



Transcription for Q2 2025 Financial Results Webcast
September 18TH, 2025



Duygu Inceoz :

Dear Analysts and Investors, Welcome to Mavi webcast regarding the second quarter of 2025. In accordance with Capital Markets Regulations in Türkiye, our financials are reported using IAS29 financial reporting in hyperinflationary economies. The financial figures in this presentation and all comparative amounts for previous periods have been adjusted according IAS 29 and are finally expressed in terms of purchasing power of the Turkish lira as of July 31, 2025. Historical figures for selected key performance indicators is also provided only for information purposes. I would like to kindly remind you to review the disclaimer on the webcast presentation and consider all forward-looking statements and comments in accordance with the cautionary statements.

Our CEO, Cüneyt Yavuz, will be presenting the results now followed by a Q&A session. I would also like to remind you that this presentation is being recorded. Please make sure to keep your microphones muted throughout the presentation. Now, I will leave the floor to Cüneyt Yavuz.

Cüneyt Yavuz:

Hello everyone! Welcome to our Quarter 2 2025 financial results webcast. Let me start with a comprehensive overview of the business in Q2. As you are all aware Turkish market continues to face macroeconomic challenges, including softer consumer demand driven by inflation-tackling policies and heightened competition across both retail and online channels. Having said this we are very happy to witness once again that our strategic focus enables us to navigate these uncertain and challenging times effectively.

Through our strong brand strategy, agile product and price positioning, flexible sourcing capabilities, and disciplined inventory and working capital management, we successfully protected our healthy margins and maintained a solid and resilient balance sheet. Operationally, this discipline is reflected in the 937 million TL operational cash flow we generated in Q2 2025.

In Türkiye market softness impacted our overall sales, however our retail performance remained resilient, delivering 4.2% volume growth in Q2. Online sales were more heavily impacted by heightened industry-wide promotional activity, particularly on marketplaces, where competitors across apparel categories ran aggressive campaigns. Despite these challenges mavi.com continued to perform strongly, reflecting the strength of our direct-to-consumer digital channels.

Maintaining our leadership in jeans with a market share exceeding 25%, we remain among the top three brands in the total apparel market and are the number one destination for casual wear in Türkiye. In this highly competitive landscape, it gives us great confidence that Mavi continues to be the aspirational 'love brand,' the most trusted brand, and the preferred choice of consumers.



Internationally, we continue to see positive momentum. International sales grew 5% in constant currency in Q2 2025, with the U.S. business standing out with 19% year-over-year growth. These results reinforce the strength and potential of our USA expansion strategy.

Overall, these achievements underscore our ability to protect profitability, capture market share, and strengthen our long-term growth trajectory.

Lets move on to review our results for the first half of 2025:

- On a high base, consolidated revenue declined 9% yoy in H1 2025 and realized at 19 billion 833 million TL. Türkiye retail sales and online sales declined 8% and 9% respectively in H1 2025.
- Our EBITDA is 3 billion 618 million TL resulting in a resilient 18.2% EBITDA margin and our net income reached 1 billion 17 million TL as of the first half of 2025
- With 763 thousand new customer acquisitions in the first 6 months of 2025, the number of active loyalty card members, who have shopped with us in the last year, reached 6 million. Total Mavi app downloads reached 9.1 million with 4.9 million active users in the last 12 months.

Moving on to review our channel performance on Slide 5 :

Given the continued weakness in demand, total Türkiye sales was down 4% in real terms in the second quarter. Retail was down 3% and online, being more impacted by heightened promotions in the online marketplaces, was down 6%. International revenue, now constituting 9% of total consolidated sales, also contracted 4% in inflation adjusted TRY terms but grew 5% in constant currency in the second quarter. This was driven by the strong performance of the US wholesale and ecom operations and Türkiye's export markets. The first half of the year does not yet include retail operations in the USA as the store openings started in August this year and we expect to see notable revenue contributions starting early next year.

Looking into our Türkiye retail business in more detail:

We expanded our retail space by over 8% last year and initially planned a similar roll-out for 2025. However, due to construction delays and revised mall opening schedules, some store openings had to be postponed, with most shifting into early 2026. As of end-July, we opened 3 new stores and closed 4, bringing our total own operated retail stores in Türkiye to 351. In the first half, we also expanded 8 stores, increasing total selling space to 190,000 sqm, with an average store size of 543 sqm. We remain committed to strengthening our physical presence in Türkiye and enhancing the customer experience across our stores. Our disciplined approach prioritizes feasibility and short payback periods. All stores opened over the past years have generated positive contributions, while we continue to be committed to exit underperforming locations that do not meet our retail KPIs.



On slide 10, let's elaborate on the like-for-like store performance:

In Q2 2025, LFL sales decreased 5.4% in real TRY terms and grew 1.2% in volume. Number of transactions was down 3.7% and basket size was down 1.7%. Including the contribution of new sqms total retail sales volumes grew 4.2% in the second quarter. With this improved performance in Q2, LFL sales decline in the first half stands at 10.8% in real TL terms. Basket size was down 2.1% in real terms but grew 34.2% in nominal TL terms. It is important to note that the official clothing and footwear inflation in Türkiye is around only 11% year-on-year as of July.

