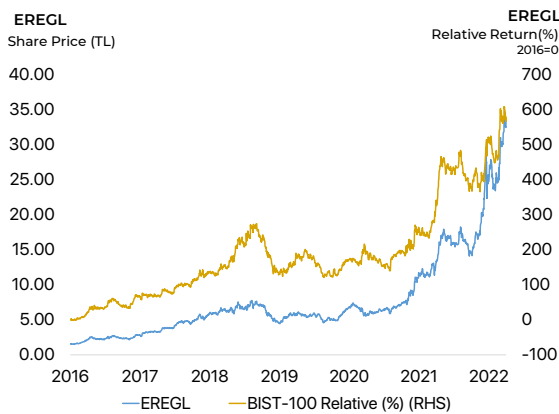


28-Apr-22

Stock Data

Sector	Steel
Bloomberg Ticker	EREGL TI
Last Price TL (27.04.2022)	34.34
52-week price range (TL)	14.06 - 36.68
Market Cap (TL mn)	120,190
Market Cap (USD mn)	8,123
Floating Market Cap (TL mn)	57,691
Floating Market Cap (USD mn)	3,899
No. of shares (mn)	3,500
Free Float (%)	48
EV (TL mn)	126,545
EV (USD mn)	8,553
Net Debt (TL mn)	6,355
Net Debt (USD mn)	429
Avg. Volume (3m TL mn)	1,916.4
Avg. Volume (3m USD mn)	134.0
Avg. Volume (3m TL mn)/MCAP (%)	1.6
Avg. Volume (3m TL mn)/Free Float MCAP (%)	3.3
Avg. Price (3m TL)	30.2



Volume	1w	1m	3m	1y
Average Daily Volume (mn share)	52.6	49.5	64.2	52.9
Average Daily Volume (TL mn)	1828.3	1700.6	1916.4	1212.7
Average Daily Volume (USD mn)	124.0	115.8	134.0	102.1
Average Daily Price (TL)	34.7	34.4	30.2	21.4

Stock Performance	1w	1m	3m	1y
EREGL Return (%)	-6	6	43	107
BIST-100 Return (%)	-4	11	24	77
EREGL Relative Return (%)	-2	-5	16	17

Financials	2019	2020	2021	2021/1Q	2021/4Q	2022/1Q
Net Sales (TL mn)	27,465	32,048	68,227	10,464	25,167	29,204
Gross Profit(TL mn)	5,011	5,925	25,516	3,654	9,245	9,448.7
Operating Profit (TL mn)	4,378	5,573	24,871	3,469	9,270	8,870
EBITDA(TL mn)	5,458	6,665	26,468	3,853	9,579	9,764
Net Financial Expenses (TL mn)	610	11	-949	581	-1,721	-86
Net Earnings (TL mn)	3,317	3,309	15,527	2,618	4,723	5,626
Total Financial Debt (TL mn)	7,701	6,598	16,676	7,990	16,676	22,537
Net Financial Debt (TL mn)	-2,990	-6,983	-6,523	-204	-6,523	6,355
Capex (TL mn)	-1,399	-1,984	-3,840	-593	-1,521	-1,168

Source: Equity RT

Disclaimer

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In the first quarter of 2022, Ereğli announced TL 29.2bn revenue, TL 9.8bn EBITDA and TL 5.6bn net profit, which were in line with our expectations. Revenue increased by 180%, EBITDA by 156% and net profit by 115% compared to the same period last year, increases compared to the last quarter of 2021 were 16%, 2% and 19%, respectively. EBITDA margin decreased to 33.4%, contracting by 500 bps, in line with expectations, due to an average of 15% increase in raw material prices. We may see additional 200 bps contraction by the end of the year. The main reasons for the increase in net profit were the decrease in financial expenses by \$200m and the absence of \$110m deferred tax expense paid in the last quarter of 2021 in this quarter. We expect financial expenses to increase in the coming quarters due to the \$450m loan used for inventory purchases.

Steel prices, which are expected to be normalized in 2022, still remains approximately 50% above the 3-year average prices due to the Russia-Ukraine war, and remained close to the last quarter of 2021 with \$1,031/ton for flat products and \$793/ton for long products. EBITDA per ton increased by 34% compared to the first quarter of last year and decreased by 20% compared to the last quarter to \$335. Our average EBITDA/ton expectation for 2022 is around \$310.

Although Erdemir generated strong cash flow from its operations, it realized a negative cash flow in the first quarter due to the dividend payment of \$1bn, inventory purchases worth \$350m and loan payments of \$ 146m. In addition, with the \$450m loan used for working capital strengthening, the \$490m net cash position from 2021 turned into a net debt of \$434m. Considering the company's c\$700m quarterly EBITDA and the c\$250m cash generation from its operations, current debt status will be temporary. Positive.

Valuation	2019	2020	2021	2021/1Q	2021/4Q	Latest
P/E	9.5	15.8	6.3	9.5	6.3	6.5
P/BV	1.0	1.3	1.2	1.3	1.2	1.5
P/Sales	1.2	1.6	1.4	1.5	1.4	1.4
EV/EBITDA	5.2	6.8	3.5	5.6	3.5	3.9

Profitability	2019	2020	2021	2021/1Q	2021/4Q	2022/1Q
Gross Margin (%)	18.2	18.5	37.4	34.9	36.7	32.4
Operating Margin (%)	15.7	16.0	35.8	32.9	35.2	30.8
EBITDA Margin (%)	19.9	20.8	38.8	36.8	38.1	33.4
Net Margin (%)	12.1	10.3	22.8	25.0	18.8	19.3
ROA % - TTM	7.5	6.1	19.4	9.7	19.4	19.4
ROE % - TTM	11.6	9.2	29.7	14.8	29.7	30.7

Financial Health	2019	2020	2021	2021/1Q	2021/4Q	2022/1Q
Capex/Sales (%TTM)	5.09	6.19	5.63	6.35	5.63	5.08
Net Working Capital/Sales (%TTM)	-39.18	-31.85	-27.55	-30.25	-27.55	-28.33
Gross Debt/Equity (x)	0.49	0.41	0.50	0.50	0.50	0.63
Net Debt/EBITDA (x) - TTM	-0.55	-1.05	-0.25	-0.02	-0.25	0.20
Total Equity (TL mn)	31,247	41,122	84,548	42,313	84,548	83,019