

Corporate Credit Rating

New Update

Sector: Airline Passenger Transportation

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RATINGS		Long Term	Short Term
ICRs (Issuer Credit Rating Profile)	National ICR	AAA (tr)	J1+ (tr)
	National ICR Outlooks	Stable	Stable
	International FC ICR	BBB+	-
	International FC ICR Outlooks	Stable	-
	International LC ICR	BBB+	-
ISRs (Issue Specific Rating Profile)	National ISR	-	-
	International FC ISR	-	-
	International LC ISR	-	-
Sovereign*	Foreign Currency	BB (Stable)	-
	Local Currency	BB (Stable)	-

* Assigned by JCR on May 10, 2024

Türk Hava Yolları Anonim Ortaklığı

JCR Eurasia Rating has evaluated the consolidated structure of "Türk Hava Yolları Anonim Ortaklığı" in the investment grade category with the highest credit quality and affirmed the Long-Term National Issuer Credit Rating at 'AAA (tr)' and the Short-Term National Issuer Credit Rating at 'J1+ (tr)' with 'Stable' outlooks. On the other hand, the Long Term International Foreign and Local Currency Issuer Credit Ratings and outlooks are revised to 'BBB+/Stable' from 'BB/Stable' above the sovereign ratings of Republic of Türkiye, considering a certain degree of capability with respect to autonomy and commercialization criteria in addition to its state-owned shareholder structure, the generation of the majority of its revenues from overseas along with the realization of cashflows from low overseas counterparty risk sources and the ability to access international financing with ease and at relatively low-costs.

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, 2024, 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 458 aircraft and 59,282 personnel as of 1H2024. As one of the airlines flying to the most countries in the world, Türk Hava Yolları flies to 349 destinations in 130 countries as of 1H2024. 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.

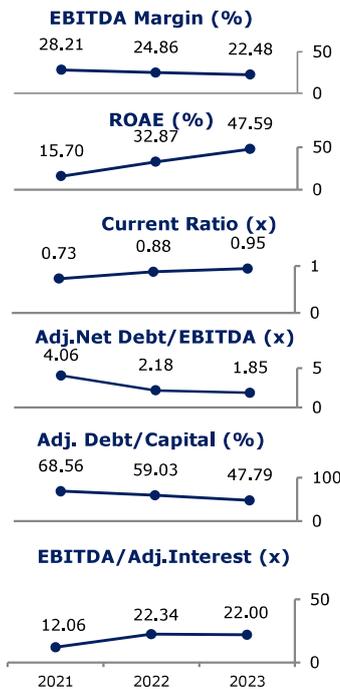
Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Passenger numbers, load factor levels and diversified income supporting revenue growth,
- Improvement in cargo revenues thanks to expansion in e-commerce as of 1H2024,
- Reasonable profit margins in the analysed periods, despite slight decline due to cost pressure as of 1H2024,
- Leverage metrics underpinned by a strong cash position in FY2023, despite the expectation of an increase in indebtedness in the coming period due to fleet expansion,
- Foreign currency cash flow generated through a diversified portfolio and country network,
- Relatively low average funding costs supporting coverage metrics,
- Sector leadership in Türkiye and strong position in the global market,
- Competitive advantage provided by sustainability efforts,
- Compliance with Corporate Governance Practices as a publicly traded company.

Constraints

- Negative impact on costs due to the number of aircraft grounded due to quality issues with GTF engines,
- Volatile oil prices and its potential impact on profitability, though the hedging instruments used provide partial resilience,
- Increasing uncertainties along with geopolitical tensions and concerns over a slowdown in global economic growth.



Considering the aforementioned points, the Group's the Long-Term National Issuer Credit Rating has been affirmed at 'AAA (tr)'. The Group's high EBITDA generation capacity thanks 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.