Turkish Airlines

Better than expected financial results in 3Q26…

A. Can TUĞLU
Equity Research Analyst
atuglu@sekeryatirim.com

Turkish Airlines reported net profit of USD 1,291mn in 3Q26, down 6.3% YoY (3Q25: USD 1,378mn) (Market Cons.: USD 1,038mn; Şeker: USD 1,225mn). The decline in net profit was primarily driven by pressure on operating profitability stemming from higher fuel costs, while income generated from the investment portfolio, lower current tax expenses, and higher deferred tax income significantly mitigated the deterioration in profitability. The Company's operating profit declined by 12.3% YoY to USD 929mn, while EBITDAR increased by 2.4% YoY to USD 2,104mn, with the EBITDAR margin contracting by 4.2pp YoY to 25.4%. Meanwhile, EBITDA remained broadly flat YoY at USD 1,863mn in 3Q26 (3Q25: USD 1,871mn) (Market Consensus: USD 1,778mn; Şeker: USD 1,884mn).

On the operational front, THY's total PAX rose by 4.7% YoY to 28.5mn passengers, while ASK expanded by 3.2% YoY to 76.8bn. Net sales revenue increased by 19.3% YoY to USD 8,298mn, supported by PAX growth, higher PLF, strong RASK, and the contribution from cargo operations (3Q25: USD 6,953mn) (Market Cons.: USD 8,217mn; Şeker: USD 8,191mn). THY's RASK2 (including ACTK) increased by 14.2% YoY to US¢9.42 in 3Q26, compared with US¢8.25 in 3Q25. The PLF improved by 1.5pp YoY to 87.1%, while R/Y increased by 9.9% YoY in USD terms to US¢10.16 in 3Q26, resulting in a 15.4% YoY increase in passenger revenue to USD 6,801mn. Passenger RASK rose by 11.9% YoY to US¢8.86 in 3Q26. In cargo operations, transported volume increased by 7.4% YoY to 609k tonnes, while cargo revenue surged by 45.6% YoY to USD 1,230mn, supported by geopolitical developments that constrained global cargo capacity. Ex-fuel CASK rose by 9.4% YoY to US¢6.43, primarily driven by higher personnel CASK (3Q25: US¢2.00; 3Q26: US¢2.24; 3Q26/3Q25: +12.1%), rising cargo load factors, and the ongoing impact of GTF engine issues. Coupled with the increase in fuel CASK (3Q25: US¢2.22; 3Q26: US¢3.40; 3Q26/3Q25: +53.5%) due to higher fuel prices, total CASK rose by 21.4% YoY to US¢9.84. EBITDAR increased by 2.4% YoY in USD terms to USD 2,104mn in 3Q26. However, the EBITDAR margin contracted by 4.2pp YoY to 25.4%. EBITDA declined marginally by 0.4% YoY to USD 1,863mn (3Q25: USD 1,871mn), while the EBITDA margin narrowed by 4.5pp YoY to 22.5%. Despite strong RASK performance, a 58.5% increase in fuel expenses, coupled with rising personnel and maintenance costs, weighed on operating margins. THY's net debt/EBITDA ratio stood at 2.2x in 2026 (2025: 1.6x). The Company's fuel hedging ratios stand at 50% for 2026 and 12% for 2027.

OUTPERFORM
TP: TRY 445.00
Upside potential: 68%
Previous TP: TRY 445.00

	TRY	US$
Close	265,00	5,31
BIST 100	11.024	221
US$/TRY (CB Bid Rate):	49,9094	
52 Week High:	355,50	8,08
52 Week Low:	242,20	4,87
Bloomberg/Reuters Ticker:	THYAO.TI / THYAO.IS	

