Hit-it While it's Hot: Sky-High Growth Ahead

We initiate our coverage of Hitit Bilgisayar with an "outperform" rating and a target price of TRY 65.00 per share.

Hitit Bilgisayar Hizmetleri A.Ş., a prominent provider of airline and travel IT solutions, provides "Crane" branded software solutions, is the 2nd largest Passenger Service System (PSS) provider in Europe, and 3rd largest in the world. The company offers a single integrated solution for the smallest airline to the largest and shows global scaling with cloud-based, modern, and flexible technology infrastructure. The company's "Crane" software covers all services in the aviation sector, including reservations, mobile applications, loyalty programs, crew management, accounting, and cargo. Additionally, the company's Agency Distribution Systems (ADS) products cater to travel agencies, broadening Hitit's customer base. According to the IATA, the company is also the global industry leader in new-generation Offer and Order Management Systems (OOMS), a software solution integrating offer creation, order processing, fulfillment, and tracking into a single system.

Since being founded in 1994, the company has accumulated 72 partners in 50 countries, while over 850 airports and 85 payment systems utilize the "Crane" software. In 2022, the company started trading publicly on the Istanbul Stock Exchange and has since then earned a place on the Sustainability (as of January 2025) and Participation (as of December 2024) indices.

With a tender win rate of over 50%, the company displays steady partner growth, while a 77% contract renewal rate indicates substantial customer satisfaction. The company has provided its services to Pegasus Airlines since 2005 and has also recently signed a distribution agreement to provide Crane ADS. Hitit has also initiated a collaboration with AJet, a subsidiary of Turkish Airlines, which has gone live to start generating recurring revenues.

The aviation sector in general has surpassed pre-pandemic levels, both in terms of passenger numbers and industry financials. The most prominent tailwind for Hitit may be its focus on working with Low-Cost Carriers (LCC) and hybrid carriers, which are expected to show accelerated growth in the near future. In addition, the company is ramping up investments in Research and Development in an effort to remain ahead of its competitors in a period when cloud computing, software infrastructure, and artificial intelligence are key innovative areas, all the while managing to keep its debt levels at a minimum.

Risk factors for Hitit include the potential persistence of a strong Turkish Lira, geopolitical risks, and cybersecurity risks. However, we predict that the U.S. dollar will strengthen against the Turkish Lira, while a balanced geographical distribution of partners and certifications of high cybersecurity standards will position the company to weather any potential headwinds.

HİTİT BİLGİSAYAR

65% Upside Potential

Listing Details and View	
Bloomberg Ticker	**HTTBT TI**
View	**Outperform**
Price per Share, TRY	39.38
Target Price per Share, TRY	**65.00**
Upside	65%
Free Float	26.60%
Market cap, TRY mln	11,814
Market cap, USD mln	325
BIST-100 Index Weight	0.00%
BIST All Shares Index Weight	0.08%
Foreign Share	34.00%
Pension Funds Share	20.77%
Mutual Funds Share	14.51%

Source: Matriks, Finnet, PhillipCapital Research
Market Data as of 07/03/2025

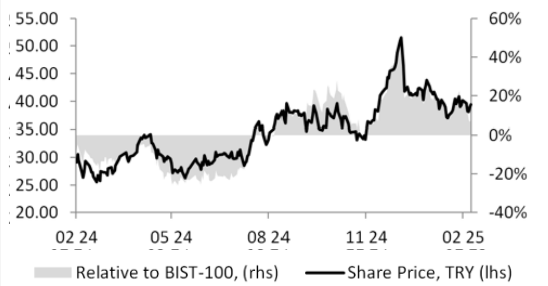
Key Financials, USD mln	2024	2025E	2026E	2027E
Revenue	34.2	46.5	63.8	84.9
Revenue Growth	33.5%	35.8%	37.2%	33.1%
Gross Profit	16.5	23.2	33.2	44.6
Gross Profit Margin	48.2%	50.0%	52.0%	52.5%
EBITDA	13.8	20.5	29.3	40.5
EBITDA Margin	40.4%	44.1%	45.9%	47.7%
Net Profit	8.4	11.5	16.1	21.8
Net Profit Margin	24.7%	24.7%	25.2%	25.7%
Net Debt	(7.3)	(3.1)	1.6	2.9
Net Debt / EBITDA	(0.5)	(0.1)	0.1	0.1
P/E	55.9	34.0	24.4	18.0
P/B	7.4	5.3	4.4	3.6
EV/EBITDA	33.8	18.7	13.1	9.5

Source: Company Data, PhillipCapital Research

Shareholder Structure	Shares (million)	Rate
Pegasus Hava Taşımacılığı A.Ş.	110	36.8%
Fatma Nur Gökman	70	23.2%
Dilek Ovacık	14	4.8%
Hakan Ünlü	13	4.4%
Özkan Dülger	13	4.4%
Diğer	79	26.4%
Total	**300**	**100.0%**

Source: Company Data

Share Price Performance



Source: BIST, Finnet

	1m	3m	6m	1y
Nominal	2.1%	7.8%	4.5%	43.7%
Relative	-5.5%	1.9%	-1.2%	19.6%
Trd. Vol. USD mln	1.4	1.5	1.2	1.0

