

16 December 2025

Kardemir

Upgrade to Buy. Domestic tailwinds, cautious on the global backdrop.

- Upgrading to Buy on valuation and potential domestic tailwinds:** We upgrade Kardemir to Buy (from Hold) and raise our 12-month target price to TL40.4/share (from TL34.5), implying 49% upside from the current share price. The change reflects (1) a modestly higher FY26–27 EBITDA/tonne trajectory, (2) slightly higher FY26–27 volume assumptions as partial debottlenecking is expected around March 2026, and (3) updated macro inputs. Despite the slight recovery in share price over the past one month, 5% outperformance vs. BIST-100, Kardemir shares have been a tangible underperformer over the past one-year, trailing BIST-100 by 21%, BIST-Industrials by 16% while declining 27% in USD, in the interim. Overall, we see a more attractive risk-reward profile as the prospect of a partial operational recovery becomes more probable with domestic demand conditions improve, given the lower interest rate trajectory and domestic projects, while remaining mindful of global steel-cycle risks and continued pricing pressure due to oversupply. On our forecasts, the stock trades at FY26E EV/EBITDA of 4.0x, which is a steep discount to its historical 5-year median (~6x) and to regional peers.
- Global backdrop warrants continued caution:** The global headwinds – Chinese oversupply, CBAM-related trade shifts, and a lackluster global pricing trend – are real and warrant monitoring, but they are largely acknowledged in our analysis. They represent the upper bound on Kardemir's near-term performance, preventing us from assuming a robust structural re-rating purely on macro factors. However, they do not negate the company's progress on improving its operations and capitalizing on local opportunities. We view these headwinds as constraints on valuation multiples and margins (justifying why the stock may not command a high multiple yet), but not as reasons to avoid the stock at this price. In effect, the global backdrop remains a neutral to slightly negative factor – a backdrop against which Kardemir's relative improvement still translates into a compelling equity story.
- Room for domestic-driven recovery with measurable operating leverage:** Our stance is supported by the prospect of bottom-up room for improvement in execution and a top-down shift in Turkey's long-steel demand backdrop. A more supportive local environment—helped by a more accommodative rate setting and ongoing rebuilding/urban renewal—should gradually increase domestic consumption. In our base case, profitability improves through FY26–27 as utilization rises, unit costs fall, and product mix & pricing discipline stabilize.
- Turkey demand and policy support: incremental but supportive:** We see upside risk to Turkey's long-steel demand over the next few years, driven primarily by a more supportive financing environment and activity from TOKI social housing, urban renewal, and a pipeline of infrastructure/industrial projects. This should directly benefit Kardemir's core long-steel exposure (billet, rebar, profiles). Policy also provides modest support: the 2025 tightening of the Inward Processing Regime (DIR) for selected steel inputs raises the domestic sourcing floor for export-oriented processors, reducing the scope for duty-free imported semi-finished steel to undercut local prices. While not a standalone catalyst, it modestly improves demand visibility and should act as a buffer for an integrated supplier like Kardemir.
- Company-specific improvements and mix upgrade:** Kardemir's strategic focus on value-added products – particularly railway rails, rail wheels, and specialty sections – continues to be aimed at diversifying away from purely commoditized rebar and billet, while increasing its blended EBITDA/tonne. Although this initiative has been in play for some time with only modest contribution so far, we are encouraged by recent progress and see tangible upside as new orders from Turkish State Railways and other infrastructure projects are realized. This product mix improvement gives Kardemir the ability to command better pricing and margins on a portion of its output, and to pivot towards less crowded niches when commodity long-steel markets face pressure. In addition, capacity debottlenecking and minor expansions are underway – including supplementary works expected around March 2026 – which should enable slightly higher production volumes into 2026–27.

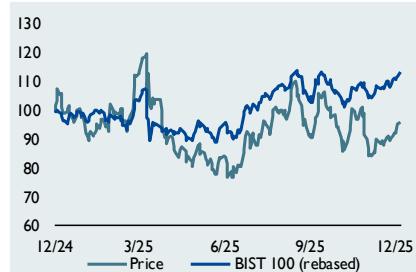
Recommendation: **BUY** From: Hold
Target Price: **TL 40.4** (From: TL34.5)

*Stock ratings are relative to the relevant country benchmark. ¹Target price is for 12 months
Produced by: Unlu & Co.

Share data

RIC	KRDMD.IS
Sector	Steel
Price (15 Dec 2025)	TL 27.20
Market cap. (TLm)	21,222
Enterprise value (TLm)	26,183
Market cap. (USDm)	498
Enterprise value (USDm)	614
Avg. daily trade value (USDm)	41.18
Free float (%)	89

Price relative to BIST 100



Historical performance relative to BIST 100 (%)		
Performance over	1M	3M
Absolute (%)	14.2	0.2
Relative (%)	5.3	-3.8

Source: Rasyonet, UNLU & Co

The price relative chart measures performance against the Turkey BIST 100 which closed at 11,456 on 15 Dec 2025.

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Upgrade recommendation

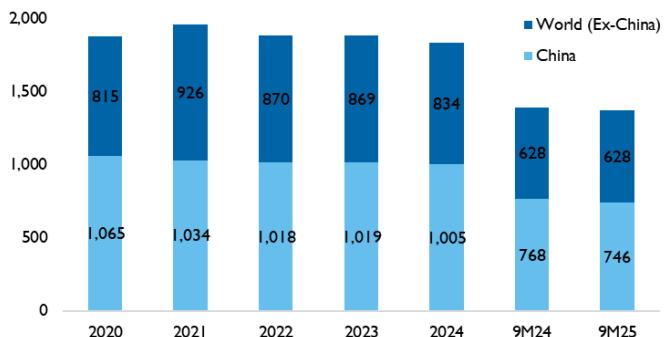
Equity Research | CEMEA/Turkey

Valuation metrics *	2021A	2022A	2023A	2024A	2025E	2026E			
P/E (x)	n.m.	13.1	10.6	n.m.	n.m.	10.9			
EV/EBITDA (x)	n.m.	3.0	4.5	7.4	6.4	4.0			
EV/sales (x)	0.4	0.3	0.3	0.5	0.6	0.4			
Dividend yield (%)	12.1	1.7	0.0	0.0	0.0	0.0			
Ratio analysis	2021A	2022A	2023A	2024A	2025E	2026E			
ROE (headline basis) (%)	55.6	4.8	5.1	(5.2)	(1.0)	4.1			
ROIC (EBIT basis) (%)	62.3	12.9	4.2	2.7	3.7	7.2			
Gross margin (%)	32.4	7.7	4.2	5.4	7.2	9.9			
EBITDA margin (%)	33.1	9.4	6.2	7.4	9.3	11.1			
EBIT margin (%)	31.5	6.6	3.1	3.4	5.1	7.9			
Net margin (%)	26.1	2.0	3.1	(5.4)	(1.1)	3.2			
Net debt/EBITDA (x)	(0.6)	0.2	(0.8)	0.6	1.3	0.9			
EBITDA Interest coverage	10.5	(10.1)	(1.0)	9.3	10.7	12.2			
Profit and loss (TLm)	2021A	2022A	2023A	2024A	2025E	2026E			
Revenue	14,765	54,168	74,529	56,500	64,025	88,175			
Growth (y/y)	96%	267%	38%	-24%	13%	38%			
Gross profit	4,782	4,177	3,161	3,053	4,616	8,691			
EBITDA	4,891	5,105	4,633	4,187	5,976	9,782			
Growth (y/y)	293%	4%	-9%	-10%	43%	64%			
EBIT	4,645	3,599	2,292	1,946	3,248	6,927			
Growth (y/y)	355%	-23%	-36%	-15%	67%	113%			
Other income/expense	288	(814)	(6,546)	(2,918)	(2,388)	(2,128)			
Financial income/expense	(466)	504	4,414	(451)	(560)	(800)			
Profit before tax	4,467	3,289	160	(1,422)	300	4,000			
Tax	(614)	(2,181)	2,133	(1,609)	(977)	(1,200)			
Effective tax rate	14%	66%	n.m.	n.m.	n.m.	30%			
Minorities	0	0	(0)	(0)	(0)	0			
Net income	3,853	1,108	2,293	(3,031)	(677)	2,800			
Growth (y/y)	n.m.	-71%	107%	n.m.	-78%	n.m.			
Weighted diluted number of shares (m)	1,140	1,140	1,140	1,140	1,140	1,140			
Earnings per share (EPS) (TL)	3.38	0.97	2.01	(2.66)	(0.59)	2.46			
Dividend per share (DPS) (TL)	0.88	0.22	0.00	0.00	0.00	0.00			
Dividend pay-out ratio	26%	23%	0%	0%	0%	0%			
Key Annual Forecasts	2021A	2022A	2023A	2024A	2025E	2026E			
Volume (m tonnes)	2.31	2.07	2.14	2.12	2.49	2.63			
Y/Y Growth, % Δ	-3%	-11%	4%	-1%	17%	6%			
Ave. price per tonne (USD/tonne)	717	1,462	1,430	920	656	712			
Y/Y Growth, % Δ	59%	104%	-2%	-36%	-29%	8%			
Revenues (USDm)	1,657	3,266	3,133	1,722	1,623	1,879			
Y/Y Growth, % Δ	55%	97%	-4%	-45%	-6%	16%			
EBITDA / tonne	238	149	91	60	60	78			
Y/Y Growth, % Δ	217%	-37%	-39%	-34%	0%	29%			
Cash flow (TLm) *	2023A	2024A	2025E	2026E	Balance sheet (TLm)	2023A	2024A	2025E	2026E
EBIT	2,292	1,946	3,248	6,927	Cash	6,870	3,507	2,472	4,355
Depreciation & Amortization	2,342	2,241	2,721	2,758	Total current assets	36,404	39,244	36,946	47,894
Change in working capital	(2,086)	(187)	8,082	2,539	Property, plant equipment	49,528	62,588	66,415	68,198
Taxes paid	2,133	(1,609)	(977)	(1,200)	Intangible fixed assets	156	318	366	398
Capex	(2,089)	(2,612)	(3,834)	(4,541)	Total non-current assets	50,173	63,519	67,572	69,471
Capex/Revenues	2.8%	4.6%	6.0%	5.1%	Total assets	86,577	102,764	104,518	117,365
Free cash flow	6,763	152	(6,924)	1,405	Current liabilities	27,758	30,044	25,378	34,176
Free cash flow margin	9%	0%	-11%	2%	Total non-current liabilities	5,624	8,204	12,034	13,283
Dividends paid	(250)	0	0	0	Total ordinary shareholders' equity	53,195	64,516	67,106	69,906
Increase (decrease) in net cash	4,664	(6,027)	(5,272)	(1,116)	Total equity and liability	86,577	102,764	104,518	117,365
					Net working capital	9,710	9,523	17,606	20,145
					Net cash (debt)	3,688	(2,339)	(7,611)	(8,127)

