



MAVI BLACK PRO

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Q1 2020  
RESULTS PRESENTATION  
June 9, 2020

**mavi**

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# Covid-19 : Social Response

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Our first and foremost priority is the health and well-being of our employees, customers and all business partners. With this view at the center of our actions, we have ;

- adopted all measures recommended by the local and global health authorities in all of our markets
- closed all retail and franchise stores temporarily
- applied full-time work from home schedule in the head offices
- ensured job security for all employees on payroll
- maintained open communication with all stakeholders

# Covid-19 : Current Business Status

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## **Turkey**

- All retail and franchise stores closed on March 19, 2020
- Gradual re-opening started on May 12, 2020 and all stores opened on June 1, 2020
- Online operations in Turkey were suspended on March 30 for increased health precaution purposes and resumed operations on April 17

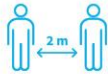
## **International**

- All retail and franchise stores closed on March 19, 2020
- Stores in Germany and Canada re-opened in May
- Stores in Russia started opening on June 1 with 4 stores in Moscow. All stores are planned to be opened as of June 15, 2020
- Mavi.com, marketplace and wholesale e-com channels remained open



# Covid-19 : Health Measures in Headquarters, Retail Stores and Warehouses

We use advanced technological solutions, observe social distancing and sanitize our stores and offices to ensure the safest shopping and working environment.



We ensure that a social distance of 2 meters is maintained in all areas of our stores and offices.

We work in shifts in the offices. Layouts of the common areas and cafeterias have been redesigned according to social distancing rules.

We measure the temperature of all employees and visitors entering the stores.

All employees wear face masks.



We regularly disinfect our stores and offices with antiviral, antibacterial and environment-friendly Antimicrobial Nanotechnology.

We apply the antimicrobial technology to the HVAC systems to provide a hygienic environment.

We also apply the antimicrobial technology to the floor mats to mitigate the spread of the virus by foot traffic.

Entry is limited to a smaller number of customers based on store size.

Store employees wear face masks, gloves and face shields.



We have placed hand sanitizers in every store to ensure personal safety.



We ensure safety in the cash register area with glass shields and contactless payment.



We disinfect the POS terminals after each use.

We disinfect the fitting rooms after each use and place 'Disinfected for you' hangers once clean.

We place items that customers have tried on in the 'Product Holding Cabinet' and disinfect them with steam cleaners.

Fitting rooms are limited to 50% capacity.



# Covid-19 : Business Continuity Response

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## Product / Inventory Management

- Adjustments to product purchasing plans in full collaboration with suppliers
- Jeans business: ~50% of product line, dynamic and seasonless
- 70% of inventory less seasonal and convertible
- Detailed category planning for re-opening targeting efficient sell-through and defending gross margins

## Opex Management

- Employees: all employees continued to receive full wage . Use of state support in all markets where available
- Rents: negotiated with landlords for zero payment during closed period and negotiated new reduced rates as openings begin
- All other non-compulsory opex cut

## Liquidity / Cash Management

- Investments deferred and scaled back
- Payments deferred in agreement with business partners
- Expanded credit facilities to secure liquidity
- Dividends cancelled

# Q1 2020 Highlights

- Consolidated revenue decreased 40% to 387 TRYm due to Covid-19 related store closures
- EBITDA for the period is 20 TRYm resulting in 5.2% EBITDA margin
- Net income resulted (52) TRYm
- Store roll-out plan is temporarily paused due to Covid-19 conditions. Total number of monobrand stores<sup>2</sup> stands at 432
- Turkey online sales increased by 49% for the period it was open

## GROUP HIGHLIGHTS<sup>1</sup>

387 TRYm Revenue	20 TRYm EBITDA
5.2% EBITDA Margin	(52) TRYm Net Income
432 <sup>2</sup> Monobrand Stores	0.7x Net Debt / LTM EBITDA

<sup>1</sup> Including IFRS 16 impacts as reported.

