

## Turkish Airlines

We attended Turkish Airlines' analyst meeting to evaluate the company's 2Q24 financial results, current operations, and outlook. Turkish Airlines continues to grow with strong cargo operations and increasing passenger traffic. We maintain our Buy recommendation for THYAO with a target price of 428 TL and continue to hold it in our Model Portfolio.

### Key takeaways of the meeting

**A Strong Start to the Aviation Season...** Turkish Airlines announced its 2Q24 financial results with a net profit of TL30.4bn, which is 37% above market expectations (Tacirler Investment Expectation: TL26.9bn). EBITDA reached TL34bn, 13% below the market expectation of TL39.2bn (Tacirler Investment Expectation: TL39.6bn). During this period, the company generated a revenue of TL183bn, in line with market expectations, representing a 70% increase compared to the same period last year. The increase in costs, particularly the 120% growth in personnel expenses, put pressure on EBITDA. Additionally, the net income was supported by a net gain of TL14.2bn from investment activities and TL2.7bn in deferred tax income.

**Passenger Traffic Continues to Increase...** In the second quarter of 2024, the number of passengers carried reached 22mn, representing a 2% increase compared to the same period last year. During this period, passenger revenues increased by 60% y/y to TL148.5bn. Total Available Seat Kilometers (ASK) increased by 7.7% year-on-year to 63.6bn. Revenue per Available Seat Kilometer (RASK) increased by 1.3% year-on-year, while Cost per Available Seat Kilometer (CASK) increased by 7.7% year-on-year.

**Strong Growth in Cargo and Technical Revenues...** In the second quarter of 2024, cargo tonnage increased by 30% y/y to 511K tons. Cargo revenues increased by 129% y/y to TL28.6bn, while technical revenues increased by 87% y/y to TL4.5bn.

**2024 Expectations...** The company anticipates that 2024 will be a year like 2023 in terms of operational performance. However, CASK (Cost per Available Seat Kilometer) excluding fuel is expected to increase at a low single-digit rate in USD terms due to global inflation. The company has hedged 50% of its jet fuel costs. The EBITDAR margin for 2024 is expected to be in the range of 23% to 25%. Additionally, the company noted that the renewal of the fleet with aircraft that allow seat modification is expected to result in a 10% to 15% reduction in unit costs in USD terms.

THYAO

BUY

Target Price TL428  
Return potential 53%

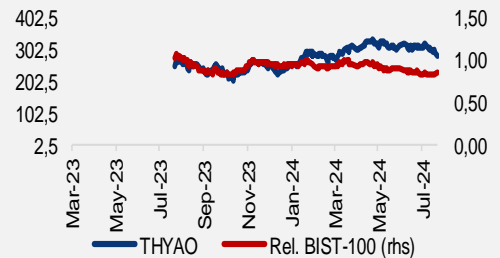
### Share Data

Ticker: THYAO TI  
Share price (as of August 6 2024) 279,50  
Share price (52 week range) 203 / 330  
Market cap. (TL mn - USD mn) 385.710 - 11.549  
# of shares outstanding (mn) 1.380  
Free Float 50%

Avg. trading volume 1M 3M 12M  
USD mn 261,8 293,0 312,2

Price performance 1M 3M Y-t-D  
TL -9% -14% 22%  
USD -11% -17% 8%  
Rel. to BIST-100 0% -11% -8%

Valuation 2022 2023 2024  
P/E 17,3x 4,9x 3,6x  
P/BV 1,0x 1,1x 1,0x  
EV/EBITDA 3,8x 5,1x 5,4x  
EV/Sales 0,65x 1,27x 1,25x



Serhan Yenigün  
+90 212 355 2622  
serhan.yenigun@tacirler.com.tr

Ata Uçak  
+90 212 355 2637  
ata.ucak@tacirler.com.tr

## Summary

(TLmn)	2023/1Q	2023/2Q	2023/3Q	2023/4Q	2024/1Q	2024/2Q	(y/y)
<b>Revenue</b>	82.057	107.633	169.091	145.617	147.238	182.875	<b>79%</b>
<b>EBITDA</b>	11.908	25.623	55.794	22.072	15.500	34.065	<b>30%</b>
<b>Net Profit</b>	4.418	13.754	51.331	93.500	6.931	30.395	<b>57%</b>

