

## Growth Deserves Higher Valuation

We initiate our coverage with a **Market Outperform** recommendation and **TRY53.00 per share target price for SUWEN Textile**. The stock trades at 2025E 4.8x EV/Ebitda.

Suwen has significantly expanded its market presence over the past five years. **In 2023, the company captured 5.1% of the Turkish WUHB market (Woman Underwear, home-wear and beach wear), up from 1.2% in 2018** according to our estimates, reflecting a nearly fivefold increase in market share. This remarkable growth is largely attributable to:

- i) **Suwen's expansion strategy has been effective both quantitatively and qualitatively**, with a focus on increasing the number of stores and the average sqm. This approach allows for a greater display of SKUs, resulting in higher conversion rates.

**Suwen currently operates 193 stores with an average size of 121 sqm per store.** In comparison, at the end of 2018, the company had 71 stores with an average size of 80 sqm. This means a **CAGR of 7.8%** in average store size and an impressive **CAGR of 15.3%** in total number of local stores. We expect number of **local stores to double to 350 by 2033 and total sqm to more than double in the same period.**

- ii) **Changes in demographics and consumer preferences** regarding the lingerie market

We anticipate Suwen's clientele to grow organically in line with **demographic trends including population growth, the rising participation of women in total workforce and narrowing gender wage gap.**

It is also important to highlight the significant shift in consumer preferences within Suwen's market. Increasingly, women are choosing modern alternatives, such as Suwen, over traditional market. This shift reflects a growing market opportunity for the company. We believe this evolving consumer perception has contributed to Suwen's consistent growth and will continue to support steady terminal growth in the future.

- iii) **International expansion.** The company **plans to open around 80-85 international stores by the 2027YE**, mostly through franchise. We assumed **47% CAGR in revenues from international stores**, lifting up the share of international sales in total from 2.9% to 6.5% in the next decade.

- iv) **Rise of the e-commerce** which is now accounts for roughly **12%** of company's sales. Generation change supports further use of e-commerce platforms.

## SUWEN Textile

### Listing Details and View

Bloomberg Ticker	SUWEN TI
<b>View</b>	<b>Market Outperform</b>
Price per Share, TRY	29.34
<b>Target Price per Share, TRY</b>	<b>53.00</b>
Upside	81%
Free Float	51%
Market cap, TRY mln	6,572
BIST-100 Index Weight	n.a.
BIST All Shares Index Weight	0.10%
BIST Participation Index Weight	n.a.
Foreign Share	6.5%
Pension Funds Share	38.7%
<b>Mutual Funds Share</b>	<b>39.4%</b>

Source: Matriks, PhillipCapital Research  
Price & Market Cap. as of 12-Sep

Key Financials	2022	2023	2024E	2025E
Revenues	1,757	2,504	4,228	6,540
Revenue Growth	388%	42%	69%	55%
Export Share	1.9%	2.8%	2.2%	2.9%
Gross Profit	928	1,298	2,222	3,597
Gross Profit Margin	52.8%	51.8%	52.6%	55.0%
EBITDA	413	546	913	1,573
EBITDA Growth	263%	32%	67%	72%
EBITDA Margin	23.5%	21.8%	21.6%	24.1%
Net Profit	224	192	472	602
Net Profit Growth	422%	-15%	147%	27%
Net Profit Margin	12.8%	7.7%	11.2%	9.2%
Net Debt	106	209	514	824
Net Debt/EBITDA	0.3	0.4	0.6	0.5
P/E	9.0	20.6	13.9	10.9
EV/EBITDA	5.1	7.6	7.8	4.7

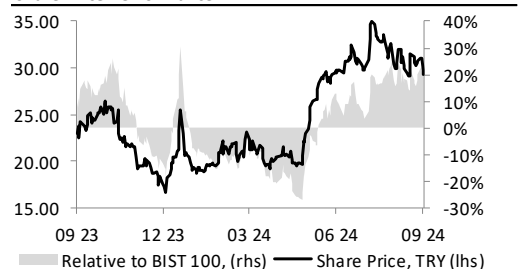
Source: Company data, PhillipCapital Research

Shareholder Structure	Number of Shares	Stake
Intilux Sarl	32	14.14%
Ozcan Sumer	24	10.52%
Biröl Sumer	23	10.45%
Ali Bolluk	23	10.38%
Ziraat Asset Managment	20	8.95%
Cigdem Ferda Arslan	8	3.62%
Others	94	41.94%

**Total** **224**

Source: Company Data

### Share Price Performance



Source: BIST, Rasyonet

	1m	3m	6m	1y
Nominal	-2.1%	-0.1%	39.2%	30.4%
Relative	2.0%	6.4%	30.2%	9.7%
Trd. Vol. TRY mln	36	33	39	50

Source: BIST, Rasyonet

**Fatih Eren ALKAYA**

[fatih.alkaya@phillipcapital.com.tr](mailto:fatih.alkaya@phillipcapital.com.tr)

**Sadrettin BAGCI**

[sadrettin.bagci@phillipcapital.com.tr](mailto:sadrettin.bagci@phillipcapital.com.tr)

## Valuation

We applied TRY based discounted cash flow valuation as SUWEN's revenue generation is mostly in local currency. We started with 29.00% risk free rate for near term and then gradually cut it to 20.00% at perpetuity. We applied a constant 6% equity risk premium. These assumptions brought the Cost-of-Equity to 33.50% with using Beta at 0.75 for the stock.

When it comes to Cost-of-Debt we applied 50% Cost-of-Borrowing and 25% effective tax rate. So, we end up with 37.50% cost-of-debt. Currently the company has a net debt position of TRY89 mln and gross financial debt-to-market capitalization stands at 11%. Therefore, we work with 33.9% WACC for the near term. Our WACC gradually declines to 24.5% at perpetuity as we foresee that the risk-free rate may drop around 20% in the coming years due to the anticipated decline in inflation.

As a result of these assumptions, **we end up with TRY53.00 per share target price**, yielding in 81% upside potential. **Our rating for the stock is Market Outperform.**

### Revenue and Cash Flow Forecasts, TRY mln

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
<b>Revenues</b>	<b>1,757</b>	<b>2,504</b>	<b>4,228</b>	<b>6,540</b>	<b>9,836</b>	<b>14,023</b>	<b>18,828</b>	<b>24,003</b>	<b>30,387</b>	<b>38,337</b>	<b>48,127</b>	<b>60,154</b>
CoGS	829	1,206	2,006	2,943	4,176	5,742	7,710	9,829	12,443	15,699	19,708	24,633
Gross Profit	928	1,298	2,222	3,597	5,661	8,281	11,118	14,174	17,943	22,638	28,419	35,521
<b>Revenue Growth</b>	<b>388%</b>	<b>42%</b>	<b>68.9%</b>	<b>54.7%</b>	<b>50.4%</b>	<b>42.6%</b>	<b>34.3%</b>	<b>27.5%</b>	<b>26.6%</b>	<b>26.2%</b>	<b>25.5%</b>	<b>25.0%</b>
Operating Expenses	750	1,053	1,692	2,615	3,965	5,666	7,706	10,043	12,729	16,071	20,335	25,613
Depreciation	235	301	384	591	920	1,326	1,879	2,614	3,324	4,206	5,440	6,996
<b>EBITDA</b>	<b>413</b>	<b>546</b>	<b>913</b>	<b>1,573</b>	<b>2,616</b>	<b>3,941</b>	<b>5,291</b>	<b>6,745</b>	<b>8,539</b>	<b>10,773</b>	<b>13,524</b>	<b>16,903</b>
<b>EBITDA Margin</b>	<b>23.5%</b>	<b>21.8%</b>	<b>21.6%</b>	<b>24.1%</b>	<b>26.6%</b>	<b>28.1%</b>	<b>28.1%</b>	<b>28.1%</b>	<b>28.1%</b>	<b>28.1%</b>	<b>28.1%</b>	<b>28.1%</b>
<b>Gross Margin</b>	<b>52.8%</b>	<b>51.8%</b>	<b>52.6%</b>	<b>55.0%</b>	<b>57.6%</b>	<b>59.1%</b>	<b>59.1%</b>	<b>59.1%</b>	<b>59.1%</b>	<b>59.1%</b>	<b>59.1%</b>	<b>59.1%</b>
Other Income / Loss	109	89	100	-180	-165	-207	-217	-225	-184	-105	-29	55
Pre-Tax Profit	287	334	630	802	1,531	2,408	3,195	3,906	5,031	6,462	8,055	9,963
Tax Expense	63	143	157	201	383	602	799	976	1,258	1,615	2,014	2,491
<b>Net Profit</b>	<b>224</b>	<b>192</b>	<b>472</b>	<b>602</b>	<b>1,149</b>	<b>1,806</b>	<b>2,396</b>	<b>2,929</b>	<b>3,773</b>	<b>4,846</b>	<b>6,041</b>	<b>7,472</b>
<b>Cash Flow</b>												
Net Earnings	224	192	472	602	1,149	1,806	2,396	2,929	3,773	4,846	6,041	7,472
Adjustments to Net Earnings	211	330	384	591	920	1,326	1,879	2,614	3,324	4,206	5,440	6,996
Operating Cash Flow	435	521	856	1,192	2,069	3,132	4,275	5,543	7,097	9,052	11,481	14,468
Change in Working Capital	-97	-58	-294	-183	-428	-544	-671	-722	-891	-1,110	-1,367	-1,679
Cash Flow from Core Operations	338	463	562	1,010	1,641	2,588	3,604	4,821	6,206	7,942	10,114	12,789
Cash from Other Operations	-68	-120	-85	-131	-197	-280	-377	-480	-608	-767	-963	-1,203
Cash from Investment Operations	-65	-111	-296	-458	-689	-982	-1,318	-1,440	-1,823	-2,300	-2,888	-3,609
<b>Free Cash Flow</b>	<b>205</b>	<b>233</b>	<b>181</b>	<b>421</b>	<b>756</b>	<b>1,326</b>	<b>1,910</b>	<b>2,901</b>	<b>3,775</b>	<b>4,875</b>	<b>6,264</b>	<b>7,977</b>

