genial Equity Research

CSN & CMIN

1Q24 Preview: Turning wine into water

LatAm Metals & Mining

Main takeaways for CMIN:

(i) Projected realized price close to US$67/t Genial Est. (-32.4% q/q; -33.1% y/y); **(ii)** COGS/t still under pressure at C1/t, which should reach US$24.8/t Genial Est. (+13.3% q/q); **(iii)** EBITDA will be squeezed, with much weaker price realization, downward volume seasonality and higher costs; **(iv)** Net income projected to fall sharply by -90% q/q and 71% y/y; **(v)** Looking ahead, the company should enjoy better realized prices and **constant high production in the coming quarters**, with a better mix through reduced penetration of third-party iron ore. **(vi) We have changed cost assumptions**, due to **weakened viability in C1/t**, damaged by geological inflation pressures. Consequently, trading at an **EV/EBITDA 24E** of **4.0x**, **we lower** our **12M Target Price** to **R$6.00** (vs. R$6.20 previously), remaining with a **BUY rating**, due to the **upside** of **+17.19%**.

Main takeaways for CSN:

(i) Focusing on selling products with lower added value due to competitive pressures with Chinese steel, CSN sold more hot-rolled coil (HRC) and impoverished the mix. As a result, we estimate a decline of -3.1% q/q in steel shipments and a subtle improvement of +2% y/y due to the comparative basis of 2023, when the company faced logistical bottlenecks; **(ii)** Cement business unit loses volume due to weak seasonality, but slightly higher realized price neutralizes effect on net revenue; **(iii)** Our projection is for the Mining unit to halve net revenue and for the Steel division to shrink by -3.7% q/q; **(iv)** COGS/t being pressured by metallurgical coal in the Steel division, petcoke in Cement and C1/t in Mining; **(v)** EBITDA of the steel and mining units in mid double digit contraction; **(vi)** We expect net income to reverse to a loss of -R$700mn (vs. +R$851mn in 4Q23); **(vii)** CSN may become a **leader in the cement market**, we go into more detail in the **"Our Take" section**; **(x)** We cut the assumptions linked to steel volume and price, and the changes ended up generating a **reduction in the 24E EBITDA** to **R$11.3bn** (vs. R$12.7bn previously). Therefore, we have **lowered** our **12M Target Price** to **R$15.50** (vs. R$17.30 previously), remaining with a **NEUTRAL rating**, given the **upside** of **+10.24%**.

CSN and CMIN will release their **1Q24 results on May 9, after the market closes**. Our expectation is for a **weaker result**, with CSN holding having a **setback in relation to the benefits of diversification**, for the following reasons: **(i)** negative seasonality in the sequential movement for mining and cement, **(ii)** deceleration of the iron ore curve between Jan.-Mar. affecting CMIN and **(iii)** the Steel unit still having difficulties related to the increased penetration of imported steel in the Brazilian market. **We project a sharp drop in all P&L lines** (Revenue, EBITDA, and Net Income).

Analysts

Igor Guedes
+55 (11) 3206-8286
igor.guedes@genial.com.vc

Lucas Bonventi
+55 (11) 3206-1455
lucas.bonventi@genial.com.vc

Rafael Chamadoira
+55 (11) 3206-1457
rafael.chamadoira@genial.com.vc

Companies

CSNA3 BZ Equity
Neutral

Price: R$ 14.06 (08-May-2024)
Target Price 12M: R$ 15.50

CMIN3 BZ Equity
Buy

Price: R$ 5.12 (08-May-2024)
Target Price 12M: R$ 6.00

Table 1. Shipments Summary (1Q24 Genial Est.)

(Thousand Tonnes - kt)	Genial Est.				
Summary	**1Q24E**	**4Q23A**	**% q/q**	**1Q23A**	**% y/y**
Steel	1.053	1.064	**-1,0%**	1.008	**4,4%**
Iron Ore	10.112	11.144	**-9,3%**	9.729	**3,9%**
Cement	3.030	3.128	**-3,1%**	2.897	**4,6%**

Source: CSN & CMIN, Genial Investimentos

Table 2. Income Statement Summary CMIN (1Q24 Genial Est.)

