

14/04/2025

Earnings Momentum Set to Accelerate

We initiate coverage of Hitit Bilgisayar with “Outperform” recommendation and an 12M target price of TL68.64 per share. Hitit Bilgisayar is the second-largest airline reservation system provider in Europe in terms of passenger volume. It has also risen to the second position in the African market and maintains its position as the third-largest airline reservation system provider globally as of 24YE. We expect the company's sales to increase by an average 31% y/y to USD44.8mn in 2025 and USD57.4mn in 2026 on the back of new customer acquisitions and renewal of existing contracts in both Passenger Service (PSS) and Agency Distribution Systems (ADS) coupled with potential increase in passenger volumes. Net profit is expected to increase by 40% y/y to USD11.8mn in 2025 and by 36% y/y to USD16.1mn in 2026, posting a 3Y (2024-27E) CAGR of 34%.

Rising passenger traffic and extensive R&D boost EBITDA

Hitit holds strong market positions, particularly in Africa, Central and Eastern Europe, Central Asia, and South America. We expect passenger traffic in these regions to rise more than the rest of the world annually. Indeed, the number of passengers served by Hitit increased by 61% in 2024, which is obviously margin accretive. Besides, in the last four years, Hitit allocated 36% of its revenues to R&D, while an average 29% for peers. We expect Hitit's operating margins to improve as its investments come to fruition starting 2025. Reflecting all, we expect EBITDA to reach USD19.4mn in 2025 and USD25.1mn in 2026, and delivering an EBITDA margin of an average 44% over the next two years.

Cash position remains strong as capex/sales normalizes

Hitit has a net cash position of USD7mn as of 24YE. We expect net debt to EBITDA ratio to remain at a low 0.5x over the next three years. Potential decline in capex after heavy R&D expenses in the last 3 years should help cash to build up. Reflecting this, we expect capex/sales to normalize at 20% in the long run. On top of that, we expect free cash flows to increase by 34.2% CAGR over the next 5 years (2025-2030).

Risks appear contained; while catalysts are rich

Hitit's revenues are 78% in foreign currencies, while 76% of its expenses are in TL, providing natural hedge against exchange rate fluctuations. The recent acquisition of a growing Tier 1 customer, such as Ajete, and the long-term cooperation with Pegasus are expected to support organic growth in the future. Potential expansion of the fleet size of Pegasus and other Tier 1 customers meaning higher passenger volume going forward, should support earnings.

HTTBT

Bloomberg/Reuters Code	HTTBT TI / HTTBT.IS
Recommendation	Outperform
Current Price TL	45.90
Target Price TL	68.64
Upside Potential	50%

Market Cap (TL mn)	13,770
Free Float (%)	28.0
12M high/low (TRL)	51.55 / 26.29
ADV (3M avg - \$mn)	1.7
Net Debt (TLmn) - 2024	-7
EV (TL mn)	13,763

Estimates, USDmn	2023	2024	2025E	2026E
Net Sales	25.6	34.2	44.8	57.4
% growth	37%	34%	31%	28%
EBITDA	9.7	13.7	19.4	25.1
% margin	37.9	40.1	43.4	43.8
Net Income	5.6	8.4	11.8	16.1
% margin	21.7	24.7	26.3	28.0
RoE	11.5%	15.4%	18.1%	20.6%
Dividends	0.0	0.0	0.0	0.0
% dividend yield	0.0%	0.0%	0.0%	0.0%

Multiples	2023	2024	2025E	2026E
P/E	65.4x	43.1x	30.8x	22.6x
EV/EBITDA	35.8x	26.0x	18.3x	14.0x
P/B	7.1x	6.1x	5.1x	4.3x

	1M	3M	12M	YTD
Rel. Performance	26%	18%	59%	-7%
Absolute	14%	18%	52%	-11%

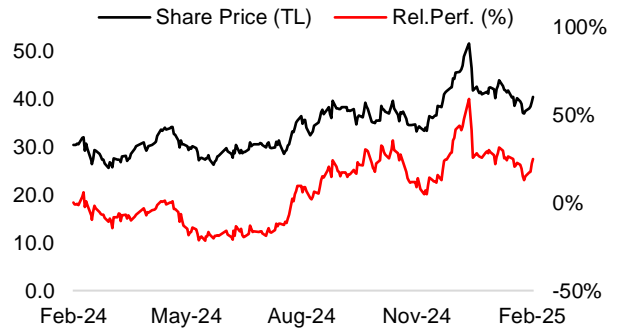
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Valuation

In our USD based DCF valuation, we used a WACC of 9.6% based on a cost of equity of 10.1%, a cost of debt of 8.0% and an equity beta of 0.57. We assumed an average tax rate of 6.0%. The company received tax incentives as a result of its IT investments. Our terminal growth rate assumption is 4%. Accordingly, our DCF valuation indicates a 12-month target price of TL68.64 per share for HTTBT, corresponding to a 50% return potential.

Exhibit 1: Hitit Bilgisayar DCF Analysis

USD mn	2023	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Revenues	25.6	34.2	44.8	57.4	72.3	90.5	110.3	132.3	157.5	180.0	201.8	226.1
y/y growth	37%	34%	31%	28%	26%	25%	22%	20%	19%	14%	12%	12%
Gross Profit	12.4	16.5	21.5	27.3	34.2	44.0	53.2	63.8	76.2	87.7	97.1	109.1
y/y growth	22%	33%	30%	27%	26%	29%	21%	20%	19%	15%	11%	12%
Gross Profit Margin	48.6%	48.2%	48.0%	47.5%	47.4%	48.6%	48.2%	48.3%	48.3%	48.7%	48.1%	48.2%
EBIT	5.5	7.4	10.5	14.6	17.8	22.5	27.7	33.4	41.4	47.0	51.8	56.7
y/y growth	17%	36%	41%	40%	22%	26%	23%	21%	24%	13%	10%	9%
EBIT Margin	21.4%	21.8%	23.4%	25.4%	24.6%	24.9%	25.1%	25.2%	26.3%	26.1%	25.7%	25.1%
EBITDA	9.7	13.7	19.4	25.1	31.5	39.8	48.4	58.4	71.3	81.0	90.0	99.5
y/y growth	22%	42%	42%	29%	25%	26%	22%	21%	22%	14%	11%	11%
EBITDA Margin	37.9%	40.1%	43.4%	43.8%	43.6%	44.0%	43.9%	44.2%	45.2%	45.0%	44.6%	44.0%
Net Working Capital	3.9	7.0	8.1	10.3	12.6	15.0	18.0	21.2	24.9	28.1	31.7	35.3
Δ in Net Working Capital	0.8	3.1	1.1	2.2	2.3	2.4	3.0	3.2	3.7	3.2	3.6	3.7
% of revenues	15.0%	20.4%	18.0%	17.9%	17.4%	16.6%	16.3%	16.0%	15.8%	15.6%	15.7%	15.6%
Capex	11.0	19.9	14.1	16.1	17.3	20.8	24.3	27.8	33.1	36.0	40.4	45.2
% of revenues	43.0%	58.1%	31.5%	28.0%	24.0%	23.0%	22.0%	21.0%	21.0%	20.0%	20.0%	20.0%
Tax	-1.3	-0.2	0.6	0.9	1.1	1.4	1.7	2.0	2.5	2.8	3.1	3.4
FCFF	-0.8	-9.1	3.6	5.9	10.8	15.2	19.4	25.4	32.0	39.0	42.9	47.2
y/y growth	nm	nm	nm	65%	82%	41%	28%	31%	26%	22%	10%	10%
FCFF margin	-3.1%	26.5%	8.1%	10.4%	14.9%	16.8%	17.6%	19.2%	20.3%	21.7%	21.3%	20.9%
WACC			9.6%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%	9.7%
Discount Factor			0.97	0.89	0.81	0.74	0.67	0.61	0.56	0.51	0.47	0.42
PV of FCFF			3.5	5.3	8.8	11.2	13.1	15.6	17.9	19.9	20.0	20.1
Total PV of FCFF	135											
PV of Terminal Value	304											
Enterprise Value	440											
Net Debt (12M24)	-7											
Equity Value	446											
Minority Interest	0											
# of shares outstanding (mn)	300											
Implied Value per Share (USD)	1.49											
12M Target Price (USD)	1.68											
12M Target Price (TL)	68.64											
Current Share Price (TL)	45.90											
Upside Potential	50%											

Cost of Capital	9.6%
Cost of borrowing	8.0%
Cost of equity	10.1%
Risk-free rate	7.0%
Equity risk premium	5.5%
Stock beta	0.57
Debt weight	22%
Equity weight	78%
Terminal growth rate	4%
Terminal Value	716

Source: OYAK Securities

Risks, Catalysts and Key Assumptions

Risks

Disruptions or Restrictions in Air Traffic Due to Isolated Events

The Russia-Ukraine war, which began in 2022, along with the ongoing conflict between Israel and Palestine in the Middle East, has intermittently disrupted both international and domestic air traffic. The uncertainty surrounding whether these conflicts will end or continue remains a significant factor. Although former U.S. President Trump's initiatives to mediate peace between Russia and Ukraine, as well as the relative de-escalation in tensions between Israel and Palestine, have been regarded as recent positive developments for air traffic, the possibility of renewed escalations in these conflicts remains a key risk.

Additionally, reports from various news sources suggesting that former President Trump may impose travel restrictions on certain countries have emerged. Regardless of the accuracy of these claims, they remain a potential risk factor.

Hitit operates strongly in regions such as Africa, Central/Eastern Europe, Central Asia, and South America. Although the aforementioned risks are primarily concentrated outside these regions, any disruption in the complex global air transportation network could exert pressure on the company's financial performance.

Strong Real Appreciation of the Turkish Lira

Hitit derives the majority of its revenue in foreign currencies, particularly the USD, while most of its costs are denominated in Turkish lira. This dynamic has historically supported the company's financial position, particularly during periods of real depreciation of the lira.

