

GERDAU

4Q25 Review: Margins hold, but not in Brazil...

LatAm Metals & Mining

Main takeaways:

(i) Brazil BD: Shipments (DM+FM) of **1.5Mt** (+2.8% vs. Est.), down -7.5% q/q but up +2.4% y/y, with exports standing out at **374Kt** (+7.0% vs. Est.; +13.4% q/q); realized price at **R\$4,908/t** (+3.7% vs. Est.), up +0.9% q/q but still -9.8% y/y; **COGS/t** reached **R\$4,797/t** (+3.3% vs. Est.), up +4.1% q/q and +5.2% y/y, pressured by maintenance stoppages, operational adjustments and higher inputs; **EBITDA** totaled **R\$509mn** (+23% vs. Est.; -33.2% q/q; -63% y/y), still historically depressed but clearly above expectations; **(ii) North America BD:** Shipments of **1.2Mt** (+2.6% vs. Est.), down -5.6% q/q but up +13.9% y/y, supported by resilient demand and backlog expansion to ~85 days; realized price at **R\$7,123/t** (-0.2% vs. Est.), broadly flat q/q and +1.3% y/y; **COGS/t** at **R\$5,848/t** (+0.2% vs. Est.), down -1.0% q/q and -10% y/y, reflecting FX translation and continued cost discipline; **EBITDA** reached **R\$1.8bn** (+1.8% vs. Est.), broadly stable q/q and sharply higher y/y (+1.3x), reinforcing North America as the main profitability anchor (77% of total); **(iii) EBITDA:** Consolidated adjusted EBITDA of **R\$2.4bn** (+0.9% vs. Genial Est.), down -13.3% q/q but almost flat y/y (-0.7%), broadly in line with our estimates, as the positive surprise in Brazil partially offset the small shortfall in South America and the in-line performance in North America; **(iv) Net Income:** Reported **net loss of -R\$1.3bn** (vs. +R\$543mn Genial Est.), reversing prior profits mainly due to **R\$2.0bn** in non-cash impairment losses in Brazil, indicating the reported loss is largely accounting-driven; **(v)** Therefore, we reiterate our **NEUTRAL rating** (already downgraded in the preview report) with **12M Target Price at R\$21.50**, implying a marginal **downside of -0.5%**.

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Company

GGBR4 BZ Equity
Neutral

Price: R\$ 21.61 (24-Feb-2026)
Target Price 12M: R\$ 21.50

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

(Thousand Tonnes - kt)	Genial Est.	Genial Est.		Reported		Reported	
Summary (Shipments)	4Q25E	3Q25E	% R/E	3Q25	% q/q	4Q24	% y/y
Brazil BD	1.463	1.423	2,8%	1.582	-7,5%	1.429	2,4%
North America BD	1.221	1.190	2,6%	1.293	-5,6%	1.072	13,9%
South America BD	297	290	2,4%	289	2,8%	271	9,5%

Source: Gerdau, Genial Investimentos

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

(R\$ millions)	Genial Est.	Genial Est.		Reported		Reported	
Income Statement	4Q25E	3Q25E	% R/E	3Q25	% q/q	4Q24	% y/y
Net Revenue	16.974	16.391	3,6%	17.983	-5,6%	16.822	0,9%
Adjusted EBITDA	2.374	2.352	0,9%	2.737	-13,3%	2.391	-0,7%
Net Income	(1.294)	543	-	1.090	-	323	-

Source: Gerdau, Genial Investimentos

Gerdaul released its **4Q25 results** yesterday on **Feb. 23**, after the market closed. In consolidated figures, **Net Revenue** reached **R\$17bn** (+3.6% vs. Est.; -5.6% q/q; +0.9% y/y). The **EBITDA** clocked in at **R\$2.4bn** (+0.9% vs. Est.; -13.3% q/q; -0.7% y/y), almost flat y/y and in line with our estimates and the street (+1.1% vs. BBG Consensus). The narrative remains anchored in **sink profitability in Brazil BD** at just **7.1%** (-7p.p. vs. 3Y average) of EBITDA margin. Despite some positive surprises compared to what we expected (volume and prices), this level is still the **worse ever recorded by the company** in all historical series (at least, since 2017). On the other hand, the **strong performance of North America BD** helped to stem the deficit, pushing the **consolidated** margin to **14%** (-0.2 p.p. y/y), basically stable on an annual basis.

