Transcription for Q4 2024 Financial Results Webcast

March 27TH, 2025

Duygu Inceoz:
Dear Analysts and Investors, Welcome to Mavi webcast regarding the fourth quarter and the full year results of 2024. Before starting, I would like to kindly remind you to review the disclaimer on the webcast presentation and consider all forward-looking statements and comments in accordance with the cautionary statements on the disclaimer. In accordance with the decree of the Capital Markets Board, our financials are reported using IAS 29 financial reporting in hyperinflationary economies. The financial figures in this presentation and all comparative amounts for previous periods have been adjusted according to the changes in general purchasing power of the Turkish lira in accordance with IAS 29 and are finally expressed in terms of purchasing power of the Turkish lira as of January 31, 2025. To enable investors and analysts to conduct a full-fledged analysis, supplementary historical information for selected key performance indicators is also provided. Please note that such supplementary figures are clearly identified and is made available only for information purposes. Our CEO, Cuneyt Yavuz, will be presenting the results now followed by a Q&A session Lastly, I would like to remind you that this presentation is being recorded. Please make sure to keep your microphones muted throughout the presentation. Now, I will leave the floor to Cuneyt Yavuz.

Cüneyt Yavuz:
Thank you Duygu. Hello everyone. Welcome to our 2024 full year financial and operational results webcast. 2024 turned out to be a challenging year, marked by uncertainties in the macroeconomic environment that impacted consumer purchasing power and demand. Throughout this period, as Mavi we continued to prioritize being a reliable and responsible partner to our employees, customers, business partners, and communities while remaining focused on our long-term goals of maintaining a healthy business franchise. Before we review our 2024 total year performance I would like to take you through the strategic highlights of 2024, offering an insight into the key developments within Mavi Company.

In a highly competitive landscape, it is our responsibility to ensure Mavi remains aspirational— a love brand and the preferred choice of consumers at all seasons. In 2024, our primary focus has been on further elevating our brand positioning while attracting new customers, as we have been consistently doing year after year. We base our approach to business mainly on three strategic pillars.

Firstly, our top priority is relentlessly offering the right high-quality product at the right price. In the context of Turkey's recent hyperinflationary period, this commitment has been even more critical, serving as a key driver in building consumer trust and gaining market share. Investing in and expanding our premium product segments is central to our strategy to enhance brand positioning, perception and in attracting new customers to our wide range of product portfolio. In addition to our established premium lines—Mavi Black, Lux Black, Pro, and Mavi Icon—this year we introduced the

Mavi Edition collection, targeting the modern man with a premium style, defined by contemporary fashion codes. This collection focuses on high-quality essentials and sophisticated smart casual products.

Our second strategic pillar focuses on reinforcing Mavi's positioning as Turkey's go-to denim-centric casual brand. Our "The Jean is Mavi" campaign reinforced our leadership in the denim market, showcasing Mavi's broad range of fits, styles, and trends that cater to all customer segments, from core to premium price points. At the same time, we continue to ensure that Mavi is the destination for Casual Lifestyle, with hero sub-categories such as Basics, Logo & Polo t-shirts, sweatshirts, and non-denim bottoms.

Increasing the appeal of Mavi as a lifestyle brand represents the third and final strategic pillar. Our collaborative collections, Wunder and Marche were key in attracting new customer groups. Wunder is resonating with a younger audience, while Marche has proven successful in attracting fashion-forward urban women. The Marche collaboration significantly helped our business in expanding our market share within the 25-35 age group of female consumers. Additionally, the growing Maviterrenean collection reinforces the total look concept, further strengthening Mavi's unique brand story.

As a result of these focused strategic initiatives, we have seen a substantial increase in our top-of-mind awareness levels in denim, which have recently surpassed 70%. Furthermore, we've successfully acquired 1.5 million new customers in 2024 and gained market share across both denim and non-denim categories.

We are dedicated to creating the happiest Mavi customers, both in-store and online, ensuring the highest level of satisfaction. Our newly upgraded Retail Store Concept not only enhances the way we showcase our offerings but also reinforces Mavi's premium brand perception. Alongside this, we've redefined our retail organization and field operations model to align with a new service framework, designed to increase operational efficiency and elevate the overall customer experience. We are confident that all these investments will be critical in increasing customer loyalty and continued business growth.

