Turkish Airlines

4Q24 – Earnings Update and Conference Call Notes

3 March 2025

THY announced its 2024 results and held its results call last Friday. 4Q24 revenues were USD5.6bn (+10% y/y), company calculated EBITDA (including adjustments with net other income, equity pick-up income, income from incentives) USD1.1bn (-1% y/y), net income of USD711mn (-78% y/y, exc inflation accounting +460% y/y). Quarterly sales and company calculated EBITDA were in line with company made consensus whereas NI surpassed expectations by 13%. Annual increase in NOI, investment income and financial income were supportive. However, total revenue minus total expense stood at USD226mn (-9% y/y) and remained below consensus' call of USD277mn and signalled pressure.

2025 guidance was shared, and details can be found on the next page. THY also disclosed that it will propose total gross dividend of TL6.88/share at AGM. It is planned to be distributed in two equal instalments on 16th June and 2nd September. Dividend pay-out from 2024 reported net income is 8.4%.

4Q24 revenues increased by 10% y/y in USD terms. Cargo revenue rose by 21% y/y. Pax revenue was up by 8% y/y but technic revenue retreated by 12% y/y. 4Q24 international pax and total cargo increased by 5% and 6%, respectively. Passenger RASK was flattish y/y. Thanks to strong yields in cargo business, total pax and cargo revenue/ASK improved by 5% y/y.

4Q24 expenses increased by 11% y/y in USD terms. Compared to 4Q23, CASK was up by 3% y/y. Fuel CASK was down by 24% y/y. Ex-fuel CASK increase was 17%. In per unit terms, personnel, ground handling, catering and maintenance were respectively up by 42%, 13%, 14% and 29% above 4Q23. Increase in ex-fuel CASK were affected by wages, GTF groundings and growing cargo operations.

As per our calculations from reported TL financials, 4Q24's other excluded EBITDA margin became 14.3% versus 4Q23's 15.2% with CASK pressure. We calculate 4Q24 EBITDAR margin as 16.6% down by 41 bps y/y. Company calculated 4Q24 EBITDAR margin is 22.5%.

4Q24 PBT jumped by 494% y/y in TL terms but net income retreated due to 4Q23's high positive tax base related to inflation accounting: In 4Q24, net other income (jump in manufacturer's credits and FX gains) was TL7.2bn versus 4Q23's negative TL1bn. Net income from investments (boosted by fin. Inv interest income) were TL12.2bn and doubled y/y. Net financial income became TL3.1bn versus 4Q23's negative figure of TL9.3bn (lower FX loss, higher interest income and fair value gains on derivatives). Due to 4Q23's aforementioned high base, annual net income in TL terms declined by 74% y/y.

THY's end-2024 fleet included 492 aircraft (199 FL/ 148 OL/ 145 owned) versus end-2023's 440 aircraft (211 FL/ 110 OL/ 119 owned). Average fleet age became 9.9 years. 2025 hedge level is 41% at break-even price of USD75/bbl.

Lower net debt/ other excl. EBITDAR q/q: As of end-2024, carrier's total fin. lease liability became USD9.7bn (45% EUR, 29% USD, 19% JPY, 4% CNY). At end-2024, net debt became TL276bn down by 2% q/q implying net debt/trailing other exc. EBITDAR of 1.8x (end-3Q24: 2.0x).

We maintain our long term Outperform Rating for the stock with a revised TP of TL494/share (previous TL458) with results, call highlights and lower net debt expectations.

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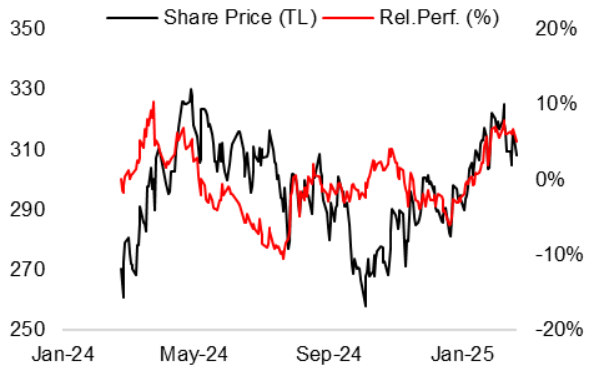
Current Rating			Outperform
Expected Market Reaction			Neutral
Analyst Action			Pos. Estimate Revison
Price	TL318.00	Mcap (USDmn)	$12,033mn
Target Price	TL494.00	Prev. Target Price	TL458.00
Upside	55%	Free Float	50%
High /Low 30Day	327.0 / 297.5		

