PhillipCapital
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40% Upside Potential

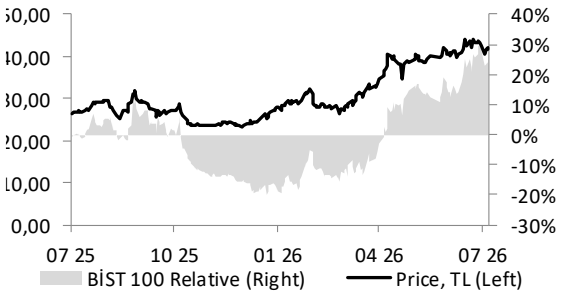
Listing Details and View	
Bloomberg Ticker	**EREGL TI**
Rating	**Market Perform**
Price per Share, TRY	41,56
Target Price per Share, TRY	**58,30**
Upside	40,3%
Free Float	46,6%
Market cap, TRY mln	290,920
Market cap, USD mln	6,126
BIST-100 Index Weight	3,2%
BIST All Shares Index Weight	2,2%
Foreign Share	20,7%
Pension Funds Share	6,3%
Mutual Funds Share	22,4%

Source: Matriks, PhillipCapital Research
Price & Market Cap. as of 6-Aug

Key Financials, USD mln	2025	2026E	2027E
Revenues	**5,293**	**5,725**	**6,417**
Revenue Growth	**-14,9%**	**8,2%**	**12,1%**
Gross Profit	**470**	**657**	**952**
Gross Margin	**8,9%**	**11,5%**	**14,8%**
EBITDA	**518**	**702**	**1003**
EBITDA Margin	**9,4%**	**12,3%**	**15,6%**
Net Profit	**13**	**167**	**364**
Net Profit Growth	**-96,8%**	**1190,5%**	**117,4%**
Net Profit Margin	**0,2%**	**2,9%**	**5,7%**
Net Debt	**1,000**	**1,268**	**1,472**
Net Debt / EBITDA	**1,9**	**1,8**	**1,5**
P/E	343,9	36,6	16,8
EV/EBITDA	10,5	10,6	7,6

Source: Company Data, PhillipCapital Research
Source: Finnet

Share Price Performance



Source: BIST, Finnet

	3m	6m	1y
Nominal	11,8%	45,2%	53,3%
Relative	20,9%	42,2%	21,1%
Trd. Vol. USD mln	123,2	124,3	124,5

Source: BIST, Finnet

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Ereğli Demir ve Çelik (EREGL TI)

Company Update Report

Following the 2Q26 financial results, we have revised our operating forecasts, macroeconomic assumptions, and valuation model, and accordingly update our 12-month target price for EREGL to TRY 58.30 (Previous: TRY 35.34). Accordingly, we are upgrading our recommendation from Market Perform to Outperform. Based on our estimates, the stock is trading at a 2026E EV/EBITDA multiple of 10.6x.

In 2Q26 financials, Erdemir reported:

- Revenue of TRY 64.88bn, up 57% YoY,

-EBITDA of TRY 6.58bn, up 59% YoY, and

-Net profit of TRY 8.55bn, up 5.5x YoY.

In USD terms, the company announced USD 1.43bn in revenue, USD 144mn in adjusted EBITDA, and USD 201mn in net profit.

The market median expectations were TRY 64.41bn for revenue, TRY 6.60bn for EBITDA, and TRY 5.37bn for net profit. Our estimates were TRY 64.93bn for revenue, TRY 6.64bn for EBITDA, and TRY 5.28bn for net profit. Accordingly, revenue came in slightly above the market consensus, while EBITDA was broadly in line with expectations. Net profit, however, was 59% above the consensus estimate.

In 2Q26, the company's sales volume increased by 20% YoY to 2.12mn tons, supported by the sustained high capacity utilization rate (6M25: 77%; 6M26: 95%), resilient domestic demand, and a strong order backlog. Sales volume remained broadly flat on a quarterly basis. The HRC price increases seen in the first quarter, together with order book coverage above historical averages, supported 2Q26 financial results. Given the strong order backlog, we expect the positive pricing impact to continue to support 3Q26 financial results.

