genial | Equity Research

GERDAU

2Q25 Review: Brazil surprises, but the US remains the star performer.

LatAm Metals & Mining

(i) Brazil BD: Shipments at **1.4Mt** (-5.0% vs. Genial Est.), down -5.2% q/q, despite a slight increase of +1.2% y/y, affected by the significant reduction in FM of -44.9% q/q; **price** of **R$5,396/t** (+4.1% vs. Genial Est.), accelerating +3.0% q/q, sustained by a higher quality mix, despite competition; **(ii) North America BD: Volumes** of **1.3Mt** (+2.0% vs. Genial Est.), up +2.2% q/q and +5.8% y/y, supported by inventory restocking; **price** of **R$7,276/t** (-2.4% vs. Genial Est.), up +2.0% q/q, but limited by the lag in contract adjustments and the FX rate effect; **(iii) Net Revenue** of **R$17.5bn** (-0.6% vs. Genial Est.), up +0.9% q/q and +5.5% y/y, reflecting low sales levels in Brazil BD; **(iv) COGS/t: Brazil BD** at **R$5,010/t** (+5.0% vs. Genial Est.), up +7.0% q/q, reflecting lower fixed cost dilution and operational adjustments in Ouro Branco (MG); in **North America BD**, reached **R$6,166/t** (-2.2% vs. Genial Est.), down -2.5% q/q, reflecting higher fixed cost dilution; **(v) EBITDA** totaled **R$2.6bn** (+1.4% vs. Genial Est.), an increase of +6.6% q/q, but a decrease of -2.4% y/y; **North America BD** maintained its positive trajectory, accounting for **64% of consolidated EBITDA** (+14p.p. vs. 1Q25); **(vi) Net income** of **R$864mn** (+6.7% vs. Genial Est.), up +14.1% q/q, flat y/y (-0.2%), with margin reaching **4.9%**; **(vii)** We believe that 2Q25 reinforced the **contrast between geographies**, with the North American operation advancing in a favorable scenario, while Brazil remained limited by fierce competition and restricted credit (SELIC at 15%). Even so, the **positive surprise** in **prices realized in Brazil** (+3% q/q vs. estimate -1%) suggests that the domestic market penalty may be exaggerated; for **3Q25**, we project an **inflection** toward **positive FCF generation**, driven by an 18% y/y reduction in **CAPEX** for **2H25E** and the release of funds in WC; we maintain a **constructive view with the US** sustaining stronger results, a slight positive bias vs. previous estimate for prices in Brazil and COGS/t cooling after operational adjustments. We maintain our **BUY rating**, raising the **12M Target Price** to **R$20.00** (vs. R$19.00 previously), implying an **upside** of **+20.5%**.

Analysts

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

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

Iago Souza
+55 (11) 3206-8244
iago.souza@genial.com.vc

Company

GGBR4 BZ Equity
Buy

Price: R$ 16.84 (31-Jul-2025)
Target Price 12M: R$ 20.00

Table 1. Shipments Summary (2Q25 vs. Genial Est.)

(Thousand Tonnes - kt)	Reported	Genial Est.		Reported		Reported	
Summary (Shipments)	**2Q25**	**2Q25E**	**% R/E**	**1Q25**	**% q/q**	**2Q24**	**% y/y**
Brazil BD	1.356	1.427	**-5,0%**	1.431	**-5,2%**	1.340	**1,2%**
North America BD	1.256	1.231	**2,0%**	1.229	**2,2%**	1.187	**5,9%**
South America BD	288	239	**20,3%**	237	**21,6%**	249	**15,7%**

Source: Gerdau, Genial Investimentos

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

(R$ millions)	Reported	Genial Est.		Reported		Reported	
Income Statement	**2Q25**	**2Q25E**	**% R/E**	**1Q25**	**% q/q**	**2Q24**	**% y/y**
Net Revenue	17.526	17.630	**-0,6%**	17.375	**0,9%**	16.616	**5,5%**
Adjusted EBITDA	2.561	2.525	**1,4%**	2.402	**6,6%**	2.624	**-2,4%**
Net Income	864	810	**6,7%**	758	**14,1%**	866	**-0,2%**

Source: Gerdau, Genial Investimentos

Gerdau released its **2Q25 results** on **July 31**, after the market closed. Although **EBITDA from North America BD** was down **8.2% vs. Genial Est.**, it is undeniable that the unit has been consolidating its relevance in the company's portfolio, reaching a **64% share of consolidated EBITDA** — clear evidence of its growing preponderance over Brazil BD, even though the stock is still priced by many investors as a predominantly domestic asset.

