

Tav Airports

In the first quarter of the year, while TAV Airports recorded revenue growth supported by increased traffic, profitability remained below expectations due to the low season and temporary one-off effects. Despite the net loss coming in below our estimate, we evaluate the 1Q25 results as slightly negative given the relatively stable operational performance and margin pressure that aligned with our forecasts. Based on our updated estimates, we revise our 12-month target price for TAVHL from TL396.00 to TL360.00. Despite the revision, the target price still implies an upside above our index expectation, and considering TAVHL's long-term potential supported by its ongoing capacity expansion investments, we maintain our "Buy" recommendation and continue to include the stock in our model portfolio.

Traffic growth supported revenue expansion. In 1Q25, TAV Airports' revenue rose by 34% y/y to TL14,419mn. This solid top-line growth was mainly driven by a 5% increase in passenger traffic, tariff adjustments, higher duty-free spending per passenger, the launch of new commercial areas at Almaty Airport, and contribution from a new TAV Technologies project in Qatar. Despite the low season, passenger traffic remained resilient, and expectations for the high season remain strong.

Profitability came in below expectations. While operational performance was broadly in line with forecasts, the EBITDA margin declined by 1.7pp y/y to 23.6%, mainly due to limited contribution from the TAV Technologies project, the absence of last year's one-off recoveries, and TL inflation. On the bottom line, TAV posted a net loss of TL1,738mn, well below our estimate of a TL163mn loss and the market consensus. The earnings miss was largely driven by approximately TL1.4bn of losses from equity-accounted investees—primarily TAV Antalya and TAV Antalya Yatırım—alongside elevated financing costs and deferred tax expenses.

2025 guidance maintained. The company reaffirmed its 2025 outlook, targeting €1.75–1.85bn in revenue (2024: €1.66bn), 110–120 million passengers (2024: 106.5mn), 75–83 million international passengers (2024: 71.2mn), and €520–590mn in EBITDA (2024: €489.4mn). We view the continuation of these strong full-year expectations as a supportive factor for the stock's performance over the medium to long term.

Rating

HOLD

Target Price

TL 360

Return potential

59%

Share Data

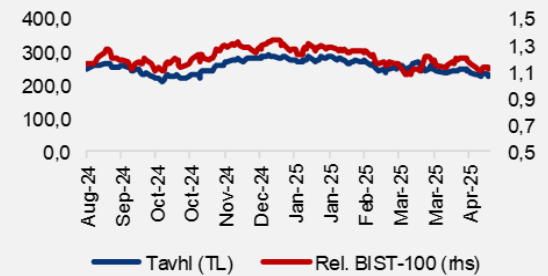
Ticker:	Tavhl TI
Share price (as of 29.04.2025)	226,90
Share price (52 week range)	210 / 292
Market cap. (TL mn - USD mn)	82.429 - 2.148
# of shares (mn) & free float	363 - 48%
Foreign Ownership Rate	47.08%
Market	Star
Industry	Aviation

Avg. trading volume	1M	3M	12M
USD mn	22,0	21,0	16,7

Price performance	1M	3M	Y-t-D
TL	-6%	-19%	-17%
USD	-8%	-25%	-24%
Rel. to BIST-100	-2%	-12%	-12%

Forecasts (TL mn)	2023	2024	2025E
Revenues	1.339	1.668	1.823
EBITDA	396	473	482
Net Earnings	293	185	136

Valuation	2023	2024	2025E
P/E	6,4x	10,2x	13,9x
P/BV	1,3x	1,2x	1,1x
EV/EBITDA	1,3x	1,1x	0,9x
EV/Sales	2,3x	2,0x	1,8x
Dividend Yield	0%	0%	0%



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Valuation

We value TAV Airports using the discounted cash flow (DCF) method, with our forecasts denominated in the company's functional currency, euro (EUR). Based on this approach, we calculate a 12-month target price of EUR7.01 per share. Using our average EUR/TRY exchange rate estimate of 51.35 for the next 12 months, this corresponds to a target price of TL360.00 per share.

Our target price implies a 59% upside potential. In our model, we forecast TAV's revenue to grow at an average annual rate of 6.3% over the valuation period (2025E–2034E), with an average EBITDA margin of 26.1%.

The valuation model assumes a 2% terminal growth rate, 5.2% equity risk premium, 5.5% market risk premium, and a beta of 0.95 for the stock. We discount TAV's free cash flows over the 10-year projection period using a 10.1% WACC. In our model, approximately 50% of the firm value is derived from the present value of projected cash flows, with the remaining portion coming from the terminal value.