In the digital space, we continue to invest in UI/UX improvements across our online platforms. Key innovations introduced in 2024 include the Jean Finder, Digital Gift Card, enhanced personalized search capabilities, expanded shipping and payment options, and an AI-powered WhatsApp chat feature. We are increasingly leveraging data analytics and AI-driven tools to refine and enhance the online shopping experience.

This year, we shifted our focus beyond a linear customer experience approach to a comprehensive analysis centering around the total Customer Journey and Life-cycle. We initiated 360-degree customer monitoring and analysis, ensuring we listen to and deeply understand our customers through multiple channels. I am also proud to share that Mavi was honored with the Gold Award in the Ready-to-Wear category at the 10th A.C.E. Awards, which recognizes exceptional customer experience based on feedback from 1.5 million customers.

We continue to drive growth across all key areas of our business, with a strong focus on retail expansion, online innovation, and omnichannel integration. In retail, we've seen an 8% increase in retail space, with 16 net new store additions and 15 existing stores undergoing space expansions. This not only strengthens our physical presence but also enhances our ability to provide an elevated customer experience across our locations. On the digital front, we're seeing remarkable growth in Mavi Online. Our Mavi App now has 8 million active users, up from 5.7 million in 2023. This increase is a testament to the growing demand for our digital platforms. Mobile devices continue to be the key driver of digital sales growth with 90% of traffic and 80% of sales. We are also expanding Mavi's digital footprint globally, with Mavi.com Turkey now reaching customers in the GCC and Europe. Our omnichannel initiatives are delivering significant results. In-store online sales have surged 190% year-over-year, now contributing close to 2% of our total store revenue. These omnichannel efforts have driven nearly 600 million TL in incremental revenue, reinforcing the power of our integrated shopping experience. Click & Collect has also become a popular option, now accounting for 10% of Mavi.com purchases. Additionally, we've enhanced convenience by allowing in-store returns for online purchases, creating a seamless experience for our customers.

As part of our commitment to becoming a more data-driven organization, we've made significant advancements in our CRM strategy. In 2024, we upgraded our CRM approach with a new segment management model, now tracking and targeting customers across 8 segment models and 18 main individual segments. This enhanced segmentation allows us to tailor our marketing efforts more effectively and ensure we're delivering personalized experiences for our customers. In terms of personalized engagement, we've taken a major leap forward. We've designed and implemented over 300 targeted campaigns in 2024, a substantial increase from 100 in 2023. These campaigns are designed to not only acquire new customers but also to strengthen engagement and drive long-term loyalty. We are also advancing our understanding of customer behavior through Customer Acquisition and Lifecycle Analytics, focusing on identifying the pathways that turn casual buyers into loyal customers. This is central to driving sustainable growth and enhancing customer retention.
The acceleration of our data-driven transformation continues with the integration of AI-powered solutions. We've launched a data analytics platform that supports our pricing strategy, utilizing price elasticity calculations and predictive analytics to ensure we're always competitive while maximizing

margins. Our investments in product analytics are also designed to help us better understand and respond to customer and market expectations. We've implemented solutions to monitor consumer data sources and identify emerging fashion trends as they are emerging, enabling us to take speedy product introductions. Additionally, we're partnering with innovative start-ups while building our internal capabilities for data collection and AI-powered fashion trend forecasting. Finally, we are utilizing GEN AI-powered solutions to enhance the productivity of our support functions such as finance, legal, and HR. This is just one more way we're integrating technology to streamline operations and create efficiencies across the whole organization.

