genial Equity Research

GERDAU

2023 Stakeholder Day: No longer just a rebar company

LatAm Metals & Mining

Main takeaways:

(i) The saturation of Chinese steel in the market is causing difficulties for Brazilian flat steel producers; **(ii)** We believe that long steel is more stable in Brazil due to the influx of Chinese steel, mainly influenced by the construction sector, which is fueling domestic demand in China through the expansion of MOHURD and the infrastructure segment, although the real estate market for commercial housing is waning; **(iii)** Gerdau, less exposed to flat steel, although doing better than its peers, is also experiencing falling down volumes and price discounts, leading to requests to the Brazilian authorities for import tariffs to reach 25% (vs. ~10 nowadays) **(iv)** We see the company as more diversified than years ago, no longer essentially focused on rebar, with more versatile production lines; **(v)** We believe that the ambitious plans for CAPEX may impact cash flow generation, raising investor concerns; **(vi)** With **negative short-term** sector prospects **exogenous to Gerdau**, we reiterate our **Neutral rating**, with a **12M Target Price** of **R$32.00**.

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Company

GGBR4 BZ Equity
Neutral

Price: R$ 23.78 (02-Oct-2023)
Target Price 12M: R$ 32.00

We attended to Gerdau's 2023 Stakeholder Day, which took place at the end of last week, **between September 28th and 29th**. During the presentation, management showed caution regarding to the sector's situation, even though the Company has made efforts to maintain its strong competitive advantages, especially in terms of product mix and investments.

Although we **continue to have a more constructive view of Gerdau than its peers**, we still have our **short-term concerns about the steel market** structured in the last two reports we published. The discussions we had at the event were imperative for us to **still maintain a Neutral bias for 2H23**, and we drew attention to the Company's own opinion on the effect of China's exports on the Brazilian industry, which continue to increase their penetration of apparent steel use (APU), making it difficult to realize both price and volume at Brazil BD.

2023 Stakeholder Day

Exports from China shuffle domestic market. With the Brazilian rebar premium at +6.6% vs. imports, we see continued pressure from international steel on the domestic market, considering that China accounts for ~50% of imports. It's true that today's figure is very close to the historical average, but we should note that the premium was ~12% at the beginning of last month, with the gap halved due to the price cuts that domestic players are having to make in order not to lose so much market share to imported steel. We believe that investors' greatest concern today lies in this dynamic.

Imported steel is being made available in greater quantities in Brazil, with the steel penetration rate having closed August at 19.5% (+4.2p.p y/y), due to an economic slowdown in China. This situation has forced Chinese steelmakers to expand their distribution and consequently, the country's steel is becoming highly competitive in global markets, given the severely low profit margins that steelmakers sustained until 1H23. Evidence of this trend can be seen in our latest sector report on mining, which is attached (Metals & Mining: An X-ray of the exposed fracture in the Chinese real estate market).

In this report, we point to crude steel exports as one of the factors supporting demand from Chinese steel mills, pushing iron ore to the ~US$120/t price level seen in August.

Why does Gerdau seem less affected than its peers? The situation for flat steel is even more delicate than for long steel, considering that the aggressiveness of imported products has even created a more prominent gap in the premium for domestic products in Brazil (25% at the beginning of August vs. 15.7% today). As Gerdau has ~2/3 of its portfolio linked to long steel, it ended up suffering less than its peers. We believe that one of the reasons why flat steel has suffered a stronger price attack in the face of Chinese steel floods is that the civil construction sector, which is not correlated with commercial housing sales by private developers, among the sub-segments of infrastructure and social housing (financed by the government), is holding back a higher level of domestic demand for China, and therefore reducing the need to export this type of steel.

However, with regard to flat steel, as well as having slightly easier logistics for export, they are also experiencing greater demand turbulence. We only see the Chinese automotive sector as a highly driver at the moment for flat steel, which conjugates itself as just not enough to justify the level of installed steel production capacity in China. It's worth remembering that Chinese blast furnaces are operating at a 92% utilization rate, which seems to us to be a high level for a demand that is still weak at the top end, leading to the conclusion that a significant portion is being exported. This leads to problems with implementing price revisions without a significant loss of market share for Brazilian steel producers.

