

October 24, 2024

TAV Airports Holding

Financial results were in line with the expectations in 3Q24...

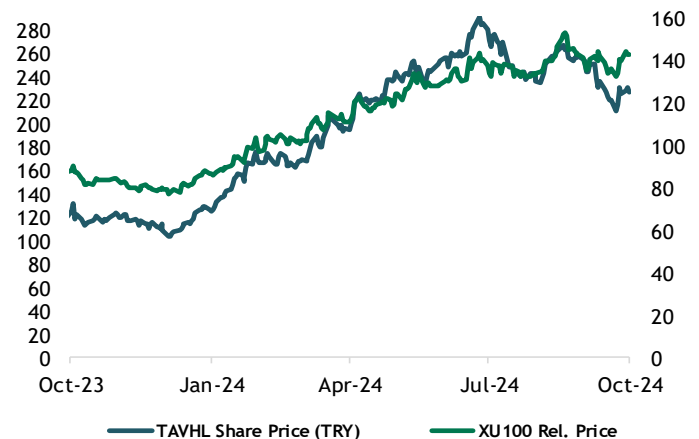
A. Can TUĞLU
Equity Research Analyst
atuglu@sekeryatirim.com

TAV Airports Holding (TAVHL.TI; OP) reported a net profit of €103.9mn in 3Q24, in line with the market consensus of €104mn and slightly below our estimation of €109mn, despite marking a 43% YoY decline (3Q23: €183.7mn). This robust performance was underpinned by strong revenue growth, exceptional operational outcomes, and a solid EBITDA figure. It is crucial to highlight that the decline in net profit compared to the previous year stems from a one-off gain in 3Q23 related to the 24% share transfer of TIBAH, which contributed €82.7mn in total, comprising €37.8mn from equity-accounted investments, and €44.9mn from financial income. Several factors, however, curbed profitability this quarter. Chief among them were higher personnel expenses, which increased operating costs, alongside mounting FX losses, and interest expenses. Additionally, the positive impact of financial income from IAS-28 adjustments, which had benefited 3Q23, was absent this year, contributing to an overall rise in net financial costs. Elevated tax expenses further exerted pressure on the bottom line. The Group's total revenue surged 18% YoY to €499.4mn (3Q23: €421.8mn) (Seker: €504.0), driven by buoyant passenger traffic and impressive growth across segments - 14% in aviation services, and 28% in ground handling services. TAV achieved an EBITDA of €196.0mn (3Q23: €174.6mn), parallel with the market estimate of €193mn, and our expectation of €197mn.

EBITDA continued to recover driven by strong top-line growth and a slowdown in operating expense growth. - PAX volumes rose 5.6% YoY (3Q24: 37.2mn vs. 3Q23: 35.3mn), buoyed by sustained contributions from Almaty Airport and domestic airports, alongside ongoing growth in international traffic. Despite a 3.1% YoY contraction in Almaty Airport's EBITDA, it still accounted for 14% of the Group's total EBITDA in 3Q24, contributing €27.3mn. Furthermore, Tunisian and Georgian airports and Havas provided positive momentum to the overall EBITDA performance. TAV's net financial expenses rose to €51.3mn during the quarter, but the Group still managed to post a solid net profit of €103.9mn. As of the end of 3Q24, TAV's net debt declined to €1,613.7mn, reflecting a 3.5% YoY, and 7.2% QoQ reduction, driven by strong cash flow generation and €68mn in dividends received from Antalya 1 (3Q23-end: €1,672mn, 2Q24-end: €1,735.5mn).

