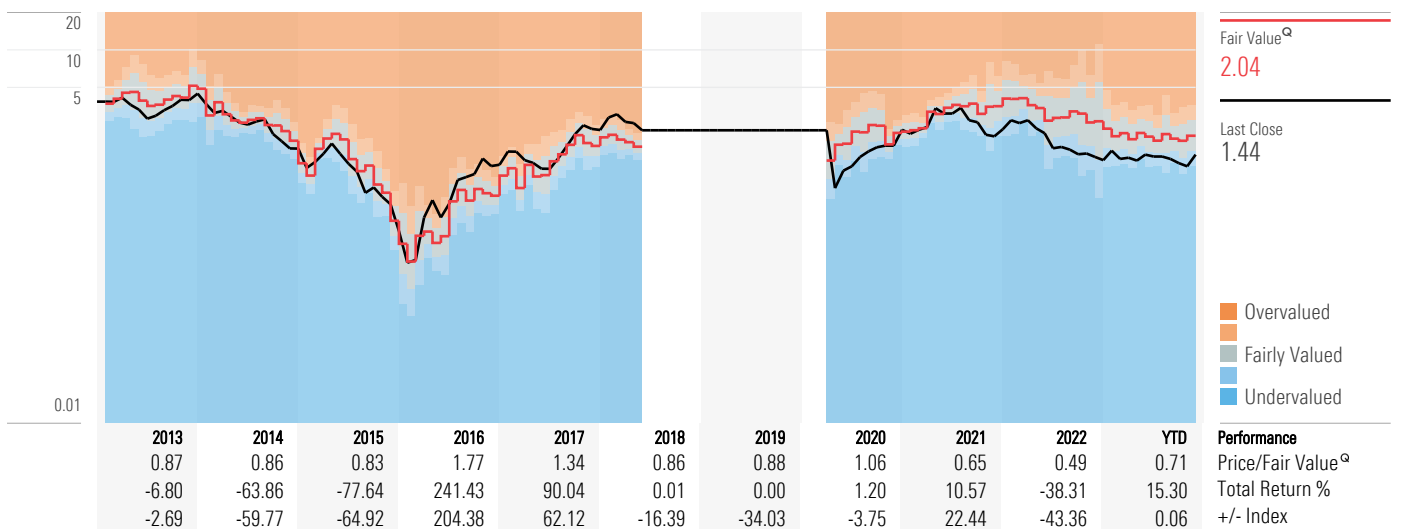


# Usinas Siderurgicas de Minas Gerais SA Pfd Shs -A- XUSI ★★★ Q 29 Nov 2023, 23:40 UTC

<b>Economic Moat</b> <sup>Q</sup>	<b>Uncertainty</b> <sup>Q</sup>	<b>Price/Fair Value</b> <sup>Q</sup>	<b>ESG Risk Rating Assessment</b> <sup>1</sup>	<b>Trailing Dividend Yield %</b>	<b>Market Cap</b>	<b>Investment Style</b>	<b>Sector</b>	<b>Industry</b>
None	Very High	0.7	1 Nov 2023 05:00, UTC	4.39	1.7727 Bil	Mid Value	Basic Materials	Steel



As of 29 Nov 2023 | Index: Morningstar Brazil GR BRL. Fair Value data as of 29 Nov 2023, 23:40 UTC.

<sup>1</sup>The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating. Lee Davidson, Chief Analytics Officer for Morningstar, Inc, oversees the methodology that supports Quantitative Fair Value Estimates and Quantitative Star Ratings. Mr. Davidson is guided by the Morningstar, Inc. Code of Ethics in carrying out his responsibilities. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>.

## Key Metrics as of 24 Nov 2023

Metrics	Value	Percentile in Sector
Earnings Yield (%)	-9.3	42.0
Sales Yield (%)	298.5	91.0
Book Value Yield (%)	245.4	91.0
Return on Assets (%)*	-1.2	55.0
Revenue(Bil)*	5.8	91.0
Market Value (Bil)	1.9	84.0
Enterprise Value (Bil)	2.0	82.0
EV/MV Ratio	1.1	59.0
Volatility TTM (%)	25.2	21.0
Drawdown TTM (%)	28.0	28.0
Volume (Mil)	13.4	97.0

\*30 Sep 2023

## 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 galvanized 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 markets for the company.

## Valuation <sup>Q</sup> as of 30 Nov 2023

Morningstar maintains a 3-star quantitative star rating for Usinas Siderurgicas, derived from the firm's valuation and uncertainty scores. The company's shares last closed at 1.44, below our quantitative fair value estimate of 2.04. These shares have traded between a 54.89% and 24.54% discount to their fair value estimate over the past year. In Morningstar's equity coverage universe for this methodology, the company's valuation rating lands at the 48th percentile; in the basic materials sector, the firm's score lies at the 69th percentile (meaning the shares are more undervalued than 69% of stocks in the sector). Furthermore, Usinas Siderurgicas maintains a quantitative valuation uncertainty rating of Very High.

