Transcription for FY 2023 Financial Results Webcast

March 15TH, 2024

Duygu Inceoz:

Ladies and Gentlemen. Welcome to Mavi webcast regarding the financial results for the financial year 2023. Our CEO, Cuneyt Yavuz, will be presenting the results followed by a Q&A session. We would like to inform you that this presentation is being recorded and we kindly ask you to keep your microphones muted throughout the presentation.

Now, I will leave the floor to Cuneyt Yavuz.

Cuneyt Yavuz :

Hello everyone! Thank you for joining our webcast for the financial results of the financial year of 2023.

As you all know, pursuant to the Capital Markets Board of Turkey's decision on December 28, our 2023 annual financial statements were prepared in accordance with IAS29 inflationary accounting provisions. Accordingly, this presentation on the financial results mainly contain the Company's audited financial information prepared according to Turkish Financial Reporting Standards by application of IAS29 inflation accounting provisions. In addition to these, to enable investors and analysts to conduct a full-fledged analysis, supplementary historical information for selected key performance indicators used in prior periods' investor presentations are also provided. Please note that such supplementary information is made available only for information purposes and are unaudited data prepared for management reporting.

Before I start a few words for the team: Our hard work delivered strong financial results again in 2023, while our commitment as a responsible brand to our employees, customers, business partners, and community remained steadfast throughout the year. Recognizing the increasing importance of prudent risk management and data-driven decision-making in today's landscape, we kept our strategic focus on sustainable, profitable growth and long-term goals. I extend my gratitude to my dedicated team, invaluable business partners, investors, and loyal customers for their contributions to Mavi's continued success.

Lets start with a business overview of 2023:

We closed the year with 25% consolidated revenue growth according to inflation-adjusted results. Throughout 2023, we remained focused on doing what we do best, introducing denim innovations and newness in lifestyle products to offer collections appealing to diverse consumer tastes. Capturing growth in both volume and value across all product categories, including denim and non-denim, we sold 14 million pairs of jeans worldwide in 2023, with a year-on-year increase of 12%.

A robust balance sheet structure, bolstered by a flexible supply chain, precise planning, and diligent inventory and cash management contributed to our efforts to maintain our already strong gross margin levels. Through effective cost management, we delivered 70 bps improvement in opex/sales ratio. We continued to generate significant cash from our operations and our net cash position increased to 3 billion 662 million TL as of year-end. With such successful results, our Board of Directors decided to propose to the AGM the cash distribution of 30% of the pre-IAS 29 profit. This coincides to 49% of total reported distributable profit. Our decision to issue 100% bonus shares was approved by the Capital Markets Board yesterday and will be issued as soon as possible.

In Turkiye, consumer demand was high for most of the year, and hence we captured strong volume growth in all categories. As a result, we expanded our market shares across women's, men's, and denim categories, solidifying our position as a leader in the industry. Inflation adjusted like for like sales growth realized 31%, driven by both transaction and basket size growth. Women's share in total sales increased to 37% of total Turkiye sales and non-denim products share increased to 62% of total Turkiye retail sales. In addition to increasing the shopping frequency and basket size, we grew our Kartuş customer base to 9.2 million people, including 6.9 million active users, through strategic engagement with prospective customer segments. With our app installed on 5.7 million mobile devices, we surpassed our goal of acquiring 1 million new customers annually, welcoming 1.3 million new members. The demographic profile of our new customers, with 70% under 35 and 37% under 25, demonstrates that younger audiences are a key driver of Mavi's growth. Leveraging personalized approaches, brand partnerships, strong communications, and data-driven methodologies allows us to cater to customers of all ages, sizes, clothing preferences, and lifestyles.

International sales recorded 4% constant currency growth in the year. In 2023, both top line and margins of international operations was pressured due to macro related demand weaknesses in most of our international markets. There were also some technical issues related to marketplace operations in Europe and business disruptions in couple of wholesale customers in the last quarter which was heavily reflected on results. Online continued to be the best performing channel in international markets with growth mainly driven by mavi.com.

On Slides 6 and 7, we want to reiterate our strategic priorities that are the building blocks of our journey into the future.

