



**mavi**

## Analyst Presentation

AUG 8, 2017



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1. INTRODUCTION TO MAVI
2. OUR FUTURE STRATEGY
3. FINANCIAL PERFORMANCE





# INTRODUCTION TO MAVI

**mavi**





*“Mavi is a brand of superior quality, which is the foremost attribute I look for when I, as an entrepreneur, invest because quality is always appreciated.”*

Richard Branson (Istanbultalks, 2016)

# Why We Believe **mavi** is Exciting

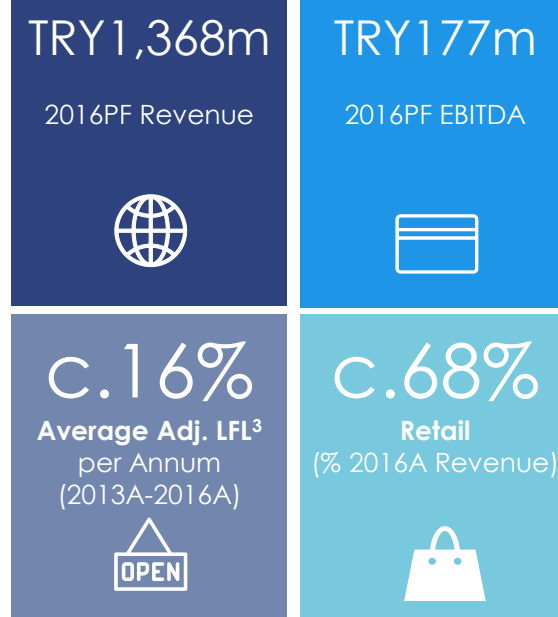
- ① **ASPIRATIONAL** lifestyle and customer-centric **BRAND** with broad appeal and celebrity endorsements
- ② Locally sourced **WORLD-CLASS PRODUCTS** with well segmented ranges
- ③ **MULTI-CHANNEL EXECUTION** with robust retail store economics
- ④ **BEST-IN-CLASS COMMUNICATION STRATEGY** enhancing brand awareness across channels and geographies
- ⑤ **STRONG MANAGEMENT TEAM & WELL-STRUCTURED ORGANIZATION**
- ⑥ Consistently **ROBUST FINANCIAL PERFORMANCE**

# mavi: Highly Successful Lifestyle Brand...

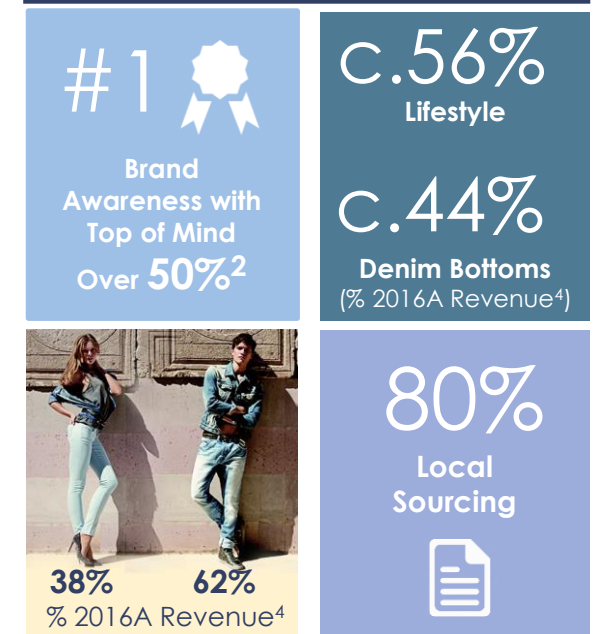
## Business Overview

- Started operations in Istanbul in 1991, **Mavi** is today **globally recognized** as a highly successful casual **lifestyle brand**
- With strong denim roots, Mavi has evolved into an international apparel and accessories brand, building its success on products of **superior quality** and **perfect fit**, with **7.5m denim items<sup>5</sup>** sold globally in 2016 via **c.5,500 POS**
- In Turkey, Mavi started its retailization in 2008 and recorded an **exceptional growth track record** since then, reaching **331 mono-brand stores<sup>1</sup>** in 2016 within Turkey
- Internationally, Mavi has built a world class reputation for quality denim, with **1.6m denim items sold in 2016<sup>5</sup>**, leveraging an international distribution platform of **61 mono-brand stores<sup>1</sup>** and strong wholesale and online partners with **c.4,700 POS**
- Extensive, best-in-class loyalty program (Kartus) with **c.5.7m loyalty cardholders**
- 3,340 talented and dedicated employees** with Mavi regarded as employer of choice
- Founding Family and Turkish Private Equity Fund II are the two shareholders