While the depreciation of the Turkish lira has had a potentially positive effect on the company's financials, the real appreciation of the lira could create downward pressure. According to Hitit's most recent 2024 financial statements, 65% of its revenue is denominated in USD, whereas 76% of its costs are in Turkish lira (**Exhibit 4 & Exhibit 5**).

A potential real appreciation of the lira could impact Hitit's strong margin outlook, as the company has been gaining market share from competitors while maintaining higher profit margins. Under such a scenario, Hitit's competitive advantage relative to its peers could weaken, potentially delaying its anticipated market share growth.

Increasing Competitive Risks

In the airline industry, increased competition during contract renewal periods, financial instability, and sector-wide consolidations may reduce potential new contract opportunities and make customer acquisition more challenging. Additionally, airlines shifting towards direct booking channels and the entry of new players into the market could limit the growth potential of agency distribution system platforms.

According to Boeing's industry outlook, passenger traffic is expected to grow by 4.7% annually, while airline service providers are projected to expand at a rate of 4.3% per year (**Exhibit 3 & Exhibit 17**). Hitit, however, has demonstrated an annual growth performance exceeding 30%, and this momentum is expected to continue in the medium term. However, as a company growing significantly above the industry average, it may not always be able to sustain this pace. Furthermore, given the high-profit margins in this industry, larger competitors applying pricing pressure could pose an additional challenge for Hitit, a relatively smaller player.

System Risk

Any security, quality, or functionality issues in the solutions provided by the company could lead to significant business losses and regulatory risks. Disruptions in technological infrastructure could cause operational setbacks, negatively impacting customer satisfaction.

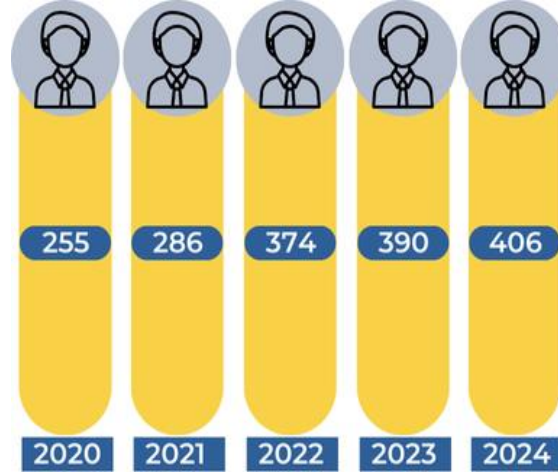
Hitit relies on third-party providers for its information technology infrastructure. Any failure in these services or the inability to develop alternative solutions could damage the company's reputation and lead to customer losses. Moreover, cybersecurity threats remain a critical risk factor.

Retaining a Qualified Workforce

As a company specializing in software solutions for the airline industry, Hitit places great importance on maintaining a highly skilled workforce. The development of its products and the ability of its customers to effectively utilize information technology depend on employees with industry-specific expertise.

Competition in the sector extends beyond customer acquisition and includes the challenge of retaining talented professionals. Hitit competes not only with direct rivals but also with other industry stakeholders in attracting and retaining skilled employees. To closely follow technological advancements and effectively manage innovation processes, the company must implement a sustainable human resources strategy.

Exhibit 2: Hitit Bilgisayar Number of Employees



Sources: Hitit Bilgisayar, OYAK Securities

Downward Revisions in Expectations May Occur

Although Hitit Bilgisayar is a rapidly growing company that has successfully captured market share from larger competitors, its long-term growth cannot exceed the overall expansion of its industry. In this context, the expectation of an average growth rate of 30%-35% until the company reaches \$100 million in revenue may seem reasonable from certain perspectives, but it also carries considerable risk.

According to Boeing's aviation industry report, global passenger traffic is projected to grow by 4.7% annually between 2024 and 2043, while the "Aviation Services Support" sector, which includes companies like Hitit Bilgisayar that provide software solutions to airlines, is expected to expand at a rate of 4.3% per year (**Exhibit 3 & Exhibit 17**). For Hitit Bilgisayar to sustain growth above the industry average, it must consistently acquire major clients from its biggest competitors, such as Amadeus and Sabre. In other words, inorganic growth must play a significant role in supporting the company's financials in the medium term, and this must be achieved in a sustainable manner.

In 2025, we do not anticipate the signing of a new contract with a Tier 1 airline similar to AJet. However, by 2030, approximately 120 airlines are expected to open contract tenders. Based on our expectations, around 50% of these contracts will likely be renewed with existing providers. This assumption forms the basis of our risk assessment, as it

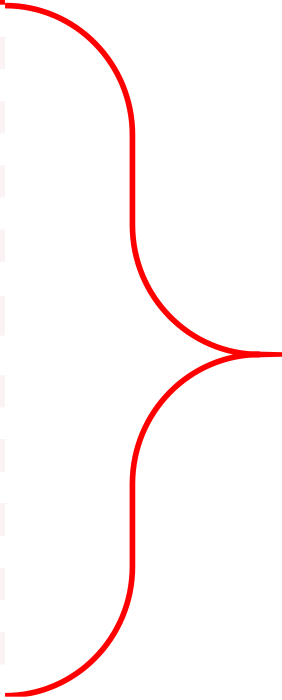
excludes newly established airlines and assumes that Hitit Bilgisayar does not lose any of its current contracts (noting that the company lost 10 partners in 2024). Under these conditions, there would be a total of 60 new contracts available for competition.

For Hitit Bilgisayar to continue growing effectively and steadily increase its market share, it must secure a significant portion of these contracts and sign deals with Tier 1 clients similar to AJet. Should financial performance fall short of expectations or new partner acquisitions fail to reach projected levels, the company may need to revise its long-term forecasts.

Additionally, a weakening of high growth expectations for Hitit Bilgisayar in the market could lead to downward adjustments in valuation estimates by financial institutions.

Exhibit 3: Global RPK Projection

Year	Total Traffic Flow
2023	8,281.9
2024	8,808.1
2025E	9,367.7
2026E	9,962.8
2027E	10,595.8
2028E	11,268.9
2029E	11,984.8
2030E	12,746.2
2031E	13,556.0
2032E	14,417.2
2033E	15,333.2
2034E	15,815.2
2035E	16,312.5
2036E	16,825.3
2037E	17,354.3
2038E	17,899.9
2039E	18,462.7
2040E	19,043.1
2041E	19,641.8
2042E	20,259.3
2043E	20,896.3



4.7% CAGR

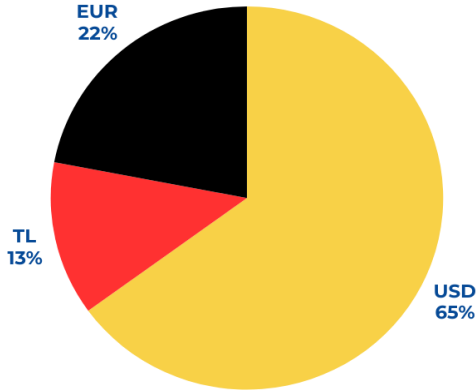
Sources: Boeing CMO Report

Catalysts

Foreign Currency Revenue, TL-Based Expenses

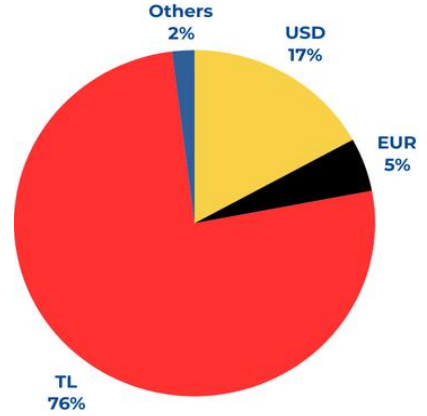
An analysis of Hitit Bilgisayar's financial structure as of the end of 2024 reveals that a significant portion of its revenue is denominated in foreign currencies. Specifically, 65% of the company's total revenue is generated in USD, 13% in euros, and 22% in Turkish lira, meaning that 78% of its income originates from foreign currency (Exhibit 4)

Exhibit 4: Hitit Bilgisayar 2024 Income Distribution



Sources: Hitit Bilgisayar, OYAK Securities

Exhibit 5: Hitit Bilgisayar Expense Breakdown (2024)



Sources: Hitit Bilgisayar, OYAK Securities

Historically, an average of 66% of Hitit's annual revenue has been denominated in USD. This currency composition provides the company with a natural hedge against exchange rate volatility, particularly in an environment where the Turkish lira experiences periodic depreciation. Given that a large portion of the company's costs are denominated in TL, this foreign currency-dominated revenue structure has contributed positively to its financial stability and profitability.

On the other hand, an examination of the company's expense distribution shows that the majority of costs are denominated in Turkish lira. As of the end of 2024, the breakdown of expenses by currency was recorded as 17% in USD, 5% in EUR, 2% in other currencies, and 76% in TL (Exhibit 5). This distribution reflects a structural characteristic of the company's financial operations.

Excluding 2023, historical data indicates that, on average, only 15% of the company's costs have been in USD. In an environment where 78% of its revenue is generated in foreign currencies while only 24% of its costs are denominated in foreign currencies, the company benefits from a significant financial advantage. This structure is particularly favorable during periods of real depreciation in the Turkish lira, as it contributes positively to operational profitability.

The key point to highlight here is that this revenue-expense balance creates a competitive advantage for the company. While Hitit Bilgisayar generates the majority of its revenue in foreign currencies, its ability to manage costs predominantly in Turkish lira provides a more favorable cost structure compared to its competitors. Despite having a lower market share and, consequently, weaker pricing power relative to its larger rivals (in oligopolistic markets, where competition is perceived as limited, smaller firms typically follow the pricing behavior of market leaders), the company maintains operating margins that are, on average, 300–400 basis points higher than those of its competitors (Exhibit 11 & Exhibit 13). This difference is largely attributed to its cost advantage.