Source: BIST, Finnet

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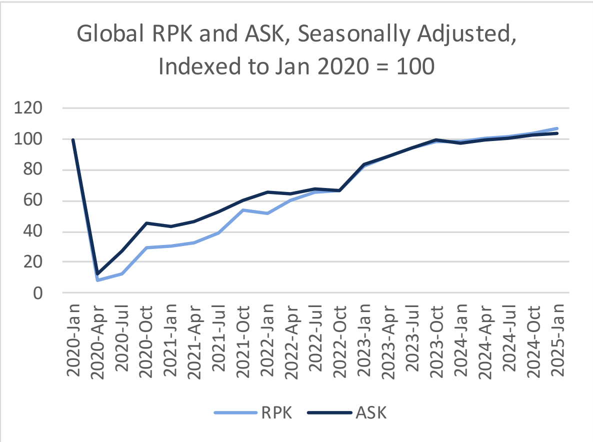
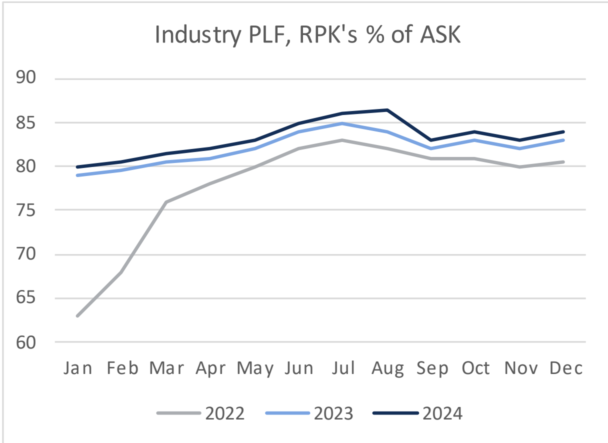
Industry Outlook

The Aviation Industry

The aviation sector has shown a remarkable recovery from the COVID-19 pandemic, with global passenger traffic already surpassing pre-pandemic 2019 levels on strong travel demand. Traffic growth is expected to continue in 2025, albeit at a slower pace compared to recent years, as the rebound effect subsides and growth becomes normalized. Passenger numbers are expected to reach 5.2 billion in 2025, a 6.7% rise compared to 2024 and the first time that the number of passengers has exceeded the five billion mark.

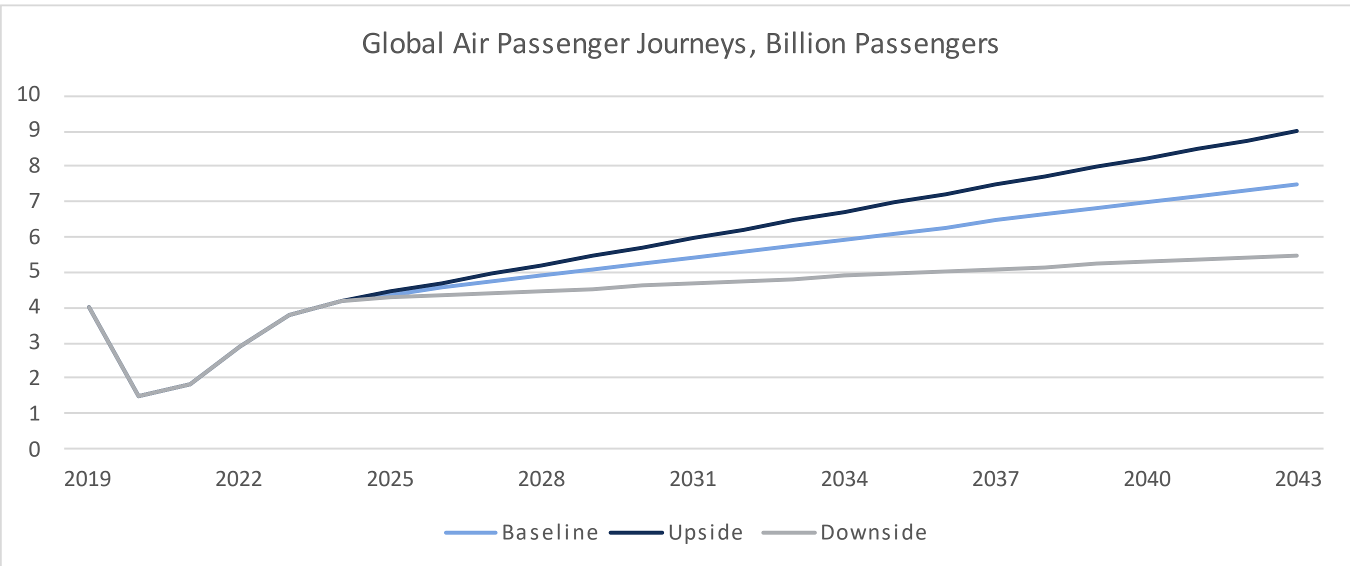




Source: IATA

Revenue Passenger-Kilometer (RPK), the main indicator for global passenger traffic and a reliable demand indicator, has shown a steady positive trend, with data from the IATA showing a 10.4% yearly growth in 2024. 2024 RPK also came in above 2019 levels by 3.8%. Available Seat-Kilometer (ASK) rose 8.7% during the same period, indicating industry supply lagging demand, which could be attributed to supply chain disruptions by production and delivery delays by aircraft manufacturers Boeing and Airbus. Compared to pre-pandemic levels, ASK is up 3.6%.

