

## CSN & CMIN

### 1Q24 Review: Anemic, fragile and inconsistent

LatAm Metals & Mining

#### Main takeaways for CMIN:

(i) Forward curve sinking and realized price falling -21.9% q/q; (ii) Top line suffering from price realization without alternatives, resulting in a decline of -36.3% q/q; (iii) C1/t cost rose on a quarterly basis and reached US\$23.5/t; (iv) Despite record volumes, prices generate weak net income (bottom line of R\$558mn); (v) CMIN will pay ~R\$1.0bn in dividends, corresponding to ~R\$0.19/share (**dividend yield of 3.68%**) and announced that the **equity interest** announced on December 22, 2023 will be available until May 28, 2024, in the amount of **~R\$0.08/share**, equivalent to ~R\$435mn; (vi) Improving outlook for subsequent quarters. Consequently, trading at an **EV/EBITDA 24E of 4.0x**, we maintained our **12M Target Price of R\$6.00**, remaining with a **BUY rating**, due to the **upside of +18.11%**.

#### Main takeaways for CSN:

(i) Steel unit still suffering from the macro in realized price, shipments of 1,086Kt (+3.1% vs. Genial Est.), up +2.1% q/q and +7.7% y/y; (ii) Selling product with lower added value when shipping hot coil (HRC) which undergoes less finishing; (iii) Cement operating data in line with our expectation, little activity on construction sites; (iv) Revenue in line (+3.6% vs. Genial Est); (v) Top line suffering from price realization without alternatives; (vi) Steel COGS/t in retraction; (vii) Mining COGS/t below Genial Est. (viii) EBITDA falling in the main units, except cement; (ix) reported a loss of -R\$480m (-31.5% vs. Genial Est.), reversing the net income of R\$851m in 4Q23; (xi) **Leverage increased to 3.13x Net Debt/EBITDA** (vs. 2.58x in 4Q23); (xii) CSN will pay R\$950mn in dividends, corresponding to ~R\$0.72/share and a **dividend yield of 5.16%**; (xiii) Trading at an **EV/EBITDA 24E of 4.5x** (slightly below historical), we don't see any triggers for improvement. **The company's leverage worries us a lot** and we still don't see such positive impacts on Intercement's deal as to change our valuation to a buy level. Therefore, we are sticking with our **12M Target Price of R\$15.50**, thus maintaining our **NEUTRAL rating**, given the **upside of +11.67%**.

CSN and CMIN released their **1Q24 results yesterday (May 9)**, after the market closed. Consolidating **weak figures**, the holding was hit hard by the main units, Steel and Mining (CMIN), which performed anemically. The Cement unit showed some stability. There was a significant **increase in the Net Debt/EBITDA to 3.13x** (vs. 2.58x in 4Q23), making the leverage guidance for 2024 at < 2.0x once again difficult to achieve.

Apart from the **high leverage**, we don't attribute the lack of performance to micro components, but rather to macro situations. The voracious deceleration in the months of Jan-Mar of the 62% Fe iron ore curve led CMIN to a considerable loss of realized price, due to the ~50% weight markup in the forward system. In addition, the constant penetration of steel from China into the Brazilian domestic market continues to generate a very compressed EBITDA.

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#### Companies

##### CSNA3 BZ Equity

Neutral

Price: R\$ 13.88 (09-May-2024)

Target Price 12M: R\$ 15.50

##### CMIN3 BZ Equity

Buy

Price: R\$ 5.08 (09-May-2024)

Target Price 12M: R\$ 6.00

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

(Thousand Tonnes - kt)	Reported		Genial Est.				
Summary	1Q24A	1Q24E	% Diff.	4Q23A	% q/q	1Q23A	% y/y
Steel	1.086	1.053	3,1%	1.064	2,1%	1.008	7,7%
Iron Ore	9.145	10.112	-9,6%	11.144	-17,9%	9.729	-6,0%
Cement	3.017	3.030	-0,4%	3.128	-3,5%	2.897	4,1%

Source: CSN & CMIN, Genial Investimentos

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

(R\$ millions)	Reported		Genial Est.				
Income Statement	1Q24A	1Q24E	% Dif.	4Q23A	% q/q	1Q23A	% y/y
Net Revenue	3.511	3.076	14,1%	5.513	-36,3%	4.514	-22,2%
Adjusted EBITDA	1.123	877	28,0%	2.759	-59,3%	2.018	-44,4%
Net Income	558	149	273,6%	1.359	-58,9%	516	8,2%

