

Turkish Airlines

2Q25 – Earnings Update

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THY reported 2Q25 revenues of USD6.0bn (+6% y/y), company calculated EBITDA (including adjustments with net other income, equity pick-up income, income from incentives) of USD1.36bn (+13% y/y) and net income of USD694mn (-26% y/y). Quarterly top-line was in line with the company made consensus whereas EBITDA and NI surpassed the consensus by 7% and 5%, respectively. Milder cost pressure supported operating profitability. On the other hand, decline in cargo revenues, accounting effect of weaker USD and tax impact weighed on the bottom-line.

2025 guidance is maintained: 6-8% ASK increase y/y (1H25: +6%), 6-8% revenue increase (1H25: +4%), company calc. EBITDAR margin 22-24% (1H25: 20.2% down by 40pt y/y), end-2025 fleet size of 520-525 (end-1H25: 485), mid-single digit increase in ex-fuel CASK (1H25: +7.7% y/y), THY's 2025 fuel hedge ratio is 50% at USD67/bbl (end-2024: 41% at USD77/bbl). 2026 hedge level is 10%. We maintain our long term Outperform Rating for the stock with TP of TL494/share. The carrier's results call is today at 17:00 local time. Geopolitics, FX moves, inflation and traffic trends remain as stock's major catalysts.

2Q25 revenues increased by 6% y/y in USD terms. Passenger revenue was up by 7% but cargo revenue shrank by 9% y/y. Please note that in 2Q25, total pax and cargo growths were 5% and 6% y/y, respectively. Passenger RASK was up by 1% y/y. However, total passenger and cargo revenue/ adjust ASK for cargo shrank by 1% y/y due to pressure on cargo yields.

2Q25 expenses increased by 4% y/y in USD terms. Compared to 2Q24, CASK was down by 2% y/y. Fuel CASK declined by 15% y/y. Ex-fuel CASK increase was moderate at 4%. In per unit terms, personnel, airports& air navigation, maintenance and catering expenses were respectively up by 14%, 14%, 14% and 10% above 2Q24. Increase in ex-fuel CASK were affected by GTF groundings which is stated to be 1pp (1Q25: 2pp). In terms of per unit expense declines, fuel topped the list followed by sales & marketing's c14% y/y decline with increasing direct sales (structural improvement via TK Connect) aircraft ownership's (depreciation and aircraft rent expenses) 10% draw back and quite strikingly ground handling's 9% decline.

Company calculated 2Q25 EBITDA margin was 22.7% up by 146bps y/y and EBITDAR margin was 25.5% up by 123bps y/y. As per our calculations from reported financials, 2Q25 other excluded EBITDA (total revenue-expenses plus depreciation) margin became 19.9% up by 127bps. We calculate 2Q25 other excluded EBITDAR (EBITDA plus aircraft rent) margin as 20.8% up by 13 bps y/y.

It can be asserted that improvement in pure operating profit (total revenue minus expenses) from 2Q24's USD510mn to USD606mn in 2Q25 was not reflected to the bottom-line. Sum of NOI, NII and net finance expenses in 2Q25 was positive USD189mn versus 2Q24's positive USD480mn attributable to various items but mainly lower net other income and net investment income. Furthermore, 2Q25's effective tax rate of negative 13.1% versus 2Q24's positive 9.9% rate put extra pressure on the bottom-line.

THY's end-1H25 fleet included 485 aircraft (191 FL/ 137 OL/ 157 owned) versus end-1H24's 458 aircraft (202 FL/ 121 OL/ 135 owned) and end-2024's 492 aircraft (199 FL/ 148 OL/ 145 owned). Average fleet age is 10.1 years.

Slightly lower net debt/ other excl. EBITDAR q/q: As of end-1H25, carrier's total fin. lease liability became USD10.6bn (43% EUR, 27% USD, 24% JPY, 4% CNY) with average annual debt repayment of USD1.22bn. At end-1H25, we calculate net debt (total cash and financial investments minus total loans & leases) as USD8.4bn down by 3% q/q implying net debt/trailing other exc. EBITDAR of 1.9x (end-1Q25:2.0x, end-2024: 1.7x).

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Current Rating		Outperform
Expected Market Reaction	↑	Slightly Positive
Analyst Action	→	None

Price	TL295.50	Mcap (USDmn)	\$10,046mn
Target Price	TL494.00	Prev. Target Price	TL494.00
Upside	67%	Free Float	50%
High /Low 30Day	299.5 / 249.2		

BB 2025FY Consensus

Estimate Revisions	1W	4W	3M
EPS	0.0%	4.4%	-2.4%
Sales	0.0%	0.9%	-0.2%
# of Buy/Hold/Sell	23/2/0	23/2/0	22/2/0
Rel Perf. XU100	0.1%	-4.4%	-14.5%
ADV (TLmn)	8,094	8,227	7,898

OYAK vs BB consensus

(2025E USDmn)	OYAK	Cons.	% Diff
Sales	24,930	24,127	3%
EBITDA	4,473	4,499	-1%
NI	2,741	2,802	-2%