We believe this advantage will become even more pronounced during periods when the Turkish lira experiences real depreciation. The company's foreign currency-based revenue stream, combined with its cost efficiency, strengthens its competitive position while enhancing profitability and operational efficiency within the industry.

2025 as a Transition Year

The company has largely completed its capital expenditures and the utilization of funds raised through its initial public offering, in line with its Fund Utilization Plan. Given this, we anticipate that 2025 will serve as a transition year for Hitit Bilgisayar. By the end of 2024, capital expenditures amounted to approximately \$20 million, accounting for 58.1% of total sales. By the end of 2025, this ratio is expected to decline to 31.5%, and following the transition period, it is projected to converge toward the industry average, ultimately reaching 20% in subsequent years. Throughout our forecast period, we estimate that capital expenditures as a percentage of sales will average around 23.8% (**Exhibit 6**)

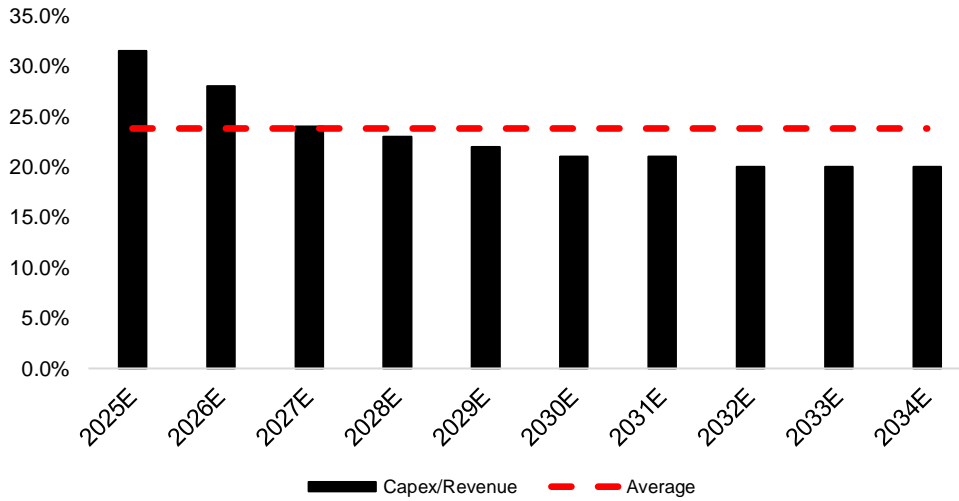
In 2024, Hitit continued its expansion into new markets, reinforcing its growth trajectory. The company entered high-growth potential markets such as India and strategically important European hubs like Italy, further extending its operational reach. As a result of these efforts, Hitit now serves 72 partners across 50 countries. Over the course of the year, 16 projects—including AJet—became fully operational and began generating revenue, while 11 additional projects remain in the implementation phase.

According to company data, the number of passengers served increased by 61% in 2024. AJet, despite operating for only nine months, played a notable role in this growth. As its full-year impact comes into effect in 2025, we expect this positive contribution to further strengthen revenue growth. However, it is important to note that this will be a one-time boost in 2025; from 2026 onward, AJet's contribution will be limited to organic growth unless additional expansion occurs.

In line with both our projections and the company's expectations, we anticipate that revenue growth in 2025 will be primarily driven by new customer acquisitions. Specifically, our forecasted 31% revenue growth will stem 21% from new customers and 9% from the expansion of business volume with existing clients.

After a prolonged period of negative cash flows, we expect cash flow to turn positive by the end of 2025. Beyond this point, decreasing capital expenditures, combined with new customer acquisitions and the expansion of business volume from existing clients, should support sustained positive cash flow in the coming years.

Exhibit 6: Hitit Bilgisayar CAPEX/Sales Projection



Sources: OYAK Securities, Hitit Bilgisayar

Strong Customer Acquisition in Recent Years Inspires Confidence

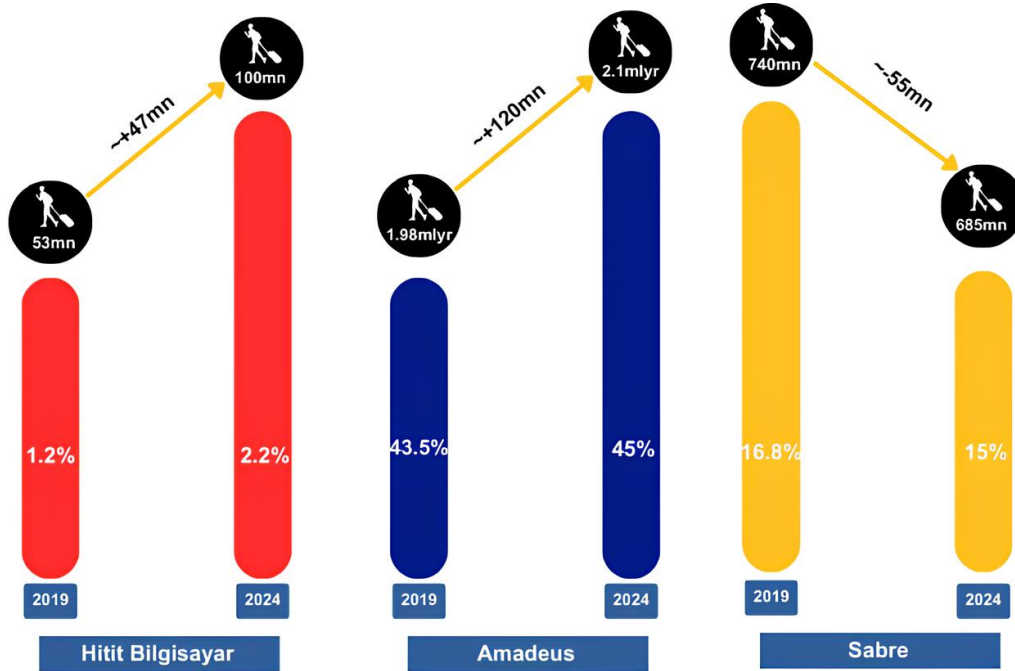
The industry in which Hitit Bilgisayar operates is characterized by a market structure where a few major players dominate a significant portion of the sector, leading to relatively limited competition. This is supported by the Herfindahl-Hirschman Index (HHI), which measures market concentration. At the end of 2024, the index stood at 2,254, indicating a market structure between moderate and high concentration, based on widely accepted benchmarks.

Looking back to the pre-pandemic period in 2019, one of the key indicators used to measure Hitit Bilgisayar's market share—the number of passengers served—stood at 53 million. Accordingly, the company's market share was recorded at 1.2%. By the end of 2024, the number of passengers served had increased by approximately 90%, reaching 100 million (Exhibit 7).

During the same period, the market leader, Amadeus, saw its passenger count rise from 1.98 billion to 2.1 billion, representing a modest increase of around 5% (Exhibit 7). Meanwhile, Sabre experienced a decline of 7.43%, with its passenger volume dropping from 740 million to 685 million. As a result, Amadeus's market share increased from 43.5% in 2019 to 45% by the end of 2024, while Sabre's market share declined from 16.8% to 15% (Exhibit 7).

In highly concentrated markets like this, percentage changes in passenger numbers provide insight into market dynamics. However, due to the direct impact of contractual agreements with airlines, absolute changes in passenger volume also serve as an important indicator. From this perspective, between 2019 and 2024, Hitit Bilgisayar added 47 million new passengers, while Amadeus recorded a net increase of 100–120 million. On the other hand, Sabre lost between 50 and 70 million passengers over the same period.

Exhibit 7: Change in Market Share and Passenger Volume of Hitit Bilgisayar and its Competitors (2019-2024)



Sources: OYAK Securities, Hitit Bilgisayar, Bloomberg

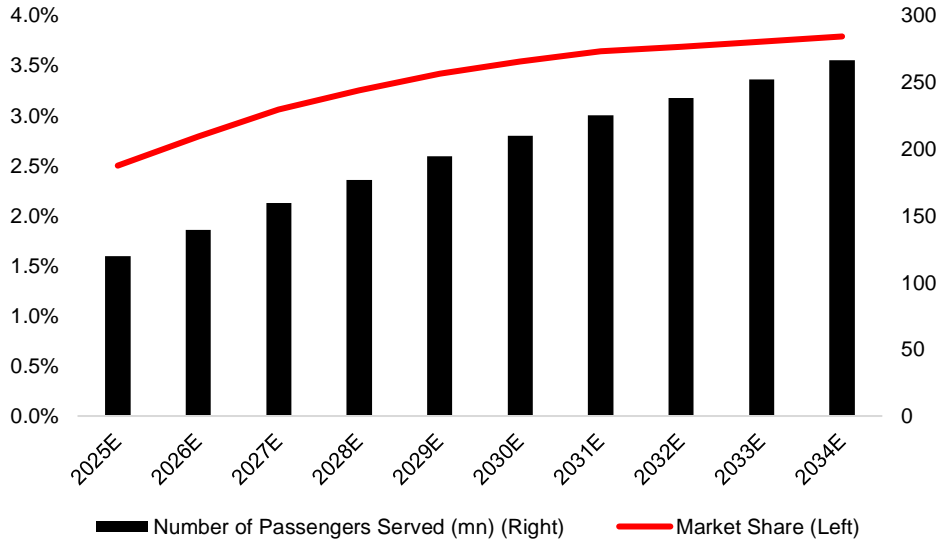
In terms of market share acquisition within the industry, securing new contracts plays a crucial role, rather than relying on the organic growth of passenger volumes from existing airline partners. This means that the future growth trajectory of Hitit Bilgisayar will depend on several key factors:

- (i) The extent to which newly established airlines choose to work with Hitit Bilgisayar
- (ii) The company's ability to renew contracts with its existing airline clients
- (iii) The expansion of passenger volumes within airlines that are already under contract
- (iv) Hitit Bilgisayar's potential to win contracts from competitors.

