Field	Value
Country	Brazil
Sector	Steel, ferrous metallurgy

Brazilian steel: Gerdau’s rating no longer hinges on the currency. The full range of real depreciation changes its value by R$0.83 per share, while the other two valuations turn negative

Part I. Investment conclusion · v10.8 · valuation date 18.08.2026 · closing prices on 07.08.2026 · Brazilian reais (R$), with US dollars shown as $.

Our first finding is that Gerdau’s rating no longer hinges on the real. Under the decision of 18.08.2026, revenue and the entire cost base now move with the same driver, a constant real exchange rate. The valuation of the first name in coverage is now largely insensitive to the pace of real depreciation. At common rates of 0 · 2.40 · 4.44 · 7.99 · 10.00% a year, it is worth R$24.2052 · 23.3762 · 23.5011 · 23.5397 · 23.4079 per share, with a HOLD in all five cases (Table 2). The full range is R$0.83 per share, or 3.4% of valuation. This is a first-order finding: investors are buying exposure to steel, with little dependence on the real. Earlier revisions gave opposite signals depending on the chosen rate because indexation was asymmetric. The exchange rate fed through in full to revenue, while exposure on the cost side was 55/35/30%. Local inflation drove the balance, causing a 3.4% annual decline in local costs in dollar terms to compound for a decade. Usiminas and CSN remain exposed to the currency, to their detriment. The ±10% range changes their values by −9.8608/+8.2885 and −12.9834/+13.0103 reais per share, several times their valuations of −4.5441 and −6.8997. Both valuations are negative in the selected case. The finding comes from the cost of capital and financing conditions, with the cases set out in Section 5. The caveat is stated in full: 7.99% is the annual FX forward rate from July 2026, extrapolated at a constant rate over a decade. The research materials contain no ten-year forward curve for the real.

Brazil now makes less steel than it did six years ago and buys more abroad. Crude steel output was 31,415 · 36,071 · 34,089 · 32,030 · 33,880 · 33,300 kt in 2020–2025, leaving the industry 7.7% below the 2021 peak. In the first half of 2026, crude steel output was 16,259 kt (−1.5%), rolled output was 11,339 (−4.4%), and apparent consumption was 12,925 (−5.3%). Imports filled the gap. They reached 5.7 Mt in 2025, up 20.5% from a year earlier and equivalent to 21.0% of consumption, against a norm of 2.2 Mt in 2000–2019. Distributors hold 1.129 Mt in stock, or 4.5 months of sales against the usual three, and source 85.5% of purchases outside domestic mills. Our second finding is that the premium of domestic realisations over export realisations accounts for all the pricing power we can measure at Brazilian mills. We measure the premium by comparing revenue per tonne with export realisations. The figures are $1,062.9 · 1,040.1 · 902.7 per tonne versus $798 export realisations, based on disclosed exports of 9,571 kt worth $7,637.5m. The premiums are therefore +33.2% · +30.3% · +13.1%. The conclusion reverses at export parity, which implies price changes of −24.9% · −23.3% · −11.6%. Linear extrapolation from the ±5% sensitivity removes R$36.28 · 36.87 · 18.41 per share. The industry cost curve underpins the finding, as shown in Section 3. The 25% out-of-quota tariff sustains the premium. Removing it costs R$4.19 · 2.46 · 4.06 per share across the three names.

Table 1 summarises the recommendations for the three names under coverage. Gerdau (GGBR4) is HOLD, with intrinsic value of R$23.5397 and a target price of R$27.8017 against a share price of R$24.90. The twelve-month total return of +13.300% compares with a required return of 19.847% and lies within the 9.85–29.85% HOLD range. Usiminas (USIM5) is SELL, with intrinsic value of −R$4.5441 and a target price of −R$5.4222 against a share price of R$7.15. Total return is −175.84% against a 19.325% hurdle. Companhia Siderúrgica Nacional (CSNA3) is SELL, with intrinsic value of −R$6.8997 and a target price of −R$9.6964 against a share price of R$4.57. Total return is −312.175% against a 40.535% hurdle. The 17.08.2026 report carried valuations of R$25.1616 · 2.3753 · 6.2032. This revision moves them by −1.6219 · −6.9194 · −13.1029 reais per share. The models changed because of a single input: the entire cost base was linked to the same driver as revenue (Table 6). Four elements support

Gerdau's HOLD. Domestic steel prices determine the rating, with an archived path of $730.4/t. A move of +3.23% would trigger BUY, and −0.67% would trigger SELL. The dated observation is the first consolidated reading of coil prices for 2026. The share-price thresholds are asymmetric: BUY below R$21.73, SELL above R$25.68.

Our third finding is that Usiminas has negative enterprise value on the stated assumptions and that its valuation floor remains unmeasured. This is a first-order limitation on the conclusion. Over ten years, EBITDA falls from R$1,986m to −R$1,032m, free cash flow to the firm moves from R$553m to −R$3,434m, and gross margin per tonne crosses zero in 2031. Enterprise value is −R$6,138.1m because operations destroy value on this calculation. Equity value in a limited liability company has a floor tied to what its assets are worth on closure or replacement. The research did not measure that floor. Book value is R$16.61 per share against a share price of R$7.15, or 0.431 times book. With the floor above the share price, the SELL carries an explicit caveat: it holds if the plant keeps operating on the stated price path and has not been tested against closure value. The valuation-floor analysis was omitted, with an estimated impact of R$9.46 per share. Unit costs of $989.1/t exceed the $986/t import threshold. Usiminas is the only company under coverage on the wrong side of that line. It fails Test 3 by −$3.1/t in the worst year. The archived coil price path falls from $730.4 to $648.9, and the mill has no cost cushion to withstand that decline.

The best-idea slot is empty. Each company fails at least one of the four business-quality tests announced before selection, with scores of 2 · 2 · 1. Gerdau fails the return on invested capital test (9.54% against 18.56%). It would pass with 94.5% more profit after tax, equivalent to R$714/t more EBITDA. It also fails on maintenance capex (0.686 times depreciation against 0.90). It would pass with 31.2% more spending, or R$924m a year. Usiminas fails the same returns test (0.03% against 19.32%) and the unit cost advantage test (−$3.1/t). Companhia Siderúrgica Nacional fails three tests: returns (9.30% against 15.90%, with 71.0% more profit and R$1,272/t more EBITDA needed), maintenance (0.838, with 7.4% more spending, or R$298m a year, needed), and the share reaching minority holders (−12.3% against one third, with interest costs needing to fall by R$2,058m a year). The report identifies no special situations. The previous designation for CSN supported a purchase and was withdrawn after the rating moved to SELL. The three price-to-book ratios of 0.918 · 0.431 · 0.472 are close and low, yet the companies fail for different reasons. Price-to-book alone establishes no designation, as discussed in Section 9. The return test's hurdle was redefined by Decision 76 after the initial results had been seen, a fact about the calculation process. The tally is 3 names under coverage · 3 with a rating · 0 with a five-element undetermined conclusion. The previous window recorded the same 3 · 3 · 0.

Table 1: Every company under coverage fails at least one of the four quality tests, leaving the best-idea list empty

Issuer	Price	Value	Target	Return	Rating	Basis	Costs	Horizon	Discipline
Gerdau GGBR4	24.90	23.5397	27.8017	+13.300%	HOLD	Partially reconstructed	$952.4/t · 2nd	Own ore from 2027	0.69× depreciation
Usiminas USIM5	7.15	−4.5441	−5.4222	−175.84%	SELL	Disclosed	$989.1/t · 3rd	Volume at ceiling	0.94× depreciation
CSN CSNA3	4.57	−6.8997	−9.6964	−312.175%	SELL	Partially reconstructed	$843.0/t · 1st	Ore output rising	0.84× depreciation

Source: v10.8 research export dated 18.08.2026, closing prices on 07.08.2026, and 2025 sales volumes and unit costs. Units are reais per share, percentages and dollars per tonne. Required-return hurdles H of 19.847 · 19.325 · 40.535% are shown without a cross-row comparison. The three companies passed 2 · 2 · 1 of the four quality tests. The returns-test hurdles, measured on the same basis as the numerator, are 18.56 · 19.32 · 15.90%. 'Depreciation' refers to annual depreciation.

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Part II. The market

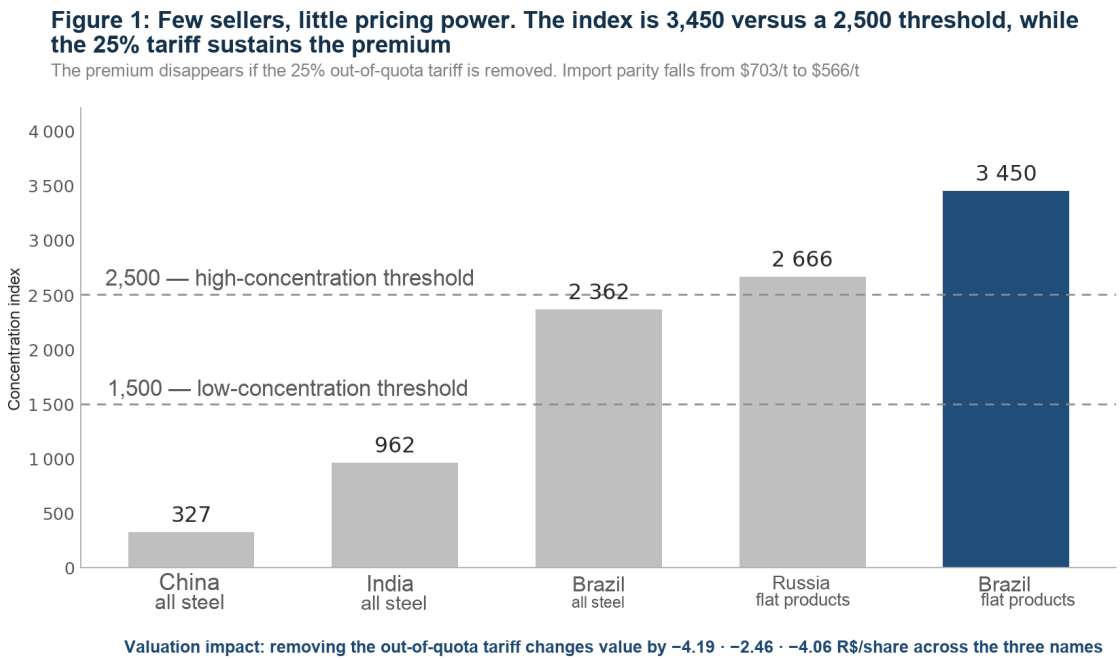
1. Five sellers and an index of 3,450 versus a 2,500 threshold give mills no pricing power

Analytical basis: concentration index and the industry life cycle, now at maturity

Brazil's steel market is bounded by its ports. Five significant sellers operate domestically, and conventional measures point to concentration. The index is 2,362 for all steel and 3,450 for flat steel, against thresholds of 1,500 for an unconcentrated market and 2,500 for a highly concentrated one. We would expect flat products to command a premium over long products. Flat production requires a continuous mill and is concentrated at three or four sites, while long products are supplied by many electric arc furnaces. In practice, import prices cap flat steel and long products command the premium despite having more sellers. Figure 1 puts the index in context: 3,450 for Brazilian flat steel versus 2,666 for Russian flat steel, 2,362 for all Brazilian steel, 962 for India and 327 for China.

The index counts domestic producers, but the marginal supplier lies outside that group. Imports account for 22.5% of consumption and supply the marginal tonne. Concentration confers pricing power when the concentrated group can meet demand. At an index of 3,450, the turning point is import penetration below 21% on a consistent half-year basis. The observed premium depends on the 25% out-of-quota tariff. Removing it takes import parity from $703/t to $566/t and costs R$4.19 · 2.46 · 4.06 per share across the three names.

