genial | Equity Research

CSN & CMIN

2Q23 Review: Squeezed between steel, iron, and concrete.

LatAm Metals & Mining

Main takeaways for CMIN:

(i) Iron ore volume increasing rapidly, in pursuit of exceeding guidance of 39-41Mt for 2023; **(ii)** With falling benchmark curve for ore, CMIN realized prices fall hard; **(iii)** Top line falling double digit; **(iv)** COGS/t improving slightly, but it is still at high levels; **(v)** EBITDA halving, down -45,6% q/q, but above estimate (+3.6% vs. Genial Est,) ; (vi) Stable net income q/q, with non-recurring effect positively affecting; **(vii)** Trading at an **EV/EBITDA 23E** of **4.3x**, we reiterate our **Neutral rating**, at a **12M Target Price** of **R$5.00**, implying an upside of **+15.74%**.

Main takeaways for CSN:

(i) Steel industry delivering weak sales, carrying production glitches started in 1Q23; **(ii)** Steel division with flat prices, but in opposite dynamics between domestic and foreign markets; **(iii)** Cement in an aggressive commercial strategy hits on prices buy improves volume; **(iv)** Railroad logistics shows recovery with operational enhancement at MRS; **(v)** Revenue suffering q/q, down -2,9% at R$10.9bn (+1% vs. Genial Est.); **(vi)** COGS/t in the steel division remains high with little capacity for cost dilution and high inputs; **(vi)** Consolidated EBITDA at R$2.2bn, falling -29.6% y/y and being pulled by steel and mining; **(vii)** In a financial result still impacted by leverage, a non-recurring effect avoids a net loss in the bottom line; **(viii)** Trading at an **EV/EBITDA 23E** of **5.5x**, we reiterate our **Neutral rating**, with a **12M Target Price** of **R$15.00**, ending up leaving the shares with **upside** of **+12.78%**.

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Companies

CSNA3 BZ Equity
Neutral

Price: R$ 13,35 (02-Aug-2023)
Target Price 12M: R$ 15,00

CMIN3 BZ Equity
Neutral

Price: R$ 4,32 (02-Aug-2023)
Target Price 12M: R$ 5,00

CSN Holding and CMIN released their 2Q23 results yesterday, 08/03/2023, after market close. Reported numbers were **broadly in line with expectations**, in a quarter of **slowdown for both companies**, negatively impacted in prices by the sectorial conjuncture in China, while **costs remain relatively high**.

2Q23 Preview

CMIN: Volumes grow strongly as negative seasonality exits and shipments normalize. CMIN delivered sales volumes of 11.26Mt (+3.4% vs. Genial Est.), up +30.6% q/q and +23.8% y/y following the resolution of logistical bottlenecks on MRS rail lines, which despite bringing a higher share of third-party purchases in the total, reflects the high possibility of exceeding 2023 guidance at 39-41Mt.

CMIN: Realized prices fall more than the reference curve. With the international curve for 62% Fe iron ore falling to US$111/t vs. US$125/t in 1Q23, CMIN's price ended up being negatively influenced, reaching US$66/t (vs. US$92/t in 1Q23), in line with our expectations of US$67/t Genial Est., suffering negative impacts from lower provisioned prices.

Table 1. Production and Shipments CMIN (2Q23 vs. Genial Est.)

CMIN (Million tonnes)	2Q23 Reported	2Q23E Genial Est.	% R/E	1Q23 Reported	% q/q	2Q22 Reported	% y/y
Production + Purchases	**11,15**	**10,93**	**2,0%**	**8,94**	**24,6%**	**9,61**	**16,0%**
Total Shipments	**11,26**	**10,88**	**3,4%**	**8,62**	**30,6%**	**9,10**	**23,8%**
Internal Market	1,00	0,87	15,3%	1,11	-10,0%	1,12	-10,9%
External Market	10,26	10,02	2,4%	7,51	36,6%	7,97	28,6%