From this perspective, Hitit Bilgisayar gained 9 new customers in 2024. Additionally, according to company-provided data, approximately 120 airline companies are expected to open new contract bids by 2030. It is estimated that 50% of these companies will renew their existing agreements. However, no major Tier 1 customer acquisition, similar to AJet, is anticipated for 2025. Looking at historical data and the current market landscape, we expect that Hitit Bilgisayar will continue to acquire new customers in the coming years. Beyond inorganic expansion, we also foresee organic market share gains through increased passenger volumes among its existing airline partners. This suggests that Hitit Bilgisayar has the potential to further expand its market share in the long term.

We expect Hitit Bilgisayar to increase its market share by approximately 30 basis points by the end of 2025, rising from 2.2% to around 2.5%. We also anticipate that this upward trend in market share will continue in the coming years, reaching 3.79% by 2034 (**Exhibit 8**).

Exhibit 8: Hitit Bilgisayar Market Share and Number of Passengers Served Projection



Sources: OYAK Securities, Hitit Bilgisayar

Potential Profitability Upside If ADS Performance Improves

Structurally, the Agency Distribution System (ADS) segment is positioned as a more profitable revenue stream per unit, and the company has been making efforts to expand its ADS revenue. In this context, we project those ADS revenues will account for 10% of total SaaS revenues in 2025. The company aims for this share to grow further over the years, ultimately reaching parity with the PSS (Passenger Service System) segment.

While our expectations point to an increasing contribution from ADS revenues, historical data does not yet confirm the effectiveness of these efforts. In 2022, ADS accounted for 10% of SaaS revenue, contributing \$1.18 million (**Exhibit 10**). However, by the end of 2024, the ADS share within SaaS revenues declined to 5%, with the nominal revenue slightly below 2022 levels at \$1 million (**Exhibit 9**). This revenue primarily stemmed from a pilot project in Pakistan. Between

2022 and 2024, during a period where SaaS revenues exhibited a 36% CAGR, growing from \$11.8 million to \$22 million, the primary growth driver was the PSS segment, which grew at a 37.6% CAGR. In contrast, ADS revenues experienced a 3.8% compound decline over the same period, despite USD inflation being at a compound 3.2% (**Exhibit 9**).

Exhibit 9: Hitit Bilgisayar's SaaS Revenue and Breakdown (2022-2024)

Year	2022	2023	2024	CAGR
SaaS	11,885	15,893	22,001	
YoY%	-	33.72%	38.43%	36.06%
PSS	9,983	13,032	18,921	
YoY%	-	30.54%	45.18%	37.67%
ADS	1,189	1,430	1,100	
YoY%	-	20.35%	-23.09%	-3.79%
Others	642	1302	1881	
YoY%		102.81%	44.52%	71.20%
USD Inflation	6.50%	3.40%	3.00%	3.20%

Sources: OYAK Securities, Hitit Bilgisayar

Exhibit 10: Proportional Breakdown of SaaS Revenue

Year	2022	2023	2024
PSS	84%	82%	86%
ADS	10%	9%	5%
Others	6%	9%	9%

Sources: OYAK Securities, Hitit Bilgisayar

Industry-Wide High Profit Margins Indicate Strong Potential

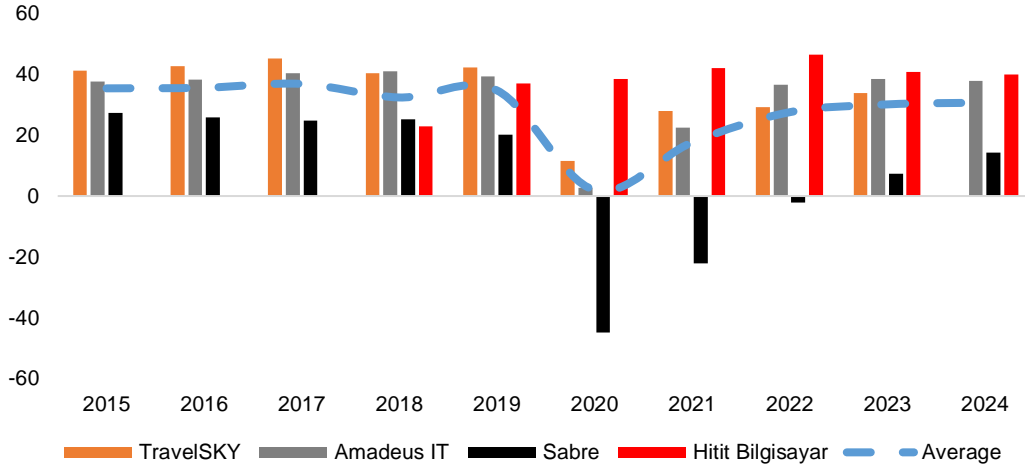
The airline software solutions sector, particularly within the Passenger Service System (PSS) segment, operates with structurally high profit margins. This is primarily due to the industry's revenue-expenditure structure, which enables companies providing software support to airlines to maintain relatively elevated levels of profitability.

Excluding the period heavily impacted by the COVID-19 pandemic—namely 2020 and 2021, when global air travel came to a near standstill, and the lingering effects observed in 2022—the EBITDA margins of the industry's largest players, including Hitit Bilgisayar's competitors, ranged between 34% and 40% on average (**Exhibit 11**).

If we exclude Sabre, the U.S.-based firm whose profit margins have historically lagged behind the industry average, leading companies in this space operated with EBITDA margins exceeding 40% in the pre-pandemic period (2015-2019). However, after the pandemic, these margins dropped to approximately 20% but have been steadily recovering toward the 40% threshold in recent years (**Exhibit 11**).

This trend suggests that as global air travel stabilizes and airline companies increasingly prioritize digital transformation, the structural advantages of the PSS segment could allow industry players, including Hitit Bilgisayar, to improve their margins over time.

Exhibit 11: EBITDA Margins of Hitit Bilgisayar and Competitors (%)



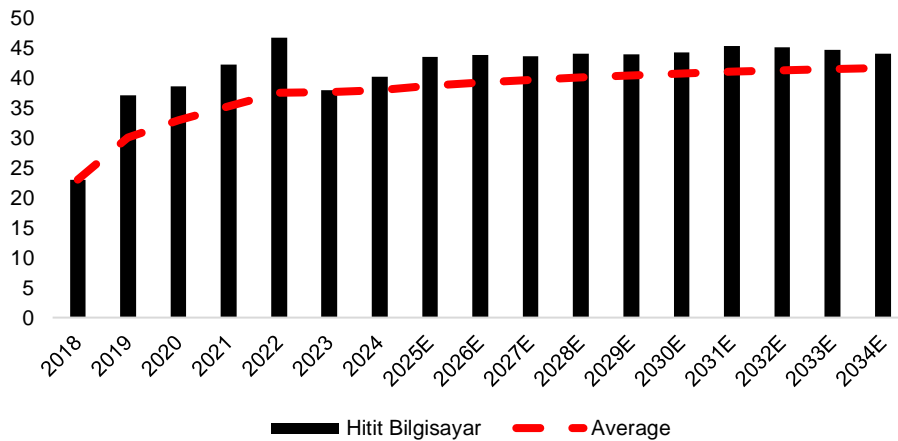
Sources: OYAK Securities, Bloomberg

We can see that Hitit Bilgisayar's EBITDA margins are positioned one step above the industry average. By the end of 2024, the company's EBITDA margin stands at 40.1%, while its competitors, Amadeus, and Sabre, have EBITDA margins of 37.9%, and 14.3%, respectively (**Exhibit 11**).

The reasons for this trend include the fact that, unlike its competitors, the company's costs are mostly in Turkish lira, while its revenues are in foreign currencies (**Exhibit 4 & Exhibit 5**). Additionally, the company is in a stronger position operationally compared to its competitors, particularly when it comes to costs. We find it especially valuable that Hitit Bilgisayar, a relatively new and rapidly growing player in the industry, is able to achieve market share gains with higher-than-industry-average profit margins.

We expect the company to maintain this profitable outlook in 2025, forecasting an EBITDA margin of 43.4%. Furthermore, we expect the company to have an average EBITDA margin of 41.6% through 2034 (**Exhibit 12**).

Exhibit 12: Hitit Bilgisayar EBITDA Margin Projection (%)

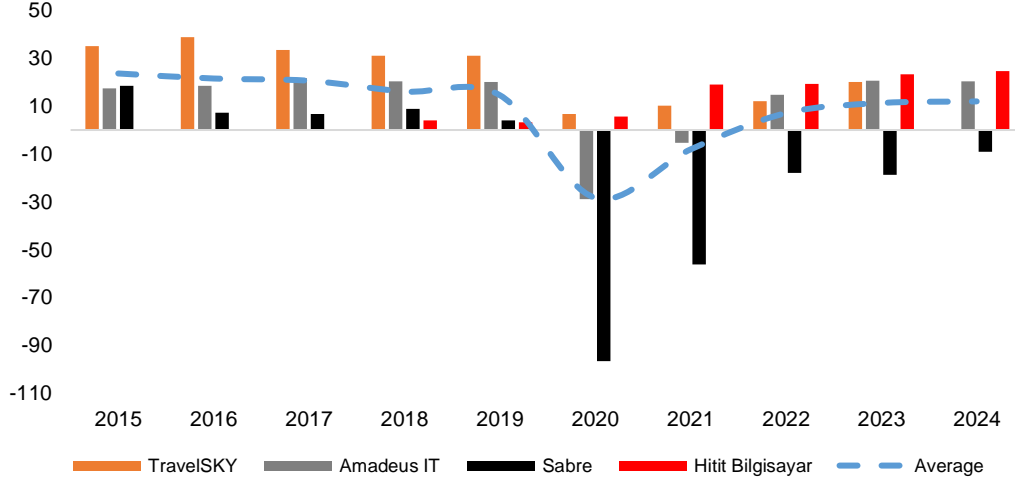


Sources: OYAK Securities, Bloomberg

We observe a similar trend in terms of Net Profit Margins as well. Despite its strong position in the industry, Sabre, which has been in the negative territory for net profit for a long time, drags down the industry's average margins. On the other hand, Hitit Bilgisayar has net profit margins that are 300-400 basis points higher than the average of the industry's two leading players, Amadeus and Travelsky (**Exhibit 13**).

