TACİRLER YATIRIM

Turkish Airlines

We view Turkish Airlines' 3Q26 financial results as slightly positive, driven by stronger-than-expected net profit and operational performance in line with our estimates. The company reported TL61.5bn net profit in the third quarter, exceeding our estimate of TL47.2bn by 30% and the market expectation of TL52.4bn by 17%. Revenues increased by 40% YoY to TL396bn, while EBITDA rose by 11% YoY to TL69.2bn, both broadly in line with our estimates. Strong passenger and cargo revenues supported growth, while we positively view operational performance remaining in line with our expectations despite cost pressures, alongside the earnings beat. We believe the company maintains its medium- to long-term potential, supported by its extensive flight network, strong demand and contribution from cargo operations. Accordingly, we maintain our BUY recommendation and 12-month target price of TL414 per share for Turkish Airlines, which remains in our model portfolio.

Strong growth in passenger and cargo operations supported revenues. In 3Q26, revenues increased by 19% YoY in USD terms to USD8.3bn, driven by 15% growth in passenger revenues and 46% growth in cargo revenues. Passenger traffic increased by 4.7% YoY to 28.5mn, while the load factor improved by 1.5pp to 87.1%, indicating that the additional capacity was supported by strong demand.

Cost pressures limited the translation of strong revenue growth into operational profitability. In USD terms, fuel expenses increased by 59% YoY and personnel expenses by 16%, while total operating expenses rose by 25%, leading to a 4.6pp contraction in the EBITDA margin to 17.5%. Although profitability recovered QoQ with the support of the high season, the YoY margin contraction highlighted continued cost pressures. Meanwhile, net profit exceeded expectations thanks to the contribution from the investment portfolio. However, while net profit increased by 10% YoY in TL terms, it declined by 6% in USD terms to USD1.3bn. Therefore, while we view the earnings beat positively, we believe operational margin performance is more important for sustainable profitability.

We expect revenue growth to be supported by a recovery in profitability in 2027. In our updated forecasts, we expect the company to end 2026 with TL1.33tn in revenues, TL156.4bn in EBITDA and TL95.3bn in net profit. For 2027, we forecast TL1.76tn in revenues, TL255.1bn in EBITDA and TL154.5bn in net profit, respectively. Accordingly, we expect the EBITDA margin to improve from 11.7% to 14.5%. Growth in passenger and cargo operations, together with easing cost pressures, supports our recovery outlook, while geopolitical risks and fuel prices continue to create uncertainty.

THYAO	BUY
Target Price	**TL 414**
Return potential	**56%**

Share Data

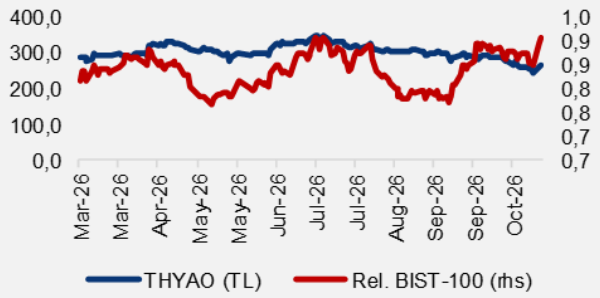
Ticker:	**THYAO TI**
Share price (as of 03.11.2026)	265,00
Share price (52 week range)	242 / 348
Market cap. (TL mn - USD mn)	365.700 - 7.327
# of shares (mn) & free float	1.380 - 50%
Foreign Ownership Rate	16.94%
Market	Star
Industry	Aviation

Avg. trading volume	**1M**	**3M**	**12M**
USD mn	161,9	240,0	290,3

Price performance	**1M**	**3M**	**Y-t-D**
TL	-9%	-16%	-1%
USD	-11%	-21%	-15%
Rel. to BIST-100	1%	2%	1%

Forecasts (TL mn)	**2024**	**2025**	**2026E**
Revenues	745.430	955.472	1.332.445
EBITDA	136.256	158.217	156.411
Net Earnings	113.378	118.208	95.348

Valuation	**2024**	**2025**	**2026E**
P/E	3,2x	3,1x	3,8x
P/BV	0,5x	0,4x	0,3x
EV/EBITDA	6,1x	5,3x	5,3x



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Financial Statements

Balance Sheet	2024	2025	2025E
Cash	95.992	86.035	80.753
Accounts receivables	31.908	45.791	53.916
Inventory	23.661	41.472	51.827
Financial investments	118.030	182.732	231.570
Fixed assets	252.852	370.340	505.308
Other non-current assets	877.163	1.270.375	1.732.613
Total assets	**1.399.606**	**1.996.745**	**2.655.986**
Short-term financial loans	130.410	162.436	210.849
Accounts payables	52.792	78.640	93.288
Long-term financial loans	359.529	601.817	870.513
Other long-term payables	176.988	242.630	331.201
Non-current liabilities	**719.719**	**1.085.523**	**1.505.851**
Shareholders' equity	**679.887**	**911.222**	**1.150.135**
Paid in Capital	1.380	1.380	1.380
Other Equity	678.507	909.842	1.148.755
Total liabilities & equity	**1.399.606**	**1.996.745**	**2.655.986**
Net debt	393.947	678.218	1.000.609
Net working capital	2.777	8.623	12.454

Per share (TL)			
EPS	82,16	85,66	69,09
BVPS	492,67	660,31	833,43
DPS	0,00	6,49	0,00

Ratios			
Profitability			
ROE	19,9%	14,9%	9,3%
Net margin	15,2%	12,4%	7,2%
Asset turnover	0,6x	0,6x	0,6x
Leverage	2,2x	2,1x	2,3x
ROA	9,3%	7,0%	4,1%
Leverage			
Financial debt/Total assets	35%	38%	41%
Net debt/Equity	0,58	0,74	0,87
Net debt/EBITDA	2,89	4,29	6,40

Income statement	2024	2025	2026E
Revenues	**745.430**	**955.472**	**1.332.445**
Gross profit	142.908	155.560	146.517
Operating expenses	-78.958	-92.025	-120.822
Operating profit	63.950	63.535	25.695
EBITDA	**136.256**	**158.217**	**156.411**
Other income, net	16.443	26.594	26.672
Financial income, net	-17.731	-11.580	-45.717
Earnings before taxes	121.421	137.578	102.621
Tax expense	-8.064	-19.461	-7.379
Net earnings	**113.378**	**118.208**	**95.348**

Cashflow statement			
EBITDA	**136.256**	**158.217**	**156.411**
Taxes on EBIT	71.716	-8.064	-19.461
Capital expenditures	-24.549	-43.499	-76.816
Chg. in NWC	-2.889	3.334	5.846
Free cashflows to firm	**165.453**	**81.359**	**56.094**

Growth & margins			
Revenues	48%	28%	39%
EBITDA	18%	16%	-1%
Net earnings	-30%	4%	-19%
Gross margin	19,2%	16,3%	11,0%
Operating margin	8,6%	6,6%	1,9%
EBITDA margin	18,3%	16,6%	11,7%
Net margin	15,2%	12,4%	7,2%
Free cashflow margin	22,2%	8,5%	4,2%

Valuation			
P/E	3,2x	3,1x	3,8x
P/BV	0,5x	0,4x	0,3x
EV/EBITDA	6,1x	5,3x	5,3x

Source: Company Data, Tacirler Investment

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

Important Disclosures

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