VALE

2Q24 Review: Flash in the pan!

LatAm Metals & Mining

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Company

VALE US Equity
Buy

Price: US$ 10.70 (25-Jul-2024)
Target Price 12M: US$ 14.50 (NYSE)

VALE3 BZ Equity
Target Price 12M: R$ 78.50 (B3)

Main takeaways:

(i) C1/t cost (ex. third-party) **rose +6% q/q and +6.1% y/y to US$24.9/t**, but less than our estimate (-1.6% vs. Genial Est.). We know that the **market may react negatively to this increase**, which even affected the China breakeven, bringing it to US$69.1/t (-1% q/q; +16% y/y). On the other hand, **we expect that the great capacity for fixed cost dilution in 2H24 will cool down C1/t** and put it back on track to be within the **guidance of US$21.5-23/t** in 2024, **reiterated by Vale in the release**; **(ii)** Greater exposure to spot freight causes an increase of +8.6% y/y to US$19/t (-5.1% vs. Genial Est.), down -1.3% q/q; **(iii) Adjusted EBITDA** reaching US$4.0bn (+1.2% vs. Genial Est.), accelerating +16.1% q/q and showing stability y/y; **(iv) Non-recurring** adjustments inflating **net income**, which stood at US$2.8bn (+45.6% vs. Genial Est.), consolidating a rise of +64.1% q/q and +198.4% y/y; **(v)** We judge the a **good result to in operational point of view**, given the challenges in China; **(vi) Dividend payment** (equity interest) was announced at **US$0.37/share** for **ADRs-NYSE** or R**$2.09/share** for **VALE3-B3**, setting up a **Dividend Yield** of **3.4%** on a **quarterly basis** or **~13.5% annualized**, totally in line with our estimates; **(vii) FCFE of US$2.8bn** (+4% vs. Genial Est.), driven by the proceeds from the **sales of stakes in VBM and PTVI**; **(viii)** It is possible that the dividend announcement, given the current discount level of the shares, will provide support to attract a **temporary buyer momentum** until the ex-dividend date on August 5; **(ix)** Mainly because it is being excessively penalized by the market, trading at an **EV/EBITDA 25E** of **3.3x** (vs. 5.0x historical average) and for being a company with **solid FCF generation** at this discounted price level (+) share buyback program, we reiterate our **BUY rating**, with a **12M Target Price** of **VALE3-B3** at **R$78.50** and **12M Target Price** of **ADRs-NYSE** at **US$14.50**, with an **upside** of **+26.90%**.

Vale released its **2Q24 results yesterday, July 25**, after market close. We noted **consolidated net revenue** of US$9.9bn (-3% vs. Genial Est.), a +15.5% q/q and +2.5% y/y increase but **slightly below our expectations**. However, we were more bearish about costs. In fact, the **C1/t (ex-third party) rose** (+6% q/q) but at a **lower intensity than anticipated by us**, reaching US$24.9/t (-16% vs. Genial Est.). Additionally, freight was marked at US$19/t (-5% vs. Genial Est.), also below our projections. The slight cooling of cost lines vs. our estimates ensured that even with slightly lower revenue, **EBITDA came in line with our projection** at US$4bn (+12% vs. Genial Est.), remaining stable y/y and rising +16.1% q/q

Table1. Income Statement Summary (2Q24 vs. Genial Est.)

(US$ millions)	Reported	Genial Est.			Reported				
Income Statement	**2Q24A**	**2Q24E**	**% Diff.**		**2Q24A**	**1Q24A**	**% q/q**	**2Q23A**	**% y/y**
Net Revenue	9.920	10.230	**-3,0%**		9.920	8.591	**15,5%**	9.676	**2,5%**
Adjusted EBITDA	3.993	3.945	**1,2%**		3.993	3.438	**16,1%**	3.998	**-0,1%**
Net Income	2.769	1.896	**46,0%**		2.769	1.687	**64,1%**	928	**198,4%**

Source: Genial Investimentos, Vale

Net income was US$2.7 billion (+46% vs. Genial Est.), increasing +64.1% q/q and +198% y/y, **consolidating a significant positive surprise**. However, we highlight that the reason for this is a **one-off situation**. In summary, we identified an improvement against expectations due to the reversal of a reduction to the recoverable value of non-current assets, a non-operational circumstance.