Mavi's strength lies in its people. I can not highlight enough the quality of people working in our company. Clearly, I am very proud of the team we have. On the diversity front, 60% of our workforce, 52% of our management team, and 50% of our Board of Directors are women, reinforcing our dedication to equality. In 2024, we've launched the 360-Degree Feedback and Competency Assessment programs to enhance performance and leadership development, and the 9-Box Talent Framework that ensures effective succession planning for key positions. Our Mavi Young Talent and Mavi NextGen initiatives continue to attract and nurture future leaders. At Mavi, we also prioritize community building. We are proud to be recognized as the #1 brand of youth in Future Brights Understandig the Youth research made in August 2024, with 20% of the respondents naming Mavi as their favorite brand. We are engaging in numerous community initiatives such as Indigo Turtles Volunteer Camp, the Mardin Biennale, music festivals, campus activities, and building vibrant social media communities. Our 'TEAM MAVI' community remains a strong influence among youth, and we continue to make a positive social impact through projects like the SosyalBen Skill Development Center, TEV Scholarship, Blindlook, Encander, and Miav & Hav initiatives supporting stray animals.
There are two major highlights in 2024 in the Sustainability arena that made us very happy: First : Once again we made the A list of CDP with a double A score with our Climate Change and Water Security reporting, for the second year in a row. I am very proud of my team for their dedicated efforts here. The second is that Mavi was ranked 8th in TIME magazine and Statista's List of the World's Best 500 Companies in Sustainable Growth, becoming # 1 in the apparel industry globally. It is truly an honor to be recognized with this title globally. In 2024 we've expanded our Sustainable Mavi All Blue Collection with two new additions: The Regenerative Jean Collection, crafted from cotton sourced through regenerative farming practices, and the "IMAGINED for Mavi" Upcycle Collection, created in collaboration with Murat Türkili which extends the lifecycle of denim. With the contribution of these initiatives the All Blue and Better Cotton product sales accounted for 27% of total revenue and 58% of total denim revenue in 2024.

Also this year, Mavi conducted its first double materiality analysis to more effectively define sustainability goals and integrate the potential impacts, risks, and opportunities into sustainability strategy. We continue to work towards our Net Zero goals, in line with the science-based targets initiative criteria. We initiated the Circularity in Fashion project in partnership with Nivogo and in collaboration with Ecording, and with the contribution of our customers, we've contributed 50,000 seed balls to reforestation efforts, helping to restore nature.

After this strategy recap, we can now start reviewing our results for 2024 on Slide 10:

- Our consolidated sales reached 38 billion 519 million liras in 2024 growing 3% year on year
- Turkiye retail sales grew 5% and Turkiye online sales grew 8% in the period
- EBITDA realized 7 billion 145 million TL, resulting with an EBITDA margin of 18.5% year to date
- Our net income, growing 7% year on year, realized 2 billion 675 mn TL with 6.9% net income margin
- With 1.5 million new customers, Turkiye active Kartuş card members who shopped with us in the last 12 months is 5.9 million as of year end.

Moving on to review our channel performance on Slide 12 :
The softness in trading environment continued in the last quarter with Turkiye retail revenue contracting 1.4%, Turkiye online revenue growing 7% and bringing total Turkiye revenue to 1% growth year on year in real TL terms in the fourth quarter. Total Turkiye sales grew 6% in 2024. International revenue grew 5.8% in constant currency during the fourth quarter, finalizing the year with a 2.2% contraction year on year. The weakness throughout the year was primarily driven by demand weaknesses across some of our international markets, the cessation of operations of some wholesale customers, and some transitionary warehouse and IT projects in Europe. The positive performance of North America business was the main driver of growth in the last quarter.
Looking into our Turkiye retail business in more detail:

In 2024, in line with our extended targets, we opened 18 stores, closed 2 stores and expanded 15 stores in sqms in Turkiye reaching 352 stores and 188.5 sqms total selling space. This is 8.5% increase in sales area yoy which will be supporting our sales targets in 2025. In Turkiye the retail sector continues to benefit from increased retail space driven by population shifts, the development of new urban areas, and the addition of new shopping malls. We take a disciplined approach to store openings, focusing on robust feasibility studies and short payback periods. I am pleased to share that all the new stores opened over the past year have already delivered positive store contributions.

On slide 15, let's elaborate on the like for like store performance: In the last quarter, LFL sales contracted 3.9% in real TL terms and 3% in volume. In the year 2024, LFL sales grew 1.6% in real TL terms and 4.8% in volume. Including the new space contribution, total volume growth in the year realized at 8.5%. Basket size grew 1% in real terms and close to 58% in nominal terms in 2024 reflecting effective pricing and increased units per transaction. We believe it is important to note here that the official clothing and footwear inflation in Turkiye was 27.5% in the year, much below the headline inflation.