As per the IATA's January Passenger data, industry-wide Passenger Load Factor (PLF), a measure of aircraft loading efficiency, reached 82.1%, a record for the first month of the year. Although the rise is due in part to the aforementioned supply chain disruptions, the data shows a consistent uptrend in industry-side efficiency, a factor of most significance, considering the aviation industry's razor-thin margins.



Source: IATA

IATA projects global passengers to grow at a compound annual growth rate (CAGR) of 3.8% over the next two decades, lower than the average growth of 5.5% recorded in the two decades before the pandemic, as developed economies become saturated and the recovery effect fades. Economically expanding regions, particularly the Asia Pacific and Middle Eastern markets, are expected to see robust growth and connectivity, while North American and European markets are projected to see a stable 3.0% annual increase in passenger numbers. In the previous graph, the upside potential takes into account a quicker-than-expected easing of geopolitical tensions, while the downside potential includes a deepening geopolitical crisis or an unfavorable macroeconomic and political environment.

Financially, the industry is stabilizing, with global airline revenues expected to have reached $965 billion in 2024, marking a 6.2% increase from the previous year and well above pre-pandemic levels of $838 billion. The industry is anticipated to have achieved a net profit of $31.5 billion in 2024, with a 3.3% net profit margin. In 2025, total revenue is expected to increase 4.4% to $1.007 trillion, reaching the trillion-dollar benchmark for the first time.

In 2025, margins are expected to improve, with net profit margin projected to come in at 3.6% and operating margin projected to come in at 6.7%, compared to the expected 6.4% for 2024. This improvement can be attributed to the expectation of lower jet fuel prices but is capped by supply chain issues and tax losses accrued from the pandemic era. Even with the improvement, in a sector with such thin margins, every added cost and inefficiency squeezes profits, underscoring the need for software providers such as Hitit to manage costs and optimize revenues.

The Passenger Service System (PSS) Market

The Passenger Service System (PSS) has been at the heart of the aviation industry's digital transformation, facilitating the management, distribution, sales, and tracking of airline products and services. The PSS market is experiencing significant growth, driven by the increasing adoption of digital technologies and the expansion of the aviation sector. Projections for the PSS market's growth vary widely amid uncertainty revolving around macroeconomic conditions and the pace of technological advancement. The consensus seems to be a CAGR of around 12% for the next decade, according to estimations from research firms Maximize Market, Consegic Business Intelligence, and Mordor Intelligence. This growth is attributed to rising air travel demand and investments in passenger convenience and experience. Although PSS providers are striving to develop a single homogeneous solution, the need for airlines to differentiate their products - as a result of value-seeking behavior from travelers - is hindering this possibility. This is where Hitit has a competitive advantage over its peers, as its single integrated solution can be utilized by LCC, FSC, and hybrid carriers alike.

Despite the presence of multiple PSS providers, only a subset actively develops new products, reflecting the specialized expertise required in this domain. The relatively small subset of active developers in the PSS sector can be attributed to several key factors. First, there is a high barrier to entry, as PSS development demands significant expertise in aviation operations, compliance with strict international and local regulations, and deep technical knowledge. Additionally, the aviation industry adheres to specific standards, such as IATA and International Civil Aviation Organization (ICAO) regulations, which makes the development and certification of PSS systems complex and resource-intensive. Market consolidation further contributes to this limitation, as the market is dominated by a few large players like Amadeus, Sabre, and Hitit, leaving less room for smaller competitors to innovate actively, thus effectively creating an oligopoly. Within this oligopoly, while Hitit's peers have neared saturation in terms of market capitalization, the company still shows significant growth, putting it on track to become a potent industry disruptor.

