Transcription for Q1 2022 Financial Results Webcast

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DUYGU INCEOZ

Ladies and Gentlemen. Welcome to Mavi webcast regarding the financial results for the first quarter of 2022. 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 – Mavi CEO

Hello everyone! Welcome to our webcast for the financial results of the first quarter of 2022.
I am very pleased to be with you today announcing another very strong quarter with solid results. As always, I will make a short summary of the business trends for the quarter before going into details of our results.

We are still in challenging times with major externalities taking place globally and in Turkey. Recall that in the beginning of the year while announcing Q4 results, I emphasized our priorities for 2022, stating that they were prioritizing customer traffic, new customer acquisition and volume growth while maintaining profitable growth. And that branding, product innovation, and customer communication investments would be targeted at gaining market share and further elevating Mavi brand positioning. Our priorities are paying their dividends and we are on track to delivering against them as of the first quarter of the year.

Firstly, it is important to note that all the markets we operate in are back to normal trading hours with very strong demand environment, especially in Turkey. Including the low base effect, recall that there was still major weekend and weekday evening lock downs for most of Q1 last year, Turkey retail sales grew 200% year over year. High consumer demand allowed for lower markdowns, and we were able to offset product cost pressures with prudent price increases. Sales growth was not only driven by price but also by significant volume growth. All product categories grew more than 70% year over year in volume in Turkey. We sold 3.3 million denim items globally which is a 50% growth of our denim business.

Already having a normalized base last year, international sales growth returned to our normal growth rates with 13% ex currency growth mainly driven by North America. Online sales also remained strong globally. Turkey online grew 99% on top of a high base in Q1 2022.
We continued to focus on excelling at dynamic supply chain management, flexible and responsive product planning and efficient inventory management. As a result, through our management efforts and high customer demand for Mavi products, we were able to mitigate product cost pressures and improve our gross margins in Q1 2022.

The significant opex inflation in Q1 2022 was mainly leveraged by strong top line growth. We continued to deliver improvements in our rent ratios and our employee cost to sales ratios which positively supported margins.

As promised, continued investments on brand and customer, focusing on product newness and quality resulted in market share gains in Turkey.

Moving on to the next section to present you with our results for the year:
On slide 3, lets look at the key highlights for the quarter. Our consolidated sales in Q1 2022 realized at 1 billion 887 million liras growing 149% versus same period last year. Turkey retail sales grew 200% on low base and Turkey online sales grew 99% on high base this quarter. Our EBITDA, tripling last year's same quarter, realized 556 million TL, resulting in an EBITDA margin of 29.5%. Once again, we delivered our highest ever quarter earnings and achieved a net income of 302 mn TL in Q1 2022. We preserved our balance sheet net cash position at 563 mn liras, strengthening our management commitment to stay a net cash company. The total number of mono-brand stores globally, including franchisees, reached 457.

Lets move to slide 4 to review our channel performance. Total revenue as of Q1 2022 consists of 60% retail, 28% wholesale and 12% e-commerce with 80% of total revenue being generated from Turkey. In the first quarter, which is normally a weaker quarter seasonally, traffic in our stores and the demand for Mavi products remained very strong in Turkey. The inflationary environment has become a driver for the consumers shopping appetite and as Mavi we made sure we have the newness and variety at the right price to respond to this demand and remain consumers' brand of choice. As a result, our sales in Turkey grew 163% in Q1 mainly driven by the retail business which grew 200% compared to last year. Our e-commerce business in Turkey, which constitutes of mavi.com and marketplace sales, grew 99% in the quarter, on top of a strong base. International operations had realized a strong recovery in 2021 and is back to its normal growth rates, growing 13% in constant currency and 104% in TL terms compared to same period last year.

On slide 5, we start to focus on Turkey retail business. Retail is still at the heart of our growth strategy, and we are constantly taking new actions to make sure that consumers have a great shopping experience. We continue to open new stores and expand current stores in square meters. In Q1 2022, we opened 4 new stores, closed 1 store and expanded 3 stores in Turkey throughout the quarter. As of quarter-end, we have 330 own-operated stores totaling close to 166 thousand sqms of selling space in Turkey with an average store size of 504 sqms.

