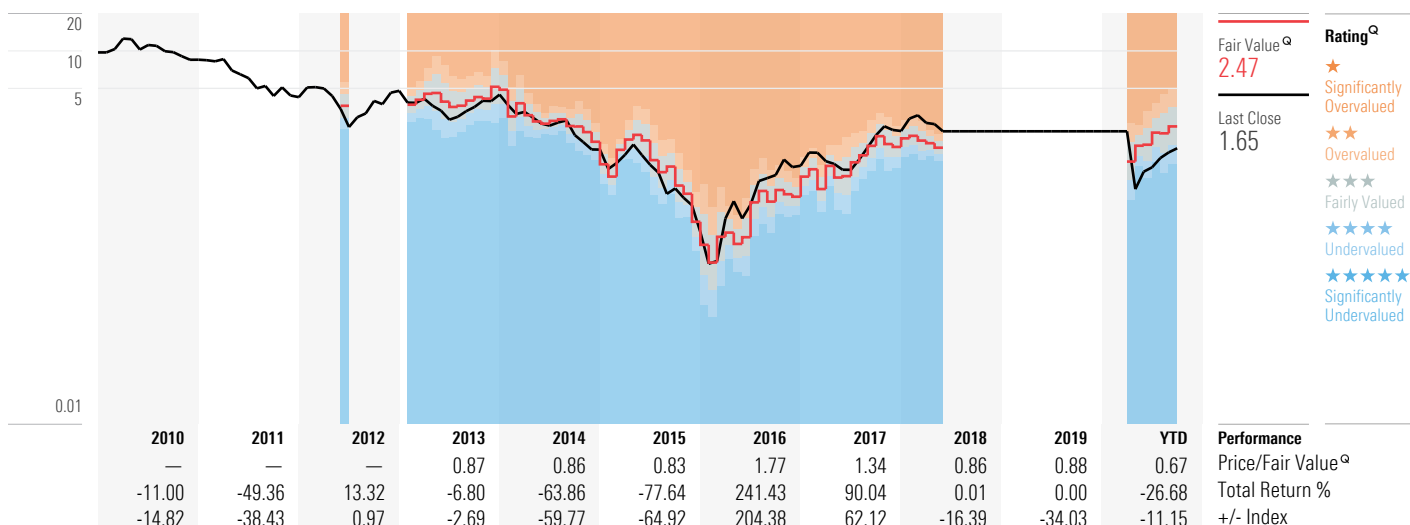


Usinas Siderurgicas de Minas Gerais,S.A. Pfd Shs -A- XUSI ★★★★★ Q 24 Sep 2020, 22:37 UTC

Economic Moat ^Q	Uncertainty ^Q	Price/Fair Value ^Q	Trailing Dividend Yield ^Q	Market Cap	Investment Style	Sector	Industry
None	Very High	0.7	0.44	1.9777 Bil	Mid Core	Basic Materials	Steel



Total Return % as of 24 Sep 2020. Last Close as of 24 Sep 2020. Fair Value as of 24 Sep 2020, 22:37 UTC. Index: Morningstar Brazil GR BRL.

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Valuation^Q as of 24 Sep 2020



XUSI is undervalued at a 33% discount.

Fair Value^Q
2.47
Uncertainty^Q:
Very High

Economic Moat^Q
None

Financial Health^Q
Moderate

1-Star Price^Q
> 4.98

5-Star Price^Q
< 1.23

Last Close
1.65

Contact

Rua Professor Jose Vieira de Mendonca, Belo Horizonte, MG 31310-260
+55 3134998110

<https://www.usiminas.com>

Financials as of 24 Sep 2020 (Fiscal Year End 31 Dec 2020)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	Fiscal
13	12	13	13	12	10	8	11	14	15	6	Revenue (Bil)
1,902	575	-465	401	514	-760	-603	946	1,536	901	183	Operating Income (Mil)
14.68	4.83	-3.66	3.13	4.38	-7.46	-7.13	8.81	11.18	6.02	2.94	Operating Margin (%)
1,572	233	-707	-142	130	-3,236	-670	233	727	213	-943	Net Income (Mil)
1.52	0.23	-0.72	-0.14	0.13	-3.28	-0.60	0.18	0.57	0.17	-0.77	Diluted Earnings/Share
1,348	-471	2,440	1,106	1,412	103	-310	877	510	1,972	996	Operating Cash Flow (Mil)
-3,207	-2,536	-1,693	-1,039	-1,172	-754	-223	-216	-434	-681	-375	Capital Spending (Mil)
-1,860	-3,006	747	68	239	-651	-533	661	76	1,290	620	Free Cash Flow (Mil)
987	987	987	987	988	988	1,121	1,228	1,229	1,229	1,230	Avg Shares Outstand(Mil)
0.48	—	—	—	—	0.03	—	—	—	—	0.01	Dividend Per Share