Our brand is our biggest and most important asset, and it is in the heart of all our endeavors. Our topmost aim is to continue gaining market share and grow with new customers. We are increasing customer frequency by focusing on different customer segments with fresh products. In line with the right quality, right product and right pricing strategy, customer demand is closely monitored. On the other hand, we focus on elevating the brand positioning with premium product segments. With this aim we launched many special collections to present a total look in 2023 such as Mavi Lux Black, Mavi Icon, Mavi Studio, Mavi 100 and Alphabet collections. Casual lifestyle offering is expanded with logo, sweatshirt and Mavi- terranean collections. Aspirational marketing and strong customer engagement is captured through celebrity campaigns and influencers. Collaborative collections with brands such as Mavi Semt and Marche are effective in acquiring new and young customers and driving traffic. In 2023, we further solidified our status as a trust brand. Recognition as "Turkey's most trusted brand" according to a Future Bright survey in 2023 serves as a great motivator for us and a reminder of our commitment to ensuring customer trust and satisfaction.

In 2023, one of our focus areas was improving customer experience. ‘En Mutlu Mavi Musterisi’ (The Happiest Mavi Customer) is always at the center of our operations and we are continuously striving to make sure their experience shopping with Mavi is better every day. The physical store experience is enhanced to feature Mavi's growing lifestyle categories. Product availability is improved in order to increase conversion and stockturn rates by analyzing store clusters. We are working on a new service model and visual merchandising which will be effective in improving shopping experience. A CX project was initiated to address touchpoints with new and loyal customers and lifecycles. This year we proudly started video conference call center service to enhance our inclusiveness in our customer communication.

As we are dedicated to creating the happiest Mavi customers by offering the best shopping experience both in-store and online, we continue to expand our omni-channel applications for ultimate customer satisfaction. We launched Instore Sales this year that allows all Mavi stores to sell online inventory. As result, we are experiencing significant incremental sales with improved stock availability, higher conversion and better customer experience. Since last year we have a 2-hour doorstep delivery service offered in four major cities in Turkiye. Mavi.com has become more scalable and faster with Sap CX Commerce migration. On the other hand, Mavi.com Turkey is now expanding to new countries in GCC and Europe. Meanwhile we are expanding stores with a new retail concept that is improving offline shopping experience. We are adapting new hardware and software solutions to facilitate faster check-out process in stores and continuously investing on our people to increase unit per transaction and conversion in stores.

Apart from online business investments, digitalization and CRM are on the core of our strategy. New CRM segment analysis tools are enabling marketing and category teams to understand different customer groups and design effective campaigns and communication. AI-driven analysis tools are developed to understand and respond to customer and market expectations. Data analytics investments were accelerated to increase market know-how and planning efficiency.

We continue to make strides in our sustainability journey with our All-Blue strategy, focused on People, Planet, Community, and Denim. With our Climate Change and Water Security reporting, we became the first and only Turkish apparel company to make the A list of CDP, the world’s largest environmental disclosure platform, with a double A score. We joined the CEO Water Mandate in 2023 and once again won the “Best Sustainable Collection” award for the fifth time at the Rivet x Project Awards. The share of our sustainable All Blue collection in revenues rose to 25%, with All Blue denim sales accounting for 51% of our total denim sales.

The last but one of the most important building block for our future is our people. We are a very young company in the sense that 80% of our employees are under the age of 30. This puts a lot of responsibility on our shoulders to create a great work environment and open career paths to our employees. We support global and internal mobility to foster career opportunities. Embracing a people-oriented culture, we are fully committed to inclusiveness and diversity. Being a part the UN Target Gender Equality Program, we are providing company wide gender equality training programs. We are a part of UN WEPs Program and are focusing our social projects on women and youth empowerment. Our initiative to train future leaders, Mavi NextGen is successfully in its second year.