BB 2024FY Consensus Estimate Revisions	1W	4W	3M
EPS	-2.6%	-2.6%	8.2%
Sales	-1.4%	-1.4%	-0.8%
# of Buy/Hold/Sell	22/2/0	22/2/0	21/2/0
Rel Perf. XU100	-1.7%	-1.0%	8.8%
ADV (TLmn)	10,869.2	10,667.6	9,043.9

OYAK vs BB consensus (2025E USDmn)	OYAK	Cons.	% Diff
Sales	24,930	25,481	-2%
EBITDA*	4,473	5,027	-11%
NI	3,553	3,163	12%

Multiples & Ratios ** (OYAK Est)	2023	2024	2025E
EV/EBITDA	6.2x	5.2x	4.1x
P/E	2.7x	3.9x	3.1x
P/S	0.9x	0.6x	0.4x

**Our estimate is other exc, ** calculated acc to TL figures*



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Main highlights from THY's recent 4Q24 results call:

- THY's 2025 expectations summarised in the call were as follows: 6-8% ASK increase y/y (2024: 8% y/y), 6-8% revenue increase (2024: 8%), company calc. EBITDAR margin 22-24% (2024: 25%), end-2025 fleet size of 515-525 (end-2024: 492), flattish pax yields (2024: 3% lower y/y), flattish cargo revenues (2024: +35% y/y), fuel CASK 5-8% decline y/y (2024: -9% y/y), mid-single digit increase in ex-fuel CASK (2024: +12% y/y), Personnel cost increase in USD is estimated to increase by high-single digit (2024: +45% y/). It is shared that hiring is paused except for capacity growth. As per the recent audit report, THY's average personnel number reached 60,135 in 2024 and we calculate 16% increase y/y. THY's 2025 fuel hedge ratio is 41% at USD77/bbl and may reach 50% at the end of the year.

Exhibit 1: 2025 Guidance in a nutshell

	2024	2025 Guidance
ASK increase y/y	8%	6-8%
USD revenue growth	8%	6-8%
Company calc. EBITDAR margin	25%	22-24%
Eop a/c	492 (net 52 addition)	515- 525
Pax Yield change	3% lower y/y	Flattish
Cargo revenue	+35% y/y	Flattish
Fuel CASK annual change	-9%	5-8 % decline y/y
Ex-Fuel CASK annual change	+12% y/y	Mid-single digit increase
Personel cost in USD	+45% y/y	High-single digit increase
Company calc. net debt/EBITDA	1.1x	1.1- 1.3x

Source: THY, OYAK Securities

- It is reminded that in 4Q24, yield erosion stopped for passenger side and cargo operations were strong both on volume and yield terms. On the negative side, the personnel costs were high because of the high inflation adjustment and relatively overvalued TL. It is emphasized that going forward the increase in salaries for 2025 are already budgeted in and it is stated that there won't be a surprise on that front because the union agreement comprised '24 and '25 years and inflation expectation has come down. The carrier is expecting a more balanced development of Turkish lira against dollar with the inflation rate. Furthermore, the grounding of the Airbus new aircrafts with P&W engine problems are going to be decreasing from about 40 to 30 aircrafts. Compensation agreement with P&W is stated to have been partially received in 2024 and remainder is expected in 2025.
- In general terms, the management sounded positive about bookings but remained cautious. 2025's planned 6-8% capacity increase will not be equally distributed as largely anticipated. Americas and Far East will get lion's share.
- On cargo front, recent indicators are stated to point a softening in cargo demand, driven partly by an uncertain macroeconomic outlook, mainly stemming from tariffs and persistent inflation. While ecommerce activity remains strong, shifting global trade dynamics threatens the overall growth. At the same time, prospects of Red Sea opening are having an impact on pricing. On the other hand, THY acknowledges the potential opportunities from the increased friction on global trade flows and companies' inclination towards adopting a more flexible approach to mitigate supply chain vulnerabilities. Consequently, it is expecting a broadly neutral cargo performance in 2025. It is also added that THY is about to start the second phase of cargo investments at Istanbul Airport and with the expansion cargo handling capacity is to double to 4mn tons.
- About the possible consequences of Russia-Ukraine conflict resolution on THY operations, it is stated that they will be a beneficiary since resumption of flights to all destinations will take place. Before the war, THY used to fly - to about 10 destinations in Ukraine and 14 cities in Russia. And currently, Ukraine is completely shut down. And in Russia, THY is only operating in two to three cities. It is also emphasized that there is also a lot of the traffic that stopped from the Americas to the region because of the war. So that of course together with the competition, THY seems eager to get its fair share of that market.

