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Metals & Mining

China, from macro to micro: Did the fall in the sector's stocks make sense?

LatAm Metals & Mining

Main takeaways on China:

(i) China is expected to face another challenging year with economic uncertainties, geopolitical tensions, and structural challenges; **(ii)** 2024 recorded a trade surplus of R$992bn (+21% y/y), but China faces weak domestic demand.; **(iii)** Industrial productivity remains resilient; **(iv)** Iron ore imports grew +4.9% y/y, benefiting Vale and CMIN; **(v)** Steel exports reached 110.7Mt (+22.7% y/y); **(vi)** The industrial PMI spent 2/3 of the year in contraction territory; **(vii)** CPI at +0.2% y/y and PPI at -2.5% y/y indicate deflationary pressure; **(viii)** Chinese interest rates below 1% reduce Hong Kong's financial competitiveness; **(ix)** Hong Kong maintains strong reserves; **(x)** Corporate profits fell -4.7% y/y, affecting industrial investments; **(xi)** Chinese exports reached $3.6 trillion, rising +10.7% y/y; **(xii)** Tariffs and the real estate crisis are expected to impact Metals & Mining in 2025.

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Companies

VALE US Equity
Buy

Price: US$ 8.77 (16-Jan-2025)
Target Price 12M: US$ 13.00 (NYSE)

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

CMIN3 BZ Equity
Neutral

Price: R$ 4.87 (16-Jan-2025)
Target Price 12M: R$ 5.75

GGBR4 BZ Equity
Buy

Price: R$ 17.26 (16-Jan-2025)
Target Price 12M: R$ 23.40

CSNA3 BZ Equity
Neutral

Price: R$ 7.81 (16-Jan-2025)
Target Price 12M: R$ 12.75

USIM5 BZ Equity
Neutral

Price: R$ 4.84 (16-Jan-2025)
Target Price 12M: R$ 6.50

In a review of our **weekly Metals & Mining sector** report, "Straight out from the Blast Furnace," this year we decided to separate the chapters into three series of weekly reports (Macro, Real Estate Market, and Steel). The first series, which will cover chapters on **Macroeconomics in China and market sentiment**, will be titled "China, from macro to micro." This report pertains to **week 3 of January 2025**.

The purpose of this series of reports is to update investors on macro data in China, covering key indicators linked to economic activity and their respective impacts on the Metals & Mining sector. Market dynamics in China directly affect mining companies and indirectly impact steel mills in Brazil. Therefore, we believe it is necessary to **analyze the macro while maintaining a focus on the micro**. We consider this series of reports to be essential for monitoring the sector's fundamentals that resonate in the investment theses of the companies we cover in the sector (**Vale, CMIN, Gerdau, CSN, and Usiminas**).

China

Macroeconomics

China is expected to face another challenging year. The beginning of 2025 brings a scenario of ongoing profound uncertainties for the Chinese economy, characterized by a complex interaction between **(i)** government stimuli that bring volatility to markets due to speculative bias, **(ii)** geopolitical tensions, **(iii)** demographic strain, and **(iv)** structural weaknesses. The Chinese growth model, historically supported by the real estate sector and infrastructure investments, has been losing traction, forcing the central government to seek new strategies to maintain economic dynamism. Moreover, exports remain an essential pillar but face increasing obstacles amid escalating global trade disputes.

Record trade surplus and impact on the mining sector. Earlier this week, data from the General Administration of Customs of China (GACC) showed a record trade surplus of US$992bn in 2024 (+21% y/y). However, the positive balance conceals structural challenges, such as persistently weak domestic demand and the contraction of exports as an outlet for redirecting factory overcapacity. We believe this asymmetry indicates an economy still reliant on the external sector, which may create volatility if new trade barriers are imposed. The imminent Donald Trump administration in the US already suggests tariff tightening, adding risks to the trajectory of Chinese exports.

Industrial productivity remains minimally resilient. In trade balance data, imports grew +1.0% y/y in December, reversing a trend of declines recorded in previous months. We assess that the increase in imports of commodities like iron ore and copper reinforces the thesis that China's industrial sector remains resilient despite macroeconomic uncertainties. The trade surplus reached US$104.8bn in December (+7.6% m/m), an emphatic figure that underscores that as long as China can export durable goods to other countries, industrial productivity will remain minimally resilient even with weakened domestic consumption.

