Equity Research

GERDAU

3Q24 Review: Better than yesterday, worse than tomorrow

LatAm Metals & Mining

(i) Brazil BD realized price was **R$5.223/t** (+0.2% vs. Genial Est.), up slightly by +0.8% q/q; **(ii)** Shipments totaled **1,290Kt** (+2.5% vs. Genial Est.), up +8.9% q/q and +2.4% y/y; **(iii) North America BD** realized price reported at **R$6.821/t** (+4.2% vs. Genial Est.), with a rise of +2.2% q/q; **(iv)** Shipments marked at **976Kt** (-2.2% vs. Genial Est.), decelerating -1.1% q/q, but growth of +3.5% y/y, impacted by maintenance stoppages; **(v) Special Steel:** Robust performance in Brazil lifts sales to **381Kt** (+1.4% vs. Genial Est.), up +1.3% q/q and +10.3% y/y; **(vi) Consolidated Net Revenue:** Growth sustained by volume increase and slight price recovery, reaching **R$17.4bn** (+1.4% vs. Genial Est.), up +4.6% q/q and +1.8% y/y; **(vii) COGS/t at Brazil BD:** Operational efficiency drives reduction in cost, reported at **R$4.463/t** (-3.4% vs. Genial Est.), down -8.0% q/q and -6.0% y/y; **(viii) North America BD COGS/t** reported at **R$5.838/t** (+5.6% vs. Genial Est.), pressured by delay of scrap going through P&L and scheduled stoppages; **(ix) Adjusted EBITDA** reached **R$3.0bn** (+7.6% vs. Genial Est.)**,** representing an increase of +14.9% q/q and a retraction of -9.9% y/y; **(x) Net Income** clocking in at **R$1.3bn** (+2.1% vs. Genial Est.), up +43.5% q/q and down -14.3% y/y, reflecting a slight decompression in the financial result; **(xi) FCFE** closed at **R$2.9bn**, with one-off. Adjusted was **R$1.2bn** (+30% vs. Genial Est), supported by WC control and higher EBITDA, offsetting **CAPEX expansion** to **R$1.5bn** (+6% q/q); **(xii) Dividends** of **R$0.30/share**, after containment of payments due to high CAPEX and pressures on FCF; **(xiii)** The company continues with a **positive bias**, supported by the **cost-cutting plan,** with the potential to add **+R$1bn to EBITDA by 2025** (not reflected in current market valuation). We maintain our **BUY rating**, with a **12M Target-Price** of **R$23.40**, with an **upside** of **+28.50%.**

Analysts

Igor Guedes
+55 (11) 3206-8286
igor.guedes@genial.com.vc

Luca Vello
+55 (11) 3206-1457
luca.vello@genial.com.vc

Isabelle Casaca
+55 (11) 3206-8244
isabelle.casaca@genial.com.vc

Company

GGBR4 BZ Equity
Buy

Price: R$ 18.21 (05-Nov-2024)
Target Price 12M: R$ 23.40

Table 1. Shipments Summary (3Q24 vs. Genial Est.)

(Thousand Tonnes - kt)	Reported	Genial Est.					
Summary (Shipments)	**3Q24A**	**3Q24E**	**% R/E**	**2Q24A**	**% q/q**	**3Q23A**	**% y/y**
Brazil BD	1.290	1.258	**2,5%**	1.185	**8,9%**	1.260	**2,4%**
North America BD	976	998	**-2,2%**	987	**-1,1%**	943	**3,5%**
South America BD	263	263	**-0,2%**	249	**5,6%**	290	**-9,2%**
Special Steel BD	381	376	**1,4%**	376	**1,3%**	345	**10,3%**

Source: Gerdau, Genial Investimentos

Table 2. Income Statement Summary (3Q24 vs. Genial Est.)

(R$ millions)	Reported	Genial Est.					
Income Statement	**3Q24A**	**3Q24E**	**% R/E**	**2Q24A**	**% q/q**	**3Q23A**	**% y/y**
Net Revenue	17.378	17.138	**1,4%**	16.616	**4,6%**	17.063	**1,8%**
Adjusted EBITDA	3.016	2.803	**7,6%**	2.624	**14,9%**	3.349	**-9,9%**
Net Income	1.356	1.328	**2,1%**	945	**43,5%**	1.582	**-14,3%**

