

Kardemir

Analyst Meeting Notes

Kardemir (KRDMD) held an analyst meeting on May 15, 2026, regarding its 1Q26 financial results, sector outlook, and medium-term strategic priorities. The key takeaways from the meeting are summarized below:

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Sector outlook and raw material prices

Global crude steel production declined by approximately 2.3% YoY to 459mn tons in 1Q26, of which 248mn tons were produced by China and 211mn tons by the rest of the world. Türkiye maintained its position as the world's seventh-largest steel producer with approximately 9.7mn tons of crude steel production during the period.

On the raw material side, coking coal prices hovered around USD 235-240/ton, while scrap prices increased to around USD 411/ton. Management highlighted that this environment creates a relative cost advantage for ore-based integrated producers such as Kardemir compared to scrap-based electric arc furnace producers. Management also stated that higher oil and freight costs have reduced the competitiveness of imported products from China and Russia, thereby supporting the domestic pricing environment.

1Q26 operational and financial performance

Kardemir generated TL 1,960mn EBITDA in 1Q26, corresponding to an EBITDA margin of 12.7%. According to the management presentation, EBITDA per ton stood at approximately USD 81/ton, while the company reported a net profit of TL 25mn, returning to positive net income after a long period. Revenues declined slightly on an annual basis and were realized at approximately TL 15.5bn.

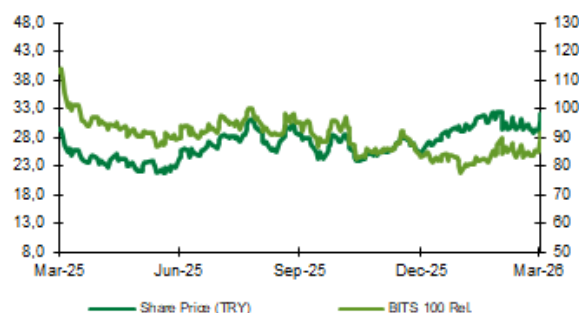
On the production side, liquid steel production increased YoY to 653k tons, while finished product output reached 641k tons. However, sales volumes remained somewhat below production performance. Management emphasized that this was mainly due to the slowdown in logistics and delayed shipments during Ramadan and the holiday period, rather than a weakness in demand. The company stated that there was no issue in order flow, but some deliveries were shifted to the second quarter.

Pricing and margin outlook

In 1Q26, average sales prices were approximately USD 506/ton for billet, USD 570/ton for rebar, and USD 722/ton for profile products. Management stated that prices increased by approximately USD 30-40/ton from the beginning of the second quarter.

Management noted that margin contraction in the sector became more visible starting from 2Q24, with margins reaching their lowest levels in March 2025. The pressure on profitability during this period was mainly driven by the decline in product prices due to China-led supply pressure, rather than cost inflation. On the other hand, the increase in product prices observed since late February and early April is expected to be reflected more visibly in 2Q26 financials.

| | TRY | US\$ | |
|----------------------------|---------------------|-----------|------|
| Close | 41,98 | 0,92 | |
| BIST 100 | 14.368 | 317 | |
| US\$/TRY(CB Bid Rate): | 45,3877 | | |
| 52 Week High: | 44,92 | 0,99 | |
| 52 Week Low: | 21,74 | 0,55 | |
| Bloomberg/Reuters Ticker: | KRDMD.TI / KRDMD.IS | | |
| ----- | | | |
| Number of Shares (Mn): | 780,2 | | |
| ----- | | | |
| | (TRY Mn) | (US\$ Mn) | |
| Current Mcap: | 32.754 | 722 | |
| Free Float Mcap: | 29.151 | 642 | |
| ----- | | | |
| | 1 M | YOY | YTD |
| TRY Return (%): | 15,1 | 74,5 | 66,2 |
| US\$ Return (%): | 13,4 | 48,9 | 57,1 |
| BIST 100 Relative (%): | 14,2 | 15,9 | 30,3 |
| Avg. Daily Vol. (TRY Mn): | 1.668,72 | | |
| Avg. Daily Vol. (US\$ Mn): | 39,38 | | |
| ----- | | | |
| Beta | 1,20 | | |
| Volatility (Stock) | 0,41 | | |
| Volatility (BIST 100) | 0,22 | | |
| ----- | | | |
| Shareholder Structure | % | | |
| Kardemir Group A | 21,08 | | |
| Kardemir Group B | 10,48 | | |
| Kardemir Group D | 68,44 | | |
| Total | 100,00 | | |



Management also stated that there is a time lag of around one month between order intake and delivery/invoicing, depending on the product group. Therefore, the delivery and invoicing impact of lower-priced orders continued to weigh on 1Q26 results. Despite higher costs, management expects EBITDA per ton and operational margins to improve in 2Q26 compared to 1Q26, as price pass-through is expected to be stronger than the increase in costs.

