

Pegasus Airlines

Better than expected solid financial results in 4Q24...

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Pegasus significantly outperformed market expectations, reporting a net profit of €51mn in 4Q24, far exceeding the consensus estimate of €3mn, and our estimate of €6mn (4Q23: €469mn). This robust financial performance was underpinned by strong topline growth, solid gross and operating profitability, and a favorable FX gain recorded under other operating income. Despite pressures from elevated maintenance, personnel, & operational costs, along with a substantial increase in net financial expenses (4Q23: €-9.7mn, 4Q24: €-150.7mn), Pegasus successfully delivered stronger-than-anticipated earnings. However, the absence of last year's exceptional deferred tax gains resulted in an 89.1% YoY decline in net profit. In 4Q24, Pegasus achieved a 13% YoY increase in int'l scheduled passenger revenue, a 22% YoY expansion in domestic scheduled revenue, and an impressive 42% YoY surge in ancillary revenue (4Q23: €198mn, 4Q24: €281mn). Consequently, total revenue advanced by 24% YoY in EUR terms to €753mn, surpassing both the market consensus estimate of €736mn, and our estimate of €706mn. EBITDA stood at €176mn, exceeding the consensus estimate of €163mn, and our estimate of €166mn, with an EBITDA margin of 23.4%.

KPIs continue to improve well thanks to the solid traffic performance - The total number of PAX rose by 17% YoY to 9.5mn, driven by sustained demand growth. Pegasus' revenue increased by 24% YoY to €753mn (4Q23: €609mn), surpassing both the market expectation of €736mn and our forecast of €706mn. Additionally, domestic PAX yields surged by 31% YoY to TRY 973, while international yields decreased by 6.1% YoY to €92. The LF improved by 1.5 pp compared to 4Q23, reaching 86.7%. Total ASK grew by 15% YoY in 4Q24, with international ASK increasing by 16.5%. Ancillary revenues/PAX reached €29.6, up 22% YoY, while RASK rose by 8% YoY to €4.49. Total CASK slightly increased by 3% YoY to €43.97, impacted by higher personnel and maintenance unit costs (ex-fuel CASK: 4Q24: €2.77, 4Q23: €2.30, +20% YoY). Consequently, Pegasus achieved EBITDA of €176mn in 4Q24 (market consensus: €163mn, our estimate: €166mn). As of 4Q24, the company's net debt stood at €2,75bn, reflecting an increase of 13.7% compared to the end of 2023 (2023: €2,418mn). Pegasus also hedged 49% of its projected jet fuel consumption for 2025 and 23% for 2026. The company's net cash position reached €827mn at the end of 2024 (end-2023: €512mn).

OUTPERFORM

TP: TRY 372.00

Previous TP: TRY 361.20

Upside potential: 48%

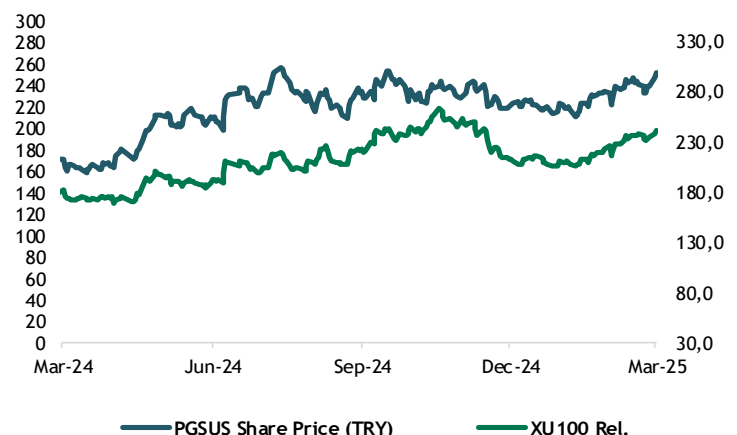
	TRY	US\$
Close	251,75	6,92
BIST 100	9.898	272
US\$/TRY (CB Bid Rate):	36	
52 Week High:	260	7,9
52 Week Low:	158,6	4,9
Bloomberg/Reuters Ticker:	PGSUS.TI / PGSUS.IS	

Number of Shares (Mn):	500,0	
	(TRY m)	(US\$ m)
Current Mcap :	125.875	3.458
Free Float Mcap :	54.126	1.487

	1 M	YoY	YtD
TRY Return (%):	13,30	47,18	18,19
US\$ Return (%):	11,72	26,28	14,34
BIST 100 Relative (%):	12,26	32,46	17,39
Avg. Daily Vol. (TRY m):	2001		
Avg. Daily Vol. (US\$ m):	59,5		

Beta	0,91
Volatility (Stock)	0,35
Volatility (BIST 100)	0,23

Shareholder Structure	%
Esas Holding	52,81
Sabancı Family Members	1,82
Free Float	45,37
Total	100



