - Inditex - Chairman & CEO

No, and even less in a quarter. We prefer not to focus on the specific figure of each part of the business, but much more in the global figures.

Andrew Hughes - UBS - Analyst

Yeah. But you are also delivering to home from store stock?

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Pablo Isla - Inditex - Chairman & CEO

Yes, for sure. We have the two possibilities. We have the possibility of in-store delivery. Well the customer doesn't know if it is going to be delivered from the online stock room or from the store's stock room. The customer orders online and he can ask for in-store delivery or home delivery because if the product has been made available for the online customer, it could be in our online stock room or in a store stock room. So the customer doesn't know where the product is located. That is why we are able to offer our customers products that in other case would not be offered to them. That is why this stock integration is so relevant.

Andrew Hughes - UBS- Analyst

Yes, and you have not had to add any extra cost in store to help with online fulfillment?

Pablo Isla - Inditex - Chairman & CEO

No. It is managed within the store because we take advantage of the less busy hours of the store to prepare these packages for in-store online fulfillment, because in the store, it is not exactly busy during the whole day. It is different in the mornings and in the afternoons. It is different on Mondays, Tuesdays and Saturdays or Sundays. So the store is not always as busy during the week. So, of course, we take advantage of the moments in which the store is less busy to prepare all these packages.

Andrew Hughes - UBS – Analyst

Yeah. Okay. Great. Thank you very much.

Pablo Isla - Inditex - Chairman & CEO

Thank you.

Operator

Thank you. The next question comes from Warwick Okines, from Exane. Please, go ahead.

Warwick Okines - Exane - Analyst

Yeah, good morning. Thanks for taking my question. I had a question that follows on actually from the last one, and that is about picking from store. Am I right in thinking that all the stores that are now RFID enabled have the functionality of picking online orders from those stores? And if so, does that have any implications on the number of online stockrooms you need across the world? I think you spoke about the number about a year ago. You said I think there were 18 stockrooms. Does the pick from store have any implications on the numbers you will need long term?

Pablo Isla - Inditex - Chairman & CEO

No, not really. The number of online stockrooms for us is something very easy to manage, we have always mention to you. It is like opening a store without the store, only with the stock room. So it does not change at all the business model and these online stockrooms are receiving two times per week from our logistic platform, as any other store. So, even if there could be 30 or 35 online stockrooms, it would be like 30 or 35 additional stores in terms of the way we operate our business. So not really. We prefer to keep this approach of having online stockrooms and then thanks to this stock

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integration, the ability to fulfill online orders from the stores. But it is very efficient, the whole system, not only from the point of view of costs, but also what is even more relevant than costs, from the point of view of the distribution, of the way we manage the stock. So it is a very efficient way of operating our business.

Warwick Okines - Exane - Analyst

Thank you. So that is stock integration is across all of Zara, Massimo Dutti and Uterqüe, but not across all the other brands at the moment? Is that correct?

Pablo Isla - Inditex - Chairman & CEO

No. We are implementing it progressively and then next year it will be fully implemented all across the brands in all the different markets.

Warwick Okines - Exane - Analyst

What is the typical size there on the stockrooms?

Pablo Isla - Inditex - Chairman & CEO

Well, it depends very much, because it is completely different depending on the size of the online market we are talking about. It has nothing to do the size of one we could have in China with the size of one we could have in other different markets. So it depends very much. But, in any case, the operation is very efficient.

Warwick Okines - Exane - Analyst

Sure. Thank you very much.

Operator

Thank you. We are now finished with the telephone Q&A session to address the questions were received through the Webcast platform.

James O'Shaughnessy

We had a couple of Webcast questions today. The first of which I know you already covered a little bit, on gross margin. Is there any other color you can provide on the key drivers of gross margin performance?

Pablo Isla - Inditex - Chairman & CEO

Well, I think we have covered it deeply during the call. I would say the same: it has to do with the execution of our business model, with the consistency of our commercial policies, our inventory position, the success of our collection. So it has to do globally with the execution of our business model, with the flexibility of this business model.

James O'Shaughnessy

The second one was that Inditex continues to generate strong cash flows, what is the reason for the strong growth in cash of 9% over the period?

Pablo Isla - Inditex - Chairman & CEO

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I think this is something that we have already anticipated to you. We have always been delivering strong cash flows as a company, and because of this strategy, because of this fully integrated approach between stores and online, we are becoming less capital intensive. So cash flow generation is accelerating, it is becoming stronger and stronger, and we see in the first quarter the net cash position increasing 9%, having in mind that at the same time we are increasing dividends. So on comparable basis, the net cash position would have increased more than 9% because during the last 12 months we have paid more dividends than the 12 previous months. This has to do with the execution of the business model and, as we have anticipated to you, this is the trend in the business now because we are becoming less capital intensive. So cash flow generation is becoming stronger and stronger.

Operator 2

That now concludes the Webcast questions.

Pablo Isla - Inditex - Chairman & CEO

Well, thank you. As always, of course, our capital markets department would be ready to answer any additional questions you may have. Thank you for joining us during the call.