## Key Metrics



## Brand & Product

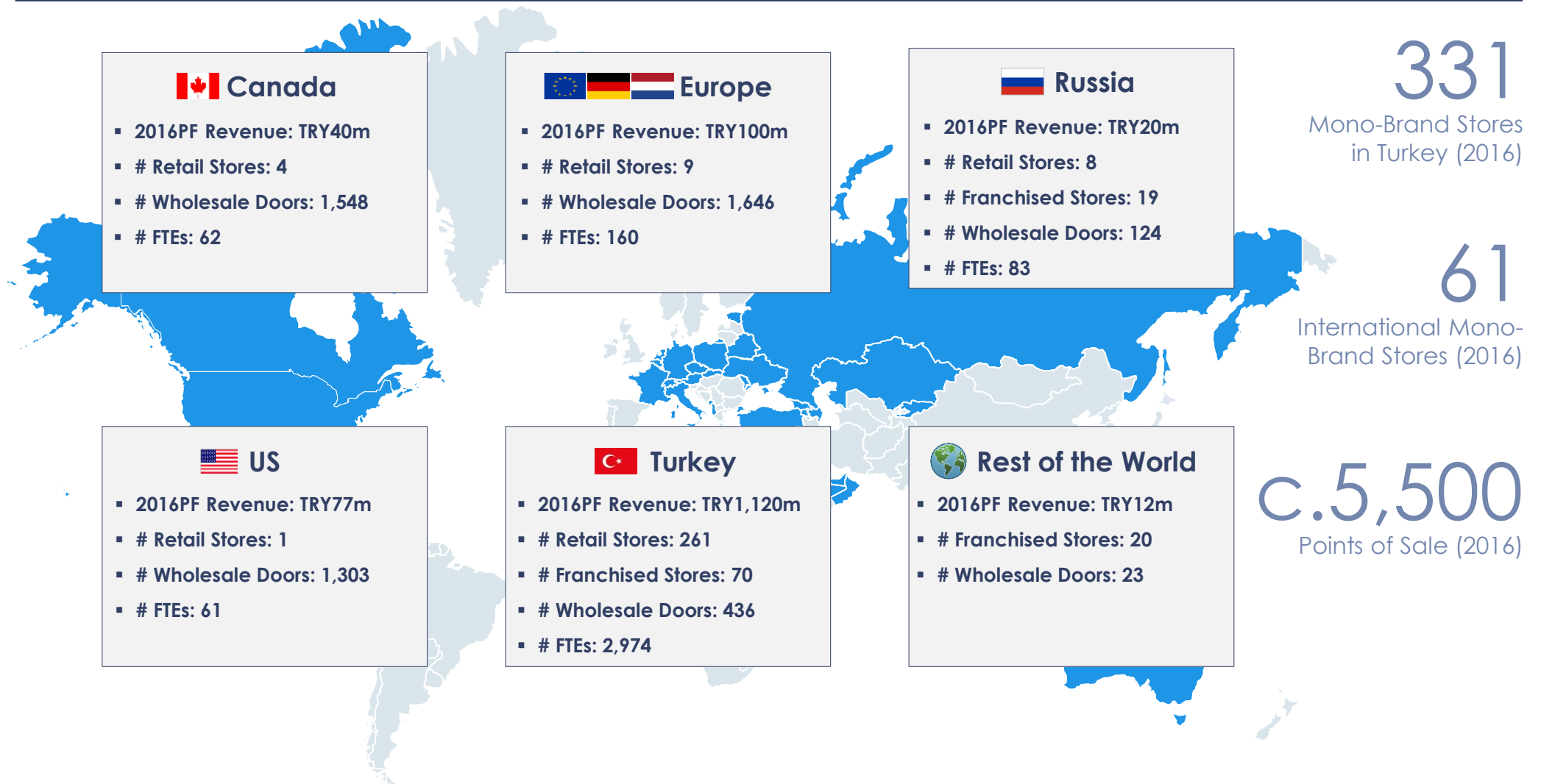


## Key Milestones



Note: Mavi pro-forma financials including the estimated effects of US and Canada businesses acquisition as if had occurred on 1 February 2016. Throughout the presentation, FY2016, FY2015 and FY2014 refer to FYE Jan-2017, FYE Jan-2016 and FYE Jan-2015 respectively. Throughout the presentation, LFL represents the percentage change in revenues from directly operated retail stores in Turkey that have been opened for at least 12 months between one financial period and the comparable preceding financial period, excluding changes in revenues attributable to stores that were closed during any of the periods that are being compared. Points of Sales (POS) include the retail, franchise and wholesale channels. <sup>1</sup> Data as of Jan-2017. Includes retail stores and franchised stores. <sup>2</sup> In Turkey; Mavi Brand Perception Report prepared by GfK, 2016; All participants were asked to answer the questions: "What is the first brand coming into your mind for jeans?", "Is there any other jean brand you know?", "Could you tell us whether you recognize the following brands?". <sup>3</sup> Turkey only, 2013A-2016A average adjusted LFL calculated using the 2016A adjusted LFL sales (excluding July performance, impacted by the Coup attempt and the performance of the Beyoğlu stores). The adjusted and unadjusted LFL for 2016A was 14.1% and 10.8%, respectively. <sup>4</sup> Data for Turkey retail only. <sup>5</sup> Excluding Russia and Australia.

## ...With Strong International Presence

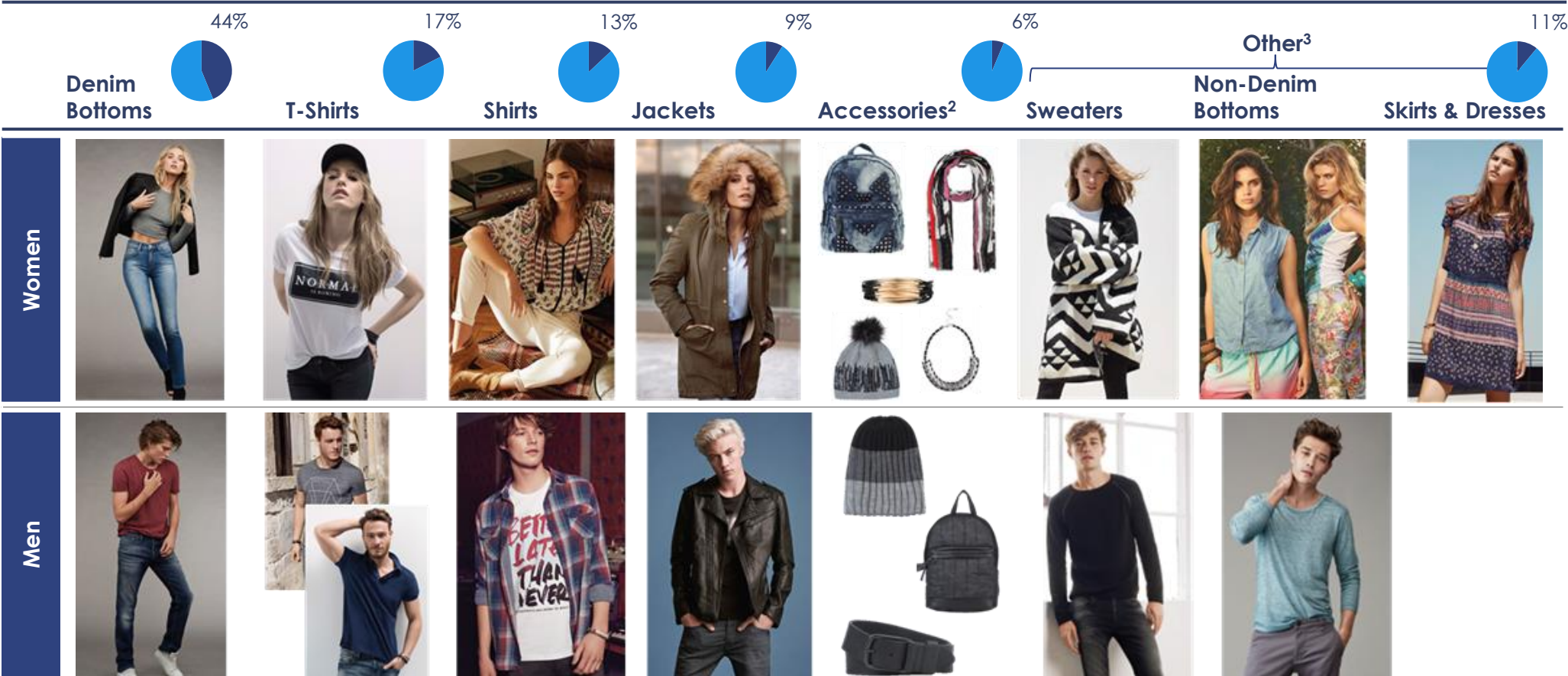


Note: Shaded countries on the map denote presence of Mavi via retail and/or wholesale operations, as well as exports. Number of Retail Stores and Franchised Stores in map as of Jan-2017. 2016 Revenue for Europe includes revenue from Netherlands and German exports to other European countries. Rest of the World accounts for exports from Turkey and royalty income from Australia.



# Mavi Offers a Lifestyle Product Portfolio Across Men and Women ...

Key Product Categories



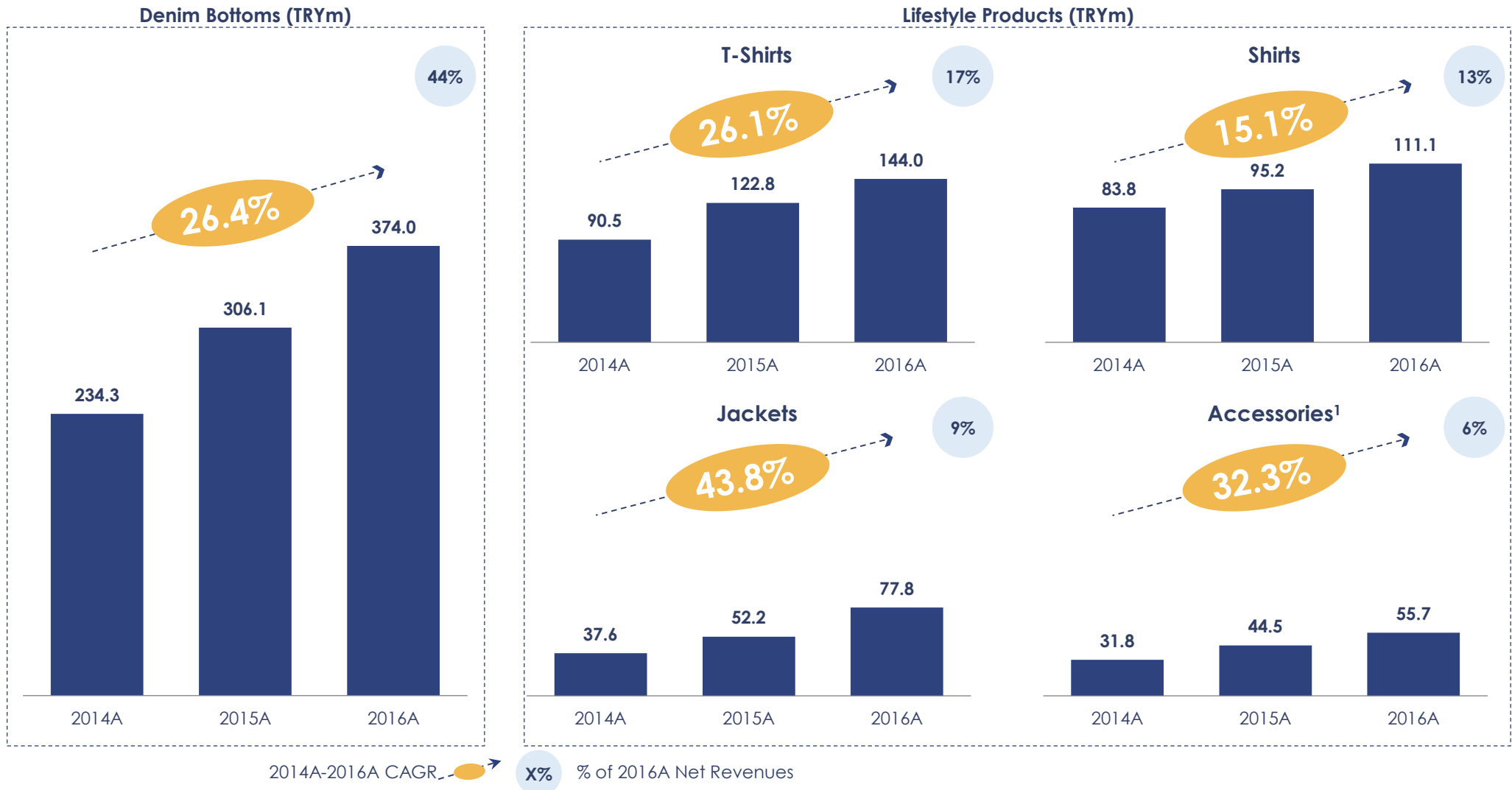
44% Denim Bottoms / 56% Lifestyle  
38% Women / 62% Men

