

# TAV Airports

## OVERWEIGHT

### Improved portfolio at attractive valuation

March 7, 2023

🔗 **Initiating with an Overweight rating...** Our ex-dividend target share price stands at TL149.0, pointing to a 12-month total return of 90%. Reasons for our recommendation: i) attractive valuation ii) operational leverage effect supported by solid aviation demand recovery in operating regions iii) long-term contribution of new Terminal investments in Almaty (Opening expected in 2H24) and Antalya (Opening expected in 1H25) and Ankara Airport concession for 2025-2050.

🔗 **Improved portfolio...** The company has improved and extended the average life of its portfolio by winning the Antalya, Almaty and Ankara tenders. The average operating time, which was 8 years before the pandemic, increased to 30 years. In addition, the consortium led by TAV Airports (TAV) has been selected for the 20-year development and operating rights of international passenger and cargo transportation operation of Lagos Airport in Nigeria pending final negotiations and approvals. Once the final approval is granted, Nigeria operations could add 6% growth to TAV's international passenger portfolio.

🔗 **Inflation hedge...** The majority or about 88% of TAV's revenues are implicitly linked to inflation so that the company can reflect cost increases onto its product prices. Passenger fees which account for the remaining 12% are usually fixed in FX terms and are set in the concession agreements. Hence, there is a natural inflation hedge in operations.

🔗 **Operational leverage is a key aspect** of TAV's business model as its CAPEX is mainly front-loaded and the airports' main costs, concession fees are fixed. Therefore, as the number of passengers at airports grows, overall margins should benefit from increasing passenger figures. We believe that the portfolio of assets is well diversified and positioned to benefit from growing passenger numbers both in Turkey and in the region. Accordingly, we expect TAV's EBITDA margin to expand from 30.6% in 2022 to 33.8% in 2025E.

🔗 **The earthquake should have a limited effect on TAV's operations** given the fact that TAV does not operate an airport in the 11 provinces hit by the earthquake. That said, overall effect on tourist arrivals to Turkey is yet to be seen.

🔗 **We expect TAV's net debt/EBITDA to improve gradually** because of solid EBITDA growth between 2022- 2025. Net debt/EBITDA is expected to fall to 3.0x in 2025 vs. current level of 5.0x. The majority of the debt is incurred due to capex in new contracts in Antalya, Almaty and Ankara.

🔗 **Key risks...** We view volatility in passenger numbers and appreciation of TL as the key risks for the stock.

#### Price Data

|                                |        |
|--------------------------------|--------|
| Current Price (TL, 06-Mar-23)  | 78.30  |
| Current Mcap (TLmn)            | 28,445 |
| Current Mcap (EURmn)           | 1,416  |
| 12-mth Target Price (TL/share) | 149.0  |
| 12-mth Target Mcap (TLmn)      | 54,125 |
| 12-mth Return Potential        | 90%    |
| Dividend yield                 | 0%     |

#### Financials (EUR mn)

|            | 2021 | 2022  | 2023E | 2024E |
|------------|------|-------|-------|-------|
| Revenues   | 522  | 1,051 | 1,245 | 1,315 |
| % ch y/y   |      | 101   | 18    | 6     |
| EBITDA     | 150  | 322   | 383   | 435   |
| % ch y/y   |      | 115   | 19    | 14    |
| Net Income | 45   | 122   | 127   | 163   |
| % ch y/y   |      | 173   | 4     | 28    |

#### Margins (%)

|                      | 2021 | 2022 | 2023E | 2024E |
|----------------------|------|------|-------|-------|
| EBITDA Margin        | 28.6 | 30.6 | 30.8  | 33.1  |
| Net Margin           | 8.6  | 11.6 | 10.2  | 12.4  |
| Gross Dividend Yield | 0    | 0    | 0     | 6     |

#### Ratios

|                          | 2021  | 2022 | 2023E | 2024E |
|--------------------------|-------|------|-------|-------|
| P/E (EUR, x)             | 31.7  | 11.6 | 11.1  | 8.7   |
| EV/EBITDA (EUR, x)       | 15.77 | 7.09 | 6.43  | 4.93  |
| Net Debt/EBITDA (EUR, x) | 8.34  | 4.98 | 5.00  | 4.00  |
| ROE (EUR, %)             | 4.4   | 10.0 | 9.4   | 11.1  |