Additionally, a **dividend payment** (*Equity Interest*) of **US$0.37/share** for **NYSE ADRs** or **R$2.09/share** for **VALE3-B3** was announced, in line with what we had anticipated in our earnings preview (Vale 2Q24 Preview). This value indicates a **quarterly Dividend Yield** of **3.4%** or **~13.5% annualized**, as we had forecasted.

Valuation and rating. The figures came mostly in line with expectations, except for net revenue, which was slightly below projected due to differences in the nickel line by including Gold, Silver, and PGM numbers. However, the compensatory effect was observed in cost lines, delivered slightly lower than expected in both C1/t and freight. Therefore, adjusted EBITDA was close to our estimate. Hence, we characterize the overall result as unsurprising since Vale's production and sales report released on July 16 had broadly indicated to the market how the company would perform financially in 2Q24. In summary, we saw **excellent performance in iron ore fines shipments, good production numbers** (boosted by assets in S11D), **but disappointing realized prices** (i.e. fines premium was reported at -US$3.2/t vs. -US$1.5/t in 1Q24). Investors had already priced this scenario with the consensus revising adjusted EBITDA estimates downward in the range of -2% to -5% last week.

However, we highlight two situations that could trigger more positive investor reactions to the results: **(i)** net income above expectations (+46% vs. Genial Est.) due to non-operational reclassification effects and **(ii)** dividend announcement with an annualized Yield above 13%. The dividend announcement, given the current discount level of the shares, may provide support to attract temporary investor buyer flow until the ex-date on August 5.

Regarding the **net income exceeding expectations**, the explanation is as follows: in June 2024, the company reduced its stake in PTVI (VBM asset operated through a JV in Indonesia) by -10.5%. This reduction was carried out through two methods: **(i)** PTVI issued new shares, diluting Vale's stake by -2.1%, and **(ii)** Vale directly sold 8.4% of the shares to MIND ID, a local Indonesian company. After this transaction, MIND ID became PTVI's largest shareholder with a 34% stake (Vale retained 33.9%). This divestment fulfilled the contractual obligations, allowing PTVI to extend its mining license until 2035.

The company received US$155mn from the sale and lost control over PTVI, which is now reported as an associate party using the equity method. As a result, Vale recognized a gain of ~US$1bn in 2Q24, categorized under "Other net operating expenses" below the EBITDA line. This gain included the reclassification of accumulated conversion adjustments and a fair value remeasurement of the remaining investment of US$657mn, offset by a loss of -US$661mn from the stake reduction. The market consensus did not account for this, and therefore, net income positively surprised but due to a one-off effect.

Despite the **perception among most investors** we interact with that **Vale is indeed undervalued**, macroeconomic **concerns related to China** continue to weigh on market interest. However, our strategy to try to prove that the discount fund managers (especially locals) place on Vale's shares is excessive is to apply a bearish scenario to almost all variables in our proprietary model and verify that even so, the current market valuation seems attractive. Among the variables are **(i)** an iron ore curve 62% Fe below consensus with a terminal value of ~US$75/t in 2028 and flat until 2030 when we make perpetuity; **(ii)** premiums always below the guidance bottom; **(iii)** tighter conditions for the Mariana (MG) agreement than most investors project; **(iv)** C1/t aligned with the upper band of the guidance. Even conjecturing all these variables negatively, detracting value from our proprietary model, we still observe that the model continues to generate **upside for Vale's shares vs. the current market valuation**.

Also, by analyzing the volatility chart of mining majors, we observe Vale distancing much more from the 62% Fe iron ore curve than peers. **We do not believe this is justified**. After all, a quite big overhang considered by the market is the Mariana (MG) agreement, which also involves BHP, but BHP is much more aligned with the current spot iron ore price than Vale at this time. Therefore, **Vale remains the most discounted mining major in the world**. Trading at an **EV/EBITDA 25E** of **3.3x** (vs. 5.0x historical average), we see the **company excessively penalized by the market**. We reiterate our **BUY rating** with a **12M Target Price** of **VALE3** at **R$78.50** and a **12M Target Price** of **NYSE ADRs** at **US$14.50**, with an **upside** of **+29.60%**.