We revise up our TP, & maintain “Outperform” rating - Pegasus has outlined a growth trajectory for 2025, targeting a 12-14% increase in ASK. The company maintains a balanced demand-supply outlook, forecasting a mid-single-digit increase in total RAS. This projection is anchored on expectations of flat to slightly higher LF, and high single-digit growth in ancillary revenue per passenger. On the cost side, Pegasus anticipates non-fuel CASK to rise by a high single-digit YoY in 2025, driven by a gradual easing of inflationary pressures relative to 2024. Meanwhile, assuming a benign fuel price environment, the airline projects a mid-single-digit increase in total CASK. Notably, the EBITDA margin is expected to remain stable or exhibit a slight improvement compared to 2024, reflecting disciplined cost management and revenue optimization initiatives. In terms of fleet expansion, Pegasus is set to receive nine A321NEO aircraft in 2025, bringing its total fleet size to 127 aircraft by year-end. Furthermore, Pegasus projects a progressive increase in average seat capacity from 191 in 2021 to 228 by 2029. Given Pegasus’ robust operational performance and 2025 guidance, we expect the 4Q24 results to have a favorable short-term impact on stock performance. Refining our estimates and valuation, we revise up our 12M TP from TRY 361.20/sh to TRY 372.00/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

	2019	2023	2024	% 2024/2019	2024/2023	4Q19	4Q23	4Q24	% 4Q24/4Q19	4Q24/4Q23
TOTAL										
PAX (mn)	30,8	31,9	37,5	21,9%	17,4%	7,6	8,1	9,5	24,5%	17,0%
Seat (mn)	34,7	37,7	42,8	23,1%	13,5%	8,6	9,5	11,0	26,9%	14,9%
Load Factor	88,6%	84,8%	87,7%	-0.4 pp	3.4 pp	88,4%	85,2%	86,8%	0.3 pp	3.5 pp
Cycle	187.307	187.071	206.048	10,0%	10,1%	46.342	46.867	52.355	13,0%	11,7%
PAX per Cycle	164	171	182	10,8%	6,6%	165	173	182	10,2%	4,7%
ASK (mn)	43.947	58.217	66.809	52,0%	14,8%	10.918	14.608	16.767	53,6%	14,8%
Domestic										
Scheduled PAX (mn)	16,1	12,0	14,1	-12,6%	17,4%	4,1	3,2	3,6	-12,0%	13,3%
Scheduled Seats (mn)	17,4	13,7	15,4	-11,7%	12,6%	4,5	3,6	4,0	-11,3%	9,4%
Load Factor	92,3%	87,7%	91,4%	-0.3 pp	4.3 pp	90,8%	87,0%	90,1%	1.6 pp	5.5 pp
Cycle	93.067	68.748	74.275	-20,2%	8,0%	23.908	18.227	19.028	-20,4%	4,4%
PAX per Cycle	173	174	189	9,5%	8,6%	171	174	189	10,5%	8,5%
Scheduled ASK (mn)	12.753	10.052	11.400	-10,6%	13,4%	3.322	2.737	2.939	-11,5%	7,4%
Yield (TRY)	132,0	677,0	1.031,0	681,1%	52,3%	122,0	743,0	973,0	697,5%	31,0%
International										
Scheduled PAX (mn)	14,7	19,9	23,4	59,7%	17,4%	3,6	5,0	5,9	66,6%	19,3%
Scheduled Seats (mn)	17,3	24,0	27,4	58,3%	14,0%	4,1	5,9	7,0	68,4%	18,3%
Load Factor	84,8%	83,1%	85,6%	1.3 pp	3.0 pp	85,8%	84,1%	84,9%	1.0 pp	2.7 pp
Cycle	94.240	118.323	131.773	39,8%	11,4%	22.434	28.640	33.327	48,6%	16,4%
PAX per Cycle	156	169	178	14,2%	5,4%	158	173	177	12,1%	2,5%
Scheduled ASK (mn)	31.194	48.165	55.409	77,6%	15,0%	7.597	11.871	13.828	82,0%	16,5%
Yield (€)	63	77	70	11,1%	-9,1%	54,0	66,0	62,0	14,8%	-6,1%
Ancillary Revenues per PAX (€)	14,9	25,4	28,3	89,9%	11,4%	15,2	24,3	29,6	94,7%	21,8%
RASK (€€)	3,96	4,59	4,68	18,2%	2,0%	3,62	4,17	4,49	24,0%	7,7%
CASK (€€)	3,36	3,86	3,97	18,2%	2,8%	3,36	3,86	3,97	18,2%	2,8%
Non-fuel CASK (€€)	2,06	2,26	2,55	23,8%	12,8%	2,24	2,30	2,77	23,7%	20,4%