On the export side, we had expected export volumes to normalize in 2026 from the elevated levels reached in 2025, given the outlook for demand from the European Union, quota restrictions, and the impact of the Carbon Border Adjustment Mechanism (CBAM). Strong domestic demand and the company's focus on the domestic market have also lead to this trend. Accordingly, exports accounted for 13.7% of total sales in 2Q26, broadly in line with the historical average (2Q25: 27.3%; 1Q26: 14.7%; 6M25: 24.7%; 6M26: 14.2%).

On the operational side, EBITDA per ton increased modestly by 3% QoQ to USD 75, supported by improved operational efficiency following the completion of investments and a limited recovery in product prices (2Q25: USD 64; 1Q26: USD 73). Adjusted EBITDA margin, however, declined by 1.2pp YoY to 10%, mainly due to higher operating expenses (2Q25: 11.2%; 1Q26: 10.0%).

Net profit increased significantly in 2Q26, primarily due to the recognition of a TRY 9.6bn deferred tax income, resulting from the revaluation of deferred tax assets following the reduction in the corporate tax rate applicable to manufacturing and exporting companies.

On the balance sheet side, the Net Debt/EBITDA ratio declined to 1.45x as of June 2026, from 1.92x at year-end 2025, although it increased from 1.25x in 1Q26.

We believe the results are positive, supported by real revenue growth YoY, an improvement in operating profit margins on a quarterly basis despite a limited YoY contraction, and net profit significantly exceeding expectations.

	2Q26	2Q25	YoY	1Q26	QoQ
Revenue	64,883	41,413	56,7%	59,685	9%
Gross Profit	5,879	3,866	52%	4,806	22%
margin	9,1%	9,3%	*-0,3 pps*	8,1%	*1 pps*
EBITDA	6,582	4,134	59%	5,820	13%
margin	*10,1%*	*10,0%*	*0,2 pps*	*9,8%*	*0,4 pps*
Net Profit	8,549	1,307	554%	384	2127%
margin	*13,2%*	*3,2%*	*10 pps*	*0,6%*	*12,5 pps*

Source: Finnet

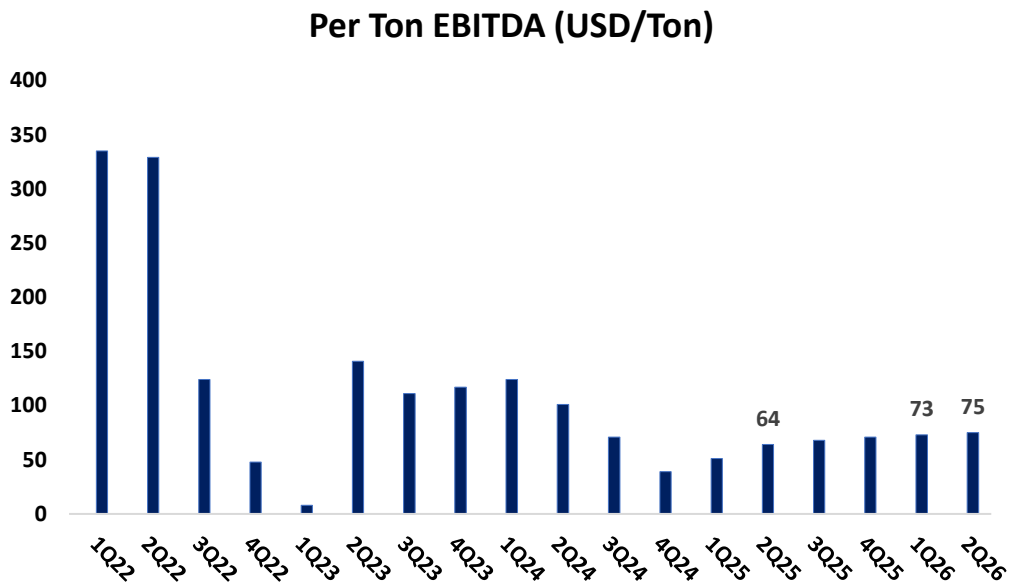
Sector Outlook

Over the past two years, weak global steel demand, excess supply from China, and competitive pressure from low-priced imports have weighed significantly on producers' pricing power and operating margins. In particular, subdued domestic demand in China, driven by weakness in the property sector, has fallen short of expectations, while production has remained at elevated levels. This has pushed Chinese export volumes to record highs and continued to pressure global flat steel prices. During this period, aggressive import pricing has been one of the key factors delaying the expected recovery in margins for integrated steel producers in Türkiye.

