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CREDIT OPINION
22 March 2021

Update

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RATINGS

Gerdau S.A.

Domicile	Sao Paulo, Brazil
Long Term Rating	Baa3
Type	LT Issuer Rating - Dom Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

Contacts

Carolina A Chimenti +55.11.3043.7318
AVP-Analyst
carolina.chimenti@moodys.com

Marcos Schmidt +55.11.3043.7310
Associate Managing Director
marcos.schmidt@moodys.com

Gerdau S.A.

Update following upgrade to Baa3 with stable outlook

Summary

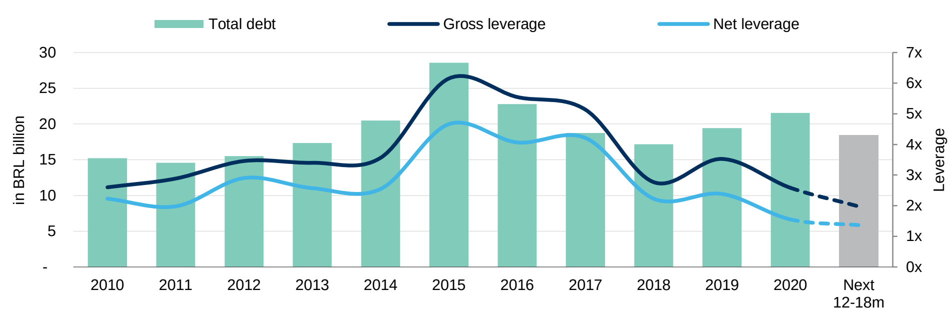
Gerdau S.A.'s (Gerdau) Baa3 ratings are supported by the company's historically solid cash generation, which reflects its strong market position in markets where it operates, its good operational and geographic diversity, its cost-driven management, its flexible minimill cost structure, and its conservative financial policies. Despite volatile operating environments, Gerdau has generated positive free cash flow (FCF) since 2013 and was able to significantly reduce debt levels, partially using the proceeds from asset divestitures.

Gerdau's ratings are constrained by the company's exposure to the cyclical steel industry, especially in Brazil (Ba2 stable)and the US (Aaa stable); and exposure to exchange rate volatility, as more than half of its cash flow is generated in Brazil and other Latin American countries.

On March 19, 2021, we upgraded Gerdau's ratings to Baa3 from Ba1, reflecting the company's history of conservative capital allocation, which combined with our expectation of strong operating performance throughout 2021, will contribute to further deleveraging and strengthening of balance sheet. Gerdau's adjusted leverage declined to 2.6x as of year-end 2020 from the peak of 6.2x in 2015, and it will decline further to 2x in 2021 on the back of current positive industry dynamics in Brazil and in the US. We expect Gerdau to maintain robust liquidity, adjusted leverage within 2x-3x and reported net leverage within its target of 1x-1.5x.

Exhibit 1

Gross debt reduction will support lower leverage in the next 12-18 months
Moody's-adjusted total debt and leverage



Source: Moody's Investors Service

Credit strengths

» Status as a leading producer of long steel in the Americas and one of the largest suppliers of special long steel in the world

» Good geographic diversification and strong market share in the US and Brazil

» Variable cost structure, high integration level and large scale, which provide operating flexibility and limit risks to a certain degree

» History of conservative capital allocation and adequate liquidity even during market downturns

» Financial flexibility to withstand short-term shocks

Credit challenges

» Exposure to the cyclicality of the steel industry

» Exposure to Brazil's economic conditions and to exchange rate volatility

» Potential liquidity call from the Administrative Council of Tax Appeals (CARF) ruling in Brazil

Rating outlook

The stable outlook reflects our expectation that the company will prudently manage its liquidity and expenses to preserve its metrics and credit quality amid volatility in its key end markets.

Factors that could lead to an upgrade

An upgrade of the ratings could occur if Gerdau is able to:

» sustain profitability, as measured by EBIT margin, at high single digit (13.3% in 2020)

» improve liquidity and leverage further, with total adjusted debt/EBITDA of around 2x (2.6x in 2020) and EBIT/interest expense above 5.5x (5.4x in 2020) on a sustained basis

» maintain conservative financial policies

An upgrade of Gerdau's ratings would require an upgrade of Brazil's sovereign ratings and long-term visibility of Brazil's economic strength, or reduced exposure to the country's domestic fundamentals.

