

Türk Telekom

08/05/2025

Review of 1Q25 Financials

BUY

Upside Potential 27%

Actual vs Estimates

Net income exceeded the estimates by a wide margin on lower-than-expected amortization charges and financial expenses. Türk Telekom posted TL5.1bn net income in 1Q25 (+45% YoY), exceeding the estimates by a wide margin, which supported by lower-than-expected amortization charges and net financial expenses. (Is Inv: TL3.26bn; consensus: TL3.26bn). The effective tax rate came in at 41% in 1Q25 compared to 50% in 1Q24. The deviation from the ordinary corporate tax rate was largely driven by the indexation of last year's tax assets to Q125 as per the inflation accounting principles and the gap between PPI and CPI. High tax expense has limited implications for near-term cash flows. Net financial expenses were down 29.3% YoY due to more limited fx and hedging cost impact. The Company noted that hedging costs have gone up a bit due to recent volatility in financial markets which should be more visible in 2Q25.

Highlights of the Quarter

Strong EBITDA performance supported by fixed broadband performance: Slightly better than the expectations, consolidated revenues grew by 18.3% YoY to TL45.6bn in 1Q25. Fixed broadband and mobile revenues grew by 21% and 24% YoY, respectively. Both segments delivered c. 19% ARPU growth YoY. Corporate data and equipment sales also supported consolidated sales, delivering 30% YoY growth. Mobile segment had another strong quarter, adding 511k (+6.3% YoY) subscribers on net basis with 593k (+11.3% YoY) coming from postpaid segment. Fixed broadband base was almost flat around with 53k net new additions. Slightly exceeding the market call by 3%, consolidated EBITDA grew by 26.5% YoY and reached TL17.9bn in 1Q25 with an EBITDA margin of 39.3% (+2.5ppt YoY). This improvement was mainly driven by strong revenue growth, tight opex management and continued improvement in operating leverage.

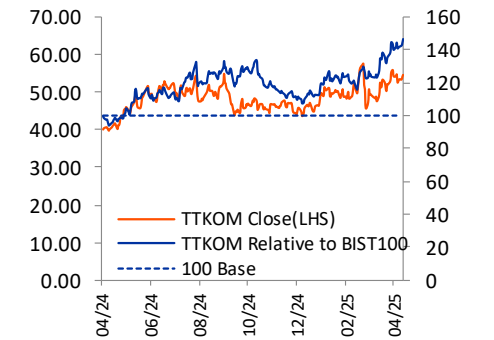
Stock Data

	TL
Price	54.55
Target Price*	69.40
Prev.TP	69.40
Mcap (mn)	190,925
Float Mcap (mn)	25,412
Avg.Daily Volume (3M, mn)	1003.0
No. of Shares Outstanding (mn)	3,500
Free Float (%)	13
Foreign Share (%)	38

Price Perf. (%)	1 Mn	Ytd	12 Mn
TL	14.9	25.5	33.4
US\$	12.8	14.8	11.5
Rel.to BIST-100	18.8	35.9	52.0

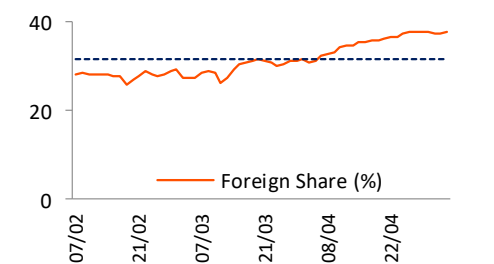
Multiples (\$)	2024	2025	2026
P/E	29.5	31.7	46.6
P/BV	1.2	1.3	1.4
EV/EBITDA	3.6	3.4	3.2

Price / Relative Price



52 Week Range (Close TL) 40.00 57.60

Foreign Share (%) Cur.(%) : 37.54



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Lower financial leverage: The Company defined net debt (including MTM from FX to TRY Currency Swaps and FV of Currency Protected Time Deposits) decreased to TL54.4bn in 1Q25 compared to TL 64.7 billion in 1Q24. Excluding the IFRS 16 impact, net debt was TL48.9bn as of 1Q25. FX based financial debt excluding the IFRS 16 impact decreased both QoQ and YoY (USD1.6bn in 4Q24 and USD1.9bn in 1Q24).

Impact on Valuation & Outlook

2025 guidance remained unchanged but with a clear upside potential: Management expects i) 7-9% real growth in revenues, ii) 38-40% EBITDA margin (39.4% in 2024) and, iii) 28-29% capex to sales ratio (25.7% in 2024) in 2025. 2025 real growth guidance is based on an assumed mid-to-high twenties inflation rate by the end of 2025. Capex guidance excludes potential spending for the solar investments, 5G tender, concession renewal and license fees. The management sees that 1Q25 results pose an upside risk to its full year guidance, particularly at the margin front but, prefers to observe the next quarter performance as well as the domestic and global macro environment, before considering any revisions. We see guidance revision likely in 2Q25.

