mavi

Transcription for Q1 2021 Financial Results Webcast

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Presentation

Duygu Inceoz, IR Director
Ladies and gentlemen, welcome to Mavi first quarter 2021 financial results webcast. Our CEO Cuneyt Yavuz will be presenting the results followed by the Q&A session. We kindly ask you to keep your microphones muted throughout the presentation. Now I'll leave the floor to Cuneyt Yavuz.

Cuneyt Yavuz, Chief Executive Officer
Thank you, Duygu. Hello everyone. Welcome to our earnings call for the financial results of first quarter of 2021, ending April 30, 2021. Before I go into the results for the quarter, I would like to make a short business overview on the key developments and the trading environment of the quarter.

Throughout the first quarter COVID-19 related restrictions continued across the countries we operate in. Turkey operations experienced weekend and weekday evening lockdowns for most of the quarter, resulting in 38% decline in total trading hours. Recall that in the same quarter of 2020 almost all brick and mortar operations had been suspended in the second half of the quarter, and this implied 47% decline in trading hours.

In our international markets most of the COVID-19 related restrictions have been gradually lifted throughout the quarter. In Q1 2021 sales in Europe and US reached pre-COVID 2019 levels where sales in Canada and Russia exceeded 2019 levels in local currency terms. Online sales remain strong, globally. We're happy to report the Turkey online experienced robust growth, even in the month of April coming on top of a high base.

Excelling at dynamic supply chain management, product planning and inventory management, remain our key strengths for continued success. Our OpEx is well managed through continuous rent negotiations and capitalizing on available government employee support programs. As always, we continue to invest in our brand and our customer, focusing on product newness and quality.

Moving on to slide three with our key highlights for the quarter. As noted earlier, the first quarter of last year, 2020 had been significantly under the influence of COVID-19 with full suspension of sales operations globally. For this reason, throughout the presentation, we wanted to include performance comparisons against pre-COVID 2019 figures.

Our consolidated sales in Q1 2021 realized that 759 million liras growing 96% versus Q1 2020, and 17% versus Q1 2019. Turkey retail sales have grown 92% and Turkey online have grown 258% year-on-year. Nominal EBITDA for the period is 142 million Turkish Liras, resulting in a 18.7% EBITDA margin. Our net income resulted in 36 million liras. The total number of mono brands stores globally, including franchises, stand at 441.

Let's move to slide four, to review our channel performance. Our total revenue of 759 million liras in Q1 2020 is 96% higher than same quarter 2020, and 17% higher than the same quarter 2019. Despite the ongoing global impact of COVID-19 on the operational environment, retail channel has reached, and wholesale channel has exceeded pre-COVID 2019 revenue levels. Our eCommerce channels continue to perform very strong throughout the quarter, and delivered 185% global sales growth in Q1 2020.

In most of the quarter, Turkey experienced weekend lock downs and short weekdays resulting in 38% decline in total trading hours. On the other hand, we're witnessing consumers' shopping behavior, adapting to the new conditions, making our weekdays busier. We're enjoying the preference to casual wear, while making sure Mavi is the brand of choice.

As a result, our sales in Turkey grew 88% compared to last year, and 9% compared to 2019. Our eCommerce business in Turkey continued to perform very strong with an exciting 258% growth in Q1 2021. International operations being more digital, performed even better than Turkey in Q1, 2021, growing 126% compared to 2020, and 49% compared to 2019 in Turkish Lira terms. In constant currency, total international sales grew 79% year-on-year. Sales in Europe and U.S. reached, and sales in Canada and Russia exceeded pre-COVID 2019 levels in local currency terms.

Total international eCommerce revenue grew 93% versus last year. Including the impact of retail trading hour restrictions, total revenue as of Q1 2021, consists of 50% retail, 35% wholesale and 15% eCommerce. 75% of consolidated revenue is from Turkey.

On slide five, lets start to focus on Turkey retail business. We opened three new stores and closed one store in Q1, 2021 in Turkey. As of April, we have 322 owner-operated stores, totaling 160,000 square meters of selling space in Turkey, with an average store size of 496 square meters.

Slide six demonstrates a comprehensive view of the COVID-19 impact on Turkey retail business. The bar chart shows the monthly and the table shows the quarterly sales performance of Turkey retail, all compared to 2019. As you can see from the top row of the table, we have been continuously operating with a lag in trading hours since Q1 2020. Notice that, even when the stores were open, the traffic in our stores was also lower than pre COVID 2019 levels.