(R$ millions)	Genial Est.				
Income Statement	**1Q24E**	**4Q23A**	**% q/q**	**1Q23A**	**% y/y**
Net Revenue	3.076	5.513	**-44,2%**	4.514	**-31,9%**
Adjusted EBITDA	877	2.759	**-68,2%**	2.018	**-56,5%**
Net Income	149	1.359	**-89,0%**	516	**-71,0%**

Source: CMIN, Genial Investimentos

Table 3. Income Statement Summary CSN (1Q24 Genial Est.)

(R$ millions)	Genial Est.				
Income Statement	**1Q24E**	**4Q23A**	**% q/q**	**1Q23A**	**% y/y**
Net Revenue	9.374	12.005	**-21,9%**	11.319	**-17,2%**
Adjusted EBITDA	1.757	3.626	**-51,5%**	3.213	**-45,3%**
Net Income	(700)	851	**-182,3%**	(823)	**-14,8%**

Source: CSN, Genial Investimentos

Valuation and rating. We expect **CSN holding** to see a mild sequential contraction in steel sales sequentially at -1.0% q/q, basically stable, but with a gain of +4.4% y/y, reaching 1Mt Genial Est. It is worth remembering that at the beginning of 2023 the Presidente Vargas mill (RJ) had difficulties due to production bottlenecks, so the y/y growth is because the base is weak and not because the macro situation has evolved much. The period that we saw as seasonally better for the units in Europe (Lusosider and SWT) in 4Q23 should continue, with the more developed foreign markets recovering, in the face of a **domestic market that is still very weak** due to the high rate of Chinese steel imports within apparent consumption in Brazil. However, we believe that a **price reduction** due to a deterioration in the mix is likely.

Meanwhile, in the **mining business (CMIN)**, our bias continues to be in the opposite direction of the market, since **we believe that many investors are penalizing iron ore-related theses beyond a fair point**. We are aware of the uncertainties, but the 62% Fe benchmark, after having fallen to US$96/t in April, has already broken through the US$110/t barrier again in ~30 days. There is short-term support from supply restrictions and the gradual rise in blast furnace utilization rates in China. However, it is important to say that **1Q24 will be much tighter for CMIN**, with a considerable worsening in the numbers since, as we commented, by April the price of iron ore 62% Fe had entered free fall, which will cause a substantial reduction in EBITDA to 877m Genial Est. (-68% q/q; -56.5% y/y).

Looking ahead, **we have changed cost assumptions for weakened viability in C1/t**, due to geological inflation pressures. Consequently, trading at an **EV/EBITDA 24E** of **4.0x**, we lower our **12M Target Price** to **R$6.00** (vs. R$6.20 previously), remaining with a **BUY rating**, due to the **+17.19% upside**.

For **CSN holding**, even trading at an **EV/EBITDA 24E** of **4.5x** (slightly below historical), we see no signs of improvement. **1Q24 will be anemic**, and although an improvement is expected in Mining (CMIN) in 2Q24, **we ended up reshaping some assumptions for the Steel division.** We slightly reduced our expected shipments for 2024 and calibrated the realized price. These changes led to a **cut in the 24E EBITDA projection to R$11.3bn** (vs. R$12.7bn previously). We don't see any triggers for CSN in the short term, apart from what may turn out to be the Intercement deal, if the company doesn't become more leveraged than it already is (more on this in the “Our Take” section). Therefore, **we have lowered our 12M Target Price** to **R$15.50** (vs. R$17.30 previously), remaining with a **NEUTRAL rating**, given the upside of **+10.24%**.

1Q24 Preview in detail!

CMIN: Production will continue to break records y/y. Sequential reduction expected due to seasonality. We believe that the company should continue to break production records and we expect it to deliver its best volume ever in 1Qs, with shipments of 9.2Mt Genial Est. (-17.4% q/q; +6.8% y/y). The q/q drop is due to the depreciated seasonality typical of 1Qs (higher rainfall period). In the y/y comparison, where the effect of seasonality is excluded, the company will perform well.

