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CSN & CMIN

1Q23 Review: When the inventory burns down, so does profit

LatAm Metals & Mining

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Companies

CSNA3 BZ Equity
Neutral

Price: R$ 12,86 (03-May-2023)
Target Price 12M: R$ 16,50

CMIN3 BZ Equity
Neutral

Price: R$ 4,47 (03-May-2023)
Target Price 12M: R$ 5,50

Main takeaways for CMIN:

(i) Seasonal weather affects production (-4.3% q/q) and logistics; **(ii)** Realized price (+4.6% vs. Genial Est.) helps offset weaker seasonal dynamics; **(iii)** Better than expected revenue (+12.7% vs. Genial Est.), with higher prices and volumes; **(iv)** COGS/t with strong acceleration (+23,1% Genial Est.) due to problems caused by rainfall, positioning itself as the major negative point of the quarter; **(v)** EBITDA slightly above expected (+9,1% vs. Genial Est.); **(vi)** Weaker net income (-46.1% vs. Genial Est.)

Main takeaways for CSN:

(i) Steelmaking with inventory burn, increasing sales (+2.4% q/q) while production falls (-20% q/q) ; **(ii)** inventory burn in external M. cause major retraction in realized steel price (-9.1% vs. Genial Est.) ; **(iii)** With volume dropping, the domestic market witnessed flat prices; **(iv)** Cements with better volumes (+7.6% vs. Genial Est.), but worse prices (-4.5% vs. Genial Est.); **(v)** Revenue stable (+1,7% q/q); **(vi)** Inventory burn causes excess volume, prices fall apart and revenues contract (-4.6% q/q); **(vii)** Other divisions with revenue in line with estimates; **(viii)** Higher-than-expected costs (+9.5% vs. Genial Est.) due to logistical hurdles prolonging shipping time; **(ix)** Steel shows lower COGS/t (-7.4% vs. Genial Est.), despite production problems; **(x)** Cement follows in baby steps towards its synergies; **(xi)** EBITDA came in flat, in line with our estimate; **(xii)** Cement still does not move EBITDA anywhere (-16.1% q/q); **(xiii)** Non-recurring expense affects net income, cousin net loss (-R$822mn), but would still be weak if disregarded.

CSN and CMIN released their 1Q23 results yesterday, May 3th, after the market closed. Reporting some numbers above our expectation, **CMIN brought an increase in EBITDA,** even with seasonality penalizing its sales, **while CSN still suffers from its high leverage**, with most of its businesses **facing difficulties to deliver better results** in the short term.

With a relevant **inventory burn helping the volume in External M. steel division**, but with selling's being made at market prices, which are today at much lower levels, **we saw as a result a weaker performance** for the business unit.

Thus, despite a non-recurring effect on the bottom line of the holding, CSN brought a flat EBITDA, with mining maintaining its prominence as a supporting player, in order to avoid greater losses in the results, as **Steelmaking and Cement continue to drift away**, both due to their micro and macro challenges.

1Q23 Analysis

CMIN: Seasonal weather affects production and logistics. Negatively impacted in the quarterly comparison by higher rainfall volume, as usual for 1Qs, CMIN delivered production + purchases of 8.94Mt (+3.0% vs. Genial Est.). In line with expectations, the performance implies a -4.3% q/q drop and a +38.2% y/y increase. The double-digit year-on-year growth, besides highlighting part of the production ramp-up already taking effect, highlights how negative 1Q22 was due to the additional drawback that the lack of spacing during the rainy season in Quadrilátero Ferrífero (MG) caused a year ago.

Therefore, despite a slowdown in sales in March, due to setbacks on the MRS railroads, as we mentioned in our preview report, total sales came in at 8.62Mt (+1.7% vs. Genial Est.). We understand this is an excellent number, which gets even better when considering the achievement in a seasonality, common to 1Qs, of rains impacting sales volume.