Company Overview

Revenue

Revenue Breakdown (USD Mn)	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Application Use Income (SaaS)	13.3	17.5	26.0	37.0	51.0	67.4	85.5	105.2	126.3	147.7	168.4	190.3
Growth	*34.8%*	*31.6%*	*48.8%*	*42.0%*	*38.0%*	*32.0%*	*27.0%*	*23.0%*	*20.0%*	*17.0%*	*14.0%*	*13.0%*
% of Revenue	*51.8%*	*51.1%*	*56.0%*	*58.0%*	*60.1%*	*62.0%*	*63.7%*	*65.2%*	*66.7%*	*68.2%*	*69.5%*	*70.6%*
Additional Development Income	5.0	6.7	8.8	11.8	15.7	20.3	25.0	29.5	33.3	36.3	38.8	41.6
Growth	*87.0%*	*33.3%*	*32.1%*	*34.0%*	*33.0%*	*29.0%*	*23.0%*	*18.0%*	*13.0%*	*9.0%*	*7.0%*	*7.0%*
% of Revenue	*19.6%*	*19.5%*	*19.0%*	*18.6%*	*18.5%*	*18.7%*	*18.6%*	*18.3%*	*17.6%*	*16.8%*	*16.0%*	*15.4%*
Maintenance	3.1	2.7	3.7	5.1	6.6	7.6	8.3	9.1	9.9	10.7	11.5	12.5
Growth	*17.1%*	*-13.2%*	*38.7%*	*36.0%*	*30.0%*	*15.0%*	*10.0%*	*9.0%*	*9.0%*	*8.0%*	*8.0%*	*8.0%*
% of Revenue	*12.0%*	*7.8%*	*8.0%*	*7.9%*	*7.7%*	*7.0%*	*6.2%*	*5.6%*	*5.2%*	*4.9%*	*4.8%*	*4.6%*
Infrastucture Income (IaaS)	2.5	4.8	6.3	7.8	9.0	10.4	11.9	13.7	15.8	17.4	18.7	20.1
Growth	*16.6%*	*89.0%*	*32.1%*	*25.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*10.0%*	*8.0%*	*7.0%*
% of Revenue	*9.8%*	*13.9%*	*13.5%*	*12.3%*	*10.6%*	*9.6%*	*8.9%*	*8.5%*	*8.3%*	*8.0%*	*7.7%*	*7.4%*
Implementation and Integration	1.2	1.9	1.4	1.8	2.3	2.7	3.1	3.5	3.9	4.2	4.5	4.8
Growth	*32.6%*	*62.7%*	*-26.3%*	*30.0%*	*25.0%*	*20.0%*	*15.0%*	*12.0%*	*10.0%*	*8.0%*	*7.0%*	*7.0%*
% of Revenue	*4.5%*	*5.5%*	*3.0%*	*2.8%*	*2.7%*	*2.5%*	*2.3%*	*2.2%*	*2.0%*	*1.9%*	*1.8%*	*1.8%*
Other	0.6	0.7	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Growth	*-1.8%*	*27.6%*	*-68.1%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*5.0%*	*4.0%*	*3.0%*	*2.0%*	*2.0%*
% of Revenue	*2.2%*	*2.1%*	*0.5%*	*0.4%*	*0.3%*	*0.2%*	*0.2%*	*0.2%*	*0.2%*	*0.1%*	*0.1%*	*0.1%*
Total Revenue	25.6	34.2	46.5	63.8	84.9	108.6	134.2	161.3	189.4	216.5	242.3	269.5
Growth	*36.4%*	*33.5%*	*35.8%*	*37.2%*	*33.1%*	*27.9%*	*23.6%*	*20.2%*	*17.4%*	*14.3%*	*11.9%*	*11.2%*

Source: Company Data, PhillipCapital Türkiye Research

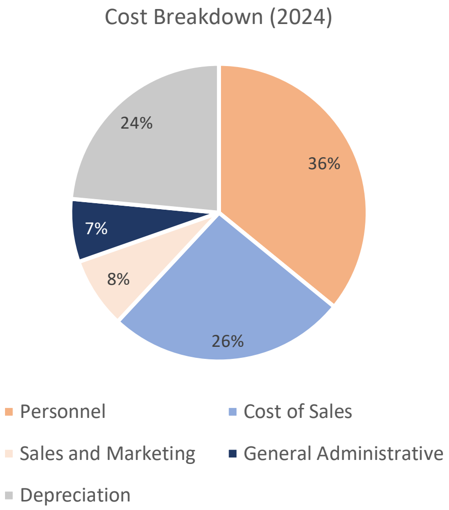
In 2024, 51% of Hitit Bilgisayar's revenue was derived from Software-as-a-Service (SaaS) income, also known as application use income, a variable form of revenue reliant on passenger numbers. The company's SaaS segment offers airline and travel software solutions, such as Passenger Service Systems (PSS), via the cloud. As of the end of 2024, the number of passengers, which is the basis of SaaS revenues, increased by 61% compared to 2023. New partners account for roughly 2/3 of the revenue growth, while the business volume increase of existing partners accounts for 1/3. We predicted accelerated growth in the short term as a result of booming travel demand, especially in the Asia-Pacific and Middle East regions where the majority of Hitit's clients are located, while later on in the valuation period, this expected growth tapers off in line with revenue growth stabilization.

Development and Maintenance are two key components of the software lifecycle, ensuring that existing systems are updated and continue to function smoothly over time. This includes providing updates, fixing bugs, and ensuring compatibility with evolving technology and user needs. A large portion of the income from this segment derives from Hitit's long-standing contract with Pegasus Airlines, thus, we predict that additional development income will grow at a steady pace and slow down in line as the company matures.

Infrastructure as a Service (IaaS), which made up 14% of Hitit's total revenue in 2024, involves the provision of virtualized computing operational resources. In 2024, this revenue source surged 89% compared to the previous year, as demand for infrastructure resources surpassed the other segments. With the assumption that this performance will perpetuate into later years as cloud-based infrastructure becomes further integrated globally, we expect this segment to maintain its double-digit growth before slowing to a sustainable pace later in the valuation period.

Hitit aids airlines in implementing its software solutions, such as setting up reservation systems and training airline staff to use the new tools effectively while ensuring that the new software works seamlessly with the client's existing systems. We predict that the implementation and integration income growth will dip in the short term, accounting for the base effect due to the completion of 16 implementation projects in 2024. The revenue streams of completed implementation projects are spread over the contract periods (generally 5 years) with future revenues accounted as deferred income.

Expenses



In 2024, 36% of Hitit's expenses consisted of personnel costs, while cost of sales and depreciation made up 26% and 24%, respectively. Based on the company's end-of-year financial statement and presentation, the company employed 452 employees as of the end of 2024, and the cost per employee was roughly USD 21,000. Our prediction for personnel cost was based on the assumption that 30 - 35 staff members would be added per year in line with past data. In addition, yearly salary increases were accounted for based on inflation and heightened demand for software developers. An average of a 20% increase in salaries was applied throughout the valuation period (cost per employee increased by 19.2% in 2024).

