Equity Research

VALE

1Q25 Preview: Commercial strategy in jeopardy?

LatAm Metals & Mining

Main takeaways:

(i) Iron ore fines production totaled **67.7Mt** (-2.5% vs. Genial Est.; -20.7% q/q; -4.5% y/y), impacted by intense rainfall in the Northern System and strategic portfolio adjustments; **(ii) Iron ore fines shipments** reached **56.8Mt** (+7.5% vs. Genial Est.; -18.8% q/q; +8.0% y/y), reinforcing a destocking movement, although the gap between production and sales widened to **16.3%** (+0.9p.p. y/y); **(iii) Realized price of fines** was **US$90.8/t** (-1.3% vs. Genial Est.; -2.4% q/q), pressured by lower spot exposure and pricing mechanism adjustments; **(iv) Fines premium** turned negative to **-US$1.3/t** (vs. **+US$1.0/t** in 4Q24), reflecting lower availability of premium products from the **Northern System**; **(v) Pellet production** reached **7.2Mt** (-12.3% vs. Genial Est.; -21.6% q/q; -15.1% y/y), constrained by adverse weather and lower feed standardization; **(vi) Pellet shipments** totaled **7.5Mt** (-14.8% vs. Genial Est.; -25.6% q/q; -18.8% y/y), falling short of expectations due to the lack of inventory buffers; **(vii) Pellet realized price** was **US$140.8/t** (-0.9% vs. Genial Est.; -1.5% q/q), with the **all-in premium** falling to **US$1.8/t** (vs. **US$4.6/t** in 4Q24); **(viii) Net revenue** projected at **US$8.3bn Genial Est.** (+2.3% vs. previous est.; -18.1% q/q; -2.0% y/y), reflecting higher iron ore shipments but pressured by lower realized prices; **(ix) C1/t** is estimated at **US$22.4/t** (-0.9% vs. previous Est.; +19.0% q/q; -4.4% y/y), with operational gains offsetting one-off cost pressures; **(x) Adjusted EBITDA** reached **US$2.8bn Genial Est.** (+0.4% vs. previous est.; -25.4% q/q; -16.9% y/y), affected by price declines despite solid performance in base metals; **(xi) Net income** was estimated at **US$782mn Genial Est.** (+0.7% vs. previous Est.; turning positive q/q; -53.6% y/y), pressured by tighter margins; **(xii)** Shares are trading at **3.3x EV/EBITDA 25E** (vs. historical average of 5.0x), with a **~15% FCF Yield 25E** and **~9% Dividend Yield 25E**, reinforcing the attractive thesis tied to our expectation of continued commercial strategy execution as outlined at Vale Day; **(xiii)** We reiterate our **BUY rating**, with a **12M Target Price of R$61.50 (VALE3–B3)** and **US$10.50 (ADRs–NYSE)**, representing an **upside of +15.0%**.

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Company

VALE US Equity
Buy

Price: US$ 9.13 (15-Apr-2025)
Target Price 12M: US$ 10.50 (NYSE)

VALE3 BZ Equity
Target Price 12M: R$ 61.50 (B3)

Vale released its **1Q25 Production** and **Sales Report** yesterday (April 15), after the market closed. In our reading, the data mostly came in **slightly below our projections**, with the **price** of **iron ore fines** reported at **US$90.8/t** (-2.4% q/q; -9.8% y/y), slightly below our estimate (-1.3% vs. Genial Est.). We saw only one **positive surprise**, with **shipments** of iron ore fines reaching **56.8Mt** (+7.5% vs. Genial Est.), up **+8.0% y/y** (already considering seasonality).

Table 1. Operational Summary (1Q25 vs. Genial Est.)