Investments and efficiency projects

Kardemir expects total capex to be around USD 80-85mn in 2026. Capex stood at approximately USD 16mn in 1Q26.

Ongoing investments include SDM2, PCI/PCR investment, desulfurization facility, biological treatment, dust collection, and various environmental projects. Management stated that commissioning and fine-tuning processes continue at the SDM2 line, and efficiency gains are expected to become more visible once the facility operates at full capacity.

Management also noted that blast furnace productivity, which stood at around 2.17 tons/m³ last year, has recently reached approximately 2.40 tons/m³, while the year-end target is around 2.65 tons/m³. The PCI/PCR investment is expected to reduce coke consumption and support both blast furnace efficiency and lower carbon intensity.

Value-added product strategy

Management emphasized that Kardemir's strategic focus is shifting toward higher value-added rail, railway wheel, and profile products. In particular, increasing railway wheel sales from the current level of approximately 17k units to 50k units in the medium term stands out as a strategic target.

The company remains the sole producer of rail and railway wheels in Türkiye, while management aims to increase sales not only to TCDD but also to global markets. Management continues to position rail and railway wheel products as Kardemir's key niche products.

The separation of the rail-profile line is also considered an important strategic step that could improve production flexibility. Under the current structure, producing rail and profile products on the same line limits operational flexibility. Following a potential separation, the company aims to manage its product mix more efficiently based on demand conditions.

Competitive advantage and logistics dynamics

During the meeting, management also discussed the divergence between Chinese domestic prices and Kardemir's domestic long steel prices. Management stated that even though Chinese prices may appear relatively low, the landed cost of imported products has increased due to higher oil prices, freight costs, and geopolitical risks. This supports Kardemir's domestic pricing power.

The increase in scrap prices raises costs for electric arc furnace producers, while Kardemir's blast furnace-based integrated production model has become more advantageous in the current environment. Management also highlighted that higher oil prices increase freight costs and limit import competition, which positively affects the domestic pricing environment.

Management stated that one of Kardemir's key structural disadvantages is the lack of direct sea access. The company relies heavily on railway transportation for raw materials and products, which creates an additional logistics cost of around USD 30-40/ton. Management noted that securing port access remains one of the company's long-term strategic objectives in order to reduce this logistics cost disadvantage.

Decarbonization and CBAM

Management took a cautious stance toward the globally discussed DRI/EAF transition, emphasizing that access to hydrogen and its cost remain among the key challenges under current conditions. Kardemir's near-term strategy appears to be focused on making its existing integrated production structure more efficient and less carbon intensive.

In this context, the company focuses on areas such as biocoal, blast furnace efficiency, energy optimization, and modernization of existing facilities.

Regarding CBAM, management stated that the related risks are not specific to Kardemir but apply broadly across the sector. Management emphasized that the main uncertainties at this stage are how carbon emissions will be measured, which methodology will be used, and how verification processes will be implemented. Regulatory developments in Türkiye and Europe are being closely monitored.

Assessment

The messages delivered during the meeting indicate that Kardemir expects an improvement in EBITDA per ton starting from 2Q26. The increase in product prices observed after late February had only a limited impact on 1Q26 financials due to the order-delivery timing lag, while the positive impact is expected to become more visible in 2Q26.

In the medium term, Kardemir's investment story is shaped by improving blast furnace efficiency, SDM2 and PCI/PCR investments, the increasing share of value-added rail, railway wheel and profile products in total sales, and the cost advantage provided by its integrated production structure. Higher scrap, oil and freight costs also limit import competition and support the company's relative position in the domestic market. In this context, provided that demand conditions remain resilient, we believe Kardemir may continue to deliver a gradual improvement in operational profitability.


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