On slide 6, lets elaborate on the same stores' performance in Q1 2022. As stated earlier, there were still weekend closures related to Covid precautions in Turkey in the first quarter last year. Therefore, we continue to share with you the performance on the open days only. On the open days of Q1, same store sales grew 94% with 28% transaction growth and 52% basket size growth. Traffic in stores on the open days was 43% higher in than same period last year. Although there are significant price increases due to the inflationary environment, there was also strong volume growth in the quarter. Considering only open days, number of pieces sold grew 19% and including all days it grew 78% on a comparable store basis.

Moving on to slide 7 to review category-based developments in Turkey retail. We are happy to report strong growth across our product categories in Q1 2022. All seasonally relevant categories also delivered significant growth in number of pieces. We are constantly following changing consumer preferences and enriching our product range, offering newness, variety, and innovation in response. Our denim category grew 189% constituting 45% of total retail sales in Turkey as of Q1 2022. The knits business, including our growing t-shirt, sweatshirt and jersey categories continue to perform robust sales performance growing 221% on top of a high base in 2021. Capitalizing on the same trend, our rising category non-denim bottoms grew 257%, now constituting 6% of our total Turkey retail sales. Shirts sales is recovering from the pandemic disruption. Growing 230% this quarter, it makes up 12% of our total Turkey retail revenue. Accessories, contributing significantly to our women's business, grew 199% in Q1 2022 and jackets, seasonally being a fall-winter product grew 106% in Q1 2022.Overall, our lifestyle categories grew 209% this quarter.

On slide 8, lets review our online sales performance. On this slide we review the total online sales of Mavi including the sales to the third-party digital platforms to which we wholesale, in addition to our direct-to-consumer online sales made up of mavi.com and marketplace sales that are reported under e-commerce channel. Recall that our direct-to-consumer e-commerce share is now 12% in our consolidated sales. Including the wholesale e-com, which only exists in our international business, our total online sales grew 86% globally and is now 13.9% of total revenue. In Turkey, with Mavi.com, relaunched with a new upgrade earlier this year, we enhanced the online shopping experience, offering speed and ease to our customers. Online sales in Turkey grew 99% driven by 79% growth of mavi.com and 116% growth of marketplace operations and now constitutes 10.2% of total sales in Turkey. International online business growth of 70% in Q1 2022 is largely driven by our own platform mavi.com which grew 111% and marketplace growth of 134%. I am happy to note that online sales in Europe is also a positive contributor this quarter. 28.6% of total international sales are through online channels as of Q1 2022. Mavi's strong digitalization and CRM infrastructure will continue to drive our growth trend in e-commerce and as I noted in previous quarterly updates, the shift towards online will positively impact our margins going forward being a full-price channel across all categories.

Let's move on to review our margin performance on the next two slides. On slide 9: With rising raw material prices, currency fluctuations and high inflation in Turkey, gross margin continue to be one of the biggest focus areas of our management. In the first quarter of 2022 we are once again reporting an exceptionally strong gross margin of 56.5% improving 710 basis points versus same quarter last year. Our strong brand strategy, dynamic product-price planning, the newness and variety we are bringing in response to high consumer demand resulted with very high sell-through rates and lower markdowns. Meeting high consumer demand with the right product positioning in an inflationary pricing environment supported cost mitigation in the first quarter. Positive currency impact of international operations has also impacted the results. On the other hand, it is important to note that the high demand environment allowed for what could be called pre-pricing as the future replacement cost of products were much higher. We do expect the gross margin levels to trim back as more costly products enter the shelves. On slide 10 we review our bottom-line performance. As mentioned in previous slides, the high demand environment coupled with Mavi's ability to respond resulted with very strong top line growth which in return created a great leverage effect on opex management. We have recorded our highest ever quarterly EBITDA margin of 24.6% excluding IFRS16 and 29.5% including IFRS16. Total EBITDA amounted to 556 mn TL, almost tripling that of same quarter last year. The operational performance is directly reflected to our bottom line. Our net income for the quarter realized 302 mn TL for the quarter, significantly higher than last year or any quarter pre-covid. Net income margin stands at 16.0%.