Now lets look at the key highlights for 2023 results, moving on to Slide 9: Before we begin, I would like to remind you once again that the consolidated figures in this presentation will be including the application of IAS29 inflation accounting provisions unless otherwise stated. We will be providing some sales breakdowns and fourth quarter results pre-IAS 29 for information and comparison purposes. Our consolidated sales reached 26 billion 293 million liras in 2023 growing 25% year on year. Specifically, Turkiye retail sales grew 31% and Turkiye online sales grew 26%. Our EBITDA realized 4 billion 991 million TL, resulting with an EBITDA margin of 19.0%. Our net income realized 1 billion 757 mn TL as a result of IAS 29 provisions. With 1.3 million new customers, Turkiye active loyalty card members reached 6.9 million. As of year-end we are operating 471 mono-brand stores globally.

Moving on to review our channel performance on Slide 10 : In order to provide comparable information with previous quarters, these charts reflect pre – IAS 29 figures. In 2023, total revenue consisted of 68% retail, 22% wholesale and 10% e-commerce sales. With continued robust performance, Turkiye sales now reached 88% of total consolidated revenue. The inflationary environment in Turkiye drove consumer demand and we made sure we have the newness, the variety, and the right price to respond to this demand and remain consumers' brand of choice. Our sales in Turkiye grew 93% in the last quarter bringing the full year pre-IAS 29 growth to 101%. The growth was similarly strong in all sales channels.

International revenue in constant currency contracted 8% in the last quarter with some wholesale customers seizing operations in North America and a temporary disruption of marketplace sales in Europe due to some technical issues. There was a macro driven demand weakness in all international markets in 2023 resulting with full year international sales growth of 4% constant currency. It is important to note that direct to consumer online is the strongest channel internationally and is resilient to slowdown in demand.

Lets look into our Turkiye retail business in more detail: In 2023, we opened 12 stores, closed 5 stores and expanded 5 stores, adding 4% to our total selling space. As of year-end we are operating 336 stores with an average size of 519sqm.

On slide 14, lets elaborate on the like for like store performance: Traffic growth of 7% in 2023 on top of a very strong base displays the strong consumer demand in the year. Like for like sales grew 100% pre-IAS29 and 31% including IAS-29 provisions in 2023. This strong performance was driven by 17% transaction growth and a very healthy 12% inflation adjusted basket size growth. Right product mix, newness in offering and dynamic pricing strategy enabled basket size growth beyond inflation. As you know, our priority target is volume growth. We are happy to report 18.5% volume growth in 2023.

Moving on to slide 15 to review category-based developments in Turkey retail: We continue to trace strong growth across all our product categories, both in price and volume. In 2023, denim sales grew 94% pre-IAS29 and now constitutes 38% of total Turkiye retail sales. We are constantly enriching our product range especially in casual lifestyle categories. Knits business constituting of t-shirt, sweatshirt and jersey offerings grew 100% pre-IAS29 year on year and make up 27% of our retail sales. Non-denim bottoms grew 137%, Shirts grew 103%, accessories grew 89% and jackets grew 90% pre-IAS29 in 2023.

Going forward to review our online sales performance on page 17: In 2023, our direct-to-consumer e-commerce sales share in total consolidated revenue is 10%, whereas including the wholesale e-com, total online sales is 11.7% of total consolidated revenue. Online sales in Turkiye consists of only direct-to-consumer channels and grew 94% pre-IAS29 in 2023 driven by the strong 120% pre-IAS29 growth of mavi.com. Online sales now constitute 8.7% of total sales in Turkiye. Being the best performing channel internationally, online business makes up 32.7% of total international sales. Mavi.com is the main driver with 65% pre-IAS29 growth in 2023.

With brick and mortal retail continuously preforming strong, especially in a Turkiye context, omni-channel capabilities are essential for future growth and in improving the shopping experience for consumers. We are seeing very positive results from our omni-channel initiatives, driving incremental sales. Mavi will continue to invest in data analytics and CRM projects that support omni channel growth and make sure online business continues to be a positive contributor to margins.

Let's move on to review our consolidated financial results: We will first provide the pre-IAS29 results for comparison with previous quarters. Reviewing our pre-IAS 29 gross margin performance on slide 19: In Turkiye, continued strong demand was captured with variety, newness, and right product/price positioning. On the other hand, we have been using our strong balance sheet position and our sourcing capabilities to keep product cost increases as controlled as possible. Without the IAS-29 provisions, when adjusted for increasing interest rate impact, our gross margin shows 340 basis points improvement in the fourth quarter. This led to a flat gross margin year over year realizing at 53.7%.