(Thousand Tonnes - kt)	Reported	Genial Est.		Reported	Reported		Reported	
Summary	**1Q25**	**1Q25E**	**% Diff.**	**1Q25**	**4Q24**	**% q/q**	**1Q24**	**% y/y**
Iron Ore Production	67.664	69.364	**-2,5%**	67.664	85.279	**-20,7%**	70.827	**-4,5%**
Iron Ore Fines Shipments	56.762	52.809	**7,5%**	56.762	69.912	**-18,8%**	52.546	**8,0%**
Pellets Production	7.183	8.194	**-12,3%**	7.183	9.167	**-21,6%**	8.465	**-15,1%**
Pellets Shipments	7.493	8.792	**-14,8%**	7.493	10.067	**-25,6%**	9.225	**-18,8%**

Source: Genial Investimentos, Vale

As we mentioned, **shipments** of iron ore fines ended up reaching **56.8Mt** (+7.5% vs. Genial Est.), up **+8.0% y/y** (already considering seasonality) - **accelerating the destocking pace**, although the gap between production and sales still rose to 16.3% (vs. 15.4% in 1Q24). We believe that this ended up partially offsetting the **disappointing performance in the pellet division** - a segment that is more sensitive to feed standardization and to the effects of the weather. Average rainfall in the Northern System stretched to 1,039mm (+42.9% y/y).

Production of **iron ore fines** reached **67.7Mt** (-2.5% vs. Genial Est), with a retraction of **-20.7% q/q** (due to the typical seasonality of 1Qs) and **-4.5% y/y** (due to more intense rains vs. 2024), falling slightly short of what we expected. We believe that the weaker performance reflected (**i**) **operational restrictions** in the Northern System (mainly), as well as **deliberate portfolio adjustments**, prioritizing higher quality loads (even with Carajás producing less due to the rains).

At first glance, it may seem that the company “sold more for less”. This is because the realized price of iron ore fines contracted -2.4% q/q even though the 62% Fe curve rose +7.2% q/q, couple with shipments showing a considerable increase y/y. In a simplistic (and mistaken) logic, some investors may have the **first impression that the quarter story line was contrary to the commercial planning** pointed out as the direction of the new management since Vale Day in December last year. However, with a closer look, we realized that **the “new” strategy was in fact maintained**, since we **identified qualitative progress in the sales portfolio**, with a significant reduction in the volumes shipped of high silica products (-72.7% y/y), and a significant increase in the BRBF 63% Fe blend (+40.4% y/y) and PFC1 (+50.2% y/y), showing the search for **greater margin resilience** via an **increase** in the **quality of the mix is still on table.** On the other hand, even focusing on a better mix (as far as possible), the **iron ore fines premium** ended up returning to **negative territory**, reaching **-US$1.3/t** (vs. +US$1.0/t in 4Q24), a movement which, although we had anticipated, reflected the weakening of adherence to quality premium pricing.

On the **Pellets** side, production totaled **7.2Mt** (-12.3% vs. Genial Est.), with a contraction of **-21.6% q/q** and **-15.1% y/y**, coming in lower than expected due to the persistent impacts of the weather and limitations on pellet feed. Shipments reached **7.5Mt** (-18.8% y/y), also frustrating our expectations (-14.8% vs. Genial Est.), with the **absence** of **inventory** at **sufficient levels** to **create** a **buffer** (unlike i.o. fines), which ended up compromising the period's performance. The **all-in premium fell** to **+US$1.8/t** (vs. +US$4.6/t in 4Q24), pressured by the lower supply of from Northern System products- a key region for high-grade shipments and which experienced heavy rains.

Subtle changes in the 1Q25 projection

In short, although the quarter's figures were influenced by exogenous effects (weather, licensing and logistical restrictions), **we believe that Vale's commercial strategy continues to be executed**, prioritizing quality, reducing exposure to lower-value products and optimizing the portfolio - even in an environment of pressured premiums and more uncertain global demand. We project **Net Revenue** at **US$8.3bn Genial Est.** (+2.3% vs. previous Est.), reflecting the positive surprise of iron ore fines shipments +7.5% vs. Genial Est. Therefore, even though realized prices continued to be pressured, the dynamics of **destocking at a more intense pace** than expected **offset the retraction in the realized price** vs. our previous estimates. **Adjusted EBITDA** now stands at **US$2.8bn Genial Est.** in our model (+0.4% vs. previous Est.). **Net Income** is projected at **US$782m** (+0.7% vs. previous Est.). The financial results will be released on **April 24**, after the market closes.

