

## Mavi

We revise our target price for MAVI to 147.00 TL per share. Our 12-month target price implies a 48% upside potential, and we maintain our BUY recommendation while adding the stock to our model portfolio. Key catalysts in our valuation are: i) Strong performance in domestic retail and a broad target audience, ii) Dynamic pricing strategy and effective inventory management, iii) Expansion in sales area and store openings, and iv) A strong net cash position. Based on our 2024 estimates, Mavi is trading at a 9.6x P/E multiple, while on our 2025 estimates, the P/E multiple drops to 6.9x.

**Strong domestic retail performance and an expanded target audience...** The depreciation of the Turkish Lira and rising exchange rates have boosted demand for local brands like Mavi, widening their target audience to include the upper-middle class. Despite the economic slowdown, consumer spending in the apparel sector has remained stable, positively impacting profitability. In May 2024, Turkey's retail revenues grew by 74% and online sales by 73%, with even stronger growth in June due to holiday effects. We expect Mavi's 2024 sales to reach 44.2 billion TL (+68% YoY), with an EBITDA of 8.2 billion TL at an 18.5% margin and net profit growing 149% YoY to 4.3 billion TL. The second and third quarters stand out as the periods when Mavi typically achieves its strongest results due to seasonal effects.

**Dynamic pricing strategy and effective stock management...** Despite the uncertainties in production, orders, and supply chains in the post-Covid-19 period, Mavi's effective stock management and ability to quickly adapt to sudden changes have enabled the company to excel in risk management. The wide product range and balanced pricing strategy make the company's growth target, which exceeds inflation, sustainable. In recent years, Mavi has expanded its retail operations and broadened its product range with lifestyle products. As of 1Q24, lifestyle products accounted for 58% of Turkey's retail revenues, while denim products made up 42%. The company's extensive product range contributes positively to Mavi's profitability.

**The impact of sales space expansion and store openings on profitability...** Mavi's domestic retail store count reached 338 with the addition of two new stores in the first quarter of 2024. During the same period, three stores were expanded in terms of square footage. As of the first quarter, the total sales area increased to 176.3 thousand square meters, with the average store size rising to 522 square meters. Although a normalization in demand for apparel was observed after the holiday period, we believe that Mavi's retail operations will continue to remain strong. We project that by 2033, Mavi will reach a total of 407 stores, with an average store size of 617 square meters.

**Mavi's net cash position provides flexibility for the company...** Mavi's net cash position offers significant advantages in cost management. As of 2Q24, Mavi's net cash position, excluding TFRS 16, stands at 5.2 billion TL. By year-end, due to investments in the new headquarters and ongoing warehouse projects, capital expenditure is expected to be around 5% of sales revenue. The company targets a revenue growth of 70% (+/-5%) and an EBITDA margin of 20% (+/-0.5%) for 2024, excluding the impact of IFRS 16. Additionally, Mavi plans to open 15 net new stores.

## MAVI

Buy

Target Price TL 147.00  
Return potential %48

### Share Data

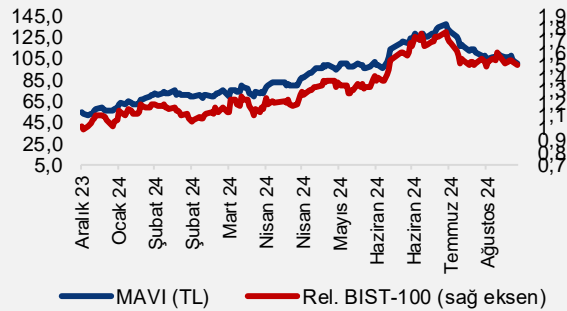
Ticker:	MAVI TI
Share price (as of 26.08.2024)	99,60
Share price (52 week range)	51 / 136
Market cap. (TL mn - USD mn)	39566,7 - 1166,2
# of shares (mn) & free float	397 - 73%
Foreign Ownership Rate	43%
Market	Star
Industry	Retail (Clothing)

