

Pegasus Airlines

We attended Pegasus' analyst meeting to evaluate the company's Q2 2024 financial results, current operations, and outlook. Pegasus continues to grow with strong passenger growth and an expanding fleet.

Highlights of the Meeting

A strong start to the aviation season... Pegasus announced its 2Q24 financial results with a net profit of TL 4bn, which is 66% above market expectations (Market expectation: TL2.4bn). The company had reported a loss of TL3.5bn in the previous quarter, and the net profit reported for 2Q24 increased by 108% compared to the same period last year. In this period, revenue grew by 76% y/y to reach TL26.6bn, in line with expectations.

Passenger traffic growth continues... In 2Q24, Pegasus served a total of 9.36mn passengers, with a 19% increase in the number of passengers carried compared to the same period last year. Domestic passenger numbers were particularly noteworthy, reaching 3.52mn passengers with a 27% growth compared to the same period last year. International passenger traffic also saw a 15% growth y/y, with 5.84mn passengers served during the same period.

Increasing ASK and Load Factor... Total ASK (Available Seat Kilometers) increased by 11% in 2Q24. International ASK grew by 9% during this period. We anticipate that ASK growth will be supported by fleet expansion and the higher capacity of new aircraft joining the fleet in terms of seat capacity. In 2Q24, the passenger load factor increased by 6.2 percentage points y/y, reaching 87.5%.

New aircraft additions support profitability... As of 2Q24, Pegasus announced that the delivery schedule for its orders of 42 A320neo and 108 A321neo aircraft is on track, with all A320neos already delivered. Of the A321neo order, 45 aircraft have been delivered, and deliveries will continue gradually until 2029.

2024 expectations... Pegasus has revised its ASK growth expectations for the end of 2024 upward to the range of 12%-14% from the previous 10%-12% range. The company expects that for the remainder of 2024, a high load factor and "mid to high" single digit increases in ancillary revenue per passenger will support RASK, which is expected to remain stable on a yearly basis. Additionally, CASK excluding fuel is expected to show a "mid to high" single-digit increase above the 2023 level, with an expected EBITDA margin in the range of 28%-30%. The company stated in the meeting that they are progressing in line with their 2024 expectations.

PGSUS

Share Data

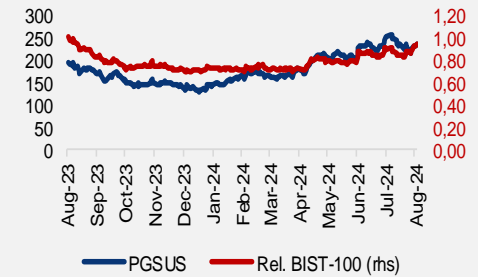
Ticker:	PGSUS TI		
Share price (as of August 13, 2024)	235,50		
Share price (52 week range)	131 / 257		
Market cap. (TL mn - USD mn)	117750,0 - 3515,7		
# of shares outstanding (mn)	500		
Free Float	43%		

Avg. trading volume	1M	3M	12M
USD mn	54,0	59,7	65,9

Price performance	1M	3M	Y-t-D
TL	-6%	17%	77%
USD	-8%	12%	56%
Rel. to BIST-100	4%	19%	33%

TL mn	2021	2022	2023
Revenues	10.664	42.732	70.532
EBITDA	2.271	14.099	21.626
Net Earnings	-1.972	7.100	20.908
Net Debt	29.124	48.180	84.905

Valuation	2021	2022	2023
P/E	n.m.	16,6x	10,3x
P/BV	1,6x	2,7x	3,2x
EV/EBITDA	64,4x	15,8x	7,6x
EV/Sales	4,83x	3,38x	2,47x
Dividend Yield	0,0%	0,0%	0,0%



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Summary

(TLmn)	2023/1Q	2023/2Q	2023/3Q	2023/4Q	2024/1Q	2024/2Q	y/y	q/q
Revenues	8.793	15.109	28.073	18.557	17.391	26.573	76%	53%
EBITDA	1.204	4.748	12.056	3.618	1.182	8.077	70%	583%
Net Profit	-598	1.925	7.719	11.861	-3.501	3.997	108%	-

