

Erdemir

Following the release of 4Q25 financial results, we have revised our estimates and raised our 12-month target price for Ereğli Demir Çelik to TRY35.34 (Previous: TRY34.25). We maintain our recommendation of Market Perform.

In 4Q25, Erdemir reported TRY60.99 billion net sales, up 11% year-on-year, TRY7.45 billion EBITDA, up 1.8x year-on-year, and TRY1.87 billion loss (4Q24: net profit of TRY2.69 bn). Market median expectations were TRY 58.45 billion in revenue, TRY 5.66 billion in EBITDA, and a loss of TRY 2.80 billion. Accordingly, revenue and EBITDA came in above market expectations, while the loss was 33% lower than consensus.

Erdemir achieved sales volume of 2.23 million tons in Q4 2025, increasing its sales by 15% on a quarterly basis and 2% on an annual basis. However, sales volume for the full year 2025 decreased by 3% on an annual basis to 7.83 million tons. Despite the ongoing pressure of China's weak domestic demand on global steel prices, the limited recovery in prices in the last quarter partially supported revenue. However, we maintain our cautious stance regarding the sustainability and permanence of the improvement in product prices. On the operational side, EBITDA per ton increased by 4% compared to the previous quarter to USD 71, benefiting from the limited recovery in prices (3Q25: USD 68, 4Q24: USD 39, 2025: USD 64, 2024: USD 84). The EBITDA margin increased by 6.3 percentage points year-on-year to 10.9% and also improved by 1.4 percentage points quarter-on-quarter. Although the company is exempt from inflation accounting, the elimination of deferred tax income arising from the difference between tax financials and IFRS financials resulted in a deferred tax expense of TL 4.86 billion and a loss of TL 1.87 billion in 4Q25.

Investments completed in 2025 contributed USD 20–25/ton to EBITDA, and these investments are expected to contribute an additional USD 10/ton in 2026. We anticipate an improvement in Erdemir's operational performance in 2026 as a result of a gradual recovery in demand in the global steel market, a limited decrease in supply pressure from China, and a more pronounced impact of protectionist measures domestically. While we expect volatility in iron ore and coal prices to continue on the raw material cost side, we believe that pressure on margins will remain limited thanks to the company's high capacity utilization rate and effective cost management. We also expect investments in the main production facilities completed in 2025 to contribute positively to unit costs in 2026. **In this context, we forecast sales volume of 8.3 million tons, up 6% year-on-year, and EBITDA of USD 85 per ton, up 35% year-on-year, in 2026.**

On the financing side, we expect net debt/EBITDA to decline to 1.8x in 2026 (2025: 1.9x) thanks to debt restructuring and successful working capital management.

Ereğli Demir ve Çelik

12% Upside Potential

Listing Details and View

Bloomberg Ticker	EREGL TI
Rating	Market Perform
Price per Share, TRY	31,48
Target Price per Share, TRY	35,34
Upside	12,3%
Free Float	47,3%
Market cap, TRY mln	220,360
Market cap, USD mln	5,044
BIST-100 Index Weight	2,4%
BIST All Shares Index Weight	1,8%
Foreign Share	21,9%
Pension Funds Share	4,8%
Mutual Funds Share	15,2%

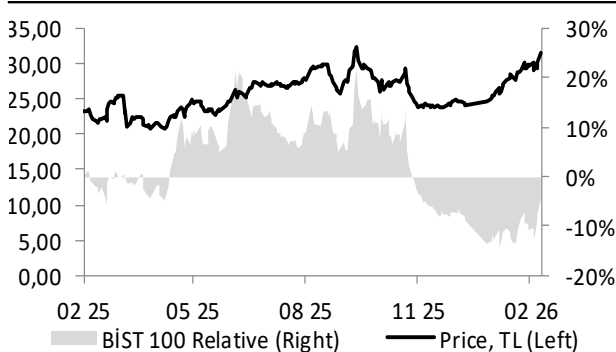
Source: Matriks, PhillipCapital Research