- Anadolu Jet's pax capacity rose by a mere 2% y/y in 2024 and fleet size reached 119. In 2024, it carried 21.4mn pax and its L/F became 81.7%. International share in its capacity was 60.4% versus 2023's 61.3%. Its international market share at SAW Airport receded to 23% versus 2023's 25%. In the call, it was reminded that following the split, Ajet has started operations at the end of March 2024. But it was challenging because of the late deliveries of the aircrafts, it had to wet lease about 26 aircrafts for them to sustain their operations. There was a lot of technical and maintenance requirements of these -- with these aircrafts. This stopped and this year this operation and most of the fleet will be through operating leases giving Ajet a capacity growth of around 15%. It is planned to have overall 120 aircrafts in the fleet. But excluding the grounded aircrafts, Ajet will be operating somewhere between 90 and 95 aircrafts in 2025 and operating in 31 countries. With capacity increase of 15%, Ajet pax number may reach around 23-24 mn.

- With respect to the recent long-awaited dividend payment distribution intention decision (first since 2013), it is highlighted that its Board wanted to distribute a dividend for some for quite some time, the technical losses in statutory accounts prevented them to do. Inflation accounting was favourable on this issue. It is shared that the announced pay-out is a sustainable ratio, the 8%, is to be consistent with the following years. It is said to align well with THY's long-term financial discipline and growth strategy. Some of the criteria which THY is expected to base its dividend policy can be summarised as follows: company calculated EBITDA margin between 22% and 25%, net debt to company calculated EBITDA ratio below 2.5 times, liquidity level exceeding 10% of the following 12 months revenues.

- On the capex side, 2025's gross capex is guided as USD4.5bn. Bulk part of this is aircraft related and THY finances almost all of its aircraft financing needs. Roughly 70% of this gross capex is going to be financed in 2025. And further, there will be somewhere around USD100mn of PDP inflows with the deliveries that we will be getting. Regarding to the net debt, THY is expecting net debt to be USD6.5-7.0bn and net debt to EBITDA ratio of is likely to lie somewhere between 1.1 times to 1.3 times.

- THY's route addition in 2024 were Melbourne, Tripoli, Denver, Torino, Sydney and Santiago. It is serving 299 international destinations in 131 countries. THY is the official titleholder of Guinness World RecordsTM "Most Countries Flown by an Airline". In 2025, planned route additions are Ohrid, Lima and Phnom Penh whereas flights from/to Benghazi and Damascus already started this year.

  In our opinion, 2025 is a challenging year in terms of various unknowns about geopolitics and macro issues not only for Turkiye but also for the world. Real TL appreciation level, inflationary trends, tariffs, possible cooling down in THY's recent years' main engine of strength namely cargo will be in focus. Evolution of conflicts in Middle East, Russia-Ukraine and Trump 2.0 era are likely to bring about lots of positive and negative surprises. Expected continuance of pressure on fuel prices are likely to act as positive catalysts for carriers despite various unknowns on demand, expansion and yield side. Ex-fuel CASK pressure might be relatively less of a concern if inflation is taken under control which is expected to become clearer in the following months. We revised our 2025 estimates taking financials and guidance into account. We are relatively more optimistic on yield and cargo front and our USD revenue growth estimate is 10% y/y is above carrier's 6-8% range. In line with carrier's paused hiring and fuel CASK colour into account which increased our other excluded EBITDA estimate in TL by 5%. We expect other exc EBITDA margin of 17.9% in 2025 versus 18.3% in 2024.

THY Revenue and Expense Currency breakdown

Please note that the carrier's currency exposure in revenue and expense side benefits from weak TL environment operationally since TL's share in 2024 revenues is 10% versus 32% share in expenses. Following charts are taken from the carrier's 2024 results presentation.