Looking ahead, we expect sector dynamics to gradually become more supportive. Potential measures aimed at more disciplined production management in China, together with a possible slowdown in export growth, could ease global supply pressures and support the pricing environment. Meanwhile, trade protection measures introduced across several markets, particularly in Europe, as well as the amendments to Türkiye's Inward Processing Regime (IPR) that came into effect in October 2025, are expected to mitigate the impact of low-priced imports on the domestic market and improve competitive conditions. In particular, the introduction of minimum domestic sourcing requirements for export-oriented production and the shortening of the validity periods of Inward Processing Authorization Certificates (DİİB) should provide support to domestic producers' pricing power.

As pricing conditions gradually improve and import-related competitive pressures ease, we expect Erdemir's operational recovery potential to become more evident in the coming period. In this context, we believe Erdemir's medium-term performance will be driven less by a sharp recovery in global steel prices and more by efficiency gains and cost optimization from investments implemented in recent years. Projects aimed at reducing dependence on imported raw materials, investments to improve energy efficiency, and improvements in production processes are expected to gradually support operating margins. Accordingly, we view 2026 as a transition year for Erdemir, marked by an accelerating normalization in operating profitability and strengthening cash generation capacity.

Operational efficiency and cost optimization are supporting EBITDA per ton…
Although EBITDA per ton has remained below its historical averages over the past two years due to deteriorating global pricing conditions and cost pressures, it began to recover gradually in 2025. Reaching USD 75/ton in 2Q26, we expect EBITDA per ton to maintain its upward trajectory, supported by improving operational efficiency, more balanced competitive conditions, and cost savings. Accordingly, we expect EBITDA per ton to reach USD 84 in 2026.



Source: Company data

Gold Mine Outlook

In November 2025, the company announced the identification of an inferred resource containing approximately 424k ounces of gold based on the initial drilling campaign conducted at the Sivas-Kangal site. As the current resource report covers only a limited portion of the licensed area, a more comprehensive resource report covering a broader area is expected to be completed during the year. We believe this study will provide a clearer framework regarding the project's economic potential.

However, given that feasibility studies, investment planning, and permitting processes still need to be completed before the resource can be converted into economically viable production, we do not expect the project to make a meaningful contribution to financial results in the short term. Therefore, we do not include any contribution from the gold mine in our current valuation. Going forward, we believe potential catalysts could include further development of the project by the company, implementation through a strategic partnership, or alternative monetization options for the asset.

Catalysts

Recovery in global steel prices: An increase in HRC prices, driven by stronger supply discipline in China and improving global demand, could positively impact the company's pricing power and profitability.

Improvement in the balance between product prices and input costs: Stronger growth in finished product prices relative to raw material costs could increase EBITDA per ton.

Improvement in domestic market dynamics: The easing of import pressure through Türkiye's Inward Processing Regime (IPR) regulations and trade protection measures, coupled with a recovery in domestic demand, could improve competitive conditions and support the pricing environment.

Stronger contribution from efficiency investments: Faster-than-expected contributions from efficiency, energy, and raw material optimization investments implemented in recent years could drive EBITDA per ton and operating margins higher.

Progress in the Gold Mine project: The release of an updated resource report or strategic decisions regarding the development of the project could create additional value that is not currently reflected in our valuation.

Risks

Continued supply pressure from China: If production cuts in China are not implemented to the expected extent and export volumes remain elevated, global flat steel prices could remain under pressure, delaying the recovery in margins.

Higher raw material costs: An increase in iron ore, coking coal, and energy costs that cannot be fully reflected in finished product prices could negatively impact operating profit margins.

Reduced effectiveness of trade protection measures: A weakening impact of trade protection measures implemented in Türkiye and export markets could once again intensify competitive pressure from low-priced imports.

Delays in the Gold Mine project: Delays in resource verification, permitting, or investment processes could postpone the project's potential medium-term optionality value.