Price & Market Cap. as of 23-Feb

Key Financials, USD mln	2025	2026E	2027E
Revenues	5,293	6,108	6,837
Revenue Growth	-15,0%	15,4%	11,9%
Gross Profit	470	665	840
Gross Margin	8,9%	10,9%	12,3%
EBITDA	518	708	888
EBITDA Margin	9,4%	11,6%	13,0%
Net Profit	13	220	331
Net Profit Growth	-96,8%	1596,7%	50,3%
Net Profit Margin	0,2%	3,6%	4,8%
Net Debt	1,000	1,309	1,528
Net Debt / EBITDA	1,9	1,8	1,7
P/E	343,9	22,9	15,3
EV/EBITDA	8,0	5,3	4,0

Source: Company Data, PhillipCapital Research

Share Price Performance



Source: BIST, Finnet

	3m	6m	1y
Nominal	30,5%	7,1%	42,0%
Relative	1,4%	-13,4%	-3,0%
Trd. Vol. USD mln	113,3	125,9	119,7

Source: BIST, Finnet

Nazlı Tuna AKAR
tuna.akar@phillip.com.tr

Expectations Regarding the Gold Mine

In November 2025, the company announced that initial studies conducted in the Sivas-Kangal area had identified a possible resource containing approximately 424,000 ounces of gold. The first resource report announced for the gold mine showed reserves located in a limited area. In the second phase, more comprehensive reserve studies will be conducted for the same area, and the results are expected to be announced at the end of Q1 2026 or in Q2 2026. Even after the reserve report regarding the gold mine was announced, it should be noted that the implementation of this investment and its conversion into production is a long-term process. Therefore, we are not including it in our short-term financial projections. It is worth noting that there are different alternatives, such as the gold mine being operated entirely by the company, operated with a partner, or the operating rights being sold.

Sector Expectations

In 2025, the most fundamental problem facing Turkey's steel sector was the high pressure of imports, particularly at aggressive prices, which significantly reduced the profit margins of domestic producers. Although the anti-dumping investigation against China was concluded and regulations were made to the Inward Processing Regime, the expected margin improvement did not occur because Russia quickly filled the gap left by declining imports from China due to its low tax rate. While the introduction of a 25% domestic consumption requirement for hot rolled products (HRC) is seen as a positive step, an increase in this rate and its application to cold rolled products is expected; and new developments in favor of Turkey are anticipated in 2026 in terms of protectionist measures.

Although China grew by 5% in 2025, steel demand remained weak due to the real estate crisis; while tariffs and interest rate cuts supported growth in the US, Europe showed a fragile outlook apart from the pull-forward demand. Erdemir expects interest rate cuts to support demand in 2026, a decline in supply pressure due to a limited decline in Chinese exports, and an increase in demand, particularly from infrastructure investments in regions other than China. The trajectory of interest rate cuts and reduced uncertainty in trade policies stand out as key supporting factors for the sector. However, some countries resorting to high tariffs for protection create excess supply in more open markets like Turkey, putting pressure on prices and profitability.

Valuation

Our 12 month target price for EREGL is calculated using 60% discounted cash flow and 40% peer comparison methods. In our DCF valuation covering the years 2026-2035, we assumed a risk-free rate of return of 7.5%, a market risk premium of 5.5%, a cost of borrowing of 8%, and a corporate beta of 0.90. We set the terminal growth rate at 2%. Accordingly, the weighted average cost of capital used in the discount factor calculation was approximately 10.1%. As a result of the DCF, we reached a market capitalization target of 5.77 billion USD for EREGL.

