Kardemir

EBITDA Prints Below Expectations…

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Kardemir (KRDMD) reported a net profit of TL 5,949mn in 2Q26, based on its inflation-adjusted financials under TMS-29. The reported net profit came in 9.7% below our estimate of TL 6,589mn, while standing 8.0% above the market median expectation of TL 5,508mn. The Company had reported a net profit of TL 1,739mn in 2Q25. The 242.2% year-on-year increase in net profit was primarily driven by the tax line. Law No. 7582, published on June 4, 2026, reduced the corporate income tax rate for manufacturers holding an industrial registry certificate from 25% to 12.5%, effective from 2027. The resulting remeasurement of deferred tax liabilities generated a one-off tax income of TL 5,080mn. Accordingly, deferred tax income recorded in the quarter reached TL 4,920mn, significantly above the TL 1,031mn recorded in 2Q25. In addition, the decline in financing expenses to TL 181mn from TL 433mn supported net profit, while net monetary gains decreased to TL 487mn from TL 539mn in the same period.

Kardemir's net sales revenues increased by 7.7% year-on-year and 25.6% quarter-on-quarter to TL 20,792mn in 2Q26. Sales revenues came in line with our estimate of TL 20,792mn and 2.0% above the market median expectation of TL 20,389mn. The increase in sales revenues was supported by strong sales volumes. The Company's standalone core product sales volume increased by 16.4% year-on-year to 699.4k tons in 2Q26. In terms of product breakdown, crude steel (billet) sales volume increased by 36.3% year-on-year to 326.6k tons, while rolled steel sales volume rose by 3.2% year-on-year to 372.8k tons.

EBITDA came in at TL 2,548mn in 2Q26. The reported EBITDA was 7.4% below our estimate of TL 2,751mn and 5.6% below the market median expectation of TL 2,698mn. EBITDA increased by 67.1% year-on-year and 21.5% quarter-on-quarter. The Company's EBITDA margin rose to 12.3% in 2Q26 from 7.9% in 2Q25, but remained slightly below the 12.7% level recorded in 1Q26. The year-on-year improvement in margins was supported by the relative normalization on the cost side. That said, the limited quarter-on-quarter decline in the EBITDA margin indicates that the operational recovery is still progressing gradually.

MARKET PERFORM
TP: 45,00 TL
Previous TP: 45,00 TL
Upside: %8

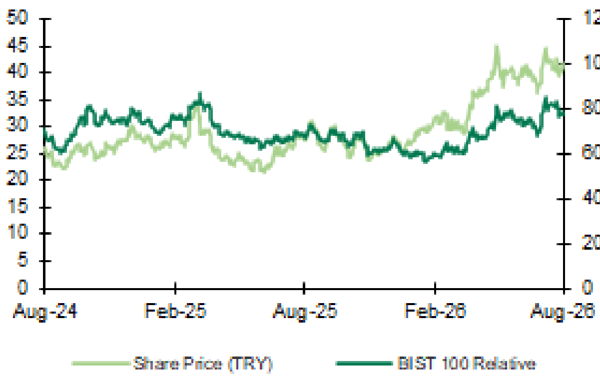
	TRY	US$
Close	41,48	0,87
BIST 100	14.172	297
US$/TRY (CB Bid Rate):	47,81	
52 Week High:	44,92	0,99
52 Week Low:	23,82	0,56
Bloomberg/Reuters Ticker:	KRDMD.TI /KRDMD.IS	

Number of Shares (Mn):	780,2	
	(TRY Mn)	(US$ Mn)
Current Mcap:	32.364	678
Free Float Mcap:	28.804	604

	1 M	YOY	YTD
TRY Return (%):	1,6	49,6	64,2
US$ Return (%):	-0,1	27,6	47,6
BIST 100 Relative (%):	0,9	14,3	30,5
Avg. Daily Vol. (TRY Mn):	1.905,38		
Avg. Daily Vol. (US$ Mn):	43,28		

Beta	1,15
Volatility (Stock)	0,43
Volatility (BIST 100)	0,23

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



Operational outlook… The Company's crude steel production increased by 5.3% year-on-year to 1.31mn tons in 1H26, while hot metal production rose by 7.3% to 1.22mn tons. Capacity utilization rates improved at the upstream stages of the production chain, while capacity utilization at the rail and profile rolling mill declined to 78.6% from 93.0%, and capacity utilization at the bar and coil rolling mill decreased to 53.6% from 56.4%. Quarterly sales volume data indicate that billet sales increased more strongly than rolled steel sales. A recovery in rolling mill capacity utilization will be a key indicator to monitor in terms of the product mix and operational margins in the coming period.