Source: CMIN, Genial Investimentos

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

(R\$ millions)	Reported		Genial Est.				
Income Statement	1Q24A	1Q24E	% Diff.	4Q23A	% q/q	1Q23A	% y/y
Net Revenue	9.713	9.374	3,6%	12.005	-19,1%	11.319	-14,2%
Adjusted EBITDA	1.966	1.757	11,9%	3.626	-45,8%	3.213	-38,8%
Net Income	(480)	(700)	-31,5%	851	-156,4%	-823	-41,7%

Source: CSN, Genial Investimentos

**Valuation and rating.** Despite having been the positive highlight in previous quarters, **CMIN** performed disastrously in 1Q24, accounting for 56.7% of the company's EBITDA. Figures were forced down by the realized price, due to the sharp slowdown in the 62% Fe iron ore benchmark during the first 3M of the year. However, there is still optimism about its production, with expectations of exceeding the guidance of 42-43.5Mt for the year. The iron ore spot curve remains high at US\$118/t, with days of good appreciation in the last month, supported by supply constraints and indicating still apparent demand in China, which is gradually increasing its blast furnace utilization rates.

**Margins tend to be higher due to the better Mix composition.** Therefore, we know that our call is counterintuitive, but we believe that reducing the penetration of third-party purchases and increasing own production within the mix will unlock value, in addition to the continued ramp-up on an annual basis. Consequently, trading at an **EV/EBITDA 24E** of **4.0x**, we maintain our **12M Target Price** of **R\$6.00**, remaining with a **BUY** rating, due to the **upside** of **+18.11%**.

In the macroeconomic context, **CSN Holding** faces challenges, such as the exacerbated outflow of Chinese steel. Although there are expectations of better scenarios for domestic steelmakers in Brazil, the global situation is complex. Investors' desire for a reduction in leverage has always been very clear, but we see the company moving in the opposite direction. There has been a significant increase in the **Net Debt/EBITDA** to **3.13x** (vs. 2.58x in 4Q23), making the leverage guidance for 2024 of < 2.0x once again difficult to achieve. We have expressed our constant concern about this issue in various reports, although we also recognize that business diversification comes at a price.

The big problem is that, lately, when the Mining business division fails to perform well, the holding company's entire result weakens. In other words, CMIN has been pulling down the entire consolidated result for some time now. However, in 1Q24, the situation for mining companies was not very good, due to the iron ore price markdown, in addition to the seasonal effect typical of 1Qs due to the rainy season, which restricts the volume of shipments. **We believe that the market cannot absorb the idea of increasingly high leverage without the counterbalance of diversification**, reducing the weight concentration of a single isolated business not performing well. Today, we are still critical in saying that CSN Holding's result is highly correlated with CMIN's result, and the advantages of having multiple businesses in a holding are evident in some quarters, such as 3Q23 and 4Q23, but again, quarters that are typically favorable for mining activities.

Trading at an **EV/EBITDA 24E** of **4.5x** (slightly below historical), we don't see triggers for improvement. **The company's leverage worries us** a lot and we don't yet see such positive impacts on Intercement's deal as to change our valuation to a buy level (this may change ahead). Therefore, we are sticking with our **12M Target Price** of **R\$15.50**, thus maintaining our **NEUTRAL rating**, given the **upside** of **+11.67%**.

Both CSN and CMIN announced **dividend payments**, highlighting the importance of prudent financial management in a challenging environment. **CMIN** will distribute ~R\$1.0bn in dividends (**dividend yield of 3.68%**), while **CSN Holding** will pay **R\$950mn (dividend yield of ~5.16)**, reflecting its strategies of returning capital to shareholders.

## 1Q24 Review in detail!

**CMIN: Forward curve sinking price realization.** CMIN was the highlight of the previous results, after taking advantage of the positive scenario of the 62% Fe iron ore curve in 4Q23 and early 1Q24, realizing an excellent price, and selling a quantity of ore worthy of 4Q. At the end of 1Q24 and beginning of 2Q24, we saw the ore curve fall significantly, reaching US\$98/t on the worst day of April. Bearing in mind that the ore sales contract is signed partly on a provisioned price basis, i.e. considering the forward curve, and that CMIN had 50% exposure to this curve in the quarter, we saw the company realize a much lower price on a sequential basis. As a result, the price realized was US\$78/t (+16.3% vs. Genial Est.), with a sharp drop of -21.9% q/q and -22.8% y/y, although it was better than our expectations, which were too pessimistic. Here we should mention the increase in own production and lower purchases from third parties that the company has been making, unlike Vale, for example. And we believe that this better mix may have helped the impact on the price not to be even more intense, as we imagined it would be.

