

Hitit Bilgisayar Hizmetleri A.Ş.

We attended the physical meeting of HTTBT to evaluate the company's 4Q23 financial results, current operations, and future outlook. HTTBT holds a leading position in the field of airline reservation solutions in both Turkey and international markets. The products offered by the company produce hybrid solutions for companies of all sizes, from the smallest scale to the largest airline companies. As of the end of 2023, it offers integrated Crane DCS solutions at over 700 airports through partnerships in 49 countries and 73 business partnerships.

Key takeaways of the meeting

The increasing customer portfolio is notable... In 2023, 12 new partners were acquired, while work with 3 partners was suspended on the spot, thus reaching a total of 73 partners. The number of airports served by Hitit through Crane DCS has exceeded 700. Additionally, Hitit's systems are now integrated with border and customs systems in 85 countries. The company has achieved integration with more than 65 different banks and alternative payment systems.

Hitit Computer is IATA's favorite in OOMS solutions... The Offer and Order Management System (OOMS) channel, developed according to the new airline solutions standard of the International Air Transport Association (IATA), is favored by IATA among international reservation solutions. Although it has not yet been fully implemented, by allocating R&D expenses to this channel, it aims to become the flagship company in the OOMS solutions sector.

Sales increased by 36% in dollar terms... The sales revenue for the year 2023 has been realized as 25.6 mn USD, which is a 36% increase compared to the previous year. The EBITDA margin has been at the level of 40%, which is a 3% decrease compared to 2022. There has been a 42% increase in passenger volumes compared to the previous year.

2024 outlook... In line with its growth strategy, the company continues to invest in order to reach its targets, in addition to producing products and services, and conducting sales and marketing activities. In this context, by the end of 2024, in USD terms; revenue growth is expected to be between 33% and 38%, alongside this, EBITDA Margin is expected to be between 43% and 48%, Net Profit Margin between 25% and 30%, and the Investment/Revenue ratio is expected to be between 30% and 35%..

HTTBT

Share Data

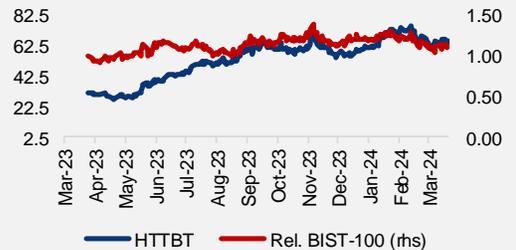
Ticker:	HTTBT TI		
Share price (as of 22 March 2024)	65.00		
Share price (52 week range)	27.5 / 75.4		
Market cap. (TL mn - USD mn)	8,288 - 260		
# of shares outstanding (mn)	127.5		
Free Float	28%		

Avg. trading volume	1M	3M	12M
USD mn	1.2	1.3	1.0

Price performance	1M	3M	Y-t-D
TL	1%	11%	14%
USD	0%	4%	6%
Rel. to BIST-100	-1%	-8%	-7%

TL mn	2021	2022	2023
Revenues	128	311	609
EBITDA	49	131	231
Net Earnings	23	59	132
Net Debt	-6	-278	-465

Valuation	2021	2022	2023
P/E	0.0x	79.5x	76.6x
P/BV	0.0x	3.1x	5.2x
EV/EBITDA	0.0x	21.7x	33.0x
EV/Sales	0.00x	9.01x	13.36x
Dividend Yield	n.a.	n.a.	0.0%



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About Company

Hitit Bilgisayar Hizmetleri A.Ş., was established in 1994 and is headquartered in Istanbul, Turkey. As a subsidiary of Pegasus Airlines, it serves a wide range of sectors including civil aviation, travel, logistics, and tourism, in the field of information systems and technologies. The company offers a comprehensive IT solution range for the airline and travel industries. Among these are the Passenger Service System (PSS), which includes various solutions such as reservations, ticket sales, internet and mobile bookings, check-in processes, loyalty management, and customer services; operational planning solutions like crew management and schedule planning; and accounting solutions including revenue accounting, cost accounting, and business performance indexes. Additionally, it provides a travel marketplace platform named Crane TM, which enables airlines to collaborate with tour operators and online travel agencies (OTAs) to create and sell leisure and business travel packages, as well as travel solutions like Crane OTA and Crane APP, and cargo solutions covering cargo booking, cargo services, and domestic cargo services. HTTB also stands out in the industry with its innovative solutions by developing and operating programs for all kinds of websites, mobile applications, smart and portable devices, and providing comprehensive services to meet its customers' information systems and technology needs through consulting, hosting infrastructure, and support services.

Financial Analysis

Q4 2023 financial results... The company's operating profit, which was 4.8 mn USD in 2022, increased by 22.92% to 5.9 mn USD in 2023. Pre-tax profit, which was 4.4 mn USD in 2022, rose by 63.64% to 7.2 mn USD in 2023. Net profit reached 5.9 mn USD in 2023, up 59.46% from 3.7 mn USD in 2022. EBITDA, was 8.1 mn USD in 2022, and recorded a 24.69% increase to 10.1 mn USD in 2023.

