Equity / Large Cap. / Communication

05/03/2026

Turk Telekom

BUY

Review of 4Q25 Financials

Upside Potential 42%

Actual vs Estimates

Bottom line came in below market expectations, but above our estimate. Türk Telekom reported a net income of TL719mn in 4Q25 vs. TL2075mn net loss in 4Q24, falling short of the Rasyonet consensus estimate of TL3.0bn and the company-compiled consensus of TL1.4bn (IS Investment: TL485mn net loss). The deviation from estimates was likely driven by monetary/tax effects under IAS-29. The TL10.4bn tax expense mainly reflects IAS-29 related adjustments and one-off tax effects, including the reversal of prior inflation accounting impacts (VUK and IAS-29 inflation accounting mismatch), the indexation of deferred tax assets, revaluation of fixed assets, and the annual reassessment of tax asset recoverability. As a result, the effective tax rate rose to 93.5% from 25.6% in the previous quarter. The management assessed that deferred tax impact recorded in 2025 will have limited near-term cash flow implications. Despite the volatility at the bottom line, profit before tax increased by 15%, indicating that the company's underlying operating performance remained solid.

Highlights of the Quarter

Better-than-expected operating performance. Consolidated revenues increased by c.16% YoY to TL69.3bn in 4Q25. Excluding the IFRIC 12 accounting impact revenues grew by 8.4%, in-line with the estimates. This growth was led by 18.8% in fixed broadband, 5.3% in mobile and 26.5% in corporate data. Fixed broadband subscriber base remained broadly stable with c.30k net subscriber loss, while ARPU rose by around 18% YoY, reflecting pricing actions and a favorable subscriber mix. The mobile segment delivered another solid quarter with c.681k net subscriber additions, while mobile ARPU decreased by around 9% YoY. Beating the consensus estimates by 5-6%, EBITDA surged by c.12% YoY to TL26.4bn, while EBITDA margin decreased by 1.4ppt YoY to 38.7%, driven by growth in lower-margin revenue items. Excluding the IFRIC 12 accounting impact, the EBITDA margin expanded by 0.6ppt YoY to 42.9%.

Lower financial leverage. Despite elevated capex intensity, net debt declined to TL60.3bn in 4Q25 from TL68.1bn a year ago. Net Debt/EBITDA improved to 0.60x, down from 0.61x in 3Q25 and 0.81x in 2024YE. The company's short FX position stood at USD100mn at end-4Q25. Unlevered free cash flow was TL3bn in 4Q25 compared to TL5.8bn in 3Q25 and TL8.6bn in 4Q24 with higher capital expenditures.

Impact on Valuation & Outlook

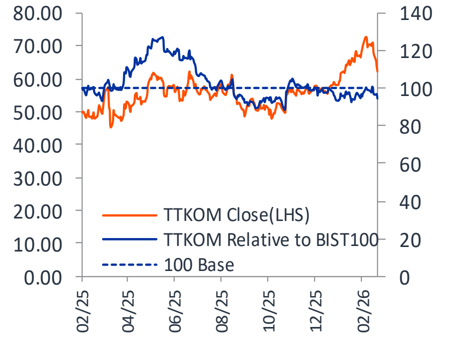
2026 Guidance: For 2026, Türk Telekom guides for 8–9% revenue growth (excluding IFRIC 12) and an EBITDA margin in the 41–42% range, indicating continued operational resilience. The company also expects capex intensity to increase to 33–34%, reflecting reflecting higher 5G investments as well as brownfield and greenfield fiber spending.