What solution is being studied? In an attempt to neutralize this fact, Gerdau has sought the help of the government to protect its interests, including an increase in import tariffs, through a Brazilian Steel Institute (Aço Brasil) plea. The reason is that these tariffs are lower than those of several other countries and consequently divert a substantial volume of exports to Brazil. Nowadays, the tax is less than 10%, but Aço Brasil envisages an ideal rate of ~25%, parallel to that prevailing in Mexico.

In currant discussions with the sector, the Brazilian authorities announced the re-establishment of the import tax rate for a dozen steel products last week. The items affected include hot coil, cold coil, thick coil, galvanized slabs, aluminum-zinc coated slabs, wire rod, cold stainless-steel bars and seamless tubes. The new regulations will come into force from October, restoring the import tax to a range of 9.6% to 12.8%, which was the tariff used before the reduction made through GECEX Resolution nº 353, which allowed the import tax on these products to be reduced last year, and would have been in force until December 2023. The sector is awaiting the formal announcement of this decision in official publication (Diário Oficial).

During the event, Gustavo Werneck, CEO of Gerdau and board member of Aço Brasil, emphasized the country's need to prepare for the next growth cycle and solve the immediate problems affecting the steel industry. According to Mr. Werneck, the situation in China will have a major impact in the coming years and expediting safeguards is key in the next 30 days, as the sector risks significant layoffs due to the slowdown in local demand, expressing his support for the 25% tariff proposal amid the imminent risk of 15 thousand job losses due to stoppages at some Gerdau and other steel plants all across Brazil.

Today, Gerdau has 600 employees whose employment contracts have been suspended, said Mr. Werneck. The company has a plant in Ceará (CE) that is completely at a standstill, and some production lines have been interrupted at plants in São Paulo (SP). The suspension of contracts is done precisely to avoid mass layoffs at times when demand cools down, but the duration is a maximum of 120 days. So it is precisely for this reason that the pressure linked to the increase in tariff barriers must be taken as soon as possible by the government in order to maintain jobs. Considering that the situation is delicate, we believe that tariffs should rise, but our assessment at the moment is that it would be unlikely for the government to raise them to 25%.

Versatility in the product mix is another highlight. As well as being more exposed to long steel products, whose price dynamics are a little less affected by imports, the company operates through some plants, such as the ones we visited in Ouro Branco (MG) during the event, which have a wider range of products and operational management that allows flexibility for a more resilient mix. Our opinion is that versatility is not so often found with this kind of scalability in peers.

At times of volatile volumes, the company takes advantage of this window of change in operating parameters to look for alternatives to work on the mix of raw materials and products, bringing considerable value to the business. At times when demand cools off, adjustments are made to volumes and work is carried out in the upstream to seek the greatest levers of results, mixing production lines and the client’s segments that are served.

One of the merits we see in Gerdau today is its ability to work on different product lines, both flat and long, within the same complex plant, such as Ouro Branco. The BQ2 project, which will add 250Ktpy of hot-rolled coil capacity, should help this versatility even more. For example, when the naval, oil and gas, wind power and civil construction segments don't perform well, thick slabs products can lose demand. In this case, the company could reallocate production to hot coil, but today hot coil production is 100% taken up, with 800Kt produced. With the addition of capacity, Gerdau will gain even more flexibility among higher value-added products.

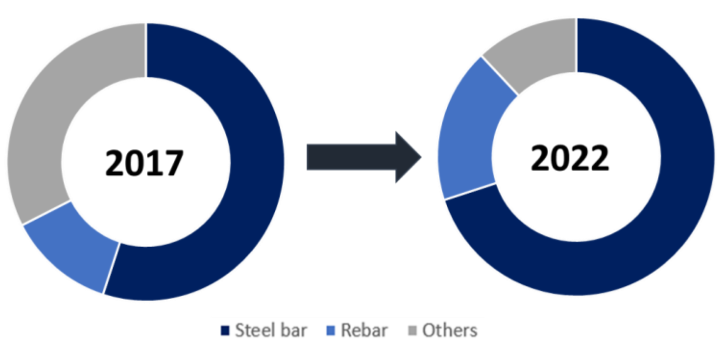
Furthermore, depending on the segment, the type of commercial agreement does not necessarily follow short-term price fluctuations. This means that there is a percentage of the order backlog with price dynamics tied to specific dynamics in those contracts, making it less susceptible to the spot price of steel.

