

MAVI

We revise our target price for Mavi <MAVI TI> to TL 114.30 from TL66.50 per share and remain our BUY recommendation, in line with its strong 1Q23 financial performance and growth targets. Our 12M target price corresponds to %80 return potential. The main catalysts of our valuation are; i) strong demand growth expected to continue in the clothing retail sector, along with an expanding target audience, ii) the positive impact of effective cost management on profitability margins, iii) ongoing strong growth in the online sales channel with new customer acquisition, iv) the expectation that the strong financial performance in 1Q23 will spread throughout the year. MAVI trades at 2.7x EV/EBITDA and 4.9x P/E ratios in our 2023E expectations.

Strong demand continues pre-summer season with widening target demographic... We observe that the target audience of MAVI, ranging from the upper-middle class to the lower-middle class, has expanded effectively as a result of the consumer demand migrating from imported brands to domestic brands with the depreciation of TL and exchange rate increases in the recent years. Strong demand caused by high inflation theme supported MAVI's 1Q23 increasing sales. MAVI's domestic revenue breakdown increased by %119, while "same-store sales performance" (LFL) growth rose to %124. At the same period, %19 increase in store customer traffic backed the dynamic pricing strategy with the inflation theme and helped customer basket to increase by %94. We expect that the strong demand in the 2nd and 3rd quarters will help MAVI to achieve greater operational profits.

Effective cost and stock management... Despite the uncertainties and cost increases in production, order and supply processes, the company's effective inventory management and its ability to react to possible sudden changes ensure effectiveness in risk management. In addition, we believe that the product range diversity and the balanced pricing strategy the company follows will also contribute to operational profitability. MAVI posted TL3.9bn revenue in 1Q23, up by 49.7% YoY and TL905mn EBITDA in 1Q23, up by 64% YoY by means of efficient operational cost management. We expect MAVI to have approximately 51% Net Margin and 20.9% EBITDA margin.

Revising out forecasts upwards... Following 1Q23 strong financial results the company released its guidance for 2023E. Accordingly, with a standard deviation of 5%, a 75% growth in consolidated sales, net 5 store openings, 22% ± 0.5% EBITDA margin (inc. IFRS16), and 3% investment expenditure to sales ratio is foreseen. In our valuation, we predict net sales of MAVI for the 2023T period to reach TL19.2bn TL, with an increase of 81.7% y/y, and the EBITDA figure to reach TL4.3bn, with an annual increase of 73.5%. We forecast a net profit of TL 2,576mn in 2023 with a net margin of 13.4%.

Rating

Buy

Target Price

TL 114.3

Return potential

80%

Share Data

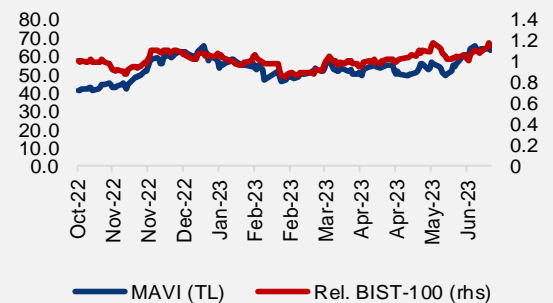
Ticker:	MAVI TI		
Share price (as of 21.06.2023)	63.50		
Share price (52 week range)	41.0 / 66.3		
Market cap. (TL mn - USD mn)	12,613 - 536		
# of shares (mn) & free float	198.6 - 73%		
Foreign Ownership Rate	34.27%		
Market	Star		
Industry	Retail (Clothing)		

Avg. trading volume	1M	3M	12M
USD mn	7.2	5.4	7.0

Price performance	1M	3M	Y-t-D
TL	13%	21%	0%
USD	-5%	-2%	-21%
Rel. to BIST-100	-2%	15%	6%

Forecasts (TL mn)	2021	2022	2023E
Revenues	4,619	10,592	19,243
EBITDA	1,016	2,481	4,303
Net Earnings	400	1,439	2,576

Valuation	2021	2022	2023E
P/E	31.5x	8.8x	4.9x
P/BV	11.3x	4.9x	2.7x
EV/EBITDA	11.3x	4.6x	2.7x
EV/Sales	2.7x	1.1x	0.5x
Dividend Yield	0.2%	1.0%	3.4%



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Revenue Model

Within our valuation period,

- Company earnings are expected to rise from TL19.2bn to TL65.2bn, with a CAGR of 19%.
- The total number of retail stores is expected to increase from 334 to 369 with a CAGR of 1.4%.
- Domestic retail revenues per square meter are expected to rise from TL59k to TL 176k, with a CAGR of 17.0%.

