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Türk Hava Yolları

Easing cost pressures supported operational profitability in 2Q25...

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Turkish Airlines reported a net profit of USD 694mn in 2Q25 (2Q24: USD 943mn), slightly above the market expectations (Seker: USD 658mn, Market Consensus: USD 658mn). Thanks to a 5.4% YoY increase in PAX, and a 7.4% YoY growth in passenger revenues, the company was able to generate a positive net profit in the second quarter, mainly supported by a 19.5% YoY increase in operating profit due to easing cost pressures and lower OpEx, as well as income from investment activities. On the other hand, tax expenses and the accounting effect of the weakening USD acted as headwinds to the bottom line this quarter.

Turkish Airlines carried 23.3mn passengers in 2Q25, marking a 5.4% YoY increase compared to 2Q24. Parallel to strong passenger demand driven by seasonality, passenger revenues grew by 7.4% YoY, supported also by technical revenues, leading to a 5.6% YoY increase in total sales revenues, which reached USD 5,980mn in 2Q25 (Seker: USD 6,043mn; Market Consensus: USD 5,979mn). However, cargo revenues declined by 9.4% YoY due to the slowdown in global freight demand. EBITDA increased by 12.9% YoY in USD terms to USD 1,357mn, driven by improved operational profitability and revenue growth amid lower cost pressure (Seker: USD 1,326mn; Market Consensus: USD 1,263mn). The company's operational results came in slightly above expectations.

The EBITDAR margin rose by 1.2pp YoY to 25.4% in 2Q25. The total passenger count for 2Q25 rose 5.4% on an annual basis, with passenger LF at 82.2%, up 1.1 pp in 2Q25. PAX yields slightly declined by 0.6% YoY to US\$8.85 in 2Q25. Cargo volume rose by 5.5% YoY, while cargo revenue declined by 9.4% YoY to US\$ 802mn. RASK2 narrowed 0.7% YoY to US\$7.67 in 2Q25 (2Q24: US\$7.73). Passenger RASK showed a 0.7% YoY improvement, reaching US\$7.27 in 2Q25. Total CASK declined by 2.3% YoY to US\$7.91 thanks to the lower jet fuel prices (fuel CASK: 2Q24: US\$2.49, 2Q25: US\$2.11, -15.2% YoY) despite a 14.3% YoY rise in personnel unit costs (2Q24: US\$1.71, 2Q25: US\$1.96) driven by wage increases and GTF engine-related issues. EBITDAR rose by 10.9% YoY in USD terms, reaching USD 1,522mn in 2Q25, and the EBITDAR margin increased by 1.2pp YoY, reaching 25.4%.

Turkish Airlines slightly revised up its 2025 financial and operational outlook, forecasting 7%-8% (Previous: 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 520-525 aircraft (Previous: 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 2Q25 as slightly positive 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 295.50 has upside potential of 68% 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: 68%
Previous TP: TRY 495.50

	TRY	US\$
Close	295,50	7,28
BIST 100	10.850	267
US\$/TRY (CB Bid Rate):	40,6026	
52 Week High:	335,07	9,20
52 Week Low:	249,20	6,29
Bloomberg/Reuters Ticker:	THYAO.TI / THYAO.IS	

Number of Shares (Mn): 1.380

	(TRY mn)	(US\$ mn)
Current Mcap :	407.790	10.043
Free Float Mcap :	203.895	5.022

	1 M	YoY	YtD
TRY Return (%):	0,9	0,3	6,6
US\$ Return (%):	-1,3	-11,9	-7,5
BIST 100 Relative (%):	-4,4	-8,5	-3,5
Avg. Daily Vol. (TRY m):	8.430		
Avg. Daily Vol. (US\$ m):	232		

Beta	0,96
Volatility (Stock)	0,32
Volatility (BIST 100)	0,25

Shareholder Structure	%
Turkey Wealth Fund	49,12
Other	0,33
Free Float	50,55
Total	100,00

