



Transcription for Q2 2021 Financial Results Webcast
September 16th 2021



In addition to the comeback of the retail business, online sales growth remains strong globally driven both by mavi.com business and marketplace performance. Online share in total revenue in Turkey surpassed 12% in the second quarter alongside a strong retail performance.

As always, our main pillars for continued success are dynamic supply chain management, efficient product planning and inventory management. Opex to sales ratios normalized this quarter with robust expense management and increasing revenue. Targeted investment on our brand, products and customers is receiving great response. Our best-in-class marketing communication is an indispensable enabler for our fast recovery and successful results.

Moving on to slide 3 with our key highlights for the quarter. In order to mark the performance against pre-covid levels, throughout the presentation we include performance comparisons against same period 2019. Our consolidated sales in the first half of 2021 realized at 1 billion 837 million liras growing 99% versus first half of last year and 37% versus H1 2019. Turkey retail sales grew 98% and Turkey online grew 128% year on year. Our EBITDA grew over 300% and realized 404 million TRY, resulting in an EBITDA margin of 22.0% in H1 2021. We delivered our highest ever quarterly earnings in the second quarter of 2021 and as a result our net income for the first half amounted to 138 mn liras. Strong sales performance led to high operational cash generation which in turn resulted with a balance sheet net cash position of 174 mn liras, hitting one of our near-term management targets. With the addition of seven monobrand international franchise stores, the total number of monobrand stores globally, including franchisees, reached 448.

Lets move to slide 4 to review our channel performance. Total revenue grew 100% in the second quarter compared to last year and 56% compared to 2019. All sales channels have exceeded their pre-pandemic levels as of the first half of 2021. As stated earlier, alongside the brick and mortar retail business rebounding, our e-commerce channels continued to perform very strong throughout the quarter. Growing 75% in Q2 and 110% in the first half, global e-commerce sales share in total revenue increased to 14%.

In the second quarter, Turkey still experienced partial lockdowns until first of June which resulted in 31% decline in total trading hours. On the other hand, as of June 1st, we witnessed consumers shopping behavior adapting to the new normal with very strong traffic and high demand to Mavi products. We continue to benefit from the preference towards casual wear. We are relentlessly making sure to provide the consumers with reasons to shop at Mavi and remain their brand of choice. As a result, our sales in Turkey grew 94% compared to last year and 35% compared to 2019. Our e-commerce business in Turkey, which constitutes of mavi.com and marketplace sales, grew 128% in the first half of 2021, on top of a strong base.



International operations, being more digital, and having normalized earlier in the year continue its strong performance. In the first half of the year international sales grew 120% compared to 2020 and 47% compared to 2019 in TL terms. In constant currency, total international sales grew 76% year on year. Total international e-commerce revenue grew 72% versus last year.

Total revenue as of H1 2021 consists of 59% retail, 27% wholesale and 14% e-commerce. 80% of consolidated revenue is from Turkey.

On slide 5, we start to focus on Turkey retail business. We opened 5 new stores, closed 3 stores, and expanded 4 stores in the first half of 2021 in Turkey. As of July - end, we have 322 own-operated stores totaling 161 thousand sqms of selling space in Turkey with an average store size of 499 sqms.

With Slide 6, we aim to demonstrate a short quarterly overview of the impacts of the pandemic on Turkey retail business. The bar chart shows the monthly and the table shows the quarterly sales performance of Turkey retail business, all compared to the same period of 2019. Note that all comparisons are against 2019 to provide a comparison with pre pandemic business KPIs. As you can see from the top row of the table, we have been continuously operating with lower trading hours since the beginning of 2020. Notice that, until this second quarter, 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 vs the traffic decline.

As of the reporting quarter, we see the impacts of the pandemic on customer traffic diminishing. Store traffic in Q2 2021 is already above pre-covid 2019 levels, reflecting positively on retail sales performance, which is 42% higher than 2019.

On slide 7, lets elaborate on the same stores' performance in Q2 2021. I want to start with my usual reminder here. 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. Therefore, by definition, we still do not have a proper LFL store set.

We provide you with a meaningful metric for the retail store performance in Turkey by considering only the trading days of the period. In Q2 2021, both this year and last year, most of our stores operated in full capacity in most of the quarter. Hence we have a better same store sales comparison. On the open days of Q2, same stores sales have grown 84.9% with number of transactions increasing 61.6% and basket size growing 14.4%. Traffic increasing 82% versus 2020 and surpassing pre-covid 2019 level by 3%. Conversion rate and unit per transaction are normalizing but still are above pre pandemic levels. Basket size is 32% larger than second quarter 2019.



Moving on to slide 8 to review category-based developments in Turkey retail. We are happy to report that almost all our product categories have exceeded pre-covid 2019 sales levels as of the first half of the year, which correspond to our spring summer 2021 – SS21- season.

Our denim category, which now constitute 44% of total retail sales in Turkey, grew 96% in H1 2021. Along with knits/jerseys and non-denim bottoms, denim was, as always, among the winning categories in SS21. 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 increased the consumers' interest in Mavi at a time when shopping behaviors changed toward more casual styles. We enriched our product range to respond to this demand expanding our t-shirt, sweatshirt and jersey offerings which continue to result in robust sales performance in knits category. In SS21, our knits business grew 108% year on year and is now 27% of our retail sales in Turkey. Capitalizing on the same trend we now have another significant category which is non-denim bottoms, that grew 184% in SS21 amounting to 7% 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. Including the rich swimwear collection this season, accessories grew 94%. Our shirts category grew 72%, and jackets, seasonally being a fall-winter product grew 22% in the first half of 2021.