Soure: CMIN, Genial Investimentos

CSN Holding: Consolidated volume up q/q, but still below normalized values. Due to the adversities that limited steel production in the domestic market during 1Q23 still going on for good part of quarter, total sales stood at 1,051kt (vs. 1,052kt Genial Est.), fully in line with our estimates, rising +1.7% q/q, but falling -1.5% y/y, In just one month with normalized production. The expectation for 2H23 is for a sequential improvement, but still with challenging projections while reaching the guidance in 2023 of 4,670kt, which did not count on the adversities in 1H23. We continue with our view that CSN should eventually revise guidance further down the road.

Therefore, domestic market had a ramp-up to 739kt (+3.4% vs. Genial Est.), rising +10.5% q/q due to the better dynamics at the Presidente Vargas plant (RJ), which had the last month of the quarter with the obstacles in the internal locomotion of the plant completely equated. The foreign market, on the other hand, fell to 337kt (-7.4% vs. Genial Est.), facing difficulties with the slowdown in the European and US markets, which represent a large part of its sales by its subsidiaries abroad.

CSN Holding: Steel prices stable, with DM marginally up and FM marginally down. On the consolidated realized steel price, CSN reported a flat q/q number, coming in at R$5,650/t (vs. +1% Genial Est.), going in the direction of our estimates for a very mild upside of only +1.1% q/q and down -21.7% y/y, due to a neutral dynamic in the domestic market (DM). Despite the +4% adjustments given for orders placed as of April, some discounts in the following months ended up cooling this attempt to rise prices, reaching R$5,900/t (+0.2% q/q; -18.5% y/y). While in the foreign market (FM), with the slowdown in volumes, the price ended up being prioritized, and reached +6.4% Genial Est., since we expected a sharper drop, not stability. The realized price delivery ended up at R$5,050/t (-0.2% q/q; -29.6% y/y).

CSN Holding: Cement with a commercial strategy that prioritizes volume over price. Since the acquisition of LaFarge Holcim's operations in Brazil, the cement division continues to increase its volume, reaching 3.3Mt (+7.8% q/q; +164.3% y/y), but this ends up reflecting a retraction in the realized price, which was reported at R$343/t (-3.6% vs. Genial Est.), falling slightly q/q by -5.4%. As we commented in our preview report, the cement division's aggressive commercial strategy to compete for share with Votoratim makes it difficult to increase the operation's profitability.

CSN Holding & CMIN: Revenues down slightly q/q. Both companies reported revenues cooling in 2Q23, with CMIN reaching R$3.6bn (+4.5% vs. Genial Est.), falling -12.3% q/q and rising +39.2% y/y, as production ramp-up was not enough to offset the negative dynamics in price realization on a quarterly basis.

For CSN holding, consolidated net revenue clocked in at R$11.0bn (-2.9% q/q; +4.0% y/y), negatively driven in the near term by mining, with a marginal uptick in steel to R$5.9bn (+2.9% q/q; -22.9% y/y), in line with our estimates (+0.5% Genial Est.) of a small recovery in volume and price. On a longer-term basis, steel division posted a strong double-digit y/y decline, but that was offset by the increases realized during the period within CMIN and the cement division through the previous quarters; which in turn to came in at R$1.1bn (-5.4% vs. Genial Est.), with a very marginal increase of +2.0% q/q; below our expectation, despite the strong +140.4% y/y growth from the LaFarge Holcim acquisition.