Moving on to slide 20 to review our pre-IAS29 EBITDA and bottom-line performance. The significant pre-IAS 29 gross margin improvement in fourth quarter was largely reflected on the pre-IAS 29 EBITDA margins. Opex to sales in the last quarter was weaker due to one-off costs related to the organizational structure changes in international offices. As a result, our EBITDA excluding the IFRS16 adjustments grew 103% in 2023 resulting with an EBITDA margin of 20.7% improving 120 basis points. EBITDA margin including IFRS16 realized 21.8% in the fourth quarter, leading to an annual pre-IAS29 EBITDA margin of 24.1% which is above the higher end of our latest revised guidance. The increase in net financial expenses is limited due to our strong balance sheet and hence the operational performance is mostly reflected to our bottom line. Our pre - IAS29 net income in the fourth quarter is 690 million TL bringing the total in 2023 to 2 billion 865 mn TL with a net income margin of 14.2%.

On Slide 21, we look into our IAS29 inflation accounting adjusted, reported margin performance: As you can see from the results, the inflation accounting adjustments impact on gross margin is 370 basis points in 2022 and 550 basis points in 2023. There are two main reasons for this: First, the inflation index in 2023 is higher compared to 2022. Second, 2022 opening inventory was significantly lower than that of 2023, causing the impact of inflation on 2022 beginning inventory and cost of goods to be lower. As a result, gross margin is 100 basis points lower in 2023 realizing 48.2%. The overall impact on gross margin is mainly reflected on the EBITDA margin, bringing the yearly EBITDA margin to 18.9%. A nominal EBITDA of 4 billion 959 million is achieved in 2023, 18% higher than 2022. Mavi recorded 136 mn TL monetary loss in 2023 while reporting 279 mn TL monetary gain in 2022 mainly due to increased equity base in 2023, which is coming from strong pre-IAS29 net income in 2022. Monetary gain/loss impact coupled with higher effective tax rate in 2023 resulted in 9% decline at the bottom line compared to 2022. As a result, 1 billion 757 million net income was recorded with a net income margin of 6.7%.

On slide 22, we look into our operational cash flow and working capital performance including the IAS 29 impacts as reported: Net working capital requirement increased in 2023 mainly due to strategic actions taken to mitigate product cost pressures such as cash payments to manufacturers, early booking of capacity and advance payments for raw materials. Nevertheless, the net working capital as percentage of sales is back to our targeted levels with 5.3%. When adjusted for inflationary accounting, the success of inventory management is more visible. Our inventory level improved significantly in 2023 both in nominal terms and as percentage of COGS largely driven by strong performance of Turkiye retail operations. Inventory in number of pieces in Turkiye is 4% lower compared to same period last year and comprises of all fresh, new season products. Overall, Mavi generated close to 4.5 billion TL operational cash in 2023 with a 90% cash conversion rate.

Moving on to the next slide: (slide 23) According to reported financials per IAS29, we recorded 596 mn TL in capital expenditures in 2023 resulting in a Capex to sales ratio of 2.3%. On the retail side we had store openings, expansions and some new store concept transformations taking place. Apart from retail, we have been investing predominantly on IT projects, digital investments, and R&D. Our strong operational performance led to strong operational cash generation in the quarter and despite the cash deployed to working capital our net cash position increased significantly reaching 3 billion 662 mn TL as of year-end. As always, all the foreign currency debt you see on our consolidated reports belong to our subsidiaries, all borrowing in their respective local currencies and hence does not pose a currency risk. We continue our approach of holding no foreign exchange position in our balance sheet. Our gross debt level significantly reduced as at the end of 2023. The remaining balance has a blended average cost of 41.1%.

On slide 24, lets have a very quick look at how we performed against our targets in 2023: With a robust performance throughout the year, we revised our revenue and EBITDA guidance figures upwards twice in 2023. We closed the year with 91% pre-IAS 29 consolidated revenue growth which is well above our latest revised target of 85%+. Our realized pre-IAS 29 EBITDA margins also surpassed the higher end of our latest revised guidance. While we stood behind in store opening targets due to some calendar shifts in plans, we will be sure to catch up in 2024 in square meter growth.