Iron ore imports increase by +4.9% y/y. The strengthening of Chinese exports continues to be an essential pillar for sustaining demand for iron ore, steel, and metallic commodities. Despite negative investor sentiment, Vale and CMIN are likely to continue benefiting from China's appetite for iron ore, with imports reaching a record ~1.2Bt (+4.9% y/y), even amid a -2.7% y/y contraction in crude steel production in the first 11M of the year. However, the growing interest in low-grade iron ore also suggests structural changes in the market, maintaining pressure on prices of the 62% Fe reference, given that many mining companies sold regular blends and mixes at discounts during 2024.

Steel exports hit a 9-year record, intensifying China's competition. Chinese steel mill production remains elevated. Steel exports increased +22.7% y/y in 2024, reaching ~110.7Mt, the highest volume in 9Y. This movement, on the one hand, sustains demand for inputs like iron ore, benefiting exporting miners like Vale. On the other hand, the increased global supply of steel due to the influx of Chinese exports will continue to pressure margins for producers in consuming countries, such as Brazil, affecting Gerdau, CSN, and Usiminas. Countries like Turkey and Indonesia have recently raised anti-dumping tariffs.

Industrial PMI spent 2/3 of the year in contraction territory. The official PMI for December, released by the NBS, revealed continued growth in the services sector, reaching 52.2pts (+0.7pts m/m). However, the industrial indicator remained in decline, hitting 50.1pts (-0.2pts m/m; -0.2pts vs. consensus). At the threshold of the expansion zone, the monthly decline reinforces the need for economic support. Of the 12M in the year, only four were in the expansion zone. Additionally, the industrial PMI reading from Caixin reached 50.5pts (-1pts m/m), outperforming the official industrial PMI by +0.4pts.

This supports our previous expectation about the comparison between the two indices, as the Caixin index relatively favors export-oriented companies in its survey compared to the official indicator. As demonstrated, exports continued to show growth.

Table 1. December PMI

	dec/2024	Zone
Manufacturing PMI	**50,1**	**Expansion**
Manufacturing PMI Caixir	50,5	Expansion
Services PMI	52,2	Expansion
New Orders PMI	51	Expansion
Comprehensive PMI outp	51,4	Expansion
Non-Manufacturing	52,2	Expansion

Source: Bloomberg, Genial Investimentos

Deflationary pressure and the need for additional support. For us, the most worrying signal comes from persistent deflationary pressure. CPI slowed to +0.2% y/y in November**,** while producer prices (PPI) fell -2.5% y/y, reinforcing the perception that the stimulus measures implemented so far have been insufficient to boost economic recovery. The need for additional measures becomes even more evident given the adverse global scenario. The slowdown in the industrial sector and continued weakness in domestic demand require a more aggressive approach from the government to avoid a prolonged stagnation cycle.

Interest rate divergence and the decline in financial attractiveness. The historical exchange rate parity between the Hong Kong dollar (HKD) and the US dollar (USD), in place for over four decades, is becoming increasingly dysfunctional in the current global economic scenario. With the 10Y US Treasury yield hovering around 5% and Chinese yields trending towards levels below 1%**,** the mismatch between US and Chinese monetary policies has eroded Hong Kong's competitiveness as an international financial center. Maintaining FX rate parity imposes a monetary policy aligned with the FED on Hong Kong, resulting in high financing costs for local companies. The impact is particularly visible in the real estate sector, where the fourth wave of declines in the residential market has been ongoing for four consecutive years.

Political resistance and the ability to defend the exchange rate parity. Despite evident challenges, the Hong Kong Monetary Authority (HKMA) reaffirmed that there is no need to revise the exchange rate regime at this time. The HKMA maintains robust international reserves, totaling HK$4 trillion (~US$515 billion), with HK$2.1 trillion in highly liquid assets denominated in USD. However, we argue that the central issue is not payment capacity but the adequacy of the model given Hong Kong's increasing integration with the Chinese market. Historically, speculative hedge funds have attempted to break parity without success.

