



Transcription for Q1 2020 Financial Results Webcast

June 10th 2020



Presentation

Operator

Ladies and gentlemen, welcome to Mavi First Quarter 2020 conference call and webcast. I will now hand you over to your host, Mr. Cüneyt Yavuz, CEO. Sir, please go ahead.

Cüneyt Yavuz

Hello everyone. Welcome to our conference call regarding the financial results for the first quarter of 2020. The Covid-19 pandemic that began in early 2020 and impacted the whole world has created new challenges for all of us. From day one, we started managing the social and financial impact of this health crisis head on. We will be talking about the impacts of the pandemic on our business and our internal responses throughout this presentation. Should you have any further questions, I will be happy to answer them at the end of our call. Before going into the key highlights for the period, I would like to start off by summarizing our approach to the pandemic.

Let's move on to slide 2. Protecting the health and well-being of our employees, customers and all business partners while also maintaining the company's financial resiliency has been our first and foremost priority. We have adopted all measures recommended by the local and global health authorities in all of our markets immediately. In this context, we closed all retail and franchise stores temporarily and applied full-time work from home schedule in the head offices. Our employee's concerns were very important to us and we immediately announced that their jobs were secure and all salaries would be paid in full.

Moving on to slide 3; I would like to give you a brief update on our current status operationally. In Turkey, all retail and franchise stores closed on March 19, 2020. Gradual re-opening started on May 12, 2020 and all stores have opened as of June 1, 2020.

Online operations in Turkey were also suspended on March 30 to increase health precautionary measures in the warehouse and resumed operations on April 17. Internationally, all retail and franchise stores also closed on March 19, 2020. Stores in Germany and Canada re-opened in May. Stores in Russia started reopening on June 1 with 4 stores in Moscow. We expect all Russia stores to be open as of June 15, 2020. Mavi.com, marketplace and wholesale e-com channels in the international markets remained open throughout the first quarter.

In slide 4, we highlighted our new health and safety measures as we resumed operations. As pointed out here in detail, we are using a new age nano-technology antimic system for disinfection in order to achieve the highest hygiene standards in our stores, warehouses and headquarters. Re-openings in each market are in line with local restrictions and rules on social distancing. Hence capacities of the stores have been re-modelled in order to keep a two meter physical distance between customers and employees. We are serving our customers with health protective materials such as masks, gloves, face shields and are providing them with necessary equipment and hand sanitizers upon entering our stores. There are many more and detailed new procedures in place and here, I would like to thank all our employees in the field for their devoted contribution to this process of creating a safe shopping experience for our customers.

I would like summarize our initial responses on slide 5. I believe that Mavi's strong risk management and low indebtedness policy, as well as flexible inventory planning and a portfolio of in most part seasonless products, with jeans constituting roughly 50% of our business, enables us to deal with and overcome the challenges in these difficult times. When the virus outbreak was called-out a pandemic by the World Health Organization mid-march, we immediately started taking necessary business actions. Initial and urgent actions were categorized under product/inventory management, opex management and



cash/liquidity management. We have made adjustments to product purchasing plans in full collaboration with suppliers. Our jeans business has been very supportive both in the sense that the product is seasonless and also because we have a more dynamic and responsive supply chain. As more than 70% of our current inventory is less seasonal, easily convertible into FW season, we have a longer shelf life to liquidate current fresh inventory. We have also outlined detailed category plans following the re-openings, targeting efficient sell-through and inventory management enabling us to defend our gross margins. In terms of opex, as stated earlier all employees continued to receive full wage. We made use of state supports in all markets where available. The rents have been negotiated with landlords for zero payment during the closed period and we are negotiating new reduced rates as openings begin. Needless to say all other non-compulsory opex has been cut and we will continue to closely manage our expenses. One of our most important priorities in this period was to manage liquidity. We have immediately deferred and scaled back investments, deferred immediate payments in agreement with business partners, expanded credit facilities extensively to secure liquidity. As you know we have also cancelled dividend payments from 2019 profits.