(On Slide 25) We are sharing our official guidance for 2024 excluding the impacts of IAS 29 on financials. We will be able to update our guidance to include IAS29 impacts when there is more visibility on inflation expectations for the year. For the financial year 2024, we are expecting 70% plus minus 5% consolidated sales growth. We are planning a higher sqm growth this year after few years of slowdown in this area due to externalities. Our target is to open net 15 stores and expand 10 stores in 2024. We expect a pre-IAS 29 EBITDA margin of 20% plus minus 0.5% excluding IFRS16 and 23.5% plus minus 0.5% including IFRS16. We are foreseeing continued increase in our net cash position within the year and planning to spend 5% of sales as capex including the investment for a new headquarters offices in Turkiye, which will again be leased. Before I close my statements, as always, I would also like to give you some color on the current trading environment as of date. We continue to see high demand for our products and a positive pricing environment as of today. Turkiye retail sales increased 131% in February and 91% yoy in the first 13 days of March. Online sales in Turkiye grew 150% in February and 70% yoy in the first 13 days of March. February results reflect the low base of the earthquake impact on business last year.

With this final great note, I am happy to take your questions now.

Duygu Inceoz:

Ladies and gentlemen, if you wish to ask a question, please click on the raise your hand button, which is the hand icon on your control panel. When I call your name, please open your microphone before you speak. If you prefer to type your questions, you may use the chat screen or e-mail me directly. For those of you who have dialed in via audio, we will take your questions last when there are no questions left on the platform. We had a first question on the chat screen. I think maybe we can start with that. Mustafa is asking, from the chat screen, he's saying, thank you very much for the presentation. You target to open 15 new retail stores in 2024, which almost tripled the average net store openings of the last four years. Should we expect this trend to continue in the upcoming years?

Cuneyt Yavuz:

At this point, I mean, generally speaking, I would say you will hear probably not a single digit number, but more like a double-digit number for the coming three years. So 15 for next year and 10 plus for the coming years would be my guidance at this point in time. Clearly, as the inflationary environment subsides in Turkey, I believe there will be more appetite to find more space and for construction to take speed, which will also enable us to cater and open up new stores in new construction and new shopping mall areas. So that would be my answer.

Duygu Inceoz:

The second question is, any update on the mid-term international growth plans?

Cuneyt Yavuz:

In terms of international growth plan for the short period, which is this year, following year, so like a two-year perspective, on the one hand, we're putting in a lot of great investment, especially behind North America, both US and Canada, as well as growing, as I mentioned, our e-commerce business. Generally speaking, we target that we grow around a high single-digit or low double-digit US dollar in the international markets.

Duygu Inceoz:

And then there is another question. You have built up a significant cash pile, which will likely further improve in 2024, even considering your increased CapEx plans. What is your plan regarding the accumulating cash position?

Cuneyt Yavuz:

There is, in the near future, as we just mentioned, an opportunity where we will put investments behind opening up a new office and relocating our headquarters. Down the road, as our business grows, there will also come a time in the near future within a year, which I will be able to give you a better feeling, probably within the next six months, where we will have to make a significant CapEx investment behind warehousing and distribution facilities. So those are the two areas that are ahead of us. On the other hand, we choose to keep some of the cash at hand, especially chasing after opportunities to further invest behind technology and digital transformation. And the leftover cash, if any, is predominantly is a necessary tool, we believe in this time of uncertainty and high interest rates. It's a bit of a defensive buffer that we are using as a treasury policy and capitalizing on our cash conversion rates and using the cash at hand to finance our raw materials, production planning and capability, and competitive pricing with our business partners. So seemingly this money might be a bit excess and standing on the side, but the money itself being in our bank account gives us a great leverage when it comes to talking in a comfort zone, talking with 80% plus of our sourcing, as you know, comes from Turkey. And it is important that we come into this and sit down at the table, talking with our providers and sourcing business partners with this cash available for our disposable, as they are also, or some of them might be struggling and may require some financing support. So we are one big family and an ecosystem, and we want to make sure that we are managing a risk-free, good quality, best in class products coming onto shelves. So hopefully, probably if I were to give a flavor for the next two years and beyond, if the government's approach on inflationary fighting measures come into space and inflation comes down to 15, 20% levels, we will be living very much feeling to, you know, move into a different mindset and not keep as much cash at hand. Thank you.