**CMIN: Shipments slowing q/q due to seasonality. Volume better y/y due to record breaking.** As for sales volume, a drop was to be expected given the weaker seasonality of the period. However, CMIN continued its run of impressive operational performance and produced the highest Q1 output in the company's history. As a result, sales volume stood at 9.1Mt (-1.1% vs. Genial Est.), down -18.3% q/q and up +5.6% y/y.

**CSN Holding: The steel industry is still suffering from the macro situation.**

We've already talked a lot about the context suffered by steel companies in the domestic market and the high penetration rate of imported steel in relation to apparent consumption (18.6% in 1Q24 and 19.6% in March). The main focus of Chinese sales is flat steel, a product to which CSN is mostly exposed. This dynamic, which has been hampering Brazilian steelmakers for some time, has yet to change, leading the company to report shipments of 1,086Kt (+3.1% vs. Genial Est.), with a marginal improvement of +2.1% q/q and +7.7% y/y.

Domestic market sales volume was 732Kt (+2.5% vs. Genial Est.), down -4.0% q/q and up +9.0% y/y, linked to the end of the production bottleneck at the Presidente Vargas plant (RJ), which affected 1Q23. In the foreign market (FM), the company reported sales of 354Kt (+4.4% vs. Genial Est.), with a better-than-expected performance of +17.0% q/q and -3.0% y/y, driven by the sequential recovery of units in Europe.

**CSN Holding: Steel division selling product with lower added value.** As we mentioned in our previous report, the company had no choice but to sell lower value-added products in the domestic market for the steel division. China has also been exporting larger quantities of galvanized steel and other better-finished products, and the penetration rate in this category is also rising, squeezing the market share. CSN had no choice but to ship a larger volume of hot-rolled coil (HRC), which undergoes less finishing. Therefore, the company's realized price stood at R\$4,958/t (-4.1% vs. Genial Est.), down -6.7% q/q and -13.5% y/y. Breaking down the markets, the domestic market (DM) had a realized price of R\$5,109/t (+1.4% vs. Genial Est.), down -4.0% q/q, while the foreign market (FM) reached R\$4,644/t (+11.0% vs. Genial Est.), down -1.0% q/q.

**CSN Holding: Cement operating data in line with our expectations, and stable q/q.** The cement segment, in line with our forecasts, reported data very similar to 4Q23. Since the company has started to make some transfers in the sector, relaxing its more aggressive commercial policy a little, we see an increase of +2.7% t/t in the realized price, despite the -7.4% y/y reduction, which stood at R\$358/t (-1.5% vs. Genial Est.). However, as we mentioned, due to the increase in torrential rain and public holidays, such as the early carnival, we saw little activity on construction sites. As a result, the volume of shipments reported stood at 3,017Kt (-0.4% vs. Genial Est.), down -3.5% q/q and up +4.1% y/y.

**Table 4. Net Revenue CSN (1Q24 vs. Genial Est.)**

CSN (R\$ Millions)	1Q24	1Q24E	% R/E	4Q23	% q/q	1Q23	% y/y
	Reported	Genial Est.		Reported		Reported	
<b>Net Revenue</b>	<b>9.713</b>	<b>9.374</b>	<b>3,6%</b>	<b>12.005</b>	<b>-19,1%</b>	<b>11.319</b>	<b>-14,2%</b>
Steel	5.384	5.446	-1,1%	5.654	-4,8%	5.777	-6,8%
Mining	2.823	2.591	8,9%	5.028	-43,9%	4.141	-31,8%
Porto	84	67	24,8%	67	24,9%	70	20,2%
Railway	672	703	-4,4%	728	-7,7%	519	29,5%
Energy	104	128	-18,7%	125	-17,0%	139	-25,4%
Cement	1.079	1.100	-1,9%	1.090	-1,0%	1.119	-3,6%
Eliminations	(434)	(662)	-34,4%	(687)	-36,8%	(447)	-2,9%

Source: CSN, Genial Investimentos

**CSN Holding: Revenue in line with Genial Est.** As expected, the company's two main units showed top line shrinkage in the quarter. The decline was most significant in the mining business, which recorded net revenue of R\$2.8bn (+8.9% vs. Genial Est.), down -43.9% q/q and -31.8% y/y. In the steel unit, with no major news and still exposed to the situation of the import penetration rate, it reported revenue of R\$5.4bn (-1.1% vs. Genial Est.), with a slowdown of -4.8% q/q and -6.8% y/y.

