

# Pegasus Airlines

## Better than expected solid financial results in 3Q24...

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

**Pegasus reported a net profit of €301.2mn in 3Q24, above the market average expectation of €281mn and our expectation of €271mn net profit (3Q23: €252.6mn).** This outperformance was driven by robust revenue growth, strong operating profitability, a slight increase in income from investment activities (Eurobond & KKM interest income), and a sharp reduction in net financial expenses (3Q23: -€87.1mn, 3Q24: -€5.5mn) supported by FX gains. Higher maintenance, personnel, and OpEx, along with an increase in deferred tax expenses, acted as headwinds on the company's net profit for the quarter. Pegasus' int'l scheduled passenger revenue rose by 3% in EUR terms, while domestic scheduled revenue grew by 38%, and ancillary revenue increased by 27% YoY (3Q24: €318mn, 3Q23: €251mn). Total revenue rose by 13% YoY to €1,091mn, marginally exceeding the market consensus of €1,066mn, and our estimate of €1,059mn. In 3Q24, EBITDA reached €443mn, slightly above the market consensus of €425mn and our forecast of €430mn, with an EBITDA margin of 40.6%. We believe these robust financial and operational results for 3Q24 will have a positive impact on the company's share price.

**KPIs continue to improve well thanks to the solid traffic performance** - The total number of PAX rose by 9.1% YoY to 10.55mn, driven by sustained demand growth. Pegasus' revenue increased by 13% YoY to €1,091mn (3Q23: €962mn), surpassing both the market expectation of €1,066mn and our forecast of €1,059mn. Additionally, domestic PAX yields surged by 60% YoY to TRY 1,414, while international yields decreased by 6.1% YoY to €98. The LF improved by 1.4 pp compared to 3Q23, reaching 89.1%. Total ASK grew by 8.6% YoY in 3Q24, with international ASK increasing by 8.4%. Ancillary revenues/PAX reached a record €30.2, up 16% YoY, while RASK rose by 4% YoY to €5.76. Total CASK increased by 8% YoY to €3.87, impacted by higher personnel and maintenance unit costs (ex-fuel CASK: 3Q24: €2.59, 3Q23: €2.13, +22% YoY). Consequently, Pegasus achieved EBITDA of €443mn in 3Q24 (market consensus: €425mn, our estimate: €430mn). As of 3Q24, the company's net debt stood at €2,436mn, reflecting a modest increase of 0.7% compared to the end of 2023 (€2,418mn, 2Q24: €2,483mn). Pegasus also hedged 51% of its projected jet fuel consumption for 2024 and 46% for 2025. The company's net cash position reached €786mn at the end of 3Q24 (end-2023: €512mn, end-2Q24: €579mn).

### OUTPERFORM

TP: TRY 328.00

Previous TP: TRY 302.00

Upside potential: 34%

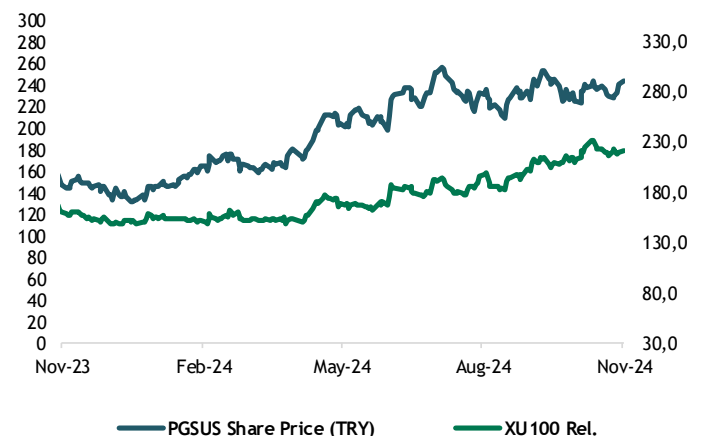
	TRY	US\$
Close	244,00	7,12
BIST 100	9.277	271
US\$/TRY (CB Bid Rate):	34	
52 Week High:	260	7,9
52 Week Low:	130,7	4,4
Bloomberg/Reuters Ticker:	PGSUS.TI / PGSUS.IS	
Number of Shares (Mn):	500,0	

