genial | Equity Research

CSN & CMIN

2Q24 Preview: Better for mining, worse for steel

LatAm Metals & Mining

Main takeaways for CMIN:

(i) We expect **production at satisfactory levels**, with **shipments** reaching **10.7Mt Genial Est.** (+17.0% q/q; -5.0% y/y); **(ii)** Lower impact of the provisioning system on realized price should help accelerate revenue. We project a **realized price** clocking in at **US$65/t Genial Est.** (+4.8% q/q; -0.3% y/y); **(iii)** Fixed cost dilution will probably **lower COGS/t**. Our model points to a **C1/t of US$22/t Genial Est.** (-6.4% q/q; +1.4% y/y); **(iv) EBITDA** on a significant rise: **R$1.5bn Genial Est.** (+32.4% q/q; +35.5% y/y); **(v)** Trading at an **EV/EBITDA 25E** of **4.0x** (vs. 5.5x historical), we think it is likely that **CMIN** will continue to achieve excellent production levels, **increasing its own share, improving its mix and diluting fixed cost.** Mining stocks seem focused on macroeconomic issues in China, with many investors ignoring microeconomic factors. Therefore, we continue with our **counter-consensus call**, with our **BUY rating** and **12M Target-Price** of **R$6.00**, giving the shares an **upside** of **+22.20%**.

Main takeaways for CSN:

(i) Steel division with **recovery in sales**: 1,105Kt Genial Est. (+1.7% q/q; +5.1% y/y); **(ii)** Complementary quota system for imports has not yet taken effect. We project a **realized price** for the **steel division** of **R$5,160/t Genial** (+1.0% q/q; -12.7% y/y); **(iii)** The **cement division** is going through a new phase. We expect **sales** of **3,204Kt Genial Est.** (+6.2% q/q; -3.9% y/y), but with a **slight contraction in realized price**; **(iv)** Consolidated **net revenue** driven once again by the Mining unit. We project **R$10.5bn Genial Est.** (+10.5% q/q; -4.3% y/y); **(v)** We expect **an increase in steel COGS/t**: R$4,983/t Genial Est. (+1.0% q/q; -6.7% y/y); **(vi)** The mining business division should see an increase in EBITDA, driven by CMIN's performance. The cement division should be flat, and the steel division should contract. Therefore, **consolidated EBITDA** is projected at **R$2bn** (+2.1% q/q; -10.8% y/y) ; **(vii)** Net income for CMIN and loss for CSN; **(viii)** Trading at an **EV/EBITDA 25E** of **4.3x**, we reiterate our **NEUTRAL rating**, but with a **higher projection of COGS/**t due to the pressure of the USD/BRL exchange rate on the value of third-party slabs, **we cut** our **12M Target-Price** to **R$13.35** (vs. R$15.00 previously), setting up an **upside** of **+14.20%**.

CSN and CMIN will release their **2Q24 results on August 12, after the market closes. CMIN** is expected to **maintain high production levels**, with **sequential improvement**, sustained by favorable seasonality in southeastern Brazil, in the face of a period of reduced rainfall vs. 1Qs. Even so, we expect a **slight slowdown in shipments y/y**. In terms of **realized price**, we project an **increase of +4.8% q/q (in USD)**, benefiting from a lower impact of forward provisioning contracts, despite negative pressures from freight and the quality of the mix. With a **favorable USD/BRL exchange rate**, this situation should **boost EBITDA (in BRL)**, reaching our projection of **+32.4% growth q/q** and **+35.5% y/y**.

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Companies

CSNA3 BZ Equity
Neutral

Price: R$ 11.69 (09-Aug-2024)
Target Price 12M: R$ 13.35

CMIN3 BZ Equity
Buy

Price: R$ 4.91 (09-Aug-2024)
Target Price 12M: R$ 6.00

Table 1. Shipments Summary (2Q24 Genial Est.)

