

14 February 2024

TAV Airports: Bottom-line beat

HOLD

Current Price (TL)	150.00	Target Price (TL)	170 (Prev. 160)			
Market Cap (TL / US\$ mn)	54,492 / 1,777	12M Abs / Rel Return (%)	114 / 4			
P/E (2024E)	5.8x	EV/EBITDA (2024E)	6.8x			
(EURmn)	12M22	12M23	yoy Δ	ICBC	Consensus	Act. vs. Cons.
Revenues	1,051	1,310	25%	1,327	1,293	1%
EBITDA	322	385	19%	368	378	2%
EBITDA Margin	30.6%	29.4%	-120 bp	27.7%	29.2%	20 bp
Net Earnings	122	249	104%	155	171	46%

12M23 Results at a Glance

Strong earnings - TAV Airports recorded EUR249mn net profit in 2023, doubled yoy, and well ahead of the consensus. Revenues were in line, while the contraction in EBITDA margin was slightly less than anticipated.

Our View

Solid outlook for 2024-2025 - Traffic and revised tariffs were the main revenue drivers, while inflation, higher headcount, and Almaty's jet-fuel business continued to have contracting impact on profitability. Management introduced guidance for 2024 and upped its previous one for 2025 (see below), with which we revised our forecasts. As a result, we **raise our 12-month target price to TL170 from TL160**, though **maintain our HOLD recommendation**. Nevertheless, TAV's valuation multiples now look better than a quarter ago, at 5.8x P/E and 6.8x EV/EBITDA on our 2024 forecasts.

Comments

Strong revenues - TAV Airports reported EUR1.31bn revenues for 2023, up 25% yoy, in line with estimates. Volume growth and tariff revisions were the main growth drivers. The Company served 96mn passengers, 22% above 2022, and 7% above the pre-pandemic 2019. Aviation income rose by 25% with traffic growth and tariff increases, while Almaty contributed 31% total revenues. Ground handling revenues rose by 31%, with a 15% increase in flights served. Catering and duty-free revenues in total rose by 29%, with strong international traffic and better euro pricing. For 2024, management expects 100-110mn passengers (2023: 96mn) and EUR1.50-1.57bn revenues (2023: EUR1.31bn). Management also revised 2022-2025 CAGR guidance, which implies 104-116mn passengers and EUR1.56-1.73bn revenues for 2025.

Lower margins - Cash opex increased by 27% yoy, where Almaty caused EUR318mn higher opex (34% of the total). Excluding Almaty, like-for-like cash opex was 26% above 2022. Personnel expenses were up by 38%, due to wage hikes (higher than TL depreciation) and 10% higher headcount. Service expenses rose by 20%, driven by traffic growth and inflation. Cost of Almaty fuel business was EUR222mn vs. EUR177mn a year ago. As a result, EBITDA margin contracted by 120bp yoy to 29.4%, which was slightly better than the consensus. Management expects EUR430-490mn EBITDA for 2024, which implies 29-31% EBITDA margin for the year (2023: 29.4%). The revised CAGR guidance for 2022-2025 implies EUR477-557mn EBITDA for 2025, or 31-32% EBITDA margin.

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Tav Airports (EURmn)

Income Statement	12M22	12M23	YoY Δ
Revenues	1,051	1,310	25%
Aviation	434	543	25%
Ground handling	216	284	31%
Catering	110	146	33%
Lounge and loyalty card	50	87	75%
Duty free	51	61	19%
Other	190	189	-1%
Operating costs	-825	-1,063	29%
Personnel	-242	-334	38%
Services	-105	-126	20%
Catering	-34	-45	31%
Cost of fuel	-177	-222	26%
Depreciation	-96	-138	44%
Other	-171	-198	16%
EBIT	279	398	42%
EBITDA	322	385	19%
Net finance income	-138	-112	-18%
Net monetary position gain	16	5	-69%
Pre-tax income	157	291	85%
Taxes	-26	-32	23%
Discontinued operations	-1	0	-78%
Minority Interest	-8	-9	12%
Net Profit	122	249	104%
Margins			
EBITDA	30.6%	29.4%	-1.2 pp
Operating	26.6%	30.4%	3.8 pp
Eff. Tax Rate	16.4%	10.9%	-5.5 pp
Net	11.6%	19.0%	7.4 pp
Balance Sheet			
12M22	12M23	YoY Δ	
Cash & Mkt. Sec.	364	639	76%
Fin. Debt	1,396	1,787	28%
Net Debt	1,032	1,148	11%
Receivables	293	277	-5%
Inventories	50	34	-33%
Payables	1,455	1,374	-6%
LT Assets	3,525	3,721	6%
LT Liabilities	2,322	2,438	5%
Total Assets	4,278	4,753	11%
Equity (Cont. Int.)	1,205	1,411	17%
Cash Flow Statement			
12M22	12M23	YoY Δ	
Free Cash Flow	-247	26	n.m.
Net Cash from Operations	278	59	-79%
Net Cash from Investments	-526	-33	-94%

Source: The Company

TAV Airports

EUR mn	2022	Δ	2023	Δ	2024E	Δ	2025E	Δ
Revenue	1,051	101%	1,310	25%	1,506	15%	1,683	12%
EBITDA	322	115%	385	19%	464	21%	520	12%
EBITDA margin	30.6%	200bp	29.4%	-120bp	30.8%	140bp	30.9%	10bp
Net Income	122	173%	249	104%	286	15%	324	13%
P/E	13.5		6.6		5.8		5.1	
EV/EBITDA	8.4		7.3		6.8		6.0	
EV/SALES	2.57		2.15		2.08		1.85	
Div. Yield	0.0%		0.0%		0.0%		6.9%	

Source: ICBC Yatirim

Rating Basis

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Buy (B): The stock's total return* is expected to be more than 15% over the next 12 months.

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