If on the one hand, the company opted to prioritize external shipments during the quarter, which came in at 7.95Mt (+7.9% vs. Genial Est.), on the other hand, the de-prioritization of domestic sales over external shipments caused volume to come in well below expectations, at 0.67Mt (-39.5% vs. Genial Est.), creating a compensatory effect between the two dynamics and the total volume estimated by us for the quarter.

CMIN: Realized price helps offset weaker seasonal dynamics. Following the trend seen on the benchmark curve for 62% Fe ore, which rose +26% q/q, the Company's unit price stood at US$91.9/t (+4.6% vs. Genial Est.), showing a +34% q/q rise, but still facing a -14% y/y decline, tracking the benchmark curve.

Table 1. Production and Shipments CMIN (1Q23 vs. Genial Est.)

CMIN	1Q23	1Q23E		4Q22		1Q22	
(Millions tons)	**Consolidated**	**Genial Est.**	**% C/E**	**Consolidated**	**% q/q**	**Consolidated**	**% y/y**
Production + Third-party	**8,94**	**8,68**	**3,0%**	**9,34**	**-7,1%**	**6,47**	**34,2%**
Shipments	**8,62**	**8,47**	**1,7%**	**9,73**	**-12,9%**	**6,93**	**22,2%**
Domestic	0,67	1,10	-39,5%	1,19	-7,6%	1,11	-1,0%
External	7,95	7,37	7,9%	8,54	-13,7%	5,82	26,7%

Soure: CMIN, Genial Investimentos

CSN holding: Steelmaking with inventory burn, increasing sales while production falls. Steelmaking reported sales volume up (+2.4% q/q), even with lower production (-20% q/q), being the opposite of what was estimated and representing inventory consumption, with sales reaching 1,003kt in 1Q23 (+10.7% vs. Genial Est.).

We saw volume in foreign M. of 364kt (+41.1% vs. Genial Est.), up +35.3% q/q due to strong inventory reduction as a non-recurring effect, although sales to domestic M. were delivered in line with our estimate at 669kt (-0.9% vs. Genial Est.) down -9.5% q/q, feeling the economic slowdown as expected.

CSN holding: inventory burn in external M. cause major retraction in realized steel price. We understand that inventory consumption, directed to M. overseas, ended up negatively influencing realized prices, which suffered a big drop; reported at R$5,592/t in steelmaking (-9.1% vs. Genial Est.), compounding a retraction of -6.8% q/q and -17.9% y/y. Therefore, we identify the foreign M. as the major responsible, specifically in the subsidiaries of the Company located in Europe and USA, in which we observe a higher price detraction happening, with realized price at R$5,030/t (-16.7% vs. Genial Est.), an expressive contraction of -12.9% q/q and -25.0% y/y.

CSN holding: With volume dropping, the domestic market witnessed flat prices. We see that the decline seen in domestic M. volume reflected in a slightly more resilient realized price, removing exposure to weaker clients, causing the Company to report a domestic M. price of R$5,898/t (-4.8% vs. Genial Est.), retracting -3.2% q/q, which given the scenario of falling peer prices, we do not see as a necessarily negative number.

CSN holding: Cements with better volumes, but worse prices. Still having to put up with difficulties since the acquisition of LaFarge Holcim and facing a negative seasonality for the quarter due to the higher rainfall volume, which hinders the progress of works in constructions sites, the cement division reported sales of 3,091kt (+7.6% vs. Genial Est.), up +6.7% q/q vs. our estimate of stability, also consolidating a great increase of +158.7% y/y, demonstrating the unit's post-M&A step change. Nevertheless, prices were more impacted than expected, operating a -11.3% q/q drop, reaching the R$362/t mark (-4.5% vs. Genial Est.)

CSN holding: Revenue stable. Thus, CSN holding reported a warm top line in 1Q23, posting net revenues of R$11.3bn (+4.9% vs. Genial Est.), with a slight q/q progress and slightly above our expectations due to better net revenues in Mining, which clocked in at R$4.1bn (+12.7% vs. Genial Est.), when aggregating CMIN with Mineração Nacional and ARSE.