Thankfully, as a showcase of our strong brand equity, our customers dedication to Mavi and the resilience of our business in Turkey, the corresponding revenue decline in each quarter was much more limited. In Q1 2021 target retail sales already reached pre-COVID 2019 levels, despite the 38% decline in total trading hours.

On slide seven, let's elaborate on the same stores performance in Q1 2021. As you know, we define a store to be in the like-for-like set, if it has been open and operational without any disruptions in the last 12 months. Since the beginning of 2020, given all the COVID-related disruptions, by definition, there is no meaningful like-for-like store set. We still want to provide you with a meaningful metric for the retail store performance in Turkey, by considering only the trading days of the period.

In Q1 2021, since there is no meaningful base in 2020, we're analyzing our performance against 2019. Comparing only the open days, same store sales have grown 41.4% versus same days of 2019. Overall traffic was down 11%, but this was largely compensated by high conversion rates, resulting in 11.7% increase in the number of transactions. The average basket size in the given period grew 26.6%.

Moving on to slide eight to review category based developments in Turkey retail. We're happy to report that we have almost returned to our pre-COVID 2019 sales levels in all product categories as of Q1 2021. Our denim category, which constitutes 47% of total retail sales in Turkey, grew 87% in Q1, 2020. Along with knits and non-denim bottoms, Denim has been among the winning categories of Q1 2021. Needless to say, our passion for creating the best jeans in terms of quality, fashion, and innovation is as high as ever.

Being the most preferred brand in casual wear further increase the consumer's interest in Mavi, at a time when shopping behaviors change toward more casual styles. We enriched our product range to respond to this demand, expanding our T-shirts and sweatshirt offerings, which continue to result in stronger sales performance in knits category.

In Q1 2021 our knits business grew 142% year-on-year, and is now 24% of our retail sales in Turkey. Capitalizing on the same trend, we now have another significant category. Non-denim bottom sales have grown 300% in the last year, and now makes 5% of our total Turkey retail revenue. We believe that this trend is here to stay, and we will continue to invest and win in these categories. Our shirts category grew 58%, accessories grew 68%, and jackets, seasonally being a cold winter product, grew 27% in Q1 2021.

On slide nine, let's review our online sales performance. In addition to our direct to consumer sales made up of mavi.com and marketplace sales that are reported on the eCommerce channel, our customers can also buy Mavi products through third-party digital platforms, to which we wholesale. Including the wholesale eComm, our total online sales grew 143% globally, and reached 141 million Turkish liras, constituting 18.6% of total revenue in Q1 2021.

Online sales in Turkey, once again grew disproportionately high compared to the rest of the world with 258%, compared to Q1 2020. Our sales through marketplace operators have grown by 367% in Q1 2021, coupled with a very strong 179% growth in sales through mavi.com. Online sales as of Q1 2021 constitute 13.5% of sales in Turkey. International online business is also on a growth trajectory, especially driven by mavi.com, which grew 96%, and marketplaces, which grew 86% in Q1 2021.

As of Q1, 2021, 34.3% of total international sales were through online channels. We're very happy to see the positive results of our continuous investments in digital systems, logistic operations, and on our CRM platforms. Mavi is achieving its fair share in this changing and growing online environment. The ongoing shift towards eCommerce is only good news for Mavi, given that our online business is an increasingly positive margin contributor with a full price strategy across all categories.

Let's move on to review our margin performance on the next two slides. On slide 10, gross margin is one of the most important metrics we track, and it has been receiving an even higher attention from our management, due to COVID-19 related uncertainties. Our teams have been working rigorously to plan for the right product, right price, right calendar, and managing in-season inventory with a very flexible and dynamic manner, to ensure optimum sell through.

I am proud to report the results of this hard work, realizing at 49.4%, our gross margin in the first quarter of 2021, improved 220 basis points versus the same quarter 2020, and 270 basis points versus the same quarter 2019, normalized with current interest rates and one-off items.

Moving on to slide 11, as a direct result of improving revenue while keeping our costs under control, our EBITDA margin, improved significantly and surpassed pre-COVID 2019 levels, excluding the IFRS 16 impact. Including IFRS 16, total EBITDA for the quarter amounted to 142 million Turkish Liras with 18.7% EBTDA margin. As we continued to receive interest income on the elevated borrowing from last year, and the rent discounts being recorded as financial income within the context of IFRS 16, our net financial expenses have been limited. Consequently, we have recorded a net profit of 36 million Turkish liras, in Q1 2021, significantly higher than Q1 2019.