Software Support expenses, which made up 31% of the cost of sales in 2024, have increased in line with revenue growth and have been approximately 15% of net sales over the past 5 years, while Marketing and Sales expenses are equal to roughly 6%. General Administrative expenses have been in a range of 8 - 11% of revenue. When estimating future expenses, these ratios were taken into account while a steadily decreasing OpEx / Sales ratio was also input into the calculations.

Cost Distribution

65% of Hitit's revenue is made up of U.S. dollars, while 13% is in Euros and 22% is in Turkish Lira. On the cost front, 76% of expenses are paid in Turkish Lira. This currency distribution positions the company to fare relatively well in an inflationist environment. In 2024, however, the rise in USD/TRY parity lagged the inflation rate, causing a 1 percentage point decrease in the company's operating profit margin. In 2025, a recovery can be expected with a potentially more favorable macroeconomic environment, while margins can be expected to expand even further and reach pre-pandemic levels in 2026 and 2027.

2024 Financials and Future Outlook

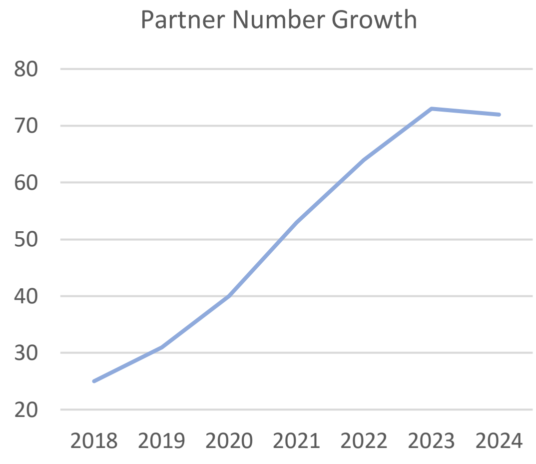
In 2024, Hitit recorded 34.2 million USD in revenue, representing a 34% increase from 2023 and reaching its target of 33 – 38% growth. The company's EBITDA grew by 35% year-over-year to 13.7 million USD with a margin of 40%, in line with 2023. Net profit increased by 43% to 8.5 million USD with a margin of 24.8%, showing an improvement from the 23.1% recorded a year ago. Operating profit grew by 27.6 million USD with a margin of 22.0% compared to last year's 23.0%, displaying the upward effect of the relatively strong Turkish Lira on the OpEx/Sales ratio. The company consistently keeps low debt levels, ending 2024 with a cash position of 7.3 million USD.

At the end of 2025, the company expects net sales growth to be in a range of 33 – 38%, EBITDA margin to be between 43 – 48%, net profit margin to be between 25 – 30%, and CapEx/Sales ratio to be between 30 – 35%. Our financial predictions were largely based on this guidance, excluding CapEx/Sales, which was set more conservatively at 50% in 2025 and 45% in 2026, following the 58% recorded in 2024.

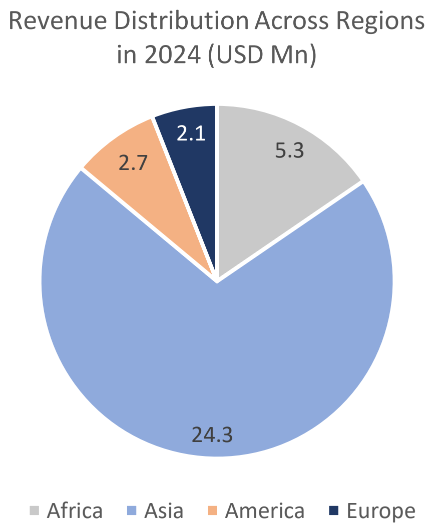
Although not set in stone, Hitit is considering a dividend payout starting in 2026, which was included as one of the assumptions in our valuation model. The dividend payout ratio begins at 20% in 2026 and then increases to a terminal ratio of 50%, taking into account the company's strong cash position.

Geographical and Partner Distributions

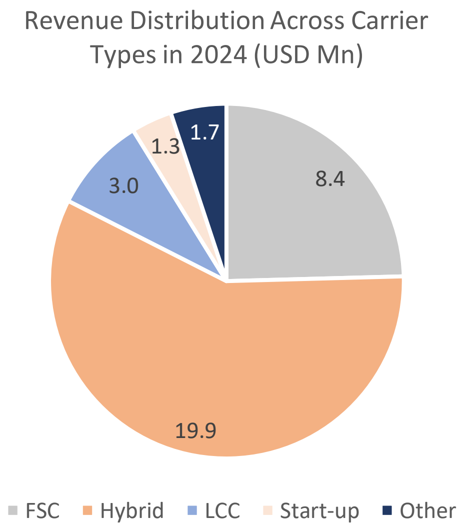
In 2024, out of Hitit's 72 partners, 36 were hybrid, 6 were LCCs, and 12 were start-ups. In the fourth quarter of 2024, Hitit signed an agreement with Drukair, the national airline of Bhutan, and APG Network, a French GDS provider that covers 170 airlines globally. In February 2025, the company signed a distribution agreement with Sunrise Airways, marking Hitit's entry into the Caribbean market. The company also recently signed a distribution agreement to provide Crane ADS for its long-time partner Pegasus, marking a major milestone to enrich its ADS business. Additionally, Hitit's implementation project with AJet, a subsidiary of Turkish Airlines, was completed at the end of March 2024 and has gone live to start generating additional recurring revenues. The fresh partnership with Turkish Airlines could signal future prospects for enriching business with local clientele. The decrease in the company's partner number in 2024 is due to pre-pandemic signed contracts, which, due to the partners' financial positions as a result of the pandemic, could not be renewed.