Exhibit 2: THY 2024 Revenue by Currency

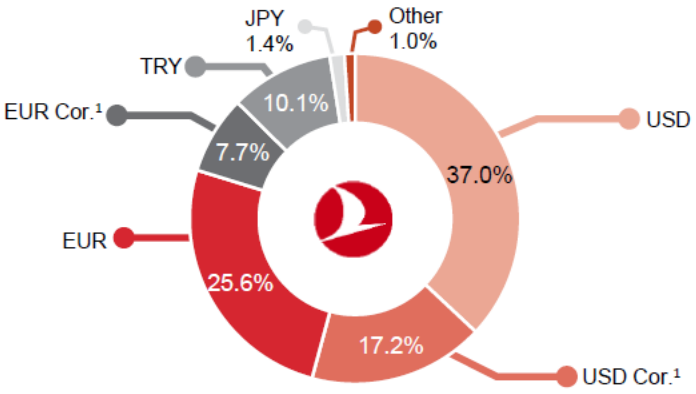
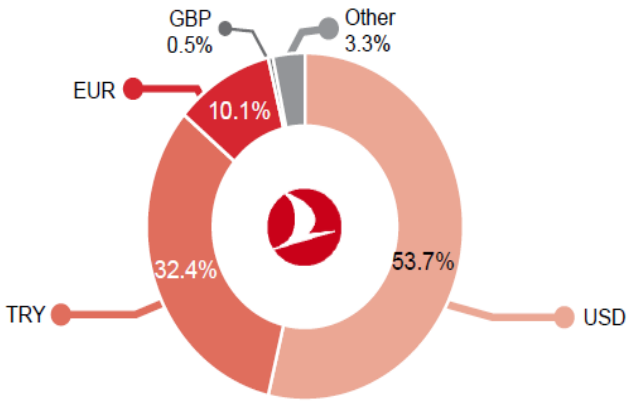


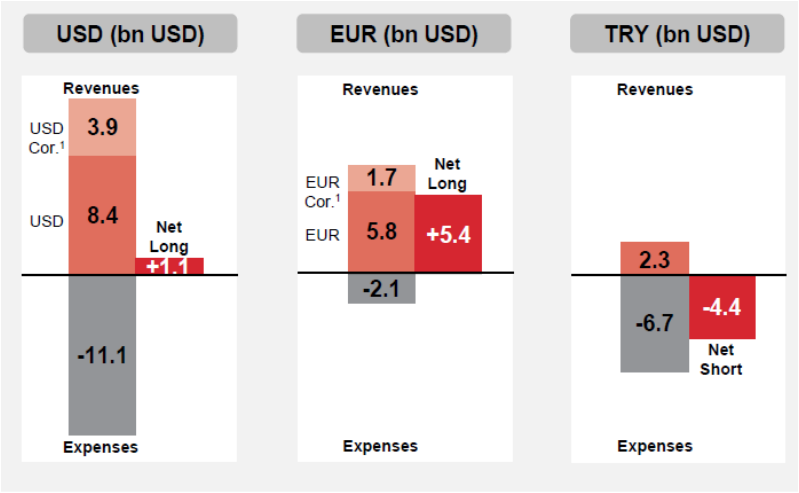
Exhibit 3: THY 2024 Expenses by Currency



Source: THY Presentation, (1) currencies that have 85% correlation with USD and EUR are considered as USD and EUR correlated, respectively

THY's main expense item is fuel.with 30% share in total expenses. In 2024, its fuel CASK declined by 9% y/y due to lower fuel prices and jet crack spread (average Brent price decline in 2024 was 3%). It has been increasing its fuel hedging positions since the beginning of 2023, considering the price levels and volatility. As per its 4Q24 results presentation, THY's 2025 hedge level is 41% at break-even price of USD75/bbl.