Duygu Inceoz:

I see a hand, but maybe we can finish the questions on the chat screen.

Cuneyt Yavuz:

Okay, let's finish the chat questions.

Duygu Inceoz:

Erkan Edincik has a question. Could the expansion and tightening of sanctions against Russia lead you to reconsider and possibly terminate Mavi's operations in Russia? Are there currently any difficulties in conducting business such as obtaining goods and financial transfers?

Cuneyt Yavuz:

I have in previous also calls, and whenever we had the opportunity to meet with the investment committee, mentioned our Russia policy or approach, business strategy. I'll take this opportunity as we're starting a new year to reiterate how we review the Russia business. We have called out when the war with Russia and Ukraine started two years ago as maintaining our Russia business and not investing more than what is already there. So across the last two years, our Russia business is EBITDA positive, cash positive, and it's growing nicely. However, across the last two years, we have not invested in opening new stores or expanding our business beyond what we already have. Coming in, going into the future, we are still remaining on a very defensive mindset. And this goes really hand in hand with the question that was posed. So for us, Russia business is a maintained kind of a business. It's about 2-3% of our total business. So it's not a huge part of our business. And if it becomes to a point that the Western sanctions goes or for some reason we may need to exit, we are willing to exit from Russia. Having said that, we are hoping that this will not be the case. We will maintain what we have. And across the coming few years, we will be able to get back to normal resuming business and continue to grow our business there. In terms of current operating, in terms of shipping products, cash transfers, money operations, our teams visiting each other, building our relationship with our subsidiary, we are not facing anything out of the ordinary than more than that is happening, as you might know. So for us, our business is going to be purely smoothly. We are able to ship our products. The consumers are happy buying Mavi brands. Through this process, our e-commerce business, digital business is growing, as you could expect, a little faster than normal. Our current retail sales, which is slightly less than 20 plus, 20 stores, they're operating in a nice way. So we hope to maintain what we have, keep it profitable, keep it nice, and hopefully and eventually when this crisis subsides, we can get back to taking this 20 stores up to 50, 60, 70 stores, which was the, you may recall, some of you may recall, that we were trying to head to 50 stores when we started this operation. So we had to pull aside. So that's our outlook for Russia.

Duygu Inceoz:

The second question from Erkan is, what's the scale of your operations in the USA? What efforts are you making to expand these operations? Is it foreseeable that your operations in the USA will reach a meaningful level in the near future?

Cuneyt Yavuz:

I mean, overall, the USA, we look at the USA and Canada together. So our North America operations are give or take $70, $80 million. This is a geography that is, when you talk about the international markets, this is priority number one for us. So Russia is on hold. Europe is more what we could call, quote unquote, a milk market. So maintain what we have. But when it comes to North America business, we are very much motivated to grow our presence in the North America business. Having said that, this is a long journey. You know, I've been with the company 15 years and I've seen the growth of Mavi Türkiye grow from around $70, $80 million to some 600 plus 700, almost close to $700 million in 15 years. So I envision that across the mid to long term that we will reach significant revenue turnovers in the US market. To this end, in terms of sourcing, planning, marketing, people management, warehousing, e-comm investments, we are doing a lot of behind the scenes infrastructure and people and technology related investments. And as time evolves, some of these investments, I'm quite confident will deliver good dividends that will show up both on top line and bottom line growth. So as Mavi, in the next, let's say, three year perspective, Türkiye will remain very important for us. We are very confident that we will continue to grow our business in Türkiye, regardless of uncertainties within this market. We are a great brand, trusted brand. We are great, you know, our two feet are on the ground and we're well positioned to continue to capture new customers and expand more drop shares. While doing that, we are really well aware that especially the North America business, then followed by Europe business, which hopefully we will also be putting in more investments in the coming months, are gonna be important and vital growth strategic geographies for us. Thank you.