(mln EUR)	2024	2025T	2026T	2027T	2028T	2029T	2030T	2031T	2032T	2033T	2034T
Revenues	1.668	1.823	1.983	2.143	2.302	2.456	2.603	2.741	2.867	2.978	3.073
Growth%	24,6%	9,3%	8,8%	8,1%	7,4%	6,7%	6,0%	5,3%	4,6%	3,9%	3,2%
EBITDA	491	482	570	578	604	631	657	684	707	727	748
Growth%	21,1%	-1,9%	18,2%	1,5%	4,4%	4,6%	4,1%	4,1%	3,4%	2,8%	2,9%
<i>EBITDA Margin</i>	29,5%	26,5%	28,7%	27,0%	26,2%	25,7%	25,3%	25,0%	24,7%	24,4%	24,3%
Taxes paid on EBIT	-43	-45	-50	-53	-58	-62	-65	-68	-70	-72	-74
CAPEX	-250	-229	-252	-274	-295	-316	-322	-325	-326	-324	-319
Change in Net Working Capital	14	-18	-44	-17	-27	-29	-36	-39	-41	-33	-22
Free cash flow from operations	185	226	312	269	277	283	306	329	352	364	377
<i>FCFF Margin</i>	11,1%	12,4%	15,7%	12,6%	12,0%	11,5%	11,8%	12,0%	12,3%	12,2%	12,3%
WACC		10,3%	10,2%	10,1%	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%	9,9%
DFC		204	257	202	189	176	173	169	165	155	146
Terminal growth rate	2%										
Terminal Value	4.767										
PV of Terminal Value	1.845										
PV of FCFF	1.836	18,0%									
Enterprise Value	3.680										
Latest Net Debt	1.421										
Equity Value	2.260										
# of shares outstanding (mn)	363										
Fair Value per share EUR (12-mth fwd)	7,01										
Current share price EUR	5,19										
Fair Value per share TL (12-mth fwd)	360,00										
Current share price TL	226,90										
Upside / (Downside)	59%										

Source: Tacirler Investment

Projections

Balance Sheet	2023	2024	2025E
Cash	539	353	542
Accounts receivables	121	137	162
Inventory	34	45	87
Financial investments	181	154	169
Fixed assets	2.273	2.450	2.415
Other non-current assets	1.606	1.725	1.874
Total assets	4.753	4.863	5.249
Short-term financial loans	532	462	502
Accounts payables	72	95	113
Long-term financial loans	1.254	1.387	1.443
Other long-term payables	1.483	1.312	1.464
Non-current liabilities	3.342	3.255	3.522
Shareholders' equity	1.411	1.608	1.728
Paid in Capital	11	10	9
Other Equity	1.400	1.598	1.719
Total liabilities & equity	4.753	4.863	5.249
Net debt	1.248	1.496	1.403
Net working capital	82	86	136
Per share (EUR)			
EPS	0,81	0,51	0,37
BVPS	3,88	4,43	4,76
DPS	0,00	0,00	0,00
Ratios			
Profitability			
ROE	22,7%	12,2%	8,2%
Net margin	21,9%	11,1%	7,5%
Asset turnover	0,3x	0,3x	0,4x
Leverage	3,5x	3,2x	3,0x
ROA	6,5%	3,8%	2,7%
Leverage			
Financial debt/Total assets	38%	38%	37%
Net debt/Equity	0,88	0,93	0,81
Net debt/EBITDA	3,15	3,16	2,91

Income statement	2023	2024	2025E
Revenues	1.339	1.668	1.823
Gross profit	517	605	672
Operating expenses	-263	-340	-367
Operating profit	253	265	305
EBITDA	396	473	482
Other income, net	0	27	9
Financial income, net	-134	-170	-197
Earnings before taxes	329	242	210
Tax expense	-26	-43	-61
Net earnings	293	185	136

Cashflow statement	2023	2024	2025E
EBITDA	396	473	482
Taxes on EBIT	-26	-43	-45
Capital expenditures	-212	-250	-229
Chg. in NWC	35	14	-18
Free cashflows to firm	132	185	226

Growth & margins	2023	2024	2025E
Revenues	27%	25%	9%
EBITDA	25%	19%	2%
Net earnings	168%	-37%	-26%
Gross margin	38,6%	36,3%	36,9%
Operating margin	18,9%	15,9%	16,8%
EBITDA margin	29,6%	28,4%	26,5%
Net margin	21,9%	11,1%	7,5%
Free cashflow margin	9,9%	11,1%	12,4%

Valuation	2023	2024	2025E
P/E	6,4x	10,2x	13,9x
P/BV	1,3x	1,2x	1,1x
EV/EBITDA	1,3x	1,1x	0,9x
EV/Sales	2,3x	2,0x	1,8x
Dividend Yield	0,0%	0,0%	0,0%
Free cashflow yield	7,0%	9,8%	12,0%

Source: Company Data, Tacirler Investment

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

Important Disclosures

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