Transcription for Q1 2024 Financial Results Webcast

June 14TH, 2024

Duygu Inceoz:
Ladies and Gentlemen. Welcome to Mavi webcast regarding the financial results for the first quarter of 2024. Our CEO, Cuneyt Yavuz, will be presenting the results followed by a Q&A session. We would like to inform you that this presentation is being recorded and we kindly ask you to keep your microphones muted throughout the presentation.
Now, I will leave the floor to Cuneyt Yavuz.

Cuneyt Yavuz :
Hello everyone! We are here once again for the first gathering of the year. Thank you for attending this webcast regarding the financial results for the first quarter of 2024. As you all know, pursuant to the Capital Markets Board of Turkey's decision, our financial statements are prepared in accordance with IAS 29 inflationary accounting provisions and this presentation reflects the Company's audited financial information including inflationary accounting. To enable investors and analysts to conduct a full-fledged analysis, supplementary historical information for selected key performance indicators are also provided. Please note that such supplementary information is made available only for information purposes and are unaudited.

Before going into results, a few words on the trading environment of the quarter: In Turkiye, the strong consumer demand in 2023 continued into the first quarter as was expected given the significant wage increases in January. The first quarter also had a soft base due to the devastating earthquake last year. Hence, we captured strong volume growth in all categories, inventory moved very fast out of shelves and resulted in margin gains and significant operational cash generation. We believe we are also collecting the fruits of our best-in-class marketing and CRM efforts, leveraging personalized approaches, brand partnerships, strong communications, and data-driven methodologies which allow us to cater to customers of all ages, sizes, clothing preferences, and lifestyles. Strong customer acquisition continued in the quarter, making us look more confident for the future.
Lets start with the key highlights of the quarter, moving on to Slide 3:
• Our consolidated sales reached 8 billion 273 million liras in Q1 2024 growing 20% year on year
• Specifically, Turkiye retail sales grew 26% and Turkiye online sales grew 23%
• EBITDA realized 1 billion 984 million TL, resulting with an EBITDA margin of 24.0%
• Our net income, growing 127% year on year, realized 969 mn TL
• We are now operating 475 mono-brand stores globally
• Our Loyalty Program Kartuş Card has become a leading source of information and a great driver of our growth story in recent years. As our customers' frequency and volume increased significantly, we decided to follow and report on the active customers that have shopped with us in the last one year instead of two years. Hence with 409 thousand new customer acquisitions in the first quarter of the year, in line with our extended targets to reach 1.3 million customers annually, Turkiye active

Kartuş card members who shopped with us in the last 12 months reached 5.7 million

Moving on to review our channel performance on Slide 5 :
In the first quarter of 2024, with continued robust performance, Turkiye sales constituted 89% of our total consolidated revenue. Our sales in Turkiye grew 24% in the first quarter driven by retail business growth of 26% and ecommerce growth of 23%. International revenue contracted 5% in constant currency. The pressure on top-line and margins continued into the first quarter of this year. The sales contraction was mainly due to macro-related demand weaknesses in most of our international markets, some wholesale customers seizing operations in Canada and some technical issues related to marketplace operations in Europe. It is important here to note that the US business is printing healthy positive results, both growing top line and contributing to margins. 2024 will be a year where we will be doing a lot of structural groundwork regarding international operations. As you know we have ambitious plans for North America, working heavily on the strategic roadmap for the next few years. On the other hand, we are implementing some structural changes in Europe, including management changes, warehouse upgrade and SAP transformation. We believe we will start printing some positive results starting from the second half of this year and more so in 2025.

Looking into our Turkiye retail business in more detail: In quarter one, we opened 2 stores and expanded sqm of 3 stores in Turkiye. We are operating 338 stores with an average size of 522sqm as of end- April.

On slide 8, lets elaborate on the like for like store performance: In Q1, consumer demand continued to be strong in Turkiye, manifesting in a LFL sales growth of 20.3% adjusted for inflationary accounting. Product newness and variety, efficient planning along with a successful dynamic pricing strategy enabled a very high-volume growth of 26.7%.This strong performance was driven by 21% transaction growth and a very healthy basket size reflecting effective pricing that contributed to margins and increased units per basket.