(Thousand Tonnes - kt)	Genial Est.				
Summary	**2Q24E**	**1Q24A**	**% q/q**	**2Q23A**	**% y/y**
Steel	1.105	1.086	**1,7%**	1.051	**5,1%**
Iron Ore	10.700	9.145	**17,0%**	11.258	**-5,0%**
Cement	3.204	3.017	**6,2%**	3.333	**-3,9%**

Source: CSN & CMIN, Genial Investimentos

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

(R$ millions)	Genial Est.				
Income Statement	**2Q24E**	**1Q24A**	**% q/q**	**2Q23A**	**% y/y**
Net Revenue	4.340	3.511	**23,6%**	4.014	**8,1%**
Adjusted EBITDA	1.488	1.123	**32,4%**	1.098	**35,5%**
Net Income	536	558	**-3,9%**	494	**8,5%**

Source: CMIN, Genial Investimentos

Table 3. Income Statement Summary CSN (2Q24 Genial Est.)

(R$ millions)	Genial Est.				
Income Statement	**2Q24E**	**1Q24A**	**% q/q**	**2Q23A**	**% y/y**
Net Revenue	10.521	9.523	**10,5%**	10.989	**-4,3%**
Adjusted EBITDA	2.019	1.977	**2,1%**	2.263	**-10,8%**
Net Income	(622)	(480)	**29,7%**	283	**-**

Source: CSN, Genial Investimentos

For **CSN Holding**, we expect a marginal **recovery in steel sales volume**. The domestic market should be the main driver of this recovery, while exports will probably slow down. However, the complementary import quota system, implemented in June, has not yet had a significant effect. So, this additional volume on the domestic market will still come with **anemic prices**. We project an **increase in steel COGS/t** (+1.0% q/q), attributable to the reduction in production flow at the Presidente Vargas mill (RJ) for improvements for 2H24, which **temporarily affected the ability to dilute fixed costs**. In addition, we anticipate **higher expenses with third-party slabs**, mainly due to the impact of the **USD/BRL exchange rate**. EBITDA is projected to rise slightly by +2.1% q/q, with a contraction of -10.8% y/y. We still expect the company to remain **negative on the bottom line** and **report a loss.**

Valuation and rating. The introduction of import quotas in Brazil and other countries tariff hikes such as Mexico and the US has brought some relief, but it is still uncertain whether these measures will be enough for a full recovery in the short term. Despite the challenges, **CSN Holding** managed to implement **price increases on steel** during the **beginning of July**, a trend that other steelmakers, such as ArcelorMittal and Gerdau, have begun to follow. However, Usiminas has yet to join in, making the recovery scenario for the sector uncertain. Exchange rate volatility and the competitiveness of imported steel continue to be critical factors for CSN's performance in the near future.

Even so, 2Q24 will be another quarter in which **CSN Holding** will lose profitability in the battle against imported Chinese steel. Even with the increase in new quotas, we don't believe there will be such an effect as to change our recommendation and valuation. Therefore, negotiating an **EV/EBITDA 25E** of **4.3x**, we reiterate our **NEUTRAL rating**, but with a **higher projection of COGS/t** due to the pressure of the USD/BRL exchange rate on the value of third-party slabs, **we cut our 12M Target-Price** to **R$13.35** (vs. R$15.00 previously), configuring an **upside** of **+14.20%**.

Conversely, we believe that **China's export bias is positively affecting the mining sector**, helping to offset weak domestic demand through exports of durable goods. This trend keeps **blast furnace utilization rates** at **almost 90%**, supporting iron ore demand in the short term. However, **many investors seem to overly penalize mining stocks** like CMIN, despite the resilient demand dynamics expected until 2023.

Trading at an **EV/EBITDA 25E** of **4.0x** (vs. 5.5x historical), we think it is likely that **CMIN** will continue to achieve excellent production levels, **increasing its own share, improving its mix and diluting fixed costs**, as well as positioning the company to c**omfortably reach the upper band** of the annual guidance of **42-43.5Mt**. We understand that **the reduction in the penetration of third-party iron ore within the mix**, leading to an increase in margin, **is not in the share price at the current market valuation**. Mining stocks seem focused on macroeconomic issues in China, with many investors ignoring microeconomic factors. Therefore, we continue with our **counter-consensus call**, with our **BUY rating** and **12M Target-Price** of **R$6.00**, giving the shares an **upside** of **+22.20%**.

2Q24 Preview in detail!

CMIN: Production still at high levels, with shipments slowing slightly y/y. We believe that CMIN will continue to record good production levels. With opportunities to sell low grade ore in China, we project shipments for 2Q24 at 10.7Mt Genial Est., advancing +17.0% q/q, due to the seasonal improvement with the southeast region entering a period of less rainfall. However, we expect a contraction of -5.0% y/y, considering that 2Q23 was very strong due to the disposal of sales held up at the time by logistical issues linked to MRS.