Factors that could lead to a downgrade

Downward pressure on the rating or outlook could result from a severe deterioration in market conditions leading to weaker liquidity or persistently high leverage, with:

» total debt/EBITDA above 3x on a sustainable basis

» interest coverage (EBIT/interest expense) below 4x

A deterioration in volumes and margins in Gerdau's main markets (namely Brazil and the US), weakening of its ability to generate positive FCF, or limited flexibility for capital spending and dividend reduction could trigger a downgrade. A sharp deterioration in the controlling shareholders' (Metalúrgica Gerdau S.A.) financial position or a downgrade of Brazil's sovereign rating could also precipitate a downgrade of Gerdau's ratings.

Key indicators

Exhibit 2

Gerdau S.A.

in BRL million	FYE Dec-2016	FYE Dec-2017	FYE Dec-2018	FYE Dec-2019	FYE Dec-2020	Forward View - Next 12-18 Months
Revenue	37,651	36,917	46,159	39,6440	43,814	50,000-60,000
EBIT Margin %	4.2%	4.2%	9.3%	8.7%	13.3%	8% - 13%
EBIT / Avg. Tangible Assets	3.3%	3.7%	10.4%	8.1%	12.4%	10% - 15%
Debt / EBITDA	5.5x	5.1x	2.8x	3.5x	2.6x	2.0x - 3.0x
(CFO - Dividends) / Debt	13.3%	8.1%	8.3%	22.8%	25.9%	15% - 30%
EBIT / Interest Expense	0.9x	1.1x	2.9x	3.5x	5.4x	5.5x - 7.0x
Debt / Book Capitalization	48.2%	43.9%	39.7%	41.2%	40.9%	30% - 40%

All figures and ratios are calculated using Moody's estimates and standard adjustments. Periods are financial year-end unless indicated. LTM = Last 12 months. Moody's Forecasts (f) or Projections (proj.) are Moody's opinion and do not represent the views of the issuer.

Source: Moody's Investors Service

Profile

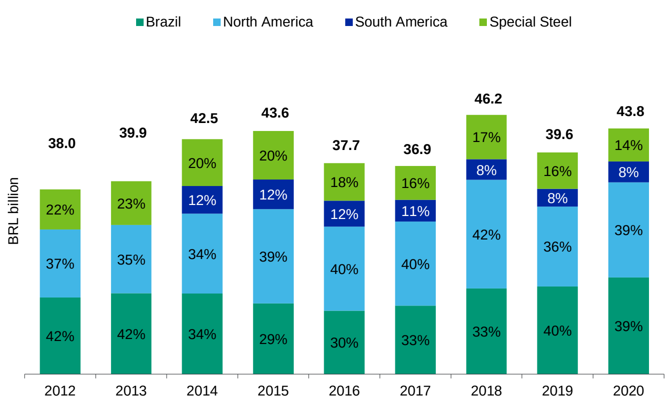
Based in Brazil, Gerdau S.A. (Gerdau) is the leading producer of long steel in the Americas and one of the largest suppliers of special long steel in the world, with total capacity of over 20 million tons per year of crude steel and 16.7 million tons per year of rolled products. Its US subsidiary, Gerdau Ameristeel Corporation (Gerdau Ameristeel), is the second-largest long steel producer in North America.

In 2020, Gerdau reported consolidated annual revenue of BRL43.8 billion ($8.5 billion converted by the average exchange rate). The group has operations in 10 countries, with relevant market shares in Brazil, the US, Canada, Peru, Uruguay, Argentina, Mexico and Venezuela, along with joint ventures in Colombia, Mexico and the Dominican Republic.

