FitchRatings

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Fitch Revises Gerdau's Outlook to Positive; Affirms Long-Term IDR at 'BBB'

Fitch Ratings - New York - 02 Jul 2026: Fitch Ratings has affirmed Gerdau S.A.'s Long-Term Foreign and Local Currency Issuer Default Ratings (IDRs) and its cross-border senior unsecured notes issued by related entities at 'BBB'. Fitch has also affirmed Gerdau's National Scale Ratings and local debenture issuances at 'AAA(bra)'. The Rating Outlook has been revised to Positive from Stable.

The Positive Outlook reflects potential near-term improvements in Gerdau's business profile (market position, diversification and asset quality) and in profitability, supported by a deeper presence in North America and a recovery in Brazil. This would strengthen Gerdau's relative position within peers in the 'BBB' category, as per Fitch's "Steel Navigator/Corporate Rating Criteria."

Gerdau's ratings reflect its strong business profile, resilient FCF through cycles, conservative capital structure and robust liquidity. The company's geographical diversification and flexible electric arc furnace steel production structure provide competitive advantages and enable Gerdau to promptly adapt to changes in market conditions.

Key Rating Drivers

Improving Credit Profile: Fitch expects Gerdau's credit profile to improve as its business position strengthens, key markets accelerate, and profitability and FCF resilience improve. Stronger positioning in North America, improved profitability in Brazil, supportive trade measures and cost synergies should bolster EBITDA and free cash flow generation. In 2025, North America represented around 62% of EBITDA, Brazil 31% and South America 7%. Capital allocation should remain conservative regarding shareholder remuneration and transformational M&A.

North America Supports Earnings: Gerdau's North American operations continue to benefit from stronger long steel demand in data centers, solar energy and infrastructure. While demand in automotive and oil and gas has shown signs of slowing, infrastructure is accelerating with transit and bridge projects moving from design to active construction. Capacity utilization in the industry is at 80% (89% in Gerdau's U.S. operations).

Higher U.S. Section 232 tariffs, raised to 50% from 25%, should continue to support pricing. Fitch estimates EBITDA per tonne at about USD290 in 2026, compared with more than USD300 in 1Q26, USD232 in 2025 and an average of USD273 in 2023-2024.

Brazil Constrains Loosening: Brazil's long steel prices are slowly rising as import pressure lowers thanks to antidumping implementation amid stable domestic sales. From January through May 2026,

long steel imports fell 16% year over year, reducing import penetration to 13%. Fitch estimates that current antidumping measures on heavy plates cover about 10% of Gerdau's portfolio. Pending investigations on wire rod and HRC, alongside broader trade actions, could provide additional support if concluded favorably by December.

Cost Reduction Efforts: Gerdau continues to pursue cost reductions while investing in modernization and AI to improve efficiency. In 2025, depreciation of the Brazilian real and shutdowns at Ouro Branco increased costs in Brazil, while higher mini-mill utilization and productivity gains in North America supported operating efficiency. Fitch forecasts Gerdau's EBITDA margin around 17% in 2026, which compares favorably to the average of 15% during 2023-2025 and the average of 16% per Fitch's "Steel Navigator/Corporate Rating Criteria" (BBB category).

Declining Capex: Fitch expects Gerdau to manage carefully any organic and/or inorganic growth in order to maintain its strong credit profile. M&A opportunities should not be material and should be focused on enhancing its cost structure, such as small energy assets in Brazil or scrap processing in the U.S. Gerdau's heavy investment phase is nearing completion with capex at BRL4.7 billion in 2026, down from BRL6.1 billion (Fitch adjusted BRL6.8 billion) in 2025. The Miguel Burnier mine and phase 1 of the Midlothian expansion remain on track for startup in 2H26.