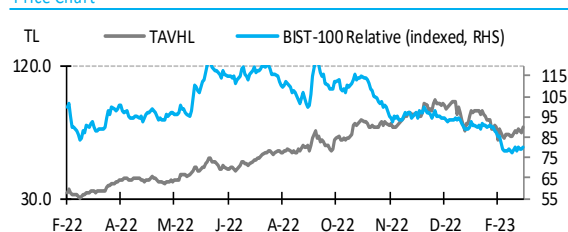
#### Stock Data

|                       |           |          |
|-----------------------|-----------|----------|
| Ticker                | TAVHL.IS  | TAVHL TI |
| Sector                |           | Aviation |
| # of Shares (mn)      |           | 363      |
| 3M Av. Trd. Vol. (mn) |           | US\$31.4 |
| 52-week Range         | TL30.30 - | TL96.25  |

#### Market Data

|          |         |
|----------|---------|
| BIST-100 | 5,392   |
| TL/EUR   | 20.0857 |

#### Price Chart



| Price Performance | 1M  | 3M   | YTD  | YoY  |
|-------------------|-----|------|------|------|
| TL Absolute       | 0%  | -9%  | -16% | 158% |
| BIST-100 Relative | -8% | -16% | -14% | -4%  |

#### Major Shareholders

|                           |     |
|---------------------------|-----|
| Groupe ADP                | 46% |
| Tepe Insaat Sanayi A.S.   | 5%  |
| Sera Yapi Endustrisi A.S. | 1%  |
| Other                     | 48% |

**Burak Salman**

[bsalman@terayatirim.com](mailto:bsalman@terayatirim.com)

Tel: +90 212 365 1000

**Mustafa Bayram**

[mbayram@terayatirim.com](mailto:mbayram@terayatirim.com)

Tel: +90 212 365 1030

## VALUATION

We value TAV Airport's shares using the sum the parts methodology driven by DCF analysis for each business units. Our DCFs are based on EUR-denominated cash flow expectations. In our analysis, we assume constant 10.7% WACC throughout the airports concession periods. We use a EUR-based risk free rate of 8.2%, ERP of 5.5% and beta of 0.99 for TAV Airports. We do not add any terminal value for the businesses (except for Almaty).

Since Antalya Airport and Medina operations are consolidated using the equity method, only the relevant portions owned by TAV are included in the shared Revenue and EBITDA. We expect the company to spend EUR263mn in Capex in 2023. The major part of the Capex are the new runway, parking lot, 5 MW solar panel investments to be made in the new Ankara concession and the ongoing new terminal construction at Almaty Airport.

| TAVHL SOTP Valuation (EURmn)             | Valuation Method | Target Value | Stake | TAV's Share   | Contribution |
|--|------------------|--------------|-------|---------------|--------------|
| <b>Airports</b>                          |                  |              |       |               |              |
| Ankara                                   | DCF              | 22           | 100%  | <b>22</b>     | 1%           |
| Izmir                                    | DCF              | 81           | 100%  | <b>81</b>     | 3%           |
| Milas Bodrum                             | DCF              | 35           | 100%  | <b>35</b>     | 1%           |
| Gazipasa                                 | DCF              | -6           | 100%  | <b>-6</b>     | 0%           |
| Antalya                                  | DCF              | 2,511        | 49%   | <b>1,230</b>  | 46%          |
| Georgia                                  | DCF              | 342          | 80%   | <b>273</b>    | 10%          |
| Tunisia                                  | DCF              | -113         | 67%   | <b>-76</b>    | -3%          |
| Macedonia                                | DCF              | 94           | 100%  | <b>94</b>     | 3%           |
| Medina                                   | DCF              | 109          | 50%   | <b>54</b>     | 2%           |
| Almaty                                   | DCF              | 938          | 85%   | <b>797</b>    | 30%          |
| <b>Service Companies</b>                 |                  |              |       |               |              |
| ATU (Duty Free)                          | DCF              | 428          | 50%   | <b>214</b>    | 8%           |
| BTA (Food & Beverage)                    | DCF              | 30           | 100%  | <b>30</b>     | 1%           |
| TGS (Ground Handling)                    | DCF              | 474          | 50%   | <b>237</b>    | 9%           |
| HAVAS (Ground Handling)                  | DCF              | 402          | 100%  | <b>402</b>    | 15%          |
| <b>Holding Level Net Cash (Debt) **</b>  |                  |              |       | <b>-690.2</b> | <b>-26%</b>  |
| <b>TAV Airports NAV (EUR mn)</b>         |                  |              |       | <b>2,699</b>  |              |
| Current MCap (EUR mn)                    |                  |              |       | 1,416         |              |
| <b>Upside Potential</b>                  |                  |              |       | <b>90.3%</b>  |              |
| No. of shares outstanding                |                  |              |       | 363.3         |              |
| Current Share Price, TL                  |                  |              |       | 78.3          |              |
| Expected Dividend Per Share, TL          |                  |              |       | 0.0           |              |
| EUR/TL (Spot)                            |                  |              |       | 20.05         |              |
| <b>Target Price, TL (excl. dividend)</b> |                  |              |       | <b>149.0</b>  |              |