Balance Sheet (TLmn)	2019	2020	2021	2022	2023
Cash	14.705	13.424	35.748	87.897	177.426
Accounts receivables	3.205	4.672	12.323	18.618	25.192
Inventory	1.723	2.236	3.481	6.196	12.311
Other current assets	8.706	10.327	14.245	22.384	38.114
<b>Current assets</b>	<b>28.339</b>	<b>30.659</b>	<b>65.797</b>	<b>135.095</b>	<b>253.043</b>
Financial investments	2.723	2.429	4.335	8.258	26.350
Net fixed assets	21.640	30.431	58.195	87.045	178.849
Intangible assets	489	653	1.088	1.432	2.557
Other non-current assets	93.680	123.230	224.293	346.741	589.292
<b>Non-current assets</b>	<b>118.532</b>	<b>156.743</b>	<b>287.911</b>	<b>443.476</b>	<b>797.048</b>
<b>Total assets</b>	<b>146.871</b>	<b>187.402</b>	<b>353.708</b>	<b>578.571</b>	<b>1.050.091</b>
Short-term financial loans	18.563	32.726	53.464	70.184	109.810
Accounts payables	6.708	6.322	11.896	22.482	38.060
Other short-term payables	10.146	8.331	25.083	61.374	120.086
<b>Current liabilities</b>	<b>35.417</b>	<b>47.379</b>	<b>90.443</b>	<b>154.040</b>	<b>267.956</b>
Long-term financial loans	60.976	89.994	145.647	192.799	310.362
Other long-term payables	9.683	10.518	26.968	50.305	14.661
<b>Non-current liabilities</b>	<b>70.659</b>	<b>100.512</b>	<b>172.615</b>	<b>243.104</b>	<b>325.023</b>
<b>Shareholders' equity</b>	<b>40.795</b>	<b>39.511</b>	<b>90.650</b>	<b>181.427</b>	<b>457.112</b>
Parent company	40.792	39.502	90.640	181.422	457.257
Minorities	3	9	10	5	-145
<b>Total liabilities &amp; equity</b>	<b>146.871</b>	<b>187.402</b>	<b>353.708</b>	<b>578.571</b>	<b>1.050.091</b>
Net debt	64.834	109.296	163.363	175.086	242.746
Net working capital	-3.220	2.582	-6.930	-36.658	-82.529
Net working capital (Operatin	-1.780	586	3.908	2.332	-557
Invested Capital	18.909	33.666	52.353	51.819	98.877

### Ratios

Profitability					
ROE	12,6%	-13,9%	12,6%	34,9%	51,1%
Net margin	6,0%	-12,0%	8,4%	15,2%	32,3%
Asset turnover	0,6x	0,3x	0,4x	0,7x	0,6x
Leverage	3,6x	4,2x	4,2x	3,4x	2,6x
ROA	3,5%	-3,3%	3,0%	10,2%	20,0%
ROIC	6,0%	-10,3%	23,2%	73,3%	71,1%
<b>Leverage</b>					
Financial debt/Total assets	54%	65%	56%	45%	40%
Net debt/Equity	1,59	2,77	1,80	0,97	0,53
Net debt/EBITDA	5,41	13,23	5,85	2,23	2,10

Source: Bloomberg, Tacirler Investment

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

Income statement (TLmn)	2019	2020	2021	2022	2023
<b>Revenues</b>	<b>75.118</b>	<b>46.448</b>	<b>97.378</b>	<b>311.169</b>	<b>504.398</b>
Gross profit	13.079	2.683	22.145	75.641	119.446
Operating expenses	9.710	6.060	9.696	27.910	52.523
Operating profit	3.369	-3.377	12.449	47.731	66.923
<b>EBITDA</b>	<b>11.993</b>	<b>8.261</b>	<b>27.922</b>	<b>78.684</b>	<b>115.397</b>
Other income, net	2.184	3.256	2.869	6.256	27.024
Financial income, net	-966	-5.402	-6.870	-4.764	-9.381
Earnings before taxes	5.056	-6.101	9.191	51.403	91.282
Tax expense	520	-513	977	3.971	-71.716
<b>Net earnings - Parent</b>	<b>4.535</b>	<b>-5.588</b>	<b>8.213</b>	<b>47.429</b>	<b>163.003</b>

### Cashflow statement

	2019	2020	2021	2022	2023
<b>EBITDA</b>	<b>11.993</b>	<b>8.261</b>	<b>27.922</b>	<b>78.684</b>	<b>115.397</b>
Taxes on EBIT	346	-284	1.323	3.687	-52.578
Capital expenditures	5.652	7.904	6.811	15.274	24.549
Chg. in NWC	-833	5.802	-9.512	-29.728	-45.871
<b>Free cashflows to firm</b>	<b>6.828</b>	<b>-5.161</b>	<b>29.300</b>	<b>89.451</b>	<b>189.297</b>

### Growth & margins

	2019	2020	2021	2022	2023
Revenues	19,5%	-38,2%	109,6%	219,5%	62,1%
EBITDA	5,2%	-31,1%	238,0%	181,8%	46,7%
Net earnings	12,1%	-223,2%	-247,0%	477,5%	243,7%
Gross margin	17,4%	5,8%	22,7%	24,3%	23,7%
Operating margin	4,5%	-7,3%	12,8%	15,3%	13,3%
EBITDA margin	16,0%	17,8%	28,7%	25,3%	22,9%
Net margin	6,0%	-12,0%	8,4%	15,2%	32,3%
Free cashflow margin	6,0%	-12,0%	8,4%	15,2%	32,3%

### Per share (TL)

	2019	2020	2021	2022	2023
EPS	3,29	-4,05	5,95	34,37	118,12
BVPS	29,56	28,63	65,69	131,47	331,24
DPS	0,22	0,76	0,83	0,80	0,91

### Valuation

	2019	2020	2021	2022	2023
P/E	85,1x	12,5x	12,9x	17,3x	4,9x
P/BV	1,01x	0,99x	1,05x	1,04x	1,14x
EV/EBITDA	5,8x	4,5x	3,7x	3,8x	5,1x
EV/Sales	0,87x	0,73x	0,65x	0,65x	1,27x
Dividend Yield	2,4%	8,4%	8,1%	4,9%	2,5%
Free cashflow yield	55,5%	-41,4%	207,2%	400,4%	378,9%

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