Moving on to slide 9 to review category-based developments in Turkiye retail: We continue to trace strong growth across all our product categories, both women and men. In quarter one, denim sales grew 17%, knits business constituting of t-shirt, sweatshirt and jersey offerings grew 31%, non-denim bottoms grew 62%, shirts grew 25%, accessories grew 30% and jackets grew 17% in real terms, adjusted for inflation.

Going forward to reviewing our online sales performance on page 11: In the first quarter of 2024, our global online sales grew 9% year on year and constituted 10.4% of total consolidated revenue. Online sales in Turkiye consists of only direct-to-consumer channels and grew 23% driven by the

strong 36% growth of mavi.com. Online sales constitute 8.2% of total sales in Turkiye. International online contracted 15% in the first quarter, mainly because of weak marketplace operations in Europe. On a positive note, sales through Mavi.com grew 6% year on year. As of 2024 quarter one, online business makes up 27.7% of total international sales.
As Mavi, we are totally focused on improving our omni-channel capabilities in order to provide a total quality Mavi shopping experience for consumers. We will continue to invest in CRM and data analytics to support omni channel growth and make sure online business continues to be a positive contributor to margins.

Let's move on to review our consolidated financial results: Reviewing our gross margin performance on slide 13: In Turkiye, continued strong demand was captured with variety, newness, and right product/price positioning. In Q1 2024, we sold more new-season products than in the same period last year and the sell-through rates were very high resulting with almost no mark-down spending. On the other hand, our strong balance sheet position coupled with efficient sourcing capabilities also contributed to gross margin improvements. Our gross margin realized 52.5% in quarter one, improving 650 basis points including the 250 basis points positive impact of imputed interest rates. Gross margins without inflation accounting are also presented for information purposes.
Moving on to slide 14 to review our EBITDA performance. The significant gross margin improvement was largely reflected on EBITDA margins. Opex to sales in the first quarter was slightly higher as expected, mainly due to the reflections of significant wage increases surpassing 100% year on year. As a result, our EBITDA grew 49% in Q1 2024 resulting in an EBITDA margin of 24% improving 470 basis points. It is important to reiterate the 250 basis points positive impact of imputed interest rate on the margin improvement. EBITDA margins without inflation accounting and without IFRS16 adjustments are presented for information purposes, both also reflecting significant improvements year over year.

On Slide 15, we look into our net income margin performance: The increase in net financial expenses is limited due to our strong balance sheet and hence the operational performance is mostly reflected on our bottom line. Our net income in the first quarter is 969 million TL with a net income margin of 11.7%. This implies an earnings growth of 127% year-over-year.
Without IAS 29 inflation accounting, our net income margin would be 17%, implying an earnings growth of 161%.

On slide 16, we look into our operational cash flow and working capital performance:
The strong sales performance of Türkiye retail operations leading to fast-moving inventory is clearly reflected in the inventory levels and working capital performance in the first quarter. Our inventory level continued to improve significantly in Q1 both in nominal terms and as a percentage of COGS

with 8% lower inventory in number of pieces in Türkiye as at the end of April compared to same period last year. Mavi generated over 2 billion TL operational cash in the first quarter with a 105% cash conversion rate.

Moving on to the next slide: (slide 17) We spent 220 mn TL in capital expenditures in the first quarter resulting in a Capex to sales ratio of 2.7% mostly on store openings and expansions, new headquarter preparations and on digital investments and R&D. With the very strong operational cash generation in Q1 our net cash position increased significantly reaching 5 billion 266 mn TL as of April -end. As always, all the foreign currency debt you see on our consolidated reports belong to our subsidiaries, all borrowing in their respective local currencies and hence does not pose a currency risk. We continue our approach of holding no foreign exchange position on our balance sheet.