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

CSN	2Q23	2Q23E		1Q23		2Q22	
(R$ Millions)	**Reported**	**Genial Est.**	**% R/E**	**Reported**	**% q/q**	**Reported**	**% y/y**
Net Revenue	**10.989**	**10.884**	**1,0%**	**11.319**	**-2,9%**	**10.566**	**4,0%**
Steel	5.943	5.912	0,5%	5.777	2,9%	7.706	-22,9%
Mining	3.631	3.475	4,5%	4.141	-12,3%	2.608	39,2%
Porto	54	76	-28,7%	70	-22,7%	77	-30,1%
Railway	668	591	13,1%	519	28,7%	592	12,8%
Energy	159	142	11,8%	139	14,0%	47	236,0%
Cement	1.142	1.207	-5,4%	1.119	2,0%	475	140,4%
Eliminations	(609)	(519)	17,4%	(447)	36,2%	(940)	-35,2%

Soure: CSN, Genial Investimentos

CMIN: COGS/t easing, but still at an above historical level. We see some positive and some negative factors within CMIN's COGS/t, as although the MRS line issues have been resolved for the quarter, and higher sales volume helping fixed cost dilution, the increase in freight cost, with the SSY (Tubarão-Qingdao) benchmark rising by +US$3/t (US$21/t in 2Q23 vs. US$18/t in 1Q23), and higher third-party purchases in 2Q23 brought COGS/t to R$211/t (+1.0% vs. Genial Est.), falling -7.9% y/y. As a result, I a consolidated nominal cost within the holding of R$2.3bn (+19.2% q/q; +49.2% y/y), in line with our estimates.

CSN Holding: Steel division still suffering from high costs. With volumes below normalized levels, the COGS/t of the steel division is still not able to dilute costs, which faces in 2Q23 the rising prices of ore and coke that occurred in 1Q23, due to the natural delay of the passthrough of these inputs in the P&L, causing its COGS/t to reach R$5,150/t (+6.1% q/q; -5.0% y/y), following our projections of a slight increase. This resulted in a consolidated nominal value of R$5.1bn (+1.5% Genial Est.), up +8.3% q/q and down -7.0% y/y. In the overall consolidated, CSN Holding reported rising figures for its costs, coming in at R$7.9bn (-0.2% Genial Est.), fully within what we expected, showing a progression of +9.3% q/q and +15.2% y/y.

CSN Holding: Cement costs easing on higher dilution capacity. Despite a rise in raw material costs such as pet coke, the unit's COGS/t was reported at R$239/t (-9.5% vs. Genial Est.), lower than we expected. In the first quarter after the consolidation of its recent M&A, making it the 2nd largest player in the sector, CSN's cement division brought an improvement in cash cost, mainly due to the greater dilution capacity that the increase in sales brought, which we understand as positive. Therefore, the cement division closed 2Q23 with a consolidated nominal cost of R$796mn (-0.6% q/q; +226.3% y/y), coming -11.1% vs. Genial Est., so that it starts to give visibility of potential synergy gains in the operating margin of the business line.

Table 3. COGS CSN (2Q23 vs. Genial Est.)

CSN	2Q23	2Q23E		1Q23		2Q22	
(R$ Millions)	Reported	Genial Est.	% R/E	Reported	% q/q	Reported	% y/y
COGS	**(7.969)**	**(7.988)**	**-0,2%**	**(7.292)**	**9,3%**	**(6.917)**	**15,2%**
Steel	(5.102)	(5.027)	1,5%	(4.710)	8,3%	(5.488)	-7,0%
Mining	(2.372)	(2.269)	4,5%	(1.990)	19,2%	(1.589)	49,2%
Porto	(49)	(53)	-8,0%	(49)	-0,3%	(45)	7,7%
Railway	(255)	(262)	-2,5%	(242)	5,4%	(260)	-2,0%
Energy	(75)	(100)	-24,9%	(99)	-24,1%	(45)	66,0%
Cement	(796)	(895)	-11,1%	(801)	-0,6%	(244)	226,3%
Eliminations	690	618	11,6%	599	15,2%	755	-8,6%

Soure: CSN, Genial Investimentos

CMIN: Adjusted EBITDA suffering from lower realized price. Company brought to 2Q23 an Adjusted EBITDA of R$1.1bn (+3.6% Genial Est.), showing a strong sequential drop of -45.6% q/q, despite the +21.0% y/y rise. We believe the result was mainly affected by **(i)** a rather intense -28.3% q/q drop in realized price; **(ii)** costs remaining at relatively high levels still, while **(iii)** the exit from a negative seasonality helped volume ramp-up. In addition, it is worth remembering that although the results were perfectly in line with expectations, in the consolidation within CSN holding, in the mining business line, the number ended up being minimally different, due to other smaller mining companies interfering in the result.