Source: Company financials, Unlu & Co. estimates, * figures reflect the whole of the Company (including A, B and D type shares)

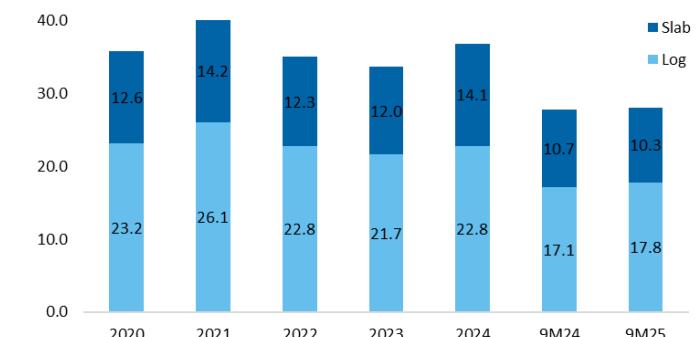
Key Sector Charts

Figure 1: Global Liquid Steel Production



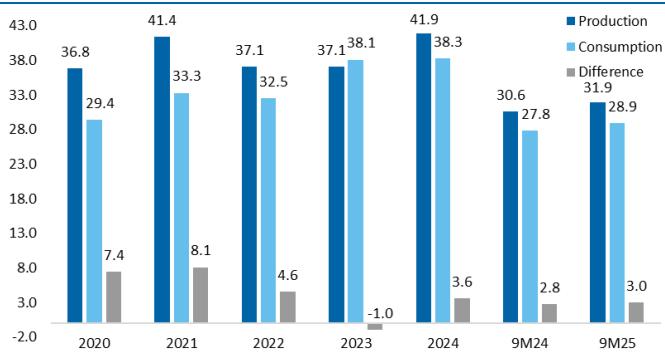
Source: Turkey Steel Producers Association

Figure 2: Turkey Steel Production (mn. tonnes)



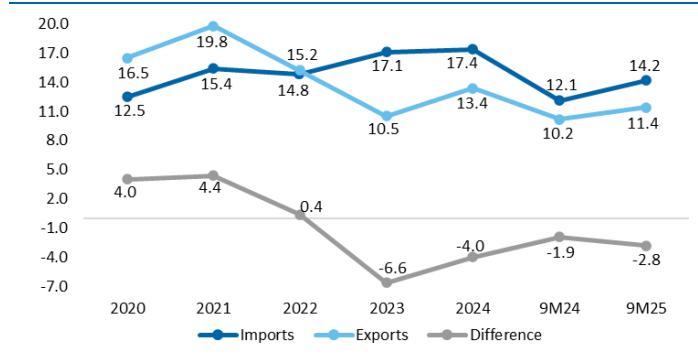
Source: Turkey Steel Producers Association

Figure 3: Turkey Final Product Balance (mn. tonnes)



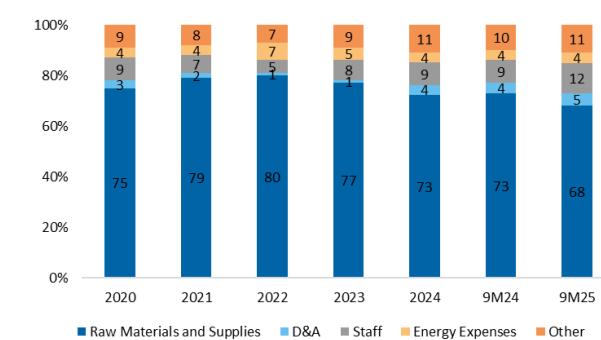
Source: Turkey Steel Producers Association

Figure 4: Turkey Steel Exports - Imports (mn. tonnes)



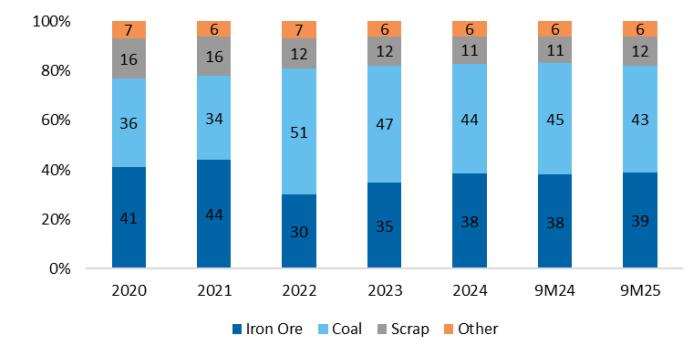
Source: Turkey Steel Producers Association

Figure 5: Kardemir Distribution of Production Inputs



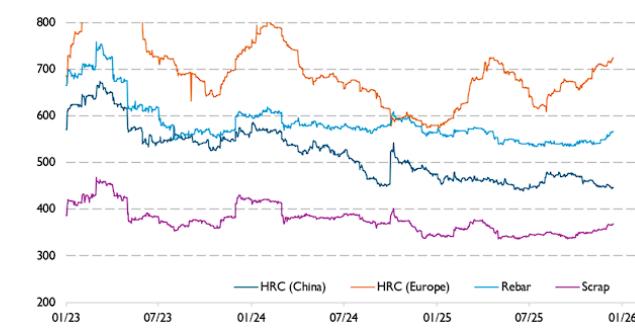
Source: Company

Figure 6: Kardemir Distribution of Raw Materials and Supplies



Source: Company

Figure 7: Key steel prices



Source: Bloomberg

Figure 8: Scrap – Iron Ore Differential

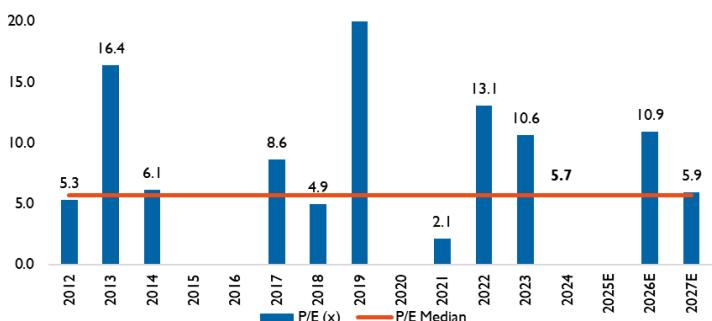


Source: Bloomberg

Investment Case

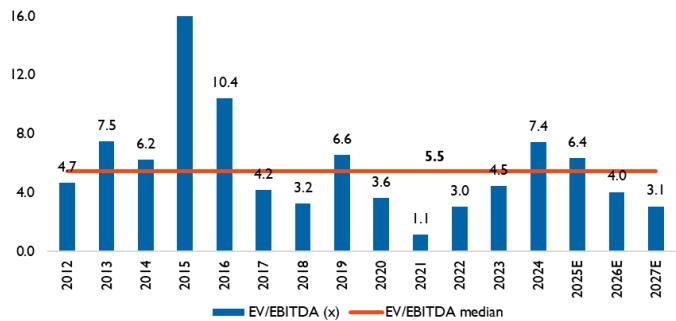
Upgrading to Buy on supportive risk/reward profile: We upgrade Kardemir to Buy (from Hold) and raise our 12-month target price to TL40.4/share (from TL34.5), implying 49% upside from the current share price. The change reflects (1) a modestly higher FY26–27 EBITDA/tonne trajectory, (2) slightly higher FY26–27 volume assumptions as partial debottlenecking is expected around March 2026, and (3) updated macro inputs. Despite the recent recovery in share price over the past one month, Kardemir shares have been a tangible underperformer over the past one-year, trailing BIST-100 by 21%, BIST-Industrials by 16% while declining 27% in USD, in the interim. Overall, we see a more attractive risk-reward as the operational recovery becomes clearer and as domestic demand conditions improve, while remaining mindful of global steel-cycle risks. On our forecasts, the stock trades at FY26E EV/EBITDA of 4.0x, which is a steep discount to its historical 5-year median (~6x) and to regional peers.

