



mavi

Mavi Giyim Sanayi ve Ticaret A.Ş.
Interim Report for the Nine Months Period
February 1 – October 31, 2020

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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 2020, ended October 31, 2020. 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 knit and woven shirts, t-shirts, jackets, skirts, dresses, accessories and denim bottoms for men, women and children. International sales operations started in 1994 and the company now has showrooms in Heusenstamm, Düsseldorf, Sindelfingen, Munich, Hamburg, Leipzig, Zürich, Salzburg, Prag, Brussels, Almere, Moskova, New York, New Jersey, Los Angeles, Atlanta, Dallas, Vancouver, Toronto and Montreal.

The Company is a member of Büyük Mükellefler Tax Office with tax id number 613 002 7985, and registered under Istanbul 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 nine months ending October 31, 2020.

Official company websites are www.mavi.com and 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, 2020. Authorized share capital limit is TRY 245,000,000.

Capital structure of the Group as of October 31, 2020 is as follows;

	%	31.10.2020
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
	100.00	49,657,000

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, 2020 are as follows;

Subsidiary	Country	Share
Mavi Europe AG	Germany	100.00%
Mavi Jeans Nederland BV	Netherlands	100.00%
Mavi Jeans LLC Limited	Russia	100.00%
Mavi Kazakhstan LLP	Kazakhstan	100.00%
Eflatun Giyim Yatırım Tic. A.Ş.	Turkey	51.00%
Mavi Jeans Canada	Canada	63.25%
Mavi Jeans Inc.	USA	51.00%

iv. Structure and Composition of the Board of Directors

As of October 31, 2020 the Board of Directors is as follows:

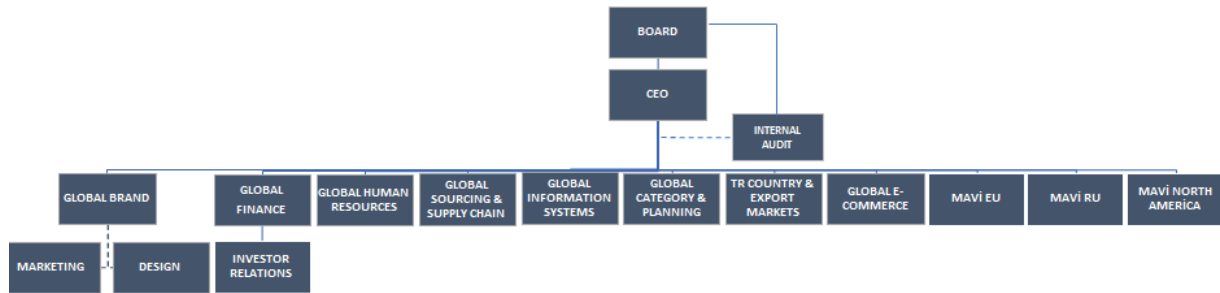
Director	Role	Executive/Independent
Ragıp Ersin Akarlılar	Chairman	Non-Executive
Seymur Tarı	Vice Chairman	Non-Executive
Fatma Elif Akarlılar	Member	Executive
Ahmet Cüneyt Yavuz	Member	Executive
Ahmet F. Ashaboğlu	Member	Independent
Nevzat Aydın	Member	Independent

Short biographical information about the board members can be found on the company website www.maviccompany.com.

Independent board members Ahmet F. Ashaboğlu and Nevzat Aydın are members of the Audit Committee; Chairman of the board Ragıp Ersin Akarlılar, independent board member Nevzat Aydın 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. Ashaboğlu and CFO Bige İşcan Aksaray are members of the Early Identification of Risks Committee.

v. Organization Structure and Management

As of October 31, 2020 Group's total number of employees is 4,105 (3,782 in Turkey, 323 in International offices) Following charts show the Company's organisation structure and management team.