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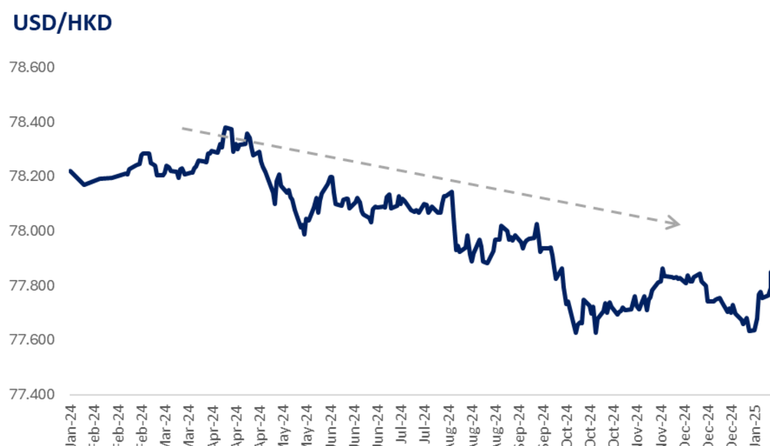
Graph 1. USD/HKD parity



Source: Bloomberg, Genial Investimentos

Corporate risks and impact on asset pricing. The decline in profitability of Chinese companies for the third consecutive year adds another layer of concern. Excess supply in various sectors, coupled with a slowdown in domestic demand, has pressured prices and reduced corporate profit margins. Corporate profits fell -4.7% y/y in 2024, according to NBS data, reflecting difficulties in the domestic market. We assess that if this phenomenon persists, it may indirectly impact the dynamics of the Metals & Mining sector by reducing the investment capacity of industrial players in China and prompting adjustments in production strategy.

Labor market remains weak, increasing urgency for stimulus. The Chinese labor market continues to face challenges, with a slight rise in the unemployment rate to 5.1% in November (+0.1p.p m/m). More concerning, youth unemployment remains high. Despite a decline to 17.1% (-0.5p.p vs. September), it is still one of the highest levels ever recorded. This remains alarming even after the change in the calculation methodology last year, when the rate reached 21% and ceased to be disclosed by the NBS for approximately 6M. We believe job creation remains one of the government's most significant challenges and promises of more robust stimulus may be critical to reversing this trend and restoring confidence in the labor market.

Our take on macroeconomics

Rising trade tensions between China and the European Union. The global economic scenario in 2025 has already begun with escalating tensions between China and the European Union (EU), driven by fears of a flood of cheap Chinese products entering the European market. The expectation of new tariffs from the US may redirect Chinese exports to Europe, intensifying trade disputes and increasing pressure on the EU administration to adopt a stricter regulatory stance. The complexity of the relationship between China and the EU is rooted in multiple factors.

The European industrial sector, already weakened by economic deceleration and energy challenges, now faces fierce competition from Chinese goods, particularly in durable goods segments like electric vehicles and technology equipment—both significant consumers of steel. As a result, calls for anti-dumping measures and tariff barriers are growing.

Impact of Chinese exports and risks of retaliation. Chinese exports saw significant growth in December, reaching US$3.6 trillion, up +10.7% y/y (+3.4p.p above consensus), driven by order anticipation ahead of Donald Trump's administration began and uncertainty about new trade sanctions. This movement reinforces China's central role in global trade but also increases the risk of retaliatory actions. Considering the strong increase in Chinese exports of crude steel throughout 2024, reaching a total of 110Mt (+22.7% y/y), we believe the rise in exports of durable goods with embedded steel was even higher. The EU is already considering tariffs of up to 45.3% on Chinese electric vehicles. Furthermore, the imposition of US tariffs could create a cascading effect, forcing Chinese manufacturers to divert exports to other markets, exacerbating oversupply and depressing global prices for industrial goods.

China's response and commercial expansion strategy. To mitigate the impact of trade barriers, China has been strengthening bilateral relations and diversifying markets. The central government has taken measures to reinforce its presence in Asia and Latin America while enhancing competitiveness through tax incentives and subsidies for export industries. The PBoC has also adjusted its monetary policy to deal with international trade volatility. The recent decision to increase foreign exchange reserves in Hong Kong and relax borrowing conditions abroad aims to minimize potential sanctions' impacts and maintain RMB stability. We believe this strategy seeks to cushion external shocks and sustain the global competitiveness of Chinese products.

