Country	Turkey
Sector	Iron and steel

Turkey is losing access to European export markets and recapturing domestic share, with shareholders insulated from the cost of adjustment

Turkey produced 38.1m tonnes of steel in 2025, seventh worldwide and first in Europe, while importing a record 18.9m tonnes. Of its 41 mills, 27 use electric arc furnaces and imported scrap. Turkey exports long products and imports flat steel. Domestic consumption of 39.3m tonnes is close to output in volume but differs in product mix. Buyer power dominates the other competitive forces. The report asks which of the two companies benefits as export access is restricted abroad and import access is restricted at home. From 1 July 2026, Turkey's EU quota is 2,088 thousand tonnes, against actual exports of 7,925 thousand tonnes in 2025, with a 50% duty above the quota. In the other direction, Turkey's anti-dumping duties effective since 11.10.2024 cut China's share of hot-rolled coil imports by 39.6%. The sector view is cautious. It is in the early middle of a recovery, with utilisation of 63.3% versus 74.8% in 2021 and Erdemir profit of $64/t in 2025 versus $356/t in 2021.

The report rates both stocks SELL. Erdemir (EREGL) trades at TRY 38.24, with a target of TRY 8.68 and total return of −75.9%. Kardemir (KRDMD) trades at TRY 41.48, with a target of TRY 17.33 and total return of −58.2%. Eleven brokers put Erdemir consensus at TRY 50.20 on 07.08.2026. Our target is −82.7% below it. An observable Kardemir consensus is unavailable, as the limitations section records. The reporting currency is the US dollar and the share price date is 13.08.2026. The annual dollar hurdle is H = Ke = 11.87%, with a ±10 pp recommendation band. Both returns fall below the 1.87% lower end, the closest by sixty points. If three market assumptions hold at once, Kardemir's target rises to TRY 50.15 and total return to positive 20.90% versus the 21.87% upper bound. This defensible high case lies one percentage point, or TRY 0.40 of target price, from BUY. The same run gives Erdemir TRY 39.36 and positive 4.4%, a HOLD.

Business quality comes first. Four tests were set before selection: through-cycle return exceeds the cost of capital, actual spending covers required maintenance, the competitive advantage survives the weakest year, and at least one third of earnings reaches minorities. No company passes the full screen. Erdemir passes three tests and the fourth result is undefined. Its advantage in the weakest year is −$0.015 per tonne against measurement accuracy of $0.20. Disclosure rounding decides the sign, so the company can neither pass nor fail the combined test. Kardemir passes none of the four. Return over the period is −0.61% versus an 11.17% hurdle, spending is below maintenance needs, the weakest-year advantage is negative, and distributions have been zero for three years. The 'good business at a bad price' cell is also empty. If Erdemir's competitive advantage proves positive, it would pass all four tests, and its target of TRY 8.68 would be an acceptable price, at a 77% discount to its quote. Price keeps Erdemir out of the selection: total return is −75.9% versus the 11.87% hurdle. It would qualify at a terminal margin of $230.9/t instead of $105. Kardemir would pass the second test with average spending of $91m instead of $70.8m and the third with an advantage above $40.40/t. It can pass the fourth only after period earnings turn positive. They are now minus TRY 552m, leaving the one-third payout test undefined. The absence of a best idea is a sector conclusion. The report makes three testable claims, each from a separate framework, with a threshold and an action for the reader. Owner earnings: Erdemir has spent more than it earned for three consecutive years and generates 3.03% a year in US dollars for shareholders in a normalised state against an 11.87% cost of equity. The reversal threshold is maintenance capex of $35/t instead of $67, which raises the yield to 8.48% and the target to TRY 21.37. The 2026 annual report's capex breakdown will test it. Concentration: duty-free imports from free trade agreement countries leave Turkish sellers without pricing power at any concentration level. There is no premium to $648/t parity when Chinese parity is $742. Extending anti-dumping to free trade agreement suppliers would raise the ceiling from $648 to $742/t. The calendar gives the observation. Check Turkey's Official Gazette, with the next observation on 30.09.2026 when a safeguard extension is due. A

higher ceiling changes the reversal threshold, while the model's input test finds that parity does not affect the target. Capital cycle: the Erdemir price requires $205/t of profit against a normalised $105, about twice the level implied by the past cycle peak. The 2027 results will show whether profit exceeds $150/t.

The sector catalyst is the EU quota review after the first year of the permanent regime, on 30.06.2027. The next test is both companies' Q3 2026 results in November. One event would reverse both conclusions upwards: applying Turkish anti-dumping duties to free trade agreement countries would remove the domestic price ceiling. At Kardemir, the main limitation is separate from range width. Reconstructed 2022 and 2023 data provide three increments, allowing the same out-of-sample test as at Erdemir. The measured specification error is $3.46 per tonne against $6.98 at Erdemir, yielding a TRY 1.85 range against TRY 2.08. Kardemir's primary limitation is its second valuation floor at TRY 24.93 per share. Disclosed capex was $35m, $62m, $62m, $84m and $111m for 2021–2025. Product-level sales and the currency composition of debt remain undisclosed. The report covers two stocks, has a directional view on both and records zero as undetermined.

Table 1 lists the coverage and price-based ranking. The valuation column uses the same base for both companies.

Table 1. Neither stock clears the required return: TRY 8.68 target versus 38.24 and TRY 17.33 versus 41.48. Both fall short of the quality hurdle. Kardemir fails three tests on measured evidence. The fourth Erdemir result is undefined, leaving the combined test unresolved.

Company	Price	Valuation	Target	Total return	Rating	Disclosure class	Cost position	Horizon	Capital allocator
Erdemir (EREGL)	38.24	10.3×	8.68	−75.9%	SELL	Disclosed	Middle	Exhausted	Invests more than shareholders receive
Kardemir (KRDMD)	41.48	5.5×	17.33	−58.2%	SELL	Partly reconstructed	Upper end	74% utilisation	No payout for three years

Valuation relative to 2026 earnings before deductions. The dollar hurdle is H = Ke = 11.87%, with a ±10 pp recommendation band. There are four quality tests. Erdemir passes three with one undefined. Kardemir fails four, three on measurement and one on observation. The disclosure class limits the strength of the conclusion. Cost rank refers to the cost curve for the covered markets. Horizon refers to the reinvestment horizon.

Source: model workbook for the research window, 'EXPORT' worksheet, run on 17.08.2026. Borsa İstanbul prices on 13.08.2026.

Part II. The market

1. Imports meet almost half of domestic consumption

1.1 Concentration of 600 against a 1,500 lower threshold, and why concentration alone is insufficient

1.2 A mature industry at 63.3% utilisation, with utilisation adjusting to demand

2. Scrap and ore suppliers capture the largest share of the value chain

2.1 Out of $661 in revenue, the mill retains $75 and raw material suppliers receive $398

3. Duty-free imports set the domestic price ceiling

3.1 Parity at $648/t versus a $642.5/t domestic price

3.2 Nearly all cost changes pass through to prices, at a coefficient of 1.06

4. Europe takes more from a tonne of Turkish steel than Turkey's own government does

4.1 Country quota of 2,088 thousand tonnes versus 7,925 thousand tonnes of exports

4.2 Track record: only targets with a numbered legal act are delivered

5. The industry built capacity it uses at two thirds

5.1 Capex to depreciation of 1.47 at Erdemir and 0.91 at Kardemir

5.2 Lira cost of capital is 37%, and investment bypasses the capital market

Market summary

Part III. Issuers

6. Erdemir has shifted from exporting to replacing imports

7. Investment absorbs one company's owner earnings, and a statutory loss absorbs the other's

8. The same year brings Erdemir higher utilisation and Kardemir higher prices

Part IV. Valuation and investment action

9. Erdemir's share price implies a margin unseen since 2021

10. Calendar of turning points and confirmation milestones

11. Quantified limitations

12. Coverage universe and sources

Part II. The market

1. Imports meet almost half of domestic consumption

Analytical basis: concentration and the industry life cycle. Buyer power is the dominant force.

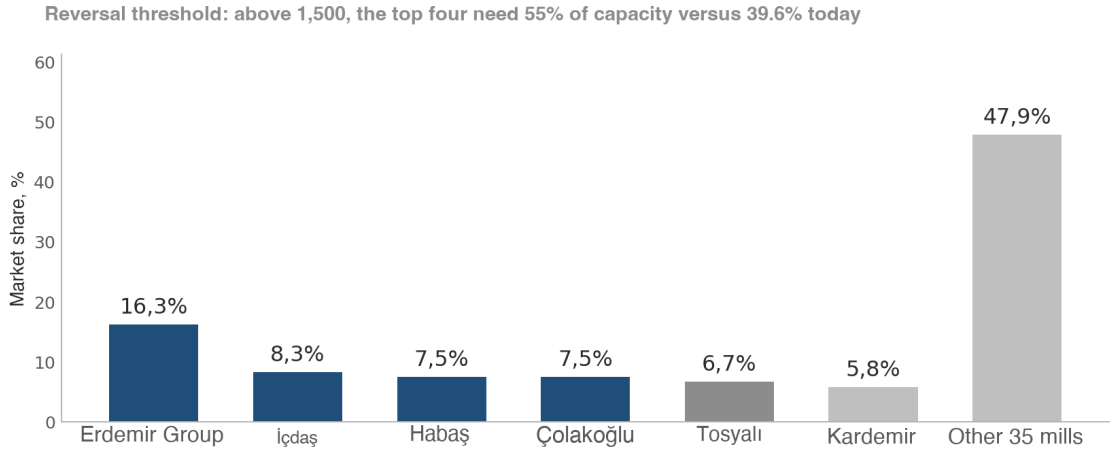
Turkey's steel industry has 41 mills: three integrated blast furnace sites, 27 electric arc furnace sites and 11 induction furnace sites. The three integrated plants, Erdemir's Ereğli and İskenderun and Kardemir's Karabük, make 27.8% of output. Scrap-based electric melting accounts for the other 72.2%. The three integrated plants have 27.8% of output and sector utilisation is 63.3%. Their share alone does not determine who sets prices.

The market is defined before any measurement. It covers ferrous rolled products, flat and long, excluding pipes and metalware. Turkey as a sales market and Turkey as a production location are distinct. Product substitution is limited. Rebar cannot replace coil, and moving between them requires a new rolling mill. The domestic market was 39.3m tonnes of apparent consumption in 2025, worth roughly $25bn at the average realised price of the covered companies. The physical balance of 38.1m tonnes of production plus 18.9m of imports less 19.4m of exports gives 37.6m tonnes. The 1.7m gap to published consumption of 39.3m tonnes reflects stock movements and different coverage by the two associations.

Concentration is one of two measures of pricing power and proves little alone. The crude steel capacity index is 600 against the 1,500 lower threshold, formally unconcentrated, and no company can dictate prices to the others. Erdemir Group leads with 9.8m tonnes and 16.3%. The next five mills each hold 5.8–8.3%. This covers all steel. In flat steel, Erdemir is the only integrated producer at scale (Section 6).

Figure 1 shows market shares, with Erdemir Group at 16.3% of capacity. Reversal threshold: an index above 1,500. With 41 mills that requires the top four to hold more than 55% of capacity versus 39.6% today.

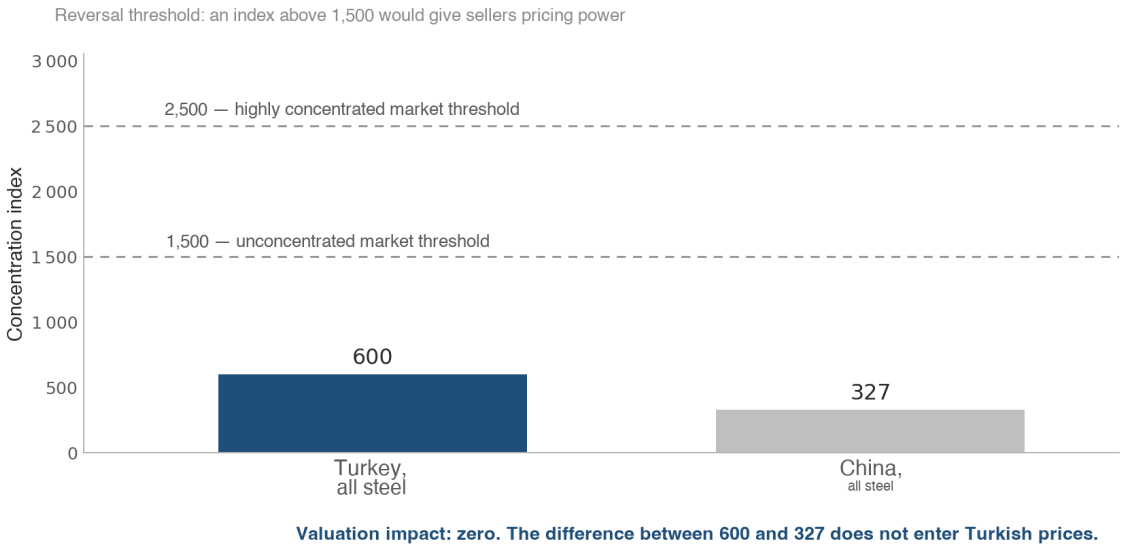
Figure 1. No mill holds even a sixth of capacity. The top share is 16.3%, with a concentration index of 600 versus the 1,500 lower threshold. Reversal threshold: above 1,500, requiring a 55% top-four share versus 39.6% today. Valuation impact: zero. At a 48% import share, $648/t parity sets the price ceiling.



Source: Global Energy Monitor, corporate disclosures and SteelRadar, 'Türkiye's steel map'. Crude steel capacity, all steel, about 60m tonnes. Run on 16.08.2026.

Figure 2 compares concentration with other markets measured by the research team: Turkey's 600 against China's 327.

Figure 2. Turkey's market is twice as concentrated as China's, at 600 versus 327. Both are below 1,500. Reversal threshold: an index above 1,500 would give sellers pricing power. Valuation impact: zero. The difference between 600 and 327 does not enter Turkish steel prices.



Source: research calculations using plant capacities. China is from the 12.08.2026 window, based on all steel. India and Brazil have not been recalculated on this basis. Section 11 quantifies the gap.

Erdemir Group holds 16.3% of national capacity at 9.8m tonnes. Kardemir holds 5.8% at 3.5m tonnes of liquid steel. Together they produce 27.8% of output, yet neither earned more than $88/t in any year of the window except 2021–2022. Their share could confer pricing power in a closed market. Here both valuations use normalised margins of $105 and $66/t without a market share premium.

The other measure is import protection, which is porous in Turkey. Turkey's market is twice as concentrated as China's and has no pricing power, while China has it. The difference is whether import tonnes clear customs. Duty-free trade agreement imports set a $648/t ceiling, as shown in Section 3, and there is no premium to it. Turkey provides a measured counterexample to the idea that concentration determines pricing power. Extending anti-dumping duties to suppliers in free trade agreement countries would raise the ceiling towards the Chinese parity of $742/t.

Imports were 18.9m tonnes of Turkey's 39.3m tonnes of 2025 apparent consumption, or 48%. Flat steel import dependence reached 42%. Utilisation was 63.3% on about 60m tonnes of capacity. Some 22m tonnes stood idle while 18.9m tonnes of steel entered the country. Domestic mills compete with imports at the border.

Analytical basis: the industry life cycle. Chronic underutilisation places the industry in maturity. It uses 63.3% of 60m tonnes of capacity. Consumption grew 6.6% in the first half of 2026 and the increase lifted utilisation rather than prices. Terminal growth is 2%, the long-term US dollar inflation rate, because real price increases cannot hold with 22m tonnes of idle capacity. Import substitution is a one-off source of penetration, after which surplus capacity increases. Utilisation above 80% would allow prices to grow faster than inflation.

Effect on value per share. With imports meeting half of consumption, removing an import source is worth more to domestic producers than any demand shift. Erdemir raised utilisation from 77% to 95% in a year without a new furnace. The 2% terminal growth assumption leaves 69.2% of Erdemir's value beyond the forecast, and each percentage point of long-term growth is worth about TRY 2 per share.

