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# Türk Hava Yolları

## Cost pressures, & lower equity pick-up weighted on net profit in 1Q25...

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Turkish Airlines reported a net loss of US\$ 44mn in 1Q25, a significant deterioration compared to the US\$ 226mn net profit recorded in 1Q24, and weaker than our estimate of a US\$ 20mn net profit, and the market consensus of a US\$ 1mn net loss. The key drivers behind the negative bottom-line result included:

- A limited 2.7% YoY growth in passenger revenues, and a mild 1.6% increase in cargo revenues, in line with modest passenger traffic growth,
- A decline in gross profitability due to persistent cost pressures, and a significant rise in OpEx, particularly personnel costs,
- Lower equity pick-up, & tax contribution, and a 24% YoY increase in net financial expenses.

Turkish Airlines' total PAX volume rose by 2.3% YoY to 18,9 million in 1Q25, while total cargo volume edged up by 0.2% YoY growth. Reflecting the subdued traffic dynamics, and the slowdown in global trade, Turkish Airlines' revenue grew by 2.5% YoY to US\$ 4,887mn (Seker: US\$ 5,071mn; Avg. Consensus: US\$ 4,914mn). Due to rising costs, and limited revenue growth, EBITDA decreased by 19.6% YoY to US\$ 503mn (Seker: US\$ 577mn, Avg. Consensus: US\$ 491mn), broadly in line with expectations.

**The EBITDAR margin declined by 2.8 pp YoY to 13.6% in 1Q25.** The total passenger count for 1Q25 dropped 2.3% on an annual basis, with passenger LF at 80.6%, up 0.2 pp from 1Q24. PAX yields decreased by 1.6% YoY to US\$8.00 in 1Q25. Cargo volume rose by 0.2% YoY, with cargo revenue surging by 1.6% YoY to US\$ 762mn. RASK2 climbed 0.4% YoY to US\$6.97 in 1Q25 (1Q24: US\$6.95). Passenger RASK declined by 1.5% YoY to US\$6.45. Total CASK increased by 3.3% YoY to US\$8.48, despite a 16.0% YoY reduction in fuel unit costs (1Q24: US\$2.63, 1Q25: US\$2.21) due to lower fuel prices. This cost inflation was driven by GTF groundings, and a substantial rise in personnel costs (1Q24: US\$1.76, 1Q25: US\$2.21, 1Q25/1Q24: +25.7%). EBITDAR in USD terms narrowed by 14.8% YoY to US\$ 664mn in 1Q25, while the EBITDAR margin contracted by 2.8 pp YoY to 13.6%, reflecting cost pressures.

Turkish Airlines also maintained its 2025 financial and operational outlook, forecasting 6-8% YoY growth in passenger capacity, with total passenger exceeding 91 million. The company expects total revenue to rise by 6-8% YoY, with an EBITDAR margin in the range of 22-24%. Ex-fuel unit cost is projected to increase in the mid-to-single-digit range, while the fleet is expected to expand to 515-525 aircraft by the end of 2025.

Following the results, we maintain our TP of "TRY 495.50/share" for THY, and our "OP" recommendation. We evaluate the financial results announced after 1Q25 as slightly negative for the Company's shares in the short term. The company's operational and financial performance reflects a solid outlook in the long term, sustained both domestic and international passenger growth and strength in cargo operations for 2025. The current share price of TRY 312.75 has upside potential of 58% according to the target share price.

**Risks** - Another pandemic, natural disaster or rising geopolitical risk presents downside risks to our traffic and profitability assumptions. Also, a swift increase in jet fuel prices would introduce a downside risk to our valuation, and *vice versa*.