<sup>2</sup> Includes global franchise and owned stores

## TURKEY HIGHLIGHTS

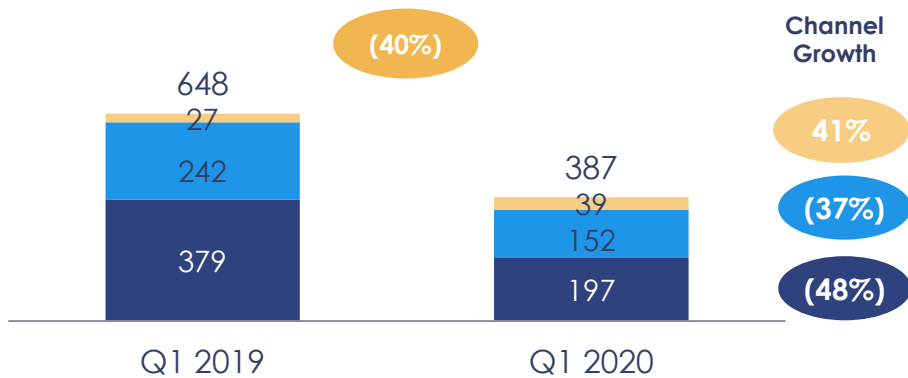
(48%) Retail Sales Decline	49% Online Sales Growth
c.52% Lifestyle	c.48% Denim All
37% 63%	5.6 mn Active Loyalty Card Members <sup>3</sup>

<sup>3</sup>Active means that the member has made a purchase of Mavi product in the last two years. Total number of Kartuş card holders is 8.2 mn

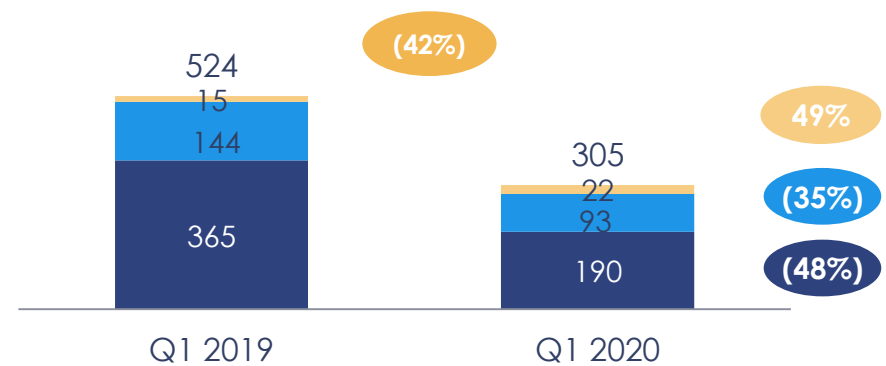
\*Category and gender mix for Turkey Retail only.

# Revenue Evolution in Sales Channels

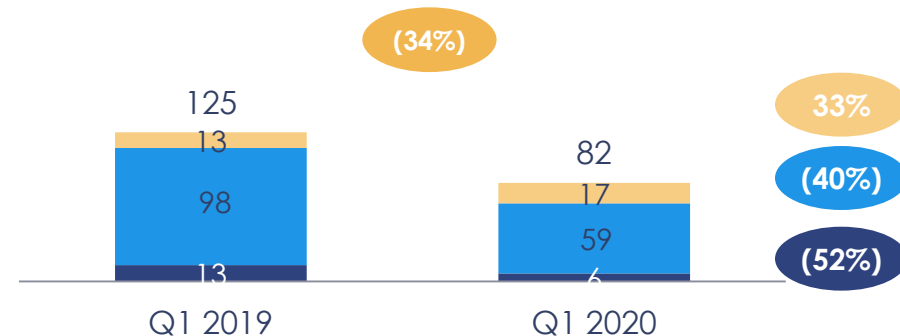
Global Revenue (TRYm)



Turkey Revenue (TRYm)



International Revenue (TRYm)