Source: Company data, Tera Invest Estimates

## EARNINGS OUTLOOK

TAVHL Income Statement

| EUR mn                          | 2018         | 2019         | 2020          | 2021         | 2022         | 2023E        | 2024E        | 2025E        |
|---------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|
| <b>Revenue</b>                  | <b>1,169</b> | <b>749</b>   | <b>301</b>    | <b>522</b>   | <b>1,051</b> | <b>1,245</b> | <b>1,315</b> | <b>1,399</b> |
| <i>Growth</i>                   |              | -36%         | -60%          | 73%          | 101%         | 18%          | 6%           | 6%           |
| <b>EBITDA</b>                   | <b>514.2</b> | <b>280.4</b> | <b>22.6</b>   | <b>149.5</b> | <b>322.1</b> | <b>382.7</b> | <b>435.4</b> | <b>471.3</b> |
| <i>Growth</i>                   |              | -45%         | -92%          | 561%         | 115%         | 19%          | 14%          | 8%           |
| <b>EBITDA Margin</b>            | <b>44.0%</b> | <b>37.4%</b> | <b>7.5%</b>   | <b>28.6%</b> | <b>30.6%</b> | <b>30.8%</b> | <b>33.1%</b> | <b>33.7%</b> |
| Depreciation                    | 107.6        | 99.3         | 96.2          | 76.6         | 95.6         | 107.3        | 139.1        | 142.5        |
| <b>EBIT</b>                     | <b>406.6</b> | <b>181.1</b> | <b>-73.6</b>  | <b>72.9</b>  | <b>226.6</b> | <b>275.5</b> | <b>296.2</b> | <b>328.8</b> |
| Profit / Loss from subsidiaries | 46.2         | 33.4         | -76.8         | -22.7        | 52.9         | 63.9         | 71.7         | 83.6         |
| Net financial & other income    | -101.3       | -95.0        | -124.3        | 32.6         | -122.1       | -161.4       | -141.4       | -154.1       |
| Profit before tax               | 351.4        | 119.5        | -274.6        | 82.7         | 157.3        | 178.0        | 226.6        | 258.3        |
| <b>Net Income</b>               | <b>255.2</b> | <b>373.1</b> | <b>-284.9</b> | <b>44.7</b>  | <b>122.2</b> | <b>127.2</b> | <b>163.4</b> | <b>186.7</b> |
| <i>Growth</i>                   |              | 46%          | -176%         | -116%        | 173%         | 4%           | 28%          | 14%          |

Source: Company Data, Tera Yatirim

**Strong earnings growth in 2024 and 2025...** We expect an 18% increase in EUR based revenues in 2023 on strong passenger growth. EBITDA margin should remain stable in 2023 but we assumed that effective tax rate will rise to historical average of about 25% from a 10-year low of 16% in 2022. Higher effective tax rate should result in a 4% earnings growth in 2023. However, we expect the positive effect of fixed operating leverage to kick in starting in 2024 and lift the EBITDA margin by 2.3ppts to 33.1% on steady passenger growth effective cost control. We forecast net earnings to rise by 28% y/y in 2024 and 14% y/y in 2025.

## Traffic Assumptions

Passenger traffic is the most important metric in TAV's revenue stream since the company charges fixed per pax fees and service revenues are largely determined by passenger volume. We expect a 14% y/y increase in 2023 and 11% CAGR between 2022-2025 which is in line with the Company guidance (Guidance 2023: Total passenger: 81-91mn, 10-14% CAGR 2022-2025).

