

November 7, 2024

# Turk Telekom

## Another successful quarter

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According to inflation accounting provisions (IAS-29), Turk Telekom printed a net profit of TRY 1,145mn in 3Q24. (3Q23: TRY 3,042mn net profit). Our expectation was for net profit of TRY 1,943mn, while the market expectation was for TRY 2,513mn. A lower-than-expected monetary gain (TRY 3,946mn) and higher-than-expected tax expenses (TRY 2,189mn) led to deviation from our net profit expectation. In this quarter, TRY 6,405mn of net financial expenses suppressed net profit.

The company booked a net sales revenue of TRY 40,353mn adjusted for the IAS-29 effect somewhat above our TRY 39,090mn expectation and the market's TRY 38,224mn expectation. The strong subscriber acquisition, along with robust ARPU performance across business lines, was the main driver behind the acceleration in revenue growth. ARPU has increased 21.2% YoY in the fixed broadband segment and 17.5% YoY in the mobile blended and supported the revenues. In 3Q24, subscribers increased by 59k in fixed broadband and 651k in the mobile segment. Total subscribers increased to 53.2mn with a gain of 800k in 2Q24.

Operational profitability was robust with control of costs and operational expenses. The gross margin was at 34.2% (3Q23: 22.2%) in 3Q24. EBITDA came in at TRY 16,469mn, up 31% YoY, including the effect of IAS-29, above our TRY 15,321mn and the market's TRY 14,909mn expectations. The EBITDA margin was at 40.8% in 3Q24 (3Q23: 36.2%).

**Net debt increased...** At the end of 2024/09, the company's net debt position slightly rose to 53.8bn from TRY 51bn.

**2024 EBITDA margin guidance revised up:** The company has revised its EBITDA margin expectation of 36-38% to 38%. Expectations of revenues rising 11-13% and capex/sales of 27-28% in 2024 are maintained. (The company has determined its targets with the assumption of annual CPI at 42% by the end of 2024.)

With competitive pricing adjustments taken in the fixed broadband segment and shorter contract period applications, ARPU has started to gain momentum. We expect the fixed broadband segment to continue making a strong contribution to revenues over the coming quarters. We expect telecommunications to remain among the sheltered sectors during the inflationary process, and to grow above inflation as the increases come into effect with contract renewals, even if disinflation begins.

In line with financial statements, the company's guidance and our expectations, we maintain our 12-month target price for TTKOM of TRY 69.05/share. We also maintain our "OUTPERFORM" recommendation as our target price represents 52% upside potential compared to the closing price on November 6, 2024.

**OUTPERFORM**  
TP: TRY 69.05  
Previous TP: TRY 69.05  
Upside potential: 52%

	TRY	US\$
Close	45,46	1,33
BIST 100	8.862	259
US\$/TRY(CB Bid Rate):	34,282	
52 Week High:	57,80	1,71
52 Week Low:	20,44	0,72
Bloomberg/Reuters Ticker:	TTKOM.TI / TTKOM.IS	

Number of Shares (Mn): 3.500

	(TRY Mn)	(US\$ Mn)
Current Mcap :	159.110	4.655
Free Float Mcap :	20.684	605

	1 M	YOY	YTD
TRY Return (%):	-2,4	122,4	86,6
US\$ Return (%):	-2,6	84,7	60,7
BIST 100 Relative (%):	0,3	97,5	57,3
Avg. Daily Vol. (TRY Mn):	949,3		
Avg. Daily Vol. (US\$ Mn):	30,2		

Beta	1,00
Volatility (Stock)	0,43
Volatility (BIST 100)	0,24

Shareholder Structure	%
Turkish Wealth Fund	60,0
Turkish Treasury	25,0
Free Float	15,0
Total	100,0

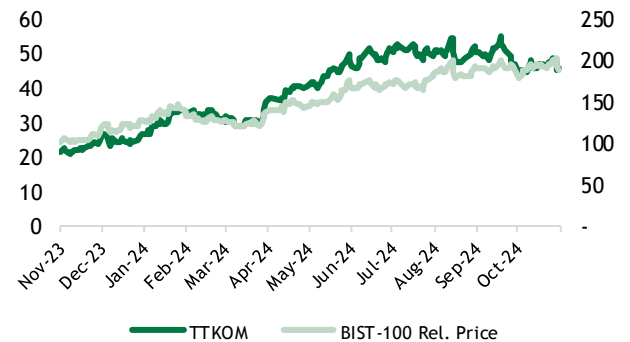


Figure 1: Financials (Including IAS-29)