Figure 9: Kardemir's P/E (x) progression



Source: UNLU Estimates, Rasyonet

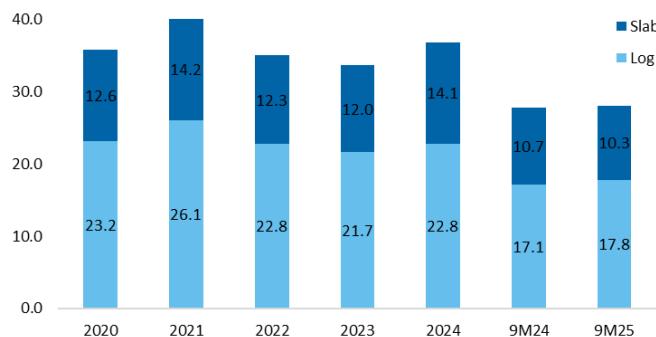
Figure 10: Kardemir's EV/EBITDA (x) progression



Source: UNLU Estimates, Rasyonet

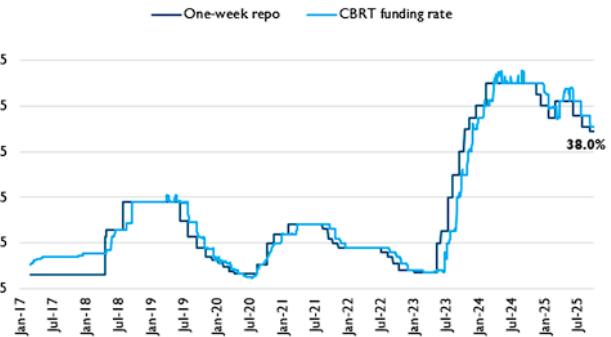
Room for domestic-driven recovery with measurable operating leverage: Beyond the target revision, our stance should be supported by the prospect of bottom-up improvement in execution and a top-down shift in Turkey's long-steel demand backdrop. A more supportive local environment—helped by a more accommodative rate setting and ongoing rebuilding/urban renewal—should gradually increase domestic consumption. In our base case, profitability improves through FY26–27 as utilization rises, unit costs fall, and product mix and pricing discipline stabilize.

Figure 11: Turkey Steel Production (mn. tonnes)



Source: Turkey Steel Producers Association

Figure 12: CBRT Funding rate and one-week repo

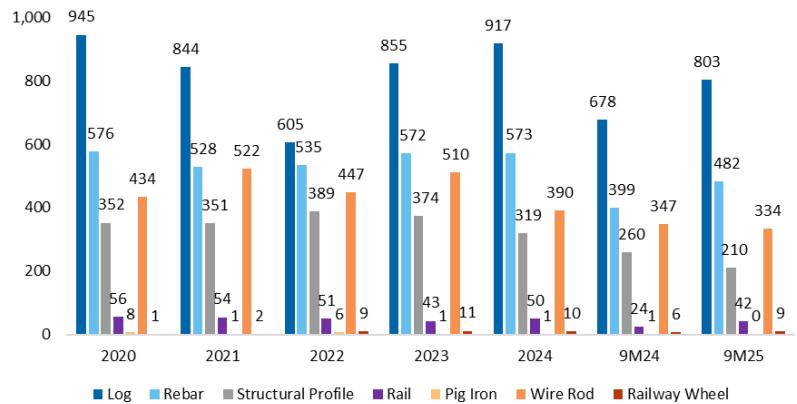


Source: CBRT

Turkey demand and policy support: incremental but supportive: We see upside risk to Turkey's long-steel demand over the next few years, driven primarily by a more supportive financing environment and activity from TOKI social housing, urban renewal, and a pipeline of infrastructure/industrial projects. This should directly benefit Kardemir's core long-steel exposure (billet, rebar, profiles). Policy also provides modest support: the 2025 tightening of the Inward Processing Regime (DIR) for selected steel inputs raises the domestic sourcing floor for export-oriented processors, reducing the scope for duty-free imported semi-finished steel to undercut local prices. While not a standalone catalyst, it modestly improves demand visibility and should act as a buffer for an integrated supplier like Kardemir.

Company-specific improvements and mix upgrade: Kardemir's strategic focus on value-added products – particularly railway rails, rail wheels, and specialty sections – continues to be aimed at diversifying away from purely commoditized rebar and billet, while increasing its blended EBITDA/tonne.

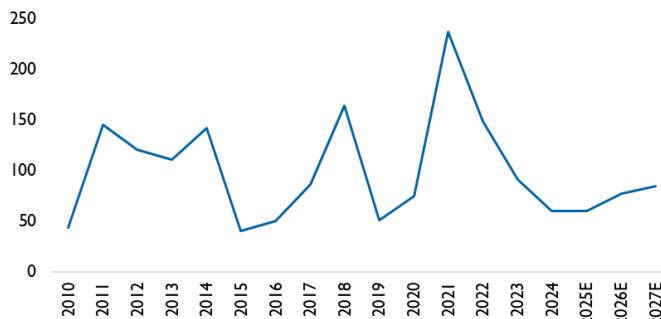
Figure 13: Sales Volumes Based on Final Products (k tonne)



Source: The Company

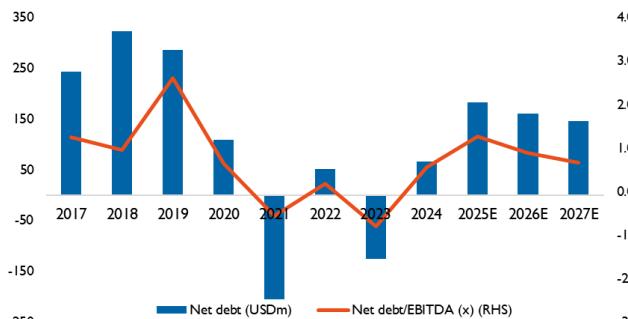
Although this initiative has been in play for some time with only modest contribution so far, we are encouraged by recent progress and see tangible upside as new orders from Turkish State Railways and other infrastructure projects are realized. This product mix improvement gives Kardemir the ability to command better pricing and margins on a portion of its output, and to pivot towards less crowded niches when commodity long-steel markets face pressure. In addition, capacity debottlenecking and minor expansions are underway – including supplementary works expected around March 2026 – which should enable slightly higher production volumes into 2026–27.

Figure 14: EBITDA/tonne (USD/tonne)



Source: The Company, Unlu & Co., Rasyonet

Figure 15: Net debt (TLm) & net debt / EBITDA (x) (RHS)



Source: The Company, Unlu & Co., Rasyonet

Internally, Kardemir is also repairing its balance sheet gradually; cash flows from the recovering EBITDA and restrained dividend payouts are helping to reduce net debt over time. Altogether, these company-specific levers (better product mix, incremental volume growth, and financial deleveraging) are incrementally boosting Kardemir's earnings power and resilience. We note that the stock had significantly underperformed the broader market until recently, which set a low bar of expectations. Now, with execution improving even modestly, there is ample room for tactical outperformance as investors reassess the company's prospects. This dynamic underpins our view that upside potential is material if Kardemir continues to deliver on its initiatives.

DIR tightening for selected steel inputs

Turkey tightened parts of the Inward Processing Regime (DIR) in 2025 via Presidential Decision No. 10211 (Official Gazette 16 Aug 2025, No. 32988) and subsequent Ministry of Trade / Export General Directorate sector guidance. The steel-specific change introduces a minimum domestic procurement ratio (25%) for selected steel inputs used in export production and shortens DIR certificate (DIIIB) validity for certain in-scope feedstocks.

