

ASELSAN

Following ASELSAN's robust 4Q24 financial results, we have updated our forecasts in line with our macro expectations and raised our 12-month target price from TL107.60 to TL120.00 and add to our model portfolio. As of January 10th, ASELSAN, which we initiated coverage on, indicates a 40% upside potential compared to the latest closing price, and we maintain our "BUY" recommendation. The key catalysts behind our valuation are: i) a continued increase in new contract acquisitions driving the total backlog to record levels, ii) the expanding backlog providing strong visibility and supporting future financial performance, and iii) ASELSAN's ability to maintain its competitive edge on the global stage while effective cost management positively impacts margins. Based on our 2025 estimates, the company is trading at 17.6x P/E and 4.8x EV/EBITDA multiples.

Stronger than expected 4Q24 performance... ASELSAN released its 4Q24 financial results, reporting a net income of TL8.7bn, which is 32% above the market consensus (Tacirler Investment: TL6.415bn). The company's net profit in the fourth quarter increased by 47% YoY, while its full-year 2024 net profit rose by 45% YoY to TL15.3 billion. The better-than-expected fourth-quarter net profit was primarily driven by the contribution of newly signed contracts to the total backlog and effective cost management. The company's 4Q24 net sales increased at TL55.7bn, in line with market expectations, signalling a 12% YoY increase. Despite the 12% YoY growth in sales, EBITDA rose by 55% YoY to TL14.9bn (Tacirler Investment: TL14.7bn). Consequently, ASELSAN improved its EBITDA margin from 21.8% in 2023 to 25.2% in 2024, achieving an operational profitability of TL30.2 billion. **We think ASELSAN's stronger-than-expected 4Q24 financial results as a positive development.**

Effects from inflation accounting persist... ASELSAN reported strong revenue generation and operational profitability growth in 4Q24, while the monetary loss item arising from inflation accounting continues to pressure net profitability. Although inflation indexing causes variations in the income statement figures, we continue to observe real gains above annual inflation in the statement.

Prudent expectations for 2025... After releasing its 4Q24 financial results, the company provided its outlook for 2025. In line with this, while it achieved a real revenue growth of 13% in 2024, the company forecasts a growth of over 10% in consolidated revenues for 2025. It expects the consolidated FX-adjusted EBITDA margin to surpass 23% in 2025 (2024: 25.2%). With 2024 ending with a capital expenditure of TL 20.6 billion, similar levels of investment are expected in 2025. We approach the company's 2025 guidance with caution.

Rating

Buy

Target Price

TL 120

Return potential

40%

Share Data

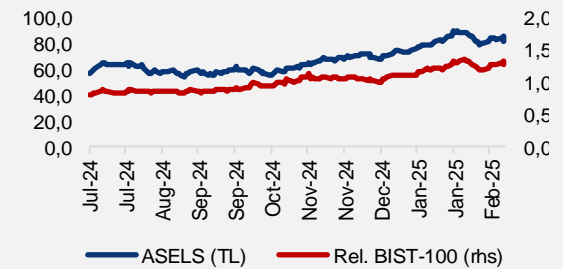
Ticker:	ASELS TI
Share price (as of 26.02.2025)	86,00
Share price (52 week range)	54 / 90
Market cap. (TL mn - USD mn)	392.160 - 10.782
# of shares (mn) & free float	4.560 - 26%
Foreign Ownership Rate	1,00%
Market	Star
Industry	Defence Industry

Avg. trading volume	1M	3M	12M
USD mn	82,9	66,5	63,6

Price performance	1M	3M	Y-t-D
TL	1%	27%	19%
USD	-1%	21%	15%
Rel. to BIST-100	7%	28%	22%

Forecasts (TL mn)	2023	2024	2025E
Revenues	106.252	120.206	163.545
EBITDA	23.140	30.234	39.244
Net Earnings	10.526	15.299	22.345

Valuation	2023	2024	2025E
P/E	37,3x	25,6x	17,6x
P/BV	3,1x	2,8x	2,4x
EV/EBITDA	7,6x	6,0x	4,8x
EV/Sales	3,9x	3,4x	2,5x
Dividend Yield	0%	0%	0%