Moving on to slide 16 to review category-based developments in Turkiye retail:
In 2024, all categories grew in number of pieces except jackets, which was softer this year mainly due to relatively warmer weather in the season. Shirts, accessories and non-denim bottoms categories were the main drivers of growth this year. Denim sales growth is 2% in the year and is balanced with the growth in non-denim bottoms category which grew 25% year on year. This strong performance in non-denim bottoms was driven by the rising demand for woven pants, with Mavi proactively expanding its assortment to align with this trend. Our knits business constituting of t-shirt, sweatshirt and jersey offerings grew 2% and this is balanced with the shirts category which grew 7%. In 2024, our new women's accessory offerings, including a wide range of handbags, were received very well and contributed positively to our accessories category growth of 13%. Overall in 2024 we continued to deliver market share gains in both denim and non-denim categories and strengthened our position among the top players in the apparel market in Turkiye.

Going forward to review our online sales performance on page 18:
Global online sales including the wholesale business partners, constitute 11% of total consolidated revenue in 2024. Online sales in Turkiye consisting only of direct-to-consumer channels grew 8% driven by a strong 14% growth of mavi.com and constituted close to 9% of total sales in Turkiye. Although marketplace sales have been somewhat softer this year due to reduced traffic, Mavi continues to be among the top five players in the jeans and t-shirts categories on both Trendyol and HepsiBurada. International online contracted 18% in inflation adjusted TL figures in 2024. International Mavi.com is also a growth channel with 5.4% growth on a constant currency basis. Online business makes up close to 32% of total international sales.

Let's move on to review our consolidated financial results: Reviewing our gross margin performance on slide 20:
Since the second half of 2024, the decline in purchasing power and increased mark down communication in the overall market to stimulate shopping appetite has started to weigh on pricing environment, putting pressure on gross margins. Nevertheless, in the last quarter our gross margin improved 120 basis points on an inflation adjusted reel basis. There is the 420 basis points lower impact of inflation this quarter versus same quarter last year. Our gross margin realized 50.3% in 2024, improving 210 basis points year on year given 170 basis points lower impact of inflation adjustments this year and 150 basis points positive impact of imputed interest rates.
Moving on to slide 21 to review our EBITDA performance.

In quarter four, the gross margin improvement was mainly reflected in the EBITDA margin. We have demonstrated a very disciplined opex management in the last quarter with opex to sales ratio deteriorating only 30 basis points despite our decision to execute a 25% mid-year salary increase. We have closed the year with 18.5% EBITDA margin, well in line with our latest guidance revision and our long-term sustainable EBITDA margin outlook.

On Slide 22, we look into our net income margin performance:
The impact of inflation accounting on net income resulting from balance sheet inventory inflation adjustments is significantly high in the fourth quarter mainly due to high inventory levels at the end of third quarter. With this impact the net income margin that was 8.2% before the inflation accounting results with 0.9% on a reported basis. 82 mn TL net income in Q4 brings the net income for the year 2024 to 2 billion 675 million TL, growing 7% year on year. We closed the year with a net income margin of 6.9%.

On slide 23, we will review our operational cash flow and working capital performance:
Through dynamic product planning and a flexible sourcing strategy, we continue to manage inventory and working capital with efficiency, ensuring optimal resource allocation and operational agility. I am pleased to share that our inventory levels remain exceptionally healthy, comprised mostly of fresh Spring-Summer season products. Given this year's uncertainties, this accomplishment underscores the strength, collaboration, and expertise of our multi-functional teams. We created 6.3 billion TL cash from our operations in 2024, with a cash conversion ratio of 88%, similar to the very strong performance of last year.

Moving on to the next slide: (slide 24)
In 2024, we invested 1 billion 430 million TL in capital expenditures, resulting in a Capex-to-sales ratio of 3.7%. These expenditures were primarily focused on store openings and expansions, as well as digital investments and R&D. Most of the capex related to our new headquarters will be included in next years figures. Our net cash position, grew both in nominal terms and in real terms in 2024 to reach 5.4 billion TL. As always, the foreign currency debt reflected in our consolidated reports pertains solely to our subsidiaries, which borrow in their respective local currencies, thereby eliminating currency risk.

Slide 25 is a reminder of our targets for the year 2024 and the realizations. Recall that we had revised our guidance after third quarter results and delivered results in line with these revised expectations. In the next page, we provide our guidance for the year 2025.

The economic policies attempting to tackle inflation in Türkiye will likely continue to put pressure on consumer purchasing power in 2025. Navigating another challenging year, we will remain focused on what we can control and continue to invest in our long-term strategy to remain a sustainable, profitable growth company. We will continue to prioritize outperforming the apparel market, win with our customers love and loyalty for our brand, and to function in our respective duties with an overall commitment to operational excellence.