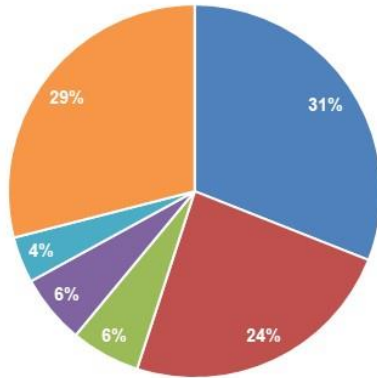
| <b>TAVHL Traffic Figures</b>   |             |             |             |             |             |             |             |              |              |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| <b>Airports in Turkey</b>      | 2018        | 2019        | 2020        | 2021        | 2022        | 2023E       | 2024E       | 2025E        | 2026E        |
| <b>Ankara Esenboğa Airport</b> |             |             |             |             |             |             |             |              |              |
| International                  | 2.2         | 2.3         | 0.7         | 1.3         | 1.9         | 2.2         | 2.4         | 2.6          | 2.8          |
| Domestic                       | 14.5        | 11.5        | 4.3         | 5.7         | 6.7         | 7.4         | 8.0         | 8.7          | 9.2          |
| <b>İzmir Airport</b>           |             |             |             |             |             |             |             |              |              |
| International                  | 2.7         | 3.3         | 1.0         | 1.8         | 3.8         | 4.3         | 4.8         | 5.2          | 5.6          |
| Domestic                       | 10.7        | 9.0         | 4.5         | 5.9         | 6.1         | 6.7         | 7.2         | 7.8          | 8.3          |
| <b>Gazipaşa Airport</b>        |             |             |             |             |             |             |             |              |              |
| International                  | 0.6         | 0.6         | 0.1         | 0.2         | 0.3         | 0.3         | 0.3         | 0.4          | 0.4          |
| Domestic                       | 0.6         | 0.5         | 0.2         | 0.4         | 0.4         | 0.5         | 0.6         | 0.6          | 0.7          |
| <b>Milas Bodrum Airport</b>    |             |             |             |             |             |             |             |              |              |
| International                  | 1.5         | 1.9         | 0.5         | 1.0         | 1.9         | 2.5         | 3.0         | 3.7          | 4.0          |
| Domestic                       | 2.7         | 2.5         | 1.0         | 1.9         | 2.0         | 2.3         | 2.4         | 2.6          | 2.7          |
| <b>Antalya</b>                 |             |             |             |             |             |             |             |              |              |
| International                  | 24.1        | 28.7        | 6.6         | 17.1        | 25.1        | 30.2        | 33.2        | 36.5         | 39.0         |
| Domestic                       | 7.6         | 7.0         | 3.1         | 4.9         | 6.1         | 6.6         | 7.0         | 7.4          | 7.7          |
| <b>Airports Abroad</b>         |             |             |             |             |             |             |             |              |              |
| <b>Georgia</b>                 |             |             |             |             |             |             |             |              |              |
| Total Pax                      | 4.4         | 4.3         | 0.6         | 2.2         | 3.6         | 4.0         | 4.3         | 4.6          | 5.0          |
| <b>Almaty</b>                  |             |             |             |             |             |             |             |              |              |
| International                  |             |             |             |             | 2.7         | 3.1         | 3.4         | 3.7          | 4.0          |
| Domestic                       |             |             |             |             | 4.6         | 4.8         | 5.2         | 5.7          | 6.0          |
| <b>Macedonia</b>               |             |             |             |             |             |             |             |              |              |
| Total Pax                      | 2.3         | 2.7         | 0.8         | 1.4         | 2.4         | 2.7         | 2.9         | 3.2          | 3.4          |
| <b>Tunisia</b>                 |             |             |             |             |             |             |             |              |              |
| Total Pax                      | 2.5         | 3.0         | 0.3         | 0.5         | 1.5         | 1.6         | 1.8         | 2.0          | 2.1          |
| <b>Medinah</b>                 |             |             |             |             |             |             |             |              |              |
| Total Pax                      | 8.1         | 8.4         | 2.2         | 1.8         | 6.3         | 7.1         | 7.8         | 8.6          | 9.2          |
| <b>Zagreb</b>                  |             |             |             |             |             |             |             |              |              |
| Total Pax                      | 3.3         | 3.4         | 0.9         | 1.4         | 3.1         | 3.4         | 3.8         | 4.2          | 4.4          |
| <b>TAV Total excl. IAA</b>     | <b>83.6</b> | <b>89.1</b> | <b>27.0</b> | <b>52.0</b> | <b>78.5</b> | <b>89.7</b> | <b>98.1</b> | <b>107.4</b> | <b>114.6</b> |
| International                  | 47.0        | 55.5        | 12.7        | 28.4        | 50.3        | 60.8        | 67.1        | 74.0         | 79.2         |
| Domestic                       | 36.7        | 33.6        | 14.3        | 23.5        | 28.2        | 28.9        | 31.1        | 33.4         | 35.3         |