Source: Company Data and PhillipCapital Research

Valuation and Assumptions

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
WACC	33.94%	32.89%	31.83%	30.78%	29.73%	28.68%	27.62%	26.57%	25.52%	24.47%
Free Cash Flow, TRY mln	181	421	756	1,326	1,910	2,901	3,775	4,875	6,264	7,977
Discount Rate	123%	92%	70%	54%	41%	32%	25%	20%	16%	13%
Discounted FCF, TRY mln	222	389	529	710	788	930	949	968	991	1,014
Long Term Growth Rate										4.0%
NPV of FCF										7,489
Terminal Value										5,165
Debt, TRY mln										824
Target Mcap, TRY mln										11,830
Target Price, TRY										53.00
Upside										80%
Current Mcap, TRY mln										6,572
Current Price, TRY										29.34

	2024	Terminal
Debt, TRY mln	721	
Equity, TRY mln	1,449	
Mcap, TRY mln	6,572	
Debt Share	11%	10%
Tax Rate	25%	25%
Cost of Debt	50.00%	25.00%
Risk Free Rate	29.00%	20.00%
Equity Risk Premium	6.00%	6.00%
Beta	0.75	0.85
CoE	33.50%	25.10%
CoD	37.50%	18.75%
WACC	33.94%	24.47%

Source: Company Data and PhillipCapital Research

## Executive Summary

SUWEN is one of the largest companies in Turkey specializing in lingerie, home wear, beachwear, and hosiery. Founded in 2003 in Istanbul under the name Ekofer, SUWEN rebranded itself in 2005 and began distributing its products through multi-brand department stores such as Boyner and YKM. In 2007, the company opened its first retail store, marking a strategic shift towards B2C sales. Today, wholesale operations account for less than 2% of total sales, reflecting SUWEN's focus on direct consumer engagement. In 2019, SUWEN established its international subsidiary and opened its first international store in Romania in 2022, marking the beginning of its global expansion. The company's growth trajectory was further bolstered by its 2022 IPO, which enhanced its presence in both domestic and international markets.

**Still low penetration and demographics call for stronger growth in the coming years.** The company achieved 95% CAGR revenue growth in the last five years. According to our analysis there is still strong growth potential given the current penetration of the company. Since its IPO in 2022, the company has steadily continued its growth, leveraging its well-established brand, strong financial performance, and ambitious expansion plans. As a result, SUWEN has emerged as one of the most promising public companies on the Borsa Istanbul (BIST).

As of 1 September 2024, the company has reached a total of 193 stores, with 175 located domestically and 18 internationally. We assumed the company to double its number of local stores in the next decade thanks to i) current low penetration when compared to peers and ii) favorable demographic dynamics and consumer behaviors.

**Low indebtedness is an advantage to finance the growth.** SUWEN had TRY89 mln net debt as of 1H24 corresponding to 0.1x of 2024E Ebitda. The company's net working capital was TRY835 mln with 202 days of cash conversion cycle.

**Deserves higher valuation given the growth potential.** SUWEN currently trades at 2025E 4.76x EV/Ebitda and 11.06x earnings. We expect 15% dividend payout ratio out of 2024 earnings corresponding to a mere 1.1% dividend yield.

### Key Risk Factors

**Economic Risk.** Given that SUWEN operates primarily in Turkey, it is highly susceptible to the economic conditions of the country. As SUWEN's products, such as lingerie, home wear, and beachwear, are not considered essential, consumers may reduce their spending on these items during economic downturns. Inflationary pressures, rising unemployment, or a decrease in disposable income could lead to reduced demand, impacting SUWEN's revenue and profitability.

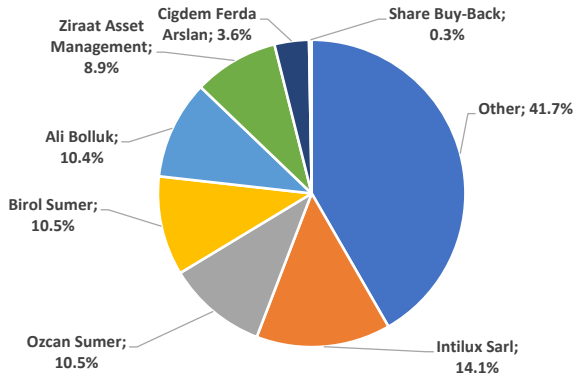
**Supply Chain Disruptions.** SUWEN does not own any manufacturing facilities and instead relies on third-party suppliers for the production of its goods. While this allows the company to focus on its core competencies, it also introduces significant risk. Any disruptions in the supply chain—such as delays, quality issues, or shortages—could hinder SUWEN's ability to meet market demand and execute its strategic plans effectively. Without control over the production process, the company is vulnerable to external factors that could disrupt its operations and impact its financial performance.

**Competition Risks.** Despite SUWEN's steady growth and strong market presence, it operates in a highly competitive environment. The Turkish lingerie and home wear market includes several other key players, both domestic and international. As competition intensifies, there is potential for downward pressure on prices, which could erode profit margins. Additionally, competitors may introduce new products or strategies that could capture market share, posing a challenge to SUWEN's growth and profitability.

**Shareholder Structure Risk**

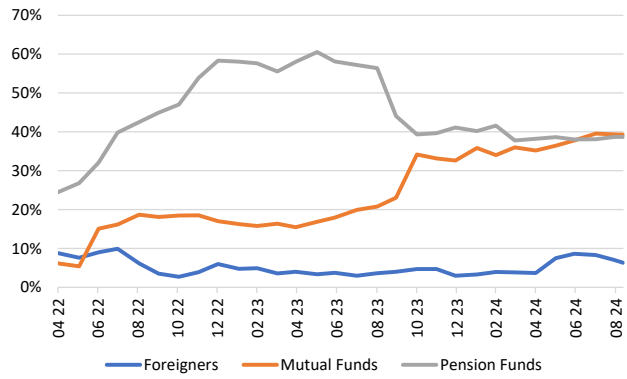
As demonstrated below, SUWEN has five primary shareholders, roughly owning 60% of the company’s shares. The diversified shareholding structure may be seen as a concern in case of a disagreement among shareholders to take the necessary growth actions that we assumed throughout the report. Besides, the high share of corporate institutions in free float may narrow the retail investors’ appetite.

**Shareholders’ Structure**



Source: Company Data, Public Disclosure Platform

**Institutional Investors’ Share**



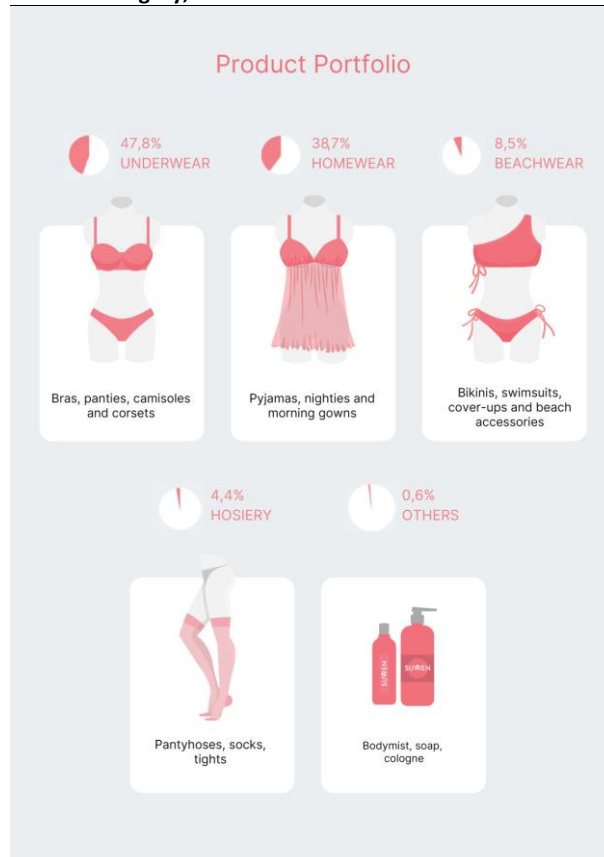
Source: Matriks based on MKK data

## SUWEN’s Operations

### Product Category

SUWEN’s revenue mainly comes from underwear and home-wear, with the addition of supplementary products. The product categories and their share in revenue can be seen on the following illustration. The company is specialized in women underwear, especially in bras, offering comfortable, healthy and esthetic products.

### Product Category, as of 2023FY



Source: Company Data

### Business Model

SUWEN does not manufacture its products but manages its design, marketing, and R&D processes internally, while outsourcing the production of its goods to specialized contractors. The company meticulously coordinates production schedules and supplies the majority of raw materials to these contractors, compensating them with a manufacturing fee for their services.

Although this business model might initially appear risky due to the reliance on a limited number of contractors for production, SUWEN mitigates these risks through strategic relationships. For instance, Özcan Sümer, a principal shareholder and co-founder of SUWEN, is also the founder of Eko Tekstil, which accounts for approximately 40% of the company's contract manufacturing. Moreover, other contractors are strategically aligned with SUWEN through shareholder connections or other collaborative partnerships.

SUWEN further strengthens its operations by leveraging its relationship with Taxim Capital, a significant private equity firm and one of SUWEN's primary shareholders. Taxim Capital's portfolio includes companies that are integral to SUWEN's operations, such as Netcad Yazılım, which provides critical software services. This strategic alignment within Taxim Capital's network enhances SUWEN's operational efficiency and resilience.

**Market Positioning**

We estimate the market size at around TRY58 billion for 2024 based on the data provided by TurkStat, data provided by companies operating in this sector and unions in related sectors. According to TurkStat 2023 household consumption data, ~TRY15,700 was spent for apparel and footwear by per household. Based on probable consumption frequency and prices from various e-commerce platforms we roughly assume that ~10% of this amount, TRY1,570, was spent on women underwear, home-wear, socks and swimming wear by per household. This brings the total WUHB (Woman Underwear, home-wear and beach wear) market to TRY41.3 bln in 2023. Assuming that 40% inflation in 2024, we end up with ~TRY58 billion market size for 2024.