CMIN: Less impact from the provisioning system on the realized price should help. We estimate CMIN's realized price at US$65/t Genial Est. (FOB basis), accelerating +4.8% q/q and basically stable at -0.3% y/y. The average spot reference for 62% Fe iron ore decelerated -9% y/y in 2Q24, reaching US$112/t, which, a priori, could indicate a sequential drop in the company's realized price. In addition, we believe that there should be a greater incidence of **(i)** pressure on freight and **(ii)** poorer quality of the mix, with opportunistic sales in China, which should also weaken the price. However, a **(iii)** lower impact of contracts signed under the iron ore forward provisioning system should guide the realized price to an advance on a quarterly basis. In several past reports, we have already explained how this variable ends up greatly altering the price realization dynamics of mining companies.

Table 4. Shipments CMIN (2Q24 Genial Est.)

CMIN (Million tonnes)	2Q24E Genial Est.	1Q24 Reported	% q/q	2Q23 Reported	% y/y
Production + Purchases	**10,92**	**9,15**	**19,3%**	**8,69**	**25,7%**
Total Shipments	**10,70**	**9,15**	**17,0%**	**11,26**	**-5,0%**
Internal Market	1,16	1,02	13,9%	1,00	16,0%
External Market	9,54	8,12	17,4%	10,26	-7,0%

Source: CMIN, Genial Investimentos

CSN Holding: Steel division with volume recovery in sight. We estimate sales in the domestic market (DM) at 776Kt Genial Est. (+6.0% q/q; +5.0% y/y) and the foreign market (FM) at 328Kt Genial Est. (-7.3% q/q; +5.4% y/y), reaching a consolidated figure (DM+FM) of 1,105Kt Genial Est. (+1.7% q/q; +5.1% y/y). We believe that the volume will show a marginal increase due only to the seasonality that begins to be more favorable in Q2s, with the domestic market likely to be responsible for the possible acceleration. We think that the foreign market will maintain the level of production seen during the previous quarter but will slow down in sales. It is worth mentioning that, if we are correct, the consolidated volume for 2Q24 should be the highest quarterly volume since 2022.

CSN Holding: Complementary quota system for imports has not yet taken effect. On April 23, the Brazilian Ministry of Trade (MDIC) announced changes to the implementation of the import quota system for a list of 11 NCMs, as we have already commented on in several past reports. In line with our previous publications, we argue that the quota system for a complementary rate of 25% (vs. ~14%) appears to be complex and inefficient, leading to the question of whether it will really be effective in addressing a reduction in the excessive penetration of imported by-products, especially from China, within apparent consumption for flat steel.

As the measure only came into effect in June, in the last 1/3 of 2Q24, we haven't seen any indications in our market databases that it has really made any significant difference to help the dynamics of the large gap in the domestic vs. imported steel premium for the flat steel benchmark. HRC continues to have a high premium, oscillating between +18-25% during 2Q24. This volatility range has a higher correlation with **(i)** the USD/BRL exchange rate and **(ii)** a drop in imported reference prices, than a price increase in the domestic market (which is what we would like to see for CSN's thesis, but it's not happening yet).

CSN Holding: We project a slightly improved realized steel price q/q. Due to a reasonably better mix in the domestic market (DM), we are calculating a realized price of R$5,160/t Genial, up only +1.0% q/q, and with a contraction of -12.7% y/y, considering what we mentioned about competition with imported steel still being at a very high level. However, as far as the foreign market (FM) is concerned, we see a possible drop to $4,566/t Genial Est (-2.0% q/q; -10.0% y/y). As a result, we are faced with a consolidated realized price (DM+ FM) of R$4,983/t Genial Est., with a slight sequential improvement (+0.6% q/q; -11.9% y/y).

CSN Holding: Cement division breaking new ground. Cement volume could be a positive surprise. Due to **(i)** a drier period, which leads to greater activity on construction sites, unlike Q1s, which suffered from torrential rains, as well as a calendar with more holidays, such as Carnival, and **(ii)** greater capacity utilization at LaFarge Holcim ex-plants, we expect shipments to reach the 3,204Kt Genial Est. mark (+6.2% q/q; -3.9% y/y). On the other hand, due to a quest to gain market share in the division, we believe that this will lead to a counterpoint in the realized price, which will fall to R$354/t Genial Est (-1.0% q/q; +3.3% y/y).