Hitit's global presence allows it to be shielded from region-specific headwinds, such as economic downturns or geopolitical tensions. A large portion of Hitit's revenue derives from Asia, which also includes the Middle East. According to estimates from the International Air Transport Association (IATA), Asia Pacific and the Middle Eastern regions are expected to see the most growth over the next few years, with the Asia Pacific region expected to grow 9.1% and the Middle East to grow 8.6% in 2025. Hitit's focus on emerging markets gives it a substantial advantage over its competitors, providing it with increased growth opportunities. In 2024, 71% of the company's revenue was derived from the Middle Eastern and Asian regions. On the other hand, the company's presence in matured regions such as Europe and the Americas, which are expected to grow approximately 4% in 2025, provides the company stability and a balanced source of income.



Low-cost carriers (LCCs) are projected to grow faster than Full-Service Carriers (FSCs) in the coming years, primarily driven by the increasing demand for affordable travel. Globally, LCCs are expected to achieve a CAGR of approximately 5-7% over the next decade, with even higher growth rates in emerging markets. In contrast, FSC carriers are anticipated to grow at a more modest rate of 2-4% CAGR, already having reached a mature growth phase, while also being hindered by increased operational costs. Although there is limited data concerning hybrid carriers due to their diverse nature, the flexibility of these carriers could allow them to see growth on par with LCCs, benefitting from both cost-conscious travelers and consumers willing to pay extra ancillary fees. In 2024, 58% of the company's income came from hybrid carriers.



Financials

Balance Sheet (USD Mn)	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Cash and Cash Equivalents	15.8	12.7	14.1	16.2	18.8	28.2	42.7	58.9	76.6	95.5	116.9	137.0
Trade Receivables	6.3	9.6	8.9	12.2	16.3	20.8	25.7	30.9	36.3	41.5	46.5	50.9
Fixed Assets	31.0	44.6	58.0	73.4	89.7	105.3	122.6	140.3	157.3	172.1	189.7	209.6
Other Assets	5.7	7.2	10.1	12.7	15.6	19.3	23.9	28.8	33.8	38.6	44.1	49.7
Total Assets	**58.8**	**74.1**	**91.1**	**114.5**	**140.4**	**173.6**	**214.9**	**258.9**	**304.0**	**347.8**	**397.2**	**447.2**
Trade Payables	2.4	2.6	3.8	5.0	6.6	8.4	10.4	12.3	14.3	16.4	18.3	20.4
Financial Debt	0.0	5.4	11.0	17.7	21.7	26.8	33.0	39.6	46.3	52.9	60.3	67.8
Other	5.5	6.7	2.9	3.0	3.4	4.6	6.7	9.1	11.6	14.0	16.9	20.0
Total Liabilities	**7.9**	**14.8**	**17.8**	**25.8**	**31.8**	**39.7**	**50.0**	**61.0**	**72.2**	**83.2**	**95.6**	**108.2**
Shareholders Equity	**50.9**	**59.4**	**73.4**	**88.7**	**108.6**	**133.8**	**164.9**	**197.9**	**231.7**	**264.6**	**301.6**	**339.0**

