Mavi Giyim

2Q25– Earnings Update and Conference Call Highlights

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Mavi reported 2Q25 (May-July) IAS29 revenues of TL9.6bn (-4 y/y), company EBITDA of TL1.5bn (-8% y/y) and net income of TL231mn (-66% y/y) on Wednesday evening. 2Q25 revenue and EBITDA materialised in line with company made consensus whereas net income missed market expectation (TL371mn) by 38%. Despite 166bps y/y decline in EBIT margin, net margin declined by 447bps y/y. NI included TL137mn negative impact from non-cash accounting adjustment on trade payables and TL344mn lower financial income y/y. Weaker than anticipated net income and guidance revision put pressure on the stock price on Thursday and the company made buyback.

Results call was held yesterday afternoon and the highlights are summarised on the following page. We believe negative catalysts may continue weighing on the stock price in the short term. Competition remains tough with strong TL and macro issues are still problematic for affordability. With recent results and new guidance, our revised 12M target price is TL54.00/share and Outperform recommendation is maintained.

Mavi revised its 2025 guidance: Please note that IAS29 expectations are as follows: Consolidated revenue: low single digit decline (Previous guidance: low to mid-single digit growth / 1H25: -9% y/y), 18.0+% inc. IFRS16 EBITDA margin (PG: 17.5%+ / 1H25: 18.2%). Pre-IAS29 expectations are: Consolidated revenue growth of 30% (PG: 35%+ / 1H25: 24%), 21.5%+ inc. IFRS16 EBITDA margin (PG: 20.0+% / 1H25: 21.7%). Trading update for Turkiye operations' pre-IAS29 August retail and online sales growths were 30% and 18% y/y in order. First half September increases are 36% and 43%, respectively. Retail stores guidance: Net 10 store openings (PG: 20 / 1H25: net closure 1), 12 store expansions (PG: 15 / 1H25: 8) in Turkiye retail stores, 8 new stores in North America (maintained), maintenance of exc IFRS16 net cash position and including HQ investments and NA retail investments capex/sales of 6% (PG: 5%/ 1H25: 6%).

As of end- July 2025, Mavi's retail stores in Turkiye became 351 with net one store closure in 1H25. Total selling space in Turkiye reached 190K, up by 6% y/y with average store size of 543sqm.

According to IAS29 data, consolidated 2Q25 top-line receded by 4% y/y: Turkiye revenues declined by 4% y/y (retail down by 3%, wholesale down by 7% and online down by 6% y/y) and international revenues shrank by 4% y/y (despite 5% increase in constant currency, USA business +19% y/y). In 2Q25, Turkiye LFL sales decreased 5.4% in real TL terms and grew 1.2% in volume. Number of transactions was down 3.7% and basket size was down 1.7%. Total retail volume grew 4.2%.

2Q25 IAS29 (inc IFRS16) company EBITDA margin materialised at 15.70% down by 70bps y/y which was mostly in line with gross margin decline of 68bps. In 2Q25, imputed interest rate impact was 360bps and inventory inflation adjustment impact was negative 470bps. Opex/sales (exc D&A) is stated to be flattish y/y in 2Q25. With respect to pre- IAS29 IFRS16 margins, gross margin receded to 55.1% (imputed interest rate impact +360bps) from 55.8% (imputed interest rate impact +430bps). Pre-IAS29 2Q25 company EBITDA margin declined to 20.4% from 21.2%.

As of end-July 2025, Mavi has 418 mono-brand stores in Turkiye and 60 int'l mono-brand stores (Russia 33, RoW 23, Canada 4). 1H25 inc IAS29 capex was TL1.2bn implying capex/sales of 6.1% which is above 1H24's 3.1% affected by HQ move.

According to IAS29 applied balance sheet, end-1H25 net cash (exc IFRS16) materialised at TL4.5bn versus end-2024's 6.1bn. NWC/sales was 8.0% compared to end-2024's 5.6%. Operating cash flow in 2Q25 was TL937mn and resulted in 1H25 operating cash flow of TL2.3bn versus 1H24's TL4.5bn.