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Investment Case

We are revising our forecasts upwards... In accordance with IAS 29 inflation accounting, ASELSAN recorded a real growth of 13% YoY in revenue generation in 2024, and we expect continued real growth in revenue generation in 2025 as well. We forecast nominal revenue growth of 36% YoY, reaching TL163.5 billion in 2025, alongside an EBITDA of TL39.2 billion, with a margin of 24%. For the company, which closed 2024 with net profitability of TL15.3 billion and a margin of 12.73%, our 2025 forecast is net profitability of TL22.3 billion with a margin of 13.7%

ASELSAN, one of Turkey's leading defense companies, offers a wide range of products to its customers, from military and civilian communication systems to avionics and radar technologies. The company operates in various fields, including electronic warfare systems, critical infrastructure security, railway signaling, fire control, and command control solutions. It also provides design, production, integration, and modernization services in various sectors such as solutions for surface platforms, energy, transportation, and guidance systems. With its diversified product portfolio and long-term high-volume backorders, ASELSAN continues to sustain its growth.

In recent years, increasing geopolitical tensions have led to a significant rise in global defense spending, while crises like the Russia-Ukraine and Israel-Palestine conflicts have triggered defense budget growth in neighboring countries. The commitment of NATO member countries to raise their defense spending to 2% of GDP has accelerated this increase, with countries like Poland allocating more than 4% of their GDP to defense. Turkey's defense budget is expected to surpass NATO's 2% criterion by 2025. As artificial intelligence, autonomous systems, cybersecurity, and space technologies make significant advancements in the defense industry, Turkey aims to increase its defense exports to USD7.3 billion and raise the domestic contribution to 82% by 2025. Turkey, with NATO's second-largest army, is strengthening ASELSAN's leadership position in the sector with its investments, providing momentum for the company's growth.

Risks: Key risks to the valuation include: i) the risk of a decrease in exchange rate income if the Turkish Lira remains strong or if exchange rate increases are limited, and ii) potential cuts in defense budgets due to global geopolitical and economic developments.

Valuation

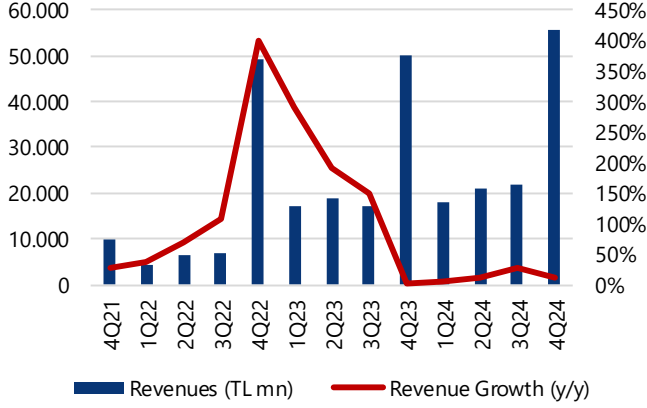
We are revising our forecasts upwards...

We value ASELSAN using the discounted cash flow method and calculate our 12 month target price at TL120.00 per share. The target price we have set indicates a potential return of 40%

(TL mln)	2024	2025E	2026E	2027E	2028E	2029E
Revenues	120.206	163.545	220.464	274.142	346.626	424.172
Growth%	13,1%	36,1%	34,8%	24,3%	26,4%	22,4%
EBITDA	30.234	39.244	54.155	68.187	86.102	106.391
Growth%	30,7%	29,8%	38,0%	25,9%	26,3%	23,6%
<i>EBITDA Margin</i>	25,2%	24,0%	24,6%	24,9%	24,8%	25,1%
Taxes paid on EBIT	6.957	563	656	1.023	1.400	1.798
CAPEX	-20.635	-21.930	-22.046	-24.673	-26.153	-27.461
Change in Net Working Capital	-2.661	-1.251	5.980	5.133	8.794	9.680
Free cash flow from operations	19.217	19.128	26.785	39.404	52.555	71.049
FCFF Margin	16,0%	11,7%	12,1%	14,4%	15,2%	16,8%
WACC	27%	30%	29%	29%	28%	28%
DFC	19.217	14.693	16.015	18.210	19.301	20.903
Terminal growth rate	11%					
Terminal Value	1.830.461					
PV of Terminal Value	214.420					
PV of FCFF	215.411					
Enterprise Value	429.831					
Latest Net Debt	15.925					
Equity Value	413.906					
Target Mcap (mn TL)	547.277					
# of shares outstanding (mn)	4.560					
Fair Value per share (12-mth fwd)	120,00					
Current share price	86,00					
Upside / (Downside)	40%					