CSN Holding: Net revenue boosted once again by the Mining unit. We believe that the mining unit, coming from CMIN, will bring the most representative quarterly progress. We expect consolidated net revenue of R$10.5bn Genial Est. (+10.5% q/q; -4.3% y/y), with mining at R$3.6bn Genial Est. (+28.9% q/q; +0.2% y/y), given the advance in iron ore shipments, but also the marginal price increase realized. The steel unit appears in our model with revenues of R$5.5bn Genial Est. (+2.2% q/q; -7.4% y/y), helped by the volume of sales in the domestic market. As for the cement unit, we project net revenue of R$1.1bn (+5.1% q/q; -0.7% y/y), showing a good recovery with market share gains and more favorable seasonality.

Table 5. Net Revenue CSN (2Q24 Genial Est.)

CSN (R$ Millions)	2Q24E **Genial Est.**	1Q24 **Reported**	**% q/q**	2Q23 **Reported**	**% y/y**
Net Revenue	**10.521**	**9.523**	**10,5%**	**10.989**	**-4,3%**
Steel	5.505	5.384	2,2%	5.943	-7,4%
Mining	3.640	2.823	28,9%	3.631	0,2%
Porto	67	67	0,1%	54	24,2%
Railway	763	703	8,5%	668	14,1%
Energy	133	128	4,2%	159	-16,2%
Cement	1.135	1.079	5,1%	1.142	-0,7%
Eliminations	(722)	(662)	9,0%	(609)	18,5%

Source: CSN, Genial Investimentos

CSN Holding: We expect an increase in Steel COGS/t. We forecast a rise in costs for the steel division in 2Q24. Our model points to a COGS/t of R$4,983/t Genial Est. (+1.0% q/q; -6.7% y/y). This is because the company made a series of investments at the Presidente Vargas mill (RJ) to help production flow from 2H24 onwards. However, this ended up having an unwanted effect in 2Q24, temporarily reducing production capacity in the quarter. Occasionally, because of these processes, the company loses part of its capacity in the dilution of fixed costs. In addition, we are assuming higher spending on the purchase of third-party slabs, due not only to the greater need for use, but also related to the USD/BRL exchange rate pressure.

CMIN: Dilution of fixed costs will probably lower COGS/t. As for CMIN, we forecast a COGS/t of R$212/t Genial Est. (+20.5% q/q; +0.4% y/y), bringing the effect of greater fixed cost dilution, in turn resulting from the sequential increase in production. We are calculating C1/t at US$22/t Genial Est., down -6.4% q/q, but with a slight increase of +1.4% y/y. Therefore, nominal COGS appears in our model at just over R$2.5bn Genial Est. (+33.7% q/q; -3.6% y/y), to the detriment of the higher volume shipped.

CMIN: EBITDA up significantly. We are projecting CMIN's EBITDA at R$1.5bn Genial Est. (+32.4% t/t; +35.5% y/y), due to **(i)** volume increase, **(ii)** COGS/t reduction and **(iii)** slight increase in realized price, reflecting the mining unit's continued representativeness in the company's consolidated result (CSN Holding). We expect the margin to rise to 34.3% (+2.2p.p q/q; +6.9p.p y/y), mainly due to the reduction in the volume of purchases from third parties and the gain in share of own production in the mix, which reduces costs. As we have already mentioned, we believe that investors, in general, do not correctly price this performance gain in the current market valuation.

Table 6. Income Statement CMIN (2Q24 Genial Est.)

CMIN (R$ Millions)	2Q24E **Genial Est.**	1Q24 **Reported**	**% q/q**	1Q24 **Reported**	**% y/y**
Net Revenue	**4.340**	**3.511**	**23,6%**	**4.014**	**8,1%**
COGS	(2.527)	(1.890)	33,7%	(2.623)	-3,6%
Adjusted EBITDA	**1.488**	**1.123**	**32,4%**	**1.098**	**35,5%**
EBITDA Margin (%)	34,3%	32,0%	2,28p.p	27,4%	6,92p.p
EBIT	**1.221**	**835**	**46,3%**	**1.085**	**12,5%**
EBIT Margin (%)	28,1%	23,8%	4,36p.p	27,0%	1,1p.p
D&A	(260)	(282)	-7,7%	(247)	5,0%
Financial Result	(516)	(44)	1069,3%	(506)	1,8%
Net Income	**536**	**558**	**-3,9%**	**494**	**8,5%**
Net Margin (%)	12,4%	15,9%	-3,53p.p	12,3%	0,05p.p

