

MAVI GIYIM

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Mavi: 1, Market: 0

Company and Sector Overview

Established in 1991, Mavi is a key player in Turkey's denim apparel scene, offering a diverse range of clothing for all ages, available both locally and globally. Despite challenges like the 2023 earthquake and economic shifts, Mavi successfully navigated through these obstacles. Expanding its reach with 8 new stores in Turkey, Mavi features a network of 465 mono-brand stores and nearly 4,000 global sales points. According to Statista, it is projected that the revenue of manufacture of wearing apparel in Turkey will amount to approximately \$29.5bn by 2023. Ipsos positions Mavi as the top player with an 18.5% market share in the denim market for individuals aged 14 and above. It also ranks among the top three apparel brands for both men and women.

Profitability Performance

The company demonstrated solid growth in both top-line and bottom-line figures:

- **Revenue:** Totalled TRY5.77bn, marking a robust y-y growth of 80.4%. The figure for the quarter surpassed the consensus estimate of TRY5.43bn by 6.3%. Revenue from domestic sales comprises 87%, while the remaining comes from international sales.
- **EBITDA:** Reached TRY1.65bn, showcasing a 120.3% increase y-y and exceeding the consensus of TRY1.26bn by 30.5%. The EBITDA margin also strengthened 28.6% from the previous quarter's 21.2%.
- **Net Profit:** Achieved TRY1.02bn, reflecting an impressive 127.9% y-y growth and landing 44% above the consensus estimate of TRY0.71bn.

Financial Metrics

Mavi's financial performance in Q3 remained robust, with ongoing improvements in liquidity ratios over the years. While the Debt/Asset ratio increased to 24% from the previous quarter's 20.2%, the Net Debt/EBITDA of -0.34 indicates substantial cash reserves exceeding total debt. Additionally, the company's avoidance of foreign currency debt aligns with its management strategy to mitigate FX risks.

Peer Valuation

Mavi displays a discount of 42% on EV/EBITDA and 33% on P/E multiples compared to its peers' median. Despite the company's robust profitability, sales growth, and strengthened financial position in 3Q2023, the stock remains undervalued. Notably, both EV/EBITDA and P/E ratios saw a 23% drop as of the reporting date, with the stock price remaining relatively flat. This undervaluation might be attributed to delayed response to the company's strong performance, coupled with market's reservation after MAVI's stock performance in summer.

Prospects

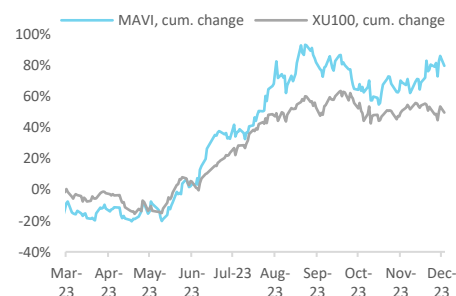
Mavi's strong brand strategy effectively drew in 970k new customers during the initial 9 months of 2023, with projections indicating an end-of-year tally exceeding 1 million customers. The company remains committed to its plan of achieving 8 net openings by year-end and executing 7 expansions throughout the year. Additionally, they plan to maintain a CAPEX/Sales ratio of 3%. The guidance for cumulative sales growth has been adjusted upwards to 85%, and there's an expectation that the EBITDA margin will hit 23.5%.