Figure 16: Brief Overview of the Inward Processing Regime

In-scope input (HS/GTIP)	What it typically feeds	DIR tightening in 2025 circular	Kardemir relevance
7207 (semi-finished: non-alloy steel billets/blooms)	Re-rolling into rebar, profiles, rod/bar for export	Min 25% domestic procurement; DIIIB tenor linkage to hot-rolling activity (short tenor framework)	Direct relevance: Kardemir produces billet/kutuk and long products; potential uplift via higher domestic billet sourcing needs
7213 / 7221 / 7227 (wire rod categories)	Downstream processing into wire, fasteners, mesh, etc. for export	Min 25% domestic procurement; if wire rod is >50% of import list, DIIIB validity can be as short as 4 months	Direct relevance: Kardemir produces wire rod/filmasin (and related long products); supports domestic offtake/marginal discipline
7208 (hot-rolled flat products: non-alloy hot-rolled sheet/coil category)	Downstream flat processing for export	Min 25% domestic procurement; if 7208 is >50% of import list, DIIIB validity can be 6 months	Low-to-indirect relevance: Kardemir is primarily long-steel focused; this matters more for flat value-chain dynamics, but can still tighten the broader domestic steel balance at the margin

Source: Official Gazette, Various Sources

Mechanically, for the in-scope inputs listed below, the minimum domestic procurement ratio is set at 25% and is recorded into DIIIB's special conditions at issuance. Critically, the compliance check is closure-based: during commitment closure, if the ratio of domestically procured input quantity to the imported-input requirement for the exported products is found to be below the minimum threshold, the DIIIB is closed with sanctions under the existing DIR enforcement framework. The circular specifies that this provision applies to DIIIBs issued from 01 Oct 2025, which implies a staged roll-through rather than an immediate cliff-edge for exporters operating under earlier certificates. From a sector standpoint, this is best viewed as a flow/mix lever, not a "demand creation" tool. It should 1) reduce the room for duty-free import arbitrage for exporters that process and re-export steel-intensive products at scale, 2) marginally raise the structural incentive to source more feedstock domestically, and 3) somewhat limit import-led price undercutting in segments where DIR imports were a meaningful marginal supply source. The realized impact still depends on the export cycle (volumes) and how consistently closure scrutiny is applied in practice.

Implications for Kardemir: supportive but incremental: Kardemir is primarily a domestic-focused integrated long-steel producer with capability across billet and downstream long products (e.g., billet, wire rod, rebar, profiles), which makes it a more natural beneficiary if export-oriented re-rollers/processors are structurally pushed toward higher local sourcing of feedstocks. The transmission to Kardemir's P&L is therefore most plausibly via incremental domestic offtake and modest pricing/mix discipline in billet/longs versus a counterfactual where DIR-enabled imports remain the swing supplier. This is not a thesis-changer (global steel pricing, domestic construction demand, and competitive behavior still dominate), but it can function as a downside buffer in a weak tape and modestly improve the probability of steadier domestic demand in 2026–27.

Timing: given the stated application to DIIIBs issued from 01 Oct 2025 and closure-based enforcement, we would expect a muted and noisy transition phase (legacy certificates/inventories) followed by clearer "steady-state" visibility as new-certificate coverage broadens and closures increasingly reflect the new constraints. Accordingly, the effect is likely limited in 4Q25 (legacy certificates and inventory can dilute immediate impact), noisy in 1Q26 (inventory drawdowns and transition behavior), and more visible from 2Q26 onward as new-certificate coverage broadens and closure-based compliance becomes unavoidable for ongoing exporters. By 2H26–27, if enforcement is consistent and export activity persists, the impact should look more like a steady-state uplift to domestic sourcing share rather than a one-off step change.

Turkey Railway Infrastructure

Turkey's rail network has expanded to 13,919 km by 2024, including 2,251 km of high-speed lines and roughly 11,668 km of conventional track. About 7,142 km (≈51%) of this network is electrified and 8,046 km (≈58%) is equipped with modern signaling. High-speed ("YHT") rail service has carried some 92 million passengers to date, and three main YHT corridors now link Ankara with Istanbul, Konya and Sivas. Freight rail is still modest: TCDD Tasimacilik reported only 7.4 Mt (27.5%) of its 2023 traffic in private-sector wagons, equivalent to ~3.5 billion ton-km (implying roughly 27 Mt and ~12.7 bn ton-km total). Rail's modal share of freight in Turkey is estimated at only ~4%, reflecting underinvestment in corridors and last-mile links.

Turkey has nearly 14,000 km of rail lines (blue for conventional, red for high-speed) with about half electrified. This growth has driven nearly 92 m YHT riders, but freight use remains low (~27 Mt in 2023). Key freight corridors (e.g. Marmara-Thrace, Central Anatolia-Southeast) and ports (İskenderun, Mersin, Filyos) are focal points for future rail expansion. Turkey's plan aims to reach ~17,287 km total by 2028 and ~28,590 km by 2053, with major emphasis on electrification and signaling. Recent annual additions (2023) include 791 km of new lines, 898 km electrified and 811 km signaled. Freight-focused investments include new last-mile connectors (e.g. Filyos Port, İskenderun) under the World Bank's Rail Logistics Improvement Project, while passenger/high-speed projects dominate new capacity.

The following table summarizes Turkey's major rail projects in construction or planning (as of Dec 2025). Most active projects are double-track, electrified lines to improve intercity links (often YHT-standard) or modernize key corridors.

Figure 17: Turkey's major rail projects in construction or planning (as of Dec 2025)

Project & Route	Scope	Length	Status & Milestones	Implementer	Cost/ Budget
Ankara–İzmir YHT	New high-speed rail line (double-track)	505 km	Under construction; partial sections opening phased, full service by 2027	Ministry/TCDD	Not disclosed
Mersin–Adana–Osmaniye–Gaziantep YHT (Çukurova YHT)	New high-standard (double-track) line	~312 km	Under construction; ~83% complete by late 2025, expected operational by 2027	Ministry/TCDD	UK Export Finance ~USD 878 m (for tunnels)
Bandırma–Bursa–Osmaneli YHT	New high-speed line (double-track)	201 km	Osmaneli–Bursa (106 km) due H2 2026; Bursa–Bandırma (95 km) due 2028	TCDD	Not disclosed
Halkalı–Kapıkule HSR	New freight+passenger line (2-track)	229 km	Multi-phase: Çerkezköy–Kapıkule (153 km) due 2025; Halkalı–İspartakule (9 km) + İspartakule–Çerkezköy (67 km) by 2028.	Ministry/TCDD	EUR 275 m (EU grant for phase I); rest undisclosed
Yerköy–Kayseri (via Sivas)	Upgrade/integration (YHT link)	–	Completed Nov 2023 (part of Ankara–Sivas YHT)	TCDD	–
Karaman–Ulukışla YHT	New HS line (double-track)	135 km	Completed (late 2023)	TCDD	–
Kars–İğdır–Aralık–Dilucu	New "regional" line (double-track)	224 km	Under procurement/financing; construction slated to start 2026 after financing secured in 2025	Ministry/TCDD	~EUR 2.4 bn total; export-credit backed (AIIB/EKN/OeKB/IsDB)
Ankara–İstanbul (New Super-fast)	New high-speed "YHT2" (double-track)	344 km	Design/planning (in pipeline, target service by 2030)	Ministry/TCDD	Not disclosed
Kuzey Marmara (airport links)	New HS links connecting Istanbul airports	n.a.	In planning (Airport–Airport connectivity)	Ministry/TCDD	Not disclosed
Samsun–Sarp (Black Sea coast)	New HSR (double-track, 200 km/h)	509 km	Feasibility stage; announced (FY2025 target), likely open ~2030	Ministry/TCDD	Not disclosed
Aksaray–Ulukışla–Yenice (north–south corridor)	New HS line (double)	~200 km	In planning (tenders forthcoming)	Ministry/TCDD	Not disclosed
Kırıkkale–Delice–Çorum–Samsun HST	New HS line (double-track)	~230 km	Part of masterplan; Delice–Çorum tender imminent, Samsun link in future	Ministry/TCDD	Not disclosed
Divriği–Kars (Northern Corridor)	Existing line rehabilitation (single → 2-track)	269 km	Under rehabilitation (partially active)	TCDD	Not disclosed
Last-mile port links (e.g. Filyos, İskenderun)	Branch lines to ports/industrial zones	(tens of km)	Under World Bank-financed works (started 2021)	TCDD/MoTI	WB project USD 350 m

Source: TCDD, World Bank, EUK Export Finance, Various Sources

Global Backdrop: Tangible Headwinds

While our investment case leans on company-specific and domestic positives, we remain cognizant of the global headwinds facing all steel producers. These external factors are not new, and we incorporate them into our forecasts and risk assessment. We stress that they do not overturn our Buy thesis but rather frame the upper bound of potential gains. Key global considerations include:

Chinese Overcapacity and Exports: Global steel pricing continues to be constrained by persistent oversupply, especially from China. Chinese crude steel production remains high, and any excess tends to flow into export markets at competitive prices. This acts as a structural cap on long-steel prices worldwide. Even with some curtailments, we do not assume a dramatic shift in China's supply discipline near term. For Kardemir, this means the pricing power in export markets (and indirectly in Turkey, through import-parity dynamics) is likely to stay limited – a reality we have baked into our moderate margin assumptions. Nonetheless, this overcapacity issue is a longstanding one and is reflected in current steel prices; any unexpected improvement (e.g. significant Chinese capacity cuts) would represent upside to our outlook, rather than a base-case expectation.