Exhibit 4: THY 2024 Net Currency Exposure

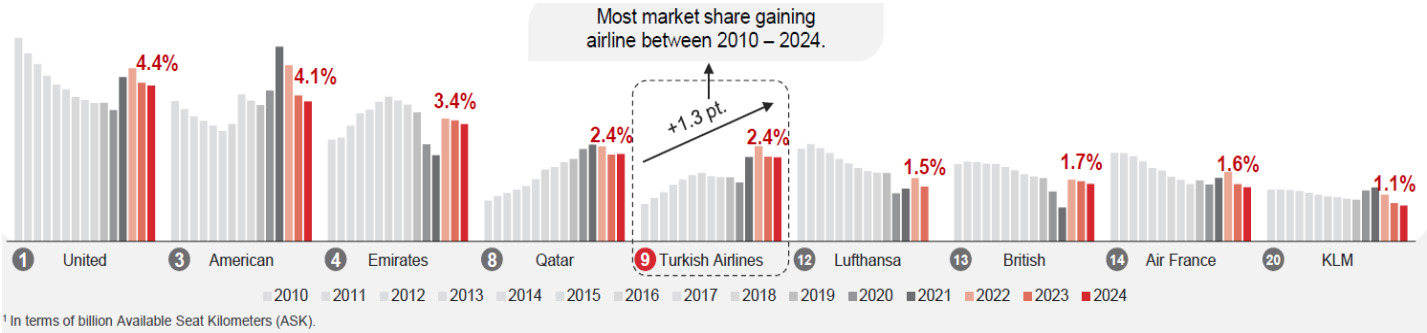


Source: THY Presentation, (1) currencies that have 85% correlation with USD and EUR are considered as USD and EUR correlated, respectively

THY's Global Market Share

Turkish Airlines' ASK (Available Seat Kilometres) based global market share became 2.4% in 2024 (similar to 2023) with 1.3pt improvement since 2010. Following chart includes leading airlines' market share evolution since 2010. THY's 2024 total market share is 2.4% globally and ranks number nine whereas in international terms its market share is 3.4% and is ranked fourth.

Exhibit 5: Global Market Share Trends



Source: THY presentation, IATA, airlines

International Peer Comparison

Despite the fact that international peer comparison is not a very reasonable measure due to differences in currency, composition, revenue and cost dynamics, fleet mix, fleet age, tax regimes, state support, existence of dilutive businesses under consolidation, following table are prepared by using Bloomberg consensus estimates for all carriers. Companies are listed according to their 2025E EBITDA margins in descending order. THY's 2025E EBITDA margin is 2% above peer group's mean.

Please also note that due to mostly financial expenses driven volatility in THY's bottom-line (THY's functional currency is USD, but has net short FX position in EUR and JPY) makes P/E a weak measure. Inflation accounting also may distort P/E multiple due to high deferred tax income related boost on the bottom line. According to most meaningful EV/EBITDA estimates, THY is trading at 10% discount on 2025E EV/EBITDA.

Exhibit 6: International Peer Comparison

Carrier	2025E EBITDA Margin	2025E EV/EBITDA	2025E P/E	2025E EV/SALES
Cathay Pacific	23%	5.2	8.5	1.21
Singapore Airlines	22%	5.8	9.0	1.26
IAG	21%	4.0	6.8	0.85
Korean Air Lines	21%	3.2	5.6	0.68
Quantas	19%	4.3	9.3	0.83
Delta	16%	5.9	7.9	0.96
United	15%	5.3	7.1	0.81
AF-KLM	13%	3.1	4.6	0.41
Lufthansa	10%	3.4	8.0	0.36
Median	***19%***	***4.3***	***7.9***	***0.83***
Turkish Airlines	20%	3.9	3.9	0.76
Premium / (Discount)	*2%*	*-10%*	*-51%*	*-8%*

Source: Bloomberg consensus (03/03/2025)

Exhibit 7: THY 4Q24 and 2024 Revenue and Cost Metrics

Revenue breakdown (USD mn)	4Q19	4Q23	4Q24	4Q24 y/y	4Q24 vs 4Q19	2019	2023	2024	24 y/y	24 vs 19	Share in 2019	Share in 2023	Share in 2024
Pax revenue	2,708	4,141	4,473	8%	65%	11,167	17,727	18,444	4%	65%	84%	85%	81%
Cargo revenue	471	787	949	21%	101%	1,688	2,596	3,495	35%	107%	13%	12%	15%
Technical revenue	77	156	137	-12%	78%	305	531	541	2%	77%	2%	3%	2%
Other revenue	25	35	50	43%	100%	69	88	189	115%	174%	1%	0%	1%
Consolidated revenues	**3,281**	**5,119**	**5,609**	**10%**	**71%**	**13,229**	**20,942**	**22,669**	**8%**	**71%**	**100%**	**100%**	**100%**