I would like to move on to slide 12, to take you through our working capital progress. The collaboration across category, product, sourcing, logistics and sales teams continue to achieve positive sell through rates, which yield healthy monthly levels that mainly consists of fresh new season lifestyle products and seasonless denim.

As of end of April 2021, the inventory level is 9% lower than the same period last year in pieces. Both inventory value and trade receivables, as a percentage of revenue, increased temporarily, and hence the working capital ratio due to a slower reflection of sales growth to last 12 months figures. Hence, our working capital as a percentage of revenue temporarily increases to 9.6% as of quarter end.

Operational cash outflow, which is also due to quarter one seasonality is limited to 24 million Turkish Liras in Q1 2021, compared to 159 million Turkish Liras last year.

Let's now move onto the next slide, slide 13. We have spent 33 million Turkish lira in capital expenditure in Q1 2021. Predominantly on Turkey retail stores and IT, resulting with CapEx to sales ratio of 4.3%. Our net debt level, which was 37 million Turkish Liras at the end of January 2021, temporarily increased to 100 million Turkish as at the end of April, again, due to seasonal factors. This implies a leverage multiple of 0.3 times of EBITDA.

Our blended cost of debt as of end April is 12.1%. 14% of our total consolidated debt belongs to our subsidiaries, all borrowing in their respective local currencies. As of the end of April, only 4% of debt is in foreign currency, and it's totally covered with foreign currency assets and receivables from subsidiaries. We still target zero open foreign exchange position on our balance sheet.

On slide 14, we would like to provide a short trading update on quarter two. We prefer not to provide any guidance for 2021 at this time, as the uncertainties around COVID-19 continue, and any development generally has significant impact on our financials. But we would like to provide some insight on the current trading and Q2 performance up to date.

In May, Turkey went through a full lock down until the 17th, where all our stores were fully closed, and the rest of the month continued with weekend and weekday evening lockdowns. Consequently, total Turkey retail sales were down 38% compared to 2019. However, same store sales on the open days of May were up 37% compared to 2019. To remind you, I'm sharing a comparison to 2019 because stores in Turkey were closed for most of May in 2020.

Gradual normalization started in June, with weekend curfews limited only to Sundays. In the first week of June, same store sales grew 87%, compared to 2020. Here, I start comparing with 2020, because all stores were fully open in June, last year. Our international operations are rapidly getting back on track with all the regions reaching pre-COVID sales levels in their local currencies. Online sales continue to perform well globally, and in Turkey online sales grew 74% year-on-year in May, on top of our already very high base. With this final note, I am happy to take your questions. So, the floor is over to you.

Duygu Inceoz, IR Director
Dear everyone, if you wish to ask a question, please click on the raise your hand button, which is the hand icon on your control panel. When I call your name, please open your microphone before you speak. If you prefer to type your questions, you may use a chat screen or email me directly. For those of you who have dialed in via audio, we will take your questions last, when there are no more questions left on the platform. Mehmet Gerz is our first question. Can you go ahead?

Mehmet Gerz
Hello, congratulations on good results, Cuneyt Yavuz. My question is about the pricing environment. Given the fact that Turkey is now back to a relatively high inflation environment, are you able to pass on cost increases comfortably to the clients, compared to last few years when inflation was more under control? Can you share some anecdotal evidence in terms of pricing, especially analyzing your gross profit margin as well? Thank you.

Cuneyt Yavuz, Chief Executive Officer
Thank you very much. You're right, on the one hand, commodity prices are increasing. You might be following that, oil prices are back to high levels, putting a lot of pressure on transportation logistic costs, but also cotton prices have gone up, which has impact on the absolute cost or cost of goods sold that we're dealing with. For us as Mavi, this is actually not new to this but we are not of course taking it lightly.

Turkey has been up and down in terms of currency softness and certain import-related cost increases as well as resource and raw material challenges. Generally speaking, historically, if you look at the last 10 years or so, we have been able to pass on half of the inflation rate through product mix and pricing, and the other half we've been typically able to find as efficiencies, operational efficiencies, digital transformation, margin product mix, et cetera.

Also historically, always fall-winter is more challenging than spring-summer, as fall winter is more dependent on imports, especially winter related heavier wear, which is typically not produced in Turkey. We're well aware of all of these facts, and typically, again, as a company, what you see right now for this first half of the year, things are very much under control and it has already been reflected into our quarter one results, and we believe this will continue into quarter two, meaning the spring summer season, generally speaking, we are relatively comfortable.