Recurring Positive FCF: Fitch estimates Gerdau's EBITDA will rise to BRL11.8 billion in 2026 and BRL12.3 billion in 2027, with EBITDA margins at around 17%. This is supported by sound North American market conditions and better cash flow generation in Brazil. Capex as a share of revenue over the next three years should average 6%, compared with 9% in the prior three years. Fitch estimates an FCF margin of 5% in 2026-2028, including BRL2.4 billion in 2026. FCF has been positive in the past seven years except for 2025 and 2019.

Sustainable Low Leverage: Gerdau's ratings are supported by a conservative capital structure. Fitch estimates EBITDA leverage and EBITDA net leverage ratios of 1.1x and 0.6x, respectively, in 2026, compared with 1.4x and 0.8x, respectively, in 2025. Average gross and net leverage in 2027-2028 should be 0.9x and 0.2x, respectively. Debt should return to management's target by 2027. Management targets EBITDA net leverage of up to 1.5x, gross debt capped at BRL12 billion and average debt maturity above six years.

Above Country Ceiling: Gerdau's ratings are not constrained by Brazil's Country Ceiling of 'BB+' under Fitch criteria. EBITDA from U.S. operations covers consolidated hard currency interest expense by more than 6.0x over the next 12 months. Under Fitch's "Corporate Rating Criteria," dated Jan. 9, 2026, the applicable Country Ceiling is that of the U.S. at 'AAA'.

Peer Analysis

Gerdau's U.S. long steel operations invite comparison with Nucor Corporation (A-/Stable), Steel Dynamics, Inc. (BBB+/Stable) and Commercial Metals Company (BB+/Stable). However, Gerdau has a stronger financial profile and broader geographic diversification across the Americas, with exposure to higher risk jurisdictions such as Brazil. Gerdau focuses on long steel, uses electric arc furnaces extensively (70% of capacity, with 30% of blast furnace), and benefits from scrap collection and iron ore

integration in Brazil.

Gerdau's 15.7 million tonnes of crude steel capacity is below Nucor's 29.5 million tonnes, above Steel Dynamics' 13 million tonnes and well above Commercial Metals' 5.9 million tonnes of U.S. capacity.

Gerdau's business profile in Brazil is comparable to Usinas Siderúrgicas de Minas Gerais S.A. (Usiminas; BB/Stable), given both companies' integration and broad domestic industrial presence. Gerdau maintains the stronger balance sheet, continuously enhancing its capital structure through asset sales and equity issuances, with a manageable debt amortization schedule. Vale S.A. (BBB+/Stable) is a larger global iron ore player with a large majority of its assets in Brazil; the company's lack of diversification limits its ratings to the high 'BBB' level.

At end-2025, Gerdau's gross leverage of 1.4x was close to Commercial Metals' 1.5x and lower than Steel Dynamics' 2.0x and Nucor's 1.7x. Its EBITDA margin of 14.2% was the highest among this peer group. EBITDA per tonne of USD156 was close to Steel Dynamics' USD152, above Usiminas' USD83 and below Nucor's USD168 and Commercial Metals' USD180.

Fitch’s Key Rating-Case Assumptions

-- --Brazil steel volumes at 5.7 million tonnes in 2026, and remaining at this level in 2027;

-- --North America steel volumes at 5 million tonnes in 2026, and remaining at this level in 2027;

-- --South America steel volumes at 1.2 million tonnes in 2026, and remaining at this level in 2027;

-- --Brazil (domestic) EBITDA per tonne reaching USD114 in 2026, and USD127 in 2027;

-- --North America EBITDA per tonne reaching USD290 in 2026, and USD280 in 2027;

-- --South America EBITDA per tonne reaching USD155 in 2026, and USD150 in 2027;

-- --Combined EBITDA per tonne reaching USD174 in 2026, and USD182 in 2027;

-- --Investments of BRL4.7 billion in 2026, BRL4.6 billion in 2027, and BRL4.5 billion in 2028;

-- --Dividend distribution policy equivalent to 30% of net income;

-- --Foreign exchange BRL/USD rates of 5.12 in 2026, 5.31 in 2027, and 5.31 in 2028.