Duygu Inceoz:

Okay, so there are two other questions on the chat screen. They are very similar to each other. It says, do you have an impact analysis on installment payment from Orkun Gödek and from Erkan: Do you have an impact analysis on installment payments made by credit card? Do you think that demand will run forward, especially in your market in the pre-election period? The second question is similar, it is expected that additional steps will be taken to combat inflation following the local elections, such as reducing credit card installment plans. What percentage of Mavi sales are made with credit cards and do you anticipate a decrease in sales if this measure is implemented? I can jump in to contribute here: first to give you a color on the percentage of sales made with credit cards. So about 15% of sales are made with cash, but the 85% that is made with credit cards, most of it, around 60%, is only one installment. So Mavi is not a brand that does many installments anyhow.

Cuneyt Yavuz:

Generally speaking, first thing I want to say is Mavi overall is a very defensive brand when it comes to economic uncertainty. So regardless of economic ups or downs, we are confident that we will continue our new customer acquisition and consumer sales and continue to capture market share, as we have a lot of room to capture both on men's and women's in terms of categories and growing our business. And in terms of how we are positioned as apparel brand and Duygu and myself, when we are meeting you guys and talking about Mavi, we're trying to remind you guys that this negative sentiment in terms of how the economy might turn out, we are very bullish in terms of how consumers will continue to spend on our apparel spending and especially behind Mavi. So first, that is a key point that I would like to reiterate when it comes to, as mentioned by the credit cards, we have come to a point where Mavi is a full price and a right price kind of a brand, meaning almost everything you see in the stores, almost 85, 90% of what's sold is sold at the first price. So we have come to a stage where consumers trust and Mavi's understanding of consumer and their pocket relationship is built on a mutual strong trust. So consumers are coming and buying the great quality of products and they appreciate that the product they're buying could not have been any better for the price that they are buying. Therefore, as Duygu mentioned, about 15% of our transaction is in cash. The remaining 85% is credit card. But having said that, even of that 85%, almost 80% is on one installment. So consumers are not demanding from Mavi two, three, four, five, six installments. So we are not, we are not a technology brand. We are not a household electronics brand. We are not in the category of where, you know, you need in some way buying a heavy item. In terms of affordability and reach, we are really accessible to the consumer and their disposable income. Therefore, these changes in terms of credit card regulations and efforts by the government to slow down economy and to curb inflation, which is great news for all of us, will have minimal impact on Mavi and Mavi's sales.

Duygu Inceoz:

Thank you. Okay, Barış, Barış Şenol has a question.

Barış Şenol:

Hello, I want to ask a couple of questions. First of all, in your guidance, you foresee a 70% increase in revenue, but how does the volume growth look like? We don't know your inflation assumptions. So can you give us a little bit color on the volume growth in this year? And my second question is also, your EBITDA margin guidance doesn't include inflation accounting. So do you foresee a lot of inventory gain in the EBITDA margin that you guided, or is it going to be lower if we apply inflation accounting to this margin? Thank you very much.

Cuneyt Yavuz:

When it comes to volume growth, in this year's current projection, as we are planning for the rest of the year, we have incorporated more than 10% of the volume. So it will be a double-digit volume growth that will come through. And personally, through the year, as the quarters roll out, I do hope to come in and every quarter update our volume growth on both updates and also upgrade, potentially, our volume growth performance in Turkey. So that would, in a way, give you a guidance of us assuming around 50 to 60%, roughly, ballpark inflationary expectations in terms of costs and cost of goods being sold going up. When it comes to your other question, it is really premature for me today to comment on how the inventory and inflation impacts IAS 29 pre-post. So what we would like to do and ask for everybody's patience in this uncertain times to stay in touch with our IR team, and we will look forward to give you more color, feeling in terms of how this new reported scheme is doing. As you can all appreciate, many companies have asked for two months delays, even in reporting. And I believe Mavi is one of the few companies who was brave enough to come out and immediately announced its results. Internally, both from planning, reporting, it is putting also, in a positive way, a lot of pressure for us to get a grip of what these numbers mean, how it will impact us, how we work, how we report. So this is really fresh out of the oven. Literally, we really worked hard. My team worked really hard to stay on top of the numbers and give the investment community, as a best-in-class company, how our finance can be best managed. So I choose not to answer the other question, although I have a feeling that it's not gonna be all that negative, but I don't want to officially state anything at this point in time. But thank you for asking that part. Thank you.