Source: Pegasus, Şeker Invest Research

Table 2: Summary Financial Statements

BALANCE SHEET (€ mn)	2023	2024	% Chg
Cash and cash equivalents	494	1.259	155,1%
Financial assets	569	302	-46,9%
Trade receivables	51	73	42,5%
Other receivables	6	3	-47,1%
Derivative financial instruments	0	4	N.M.
Inventories	33	42	27,2%
Prepaid expenses	313	202	-35,5%
Current assets	1.474	1.892	28,4%
Financial assets	51	126	145,1%
Other receivables	55	85	55,6%
Derivative financial instruments	0	0	N.M.
Investments accounted by using the equity method	18	21	13,5%
Property and equipment	319	471	47,8%
Intangible assets	20	24	21,5%
Right of use assets	3.485	4.172	19,7%
Prepaid expenses	390	493	26,3%
Deferred tax assets	388	427	10,0%
Non-Current assets	4.726	5.819	23,1%
Short term borrowings	572	796	39,2%
Trade payables	200	216	7,8%
Passenger flight liabilities	258	334	29,2%
Short term provisions	63	64	1,0%
Current liabilities	1.142	1.482	29,8%
Long term borrowings	3.097	3.730	20,4%
Deferred income	108	203	88,6%
Long term provisions	173	256	47,9%
Non-Current liabilities	3.380	4.190	24,0%
Paid-in share capital	61	230	279,9%
Share premiums on capital stock	194	25	-87,1%
Retained earnings	627	1.417	126,1%
Net loss for the period	790	361	-54,3%
SHAREHOLDERS' EQUITY	1.678	2.039	21,5%

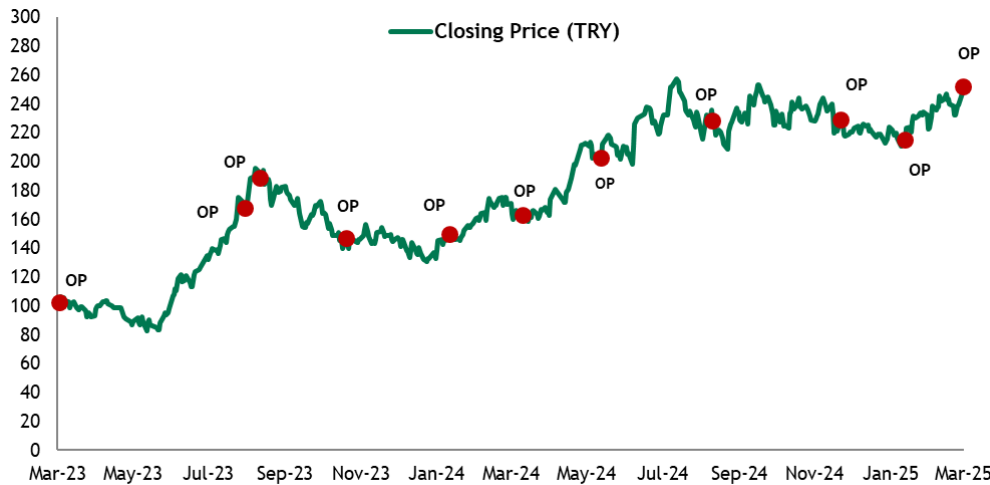
Source: Pegasus, Şeker Invest

Table 3: Summary P&L and financial statements

€ mn	2023/12K	2024/12K	YoY	4Q23	4Q24	YoY	3Q24	QoQ
Revenues	2.670	3.071	15,0%	609	753	23,6%	1.091	-31,0%
Scheduled Flights	2.625	3.071	17,0%	598	741	24,1%	1.070	-30,7%
International	1.507	1.606	6,5%	322	365	13,3%	607	-39,8%
Domestic	307	405	32,0%	77	95	22,5%	145	-34,6%
Service Revenue	810	1.060	30,8%	198	281	42,3%	318	-11,5%
Charter & Wetlease	36	42	16,3%	8	6	-33,1%	19	-69,9%
Other	10	13	39,2%	3	6	88,3%	3	94,6%
Gross Profit	643	716	11,3%	79	132	67,1%	410	-67,8%
Gross Profit Margin	24,1%	23,3%	-0.8 p.p.	13,0%	17,5%	4.6 p.p.	37,6%	
Operating Profit	489	578	18,2%	33	136	312,1%	331	-58,9%
EBIT Margin	18,3%	18,8%	0.5 p.p.	5,4%	18,1%	12.7 p.p.	30,3%	
EBITDA	838	888	6,0%	131	176	34,4%	443	-60,3%
EBITDA Margin	31,4%	28,9%	-2.5 p.p.	21,5%	23,4%	1.9 p.p.	40,6%	
Net Profit/Loss	790	361	-54,3%	469	51	-89,1%	301	-83,1%
Net Profit Margin	29,6%	11,8%	-17.8 p.p.	77,0%	6,8%	-70.2 p.p.	27,6%	

Source: Pegasus, Finnet, Seker Invest Research

Historical Recommendations and target prices



Date	Recommendation	Target Price (TRY)
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
7.01.2025	Outperform (OP)	361,20
5.03.2025	Outperform (OP)	372,00

Basis for 12m equity ratings

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

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