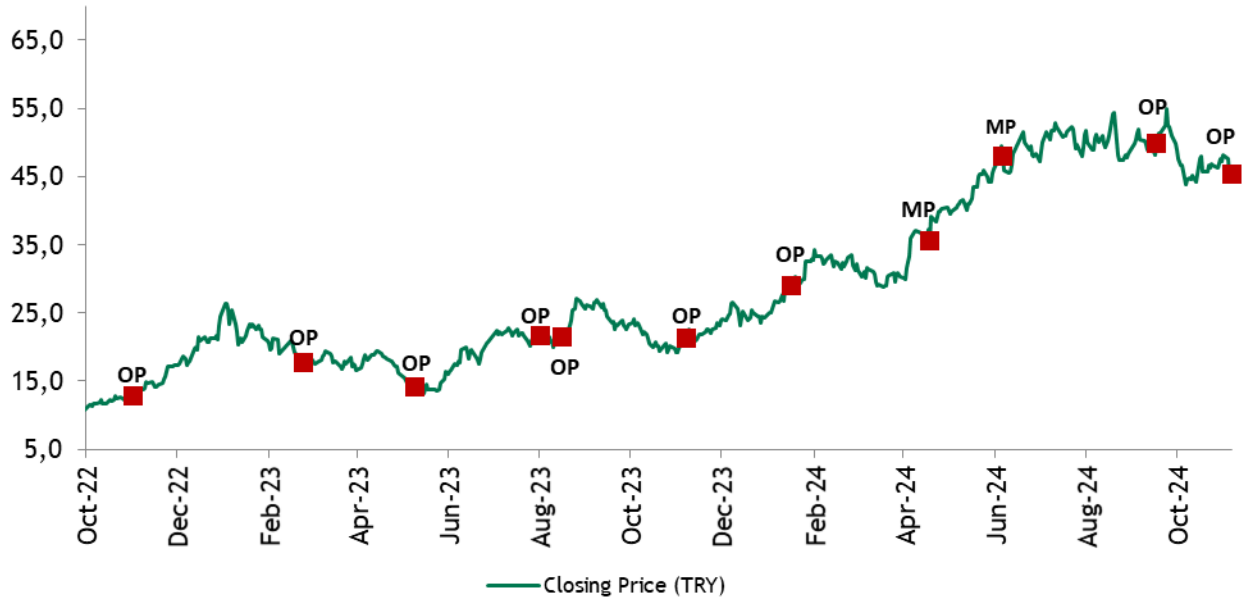
TRY Million	9M23	9M24	YoY	3Q23	3Q24	YoY
<b>Revenues</b>	<b>100.446</b>	<b>109.226</b>	<b>8,7%</b>	<b>34.828</b>	<b>40.353</b>	<b>15,9%</b>
<b>Gross Profit</b>	<b>21.547</b>	<b>34.308</b>	<b>59,2%</b>	<b>7.721</b>	<b>13.805</b>	<b>78,8%</b>
Gross Profit Margin	21,5%	31,4%		22,2%	34,2%	
<b>EBIT</b>	<b>-2.978</b>	<b>8.744</b>	<b>n.m.</b>	<b>-175</b>	<b>5.476</b>	<b>n.m.</b>
EBIT Margin	-3,0%	8,0%		-0,5%	13,6%	
<b>EBITDA</b>	<b>33.901</b>	<b>42.510</b>	<b>25,4%</b>	<b>12.592</b>	<b>16.469</b>	<b>30,8%</b>
EBITDA Margin	33,8%	38,9%		36,2%	40,8%	
<b>Net Profit</b>	<b>559</b>	<b>3.921</b>	<b>602,0%</b>	<b>3.042</b>	<b>1.145</b>	<b>-62,4%</b>
Net Profit Margin	0,6%	3,6%		8,7%	2,8%	

Source: Finnet, Seker Invest Research

Figure 2: Key financials (Including IAS-29)

BALANCE SHEET (TRY Mn)	2023/12K	2024/09	%
PP&E	103.237	105.509	2%
Intangibles	75.198	66.087	-12%
Other Non-Current Assets	20.577	17.041	-17%
Trade Receivables	18.126	19.972	10%
Cash&Equivalents	18.465	8.094	-56%
Other Current Assets	28.945	26.563	-8%
<b>Total Assets</b>	<b>264.548</b>	<b>243.266</b>	<b>-8%</b>
Long Term Debt	44.156	46.630	6%
Other Non current liabilities	9.992	9.991	0%
Short Term Debt	18.192	11.468	-37%
Trade Payables	19.155	13.217	-31%
Other Current Liabilities	39.516	26.895	-32%
Total Liabilities	131.011	108.202	-17%
Total Equity	133.537	135.064	1%
<b>Total Equity&amp;Liabilities</b>	<b>264.548</b>	<b>243.266</b>	<b>-8%</b>
INCOME STATEMENT (TRY Mn)	2023/09	2024/09	%
Net Sales	100.446	109.226	9
COGS	78.899	74.918	(5)
Gross Profit / (Loss)	21.547	34.308	59
Operating Expenses	24.526	25.564	4
Operating Profit / (Loss)	(2.978)	8.744	N.M.
Net Other Operational Gain / (Loss)	(2.164)	(354)	N.M.
Income / (Loss) from Investing Activities	5.643	2.907	(48)
Financial Income / (Expense)	(20.136)	(20.626)	N.M.
Monetary Gain / (Loss)	26.053	18.611	(29)
Share of profit of equity accounted investments	-	-	N.M.
<b>Profit Before Tax (Loss)</b>	<b>5.998</b>	<b>8.890</b>	<b>48</b>
Tax	5.439	4.969	(9)
<b>Net Profit/(Loss)</b>	<b>559</b>	<b>3.921</b>	<b>602</b>
Minority Interest	-	-	N.M.
Parent Equity	559	3.921	602,0
TTKOM	Source: Seker Invest		

## Historical Recommendations and target prices



Date	Rec	Target Price (TRY)
23-Feb-23	Outperform (OP)	27,56
9-May-23	Outperform (OP)	24,29
1-Aug-23	Outperform (OP)	25,90
15-Aug-23	Outperform (OP)	28,96
7-Nov-23	Outperform (OP)	31,58
16-Jan-24	Outperform (OP)	41,12
18-Apr-24	Market Perform (MP)	41,12
6-Jun-24	Market Perform (MP)	56,78
17-Sep-24	Outperform (OP)	69,05
7-Nov-24	Outperform (OP)	69,05

## Basis for 12m equity ratings

<b>Outperform:</b>	The total return is expected to exceed the return of the BIST 100 by more than 10%.
<b>Underperform:</b>	The total return is expected to fall below the return of the BIST 100 by more than 10%.
<b>Market Perform:</b>	The total return is expected to be in line with the return of the BIST 100.

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