Brazil BD reported **shipments** (DM + FM) of **1.4Mt** (-5% vs. Genial Est.), below expectations, with a -5.2% q/q decline, but a +1.2% y/y increase, impacted by the slowdown in shipments to the foreign market (ME), a move that reflects the strategy of redirecting volumes to the domestic market (MD). We classify the **positive surprise** as being in the **price realized**, which was marked at **R$5,396/t** (+4.1% vs. Genial Est.), following a trend opposite to what we expected and **increasing +3.0% q/q**, reflecting the improvement in the mix of products sold and a higher share of higher value-added items. **COGS/t** reached **R$5,010/t** (+5.0% vs. Genial Est.), representing an **increase of +7.0% q/q** and +2.6% y/y, pressured by operational adjustments in Ouro Branco (MG), lower dilution of fixed costs, and a mix more concentrated in special steels (more expensive to produce).

In **North America BD**, the company reported **shipments** of **1.3Mt** (+2.0% vs. Genial Est.), advancing +2.2% q/q and +5.8% y/y, exceeding our expectations given the restocking and growing customer loyalty to the regional supply chain. The **realized price** reached **R$7,276/t** (-2.4% vs. Genial Est.), **up +2.0% q/q**, reflecting the lag related to the partial capture of the round of price adjustments at the beginning of the year. Finally, **COGS/t** was **R$6,166/t** (-2.2% vs. Genial Est.), below our expectations, **slowing down -2.5% q/q**, but still up +6.5% y/y, reflecting the greater dilution of fixed costs added to the favorable effect presumed by the **smoothing of the average USD/BRL FX rate** (-3% q/q).

Consolidated net revenue totaled **R$17.5bn** (-0.6% vs. Genial Est.), slightly below our expectations, with a slight increase of **+0.9% q/q** and **+5.5% y/y**, reflecting low sales in Brazil BD (-5% vs. Genial Est.). **Adjusted EBITDA** totaled **R$2.6bn** (+1.4% vs. Genial Est.), growing +6.6% q/q; but falling -2.4% y/y, with a **margin** of **14.6%**, driven by the surprising realization of prices in the Brazilian unit (+4% vs. Genial Est.), which ended up resulting in **EBITDA** of **R$877mn** (+28% vs. Genial Est.), albeit with COGS/t under pressure. **North America BD**, in turn, reported **R$1.6bn** (-8.2% vs. Genial Est.), but continued to gain relevance, reaching a 64% share in the consolidated results and advancing +36.5% q/q and +1.2% y/y, sustained both by higher volumes (+2.2% q/q) and prices (+2% q/q), as well as by lower COGS/t (-2.5% q/q). **Net income** was **R$864mn** (+6.7% vs. Genial Est.), up **+14.1% q/q** and down **-0.2% y/y**.

2Q25 Review: In detail!

Brazil BD: Shipments in the FM below expectations, despite resilience in the DM. Shipments (DM+FM) totaled 1.4Mt (-5.0% vs. Genial Est.), down -5.2% q/q, although they accelerated +1.2% y/y. The deviation from our estimate is mainly explained by the significant -44.9% q/q drop in the foreign market (FM), in line with the company's strategy to redirect volumes to the domestic market (DM) in view of the softening of the average USD/BRL FX rate (-3% q/q).

In the domestic market (DM), volumes rose +7.8% q/q, reflecting the good performance of both long and flat steel. Long steel sales advanced +5.2% q/q and +3.7% y/y, supported by a more aggressive commercial approach aimed at preserving — and possibly expanding — market share, in an environment still marked by excess supply (which we estimate at ~620Kt Est.), linked to players putting more capacity into the DM, especially in rebar.

We also highlight the recovery in flat steel in the domestic market, up +14.4% q/q, driven by the gradual resumption of production in Ouro Branco (MG). The company continues to adjust the efficiency of its production plant ahead of the opening of new capacity, with the BQ2 project rolling mill coming online, whose ramp-up began during 2Q25 and is expected to add +250Ktpy of HRC. Although MD's flat steel volume rose, the increase comes on the heels of the company's competitiveness in the face of rising imports, which remain at historically high levels, reaching 26% of apparent consumption, according to IABr data.

Brazil BD: Realized price surprises positively, with favorable product mix. The consolidated realized price (DM+FM) reached R$5,396/t (+4.1% vs. Genial Est.), with a +3.0% increase q/q and stability of +0.5% y/y. The figure exceeded our projections, reflecting **(i)** a marked improvement in the sold products mix; and **(ii)** a higher share of higher value-added items, such as special and flat steels, whose volumes in the domestic market (DM) increased by +5.2% q/q and +14.4% q/q, respectively. Although we had already anticipated these trends in our preview report, the intensity was greater than we had expected.