2. Scrap and ore suppliers capture the largest share of the value chain

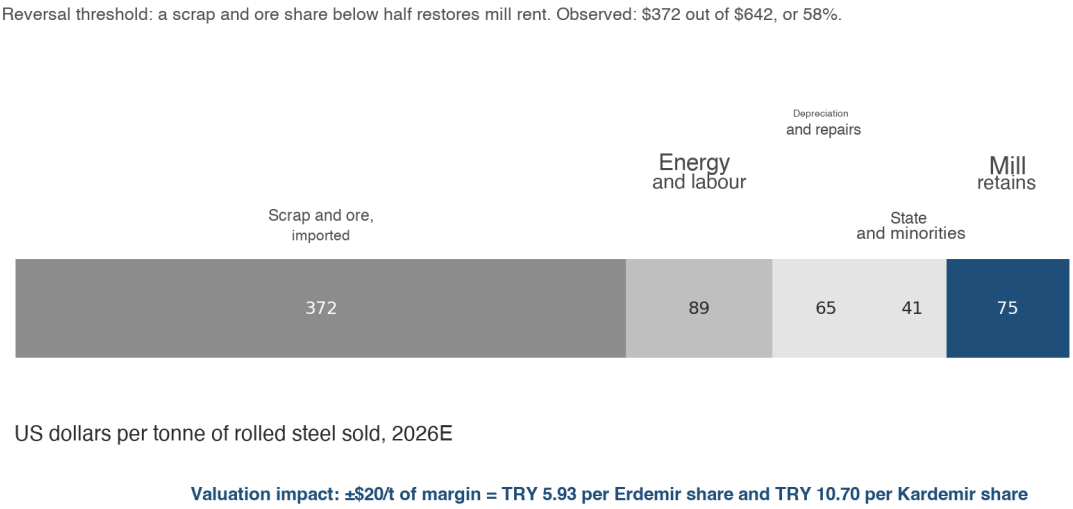
Analytical basis: value chain and profit pools.

Turkey's steel value chain is shorter than in most countries, and its first link is abroad. Turkey imports 70% of its scrap, 60% of ore and 90% of coal. Scrap imports in 2025 were 18.7m tonnes worth $6.94bn. Turkey remains the world's largest scrap buyer. Market participants estimate domestic scrap collection at about 9.6m tonnes. There is no official domestic collection series.

The value-chain breakdown shows where the margin accrues and who captures scarcity rent. Erdemir's costs are 67% raw materials and supplies, 10% purchased energy, 6% labour, 11% depreciation and 6% other. In the input basket, iron ore rose from 29% in 2023 to 41% in the first half of 2026, coal fell from 35% to 31%, and scrap held at 7–9%. At a realised price of $661/t in the first half of 2026, raw materials take about $398, energy and personnel $95, and depreciation about $65. The mill keeps $66–75.

Figure 3 shows the value chain per tonne: scrap and ore take $372 of the $398 for raw materials and supplies, versus $75 retained by the mill.

Figure 3. Scrap and ore suppliers receive $372 per tonne and the mill keeps $75, about a fifth as much. Reversal threshold: below half the price, scrap and ore would yield rent back to the mill. The measured share is $372 out of $642 or 58%. Valuation impact: ±$20/t of margin is worth TRY 5.93 per Erdemir share and TRY 10.70 per Kardemir share.



Source: Erdemir's H1 2026 cost disclosures. Realised price is disclosed revenue per tonne. Allocation along the chain is a research estimate.

Turkey's steelmakers capture little of the profit pool. Scrap suppliers sell worldwide and are independent of Turkish buyers. HMS 80:20 scrap delivered to Turkey is itself a global benchmark underlying cash-settled contracts in Chicago and London. Ore and coal suppliers also trade globally, with ore at $95.05/t and coking coal at $222/t on 13.08.2026. Domestic buyers can switch between mills and imports. Erdemir's Divriği mine is the only link where a Turkish producer owns a resource. The country's only pellet operation has 1.5m tonnes of capacity, meeting 14% of Erdemir's iron ore needs and supplying 38% of all domestic ore output. Kardemir has no mines of its own. It won 11 licence areas at auction covering 11,939 hectares and is carrying out preliminary exploration.

The state built blast furnaces for industrialisation at Karabük in 1937, Ereğli in 1965 and İskenderun in 1970. Port and rail access determined locations. Later private investment went entirely to electric arc capacity, with lower costs, quicker payback and no need for iron ore or coke. By 2025 Turkey made 72.2% of its steel from scrap, which it buys abroad.

A significant share of imported semifinished steel enters under inward processing and is re-exported, never reaching domestic consumption. Rules tightened from 1 October 2025, cutting processing periods from six to four months for flat products and from nine to six months for billets, with a requirement to source at least a quarter of

inputs domestically. This benefits the covered companies, whose output qualifies as the domestic procurement processors must now make.

Effect on value per share. With raw materials at 67% of costs, a 10% movement in the basket changes Erdemir's cost by about $40/t. This is more than half its entire 2025 profit per tonne and six times the measured gap between model and disclosures. The movement is worth TRY 5.93 per share, the same as ±$20/t of terminal margin.

3. Duty-free imports set the domestic price ceiling

Analytical basis: the cost curve. The marginal supplier comes from a free trade agreement country.

Turkey's domestic hot-rolled coil price of $635–650/t ex works on 21.04.2026 reflects the delivered cost of duty-free imports at the buyer's warehouse. Turkish mills and Chinese offers do not set it.

Turkey's ordinary import duty on hot-rolled coil is zero under the EU common tariff for industrial goods. A 15% additional customs duty applies to non-alloy hot-rolled steel, and an anti-dumping duty under Decision 2024/33 of 11.10.2024 is assessed separately on customs value without compounding. Both exclude Turkey's free trade agreement partners, including Malaysia, Egypt, South Korea and about ten other markets.

Turkey's cost curve ranks sources of supply because the marginal tonne is imported. The Turkish blast furnace route sits in the middle of the world cost curve at about $595/t cash cost from Section 2. Electric arc production is in the top third, with $370–400/t scrap and $200–210/t conversion markup. The marginal input is the import source whose delivered tonne first ceases to undercut the domestic price. The buyer's warehouse sees $585–648/t from duty-free trade agreement countries, $721 after duties from Russia and $742 after duties from China. The $642.5/t domestic price falls where duty-free supply runs out. Customs policy therefore governs where the price moves.

3.1 World balance, trade flows and price setting

The 2026 world steel balance has three disconnected price zones, with Turkey in the middle. The global export cost curve begins with China at a domestic $415/t, runs through the CIS and Southeast Asia at $470–560, and reaches protected markets at $825 in Europe and $1,264 in the US. Turkey's $642.5 is $140 above the world export price and $180 below Europe. Trade measures explain both spreads.

Turkey is a price taker with 38.1m tonnes of output, about 2% of the global total. China's export price sets the global floor and the US domestic price sets the ceiling. By 10.08.2026 the spread reached threefold: $1,264/t for US hot-rolled coil versus $415 domestically in China and $500 in global export markets.

The price anchor can be parity-based or negotiated. Turkey is parity-based. Imports account for 48% of consumption, free trade agreements keep duty-free access open, and the domestic price matches the calculated duty-free cost delivered to the warehouse within 1%. Local mills lack the market share and product differentiation to dictate prices to buyers with a port quote.

How the anchor responds to rerouted trade follows from the supply balance. If 5.8m tonnes of Turkish exports lose duty-free access to Europe and return home, they meet demand of 39.3m tonnes, of which imports already cover 18.9m. The returning steel has to displace imports on price, forcing the domestic price towards duty-free parity and below it. This is the only channel through which the EU measure affects Erdemir earnings, and it works through price.

The report tests the anchor by checking whether the residual is stable. The rejected benchmark appears alongside it. Linking domestic prices to Chinese offers gives a residual that rises steadily from $58 to $92/t over 2024–2026, evidence against the benchmark. Linking prices to duty-free imports keeps the residual within ±$6.

2025 trade flows: exports of 19.4m tonnes worth $16.5bn, including 7.9m tonnes to the EU (41%) and 783 thousand tonnes to the US (4%). Imports were 18.9m tonnes worth $13.1bn, of which 4.5m came from Russia and 4.2m from China. In the first half of 2026, exports were 7.8m tonnes (+2.5%) and imports 9.3m (+0.3%). EU exports fell to 2.6m tonnes (−22%), while shipments to South America rose +81% and to the UK +246%. The shift began before the EU measure took effect and will continue.

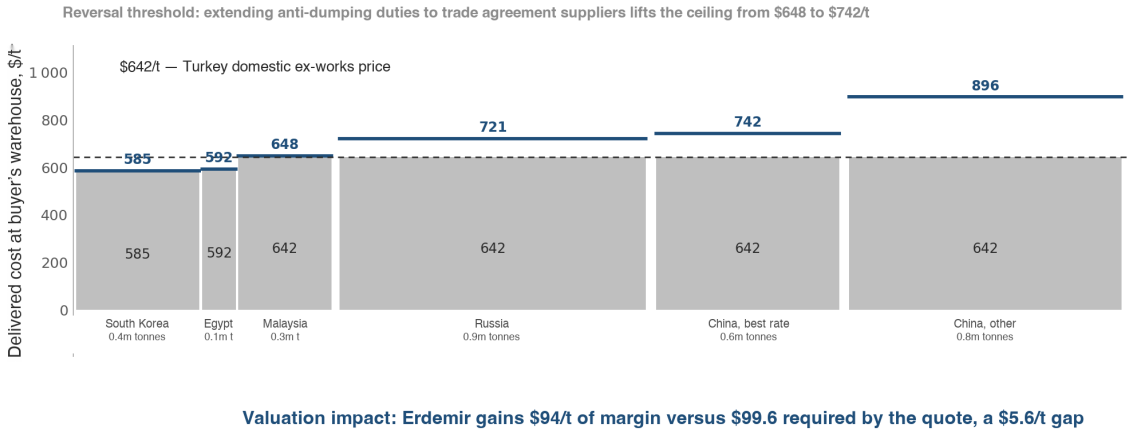
CIS billets delivered to Turkey were $500–505/t in early August 2026, versus $470–475 at Russian ports and $450–455 in China. A reroller buying these billets competes with integrated mills in the same domestic market. Semifinished steel flows therefore put a floor under long product prices, just as duty-free imports put a ceiling on flat steel.

3.2. Cost curve and pass-through coefficient

The cost curve for Turkish buyers ranks import sources. The marginal producer is a supplier in a free trade agreement country. Its tonne reaches the warehouse at $648/t, the domestic price level. The ceiling follows from the customs regime. Higher-priced tonnes only sell when duty-free volumes are insufficient.

Figure 4 shows the cost curve. Duty-free tonnes arrive at $585–648 against a domestic price of $642.5.

Figure 4. Duty-free imports set the domestic price ceiling. Two of the six sources land below $642.5/t. Reversal threshold: extending anti-dumping duties to agreement countries lifts the ceiling from $648 to $742/t. Valuation impact: the full shift adds $94/t to Erdemir's margin, versus $99.6 required by the stock price, a gap of $5.6/t.



Source: SteelOrbis CFR quotations on 21.04.2026. Duty rates: Decision 2024/33 (Resmî Gazete, 11.10.2024) and Decision 3351. Port, clearance and inland freight assumed at $25/t. 2025 hot-rolled coil import volumes from TÜİK.

The best-rated Chinese tonne lands at $742/t and the Russian tonne at $721/t, both $78–100/t above the domestic price. Neither sets the ceiling. Malaysian material lands at $648/t, the domestic price level. Chinese hot-rolled coil imports fell 39.6% year on year in January–April 2026. Malaysia ranks third in volume despite offers $70–80/t above China, consistent only with zero duty.

Scrap anchors long product prices in Turkey. The rebar-to-scrap spread held at $200–210/t throughout the July 2025 to August 2026 series. Rebar fell from $597 in May to $575–585 in line with scrap. The Turkish long products mill therefore operates as a fixed-markup processor: revenue per tonne moves and profit per tonne barely does.

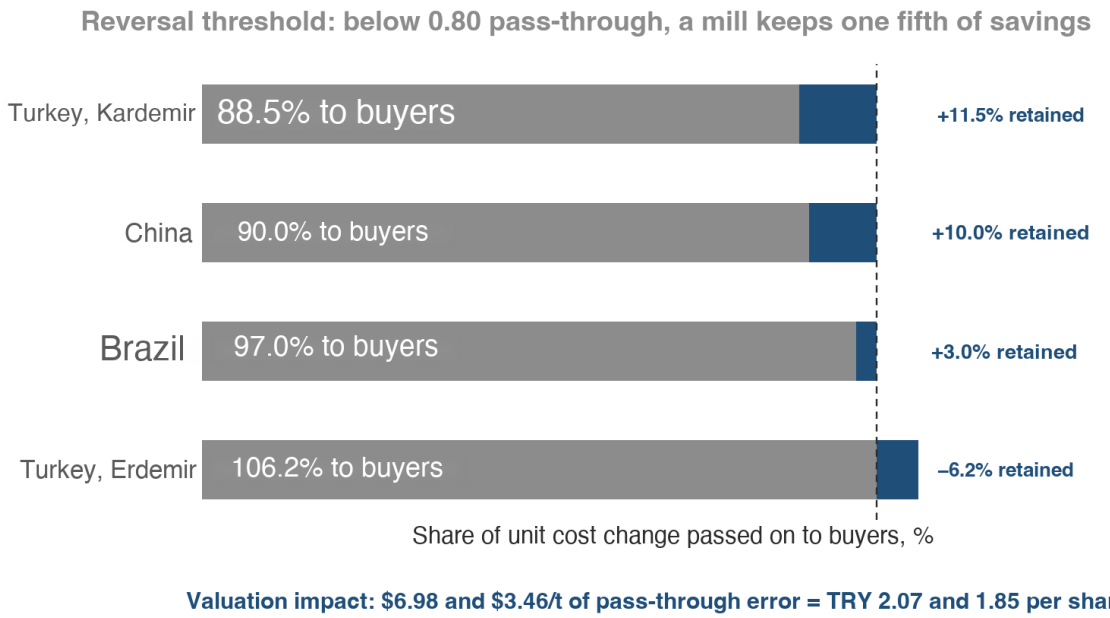
The domestic cost curve splits by route, explaining why the two companies can react differently to the same event. An electric arc mill pays $370–400/t for scrap and adds a $200–210 markup. A blast furnace pays $95/t for ore and $222/t for coal, but has twice the depreciation burden at 11% of cost versus a typical 5–6% for electric furnaces. The blast furnace loses profitability first when rolled steel prices fall, while electric arc furnaces are hit first by higher scrap prices. Rolled steel prices fell in 2025, so both covered blast furnace operators recorded their worst profit per tonne of the cycle.

Erdemir's realised flat steel price was an observed $638/t in the first half of 2026, against a domestic quote of $642.5/t, or 99.3%. The model's benchmark is measured.

The second measurable input is the share of cost changes passed into prices. Pass-through is 1.06 at Erdemir across three increments from 2023 to H1 2026. The same rule gives 0.885 at Kardemir across two increments in 2023–2025, excluding the regime change year. The single most recent increment gives 0.869, so the choice of rule costs 0.015. Prices and costs move almost one for one, leaving profit per tonne exposed.

Figure 5 shows cost pass-through of 1.06 at Erdemir versus 0.90 in China. Below 0.80, the mill would retain a fifth of any cost reduction. Kardemir's measured pass-through is 0.88. Out-of-sample verification across the two measures costs TRY 2.07 and 1.85 per share, as Section 9 calculates.

Figure 5. Nearly all cost movements pass into prices. Pass-through is 1.06 at Erdemir and 0.88 at Kardemir, leaving margin per tonne exposed. Reversal threshold: below 0.80, the mill keeps one fifth of any cost reduction. Valuation impact: pass-through specification errors of $6.98 and $3.46/t are worth TRY 2.07 and 1.85 per share.



Source: research estimates on a common base of revenue and cost per tonne of rolled products sold, in US dollars. China from the 12.08.2026 window and Brazil from 11.08.2026. Unit cost is a residual of price less earnings before deductions per tonne. Companies do not disclose it.

Turkey's coefficient of 1.06 exceeds China's 0.90 and Brazil's 0.97. The difference is within measurement resolution and is not an anomaly. Turkish steelmakers have no distinct pricing power relative to peers in China and Brazil, and differences in valuations cannot rest on it.

Effect on value per share. At 1.06 pass-through, a $50/t cost reduction gives the producer minus $3/t of profit rather than $50/t because price falls slightly faster than costs. The input test finds zero impact on the target. Pass-through supports the claim about buyer power and does not enter the valuation.

4. Europe takes more from a tonne of Turkish steel than Turkey's own government does

Analytical basis: PEST, covering four external environments. Politics covers policy delivery, duties and quotas. Law covers accounting and local disclosure.

Each of the four external environments is expressed numerically as a deduction or adjustment reaching a line in Erdemir or Kardemir's accounts. The economic environment is strongest for Erdemir, which exports 14%. For Kardemir, whose rebar and wire rod face cuts to covered categories, politics and law matter most.