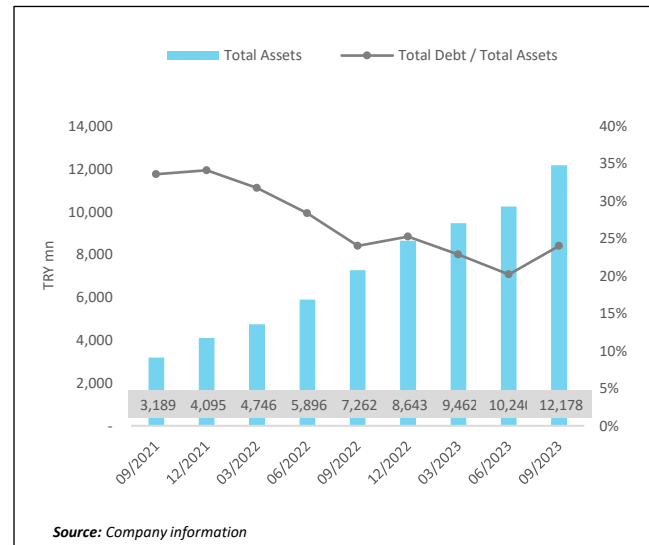
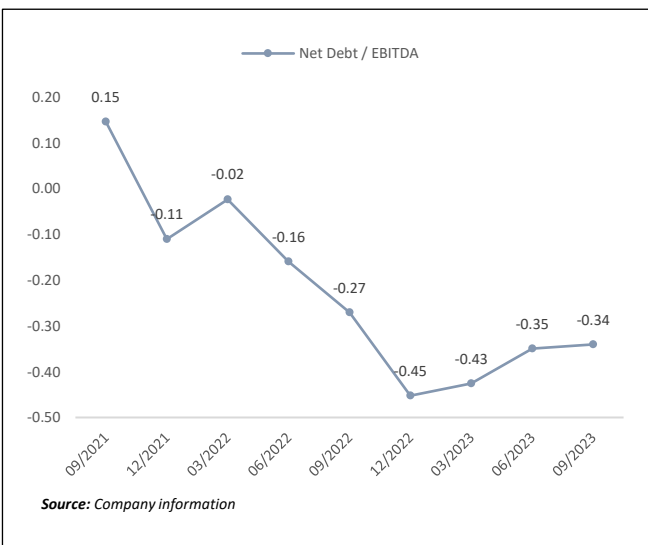
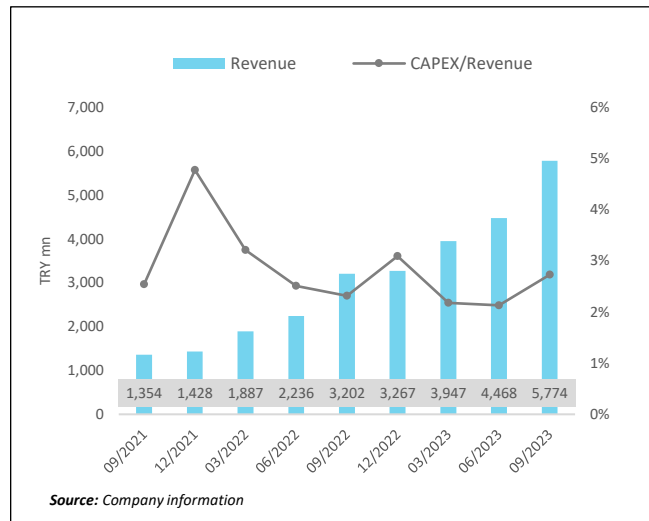
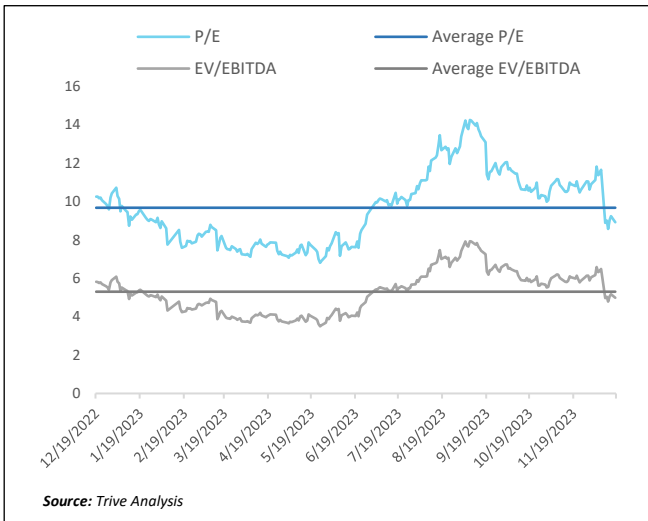
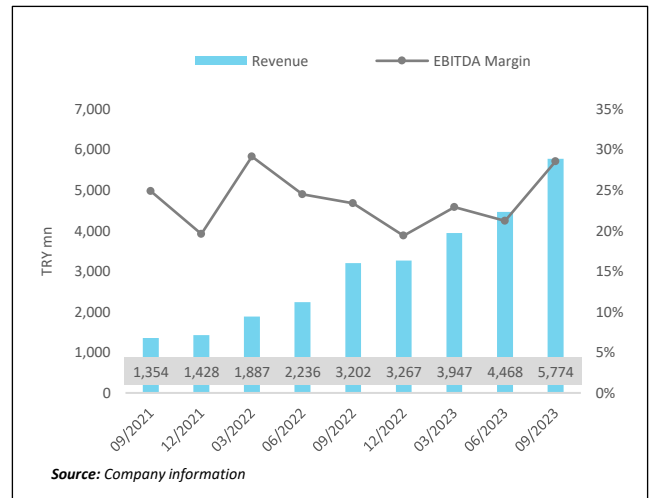
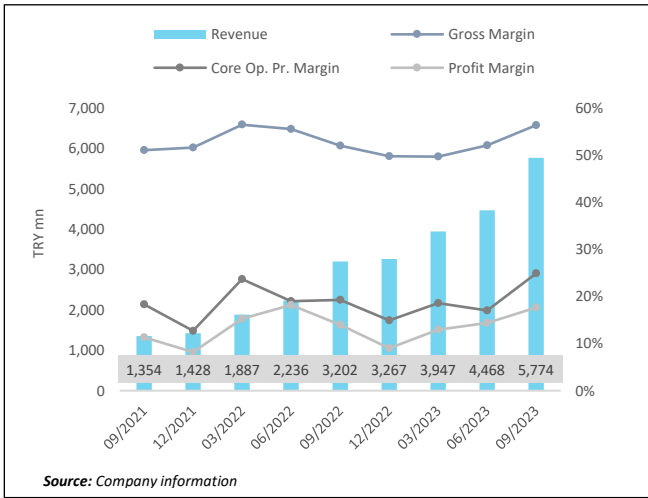
MAVI	12/18/2023
Mavi Giyim	
Free float	73%
Mcap (USD mn)	760
Mcap (TRY mn)	22,028
Share Price (TRY)	110.90
Avg. DT Vol. (TRY mn)	109
EV (TRY mn)	20,619
Latest Report	2023/09
Weekly Return	0.36
Monthly Return	6.43
YY Return	79.49