The cement business, which suffered more from the rains and low activity in Q1, but managed to make some adjustments, came in at R\$1.1bn (-1.9% vs. Genial Est.), down slightly (-1.0% q/q; -3.6% y/y). Consolidating all of the holding company's businesses, we saw net revenue of R\$9.7bn (+3.6% vs. Genial Est.), with a considerable drop of -19.1% q/q and -14.2% y/y.

**CMIN: Top line suffering from price realization, even with improved mix.** Based on (i) shipment volumes in line with our forecast, but (ii) a higher realized price, CMIN reported net revenue of R\$3.5bn (+14.1% vs. Genial Est.), down -36.3% q/q and -22.2% y/y. Despite coming in above our expectations, the top line was weak due to the fall in the iron ore price curve in the period, which prevented further price realization.

**CSN Holding: Steel COGS/t in retraction.** With the high price of coal and coke in October 2023, we were expecting to see this value come through in 1Q24. But what we actually saw was a -1.2% q/q reduction in the cost of slab and a dynamic opposite to our expectation in COGS/t, which stood at R\$4,766/t (-6.0% vs. Genial Est.), down -5.4% q/q and -2.0% y/y.

**CMIN: Mining COGS/t below Genial Est.** The COGS/t reported also came in lower than expected. This is because the C1/t cost rose by +4.4% q/q and reached US\$23.5/t (-4.9% vs. Genial Est.), but the increase was lower than our estimates. As a result, COGS/t was -10% vs. Genial Est.

**CSN Holding: EBITDA down in the main units, except cement.** Consolidated EBITDA was R\$2.0b (+11.9% vs. Genial Est.), reflecting a fall of -45.8% q/q and -38.8% y/y. The standout negative performance came from the Mining operation, which suffered a reduction of -59.3% q/q and -45% y/y, being reported at R\$1.1bn (+2.8% vs. Genial Est.) We already expected such a disastrous performance, which was not just something related to CMIN, but to all the players in the sector. In cement, the result was positive q/q, due to the price realized which offset the decline in the number of shipments. The company therefore reported EBITDA for the unit at R\$278mn (-2.4% vs. Genial Est.), up +5.8% q/q and +25.1% y/y.

**The Steel division also helped sink the company's EBITDA.** The unit has not been a positive highlight for some time and seems to be suffering a lot from Chinese competitiveness, having to sell semi-finished products with lower added value. It therefore reported EBITDA of R\$234mn (+34.6% vs. Genial Est.), down -29.4% q/q and -68.9% y/y.

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

CSN (R\$ Millions)	1Q24			4Q23		1Q23	
	Reported	Genial Est.	% R/E	Reported	% q/q	Reported	% y/y
<b>Adjusted EBITDA</b>	<b>1.966</b>	<b>1.757</b>	<b>11,9%</b>	<b>3.626</b>	<b>-45,8%</b>	<b>3.213</b>	<b>-38,8%</b>
Steel	234	174	34,6%	331	-29,4%	754	-68,9%
Mining	1.114	1.084	2,8%	2.739	-59,3%	2.025	-45,0%
Porto	27	14	92,6%	14	92,9%	19	44,1%
Railway	352	325	8,4%	336	4,7%	234	50,3%
Energy	29	25	16,5%	22	33,7%	28	3,7%
Cement	278	285	-2,4%	263	5,8%	222	25,1%
Eliminations	(68)	(161)	-57,9%	(80)	-14,6%	(79)	-13,5%

Source: CSN, Genial Investimentos

**CMIN: Despite record volumes, considerable price retreat led to weak net profit.** After a weak operating result, with record-breaking production volumes but very weak price dynamics, and a financial result of -R\$44mn, we saw net profit slow to R\$558mn (3.7x Genial Est.), down -58.9% q/q and up +8.2% y/y. We expected a worse result, but we attribute this difference to the search for greater in-house production and an improved product mix, together with our call on this topic, so we believe that the market underestimates the potential of CMIN's improved mix. The high single digit margin fell by -8.76 p.p. on a sequential basis and stood at 15.9% in 1Q24.