Despite the still competitive environment, especially in the long steel segment — notably rebar, where price pressure remains intense in the face of higher domestic supply and occasional distributor sales — the company managed to maintain the average realization of its portfolio. We believe that part of this performance can be explained by the strategy of prioritizing market share in strategic regions, such as the Southeast and South, while taking advantage of the resumption of operations at the BQ2 line, which has boosted deliveries of HRC with higher technical specifications.

North America BD: Volumes surprise, but prices fall short. We observed shipments of 1.3Mt (+2.0% vs. Genial Est.), advancing +2.2% q/q and +5.8% y/y, exceeding our estimate and reflecting continued solid demand for locally produced steel. This movement is explained by **(i)** inventory restocking; **(ii)** stimuli to domestic production after the reinforcement of Section 232 tariffs; and **(iii)** growing customer loyalty to the regional supply chain, which helped keep the orderbook above 70 days (vs. below 60 days in 4Q24). Among products, we highlight the growth in commercial bars (+6.3% q/q) and downstream products (+20.4% q/q), while structural profiles declined -2.4% q/q. As we anticipated, the asset utilization rate expanded significantly, ranging between 85-87% (vs. ~72% pre-tariffs in 4Q24), consolidating the unit's new operating level.

The realized price was R$7,276/t (-2.4% vs. Genial Est.), up +2.0% q/q and +5.0% y/y, although slightly below projections. The gradual sequential increase reflected the partial capture of price adjustments announced at the beginning of the year, whose implementation was diluted by fixed-term contracts and a lag in pass-through (justifying the divergence from what was expected), but helping the company to purge the successive discounts given in 2H24.

The good performance of the mix — with a higher share of higher value-added products (less rebar and a higher share of commercial bars) — also helped sustain the annual base. Furthermore, it is worth noting that, in USD, the price accelerated +5.0% q/q, reinforcing that the profitability gain could have been even higher if it had not been for the softening of the average USD/BRL FX rate (-3% q/q).

South America BD: Shipments exceed expectations, but prices suffer sharp compression. Sales were reported at 288Kt (+20.3% vs. Genial Est.), registering significant growth of +21.6% q/q and +15.7% y/y. The result was significantly above our estimates, supported by a one-off recovery in shipments in Peru, following the low base in 1Q25, which had been impacted by the anticipation of orders at the end of the previous year. In addition, there was an increase in exports from Argentina, reflecting operational improvements, despite the challenging domestic environment.

While the recovery in volumes was stronger than expected, the realized price was well below expectations, at R$4,622/t (-15.7% vs. Genial Est.), with a sharp decline of -19.8% q/q and -18.1% y/y. The decline is mainly due to persistent weak demand in Argentina, where civil construction activity remains depressed, and increased regional competition from imported steel (a situation similar to that in Brazil). We believe that pressure on prices was intensified by the local FX rate scenario and by a more flexible commercial stance adopted by the company in view of weaker market traction, especially in Uruguay and Argentina.

Table 3. Net Revenue Gerdau (2Q25 vs. Genial Est.)

(R$ millions)	2Q25 Reported	2Q25E Genial Est.	% R/E	1Q25 Reported	% q/q	2Q24 Reported	% y/y
Net Revenue	**17.526**	**17.630**	**-0,6%**	**17.375**	**0,9%**	**16.616**	**5,5%**
Brazil BD	7.317	7.398	-1,1%	7.494	-2,4%	7.196	1,7%
North America BD	9.139	9.176	-0,4%	8.768	4,2%	8.221	11,2%
South America BD	1.331	1.312	1,5%	1.366	-2,5%	1.405	-5,3%
Eliminations	(261)	(256)	2,2%	(253)	3,4%	(206)	26,8%

Brazil BD: COGS/t exceeds expectations. COGS/t reached R$5,010/t (+5.0% vs. Genial Est.), with an increase of +7.0% q/q and +2.6% y/y, well above our expectations, reflecting a deficiency — likely temporary — in the adjustment of the heat balance and iron ore consumption of the blast furnace in Ouro Branco (MG), after the plant was partially shut down last quarter to start up the production line of the BQ2 project. Although we had already anticipated an increase in costs for precisely these reasons, the increase was greater than expected.

The sequential increase also incorporates the effects of lower fixed cost dilution, due to structural adjustments made at the unit during April-May. In addition, the more concentrated mix in higher value-added products — such as special steels — also put pressure on the cost structure.

On the other hand, the sequential decline in input prices, such as **(i)** scrap, **(ii)** energy (metallurgical coal and electricity), in addition to **(iii)** the reduction in the price of iron ore (-5.8% q/q), as well as **(iv)** the hibernation initiatives at the Barão dos Cocais (MG) and Maracanaú (CE) plants on an annual basis, acted as mitigating factors for this increase linked to operational adjustments in Ouro Branco (MG). For the coming quarters, we expect a gradual reduction in COGS/t as the BQ2 line progresses in its ramp-up and the company achieves its ideal efficiency balance after restarting the blast furnace.