Rear-view mirror: Production and Sales

Realized prices for iron ore fines were disappointing. In the report published on July 17, 2024, attached here (Vale 2Q24 Preview), we analyzed the company's operational performance in 2Q24, highlighting both positive and negative points. The major negative highlight was the realized price for iron ore fines marked at US$98.2/t (-25% q/q; -0.3% y/y), below our expectation at the time (-47% vs. Genial Est). This weak premium dynamic due to a mix with more high-silica products (low grade) contributed to an unpleasant perception among investors as it affected the all-in, which entered negative territory, closing at -US$0.1/t (vs. +US$2.2/t in 1Q24).

Strong production and shipment figures in i.o fines and disappointment in copper. On the other hand, we observed that Vale presented production and sales numbers superior to our estimates for iron ore fines, with increases of +34% and +78% vs. Genial Est., respectively. This performance helped offset the weaker realized price. Additionally, we observed the performance of base metals recording a price improvement, especially in nickel, but a disappointment in copper shipments. Thus, nickel shipments reached 34.3kt (+30% vs. Genial Est.), growing +36% q/q despite the -14.9% y/y decline, with a realized price of US$18,638/t (+106% q/q). Copper, diverging from our estimate, achieved sales of 76.1kt (-8.6% vs. Genial Est.); decelerating -0.9% q/q but rising +31% y/y, with a realized price of US$9,202/t (+20.6% q/q).

Low appetite for high-grade iron ore. We also highlight the continued distrust among investors regarding the Chinese mills' ability to pay premiums for low-silica products. This factor has hurt Vale's competitiveness compared to other mining majors (BHP, Rio Tinto, and Fortescue). Our analysis suggests that Vale has sought to compensate for the lack of adherence to the iron ore fines premium with higher shipment volumes. Conversely, with more sales being dispatched and domestic consumption in China below the pace of recent years, the stockpile in Chinese ports is increasingly growing. **Selling a robust volume seems to lowering the equilibrium point between iron ore supply and demand**. In other words, the iron ore price is pointing downwards due to excess port inventory. With a negative sentiment, it is becoming increasingly difficult for Vale to negotiate quality premiums.

2Q24 Review

Strong shipment numbers driving iron ore fines division. Even with a weaker realized price in iron ore fines, as already mentioned, the company succeeded to present an expressive sales volume, driven mainly by better performance in S11D, which, despite a still rainy period for the northern system, managed to exceed production expectations.

Additionally, after hitting the year's low in April at ~US$97/t, the 62% Fe reference curve price showed a momentary recovery, rising to ~US$120/t in May, a +24% increase in ~45 days. After that, the price began to regress again. Nevertheless, Vale took advantage of this moment when the price showed partial recovery and sold part of its operational inventories. We see the iron ore fines division recording net revenue of US$67bn (+0% vs. Genial Est.), advancing +27.2% q/q and +7.9% y/y. With the main contribution line driven by sales volume, it reached consolidated net revenue of US$9.9bn (-3.0% vs. Genial Est.), growing +15.5% q/q and +2.5% y/y.

Pellets performance did not compensate for weak performance. We saw the 65% Fe reference curve fall to an average of ~US$130/t in 2Q24 (-5.8% q/q). The realized price dropped -8.6% q/q and -20% y/y, settling at US$157/t (-4.1% vs. Genial Est.), with a premium of +US$31.3/t (-22% q/q). As the realized price fell well below vs. the previous quarter and the ratio between shipments vs. production contracted, net revenue from pellets stood at US$14bn (+0% vs. Genial Est.), down -12.1% q/q and -13% y/y.