Stock Data	TL
Price	62.45
Target Price*	88.64
Prev.TP	88.64
Mcap (mn)	218,575
Float Mcap (mn)	29,092
Avg.Daily Volume (3M, mn)	1297.6
No. of Shares Outstanding (mn)	3,500
Free Float (%)	13
Foreign Share (%)	54

Price Perf. (%)	1 Mn	Ytd	12 Mn
TL	-6.1	8.6	27.7
US$	-7.3	6.0	5.9
Rel.to BIST-100	0.4	-5.5	-2.3

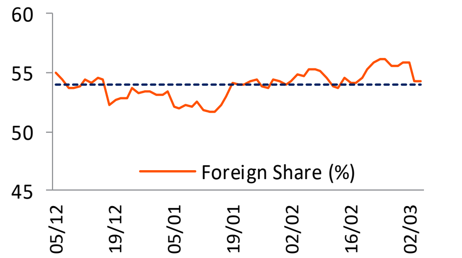
Multiples ($)	2025	2026	2027
P/E	9.3	5.5	4.8
P/BV	1.0	1.0	1.0
EV/EBITDA	2.7	2.5	2.5

Price / Relative Price



3M Range (Close TL)	55.70	72.90

Foreign Share (%)	Cur.(%) :	54.24



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This capex guidance is notably above management's earlier indications of capex intensity remaining close to 2025 levels (29%) in the near term following the 5G tender and concession renewal. Management assumes c.22% year-end inflation in its guidance framework. Revenue growth is expected to be supported by ARPU increases, sustained subscriber momentum in mobile, and continued expansion in fixed broadband and data services. While elevated capex may temporarily weigh on free cash flow, the company aims to maintain a prudent leverage profile supported by strong operating cash generation.

Comment: The initial market reaction to the lower-than-expected bottom-line performance and higher capex intensity guidance to be slightly negative. Following 2026 guidance, we are raising our 12-month TP for TTKOM to TL88.6/share. Türk Telekom may face near-term leverage pressure, making short-term multiples less compelling. However, we maintain a positive long-term view, supported by stronger cash-flow visibility and fiber-led growth potential.

4Q25 EARNINGS RESULTS!

IAS29										
	12 Month Period			Quarterly					Cons.	IS Inv.
TL mn	2025	2024	YoY Δ	4Q25	4Q24	YoY Δ	3Q25	QoQ Δ	4Q25E	4Q25E
Revenues	242,229	211,589	14%	69,317	59,657	16%	62,119	12%	62,533	60,854
Gross Profit	101,204	77,812	30%	27,501	20,425	35%	27,829	-1%		
Gross Margin	41.8%	36.8%	5.0ppt	39.7%	34.2%	5.4ppt	44.8%	-5.1ppt		
Op-ex	-49,303	-47,686	3%	-13,942	-12,714	10%	-11,427	22%		
Op-ex/Sales	-20.4%	-22.5%	2.2ppt	-20.1%	-21.3%	1.2ppt	-18.4%	0.1ppt		
EBIT	51,900	30,126	72%	13,559	7,711	76%	16,402	-17%		
EBITDA*	99,387	82,656	20%	26,366	23,525	12%	27,866	-5%	24,851	23,794
EBITDA Margin	41.0%	39.1%	2.0ppt	38.0%	39.4%	-1.4ppt	44.9%	-6.8ppt	39.7%	39.1%
Financial Inc. (Exp.), net	-23,534	-35,973	-35%	-4,379	-7,282	-40%	-5,370	-18%		
Monetary Gain/Loss	17,858	30,627	-42%	2,491	4,740	-47%	4,100	-39%		
PBT	43,911	32,271	36%	11,102	9,653	15%	14,374	-23%		
PBT Margin	18.1%	15.3%	2.9ppt	16.0%	16.2%	-0.2ppt	23.1%	-7.1ppt		
Tax Inc./Exp.	-20,931	-21,203	-1%	-10,383	-11,728	-11%	-3,685	182%		
Net Income	22,981	11,068	108%	719	-2,075	-135%	10,690	-93%	3,030	-485
Net Margin	9.5%	5.2%	4.3ppt	1.0%	-3.5%	4.5ppt	17.2%	-16.2ppt	4.8%	-0.8%

* Company defined EBITDA

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Turk Telekom

Shareholder Structure (%)	
Türkiye Varlık Fonu	61.68
T.C. Hazine Ve Maliye Bakaı	25
Diğer	13.32

Company Description

Türk Telekom Group is Turkey's world-class, integrated telecommunication and technology services provider offering its customers the complete range of mobile, broadband, data, TV and fixed voice services as well as innovative convergence technologies under the unified "Türk Telekom" brand.