Corporate Rating Tool Inputs and Scores

Fitch scored the issuer as follows, using our Corporate Rating Tool (CRT) to produce the Standalone Credit Profile (SCP):

- Business and financial profile factors (assessment, relative importance): management (bbb, Moderate), sector characteristics (bbb, Lower), market and competitive positioning (bb+, Moderate), diversification and asset quality (bbb, Higher), company operational characteristics (bbb-, Moderate),

profitability (bbb, Moderate), financial structure (a, Moderate), and financial flexibility (bbb+, Moderate).

- The quantitative financial subfactors are based on custom CRT financial period parameters: 10% weight for the historical year 2025, 10% for the forecast year 2026, 30% for the forecast year 2027, 30% for the forecast year 2028 and 20% for the forecast year 2029.

- The Governance assessment of 'good' has no impact.

- The Operating Environment assessment of 'bbb+' has no impact.

- The SCP is 'bbb'.

To derive the Long-Term IDR:

- Country Ceiling considerations apply and result in an adjustment of zero notches.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Sustained adjusted total debt/EBITDA above 2.5x and/or adjusted net debt/EBITDA above 1.5x;

--Persistent negative FCF;

--EBITDA margins below 12% on a sustained basis;

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--EBITDA generation above USD2.5 billion on a sustained basis;

--EBITDA margins above 16% on a sustained basis;

--Larger contribution to cash flows from higher value-added products;

--Sustained adjusted total debt/EBITDA below 1.5x and/or adjusted net debt/EBITDA below 0.5x.

Liquidity and Debt Structure

Gerdau has consistently maintained a conservative financial strategy, supporting effective debt management and sufficient cash to cover maturities over the next six years. As of March 31, 2026, the company held BRL5.6 billion in cash and financial investments, enough to cover amortizations until 2029. FCF generation has been positive in five of the last seven years.

In March 2026, approximately 77% of Gerdau's cash was held in U.S. dollars. In addition to its cash balance, the company has a global revolving credit line of USD875 million, maturing in 2027, which had not been utilized as of March 31, 2026.

The company has strong access to local and international debt markets, as well as Brazilian and foreign banks. As of March 31, 2026, Gerdau's BRL14.5 billion debt consisted of foreign issuances (52%), debentures in Brazil (33%), and working capital lines (15%). Approximately 53% of the debt is denominated in U.S. dollars.

Issuer Profile

Gerdau is a leading long steel manufacturer in the Americas with a strong presence in U.S. and Brazilian special steel. It also produces flat steel and has Brazilian iron ore operations, along with a strong presence in the scrap market.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

Climate Vulnerability Signals

The 2025 revenue-weighted Climate.VS for Gerdau for 2035 is 44 out of 100. The results of our Climate.VS screener did not indicate an elevated risk for Gerdau.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Gerdau Trade Inc.				
• senior unsecured	LT	BBB	Affirmed	BBB
Gerdau S.A.	LT IDR	BBB ⊕	Affirmed	BBB ⊖
	LC LT IDR	BBB ⊕	Affirmed	BBB ⊖
	Natl LT	AAA(bra) ⊖	Affirmed	AAA(bra) ⊖
• senior unsecured	LT	BBB	Affirmed	BBB
• senior unsecured	Natl LT	AAA(bra)	Affirmed	AAA(bra)
GUSAP III LP				

ENTITY/DEBT	RATING		RECOVERY	PRIOR
• senior unsecured	LT	BBB	Affirmed	BBB

RATINGS KEY	OUTLOOK	WATCH
POSITIVE	⊕	⬘
NEGATIVE	⊖	⬙
EVOLVING	◈	◆
STABLE	⊜	

Applicable Criteria

Corporate Rating Criteria (pub.09 Jan 2026) (including rating assumption sensitivity)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub.09 Jan 2026)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

Gerdau S.A.	EU Endorsed, UK Endorsed
Gerdau Trade Inc.	EU Endorsed, UK Endorsed

GUSAP III LP	EU Endorsed, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch's website.

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