

November 11, 2024

# Kardemir

## Main operating loss recorded as a result of high costs and expenses

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According to inflation-accounting provisions (IAS-29), Kardemir reported a loss of TRY 971mn (3Q23: TRY 1,465mn loss) in 3Q24. The Company printed a TRY 762mn main operating loss due to high costs and operational expenses. Despite the TRY 281mn monetary gain, TRY 187mn net financial expenses and TRY 293mn of tax expenses resulted in a higher loss.

In 3Q24, Kardemir booked TRY 14,550mn in revenues (3Q23: TRY 17,929mn -19% YoY), including inflation-accounting provisions (IAS-29). Sales volume of 657k tons was up 9% on the 605k tons of 3Q23. Despite the increase in sales volume, weak product prices had a negative effect on sales revenues.

While weak product prices and high costs pressured profitability, the gross margin was at 3.5%. Kardemir has recorded an operating loss with the addition of high operational costs. **The company printed a TRY 765mn EBITDA for 3Q24 (3Q23: 452mn).** The EBITDA margin was 5.3% and EBITDA per ton was USD 35.

**Transition from net cash to debt...** While Kardemir had net cash of TRY 25mn at the end of 2024/06, it had a net debt of TRY 973mn at the end of 2024/09

In 3Q24, the operational performance showed a similar trend to the 2Q24. Despite recovering demand compared to the previous year, weak product prices and a high-cost environment are weakening the operational performance. We expect this weak outlook to persist for some time as the global economic recovery has yet to be achieved. We expect sales volumes and final product prices to remain weak, but margins to remain relatively stable due to falling raw material costs..

- In line with the 3Q24 financial results and our expectations, we revised our 12-month target price for KRDMD from TRY 43.62/share to TRY 39.15/share. We maintain our **OUTPERFORM** recommendation as our target price has 45% upside potential compared to the stock's latest closing price.

**Risks...** A further slowdown in China's real estate sector, plus higher raw material costs and weaker product prices than we expect are the main downside risk factors for our valuation.

**OUTPERFORM**  
**TP: TRY 39.15**  
Previous TP: TRY 43.62  
Upside: 45%

	TRY	US\$
Close	27,06	0,79
BIST 100	9.185	268
US\$/TRY (CB Bid Rate):	34,32	
52 Week High:	32,90	1,00
52 Week Low:	21,08	0,66
Bloomberg/Reuters Ticker:	KRDMD.TI / KRDMD.IS	

	Number of Shares (Mn):	780,2	(TRY Mn)	(US\$ Mn)
Current Mcap:		21.113		616
Free Float Mcap:		18.790		548

	1 M	YOY	YTD
TRY Return (%):	9,8	8,7	13,9
US\$ Return (%):	9,9	-9,5	-2,0
BIST 100 Relative (%):	8,1	-7,0	-7,4
Avg. Daily Vol. (TRY Mn):	1.369,39		
Avg. Daily Vol. (US\$ Mn):	43,08		

Beta	1,18
Volatility (Stock)	0,40
Volatility (BIST 100)	0,24

Shareholder Structure	%
Kardemir Group A	21,1
Kardemir Group B	10,5
Kardemir Group D	68,4
Total	100,0

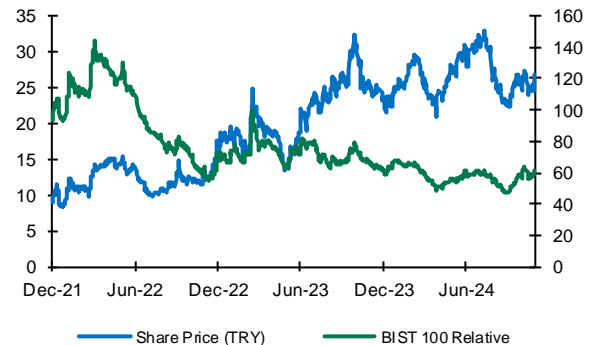


Figure 1: Financials (Including IAS-29)

TRY Million	9M23	9M24	YoY	3Q23	3Q24	YoY
<b>Revenues</b>	<b>52.119</b>	<b>41.017</b>	<b>-21,3%</b>	<b>17.929</b>	<b>14.550</b>	<b>-18,8%</b>
<b>Gross Profit</b>	<b>2.576</b>	<b>2.124</b>	<b>-17,5%</b>	<b>150</b>	<b>514</b>	<b>243,2%</b>
<i>Gross Profit Margin</i>	<i>4,9%</i>	<i>5,2%</i>		<i>0,8%</i>	<i>3,5%</i>	
<b>EBITDA</b>	<b>3.565</b>	<b>2.975</b>	<b>-16,5%</b>	<b>452</b>	<b>765</b>	<b>69,5%</b>
<i>EBITDA Margin</i>	<i>6,8%</i>	<i>7,3%</i>		<i>2,5%</i>	<i>5,3%</i>	
<b>Net Profit</b>	<b>-3.194</b>	<b>-2.963</b>	<b>n.m.</b>	<b>-1.465</b>	<b>-971</b>	<b>n.m.</b>
<i>Net Profit Margin</i>	<i>-6,1%</i>	<i>-7,2%</i>		<i>-8,2%</i>	<i>-6,7%</i>	