Having reviewed the Covid-19 impacts and Mavi responses, now let's move on to slide 6 with our key highlights. As of this quarter I will be sharing the results including IFRS 16 impacts as reported unless otherwise stated on the charts. In the first quarter of 2020, our consolidated revenue decreased by 40% to TL 387 million due to store closures. Nominal EBITDA for the period is TL 20 million, resulting in 5.2% EBITDA margin. We have a net loss of TL 52 million. Store roll-out plan has been temporarily paused due to Covid-19 conditions. The total number of monobrand stores globally including franchises stands at 432. Turkey online sales increased by 49% in Q1 for the period it was open. Here I would like to make a note: as you know we normally share Turkey retail LFL figures in our earnings results. But with all stores being closed for almost half of the quarter, by definition there is no LFL set this quarter. We will go back to reporting our LFL KPIs as soon as there is a meaningful set.

Moving on to slide 7, consolidated global revenue declined by 40% and resulted in TL 387 million. Due to store closures, revenue channel split was significantly changed in Q1 2020 with 51% retail, 39% wholesale and 10% e-com. We benefitted from our solid e-commerce platforms. This quarter online business has been the remaining growth channel with 41% growth globally despite a 3 week suspension. Sales in Turkey were down 42% with 48% decline in retail and 35% decline in wholesale. This does not imply a difference in performance; it is due to the shipment calendar, meaning that most of the wholesale shipments were done in the first half of the quarter. Our e-commerce business in Turkey grew by 49% in Q1 2020. International sales were down 34% in TRY - terms.

Moving on to slide 8, let us focus on Turkey retail business. Before the Covid-19 outbreak we had opened 1 new store and closed 3 stores. We had more store openings planned for the quarter, some of which had already undergone all preparation work, but were deferred. No stores went through expansion in the quarter. As of end January, we have 312 own-operated stores totaling 156 thousand sqms of selling space in Turkey with an average store size of 499 sqms.

Moving on to slide 9 to review category-based development. I know you will view these figures knowing that the stores were closed for almost half of the quarter. Having said that, our denim, knits and t-shirts categories were all down around 50%, jackets 30% and accessories 43% in the reporting period.

On slide 10, let's review our online sales performance as this was the only channel that could contribute positively to sales growth this quarter. Recall that in addition to our direct to consumer sales that are reported under e-commerce channel, including mavi.com and marketplace, our customers can also buy Mavi products through third-party digital platforms to which we wholesale. Including the wholesale



e-com, our total online sales reached TL 58 million globally and constituted 15% of total revenue in Q1 2020. As you know since 2019, we are moving our business model away from wholesale e-commerce in favor of marketplace model, hence you see switches in sales between these channels. Overall, as one would expect our online sales have grown in Q1 2020 and the share of online increased to 7.1% in Turkey and to 44.3% in international sales.

Let's move on to review our margin performance on slide 11. As you know, we were targeting significant improvements in margins this year before the Covid-19 outbreak. In Q1 2020 we could only operate in February which is generally a bridge month in which previous season products are sold with mark-downs and then half of March where the new season product sales started picking up. Given an operationally weak period in hand, our gross margin ended at 45.7% which is almost in-line with the same quarter last year eliminating the impact of high imputed interest rates. Although we took immediate and effective actions on opex management together with the pandemic outbreak, considering the compulsory opex items and full month cost impact for the month of March has resulted in a significant increase in opex to sales ratio. As a result, our EBITDA realized at TL 20 million with 5.2% EBITDA margin in Q1 2020 down from 20.4% last year same quarter. As you know we have expanded our credit facilities extensively after March in order to secure liquidity. Despite the higher net debt, our net interest based financial expenses were lower this period. On the other hand, the rent discounts received were reported as financial income within the context of IFRS 16 adjustments. Consequently, we have a net loss of TL 51 million for the quarter.