CMIN: Better than expected revenue, with higher prices and volumes. With reported net revenues of R$4.5bn (+12.7% vs. Genial Est.), the Company managed to grow top line even in a weak seasonality to its production, which we understand as a big positive point for the quarter, although it is also a reflection of the increase in the reference curve, which should not be kept at a similar level for the next quarters, considering that we expect a continued deceleration in the 62% Fe curve to US$95/t until the end of the year.

Table 2. Net Revenue CSN (1Q23 Genial Est.)

CSN (R$ millions)	1Q23 Consolidated	1Q23E Genial Est.	% C/E	4Q22 Consolidated	% q/q	1Q22 Consolidated	% y/y
Net Revenue	**11.319**	**10.786**	**4,9%**	**11.129**	**1,7%**	**11.770**	**-3,8%**
Steel	5.777	5.663	2,0%	6.055	-4,6%	7.882	-26,7%
Mining	4.141	3.673	12,7%	3.529	17,3%	3.861	7,2%
Porto	70	80	-12,5%	86	-18,8%	76	-7,8%
Railway	519	505	2,8%	608	-14,6%	458	13,2%
Energy	139	156	-10,8%	154	-9,6%	44	214,9%
Cement	1.119	1.089	2,8%	1.181	-5,3%	386	189,9%
Eliminations	(447)	(380)	17,5%	(483)	-7,5%	(938)	-52,3%

Soure: CSN, Genial Investimentos

CSN holding: Inventory burn causes excess volume, prices fall apart and revenues contract. Despite increasing volume q/q by +2.4%, the deceleration seen for prices by -6.8% q/q as a reflection of the outflow in inventories during the same period caused a slight loss in net revenues, which reached R$5.7bn in 1Q23 (+2.0% vs. Genial Est.). Despite the poor dynamics, we already expected a drop in revenue, so the main number was in line with our projections.

CSN holding: Other divisions with revenue in line with estimates. Delivering lower prices, but tied to higher volumes, the cement division ended up presenting, even in a slightly different dynamic than expected, a revenue within our expectation, with R$1.1bn (+2.8% vs. Genial Est.). In its logistics arm, both railroads and ports posted a q/q drop, as expected, with railroads being specifically impacted by the problems seen at MRS, forcing stoppages and leading to a lower amount of cargo handled, as we advanced in the earnings preview report.

CSN holding: higher-than-expected costs due to logistical hurdles prolonging shipping time. Delivering a consolidated COGS of -R$7.3b (+9.5% vs. Genial Est.), we see a +4.0% q/q rise caused by an embankment leak in the section known as "Ferrovia do Aço", operated by MRS, due to rains in Minas Gerais (MG). The Company altered the traffic in the Zona da Mata and Campo das vertentes, passing locomotives in both directions (on a temporary basis) in order to carry out repair works on the stretch. We understand that this maneuver delayed shipments on the CMIN side and caused other additional costs that made the CSN holding operations more expensive this quarter.

CMIN: COGS/t with strong acceleration due to problems caused by rainfall, positioning itself as the major negative point of the quarter. With the destruction of key MRS infrastructure that transports iron ore from CMIN, the Company was forced to use alternative routes to correct the flow of cargo to the ports, which led to large additional costs, in addition to a higher C1 cost caused by **(i)** demurrage charges at a higher level by the delay in shipments due to longer routes, **(ii)** an accelerating lease cost, reflecting the reference price for iron ore, and **(iii)** lower dilutions of fixed costs, even with a decrease around -US$3/t in freight cost, following the SSY reference curve. Therefore, arriving at a COGS/t of R$229/t (+23.1% Genial Est.), showing a strong acceleration in costs of +39.7% t/t.

Even though we expected all three points mentioned previously, dosing our estimates to reflect these dynamics, we believe that the result was catastrophic, reaching a much higher intensity than what we were expecting.