Moving on to slide 11 to review category-based developments in Türkiye retail:

Category trends were broadly in line with overall performance: denim sales declined 10%, knits 11%, shirts 13%, and non-denim bottoms 4%. Denim demand was particularly soft over the summer months, but we are seeing a recovery in both men's and women's denim as of September. Jacket sales grew 10%, largely reflecting a shift in demand from Q4 into Q1 due to weather conditions. Accessories continued to gain share in customer baskets, with our broadened assortment being very well received by customers, resulting in 7% real growth year-over-year in the first half.

Going forward to review our online sales performance on page 13:

Global online sales, including wholesale partners, accounted for 10.3% of total consolidated revenue in H1 2025. In Türkiye, online sales — consisting solely of direct-to-consumer channels — declined 9% year-over-year, representing 8.0% of total sales. Within this, revenues contracted 12% on marketplaces and 5% on Mavi.com. International online sales contracted 5% in inflation-adjusted TL, while wholesale e-commerce operations delivered a solid 10% growth. Overall, online accounted for 33.6% of total international sales.

We continue to invest in digital infrastructure and customer experience, maintaining online as a full-price channel with margins comparable to retail, while at the same time ensuring competitiveness and capturing market share across categories.

Let's move on to review our consolidated financial results:

Since the second half of 2024, we've been operating in a tougher environment with consumers' purchasing power coming under pressure and with competitors stepping up promotions to drive demand. This has naturally put pressure on gross margins across the market. Even in this challenging backdrop, we're pleased that we've been able to defend our strong and consistent gross margin levels. This resilience highlights the strength of our planning discipline, the flexibility of our sourcing model, and the effectiveness of our targeted campaign management. Gross margin in Q2 came in at 50.4%, down 60 basis points year-over-year, largely due to the impact of lower imputed interest rates. For the first half overall, gross margin stood at 51.3%



Moving on to slide 16 to review our EBITDA performance:

In the second quarter, our EBITDA margin declined by 70 basis points to 15.7%, primarily due to lower imputed interest rates. The operating expenses-to-sales ratio was flat annually in the quarter with no operational leverage contribution. Despite the soft top-line performance, both gross margin and EBITDA margin came in ahead of our initial projections.

On Slide 17, we look into our net income margin performance:

The decline in net profit was sharper than the pressure on operational margins, and that comes down to a couple of factors. First, with our strong net cash position, we usually generate significant financial income. However, this quarter financial income was 344 million TL lower compared to last year, mainly because we've been holding a portion of our cash in USD to hedge imports scheduled for the second half. Also as you are aware effective interest rate was also lower than last year. Second, we had a 137 million TL negative impact from the non-cash IAS39 accounting adjustment - rediscount interest income from trade payables. As a result, net income came in at 166 million TL for the quarter, bringing the first half total to just over 1 billion TL, with a margin of 5.1%.

On slide 18, we will review our operational cash flow and working capital performance:

Through dynamic product planning and a flexible sourcing strategy, we continue to efficiently manage inventory and working capital, ensuring operational agility. I am pleased to share that our inventory levels - as always - remain exceptionally healthy, comprised mostly of fresh Fall Winter season products. In Türkiye, inventory in number of pieces is flat compared to same period last year. The apparent TL increase in inventory is a result of cost increases and slightly due to inventory building in USA market for preparation of retail operations. We created 937 mn TL cash from our operations in Q2 2025, resulting in 2.3 billion TRY cash generation in H1 2025 with 63% cash conversion ratio.

Moving on to the next slide:

In the first half of the year, we invested 1.2 billion TL in capital expenditure, resulting in a Capex-to-sales ratio of 6.1%. Around 35% of this figure is related to our new headquarters which we moved in July this year. This was a one-off and is already completed. The rest of capex was primarily focused on retail investments such as store openings, expansions and renovations as well as R&D investments. Our net cash position stands at close to 4.5 billion TL and reflects the dividend payments made this quarter. As always, the foreign currency debt reflected in our consolidated reports pertains solely to our subsidiaries, which mostly borrow in their respective local currencies, thereby eliminating currency risk.

We are revising our guidance for the year 2025 given the realizations and our updated views on the operating environment: Given the softer-than-expected revenue performance in the first half,



ongoing weak demand trends in the market, and delays in planned new store openings, we are revising our full-year revenue expectations. Our growth target for FY2025 moves from 35% plus nominal growth to 30%, which translates into a low single-digit decline in inflation-adjusted terms. As I mentioned earlier, the slowdown in store openings is tied mainly to delayed shopping mall projects, which we will revise on a new timeline. That said, our commitment to expanding our retail footprint in Türkiye remains unchanged. On the positive side, even in this uncertain environment, we continue to manage our margins well through disciplined planning, efficient inventory and pricing strategies, and tight opex control. As a result, we are revising our EBITDA margin outlook upward by 50 basis points to above 18%. With the lower top-line outlook, Capex is now expected to represent about 6% of consolidated sales. Looking ahead, we remain focused on outperforming the apparel market, strengthening customer loyalty, and delivering with a steadfast commitment to operational excellence.