CMIN: Macro situation will hinder price realization. CMIN was the standout performer last quarter. However, this time, the sharp deceleration in the 62% Fe iron ore price curve that occurred between Jan.-Mar. will cause a significant contraction in the realized price, mainly due to the forward price provisioning system, whose weight in the pricing mechanism should be 50% in 1Q24. We haven't withdrawn our call for an improved mix through lower volumes of third-party purchases and greater penetration of own production. Despite that, price realization will be hit hard. Our projection is US$67/t Genial Est. (-32.4% q/q; -33.1% y/y).

Table 4. Shipments CMIN (1Q24 Genial Est.)

CMIN (Million tonnes)	1Q24E **Genial Est.**	4Q23 **Reported**	**% q/q**	1Q23 **Reported**	**% y/y**
Production + Purchases	**9,20**	**10,92**	**-15,7%**	**8,94**	**2,9%**
Total Shipments	**9,20**	**11,14**	**-17,4%**	**8,62**	**6,8%**
Internal Market	0,75	1,56	-51,6%	0,67	13,3%
External Market	8,45	9,59	-11,9%	7,95	6,3%

Source: CSN, Genial Investimentos

CSN Holding: Volume will remain practically stable. EM up, offsetting worsening in DM. During 1Q24, the penetration rate of imported steel in relation to apparent consumption reached 18.6% (+2.4p.p y/y). If we look at the most recent data from the Brazil Steel Institute (IABr), this level has already been surpassed, reaching 19.6% penetration last month. As CSN is more exposed to flat steel, it suffers notably from Chinese competitiveness.

Therefore, we estimate sales in the domestic market (DM) at 714Kt Genial Est. (-6.3% q/q; +6.7% y/y), down sequentially due to the tighter market share in competition with Chinese steel and up y/y due to the weaker comparative base, when CSN faced production bottlenecks in 2023. As for the external market (EM), we believe it will continue at an interesting pace of progress, reaching 339Kt Genial Est. (+12.2% q/q; -6.8% y/y). Sequentially, total volume (DM +EM) will be basically stable at 1,053Kt Genial Est. (-1.0% q/q; +2.0% y/y).

CSN Holding: Focus on selling products with lower added value will damage price realization. In the domestic market (DM), there should be a mix worsening, since imports are also rising in the niche of products with higher added value, such as galvanized steel. Therefore, CSN sold more hot-rolled coil (HRC), which has lower added value, to deliver volume at the expense of price. We therefore estimate a decline to R$5,180/t Genial Est. (-3.1% q/q; -12.2% y/y). The drop would be even worse if there were no price pass-through to the distribution segment. As for the external market (EM), despite the good volume outlook, there will be a slight price slowdown, to R$5,154/t Genial Est. (-1.6% q/q; +2.4% y/y).

CSN Holding: Cement with lower volumes due to weak seasonality, but with price pass-through. The cement segment should see a performance similar to that seen in 4Q23, with a slight increase in prices, due to successful pass-throughs. However, 1Q marks a more complicated period for the unit, when it faces torrential rains and holidays, such as the early Carnival, which delay activity at construction sites. We therefore calculated the price at R$363/t Genial Est. (+4.2% q/q; +0.3% y/y) and sales at 3,030Kt Genial Est. (-3.1% q/q; -2.0% y/y).

CSN Holding: Weakened dynamics in Mining will impact total revenue, which should fall by double digits. We expect total revenue to fall to R$9.4bn Genial Est. (-21.9% q/q; -17.2% y/y). CSN's most important businesses should show top line declines, with mining standing out negatively. Due to the hard-hit price dynamics in 1Q24, mining appears in our projections with net revenue reaching R$2.6bn Genial Est. (-48.5% q/q; -37.4% y/y).

The steel business unit, without suffering conceptual changes in the dispute with the product imported from China, is set at R$5.4bn Genial Est. (-3.7% q/q; -5.7% y/y). For the cement unit, we project net revenue of R$1.1bn Genial Est. (-0.9% q/q; -1.7% y/y), being hit by the period of higher rainfall and holidays during the beginning of the year, making it difficult to set up construction sites. The lower volume should be offset by higher prices after the end of the more aggressive commercial strategy.

Table 5. Net Revenue CSN (1Q24 Genial Est.)

