



26 February 2021

Credit Rating

Long-term (National):

(TR) AA-

Outlook:

Stable

Short-term (National):

(TR) A1+

Outlook:

Stable

Expiry Date:

26 February 2022

Mavi Giyim Sanayi ve Ticaret A.Ş.

Sultan Selim Mahallesi, Eski
Büyükdere Cad. No: 53, 34418
Kağıthane, İstanbul
Phone: +90 (212) 371 20 00
Fax: +90 (212) 284 49 63

<http://www.mavi.com>

MAVİ GİYİM SANAYİ VE TİCARET A.Ş.

Rating Summary

The main area of activity of Mavi Giyim Sanayi ve Ticaret A.Ş. ("Mavi" or "the Company"), which started operations in 1991, is denim focused retail, wholesale and e-commerce sales of ready-to-wear apparel. Mavi has central offices in Turkey, USA, Canada, Germany and Russia and showrooms in Istanbul, New York, Vancouver, Frankfurt, Berlin, Moscow, New Jersey, Los Angeles, Atlanta, Dallas, Toronto, Montreal, Düsseldorf, Munich, Hamburg, Leipzig, Sindelfingen, Heusenstamm, Zurich, Salzburg, Prague, Brussels and Almere. As of October 31, 2020, Mavi offers services to its customers through a total of 436 stores and over 5,000 sales outlets, consisting of 317 mono-brand retail stores in Turkey and 22 abroad in addition to 66 mono-brand franchised stores in Turkey and 31 stores operating abroad.

Mavi's shares have been traded on Borsa İstanbul ("BIST") with the ticker "MAVI" since June 15, 2017. The Company's free float rate is 72.60%.

Following our comparative analysis of the sector and examination of financial/operational risks carried by the Company, as well as its domestic market position, Mavi received a long-term rating of (TR) AA- and a short-term rating of (TR) A1+.

Outlook

The Company's revenue increased by 21.7% as of the end of 2019, reaching TL 2.86 billion (2018: TL 2.35 billion). 17% of the total revenue was obtained from international markets and Mavi maintained its market standing.

The retail clothing industry was negatively affected by the conjuncture that surfaced with the pandemic in 2020. In parallel with the industry, Mavi's revenue in the 3rd quarter (nine months) of 2020 decreased by 18.4% to TL 1.75 billion (2019/09: TL 2.15 billion) due to the closed stores between the months of March and May. As of the end of Q3 of 2020, the Company's net financial debt is TL 502 million (2019: TL 447 million). The Company's trade receivables collection risk is low.

The Company has generated TL 315.6 million of EBITDA as of end of October 2020, with an EBITDA margin of 18%. A net profit of TL 26 million was reported within the same period.

Between June 1st and October 31, when the stores remained open, retail same store sales in Turkey decreased by 4.7% compared to the given 34%

decline experienced in footfall. On the other hand, although the number of transactions decreased by 15.4%, the average basket size grew by 12.6%. Online sales consisting of Mavi.com and market-place channels maintained its strong performance in the first nine months of the year with a sales growth of 161% in Turkey and 57% abroad.

The Company aims not to leave any short foreign exchange positions as its currency risk policy. As of the end of 3rd quarter of 2020, 18% of the total consolidated debt consists of debts of Mavi America, Mavi Europe, Mavi Canada and Mavi Russia's denominated in local currencies.

In addition to all these factors, the Company's short and long-term outlooks have been determined as "**Stable**", taking into account Mavi's industry background, brand awareness, and wide domestic and international retail store network. However, recent extraordinary developments in the global trade environment and money markets in relation to the Covid-19 epidemic make the potential economic consequences of the pandemic uncertain. The developments are closely monitored by us and effects of the possible risks on the Company will be evaluated.

Methodology

SAHA's credit rating methodology is composed of quantitative and qualitative sections to affect the final note with specific weights. Quantitative analysis components consist of SAHA Score, Company's distance from the point of default, its performance compared to the sector, analysis of the financial risks, and the assessment of cash flow projections. Default point analysis measures the distance from the point of default and it is based on relevant sector firms' past financial performances, ratios derived from a distinctive default statistics, and statistically derived coefficients. This analysis is based on genuine statistical study of SAHA, covering companies in Turkey. Comparative performance analysis of the sector determines the position of the company concerned in comparison with the sector firms' recent financial performances. Financial risk analysis covers the evaluation of the company's financial ratios on the basis of objective criteria. Liquidity, leverage, asset quality, profitability, volatility and concentration are treated as sub-headings in this analysis. Finally, scenario analysis tackles the company's future base and stress scenario projections subject to scrutiny in the context of the firm's financing tool and assesses the risks of fulfillment of obligations.

Qualitative analysis covers operational issues such as sector and company risks as well as administrative risks in the context of corporate governance practices. Sector analysis evaluates the nature and rate of growth of the sector, its competitive structure, structural analysis of customers and creditors, and sensitivity of the sector to risks at home and abroad. Company analysis discusses market share and efficiency, growth trend, cost structure, service quality, organizational stability, access to domestic and foreign funding sources, off-balance sheet liabilities, accounting practices, and parent / subsidiary company relationships.