On Slide 18,
Before providing some insight on the trading environment in the second quarter, I would like to note that we are preserving the guidance we shared with you in March. We are following the government's ongoing efforts to tackle inflation and we do know that these initiatives will have implications for consumers and retailers. Hence, we want to be prudent and defensive in our outlook for the year. Halfway into the second quarter, we did start witnessing some normalization in consumer demand. Sales volume growth is still in the positive territory but somewhat eased from its extraordinarily high levels. The positive pricing environment persists. Türkiye retail sales grew 74% and online sales grew 73% in May. The first 12 days of June includes the positive sales impact of the approaching Eid Holiday and therefore shows 121% growth in Türkiye retail and 98% growth in Türkiye online. With this final note, I am happy to take your questions now.

Duygu Inceoz:
Ladies and gentlemen, if you wish to ask a question, please raise your hand and we will call your name. If you prefer to type your questions, you may use the chat screen. We have one question coming from Cemal Demirtaş. Cemal, go ahead, please.

Cemal Demirtaş
Firstly, thank you for the presentation and again I would like to thank you for the disclosure standards. I really care and maybe most of the investors care about it because that shows the quality of the disclosure. So I really appreciate and thank you for that because I have been asking this question to many companies and there were some issues possibly, but your disclosure standards should be an example with some other companies. Thank you once again. If I go back to my question, how do you see the picture for the second half of the year? After July or starting by July, the minimum wage impact or other, do you see any signal of any change in the consumer behavior so far? You

shared the trading update, but I would like to hear more color. What kind of change do you expect in consumer behavior going forward? Thank you. Thank you very much.

Cuneyt Yavuz:
Thank you for the kind words and I must also say that when we hear such praise, we are also extremely motivated to keep doing a great job in terms of keeping our relationship with our investors and shareholders. So much appreciated. And I'm also, as always, since we went public, I have mentioned that we also want to and always want to be a blue chip company with full transparency and very good relationships with our investors. And I'm happy to hear that, you know, we are achieving some piece of that when it comes to what we see. So if you look at the first four and a half months, like we're into the half part of June, so three months or five months almost now passing through, we, as Mavi, we, you know, and you're living here and you're probably appreciating seeing what we're doing. We have a very good inventory situation. We are really fast and agile to the shelf. We are using a lot of our data and intelligence to understand the consumer needs as well as the pricing dynamics and the competitive environment vis-a-vis our 15, 20 competitors that are out there. So we're gathering all the smartness that we can do while at the same time, again, you know, using our above the line communication again this season, both with starting with Kıvanç and following with Serenay. And nowadays, you know, ahead of the holiday season, you know, using all our digital influencers to keep the top of mind share and interest and keep the traffic building for money to come. We are doing all of this because, as you mentioned, there is going to be a certain amount of headwinds as the government tries to tackle a bit more of the inflation and an effort to try to try to cool down the economy. Having said that, we at Mavi are, you know, we remain at the growth mindset and we want to continue to grow and continue to capture market share with the great momentum we already have. Therefore, I mean, in terms of guidance, as you can see from here, we want to see how this bayram period, Eid period comes through. It will be a critical threshold. Summertime is typically a very strong period for Mavi. It's a period where people do shop a lot of Mavi products. So right now, we are very much encouraged with the momentum we have ahead of the e-shopping that is coming ahead of us. I must also reiterate that we have been communicating with you and all the investment community and our shareholders. As an industry, as Mavi, we remain in a relatively discretionary market. So our products, from a price quality perspective, in terms of the pocket share of the consumer, is very favorable and very desirable. And we will do our utmost quality and product investment and innovation and bringing newness to the shopping experience, doing all the stuff we can do in terms of the whole omni-channel transformation and shopping experience and consumer shopper experience. We believe that our franchise will remain healthy and consumers, regardless of the tough times ahead, will still continue to shop. And when they shop, and they will continue to shop t-shirts, shirts, underwear, socks, jeans, et cetera, that we are the brand that consumers continue to come to. And the current momentum is indicative of that. If you look at past many years, we were able to acquire around a million customers, new customers who were coming in.

