Equity Research

GERDAU

1Q25 Review: The hero of the quarter is the villain of the year

LatAm Metals & Mining

(i) Brazil BD: The realized price reached **R$5,237/t** (-3.2% vs. Genial Est.), down -3.7% q/q. Shipments totaled **1,431Kt** (+5.4% vs. Genial Est.; +0.2% q/q; -0.2% y/y), sustained by resilient long steel sales and a recovery in exports; **(ii) North America BD:** The realized price stood at **R$7,134/t** (+0.3% vs. Genial Est.), up +1.5% q/q, favored by an improved product mix. Shipments totaled **1,229Kt** (+5.2% vs. Genial Est.; +14.7% q/q; +7.9% y/y), driven by the recovery of inventories and stronger demand; **(iii) Net Revenue** was **R$17.4bn** (+2.2% vs. Genial Est.), up +3.3% q/q and +7.2% y/y; **(iv)** In **Brazil**, **COGS/t** was **R$4,681/t** (-1.3% vs. Genial Est.; +2.7% q/q; +0.1% y/y), influenced by lower fixed cost dilution due to BQ2 line stoppage. In **North America**, **COGS/t** stood at **R$6,325/t** (-1.8% vs. Genial Est.), down -2.7% q/q, but up +13.0% y/y, pressured by FX and raw inputs; **(v) EBITDA** was **R$2.4bn** (+4.1% vs. Genial Est.), flat q/q (+0.5%) and down -14.6% y/y; **(vi) Net income** totaled **R$758mn** (-40% vs. Genial Est.), up +134.3% q/q, but down significantly by -63.1% y/y; **(vii) FCF** was reported at **-R$1.3bn** (+28% worse vs. Genial Est.), representing a **burn that was double that of 1Q24**. The performance reflects the **accelerated execution** of **CAPEX** (cash effect of **-R$1.8bn**, +20% vs. Genial Est). Pressure also came from WC consumption (**-R$767mn**). The result was below expectations and reinforces the need for discipline in executing the CAPEX budget for 2025; **(viii)** Despite the **substantial burn of FCF**, the impact **should be temporary**. The **CAPEX guidance** is maintained at **R$6.0bn**, indicating a more linear execution going forward. We expect a gradual improvement in results, supported by the WC decompression, BQ2 ramp-up, and sequential EBITDA growth. We reiterate our **BUY rating**, with a **12M Target Price** of **R$19.00**, with an **upside** of **+22.2%.**

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Company

GGBR4 BZ Equity
Buy

Price: R$ 15.55 (28-Apr-2025)
Target Price 12M: R$ 19.00

Table 1. Shipments Summary (1Q25 vs. Genial Est.)

(Thousand Tonnes - kt)	Reported	Genial Est.		Reported		Reported	
Summary (Shipments)	**1Q25**	**1Q25E**	**% R/E**	**4Q24A**	**% q/q**	**1Q24A**	**% y/y**
Brazil BD	1.431	1.357	**5,4%**	1.429	**0,2%**	1.435	**-0,2%**
North America BD	1.229	1.168	**5,2%**	1.072	**14,7%**	1.139	**7,9%**
South America BD	237	252	**-6,0%**	271	**-12,5%**	227	**4,4%**

Source: Gerdau, Genial Investimentos

Table 2. Income Statement Summary (1Q25 vs. Genial Est.)

(R$ millions)	Reported	Genial Est.		Reported		Reported	
Income Statement	**1Q25**	**1Q25E**	**% R/E**	**4Q24A**	**% q/q**	**1Q24A**	**% y/y**
Net Revenue	17.376	17.006	**2,2%**	16.822	**3,3%**	16.210	**7,2%**
Adjusted EBITDA	2.402	2.308	**4,1%**	2.391	**0,5%**	2.813	**-14,6%**
Net Income	758	1.280	**-40,8%**	324	**134,2%**	2.053	**-63,1%**