	(TRY m)	(US\$ m)
Current Mcap :	122.000	3.558
Free Float Mcap :	52.460	1.530

	1 M	YoY	YtD
TRY Return (%):	8,40	64,95	83,61
US\$ Return (%):	8,05	37,09	57,55
BIST 100 Relative (%):	3,72	38,18	47,86
Avg. Daily Vol. (TRY m):	1878		
Avg. Daily Vol. (US\$ m):	58,8		

Beta	0,94
Volatility (Stock)	0,37
Volatility (BIST 100)	0,24

Shareholder Structure	%
Esas Holding	56,65
Sabancı Family Members	1,82
Free Float	41,53
Total	100



**We revise up our TP, & maintain “Outperform” rating** - The Company plans for total ASK growth of 12%-14% (unchanged) in 2024. It expects RASK to show a slight increase compared to 2023 (previously: flat vs. 2023). Pegasus projects a higher load factor in 2024 and anticipates high single-digit growth in ancillary/PAX (previously: mid-to-high single digits). Pegasus forecasts that ex-fuel CASK will experience low double-digit growth (previously: mid-to-high single-digit growth), while low fuel prices are expected to ease operational cost pressures. The Company expects its 2024 EBITDA margin to be around 28%-30%, among the highest among airlines globally. In addition, with the order delivery plan for its aircraft fleet, Pegasus plans for a total fleet size of 118 aircraft by end-2024. For 2024, the Company states that 6 A321NEOs will be received to the fleet. The Company expects the average number of seats to rise from 191 in 2021 to 228 in 2029. Refining our estimates and valuation, we revise up our 12M TP from TRY 302.00/sh to TRY 328.00/sh for the carrier’s shares and maintained our “Outperform” recommendation.

**Risks** - The downside risk to our TP and rating for the Company and the aviation sector in general would be another major pandemic, leading to a slower than expected recovery of air travel demand. Other main downside risks to demand would be geopolitical tension and natural disasters that are hazardous to air travel. Meanwhile, increasing competition may lead to lower yields, and higher than expected jet fuel prices and an unfavorable course of the €/US\$ may dent profitability.

