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# Turkish Airlines

## Robust revenue growth & a net profit beat in 1Q26...

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Turkish Airlines reported a net profit of US\$227mn in 1Q26, 108% above the avg. market consensus, yet 17% below our estimate, turning profitable from a net loss of US\$44mn in 1Q25 (Şeker: US\$266mn, Avg. Market Cons.: US\$109mn). Supported by the strong contribution from income from investing activities and the positive impact of deferred tax income, the Company posted a net profit in the first quarter compared to a net loss in the same period of last year. THY's total number of passengers rose by 12.7% YoY to 21.3mn in 1Q26. The Company's total cargo volume also rose by 14.8% YoY in 1Q26. Supported by passenger revenues, which increased by 20% YoY in parallel with the rise in passenger numbers, and cargo revenues, which grew by 30% YoY on the back of the positive contribution from cargo volumes, THY's sales revenues increased by 21.1% YoY to US\$5,917mn in 1Q26 (Şeker: US\$5,916mn, Avg. Market Cons.: US\$5,830mn). The Company's 1Q26 EBITDA increased by 17.5% YoY in US\$ terms, and came in at US\$591mn, 9% below the market consensus (Şeker: US\$683mn, Avg. Market Cons.: US\$651mn).

The EBITDAR margin declined by 0.6 pp YoY to 13.0% in 1Q26 - THY's total passenger traffic rose by 12.7% YoY in 1Q26, while the passenger LF reached 83.5%, 2.9pp above 1Q25. In addition, R/Y increased by 5.7% YoY in US\$ terms compared to 1Q25, rising to US\$8.46 in 1Q26. Cargo volume rose by 14.8% YoY, while cargo revenues increased by 29.5% YoY to US\$987mn in 1Q26, driven by the constrained market supply due to geopolitical reasons. THY's RASK2 (including ACTK) increased by 8.2% YoY to US\$7.54 in 1Q26 (1Q25: US\$6.97). Passenger RASK rose by 9.5% YoY to US\$7.06 in 1Q26. Ex-fuel unit costs increased by 18.7% YoY to US\$7.44, mainly due to higher personnel CASK driven by the new collective bargaining agreement (1Q25: US\$2.21, 1Q26: US\$2.72, 1Q26/1Q25: +23.3%), higher airport expenses stemming from elevated fee schedules in Europe, the impact of the seasonal decline in capacity production, and the continued impact of GTF engine issues. Despite the lag in physical fuel prices, total CASK increased by 17.7% YoY to US\$9.97 compared to 1Q25, together with the rise in fuel CASK (1Q25: US\$2.21, 1Q26: US\$2.54, 1Q26/1Q25: +14.9%) due to volume growth and higher fuel prices. EBITDAR increased by 15.8% YoY in US\$ terms to US\$769mn, supported by revenue growth. EBITDAR margin, however, declined by 0.6pp YoY in US\$ terms to 13.0%. THY's Net Debt/EBITDA ratio stood at 1.6x in 2026 (2025: 1.6x). The Company's fuel hedge ratios are 38% for 2026 and 5% for 2027.

We believe that the 1Q26 results, supported by stronger-than-expected net profit, double-digit passenger growth & high load factors, could have a positive short-term impact on the stock performance. However, rising geopolitical uncertainties, potential increases in jet fuel prices, and possible airspace restrictions, along with the escalating conflict in the Middle East may put pressure on operational efficiency.

Following the results, we maintain our TP of "TRY 445.00/share" for THY, and our "OP" recommendation. The current share price of TRY 314.50 has upside potential of 41% according to the target share price.