North America BD: COGS/t below our projections. COGS/t was R$6,166/t (-2.2% vs. Genial Est.), down -2.5% q/q, but still structurally higher on an annual basis, reaching +6.5% y/y. The slightly lower-than-expected cost is due to a combination of favorable factors, such as **(i)** greater dilution of fixed expenses — supported by the increase in shipments — and **(ii)** a lower average USD/BRL FX rate (-3% q/q), which helps reduce the FX rate conversion of costs to be reported in BRL.

Although the spot price of scrap slowed (-3% q/q), the company is still processing the old acquisition cost through P&L, representing a pressure factor on average costs. However, the verticalization of the unit — with ~40% of scrap being captive — mitigated part of this impact on the delay vs. spot. In addition, we consider the existence of productivity gains in the long and specialty steel plants. In the annual comparison, the increase in COGS/t continues to reflect the leveling of metal spreads, which were above the historical average in 1H24.

EBITDA: In line, with offsetting dual effects and high mid-single digit q/q growth. Adjusted EBITDA totaled R$2.6bn (+1.4% vs. Genial Est.), advancing to +6.6% q/q, but declining -2.4% y/y, with a margin of 14.6%. The slight positive surprise compared to our projection is explained by Brazil BD, whose performance was above expectations due to higher average realization, despite a relatively pressured cost structure. North America BD, despite a slight disappointment vs. our previous estimate, continues its path to becoming increasingly important in the company's consolidated EBITDA dynamics, reaching a 64% share (+14p.p. vs. 1Q25).

In Brazil BD, EBITDA was R$877mn (+28% vs. Genial Est.), sustained by higher-than-expected prices (+4.1% vs. Genial Est.), even with COGS/t under more pressure. North America BD, in turn, reported EBITDA of R$1.6bn (-8.2% vs. Genial Est.), with significant sequential growth (+36.5% q/q), driven by all factors: expanding volumes (+2.2% q/q); higher realized prices (+2.0% q/q); and greater operational efficiency, reflected in the contraction of COGS/t (-2.5% q/q).

Table 4. EBITDA Gerdau (2Q25 vs. Genial Est.)

(R$ millions)	2Q25 Reported	2Q25E Genial Est.	% R/E	1Q25 Reported	% q/q	2Q24 Reported	% y/y
Adjusted EBITDA	**2.561**	**2.525**	**1,4%**	**2.402**	**6,6%**	**2.624**	**-2,4%**
Brazil BD	877	682	28,7%	1.054	-16,8%	842	4,1%
North America BD	1.635	1.782	-8,2%	1.198	36,5%	1.615	1,2%
South America BD	149	122	22,6%	188	-20,9%	227	-34,4%
Eliminations	(100)	(60)	66,3%	(38)	161,6%	(60)	66,3%

Source: Gerdau, Genial Investimentos

Net Income: Moderate upside despite financial pressure. The company reported net income of R$864mn (+6.7% vs. Genial Est.), accelerating +14.1% q/q, but remaining basically stable at -0.2% y/y, leading to a net margin of 4.9% (+0.3p.p. vs. Genial Est.). The positive performance compared to our forecast was mainly sustained by the surprise increase in consolidated EBITDA, driven by Brazil BD, as already mentioned above.

Net financial income, in turn, reached -R$335mn (-44.2% vs. Genial Est.), significantly below our expectation, favored by **(i)** the positive effect of FX rate variation; and **(ii)** inflation adjustments in Argentina, which more than offset the **(iii)** impact of financial expenses related to the repurchase of part of the outstanding bonds maturing in 2027; and **(iv)** higher financial expenses related to the issuance of bonds and debentures in June. In other words, strong operating performance – especially in Brazil – ensured a bottom-line result above our expectations.

Table 5. Income Statement Gerdau (2Q25 vs. Genial Est.)

(R$ millions)	2Q25 Reported	2Q25E Genial Est.	% R/E	1Q25 Reported	% q/q	2Q24 Reported	% y/y
Net Revenue	**17.526**	**17.630**	**-0,6%**	**17.375**	**0,9%**	**16.616**	**5,5%**
COGS	(15.495)	(15.806)	-2,0%	(15.429)	0,4%	(14.429)	7,4%
Adjusted EBITDA	**2.561**	**2.525**	**1,4%**	**2.402**	**6,6%**	**2.624**	**-2,4%**
EBITDA Margin (%)	14,6%	14,3%	0,3p.p	13,8%	0,3p.p	15,8%	-1,2p.p
EBIT	**1.485**	**1.420**	**4,6%**	**1.386**	**7,2%**	**1.620**	**-8,3%**
EBIT Margin (%)	8,5%	8,1%	0,4p.p	8,0%	0,4p.p	9,8%	-1,3p.p
D&A	(937)	(902)	3,9%	(874)	7,2%	(771)	21,5%
Financial Result	(335)	(600)	8,8%	(308)	8,8%	(598)	-44,0%
Net Income	**864**	**810**	**6,7%**	**758**	**14,1%**	**866**	**-0,2%**
Net Margin (%)	4,9%	4,6%	0,3p.p	4,4%	0,3p.p	5,2%	-0,3p.p