Income Statement (mn ₺)	2024A	2025A	2026E	2027E	2028E
Net Sales	**263,423**	**301,575**	**323,105**	**332,546**	**349,133**
Gross Profit (Loss)	**96,874**	**125,998**	**133,303**	**135,836**	**145,750**
Operating Expenses	59,368	61,383	64,242	65,158	68,214
Core Operating Profit	**37,506**	**64,616**	**69,061**	**70,678**	**77,536**
Non-operating Income (Exp.)	3,697	-3,955	-2,885	-2,847	-2,849
Net Financial Income (Exp.)	-44,785	-29,299	-15,218	-10,284	-3,513
PBT	**40,177**	**54,669**	**60,106**	**66,401**	**80,038**
Tax Expense (Income)	26,397	26,059	11,253	10,476	10,459
Net Profit	**13,780**	**28,611**	**48,853**	**55,925**	**69,579**
Recurring Net Profit	**13,780**	**28,611**	**48,853**	**55,925**	**69,579**
NOPAT	62,148	95,415	81,991	81,829	87,668
EBITDA	**96,204**	**123,382**	**133,746**	**138,261**	**149,182**

Growth & Operating Perf.	2024A	2025A	2026E	2027E	2028E
Growth					
Net Sales	61.4%	14.5%	7.1%	2.9%	5.0%
EBIT	n.a	72.3%	6.9%	2.3%	9.7%
EBITDA	80.8%	28.3%	8.4%	3.4%	7.9%
Net Profit	-48.5%	107.6%	70.8%	14.5%	24.4%
Operating Performance					
Gross Margin	36.8%	41.8%	41.3%	40.8%	41.7%
EBIT Margin	14.2%	21.4%	21.4%	21.3%	22.2%
EBITDA Margin	36.5%	40.9%	41.4%	41.6%	42.7%
Effective Tax Rate	107.1%	59.3%	18.7%	13.3%	9.1%
Net Profit Margin	5.2%	9.5%	15.1%	16.8%	19.9%
ROE	6.9%	11.4%	18.7%	21.1%	24.6%
ROA	3.6%	5.9%	8.8%	9.0%	10.0%
ROIC	22.1%	26.3%	19.0%	15.8%	14.9%
OCF / Sales	33.7%	40.0%	41.3%	40.9%	42.2%
FCF / Sales	9.4%	14.9%	-8.5%	-3.7%	4.2%

Ratio Analysis	2024A	2025A	2026E	2027E	2028E
Adj. P / E (x)	18.2	8.8	5.1	4.5	3.6
EV / EBITDA (x)	3.3	2.6	2.4	2.3	2.1
EV / Sales (x)	1.2	1.1	1.0	1.0	0.9
P / B (x)	1.1	0.9	1.0	0.9	0.9
EPS (₺)	3.94	8.17	13.96	15.98	19.88
DPS (₺)	n.m	n.m	n.m	n.m	n.m
Dividend Yield	0.00	0.00	0.00	0.00	0.00
Net Debt (Cash) (mn ₺)	85,482	72,245	165,496	229,901	268,467
Net Debt / EBITDA (x)	0.89	0.59	1.24	1.66	1.80
Net Debt / Equity (x)	0.36	0.27	0.64	0.84	0.92