Politics and law. Turkey's hot-rolled steel anti-dumping decision 2024/33 of 11.10.2024 imposes 6.10–43.31% of customs value through 11.10.2029. Decision 2026/17 of 16.06.2026 applies 10.48–32.40% to cold-rolled and galvanised steel. The safeguard duty on wire rod is $165/t through 06.01.2027. Additional customs duty on non-alloy hot-rolled steel is 15%. EU Regulation 2026/1384 sets a quota of 2,088 thousand tonnes with 50% above it. The US Section 232 rate is 50%, with no exception for Turkey.

Economics at company level. At Erdemir, 90.7% of financial debt is dollar-denominated at a 7.87% fixed annual rate. The functional currency is the US dollar, eliminating most currency risk on debt. At Kardemir, the open currency position at the end of 2024 was minus $484m and minus €31m against net debt of $135m. Its risk is in trade payables for imported materials.

Economics at country level. The policy rate is 37% and July 2026 inflation 31.75%. The lira curve is inverted, at 37.63% for two years and 32.34% for ten. The exchange rate is TRY 47.77 per dollar, down 11% over a year. Exporters must sell 35% of their FX earnings at the official rate.

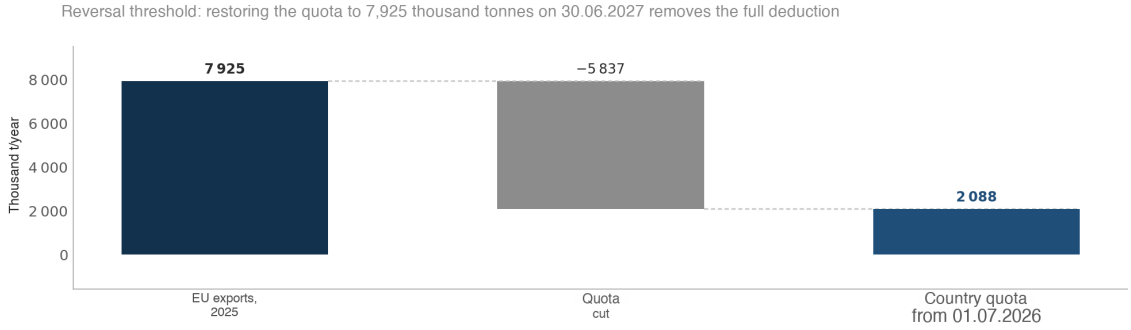
Social environment. Following the 06.02.2023 earthquake, the government announced 650 thousand homes in one year. More than 350 thousand were delivered in 34 months. As of January 2026, 360 thousand people remained in temporary housing. Demand for long products extends to about three times the announced period.

Technology. Electric arc furnaces produce 72.2% of steel at emissions of 0.29t CO_2 per tonne versus 2.20 for blast furnaces. 14 solar projects totalling 1,171 MW are approved and another 1,500 MW or so are in the queue. Announced direct reduction projects have no budgets or timelines.

Brussels takes the largest cut from Turkish steel before shareholders receive anything. EU Regulation 2026/1384 of 17.06.2026 took effect on 1 July 2026, replacing the expired safeguard with permanent tariff-rate quotas. The total duty-free quota is 18.346m tonnes per year and the indefinite out-of-quota rate is 50% ad valorem. Implementing Regulation 2026/1457 of 29.06.2026 sets Turkey's quota at 2,088 thousand tonnes across all categories, including 642 thousand tonnes for hot-rolled sheet. About one quarter of prior exports retain duty-free access. The other three quarters pay half their value in extra duty or seek other markets. The per-share impact reflects a $20–40/t discount on rerouted volumes.

Figure 6 shows the gap of 5,837 thousand tonnes without duty-free access, with exports of 7,925 and a quota of 2,088 thousand tonnes.

Figure 6. 5,837 thousand tonnes of Turkish exports to the EU lose duty-free access. The quota is 2,088 against exports of 7,925. Reversal threshold: a return to 7,925 thousand tonnes at the 30.06.2027 review removes the entire deduction. Valuation impact: TRY 0.45–0.89 per Erdemir share, midpoint 0.67, from a $20–40/t discount on 640 thousand tonnes discounted to the valuation date.



Valuation impact: TRY 0.45–0.89 per Erdemir share, midpoint 0.67. Discounted $20–40/t on 640 thousand tonnes.

Source: EU Regulation 2026/1384 and Implementing Regulation 2026/1457. Actual 2025 exports from ÇİB statistics.

The impact is already visible. Turkey's third quarter of 2026 hot-rolled sheet quota of 160,574 tonnes was used by 6 July, the quarter's sixth day. Queued volumes were 374,409 tonnes on the same date, an excess of 133%. Over

the first two weeks of July, excess tonnage across categories was about 438 thousand tonnes, at an estimated €80–180/t in extra cost. EU exports had already fallen 22% in the first half of 2026, before the regime took effect.

The carbon levy adds to this. The definitive phase of EU CBAM began on 01.01.2026, with a 2.5% factor in 2026. At an allowance price of about €75, an integrated Turkish tonne emitting 2.20t CO_2 pays about €4, versus €60 cited by the industry association. The profile rises. The 48.5% rate in 2030 implies about €80/t for the blast furnace route and near zero for electric arc. Turkey's Law No. 7552 of 09.07.2025 sets a 2026–2027 pilot for carbon trading with fully free allocation, so there is no Turkish carbon payment to offset against the EU charge.

Turkey's own government takes less. Non-resident dividend withholding is 15%, up from 10% under Presidential Decree No. 9286 of 22.12.2024. Non-resident capital gains on Borsa İstanbul shares are untaxed. Exporters must sell 35% of FX revenue to a bank at the official rate. The Treasury and Finance Ministry's letter of 30.07.2026 extends the requirement to 31.01.2027.

4.1. Track record for steel policy targets

Table 2 shows that the only target met had a numbered legal act.

Table 2. The only first-tier target was met on time. Utilisation of 63.3% versus the announced 70% is a second-tier target and is excluded from valuation.

Target	Announced target	Deadline	Responsible party	Outcome	Class
Launch the national emissions trading system	Pilot phase	2026	Carbon Market Board, Law No. 7552	Delivered on time	First: named party and measurable action
Reduce steel industry emissions	−17%	2030	Ministry of Industry and plant operators	No public reporting	Second
Industry capacity utilisation	'Up to 70%'	No deadline	Industry associations	63.3% in 2025	Second
Twelfth Development Plan, metallurgy section	No numerical steel targets	2024–2028	—	—	No target

Source: Law No. 7552 (Resmî Gazete, 09.07.2025), Ministry of Industry Low-Carbon Development Roadmap, and the Twelfth Development Plan (SBB).

Valuations would be too low if the second-tier targets were delivered. Numbered trade acts provide a better basis for forecasting Turkish steel than development plans.

4.2. Local disclosure practices

Table 3 gives three items and their valuation cost. Each moves value or changes how disclosures are interpreted.

Table 3. Three local disclosure features. The largest produces a 31% difference on the same revenue.

Item	Effect	Price
Erdemir and İsdemir use the US dollar as functional currency and do not apply inflation accounting. Their lira accounts are translations. Kardemir applies hyperinflation accounting.	The two lira series are incomparable. A comparison in lira produces a spurious growth difference.	Kardemir's 2024 revenue was TRY 56.5bn in 31.12.2024 money and 73.95bn in 31.12.2025 money, a 31% difference for the same figure.
Kardemir's dividend base is statutory profit under tax accounting, rather than IFRS profit.	The company reported TRY 1,588m of IFRS profit in 2023 and distributed nothing, citing a statutory loss.	Three consecutive years without dividends despite positive reported profit, costing the entire dividend yield.

Item	Effect	Price
Kardemir share classes have privileged rights. A and B hold 31.6% of capital and appoint 6 of 11 directors, and D holds 68.4% and appoints one.	The holder of liquid KRDMD cannot control the board at any ownership level.	Class B trades at 1.6 times book against 0.54 for D. The market prices the privilege at about three times.

Source: notes to Erdemir and İsdemir accounts for 2025 and H1 2026, Kardemir's articles and general meeting materials, and disclosure of the 2023 decision against distributing earnings.

Erdemir exported 1,555 thousand tonnes in 2025, including 1,532 thousand tonnes of flat products to 34 countries. Applying Europe's 41% share of Turkish exports gives about 640 thousand tonnes, almost exactly Turkey's whole national quota for hot-rolled sheet. A 50% out-of-quota duty would cost Erdemir $320 per tonne on those volumes. The alternative is to reroute tonnes at a $20–40 discount. Erdemir chose the latter and lowered its export mix guidance to 10–15%. Kardemir faces a worse outcome. Its rebar (national quota of 239,676 tonnes), wire rod (244,589) and bar products (241,982) fall into categories cut by 50–64%. Turkish rebar exports breached the quota by 80% in the first two weeks of July.

Effect on value per share. The EU quota and carbon charge do not enter Erdemir's valuation directly. Exports are 14% of sales and management's 2026 guidance is 10–15%. The omission now has a quantified impact. Both cases use the same 640 thousand tonnes, so they cannot be added. The tonnes either leave Europe at a $20–40 discount or stay and pay the carbon charge. The first branch gives $12.8–25.6m a year of earnings before deductions at risk. Capitalised under the workbook rule and discounted by 0.5889, it costs TRY 0.45–0.89 per share, midpoint 0.67. The second branch uses a 48.5% factor and €80 per blast furnace tonne in 2030, giving €51.2m a year and a present value cost of TRY 1.93 at EUR/USD 1.080. This rate is a research assumption outside the workbook. At 1.16, the branch costs TRY 2.07 and the cost of choosing between them rises from 1.26 to 1.40. Research uses the first branch because the company announced it and lowered its export mix guidance to 10–15%. The choice costs TRY 1.26 per share. The levy is more material to Kardemir's rebar and wire rod, but the company does not disclose its export share. Section 11 prices this first gap and a second one.

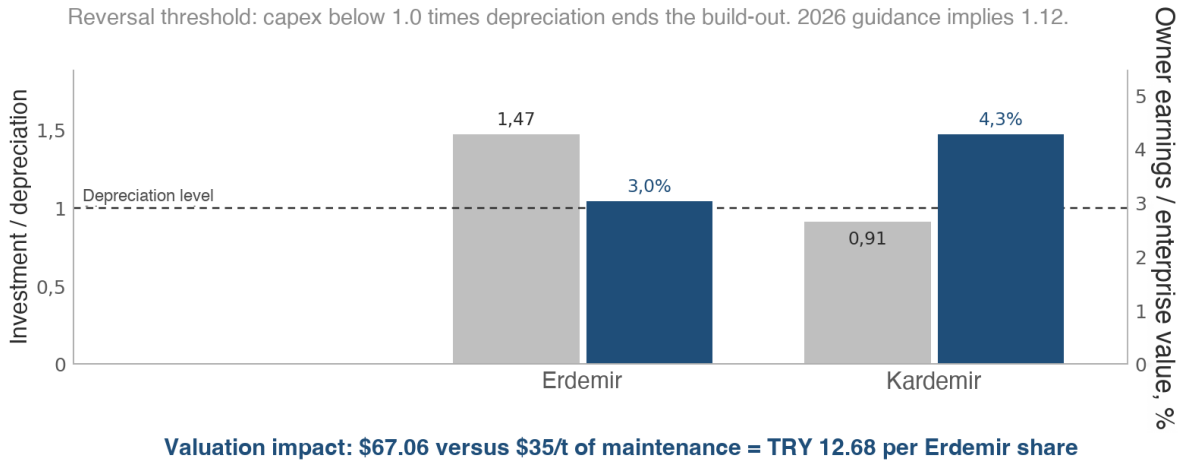
5. The industry built capacity it uses at two thirds

Analytical basis: capital cycle, cost of capital and financing conditions.

Turkey's investment cycle began with record returns in 2021. Erdemir earned $356/t at a 39.4% margin and then invested $977m in 2023, $1,070m in 2024 and $775m in 2025. Capacity rose. İsdemir commissioned its new 2.8m-tonne blast furnace and Ereğli its fourth 800 thousand-tonne coke battery in May 2025. Supply grew, industry utilisation stayed at 63.3%, and returns fell to $64/t in 2025. The capital-intensive cycle completed. The report does not extrapolate current profitability.

Figure 7 maps the capital cycle. Capital spending is 1.47 times depreciation at Erdemir versus 0.91 at Kardemir. A ratio below 1.0 marks the end of the build-out. The 2026 guidance implies 1.12.

Figure 7. Erdemir spends one and a half times depreciation and gives shareholders less: 1.47 versus 0.91, and 3.03% versus 4.27%. Reversal threshold: capex below 1.0 times depreciation ends the build-out; 2026 guidance implies 1.12. Valuation impact: the gap between maintenance requirements of $67.06 and $35/t is worth TRY 12.68 per Erdemir share.



Source: disclosed capex and depreciation in 2025, and owner earnings yields from the model's normalised state, run on 17.08.2026.

The industry's structural economics reflect the projects proposed for 2026–2030. Tosyalı's 3.5–4.5m-tonne hot rolling mill has environmental approval. Habaş has ministry approval for a 1.25m-tonne mill. Çolakoğlu plans a 50% rolling mill expansion and Çağ Çelik a new 1m-tonne electric arc furnace. If they start up, flat steel capacity will rise about 6m tonnes by the end of the decade against 8.1m tonnes of flat steel imports today. The industry is simultaneously building capacity to displace imports, the worst capital-cycle outcome.

Erdemir capex was $251m in 2019, $306m in 2020, $434m in 2021, $723m in 2022, $977m in 2023, $1,070m in 2024, $775m in 2025 and $225m in the first half of 2026 versus $521m in the first half of 2025. The average over the 2021–2025 quality window was $795.8m against the model's $570m requirement, a $225.8m surplus in Test 2. Depreciation rose to $530–570m per year, so past spending is embedded in costs throughout the forecast. Capex was 1.47 times depreciation in 2025 and falls to 1.12 under 2026 guidance. For shareholders, the capital cycle passing its peak is the main event of 2026.

Incremental return over the three years of spending is negative. Earnings before deductions fell from $643m in 2023 to $501m in 2025, with $2,822m invested over the same period. Capacity came on during a fall in global prices, accounting for the negative result. Earnings before deductions above $900m in 2027 at unchanged capacity would make incremental returns positive and overturn the thesis.

Kardemir invested about an order of magnitude less: $35m in 2021, $62m in 2022 and $62m in 2023. The cash flow statement gives $84m and $111m for 2024 and 2025. It has 47–48 projects under way at once, including a second continuous caster with a blooming mill commissioned on 3 April 2026, a vacuum degasser, pulverised coal injection, a coal silo, phase three of environmental investments and wheel production expansion. None has an announced budget, so the capital cycle cannot be tested externally at project level. Average spending in 2021–2025 was $70.8m against a $91m requirement, a difference of TRY 5.55 per share. The previous edition treated the series as undisclosed and put the gap at TRY 7.96. The measurement removes that estimate.

Only some reported investments count as future supply. Erdemir's annual report lists its direct reduction project without a budget, timeline or stage, so the project does not count.

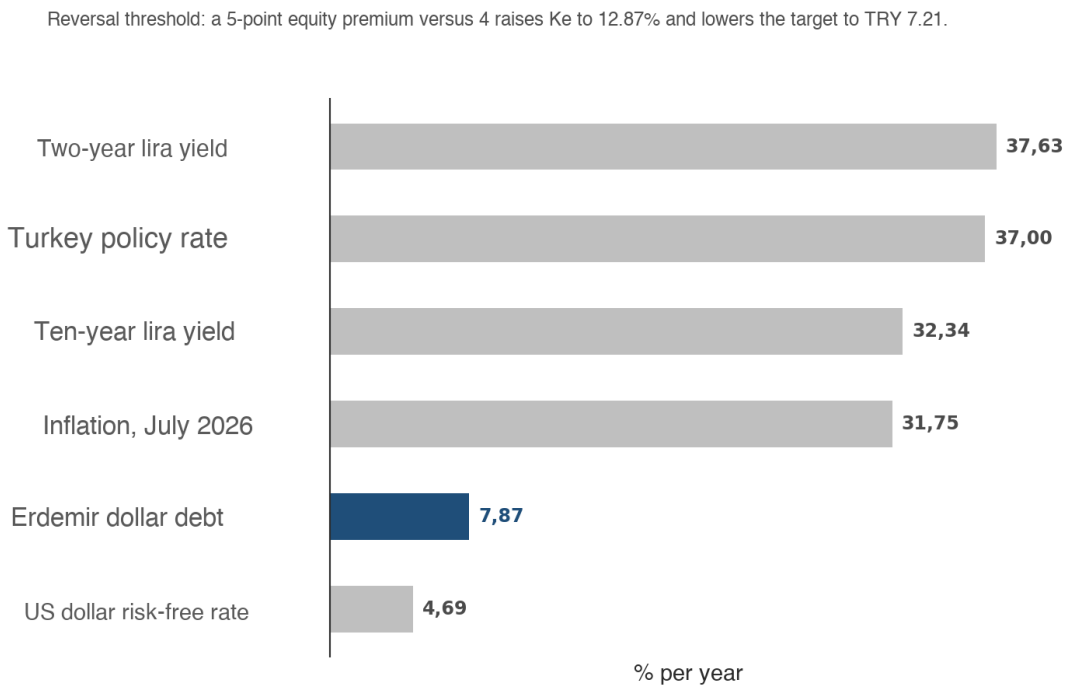
5.1. Cost of capital and financing conditions

The previous edition described capital markets as 'cold' without a numerical measure. That description was removed. A framework needs a quantitative basis to appear in the report.