Source: Finnet, Seker Invest Research

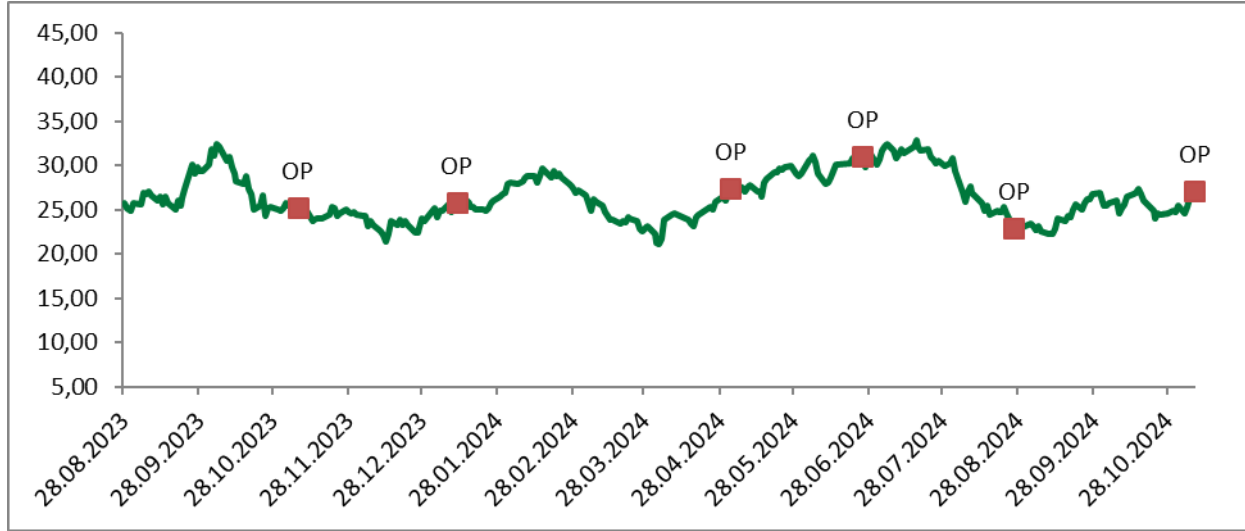
Figure 2: Key financials (Including IAS-29)

BALANCE SHEET (TRY Mn)	2023/12	2024/09	Chg%
PP&E	46.606	46.249	(1)
Intangibles	256	239	199
Other Non-Current Assets	350	432	(19)
Trade Receivables	7.006	6.592	29
Cash&Equivalents	6.463	3.536	205
Other Current Assets	20.788	22.383	67
<b>Total Assets</b>	<b>81.469</b>	<b>79.430</b>	<b>157</b>
Long Term Debt	541	221	(79)
Other Non current liabilities	4.752	5.777	321
Short Term Debt	68	3.227	124
Trade Payables	14.719	13.854	65
Other Current Liabilities	11.333	8.030	16
Total Liabilities	31.413	31.109	62
Total Equity	50.056	48.321	313
<b>Total Equity&amp;Liabilities</b>	<b>81.469</b>	<b>79.430</b>	<b>157</b>

INCOME STATEMENT (TRY Mn)	2023/09	2024/09	Chg%
Net Sales	52.119	41.017	(21)
COGS	49.542	38.893	(21)
Gross Profit/(Loss)	2.576	2.124	(18)
Operating Expenses	605	762	26
Operating Profit/(Loss)	1.971	1.362	(31)
Net Other Operational Gain/(Loss)	(4.682)	(2.401)	N.M.
Income/(Loss) from Investing Activities	67	9	(87)
Financial Income/(Expense)	(758)	(1.194)	N.M.
Monetary Gain/Loss	2.420	285	(88)
Share of profit of equity accounted investments	53	44	(17)
<b>Profit Before Tax (Loss)</b>	<b>187</b>	<b>(1.764)</b>	<b>N.M.</b>
Tax	3.381	1.199	(65)
<b>Net Profit/(Loss)</b>	<b>(3.194)</b>	<b>(2.963)</b>	<b>N.M.</b>
Minority Interest	0	0	(74,2)
Parent Equity	(3.194)	(2.963)	N.M.

Source: Finnet, Seker Invest

## Historical Recommendations and target prices



Date	Rec	Target Price (TRY)
1-Aug-23	Outperform (OP)	41,62
14-Aug-23	Outperform (OP)	41,62
7-Nov-23	Outperform (OP)	41,62
11-Jan-24	Outperform (OP)	43,62
2-May-24	Outperform (OP)	43,62
25-Jun-24	Outperform (OP)	43,62
26-Aug-24	Outperform (OP)	43,62
11-Nov-24	Outperform (OP)	39,15

KRDMD

## Basis for 12m equity ratings

**Outperform:** The total return is expected to exceed the return of the BIST 100 by more than 10%.

**Underperform:** The total return is expected to fall below the return of the BIST 100 by more than 10%.

**Market Perform:** The total return is expected to be in line with the return of the BIST 100.

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