Source: Gerdau, Genial Investimentos

Our Take on Gerdau

FCF burns in line, leverage rises slightly. The company reported **an FCF burn** of **-R$773mn** (+4.5% vs. Genial Est.), in line with our expectations and already representing an improvement vs. cash consumption in 1Q25 (-R$1.2bn). The main drivers behind the outflow were **(i)** CAPEX of R$1.6bn (fully in line vs. Genial Est.), concentrated mainly in the Miguel Burnier mining project (MG); **(ii)** need for working capital (WC) of R$286mn (-47.3% vs. Genial Est.), well below initially projected, reflecting some decompression; and **(iii)** interest and tax payments, which, as we anticipated in our preliminary report, are seasonally concentrated in 2Qs due to the coupon structure and tax calendar. Both totaled R$1.0bn (+12% vs. Genial Est.). Although the figure was higher than we expected, it was offset by lower WC consumption.

It is worth noting that the company's net debt increased to R$9.1bn (+19.4% q/q), driven by both FCF consumption and an increase in gross debt, which reached R$18.1bn (+24.7% q/q), as a result of the issuance of a bond maturing in 2035 in the amount of US$650mn (~R$3.5bn) and the 19th debenture issue in the amount of R$1.4bn. Thus, added to the fact that EBITDA declined -2.4% y/y, affecting the LTM base, the **Net Debt/EBITDA** ratio rose to **0.85x** (+0.15x q/q). Even so, we emphasize that leverage levels remain fully comfortable.

Positive tone from management regarding the US. Our perception was satisfactory regarding the tone referred to **North America BD**, which should continue on a **very positive trajectory**, with management stating that the **order book for 3Q25E** remains healthy, with **70 days of coverage** — thus dispelling some concerns that investors had in recent days about a possible weaker signal for the quarter, stemming in turn from how Nucor (Gerdau's partner in the US) is viewing the market.

Some points still leave us with a bullish bias, such as **(i)** the US operation continues a trajectory of **high asset utilization rates** (85–87% vs. ~70% pre-tariffs). In addition, **(ii)** although Nucor gave a less favorable outlook than we initially imagined, at the end of July it still reported a price realization for its steel mills portfolio of US$1,041/t (+11.0% q/q; -1.0% y/y). The price of bars and structural profiles – which includes wide flange beams, angle bars, U-profiles, and commercial sheet piles – rose by +US$50/t q/q, for example, while flat products increased by +US$120/t q/q. In our view, the effects of these price increases led us to take a more constructive view of Gerdau's North America division's price realization (+5.0% q/q in USD) – the company is not a price maker in the region and tends to follow the adjustments announced by leading players.

Concerns about Brazil remain... Although we were **partially more encouraged** by the **performance of Brazil BD**, mainly since we expected a slight sequential contraction in realized prices and were surprised by an acceleration of +3.0% q/q, we remain **skeptical about market conditions**, believing that the trend may have been one-off and linked to the product mix. The **scenario in Brazil should remain challenging**, reflecting the relative abundance of supply relative to demand (both in long and flat steel). As we have already mentioned in other reports, the **rebar market** continues to be affected by **(i)** excess supply, which we estimate at ~620Kt, with players adding more capacity than the level of absorption; and **(ii)** customer resistance to price adjustments.

As for **flat steel**, amid market noise, mills resist price cuts but may give in. We are hearing unconfirmed rumors about **production cuts at some blast furnaces**. Brazilian authorities **postponed their anti-dumping decision** on galvalume and HDG imports to January 12 next year (vs. October 20 this year). The National Institute of Steel Distributors (Inda) reported that sales in the flat segment fell -4.6% m/m in June (vs. +4% m/m expected) and inventories are at 3.4 months of sales (high level). Imports increased +75% y/y, with China accounting for ~55% of the total, followed by South Korea and Egypt (trade triangulation). From a sectoral perspective, we believe it is unlikely that there will be growth in sales in 2H25 amid tight credit conditions (SELIC at 15%) and disputes in a market saturated with imports. On the other hand, it is possible that **Gerdau will grow more than the market** given its more aggressive commercial strategy.