According to the 2023 sales breakdown, SaaS (Software as-a-Service) sales constituted 63% of total sales, generating revenue of 15.9 mn USD. Software Development and Maintenance services provided revenue of 6.4 mn USD with a 25% share, while IaaS and projects brought in revenue of 3.4 mn USD with a 12% share. In the SaaS category, 82% of the revenue came from Reservation and Passenger Services (PSS), and 9% from Agency Distribution System (ADS). The currency distribution of 2023 revenues was 64% in USD, 21% in TL, and 15% in EUR.

In terms of geographic distribution, 27% of revenues were generated domestically, while 73% came from international markets. As for the cost breakdown, cost of sales made up 65%, sales and marketing expenses 19%, and general administrative expenses 15%. Another cost analysis showed that the largest expense item was personnel expenses, accounting for 54%. When examining expenses by currency, it was determined that 67% of the expenses were in TL, indicating that the company earns in foreign currency but incurs a significant portion of its expenses in TL.

Tables

Balance Sheet	2019	2020	2021	2022	2023	Income statement	2019	2020	2021	2022	2023
Cash	24	51	66	321	465	Revenues	94	89	128	311	609
Accounts receivables	13	18	36	83	184	Gross profit	49	40	58	169	296
Inventory	0	0	0	0	0	Operating expenses	24	20	29	92	166
Other current assets	6	10	22	56	92	Operating profit	25	21	29	77	130
Current assets	43	79	124	460	742	EBITDA	30	32	49	131	231
Financial investments	0	0	0	61	0	Other income, net	7	4	-1	31	92
Net fixed assets	1	2	7	67	152	Financial income, net	0	-1	1	-36	-50
Intangible assets	54	89	227	390	760	Earnings before taxes	32	24	29	73	172
Other non-current assets	6	8	13	38	77	Tax expense	1	1	5	14	40
Non-current assets	61	99	247	557	988	Net earnings - Parent	31	22	23	59	132
Total assets	104	179	371	1,017	1,730	Cashflow statement					
Short-term financial loans	0	29	46	43	0	EBITDA	30	32	49	131	231
Accounts payables	6	7	14	26	71	Taxes on EBIT	1	1	6	15	30
Other short-term payables	9	7	16	35	81	Capital expenditures	28	32	48	168	255
Current liabilities	15	43	77	104	152	Chg. in NWC	3	11	13	51	46
Long-term financial loans	0	0	14	0	0	Free cashflows to firm	-2	-12	-17	-102	-101
Other long-term payables	6	8	15	46	81	Growth & margins					
Non-current liabilities	6	8	28	46	81	Revenues	56%	-5%	44%	143%	96%
Shareholders' equity	83	127	266	868	1,497	EBITDA	107%	7%	54%	167%	76%
Parent company	83	127	266	868	1,497	Net earnings	96%	-29%	5%	151%	126%
Minorities	0	0	0	0	0	Gross margin	52.6%	45.1%	45.3%	54.3%	48.6%
Total liabilities & equity	104	179	371	1,017	1,730	Operating margin	27.2%	23.1%	22.5%	24.8%	21.4%
Net debt	-24	-22	-6	-278	-465	EBITDA margin	31.8%	35.9%	38.4%	42.2%	37.9%
Net working capital	4	15	28	78	124	Net margin	33.3%	25.0%	18.2%	18.8%	21.7%
Net working capital (Operatin	7	11	22	57	113	Free cashflow margin	33.3%	25.0%	18.2%	18.8%	21.7%
Invested Capital	59	106	262	536	1,036	Per share (TL)					
Ratios						EPS	0.25	0.17	0.18	0.46	1.04
Profitability						BVPS	0.65	1.00	2.09	6.81	11.74
ROE	46.4%	21.1%	11.9%	10.3%	11.2%	DPS	0.00	0.00	0.00	0.00	0.00
Net margin	33.3%	25.0%	18.2%	18.8%	21.7%	Valuation					
Asset turnover	1.1x	0.6x	0.5x	0.4x	0.4x	P/E	0.0x	0.0x	0.0x	79.5x	76.6x
Leverage	1.3x	1.3x	1.4x	1.2x	1.2x	P/BV	0.00x	0.00x	0.00x	3.14x	5.21x
ROA	36.6%	15.7%	8.5%	8.4%	9.6%	EV/EBITDA	0.0x	0.0x	0.0x	21.7x	33.0x
ROIC	43.8%	20.0%	12.6%	15.5%	13.2%	EV/Sales	0.00x	0.00x	0.00x	9.01x	13.36x
Leverage						Dividend Yield	n.a.	n.a.	n.a.	n.a.	0.0%
Financial debt/Total assets	0%	16%	16%	4%	0%	Free cashflow yield	n.a.	n.a.	n.a.	n.a.	-1.8%
Net debt/Equity	-0.29	-0.17	-0.02	-0.32	-0.31						
Net debt/EBITDA	-0.80	-0.68	-0.12	-2.12	-2.02						

Source: Bloomberg, Tacirler Investment

* All figures are stated in millions of TL unless otherwise stated.

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