	Position	Starting Date
Cüneyt Yavuz	CEO	2008
Bige İşcan Aksaray	CFO	2019
Elif Akarlılar	Chief Brand Officer	1991

2 – Operational and Financial Information

i. Operational Developments

The Covid-19 outbreak, which was declared a pandemic by the World Health Organization on March 12, 2020, also impacted Turkey, where the first case was reported on March 10, 2020, in several aspects. Global measures such as travel restriction and social distancing aimed to contain and control the spread of the pandemic are also in effect in all the countries where Mavi has operations. Mavi, whose first and foremost priority globally is the health and safety of its employees, business partners and consumers, has followed the public health guidelines issued by WHO and the local health authorities, and decided to temporarily close all stores in Turkey, Germany and Canada as of March 19, 2020 and Russia stores as of March 29, 2020 along with sales from all online channels in Turkey. Online operations resumed on April 17, 2020. During this timeframe, the Company also completed all the necessary preparations and strengthened its technical infrastructure to continue operations remotely, adopting a full-time work from home schedule for all head office employees. As of June 1, all offices have opened and all stores resumed operations. As of this report date, the Turkish government imposed weekend curfew and weekday working hour limitations to be effective as of December 1. There are various restrictions in some of the other countries operated.

In the first nine months of 2020, Mavi opened ten stores, closed seven stores and expanded 7 stores in Turkey. Including 317 monobrand retail stores and 66 franchise stores in Turkey, 22 retail stores and 31 franchise stores internationally Mavi meets its customers in 336 monobrand stores and more than 5.000 sales points globally.

In the period from June 1 to October 31, in which the stores were open, same store sales declines 4.7% compared to previous year. The 38% traffic decline was partially copensated by by high conversion rates to result in 15.5% contraction in the number of transactions and the basket size grew by 12.6%.

Online sales comprising of Mavi.com and marketplace channels continued to perform strong and recorded 161% growth in Turkey and 57% growth in the international markets in the nine months to October 31, 2020.

ii. Financial Developments

TRYm	9M 2019	9M 2020	Change (%)
Revenue	2,148.3	1,751.9	(18%)
Cost of Sales	(1,079.2)	(892.5)	(17%)
Gross Profit	1,069.1	859.5	(20%)
Gross Margin	49.8%	49.1%	
Profit	95.0	25.5	(73%)
Profit Margin	4.4%	1.5%	
EBITDA	510.2	300.6	(41%)
EBITDA Margin	23.7%	17.2%	

As a result of temporary suspension of operations due to Covid-19 pandemic, in the first nine months of 2020, total company sales declined by 18% year over year to 1,751 TRYm. Sales were realised with 49.1% gross margin, and 17.2% EBITDA margin.

In the reporting period, Turkey sales declined by 20% and international sales decreased by 11% compared to the same period last year.

Global e-commerce sales, which generally maintained as an open channel, grew by 112% and constituted 11% of total sales in the reporting period.

iii. Financial Overview of the Management

Following the public health guidelines issued by WHO and the local health authorities regarding the Covid-19 pandemic outbreak, Mavi decided to temporarily close all stores in Turkey, Germany and Canada as of March 19, 2020 and Russia stores as of March 29, 2020 along with sales from all online channels in Turkey. As a result of these developments, business continuity plans have been immediately put into action to manage the situation. In the context of inventory management measures, working in full collaboration with suppliers, cancellations and postponements for the rest of the year have been determined. All operational costs and capital expenditures have been revised given the force majeure circumstances under which the retail industry is considered. To ensure an undisturbed cash flow according to business continuity scenarios, necessary credit lines have been secured with banks. Following the government support practices in all countries we operate in, all applications have been completed in order to tap any available resources. Within the risk

management actions, considering all uncertainties this situation holds, the Board of Directors has decided not to pay any dividend from fiscal year 2019 profits. The company has maintained open communication with all stakeholders throughout the period.

Taking all necessary health precaution measures, stores resumed operations as of June 1, 2020.