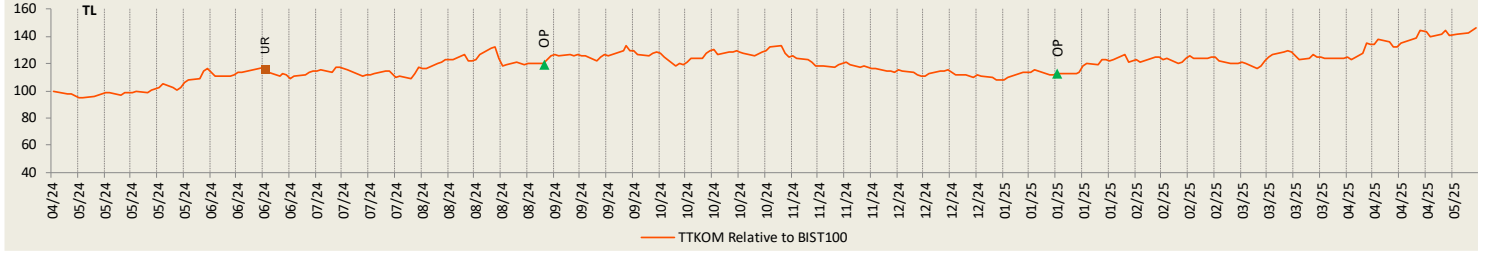
Comment: We expect a slightly positive market reaction to upbeat bottom-line and strong operating performance. That said, we think that the terms for the fixed line concession renewal and 5G tender are far more important for our valuation than the quarterly results. We are likely to revise our estimates once we have a clearer picture on mentioned issues, which are expected to be finalized in the near term according to the statements of the company management and the regulatory body. Currently, we maintain our BUY rating for TTKOM with a 12M target price at TL69.4.

TL mn	IAS - 29			Cons. 1Q25E	IS Inv. 1Q25E
	1Q25	1Q24	Change		
Revenues	45,596	38,545	18%	43,725	43,725
Gross Profit	18,548	13,420	38%		
Gross Margin	40.7%	34.8%	5.9ppt		
Op-ex	-10,461	-10,055	4%		
Op-ex/Sales	-22.9%	-26.1%	3.1ppt		
EBIT	8,088	3,365	140%		
Depreciation	9,679	9,883	-2%		
EBITDA*	17,912	14,158	27%	17,407	17,572
EBITDA Margin	39.3%	36.7%	2.6ppt	39.8%	40.2%
Financial Inc. (Exp.), net	-5,277	-8,279	-36%		
Monetary Gain/Loss	5,925	10,605	-44%		
PBT	8,643	7,078	22%		
PBT Margin	19.0%	18.4%	0.6ppt		
Tax Inc./Exp.	-3,509	-3,543	-1%		
Net Income	5,134	3,536	45%	3,266	3,266
Net Margin	11.3%	9.2%	2.1ppt	7.5%	7.5%

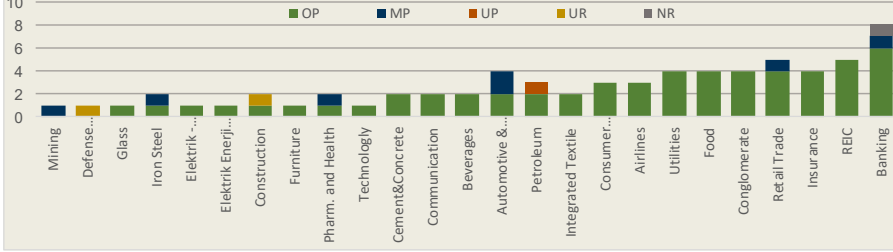
* Company defined EBITDA

Turk Telekom

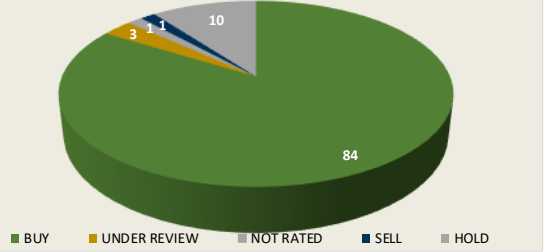
Relative to BIST 100 / Recommendations



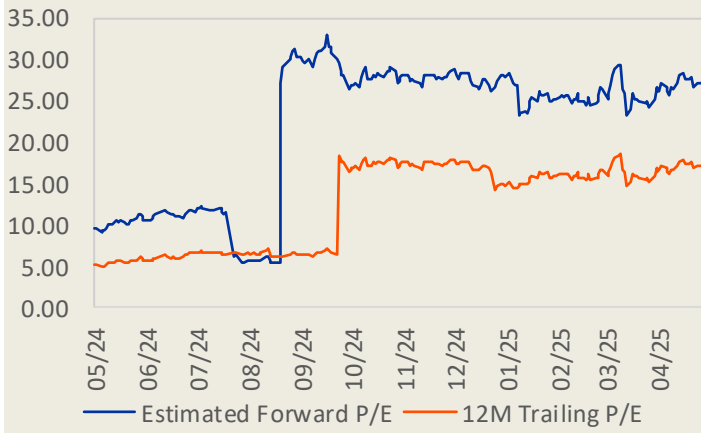
Number of Companies



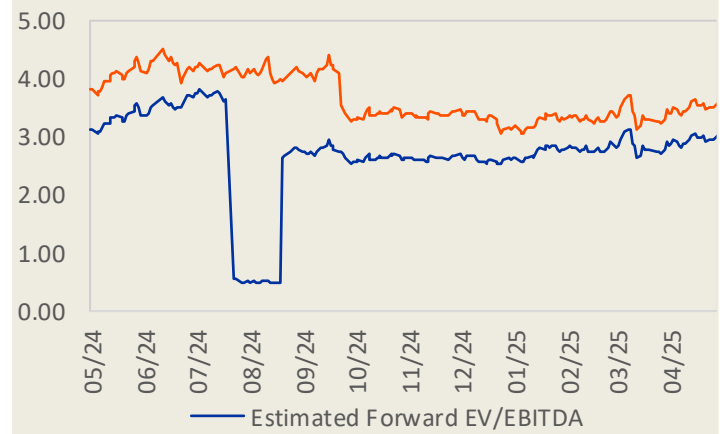
Rec. Breakdown for Coverage



Estimated Forward P/E & 12M Trailing P/E



Estimated Forward EV/EBITDA & 12M Trailing EV/EBITDA



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