Equity Research

GERDAU

3Q23 Review: Round and round it goes…

LatAm Metals & Mining

Main takeaways:

(i) Volume struggling to grow in all business units, especially in Brazil BD; **(ii)** Price being negatively affected by the macro factor, in relation to the Chinese situation; **(iii)** Net revenue down -6.6% q/q and -19.3% y/y; **(iv)** Adjusted EBITDA of R$3.3bn, and net income of R$1.6bn, both in a double digit retraction; **(v)** Free Cash Flow Generation (FCFE) was R$2.2bn (-14.1% vs. Genial Est.); **(vi)** CAPEX acceleration to R$1.5bn (+7.0% vs. Genial Est.), presenting a figure above our projections, with an increase of +20.9% q/q and +40.7% y/y; **(vii)** Announcement of **dividend distribution at R$0.47/share** (-14.5% vs. Genial Est.), representing ~2% of the current market cap; **(viii)** We see the company with a **dividend yield of 8.2% 23E and 6% 24E** and we expect a dividend of **R$0.42/share for 4Q23E**, in line with the sequential drop we project due to the increase in CAPEX reducing the space available in the cash flow; **(ix) Rating reiterated in NEUTRAL**, with a **12M Target Price** of **R$26.00**, which leaves an **upside** of **+12.46%** for the shares.

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Company

GGBR4 BZ Equity
Neutral

Price: R$ 23.12 (07-Nov-2023)
Target Price 12M: R$ 26.00

Gerdau released its 3Q23 results yesterday, November 6th, after the market closed. The figures reported came in **slightly better than expected as far as EBITDA goes**, although it continues to fall on a sequential basis, and even more intensely on a year-on-year basis. **Net income was slightly below our estimates**. Cash generation fell short of what we expected, with CAPEX showing a strong rise. We believe, at this point, **it will be difficult for the company to stay within the CAPEX guidance for 2023**.

Table 1. Shipments Summary (3Q23 vs. Genial Est.)

(Thousand Tonnes - kt)	Reported	Genial Est.					
Summary (Shipments)	**3Q23**	**3Q23E**	**% R/E**	**2Q23**	**% q/q**	**3Q22**	**% y/y**
Brazil BD	1.260	1.225	**2,9%**	1.344	**-6,3%**	1.330	**-5,3%**
North America BD	943	962	**-1,9%**	975	**-3,3%**	988	**-4,6%**
South America BD	290	304	**-4,5%**	311	**-6,8%**	297	**-2,4%**
Special Steel BD	345	354	**-2,6%**	379	**-9,1%**	403	**-14,4%**

Soure: Gerdau, Genial Investimentos

Table 2. Income Statement Summary (3Q23 vs. Genial Est.)

(R$ millions)	Reported	Genial Est.					
Income Statement	**3Q23**	**3Q23E**	**% R/E**	**2Q23**	**% q/q**	**3Q22**	**% y/y**
Net Revenue	17.063	16.614	**2,7%**	18.265	**-6,6%**	21.149	**-19,3%**
Adjusted EBITDA	3.349	3.158	**6,0%**	3.792	**-11,7%**	5.369	**-37,6%**
Net Income	1.582	1.633	**-3,1%**	2.143	**-26,2%**	3.022	**-47,7%**

Soure: Gerdau, Genial Investimentos

In Brazil, even with the recent drop in interest rates, demand for steel continues to weaken, leading to a reduction in volume of -6.3% q/q and -5.3% y/y. In addition, the growing presence of Chinese steel in the Brazilian market, becoming an integral part of apparent consumption, has triggered a price battle that echoes throughout the domestic market, as we highlighted in our preview report, which is attached below (3Q23 Preview: Oxidized Steel). In this context, we saw the price of Brazil BD shrink to ~R$5,300/t (vs. -1.9% Genial Est.), a decrease of -1.5% q/q.

In North America, the drop in price realization was a little stronger, as the metal spread has been at high levels for a long time in the US, leading a considerable number of clients to hold off on orders, awaiting potential price cuts. In a joint move, steel producers in the US then began to announce some discounts, in a dynamic that we have been commenting on since last quarter, ahead of consensus. In the case of Gerdau, a cut of -US$50/t was announced, lower than its US peers.

