



# mavi

Mavi Giyim Sanayi ve Ticaret A.Ş.  
Interim Report for the Nine Months Period  
February 1 – October 31, 2021

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## 1- Corporate Information

This Interim Report is the Report of the Board of Directors, prepared according to CMB Communique II, Numbered 14.1; related to the nine months of 2021, ended October 31, 2021. Throughout this report, the Company (Mavi Giyim Sanayi ve Tic. A.Ş.) and its subsidiaries will be defined as "Mavi", "Company" or "Group"

### i. About Mavi

Mavi Giyim San. ve Tic. A.Ş. was established in 1991 in Turkey. The registered address of the Company is Sultan Selim Mahallesi Eski Büyükdere Caddesi No:53 34418, Kağıthane, İstanbul.

Mavi engages in wholesale and retail sales of ready-to-wear denim apparel to local and international customers. The product range includes, denim products, knit and woven shirts, t-shirts, jackets, skirts, dresses and accessories for men, women and children. International sales operations started in 1994 and today has offices in Turkey, USA, Canada, Germany and Russia. The company now has showrooms in ayrıca İstanbul, New York, Vancouver, Frankfurt, Berlin, Moscow, New Jersey, Los Angeles, Atlanta, Dallas, Toronto, Montreal, Dusseldorf, München, Hamburg, Leipzig, Sindelfingen, Heusenstamm, Zurich, Salzburg, Prague, Brussels and Almere.

The Company is a member of Büyük Mükellefler Tax Office with tax id number 613 002 7985, and registered under İstanbul Trade Registry with registration number 309315.

Fiscal year of the Company is between February 1 – January 31 in line with the fashion apparel business seasons; and this interim report is regarding the first nine months ending October 31, 2021.

Official company websites are [www.mavi.com](http://www.mavi.com) and [www.mavicompany.com](http://www.mavicompany.com)

### ii. Capital Structure

Company's shared capital consist of 49,657,000 shares, all of which are issued, fully paid and have a nominal value of TRY 1.00 each at the date of October 31, 2021. Authorized share capital limit is TRY 245,000,000.

Capital structure of the Group as of October 31, 2021 is as follows;

	%	31.10.2021
Fatma Elif Akarlılar	9.06	4,500,000
Seyhan Akarlılar	9.06	4,500,000
Hayriye Fethiye Akarlılar	9.06	4,500,000
Blue International Holding B.V.	0.22	108,293
Public	72.60	36,048,707
	<b>100.00</b>	<b>49,657,000</b>

Group A shares are held by Blue International Holding B.V. and are attributed with special rights by the Articles of Association of the Company. The effect of Akarlılar family members on the management of the Company remains unchanged through indirect shareholding.

### iii. Direct and Indirect Subsidiaries

Direct and indirect subsidiaries of the Company as at October 31, 2021 are as follows:

<u>Subsidiary</u>	<u>Country</u>	<u>Share</u>
Mavi Europe AG	Germany	100.00%
Mavi Jeans LLC Limited	Russia	100.00%
Mavi Kazakhstan LLP <sup>1</sup>	Kazakhstan	100.00%
Eflatun Giyim Yatırım Tic. A.Ş.	Turkey	51.00%
<i>Mavi Jeans Canada</i>	<i>Canada</i>	<i>63.25%</i>
<i>Mavi Jeans Inc.</i>	<i>USA</i>	<i>51.00%</i>

<sup>(1)</sup> Mavi Kazakhstan is in the liquidation process and does no longer proceed any operations as of 31 October 2015. Mavi Kazakhstan financials have not been consolidated since its operations insignificant in terms of condensed consolidated interim financial statements, as of 31 October 2021.

<sup>(2)</sup> Mavi Netherlands is liquidated and have not been consolidated as of 31 October 2021.

### iv. Structure and Composition of the Board of Directors

As of October 31, 2021 the Board of Directors is as follows:

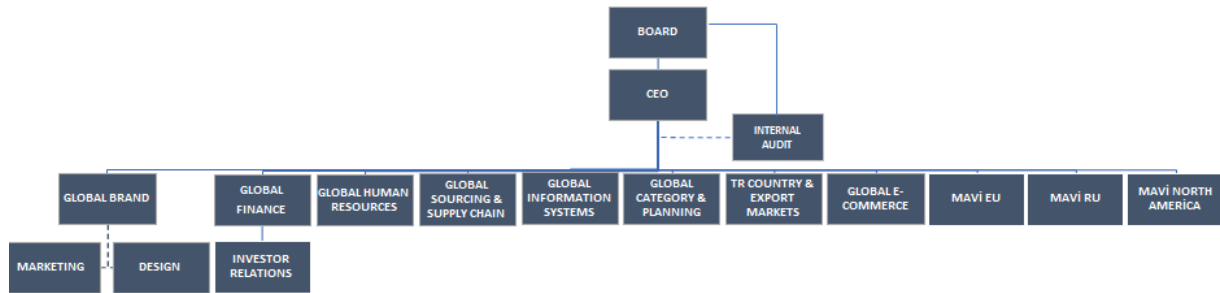
<u>Director</u>	<u>Role</u>	<u>Executive/Independent</u>
Ragıp Ersin Akarlılar	Chairman	Non-Executive
Ahmet F. Ashaboğlu	Vice Chairman	Independent
Fatma Elif Akarlılar	Member	Executive
Ahmet Cüneyt Yavuz	Member	Executive
Yonca Dervişoğlu	Member	Independent
Nevzat Aydın	Member	Independent

Short biographical information about the board members can be found on the company website [www.mavicompany.com](http://www.mavicompany.com).

Independent board members Ahmet F. Ashabođlu and Nevzat Aydın are members of the Audit Committee; Chairman of the board Ragıp Ersin Akarlılar, independent board member Yonca Derviřođlu and Investor Relations Director Duygu Inceoz are members of the Corporate Governance Committee; Chairman of the board Ragıp Ersin Akarlılar, independent board member Ahmet F. Ashabođlu and CFO Bige İřcan Aksaray are members of the Early Identification of Risks Committee.

## v. Organization Structure and Management

As of October 31, 2021 Group's total number of employees is 5,003 (4,652 in Turkey, 351 in International offices) Following charts show the Company's organisation structure and management team.



	<b>Position</b>	<b>Starting Date</b>
Cüneyt Yavuz	CEO	2008
Bige İřcan Aksaray	CFO	2019
Elif Akarlılar	Chief Brand Officer	1991

## 2 – Operational and Financial Information

### i. Operational Developments

Global measures and restrictions related to the Covid-19 outbreak, which was declared a pandemic by the World Health Organization on March 12, 2020, has continued but gradually eased in the nine months of 2021. As of June 1, 2021, all operations in Turkey were back to normal trading hours with strong sales momentum. In the international markets operated, most of the Covid related restrictions had been gradually lifted since first quarter.

In the first nine months of 2021, Mavi opened eight stores, closed three and expanded six stores in Turkey. Including 325 monobrand retail stores and 66 franchise stores in Turkey, 24 retail stores and 38 franchise stores internationally Mavi meets its customers in 453 monobrand stores and more than 4.500 sales points globally.

In the third quarter of 2021, which operated totally in normal trading hours, same store sales grew 75.2% compared to same period 2020. Along with the 69% traffic rebound the number of transactions increased 43.8% and the basket size grew by 21.8%.

Online sales comprising of Mavi.com and marketplace channels continued to perform strong and recorded 122% growth in Turkey and 36% growth in the international markets in 9M 2021.

### ii. Financial Developments

<b>TRYm</b>	<b>9M 2020</b>	<b>9M 2021</b>	<b>Change (%)</b>
Revenue	1,751.9	3,191.0	82%
Gross Profit	859.5	1,634.0	90%
Gross Margin	49.1%	51.2%	
Profit	25.5	300.7	1079.1%
Profit Margin	1.5%	9.4%	
EBITDA	300.6	750.1	150%
EBITDA Margin	17.2%	23.5%	

In the first nine months of 2021, total consolidated sales increased 82% year over year and 49% compared top pre-pandemic 2019 levels to 3 billion 191 TRYm given the low base of 2020 under the impact of the pandemic. Sales were realised with 51.2% gross margin, and 23.5% EBITDA margin.

In the reporting period, Turkey sales grew by 84% and international sales grew by 73% (44% in constant currency) compared to the same period last year.

Global e-commerce sales, which continued its strong performance, grew by 102% and constituted 12% of total sales in the reporting period.

### **iii. Financial Overview of the Management**

As the impacts of the Covid19 pandemic continued to be effective in the first nine months of 2021, the related restrictions have been gradually lifted since the beginning of the second quarter. Adapting consumer shopping habits have to the new conditions derived strong sales performance on the available store operating hours.

Parallel to these circumstances in 9M 2021;

- Group's Consolidated Revenue increased by 82% to 3,191 TRYm compared to the same period of the previous year.
- EBITDA was realised at 750 TRYm with a margin of 23.5%. In the reporting period, a net profit of 301 TRYm was recorded.
- Net Debt position of 37 TRYm at the end of January, moved to a 369 TRYm net cash position given the strong operational cash generation since the second quarter.
- 95 TRYm capital expenditure was spent including the investments made for scheduled new store openings and digital and IT investments.