Figure 1: Few sellers, little pricing power. The index is 3,450 versus a 2,500 threshold, while the 25% tariff sustains the premium. The premium disappears if the 25% out-of-quota tariff is removed and parity falls from $703/t to $566/t. Valuation impact: −4.19 · −2.46 · −4.06 R$/share across the three names.



Source: research calculations based on 2025 sales volumes for the three issuers and disclosures from ArcelorMittal Brasil and Ternium Brasil. Unit: concentration index. Each bar indicates its market perimeter.

The industry life cycle gives a second perspective. Crude steel output was 33,300 kt in 2025 versus 36,071 in 2021. Apparent consumption was 26,108 kt in 2024 versus 26,337 in 2021. There has been no growth over six years. Demand has returned to its 2021 level, with imports taking a larger share. This is a mature industry. The half-percent annual sales growth at two companies and the 4,400 kt capacity ceiling at the third reflect that stage of the cycle rather than management plans.

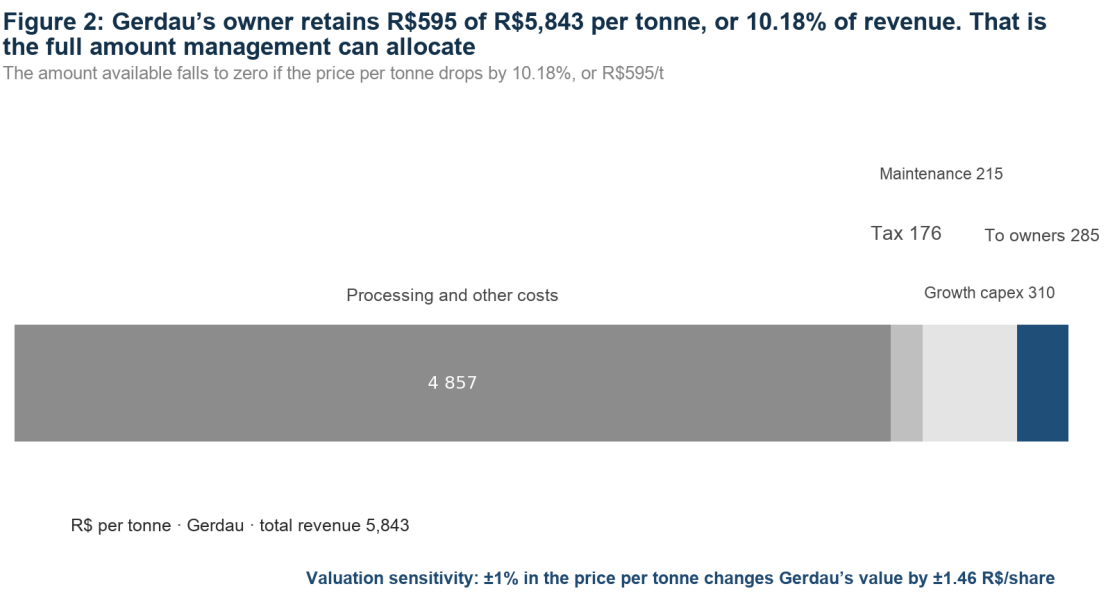
What this means for value per share. The revenue projections carry no concentration premium. The gap between 2,362 and any other index value has no valuation impact. Sales volume does. A five percent shift moves equity value by R$1.2538 per share at Gerdau, R$0.4434 at Usiminas and R$0.1021 at Companhia Siderúrgica Nacional. The concentration analysis gives a testable finding: few sellers operate domestically, but imports set the price. An index of 3,450 versus a 2,500 threshold confers no pricing power, and removal of the 25% out-of-quota tariff eliminates the premium at a cost of R$4.19 · 2.46 · 4.06 per share.

2. Owners retain R$595 of R$5,843 in revenue per tonne, or 10.18%, and the profit pool lies outside steelmaking

Analytical basis: the value chain and profit pools

The value chain starts with revenue per tonne of steel shipped. In 2026, Gerdau generates R$5,843.4 per tonne. Processing and other expenses, including raw materials, energy, labour, servicing, logistics and overhead, take R$4,857.4 and leave R$986.0 before interest, tax and depreciation. Tax takes R$176.1 and maintenance spending takes R$215.0 per tonne. This leaves R$594.8 per tonne for owners, or 10.18% of revenue (Figure 2). Management decisions, tariff policy and the cycle operate within that margin. A 10.18% fall in price would wipe it out, while a one percent shift is worth R$1.46 per share. Growth investment also takes R$309.5, leaving free cash flow to the firm of R$285.4 per tonne, or 4.88% of revenue. At Usiminas the same chain is 5,717.9 → 5,262.1 → 455.8 → 55.5 → 273.4, leaving R$127.0 per tonne for owners, or 2.22% of revenue, with no growth investment. At Companhia Siderúrgica Nacional the chain is 4,962.8 → 2,116.8 → 2,846.1 → 636.5 → 816.2, leaving R$1,393.4, or 28.08%. Growth takes R$593.8, leaving free cash flow to the firm of R$799.5, or 16.11% of revenue.

Figure 2: Gerdau's owner retains R$595 of R$5,843 per tonne, or 10.18% of revenue. That is the full amount management can allocate. The amount available falls to zero if the price per tonne drops by 10.18%, or R$595/t. Valuation sensitivity: ±1% in the price per tonne moves Gerdau's value by ±1.46 R$/share.



Source: v10.8 research export, Gerdau's revenue and costs per tonne in 2026. Units are Brazilian reais per tonne.

The chain starts from the figures used in the valuation. That matters for the conclusion about the business. The per-tonne series describes the steel operations, while reported profit is built up from segments. Gross margin per tonne multiplied by volume falls short of the profit used in the valuation. The differences are −R$4,399m (−38.4%) at Gerdau, −R$764m (−38.5%) at Usiminas and −R$10,600m (−88.5%) at Companhia Siderúrgica Nacional. Earlier reports and issuer notes used different blends of group and segment figures, leaving different amounts per tonne.

The figures now use a consistent basis and reconcile to profit by construction. The denominator is tonnes of steel shipped, while the numerator is group profit. Mining and other activities that sell different products account for 32.0% of that profit at Usiminas and 81.7% at CSN. At CSN the chain therefore shows group economics expressed per tonne of steel.

The largest profit pools sit outside steel conversion in all three cases. Gerdau's 2026 segment profit is R$3,245m in Brazil, R$7,878m in North America, R$746m in South America and −R$402m in eliminations, for a total of R$11,467m. Two thirds is earned outside Brazil on the electric arc furnace route, where scrap drives costs. At CSN, mining contributes R$6,309m of R$11,982m, steel R$2,194m and other operations R$3,479m. Steel accounts for eighteen percent of its profit. At Usiminas, steel earns R$1,350m and iron ore R$636m. By 2035 steel falls to −R$2,102m and iron ore reaches R$1,071m. The mine is the only segment still in profit, and by the end of the period steel conversion costs the group more than the mine earns.

The ten-year series shows the direction of travel. Gross margin per tonne moves from R$608 to R$889 at Gerdau, R$280 to −R$433 at Usiminas and R$328 to −R$173 at CSN. The movements reflect the raw materials basket falling from $311.0 to $262.1 per tonne, the BRL exchange rate moving from 5.4976 to 10.9805 on the common path in Section 5, 4.44% local inflation in costs and the domestic coil price in Section 3. Management neither creates nor prevents those moves. Two of the three margins cross zero during the forecast period.

What this means for value per share. A one percent move in the price per tonne is worth R$1.46 per share at Gerdau. A five percent move in domestic steel prices cuts or raises value by R$7.2858 and R$5.3142 at Gerdau, R$7.9128 and R$6.8735 at Usiminas, and R$7.9360 and R$8.0234 at CSN. Owners retain R$594.8 out of R$5,843.4 per tonne. A price decline of 10.18% wipes out that amount, and a drop of 4.88% wipes out free cash flow to the firm.

3. The price ceiling is set at the port: $703/t against unit costs of $843.0 · 952.4 · 989.1

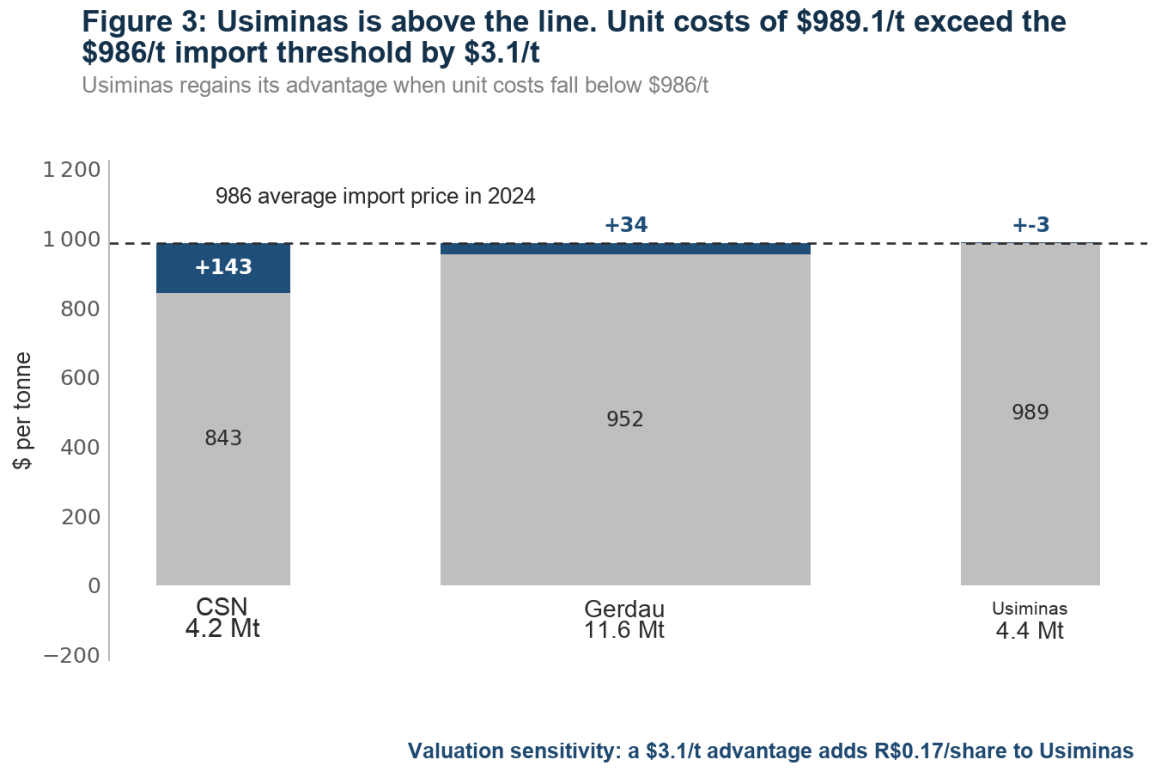
Analytical basis: the industry cost curve, with the imported tonne as marginal supply

The price of Brazilian flat steel starts with Chinese coil exports at $503.5/t FOB on 13.07.2026. The domestic increment reflects freight and trade barriers. Freight averages $63/t and ranges from $31/t from Egypt to $116/t from South Korea. The $85 spread is greater than the difference between the two tariff rates. Import parity has three steps: about $566 CIF before duty, $623 in-quota at 10.8%, and $703 out of quota at 25%. The upper step caps domestic prices. Above it, buyers can import more cheaply.