**OUTPERFORM**  
TP: TRY 445.00  
Upside potential: 41%  
Previous TP: TRY 445.00

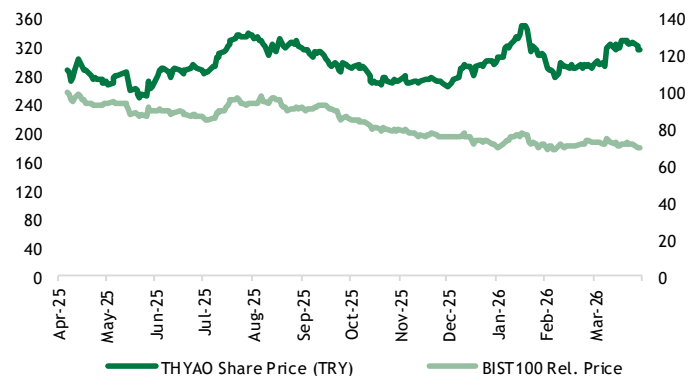
	TRY	US\$
Close	314,50	6,99
BIST 100	14.311	318
US\$/TRY (CB Bid Rate):	44,9850	
52 Week High:	352,50	8,37
52 Week Low:	246,66	5,99
Bloomberg/Reuters Ticker:	THYAO.TI / THYAO.IS	

	(TRY mn)	(US\$ mn)
Number of Shares (Mn):	1.380	
Current Mcap :	434.010	9.648
Free Float Mcap :	217.005	4.824

	1 M	YoY	YtD
TRY Return (%):	7,0	-0,4	17,1
US\$ Return (%):	5,3	-7,8	11,6
BIST 100 Relative (%):	-5,1	-35,8	-7,8
Avg. Daily Vol. (TRY m):	11.739		
Avg. Daily Vol. (US\$ m):	278		

Beta	0,90
Volatility (Stock)	0,31
Volatility (BIST 100)	0,23

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



**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*.

**Table 1: Summary P&L**

US\$ Million	2024	2025	YoY	1Q25	1Q26	YoY
<b>Revenues</b>	<b>22.669</b>	<b>24.096</b>	<b>6,3%</b>	<b>4.887</b>	<b>5.917</b>	<b>21,1%</b>
<b>Gross Profit</b>	<b>4.322</b>	<b>3.888</b>	<b>-10,0%</b>	<b>329</b>	<b>494</b>	<b>50,2%</b>
<i>Gross Profit Margin</i>	<i>19,1%</i>	<i>16,1%</i>	<i>-2.9 pp</i>	<i>6,7%</i>	<i>8,3%</i>	<i>-1.8 pp</i>
<b>EBIT</b>	<b>2.856</b>	<b>2.664</b>	<b>-6,7%</b>	<b>-62</b>	<b>-60</b>	<b>N.M.</b>
<i>EBIT Margin</i>	<i>12,6%</i>	<i>11,1%</i>	<i>-1.5 pp</i>	<i>-1,3%</i>	<i>-1,0%</i>	<i>0.3 pp</i>
<b>EBITDA</b>	<b>5.059</b>	<b>5.059</b>	<b>0,0%</b>	<b>503</b>	<b>591</b>	<b>17,5%</b>
<i>EBITDA Margin</i>	<i>22,3%</i>	<i>21,0%</i>	<i>-2.4 pp</i>	<i>10,3%</i>	<i>10,0%</i>	<i>-0.3 pp</i>
<b>Net Profit</b>	<b>3.425</b>	<b>2.910</b>	<b>-15,0%</b>	<b>-44</b>	<b>227</b>	<b>N.M.</b>
<i>Net Profit Margin</i>	<i>15,1%</i>	<i>12,1%</i>	<i>-3.0 pp</i>	<i>-0,9%</i>	<i>3,8%</i>	<i>4.7 pp</i>