As we mentioned, it is worth noting that **some positive operational points** such as **(i)** shipments slightly above expectations in all regions; and **(ii)** stronger-than-anticipated pricing in Brazil, partially balancing with a **(iii)** higher COGS/t pressure linked to maintenance stoppages, which reduced fixed-cost dilution, and input costs.

Brazil BD reported shipments (DM+FM) of **1.5Mt** (+2.8% vs. Est.), down **-7.5% q/q** but up **+2.4% y/y**, with **exports** (FM) standing out at **374Kt** (+7.0% vs. Est.; +13.4% q/q), reflecting a pronounced reallocation abroad amid softer domestic seasonality. The realized price reached **R\$4,908/t** (+3.7% vs. Est.), rising **+0.9% q/q** but still down **-9.8% y/y**, surprising positively despite the higher export share, indicating slightly better mix quality than anticipated. On the cost side, **COGS/t** increased to **R\$4,797/t** (+3.3% vs. Est.), accelerating **+4.1% q/q** and **+5.2% y/y**, pressured by scheduled maintenance stoppages, operational adjustments and higher input costs, which more than offset efficiency gains at Ouro Branco (MG). As a result, **EBITDA** totaled **R\$509mn** (+23% vs. Est.; -33.2% q/q; -63% y/y), still at a depressed level historically, but clearly above our prospects.

Shipments from **North America BD** reached **1.2Mt** (+2.6% vs. Est.), slowing down **-5.6% q/q** due to seasonality but rising quite a bit on a yearly basis (+13.9% y/y), supported by resilient demand fundamentals and strong backlog expansion toward ~85 days (vs. ~80 days Est. and below 60's range pre-tariffs). The realized price clocked in at **R\$7,123/t** (-0.2% vs. Est.), almost flat sequentially and up +1.3% y/y, while **COGS/t** reached **R\$5,848/t** (+0.2% vs. Est.), declining **-1.0% q/q** and **-10% y/y**, reflecting FX translation effects into BRL and continued cost discipline. **EBITDA** was reported at **R\$1.8bn** (+1.8% vs. Est.), remaining stable q/q and strongly higher at **+1,3x y/y**, reinforcing North America as the company's main profitability anchor (77% of total EBITDA; up +11p.p q/q).

On the bottom line, the company reported a **Loss** of **-R\$1.3bn** (vs. +R\$543mn Genial Est.), reversing prior profits mainly due to the recognition of **R\$2.0bn** in **non-cash impairment** losses in Brazil, which pushed EBIT into negative territory. Excluding this accounting effect, Adjusted Net Income would have reached R\$671mn (+23% vs. Genial Est.; -38% q/q; +1x y/y). Therefore, we believe that the **bottom-line loss should not reflect a negative reaction from investors**.

4Q25 Review: In detail!

Brazil BD: Exports standing out; seasonality drives volume down q/q. Total shipments (DM+FM) reached 1,463Kt (+2.8% vs. Genial Est.), down -7.5% q/q but rising +2.4% y/y, coming slightly above our projections, and mainly driven by stronger exports than predicted, with sales coming higher vs. 5Y historical level. Foreign market (FM) shipments totaled 374Kt (+7.0% vs. Genial Est.), increasing +13.4% q/q and +3.8% y/y, also above our estimates, reflecting a pronounced volume reallocation abroad amid softer domestic seasonality and strong competition in the Brazilian market.

In the domestic market (DM), shipments reached 1,089Kt (+1.5% vs. Genial Est.), contracting -13.0% q/q but advancing +2.0% y/y, in line with expectations, reflecting the typical year-end slowdown, partially mitigated by resilient construction demand and infrastructure activity. On pricing, the realized price (DM+FM) reached R\$4,908/t (+3.7% vs. Genial Est.), increasing +0.9% q/q but declining -9.8% y/y, surprising positively vs. our expectations despite the higher export share - reflecting a mix-driven deterioration, and a still pressured environment for common long and flat steel amid an oversupply scenario in Brazil. Even with negotiations remaining difficult amid slower demand and higher inventories, we believe that the mix quality was slightly higher than anticipated, justifying the upward difference in price.