Regions (USD mn)	4Q19	4Q23	4Q24	4Q24 y/y	4Q24 vs 4Q19	2019	2023	2024	24 y/y	24 vs 19	Share in 2019	Share in 2023	Share in 2024
Europe	892	1,457	1,523	5%	71%	3,711	6,339	6,445	2%	74%	28.9%	31.2%	29.4%
Far East	861	1,260	1,537	22%	79%	3,191	4,611	5,723	24%	79%	24.8%	22.7%	26.1%
Middle East	326	390	366	-6%	12%	1,467	1,938	1,675	-14%	14%	11.4%	9.5%	7.6%
America	491	1,063	1,154	9%	135%	1,946	4,275	4,601	8%	136%	15.1%	21.0%	21.0%
Africa	328	415	440	6%	34%	1,276	1,662	1,722	4%	35%	9.9%	8.2%	7.8%
Total international flights	**2,898**	**4,585**	**5,020**	**9%**	**73%**	**11,591**	**18,825**	**20,166**	**7%**	**74%**	**90.2%**	**92.6%**	**91.9%**
Domestic flights	281	343	402	17%	43%	1,264	1,498	1,773	18%	40%	9.8%	7.4%	8.1%
Total pax and cargo revenue	**3,179**	**4,928**	**5,422**	**10%**	**71%**	**12,855**	**20,323**	**21,939**	**8%**	**71%**	**100.0%**	**100.0%**	**100.0%**

Operating costs (USD mn)	4Q19	4Q23	4Q24	4Q24 y/y	4Q24 vs 4Q19	2019	2023	2024	24 y/y	24 vs 19	Share in 2019	Share in 2023	Share in 2024
Fuel	974	1,687	1,378	-18%	41%	3,873	6,232	6,163	-1%	59%	31%	34%	30%
Personnel	473	907	1,382	52%	192%	2,067	3,256	4,708	45%	128%	16%	18%	23%
Aircraft ownership	458	652	686	5%	50%	1,832	2,223	2,566	15%	40%	14%	12%	12%
Airports & air navigation	305	393	420	7%	38%	1,176	1,614	1,735	7%	48%	9%	9%	8%
Sales and marketing	243	317	344	9%	42%	1,101	1,321	1,350	2%	23%	9%	7%	7%
Ground handling	204	319	388	22%	90%	815	1,241	1,490	20%	83%	6%	7%	7%
Pax services, catering	150	232	285	23%	90%	622	863	1,026	19%	65%	5%	5%	5%
Maintenance	231	241	335	39%	45%	791	997	1,153	16%	46%	6%	5%	6%
Other	106	123	165	34%	56%	367	522	558	7%	52%	3%	3%	3%
Total operating costs	**3,144**	**4,871**	**5,383**	**11%**	**71%**	**12,644**	**18,269**	**20,749**	**14%**	**64%**	**100%**	**100%**	**100%**
ASK (mn)	**47,080**	**58,835**	**63,307**	**8%**	**34%**	**187,696**	**234,860**	**254,120**	**8%**	**35%**			

Source: Financials, presentations

Exhibit 8: End-2024 THY Fleet

31.12.2024	Type	Total	Owned	Financial Lease	Opr./Wet Lease	Seat Capacity ('000)	Average Fleet Age
Wide Body	A330-2/3	49	20	14	15	14.1	12.4
	B777-3ER	34	14	13	7	12.2	11.3
	A350-9	24		24		7.8	1.9
	B787-9	23		23		6.9	3.7
	Total	**130**	**34**	**74**	**22**	**41.0**	**8.6**
Narrow Body	B737-8/9 MAX	25		25		3.9	4.6
	A321/320 NEO	82		39	43	15.6	3.0
	B737-8/9	90	50	29	11	16.0	12.9
	A321/320/319	14			14	2.6	4.6
	B737-8 MAX WL	18			18	3.7	17.9
	A321/320 WL	109	57	18	34	18.6	14.1
	Total	**338**	**107**	**111**	**120**	**60.4**	**10.2**
Cargo	A330-200F	10	4	6		0	11.2
	B777F	8		8		0	5.9
	Wet Lease	6			6	0	28.2
	Total	**24**	**4**	**14**	**6**		**13.7**
	Grand Total	**492**	**145**	**199**	**148**	**101.4**	**9.9**

# of New Generation Aircraft

172
(35% of total)