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

CMIN (R\$ Millions)	1Q24			4Q23		1Q23	
	Reported	Genial Est.	% R/E	Reported	% q/q	Reported	% y/y
<b>Net Revenue</b>	<b>3.511</b>	<b>3.076</b>	<b>14,1%</b>	<b>5.513</b>	<b>-36,3%</b>	<b>4.514</b>	<b>-22,2%</b>
Domestic Market	409	185	121,7%	574	-28,7%	260	57,3%
External Market	3.101	2.891	7,3%	4.939	-37,2%	4.254	-27,1%
COGS	(1.890)	(2.135)	-11,5%	(2.466)	-23,3%	(2.227)	-15,1%
<b>Adjusted EBITDA</b>	<b>1.123</b>	<b>877</b>	<b>28,0%</b>	<b>2.759</b>	<b>-59,3%</b>	<b>2.018</b>	<b>-44,4%</b>
EBITDA Margin (%)	32,0%	28,5%	3,47p.p	50,0%	-18,06p.p	44,7%	-12,72p.p
<b>EBIT</b>	<b>835</b>	<b>510</b>	<b>63,5%</b>	<b>2.032</b>	<b>-58,9%</b>	<b>1.149</b>	<b>-27,3%</b>
EBIT Margin (%)	23,8%	16,6%	7,18p.p	36,9%	-13,08p.p	25,4%	-1,67p.p
D&A	(282)	(284)	-0,8%	(273)	3,3%	(250)	12,7%
Financial Result	(44)	(293)	-85,0%	(345)	-87,2%	(381)	-88,4%
<b>Net Income</b>	<b>558</b>	<b>149</b>	<b>273,6%</b>	<b>1.359</b>	<b>-58,9%</b>	<b>516</b>	<b>8,2%</b>
Net Margin (%)	15,9%	4,9%	11,04p.p	24,6%	-8,76p.p	11,4%	4,47p.p

Source: CSN Mineração, Genial Investimentos

**CSN Holding: Reversal of profit into a loss of -R\$480mn.** After the financial result line was significantly scaled within the holding company due to the high degree of indebtedness, being marked at -R\$1.1bn, CSN Holding reported a loss of -R\$480mn (-31.5% vs. Genial Est.), reversing the net income of R\$851m from 4Q23. Looking at the company's results in detail, we don't blame the micro, but the macro. The company did everything in its power to obtain the best result, including cost conditioning that was cooler than our estimates, but the external scenario didn't allow it to maintain the favorable result we saw in 4Q23.

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

CSN (R\$ Millions)	1Q24			1Q24E		4Q23		1Q23	
	Reported	Genial Est.	% R/E	Reported	% q/q	Reported	% y/y	Reported	% y/y
<b>Net Revenue</b>	<b>9.713</b>	<b>9.374</b>	<b>3,6%</b>	<b>12.005</b>	<b>-19,1%</b>	<b>11.319</b>	<b>-14,2%</b>		
COGS	(7.522)	(6.914)	8,8%	(7.457)	0,9%	(7.292)	3,2%		
<b>Adjusted EBITDA</b>	<b>1.966</b>	<b>1.757</b>	<b>11,9%</b>	<b>3.626</b>	<b>-45,8%</b>	<b>3.213</b>	<b>-38,8%</b>		
EBITDA Margin (%)	20,2%	18,7%	1,49p.p	30,2%	-9,96p.p	28,4%	-8,15p.p		
<b>EBIT</b>	<b>583</b>	<b>21</b>	<b>2615,8%</b>	<b>1.818</b>	<b>-67,9%</b>	<b>581</b>	<b>0,4%</b>		
EBIT Margin (%)	6,0%	0,2%	5,77p.p	15,1%	-9,14p.p	5,1%	0,87p.p		
D&A	(875)	(945)	-7,4%	(879)	-0,5%	(781)	12,0%		
Financial Result	(1.125)	(722)	55,8%	(552)	103,6%	(1.190)	-5,5%		
<b>Net Income</b>	<b>(480)</b>	<b>(700)</b>	<b>-31,5%</b>	<b>851</b>	<b>-156,4%</b>	<b>-823</b>	<b>-41,7%</b>		
Net Margin (%)	-4,9%	-7,5%	2,53p.p	7,1%	-12,03p.p	-7,3%	2,33p.p		