Now looking into the future, as you again will recall from many of our presentations, we do a good job of hedging our dollar terms of what we're potentially importing, to mitigate the fluctuations on the currency softness, and then internally work more focused diligently on product mix and pricing related opportunities that we can find.

It is still the same case this year-round. Most of what we're about to import had already been hedged. And the team here is internally working with given exchange rates and product mix, building our business plan. The fact that half of our business, again, to remind you is in blue jeans, which we produce almost 100% in Turkey and collaborate with fabric mills in terms of raw materials, within a Turkey context, and where also we have a competitive and market advantage in terms of innovation, new washes and consumer communication, we are well positioned to continue to maintain our pricing and margins.

We might, and we will potentially face some challenges in terms of imports that will come from Asia, especially with outerwear, more like in November, December, January, but we still have time. Meaning, in terms of our competition, which is like Zara, H&M, Gap, Mango, as well as locals, the playing ground is the same for LCWaikiki, Koton, DeFacto. So it's a similar playground.

I think, not to boast about Mavi, but generally speaking, we do a pretty good job in terms of treasury and working capital management. Therefore, we feel we're very much, or to the extent to one can be as much as possible, prepared for the challenge of cold winter. And we will have to, as you mentioned, in terms of pricing, continue to observe, first on one hand, we would manage our costs and get the products in, in the right way, with the right mix, but at the same time, we will have to monitor the market in terms of where we can be taking pricing and how our positions, our strategy in the markets is maintained.

Generally speaking, I'm happy to report that it has been distorted positively in favor of Mavi so far, meaning we typically have 100 Index versus international and import tops brands. And right now we're similar or lower price, which makes us even more attractive to the Turkish consumer. We do hope that we will maintain this position moving forward into fall winter. And as I mentioned, we are really happy to have denim as a core half of our business with market leadership position, we're in a well position.

Another thing, a final note, is that you being in Turkey are well aware that we typically use one celebrity per season, and then we up this to two celebrities a season using Kıvanç and Serenay. And this year, we have not even slowed down at all in terms of marketing and brand investment. And now we have Kıvanç, Seranay and Merih, which in the football season we're using him in terms of our other categories, bringing in younger and more casual wear products, which are predominantly made in Turkey and mix-driven and cotton-based products, which Turkey has a very competitive advantage. And with the new innovation, and newness, and freshness, and great design consumers are willing to pay and take that extra margin and pricing for the product mix we're able to offer.

In the interim on top of all of this, we've done a collaboration in terms of street wear with Les Benjamins, who's a Turkish designer in terms of street wear to attract even different customers that have not been to Mavi yet, or have not viewed Mavi in that perspective, more edgy, more value added products. And the products that we have brought in a month ago have literally sold out. We will continue to work on product mix, innovation, newness. And in this COVID environment where consumer is searching for something new, something different, and when spending the money that it's worth spending it behind, Mavi will continue to deliver and exceed the expectations of the customer.

Yes, there are challenges, but I think the team will as always work really hard to mitigate through product costs, better financing management, and some pricing depending on the competitive environment. Again, maybe you may recall from the 2017 fluctuation on the currency, 2018 in again, July oversight, I think it was summer time that we had always some fluctuation, we always have the long view, especially in a Turkey context, we will continue to pay with and stay close to the Turkish consumer. Because we're here to gain market share, build the wardrobe share and sell more volume. I'm also happy to report that as of today versus last year, our market share position, generally speaking, I don't have the final numbers, but I have the initial numbers, are much stronger than the previous year.
We are coming into, or we'll be entering the fall winter season, even as a stronger market share position, vis-a-vis the competition. That's my generic macro overview of what's to come. We believe in our brand. We believe in the consumer sentiment and anytime, and every time, we're opening the stores, the traffic, the response, both online and offline through the stores have been phenomenal. And we will continue to maintain, to keep the mind share, and a heart share, as well as the wallet share of the Turkish consumer. Thank you.

If you don't have anything else to add, we can move on with Jamal, if you want.

Cemal Demirtas
Thank you for the presentation. My first question is about online revenue side. You see a significant growth on that side. Congratulations for that. I would like to understand the trends for the feature. What are your expectations in terms of trends? Do you see any cannibalization effect on your store sales going forward, and how much further improvements we expect in the online side? Do you see more room for efficiencies? That's my first question.

The second question is about the government support side. How much support did you receive from the government and how much effect do you expect in the future? Do you expect any further continuation about that? And the third one is international side. We see also good growth on that side. Do you have any further ambitions? And with weak TL, does it have any positive effect on your position in terms of international revenues? These are my three questions.