In our peer comparison analysis covering the years 2026 and 2027, we took into account P/E and EV/EBITDA multiples. In our analysis, we assigned equal weight to the P/E and EV/EBITDA multiples and arrived at a target company value of USD 4.50 billion. **As a result, our 12-month target price for EREGL is set at TRY35.34, offering a 12% upside potential based on the latest closing price.**

	Value	Weight	Weighted value
DCF Analysis (mn USD)	5,775	60%	3,465
Peer Comparison (mn USD)	4,503	40%	1,801
12 M Target Market Cap (mn USD)			5,266
12 M Target Share Price (USD)			0,75
12 M Target Share Price (TRY)			35,34
Current Price (TL)			31,48
12 M Upside Potential			12,3%

Source: PhillipCapital Research

DCF Analysis

	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Revenue	6,108	6,837	7,299	7,732	8,460	9,279	10,135	10,820	11,241	11,494
<i>Growth, (%)</i>	15,4%	11,9%	6,7%	5,9%	9,4%	9,7%	9,2%	6,8%	3,9%	2,2%
EBIT	421	567	700	842	1,023	1,214	1,397	1,589	1,730	1,826
<i>EBIT Margin, (%)</i>	6,9%	8,3%	9,6%	10,9%	12,1%	13,1%	13,8%	14,7%	15,4%	15,9%
EBITDA	708	888	1,050	1,213	1,429	1,650	1,874	2,087	2,247	2,355
<i>EBITDA Margin, (%)</i>	11,6%	13,0%	14,4%	15,7%	16,9%	17,8%	18,5%	19,3%	20,0%	20,5%
(-) Change in NWC	170	106	156	175	219	239	259	255	197	157
(-) Capex	611	684	657	696	694	696	709	703	674	690
(-) Tax	105	142	175	210	256	304	349	397	432	457
Free Cash Flow to Firm	-178	-43	62	132	260	412	556	731	943	1,052
Discount Factor	0,84	0,76	0,69	0,63	0,57	0,52	0,47	0,43	0,39	0,35
DCFF	-149	-33	43	82	148	213	260	311	364	368

	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E
Risk Free Rate	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%	7,5%
Equity Risk premium	5,5%	5,5%	5,5%	5,5%	5,5%	5,5%	5,5%	5,5%	5,5%	5,5%
Weight of debt in EV	35,4%	35,1%	35,8%	36,2%	36,4%	36,5%	36,3%	36,0%	34,7%	33,5%
Weight of equity in EV	64,6%	64,9%	64,2%	63,8%	63,6%	63,5%	63,7%	64,0%	65,3%	66,5%
Debt / Equity	54,9%	54,1%	55,6%	56,7%	57,3%	57,4%	57,1%	56,2%	53,1%	50,3%
Beta	0,90	0,90	0,90	0,90	0,90	0,90	0,90	0,90	0,90	0,90
Tax Rate	25,0%	25,0%	25,0%	25,0%	25,0%	25,0%	25,0%	25,0%	25,0%	25,0%
Cost of Debt	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%	8,0%
Cost of Equity	12,5%	12,5%	12,5%	12,5%	12,5%	12,5%	12,5%	12,5%	12,5%	12,5%
WACC	10,2%	10,2%	10,1%	10,1%	10,1%	10,1%	10,1%	10,1%	10,2%	10,3%

NPV of FCFF	1,607
Terminal Growth Rate	2%
PV of Terminal Value	4,528
Enterprise Value	6,135
(-)Net Debt	1,000
Market Cap	5,135
12M Target Market Cap	5,775

Peer Comparison

According to our 2026 and 2027 estimates, Erdemir trades at an average premium of 32% compared to global peer companies based on the P/E ratio. Based on EV/EBITDA, it trades at a 4% premium to the 2026E multiple of 8.5x and at a 7% discount to the 2027E multiple of 6.8x.

Company	Country	Mcap (Million USD)	P/E		EV/EBITDA	
			2026E	2027E	2026E	2027E
Arcelormittal	Luxembourg	51,568	13,0	10,1	7,0	6,1
Bluescope Steel Ltd	Australia	8,791	15,2	14,7	6,7	6,3
Commercial Metals Co	USA	8,389	10,9	11,3	7,9	7,4
Citi Pacific Special Stee-A	China	11,675	14,0	12,8	9,1	8,6
Tata Steel Ltd	India	28,548	22,2	14,7	10,1	8,1
Steel Dynamics Inc	USA	28,624	14,2	12,5	9,7	8,9
Voestalpine Ag	Austria	10,252	21,6	13,0	7,1	5,7
Average			15,9	12,7	8,2	7,3
EREGL	Türkiye	5,025	22,9	15,3	8,5	6,8
Premium/ (Discount)			44%	20%	4%	-7%