Table2. New 1Q25 Est. vs. Old one

(US$ millions)	Genial Est.	Old Est.	
Income Statement	**1Q25E**	**1Q25E**	**% Diff.**
Net Revenue	8.289	8.100	**2,3%**
Adjusted EBITDA	2.830	2.818	**0,4%**
Net Income	782	777	**0,7%**

Source: Genial Investimentos

Table3. New 1Q25 Est. vs. 4Q24 and 1Q24

Genial Est.	Reported		Reported	
1Q25E	**4Q24**	**% q/q**	**1Q24**	**% y/y**
8.289	10.124	**-18,1%**	8.459	**-2,0%**
2.830	3.794	**-25,4%**	3.406	**-16,9%**
782	-872	**-189,7%**	1.687	**-53,6%**

Source: Genial Investimentos

Preview 1Q25: In detail!

Iron ore: Production is slightly lower than expected. Production of iron ore fines reached 67.7Mt (-20.7% q/q; -4.5% y/y), marginally below our estimate (-2.5% vs. Genial Est.), reflecting an already anticipated dynamic of lower activity. The decline is due to both operational factors - such as the intensity of the rains in the Northern System and occasional licensing restrictions - and strategic decisions, with a focus on preserving margins by adjusting the mix. The -0.9Mt y/y drop reflected licensing restrictions at Serra Norte (PA), softened by another record performance at S11D (PA), considering 1Q figures. The Southeast System fell -1.2Mt y/y, affected by corrective maintenance at Cauê (MG), partially offset by improvements at Fazendão, in the Mariana complex (MG). In the Southern System, the -1.1Mt y/y decrease was due to the strategic reconfiguration of the portfolio, focusing on higher quality products. In addition, projects such as Capanema and VGR1 continue to ramp up, with completion scheduled for 2026.

Iron Ore: Strong shipments vs. previous year, with more destocking. Regarding sales, shipments of iron ore fines totaled 56.8Mt (-18.8% q/q; +8.0% y/y), exceeding our forecast by +7.5% vs. Genial Est. The performance reinforces the tactical mismatch between production and sales, resulting in a widening gap to 16.3% (vs. 15.4% in 1Q24). We believe that this trend is consistent with the company's current strategy of managing inventories, particularly after the strong dilution of margins observed until 3Q24 with higher silica products in the mix. However, this portfolio reconfiguration did not translate into higher premiums this time, unlike what we saw last quarter.

The all-in premium fell to +US$1.8/t (vs. +US$4.6/t in 4Q24), pressured by the lower availability of products from the Northern System, whose more restricted representation due to the rains reduced the average grade shipped, leading to a retraction in premiums for i.o. fines, which returned to negative territory at -US$1.3/t (+0.7/t vs. Genial Est.). Although they were reported at a lower discount than we expected, we still note that there was a reversal of the positive trend seen last quarter (vs. +US$1.0/t in 4Q24).

Table 4. Production Summary Vale (1Q25 vs. Genial Est.)

Production Summary (Kt)	1Q25 Reported	1Q25E Genial Est.	% R/E	1Q25 Reported	4Q24 Reported	% q/q	1Q24 Reported	% y/y
Iron Ore[1]	67.664	69.364	-2,5%	67.664	85.279	-20,7%	70.827	-4,5%
Pellets	7.183	8.194	-12,3%	7.183	9.167	-21,6%	8.465	-15,1%
Nickel	44	43	2,1%	44	46	-3,5%	40	11,1%
Copper	91	84	8,8%	91	102	-10,9%	82	11,0%

[1] Including third-party purchases, run-of-mine and feed of other pelletization plants.