Note: Denim Bottoms / Lifestyle and Men / Women breakdowns represent 2016 net revenue splits for Turkey retail.  
¹ Data for Turkey retail only. ² Including shoes. ³ Including kids.

 % of 2016A Net Revenues¹



## ...And Grows Significantly in Each Category



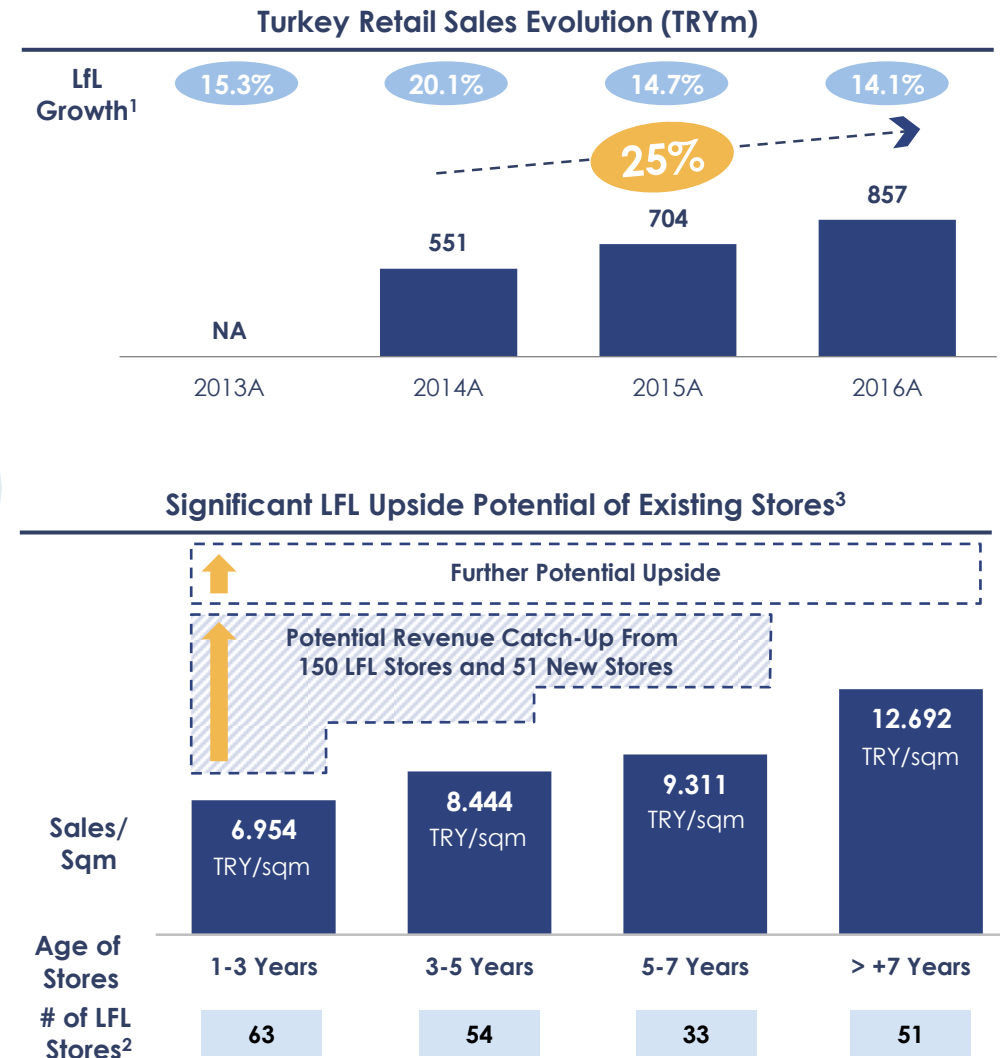
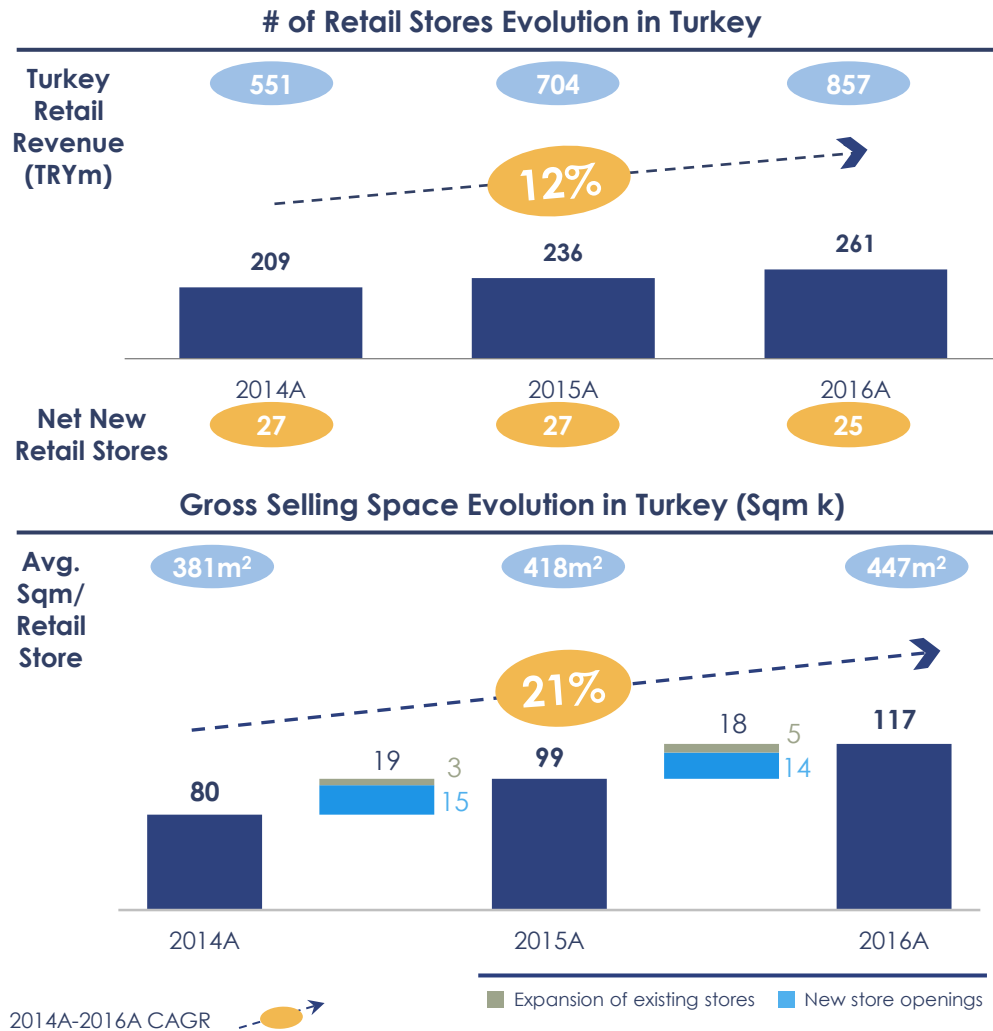
Note: Data for Turkey retail only; all values are net revenues. <sup>1</sup> Including shoes