The company has held this star rating since the previous rating of 4, which was last assigned on 11/24/2023. The uncertainty rating for Usinas Siderurgicas has remained Very High since the previous rating of Extreme, which was last assigned on 11/20/2023.

The key factors behind these ratings are the company's book value yield and drawdown. The book value yield is 242.01%, and its maximum trailing 12-month maximum drawdown is 56.40%. The book value yield falls at the 91st percentile in the basic materials sector while the drawdown is at the 27th percentile. Over the past year, the company's book value yield has been between 229.74% and 328.12%; its drawdown has ranged between 22.93% and 56.40%.


## Economic Moat <sup>Q</sup> as of 29 Nov 2023

With a Morningstar quantitative moat rating of None, the quantitative moat score for Usinas Siderurgicas falls below the 5th percentile in both the basic materials sector and equity coverage universe. The company has maintained its None quantitative moat rating for the last year. We also assign a Moderate quantitative financial health rating to Usinas Siderurgicas. The company's raw score on this metric, termed Distance to Default, ranks at the 64th percentile overall and 77th in the basic materials sector. Furthermore, this financial health rating has stayed Moderate over the last year. Supporting these ratings are the company's book value yield and enterprise value-to-market value ratio. The book value yield of 242.01%, ranks at the 92nd percentile in the covered equity universe and at the 91st percentile among its peers. Meanwhile, its enterprise value-to-market value ratio of 1.05, falls at the 50th percentile in the universe and the 59th percentile in the basic materials sector.

## Fundamentals as of 29 Nov 2023

Usinas Siderurgicas maintains losses per share of -0.72. The company further earns a return on invested capital of -0.87%. The shares offer a dividend

## Usinas Siderurgicas de Minas Gerais SA Pfd Shs -A- XUSI ★★★ Q 29 Nov 2023, 23:40 UTC

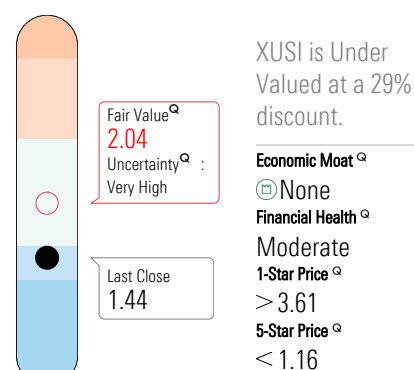
<b>Economic Moat</b> <sup>Q</sup>	<b>Uncertainty</b> <sup>Q</sup>	<b>Price/Fair Value</b> <sup>Q</sup>	<b>ESG Risk Rating Assessment</b> <sup>1</sup>	<b>Trailing Dividend Yield %</b>	<b>Market Cap</b>	<b>Investment Style</b>	<b>Sector</b>	<b>Industry</b>
None	Very High	0.7	 1 Nov 2023 05:00, UTC	4.39	1.7727 Bil	Mid Value	Basic Materials	Steel

**Earnings** as of 24 Nov 2023

Earnings	%	Percentile in Sector
Dividend Yield*	5.5	76.0
Payout Ratio*	—	—
Price to Earnings	—	—
Price to Cash Flow	9.0	36.0
ROIC**	-0.9	53.0

\*31 Oct 2023

\*\*30 Sep 2023

**Dividends** as of 29 Nov 2023**Valuation** <sup>Q</sup> as of 29 Nov 2023

yield of 5.45%. These values are calculated over a trailing 12-month period.

As of last market close, the company's price-to-free cash flow ratio is 9.01, falling at the 36th percentile in its sector and ranging between 7.13 and 33.03 over the past year.

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<https://www.usiminas.com>

**Financials** as of 29 Nov 2023 (Fiscal Year End 31 Dec 2021)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	Fiscal
12.83	11.74	10.19	8.45	10.73	13.74	14.95	16.09	33.74	32.47	20.86	Revenue (Bil)
0.40	0.51	-0.76	-0.60	0.95	1.54	0.90	1.77	11.78	3.84	0.24	Operating Income (Bil)
3.13	4.38	-7.46	-7.13	8.81	11.18	6.0	11.01	34.91	11.84	1.14	Operating Margin (%)
-142	130	-3,236	-670	233	727	213	673	9,071	1,616	516	Net Income (Mil)
-0.14	0.13	-3.28	-0.60	0.18	0.57	0.17	0.52	7.07	1.26	0.04	Diluted Earnings/Share
1,106	1,412	103	-310	877	510	1,972	3,759	5,336	997	3,685	Operating Cash Flow (Mil)
-1,039	-1,172	-754	-223	-216	-434	-681	-799	-1,483	-2,092	-2,346	Capital Spending (Mil)
68	239	-651	-533	661	76	1,290	2,961	3,853	-1,095	1,339	Free Cash Flow (Mil)
987	988	988	1,121	1,228	1,229	1,229	1,230	1,231	1,231	1,231	Avg Shares Outstand(Mil)

