Earnings Update
Aviation Sector

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Pegasus Airlines

Financial results continued to weaken in 2Q26 due to geopolitical risks…

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Pegasus reported a net loss of €93mn in 2Q26, in line with the market average net loss expectation of €92mn and our estimate of €94mn (2Q25: €169mn net profit). In 2Q26, the Company posted a net loss of €92mn, mainly due to the decline in operating profitability driven predominantly by increasing cost pressures, weaker income from investing activities, and the sharp increase in net financial expenses.

Ancillary revenues declined by 2% YoY (2Q25: €317mn; 2Q26: €311mn), while continued pressure from challenging market conditions weighed on scheduled international passenger revenues, which declined by 9% YoY in EUR terms, whereas scheduled domestic passenger revenues increased by 26% YoY in EUR terms. Accordingly, total sales revenues declined by 1% YoY to €865mn, broadly in line with the market consensus estimate of €847mn and our estimate of €853mn. Pegasus' EBITDA reached €80mn in 2Q26, exceeding both the market consensus estimate of €63mn and our estimate of €62mn (2Q25: €254mn), while the EBITDA margin contracted by 19.8pp YoY in 2Q26 (2Q25: 29.0%).

KPIs continued to weaken in 2Q26 amid geopolitical risks - While Pegasus' domestic passenger traffic increased by 16% YoY, int'l passenger traffic contracted by 11% YoY due to persistent geopolitical risks. Accordingly, Pegasus' total passenger traffic declined by 1% YoY to 10.5mn in 2Q26. The Company's sales revenues decreased by 1% YoY to €865mn in 2Q26 (2Q25: €876mn). Domestic PAX yield rose by 31% YoY to TRY 1,729, while international yields surged by 2% YoY in EUR terms to €65. The Company's PLF declined by 3.4pp YoY to 83% in 2Q26. Pegasus' total ASK contracted by 3% YoY during the quarter. Ancillary revenues/PAX stood at €29.5 in 2Q26 (2Q25: €29.7), while RASK increased by 2% YoY in EUR terms to €¢4.49 (2Q25: €¢4.41). Total CASK increased by 28% YoY to €¢4.67 in 2Q26 (2Q25: €¢3.65), mainly driven by higher fuel CASK amid an almost 90% increase in jet fuel prices, as well as elevated personnel CASK and higher maintenance CASK (ex-fuel CASK: 2Q26: €¢2.90; 2Q25: €¢2.57).

The Company's net debt reached €3.16bn at the end of 2Q26, representing a 14.8% increase compared to year-end 2025. Pegasus has also hedged 67% of its projected jet fuel consumption for 2026. Meanwhile, the Company's net cash position declined to €548mn at the end of 2Q26 (year-end 2025: €697mn).

OUTPERFORM
TP: TRY 271.90
Previous TP: TRY 271.90
Upside potential: 79%

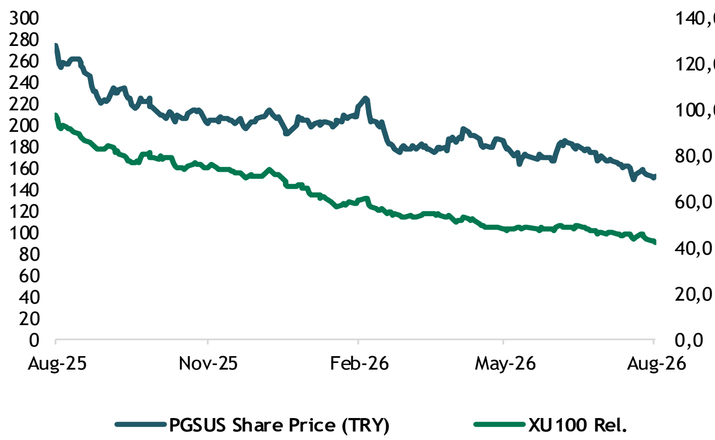
	TRY	US$
Close	151,90	3,19
BIST 100	14.110	296
US$/TRY (CB Bid Rate):	48	
52 Week High:	264,75	6,5
52 Week Low:	148,7	3,1
Bloomberg/Reuters Ticker:	PGSUS.TI / PGSUS.IS	
Number of Shares (Mn):	500,0	

