

As an important player in the sector with a strong market share and the ability to keep demand alive through disposable income expansion, we anticipate the continuation of robust growth in the coming quarters. The expectation is supported by the company's ongoing growth in the online channel and its favorable position due to operations in North America and the breadth of its product range. We like Mavi because of all these features. **We initiate coverage with a target price of 164.00 TL and a recommendation of Outperform (OP).** Our target price indicates a potential return of 62,1%. According to our expectations for 2024, MAVI is trading at 3.64x EV/EBITDA, 7.84x P/E, 3.28x P/B, and 0.78x P/Sales.

The company operates in retail, wholesale, and e-commerce sales channels. In the first half of 2023, 67% of global revenue came from retail, 23% from wholesale, and 10% from e-commerce channels. 87% of consolidated revenue is attributed to sales in Turkey. Revenue from outside of Turkey, assuming a fixed exchange rate, realized at 3% in 2Q23 and grew by 8% y/y in 1H23. We view the positive evaluation of currency-adjusted real growth favorably.

As end of 1H23, Mavi reached a total of 461 stores. The total sales area was ~169k sqm, with an average store size of 513 sqm. The company's target for the average store size is 800 sqm. We believe that as long as Mavi increases its sqm footage, the company may also extend the time that customers spend in the stores.

The company operates in the United States, where its international activities are most concentrated, Canada, and Russia. Since 1996, Mavi has been active in the United States, focusing exclusively on wholesale jean sales. More than half of the revenues in the United States are generated through online channels. The company is in the process of shaping future plans to grow its sales in the United States.

For Mavi, our revenue estimates for 2023FY and 2024FY are 18.5 billion TL and 25.7 billion TL, respectively. We assess that the company can sustain a gross profit margin of around 50%. With these assumptions, we anticipate EBITDA of 4.0 billion TL and 5.2 billion TL for 2023FY and 2024FY, respectively.

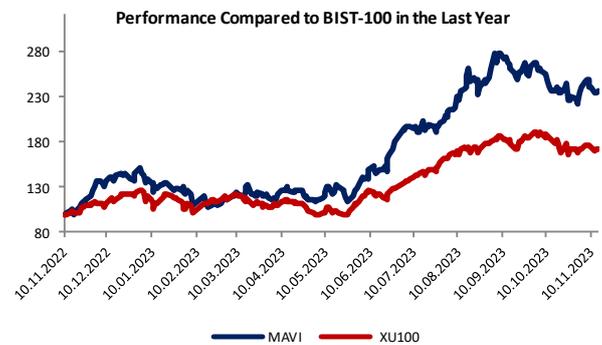
#### **Risk Factors**

- The company is partially exposed to currency risk concerning revenues, operating expenses, assets, and liabilities denominated in different currencies.
- Adverse effects on consumer spending habits due to global economic conditions could negatively impact the company's operations.
- Operating in a highly competitive industry, the company is susceptible to the significant adverse effects of market competition, which could impact sales and profitability.

## MAVI

**Outperform**

Closing Price (TL)	101,20		
<b>Target Price (TL)</b>	<b>164,00</b>		
<b>Upside</b>	<b>62,1%</b>		
52 Week Range (TL)	41,96 / 123,5		
Beta (1Y)	0,93		
BIST-100	7.665,87		
<b>MAVI</b>	<b>(Mn TL)</b>		
Market Cap.	20.101		
Capital	199		
Free Float	73,0%		
ADTV (3 month)	243,4		
<b>Price Performance (%)</b>	<b>L1M</b>	<b>L3M</b>	<b>L1Y</b>
MAVI	-0,49	-2,41	123,06
BIST-100	-5,51	-0,32	64,61
BIST-100 Relative	5,32	-2,09	35,51



