

GERDAU

1Q26 Preview: Two divisions, one doing the work

LatAm Metals & Mining

Main takeaways:

(i) Brazil BD: Shipments of 1,320Kt Est. (-9.8% q/q; -7.8% y/y), reflecting sluggish domestic activity through Jan-Feb, **typical 1Q seasonality** and no effective price passthrough; **realized price at R\$4,846/t Est.** (-1.3% q/q; -7.5% y/y), with effective increases only implemented in Apr across flat products; **COGS/t at R\$4,720/t Est.** (-1.6% q/q; +0.8% y/y), benefiting from absence of hibernation costs and improved input mix, partially offset by metallurgical coal +4% q/q; **(ii) North America BD: Shipments of 1,272Kt Est.** (+4.2% q/q; +3.5% y/y), with backlogs at 90–100 days (highest in company history); **realized price at R\$7,357/t Est.** (+3.3% q/q; +3.1% y/y), driven by broad-based increases across Merchants, Beams, Piling, Rebar and Special Steels, with a competitor hibernation supporting rebalancing in the latter; **COGS/t at R\$5,875/t Est.** (+0.5% q/q; -7.1% y/y), as scrap +3% q/q nearly offset by USD/BRL softening (-3% q/q); **(iii) Net Revenue of R\$16.8bn Est.** (-1.3% q/q; -3.6% y/y), with Brazil BD at R\$6.4bn Est. (-10.9% q/q; -14.6% y/y) as the main drag and North America BD at R\$9.4bn Est. (+7.6% q/q; +6.7% y/y) providing partial offset; **(iv) Adj. EBITDA of R\$2.7bn Est.** (+13.4% q/q; +12.0% y/y), margin at **16.1%** (+2.1p.p. q/q; +2.2p.p. y/y), anchored by North America BD at R\$2.2bn Est. (+18.0% q/q; +80.4% y/y) at 23.1% margin, while Brazil BD should deliver R\$473mn Est. (-7.1% q/q; -56.8% y/y) at 7.4% margin; **(v) With FCF Yield 26E** standing at **12%** and the upside largely absorbed, the risk–reward does not yet justify a more constructive stance. Therefore, we reiterate our **Neutral rating** with **12M Target Price of R\$21.50**, implying a **marginal downside of -0.8%**.

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Company

GGBR4 BZ Equity
Neutral

Price: R\$ 21.68 (23-Apr-2026)
Target Price 12M: R\$ 21.50

Table 1. Shipments Summary (1Q26 Genial Est.)

(Thousand Tonnes - kt)	Genial Est.	Reported		Reported	
Summary (Shipments)	1Q26E	4Q25	% q/q	1Q25	% y/y
Brazil BD	1,320	1,463	-9.8%	1,431	-7.8%
North America BD	1,272	1,221	4.2%	1,229	3.5%
South America BD	260	297	-12.3%	237	10.0%

Source: Gerdau, Genial Investimentos

Table 2. Income Statement Summary (1Q26 Genial Est.)

(R\$ millions)	Genial Est.	Reported		Reported	
Income Statement	1Q26E	4Q25	% q/q	1Q25	% y/y
Net Revenue	16,757	16,974	-1.3%	17,375	-3.6%
Adjusted EBITDA	2,691	2,374	13.4%	2,402	12.0%
Net Income	987	(1,294)	-	758	30.2%

Source: Gerdau, Genial Investimentos

Gerdaul will release its **1Q26** results on **27/Apr**, after the market closes. We expect a quarter of **contrasting divisional dynamics**, with **(i)** Brazil BD remaining under pressure from weak domestic demand and deferred price passthrough, while **(ii)** North America BD delivers what should be a standout quarter, driven by record backlogs (90–100 days), broad-based price increases, and metal spread expansion. The net result should be a **consolidated EBITDA accelerating to R\$2.7bn Est.** (+13.4% q/q; +12.0% y/y) and margin in an upward trend, with North America's operational momentum more than offsetting the continued softness in Brazilian operations.

In **Brazil BD** volumes should reach **1,320Kt Est.** (-9.8% q/q; -7.8% y/y), as Jan-Feb came in materially below expectations, with Mar only partially recovering. No meaningful price passthrough was achieved during the quarter, with the consolidated **realized price (DM+FM)** projected at **R\$4,846/t Est.** (-1.3% q/q; -7.5% y/y), with effective increases only beginning to be implemented in Apr across flat products. The quarter's positive surprise should come from costs, with **COGS/t declining to R\$4,720/t Est.** (-1.6% q/q; +0.8% y/y), benefiting from the absence of 4Q25's hibernation-related charges, proactive supply chain adjustments, and a more favorable input mix across scrap and iron ore. Brazil BD **EBITDA** is nonetheless projected at **R\$473mn Est.** (-7.1% q/q; -56.8% y/y), with a margin of **7.4% Est.** (+0.3p.p. q/q; -6.8p.p. y/y), as cost relief alone should be sufficient to offset the revenue shortfall given a slightly projected margin q/q expansion.

In **North America BD**, shipments are expected to reach **1,272Kt Est.** (+4.2% q/q; +3.5% y/y), with demand rebounding immediately from the seasonal trough of 4Q25 and backlogs extending to 90–100 days, the highest level in the company's history. Price increases were implemented across multiple product lines, driving the **realized price to R\$7,357/t Est.** (+3.3% q/q; +3.1% y/y) in BRL terms despite the USD/BRL FX headwind (-3% q/q), with gains outpacing the modest rise in scrap costs and resulting in meaningful metal spread expansion. North America BD **EBITDA** is projected at **R\$2.2bn Est.** (+18.0% q/q; +80.4% y/y), with a margin of **23.1% Est.** (+2.0p.p. q/q; +9.4p.p. y/y), anchoring the consolidated result.

In the consolidated view, **Net Revenue** should reach **R\$16.8bn Est.** (-1.3% q/q; -3.6% y/y), with **Adj. EBITDA** reaching **R\$2.7bn Est.** (+13.4% q/q; +12.0% y/y) with a margin of **16.1% Est.** (+2.1p.p. q/q; +2.2p.p. y/y), and **Net Income** at **R\$987mn Genial Est.** (vs. -R\$1.3bn in 4Q25; +30.2% y/y), as the operational recovery in North America feeds through to the bottom line.

1Q26 Preview: In detail!

Brazil BD: Weak demand drives volume contraction. Total shipments from Brazilian operations are expected to reach 1,320Kt Genial Est. (-9.8% q/q; -7.8% y/y), reflecting a particularly weak start to the year in the domestic market (DM), with Jan-Feb coming in materially below expectations (-4.4% y/y IABr data) and Mar only with a taste of partially recovering. The shortfall was more pronounced than initially anticipated, with volumes declining despite the company pulling back on export allocation relative to 4Q25.

In the domestic market (DM), we project shipments of 1,015Kt Genial Est. (-6.8% q/q; -5.9% y/y), reflecting **(i)** sluggish activity across the value chain through most of the quarter, **(ii)** the typical seasonal softness of 1Qs, and **(iii)** the absence of any meaningful price-driven restocking impulse, given the inability to pass through price increases during Jan-Feb. The foreign market (FM) is expected to reach 305Kt Genial Est. (-18.5% q/q; -13.4% y/y), declining as the company pulled back from the elevated export allocation seen last quarter, moving back toward the historical ~300Kt level given the lower demand.

Brazil BD: Price passthrough deferred to 2Q26E. The consolidated realized price (DM+FM) is projected at R\$4,846/t Genial Est. (-1.3% q/q; -7.5% y/y), reflecting slightly lower quality mix, and no meaningful passthrough achieved, although market benchmarks, such as S&P Platts, have indicated increases for HRC (+7% q/q) and rebar (+2% q/q). We believe negotiations remained difficult for the company through Jan-Feb, amid weak demand, effectively capping any listed price adjustment. Effective increases are only being implemented at the start of Apr, across flat products including coils and plate. Notably, the reduction in export volumes relative to 4Q25 did not translate into a mix improvement this quarter, as the expected benefit from rotating volume back toward higher value-added domestic products failed to materialize.

In the domestic market (DM), realized prices should come at R\$5,275/t Genial Est. (-1.7% q/q; -7.9% y/y), while export realizations (FM) should reach R\$3,419/t Genial Est. (-4.5% q/q; -8.6% y/y), both declining sequentially, with a more pronounced depreciation in the FM given the average USD/BRL FX rate decrease -3% q/q. The combination of flat-to-down domestic prices and weaker export realizations reinforces our view that it should be a trough quarter for Brazil BD pricing, with the more constructive outlook contingent for the 2Q26E.

North America BD: It keeps going up both sales and prices. We expect North America shipments to reach 1,272Kt Genial Est. (+4.2% q/q; +3.5% y/y), with demand recovering strongly from the seasonal trough of 4Q25, as Jan marked an immediate rebound in activity. Backlogs have extended to 90–100 days (the highest level in the company's history), pointing to robust demand visibility and underpinning a high degree of confidence in 2Q26 volumes.

Price increases were implemented across multiple product lines during the quarter, including Merchants, Beams, Piling, Rebar, and, more recently, special steels. We believe that this ended up contributing to a meaningful expansion in metal spread.

The consolidated realized price is estimated at R\$7,357/t Genial Est. (+3.3% q/q; +3.1% y/y), advancing sequentially in BRL terms on the back of USD price hikes given that USD/BRL FX rate decreased -3% q/q, even if the full benefit of announced increases was not entirely captured given the portion of volumes already contracted at prior backlog prices.

We also emphasize that the recovery reflects broad-based end-market strength, with construction continuing to perform well, while special steels — pressured by a couple of years of weak light vehicles production — received an unexpected positive catalyst as a competitor announced a plant hibernation, rebalancing supply and enabling a partial price increase in that segment.

South America BD: Volumes down q/q. Shipments from the South American operation are expected to reach 260Kt Genial Est. (-12.3% q/q; +10.0% y/y), declining sequentially as the quarter did not bring a meaningful demand recovery, with activity basically tracking the sluggish dynamics observed in Brazil. Volumes remain supported on an annual basis.

As has been the pattern, Peru should continue to anchor the division's performance, while Argentina remains stagnant, with the expected macro-driven recovery yet to translate into any tangible improvement in steel consumption. Finally, the realized price is projected at R\$4,934/t Genial Est. (-1.6% q/q; -14.4% y/y), essentially flat to slightly lower sequentially mostly due to USD/BRL FX rate decreasing -3% q/q.

Net Revenue: Brazil weakness only partially offset by North America. Consolidated Net revenue is expected to reach R\$16.8bn Genial Est. (-1.3% q/q; -3.6% y/y), reflecting a sequential decline driven by the weakness in Brazilian operations, only partially mitigated by the recovery in North America. Brazil BD should be the main drag, with revenue projected at R\$6.4bn Est. (-10.9% q/q; -14.6% y/y), reflecting the combination of weaker domestic volumes through Jan-Feb, the pullback in export allocation, and the absence of any meaningful price passthrough during the quarter, with effective increases only beginning to be implemented in April.

North America BD is expected to deliver R\$9.4bn Est. (+7.6% q/q; +6.7% y/y), advancing both sequentially and annually on the back of recovering volumes, record backlogs of 90–100 days, and broad-based price increases across multiple product lines, providing a meaningful but insufficient offset to the Brazil drag at the consolidated level. South America BD should contribute R\$1.3bn Est. (-13.7% q/q; -5.9% y/y), declining on both comparisons as the division continues to track sluggish demand dynamics, with Peru holding steady while Argentina remains unable to convert gradual macro improvement into meaningful steel consumption growth.

Table 3. Net Revenue Gerdau (1Q26 Genial Est.)

(R\$ millions)	1Q26E	4Q25	% q/q	1Q25	% y/y
	Genial Est.	Reported		Reported	
Net Revenue	16,757	16,974	-1.3%	17,375	-3.6%
Brazil BD	6,397	7,181	-10.9%	7,494	-14.6%
North America BD	9,359	8,695	7.6%	8,768	6.7%
South America BD	1,285	1,488	-13.7%	1,366	-5.9%
Eliminations	(283)	(391)	-27.5%	(253)	12.2%

Source: Gerdau, Genial Investimentos

Brazil BD: COGS/t partial relief should help a bit. We project the COGS/t for Brazilian operations to reach R\$4,720/t Genial Est. (-1.6% q/q; +0.8% y/y), declining sequentially and showing a partial relief. According to our analysis, the improvement should reflect a combination of **(i)** the absence of the hibernation-related costs that weighed on the special steels segment in 4Q25; **(ii)** proactive supply chain adjustments implemented by management at the start of the year, aimed at mitigating freight cost pressures and already yielding positive results at the mini-mill level; and **(iii)** a more favorable input mix across scrap and iron ore, achieved even ahead of the Miguel Burnier (MG) restart, as internal sourcing improvements reduced reliance on third-party purchases and contributed to unit cost reduction.

We note that Metallurgical coal prices did rise +4% q/q, representing a headwind that partially offset the gains described above. However, the BQ2 line is now fully operational at 1Mt of installed capacity, and while demand has not yet been sufficient to fully absorb the additional volume, the elimination of third-party procurement needs has already translated into a measurable cost improvement.

North America BD: COGS/t just slightly up. For North America operations, our model points to a COGS/t of R\$5,875/t Genial Est. (+0.5% q/q; -7.1% y/y), rising modestly on a sequential basis as scrap prices moved higher during the quarter (+3% q/q), but it was almost entirely neutralized by a lower average USD/BRL FX rate at R\$5.26 (-3% q/q). Despite this input cost pressure, the magnitude of the price increases implemented across multiple product lines should be sufficient to more than offset the scrap headwind, resulting in a net expansion of metal spread and a meaningful improvement in divisional margins q/q. On balance, we believe that cost is not the central narrative for North America this quarter. The story is one of price outpacing costs, with volume recovery, record backlogs, and broad-based price increases combining to drive what should be a standout quarter for the division.

EBITDA: Acceleration anchored by North America. We expect consolidated adj. EBITDA to reach R\$2.7bn Genial Est. (+13.4% q/q; +12.0% y/y), with a margin of 16.1% Est. (+2.1p.p. q/q; +2.2p.p. y/y) advancing on both comparisons as North America's strong operational momentum more than compensates the continued softness in Brazilian operations.

On a quarterly basis, EBITDA performance should be anchored by North America BD, projected to deliver R\$2.2bn Genial Est. (+18.0% q/q; +80.4% y/y), with a margin of 23.1% Est. (+2p.p. q/q; +9.4p.p. y/y), supported by recovering volumes, record backlog levels of 90–100 days, broad-based price increases across multiple product lines, and a favorable metal spread environment in which price gains outpaced the modest rise in scrap costs.

Brazil BD, on the other hand, is expected to post EBITDA of R\$473mn Genial Est. (-7.1% q/q; -56.8% y/y), even reaching a margin of 7.4% Est. (+0.3p.p. q/q; -6.8p.p. y/y), declining on both comparisons as the **(i)** absence of price passthrough, combined with **(ii)** still-depressed domestic volumes, should both put it down the cost relief effect achieved during the quarter. South America BD is set to contribute with R\$165mn Genial Est. (-5.2% q/q; -12.5% y/y), declining modestly on both comparisons as stable volumes and broadly flat prices leave limited room for margin expansion, with Argentina continuing to lag and Peru sustaining divisional performance.

Table 4. EBITDA Gerdau (1Q26 Genial Est.)

(R\$ millions)	1Q26E	4Q25	% q/q	1Q25	% y/y
	Genial Est.	Reported		Reported	
Adjusted EBITDA	2,691	2,374	13.4%	2,402	12.0%
Brazil BD	473	509	-7.1%	1,096	-56.8%
North America BD	2,161	1,832	18.0%	1,198	80.4%
South America BD	165	174	-5.2%	188	-12.5%
Eliminations	(108)	(141)	-23.4%	(80)	34.9%

Source: Gerdau, Genial Investimentos

Net income: Sharp recovery supported by operating leverage. We expect consolidated Net Income to reach R\$987mn Genial Est. (vs. -R\$1.3bn in 4Q25; +30.2% y/y), swinging back to positive territory sequentially as the operational recovery in North America and the absence of 4Q25's one-off cost items feed through to the bottom line. On a q/q basis, the return to profitability should be primarily driven by the strong EBIT recovery, with the financial result expected to be based around the USD/BRL EoP FX rate declining to R\$5.18 (-6% q/q), which reduced the accounting loss associated with USD-denominated debt obligations relative to the prior quarter.

In the annual comparison, bottom line should advance on y/y basis, supported by the meaningful improvement in operating performance driven by North America BD's volume and price recovery, partially offset by the continued weakness in Brazil BD.

Table 5. Income Statement Gerdau (1Q26 Genial Est.)

(R\$ millions)	1Q26E	4Q25	% q/q	1Q25	% y/y
	Genial Est.	Reported		Reported	
Net Revenue	16,757	16,974	-1.3%	17,375	-3.6%
COGS	(14,575)	(15,126)	-3.6%	(15,429)	-5.5%
Adjusted EBITDA	2,691	2,374	13.4%	2,402	12.0%
Margin (%)	16.1%	14.0%	2.1p.p	13.8%	2.2p.p
EBIT	1,663	(791)	-	1,386	20.0%
Margin (%)	9.9%	-4.7%	-	8.0%	1.9p.p
D&A	(910)	(936)	-2.7%	(874)	4.2%
Financial Result	(364)	(349)	4.3%	(308)	18.3%
Net Income	987	(1,294)	-	758	30.2%
Margin (%)	5.9%	-7.6%	-	4.4%	1.5p.p

Source: Gerdau, Genial Investimentos

Our Take on Gerdau

Two divisions, one doing the work. The quarter should once again illustrate the **core tension** in the company's equity story: a **world-class North America BD** delivering record backlog levels, broad-based price increases, and meaningful metal spread expansion — and a **Brazil BD** that, despite some incremental green shoots in April pricing, has **yet to demonstrate a convincing margin recovery**. The asymmetry between divisions is not new, but it matters for the thesis: as long as the domestic operation remains structurally challenged, the consolidated improvement narrative rests on a single geographic pillar, which **limits re-rating potential**.

On the domestic front, April rebar and HRC hikes are passing through and being absorbed broadly within expectations, and the direction is constructive. But the **negotiation process remains uneven**, road freight costs have nearly doubled on key routes, adding a layer of pressure buyers flagged as exceeding the mill hikes themselves. Furthermore, our **trade defense stance remains cautious**. We continue to await the MDIC ruling on HRC, now expected by Dec vs. Jul previously, before reassessing steel price assumptions. Until then, the probability that measures will be implemented with sufficient intensity to materially alter competitive dynamics remains, in our view, limited.

In addition, the shares have already **rallied meaningfully +21%** in the **last 1M**, reflecting the constructive elements of the North America story and the broader rotation into domestic equities, leaving little room for error on the Brazilian recovery. With **FCF Yield 26E** standing at **12%** and the upside largely absorbed, the risk-reward does not yet justify a more constructive stance. Therefore, we reiterate our **Neutral rating** with **12M Target Price of R\$21.50**, implying a **marginal downside** of **-0.8%**.

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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	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%
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under Review	Under review	5%

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