On slide 11, we look into our operational cash flow and working capital performance. Operational cash generation in Q1 2022 was limited due to changes in working capital. This is in part due to seasonality of the quarter but is also the result of the increasing cost of inventory and the initiatives taken to mitigate product costs pressures such as cash payments, early booking, advance payments for raw materials. On the other hand, very high sell-through rates and effective inventory management continued to improve inventory turnover. As of the end of April 2022, the inventory level in number of pieces is 11% lower than same period last year, comprising mainly of new season products. Net working capital is back to targeted strategic levels of 5% of sales.

Let's now move on to the next slide: We have spent 61 mn TL in capital expenditures in Q1 2022 resulting in a Capex to sales ratio of 3.2%. On the retail side we had store openings, sqm expansions and new store concept transformations taking place. Apart from retail, we have been investing predominantly on IT projects and digital investments. We are still at a net cash position of 563 mn excluding the IFRS16 adjustments, slightly lower than year-end. All of 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 in our balance sheet.

On Slide 13, we are sharing our official guidance for the year as promised.For the financial year 2022, we are expecting 100% consolidated sales growth, with net 3 store openings and 11 sqm expansions within the year including the ones already completed. We expect an EBITDA margin of 18% plus minus 1% excluding IFRS16 and 24% plus minus 1% including IFRS16. We are foreseeing a decline in our net cash position within the year due to our plans and strategies to use cash in mitigating cost pressures, but we target to stay in the net cash territory. We are planning to spend 3% of sales as capex.

I would also like to provide some insight on the current trading environment as of date. Since the beginning of this season we are continuing to experience a similar strong demand environment. Recall that in Turkey there was a 17-day lock-down period in May 2021 on this very low base Turkey retail sales increased 348% in May yoy. In the first 7 days of June, same store sales have grown 84 % yoy. The same lock-down period last year resulted in strong demand for online sales, especially on marketplaces. Hence due to a very high base, online sales in Turkey grew only 4% in May. With this final note, I am happy to take your questions now.

DUYGU INCEOZ

Dear guests, if you wish to ask a question, please click on the raise your hand button, which is the hand icon on your control panel. When I call your name, please open your microphone before you speak. If you prefer to type your question, you may use a chat screen or email me directly. Alper Ozdemir has a question, I think Alper, go ahead. Alper? I think Alper might have a problem, Mustafa, would you like to go?

MUSTAFA KUCUKMERAL

Sure. Hi. Congratulations on the impressive results. I'd like to ask your inflation and fx assumptions you use to formulate your 2022 guidance?

CUNEYT YAVUZ

Thank you. We are forecasting that the US dollar exchange rate will be at 17.5 Turkish liras, and the inflation will be at 75%. These are the ingoing assumptions that we are using timely. Thank you.

MUSTAFA KUCUKMERAL

Okay, thank you very much. And one more question, which is regarding the working capital needs. As far as I understand, there is a very high base coming from last year. Despite very strong growth in the first quarter, your working capital ratios are still very solid. So going forward for the rest of the year. What should we expect in terms of inventory and payables?

CUNEYT YAVUZ

In terms of inventory, I think what we have learned starting with the COVID period is that we have become even more agile and speed to shelf and sell through rates have been going up. So, I think in terms of within the organization, in terms of maintaining very fresh and quick inventory levels, fast-moving inventory levels will remain the norm. So, for the rest of the year, our inventory levels in terms of cover should not be going up. Of course, as new products come in and they might be coming in different values. The value might be going up. But hopefully, we will be able to also mitigate some of that with certain pricing pieces that we will be taking through the year in this inflationary environment, as well as better managing our markdowns. What was the other question besides the inventory?