Capital in Turkey is expensive in lira and across maturities. The central bank policy rate is 37%, versus July 2026 inflation of 31.75%, a real rate about 5 points above zero. The lira yield curve is inverted, with the two-year at 37.63% and the ten-year at 32.34%. The market expects rates to fall, but near-term funding costs more. The cost of new debt is observable at only one company and in US dollars. Erdemir has 90.7% of financial debt in dollars at a fixed 7.87% annual rate, 3.18 percentage points above the 4.69% risk-free dollar rate. No sector equity issuance occurred over the window, and only two of nine listed companies pay dividends.

Figure 8 shows the dollar debt cost of 7.87% versus a 37% lira policy rate. Raising the equity premium from 4 to 5 points lifts Ke to 12.87% and cuts the target to TRY 7.21.

Figure 8. Currency divides funding costs. The borrower pays 7.87% in US dollars versus a 37% lira policy rate, and the two-year lira yield is above the ten-year. Reversal threshold: raising the equity premium from 4 to 5 points raises Ke to 12.87% and lowers the target to TRY 7.21. Impact per Erdemir share for each point of premium: TRY 1.78 down and 1.47 up.



Source: Central Bank of the Republic of Türkiye and Turkish Treasury, 13.08.2026. Erdemir H1 2026 'Borçlanmalar' note. The risk-free benchmark is the US Treasury 10Y. The prescribed exhibit is a time series. Research did not obtain one for the period and publishes a snapshot, as recorded in the exhibit notes.

The model builds required equity return Ke from Erdemir's observed dollar debt cost of 7.87% plus a 4 percentage point equity premium, giving 11.87%, the hurdle H for the recommendation. The cash flow discount rate is 11.17%, using the 11.7% average debt share across the cycle. The report checks for double counting. Country risk is captured in the 3.18 pp debt spread. Country wedges appear as separate lines in the bridge to value realisable by shareholders and no second spread is added.

Both companies fund projects from their balance sheets. Management's willingness to keep spending governs the peak. Erdemir went from +$1,094m of net cash in 2021 to $963m of net debt in 2025. Kardemir has $135m of net debt, 0.84 times earnings. Neither raised money in the market, so neither programme faced external funding discipline. Erdemir's capital allocator is the armed forces pension fund, with a longer horizon than a portfolio investor. Kardemir has no controller in the ordinary sense. No person owns 5%, and share-class rights determine board appointments. Primary issuance of equity or public debt by either company would subject its programme to an external assessment for the first time.

Effect on value per share. The research rule uses the higher of the stated programme and the industry benchmark for maintenance. Erdemir has never disclosed the split between maintenance and expansion. The model takes the whole programme, $67.06/t versus a $35/t benchmark. The difference is TRY 12.68 per share, the largest single sensitivity. A point of required return is worth TRY 1.78 down and 1.47 up at Erdemir and 2.28 down and 1.88 up at Kardemir. The rate is in the denominator, making the sides unequal. An earlier edition printed 2.05 and 2.62. The review withdrew them, but they persisted on the range worksheet.

Market summary

Analytical basis: Porter's five forces. The dominant force is determined by a 10% price-rise test.

If a mill raises prices by 10% tomorrow, the buyer goes to the port. A duty-free tonne lands at $648/t versus the domestic $642.5, and imports meet 48% of consumption. Buyer power dominates. Marks is therefore the sector's lead investor lens, and the report asks what is already priced into a stock that cannot set its own product price.

Rivalry is high because 63.3% utilisation leaves each of the 41 mills with spare capacity. The marginal cost of another tonne is below the selling price at all mills. The first demand contraction pushes the price towards variable costs. Erdemir raised utilisation from 77% to 95% while profit per tonne rose just from $64 to $66. Buyers captured the benefit. Moderate exit barriers are measured under rivalry. In China, high barriers to entry and exit keep persistent excess capacity in the market.

Buyer power is high because the alternative sits in the port. Erdemir at 95% utilisation and Kardemir at 74% sell to a buyer with a $648/t duty-free offer. Profits per tonne are $75–85 and $82 versus the $356 seen in 2021. Supplier power is extreme and structural. Turkey imports 70% of scrap, 60% of ore and 90% of coal at world prices it cannot move despite being the largest scrap buyer. Erdemir's Divriği mine meets 14% of its ore needs. Kardemir has no mine. Suppliers take $398 out of $661 of revenue per tonne. Substitution acts through the same import channel. Duty-free supply sets a ceiling that follows the trade regime. Entry barriers are moderate. Electric arc mills are cheaper and quicker to build, and 27 were built over thirty years. Tosyalı, Habaş and Çolakoğlu projects would add about 6m tonnes of flat products by 2030 against 8.1m tonnes of current imports, targeting the same volume Erdemir is replacing today.

Table 4 shows the measure for each of the five forces. Four work against shareholders. Imports at 48% of consumption make buyer power dominant, and 63.3% utilisation and $648/t parity explain high rivalry even at an index of 600. Government action is covered under politics and law in Section 4. Both Turkey and the EU levy charges, and the EU takes more.

Table 4. Four of the five forces work against shareholders. Buyer power dominates, with imports at 48% of consumption and industry utilisation at 63.3%.

Force	Measure	Valuation	Discussed in
Buyer power (dominant)	Imports are 48% of consumption. A duty-free tonne is $648/t versus $642.5 domestically.	Extreme	Section 3
Supplier power	70% of scrap, 60% of ore and 90% of coal is imported at world prices.	Extreme	Section 2

Force	Measure	Valuation	Discussed in
Industry rivalry, including exit barriers	Concentration of 600, utilisation of 63.3% and moderate exit barriers.	High	Section 1
Substitutes	CIS billets delivered at $500–505/t put a floor under long products. The rebar-scrap spread holds at $200–210/t.	High	Section 3
New entrants	27 electric arc plants in thirty years. Entry costs less than blast furnace steelmaking.	Moderate	Section 5

Source: measures in Sections 1–5. The dominant force is identified using the 10% price-rise test.

An industry in which foreign customs authorities set the price and global markets price inputs earns below its cost of capital in the long run. The model reflects this in normalised margins of $105 and $66/t in Section 8, without a premium to sector multiples.

Part III. Issuers

6. Erdemir has shifted from exporting to replacing imports

Analytical basis: competitive position under the dominant force.

Erdemir (EREGL) has two integrated sites: Ereğli on the Black Sea, with 4.0m tonnes of crude steel and 5.0m of finished product, and İskenderun on the Mediterranean, with 5.8m tonnes of liquid steel and 3.5m tonnes of flat products. It owns 94.87% of separately listed İsdemir (ISDMR), 90% of Ermaden, which operates Turkey's only pellet production, and all of its service, refractories and energy subsidiaries. Its controlling shareholder, ATAER Holding, is wholly owned by OYAK, the Turkish armed forces pension fund, and holds 49.54%. Free float is 46.49% and 3.97% in treasury shares receive no dividend. Domestic sales accounted for 84% of first-half 2026 revenue, up from 75% a year earlier. In flat products, pipes and profiles take 50%, distributors 20%, general industry 18% and automakers 12%. Erdemir imports 86% of its iron ore and practically all its coking coal and generates half its own energy.

Kardemir (KRDMD) is Turkey's only producer of railway rails and wheels. Its integrated Karabük mill has 3.5m tonnes of liquid steel capacity, coke production of 1.17m tonnes a year operating at 98.65% utilisation, sinter production and a coal power station dating from 1939. Turkey's largest consumer of domestic iron ore buys all locally mined coking coal from state-owned TTK Zonguldak. No investor holds 5% or more, and free float is 93%. It sells billets, rebar, wire rod, sections, rails and wheels. Finished products reached 46% of sales in the fourth quarter of 2025. Rail shipments rose 40% in 2025.

Both companies are cyclical cases, classified before considering prices or stock recommendations. The checkpoints are inventory, utilisation, commissioning and cost-curve position, with an exit at the peak of the capital cycle. Turnaround cases would require milestones on recovery, liquidity and cash. Both are profitable and service their debts, and neither has a turnaround plan. Neither qualifies as a special situation because no mechanism or timetable has been identified to turn the discount into cash for minorities.

Erdemir is Turkey's only integrated flat steel producer at scale. Its output displaces imports, which account for 42% of flat steel demand. Its advantage is in logistics and delivery time, given its mid-curve production costs. A tonne from Malaysia takes six weeks, while one from Ereğli takes two days. It spends $775–1,070m a year without disclosing the maintenance and expansion split, leaving the cost of sustaining its advantage only partly known. Kardemir has a narrow but real advantage as Turkey's sole rail and railway wheel producer. Its competition is imported supply with a certification process that takes years. Wheel export contracts in 2026 include Algeria at $26.9m, Europe at $7.75m for June, Bulgaria and the Czech Republic. In June it signed a framework agreement with US-based Amsted Rail.

Section 3 provides the pricing power measure for each company. Erdemir's first-half 2026 crude steel utilisation reached a record 95%, against 77% a year earlier and 63.3% for the industry. Kardemir's utilisation is 74%. Erdemir is positioned to replace imports and Kardemir to face displaced exports.

Effect on value per share. Erdemir's 18 percentage point improvement in utilisation raised profit per tonne only from $64 to $66. Volume rose while prices and costs moved together. Terminal volume in the model reflects the high point. A 5% reduction costs TRY 1.56 per share.

7. Investment absorbs one company's owner earnings, and a statutory loss absorbs the other's

Analytical basis: owner earnings and capital allocation discipline.

Table 5 gives the four quality tests from Decisions 76 and 79. They were set before selection and all must pass. Both companies and all four tests use the same five disclosed years, 2021–2025. Decision 79 requires the longer

of a full cycle or five years, with a common window. The earnings normalisation period was rejected for this purpose. Forecast 2026 results do not belong in a screen of observed performance. The previous edition had three tests, including a second test that penalised missing capex disclosure. Disclosure completeness now sits in the class column of Table 1, where it limits the strength of the conclusion.

Table 5. Erdemir passes three of four quality tests, with the fourth undefined at the available disclosure precision. Kardemir fails all four: a −0.61% return versus an 11.17% hurdle, spending below required maintenance, a negative advantage, and zero distributions.

Test	Measure	Erdemir	Kardemir
1. Through-cycle return exceeds cost of capital	Average annual ratio of after-tax earnings to invested capital in 2021–2025.	Pass: 12.93% versus 11.17% required on the same base, a 1.76 pp surplus. The rejected 11.87% Ke and 11.43% aggregate measures also clear the threshold as recorded in the source. Averaging method changes return by 1.51 pp and the result by zero.	Fail: 2022–2025 return of −0.61% versus 11.17%, a gap of 11.78 pp. Annual returns: 4.69%, −6.65%, −1.49% and 1.01%. Equity and net debt come from TAS 29 accounts, eliminating the monetary scale within each year. Passing would take $177.7/t of earnings before deductions versus actual $64. 2021 was unavailable.
2. Required maintenance investment covered	Actual spending over the window versus the model requirement.	Pass: average spending $795.8m versus $570m required.	Fail: average spending $70.8m versus $91m required.
3. Competitive advantage survives the weakest year	Profit per tonne in the worst year against the sole comparable producer, $/t.	Undefined: −$0.015/t at $0.20/t disclosure precision. Rounding determines the sign.	Fail: the 2023 trough shows a −$40.40/t advantage, two hundred times reporting precision.
4. Earnings reach shareholders	Share of 2021–2025 earnings reaching minorities against a one-third hurdle.	Pass for the full window: 57.8% versus 33.3%. The last three years fail. In 2023–2025 shareholders received 23.7%, or 9.66 pp below the hurdle. The test relies on 2021 and 2022 payouts.	Observed failure: zero declared in 2023–2025, for a third year running. Earnings were minus TRY 552m in 31.12.2025 money, leaving the share undefined. The threshold is positive earnings, a TRY 552m shortfall.
Overall	All tests must pass	Three passed and the fourth is undefined; quality remains undetermined.	Four fail, three measured and one observed; quality is disproved.

Source: company disclosures for 2021 to H1 2026 and the model's 'Quality Tests' worksheet, run on 17.08.2026. The hurdle and window were declared at the outset, before selection.

Kardemir's Tests 1 and 4 can be measured. An earlier finding of infeasibility reflected the five different monetary scales across the five years, which cannot be added as reported. The user's 17.08.2026 decision defined the measure as the simple average of annual ratios. Numerator and denominator come from the same set of accounts and each year's scale cancels within its ratio. The rejected aggregate method remains infeasible.

The denominator comes from TAS 29 accounts. It was not reconstructed by dividing the share price by the disclosed stake. At year-end 2022–2025, equity was TRY 36,606m, 36,844m, 67,325m and 84,653m in the units of each report. Net debt was 975m, minus 2,550m, 2,442m and 5,770m. Operating profit was 2,350m, minus 3,040m, minus 1,388m and 1,223m. Returns were 4.69%, −6.65%, −1.49% and 1.01%. The simple mean is −0.61% for 2022–2025 and −2.38% for the three years 2023–2025, versus 11.17% required on the same base. Test 1 fails by 11.78 percentage points. Passing takes $177.7/t of earnings before deductions, around three times 2025's actual $64 and twice the best year. The calculation uses 2025 depreciation of TRY 5,611m or $130.6m, derived from disclosed FAVÖK of 6,834 less operating profit of 1,223. The conclusion is robust to both reconstructed inputs. Shifting each year's net debt by ±TRY 5bn moves the return from −2.38% only to −2.77% or −2.08%. Research did not obtain 2021. The estimate covers four of the declared five years, with the missing year listed as a limitation.

Test 4 fails. Dividends declared in 2023, 2024 and 2025 were zero for three consecutive years. Earnings were also negative. Net profit for 2022–2025 in 31.12.2025 money using factors of 1.4438 and 1.3089 is minus TRY 552m.

For 2023–2025 it is minus 2,646m. The payout ratio is undefined with a non-positive denominator. The test fails on observation: there were no earnings to distribute and no distribution. The profit threshold is above zero, a shortfall of TRY 552m, after which a third of earnings would pass.

Kardemir's quality result changed from two measured failures and two infeasible tests to four failures, three measured and one observed. The impact on the TRY 17.33 target, SELL and valuation range is zero. All tests must pass, and the company already failed Tests 2 and 3. The new evidence removes the unmeasured category for this stock.

The user's decision of 17.08.2026 adopted the simple arithmetic mean of annual returns. Weighting by invested capital puts the most weight on peak investment years and measures the build-out rather than the cycle. Erdemir's simple 2021–2025 average is 12.93% against an 11.17% hurdle on the same base, so it passes Test 1 by 1.76 percentage points. The 11.87% equity hurdle governs the recommendation. The rejected aggregate measure is 11.43% and also passes. The averaging method changes the level by 1.51 percentage points and the result by zero. Returns on all invested capital compare with 11.17% WACC. The previous edition used the 11.87% cost of equity and the averaging method could decide the test. Two changes reverse the result. A return lower by 8.81 percentage points in any one year would do it. For 2025, this would mean minus 6.43%, equivalent to needing two weak years instead of one. Removing 2021 also cuts the return to 7.22% and fails. This year is outside the normalisation window but included in the quality screen based on what each window is meant to measure. Half of the argument for a valuation floor also rests on that year.