Finally as always let me also give you a quick view on the third quarter. August ended with soft demand dynamics. In Türkiye, retail sales grew 30% and online sales were up 18%, with mavi.com standing out at 36% growth in nominal terms. On the other hand, marketplaces were heavily impacted by aggressive campaigns from almost all brands, which led to a 3% year-on-year decline. Looking ahead, we expect stronger dynamics in September and October as back-to-school and back-to-city shopping kicks in. Encouragingly, in the first two weeks of September, Türkiye retail sales were up 36% and Türkiye online grew 43%.

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

With this final note, I am happy to take any questions you may have. Thank you very much.

Erman Yıldız:

Hi, can I ask a question?

Duygu Inceoz:

Yeah, sure, go ahead.

Erman Yıldız:

My question is about the CapEx to sales ratio. Your store openings are getting lower in terms of counts from 20 to 10, but your CapEx to sales ratio is increasing. What is the reason behind it? Also, I missed one part in the presentation. There was a one-off CapEx that you mentioned, which happened in the second quarter, or the first quarter. I missed that. What was about that one-off CapEx?



Cüneyt Yavuz:

Okay, the part you probably missed was the fact that we, this year, have moved our offices and put a lot of CapEx investments in building a new office, which is now completed. So that, on the one hand, unfortunately, increased our CapEx to sales ratio this year. We already had projected that we would go about the historical 3-4% towards more into 5% region. On top of that, as the sales percentage came down, like the growth projected came down from around 35% to 30% ratios, of course, as a ratio, our CapEx ratios are now deteriorated. But the office move has been completed. Actually, I think this is the first presentation I'm making from this new office. So we are very happy and relocated into our new offices, and the CapEx investments are behind us. Therefore, this is a one-off. In terms of new store openings and expansions, these investments will continue. Although we had aspirations to open up more stores, and the numbers have been a bit downsidled because some of the shopping malls that are already ready were a bit hesitant in terms of finding new tenants. So it seems that some of the new store openings will be happening in the first half of next year, which is still good news because it gives us a lot of encouragement for future outlook in terms of expansion and growth. At the same time, the other element of growth and investment comes from expansions. We are doing a lot of expansions in terms of new store openings. So this year, this is our plan. We are planning 10 net openings, and that will convert to 17 openings and 7 closures. Some of the closures are also happening because we are preparing to move to bigger locations. So it's not only about performance. When you hear some closures, don't always think about them as we closed or moved away from a certain mall. We closed some of the shops. It comes in as a closure, but we moved to a different store level or a location where we open up bigger stores. So over the next year or so, you will probably hear a bit more about closures, but there are actually very few stores that are not performing to our expectations. Typically, closures are taking place because we have the aspiration, as you might be following me in my other presentations, to move our business from this, on average, 500,000 square meter business model into 1,000 plus square meter business model, where we have quite a few of our 20 plus, around 20% of our stores are at that level, and we are adding more into the pipeline, and they're all performing very well. So the good news is, the bigger the stores we open, the more portfolio we are able to present. We're able to get, without losing any store KPI or performance loss or margin loss, contribution loss, an immediate bump in sales. So this area, we will continue to pursue. Actually, that gives us, as a whole Mavi team, a lot of positive encouragement when we are looking out into the future, despite a bit of uncertain first half of the year in terms of numbers. I hope that clarifies what you may have missed out.

Erman Yıldız:

Thank you very much, Cüneyt, for that. And also, I want to ask, how much, what was the amount of the CapEx that you did for the new office in the first half?



Cüneyt Yavuz:

Do we have the numbers? 37% of the total CapEx spent, year to date, about 37% has been spent on the new office.

Erman Yıldız:

Thank you very much. Also, I have one more question. It is the last question. Yeah, I'm not sure about this, but I'm asking if it's the right strategy for this year. It's like, I think you were planning to keep the stock levels low this year, so your plan was to keep the stock levels low and purchase low stock in the beginning of the year and keep the price a little bit higher compared to previous year Mavi's prices this year. Is it the right strategy that I summarized or is it a different strategy that you have this year?

Cüneyt Yavuz:

I mean, moving from one year to another, just so that I make it clear, so all of you understand how we operate in the marketplace. We are, first of all, a very intelligent company in terms of tracking almost 30 of our top competitors in terms of single SKU, whether it's a t-shirt, jean, sweater, whatnot, in terms of how they are priced. And as a local brand operating predominantly and delivering most of our revenues coming out of Turkey, we are always, number one priority is make sure that we are approachable, reachable by the consumer and give them the best quality without ever giving up on the quality proposition we have. So that strategy has not changed. Our indexes, when I look at our numbers vis-a-vis, let's say the usual big three, the Koton, DeFacto, LC Waikiki remains vis-a-vis the last year in a similar multiple. And when I look, there's more pressure actually this time around with the strengthening of Turkish Lira, this holds true for everybody, not only for Mavi, as you can imagine, coming from Zara, Mango, the imported products where the value of Turkish Lira makes them more accessible. But when I look at again, our index vis-a-vis these competitors, we are again at the sweet spot. Therefore, whether it's the denim or the non-denim piece, our strategy has not changed. If you look at our price taking and price management capability, we are at a position where when consumers walk in, we are in a position where we are able to offer the first time right price, where we sort of stay away from a lot of promotional activity. But talking among friends and family, I must say the awareness or the requirement from the consumers to hear more about campaign management and promotion has been elevated in the six months. Therefore, we are also doing our utmost in terms of using our CRM data to do targeted activities to entice customers without losing our premium edge, especially focusing on units per transaction. So trying to get them what we call mini campaigns to come in and rather than buy one product to get them to buy two or three or four products. Therefore, making sure that we are a bigger part of their wardrobe and shopping experience. So again, I hope that answers roughly the question you were asking. So simply put, strategy has not changed. We follow a similar index approach vis-a-vis competition. Quality of products actually, when I look at it or when we look at it internally, is if anything is going up, we do our utmost in terms of the fabric we use, the sustainability measures we are delivering year on year.