Source: Gerdau, Genial Investimentos

Gerdau released its **1Q25 results** yesterday, April 28, after the market closed. As expected, the **positive highlight** was **North America BD**, but with **dual effects** (it was both hero and villain at the same time). Although the business unit's results **accelerated on a quarterly basis** due to **solid growth in shipments** (as we will further explore), on the other hand, **on an annual basis**, it had an **anemic performance**, which was dragged down by **higher year-on-year costs**, mainly due to scrap expenses and a stronger USD/BRL FX rate vs. 1Q24 (R$5.85 vs. R$5.08), implying higher levels of COGS/t converted into BRL. Another relevant point on the **negative side** was the **higher-than-expected FCF burn**, reaching **-R$1.3bn** (+28% worse vs. Genial Est.) due to superior **CAPEX** expenditure of **R$1.8bn** (+20% vs. Genial Est.), which can be **understood as detrimental** by mostly short-term stance adopted by investors related to commodity companies.

Brazil BD reported shipments of **1,431Kt** (+5.4% vs. Genial Est.), **above expectations**, but with **practically stable** on a sequential basis (+0.2% q/q) and annual (-0.2% y/y). However, performance remained limited by scheduled shutdowns in Ouro Branco (MG), which **negatively affected volumes** of flat steel in the domestic market. The **realized price** reached **R$5,237/t** (-3.2% vs. Genial Est.), **below our projections** and down **-3.7% q/q**, pressured by the **intensification of market share disputes** and the advance of imports. **COGS/t** stood at **R$4,681/t** (-1.3% vs. Genial Est.), rising **+2.7% q/q** and **+0.1% y/y**, reflecting efficiency initiatives that helped soften the impact of lower fixed cost dilution in the period.

Returning to **North America BD**, the company's **performance was above expectations**, with shipments totaling **1,229Kt** (+5.2% vs. Genial Est.), accelerating **+14.7% q/q** and **+7.9% y/y**, driven by the resumption of industrial activity and the rebuilding of inventories, favored by changes in US trade tariffs. The **realized price** was **R$7,134/t** (+0.3% vs. Genial Est.), **in line with expectations**, benefiting from the gradual shift in the mix towards higher value-added products. **COGS/t** was **R$6,325/t** (-1.8% vs. Genial Est.), with a compression of **-2.7% q/q** but a sharp increase of **+13.0% y/y**, mainly due to the appreciation of the USD/BRL FX rate vs. 1Q24, but softened by higher volumes, which favored the partial dilution of fixed costs on a sequential basis.

Consolidated **Net Revenue** totaled **R$17.4bn** (+2.2% vs. Genial Est.), up **+3.3% q/q** and **+7.2% y/y**. On a quarterly basis, growth was driven by higher sales volumes in North America. In the annual comparison, the increase was due to the appreciation of the USD/BRL (+18.2% y/y). **Adjusted EBITDA** totaled **R$2.4bn** (+4.1% vs. Genial Est.), flat at **+0.5% q/q** and down **-14.6% y/y**, comprising a margin of **13.8%**. On a quarterly basis, the result reflected operational improvements in North America and cost reductions in South America, partially offsetting competitive pressure in Brazil. Compared to 1Q24, the decline is explained by margin compression in North America and higher costs converted into BRL, affected by FX rate dynamics. **Net Income** was **R$758mn** (-40.8% vs. Genial Est.), up **+134.3% q/q** and down **-63.1% y/y**.

FCF was reported at **-R$1.3bn** (+28% worse vs. Genial Est.), with **burn equivalent to twice that of 1Q24**, reflecting **(i)** accelerated execution of the investment plan and **(ii)** seasonal dynamics of tight working capital. The effect of **CAPEX** on cash flow was **-R$1.8bn** (+20% vs. Genial Est.).

We highlight that the more linear execution of CAPEX throughout 2025 imposes **additional discipline to meet guidance**. We saw a divergence between **budgeted CAPEX** of **R$1.4bn** (-6.7% vs. Genial Est.) and the impact on FCF (R$1.8bn), explained by **R$462mn** in 4Q24 disbursements that slipped into 1Q25.