CSN Holding: Sharp drop in EBITDA of -30% q/q. In a number pulled down by its two main units, both mining and steel. Reaching a consolidated R$2.2bn (+15.4% vs. Genial Est.), coming in better than expected despite the robust -29.6% q/q drop. Even though it was not a good performance in the consolidated quarter, we believe that the excellent volume of the mining business division, slightly above our already optimistic projections, combined with a realized price in line with estimates for CMIN, ended up leading to a stronger than expected mining EBITDA, at R$1.1bn (+16% vs. Genial Est.), thus helping to mitigate somewhat the loss of operational delivery in the steel division. The latter, in turn, posted an EBITDA of R$553mn (-4.1% vs. Genial Est.), which falls -26.6% q/q with cost dynamics rising more strongly than its revenue.

Moreover, despite an improvement in cost efficiency, the cement division still continues with a partially slow result progression, with an EBITDA of R$224mn, practically flat t/t with its more aggressive commercial policy, which brings sales increase but also price retraction. The positive highlight in the result is the logistics part, as we had anticipated in our earnings preview report, through the resolution of the inconveniences related to route changes in MRS rail lines, which affected the Company last quarter. Given the normalization of the operation, we see a progression in cargo flow for 2Q23, also driven by the greater need to handle iron ore due to CMIN's strong production in the quarter, enabling an EBITDA of R$362mn (+54.6% vs. Genial Est.).

Table 4. EBITDA CSN (2Q23 vs. Genial Est.)

CSN (R$ Millions)	2Q23 **Reported**	2Q23E **Genial Est.**	**% R/E**	1Q23 **Reported**	**% q/q**	2Q22 **Reported**	**% y/y**
Adjusted EBITDA	**2.263**	**1.962**	**15,4%**	**3.213**	**-29,6%**	**3.263**	**-30,6%**
Steel	553	577	-4,1%	754	-26,6%	1.905	-71,0%
Mining	1.112	959	16,0%	2.025	-45,1%	931	19,4%
Porto	3	20	-85,2%	19	-84,0%	24	-87,6%
Railway	362	288	25,9%	234	54,6%	298	21,6%
Energy	69	34	102,7%	28	146,8%	(6)	-1211,4%
Cement	224	208	7,7%	222	0,8%	163	37,8%
Eliminations	(60)	(132)	-54,5%	(79)	-23,6%	(52)	15,2%

Soure: CSN, Genial Investimentos

CMIN: Net profit weaker, but higher than expected. With a financial result of -R$506mn due to negative FX variations of ~-R$300mn, CMIN ended the quarter with a net profit of R$494mn (vs. R$274mn Genial Est.), slightly cooling q/q by -4.2% and -40.2% y/y, above our estimates due to higher-than-expected other operating revenues. On a net margin of 12.3%, up +0.88p.p. q/q.

Table 5. Income Statement CMIN (2Q23 vs. Genial Est.)