For Special Steel, as we said before about the slowdown in the pace of restocking car inventories in the US, sales volume fell by -9.1% q/q and -14.4% y/y. We believe that the next quarter will be even more challenging for the unit due to the UAW union strike, which went into effect at the end of September.

Valuation and rating. Consolidating the scenario in which Gerdau is exposed, we see Brazil BD in a lot of difficulty, especially in relation to what is happening with the continued export of Chinese steel, which is gaining market share from local companies through more competitive prices. Conversely, North America BD is in a better position, given the tariff barriers that protect the Chinese market, but it is still suffering from the contractionary monetary policy adopted by the FED, with the negative impact on economic activity beginning to show off.

In addition, Gerdau is facing a time of increased CAPEX, both for maintenance and expansion, but, coupled with the worsening of reported figures due to the bearish steel cycle, is weakening short-term cash flow generation.

There has been much discussion about whether the best time to make larger investments would be in the low cycle or in a bullish moment of commodity prices. The perception we have today is that investors have a very short-term mentality, **shying away from companies that decide to increase CAPEX when EBITDA is falling down**. We have confidence in the potential of the projects presented by Gerdau, but **investors are more concerned about the lack of short-term catalysts**. It's a good company, but it's cyclical... As a result of these challenges, we reiterate our **NEUTRAL rating** on our **12M Target Price** of **R$26.00**, with an **upside** of **+12.46%**.

Straight to the point...

Revenue slightly better than expected, but still in contraction. Despite coming in above our expectations (vs. +2.9% Genial Est.), Gerdau still reported a drop in volume at Brazil BD, reaching 1,260Kt, (-6.3% q/q; -5.3% y/y). In the Brazilian operations, we saw net revenue of R$6.6bn (+0.8% vs. Genial Est.), down -8.3% q/q and -21.8% y/y, with price realization slowing down slightly by -1.5% q/q to ~R$5,300/t (vs. -1.9% Genial Est.).

As for North America BD, along with the drop in volumes to 943Kt (-1.9% vs. Genial Est.), which was slightly more intense than our projections, there was a negative price impact. However, just as in the Brazilian business division, prices for North America also recorded a less intense fall than we expected, coming in slightly higher than our estimates (vs. +3.1% Genial Est.), reaching ~R$6,700/t (-3.8% q/q; -15.3% y/y). Revenue for North America BD clocked in at R$6.3bn (+1.3% vs. Genial Est.), with a sequential drop of -7.0% q/q and a stronger drop of -19.2% y/y.

Looking at the consolidated figures, total revenue was posted at R$17.0bn (+2.7% vs. Genial Est.), showing a decline of -6.6% q/q and -19.3% y/y. Despite the decline both sequentially and year-on-year, the figures came in slightly above our projections in all business units, demonstrating the company's partial resilience in the face of the macroeconomic scenario that has been drastically affecting the steel industry.

EBITDA also exceeded estimates, while profit fell short. Cost dynamics were very close to what we had expected for most of the business units, but we would highlight Brazil's BD performance for reaching a COGS/t of ~R$4,750/t (-5.0% vs. Genial Est.), representing a marginal drop of -0.7% q/q vs. our estimate of a rise of +2.2% q/q. As both Brazil's BD revenues and costs performed better than we expected, this helped EBITDA to be less affected by the slowdown in demand. Even so, EBITDA contracted by -11.7% q/q and -37.6% y/y, reaching R$3.3bn (+6.0% vs. Genial Est.), therefore coming in above our projections. However, a more negative effect than expected due to net exchange rate variations ended up removing the visibility of this slightly greater resilience in EBITDA in the bottom line of the result. Considering that, net income clocked in at R$1.6bn (-3.1% vs. Genial Est.), down -26.2% q/q and -47.7% y/y, marginally below our expectations.

In detail!

Realized prices were negatively impacted by the macroeconomic situation. In the main operating units, we had a falling down price, with a marginal drop in Brazil BD to ~R$5,300/t (-1.5% t/t; -17.5% y/y), feeling a negative reflection of the scenario of strong exports from China to the domestic market. Although the situation is challenging, in line with what we have been saying in recent reports, Gerdau has a slightly higher level of protection compared to its Brazilian peers, which stands out due to a more resilient product mix, and a greater exposure to long steel. As we quoted in our preview report, we believe that the phase of price stability for long steel will soon make room to price increases in the coming months. However, the situation will remain challenging for flat steel.