Valuation as of 24 Sep 2020

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Current	Calendar
—	—	—	0.87	0.86	0.83	1.77	1.34	0.86	0.88	0.67	Price/Fair Value ^Q
1.46	0.81	1.04	1.10	0.42	0.14	0.58	1.16	—	—	0.93	Price/Sales
13.97	22.48	—	—	18.87	—	—	—	—	—	28.50	Price/Earnings
18.19	108.78	5.01	7.38	4.55	2.80	—	55.50	—	—	4.87	Price/Cash Flow
1.13	0.59	0.76	0.85	0.31	0.10	0.36	0.79	—	—	0.96	Price/Book

Operating Performance as of 24 Sep 2020 (Fiscal Year End 31 Dec 2020)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Q3	Fiscal (%)
5.46	0.35	-1.93	-0.44	0.42	-11.11	-2.48	0.89	2.77	0.81	-1.73	Return on Assets
9.63	0.65	-3.77	-0.85	0.78	-21.48	-4.97	1.71	5.18	1.51	-3.38	Return on Equity
6.84	0.44	-1.24	0.45	1.48	-13.11	-1.33	3.79	3.43	1.79	-1.91	Rtn on Invested Capital

Business Description

Usinas Siderurgicas de Minas Gerais SA is a Brazil-based company that is primarily engaged in the production and distribution of flat steel products. The company's product portfolio consists of ordinary heavy plates, Sincron series premium heavy plates, hot strips, cold-rolled products, and galvan-

ized products. These products are used in automotive, civil construction, railway, electric, white goods, offshore platforms, and agricultural and construction machinery. The Brazilian domestic market represents the majority of the company's sales, while the United States, Argentina, and Turkey are the three biggest export destination mar-

kets for the company.

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ii. **Quantitative Economic Moat:** Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

Narrow – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.

Wide – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.

None – assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

iii. **Quantitative Star Rating:** Intended to be the summary rating based on the combination of our Quantitative Fair Value Estimate, current market price, Quantitative Uncertainty Rating, and momentum. The rating is expressed as One-Star, Two-Star, Three-Star, Four-Star, and Five-Star.

One-Star – the stock is overvalued with a reasonable margin of safety.

*Log (Quant FVE/Price) < -1*Quantitative Uncertainty*

*Micro-Caps: Log (Quant FVE/Price) < -1.5*Quantitative Uncertainty*

Two-Star - the stock is somewhat overvalued.

*Log (Quant FVE/Price) between (-1*Quantitative Uncertainty, -0.5*Quantitative Uncertainty)*

*Micro-Caps: Log (Quant FVE/Price) between (-1.5*Quantitative Uncertainty, -0.75*Quantitative Uncertainty)*

Three-Star – the stock is approximately fairly valued.

*Log (Quant FVE/Price) between (-0.5*Quantitative Uncertainty, 0.5*Quantitative Uncertainty)*

*Micro-Caps: Log (Quant FVE/Price) between (-0.75*Quantitative Uncertainty, 0.75*Quantitative Uncertainty)*

Four-Star – the stock is somewhat undervalued.

*Log (Quant FVE/Price) between (0.5*Quantitative Uncertainty, 1*Quantitative*

Uncertainty)

*Micro-Caps: Log (Quant FVE/Price) between (0.75*Quantitative Uncertainty, 1.5*Quantitative Uncertainty)*

Five-Star – the stock is undervalued with a reasonable margin of safety.

*Log (Quant FVE/Price) > 1*Quantitative Uncertainty*

*Micro-Caps: Log (Quant FVE/Price) > 1.5*Quantitative Uncertainty*

After the initial calculation for the star rating, there is a final filtering step based on the momentum of the company. We rank the companies based on their 12-1 month momentum, then restrict those below the 30th percentile to a maximum of 3 stars.

iv. **Quantitative Uncertainty:** Intended to represent Morningstar's level of uncertainty about the accuracy of the Quantitative Fair Value Estimate. Generally, the lower the Quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

Low – the interquartile range for possible fair values is less than 10%

Medium – the interquartile range for possible fair values is less than 15% but greater than 10%

High – the interquartile range for possible fair values is less than 35% but greater than 15%

Very High – the interquartile range for possible fair values is less than 80% but greater than 35%

Extreme – the interquartile range for possible fair values is greater than 80%

v. **Quantitative Financial Health:** Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

Weak – assigned when Quantitative Financial Health < 0.2

Moderate – assigned when Quantitative Financial Health is between 0.2 and 0.7

Strong – assigned when Quantitative Financial Health > 0.7

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Undervalued – **Last Price** is below Morningstar's quantitative fair value estimate.

Fairly Valued – **Last Price** is in line with Morningstar's quantitative fair value estimate.

Overvalued – **Last Price** is above Morningstar's quantitative fair value estimate.

This Report **has not been made available** to the issuer of the security prior to publication.

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