CMIN (R$ Millions)	2Q23 **Reported**	2Q23E **Genial Est.**	**% R/E**	1Q23 **Reported**	**% q/q**	2Q22 **Reported**	**% y/y**
Net Revenue	**4.014**	**3.684**	**9,0%**	**4.514**	**-11,1%**	**2.679**	**49,8%**
Domestic Market	251	127	97,4%	260	-3,5%	390	-35,7%
External Market	3.662	3.557	3,0%	4.254	-13,9%	2.289	60,0%
COGS	(2.375)	(2.257)	5,2%	(1.978)	20,1%	(1.598)	48,6%
Adjusted EBITDA	**1.098**	**1.060**	**3,6%**	**2.018**	**-45,6%**	**907**	**21,0%**
EBITDA Margin (%)	27,4%	28,8%	-1,42p.p	44,7%	-17,35p.p	33,9%	-6,51p.p
EBIT	**1.085**	**498**	**118,0%**	**1.149**	**-5,5%**	**664**	**63,5%**
EBIT Margin (%)	27,0%	13,5%	13,52p.p	25,4%	1,59p.p	24,8%	2,26p.p
D&A	(247)	(393)	-37,2%	(250)	-1,2%	(237)	4,2%
Financial Result	(506)	(93)	443,1%	(381)	32,8%	568	-189,0%
Net Income	**494**	**274**	**80,1%**	**516**	**-4,2%**	**826**	**-40,2%**
Net Margin (%)	12,3%	7,4%	4,86p.p	11,4%	0,88p.p	30,8%	-18,51p.p

Soure: CSN, Genial Investimentos

Table 5. Income Statement CMIN (2Q23 vs. Genial Est.)

CSN (R$ Millions)	2Q23 Reported	2Q23E Genial Est.	% R/E	1Q23 Reported	% q/q	2Q22 Reported	% y/y
Net Revenue	**10.989**	**10.884**	**1,0%**	**11.319**	**-2,9%**	**10.566**	**4,0%**
COGS	(7.969)	(7.988)	-0,2%	(7.292)	9,3%	(6.917)	15,2%
Adjusted EBITDA	**2.263**	**1.962**	**15,4%**	**3.213**	**-29,6%**	**3.263**	-30,6%
EBITDA Margin (%)	20,6%	18,0%	2,57p.p	28,4%	-7,8p.p	30,9%	-10,28p.p
EBIT	**1.140**	**499**	**128,6%**	**581**	**96,4%**	**1.771**	-35,6%
EBIT Margin (%)	10,4%	4,6%	5,79p.p	5,1%	5,25p.p	16,8%	-6,39p.p
D&A	(776)	(992)	-21,8%	(781)	-0,7%	(643)	20,7%
Financial Result	(1.186)	(859)	38,0%	(1.190)	-0,3%	(890)	33,3%
Net Income	**283**	**(361)**	**-178,5%**	**(823)**	**-134,4%**	**369**	-23,4%
Net Margin (%)	2,6%	-3,3%	5,89p.p	-7,3%	9,84p.p	3,5%	-0,92p.p

Soure: CSN, Genial Investimentos

CSN Holding: Non-recurring effect creates loss reversal. Due to leverage continuing to jeopardize net income formation due to high financial expenses, the financial result continues to weigh and play against CSN at -R$1.1bn in 2Q23. However, there was a non-recurring effect, related to the reversal of provisions, passing through the income tax line in the P&L, promoting a reversal of the loss earned in the previous quarter in net income in this quarter, in the order of R$283mn (-23.4% y/y).

Our take on CSN and CMIN

Cash flow generation shows positive working capital dynamics. For CSN holding, adjusted free cash flow (FCF) generation was R$745mn in 2Q23, counting on a working capital release of +R$1.3bn, mainly due to the strong unlocking of inventories in the mining segment, which helped to avoid a cash burn. Generation was slightly above what we projected. For CMIN, adjusted cash flow (FCF) in 2Q23 was R$1.1bn, positively impacted by a strong reduction in accounts receivable that reflected in lower working capital pressure, in the order of R$857mn, bringing cash generation higher than EBITDA. Therefore, keeping its leverage low, closing with 0.03x Net Debt/EBITDA.