Exhibit 3

Gerdau has a globally diversified asset base, with balanced revenue generation

Net revenue by region

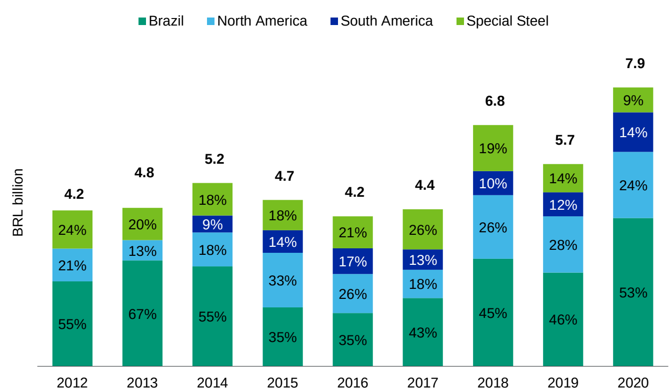


Source: Gerdau

Exhibit 4

Gerdau generates roughly 86% of EBITDA in Brazil and the US (including special steel)

EBITDA by region



Source: Gerdau

Detailed credit considerations

Large scale and geographic diversification help offset difficult market conditions

Gerdau operates a total of 32 mills globally that produce a wide range of products: 14 mills in North America, 14 in Brazil and 4 in other countries. In addition, Gerdau also owns several downstream fabrication facilities. The company's Brazilian steel operations (excluding special steel) represented about 39% of its consolidated net revenue and 53% of reported EBITDA for 2020, while the North American steel segment represented 39% and roughly 24%, respectively. The special steel segment, with facilities in Brazil and the US, represented 14% of consolidated net revenue and 9% of EBITDA over the same period.

Geographic diversification generally helps offset the effect of difficult market conditions. In 2020, for example, Gerdau's operating performance was supported by strong construction activity in Brazil and in the US, which helped temper the decline in sales volumes for the special steel segment. Total sales volumes in Brazil and in the US increased 11% and 1.4% in 2020 from 2019 level, respectively, while volumes for the special steel segment fell 21.2%.

Gerdau's operating performance will remain strong in 2021, with operations in Brazil and the US benefiting from solid fundamentals mainly for the construction industry and healthy metal spreads. The outlook for Brazil's homebuilding sector is positive in 2021-22 based on low interest rates, increased housing affordability, credit availability and somewhat stable employment after a significant downturn since 2012. Nonresidential construction activity remains subdued in Brazil, as it has been since 2014 on a retrenchment of public spending and lower corporate investments. The government's public private partnership agenda, privatization of state-owned enterprises, concession programs and new auctions could accelerate growth, but investments still require long-term visibility into Brazil's economic strength to attract private capital.

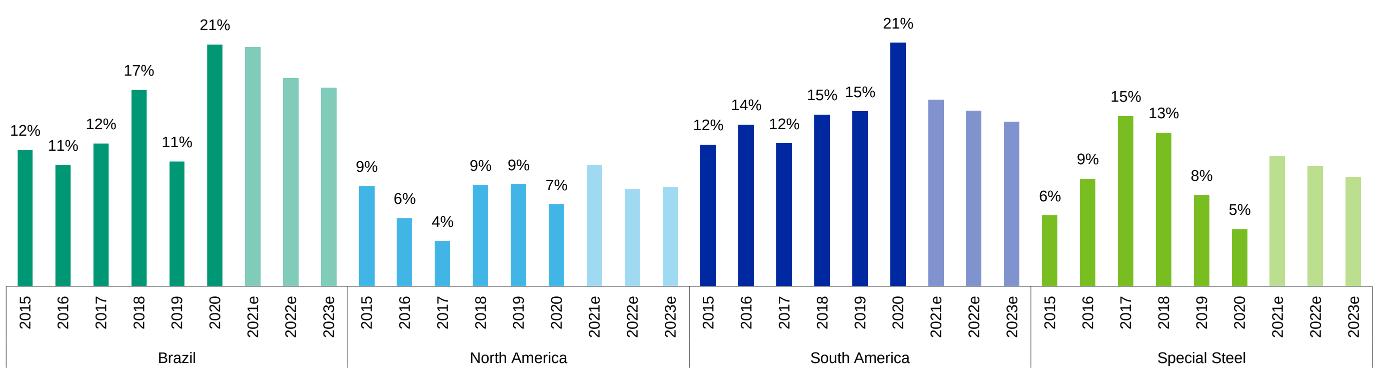
In the US, the key automotive and industrial end markets are likely to continue their strong performance, while construction activity could soften once already funded projects complete. OCTG is likely to improve from depressed levels but will remain weak. The special steel segment will benefit from a pickup in automotive production after the 2020 slump.