Source: Gerdau, Genial Investimentos

Gerdau **released its 3Q24 results** on **November 6**, after the market closed. As we said in our preview report, **Brazil BD** showed a **significant operational improvement**, driven both by the **increase in shipments** of **+8.9% q/q**, which reached 1,290Kt (+2.5% vs. Genial Est.), and by the **marginal increase** in the **realized price** to R$5,223/t (+0.2% vs. Genial Est.), although still under a challenging scenario due to the high penetration of imported steel. On the other hand, **North America BD** lost profitability momentarily, due to a **price realization** that **contracted -US$50/t q/q**, in the face of a more complex scenario for steel consumption immersed in high interest rates in the US and scheduled maintenance shutdowns at some plants, causing **sales** to reach 976Kt (-2.2% vs. Genial Est.), a gentle slowdown of **-1.1% q/q.**

The company reported **consolidated net revenue** of **R$17.4bn** (+1.4% vs. Genial Est.), up +4.6% q/q and +1.8% y/y. At **Brazil BD**, the **-8.0% q/q decompression in COGS/t**, which reached **R$4,463/t** (-3.4% vs. Genial Est.), indicated the **lowest level of costs since 4Q21.** This was possible thanks to: **(i)** a severe plan to contain fixed costs; **(ii)** greater operational efficiency; and **(iii)** a reduction in input prices, such as metallurgical coal, which offset the **(iv)** residual payroll termination costs from the hibernation of the plants in MG and CE. In **North America BD**, the opposite was true, with **COGS/t** registering **R$5,838/t** (+5.6% vs. Genial Est.), rising by **+6.3% q/q**, which was justified by **(i)** the delay in scrap costs and **(ii)** scheduled maintenance stoppages.

The partial compensation of Brazil BD over North America BD limited the potential for expansion in **EBITDA**, which was **R$3.0bn** (+7.6% vs. Genial Est.), up **+14.9% q/q**, despite the **-9.9% y/y** drop. **Net income** reached **R$1.3bn** (+2.1% vs. Genial Est.) benefiting from a slight decompression in the financial result. **FCFE** was **R$2.9bn**, a **very strong expansion q/q**, mainly due to **the release of funds from a court decision.** Adjusted FCF excluding the one-off was R$1.2bn (+30% vs. Genial Est.), still better than we expected.

3Q24 Review: In detail!

Brazil BD: Realized price in line with expectations. Brazil's BD realized price was reported at R$5,223/t (+0.2% vs. Genial Est.), registering a slight increase of +0.8% q/q, although down -0.8% y/y. This result confirmed our expectation of a moderate reprice in the long category, driven by the positive marginal premium of +2-3% vs. imported steel, according to S&P Platts data. Net revenue per ton remained stable in the quarter, as the 54.0% increase in exports reduced the impact of a +4.2% increase in net revenue per ton in the domestic market.

Brazil BD: Prices show slight increase in long steel and pressure from imports limits gains. In addition, despite the slight recovery in profitability in long steel, the Brazilian steel market continues to be challenged by the high penetration rate of imported steel, which reached 18.6% of accumulated apparent consumption in the year (vs. 10% in the historical average). Even after four months of implementing the quota-tariff mechanism for some product lines, the positive effects have not yet been significant enough to reverse the pressure from imports. Recently, on October 18th, new NCMs were approved with an import rate of 25%, without a tariff quota system, covering ~31% of the volume sold by Gerdau in Brazil.

Brazil BD: Exports boost sales and capacity utilization Brazil's BD shipments reached 1,290Kt (+2.5% vs. Genial Est.), registering an increase of +8.9% q/q and +2.4% y/y. This result reflects a positive reversal of the commercial strategy compared to the previous quarter, with increased exports contributing to higher capacity utilization and boosting consolidated sales. As projected, the foreign market (FM) played a relevant role in the increase in sales, reaching 232Kt (+54% q/q; +4.8% y/y), with the opportunistic benefit of the high USD/BRL exchange rate and the appetite of distributors, who sought to take advantage of low-price realization. The domestic market (DM) also had notable sales, recording 1,059Kt (+2.3% q/q; +1.9% y/y), driven by demand for long steel, especially in the civil construction segment.

North America BD: Pressure on realized prices in USD, but better than estimates. North America's BD realized price came in at R$6,821/t (+4.2% vs. Genial Est.), but still registering a slight rise of +2.2% q/q and an increase of +1.6% y/y. Although the figures were above expectations, the pricing environment remains challenging, in line with our forecast that prices would face pressure due to discounts applied and changes in product mix. We believe that the reduction in average prices in USD was impacted by **(i)** lower demand for steel, **(ii)** higher discounts and **(iii)** the concentration of rebar in the sales mix (with low added value).