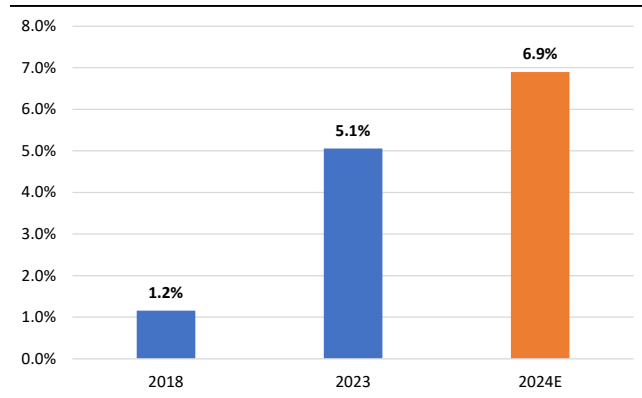
Within this market SUWEN has 5.1% market share according to our estimations in 2023. The company has more or less similar market shares in sub categories. Of course, it is hard to measure a more concrete market share but we expect that SUWEN will likely increase its presence in local market through expanding its store network. Moreover, the women population in Turkey to reach ~30 million for women aged between 15-65 and ~22 million for women aged between 25-60.

**Market Size Estimation**

	<b>2018</b>	<b>2023</b>
Monthly Apparel & Footwear Consumption per household, TRY	214	1,309
Annual Apparel & Footwear Consumption per household, TRY	2,568	15,708
10% goes to WUHB, TRY	257	1,571
Number of Households, million	23.2	26.3
<b>Market Size, TRY mln</b>	<b>5,963</b>	<b>41,327</b>

Source: TurkStat and PhillipCapital Research

**SUWEN's Local Market Share in Women Underwear, Home-Wear and Beachwear**



Source: Company Data and PhillipCapital Research

### Sales Channels

**Domestic Retail Stores.** SUWEN has established a widespread retail network that enables the company to effectively reach diverse target markets. As of 1H24, the company operates 193 stores, with 175 in Turkey and 18 internationally. The vast majority of these stores are directly owned, which allows SUWEN to maintain tighter control over individual store operations, thereby ensuring consistent brand image and quality across all locations. In select areas, particularly in international markets, SUWEN has also adopted a franchise model. This strategy allows the company to expand rapidly while mitigating some of the operational challenges associated with new ventures.

As of now, SUWEN operates in 48 cities in Turkey. Though the network of stores covers the bulk of Turkey's population, the missing cities make up approximately 11% of Turkey's female population and ~7% of Turkey's GDP, indicating an opportunity to enter into new markets. As it will be discussed later in the report, there are opportunities to grow in larger cities where currently making up of majority of SUWEN's revenue.

#### Local Store Development

	Franchise	Self Owned	Total	Total sqm	Per Store sqm
2020	4	107	111	11,354	102
2021	8	130	138	15,165	110
2022	7	148	155	17,790	115
2023	6	165	171	20,396	119
1H24	5	170	175	21,096	121

Source: Company Data

#### Comparison of SUWEN, DAGI, PENTI, MAVI, LCW, KOTON number of stores

	2017	2018	2019	2020	2021	2022	2023
<b>Dagi</b>	56	57	63	90	100	107	99
<b>Koton</b>	n.a.	306	304	n.a.	269	248	241
<b>Mavi</b>	360	372	381	384	395	396	405
<b>Suwen</b>	50	71	92	111	138	155	171
<b>Penti*</b>	n.a.	n.a.	n.a.	391	402	406	404
<b>LCW*</b>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	1,272

Source: Company Websites, Company Data \* 2023 store numbers are as of September 2024

**Abroad Retail Stores.** The company's international operations have been on the rise since 2022, reflecting a steady expansion into foreign markets. Romania stands out as a key operational market for the company, currently hosting 7 stores. Although the expansion goals in Romania were initially more ambitious during the IPO process, the company has successfully continued its market penetration while maintaining its revised target of 17 stores by 2027. While this figure is slightly lower than the previous goal of 20 stores by late 2026, it remains a significant achievement in enhancing international influence, especially given the importance of the European lingerie market. The company's potential to further expand globally hinges on solidifying its brand image as a symbol of genuine expertise, thereby gaining the trust of European customers.

As evidenced by its operations in Romania and Cyprus where SUWEN operates 7 and 2 retail stores, respectively, with full control through subsidiaries the company has also embraced an inorganic growth strategy by adopting a franchise model. While this approach may result in lower profit margins due to third-party agreements, it allows SUWEN to expand rapidly by outsourcing certain operational challenges and labor requirements, thereby optimizing its resources. Currently, SUWEN operates in seven countries with nine stores under the franchise model. The company also has ambitious plans to further accelerate its global expansion, as outlined below.



Given that SUWEN currently operates 193 stores globally, the company’s international expansion plans, if executed diligently, have the potential to become a key driver of overall growth. Considering those international operations currently account for only around 3.0% of SUWEN’s sales, even a moderately ambitious expansion strategy could significantly enhance the company’s scale and solidify its position as a modern, dynamic, and rapidly growing player in the global lingerie market.

**International Store Development**

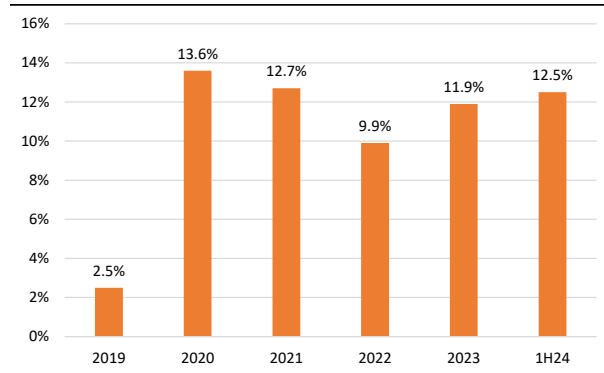
	Franchise	Self Owned	Total
2022	0	6	6
2023	9	9	18
1H24	9	9	18

Source: Company Data

**E-commerce** emerged as a critical growth driver for SUWEN starting in 2019, particularly in the wake of the COVID-19 pandemic, which necessitated the temporary closure of the company’s physical stores. During this period, SUWEN’s shopping mall stores were closed for 49 to 69 days, and its street stores for 51 to 58 days in 2020. While this posed significant challenges, the company successfully navigated these difficulties by leveraging its e-commerce platform and benefiting from government incentives.

Although there was a slight decrease in the e-commerce share of total sales in the year following the pandemic largely due to a base effect e-commerce has since resumed its upward trajectory. Looking forward, we expect e-commerce to continue increasing its contribution to SUWEN’s overall sales in the coming years.

**Share of E-Commerce in Total Sales**



Source: Company Data

**Franchise Stores** The company utilizes a franchise system in regions where direct control is challenging or not feasible. This approach has proven particularly effective in the international market, where it increases agility and accelerates scaling efforts. Though franchise system has lower contribution to the bottom-line of the company for now, this system helps the recognition of SUWEN’s brand name without capital expense. Though franchise system may depress the gross profit margin, it might lead to higher Ebitda margin due to lower capex/sales ratio.

**Wholesale.** While wholesale was initially the primary source of income for SUWEN, the company has since shifted its focus to direct retail and consumer engagement as its main strategy. Today, wholesale accounts for less than 2% of total sales. However, this channel remains a valuable component of SUWEN’s business model, as it increases brand visibility and accessibility, particularly in regions where the company does not yet have a retail presence.

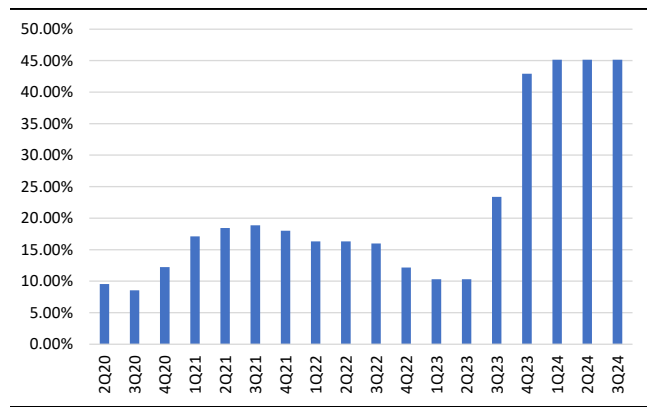
**Financial Analysis and Our Forecasts**

**1H24 Review**

SUWEN reported TRY1,647 mln revenues in 1H24 with 22% y/y growth according to inflation adjusted financials. Gross profit margin improved to 57% in 1H24 from 49% over a year ago mainly thanks to more conservative campaign/discount management and impact of 2024 summer season products (which have higher profit margins). Ebitda also grew by 43% y/y to TRY376 mln in 1H24 with an elevate margin from 19.4% in 1H23 to 22.9%.

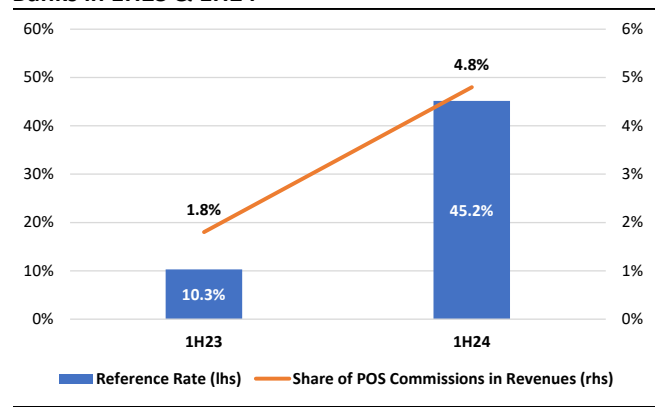
POS commissions had sizeable negative impact on SUWEN’s financials, as merchant commissions are linked to the CBRT’s policy rate. That said by the company POS commissions accounted 4.8% of revenues in 1H24, up from 1.8% over a year ago. The probable policy rate cuts throughout in 2025 will likely bring down the POS commission rates to be paid to banks.

**The CBRT’s Reference Rates for POS Commissions**



Source: CBRT

**The CBRT’s Reference Rate vs. POS Commissions Paid to Banks in 1H23 & 1H24**



Source: CBRT and Company Data

According to our analysis net debt was TRY89 mln as of June 2024 (excluding leasing liabilities) corresponding to ~0.1x Net Debt / Ebitda ratio. The company expects to be in net cash position by the end of 2024 mainly thanks to the higher seasonality in 2H24.