The unit we visited in Ouro Branco has 4.5Mtpy of installed capacity, on 9 thousand hectares of land, 55% of which make up a green belt, surrounding the melt-shop with preservation and management logistics areas, which is still a competitive advantage when compared to other mills of the same size, helping with the company's "good neighbor" policy with the nearby communities. This may not seem significant from a financial perspective at first glance, but if we analyze the number of environmental lawsuits that CSN and Usiminas are facing, the latter having recently had a temporary cash blockade issued by the courts in the order of R$346mn, we can point to Gerdau's care for the environment as a notable differentiator for preserving its cash flow, given the increasingly strong environmental pressures on the steel industry.

Distancing itself from being just a rebar business. By doing its homework, Gerdau has made an important change in product portfolio in recent years, moving further away from a mix with restricted options and lower added value, such as rebar, which once accounted for ~1/3 of sales in North America BD in 2017. Currently, rebar represents ~1/8 of sales, diluting figures as the company has gained scale and diversified its mix. In addition, the start-up of new production lines precisely in Ouro Branco, marked Gerdau's entry into flat steel products in Brazil, where we believe the Company should continue to increase relevance over the coming years in a versatile way, being more adaptable to market conditions than its peers.

With rebar currently representing 24% of the portfolio, the Company has been diversifying the mix considerably over the years, with the remaining products at 21% linked to structural profiles, 14% bars and commercial profiles, 15% SBQ, 12% flat and 8% customizable directly for the downstream.

Graph 1. Product mix moving to aggregate value (2017 vs. 2022)



Soure: Gerdau, Genial Investimentos

As the largest recycler of ferrous scrap in Latin America, being less exposed to volatility in metallurgical coal and iron ore spot prices, the company is becoming one of the global companies in the sector with the lowest level of emissions, with 0.86 tons of CO_2 for every ton of steel produced (vs. 1.4 sector worldwide average).

At first sight, it's almost counterintuitive for a steel company to win so many ESG awards. Gerdau has made a commitment to sustainability, and since 2020 it has been accelerating its transformation into a B Corporation. This is a certification, issued by B Lab, aimed at companies that show the best ESG practices. Gerdau joins the rare group of companies on an international scale that have the certification, with the support of some mentors, such as Danone North America and Natura&Co, which are already certified. Between 2022 and 2023, the Peruvian operations and Gerdau Summit joined the B system. In addition, Gerdau was elected by Época Negócios as the best ESG and sustainability company in Brazil, regardless of sector... who would have thought?

Why should the market take a closer look at steelmakers' ESG? Considering the even greater need today to update the steel industry to create a smaller carbon footprint, with the signing of the Paris agreement by Brazil, USA and China (among other countries), Gerdau is at the forefront of this process. In some situations, analysts in Brazil may overlook the parts of institutional presentations that refer to ESG measures, but we believe that it is extremely important for the future of steelmaking that companies in the sector are concerned with environmental issues.

We are seeing the siege closing in, with regulatory bodies becoming increasingly restrictive with licenses for new capacity addition projects and customers throughout the steel consumption chain becoming more concerned and demanding with the decarbonization process. Companies in the sector that seek to promote more environmentally conscious solutions will certainly be better prepared for the future and will continue to have a resilient clients base.

As we quoted in our last report, we expect higher CAPEX. With CAPEX guidance for 2023E at R$5.0bn, our interpretation is that realized CAPEX will exceed that indicated by Gerdau by +16% (R$5.8b Genial Est.). We believe that CAPEX at a higher level should cause an obstacle to cash generation in the short term, considering that price dynamics in Brazil are not favorable and we expect a reduction in realized prices in the US, through the narrowing of the metal spread to instigate clients who were holding back orders, as the picture portrayed in 2Q23 for difficulties encountered by North America BD to gain volume. This should drag EBITDA down, which combined with higher CAPEX, should partially compromise FCF generation for 2H23. In addition, management opened a strategic CAPEX in the first day of presentation, sitting at R$11.9bn between 2021 and 2026, of which R$8.6bn should be invested in the coming years, with R$3.3bn already realized.