**OUTPERFORM**  
TP: TRY 495.50  
Upside potential: 58%  
Previous TP: TRY 495.50

	TRY	US\$
Close	312,75	8,15
BIST 100	9.307	243
US\$/TRY (CB Bid Rate):	38,3665	
52 Week High:	339,50	10,27
52 Week Low:	257,50	7,46
Bloomberg/Reuters Ticker:	THYAO.TI / THYAO.IS	

Number of Shares (Mn): 1.380

	(TRY mn)	(US\$ mn)
Current Mcap :	431.595	11.249
Free Float Mcap :	215.798	5.625

	1 M	YoY	YtD
TRY Return (%):	0,6	-1,6	11,3
US\$ Return (%):	-0,3	-16,2	2,5
BIST 100 Relative (%):	4,4	4,9	17,6
Avg. Daily Vol. (TRY m):	8.926		
Avg. Daily Vol. (US\$ m):	259		

Beta	0,95
Volatility (Stock)	0,29
Volatility (BIST 100)	0,25

Shareholder Structure	%
Turkey Wealth Fund	49,12
Free Float	50,88
Total	100,00

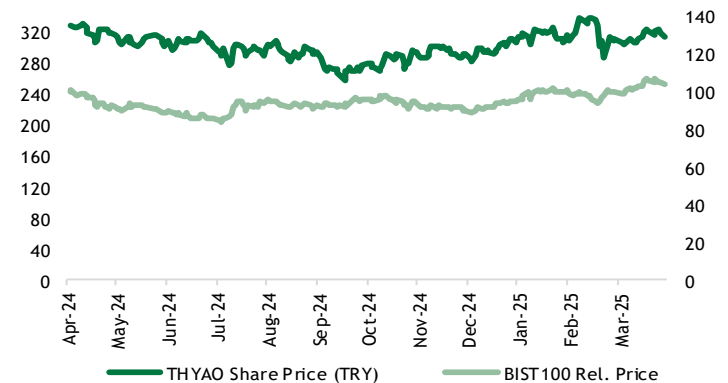


Table 1: Summary P&amp;L

US\$ Million	12M23	12M24	YoY	1Q24	1Q25	YoY
Revenues	20.942	22.669	8,2%	4.769	4.887	2,5%
Gross Profit	4.882	4.322	-11,5%	524	524	0,0%
Gross Profit Margin	23,3%	19,1%	-4.2 pp	11,0%	10,7%	
EBIT	3.490	2.856	-18,2%	95	-62	N.M.
EBIT Margin	16,7%	12,6%	-4.1 pp	2,0%	-1,3%	
EBITDA	5.525	5.059	-8,4%	626	503	-19,6%
EBITDA Margin	26,4%	22,3%	-4.1 pp	13,1%	10,3%	-4.2 pp
Net Profit	6.021	3.423	-43,1%	226	-44	N.M.
Net Profit Margin	28,8%	15,1%	-13.7 pp	4,7%	-0,9%	

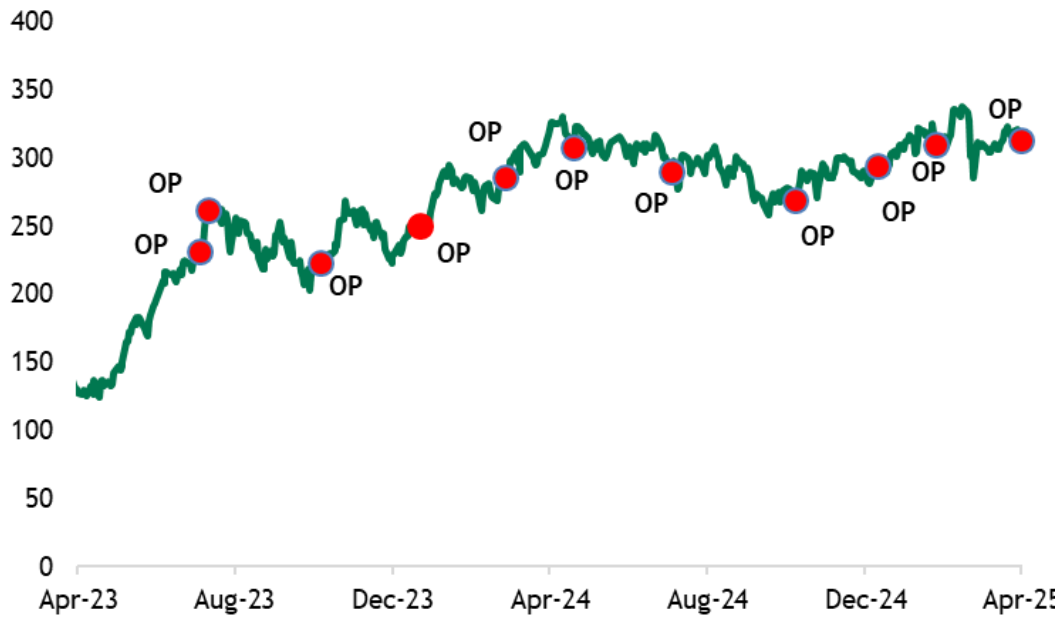
Source: Turkish Airlines, Finnet, Seker Invest Res.