Steel prices will likely soften from the current high levels during the second half of 2021, but Gerdau will continue to benefit from rising sales volumes in its main markets and a depreciated local currency in Brazil to preserve operating margins and prices in local currency. The company's Moody's-adjusted consolidated EBITDA margin increased to 19% in 2020 from a low of 9.9% in 2017, and it will remain around 14%-16% in future even though there are potential volatilities in its key end markets. The company's profitability level reflects its streamlined operations after several asset sales and focus on higher value-added products and markets, as well as its significant operating leverage from the minimill production profile.

Exhibit 5

Profitability will remain strong in 2021 amid positive industry's fundamentals in Brazil and the US, and normalize after 2022

Gross margin by region



Sources: Gerdau and Moody's Investors Service

High level of integration and flexible operations provide higher efficiency and ability to adjust operations during market downturns

Gerdau's ratings take into consideration its low-cost minimill operating structure, which accounts for about 75% of its current crude steel capacity and provides good cost flexibility. Minimills have a significant proportion of variable costs, which can be crucial for cash flow generation in times of volatile demand and input costs. Particularly in Brazil, Gerdau benefits from efficient raw material acquisition, including steel scrap (80% from a captive diversified base of small suppliers) and iron ore for its Açominas integrated facility, which has an annual capacity of 7 million tons.

In North America, Gerdau's scrap-recycling facilities supply most of its main raw material requirements, thereby reducing the volatility related to scrap pricing. In addition, Gerdau North America's downstream operations allow it to capture value-added margins on the steel produced at its minimills. Many of these businesses have different supply-demand dynamics compared with the mill products and, thus, enhance diversity.

This flexible operational structure has some advantages in times of market downturns. For example, Gerdau has decided to shut down or paralyze production in some plants in Brazil during the 2015-16 downturn in the country and improve capacity utilization in other facilities, without jeopardizing its total output and still meeting the existing demand for its products. The measures Gerdau took to improve its product mix and reduce costs in the past years helped it maintain relatively stable margins during the economic recession in Brazil. Gerdau's adjusted EBIT margin remained within 4%-5% during 2015-16, which was a resilient performance despite the contraction in volumes in Gerdau's operations. We expect Gerdau's flexible structure to also support rapid response during downturns, limiting risk to margins because of operating leverage.

Credit metrics will remain strong through 2021, supporting further deleveraging and strengthening of balance sheet

Gerdau has posted better-than-expected operating performance since 2018, which, combined with asset sales and liability management initiatives, allowed the company to intensify its debt-reduction efforts and consequently improve credit metrics within a very short time. Gerdau has paid $3.7 billion of its total debt since 2014; streamlined operations through asset sales and optimization of its operating capacity; and maintained a disciplined approach to liquidity, investments and dividend distributions. All these contributed to sequential reductions in financial leverage and improvements in credit metrics, increasing the company's buffer to withstand future volatility in operations.

Gerdau's adjusted leverage declined to 2.6x as of year-end 2020 (2.4x pro forma the debt payment made in January 2021) from the peak of 6.2x in 2015, and will decline further to 2x in 2021 on the back of current positive industry dynamics in Brazil and in the US. We expect Gerdau to maintain robust liquidity and adjusted leverage within 2x-3x.

Since the beginning of 2014, Gerdau has raised BRL7.4 billion from asset sales, which were directed toward reducing debt and contributed to significant improvement in credit metrics. In addition, the asset divestiture program also allowed Gerdau to streamline its operations and focus on the more profitable, core US and Brazilian markets. This supports the company's future profitability and provides additional financial flexibility to withstand the cyclicality of the steel industry.

Gerdau has intensified its debt-reduction efforts since Q4 2017. The company sold its special steel operations in Spain in May 2016; created a joint venture in Colombia and the Dominican Republic; sold coke units and coking coal reserves in Colombia; and divested its operations in Guatemala, its downstream operations in the US and its 50% share in Gallatin Steel Company. In October 2017, Gerdau sold 100% of its operations in Chile for $154 million. All these transactions, including the deal with Commercial Metals Company (Ba1 stable) in the US and the sale of the special steel operations in India, have generated BRL7.4 billion in economic value (around BRL6.4 billion in cash proceeds) since 2014 (BRL1.1 billion in 2014-15, BRL1.3 billion in 2016, BRL800 million in 2017 and BRL4.2 billion in 2018), and the proceeds were mostly used for debt reduction.