Income Statement (USD Mn)	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenue	**25.6**	**34.2**	**46.5**	**63.8**	**84.9**	**108.6**	**134.2**	**161.3**	**189.4**	**216.5**	**242.3**	**269.5**
Revenue Growth	*36.4%*	*33.5%*	*35.8%*	*37.2%*	*33.1%*	*27.9%*	*23.6%*	*20.2%*	*17.4%*	*14.3%*	*11.9%*	*11.2%*
Cost of Sales	(13.2)	(17.7)	(23.2)	(30.6)	(40.3)	(51.0)	(63.1)	(75.0)	(87.1)	(99.6)	(111.5)	(124.0)
Personnel Expenses	(5.7)	(6.6)	(8.9)	(12.4)	(17.3)	(22.0)	(28.0)	(35.5)	(41.1)	(47.5)	(54.8)	(63.0)
Software Support Expenses	(3.6)	(5.6)	(7.8)	(10.9)	(15.3)	(19.8)	(25.8)	(30.9)	(35.6)	(40.9)	(47.0)	(54.1)
Other	(3.9)	(5.6)	(6.5)	(7.3)	(7.8)	(9.2)	(9.3)	(8.6)	(10.4)	(11.2)	(9.7)	(6.9)
Gross Profit	**12.5**	**16.5**	**23.2**	**33.2**	**44.6**	**57.6**	**71.1**	**86.3**	**102.3**	**116.9**	**130.8**	**145.5**
Gross Margin	*48.6%*	*48.2%*	*50.0%*	*52.0%*	*52.5%*	*53.0%*	*53.0%*	*53.5%*	*54.0%*	*54.0%*	*54.0%*	*54.0%*
Operating Expenses	(6.6)	(9.0)	(12.6)	(17.2)	(21.6)	(26.1)	(31.5)	(37.9)	(44.5)	(49.8)	(54.5)	(59.3)
Personnel Expenses	(2.2)	(3.0)	(4.5)	(6.2)	(8.6)	(10.9)	(13.9)	(17.6)	(20.4)	(23.5)	(27.1)	(31.2)
Marketing and Sales	(2.1)	(2.1)	(2.8)	(3.8)	(4.8)	(5.7)	(6.9)	(8.3)	(9.8)	(11.0)	(12.0)	(13.0)
General Administrative	(2.7)	(4.0)	(5.0)	(6.9)	(8.7)	(10.4)	(12.3)	(14.4)	(16.9)	(18.9)	(20.7)	(22.5)
Other Operating Income/Expense	0.4	0.1	(0.3)	(0.4)	0.3	1.0	1.6	2.4	2.6	3.6	5.3	7.5
Opex/Sales	*25.6%*	*26.3%*	*27.0%*	*27.0%*	*25.5%*	*24.0%*	*23.5%*	*23.5%*	*23.5%*	*23.0%*	*22.5%*	*22.0%*
EBIT	**5.9**	**7.5**	**10.7**	**15.9**	**22.9**	**31.5**	**39.6**	**48.4**	**57.8**	**67.1**	**76.3**	**86.2**
EBIT Margin	*23.0%*	*22.0%*	*23.0%*	*25.0%*	*27.0%*	*29.0%*	*29.5%*	*30.0%*	*30.5%*	*31.0%*	*31.5%*	*32.0%*
Depreciation	4.2	6.3	9.8	13.3	17.6	22.4	26.3	30.6	35.1	39.3	43.0	47.4
EBITDA	**10.1**	**13.8**	**20.5**	**29.3**	**40.5**	**53.9**	**65.9**	**79.0**	**92.8**	**106.5**	**119.4**	**133.6**
EBITDA Margin	*39.5%*	*40.4%*	*44.1%*	*45.9%*	*47.7%*	*49.7%*	*49.1%*	*49.0%*	*49.0%*	*49.2%*	*49.3%*	*49.6%*
Income from Financial Investing Activities	3.5	1.9	2.3	2.9	3.5	4.3	5.4	6.5	7.6	8.7	9.9	11.2
Financial Expenses	(2.1)	(0.8)	(0.9)	(1.9)	(3.5)	(6.0)	(7.4)	(8.9)	(10.4)	(11.9)	(13.6)	(15.2)
Profit Before Tax	7.2	8.7	12.1	16.9	22.9	29.9	37.6	46.0	54.9	63.9	72.7	82.2
Profit Before Tax Margin	*28.3%*	*25.4%*	*26.0%*	*26.5%*	*27.0%*	*27.5%*	*28.0%*	*28.5%*	*29.0%*	*29.5%*	*30.0%*	*30.5%*
Tax Expense	1.7	0.3	0.5	0.8	1.1	1.6	2.0	2.4	2.9	3.3	3.8	12.9
Net Profit	5.6	8.4	11.5	16.1	21.8	28.4	35.7	43.7	52.2	60.7	69.1	69.9
Net Profit Margin	*21.7%*	*24.7%*	*24.7%*	*25.2%*	*25.7%*	*26.1%*	*26.6%*	*27.1%*	*27.6%*	*28.0%*	*28.5%*	*25.9%*

Cash Flow Statement (USD Mn)	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Cash Opening	3.1	7.4	8.6	14.1	16.2	18.8	28.2	42.7	58.9	76.6	95.5	116.9
Net Earnings	5.6	8.4	11.5	16.1	21.8	28.4	35.7	43.7	52.2	60.7	69.1	69.9
Depreciation	4.2	6.3	9.8	13.3	17.6	22.4	26.3	30.6	35.1	39.3	43.0	47.4
Change in Working Capital	0.6	3.1	(1.9)	2.1	2.5	2.8	2.9	3.2	3.4	3.2	3.0	2.4
Adjustments to Net Earnings	(12.5)	(7.7)	-	-	-	-	-	-	-	-	-	-
Cash Flow from Core Operations	(3.4)	4.0	23.2	27.3	36.9	48.0	59.1	71.1	83.9	96.9	109.1	114.9
Cash from Investment Operations	10.0	(13.2)	(23.2)	(28.7)	(34.0)	(38.0)	(43.6)	(48.4)	(52.1)	(54.1)	(60.6)	(67.4)
Change in Financial Debt	(2.3)	5.4	5.6	6.7	4.0	5.0	6.2	6.6	6.8	6.6	7.4	7.5
Dividends Paid	-		-	(3.2)	(4.4)	(5.7)	(7.1)	(13.1)	(20.9)	(30.3)	(34.5)	(34.9)
Share Issuance	-	4.9	-	-	-	-	-	-	-	-	-	-
Cash from Financial Operations	(2.3)	10.3	5.6	3.5	(0.4)	(0.6)	(0.9)	(6.5)	(14.1)	(23.8)	(27.1)	(27.4)
Total Cash Flow	4.4	1.1	5.5	2.1	2.6	9.4	14.5	16.2	17.7	19.0	21.4	20.0
Cash at the End of the Quarter	7.4	8.6	14.1	16.2	18.8	28.2	42.7	58.9	76.6	95.5	116.9	137.0