Table 1: KPIs

	9M19	9M23	9M24	% 9M24/9M19	9M24/9M23	3Q19	3Q23	3Q24	% 3Q24/3Q19	3Q24/3Q23
<b>TOTAL</b>										
PAX (mn)	23,1	23,8	28,0	21,0%	17,5%	8,8	9,7	10,5	19,8%	9,1%
Seat (mn)	26,1	28,1	31,8	21,9%	13,0%	9,6	11,0	11,8	22,7%	7,4%
Load Factor	88,6%	84,6%	88,0%	-0.7 pp	3.4 pp	91,3%	87,7%	89,1%	-2.2 pp	1.4 pp
Cycle	140.965	140.204	153.693	9,0%	9,6%	52.122	54.605	56.839	9,0%	4,1%
PAX per Cycle	164	170	182	11,0%	7,2%	169	177	186	9,8%	4,8%
ASK (mn)	33.029	43.610	50.042	51,5%	14,7%	12.737	17.453	18.954	48,8%	8,6%
<b>Domestic</b>										
Scheduled PAX (mn)	12,0	8,8	10,5	-12,8%	18,9%	4,2	3,5	3,8	-10,9%	8,9%
Scheduled Seats (mn)	12,9	10,0	11,4	-11,9%	13,8%	4,4	3,7	4,0	-9,6%	8,3%
Load Factor	92,9%	88,0%	91,9%	-1.0 pp	3.9 pp	95,3%	93,4%	94,0%	-1.4 pp	0.6 pp
Cycle	69.159	50.521	55.247	-20,1%	9,4%	23.669	18.343	19.041	-19,6%	3,8%
PAX per Cycle	174	174	189	9,1%	8,7%	178	188	198	10,8%	5,0%
Scheduled ASK (mn)	9.431	7.316	8.461	-10,3%	15,7%	3.183	2.667	2.929	-8,0%	9,8%
Yield (TRY)						174,0	884,0	1.414,0	712,6%	60,0%
<b>International</b>										
Scheduled PAX (mn)	11,1	15,0	17,5	57,5%	16,8%	4,6	6,2	6,8	48,1%	9,2%
Scheduled Seats (mn)	13,2	18,1	20,4	55,1%	12,6%	5,2	7,3	7,8	50,2%	6,9%
Load Factor	84,5%	82,8%	85,8%	1.3 pp	3.0 pp	87,8%	84,7%	86,6%	-1.2 pp	1.8 pp
Cycle	71.806	89.683	98.446	37,1%	9,8%	28.453	36.262	37.798	32,8%	4,2%
PAX per Cycle	155	167	178	14,9%	6,4%	161	171	179	11,5%	4,7%
Scheduled ASK (mn)	23.598	36.294	41.581	76,2%	14,6%	9.554	14.786	16.025	67,7%	8,4%
Yield (€)						84,0	98,0	92,0	9,5%	-6,1%
Ancillary Revenues per PAX (€)	14,8	25,7	27,8	87,8%	8,2%	16,3	25,9	30,2	85,3%	16,6%
RASK (€€)	4,07	4,73	4,74	16,5%	0,2%	5,08	5,51	5,76	5,4%	4,5%
CASK (€€)	3,14	3,64	3,82	21,7%	4,9%	3,10	3,60	3,87	24,8%	7,5%
Non-fuel CASK (€€)	2,01	2,25	2,48	23,4%	10,2%	1,95	2,13	2,59	32,8%	21,6%

Source: Pegasus, Seker Invest Research

**Table 2: Summary Financial Statements**

<b>BALANCE SHEET (€ mn)</b>	<b>2022</b>	<b>2023</b>	<b>9M2023</b>	<b>9M2024</b>	<b>% Chg</b>
Cash and cash equivalents	530	494	771	1.237	60,4%
Financial assets	113	569	363	222	-38,8%
Trade receivables	59	51	78	81	3,8%
Other receivables	9	6	6	2	-66,7%
Derivative financial instruments	13	0	12	0	N.M.
Inventories	25	33	32	37	15,6%
Prepaid expenses	282	313	340	296	-12,9%
<b>Current assets</b>	<b>1.039</b>	<b>1.474</b>	<b>1.605</b>	<b>1.877</b>	<b>16,9%</b>
Financial assets	215	51	51	120	135,3%
Other receivables	34	55	39	75	92,3%
Derivative financial instruments	4	0	0	0	N.M.
Investments accounted by using the equity method	18	18	19	20	5,3%
Property and equipment	176	319	307	433	41,0%
Intangible assets	14	20	16	22	37,5%
Right of use assets	2.947	3.485	3.172	3.881	22,4%
Prepaid expenses	357	390	362	461	27,3%
Deferred tax assets	0	388	0	378	N.M.
<b>Non-Current assets</b>	<b>3.767</b>	<b>4.726</b>	<b>3.966</b>	<b>5.389</b>	<b>35,9%</b>
Short term borrowings	106	164	578	710	22,8%
Trade payables	197	200	248	257	3,6%
Passenger flight liabilities	216	258	293	329	12,3%
Short term provisions	61	63	71	81	14,1%
<b>Current liabilities</b>	<b>1.041</b>	<b>1.142</b>	<b>1.274</b>	<b>1.469</b>	<b>15,3%</b>
Long term borrowings	324	378	2.766	3.431	24,0%
Deferred income	62	108	92	206	123,9%
Long term provisions	197	173	170	170	0,0%
<b>Non-Current liabilities</b>	<b>2.859</b>	<b>3.380</b>	<b>3.075</b>	<b>3.814</b>	<b>24,0%</b>
Paid-in share capital	61	61	61	230	277,0%
Share premiums on capital stock	194	194	194	25	-87,1%
Retained earnings	196	627	948	1.417	49,5%
Net loss for the period	431	790	321	310	-3,4%
<b>SHAREHOLDERS' EQUITY</b>	<b>905</b>	<b>1.678</b>	<b>1.222</b>	<b>1.983</b>	<b>62,3%</b>