Nickel price recovery helps offset lower-than-expected volumes. In base metals, net revenue showed an interesting upgrade. We observed a recovery in the LME nickel reference curve due to separatist movements occurring in New Caledonia (island located near Australia annexed by France) and the continued copper price momentum. Therefore, Vale reported nickel net revenue at US$879mn (-23.1% vs. Genial Est.), presenting a +5.1% q/q increase despite a -28.1% y/y decline. The larger difference between our estimate and the reported was due to gold and PGM numbers being below expectations. Copper net revenue reached US$779mn (+11.2% vs. Genial Est.), accelerating +21.9% q/q and +44.8% y/y.

Table2. Net Revenue Vale (2Q24 vs. Genial Est.)

(US$ millions)	2Q24A Reported	2Q24E Genial Est.	% R/E	1Q24 Reported	% q/q	2Q23 Reported	% y/y
Net Revenue	**9.920**	**10.230**	**-3,0%**	**8.591**	**15,5%**	**9.676**	**2,5%**
Iron Ore Fines	6.729	6.728	0,0%	5.291	27,2%	6.238	7,9%
Pellets	1.394	1.393	0,0%	1.586	-12,1%	1.413	-1,3%
Nickel operations	879	1.143	-23,1%	836	5,1%	1.222	-28,1%
Copper operations	779	700	11,2%	639	21,9%	538	44,8%
Others	139	155	-10,1%	175	-20,6%	154	-9,7%

Source: Genial Investimentos, Vale

C1/t cost rises but less than our estimate. As mentioned in the operational preview report, 1Qs have slower production level and, consequently, less fixed cost dilution. Although the result is from 2Q, shipments take ~45 days to reach China, so part of 1Q24 sales are recorded in 2Q24. Additionally, Vale compensated for the weak price with higher volume using inventory accumulated in the previous quarter, which has lower fixed cost dilution due to rainfall in production regions. Due to this context, C1/t (ex-third party) rose (+6% q/q; +6.1% y/y) but at a lower intensity than anticipated, reaching US$24.9/t (-16% vs. Genial Est.)

Greater exposure to spot freight. During 2Q24, the company shipped a significant amount of iron ore, and there was high demand for ships waiting to dock at Chinese ports, creating waiting lines. By July 4, 94 ships were waiting to unload at these ports. This led Vale to contract spot freight services, exposing itself to higher market costs compared to long-term charter prices with shipowners. Still, freight costs remained below the average of the C3 Brazil-China route in the quarter, driven by the remaining exposure to long-term charter contracts, reaching US$19/t (-5.1% vs. Genial Est.) with a -13% q/q decrease but an +8.6% y/y increase.

EBITDA with sequential improvement and flat y/y. Presenting better sales figures in almost all operations except pellets and copper, Vale recorded a sequential +14.7% q/q improvement in Proforma EBITDA (ex. Brumadinho and dam decharacterizations) despite a -6.5% y/y slowdown, reaching US$40bn (-6.8% vs. Genial Est.).

While acknowledging that the nickel division achieved significant growth, advancing 5x q/q, Gold and PGMs operations rendered an even better number unattainable, reaching US$108mn (-55.9% vs. Genial Est.). In nominal terms, the most expressive increase was in iron ore fines, which reached EBITDA of US$31bn (-1.9% vs. Genial Est.), registering a +22.5% q/q increase despite a -0.5% y/y decline. Pellets did not have the best quarter due to lower realized prices and shipments below expectations. Thus, pellets EBITDA was US$724mn (-5.6% vs. Genial Est.), declining -17.9% q/q and -11.5% y/y. Although we estimated higher revenue than recorded, lower freight and C1 costs led to adjusted EBITDA in line with Genial Est. at US$4,0bn (+12% vs. Genial Est.), accelerating +16.1% q/q and -0.1% y/y stability.

Table 3. EBITDA Vale (2Q24 vs. Genial Est.)

