genial Equity Research

GERDAU

4Q25 Preview: Finally, price has caught the story

LatAm Metals & Mining

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Company

GGBR4 BZ Equity
Neutral

Price: R$ 21.91 (06-Feb-2026)
Target Price 12M: R$ 21.50

Main takeaways:

(i) Brazil BD: Total shipments of **1,423Kt Est.** (-10.1% q/q; -0.4% y/y), reflecting negative domestic seasonality in 4Q, weaker automotive activity and higher inventories, partially offset by higher export allocation; realized price projected at **R$4,732/t Est.** (-2.7% q/q); COGS/t expected at **R$4,642/t Est.** (+0.7% q/q; +1.8% y/y); **(ii) North America BD:** Shipments of **1,190Kt Est.** (-8.0% q/q; +11.0% y/y), reflecting typical 4Q seasonality, while demand remains firm with backlogs (~80 days); realized price estimated at **R$7,138/t Est.** (+0.5% q/q), flattish in BRL terms, supported by USD carry-over, partially offset by weaker mix from automotive special steels; COGS/t projected at **R$5,837/t Est.** (-1.2% q/q; -10.2% y/y), benefiting from FX (-1% q/q) and lower scrap prices; **(iv) Net Revenue:** Estimated at **R$16.4bn Est.** (-8.9% q/q; -2.6% y/y), driven by weaker volumes and prices in Brazil and seasonal slowdown in NA; **(v) EBITDA: R$2.4bn Est.** (-14.0% q/q; -1.6% y/y), pressured by Brazil BD, partially offset by resilient NA; **(vi) Net income: R$543mn Est.** (-50.1% q/q; +68.2% y/y), reflecting sharp sequential contraction driven by weaker EBIT and higher net financial expenses, amplified by USD/BRL EOP appreciation (+3% q/q); **(vii)** Reinforcing that the recent rally has **largely absorbed the upside**, while we maintain our **12M Target Price** at **R$21.50**, we decided to **downgrade** it to **NEUTRAL** (vs. BUY previously), implying a **downside** of **-1.8%** emphasizing, however, that **there is nothing problematic with the equity story**, but rather with its own materialization reflected in share prices.

Table 1. Shipments Summary (4Q25 Genial Est.)

(Thousand Tonnes - kt)	Genial Est.	Reported		Reported	
Summary (Shipments)	**4Q25E**	**3Q25**	**% q/q**	**4Q24**	**% y/y**
Brazil BD	1.423	1.582	**-10,1%**	1.429	**-0,4%**
North America BD	1.190	1.293	**-8,0%**	1.072	**11,0%**
South America BD	290	289	**0,3%**	271	**6,9%**

Source: Gerdau, Genial Investimentos

Table 2. Income Statement Summary (4Q25 Genial Est.)

(R$ millions)	Genial Est.	Reported		Reported	
Income Statement	**4Q25E**	**3Q25**	**% q/q**	**4Q24**	**% y/y**
Net Revenue	16.391	17.983	**-8,9%**	16.822	**-2,6%**
Adjusted EBITDA	2.352	2.737	**-14,0%**	2.391	**-1,6%**
Net Income	543	1.090	**-50,1%**	323	**68,2%**

Source: Gerdau, Genial Investimentos

Gerdau will release its **4Q25 results** on **Feb. 23**, after the market closes. But first and foremost, we believe the **(i)** rotation of foreign capital into Brazilian equities benefited index-heavy names, while **(ii)** domestic funds, at some degree, also raised exposure to company's shares amid expectations of steel anti-dumping measures. As a result, the **shares have rallied +32% in 4M**, bringing the market cap closer to fair value (in our view). Therefore, **share price finally caught up with equity story**, purging the upside we saw for the stock. This led us to **downgrade the company** to a **Neutral rating** (vs. Buy previously), with the same TP of R$21.50. For more details on our downgrade, we strongly recommend reading the "Our Take" section at the end of the report.