## **3 – Market Information**

According to Turkstat, Turkey has a population of 83.6 mn as of the end of 2020 with men constituting 50.1% and women 49.9% and with median age of 33. Considering Mavi's loyal customer base whose core segment consists of young, fashion-conscious men and women under the age of 34, Turkey's young population is a positive catalyst in realising its growth targets.

According to Euromonitor, the total market for apparel and accessories in Turkey was approximately USD 25 billion in 2019 and is expected to grow 6.8% CAGR and reach USD 53 billion by 2030.

From a competition standpoint, the Turkish apparel market includes a mix of local and international players. According to Ipsos Mavi is the market leader with 20% market share in 14+ age denim market and is among the top four apparel brands in both men and women.

Mavi is a brand focused on core to premium in Turkish apparel market. Internationally, we are positioned as lifestyle aspirational brand with a product strategy built around the pillars of our Perfect Fit approach, high quality for the price and customer-centric products. We compete at the upper end of the core jeans market, and are able to offer premium products to reinforce and grow our market position and pricing power.

Mavi is the the number one “top of mind” Jeans brand in Turkey with 60+% according to the 2019 brand perception study of Future Bright.

Mavi has been ranked among the top 3 apparel brands in the “Good Life Brands” survey in 2020, named the most robust brand in the textiles and apparel industry in 2019 and was awarded the leader in the jeans category in “Turkeys Coolest Brands” survey in 2017 and 2018 by Marketing Turkey. Mavi stood on top of the industry with second ranking in “Turkey’s Most Admired Brands” survey by Capital Magazine and ranked among “Most Valuable and Strongest Brands in Turkey” according to Brand Finance’s report, both in 2020. It is also named the best looking, most trusted, highest quality jeans brands with the most options by Marketing Turkey.

## **4 - Future Expectations**

Due to the uncertainties related to Covid19, the initial management guidance for financial year 2021 was disclosed on September 14, 2021 and is revised upwards as outlined below as of the date of this report. As the uncertainties regarding Covid19 prevail, the outlook assumes all stores continue to be open in all regions for the rest of the year.

Under the given assumptions, management guidance for FY2021 is revised as follows:

- Consolidated sales growth of 80-85% (prev:70-75%) compared to FY2020
- Total of 7 (prev: 5) net new store openings and 9 expansions in Turkey
- 14.5-15.0% (Prev: 14-14.5%) EBITDA margin exc. IFRS16 and 20.5-21.0% (prev: 20-20.5%) EBITDA margin inc. IFRS16
- Net cash position (exc. IFRS16)
- Capex spending 3.5% of consolidated sales



## 5 - Other Developments

- Ordinary General Assembly Meeting for the financial period of 1 February 2020 – 31 January 2021 was held on April 28, 2021. The general assembly resolutions have been registered under the Istanbul Trade Registry and published on the Turkish trade Registry Gazette on May 20, 2021.
- In the Ordinary General Assembly Meeting held on 28 April 2021, it was resolved to approve the cash payment of 30.347.418,72 TRY in dividend distribution proposal of the Board of Directors prepared in accordance with Article 15 of the Company's Articles of Association and Dividend Distribution Policy and to start the dividend payments on 30 July 2021.
- In the Ordinary General Assembly Meeting held on 28 April 2021, Ragıp Ersin Akarlılar, Fatma Elif Akarlılar and Ahmet Cüneyt Yavuz has ben elected as board members and Ahmet F. Ashaboğlu, Nevzat Aydın ve Yonca Dervişoğlu has been elected as independent board members for a 3 year period.
- Independent board members Ahmet F. Ashaboğlu and Nevzat Aydın has been appointed as members of the Audit Committee, chairman of the board Ragıp Ersin Akarlılar, independent board member Yonca Dervişoğlu and investor relations director Duygu Inceoz has been appointed as members of Corporate Governance Committee, chairman of the board Ragıp Ersin Akarlılar, independent board member Ahmet F. Ashaboğlu and CFO Bige İşcan Aksaray has been appointed as members of the Early Identification of Risks Committee.
- Credit rating agency Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. has affirmed Mavi's long-term (National) credit rating as (TR) AA-, short-term (National) credit rating as (TR) A1+ and the outlook as stable.

