Turk Telekom

Strong Revenue Growth and Better-than-Expected Operating Profitability...

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Türk Telekom has reported net income attributable to the parent company of TRY 7,678mn in 3Q26, based on its inflation-adjusted consolidated financial statements. Reported net income exceeded both our estimate of TRY 6,714mn and the market median expectation of the same amount. The Company had reported net income of TRY 13,288mn in the same quarter of the previous year. Accordingly, net income declined by 42.2% YoY, while the net profit margin narrowed by 8.3pp to 8.9%.

Higher financial expenses and depreciation and amortization charges were the main drivers of the YoY decline in net income. Operating profit excluding other operating income and expenses declined by 7.7% YoY to TRY 18,822mn, while depreciation and amortization expenses increased by 27.4% to TRY 18,061mn, reflecting the impact of assets related to the concession extension and 5G license. Net financial expenses increased to TRY 20,208mn from TRY 6,676mn, with FX losses arising particularly from license and concession liabilities weighing on profitability. Meanwhile, the increase in monetary gains from TRY 5,096mn to TRY 13,990mn partially offset the impact of higher financial expenses. Tax expenses declined to TRY 3,859mn from TRY 4,581mn. Therefore, the YoY contraction in net income largely reflects the increased financial and depreciation burden rather than a deterioration in underlying operating performance.

Consolidated revenues increased by 11.9% YoY in real terms to TRY 86,379mn in 3Q26, exceeding both our estimate of TRY 82,734mn and the market median expectation of TRY 83,555mn. Excluding the IFRIC 12 accounting impact, revenues rose by 10.9% to TRY 79,200mn. The largest contribution to revenue growth came from other revenues, which include information and communication technology (ICT) projects, with this segment recording 78.9% YoY growth. Fixed broadband revenues increased by 6.7%, mobile revenues by 2.2% and corporate data revenues by 15.6%, while fixed voice revenues declined by 6.4%. Large-scale technology projects and corporate data services, in particular, supported the diversification of revenue growth.

EBITDA increased by 6.7% YoY to TRY 36,883mn, exceeding both our estimate of TRY 35,327mn and the market median expectation of TRY 35,768mn. The EBITDA margin narrowed by 2.1pp YoY to 42.7%. The margin contraction was mainly attributable to the increasing contribution of relatively low-margin ICT projects to the revenue mix. Indeed, direct costs rose by 32.5% YoY, while equipment and technology sales costs increased by 127.3%. Nevertheless, strong consolidated revenue growth supported continued EBITDA growth, with operating profitability exceeding expectations.

OUTPERFORM
TP: TRY 90.00
Previous TP: TRY 90.00
Upside potential: 84.0%

	TRY	US$
Close	48,90	0,98
BIST 100	11.478	230
US$/TRY(CB Bid Rate):	49,909	
52 Week High:	75,65	1,73
52 Week Low:	43,98	0,89
Bloomberg/Reuters Ticker:	TTKOM.TI / TTKOM.IS	

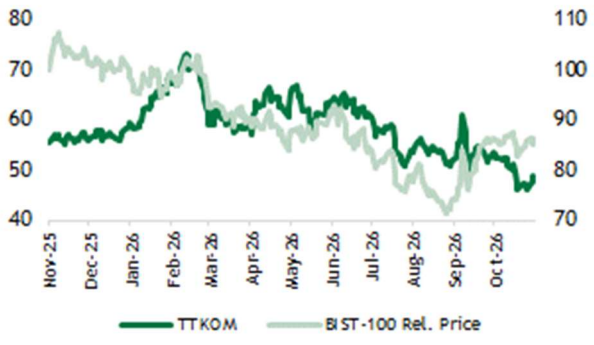
Number of Shares (Mn):	3.500

	(TRY Mn)	(US$ Mn)
Current Mcap :	171.150	3.427
Free Float Mcap :	22.250	446

	1 M	YOY	YTD
TRY Return (%):	-6,8	-2,2	-15,0
US$ Return (%):	-8,6	-17,7	-27,0
BIST 100 Relative (%):	-0,3	-7,0	-16,6
Avg. Daily Vol. (TRY Mn):	1.599,4		
Avg. Daily Vol. (US$ Mn):	35,2		

Beta	1,04
Volatility (Stock)	0,35
Volatility (BIST 100)	0,24

Shareholder Structure	%
Turkish Wealth Fund	61,7
Turkish Treasury	25,0
Free Float	13,3
Total	100,0



On the operational front, the total subscriber base reached 58.5 million, with 905K net additions QoQ. The mobile subscriber base increased to 33.4 million, supported by 670K net additions, including 490K net additions in the postpaid segment. Postpaid subscribers accounted for 80.2% of the total mobile subscriber base. Although blended mobile ARPU excluding M2M declined by 0.8% YoY, it showed a marked improvement compared to the 5.9% contraction recorded in the previous quarter. The Company indicated that real mobile ARPU growth turned positive YoY in September. Fixed broadband subscribers remained broadly flat at 15.4 million, while the fiber subscriber base reached 14.6 million. Fixed broadband ARPU increased by 7.3% YoY, while the FTTH/B subscriber base rose to 7.8 million, with 378K net additions QoQ. We expect improving mobile pricing dynamics and ongoing fiber transformation to support revenue growth over the medium term.

Cash flow performance improved significantly in the third quarter. Capital expenditures excluding license fees and solar energy investments increased by 20.2% YoY to TRY 27,900mn, while unlevered free cash flow rose by 39.4% to TRY 10.0bn. Nevertheless, unlevered free cash flow was negative TRY 39.0bn in 9M26, reflecting the first instalment of the 5G license fee and VAT payments related to the license and concession extension. Excluding these payments, the Company generated positive free cash flow of TRY 12.0bn, indicating that the underlying operations maintained their cash-generating capacity.