With our further developed omni-channel and CRM capabilities, we have last year exceeded our expectations and gained 1.3 million new customers. So our stadium of supporters, Mavi supporters have increased and have become larger as a base vis-a-vis the previous years. Therefore, we also increased this year's target to make sure at least a minimum of, again, 1.3 million new customers are coming to age, starting from 14, 15, 16-year-olds, to those who are not also shopping with us right now, and or to find those customers who come and shop with us but are not necessarily frequenting us enough. Whereas they could come and buy other product categories and we can increase their UPTs and basket size and wardrobe. So we're attacking the, we're being even more aggressive, let's say, let me put it this way, to make sure the new customer acquisition is there. And as I mentioned in my introduction or review of the quarter, we are also, you know, if you look at first quarter new customer acquisition, over 400,000 new customers that came in. We are, we remain very confident in terms of this momentum to, you know, continue. And it's our job, it's my marketing team, the product team, the innovation, the category team to work really hard to make sure that the consumer traffic and footfall is at Mavi. And then we can continue this into the following, you know, days and months of this year. We do, you know, in one way or another, expect a certain normalization. And normalization, if I recall, like if you go back to my 16 years, the first, like, say, the 10 years of my Mavi, this is going to be more like a 15 to 20% growth, yeah, which is still an aggressive and healthy growth that is out there. We are already exceeding that, if you look at the first four, five months. So a bit of normalization might come in, but who knows, maybe we can further exceed that. So we have, as a team, decided that we wait for this Bayram period, Eid period to pass through. See how summer comes in. But as you mentioned, a lot of what happens will be determined when the back to school period comes in. When the typical, you know, back to school, food pricing, back to school expenses come in, people move back to the cities, et cetera, then we will get a real flavor of, you know, where the economy is slowing down. And again, inflation is still rampant. I mean, the numbers are coming down, but it's still high, which means it's eating out of the pockets of the consumers who, customers and salary earners who had a salary increase. But that's also going to be negatively impacted. So there is going to be an adverse situation vis-a-vis like for like, you know, fall, winter, this year, vis-a-vis last year. But for all the right reasons that I mentioned, and with all the great and hard work we're putting in, and as a local brand sourcing in Turkey and being very close to the Turkish consumer, using our strong balance sheet, using our great brand position and advocacy, we remain confident. And, you know, also, again, final reminder, as a business category of brand consumers, you know, we are selling discretionary products at a very reasonable pricing with extremely good quality and good service. We remain relatively bullish for the rest of the year, and hence you can see our 2024 guidance up here. I hope, Cemal, that sort of helps give a bit of a flavor of how we are reviewing the rest of the year. Thank you.

Cemal Demirtaş:
Thank you. Thank you very much. It was very helpful.

Duygu Inceoz:
There is a question on the chat screen from Alpay Dinçkok . It's regarding whether the government will increase the minimum wage continuously and give a raise to employees even if there is no increase in minimum wage?

Cuneyt Yavuz:
What we have done as Mavi is that we are doing twofold. We have two stratas of employees within Mavi. We have around more than 5,000 people who are working in the stores, and a good portion of them are working on a base minimum salary, minimum wage, plus good premiums and good bonuses. And, of course, the company, as you can see, is delivering good results. They also make double, triple the minimum wage, thanks to the good sales coming in. So, it is our job, it is my job, to make sure that not only as Mavi we are the employee's choice, but also our business partnership, but also for people who are working, choose to stay at Mavi and work for Mavi. What we have done, working with my finance and HR team, is for the second half of the year, we have planned a salary increase, put it into the budget, and when you see our guidance and the direction there, it's in the plan. But in terms of what percentage that salary increase, or how we pay it, because another option is maybe we don't do a salary increase, but give a month or two-month salary bonus route, not to impact the base of salary. These are some of the ideas that we are meddling with. So, we will see, as I mentioned, back to school period is going to be quite determinant in terms of how things proceed. And when that time comes, depending on the economic situation, I think we will be on the side of supporting our employees with the good financial and balance sheet results we have, so that they are extremely motivated and come happily to the job and worry less about what's happening in the Turkish economy.

Duygu Inceoz:
To follow up with the same question, I think, if wage increases do not occur, do you expect a significant decline in purchasing power for the rest of the year?

