

Company Update

17/06/2025

Benefits the most from interest rate cuts

■ Strong EPS growth potential prevails

We update our estimates and target price for ISMEN based on our revised macro assumptions, higher risk-free rate and latest company financials. **We set our new TP for ISMEN as TL67.38, while maintain our Outperform rating for the stock on its high earnings growth potential.** Is Investment has been the largest brokerage house in Türkiye in terms of assets and equity as of 1Q25 and ranks the first among listed brokerage houses with respect to trading volumes in equity and derivatives markets. We expect ISMEN's inflation adjusted net earnings to grow by 41% y/y to TL7.8bn in 2025, followed by an 34% y/y growth to TL10.4bn in 2026. It is our high conviction that the real potential of the company has been masked so far by inflation accounting. Thanks to declining inflation and improving macro, **we forecast 2H25 earnings to be 2.5-fold of 1H.** We expect ISMEN's long-term (2025-34E) ROAE to average at an eye-catching 43%.

■ Revenues set to grow, while opex remains contained

As the economy rebalances and macro parameters improve, we think ISMEN will benefit the most among peers from the return of foreign investors through potential increase in trading volumes in both equity and derivatives markets. ISMEN has seven different profitable financial subsidiaries, which diversifies its revenue base. We foresee revenues to expand by an average 19% over the next two years. We expect non-commission income, namely interest, trading and financial investments, to remain as the main driver of earnings, which constitutes 74% of its revenues as of 1Q25. We expect ISMEN's trading, interest and commission income to grow by an average 13%, 16% and 20%, respectively, between 2025-26E. On top of that, thanks to effective cost control we envisage its cost/income ratio to stay at 25% between 2025-26E.

■ Retail business strengthens; margin trading supportive

Beside its wide branch network (35 branches as of 1Q25), ISMEN launched its digital investment platform "Herkese Borsa" last year. We expect this platform to increase ISMEN's reach in Türkiye, and thus, be earnings accretive through decreasing customer acquisition costs and boosting commission generation. ISMEN had TL14.3bn of loans extended to customers as of 1Q25 (+45% y/y), funded by its free capital. We estimate an average yield of 55% for 2025. If O/N rate decreases, our base case for 2025, potential rise in loan volume will be enough to compensate the drop in yield.

■ Attractive valuation backed by strong ROE generation

ISMEN trades at a compelling 5.1x 2026E P/E and 1.5x P/B on 3Y (2024-27E) EPS CAGR of 38% and 26E ROE of 31%. We factor in a sustainable dividend pay-out ratio of 40%, indicating a dividend yield of an average 10.7% for 2025-26E.

ISMEN

Bloomberg/Reuters Code	ISMEN TI / ISMEN.IS
Recommendation	Outperform
Current Price (TL)	35.60
Target Price (TL)	67.38 (previous: 74.56)
Upside Potential	89%

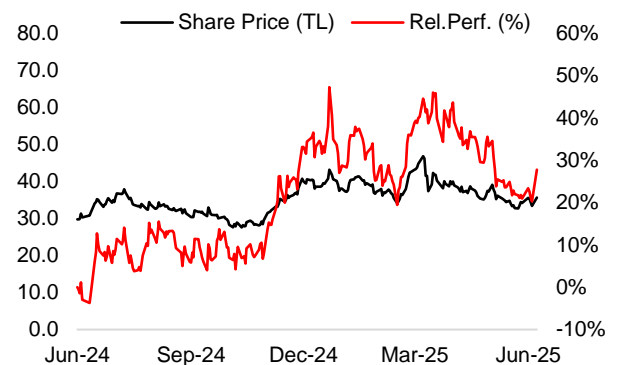
Market Cap (TLmn)	53,400
Free Float (%)	29%
12M high/low (TL)	46.80 / 27.58
ADV (3M avg - \$mn)	9.0

Summary Financials*	2024	2025E	2026E
Net Revenues (TLmn)	23,256	26,810	32,924
% growth	-2%	15%	23%
Operating Income (TLmn)	18,550	20,656	24,886
% growth	-7%	11%	20%
Net Income (TLmn)	5,506	7,752	10,398
% growth	-31%	41%	34%
Equity (TLmn)	29,287	30,837	36,036
Assets (TLmn)	77,769	123,246	159,604
ROE	21.0%	25.8%	31.1%
ROA	8.0%	7.7%	7.4%
EPS (TL)	3.67	5.17	6.93
Dividend per share (TL)	5.67	4.13	3.47
Dividend Yield	15.9%	11.6%	9.7%

Multiples	2024	2025E	2026E
P/E	9.70x	6.89x	5.14x
P/B	1.82x	1.73x	1.48x

	1M	3M	12M	YTD
Rel. Performance	2%	-9%	32%	-13%
Absolute	0%	-21%	18%	-17%

*IAS-29 adjusted

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VALUATION

We value ISMEN using the Gordon Growth Model (GGM). Our model suggests a 12-month target value of TL101bn for ISMEN, which implies a TP of TL67.38 (previous: TL74.56) per share. We factor in 43% ROAE (return on average equity) for ISMEN throughout our forecast period (2025E-34E). Assuming 20.8% long-term growth rate with a 24.0% (previous: 21.0%) risk-free rate and a beta of 1.0, our implied 12-month target P/BV of 2.6x stock suggests a hefty 89% upside to the current share price. Every 1ppt change in CoE changes our target price by 5%, on average.