Historically, Gerdau has demonstrated prudent financial management, reflected in its solid liquidity, moderate dividend payout, and strong commitment to reduce total debt and maintain net leverage below 1.5x. Gerdau's adjusted leverage peaked at 5.5x-6.5x during Brazil's economic recession in 2015-16, mainly as a result of the sharp EBITDA contraction and strong depreciation of the local currency against the US dollar. Currently, around 76% of total debt and only around 25-30% of EBITDA is denominated in US dollars. Gerdau has been intensifying its efforts to reduce exposure to foreign-currency debt, with the share of US dollar-denominated debt declining from 84% in September 2020 to 76% as of year-end 2020, and it will likely continue declining throughout 2021.

Even with volatility in its end markets, we expect Gerdau to maintain its financial discipline, and to quickly adjust its operating and financial profiles during downturns to preserve its credit quality. We expect the company to continue to use the excess cash to reduce debt in the next 2-3 years, complying with its target of maintaining reported net leverage below 1.5x.

Risks from the US class-action lawsuit, Brazilian tax ruling and the ongoing Zelotes investigation have tempered

In addition to being exposed to the cyclicality of the steel industry, Gerdau faces a BRL8 billion Brazilian tax ruling.

A July 2016 ruling by the CARF found Gerdau guilty in the administrative proceedings that questioned its deduction of amortized goodwill from its calculation of corporate income tax and social contributions as a result of corporate restructuring in 2004-05. The case has moved from the administrative branch to the judicial branch; the timeline for any ruling on this is uncertain and could take many years. Preliminary estimates suggest that if Gerdau fails to reverse the CARF decision, the company would owe nearly BRL8 billion in penalties. An eventual tax payment of about BRL8 billion could damage Gerdau's liquidity, but the effect would be subject to the payment schedule. The payment schedule would likely be divided in several installments, mitigating immediate liquidity risks. Gerdau has not made provisions for this ruling.

Additionally, Gerdau faced a US lawsuit on related allegations, which was concluded in 2017 and Gerdau paid about $15 million. The class action alleged that Gerdau violated the US securities law by making false or misleading statements and hiring advisers to bribe CARF officials in exchange for a favorable ruling.

In March 2015, the press reported that the Brazilian Federal Police had started an operation called Zelotes to investigate whether a number of corporate taxpayers attempted to influence the decisions of the CARF through illegal means. The investigations are underway and no major developments have occurred so far. However, Gerdau's board of directors decided to use external legal investigation, and the results are shared with a special committee of the board.

ESG considerations

The global steel sector has high environmental risk, particularly with respect to carbon transition risk and waste and pollution. Steel companies that operate blast furnaces are more exposed to carbon transition risk than electric arc furnace (EAF) producers, although the latter have high electricity requirements. The industry's transition to EAF will be slow and require new capital investment, as well as sufficiency of scrap supply. In this sense, Gerdau's predominantly minimill operating structure and scrap-recycling facilities give it an edge compared with producers focused on blast furnaces. Gerdau owns 254,000 hectares of forest, of which 91,000 are areas for biodiversity conservation within the Cerrado and Atlantic Rainforest biomes. The company is the world's largest producer of charcoal and uses it as a bio-reducing agent in the production of pig iron and steel in part of its integrated mills. Gerdau operates two iron ore mines and has one active upstream tailings dam in Ouro Preto, but it expects to complete the deposition of dry tailings and the process of de-characterization by 2021.

Gerdau is a public company, indirectly controlled by the Gerdau family (through Metalurgica Gerdau S.A., which owns 32.9% of the company), with shares listed on the NYSE, Latibex and B3 S.A. - Brasil, Bolsa, Balcao (Ba1 stable), where it has been listed under Level 1 Regulation for Corporate Governance Standards since 2001. The Level 1 Regulation requires a high level of disclosure and transparency, and the maintenance of a minimum free float of 25%. Gerdau is in compliance with the Sarbanes-Oxley corporate governance standard. Since 2001, it has a permanent and independent board of auditors comprising three effective members and three substitutes, of which two are appointed by the controlling shareholders and one is elected by the minority shareholders. Five out of the nine members of the board of directors are independent, and the remaining four are nominated by the Gerdau family, of which three are family members. Several committees, such as the corporate governance committee, the executive committee, the risk management committee, and the compensation and succession committee, support the board of directors.