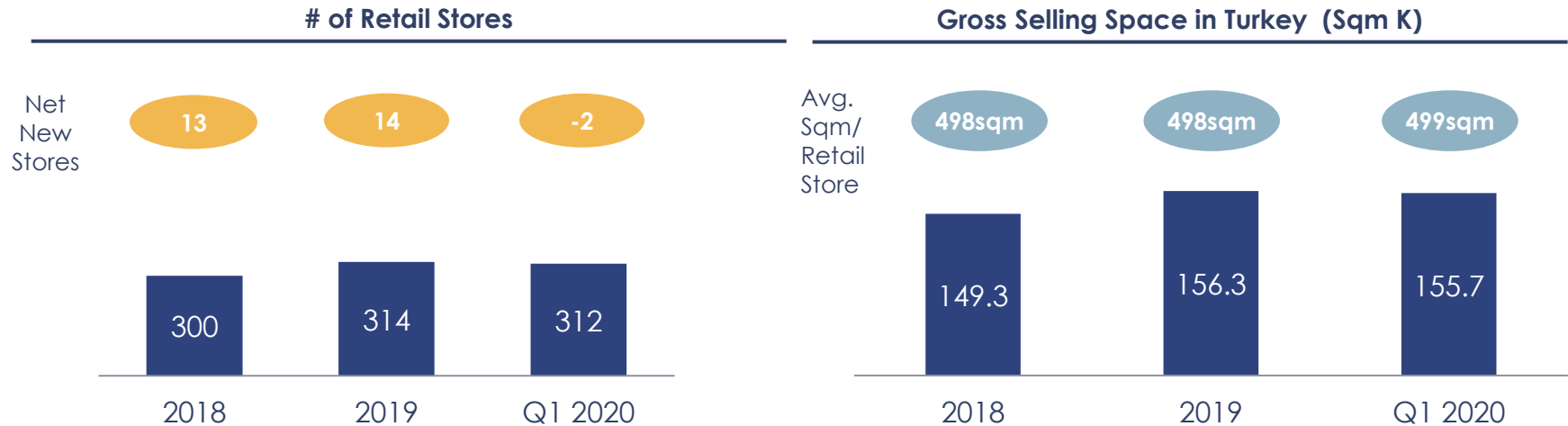


■ Retail ■ Wholesale ■ E-com

- Following store closures , total revenue consists of 51% retail, 39% wholesale and 10% e-com in Q1 2020
- 79% of consolidated revenue is from Turkey