	2022	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenues (TLmn)	10,592	19,243	25,706	33,140	39,480	45,387	51,538	58,014	65,198
Domestic	8,829	16,596	22,300	28,785	33,709	38,227	42,656	47,231	52,332
International (USDmn)	106	116	147	167	202	226	257	289	319
Sales Disc. & Returns	0	0	0	0	0	0	0	0	0
y/y growth									
Revenues (TLmn)	129%	82%	34%	29%	19%	15%	14%	13%	12%
Domestic	135%	88%	34%	29%	17%	13%	12%	11%	11%
International (USDmn)	12%	9%	27%	14%	21%	12%	14%	12%	10%

Domestic Operations

Revenues (TLmn)

Retail	6,694	12,861	17,212	22,619	26,492	29,943	33,227	36,525	40,142
Wholesales	1,342	2,333	2,986	3,643	4,189	4,650	5,069	5,474	5,912
e-commerce	793	1,402	2,103	2,523	3,028	3,633	4,360	5,232	6,278

y/y Revenue Growth

Retail	144%	92%	34%	31%	17%	13%	11%	10%	10%
Wholesales	127%	74%	28%	22%	15%	11%	9%	8%	8%
e-commerce	88%	77%	50%	20%	20%	20%	20%	20%	20%

Operations

# of retail stores	329	334	339	344	349	354	359	364	369
Net new stores	2	5	5	5	5	5	5	5	5
Gross Selling Space (k sqm)	168	170	174	177	180	183	187	190	193
avg sqm per store	510	510	512	514	516	518	520	522	524
Domestic Retail Revenues per sqm	40	59	99	128	147	163	178	192	208

Int'l Operations

Revenues (TLmn)

Retail	263	458	779	1,328	2,270	3,178	4,386	5,790	7,411
Wholesales	1,121	1,583	1,900	2,147	2,426	2,693	2,962	3,199	3,391
e-commerce	379	606	728	880	1,074	1,289	1,534	1,795	2,064

y/y Revenue Growth

Retail	189%	74%	70%	71%	71%	40%	38%	32%	28%
Wholesales	87%	41%	20%	13%	13%	11%	10%	8%	6%
e-commerce	117%	60%	20%	21%	22%	20%	19%	17%	15%

Risks... i) Higher than expected increases in costs and the potential obstacles that these increases can produce in the export process, ii) the pressure on margins due to the highly competitive nature of the sector, and iii) the potential decrease in consumer interest towards the clothing sector, are the main risk factors according to our valuation. As a secondary risk, even though MAVI maintains its current strong position and broad audience, we consider the possibility of MAVI to shift its customer portfolio to the middle and lower-middle classes if there is a general price pressure in case of negative macroeconomic conditions in the upcoming period.

Valuation

We valued MAVI by using Discounted Cashflow ("DCF") analysis and our 12-month target price stands at TL114.30, pointing to a return potential of 80%. In our valuation model, we assumed the terminal growth rate as 5,50% and 90% of the enterprise value is coming from the present value of the projection period cashflows and rest from the terminal value. Our terminal value estimate implies an EV/EBITDA multiple of 4.4x

DCF

	2022	2023T	2024T	2025T	2026T	2027T	2028T	2029T	2030T
Net Satışlar	10,592	19,243	25,706	33,140	39,480	45,387	51,538	58,014	65,198
<i>Yıllık Büyüme %</i>	129%	82%	34%	29%	19%	15%	14%	13%	12%
FAVÖK	2,481	4,303	5,323	6,845	8,172	9,411	10,715	12,090	13,449
<i>Büyüme %</i>	144%	73%	24%	29%	19%	15%	14%	13%	11%
<i>FAVÖK Marjı %</i>	23%	22%	21%	21%	21%	21%	21%	21%	21%
Vergiler	-244	-550	-702	-1,256	-1,541	-1,860	-2,128	-2,465	-2,801
Yatırımlar	-292	-391	-409	-473	-536	-612	-689	-767	-854
Net İşletme Sermayesi Değişimi	-260	-818	-725	-262	-301	-565	-625	-713	-822
Serbest Nakit Akımları	1,684	2,545	3,486	4,854	5,793	6,375	7,274	8,146	8,972
<i>SNA Marjı %</i>	16%	13%	14%	15%	15%	14%	14%	14%	14%
AOSM		23%	23%	22%	22%	22%	22%	22%	22%
İNA		2,070	2,307	2,624	2,559	2,303	2,148	1,968	1,773
Sonsuz Büyüme Oranı	5.5%								
Sonsuz Büyüme Değeri	11,172								
Sonsuz Büyüme Değeri (BD)	2,208								
Nakit Akımlarının Bugünkü Değeri	18,594								
Sonsuz Büyüme Bugünkü Değeri	2,208								
Firma Değeri	20,802								
Net Borç	-1,896								
Özkaynak Değeri	22,698								
Ödenmiş Sermaye	199								
Hedef Hisse Fiyatı	114.3								
Hisse Fiyatı	63.50								
Getiri Potansiyeli	80%								