Net debt increased to TRY 125.4bn from TRY 122.4bn at the end of 2Q26, while the Net Debt/EBITDA ratio declined to 0.95x from 1.00x. Nevertheless, liabilities arising from the 5G license and concession extension continue to have a significant impact on the balance sheet. The Company's net short foreign currency position stood at USD 3.3bn including these liabilities, compared to USD 508mn when they are excluded.

The Company has maintained its 2026 guidance for revenue growth excluding IFRIC 12 at approximately 8%, EBITDA margin at 41-42%, and capital expenditures as a percentage of revenues at approximately 34%.

Overall, we expect Türk Telekom's 3Q26 financial results to have a positive short-term impact on the shares. Revenues, EBITDA and net income exceeding expectations, the recovery in mobile ARPU trends and stronger cash generation in the third quarter support our positive assessment. Yet, the YoY margin contraction, higher financial expenses and liabilities related to the 5G license and concession extension remain key factors to monitor. Over the medium to long term, we expect fiber infrastructure and 5G investments to support revenue growth, while improving mobile pricing conditions should contribute positively to operating profitability.

We maintain our 12-month target price for Türk Telekom at TRY 90.00 per share and reiterate our "OUTPERFORM" recommendation. Our target price implies an upside potential of 84.0% based on the closing share price on November 4, 2026.

Table 1: Summary Income Statement (including TAS 29 effects)

TRY Million	9M25	9M26	YoY	3Q25	3Q26	YoY
Revenues	214.959	236.510	10,0%	77.219	86.379	11,9%
Gross Profit	91.625	94.198	2,8%	34.593	33.550	-3,0%
Gross Profit Margin	*42,6%*	*39,8%*	*-2,8 pp*	*44,8%*	*38,8%*	*-6,0 pp*
EBIT	47.665	45.340	-4,9%	20.389	18.822	-7,7%
EBIT Margin	*22,2%*	*19,2%*	*-3,0 pp*	*26,4%*	*21,8%*	*-4,6 pp*
EBITDA	90.259	97.759	8,3%	34.562	36.883	6,7%
EBITDA Margin	*42,0%*	*41,3%*	*-0,7 pp*	*44,8%*	*42,7%*	*-2,1 pp*
Net Profit	27.675	25.785	-6,8%	13.288	7.678	-42,2%
Net Profit Margin	*12,9%*	*10,9%*	*-2,0 pp*	*17,2%*	*8,9%*	*-8,3 pp*

Source: PDP, Finnet, Şeker Invest Research

Table 2: Key Financial Tables (including TAS 29 effects)

BALANCE SHEET (TRY Mn)	2025/12	2026/09	Change %
PP&E	205.352	228.302	11,2%
Intangibles	163.972	323.722	97,4%
Other Non-Current Assets	17.931	24.345	35,8%
Trade Receivables	40.086	46.263	15,4%
Cash&Equivalents	83.220	30.418	-63,4%
Other Current Assets	19.849	42.670	115,0%
Total Assets	**530.411**	**695.719**	**31,2%**
Long Term Debt	131.351	130.735	-0,5%
Other Non current liabilities	40.552	123.141	203,7%
Short Term Debt	3.424	4.222	23,3%
Trade Payables	38.905	41.849	7,6%
Other current liabilities	52.082	108.763	108,8%
Total Liabilities	266.314	408.711	53,5%
Total Equity	264.096	287.008	8,7%
Total Equity&Liabilities	**530.411**	**695.719**	**31,2%**

INCOME STATEMENT (TRY Mn)	2025/09	2026/09	Change %
Revenues	214.959	236.510	10,0%
COGS	123.334	142.312	15,4%
Gross Profit/(Loss)	91.625	94.198	2,8%
Operating Expenses	43.960	48.859	11,1%
Operating Profit/(Loss)	47.665	45.340	-4,9%
Net Other Ope. Rev./(Exp.)	-2.803	-1.184	N.M.
Net Investing Activities Gain/(Loss)	1.604	1.035	-35,5%
Financial Income/(Expense)	-23.813	-49.663	N.M.
Gains (losses) on net monetary positions	19.104	46.847	145,2%
Profit Before Tax (Loss)	**40.788**	**41.367**	**1,4%**
Tax	-13.113	-15.582	N.M.
Net Profit (Loss)	**27.675**	**25.785**	**-6,8%**
Minority Interest	0	0	N.M.
Majority Interest	**27.675**	**25.785**	**-6,8%**

Source: PDP, Finnet, Şeker Invest Research

Figure 1: Historical Recommendations and Target Prices



Date	Rec	Target Price (TRY)
7-Nov-23	Outperform (OP)	31.58
16-Jan-24	Outperform (OP)	41.12
18-Apr-24	Market Perform (MP)	41.12
6-Jun-24	Market Perform (MP)	56.78
17-Sep-24	Outperform (OP)	69.05
7-Nov-24	Outperform (OP)	69.05
7-Jan-25	Outperform (OP)	74.82
11-Mar-25	Outperform (OP)	74.82
2-May-25	Outperform (OP)	68.57
8-May-25	Outperform (OP)	68.57
14-Aug-25	Outperform (OP)	72.50
5-Nov-25	Outperform (OP)	72.50
9-Jan-26	Outperform (OP)	80.00
5-Mar-26	Outperform (OP)	80.00
7-May-26	Outperform (OP)	90.00
6-Aug-26	Outperform (OP)	90.00

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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