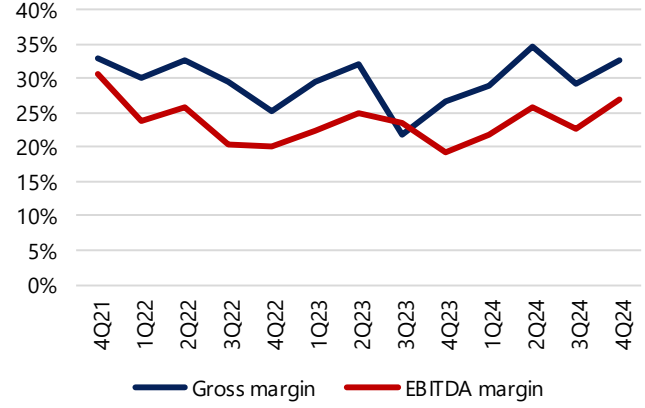
Key Financial Indicators (Quarterly)

Revenue trends



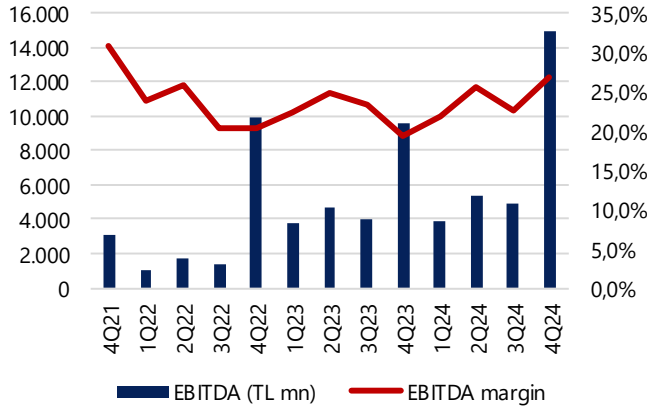
Source: Tacirler Investment

Operating margin evolution



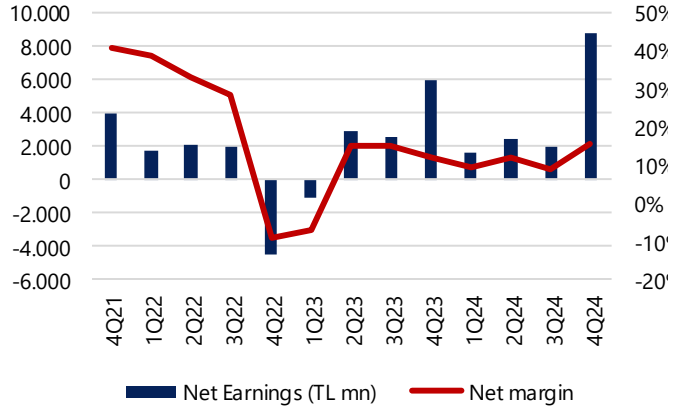
Source: Tacirler Investment

EBITDA trends



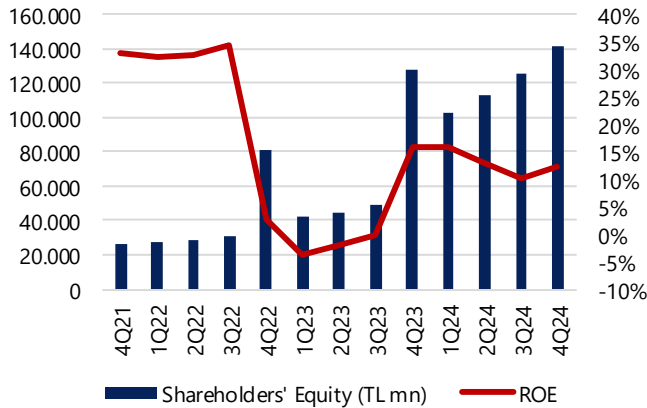
Source: Tacirler Investment

Net earnings trends



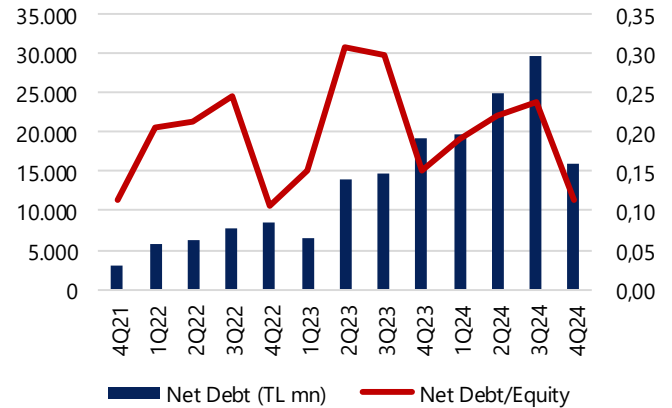
Source: Tacirler Investment

Profitability trends



Source: Tacirler Investment

Trends in financial leverage



Source: Tacirler Investment

Balance Sheet	2022	2023	2024	2025E	Income statement	2022	2023	2024	2025E
Cash	13.529	9.543	16.637	31.653	Revenues	96.532	106.252	120.206	163.545
Accounts receivables	35.419	29.732	28.355	29.300	Gross profit	25.747	29.028	38.158	49.875
Inventory	39.918	46.456	43.472	46.409	Operating expenses	-9.008	-10.800	-11.224	-13.765
Financial investments	0	0	0	0	Operating profit	16.739	18.228	26.935	36.110
Fixed assets	39.828	51.800	59.240	66.669	EBITDA	20.271	23.140	30.234	39.244
Other non-current assets	80.370	79.872	95.093	107.028	Other income, net	9.187	17.829	381	1.057
Total assets	209.064	217.403	242.798	281.059	Financial income, net	-27.309	-25.695	-19.077	-15.480
Short-term financial loans	23.228	27.155	22.836	23.050	Earnings before taxes	-1.317	10.409	8.266	21.768
Accounts payables	23.255	21.461	19.761	23.840	Tax expense	3.034	238	6.957	563