On slide 9, lets review our online sales performance. On this slide we review the total online sales of Mavi including the sales to the third-party digital platforms to which we wholesale, in addition to our direct-to-consumer online sales made up of mavi.com and marketplace sales that are reported under e-commerce channel. Including the wholesale e-com, our total online sales grew 97% globally and reached 315 mn TL, constituting 17.2% of total revenue in H1 2021. Online sales in Turkey grew 128% driven by 79% growth of mavi.com and 179% growth of marketplace operations and now constitutes 12.8% of total sales in Turkey. International online business is also on a growth trajectory especially driven by mavi.com which grew 82% in H1 2021. 35.1% of total international sales are through online channels.

We continuously invest in digital systems, logistic operations and on our CRM platforms. Mavi is achieving its fair share in this changing and growing online environment. We believe that the customers acquired during this pandemic period are here to stay and that this strong sales momentum will not reverse. The ongoing shift towards e-commerce 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 closely and aim to manage as effectively as possible, especially in uncertain times as the one we are going through. 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-throughs. I am proud to report the results of this hard work. Increased sales at full price and reduced mark-down spending led to 52.6% gross margin in the second quarter showcasing the strong demand for Mavi SS21 collection. Realizing at 51.3%, in the first half of the year, gross margin improved 200 basis points vs last year and 240 basis points vs same period of 2019 normalized with current interest rates and one-offs.

On slide 11, as a direct result of surging revenue while costs being under control, our EBITDA margin improved significantly and surpassed pre-covid 2019 levels in the second quarter. Including IFRS16, total EBITDA for the first half of the year amounted to 404 mn TL, four times that of same period last year, delivering 22.0% EBITDA margin. Consequently, we have delivered a record high net profit of 102 mn TL in the second quarter, amounting to 138 mn TL in the first half of the year. Significantly higher than pre-pandemic levels, the net income margin realized at 9.4% in Q2 and 7.5% in H1 2021.

On slide 12, we look into our operational cash flow and working capital performance. A very successful collaboration across category, product, sourcing, logistics, marketing and of course, sales, teams helped to achieve very high sell-through rates this Spring Summer 21 season. This yields healthy inventory levels that mainly consist of fresh products. As of end of July 2021, the inventory level in number of pieces is 5% lower than same period last year. Consequently, our working capital as a percentage of revenue decreased to 4.3%, far better than both same period last year and the end of 2020. All of the achievements I shared with you today led to 356 mn TL of operational cash flow generation in the second quarter. Our cash conversion in H1 2021 is 112%.

Let's now move on to the next slide. We have spent 61 mn TL in capital expenditure in the first half of 2021 resulting in a Capex to sales ratio of 3.3%. In addition to store openings and expansions, we have been spending predominantly on IT projects and digital investments.

We had a 37 mn TL net debt position at the end of January 2021. Given the high operational cash generation in the quarter, we are proud of reporting a net cash balance sheet position of 174 mn TL at the end of July 2021, excluding the IFRS16 adjustments. Our blended cost of debt as of end-July is 13.2%, slightly elevated from 2020 year-end levels. 16% of our total consolidated debt belongs to our subsidiaries, all borrowing in their respective local currencies. As of the end of July, we have almost zero debt in foreign currency. Keeping no fx risk remains our management priority.



On Slide 14, we would like to provide our outlook for the financial year 2021. As you may recall, we have been refraining from providing an official guidance until now given the uncertainties around Covid19 that could have significant impact on our financials. With the assumption that all stores in all regions stay open for the rest the year, our management guidance for 2021 is as follows. We are expecting to close the year with 70 to 75% consolidated sales growth compared to financial year 2020. We will have opened a total of net 5 new stores and expanded a total of 9 stores by year-end. This implies that we have 3 net stores to open and 5 more stores to expand in the second half of the year. We target an EBITDA margin of 14 to 14.5 percent excluding IFRS16 and 20 to 20.5 percent including IFRS16. This margin outlook assumes some gross margin contraction in the second half of the year due to significant price increases in raw materials and production costs. We expect to close the year with a net cash position, and we target a capex to sales ratio of 3.5% for the whole year.

Having provided the full year expectations, as always, I would like to provide some insight on the current trading environment and quarter three performance up to date. Same store sales in August increased 58% yoy and 24% versus 2019. Also, in the first 12 days of September, sales are up 106% versus 2020 and up 74% versus 2019. Online sales in Turkey grew 103% yoy in August, while global online sales continue to perform well. With this final positive note, I am happy to take your questions now.

Duygu Inceoz

Ladies and Gentlemen, 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 the 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 questions left on the platform.

Duygu Inceoz

We seem to have no questions on the platform. Is there any on dialing via audio who would like to ask a question right now? at this point. OK, if not thank you for attending. We are always here for you. If you have any further questions, you may always contact investor relations.

Cuneyt Yavuz

Thank you Duygu and to all the attendees. We look forward to as good results in the upcoming quarters. I wish you all the best. Take care.