North America BD: Volumes above estimates; backlog in 85 days. We observe shipments totaling 1,221Kt (+2.6% vs. Genial Est.), slowing down -5.6% q/q but strongly rising +13.9% y/y, coming above our projections and also with less effect of the typical seasonal slowdown in 4Q (-5.6% vs. -8% q/q 4Q's 5Y average), reflecting still-strong demand fundamentals and backlog expansion toward ~85 days (vs. ~80 days Est.), indicating resilient activity in non-residential construction, infrastructure and energy-related segments. The y/y growth also continues to reflect lower import penetration (15% in Dec; down -5p.p. y/y) after the Trump administration raised tariffs under Section 232, and the company's strengthened commercial positioning in key markets.

The realized price reached R\$7,123/t (-0.2% vs. Genial Est.), almost flat sequentially in +0.3% q/q and up +1.3% y/y, basically in line with our forecast, reflecting a gradual price adjustments in USD and a healthier product mix, partially offset by FX conversion effects in USD to BRL (-1% q/q) and still-softer performance in special steels linked to the automotive segment.

South America BD: Positively surprised. The company shipments reached 297Kt (+2.4% vs. Genial Est.), increasing +2.8% q/q and +9.5% y/y, above our projections, mainly reflecting **(i)** stronger export dynamics in Argentina; and **(ii)** the improved construction demand in Peru, which was partially neutralized by still-fragile domestic consumption in other segments of the region.

The realized price clocked in at R\$5,015/t (+5.5% vs. Genial Est.), rising +5.2% q/q but declining -20.6% y/y, surprising positively, likely supported by a more favorable export mix in Argentina and better commercial allocation during the quarter. Despite the sequential improvement, we emphasize that prices remain materially pressured on an annual basis, reflecting the still-challenging competitive environment and higher import penetration across the region (mainly in Argentina).

Net Revenue: Solid beat, supported across all regions. Consolidated Net Revenue totaled R\$17.0bn (+3.6% vs. Genial Est.), declining -5.6% q/q but rising just a bit at +0.9% y/y, coming above our ledges mainly guided by stronger-than-expected performance across all the divisions in the top line, reinforcing resilient commercial execution despite typical year-end seasonality. In Brazil, revenue clocked in at R\$7.2bn (+6.6% vs. Genial Est.), down -6.7% q/q and -7.6% y/y, suppressing our estimates due stronger pricing and exports volume than we had modeled.

In North America, revenue reached R\$8.7bn (+2.4% vs. Genial Est.), down -5.3% q/q but advancing +15.4% y/y, reflecting a volume-driven quarter above expectations and a still-solid pricing environment, consistent with resilient demand and backlog expansion. Finally, in South America, revenue was reported at R\$1.5bn (+8.1% vs. Genial Est.), rising +8.1% q/q but declining -13.0% y/y, also surprising positively, supported by stronger shipments and a more favorable export mix in Argentina alongside improved construction activity in Peru.

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

(R\$ millions)	4Q25			3Q25		4Q24	
	Reported	Genial Est.	% R/E	Reported	% q/q	Reported	% y/y
Net Revenue	16.974	16.391	3,6%	17.983	-5,6%	16.822	0,9%
Brazil BD	7.181	6.733	6,6%	7.697	-6,7%	7.769	-7,6%
North America BD	8.695	8.492	2,4%	9.185	-5,3%	7.536	15,4%
South America BD	1.488	1.378	8,1%	1.376	8,1%	1.711	-13,0%
Eliminations	(390)	(213)	83,6%	(274)	42,4%	(193)	102,5%

Source: Gerdau, Genial Investimentos

Brazil BD: COGS/t uptrend as maintenance offset efficiency gains. At Brazilian operations, COGS/t reached R\$4,797/t (+3.3% vs. Genial Est.), accelerating +4.1% q/q and +5.2% y/y, coming above our estimates, mainly reflecting a more than expected impact of **(i)** scheduled maintenance stoppages, which reduced fixed-cost dilution and temporarily pressured unit costs; **(ii)** expenses 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. This effects more than neutralized the productivity gains and operational stabilization at Ouro Branco (MG), where stronger utilization rate in Oct–Nov and a better raw-material mix helped soften variable costs.