These factors contributed to a contraction in the realized price in USD, which was lower by -US$50/t (or -4% q/q). Even so, the company reported a lower price drop in USD than we had expected. This challenging scenario is partly due to the economic slowdown in the US and pressure from imports, factors that continue to impact the competitiveness of local mills. This situation should continue throughout 4Q24, with further downward adjustments expected, especially in the rebar.

North America BD: Shipments slightly below estimate, impacted by stoppages and weakened demand. North America's BD shipments reached 976Kt (-2.2% vs. Genial Est.), reflecting a slight contraction of -1.1% q/q, but growth of +3.5% y/y. We note that this performance was lower than expected, partly due to scheduled maintenance stoppages at some plants, which reduced capacity utilization by -5p.p q/q, affecting the flow of production and shipments in the period more intensely than we had anticipated. Demand for steel in the North American market was volatile, influenced by pressure from steel imports and the uncertainty generated by the context of the US presidential elections, which impacted customer behavior and led to a slight sequential slowdown in sales.

South America BD: Expansion of shipments driven by Peru. South America BD achieved shipments of 263Kt (-0.2% vs. Genial Est.), showing an increase of +5.6% q/q, but a retraction of -9.2% y/y. This performance was driven by increased sales in Peru, where public works made significant progress, resulting in growth of +9.1% q/q in local operations. This increase in Peru helped to partially offset weakened demand in Argentina, which continues to face an economic slowdown, especially in the construction and industrial sectors, impacting demand for steel. For the realized price, we witnessed a markup of R$5,521/t (-2.3% vs. Genial Est.), reflecting a drop of -2.1% q/q, but an increase of +2.0% y/y. We believe that the macro situation in Argentina limits the potential for price recovery in the region.

Special Steel: Divergent performance between Brazil and the US. The Specialty Steel division recorded sales of 381Kt (+1.4% vs. Genial Est.), showing a rise of +1.3% q/q and a significant increase of +10.3% y/y. This growth was mainly driven by demand in the Brazilian market, especially in the heavy vehicle segment, where government programs and an upturn in the automotive sector underpinned performance. Data from ANFAVEA shows that vehicle production in Brazil increased by +19.0% y/y, reflecting the best quarter in the last 5 years for light and heavy vehicles. In terms of prices, the division reported R$7,661/t (+0.5% vs. Genial Est.), up slightly by +1.0% q/q, but down by -4.5% y/y.

We would point out that interest rates in the US were high during the quarter, and this reduced demand for light vehicles, which account for ~80% of the order book. Our expectation is that there will be a recovery in 2H25, due to a clearer effect of the real economy in the face of the interest rate cut cycle being promoted by the FED. In Brazil, the Specialty Steel segment is expected to maintain a good performance in the short term, driven by demand recovering from a weak base in 2023 and a more favorable market for heavy vehicles this year. On the other hand, the increase in the SELIC rate is a point we would highlight for a possible cooling of demand in 2025.

Net Revenue: Growth sustained by volume improvement and soft price recovery. Consolidated net revenue reached R$17.4bn (+1.4% vs. Genial Est.), representing growth of +4.6% q/q and +1.8% y/y. This performance was mainly driven by the significant increase in volume at Brazil BD, both in the domestic market and in exports, as well as a slight recovery in prices. We also saw an increase in demand in the heavy vehicle segment in Brazil, related to the Specialty Steel business division. On the other hand, we expected a weaker performance in North America. Even so, the high level of the USD/BRL exchange rate helped to convert the unit's revenue, offsetting the fall in the price realized in USD.

Brazil BD reached a net revenue of R$6.7bn (+2.8% vs. Genial Est.), advancing +9.7% q/q and +1.5% y/y. At North America BD, net revenue was R$6.7bn (+1.9% vs. Genial Est.), with a slight increase of +1.1% q/q and +1.6% y/y. Despite moderate demand due to the economic context in the US, the return of purchases by distributors helped to sustain a level of sales. In South America, the division reported R$1.5bn (-2.5% vs. Genial Est.), up +3.4% q/q and down -7.3% y/y, reflecting the positive performance in Peru. Finally, the Specialty Steel division reported net revenue of R$2.9bn (+1.9% vs. Genial Est.), up +2.3% q/q and +5.3% y/y.

Table 3. Net Revenue Gerdau (3Q24 vs. Genial Est.)

