TACİRLER YATIRIM

Pegasus Airlines

We view Pegasus' 3Q26 financial results as slightly positive, driven by stronger-than-expected revenues and profitability despite continued YoY margin pressures. The company reported TL11.3bn net profit, exceeding our estimate of TL9.7bn by 16% and the market expectation of TL8.9bn by 27%. Revenues of TL72.2bn and EBITDA of TL22.2bn came in above both our estimates and market expectations. Strong passenger demand and higher unit revenues supported operational performance, while elevated fuel costs continued to weigh on margins. Despite short-term profitability pressures, we maintain our 12-month target price of TL252 per share and BUY recommendation, supported by the expanding flight network, the Smartwings acquisition and the recovery we expect in 2027.

Strong passenger demand and higher unit revenues supported growth. In 3Q26, passenger traffic increased by 7% YoY to 13.1mn, while revenues in EUR terms rose by 19% to EUR1.31bn. The 14% increase in international ticket yields and record ancillary revenue per passenger of EUR32.9 were the key drivers of revenue growth. Although the load factor declined by 1pp YoY to 88.2%, strong pricing and higher ancillary revenues indicate an improving ability to generate revenue beyond passenger volume growth.

High fuel costs weighed on profitability, while the recent decline in oil prices is viewed positively by the market. Fuel expenses increased by 61% YoY in EUR terms, while total costs rose by 25%, leading to a 5.2pp YoY contraction in the EBITDA margin to 30.7%. Net profit also declined by 10% in EUR terms, indicating that cost pressures persisted despite strong revenue performance. Nevertheless, we believe the recent decline in oil prices could support profitability in the coming quarters. However, due to hedging activities and the timing of fuel purchases, we expect this improvement to be reflected gradually in financial results.

The Smartwings acquisition strengthens Pegasus' growth potential in Europe. Completed on October 1 for EUR142.3mn, the acquisition expands the company's presence in Central and Eastern Europe, while Smartwings' flight network covering 80 destinations across 20 countries and its relationships with tour operators offer new growth opportunities. We expect the acquisition to start contributing to financial results from 4Q26, with its full-year impact becoming visible in 2027. However, we remain cautious about its contribution to profitability, considering integration challenges, seasonality and financing costs.

We expect growth to accelerate and profitability to recover in 2027. We forecast Pegasus to end 2026 with TL200.2bn in revenues, TL34.1bn in EBITDA and TL2.6bn in net loss. Supported by its expanding flight network and the contribution from Smartwings, we expect the company to generate TL304.6bn in revenues, TL60.8bn in EBITDA and TL8.5bn in net profit in 2027.

PGSUS	BUY
Target Price	**TL 252**
Return potential	**63%**

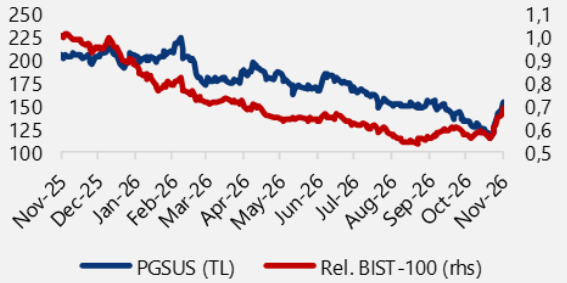
Share Data	
Ticker:	**PGSUS TI**
Share price (as of 10.11.2026)	154,40
Share price (52 week range)	115 / 224
Market cap. (TL mn - USD mn)	77.200 - 1.541
# of shares (mn) & free float	500 - 43%
Foreign Ownership Rate	10.21%
Market	Star
Industry	Aviation

Avg. trading volume	**1M**	**3M**	**12M**
USD mn	19,8	26,5	38,8

Price performance	**1M**	**3M**	**Y-t-D**
TL	15%	2%	-19%
USD	13%	-3%	-31%
Rel. to BIST-100	21%	21%	-22%

Forecasts (TL mn)	**2024**	**2025**	**2026E**
Revenues	111.823	154.128	200.211
EBITDA	31.765	37.096	34.146
Net Earnings	13.285	13.750	-2.597

Valuation	**2024**	**2025**	**2026E**
P/E	5,8x	5,6x	n.m.
P/BV	1,0x	0,7x	0,6x
EV/EBITDA	7,8x	6,6x	7,2x



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Financial Statements

Balance Sheet	2024	2025	2026E
Cash	46.259	54.846	76.611
Accounts receivables	2.699	3.677	5.142
Inventory	1.526	2.314	2.706
Financial investments	11.098	16.981	14.398
Fixed assets	18.188	27.891	35.552
Other non-current assets	203.808	304.459	368.183
Total assets	**283.578**	**410.168**	**502.592**
Short-term financial loans	29.251	46.922	65.947
Accounts payables	7.943	14.554	17.359
Long-term financial loans	137.057	186.262	227.307
Other long-term payables	34.408	45.576	61.561
Non-current liabilities	**208.659**	**293.314**	**372.174**
Shareholders' equity	**74.919**	**116.854**	**130.418**
Paid in Capital	500	500	500
Other Equity	74.419	116.354	129.918
Total liabilities & equity	**283.578**	**410.168**	**502.592**
Net debt	120.049	178.339	216.643
Net working capital	-3.718	-8.563	-9.511

Per share (TL)			
EPS	26,57	27,50	-5,19
BVPS	149,84	233,71	260,84
DPS	0,00	0,00	0,00

Ratios			
Profitability			
ROE	20,5%	14,3%	-2,1%
Net margin	11,9%	8,9%	-1,3%
Asset turnover	0,5x	0,4x	0,4x
Leverage	3,7x	3,6x	3,7x
ROA	5,5%	4,0%	-0,6%
Leverage			
Financial debt/Total assets	59%	57%	58%
Net debt/Equity	1,60	1,53	1,66
Net debt/EBITDA	3,78	4,81	6,34

Income statement	2024	2025	2026E
Revenues	**111.823**	**154.128**	**200.211**
Gross profit	24.935	26.196	19.905
Operating expenses	-5.192	-8.115	-10.919
Operating profit	19.743	18.080	8.986
EBITDA	**31.765**	**37.096**	**34.146**
Other income, net	1.064	-6.373	1.087
Financial income, net	-10.707	140	-14.982
Earnings before taxes	11.922	14.836	-3.407
Tax expense	1.363	-1.086	809
Net earnings	**13.285**	**13.750**	**-2.597**

Cashflow statement			
EBITDA	**31.765**	**37.096**	**34.146**
Taxes on EBIT	-4.936	-4.520	-2.247
Capital expenditures	2.568	-2.299	-2.543
Chg. in NWC	64	-4.845	-948
Free cashflows to firm	**29.334**	**9.374**	**24.487**

Growth & margins			
Revenues	59%	38%	30%
EBITDA	47%	17%	-8%
Net earnings	-36%	3%	-119%
Gross margin	22,3%	17,0%	9,9%
Operating margin	17,7%	11,7%	4,5%
EBITDA margin	28,4%	24,1%	17,1%
Net margin	11,9%	8,9%	-1,3%
Free cashflow margin	26,2%	6,1%	12,2%

Valuation			
P/E	5,8x	5,6x	n.m.
P/BV	1,0x	0,7x	0,6x
EV/EBITDA	7,8x	6,6x	7,2x

Source: Company Data, Tacirler Investment

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

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