MUSTAFA KUCUKMERAL

Payable days?

CUNEYT YAVUZ

Well, in terms of payables days the strong balance sheet that we have is something we choose to maintain and the cash position we will use that as a leverage in terms of sourcing. So right now, what we can guide you for is that for the end of the year we will be in a cash-positive position. But at the same time, we will be using our strong balance sheet, talking to our suppliers, raw materials, capacity booking, et cetera. to ensure that we get the best pricing and best cost of goods sold in-house so that we can continue to favor the consumer in terms of a very competitive price position in terms of our products. As well as maintain the current high sell through rates. Which again, closes back into the circle of maintaining very low in terms of volume or very, I would say optimum, I shouldn't say low, but desired, fast selling inventory levels for the future.

I cannot exactly give a number because, for the time being, we are using it tactically, the balance sheet, and we are trying to find every single opportunity, whether it's a raw material, capacity booking to use our strong balance sheet to benefit our costs of goods acquired. But, generally speaking, when we look into the rest of the year with the current sales strength and sell trough, we are quite confident that we will be cash-positive situation when the year ends. That's all I can say for the time being.

MUSTAFA KUCUKMERAL

Thank you very much, Cuneyt very helpful. And one last question is it seems you still continue to gain the market share. And there is a huge growth to almost 80% growth volume growth in Turkey. And for denim product it's around 50% volume growth globally. So, what do you think the main drivers of these strong growth figures in terms of volume?

CUNEYT YAVUZ

Coming into this very difficult year we were already quite confident that we would be winning market share in this market. Couple of reasons behind that. First of all, the whole machine of response, responding with the right product, the newness, the freshness, the collaborations, and the quality that we offer is at a high standard. And we are not stepping back in no means from this high-quality and newness and innovation perspective. On the other hand, we continue to invest behind the brand. And thirdly, of course, from a pricing perspective, because we are using our strong balance sheet and purchasing power capability within Turkey, we are able to offer good quality with a very reasonable price position to the consumer. So, when you look at global brands and their global US dollar or Euro pricing strategies, we are decoupling from them, and we are becoming a more agile and a proactive local player. And consumers with their incomes and realizing the price points are of course, choosing to be shopping at Mavi. And when they come in, they see fresh products, new products, good quality products. And for the rest of the year and many, many years to come hopefully, we are quite confident that we will maintain the situation and this traffic, regardless of the externalities and economic ups and downs will remain strong behind Mavi. And also, as I have mentioned within the speech that I gave, there are also new categories that we are able to capture in terms of sporty categories, sweatpants, sweatshorts, et cetera. which are also growing nicely, and Mavi's doing a great job in terms of bringing in innovations and newness into this category. And last but not least during COVID the woman traffic had come down. But what we observe is, especially in the last couple of months, from a Mavi perspective, it's very encouraging, we see more women also shopping at Mavi, which means that we already have a very strong base with men's, but also women are also coming in. And it's also encouraging what we think we will be also continue to drive our business in the coming months. Coupled with men, the women's demand will also keep our positive momentum going forward.

MUSTAFA KUCUKMERAL

Okay. Very helpful. Thank you very much Cuneyt, Duygu.

CUNEYT YAVUZ

Thank you.

DUYGU INCEOZ

We can continue with Ali Akkoyunlu.

ALI AKKOYUNLU

Yes. Hi, two questions. One, what's your basic outlook on the rental costs for this year and perhaps for next year? And the second question is obviously everybody's inflecting the price increases on the products. At what stage do you feel demand will start basically leveling off given that everything is becoming so expensive now.