Valuation

We calculate our 12-month target price for EREGL using a valuation methodology based on 60% discounted cash flow (DCF) and 40% multiples analysis.

In our USD-denominated DCF valuation covering 2026–2035, we assume a 7.0% risk-free rate, a 5.5% equity risk premium, and a beta of 1.0. We set the terminal growth rate at 3.0%. Accordingly, the weighted average cost of capital (WACC) used in our discount factor calculation is in the 10.3–10.6% range. Based on our DCF analysis, we arrive at a target equity value of USD 8.82bn for EREGL.

For the multiples-based valuation, we use the EV/EBITDA multiple as a better indicator of the company's operational performance. We do not use the P/E multiple, as net profit is significantly affected by tax items on a periodical basis. Accordingly, our multiples analysis yields a target enterprise value of USD 7.17bn.

As a result, we set our 12-month target price for EREGL at TRY 58.30, implying 40% upside potential from the latest closing price.

	Value	Weight	Weighted value
DCF Analysis (mn USD)	8,825	60%	5,295
Peer Comparison (mn USD)	7,170	40%	2,868
12 M Target Market Cap (mn USD)			**8,163**
12 M Target Share Price (USD)			**1,17**
12 M Target Share Price (TRY)			**58,30**
Current Price (TL)			41,56
12 M Upside Potential			**40,3%**

Source: PhillipCapital Research

DCF Analysis

	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Revenue	**5.725**	**6.417**	**6.843**	**7.343**	**7.699**	**8.399**	**8.848**	**9.202**	**9.481**	**9.770**
Growth, (%)	*8,2%*	*12,1%*	*6,6%*	*7,3%*	*4,8%*	*9,1%*	*5,4%*	*4,0%*	*3,0%*	*3,0%*
EBIT	**405**	**682**	**921**	**1.052**	**1.107**	**1.246**	**1.388**	**1.526**	**1.591**	**1.648**
EBIT Margin, (%)	*7,1%*	*10,6%*	*13,5%*	*14,3%*	*14,4%*	*14,8%*	*15,7%*	*16,6%*	*16,8%*	*16,9%*
EBITDA	**702**	**1.003**	**1.298**	**1.419**	**1.492**	**1.666**	**1.786**	**1.913**	**1.970**	**2.039**
EBITDA Margin, (%)	*12,3%*	*15,6%*	*19,0%*	*19,3%*	*19,4%*	*19,8%*	*20,2%*	*20,8%*	*20,8%*	*20,9%*
(-) Change in NWC	137	133	78	81	79	57	52	36	37	20
(-) Capex	641	674	684	698	654	588	531	460	455	440
(-) Tax	101	171	230	263	277	312	347	382	398	412
Free Cash Flow to Firm	**-177**	**25**	**305**	**377**	**482**	**709**	**856**	**1.035**	**1.080**	**1.167**
WACC	10,3%	10,3%	10,3%	10,3%	10,4%	10,4%	10,4%	10,5%	10,5%	10,6%
Discount Factor	0,96	0,87	0,79	0,72	0,65	0,59	0,53	0,48	0,43	0,39
DCFF	**-170**	**22**	**241**	**270**	**312**	**416**	**453**	**494**	**465**	**453**
NPV of FCFF	**2.956**									
Terminal Growth Rate	**3%**									
PV of Terminal Value	**5.736**									
Enterprise Value	**8.693**									
(-) Net Debt	849									
Market Cap	**7.844**									
12M Target Market Cap	**8.825**									

Source: PhillipCapital Research

Peer Analysis

Based on our 2026 and 2027 estimates for Erdemir, the stock currently trades at 9.9x 2026E EV/EBITDA, representing a 5% discount to its 2026E multiple, while its 2027E EV/EBITDA multiple of 6.7x implies a 23% discount.