Source: CMIN, Genial Investimentos

CSN Holding: EBITDA in opposite dynamics. Our EBITDA estimate for Steel is R$200mn Genial Est. (-14.4% q/q; -63.8% y/y). The explanation for this sharp retraction lies in the combination of **(i)** higher shipment volumes (responsible for the improvement in net revenue), but which should be compromised by **(ii)** acceleration in COGS/t and **(iii)** a slight increase in SG&A. As for the Mining division, we see EBITDA projected to grow to 1.2bn Genial Est. (+8.1% q/q; +8.3% y/y), due to **(iv)** higher production and sales, **(v)** a sequential increase in realized prices and **(vi)** a cooling of COGS/t. Finally, for the Cement business, we project EBITDA to advance marginally, reaching R$279mn Genial Est. (+0.4% q/q; +24.8% y/y). Therefore, consolidated EBITDA is projected at R$2bn (+2.1% q/q; -10.8% y/y).

Table 7. EBITDA CSN (2Q24 Genial Est.)

CSN (R$ Millions)	2Q24E **Genial Est.**	1Q24 **Reported**	**% q/q**	2Q23 **Reported**	**% y/y**
Adjusted EBITDA	**2.019**	**1.977**	**2,1%**	**2.263**	**-10,8%**
Steel	200	234	-14,4%	553	-63,8%
Mining	1.204	1.114	8,1%	1.112	8,3%
Porto	14	14	0,1%	3	412,9%
Railway	352	325	8,5%	362	-2,7%
Energy	27	25	9,3%	69	-60,6%
Cement	279	278	0,4%	224	24,8%
Eliminations	(73)	(161)	-55,0%	(60)	20,8%

Source: CSN, Genial Investimentos

Positive net income for CMIN and loss for CSN. For CMIN, after a financial result of -R$516mn Genial Est., harder hit by exchange rate variations, due to the appreciation of the USD/BRL EoP exchange rate, which jumped +11.3% q/q, we project a net income of R$536mn Genial Est. (-3.9% q/q; +8.5% y/y), still reflecting a loss of net margin, due to the accounting effect, but which should still guarantee a very reasonable FCF. As for the holding company CSN, we project a loss of -R$622mn Genial Est. (vs. -R$44mn in 1Q24 and -R$506mn in 2Q23), after a financial result of -R$1.8bn. The exchange rate variation should also affect the holding company's bottom line, which is still going through a temporary increase in costs and a difficulty in passing on prices due to the dynamics of competition with Chinese steel.

Table 8. Income Statement CSN (2Q24 Genial Est.)

CSN	2Q24E	1Q24		2Q23	
(R$ Millions)	Genial Est.	Reported	% q/q	Reported	% y/y
Net Revenue	**10.521**	**9.523**	**10,5%**	**10.989**	**-4,3%**
COGS	(7.781)	(6.653)	17,0%	(7.958)	-2,2%
Adjusted EBITDA	**2.019**	**1.977**	**2,1%**	**2.263**	**-10,8%**
EBITDA Margin (%)	19,2%	20,8%	-1,57p.p	20,6%	-1,4p.p
EBIT	**1.180**	**600**	**96,6%**	**1.141**	**3,4%**
EBIT Margin (%)	11,2%	6,3%	4,91p.p	10,4%	0,83p.p
D&A	(432)	(869)	-50,3%	(788)	-45,2%
Financial Result	(1.802)	(1.125)	60,2%	(1.186)	51,9%
Net Income	**-622**	**-480**	**29,7%**	**283**	**-**
Net Margin (%)	-5,9%	-5,0%	-0,88p.p	2,6%	-8,49p.p

Source: CSN, Genial Investimentos

Our take on CSN and CMIN

CMIN

What are investors' main concerns? CMIN continues to be the division that generates results for CSN Holding, accounting for ~60% of the company's EBITDA. We should continue to see good operating figures, with increasing production volumes. However, CMIN continues to invest in a sector that is facing significant doubts about the level of demand over the next few years, with steel consumption for the domestic market weakening in China. One **weak point** we recognize about the argument that supply control would support a still reasonable iron ore price is the fact that China continues, week after week, to show higher inventory numbers at the ports and the margins of Chinese steelmakers don't seem to make room for demand for quality, the sphere in which CMIN allocates much of its CAPEX. This strategy raises questions from investors we spoke to. Conversely, we still see China's exports of durable goods providing support for a blast furnace utilization rate at levels only slightly below 90%, which would sustain production with a marginal drop vs. 2023, so in the short term, we believe that the vast majority of investors overly penalize the mining-related theses under our coverage (Vale and CMIN).