CUNEYT YAVUZ

Thank you. In terms of rental costs. If you look at from where we started in 2019, which was around 16% as a percentage of our revenue. It's come all the way down to 11.8%. You may recall that in many meetings that we've had quarterly and annual meetings,I have committed with the help of my strong team, that in terms of rent ratios we will be outperforming and bringing the cost down. So, in terms of outlook, in terms of where we stand, in terms of rent ratios, as a matter of cost, I think this will be under control and improving in the months to come. So, my commitment in terms of rent ratios as a percentage of sales will continue to coming down for many years to come because the best in class companies are down to 7%, 8% so we are at 11%. So, there is still room for improvement. I'm not committing that we will be 8% next month, but that's the direction we have. And we started off... When I started many years ago, it was around 20s, came down to 16. Now it's at 11 and hopefully in the many years to come we'll see it also continue to come down. In terms of demand slowing down, I mean, luckily 80% of what we produce, we are producing in Turkey. Our speed to shelf is very fast, and our business is retail. So, we are tracking data and traffic on a daily basis. Right now, for the near future, and in this case the near future means the next couple of months, we don't foresee any consumer demand tail offs. On the contrary summer is coming, there's a bayram coming up, there is more momentum for Mavi kind of products coming in and our new collaborations, new innovations, new products that we are putting out seems to be bringing in new customers, coming in and shopping. Therefore, for the rest of the year in terms of volume growth, and again, many of you will know that our focus and my predominant focus is not revenue generation but selling more products and making sure that we gain wardrobe share, market share. And I think this year we will finish this year in positive volume growth territory. Regardless of where the total market might be heading for. In terms of our good quality competitive pricing, I think when people are out there and deciding to spend on clothing, we will remain their choice of shopping place and we will continue to grow our business. I mentioned the agility part and made in Turkey part for the simple reason that if there is a slowdown, as a good retailer we are in a very strong position to manage our working capital and inventory situation, to adjust to the demands and ups and downs of the economy. I've been heading up Mavi for the past 14 years. We've had many ups and downs economically speaking. Except for COVID, there has not been a year where volume grow has turned negative. So, at this point in time with all the right things we do, newness with good quality, price-competitive products. I still remain positive in terms of volume growth for the rest of the year. Thank you.

ALI AKKOYUNLU

Thank you very much.

DUYGU INCEOZ
We have a question from Cemal.

CEMAL DEMIRTAS
Thank you Duygu. Thank you for the presentation, Cuneyt. My questions about the cost side again, apart from the rental side, the employee costs in your assumptions do you expect, do you foresee any increase in the minimum wage? Do we see that in your assumptions, if not, what could be the impact? And regarding the margins, could we expect gradual decline over the quarters, for instance, slight decline in second quarter and another decline in third quarter? Or could we just assume that you will turn to 25%, 24% levels starting by second quarter, which is likely to be fitting with your full-year guidance? Thank you.

CUNEYT YAVUZ
Thank you, Cemal. In terms of cost of employee of course, we have assumed certain price increase in a salary increases in our formula. And I think how I see is that we will as Mavi regardless of the minimum wage, and we've had a few significant minimum wage increases across the previous years. I think that part is less of a concern for me just to put it out there as long as we continue to pay competitively. And also, the minimum wage I think it is a must hopefully, it will come through from a people's perspective. And I think our system and the whole operation and cost of goods sold and the pricing mechanisms, we'll be able to accommodate that. I think the bigger challenge is on the cost of goods sold, which is the raw materials cotton pricing, energy pricing, logistics, et cetera. If you look at our total balance sheet, I think the OPEX piece or the SGNA piece, although it's significant, it's a lower and very much under control part of our equation. So, Mavi and its balance sheet is less dependent or less impacted by salary piece, but it's more dependent on the product cost piece, which is mostly the cotton and fabric. And of course, most recently the energy part, and logistics due to the energy-related part that is becoming more and more important. And that's why, as I mentioned previously we are trying to use our strong balance sheet to book capacity to get into buying fabric ahead of time, using our cash leverage situation to buy into fabric ahead of time to mitigate future price increases, and to be competitive in front of the consumer under pressure, which we appreciate in terms of shopping and disposable income, but we are tracking that very closely. And I think we will... As I mentioned again, I'll reiterate it. I think we'll do a good job in terms of mitigating that. So, employee... And coming back to this margin piece I think what happens is if you, again, recall many of these meetings, typically spring-summer season, we are more pessimistic about fall winter because there is more outerwear and winter wear, which is typically a little lower in terms of gross margin by design. And it's more import-dependent and it's less made in Turkey. So, if you were to do a business plan, I think for spring summer, I am more in comfortable territory of maybe slightly planning in the summer quarter, but there will be more impact of course, in fall, once new products and new pricing comes in because there is a relative six-month lag in terms of costing.