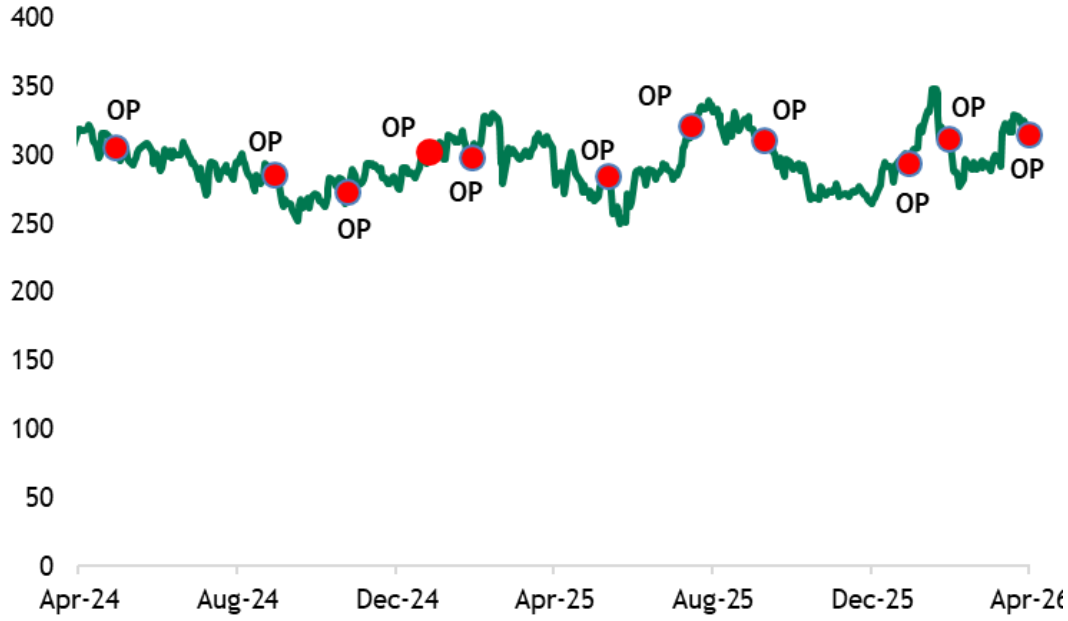
Source: Turkish Airlines, Seker Invest Res.

**Table 2: Key Financials**

Assets (mn USD)	2022	2023	2024	2025	3M26
Cash and Cash Eq. & Short-Term Financial Investments	4.701	6.027	6.067	6.273	6.387
Trade Receivables	995	856	905	1.069	1.389
Pre-delivery Payment Receivables (PDP)	511	305	837	341	362
Other Current Assets	1.018	1.407	1.884	2.503	2.801
<b>Total Current Assets</b>	<b>7.225</b>	<b>8.595</b>	<b>9.693</b>	<b>10.186</b>	<b>10.939</b>
Net Fixed Assets	4.723	6.118	7.098	8.506	8.694
Rights of Use of Assets	16.577	16.928	17.625	19.786	20.193
Pre-delivery Payment Receivables (PDP)	291	501	566	748	846
Other Non-Current Assets	18.705	20.457	22.317	27.163	28.128
<b>Total Non-Current Assets</b>	<b>23.719</b>	<b>27.076</b>	<b>29.981</b>	<b>36.417</b>	<b>37.668</b>
<b>Total Assets</b>	<b>30.944</b>	<b>35.671</b>	<b>39.674</b>	<b>46.603</b>	<b>48.607</b>
Liabilities (mn USD)	2022	2023	2024	2025	3M26
Lease Obligations	10.766	11.812	11.966	14.886	14.973
Bank Borrowings	3.273	2.435	1.895	2.918	3.328
Passenger Flight Liabilities	2.291	2.656	2.659	3.094	3.952
Accounts Payable	1.200	1.291	1.494	1.832	1.679
Other Liabilities	3.672	1.914	2.346	2.559	2.861
<b>Total Liabilities</b>	<b>21.202</b>	<b>20.108</b>	<b>20.360</b>	<b>25.289</b>	<b>26.793</b>
<b>Total Shareholders Equity</b>	<b>9.742</b>	<b>15.563</b>	<b>19.314</b>	<b>21.314</b>	<b>21.814</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>30.944</b>	<b>35.671</b>	<b>39.674</b>	<b>46.603</b>	<b>48.607</b>

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

### Historical Recommendations and target prices



Date	Recommendation	Target Price (TRY)
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
7-Nov-25	Outperform (OP)	495,50
9-Jan-26	Outperform (OP)	445,00
4-Mar-26	Outperform (OP)	445,00
29-Apr-26	Outperform (OP)	445,00

### 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.

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