<b>FINANCIAL RATIOS</b>	<b>2023/12E</b>	<b>2024/12E</b>	<b>2025/12E</b>
Revenues (Mn TL)	18.536	25.668	33.369
EBITDA (Mn TL)	3.956	5.214	6.540
EBITDA Margin (%)	21,34%	20,31%	19,60%
Net Profit (Mn TL)	1.995	2.565	3.502
Net Profit Margin (%)	10,76%	9,99%	10,49%
<b>VALUATION RATIOS</b>	<b>2023/12E</b>	<b>2024/12E</b>	<b>2025/12E</b>
P/E	10,08	7,84	5,74
P/B	4,84	3,28	2,24
EV/EBITDA	4,79	3,64	2,90
Price/Sales	1,08	0,78	0,60
<b>HISTORICAL RATIOS</b>	<b>S1Y</b>	<b>S2Y</b>	<b>S3Y</b>
P/E	9,06	9,07	61,05
P/B	4,92	4,31	4,41
EV/EBITDA	4,87	4,27	4,90
Price/Sales	1,21	1,06	1,03

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## Mavi Summary

Mavi Giyim Sanayi ve Ticaret A.Ş. engages in the wholesale and retail trade, import, and export of ready-to-wear clothing products produced on order for both domestic and international markets. The product range includes women's, men's, and children's denim products, as well as knitted and cotton shirts, t-shirts, sweaters, jackets, skirts, dresses, and accessories. The company's international operations started in 1994, with central offices located in Turkey, the United States, Canada, Germany, and Russia.

The Turkish ready-to-wear clothing market consists of both local and international players. According to IPSOS data, Mavi is a leader in the 14+ age denim market with an 18.5% share and is one of the top three brands in women's and men's ready-to-wear clothing. Mavi Giyim has positioned itself between the branded entry segment and the premium segment of the denim market, showcasing its ability to design, develop, and offer premium products.

## Production and Sales Information

**In the first half of 2023, the company's retail revenues grew by 114%.** Retail sales in Turkey's physical stores increased by 116% compared to the same period of the previous year. With a 16% increase in store traffic, the number of transactions grew by 19%, and the shopping basket increased by 81% due to the impact of high inflation.

**Foreign sales, in Turkish Lira, grew by 8% assuming a fixed exchange rate of 40%.** Online sales through Mavi.com and e-commerce sites showed growth of 95% in Turkey and 49% in international markets in the first half of the year.

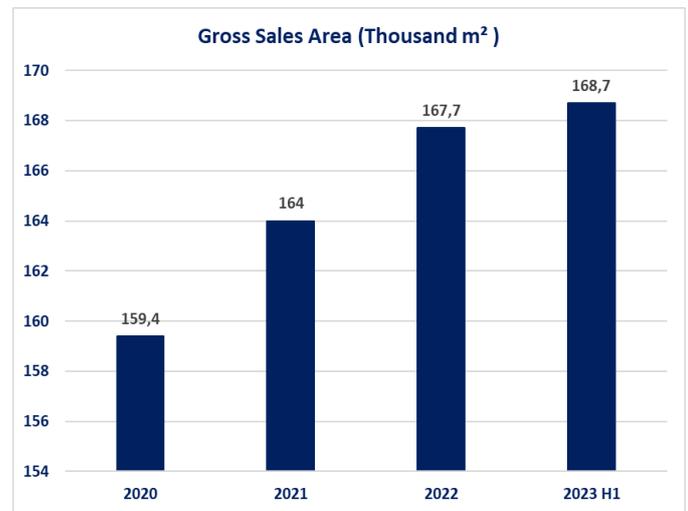
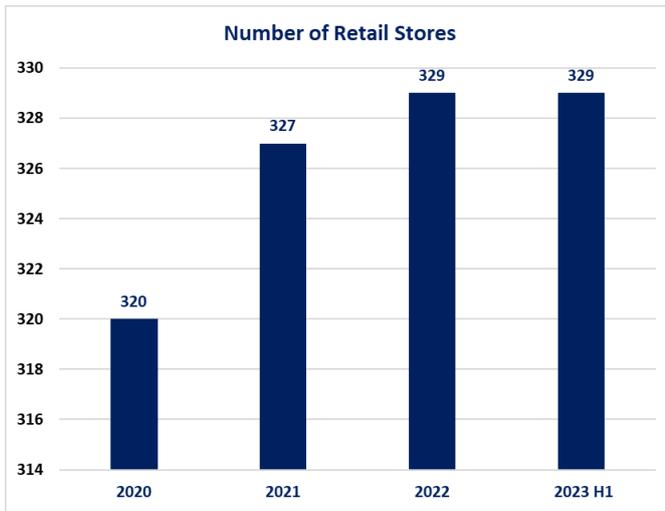
Mavi's sales revenue for the first six months of 2023 increased by 104% compared to the same period in 2022, reaching 8.4 billion TL. (The growth in sales is attributed to both price increases and volume growth.)