I would like to move on to slide 12 to take you through our working capital progress. To reiterate, we had started spring summer 2020 season and had received the initial product drops to stores when we decided to close all stores on March 18. We continued to receive most of the remaining season products that were manufactured. Hence our inventory levels have increased. The good news is that the entire inventory consists of seasonal spring-summer products, sellable through end of September with denim products being seasonless. Consequently, our working capital as percentage of revenue increased from 5.0% at the end of January to 8.8% as at the end of April 2020. Considering that the pandemic conditions will continue with gradually decreasing impacts, our working capital ratios may continue to be under pressure for the rest of the year.

In the first quarter 2020, our operational cash outflow in total was TL 159.3 million.

Let's now move on to the next slide. Although we have opened only one store in Q1 2020, we had undertaken some capex in preparation for the openings planned for the rest of Q1 and Q2. On top we have the ERP transformation investments that are continuing as we speak. In this period, we have spent TL 31.9 million of capital expenditure, resulting with Capex to sales ratio of 8.2% which should be normalizing as the revenue stream resumes. In order to be prudent in terms of liquidity management, we used an increased amount of bank credit since mid-March most of which are still held as cash. Our net debt level increased to TL 209 million as of the end of April 2020. This implies a leverage multiple of 0.7 times of EBITDA. Looking into the currency composition of our debt, 23% of total consolidated debt belongs to our subsidiaries who all borrow in their respective local currencies. As of end of April, only 6% of debt is in foreign currency and is totally covered with foreign currency assets and receivables from subsidiaries. Therefore, we still don't carry any open fx positions on our balance sheet as of today.

Moving on to slide 14, I would like to provide some insight into the second quarter. As you recall we have withdrawn our initial guidance in March. We choose not to provide a new guidance at this point with all the uncertainty ahead of us. Instead we find it valuable to share with you what we are seeing in the market as of today. As you know all operations are up and running as of June 1 with service hours / capacity limitations. In Turkey, selected stores operated for only 9 days in May, which we believe does not form a



basis for an outlook. So we want to share with you the performance of the same stores in the first week of June. We are observing that while traffic is down around 60%, conversion and UPT are up around 50% and 30% respectively, resulting in some stores sales of minus 20% compared to last year. Our core product categories denim and t-shirts are performing strong. For the time being, street locations which constitute around 20% of our sales, are performing slightly better than shopping mall locations. I would also like to provide an update for e-commerce operations in Turkey. In the period from May 1 to June 7, 2020 total online orders are up by 5,5 times, with mavi.com being up by 3,5 times and marketplace orders up by 10,5 times.

Moving on to slide 15 we would also like to provide as much insight as possible regarding how business is managed. In terms of product management, our category planning teams are very busy targeting effective sell-through rates to defend gross margins. We are managing in season orders even more dynamically with shorter lead times and effective open-to-buy planning. In terms of opex management, we continue to strive for additional cost savings. Wage subsidies have ended along with stores openings. We continue our rent negotiations targeting to preserve rent ratios. We have 6 new store openings and 3 expansions that are scheduled for Q2 2020. Most of their capex have already been incurred in quarter one. Our IT investments and ERP (SAP) transformation project continues uninterrupted. For improved health measures, we are budgeting an additional opex of TL 7 million and additional capex of TL 5 million for this budget period.

Mavi's capability to manage change rapidly and effectively has served as the basis for the company's sustainable success for almost thirty years. I am confident that with our strong leadership and a team of more than four thousand dedicated employees we will be among the top companies that best manage throughout these difficult times. Once again, I would like to thank all our employees, customers, business partners and shareholders for their continued support in helping us to continue to drive our business forward.

With this final note now I am happy to take any questions you may have.

Question and Answer Session

Our first question comes from Cemal Demirtas, Ata Invest. Please go ahead.

Cemal Demirtas

Congratulations for your actions during this period, especially about your employees. You were very much respectful. I just want to congratulate you on that point specifically. My question is about whether you are expecting any extension of this short-term working hours support from the Government after June. Even in June, do you see any changes in those things?