Avg. trading volume	1M	3M	12M
USD mn	9,2	11,7	10,7

Price performance	1M	3M	Y-t-D
TL	-14%	3%	75%
USD	-16%	-2%	51%
Rel. to BIST-100	-2%	15%	40%

Forecasts (TL mn)	2023	2024E	2025E
Revenues	26.294	44.158	59.941
EBITDA	4.854	8.177	11.283
Net Earnings	1.757	4.267	5.904

Valuation	2023	2024E	2025E
P/E	22,7x	9,6x	6,9x
P/BV	5,8x	3,6x	2,4x
EV/EBITDA	7,6x	4,5x	3,3x
EV/Sales	1,4x	0,8x	0,6x



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**Risks:** i) higher-than-expected cost increases and ii) a potential decrease in consumer appetite for apparel are the main risk factors in our valuation.

## Valuation

For Mavi, we calculate our 12-month target price at 147.00 TL per share, based on our Discounted Cash Flow (DCF) model, which includes our cash flow projections for the 2024 – 2033 period. Our target price implies a 48% upside potential. In our valuation, we have assumed a risk-free rate of 23.5%. The weighted average cost of capital (WACC) calculated for our projection period stands at 27%.

**Exhibit: Table: Mavi Discounted Cash Flow Chart**

TL mn	2023	2024E	2025E	2026E	2027E	2028E
<b>Revenues</b>	<b>26.294</b>	<b>44.158</b>	<b>59.941</b>	<b>75.195</b>	<b>92.774</b>	<b>111.215</b>
<i>Growth %</i>	25,0%	67,9%	35,7%	25,4%	23,4%	19,9%
<b>EBITDA</b>	<b>4.854</b>	<b>8.177</b>	<b>11.283</b>	<b>14.200</b>	<b>17.447</b>	<b>20.956</b>
<i>Growth %</i>	16,0%	68,5%	38,0%	25,8%	22,9%	20,1%
<i>EBITDA Margin %</i>	18,5%	18,5%	18,8%	18,9%	18,8%	18,8%
Taxes paid on EBIT	-913	-1.697	-2.124	-2.555	-3.155	-3.819
CAPEX	-585	-1.288	-1.918	-2.481	-3.154	-3.893
Change in Net Working Capital	1.135	1.177	84	245	125	222
<b>Free cash flow from operations</b>	<b>2.222</b>	<b>4.015</b>	<b>7.157</b>	<b>8.917</b>	<b>11.012</b>	<b>13.023</b>
<i>FCFF Margin %</i>	8,5%	9,1%	11,9%	11,9%	11,9%	11,7%
WACC		26,5%	26,5%	26,6%	26,8%	26,9%
<b>DCF</b>		<b>3.212</b>	<b>4.581</b>	<b>4.566</b>	<b>4.510</b>	<b>4.267</b>
Terminal growth rate		5%				
Terminal Value		133.812				
<b>PV of Terminal Value</b>		<b>14.368</b>				
PV of FCFF		39.929				
PV of Terminal Value		14.368				
<b>Enterprise Value</b>		<b>54.297</b>				
<b>Equity Value</b>		<b>58.315</b>				
# shares of outstanding		397				
<b>Fair value per share (12-mth fwd)</b>		<b>147,00</b>				
Current share price		99,60				
<b>Upside / (Downside)</b>		<b>48%</b>				

## Sensitivity Analysis for our DCF Model

		Risk Free Rate				
		19,50%	21,50%	23,50%	25,50%	27,50%
<b>Terminal Growth Rate</b>	<b>4,0%</b>	152,0	148,0	145,0	142,0	140,0
	<b>4,5%</b>	153,0	149,0	146,0	143,0	141,0
	<b>5,0%</b>	154,0	150,0	147,0	144,0	141,0
	<b>5,5%</b>	156,0	151,0	148,0	145,0	142,0
	<b>6,0%</b>	157,0	153,0	149,0	146,0	143,0