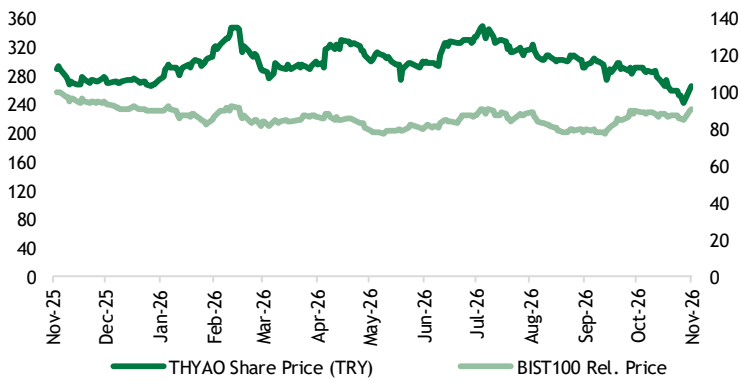
Number of Shares (Mn):	1.380

	(TRY mn)	(US$ mn)
Current Mcap :	365.700	7.327
Free Float Mcap :	182.850	3.664

	1 M	YoY	YtD
TRY Return (%):	-9,2	1,5	-1,3
US$ Return (%):	-10,9	-24,3	-15,2
BIST 100 Relative (%):	1,0	1,9	0,8
Avg. Daily Vol. (TRY m):	13.688		
Avg. Daily Vol. (US$ m):	302		

Beta	0,84
Volatility (Stock)	0,32
Volatility (BIST 100)	0,24

Shareholder Structure	%
Turkey Wealth Fund	49,12
Publicly Held & Treasury Shares	50,88
Total	100,00



We believe that THY's 3Q26 results, with both net profit and EBITDA exceeding expectations, could have a positive impact on the stock's performance in the near term. Nevertheless, heightened geopolitical uncertainties, upside risks to jet fuel prices, potential restrictions on Middle Eastern airspace, and the possibility of further escalation and prolongation of the ongoing conflict could weigh on operational efficiency. Accordingly, we expect the stock's near-term performance to remain sensitive to global risk appetite and developments in jet fuel prices. We maintain our **OUTPERFORM** recommendation on THY shares with **our target price of TRY 445.00**. Based on the current share price of TRY 265.00, Turkish Airlines offers an upside potential of 68% to our target 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*.

Table 1: Summary P&L

US$ Million	9M25	9M26	YoY	3Q25	3Q26	YoY
Revenues	**17.820**	**21.420**	**20,2%**	**6.953**	**8.298**	**19,3%**
Gross Profit	**3.011**	**2.376**	**-21,1%**	**1.537**	**1.424**	**-7,4%**
Gross Profit Margin	*16,9%*	*11,1%*	*-5.8 pp*	*22,1%*	*17,2%*	*-4.9 pp*
EBIT	**1.988**	**1.124**	**-43,5%**	**1.261**	**1.152**	**-8,6%**
EBIT Margin	*11,2%*	*5,2%*	*-5.9 pp*	*18,1%*	*13,9%*	*-4.3 pp*
EBITDA	**3.745**	**3.153**	**-15,8%**	**1.871**	**1.863**	**-0,4%**
EBITDA Margin	*21,0%*	*14,7%*	*-6.3 pp*	*26,9%*	*22,5%*	*-4.5 pp*
Net Profit	**2.028**	**1.716**	**-15,4%**	**1.378**	**1.291**	**-6,3%**
Net Profit Margin	*11,4%*	*8,0%*	*-3.4 pp*	*19,8%*	*15,6%*	*-4.3 pp*

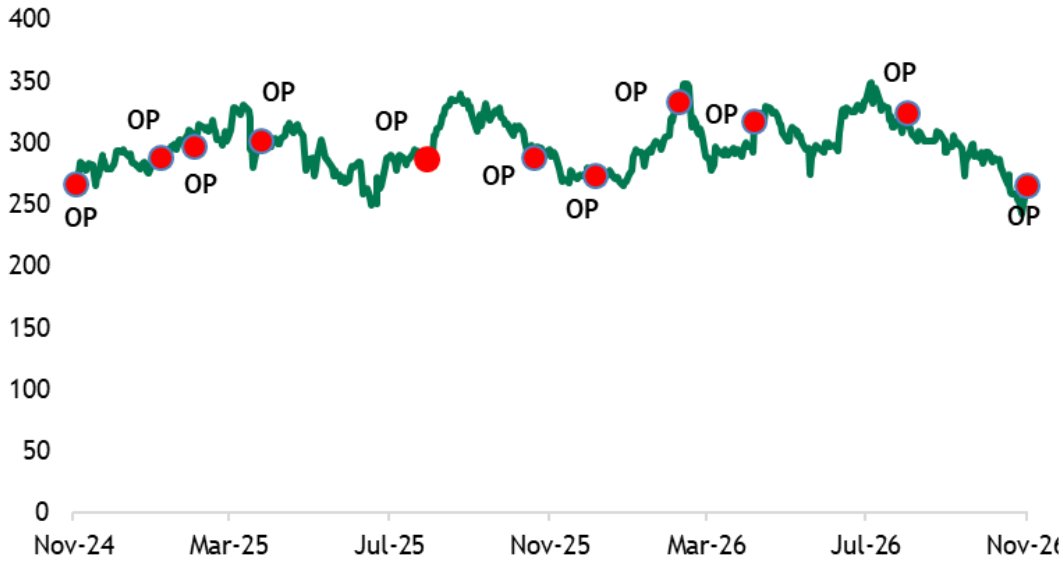
Source: Turkish Airlines, Seker Invest Res.