Source: Bloomberg, PhillipCapital Research

Summary Financials (mn USD)

USD mln	2025	2026E	2027E
Revenues	5,293	6,108	6,837
Revenue Growth	-15,0%	15,4%	11,9%
Gross Profit	470	665	840
Gross Margin	8,9%	10,9%	12,3%
Operating Profit	252	421	567
EBITDA	518	708	888
EBITDA Growth	-19,5%	36,6%	25,5%
EBITDA Margin	9,4%	11,6%	13,0%
Pre-Tax Profit	93	398	598
Tax Expense	76	99	150
Net Income	13	220	331
Net Income Growth	-96,8%	1596,7%	50,3%
Net Income Margin	0,2%	3,6%	4,8%

Source: Finnet, PhillipCapital Research

Balance Sheet (mn USD)	2025	2026E	2027E
Current Assets	5,847	6,080	6,233
Cash and Cash Equivalents	2,694	2,610	2,504
Short-Term Trade Receivables	640	756	865
Inventories	2,085	2,316	2,462
Other Current Assets	372	376	380
Long Term Assets	7,184	7,579	8,019
Total Assets	13,031	13,659	14,252
Short Term Liabilities	2,728	3,200	3,334
Long Term Liabilities	3,367	3,314	3,459
Shareholders' Equity	6,714	6,844	7,040
Paid-In Capital	163	163	163
Net Profit (Loss)	13	220	331
Total Liabilities	13,031	13,659	14,252

Source: Finnet, PhillipCapital Research

Ratio Analysis (mn USD)	2025	2026E	2027E
P/E	343,9	22,9	15,3
EV/EBITDA	8,0	5,3	4,0
P/B	0,66	0,74	0,72
ROE	0,2%	3,2%	4,7%
ROIC	3,6%	5,8%	7,0%
Net Debt	1,000	1,309	1,528
Net Debt / EBITDA	1,9	1,8	1,7
Net Debt / Shareholders Equity	0,1	0,2	0,2
RoE	0,2%	3,2%	4,7%

Source: Finnet, PhillipCapital Research

Legal Notice

"The investment information, comments and recommendations contained herein are not within the scope of investment consultancy. Investment advisory service is provided within the framework of the investment advisory agreement to be signed between brokerage houses, portfolio management companies, non-deposit accepting banks and the client. The comments and analyzes contained herein are of a general nature. These recommendations may not be suitable for your financial situation and risk and return preferences. Therefore, making an investment decision based solely on the information contained herein may not yield results in line with your expectations.

All comments and recommendations consist of forecasts, estimates and price targets. These comments and recommendations may be subject to change due to changes in market conditions over time. All opinions and information in this report are subject to change without prior notice. The information and data contained in this report have been compiled from sources believed to be reliable and their accuracy has not been further investigated. Therefore, PhillipCapital Menkul Değerler A.Ş. and its employees are not responsible for any losses that may arise due to the incompleteness or inaccuracy of this information. For this reason, readers are advised to verify the accuracy of the information before acting on the basis of the information obtained from these reports, and any decisions made on the basis of this information are their own responsibility. PhillipCapital cannot be held responsible in any way for any inaccuracies or omissions of information. Furthermore, PhillipCapital and all of its employees shall have no liability whatsoever for any direct or indirect damages whatsoever arising in any way from the information.

There are no known relationships or circumstances that may affect the objectivity of the comments and recommendations presented, and utmost care and attention has been taken to ensure that they are prepared in a manner that does not lead to any significant conflicts of interest that may arise between our Company and its clients.

The information contained herein is not investment advice, a recommendation to buy or sell an investment instrument or a promise of return and is not within the scope of Investment Advisory. This report, in whole or in part, may not be reproduced, published or made available to third parties or used for commercial purposes without the written permission of PhillipCapital Menkul Değerler A.Ş."