CSN	1Q24E	4Q23		1Q23	
(R$ Millions)	Genial Est.	Reported	% q/q	Reported	% y/y
Net Revenue	**9.374**	**12.005**	**-21,9%**	**11.319**	**-17,2%**
Steel	5.446	5.654	-3,7%	5.777	-5,7%
Mining	2.591	5.028	-48,5%	4.141	-37,4%
Porto	67	67	0,1%	70	-3,7%
Railway	703	728	-3,4%	519	35,4%
Energy	128	125	2,1%	139	-8,2%
Cement	1.100	1.090	0,9%	1.119	-1,7%
Eliminations	(662)	(687)	-3,6%	(447)	48,0%

Source: CSN, Genial Investimentos

CSN Holding: COGS/t pressured by met coal in the Steel unit and petcoke in Cement. We project additional pressure on the Steel unit's COGS/t, since the cost of met coal has risen, considering the delay in the spot price. Therefore, we will most likely see figures corresponding to the October 2023 price of coal and coke being processed by the P&L in 1Q24. Considering this context, we estimate COGS/t clocking in at R$5,071/t Genial Est. (+0.7% q/q; +4.3% y/y). For the cement operation, we also believe in a slight increase in the cost of petcoke (the main input), which led us to project a COGS/t of R$204/t Genial Est. (+1.0% q/q; -21.1%).

CMIN: COGS/t will probably rise, with C1/t higher q/q. As for CMIN, we forecast a COGS/t of R$232/t Genial Est. (+4.9% q/q; -10.3% y/y), with a sequential increase attributable to **(i)** the lack of capacity to dilute fixed costs, due to the reduction in shipments due to unfavorable seasonality, in addition to **(ii)** geological inflation, which puts pressure on mining. We project C1/t to reach US$24.8/t Genial Est. (+13.3% q/q).

CSN Holding: EBITDA in strong retraction, pulled down by the Steel and Mining unit. We expect EBITDA to fall in the holding company's main divisions, with the exception of cement. Due to the hit suffered by the major divisions (Steel and Mining), the consolidated EBITDA of our model clocked in at R$1.7bn Genial Est. (-51.5% q/q; -45.3% y/y).

Mining's performance is likely to suffer greatly from the weight of the forward system of provisional iron ore prices and the reduction in shipments due to seasonality. As such, we calculate an EBITDA of R$1.1bn Genial Est. (-60.4% q/q; -46.5% y/y). The steel business unit, on the other hand, is experiencing difficulties in relation to the penetration of imported products and is projected at R$174mn Genial Est. (-47.6% q/q; -76.9% y/y). In cement, we will probably see a marginal increase in price offsetting the reduction in volume due to the negative seasonality. Therefore, we reached an EBITDA of R$285mn Genial Est. (+8.4% q/q; +28.2% y/y).

Table 5. EBITDA CSN (1Q24 Genial Est.)

CSN (R$ Millions)	1Q24E Genial Est.	4Q23 Reported	% q/q	1Q23 Reported	% y/y
Adjusted EBITDA	**1.757**	**3.626**	**-51,5%**	**3.213**	**-45,3%**
Steel	174	331	-47,6%	754	-76,9%
Mining	1.084	2.739	-60,4%	2.025	-46,5%
Porto	14	14	0,1%	19	-25,2%
Railway	325	336	-3,4%	234	38,7%
Energy	25	22	14,7%	28	-11,0%
Cement	285	263	8,4%	222	28,2%
Eliminations	(161)	(80)	102,7%	(79)	105,4%

Source: CSN, Genial Investimentos

CMIN: Net income in free fall. Regarding CMIN, after a financial result of -R$292mn Genial Est., we project a net income of R$149m Genial Est. (-89.0% q/q; -71.0% y/y), highlighting the sequential difference in the company's performance, which is attributed to **(i)** a reduction in the level of shipments due to the seasonality of the rainy season, and **(ii)** a sharp drop in the iron ore 62% Fe curve during the beginning of the year, impacting the company's price provisioning mechanism.

Table 6. Income Statement CMIN (1Q24 Genial Est.)