CBAM and Trade Diverted to Turkey: The EU's Carbon Border Adjustment Mechanism (CBAM), which begins phasing in from 2026, and other protectionist measures in developed markets could lead to more displaced steel volumes seeking outlets in regions like Turkey. As European buyers impose carbon costs and tariffs, steel exporters (e.g. from Asia or the CIS) might redirect shipments toward less protected markets, increasing competitive pressure in Turkey's domestic and export arenas. We acknowledge this risk – it could squeeze Turkish steel prices or market share if not countered. However, Turkey's own trade defenses (such as import quotas or duties) and the DIR rule discussed earlier should mitigate an all-out flood of imports. We view CBAM and related trade shifts as factors that complicate the outlook but are unlikely to fundamentally derail Kardemir's improvement story, especially since our base case does not assume any reliance on EU export markets for Kardemir. In effect, these developments reinforce the importance of Kardemir's domestic-oriented strategy and cost competitiveness, rather than posing a completely new threat.

Muted Global Steel Cycle: Globally, the long steel cycle remains in a middling state – neither in a strong uptrend nor collapsing. Demand growth in many regions is lukewarm, and high-cost producers have been trimmed, but the absence of a strong synchronized global expansion keeps prices range-bound. We assume international long-steel prices will remain broadly stable to modestly up in USD terms over our forecast horizon, supported by recovering demand in pockets (e.g. Middle East reconstruction) and by some normalization of input costs, but held in check by the oversupply and trade dynamics mentioned. Consequently, we do not model a return to the super-cycle margins of 2021; instead, we anticipate Kardemir will see a gradual margin recovery to more normal levels, aided by improved internal efficiency and domestic tailwinds rather than any extraordinary global price surge. Should the global environment weaken unexpectedly (e.g. a recession driving steel demand down), Kardemir would undoubtedly face earnings pressure – but given the stock's valuation cushion and our already cautious pricing outlook, we believe even such downside would be tolerable in the context of a long-term investment, especially relative to the upside if conditions surprise positively.

In summary, the global headwinds – Chinese oversupply, CBAM-related trade shifts, and a lackluster global pricing trend – are real and warrant monitoring, but they are largely acknowledged in our analysis. They represent the upper bound on Kardemir's near-term performance, preventing us from assuming a robust structural re-rating purely on macro factors. However, they do not negate the company's progress on improving its operations and capitalizing on local opportunities. We view these headwinds as constraints on valuation *multiples* and margins (justifying why the stock may not command a high multiple yet), but not as reasons to avoid the stock at this price. In effect, the global backdrop remains a neutral to slightly negative factor – a backdrop against which Kardemir's relative improvement still translates into a compelling equity story.

Valuation

We value Kardemir through blended target multiples: We set our 12M target using a blended multiple-based approach that combines P/E and EV/EBITDA across FY26E–FY27E to balance near-term earnings visibility with mid-cycle normalization. Specifically, we apply 11.0x FY26E P/E (10% weight; implied equity value TL31bn) and 8.5x FY27E P/E (10% weight; TL45bn), alongside 5.5x FY26E EV/EBITDA (40% weight; TL46bn) and 4.5x FY27E EV/EBITDA (40% weight; TL51bn). The weighted outcome implies a 12M target market cap of TL46.0bn, which translates into a target price of TL40.4/share on 1,140mn shares. Versus the current share price, this implies 49% total return potential over the next 12 months, reflecting our view that improving execution and domestic tailwinds suggests a (partial) rerating potential, while still embedding caution on the global steel cycle.

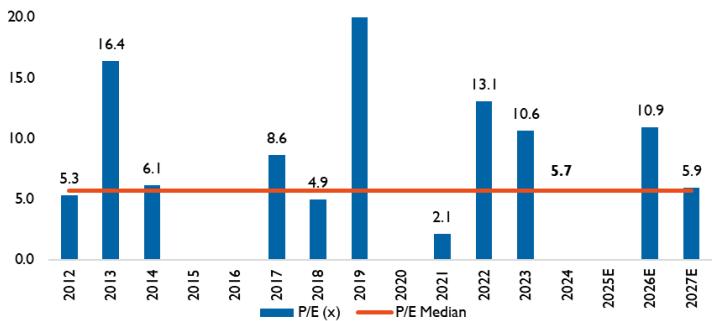
Figure 18: Valuation Summary

	Multiple (x)	Implied Equity Value (TLm)	Weight (%)
FY26E P/E	11.0	30,909	10%
FY27E P/E	8.5	44,793	10%
FY26E EV/EBITDA	5.5	45,468	40%
FY27E EV/EBITDA	4.5	50,700	40%
12M Target Mcap (TLm)		46,037	
# of shares (m)		1,140	
12 M Target share price (TL/s) *		40.40	
Current Share Price (TL/s) *		27.20	
12M Total Return potential, %		49%	

Source: UNLU Estimates

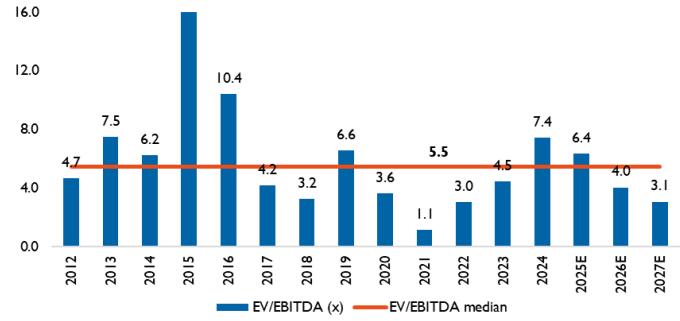
Kardemir's P/E has been highly cyclical over the past decade, swinging from low-single digits in weak earnings years to double-digit spikes when earnings were depressed and/or expectations inflected. On the chart, P/E ranges from ~2.1x (2021) to ~16.4x (2013), with notable elevated readings again in 2022–23 (~13.1x / ~10.6x) and an earlier spike in 2019.

Figure 19: Kardemir's P/E (x) progression



Source: UNLU Estimates, Rasyonet

Figure 20: Kardemir's EV/EBITDA (x) progression



Source: UNLU Estimates, Rasyonet

EV/EBITDA shows an even clearer mean-reversion pattern, with the series spanning ~1.1x (2021) at the trough of the multiple (peak EBITDA) to ~16.0x (2015) during a period of depressed profitability, followed by normalization in the mid-single digits. Relative to the EV/EBITDA median, the forward multiples screen undemanding: 2026E at ~4.0x is below the long-run median and 2027E at ~3.1x is deeper into discount territory. In our view, the market is not paying up for the recovery yet, and the forward EV/EBITDA profile leaves room for a rerating if the operating momentum persists.

We overweight EV/EBITDA (80% combined) given cyclicity and the visibility it provides through the earnings trough-to-normalization phase coupled with lower distortion related to the implementation of IAS29 accounting.

Global peers: Kardemir screens cheap on forward EV/EBITDA: Versus global steel peers, Kardemir looks most compelling on a forward EV/EBITDA basis implying a clear discount to the Europe median and a steeper discount to the Asia Pacific median while also screening below the Brazil median on 2026E. On earnings, Kardemir's FY26E P/E is broadly in line with Europe's FY26E median but remains well below Asia Pacific and Brazil.

