Tendam returns to profit in Q2; sales continue to fall

By Triana Alonso - October 29, 2020

Following a difficult first quarter in a year characterized by the negative impact of the Covid-19 pandemic, Tendam has seen an improvement in its performance in the period June 1 through August 31, 2020. The conglomerate, which owns brands such as Cortefiel, Pedro del Hierro, Springfield, Women'secret, Hoss Intropia and Fifty, announced on Thursday that it has returned to profit, reporting quarterly income before taxes of 8.7 million euros.

The figure has provoked a certain optimism at the company in the complex context of the coronavirus crisis, which has led to a "moderate" decline in its sales. In the second quarter, the Spanish fashion group reported revenues of 260.3 million euros, reflecting a 23.6% decrease compared to the same period in the previous year. According to the company, this result was strongly affected by the gradual reopening of its physical stores, with the percentage of the group's retail locations in operation rising from 59% at the end of May to 97% in August. Progress was also driven by "the strong growth of online sales and an improved conversion rate (more sales with less store traffic)."

Recurring EBITDA at the company was 31 million euros.

"We are especially satisfied with the company's performance in the period June through August," said Tendam president and CEO Jaume Miquel in a release. "It marks a turning point in all of the initiatives that we have put in place since February in order to deal with the Covid-19 crisis, showing that they are working, a fact which is reflected in our key financial indicators."
More flexibility, less inventory and greater emphasis on digital

As for online revenues, they increased 40.5% in the period, or 45.3% in total over the first half of the year. This rise means that digital sales accounted for 15.3% of the company’s total revenues on its domestic market, and Tendam intends to maintain this progress, pushing for further growth through to the end of the year. The company is also opening its e-commerce platform up into a multibrand model, through which the group is already working with brands including Levi’s and Bestseller. “We’ve seen an even greater acceleration in the first months of the third quarter, with the channel maintaining a level of superior profitability. It is a big step forward in achieving our aim of tripling our digital sales by 2023,” explained Miquel.

Elsewhere, the company generated free cash flow of 74.6 million euros, which reflects an improvement in its liquidity when compared to August 2019. Furthermore, Tendam presented 18.4% less stock than in the second quarter of the previous year, reducing its inventory by 30.7 million euros. For the company, which operates more than 2,000 points of sale in 70 markets, these results “underwrite the anticipation with which the company acted to protect its liquidity at the start of the crisis, as well as its operational flexibility in decreasing inventories and increasing cash flow generation.”

By Triana Alonso
Translated by Robin Driver

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