Gerdau has taken important steps to improve its corporate governance practices and standards, including the appointment of an executive outside the Gerdau Johannpeter family as CEO, while the family members will only be part of the board of directors and no longer members of the management team. On January 1, 2018, Gustavo Werneck was appointed the new CEO of Gerdau. Gustavo Werneck was formerly the executive director of the company's Brazilian operations.

Gerdau's bylaws establish a minimum dividend payout of 30% based on its expected financial performance in the upcoming year, which is above the 25% required by Brazilian Corporate Law. Gerdau has paid around 30% of its net earnings in dividends over the past few fiscal years. We expect the company to continue to prudently manage its dividend distribution to preserve its liquidity.

Liquidity analysis

Gerdau has strong liquidity, which provides flexibility to withstand short-term shocks. Gerdau's liquidity is supported by BRL7.7 billion in cash ($1.5 billion) as of year-end 2020, a BRL4.0 billion ($760 million) availability under the revolver facility due in 2024 and BRL2.7 billion in debt maturing by year-end 2022. Gerdau renewed the committed credit facility in October 2019, extending its tenor to five years from the previous three years and reducing its cost. In January 2021, Gerdau paid $230 million in outstanding notes, which reduced its cash position but also eliminated virtually all material debt maturities until the last quarter of 2022.

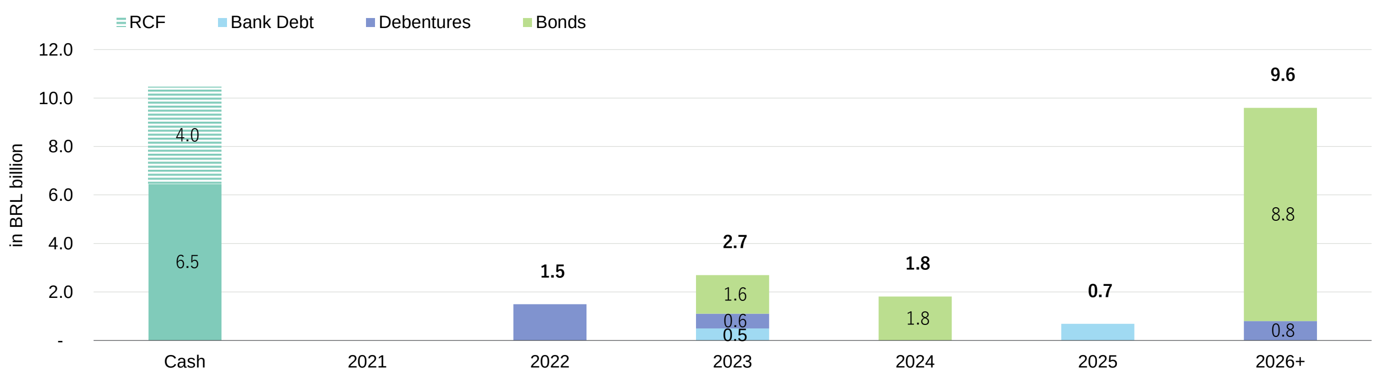
Gerdau has maintained robust liquidity over time, in particular during periods of weakening market fundamentals, and it has generated positive FCF since 2013. We expect Gerdau's FCF to remain positive even with higher investments of about BRL3.5 billion in 2021. The company was also able to reduce debt, partially using proceeds from asset divestitures. It has historically pursued liability management initiatives proactively to reduce its debt cost and increase its debt tenor.

Historically, Gerdau has generated positive FCF even during market downturns because of its financial discipline and working capital management. The company also has flexibility to reduce capital spending and dividend payments to the minimum required by law to adjust its cash outflow in times of lower demand.

Exhibit 6

Pro forma debt amortization schedule

As of December 2020



Pro forma the repayment of $230 million notes due in January 2021.