North America BD: COGS/t stable q/q, with FX helping. For North American operations, COGS/t clocked in at R\$5,848/t (+0.2% vs. Genial Est.), declining -1.0% q/q and -10.0% y/y, in line if our estimates, with the slight sequential relief mainly reflecting the USD/BRL FX rate softening (-1% q/q), which mechanically reduced reported costs in BRL. If we look at the dynamics in USD terms, costs remained largely stable, as the combination of high utilization at long steel units and maintenance shutdowns at special steel plants balanced each other, limiting stronger dilution gains. On an annual basis, the decline continues to reflect ongoing productivity improvements and fixed-cost control initiatives all across the board. In addition, the business structure, including a relevant share of internally sourced scrap, continues to mitigate exposure to spot raw-material volatility and support greater predictability in the cost base.

EBITDA: In line with estimates; almost flat y/y. Consolidated Adjusted EBITDA totaled R\$2.4bn (+0.9% vs. Genial Est.), contracting quite a bit sequentially (-13.3% q/q), but almost flat on a yearly basis (-0.7% y/y), touching basis with our forecasts, as the stronger-than-expected performance in Brazil was partially offset by a small shortfall in South America and broadly in-line delivery in North America. This last one remained the main performance anchor (77% of total), posting EBITDA of R\$1.8bn (+1.8% vs. Genial Est.), almost stable q/q even with negative seasonality in volumes and strongly higher at +1,3x y/y, reflecting still-resilient demand fundamentals, solid backlog levels and stable unit costs sequentially, which supported margins (21.1%; +1.2p.p q/q; +10.3p.p y/y).

Even that Brazil BD is very depreciated vs. historical levels, it was certain a positive surprise, with EBITDA reaching R\$509mn (+23% vs. Genial Est.), though still down quite a significant amount (-33.2% q/q; -63% y/y). The beat vs. our estimates was largely revenue-driven, as stronger pricing and exports than anticipated more than compensated for the higher-than-expected COGS/t pressure linked to maintenance stoppages, operational adjustments and input inflation. Finally, South America BD, in turn, delivered EBITDA of R\$174mn (-4.3% vs. Genial Est.), declining -25.7% q/q and -23.3% y/y, slightly below our prospects, as higher unit costs – particularly maintenance and logistics effects tied to export growth – more than offset the positive revenue surprise from stronger shipments/mix settings in Argentina and resilient demand in Peru.

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

(R\$ millions)	4Q25			3Q25		4Q24	
	Reported	Genial Est.	% R/E	Reported	% q/q	Reported	% y/y
Adjusted EBITDA	2.374	2.352	0,9%	2.737	-13,3%	2.391	-0,7%
Brazil BD	509	413	23,2%	763	-33,2%	1.376	-63,0%
North America BD	1.832	1.798	1,8%	1.820	0,6%	812	125,5%
South America BD	174	182	-4,3%	234	-25,7%	227	-23,3%
Eliminations	(141)	(41)	243,0%	(80)	76,6%	(24)	500,6%

Source: Gerdau, Genial Investimentos

Net Income: Loss mainly driven by impairment. Reported bottom line came with a Loss of -R\$1.3bn (vs. +R\$543mn Genial Est.), reversing from +R\$1.1bn profit in 3Q25 and +R\$323mn in 4Q24, reflecting a sharp deterioration mainly explained by the recognition of R\$2.0bn in asset impairment losses in Brazil, with no cash impact, which pushed EBIT into negative territory (-R\$791mn vs. +R\$1.0bn Est.). In additions, the net financial result totaled -R\$349mn (-2.9% vs. Genial Est.), worsening +56.7% q/q, mainly reflecting FX variation effects and expenses related to the early redemption of the 2030 bond, partially offset by favorable FX rate of the period and inflation adjustments in Argentina on an annual basis.

Excluding the impairment effects, underlying profitability would have remained positive at +R\$671mn (+23% vs. Genial Est.), decreasing -38% q/q, but growing +1x y/y, broadly consistent with the operational performance discussed above added to a lower net financial result as expected, indicating that the reported loss is largely accounting-driven rather than a reflection of a deterioration in FCF. Therefore, we believe that the bottom-line loss should not reflect a negative reaction from investors.

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

(R\$ millions)	4Q25			3Q25		4Q24	
	Reported	4Q25E Genial Est.	% R/E	Reported	% q/q	Reported	% y/y
Net Revenue	16.974	16.391	3,6%	17.983	-5,6%	16.822	0,9%
COGS	(15.126)	(14.572)	3,8%	(15.841)	-4,5%	(14.802)	2,2%
Adjusted EBITDA	2.374	2.352	0,9%	2.737	-13,3%	2.391	-0,7%
Margin (%)	14,0%	14,4%	-0,4p.p	15,2%	-1,2p.p	14,2%	-0,2p.p
EBIT	(791)	1.042	-	1.659	-	993	-
Margin (%)	-4,7%	6,4%	-	9,2%	-	5,9%	-
D&A	(936)	(769)	21,6%	(938)	-0,2%	(833)	12,3%
Financial Result	(349)	(360)	56,7%	(223)	56,7%	(628)	-44,4%
Net Income	(1.294)	543	-	1.090	-	323	-
Margin (%)	-7,6%	3,3%	-	6,1%	-	1,9%	-

Source: Gerdau, Genial Investimentos

Our Take on Gerdau

FCF: Strong making in 4Q; but closing 2025 well below last year. FCF reached **R\$1.4bn** (+5% vs. Genial Est.), increasing **+40% q/q** and **+2.3x y/y**, mainly driven by stronger release of working capital (**WC**). As said, the result was steered by **(i)** a massive working capital release of **R\$1.4bn** (+25% vs. Est.; +3.5x q/q; +54% y/y), reflecting initiatives to optimize raw material inventories, and also improved operating discipline, contributed positively. On the **outflow** side, **(ii)** the **CAPEX** totaled **R\$1.5bn** (+5% vs. Est.), decreasing **-14% q/q** and **-21% y/y**, but coming slightly above our estimates, mostly due to the conclusion of the plan to revamp and upgrade the structures of the Cearense industrial unit, located in Maracanaú (CE), and the disbursements to enhance the Midlothian (TX) industrial unit capacity (reached 74% physical progress), ending **2025** with **R\$6.1bn** (+2% vs. Est.; +2% vs. guidance) in **total CAPEX outlays** (disclosed). Finally, we pointed out that financial expenses also contributed to the deviation, with **(iii)** interest payments of R\$863mn (+28% vs. Est.; +7x q/q; +77% y/y), appearing higher than we had modeled.

Closing **2025** (full year), the **FCF** was reported at **R\$394mn** vs. R\$2.8bn in 2024, significantly lower due to a downtrend in EBITDA, clocking in at R\$10.1bn (-7% y/y), a higher CAPEX, reaching R\$6.7bn (cash effect) and accelerating +15% y/y, and upsurge in interest payments. We pointed out that these harmful effects were partially offset by a greater release of WC at +R\$620mn (vs. burn of -R\$100mn in 2024).

New share buyback program; Low dividends ahead. Company's Board approved the cancellation of 418.8 thousand common shares and 7.7 million preferred shares, with no reduction in capital stock value. After the cancellation, total shares outstanding are 717.4 million common and 1,275.4 million preferred, pending formal bylaw update at a future shareholders' meeting. Additionally, the company approved a **new share buyback program for 2026**, allowing repurchase of up to **55 million preferred shares** (~4.4% of free float) and up to **1.4 million common shares** (~10% of free float). The program starts **24/Feb** and runs for up to **18M** (until 24/Aug of 2027).

In addition, Gerdau's Board also approved the distribution of dividends of **R\$0.10/share**, totaling **R\$197.5m**, closing an annual **Dividend Yield of 2025** at **2.8%**. The payment will be made on **18/Mar**, with shares trading **ex-dividend** on **11/Mar**. In 2025, the company distributed **R\$1.2bn** in dividends. The management reiterated its dividend policy of paying at least **30%** of annual parent-company net income, after statutory reserves. Given **(i)** our perception that the stock price already seems stretched enough vs. fair value and **(ii)** management bias towards buybacks, there is no feasible reason to believe hikes on dividends in the short term. Therefore, we expect the company to have a **Dividend Yield 26E** of **3.0%**.

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 **+30% in the last ~4M**.

What about trade defenses measures? On the **regulatory** front, recent trade defense measures against subsidized imports — including **anti-dumping duties** and a **+9% increase in import tariffs** on 9 steel NCMs — were viewed positively, especially after preliminary investigations reinforced the urgency of implementing effective commercial defense procedures. Within this context, the Executive Management Committee (GECEX) of the Ministry of Trade (MDIC) announced on 12/Jan that it **had approved** the application of **anti-dumping measures on cold-rolled coil and coated flat-rolled** products originating in China. Confirmed measures for **hot-rolled coil** (HRC) and galvanized products from China, with a definitive ruling on HRC expected by **Jul/26**, represent an important step, particularly in a context where **60–65%** of the **4Mt of flat steel imports in 2025** came from **China** and shipments of **cold-rolled coil** and coated products exceeded **1.5Mt over the past 12M**.