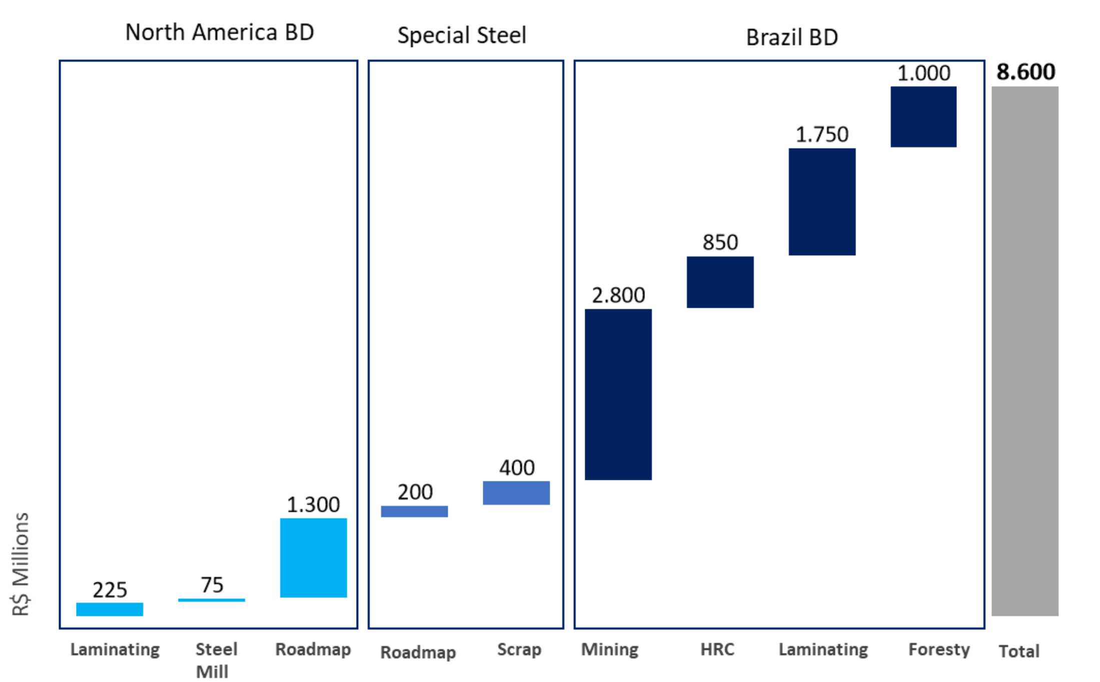
Brazil's BD investments continue to drive growth. The concentration of future investments is in Brazil, accumulating ~75% of the total CAPEX still to be disbursed. Among the projects for capital expenditure, we see the **(i)** expansion of the sustainable mining platform in Miguel Burnier (MG), which we visited during the event and is expected to consume R$3.2bn (between 2023 and 2026), adding a capacity of 5.5Mtpy of pellet feed, with a high-quality iron ore content (~65% Fe), in addition to having integrated logistics through a 13km long pipeline, with direct connection to the Ouro Branco plant (MG). In addition, **(ii)** the expansion of the hot coil (BQ2) and utilities for a total expenditure of ~R$1.55bn; **(iii)** expansion of the profile rolling mill with an investment of ~R$1.75bn and **(iv)** increasing the forestry base in MG, with an expenditure of ~R$1.0bn.

North America BD has ahead more sustaining CAPEX and smaller capacity expansion projects. Even with a lower proportion, North America's investments are still relevant to the competitive environment Gerdau finds itself in in the US, presenting capacity increase projects in **(i)** PTB, CVT and JRS rolling mills for ~R$225mn, **(ii)** Whitby melt shop, with an investment of ~R$75mn and **(iii)** Miolothian Roadmap, with a budget of ~R$1.3bn.

In addition, Special Steel has a roadmap project in Monroe for ~R$200mn and scrap processing for ~R$400mn.

How much of the CAPEX will be translated into increased EBITDA? In line with CAPEX growth, management expects an additional increase in EBITDA, with a potential expansion of +R$4.0bn annualized in 2031, coming mainly from Brazil BD (~R$1.9bn of the total). Our view is that, at first, the investment will be expensive. According to this approach, CAPEX will generate a return of ~47% of total invested on EBITDA over 8 years. We see CAPEX as being one of the main points where investors we've spoken to are showing concern, considering a downward EBITDA trajectory in the short term, a rising CAPEX will put pressure on cash flow generation.