Counter-consensus call. Trading at an **EV/EBITDA 25E** of **4.0x** (vs. 5.5x historical), we think it is likely that **CMIN** will continue to achieve excellent production levels, **increasing its own share, improving its mix and diluting fixed costs**, as well as positioning the company to c**omfortably reach the upper band** of the annual guidance of **42-43.5Mt**. We understand that **the reduction in the penetration of third-party iron ore within the mix**, leading to an increase in margin, **is not in the share price at the current market valuation**. Mining stocks seem focused on macroeconomic issues in China, with many investors ignoring microeconomic factors. Therefore, we continue with our **counter-consensus call**, with our **BUY rating** and **12M Target-Price** of **R$6.00**, giving the shares an **upside** of **+22.20%**.

CSN

Things aren't as bad as they seem for mining. We observed a reduction in rebar production, notably in the eastern region of China, especially in Jiangsu province. Some steel mills have suspended their operations or altered rebar production to focus on flat steel products, seeking better profit margins, as mentioned in our previous sector report. On the other hand, mills producing HRC (the benchmark for flat steel) are maintaining satisfactory production, driven by export demand for durable goods. Today, the weighted average utilization rate of Chinese blast furnaces stands at ~87%, with mills producing especially flat steel running at higher utilization rates than in 2023.

Better for mining, worse for steel. For some time now, we have been vocal in saying that China's export bias is positive for the mining sector. This is because there is a tendency for China to compensate, even partially, for the overcapacity of its industrial park by weak domestic demand through exports of durable goods, which ends up ensuring a resilient level of blast furnace utilization rate, and therefore demand for iron ore in the short term. However, on the other hand, this situation is extremely damaging for Brazilian steel mills. For this reason, CMIN continues to bring significant results within the holding company, but the steel division is unable to perform satisfactorily.

Import quota system seems complicated and inefficient. The export trend has created challenges for the operations of Brazilian mills. With the introduction of new quotas for steel imports into Brazil, in force since June by decision of the Ministry of Trade (MDIC), there is an expectation of moderate improvement for companies in the sector. However, we do not expect a rapid reversal of the negative scenario in 2H24. In addition to Brazil, countries such as Mexico, Chile and the USA have also increased their import tariffs on steel. Despite this, we don't believe that Chinese steelmakers will change their strategy, as exports remain an outlet for weakened domestic demand, whether through embedded steel products or raw steel shipments. Brazil, for its part, remains a market with a complex and potentially ineffective tariff protection system, due to the additional quota system.

Price increases should appear in 3Q24. At the beginning of July, CSN managed to implement a price increase. ArcelorMittal and Gerdau have begun to follow this trend, although Usiminas has yet to adopt the same stance. As a result, prices are expected to continue recovering in 3Q24, as will volumes, although achieving full market acceptance will be challenging, especially while Usiminas is not following this movement. Improvement for 2H24 is possible, but the sector has many uncertainties. We believe that the current USD/BRL exchange rate already justifies an increase passed on so far by the steel mills, and that the outlook is for a lower inflow of imported material, as the unfavorable exchange rate makes importing more difficult. In other words, these factors indicate a possible recovery scenario for the sector in the future.

Even so, 2Q24 will be another quarter in which **CSN Holding** will lose profitability in the battle against imported Chinese steel. Even with the increase in new quotas, we don't believe there will be such an effect as to change our recommendation and valuation. Therefore, negotiating an **EV/EBITDA 25E** of **4.3x**, we reiterate our **NEUTRAL rating**, but with a **higher projection of COGS/t** due to the pressure of the USD/BRL exchange rate on the value of third-party slabs, **we cut our 12M Target-Price** to **R$13.35** (vs. R$15.00 previously), configuring an **upside** of **+14.20%**.

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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