EBITDA increased by 69% compared to the same period last year, reaching 1.8 billion TL.

Net profit increased by 58% on a quarterly basis, reaching 644 million TL, and increased by 66% in the first half to 1.1 billion TL.

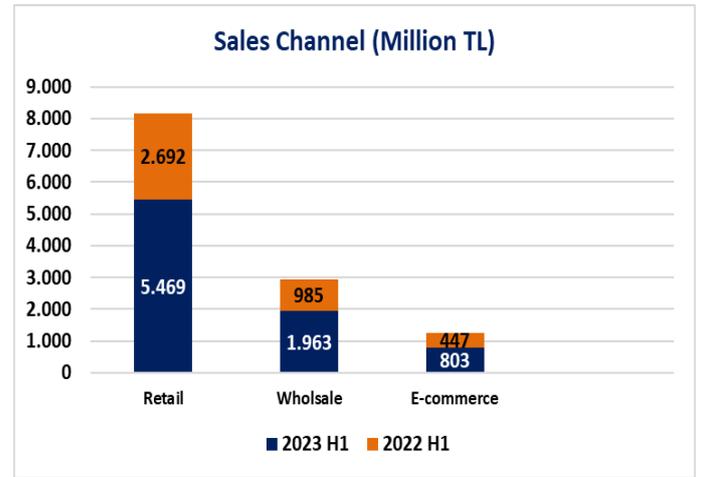
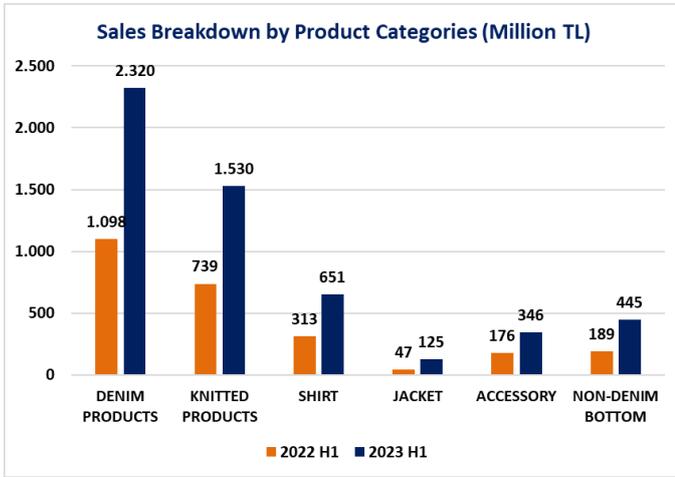
## The Company's Retail Activities

- In the first six months of 2023, the total number of retail stores reached 329 by the end of July 2023.
- The total sales area was 168.7 thousand square meters, with an average store size of 513 square meters.