Supporting our long-term growth aspirations, we plan to open net 20 stores and expand 15 stores in Turkiye. We will also start our journey of retailization in the North America market this year by opening 8 retail stores, all in best-in-class shopping malls and premium locations.

With that, we expect low to mid-single digit revenue growth with 17.5 plus percent EBITDA margin on a reported basis, including inflation accounting. Without inflation accounting, we expect 35 plus percent revenue growth with 20 plus percent EBITDA margin. We target to maintain our net cash position and spend 5% of revenue on capex. This capex figure includes the new headquarter investments and the capex related to store openings in the US.

Some final words on the current quarter and the trading environment:
Recall that the first quarter of last year was extraordinarily strong, hence we are up against a very high base this first quarter. Impacted by the severe cold weather conditions, the quarter started soft in shopping appetite in February, with Türkiye retail sales growing 20% and online growing 41% yoy. With the weather getting better and the new season products arriving in stores in the first 17 days of March we delivered 42% yoy growth in Türkiye retail and 61%yoy growth in Türkiye online. I am ready to take your questions now.

Duygu Inceoz:
Thank you. 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. For those of you who have dialed in via audio, we will take your questions last when there are no more questions left on the platform.

Görkem Göker:
Thank you, Duygu. Thank you, Cüneyt Bey. My question is regarding the developments in February, the beginning of the year. Can you please provide further detail about the pricing dynamics and how do you sustain that growth, whether through volume growth or through pricing? Thank you.

Cuneyt Yavuz:
I mean, overall, we started February still the very early beginning of the year. Actually, February is where we have the highest markdowns. A new product typically arrives at the very back end of

February. So, net-net, I think what we are aiming for, as you know, there is around 30% inflation or a salary increase or cost base increase. So, when it comes to our pricing strategy, whether through product mix or pricing, we are aiming that we can at least negate some of the cost base increase by playing around and managing our product mix and the costing in terms of getting to around a 25 to 30% price increase. Of course, this is a ballpark figure. We typically digest and segment all the categories, whether it's blue jeans, t-shirts. As I mentioned in my review, we are using our strategic pricing tools to assess the competitive market environment, because as you all know by now, hopefully, we are a committed brand to win. I mean, our brand is committed to win in Turkey and to be in sync with the consumer's disposable income when it comes to their shopping capabilities and habits. Therefore, we are tracking things very sort of closely. So, February is probably not the best indicator. March, as I was mentioning, has more of the new products arriving. As typical, when we start the year, we're a little bit more conservative in terms of what the pricing and the consumer appetite in terms of planning might be. But the first 17 days were quite encouraging, as I mentioned. So, when the new products arrived, which were in the new price position, as you see, we are guiding more for a 35% plus growth. But the initial 17 days were more like 40% plus growth and 60% plus growth in online, which was extremely encouraging. We believe the portfolio, the newness, the freshness, the quality, and the service levels will be key contributors to our success this year. And success, by the way, I just want to take this opportunity to reiterate once again, and maybe in my own words, that we see this, you know, when we do the guidance for this year, we are planning for a very, one could say, defensive year, where we are, you know, hoping for the worst or planning for the worst, but, you know, hopefully going beyond the expectations and delivering better results through the year. And I think, as Mavi, we have that capability. I think that mindset is going to be critical, especially in terms of OPEX management and working capital management and inventory management. We are blessed with being in Turkey, as I keep reminding you all. We have the agility and flexibility to be quick to the shelf. Our tools, and as I mentioned in my presentation, AI, digital tools, insights, are making us even more up to speed in terms of catching the trends and being very fast to the shelf. So, we believe this year will be another challenging year, but when it comes to pricing, cost, OPEX, etc., these things I think we can handle and deliver against, whether it's the local competitors or the international competitors. We feel, as Mavi, we will have the cutting edge again this year. I don't know if that answers your question. I'm more than happy to elaborate further if you have further questions.

Görkem Göker:
No, no, very much indeed. Thank you very much, Cuneyt.