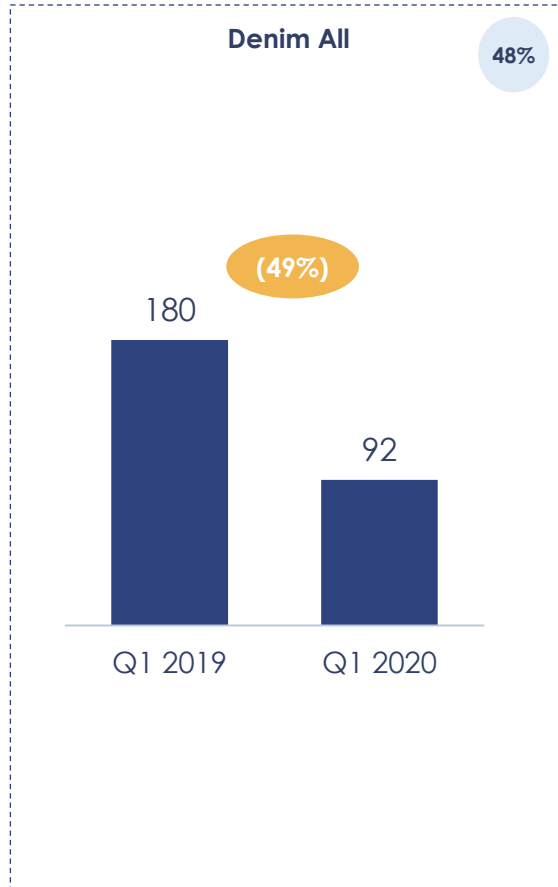
# Turkey Retail Operations



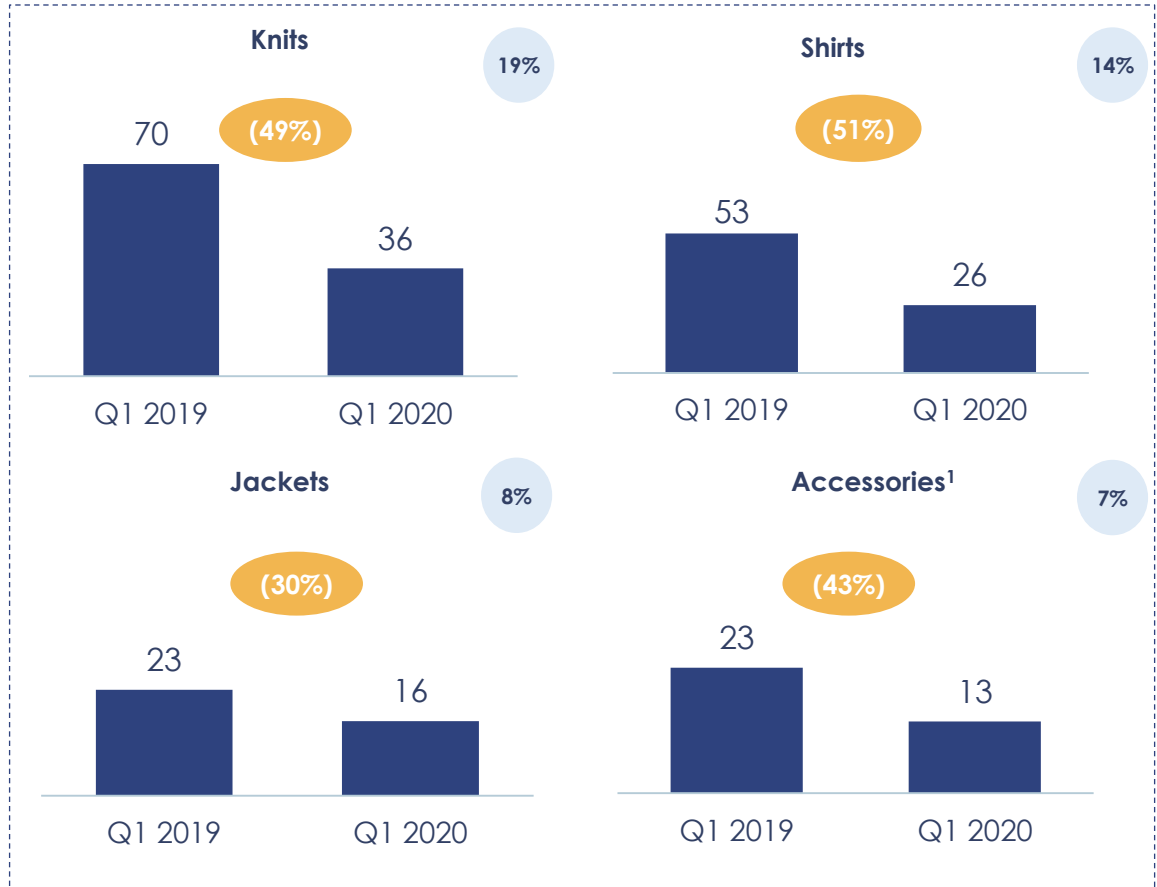
- With one opening and three closures, number of retail stores stands at 312 as of end-April 2020
- No stores expansions
- Total selling space stands at 155.7K sqm with average 499 sqm per store

# Sales in Denim & Lifestyle Categories

Denim Products (TRYm)



Lifestyle Products (TRYm)



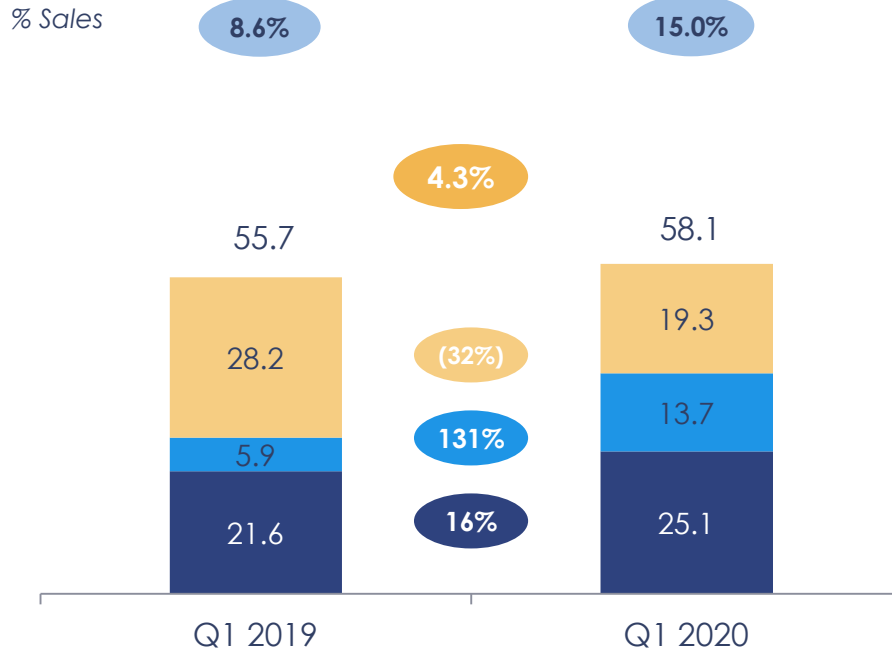
% Share in Q1 2020 Turkey retail net sales

Total Decrease in Lifestyle Category : (47%)

Note: Turkey Retail Net Sales Only. Remaining 4% of net sales consist of non-denim bottoms, skirts, dresses and kids. <sup>1</sup>Including shoes