Thus, CMIN's consolidated COGS clocked in at -R$1.9bn (+22.8% vs. Genial Est.), showing a large increase in costs, up +23.8% q/q and +44.6% y/y, and running away from the general 4Qs dynamics, in which the Company is able to cut costs through lower production allied to a higher dilution capacity through inventory burn. On the other hand, the consolidated figures within CSN, added to other smaller mining companies, stood at -R$1.9bn (+30.0% vs. Genial Est.).

Table 3. COGS CSN (1Q23 vs. Genial Est.)

CSN (R$ millions)	1Q23 Consolidated	1Q23E Genial Est.	% C/E	4Q22 Consolidated	% q/q	1Q22 Consolidated	% y/y
COGS	**(7.303)**	**(6.671)**	**9,5%**	**(7.022)**	**4,0%**	**(6.652)**	**9,8%**
Steel	(4.711)	(4.611)	2,2%	(4.888)	-3,6%	(5.531)	-14,8%
Mining	(1.991)	(1.532)	30,0%	(1.611)	23,6%	(1.353)	47,1%
Porto	(50)	(50)	-0,1%	(47)	5,9%	(46)	8,1%
Railway	(243)	(304)	-20,1%	(286)	-15,0%	(218)	11,3%
Energy	(100)	(111)	-9,6%	(109)	-8,4%	(43)	132,2%
Cement	(802)	(769)	4,3%	(768)	4,4%	(218)	267,8%
Eliminations	595	705	-15,6%	687	-13,4%	759	-21,6%

Soure: CSN, Genial Investimentos

CSN holding: Steel shows lower COGS/t, despite production problems. With a big inventory burn going on, to replace the production inefficiencies the Company had during the quarter, COGS/t was very diluted, and reached R$4,861/t in 1Q23 (-7.4% vs. Genial Est.), down -5.7% q/q and -3.5% y/y.

CSN holding: Cement follows in baby steps towards its synergies. As expected for the quarter, the cement division did not show major cost efficiency improvements for 1Q23, reaching -R$802mn (+4.3% vs. Genial Est.), up +4.4% q/q and +267.8% y/y, both caused by the unit's sales increase.

CSN holding: EBITDA came in flat, in line with our estimate. Delivering a consolidated adjusted EBITDA of R$3.2bn (+6.3% vs. Genial Est.), we see an flat q/q number, as our estimates pointed out. The steelmaking unit delivered an EBITDA of R$754mn in 1Q23, in line with our projection, although showing different dynamics, with higher volumes from inventory burn at the overseas subsidiaries, but lower realized prices, offsetting the effect.

CMIN: EBITDA slightly above expected. By the sum of **(i)** higher than expected volumes, and **(ii)** better realized prices, CMIN's EBITDA came in above our expectations, reporting R$2.0bn (+9.1% vs. Genial Est.). Reporting a good result, despite facing the effect of the rains slowing down production and also causing in shipments to overdue, leading to a higher-than-normal cost level. We then saw the impact of delays in shipments due to the MRS railroad interruption contained a revenue mark up above what we expected.

CSN holding: Cement still does not move EBITDA anywhere. Keeping costs at high levels, the Cement unit has not shown enough evolution in efficiency management to increase optimism towards the unit, we sow just a shy improvement in COGS/t. With a R$222mn EBITDA delivery for 1Q23 (+21.2% vs. Genial Est.), we still observe a drop of -16.1% q/q, and a rise of +124.2% from the effects of its recent acquisitions.

Also, rail logistics was not as impacted as expected which even with a falling net revenue, caused by all the problems commented throughout the report, the better-than-expected cost retraction ended up bringing a better-than-expected EBITDA.

CSN holding: non-recurring expense affects net income, but would still be weak if disregarded. By keeping debt high, CSN continues to deliver very negative financial results, with -R$1.1bn in 1Q23 (+36.3% Genial Est.), and that directly affected its net income, which still had non-recurring operational expenses going through the P&L in an amount of -R$1.6bn, higher than normal for the line, to result in a loss of -R$822mn during the quarter, reversing the profit expectation we had for the Company around R$370mn, in a mostly negative quarter for the holding.