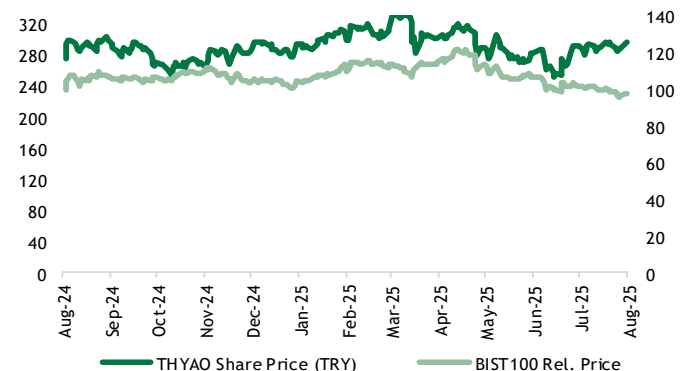


Table 1: Summary P&L

US\$ Million	6M24	6M25	YoY	2Q24	2Q25	YoY
Revenues	10.430	10.867	4,2%	5.661	5.980	5,6%
Gross Profit	1.615	1.474	-8,7%	1.091	1.145	4,9%
Gross Profit Margin	15,5%	13,6%	-1.9 pp	19,3%	19,1%	-0.1 pp
EBIT	754	727	-3,6%	659	789	19,7%
EBIT Margin	7,2%	6,7%	-0.5 pp	11,6%	13,2%	1.6 pp
EBITDA	1.828	1.867	2,1%	1.202	1.357	12,9%
EBITDA Margin	17,5%	17,2%	-0.3 pp	21,2%	22,7%	1.5 pp
Net Profit	1.169	650	-44,4%	943	694	-26,4%
Net Profit Margin	11,2%	6,0%	-5.2 pp	16,7%	11,6%	-5.1 pp

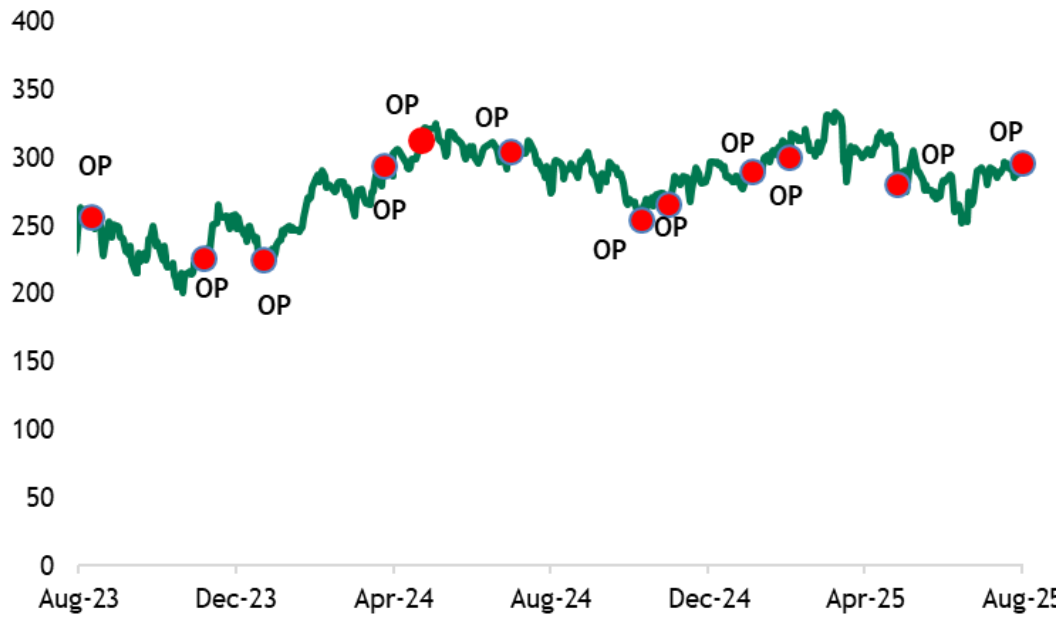
Source: Turkish Airlines, Finnet, Seker Invest Res.

Table 2: Key Financials

Assets (mn USD)	2021	2022	2023	2024	30.06.2025
Cash and Cash Eq. & Short-Term Financial Investments	2.682	4.701	6.027	6.067	6.275
Trade Receivables	925	995	856	905	1.025
Pre-delivery Payment Receivables (PDP)	546	511	305	837	750
Other Current Assets	785	1.018	1.407	1.884	1.941
Total Current Assets	4.938	7.225	8.595	9.693	9.991
Net Fixed Assets	4.364	4.723	6.118	7.098	7.648
Rights of Use of Assets	15.110	16.577	16.928	17.625	17.819
Pre-delivery Payment Receivables (PDP)	279	291	501	566	613
Other Non-Current Assets	16.956	18.705	20.457	22.317	23.332
Total Non-Current Assets	21.599	23.719	27.076	29.981	31.593
Total Assets	26.537	30.944	35.671	39.674	41.584
Liabilities (mn USD)	2021	2022	2023	2024	30.06.2025
Lease Obligations	10.244	10.766	11.812	11.966	13.180
Bank Borrowings	4.659	3.273	2.435	1.895	1.504
Passenger Flight Liabilities	1.216	2.291	2.656	2.659	3.772
Accounts Payable	891	1.200	1.291	1.494	1.650
Other Liabilities	2.690	3.672	1.914	2.346	2.510
Total Liabilities	19.700	21.202	20.108	20.360	22.616
Total Shareholders Equity	6.837	9.742	15.563	19.314	18.968
Total Liabilities & Shareholders Equity	26.537	30.944	35.671	39.674	41.584

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

Historical Recommendations and target prices



Date	Recommendation	Target Price (TRY)
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
29-Apr-25	Outperform (OP)	495,50
6-Aug-25	Outperform (OP)	495,50

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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