Sector outlook… Pricing pressure stemming from excess capacity and Chinese exports in the global steel industry continues as we enter the second half of 2026. With domestic demand in China remaining weak, elevated Chinese steel exports continue to weigh on global prices, increasing competition particularly in import-sensitive markets such as Türkiye. While limited growth is expected in global steel demand in 2026, the continued contraction in Chinese demand and diverging trends across emerging markets increase uncertainty for the sector. On the other hand, geopolitical developments and volatility in energy prices pose upside risks to production costs. In this context, while we expect the relative improvement in input costs to support margins, we continue to expect the margin recovery to be gradual and spread over time.

On the balance sheet side, Kardemir's net debt position declined to TL 317mn as of end-2Q26, from TL 6,793mn at end-2025. The decrease in net debt was driven by lower financial debt and an increase in cash and cash equivalents, while cash flow from operating activities of TL 8,320mn in 1H26 was the main driver of the improvement. Nevertheless, the Company's open foreign currency position remains a key risk factor to monitor on the balance sheet side.

Overall assessment… We evaluate Kardemir's 2Q26 financial results as mildly positive, supported by the net profit coming in above the market median expectation and the significant improvement in the Company's net debt position. However, the strong increase in net profit was largely driven by one-off deferred tax income. In addition, EBITDA coming in below both our estimate and the market median expectation, together with the limited quarter-on-quarter normalization in the EBITDA margin, indicates that the operational recovery is still progressing gradually. Steel prices, input costs, product mix and rolling mill capacity utilization will be the key indicators to monitor in the coming period.

Following Kardemir's 2Q26 financial results, we maintain our 12-month target price at TL 45.00 per share. Our target price implies approximately 8% upside potential compared to the current market price, while we maintain our "Market Perform" recommendation.

Figure 1: Financials (Including IAS -29)

TRY Million	1H25	1H26	YoY	2Q25	2Q26	YoY
Revenues	39.497	37.353	-5,4%	19.313	20.792	7,7%
Gross Profit	2.057	3.424	66,5%	1.054	2.001	89,8%
Gross Profit Margin	*5,2%*	*9,2%*		*5,5%*	*9,6%*	
EBIT	1.199	2.636	119,8%	617	1.594	158,2%
EBIT Margin	*3,0%*	*7,1%*		*3,2%*	*7,7%*	
EBITDA	3.081	4.646	50,8%	1.525	2.548	67,1%
EBITDA Margin	*7,8%*	*12,4%*		*7,9%*	*12,3%*	
Net Profit	-336	5.976	N.M.	1.739	5.949	242,2%
Net Profit Margin	*-0,9%*	*16,0%*		*9,0%*	*28,6%*	