Situation isn't great, but does the sharp decline in mining stocks make sense? The acceleration of Chinese exports of durable goods reinforces demand for inputs like iron ore and steel. Even though domestic economic activity remains low, we believe the scenario wasn't as negative fundamentally for mining companies as the market priced in last year. Shares of Vale and CMIN fell -25% (Jan-Dec 2024). However, Chinese iron ore imports reached a record of ~1.2Bt in 2024 (+4.9% y/y), which is highly positive for mining companies. Of course, the market has reasons for concern. A genuinely negative data point is the -2.7% y/y contraction in crude steel production during the first 11M of the year. Yet, this decline is relatively modest compared to how heavily investors penalized the stocks.

Iron ore prices behaving like a seesaw. In the short term, mining companies should continue to benefit from this export-driven demand for durable goods, with China maintaining high levels of iron ore imports. However, iron ore inventories are rising, reaching 132.5Mt (+0.5% w/w) at the ports we monitor in China, remaining at the highest levels in the last 5Y, excluding the same week in 2021. This data, in our view, is one of the primary factors limiting further increases in i.o. prices.

In the spot market, the 62% Fe benchmark price was at US$104/t on the first day of the year, dropping to US$93/t at its lowest point, representing a -10.6% decline in 7 days. However, the price rebounded to US$102/t this week, up +8.8% in 7 days, driven by seasonal demand increases as steel mills prepare for port closures during the Chinese New Year holiday (January 29, lunar calendar). Futures contracts on the Dalian Commodity Exchange (DCE) are trading at US$108/t for March, up +4.9% from the early January low.

Bleak outlook for the Metals & Mining sector in 2025. The volatility of trade relations between China, the US, and the EU could have detrimental effects on the Metals & Mining sector. For now, even with a challenging real estate crisis, Chinese demand for iron ore and steel finds support in the resilience of durable goods exports. While we have always recognized that the outlook wasn't promising, based on 2024 macro data vs. asset prices, we believed investors overreacted in excessively discounting companies like Vale, Gerdau, and sometimes CMIN.

However, with escalating tensions and the resulting increase in expected tariff barriers for 2025, we understand that the reduced demand—caused by weaker absorption of Chinese products by the EU and US—could further pressure iron ore and steel prices, amplifying the negative impact on mining companies and Brazilian steel mills given their parity with imported steel.

What can companies do to improve the situation? It is well-known that the commodities sector is heavily influenced by the macroeconomic environment, which isn't positive. Nonetheless, we believe there are promising microeconomic perspectives. The adaptability of these companies, combined with diversification strategies and operational efficiency through cost reductions, will be crucial. For instance, the lowering of Vale's C1/t ex-third parties' costs, projected for 2025E (US$21/t Genial Est. vs. US$22/t 24E), offers an opportunity for better performance.

For Gerdau, another of our buy rated stock, our model indicates that plant hibernations will significantly boost performance. We estimate that EBITDA for the Brazil BD unit could jump to R$4.5bn in 2025E (+50% vs. 24E), with a margin expansion of +6p.p vs. 24E. Therefore, cost reduction will be a key factor for companies to navigate through challenges this year.

Acceleration of exports before tariff impositions. China's foreign trade recorded remarkable growth in December, with exports rising +10.7% y/y (+4p.p m/m). We believe this surge was driven by a front-loading strategy, where Chinese companies expedited shipments to avoid potential tariffs that the US might impose under the Trump administration. This anticipatory export strategy was previously observed during the first US-China trade war in 2018/2019, when protectionist measures triggered a rush to ship goods before new tariffs took effect. The same phenomenon is repeating, as Chinese companies seek to mitigate regulatory risks and maintain competitiveness in international markets.

Stagnation cycle and the comparison with Japan. The Chinese economy remains trapped in a prolonged stagnation cycle, fueling concerns that the country could face a Japan phenomenon—a period of persistently low growth and structural deflation, as we had highlighted in our sectoral reports in 2023. Over the past 4M, the central government has attempted to restore investor confidence by promising measures to revive the economy. However, we assess that the fiscal and monetary stimuli implemented so far have not translated into sustainable recovery and fail to address the core issues, which seem to be **(i)** the marginal productivity of capital and **(ii)** demographic challenges (birth rates below population replacement levels).

