

## Mavi

We attended Mavi's analyst meeting to evaluate the company's Q1 2024 financial results, current operations, and future outlook. Mavi is one of the largest brands in the ready-to-wear market in Turkey and the leader in the jeans segment. The company reaches its customers through retail, wholesale, and online channels in approximately 4,000 locations across 37 countries, including 475 Mavi shops.

### Key takeaways of the meeting

**Strong operational results...** Mavi's Q1 2024 sales revenues grew by 20% compared to the same period last year, reaching 8,273 million TL. 89% of the consolidated revenue came from sales in Turkey. Revenue distribution was 65% from retail, 25% from wholesale, and 10% from e-commerce channels. Within the company's retail net sales, denim products accounted for 42%, while the lifestyle category accounted for 58%. Although overseas revenues decreased by 5% under the assumption of a constant exchange rate in the first quarter, operations in the US continued strongly. The company reported a net profit of 960 million TL in Q1 2024, a 128% increase compared to the same period last year.

**Improvement in margins...** Gross profitability was maintained through successful cost management. The gross profit margin improved to 52.5% in Q1 2024 (Q1 2023 gross profit margin: 46%). EBITDA for the first quarter of 2024 was 1,984 million TL. The EBITDA margin improved by 470 basis points compared to the previous year, reaching 24% (Q1 2023 EBITDA margin: 19.3%). The improvement in the EBITDA margin includes a positive impact of 250 basis points due to the applied interest rate difference. As of Q1 2024, the company's net cash position was 5,266 million TL.

**Turkey retail operations...** Mavi's number of retail stores reached 338 in the first quarter of 2024 with the opening of 2 new stores. During the same period, three stores were expanded in terms of square meters. As of Q1 2024, the total sales area was 176.3 thousand m<sup>2</sup>, while the average store size was 522 m<sup>2</sup>. In Q1 2024, like-for-like store sales grew by 20.3% in TL terms and by 26.7% in unit terms after inflation adjustment.

**Consumer demand remains strong...** Consumer demand for clothing products remained strong. In May, retail sales in Turkey grew by 74% and online sales in Turkey grew by 73% before IAS 29 adjustments. In the first 12 days of June, driven by the positive impact of the upcoming Eid al-Adha, retail sales in Turkey grew by 121% and online sales in Turkey grew by 98%. In Q1 2024, after inflation accounting adjustments, the company's retail revenues in Turkey grew by 26% and online sales revenues in Turkey grew by 23% compared to the same period last year.

### 2024 Expectations

- Total revenue growth: 70% ± 5% (before IAS 29 adjustments),
- Turkey Retail: 15 new store openings and store expansions in 10 locations.
- EBITDA margin: 20% ± 0.5% (before IAS 29 adjustments).
- Increase in net cash position and investment expenditures as a percentage of sales: 5% (including investments in the new headquarters building).

**Mavi's Q1 2024 financial results, announced on June 13, present a positive outlook. We expect the announced financial results to have a positive impact on the stock. We continue to fundamentally like the stock.**

## MAVI

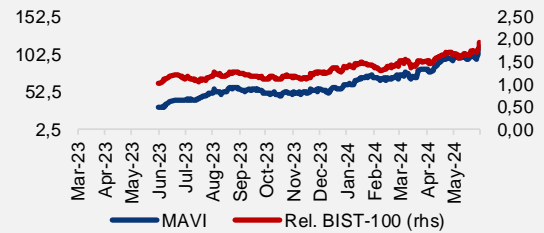
### Share Data

Ticker:	MAVI TI
Share price (as of 23 May 2024)	112,00
Share price (52 week range)	31 / 112
Market cap. (TL mn - USD mn)	44.493 - 1.371
# of shares outstanding (mn)	397
Free Float	73%

Avg. trading volume	1M	3M	12M
USD mn	11,0	11,5	9,2

Price performance	1M	3M	Y-t-D
TL	20%	62%	97%
USD	19%	60%	78%
Rel. to BIST-100	16%	38%	40%

Valuation	2022	2023	2024
P/E	10,0x	10,9x	14,8x
P/BV	4,3x	4,8x	5,3x
EV/EBITDA	4,4x	4,6x	5,6x
EV/Sales	1,0x	0,9x	1,1x



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## Summary (TLmn)

(TLmn)	2023/1Q	2023/2Q	2023/3Q	2023/4Q	2024/1Q	Change (y/y)
<b>Revenue</b>	6.918	4.468	5.774	12.104	8.273	20%
<b>EBITDA</b>	1.323	681	1.650	1.351	1.980	50%
<b>Net Profit</b>	421	644	1.021	-393	960	128%