Source: Genial Investimentos, Vale

Table 5. Shipments Summary Vale (1Q25 vs. Genial Est.)

Shipments Summary (Kt)	1Q25 Reported	1Q25E Genial Est.	%R/E	1Q25 Reported	4Q24 Reported	% q/q	1Q24 Reported	% y/y
Iron ore fines	56.762	52.809	7,5%	56.762	69.912	-18,8%	52.546	8,0%
Pellets	7.493	8.792	-14,8%	7.493	10.067	-25,6%	9.225	-18,8%
ROM	1.886	2.056	-8,3%	1.886	1.216	55,1%	2.056	-8,3%
Nickel	39	36	8,0%	39	47	-17,4%	33	17,5%
Copper	82	78	4,5%	82	99	-17,3%	77	6,6%

[1] Including third-party purchases

Source: Genial Investimentos, Vale

Iron ore fines: Realized price slightly below estimates. The realized price of iron ore fines was reported at US$90.8/t (-2.4% q/q; -9.8% y/y), slightly below our estimate (-1.3% vs. Genial Est.). We believe that the sequential drop reflects lower exposure to spot contracts - even though the 62% Fe reference curve advanced +7.2% q/q - plus adjustments to pricing mechanisms, probably with more of a lagged effect than we had adjusted for in our model.

Even so, we would point out that we saw a significant reduction of -72.7% y/y in sales of high silica products, in line with the company's strategy of repositioning its sales mix. In addition, higher quality cargoes - such as BRBF (+40.4% y/y) and Pellet Feed China - PFC1 (+50.2% y/y) - increased their share, indicating that, despite the current compression in premiums, the company is maintaining its guideline of favoring products with a higher iron content and greater potential for capturing value. Although the full benefits of this change were not reflected in 1Q25, due to the decline in premium benchmarks - with BRBF trading at a discount vs. Platts 62% Fe - we believe that the company is moving in the right direction by gradually repositioning its offer in search of greater margin resilience.

Table 6. Realized Price Vale (1Q25 vs. Genial Est.)

Realized Price (US$/t)	1Q25 Reported	1Q25E Genial Est.	% R/E	1Q25 Reported	4Q24 Reported	% q/q	1Q24 Reported	% y/y
Iron ore fines	90,8	92,0	-1,3%	90,8	93,0	-2,4%	100,7	-9,8%
Pellets	140,8	142,0	-0,9%	140,8	143,0	-1,5%	171,9	-18,1%
Nickel	16.106	16.050	0,3%	16.106	16.167	-0,4%	16.848	-4,4%
Copper	8.891	9.279	-4,2%	8.891	9.187	-3,2%	7.632	16,5%

Source: Genial Investimentos, Vale

Pellets: performance weakened by adverse weather; price contracts with weaker premiums. Pellet production totaled 7.2Mt (-21.6% q/q; -15.1% y/y), below our estimate of -12.3% vs. Genial Est., reflecting the combined effects of (**i**) maintenance in the Vargem Grande (MG) plants, carried out at the end of 2024 and (**ii**) increased rainfall rates in the Northern System in Carajás (PA), which affected the moisture content of the pellet feed and compromised the performance of the pelletizing plant in São Luís (MA). In addition, there was (**iii**) less standardized feed from Itabira (MG), which had a negative impact on the Tubarão (ES) plants.

Shipments totaled 7.5Mt (-25.6% q/q; -18.8% y/y), also lower than expected (-14.8% vs. Genial Est.), in a context marked by the absence of accumulated inventory. It should be noted, however, that the company usually adopts a more conservative stance on pellet sales in 1Qs, which, coupled with lower production and logistical challenges, limited performance in the period. The realized price was reported at US$140.8/t (-1.5% q/q; -18.1% y/y), slightly below our estimate (-0.9% vs. Genial Est.), reflecting a contraction. There was a slight drop in the 65% Fe reference curve (-1.6% q/q), and this was added to the deterioration in contract premiums, reaching an implicit value of US$25.7/t (vs. US$27/t in 4Q24).