The main obstacle to recovery continues to be the real estate sector crisis, a pillar of Chinese growth in past decades, which itself depended on China's demographic boom between 2000-2015. Excessive debt among local governments, estimated at over ¥60 trillion (~US$8 trillion) according to the IMF, limits the room for more aggressive expansionary policies. The recent drop in yields on Chinese treasury bonds, hitting historic lows, reflects market skepticism about the government's ability to reverse the slowdown trajectory.

Policy Updates and Market Sentiment

A mixed sentiment. Recent developments in the Chinese economy reaffirm the country's centrality in the global dynamics of the sector. **(i)** The growth in exports and **(ii)** the sustained demand for iron ore are positive factors for mining companies like Vale and CMIN. However, **(iii)** the expansion of steel supply, **(iv)** exchange rate volatility, and **(v)** the deterioration of corporate profitability in China, driven by domestically oriented businesses, add risks to the scenario, impacting asset pricing in the sector.

Fragile confidence and waiting for stimulus details. The start of 2025 has been marked by weakened economic confidence in China, reflecting persistent anemic growth and a lack of clarity about new stimulus measures. Although the government has indicated its intention to boost the economy, the details of fiscal and structural policies remain vague. The central government has signaled a significant shift in monetary policy, adopting a more expansionary stance for the first time in 14 years, reflecting an effort to reverse the slowdown trajectory. However, challenges persist. Fixed asset investment (FAI), a tool used by the government to stimulate growth, decreased -3.3% y/y between January and November, totaling approximately ¥46.6 trillion (US$6.4 trillion)**,** reflecting the private sector's reluctance to expand businesses amid an uncertain economic environment.

Seeking a new economic strategy. In this context, central government has signaled a greater commitment to more active fiscal policies. Terms such as "more proactive fiscal policy" and "moderately loose monetary policy" have been reiterated in official communications, suggesting that a new stimulus package may be on the way.

Nonetheless, the government's hesitancy to implement concrete measures has frustrated markets, leading to a pullback in Chinese stock prices. There are, however, sectors that continue to demonstrate resilience. The government has prioritized investments in strategic industries such as electric vehicles, renewable energy, and semiconductors. The expectation is that expanding trade relations with emerging markets and growing hostility from the US may strengthen these industries, turning them into growth drivers in the medium term.

Our take on Policy Updates and Market Sentiment

Pressure on the real estate sector and the need for adjustments. The impact of exchange rate parity isn't limited to the corporate sector but also affects the residential real estate market. For the first time, mortgage rates in Hong Kong are higher than those in Shenzhen, its mainland China neighbor. This discrepancy has worsened the sector's slowdown, making rent more attractive than buying and prolonging the correction in property prices. Without relief in financing costs, we think that the sector could continue suffering from liquidity declines and a contraction in transaction volumes.

FX rate as a central issue. The HKD/USD exchange rate party faces increasingly evident structural challenges. The divergence between US and Chinese interest rates has reduced the territory's attractiveness as a financial hub, pressuring the real estate market and altering corporate capital flows. While the Hong Kong Monetary Authority (HKMA) insists on maintaining the parity, the need for a monetary policy review is gaining traction behind the scenes. Hong Kong's exchange rate future may depend on the political willingness to adjust before economic pressures force an abrupt change.

Appendix: Vale

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

Income Statement	2024E	2025E	2026E	2027E	2028E	2029E
Net Revenue	**38.701**	**39.152**	**39.956**	**39.136**	**40.138**	**41.163**
(-) COGS	(23.761)	(23.119)	(24.141)	(23.723)	(24.096)	(24.553)
Gross Profit	**14.939**	**16.033**	**15.815**	**15.413**	**16.042**	**16.609**
(-) Expenses	(1.947)	(2.686)	(2.532)	(2.021)	(1.679)	(1.735)
Adjusted EBITDA	**16.066**	**16.777**	**16.674**	**16.966**	**18.130**	**18.823**
(-) D&A	(3.083)	(3.226)	(3.419)	(3.614)	(3.816)	(4.007)
EBIT	**12.984**	**13.551**	**13.255**	**13.352**	**14.314**	**14.817**
(+/-) Financial Result	(2.777)	(2.167)	(1.876)	(2.077)	(2.290)	(2.418)
(-) Taxes	(817)	(1.877)	(1.925)	(1.920)	(2.067)	(2.148)
Net income	**9.389**	**9.507**	**9.454**	**9.355**	**9.957**	**10.251**
Profitability						
Net margin (%)	24,26%	24,28%	23,66%	23,90%	24,81%	24,90%