Sources: Gerdau and Moody's Investors Service

Rating methodology and scorecard factors

Gerdau's scorecard-indicated outcome under our Steel Industry rating methodology (September 2017) maps to Baa3, in line with the assigned rating. Our 12-18-month forward-looking scorecard-indicated outcome maps to Baa2, reflecting our expectation of strong operating performance throughout 2021 that will contribute to further deleveraging and strengthening of balance sheet.

Exhibit 7

Rating Factors

Gerdau S.A.

Steel Industry Scorecard [1][2]	Current FY 12/31/2020		Moody's 12-18 Month Forward View As of 3/15/2021 [3]	
Factor 1 : Scale (20%)	**Measure**	**Score**	**Measure**	**Score**
a) Revenue (USD Billion)	$8.6	Ba	$10 - $12	Baa
Factor 2 : Business Profile (20%)				
a) Business Profile	Baa	Baa	Baa	Baa
Factor 3 : Profitability (15%)				
a) EBIT Margin	13.3%	A	8% - 13%	Baa
b) Return on Tangible Assets (EBIT / Tangible Assets)	12.4%	A	10% - 15%	A
Factor 4 : Leverage and Coverage (35%)				
a) Debt / EBITDA	2.6x	Baa	2x - 3x	Baa
b) Debt / Book Capitalisation	40.9%	Baa	30% - 40%	A
c) (CFO - Dividends) / Debt	25.9%	Ba	15% - 30%	Ba
d) EBIT / Interest Expense	5.4x	Baa	5.5x - 7x	Baa
Factor 5 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa3		Baa2
b) Actual Rating Assigned				Baa3

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] As of December 31, 2020. [3] This represents Moody's forward view, not the view of the issuer, and unless noted in the text, does not incorporate significant acquisitions and divestitures.

Source: Moody's Financial Metrics™

Appendix

Exhibit 8

Moody's-adjusted debt breakdown

Gerdau S.A.

(in US Millions)	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
As Reported Debt	**6,688.4**	**6,324.2**	**4,977.1**	**3,846.1**	**4,189.8**	**3,537.0**
Pensions	318.3	368.5	334.2	279.6	291.2	288.5
Non-Standard Adjustments	215.9	309.5	342.2	299.2	346.7	321.6
Moody's-Adjusted Debt	**7,222.5**	**7,002.1**	**5,653.5**	**4,425.0**	**4,827.6**	**4,147.1**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 9

Moody's-adjusted EBITDA breakdown

Gerdau S.A.

(in US Millions)	FYE Dec-15	FYE Dec-16	FYE Dec-17	FYE Dec-18	FYE Dec-19	FYE Dec-20
As Reported EBITDA	**-614.6**	**431.0**	**1,056.5**	**1,501.5**	**1,190.4**	**1,375.3**
Pensions	-37.3	11.2	15.0	14.6	10.2	6.8
Unusual	2,068.8	742.1	72.5	190.7	197.9	251.2
Moody's-Adjusted EBITDA	**1,416.8**	**1,184.3**	**1,144.0**	**1,706.8**	**1,398.5**	**1,633.2**

All figures are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Exhibit 10

Peer comparison

	Gerdau S.A. Baa3 Stable			CSN B2 Stable			Usiminas Ba3 Stable		
(in US millions)	FYE Dec-18	FYE Dec-19	LTM Dec-20	FYE Dec-18	FYE Dec-19	LTM Dec-20	FYE Dec-18	FYE Dec-19	LTM Dec-20
Revenue	$12,715	$10,068	$8,587	$6,327	$6,460	$5,892	$3,784	$3,797	$3,153
EBITDA	$1,707	$1,399	$1,633	$1,374	$1,593	$1,972	$734	$559	$533
Total Debt	$4,425	$4,828	$4,147	$7,535	$7,409	$6,908	$2,073	$1,841	$1,614
EBIT Margin	9.3%	8.7%	13.3%	16.1%	18.7%	25.1%	11.9%	8.0%	15.2%
EBIT/Avg. Tang. Assets	10.4%	8.1%	12.4%	9.5%	11.3%	15.2%	6.4%	4.6%	9.1%
EBIT / Int. Exp.	2.9x	3.5x	5.4x	1.6x	1.9x	2.6x	2.1x	1.4x	4.2x
DEBT / EBITDA	2.8x	3.5x	2.6x	5.9x	4.8x	3.6x	3.0x	3.4x	3.1x
Total Debt/Capital	39.7%	41.2%	40.9%	73.3%	71.4%	75.1%	33.9%	32.2%	33.3%
(CFO - Dividends) / Debt	8.3%	22.8%	25.9%	5.9%	9.9%	25.8%	11.3%	27.8%	45.4%