Graph 2. Aproximated CAPEX to be invested from now on until 2026



Soure: Gerdau, Genial Investimentos

Automakers' employees strike in the US could reduce demand in the coming months. The automakers' strike, encouraged by the United Auto Workers (UAW), has made it impossible to continue the healthy movement we saw in 2Q23 in terms of restocking inventories. The traditional automakers (Ford, GM and Stellantins) already have at least 25 thousand employees on strike. As a result, vehicle production could fall sharply in the coming months, with a strong dependence on the outcome of the conflict for its recovery, and directly affecting the demand for steel over there. After starting a strike at three plants in mid-September, the union is threatening to escalate the action unless the automakers significantly improve their current offers. The demands are: **(i)** a general wage increase of around +40% for workers over a four-year contract, given the three automakers' combined profit of US$21bn in 1H23. So far, the automakers' counterproposal has been 20%.

The UAW also intends to **(ii)** equalize the payment of wages for new employment contracts with the old ones, where the wage is higher for the same job, after the agreement that split into two tears in 2007/08 during the US recession. In addition, health care and benefits for retirees are also separated into groups. The UAW is mirroring the success of other unions, such as UPS, in achieving similar increases this year and unifying the tears. For UAW affiliates, the contract equalization progression should last 90 days, while the automakers are proposing a four-year progression. The last point demanded by UAW is in relation to **(iii)** the fleet transition to electric vehicles, with the union seeking guaranteed rights and some level of redress for workers in the event of the closure of combustion engine vehicle plants.

Considering the level of UAW demands, our perception is that there is still a long way to go before a consensus is reached between automakers and the union. Our assessment is that this will certainly make life more difficult for Gerdau in the Special Steel operation. In the last quarter, the BD reported a volume of 379kt, showing a growth of +6.7% q/q. Its price remained stable at ~R$8,200/t in 2Q23. We credit much of this improvement to the automotive sector in the US, with demand being reshaped by more stable production chains and inventory increase strategies.

In Brazil, the government's discount policies have resulted in a minimal retraction of prices, considering existing levels, with growth in the sector forecast at 2% y/y in 2023, due to an incredibly weak base in 2022. This projection, however, is not necessarily due to an increase in production due to a greater appetite for automobiles, reflecting the sector is still making baby steps towards recovery. Even if this is the case, the upturn in automaker activity has eased the pressure on Gerdau in Brazil, but we remain pessimistic about the sector's overall performance.

In view of this mapping of the past quarter, we believe that for 3Q23 the US market should present growing numbers, in continuity with what we observed last quarter, with Brazil still moving sideways. However, due to the UAW strike, the 4Q23 figures should suffer considerable slowdown impacts, putting a momentary halt to the favorable volume that had been happening until then. This interruption should last until next year, so we believe negotiations will be sluggish, and we will soon enter the end-of-year period, where the movements of the automotive industry are naturally slowing down.

Gerdau Next has interesting potential, despite its current low representativeness. The main verticals of Gerdau Next, a venture capital fund with the mission of diversifying the Company's portfolio through the creation and incorporation of businesses in other segments, have the capacity to generate value within the Company, but are still being marked as an option for the majority of investors who hold positions in the stock.

Highlights include **(i)** Addiante, a JV with Randon for the leasing of heavy vehicles and equipment, with a lifetime EBITDA margin of ~91%; **(ii)** G2L, a multimodal logistics operator with net revenues of more than R$1.0bn in 2022, serving more than 40 clients in addition to Gerdau itself in inbound and outbound operations; and **(iii)** Newave Energia, which is already capable of covering 35% to 40% of Brazil's BD consumption from renewable energy source.

Our Take on Gerdau

Flat steel producers are facing price challenges due to the fact that Chinese steel is flooding the market on the back of still apathetic demand in China's structural consumption. Currently, the automotive sector is for us the only major driver of demand for flat steel in China, despite the country's steel production capacity operating at a 92% utilization rate, marked at the end of September. For long steel, we are seeing greater price stability in recent weeks in Brazil, as the premium formation gap has affected this product category less.