Cuneyt Yavuz:
Firstly, I just said when I was doing the introduction, there will be definitely a purchasing power decrease. Again, as a category, we see some of the negative impacts in terms of more durable goods and more big-ticket items taking place. But when we come to, you know, probably where Mavi stands as a special place, you know, after food items, we are probably right after that coming in. So, we do believe that we will be siding by the customers, competitive pricing, good product, good service, regardless of certain eating into their salaries, they will come out and they will be shopping.

And when they do shop, it will be our job to be extremely competitive and make sure consumers are coming into and walking into Mavi shop to spend their very valuable money. Therefore, these are all factored in into our guidance. And we remain bullish. We will work really hard, as I said, to continue to gain new customers, to increase the frequency of customers who are already coming in, and also make sure that we can also expand the categories that customers are shopping with Mavi to make sure that we don't see, we continue to see a positive like-for-like growth for the coming not only months, but also for 2025 and onwards.

Duygu Inceoz:
Another question is, you aim to expand international operations in the foreseeable future. To what levels do you expect the share of North American and European sales and the total revenue to rise from their current service, and how much affects this plan for the future?

Cuneyt Yavuz:
In this context, I mean, in a sort of more investor's mindset concept of this quarter, next quarter, or even this year, next year, it is not that easy for me to guide a ratio between international and Turkey. I am happy to say that the Turkey business has been exponentially growing and we're gaining great momentum, and it wouldn't be unheard of if we were to continue this momentum and double our business in Turkey over the next two or three years. So we are very ambitious and aggressive when it comes to our domestic market, and we see a lot of upsides here also. Therefore, as a ratio, it's very difficult to say in such a vibrant economy that position we have in Turkey to mention and put a ratio vis-à-vis the international market. But let me put it this way. We are front-loading especially the U.S.-North America businesses, both organization, warehouse, IT, ERP, CRM systems, and we are going to be quite ambitious when it comes to especially the U.S. market with our Mavi brand. Our Mavi NA CEO will be presenting to the board by the end of this year a three-year roadmap upon which I will come back to the investment community and transparently give them a color in terms of CapEx requirements, our year one, year two, year three directional growth plans, and hold ourselves accountable to what more we can do. But keep in mind that we are determined to do it. We have already invested a lot of people and grown the human capability and systems and operation capability. The team is really working hard. In the U.S., we have attended the most recent mall shoppers association, rental, you know, real estate fairs. We have identified routes to go. We are mapping some stuff. We are putting together a lot of financial stuff. And we will, you know, start growing our U.S. business or opening up new retail shops in the U.S.A. All of that at this point in time, as far as we can see, can be self-financed, meaning the U.S. legal entity will do their own P&L and will grow their business, and they have a credit plan to go borrow and build a business model like we did in Turkey many years ago to open up shops and reinvest and continue to grow the business there. When it comes to Europe, we see Europe a bit more stable. Again, like the U.S., we are in the midst, as I mentioned also in the review, in the midst of doing a lot of organizational changes, and we will complete our ERP, SAP transformation by the end of this year in Germany and covering

all of Europe. For the strategic roadmap of Europe, the way it goes, I think we will be talking more like June, July next year. So, first, we have to sort of bring down from the shelf the U.S. operations, and then in the second half of next year, I will come back and share with you more about what we want to do with Europe, because there are a lot of questions that we have to answer. It's a bit more stable. It's more defensive, and it's more difficult to grow there, and retail is, at this point at least, does not seem like a viable option. And therefore, we have to really crack down the e-com part, as well as specialty, as well as going beyond them, meaning like we are managing there, but what more of the tops and lifestyle categories and where we can sell them. And as well, there's also, of course, in Europe a geographical expansion opportunity beyond the countries that we are already serving. So, where is there upside? Definitely, there is an upside, but the how part, we are in the midst of working for that, and that will probably take another year. But this time next year, I think I'll be in a better position to give direction in terms of where this goes. Net-net, in terms of capex ratio, in terms of our momentum, then I doubt whether there will be mega impacts in terms of our capex ratio as a total sales. So, we typically, as you know, have been at around 3%. There may be, and there will be, and again, I will come back and explain to you more on that. But there will come a time with the current growth momentum that we will have to do investments in terms of warehousing services, especially in Turkey. But that will be more, again, clear by the end of this year with the final decision in terms of what sort of, what level of investment, and what level of 3PR services, the mix we are going to do. And there might be a period over the next two, three years where this 3% capex ratio goes around 4%, 5% for a year or two. But that is yet to be seen. And one of the key reasons, because this is also a question I get, we are keeping some of the cash we have, is to see how the inflation and credit lines are shaping up, and what sort of warehousing, omnichannel data, digital investments we may need across the coming months. Once that is more or less settled in, hopefully we can decide in a positive way, if there is excess cash, what we're going to do with that money. But at this point in time, it's more like money in the piggy bank, preparing for the future.