Copper: resilient performance, with operational advances at Salobo and Canada. Copper production reached 91Kt (-10.9% q/q; +11.0% y/y), exceeding our estimate by +8.8% vs. Genial Est., mainly driven by the increase in the processing rate at Salobo - I, II and III (PA), as well as the operational progression of the underground mines at Voisey's Bay (NL), in Canada. Sales totaled 82Kt (-17.3% q/q; +6.6% y/y), also higher than expected (+4.5% vs. Genial Est.) and compatible with the production pace. We would also point out that the Salobo complex recorded an increase of +8.1% y/y in processed volume, reaffirming its position as a key asset within the plan to elevate by 2x the copper production capacity (700Ktpy until 2030-2035), based on its own reserves in the Carajás system. The realized price has clocked in at US$8,891/t (-3.2% q/q; +16.5% y/y), also lower than expected by -4.2% vs. Genial Est., reflecting the negative impact of final pricing timing, although partially offset by lower TC/RC discounts and a still resilient LME curve (+1.4% q/q).

Nickel: structurally challenging scenario limits prices, despite operational advances. Nickel production totaled 44Kt (-3.5% q/q; +11.1% y/y), +2.1% vs. Genial Est., reflecting a positive trajectory year-on-year, with the recovery at Onça Puma (PA), following the refurbishment of furnace 1, and the continued ramp-up of underground operations at Voisey's Bay (NL) standing out. Thompson (MB) also came up with an increase, with additional volume going to the Sudbury (ON) refinery, but it reported a slight drop due to processing time issues.

Sales totaled 39Kt (-17.4% q/q; +17.5% y/y), and has clocked in at higher than expected, at +8.0% vs. Genial Est., with part of the production strategically held back to fulfill contracts in 2Q, during scheduled maintenance at Canadian refineries. The realized price fell to US$16,106/t (-3.2% q/q; +16.5% y/y), in line with our estimate (+0.3% vs. Genial Est.), pressured by the adverse global dynamics: (**i**) fall in the LME benchmark (-1.5% q/q); and (**ii**) oversupply from Indonesia - which continue to limit margin recovery.

Net revenue to be impacted by retraction in realized prices. We estimate the Net Revenue consolidated to reach US$8.3bn Genial Est. (+2.3% vs. previous Est.; -18.1% q/q; -2.0% y/y), reflecting the double impact of the slowdown in realized prices - especially in iron ore and pellets - and lower production in some strategic assets. Despite resilience in iron ore fines shipments, the quarter was marked by a less favorable price environment and operational restrictions. Revenues from the i.o. fines division should total US$5.2bn Genial Est. (-20.7% q/q; -2.6% y/y), penalized by the lower contribution of higher quality products and the compression of premiums. The pellets division, meanwhile, should report US$1.1bn Genial Est. (-26.7% q/q; -33.5% y/y), reflecting the lower volume sold, as well as the reduction in contract premiums.

On the other hand, in the base metals operations (VMB), nickel is expected to report revenues of US$1.2bn Genial Est. (+12.4% q/q; +43.5% y/y), sustained by the operational recovery at Onça Puma and progress in the ramp-up of Canadian assets. Copper revenues are estimated at US$728mn Genial Est. (-24.5% q/q; +14.0% y/y), with a robust annual performance, although impacted on the margin by seasonal effects and logistical adjustments in the quarter.

Table 7. Net Revenue Vale (1Q25 Genial Est.)