There are two estimates of out-of-quota parity, reconciled in Decision 59. The first is $737.5 from Chinese prices in the August round. The second is $703 from $503.5 plus freight and the applicable tariff. The archived domestic benchmark of $730.4 lies 0.96% below the first and 3.90% above the second. The observations of $805 on 28.11.2025 and $1,049 on 18.06.2025 are ex-works transaction prices. The 9.27% gap between the ex-works observations and the archived series represents a premium over parity. The level matters for value and became the report's main input once the currency stopped determining Gerdau's rating. A ±5% range changes value per share by R$7.2858 down and R$5.3142 up at Gerdau, R$7.9128 and R$6.8735 at Usiminas, and R$7.9360 and R$8.0234 at CSN. Moving the benchmark from $730.4 to $805/t is a +10.2% shift. Linear extrapolation from the same sensitivity gives +14.86 · +16.14 · +16.19 reais per share. The series is non-monotonic. Prices fall in the component without a lag each year, while the lagged component in 2026 retains the observed 2025 anchor of $679/t at a 5.49 exchange rate, or R$3,728/t. Domestic coil at R$4,300/t versus parity at $566–703/t shows a premium of 15 to 43 percent, sustained by the tariff. Long products make the same point directly. Rebar sells for R$6,000, or $1,107, against export realisations of $860. The $247/t gap measures the cost of keeping the market closed.

The coverage cost curve shows which company loses money first. The threshold comes from the market price of imports. CSN has unit costs of $843.0 and revenue of $936.3 per tonne. Gerdau has costs of $952.4 and revenue of $1,075.0, and Usiminas has costs of $989.1 and revenue of $1,078.7. The $986 average price per imported tonne is the threshold because imports are the marginal source of supply. Usiminas is $3.1 above the line (Figure 3), while Gerdau is $33.6 below it and CSN is $143 below it. A favourable position on the curve does not necessarily produce a high margin: the lowest-cost company also has the lowest revenue per tonne. The $3.1 difference is worth R$0.17 per share.

Figure 3: Usiminas is above the line. Unit costs of $989.1/t against an import threshold of $986/t imply a gap of minus $3.1/t. Usiminas regains its advantage below $986/t. A $3.1/t cost advantage is worth R$0.17/share at Usiminas.



Source: v10.8 research export, 2025 unit costs. The threshold is the price per imported tonne from Instituto Aço Brasil. Units are dollars per tonne.

The sensitivity of unit costs to raw materials prices is an assumption. The coefficient is 0.675 for the blast-furnace producer that buys ore and 0.468 for the two with their own ore. Purchased inputs cannot respond by more than their share of the basket. Decision 58 fixed the coefficients and removed the range that had prevented publication of a point estimate for Gerdau. The input continues to matter. The basket feeds into unit costs at that coefficient. A ten percent fall in the basket changes valuation by +1.9323 · +1.6095 · −0.1896 reais per share. CSN moves in the opposite direction because its mine sells the commodities in the basket.

Anti-dumping duties are the effective lever on import volumes. Imports rose 20.5% in 2025 to a record 5.7 Mt after the quota was introduced. Imports represented 21.0% of consumption and China had a 63.7% share of those imports. In the first half of 2026 imports fell to 2.904 Mt (−17.6%), or 22.5% of consumption versus 25.8% a year earlier. The break coincides with duties of $285–710/t effective 18.02.2026. Channel data provide another explanation. Distributors sold 3.89 Mt and held 1.129 Mt in inventories. Imports into the channel were 3.33 Mt, or 85.5% of sales, and January 2026 was down 10.8%. Exports generate little margin. At $7,637.5m for 9,571,038 tonnes, export realisations are $798/t against $986/t for imports. A second, direct measure of pricing power comes from realised prices in the model: $1,062.9 · 1,040.1 · 902.7 per tonne, or 33.2% · 30.3% · 13.1% above export realisations. Exports set the domestic floor. The premium over exports is all the measurable pricing power

of a Brazilian mill, and the out-of-quota tariff sustains it. A move down to export parity would cut domestic prices by −24.9% · −23.3% · −11.6%, and reduce values by R$36.28 · 36.87 · 18.41 per share. All three cases would be SELL.

What this means for value per share. Buyers can land imported steel for $986/t, close to Usiminas's factory-gate unit cost of $989.1/t. The $3.1/t difference is worth R$0.17 per share. The upper price ceiling matters more. Bypassing the quota completely takes import parity from $703/t to $566/t. Abolishing the out-of-quota tariff costs R$4.19 · 2.46 · 4.06 per share.

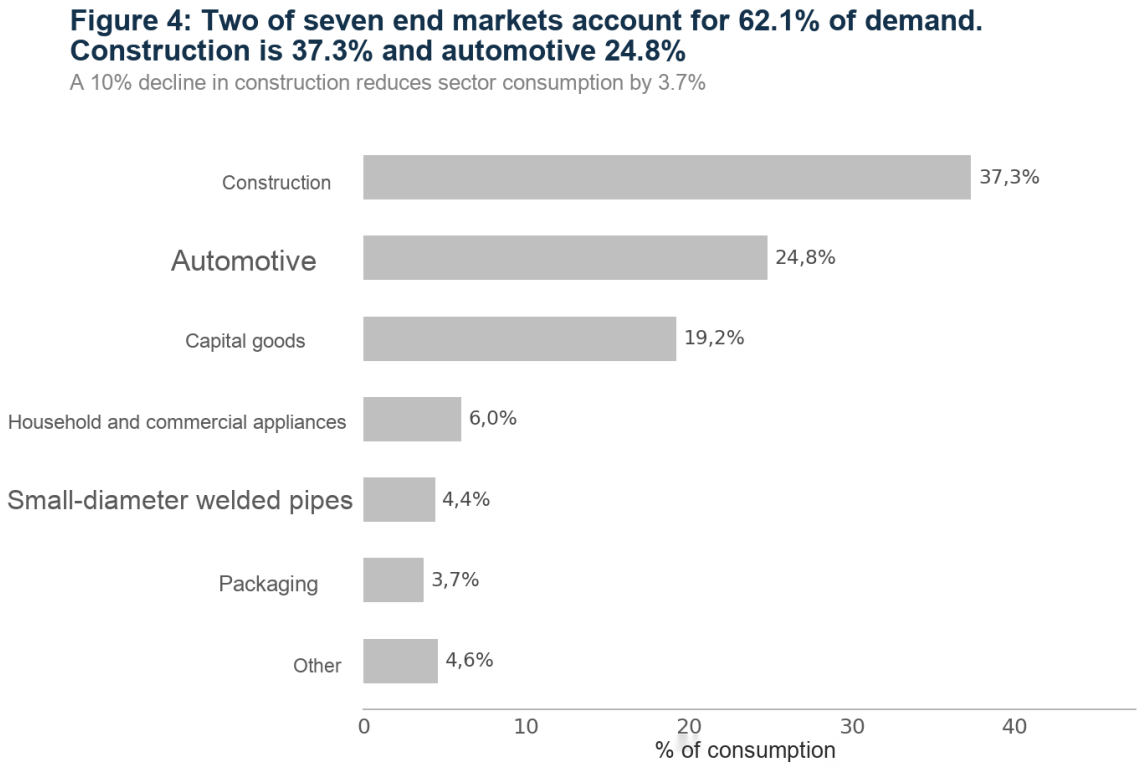
4. The state takes one tenth of dividends and delivers on two of its ten announced goals

PEST analysis: four external forces, led by politics and regulation

Three provisions divert part of the value created per tonne from shareholders. First, the federal legislature taxed dividends for the first time since 1996. Law 15.270/2025 withholds 10% on payments above R$50 thousand per recipient per month and 10% on dividends to non-residents from 01.01.2026. Payments approved through 31.12.2025 are exempt, making 2026 distributions an unreliable run rate. Second, Law 14.789/2023 narrows the deduction base for interest on equity under Article 9 of Law 9.249/1995. Complementary Law 224/2025 raises withholding from 15% to 17.5%, putting this type of distribution at a disadvantage to dividends for holders unable to claim a credit. Third, consumption-tax reform under Complementary Law 214/2025 phases out state incentives through 90, 80, 70 and 60 percent steps in 2029–2032. Section 11 identifies keeping the model tax rate flat at 34% after 2028 as an error.

Monetary conditions account for the second half of the leakage. A 14.00% annual refinancing rate on 05.08.2026 against 4.44% inflation over twelve months gives a real rate of about 9.2%. The interbank rate is 14.70%. The construction sector, roughly a third of steel demand, is fully exposed to that real rate. Technology distinguishes the main production routes. Iron ore at 62% Fe fell 7.16% to $95.08/t while coking coal rose 11.34% to $221. Neither quote enters the valuation because they come from an aggregator. Apparent consumption in the first half of 2026 fell 5.3%, and that alone costs R$0.42 per share at Gerdau.

Figure 4: Construction at 37.3% and automotive at 24.8% account for 62.1% of consumption across seven sectors. A 10% decline in construction reduces sector consumption by 3.7%. Valuation impact: apparent consumption down −5.3% in H1 2026 is worth −0.42 R$/share at Gerdau.



Source: Instituto Aço Brasil, Mercado Brasileiro do Aço 2025, Table 4.b, 2024 data. Units are percentages of consumption.

The social dimension is the composition of end demand (Figure 4): construction at 37.3%, automotive at 24.8%, capital goods at 19.2%, household and commercial appliances at 6.0%, small-diameter welded pipe at 4.4%, packaging at 3.7% and other uses at 4.6%. Two of seven sectors account for 62.1% of consumption and are exposed to different phases of the same monetary cycle.

The record shows that announced trade and industrial objectives usually go unmet. Two of ten tracked objectives have been delivered. Anti-dumping duties on rolled products from China were decided on 12.02.2026 and apply until 18.02.2031, for 100% execution. Gerdau's Miguel Burnier mine, a R$3.2bn project for 5.5 Mt of pellet feed, was 91% complete on 24.02.2026. The other eight score from zero to 35%. Imports increased after the 2024 quota. The list was expanded from 19 to 23 items in recognition of diversion into adjacent codes. Note 913/2026 acknowledged low quota use and imports bypassing quotas. Under the flat 25% tariff without quotas, Note 1188/2026 reported gains in import share across all seven codes. The industry's request for 35% was rejected on 29.05.2026. The R$300bn Nova Indústria Brasil programme has no steel-specific objective. ArcelorMittal's Pecém mill is in engineering, at a cost of R$35m. The R$1.5bn Marabá plant announced in 2019 has yet to start. Delivery can be measured where an objective has a specific party responsible. The government treats actual imports against quota volumes as confidential, limiting what can be verified.

What this means for value per share. One of the ten objectives enters the valuation: Gerdau's mine substitutes for bought-in raw materials from 2027. Dividend tax costs Gerdau R$0.041 per share a year, one tenth of the R$0.41 distribution, and costs the other two companies zero. The out-of-quota tariff is worth an order of magnitude more. Removing it moves equity value by R$4.19 · 2.46 · 4.06 per share.

5. The currency no longer drives Gerdau's rating: five depreciation paths put value at 24.2052–23.4079, a range of R$0.83

Analytical basis: the cost of capital, financing conditions and the industry capital cycle

In earlier revisions the expected pace of annual real depreciation was the decisive assumption. It is unobservable, yet it determined the ratings of all three companies because the model used different rates in two places. FX fed through to revenue in full, but applied to only 55/35/30% of costs. Under the decision of 18.08.2026, revenue and the entire cost base now use a common driver, a constant real exchange rate. We use the observed July 2026 one-year FX forward of 7.99% per year. Table 2 shows the outcome. Across the full range of depreciation rates, Gerdau's value moves between R$24.2052 and R$23.3762 per share, a spread of R$0.83, or 3.4% of value. Its HOLD is unchanged in all five cases. The currency ceases to drive the Gerdau investment case, leaving investors exposed to steel economics. It still works against the other two companies. A ±10% FX range moves Usiminas by −9.8608/+8.2885 and CSN by −12.9834/+13.0103 reais per share. Both values are negative under the selected case, so FX determines how far below zero the estimates fall.