Looking at North America BD, the downward dynamic in price realization was a little stronger, but still higher than estimated (+3.1% vs. Genial Est.), reaching ~R$6,700/t (-3.8% q/q; -15.3% y/y), after the company realized discounts amounted in -US$50/t during the quarter. Once again, we would like to highlight the excellence of Gerdau's portfolio, given that the price drop was smaller than other peers in the US, even exceeding our estimates. In the other business units, Special Steel saw prices fall by -1.3% q/q while South America BD surprised positively with +4.4% q/q, the only one to report a sequential increase.

Despite the drop in prices, volume was not unscathed. Brazil's DB domestic market was reported at a volume of 1,039kt (+0.4% vs. Genial Est.), a drop of -2.5% q/q and -13.8% y/y, while the foreign market shrank more sharply, to 221kt (-20.9% q/q; +75.1 y/y), as previously expected. In total, Gerdau delivered a volume of 1.2Mt in the Brazilian operation, down -6.3% q/q and -5.3% y/y.

North America BD, on the other hand, proved to be more resilient in terms of volume, mainly as a result of the price discount, which helped sales to be slightly more stable sequentially, at 943Kt (-1.9% vs. Genial Est.), falling only -3.3% q/q and -4.6% y/y. For the other business units, we also see a reduction in sales volume, with South America down to 290Kt (-6.8% q/q; -2.4% y/y), negatively impacted by the disruption in exports from Brazil, as we said in our preview report.

As for the Special Steel unit, which last quarter we classified as a positive highlight, this quarter was just the opposite, showing the biggest drop in volume of all the business units, at -9.1% q/q; -14.4% y/y, to reach 345Kt (-2.6% vs. Genial Est.). We have always been pessimistic about the short-term dynamics for light vehicles in Brazil, but the rapid pace of deceleration in the US from one quarter to the next surprised us, with volumes even coming in below our already contractionary expectations. We believe that the FED's monetary tightening policy is starting to have an effect on reducing the pace of consumption by American families, and durable goods such as cars are usually the ones that feel the reduction in demand the most in this type of scenario.

Better than expected revenue, but shrinking. In line with the tight price dynamics and falling volumes, Gerdau's consolidated net revenue contracted slightly above our estimates (+2.7% vs. Genial Est.) to R$17.0bn (-6.6% q/q; -19.3% y/y), driven by a drop in all business units, but mainly in Brazil BD of -8.3% q/q and in North America BD of -7.0% q/q.

Table 3. Net Revenue Gerdau (3Q23 vs. Genial Est.)

(R$ millions)	3Q23 Reported	3Q23E Genial Est.	% R/E	2Q23 Reported	% q/q	3Q22 Reported	% y/y
Net Revenue	**17.063**	**16.614**	**2,7%**	**18.265**	**-6,6%**	**21.149**	**-19,3%**
Brazil BD	6.635	6.579	0,8%	7.236	-8,3%	8.484	-21,8%
North America BD	6.332	6.251	1,3%	6.806	-7,0%	7.832	-19,2%
South America BD	1.566	1.492	5,0%	1.609	-2,6%	1.972	-20,6%
Special Steel BD	2.771	2.765	0,2%	3.086	-10,2%	3.477	-20,3%
Eliminations	(241)	(474)	-49,1%	(471)	-48,8%	(616)	-60,9%

Soure: Gerdau, Genial Investimentos

Cost dynamics very close to expectations, cooling down in almost all business units. Although all units, apart from Special Steel, showed a drop in costs, we would highlight Brazil's BD performance in terms of cost efficiency, with a marginal drop of -0.7% q/q vs. our estimate of an increase of +2.2% q/q, reaching a COGS/t of R$4,750/t (-5.0% vs. Genial Est.). We believe that this happened because of cooling down process in the cost in main production inputs, such as coal, scrap, and iron ore, considering their due delays for the spot curves. Mention should also be made of Gerdau's good work in relation to the scrap collection process in Brazil, supporting recyclers and controlling the availability of this input in order to reduce costs.

In the same direction, North America BD had reduction of -1.7% q/q, reaching a COGS/t of R$5,300/t, due to the lower cost of scrap (-10.8% y/y), and electricity (-9.4% y/y). As we quoted in our preview report, we believed that the better supply of scrap, following the gradual restocking that took place in the first half of the year in the US, would be effective in reducing costs now in 3Q23. For the other business units, we also saw a marginal drop in COGS/t, which although slight, helped profitability.