Hitit Bilgisayar closed 2024 with a Net Profit Margin of 24.7%, while Amadeus ended the year with a margin of 20.4%.

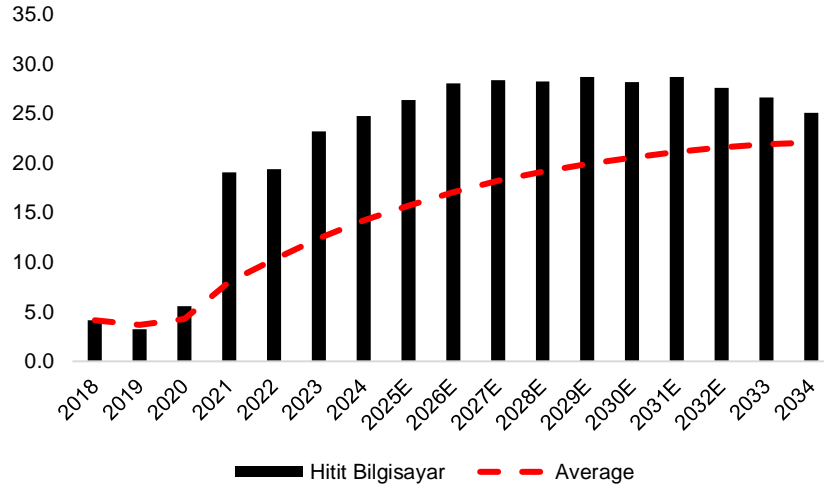
Exhibit 13: Hitit Bilgisayar and Competitors' Net Profit Margins (%)



Sources: OYAK Securities, Bloomberg

We anticipate that Hitit Bilgisayar will maintain its advantageous position in the sector in the coming years and that its net profit margin will be at an average of 21.6% throughout our projection period.

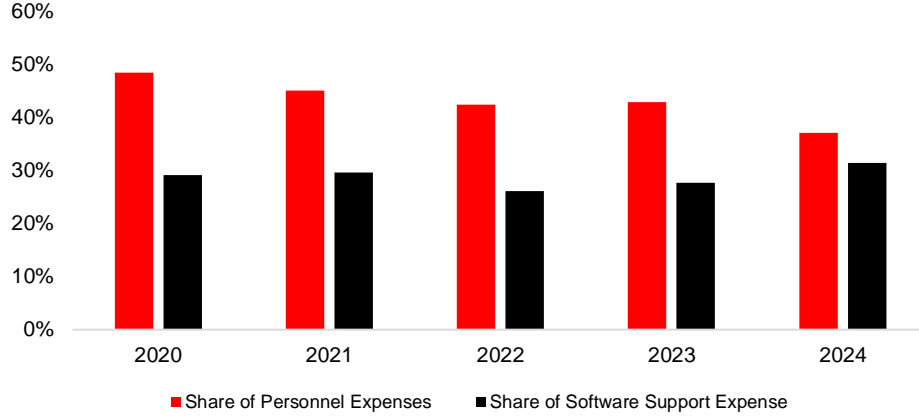
Exhibit 14: Hitit Bilgisayar Net Profit Margin Projection (%)



Sources: OYAK Securities, Bloomberg

The company's personnel expenses and headcount are largely accounted for under "Cost of Sales" due to the accounting standard applied, making them a significant factor. Any changes in salaries or the number of employees primarily affect "Gross Profit" directly, and then indirectly impact other profitability metrics. Another important factor affecting costs is the "Software Support Expenses" item, where the company accounts for the support it receives for its software.

Exhibit 15: Percentage of Personnel and Software Support Costs in Total Costs



Sources: OYAK Securities, Bloomberg

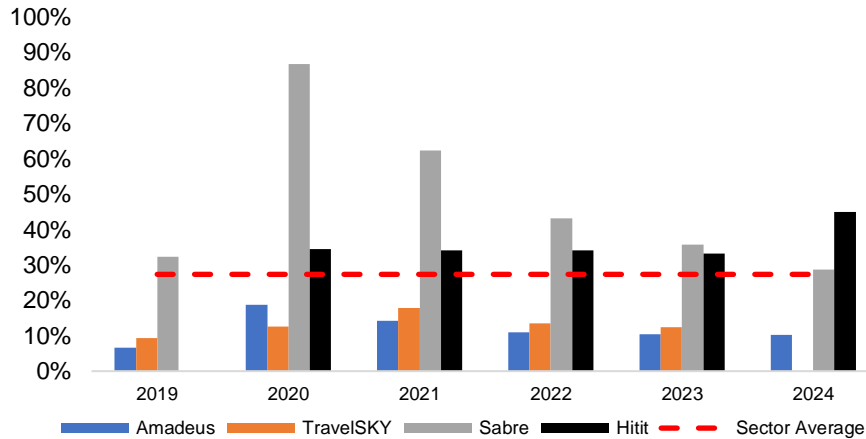
A significant portion of the cost of sales is consistently made up of personnel expenses (**Exhibit 15**). While a large part of the revenue is generated in foreign currencies, the majority of costs, especially personnel expenses, are in Turkish Lira. This structure creates a favorable effect for companies that earn revenue in foreign currency but incur costs in Turkish Lira, especially during periods when the Turkish Lira experiences real depreciation.

R&D leadership strengthens the company's position in the industry

One of the key habits in an industry that generates revenue from software is to manage R&D expenditures in a way that benefits the company and to strive to be a pioneer in innovative approaches within the sector. In this context, it is significant for Hitit Bilgisayar to regularly develop products that support aviation companies and meet their needs, as well as to continually update and modify existing ones.

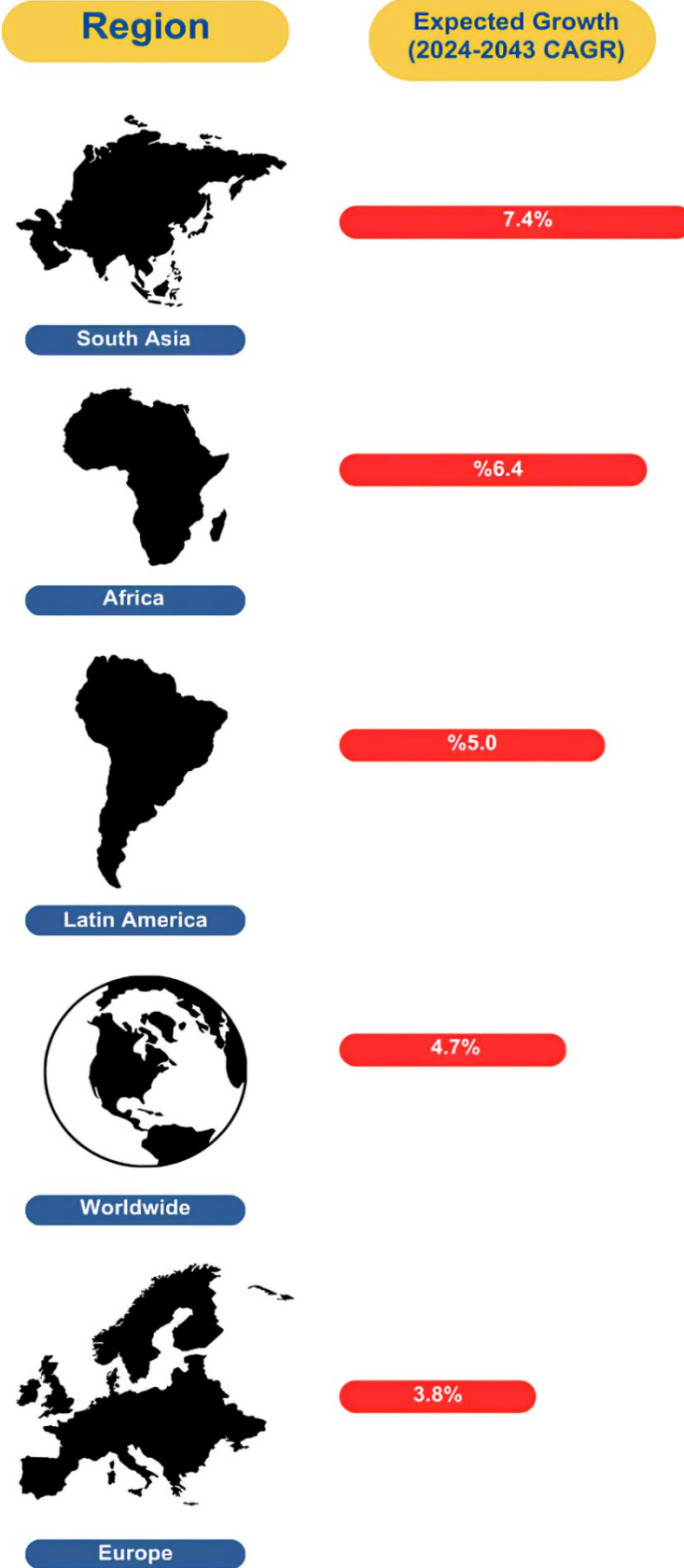
Data shows that Hitit Bilgisayar is consistently ahead of the sector in this regard. Between 2020 and 2024, four major players in the sector, including Travelsky, allocated an average of 28.52% of their revenue to R&D expenditures, while Hitit Bilgisayar allocated 36.21% (**Exhibit 16**). By allocating a higher proportion to R&D spending, which inherently carries some risks due to the uncertain revenue generation potential, Hitit Bilgisayar has already reaped the rewards of these investments. In this context, in 2024, the company did not lose any customers to its competitors, and most newly established airline companies prefer Hitit Bilgisayar as their first choice.