Source: Company data, Tera Yatirim

## Passenger Breakdown by Country

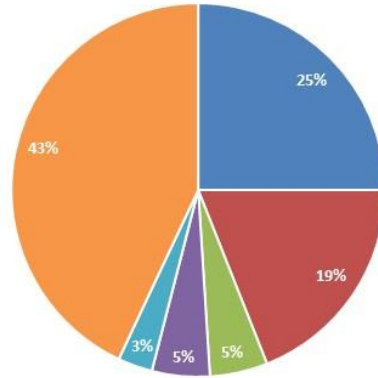
While Russian and Ukrainian passengers made up 30% of the total number of passengers at TAV Airports in 2019, their share decreased to 12% in 2022. Russia and Ukraine loss of passengers in the market mostly compensated by strong demand from Europe, mainly Germany and UK, and the Gulf Region.

TAV Turkey Airports - 2019



■ Russia ■ Germany ■ UK ■ Ukraine ■ Poland ■ Others

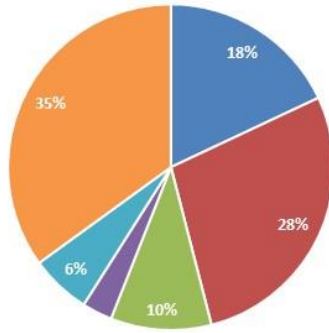
TAV Total Airports - 2019



■ Russia ■ Germany ■ UK ■ Ukraine ■ Poland ■ Others

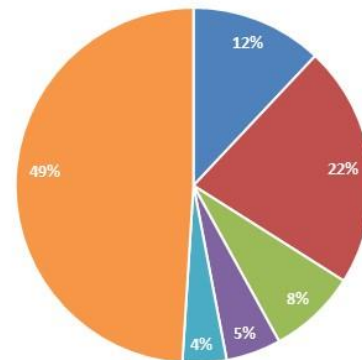
Source: Company Data

TAV Turkey Airports - 2022



■ Russia ■ Germany ■ UK ■ Netherlands ■ Poland ■ Others

TAV Turkey Airports - 2022



■ Russia ■ Germany ■ UK ■ Turkey ■ Poland ■ Others

Source: Company Data

## Revenues

Based on our traffic assumptions, we expect TAV to increase its revenues by 18.4% y/y to EUR1,245mn in 2023 and to post 10.0% revenue CAGR between 2022 and 2025.

| Revenue Model (EUR mn)               | 2019         | 2020          | 2021         | 2022           | 2023E          | 2024E          | 2025E          |
|--------------------------------------|--------------|---------------|--------------|----------------|----------------|----------------|----------------|
| <b>Total Revenue</b>                 | <b>749.2</b> | <b>301.4</b>  | <b>522.1</b> | <b>1,051.4</b> | <b>1,244.5</b> | <b>1,315.3</b> | <b>1,399.0</b> |
| <b>Airport Revenue</b>               | <b>329.9</b> | <b>107.0</b>  | <b>284.3</b> | <b>632.3</b>   | <b>761.4</b>   | <b>858.2</b>   | <b>923.2</b>   |
| Ankara                               | 41.8         | 22.5          | 25.3         | 29.6           | 53.8           | 76.4           | 62.8           |
| Izmir                                | 76.4         | 32.5          | 46.7         | 77.6           | 85.7           | 96.3           | 105.1          |
| Gazipasa                             | 7.5          | 1.2           | 3.0          | 3.8            | 4.3            | 4.6            | 5.1            |
| Tunisia                              | 42.1         | 6.7           | 9.5          | 23.5           | 30.5           | 33.5           | 36.9           |
| Georgia                              | 92.5         | 19.6          | 51.2         | 91.5           | 98.4           | 107.1          | 115.7          |
| Macedonia                            | 35.3         | 12.4          | 22.4         | 35.0           | 40.3           | 45.8           | 50.4           |
| Bodrum                               | 34.3         | 12.1          | 21.5         | 37.8           | 49.1           | 55.2           | 64.0           |
| Almaty                               | 0.0          | 0.0           | 104.5        | 333.5          | 399.4          | 439.3          | 483.3          |
| <b>Service Revenue</b>               | <b>494.3</b> | <b>230.7</b>  | <b>290.4</b> | <b>488.4</b>   | <b>606.3</b>   | <b>587.2</b>   | <b>614.2</b>   |
| Havas                                | 170.2        | 91.5          | 121.3        | 173.1          | 207.9          | 210.0          | 212.1          |
| BTA                                  | 137.8        | 50.0          | 60.2         | 110.1          | 148.7          | 157.0          | 171.8          |
| Others                               | 186.3        | 89.2          | 108.9        | 205.2          | 249.6          | 220.2          | 230.3          |
| <b>Other Revenue &amp; Eliminati</b> | <b>-75.0</b> | <b>-36.3</b>  | <b>-52.6</b> | <b>-69.3</b>   | <b>-123.1</b>  | <b>-130.1</b>  | <b>-138.4</b>  |
| <b>EBITDA</b>                        | <b>280.4</b> | <b>22.6</b>   | <b>149.5</b> | <b>322.1</b>   | <b>382.7</b>   | <b>435.4</b>   | <b>471.3</b>   |
| <b>Net Income</b>                    | <b>373.1</b> | <b>-284.9</b> | <b>44.7</b>  | <b>122.2</b>   | <b>127.2</b>   | <b>163.4</b>   | <b>186.7</b>   |