Table 2: Five common depreciation paths move Gerdau's value by R$0.83 without changing its rating

Common annual BRL depreciation rate	0%	2.40%	4.44%	7.99% · selected	10.00%
Gerdau intrinsic value, R$/share	24.2052	23.3762	23.5011	**23.5397**	23.4079
Gerdau rating	HOLD	HOLD	HOLD	**HOLD**	HOLD

Source: v10.8 research export, cases for the common rate of real depreciation. Units are reais per share. The full range is R$0.83, or 3.4% of value. The lower admissible boundary is 2.2538% per year.

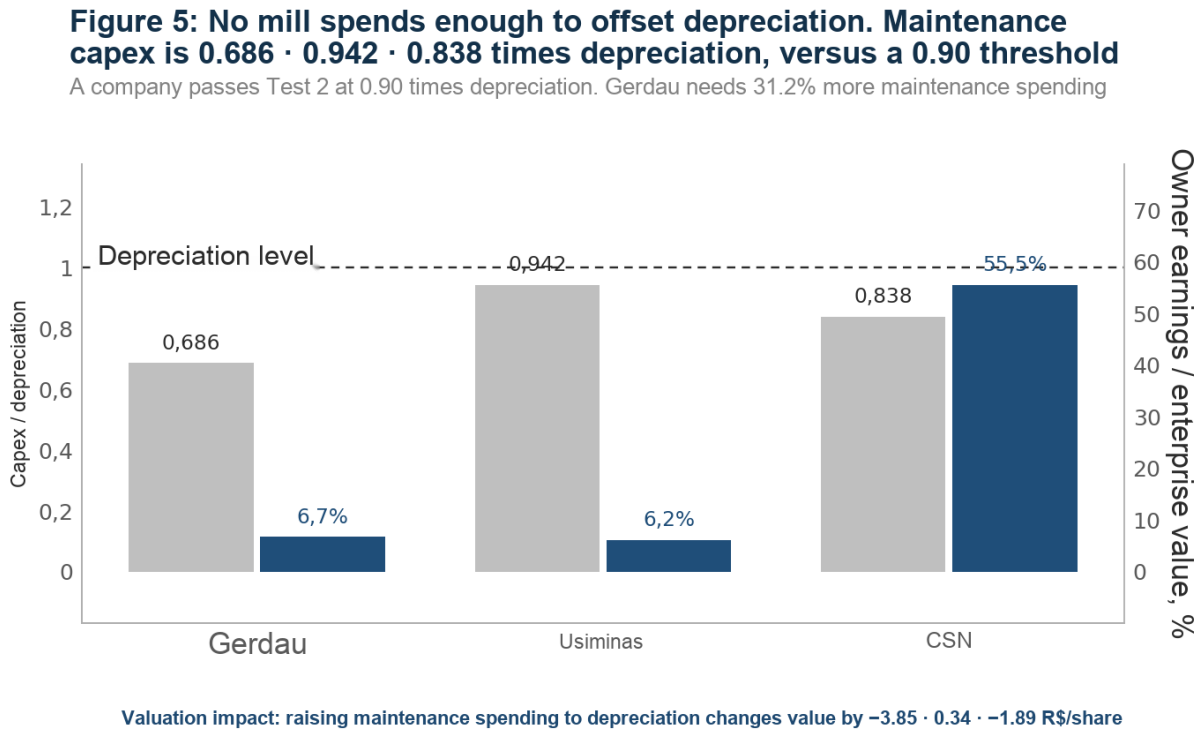
We can identify both ends of the admissible range. There is no observed upper bound. The 10.00% annual case is plausible and returns a value of R$23.4079 per share. The lower bound is 2.2538% per year. Below it, conversion of the dollar coupon puts the marginal cost of new debt below the 14.60% risk-free rate. This violates the no-arbitrage condition and is a model error rather than dispersion in the input. FX remains a scenario input, but its effect at Gerdau has fallen to R$0.83 per share. The caveat therefore qualifies the input: 7.99% is the July 2026 one-year FX forward, extrapolated at a constant annual rate over a decade. The research materials contain no ten-year forward curve for the real. At the other two companies the same ±10% FX range remains material, at −9.8608/+8.2885 and −12.9834/+13.0103 reais per share.

The common FX path also aligns indexation. Local unit costs rise with Brazil's IPCA inflation at 4.44% per year. The previous zero rate was measured over 2022–2025. Applying it for a decade made the terminal case inconsistent: cash flow grew at 4.44% perpetually while costs were frozen, driving the margin to one. Maintenance capex and depreciation rise at the real's 7.99% annual depreciation rate because equipment is priced in dollars. Previously maintenance capex grew at 1.5% and depreciation was held flat, mechanically increasing their ratio and changing the result of quality Test 2 without a change in the business. CSN's other segment, which includes cement, logistics and power, grows with IPCA at 4.44% a year because it sells in reais domestically. The terminal growth rate is also the 4.44% IPCA rate. Each of the four series specifies its own driver so it can be carried into other work on the same basis.

Brazilian steel capacity is flat, and investment falls short of both expansion and full maintenance. In 2026, maintenance capex is 0.68 times depreciation at Gerdau (R$2,501m against R$3,684m), 0.93 at Usiminas (R$1,191m against R$1,275m) and 0.84 at CSN (R$3,436m against R$4,100m), compared with a threshold of 0.90. Average ratios for the 2026–2030 test period are 0.686 · 0.942 · 0.838 (Figure 5). The shortfall is largest at Gerdau. Reaching 0.90 times depreciation would require 31.2% more spending and cost −R$3.85 per share at Gerdau, add

+R$0.34 at Usiminas, which already spends above the threshold, and cost −R$1.89 at CSN. Underinvestment borrows from future owners without appearing on the balance sheet. The gap escapes today's P&L and returns when worn equipment has to be replaced. The only funded project in coverage adds raw materials rather than steel capacity. The Pecém mill has yet to receive a construction decision.

Figure 5: No mill spends enough to offset depreciation. Maintenance capex is 0.686 · 0.942 · 0.838 times depreciation, against a 0.90 threshold. Test 2 passes at 0.90 times depreciation. Gerdau needs 31.2% more spending. The valuation effects of moving maintenance to depreciation are −3.85 · 0.34 · −1.89 R$/share.



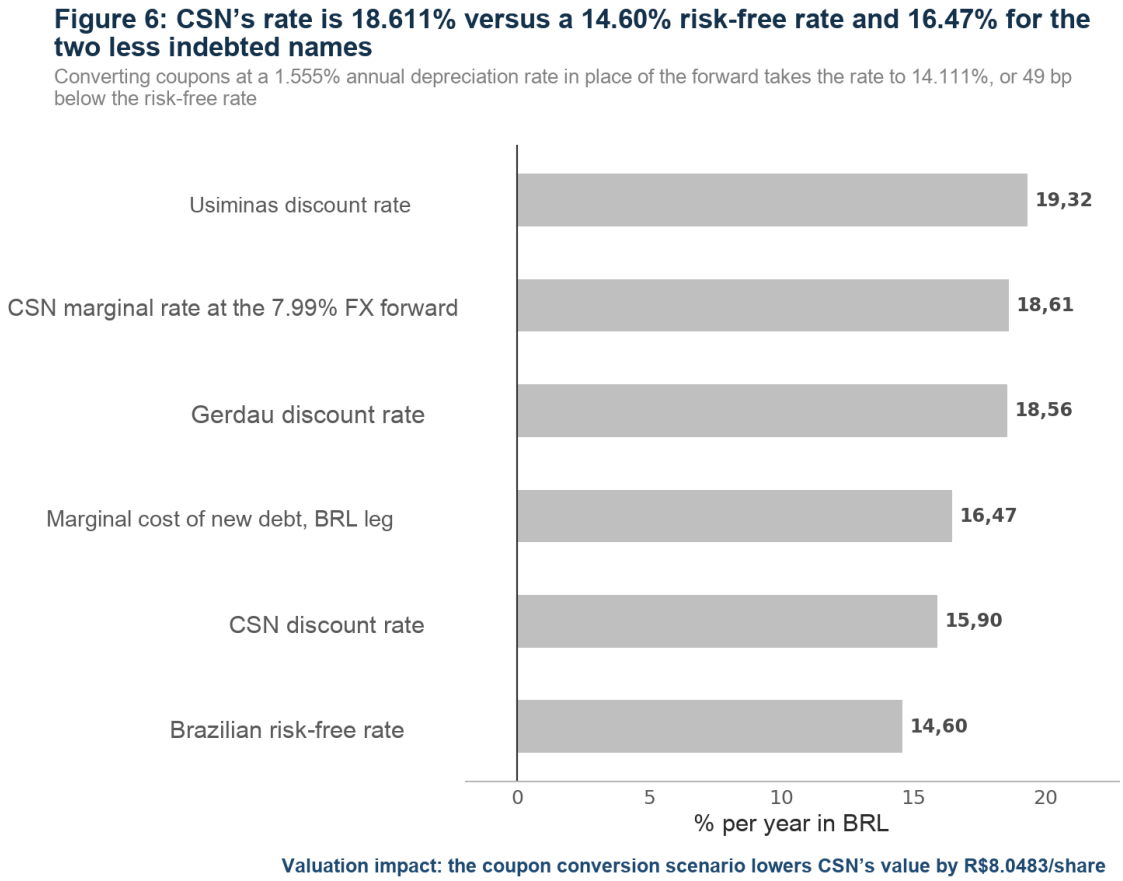
Source: v10.8 research export, average maintenance capex and depreciation for 2026–2030. The figure shows the ratio of capex to depreciation.

The capital cycle links returns to investment, capacity, utilisation and prices. Over 2026–2030 return on invested capital moves from 9.35% to 9.99% at Gerdau, 2.26% to −3.40% at Usiminas and 9.62% to 8.66% at CSN. All three earn less than the required return. Average returns are 9.54 · 0.03 · 9.30 percent, and Usiminas crosses below zero during the test period. Low returns discourage investment, leaving capacity unchanged. Usiminas hits a sales ceiling of 4,400 kt from 2027. Falling demand against unchanged capacity depresses utilisation and prices, feeding back into returns. Capacity stays in the market because closure incurs mothballing costs and social obligations. Mills can keep producing below break-even and pressure prices. Usiminas restarted blast furnace No. 3 in January 2024 and booked R$2.2bn of asset impairment in 2025. Replacement cost has not been calculated for any company, so this analysis establishes no valuation floor. At Usiminas that is a first-order limitation discussed in Section 11.

The cost of capital explains the lack of investment and anchors a key model input. A risk-free rate of 14.60%, equity risk premium of 4.50%, unlevered beta of 1.05 and tax rate of 34% produce costs of equity of 19.847% at Gerdau, 19.325% at Usiminas and 40.535% at CSN. Leverage accounts for the much wider spread, four times the spread in the rate itself. The discount rates on cash flow to the firm reflect all invested capital, giving weighted average costs of capital of 18.559 · 19.325 · 15.905 percent. We measure financing conditions at the marginal cost of new borrowing. The real-denominated leg is 16.47% a year, or 115.57% of the interbank rate. About half of CSN's debt is in dollars. The same common FX input reconciles currency and rates. Converting its 11.00% dollar coupon at the observed 7.99% one-year forward gives 19.869% for the dollar leg. The real leg costs 16.47%.

Weights of 63% and 37% yield a cost of debt of 18.611% and a discount rate of 15.905% (Figure 6). We rejected conversion using the previous 1.555% path because it puts the cost of debt at 14.111%, or 49 bp below the 14.60% risk-free rate. The standalone impact of this conversion case is R$8.0483 per share, while the common FX path including cash flows adds +R$30.5870 at CSN.

Figure 6: CSN's rate is 18.611%, against a 14.60% risk-free rate and 16.47% for the two less indebted companies. Converting the coupon using a 1.555% path instead of the forward puts the rate at 14.111%, or 49 bp below the risk-free rate. The conversion case is worth –8.0483 R$/share at CSN.



Source: v10.8 research export, discount rates and costs of debt for the three issuers. Units are annual percentages.