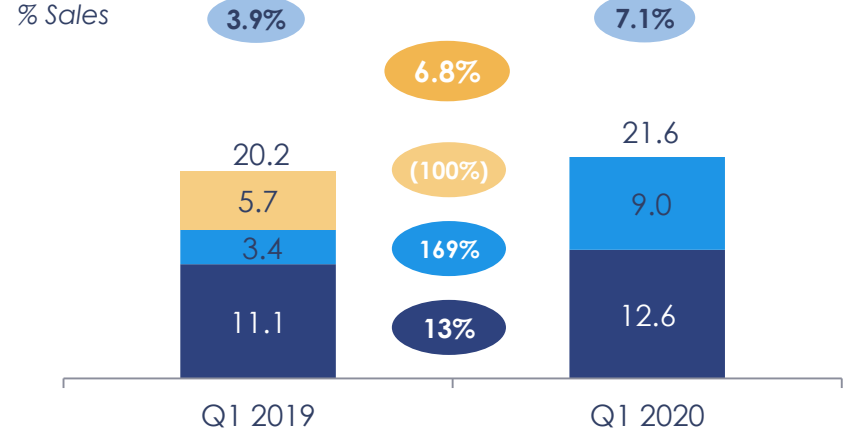
# Online Sales Growth

## Global Online Sales (TRYm)

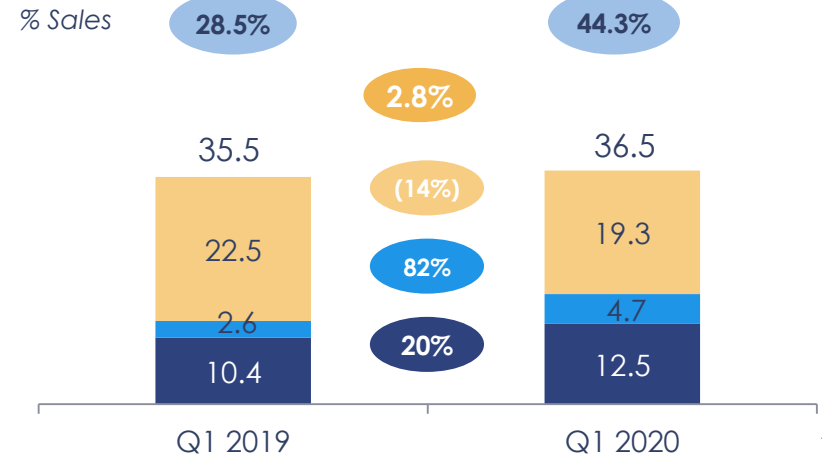


■ mavi.com   ■ Marketplace   ■ Wholesale E-com

## Turkey Online Sales (TRYm)

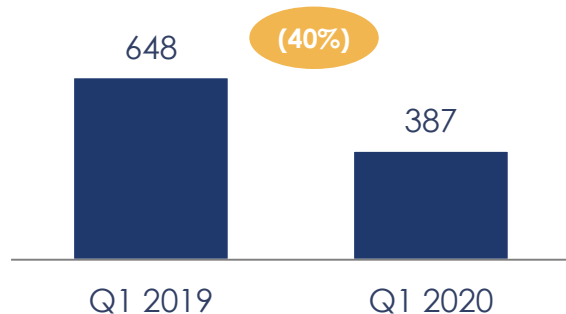


## International Online Sales (TRYm)



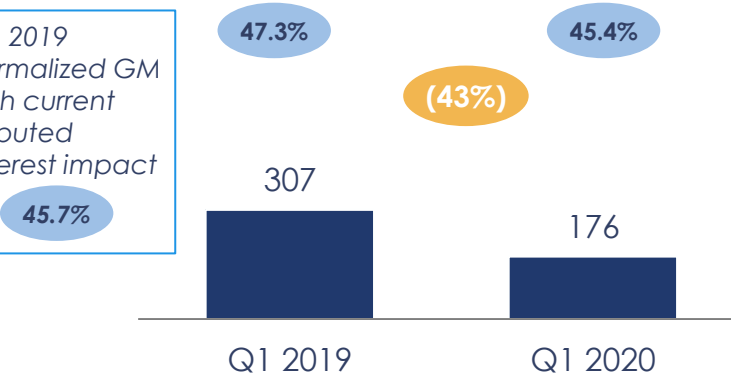
# Consolidated Financial Metrics

Revenue (TRYm)