CMIN (R$ Millions)	1Q24E Genial Est.	4Q23 Reported	% q/q	1Q23 Reported	% y/y
Net Revenue	**3.076**	**5.513**	**-44,2%**	**4.514**	**-31,9%**
Domestic Market	185	574	-67,8%	260	-29,0%
External Market	2.891	4.939	-41,5%	4.254	-32,0%
COGS	(2.135)	(2.466)	-13,4%	(2.227)	-4,1%
Adjusted EBITDA	**877**	**2.759**	**-68,2%**	**2.018**	**-56,5%**
EBITDA Margin (%)	28,5%	50,0%	-21,52p.p	44,7%	-16,19p.p
EBIT	**510**	**2.032**	**-74,9%**	**1.149**	**-55,6%**
EBIT Margin (%)	16,6%	36,9%	-20,27p.p	25,4%	-8,85p.p
D&A	(284)	(273)	4,1%	(250)	13,6%
Financial Result	(293)	(345)	-15,0%	(381)	-23,0%
Net Income	**149**	**1.359**	**-89,0%**	**516**	**-71,0%**
Net Margin (%)	4,9%	24,6%	-19,79p.p	11,4%	-6,57p.p

Source: CSN Mineração, Genial Investimentos

CSN Holding: We estimate a considerable loss in the quarter. As for CSN Holding, after a financial result of -R$723mn Genial Est., we see figures reversing from a profit to a loss of -R$700mn Genial Est. (vs. +R$851mn in 4Q23 and a loss of -R$823mn in 1Q23). The reason for this weak bottom line was the mining environment with much weaker prices on a sequential basis and the continuation of macro difficulties faced by the steel industry.

Table 7. Income Statement CSN (1Q24 Genial Est.)

CSN (R$ Millions)	1Q24E Genial Est.	4Q23 Reported	% q/q	1Q23 Reported	% y/y
Net Revenue	**9.374**	**12.005**	**-21,9%**	**11.319**	**-17,2%**
COGS	(6.914)	(7.457)	-7,3%	(7.292)	-5,2%
Adjusted EBITDA	**1.757**	**3.626**	**-51,5%**	**3.213**	**-45,3%**
EBITDA Margin (%)	18,7%	30,2%	-11,45p.p	28,4%	-9,64p.p
EBIT	**21**	**1.818**	**-98,8%**	**581**	**-96,3%**
EBIT Margin (%)	0,2%	15,1%	-14,91p.p	5,1%	-4,9p.p
D&A	(945)	(879)	7,4%	(781)	20,9%
Financial Result	(722)	(552)	30,7%	(1.190)	-39,3%
Net Income	**-700**	**851**	**-182,3%**	**-823**	**-14,8%**
Net Margin (%)	-7,5%	7,1%	-14,56p.p	-7,3%	-0,21p.p

Source: CSN, Genial Investimentos

Our take on CSN and CMIN

CMIN

CMIN is still the business division that generates results for CSN Holding, accounting for around 62% of the company's EBITDA, and we should continue to see excellent levels of shipments, increasing the share of own production, improving the mix, and diluting fixed costs, as well as positioning the company in a comfortable position to exceed the annual guidance of 42-43.5Mt.

Weak 1Q24, but better prospects for 2Q24. Observing the behavior of the 62% Fe iron ore curve and the spot price at ~US$118/t (+25% vs. 10-year historical average), we believe that the next quarter will be one of recovery for CMIN, which should benefit from better realized prices and constant ramp-up production. **We have changed cost assumptions, regarding weakened viability in C1/t** due to geological inflation pressures. Consequently, trading at an **EV/EBITDA 24E** of **4.0x**, **we lower** our **12M Target Price** to **R$6.00** (vs. R$6.20 previously), remaining with a **BUY rating**, due to the **upside** of **+17.19%**.

CSN Holding

Macro context remains discouraging. In China, blast furnace utilization increased to around 85% (+2 p.p. vs. 2 weeks ago), indicating a gradual month-on-month resumption in crude steel production after the Lunar New Year holiday. In addition, although China's manufacturing PMI entered the expansion zone in March, surpassing 50pts for the first time after several weak results in 2023, growth was muted, suggesting still restrained economic activity and cautious sentiment in industry, while the services PMI continues at higher levels. These factors combined suggest that overcapacity in the mills could boost crude steel exports to other global economies.