			EV/EBITDA	
Company	**Country**	**Mcap (Mn USD)**	**2026E**	**2027E**
Arcelormittal	Luxembourg	57,009	8,2	6,6
Jsw Steel Ltd	India	33,551	11,2	9,8
Tata Steel Ltd	India	24,790	7,4	6,8
Steel Dynamics Inc	USA	37,824	10,5	9,4
Aperam	Luxembourg	3,907	8,6	6,2
Xinxing Ductile Iron Pipes-A	China	2,225	8,2	7,2
Acerinox Sa	Spain	5,233	10,1	7,6
Daido Steel Co Ltd	Japan	3,153	8,9	7,7
Jindal Steel Ltd	India	11,782	9,7	7,4
Welspun Corp Ltd	India	5,034	16,2	12,7
Hunan Valin Steel Co Ltd -A	China	3,806	15,4	14,3
Average			10,4	8,7
EREGL	Türkiye	6,112	9,9	6,7
Premium/ (Discount)			**-5%**	**-23%**

Source:Bloomberg, PhillipCapital Research

Financial Data

USD mln	2025	2026E	2027E
Revenues	5,293	5,725	6,417
Revenue Growth	-14,9%	8,2%	12,1%
Gross Profit	470	657	952
Gross Margin	8,9%	11,5%	14,8%
Operating Profit	252	405	682
EBITDA	518	702	1,003
EBITDA Growth	-19,5%	35,6%	42,8%
EBITDA Margin	9,4%	12,3%	15,6%
Pre-Tax Profit	93	454	658
Net Income	13	167	364
Net Income Growth	-96,8%	1190,5%	117,4%
Net Income Margin	0,2%	2,9%	5,7%

Balance Sheet (mn USD)	2025	2026E	2027E
Current Assets	5,847	5,975	6,218
Cash and Cash Equivalents	2,694	2,210	2,640
Short-Term Trade Receivables	640	753	861
Inventories	2,085	2,098	2,045
Other Current Assets	372	298	301
Long Term Assets	7,184	7,598	8,030
Total Assets	13,031	12,955	14,100
Short Term Liabilities	2,728	3,090	3,276
Long Term Liabilities	3,367	3,388	3,531
Shareholders' Equity	6,714	6,813	7,029
Paid-In Capital	163	163	163
Net Profit (Loss)	13	167	364
Total Liabilities	13,031	12,955	14,100

Ratio Analysis (mn USD)	2025	2026E	2027E
P/E	343,9	36,6	16,8
EV/EBITDA	10,5	10,6	7,6
P/B	0,66	0,90	0,87
ROE	0,2%	2,5%	5,2%
ROIC	3,6%	5,6%	8,6%
Net Debt	1,000	1,268	1,472
Net Debt / EBITDA	1,9	1,8	1,5
Net Debt / Shareholders Equity	0,1	0,2	0,2

Source: Finnet, PhillipCapital Research

Report Methodology

The target value of a stock represents the value the analyst expects it to reach at the end of our 12-month performance horizon.

Outperform (OP)
Where this rating is assigned, it indicates that the stock is expected to deliver superior returns relative to the index over the medium to long term. This rating does not, of course, guarantee that the stock will appreciate or outperform the index. Any change in market conditions, macroeconomic developments, global economic trends, or company-specific news following the publication of this report may cause us to revise this rating.

Market Perform (MP)
Where a stock is assigned a "Market Perform" rating, this may be for a variety of reasons. It may reflect that the company's latest data suggests its forward-looking estimates will not differ materially from historical performance, or that the stock's current price is trading close to its fair value. A "Market Perform" rating does not imply that the stock will not move in either direction. In general, this rating indicates that the stock is expected to deliver returns broadly in line with the index over the medium to long term. However, any new developments or shifts in market conditions may prompt a revision to this rating.

Underperform (UP)
Where a stock is assigned an "Underperform" rating, it indicates that the stock is expected to deliver weaker returns relative to the index over the medium to long term. Even where an "Underperform" rating has been assigned, the stock may still experience short-term technical rallies or generate short-term buy signals based on technical indicators. In certain cases, even where no medium- to long-term return is expected from the stock, short-term "Outperform" or "Market Perform" returns may be observed in response to significant news, a temporary earnings upgrade, or other developments that could cause the stock price to move favorably in the near term.

PhillipCapital analysts review their valuations in line with company-specific developments and may revise their recommendations when deemed necessary. At times, however, a stock's target return may move outside our projected rating bands due to price fluctuations, in which case the analyst may choose not to revise the recommendation.

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