Returning to the dynamics of 4Q25, we expect a quarter marked by a pronounced operating deceleration, driven by **(i)** seasonal softness in all business divisions, but mainly due to a **(ii)** material erosion of profitability in Brazilian operations. We are projecting an **EBITDA margin** of **6.1% Est.** (-3.8p.p. q/q; -11.6p.p. y/y) **for Brazil BD**, the worst in the historical series (since 2017, at least). While **consolidated margin** should remain flat y/y at ~14% Est., EBITDA generation should become increasingly **concentrated in North America BD** (R$1.8bn Est.; -1.2% q/q; +121% y/y), accounting for 76% (+10p.p q/q) of the total result.

Total **Brazil shipments** (DM+FM) should reach **1,423Kt Est.** (-10.1% q/q; -0.4% y/y), as domestic volumes contract materially (-14.3% q/q Est.; flat y/y), only partially offset by a seasonal increase in exports (+5.9% q/q Est.). We assess that pricing remains under pressure, with realized price (DM+FM) clocking in at **R$4,732/t Est.** (-2.7% q/q; -13.0% y/y), reflecting a pronounced mix deterioration rather than list price adjustments. On the cost front, **COGS/t** is expected to rise to **R$4,642/t Est.** (+0.7% q/q; +1.8% y/y), driven by maintenance shutdowns (special steels division) and higher metallurgical coal prices, limiting margin recovery and driving **Brazil BD EBITDA** down to **R$413mn Est.** (-45.8% q/q; -70.0% y/y).

In **North America BD**, we believe **shipments** should normalize seasonally to **1,190Kt Est.** (-8.0% q/q; +11.0% y/y), yet remain structurally elevated on an annual basis, supported by robust backlogs, with roughly 80 days (vs. below 60 pre-tariff scenario). Realized prices are expected to remain almost flat in BRL at **R$7,138/t Est.** (+0.5% q/q; +1.5% y/y), after some previous hikes in USD were diluted by the mix and the slight decline in the USD/BRL FX rate (-1% q/q). **COGS/t** should decline to **R$5,837/t Est.** (-1.2% q/q; -10.2% y/y). As a result, **North America BD EBITDA** is projected at **R$1.8bn Est.** (-1.2% q/q; +121.4% y/y), continuing to show exceptional pace in the yearly basis.

In the consolidated view, we project **Net Revenue** of **R$16.4bn Genial Est.** (-8.9% q/q; -2.6% y/y), reflecting a sharp sequential retrenchment led by Brazil BD. **Adjusted EBITDA** should reach **R$2.4bn Genial Est.** (-14.0% q/q; -1.6% y/y), while **Net Income** is expected at **R$543mn** (-50.1% q/q; +68.2% y/y), reflecting weaker operating performance and a deterioration in the net financial result.

4Q25 Preview: In detail!

Brazil BD: Domestic negative seasonality overrides stronger exports. Total shipments (DM+FM) from Brazilian operations are expected to reach 1,423Kt Genial Est. (-10.1% q/q; -0.4% y/y), reflecting the typical seasonal slowdown in domestic demand during 4Q and a higher allocation to exports, partially offsetting the decline. Even with the BQ2 line operating at full capacity, with Nov being the best month for Ouro Branco (MG) as a whole, the negative seasonality will still be a hindrance.

In the domestic market (DM), we project shipments of 1,073Kt Genial Est. (-14.3% q/q; +0.5% y/y), reflecting **(i)** weaker activity toward year-end, **(ii)** higher inventory levels across the value chain, and a **(iii)** softer automotive backdrop, only **(iv)** partially offset by resilient construction activity. According to our analysis, extended collective vacations for automakers, slower order books, and more cautious purchasing behavior at distribution centers continued to affect DM volumes, reinforcing the expected sequential contraction.

The foreign market (FM) is expected to reach 350Kt Genial Est. (+5.9% q/q; -3.0% y/y), still above the historical 300Kt level, as the company uses the weaker domestic seasonality to allocate more volume abroad and improve fixed cost dilution. We assess that exports tend to increase, but at the expense of a poorer mix, as higher value-added DM's products are partially replaced by semi-finished with lower average ticket on the external channel.