Ratio Analysis (USD Mn)	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	20323E	2034E
P/E	54.9	55.9	34.0	24.4	18.0	13.8	11.0	9.0	7.5	6.4	5.7	5.6
EV/EBITDA	29.5	33.8	18.7	13.1	9.5	7.1	5.8	4.9	4.1	3.6	3.2	2.9
P/B	4.8	7.4	5.3	4.4	3.6	2.9	2.4	2.0	1.7	1.5	1.3	1.2
ROE	10.9%	14.2%	15.7%	18.1%	20.0%	21.2%	21.6%	22.1%	22.5%	22.9%	22.9%	20.6%
ROIC	12.0%	14.0%	14.4%	16.7%	19.5%	22.7%	24.3%	25.8%	27.3%	28.8%	29.7%	27.4%
Net Debt	(15.8)	(7.3)	(3.1)	1.6	2.9	(1.4)	(9.7)	(19.3)	(30.2)	(42.6)	(56.6)	(69.2)
Net Debt / EBITDA	(1.6)	(0.5)	(0.1)	0.1	0.1	(0.0)	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)	(0.5)
Net Debt / Shareholders Equity	(0.3)	(0.1)	(0.0)	0.0	0.0	(0.0)	(0.1)	(0.1)	(0.1)	(0.2)	(0.2)	(0.2)
Dividend Payout Ratio	0%	0%	0%	20%	20%	20%	20%	30%	40%	50%	50%	50%

Source: Company Data, Finnet, PhillipCapital Türkiye Research

Valuation

Valuation Assumptions	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
USD/TRY, eop	44,0	54,0	60,0	66,0	72,6	79,9	87,8	96,6	106,3	116,9
USD/TRY, aop	43,6	52,8	59,2	65,1	71,6	78,8	86,7	95,3	104,9	115,4
Risk Free Rate	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%
Equity Risk Premium	5,5%	5,5%	5,5%	5,5%	5,5%	5,5%	5,5%	5,5%	5,5%	5,5%
Weight of Debt	13,0%	16,7%	16,7%	16,7%	16,7%	16,7%	16,7%	16,7%	16,7%	16,7%
Weight of Equity	87,0%	83,3%	83,3%	83,3%	83,3%	83,3%	83,3%	83,3%	83,3%	83,3%
Beta	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6	0,6
Cost of Debt	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%
Cost of Equity	10,4%	10,4%	10,4%	10,4%	10,4%	10,4%	10,4%	10,4%	10,4%	10,4%
Tax Rate	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	5,0%	15,0%
CapEx/Sales	50,0%	45,0%	40,0%	35,0%	32,5%	30,0%	27,5%	25,0%	25,0%	25,0%
WACC	10,3%	10,3%	10,3%	10,3%	10,3%	10,3%	10,3%	10,3%	10,3%	10,1%

Discounted Cash Flow Summary (USD Mn	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
EBITDA	20,5	29,3	40,5	53,9	65,9	79,0	92,8	106,5	119,4	133,6
CapEx	23,2	28,7	34,0	38,0	43,6	48,4	52,1	54,1	60,6	67,4
Tax	0,5	0,8	1,1	1,6	2,0	2,4	2,9	3,3	3,8	12,9
Change in Working Capital	(1,9)	2,1	2,5	2,8	2,9	3,2	3,4	3,2	3,0	2,4
Unlevered Free Cash Flow (FCFF)	(1,4)	(2,3)	3,0	11,6	17,4	25,0	34,5	45,8	52,0	51,0
Discount Factor	0,9	0,8	0,7	0,7	0,6	0,6	0,5	0,5	0,4	0,4
Discounted Cash Flow	(1,3)	(1,9)	2,2	7,8	10,7	13,9	17,4	20,9	21,5	19,4
DCF Present Value	110,7									
Terminal Growth Rate	3,0%									
Terminal Value	282,7									
Calculated Enterprise Value	393,4									
Net Debt	(7,3)									
Calculated Market Capitalization	400,7									
12 Month Target Market Cap (USD mn)	442,6									
12 Month Target Market Cap (TRY mn)	**19.491,8**									
Current Market Cap (TRY mn)	11.814,00									
Upside Potential (TL)	**65,0%**									

Source: Company Data, PhillipCapital Türkiye Research

For the valuation, U.S. dollar-based discounted cash flow was applied, as Hitit's source of revenue is mostly U.S. dollars. Taking into account the Turkish government 10-year Eurobond maturing on January 19th 2033, we applied a constant risk-free rate of 7.5%. With the assumption of a 5.5% equity risk premium and a beta of 0.60, the cost of equity was calculated as 10.4%.

84% of the company's debt is made up of bank loans, with a weighted average effective interest rate of 26.9% in TRY, according to the year-end 2024 financial statement, which corresponds to roughly a 17.9% interest rate in terms of USD, based on our year-end USD/TRY estimate. As per the company's latest financial statement, the company's lease liabilities (in USD) carry a weighted average interest rate of 5.47%. Meanwhile, the company's historical interest expenses derived from its cash flow statements show that the cost of debt has been consistently below 5% in recent years. Taking these points into consideration, a constant cost of debt of 10.0% was applied in the valuation.

The tax rate was applied at a constant rate of 5%, taking into consideration the company's location in the Arı Technology Development Zone. Tax regulations in these zones support firms investing in Research and Development, as well as Design activities, and benefits include corporate tax, personnel wage income tax, personnel wage stamp tax, and VAT exemptions. In addition, half of the employer's share of the insurance premium calculated over the wages of the personnel tax are covered by the Treasury. In order to maintain a conservative stance regarding future tax rates and potential alterations in the incentives, a tax rate of 15% was applied to the terminal year.

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.

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