Long-term financial loans	2.545	1.631	9.727	18.360	Net earnings	1.851	10.526	15.299	22.345
Other long-term payables	44.749	41.097	50.176	53.164	Cashflow statement				
Non-current liabilities	93.777	91.344	102.499	118.414	EBITDA	20.271	23.140	30.234	39.244
Shareholders' equity	115.288	126.059	140.299	162.644	Taxes on EBIT	3.034	238	6.957	563
Paid in Capital	3.292	4.560	4.560	4.560	Capital expenditures	-17.397	-17.527	-20.635	-21.930
Other Equity	111.996	121.499	135.739	158.084	Chg. in NWC	40.679	2.646	-2.661	-1.251
Total liabilities & equity	209.064	217.403	242.798	281.059	Free cashflows to firm	-34.771	3.205	19.217	19.128
Net debt	12.244	19.243	15.925	9.758	Growth & margins				
Net working capital	52.082	54.727	52.067	51.869	Revenues	379%	10%	13%	36%
					EBITDA	268%	14%	31%	30%
					Net earnings	-74%	469%	45%	46%
					Gross margin	26,7%	27,3%	31,7%	30,5%
					Operating margin	17,3%	17,2%	22,4%	22,1%
					EBITDA margin	21,0%	21,8%	25,2%	24,0%
					Net margin	1,9%	9,9%	12,7%	13,7%
					Free cashflow margin	-36,0%	3,0%	16,0%	11,7%
					Valuation				
					P/E	211,9x	37,3x	25,6x	17,6x
					P/BV	3,4x	3,1x	2,8x	2,4x
					EV/EBITDA	10,4x	7,6x	6,0x	4,8x
					EV/Sales	4,2x	3,9x	3,4x	2,5x
					Dividend Yield	0,2%	0,1%	0,0%	0,1%
					Free cashflow yield	-8,9%	0,8%	4,9%	4,9%

Source: Company Data, Tacirler Investment

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

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