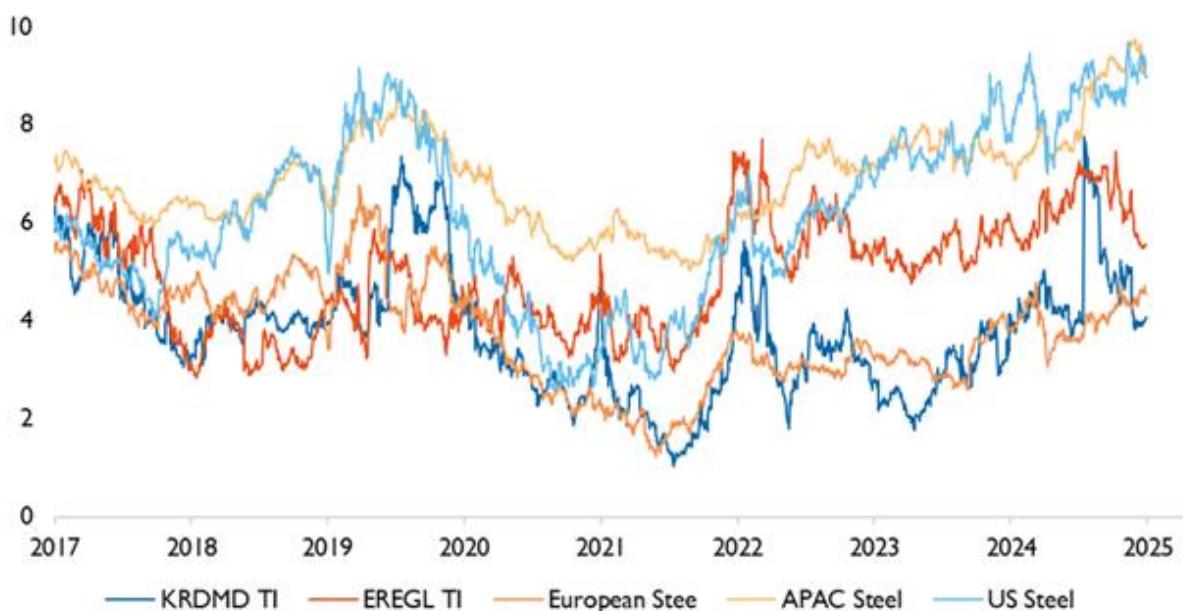
Figure 21: Kardemir's key multiples vs. peers *

Region / Company	Mcap (USDm)	P/E (x)			EV/EBITDA (x)			EBITDA margin (%)			Net Debt/ EBITDA (x)			Div. Yield
		2024A	2025E	2026E	2024A	2025E	2026E	2024A	2025E	2026E	2024A	2025E	2026E	
EUROPE														
ArcelorMittal	34,948	14.9	11.6	9.4	6.8	7.1	5.5	11%	11%	12%	0.8	1.2	0.9	1.3%
SSAB	7,555	10.8	13.9	10.0	4.9	5.8	4.5	12%	10%	13%	-1.3	-1.2	-0.4	2.7%
Voestalpine	8,171	20.3	24.7	n.m.	5.4	6.6	5.9	10%	8%	10%	1.0	1.4	1.0	1.5%
Salzgitter	2,932	n.m.	n.m.	10.5	11.0	10.8	4.8	3%	4%	7%	3.1	3.4	2.0	0.6%
Median	14.9	13.9	10.0	6.1	6.8	5.2	10%	9%	11%	11%	0.9	1.3	0.9	1.4%
ASIA PASIFIC														
POSCO	17,494	14.5	22.8	13.0	6.6	6.9	5.8	9%	9%	11%	1.6	2.0	1.8	3.2%
Angang Steel	3,115	n.a.	n.a.	n.m.	n.a.	22.3	12.0	-1%	2%	4%	-5.1	5.4	3.0	0.0%
China Steel	9,399	n.m.	n.m.	n.m.	14.6	18.6	14.3	11%	9%	12%	5.8	6.4	4.9	0.9%
Steel Authority of Indi	5,998	24.9	n.m.	15.5	9.7	9.4	7.3	9%	9%	11%	3.0	3.5	2.6	1.2%
BlueScope Steel Ltd	6,975	11.6	22.6	14.2	5.4	7.6	6.0	12%	9%	11%	-0.2	0.1	0.1	2.5%
Tata Steel Limited	23,514	39.8	n.m.	18.5	13.7	12.3	8.7	10%	11%	15%	3.5	3.4	2.3	1.9%
Median	19.7	22.7	14.9	9.7	10.8	8.0	9%	9%	11%	2.3	3.4	2.5	1.5%	
BRAZIL														
Usiminas	1,364	36.9	n.m.	13.3	6.1	5.2	4.9	7%	8%	8%	0.4	0.2	0.3	0.9%
Gerdau	6,963	7.7	11.3	9.0	4.4	4.6	4.1	16%	15%	16%	0.4	0.8	0.6	3.9%
CSN	2,396	n.a.	n.m.	24.5	5.3	4.6	4.6	23%	25%	25%	3.2	3.2	3.4	4.3%
Median	22.3	11.3	13.3	5.3	4.6	4.6	16%	15%	16%	0.4	0.8	0.6	3.9%	
Kardemir	690	n.a.	n.a.	10.7	7.4	6.2	3.9	9%	9%	11%	0.0	1.1	0.6	n.a.

Source: Bloomberg Finance L.P., * based on consensus estimates

On a 1Y forward basis, Kardemir's forward looking multiples vs. Erdemir <EREGL TI, Hold> and key regional global steel indices are as follows.

Figure 22: Kardemir's 1Y Forward Looking EV/EBITDA vs. key indices



Source: Bloomberg Finance L.P.

Risks

Potential Upside Drivers: These are developments that could lead to better-than-expected performance and additional stock upside:

- Stronger construction demand: A sharper-than-assumed recovery in global or domestic construction activity would directly boost steel demand, lifting Kardemir's volumes and pricing. For instance, faster progress on earthquake reconstruction in Turkey or larger infrastructure stimulus abroad could materially increase steel consumption beyond our base case.
- Product mix wins: A faster ramp-up of high value-added railway products (rails, rail wheels) and other specialty steel sales, surpassing our conservative assumptions. If Kardemir secures substantial orders in these segments or new projects (e.g. railway, defense, or export contracts) sooner than anticipated, its margins and earnings mix would improve accordingly.
- Major project awards: Earlier or larger project wins from reconstruction and infrastructure efforts, both in Turkey and in export markets, could provide a significant volume boost. Examples include being tapped for big-ticket rebuilding programs (such as regional post-war reconstruction in Ukraine/Gaza or domestic mega-projects) which are not fully in our estimates.
- Benign trade environment: A more favorable global trade outcome than feared – for example, if the implementation of CBAM is accompanied by exemptions or if China curtails exports – resulting in less import pressure and better export pricing for Turkish steel. A scenario of easing trade tensions or global supply discipline would allow Kardemir to enjoy higher price realizations than we currently assume.

Key Downside Risks: These are risk factors that could cause results to undershoot our expectations and pressure the stock's performance:

- Global price weakness: A deterioration in global steel pricing, such as a sustained drop in steel prices or a surge of cheap exports from China, would compress Kardemir's margins. Renewed oversupply from China or elsewhere could quickly erode the pricing gains we have factored in.
- Turkey macro downturn: A deterioration in Turkey's macroeconomic environment (e.g. return of high inflation, currency instability, or a sharp rise in interest rates) could stifle construction activity and steel demand domestically. Since Kardemir is heavily tied to local construction and infrastructure spending, a weak Turkish economy would directly hit its sales volumes.
- Adverse regulatory changes: Trade/regulatory setbacks could emerge – for instance, if global decarbonization measures or regional trade policies lead to more foreign steel being redirected into Turkey (beyond what we anticipate), or if Turkey removes import safeguards. Additionally, any policy intervention to cap domestic steel prices (to control inflation) would limit Kardemir's pricing power.
- Cost shocks: A spike in input costs could squeeze profitability. This includes potential energy or raw material cost inflation (e.g. higher electricity, natural gas, scrap or iron ore prices) that outpace steel price increases, or an adverse move in FX (a lira depreciation raising import costs). Kardemir's cost advantage could be partially offset if input costs surge unexpectedly.
- Execution and capex issues: Delays or problems in execution of Kardemir's improvement projects pose a risk. If planned capex projects (like the capacity debottlenecking or upgrades) face cost overruns, delays, or fail to deliver the expected efficiency gains, the projected uptick in volumes and margins may not fully materialize. Similarly, any setback in the ramp-up of the rail-wheel plant or other strategic ventures would be a negative for the earnings outlook.

