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Turkish Airlines

Strong revenue growth in 2Q26, but net profit missed expectations…

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Turkish Airlines reported a net profit of US$198mn in 2Q26, 20.5% below the market consensus and 15% below our estimate, compared to a US$691mn net profit in 2Q25 (Şeker Est.: US$233mn, Consensus: US$249mn). 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 second quarter. THY's total passenger traffic remained broadly flat YoY, reaching 23.2mn passengers in 2Q26. Meanwhile, total cargo volume increased by 11.3% YoY. Passenger revenues rose 15% YoY, supported by growth in both traffic volume and unit revenues, while cargo revenues surged 58% YoY, driven by tighter market supply resulting from geopolitical disruptions. As a result, THY's total revenues increased by 20.5% YoY to US$7,205mn in 2Q26 (Şeker Est.: US$7,188mn, Consensus: US$7,117mn). EBITDA declined 49% YoY in US$ terms to US$699mn, coming in 12.5% below market expectations (Şeker Est.: US$847mn, Consensus: US$799mn).

EBITDAR Margin Declined by 13.1pp YoY to 12.6% in 2Q26 - THY's total passenger traffic remained broadly flat in 2Q26, while the PLF improved by 1.8 pp YoY to 84.0%. In addition, R/Y increased 11.1% YoY in US$ terms to US$9.83 in 2Q26. Cargo volume rose 11.3% YoY, while cargo revenues climbed 58% YoY to US$1,267mn, supported by tighter market capacity caused by geopolitical developments. THY's RASK2 (including ACTK) rose 16.4% YoY to US¢8.93 in 2Q26 (2Q25: US¢7.67). Passenger RASK also increased 13.6% YoY to US¢8.26. Ex-fuel CASK increased 15.7% YoY to US¢6.71, mainly driven by higher personnel CASK (2Q25: US¢1.96; 2Q26: US¢2.35; +20.0% YoY), higher cargo utilization, and the continued impact of Pratt & Whitney GTF engine issues. Including the sharp increase in fuel CASK (2Q25: US¢2.11; 2Q26: US¢4.03; +90.6% YoY) amid higher fuel prices, total CASK rose 35.7% YoY to US¢10.74. EBITDAR declined 41.0% YoY in US$ terms to US$906mn, while the EBITDAR margin contracted by 13.1 pp YoY to 12.6%. THY's Net Debt/EBITDA ratio stood at 2.1x in 2026 (2025: 1.6x). The Company's fuel hedge ratio is 48% for 2026 and 8% for 2027.

Given the below-expectation net profit and EBITDA figures, we believe the 2Q26 results may have a negative short-term impact on the stock performance. Nevertheless, increasing geopolitical uncertainty, upside risks to jet fuel prices, and potential restrictions on Middle Eastern airspace, together with the possibility of an escalation in regional conflicts, could continue to pressure operational efficiency. Therefore, we believe the stock is likely to remain highly sensitive to global risk appetite and the trajectory of jet fuel prices in the near term. We maintain our OUTPERFORM recommendation on THY shares with our target price of TRY 445.00. Based on the current share price of TRY 323.75, Turkish Airlines offers an upside potential of 37% to our target price.

OUTPERFORM
TP: TRY 445.00
Upside potential: 37%
Previous TP: TRY 445.00

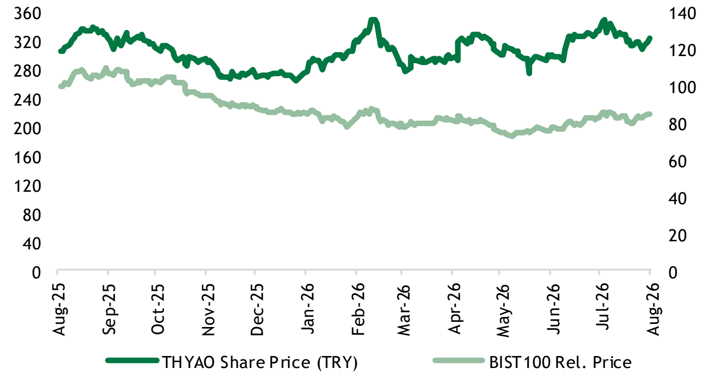
	TRY	US$
Close	323,75	6,82
BIST 100	13.688	288
US$/TRY (CB Bid Rate):	47,4694	
52 Week High:	355,50	8,37
52 Week Low:	262,75	5,96
Bloomberg/Reuters Ticker:	THYAO.TI / THYAO.IS	

Number of Shares (Mn):	1.380	
	(TRY mn)	**(US$ mn)**
Current Mcap :	446.775	9.412
Free Float Mcap :	223.388	4.706

	1 M	YoY	YtD
TRY Return (%):	-3,1	2,1	20,6
US$ Return (%):	-4,8	-5,2	8,9
BIST 100 Relative (%):	2,1	-19,0	-0,8
Avg. Daily Vol. (TRY m):	13.598		
Avg. Daily Vol. (US$ m):	311		