(R$ millions)	3Q24A Reported	3Q24E Genial Est.	% q/q	2Q24A Reported	% q/q	3Q23A Reported	% y/y
Net Revenue	**17.378**	**17.138**	**1,4%**	**16.616**	**4,6%**	**17.063**	**1,8%**
Brazil BD	6.738	6.557	2,8%	6.142	9,7%	6.635	1,5%
North America BD	6.657	6.532	1,9%	6.587	1,1%	6.332	5,1%
South America BD	1.452	1.489	-2,5%	1.405	3,4%	1.566	-7,3%
Special Steel BD	2.919	2.865	1,9%	2.853	2,3%	2.771	5,3%
Eliminations	(388)	(305)	27,3%	(371)	4,7%	(242)	60,7%

Source: Gerdau, Genial Investimentos

Brazil BD: Reduction in COGS/t, cooling in inputs and progression of cost-cutting initiatives. Brazil's BD COGS/t was reported at R$4,463/t (-3.4% vs. Genial Est.), reflecting a significant drop of -8.0% q/q and -6.0% y/y, reaching the lowest level since 4Q21. Efficiency was better than expected, driven by operational improvements and progress in the company's cost-cutting plan. It was reported that ~50% of the savings projected for 2H24 were captured this quarter, highlighting the **(i)** higher operating leverage, **(ii)** optimization of maintenance costs and **(iii)** reduction in the price of specific inputs, such as metallurgical coal and iron ore. This offset the **(iv)** residual severance costs and the footprint reorganization resulting from the hibernations at the Barão de Cocais (MG) and Maracanaú (CE) plants. We expect further reduction effects in 4Q24 to reach the +R$1bn incremental EBITDA 25E.

North America BD: COGS/t pressured by delay in costs and impact of planned stoppages. In North America BD, COGS/t rose by +6.3% q/q and +9.7% y/y, to R$5,838/t (+5.6% vs. Genial Est.), above our forecast. This increase mainly reflects the delay in the impact of the fall in ferrous scrap-spot prices in the US market, which, despite falling -6.8% q/q on the east coast and -7.6% y/y in the US mid-west, has not yet been fully absorbed in the P&L due to the destocking of material acquired at higher prices. This factor was exacerbated by scheduled maintenance shutdowns, which increased fixed costs in the quarter, bringing more efficiency loss impact than we had anticipated. In addition, the effect of the higher USD/BRL exchange rate, while helping to mitigate the effects of the contraction in USD prices for steel sold, ended up increasing the conversion of costs into BRL.

Adjusted EBITDA with strong recovery in Brazil BD and slight expansion in North America BD. Consolidated adjusted EBITDA was R$3.0bn (+7.6% vs. Genial Est.), an increase of +14.9% q/q, although showing a contraction of -9.9% y/y. Margin partially recovered to 17.4% (+1.5p.p q/q). Although showing a notable improvement sequentially, this result reflects price pressures in the global market year-on-year, partially offset by volume increases and cost reduction initiatives.

As we anticipated in our preview report, Brazil BD was the main positive highlight, posting an EBITDA of R$1.1bn (+20% vs. Genial Est.), a significant increase of +113.7% q/q and +31.4% y/y, as a result of the increase in shipments and the greater than expected decompression in COGS/t. North America BD reported EBITDA of R$1.1bn (+3.1% vs. Genial Est.), although it fell by -17.4% q/q and -25.7% y/y. Unlike the dynamics in Brazil, the impact of lower realized prices and higher COGS/t in the US limited the potential for operational expansion.

South America BD reported EBITDA of R$230mn (-23% vs. Genial Est.), stable at +1.3% q/q, but with a significant drop of -54.2% y/y, reflecting the operational difficulties in Argentina. Finally, in the Specialty Steel division, EBITDA reached R$539mn (+9.6% vs. Genial Est.), representing a slight expansion of +3.4% q/q and an increase of +13.4% y/y, sustained by the gradual recovery of demand in the heavy vehicle segment in Brazil, despite the pressure in the North American market on light vehicles.

Table 4. EBITDA Gerdau (3Q24 vs. Genial Est.)