What this means for value per share. A hundred-basis-point move in the discount rate lowers or raises value by R$2.8487 or R$3.6101 at Gerdau, R$0.6946 or R$0.5906 at Usiminas, and R$1.9091 or R$2.2654 at CSN. The cost-of-capital analysis reverses the earlier finding. The expected depreciation of the real no longer determines Gerdau's rating. Five annual paths of 0 · 2.40 · 4.44 · 7.99 · 10.00% give values of R$24.2052 · 23.3762 · 23.5011 · 23.5397 · 23.4079 per share, a spread of R$0.83. Domestic steel prices now determine the rating, with changes at +3.23% and −0.67%.

Market summary: two of the five forces score 4 out of 5 and both come from outside the industry

Porter's Five Forces: substitutes are the strongest force

Table 3 shows why the strongest forces sit outside the industry: suppliers set the price of raw materials and substitutes set the price of finished steel. Rivalry ranks third because the port already sets the marginal price. A mill cutting its selling price would give up margin without gaining market share.

Table 3: Substitutes and suppliers exert the most pressure on shareholders of local mills

Force	Evidence behind the score	Value	Section
Substitutes: imports	Imports account for 22.5% of half-year consumption. Out-of-quota parity caps prices.	4 out of 5	3
Supplier power	The raw materials basket absorbs one third of revenue per tonne. Global ore and coal markets set its price.	4 out of 5	2
Rivalry among mills	H1 2026 rolled output −4.4%, mill sales at home −0.2%. Volumes fall almost in step.	3 out of 5	1
Buyer power	Distributors hold 4.5 months of stock and make 85.5% of purchases outside domestic mills.	3 out of 5	3
New entrants	Imports provide entry without building a mill. The only project observation is R$35m of engineering.	2 out of 5	5

Source: research calculations from Instituto Aço Brasil and INDA. The scores use a five-point scale.

What this means for value per share. Two of the five forces enter the model, both external. Supplier power enters through the raw materials basket, while substitutes enter through the import parity ceiling on domestic steel prices. The other three have no explicit line in the model. Their exclusion has zero modelled cost in reais, while the qualitative judgement still matters to readers. This also explains what moved valuations in the latest revision. The entire cost base was tied to the same driver as revenue, at a cost of −15.8163 · −23.1607 · −41.0403 reais per share, against the FX path's own contribution of +14.2184 · +16.4198 · +30.5870.

Part III. Issuers

6. Three businesses in one sector, with a $143/t cost advantage at one and a $3.1/t disadvantage at another

Analytical basis: competitive position, measured by the unit cost advantage

The three issuers sell different products to different buyers and deliver different portions of business value to shareholders. They share a country of incorporation, tax regime and sector classification. Gerdau sells 11,630 kt, including 9,007 kt of long products (77.4%) and 1,825 kt of flat products (15.7%). Usiminas sells 4,357 kt of flat products exclusively. CSN does not disclose the sales mix, but its production is 3,100 kt of flat products and 239 kt of long products, or 92.8% and 7.2%. The buyers also differ: construction and processors at Gerdau, automotive and distributors at Usiminas, and domestic flat steel and international iron ore buyers at CSN. One price series cannot index these three mixes.

The moat is measured as the gap between unit costs and the landed price of a competing tonne, at its weakest point in 2026–2030. CSN has a +$143.0/t advantage even in the worst year. Gerdau has +$33.6/t. Usiminas has a disadvantage of $3.1/t, the only negative gap under coverage. The production route determines resilience. Two companies mine their own ore and are half as sensitive to the raw materials basket as the third. The cost shares denominated in dollars are 0.55 · 0.35 · 0.30. Equity holders receive 85.3 · 92.8 · −26.7 percent of enterprise value. This larger gap comes from debt. CSN's enterprise value is R$34,323.5m, its net debt is R$41,217.6m and minority interests are R$2,255.5m, leaving a −R$9,149.6m shortfall for common shareholders. A negative value on this calculation means prior claims exceed the cash flows on the stated price path.

Gerdau also depends on the North American metal spread, the price of long steel less scrap. The model assumes $610 per short ton through the end of 2028 and $509 from 2029. The $101 drop occurs at a single calendar boundary. North American segment profit falls from R$9,188m in 2028 to R$8,279m in 2029, the only segment decline in ten years, at R$909m. At the same time Brazilian segment profit rises from R$3,124m to R$3,431m and group profit falls from R$12,622m to R$12,145m. The spread rose because of the 50% US Section 232 tariff, putting it under the control of another country's executive branch.

Usiminas has negative enterprise value under the model, a first-order limitation shown alongside the rating. EBITDA moves through R$1,986m → 1,967 → 1,676 → 1,359 → 1,025 → 562 → 195 → −152 → −560 → −1,032. Free cash flow to the firm moves through 553 → 468 → 209 → −155 → −610 → −1,205 → −1,712 → −2,212 → −2,784 → −3,434. Gross margin per tonne crosses zero in 2031. Operating activity destroys value in this calculation, giving enterprise value of −R$6,138.1m and equity value of −R$5,694.1m, or −R$4.5441 per share.

A negative enterprise value leaves the equity-value floor unresolved. A limited liability company has a floor based on the value of its assets on closure or replacement. The research did not measure it. Book value is R$16.61 per share versus a share price of R$7.15, or 0.431 times book. The floor is above the share price, and the SELL is conditional on the mill continuing to operate on the stated price path. It has not been tested against closure value. The valuation-floor analysis is open and the cost assigned to the gap is R$9.46 per share, the distance from the R$7.15 share price to R$16.61 book value.

The operating cause is clear. Usiminas is the only company with unit costs above the import threshold, at $989.1/t versus $986/t. It fails Test 3 by −$3.1/t in its worst year. The archived coil price path falls from $730.4/t to $648.9/t, while local costs rise with annual local inflation of 4.44%. The mill has no cost advantage to absorb the decline. The Usiminas minority-interest deduction is zero because the minority holder has limited liability. It participates in positive mine value and contributes no equity to cover a negative value. The debt-free value of the mining business is −R$1,965.7m.

What this means for value per share. A portfolio assembled on sector labels gives uneven exposure. A twenty percent change in the metal spread is worth R$5.6556 per share at Gerdau and exactly zero at the other two names. A five percent move in the rebar price cuts Gerdau by R$4.7451 or adds R$3.6374. The negative cost gap keeps Usiminas off the best-idea list and explains the SELL. The −$3.1/t gap is worth R$0.17 per share. The unmeasured valuation floor is worth R$9.46 per share.

7. Owner earnings: CSN's minority shareholders receive −12.3% of earnings against a one-third threshold

Analytical basis: owner earnings and capital allocation discipline

We measure owner earnings with consistent definitions and a per-share denominator. Free cash flow to the firm in 2026 is R$3,319m at Gerdau, R$553m at Usiminas and R$3,366m at CSN, or R$1.68 · 0.44 · 2.54 per share. Those figures yield 6.7%, 6.2% and 55.5% on the share price. CSN's high figure reflects the small equity price relative to a debt-laden business. Maintenance consumes much of owner earnings. Maintenance capex of R$2,501m · 1,191m · 3,436m amounts to 75.4% · 215.4% · 102.1% of owner earnings. Maintenance-to-depreciation ratios average 0.686 · 0.942 · 0.838 in 2026–2030. Two of three companies underinvest and their current cash flow is inflated by deferred spending. Net debt of R$7,807.0m · −444.0m · 41,217.6m represents 2.4 · −0.8 · 12.2 years of owner earnings. Cash flow over 2026–2030 is R$30,948m · 465m · 22,538m. Five years of operations at Usiminas yield less than six months of maintenance spending.

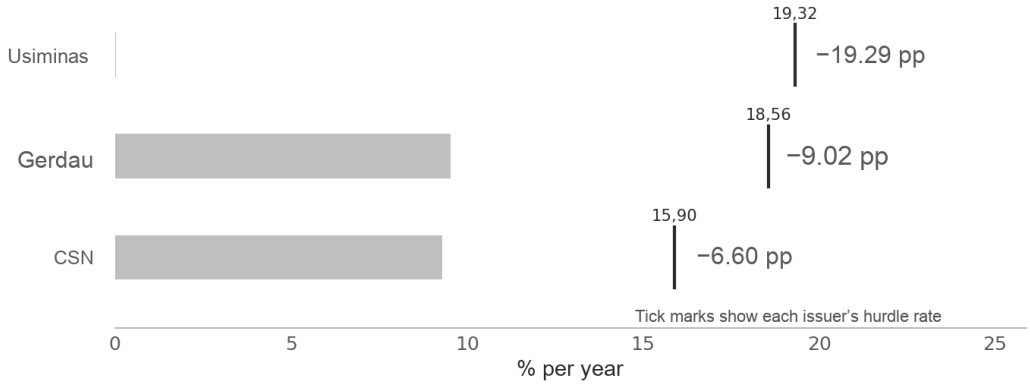
Capital allocation discipline is measured by the share of earnings that reaches minority holders in 2026–2030. The percentages are 85.9% at Gerdau, 100.0% at Usiminas and −12.3% at CSN against a one-third threshold. At CSN, interest consumes more than the business earns over the period because lenders rank ahead of equity. CSN would meet the one-third hurdle if annual interest fell by R$2,058m. That is the cash cost of leverage. At Usiminas, minority holders receive everything earned during the measurement period, while earnings turn negative beyond it.

Minority holders have a claim on subsidiary equity. The model allocates all net debt to the parent, leaving mining debt-free for purposes of the deduction. The debt-free values are −R$1,965.7m at Usiminas and R$18,073.1m at CSN. Minority interests are R$186.7m · 0.0m · 2,255.5m, or R$0.0945 · 0.0000 · 1.7009 per share. Gerdau's minority interest is group-wide and is based on levered equity value. Usiminas's deduction is zero because the base is negative. The issuers do not disclose standalone mining net debt. If mining has net cash, the minority claim increases by 12.48% of that cash and parent net debt increases by the full amount. Each billion reais of mining net cash costs −R$0.848 per CSN share. The direction of the error is adverse, and its magnitude has not been observed.

Figure 7: No mill earns its cost of capital. Returns of 9.54 · 0.03 · 9.30% fall short of 18.56 · 19.32 · 15.90% hurdles. The hurdle follows the numerator and uses WACC in place of Ke. CSN still fails at 15.90% rather than 40.53%. The return gap leaves the front-page best-idea slot empty.