Five elements explain the undefined result for Erdemir's Test 3. The decisive measure is Erdemir's advantage over its only comparable producer in dollars per tonne. In the weakest year it is −$0.015, at levels of $63.98 and $64.00. The threshold is zero. The dated observation is the two companies' 2025 annual results. Kardemir discloses earnings before deductions as a rounded $160m, giving $0.20/t precision. The binding precision is the weaker of the two: Kardemir reports a whole dollar-million at 2,500 thousand tonnes, giving $0.20/t, while Erdemir's rounded number on 7,830 thousand tonnes gives $0.064. The report describes the measured advantage as four times smaller than binding precision. Rounding decides the sign, precluding a failure label. At Kardemir the same test gives −$40.40/t, two hundred times the precision, so the failure is measured.

No company passes the quality screen. Erdemir passes three tests, and the fourth is undefined. Disclosure precision better than $0.015/t for the comparable producer or a lead above $0.015 would determine the result. The stock remains out of the selection on price, with a −75.9% total return versus an 11.87% hurdle. Qualifying would take $230.9/t of terminal margin versus $105, a level absent from the observed series after 2022. Kardemir would pass Test 2 at an average $91m of annual spending versus $70.8m, Test 3 with an edge above $40.40/t in 2023, and Test 4 with a distribution covering a third of earnings versus zero distributed. Kardemir's quality is disproved, and Erdemir's cannot be determined from the available precision.

Owner economics use common definitions, dates and per-share denominators. Kardemir's market cap applies the liquid D class price to all 1,140m shares, although A and B trade at three times the price. Using actual class prices would raise market cap by one quarter and lower the owner earnings yield. Research uses the class that can be bought in size. All Erdemir owner economics come from disclosures. Two of Kardemir's eight figures use benchmarks in the absence of disclosures. The weaker disclosures limit comparability, as quantified in Section 11.

Table 6. Owner earnings and outcomes. The company that gives shareholders less has twice the maintenance burden. Both deliver less than one third of the cost of their equity, as the original caption states.

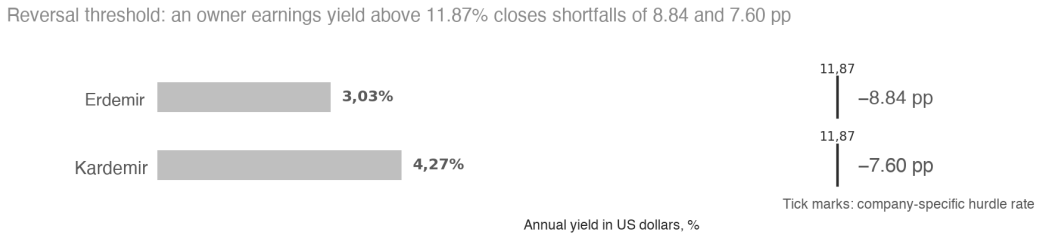
Owner economics	Erdemir	Kardemir
Through-cycle return on capital less cost of capital	Negative for three consecutive years	2.78% on replacement capital versus 11.17% required, a gap of 8.39 pp. Cannot be measured on book capital because profits over five years use five monetary scales.

Owner economics	Erdemir	Kardemir
Owner earnings to equity, $m	184	42
Owner earnings yield on a common basis, %	3.03	4.27
Maintenance burden, $/t sold	67, full reported programme	35, industry benchmark
Cost and life of the advantage	Unspecified; capex split undisclosed.	Unspecified; budgets of forty-seven projects undisclosed.
Reinvestment horizon	Capacity exhausted	Capacity available
Capital allocation discipline	TRY 0.55 dividend at $570m terminal capex	No dividend for three years
Balance sheet resilience	Net debt / earnings before deductions: 1.32	Net debt / earnings before deductions: 0.66
2026 profit per tonne, $/t	75	82
Normalised profit per tonne, $/t	105	66
2026 sales, thousand tonnes	8,250	2,500

Source: company disclosures and the model workbook for the window, run on 17.08.2026.

Figure 9 compares owner earnings yields of 3.03% and 4.27% with the 11.87% hurdle. Both use an equity numerator and equity denominator. The previous edition printed 4.14% and 5.07%, with an unlevered numerator and an equity denominator. The shortfalls are 8.84 and 7.60 percentage points.

Figure 9. The original caption describes both owner yields as below one third of the cost of equity: 3.03% and 4.27% versus 11.87%. Reversal threshold: an owner earnings yield above 11.87% closes the gap, currently 8.84 and 7.60 pp. Valuation impact: at maintenance of $35/t, Erdemir's yield is 8.48% and its target TRY 21.37 instead of 8.68, an impact of TRY 12.68.



Valuation impact: $35/t maintenance gives Erdemir an 8.48% yield and TRY 21.37 target versus 8.68, an impact of TRY 12.68

Source: model workbook for the window, 'Export' worksheet, run on 17.08.2026. The hurdle is the cost of equity in the same model, currency and date.

Owner earnings use a consistent shareholder numerator and denominator. After-tax interest on net debt is deducted from terminal free cash flow, $48m at Erdemir and $8m at Kardemir. The denominator is the market capitalisation of shares outstanding, excluding treasury shares. Erdemir leaves parent shareholders $163m annually on market cap of $5,381m, or 3.03% versus the 11.87% hurdle. Kardemir leaves $42m on $990m, or 4.27%. Both spreads to the 4.69% risk-free rate are negative, minus 1.66 and minus 0.42 percentage points. The previous edition compared unlevered cash flow with equity capitalisation and gave 4.14% and 5.07%. The inconsistent bases made Kardemir's risk-free spread positive. This is the first of the three claims. If Erdemir discloses a capex split and maintenance equals the $35/t benchmark rather than $67, owner earnings yield rises to 8.48% and the target to TRY 21.37. The rating holds and the gap to the price is halved.

Value realisation asks whether value created reaches minority shareholders. Erdemir has four deductions. First, İsdemir is the group profit centre. First-half 2026 net profit of TRY 9,229m exceeded consolidated group profit of

TRY 9,217m. İsdemir minorities own 5.13% of that profit, a separate $155m deduction in the bridge. Second, Erdemir's 3.97% treasury shares receive no dividend and their dividend is eliminated. Third, non-residents face 15% withholding. Fourth, exporters must sell 35% of FX earnings at the official rate. Kardemir's bridge ends earlier. Statutory profit under tax accounting determines distributable earnings. It prevented dividends for three years despite positive reported profit.

Execution asks whether the specified investor can enter, own, receive distributions and exit. For an unrestricted global institutional investor, Erdemir qualifies. Turnover is $121.8m a day, free float 46.5%, non-resident capital gains are untaxed and sanctions do not restrict the stock. Kardemir's $49.8m daily turnover and 93% free float allow entry and exit. Ownership rights differ: liquid Class D has 68.4% of capital and appoints one of eleven board members, while Classes A and B have 31.6% and appoint six. The governance wedge is built into the articles.

The report estimates a valuation floor for both stocks from the observation window. Erdemir's $2,822m of spending in 2023–2025 delivered İsdemir's 2.8m-tonne blast furnace and an 800 thousand-tonne coke battery. That is no more than $784 per tonne of incremental capacity. It is an upper bound because some spending was maintenance. Replacement costs are at most $7,683m for Erdemir's 9.8m tonnes and $2,744m for Kardemir's 3.5m. The market prices Erdemir at 0.83 times replacement and Kardemir at 0.41. The model values them at 0.29 and 0.20. Section 9 gives absolute values per tonne of capacity.

The floor shows what shareholders can expect if the thesis fails and the business is priced as assets. Erdemir's TRY 17.57 floor is above the target but below the TRY 38.24 quote, offering no protection. Kardemir's TRY 45.89 floor is above both its target and the TRY 41.48 quote, offering protection. A floor does not make a stock a BUY. A mill worth $784 per tonne and forecast to earn 3.05% on each dollar of capital versus an 11.87% hurdle is an expensive low-return asset. Sale or closure would realise the value, and neither allocator announced either. Replacement cost for new capacity needs a depreciation adjustment before it can be applied to a mill built in 1937. The second Kardemir floor is based on its TAS 29 book value of TRY 95.04 per share, from equity of TRY 108,344m on 30.06.2026 and 1,140m shares. The market pays 0.436 on the 30.06.2026 balance sheet and 0.559 on 31.12.2025 book. The research target is 0.182 times the newer figure. Comparison with the publication threshold was removed as an identity independent of the denominator. The previous edition divided the current price by the disclosed 0.54 ratio, which ensured market price to book always equalled 0.54. That identity has been removed and the item closed. The choice of cash flow or asset valuation for Kardemir is worth TRY 95.04 less 17.33, or 77.71 per share, about twice the price.

Permanent capital loss has a separate mechanism from a falling fair value. Erdemir's observable risk is capex that does not pay back. It spent more than it earned in each year from 2023 to 2025: $977m versus $643m, $1,070m versus $646m and $775m versus $501m. The cumulative $1,032m deficit was covered by going from +$1,094m of net cash in 2021 to $963m of net debt in 2025. If incremental returns stay negative for another cycle, losses become permanent through the balance sheet. The build-out cannot pay for itself and depreciation remains in costs throughout the forecast. Refinancing is not the mechanism, as 90.7% of debt is fixed-rate in US dollars, the functional currency. There is no issuance to drive dilution, and dividends remain positive, if small. At Kardemir, the risk is extraction through accounting. As long as statutory profit determines distributions, reported earnings do not reach shareholders. Earnings stay on the balance sheet and in the absence of external discipline go into construction projects with undisclosed budgets.

Effect on value per share. After three years of spending, Erdemir paid TRY 0.55 per share for 2025. The difference between maintenance at $67 and $35/t is worth TRY 12.68 per share, more than the entire current target.

8. The same year brings Erdemir higher utilisation and Kardemir higher prices

Both models use the same price scenario, hurdle and per-share definitions. Exposures, cost-curve positions, product mix, asset quality, spending, balance sheets and capital allocation responses differ. The common scenario

assumes import access narrows at home, export access narrows abroad, raw material prices fall and rolled steel prices hold.

Owner economics differ more than operations. 2026 profit per tonne guidance is similar at $75–85 and $82, but owner earnings yields differ by 0.9 percentage points. Capex explains the difference. Table 6 in Section 7 gives the figures. This section addresses their forecast behaviour.

Erdemir's $105/t normalised profit is the 2022–2026 average, deliberately excluding 2021. Including 2021 lifts it from $105 to $147/t, a $42/t increase worth $355m of annual earnings before deductions at 8.5m tonnes. The price regime of 2021, with $356/t profit at a 39.4% margin, did not recur in any other year in the window.

Both companies use a five-year normalisation window, 2022–2026, declared before calculation. The previous edition used five years for Erdemir and three for Kardemir while calling them the same. Review returned the report for incomparable bases. The histories were aligned by reconstructing missing data.

Table 7. Reconstructing two years for Kardemir moves its normalised margin by $0.23/t. The ratio of the two companies moves from 0.908 over three years to 0.730 over five.

Earnings before deductions per tonne, $/t	2022	2023	2024	2025	2026	Normalised margin
Erdemir, disclosed in dollars	220.62	87.69	80.24	63.98	75.00	105.51
Kardemir, 2022 and 2023 reconstructed	84.95	47.29	50.67	64.00	82.00	65.78
Kardemir / Erdemir	0.385	0.539	0.631	1.000	1.093	0.730
Erdemir spread, $/t	135.67	40.40	29.57	−0.02	−7.00	

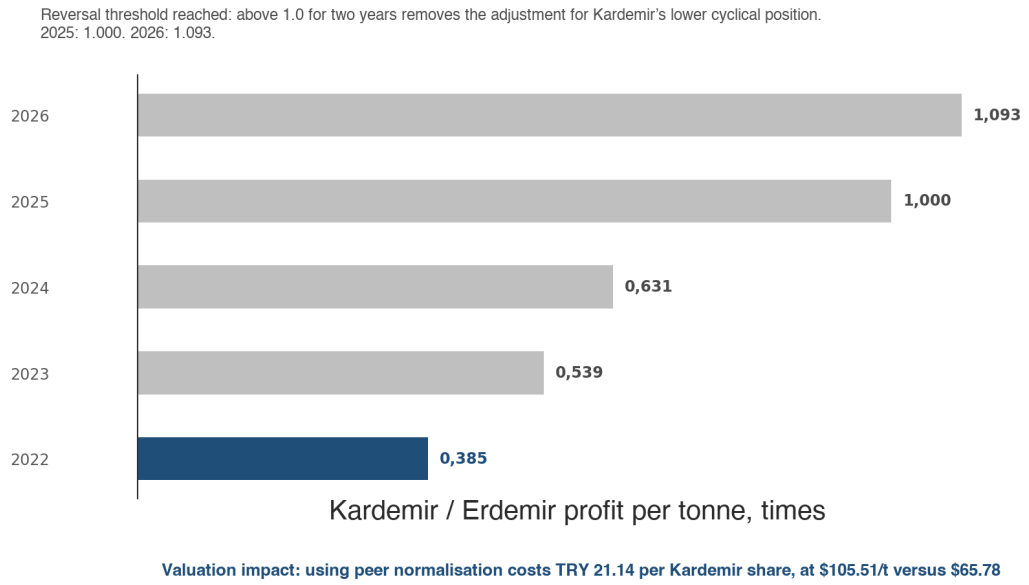
Source: model workbook for the window, 'Pass-Through' and 'Normalisation' worksheets, run on 17.08.2026.

Two years for Kardemir were reconstructed from its own lira accounts and classified as reconstructed. The company disclosed TRY 5,170m of earnings before deductions for 2022 in 31.12.2023 money and 2,065 thousand tonnes sold. For 2023 it reported TRY 3,297m and 2,365 thousand tonnes. Conversion uses the rate on that accounting date, TRY 29.476 per dollar, the same convention the workbook uses for 2024 and 2025. The margin within the lira accounts is independent of the exchange rate and monetary scale: 9.54% in 2022, 6.39% in 2023, 7.14% in 2024 and 10.30% in 2025.

The reconstruction moved Kardemir's normalised margin little, to 65.78 from 65.56, but invalidated the previous conclusion's supporting input. The ratio of the issuers' profits was 0.908 on three years, giving a 'defensible upper estimate' of $95.8/t. Across all five years the ratio is 0.730 and the estimate $77.0/t. The three-year $95.8 estimate happened to contain the years when the ratio was closest to one. The report withdraws $95.8/t as an estimate and retains it in the workbook only as a stress for the conclusion.

Figure 10 shows the ratio of profits per tonne by year. The reversal threshold is above 1.0 for two consecutive years. 2026 is the first, when the ratio is 1.093.

Figure 10. Kardemir misses the top of the cycle. It earned 0.385 of Erdemir's profit per tonne in 2022 and 1.093 in 2026. The caption records the reversal as reached: above 1.0 for two consecutive years removes the lower cyclical position adjustment, with 1.000 in 2025 and 1.093 in 2026. Valuation impact: using Erdemir to normalise Kardemir costs TRY 21.14 per share, at $105.51/t versus the measured $65.78.



Source: model workbook for the window, 'Normalisation' worksheet, run on 17.08.2026.

The ratio rises steadily, from 0.385 to 0.539, 0.631, 1.000 and 1.093. Kardemir does not share in the cycle's peak. In 2022, Erdemir earned $221/t and Kardemir $85. They converged at the 2025 trough, and 2026 guidance puts Kardemir ahead. Scrap sets long steel prices and the markup over scrap stays within $200–210/t across the observations. The processor's profit per tonne is nearly flat through the cycle while an integrated flat steel producer's changes by three and a half times. A fixed ratio to Erdemir cannot normalise Kardemir's earnings.

The first rejected approach, applying Kardemir's three-year window to Erdemir, remains rejected and has a quantified cost. Erdemir's normalised margin falls from $105.5 to $73.1/t, terminal earnings no longer cover capex and equity value turns negative. Normalising a cyclical business at its trough is the inverse of using the peak. Kardemir's total return reaches the lower bound of the band at $112.6/t, leaving $46.8/t of headroom from the measured level versus $16.8 in the previous edition. The SELL has roughly three times the earlier headroom and now rests on measured data.

The third cross-country comparison concerns the share of earnings reaching minority investors. Concentration and pass-through are in Sections 1 and 3. A non-resident Erdemir shareholder earns 3.03% a year on a dollar invested at the quoted price, after the four deductions. The Chinese coverage applied a separate minority interest deduction and gave 3.3–5.1%. Brazil gave 5.8–7.4% with no forced sale of foreign currency earnings and 15% dividend withholding, the same rate as Turkey. Turkey's lower realisation reflects the requirement to sell 35% of FX earnings at the official rate and minority interests in its profit centre. Operating profitability is comparable. Jurisdiction and group structure account for lower realisable yields.