Brazil BD: Prices pressured by mix deterioration. The consolidated realized price (DM+FM) is projected at R$4,732/t Genial Est. (-2.7% q/q; -13.0% y/y), reflecting a mix-driven deterioration rather than a material change in list prices. We believe that price dynamics in 4Q were basically flat, with limited effective pass-through of announced adjustments (HRC up +4% q/q), as negotiations remained difficult amid slower demand and higher inventories. In the domestic market, any attempts to implement price increases (particularly in longs) faced resistance and partial rollbacks, while exports carried structurally lower realizations due to the shift toward semi-finished products and the softer USD/BRL FX rate (-1% q/q).

North America BD: Prices softly upward; volumes down due to seasonality. We expect North America shipments to reach 1,190Kt Genial Est. (-8.0% q/q; +11.0% y/y), reflecting the typical sequential seasonality during 4Qs, but still showing a very strong y/y comparison, with backlogs accelerating to almost 80 days (vs. 70 days previously), partly reflecting anticipation ahead of price increases. We assess that, even considering the backlog toward the low-70s range, demand visibility remains robust and well above last year's levels.

As we mentioned in several reports, this is strongly correlated with the reduction in the penetration rate of imports (15% in Dec; down -5p.p. y/y) after the Trump administration raised tariffs under Section 232. Sequentially, the volume decline should follow the historical seasonal pattern (at -8% q/q in 4Q), especially after an exceptionally strong 3Q. Still, given the high base of comparison, volumes should remain materially above 4Q24, pointing to high-single-digit volume growth for the full year of 2025 (+9% y/y Est.).

However, we believe end-market dynamics should remain mixed, with **(i)** construction continues to perform well, while **(ii)** the automotive segment (particularly special steel) remains more challenging, tempering the overall mix. The realized price is estimated at R$7,138/t Genial Est. (+0.5% q/q; +1.5% y/y), flattish in BRL terms. Our analysis indicated a mild price increase in USD, supported by carry-over from prior price adjustments. This effect, however, is partially offset by weaker performance in special steels linked to automotive demand.

South America BD: Stable volumes, but cost pressure caps margins. Our model points that shipments from the South American operation are expected to reach 290Kt Genial Est. (+0.3% q/q; +6.9% y/y), indicating stable volumes in the sequential comparison and solid annual growth. We believe that demand dynamics remain largely unchanged across the region, with Peru showing steady performance both in shipments and prices, while Argentina continues to lag, as the gradual macro improvement has yet to translate into a meaningful recovery in steel consumption across construction, infrastructure, and agribusiness segments.

The realized price is projected at R$4,755/t Genial Est. (-0.2% q/q; -24.7% y/y), essentially flat sequentially. For us, the main negative offset in the quarter should come from costs rather than revenues. We are waiting for a larger-than-usual maintenance shutdowns, particularly in Argentina, which should lead to a more pronounced increase in COGS/t, pulling EBITDA margins closer to typical 4Q levels (~13%) and reversing part of the sequential improvement observed last quarter.

Net Revenue: Contraction driven by Brazil and US seasonality. Consolidated Net revenue is expected to reach R$16.4bn Genial Est. (-8.9% q/q; -2.6% y/y), reflecting a sequential decline driven mainly by weaker volumes in Brazil and North America, added to lower prices in Brazil as well. On a quarterly basis, the contraction should be explained almost entirely by Brazil BD, where revenue is projected at R$6.7bn Est. (-12.5% q/q; -13.3% y/y), reflecting the typical 4Q seasonal slowdown in domestic demand, higher inventories across the value chain, and a deterioration in mix due to a greater allocation of exports with lower price realizations.