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Current Rating			Outperform
Expected Market Reaction			Slightly Negative
Price	TL38.60	Mcap (USDmn)	$744mn
Target Price	TL54.00	Prev. Target Price	TL50.00
Upside	40%	Free Float	73%
High /Low 30Day	46.3 / 37.9		

Estimate Revisions	1W	4W	3M
# of Buy/Hold/Sell	14/1/0	14/2/0	14/2/0
Rel Perf. XU100	-8.6%	-5.4%	-7.1%
ADV (TLmn)	1,002	676	534

OYAK est exc IAS29	2025E
Sales	42,240
EBITDA	8,904
NI	3,597

Multiples & Ratios (OYAK Est exc IAS29)	2023	2024	2025E
EV/EBITDA	5.8x	3.9x	3.2x
P/E	10.6x	7.8x	8.5x
P/S	1.5x	0.9x	0.7x

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Main highlights from MAVI's recent 2Q25 results call:

- *As a reminder, Mavi revised its 2025 guidance:*
  IAS29 expectations are as follows: Consolidated revenue: low single digit decline (Previous guidance: low to mid-single digit growth / 1H25: -9% y/y), 18.0+% inc. IFRS16 EBITDA margin (PG: 17.5%+ / 1H25: 18.2%).
  Pre-IAS29 expectations are: Consolidated revenue growth of 30% (PG: 35%+ / 1H25: 24%), 21.5%+ inc. IFRS16 EBITDA margin (PG: 20.0+% / 1H25: 21.7%).
  Trading update for Turkiye operations' pre-IAS29 August retail and online sales growths were 30% and 18% y/y in order. First half September increases are 36% and 43%, respectively.
  Retail stores guidance: Net 10 store openings (PG: 20 / 1H25: net closure 1), 12 store expansions (PG: 15 / 1H25: 8) in Turkiye retail stores, 8 new stores in North America (maintained), maintenance of exc IFRS16 net cash position and including HQ investments and NA retail investments capex/sales of 6% (PG: 5%/ 1H25: 6%).

- It has been emphasized in the call that store guidance in Turkiye was revised down since some shopping malls had problems about finding tenants and this also postponed construction and openings. This is expected to normalise in 2026. With respect to store closures, it is stated that this is not only linked to the stores' operational metrics lagging targets but is also about Mavi's strategy for opening larger stores and will continue in the future. They intend to increase +1000sqm stores share in their portfolio which is currently c20%. As of end-July 2025, Mavi's total selling place in Turkiye reached 190k sqm with average sqm per store at 543 versus end-2016's respective figures of 117k sqm and 447.

- Revised top line guidance is related to lower store opening targets and easing inflation. The fashion retailer confirmed that 2Q was below their budget despite strong start in May. June and July were weak in denim and men category. Some competitors did restructuring and inventory cleaning campaigns were quite aggressive. Mavi tried to make most of its strong CRM muscle and tried to keep away from tough competition related traps. Weak foreign tourist arrivals had adverse impact but Mavi's diverse geographic business model was to some extent supportive.

- With respect to start of 2H25, August is stated to be fine and September was strong due to back to school. Regarding pricing index vis-à-vis competition, it is stated to be maintained. International competitors are getting aggressive since TL is stated to be strong and this brings about intense competition. Mavi is stated to be committed to its strategy about offering good quality at good prices. Consumers' budgets are depressed and requirement of campaigns time to time is also required. The retailer is satisfied with its procurement partners and is not observing problems on that front. In 2H25, Mavi is expecting flat to positive volume growth. Minimum wage increases at end-2025 and relevant wage adjustments will also be important going forward. On net margin side, 2H25 is expected to be above 1H25.

- 1H25 capex/sales was high at 6.1% versus 1H24's 3.1%. It is highlighted that HQ's move had one-off impact and 37% of 1H25 capex was this move driven. The move is completed in 2Q25.

- With respect to international operations, USA is the main contributor. With respect to expansion in the country, there was around 6-9 months delay due to procedures. Mavi has opened 2 stores until now in 3Q25 and the figure is planned to reach 8 at the end of January 2026. Mavi has decided about new stores locations and has a list including 20-30 stores. Mavi is likely to give more meaningful colour about US expansion when their store number reach 15-20 in USA.