The gross financial debt of SUWEN stood at TRY300 mln as of June 2024, almost entirely composed of short terms loans. The cost of debt is 50.11% that is up from 22.29% compared to 2023YE. Time deposits at banks was TRY105 mln as of June 2024 yielding 30.00-49.00% according to footnotes. This brings us to around TRY110 mln net interest expense per annum.

Capex totaled to TRY96.4 mln in 1H24 corresponding to 5.9% revenues. Management guidance is 6-7% of revenues for Capex in 2024FY.

**SUWEN 1H24 Summary Financials**

<i>TRY mIn</i>	<b>1H23</b>	<b>1H24</b>	<i>Change</i>
<b>Revenues</b>	<b>1,355</b>	<b>1,647</b>	<b>21.6%</b>
CoGS	684	714	4.3%
Gross Profit	671	933	39.1%
Gross Profit Margin	49.5%	56.7%	716 bps
Operating Expenses	582	742	27.5%
<i>Depreciation</i>	174	185	6.2%
<b>Ebitda</b>	<b>263</b>	<b>376</b>	<b>43.0%</b>
<b>Ebitda Margin</b>	<b>19.4%</b>	<b>22.9%</b>	<b>343 bps</b>
Investing Activity Income / Expense	5	14	183.7%
Financial Income / Expense	-46	-156	235.2%
Monetary Gain / Loss	136	76	-44.3%
Pre Tax Profit	183	125	-31.8%
Tax Income / Expense	-91	-31	-65.5%
<b>Net Profit</b>	<b>93</b>	<b>94</b>	<b>1.4%</b>
<b>Net Profit Margin</b>	<b>6.8%</b>	<b>5.7%</b>	<b>-113 bps</b>
Cash		1	
Demand Deposits		89	
Time Deposits		105	
POS Receivables		16	
Short Term Debt		299	
Long Term Debt		2	
Leasing Liabilities		371	
<b>Net Cash / Debt (-)</b>		<b>-89</b>	
Trade Receivables	48	77	
Inventories	382	961	
Trade Payables	142	203	
Net Working Capital	288	835	
<b>Net Working Capital / Sales</b>	<b>10.6%</b>	<b>25.3%</b>	

Source: Company data, PhillipCapital Research

**Local Retail Market**

We set our revenue model on four main variables for the local retail market, excluding e-commerce). These variables are i) Number of stores, ii) Per store square meter, iii) Women population aged between 25-60, iv) Conversion rate and v) Growth in average ticket size.

SUWEN had 175 stores in Turkey as of June 2024. We assumed the company to double its store network in the next decade. We based this assumption mainly on the network of company's main peer in the market and the number of shopping malls in the country. In the following sections we mentioned in detailed in which cities SUWEN is behind its main peer and the potential store openings in shopping malls in which the company does not exist.

The average size of a retail store is 121 square meter per store. The company plans not only open new stores but also plans to enlarge its average store size in the coming years to to present its current category range more effectively. We assumed per store size to reach 150 square meters by the end of our forecast period.

We used the TurkStat forecasts for the women population aged between 25-60. According to this forecast the CAGR growth (2023-2030) is 0.68%.

Conversion rate was 17.6% in 1H24 and 17.8% in 2023FY. This is relatively higher ratio compared to some listed companies' ratios. We assumed 17.5% conversion rate for our forecast period.

Finally, we assumed 70% and 40% respective annual growth rates for average ticket size for 2024 and 2025. These are relatively higher growth rates compared to expected headline inflation. This is partly attributable to rising share of beachwear in revenues.

**Revenue Forecast**

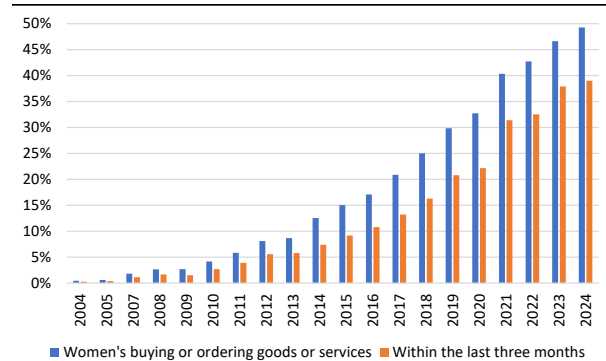
	2022	2023	1H24	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
# of Local Stores	155	171	175	180	190	210	230	250	270	290	310	330	350
Total sqm	17,790	20,396	21,096	21,780	23,602	26,763	30,053	33,472	37,020	40,697	44,502	48,437	52,500
Per Store sqm	115	119	121	121	124	127	131	134	137	140	144	147	150
25-60 Women Population	20.5	20.6	20.6	20.7	20.8	21.0	21.2	21.3	21.4	21.5	21.7	21.8	22.0
25-60 Women Population Growth	1.0%	0.4%	0.5%	0.7%	0.5%	0.9%	1.0%	0.7%	0.5%	0.5%	0.7%	0.7%	0.7%
# of Store Visits (thousands)	11,500	13,700	6,500	14,728	16,038	18,356	20,811	23,331	25,940	28,655	31,546	34,567	37,720
Number of Invoices (thousands)	1,931	2,442	1,147	2,622	2,839	3,231	3,642	4,083	4,539	5,015	5,521	6,049	6,601
Conversion Rate	16.8%	17.8%	17.6%	17.8%	17.7%	17.6%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%
<b>Revenues from Local Stores (TRY mln)</b>	<b>1,515</b>	<b>2,089</b>	<b>1,368</b>	<b>3,477</b>	<b>5,272</b>	<b>7,803</b>	<b>10,999</b>	<b>14,803</b>	<b>18,934</b>	<b>24,063</b>	<b>30,476</b>	<b>38,419</b>	<b>48,231</b>
Average Ticket Size (TRY)	785	856	1,193	1,326	1,857	2,415	3,020	3,626	4,171	4,799	5,521	6,351	7,307
Average Ticket Size Growth		9.0%		55.0%	40.0%	30.0%	25.0%	20.0%	15.0%	15.0%	15.0%	15.0%	15.0%
<b>E-Commerce Revenues (TRY mln)</b>	<b>297</b>	<b>205</b>	<b>205</b>	<b>517</b>	<b>742</b>	<b>1,010</b>	<b>1,324</b>	<b>1,641</b>	<b>1,938</b>	<b>2,284</b>	<b>2,716</b>	<b>3,231</b>	<b>3,842</b>
Number of Invoices (thousands)			299	650	666	697	731	755	774	793	820	848	876
Growth in Number of Invoices					2.4%	4.7%	4.8%	3.3%	2.6%	2.4%	3.4%	3.4%	3.4%
Average Ticket Size (TRY)			687	796	1,114	1,449	1,812	2,175	2,503	2,879	3,312	3,811	4,384
Average Ticket Size Growth					40.0%	30.0%	25.0%	20.0%	15.0%	15.0%	15.0%	15.0%	15.0%
<b>International Sales (TRY mln)</b>	<b>73</b>	<b>42</b>	<b>42</b>	<b>155</b>	<b>413</b>	<b>869</b>	<b>1,501</b>	<b>2,145</b>	<b>2,863</b>	<b>3,748</b>	<b>4,834</b>	<b>6,163</b>	<b>7,782</b>
# of Franchise Stores		9	9	9	33	56	80	92	103	115	127	138	150
# of Self Owned Stores		9	9	9	14	20	25	33	42	50	58	67	75
<b>Total # of Stores</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>18</b>	<b>47</b>	<b>76</b>	<b>105</b>	<b>125</b>	<b>145</b>	<b>165</b>	<b>185</b>	<b>205</b>	<b>225</b>
<b>Per Store Revenues (TRY mln)</b>	<b>4</b>	<b>2</b>	<b>2</b>	<b>6</b>	<b>9</b>	<b>11</b>	<b>14</b>	<b>17</b>	<b>20</b>	<b>23</b>	<b>26</b>	<b>30</b>	<b>35</b>
<b>Other Revenues (TRY mln)</b>	<b>44</b>	<b>31</b>	<b>31</b>	<b>79</b>	<b>113</b>	<b>155</b>	<b>199</b>	<b>239</b>	<b>267</b>	<b>292</b>	<b>309</b>	<b>314</b>	<b>299</b>
Ratio to Local Store, E-Commerce and International Sales		1.8%	1.9%	1.9%	1.8%	1.6%	1.4%	1.3%	1.1%	1.0%	0.8%	0.7%	0.5%
<b>Total Revenues (TRY mln)</b>	<b>2,504</b>	<b>1,647</b>	<b>1,647</b>	<b>4,228</b>	<b>6,540</b>	<b>9,836</b>	<b>14,023</b>	<b>18,828</b>	<b>24,003</b>	<b>30,387</b>	<b>38,337</b>	<b>48,127</b>	<b>60,154</b>

Source: Company Data, TurkStat, PhillipCapital Research

**E-Commerce**

The share of revenue from e-commerce in total revenues is 12.5% as of 1H24. We applied two main assumptions here. These are i) Growth in number of invoices and ii) Average ticket size growth. For the latter we applied the similar growth ratio as we assumed for local retail market. We used TurkStat internet usage data progress over the years. Considering the changing demographics and new generation's intense usage of internet for shopping purpose we assumed around 3.5% CAGR in our forecast period (2023-2033).

**Proportion of women used internet in the last 12 months in buying or ordering goods or services for private use over the internet**



Source: TurkStat

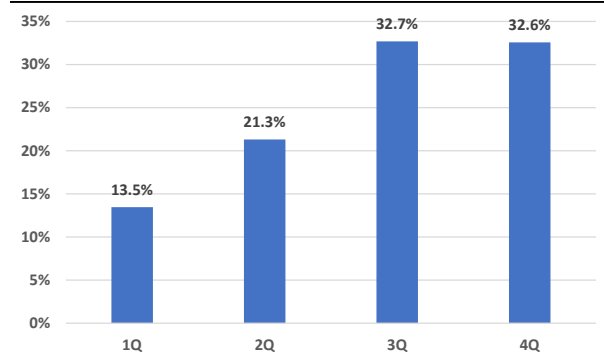
**International Sales**

SUWEN had 18 international stores as of June 2024. The company plans to expand its network to over 105 stores by 2027YE. We assumed the international store network to 225 by 2033YE, the end of our forecast period. We based our assumptions to its main peer’s international network and Turkey’s export to especially neighborhood countries in the product spectrum that SUWEN has. As many of new stores are expected to come with franchise agreements, we expect the contribution of international sales to total revenue to double to around 6% by the end of our forecast period.