So none of those have been, let's say, given up on. So the consumer who's coming in is buying an even better product each season. And we are similarly excited for this fall winter. And when I look at next spring summer that is out there coming in and the fall winter we have already to discuss for 2026, it's all exciting, great news, what we will be able to deliver. And the more CRM, the more information we have, the more smarter we get. We are able to target the consumer and use our campaign management without deteriorating the premium image of making a sort of a campaign-ridden, a promotion-ridden brand. So that would be my answer in terms of how we look at the market and manage the market.

Erman Yıldız:

Thank you very much.

Duygu Inceoz:

Murat, we can have your question.

Kutluhan Murat Bulut :

Hello. Thank you for the call. My question is regarding your new EBITDA margin guidance. You mentioned about the current macroeconomic environment. I mean, the real rate is going down. The demand is low, but you increased your margin expectation for the year end. My question is, what will be the drivers for that? And are we going to see lower days of payables for keeping the margin higher in the rest of the year? Thank you.

Cüneyt Yavuz:

First of all, let me remind you that, going into this year, let's put everything into perspective. Coming into this year, when we were guiding, you will recall that we guided for 35% plus growth. We also shared with the investment community, and you were all thankfully also very much involved and aware that our first quarter would be not an easy quarter because of the previous year's high. So we finalized right now the first half. The first quarter was completed more or less within expectations, and the second quarter fell short of our expectations. We were hoping that we will come to a more zero base rate, whereas we ended up a couple of percent, 3- 4% softer than where we thought we would end up. So the more challenging part of first half in terms of being a minus is behind us. We already coming into the year, when we said 35%, it was probably the most conservative outlook that we presented in my 17 years within the company, which the key message we were trying to send out was, this year is not going to be an easy year. Remember that at the beginning of the year, inflation was expected at 35%. So what we were literally saying was, this is going to be a flat year. And if we can get to flat, this will be a good job by us. So the first half is behind. The second half, on the other hand, for us from where we stand, the more tough uphill battle is behind us. And when you look at where we are now, like have we been able to take pricing? Have we, despite the pricing takes and the growth, have we been able to grow, start growing volumes? Is our OPEX under control? Is our



inventory management under control? Is our hedging paying off and the payments paying off and using the Turkey sourcing methodology paying off in terms of maintaining? We are already into fall winter. We have already bought into what we need to buy in. They all look good. Therefore, and to be even further transparent, we are doing our utmost vis-a-vis the competition to be extremely competitive on the first time right price. Putting all of that together, we expect the second half of this year to be a relative flat. If not, a positive volume growth second half. Therefore, our outlook for the rest, when we add the first half with the second half, put it all together, we see that unfortunately we've lost a bit, bled a bit in the first half of the year in terms of top line growth. But the second half, as I just mentioned, like back to school is very strong typically with Mavi. And we are seeing now 40-43%. These are big numbers, considering that inflation is around, you know, moving towards 30%. So consumers have come in, shopped, and our new customer acquisition, which is close to 700,000, new customers that we were able to acquire last quarter, plus the makeup of the consumer, which is youth, young and aspirational and casual wear customers. These are all encouraging us and making us quite actually positive. Although we are unfortunately for the first time in our five, six years, revising our target, that we will finish the year with around 30% growth, which is more or less the new inflation number. So we thought it would be 35, now it's 30. So it's more flat still. And at the same time, because we are able to manage the OPEX and the cash position we have, and the markdowns and the operational excellency and the product purchasing, we will come out of it with a better EBITDA is our projection. But I mean, again, in the end, it is motivating us tremendously to see the 17.5 to 18, but isn't the world record breaking? No, I think we can do better. Our position right now, our efforts within the Mavi is right now, predominantly focused on store expansion, opening new stores, looking at further efficiencies, because outlook, I mean, Turkey economy, booming through next year is not probably gonna happen. But having said that, we do believe that we will come out of this bumpy year-on-year basis more strong, much stronger, and look forward to a better 2026 in terms of performing year-on-year. I don't know if that sort of encapsulates our short-term and sort of mid-term outlook in terms of how we see Mavi continue to win in the market. But if you want to elaborate any more questions, I'm more than happy to dive a little deeper if you want me to go.