Exhibit 1: ISMEN GGM Valuation

	2024	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E
Equity	29,287	30,837	36,036	44,833	61,410	79,662	101,512	129,663	166,058	205,419	250,935
Net Income	5,506	7,752	10,398	14,628	27,341	34,944	44,000	55,316	69,913	87,728	109,011
ROE	21.0%	25.8%	31.1%	36.2%	51.5%	49.5%	48.6%	47.9%	47.3%	47.2%	47.8%

Average Core ROE (2025 - 34E)	43.3%	Risk Free Rate	24.0%
Cost of Equity	29.5%	Equity Risk Premium	5.5%
Long-term Growth Rate	20.8%	Beta	1.0
Implied Target P/B	2.57	Cost of Equity	29.5%
Core Equity (1y forward looking)	36,036		
Target Core Equity Valuation	92,785		
(+) Participations	2,078		
24E Dividends	6,202		
Target Value	101,064		
Current Market Value	53,400		
Number of Shares	1,500		
Target Price / Share	67.38		
Current Price / Share	35.60		
Upside Potential	89%		

RISKS AND CATALYSTS

- Lower-than-expected GDP growth, slower investment and banking activities would decrease trading volume of the market and impact ISMEN's earnings negatively.
- Potential rise in foreign inflows linked to decreasing CDS, improving CBRT's reserves, higher ratings from credit rating institutions such as S&P, Moody's and Fitch is a major catalyst for the stock.
- Potential decrease in customer acquisition costs through successful execution of the digital platform can be named as an upside risk for the stock.
- Potentially low trading volume in the market, which make it difficult to buy or sell stocks for the institutional investors, poses a downside risk for the stock.
- Potential decline in the headline inflation would alleviate the negative impact of inflation accounting on earnings.
- Every 1ppt change in CoE changes our target price by 5%, on average.

Exhibit 2: ISMEN Summary Financials (IAS-29 adjusted)

BALANCE SHEET (TL mn)	2024	2025E	2026E	2027E
Cash	9,426	17,322	22,432	29,049
Financial Investments	8,351	19,466	27,225	35,962
Trade Receivables	54,580	67,853	87,870	113,792
Other Receivables	1,642	5,315	6,883	8,913
Derivatives	61	119	154	199
Other Assets	251	5,403	4,980	5,745
Current Assets	74,310	115,477	149,543	193,659
Financial Investments	515	667	864	1,119
Participations	2,078	807	1,045	1,354
Tangible Fixed Assets	317	575	745	964
Intangible Assets	483	5,634	7,296	9,448
Other L/T Assets	66	85	111	143
Long Term Assets	3,459	7,769	10,060	13,028
Total Assets	77,769	123,246	159,604	206,687
Financial Liabilities	1,535	21,757	27,981	37,992
Trade Payables	41,357	51,415	69,912	90,536
Derivatives	147	286	370	480
Other Current Liabilities	2,394	12,399	16,057	20,794
Current Liabilities	45,433	85,858	114,321	149,802
Financial Liabilities	93	2,645	4,111	5,323
Other L/T Liabilities	489	633	820	1,062
Long Term Liabilities	582	3,278	4,930	6,385
Minority Interest	2,467	3,273	4,316	5,668
Equity	29,287	30,837	36,036	44,833
Total Liabilities & Equity	77,769	123,246	159,604	206,687
INCOME STATEMENT (TL mn)	2024	2025E	2026E	2027E
Net Trading income	3,627	3,992	4,653	4,820
Interest Income	11,907	12,951	15,984	16,738
Commission Income (net)	5,824	6,740	8,393	10,644
Other Revenues	1,899	3,127	3,894	4,659
Gross Profit	23,256	26,810	32,924	36,861
Opex	-5,119	-6,629	-8,585	-11,118
Other Operational Income	454	529	617	719
Other Operational Expenses	-41	-54	-69	-90
Operational Profit	18,550	20,656	24,886	26,372
Income from Participations	209	244	284	331
Financial Income	623	807	1,045	1,353
Financial Expense	-259	-335	-434	-562
Net Monetary Expense	-8,301	-6,167	-5,405	-4,483
Pre-Tax Profit	10,822	15,204	20,375	23,011
Taxes	-5,164	-7,255	-9,723	-8,054
Net Income	5,658	7,949	10,652	14,957
Minority Interest	151	196	254	329
Parent's share	5,506	7,752	10,398	14,628

Source: Company, Oyak Securities Research

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Rating Methodology

Oyak Securities assigns recommendations to each stock according to the following criteria:

Price target for a stock represents the value analyst expects the stock to reach during our performance horizon, which is 12 months. For stocks with an OUTPERFORM recommendation, target return must exceed the EMR by at least 40% over the next 12 months. For a stock to be classified as UNDERPERFORM, the stock must be expected to underperform the EMR more than 25% over the next 12 months. Stocks that an analyst expects to perform parallel to the EMR within a band of +40%/-25% are rated as MARKETPERFORM. Oyak Securities analysts review their recommendations under continuous screening. Nevertheless, at times, target return of a stock may be allowed to move outside our rating intervals as a result of share price fluctuations. Under such circumstances, the analyst may choose not to change his/her recommendation.