# Minimising Fashion Risk and Seasonality With Various Styles Across Lifestyle Product Offering





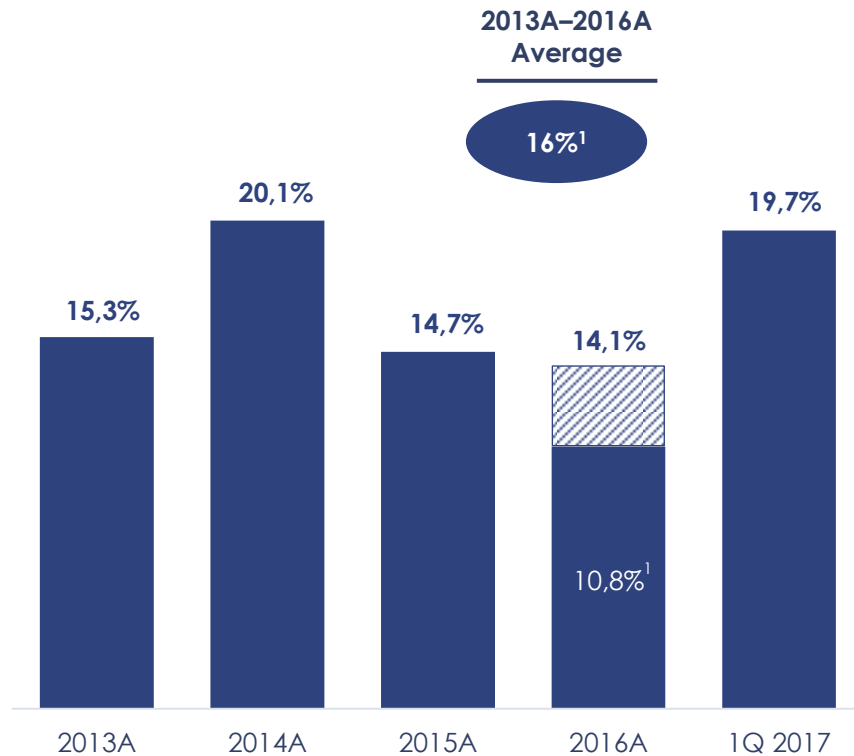
# Strong Track Record of Retailization in Turkey with Double Digit LFL Growth and Stable Store Openings and Expansions



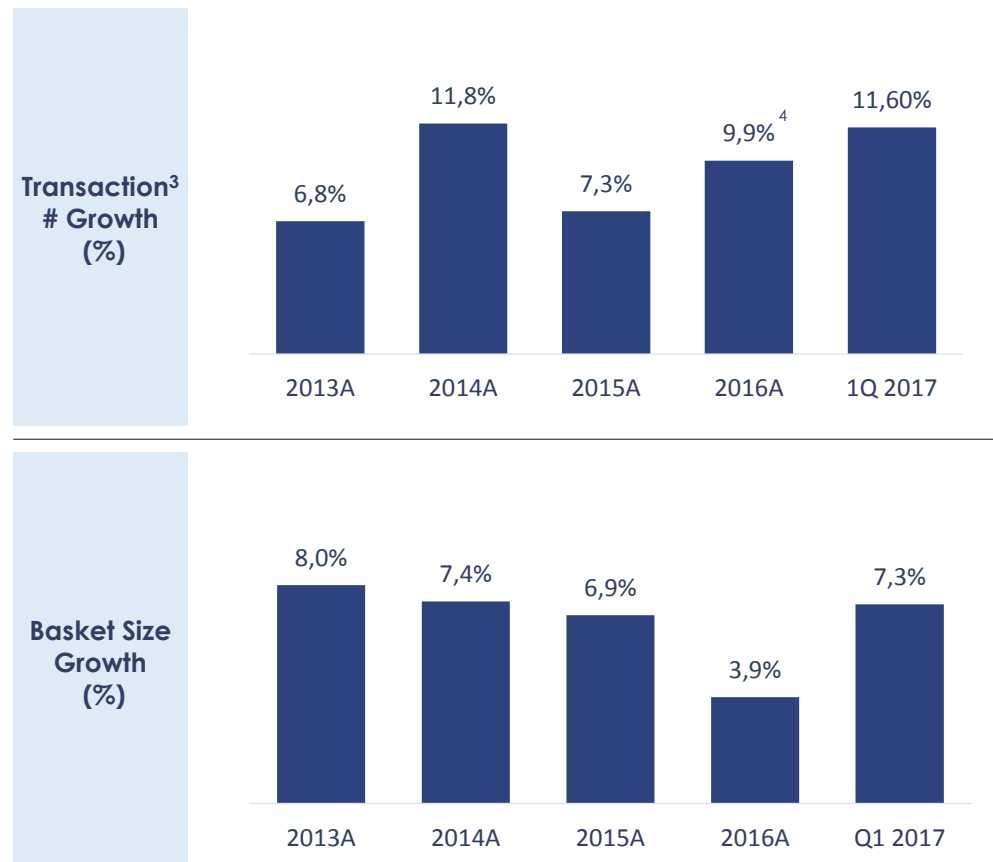
<sup>1</sup> Turkey retail only, 2016A adjusted LFL calculated using the 2016A adjusted LFL sales (excluding July performance of all Turkey retail stores, impacted by the Coup attempt and the performance of the Beyoğlu stores). The unadjusted LFL for 2016A was 10.8%. <sup>2</sup> As of January 2017. <sup>3</sup> Based on 2016A LFL financials.

# Outstanding Double Digit LFL Growth Track Record

## Mavi's LFL Sales Have Been Consistently Strong



## Healthy Combination of Drivers Underpinning Strong and Sustainable LFL Growth<sup>2</sup>



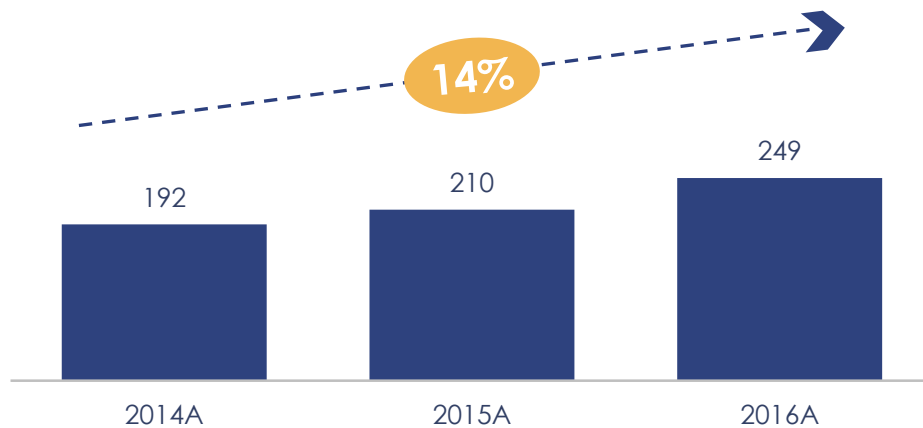
Note: Data based on Turkey Retail.

<sup>1</sup> Turkey retail only, 2013A-2016A average adjusted LFL calculated using the 2016A adjusted LFL sales (excluding July performance of all Turkey retail stores, impacted by the Coup attempt and the performance of the Beyoğlu stores). The unadjusted LFL for 2016A was 10.8%. <sup>2</sup> Turkey retail and LFL only; YoY growth calculated using LFL stores only. <sup>3</sup> Number of transactions refers to number of issued invoices. <sup>4</sup> 2016A Transaction Growth and Basket Size Growth are adjusted figures for the July performance of all Turkey retail stores. Unadjusted Transaction Growth and Basket Size Growth was 6.8% and 3.7% respectively for 2016A.