Source: Is Investment

Balance Sheet (mn ₺)	2024A	2025A	2026E	2027E	2028E
Current Assets	**96,913**	**143,366**	**91,364**	**96,381**	**100,266**
Cash and Cash Equivalents	29,448	83,342	28,784	30,369	31,596
Short-Term Trade Receivable	35,619	40,145	42,023	44,337	46,128
Inventories	4,476	2,282	1,024	1,067	1,103
Other Current Assets	27,370	17,597	19,532	20,607	21,440
Long Term Assets	**343,492**	**387,824**	**485,416**	**566,283**	**627,273**
Investments with Equity Meth	655	1,043	1,068	1,079	1,071
Tangible Fixed Assets	199,568	219,388	291,394	351,843	397,387
Intangible Fixed Assets	136,054	163,068	187,070	207,220	222,401
Other Long-Term Assets	6,905	3,400	4,916	5,120	5,352
Total Assets	**440,405**	**531,190**	**576,780**	**662,664**	**727,539**
Short Term Liabilities	**105,263**	**94,550**	**95,909**	**101,170**	**97,044**
Short-Term Financial Loans	43,383	24,043	20,095	20,843	14,117
Short-Term Trade Payables	35,725	38,962	42,793	45,488	46,681
Other Short-Term Liabilities	26,156	31,545	33,021	34,839	36,246
Long Term Liabilities	**97,074**	**172,156**	**221,628**	**289,392**	**337,962**
Long-Term Financial Loans	71,548	131,544	174,186	239,428	285,946
Other Long-Term Liabilities	25,526	40,611	47,442	49,964	52,016
Equity	**238,068**	**264,484**	**259,243**	**272,102**	**292,533**
Parent Shareholders Capital	238,068	264,484	259,243	272,102	292,533
Reserves and Other Items	218,584	231,516	206,890	213,236	220,523
Current Year Income (Losses	13,780	28,611	48,853	55,925	69,579
Total Liabilites & Equity	**440,405**	**531,190**	**576,780**	**662,664**	**727,539**

Cash Flow (mn ₺)	2024A	2025A	2026E	2027E	2028E
Net Cash from Operations	**88,673**	**120,733**	**133,316**	**135,889**	**147,199**
Earnings Before Adjustments	13,780	28,611	48,853	55,925	69,579
Depreciation & Amortistion	58,698	58,766	64,685	67,582	71,646
Change in Working Capital	-8,600	3,914	3,388	350	-632
Other Operating Cash Flow	-4,204	-9,596	-10,281	-10,581	-11,109
Cash from Inv. Operations	**-63,987**	**-75,770**	**-160,694**	**-148,181**	**-132,371**
Free Cash Flow	**24,686**	**44,963**	**-27,378**	**-12,292**	**14,829**
Cash from Fin. Operations	**-34,369**	**28,840**	**35,233**	**65,278**	**39,642**
Change in Financial Debt	-15,301	44,989	38,694	65,990	39,792
Dividends Paid	0	0	0	0	0
Other Financing Cash Flow	-19,068	-16149	-3,460	-712	-150
Net Change in Cash	**-7,863**	**75,403**	**-52,120**	**1,585**	**1,226**

