

Corporate Credit Rating

New Update

Sector: Airline

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R A T I N G S		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AAA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BB	-
	International FC ICR Outlooks	Negative	-
	International LC ICR	BB	-
ISRs (Issue Specific Rating Profile)	International FC ICR	-	-
	International LC ICR	-	-
	Local Currency	BB (Negative)	-
*Sovereign	Local Currency	BB (Negative)	-

* Assigned by JCR on Aug 18, 2022

Türk Hava Yolları Anonim Ortaklığı

JCR Eurasia Rating has evaluated the consolidated structure of "Türk Hava Yolları Anonim Ortaklığı" in the investment-level category and affirmed the Long-Term National Issuer Credit Rating as 'AAA (tr)' and the Short-Term National Issuer Credit Rating as 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks were affirmed as 'BB/Negative' in parallel to international ratings and outlooks of Republic of Türkiye.

Türk Hava Yolları Anonim Ortaklığı (hereinafter referred to as "Türk Hava Yolları" or "the Group") was established in 1933. Türk Hava Yolları's 49.12% shares owned by the Republic of Türkiye Prime Ministry Privatisation Administration were transferred to Türkiye Wealth Fund as of February 3, 2017. As of June 30, 2023, Türkiye Wealth Fund has 49.12% stake in the shareholding structure, while 50.88% is publicly held.

The main activity of Türk Hava Yolları is all kinds of domestic and international passenger and cargo air transport. The Group, one of Türkiye's first airline companies, has expanded its domestic and international operations over the years and continues its operations with a fleet of 419 aircraft and 50,623 personnel as of 1H2023. As one of the airlines flying to the most countries in the world, Türk Hava Yolları flies to 291 destinations in 128 countries as of 1H2023. Türk Hava Yolları has subsidiaries and joint ventures operating in the fields of aircraft maintenance, training, investment, entertainment systems, IT, cargo, catering, ground handling, aviation fuel services and in-flight products.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Diversified portfolio and country network support operational efficiency,
- Positive differentiation of the Group compared to its peers by maintaining the number of aircraft in its fleet and workforce,
- Sustainable profitability margins and expectation to continue in FY2023 thanks to high demand,
- Strong operational cash flows support liquidity and financial management,
- Upward trend in EBITDA coverage ratio of interest expenses,
- Increasing efficiency through vertical integration of existing and newly established subsidiaries,
- Combating climate change and sustainability efforts provide competitive advantage,
- Being one of Türkiye's most valuable brands and the leading company in its sector,
- As a publicly traded company, high level of compliance with Corporate Governance Practices.

Constraints

- Uncertainties in fleet and operations caused by quality problems in GTF engines and aircraft procurement,
- The pressure of volatile oil prices on profit margins,
- Increasing uncertainties along with geopolitical tensions and concerns over a slowdown in global economic growth.

Considering the aforementioned points, the Group's Long-Term National Issuer Credit Rating has been affirmed as 'AAA (tr)'. The Group's increased EBITDA generation capacity due to operational efficiency, diversified portfolio and country network, strong operating cash flows supporting financial management and liquidity management, high brand reputation and the Group's proven track record have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Group's profit and equity indicators, market position, sustainability of domestic and international demands and economic conditions in Türkiye will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal framework about the sector will also be monitored.