Source: Company data, Tera Estimates

## Operating Performance

We expect TAV's passenger figures to post a CAGR of 11% between 2022 and 2025, leading to an EBITDA CAGR of 13.5% during the same period. Revenue growth is mainly driven by the growth in passenger traffic, higher duty-free and F&B commissions, while fees per passenger taken by the airports do not change over time. EBITDA growth is expected to outpace revenue growth due to operational leverage. We expect TAV's Net debt/EBITDA improve gradually because of solid EBITDA growth between 2022- 2025. Net debt/EBITDA is expected to fall to 3.0 in 2025 vs. current level of 5.0x. Because of significant capex and rising cost of debt the company proposed not to distribute any dividends from its earnings in 2022.

| EBITDA (EUR mn)            | 2019         | 2020        | 2021         | 2022         | 2023E        | 2024E        | 2025E        |
|----------------------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|
| <b>Airports</b>            | <b>209.0</b> | <b>18.1</b> | <b>108.8</b> | <b>248.5</b> | <b>282.9</b> | <b>333.6</b> | <b>366.7</b> |
| Istanbul Ataturk           | 0.0          | 0.0         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Ankara Esenboğa Airport    | 15.6         | 5.2         | 6.8          | 4.8          | 10.9         | 15.3         | 12.6         |
| Izmir Airport              | 49.7         | 14.5        | 26.9         | 45.7         | 51.0         | 57.8         | 63.1         |
| Gazipaşa Alanya Airport    | 3.6          | -1.2        | 0.2          | 0.2          | 0.3          | 0.3          | 0.4          |
| Milas Bodrum Airport       | 23.7         | 5.1         | 13.3         | 25.4         | 31.8         | 37.2         | 43.2         |
| Almaty                     | 0.0          | 0.0         | 27.9         | 85.3         | 99.6         | 118.6        | 130.5        |
| Georgia                    | 72.7         | 7.0         | 35.0         | 62.4         | 65.5         | 75.0         | 81.0         |
| Macedonia                  | 15.8         | -2.1        | 6.1          | 12.5         | 14.7         | 16.0         | 17.6         |
| Tunisia                    | 27.9         | -10.6       | -7.4         | 12.2         | 9.1          | 13.4         | 18.4         |
| <b>Services</b>            | <b>71.4</b>  | <b>4.5</b>  | <b>40.7</b>  | <b>73.6</b>  | <b>99.8</b>  | <b>101.8</b> | <b>104.6</b> |
| BTA (F&B)                  | 0.0          | -13.2       | 2.7          | 8.5          | 11.9         | 12.6         | 13.7         |
| HAVAS                      | 48.6         | 24.9        | 42.1         | 45.1         | 62.9         | 67.2         | 67.9         |
| Services - Others          | 22.8         | -7.2        | -4.1         | 20.0         | 25.0         | 22.0         | 23.0         |
| Adjustments                | 0.0          | 0.0         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Consolidated EBITDA</b> | <b>280.4</b> | <b>22.6</b> | <b>149.5</b> | <b>322.1</b> | <b>382.7</b> | <b>435.4</b> | <b>471.3</b> |

Source: Company Data, Tera Estimates

The company guidance indicates a top-line growth range of 17%-23% and EBITDA growth approximately 15% in 2023 over 2022. The capex for 2023 budgeted as EUR220-260mn, whereas Net Debt/EBITDA ratio is guided as 5.0-6.0x for 2023. Breakdown of CAPEX guidance in 2023; 35% is Ankara, 30% is Almaty and 15% is Macedonia.