Highlights	2022	TTM
Sales, TRY mn	10,592	17,456
Sales growth	129%	99%
EBITDA growth	144%	95%
Net Profit growth	245%	93%
EBITDA Margin	23.4%	23.7%
Net Profit Margin	13.6%	14.2%
ROA	23.49%	25.87%
ROE	78.16%	76.18%

Debt (TRY mn)	2022	2023/09
Total Debt	2,181	2,924
Cash & Equivalents	3,303	4,333
Net Debt	-1,122	-1,409
Net Debt / EBITDA	-0.45	-0.34

Valuation Multiples	2022	TTM
EV/Sales	0.98	1.18
EV/EBITDA	4.20	4.98
P/S	1.09	1.26
P/B	4.45	4.62
P/E	8.01	8.91





Company	Ticker	Country	Market Cap. (USD mn.)	EV/Sales	EV/EBITDA	P/B	P/S	P/E	EBITDA Margin (%)	ROA (%)	ROE (%)
Mavi Giyim Premium (+)/Discount (-)	MAVI	Turkey	760	1.18 -41%	4.98 -44%	4.43 32%	1.26 0%	8.91 -35%	23.70 61%	25.87 228%	76.18 355%
Foreign Median				1.20	10.16	2.47	1.18	15.41	13.48	4.00	5.39
Domestic Median				1.99	7.87	4.63	1.78	8.13	21.46	28.75	62.73
Global Median				1.57	8.88	3.36	1.27	13.67	14.69	7.90	16.74
International											
JIANGSU	001234:CNE	China	418.12	3.48	35.78	3.36	4	51.12	9.73	5.47	6.58
ZHEJIANG	002687:CNE	China	385.18	1.70	7.83	1.91	2.01	16.34	21.72	8.7	12.18
YONDOSHI	8008:JPT	Japan	334.58	1.19	13.17	1.23	1.19	35.75	9.03	2.53	3.47
ANZHENG	603839:CNA	China	446.27	1.20	23.27	1.59	1.34	-8.52	5.15	-12.51	-17.45
PEARL GLOBAL	532808:INM	India	344.47	0.94	6.98	3.91	0.9	16.18	13.4	10.23	25.54
RIBO FASHION	603196:CAN	China	453.58	3.37	24.88	3.98	3.36	362.72	13.56	0.74	1.09
OVS SPA	OVS:IT	Italy	557.14	1.07	3.96	0.57	0.31	13.5	27.09	1.33	4.2
ESPRIT	330:HK	Hong Kong	132.35	0.27	23.26	0.29	0.16	-0.74	1.16	-16.21	-32.68
LPP SA	LPP:PL	Poland	7542.49	2.00	9.71	7.01	1.78	22.82	20.55	9.84	33.11
FRASERS GROU	FRAS:GB	UK	5358.48	0.93	7.1	2.47	0.74	7.87	13.05	12.01	34.34
BROWN (N) GR	BWNG:GB	UK	106.49	0.53	3.26	0.22	0.13	-1.4	16.36	-7.09	-14.44
SUPERDRY PLC	SDRY:GB	UK	52.87	0.41	23.62		0.07	-0.28	1.73	-31.94	-333.31
NEXT PLC	NXT:GB	UK	13175.01	2.32	10.6	9.35	2	14.64	21.88	17.45	65.99
HUGO BOSS AG	BOSS:DEX	Germany	5217.44	1.43	8.02	3.9	1.17	19.63	17.81	7.66	21.3
Domestic:											
Suwen Tekstil	SUWEN	Turkey	144	2.49	8.06	8.11	2.41	15.36	30.90	33.51	73.10
Vakko Tekstil	VAKKO	Turkey	409	1.89	6.00	4.77	1.77	7.78	31.55	36.41	80.86
Derimod	DERIM	Turkey	28	0.41	5.04	4.69	0.41	13.85	8.05	8.13	38.16
Desa Deri	DESA	Turkey	155	2.08	7.69	4.57	2.41	8.47	27.10	37.45	79.44
Dagi Giyim	DAGI	Turkey	35	1.79	15.58	3.25	1.05	0.00	11.46	-0.09	-0.27
Bossa	BOSSA	Turkey	208	2.32	14.64	2.48	1.79	6.00	15.82	23.99	52.36