What I don't know is going back to your, again, question in terms of minimum wage increases, salary, disposable income, this inflation is spiral, of what percentage pricing we will be able to take.

So, that's the piece that we are trying to lead very dynamic. And we are obviously... Hopefully, that's coming clear to you. We are not trying to do an out-priced increase or an aggressive price increase. So, we will closely monitor where the salaries land, where the minimum wages lands, where the disposable income of the consumer is, and find the right position to price increase. Hence, there is a correlation of how much pricing we can take and where the margin will land. At this point, we are trying to be very prudent in terms of our expectation. We are not trying to build the extra expectation on your side, given all this inflation that is going on. Hopefully, we will come out stronger than what we are projecting right now, but with so much uncertainty, we choose to be in a position where we are saying, look, margins will potentially come down. Hopefully, we will still be cash positive and deliver a very good year with volume growth, but let's be cautious. But in the meantime... Again, the salary increases, minimum wage increase, disposable income, inflation rate, the exchange rate, the commodity prices. There's a lot of variables moving along and will as Mavi capitalize on our agility and speed to shelf and make sure that we do a even better job than what we're projecting here. So, I remain positive, but I project, I would say a conservative outlook given a lot of the uncertainty. Hopefully, that clarifies some of the thinking we are having at Mavi.

CEMAL DEMIRTAS

Thank you and Cuneyt as a follow-up regarding your product cost of sales. Do we think you had a very proactive action during the last several quarters? That's my question. And what might be the risks ahead for you and how is the visibility? For instance, can you see the following three, six months or... In terms of... I'm talking about the cost side, how far you can see? How is the visibility on your side? Thank you.

CUNEYT YAVUZ

Thank you. We are typically quite firm with a perspective of the following six months at any given point in time. So, the whole machine of Mavi operates on a six months outlook in terms of manufacturing, what volume we are going to buy? At what cost? What is the import? What is the raw materials we need? Et cetera. And as some of you might have been following us. We have been very proactive in terms of hedging, doing a lot of financial instruments to take away a lot of the uncertainties out of the equation. So, what I'm giving you the perspective for the year and where we think where the year will end. We chose to be at the quarter one end at this June period, because this is when I can more or less see the year-end from where I sit, which is the... For us January 2023, where we will end this year.

So, in terms of costing, booking capacity, fixing a lot of the rates, hedging, et cetera. We have quite a lot of visibility. Now, what we don't know is whether demand will be higher or lower, or the inflation on the raw materials will be higher or lower. And I mentioned that more as a concern, not for this year, but more as a concern of the following, which is the spring-summer 2023, because there is now with this inflation the environmental replacement cost. A cyclical cost that we have to, and I share to my shareholders, we as a team are responsible to make sure that we are, while we growing in volume and value, that we are also able to maintain a strong balance sheet, which is able to buy into the next years with all the cost increasing.

So, short of it, we have very good visibility till the end of the year in terms of what we think we will buy and sell. Most plans are 80% to 90% locked in, and there's always, a 10%, 15% up and down that we will manage through sources within Turkey. Having said that we are being a little prudent and defensive given we don't know in terms of the economic situation, political situation, raw materials, the Russia Ukraine war, Turkey's current account deficit. So, there's a lot of uncertainties for which we are trying to make sure that we are prepared for the worst and hopefully hoping for the best is where we stand.

CEMAL DEMIRTAS
Thank you. Thank you.

DUYGU INCEOZ
Are there any more questions? We have a question from Mehmet. Mehmet you can go ahead.