You mentioned that you negotiated with your landlords, how successful you are in setting the agreement with them as a portion of your total revenue contracts. Just give an indication about that. Thank you.

Cüneyt Yavuz

Just to build on what you said, I am also feeling very proud the way we are treating our employees. The good news is as they get back to work, I can see all the energy and motivation and the quality of service they are able to deliver to our valued customers who come and shop with us every day, and that energy is also transcending. As I just shared, since the opening, I am happy to see that we are delivering better than expected sales under the given conditions and there will be, hopefully, a quick recovery to our total turnover. Mavi as a trusted brand, I am quite confident that we will continue to remain in the Turkish



market as well as in all the other markets that we continue to serve.

From the extension of the short-term working allowance perspective, we did get the support, especially it was significantly important for us for the retail staff who was out in the field, but as a total sum, it is not a major, major big number. It's around TL 5.6 million for quarter one, the total sum of support that we got. As we opened the stores, we have clearly walked away from that support, so we are now not benefitting from the short-term working allowance support. At this point, moving on for the rest of the year from our budget perspective, we are not counting on any (in Turkey) further support from that front. Should there be a very unlikely shutdown or a slowdown, maybe then we may come in and ask for support, but otherwise as we have opened all the stores and we have brought all the teams back to sales, I am quite confident that as long as we keep the sales going, this support will not be required from us moving forward.

As for the landlords, the key parameter, ever since we became public, my comment on rent was that this is an area where Mavi will continue to win and deliver, and as an OpEx, it's an area we will be able to defend our position moving forward. I'm happy to report that during the period, we were able to not pay rent. I'm also grateful to all our landlords who appreciate Mavi business and our good business partnership.

Now, since the opening, we are in the process of making sure that there is a reasonable ramp-up with a discount as business normalizes. For the rest of the year, if you want to model as Mavi, rent ratios as a percentage of sales should remain relatively similar to last year's performance, and that's what we are targeting. Again, since the opening, the way the business is going and also the contracts are being renegotiated both with street locations and shopping malls; we are in relatively good business terms. Through this experience, I would also like to extend my thanks to our business partners, in that sense, for making this happen.

To sum up, on the rent portion, from a landlord relationship portion, I remain very confident and very positive. Thank you.

Cemal Demirtas

Regarding the guidance, when do you think you will have some, at least, the picture that will lead you to give some guidance maybe after June or should we expect until the announcement of the following quarter's results. Thank you.

Cüneyt Yavuz

At this point in time, we will do our utmost communications through our IR to give everybody a good sense of where the business is heading so that you can also feel how we are running and continue to well-manage our business. If you ask me today, I don't think there will be an official guidance coming from us anytime sooner than when I announce the quarter two results. There's quite a bit of uncertainty ahead of us and only by then, I think, will we be in a position to talk about what will happen, because there are still a lot of unknowns ahead of us.

But in the meantime, we will, as a team, do our best, as I've just done, to give you snapshots of cost, OpEx, CapEx, revenue, customer tendency, e-comm transformation to give you a feel that we continue to build our business and that we're in good shape. Thank you.

Operator

Our next question comes from Mehmet Gerz, Ata Asset Management. Please go ahead.



Mehmet Gerz

Your online sales as a percentage of total in Turkey is quite low, 7%, compared to international percentage, which is 44%. Can you explain the difference? Also, can you give us a vision of where the retail business will be going from here given what we have gone through in the last three, four months? Have you changed your business strategy or have you started thinking about changing your strategy in terms of channels, sales model, and overall business. Thank you.

Cüneyt Yavuz

Overall, Turkey ratio, 7% of total business and growing strongly as you can see since 1 May, because we did close the e-comm for a couple of weeks to get the warehouses ready and had all the health measures taken in the warehouses in Q1. But ever since we opened them, as you can imagine and as I've shared, our total e-comm business is booming in Turkey, given the current conditions and the lockdowns of the stores. But on a very macro level and, of course vis-à-vis international, just to build on that, as we are a much bigger retail player in Turkey with more than 370 stores across Turkey, naturally vis-à-vis the international market, whether it's US, Canada, or the European markets where we typically wholesale, the split of business is quite different, and there will, of course, be dynamics in how business evolves cross the next years.