(US$ millions)	1Q25E Genial Est.	4Q24A Reported	% q/q	1Q24A Reported	% y/y
Net Revenue	**8.289**	**10.124**	**-18,1%**	**8.459**	**-2,0%**
Iron Ore Fines	5.154	6.502	-20,7%	5.291	-2,6%
Pellets	1.055	1.440	-26,7%	1.586	-33,5%
Nickel operations	1.200	1.067	12,4%	836	43,5%
Copper operations	728	964	-24,5%	639	14,0%
Others	152	152	0,5%	107	42,7%

Source: Genial Investimentos, Vale

C1/t should decelerate y/y, despite seasonality pressure q/q. C1/t ex. third-party purchases are estimated at US$22.4/t Genial Est. (-0.9% vs. previous Est.; +19.0% q/q; -4.4% y/y), pointing to a structural improvement on an annual basis. In our assessment, the year-on-year drop should reflect the gradual advance of (**i**) operational efficiency; and (**ii**) greater dilution of fixed costs, which would also contribute further to cost reductions, given that shipments of iron ore fines came in higher than we expected. On the freight side, we project stability at US$20.0/t Genial Est. (-0.2% q/q), with the effect of the downward trend in spot rates measured by the Tubarão-Qingdao route (-7.7% q/q) being limited by the natural lock-in of long-term contracts with shipowners.

EBITDA will be reported down by double digits. We project a consolidated adjusted EBITDA of US$2.8bn (+0.4% vs. previous est.; -25.4% q/q; -16.9% y/y). The iron ore fines division should total US$2.2bn Genial Est. (-28.8% q/q; -11.6% y/y), impacted by the decline in realized prices, despite the +8% y/y advance in shipments. For pellets, we expect US$515mn Genial Est. (-33.1% q/q-+42.6% y/y), reflecting the lower volume produced, inferior contractual premiums and operational performance limited by rainfall and feed quality. On the other hand, the base metals segments should show a positive contribution, especially nickel, whose EBITDA is projected at US$303mn Genial Est. (+16x y/y), driven by the ramp-up of Onça Puma and Voisey's Bay. Copper is expected to reach US$214mn Genial Est. (-24.7% y/y), with good operational performance at Salobo, more than offset by the reduction in prices. Summing up the business units, we estimate consolidated Proforma EBITDA at US$3.2bn Genial Est (-22.8% q/q; -7.7% y/y).

Table 8. EBITDA Vale (1Q25 Genial Est.)

(US$ millions)	1Q25E Genial Est.	4Q24A Reported	% q/q	1Q24A Reported	% y/y
Proforma EBITDA	**3.180**	**4.119**	**-22,8%**	**3.447**	**-7,7%**
Iron Ore Fines	2.241	3.193	-29,8%	2.533	-11,6%
Pellets	515	770	-33,1%	897	-42,6%
Nickel Operations	303	55	450,9%	17	1682,2%
Copper Operations	214	526	-59,3%	284	-24,7%
Others	(92)	(424)	-78,4%	(284)	-67,8%

Source: Genial Investimentos, Vale

Net Income to reverse accounting loss q/q, but halve y/y. We project Net Income at US$782mn Genial Est. (-53.6% y/y), reversing the accounting loss reported in 4Q24 - without one-off effects seen last quarter, such as the impairment charge on the Thompson (MB) asset in Canada. We believe that the year-on-year contraction is mainly due to the deterioration in operating margins, with EBIT falling by -18.9% y/y, pressured by lower realized prices for iron ore (-9.8% y/y) and pellets (-18.1% y/y). Although shipments of iron ore fines were reported to have accelerated y/y, this was not enough to neutralize the compression in realized prices, in addition to the lower sales volume in pellets (-18.8% y/y).

Table 9. Income Statement Vale (1Q25 Genial Est.)