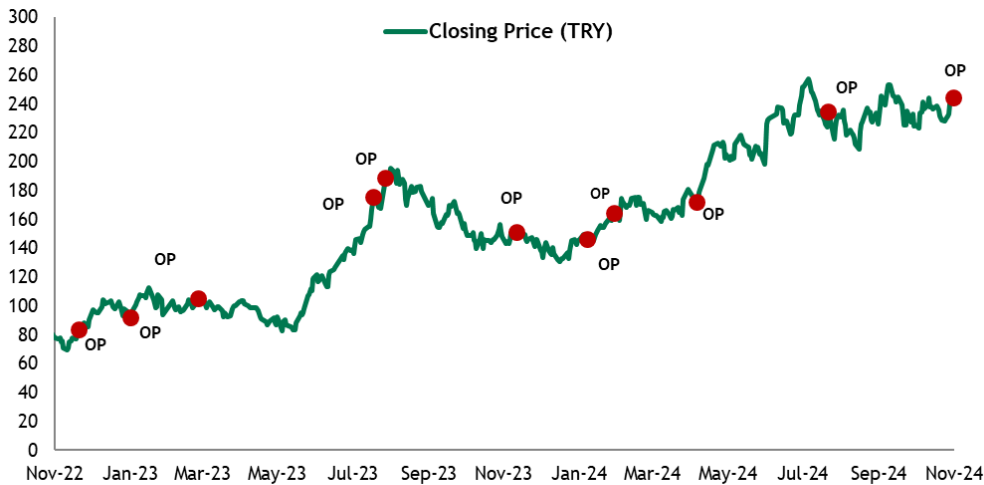
Source: Pegasus, Şeker Invest

Table 3: Summary P&amp;L and financial statements

€ mn	2023/09	2024/09	YoY	3Q23	3Q24	YoY	2Q24	QoQ
Revenues	2.061	2.373	15,1%	962	1.091	13,5%	763	43,0%
Scheduled Flights	2.027	2.329	14,9%	945	1.070	13,2%	747	43,2%
International	1.185	1.240	4,7%	590	607	2,9%	387	56,8%
Domestic	230	310	35,2%	105	145	38,4%	98	48,3%
Service Revenue	613	778	27,0%	251	318	26,8%	262	21,2%
Charter & Wetlease	28	36	31,4%	15	19	28,2%	14	38,1%
Other	7	8	17,2%	2	3	39,9%	3	9,0%
Gross Profit	564	583	3,4%	370	410	10,8%	187	119,3%
Gross Profit Margin	27,4%	24,6%	-2.8 p.p.	38,5%	37,6%	-0.9 p.p.	24,5%	
Operating Profit	456	443	-2,9%	341	331	-2,9%	148	123,6%
EBIT Margin	22,1%	18,7%	-3.5 p.p.	35,5%	30,3%	-5.1 p.p.	19,4%	
EBITDA	707	711	0,6%	418	443	6,1%	230	92,6%
EBITDA Margin	34,3%	30,0%	-4.3 p.p.	43,4%	40,6%	-2.8 p.p.	30,1%	
Net Profit/Loss	321	310	-3,4%	253	301	19,2%	112	168,9%
Net Profit Margin	15,6%	13,1%	-2.5 p.p.	26,3%	27,6%	1.3 p.p.	14,7%	