- Mavi is likely to make decision about future of Europe business in 2026.

- It has been decided that the buyback program will not be used two weeks before release of financial results since it might bring along wrong signals.

Summary Financial Statements

Income Statement	2024/2Q (TL mn)	2025/1Q (TL mn)	2025/2Q (TL mn)	Change (q/q %)	Change (y/y %)	2024/06 (TL mn)	2025/06 (TL mn)	Change (y/y %)
Net Sales	**9,917**	**10,270**	**9,564**	**-7%**	**-4%**	**21,897**	**19,833**	**-9%**
COGS	4,855	4,910	4,747	-3%	-2%	10,549	9,656	-8%
Gross profit	**5,062**	**5,360**	**4,817**	**-10%**	**-5%**	**11,348**	**10,177**	**-10%**
Operating expenses	4,154	3,963	4,100	3%	-1%	8,227	8,063	-2%
EBIT	**908**	**1,397**	**717**	**-49%**	**-21%**	**3,121**	**2,114**	**-32%**
Depreciation	663	700	738	5%	11%	1,317	1,438	9%
Company EBITDA	**1,628**	**2,115**	**1,503**	**-29%**	**-7.7%**	**4,501**	**3,618**	**-20%**
Net other income	9	191	-92	n.m.	n.m.	195	99	-49%
Net income from investments	3	-4	-5	18%	n.m.	7	-9	n.m.
Net financial expenses	-197	-321	-389	21%	97%	-614	-710	16%
Net monetary gain/ loss	-25	-98	-54	-45%	117%	84	-152	n.m.
Profit before tax	**691**	**1,165**	**176**	**-85%**	**-74%**	**2,792**	**1,342**	**-52%**
Tax expenses	-67	-315	-10	-97%	-85%	-764	-325	-57%
Minority interest	59	29	65	124%	10%	46	94	105%
Net profit	**683**	**880**	**231**	**-74%**	**-66%**	**2,074**	**1,111**	**-46%**

Operating Performance	2024/2Q	2025/1Q	2025/2Q	Change (q/q)	Change (y/y)	2024/06	2025/06	Change (y/y)
Gross margin	51.0%	52.2%	50.4%	-183 bps	-68 bps	51.8%	51.3%	-51 bps
EBITDA margin	16.4%	20.6%	15.7%	-488 bps	-70 bps	20.6%	18.2%	-231 bps
EBIT margin	9.2%	13.6%	7.5%	-611 bps	-166 bps	14.3%	10.7%	-359 bps
Effective tax rate	-9.7%	-27.0%	-5.8%	2,123 bps	391 bps	-27.4%	-24.2%	315 bps
Net margin	6.9%	8.6%	2.4%	-615 bps	-447 bps	9.5%	5.6%	-387 bps

Balance Sheet	2024/06 (TL mn)	2025/03 (TL mn)	2025/06 (TL mn)	Change (q/q %)	Change (YTD%)	2024/06 (TL mn)	2025/06 (TL mn)	Change (YTD %)
Cash and equivalents	8,315	7,561	5,884	-22%	-29%	8,315	5,884	-29%
Trade receivables	2,141	2,934	2,292	-22%	7%	2,141	2,292	7%
Inventories	6,262	6,537	6,611	1%	6%	6,262	6,611	6%
Tangible fixed assets	2,117	2,679	3,154	18%	49%	2,117	3,154	49%
Intangible fixed assets	1,704	1,678	1,698	1%	0%	1,704	1,698	0%
Total assets	23,526	24,619	22,884	-7%	-3%	23,526	22,884	-3%
Financial loans (total)	3,493	3,138	3,335	6%	-5%	3,493	3,335	-5%
Trade payables	6,759	6,605	5,551	-16%	-18%	6,759	5,551	-18%
Shareholders' equity	10,766	12,470	11,721	-6%	9%	10,766	11,721	9%
Total liabilities	23,526	24,619	22,884	-7%	-3%	23,526	22,884	-3%
Net debt / (cash)	-4,823	-4,428	-2,554	-42%	-47%	-4,823	-2,554	-47%

Source: Reported and restated financials including IFRS16 and IAS29, company presentation, EBIT= grofit – total opex

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