Parallel to these circumstances in 9M 2020;

- Group's Consolidated Revenue decreased by 18% to 1,751 TRYm compared to the same period of the previous year.
- EBITDA was realised at 301 TRYm with a margin of 17.2%. In the reporting period, a net profit of 26 TRYm was recorded.
- Net Debt increased to 32 TRYm as at the end of October from 9 TRYm at the end of January, given the borrowing aimed at securing liquidity in the period. As a result net debt/LTM EBITDA multiple is 0.13x.
- 83 TRYm capital expenditure was spent including the investments made for scheduled new store openings, expansions and digital investments.

3 – Market Information

According to Turkstat, Turkey has a population of 83.2 mn as of the end of 2019 with men constituting 50.2% and women 49.8% and with median age of 32. 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 (2018), the total market for apparel and accessories in Turkey was approximately TL 70 billion in 2018 and is expected to reach TL 75 billion in 2023.

From a competition standpoint, the Turkish apparel market includes a mix of local and international players. According to Euromonitor 2018 Turkey Apparel report, Mavi 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 named the most robust brand in the textiles and apparel industry in the “Robust Brands” survey of Marketing Turkey in February 2019. It was awarded the leader in the jeans category in “Turkeys Coolest Brands” survey by Marketing Turkey in 2017 and 2018. According to the Consumers Voice Survey by IPSOS and Kalder, Mavi, with its product and service quality, is the leader of the apparel industry among the brands that create highest customer loyalty. Mavi stood on top of the industry with second ranking in “Turkey's Most Admired Brands” survey by Capital Magazine. It is also named the best looking, most trusted, highest quality jeans brands with the most options by Marketing Turkey. In Turkey Youth Awards, Mavi was awarded “The Best Youth Brand” in Turkey in 2018.

Adding to its achievements in marketing, Kivanç Tatlıtuğ was named the Most Admired Brand Ambassador – Men's with his Mavi commercial in the Most Admired and Preferred Brands in Shopping Malls survey (AYD, February 2019). Mavi was awarded Gold in the apparel category at the Social Media Awards Turkey Data Analytics Awards (Marketing Türkiye & BoomSonar& Deloitte , May 2019).

4 - Future Expectations

Mavi disclosed the management guidance for the financial year 2020 which covers the special accounting period of February 1, 2020 – January 31, 2021 on the Public Disclosure Platform on March 12, 2020 but has withdrawn this guidance in April 2, 2020 after the Covid-19 pandemic impacts have reached Turkey. On September 14, 2020, highlighting that the uncertainties relating to the Covid-19 outbreak on business operations still prevail, management revised its outlook for the financial year 2020 assuming all operations continue to be running for the rest of the year. Curfew and other restrictions could pose a downside risk to this outlook.

- Total consolidated sales : -11% (± 2%)
- Turkey Retail Stores: 4 net new stores, 10 store expansions
- EBITDA Margin : 8.0% (±1%) (exc. IFRS16), 16.0% (±1%) (inc. IFRS16)
- Net Debt / EBITDA : 0.1x (exc. IFRS16)
- Capex : 4% of consolidated sales

5 - Other Developments

- In view of the current uncertain situation due to the Covid-19 pandemic, The Board of Directors considered it wiser to keep all liquidity on hand and has decided to refrain from

paying dividend from FY2019 profit. The non-distribution of dividends have been approved by the shareholders at the AGM that took place in July 16, 2020.

- Ordinary General Assembly Meeting for the financial period of 1 February 2019 – 31 January 2020 was held on July 16, 2020. The general assembly resolutions have been registered under the Istanbul Trade Registry on July 23, 2020 and published on the Turkish trade Registry Gazette dated July 27, 2020, numbered 10126.
- 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 Nevzat Aydın 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.