1Q25 Review: In detail!

Brazil BD: Shipments supported by resilient long steel sales. Shipments totaled 1,431Kt (+5.4% vs. Genial Est.), above our expectations, but basically stable (+0.2% q/q; -0.2% y/y). The volume above our estimates was ultimately sustained by the recovery in exports (+30.6% y/y), especially in flat steel, in addition to the resilience of long steel sales in the domestic market (+5.2% y/y). The impact of scheduled maintenance shutdowns at four plants — mainly in Ouro Branco (MG) for the connection of the BQ2 production line — limited the performance of flat steel in the domestic market, which fell -29.4% y/y.

As we had already mentioned, the implementation of the BQ2 line ended up taking longer than expected, destabilizing volumes. By 2Q25, the situation should be back to normal, with the ramp-up lasting ~5M for the addition of +250Ktpy of HRC. Furthermore, according to data from the Brazil Steel Institute (IABr), apparent consumption grew +13.3% y/y, driven by the civil construction, machinery, and agricultural implements sectors. However, we believe that strong import pressure (+34% vs. 1Q24) continues to make the environment challenging, reinforcing the ineffectiveness of the current quota and tariff system.

Brazil BD: Realized price declines in a competitive environment. Realized prices reached R$5,237/t (-3.2% vs. Genial Est.), down -3.7% q/q and up +2.2% y/y, but still below our expectations and impacted by the more competitive environment, due to the advance of imports and greater availability of steel in the domestic market. The sequential decline reflected pressure on long steel prices — especially rebar — amid intensifying competition and inventory liquidation by regional distributors. On the other hand, the positive effect of the prominent share of higher value-added products, such as special steels (which became part of the Brazil and US BDs, respectively), helped sustain the good average performance in the y/y comparison (+2.2% y/y). We believe that, given the competitive deterioration observed at the beginning of the year, the company's strategy is to defend its market share in the Southeast and South regions, prioritizing the strengthening of its customer base, even if this means sacrificing some profitability in the short term.

North America BD: Both realized prices and shipments rose. Shipments totaled 1,229Kt (+5.2% vs. Genial Est.), above our expectations and accelerated to +14.7% q/q and +7.9% y/y, driven by the seasonal recovery in activity and the replenishment of inventories by customers, amid changes in US trade policy, with the redefinition of Section 232 tariffs favoring the consumption of locally produced steel. Although crude steel production was slightly lower y/y, we saw sales grow, benefiting from resilient demand in strategic segments such as non-residential construction and solar energy. Our analysis indicates that the incorporation of the special steel segment into North America BD ended up contributing negatively to volume in this quarter, as the US automotive market remains weak.

Even with this adversity, the order book expanded significantly, driven by the other segments, ending the quarter above 70 days (it was ~50 days in 3Q24), in line with the trend already pointed out in our preview report.

In addition, the company stated a more qualified sales mix, with a bigger share of higher value-added products, reflecting the gradual shift in the supply matrix towards domestic steel. As a result, the realized price reached R$7,134/t (+0.3% vs. Genial Est.), basically in line with expectations and reflecting an increase of +1.5% q/q and +2.7% y/y. The announced price increases should be more noticeable in 2Q25. Therefore, we expect the good momentum of North American BD to continue.

South America BD: Anticipated orders last quarter damaged 1Q25. Steel sales totaled 237Kt (-6.0% vs. Genial Est.), below our projections and retroactive -12.5% q/q, but up +4.4% y/y. We note that shipments were mainly impacted by lower sales in Peru, due to the anticipation of orders in 4Q24. On the other hand, on a sequential basis, performance was positive, reflecting a slight recovery in demand in Argentina, after the economic measures implemented in late 2023 began to take effect. The segment's installed capacity utilization was 63%, down -3.0p.p. q/q and -8.0p.p. y/y, because of still weak demand in Argentina and a slight decline in production in Peru. In terms of profitability, the realized price was R$5,764/t (-5.9% vs. Genial Est.), down -8.7% q/q and up +9.9% y/y, reflecting a more cautious pricing strategy in view of weaker demand in some markets and the weakening FX rate in the selected regions.