All figures and ratios calculated using Moody's estimates and standard adjustments. FYE = Financial year-end. LTM = Last 12 months. RUR* = Ratings under review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics™

Exhibit 11

Select historical Moody's-adjusted financial data

In US dollar million

	2014	2015	2016	2017	2018	2019	2020
INCOME STATEMENT							
Revenue	18,127.66	13,293.99	10,853.88	11,563.90	12,715.24	10,068.49	8,587.04
EBITDA	2,449.73	1,416.83	1,184.33	1,144.03	1,706.82	1,398.51	1,633.22
EBIT	1,500.70	621.32	453.29	488.57	1,185.69	871.70	1,143.43
BALANCE SHEET							
Cash & Cash Equivalents	2,200.29	1,748.84	1,870.46	1,018.01	864.25	1,564.77	1,474.40
Total Debt	7,706.64	7,222.54	7,002.13	5,653.48	4,425.01	4,827.65	4,147.10
CASH FLOW							
Capex = Capital Expenditures	969.90	682.58	343.20	285.44	347.72	510.16	402.35
Dividends	193.92	109.27	24.78	27.06	165.03	122.97	53.86
Retained Cash Flow	1,379.31	1,008.54	772.37	812.27	1,043.84	887.67	980.63
RCF / Debt	15.80%	11.57%	11.76%	13.83%	22.10%	18.00%	23.23%
Free Cash Flow (FCF)	81.44	726.45	531.26	192.33	43.47	612.87	692.84
FCF / Debt	0.93%	8.33%	8.09%	3.27%	0.92%	12.43%	16.41%
PROFITABILITY							
% Change in Sales (YoY)	6.73%	2.43%	-13.61%	-1.95%	25.03%	-14.12%	10.52%
SG&A % of Sales	6.41%	5.94%	5.94%	4.48%	3.58%	3.60%	3.49%
EBIT Margin %	8.28%	4.67%	4.18%	4.22%	9.32%	8.66%	13.32%
EBITDA Margin %	13.51%	10.66%	10.91%	9.89%	13.42%	13.89%	19.02%
INTEREST COVERAGE							
EBIT / Interest Expense	2.65x	1.18x	0.88x	1.13x	2.94x	3.48x	5.41x
EBITDA / Interest Expense	4.32x	2.68x	2.29x	2.65x	4.24x	5.58x	7.73x
(EBITDA - CAPEX) / Interest Expense	2.61x	1.39x	1.63x	1.99x	3.37x	3.55x	5.83x
LEVERAGE							
Debt / EBITDA	3.56x	6.15x	5.55x	5.13x	2.77x	3.53x	2.58x
Debt / (EBITDA - CAPEX)	5.90x	11.87x	7.81x	6.84x	3.48x	5.55x	3.43x
Avg.Assets / Avg.Equity	1.94x	2.09x	2.24x	2.20x	2.06x	2.00x	2.03x

All figures and ratios are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics™

Ratings

Exhibit 12

Category	Moody's Rating
GERDAU S.A.	
Outlook	Stable
Issuer Rating -Dom Curr	Baa3
GTL TRADE FINANCE INC.	
Outlook	Stable
Bkd Senior Unsecured -Dom Curr	Baa3
GERDAU TRADE INC.	
Outlook	Stable
Bkd Senior Unsecured -Dom Curr	Baa3
GERDAU AMERISTEEL US INC.	
Outlook	
Bkd LT IRB/PC	Baa3

Source: Moody's Investors Service

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Contacts

Carolina A Chimenti +55.11.3043.7318
AVP-Analyst
carolina.chimenti@moodys.com

Sabrina Mascher De Lima +55.11.3043.7352
Associate Analyst
sabrina.delima@moodys.com

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