(US$ millions)	2Q24A Reported	2Q24E Genial Est.	% R/E	1Q24 Reported	% q/q	2Q23 Reported	% y/y
Proforma EBITDA	3.992	**4.282**	**-6,8%**	**3.479**	**14,7%**	**4.269**	**-6,5%**
Iron Ore Fines	3.071	3.132	-1,9%	2.507	22,5%	3.087	-0,5%
Pellets	724	767	-5,6%	882	-17,9%	818	-11,5%
Nickel operations	108	245	-55,9%	17	535,3%	235	-54,0%
Copper operations	351	328	6,9%	284	23,6%	236	48,7%
Others	(262)	(191)	37,4%	(211)	24,2%	(107)	144,9%

Source: Genial Investimentos, Vale

Non-recurring adjustments inflating net income. The company reported net income of US$2.8bn (+45.6% vs. Genial Est.), consolidating a +64.1% q/q increase and +198.4% y/y. The divergence between our estimate and the reported is due to the "Reversal of reduction to the recoverable value of non-current assets net of transaction effects" line, mainly related to the stake sale in PTVI. As explained earlier in the report, in June 2024, the company reduced its stake in PTVI by -10.5%.

Until last year, PTVI had a nickel mining operation contract in Indonesia expiring in December 2025. To extend the license, PTVI needed to meet certain requirements, including restructuring the shareholding structure since the concession could not be extended through a foreign-controlled company. Therefore, in June 2024, Vale reduced its stake in PTVI by -10.5%, selling 8.4% of the shares to MIND ID (local company) and issuing new shares, diluting its stake by -2.1%. MIND ID became the largest shareholder with 34% of the shares. This transaction allowed PTVI to extend its license until 2035. Vale received US$155mn for the shares and ceased consolidating PTVI, which will now be accounted for as an associate party.

Additionally, the transaction generated a ~US$1bn gain for Vale in 2Q24 due to the reclassification of accumulated conversion adjustments in value and the gain from remeasurement of the remaining investment at fair value (+US$657mn). These effects are related to the transaction and remeasurement of the stake, passing through the P&L below the EBITDA line to be recomposed in the balance sheet. Thus, the positive net income surprise is non-operational and one-off.

Table 4. Income Statement Vale (2Q24 vs. Genial Est.)

(US$ millions)	2Q24A Reported	2Q24E Genial Est.	% R/E	1Q24 Reported	% q/q	2Q23 Reported	% y/y
Net Revenue	**9.920**	**10.230**	**-3,0%**	**8.591**	**15,5%**	**9.676**	**2,5%**
COGS	(6.349)	(6.148)	3,3%	(5.318)	19,4%	(5.940)	6,9%
Adjusted EBITDA	**3.993**	**3.945**	**1,2%**	**3.438**	**16,1%**	**3.998**	**-0,1%**
EBITDA Margin (%)	40,3%	38,6%	1,7p.p	40,0%	0,23p.p	41,3%	-1,07p.p
Adjusted EBIT	**3.200**	**3.176**	**0,7%**	**2.724**	**17,5%**	**3.219**	**-0,6%**
EBIT Margin (%)	32,3%	31,0%	1,21p.p	31,7%	0,55p.p	33,3%	-1,01p.p
D&A	(793)	(768)	3,2%	(714)	11,1%	(779)	1,8%
Financial Result	(1.252)	(700)	78,8%	(437)	186,5%	(157)	697,5%
Net Income	**2.769**	**1.902**	**45,6%**	**1.687**	**64,1%**	**928**	**198,4%**
Net Margin (%)	27,9%	18,6%	9,32p.p	19,6%	8,28p.p	9,6%	18,32p.p

Source: Genial Investimentos, Vale

Our Take on Vale

Operationally good result, given the challenges in China. We believe that Vale presented solid operational figures, especially in relation to volumes (shipments and production) for iron ore fines. Even so, price realization was very weak, due to anemic premium dynamics, reflecting the mix more composed with high-silica products. We believe that this was Vale's own choice to sell low grade iron ore, increasing the discount on the quality premium to speed up shipments, given the challenging market conditions due to the lack of appetite in China to absorb products with a higher grade. Chinese steelmakers, with tight margins and dependent on subsidies, prefer not to pay quality premiums related to low silica.

Costs are rising, but we don't see any risks to guidance. On the cost side, we also highlight as negative the +6% q/q increase in C1/t (ex. third-party), reaching US$24.9/t, although this figure was lower than our estimate (-1.6% vs. Genial Est.), since we were already bearish . Now, we don't see any risk of not meeting guidance, which is US$21.5-23/t in 2024. We know that the market may react negatively to this increase, which has even affected the China breakeven, taking it to US$69.1/t (-1% q/q; +16% y/y).