Table 2: Key Financials

Assets (mn USD)	2022	2023	2024	2025	9M26
Cash and Cash Eq. & Short-Term Financial Investments	4.701	6.027	6.067	6.273	6.429
Trade Receivables	995	856	905	1.069	1.535
Pre-delivery Payment Receivables (PDP)	511	305	837	341	476
Other Current Assets	1.018	1.407	1.884	2.503	2.988
Total Current Assets	**7.225**	**8.595**	**9.693**	**10.186**	**11.428**
Net Fixed Assets	4.723	6.118	7.098	8.506	9.522
Rights of Use of Assets	16.577	16.928	17.625	19.786	21.776
Pre-delivery Payment Receivables (PDP)	291	501	566	748	915
Other Non-Current Assets	18.705	20.457	22.317	27.163	30.932
Total Non-Current Assets	**23.719**	**27.076**	**29.981**	**36.417**	**41.369**
Total Assets	**30.944**	**35.671**	**39.674**	**46.603**	**52.797**
Liabilities (mn USD)	**2022**	**2023**	**2024**	**2025**	**9M26**
Lease Obligations	10.766	11.812	11.966	14.886	16.319
Bank Borrowings	3.273	2.435	1.895	2.918	4.323
Passenger Flight Liabilities	2.291	2.656	2.659	3.094	3.621
Accounts Payable	1.200	1.291	1.494	1.832	2.148
Other Liabilities	3.672	1.914	2.346	2.559	3.135
Total Liabilities	**21.202**	**20.108**	**20.360**	**25.289**	**29.546**
Total Shareholders Equity	**9.742**	**15.563**	**19.314**	**21.314**	**23.251**
Total Liabilities & Shareholders Equity	**30.944**	**35.671**	**39.674**	**46.603**	**52.797**

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

Historical Recommendations and target prices



Date	Recommendation	Target Price (TRY)
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
4-Nov-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.

ŞEKER INVEST RESEARCH

Şeker Yatırım Menkul Değerler A.Ş.
Buyukdere Cad. No:171 Metrocity
A Blok Kat 4-5 34330 SİSLİ /IST
TURKEY

TEL: +90 (212) 334 33 33
Fax: +90 (212) 334 33 34
E-mail: research@sekeryatirim.com
Web: http://www.sekeryatirim.com/english/index.aspx

For additional information, please contact:

Research

Kadir Tezeller	**Head**	**+90 (212) 334 33 81**	ktezeller@sekeryatirim.com
Burak Demirbilek	**Utilities**	**+90 (212) 334 33 33-128**	bdemirbilek@sekeryatirim.com
Atasav Can Tuglu	**Retail, Automotive, Aviation, Beverages**	**+90 (212) 334 33 33-334**	atuglu@sekeryatirim.com.tr
Basak Kamber	**Glass, Pharm., Defense, Food, Telcos., Cons. Dur.**	**+90 (212) 334 33 33-245**	bkamber@sekeryatirim.com
M. Mucahid Yildirim	**Banking**	**+90 (212) 334 33 33-150**	myildirim@sekeryatirim.com
Yusuf Kemal Erdekli	**Cement, Conglomerates, Real Estate**	**+90 (212) 334 33 33-115**	yerdekli@sekeryatirim.com
O. Furkan Ozdemir	**Iron & Steel, Oil, Gas, & Derivatives**	**+90 (212) 334 33 33-245**	oozdemir@sekeryatirim.com

Economy & Politics

Abdulkadir Dogan	**Chief Economist**	**+90 (212) 334 91 04**	adogan@sekeryatirim.com

Institutional Sales

Deniz Keskin	**Trader**	**+90 (212) 334 33 36**	dkeskin@sekeryatirim.com

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