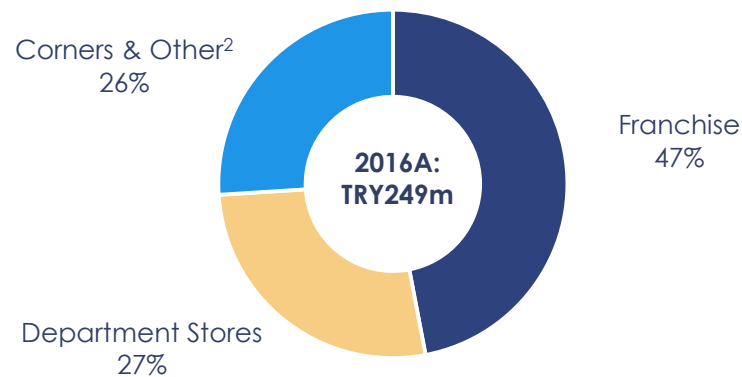


# Complimentary and Growing Wholesale Channel

Domestic Wholesale Net Revenues (TRYm)



2016A Net Revenue Split



		# Doors
Franchised Stores	<ul style="list-style-type: none"> <li>70 franchised stores under long-term contracts with similar product assortment like in retail stores</li> <li>Overall mono-brand strategy is to grow retail business</li> </ul>	70
Corners	<ul style="list-style-type: none"> <li>Usually individual multibrand boutiques, mostly stand-alone</li> <li>Predominantly denim bottoms sales</li> <li>Provides access to the end-customer where retail store is not economically feasible</li> </ul>	262
Department Stores	<ul style="list-style-type: none"> <li>174 department stores that sell Mavi products operate at a national level</li> <li>Predominantly denim bottoms sales</li> </ul>	174
Other	<ul style="list-style-type: none"> <li>Other wholesale channel includes:                             <ul style="list-style-type: none"> <li>Third-party E-Commerce sales (e.g. through Trendyol and Morhipo)</li> <li>Corporate sales</li> </ul> </li> </ul>	n.a.
506 Total Wholesale doors <sup>1</sup>		

<sup>1</sup> Data as of Jan-2017, includes franchises, department stores (consignment and non-consignment) and corners. <sup>2</sup> Other includes 3<sup>rd</sup> party e-commerce sales and corporate sales



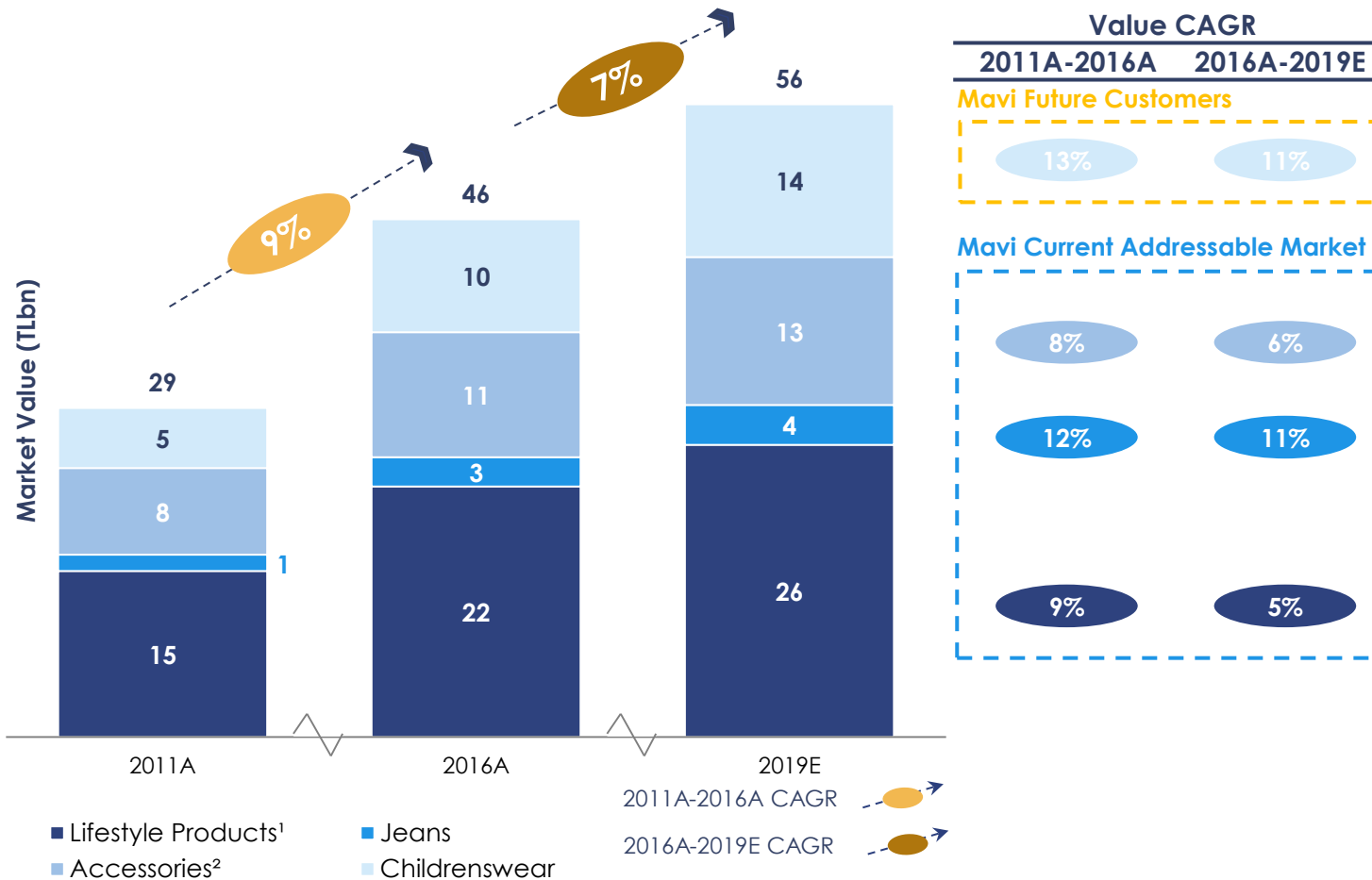
## OUR FUTURE STRATEGY

**mavi**



# Rapidly Growing Addressable Market...

Evolution of Apparel Market in Turkey



## Comments

- The apparel market in Turkey is expected to grow at an annual expected **CAGR of 7%** between 2016 and 2019, following an annual **CAGR of 9%** between 2011 and 2016
- Jeans, which has historically been among the fastest growing apparel categories with an annual **CAGR of 12%** between 2011 and 2016, is expected to continue growing at an annual expected **CAGR of 11%** between 2016 and 2019
- **Lifestyle products** have historically grown at an annual **CAGR of 9%** between 2011A and 2016A and are expected to grow at an **annual expected CAGR of 5%** between 2016 and 2019

Source: Euromonitor International Apparel and Footwear 2017 edition

<sup>1</sup> Lifestyle products include the Euromonitor categories t-shirts, shirts, blouses, jackets, coats, jumpers, shorts, trousers, dresses and skirts.

<sup>2</sup> Accessories include the Euromonitor categories Underwear, Nightwear, Swimwear, Apparel Accessories, Hosiery and other outerwear.

