

SDT Uzay ve Savunma Teknolojileri A.Ş.
(SDT Space and Defense Technologies Inc.)

**Report on the Realization and Assessment of
Assumptions Governing the Determination of the
Public Offering Price**

(Period: January 1st, 2024, to September 30 st, 2024)

**This report has been prepared compliance with Article 29/5 of the Capital Markets
Board's Communiqué No. VII-128.1 concerning Shares.**

1. Purpose of the Report

This report, aimed at evaluating the fulfillment of assumptions used in establishing the public offering price of **SDT Uzay ve Savunma Teknolojileri A.Ş.** (SDT), has been compiled by the SDT Audit Committee, adhering to Article 29/5 of the Capital Markets Board's Equity Communiqué No. VII-128.1.

2. Clarifications

In accordance with paragraph 5 of Article 29 of the Capital Markets Board's Communiqué on Shares No. VII-128.1, "A company that offers its shares to the public for the first time is required to produce a report within ten business days subsequent to the public disclosure of its financial statements for two years following the commencement of trading of its shares on the stock exchange. This report should encompass evaluations regarding whether the assumptions utilized in determining the public offering price have been actualized. If not, the reasons behind this occurrence must be elucidated. Furthermore, the report should be made available on the company's website and the Public Disclosure Platform (PDP). This responsibility falls under the purview of the corporation's audit committee."

3. Methodology Utilized in the Price Determination Report

The Price Determination Report, compiled by İNFO Yatırım Menkul Değerler A.Ş. (İNFO), in its capacity as the intermediary for the public offering of the Company's shares, and made available on the Public Disclosure Platform on December 23, 2022, delineated the assessment of the Company's worth and the establishment of the public offering price through the following steps.

4. Overview of the Public Offering

The Prospectus and Sale Announcement for Savings Holders, pertaining to the public offering of B Group shares at a price of TL 32., were approved, as disclosed in the Capital Markets Board's weekly bulletin dated December 22, 2022, numbered 2022/72. This offering encompasses B Group shares with a nominal value of TL 8,000,000, issued, along with 4,037,500 B Group shares with a nominal value of TL 4,037,500 held by Mehmet DORA, and 212,500 B Group shares with a nominal value of TL 212,500 held by Mustafa Fatih ÜNAL. In total, 12,250,000 B Group shares with a nominal value of TL 12,250,000 are offered due to the augmentation of the Company's issued capital from TL 50,000,000 to TL 58,000,000.

As part of the Company's share public offering, demand was solicited between December 28th and 29th, 2022, employing the Fixed Price Demand Collection and Sales method, with each share having a nominal value of TL 1, priced at TL 32. SDT's public offering of 8,000,000 shares with a nominal value of TL 8,000,000. - through a capital increase through rights issue generated total gross proceeds of TL 256,000,000. According to information provided by İNFO, investor demand amounted to a nominal value of TL 250,971,577, equivalent to 20.487 times the total size of the public offering. A total of 902,098 investors participated in the public offering, with the demands of 838,560 investors being partially or fully met at different levels.

Throughout the public offering, 1% (equivalent to TL 122,500) of the total offering amount was acquired by company employees, while 49% (amounting to TL 6,002,500) was subscribed by domestic individual investors. Additionally, 40% (totaling TL 4,900,000) was purchased by domestic institutional investors, and the remaining 10% (summing up to TL 1,225,000) was secured by foreign institutional investors. In the "Report on the Utilization of Funds," disseminated on the Public Disclosure Platform (PDP) on December 23, 2022, preceding the public offering, it was outlined that the anticipated net proceeds from the offering would be allocated towards several objectives.

These include the construction of a new campus on the Company's premises within the Ankara Space and Aviation Specialized Organized Industrial Zone, investments in additional machinery and equipment to enhance production capacity, funding for the Company's research and development endeavors, development of existing and prospective projects, and addressing the requirements for working capital.

5. Methods Utilized for Price Determination in the Price Determination Report Published on PDP

The Price Determination Report, disclosed on the Public Disclosure Platform (PDP) on December 23, 2022, is grounded on the Company's consolidated financial statements, prepared in accordance with Turkish Accounting Standards, as of December 31, 2019, December 31, 2020, December 31, 2021, and September 30, 2022. In evaluating the worth of SDT, factors such as the Company's existing structure, potential, sectoral projections, and macroeconomic forecasts were duly considered. The valuation of the Company was conducted through the application of Trading Multiples Analysis and Discounted Cash Flow Analysis (DCFA) methods, which encompass both the Income Approach and Market Approaches.