EBITDA shrinking, with margins falling. Consolidating an adjusted EBITDA of R$3.3bn (+6.0% vs. Genial Est.), despite a performance slightly above our estimates, Gerdau showed a drop of -11.7% q/q and -37.6% y/y, equivalent to a margin of 19.6% (-1.14p.p q/q; -5.76p.p y/y), also slightly above what we expected, even with the decline.

The main business units brought in weaker figures although above our estimates, with Brazil clocking in at R$868mn (-12.5% q/q; -44.5% y/y) and North America at R$1.5bn (-12.5% q/q; -39.7% y/y), also showing compression in their margins, to 13.1% and 24.6% respectively. Meanwhile, the other BDs experienced some difficulty (-1.2% q/q for South America BD and -16.8% q/q for Special Steel).

Table 4. EBITDA Gerdau (3Q23 vs. Genial Est.)

(R$ millions)	3Q23 Reported	3Q23E Genial Est.	% R/E	2Q23 Reported	% q/q	3Q22 Reported	% y/y
Adjusted EBITDA	**3.349**	**3.158**	**6,0%**	**3.792**	**-11,7%**	**5.369**	**-37,6%**
Brazil BD	868	687	26,3%	992	-12,5%	1.563	-44,5%
North America BD	1.555	1.465	6,1%	1.777	-12,5%	2.579	-39,7%
South America BD	475	421	12,9%	481	-1,2%	573	-17,1%
Special Steel BD	502	634	-20,9%	603	-16,8%	631	-20,4%
Eliminations	(51)	(49)	3,5%	(60)	-15,3%	23	-321,7%

Soure: Gerdau, Genial Investimentos

Net income loses strength due to poor performance and exchange rate variations. After a financial result of -R$478mn (vs. -R$94mn Genial Est.), we saw this line impacted by net exchange variations that were more intense than our estimates. As part of Gerdau's revenue is dollarized due to operations in the US, we believe that exchange rate instruments/derivatives may have interfered in the result, due to the rapid cycle of appreciation and depreciation of the USD/BRL exchange rate, which was very volatile in the period due to market noises about the FED's monetary policy in the US and fiscal issues in Brazil.

We then saw a net income of R$1.6bn (-3.1% vs. Genial Est.), down -26.2% q/q and -47.7% y/y, coming in slightly lower than expected, despite EBITDA coming in higher than estimated. Given these figures, the company also posted a net margin of 9.3% (-2.46p.p q/q; --5.02p.p y/y), slightly lower than our model indicated (-0.56p.p vs. Genial Est.).

Table 5. Income Statement Gerdau (3Q23 vs. Genial Est.)

(R$ millions)	3Q23 Reported	3Q23E Genial Est.	% R/E	2Q23 Reported	% q/q	3Q22 Reported	% y/y
Net Revenue	**17.063**	**16.614**	**2,7%**	**18.265**	**-6,6%**	**21.149**	**-19,3%**
COGS	(14.270)	(14.013)	1,8%	(14.987)	-4,8%	(16.411)	-13,0%
Adjusted EBITDA	**3.349**	**3.158**	**6,0%**	**3.792**	**-11,7%**	**5.369**	**-37,6%**
EBITDA Margin (%)	19,6%	19,0%	0,62p.p	20,8%	-1,14p.p	25,4%	-5,76p.p
EBIT	**2.384**	**2.293**	**4,0%**	**2.885**	**-17,4%**	**4.463**	**-46,6%**
EBIT Margin (%)	14,0%	13,8%	0,17p.p	15,8%	-1,83p.p	21,1%	-7,13p.p
D&A	(789)	(733)	7,7%	(752)	4,9%	(738)	6,9%
Financial Result	(478)	(94)	409,5%	(423)	13,0%	(530)	-9,8%
Net Income	**1.582**	**1.633**	**-3,1%**	**2.143**	**-26,2%**	**3.022**	**-47,7%**
Net Margin (%)	9,3%	9,8%	-0,56p.p	11,7%	-2,46p.p	14,3%	-5,02p.p

Soure: Gerdau, Genial Investimentos

Our Take on Gerdau

When we talk about the deterioration of the macro scenario, we are also talking about China. Chinese steel exports remain at high levels, while steel mill margins in China remain under pressure due to iron ore and coke prices. In addition, China's manufacturing Purchasing Managers' Index (PMI) also indicated a contraction in October, registering 49.5, after reaching 50.2 in September. Signaling that domestic demand for capital goods remains volatile. With domestic demand not fully directed towards the steel produced, the surplus ends up opening margins for exports. As blast furnace utilization rates remain high in China, at ~92%, and the metal spread for hot rolled coil (HRC) is at ~US$10/t for local steel producers, our take is that China is unlikely to stop selling cheaper flat steel on the global market.

