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Türk Hava Yolları

Net profit exceeded expectations in 4Q25...

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Turkish Airlines reported a net profit of US$882mn in 4Q25, representing a 23.9% YoY increase and exceeding the market consensus by 67% and our estimate by 44.6% (4Q24: US$712mn net profit) (Seker.: US$610mn, Avg. Consensus: US$528mn). The strong bottom-line performance was supported by improved operating profitability, contribution of income from investment activities, and the positive impact of declining tax expenses on an annual basis. As a result, the Company recorded a 23.9% YoY increase in net profit in the final quarter of the year. THY's total PAX volume rose by 15.7% YoY, reaching 23.3mn in 4Q25 compared to 4Q24. Meanwhile, total cargo volume rose by 16.6% YoY in 4Q25. Supported by a 13% YoY increase in passenger revenues, in line with strong passenger growth, and a 3% YoY increase in cargo revenues driven by higher cargo volumes, THY's total revenues increased by 11.9% YoY to US$6,276mn in 4Q25 (Seker.: US$6,173mn, Avg. Consensus: US$6,175mn). The Company's EBITDA reached US$1,314mn, representing a 23.5% YoY increase and exceeding market expectations by 6%, driven by revenue growth, declining operating expenses, and the contribution of income from government incentives (Seker: US$1,346mn, Avg. Consensus: US$1,243mn). While operational results came in slightly above expectations, net profit significantly outperformed estimates.

The EBITDAR margin rose by 0.7 pp YoY to 23.2% in 4Q25. THY's total passenger traffic rose by 15.7% YoY in 4Q25, while the passenger LF reached 83.9%, up 2.1pp YoY compared to 4Q24. However, revenue yields declined slightly by 0.5% YoY in USD terms, reaching US$8.59 in 4Q25. Cargo volume increased by 16.6% YoY, while cargo revenues rose by 3.4% YoY to US$981mn in 4Q25. THY's RASK2 (including ACTK) declined by 1.1% YoY to US¢7.71 in 4Q25 (4Q24: US¢7.79). Meanwhile, passenger RASK increased by 0.9% YoY to US¢7.21. Total CASK increased by 0.5% YoY to US¢8.55, mainly arising from fuel CASK due to high crack spread (4Q24: US¢2.18, 4Q25: US¢2.35, +8.0% YoY), despite declines in ex-fuel CASK driven by lower personnel CASK (4Q24: US¢2.18, 4Q25: US¢1.99, -8.6% YoY) and reduced aircraft ownership costs. EBITDAR rose by 15.4% YoY to US$1,454mn, supported by top line growth and cost base effect. The EBITDAR margin improved by 0.7pp YoY to 23.2%. THY's Net Debt/EBITDA ratio stood at 1.6x in 2025 (2024: 1.1x). The Company's fuel hedge ratios are 36% for 2026 and 5% for 2027.

We believe that the 4Q25 results, supported by stronger-than-expected net profit, double-digit passenger growth, high load factors, and solid operational profitability, could have a positive short-term impact on the stock performance. However, rising geopolitical uncertainties, potential increases in jet fuel prices, and possible airspace restrictions in the Middle East may put pressure on operational efficiency.

Following the results, we maintain our TP of **"TRY 445.00/share" for THY, and our "OP" recommendation.** The current share price of TRY 287.75 has upside potential of 55% according to the target share price.