And for last year, I really want to congratulate you on your just ethical standards about how you treat your employees and your customers. I think that was very eye-catching from my perspective, and I personally want to congratulate you about this perspective. You showed that you really care about your people in difficult times. And I think that's a good indication also for the investor side. That's just a comment I can share from last year, from the difficult times. Thank you.

Cuneyt Yavuz, Chief Executive Officer
Thank you, Cemal. Your appreciation is much appreciated on our side. I think Mavi is a great place to work, and all the success and all the financial results that I'm sharing is the result of the hard work of highly motivated and engaged employees we have. As you mentioned through the COVID period, one of our key priorities to make sure that the physical and mental health for all our employees was maintained and not only in Turkey, but also across the globe.

All our employees are similarly coming back and thanking us, whether it's in Germany, U.S., Canada, or Russia for our approach in terms of maintaining employment, paying salaries on time, giving people the leeway to work the way they want to work, and making sure that safety is number one priority while delivering good results. I believe based on that and building on that, one of the confidences I have as a leader we have as a management team is based on the people we have and the quality and engagement they have.

It is, after our brand, probably the single most important asset we have as a team. And we are a happy family, I must admit to that fact. Now, going back to your questions, quickly on three big questions. I'll try to be as to the point as possible. Online, I'm happy to report, you will recall that we, going into COVID had physically both on a website application and also on our customer service and warehousing and sourcing globally, had completed a lot of our investments just ahead of COVID. We were in that sense, either we can call it lucky, or you can call it smart. But I have been with my team traveling the world since 2018, especially preparing our warehouses, supply chains, eComm leadership teams, marketing, digital marketing, pick and pack procedures, returns policies, the websites, the applications, the marketplace adaptations and integrations. Therefore, we entered this period very well prepared to deliver very good results.

And the machine of course is still growing. I must say, I think I mentioned it the last time we met. We have now moved to a huge warehouse in Turkey. We have upgraded our Germany, Russia, and U.S. North America warehousing operations to accommodate most of this pick and pack rather than bulk movements, where consumer demand for individual products is increasing.

As a machine, you can count on Mavi, that the machine is ready. And of course this is an ever-growing project and we will continue to invest wherever it's necessary to manage the growth. What is been another statement that I've been always sharing with you is that we are future ready. Meaning that this channel, the eComm has been from a margin and profitability perspective as a channel as profitable, if not more profitable than the overall business.

Hypothetically speaking, if all our business one day was eComm, we will be even a more profitable company and that remains so. And I make that a strategic priority for us. As I mentioned in my speech opening remarks, the product we sell, we sell at full price. We sell fresh products. We manage the digital and eComm business not as a diluted channel, but as a full shopping experience channel, and the consumers are ravaging new products and novelty there.

Of course, there's a lot of improvements day in, day out that are coming through. But we have the means, the funds, the intelligence, the capability, both in Turkey and globally to continue to invest behind digital. I'm very confident that this channel will continue to grow. It will most likely continue to grow, regardless of COVID, it speeded up things but we were prepared. Thank God. And we'll continue probably at 100% growth for many years to come.

Of course, as opening settles in the percentages may be diluted. Right now, we have about 13, 14% in Turkey, probably if stores were to open and come to full capacity, it will come down to maybe 10, 11, 12%. But then with the 100% growth catch up, to again, 13% at the end of the year. In the international markets of course it's helping us even more because the more we're growing our eComm business with the exchange rates, strong dollar, Euro position we have, vis-a-vis, and because we're almost 100-U.S. dollar brand in the U.S., and a 69-Euro brand in Europe selling direct to consumers through mavi.com, amazon.com and other marketplaces is delivering very good results for us.

Therefore, overall eComm remains a strategic growth pillar and a channel pillars for many years to come. Now, in terms of cannibalization, this is something we will continue to track between digital and stores. It's early to say, because we're in now in a limbo and a transition stage, but I think the whole shopping experience of stores and digital will coalesce together in one way or another.

Rather than talking about cannibalization, I think it will be fair to talk about into the future, talking about onlines helping bricks and mortar, coming into our shop but maybe getting your order shipped to your home, et cetera, et cetera. A lot of gimmicks and consumer changes will take place. And on that front, I don't want to be on the predictive side. I want to be on the flow side, I'm going with the consumers. Whatever the consumer wants, we will adapt and a little bit accordingly.