Balance Sheet (TLmn)	2019	2020	2021	2022	2023
Cash	311	893	1.509	5.445	4.917
Accounts receivables	231	231	394	1.435	1.312
Inventory	496	560	751	4.005	3.609
Other current assets	81	102	202	511	307
<b>Current assets</b>	<b>1.119</b>	<b>1.787</b>	<b>2.856</b>	<b>11.396</b>	<b>10.146</b>
Financial investments	0	0	0	0	0
Net fixed assets	181	198	259	1.051	1.213
Intangible assets	68	74	131	410	326
Other non-current assets	570	650	849	2.306	2.213
<b>Non-current assets</b>	<b>819</b>	<b>921</b>	<b>1.239</b>	<b>3.767</b>	<b>3.752</b>
<b>Total assets</b>	<b>1.937</b>	<b>2.708</b>	<b>4.095</b>	<b>15.163</b>	<b>13.898</b>
Short-term financial loans	434	1.040	1.120	3.117	1.403
Accounts payables	597	638	1.189	4.881	3.398
Other short-term payables	92	108	262	976	1.325
<b>Current liabilities</b>	<b>1.123</b>	<b>1.786</b>	<b>2.570</b>	<b>8.974</b>	<b>6.126</b>
Long-term financial loans	325	366	277	478	929
Other long-term payables	12	22	55	292	175
<b>Non-current liabilities</b>	<b>337</b>	<b>388</b>	<b>332</b>	<b>770</b>	<b>1.104</b>
<b>Shareholders' equity</b>	<b>478</b>	<b>534</b>	<b>1.193</b>	<b>5.419</b>	<b>6.668</b>
Parent company	460	510	1.115	5.124	6.307
Minorities	17	24	79	295	361
<b>Total liabilities &amp; equity</b>	<b>1.937</b>	<b>2.708</b>	<b>4.095</b>	<b>15.163</b>	<b>13.898</b>
Net debt	448	512	-112	-1.850	-2.586
Net working capital	118	147	-103	94	505
Net working capital (Operating)	130	153	-43	560	1.523
Invested Capital	367	418	287	1.555	2.044

## Ratios

Profitability					
ROE	23,3%	0,9%	46,4%	57,6%	29,5%
Net margin	3,3%	0,2%	8,7%	9,1%	6,8%
Asset turnover	1,7x	1,0x	1,4x	2,2x	1,8x
Leverage	4,0x	4,6x	3,9x	2,9x	2,4x
ROA	5,8%	0,2%	11,8%	19,8%	12,3%
ROIC	83,3%	14,9%	149,3%	231,2%	144,2%
<b>Leverage</b>					
Financial debt/Total assets	39%	52%	34%	24%	17%
Net debt/Equity	0,94	0,96	-0,09	-0,34	-0,39
Net debt/EBITDA	0,70	1,33	-0,11	-0,44	-0,53

Source: Bloomberg, Tacirler Investment

\* All figures are stated in millions of TL unless otherwise stated.

Income statement (TLmn)	2019	2020	2021	2022	2023
<b>Revenues</b>	<b>2.863</b>	<b>2.402</b>	<b>4.619</b>	<b>21.038</b>	<b>26.293</b>
Gross profit	1.405	1.160	2.372	10.358	12.674
Operating expenses	1.045	1.087	1.714	7.695	9.430
Operating profit	360	73	658	2.662	3.244
<b>EBITDA</b>	<b>640</b>	<b>385</b>	<b>1.016</b>	<b>4.181</b>	<b>4.854</b>
Other income, net	2	16	41	126	235
Financial income, net	-224	-77	-160	-386	-810
Earnings before taxes	138	12	539	2.402	2.669
Tax expense	30	4	116	475	913
<b>Net earnings - Parent</b>	<b>95</b>	<b>5</b>	<b>400</b>	<b>1.906</b>	<b>1.784</b>

## Cashflow statement

	2019	2020	2021	2022	2023
<b>EBITDA</b>	<b>640</b>	<b>385</b>	<b>1.016</b>	<b>4.181</b>	<b>4.854</b>
Taxes on EBIT	78	26	142	526	1.109
Capital expenditures	100	99	163	568	585
Chg. in NWC	13	28	-250	197	411
<b>Free cashflows to firm</b>	<b>449</b>	<b>232</b>	<b>961</b>	<b>2.889</b>	<b>2.750</b>

## Growth &amp; margins

	2019	2020	2021	2022	2023
Revenues	21,7%	-16,1%	92,3%	355,4%	25,0%
EBITDA	75,3%	-39,9%	164,1%	311,5%	16,1%
Net earnings	3,6%	-95,2%	8637,5%	375,9%	-6,4%
Gross margin	49,1%	48,3%	51,3%	49,2%	48,2%
Operating margin	12,6%	3,0%	14,2%	12,7%	12,3%
EBITDA margin	22,4%	16,0%	22,0%	19,9%	18,5%
Net margin	3,3%	0,2%	8,7%	9,1%	6,8%
Free cashflow margin	3,3%	0,2%	8,7%	9,1%	6,8%

## Per share (TL)

	2019	2020	2021	2022	2023
EPS	0,24	0,01	1,01	4,80	4,49
BVPS	1,20	1,34	3,00	13,64	16,79
DPS	0,00	0,00	0,08	0,30	1,08

## Valuation

	2019	2020	2021	2022	2023
P/E	24,7x	69,4x	150,4x	10,0x	8,8x
P/BV	5,50x	4,90x	4,82x	4,27x	4,82x
EV/EBITDA	5,6x	5,3x	6,6x	4,4x	4,0x
EV/Sales	0,96x	1,06x	1,19x	1,03x	0,83x
Dividend Yield	0,0%	0,0%	1,0%	2,0%	2,7%
Free cashflow yield	22,5%	10,3%	33,2%	47,6%	17,2%

# Important Disclosures

## Rating Methodology

Stock ratings are based on absolute return potential of the stock, which is defined as the percentage change in target price from the current share price. All recommendations and target prices are set with a 12-month horizon. Target prices are set by using one or more of the following methodologies: DCF, Net Asset Valuation, sum of the parts model and multiple comparison.

## Rating Definition

**Strong Buy:** The stock is expected to generate a return of more than 25% in TL terms.

**Buy:** The stock is expected to generate a return of 15-25% in TL terms.

**Hold:** The stock is expected to generate a return of less than 15% in TL terms.

**Sell:** The stock is expected to generate a negative return within the forecast horizon.

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