OUTPERFORM
TP: TRY 445.00
Upside potential: 55%
Previous TP: TRY 445.00

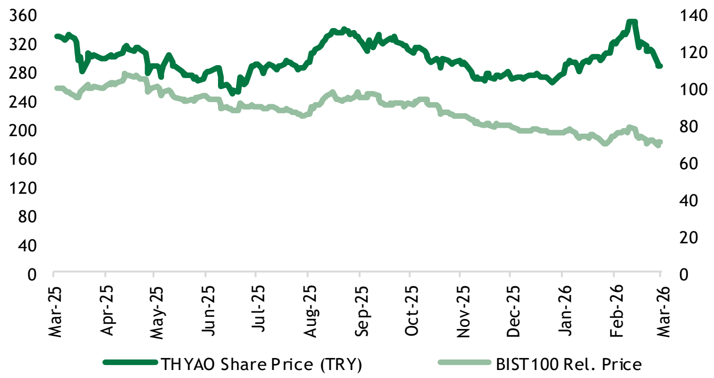
	TRY	US$
Close	287,75	6,56
BIST 100	12.943	295
US$/TRY (CB Bid Rate):	43,8932	
52 Week High:	352,50	9,11
52 Week Low:	246,66	6,13
Bloomberg/Reuters Ticker:	THYAO.TI / THYAO.IS	

Number of Shares (Mn):	1.380	
	(TRY mn)	**(US$ mn)**
Current Mcap :	397.095	9.047
Free Float Mcap :	198.548	4.523

	1 M	YoY	YtD
TRY Return (%):	-10,2	0,3	7,2
US$ Return (%):	-11,2	-23,0	4,7
BIST 100 Relative (%):	-3,6	-23,3	-6,8
Avg. Daily Vol. (TRY m):	11.181		
Avg. Daily Vol. (US$ m):	272		

Beta	0,90
Volatility (Stock)	0,32
Volatility (BIST 100)	0,25

Shareholder Structure	**%**
Turkey Wealth Fund	49,12
Other	0,33
Free Float	50,55
Total	100,00



Risks - Another pandemic, natural disaster or rising geopolitical risk presents downside risks to our traffic and profitability assumptions. Also, a swift increase in jet fuel prices would introduce a downside risk to our valuation, and *vice versa*.

Table 1: Summary P&L

US$ Million	2024	2025	YoY	4Q24	4Q25	YoY
Revenues	**22.669**	**24.096**	**6,3%**	**5.609**	**6.276**	**11,9%**
Gross Profit	**4.322**	**3.888**	**-10,0%**	**887**	**877**	**-1,1%**
Gross Profit Margin	*19,1%*	*16,1%*	*-2.9 pp*	*15,8%*	*14,0%*	*-1.8 pp*
EBIT	**2.856**	**2.664**	**-6,7%**	**629**	**676**	**7,5%**
EBIT Margin	*12,6%*	*11,1%*	*-1.5 pp*	*11,2%*	*10,8%*	*-0.4 pp*
EBITDA	**5.059**	**5.059**	**0,0%**	**1.203**	**1.314**	**9,2%**
EBITDA Margin	*22,3%*	*21,0%*	*-2.4 pp*	*21,4%*	*20,9%*	*-0.5 pp*
Net Profit	**3.425**	**2.910**	**-15,0%**	**712**	**882**	**23,9%**
Net Profit Margin	*15,1%*	*12,1%*	*-3.0 pp*	*12,7%*	*14,1%*	*1.4 pp*