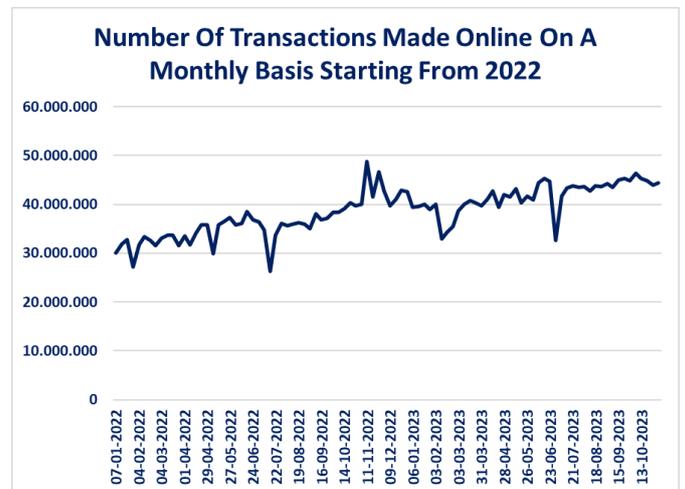
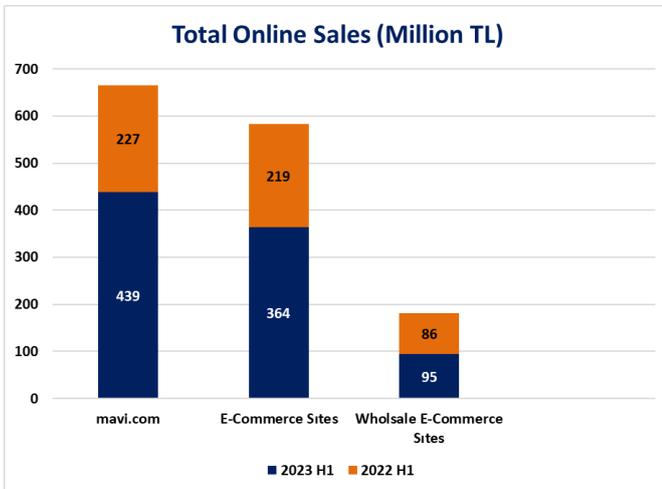
**Sales Segmentation and Channel Distribution:**

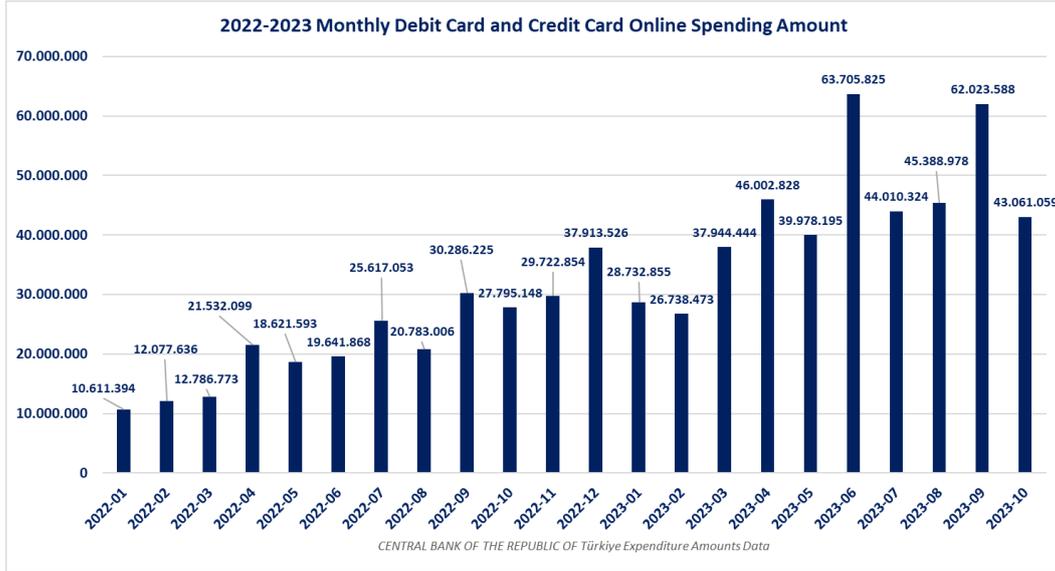
- In the first half of 2023, the product category with the highest sales was denim products. Mavi, directly collaborating with fabric manufacturers, produces exclusive fabrics. This allows the company to manufacture denim products in different varieties and qualities compared to the market, while also maintaining cost advantages.
- Following denim products, the sales breakdown is led by knitted products and shirt categories. In the first half of 2023, sales totaling 5.4 million TL were dominated by denim products, knitted products, and shirts, constituting 83% of the total sales.
- Denim products account for 42.8% of sales, knitted products make up 28.2%, and shirts contribute to 12% of the total sales.