Figure 7: No mill earns its cost of capital. Returns of 9.54 · 0.03 · 9.30% fall short of 18.56 · 19.32 · 15.90% hurdles

The hurdle matches the numerator, so it uses WACC in place of Ke. CSN still fails at 15.90% in place of 40.53%



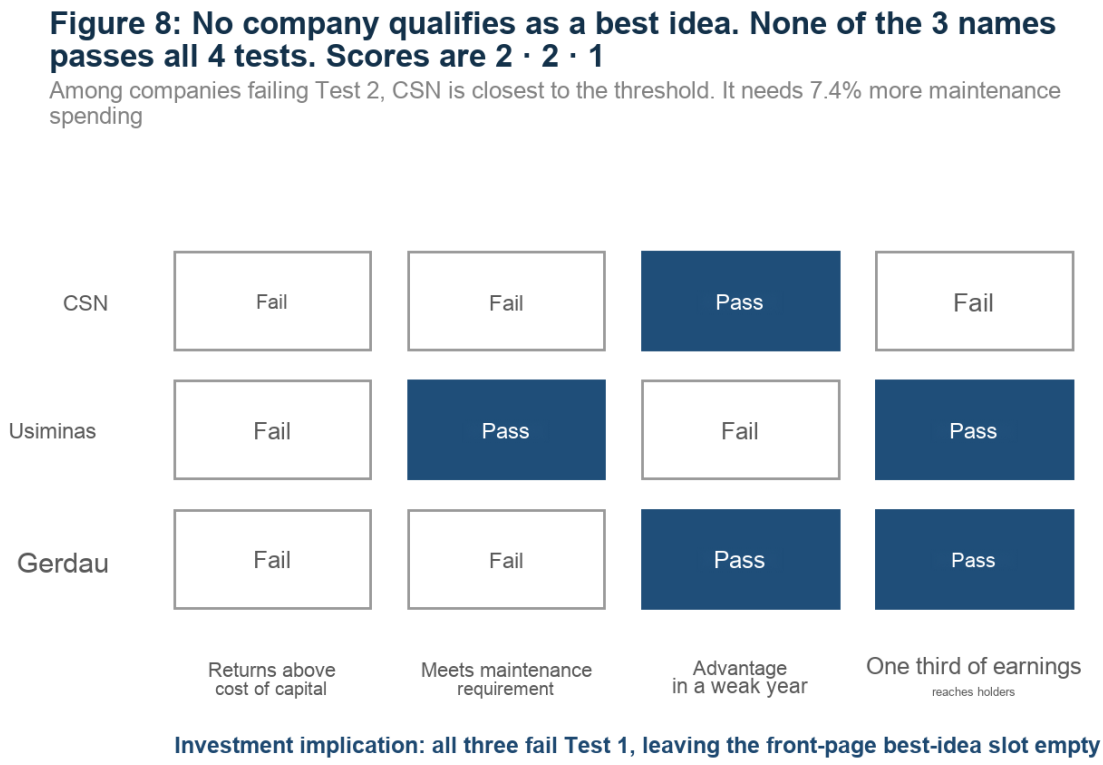
Investment implication: the returns gap leaves the front-page best-idea slot empty

Source: v10.8 research export, average returns for 2026–2030 and weighted average cost of capital from Section 5. Units are annual percentages.

All three companies earn less than the hurdle across the five-year measurement period. Average returns of 9.54 · 0.03 · 9.30% compare with hurdles of 18.56 · 19.32 · 15.90% (Figure 7). Between 2026 and 2030, ROIC moves from 9.35% to 9.99% at Gerdau, 2.26% to −3.40% at Usiminas and 9.62% to 8.66% at CSN. Usiminas turns negative during the test period. The hurdle is the weighted average cost of capital because the numerator is calculated on all invested capital. The earlier cost-of-equity hurdle was 40.53% at CSN and overstated its shortfall by two and a half times. The test outcome is unchanged at all three. Price-to-book produces three similarly low ratios of 0.918, 0.431 and 0.472. They mask the differences between a cash-generating business, a debt-free business with negative operating value, and a leveraged business where the debt governs the value reaching equity.

No company passes all four quality tests. The scores are 2 · 2 · 1 (Figure 8). Among those failing a test, CSN is closest to passing Test 2. It needs 7.4% more maintenance spending, or R$298m a year. The best-idea slot is empty because business quality comes first, and all three companies fail the return test.

Figure 8: None of the 3 names passes all 4 quality tests. The scores are 2 · 2 · 1. Among those failing Test 2, CSN is closest to the threshold. It needs 7.4% more maintenance spending. All three fail Test 1, leaving the front-page best-idea slot empty.



Source: v10.8 research export, four business-quality tests and their thresholds, tested over 2026–2030. The figure shows each test outcome.

What this means for value per share. Bringing maintenance capex to the threshold costs −R$3.85 per share at Gerdau, adds +R$0.34 at Usiminas, which is already above the threshold, and costs −R$1.89 at CSN. A twenty percent shift in the same capex changes value by R$2.4664 · 1.5275 · 5.1149. Moving the minority-interest deduction to the debt-free value of the mine is worth −R$2.0425 per share at CSN and +R$0.0340 at Usiminas. The testable finding is that −12.3% of earnings reaches CSN's minority holders versus a 33.3% hurdle. Annual interest costs would need to be R$2,058m lower to reverse that result.

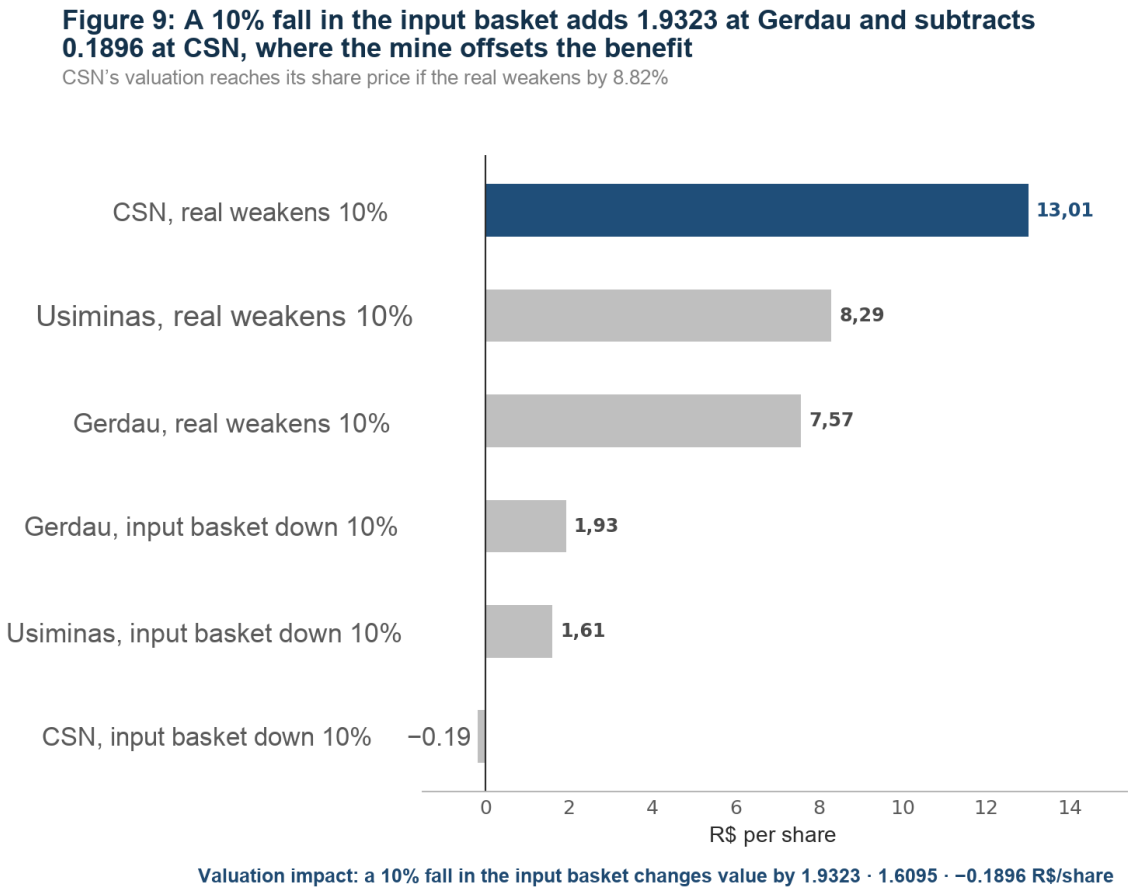
8. One scenario, three outcomes. The input basket moves valuations in opposite directions: +1.9323 at Gerdau versus −0.1896 at CSN

The scenario is common to all three names. Domestic steel prices, the real, the raw materials basket and sales volumes follow the model paths. Exposures differ because product mixes, capital structures and currency positions differ. Gerdau's decisive driver is the overseas metal spread discussed in Section 6. At Usiminas the domestic steel price determines the outcome. At CSN it is the currency, because the residual to equity is the leveraged difference between two large values and FX magnifies it. Table 4 gives nine shocks and Figure 9 shows where the signs differ. A 10% weaker real changes value by R$7.5686 · 8.2885 · 13.0103 per share. The effect of a 10% cheaper raw materials basket is +1.9323 · +1.6095 · −0.1896.

The opposite sign at CSN is a first-order finding. We measure the change in valuation after a 10% decline in the raw materials basket. The effects are +R$1.9323 per share at Gerdau, +R$1.6095 at Usiminas and −R$0.1896 at CSN (Figure 9). CSN's mining profits track the basket because the mine sells its components. Mining contributes 52.7% of profit. Lower raw materials prices therefore cut revenue rather than save costs for CSN on balance. CSN reaches the share price if the real weakens by 8.82%. No decline in the basket itself reverses the sign. This is a

lower-bound estimate of sensitivity. With fixed mine cash costs, profit would move more than revenue, but the company does not disclose standalone mining unit costs. The finding comes from the value chain and profit pools.

Figure 9: A 10% fall in the input basket adds 1.9323 at Gerdau and −0.1896 at CSN, where the mine works in the opposite direction. CSN reaches the share price if the real weakens by 8.82%. A 10% decrease in the input basket changes value by 1.9323 · 1.6095 · −0.1896 R$/share across the three issuers.



Source: v10.8 research export, outcome sensitivity. Units are reais per share.

A ten percent weaker real adds R$7.5686 per share at Gerdau, R$8.2885 at Usiminas and R$13.0103 at CSN. A ten percent stronger real removes 9.4359, 9.8608 and 12.9834 respectively. These effects cannot be added into one country FX exposure. Nor do they determine Gerdau's rating. Its full range of common depreciation rates is worth R$0.83 per share because FX drives both revenue and the entire cost base. The ±10% shock here moves the FX level with the depreciation rate held fixed. The R$0.83 range varies the depreciation rate itself and also changes the cost path. Adding the two distinct shocks would double count exposure. The level shock is much larger than the other two intrinsic values of −4.5441 and −6.8997. Gerdau's estimate reaches the share price on a 1.80% weaker real and zero on a 25.31% stronger real. Usiminas reaches the share price at 15.30% depreciation and CSN at 8.82%.

Table 4: The same market scenario leaves a different variable driving each issuer's valuation

Change in common input	Gerdau	Usiminas	CSN
Domestic steel price ±5%	−7.2858 / +5.3142	−7.9128 / +6.8735	−7.9360 / +8.0234
BRL exchange rate ±10%	−9.4359 / +7.5686	−9.8608 / +8.2885	−12.9834 / +13.0103
North American metal spread ±20%	−5.6556 / +5.6556	Zero	Zero
Raw materials basket ±10%	−2.2267 / +1.9323	−1.6504 / +1.6095	−0.1896 / +0.1876

Change in common input	Gerdau	Usiminas	CSN
Maintenance capex ±20%	−2.4664 / +2.4664	−1.5275 / +1.5275	−5.1149 / +5.1149
Discount rate ±100 bp	−2.8487 / +3.6101	−0.6946 / +0.5906	−1.9091 / +2.2654
Mining division ±20%	Zero	−0.6359 / +0.6359	−5.2701 / +5.2315
Sales volume ±5%	−1.2538 / +1.2538	−0.4434 / +0.4434	−0.1023 / +0.1021
Cost sensitivity: range previously treated as model error	−1.1950 / +1.1570	−13.5813 / +11.1258	−0.9956 / +0.9439
Range across one-factor shocks	14.1038 … 31.1083	−18.1254 … 6.5817	−19.8831 … 6.1107

Source: v10.8 research export, outcome sensitivity and valuation ranges. Units are reais per share. The range varies one factor at a time and is a lower-bound estimate of dispersion.