Table 2: Key Financials

Assets (mn USD)	2021	2022	2023	2024	31.03.2025
Cash and Cash Eq. & Short-Term Financial Investments	2.682	4.701	6.027	6.067	5.531
Trade Receivables	925	995	856	905	1.080
Pre-delivery Payment Receivables (PDP)	546	511	305	837	817
Other Current Assets	785	1.018	1.407	1.884	1.910
<b>Total Current Assets</b>	<b>4.938</b>	<b>7.225</b>	<b>8.595</b>	<b>9.693</b>	<b>9.338</b>
Net Fixed Assets	4.364	4.723	6.118	7.098	7.212
Rights of Use of Assets	15.110	16.577	16.928	17.625	17.803
Pre-delivery Payment Receivables (PDP)	279	291	501	566	599
Other Non-Current Assets	16.956	18.705	20.457	22.317	23.494
<b>Total Non-Current Assets</b>	<b>21.599</b>	<b>23.719</b>	<b>27.076</b>	<b>29.981</b>	<b>31.305</b>
<b>Total Assets</b>	<b>26.537</b>	<b>30.944</b>	<b>35.671</b>	<b>39.674</b>	<b>40.643</b>
Liabilities (mn USD)	2021	2022	2023	2024	31.03.2025
Lease Obligations	10.244	10.766	11.812	11.966	12.319
Bank Borrowings	4.659	3.273	2.435	1.895	1.893
Passenger Flight Liabilities	1.216	2.291	2.656	2.659	3.487
Accounts Payable	891	1.200	1.291	1.494	1.525
Other Liabilities	2.690	3.672	1.914	2.346	2.384
<b>Total Liabilities</b>	<b>19.700</b>	<b>21.202</b>	<b>20.108</b>	<b>20.360</b>	<b>21.608</b>
<b>Total Shareholders Equity</b>	<b>6.837</b>	<b>9.742</b>	<b>15.563</b>	<b>19.314</b>	<b>19.035</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>26.537</b>	<b>30.944</b>	<b>35.671</b>	<b>39.674</b>	<b>40.643</b>

Source: Turk Hava Yolları, Seker Invest, PDP, Finnet

## Historical Recommendations and target prices



Date	Recommendation	Target Price (TRY)
1-Aug-23	Outperform (OP)	293,37
9-Aug-23	Outperform (OP)	293,37
2-Nov-23	Outperform (OP)	358,50
16-Jan-24	Outperform (OP)	402,60
4-Apr-24	Outperform (OP)	402,60
23-May-24	Outperform (OP)	475,40
6-Aug-24	Outperform (OP)	475,40
5-Nov-24	Outperform (OP)	475,40
7-Jan-25	Outperform (OP)	495,50
28-Feb-25	Outperform (OP)	495,50
28-Apr-25	Outperform (OP)	495,50

## 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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