Multiples & Ratios

(OYAK Est)	2023	2024	2025E
EV/EBITDA	3.8x	4.4x	4.1x
P/E	1.5x	2.9x	3.7x
EV/Sales	0.9x	0.8x	0.7x



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Exhibit 1: THY 2Q24 & 2Q25 Revenue and Cost Metrics

Revenue breakdown (USD mn)	2Q24	2Q25	25 vs 24	Share in 2Q24	Share in 2Q25
Pax revenue	4,597	4,938	7%	81.2%	82.6%
Cargo revenue	885	802	-9%	15.6%	13.4%
Technical revenue	140	184	31%	2.5%	3.1%
Other revenue	39	56	44%	0.7%	0.9%
Consolidated revenues	5,661	5,980	6%	100.0%	100.0%

Regions (USD mn)	2Q24	2Q25	25 vs 24	Share in 2Q24	Share in 2Q25
Europe	1,618	1,682	4%	29.5%	29.3%
Asia and Far East	1,405	1,475	5%	25.6%	25.7%
Middle East	447	453	1%	8.2%	7.9%
America	1,149	1,172	2%	21.0%	20.4%
Africa	396	436	10%	7.2%	7.6%
Total international flights	5,015	5,218	4%	91.5%	90.9%
Domestic flights	467	522	12%	8.5%	9.1%
Total pax and cargo revenue	5,482	5,740	5%	100.0%	100.0%

Operating costs (USD mn)	2Q24	2Q25	25 vs 24	Per ASK in 2Q24	Per ASK in 2Q25	25 vs 24
Fuel	1,586	1,436	-9.5%	2.49	2.11	-15.3%
Personnel	1,091	1,331	22.0%	1.71	1.96	14.3%
Aircraft ownership	644	618	-4.0%	1.01	0.91	-10.1%
Airports & air navigation	426	518	21.6%	0.67	0.76	13.9%
Sales and marketing	356	326	-8.4%	0.56	0.48	-14.2%
Ground handling	413	401	-2.9%	0.65	0.59	-9.0%
Pax services, catering	247	290	17.4%	0.39	0.43	10.0%
Maintenance	261	317	21.5%	0.41	0.47	13.8%
Other	127	137	7.9%	0.20	0.20	1.1%
Total operating costs	5,151	5,374	4.3%	8.10	7.91	-2.3%
			Ex-fuel CASK	5.60	5.8	3.5%

Source: Financials, presentations

Exhibit 2: THY Summary Financial Statements

Income Statement	2Q24 (USD mn)	2Q25 (USD mn)	(y/y %)	1H24 (USD mn)	1H25 (USD mn)	(y/y %)
Total revenues	5,661	5,980	6%	10,430	10,867	4%
Total expenses	-5,151	-5,374	4%	-9,948	-10,540	6%
EBIT	510	606	19%	482	327	-32%
D&A	543	582	7%	1,074	1,147	7%
Aircraft rent	119	58	-51%	216	142	-34%
EBITDA	1,053	1,188	13%	1,556	1,474	-5%
EBITDAR	1,172	1,246	6%	1,772	1,616	-9%
Net other income	213	100	-53%	283	303	7%
Net income from investments	441	257	-42%	749	555	-26%
Net income from associates	17	15	-12%	19	-28	n.m.
Net financial expenses	-191	-183	-4%	-375	-411	10%
Net monetary gain/ loss	0	0	n.m.	0	3	n.m.
Profit before tax	858	795	-7%	1,026	749	-27%
Tax expenses	85	-104	n.m.	143	-102	n.m.
Net profit	943	694	-26%	1,169	650	-44%

Operating Performance						
EBIT margin	9.0%	10.1%	112 bps	4.6%	3.0%	-161 bps
EBITDA margin	18.6%	19.9%	127 bps	14.9%	13.6%	-135 bps
EBITDAR margin	20.7%	20.8%	13 bps	17.0%	14.9%	-212 bps
Effective tax rate	9.9%	-13.1%	n.m.	13.9%	-13.6%	n.m.
Net margin	16.7%	11.6%	-505 bps	11.2%	6.0%	-523 bps

Balance Sheet	2025/03 (USD mn)	2025/06 (USD mn)	(q/q%)	2024/12 (USD mn)	2025/06 (USD mn)	(YTD)
Cash and equivalents	2,352	2,486	6%	2,721	2,486	-9%
ST fin. investments	3,179	3,789	19%	3,346	3,789	13%
Tangibles	7,173	7,605	6%	7,055	7,605	8%
Right of Use Assets	17,799	17,819	0%	17,625	17,819	1%
Total assets	40,643	41,584	2%	39,674	41,584	5%
Financial and lease debt	14,212	14,684	3%	13,861	14,684	6%
Shareholders' equity	19,033	18,967	0%	19,310	18,967	-2%
Net debt* / (cash)	8,681	8,409	-3%	7,794	8,409	8%

Source: USD financials, EBITDAR= total sales-total expenses +D&A+ aircraft related rent+ wet leases from total expenses, *cash plus st financial investments minus financial loans and lease debt

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