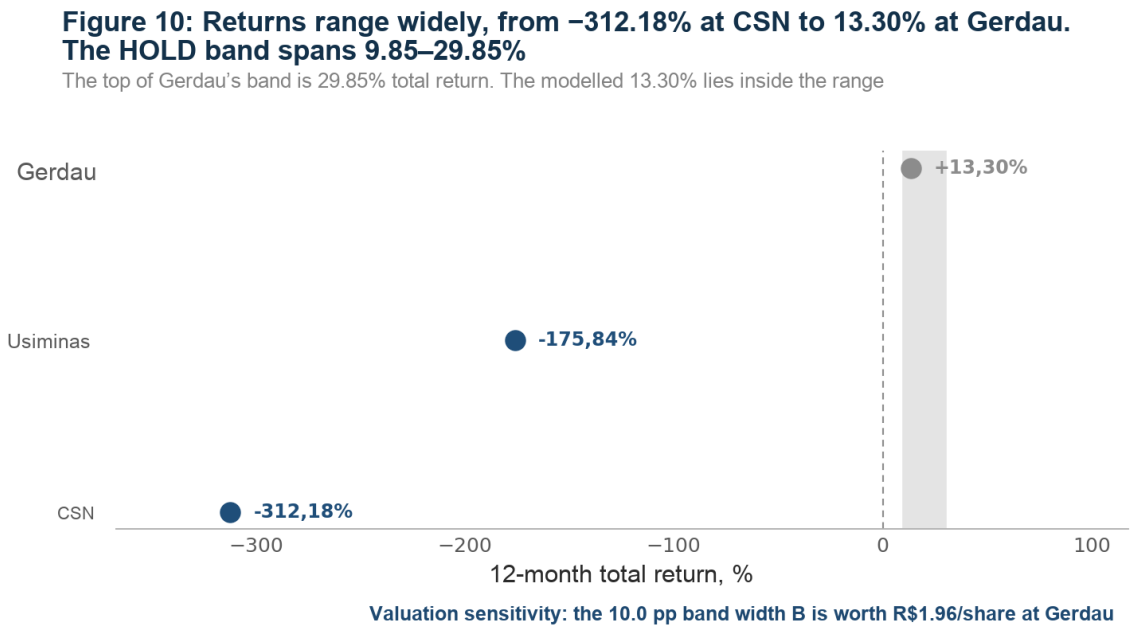
What this means for value per share. The report describes the ranges as overlapping the share price for all three issuers: 14.1038–31.1083 versus 24.90 at Gerdau, −18.1254–6.5817 versus 7.15 at Usiminas and −19.8831–6.1107 versus 4.57 at CSN. This is the valuation basis of the new ratings. Gerdau's share price sits within the steel-price-driven range. For the other two, the report states that the upper end falls short of the share price, quoting 6.5817 versus 7.15 and 6.1107 versus 4.57 with a negative central case. The lower ends are negative by at least a full share price in both cases, showing the cost of an error in the steel price path.

Part IV. Valuation and investment action

9. What is priced in: gaps of −R$1.36 at Gerdau, −R$11.69 at Usiminas and −R$11.47 at CSN

Gerdau holders pay R$24.90 for intrinsic value of R$23.5397, leaving a −R$1.36 gap. Usiminas holders pay R$7.15 against −R$4.5441 in intrinsic value, a −R$11.69 gap exceeding one and a half times the share price. CSN holders pay R$4.57 against −R$6.8997, a −R$11.47 gap, or two and a half times the share price. Leverage explains the gap. Enterprise value of R$34,323.5m with net debt of R$41,217.6m leaves nothing for shareholders and amplifies the effect of exchange-rate moves. The rankings compare total return with the required return and use a ten-percentage-point band. The ranges are 9.85–29.85% at Gerdau, 9.32–29.32% at Usiminas and 30.53–50.53% at CSN. Total returns of +13.300%, −175.84% and −312.175% put Gerdau inside its band and the other two below their lower limits (Figure 10). Returns span +13.30% to −312.18%. The 10.0 percentage-point band width B is worth R$1.96 per share at Gerdau.

Figure 10: Returns span −312.18% at CSN to 13.30% at Gerdau. Gerdau's band is 9.85–29.85%. Its upper boundary is 29.85% total return, so 13.30% lies within it. The 10.0 pp band width B is worth R$1.96/share at Gerdau.



Source: v10.8 research export, twelve-month total return and the HOLD band. Units are percentages.

Gerdau's HOLD has four elements. Domestic steel prices determine the rating. The value used is the archived 2026 path of $730.4/t. A +3.23% move changes it to BUY and −0.67% changes it to SELL, so the decision turns within four percent of one price series. The other BUY and SELL thresholds are +4.54% and −0.95% in the real, +12.16% and −2.54% in the metal spread, and −27.88% and +5.82% in maintenance capex. The dated observation is the first consolidated domestic coil price reading for 2026. The share-price thresholds are asymmetric: BUY below R$21.73, SELL above R$25.68.

Usiminas trades at 0.431 times book with a 0.03% return. The R$2.2bn impairment of an asset commissioned a year earlier shows that book value can overstate asset value. Book value is the only available proxy for the unmeasured valuation floor: R$16.61 per share against a price of R$7.15, a R$9.46 gap, with formal valuation-floor analysis omitted. The report designates no stock a value trap. The price-to-book ratios of 0.918 · 0.431 · 0.472 do not establish a classification on their own, and the companies fail quality tests for different reasons.

Value after 2035 accounts for 43.3% at Gerdau, 67.1% at Usiminas and 33.5% at CSN. At Usiminas, two thirds lies after the forecast horizon and total value is negative. Business quality takes precedence over price. No company is a best idea, with quality test scores of 2 · 2 · 1.

The recommendations are one HOLD and two SELLs for existing holders. Selling means closing the long position. Stock borrow rates and availability were not measured for short sales. Free floats are 63.66% · 54.75% · 54.86% and average daily turnover is $55.3m · 16.7m · 13.1m. At 20% participation, a five-day exit can accommodate $55.3m · 16.7m · 13.1m, equal to one day's turnover per stock. Positions several times larger exceed that limit. The holders of Usiminas and CSN can lose their share prices of R$7.15 and R$4.57 per share, respectively. Negative intrinsic value means there is no residual for shareholders on the modelled path. The Usiminas rating is subject to the unmeasured floor, with book value of 16.61 against a price of 7.15. Holders who consider closure or replacement more likely than continued operation on the stated path have a basis to recalculate. The two SELLs have different drivers: costs above the import threshold at Usiminas and leverage at CSN.

What this means for value per share. The 10.0 percentage-point HOLD band width is worth R$1.96 per share at Gerdau. The report tells holders to retain Gerdau and exit the other two positions. The entire range of real depreciation rates is only worth R$0.83 per Gerdau share. The decision now depends on domestic steel prices, with thresholds at +3.23% and −0.67%.

10. What to watch: eleven observations, seven with quantified effects and three with no measurement

The calendar sets out what to watch and what the missing evidence costs today. Table 5 groups observations that change model inputs directly and have a cost in reais per share, one item measured as the share of value beyond the forecast horizon, and unmeasurable items. A trade barrier whose enforcement cannot be verified does not enter the share valuation.

Table 5: What to watch and when. Seven observations have quantified impacts, three are unmeasurable, and one lacks its associated exhibit

What to watch	When	Impact while unresolved
First consolidated 2026 domestic coil price reading	Next update of the archived series	±5% change in the level: −7.2858/+5.3142 · −7.9128/+6.8735 · −7.9360/+8.0234 R$/share
One-year BRL FX forward	Next forward quote	Full range of annual rates, 0–10.00%: Gerdau 24.2052–23.4079, a spread of 0.83 R$/share
Ten-year BRL forward curve	No disclosure in the research materials	Unmeasurable separately. The one-year forward is extrapolated.
Gerdau's own metal spread	2026 Form 20-F, March 2027	5.6556 R$/share
Shares of Brazil's steel producers	First disclosures by ArcelorMittal Brasil and Ternium Brasil	The second concentration exhibit is missing
Actual imports against quotas	Classified as confidential by the government	Cannot be verified or measured
Deduction base for interest on equity	Undisclosed by all three issuers	Unmeasurable
Usiminas valuation floor: closure or replacement	No replacement value in the research materials	9.46 R$/share, from the 7.15 share price to 16.61 book value
Copom policy-rate decision	Next meeting	−2.8487 · −0.6946 · −1.9091 R$/share per 100 bp
25% out-of-quota tariff	Quota review	4.19 · 2.46 · 4.06 R$/share
Terminal year	2035	43.3 · 67.1 · 33.5% of value lies beyond it

Source: issuer disclosure calendars, foreign trade committee notes and the v10.8 research export. Units are reais per share and percentages. Values are shown in Gerdau · Usiminas · CSN order.

A separate observation would invalidate the sector view: distributor inventories fall back to three months of sales while half-year imports remain below 3.0 Mt. In that case inventories no longer explain the fall in imports, leaving the policy measure as the explanation. The barrier would affect domestic prices for the first time in two years. The single near-term catalyst is domestic: the first consolidated reading of coil prices for 2026. Gerdau's rating changes at +3.23% or −0.67% relative to the $730.4/t path, so the decision turns within four percent of one price series.

What this means for value per share. The first observation in the calendar matters most. A ±5% shift in steel prices changes value by −7.2858/+5.3142 reais per share at Gerdau, −7.9128/+6.8735 at Usiminas and −7.9360/+8.0234 at CSN. That alone exceeds the −R$1.36 gap between Gerdau's value and share price. The FX forward used to drive the ratings of the entire coverage list. The full range of depreciation rates is now worth R$0.83 at Gerdau, less than the R$4.19 per share effect of a change in the out-of-quota tariff.

11. Quantified limitations: a seven-line valuation bridge and seven unresolved limitations

The items below limit the model's applicability. Each has a cost in reais per share, or an explicit statement that the cost is unmeasured. We start with what changed the ratings. Table 6 bridges the 17.08.2026 and 18.08.2026 reports in seven lines, with the impact on each of the three names.

Table 6: A seven-line bridge shows which changes reversed the ratings and what each revision costs at the three companies

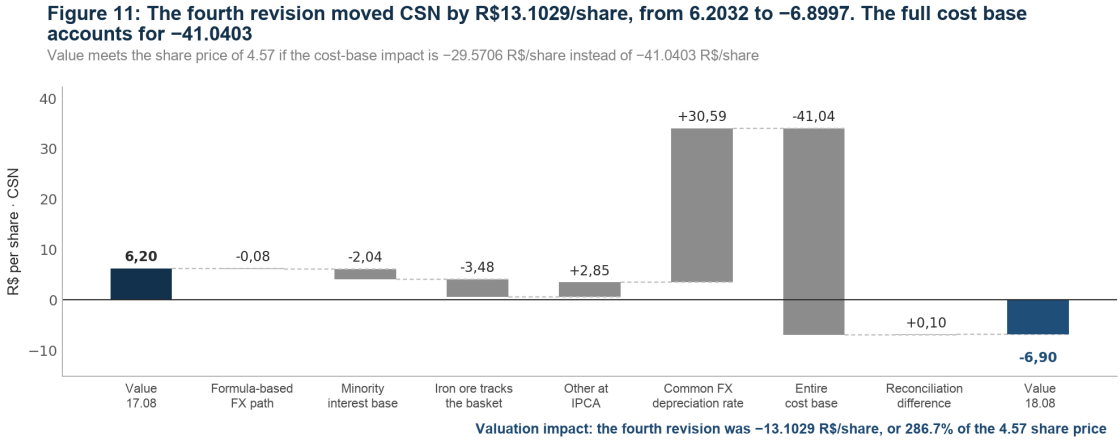
Revision step	Gerdau	Usiminas	CSN
17.08.2026 report	25.1616	2.3753	6.2032
FX lookup table replaced by a formula using spot and a common depreciation rate	−0.0424	−0.0284	−0.0781
Minority interests based on debt-free value of mining	0.0000	+0.0340	−2.0425
Mining profit moves with the raw materials basket	0.0000	−0.1941	−3.4805
Other segment indexed to local IPCA inflation	0.0000	0.0000	+2.8515
Common FX depreciation rate in cash flow and coupon conversion	+14.2184	+16.4198	+30.5870
Entire cost base linked to the same driver	**−15.8163**	**−23.1607**	**−41.0403**
Reconciliation difference between steps and model export	+0.0184	+0.0100	+0.1000
18.08.2026 report	23.5397	−4.5441	−6.8997

Source: v10.8 research export, measured impact of the revisions. Units are reais per share. The revision specification supplies the steps and the export supplies the total. The reconciliation difference is shown separately.