But at this point, if the question is relating to will we see any store closures, or square meter back off, no. I would say moving forward on a normalized sense every year, this year, probably by the end of year, we will probably open up eight to 10 stores and probably expand another five to 10 stores in the square meters. And what will come in 2022, we can talk later on in the year as we see how this virus and the environment is normalized.

In terms of international sales, for us, our focus areas remain Europe, North America, and Russia. They're all doing very well. U.S. especially with eComm as I mentioned, digitalization and the new warehouse systems, with the strong dollar position that is delivering great gross margins, as well as growth. But also in Russia and Europe, where we were typically probably not delivering a lot of EBITDA and bottom line margin, we have gone through the red. And now I'm happy to report that almost all our markets are green and positive.

Therefore we're well positioned to take more money and invest in the brands and invest in these countries. Russia, as you will recall, has around 20 plus stores. Hopefully over the next couple of years, we will continue to grow our digital as well as open up new stores. And in Europe and North America, we will continue to grow both in specialty wholesale, as well as our digital business.

I do hope that in the next couple of years, we will be able to indulge dollar terms or hard currency terms, double triple our business. This is the ambition we have. Right now the total share of Turkey has come down to 75%. It used to be 82%. I like that. Hopefully, Turkey will catch up and continue growing. But hopefully also the international markets will remain with the momentum and continue to grow in a good pace and mitigate some of the softness in the Turkish Lira through hard currency gains that we will make in the international markets.

I think we're able to do that. We have the capacity, the organization is ready and we're very much motivated to do so. Now, I'll just read out the numbers. In Turkey, terms of government support ... Let me put it this way. When we do our budget in Mavi, we assume no support will come in. Of course, when it comes in, we're applying for whatever is possible and whenever it's not needed, we back off. Moving forward for the rest of the year, if I were to ask within the finance team, we put zero Turkish Liras or $0 behind any support. And if they come in, that's good news. It's money, we can reinvest behind CapEx and other IT and operational related efficiencies. In 2020 total year, we got a support of 14.3 million Turkish Liras in Turkey, in total support, sorry. And in quarter one, this total was 2.7 million in Turkey. Yes. And in international, if you look at the dollars and convert them them into Turkish Liras, the total support we got is around, in quarter one, 4.7 million Turkish Liras. There was a bit of good support coming in, especially with regards to supporting employee wages from the both domestic and international markets. Thank you.

Cemal Demirtas
Thank you very much.

Cuneyt Yavuz
Yavuz, if you want, we can continue with you.

Yavuz Birdal
I have two questions. First, on trading hours. I think you put very good slides on your presentation. Thanks a lot for that. And the question is when do you plan to go back to your 2019 level trading hours? So far it's around almost 60% of 2019. When do you think this number would be 100? This is my first question.

Second question is when you started working at normal trading hours what would be the implied full year revenues? You could answer either in terms of as a multiple versus full year '19 revenues, or it could be in million Turkish Lira. This is my second question. And the final question is a more strategic one. In a new market environment, and for example, I read today, even Brooks Brothers is also entering into casual business after bankruptcy.

It seems it could be before COVID and post COVID. For sure it could be difficult environment. But when you compare your pre-COVID expectations with post COVID possibilities, how do you see your expectation in terms of growth and margin wise? For example, doing to IPO, we were talking about top line growth of around 25 ish and every year, a margin improvement of around 30 to 20 bits coming from operating leverage.

And correct me if I am wrong, but that's in my memory. But with the new environment, if people start moving into more casual, the market could be more competitive. How do you see yourself in terms of comparing your future expectations with previous dreams? Thanks a lot.

Cuneyt Yavuz, Chief Executive Officer
Thank you, Yavuz. Let's start with the latter part. In terms of product brand and the product offering, I think we're even better prepared. And if anything, more ambitious about what Mavi can deliver in terms of this new trading environment. We're less intimidated by what is happening and other brands coming into casual is good news. We've had many other brands entering into, as you know, jeans like Koton did jeans, LCW does jeans, DeFacto at one point was not doing jeans and they started jeans, et cetera, et cetera. They've never stopped us from performing better and continuing this 25 to 30% as you correctly remember growth project strategy. As we have tried to also finger point in a maybe subliminal way in one of our category charts, non-denim bottoms which is predominantly sweatpants and casual wear pants, et cetera, has grown 300%.

With Merih, we have established a Mavi Team collection which consists a lot of sporty products, sweatshirts, T-shirts, sweatpants, et cetera, and consumers response has been phenomenally well. And Mavi already has a casual wear, and top of mind awareness as a casual brand is drawing more customers to come in and shop. Therefore, in terms of where we're based and where we can spring up to, or go back to this more year in year out 25-30% growth, those opportunities are still out there.