Net Revenue: Sequential growth driven by North America. Consolidated Net Revenue totaled R$17.4bn (+2.2% vs. Genial Est.), representing an increase of +3.3% q/q and +7.2% y/y, slightly above estimates, driven by higher sales volume in North America BD, which reached R$8.7bn (+5.5% vs. Genial Est.), accelerating more than we expected and rising +16.4% q/q and +10.8% y/y. We believe that sequential growth was driven by inventory replenishment and a stronger order book, while the increase in the annual base can be explained by the appreciation of the USD/BRL FX rate (+18.2% y/y) and higher volumes. Brazil BD achieved revenue of 7.5bn (+2.1% vs. Genial Est.), down -3.5% q/q and basically flat on an annual basis (+1.9% y/y). Revenue from South American operations declined sequentially by -20.2% q/q, due to the normalization of volumes in Peru and still weak demand in Argentina.

Table 3. Net Revenue Gerdau (1Q25 vs. Genial Est.)

	1Q25	1Q25E		4Q24		1Q24	
(R$ millions)	**Reported**	**Genial Est.**	**% q/q**	**Reported**	**% q/q**	**Reported**	**% y/y**
Net Revenue	**17.376**	**17.006**	**2,2%**	**16.822**	**3,3%**	**16.210**	**7,2%**
Brazil BD	7.494	7.343	2,1%	7.769	-3,5%	7.354	1,9%
North America BD	8.768	8.315	5,5%	7.536	16,4%	7.914	10,8%
South America BD	1.366	1.543	-11,5%	1.711	-20,2%	1.191	14,7%
Eliminations	(252)	(195)	29,2%	(193)	30,8%	(249)	1,3%

Source: Gerdau, Genial Investimentos

Brazil BD: COGS/t rises due to BQ2 line shutdown. Brazil BD's COGS/t was reported at R$4,681/t (-1.3% vs. Genial Est.), representing a +2.7% increase q/q and remaining basically stable y/y (+0.1%). Efficiency was slightly better than we had projected, mainly influenced by the effects of **(i)** the hibernation of the Barão dos Cocais (MG) and Maracanaú (CE) plants, with readjustment of the footprint for Cosigua (RJ), offset by specific issues such as **(ii)** the scheduled shutdown for connection of the BQ2 line in Ouro Branco (MG). We found that the impact of lower fixed cost dilution was partially offset by (**iii**) a -10% q/q drop in raw material prices — such as scrap and electricity — and by ongoing operational efficiency initiatives.

North America BD: COGS/t downwards q/q and going up y/y. North America BD's COGS/t clocked in at R$6,325/t (-1.8% vs. Genial Est.), also slightly below our projections, with a -2.7% q/q decline and +13.0% y/y acceleration. In USD, COGS/t back trended -2.9% q/q and -4.2% y/y, reflecting greater dilution of fixed costs with sales progression driving fixed cost dilution on quarterly basis, in addition to ongoing efforts to control expenses and gains in operational efficiency. We note that the increase in scrap prices in 1Q25 (+12.9% q/q) acted as a pressure factor, but was offset by the unit's operating leverage, sustaining the decline in COGS/t even in an environment of more expensive inputs. It is worth noting that the appreciation of the USD/BRL FX rate on an annual basis not only led to revenue gains, but also to an increase in conversion costs in BRL.

EBITDA: Sequential stability with improvement in North America. Adjusted EBITDA totaled R$2.4bn (+4.1% vs. Genial Est.), slightly above expectations and showing sequential stability of +0.5% q/q, with a decline of -14.6% y/y. Even so, the margin remained at 13.8%, practically in line with our projections. Overall, the result reflected **(i)** better operating performance in North America BD, driven by higher sales volumes and a higher value-added mix, **(ii)** cost reductions in South America BD (-9.8% q/q), and **(iii)** lower SG&A expenses across all segments. These positive effects were, however, offset by **(iv)** price contraction in the domestic market for Brazil BD (especially in long steel) and **(v)** additional costs related to the shutdown of the BQ2 line in Ouro Branco (MG), which reduced flat steel shipments.