The Brazilian authorities, in turn, after a strong mobilization by the Brazil Steel Institute (IABr) alleging dumping, decided through the Executive Management Committee (GECEX), mediated by the Chamber of Foreign Trade (CAMEX), on April 23, to increase the import tariff on flat steel to ~25% (vs. ~14% previously). However, the increase is valid for a specific group of NCMs and will appear as a complementary rate levied only on the difference between the total volume of imports and the average quota recorded between 2020 and 2022. We consider the measure to be ineffective, more akin to “building a 10ft wall to stop a 20ft wave”. We believe it will help producers exposed to flat steel, such as CSN and Usiminas, but will not solve the problem of Chinese steel flooding into the apparent consumption.

Steel demand could improve throughout 2024. We have already seen some segments gradually improving, and which will possibly demand more steel, such as construction and heavy-duty vehicles, home appliance goods and light vehicles, which should be boosted by successive cuts in the SELIC rate and government programs. One example would be the “Green Mobility and Innovation Program (MOVER)”, which provides tax benefits to automakers that invest in low-carbon technologies, such as hybrid and electric vehicles.

CSN could become a leader in the cement market. CSN is probing to acquire InterCement, a company that owns 15 factories, concrete plants, and a stake in 3 hydroelectric plants in Brazil, and 9 factories, concreting activities and a railroad in Argentina. Words on the street is thar the company offered R$6bn for the set of assets. The takeover bid comes at a sensitive time, when InterCement needs to raise cash to avoid early debt collection of ~R$8bn.

Votorantim is also in the running for the assets. Both companies are currently fighting for leadership in the cement market in Brazil, with Votorantim being the biggest player and CSN close behind. Our view is that CSN should strive to close the deal, so the agreement could be officially announced soon. We believe that, although the acquisition is strategic, allowing CSN to surpass Votorantim's installed capacity, on the other hand the purchase would once again increase the holding company's leverage, which continues to be the Achilles heel of CSN's investment thesis. The company closed 4Q23 with a Net Debt/EBITDA of 2.58x and has accumulated R$48bn in gross debt with R$17bn in cash and equivalents.

We believe that **leverage could rise to ~3.9x 24E Net Debt/EBITDA** if the company goes ahead with the transaction. However, **CSN is studying proposals that have little cash outlay and reduce the leverage**. We believe that one of the alternatives would be to transfer InterCement's debt through CSN Cimentos' equity, but this would be a more utopian outcome. Our feeling is that the deal, if it takes place in such a way as not to damage the deleveraging process so much dreamed of by investors, could turn out to be a good lever to stock appreciation and CSN should take advantage of it.

Turning wine into water. Last quarter, the CSN holding brought in better consolidated figures, with CSN once again reaping the rewards of the diversification of multiple businesses seen within the holding, with positive highlights for the mining units (CMIN) and the resumption of volume in the steel industry. However, for the most part, the favorable dynamics seen in 4Q23 will not be repeated now.

For 1Q24, we expect **(i)** a drop in volume due to seasonality in mining and an increasingly tight market in competition with Chinese steel, **(ii)** a very strong price drop in mining and a soft one in steel, **(iii)** greater cost pressures, both in mining (CMIN), due to the increase in C1/t with low capacity to dilute fixed costs, and in steel due to the delay in the metallurgical coal spot curve, which took place at the end of last year. **(iv)** There will be a contraction in all P&L lines, and we expect a reversal of last quarter's profit to a loss. This time, the result will worsen considerably, as if it were the opposite of the prophecy, with 1Q24 turning wine into water.

Even trading at **an EV/EBITDA 24E** of **4.5x** (slightly below historical levels), we see no signs of improvement. **1Q24 will be anemic**, and although an improvement is expected in Mining (CMIN) in 2Q24, **we ended up reshaping some assumptions for the Steel division**. We slightly reduced our expectation of shipments for 2024 and calibrated the realized price. **These changes led to a cut in the 24E EBITDA projection to R$11.3bn** (vs. R$12.7bn previously). We don't see any triggers for CSN in the short term, apart from what may turn out to be the InterCement deal (if the company doesn't become more leveraged than it already is). We have therefore **lowered** our **12M Target Price** to **R$15.50** (vs. R$17.30 previously), thus maintaining our **NEUTRAL rating**, given the **upside** of **+10.24%**.