**Seasonality in Revenues**

We also want to mention here that there is strong seasonality in revenue quarter by quarter, due to product diversification of SUWEN. Roughly 1/3 of annual revenue is driven in the first half of fiscal years, while remaining 2/3 comes in the second half of fiscal years. The main reasons of this seasonality are i) swimming wears are mostly sold in third quarters and ii) the holiday seasons towards the end of the years.

**Seasonality of Revenues, average of 2021, 2022 & 2023 financials**



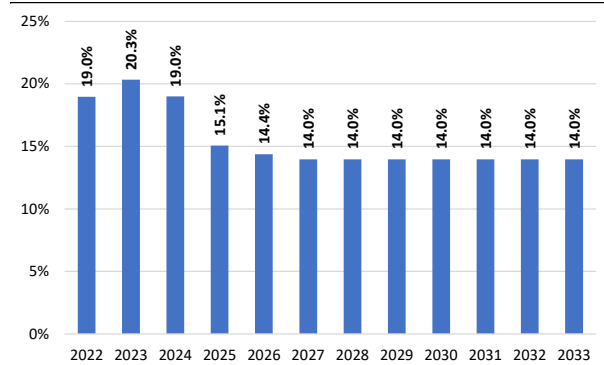
Source: Company Data

**Net Working Capital**

SUWEN operates with very short duration on the trading receivables side due to the nature of its business. Most of the sales is done through credit/debit card and cash in its stores.

The company works with around two months of duration with its suppliers. Looking back to couple of years it is obvious that the company worked with longer duration on the trade payables side. In tandem with the shortening duration in trade payables, the company’s inventory duration has also come down prevailing the company from a higher need of net working capital. As a result, the net working capital-to-sales ratio has been hovering around 19% for three years. We assumed around 17% in our forecast period.

**Net Working Capital / Sales**



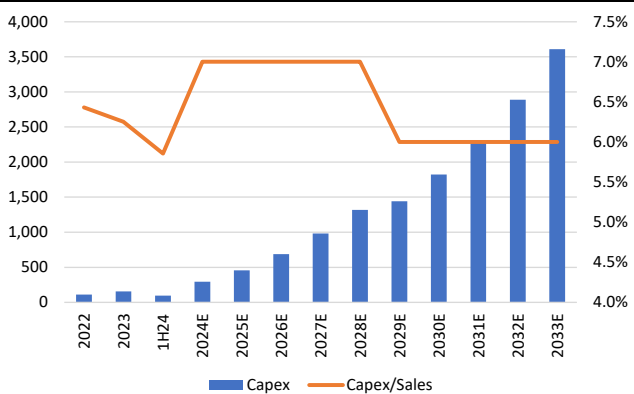
Source: Company Data and PhillipCapital Research

**Capex Planning**

SUWEN spent TRY157 mln for capital expenditures in 2023FY, corresponding to 6.3% of annual revenues. This ratio was 6.4% in 2022FY. We assumed that the company will maintain its store expansion in both in Turkey and abroad in the coming years to expand its penetration. We may also see that widening product spectrum may require additional area in its existing stores that may also require additional capital expenditure.

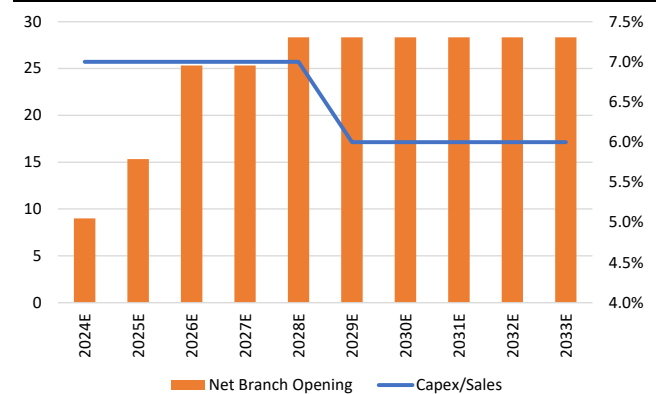
Currently there are 18 international stores. SUWEN aims to reach more than 105 stores by the end of 2027. We think this is an ambitious target. However, international store network may rapidly grow thanks to franchise contracts. That said by the company MENA region may be a good candidate for international store expansion when we look at its peers’ operations abroad.

**Capex and Capex – to – Sales Ratio**



Source: Company Data and PhillipCapital Research

**Net Store Expansion vs. Capex-to-Sales**



Source: Company Data and PhillipCapital Research

**Breakdown of Operating Expenses**

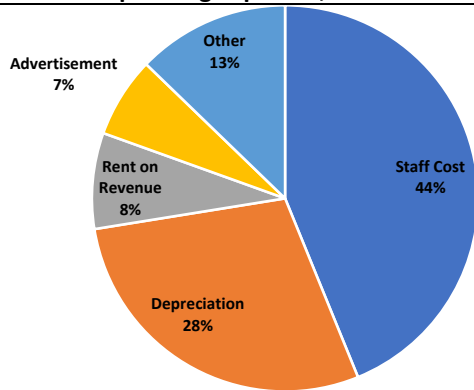
Due to its wide store network ~44% of SUWEN’s operating expenses is composed of employee cost. There are 1,101 employees as of 1H24. Therefore, the company’s operating expense basis is sensitive to minimum wage increase in our view.

SUWEN operates with almost 5 employees per store as of June 2024. HR cost accounted 18.4% of revenues in 2023FY and 22.2% of revenues in 1H24. Given the strong seasonality in the second half of the year and as there was no minimum wage increase at the beginning of 2H24, unlike a year ago, we expect employee cost to revenue ratio to be 16.4% in 2024FY. We also forecasted this ratio to be diminishing around 14% going forward as existing stores to reach maturity and number of customers is likely to be increasing gradually.

Depreciation also accounts ~28% of total operating expenses mainly due to the depreciation accounts of rent agreements of stores. According to the cash flow statement rent expenses related cash outflow accounted TRY148 mln in 2023.

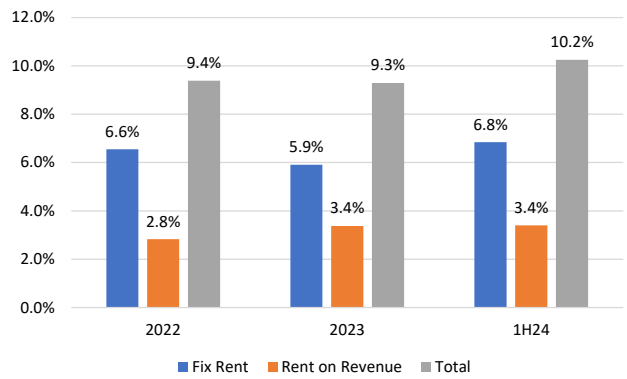
Rent expenses accounted 9.3% of revenues in 2023FY and 10.2% in 1H24. Roughly one third of total rent expenses is linked to SUWEN’s revenues. We expect the ratio of rent expenses to revenues to decline in 2H24 due to the seasonality of the company’s business.

**Breakdown of Operating Expenses, 2023FY**



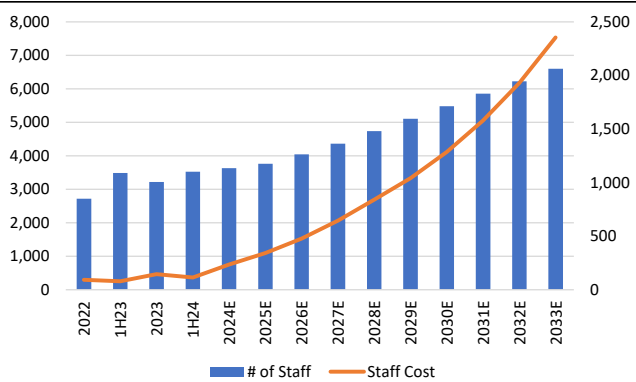
Source: Company Data and PhillipCapital Research

**Rent Expenses / Revenue**



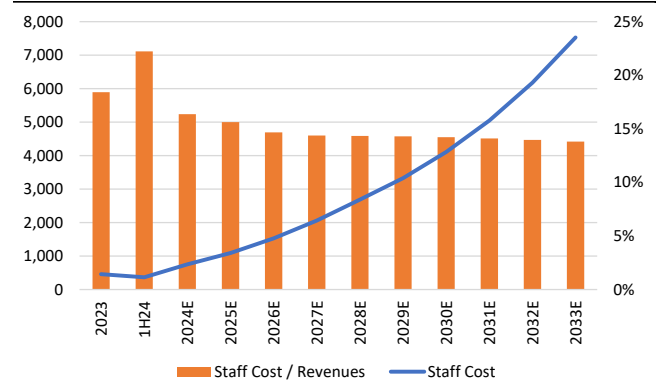
Source: Company Data and PhillipCapital Research

**Staff Size and Staff Cost**



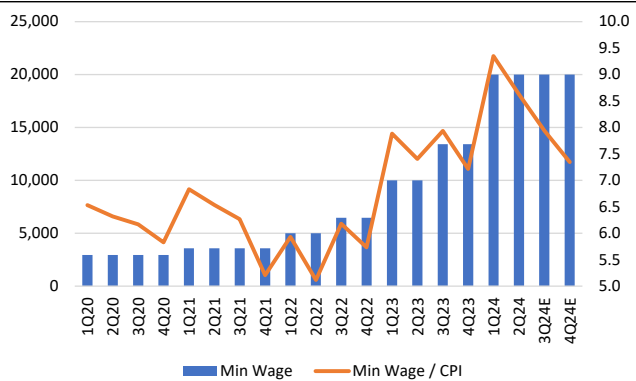
Source: Company Data and PhillipCapital Research

**Staff Cost as percentage of Revenues**



Source: Company Data and PhillipCapital Research

**Margin Pressure due to Minimum Wage Hike is Seasonal – 2H24 Ebitda margin should be stronger**



Source: TurkStat and PhillipCapital Research

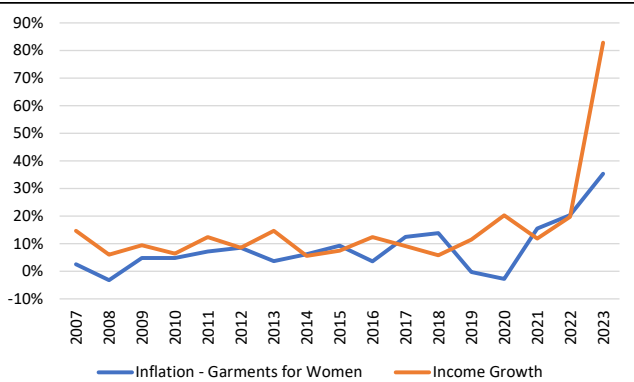
## Growth Opportunities

### Population dynamics is working in favor of SUWEN

According to TUIK statistics women labor force almost tripled in the last two decades to 11.2 million from 4.25 million. Meanwhile participation rate significantly improved from around 21% in 2005 to over 36% as of May 2024. We think that women participation will likely further improve due to couple of factors that we listed below.