Duygu Inceoz:
We have a question on the chat screen. Let me read it. Hi, we have observed that Mavi has maintained a strong net cash position for an extended period, particularly when viewed on a pre-TFRS 16 basis. However, instead of utilizing this cash to generate financial income, a significant portion is

strategically allocated to discounted product purchases, effectively integrating it into working capital and contributing to profitability and the income statement. How would you assess the financial advantage gained through this approach, especially when compared to alternative investment opportunities like money market funds?

Cuneyt Yavuz:
Our primary focus at Mavi is to make sure that we are in the business of making apparel and offering the fashion-forward products, and making customers happy in terms of selling our jeans, T-shirts, etc. So our focus is not on financials in that sense. Our focus is on getting the best product, best sustainable product, best quality, best fashion, best pricing into the hands of our consumers. Therefore, we put, and we will continue to put, because that's who we are, that's our competitive advantage. Being able to service the customer with surprising them at the price point, at the quality, at the service level, at the experience level, with the great product and great experience. And that's what makes them sticky to Mavi and ensures that they come back over and over again to shop with us. Therefore, our priority, when we have the excess cash or the financial stack, is to use the money to make sure that we are booking the capacity, mitigating some of the costs in favour of the consumer, and making sure that the consumer is happy shopping with the great products we have. I would also like to take this opportunity, through this question, to remind all of you that with the cash position we have, we have reiterated that we would like to use this cash position and stay in a cash positive sense, as much as possible, in this high inflationary, high interest rate environment. Therefore, having a bit of these reserves makes us more comfortable and relaxed vis-à-vis the competition, and also strengthens our hands in terms of the increasing cost environment for our sourcing partners, where we can keep their business and our relationship running at a very healthy business streamline, ensuring that we get the right quality products onto our shelves when we need them. Therefore, hopefully over the next 18 months, 24 months, as the inflationary pressures in Turkey subsides and the government's intervention and determination to crack inflation settles in, we can also walk away from some of this cash position and go back to our normal financing instruments to fuel our growth. That would be my quick and dirty answer for that question. Let's go to the other question.

Duygu Inceoz:
The next question is from Ömer Yildirim. How do you evaluate the entry of global competitors like Levi's into the Turkish denim market, and the fact that the price gap between Mavi's products and those of its competitors has been consistently narrowing over the past two years?

Cuneyt Yavuz:
Levi's has been in Turkey for probably longer than Mavi has been around, so therefore one cannot necessarily talk about Levi's entering Turkey. Right now, Levi's market share, this is the fact, is around 1% in the denim sphere, and they don't sell much when it comes to casual lifestyle. So maybe Levi's in that sense is not the best example, but of course you can expand the question in terms of asking

us how are Inditex companies doing, how is Mango doing, how is H&M doing. In terms of our pricing and price matrix vis-a-vis where they are, whether it's the quality brand or whether it's the multiple that we sustain vis-a-vis our denim t-shirt, sweatpants, apparel, and other apparel and accessories, we believe we are at a well-advantaged position to deal and tackle the competition. This question I think is taking a bit of a toll when I look at market share data that is shared to my marketing team on some of the bigger and typically cheaper priced competitors we have, local priced competitors, and it has less impact on Mavi's business running case. Therefore we are a bit immune, I would say, on the contrary to this pressure that we're talking about. On the contrary, we are looking into ways to see how much of those customers, whether it's H&M, Mango, Zara, and other derivatives, that we can continue to switch over to Mavi. How are we going to do that? Just to reiterate, as we are continuing to grow our square meters, as we are continuing to open up new stores, we are seeing more and more, especially most recently we opened up a new store concept, and if you have a chance do visit it in Hilltown, and we will expand that concept across the Turkish market this year. We automatically see a sales uptick. Therefore both the product offering, the growth in square meters, and the way we present and sell our products, and the quality, and the fashion sense, is making headwinds. So we are in that sense quite confident. Whether the total market shrinks, grows, that's another story. Externalities put aside, as I mentioned in my presentation, we will leave the externalities aside and we will focus on doing our business properly. And at this point in time, in our offices at least, when we review our price position vis-a-vis international competitors, we don't feel much of a threat coming from them, although we take them seriously. Most importantly, when it comes to product and innovation and fashion, rather than pricing. Thank you.

Duygu Inceoz:
Omer Yildirim has another question. What is your expectation for the average occupancy cost ratio representing the rent-to-sales ratio for Mavi stores in 2025, and how does this compare to previous years?