Source: CSN, Genial Investimentos

## Our take on CSN and CMIN

### CMIN

CMIN accounted for 56.7% of the company's EBITDA in 1Q24, and had been the highlight of previous quarters until this result... We believe that the excellent level of production should continue into the year, even beating the guidance of 42-43.5Mt, and that better days will come for price dynamics. The spot curve for 62% Fe iron ore is at US\$118/t, still high in relation to the historical price. In addition, we see data from China, such as manufacturing PMI, coming in the expansion zone, above 50pts and blast furnace utilization at ~86%. **Margins tend to be higher due to the composition of the Mix.** Therefore, we know that our call is counterintuitive, but we believe that reducing the penetration of third-party purchases and increasing own production within the mix will unlock value, in addition to the continuous ramp-up on an annual basis. Consequently, trading at an **EV/EBITDA 24E** of **4.0x**, we maintain our **12M Target Price** of **R\$6.00**, remaining with a **BUY rating**, due to the **upside** of **+18.11%**.

### CSN Holding

Macro context. We have already mentioned several times about the exacerbated outflow of Chinese steel and the imposition of higher tariffs on these imported products. We hope that these actions will lead to better scenarios for domestic steelmakers, including CSN. But if it depends on the import tariff, we don't believe that the pain will be solved. The situation regarding domestic consumption of Chinese steel is still uncertain, but we hope that the scenario in Brazil with a gradual reduction in the SELIC rate will help the company's operations. But that shouldn't be enough.

Therefore, we expect to see CSN carrying out similar actions to Gerdau at some point, a peer which has started a cost reduction program in order to improve EBITDA by 2025. We think this is a good way forward for the company's health, even though it creates uncomfortable situations. To find out more about the macro context and the difficulties faced by the steel sector, visit our latest report ([CSN & CMIN: 1Q24 Preview](#)).

**Leverage rises, investors should penalize the stock.** Debt is the biggest negative point in a result that was already very weak operationally and will probably also draw the market's attention. CSN always promises to reduce leverage “soon”, but we see difficulties in fulfilling this statement, and we know how the investors we have contact with penalize the company due to what could be seen as low responsibility with capital allocation. We witnessed an increase in the **Net Debt/EBITDA to 3.13x** (vs. 2.58x in 4Q23), turning what was already high for the sector in which it operates into an exorbitant level.

**Does comparing CSN's leverage to other steel peers make sense?** In some ways, we try to be fair to the company in arguing that the market can sometimes penalize CSN excessively on this issue by comparing it to Gerdau and Usiminas, which have much healthier leverage indicators, but are focused on steel. CSN, on the other hand, is a holding company with 5 different businesses (Steel, Mining, Cement, Logistics and Energy). And that makes a difference, since growth comes from acquisitions, and leverage is part of the story of inorganic growth. On the other hand, we recognize investors' pain, since the business that really generates cash flow for CSN is mining, at least in recent quarters. If there is a concentration of weight in a single business, it is difficult to make the thesis of a diversified company viable. The guidance they released in the 2024 leverage release of <2.0x seems to us to still be a long way from the company's harsh reality.

**Anemic, fragile and inconsistent.** CSN Holding's 1Q24 saw the main businesses drop EBITDA q/q and y/y, since a large part of it is being represented by Steel and Mining. Although this was better than expected, it doesn't mean that the result was **anemic**. Pressure has increased and leverage has risen. If mining doesn't perform well, the holding company is clearly weak, with pressure from Chinese steel, and also had a **fragile** performance. We saw a cement division still trying to get traction, but the market is difficult, and it faced negative seasonality on construction sites, showing a performance **inconsistent** with what would be expected from a potential IPO.

Trading at an **EV/EBITDA 24E** of **4.5x** (slightly below historical levels), we don't see any triggers for improvement. **The company's leverage worries us a lot** and we still don't see such positive impacts on Intercement's deal as to change our valuation to a buy level. Therefore, we are sticking with our **12M Target Price** of **R\$15.50**, thus maintaining our recommendation of **NEUTRAL rating**, given the **upside** of **+11.67%**.