Airbus & Boeing Split

57% / 43%

Ownership

Owned: **29%**
Fin. Lease: **40%**
Op. Lease: **30%**

Source: THY presentation

Exhibit 9: THY Summary Financial Statements

Income Statement	2023/4Q (TL mn)	2024/3Q (TL mn)	2024/4Q (TL mn)	Change (q/q %)	Change (y/y %)	2023/12 (TL mn)	2024/12 (TL mn)	Change (y/y %)
Total revenues	**145,617**	**221,815**	**193,502**	**-13%**	**33%**	**504,398**	**745,430**	**48%**
Total expenses	-138,828	-181,263	-185,708	2%	34%	-437,475	-681,480	56%
EBIT	**6,789**	**40,552**	**7,794**	**-81%**	**15%**	**66,923**	**63,950**	**-4%**
D&A	15,283	18,536	19,809	7%	30%	48,474	72,306	49%
Aircraft rent	2,714	3,083	4,549	48%	68%	6,605	14,474	119%
EBITDA	**22,072**	**59,088**	**27,603**	**-53%**	**25%**	**115,397**	**136,256**	**18%**
EBITDAR	**24,786**	**62,171**	**32,152**	**-48%**	**30%**	**122,002**	**150,730**	**24%**
Net other income	-1,042	4,496	7,244	61%	n.m.	4,502	16,443	265%
Net income from investments	6,024	16,872	12,212	-28%	103%	22,522	52,840	135%
Net income from associates	2,896	3,808	1,487	-61%	-49%	6,716	5,919	-12%
Net financial expenses	-9,329	-9,041	3,141	n.m.	n.m.	-9,427	-17,809	89%
Net monetary gain/ loss	46	0	78	n.m.	70%	46	78	70%
Profit before tax	**5,384**	**56,687**	**31,956**	**-44%**	**494%**	**91,282**	**121,421**	**33%**
Tax expenses	88,112	-5,165	-7,430	44%	n.m.	71,716	-8,064	n.m.
Minority interest	4	18	-14	n.m.	-450%	5	21	320%
Net profit	**93,500**	**51,540**	**24,512**	**-52%**	**-74%**	**163,003**	**113,378**	**-30%**

Operating Performance								
EBIT margin	4.7%	18.3%	4.0%	-1,425 bps	-63 bps	13.3%	8.6%	-469 bps
EBITDA margin	15.2%	26.6%	14.3%	-1,237 bps	-89 bps	22.9%	18.3%	-460 bps
EBITDAR margin	17.0%	28.0%	16.6%	-1,141 bps	-41 bps	24.2%	20.2%	-397 bps
Effective tax rate	1636.6%	-9.1%	-23.3%	-1,414 bps	n.m.	78.6%	-6.6%	-8,521 bps
Net margin	64.2%	23.2%	12.7%	-1,057 bps	-5,154 bps	32.3%	15.2%	-1,711 bps

Balance Sheet	2023/12 (TL mn)	2024/09 (TL mn)	2024/12 (TL mn)	Change (q/q %)	Change (y/y)	2023/12 (TL mn)	2024/12 (TL mn)	Change (y/y %)
Cash and equivalents	20,115	62,644	95,992	53%	377%	20,115	95,992	377%
Trade receivables	25,192	39,556	31,908	-19%	27%	25,192	31,908	27%
Inventories	12,311	15,598	23,661	52%	92%	12,311	23,661	92%
Tangible fixed assets	178,849	237,219	248,909	5%	39%	178,849	248,909	39%
Intangible fixed assets	3,344	4,531	4,886	8%	46%	3,344	4,886	46%
Total assets	1,048,943	1,353,669	1,399,606	3%	33%	1,048,943	1,399,606	33%
Financial loans (total)	420,172	494,963	489,939	-1%	17%	420,172	489,939	17%
Trade payables	38,060	48,012	52,792	10%	39%	38,060	52,792	39%
Shareholders' equity	457,257	618,586	679,887	10%	49%	457,257	679,887	49%
Total liabilities	1,048,943	1,353,669	1,399,606	3%	33%	1,048,943	1,399,606	33%
Net debt / (cash)	242,746	282,195	275,917	-2%	14%	242,746	275,917	14%

Source: Datastream, financials, presentations, EBITDAR= total sales-total expenses +D&A+ aircraft related rent from total expenses

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