Effect on value per share. A ±$20/t move in normalised earnings is worth TRY 5.93 per Erdemir share and TRY 10.70 per Kardemir share. This is outcome uncertainty from leverage and does not block a point estimate.

Part IV. Valuation and investment action

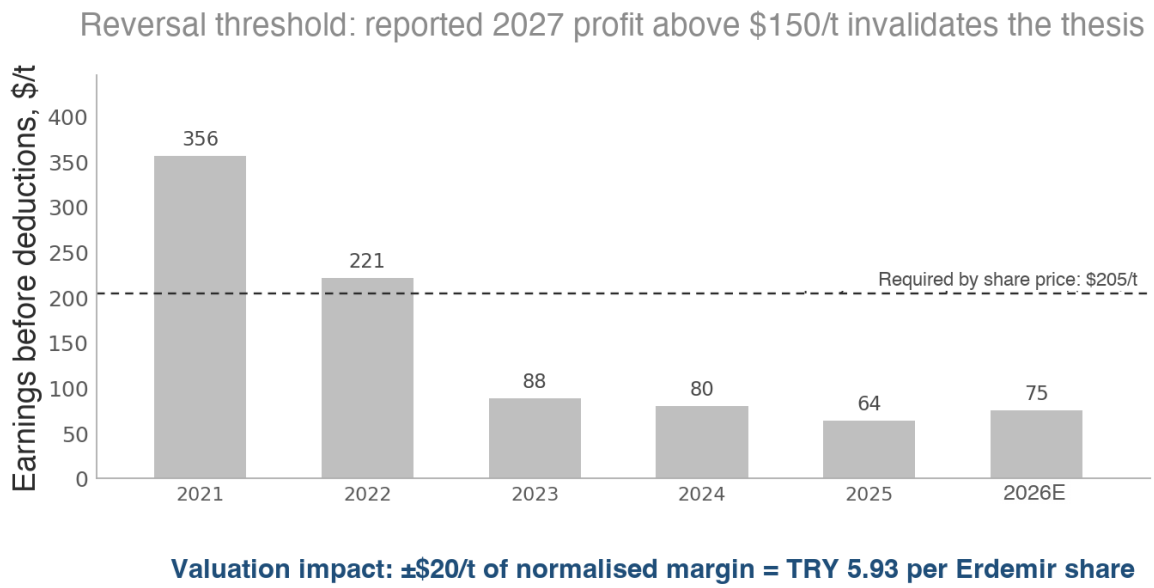
9. Erdemir's share price implies a margin unseen since 2021

The investment case in four sentences. Turkish steel is cyclical and has little pricing power: buyers have a port quote and raw materials are bought at world prices. The end of the build-out moves value per share, as capex to depreciation falls from 1.47 to 1.12 and Erdemir's free cash flow turns positive from 2027. Eleven brokers have a mean target of TRY 50.20 because the market normalises margins over a window including 2021–2022, while this report excludes that level and quantifies the impact. The thesis fails if reported profit per tonne for 2027 exceeds $150.

Reverse valuation asks what margin makes Erdemir's TRY 38.24 quote fair with an 11.87% hurdle, 11.17% discount rate, 25% tax, announced maintenance and 2% long-run growth. The method matches the forward model. Explicit 2026–2030 cash flows stay at the base case and terminal capex and depreciation stay at the announced $570m regardless of profit. The answer is $205/t. A buyer at this price pays up front for a return to the previous high regime, which neither management guidance nor analyst consensus includes in the forecast years.

Figure 11 compares the share price's implied profit per tonne of $205 with $64 in 2025.

Figure 11. Erdemir's share price requires $205/t, a level not observed after 2022. Reversal threshold: reported profit above $150/t in 2027 invalidates the thesis. Valuation impact: ±$20/t of normalised margin is worth TRY 5.93 per Erdemir share.



Source: reverse valuation in the model workbook, run on 17.08.2026. The profit series uses company disclosures for 2021–2025 and 2026 guidance.

The series is $356 in 2021, $221 in 2022, $88 in 2023, $80 in 2024, $64 in 2025 and $75 under 2026 guidance. The required $205/t is above every year except 2021 and 2022 and twice the Section 8 base case. This is the third claim and comes from the capital cycle: the required margin is twice what an industry past the peak with 63.3% utilisation delivers. The second reverse valuation axis has no solution. At a $105 base margin, no maintenance investment assumption reproduces the quote. It would require negative terminal capex of minus $7.65/t. This result is at the search boundary and signifies that the price cannot be reproduced. The previous edition gave $25/t. Recalculation gives a TRY 25.32 target at that level versus the TRY 38.24 quote.

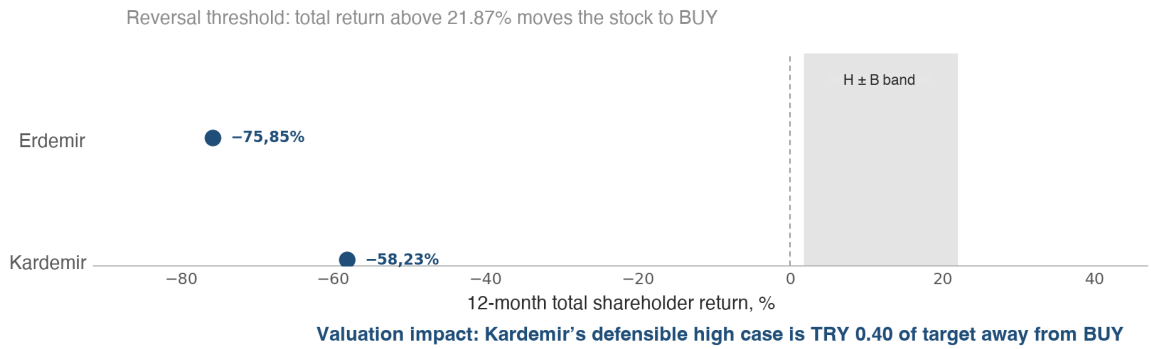
The disagreement with the market has seven fields. The market assumption is a return to the mean margin of a period including 2021–2022. Eleven brokers updated targets on 07.08.2026 to an average of TRY 50.20, in a range

of 39.80–59.21, with five buys, five holds and one market perform. Research assumes $105/t normalised over 2022–2026, excluding 2021. The 2021 regime did not recur elsewhere in the window, so including it would carry a one-off price regime into the terminal value. The assumption enters the model as terminal EBITDA in $/t. The evidence is six observations, with results reaching $205/t twice. The strongest alternative is that capex has peaked and cash flow grows from 2027 as the build-out ends. The report considers that case below. 2027 results, due March 2028, resolve the question if 2027 profit exceeds $150/t.

The Kardemir point estimate is published. The Section 5 maintenance rule takes the higher of stated company plans and the benchmark. Kardemir has no announced programme. Its measured capex from 2021–2025 is $35m, $62m, $62m, $84m and $111m, averaging $70.8m. The model uses the benchmark of $35/t, or $91m a year. Spending over the last two years, $97.4m, already exceeds it and costs minus TRY 1.77 per share. At the applied standard, the target is TRY 17.33 and total return is −58.2%, a SELL. At actual investment equal to the last disclosed 2023 level, the target rises to TRY 22.88 and the rating holds. It reverses only below $0.16m of annual spending, impracticable with forty-seven active projects. The dated observation is the board's 2026 annual report in March 2027.

Figure 12 shows neither stock reaches the 1.87% lower bound of the recommendation band.

Figure 12. Both stocks fall below the H ± B band, the closest by sixty points to the 1.87% lower bound. Reversal threshold: total return above 21.87% is a BUY. Valuation impact: TRY 0.40 of Kardemir target separates its defensible high case from BUY.



Source: model workbook for the window, 'Export' worksheet. The recommendation band is H ± B, with H = Ke = 11.87% and B = 10 pp.

The valuation range is decomposed by source and both stocks use the same conversion. Erdemir's specification error, the gap to out-of-sample 2025 unit costs, is $6.98/t or 10.9% of earnings before deductions and 21.7% of operating profit. Discounting with the 2030 factor gives a TRY 2.08 range. The upper bound of TRY 10.76 falls short of the quote of TRY 38.24, so the point is published. The same out-of-sample test works at Kardemir. Reconstructed 2022 and 2023 results give three price and cost changes. Calibrating on the penultimate observation and testing on the last gives $3.46/t, or 5.4% of earnings before deductions versus 10.9% for Erdemir. The largest admissible run gives $35.68/t, and the upper bound of TRY 36.42 also falls short of TRY 41.48. The previous $31.0/t was a research assumption and was withdrawn. Discounting the measured error gives TRY 1.85, with an upper bound of 19.18 versus 41.48. The point is published with $41.68/t of headroom before the range reaches the share price. Both columns use the same formula, capitalising the after-tax error at terminal volume in perpetuity, divided by shares outstanding. There are zero fitted quantities in the range.

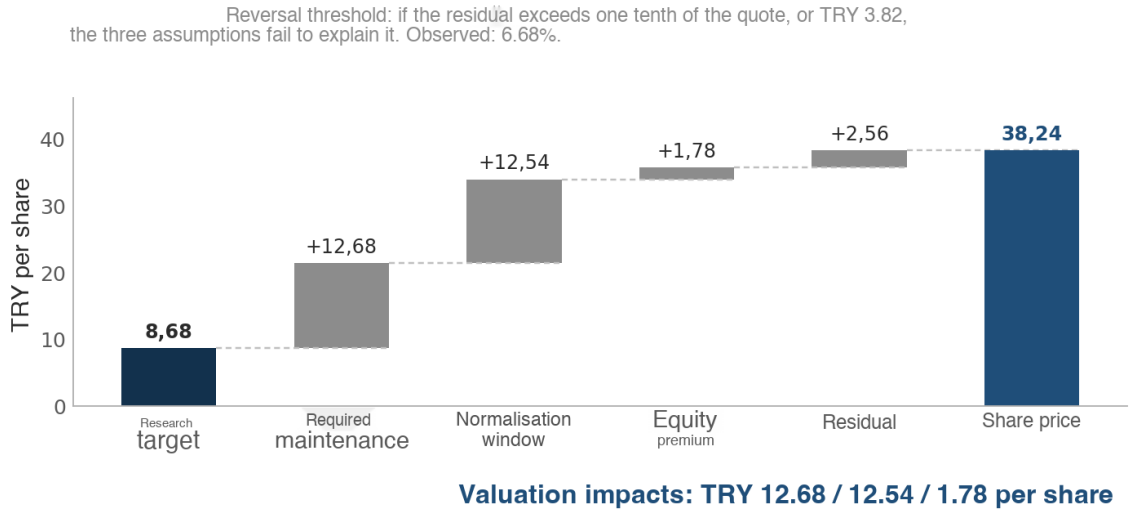
All admissible runs are reported for both stocks. Erdemir has four increments in 2023, 2024, 2025 and the first half of 2026, giving six pairs that calibrate on one increment and test on a later one: $3.84, $5.01, $6.98, $13.42, $45.97 and $50.23/t. Applying the penultimate-to-last rule literally produces 2025 to H1 2026 and an error of $5.01/t. The workbook uses $6.98, the 2024 to 2025 pair of annual changes, because the final half-year change is not comparable. Choosing between them costs TRY 0.59 in the discounted range, 2.07 versus 1.49, and has no rating impact. Neither covers the TRY 38.24 quote. At the largest run, $50.23, discounted error is TRY 14.90 and

the upper bound 23.59 versus 38.24. The point stands. Kardemir has three runs, $3.46, $11.02 and $35.68. The largest gives TRY 36.42 versus 41.48. No admissible run covers either quote. The measured ranges permit publication in every case.

9.1. What today's price implies and why the market pays it

The gap from target to price is decomposed into separate shocks to declared inputs. Figure 13 shows that three decisions explain TRY 35.79 of Erdemir's TRY 38.24 quote. A residual above one tenth of the price, TRY 3.82, would show that the three assumptions cannot explain it. The measured residual is TRY 2.56 or 6.68%.

Figure 13. Three market assumptions explain TRY 35.69 of Erdemir's TRY 38.24 quote, leaving TRY 2.56 unexplained. Reversal threshold: above one tenth of the price, or TRY 3.82, the assumptions would no longer explain it. The measured residual is 6.68%. Valuation impacts: TRY 12.68, 12.54 and 1.78 per share.



Source: model workbook, 'What Is Priced In' worksheet, run on 17.08.2026. Each component varies one declared input from the baseline.

The same components apply to both stocks, so the decomposition is published for the sector. Each assumption is run against its own declared baseline without fitting the price. The three explain 93% of Erdemir's quote and all of Kardemir's with a 12% overshoot.

Table 8. Three assumptions explain 93% of Erdemir's quote and all of Kardemir's, with a 12% overshoot.

Component	Erdemir, TRY	Kardemir, TRY	Market assumption
Research target	8.68	17.33	Base case
Maintenance spending: market prices actual spending	12.68	5.55	Erdemir maintenance $35/t versus $67; Kardemir actual average spending $70.8m versus $91m required.
Normalisation: the market uses the high-cycle margin	12.54	21.14	Erdemir includes 2021, giving $147.3/t. Kardemir uses the peer's $105.5/t on the same window.
Equity premium over own debt of 3 pp versus 4	1.78	2.28	The model's sole fitted input
Explained	35.69	46.30	
Share price	38.24	41.48	
Residual	2.56	−4.82	

Source: model workbook, 'What Is Priced In' and 'Sensitivities', run on 17.08.2026. Each component varies one input while the others stay at the declared baseline.

Table 8 gives the decomposition. The three assumptions explain TRY 35.69 of Erdemir's TRY 38.24, or 93%, and TRY 46.30 at Kardemir versus 41.48, more than the whole price. The sections below explain each assumption, the market and research views and where the report supports its position.

First, required maintenance investment. Reconstructing Kardemir's 2022 and 2023 data moves the common-window margin by $0.23/t from $65.55 to $65.78, without affecting the target. The question is how much annual investment a mill needs to keep operating and how much is temporary construction that will eventually free up cash. The market assumes that actual current spending is the maintenance baseline and higher spending is temporary. At Erdemir it applies the $35/t benchmark versus the $67 full company programme used by research. Erdemir has never disclosed the split. The rule reflects three consecutive years of announced completions followed by new programmes. At Kardemir the cash flow statement now gives capex of $35m, $62m, $62m, $84m and $111m for 2021–2025. Average spending is $70.8m versus the model's $91m. The market uses actual expenditure. Sections 5 and 7 support the research position through the cycle from return to investment, capacity, supply and utilisation, the capital allocation record and quality Test 2. The impact is TRY 12.68 at Erdemir and 5.55 at Kardemir.

Second, earnings normalisation. The question is what profit per tonne is normal in perpetuity. Erdemir's full series is $356 in 2021, $221 in 2022, $88 in 2023, $80 in 2024, $64 in 2025 and $75 under 2026 guidance. Including 2021 gives the market $147.3/t, and excluding it gives research $105.5. Exclusion costs $41.75/t or $355m a year of profit. Kardemir's reconstructed window gives $85, $47, $51, $64 and $82/t. Its normalised $65.8 barely changes, while the market pays as if it earned Erdemir's $105.5. Section 8 uses the same five years and shows the ratios vary. Kardemir has $46.8/t of headroom to its rating threshold. The impact is TRY 12.54 and 21.14.

Third, the equity premium over the issuer's debt. This determines the rate for converting future cash to present value. Research combines the observed 7.87% dollar debt cost and a 4 percentage point equity premium to get 11.87%. The market implicitly uses about three points. The handover review identified the premium as the sole fitted model input without a source framework. It is the only free part of required return, so premium and hurdle are one input. The previous edition ascribed one figure to three inputs. Each now has its own run. Section 5 bases the rate on observed borrowing. The impact is TRY 1.78 and 2.28. Separately, a point of long-run growth gives TRY 1.44 and 1.84 of upside and 1.16 and 1.48 of downside.

The Erdemir residual is TRY 2.56, or 6.7% of price. Kardemir's is negative at minus 4.82, so the three assumptions overshoot by 12%. The market is using the same model inputs at their upper readings. Each disagreement has a reversal threshold and dated observation.

The market prices Erdemir's capacity at $648/t versus a replacement cost of at most $784/t, or 83% of the cost of replicating it. Research values it at $224/t, or 29%. The disagreement concerns what existing capacity earns. Parent owner earnings yield 3.03% versus the 11.87% hurdle.