OUTPERFORM
TP: TRY 355.00
Previous TP: 355.00
Upside potential: 54.5%

	TRY	US\$	
Close	226,60	6,63	
BIST 100	8.715	255	
US\$/TRY (CB Bid Rate):	34		
52 Week High:	294,75	8,9	
52 Week Low:	102,5	3,4	
Bloomberg/Reuters Ticker:	TAVHL.TI / TAVHL.IS		
Number of Shares (Mn):	363,3		
	(TRY m)	(US\$ m)	
Current Mcap :	82.320	2.407	
Free Float Mcap :	39.513	1.155	
	1 M	YoY	YtD
TRY Return (%):	-10,70	82,45	110,79
US\$ Return (%):	-11,30	49,30	81,28
BIST 100 Relative (%):	1,32	62,26	80,69
Avg. Daily Vol. (TRY m):	559		
Avg. Daily Vol. (US\$ m):	17,6		
Beta	1,05		
Volatility (Stock)	0,35		
Volatility (BIST 100)	0,24		
Shareholder Structure	%		
Tank ÖWA Alpha GmbH	46,12		
Tepe İnşaat Sanayi A.Ş.	5,06		
Sera Yapı Endüstrisi ve Tic. Ltd. Şti.	1,16		
Free Float	47,66		
Total	100		



The Company has announced the commencement of work on the “Almaty Investment Plan,” which is expected to be finalized during the Board of Directors meeting in February 2025. TAV estimates the investment plan will range between €150-€300mn, spread over 3 to 4 years from 2025 to 2028. The Company emphasized that the outcome of tariff increase negotiations will play a crucial role in determining the scope of the investment. Given Almaty’s strong historical performance, expected growth, and accumulated depreciation, the investment program will focus on key infrastructure enhancements. These include runway rehabilitation, new taxiways and parking areas, ground handling equipment and facilities, new airside equipment, cargo apron and de-icing areas, and renovation to the old (domestic) terminal and IT systems. TAV plans to finance these investments without requiring shareholder equity loans from the parent holding company. Instead, the investments will be funded through operational cash flow from Almaty and project financing credit limits allocated for the airport. TAV highlighted that current tariffs at Almaty Airport are significantly below those of comparable airports. If the Company’s base-case tariff proposal is approved, it expects a permanent EBITDA uplift of 13-15% starting from the second half of 2025.

The Company’s 2024 & 2025 Expectations: The Company has announced its guidance for 2024 & 2025. It expects sales revenue of around €1,500-1,570mn for 2024. It anticipates total PAX at 100-110mn for this year (Int’ PAX: 67-73mn). The Company also expects EBITDA of around €430-490mn, and €260-300mn (Previous: €230-270mn) CapEx for 2024. The net debt/EBITDA target is expected at 3.5-4.5x for 2024. The Company foresees net sales revenue of around 14-18% CAGR (2022-2025) & total passenger traffic of around 10-14% CAGR (2022-2025) in 2025 (including the New Ankara (2025+) Esenboga concession). The Company has an EBITDA margin expectation for 2025 above that achieved in 2022. It expects a Net Debt/EBITDA ratio of around 2.5-3.0 by the end of 2025. TAV’s EBITDA expectation for 2025 is around 14-20% CAGR (2022-2025). The Company has revised its CAPEX to €140-160mn + CapEx from €90-110mn for 2025. 2025 non-Almaty capex guidance is revised upwards due mostly to BTA investment in Antalya and the Havaş warehouse investment at the Istanbul Grand Airport.

We maintain our “Outperform” rating, and our 12M TP at TRY 355.00/sh - Currently, the acquisition of Almaty International Airport, the recovery & increase to be observed in the total number of domestic and international passengers of the Group’s airports operated by TAV pose upside risk for the Company. Granting concessions for additional investments to increase the capacity of Antalya & Ankara Esenboğa Airport will continue to provide added value to the Company. We also predict that the positive effects of inorganic growth will be even stronger in the coming years. We evaluate the operational and financial results announced for 3Q24 as slightly positive, together with our valuation on Group shares. On the other hand, slower than expected recovery in air passenger traffic, or the emergence of any other pandemic leading to lockdowns and flight restrictions, natural disasters, geopolitical tension, etc., leading to lower than expected growth comprise the main downside risks to our valuation.

