

## Replacing Kardemir with Kocaer in our Top Picks List

### Adding Kocaer

We are adding Kocaer Steel into our Top-Picks List. Unlike integrated steel players in BIST-Universe, Kocaer's model centers around value-added, export-oriented, and customer-specific steel profile manufacturing—with nearly 80% of sales volume exported which makes it beneficiary of the emergence of the up-cycle in the West, where the prices YtD surged by an average of 27%. In terms of profitability, on top of an expected 10% volume growth in 2025 on the completion of modernization investments, we expect the company's QoQ EBITDA/ton improvement in 1Q25 to be sustained in the coming quarters with an average EBITDA/ton of USD140 for the full year, implying a 44% EBITDA growth in USD-terms. The stock trades at 6.8x EV/EBITDA vs. an average of 9.2x for its rolling mill global peers that the multiple level discounted to 4.3x on our 2026 forecasts. In addition to its divergence in operational profitability metrics compared to other steel players on BIST, we find the current levels attractive not only due to its ongoing earnings momentum, but also because of its unique growth prospects driven by its transition plans into green steel and value-added steel solutions by 2030.

### Removing Kardemir

We continue to consider Kardemir as one of the discounted blue-chip stocks within the BIST universe, with its forecasted 4.0x EV/EBITDA multiple. However, the ongoing weakness in the domestic steel market may continue to dampen sentiment towards the stock in the short term, despite its relatively resilient operational performance driven by its sales mix. While we maintain our 'Outperform' rating for the stock, which offers a compelling 105% upside potential for medium- to long-term investors, we have strategically removed it from our Top Picks List due to short-term risks impacting its stock performance. Since its inclusion on 08/05/2023, the stock has risen by 50.8%, but has underperformed the BIST-100 by 21.6% over the same period.

TOP PICKS LIST	Rating	12m TP	Upside Potential	Inclusion date	Since inclusion	1W	2W	1M	3M	6M	YTD
KCAER	Outperform	21.50	73%	19.06.2025	0.0%	-6.3%	-4.9%	-6.9%	9.2%	-10.9%	-4.8%
TUPRS	Outperform	200.00	46%	10.03.2025	18.6%	9.6%	6.1%	7.2%	17.4%	6.8%	9.2%
ASELS	Outperform	102.00	-28%	26.02.2025	79.5%	5.5%	8.2%	7.3%	34.7%	115.7%	108.6%
PGSUS	Outperform	275.20	22%	10.05.2024	24.3%	-10.1%	-9.9%	-5.4%	-5.9%	9.8%	13.2%
MGROS	Outperform	834.00	84%	02.10.2023	16.4%	-3.9%	-4.4%	-8.8%	2.5%	-3.2%	-10.3%
BRISA	Outperform	150.00	121%	26.02.2025	-9.3%	-3.9%	-5.0%	-8.2%	-12.2%	-15.4%	-17.9%
THYAO	Outperform	450.00	75%	02.06.2021	200.9%	-5.5%	-6.4%	-6.5%	-6.4%	-3.3%	-0.8%
QNB Invest Top picks Portfolio					465.9%	-1.7%	-2.5%	-2.9%	0.2%	17.5%	12.0%
Out											
KRDMD	Outperform	44.50	105%	08.05.2023	-21.6%	-3.1%	-5.4%	-5.9%	-24.5%	-18.2%	-14.2%

### QNB Invest Rating System

We employ a relative scale in our rating system (i.e. Market **Outperform**, **Neutral**, **Underperform**) in order to better present relative value propositions and more actively pursue long vs. short ideas at the BIST. The relevant benchmark is the broader Turkish stock market, using the BIST-100 index as a basis. The ratings also incorporate a certain degree of relativity within the analyst's own stock coverage universe due to asymmetric return expectations among the industries under our BIST coverage. The rating system combines analysts' views on a stock relative to the sectors under coverage, and the sector call relative to the market, together providing a view on the stock relative to the market.

Individual ratings reflect the expected performance of the stock relative to the broader market over the next 6 to 12 months. The assessment of expected performance includes a function of near-term company fundamentals, industry outlook, confidence in earnings estimates and valuation, and other factors.

An essential element of our rating methodology involves benchmarking a 12-month expected return against the cost of equity. We set a required rate of return for each stock, calculated from our risk-free rate and equity risk premium assumptions. The price target for a stock represents the value that the stock is expected to reach or sustain over the performance horizon of 12 months, according to the view of the analyst.

We have separated the stocks under our coverage into two groups, mainly with respect to their liquidity (market cap, free float market cap and historical average daily trading volume) as small-cap stocks exhibit different risk/return characteristics to more-liquid large-caps. For the purposes of the relative stock rating, however, stocks within each group will be considered on an unweighted basis with regard to their market capitalization.

For a stock to be assigned an **Outperform** rating, the implied return *must* exceed the required rate of return by at least 5 percentage points over the next 12 months for our larger-cap stock coverage, or by 10 percentage points for the small-cap group. For a stock to be assigned an **Underperform** rating, the stock must be expected to underperform its required return by at least 5 percentage points over the next 12 months. Stocks between these bands will be classified as **Neutral**.

When the potential upside of an *average* stock in our coverage exceeds its required rate of return (i.e. the market upside exceeding the implied average cost of capital), a greater number of stocks would fall into the aforementioned Outperform (Buy) category, illustrating the significance of the "relative return" concept (vis-à-vis absolute return) in picking better investment ideas with a positive alpha. The same holds true when the potential upside of an *average* stock in our coverage falls short of its required rate of return.

In this regard, as a supplemental methodology, we rank the stocks in our coverage according to their notional target price with respect to their current market price, and then categorize the top group (approximately 40-50% of the companies under coverage) as Outperform, the next 40-50% as Neutral and the lowest 10-20% (and no less than 10%) as Underperform.

It should be noted that the expected returns on some stocks may at times fall outside the relevant ranges of the applicable respective rating category because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges are permitted but becomes subject to review.

Also note that the analyst's short-term view may occasionally diverge from the stock's longer-term fundamental rating.

**Outperform.** We expect the stock to outperform the BIST-100 over the next 6 to 12 months.

**Neutral (Market Perform).** We expect the stock to broadly perform in line with the BIST-100 index over the next 6 to 12 months. (Although we would normally have a neutral assessment of stocks in this category, if a stock has gone through a period of market underperformance, it would be an indication that the stock may be expected to improve its performance relative to market averages in the coming period, and vice versa).

**Underperform.** We expect the stock to underperform the BIST-100 over the next 6 to 12 months.

**N/R.** Not Rated.

**U/R.** Under Review.

### Analyst Certification

The following analysts hereby certify that the views expressed in this research report accurately reflect their own personal views regarding the securities and issuers referred to therein and that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report: **Can Alagöz, Tolga Han and Ömer Çamlı.**

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

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