(R$ millions)	3Q24A Reported	3Q24E Genial Est.	% q/q	2Q24A Reported	% q/q	3Q23A Reported	% y/y
Adjusted EBITDA	**3.016**	**2.803**	**7,6%**	**2.624**	**14,9%**	**3.349**	**-9,9%**
Brazil BD	1.140	945	20,7%	534	113,7%	868	31,4%
North America BD	1.156	1.122	3,1%	1.399	-17,4%	1.555	-25,7%
South America BD	230	299	-23,0%	227	1,3%	502	-54,2%
Special Steel BD	539	492	9,6%	541	-0,4%	475	13,4%
Eliminations	(49)	(53)	-8,1%	(77)	-36,4%	(51)	-3,9%

Source: Gerdau, Genial Investimentos

Net income went up sequentially but is still under pressure year-on-year. Net income reached R$1.3bn (+2.1% vs. Genial Est.), representing significant growth of +43.5% q/q and a contraction of -14.3% y/y. This performance reflects the improvement in the company's operating results and a slight decompression in the financial result, which was -R$323mn (-16% q/q). This movement was driven by the stabilization of interest expenses and the less pronounced effect of exchange rate variations this quarter. However, in the year-on-year comparison, the slowdown is mainly explained by the cooling in steel sales prices and the increase in costs in US operations.

Table 5. Income Statement Gerdau (3Q24 vs. Genial Est.)

(R$ millions)	3Q24A Reported	3Q24E Genial Est.	% q/q	2Q24A Reported	% q/q	3Q23A Reported	% y/y
Net Revenue	**17.378**	**17.138**	**1,4%**	**16.616**	**4,6%**	**17.063**	**1,8%**
COGS	(14.801)	(14.697)	0,7%	(14.429)	2,6%	(14.271)	3,7%
Adjusted EBITDA	**3.016**	**2.803**	**7,6%**	**2.624**	**14,9%**	**3.349**	**-9,9%**
EBITDA Margin (%)	17,4%	16,4%	1p.p	15,8%	1,56p.p	19,6%	-2,27p.p
EBIT	**2.121**	**1.904**	**11,4%**	**1.620**	**30,9%**	**2.384**	**-11,0%**
EBIT Margin (%)	12,2%	11,1%	1,1p.p	9,7%	2,46p.p	14,0%	-1,77p.p
D&A	(796)	(814)	-2,2%	(771)	3,2%	(789)	0,9%
Financial Result	(323)	(367)	-12,0%	(597)	-45,9%	(478)	-32,4%
Net Income	**1.356**	**1.328**	**2,1%**	**945**	**43,5%**	**1.582**	**-14,3%**
Net Margin (%)	7,8%	7,7%	0,06p.p	5,7%	2,12p.p	9,3%	-1,47p.p

Source: Gerdau, Genial Investimentos

Our Take on Gerdau

FCFE higher than expected even disregarding one-offs. Cash flow (**FCFE**) stood at **R$2.9bn**, a substantial expansion of **+30x q/q**. Even so, this robust figure was heavily influenced (60% of FCFE) by the **release of the judicial deposit** relating to the process to exclude ICMS from the PIS and COFINS calculation base. Excluding this effect, **adjusted FCF** reached **R$1.2bn** (+30% vs. Genial Est.), reflecting an operational performance supported by **(i)** the release of working capital of +R$349mn (vs. consumption of -R$259mn in 2Q24); and (**ii**) mainly an increase of +14% q/q in EBITDA (+7.6% vs. Genial Est.). This performance contrasts with the weaker accumulated results of previous quarters, signaling a reversal of the respective previous disappointments with FCF generation. These effects more than offset **(iii)** the expected but still significant impact of **CAPEX,** which totaled **R$1.5bn** (+6% q/q).

High CAPEX, but rational and no danger to guidance. As we commented above, the company recorded CAPEX of R$1.5bn (+15% vs. Genial Est.). The 9M accumulated in the year reached R$3.8bn, advancing towards the **annual guidance of R$6.0bn**, with room available for growth of +25% q/q in 3Q24, in line with what we expected. Unlike last year, when the company exceeded its guidance, **we don't see a similar risk this year**. The timing of disbursements has been an issue repeatedly addressed by investors we have contact with, who have a more conservative approach to the short-term bias in extensive investments in divisions with low profitability, such as ON Brasil.

On the other hand, albeit gently, the company seems to have redirected a portion of this CAPEX in the medium-term schedule to ON North America, ratified at the Investor Day held in October. Even though ON North America's margin contracted sharply in 3Q24 (close to Brazil's), we believe that in 4Q24 the effect of lower scrap prices and the recovery in volumes, combined with greater capacity to dilute fixed costs after maintenance stoppages, are factors that should return the company to its previous level of profitability.