Source: Finnet, Seker Invest Research

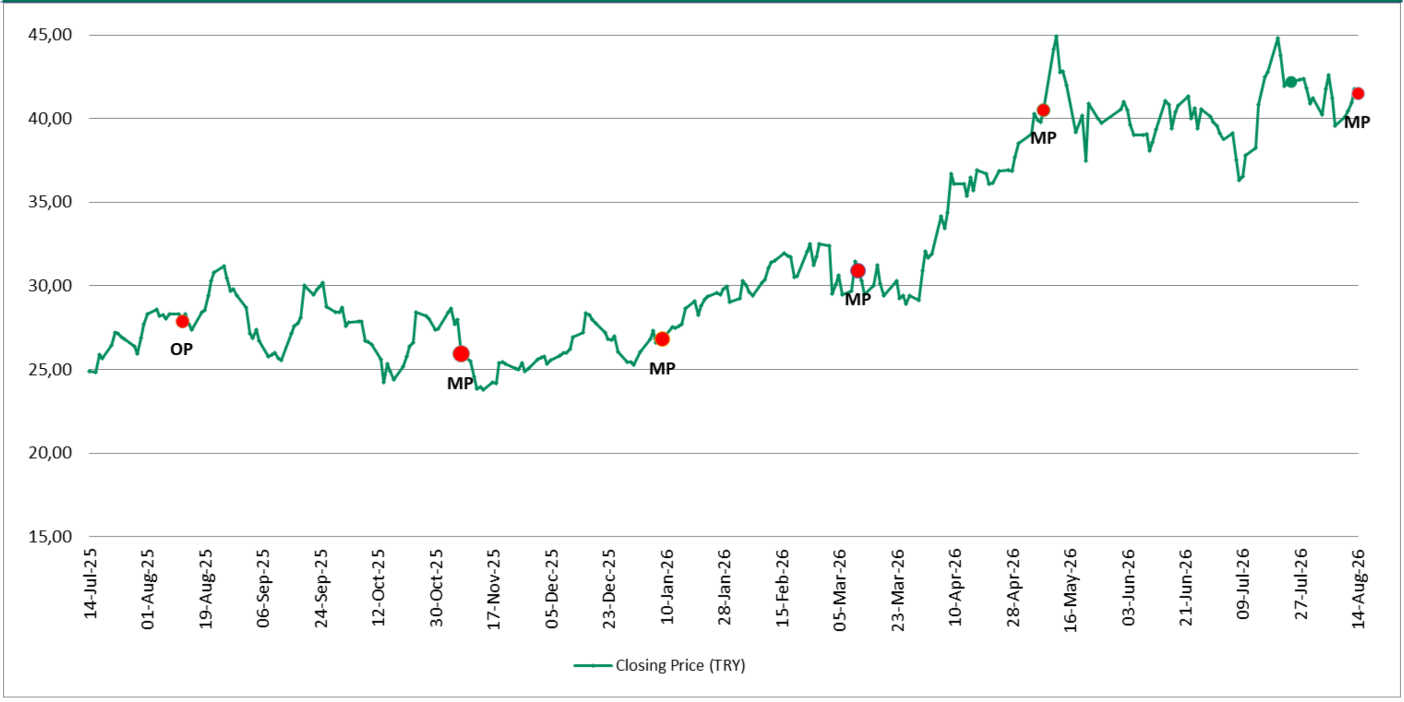
Figure 2: Key Financials (Including IAS-29)

BALANCE SHEET (TRY Mn)	2025/12K	2026/06K	Chg%
PP&E	105.263	105.450	0
Intangibles	421	534	27
Other Non-Current Assets	857	617	(28)
Trade Receivables	9.205	8.941	(3)
Cash&Equivalents	3.128	7.006	124
Other Current Assets	30.733	31.399	2
Total Assets	**149.606**	**153.947**	**3**
Long Term Debt	2.511	2.051	(18)
Other Non current liabilities	17.109	9.681	(43)
Short Term Debt	7.750	5.676	(27)
Trade Payables	16.277	20.338	25
Other Current Liabilities	6.273	7.857	25
Total Liabilities	49.920	45.603	(9)
Total Equity	99.686	108.344	9
Total Equity&Liabilities	**149.606**	**153.947**	**3**

INCOME STATEMENT (TRY Mn)	2025/06K	2026/06K	Chg%
Net Sales	39.497	37.353	(5)
COGS	37.441	33.930	(9)
Gross Profit/(Loss)	2.057	3.424	66
Operating Expenses	858	788	(8)
Operating Profit/(Loss)	(530)	1.679	N.M.
Net Other Operational Gain/(Loss)	(1.729)	(956)	N.M.
Income/(Loss) from Investing Activities	56	68	22
Financial Income/(Expense)	(269)	(340)	N.M.
Monetary Gain/Loss	727	1.069	47
Share of profit of equity accounted investments	34	(26)	N.M.
Profit Before Tax (Loss)	**17**	**2.450**	**13.915**
Tax	353	(3.526)	N.M.
Net Profit/(Loss)	**(336)**	**5.976**	**N.M.**
Minority Interest	0	0	127
Parent Equity	(336)	5.976	N.M.

KRDMD *Source: Finnet, Seker Invest*

Historical Recommendations and Target Price



Date	Recommendation	Target Price (TRY)
12-Aug-25	Outperform (OP)	37,98
7-Nov-25	Market Perform (MP)	30,35
9-Jan-26	Market Perform (MP)	30,91
11-Mar-26	Market Perform (MP)	30,91
8-May-26	Market Perform (MP)	45,00
14-Aug-26	Market Perform (MP)	45,00

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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