Why do we reinforce our neutral bias on the Brazilian steel sector? With the increase in exports continuing, if Brazilian steel producers and government authorities do not come to an agreement to close the gap that is wide open, an important destination for Chinese steel will continue to be Brazil. We agree with Aço Brasil's appeal that the import tax of ~12% compared to other Latin American peers such as Mexico (25%), is very tiny, and weakens the sector greatly in the face of this situation, which still seems to us to be far from over.

The installed capacity for steel production in China is over 1.2Bt, and as the utilization rate of blast furnaces is showing no signs of falling back from the current level, we have indications to believe that the strategy adopted by the mills is to continue producing steel without a deep cut in supply. As the Chinese domestic market is unlikely to be able to absorb all this supply as it did in the past, when China grew its GDP by 7-10% a year, and is now struggling to reach the target of 5% by 2023 (vs. 4.8% Genial Est.), we are forced to have almost no hope of improvements in the dynamics of flat steel in Brazil. We know that for long steel (2/3 of Gerdau's portfolio), the situation is not so bad, but the new attempts to pass on prices for rebar of +R$50/t do not seem to have been fully accepted by the client base of the Brazilian producers who tried this move, as we commented with more details in our preview report, which is attached (3Q23 Preview: Oxidized Steel).

Cash flow generation falls y/y and comes in below estimates. Faced with a weaker EBITDA, down -11.7% q/q and -37.6% y/y, free cash flow (FCFE) was R$2.2bn (-14.1% vs. Genial Est.). Even with EBITDA coming in slightly above our estimates, FCFE came in below what we expected, with CAPEX accelerating to R$1.5bn (+7.0% vs. Genial Est.), presenting a figure above our projections, with an increase of +20.9% q/q and +40.7% y/y, which confirms our bias of dilating investments as a detractor of cash flow in the short term, which fell -27% y/y by the way.

Despite the year-on-year drop, the company did generate quite a lot more cash flow vs. previous quarter, but we highlight the reason for this was the working capital release of R$501mn, which allowed 67% of adjusted EBITDA to be converted into FCF, +4p.p above the percentage seen in 2Q23. This dynamic was already expected by us and was already reflected in our model for the contemplation of our quarterly cash flow projection, due to the reduction in inventories as a seasonal effect of the 3Qs. So, we must compare cash flow looking at the annual retraction of -27% y/y, which would help to expunge this seasonal effect from the release of working capital and focus the analysis on raising the level of CAPEX.

Gerdau has a CAPEX guidance of R$5bn for 2023. This means that in order to remain within the guidance, 4Q23 CAPEX would have to be R$1.4bn, and show a sequential decrease of -5% q/q. At the moment, we don't believe this is possible. Our bias is to continue the process of gradually increasing investments, so one of the changes we made to our model to consider new assumptions was precisely a 23E CAPEX of R$5.8bn (+16% vs. guidance). Among other changes, the sum of these effects culminated in the 12M Target Price cut seen in the previous report.

Lower dividends compared to our projections. Despite the dynamics we've been talking about regarding weaker EBITDA, as FCFE came in lower than expected, the announcement of dividends was also impacted. Gerdau announced a dividend distribution of R$0.47/share (-14.5% vs. Genial Est.), representing ~2% of the current market cap, or an amount of R$822mn (vs. 980mn Genial Est.). As quoted in the preview report, there would be a trend towards lower dividend payments going forward. If we consider that the seasonal effect in the release of working capital would have increased cash flow sequentially, dividends compared to last quarter would have had to rise a lot to keep up with the FCF yield, considering a similar payout. And that's not what happened.

In 2Q23 Gerdau announced a dividend of R$0.43/share, so that the announcement now for 3Q23 contained a rise of +9.3% q/q, but free cash flow rose +186% q/q, driven above all by the dynamics of freeing up working capital. In other words, the increase in dividends did not accompany the sequential FCF gain, showing that our point about reducing dividends in relative terms was correct.