Company's guidance for 2023 and 2025 is based on continuation of normal business conditions without any new force majeure and unexpected events.

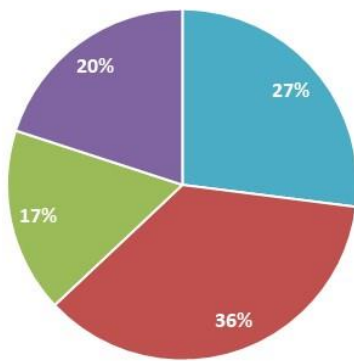
| Guidance          | 2022 Actual | 2023E | 2023 Guidance | 2025 Guidance                  |
|-------------------|-------------|-------|---------------|--------------------------------|
| Revenues (EUR mn) | 1,051       | 1,245 | 1,230-1,290   | 10-14%CAGR(2022-2025 expected) |
| Total PAX         | 78          | 89.7  | 81-91         | 10-14%CAGR(2022-2025 expected) |
| International PAX | 50          | 60.8  | 52-59         |                                |
| EBITDA Margin     | 31%         | 31%   | -             | Above 2022 margin              |
| Net Debt/EBITDA   | 5.0         | 5.0   | 5.0-6.0       | 2.5-3.0                        |
| EBITDA (EUR mn)   | 322         | 383   | 330-380       | 10-14%CAGR(2022-2025 expected) |
| Capex (EUR mn)    | 175         | 260   | 220-260       |                                |

Source: Company Data, Tera Estimates

### FX Exposure

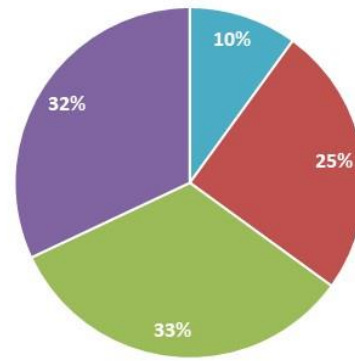
TAV's revenues consists of 33% EUR, 29% US\$ and 22% TL while 41% of costs are TL and EUR weight in costs are only 13%. On financial debt front, 96% of TAV's gross debt is EUR denominated. Since the functional currency of the company is EUR, TAV benefits from a weak TL against EUR.

Revenue Breakdown - 2022



■ EUR ■ USD ■ TRY ■ Other

OPEX Breakdown - 2022



■ EUR ■ USD ■ TRY ■ Other

Source: Company Data

### Summary information on airport operations

TAV Airports currently operates 15 airports in 8 countries while its service subsidiaries operate in 87 different airports around the world. The company's revenue stream is based on 1) per pax fees, 2) duty free and 3) food & beverage services and 4) ground handling services 5) Information technology.