Share buybacks were above our projection, but dividends are at low. As previously mentioned, we had projected that the current share buyback program was at 65% of the company's plan. However, after the results were released, we saw that the program is 70% complete (+5 p.p. vs. Genial Est.), with a total of ~43.8 million shares repurchased since January (GGBR3 + GGBR4 + GGB). Thus, we further emphasize that the company remains fully committed to its strategy of completing the program by 2026, but this reinforces our view that there will be less cash available for dividend distribution.

In line with this rationale, which we had already anticipated, the company announced the distribution of dividends totaling R$240mn, corresponding to **R$0.12/share** (-2.4% vs. Genial Est.), slightly below our expectations and representing an **annualized yield** of **~3%**. The payment will be made on Aug. 18, and the shares will begin trading ex-dividend on Aug. 12. We have maintained our **25E Dividend Yield** projection at **~4%.**

Brazil surprises, but the US remains the star performer. Our previous understanding that **2Q25** would show the backdrop was met, with the **contrast between geographies becoming more pronounced**. The **US operation is on an upward trajectory**, driven by a benign price and cost environment, while Brazilian operations should continue to impose limits on consolidated expansion due to the possible continuation of a predatory domestic environment, without government support and credit cycle restrictions (SELIC at 15%). However, the **positive surprise in Brazil's BD operating profitability** – mainly explained by **realized price dynamics**, accelerating +3% q/q vs. our expectation of a -1% q/q contraction – converges our thinking towards a narrative that, eventually, **Brazilian operations are being penalized excessively**, even though US operations are on a continuous path of building a leading position.

Looking ahead, we maintain our view that **3Q25 should mark the turning point for positive FCF** generation, supported by three main drivers: **(i)** normalization of tax payments and financial expenses, which tend to be concentrated in 2Qs and 4Qs; **(ii)** a slowdown in CAPEX in terms of cash effect, after the peak observed previously; and **(iii)** expectations of a reversal in working capital (WC) dynamics, with net release of funds by the end of the year, especially given the maturation of the order book in the North American unit. In addition, we continue to emphasize that the **new CAPEX execution profile** — more linear throughout the year — increases the **weight of financial discipline in 2H25**, reducing the margin for deviations from the budget schedule.

Therefore, our perception remains that **consolidated figures should continue to grow**, since, on the one hand, operations in the US should continue to benefit from the favorable environment and, on the other hand, Brazilian operations may continue to surprise us, even if there is a partial deterioration in their profitability. With the recent adjustments implemented after Nucor's price letter, we believe that 2H25 should be even stronger for US operations – corroborated by management –, **(ii)** realized prices in Brazil at high levels, even with the company's strategy to gain market share; and **COGS/t for Brazilian operations cooling again in 3Q25E** after managing the ideal thermal balance of the Ouro Branco (MG) blast furnace, the natural trend would be for margins to recover to a more sustainable level. Therefore, we maintain our **bullish bias ahead**, keeping our **BUY rating** and **raising** the **12M Target Price** to **R$20.00** (vs. **R$19.00** previously), implying an **upside** of **+20.5%.**

Appendix: Gerdau

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

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	**73.095**	**77.049**	**74.109**	**72.940**
(-) COGS	(63.232)	(65.221)	(63.430)	(62.197)
Gross Profit	**9.863**	**11.827**	**10.679**	**10.744**
(-) Expenses	(2.343)	(2.414)	(2.335)	(2.300)
Adjusted EBITDA	**12.377**	**14.688**	**13.609**	**13.735**
(-) D&A	(3.720)	(3.981)	(4.220)	(4.441)
EBIT	**7.991**	**10.184**	**9.085**	**9.173**
(+/-) Financial Result	(1.630)	(1.170)	(643)	-809
(-) Taxes	(1.465)	(1.469)	(1.636)	(1.564)
Net income	**4.896**	**7.545**	**6.806**	**6.800**
Profitability				
Net margin (%)	6,7%	9,8%	9,2%	9,3%

Figure 2. Gerdau– Cash Flow in R$ Millions (Genial Est. 2025-2028)

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	**73.095**	**77.049**	**74.109**	**72.940**
(-) COGS	(63.232)	(65.221)	(63.430)	(62.197)
Adjusted EBITDA	**12.377**	**14.688**	**13.609**	**13.735**
EBIT	**7.991**	**10.184**	**9.085**	**9.173**
(-) Taxes	(1.465)	(1.469)	(1.636)	(1.564)
(+) D&A	3.720	3.981	4.220	4.441
(+/-) Δ WK	-1.396	568	289	491
(-) Capex	(5.927)	(6.001)	(6.075)	(6.151)
FCFF	**2.924**	**7.263**	**5.883**	**6.391**

Disclosure Section

1. GENERAL DISCLAIMER

This report has been produced by the research department ("Genial Institutional Research") of Genial Institutional Corretora de Câmbio, Títulos e Valores Mobiliários S.A. ("GENIAL INSTITUTIONAL CCTVM"). Genial Institutional is a brand name of Genial Investimentos CCTVM.