Table 1: Summary P&L

€ mn	Q3 2019	Q3 2023	Q3 2024	24/19 % Change	YoY, % Change
Revenues	244,2	421,8	499,4	104,5%	18,4%
Aviation Income	72,0	168,0	191,9	166,4%	14,2%
Ground Handling Income	67,1	93,7	120,0	78,9%	28,1%
Commission from Sales of Duty Free Goods	19,3	24,9	32,1	66,0%	28,9%
Catering Services Income	33,7	54,7	56,8	68,4%	3,7%
Income from Lounge Services and Loyalty Card	1,4	-0,6	0,9	-36,2%	-258,7%
Other Operating Revenues	9,4	20,8	19,6	107,4%	-5,9%
EBITDA	117,7	174,6	196,0	66,4%	12,3%
EBITDA Margin	48,2%	41,4%	39,2%	-9.0 pp	-2.1 pp
Net Profit*	88,8	183,7	103,9	17,0%	-43,4%
Net Profit Margin	36,4%	43,5%	20,8%	-15.6 pp	-22.7 pp

Source: TAV Airports Holding, Şeker Invest

* Attributable to the equity holders of the Company

Table 2: Income Statement (€ mn)

Income Statement (€ m)	3Q19	3Q21	3Q22	3Q23	3Q24	24/19 % Change	24/23 YoY % Change
Total Revenue	244,2	199,8	340,9	421,8	499,4	104,5%	18,4%
Aviation Income	72,0	71,8	137,5	168,0	191,9	166,4%	14,2%
Ground Handling Income	67,1	56,5	75,9	93,7	120,0	78,9%	28,1%
Commission from the Sale of Duty-Free Goods	19,3	14,2	22,8	24,9	32,1	66,0%	28,9%
Catering Services Income	33,7	20,8	38,5	54,7	56,8	68,4%	3,7%
Income from Car Parking Operations	5,0	3,2	4,7	5,8	7,6	51,0%	30,3%
Area Allocation, Sublease and Advertising	10,6	7,7	11,0	14,4	15,6	46,2%	8,0%
<i>Area Allocation Income</i>	7,3	5,8	7,9	9,3	10,4	42,3%	12,4%
<i>Rent Income from Sublease</i>	2,1	1,1	1,9	3,1	3,6	74,5%	17,1%
<i>Advertising Income</i>	1,2	0,7	1,2	2,0	1,5	21,7%	-25,7%
Bus Services Income	3,7	2,5	2,3	3,5	4,4	19,5%	23,6%
Income from Lounge Services, Loyalty Card & Prime Class	16,5	8,1	15,6	26,0	43,7	165,2%	67,8%
<i>Loyalty Card Income</i>	1,3	0,2	0,2	0,7	0,9	-32,3%	33,8%
<i>Prime Class Income</i>	15,1	6,7	14,2	26,6	42,8	183,4%	61,1%
<i>Income from Lounge Services</i>	0,1	1,2	1,2	-1,2	0,0	-100,0%	N.M.
Software Sales	6,8	6,0	19,1	9,9	7,8	15,1%	-20,9%
Other Operating Revenues	9,4	8,9	13,6	20,8	19,6	107,4%	-5,9%
<i>Security Services Income</i>	2,6	2,5	3,6	7,9	6,4	146,1%	-18,6%
<i>Retail Income</i>	0,2	0,0	0,0	0,0	0,0	N.M.	N.M.