As the cost dynamics are reversed in Brazil BD (with a bias toward stability y/y) and North America BD (with a sharp increase y/y), the figures show that, although the Brazilian division was the negative point in the quarter, it still managed to post EBITDA of R$1bn (-6.6% vs. Genial Est.), up +29% y/y. North America BD reported EBITDA of R$1.2bn (+15.4% vs. Genial Est.), with a sharp slowdown of -32.5% y/y.

Table 4. EBITDA Gerdau (1Q25 vs. Genial Est.)

	1Q25	1Q25E		4Q24		1Q24	
(R$ millions)	**Reported**	**Genial Est.**	**% q/q**	**Reported**	**% q/q**	**Reported**	**% y/y**
Adjusted EBITDA	**2.402**	**2.308**	**4,1%**	**2.391**	**0,5%**	**2.813**	**-14,6%**
Brazil BD	1.054	1.128	-6,6%	1.376	-23,4%	817	29,0%
North America BD	1.198	1.038	15,4%	812	47,5%	1.774	-32,5%
South America BD	188	205	-8,4%	227	-17,2%	286	-34,3%
Eliminations	(38)	(64)	-40,9%	(24)	59,7%	(64)	-40,9%

Source: Gerdau, Genial Investimentos

Net Income: Financial pressure impacts y/y. Net Income clocked in at R$758mn (-40.8% vs. Genial Est.), well below our expectations, despite recovering sequentially (1.3x q/q), although with a sharp decline of -63.1% y/y. This figure results in a margin of 4.4% (-3.1p.p. vs. Genial Est.). The q/q gain is linked to operating dynamics, mainly in view of a better pricing and volume environment in North American BD. However, net financial income was -R$308mn (vs. +R$19mn Genial Est.), explaining the divergence from our estimates.

The bottom line was pressured by the depreciation of the USD/BRL FX rate EoP (-7.3% q/q) and by inflation adjustments on non-monetary assets of subsidiaries in Argentina. In the y/y comparison, the significant decline of -63.1% y/y was mainly influenced by the deterioration in operating results, especially in North America BD, mainly due to the conversion of higher costs into BRL, given the pressure on the FX rate and slightly higher scrap prices (+1.3% y/y).

Table 5. Income Statement Gerdau (1Q25 Genial Est.)

(R$ millions)	1Q25 Reported	1Q25E Genial Est.	% q/q	4Q24 Reported	% q/q	1Q24 Reported	% y/y
Net Revenue	**17.376**	**17.006**	**2,2%**	**16.822**	**3,3%**	**16.210**	**7,2%**
COGS	(15.429)	(15.170)	1,7%	(14.803)	4,2%	(13.791)	11,9%
Adjusted EBITDA	**2.402**	**2.308**	**4,1%**	**2.391**	**0,5%**	**2.813**	**-14,6%**
EBITDA Margin (%)	13,8%	13,6%	0,3p.p	14,2%	-0,4p.p	17,4%	-3,5p.p
EBIT	**1.386**	**1.431**	**-3,1%**	**993**	**39,5%**	**2.752**	**-49,6%**
EBIT Margin (%)	8,0%	8,4%	-0,4p.p	5,9%	2,1p.p	17,0%	-9p.p
D&A	(874)	(939)	-6,9%	(833)	4,9%	(726)	20,4%
Financial Result	(308)	19	-	(627)	-50,9%	(476)	-35,3%
Net Income	**758**	**1.280**	**-40,8%**	**324**	**134,2%**	**2.053**	**-63,1%**
Net Margin (%)	4,4%	7,5%	-3,2p.p	1,9%	2,4p.p	12,7%	-8,3p.p