Source: Equity RT and Trive Analysis

Financial Summary

Quarterly Operations (TRY mn)	2022/09	2022/12	2023/03	2023/06	2023/09
Revenue	3,202	3,267	3,947	4,468	5,774
Gross Profit	1,667	1,626	1,962	2,329	3,255
EBITDA	749	633	905	949	1,650
Net Profit	448	295	512	644	1,021

Quarterly Margins	2022/09	2022/12	2023/03	2023/06	2023/09
Gross Margin	52.1%	49.8%	49.7%	52.1%	56.4%
EBITDA Margin	23.4%	19.4%	22.9%	21.2%	28.6%
Net Profit Margin	14.0%	9.0%	13.0%	14.4%	17.7%

Quarterly Growth, Q/Q	2022/09	2022/12	2023/03	2023/06	2023/09
Revenue	43.2%	2.0%	20.8%	13.2%	29.2%
Gross Profit	34.2%	-2.5%	20.6%	18.7%	39.8%
EBITDA	36.6%	-15.4%	42.9%	4.8%	73.9%
Net Profit	10.0%	-34.1%	73.4%	25.7%	58.6%

Quarterly Growth, Y/Y	2022/09	2022/12	2023/03	2023/06	2023/09
Revenue	136.4%	128.7%	109.1%	99.8%	80.4%
Gross Profit	140.8%	120.5%	84.0%	87.5%	95.3%
EBITDA	122.0%	126.5%	64.5%	73.1%	120.3%
Net Profit	192.3%	151.7%	77.3%	58.0%	127.9%

Indebtedness	2022/09	2022/12	2023/03	2023/06	2023/09
Short Term Debt	1,307	1,891	1,865	1,724	2,259
Long Term Debt	436	290	296	345	665
Total Debt	1,743	2,181	2,162	2,068	2,924
ST Debt / Total Debt	75.0%	86.7%	86.3%	83.3%	77.2%
LT Debt / Total Debt	25.0%	13.3%	13.7%	16.7%	22.8%
Total Debt / Total Assets	24.0%	25.2%	22.8%	20.2%	24.0%
Cash & Cash Equivalents	2,319	3,303	3,369	3,200	4,333
Net Debt	-576	-1,122	-1,207	-1,132	-1,409
Net Debt / EBITDA	-0.27	-0.45	-0.43	-0.35	-0.34

Working Capital	2022/09	2022/12	2023/03	2023/06	2023/09
Receivables Days	24.1	23.1	24.5	23.7	24.4
Inventory Days	99.9	104.8	105.6	108.9	113.7
Payables Days	138.8	142.4	143.1	136.7	131.0
Cash Cycle	-14.8	-14.5	-13.0	-4.1	7.0
Net Working Capital	395	218	751	1,149	2,113
NWC / Revenue	2.5%	2.2%	3.1%	3.8%	5.3%

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