The sixth line contains the entire previous change in ratings. A common FX depreciation rate in the cash flow and coupon conversion adds +14.2184 · +16.4198 · +30.5870 reais per share. The seventh line is the main change in this revision. Because FX drives revenue, it also drives all costs, through local inflation for domestic costs and through the exchange rate for dollar costs. That removes R$15.8163 · 23.1607 · 41.0403 per share. Earlier revisions applied the input asymmetrically. FX fed through in full to revenue and to 55/35/30% of costs. The 3.4% annual decline in local costs in dollars compounded for ten years. The first three lines reconcile model interfaces at a combined cost of −0.0424 · −0.1885 · −2.6996 for the three companies. The total revision is −1.6219 · −6.9194 · −13.1029 reais per share. CSN's −13.1029 amounts to 286.7% of its 4.57 share price. Its intrinsic value moves

from 6.2032 to −6.8997 and would meet the share price if the cost-base effect were −29.5706 rather than −41.0403 (Figure 11).

Figure 11: The fourth revision moves CSN by R$13.1029/share, from 6.2032 to −6.8997. The full cost base accounts for −41.0403. Value meets the 4.57 share price if the cost-base impact is −29.5706 rather than −41.0403 R$/share. The revision amounts to −13.1029 R$/share, or 286.7% of the 4.57 share price.



Source: v10.8 research export, measured effect of the revisions at CSN. Units are reais per share.

Unresolved, and first in importance: Usiminas's valuation floor. Enterprise value is negative at −R$6,138.1m. A limited liability company has a floor based on the value of its assets on closure or replacement. Replacement cost was not calculated for any issuer, and the valuation-floor analysis was not performed. The gap is R$9.46 per share from the R$7.15 share price to R$16.61 book value, at 0.431 times book. The SELL holds if Usiminas continues operating on the stated price path and has not been tested against closure value.

Unresolved: the combination of FX and local inflation no longer determines Gerdau's rating, but remains material to the other two valuations. Gerdau's range under the common depreciation assumption is R$0.83 per share, 3.4% of value, with the rating unchanged across the cases. A ±10% FX move changes Usiminas by −9.8608/+8.2885 and CSN by −12.9834/+13.0103 reais per share. The changes are several times their valuations, which are negative in the selected case.

Unresolved: the research materials contain no ten-year forward curve for the real. We use the one-year forward of 7.99%, extrapolated at a constant rate over a decade. Table 2 measures the impact. Annual paths of 0 · 2.40 · 4.44 · 7.99 · 10.00 percent give Gerdau R$24.2052 · 23.3762 · 23.5011 · 23.5397 · 23.4079 per share.

Unresolved: CSN does not disclose standalone net debt for mining. The magnitude is unmeasured. If the subsidiary has net cash, the minority claim grows by 12.48% of the cash and parent net debt grows by the full amount. The effect is adverse at −R$0.848 per share for every billion reais of mining net cash.

Unresolved: standalone mine unit costs are undisclosed. Mining profit is moved in proportion to revenue, so the calculation gives a lower-bound sensitivity. With cash costs fixed, profits would move more strongly. The ±20% mining scenario has zero impact on Gerdau, −0.6359/+0.6359 on Usiminas and −5.2701/+5.2315 on CSN.

Unresolved: 2026 domestic coil prices are unavailable for all product categories. We use the archived path of $730.4 → $648.9 per tonne. The last confirmed observations are from November and December 2025. A ±5% range is worth −7.2858/+5.3142 · −7.9128/+6.8735 · −7.9360/+8.0234 reais per share. Tax is held flat at 34% across the horizon and the 2029–2032 steps are omitted. The impact is unmeasured. The share of value beyond the forecast horizon, which is exposed to this omission, is 43.3 · 67.1 · 33.5 percent.

Unresolved: Gerdau does not disclose its US metal spread. We take it from a comparable producer at $610 per short ton through 2028 and $509 from 2029. A twenty percent move is worth R$5.6556 per Gerdau share and exactly zero at the other two names.

Withdrawn: the earlier BUY calls and the special-situation classification at CSN. Both depended on asymmetric indexation, which was removed. The special-situation designation supported a purchase, while the rating is now SELL. There are no special situations in this report. The earlier negative CSN valuation, withdrawn in the third revision because two values for one input conflicted, now returns with a common input. The sign is the same and comes from the common input, which is why it is published.

Unresolved outside the seven-item list: the chart showing market shares of Brazil's producers is missing. The second concentration exhibit could not be built. The research archive does not retain the shares, and reconstruction requires Brazilian segment disclosures from ArcelorMittal Brasil and Ternium Brasil that are unavailable. The cost is zero in the valuation, but one of two measures of pricing power is missing. The reader has the concentration index without its components.

Actual imports against quotas, the deduction base for interest on equity and costs by product group cannot be measured from available sources. Replacement cost has not been calculated, leaving the valuation floor unmeasured across coverage.

What this means for value per share. The seven-line bridge totals −1.6219 · −6.9194 · −13.1029 reais per share. The decisive change is the seventh line, which ties the entire cost base to the revenue driver. The unresolved Gerdau sensitivities are R$5.6556 for the overseas metal spread, R$5.3142 for the steel-price level and R$1.9323 for the raw materials basket. Each is worth more than the −R$1.36 difference between value and price.

12. Coverage universe and sources: three of the five sellers serving the domestic market carry a rating

The selected companies are Gerdau (GGBR4), Usiminas (USIM5) and Companhia Siderúrgica Nacional (CSNA3). Selection was based on turnover, free float, market capitalisation and disclosure quality in that order. Production volume did not determine inclusion. Daily turnover is $55.3m · 16.7m · 13.1m, free float is 63.66 · 54.75 · 54.86%, and market capitalisation is R$46,611.0m · 8,324.8m · 6,060.2m. ArcelorMittal Brasil and Ternium Brasil enter the concentration measure but have no separate Brazil rating. ArcelorMittal Brasil has no separate listing, and Ternium Brasil is part of an Argentine-Mexican group.

Table 7 gives the common inputs and how each was obtained. The coverage tally is 3 names · 3 ratings · 0 five-part undetermined conclusions, unchanged at 3 · 3 · 0. There are nine testable findings, each with a variable, measured value, threshold and analytical basis. The first three are on the front page because they change the investment action. Gerdau's rating no longer depends on the real. The entire range of depreciation rates is worth R$0.83 per share, 3.4% of value, supported by the cost-of-capital and financing analysis. Domestic realisations exceed exports by +33.2% · +30.3% · +13.1%, supported by the cost curve. Usiminas has enterprise value of −R$6,138.1m with an unmeasured valuation floor and an assessed gap of R$9.46 per share, supported by the competitive-position analysis. Six further findings follow.

Fourth, CSN responds in the opposite direction to the other two companies when the raw materials basket falls 10%. The valuation changes are +1.9323 · +1.6095 · −0.1896 reais per share. No decline in the basket reverses this sign. A real depreciation of 8.82% takes CSN to its share price. Section 8 establishes the result from the value chain and profit pools.

Fifth, the mills spend less than depreciation. The average maintenance-to-depreciation ratios in 2026–2030 are 0.686 · 0.942 · 0.838 against a 0.90 threshold. Gerdau would meet the threshold at 31.2% higher spending, or R$924m a year. The capital cycle in Section 5 supports the finding.

Sixth, none earns its cost of capital. ROIC of 9.54 · 0.03 · 9.30% falls short of consistent hurdles of 18.56 · 19.32 · 15.90%. Gerdau would pass with profit after tax 94.5% higher, or EBITDA per tonne R$714 higher. The owner-earnings analysis in Section 7 supports the finding.

Seventh, CSN's minority holders receive a negative share of earnings. Over 2026–2030 the shares are 85.9% at Gerdau, 100.0% at Usiminas and −12.3% at CSN, against a one-third threshold. CSN passes if interest costs fall by R$2,058m a year. Section 7 establishes this from owner earnings and capital allocation discipline.

Eighth, the borrowing rate now reconciles at the most leveraged company. CSN's marginal cost of new debt is 18.611%, versus a risk-free rate of 14.60% and 16.47% for the two less leveraged issuers. Converting coupons on the earlier 1.555% path takes the rate to 14.111%, 49 basis points below risk-free. The effect of that case is R$8.0483 per share. The cost of capital and financing conditions in Section 5 establish the result.

Ninth, each model series specifies its indexation driver, and revenue and costs share one underlying driver. Local unit costs rise 4.44% a year, maintenance capex and depreciation 7.99%, CSN's other segment 4.44%, and terminal growth is 4.44%. The threshold is measured by removing asymmetric indexation. The earlier treatment cost R$15.8163 · 23.1607 · 41.0403 per share in the seventh bridge item. The capital cycle in Section 5 establishes the result.

Table 7: Common coverage inputs. Three categories require an analytical basis because the values were chosen outside the market or law

Model input	Value	Basis
Risk-free rate · risk premium · beta	14.60% · 4.50% · 1.05	Market data and assumptions
Brazilian and US taxes · terminal growth	34% and 25% · 4.44%	Statute and assumptions
Common BRL depreciation rate	7.99% per year, July 2026 one-year forward	User decision, 18.08.2026
BRL exchange rate	5.4976 → 10.9805 over ten years	Derived from spot of 5.0908 and the common rate
Domestic coil price level	730.4 → 648.94 $/t	Archived series, material input. See Section 11.
Raw materials basket	311.0 → 262.1 $/t	Market data
North American metal spread	610 → 509 $/short ton	User decision
Sensitivity of costs to the input basket	0.675 · 0.468 · 0.468	Research judgement within a physical limit
Share of dollar costs	0.55 · 0.35 · 0.30	Inferred
Maintenance capex · net debt	2,501 · 1,191 · 3,436 and 7,807.0 · −444.0 · 41,217.6 R$m	Disclosed
Minority interests	186.7 · 0.0 · 2,255.5 R$m	Based on subsidiary equity
Indexation: local costs · maintenance · other and terminal	4.44% · 7.99% · 4.44% per year	Basis shown for each series
Marginal borrowing cost	16.47% BRL leg · 19.869% USD leg · 18.611% CSN	User decision

Source: v10.8 research export and Gate G2v model handover schedule. Units are annual percentages, dollars per tonne and millions of reais.

Sources. Instituto Aço Brasil, Indústria do Aço em Números 2025, Mercado Brasileiro do Aço 2025, Estatística Mensal — Junho 2026 and its 16.12.2025 note. INDA, distribution-channel review dated 26.01.2026. World Steel

Association, January 2026 release. Ministry of Development and Industry and the Gecex committee, Notes 913/2026 and 1188/2026, Resolution 740/2025, decisions of 23.04.2024, 27.05.2025 and 25.06.2026, and the anti-dumping decision dated 12.02.2026. Planalto, Laws 9.249/1995, 14.789/2023 and 15.270/2025, and Complementary Laws 214/2025 and 224/2025. Central Bank of Brazil and IBGE for rates, inflation and the August 2026 FX forward. SteelOrbis for Chinese steel prices, freight rates and domestic prices. Issuer financial disclosures for 2024–2025, including segment information. Exchange data for the three months through 07.08.2026.

Model workbook and release register. The analysis uses one workbook for v10.8, and the figures come from its export. Register entry: Brazil Steel — Country Report · rule v10.8 · 18.08.2026 · path Global Steel/Brazil/_window_10.8/ · issued, with release sign-off reserved for the designated individual.

What this means for value per share. Valuations were issued solely for the three companies under coverage. The two other sellers have no individual rating or published target. The covered companies account for 20,197 kt in 2026 sales, a large share of domestic supply. An investor applying the view to an industry index extends it to two firms for which this report does not measure shareholder economics. The cost of that extrapolation is unmeasured.