9.2. The valuation floor and the strongest objection to the rating

Table 9 gives the valuation floor. If a mill is worth more as assets than as a source of cash flow, the argument is that prices cannot fall below replacement cost and the report is valuing the wrong thing. This measurable objection was absent from earlier editions. The lens was dropped because replacement cost was said to be unavailable, although Section 5 already contained the evidence. Sales over three years were 23,214 thousand tonnes. At applied maintenance of $67.06/t, maintenance absorbs $1,557m of $2,822m, leaving $1,265m for new capacity. Replacement cost falls from $784 to $351/t. At the $35 benchmark, floors are TRY 31.97 and 76.21, with

the same signs at both assumptions. Erdemir's floor reaches its price only with maintenance below $21.04 per tonne sold.

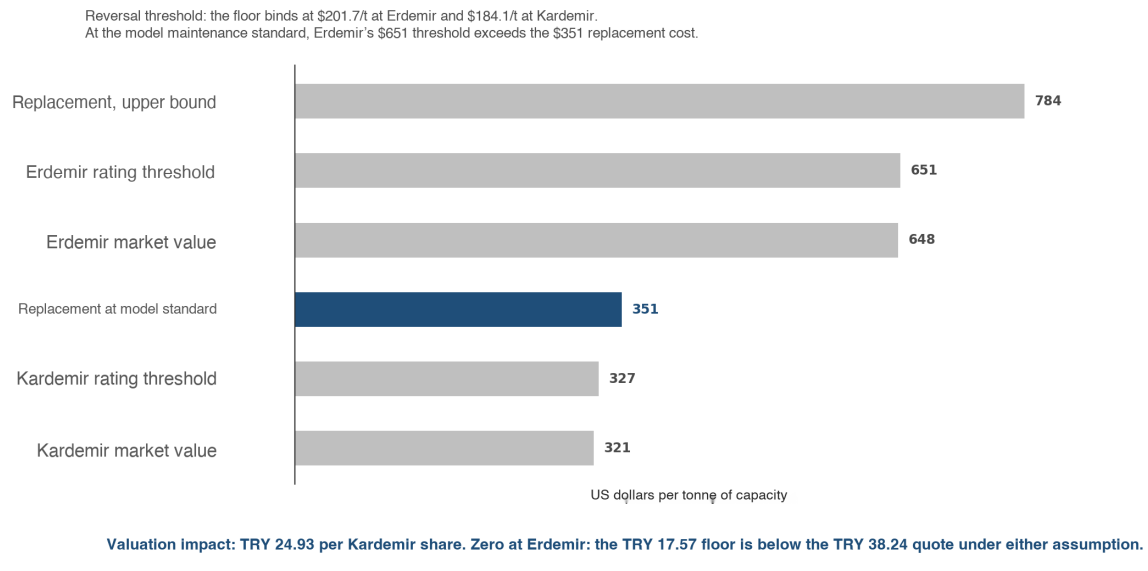
Table 9. A binding floor removes the SELL at $650.61 per tonne of Erdemir capacity and $326.68 at Kardemir, $133 and $457 below the $783.89 replacement estimate. That $783.89 treats all 2023–2025 investment as expansion, while valuation treats all of it as maintenance. Applying the same maintenance requirement to both changes the conclusion. Over 23,214 thousand tonnes sold, the $67.06/t maintenance requirement accounts for $1,557m and leaves $1,265m for expansion. Replacement cost falls from $784 to $351/t. The Erdemir floor becomes TRY 17.57 versus a TRY 38.24 price, so it leaves the conclusion intact. At Kardemir, TRY 45.89 exceeds 41.48, so the objection still holds. At the $35/t benchmark, Erdemir's TRY 31.97 is still below its quote and Kardemir's TRY 76.21 is still above. Erdemir's floor reaches its price only at maintenance below $21.04 per tonne sold, described in the report as a third of the benchmark and a sixth of the applied standard. Returns on replacement capital of 3.15% and 2.78% versus 11.17% required are the second, independent argument.

Measure	Erdemir	Kardemir
Capacity replacement cost, upper bound, $/t	783.89	783.89
Crude steel capacity, million tonnes	9.8	3.5
Implied by market, $/t of capacity	648.24	321.39
Implied by research target, $/t of capacity	223.86	156.71
Floor that removes the rating, $/t of capacity	650.61	326.68
As a share of replacement cost	0.83	0.42
Target if rating is removed, TRY	38.41	42.26

Source: model workbook, 'Valuation Floor' worksheet, run on 17.08.2026. Replacement cost uses Erdemir's $2,822m invested in 2023–2025 against 3.6m tonnes of capacity commissioned.

Figure 14 compares the floor with market and research values: $784 per tonne of replacement capacity versus a $651 reversal threshold and $648 at the current quote.

Figure 14. A binding floor removes both SELLs at the $784 upper bound. At the $351 research requirement it removes only Kardemir's, whose threshold is $327. Reversal threshold: the floor binds at profit of $201.7/t at Erdemir and $184.1 at Kardemir. Under the research assumption, Erdemir's $651 threshold is above its $351 replacement cost. Valuation impact: TRY 24.93 per Kardemir share and zero at Erdemir, where the TRY 17.57 floor sits below the TRY 38.24 quote under either maintenance assumption.



Source: model workbook, 'Valuation Floor' worksheet, run on 17.08.2026.

A binding floor removes both SELLs. Erdemir's threshold of $650.61/t is $133 below the $783.89 replacement cost, so a binding floor removes the rating. An earlier edition printed a 0.4% gap to the quote as an observation,

but this is an identity of the recommendation band and was removed. Kardemir's $326.68 threshold is $457 below the same replacement cost. A comparison with its $321.39 quote is the same identity. A narrow margin separates our conclusion and the floor argument.

Replacement cost caps the price when it makes economic sense to build capacity, which requires earning the cost of capital. The model forecasts a 3.05% Erdemir return versus the 11.87% hurdle, about a third. History differs: the average 2021–2025 return of 12.93% cleared the hurdle. The argument rests on the forecast, which is itself the thesis under test. A facility expected to earn below its cost of capital has sunk costs, not a replacement floor. Kardemir's 2022–2025 return was minus 0.61% versus 11.17%. Unlike Erdemir, it failed the hurdle in the completed cycle too. Kardemir's reversal threshold is about half at 0.42 of replacement cost versus Erdemir's 0.83, with four times as much headroom for the argument to overcome.

Kardemir's second floor, book value, is closer. TAS 29 equity of TRY 108,344m on 30.06.2026 over 1,140m shares gives TRY 95.04 per share, versus 74.26 on 31.12.2025. The TRY 17.33 target is 0.182 times the current book value and the market pays 0.436. The observed multiple is 0.436 on 30.06.2026. The disclosed 0.54 implies equity absent from every reported date, and the 31.12.2025 multiple is 0.559, reversing the comparison. The date choice costs TRY 20.78 per share. Comparison with the 0.445 reversal threshold was removed because the ratio is always 1 + (H − B) ÷ 100 at zero dividends, regardless of the denominator. Numerical review returned the prior claim of a one-hundredth gap. The quote is dated 13.08.2026 and book is in 30.06.2026 money. Equity rose TRY 17,327m in 2025 despite a TRY 1,679m loss, so the increase reflects TAS 29 restatement. Disclosures do not isolate restatement from the result.

Kardemir's second floor no longer uses an identity. Book equity of TRY 84,653m on 31.12.2025 and TRY 108,344m on 30.06.2026 over 1,140m shares gives TRY 74.26 and 95.04 in the money of each date. The old TRY 76.81 divided the quote of 41.48 by a disclosed 0.54, giving the same 0.54 by construction. The observed measure is the multiple itself. On 30.06.2026, closest to the quote, the market pays 0.436 times book and the target is 0.182 times book, using the reported denominator. The disclosed 0.54 implies TRY 87,569m of equity, which appears on no reporting date. The same comparison on 31.12.2025 gives 0.559, reversing its sign. Choosing a date costs TRY 20.78 per share, with floor-to-target gaps of 77.71 versus 56.93. The report publishes the most recent book multiple and the cost of using the other date. Comparing 0.436 with the 0.445 reversal threshold gives a fixed ratio of 1.0187 at any price or denominator, equal to 1 + (H − B) ÷ 100 at zero dividend. Numerical review dated 17.08 returned this test because it could not fail. The market price is on 13.08.2026 and the accounts are in 30.06.2026 money.

A binding floor raises Erdemir's target from TRY 8.68 to 38.41 and Kardemir's from TRY 17.33 to 42.26. Both SELLs become HOLDs. The impact is TRY 29.72 and 24.93 per share, the largest single sensitivity, above maintenance investment. A Turkish steel capacity transaction, plant purchase, stake purchase or announced build would give a price per tonne of capacity. Below $650/t it supports the rating, above it the rating is removed.

A market hypothesis for the premium is currency. Erdemir's functional currency is the US dollar, 90.7% of debt is fixed-rate in dollars, realised prices track dollar import parity, and 86% of raw materials are imported. To a lira investor facing an 11% decline in a year, a 37% policy rate and an inverted curve, Erdemir is dollar exposure traded in lira. The equity premium would pay for convertibility. That hypothesis fails a same-issuer test: Erdemir borrows in dollars at 7.87% while shares yield 3.03% to the owner, a 4.84 percentage point gap. The share would match the bond at TRY 14.72. The market price is 2.60 times as high. Equivalent dollar credit exposure is available at less than half the price from the same issuer. Kardemir gives parity at TRY 22.49 and a 1.84 times premium. Its open currency position of minus $484m is an inverse bet on the lira rather than a hedge.

The disagreement disappears if the yield gap falls below one percentage point, either as owner yield reaches 7.87% or as the price falls towards TRY 14.72. Erdemir issuing dollar debt at a rate other than 7.87% would reset both sides of the comparison.

Two common inputs can give both stocks the same rating. The larger is the maintenance rule, taking the higher of the stated programme and the industry benchmark. It accounts for TRY 12.68 of Erdemir's 29.6 price gap and 5.55 of Kardemir's 24.2, the largest single sensitivity. The second is the 11.87% equity hurdle, from Erdemir's 7.87% debt cost plus 4 points. It accounts for TRY 1.78 of 29.6 and 2.28 of 24.2. Kardemir is closest to the band and changes rating only if the hurdle falls below the issuer's own dollar debt cost, which the construction prevents. Both companies earn half their normalised profit per tonne and spend more on maintenance than they leave owners. This shared characteristic explains their common rating.

9.3. Where the market may be right

The same observations support a different case. Erdemir passed both its earnings trough and capex peak in 2025. The three-year programme was commissioned in May 2025. First-half 2026 capex was $225m versus $521m a year earlier and spending fell relative to depreciation. Free cash flow turns positive from 2027 as construction ends. Anti-dumping protects the domestic market through October 2029 and utilisation rose from 77% to 95%. After funding three years of investment, owners gain a new furnace and a protected market from 2027.

If three inputs reach the values within the ranges in Sections 5 and 8, the target is TRY 39.36 and total return is positive 4.4% versus minus 76%. SELL becomes HOLD and no outcome reaches BUY. Research does not adopt that case because the company announced completion and then a new programme in three consecutive years. The calendar identifies confirmation as 2026 capex below $500m in the March results.

The TRY 29.6 gap to the quote has four components from Sections 5, 8 and 9: TRY 12.68 from maintenance, about TRY 6 from normalised margin, about TRY 2 from the hurdle and a balance attributable to the valuation framework. Three of the four are research assumptions, each quantified separately.

10. Calendar of turning points and confirmation milestones

First driver: Erdemir ends its build-out. Early evidence is first-half 2026 capex of $225m versus $521m a year before, already observed. Confirmation is full-year 2026 capex to depreciation below 1.2, against $570m of depreciation, independent of quarterly volatility. This is due in March 2027. The late indicator is positive free cash flow in 2027 results. The driver is at the first stage. The 2026 annual report in March 2027 is the next dated test. A new programme above $500m, as happened three years running, would invalidate it.

Second driver: the domestic price ceiling. Early evidence is a 39.6% drop in Chinese hot-rolled coil imports in January–April 2026 and Malaysia holding third place at a $70–80/t premium, confirming the duty-free channel. The share of duty-free sourcing holding as the general rate rises is confirmation observable in monthly TÜİK data. The late indicator is Erdemir's realised price within 1% of calculated parity, at $638 versus $642.5/t in H1 2026. The driver is on the third stage and fully confirmed. Anti-dumping extended to trade agreement countries invalidates it. The share price does not confirm either driver at any stage.

Table 10. Ten dates, eight of which test claims along the way. The ninth is the terminal date, where two thirds of value resides.

Date	Event	What to watch	Sign of a regime change
November 2026	Q3 2026 results for both issuers	Profit per tonne versus $75–85 and $82 guidance	Below $65/t confirms Erdemir management's warning of Q4 spot price pressure.
30.09.2026	First quarter-end of the permanent EU regime	Turkey's country quota usage and out-of-quota volume	An overrun of 100%+ would imply sustained trade diversion.
December 2026	Outcome of EU country quota talks	Allocations for the 2027 quota year	A Turkish quota above 2.5m tonnes removes the main risk to exports.
06.01.2027	Expiry of Turkey's wire rod safeguard	Extension or expiry	Expiry opens the domestic market and removes part of the price ceiling.

Date	Event	What to watch	Sign of a regime change
31.01.2027	Expiry of the mandatory sale of 35% of FX earnings	Extension or removal	Removal ends one of the four deductions from minority value.
March 2027	Both boards' 2026 annual reports	Erdemir's capex split; Kardemir's total spending and product sales mix.	Erdemir maintenance below $45/t adds TRY 8.73 to the target and the $35 benchmark adds 12.68. Kardemir's cash flow statement discloses the spending series, worth TRY 5.55 per share.
30.06.2027	First annual review of the permanent EU regime	Out-of-quota rate and volume	Reducing the rate below 50% restores some exports.
July–October 2027	Review of EU anti-dumping on Turkish hot-rolled steel	Whether Erdemir's 5.0% duty remains	Removal adds 5 pp to the export price.
Turkey's Official Gazette, next observation 30.09.2026	Turkey extends anti-dumping duties to free trade agreement suppliers	Trade Ministry decision extending the measure to duty-free imports	The only risk that reverses both conclusions upwards. The ceiling moves from $648 to $742/t. The quote requires $99.6/t and retaining the whole shift gives $94, a shortfall of 5.6%.
2030 results, March 2031	Terminal date, the year from which cash flow is capitalised in perpetuity	Profit per tonne versus normalised $105.5 and $65.8/t. Capex versus $570m and $91m requirements.	All value beyond the forecast rests on this year: 69% at Erdemir and 60% at Kardemir. No earlier calendar date tests it.

Source: EU and Turkish legal acts and company reporting calendars.

Table 10 gives the ten dates. The nearest is November's third-quarter reporting. The most consequential is the terminal date. Some 69% of Erdemir and 60% of Kardemir valuation is beyond 2030, and no calendar observation tests it until March 2031. Risks to the thesis are Turkey extending anti-dumping duties to free trade agreement imports, Erdemir disclosing maintenance capex below $45/t, and an announced buyout of İsdemir minorities.

11. Quantified limitations

Table 11 lists 38 outstanding items with quantified effects, the largest worth TRY 29.72 per share. Table 12 lists changes from the previous edition. Nine items were closed in this review and moved out of the outstanding list.

Table 11. 38 outstanding items, with an amount or 'zero' for each.

Outstanding work	Valuation impact
Erdemir has never disclosed the split between maintenance and expansion capex.	TRY 12.68 per share, the largest source of uncertainty in the model.
Research set the issuer's 4 pp equity premium over its own debt without a source framework. Full handover review identified it as the sole fitted input.	TRY 1.78 down and 1.47 up per share per point of premium.
The reconstructed history gives three Kardemir increments. The same out-of-sample test as Erdemir is feasible.	TRY 1.85 per share of specification error versus 2.08 at Erdemir. The largest admissible test gives 19.09 and the point estimate still stands.
The terminal-date range and current price refer to different dates. The comparison uses the valuation date.	Kardemir's upper bound is 20.47 at the terminal date and 19.18 at the valuation date, below the 41.48 quote in both cases.
Domestic hot-rolled steel prices for July–August 2026 are subscription-only.	The pricing anchor was measured in April. A $20/t April-to-August shift has no impact on the target because the input test showed parity has zero effect.
Neither company discloses cost per tonne. It is price less profit per tonne, making part of pass-through tautological.	Residual error is included in the measured $6.98 and $3.46/t. The sensitivity test shows zero target impact.