CMIN: Although CMIN's growth case is picking up traction, given our expectations of potentially exceeding volume guidance between 39-41Mt for 2023, we still see that delays in production ramp-up caused by **(i)** setbacks in its infrastructure, and **(ii)** postponement of project schedules, end up imposing challenges for its growth to such an extent that the current guidance was previously given as the 2022 initial guidance without revisions, while several important projects for value generation have been postponed years ahead.

It is for these reasons that we emphasize that the Company is chasing to regain the confidence of institutional investors, considering that there has been a shake-up in the face of CMIN's very fresh history in capital markets (IPO in 2021). In this scenario, with our expectation of a deteriorating demand with a weakened Chinese real estate market in the coming years, value generation from growth projects that materialize its thesis, should happen at a time when reference curves will be more cooled, given our expectation of 62% Fe ore reaching US$75/t in 2028. Therefore, like Vale, CMIN will have to seek, in addition to increasing volume, to increase the penetration of high-grade iron ore over time, in order to shield the realized price a little more.

We prefer to **remain conservative on the stock for now**. Trading at an **EV/EBITDA 23E** of **4.3x**, we reiterate our Neutral rating, at a 1**2M Target Price** of **R$5.00**, implying an upside of **+15.74%.**

CSN Holding: In a scenario in which a CSN Holding presents difficulties in most of its business lines, keeping leverage high, reaching **2.78x Net Debt/EBITDA**, **increasing** sequentially **compared to last quarter**, and **distancing itself from the target** proposed for 2023 by management at the Investor Day **of 1.5-2x**, we see that **(i)** steel, **(ii)** mining and **(iii)** cement, the main business units of the holding, continue to move sideways in the short term.

(i) Steel division suffers from **(a)** locomotion capacity restrictions within the mill, which was constrained by a small glitch, being catalyzed until it reached a larger problem, significantly hampering production, leaving CSN without much expectation of reaching its sales guidance of 4,670kt in 2023, considering that the Company sold only 2,083kt during 1H23. In addition, the steel division is also being hit by both **(b)** regional economic slowdown, and **(c)** pressure of steel exports from China, which hinders price adjustments by domestic steelmakers (more on this topic in the sector report we published, link), given the premiums for flat steel at a current level of +20-25%.

As for the **(ii) Mining division**, we see between 2021 and 2022 **(a)** continued ramp-up and start-up delays by CMIN, although the good delivery in 1H23 makes us more optimistic about the recovery of credibility of the investment thesis. Still, we contemplate the materialization of our counter-consensus scenario from late last year, on **(b)** unrealistic expectations of iron ore price acceleration with the macro in China not being conducive to enabling a post-covid-zero boom this year, as well as negative long-term sector outlook given our thesis of age pyramid inversion in China, affecting commodity demand.

Looking at **(iii) Cement**, through the 2Q23 result, we are starting to see slight signs on the synergies from the LaFarge Holcim acquisition, with COGS/t below what we expected, although still a very slow EBITDA progression and margin below what we would like to see. In the face of **strong near-term challenges** for the three main business units, we see **no catalyst for investor value creation**. Therefore, trading at an **EV/EBITDA 23E** of **5.5x**, we reiterate our **Neutral rating**, with **12M Target Price** of **R$15.00**, **upside** of **+12.78%**.

Appendix: CMIN

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

Income Statement	2023E	2024E	2025E	2026E	2027E	2028E
Net Revenue	**12.367**	**12.320**	**12.434**	**15.622**	**17.487**	**17.514**
(+) Domestic Market	1.309	1.272	1.192	1.175	1.122	1.047
(+) External Market	11.058	11.048	11.242	14.447	16.365	16.467
(-) COGS	(7.929)	(8.029)	(8.488)	(10.173)	(11.446)	(11.944)
Gross Profit	**4.438**	**4.291**	**3.946**	**5.449**	**6.041**	**5.570**
(-) Expenses	(1.067)	(1.062)	(1.072)	(1.348)	(1.510)	(1.512)
EBIT	**3.371**	**3.229**	**2.874**	**4.101**	**4.531**	**4.058**
(+/-) Financial Result	(87)	4	60	(8)	(143)	(221)
EBT	**3.284**	**3.233**	**2.934**	**4.093**	**4.388**	**3.837**
(-) Taxes	(1.054)	(1.037)	(941)	(1.314)	(1.410)	(1.232)
Net Income	**2.230**	**2.196**	**1.993**	**2.779**	**2.978**	**2.605**
Profitability						
Net Margin (%)	18,03%	17,82%	16,03%	17,79%	17,03%	14,87%