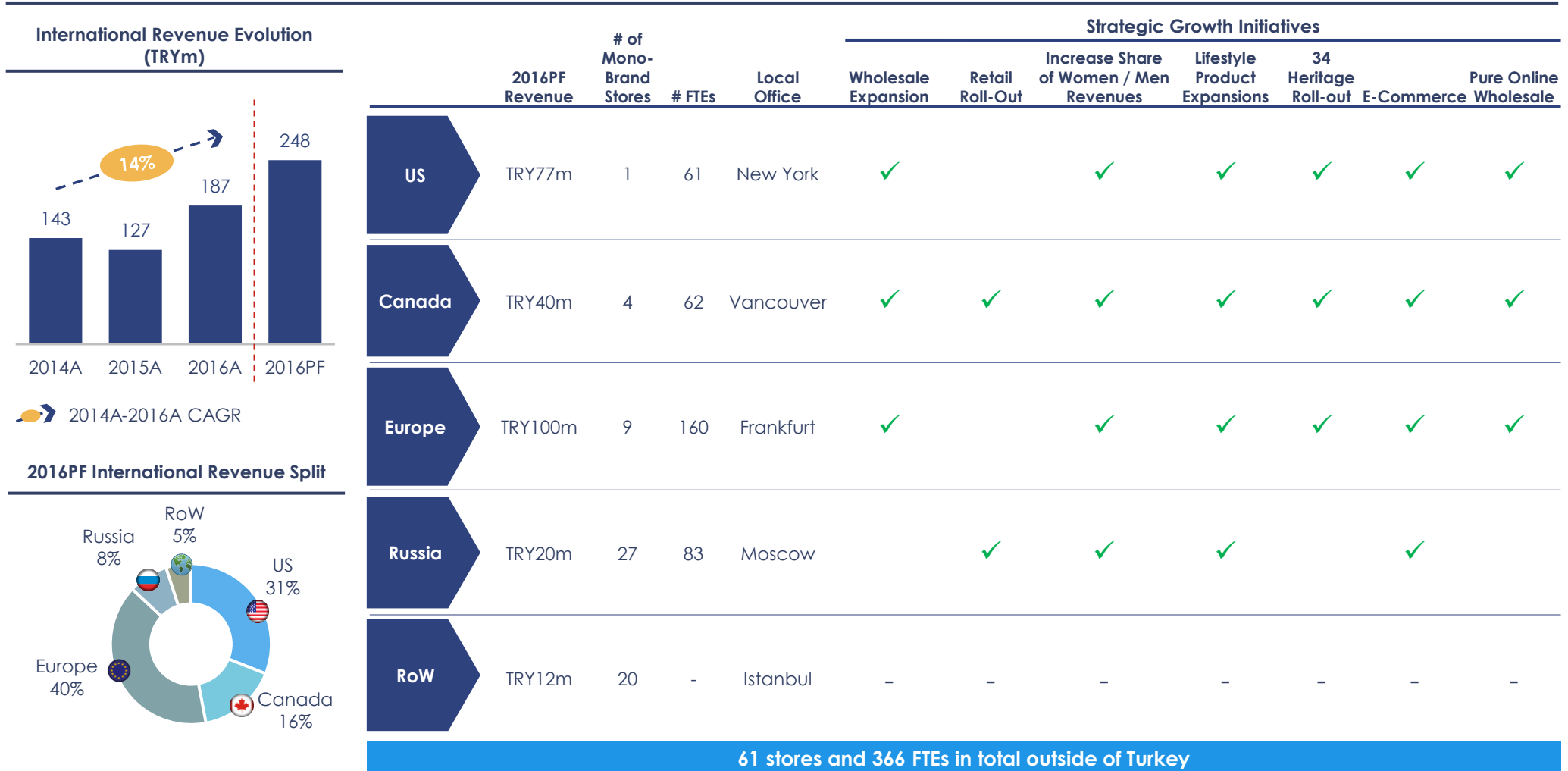
## .. Will Enable Continued Growth in Turkey

	Historical (2014A-16A)	Future (2017-2019)	Rationale
<b>Mavi Selling Space Growth</b>	<p>Average 26 net new stores p.a.</p> <p>8.5k sqm expansion of existing stores in 2015 and 2016</p> <p>21% CAGR in gross selling space in Turkey</p>	<p>In line with historical trends and further expansion opportunities</p> <p>26 new stores p.a. targeted</p>	<p>&gt;40%<sup>1</sup> selling space growth potential relative to peers in Turkey</p>
<b>Mavi LFL Growth</b>	<p>c.16%<sup>2</sup> (Average Adjusted LFL Growth)</p>	<p>Sustain 16% average LFL growth through combination of conversion, traffic, ticket price and UPT</p>	<p>Significant room to improve sales per sqm</p>
<b>Mavi Turkey Retail Sales Growth</b>	<p>25% CAGR</p>	<p>Perform in-line with historical figures</p>	<p>Natural result of strong LFL growth and sqm expansion</p>

<sup>1</sup> Based on selling space (sqm) per 10K relevant households of Mavi vs. competitors in Istanbul, Ankara, Izmir, Bursa and Antalya. Selling space adjusted for Kids category (reduction of ~20% for Player 2, ~15% for Player 3); All households considered relevant for Player 1 Player 2 and Player 3; Relevant households for Mavi defined as households with monthly disposable income >TRY2.1K per month. <sup>2</sup> Turkey retail only, average LFL calculated using the 2016A Adjusted LFL Sales



# Growing Global Footprint in line with Turkey growth to keep 80%-20% Ratio<sup>1</sup>



Note: Mavi pro-forma financials including the estimated effects of US and Canada businesses acquisition as if had occurred on 1 February 2016. <sup>1</sup> Share of Turkey revenue vs International revenue in total Net Revenue

# Well-Invested E-Commerce Platform to Deliver Future Growth

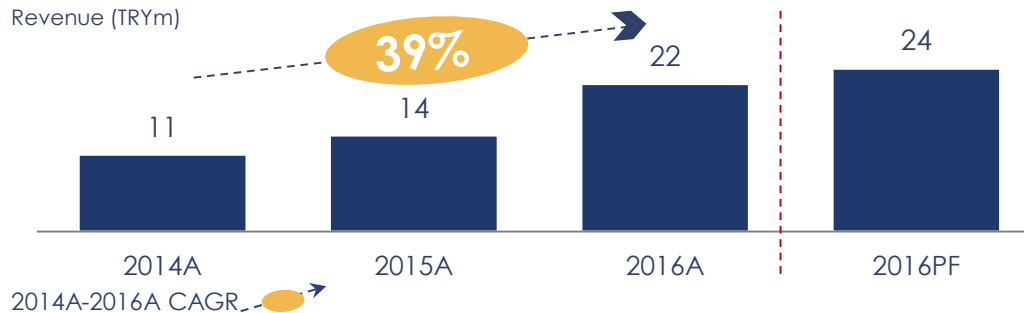
**mavi.com**  
Turkey  
Website

**mavi.us**  
US Website

**mavi.ca**  
Canada  
Website

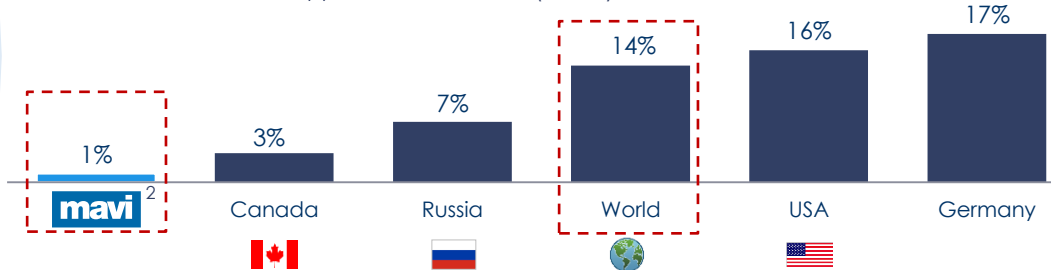
**mavi.de**  
Germany  
Website

## Global Mavi E-Commerce has Potential to Reach ~3% by 2019E



## Mavi Share of Online Sales Still Below Overall Comparable Markets

% Share of E-Commerce in Apparel and Footwear (2016A)<sup>1</sup>



## Mavi.com Turkey - Key Statistics

121k	# of Transactions <sup>3</sup> p.a.	10%	Return Rate <sup>4</sup>
39%	Denim Bottoms as % of Sales	9m	# of Visitors per Season <sup>5</sup>

## Turkey Has a Strong E-Commerce Potential

### E-Commerce Penetration



The percentage of E-Commerce penetration in Turkey (vs. China 17.1%, USA 10.5%, Europe 7.3%)

### Facebook Users



The number of Facebook users in Turkey. Turkey is among the top 10 countries with largest Facebook user base in the world

### Smartphones in Most Homes



The percentage of population in Turkey using smartphones (vs. China 64.7%, USA 74.4%, Western Europe 83.5%)

### Credit Availability



Source: Company Information, Euromonitor (2016)

<sup>1</sup> Based on Euromonitor (2016), except for Mavi data. <sup>2</sup> Mavi-Owned Turkey E-Commerce Only (excludes 3rd Party Platforms in Turkey). <sup>3</sup> Number of transactions refers to number of issued invoices.