Why not worry? We reinforce to investors that, according to our assessment, **there is no reason to despair**, because of two points: **(i)** historically, the 2Qs are the worst quarters to C1/t, so a sequential acceleration should not be nothing new for investors. In addition, **(ii)** in the 2Hs the company increases production considerably, given the period with less rainfall, both in the Southeast and in the North systems. As a result, there is a brutal slowdown in costs due to the greater capacity to dilute fixed costs, especially at Vale's current rate of production, which has good prospects of topping the guidance at 310-320Mt. Freight costs were also reduced by -1.3% q/q limiting the impact on breakeven China. In this sense, **Vale reiterated its C1/t guidance**, showing confidence in its ability to deliver more efficiency in 2H24 to offset this increase in 2Q24.

Dividends in line with Genial Est. The company announced a total dividend to shareholders (equity interest) of **~US$0.37/share** for **ADRs-NYSE** or **~US$2.09/share** for **VALE3-B3**, in line with what we had anticipated in our results preview. This figure indicates a **Dividend Yield of 3.4%** on a **quarterly basis** or **~13.5% annualized**, as we had already mentioned. The ex-dividend date is August 5, with payment effective as of September 11. We project a **24E Dividend Yield** of **~10%**, limited by our stricter payment assumptions for the Mariana settlement.

FCFE rises due to the receipt of the sale of stakes in VBM and PTVI. Against a still resilient backdrop, we see Vale with a **24E FCF Yield** of **14.5%**, particularly stretched by the depressed level of the current market valuation. Cash flow generation (**FCFE**) in 2Q24 was **US$2.8bn** (+4% vs. Genial Est.), driven by **+US$2.6bn** received from the disposal of **VBM's 10% stake to PIF and Ma'aden (+) PTVI transaction**. At this time, we do not expect to distribute any extraordinary dividends that could potentially be paid with the cash generated by these sales. Operating FCF (ex. transactions and share buyback program) was -US$178mn (vs. US$776mn in 2Q23), with a slight burn due to tighter working capital conditions. The reduction in the need for working capital should occur in 3Q24, given the seasonality, helping to unlock a higher FCF.

Government again points finger at Vale over Mariana deal. Brazilian authorities have once again put pressure on Vale, in statements made yesterday, which could increase investor distrust over the choice of a name to replace Mr. Eduardo Bartolomeo as CEO at the end of this year. The Minister of Mines and Energy, Mr. Alexandre Silveira, directed harsh statements at the company, commenting that, in his view, the lack of leadership is making it difficult to conclude a reparations agreement for the 2015 Mariana disaster. We know that there is a political game behind this kind of comment. In this context, Mr. Silveira criticized Vale's stance and threatened to **impose tougher sanctions** if there are no changes. On the more rational side, the market expects an **agreement to be reached in 3Q24**, despite the government's frequent criticism of the company's management. Vale has signaled that it is close to closing the deal, but we have no conclusion on this overhang currently. For more details on the assumptions we use in our proprietary model regarding Mariana agreement, we suggest consult the attached report (Mariana Settlement: Another Brick in the Wall).

China's macroeconomic situation doesn't excite any investor. In May, iron ore inventories reached their highest level in 5Y. The fact is that the scenario is as intriguing as a game of chess, since it is difficult to gauge what the strategy of the mining majors is and what the near future of demand will be. Our perception is that the mining companies are afraid to hold back supply in order to boost the price of iron ore, since capacity utilization at the steel mills remains high for the time being, with stimulus granted by the Chinese government, the future of the real estate market (which demands steel) is not at all promising and Simandou should start operating in 2026, with a capacity of ~60Mtpa after full ramp-up.

Flash in the pan! We would highlight two situations that could cause investors to react more positively to the result: **(i)** net income above expectations (+46% vs. Genial Est.), although this was due to the effect of non-operational reclassification and **(ii)** dividend announcement, with an annualized yield above 13%. It is possible that the dividend announcement, given the current discount level of the shares, will provide support to attract a **temporary buyer momentum** until the ex-dividend date on August 5.