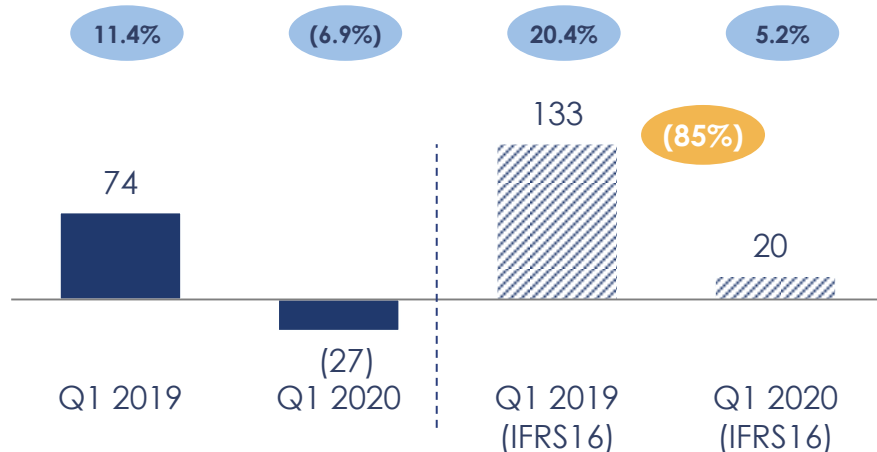


Gross Profit (TRYm)

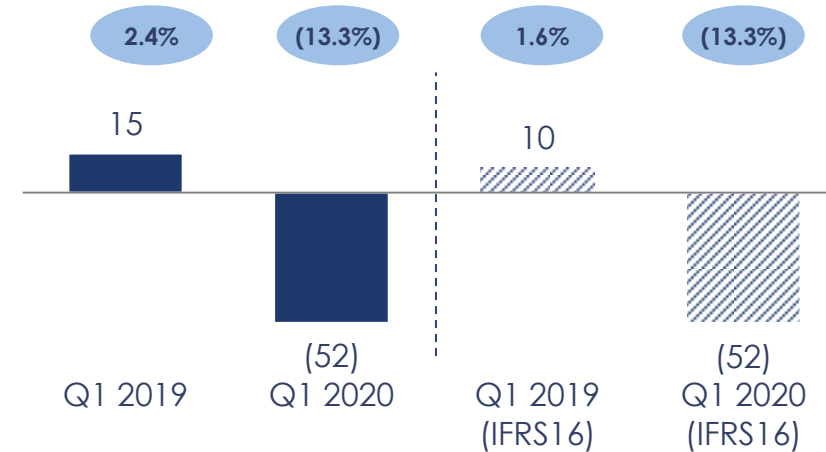
Q1 2019  
normalized GM  
with current  
imputed  
interest impact  
is



EBITDA (TRYm)



Net Income (TRYm)



# Operational Cash Flow and Working Capital Management

## Operational Cash Flow (Exc. IFRS16)

TRYm	Q1 2019	Q1 2020
EBITDA	74.0	(26.6)
Δ in NWC <sup>1</sup>	(66.9)	(132.8)
Operating Cash Flow	7.1	(159.3)

<sup>1</sup> Working Capital as per the cash flow statement, include main working capital items as well as deferred revenues and employee benefits paid among others

- 159.3 TRYm of operational cash outflow in Q1 2020
- Inventory consists of seasonal spring-summer products, sellable through end of September with denim being seasonless
- Working capital ratios may continue to be under pressure for the rest of the year

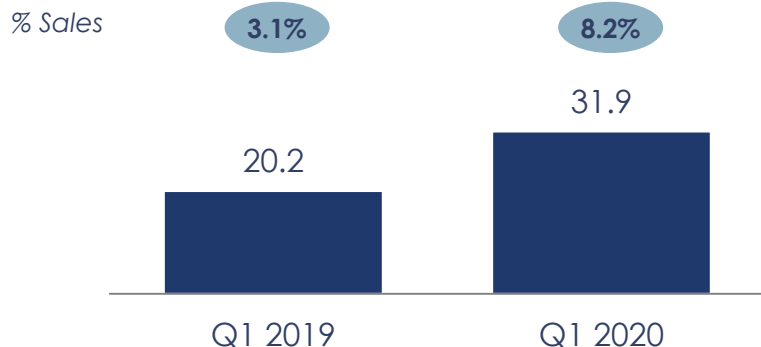
## Main Working Capital Items

TRYm	2019	Q1 2019	Q1 2020
Trade & Other Receivables	251.6	241.9	237.0
% Sales	8.8%	9.8%	9.1%
Inventories	496.1	508.0	611.3
% COGS	34.0%	41.7%	46.0%
Trade & Other Payables	604.1	604.7	620.1
% COGS	41.4%	49.7%	46.7%
Main NWC	143.5	145.2	228.2
% Sales	5.0%	5.9%	8.8%