Duygu Inceoz:
I find someone has a question. We observed that the company's credit card commission expenses are almost offset by interest income in recent periods. For the previous periods, it was net expense. What does the company have with this year's guidance for net financial expense?

Cuneyt Yavuz:
So I'll hand over to Bige, our CFO, to mention what her take is on this situation. Bige, would you like to take this question?

Bige Iscan Aksaray:
Yes. We believe that the interest income is going to grow, because we're not in a financial situation, and we will continue our position. So in the short term and long term, we will continue our net financing income position.

Cuneyt Yavuz:
Thank you.

Duygu Inceoz:
And then he has another question. We see Q1 actual capex significantly lower than this year's guidance. When do you expect the capex to accelerate? How much of planned capex is related to new headquarters offices? I can actually answer that. Most of the store openings that are planned, the 15 store openings for this year, most of it will take place in the second quarter. It's planned for the second quarter. So you'll see more of the capex coming in in the second quarter. And headquarters offices, yeah, they already started. So throughout the whole year, you will see headquarters office capex spending as well. That's generally around 1, 1.5% of total capex. I mean, our 3% capex ratio would be holding if it wasn't for the headquarters offices' expenses.

Murat B has a question, Go ahead, please.

Murat B:
Hello. Thank you for the call and congratulations for the very strong results. My question is related to your gross margin performance. On what degree do you expect the strong performance in this quarter to normalize over the next quarter or the rest of the year? I mean, with the capex average to be achieved in the following quarters, there seems to be a significant upside potential in your EBITDA margin guidance. How would you evaluate this? Thank you.

Cuneyt Yavuz:
Thank you. I think it is fair when you look at the current quarter, one result coming in. And even when we look at the first month and a half of trading environment, that we are in a more positive territory in terms of where our margins are standing, vis-a-vis what we budgeted actually internally. The good news is this is giving us a lot of pre-headwind ammunition and gives us a lot of cash up front capability. Again, another good news of this is when we have such a good balance sheet and when you are negotiating with our sourcing partners, then we can use the power of cash also in terms of raw material, capacity planning, and so on. So it becomes a positive self-fulfilling prophecy, let's say, in terms of getting things even better and better. In terms of where you would normally expect a minus is, I think, as I said, spring-summer, as we call it, quarter one, quarter two, we will exceed our expectations in terms of where we want it to be. But when the fall-winter products are coming in, at this point in time, and you probably did get a flavor of what I'm trying to say, you're hearing probably within the lines that we're not going to be aggressive when it comes to pricing. We're going to side with the consumer, appreciative of the fact that the consumer's pocket will be hurting in the second half. Therefore, we have currently budgeted for a lower margin transition for fall-winter. Again, having said that, we can still internally, there's a good chance that when we might work really hard and the