Why are we neutral on the steel sector? As we highlighted throughout the report, we believe that the increased pressure on flat steel prices is being greater than for long steel due to the influx of Chinese steel, which is largely denominated by the construction sector. This sector, which operates independently of commercial housing sales by private developers, encompasses the sub-segments of infrastructure (mainly railroads) and government-funded social housing, made possible by the Chinese Ministry of Housing and Urban Development's (MOHURD) expanding master plan of almost +50% y/y. These construction sub-sectors are currently supporting a higher level of domestic demand in China, therefore reducing the need to export this specific type of steel, even though the real estate market for commercial housing sales is going through a structural crisis that we feel is far from over, as we detail further in our Mining sector report, which is attached (link).

This dynamic of overcapacity in blast furnaces leads to a high level of steel exports from China, causing price problems for Brazilian steel producers. Even given the current price stability of long steel, which accounts for 2/3 of Gerdau's portfolio, the market seems extremely competitive, with the premium having reduced over the course of the year as a result of some discounts given by local steelmakers. Certainly, because it is less exposed to flat steel, where the price war is more intense, Gerdau is doing better than its peers. Even so, the difficulties in handling contracts, falling volumes and price discounts worry Mr. Werneck, who has made clear his position of fighting for an increase in tariff barriers, in order to try to avoid the continued high penetration of imported steel within apparent consumption.

No longer just a rebar company. Gerdau has made a successful transition away from being primarily a rebar company, significantly diversifying its product mix, as we pointed out throughout the report. The launch of new production lines in Ouro Branco (MG), which we visited during the event, led Gerdau to enter the flat steel segment. The versatility and flexibility of its products in response to market conditions has increased the company's value, with EBITDA expanding by ~3.3x in 5 years, accompanied by a margin almost doubling, spectacular growth for an extremely difficult sector in terms of competitiveness and lower margins, as we know the steel industry to be.

Looking ahead, we see CAPEX dragging investors attention. Talking to some institutional investors after the event, we confirmed that our upward bias towards CAPEX should be a key point in decision making process of a long position in Gerdau shares over the coming months. We believe that the CAPEX plan that management gave during the event is aggressive, and could scare away investors in the short term, considering that we forecast a contracting EBITDA for 2H23, with Brazil BD and North America BD slowing down, and a negative news flow regarding the UAW strike for the Special Steel unit.

We expect a realization of **R$5.8bn 23E (+16% Genial Est. vs. guidance).** In the short term, high CAPEX could prevent better cash flow generation due to unfavorable dynamics regarding the penetration of imported steel in Brazil and the reduction we expect in US prices in relation to the narrowing of the metal spread, harming EBITDA levels. We believe that the high metal spread seen in 1H23 eventually led to a potential discount, as peers cut prices to pull back up volume in 3Q23. Higher CAPEX combined with lower EBITDA could also affect the company's dividend yield going forward, which was already lower last quarter, as FCF are probably aimed to go down.

We know that the R$3.2bn of total CAPEX (vs. R$2.8bn yet to come) for the structuring and expansion of operations at the Miguel Burnier mine (MG) is essential to raise the quality of the iron ore extracted from the region, considering that Gerdau is pulling it off from Itabirito type, with a slightly lower quality, and the investment should make it possible to improve the beneficiation process and raise the production of higher quality pellet feed for transportation to the Ouro Branco plant (MG), via the pipeline. The project to integrate a mine and a steel mill of this capacity is innovative, but the investment seems expensive at a time when the steel cycle is bearish. **Investors seem to be more concerned with cash flow preservation, with less aggressive CAPEX options in the short term**.

Gerdau's expectation is that, with project's expansion and the integration with the mill, there will be a reduction in cost of acquiring iron ore, through a lower penetration of iron ore from third parties to meet the needs of the Ouro Branco operations. The expected cost after the CAPEX commitment is ~US$30/t for iron ore delivered to the plant. This should bring an improvement of ~R$1.1bn in EBITDA, which would help to build up the R$4.0bn return indicated by the Company in relation to the R$8.6bn of total CAPEX to be invested by 2026-year end.

It's too soon to tell, with investors looking more at the short term than the long run results. However, the amount still seems relatively expensive to us a priori**. A lot of CAPEX for a marginal return of ~5% in 2031 based on our 23E EBITDA**.

Stakeholder Day 2023 impressions. The event gave us clarity about Gerdau's execution capacity, and we were even impressed by the level of automation at the Ouro Branco melt shop. In the rolling stages, we saw very little maneuvers of workers in direct contact with heavy machines, helping to compose the low rates of accidents at work that today guide Gerdau's day-to-day operations, a theme that was present during a significant part of Mr. Werneck's closing speech on the first day.