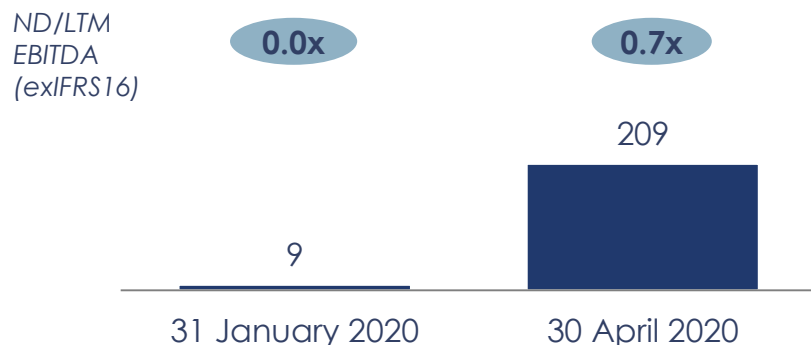
# Capex and Leverage Ratios

## CAPEX (TRYm)

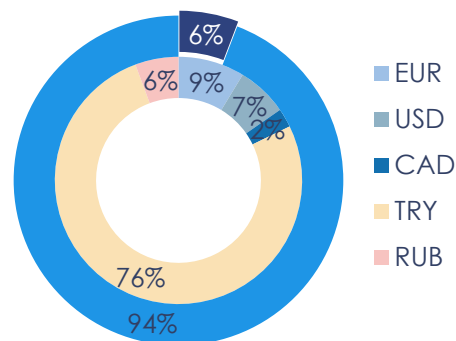


- Capex in Q1 2020 includes investments undertaken for store openings that were planned for Q1 but are deferred to Q2 due to Covid-19 conditions

## Net Debt ex IFRS16 (TRYm)



## Debt Breakdown (30 April 2020)



- Local Currency
- Foreign Currency

## Average Cost of Debt

TRY	13.0%
EUR	1.5%
USD	3.5%
RUB	13.0%
CAD	3.0%
Blended	11.1%

- 18% of total consolidated debt is carried by Mavi US, Mavi EU, Mavi CA and Mavi RU - all denominated in their local currencies. Only 6% of total debt is in foreign currency
- Keeping no short FX positions is management priority

# Business Update as of June 7, 2020 – No New Guidance

All operations are running as of June 1, 2020 with service hour / capacity limitations

## **Turkey Retail Update :**

- Selected stores operated for only 9 days in May
- In the first week of June, while traffic was down around 60%, conversion and UPT were up 50% and 30% respectively, resulting in same stores sales performance of (20%)
- Core products categories (denim & t-shirts) performing strong

## **Turkey Online Update :**

Performance of Turkey Online from May 1 to June 7, 2020

- Mavi.com orders up 3.5x
- Marketplace orders up 10.5x
- Total online orders up 5.5x

# Financial Update as of June 7, 2020 – No New Guidance

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## **Product Management**

- Category planning to achieve effective sell-through and to defend gross margins
- In season orders are managed more dynamically with shorter lead times and open-to-buy planning

## **Opex Management**

- Continued focus on cost saving
- Wage subsidies ended along with stores openings
- Ongoing negotiations targeting to preserve rent ratios

## **Investments**

- 6 new store openings and 3 expansions are scheduled for Q2 2020. (Most of their investments have been completed in Q1)
- ERP (SAP) transformation continues
- For improved health measures, additional opex of 7 mn TL and additional capex of 5 mn TL



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

# Financial Statements

## *Income Statement (2019 figures inc. IFRS 16)*

TRYm	Q1 2019	Q1 2020	Change (%)
Revenue	648.4	387.1	(40%)
Cost of Sales	(341.4)	(211.4)	(38%)
Gross Profit	307.0	175.8	(43%)
Gross Margin	47.3%	45.4%	
Administrative Expenses	(36.7)	(39.2)	7%
Selling and Marketing Expenses	(197.8)	(181.3)	(8%)
R&D Expenses	(5.2)	(7.9)	53%
Other Income / (Expenses), net	4.5	4.0	(11%)
Operating Profit	71.8	(48.6)	n.m.
Profit/(Loss) from Investment Activities	(0.2)	(0.4)	89%
Operating Profit before Financial Income	71.6	(49.0)	n.m.
Operating Margin	11.0%	(12.6%)	
Financial Expenses, Net	(59.4)	(18.2)	(69%)
Profit Before Tax	12.2	(67.1)	n.m.
Income Tax Expense	(2.1)	15.5	n.m.
Profit	10.1	(51.6)	n.m.
Profit Margin	1.6%	(13.3%)	
EBITDA	132.6	20.1	(85%)
EBITDA Margin	20.4%	5.2%	