<i>Other Operating Revenue</i>	1,6	2,9	6,6	10,5	10,8	568,1%	2,9%
<i>Ticket Sales Income</i>	1,4	0,1	0,1	-0,1	0,0	-100,0%	N.M.
<i>Operating Financial Revenue</i>	2,1	1,8	0,8	0,0	-0,1	N.M.	N.M.
<i>Utility and General Participation Income</i>	1,2	0,8	1,3	0,9	0,9	-23,8%	-1,2%
<i>Hotel and Reservation Income</i>	0,3	0,9	1,2	1,6	1,5	458,4%	-2,9%
Operating Expenses	-127,3	-106,8	-203,4	-247,4	-306,8	141,0%	24,0%
Cost of Catering Inventory Sold	-9,7	-5,7	-10,9	-14,9	-16,0	64,7%	7,2%
Cost of Services Rendered	-24,1	-15,1	-30,0	-39,9	-45,6	89,1%	14,4%
Construction Expenses	0,0	0,0	0,0	0,0	0,0	N.M.	N.M.
Cost of Duty Free Inventory Sold	0,0	0,0	0,0	0,0	0,0	N.M.	N.M.
Cost of Fuel	0,0	-15,2	-45,7	-52,6	-63,9	N.M.	21,4%
Personnel Expenses	-54,1	-44,2	-64,5	-89,9	-119,4	120,6%	32,7%
Concession Rent Expenses	-3,0	0,0	-0,5	-0,6	-1,1	-64,8%	75,5%
Other Operating Expenses	-36,3	-26,5	-51,9	-49,4	-60,8	67,5%	23,1%
Other Operating Income	0,8	0,0	0,4	0,1	3,4	312,1%	2366,9%
EBITDA	117,7	93,0	138,0	174,6	196,0	66,4%	12,3%
Depreciation and Amortization and Impairment Expenses	-29,1	-26,0	-37,0	-48,2	-49,0	N.M.	N.M.
Equity Pick-up	35,2	18,5	41,6	68,9	36,2	2,6%	-47,5%
EBIT (Operating Profit)	123,9	85,5	142,5	195,3	183,1	47,8%	-6,2%
Net Interest Expense	-12,4	-10,5	-13,9	-23,2	-26,0	109,9%	11,7%
Discount Expense	-8,2	-8,5	-10,2	-7,9	-8,4	3,3%	7,1%
FX	3,0	9,3	-1,5	-3,2	-13,0	N.M.	302,7%
Other	-1,7	-2,1	-12,6	34,8	-3,9	127,4%	-111,1%
Net Finance Income/Expense	-19,2	-11,9	-38,4	0,5	-51,3	166,6%	-10953,2%
Monetary Position Gain	0,0	0,0	2,2	5,1	0,7	N.M.	-87,3%
Tax Payable	-11,6	-2,4	-4,4	-18,9	-20,5	77,5%	8,6%
Deferred Tax	-6,3	-4,0	0,0	5,2	-3,0	-52,7%	N.M.
Income Tax Expense	-17,9	-6,4	-4,4	-13,7	-23,5	31,5%	71,9%
Profit from Continuing Activities	86,7	67,1	102,0	187,2	108,9	25,6%	-41,8%
Profit from Discontinued Operations	5,3	0,4	-0,2	0,0	0,0	N.M.	N.M.
Profit for the Period, Attributable to:							
Owners of the Company	88,8	64,9	98,2	183,7	103,9	17,0%	-43,4%
Non-controlling Interest	-3,2	-2,7	-3,6	-3,5	-5,0	N.M.	42,0%