In North America BD, Net revenue is expected to remain resilient at R$8.5bn Est. (-7.5% q/q; +12.7% y/y), with the sequential decline reflecting seasonal volume back trend after a very strong 3Q25, while the annual growth continues to be sustained by structurally higher shipments, strong backlogs, and a supportive pricing environment in USD. In South America BD, revenue should remain flat sequentially at R$1.4bn (+0.1% q/q; -19.5% y/y), with a still-challenging demand backdrop, particularly in Argentina.

Table 3. Net Revenue Gerdau (4Q25 Genial Est.)

(R$ millions)	4Q25E Genial Est.	3Q25 Reported	% q/q	4Q24 Reported	% y/y
Net Revenue	**16.391**	**17.983**	**-8,9%**	**16.822**	**-2,6%**
Brazil BD	6.733	7.697	-12,5%	7.769	-13,3%
North America BD	8.492	9.185	-7,5%	7.536	12,7%
South America BD	1.378	1.376	0,1%	1.711	-19,5%
Eliminations	(213)	(274)	-22,4%	(193)	10,3%

Source: Gerdau, Genial Investimentos

Brazil BD: COGS/t pressured by maintenance and input costs. The COGS/t for Brazilian operations is expected to reach R$4,642/t Genial Est. (+0.7% q/q; +1.8% y/y), indicating a sequential increase, contrary to the cost dilution effect observed in the previous quarter. According to our analysis, the quarterly pressure reflects a combination of **(i)** programmed maintenance downtimes carried out during the seasonally weaker period; **(ii)** costs associated with mills hibernations and operational adjustments implemented throughout 2025 (particularly in the special steels segment) and **(iii)** higher input costs, with metallurgical coal prices rising q/q.

Although operational efficiency at Ouro Branco (MG) improved meaningfully, with Nov marking the plant's best month on record and the BQ2 line operating at full capacity, we believe the benefits from fixed-cost dilution were not sufficient to fully offset the impact of maintenance-related measures and raw material inflation in 4Q25.

North America BD: COGS/t declines despite seasonal volume pullback. For North America operations, our model points to a COGS/t of R$5,837/t Genial Est. (-1.2% q/q; -10.2% y/y), indicating a slight sequential deceleration and a more pronounced reduction in the annual comparison. We assess that, even with the typical 4Q seasonal contraction in volumes (-8% q/q), the business unit should continue to benefit from a favorable metal spread environment, supported by price carry-over effects and lower input costs.

The cost performance reflects the structural strengths of the platform, particularly the high level of vertical integration, with 40% of ferrous scrap sourced internally, which mitigates exposure to spot scrap volatility. Although the traditional scrap surcharge mechanism has recently been less effective, given the narrower gap between prime and obsolete scrap, absolute scrap prices have softened, contributing to lower unit costs. In addition, the modest USD/BRL FX softening (-1% q/q) should provide a mechanical tailwind to costs in BRL conversion.

EBITDA pressured by Brazil; down double digits q/q. We expect consolidated adjusted EBITDA to reach R$2.4bn Genial Est. (-14.0% q/q; -1.6% y/y), reflecting a sequential contraction driven mainly by weaker operating conditions in Brazil, only partially offset by the resilience of North America operations. On a quarterly basis, EBITDA performance should continue to be anchored by North America BD, which is projected to deliver R$1.8bn Genial Est. (-1.2% q/q; +121.4% y/y), supported by structurally higher volumes, strong backlog levels, and a favorable metal spread environment, despite the typical seasonal slowdown in shipments during 4Q.

Brazil BD, on the other hand, is expected to post EBITDA of R$413m Genial Est. (-45.8% q/q; -70.0% y/y), reflecting the combined effect of weaker realized prices, a deterioration in mix due to higher export allocation, and cost pressure associated with maintenance shutdowns and higher input prices, which should more than offset the operational efficiency gains from the BQ2 ramp-up and improved performance at Ouro Branco (MG). So, we are projecting a margin of 6.1% (-3.8 p.p. q/q; -11.6 p.p. y/y), the worst in the historical series (since 2017, at least). South America BD should also contribute negatively, with EBITDA projected at R$182m Genial Est. (-22.4% q/q; -19.9% y/y), as stable volumes and prices are insufficient to absorb higher unit costs, particularly in Argentina.