MEHMET BODUR
Hi. I hope you can hear me well. You can hear me well, right?

Cuneyt Yavuz
Yes, yes, we can.

MEHMET BODUR
All right, thank you. Thanks again for the presentation and congrats for your quarter robust results. I would like to ask you question about your thoughts and a little bit elaborate the issue considering the probable upcoming costs in the course of second half, from the minimum wage, energy, transportation, logistics, et cetera, and comparing them with your possible, further cost reflection into your sales prices. Do you think you still have room to make such an adjustment into your sales prices as in the previous quarters? That's my first question. Especially when you are taking account of deflating disposable income of your customer base. And also, my second question is kind of related question. Do you think we anticipate some sort of regression on conversion rate in the course of second half to lower disposable income, even if inflated traffic figures? Thank you.

CUNEYT YAVUZ
Thank you. The quick and short answer to that is moving into the rest of the year. Looking at how we are acquiring the products and the cost that we are acquiring them, we are feeling relatively comfortable and confident that the amount of pricing increases we will take, we will not be off-putting the consumer and will not be negatively impacting our current traffic, volume and unit per transaction that is taking place. I think vis-a-vis the total market, you have to understand in the apparel group sector. It's a very big sector and nobody's really a dominant player. And within this big segment with Mavi's positioning, visibility, availability, and the product offering and pricing and newness and quality. At the prices that we are offering them, the consumer demand might be at the detriment of our competitors and others. But we believe that Mavi will continue to win and gain market share and continue to sell.

So, in terms of what's to come. I think we feel quite confident with all the measures that we have taken till the end of the fall-winter season in terms of how we can deal with what's happening. So, what I'm trying to say is that my experience points, and this is my experience so far, of course, points to the fact that there won't be a major stall in terms of stopping or downgrading or regression in terms of volume growth. Mavi, regardless of the inflationary environment and the cost special that you are mentioning will continue to win and continue to sell and have a pretty good year this year. The challenge, I think if you're modeling something. I think for us when I'm sitting here with my team is more modeling into 2023 and beyond what I'm seeing is the six months is more visible, but the following six months become another challenge because the whole cost space is moving again, further up or down, we will see which will be impacting the further downtrend and where the consumer spending is and what's happening.

But that's something we will have to tackle, and we can talk more about I would say in September meeting when we finish the summer season. And we are already, to be honest, doing a lot of activities within the organization, from a sourcing and supply chain perspective regarding the spring-summer 2023. And trying to be proactive with our strong position in the market and strong position with our balance sheet. Thank you.

MEHMET BODUR
Thank you. So, just conclude the question. So, you are quite confident and no concerns from your side, right? On your sales price adjustments, as an acceptance on your customer base. You feel confident, right?

CUNEYT YAVUZ
We do. And the testament is the ever-increasing demand and traffic for Mavi products, which also demonstrates that the current pricing is very competitive, which also means hypothetically speaking,

this is theoretical of course, that we could have even taken a bit more pricing and we would still be selling. So, down the road, vis a vis the competitors, so, in this environment where we are competing with ceteris paribus, same situation with all the competition we have. I think Mavi is in a position to continue to win vis a vis its competition from that perspective. Yes, I am confident. Thank you.

MEHMET BODUR
Appreciate it. Thank you very much.

DUYGU INCEOZ
Do we have any other questions?

CUNEYT YAVUZ
So thank you, everybody, as always Duygu, myself and my finance team, we are always here to answer any further questions you might have down the road. As mentioned, we had a very good quarter. We are off to a very good start in quarter two. With obviously from all the questions that you're posing. We are also aware with a lot of challenges ahead of us. But again, I remind you that we will continue to invest our brand. We are confident of our quality, the brand positioning, the pricing, and the consumer appeal will continue. And hopefully, in a short while I'll be in front of you talking about quarter two results. And we can also start giving more flavor about the 2023 and what's to come down the road and wishing you all the best. Thank you. Thank you for all the support and kindness. Have a good day. Bye-bye.