Source: TAV Airports Holding, Seker Invest

Table 3: Balance Sheet (€ m)

Balance Sheet (€ m)	9M21	9M22	9M23	9M24
TOTAL ASSETS	3.446,7	4.377,0	4.699,9	5.005,6
Total Current Assets	614,5	790,2	1.023,1	1.138,5
Cash and Cash Equivalents	255,7	261,2	448,5	603,5
Restricted Bank Balances	99,9	111,8	95,8	97,1
Trade Receivables	122,2	137,5	168,7	153,6
Due from Related Parties	23,8	33,3	28,2	18,1
Inventories	15,9	60,9	29,4	43,6
Financial Assets	0,0	1,7	88,0	59,1
Other Receivables and Current Assets	97,1	183,7	164,4	163,5
Total Noncurrent Assets	2.832,2	3.586,8	3.675,8	3.866,2
Noncurrent Trade Receivables	15,5	0,0	0,0	0,0
Noncurrent due from Related Parties	20,0	155,8	80,2	105,5
Equity Accounted Investees	344,7	756,6	702,1	717,6
Goodwill	400,6	226,6	219,9	217,4
Property and Equipment	240,1	501,3	636,9	851,0
Intangible Assets	10,5	18,1	19,3	22,2
Airport Operation Right	1.606,7	1.672,4	1.600,2	1.509,1
Right of Use Assets	61,6	57,0	69,3	120,8
Derivative Financial Instruments	0,0	56,0	67,8	37,9
Deferred Tax Asset	20,6	26,9	31,8	51,3
Other Non-Current Assets	111,8	116,0	248,1	233,5
TOTAL EQUITY AND LIABILITIES	3.446,7	4.377,0	4.699,9	5.005,6
Total Liabilities	2.369,6	3.064,7	3.294,2	3.397,2
Total Current Liabilities	399,4	771,2	859,8	1.061,6
Bank Overdraft	0,2	0,3	0,4	0,0
Loans and Borrowings	257,9	493,3	502,0	510,9
Trade Payables	36,4	94,3	66,4	75,3
Due to Related Parties	0,6	0,8	0,9	162,5
Derivative Financial Instruments	0,0	0,1	0,0	0,0
Current Tax Liabilities	2,7	11,2	17,5	11,8
Provisions	5,2	6,9	8,2	13,8
Other Liabilities	88,4	150,5	245,5	276,4
Deferred Income	7,9	13,9	19,0	10,9
Provision for Employee Benefit	0,0	0,0	0,0	0,0
Other Current Provisions	0,0	0,0	0,0	0,0
Total Noncurrent Liabilities	1.970,2	2.293,5	2.434,4	2.335,5
Long Term Borrowings	936,7	935,8	1.201,6	1.317,1
Trade Payables	0,0	0,0	0,0	0,0
Provision for Employee Benefit	11,4	13,2	23,2	22,7
Due to Related Parties	152,2	459,8	460,2	300,0
Derivative Financial Instruments	27,7	0,2	0,0	8,6
Other Liabilities	714,8	744,5	627,0	584,5
Deferred Tax Liabilities	29,9	109,2	98,7	80,8
Deferred Income	14,4	14,8	13,6	16,2
Liabilities from Equity Accounted Investees	83,1	16,0	10,0	5,6
EQUITY	1.077,1	1.312,3	1.405,3	1.608,1
Total Equity Attributable to Equity Holders	1.060,0	1.288,8	1.386,6	1.591,1
Share Capital	162,4	162,4	162,4	162,4
Share Premium	220,3	220,3	220,3	220,3
Translation Reserves	-57,2	12,6	-59,7	-104,0
Legal Reserves	122,0	122,0	122,0	122,0
Other Reserves	-29,6	-32,1	-70,1	-74,3
Treasury Reserves	-4,3	-4,3	0,0	0,0
Cash Flow Hedge Reserve	-24,0	45,1	57,5	40,7
Purchase of Shares of Entities Under Common Control	40,1	40,1	40,1	40,1
Retained Earnings	630,4	722,9	914,2	1.184,0
Profit/Loss for the Period	0,0	0,0	0,0	0,0
Minority Interest	17,1	23,4	18,7	16,9