3Q25 Results Review

EBITDA in-line with Cons., bottom-line worse than expected: Kardemir posted TL16.06bn revenues in 3Q25 (-17% y/y, +2% q/q), TL1.78bn EBITDA (+110% y/y, +43% q/q) with an 11.1% margin (+6.7pp y/y, +3.2pp q/q), and a net loss of TL682mn (vs. TL1.42bn profit in 2Q). EBITDA was in-line with consensus (-4% vs. TL1.85bn) and above UNLUe. Bottom line missed both consensus (-TL166mn) and UNLUe (TL212mn) on higher than expected below-EBIT charges (finance, monetary and tax). Key highlights of the results are as follows:

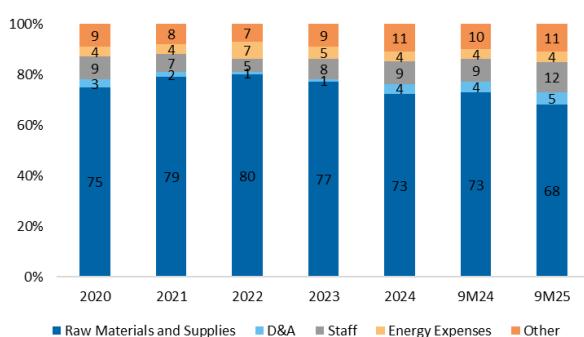
- Finished product output at 612kt in 3Q25: Finished product output came to ~612kt in 3Q25 vs. (2Q ~604kt; 1Q ~608kt, 9M: 1.825mt). Upstream utilization was steady with sinter utilization at ~74%; hot metal/BFs ~91%; liquid steel ~74%; continuous casting ~66% YTD. Regarding rolling mill utilization: Rail & Profile mill stood at ~83%; Wire rod & bar at ~54% Wheel plant at ~11%.
- EBITDA/tonne inched up higher y/y and q/q: EBITDA/tonne rose to USD71 in 3Q (vs. USD51 in 2Q25 and USD45 in 3Q24) pointing to better unit costs/absorption and mix in the quarter. Accordingly, Kardemir posted TL1.78bn EBITDA (+110% y/y, +43% q/q) in 3Q.
- Below EBIT losses pressure bottom-line: Despite tangible improvement at the operating level, Kardemir posted a net loss of TL682m, worse than expectations. The negative was attributable to higher than expected 1) net financial expenses of TL0.73bn in 3Q25 (vs. gain of TL0.38bn in 2Q25, gain of TL0.13bn in 3Q24), and 2) tax expenses of TL0.54bn (vs. a tax income of TL0.84bn in 2Q25 and tax expense of TL0.40bn in 3Q24).
- Net debt rose slightly q/q: Net debt rose by TL0.4bn to TL7.2bn in 3Q25 mainly due to tangibly higher NWC deployment balanced partially by operating cash flow. Accordingly, trailing 12M net debt/EBITDA came to 1.4x (vs. 1.7x as of 2Q25, and 0.2x as of 3Q24).

Figure 23: Earnings Review: Kardemir

TLm	3Q24	2Q25	3Q25	y/y	q/q	Estimates		Deviation vs.		9M24	9M25	y/y
						Ünlü	Cons	Ünlü	Cons			
Revenues	19,394	15,716	16,058	-17%	2%	16,076	15,913	0%	1%	54,673	48,199	-12%
EBITDA	845	1,241	1,778	+110%	+43%	1,316	1,853	+35%	+4%	3,963	4,285	+8%
EBITDA margin	4.4%	7.9%	11.1%	+6.7pp	+3.2pp	8.2%	11.6%			7.2%	8.9%	+1.6pp
Net profit	-1,294	1,415	-682	n.m.	n.m.	212	-166	n.m.	n.m.	-3,950	-955	-76%
Net margin	-6.7%	9.0%	-4.2%	+2.4pp	+13.2pp	1.3%	-1.0%			-7.2%	-2.0%	+5.2pp

Source: Company data, UNLU estimates, Rasyonet survey

Figure 24: Kardemir Distribution of Production Inputs (9M25)



Source: Company

Figure 25: Kardemir Distribution of Raw Materials and Supplies (9M25)



Source: Company

Appendix

Optional Upside — Regional Reconstruction Demand

Reconstruction in nearby conflict-affected regions (Syria, Gaza/Palestine, Ukraine) is a non-core, probability-weighted upside for Turkey's long-steel producers. The mechanism is straightforward (rebar/sections-intensive rebuilding + Turkey's proximity), but the start date, funding, logistics, and political clearance are the binding constraints—so we treat this as optionality, not a base-case pillar.

Syria: large theoretical need; realization is governance- and payment-mechanics dependent: Public assessments by institutions such as the World Bank have cited very large reconstruction needs for Syria (often discussed at “hundreds of USD bn” scale in the public domain), and city-level damage estimates have also been cited in the multi-USD bn range (e.g., a World Bank-cited figure of ~USD11bn for heavily damaged urban areas). The investable question is not the ultimate scale, but how quickly trade normalizes (customs/payment/security) and whether a credible reconstruction program is executed. Separately, publicly reported trade data suggested Turkey's rebar shipments to Syria increased sharply in late-2024 (e.g., ~18,000t in Oct 2024, described as a multiple of the prior year), which may indicate localized rebuilding activity or restocking in accessible areas rather than full-scale reconstruction. Volume-bounded framing: for 2026–27, we view the realistic upside as incremental and lumpy (best thought of as tens of kt per year, not a step-change) until governance and payment mechanics become clearly functional.

Gaza/Palestine: potentially meaningful demand; procurement and funding likely cap pricing power: Damage assessments by the World Bank and the United Nations have highlighted large infrastructure and housing losses in Gaza (publicly cited at roughly USD18.5bn in aggregate damage in one widely referenced joint assessment), which underscores potential rebuilding needs—but does not guarantee timing or procurement execution. Turkey has historically supplied construction steel into Israel/Palestinian-linked demand; publicly reported trade figures indicated Turkey exported ~1.05Mt of rebar to Israel in 2022, followed by a sharp fall in 2024 shipments (reported down ~88% y/y to ~78,000t by Jan–Nov 2024), alongside an increase in shipments recorded to “Palestine” (~149,000t in Jan–Nov 2024 from near-zero a year earlier in some datasets). Base-case stance: even if a durable ceasefire and funding channel emerge, early reconstruction is likely to be administratively gated and budget-constrained, meaning benefits to mills should show up more as utilization support (volume) than a sustained price spike. Volume-bounded framing: for 2026–27, we underwrite incremental export orders, not an immediate “multi-mt” award cycle.

Ukraine: very large long-run rebuild potential; near-term impact depends on conflict trajectory and tender timing: A World Bank-led needs assessment (the Rapid Damage and Needs Assessment series, widely cited in markets) has put Ukraine's reconstruction and recovery requirements at a very large multi-hundred USD bn scale over a multi-year horizon (figures around ~USD524bn over a decade have been cited publicly), underscoring the magnitude but not the near-term cadence. Turkey has also publicly signaled interest in participating in Ukraine's recovery, including trade targets (e.g., USD10bn bilateral trade aspiration cited in public statements).

Volume-bounded framing: for 2026–27, we view the base case as limited direct steel-flow impact unless security conditions improve materially; the more realistic near-term path is smaller early-stage tenders (housing/municipal infrastructure in safer regions), with a larger rebuild cycle plausibly extending beyond 2027.

Implications for Kardemir: Kardemir is not an export-led name versus most peers which limits direct sensitivity to export volatility. The more plausible channel is indirect: tighter regional long-steel balances can improve sentiment and benchmarks, while Kardemir may pick up selective niche volumes (profiles/billets/sections linked to infrastructure supply chains) if trade corridors and payment terms normalize. We keep this upside explicitly bound and secondary to the domestic-driven thesis.

Shareholders and Governance

Shareholder Structure: Kardemir's capital is divided into Class A, B and D shares with Class A shares at 21.08% of capital, Class B at 10.48%, and Class D at 68.44%. Of these, A and B shares carry privileged voting rights. Key holders include the affiliated construction subsidiary Karçel (Karabük Çelik Yapı İmalat Montaj A.Ş.), which owns roughly 5% of the company, and the Turkish Wealth Fund (TVF) with about 4.4%. The remaining shares (over 87%) are widely held by institutional and retail investors.

Turkish Wealth Fund Involvement: In late 2022 the Turkish Wealth Fund (Türkiye Varlık Fonu, TVF) took a minority stake in Kardemir. TVF announced in December 2022 that it would acquire 50.294 million TL nominal of Class A shares (approximately 4.4% of Kardemir's capital) at TL 13.05 per share from two existing A-group shareholders (the Karçel and Kardökmak subsidiaries). The transaction closed on December 7, 2022, integrating Kardemir into TVF's portfolio. This move complemented TVF's broader strategy to align the steelmaker with national mining and heavy-industry assets. As of the latest filings in late 2024, TVF continues to hold roughly that 4.4% position. No further material change in TVF's shareholding has been publicly reported since.

Board of Directors: The Board comprises ten non-executive directors. The Chair is Muhammed Ali Oflaz, and the Vice-Chairman is Ömer Demirhan, both former government appointees. Of the ten directors, four are classified as independent: Prof. Dr. Arif Nihat Güllüoğlu, Dr. Ercümen Arvas, Dr. Mehmet Cahit Ensari, and Suat Sarigül. All others are "dependent" (affiliated) members, typically with public-sector backgrounds or related-party status. No board member holds an executive management role at the company. The Board is supported by committees (Audit, Corporate Governance, etc.), typically chaired by independent directors. Board tenure is long (average ~6 years), reflecting the stability of the current governance team appointed in 2020–2023.