**Valuation** as of 29 Nov 2023

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Current	Calendar
0.87	0.86	0.83	1.77	1.34	0.86	0.88	1.06	0.65	0.49	0.71	Price/Fair Value <sup>Q</sup>
1.10	0.42	0.14	0.58	1.16	—	—	1.24	0.59	0.27	0.33	Price/Sales
—	18.87	—	—	—	—	—	—	2.32	1.88	—	Price/Earnings
7.38	4.55	2.80	—	55.50	—	—	5.09	3.82	4.02	2.28	Price/Cash Flow
0.85	0.31	0.10	0.36	0.79	—	—	1.32	0.91	0.37	0.41	Price/Book

**Operating Performance** as of 29 Nov 2023 (Fiscal Year End 31 Dec 2021)

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Q3	Fiscal (%)
-0.44	0.42	-11.11	-2.48	0.89	2.77	0.81	2.39	26.13	4.07	-0.53	Return on Assets
-0.85	0.78	-21.48	-4.97	1.71	5.18	1.51	4.65	49.54	7.2	-0.9	Return on Equity
0.04	0.99	-14.01	-2.09	3.13	2.96	1.13	4.12	37.09	6.23	-0.71	Rtn on Invested Capital

**Dividends** as of 29 Nov 2023

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Current	Calendar (%)
—	—	0.03	—	—	—	—	0.04	1.43	0.63	0.06	Dividend Per Share
—	—	2.66	—	—	—	—	0.32	—	11.02	4.39	Trailing Dividend Yield
—	—	—	—	2.42	—	—	—	—	—	0.0	Buyback Yield

# Appendix

**Economic Moat** <sup>®</sup>History as of 29 Nov 2023 (No Moat: 0.00-0.70, Narrow Moat: 0.70-0.99, Wide Moat: 0.99-1.00)

Year	January	February	March	April	May	June	July	August	September	October	November	December
2023	0.19	0.02	0.01	0.01	0.00	0.01	0.02	0.00	0.00	0.00	0.00	—
2022	0.18	0.15	0.15	0.16	0.15	0.17	0.20	0.06	0.07	0.08	0.20	0.15
2021	0.06	0.03	0.03	0.08	0.04	0.11	0.05	0.08	0.07	0.28	0.27	0.39
2020	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.05	0.32	0.04	0.05
2019	0.00	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.01	0.00	0.00	0.00
2018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

## Quantitative Equity Report Overview

The quantitative report on equities consists of data, statistics and quantitative equity ratings on equity securities. Morningstar, Inc.'s quantitative equity ratings are forward looking and are generated by a statistical model that is based on Morningstar Inc.'s analyst-driven equity ratings and quantitative statistics. Given the nature of the quantitative report and the quantitative ratings, there is no one analyst in which a given report is attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative equity ratings used in this report. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities.

### Quantitative Equity Ratings

Morningstar's quantitative equity ratings consist of: (i) Quantitative Fair Value Estimate, (ii) Quantitative Star Rating, (iii) Quantitative Uncertainty, (iv) Quantitative Economic Moat, and (v) Quantitative Financial Health (collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("Morningstar", "we", "our") calculates Quantitative Ratings for companies whether or not it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

i. **Quantitative Fair Value Estimate:** Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the Quantitative Fair Value Estimate using a statistical model derived from the Fair Value Estimate Morningstar's equity analysts assign to companies. Please go to <http://global.morningstar.com/equitydisclosures> for information about Fair Value Estimate Morningstar's equity analysts assign to companies.

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.

★ – 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*

★★ – 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)*

★★★ – 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)*

★★★★ – 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)*

★★★★★ – 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

### Other Definitions

i. **Last Close** – Price of the stock as of the close of the market of the last trading day before date of the report.

ii. **Quantitative Valuation** – Using the below terms, intended to denote the relationship between the security's **Last Price** and Morningstar's quantitative fair value estimate for that security.

**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.

**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.

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Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score. Unmanaged Risk is measured on an open-ended scale starting at zero (no risk) with lower scores representing less unmanaged risk and, for 95% of cases, the unmanaged ESG Risk score is below 50.

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of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit [sustainalytics.com/esg-ratings/](https://sustainalytics.com/esg-ratings/)

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