6 – Summary Financial Tables (Inc. IFRS 16)

Summary Balance Sheet

TRYm	31 January 2020	31 October 2020	Change (%)
Assets			
Current Assets			
Cash and Cash Equivalents	310.8	905.8	191%
Trade Receivables	231.1	279.8	21%
Inventories	496.1	648.2	31%
Other Current Assets	80.7	96.6	20%
Total Current Assets	1,118.7	1,930.3	73%
Property and Equipment	180.7	201.9	12%
Right of Use Assets	406.7	428.3	5%
Intangible Assets	222.4	295.5	33%
Other Non-Current Assets	8.9	28.6	222%
Total Non-Current Assets	818.8	954.3	17%
Total Assets	1,937.4	2,884.6	49%
Short-Term Financial Liabilities	235.7	772.1	228%
Short-Term Contractual Lease Liabilities	198.0	209.7	6%
Trade Payables	597.3	728.5	22%
Other Current Liabilities	92.1	131.7	43%
Total Current Liabilities	1,123.0	1,842.0	64%
Long-Term Financial Liabilities	84.1	165.4	97%
Long-Term Contractual Lease Liabilities	240.8	261.0	8%
Other non-current Liabilities	11.9	22.3	88%
Total Non-Current Liabilities	336.7	448.7	33%
Total Liabilities	1,459.8	2,290.6	57%
Total Equity	477.7	594.0	24%
Total Equity & Liabilities	1,937.4	2,884.6	49%

Summary P&L

TRYm	9M 2019	9M 2020	Change (%)
Revenue	2,148.3	1,751.9	(18%)
Cost of Sales	(1,079.2)	(892.5)	(17%)
Gross Profit	1,069.1	859.5	(20%)
Gross Margin	49.8%	49.1%	
Administrative Expenses	(117.4)	(121.1)	3%
Selling and Marketing Expenses	(633.1)	(647.8)	2%
R&D Expenses	(18.3)	(24.6)	35%
Other Income / (Expenses), net	2.3	19.9	
Operating Profit	302.7	85.8	(71.6%)
Profit/(Loss) from Investment Activities	(0.7)	(1.2)	n.m.
Operating Profit before Financial Income	301.9	84.7	(72.0%)
Operating Margin	14.1%	4.8%	
Financial Expenses, Net	(179.3)	(53.2)	(70%)
Profit Before Tax	122.7	31.5	(74.4%)
Income Tax Expense	(27.7)	(6.0)	n.m.
Profit	95.0	25.5	(73%)
Profit Margin	4.4%	1.5%	
EBITDA	510.2	300.6	(41%)
EBITDA Margin	23.7%	17.2%	

Summary Cash Flow Statement

TRYm	9M 2019	9M 2020
Profit ¹	95.0	25.5
Adjustments	438.4	365.1
Cash Flow from Operating Activities	533.4	390.6
Δ in Net Working Capital ²	(72.9)	(72.0)
Income Tax Paid	(12.0)	(9.2)
Net Cash from Operating Activities	448.5	309.4
Capex	(73.8)	(83.0)
Other Investing Cash Flow ³	(5.6)	35.5
Net Cash Flow Used in Investing Activities	(79.3)	(47.5)
Debt Issued / (Repaid)	21.4	567.2
Payment of Contractual Lease Liabilities	(180.3)	(130.0)
Other Financial Payments ⁴	(65.2)	(43.6)
Interest Paid	(67.4)	(60.6)
Net Cash Flows Used in Financing Activities	(291.5)	333.0
Net Cash Flow	77.7	594.9
Cash and Cash Equivalents at the Beginning of the Period ⁵	262.0	310.8
Cash and Cash Equivalents at the End of the Period ⁵	339.7	905.8

¹Pre non-controlling interest. ²Working Capital includes main working capital items and employee benefits paid as well as deferred revenues. ³Other Investing Cash Flow includes proceeds from sale of tangible assets and interest received. ⁴Other Financial Payments include proceeds from derivatives, imputed interest and financial commissions. ⁵Cash 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