	(TRY m)	(US$ m)
Current Mcap :	75.950	1.593
Free Float Mcap :	32.659	685

	1 M	YoY	YtD
TRY Return (%):	-10,75	-43,32	-20,76
US$ Return (%):	-12,37	-51,67	-28,72
BIST 100 Relative (%):	-9,42	-56,00	-36,76
Avg. Daily Vol. (TRY m):	3614		
Avg. Daily Vol. (US$ m):	83,8		

Beta	0,91
Volatility (Stock)	0,29
Volatility (BIST 100)	0,23

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



We maintain our TP of TRY 271.90 & "Outperform" rating - We think the announced 2Q26 results may have a neutral impact on the short-term performance of the shares. Competitive pricing pressures and the continuation of geopolitical uncertainties stand out as the key factors that may create volatility in share performance. Accordingly, we expect short-term share pricing to remain sensitive to the outlook for passenger demand, the trajectory of jet fuel prices, and developments in global risk appetite.

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: Summary P&L

€ mn	6M25	6M26	YoY	2Q25	2Q26	YoY	1Q26	QoQ
Revenues	**1.498**	**1.507**	**0,6%**	**876**	**865**	**-1,3%**	**642**	**34,7%**
Scheduled Flights	**1.477**	**1.484**	**0,5%**	**862**	**848**	**-1,6%**	**637**	**33,1%**
International	**697**	**648**	**-7,1%**	430	392	-8,8%	256	53,0%
Domestic	**200**	**238**	**19,2%**	115	145	26,2%	93	54,9%
Service Revenue	**580**	**598**	**3,2%**	317	311	-2,0%	287	8,3%
Charter & Wetlease	**15**	**13**	**-13,9%**	12	13	7,3%	0	2779,2%
Other	**6**	**9**	**58,0%**	3	5	75,1%	5	2,1%
Gross Profit	**180**	**-44**	**N.M.**	**195**	**18**	**-90,7%**	**-62**	**N.M.**
Gross Profit Margin	*12,0%*	*-2,9%*	*-15 p.p.*	*22,2%*	*2,1%*	*-20.1 p.p.*	*-9,6%*	
Operating Profit	**-31**	**-127**	**N.M.**	**64**	**-34**	**N.M.**	**-93**	**N.M.**
EBIT Margin	*-2,0%*	*-8,4%*	*-6.4 p.p.*	*7,3%*	*-3,9%*	*-11.2 p.p.*	*-14,5%*	
EBITDA	**297**	**83**	**-72,1%**	**254**	**80**	**-68,5%**	**3**	**2566,7%**
EBITDA Margin	*19,8%*	*5,5%*	*-14.3 p.p.*	*29,0%*	*9,3%*	*-19.7 p.p.*	*0,5%*	
Net Profit/Loss	**-41**	**-261**	**N.M.**	**122**	**-92**	**N.M.**	**-153**	**N.M.**
Net Profit Margin	*-2,8%*	*-17,4%*	*-14.6 p.p.*	*13,9%*	*-10,6%*	*-24.5 p.p.*	*-23,9%*	