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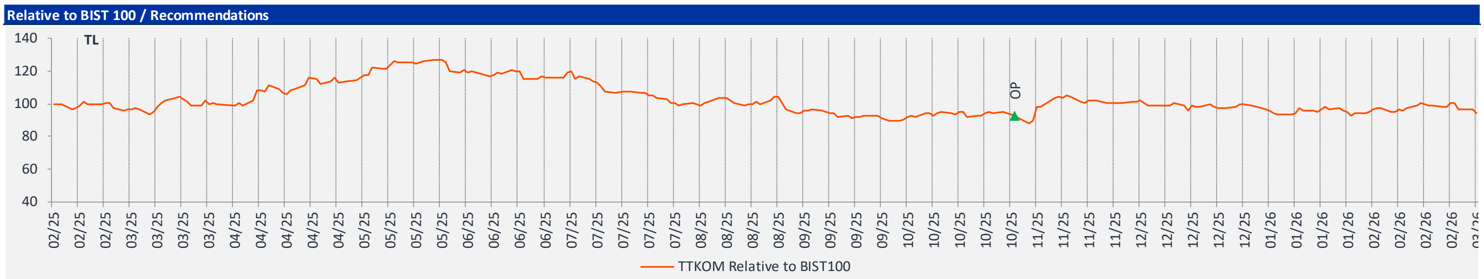
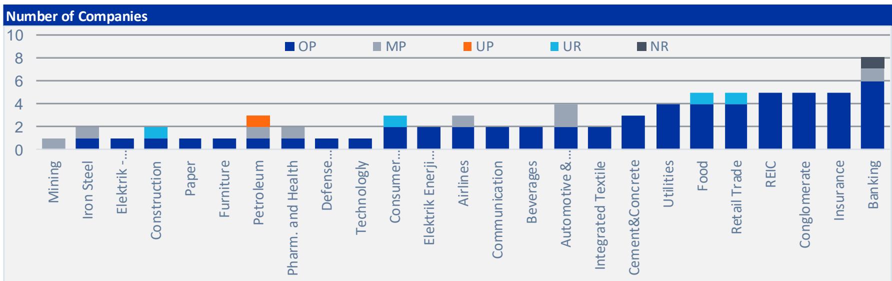
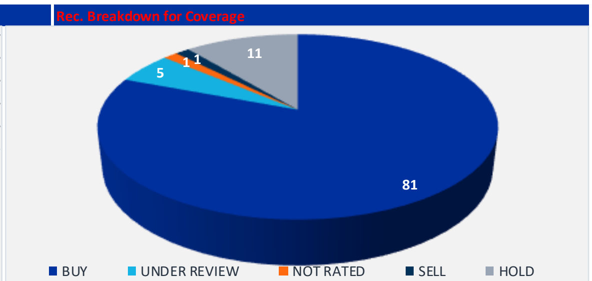
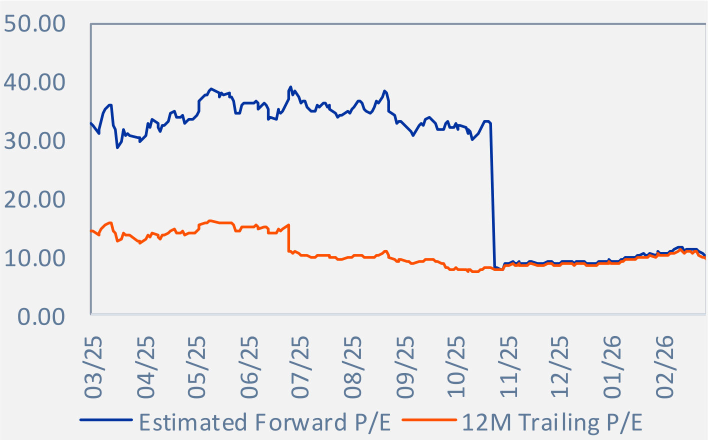
Turk Telekom



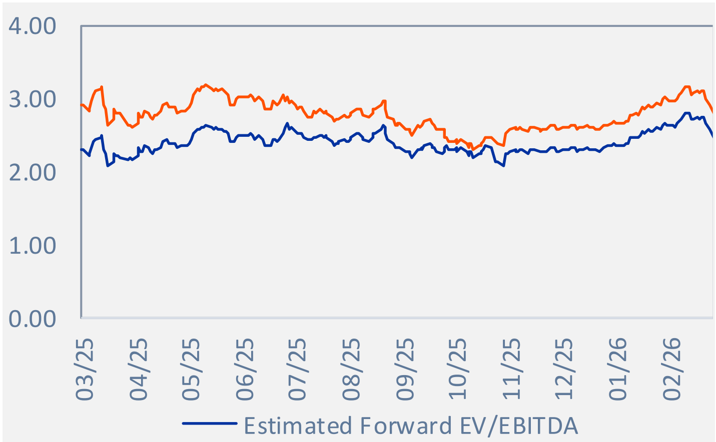




Estimated Forward P/E & 12M Trailing P/E



Estimated Forward EV/EBITDA & 12M Trailing EV/EBITDA



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