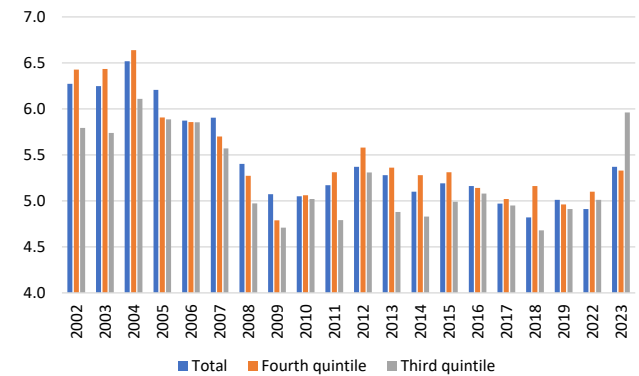
- More people in a household work to cope with the diminishing purchasing power
- Number of people living in a household has been declining that calls for more women have to work
- Self-employment has been rising among housewives as e-commerce activities have been increasing
- Turkey’s population has been aging according to TUIK’s forecasts, indicating that target clientele of SUWEN has to be on the rise.

### Average income growth of women has beaten inflation of garments for women



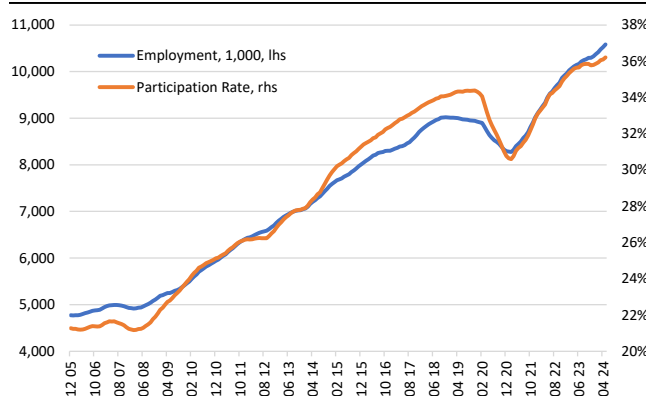
Source: TurkStat

### SUWEN’s potential clientele allocate more of their income for clothing compared to lower and highest income groups



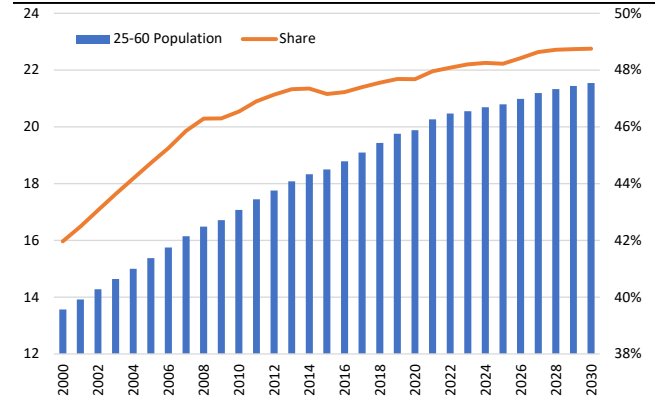
Source: TurkStat

### Women Employment has been Rising



Source: TurkStat

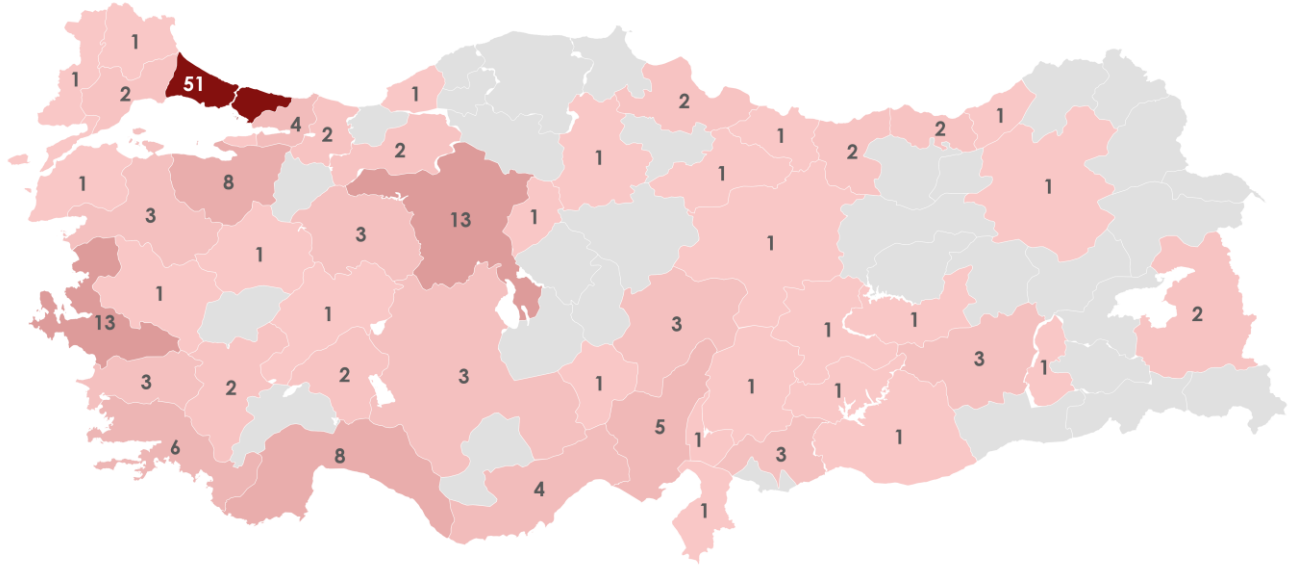
### 25-60 Women Population and Forecasts



Source: TurkStat



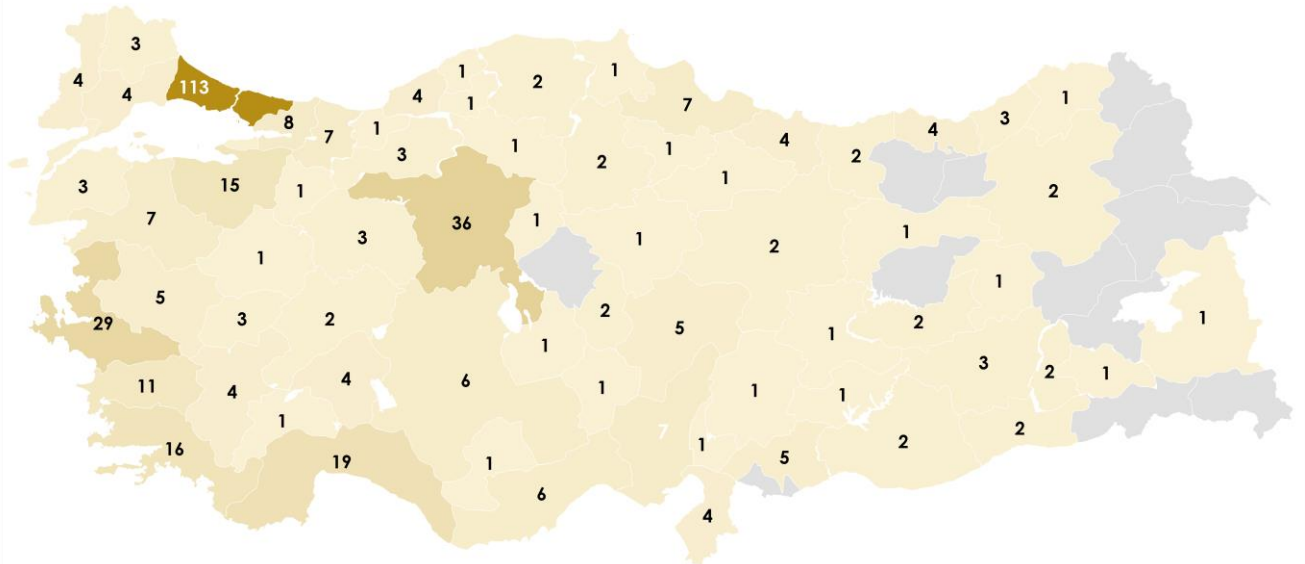
**SUWEN's Store Presence by Cities in Turkey**



Powered by Bing  
© GeoNames, Microsoft, TomTom

Source: Company Data

**Penti's Store Presence by Cities in Turkey**



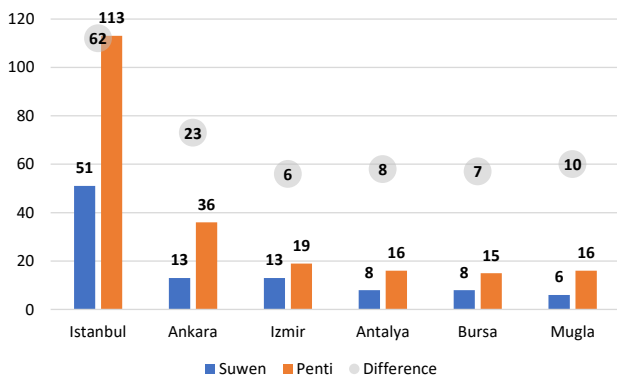
Powered by Bing  
© GeoNames, Microsoft, TomTom

Source: Company Website

We see Penti as the main peer of SUWEN in local market. Penti operates with more than twice number of stores when compared to SUWEN. Therefore, we think that SUWEN has still wide room to expand its local presence.