## Appendix: CMIN

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

Income Statement	2024E	2025E	2026E	2027E	2028E
<b>Net Revenue</b>	<b>13.366</b>	<b>16.842</b>	<b>19.948</b>	<b>20.607</b>	<b>16.959</b>
(-) Cash COGS	(7.635)	(8.548)	(10.263)	(11.133)	(10.455)
<b>Gross Profit</b>	<b>4.149</b>	<b>6.427</b>	<b>7.516</b>	<b>6.999</b>	<b>3.724</b>
(-) SG&A and others	(1.702)	(2.114)	(2.452)	(2.456)	(1.928)
<b>Adjusted EBITDA</b>	<b>4.253</b>	<b>6.540</b>	<b>7.715</b>	<b>7.527</b>	<b>4.942</b>
(-) D&A	(1.582)	(1.867)	(2.169)	(2.475)	(2.780)
<b>EBIT</b>	<b>2.297</b>	<b>4.163</b>	<b>4.914</b>	<b>4.394</b>	<b>1.647</b>
(+/-) Financial Result	(1.087)	(993)	(911)	(934)	(1.002)
(-) Taxes	(377)	(989)	(1.248)	(1.079)	(201)
<b>Net income</b>	<b>832</b>	<b>2.181</b>	<b>2.755</b>	<b>2.381</b>	<b>444</b>
<b>Profitability</b>					
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
<b>Net Revenue</b>	<b>13.366</b>	<b>16.842</b>	<b>19.948</b>	<b>20.607</b>	<b>16.959</b>
(-) COGS	(7.635)	(8.548)	(10.263)	(11.133)	(10.455)
<b>Adjusted EBITDA</b>	<b>4.253</b>	<b>6.540</b>	<b>7.715</b>	<b>7.527</b>	<b>4.942</b>
<b>EBIT</b>	<b>2.297</b>	<b>4.163</b>	<b>4.914</b>	<b>4.394</b>	<b>1.647</b>
(-) 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)
<b>FCFF</b>	<b>2.166</b>	<b>2.249</b>	<b>1.991</b>	<b>525</b>	<b>(964)</b>

## Appendix: CSN

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

Income Statement	2024E	2025E	2026E	2027E	2028E
<b>Net Revenue</b>	<b>45.901</b>	<b>53.974</b>	<b>59.329</b>	<b>59.891</b>	<b>60.646</b>
(-) COGS	(29.066)	(30.548)	(31.526)	(33.403)	(33.448)
<b>Gross Profit</b>	<b>16.835</b>	<b>23.426</b>	<b>27.803</b>	<b>26.488</b>	<b>27.198</b>
(-) SG&A and others	(5.478)	(5.584)	(5.350)	(4.796)	(4.089)
<b>EBITDA</b>	<b>11.358</b>	<b>17.842</b>	<b>22.453</b>	<b>21.692</b>	<b>23.109</b>
(+/-) Financial Result	(3.127)	(3.761)	(4.309)	(4.288)	(4.245)
<b>EBT</b>	<b>4.059</b>	<b>9.247</b>	<b>12.846</b>	<b>11.730</b>	<b>12.786</b>
(-) Taxes	(1.618)	(3.144)	(4.368)	(3.988)	(4.347)
<b>Net Income</b>	<b>2.441</b>	<b>6.103</b>	<b>8.479</b>	<b>7.742</b>	<b>8.439</b>
<b>Profitability</b>					
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
<b>Net Revenue</b>	<b>45.901</b>	<b>53.974</b>	<b>59.329</b>	<b>59.891</b>	<b>60.646</b>
(-) COGS	(29.066)	(30.548)	(31.526)	(33.403)	(33.448)
<b>Adjusted EBITDA</b>	<b>11.358</b>	<b>17.842</b>	<b>22.453</b>	<b>21.692</b>	<b>23.109</b>
<b>EBIT</b>	<b>7.186</b>	<b>13.008</b>	<b>17.155</b>	<b>16.018</b>	<b>17.031</b>
(-) 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)
<b>FCFF</b>	<b>4.306</b>	<b>7.867</b>	<b>11.737</b>	<b>11.819</b>	<b>13.055</b>

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under Review	Under review	5%

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