# Financial Statements

## *Balance Sheet*

TRYm	31 January 2020	30 April 2020	Change (%)
Cash and Cash Equivalents	310.8	756.4	143%
Trade Receivables	231.1	223.2	(3%)
Inventories	496.1	611.3	23%
Other Current Assets	80.7	121.9	51%
<b>Total Current Assets</b>	<b>1,118.7</b>	<b>1,712.8</b>	<b>53%</b>
Property and Equipment	180.7	192.1	6%
Right of Use Assets	406.7	431.8	6%
Intangible Assets	222.4	254.4	14%
Other Non-Current Assets	8.9	22.0	147%
<b>Total Non-Current Assets</b>	<b>818.8</b>	<b>900.3</b>	<b>10%</b>
<b>Total Assets</b>	<b>1,937.4</b>	<b>2,613.1</b>	<b>35%</b>
Short-Term Financial Liabilities	235.7	684.0	190%
Short-Term Contractual Lease Liabilities	198.0	202.4	2%
Trade Payables	597.3	613.2	3%
Other Current Liabilities	92.1	72.9	(21%)
<b>Total Current Liabilities</b>	<b>1,123.0</b>	<b>1,572.6</b>	<b>40%</b>
Long-Term Financial Liabilities	84.1	281.4	235%
Long-Term Contractual Lease Liabilities	240.8	262.1	9%
Other non-current Liabilities	11.9	22.6	91%
<b>Total Non-Current Liabilities</b>	<b>336.7</b>	<b>566.2</b>	<b>68%</b>
<b>Total Liabilities</b>	<b>1,459.8</b>	<b>2,138.8</b>	<b>47%</b>
<b>Total Equity</b>	<b>477.7</b>	<b>474.3</b>	<b>(1%)</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,937.4</b>	<b>2,613.1</b>	<b>35%</b>

# Financial Statements

## Cash Flow Statement

TRYm	Q1 2019	Q1 2020
Profit <sup>1</sup>	10.1	(51.6)
Adjustments	139.2	98.9
<b>Cash Flow from Operating Activities</b>	<b>149.3</b>	<b>47.2</b>
Δ in Net Working Capital <sup>2</sup>	(66.9)	(132.8)
Income Tax Paid	(0.4)	(6.6)
<b>Net Cash from Operating Activities</b>	<b>82.0</b>	<b>(92.1)</b>
Capex	(20.2)	(31.9)
Other Investing Cash Flow <sup>3</sup>	0.8	5.8
<b>Net Cash Flow Used in Investing Activities</b>	<b>(19.4)</b>	<b>(26.1)</b>
Debt Issued / (Repaid)	122.0	635.6
Payment of Contractual Lease Liabilities	(58.6)	(46.4)
Other Financial Payments <sup>4</sup>	(21.5)	(11.1)
Interest Paid	(22.1)	(14.3)
<b>Net Cash Flows Used in Financing Activities</b>	<b>19.9</b>	<b>563.7</b>
<b>Net Cash Flow</b>	<b>82.5</b>	<b>445.5</b>
Cash and Cash Equivalents at the Beginning of the Period <sup>5</sup>	262.0	310.8
Cash and Cash Equivalents at the End of the Period <sup>5</sup>	344.5	756.4

<sup>1</sup>Pre non-controlling interest. <sup>2</sup>Working Capital includes main working capital items and employee benefits paid as well as deferred revenues. <sup>3</sup>Other Investing Cash Flow includes proceeds from sale of tangible assets and interest received. <sup>4</sup>Other Financial Payments include proceeds from derivatives, imputed interest and financial commissions. <sup>5</sup>Cash and Cash Equivalents in the Cash Flow Statement includes Bank Overdraft as negative cash. Excluding Bank Overdraft, net cash at the end of the period is equal to Cash and Cash Equivalents on the Balance Sheet for the same fiscal year.

# Global Footprint as at 30 April 2020