**Online Sales Development:**

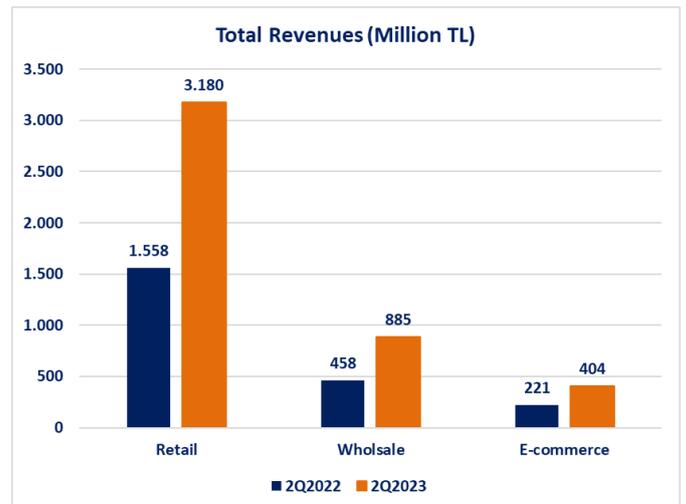
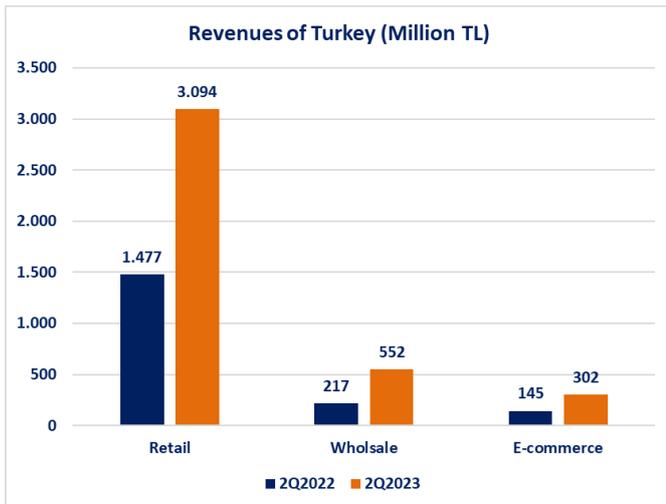
- The growth has been predominantly influenced by the performance of Mavi.com, particularly in Turkey.
- The company, which doesn't heavily rely on discount policies for its products, incurred a total discount expense of 9% last year. This approach allows the company to sell its products at full price, contributing to a positive profit margin strategy across all product categories.





**Revenue Development:**

- In the first half of 2023, the company generated 67% of its global revenues through retail, 23% through wholesale, and 10% through e-commerce channels.
- In the first half of 2023, 87% of consolidated revenue came from sales in Turkey. The company, efficiently utilizing its production capacity, aims for further growth in the Turkish market. Being proactive in new product designs and productions, and with a diverse product range, Mavi competes at the forefront in the Turkish market.
- Mavi's international revenues grew by 3% in the second quarter and 8% in the first half of the year, assuming a fixed exchange rate. We believe that the most effective and potentially high market for the company's international markets is the United States.