Kutluhan Murat Bulut :

Thank you. Just to follow up, do we, are we going to see any change in the working capital strategy, management strategy of Mavi in the rest of the year?

Cüneyt Yavuz:

No, I mean, not anything more than what we are currently projecting out. We will pursue any new store openings as we see fit in terms of spending money, in terms of CapEx, and we will pursue every opportunity. Actually, we are quote-unquote, standing on positive alarm to purchase more inventory because sales have started a little better than what we thought it would be. So we are in a good mood right now. We hope to retain that, but hopefully, you know, we come through it as we've started the back-to-school process. If we can continue at this momentum, it should be a happy



closure for us in terms of the rest of the year.

Kutluhan Murat Bulut :

Okay, thank you. Thank you.

Duygu Inceoz:

Ece, would you like to go next?

Ece Mandacı:

Hi, Cüneyt Bey, thank you for the presentation. You have mentioned about the Flatish possible performance in your revenue growth numbers. So, and you're also expecting margin improvement in the EBITDA margin level. So is it possible to see improvement also in the net margin level? It's hard to predict that actually, given the changes in the interest rates, but would it be possible to see a better growth trajectory or margin trajectory for your net margin as well? And could you also please provide some more color regarding your, if everything goes in line with your assumptions, would it be possible to see improvement in your net cash position in the full year?

Cüneyt Yavuz:

Thank you. Okay. Took us a while just, I wanted to check the numbers before I answered you. Thank you So in terms of the net margins, you know, because we, I think delivered 5.1% in the first half. So I think we would be performing better in the second half in terms of a percentage of margins. In terms of cash and adding more cash, it's an area I want to look a little deeper because the interest rates are coming down. So we have excess cash and that was helping us generate financial income. So you have to factor in a bit of that, but our cash conversion will continue. And also from an expense perspective, you know, CapEx perspective, we did a lot of the payments and the product buying, purchasing already. So from here on, as we deliver good, positive store contributions and margins, some of that cash will go into the bank account, which should hypothetically help us, enable us to deliver a better margin and also some more cash as we move towards the end of the year. This is, I think, as much as color as I can give at this point in time.

Ece Mandacı:

Thank you.

Duygu Inceoz:

Cemal, would you like to continue?

Cemal Demirtaş:

Thank you for the presentation. My question is regarding the performance in second quarter. As far as I remember, you had a good start with May, but I understand that June and July were weak. Could



you further elaborate the dynamics in that quarter? And related to this, did you have market share loss or gain in the second quarter? I'd like to understand, you know, the overall sector, where maybe your side is more on the textile side. But did you lose any market share or gain? That's my second question. And in terms of consumer sentiment, when do you think we are gonna see the positive impact of declining interest rates? If continuous, if this continues, you know, throughout several quarters? You know, do you expect some recovery in the second quarter of 2026 or earlier? As a, you know, it's a general question about the consumer trends. Thank you. Thank you.

Cüneyt Yavuz:

Big questions coming from you. And if I skip something, please do intervene and I'll try to elaborate. First, we did have a very good start to May and the following period did not go as well as we wanted to. Predominantly, we see, and also is reflected in my presentation. Our biggest cashflow is, as you know, is coming from men's and denim. So we didn't deliver as well in terms of blue jeans sales, pants, and also men's categories. So unfortunately, June, July did not go as well. If you look at corollary to that, at that period, of course, we were able to sell more shorts and other products, but they were not able to compensate for the per ticket items that we hoped that we would be able to sell. The good news is that it is rebounding. Again, I made it clear in my written presentation and we have started end of August, early September with back to school. This part of our sales is rebounding. It is critical that we maintain our denim strength because it is an important key ticket item for Mavi, needless to say. In terms of share loss or no loss, I am not necessarily able to assess that. We need Ipsos data to come, but I think in the following quarter, when we meet, I will be in a better position to give you a official status of where our market position is. The biggest, probably the competitive push and shove took place in the marketplaces, meaning there was a lot of inventory pile up on our competitors and we could visibly see them trying to cash out. And as you know, and I will not name names, some of our competitors did go through some restructuring in their organization, downsizing, et cetera. And they were doing a big rush to get rid of their inventory and turn into cash. So a bit of their bad planning, I don't want to put any blame on anyone, but that, has also to a certain effect, deflated this market and has put at that, actually it was a good time for a consumer to, you know, do some value shopping from that perspective. That's exactly why I am really proud with our performance as Mavi, because we didn't fall into that trap. We maintained our CRM focus communication with the consumers. And net, net, we came out with the new store openings, of course, not like product, but in total we were able to grow our volume about, you know, 4% plus, so 3, 4% plus. So that is already, I think under the circumstances, a good momentum and with a lot of competition going on in the market. When it comes to, when do we come to a more momentum driven environment, that's a bit difficult to project. That's why I, with a smile said, that's quite a big question. From my perspective, you know, as I said, I'll repeat myself again. We expected this year in total, with the first half being a little minus, second half being more positive, to come out like a flat year for Mavi in terms of volume. It seems like we are more or less going to end up with a few percentage points in a volume sense, not the 35, 30 top line growth. But if you look at absolute