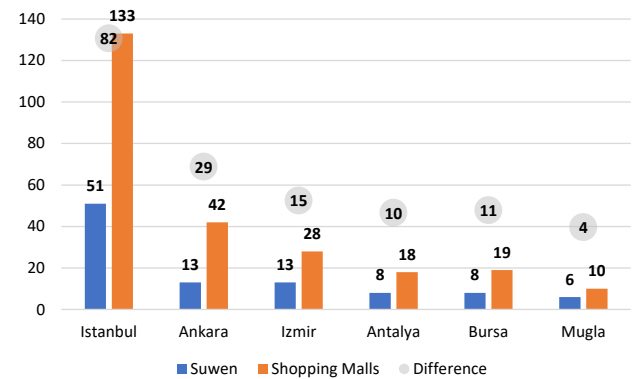
We looked at the number of stores difference between these two companies in main cities of Turkey. Although the main difference occurs in Istanbul (SUWEN has 62 stores less compared to Penti), there is opportunity to grow in other main cities as well (SUWEN has 54 stores less compared to Penti in other main cities). We project SUWEN to grow gradually in the next decade from 175 local stores currently to 350 stores opening around 10-15 stores per year.

**Comparison of SUWEN and Penti's Number of Stores in Selected Provinces**



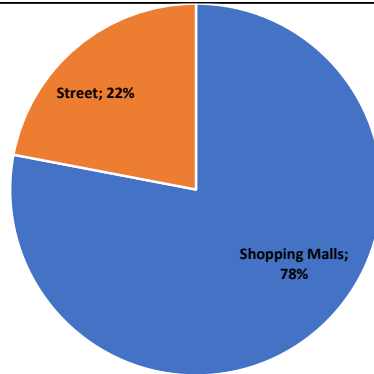
Source: Company Data, Penti's Web Site

**Comparison of SUWEN's Store and the Number of Shopping Malls in Turkey**



Source: Company Data and GYODER

**Shopping Mall vs. Street Stores Breakdown**

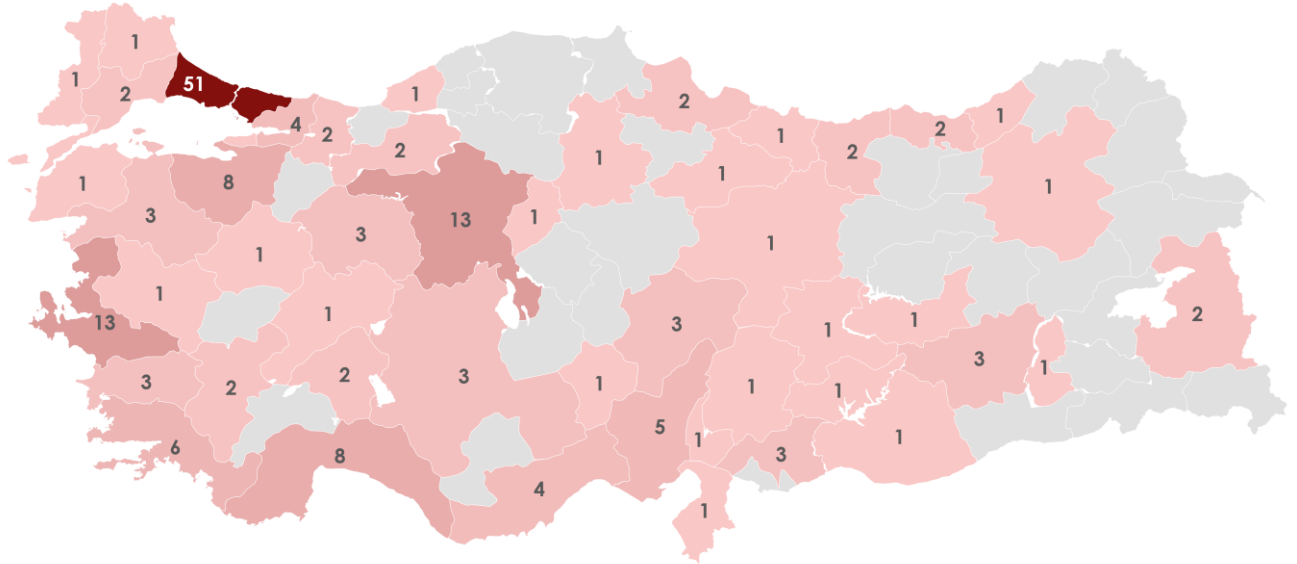


Source: Company Data

There are 448 shopping malls in Turkey, 133 of which are located in Istanbul. 78% of total SUWEN's stores or 137 of them are located in shopping malls. There exists a sizeable growth opportunity for SUWEN to expand its store network in shopping malls.

If we narrow the analysis for Istanbul, there are 133 shopping malls while SUWEN has 51 stores in the largest city of Turkey. Considering our 125 store expansion forecast in the next decade there seems a wide room even to realize our expansion assumption in Istanbul.

**SUWEN's Store Presence by Cities in Turkey**



Powered by Bing  
© GeoNames, Microsoft, TomTom

Source: Company Data

**Shopping Malls by Cities in Turkey**

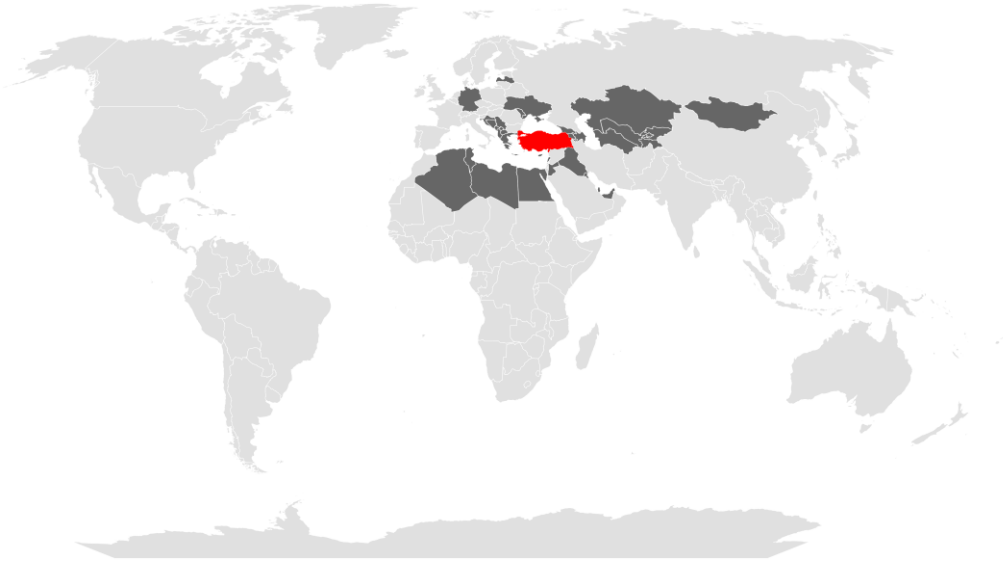


Powered by Bing  
© GeoNames, Microsoft, TomTom

Source: Company Data

**Penti's International Presence**

---

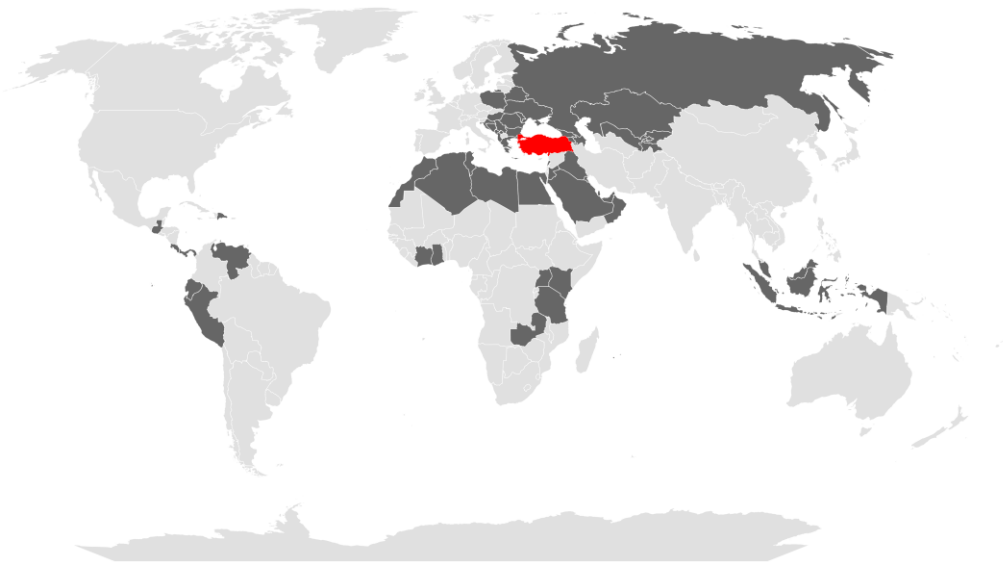


Powered by Bing  
© Australian Bureau of Statistics, GeoNames, Microsoft, Navinfo, Open Places, OpenStreetMap, TomTom, Zenrin