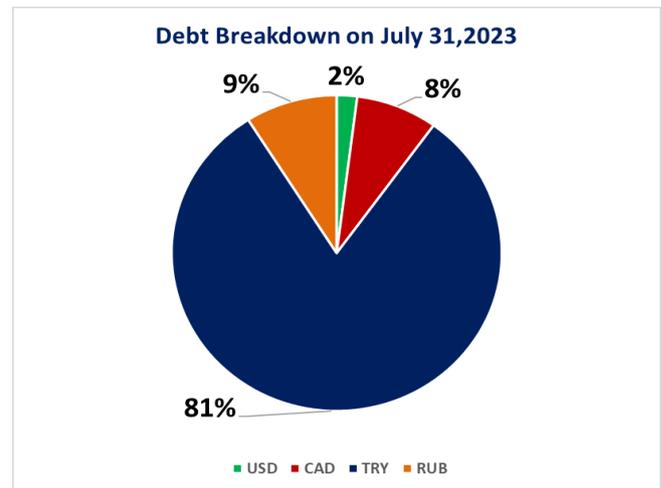
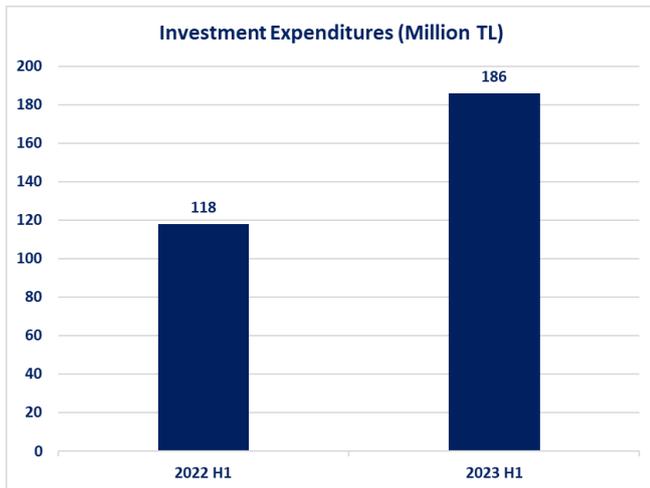


### Cash Cycle and Cash Flow

- In 2023, stocks increased in line with unit-based growth and demand expectations. The stock distribution mainly consists of new Fall-Winter season products. Effective stock management ranks high among the company's management priorities.
- We anticipate the accounts receivable collection period to be 26 days at the end of 2023 and 28 days in 2024. We expect it to remain in the range of 26-28 days in the following years. Projecting the inventory turnover period to be 121 days at the end of 2023 and 127 days in 2024, we anticipate it to continue in the range of 122-119 days in the subsequent years. For the accounts payable turnover period, we project 122 days at the end of 2023, 125 days in 2024, and an expectation of 126-131 days in the following years.
- We expect Mavi to reach a net working capital of 1.4 billion TL at the end of 2023 and 1.9 billion TL in 2024.
- Considering the relevant years, we predict that the ratio of net working capital to sales will be 7.50% at the end of 2023 and 2024.

### Investment Expenditures and Liabilities

- In the first half of 2023, the company made investment expenditures totaling 186 million TL. The ratio of investment expenditures to sales revenue is 2.2%. The majority of the company's investment spending is related to tangible fixed assets. Examples include new store openings, furniture, and fixtures used for the expansion and renovation of existing stores.
- As of July 31, 2023, the company's short-term debts amount to 1.7 billion TL, long-term debts are 344 million TL, resulting in a total debt of 2.1 billion TL. The debt segmentation is detailed in the table below."