Outstanding work	Valuation impact
No historical industry borrowing-cost series was obtained. The cost of capital is shown as a snapshot.	The exhibit notes record the departure from the prescribed chart. Zero impact on target, rating or range.
Decision 76 of 17.08.2026 reformulated the quality hurdle after the first results were known and applied it to the same window. The core rule sets the threshold before selection. The user decided the departure and it is disclosed here.	Under the new rule Erdemir passes three tests with one undefined. Zero impact on target, rating or range.
Pessimism ranking was not applied. The source describes a screen with one qualified stock, leaving nothing to rank.	Zero. Ranking a single stock does not identify a new idea.
Decision 76 of 17.08.2026 treats the visual count as a floor. The implementations have yet to be reconciled. There are 27 exhibits versus a 15 minimum, with 14 figures and 13 tables. The framework checker still applies the superseded cap. A methodology revision must resolve the mismatch.	Zero impact on target, rating and range. Keeping the cap would omit Table 7 and the issuer-note waterfalls, three exhibits decomposing what is priced in.
Applying the same maintenance standard to the floor makes it asymmetric. At Erdemir it does not bind, at TRY 17.57 versus 38.24. At Kardemir it does, at 45.89 versus 41.48. The previous edition classified all 2023–2025 spending as new capacity and gave $784 per tonne. The objection was rejected because the asset does not earn its cost of capital, without evidence from a transaction.	The Erdemir item was closed and is worth zero. At any maintenance rate from zero to the applied rate, the report records a floor below the quote. For Kardemir the cost stays TRY 24.93 per share, the largest individual sensitivity, since the floor exceeds the quote.
Closed by the user's 19.08.2026 decision. Kardemir Test 1 uses disclosed TAS 29 accounts. Averaging annual ratios avoids differences in monetary scale, and the balance sheet supplies the denominator.	2022–2025 return of −0.61% versus 11.17%. Zero impact on target, rating or range. The result is now measured.
Kardemir's book value increased TRY 17bn in 2025 despite a net loss, pointing to asset revaluation. Available notes do not explain the increase.	TRY 24.93 per share. The second floor depends on reported book value of TRY 95.04 per share, with the market at 0.436 times book on 30.06.2026. A binding floor takes the target from 17.33 to 42.26. Comparing with the rating threshold is an identity, and comparing with disclosed 0.54 depends on the reporting date.
Exclusion of KRDMB outside the declared selection priority is entry 25 of OPEN_ITEMS_10.8.md. The window decision does not close it.	TRY 105.57 per KRDMB share. Coverage limits the number of directional claims.
The three-of-four quality alternative was considered and rejected, entry 26 of OPEN_ITEMS_10.8.md. Decision 76 requires all four.	The alternative relaxes the hurdle by one test and changes Erdemir. Exactly one test is undefined, so it would pass and fill the 'good business at a bad price' cell. The cost of the alternative rose from zero to one covered stock.
Closed after chair review. Kardemir specification error now uses an out-of-sample test with three increments, made possible by reconstructed 2022 and 2023 data. The same rule as Erdemir gives $3.46/t versus the previous $31.0 research assumption.	Coverage of the quote requires $45.13/t, thirteen times measured error. Headroom is $41.68/t versus $14.13.
The chair's objection was resolved on a different basis. A floor is non-binding when returns fall short of capital costs. Erdemir exceeded its hurdle over 2021–2025, at 12.93% versus 11.17%. The floor argument now depends on the forecast 3.05% return, which is the thesis being tested.	Zero impact on target or rating. The argument shifts from observation to model output. The difference between a floor-based TRY 38.41 target and research's 8.68 is TRY 29.72 per Erdemir share. The workbook labels a different figure, the quote-to-target gap of 29.56, as the thesis cost.
Closed. Disclosed Kardemir book equity of TRY 84,653m on 31.12.2025 and 108,344m on 30.06.2026 over 1,140m shares gives TRY 74.26 and 95.04 per share. The market pays 0.436 on 30.06.2026 and 0.559 on 31.12.2025, making date choice worth TRY 20.78 per share.	Zero impact on target or rating. Choosing the balance sheet date costs TRY 20.78 per share (0.436 on 30.06.2026 versus 0.559 on 31.12.2025). The floor argument itself is worth TRY 24.93 separately and the two are not additive. Comparing market share of book with the rating threshold is an identity regardless of denominator.
Closed. Kardemir fails Test 4 by observation. Profit was minus TRY 552m in 31.12.2025 money, leaving the payout share undefined. Distributions were zero for three consecutive years.	Zero impact on rating. The threshold is positive period profit, a TRY 552m gap, followed by a payout of one third.

Outstanding work	Valuation impact
Disclosed and unresolved. Test 1 includes 2021, while normalisation excludes it. A cycle includes its peak, while a forward reversion level need not equal the 2021 level. This distinction is a judgement.	5.71 percentage points. Without 2021, the return is 7.22% and Test 1 fails under either hurdle.
Closed after chair review and compliance with the committee refusal. The model gives $3.46/t of Kardemir specification error on the reconstructed series, with admissible runs of $3.46–35.68.	The input is no longer decisive. Headroom before the range covers the quote is $41.68/t. The point estimate is published across all tests. Withholding it would cost the entire Kardemir point.
Open, committee refusal. KRDMB was excluded outside a numerical selection threshold. State the trading turnover threshold and show failure, or include KRDMB with a target.	TRY 105.57 per KRDMB share, zero impact on covered ratings.
Open, committee refusal. The exclusion of the EU quota and carbon charge from Erdemir valuation was priced at zero, though the section gives a $20–40/t discount on about 640 thousand rerouted tonnes.	Using the workbook rule, a $20–40/t discount on 640 thousand tonnes gives $12.8–25.6m a year of earnings before deductions. After-tax capitalisation at 2% growth and 11.17% required return gives TRY 0.76–1.52 at the terminal date. Discounting by 0.5889 gives TRY 0.45–0.89 per share, midpoint 0.67. The carbon branch on the same volume costs TRY 1.93 and cannot be added. The choice costs TRY 1.26. Research calculated these figures. The committee issued its refusal without quantifying it.
Open, chair review. Erdemir passes Test 4 on the full period at 57.8% and fails on the latest three years. In 2023–2025 shareholders received 23.7% against 33.3%.	9.66 percentage points below threshold. The current payout regime does not support the only test showing distributions to shareholders.
A conflict remains open. The sales review requires separate front-page paragraphs for the quality hurdle and three claims. Decision 74 limits the front page to four or five key paragraphs, and Check H rejects six. The report follows Decision 74.	Zero impact on target, rating or range. Readers can identify the three claims on the first page, but cannot extract them as standalone paragraphs. Only the user, who owns the front-page rule, can resolve the conflict.
The workbook used first-half Erdemir capex of 243 and 521 for 2021 and 2022, while Section 5 gave annual figures of 434 and 723. The series now uses Section 5 annual data, and the window average is $795.8m versus $717.2m.	Zero impact on Test 2. Maintenance coverage is positive on both series, at $225.8m versus $147.2m. The error costs $78.6m of coverage.
Open. Kardemir's 2021 figures were unavailable, leaving four measured years of the announced five-year screen.	Zero impact on Test 1 at any plausible 2021 return. Reaching an 11.17% mean requires 58.3% in 2021, twelve times the best measured year.
Open, chair review. Half of the floor argument, a completed-cycle return of 12.93% above the hurdle, relies on 2021 alone. The issue is listed here rather than where it alters the reader's decision.	5.71 percentage points. Without 2021, the 7.22% return falls short of 11.17% and Test 1 fails.
Open. A full reconciliation shows nineteen new report figures absent from workbook and export. Its convention counts every cell number, including repeats, giving 602 versus 574 in the manual sample below, a difference of twenty-eight. Missing items include Kardemir's −0.61% return and annual series, 11.78 pp gap, earnings of minus TRY 552m, book equity of TRY 84,653m and 108,344m, shares of 0.436 and 0.559, date impact of 20.78 and floor-to-target gap of TRY 56.93, and branch costs of 0.89, 1.93 and 1.26. Six admissible Erdemir runs and the largest run's TRY 23.59 upper bound are also absent. The workbook hash confirms there was no write in this window.	Zero impact on target, rating and range. Inputs are in the report and it uses the workbook's averaging and tax rate, making the figures reproducible from the text. The whole row affects verifiability because the reader must use the report. Check A was designed for this defect in reverse: here the workbook lagged the text. Update it first in the next window.
Open. Kardemir's TRY 76.81 book value per share remains in the workbook, 'Valuation Floor' row 18, and export as the price divided by disclosed 0.54. It is a residual labelled as observed. The report replaces it with disclosed 95.04.	TRY 59.49 per share, the old floor-to-target gap. The report corrects it to 77.71. Zero impact on target or rating.
Open. Erdemir minority interest uses incomparable bases: a $155m balance-sheet numerator and a discounted cash flow denominator. The 11.26% ratio changes when the target changes without an economic change.	0.38 percentage points of owner earnings yield, 3.41% versus 3.03%. Zero impact on target or rating.

Outstanding work	Valuation impact
Open. The inactive-input checks are identities. Rows 6–8 and 11 of 'Sensitivity Tests' use a closed-form change despite row 17 saying the model was run. A rerun reproduced TRY 5.93 and 10.70, but the checks themselves did not test those values.	Zero impact on target, rating and range. Replace the four checks with model runs and revise row 17 to support the claim.
Open. Check A lint_numbers_vs_model selects zero rows in this report type, so it cannot give a PASS. Its selector looks for eight terms in captions that are written as conclusions. Forced evaluation found 39, 16 and 4 figures absent from the export across three documents.	Zero target impact. A manual sample counted all non-zero table cell numbers in the three products, including dates, years and legal act numbers. It compared 574 numbers and found 78 absent from the export. None was a distorted model figure.
Open. Three false rejections were traced to code. Check I lint_figure numbers only tables with more than two columns, missing Tables 11 and 12. Check E lint_frames matches a section key as literal heading text, missing 'SR' in the Russian heading 'Market Summary'. Check A lint_numbers_vs_model finds the Russian term for 'bridge' inside the Russian term for 'cost' because it uses a substring without word boundaries.	Zero impact on target, rating and range. Acceptance must revisit the three failures every window until their owners fix them.
Open. The profit-per-tonne ratio has already crossed its exhibit threshold. The caption requires above 1.0 for two years. 'Normalisation' gives 1.0002 in 2025 and 1.093 in 2026. Remove the lower cyclical position adjustment at the next observation.	TRY 21.14 per Kardemir share to normalise from the peer. Zero impact on the target because the model uses the measured common-window margin.
Disclosed and unresolved. Out-of-sample testing differs by company. At Erdemir, literal calibration on the penultimate and verification on the final increment gives 2025 to H1 2026 and $5.01/t. The model uses $6.98 from annual changes because the final increment is half-year.	TRY 0.59 in discounted range, 2.07 versus 1.49. Rating impact zero. None of the six runs covers TRY 38.24.
Open. Three workbook lines carry superseded or misplaced values. 'Export' rows 8 and 92 show Erdemir owner yield of 3.41% and −1.28 pp spread versus the current 3.03% and −1.66. 'Range' row 94 puts Kardemir's $35.67/t in Erdemir's column. 'Export' row 98 has a Kardemir normalisation-window label inconsistent with its reference.	Zero impact on target, rating and range because the report does not publish those three entries. Reconciliation against the export can still encounter a superseded figure under a current label.
Open. Fifteen exhibit specifications accompany fourteen sector graphics. The policy track-record chart was built and documented without being inserted. Table 2 already gives the same four figures.	Zero impact on target, rating and range. One exhibit specification lacks a location. Remove it or insert the figure in Section 4.1.

Table 12. Changes from the previous edition. Nine items were resolved in this review, with the impact of each change stated.

Change from previous edition	Impact of change
Kardemir's cash flow statement gives 2024 and 2025 capex of $84m and $111m, previously deemed undisclosed. Product-level sales are still unavailable.	The former TRY 7.96 estimate was removed. Measured average spending of $70.8m against $91m required is worth TRY 5.55 and appears in the decomposition of market pricing.
Both issuers now use the common 2022–2026 normalisation window. Two missing Kardemir years were reconstructed from its lira accounts and classified accordingly.	Kardemir's normalised margin moved from $65.6 to $65.8/t. The old $95.8 defensible upper estimate arose from truncation and was withdrawn. Headroom to a rating change rose from $16.8 to $46.8/t.
The user's 17.08.2026 decision settled Test 1 averaging. Use a simple arithmetic mean across years. Weighting by invested capital would overrepresent peak construction.	1.51 percentage points on the return level, zero on the test once the hurdle matches the numerator, and zero on target, rating and range.
Decision 79 aligned all four tests at both issuers on the five disclosed years 2021–2025. The previous edition announced 2022–2026, tested 1 on 2021–2025 and 4 on 2022–2025, and took Test 3's worst year from its normalisation period. Four tests used three windows.	8.43 percentage points on Test 4 (57.8% versus 66.2%), with no change to the outcome. 5.98 points on Test 1 versus the rejected 2022–2025 window. Zero on target, rating and range.
The Test 1 hurdle now matches the numerator. Return on all invested capital is compared with 11.17% WACC rather than 11.87% cost of equity.	The test passes under both averaging methods instead of depending on the method. The hurdle choice costs 0.70 percentage points. Zero on target, rating and range.

Change from previous edition	Impact of change
The rating-reversal threshold and share price differ by the lower end of the band less dividends, independent of replacement cost. The previous claim that the market sat on the floor was an identity and was removed.	Zero on target and rating. The floor comparison now uses replacement cost: 650.61 and 326.68 versus 783.89. A binding floor removes both ratings.
Returns on replacement capital of 3.15% and 2.78% compare with 11.17% required. The floor binds at $201.7 and $184.1/t. Erdemir reached its level twice in six years, Kardemir never.	Zero on target and rating. The argument is quantified. The $201.7/t binding-floor threshold and $204.6/t margin implied by the quote differ by 2.9 and represent the same level within that margin.
Kardemir's defensible high case now has a rating comparison. Three simultaneous assumptions give TRY 50.15 and +20.90% total return against a 21.87% upper bound.	0.97 percentage points, or TRY 0.40 of target, from the defensible high case to BUY. The previous edition calculated the bound without a rating.
The user decided on 18.08.2026 that all four quality tests must pass. Three of four was rejected. Decision 76 reformulated the hurdle after first results were visible and used the same window. The rule owner confirmed this departure.	Zero on target, rating and range. The 'good business at a bad price' cell remains empty because all four tests must pass and one Erdemir result is undefined.

Source: window log dated 16.08.2026 and Gate G2v handover schedule.

12. Coverage universe and sources

The report specifies an unrestricted global institutional investor before stock selection. Trading turnover takes priority, followed by free float, market cap and disclosure quality. Table 12 summarises selection and rejected candidates: coverage is 27.8% of output and selected stocks trade $121.8m and $49.8m a day. Table 13 lists the candidates, thresholds and decision for each.

Table 13. The coverage universe accounts for 27.8% of Turkey's crude steel. Market conclusions without evidence from covered companies are limited to specific observations.

Candidate	Trading turnover, $m/day	Free float	Rating
EREGL	121.8	46.5%	Included
KRDMD	49.8	93.0%	Included
BRSAN	29.1	22.0%	Excluded: pipe mill, outside steelmaking.
ISDMR	3.0	5.1%	Excluded: turnover does not support entry or exit. Included in Erdemir valuation through minority interest.
KRDMB, KRDMA	13.5 and 8.7	97.8% and 99.6%	Excluded: same cash flows as KRDMD, with price to book of 1.6 versus 0.54.
IZMDC, CEMTS, CELHA	3.3 · 0.5 · 4.3	23.3% · 38.9% · 22.5%	Excluded on turnover
Tosyalı, İçdaş, Habaş, Çolakoğlu	—	Unlisted	Excluded: privately held

Source: İş Yatırım company profiles as of 13.08.2026.

Sources: Erdemir, İsdemir and Kardemir annual and interim reports, presentations and the 'Indicators' file; Türkiye Çelik Üreticileri Derneği and Çelik İhracatçıları Birliği; TÜİK; EU Regulations 2026/1384, 2026/1457 and 2021/1100; Turkish Ministry of Trade Decisions 2024/33 and 2026/17, and Decision 3351; Law No. 7552; US Federal Register, Proclamation 10947 and the proclamation of 02.04.2026; SteelOrbis, SteelBenchmarker and TradingEconomics quotes; Central Bank of the Republic of Türkiye; Borsa İstanbul and İş Yatırım.

Work outside the scope: a monthly price model, processing-stage unit costs because they are undisclosed, replacement cost based on project budgets because neither company discloses them, and verification of statements about private mills against their unpublished financial reports.