Source: Gerdau, Genial Investimentos

Our Take on Gerdau

FCF burn was more intense than expected. We came across with a **FCF** that was reported at -**R$1.3bn** (+28% worse vs. Genial Est.), comprising a **burn that reached twice that of 1Q24**. This result was largely explained by the **faster pace of execution on the investment plan**, as we had already mentioned in our results preview, added to the seasonal dynamics of **tight working capital** (WC). Another point we noted was the divergence (once again) between the CAPEX budgeted (R$1.4bn or -6.7% vs. Genial Est.) and the effect on cash flow, which totaled R$1.8bn (+20% vs. Genial Est.). The difference between the two is **R$462mn**, which refers to disbursements related to commitments for 4Q24. Of the total amount invested, **60% was directed at competitive** (growth) projects.

Among these projects, we highlight the inauguration of the new BQ2 HRC line in Ouro Branco (MG), which will add +250ktpy in capacity and has the potential to generate incremental annual EBITDA of +R$400mn, with ramp-up estimated for 2H25. The result also reflected: (**i**) **WC consumption** of **-R$767mn** (-29% y/y), driven by the volumes recovery; (**ii**) tax disbursements of R$317mn; and **(iii)** interest paid in the amount of R$115mn.

FCF was below our projections, which already incorporated a significant compression, even with **EBITDA practically stable q/q**. The major **negative highlight** was **the higher CAPEX**, reflecting the change in the profile of the company's disbursements, which this year should occur more linearly between quarters — unlike the concentration in 2H observed in previous cycles. This pressure — even if justified by the +R$462mn derived from 4Q24 — exemplifies a cautious tone about the **25E guidance limit**. As we have already highlighted in our preview report, there will be **reduced room for maneuvers** to execute more aggressive CAPEX at the end of the year, as is customary for the company, and remain within the guidance.

Acquisitions in the energy segment increase FCF burn. The company reported that, through Sul Renováveis Participações and Gerdau Aços Longos, it paid **R$244mn** on March 21 for Rio do Sangue Energia and **R$197mn** (net of R$33mn in cash and equivalents) on April 28 for Paranatinga Energia. Due to the **disbursement** of **R$441mn** for the two acquisitions, **there was additional pressure** on the company's **FCF** during the quarter, beyond what we have already mentioned.

Leverage increased more than expected, reflecting higher FCF consumption. Gross debt totaled **R$14.5bn** (+6.4% q/q; +31.4% y/y), driven by the contracting of **+R$1.2bn** in new bilateral financing with first-rate financial institutions. This movement was partially offset by a **-7.3% q/q** slowdown in the USD/BRL EoP FX rate. Net debt, in turn, reached **R$7.6bn** (+42.5% q/q; +49.8% y/y), reflecting a **-R$1.4bn** reduction in the cash position. As a result, the **Net Debt/EBITDA** leverage ratio ended at **0.69x** (+0.2x q/q). Leverage was slightly higher than we had projected, explained by **more intense FCF burn**, which more than offset the positive effect of LTM EBITDA expansion. Even so, we believe that the leverage level remains healthy (below 1.0x). The seasonal trend of reversal in the working capital (WC) tightening in the coming quarters should help reduce the indicator, provided that the company does not pursue a level of CAPEX above the target.

Brazil BD: Challenging market for long steel products. The long steel market faces strong competition among mills, with **excess supply** and **slowing demand** in high-end residential construction, causing a lot of pressure on prices even with the Minha Casa, Minha Vida projects (+9% YTD in sales) partially softening the decline. Although prices are close to the same level as 3Y ago, production costs are much higher, sparking debate about possible price increases. Even so, S&P Platts data indicate a **discount of -6.1%** for domestic rebar vs. imports.

We know that some mills are offering products at lower prices with negative margins, which may lead others to adjust shipments.

While imports are entering the domestic market and the major players are maintaining volumes, competitors are planning small capacity expansions. In fact, there is a rolling mill scheduled to start up in July. Therefore, we believe that the feeling of oversupply may **disadvantage the position of mills** in **arguing** for a **price recovery** with construction companies. On the other hand, **we do not believe in further price declines**, given the lack of profitability of operations.