Cuneyt Yavuz:
Very good question. I mean, when I look at our numbers, which is a fantastic performance, I mean, one of the key indicators of whether a company is doing a good job or not, is, as you mentioned, this OCR ratio. And when I look at the numbers across the years, it has come down from 12.8 to 11.8, then to 12.2, and most recently last year to again around 10. Therefore, this year we have budgeted again to maintain it at around 10%. Therefore, our square meter performance and rent ratios are in a very healthy position. We feel we are quite confident with are working relationship. By the way, two-thirds of our rent is on variable cost, and also our business partners are happy, meaning our mall vendors, mall operators are all happy with Mavi's business growing. They make money, we make money, and the ratios are coming down, or at least maintained. Thank you.

Duygu Inceoz:
If you have any questions, please raise your hands, or you can type your question on the chat screen. Okay. We see that we don't – oh, we have a question right now. Okay. Kayahan, go ahead, please.

Kayahan Demirak:
Hi. Thank you very much for the presentation and opportunity to ask questions. So, I have one question about the guidance. You know, you are sharing the imputed interest impact, and can you share some guidance by excluding the imputed interest? So, do we have a better, I mean, sense about your guidance excluding all the accounting impacts? That's my first question. And the second one, your international business has been stagnant for a couple of years. Do you expect some normalization going forward, or do you expect the same trend to continue? Thank you.

Cuneyt Yavuz:
Thank you. Let me start with the end, and then I'll hand over to Bige, our CFO, to talk about the impact of the imputed interest and how it would play out for the year. In terms of international business, we believe the North America business, you will start seeing a pickup in top-line growth as we open up more stores and expand our business. Therefore, we are more confident in terms of more growth coming in, in terms of international business. Germany business has been stagnant this year, but as we speak, whether it's the warehousing system or the SAP transition, a lot of the IT and technical problems will be behind us over the next one month. Therefore, from there on, we are quite confident that we will start focusing more on delivering against the consumer and growing the business there. Russia, you will recall, is an area where we are keeping business as it is. So, it is at this point still a maintained attitude. Therefore, if you're asking more in a mid-term perspective, we expect the North America business to grow and potentially grow in double-digit terms, in US dollar terms, euro to stabilize, euro business to stabilize and start growing. And Russia, at this point, is more like maintained as it is until more clarity comes through regarding the Ukraine war and future of Russia's relationship with the world. Having said that, now I'll pass it on to Bige, our CFO. She may maybe have a few comments on your point.

Bige Aksaray:
We expect interest rates to come down in Turkey this year. So, in line with this expectation, we are expecting imputed interest impact will be lowering in 2025. So, in this guideline, we approximately assume 1.2 to 1.5 percentage points impact of imputed interest.

Kayahan Demirak:
Thank you.

Duygu Inceoz:

Yes. We have a question from Barış. In the cash and cash equivalents footnote, there is a line amounting to 1.3 billion other cash and cash equivalents. Can you share the details of this line? What does it include?

Maybe I can just comment on this. There is actually a small explanation note there. It is the credit card receivables that we view as cash and have it under the cash and cash equivalents. But you can also see it on the report.

Süleyman Alp Aslan has another question. What are your expectations regarding store traffic and conversion rates?

Cuneyt Yavuz:

When we look at the data for the last one year, quarter on quarter, now I'm talking about total apparel, and then I'll mention, I say a few words on Mavi. In terms of total apparel, when it comes to Mavi, so total apparel market, the traffic has been slightly declining. The consumers' frequency of shopping apparel has been slightly declining. And also the unit per transaction of total apparel market has also been slightly declining, from like consumers buying 1.7 units of products coming down to 1.6. So there is a softness over the last one year that has been coming in. For Mavi, what we are targeting in terms of the performance for the rest of the year is more like 100 index. So what we want to achieve is, in terms of building this budget and the guidance, of course, that we maintain traffic. As you know, every year we're trying to gain around 1 million to 1.5 million new customers that have never shopped with Mavi. We are growing our square meters, we are expanding our product portfolio. Therefore, with all these expansionary approaches, this year another 20 stores coming into our portfolio, on top of the 15 we introduced last year, they will all have relatively positive impacts on this. One other thing is a great support in our business, in terms of conversion and customers being able to buy more, has been the only channel integration. So as I mentioned, this year there was an incremental 600 million Turkish liras of revenue being generated through sales in the shops, through online sales, for products that were not in the store. This year I think this number will also continue to grow, as our sales staff and also consumers are learning that they can, or realizing that they can do better shopping and have a better shopping experience, only channel shopping experience in Mavi stores. Therefore, if we cover all our bases properly, by the way, as I mentioned, the industry does 1.6 in terms of UPT, but ours is more than 2.2, 2.3, so we're already ahead of the market in terms of conversion and frequency, and also units consumers are shopping. Our job, regardless of who is coming in, is to make sure that they're coming in to shop and they're coming in to buy. Therefore, all of our fiscal year 2025 guidance at this point is more or less on a 100-index mindset for the time being. Thank you.