(US$ millions)	1Q25E Genial Est.	4Q24A Reported	% q/q	1Q24A Reported	% y/y
Net Revenue	**8.289**	**10.124**	**-18,1%**	**8.459**	**-2,0%**
COGS	(5.499)	(6.268)	-12,3%	(5.367)	2,5%
Adjusted EBITDA	**2.830**	**3.794**	**-25,4%**	**3.406**	**-16,9%**
EBITDA Margin (%)	34,1%	37,5%	-3,3p.p	40,3%	-6,1p.p
Adjusted EBIT	**2.183**	**2.992**	**-27,0%**	**2.692**	**-18,9%**
EBIT Margin (%)	26,3%	29,6%	-3,2p.p	31,8%	-5,5p.p
D&A	(647)	(802)	-19,3%	(714)	-9,3%
Financial Result	(427)	(1.760)	-75,7%	(437)	-2,3%
Net Income	**782**	**(872)**	**-**	**1.687**	**-53,6%**
Net Margin (%)	9,4%	-8,6%	-	19,9%	-10,5p.p

Source: Genial Investimentos, Vale

Our Take on Vale

Port inventories deepen downward trajectory, with restricted supply and resilient demand. Iron ore inventory at the 45 main Chinese ports ended the 2nd week of April at **125.3Mt** (**-0.5% w/w**), completing 8 consecutive weeks of decline and accumulating a drop of **-7.5%** vs. **Feb/25**. In our view, this movement corroborates the trend of gradual emptying recorded throughout 1Q25, intensifying the convergence towards the historical average of the last 5Y. On the **supply** side, global production fell successively throughout March, culminating in a drop of **-6.4% m/m.**

We believe that this compression remains strongly associated with (**i**) **extreme weather events in Australia**; and (**ii**) the weakened performance of **domestic iron ore production in China**. From a **demand** perspective, average daily crude steel production in China reached **2.8Mt/day** in **Feb/25**, totaling **166.3Mt YTD** (**+5.1% y/y**). (**iii**) **Steel mills** continue to operate at **high levels** of **blast furnace utilization**, slightly **above 90%**, indicative of the anticipation of orders in the face of the possible intensification of trade tensions between the US and China - which has driven **tactical movements** by **mills** to **rebuild inventories**. We believe that this dynamic contributed to a **-3.0% y/y** drop in port inventory. Considering that we are entering 2025 with the second highest inventory level for January vs. the last 5Y, we believe that the slowdown was significant and helps to remove the excess supply compared to the current level of demand, which **raises the fundamentals for the spot price of iron ore.**

Iron ore: Macroeconomic pressures and escalating trade push prices below US$100/t. After experiencing a slight one-off recovery at the beginning of April (linked to the fundamentals we mentioned above), prices for the 62% Fe benchmark have fallen sharply again in recent days. The spot price reached **US$98.5/t** (-5.5% vs. April 1) on the Dalian Commodities Exchange (**DCE**), partially reversing the lowest level reached since January on April 12 (**US$95.2/t**).

We believe that this significant correction is the result of a confluence of factors such as (**i**) the **possibility of a Chinese recession** due to **worsening trade tensions between China and the US**; and (**ii**) **more intense profit-taking** by traders. On the DCE, futures contracts maturing in **June/25** ended the trading session quoted at US$102.8/t (-2.3% y/y). In addition, the recent drop has repositioned prices below the US$100/t line, setting up a **backwardation** scenario in the 62% Fe ore curve, with the **futures market** pricing 2H **values** below **spot** - a direct reflection of the downward slope projected for the coming months to 2025.

What can China do to stimulate domestic consumption? To increase the effectiveness of its strategy against the intensification of tariffs imposed by the Trump administration, we believe that the Chinese central government needs to strengthen its capacity to stimulate the domestic economy, breaking the deflationary spiral that has been evidenced by indicators such as the **CPI** and **PPI**. In this context, we point to a set of measures that could lead to an improvement in domestic consumption:

The (**i**) expansion of **income distribution platforms**; (**ii**) coordinated reductions in **interest rates** (LPR 1Y and 5Y) of **-20-40bps**, accompanied by cuts in the compulsory rate (**RRR**). We estimate a total cut of up to **-60bps** over the course of 2025, with the **5Y LPR** potentially reaching **3.0%** (vs. **3.6% currently**); (**iii**) a **rise in the fiscal deficit** of **+1.5p.p**. vs. an estimated **4%** of **GDP 25E**; and (**iv**) **structural reforms** in the **labor market**, including improvements to the social security contribution system and adjustments to the minimum wage, with the aim of freeing up disposable income and strengthening consumer confidence. Together, these measures seem to us to be decisive in mitigating the negative sentiment linked to unemployment and stimulating domestic consumption.