Even so, we believe that the **unfavorable short-term dynamics should prevent the shares from rising**, with a scenario that is still clouded by issues related to import tariffs within operations in Brazil, as the risk of layoffs or more work contracts suspended are getting higher due to low demand and the lack of competitive pricing conditions. If the Brazilian government revises the import tariff issues, **we believe it will be an interesting trigger for the steel sector's stocks.** As Gerdau is for us the company with the most competitive advantages, the shares could possibly rise more than peers. However, it is difficult to predict what the government's move will be. **In our opinion, the 25% plea will not be achieved entirely**. We are expecting something around 18% up to 20% at max.

In addition, North America BD is expected to cut prices in 2H23, and the Special Steel unit is suffering from an automobile market with no traction in Brazil and also the bomb that was drop into company's lap with the UAW strike, interrupting production at the main American automakers (Ford, GM and Stellantins), removing from the 4Q23 radar the only segment that had performed well last quarter. Trading at an **EV/EBITDA 24E** of **3.4x**, we reiterate our **Neutral rating**, with a **12M Target Price** of **R$32.00**.

We anticipate that we will finish updating the model with new assumptions and will have further talks with the Company throughout the week, for us to publish in the next few days our steel sector report for this quarter. With a **negative short-term sector outlook that is exogenous to Gerdau**, the Target Price will probably change downwards.

Appendix: Gerdau

Figure 1. Gerdau – Income Statement in US$ Millions (Genial Est. 2023-2028)

Income Statement	2023E	2024E	2025E	2026E	2027E	2028E
Net Revenue	**72.109**	**72.460**	**74.248**	**76.365**	**78.384**	**80.106**
(-) COGS	(59.434)	(58.522)	(60.235)	(61.955)	(63.381)	(66.068)
Gross Profit	**12.675**	**13.938**	**14.012**	**14.410**	**15.003**	**14.039**
(-) Expenses	(113)	(1.062)	(1.041)	(1.071)	(1.067)	(1.104)
Adjusted EBITDA	**15.159**	**16.454**	**16.742**	**17.284**	**18.032**	**17.182**
(-) D&A	(2.886)	(3.073)	(3.254)	(3.423)	(3.580)	(3.727)
EBIT	**12.561**	**12.876**	**12.972**	**13.339**	**13.936**	**12.935**
(+/-) Financial Result	(765)	(828)	(819)	(813)	(811)	(842)
(-) Taxes	(2.856)	(2.916)	(2.942)	(3.032)	(3.177)	(2.927)
Net income	**8.940**	**9.131**	**9.211**	**9.493**	**9.948**	**9.165**
Profitability						
Net margin (%)	12,40%	12,60%	12,41%	12,43%	12,69%	11,44%

Figure 2. Gerdau– Cash Flow in US$ Million (Genial Est. 2023-2028)

Cash Flow (FCFF)	2023E	2024E	2025E	2026E	2027E	2028E
Net Revenue	**72.109**	**72.460**	**74.248**	**76.365**	**78.384**	**80.106**
(-) COGS	(59.434)	(58.522)	(60.235)	(61.955)	(63.381)	(66.068)
Adjusted EBITDA	**15.159**	**16.454**	**16.742**	**17.284**	**18.032**	**17.182**
EBIT	**12.561**	**12.876**	**12.972**	**13.339**	**13.936**	**12.935**
(-) Taxes	(2.856)	(2.916)	(2.942)	(3.032)	(3.177)	(2.927)
(+) D&A	2.886	3.073	3.254	3.423	3.580	3.727
(+/-) Δ WK	1.427	(877)	(261)	(412)	(451)	(453)
(-) Capex	(5.135)	(5.180)	(5.221)	(5.265)	(5.290)	(5.302)
FCFF	**8.884**	**6.975**	**7.802**	**8.053**	**8.599**	**7.979**

Disclosure Section

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Genial Rating

	Definition	Coverage
Buy	Expected return above +10% in relation to the Company's sector average	**49%**
Neutral	Expected return between +10% and -10% relative to the Company's industry average	**41%**
Sell	Expected return below -10% in relation to the Company's sector average	**5%**
under Review	Under review	**5%**

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