Appendix: CMIN

Figure 1. CMIN – Income Statement in R$ Millions (Genial Est. 2024-2028)

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	**13.366**	**16.842**	**19.948**	**20.607**	**16.959**
(-) Cash COGS	(7.635)	(8.548)	(10.263)	(11.133)	(10.455)
Gross Profit	**4.149**	**6.427**	**7.516**	**6.999**	**3.724**
(-) SG&A and others	(1.702)	(2.114)	(2.452)	(2.456)	(1.928)
Adjusted EBITDA	**4.253**	**6.540**	**7.715**	**7.527**	**4.942**
(-) D&A	(1.582)	(1.867)	(2.169)	(2.475)	(2.780)
EBIT	**2.297**	**4.163**	**4.914**	**4.394**	**1.647**
(+/-) Financial Result	(1.087)	(993)	(911)	(934)	(1.002)
(-) Taxes	(377)	(989)	(1.248)	(1.079)	(201)
Net income	**832**	**2.181**	**2.755**	**2.381**	**444**
Profitability					
Net margin (%)	6,23%	12,95%	13,81%	11,55%	2,62%

Figure 2. CMIN – Cash Flow in R$ Millions (Genial Est. 2024-2028)

Cash Flow (FCFF)	2024E	2025E	2026E	2027E	2028E
Net Revenue	**13.366**	**16.842**	**19.948**	**20.607**	**16.959**
(-) COGS	(7.635)	(8.548)	(10.263)	(11.133)	(10.455)
Adjusted EBITDA	**4.253**	**6.540**	**7.715**	**7.527**	**4.942**
EBIT	**2.297**	**4.163**	**4.914**	**4.394**	**1.647**
(-) Taxes	(377)	(989)	(1.248)	(1.079)	(201)
(+) D&A	1.582	1.867	2.169	2.475	2.780
(+/-) Δ WK	254	(110)	23	146	290
(-) Capex	(1.589)	(2.681)	(3.867)	(5.411)	(5.480)
FCFF	**2.166**	**2.249**	**1.991**	**525**	**(964)**

Appendix: CSN

Figure 1. CSN – Income Statement in R$ Millions (Genial Est. 2024-2028)

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	**45.901**	**53.974**	**59.329**	**59.891**	**60.646**
(-) COGS	(29.066)	(30.548)	(31.526)	(33.403)	(33.448)
Gross Profit	**16.835**	**23.426**	**27.803**	**26.488**	**27.198**
(-) SG&A and others	(5.478)	(5.584)	(5.350)	(4.796)	(4.089)
EBITDA	**11.358**	**17.842**	**22.453**	**21.692**	**23.109**
(+/-) Financial Result	(3.127)	(3.761)	(4.309)	(4.288)	(4.245)
EBT	**4.059**	**9.247**	**12.846**	**11.730**	**12.786**
(-) Taxes	(1.618)	(3.144)	(4.368)	(3.988)	(4.347)
Net Income	**2.441**	**6.103**	**8.479**	**7.742**	**8.439**
Profitability					
Net Margin (%)	5,32%	11,31%	14,29%	12,93%	13,92%

Figure 2. CSN – Cash Flow in R$ Millions (Genial Est. 2024-2028)

Cash Flow	2024E	2025E	2026E	2027E	2028E
Net Revenue	**45.901**	**53.974**	**59.329**	**59.891**	**60.646**
(-) COGS	(29.066)	(30.548)	(31.526)	(33.403)	(33.448)
Adjusted EBITDA	**11.358**	**17.842**	**22.453**	**21.692**	**23.109**
EBIT	**7.186**	**13.008**	**17.155**	**16.018**	**17.031**
(-) Taxes	(1.618)	(3.144)	(4.368)	(3.988)	(4.347)
(+) D&A	4.172	4.834	5.298	5.674	6.078
(+/-) Δ WK	19	(689)	(236)	(298)	(78)
(-) Capex	(5.452)	(6.142)	(6.113)	(5.586)	(5.629)
FCFF	**4.306**	**7.867**	**11.737**	**11.819**	**13.055**

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