<sup>4</sup> Discount on e-commerce divided by e-commerce gross sales. <sup>5</sup> Average of Spring-Summer '16 and Fall-Winter '16 seasons.

**mavi**





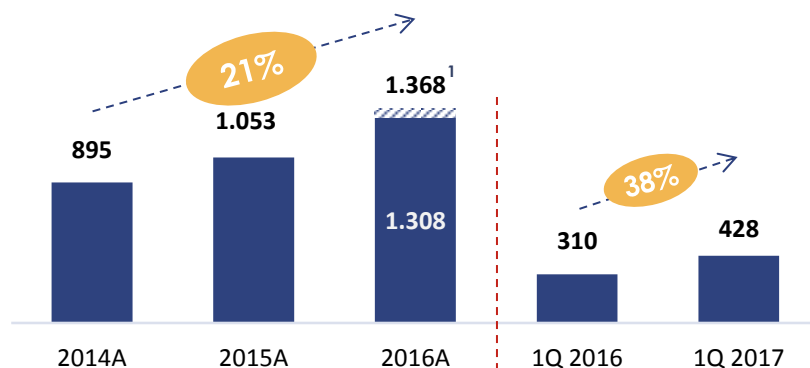
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STRONG  
FINANCIAL  
PERFORMANCE

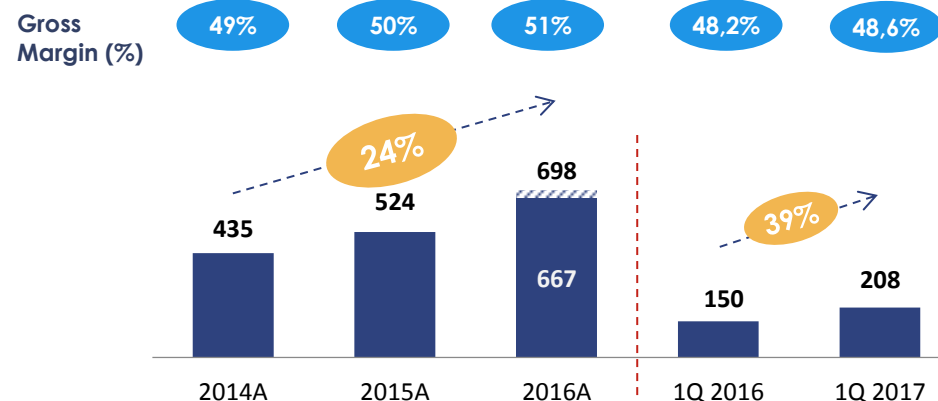
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# Mavi Delivers Strong Operational Results

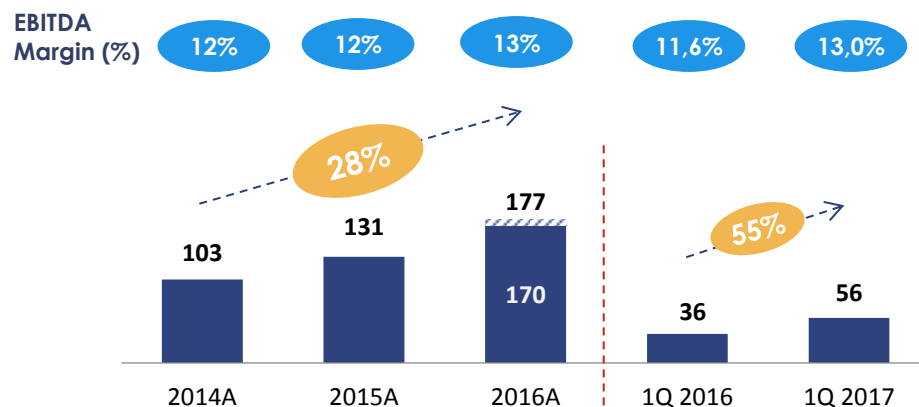
## Revenue Evolution (TRYm)



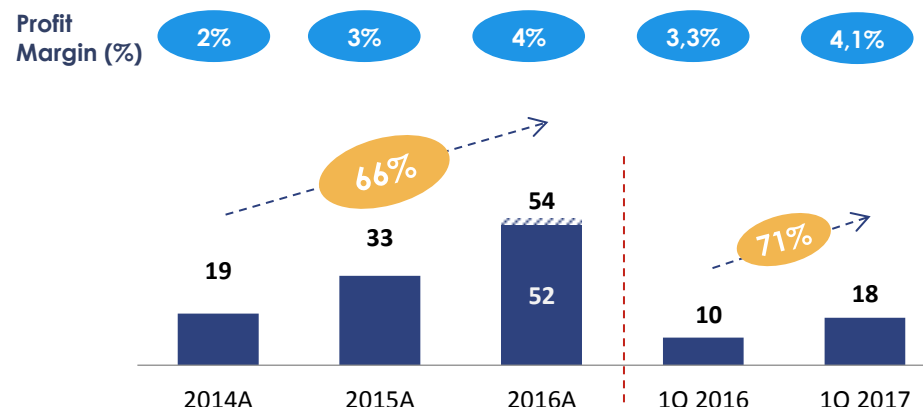
## Gross Profit Evolution (TRYm)



## EBITDA Evolution (TRYm)



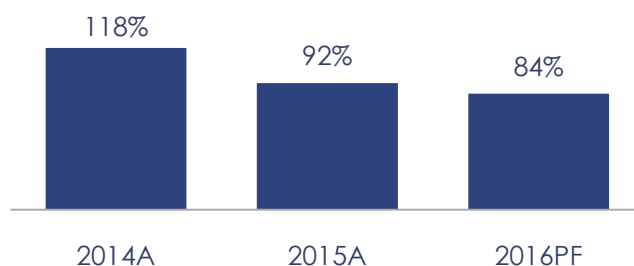
## Net Profit<sup>1</sup> (TRYm)



Note: .<sup>1</sup> Mavi pro-forma financials including the estimated effects of US and Canada businesses acquisition as if had occurred on 1-Feb-2016. Growth statistics based on growth for Q1 2017 vs. Q1 2016 includes the acquisition effect of Mavi US and Canada businesses. On a pro-forma basis, consolidated revenues, gross profit, EBITDA and net income increased by 27% , 27%, 39% and 45% respectively.

# Strong Cash Conversion

## Cash Conversion<sup>1</sup>



TRYm	2014A	2015A	2016PF <sup>5</sup>
EBITDA	103.2	131.0	176.9
ΔWC	18.2	(10.4)	(27.5)
Operating Cash Flow <sup>2</sup>	121.4	120.6	149.4

## Main Working Capital Items

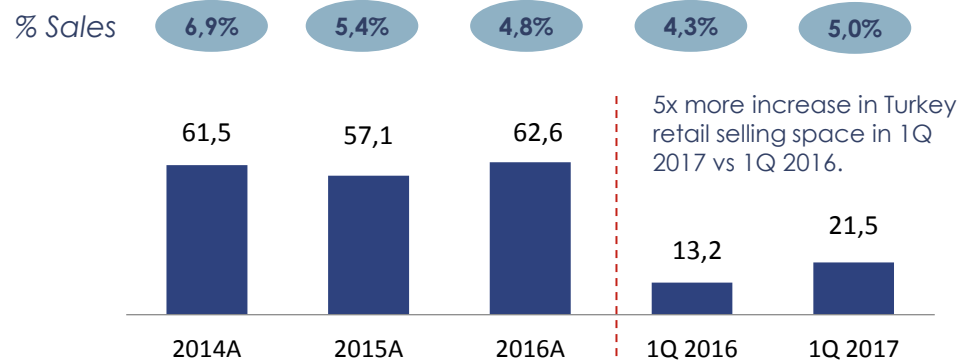
TRYm	2014A	2015A	2016PF
Trade & Other Receivables <sup>3</sup>	93.8	89.1	132.9
% Sales	10.5%	8.5%	9.7%
Inventories	154.7	177.3	287.8
% COGS	33.6%	33.6%	42.9%
Upcoming season	126.1	138.3	203.8
US / Canada Effect	0.0	0.0	35.0
Previous seasons	28.7	39.0	49.0
% COGS	6.2%	7.4%	7.3%
Trade & Other Payables <sup>4</sup>	204.4	217.1	309.9
% COGS	44.4%	41.1%	46.2%