Dividends improve, but we prefer to be conservative on the yield. Gerdau announced a dividend distribution of **R$0.30/share** (+15% vs. Genial Est.), totaling R$619.4mn, with an ex-date of November 19. We highlight that the payout was 48% (above the policy of 30%). This figure represents a resumption in the distribution of dividends after a period of more restrained payments due to high investments in CAPEX and pressures on FCF. In addition, a **share buyback program** was carried out, which amounted to **R$729.4mn** (2% Market Cap). We note that **the company is accelerating the buyback**, showing a clear sign of the high discount content in the share price. Even so, we will maintain our conservative projection of **24E Dividend Yield** at **5.5%** and **6.0%** in 25E. We prefer this approach due to the limiting factors for continued aggressive distribution of dividends, such as **(i)** continued high CAPEX outlays (R$6bn 24E and R$5.7bn 25E) and **(ii)** the impact of the delay in the reduction of interest rates in the US for better price and volume dynamics in ON North America.

Bullish Triggers. We identify the following as the main triggers for share appreciation: **(i)** the execution of the fixed cost reduction plan, including the hibernation of the Barão dos Cocais (MG) and Maracanaú (CE) mills, with the potential to generate an **increase of +R$1bn in the EBITDA projected for 2025**, and **(ii)** the recovery of demand in the USA, stimulated by the reduction in interest rates by the FED, which should favor operations in North America. With the realization of these factors, we believe that Gerdau's shares will tend to approach a fairer value throughout 2025.

Better than yesterday, worse than tomorrow. We have come out in defense of the company while **many investors do not seem to give due credit to its operational efforts and cost-cutting plan.** We are aware of the difficulties implicit in the steel market in Brazil. However, we believe that there is a potential improvement in Brazil's BD margins that is certainly not priced in by the market. We understand the skepticism on the part of investors, who prefer to wait until clearer signals about the implementation of the cost cuts take real effect and bring the level of incremental EBITDA that the company says it will be able to achieve. However, we believe that the 3Q24 results have already shown a substantial reduction in COGS/t in Brazilian operations, which indicates to us that there is a material possibility of achieving the additional +R$1bn in 2025.

As soon as possible, we recommend **setting up long positions in the shares**, given **this price asymmetry vs. execution capacity that is unfolding.** The attractive valuation is ratified by an **EV/EBITDA of 3x** (vs. historical average of 5x). We therefore reiterate our **BUY rating**, with a **12M Target Price** of **R$23.40**, which reflects an upside of **+28.50%.**

Appendix: Gerdau

Figure 1. Gerdau – Income Statement in R$ Millions (Genial Est. 2024-2028)

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	**65.953**	**67.829**	**66.093**	**65.557**	**65.344**
(-) COGS	(56.337)	(55.654)	(53.917)	(53.106)	(52.033)
Gross Profit	**9.616**	**12.174**	**12.177**	**12.451**	**13.312**
(-) Expenses	(2.441)	(3.023)	(2.957)	(2.940)	(2.933)
Adjusted EBITDA	**10.897**	**14.226**	**14.507**	**15.010**	**16.073**
(-) D&A	(3.011)	(3.853)	(4.098)	(4.319)	(4.518)
EBIT	**7.394**	**9.830**	**9.880**	**10.167**	**11.032**
(+/-) Financial Result	(1.099)	(453)	(342)	(50)	142
(-) Taxes	(880)	(1.275)	(1.296)	(1.375)	(1.533)
Net income	**5.416**	**8.102**	**8.241**	**8.742**	**9.641**
Profitability					
Net margin (%)	8,21%	11,94%	12,47%	13,33%	14,75%

Figure 2. Gerdau– Cash Flow in R$ Millions (Genial Est. 2024-2028)

Cash Flow (FCFF)	2024E	2025E	2026E	2027E	2028E
Net Revenue	**65.953**	**67.829**	**66.093**	**65.557**	**65.344**
(-) COGS	(56.337)	(55.654)	(53.917)	(53.106)	(52.033)
Adjusted EBITDA	**10.897**	**14.226**	**14.507**	**15.010**	**16.073**
EBIT	**7.394**	**9.830**	**9.880**	**10.167**	**11.032**
(-) Taxes	(880)	(1.275)	(1.296)	(1.375)	(1.533)
(+) D&A	3.011	3.853	4.098	4.319	4.518
(+/-) Δ WK	(663)	(260)	194	99	143
(-) Capex	(5.615)	(5.676)	(5.739)	(5.802)	(5.866)
FCFF	**3.248**	**6.473**	**7.137**	**7.407**	**8.295**

Disclosure Section

1. GENERAL DISCLAIMER

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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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