On the other hand, we know that many fund managers (especially local ones) are very reluctant to become consistent buyers of Vale at this time. Even so, as we commented in our previous report (2Q24 Preview: There's nowhere to run!), we built the worst case scenario we could in our model in order to visualize how far the stock could go further down the road. However, even so, we observed a **severe discount to what we would consider to be a fair price for the shares in our model vs. the market valuation**. We know that investors are very concerned about the Chinese economy and possible government stimuli, as well as overhangs, which are also not conducive to bullish sentiment at the moment.

We believe that the investment thesis in Vale can be considered much more due to the irrational level of discount than to a positive sentiment regarding the macroeconomic environment, which drives the commodity cycle. So, it's a crossroads. We have the impression that if the shares react positively to the result, mainly because of dividends, it will be through a "**Flash in the pan**" effect, without the rise lasting very long. However, mainly because it is being excessively penalized by the market, trading at an **EV/EBITDA 25E** of **3.3x** (vs. 5.0x in the historical average) and because it is a company with **solid cash flow generation** at this discounted price level (+) share buyback program, we reiterate **our BUY rating**, with a **Target Price 12M** of **VALE3-B3** at **R$78.50** and **Target Price 12M** of **ADRs-NYSE** at **US$14.50**, with an **upside** of **+26.90%**.

Appendix: Vale

Figure 1. Vale – Income Statement in US$ Millions (Genial Est. 2024-2029)

Income Statement	2024E	2025E	2026E	2027E	2028E	2029E
Net Revenue	**39.856**	**44.580**	**43.639**	**45.540**	**46.582**	**50.303**
(-) COGS	(25.001)	(27.973)	(28.162)	(29.333)	(30.901)	(33.368)
Gross Profit	**14.855**	**16.607**	**15.477**	**16.207**	**15.681**	**16.935**
(-) Expenses	(3.109)	(3.578)	(3.354)	(3.000)	(2.698)	(2.915)
Adjusted EBITDA	**14.914**	**16.284**	**15.617**	**16.866**	**16.819**	**18.022**
(-) D&A	(3.139)	(3.314)	(3.488)	(3.664)	(3.847)	(4.022)
EBIT	**11.774**	**12.970**	**12.129**	**13.202**	**12.971**	**14.000**
(+/-) Financial Result	(2.359)	(2.063)	(2.007)	(2.022)	(1.983)	(2.040)
(-) Taxes	(1.482)	(1.653)	(1.521)	(1.702)	(1.679)	(1.846)
Net income	**7.934**	**9.254**	**8.601**	**9.478**	**9.310**	**10.114**
Profitability						
Net margin (%)	19,91%	20,76%	19,71%	20,81%	19,99%	20,11%

Figure 2. Vale– Cash Flow in US$ Millions (Genial Est. 2024-2029)

Cash Flow (FCFF)	2024E	2025E	2026E	2027E	2028E	2029E
Net Revenue	**39.856**	**44.580**	**43.639**	**45.540**	**46.582**	**50.303**
(-) COGS	(25.001)	(27.973)	(28.162)	(29.333)	(30.901)	(33.368)
Adjusted EBITDA	**14.914**	**16.284**	**15.617**	**16.866**	**16.819**	**18.022**
Adjusted EBIT	**11.774**	**12.970**	**12.129**	**13.202**	**12.971**	**14.000**
(-) Taxes	(1.482)	(1.653)	(1.521)	(1.702)	(1.679)	(1.846)
(+) D&A	3.139	3.314	3.488	3.664	3.847	4.022
(+/-) Brumadinho and Samarco	(716)	(2.070)	(1.750)	(1.279)	(1.117)	(826)
(+/-) Δ WK	1.517	569	847	(393)	(244)	(463)
(-) Capex	(6.758)	(6.778)	(6.778)	(7.319)	(7.319)	(7.319)
FCFF	**7.475**	**6.352**	**6.416**	**6.173**	**6.459**	**7.568**

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