consumer demand and traffic with the new customer acquisition and all the marketing and activities we continue to do, there's a chance, good chance, and we remain optimistic, that we can also exceed what we are planning for, for the coming fall-winter. But normal rhythm is SS is done almost, and we're going to have good results. We are above what we sort of guided for. And fall-winter, because of the salary increases and no minimum wages potentially and salary adjustments coming in, second half becoming more challenging. Therefore, both from a product-based perspective as well as from a pricing strategy perspective, there will be some margin erosion. What we are favoring and doing a lot on as Mavi is doing a lot of planning, so understanding our different socioeconomic groups of customers and gender and age groups, what they're shopping, where they're shopping, and have good analytic tools to map also where the competition is. Therefore, it is all resulting in a situation where we literally have become a full-price company, meaning we put up a price and it's already, quote-unquote, promoted. It's already the right price. And you may recall, last year, Mavi was voted in as the most trustworthy brand of Turkey, which is, for me, I mean, I'd be great on it, but at the same time, it's a bit sort of strange. You would expect a car brand or an insurance company or a bank to be earning this pledge, this banner. It also demonstrates that consumers are feeling the truthfulness or the transparency with which we're being very close to them and that we're not abusing this unknown inflationary environment to go all up bananas or do some funny campaigns of, you know, price up, price down. It's a very steady go. Actually, one could even say a step behind, go off like following the consumers, looking at the price environment, competitive environment, identifying the products, and then making sure that the right price and quality matches are there. And as far as I know, if we keep this momentum, this trusting relationship for the valuable money, where do I spend it? I want to spend it at Mavi. If we keep this good working relationship with our franchise and consumers and customers, I am confident that, you know, again, we might exceed our margin perspectives. But in terms of phasing, again, spring, summer versus fall, winter, we expect a drop. And some of it is part of our planning to be more competitive. Some of it is because the cost base is going up. There is inflation in Turkey. And therefore, we are, at this point in time, very reluctant to price up. And we are very defensive, erring on the side of the consumer. Thank you.

Murat B:
Thank you. It was very helpful.

Duygu Inceoz:
One follow-up from Anton on the chat screen. If you continue generating cash at this rate every quarter, you will accumulate a significant amount of cash. How do you plan to utilize it? Is it possible to see interim dividends or bonus issues or anything like that?

Cuneyt Yavuz:
It's something we talk about every board meeting. At this point in time, I would probably be a bit distant to a potential buyback. Of course, if we were able to do that, I would definitely let, you

know, give the speed and upside heads up. As you know, in the latest general assembly, we got an approval to pay or to do a prepayment of dividends as per our guidance of 30 percent of net income. Therefore, following the second quarter and depending on the economy and the output, there is a chance that we will do a prepayment of dividends. That's one area we may use our cash. The second thing, again, I'll repeat this, by the second half of this year, we'll have a very good visibility in terms of Turkey's CAPEX requirements when it comes to IT digital transformation and new potential warehouse changes. Once I have a good, with my finance team and this supply chain team, a very good understanding of what the cash, what cash it will take to deal with this new investments and new level, then I can come back and say, OK, I have this much excess and so on. What do I do with that money? At this point in time, it is cash there, but there is a good chance that without going to the banks, I may use that money to put the money back into investments in terms of CAPEX investments for money. So we are being a little prudent, let's say, for the next couple of months of keeping the money in the bank with a potential early dividend payments. And then potentially in the second half of the year, once we realize what's happening, I can be in a much better position to tell you guys, OK, this is the sort of investment that's ahead of us. Here's how my CAPEX ratio will play out. And here is how we want to use the current cash and potential cash generation. So for the time being, we are enjoying the cash generation in our bank accounts, makes us feel comfortable, especially in this uncertain times of all the economy or to what extent the economy might slow down.

Duygu Inceoz:
Do we have any other questions?

Cuneyt Yavuz:
I would like to thank all of you for coming and joining us in this very good results quarter. It has also nicely reflected on our share price today. So we broke our own record. So we feel really proud and privileged to be teaming up with you. And we are also, as employees of Mavi, on behalf of my team, you know, are really happy that we can, you know, do a good share of the returns. And to those who are investing and believing in Mavi brand and Mavi company. It's also just ahead of bayram period. So I wish everybody happy vacations. And I look forward to seeing all of you soon in a couple of months for quarter two results. In the meantime, as always, we are always here at your service. If you have any other questions, please reach out to us. And we'll be more than happy to do our best to answer what might be on your mind. Thank you very much and take care. Bye-bye.