Exhibit 16: Ratio of R&D Expenditures to Sales of Hitit Bilgisayar and its Competitors



Sources: OYAK Securities, Bloomberg

Exhibit 17: Expected Regional Growth in Global Airline Traffic



Sources: OYAK Securities, Boeing CMO Report

As of the end of 2024, Amadeus and Sabre, which ranked 1st and 2nd in the sector after Hitit Bilgisayar, allocated 10.2% and 28.6% of their sales to R&D expenditures, respectively. During the same period, Hitit Bilgisayar's R&D spending amounted to approximately 505 mn TL (or 15 million USD), which was 45% of its sales.

We believe that the R&D expenditures made by Hitit Bilgisayar are primarily due to (i) investments in AI-supported technology infrastructure and (ii) compliance with the new generation technology standards of IATA ARM/NDC.

Expected Positive Growth in Strong Markets

When evaluating Hitit Bilgisayar in terms of the regions it operates in, the company holds a strong position, particularly in Africa, Central and Eastern Europe, Central Asia, and South America. In terms of market share, the company has a more significant impact in these regions compared to others. If this trend continues, we expect that Hitit Bilgisayar could benefit more from expansion in faster-growing markets such as Africa and South America, in terms of passenger traffic, compared to its competitors. This is expected to support the company's organic growth and contribute to its long-term performance. According to Boeing's Commercial Market Outlook report, global passenger traffic is expected to grow at an average annual rate of 4.7% until 2043. In Africa, where Hitit Bilgisayar holds a strong position, this growth is expected to reach 6.4% annually, while in South and Latin America, it is forecasted to be 5%, and in Central Asia, 4.8% (**Exhibit 17**).

We expect that the global dynamics currently working in favor of Hitit Bilgisayar will positively impact the company's profitability in the upcoming period and serve as a key driver for its organic growth. Although the recent increase in customs tariffs in the United States carries the potential to disrupt global trade, and the ongoing trade tensions could escalate into a political crisis that might negatively affect passenger traffic, we currently view this risk as limited and difficult to predict. Therefore, we anticipate that the ongoing trend of organic growth in the regions where Hitit Bilgisayar holds a strong market position will continue to contribute meaningfully to the company's overall performance.

Sensitivity Analysis

The valuation methods used to determine the company's value involve discounting the estimated value calculated by the analyst to the present using the Weighted Average Cost of Capital (WACC) and the Terminal Growth Rate. These calculations are based on the analyst's findings, projections, and estimates, which may differ from the overall market consensus. To mitigate the risks arising from such deviations, we assessed the potential impacts on the target price if the WACC and Terminal Growth Rate differ from our estimates. If the WACC is 4% higher than our expectations and the Terminal Growth Rate is 2% lower than our forecast, the estimated value of the stock would decrease from 68.72 TL to 33.54 TL. Conversely, if the WACC is 4% lower than expected and the Terminal Growth Rate is 2% higher, the estimated value of the stock would rise to 364.22 TL. Other possible scenarios are shown in **Exhibit 18**.

Exhibit 18: Hitit Bilgisayar Sensitivity Analysis (Terminal Growth Rate and WACC)

		Terminal Growth Rate				
		-2%	-1%	0%	+1%	+2%
WACC	+4%	33.54	35.50	37.79	40.52	43.83
	+2%	41.64	44.69	48.37	52.93	58.72
	0%	53.51	58.60	68.72	73.52	85.09
	-2%	72.24	81.70	94.64	113.40	143.05
	-4%	105.5	126.52	159.74	220.15	364.22

Sensitivity Analysis

Sources: OYAK Securities

A similar trend is observed in the company's profit margins. In this context, a sensitivity analysis has been conducted, taking into account changes in both the WACC and EBITDA margin. This analysis was especially necessary due to (i) the risk of downward revisions in the company's future expectations and (ii) the risk that Hitit Bilgisayar, which currently has margins 3% - 4% above the industry average due to structural factors, may lose this advantage in the future and see its margins converge to the industry average.

If the WACC remains unchanged and the EBITDA margin exceeds our expectations by 4%, the target price increases from 68.72 TL to 82.81 TL. Conversely, if the WACC remains unchanged and the EBITDA margin falls 4% below our expectations, the estimated value of the stock declines to 47.31 TL. The remaining combinations are presented in **Exhibit 19**.

Exhibit 19: Hitit Bilgisayar Sensitivity Analysis (WACC and EBITDA Margin)

		EBITDA Margin				
		-4%	-2%	0%	+2%	+4%
WACC	+4%	27.33	32.56	37.79	43.02	48.25
	+2%	35.08	41.73	48.37	55.02	61.67
	0%	47.31	56.18	68.72	73.93	82.81
	-2%	69.02	81.83	94.64	107.45	120.25
	-4%	116.87	127.59	159.74	181.17	202.61

Sensitivity Analysis

Sources: OYAK Securities

As a result of the analysis, when examining the extreme values of the estimated value for the company, it has been determined that our valuation is highly sensitive to 4% and 2% upward and downward deviations in our critical assumptions. Therefore, our valuation could be directly affected by any potential deviation, either upward or downward. In the valuation we conducted in USD, the WACC was calculated based on the metrics provided by this currency. In this context, the WACC stands at around 12.4%, which is significantly lower than the average WACC of over 25% used in valuations conducted in TL. Therefore, 4% or 2% deviations in the WACC can have a significant impact on the target price.

In Brief: Hitit

Hitit is a technology company established in Istanbul in 1994. The company develops software solutions under the Crane brand for the national and international aviation and travel sectors, offering these solutions along with infrastructure hosting and maintenance services through a pay-as-you-go (SaaS) model. Hitit's business model is based on charging according to the number of customers of the airline companies it collaborates with.

Among the company's revenue streams, the largest share is from the core business area, which can be considered its "flagship": Reservation and Passenger Services (PSS) operations. In this scope, software solutions are provided to ensure the smooth operation of airlines. The solutions offered under the Crane PSS umbrella include reservation management, sales and ticketing, inventory control, fare and tariff management, airport operations, baggage handling, customer relationship management, internet and mobile sales solutions, and loyalty programs.

However, the solutions provided by the company are not limited to PSS. Under the Operational Solutions unit, software products supporting airline operations are developed, while under the Travel Solutions segment, software services are offered specifically to travel agencies instead of airlines. Additionally, the Air Cargo segment provides the technological infrastructure needed to manage airline cargo operations. The software solutions developed by Hitit are grouped under six different main product categories (**Exhibit 20**).

In terms of passenger volume, Hitit Bilgisayar is the second-largest airline reservation system provider in Europe. As of the fourth quarter of 2024, it has also risen to the second position in the African market and maintains its position as the third-largest airline reservation system provider globally.

Exhibit 20: Hitit Bilgisayar Main Product Groups**Passenger Services System**

Crane PSS forms the company's flagship software solutions group and includes various software systems necessary for airlines to carry out their core operations. This comprehensive solution package enables airlines to manage their operational processes and deliver passenger services efficiently.

**Operational Solutions**

This solution group includes software products that support the core operational activities of airlines. These products are further divided into subgroups, including optimization solutions and mobile applications, offering partners the opportunity for digital transformation in their operational planning.

**Travel Solutions**

The solutions under this heading are designed for use by travel agencies rather than airlines.

**Accounting Solutions**

Airlines, unlike traditional commercial businesses, are subject to special accounting and reconciliation processes based on international aviation regulations, industry standards, and bilateral agreements. The software solutions developed in this regard meet the financial management needs of airlines while providing the ability to accurately forecast emissions from operations through carbon emission tracking and optimization functions.

**Air Cargo**

The air cargo business model and operational process are significantly different from passenger transportation and involve a structure that requires intense information flow. In this process, large amounts of data are exchanged among stakeholders within a complex supply chain. Hitit has gone beyond traditional methods in the industry and developed innovative IT solutions to make this information transfer more efficient and effective.

**Virtual Merchandising**

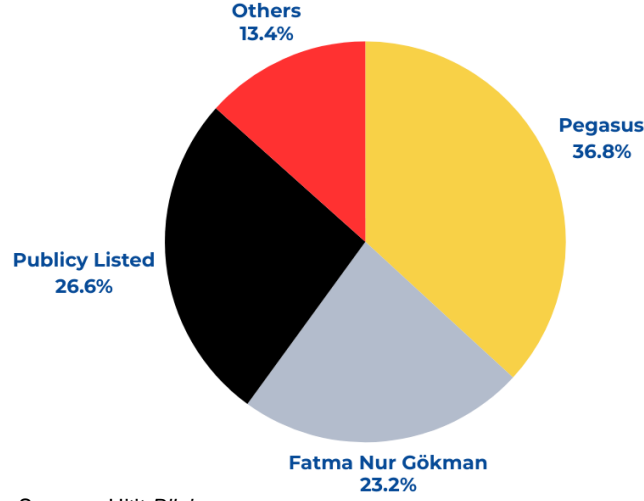
Under this heading, software solutions are provided that enable airlines and travel agencies to offer "shopping carts" consisting of various products in addition to flight tickets to their passengers. These systems allow users to create and offer dynamic packages of different services such as hotel reservations, airport transfers, tour packages, and travel insurance.

Sources: OYAK Securities, Hitit Bilgisayar

Ownership Structure

When examining Hitit Bilgisayar's ownership structure, the largest shareholder is Pegasus (PGSUS TI), with a 36.82% stake. Pegasus holds 46.62% of the voting rights. One of the company's founding partners, Fatma Nur Gökman, owns 23.19% of the capital and holds 29.37% of the voting rights. Dilek Ovacık, Hakan Ünlü, and Özkan Dülger each own 4.79%, 4.42%, and 4.42% of the capital, respectively, with voting rights of 6.06%, 5.59%, and 5.59%. The company's free float ratio is 26.3% (**Exhibit 21**). The company went public in 2022.