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

(R$ millions)	4Q25E Genial Est.	3Q25 Reported	% q/q	4Q24 Reported	% y/y
Adjusted EBITDA	**2.352**	**2.737**	**-14,0%**	**2.391**	**-1,6%**
Brazil BD	413	763	-45,8%	1.376	-70,0%
North America BD	1.798	1.820	-1,2%	812	121,4%
South America BD	182	234	-22,4%	227	-19,9%
Eliminations	(41)	(80)	-48,5%	(24)	75,1%

Source: Gerdau, Genial Investimentos

Net Income in a sharp q/q contraction; y/y still positive. We expect consolidated Net income to reach R$543m Genial Est. (-50.1% q/q; +68.2% y/y), reflecting a pronounced sequential decline and a still favorable annual comparison. On a q/q basis, the contraction should be primarily driven by the sharp deterioration in EBIT, and further amplified by higher net financial expenses (+5% q/q), added to the accounting loss derived from the appreciation of the USD/BRL EoP FX rate to R$5.50 (+3% q/q) associated with USD-denominated debts, with a financial result worsening. In the annual comparison, net income should still advance meaningfully, supported by the strong recovery in operating performance (+5% y/y), added to a decrease in net financial results (-42.7% y/y), reflecting a normalization vs. 4Q24, which was impacted by high accounting loss derived from the appreciation of the USD/BRL EoP FX rate to R$6.18 (+13% y/y).

Table 5. Income Statement Gerdau (4Q25 Genial Est.)

(R$ millions)	4Q25E Genial Est.	3Q25 Reported	% q/q	4Q24 Reported	% y/y
Net Revenue	**16.391**	**17.983**	**-8,9%**	**16.822**	**-2,6%**
COGS	(14.572)	(15.841)	-8,0%	(14.802)	-1,6%
Adjusted EBITDA	**2.352**	**2.737**	**-14,0%**	**2.391**	**-1,6%**
Margin (%)	14,4%	15,2%	-0,9p.p	14,2%	0,1p.p
EBIT	**1.042**	**1.659**	**-37,2%**	**993**	**4,9%**
Margin (%)	6,4%	9,2%	-2,9p.p	5,9%	0,5p.p
D&A	(769)	(938)	-17,9%	(833)	-7,6%
Financial Result	(360)	(223)	61,4%	(628)	-42,7%
Net Income	**543**	**1.090**	**-50,1%**	**323**	**68,2%**
Margin (%)	3,3%	6,1%	-2,7p.p	1,9%	1,4p.p

Source: Gerdau, Genial Investimentos

Our Take on Gerdau

Foreign inflows into Brazilian equities and anti-dumping measures. The recent improvement in the macro environment, with foreign capital flowing out of the US and into the Brazilian stock market, leading to a compression of Brazil's risk premium, ultimately resulted in a **broad repricing of domestic equities**. As Gerdau is a large cap company, this influx of foreign buyers into the stock was prominent, mainly coming from passive funds that replicate the index (IBOV).

In addition, we also believe that some domestic funds have taken **long positions** in the company's shares as a way of **betting on the approval of anti-dumping measures** in several steel categories, which are to be judged by the Ministry of Commerce (MDIC), through the executive management committee (GECEX) throughout this year. So, combining these two reasons, shares rallied +**32% in the last 4M**.

Recent trade-defense developments support — rather than contradict — our more conservative bias. While the approval of definitive **anti-dumping duties** on **pre-painted steel** imports from China and India (on 29/Jan), alongside temporary tariff hikes on additional steel NCMs, confirms the government's willingness to act, the scope and product mix of the measures highlight a **selective and politically cautious** approach (just +9 NCMs approved into quota system, with low impact). In our view, these decisions are better interpreted as targeted adjustments aimed at **signaling support** for domestic industry **without materially disrupting inflation-sensitive segments**, rather than as broad-based actions capable of structurally restoring competitiveness in flat steel, where exposure to Chinese imports remains more acute.