Corporate governance plays an important role in our methodology. The importance of corporate governance and transparency outshines once again in the current global financial crisis we witness. Our methodology consist of four main sections; shareholders, public disclosure and transparency, stakeholders, and board of directors. The corporate governance methodology of SAHA can be accessed at www.saharating.com.

Rating Definitions

Our long term credit rating results reflect our present opinion for the medium to long term period over and above a year, whereas our Short term credit rating reflects our opinion for the period within a years span. Our long term credit rating results start from AAA showing the highest quality and continue all the way to the lowest rating of D (default). Plus (+) and minus (-) signs are used to make a more detailed distinction between the categories of AA and CCC.

Companies and securities rated with long-term AAA, AA, A, BBB and short-term A1 +, A1, A2, A3 categories should be considered "investment worthy" by the market.

Short-Term	Long-Term	Definition
(TR) A1+	(TR) AAA (TR) AA+ (TR) AA (TR) AA-	The highest credit quality. Ability to meet financial obligations is extremely high. If securities; carries a little more risk than the risk-free government bonds.
(TR) A1	(TR) A+ (TR) A	Credit quality is very high. Very high ability to fulfill financial obligations. Sudden changes at the company and economic and financial conditions may increase investment risk, but not at a significant level.
(TR) A2	(TR) A- (TR) BBB+	High ability to fulfill financial obligations, but may be affected by adverse economic conditions and changes.
(TR) A3	(TR) BBB (TR) BBB-	Sufficient financial ability to fulfill its obligations, but carries more risk in adverse economic conditions and changes. If securities; has adequate protection parameters, but issuer's capacity to fulfill its obligations may weaken due to adverse economic conditions and changes.

Companies and securities rated with long-term BB, B, CCC, and short-term B, C categories should be considered "speculative" by the market.

Short-Term	Long-Term	Definition
(TR) B1	(TR) BB+ (TR) BB (TR) BB-	Carries minimum level of speculative features. Not in danger in the short term, but face to face with negative financial and economic conditions. If securities; under the investment level, but on-time payment exist, or under less danger than other speculative securities. However, if the issuer's capacity to fulfill its obligations weakens, serious uncertainties may appear.
(TR) B2	(TR) B+ (TR) B (TR) B-	Currently has the capacity to fulfill financial obligations, but highly sensitive to adverse economic and financial conditions. If securities; there is a risk of on-time payment. Financial protection factors can show high fluctuations according to the status of the economy, the sector, and the issuer.
(TR) C	(TR) CCC+ (TR) CCC (TR) CCC-	Well below the category of investment. In danger, and economic, sectoral and financial conditions should have a positive development to fulfill its financial obligations. If securities; there are serious uncertainties about the timely payment of principal and interest.
(TR) D	(TR) D	Event of default. Company cannot meet its financial obligations or cannot pay the principal and/or interest of the relevant securities.

Disclaimer

This Credit Rating Report has been prepared by Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. (SAHA Corporate Governance and Credit Rating Services, Inc.) in collaboration with Mavi Giyim Sanayi ve Ticaret A.Ş. and is based on information disclosed to public by Mavi Giyim Sanayi ve Ticaret A.Ş..

This report, conducted by SAHA A.Ş. analysts and based on their best intentions, knowledge base and experience, is the product of an in depth study of the available information which is believed to be correct as of this date. It is a final opinion about the overall credibility of the institutions and/or debt instruments they have issued. The contents of this report and the final credit rating should be interpreted neither as an offer, solicitation or advice to buy, sell or hold securities of any companies referred to in this report nor as a judgment about the suitability of that security to the conditions and preferences of investors. SAHA A.Ş. makes no warranty, regarding the accuracy, completeness, or usefulness of this information and assumes no liability with respect to the consequences of relying on this information for investment or other purposes.

SAHA A.Ş. has embraced and published on its web site (www.saharating.com) the IOSCO (International Organization of Securities Commissions) Code of Conduct for Credit Rating Agencies and operates on the basis of independence, objectivity, transparency, and analytic accuracy.

©2021, Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. All rights reserved. This publication or parts thereof may not be republished, broadcast, or redistributed without the prior written consent of Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş. and Mavi Giyim Sanayi ve Ticaret A.Ş..

Contacts:

S.Suhan Seçkin
suhan@saharating.com

S.Mehmet İnhan
minhan@saharating.com

Serhat Karakuş
skarakuş@saharating.com

Saha Kurumsal Yönetim ve Kredi Derecelendirme A.Ş

Valikonağı Cad., Hacı Mansur Sok., Konak Apt. 3/1, Nişantaşı, İstanbul

Phone: (0212) 291 97 91, Fax: (0212) 291 97 92 • info@saharating.com • www.saharating.com