Source: TAV Airports Holding, Şeker Invest

Table 4: TAV Airports Holding, Quarterly PAX, Revenues & Adj. EBITDA

Airports	Pax (mn)			Revenues (€ mn)			EBITDA (€ mn)			EBITDA Margin (%)		
	3Q 2019	3Q 2023	3Q 2024	3Q 2019	3Q 2023	3Q 2024	3Q 2019	3Q 2023	3Q 2024	3Q 2019	3Q 2023	3Q 2024
Ankara Esenboga	3,59	3,48	3,62	11,6	16,6	17,5	5,4	10,9	9,3	46,6%	65,4%	53,5%
Izmir	3,73	3,54	3,51	27,3	31,3	33,7	20,4	24,7	24,2	74,9%	78,7%	71,8%
Gazipaşa	0,48	0,34	0,41	3,7	1,9	2,7	2,7	1,2	1,5	72,8%	64,5%	57,4%
Milas-Bodrum	2,25	2,10	2,17	19,2	19,9	22,4	15,7	17,9	18,8	81,8%	89,7%	84,2%
Tunisia (Monastir & Enfidha)	1,57	1,12	1,36	21,2	16,3	20,1	13,2	11,9	15,8	62,5%	72,9%	78,6%
Georgia (Tbilisi & Batumi)	1,38	1,49	1,91	27,3	33,0	41,1	22,8	26,3	34,3	83,6%	79,7%	83,5%
Macedonia (Skopje & Ohrid)	0,89	1,02	0,98	11,7	14,1	14,9	6,8	8,3	7,7	58,1%	59,2%	51,5%
Almaty	1,99	2,86	3,28	0,0	102,8	126,8	0,0	28,2	27,3		27,4%	21,5%
Services												
Havas				58,8	76,0	97,0	24,4	25,1	29,3	41,4%	33,0%	30,2%
BTA				37,9	50,9	47,9	2,8	9,0	7,8	7,3%	17,6%	16,3%
Others				44,3	59,0	75,4	3,6	11,2	19,8	8,1%	19,1%	26,3%
Total				262,8	421,8	499,4	117,7	174,6	196,0	44,8%	41,4%	39,2%
Eliminations				-18,6	0,0	0,0	0,0	0,0	0,0			
Consolidated, adj.				244,2	421,8	499,4	117,7	174,6	196,0	48,2%	41,4%	39,2%
ATU (50%)					94,0	95,1		19,5	9,3		20,7%	9,8%
TGS (50%)					66,4	92,8		16,1	8,9		24,2%	9,6%

Source: TAV Airports Holding, Seker Invest

Table 5: Historical Recommendations and Target Prices



Date	Recommendation	Target Price (TRY)
28-Oct-22	Outperform (OP)	114,00
11-Jan-23	Outperform (OP)	120,40
15-Feb-23	Outperform (OP)	120,40
28-Jul-23	Outperform (OP)	156,20
25-Oct-23	Outperform (OP)	193,30
16-Jan-24	Outperform (OP)	208,10
14-Feb-24	Outperform (OP)	222,80
26-Apr-24	Outperform (OP)	278,50
23-Jul-24	Outperform (OP)	355,00
24-Oct-24	Outperform (OP)	355,00

Basis for 12m equity ratings

Outperform: The total return is expected to exceed the return of the BIST100 by more than 10%.

Underperform: The total return is expected to fall below the return of the BIST100 by more than 10%.

Market Perform: The total return is expected to be in line with the return of the BIST100.

ŞEKER INVEST RESEARCH

Şeker Yatırım Menkul Değerler A.Ş.
Buyukdere Cad. No: 171 Metrocity
A Blok Kat 4-5 34330 SİSLİ /İST
TURKEY

TEL: +90 (212) 334 33 33
Fax: +90 (212) 334 33 34
E-mail: research@sekeryatirim.com
Web: <http://www.sekeryatirim.com/english/index.aspx>

For additional information, please contact:

Research

Kadir Tezeller	Head	+90 (212) 334 33 81	ktezeller@sekeryatirim.com
Burak Demirbilek	Utilities, Pharmaceutical, Defense Industry	+90 (212) 334 33 33-128	bdemirbilek@sekeryatirim.com
Sevgi Onur	Banking	+90 (212) 334 33 33-150	sonur@sekeryatirim.com
Engin Degirmenci	Glass, Cement	+90 (212) 334 33 33-201	edegirmenci@sekeryatirim.com
Atasav Can Tuglu	Food & Beverages, Automotive, Retail, Aviation	+90 (212) 334 33 33-334	atuglu@sekeryatirim.com.tr
Esra Uzun Ozbaskin	Telcos, Iron & Steel, Cons. Dur., Oil & Deriv.	+90 (212) 334 33 33-245	ezun@sekeryatirim.com

Economy & Politics

Abdulkadir Dogan	Economist	+90 (212) 334 91 04	adogan@sekeryatirim.com
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Deniz Keskin	Trader	+90 (212) 334 33 36	dkeskin@sekeryatirim.com
Kerim Culum	Trader	+90 (212) 334 33 33-316	kculum@sekeryatirim.com.tr

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