Balance Sheet	2019	2020	2021	2022	2023	Income statement	2019	2020	2021	2022	2023
Cash	4.187	3.766	7.542	12.820	34.613	Revenues	11.025	4.804	10.664	42.732	70.532
Accounts receivables	447	197	337	1.175	1.669	Gross profit	2.699	-1.259	118	11.577	16.818
Inventory	75	91	141	502	1.075	Operating expenses	615	443	663	1.943	2.996
Other current assets	1.379	1.464	4.666	6.221	10.644	Operating profit	2.085	-1.702	-545	9.634	13.823
Current assets	6.089	5.519	12.687	20.717	48.002	EBITDA	3.632	481	2.271	14.099	21.626
Financial investments	208	150	2.340	4.643	2.277	Other income, net	-51	145	-36	491	608
Net fixed assets	1.676	1.433	1.855	3.515	10.378	Financial income, net	-656	-483	-1.486	-3.525	-4.336
Intangible assets	80	111	184	287	644	Earnings before taxes	1.394	-2.025	-2.057	6.619	10.115
Other non-current assets	13.007	21.857	35.897	66.641	140.656	Tax expense	60	-60	-84	-481	-10.793
Non-current assets	14.970	23.551	40.276	75.086	153.954	Net earnings - Parent	1.333	-1.965	-1.972	7.100	20.908
Total assets	21.059	29.071	52.963	95.803	201.955						

Short-term financial loans	2.295	3.897	7.768	9.887	18.625
Accounts payables	723	911	1.890	3.931	6.526
Other short-term payables	1.748	1.698	3.021	6.943	12.033
Current liabilities	4.765	6.506	12.679	20.760	37.184
Long-term financial loans	8.461	15.115	28.898	51.113	100.894
Other long-term payables	2.491	2.063	4.516	5.885	9.208
Non-current liabilities	10.952	17.179	33.414	56.999	110.102
Shareholders' equity	5.342	5.386	6.870	18.045	54.669
Parent company	5.342	5.386	6.870	18.045	54.669
Minorities	0	0	0	0	0
Total liabilities & equity	21.059	29.071	52.963	95.803	201.955
Net debt	6.568	15.246	29.124	48.180	84.905
Net working capital	-569	-856	233	-2.975	-5.171
Net working capital (Operatin	-200	-622	-1.412	-2.254	-3.782
Invested Capital	1.187	688	2.272	826	5.851

Ratios	2019	2020	2021	2022	2023	Growth & margins	2019	2020	2021	2022	2023
Profitability						Cashflow statement					
ROE	29,4%	-36,6%	-32,2%	57,0%	57,5%	EBITDA	3.632	481	2.271	14.099	21.626
Net margin	12,1%	-40,9%	-18,5%	16,6%	29,6%	Taxes on EBIT	89	-50	-22	-700	-14.749
Asset turnover	0,6x	0,2x	0,3x	0,6x	0,5x	Capital expenditures	144	-164	-36	-461	-266
Leverage	3,8x	4,7x	6,7x	6,0x	4,1x	Chg. in NWC	-143	-287	1.089	-3.209	-2.195
ROA	7,7%	-7,8%	-4,8%	9,5%	14,0%	Free cashflows to firm	3.542	983	1.240	18.470	38.836
ROIC	36,8%	-145,3%	-29,5%	497,5%	331,2%	Growth & margins					
Leverage						Revenues	33%	-56%	122%	301%	65%
Financial debt/Total assets	51%	65%	69%	64%	59%	EBITDA	168%	-87%	372%	521%	53%
Net debt/Equity	1,23	2,83	4,24	2,67	1,55	Net earnings	163%	-247%	0%	-460%	194%
Net debt/EBITDA	1,81	31,68	12,83	3,42	3,93	Gross margin	24,5%	-26,2%	1,1%	27,1%	23,8%
						Operating margin	18,9%	-35,4%	-5,1%	22,5%	19,6%
						EBITDA margin	32,9%	10,0%	21,3%	33,0%	30,7%
						Net margin	12,1%	-40,9%	-18,5%	16,6%	29,6%
						Free cashflow margin	12,1%	-40,9%	-18,5%	16,6%	29,6%
						Per share (TL)					
						EPS	2,67	-3,93	-3,94	14,20	41,82
						BVPS	10,68	10,77	13,74	36,09	109,34
						DPS	0,00	0,00	0,00	0,00	0,00
						Valuation					
						P/E	7,6x	n.m.	n.m.	16,6x	10,3x
						P/BV	1,19x	1,10x	1,56x	2,69x	3,17x
						EV/EBITDA	5,5x	6,7x	64,4x	15,8x	7,6x
						EV/Sales	1,13x	1,68x	4,83x	3,38x	2,47x
						Dividend Yield	0,0%	0,0%	0,0%	0,0%	0,0%
						Free cashflow yield	73,3%	17,7%	15,4%	87,2%	60,0%

Source: Bloomberg, Tacirler Investment

* All figures are stated in millions of TL unless otherwise stated.

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