volume, we will be more or less spot on in terms of what we projected at the beginning of the year. Some of that has changed due to store openings, some of that's changed because of the inflation numbers, changing, et cetera. But the momentum right now is moving into positive, moving from red to green territory, where volume growth has started to come in. And as Mavi, we do hope that this momentum will continue. If we are, if as Mavi, we are able to open up new stores and able to capture store expansions, I'm very confident that the contribution of these CapEx investments and new store investments will continue to give us good momentum to gain share and grow market share. Our team is working really hard with mall operators, street locations over the past one year. I'm not going to disclose a lot of information, but I have a good number of stores ahead of us. So we are bullish in terms of hypothetically what we can do in terms of expanding our square meters. And we want to capitalize on this momentum, the strength of Mavi and the market out there and use our cash to gain good locations and be able to reach the consumer with more of our products. So next year should be, hypothetically speaking, a better volume, so less talking in minus terms when it comes to volume. How it translates all over is a bit of a different discussion. I guess we will have to see, probably towards the end of the year, early next year, when more of the minimum wage adjustments and the final inflation numbers come in, we will have a better color in terms of how also the economic management, the central bank and dear Mr. Simsek is going to manage, is planning to manage this inflation reduction policies to get us back to a more predictable rhythm. Does that cover? I mean, I tried to go through all the-

Cemal Demirtaş :

Yeah, yeah, yeah. Thank you. Thank you, Cüneyt Bey.

Cüneyt Yavuz:

You're welcome.

Duygu Inceoz:

Kayahan Demirak, would you like to go next?

Kayahan Demirak:

Hi, thank you for the presentation and opportunity to ask questions. I have a follow-up on some issues. You mentioned that the part of the increase in the inventory days is because you build up inventory for the US business. So could you give us more color on that, maybe in terms of the size of that inventory build-up and as a follow-up on the working capital management, they are excluding the US inventory build-up. You think that you can maintain the same levels compared to previous years in terms of working capital management or you see, I mean, more challenging here because of the relatively higher interest rates? That will be my first question.



Cüneyt Yavuz:

So overall, the US stocks I mentioned as a total is insignificant. I mean, I mentioned it because for us it's significant because for whatever the US is delivering, when we internally look, because you don't have that color, you don't have that granularity in terms of Russia, Europe, US, Canada. What we were trying to mention is that actually it was more a positive spin saying we are buying more products because we are going to open up seven, eight stores. And we've actually just opened up the first, we've opened up the first Mavi store and it's going well. And hopefully we'll give you more color. Today there's another one opening up as far as I know. And there's more to come till the end of the year. But when you add all of US into the equation, it is not necessarily going to move a lot of the needle for the total as a percentage. And therefore working capital management and the inventory situation moving down the road for the rest of the year, we should be able to manage it properly. And as the new stores opens, and first of course it's been only just five, six days for the first US store, as they keep their sales as per what's coming in right now, we should be okay.

Kayahan Demirak:

I understood. Thank you. And also mentioning the US business, this quarter there has been some recovery in your international business. We haven't seen, I mean, FX terms growth both in Europe and US. Do you expect this trend to continue going forward from a low base? Did you complete your restructuring?

Cüneyt Yavuz:

Yeah, from a US perspective, I mean, we are now in a position, we have just started this quarter in the third quarter. We are finally at the stage where we are growing our US business. I can openly say that we're opening new stores and as we open up new stores, therefore directly correlated, there should be more revenue growth. And every time I come in probably every quarter, I will mention about 15-20% I mean, some double digits, reasonable double digit USD revenue. US is the biggest part of our international business. Therefore, as a total, its share of the total will impact the total international. When it comes to Russia, we are milking our business as things are sometimes good, sometimes bad, but we're not investing in Russia as you know. And when it comes to Europe, we have finalized most of our internal SAP transition, et cetera, but what are we gonna do about Europe? The big question. I mean, how can we grow faster? Can we do anything more interesting in Europe? Is a new chapter we will open up starting next year. Now that US is on track, I think we have the breathing space to talk with my European team members and be also truthful to them, to be able to give them and allocate them the funds necessary if they come up with good ideas to look into that. But overall, when we talk about international, because that's how you see it, 9%, 10% of our business, moving on for the next couple of years, I should be able to stand in front of you and mention growth, growth, growth in a consistent manner for many years to come.



Kayahan Demirak:

Okay, thank you. Understood. And final two questions. I mean, as of today, CBRT revised down the merchant commission structure and they lowered the rates to 1% for the debit card. So this will have a significant impact on your credit card commissions and what percentage of your overall card transaction goes to the debit card?

Cüneyt Yavuz:

Yeah, Duygu wants to take that question.

Duygu Inceoz:

Hi, Kayahan. I've been getting that question throughout the day. So I wanted to jump in. Most of our credit card commissions figures that you see on the report is because we are taking the credit card payables the next day. So that's the big portion. The actual POC commissions are very, very low, less than 10% of the total. Debit card is very low for Mavi. So it's very irrelevant in terms of what you see on our credit card commissions cost.

Kayahan Demirak:

I'm understood. Okay, one final question is about buyback program before announcing the financials that you haven't made any share buybacks. Is there any change on that front compared to your previous announcements?

Cüneyt Yavuz:

Our approach to buyback is not to compete with the market and the market, I mean, we are more like a signaling. We decided as a team, we set up a committee in terms of buybacks. And our message here is that, you know, we believe our current stock price is a good value, if not cheap. Therefore, we will play a signaling role in terms of managing the buyback program. And two weeks ahead of the announcement, we decided that would be more or less like an internal trading . So we decided to say, let the market ride itself. Let us announce what our results are because otherwise we would be signaling our own message, buying, not buying. So every quarter, you may expect us to be a bit more quiet, directionally speaking. It's not a promise, but generally speaking, an approach that when it comes to buyback program now and in the future, ahead of announcements, we will choose to be more reserved. Today, we went into the market, the market had some reaction and we started buying, for instance. Therefore, we are back in the market now because I made the numbers public. And now we can start trading and signaling in the right way as the market also moves left and right, up and down.



Kayahan Demirak:

Okay, understood. Thank you very much for taking the question.

Cüneyt Yavuz:

No problem. Thank you for asking. Erman ? Erman, you can go ahead.

Erman Yıldız:

Okay, I have one more question, real quick. About the imputed interest rates, in the first half of the year, your imputed interest rate was around 3.7%. In the second half, policy rate is coming down and the bond interest rate is coming down. So we are expecting a lower imputed interest rate in the second half. But can you give us a range? Because when you do that, your EBITDA guidance is becoming more meaningful because we are deducting from the EBITDA guidance. I'm expecting a range in the second half of the year. What should we expect for the imputed interest rate?

Duygu Inceoz:

Maybe I can jump in here again. We are actually using just like the market expectations for interest. So nothing different than you might calculate yourself. So we don't give the detail, but we use the exact market expectations that you would use.

Cüneyt Yavuz:

So we follow the balance sheet and the banking directions and calculating and putting it into our numbers.

Erman Yıldız:

I think it will get lower, but you don't want to give it up.

Cüneyt Yavuz:

Yes, it will get lower. This 3.7 is expected in our plans it will come down to around 3.1%.

Erman Yıldız:

3.1% in the second half?

Cüneyt Yavuz:

For the full year average.



Erman Yıldız:

For the full year, for the full year average, okay. Okay. Thank you very much.

Duygu Inceoz:

Okay, so we can move into the questions coming in from the chat. Erkan Edincik says, the fact that Turkey has fallen behind in competitiveness due to high inflation and controlled devaluation is constantly being emphasized. Recently, there was news about LCW suppliers going through difficult times because of canceled or reduced orders at home. Have you also increased foreign procurement in your sourcing operations? Is family's domestic denim production business experiencing similar difficulties?

Cüneyt Yavuz:

The Turkish manufacturing industry, textile manufacturing industry is going through some tough times and challenging times and some change. This is a fact. It's actually probably one of the hot potato questions. Whenever I turn on the TV, there are a lot of discussions about what's happening in the textile industry. When it comes to, just to remind you guys, when it comes to our sourcing capabilities, first and foremost, we prioritize Turkey because of quality, sustainability, and speed to shelf. Our business partners and manufacturing partners are doing pretty well, although they are also under pressure as we talk with them. So at this point in time, as a short term, like this month, next month, or the next season kind of a perspective, we realize that more or less everything is under control. Having said that, for us as Mavi, the question becomes, as the Turkish lira appreciates, should we be procuring more outside of Turkey? What are the options? Is there a better option to move certain procurements outside of Turkey? These are areas we're looking into and we will continue to look into. Just to remind you that we are already sourcing from Egypt, China, Vietnam, India, Indonesia, Malaysia, Georgia, Serbia, Romania, so we are already as a sourcing company, sourcing part of my company, is able to move things around and build relationships and procure products on a need basis. Therefore, I don't feel that much intimidated by what's going on. However, when you move outside of Turkey, you have to look into other quality control, sustainability, other paradigms come in, but these are things we can handle. When it comes to, so I'm not going to comment on LC Waikiki, what they're doing, what's happening, because I don't know. I mean, I know what we are doing, so what they're doing, I don't know. They moved a lot of their manufacturing outside of Turkey, that much I know. And as you know, they have quite a bigger business than we do in terms of international business, so they can accommodate some of that, whereas 90% of what we do is in Turkey, whereas they are all over the world. I think they have mega manufacturing happening in Bangladesh, et cetera. But I don't know the pure details, so I cannot necessarily comment on that. When it comes to the Erak, the Related Party Manufacturing site, they are in good shape. Their balance sheet is okay, our business is okay, therefore their business is okay. But I know from chit-chats I have with them, because they are good quality manufacturers, and Turkish manufacturers



go under pressure, they are also getting more, as the last conversation I was having with them, they're getting more international, actually, it might sound counterintuitive, but they're getting more international orders moving towards them rather than away from them. You remember, Turkey is still, in terms of proximity and quality, a great place to produce denim. And when Zara or Mango or big manufacturers, European manufacturers, need to come in with lesser volumes, lesser meaning not 100,000, but 20,000, 10,000, 30,000, their go-to place is Turkey, because they can trust Turkey in terms of speed and quality, and to make up for what is missing, or what is best-selling. Therefore, this is something I'm observing, and as I mentioned, the quality manufacturers are still holding up, and they're able to capture the more value-added, more quality orders. I don't know the exact breakdown, because I don't go into that detail with Erak, but I know they manufacture for Boss, just to give you a feel. There was time when they were producing for Burberry, Gant, I know there is Zara, so they have a lot of Euro, mid and upper-mid customers. Therefore, I haven't heard any noise coming from them, vis-a-vis them being under pressure in terms of business. Thank you.

Duygu Inceoz:

Our next question is from Melis Pocar. When do you plan to share your short-medium-term USA expansion plan, including relevant KPIs, contributions, CAPEX, et cetera? Is it possible to give some color?

Cüneyt Yavuz:

Well, I mean, I wanted to give more color sooner than later, actually, to be honest, but the thing is, it took us a bit longer from our perspective to go through the whole finding the stores, and also setting up the whole legal battles in terms of contracts, terms, explaining to mall operators who we are, et cetera. Finally, we are there. The momentum is there, and I can tell you that by the end of this year, we will probably open between seven to nine stores, or when I say end of our year, which is end of January, so don't think of it as December. We have planned to open, at this point in time, more than 20, close to 30 stores with names attached to them, so we more or less have a good idea of where the initial 20, 30 stores are going to be. I have presented the case in terms of investment and making sure that there are guardrails to our board in terms of how much leeway we have in terms of expansion. Therefore, I think it would be fair both for us and for the investment community for us to come in with a more explicit direction when we have 15, 20 stores at hand, and then I can sit down and tell you, this is what we've done, this is how they're performing, and what we will do down the road, because when you talk about US, hypothetically, we could have 200 stores, 400 stores, so it's a long journey we are talking about. So, net-nets, we are about to come to around eight stores by the end of this year. We are excited. As I mentioned, we opened one. We are opening another one today. It will be a step-by-step journey, and we will manage all of this with our own resources without really tilting the box when it comes to CAPEX and balance sheet. We want to remain, as always, prudent and in control. If things go well, we want to come in and be able to share the joy with you, and if



things don't go as well, then we don't want to come in and create excuses and be able to say, life is good, we're still able to grow Turkey double and still be able to be a growth company and deliver good, healthy margins down the road. So, US is a good hedge for us. With a lot of potential upside, and it is just early days. Probably, vis-a-vis all the communication I made, and Duygu has also been patient with me, but we're probably six months, nine months behind in terms of where we wanted to be, but we're finally there, and we're doing it a la Mavi with good, prudent business planning and ready to go. That's how much I can say at this point. Thank you.

Duygu Inceoz:

She had another question. Can you briefly quantify the adverse impact of weak foreign tourist arrivals to Turkey a year to date on your operations?

Cüneyt Yavuz:

Very good question. Actually, this is an area where we are taking a hit, and I think the Turkish textile industry is taking a hit, but overall, although it is an important part of our business, certain regions, like we have business that is coming from Iranian customers, let's say in Van, and then you have customers in Antalya, which is a different story. You have customers in Istanbul, which is a different story. So it is also, to a certain extent, hedged and widely distributed. We do see mostly an impact in Istanbul store sales when it comes to tourist sales, whereas the Aegean coast and Central Turkey, Eastern Turkey is holding up better. I'm saying this is all relative, of course, but this is a number when it comes through, it's nice, but when it doesn't come through, it's not something that is gonna tilt the boat big time. So it's manageable, I think. But of course, for some brands, especially, I think, when we talk within the industry, let's say if you're in Istanbul skewed, and if you have 30, 40 stores, and if you have 15, 20% of your sales coming from Middle Eastern tourists, and all of a sudden they're gone, that has a big impact. But when you're as big as Mavi, with 400 plus stores across the nation, the maximum, it came up to, I think, 7-8% of total sales, goes down to 7%, 6%. Doesn't necessarily become an excuse, culture's kind of a defensive position. But generally, it's a fair point. I mean, the tourism sales have come down.

Duygu Inceoz:

Okay, so Alper Akalın also wrote, I think, unfortunately, due to a wrong Team's link he wasn't able to join the call for the first 20 minutes, I think and missed some of the questions. There will be a recording. We've answered most of your questions. The recording will be online probably tomorrow. And there will also be the transcript that will be displayed very soon. And I would be really happy to always talk to you on the phone after the presentation. Do we have any more questions?



Cüneyt Yavuz:

I guess that concludes this presentation. I would like to thank you all for joining us for our presentation. We look forward to being together very soon in the next quarter updates. And in the meantime, there are a few conferences and get-togethers we will have. I look forward to seeing each and every one of you when we have the opportunity. As always, Duygu and myself, we are committed to answering any kind of questions, any further elaborations that you may need down the road. So please do reach out to us. And I would like to just wish you all good, happy, healthy days. And look forward to being in front of you with better results next time around. And take care. All my best.

Duygu Inceoz:

Thank you.