Beta	0,89
Volatility (Stock)	0,30
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	6M25	6M26	YoY	2Q25	2Q26	YoY
Revenues	**10.867**	**13.122**	**20,8%**	**5.980**	**7.205**	**20,5%**
Gross Profit	**1.474**	**952**	**-35,4%**	**1.145**	**458**	**-60,0%**
Gross Profit Margin	*13,6%*	*7,3%*	*-6.3 pp*	*19,1%*	*6,4%*	*-12.8 pp*
EBIT	**727**	**-28**	**N.M.**	**789**	**32**	**-95,9%**
EBIT Margin	*6,7%*	*-0,2%*	*-6.9 pp*	*13,2%*	*0,4%*	*-12.7 pp*
EBITDA	**1.874**	**1.290**	**-31,2%**	**1.371**	**699**	**-49,0%**
EBITDA Margin	*17,2%*	*9,8%*	*-7.4 pp*	*22,9%*	*9,7%*	*-13.2 pp*
Net Profit	**650**	**425**	**-34,6%**	**691**	**198**	**-71,3%**
Net Profit Margin	*6,0%*	*3,2%*	*-2.7 pp*	*11,6%*	*2,7%*	*-8.8 pp*

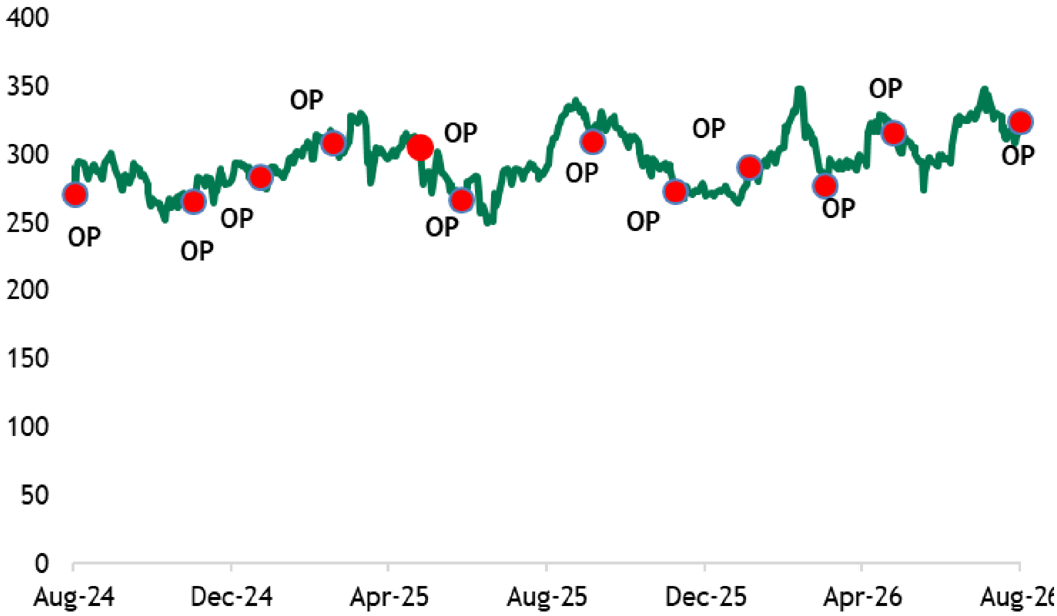
Source: Turkish Airlines, Seker Invest Res.

Table 2: Key Financials

Assets (mn USD)	2022	2023	2024	2025	6M26
Cash and Cash Eq. & Short-Term Financial Investments	4.701	6.027	6.067	6.273	6.309
Trade Receivables	995	856	905	1.069	1.483
Pre-delivery Payment Receivables (PDP)	511	305	837	341	370
Other Current Assets	1.018	1.407	1.884	2.503	2.834
Total Current Assets	**7.225**	**8.595**	**9.693**	**10.186**	**10.996**
Net Fixed Assets	4.723	6.118	7.098	8.506	9.082
Rights of Use of Assets	16.577	16.928	17.625	19.786	21.242
Pre-delivery Payment Receivables (PDP)	291	501	566	748	919
Other Non-Current Assets	18.705	20.457	22.317	27.163	29.674
Total Non-Current Assets	**23.719**	**27.076**	**29.981**	**36.417**	**39.675**
Total Assets	**30.944**	**35.671**	**39.674**	**46.603**	**50.671**
Liabilities (mn USD)	**2022**	**2023**	**2024**	**2025**	**6M26**
Lease Obligations	10.766	11.812	11.966	14.886	15.921
Bank Borrowings	3.273	2.435	1.895	2.918	3.673
Passenger Flight Liabilities	2.291	2.656	2.659	3.094	4.232
Accounts Payable	1.200	1.291	1.494	1.832	1.829
Other Liabilities	3.672	1.914	2.346	2.559	3.097
Total Liabilities	**21.202**	**20.108**	**20.360**	**25.289**	**28.752**
Total Shareholders Equity	**9.742**	**15.563**	**19.314**	**21.314**	**21.919**
Total Liabilities & Shareholders Equity	**30.944**	**35.671**	**39.674**	**46.603**	**50.671**

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

Historical Recommendations and target prices



Date	Recommendation	Target Price (TRY)
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
5-Aug-26	Outperform (OP)	445,00

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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