Duygu Inceoz:
We have Piotr Drozd who has a question. You can go ahead, Piotr.

Piotr Drozd:
Yes, hello. Thank you very much for the call and for the explanation. There's a lot of moving parts. I think it will be useful, at least for me, to maybe understand how you see seasonality throughout this financial year. By that, I mean, if we look at the quarters, the upcoming quarters, just around the base effects in terms of trading last year, the guidance does mention the high base for 1Q, but I want to make sure I understand how it plays out in terms of margins and base effects across 2Q, 3Q, 4Q, as broadly and generally as we can discuss this.

Cuneyt Yavuz:
That's a good question and it's a bit complicated. Now, in terms of for you, for someone who's trying to understand this last year and this year and outlook has become challenging, it's also been a bit of a challenge for us. If you don't mind, I'll say a few words on this because it's a very good question, something we put a lot of effort. First of all, if I look at, remember that this quarter, I said, because of the base, it's going to be a challenging time and we might even close the first quarter on a minus vis-a-vis last year. But what I'm doing and what my team is doing, and we're looking at the past three, four years of volume growth and performance, we are actually, on a CAGR basis, delivering a high single-digit growth in terms of volume, around 8% to 10% growth. Mavi typically is a growth company where from one quarter to another, from one season to another, we're able to grow. A bit of distortion on two fronts has taken place. One, there was the earthquake and then no earthquake time zone, and then this period coming in, so there was a bit of ups and downs, plus a bit of what we call the holiday period, religious period, moving 15 days every year towards into the quarter. So these are all distorting the whole picture to a certain extent in terms of planning across the seasons. If you take the first six months as a bundle, which will be probably finally a normalized period for us, which is from this February until July, our numbers will come out sort of even or flat. And from next fall-winter season starting, hopefully this will be behind us in terms of ups and downs, and we will be tracking more on the generic Mavi, you know, single-digit growth, which is what we plan for from one season to another, as always, and continue to grow our business from there. Therefore, this first half of the year will be looking a little more nasty when it comes to numbers in terms of headwinds because of the base impact, but when we go into a fall-winter impact, numbers will normalize and hopefully a bit of this ups and downs that we have witnessed previously will normalize. Therefore, we have to, this year, when you look at it from one quarter to another, and if you weren't really following Mavi every quarter, it might be a bit of a confusing year, which is also putting a bit of a pressure on us also internally, in terms of when it comes to planning, what do we buy, etc. But again, a side point I would like to say is, last year, our square meter growth accounts for around 4-5%,

should organically contribute to around 4-5% growth if everything goes normal. This year, we have another 20 stores and 15 expansions. Across the year, of course, it's not annualized, but that should add another 3-4-5% volume growth. So, if you put it all together, we are, on a base level, targeting at a high single-digit growth. Then you have to also factor in some headwinds for the first half of the year, and softness in the market, therefore, which brings all of us to the guidance where we are saying it will be a low single-digit growth for this year, under normal circumstances. As always, internally, we of course are not happy, we want to do better than this, we want to see if we can do more product innovation, improve our services, improve our store layout, get better products, do better marketing, etc., to meet these numbers. But at the very onset of the year, with a lot of uncertainties going on, that's how we view the numbers.

Piotr Drozd:
Great. That's super helpful.

Cuneyt Yavuz:
If you have more specific, I can give you a bit more detail, but hopefully that gives you a flavor of how we are viewing this year, overall.

Piotr Drozd:
No, I think that's very helpful. So, thank you very much for that comment. Thank you.