**Valuation Based on Historical Multiples**

**Valuation Based on Market Multiples - MAVI**

Market Multipliers	L3Y	Current	2023/12E	2024/12E
P/B (Max)	6,33			
P/B (Avr.)	4,41	5,23	4,84	3,28
P/B (Min)	2,49			
P/E (Max)	639,27			
P/E (Avr.)	61,05	10,59	10,08	7,84
P/E (Min)	5,73			
P/Sales (Max)	1,59			
P/Sales (Avr.)	1,03	1,35	1,08	0,78
P/Sales (Min)	0,60			
EV/EBITDA (Max)	8,55			
EV/EBITDA (Avr.)	4,90	5,83	4,79	3,64
EV/EBITDA (Min)	2,52			
Estimates		Current	2023/12E	2024/12E
Equity (Mn TL)		-	4.157	6.124
Net Profit (Annualized/Mn TL)		-	1.995	2.565
Revenue (Annualized/Mn TL)		-	18.536	25.668
EBITDA (Annualized/Mn TL)		-	3.956	5.214
Future Market Value Based on Average of Multipliers (Mn TL)			2023/12E	2024/12E
P/B (Avr.)			18.346	27.025
P/E (Avr.)			19.949	25.650
P/Sales (Avr.)			19.109	26.462
EV/EBITDA (Avr.)			19.382	25.545
Weighted and Discounted Value Based on Market Multiples			2023/12E	2024/12E
Weighted Value (Mn/TL)			19.480	26.454
<b>Current Value (Mn/TL)</b>			19.063	19.968

\*In valuation based on multiples, the target value has been calculated by considering the average values of the PD/DD ratio, PD/Sales ratio, and FD/EBITDA ratio over the last three years. Having average multiples below the current multiples suggests a more cautious approach in valuation. For the P/E ratio, the average value gives meaningful results due to extreme figures. Therefore, a valuation based on the P/E ratio has been conducted, considering the widely accepted market standard of a P/E ratio around 10, which is close to the current value.

Income Statement (Mn TL) - MAVI	2020/12	2021/12	2022/12	2023/12T	2024/12T	2025/12T
Revenue	2.402	4.619	10.592	18.536	25.668	33.369
<i>Change</i>	-16,1%	92,3%	129,3%	75,0%	38,5%	30,0%
Cost of Sales	1.242	2.248	4.990	9.194	12.834	16.684
Gross Profit/Loss	1.160	2.372	5.602	9.342	12.834	16.684
<i>Change</i>	-17,4%	104,4%	136,2%	66,8%	37,4%	30,0%
<i>Margin</i>	48,3%	51,3%	52,9%	50,4%	50,0%	50,0%
Operating Expensis	1.087	1.714	3.625	6.210	8.727	11.512
<i>Ope. Exp. / Sales</i>	45,3%	37,1%	34,2%	33,5%	34,0%	34,5%
Net Other Operating Income/Expenses	18	41	45	82	132	200
Operating Profit/Loss	91	699	2.023	3.215	4.239	5.372
<i>Change</i>	-75,0%	670,8%	189,5%	58,9%	31,8%	26,7%
<i>Margin</i>	3,8%	15,1%	19,1%	17,3%	16,5%	16,1%
Net Investment Activity Income/Expenses	-1	0	14	1	3	6
Net Finance Income / Cost	-77	-160	-333	-556	-821	-1.001
Profit / Loss Before Tax	12	539	1.703	2.660	3.420	4.377
Tax	4	116	244	665	855	875
Net Profit / Loss	5	400	1.439	1.995	2.565	3.502