If not more, we will see, it's early to say, because as you are going back now to the first part of your question, we have to see when we get back to normal. At this point in time, to define what is, and when do we get back to normal is quite difficult. We do expect that starting July that we come back to our relatively normal hours. What may be a one, two hours a day may be cut off from here and there. But even this month of June with the month to date June results, consumers knowing that sundays are closed are upbringing and shopping ahead of time. So in a way, one could hypothetically say we can from here on close Sundays, and relax and have a similar revenue, if this is to continue, more like some of the European countries, like in Germany, Sundays are church days and typically the stores, especially shopping malls are closed. But I'm guessing once stores open up, this is only going to help us more.

The rebound, again, as I shared in my presentation is something like 80%, like-for-like versus, same period last year. June 2021, first 10 days versus June 2020, for the same operating hours, you're definitely seeing huge growth. These are little inflated growths. We have to also see how the settles in. It's a bit early to say. But this is all making me more optimistic that we will recover quickly and get back to 20% plus like-for-like that we have been committing since the IPO.

And in terms of margin improvement, I will stand to correct you. I was saying, not 0.2, but more like half a point a year and one point every second year. Of course, there is now, as we talked in the first part of the question with Mehmet's question, we were talking about the margin pressure and pricing, et cetera, and the soft Turkish Lira. We'll see how that will follow through, but so far so good. As we have demonstrated, we are doing a lot of good stuff, product innovation, newness et cetera, to compensate for that.

That's one of the key reasons why we are refraining from being able to give a guidance, because for instance, right now, as we speak, we're now, once again, in a chase mode. At the rate we're selling, life is pretty good, off-take is very strong, consumer off-take. And also, again, as I shared in the presentation, even after the store opening, the eComm business has not slowed down. That is also tracking 70, 80, 90% growth rate, so that has also normalized.

We have a two-way win-win scenario. The brand is winning. The fact that we're casual wear is an enabler. We have adapted our portfolio to accommodate the changing needs of the consumer. They find what they're looking for, and we are the casual brand of Turkey. And you will, of course, after being in Turkey, you're aware of that. Not many brands have that luxury of being that easy access to the brand.

And many other brands will, and try to add other collections, like they have other jeans, but I doubt that will be the key motivator for consumers to go and shop with them as much as it works for Mavi. We remain bullish, but in terms of moving towards the 30 plus growth, one point every second year margin improvement, 20% like-for-like, hopefully I'm hoping that the rest of the year will be a good year and 2022, this virus will be more part of our regular flu set up. Hopefully if we don't go through what we went through November, December this year, last year, sorry, into this year, then it will always big breakthrough and we will come through with good results for this year, while maintaining international growth. That's also the good news. We're also putting a lot more effort in international and eComm internationally. Net-net, I think I am hoping cross fingers 2022 onwards will be again, coming back to sharing our vision of when we become a $1 billion company and moving forward. Thank you.

Berna, if you want, we can continue with you.

Berna Kurbay
Thank you very much. My question is about international operations. We see around 25% contribution from revenues generated abroad and international business comprise actually 51% of the profit before tax generated in the first quarter. The profitability or EBITDA margin of international appears to be three times as high as the Turkish operations.

I don't want to be too much into that one particular quarter's figures, but it seems there's a very significant improvement in the margins, and you've already said that's online operations, online sales are quite profitable. And I guess this is the result of an ongoing effort in projects of many years now. But how sustainable are these figures?

Because if international is around 20-25% of revenue, and if it generates similar profit before tax as the Turkish business, it should be taking up much more of your time, I suppose, as management, and how should we think about this going forward? And maybe one final note on that, you already mentioned that there has been government support in Turkey and abroad on wages, I suppose. Are those perhaps factors in the international profitability?

Cuneyt Yavuz, Chief Executive Officer
Clearly, there could be a couple of elements going on. First and foremost, we've been doing a lot of OpEx and cost management and organizational design innovations, both in U.S., Europe and Russia. Our net-net in terms of OpEx management, overheads management, coupled with of course government support, which are one off, we're now very lean, agile, to the point organizations across the countries. That's one thing which will benefit us moving forward.

We have set up, especially when I think of Europe, for instance, we've taken a lot of inefficiencies out of the OpEx in Europe, and now the country itself Europe for a change, is now no longer as bad, and potentially for the rest of the year will be a significant contributor to our bottom line. U.S., by far, is the most profitable country we have. As we mentioned, the eComm business digitalization, both mavi.com, amazon.com and the other strategic partner, there is Stitch Fix.