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%**

This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of GENIAL INSTITUTIONAL CCTVM. GENIAL INSTITUTIONAL CCTVM accepts no liability whatsoever for the actions of third parties in this respect.

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither GENIAL INSTITUTIONAL CCTVM nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report

GENIAL INSTITUTIONAL CCTVM may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of GENIAL INSTITUTIONAL CCTVM.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by GENIAL INSTITUTIONAL CCTVM with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

The locally listed shares of Brazilian companies may only be purchased by investors outside of Brazil who are "eligible investors" within the meaning of applicable laws and regulations.

2. ANALYST(S) DISCLOSURES AND CERTIFICATION

The principal analyst, IGOR GUEDES, is responsible for the content of this report and for meeting the requirements of Securities and Exchange Commission of Brazil (CVM) Instruction 598/2018.

The analysts hereby certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers and it was prepared in an independent manner, including with respect to the person and to GENIAL INSTITUTIONAL.

The analyst hereby certifies that he (she) has no connection with any individual who works for the issuer(s) discussed in this report.

The analyst hereby certifies that he (she), or his (her) spouse or companion, either directly or indirectly, in his or her own name or on behalf of a third party, does not hold any of the securities covered in this report.

The analyst hereby certifies that he (she), or his (her) spouse or companion, is not directly or indirectly involved in the purchase, disposal or brokering of the securities covered in this report.

The analyst hereby certifies that he (she), or the his (her) spouse or companion, has no direct or indirect financial interest in the issuer covered in this report (other than trading shares in investment funds, in which the analyst cannot control, directly or indirectly, the administration or management of the fund, or which do not concentrate investments in sectors or companies that are covered by reports produced by the analyst).

The analyst's compensation is, directly or indirectly, determined by income from GENIAL INSTITUTIONAL´s business and financial operations.

In addition, the analysts certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

The compensation of the analyst who prepared this report is determined by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of GENIAL INSTITUTIONAL CCTVM, its affiliates and/or subsidiaries as a whole, of which investment banking, sales and trading are a part. Compensation paid to analysts is the sole responsibility of GENIAL INSTITUTIONAL CCTVM.

The analyst hereby certifies that he (she), or his (her) spouse or companion, does not serve as an officer, director, or advisory board member of the subject company.

The principal analyst is responsible for the content of this report and for meeting the requirements of Securities and Exchange Commission of Brazil (CVM) Instruction 598/2018.

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

3. ADDITIONAL DISCLOSURE

(i) This document was prepared by GENIAL INSTITUTIONAL Research and is hereby supplied for the sole purpose of providing information about companies and their securities.

(ii) The information contained herein is provided for informational purposes only and does not constitute an offer to buy or sell, and should not be construed as a solicitation to acquire, any securities in any jurisdiction. The opinions expressed herein regarding the purchase, sale or holding of securities, or with respect to the weighting of such securities in a real or hypothetical portfolio, are based on careful analysis by the analysts who prepared this report and should not be construed by current or future investors as recommendations for any particular investment decision or action. The investor's final decision should be made considering all of the risks and fees involved. This report is based on information obtained from primary or secondary public sources, or directly from companies, and is combined with estimates and calculations prepared by GENIAL INSTITUTIONAL CCTVM. This report does not purport to be a complete statement of all material facts related to any company, industry, security or market strategy mentioned. The information has been obtained from sources believed to be reliable, but GENIAL INSTITUTIONAL CCTVM does not make any express or implied representation or warranty as to the completeness, reliability or accuracy of such information. The information, opinions, estimates and projections contained in this document are based on current data and are subject to change. Prices and availability of financial instruments are indicative only and subject to change without notice. GENIAL INSTITUTIONAL CCTVM is under no obligation to update or revise this document or to advise of any changes in such data.

(iii) The securities discussed in this report, as well as the opinions and recommendations contained herein, may not be appropriate for every type of investor. This report does not take into account the investments objectives, financial situation or particular needs of any particular investor. Investors who wish to buy, sell or invest in securities that are covered in this report should seek independent financial advice that takes individual characteristics and needs into consideration, before making any investment decision with respect to the securities in question. Each investor should make independent investment decisions after carefully analyzing the risks, fees and commissions involved. If a financial instrument is denominated in a currency other than an investor's currency, changes in exchange rates may adversely affect the price or value of, or the income derived from the financial instrument, and the reader of this report assumes all foreign exchange risks. Income from financial instruments may vary, and therefore their price or value may rise or fall, either directly or indirectly. The information, opinions and recommendations contained in this report do not constitute and should not be interpreted as a promise or guarantee of a particular return on any investment. Past performance does not necessarily indicate future results, and no representation or warranty, express or implied, is made herein regarding future performance. Therefore, GENIAL INSTITUTIONAL CCTVM, its affiliated companies, and the analysts involved in this report take no responsibility for any direct, indirect or consequential loss resulting from the use of the information contained in this report, and anyone using this report undertakes to irrevocably indemnify GENIAL INSTITUTIONAL CCTVM and its affiliates from any claims and demands.