Exhibit 21: Hitit Bilgisayar Shareholding Structure



Sources: Hitit Bilgisayar

Crane PSS and Passenger Service System

The Passenger Service System (PSS) under Hitit's Crane PSS platform offers airlines a comprehensive digital infrastructure. Through this system, passengers can make flight reservations and purchase tickets, while airlines can manage sales channels, offer additional services, and optimize airport processes. Critical functions such as baggage handling, boarding processes, and the planning, automation, reporting, and tracking of airport operations are also carried out through this system.

Agency Distribution System (ADS) and Hitit's New Growth Area

Hitit positions the Agency Distribution System (ADS) as a new growth area and considers it a strategic element complementing Passenger Service System (PSS) solutions. The company aims to expand its growth in this area by supporting travel distribution processes and agency sales through this system.

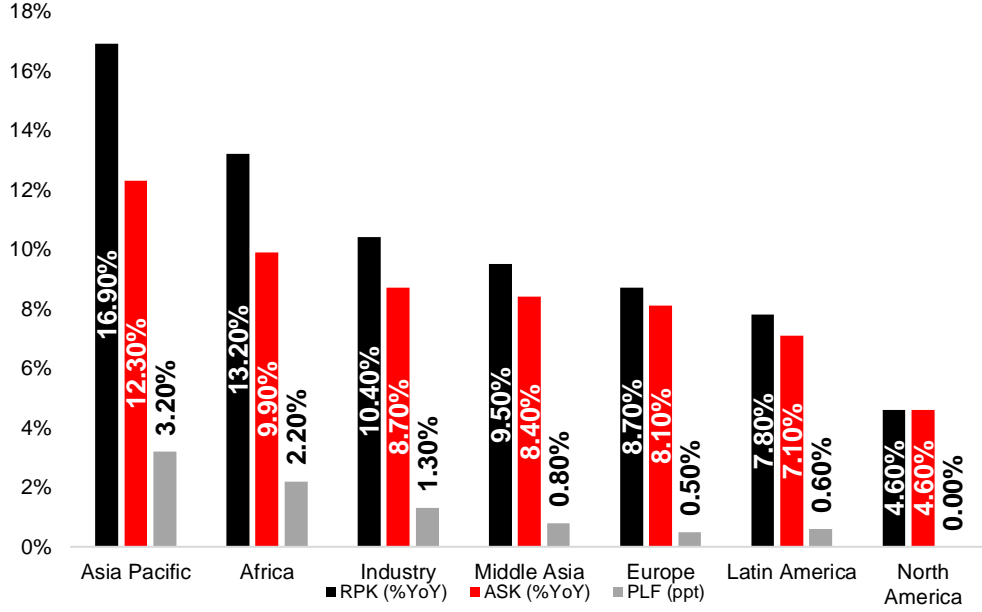
Hitit entered the ADS business in 2019 through the integration of Pakistan International Airlines (PIA) into its PSS platform. This project serves as a pilot application, and according to the company's business plan, ADS will be structured as an independent business unit, with strengthened sales and marketing processes, improved technological infrastructure, and end-to-end solutions.

With the funds raised from the public offering, the company aims to expand its ADS operations globally, reaching a broader network of airlines and travel agencies. Hitit expects ADS revenue to reach \$4.7 million by 2025. Given the current geographic coverage, this revenue is expected to rise to \$6 million in 2026 and \$17 million in 2027.

Traditional Global Distribution Systems (GDS) provide reservation services through agencies, but a shift toward multi-channel retailing in the aviation sector is being observed. This change provides more flexibility for airlines while enabling the integration of new features into sales and distribution channels. The industry emphasizes the need to focus not only on flight sales but also on ancillary services and additional revenue models.

Major GDS providers such as Amadeus, Sabre, and TravelSky are making significant R&D investments to develop innovative solutions. However, customization in traditional GDS systems is not always easy. Hitit, positioned as a cost-

Exhibit 23: Sectoral and Regional RPK, ASK and PLF growth (2024)



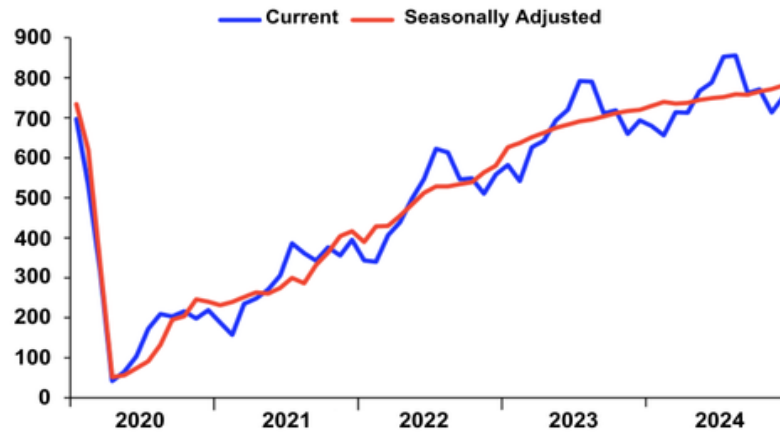
Sources: IATA

The global increase in Revenue Passenger Kilometers (RPK) has outpaced the growth in Available Seat Kilometers (ASK), with several key factors influencing this trend. Notably, the relatively delayed recovery of air transport volumes in the Asia-Pacific region after COVID-19 has been one of the primary drivers of demand growth. Additionally, Africa has become one of the fastest-growing aviation markets in recent years, and technical disruptions in certain engine types of Boeing aircraft throughout 2024 have limited fleet growth, further impacting the supply-demand balance. As a result of these developments, the Passenger Load Factor (PLF) reached a historic level globally, standing at 84%.

On a macro level, there are some factors that have negatively affected the aviation sector. Ongoing regional conflicts and the subsequent airspace closure decisions have created operational restrictions on certain routes. Furthermore, the increase in geopolitical tensions and the weakening of economic relations between countries have disrupted passenger flows and air transport connections to some extent.

Despite these challenges, global RPK values continue to remain above 2019 levels. Specifically, international RPK data has surpassed the 2019 baseline for the first time in a long period, showing a 0.5% increase and maintaining a growth trend (**Exhibit 24**). These indicators demonstrate that the global aviation sector continues to recover, with capacity utilization rates remaining strong.

Exhibit 24: Global RPK, Current and Seasonally Adjusted

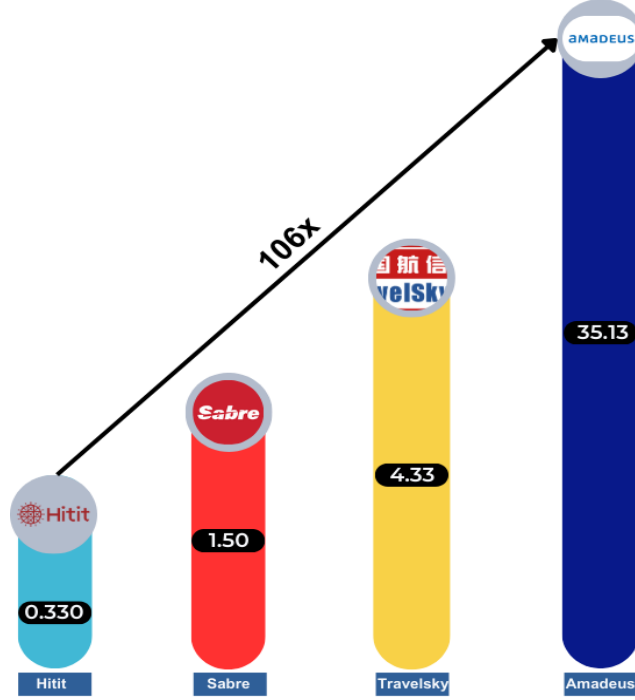


Sources: IATA: January 2025 Air Passenger Market Analysis

Competitive Conditions and Hitit's Position

Hitit competes directly with established companies like Amadeus and Sabre, which have been operating in the industry for many years. Despite this strong competition, the company has become the second largest airline reservation system provider in Europe and Africa, and the third largest globally, thanks to its rapid growth momentum, strong customer acquisition, and privileged position in terms of costs. While Hitit has gained a quick foothold in the market with its strong growth, in terms of market value, it is still positioned far behind its competitors (**Exhibit 25**).

Exhibit 25: Market Capitalization of Hitit Bilgisayar and its Competitors (USD bn)

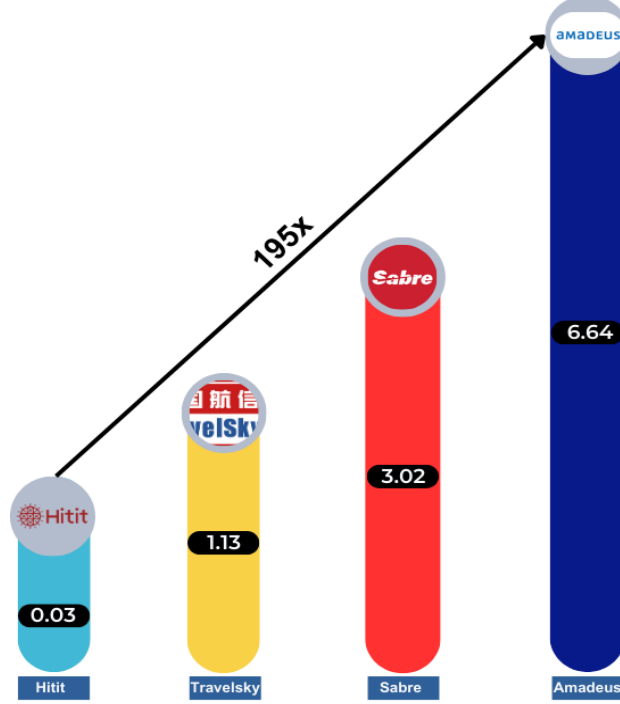


Sources: Bloomberg, OYAK Securities

* TravelSKY is not a direct competitor to Hitit as it is a Chinese state-owned SOE and its operations are based in China

Despite being the third-largest player globally in its sector (excluding TravelSky due to its unique position), one of the main reasons Hitit Bilgisayar has a significantly lower market value compared to its competitors is its relatively small share in terms of both market share and business volume when compared to Amadeus and Sabre, despite its strong position. However, it can still be said that Hitit's position as the third-largest player in the industry is strong. In brief, while Hitit is much smaller compared to Amadeus and Sabre, there is a considerable difference between Hitit, which holds the third-largest position in the sector, and the fourth-largest company.