Projection

Balance Sheet	2019	2020	2021	2022	2023E
Cash	311	893	1,482	3,245	4,097
Accounts receivables	231	231	394	871	1,919
Inventory	496	560	751	2,308	3,550
Financial investments	0	0	27	58	69
Fixed assets	249	271	390	581	751
Other non-current assets	651	751	1,051	1,581	2,220
Total assets	1,937	2,708	4,095	8,643	12,607
Short-term financial loans	434	1,040	1,120	1,891	1,618
Accounts payables	597	638	1,189	2,961	4,436
Long-term financial loans	325	366	277	290	296
Other long-term payables	121	155	396	910	1,678
Total liabilities	1,477	2,198	2,981	6,051	8,028
Shareholders' equity	460	510	1,115	2,592	4,578
Paid in Capital	50	50	50	99	99
Other Equity	411	460	1,065	2,492	4,479
Total liabilities & equity	1,937	2,708	4,095	8,643	12,607
Net debt	448	512	-85	-1,064	-2,183
Net working capital	130	153	-43	218	1,033

Per share (TL)

EPS	0.48	0.02	2.02	7.25	12.72
BVPS	2.32	2.57	5.61	13.05	23.05
DPS	0.00	0.00	0.15	0.61	2.17

Ratios

Profitability

ROE	23.9%	0.9%	49.3%	77.7%	70.4%
Net margin	3.3%	0.2%	8.7%	13.6%	13.1%
Asset turnover	1.7x	1.0x	1.4x	1.7x	1.8x
Leverage	4.1x	4.8x	4.2x	3.4x	3.0x
ROA	5.8%	0.2%	11.8%	22.6%	23.8%

Leverage

Financial debt/Total assets	39%	52%	34%	25%	15%
Net debt/Equity	0.97	1.00	-0.08	-0.41	-0.48
Net debt/EBITDA	0.70	1.33	-0.08	-0.43	-0.51

Income statement	2019	2020	2021	2022	2023E
Revenues	2,863	2,402	4,619	10,592	19,243
Gross profit	1,405	1,160	2,372	5,602	9,453
Operating expenses	-1,045	-1,087	-1,714	-3,625	-5,910
Operating profit	360	73	658	1,978	3,543
EBITDA	640	385	1,016	2,481	4,272
Other income, net	2	18	41	45	90
Financial income, net	-224	-77	-160	-333	-557
Earnings before taxes	138	12	539	1,703	3,085
Tax expense	-30	-4	-116	-244	-537
Net earnings	95	5	400	1,439	2,526

Cashflow statement

EBITDA	640	385	1,016	2,481	4,272
Taxes on EBIT	-30	-4	-116	-244	-537
Capital expenditures	-100	-99	-163	-292	-370
Chg. in NWC	14	23	-196	260	815
Free cashflows to firm	524	258	933	1,684	2,549

Growth & margins

Revenues	22%	-16%	92%	129%	82%
EBITDA	75%	-40%	164%	144%	72%
Net earnings	4%	-95%	8638%	259%	75%
Gross margin	49.1%	48.3%	51.3%	52.9%	49.1%
Operating margin	12.6%	3.0%	14.2%	18.7%	18.4%
EBITDA margin	22.4%	16.0%	22.0%	23.4%	22.2%
Net margin	3.3%	0.2%	8.7%	13.6%	13.1%
Free cashflow margin	18.3%	10.8%	20.2%	15.9%	13.2%

Valuation

P/E	133.0x	2752.1x	31.5x	8.8x	5.0x
P/BV	27.4x	24.7x	11.3x	4.9x	2.8x
EV/EBITDA	18.0x	29.9x	11.3x	4.6x	2.7x
EV/Sales	4.6x	5.5x	2.7x	1.1x	0.5x
Dividend Yield	0.0%	0.0%	0.2%	1.0%	3.4%
Free cashflow yield	4.2%	2.0%	7.4%	13.4%	20.2%

Source: 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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