Brazil BD: Import pressure intensifies again. We assess that Dec last year's data from the Brazilian Steel Institute (IABr) reinforces a mixed picture for the domestic steel market. Crude steel production reached **2.6Mt** (-1.9% y/y), while **capacity utilization declined** to **60.3%** (-1.2p.p. y/y), highlighting persistent slack in the system. Domestic sales totaled 1.6Mt (+2.5% y/y), supported by flat products at 961Kt (+1.6% y/y), partially offset by weaker long steel sales at 566Kt (-1.9% y/y). Apparent consumption increased to 1.9Mt (+3.8% y/y), suggesting some improvement in demand conditions toward year-end, albeit from a low base. The main offset came from the external side. Exports surged to **1.2Mt** (+64.8% y/y), while imports also increased to 383Kt (+16.2% y/y), **lifting import penetration** to **17.2%** (+1.0p.p. y/y).

On a **full-year basis (2025)**, the picture remains more challenging: crude steel production declined to 33.3Mt (-1.6% y/y), capacity utilization slipped to **65.4%** (-1.1p.p. y/y), and domestic sales edged down to 21.2Mt (-0.4% y/y). At the same time, imports rose to **6.4Mt** (+7.4% y/y), **pushing import penetration** to **20.8%** (+2.3p.p. y/y), despite a strong recovery in exports at 11Mt (+14.7% y/y). Overall, our thought is that while Dec/25 shows signs of stabilization of demand and a strong export contribution, the combination of low-capacity utilization and structurally higher import penetration suggests that **competitive pressure remains elevated**, limiting pricing power for domestic producers despite some short-term improvement in volumes.

Brazil BD: Cooling demand limits effectiveness of price hikes. Based on the information we have, distributors of both long and flat steel remain well stocked, while selected producers began **offering discounts and rebates again**, effectively pulling prices closer to Nov-Dec levels. Even though some of the mills are still trying to negotiate **price increases**, we believe that such efforts **have not been effective**. Taking a closer look at **rebar** dynamics, we know that mills are discussing modest **passthrough** of +**3-4%** that may be applied gradually (instead of 8%, which was the initial idea), but this has been constrained by elevated inventories. As we have been saying for quite some time, the big issue with the rebar market is oversupply, with aggressive commercial practices at the price point to offload these stocks, with Gerdau being one of the main players driving this movement in an attempt to regain market share, mainly in the southeast and south regions.

As we anticipated in last quarter's review report, the company did indeed reach year-end with a significant recovery in market share in the main regions. Now, the question is timing for the industry to destock, freeing up space for price adjustments. There are signs that the construction segment has lower inventory levels vs. 2H25, but even so, the beginning of the year is much **slower on the demand side**, with less activity on construction sites due to the rainy season. Therefore, it is possible that increases will **only be effectively made** in **2Q26E**.

North America BD: Firmer tone for U.S. steel. As Gerdau is not a price maker in the US, we believe it is important to monitor the movements of Nucor, its main competitor. Naturally, volume increases are expected for 1Q26E, given the negative seasonality of 4Qs. But in addition, Nucor (which already reported its results at the end of Jan) commented that prices are also expected to rise in the coming quarter. Management also pointed out improving order books, indicating that utilization rate gains are already feeding into near-term results.

Looking into **26E**, Nucor also guides a +5% y/y in shipment growth, underpinned by a more balanced demand environment and structurally lower imports. **U.S. steel demand is expected** to grow **+2% y/y 26E** (on top of an already strong base of 2025), supported by non-residential construction and infrastructure-linked segments (data centers, CHIPS Act–related manufacturing plants, energy, and public works), which continue to offset weakness in residential construction. We also emphasize that the **full-year impact of Section 232 tariffs** and fewer trade cases should keep imports below 2025 levels, reinforcing domestic pricing resilience.