Exhibit 26: Hitit Bilgisayar and Competitors' Sales Exhibits (USD bn - 2024)

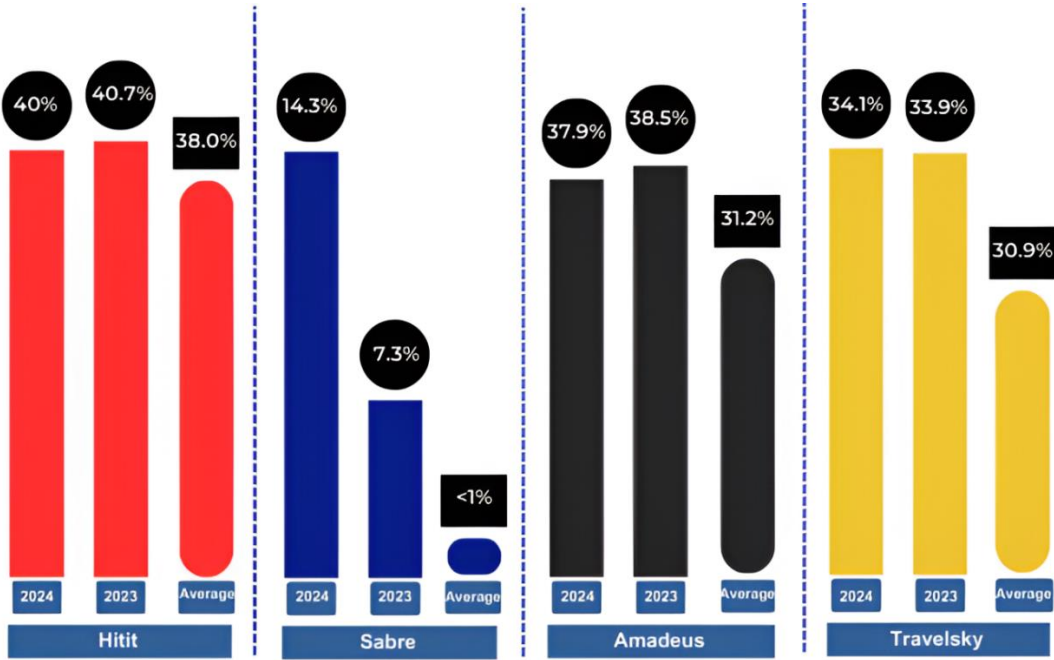


Sources: Bloomberg, OYAK Securities

* Travelsky is not a direct competitor to Hitit as it is a Chinese state-owned SOE and its operations are based in China

As of the end of 2024, Hitit's sales were far behind those of Amadeus, the largest player in the sector in terms of market value and revenue. Amadeus' revenue was approximately 195 times greater than Hitit's. Additionally, the difference between Hitit's market value and Amadeus' market value at the same time was 106 times in favor of Amadeus (**Exhibit 25**)

Furthermore, Hitit Bilgisayar's profit margin is positioned 3% to 4% above the industry average (**Exhibit 27**). If we include Travelsky and exclude Sabre, which has recently had low profit margins for certain reasons, Hitit's margin stood at around 40%, compared to the industry average EBITDA margin of 36% in 2024. A similar trend can also be observed in 2023 and previous years.

Exhibit 27: Hitit and Competitors' EBITDA Margin Exhibits (USD bn – 2024)


Source: OYAK Securities, Bloomberg (Average Exhibits for 2018-2024), (TravelSky 2024 margin is estimated)

We believe that Hitit Bilgisayar's higher profit margin compared to its competitors and its ability to capture customers from them is directly related to the company's revenues being in US Dollars while its expenses are in Turkish Lira (TL).

Competitors

Amadeus

Amadeus IT Holding S.A. is a travel technology company based in Madrid, founded in 1987. The company's founding goal was to break the dominance of the US-based Sabre Corporation in global markets and to offer a strong alternative to European airlines. The founding partners include major state-owned airlines such as Air France (France), Lufthansa (Germany), Iberia (Spain), and SAS (Sweden).

In addition to the Airline Passenger Service Systems (PSS) business segment where it competes with Hitit, Amadeus also manages a larger-scale Global Distribution Systems (GDS) business segment. The company uses the revenue and market share advantage it gains from the GDS business to strengthen its PSS services. The power of Amadeus' GDS business is reinforced by the fact that a large portion of airline reservations is made through this system.

In 2016, Amadeus increased its competitive strength in this area by acquiring Navitaire, a company that developed next-generation PSS solutions for low-cost airlines. Navitaire is a system specifically designed for low-cost carriers, adding a new segment to Amadeus' broad customer portfolio. By the end of 2024, the company's passenger count is 2.1 billion, and its market share stands at 45%.

Sabre

Sabre Corporation is a travel technology company based in Texas, founded in 1960 through a partnership between IBM and American Airlines. Sabre is known as the first company to specialize in aviation software, and its long-standing history and broad customer base make it a notable player in the industry.

Similar to Amadeus, Sabre competes with Hitit in the Airline Passenger Service Systems (PSS) business segment while

also operating in the Global Distribution Systems (GDS) field. A significant portion of the company's revenue comes from the GDS segment, where it holds substantial dominance over travel agencies, particularly in North America. Sabre aims to leverage this strong agency network and GDS revenue to enhance its competitiveness in the PSS sector.

By the end of 2024, the company's passenger count is 685 million, and its market share is 15%.

Travelsky

Travelsky Technology Limited is a public economic enterprise established by the Chinese government in 2001, headquartered in Beijing. The company's primary goal is to meet the needs of the Chinese travel technology market and reduce external dependencies in this field.

Travelsky operates in two main business segments. The first is the Airline Passenger Service Systems (PSS) area. The second is a business model under the Global Distribution Systems (GDS) framework, where it provides software services to travel agencies and offers inventories such as flights, hotels, and car rentals, enabling agencies to earn sales commissions. However, despite operating in both areas, Travelsky's global presence is quite limited.

Exhibit 28: HTTBT Summary Financials

Income Statement (USDmn)	2023	2024	2025E	2026E
Revenues	25.6	34.2	44.8	57.4
COGS	13.2	17.7	21.5	27.3
Gross Profit	12.4	16.5	23.3	30.1
Operating Expenses	7.0	9.1	12.8	15.5
Operating Income	5.5	7.4	10.5	14.6
EBITDA	9.7	13.7	19.4	25.1
Other Non-Operating Income, Net	0.4	0.1	0.0	0.0
Financial Income/(Expense), Net	-2.1	-0.8	-3.3	-3.6
Income/(Expense) From Investments, Net	3.5	1.9	5.4	6.1
Profit Before Tax	7.2	8.7	12.5	17.1
Taxes Paid	1.9	0.6	0.8	1.0
Net Profit/(Loss)	5.6	8.4	11.8	16.1

Balance Sheet (USDmn)	2023	2024	2025E	2026E
Cash & marketable securities	15.8	12.3	15.0	20.0
Accounts receivables	6.3	9.6	11.4	14.6
Inventory	0.0	0.0	0.0	0.0
Other short-term assets	3.1	3.8	5.9	5.2
Current assets	25.2	25.7	32.3	39.9
Net fixed assets	5.2	4.1	4.5	4.9
Intangible assets	25.8	40.5	49.7	57.7
Other long-term assets	2.6	3.9	6.7	6.1
Non-current assets	33.6	48.5	60.9	68.7
Total assets	58.8	74.1	93.2	108.6
Short-term financial loans	0.0	4.7	6.1	7.8
Account payables	2.4	2.6	3.3	4.3
Other short-term liabilities	2.8	3.5	6.0	5.4
Current liabilities	5.2	10.8	15.5	17.5
Long-term financial loans	0.0	0.7	0.8	1.0
Other long-term liabilities	2.7	3.3	5.7	5.2
Non-current liabilities	2.7	3.9	6.5	6.2
Shareholders' Equity	50.9	59.4	71.2	84.9
Total liabilities and shareholders' equity	58.8	74.1	93.2	108.6
Net Debt	-15.8	-6.8	-8.1	-11.2

Cash Flow (USDmn)	2023	2024	2025E	2026E
EBITDA	9.7	13.7	19.4	25.1
Tax on EBIT	1.9	0.6	0.8	1.0
Δ NWC	0.8	3.1	1.1	2.2
CAPEX	11.0	19.9	14.1	16.1
Free Cash Flow	-0.8	-9.1	3.6	5.9

Ratios	2023	2024	2025E	2026E
Gross Margin	48.6%	48.2%	48.0%	47.5%
EBITDA Margin	37.9%	40.1%	43.4%	43.8%
Net Margin	21.7%	24.7%	26.3%	28.0%
Effective Tax Rate	26.3%	7.2%	6.0%	6.0%
Return on Assets	9.8%	12.7%	14.1%	15.9%
Return on Equity	11.4%	15.3%	18.1%	20.6%
Net Debt/EBITDA	-1.6	-0.5	-0.4	-0.4

Source: Company, Oyak Securities

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