## Projections

Balance Sheet	2022	2023	2024E	2025E
Cash	5.349	5.401	8.008	14.297
Accounts receivables	1.435	1.460	2.653	3.182
Inventory	4.005	4.016	7.241	5.833
Financial investments	96	70	102	113
Fixed assets	1.461	1.712	1.887	2.038
Other non-current assets	2.817	2.804	6.024	6.626
<b>Total assets</b>	<b>15.163</b>	<b>15.463</b>	<b>25.915</b>	<b>32.090</b>
Short-term financial loans	3.117	1.561	1.648	2.697
Accounts payables	4.881	3.781	7.021	6.059
Long-term financial loans	478	1.034	1.006	1.199
Other long-term payables	1.269	1.669	4.933	4.982
<b>Total liabilities</b>	<b>10.040</b>	<b>8.446</b>	<b>14.609</b>	<b>14.938</b>
<b>Shareholders' equity</b>	<b>5.124</b>	<b>7.018</b>	<b>11.306</b>	<b>17.153</b>
Paid in Capital	99	199	397	397
Other Equity	5.024	6.819	10.909	16.755
<b>Total liabilities &amp; equity</b>	<b>15.163</b>	<b>15.463</b>	<b>25.915</b>	<b>32.090</b>

### Per share (TL)

EPS	4,85	4,42	10,74	14,86
BVPS	12,90	17,67	28,46	43,18
DPS	-0,50	-1,08	0,00	-0,05

### Ratios

#### Profitability

ROE	68%	29%	47%	41%
Net margin	9%	7%	10%	10%
Asset turnover	2,35	1,72	2,13	2,07
Leverage	3,17	2,52	2,26	2,04
ROA	22%	11%	21%	20%

#### Leverage

Financial debt/Total assets	24%	17%	10%	12%
Net debt/Equity	-0,34	-0,40	-0,47	-0,61
Net debt/EBITDA	-0,42	-0,58	-0,65	-0,92

Income statement	2022	2023	2024E	2025E
<b>Revenues</b>	<b>21.038</b>	<b>26.294</b>	<b>44.158</b>	<b>59.941</b>
Gross profit	10.358	12.674	22.329	30.364
Operating expenses	-7.695	-9.430	-15.439	-21.118
Operating profit	2.663	3.244	6.891	9.246
<b>EBITDA</b>	<b>4.182</b>	<b>4.854</b>	<b>8.177</b>	<b>11.283</b>
Other income, net	97	205	354	328
Financial income, net	-387	-810	-1.308	-1.565
Earnings before taxes	2.402	2.670	5.964	8.028
Tax expense	-475	-913	-1.697	-2.124
<b>Net earnings</b>	<b>1.927</b>	<b>1.757</b>	<b>4.267</b>	<b>5.904</b>

### Cashflow statement

EBITDA	4.182	4.854	8.177	11.283
Taxes on EBIT	-475	-913	-1.697	-2.124
Capital expenditures	-568	-585	-1.288	-1.918
Chg. in NWC	603	1.135	1.177	84
<b>Free cashflows to firm</b>	<b>2.536</b>	<b>2.222</b>	<b>4.015</b>	<b>7.157</b>

### Growth & margins

Revenues	355%	25%	68%	36%
EBITDA	984%	16%	68%	38%
Net earnings	356%	-9%	143%	38%
Gross margin	49%	48%	51%	51%
Operating margin	13%	12%	16%	15%
EBITDA margin	20%	18%	19%	19%
Net margin	9%	7%	10%	10%

### Valuation

P/E	21,2x	22,7x	9,6x	6,9x
P/BV	7,9x	5,8x	3,6x	2,4x
EV/EBITDA	8,8x	7,6x	4,5x	3,3x
EV/Sales	1,7x	1,4x	0,8x	0,6x

Source: Rasyonet, Company Data, Tacirler Investment

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

## Important Disclosures

### Rating Methodology

Stock ratings are based on the 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

**Buy:** The stock is expected to generate a return of more than 30% 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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