(iv) Prices in this report are believed to be reliable as of the date on which this report was issued and are derived from one or more of the following: (i) sources as expressly specified alongside the relevant data; (ii) the quoted price on the main regulated market for the security in question; (iii) other public sources believed to be reliable; or (iv) GENIAL INSTITUTIONAL CCTVM's proprietary data or data available to GENIAL INSTITUTIONAL CCTVM.

(v) No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning GENIAL INSTITUTIONAL CCTVM, its subsidiaries and affiliates. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this report.

(vi) GENIAL INSTITUTIONAL CCTVM makes no representations herein that investors will obtain profits. GENIAL INSTITUTIONAL CCTVM will not share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. GENIAL INSTITUTIONAL CCTVM accepts no fiduciary duties on behalf of recipients of this report and in communicating this report is not acting in a fiduciary capacity. This report is not to be relied upon in substitution for the exercise of recipient's independent judgment. Opinions, estimates, and projections expressed herein constitute the current judgment of the analyst responsible for the substance of this report as of the date on which the report was issued and are therefore subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GENIAL INSTITUTIONAL CCTVM as a result of using different assumptions and criteria. The information, opinions and recommendations contained in this report do not constitute and should not be interpreted as a promise or guarantee of a particular return on any investment.

(vii) Because the personal views of analysts may differ from one another, GENIAL INSTITUTIONAL CCTVM, its subsidiaries and affiliates may have issued or may issue reports that are inconsistent with, and/or reach different conclusions from, the information presented herein. Any such opinions, estimates, and projections must not be construed as a representation that the matters referred to therein will occur. Prices and availability of financial instruments are indicative only and subject to change without notice. Income from financial instruments may vary, and therefore their price or value may rise or fall, either directly or indirectly.

(viii) This document may not be: (a) photocopied or duplicated in any manner, in whole or in part, and/or (b) distributed without GENIAL INSTITUTIONAL CCTVM's prior written consent. GENIAL INSTITUTIONAL CCTVM accepts no liability whatsoever for the actions of third parties in this respect.

(ix) Neither GENIAL INSTITUTIONAL CCTVM nor any of its affiliates, nor any of their respective directors, employees or agents, accepts any liability for any loss or damage arising out of the use of all or any part of this report.

(x) GENIAL INSTITUTIONAL CCTVM (or its affiliates, officers, directors or employees) may, to the extent permitted by law, have acted upon or used the information herein contained before the publication of this report and may have a position in securities issued by the companies mentioned herein and may make a market or act as a principal in any transactions in any such securities. Genial Institutional may from time to time perform investment banking or other services to, or solicit investment banking or other business from, the companies mentioned herein.

4. IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Genial Institutional CCTVM, a company authorized to engage in securities activities in Brazil. Genial Institutional CCTVM is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) and is not being provided pursuant to a soft-dollar arrangement.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Auerbach Grayson & Company LLC ("AGCO"), a registered broker dealer in the United States with an office at 20 West 55th Street New York, NY 10019, (212) 453-3523 . Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Genial Institutional CCTVM.

If the report is to be distributed to anyone other than Major U.S. Institutional Investors in the United States. AGCO accepts responsibility for the contents of this report as provided for in relevant SEC releases and SEC staff no-action letters.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority (“FINRA”) and may not be an associated person at Auerbach Grayson & Company LLC ("AGCO") and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

The disclosures contained in research reports produced by GENIAL INSTITUTIONAL CCTVM and distributed by Auerbach Grayson & Company LLC ("AGCO") in the U.S. shall be governed by and construed in accordance with U.S. law. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of GENIAL INSTITUTIONAL CCTVM. Additional information relative to the financial instruments discussed in this report is available upon request.

UK Disclaimer:

(i) This document is STRICTLY CONFIDENTIAL to the recipient, may not be distributed to the press or other media and may not be reproduced in any form. this document is directed only at persons who are “INVESTMENT PROFESSIONALS” falling within article 19(5) of the FSMA 2000 (FINANCIAL PROMOTION) ORDER 2005, or HIGH NET WORTH BODIES falling within ARTICLE 49(2) of that order (together THE “RELEVANT PERSONS”). This document must not be acted on or relied on by persons who are not RELEVANT PERSONS.

(ii) The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction.