

Gerdau (GGBR4)

Capex Austerity in the Spotlight

Gerdau's Investor Day 2025

Gerdau hosted its 2025 Investor Day, providing an updated view on its strategy going forward. **We note capex austerity as the highlight of today's event**, with 2026E capex guidance set at ~R\$4.7 billion, -22% vs. 2025E expectations of R\$6.0 billion and reflecting a more selective approach on previously approved projects given current market conditions (*rolling capacity and forest expansion projects now on stand-by*). Moreover, **Gerdau remains confident on the incremental returns following the execution of its mining investments in Miguel Burnier** (*physical progress at ~85%*), reiterating its ~R\$1.1 billion incremental EBITDA expectation, with initial benefits to be captured by early 2026E (*ramping-up throughout the year*). Finally, demand in North America is expected to benefit from government-related programs and restrained imports, implying structurally strong profitability levels. [We reiterate our Buy rating on Gerdau.](#)

Our take: we see Gerdau's 2026E capex guidance as the main positive outcome of today's event, below our estimates (~R\$5.1 billion) and below what we saw as the market's base-case (~R\$5.0-5.5 billion), implying an attractive 9-10% 2026E FCF yield, in our view. In that regard, we welcome Gerdau's capital discipline, reevaluating projects given current market conditions, and providing more clarity on its sustaining investment needs, although structural competitiveness-related capex remains uncertain. Looking ahead, investor focus remains on demand trends and potential USMCA tariff-exemptions in North America, while import restrictions (i.e.: antidumping), and the impact of higher interest rates on Brazilian steel demand remains a question mark. Finally, we reiterate our positive view on Gerdau, backed by a solid earnings momentum in the U.S. and lower capex disbursements to partially mitigate a worsening demand environment in Brazil ([click here for more details backing our Buy rating](#)).

Capex austerity was a highlight. Given current challenging market conditions in Brazil, Gerdau reevaluated part of its strategic investments, postponing the capex related to rolling capacity expansion (R\$1.8 billion) and forestry operations (R\$0.3 billion), supporting a reduction in expected capex for 2026E (R\$4.7 billion vs. R\$6.0 billion for 2025E) as the company continues to advance on its main ongoing projects (especially Miguel Burnier's mining investments and Midlothian expansion). Moreover, we welcome the company's clarity on sustaining capex needs, which it expects to be at ~R\$3 billion/year in the upcoming years, while selective competitiveness projects should remain susceptible to returns/leverage thresholds.

In North America, demand remains solid, boosted by government-related programs, with the expansion of Section 232 also suggesting structurally higher profitability levels (although USMCA potential tariff-exemptions remains a risk). Moreover, while an acceleration on steel capacity expansion in the U.S. is a risk, the market should remain balanced, with new mapped capacity expansion helped by lower imports and lower relative investments in SBQ and merchant/beams.

Capital allocation is shifting toward buybacks. With a solid balance sheet and lower investment needs in 2026E, Gerdau is prioritizing buybacks, while new investments and M&A are less likely due to high cost of capital levels.

| Gerdau (GGBR4) | Buy |
|--------------------------|--------|
| Target Price (R\$/sh.) | 23.00 |
| Current Price (R\$/sh.) | 16.61 |
| Upside (%) | 38% |
| Market Cap (R\$ million) | 32,099 |
| # of shares (million) | 1,933 |
| Free Float (%) | 67% |
| ADTV (R\$ million) | 137 |

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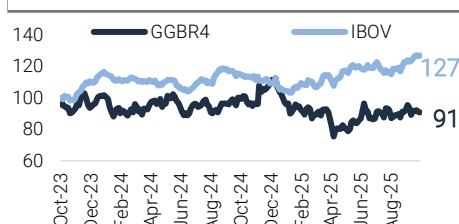
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Performance vs. IBOV



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Regarding Gerdaу's strategic capex, the company revised it downwards to R\$5.2 billion, reflecting:

- The exclusion of rolling mill expansion (R\$1,75 billion) and the forestry base expansion (R\$0.35 billion) in Minas Gerais.
- Adjustments in the Midlothian investments (from R\$1,5 billion to R\$1,2 billion), including the reduction in the capacity expansion plan (from 250kt to 150kt), and the increase in the Iron Ore Program in Miguel Burnier (from R\$3,2 billion to R\$3,6 billion).
- That resulted in a net reduction of R\$2,0 billion compared to the previous plan.

Regarding the total potential incremental EBITDA, the company expects ~R\$1.5 billion, reflecting:

- The benefits from iron ore program in Miguel Burnier, expected at ~R\$1.1 billion/year ([see our recent update for Gerdaу](#) commenting on the potential incremental EBITDA for the mining investments); and
- An incremental EBITDA of R\$275 million/year regarding Midlothian expansion and R\$100 million/year due to the investments on scrap processing in Pindamonhangaba.

Figure 1: Gerdaу's Strategic Capex Plan

| Gerdaу's Strategic Capex Plan (2025-28E) | | | | | | | | | | | | |
|--|-------------------------------|----------|--------------------|-----|-------|-----------|---------|-------|--------|-----------|---------|-------|
| Location | Project | Start-Up | Capacity Expansion | | Capex | | | | EBITDA | | | |
| | | | Old | New | Old | Concluded | Changes | New | Old | Concluded | Changes | New |
| North America | Midlothian Expansion | 2H26E | 250 | 150 | 1,500 | | -300 | 1,200 | 500 | | -225 | 275 |
| | Downstream | OK | | | 500 | -500 | | 0 | 250 | -250 | | 0 |
| Brazil | HRC Expansion | OK | 250 | 250 | 1,550 | -1,550 | | 0 | 400 | -400 | | 0 |
| | Medium Section Mill Expansion | Canceled | 500 | - | 1,750 | -1,750 | | 0 | 250 | -250 | | 0 |
| | Forestry Base Expansion | Canceled | | | 350 | -350 | | 0 | 50 | -50 | | 0 |
| | Iron Ore Program | 4Q25E | | | 3,200 | | 400 | 3,600 | 1,100 | | | 1,100 |
| | New Scrap Processing | 2H26E | | | 400 | | | 400 | 200 | | -100 | 100 |
| Total | | | | | 9,250 | -2,050 | -2,000 | 5,200 | 2,750 | -650 | -625 | 1,475 |

2026E Capex Guidance Announced

Gerdaу announced its capex guidance for 2026E at R\$4.7 billion, reflecting a reduction in sustaining and competitiveness-related investments. The guidance also includes targeted capex for coke plant developments and blast furnace upgrades. Looking ahead, the company expects average annual sustaining capex of R\$3 billion over the 2026-2030E period, excluding competitiveness investments.

Figure 2: Capex Guidance for 2025-26E (R\$ billion)

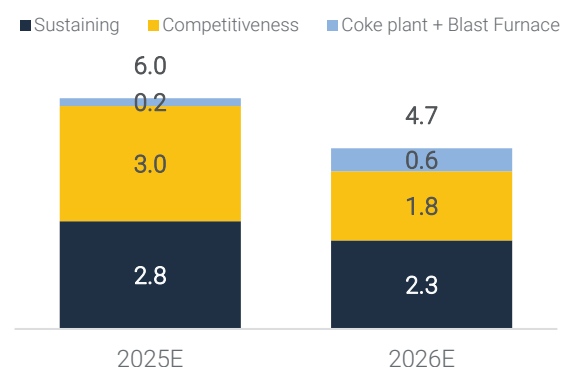
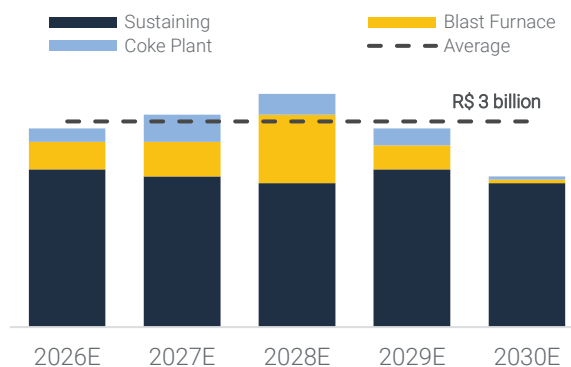


Figure 3: Gerdaу's Sustaining Capex (2026-2030E)



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