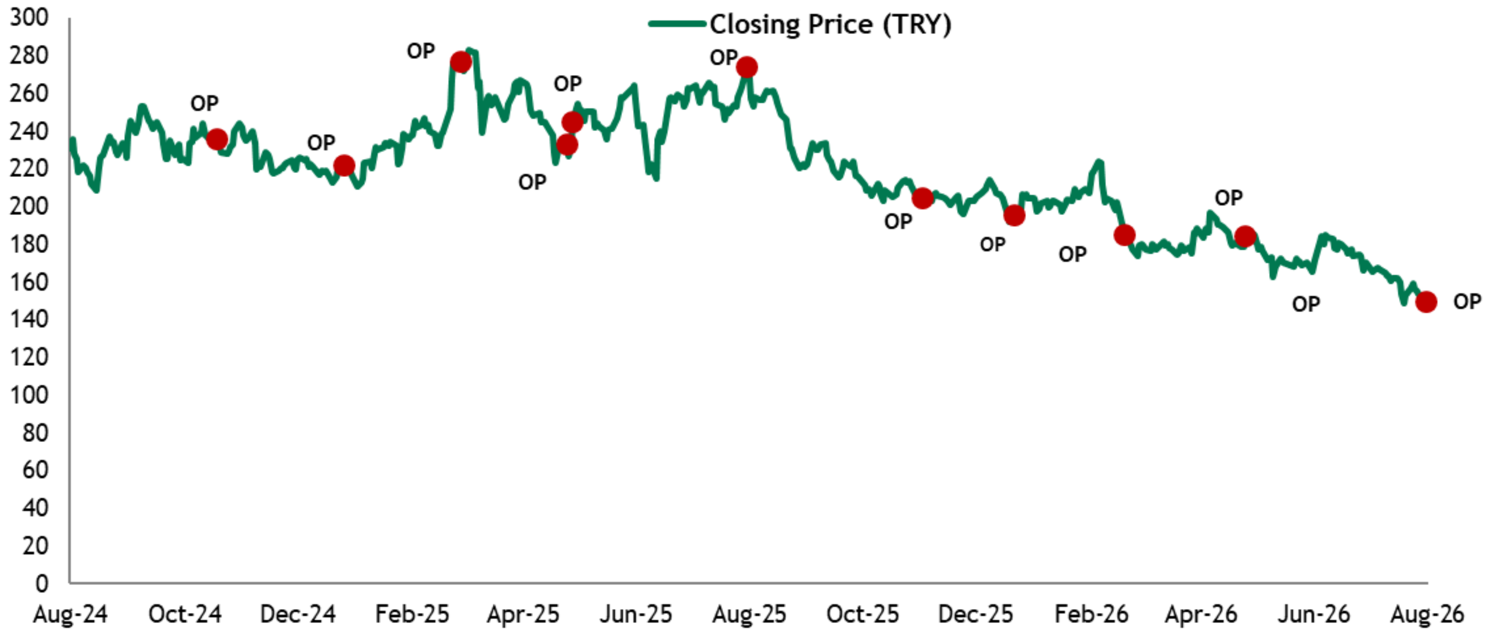
Source: Pegasus, Finnet, Seker Invest Research

Table 2: Summary Financial Statements

BALANCE SHEET (€ mn)	2025	6M26	% Chg
Cash and cash equivalents	1.087	1.134	4,3%
Financial assets	337	183	-45,7%
Trade receivables	73	120	64,4%
Other receivables	28	5	-82,1%
Derivative financial instruments	0	28	N.M.
Inventories	46	48	4,3%
Prepaid expenses	206	194	-5,8%
Current assets	**1.788**	**1.722**	**-3,7%**
Financial assets	138	229	65,9%
Other receivables	155	144	-7,1%
Derivative financial instruments	0	5	N.M.
Investments accounted by using the equity method	21	23	9,5%
Property and equipment	513	537	4,7%
Intangible assets	40	41	2,5%
Right of use assets	4.377	4.414	0,8%
Prepaid expenses	687	772	12,4%
Deferred tax assets	410	410	0,0%
Non-Current assets	**6.341**	**6.574**	**3,7%**
Short term borrowings	930	1.055	13,4%
Trade payables	288	309	7,3%
Passenger flight liabilities	334	455	36,2%
Short term provisions	84	67	-20,2%
Current liabilities	**1.745**	**2.039**	**16,8%**
Long term borrowings	3.692	3.748	1,5%
Deferred income	201	215	7,0%
Long term provisions	171	172	0,6%
Non-Current liabilities	**4.069**	**4.135**	**1,6%**
Paid-in share capital	230	230	0,0%
Share premiums on capital stock	25	25	0,0%
Retained earnings	1.778	2.079	16,9%
Net loss for the period	301	-245	N.M.
SHAREHOLDERS' EQUITY	**2.316**	**2.122**	**-8,4%**

Source: *Pegasus, Seker Invest Research*

Historical Recommendations and target prices



Date	Recommendation	Target Price (TRY)
12.11.2024	Outperform (OP)	328,00
7.01.2025	Outperform (OP)	361,20
5.03.2025	Outperform (OP)	372,00
2.05.2025	Outperform (OP)	365,60
9.05.2025	Outperform (OP)	365,60
13.08.2025	Outperform (OP)	365,60
10.11.2025	Outperform (OP)	365,60
9.01.2026	Outperform (OP)	345,30
5.03.2026	Outperform (OP)	345,30
11.05.2026	Outperform (OP)	271,90
13.08.2026	Outperform (OP)	271,90

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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