Source: Company Data

**LCW's International Presence**

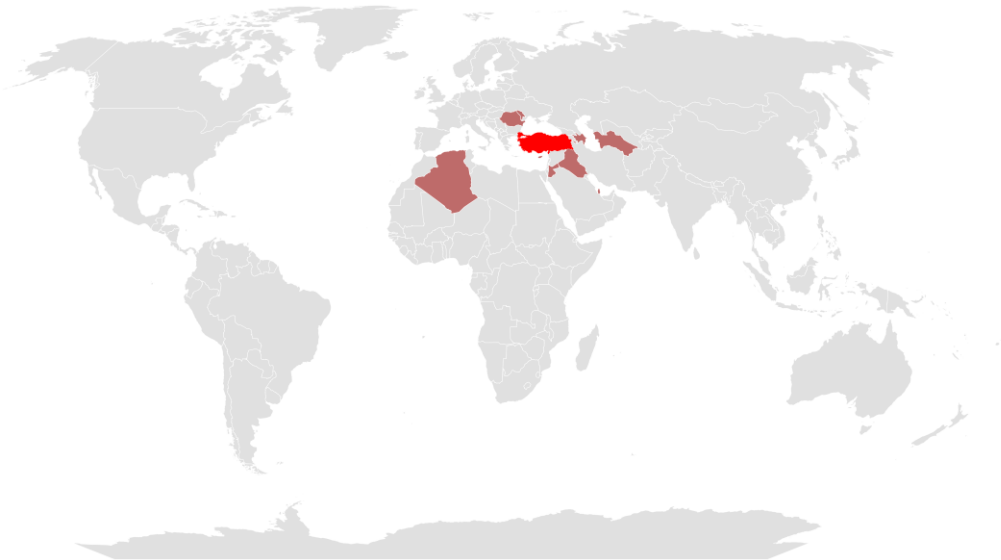
---



Powered by Bing  
© Australian Bureau of Statistics, GeoNames, Microsoft, Navinfo, Open Places, OpenStreetMap, TomTom, Zenrin

Source: Company Data

**SUWEN's International Presence**



Powered by Bing  
© Australian Bureau of Statistics, GeoNames, Microsoft, Navinfo, Open Places, OpenStreetMap, TomTom, Zenrin

Source: Company Data

**International Store Expansion Plan of SUWEN**

<b>International Franchise Stores (FOS)</b>		
<b>Country</b>	<b># of Stores 1H24</b>	<b>5 Year Plan 2023-27</b>
Azerbaijan	2	10
Qatar	1	4
Algeria	1	4
Jordan	1	5
Turkmenistan	1	3
Iraq	2	10
Moldova	1	3
Mongolia	-	3
Other Countries	-	40+
<b>International FOS</b>	<b>9</b>	<b>80+</b>

<b>International Retail Self Owned Stores (SOS)</b>		
<b>Country</b>	<b># of Stores 1H24</b>	<b>5 Year Plan 2023-27</b>
Romania	7	17
Cyprus	2	3
Other Countries	-	5
<b>International (SOS)</b>	<b>9</b>	<b>25</b>

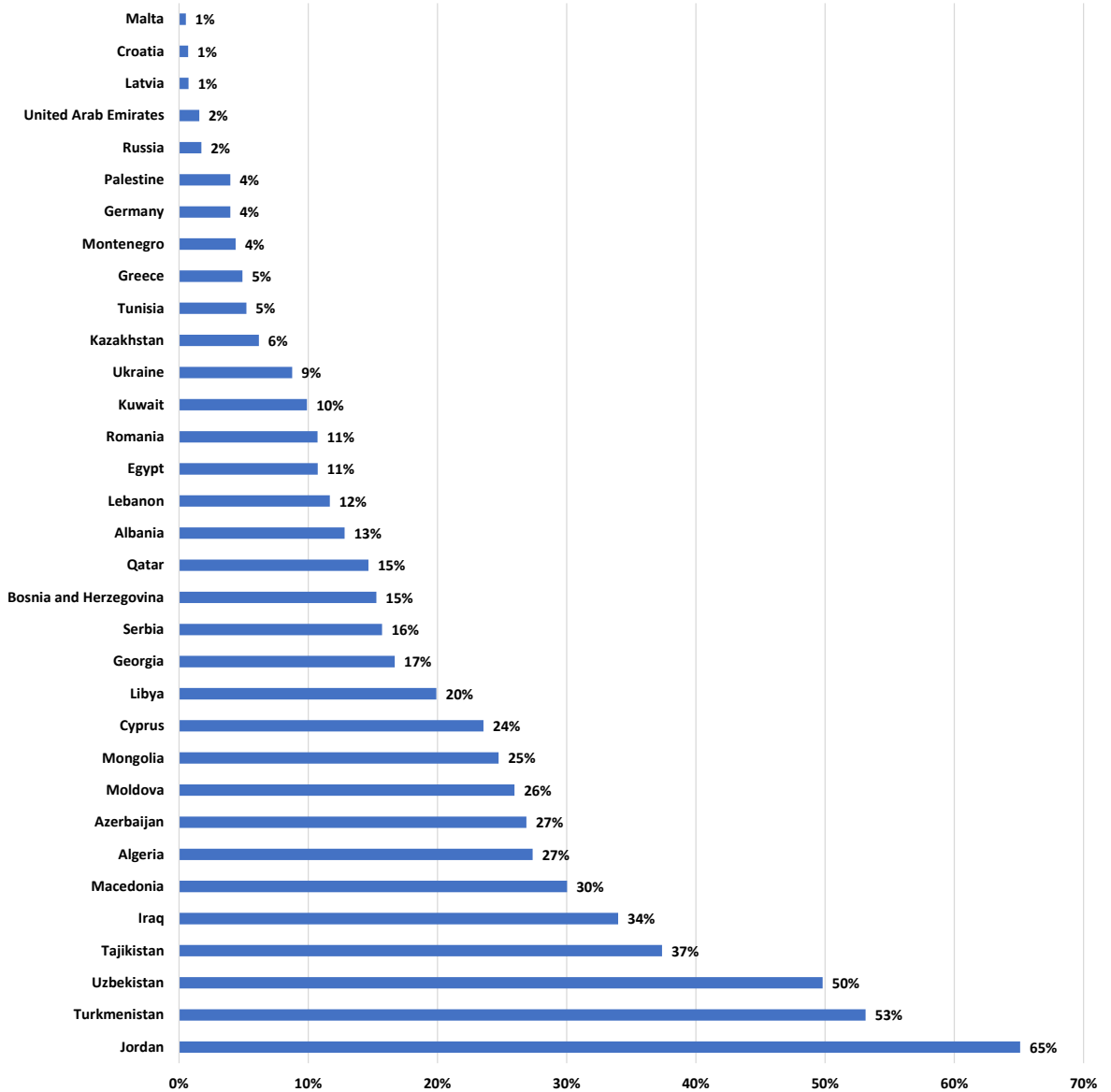
<b>Total International</b>	<b>18</b>	<b>105+</b>
----------------------------	-----------	-------------

Source: Company Data

SUWEN's international exposure is not wide for the time being. However, the company plans to open around 80-85 stores by the end of 2027, mostly through franchise. We assumed 47% CAGR in revenues from international stores, lifting up the share of international sales in total from 2.9% to 6.5% in the next decade. We do not expect SUWEN to achieve a global presence like LCW achieved but Pentti's global presence is much more reachable in our view.

Below we tried to analyze Turkey’s exports of the products that matches mostly with SUWEN’s SKU. According to Turkey’s export data Turkic Republics, Jordan, Iraq, Algeria, Moldova and Mongolia are more familiar with Turkey’s products in these SKUs. SUWEN’s international expansion plan includes these countries. Therefore, we think that the company may expand its store network to these countries.

**Countries’ Import Share from Turkey in Products that match with SUWEN’s SKU**



Source: Trade Map

## **Methodology**

The target value of a stock represents the value that the analyst expects to be reached at the end of our 12-month performance period.

### **Outperform (OP)**

If this decision is made for a company, it indicates that better returns are expected for the stock compared to the index in the medium and long term. However, this decision does not guarantee that the stock will rise or outperform the index. Any changes in market conditions, developments in the macroeconomy, global economic developments, or news about the company after the report is published can change this decision.

### **In-Line with Index (IL)**

If the decision of "In-Line with Index" is made for the relevant stock, there can be various reasons for this. This decision may have been made if the company's recent data and future estimates do not show significant differences compared to the past. The stock price of the company may be at levels close to what it should be in terms of valuations. Making an "In-Line with Index" decision for a stock does not mean that the stock will not move up or down. Generally, this decision indicates that in the medium and long term, a return similar to the index is expected for the stock. However, every new piece of news and change in market conditions can alter this decision.

### **Underperform (UP)**

If the decision of "Underperform" is made for a stock, it indicates that weaker returns are expected in the medium and long term compared to the index. Even if the "Underperform" decision has been made for a stock, short-term price increases for the stock or short-term technical indicators giving a buy signal are possible. In some cases, even if returns are not expected from the stock in the medium and long term, short-term "Outperform" or "In-Line with Index" returns can be achieved when there is significant news, temporary profit increase news, or developments that will lead to a positive short-term price trend.

PhillipCapital analysts review their valuations in line with developments related to companies and may change their recommendations for stocks when deemed necessary. However, there are times when a stock's target return may deviate from the rating ranges we anticipate due to price fluctuations. In such cases, the analyst may choose not to change their recommendation.

## Legal Disclosure

The investment information, comments, and recommendations provided here are not within the scope of investment consultancy. Investment consultancy services are provided within the framework of an investment consultancy agreement to be signed between intermediary institutions, portfolio management companies, non-deposit-taking banks, and customers. The comments and analyses provided here are of a general nature. These recommendations may not be suitable for your financial situation and risk and return preferences. Therefore, making investment decisions based solely on the information presented here may not yield results in line with your expectations.

All comments and recommendations consist of forecasts, estimates, and price targets. Changes may be made to these comments and recommendations due to changes in market conditions over time. All views and information in this report have been compiled from sources believed to be reliable, but their accuracy has not been independently verified. Therefore, PhillipCapital Securities Inc. and its employees are not responsible for any damages that may arise from the incompleteness or inaccuracy of this information. For this reason, it is recommended that readers verify the accuracy of the information before acting on the information obtained from these reports, and they are responsible for the decisions they make based on this information. PhillipCapital is not responsible in any way for the lack and inaccuracy of the information. In addition, PhillipCapital and all employees do not have any responsibility for damages arising from information in any way.

There are no known relationships or conditions that could affect the objectivity of the comments and recommendations presented here in a way that could affect the objectivity of the company, and great care and attention have been taken to prepare it in a way that will not give rise to significant conflicts of interest that may arise between our Company and customers.

The information provided here is not an investment recommendation, a buy/sell recommendation for an investment instrument, or a promise of return, and is not included in the scope of Investment Consultancy. This report, in whole or in part, cannot be reproduced, published, or shown to third parties without the written permission of PhillipCapital Menkul Değerler A.Ş. and cannot be used for commercial purposes.