Finally, price has caught the story. As we said earlier, two factors must be considered: **(i)** macro-driven flows and **(ii)** policy expectations. We believe the rotation of foreign capital into domestic equities disproportionately benefited large-cap, index-heavy names, while domestic investors increased exposure to the stock amid expectations around anti-dumping measures under review by Ministry of Trade (MDIC) via GECEX (executive committee) throughout 2026. As a result, **company's shares have rallied meaningfully recently** (+32% in 4M), lifting the **market cap closer to fair value levels**, at least in our view. So, the attraction of buyer flow to the stock already reflects the constructive elements which we previously saw for the equity story.

Therefore, this stock reprice has not been accompanied by new changes in core assumptions of our proprietary model. Since we had already set more bullish assumptions for 26E in last quarter's preview report, we see no room to push the model toward even greater optimism. Last quarter we had already raised the TP to R$21.50 (vs. R$20.50 previously). To make it clear, we **have not revised our price deck**. Our more **conservative bias** toward **trade-defense outcomes** remains intact. While recent anti-dumping decisions (25% tariffs on pre-painted steel and +9 new NCMs within the quota system) confirm the government's willingness to act, their selective scope and calibrated design (addition of NCMs that are not very sensitive) reinforce our view that **policy support is unlikely to be implemented with sufficient intensity** to materially alter competitive dynamics in flat steel.

Operationally, the **Brazil BD** backdrop remains challenging, with **elevated import penetration**, subdued capacity utilization, and constrained pricing power amid high inventories, particularly in rebar. Otherwise, **North America BD** continues to provide a solid EBITDA's anchor, but this contribution is well understood and no longer represents incremental upside after the recent shares repricing. In this context, it is worth mentioning that our projected **FCF Yield 26E** (unleveraged) contracted to **12%** (-6p.p. in 3M; -1p.p. vs. 25E), reinforcing that the recent rally has **largely absorbed the upside**. Therefore, while we maintain our **12M Target Price** at **R$21.50**, we decided to **downgrade** it to **NEUTRAL** (vs. BUY previously), implying a **downside** of **-1.8%**, reinforcing a **more balanced risk–reward profile**.

We emphasize, however, that **there is nothing problematic with the equity story**, but rather with its own materialization reflected in share prices. If there is a gradual sell-off of shares after the recent rally, allowing us to see room for a more rewarding upside, we could review the company's rating. At this point, we believe that **market value finally have matched up with fundamentals** (after almost 2Y of the stock being undervalued).

Appendix: Gerdau

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

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	**69.275**	**72.156**	**72.637**	**74.797**
(-) COGS	(61.337)	(61.816)	(61.593)	(61.485)
Gross Profit	**7.938**	**10.340**	**11.044**	**13.312**
(-) Expenses	(2.366)	(2.555)	(2.616)	(2.712)
Adjusted EBITDA	**10.052**	**12.383**	**13.077**	**15.371**
(-) D&A	(3.517)	(3.588)	(3.621)	(3.709)
EBIT	**5.572**	**7.785**	**8.428**	**10.600**
(+/-) Financial Result	(1.225)	(1.477)	(1.470)	(1.470)
(-) Taxes	(1.091)	(1.475)	(1.613)	(2.113)
Net income	**3.256**	**4.833**	**5.345**	**7.018**
Profitability				
Net margin (%)	4,7%	6,7%	7,4%	9,4%

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

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	**69.275**	**72.156**	**72.637**	**74.797**
(-) COGS	(61.337)	(61.816)	(61.593)	(61.485)
Adjusted EBITDA	**10.052**	**12.383**	**13.077**	**15.371**
EBIT	**5.572**	**7.785**	**8.428**	**10.600**
(-) Taxes	(1.091)	(1.475)	(1.613)	(2.113)
(+) D&A	3.517	3.588	3.621	3.709
(+/-) Δ WK	24	(100)	(104)	(111)
(-) Capex	(6.255)	(4.700)	(5.000)	(5.000)
FCFF	**1.766**	**5.098**	**5.332**	**7.085**

Disclosure Section

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