From a strategy perspective, now for almost more than 18 months, in almost every quarterly call, I've been making a callout and sharing with you that we've been investing heavily behind our e-comm platforms, CRM setups, that we've been investing heavily behind our warehousing systems, delivery systems, not only in Turkey, but also in US, Canada, in Russia, in Germany, along with Turkey. On top of all the investments that we've been going through, we've been investing heavily on our digital and IT infrastructure. Therefore, I think it will be more of the same, this is what I would say. Meaning we see e-comm and digitalization coming, therefore, we will keep the momentum. We are future-ready. The channel itself is delivering good money and good profit for us. You will also recall that I've also said that if we were one day all-digital, we would be as profitable, if not more profitable a company. So in terms of channel trends, this is a very happy channel for us.

We will only capitalize on the way it's moving forward.

In terms of retail, generally speaking, we believe that the current retail infrastructure in Turkey may slow down in terms of new store openings, as one can imagine. Again, if you know the Mavi numbers, we've been a very strong like-for-like company, so as things normalize on a same-store level, I'm quite confident we will deliver very good results, even under the circumstances, the first seven, eight days of June indicates a very strong comeback. Retail will definitely continue to play a very important role in Turkey, while in international, the digitalization will continue. And in Turkey, although we're coming from a small base, I think this 7% will be 12, 15, 20, it will continue to increase.

Operator

We have no more audio questions. Dear speaker, back to you for the written questions.

Company Representative

This is from Ilya, BAML. He asks, "is it possible that you will modify the expansion strategy somehow with less openings of physical stores but the shift to e-commerce, since it seems to be functioning very well? Thank you a lot for your answer and congrats with the results in a challenging quarter!"

Cüneyt Yavuz

It's a valid point, Ilya. We will definitely, from an ROI perspective, CapEx and investment and return



perspective, as I just mentioned talking to Mehmet also, we will continue to invest and put a lot of resources behind digital. It is already a well performing channel, well-greased up and future-ready across all the countries and markets.

Therefore, the short answer to that question is yes, and we will continue to put good focus behind digital.

Company Representative

The next question is from Avaron Asset Management from Rain. He said, “you mentioned that you paid no rent for the closed period, was this a deferral or you don’t have to pay for that period at all?”

Cüneyt Yavuz

I’ll just be very clear, we did not pay any rent during the period when we were closed. These were not deferrals. We will not be paying any rent for the period we were closed. Starting on 1 June, moving onwards, we have renegotiated and we brought down the rent ratios, accordingly down to lower levels, to ensure that rent does not become an OpEx burden on our financials.

Company Representative

He has an additional one. He says, “Do you see any risks for inventory right -down?”

Cüneyt Yavuz

This crisis, although not welcome, has come at probably a preferred timeline, meaning we got into our product categories from a spring/summer perspective. All inventory that we bought in February/March and also, as I mentioned, products did continue to come in that were being manufactured for April/May, these are all categories that we will happily continue to sell all the way through the end of September, early October.

Therefore, if anything, we are doing utmost diligence not to use silly markdowns, if I may say that, carry over the products at full plan and normal plan sell-throughs. If anything, there might be a bit of conversion, meaning some of the products that might be excess, we could convert to be offered to sales next year spring/summer. I’m not sure at this point, we have yet to see. But from an inventory perspective, from spring/summer, what we bought in and what we will sell-through, I feel quite comfortable.

Again, just to reiterate, about half of our revenue comes from blue jeans and blue jeans are, typically, seasonless categories, whether it’s in August or February, typical offtake is quite resilient and consistent. It’s also predominantly 100% manufactured in Turkey and our speed-to-shelf is very fast with very good quality manufacturers behind us and, hence, from a denim perspective I feel even more comfortable. Thank you.

Company Representative

The next question is from Goldman Sachs— He is asking about the gross margin outlook, what are you seeing in the market as players reopen their stores. Are there large discounts to clear inventory?

Cüneyt Yavuz

There is varying activities depending on the brands and categories. From a Mavi position perspective, similar to what I mentioned in terms of maintaining rent ratios, from an IFRS reported like-for-like mindset, we do hope for the rest of the year to maintain and defend our gross margins.

Therefore, when I talk with my category and marketing teams, we are not, at this point, envisioning over and above markdowns to liquidate the inventory. The inventory we have is good, it’s quality, it’s fresh, it’s appealing, and the way it has been selling through both on the internet, digital line and on the stores is



very encouraging, and we will maintain a reasonable and a solid sell-through activity for the rest of the year.

Company Representative

Then the next question is, “Can you please update on the international sales, especially the sales trend in US?”

Cüneyt Yavuz

Overall, international markets, as you know, came down in terms of volume similar to Turkey. Although because it’s wholesale driven, the percentage with which it came down is slightly lower than Turkey, as a percentage, but if you look at the phasing and so on, it’s a similar closedown period that we went through across all the countries, whether it’s Germany, Russia, US or Canada.

The US business is actually – of all the international businesses – is the best performing business. If not for anything, it’s because it’s the most digital and most progressive part of our business. Through this process, this e-comm and digital connections and customers we have has sustained the business and as we are starting to come back to our offices and things are normalizing step by step, I believe the US business will be a net positive contributor for the rest of the year moving forward.

Company Representative

We have our next question from Yavuz from PAAMCO. He says, “When do you think Mavi could go back to last year’s revenue in Turkish lira terms? Is next year possible to beat or at least repeat 2019?”

Cüneyt Yavuz

This is the \$1 million question. On a normal current run rate basis, if you ask for the first weeks of indication of how business has been ramping up, my answer would be it would be easy for us to get back to 2019 kind of levels in revenues next year. Should there be another closedown or certain other second waves and other uncertainties in the market, that we have to deal with.

But, generally speaking, I am very bullish at this point in time. Actually, what we are trying to do is cherish every positive news and go after every single sale on a daily basis.

Company Representative

The next question is from Osman from Ambrosia Capital. He says, “While it may be a bit early, are you seeing or do you expect to see material changes on the competitive front, both in Turkey and international markets?”

Cüneyt Yavuz

Generally speaking, the apparel industry has a lot of inventory and that’s the \$1 million question everybody is talking about, so that’s the talk of the town. For a couple of months where people were not able to sell, quite a few of the apparel industry players had inventory problems and, hence, have to deal with where they are.

From where we stand, I repeat, the inventory we have, the speed with which we can do replenishments, the open-to-buy management culture, the fact that 50% of our business is denim-centric, I believe it is less of a concern. It is still a challenge, but it is less of a concern for me moving forward.

As I mentioned in the presentation, it will take us a few quarters in terms of getting the working capital ratios straightened out, but as we continue to sell, and if we continue to sell at the rate we are selling right



now, in quarter three, quarter four we should hit a more normalized platform moving forward.

Company Representative

By the way, Goldman Sachs caller has a follow-up. He is asking, "USA business - what % of sales are digital? Are you concerned with some wholesale partners closing permanently?"

Cüneyt Yavuz

More than half of what we sell in the US is in digital, and in terms of all the customers that we've been partnering, whether it's the specialty and department stores, we have not lost any significant customers, although there have been deferrals in terms of payment. Just as we have been very good with our employees in terms of salaries and relationship, we are taking very good care of our business partners in terms of making sure that their preferred choice of brand remains Mavi. At this point in time, whether from a collection point of view or from a distribution perspective, we don't see major hits.