| Airport Operations (Financials in EURmn) |   |           |          |                                   |                  |  |   |
|--|---|-----------|----------|-----------------------------------|------------------|--|---|
| Airport                                  | Type/Expiration                         | TAV share | Scope    | Fee/ Pax Int'l                    | Fee/Pax Domestic | Volume Guarantee                           | Concession Fee  |
| Ankara Esenboga                          | BOT (May-2025)                          | 100%      | Terminal | EUR15                             | EUR3             | 0.6mn domestic, 0.75mn int'l for 2007+5%pa | -   |
| New Ankara Esenboga                      | Lease (May-2050)                        | 100%      | Terminal | EUR17, EUR5 (transfer)            | EUR3             | No   | EUR10mn from 2025 to 2029 and EURmn from 2030 to 2049     |
| Izmir Adnan Menderes                     | Concession (Dec-2034)                   | 100%      | Terminal | EUR15, EUR2.5 (transfer)          | EUR3             | No   | EUR29mn <sup>(1)</sup>                                    |
| Gazipasa                                 | Lease (May-2036)                        | 100%      | Airport  | EUR12                             | TL10             | No   | US\$0.05mn  |
| Milas Bodrum                             | Concession (Dec-2037)                   | 100%      | Terminal | EUR15                             | EUR3             | No   | EUR143.4mn upfront+EUR28.7mn <sup>(2)</sup>               |
| Antalya                                  | Lease (May-2036)                        | 50%       | Terminal | EUR15, EUR2.5 (transfer)          | EUR3             | No   | EUR100.5mn  |
| New Antalya                              | Lease (May-2036)                        | 50%       | Terminal | EUR17, EUR5 (transfer)            | EUR3             | No   | EUR145mn from 2027 to 2031 and EUR236mn from 2032 to 2051 |
| Almaty                                   | No Concession                           | 85%       | Airport  | US\$7.7 for non Kazakh airlines   | Charges vary     | No   | -   |
| Tbilisi <sup>(3)</sup>                   | BOT (Feb-2027)                          | 80%       | Airport  | US\$24                            | US\$6            | No   | -   |
| Batumi <sup>(3)</sup>                    | BOT (Aug-2027)                          | 76%       | Airport  | US\$12                            | US\$7            | No   | -   |
| Monastir & Enfidha <sup>(4)</sup>        | BOT+Concession (May-2047)               | 100%      | Airport  | EUR13                             | EUR1             | No   | 11-26% of revenues in 2010-2047                           |
| Skopje & Ohrid                           | BOT+Concession (June-2032)              | 100%      | Airport  | EUR18 in Skopje, EUR16.7 in Ohrid | -                | No   | 4% of the gross annual turnover                           |
| Medinah                                  | BOT+Concession (May-2041 + up to 4yrs.) | 50%       | Airport  | SAR91 <sup>(4)</sup>              | -                | No   | 54.5% of the annual turnover                              |

1) Accrual basis: Depreciation expense of EUR13.5mn in 2015 to EUR32.4mn in 2032 plus finance expense of EUR17.8mn in 2015 to EUR0mn in 2032

2) Accrual basis: Depreciation expense of EUR11.1mn in 2016 to EUR38mn in 2032 plus finance expense of EUR18.8mn in 2016 to EUR0mn in 2032.

3) Total revenues and EBITDA from Georgia are given under Tbilisi.

4) SAR87 from both arriving and departing international passengers. Pax charge will be adjusted according to CPI in Saudi Arabia in every three years

Source: TAV Airports

### RISKS

**Sharp decline in passenger figures...** The fact that most of TAV's cash flow is dependent on the number of passengers makes the company sensitive to sudden changes that may affect tourism activity in general.

**The appreciation of TL against the Euro...** 63% of the company's revenues are in foreign currency (27% EUR 36% US\$) and 33% of its operating expenses are in TL. The company is operationally vulnerable to the appreciation of TL.



### Tera Yatirim Stock Ratings

| Rating       | Definition   |
|--------------|--|
| OVERWEIGHT   | The analyst expects that the stock will generate a return above that of the BIST-100 index over the next twelve months.        |
| MARKETWEIGHT | The analyst expects that the stock will generate a return in line with that of the BIST-100 index over the next twelve months. |
| UNDERWEIGHT  | The analyst expects that the stock will generate a return below that of the BIST-100 index over the next twelve months.        |

---

#### DISCLAIMER:

This document is produced by Tera Yatirim Menkul Degerler A.S.(Tera Yatirim). Although information contained herein has been obtained from sources believed to be reliable, Tera Yatirim does not guarantee its accuracy, completeness or reliability. Opinions and estimates may be withdrawn without prior notice. Calculations and valuations contained herein are intended as a basis for discussion. You hereby agree to carry out your own independent appraisal of the relevance and suitability of recommended transactions to your own specific needs, especially with regard to legal, financial, and tax matters. Our analysis shall not be construed as an offer or solicitation to subscribe, sell or lend securities or any other financial instrument and it is not intended to be the basis of any investment decision. Tera Yatirim or its affiliates may hold buy and sell positions on any of the securities or financial instruments referred to herein. Tera Yatirim may perform other services (including acting as inter-dealer broker or adviser) in relation to any of the companies referred to herein. Tera Yatirim makes no representation and gives no warranty as to the accuracy or completeness of the contents of this report. Tera Yatirim, its officers, employees, and affiliates shall not be liable to any person in any way whatsoever for any losses, costs, or claims howsoever arising from any inaccuracies or omissions in the information contained in this report or any reliance upon this report. This report may not be distributed to or passed on to anyone who is not a client of Tera Yatirim.

---