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

Cash Flow (FCFF)	2024E	2025E	2026E	2027E	2028E	2029E
Net Revenue	**38.701**	**39.152**	**39.956**	**39.136**	**40.138**	**41.163**
(-) COGS	(23.761)	(23.119)	(24.141)	(23.723)	(24.096)	(24.553)
Adjusted EBITDA	**16.066**	**16.777**	**16.674**	**16.966**	**18.130**	**18.823**
Adjusted EBIT	**12.984**	**13.551**	**13.255**	**13.352**	**14.314**	**14.817**
(-) Taxes	(797)	(1.635)	(1.657)	(1.684)	(1.882)	(1.975)
(+) D&A	3.083	3.226	3.419	3.614	3.816	4.007
(+/-) Brumadinho and Samarco	(97)	(1.940)	(1.629)	(1.176)	(1.025)	(747)
(+/-) Δ WK	266	986	957	(238)	349	(26)
(-) Capex	(6.470)	(7.018)	(7.018)	(7.559)	(7.559)	(7.559)
FCFF	**8.969**	**7.170**	**7.328**	**6.309**	**8.013**	**8.517**

Appendix: CMIN

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

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	**15.088**	**15.022**	**16.009**	**21.694**	**23.006**
(-) COGS	(8.307)	(8.321)	(8.623)	(11.531)	(13.118)
Gross Profit	**6.781**	**6.702**	**7.386**	**10.164**	**9.888**
(-) SG&A and others	(2.240)	(1.951)	(2.071)	(2.807)	(2.979)
EBITDA	**4.977**	**6.099**	**7.068**	**9.499**	**9.436**
(+/-) Financial Result	(648)	(124)	(275)	(394)	(548)
EBT	**4.329**	**5.975**	**6.793**	**9.105**	**8.888**
(-) Taxes	(974)	(1.326)	(1.474)	(2.105)	(1.907)
Net Income	**2.257**	**3.299**	**3.563**	**4.856**	**4.451**
Profitability					
Net Margin (%)	14,96%	21,96%	22,26%	22,38%	19,35%

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

Cash Flow	2024E	2025E	2026E	2027E	2028E
Net Revenue	**15.088**	**15.022**	**16.009**	**21.694**	**23.006**
(-) COGS	(8.307)	(8.321)	(8.623)	(11.531)	(13.118)
Adjusted EBITDA	**4.977**	**6.099**	**7.068**	**9.499**	**9.436**
EBIT	**3.879**	**4.749**	**5.312**	**7.355**	**6.906**
(-) Taxes	(974)	(1.326)	(1.474)	(2.105)	(1.907)
(+) D&A	1.098	1.350	1.756	2.144	2.530
(+/-) Δ WK	131	51	15	280	207
(-) Capex	(2.082)	(4.825)	(5.031)	(5.367)	(5.767)
FCFF	**2.052**	**(1)**	**578**	**2.307**	**1.968**

Appendix: Gerdau

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

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	**65.953**	**67.829**	**66.093**	**65.557**	**65.344**
(-) COGS	(56.337)	(55.654)	(53.917)	(53.106)	(52.033)
Gross Profit	**9.616**	**12.174**	**12.177**	**12.451**	**13.312**
(-) Expenses	(2.441)	(3.023)	(2.957)	(2.940)	(2.933)
Adjusted EBITDA	**10.897**	**14.226**	**14.507**	**15.010**	**16.073**
(-) D&A	(3.011)	(3.853)	(4.098)	(4.319)	(4.518)
EBIT	**7.394**	**9.830**	**9.880**	**10.167**	**11.032**
(+/-) Financial Result	(1.099)	(453)	(342)	(50)	142
(-) Taxes	(880)	(1.275)	(1.296)	(1.375)	(1.533)
Net income	**5.416**	**8.102**	**8.241**	**8.742**	**9.641**
Profitability					
Net margin (%)	8,21%	11,94%	12,47%	13,33%	14,75%