Low dividends, share buyback underway. The company also announced that its board of directors approved the cancellation of 517,600 common shares (GGBR3), representing **0.1% of the pool**, and 24 million preferred shares (GGBR4), representing **1.8% of the pool**, without changing the share capital. Now, the cancellation must be submitted to the shareholders for approval at the next general meeting (AGM). The share buyback program, in effect from January 20, remains in place. The FCF expenditure allocated to repurchases totaled R$280mn. If the 2025 repurchase program is in fact achieved with 100% effectiveness—with up to 63 million preferred shares (or ~5% of GGBR4) to be acquired in addition to common shares— – the reduction in the number of outstanding shares tends to **slightly increase EPS** (going up to ~**R$2.40 25E** or +3.5% vs. base without repurchase).

In addition, the company announced the payment of a **dividend** of **R$0.12/share**, with an **ex-date** of **May 9**, reaching a **dividend yield** of **0.8%** (or **~3.0% annualized**). We consider this amount to be low and below our estimate (-12% vs. Genial Est.). Even so, the leveling of CAPEX may generate a slightly larger gap in FCF in 2H25, so we maintain our projection of a **Dividend Yield 25E** of **4%** (vs. 5% in 2024).

Pressure on FCF should be temporary, but CAPEX execution is essential. As indicated in our preview, the quarter storyline proved to be the reverse of 4Q24. **North America BD** showed a **significant recovery** in sequential movement, and **Brazil BD slowed down the possibility of further gains**. Even with **a higher-than-expected burn**, we remain bullish about the **FCF trajectory** for the remainder of 2025, reaching a **yield** of **+15% 25E**. This is because (**i**) although **CAPEX rose in 1Q25 vs. historical 1Qs**, the company maintained its annual guidance of **R$6.0bn**, indicating that the coming quarters should see **lower relative disbursement intensity**.

On the operational front, we continue to believe that the trend is toward a **gradual recovery going forward**, supported by (**ii**) the reset of working capital after the typical seasonal tightening in 1Q, and by the sequential improvement in EBITDA as the **price increases implemented in the US** gain traction and **Brazil's BD resumes its usual shipments pace** after the BQ2 shutdown, including generating incremental EBITDA (+R$400mn). Therefore, we maintain our **BUY rating**, with a **12M Target Price** of **R$19.00**, implying an **upside** of **+22.2%**.

Appendix: Gerdau

Figure 1. Gerdau – Income Statement in R$ Millions (Genial Est. 2025-2028)

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	**72.335**	**77.762**	**78.069**	**79.442**
(-) COGS	(63.044)	(67.492)	(67.137)	(66.822)
Gross Profit	**9.291**	**10.269**	**10.932**	**12.620**
(-) Expenses	(2.340)	(2.506)	(2.530)	(2.580)
Adjusted EBITDA	**11.178**	**12.012**	**12.506**	**13.953**
(-) D&A	(3.869)	(4.131)	(4.370)	(4.590)
EBIT	**7.620**	**8.541**	**9.182**	**10.834**
(+/-) Financial Result	(545)	(686)	(471)	(1.105)
(-) Taxes	(1.595)	(1.946)	(2.408)	(2.684)
Net income	**5.480**	**5.909**	**6.303**	**7.046**
Profitability				
Net margin (%)	7,6%	7,6%	8,1%	8,9%

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

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	**72.335**	**77.762**	**78.069**	**79.442**
(-) COGS	(63.044)	(67.492)	(67.137)	(66.822)
Adjusted EBITDA	**11.178**	**12.012**	**12.506**	**13.953**
EBIT	**7.620**	**8.541**	**9.182**	**10.834**
(-) Taxes	(1.595)	(1.946)	(2.408)	(2.684)
(+) D&A	3.869	4.131	4.370	4.590
(+/-) Δ WK	186	(6)	(193)	169
(-) Capex	(6.000)	(6.075)	(6.150)	(6.226)
FCFF	**4.081**	**4.645**	**4.802**	**6.684**

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