## 6 – Summary Financial Tables (Inc. IFRS 16)

### Summary Balance Sheet

TRYm	31 January 2021	31 October 2021	Change (%)
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	889.9	950.6	7%
Trade Receivables	231.4	408.0	76%
Inventories	560.1	674.1	20%
Other Current Assets	105.4	117.2	11%
<b>Total Current Assets</b>	<b>1,786.7</b>	<b>2,149.9</b>	<b>20%</b>
Property and Equipment	197.7	206.6	5%
Right of Use Assets	435.0	435.8	0%
Intangible Assets	262.7	355.2	35%
Other Non-Current Assets	25.6	41.2	61%
<b>Total Non-Current Assets</b>	<b>921.0</b>	<b>1,038.8</b>	<b>13%</b>
<b>Total Assets</b>	<b>2,707.8</b>	<b>3,188.6</b>	<b>18%</b>
Short-Term Financial Liabilities	821.0	578.7	(30%)
Short-Term Contractual Lease Liabilities	218.6	210.0	(4%)
Trade Payables	638.2	935.7	47%
Other Current Liabilities	108.3	250.3	131%
<b>Total Current Liabilities</b>	<b>1,786.0</b>	<b>1,974.6</b>	<b>11%</b>
Long-Term Financial Liabilities	105.6	2.6	(98%)
Long-Term Contractual Lease Liabilities	260.0	279.8	8%
Other non-current Liabilities	22.1	38.4	73%
<b>Total Non-Current Liabilities</b>	<b>387.7</b>	<b>320.8</b>	<b>(17%)</b>
<b>Total Liabilities</b>	<b>2,173.7</b>	<b>2,295.4</b>	<b>6%</b>
<b>Total Equity</b>	<b>534.0</b>	<b>893.2</b>	<b>67%</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,707.8</b>	<b>3,188.6</b>	<b>18%</b>

### Summary P&L

TRYm	9M 2020	9M 2021	Change (%)
Revenue	1,751.9	3,191.0	82%
Cost of Sales	(892.5)	(1,556.9)	74%
Gross Profit	859.5	1,634.0	90%
Gross Margin	49.1%	51.2%	
Administrative Expenses	(121.1)	(181.1)	50%
Selling and Marketing Expenses	(647.8)	(940.9)	45%
R&D Expenses	(24.6)	(35.7)	45%
Other Income / (Expenses), net	19.9	28.9	45%
Operating Profit	85.8	505.3	489%
Profit/(Loss) from Investment Activities	(1.2)	(0.2)	(84%)
Operating Profit before Financial Income	84.7	505.1	496%
Operating Margin	4.8%	15.8%	
Financial Expenses, Net	(53.2)	(111.7)	110%
Profit Before Tax	31.5	393.3	1151%
Income Tax Expense	(6.0)	(92.7)	1457%
Profit	25.5	300.7	1079%
Profit Margin	1.5%	9.4%	
EBITDA	300.6	750.1	150%
EBITDA Margin	17.2%	23.5%	

## Summary Cash Flow Statement

TRYm	9M 2020	9M 2021
Profit <sup>1</sup>	25.5	300.7
Adjustments	365.1	546.4
<b>Cash Flow from Operating Activities</b>	<b>390.6</b>	<b>847.1</b>
Δ in Net Working Capital <sup>2</sup>	(72.0)	57.5
Income Tax Paid	(9.2)	(36.0)
<b>Net Cash from Operating Activities</b>	<b>309.4</b>	<b>868.6</b>
Capex	(83.0)	(95.4)
Other Investing Cash Flow <sup>3</sup>	35.5	56.2
<b>Net Cash Flow Used in Investing Activities</b>	<b>(47.5)</b>	<b>(39.2)</b>
Debt Issued / (Repaid)	567.2	(386.0)
Payment of Contractual Lease Liabilities	(130.0)	(183.6)
Other Financial Payments <sup>4</sup>	(43.6)	(126.9)
Interest Paid	(60.6)	(72.3)
<b>Net Cash Flows Used in Financing Activities</b>	<b>333.0</b>	<b>(768.7)</b>
<b>Net Cash Flow</b>	<b>594.9</b>	<b>60.7</b>
Cash and Cash Equivalents at the Beginning of the Period <sup>5</sup>	310.8	889.9
Cash and Cash Equivalents at the End of the Period <sup>5</sup>	905.8	950.6

<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 dividend paid, 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.

### **Disclaimer on Market Data and Forward Looking Statements**

This Report is prepared in accordance with the legal requirements only to provide information and it is not intended to form the basis of any investment decision. The industry, market and competitive position data contained in this report come from official or third party sources. Although the company believes the information provided by third party industry publications and market research studies to be from reliable sources, it has not, however, independently verified the information contained therein. This report includes forward-looking statements. Forward looking statements involve risks, uncertainties and other important factors over which the company may have limited or no control. These factors could cause the actual results, performance or achievements to differ materially from any future circumstances, results, performance or achievements expressed or implied by such statements. The forward-looking statements included in this report represent the Company's views as of the date of this report. All information contained in this Report was believed to be accurate at the time of publication. The company accepts no responsibility for any spelling or printing errors that may occur during the Report's preparation