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

Cash Flow (FCFF)	2024E	2025E	2026E	2027E	2028E
Net Revenue	**65.953**	**67.829**	**66.093**	**65.557**	**65.344**
(-) COGS	(56.337)	(55.654)	(53.917)	(53.106)	(52.033)
Adjusted EBITDA	**10.897**	**14.226**	**14.507**	**15.010**	**16.073**
EBIT	**7.394**	**9.830**	**9.880**	**10.167**	**11.032**
(-) Taxes	(880)	(1.275)	(1.296)	(1.375)	(1.533)
(+) D&A	3.011	3.853	4.098	4.319	4.518
(+/-) Δ WK	(663)	(260)	194	99	143
(-) Capex	(5.615)	(5.676)	(5.739)	(5.802)	(5.866)
FCFF	**3.248**	**6.473**	**7.137**	**7.407**	**8.295**

Appendix: CSN

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

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	**42.907**	**47.035**	**51.041**	**58.920**	**63.289**
(-) COGS	(27.633)	(28.885)	(29.402)	(33.161)	(35.222)
Gross Profit	**15.274**	**18.150**	**21.639**	**25.759**	**28.067**
(-) SG&A and others	(7.089)	(8.124)	(8.207)	(8.678)	(8.627)
EBITDA	**8.184**	**10.026**	**13.432**	**17.081**	**19.440**
(+/-) Financial Result	(4.400)	(3.873)	(4.362)	(4.874)	(5.230)
EBT	**172**	**1.991**	**4.342**	**6.941**	**8.369**
(-) Taxes	(469)	(681)	(1.389)	(2.221)	(2.678)
Net Income	**(297)**	**1.310**	**2.952**	**4.720**	**5.691**
Profitability					
Net Margin (%)	-0,69%	2,78%	5,78%	8,01%	8,99%

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

Cash Flow	2024E	2025E	2026E	2027E	2028E
Net Revenue	**42.907**	**47.035**	**51.041**	**58.920**	**63.289**
(-) COGS	(27.633)	(28.885)	(29.402)	(33.161)	(35.222)
Adjusted EBITDA	**8.184**	**10.026**	**13.432**	**17.081**	**19.440**
EBIT	**4.590**	**5.864**	**8.703**	**11.814**	**13.599**
(-) Taxes	(469)	(681)	(1.389)	(2.221)	(2.678)
(+) D&A	3.595	4.163	4.728	5.266	5.841
(+/-) Δ WK	(1.080)	(372)	(4)	(866)	(562)
(-) Capex	(4.485)	(6.142)	(6.113)	(5.586)	(5.629)
FCFF	**2.151**	**2.831**	**5.926**	**8.408**	**10.571**

Appendix: Usiminas

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

Income Statement	2024E	2025E	2026E	2027E	2028E
Net Revenue	**25.104**	**28.136**	**31.204**	**34.167**	**37.105**
(-) COGS	(23.626)	(25.754)	(27.974)	(29.505)	(30.596)
Gross Profit	**1.478**	**2.383**	**3.230**	**4.662**	**6.509**
(-) Expenses	(1.211)	(1.316)	(1.571)	(1.602)	(1.708)
Adjusted EBITDA	**1.341**	**2.120**	**2.745**	**4.213**	**5.698**
(-) D&A	(1.119)	(1.054)	(1.087)	(1.152)	(897)
EBIT	**267**	**1.067**	**1.659**	**3.061**	**4.801**
(+/-) Financial Result	(526)	(285)	(446)	(594)	(644)
(-) Taxes	(76)	(434)	(673)	(1.370)	(2.308)
Net income	**42**	**348**	**540**	**1.098**	**1.849**
Profitability					
Net margin (%)	0,17%	1,24%	1,73%	3,21%	4,98%

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

Cash Flow (FCFF)	2024E	2025E	2026E	2027E	2028E
Net Revenue	**25.104**	**28.136**	**31.204**	**34.167**	**37.105**
(-) COGS	(23.626)	(25.754)	(27.974)	(29.505)	(30.596)
Adjusted EBITDA	**1.341**	**2.120**	**2.745**	**4.213**	**5.698**
EBIT	**267**	**1.067**	**1.659**	**3.061**	**4.801**
(-) Taxes	(76)	(434)	(673)	(1.370)	(2.308)
(+) D&A	1.119	1.054	1.087	1.152	897
(+/-) Δ WK	1.360	(739)	(830)	(611)	(503)
(-) Capex	(1.443)	(1.241)	(2.047)	(1.638)	(1.556)
FCFF	**1.228**	**(293)**	**(805)**	**594**	**1.331**

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