Table 6. Income Statment CSN (1Q23 vs. Genial Est.)

CSN (R$ millions)	1Q23 Consolidated	1Q23E Genial Est.	% C/E	4Q22 Consolidated	% q/q	1Q22 Consolidated	% y/y
Net Revenue	**11.318**	**10.786**	**4,9%**	**11.129**	**1,7%**	**11.770**	**-3,8%**
COGS	(7.303)	(6.671)	9,5%	(7.022)	4,0%	(6.652)	9,8%
Adjusted EBITDA	**3.203**	**3.013**	6,3%	**3.123**	2,6%	**4.718**	-32,1%
EBITDA Margin (%)	28,3%	27,9%	0,37p.p	28,1%	0,24p.p	40,1%	-11,78p.p
EBIT	**580**	**1.435**	-59,6%	**1.196**	-51,5%	**3.555**	-83,7%
EBIT Margin (%)	5,1%	13,3%	-8,18p.p	10,7%	-5,62p.p	30,2%	-25,08p.p
D&A	(781)	(805)	-3,0%	(825)	-5,4%	(635)	22,9%
Financial Result	(1.190)	(845)	40,8%	(1.181)	0,7%	(1.125)	5,8%
Net Income	**(823)**	**390**	**-**	**197**	**-518,2%**	**1.364**	**-160,3%**
Net Margin (%)	-7,3%	3,6%	-10,88p.p	1,8%	-9,04p.p	11,6%	-18,86p.p

Soure: CSN, Genial Investimentos

Our take on CSN and CMIN

Despite reporting a loss, CSN had some dynamics that we believe were mixed among its subsidiaries, with the positive highlight being CMIN, which showed good operating results, even amid some adversity that challenged it during the quarter.

Therefore, the holding company shows different dynamics for different businesses. If it were not for the adversity related to the logistics problem faced by MRS, the mining division (CMIN) would have performed even better, but we see other business divisions of the holding that still need to get more traction and become more mature for the Company to reap better fruits, such as the cement division, for example. Anyway, in the long run, the exposure to projects with a good execution, added to deleveraging, should shield CSN's new results, but for now, they remain weak, since only one of its largest businesses has added significantly to the results.

CMIN: Good result, despite some negative signals. In our view, the 1Q23 result was positive, as the Company managed to grow its EBITDA q/q, even with weaker production dynamics, which also affected its sales due to logistical barriers caused by the rains. Nevertheless, we would like to point out that a big part of the reason for the growth seen in this quarter is due to the appreciation of the iron ore benchmark curve, which reached above +US$120/t as the market was optimistic about the Chinese reopening.

From now on, we already see that the market lost the big gleam in the eyes regarding the Chinese opening, after indicators that came in lower than expected by consensus (not by us), and reflected in a drop in the reference curve, which should present a shrinkage in the 2Q23 average, in which we estimate US$115/t, reaching US$95/t by the end of the year.

We believe that the production ramp-up, which was a positive point in 1Q23, should make CMIN achieve the production guidance at 39-41Mt for 2023. Looking ahead, although we lower the execution risk rate per project in our model, as explained in our earnings preview, in view of the restructuring that the Company proposed at the end of last year in the maturity curve, we prefer to follow the deliveries from now on in order to understand how assertive CMIN will be regarding its execution schedule, considering that in the recent past it has created distrust by some institutional investors with whom we talked.

Thus, when combining **(i)** a more negative view regarding the demand for iron ore that the problems in the Chinese construction sector should bring, with **(ii)** uncertainties about the eventual ramp-up of production via projects, which represent the great value generation of CMIN's growth case, we still prefer to maintain a certain degree of short-sightedness.

Although we see a certain discount, trading at an **EV/EBITDA 23E** of **4.1x**, with an **FCF yield projection** of **4.3%**, we would like to observe the next results, in order to understand if the logistical difficulties with MRS will not affect the Company furthermore. With **almost non-short-term catalysts**, we still prefer to reiterate our **Neutral rating for CMIN (CMIN3-B3)**, with a **Target Price 12M** of **R$5.50** and **an upside of +23.04%** for the shares.