Company Financials

Financial Statement (Mn TL) - MAVI	2020/12	2021/12	2022/12	2023/12T	2024/12T	2025/12T
<b>Current Assets</b>	<b>1.787</b>	<b>2.856</b>	<b>6.785</b>	<b>11.297</b>	<b>16.271</b>	<b>22.648</b>
<i>Cash and Cash Equivalents</i>	893	1.482	3.245	4.702	7.780	11.943
<i>Financial Investments</i>	-	27	58	70	97	126
<i>Trade Receivables</i>	231	394	871	1.854	2.182	3.003
<i>Inventory</i>	560	751	2.308	3.893	5.134	6.173
<i>Other Current Assets</i>	102	229	362	779	1.079	1.402
<b>Non-Current Assets</b>	<b>921</b>	<b>1.239</b>	<b>1.858</b>	<b>4.235</b>	<b>5.630</b>	<b>7.242</b>
<b>Total Assets</b>	<b>2.708</b>	<b>4.095</b>	<b>8.643</b>	<b>15.532</b>	<b>21.901</b>	<b>29.890</b>
<b>Current Liabilities</b>	<b>1.786</b>	<b>2.570</b>	<b>5.444</b>	<b>9.504</b>	<b>13.056</b>	<b>17.604</b>
<i>Short Term (ST) Financial Liabilities</i>	1.040	1.120	1.891	4.174	6.317	8.843
<i>ST Trade Payables</i>	638	1.189	2.961	4.356	5.390	7.007
<i>Other ST Liabilities</i>	108	262	592	974	1.349	1.754
<b>Long Term Liabilities</b>	<b>388</b>	<b>332</b>	<b>467</b>	<b>1.687</b>	<b>2.538</b>	<b>3.118</b>
<i>Long Ter (LT) Financial Liabilities</i>	366	277	290	1.453	2.214	2.697
<i>Other Long Term Liabilities</i>	22	55	177	234	324	421
<b>Equity</b>	<b>534</b>	<b>1.193</b>	<b>2.732</b>	<b>4.340</b>	<b>6.307</b>	<b>9.167</b>
<i>Net Profit</i>	5	400	1.439	1.995	2.565	3.502
<b>Total Liabilities</b>	<b>2.708</b>	<b>4.095</b>	<b>8.643</b>	<b>15.532</b>	<b>21.901</b>	<b>29.890</b>

Ratios	2023/07*	2020/12	2021/12	2022/12	2023/12T	2024/12T	2025/12T
EBITDA	3.253	402	1.057	2.526	3.956	5.214	6.540
P/B	5,23	5,16	2,98	4,45	4,84	3,28	2,24
P/E	10,59	574,26	8,30	8,01	10,08	7,84	5,74
P/Sales	1,35	1,10	0,72	1,09	1,08	0,78	0,60
EV/EBITDA	5,83	7,81	3,04	4,12	4,79	3,64	2,90
EBITDA Margin	21,86%	16,75%	22,88%	23,85%	21,34%	20,31%	19,60%
Net Profit Margin	12,76%	0,19%	8,67%	13,59%	10,76%	9,99%	10,49%

\* 2023/07\* data for the period are annualized.

## **Methodology**

The target value of a stock represents the value that the analyst expects to be reached at the end of our 12-month performance period.

### **Outperform (OP)**

If this decision is made for a company, it indicates that better returns are expected for the stock compared to the index in the medium and long term. However, this decision does not guarantee that the stock will rise or outperform the index. Any changes in market conditions, developments in the macroeconomy, global economic developments, or news about the company after the report is published can change this decision.

### **In-Line with Index (IL)**

If the decision of "In-Line with Index" is made for the relevant stock, there can be various reasons for this. This decision may have been made if the company's recent data and future estimates do not show significant differences compared to the past. The stock price of the company may be at levels close to what it should be in terms of valuations. Making an "In-Line with Index" decision for a stock does not mean that the stock will not move up or down. Generally, this decision indicates that in the medium and long term, a return similar to the index is expected for the stock. However, every new piece of news and change in market conditions can alter this decision.

### **Underperform (UP)**

If the decision of "Underperform" is made for a stock, it indicates that weaker returns are expected in the medium and long term compared to the index. Even if the "Underperform" decision has been made for a stock, short-term price increases for the stock or short-term technical indicators giving a buy signal are possible. In some cases, even if returns are not expected from the stock in the medium and long term, short-term "Outperform" or "In-Line with Index" returns can be achieved when there is significant news, temporary profit increase news, or developments that will lead to a positive short-term price trend.

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