The cost approach is a method of estimating value based on the economic concept that a buyer will typically not pay more for an asset, whether acquired through purchase or construction, than the cost to obtain another asset of equivalent utility, unless certain factors such as time, inconvenience, and risk impose an undue burden. However, the cost approach is typically not applicable to the valuation of operating entities as they seldom satisfy the criteria outlined in paragraphs 70.2 and 70.3 of IAS 105 Valuation Approaches and Methods. Consequently, the cost approach has not been employed in the valuation of the Company.

The Company's value was calculated by giving 70% weight to discounted cash flow analysis and 30% weight to multiplier analysis. According to traditional valuation methodologies, an IPO discount of 22% was applied to the value determined while determining the IPO price. In the discounted cash flow (DCF) analysis, projections for the income statement and balance sheet were prepared for the years 2022-2031 in the light of historical data and in line with the Company's business plan. Within the scope of the Multiplier Analysis Method, the market value of the Company was calculated based on the Company's net profit and EBITDA for the last 12 months (30.09.2021-30.09.2022).

The market value of SDT has been determined by considering metrics such as Net Sales, Net Profit, Shareholders' Equity, and Earnings Before Interest, Taxes, Depreciation, Amortization, and Amortization (EBITDA) for the 2022/09 period ending on September 30, 2022.

6. Discounted Cash Flow Analysis (DCFA)

In the Discounted Cash Flow Analysis (DCFA) method, the present value of the asset is determined by projecting the future operational and financial status of the company, discounting the forecasted cash flows using a specified discount rate to the valuation date. The equity value is then calculated by adjusting for net cash/debt.

The Weighted Average Cost of Capital (WACC) serves as the discount rate in the calculation of future cash flows' present value. The Company's WACC is derived from the average of the last 1-year, 6-month, and 3-month data of 10-year government bonds, with a risk-free yield of 14.2%. Additionally, a capital market risk premium of 5.5% is incorporated to reflect market perception, resulting in a calculated WACC of 20.5%. Moreover, a company-specific risk premium, alpha, is assumed to be 1%.

It's essential to note that the outcome generated by the DCFA method hinges on numerous hypothetical parameters, including the company's projections, historical performance, and macroeconomic forecasts. These projections should not be construed as forward-looking commitments.

In the Discounted Cash Flow Analysis, the company's value was determined utilizing the projections provided by INFO to SDT. Sectoral expectations and macroeconomic forecasts were also factored into the analysis. The projection period spans from 2022 to 2031. For the valuation based on discounted cash flow analysis, forward-looking free cash flows were computed. These free cash flows were discounted to their present value using the weighted average cost of capital (WACC). Given the estimated free cash flow projections, a terminal growth rate of 5%, and a WACC of 20.5% throughout the projection period, the market value of the Company as of September 2022 is appraised at TL 1,817 million. Considering the Company's paid-in capital of TL 50 million, the calculated value per share under the DCF approach amounts to TL 36.33.

Multiplier Analysis

BIST Technology Group Companies Multipliers

Market multiples analysis is a valuation technique that involves comparing the current price levels of comparable companies traded on stock exchanges with specific ratios derived from their publicly disclosed financial statements. This method is widely utilized due to its simplicity and relatively objective nature. However, it has its limitations. For instance, it can be challenging to find companies similar to the one being valued, and the financial data of these companies is typically available for a specific period only. Moreover, market multiples analysis is highly sensitive to current market pricing, which can lead to valuation fluctuations based on changes in market risk appetite. Furthermore, this method may not accurately capture the future prospects of companies, and there's a risk of oversimplifying dynamic business models by reducing them to static multipliers. Given the Company's focus on developing products for the defense industry, similar companies within the BIST Technology index were selected for the multiplier analysis. These companies were chosen based on their field of activity and financial characteristics, particularly in terms of sales and EBITDA growth, as well as indebtedness. It's worth noting that while the field of activity was a primary consideration, similarities in sales and EBITDA growth, as well as indebtedness, were also considered when identifying comparable companies. Furthermore, it was observed that SDT's projects exhibit an EBITDA margin surpassing that of the technology group companies, indicating potentially stronger financial performance in this regard. Enterprise Value (EV)/EBITDA and Price/Earnings Ratio multiples exceeding 30x or falling below 5x, alongside EV/Sales and Market to Book Value Ratios surpassing 5x, have been omitted from the dataset. Weighting 50% each, EV/EBITDA and P/E multiples of the companies are considered. When determining the net profit figure for the 2022/09-4Q period for multiplier calculations, an income of approximately TL 3.9 million was disregarded due to its one-time nature. Subsequently, the 2022/09-4Q net profit was computed. In the computation employing BIST Technology Group companies' multipliers, the market capitalization for SDT stands at TL 2,558 million, with the price per share pegged at TL 51.16.