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

Cash Flow	2023E	2024E	2025E	2026E	2027E	2028E
Net Revenue	**12.367**	**12.320**	**12.434**	**15.622**	**17.487**	**17.514**
(-) COGS	(7.929)	(8.029)	(8.488)	(10.173)	(11.446)	(11.944)
Adjusted EBITDA	**4.415**	**4.441**	**4.361**	**5.848**	**6.557**	**6.378**
EBIT	**3.371**	**3.229**	**2.874**	**4.101**	**4.531**	**4.058**
(-) Taxes	(1.054)	(1.037)	(941)	(1.314)	(1.410)	(1.232)
(+) D&A	1.362	1.531	1.807	2.099	2.395	2.690
(+/-) Δ WK	97	71	(2)	(175)	(83)	(23)
(-) Capex	(4.150)	(3.075)	(5.190)	(5.173)	(5.236)	(5.303)
FCFF	**(374)**	**719**	**(1.452)**	**(462)**	**197**	**190**

Appendix: CSN

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

Income Statement	2023E	2024E	2025E	2026E	2027E	2028E
Net Revenue	**41.228**	**42.428**	**46.666**	**52.653**	**56.345**	**56.855**
(-) COGS	(28.953)	(29.067)	(31.872)	(35.076)	(37.229)	(38.053)
Gross Profit	**12.275**	**13.360**	**14.794**	**17.576**	**19.116**	**18.802**
EBIT	**2.063**	**3.598**	**4.225**	**6.681**	**8.101**	**7.673**
(+/-) Financial Result	(3.563)	(3.171)	(3.369)	(3.672)	(3.924)	(3.916)
EBT	**(1.500)**	**428**	**855**	**3.009**	**4.178**	**3.757**
(-) Taxes	(276)	(204)	(365)	(1.023)	(1.420)	(1.277)
Net Income	**(1.776)**	**224**	**490**	**1.986**	**2.757**	**2.479**
Profitability						
Net Margin (%)	-4,31%	0,53%	1,05%	3,77%	4,89%	4,36%

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

Cash Flow	2023E	2024E	2025E	2026E	2027E	2028E
Net Revenue	**41.228**	**42.428**	**46.666**	**52.653**	**56.345**	**56.855**
(-) COGS	(28.953)	(29.067)	(31.872)	(35.076)	(37.229)	(38.053)
Adjusted EBITDA	**5.321**	**7.220**	**8.297**	**11.097**	**12.841**	**12.670**
EBIT	**2.063**	**3.598**	**4.225**	**6.681**	**8.101**	**7.673**
(-) Taxes	(276)	(204)	(365)	(1.023)	(1.420)	(1.277)
(+) D&A	3.258	3.622	4.072	4.417	4.739	4.997
(+/-) Δ WK	(1.933)	(553)	(194)	(203)	(136)	(70)
(-) Capex	(4.789)	(5.452)	(6.142)	(6.113)	(5.586)	(5.629)
FCFF	**-1.677**	**1.011**	**1.595**	**3.758**	**5.698**	**5.694**

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	Definition	Coverage
Buy	Expected return above +10% in relation to the Company's sector average	**46%**
Neutral	Expected return between +10% and -10% relative to the Company's industry average	**44%**
Sell	Expected return below -10% in relation to the Company's sector average	**5%**
under Review	Under review	**5%**

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