These initiatives help level the playing field and could support a gradual recovery in domestic market share, although we continue to monitor risks of import triangulation via countries such as Vietnam and Korea amid persistent global steel surplus. That said, while the market has interpreted these developments as helpful, we decided to **maintain a cautious stance**. Although the technical case for anti-dumping is robust, we see **limited probability** that authorities implement measures with **sufficient intensity to materially alter competitive dynamics**, especially given electoral sensitivities and inflation concerns related to durable goods. In our view, expectations of a constructive outcome are already largely embedded in the share price, leaving marginal upside constrained and risks skewed toward a softer-than-needed implementation, insufficient to fully offset structural Chinese competitiveness.

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.

Margins hold, but not in Brazil... As we quoted, the quarter remained shaped by **weak profitability in Brazil BD**, where the EBITDA margin reached rock bottom, with the **lowest level in the historical series**, despite upside surprises in volumes and prices. **North America BD** again served as a solid **performance anchor**, offsetting Brazil and keeping the **consolidated margin at 14%**, broadly stable y/y, suggesting recent share performance (up +30% in ~4M) has been driven more by external factors than by operational improvement.

As discussed, the rotation of foreign capital into domestic equities favored large-cap, index-heavy names and having shares rallied meaningfully, bringing market cap closer to fair value (at least, in our view) and already reflecting the constructive elements previously seen in the equity story. Accordingly, this market reprice has **not** been accompanied by changes in our core assumptions.

We had already embedded more bullish **26E** assumptions and previously raised the **TP** to **R\$21.50** in our preview report from last quarter (3Q25).

In addition, as said earlier, we have maintained our **conservative bias** toward trade-defense outcomes, as we see **limited probability** that authorities will implement measures with **sufficient intensity to materially alter competitive dynamics**, especially given electoral sensitivities and inflation concerns, even though there were some approvals at trade defense measures against subsidized imports in recent days. We are awaiting the decisions outcomes on more representative products, such as HRC (to be decided by the MDIC in Jul) to possibly alter assumptions. With the **Brazil BD** environment still challenging, **North America BD's** anchor well understood, and **FCF Yield 26E** at **12%** (-6p.p. in 3M; -1p.p. vs. 25E), the shares' rally appears to have largely absorbed the upside. Therefore, we reiterate our **NEUTRAL rating** (already downgraded in the preview report) with **12M Target Price** at **R\$21.50**, implying a marginal **downside** of **-0.5%**.

Appendix: Gerdau

Figure 1. Gerdau – Income Statement in R\$ Millions (Genial Est. 2026-2029)

Income Statement	2026E	2027E	2028E	2029E
Net Revenue	70.380	71.513	72.116	72.852
(-) COGS	(60.869)	(61.322)	(61.706)	(62.084)
Gross Profit	9.511	10.191	10.409	10.767
(-) Expenses	(2.151)	(2.188)	(2.211)	(2.239)
Adjusted EBITDA	11.502	12.170	12.422	12.784
(-) D&A	(3.552)	(3.560)	(3.588)	(3.618)
EBIT	7.360	8.003	8.198	8.528
(+/-) Financial Result	(1.477)	(1.357)	(1.243)	(1.130)
(-) Taxes	(1.375)	(1.329)	(1.252)	(1.110)
Net income	4.509	5.317	5.703	6.288
Profitability				
Net margin (%)	6,4%	7,4%	7,9%	8,6%

Figure 2. Gerdau– Cash Flow in R\$ Millions (Genial Est. 2026-2029)

Cash Flow (FCFF)	2026E	2027E	2028E	2029E
Net Revenue	70.380	71.513	72.116	72.852
(-) COGS	(60.869)	(61.322)	(61.706)	(62.084)
Adjusted EBITDA	11.502	12.170	12.422	12.784
EBIT	7.360	8.003	8.198	8.528
(-) Taxes	(1.375)	(1.329)	(1.252)	(1.110)
(+) D&A	3.552	3.560	3.588	3.618
(+/-) Δ WK	(100)	(358)	(361)	(364)
(-) Capex	(4.700)	(5.000)	(5.000)	(5.000)
FCFF	4.737	4.876	5.174	5.672

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