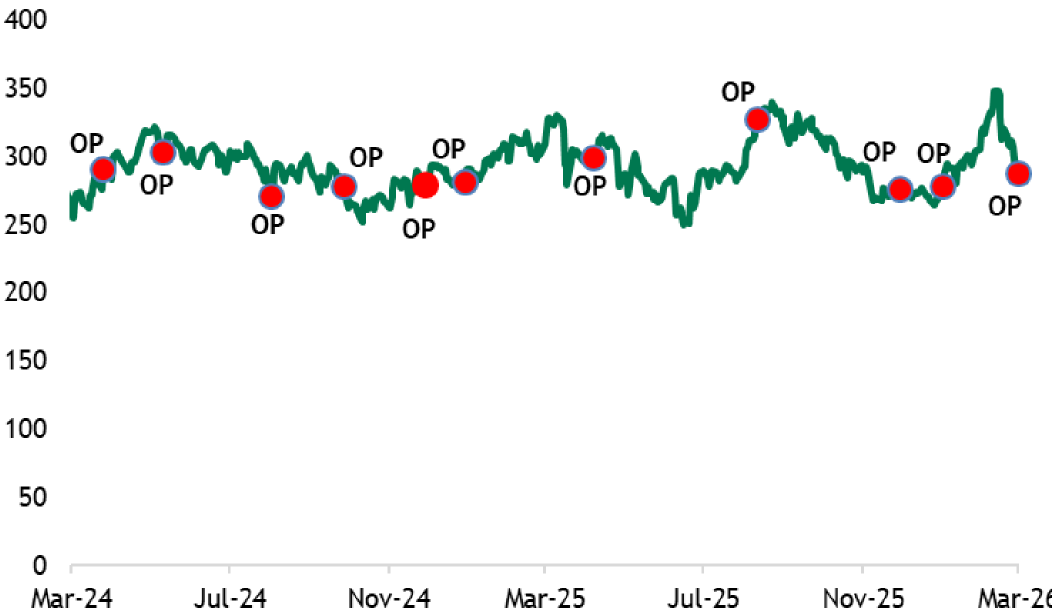
Source: Turkish Airlines, Finnet, Seker Invest Res.

Table 2: Key Financials

Assets (mn USD)	2021	2022	2023	2024	2025
Cash and Cash Eq. & Short-Term Financial Investments	2.682	4.701	6.027	6.067	6.273
Trade Receivables	925	995	856	905	1.069
Pre-delivery Payment Receivables (PDP)	546	511	305	837	341
Other Current Assets	785	1.018	1.407	1.884	2.503
Total Current Assets	**4.938**	**7.225**	**8.595**	**9.693**	**10.186**
Net Fixed Assets	4.364	4.723	6.118	7.098	8.506
Rights of Use of Assets	15.110	16.577	16.928	17.625	19.786
Pre-delivery Payment Receivables (PDP)	279	291	501	566	748
Other Non-Current Assets	16.956	18.705	20.457	22.317	27.163
Total Non-Current Assets	**21.599**	**23.719**	**27.076**	**29.981**	**36.417**
Total Assets	**26.537**	**30.944**	**35.671**	**39.674**	**46.603**
Liabilities (mn USD)	**2021**	**2022**	**2023**	**2024**	**2025**
Lease Obligations	10.244	10.766	11.812	11.966	14.886
Bank Borrowings	4.659	3.273	2.435	1.895	2.918
Passenger Flight Liabilities	1.216	2.291	2.656	2.659	3.094
Accounts Payable	891	1.200	1.291	1.494	1.832
Other Liabilities	2.690	3.672	1.914	2.346	2.559
Total Liabilities	**19.700**	**21.202**	**20.108**	**20.360**	**25.289**
Total Shareholders Equity	**6.837**	**9.742**	**15.563**	**19.314**	**21.314**
Total Liabilities & Shareholders Equity	**26.537**	**30.944**	**35.671**	**39.674**	**46.603**

Source: *Turk Hava Yolları, Seker Invest, PDP, Finnet*

Historical Recommendations and target prices



Date	Recommendation	Target Price (TRY)
4-Apr-24	Outperform (OP)	402,60
23-May-24	Outperform (OP)	475,40
6-Aug-24	Outperform (OP)	475,40
5-Nov-24	Outperform (OP)	475,40
7-Jan-25	Outperform (OP)	495,50
28-Feb-25	Outperform (OP)	495,50
29-Apr-25	Outperform (OP)	495,50
6-Aug-25	Outperform (OP)	495,50
7-Nov-25	Outperform (OP)	495,50
9-Jan-26	Outperform (OP)	445,00
4-Mar-26	Outperform (OP)	445,00

Basis for 12m equity ratings

Outperform: The total return is expected to exceed the return of the BIST 100 by more than 10%.
Underperform: The total return is expected to fall below the return of the BIST 100 by more than 10%.
Market Perform: The total return is expected to be in line with the return of the BIST 100.

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