How it will play out a couple of months down the line, we will see. It also depends on how fast the US is will manage to revitalize its economy and how fast the US will be able to come back to a normal or a new normal. But we are closely monitoring. But, as I said, generally speaking, US part of the business is a part of the business that we are very proud of and I'm very proud of the team and the work that they are doing there.

Company Representative

Our next question is from Maruf Ceylan from Q Invest. He is asking, "Will you reconsider the dividend decision if business improves more quickly?"

Cüneyt Yavuz

The dividend decision for this year has been taken. Hopefully, next year, we will get back to handling that and making the payments accordingly for the next year, but not this year.

Company Representative

Can from Franklin Templeton has a few questions. The first one is, "What is CapEx in nominal terms in your budget?"

Cüneyt Yavuz

We typically allocated less than 5% of our revenue on CapEx, and I think for the rest of the year, because we did have a ramp-up in Q1, both on IT, which is one-off for this year especially, and some of the store openings for quarter two, but moving forward, I think the CapEx ratio as a part of our total revenue will get back to its normal levels, what we've been reporting of being less than 5%, 3-5% typically.

Company Representative

The next question, "Do you think there is room to cut cash OpEx further especially?"

Cüneyt Yavuz

The OpEx management will continue diligently. Actually, as we speak, we're looking at what other costs that we can do away with. But, currently, we've taken the bulk of the measures that we could. Again, to reiterate, we will maintain and we hope to maintain our salesforce and the headcount through the period, but beyond that we are looking at all potential travel-related, hq related OpEx that is cuttable. Of course, we are looking into any further opportunities on a daily basis.

That wraps up the written questions, maybe we can ask if after these questions the audience has any other questions, otherwise we can call it a day.



Operator

We have one last question from Berna Kurbay, BGC Partners. Please go ahead.

Berna Kurbay

I have two questions. The first one is about the ecommerce side, I noticed in this presentation that you provide contribution from marketplace versus Mavi.com, and I was wondering if you have any preference between one or the other and in terms of how you allocate resources going forward in terms of profitability or in terms of reach.

My second question is about the inventory levels. As of the end of April (the first quarter), you have over TL 600 million of inventory. Have you seen this level go up since then or has it started coming down off of its peak, at the very least. Thank you.

Cüneyt Yavuz

Let me start with the e-comm piece. From a marketplace/Mavi.com perspective, both channels are profitable for us. The business is moving, at this point in time, more faster as you can see from what I reported in the marketplace, predominantly because most of our business model is switching over from wholesale.com to marketplace.com operations. Generally speaking, any and every brand prefers to have, or at least from a Mavi perspective I should say, has the business on their own Mavi.com, in our case, our own Mavi.com to grow faster, but the reality is there are a lot of new “shopping malls” like Amazon, like Wildberries, like Trendyol or Hepsiburada that are emerging in every single market. As Mavi, we have to learn to compete also in this multi-brand purpose. Therefore, it is, for me, not a matter whether I have a choice or not, it is a matter of how do I continue to build the businesses in both channels profitably, which for the time being, I feel quite confident and bullish with the good brand, the good service, and the good relationship that we have been able to build with these channels.

From an inventory perspective, I don't have the exact numbers in terms of whether the reported 600 million has gone up, but my guess and IR can come back to you, and anybody else, and we will be more than happy to explain, is that the numbers would probably have gone up, because this was end of quarter one. There will be a bit more inventory that has continued to come through and then probably hitting a certain high in end of May, and then gradually coming down in June, would be a normal cycle of inventory management.

Thank you, Berna.

Operator

We have no more questions. Dear speaker, back to you for the conclusion.

Conclusion

Cüneyt Yavuz

Thank you very much. Thank you for joining us in this quarterly update, and I look forward to joining all of you in good health with even better news on the quarter two update.

In the meantime, my finance team, my IR team, and myself, we are as always fully open to take any questions you might have and we will do our best to keep you on the spotlight as to how we are best managing Mavi, and look forward to catching up with all of you. All my best. Take care. Cheers.