Source: Pegasus, Finnet, Seker Invest Research

## Historical Recommendations and target prices



Date	Recommendation	Target Price (TRY)
10.11.2022	Outperform (OP)	121,43
11.01.2023	Outperform (OP)	125,34
7.03.2023	Outperform (OP)	140,15
1.08.2023	Outperform (OP)	216,14
15.08.2023	Outperform (OP)	261,89
9.11.2023	Outperform (OP)	261,89
16.01.2024	Outperform (OP)	253,70
5.03.2024	Outperform (OP)	259,84
9.05.2024	Outperform (OP)	259,84
13.08.2024	Outperform (OP)	302,00
12.11.2024	Outperform (OP)	328,00

## 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.

## ŞEKER INVEST RESEARCH

Şeker Yatırım Menkul Değerler A.Ş.  
 Büyükdere 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](mailto: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	<a href="mailto:ktezeller@sekeryatirim.com">ktezeller@sekeryatirim.com</a>
Burak Demirbilek	Utilities, Defense Industry	+90 (212) 334 33 33-128	<a href="mailto:bdemirbilek@sekeryatirim.com">bdemirbilek@sekeryatirim.com</a>
Sevgi Onur	Banking	+90 (212) 334 33 33-150	<a href="mailto:sonur@sekeryatirim.com">sonur@sekeryatirim.com</a>
Engin Degirmenci	Cement	+90 (212) 334 33 33-201	<a href="mailto:edegirmenci@sekeryatirim.com">edegirmenci@sekeryatirim.com</a>
Atasav Can Tuglu	Food & Beverages, Automotive, Retail, Aviation	+90 (212) 334 33 33-334	<a href="mailto:atuglu@sekeryatirim.com.tr">atuglu@sekeryatirim.com.tr</a>
Esra Uzun Ozbaskin	Telcos, Iron & Steel, Cons. Dur., Oil & Deriv.	+90 (212) 334 33 33-245	<a href="mailto:euzun@sekeryatirim.com">euzun@sekeryatirim.com</a>
Basak Kamber	Glass	+90 (212) 334 33 33-245	<a href="mailto:bkamber@sekeryatirim.com">bkamber@sekeryatirim.com</a>
Burak Can Coklar	Pharmaceutical	+90 (212) 334 33 33-245	<a href="mailto:bcoklar@sekeryatirim.com">bcoklar@sekeryatirim.com</a>

Economy & Politics

Abdulkadir Dogan	Chief Economist	+90 (212) 334 91 04	<a href="mailto:adogan@sekeryatirim.com">adogan@sekeryatirim.com</a>
------------------	-----------------	---------------------	--

Institutional Sales

Batuhan Alpman	Head	+90 (212) 334 33 70	<a href="mailto:balpman@sekeryatirim.com">balpman@sekeryatirim.com</a>
Deniz Keskin	Trader	+90 (212) 334 33 36	<a href="mailto:dkeskin@sekeryatirim.com">dkeskin@sekeryatirim.com</a>
M. Kerim Culum	Trader	+90 (212) 334 33 33-316	<a href="mailto:kculum@sekeryatirim.com">kculum@sekeryatirim.com</a>

## DISCLAIMER

I, Atasav Can TUĞLU, hereby certify that the views expressed in this research accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

This report has been prepared by Şeker Yatırım Menkul Değerler A.Ş. (Şeker Invest, Inc.). The information and opinions contained herein have been obtained from and are based upon public sources that Şeker Invest considers to be reliable. No representation or warranty, express or implied, is made that such information is accurate or complete and should not be relied upon, as such. All estimates and opinions included in this report constitute our judgments as of the date of this report and are subject to change without notice. This report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. Şeker Invest may, from time to time, have a long or short position in the securities mentioned in this report and may solicit, perform or have performed investment banking, underwriting or other services (including acting as adviser, manager, underwriter or lender) for any company referred to in this report and may, to the extent permitted by law, have acted upon or used the information contained herein, or the research or analysis upon which it is based, before its publication. This report is for the use of intended recipients and may not be reproduced in whole or in part or delivered or transmitted to any other person without the prior written consent of Şeker Invest. By accepting this document you agree to be bound by the foregoing limitations.

Copyright © 2024 Şeker Invest, Inc.