Note: Mavi pro-forma financials including the estimated effects of US and Canada businesses acquisition as if had occurred on 1 February 2016. <sup>1</sup> Defined as Operating Cash Flow / EBITDA. <sup>2</sup> Operating Cash Flow calculated as EBITDA – Change in Working Capital. Working Capital as per the cash flow statement and including main working capital items as well as Deferred revenues and Employee benefits paid among others. <sup>3</sup> Trade & Other Receivables includes Current Trade Receivables, Current Other Receivables and Non-Current Other Receivables. <sup>4</sup> Trade & Other Payables includes Current Trade Payables, and Current Payables to Third Parties. <sup>5</sup> Change in Working Capital non-pro-forma as reported for 2016A.



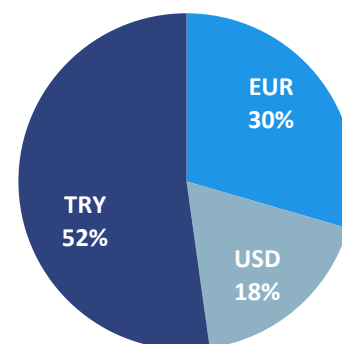
# Asset Light Business Model with Low Leverage Ratios

## CAPEX



## Capital Structure (as at 30-April-2017)

### Debt Breakdown by Currency and Cost



### Cost of Debt<sup>1</sup>

TRY	11,42% - 15,94%
USD	3,20% - 4,99%
EUR	0,75% - 2,99%
<b>Blended</b>	<b>8,5%</b>

TRYm	2014A	2015A	2016A
Total Turkey	55.7	52.4	60.3
Initial Store Capex	34.6	31.9	40.6
Renovation Capex	10.2	7.0	9.4
Headquarter	10.9	13.4	10.2
International	5.8	4.8	2.3
<b>Total</b>	<b>61.5</b>	<b>57.1</b>	<b>62.6</b>
% Sales	6.9%	5.4%	4.8%

## As of 30.04.2017

Total Debt : 354.9m TRY

Net Debt : 198.6m TRY

Net Debt / EBITDA : 1.0 x

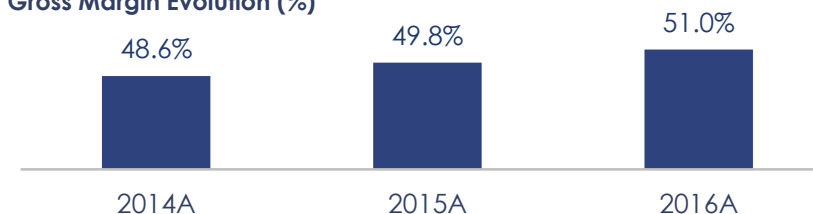
<sup>1</sup> Average cost of debt calculated using the lower and higher point of nominal interest rates weighted by the respective loans. <sup>2</sup> Includes debt related to US and Canada acquisition and includes loans and borrowings less cash and cash equivalents on the balance sheet of US and Canada.

# Resilient to FX Movements

## COGS

- Mavi sources approximately 80% of COGS from Turkey in TRY
- Negotiating with suppliers / customers for adverse FX movement

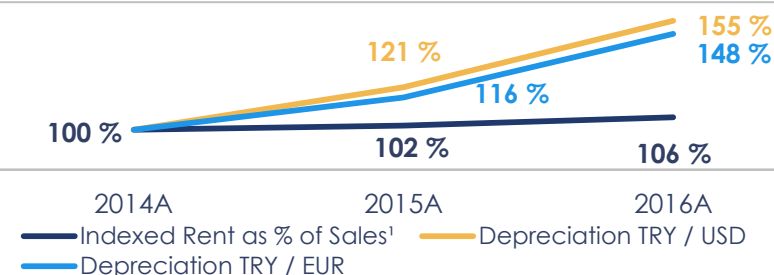
### Gross Margin Evolution (%)



## Store Rents in Turkey

- Mavi has a portion of its rents in Turkey denominated in hard currency
- Mavi has historically been able to maintain the rent / sales ratio<sup>1</sup> in spite of depreciation of the Turkish Lira as a result of strong LFL, capped rent / sales ratio contracts, better terms of rent agreements for new openings and, at times, following renegotiations of existing contracts

Data Rebased to 100



## Debts

- Mavi has a low leverage at 1.0x ND/2016PF EBITDA, with c. 50% of debt denominated in hard currency and c.50% is related to the acquisition of the US and Canada businesses
- Mavi's debt in hard currency has more favorable terms vs. local debt (notably lower interest rate), which historically more than compensated any negative FX movements

1.0x

Net Debt / 2016PF EBITDA

## International Operations

- Mavi is naturally hedged from the structure of its international operations
  - 82% / 18% domestic vs. international PF revenue split and 80% locally sourced cost base provide operational hedging
  - Costs of headquarters are locally based and denominated in local currency

c.18%  
2016PF Revenue  
from International

c.20%  
Of Sourcing Outside  
of Turkey

Source: Company information, Mavi Audited Financial Statements (except pro-forma financials which are based on Company Information)

Note: Mavi pro-forma financials including the estimated effects of US and Canada businesses acquisition as if had occurred on 1 February 2016, i.e. including Mavi Giyim Sanayi ve Ticaret A.S. consolidated actuals as of 31 January 2017 and 7 months period-end actuals of US and Canada before acquisition date (August 2016) and other pro-forma adjustments impacts such as eliminations, depreciation and amortizations and income taxes. Net debt defined as the sum of short-term and long-term loans and borrowings less cash and cash equivalents.

<sup>1</sup> Calculated as ratio of Turkey Retail Rent Expenses divided by Turkey Retail Revenue.

# Highly Experienced Management Team and Directors to Drive Mavi's Successful Strategy



**Ersin Akarlılar**  
Chairman

- With Mavi since 1991
- Primarily responsible for Mavi's international strategy
- Chairman of Mavi US



**Ahmet Ashaboglu**  
Independent Non-Executive Director

- CFO of Koc Holding since 2006
- Previously worked at McKinsey & Co and UBS Warburg



**Nevzat Aydın**  
Independent Non-Executive Director

- Founder and CEO of Yemeksepeti, a pioneering online food delivery business in Turkey
- Seasoned e-commerce investor



**Seymur Tari**  
Non-Executive Director

- Founder and CEO of Turkish Private Equity
- Previously worked at McKinsey & Co and Caterpillar Inc.



**Adriano Goldschmied**  
Member of the Int. Operations Advisory Board

- Italian fashion designer known in the industry as the "Godfather of Denim"

■ Built brands like  
**DIESEL** **REPLAY** **Gap1969**  
Premium Jeans



**Fabian Månsson**  
Member of the Int. Operations Advisory Board

- Senior Advisor to McKinsey & Co, Karen Millen, Hugo Boss and Nordic Capital
- Previously CEO of Eddie Bauer and H&M



**Elif Akarlılar**  
Executive Director

- Mavi's Global Brand Director and Board member since 2008
- Previously held various Product Development and Brand Management positions within Mavi



**Cüneyt Yavuz**  
CEO

- Mavi's Chief Executive Officer since 2008
- Previously worked at Procter & Gamble





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THANK YOU

Contact : [investorrelations@mavi.com](mailto:investorrelations@mavi.com)