Key Management: At the operational level, Kardemir is led by its General Manager (Chief Executive), with four Deputy General Managers overseeing operations, finance, strategy and HR.

- *Dr. Dursunali Yaşacan – General Manager (CEO).* Dr. Yaşacan took the helm in late 2022 and was formally confirmed in January 2024. He is an engineer by training (Ph.D.) with more than 30 years in the steel industry. Prior to joining Kardemir, he was a senior executive at Posco Assan TST, after leadership roles at Russia's MMK Metalurji (production director) and Turkey's Borusan Mühendislik and Erdemir (Eregli Steel). At Kardemir he focuses on modernizing production, quality control and expanding higher-value product lines.
- *Ahmet Aycan – Deputy GM, Operations (COO).* Aycan was promoted to oversee all manufacturing and operations in early 2023. He has a long tenure in Kardemir's industrial divisions, having risen through engineering and production management roles. In his current role he manages day-to-day plant operations, logistics and sales coordination, aiming to improve efficiency and output consistency across bloomers, mills and coke production.
- *Fazıl Çiftçi – Deputy GM, Finance (CFO).* Appointed CFO in mid-2023, Çiftçi heads the finance organization, including accounting, treasury, budgeting and investor relations. He is a career finance professional (with experience in both industry and financial services) and is responsible for financial reporting, cost control and securing project financing. He also oversees tax and audit functions and has recently led the company's capital-structure optimization.

Companies Mentioned

Kardemir <KRDMD TI, Buy>
Erdemir <EREGL TI, Hold>

Disclosure Appendix

Important Global Disclosures

The information and opinions in this research report were prepared by UNLU Menkul Degerler A.S ("UNLU & Co").

For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please contact UNLU & Co Research and / or Compliance - +90 212 367 3636.

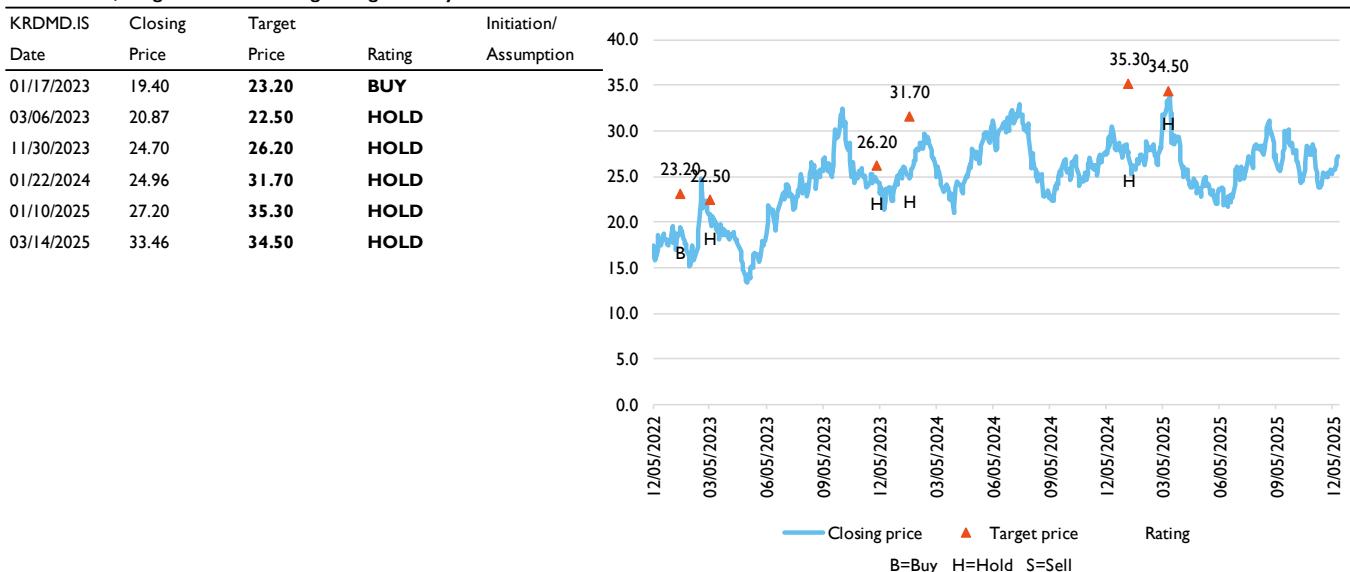
For valuation methodology and risks associated with any price targets referenced in this research report, please email: UnluResearch@unluco.com with a request for valuation methodology and risks on a particular stock.

The following analyst/s: Koray Pamir certify(ies), with respect to the companies or securities under analysis, that (1) the views expressed in this report accurately reflect his/her/their personal views about all of the subject companies and securities and (2) no part of their compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

* Any other material conflict of interest of the research analyst or member (Unlu Securities Inc., the US broker-dealer) that the research analyst or an associated person of the member with the ability to influence the content of a research report knows or has reason to know at the time of the publication or distribution of a research report is as follows: NONE

See the *Companies Mentioned* section for full company names.

3-Year Price, Target Price and Rating Change History Chart for KRDMD.IS



Analysts' stock ratings are defined as follows*:

Buy (B): The stock's total return* is expected to be more than 20% (or more, depending on perceived risk) over the next 12 months.

Hold (H): The stock's total return is expected to be in the range of 10-20% over the next 12 months.

Sell (S): The stock's total return is expected to be less than 10% over the next 12 months.

Restricted (R): In certain circumstances, UNLU & Co and/or applicable law and regulations preclude certain types of communications, including an investment recommendation, during the course of UNLU & Co's engagement in an investment banking transaction and in certain other circumstances.

Speculative Buy: UNLU & Co may issue a "Speculative Buy" when the Research Analyst covering the Company is of the view that the risk/reward tradeoff is somewhat less compelling than that of a BUY rating. These companies tend to have very high upside potential, but also a great degree of risk or uncertainty with regard to future financial results.

Relative Three-Month Ratings: UNLU & Co may also assign a three-month relative call (or rating) to a stock to highlight expected out-performance (most preferred) or under-performance (least preferred) versus the geographic and industry sector over a three (3) month period. The relative call may highlight a specific near-term catalyst or event impacting the Company or the market that is anticipated to have a short-term price impact on the equity securities of the Company. Absent any specific catalyst the

analyst(s) will indicate the most and least preferred stocks in the universe of stocks under coverage, explaining the basis for this short-term view. This three-month view may be different from and does not affect a stock's fundamental equity rating, which reflects a longer-term total absolute return expectation.

Volatility Indicator [V]: A stock is defined as volatile if the stock price has moved up or down by 20% or more in a month in at least 8 of the past 24 months or the analyst expects significant volatility going forward.

Analysts' coverage universe weightings are distinct from analysts' stock ratings and are based on the expected performance of an analyst's coverage universe* versus the relevant broad market benchmark:**

Overweight: Industry expected to outperform the relevant broad market benchmark over the next 12 months.

Market Weight: Industry expected to perform in-line with the relevant broad market benchmark over the next 12 months.

Underweight: Industry expected to underperform the relevant broad market benchmark over the next 12 months.

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*Total return is calculated as the sum of the stock's expected Capital Appreciation and expected Dividend Yield.

*UNLU & Co Small and Mid-Cap Advisor stock: Stock ratings are relative to the Borsa Istanbul A.S ("BIST") index.

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Ratings Distribution as of the date of this report	Buy	Hold	Sell	RESTRICTED
All Recommendations (%)	70	28	2	-

* our stock ratings of **BUY**, **HOLD**, and **SELL** most closely correspond to Buy, Hold, and Sell, respectively; however, the meanings are not the same, as our stock ratings are determined on a relative basis. (Please refer to definitions above.) An investor's decision to buy or sell a security should be based on investment objectives, current holdings, and other individual factors.

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12M Price Target: TL40.4/share

Methods: Target FY26E & FY27E EV/EBITDA multiples

Risks: Upside risks include a stronger-than-assumed construction recovery lifting volumes and pricing, faster mix improvement from higher value-added rails/rail wheels and specialty steels, and earlier/larger project awards. A more benign trade backdrop could also support realizations. Downside risks include renewed global steel price weakness, a Turkey macro setback hurting construction demand, adverse policy outcomes (weaker safeguards/price caps), input cost shocks, and delays or overruns in key capex and execution.

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Potential Conflicts

Company	Disclosure
Kardemir Karabuk Demir Celik	None
<hr/>	
A: The analyst, a team member, a member of the analyst's household or a team member's household serves as an officer, director or advisory board member of the subject company	
B: The company beneficially owns 5% or more of the equity shares of UNLU & Co as at date of this report	
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E: UNLU & Co has led managed or co-lead managed a public offering of securities in the Company or any related derivatives in the last 12 months	
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