We see Gerdau with a **dividend yield of 8.2% 23E** and **6% 24E**. We expect a dividend of **R$0.42/share for 4Q23E**, in line with the sequential drop we projected due to the increase in CAPEX reducing the available space in the cash flow. Even so, it is worth noting that the share buyback plan closed with 44.5 million shares acquired, equivalent to 81% of the total program, at an average price of R$24.08/share.

Round and round it goes… In every report we publish, we try to make it clear that the sector's situation, especially the macroeconomic scenario, is what gives us short-term concerns for Gerdau. In terms of management, we like the company very much and believe that there are very interesting competitive differentials at Gerdau, which are difficult for other Latin American peers to replicate on a scale, especially those linked to the strong exposure to the US market (which is more resilient than the Brazilian one most of the time), and the large-scale production via an electric arc furnace, using scrap instead of coke and iron ore. Today ~70% of Gerdau's production is via mini mills, which operate with an arc furnace.

So, from the point of view of assets and product mix, we recognize the effort that the company has been making to add more value to its portfolio, and it has undoubtedly been able to do this through excellent execution. However, it is impossible to fully disconnect the cyclical side of a commodity business. Today we are not testifying a bullish phase of the steel cycle, and we are trying to come up with the most diverse explanations as to why we prefer to remain neutral on the steel sector as a whole. Round and round it goes… As the cycle is not favorable, making a heavier number of investments, with an increase in CAPEX, has weighed heavily on our valuation for the company over the next 12M.

Seeing some decelerating numbers in all of its business units, with some prospects of a continuation of the challenging scenario, especially in Brazil BD and Special Steel, we prefer to remain cautious. Trading at an **EV/EBITDA 24E** of **3.4x**, we reiterate our **NEUTRAL rating**, with a **12M Target Price** of **R$26.00**, leaving an **upside** of **+12.46%**.

Appendix: Gerdau

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

Income Statement	2023E	2024E	2025E	2026E	2027E	2028E
Net Revenue	**69.336**	**67.848**	**68.664**	**68.621**	**70.399**	**73.112**
(-) COGS	(57.644)	(56.415)	(57.233)	(57.927)	(58.700)	(59.766)
Gross Profit	**11.692**	**11.434**	**11.431**	**10.693**	**11.699**	**13.345**
(-) Expenses	(2.027)	(1.951)	(2.029)	(2.089)	(2.163)	(2.249)
Adjusted EBITDA	**14.046**	**13.910**	**14.200**	**13.720**	**14.968**	**16.833**
(-) D&A	(2.200)	(3.206)	(3.562)	(3.880)	(4.165)	(4.420)
EBIT	**11.359**	**10.161**	**10.088**	**9.291**	**10.240**	**11.828**
(+/-) Financial Result	(1.044)	(1.075)	(1.005)	(1.030)	(957)	(1.189)
(-) Taxes	(2.340)	(2.338)	(2.337)	(2.126)	(2.389)	(2.737)
Net income	**7.975**	**6.748**	**6.746**	**6.136**	**6.895**	**7.902**
Profitability						
Net margin (%)	11,50%	9,95%	9,83%	8,94%	9,79%	10,81%

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

Cash Flow (FCFF)	2023E	2024E	2025E	2026E	2027E	2028E
Net Revenue	**69.336**	**67.848**	**68.664**	**68.621**	**70.399**	**73.112**
(-) COGS	(57.644)	(56.415)	(57.233)	(57.927)	(58.700)	(59.766)
Adjusted EBITDA	**14.046**	**13.910**	**14.200**	**13.720**	**14.968**	**16.833**
EBIT	**11.359**	**10.161**	**10.088**	**9.291**	**10.240**	**11.828**
(-) Taxes	(2.340)	(2.338)	(2.330)	(2.134)	(2.366)	(2.727)
(+) D&A	2.200	3.206	3.562	3.880	4.165	4.420
(+/-) Δ WK	1.880	(194)	(29)	(421)	(296)	(444)
(-) Capex	(5.822)	(5.888)	(5.952)	(6.018)	(6.085)	(6.152)
FCFF	**7.278**	**4.946**	**5.340**	**4.598**	**5.658**	**6.925**

Disclosure Section

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	Definition	Coverage
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under Review	Under review	**5%**

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