CSN holding: When the inventory burns down, so does profit. We see that during the last quarters, only one business (Mining) was the major responsible for bringing up the result, which otherwise would present a greater drop than the one seen in all P&L lines; showing that most of its businesses do not present a positive dynamic in the short term.

Nevertheless, in the midst of a result that came in in line in big numbers with our projections, we see the dynamics of the result as mixed, between a few points that can be framed as positive, and most of them framed in the negative box.

Thus, we see that the problems in production, which we consider one of the negative points, were helped by a inventory burn, which brought a good dilution in COGS/t, but tied to market prices much lower than estimated.

Our assessment is that the slab burn during the quarter was a non-recurring effect, caused by unscheduled production stoppages, rewarded by the sale of stocked slabs that were spawned at market prices, causing a relevant price decrease, but strongly advancing the volume in foreign M. In addition, the consumption of slabs inventory came tied to lower costs, which seems to have helped in the delivery of the results in 1Q23, since they would present an opposite dynamic made by worse prices and better volumes, in case of normality.

Even though it caused a more dilutive effect on COGS/t, the inventory burn did not favor the overall dynamics of the result, with the effect on cost being neutralized precisely by the mining sector's worsening efficiency due to the effect of the interruption of the MRS railway line, delaying shipments, as commented throughout the report. Therefore, the impact on CSN holding costs was cancelled out and all that was left was a falling revenue due to the sale being made at a much lower price, causing inventory burn to do the same thing profits. CSN Holding reported a net loss of -R$822mn during the quarter vs. our expectation of a profit of nearly R$370mn.

To summarize we see **(i)** inefficiencies causing production problems, **(ii)** loss in the realized price, even if due to a inventory burn at spot market prices, and **(iii)** a large volume loss in the domestic market to seek price maintenance, as negative points that bring some uncertainty regarding the steel industry.

With the cement division still at a slow pace, although we expect a significant improvement as of 2H23, we still see a lot of uncertainty present in side businesses, which still does not add enough to justify the exposure in the holding in the short term. In addition, **the leverage above peers is always mentioned when we talk to institutional investors** about the Company, so we see the de-prioritization of the debt reduction process to continue growing businesses that do not yet present the necessary profitability as a point of attention, which continues to be closely monitored when it comes to CSN.

Therefore, trading at an **EV/EBITDA 23E** of **3.9x** even though we understand that CSN is currently investing in diversification to take competitive advantages over other peers that are focused on steelmaking, and that through excess leverage the market devaluates a lot of Company's shares, we believe that the **CSN holding will still have to show more consistent results beyond the mining division in order to have more visibility to attract institutional investors back**. While the results do not appear, we reiterate our **Neutral recommendation for CSN holding (CSNA3-B3)**, with a **Target Price 12M** to **R$16.50**, which gives the shares an **upside** of **+28.30%**.

Appendix: CMIN

Figure 1. CMIN – Income Statment in BRL Millions (Genial Est. 2023-2028)

Income Statement	2023E	2024E	2025E	2026E	2027E	2028E
Net Revenue	**14.797**	**11.858**	**12.429**	**15.799**	**17.162**	**17.198**
(-) COGS	(6.955)	(6.278)	(6.935)	(8.311)	(9.259)	(9.374)
Gross profit	**7.842**	**5.579**	**5.494**	**7.488**	**7.903**	**7.824**
(-) Expenses	(2.562)	(2.053)	(2.152)	(2.736)	(2.971)	(2.978)
EBIT	**5.280**	**3.526**	**3.341**	**4.752**	**4.931**	**4.846**
(+/-) Financial result	(737)	(810)	(731)	(760)	(906)	(983)
EBT	**4.543**	**2.716**	**2.611**	**3.992**	**4.025**	**3.863**
(-) Taxes	(1.417)	(847)	(814)	(1.245)	(1.255)	(1.205)
Net income	**3.126**	**1.869**	**1.797**	**2.747**	**2.770**	**2.659**
Profatability						
Net margin (%)	21,13%	15,76%	14,45%	17,39%	16,14%	15,46%