International Multiplier Analysis

For the International Multiplier Analysis, a sample of 16 international companies was utilized. These companies were selected based on their similarity to the company in question, operating within the same sector. The multiples of these international companies were then employed to assess the value. The objective was to construct a comparable sample with regards to EBITDA margin, EBITDA growth, and indebtedness. Market values utilized in the multiplier calculations are as of December 2, 2022. In this analysis, multiples exceeding 30x or falling below 5x for EV/EBITDA and P/E, as well as those surpassing 5x for EV/Sales and Market to Book Value Ratios, were excluded from the sample. EV/EBITDA 4Q and P/E 4Q multiples are weighted 50% and 50%, respectively. During the determination of the 2022/09-4Q net profit figure for multiplier calculations, an income of approximately TL 3.9 million was disregarded due to its one-time nature.

Subsequently, the 2022/09-4Q net profit was computed. Using international multiples, the market capitalization for SDT was evaluated at TL 2,785 million, with the price per share set at TL 55.71.

8. Valuation Result

After incorporating a 22% IPO discount, the IPO Market Value for SDT is determined to be TL 1,600 million. This valuation is derived by assigning 70% weight to the equity value estimated through the Discounted Cash Flow method and 30% weight to the multiplier analysis computed under the BIST Technology Group Companies Multipliers. This market capitalization was divided by the pre-IPO capital and the market capitalization for each nominal share of TL 1 was calculated as TL 32.

9. Projected and Actual Performance Information

Following the commencement of the Company's shares trading on BIST (İstanbul stock exchange) on 04.01.2023, the latest financial data for the 3 nd quarter of 2024 was revealed on PDP on 11.11.2024. Below are some of the details from these financial statements.

						Adjustments According to TAS 29		
(Million TL)	31/12/2023 Actual	30/09/2024 Actual	Increase %	31.12.2024 Forecast	Realization rate according to TAS 29	30.09.2023 Actual	30.09.2024 Actual	Increase %
Revenue	1.140,3	1.367,4	19,9%	1.179,5	115,9%	865,2	1.367,4	58,1%
Cost of Sales	664,1	1.021,4	53,8%	762,9	133,9%	596,5	1.021,4	71,2%
Gross Profit	476,3	346,0	-27,4%	416,6	83,1%	268,6	346,0	28,8%
Gross Profit Margin	41,8%	25,3%		35,3%		31,1%	25,3%	
Operating Expenses	154,2	178,9	16,0%	124,3	144,0%	155,3	178,9	15,2%
Operating Profit	322,1	167,1	-48,1%	292,3	57,2%	113,4	167,1	47,4%
Operating Profit Margin	28,2%	12,2%	-241,7%	24,8%	49,3%	13,1%	12,2%	81,6%
EBITDA	356,3	202,7	-43,1%	307,1	66,0%	147,5	202,7	37,4%
EBITDA Margin	31,2%	14,8%		26,0%		17,0%	14,8%	

- The Price Determination Report, which was prepared prior to the public offering and disclosed to the public on PDP on December 23, 2022, does not account for the effects of inflation accounting. Therefore, comparisons of the related assumptions have been conducted by disregarding the effects of the "TAS 29 Financial Reporting in Hyperinflationary Economies" standard.
- The last published financial reports dated 30.09.2024 were prepared in accordance with the principles of IFRS / TMS 29 and since the Price Determination Report does not include inflation accounting effects, comparison is not possible.

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