Duygu Inceoz:

Thank you very much.

Duygu Inceoz:

Erkan, there's another question on the chat screen. How is the competition in the domestic market, considering both international brands and Turkish players? Has the controlled increase in exchange rate made international players competitive again? Could you provide information about the competitive conditions?

Cuneyt Yavuz:

That's a big question, but let me try to answer it in a more general way. I think it's a very good question. I think it's a very good question. I think it's a very good question. It's a big question, but let me try to be as to the point as possible. From a competitive landscape point of view, in terms of our market intelligence, brand positioning, quality price proposition, and reach to our consumers, and also within the company, with all the CRM data, promotional impactors, the manufacturing base, the speed to shelf, retail excellence, and all the points that I mentioned when it comes to omnichannel best-in-class practices, we feel whether it is the low end of the trade or the high end of the trade, that as Mavi, we will continue to grow our volume. We will continue to gain new customers, and we will be able to also sell more to the current base of customers and expand in terms of wardrobe distribution. I also mentioned, it might be a side point, that our women's share grew to 37%. These one, two, three, 4% growth shares are very important in terms of making top line growth and bottom line profits for us. So this year, 2024, we expect will also be a successful growth and market share gain year for Mavi. When it comes to locals, there are the big box names, big square meter names, which are price competitive. It all comes down to pricing, their pricing capability, and their volume and retail best management practices. But in terms of where I see, and you can see our financials and management best-in-class performance indicators, when it comes to speed to shelf, agility, newness, relevance of products, quality, et cetera, I confidently can say that what Mavi is offering to the consumers beats the competition by miles. When it comes to international, from a quality front, Mavi is no less, so therefore we are in a comfort zone. And when it comes to their perspective, because Turkish lira is relatively more strong, they become more of a competitive risk toward the big boxes rather than Mavi. Simply because, as I mentioned, with our good and strong balance sheet, we are able to book capacity, and as we know, as a financially prudent company, we are doing everything where we have also dollar denominator exposure to hedge them and to eliminate any potential currency-related risk. So both from a treasury and finance approach perspective, as well as our capability to produce with the best-in-class manufacturers in Turkey, and to have the agility. I mean, I've also mentioned that even our inventory is 4% below last year in terms of volume, and we are fresh, and our speed to shelf is much better, which means our streamlining cash generation will remain positive. So from where we stand, the brand's strength, the trust, the appeal, the quality, versus the international or domestic form, Mavi, is less of a concern. But your point, as I've tried to give you some color, is more of an internal competition issue, yes, for some of the Turkish local players, vis-a-vis some of the big boxes of international players. But there will be some competitive ups and downs. But I also see the cyclical. I mean, there are years where one is winning and the other is losing, and there are years where the other is winning and the other is losing. Generally speaking, if you look at Mavi's past four or five years perspective, we are, no matter what, always are on the winning side. And I remain quite positive when it comes to Mavi's consumer base and the product and the brand appeal that we will continue to be on the winning side, regardless of competition, international or domestic.

Duygu Inceoz:

Do we have any more questions? Okay, that's all. Since we don't have any more questions, thank you for all of your attendance and contribution. If you have any follow-ups or comments, you can always reach us from Investor Relations. And I hope to see you again in our first quarter results.

Cuneyt Yavuz:

Thank you, everybody. I wish you all of you a happy, healthy new year. And I also would like to thank each and every one of you for your participation in this session. And I hope to see you again in our first quarter results. Thank you. I also would like to thank each and every one of you for your continued support in being with us and asking the right questions and keeping us on the right track. As we mentioned, also through this year, we look forward to being together, sharing our business journey and great results, and hopefully having another successful year behind us. And take care. Bye-bye.