As their business is growing, we're benefiting tremendously by selling directly, at like $100 price, to the consumer rather than to wholesaling the price and selling at $30 to Nordstrom's, et cetera. There's a big benefit coming out of that. This is sustainable, and this will continue. We're putting in a lot of efforts and taking a lot of the returns and putting a lot of efforts both from systems, but also marketing to continue to build the brand and brand equities we have in the U.S.

We might consecutively choose to dilute U.S. a bit, to invest behind growth, and we have the room to do that. And Russia, as I mentioned is finally in the green, it's back to 2019 COVID levels in terms of sales. Our stores, of course, are incurring a bit of financing costs and working capital costs, because we're having stores that we have invested in, and it's taking a while to pay back for these stores.

But net net the stores themselves and the sales, as well as the digital, could be with Ozon, Wildberries, the Trendyol, Hepsiburada counterparts in Russia, we're partnering with them and we are having very good results with them, so that's also encouraging. Now coming into a more consolidated picture, I do sincerely hope that Turkey will pick up, some of its losses due to lock-downs and trading hours. Therefore this balance, while we maintain to continue to grow internationally as a percentage split, we're very grateful and thankful that the international business exists, and especially as we saw Turkish Lira with a lot of pressures that are helping us in this period. But Turkey is the key market, will remain the key market. We will continue our international business growth and recover Turkey as we were also mentioning with Yavuz, in terms of casual wear, the brand of choice, and also gaining market share and keep cycling our positioning in the markets, down the line.

And, building on your last point of my time or our time in terms of international, yes, we are spending a lot of good quality time, myself and my management on international, and strategizing. We do hope that we can continue this top-line and bottom-line growth indefinitely, for many more years to come in both Europe, North America, and Russia.

Generally speaking, a normalization in Turkey can be expected, and a continuation of the good job we're doing in the western countries will continue. And I think personally, on a side note, the U.S., with the quantitative easing, that's taking place, unlike the 2008 banking crisis, money coming into the U.S. and spending behind the infrastructure and other investments that Biden is pushing through, is only going to help us. And we're trying to look forward to how we can capitalize on the growth of U.S. in the coming months and years. We believe U.S. is up for a go-go period in the next two, three years, as a domestic market, domestically speaking, be a good place to capture a lot of benefits out of that. And I just came back from the U.S. and the office to set up the future strategy and high plans to speed up our growth.
We were working really hard to see how many more pair of jeans we can sell in the channels and the distribution and to the consumers there? That's what I have to say for now.

Berna Kurbay
Okay. And if I may just add one more question in terms of the product categories, you mentioned non-denim bottoms and shifting consumer preference towards casual wear. Does this apply to the business abroad as well, or is our sales dominated by denim bottoms mostly in North America and elsewhere? And also along the same lines, do these other categories, except for outerwear that you import and sell, do they have similar margins to denim bottoms?

Cuneyt Yavuz, Chief Executive Officer
Yeah. Margin wise, you will recall that across categories we are quite even, therefore it's a good place to be, just to answer that upfront. Now, overall, I would say the European and North America operations remain predominantly denim driven. Having said that, we do offer to our both online channel participants, as well as retailers, our sweatpants, et cetera, so there are alternatives out there. Russia is more like Turkey. When it comes to Russia, we're more like the retail environment, and rather than being Mavi jeans, we're Mavi. Therefore, we're pushing a lot of this lifestyle casual wear, both denim and sweat pants. The good news is, we maintain our growth momentum in terms of jeans, but this is coming in on top. And we're able to build a revenue booster, like a sub-new category, we're able to invent a new category, thanks to the consumer change in trends and habits.

But also, I have to say, denim sales, vis-a-vis old goals and timelines, remains quite solid. And that's also good to see, both in Europe and U.S. So denim remains a preference of casual wear for the consumers. Of course, you have to take in the shutdowns, closures, offsets, et cetera, but generally speaking, we are also very much encouraged on how blue jeans are rebounding and maintaining some momentum moving into the future. Thank you.

Cuneyt Yavuz, Chief Executive Officer
As always, thanks for the time. Thank you very much for the questions. We will get back to selling jeans and keeping our business going, and I wish you all healthy, happy summertime. Hopefully with the sun and the better weather, we will be able to move on to more joyous days altogether. All my best. I hope to see you soon in the next quarter of the update. Bye-bye.