Commercial strategy in jeopardy? We don't think so. The drop in the realized price of iron ore fines (-2.4% q/q), even in the face of the appreciation of the 62% Fe curve (+7.2% q/q) and the significant advance in shipments y/y, could lead to the misinterpretation that Vale is moving away from the commercial strategy outlined since Vale Day in December. However, a more detailed analysis reveals the opposite: the reconfiguration of the sales portfolio - the silver bullet of the new strategic guideline - is ongoing. We identified **a substantial reduction in shipments of high silica products** (-72.7% y/y), accompanied by **significant increases** in **the share of higher quality blends**, such as **BRBF 63% Fe** (**+40.4% y/y**) and **PFC1** (**+50.2% y/y**). This move reaffirms the company's commitment to preserving margins by enriching its mix.

Priced at an **EV/EBITDA 25E** of **3.3x** (vs. the historical average of 5.0x), delivering an **FCF Yield 25E** of **~15%** and a **Dividend Yield 25E** of **~9%,** we remain favorable to the strategic repositioning from a commercial point of view expected by the company for 2025. Supported by attractive valuation metrics, we maintain our **BUY rating** with a **12M Target Price** of **R$61.50** for **VALE3-B3** and **US$10.50** for **ADRs-NYSE**, reflecting an **upside** of **+15.0%.**

Appendix: Vale

Figure 1. Vale – Income Statement in US$ Millions (Genial Est. 2025-2029)

Income Statement	2025E	2026E	2027E	2028E	2029E
Net Revenue	**35.719**	**38.463**	**39.028**	**39.929**	**40.872**
(-) COGS	(23.770)	(24.895)	(25.448)	(26.140)	(27.049)
Gross Profit	**11.948**	**13.568**	**13.580**	**13.789**	**13.823**
(-) Expenses	(2.084)	(1.725)	(2.034)	(1.694)	(1.262)
Adjusted EBITDA	**14.094**	**15.806**	**15.919**	**16.252**	**16.401**
(-) D&A	(2.888)	(3.016)	(3.146)	(3.287)	(3.427)
EBIT	**11.206**	**12.790**	**12.773**	**12.964**	**12.974**
(+/-) Financial Result	(1.177)	(1.125)	(1.063)	(1.060)	(988)
(-) Taxes	(2.827)	(3.894)	(3.905)	(4.170)	(4.404)
Net income	**7.201**	**7.772**	**7.805**	**7.735**	**7.582**
Profitability					
Net margin (%)	20,2%	20,2%	20,0%	19,4%	18,6%

Figure 2. Vale– Cash Flow in US$ Millions (Genial Est. 2025-2029)

Cash Flow (FCFF)	2025E	2026E	2027E	2028E	2029E
Net Revenue	**35.719**	**38.463**	**39.028**	**39.929**	**40.872**
(-) COGS	(23.770)	(24.895)	(25.448)	(26.140)	(27.049)
Adjusted EBITDA	**14.094**	**15.806**	**15.919**	**16.252**	**16.401**
Adjusted EBIT	**11.206**	**12.790**	**12.773**	**12.964**	**12.974**
(-) Taxes	(2.827)	(3.894)	(3.905)	(4.170)	(4.404)
(+) D&A	2.888	3.016	3.146	3.287	3.427
(+/-) Brumadinho and Samarco	(1.393)	(998)	(666)	(835)	(202)
(+/-) Δ WK	277	1.924	72	1.116	80
(-) Capex	(5.760)	(5.412)	(5.844)	(6.065)	(6.065)
FCFF	**4.392**	**7.426**	**5.577**	**6.298**	**5.811**

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