Figure 2. CMIN – Cash Flow in BRL Million (Genial Est. 2023-2028)

Cash Flow	2023E	2024E	2025E	2026E	2027E	2028E
Net Revenue	**14.797**	**11.858**	**12.429**	**15.799**	**17.162**	**17.198**
(-) COGS	(6.955)	(6.278)	(6.935)	(8.311)	(9.259)	(9.374)
EBITDA ajustado	**4.415**	**4.441**	**4.361**	**5.848**	**6.557**	**6.378**
EBIT	**5.280**	**3.526**	**3.341**	**4.752**	**4.931**	**4.846**
(-) Taxas	(1.417)	(847)	(814)	(1.245)	(1.255)	(1.205)
(+) D&A	1.140	1.281	1.512	1.757	2.005	2.251
(+/-) Δ WK	(74)	114	(19)	(223)	(39)	-47
(-) Capex	(3.473)	(2.574)	(4.343)	(4.329)	(4.382)	(4.437)
FCFF	**1.456**	**1.500**	**(322)**	**712**	**1.260**	**1.408**

Appendix: CSN

Figure 1. CSN – Income Statment in BRL Millions (Genial Est. 2023-2028)

Income Statement	2023E	2024E	2025E	2026E	2027E	2028E
Net Revenue	**43.098**	**43.117**	**45.904**	**51.212**	**53.654**	**50.465**
(-) COGS	(26.186)	(24.834)	(26.675)	(29.426)	(30.494)	(29.883)
Gross profit	**16.912**	**18.282**	**19.230**	**21.786**	**23.161**	**20.582**
(-) Expenses	(7.491)	(7.318)	(7.584)	(8.240)	(8.599)	(8.345)
EBITDA	**9.421**	**10.964**	**11.645**	**13.546**	**14.561**	**12.237**
(-) D&A	(3.361)	(3.682)	(4.087)	(4.431)	(4.648)	(4.724)
EBIT	**6.060**	**7.283**	**7.559**	**9.115**	**9.914**	**7.513**
(+/-) Financial result	(3.119)	(3.125)	(3.106)	(3.201)	(3.293)	(3.048)
(-) Taxes	(1.000)	(1.414)	(1.514)	(2.011)	(2.251)	(1.518)
Net income	**1.941**	**2.744**	**2.939**	**3.904**	**4.370**	**2.947**
Profatability						
Net margin (%)	4,50%	6,36%	6,40%	7,62%	8,14%	5,84%

Figure 2. CSN – Cash Flow in BRL Million (Genial Est. 2023-2028)

Cash Flow	2023E	2024E	2025E	2026E	2027E	2028E
Net Revenue	**43.098**	**43.117**	**45.904**	**51.212**	**53.654**	**50.465**
(-) COGS	(26.186)	(24.944)	(26.942)	(29.730)	(30.802)	(30.182)
Adjusted EBITDA	**9.421**	**10.855**	**11.378**	**13.242**	**14.253**	**11.937**
EBIT	**6.060**	**7.174**	**7.291**	**8.811**	**9.606**	**7.214**
(-) Taxes	(1.038)	(1.417)	(1.469)	(1.955)	(2.194)	(1.464)
(+) D&A	3.361	3.682	4.087	4.431	4.648	4.724
(+/-) Δ WK	(879)	(425)	(125)	(216)	22	32
(-) Capex	(4.236)	(4.174)	(4.900)	(5.330)	(4.890)	(4.877)
FCFF	**3.267**	**4.840**	**4.884**	**5.740**	**7.191**	**5.629**

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	Definition	Coverage
Buy	Expected total return 10% above the company's sector average	**54%**
Neutral	Expected total return between +10% and -10% the company's sector average	**33%**
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