Equity Research

VALE

Meeting with CEO: Becoming a chameleon

LatAm Metals & Mining

Main takeaways:

(i) There is a prioritization of **medium grade fines (62–63% Fe)**, reducing **high silica** (-73% y/y); **(ii) C1/t ex. third parties** reached **US$21/t in 1Q25**, with prospects of reaching the 25E guidance bottom (**US$20.5/t**). For every +R$0.10 in FX, C1/t decreases by -US$0.25; **(iii)** The "others" line (60–62% Fe) represented **8.3Mt** in 1Q25 **(+45.5% y/y)**, anticipating the new product consolidation; **(iv)** Pellet production should be in the guidance **lower range** of **38–42Mt**; **(v)** Third-party purchase volume may rise to **28–29Mt** with the **off-take from the Minas-Rio JV**; **(vi) CAPEX 25E** at **US$5.9bn**, with the possibility of further revision. There will be flexibility if the price of iron ore goes below US$90/t; **(vii) VBM:** The company recognizes structural challenges and is considering **selling nickel assets**, mainly in **Canada**; **(viii)** In **copper**, production capacity could **double**, rising to **700ktpy by 2030**, with emphasis on the **Hu'u project** (Indonesia), where **partnerships are being studied** to mitigate execution risks; **(ix)** Proceedings in the **UK courts** (BHP/Mariana) may continue until December 2025, and a **tax dispute** in the **Brazilian Supreme Court-STF** (~R$22bn) has already been provisioned; **(x)** Although the Brazilian government favors Vale in the negotiation of **Bamin's assets** (~R$30bn), the company is conditioning progress on **economic viability** (low NPV), citing high infrastructure CAPEX (mainly on the Fiol railway); **(xi)** Management sees a gradual entry of **Simandou volume** and a greater focus on **replacing domestic Chinese supply** rather than as **net excess**; **(xii)** Trading at **3.6x EV/EBITDA 25E** (vs. historical average of 5.0x), with **FCF Yield 25E of ~14%** and **Dividend Yield 25E** of **~9% in 2025E**, which could reach **~10% in 26E**; **(xv)** Even in a scenario of i.o. prices fluctuating between **US$95–100/t** and a possible drop to **US$80/t in 2027E**, the company combines discounted valuation, strategic adaptation, increased transparency. We reinforce our **BUY rating**, with a **12M Target Price** of **R$61.50** for **VALE3** and **US$10.50** for **ADRs-NYE**, with an **upside of +15.2%**.

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Company

VALE US Equity
Buy

Price: US$ 9.37 (28-May-2025)
Target Price 12M: US$ 10.50 (NYSE)

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

Meeting with CEO

Vale called a meeting **with sell-side analysts** yesterday, **May 28**. The roundtable was attended by **Mr. Gustavo Pimenta** (CEO) and **Mr. Marcelo Bacci** (CFO). A few days earlier, **we organized an event between the company and a group of investors**. In this report, we will comment on the **insights we gained from both conversations** that we have participated, pointing out our impressions on the reflections brought up by **management and the investors**. We will divide our comments into the following topics: **(i)** Iron Ore Solutions and **(ii)** VBM. In these sections, the focus will be more on the company's operation side. In addition to these points, we will discuss **(iii)** CAPEX; **(iv)** Legal Proceedings, Licensing, and Vale's relationship with government bodies (Bamin subject included). We believe this is an **extensive** and **detailed report**, given that it was formed by **two separate meetings**.

Iron Ore Solutions

A y/y reduction is expected in C1/t. Vale reinforced that the productivity program it has been implementing has generated positive results, especially in reducing production costs. In **1Q25**, it was indicated that the **production cost** (CPP) was **~US$23/t**. Our expectation is that in **2Q25E**, the cost will remain **sequentially flat**, but with a **downward trend y/y.** Compared to its peers, the company emphasized its competitive position at the meeting, citing that **Rio Tinto** and **Fortescue** recorded much higher costs. Throughout 2025, Vale believes it will be able to deliver costs closer to the **lower end of its C1/t ex-third-party guidance range (US$20.5/t)**, especially if the FX remains stable. However, we believe that 2H25 may bring uncertainties due to FX volatility. It is important to note that for every **increase of** +**R$0.10 in the USD/BRL** FX, **C1/t** falls by **-US$0.25/t**. The guidance indicated assumes an average FX of R$5.50.

Although the C1/t cooling is partly explained by the appreciation of the FX (which accelerated to R$6.19 at the end of 4Q24 and has already regressed to R$5.68 on the spot market), operational improvements also contributed to offset pressures such as inflation and climate impacts, such as heavy rainfall in Carajás (PA). We therefore conclude that **organic efficiency gains only offset cost inflation**, while the FX and the dilution of fixed costs were responsible for bringing down C1/t ex. third parties (-10.4% y/y in 1Q25 and -9.5% y/y in 4Q24).

The initiatives the company has taken to lower costs are: **(i)** expansion of caves to allow operation with two trucks, increasing the efficiency of the excavator; **(ii)** reduction in shift change time, bringing the change point closer to the mining front; and **(iii)** organizational simplification, with the elimination of Projects department, resulting in a reduction in headcount. Although we believe that these actions will not generate massive gains in isolation, together they already having a significant impact.

C1/t fell in 1Q25, but what was the influence of destocking? It can be said that the **production cost (CPP)** for **4Q24 was very low** (~US$18/t), benefiting from the **COGS** for **1Q25** due to the consumption of previously formed inventories. As we highlighted in our 1Q25 review report, the company surprised us with higher-than-expected iron ore fines shipments (56.8Mt or +7.5% vs. Genial Est. at the time), given a greater level of destocking pace. At our meeting with investors, the company suggested that the **composition of COGS in 1Q25** could be divided into **~30%** reflecting **previously built inventories** and **~70% representing current costs**. The company consumed 1.6Mt of inventory, which was transferred directly to shipments.

Although oil and diesel make up part of **C1**, their impact is relatively limited: diesel represents **~13% of C1**. For every **-US$10/t drop in Brent**, **freight** decreases by **-US$0.90/t** and **C1** by **-US$0.20/t**. However, the pass-through of these declines in costs has been slow until now. In addition, the railway system (MRS) embeds part of the cost of diesel oil in transportation tariffs, further diluting its direct impact on C1.

New medium grade product line. We estimate that the **first 20 days of April** already showed up **+1.1Mt y/y**, signaling a progressive increase in production in 2Q25E vs. 1Q25.

The company reinforced that the natural **gap between production and sales should increase** this year, because of the strategy to upsurge concentration and prioritize the **medium grade of iron ore fines** (63% Fe). We believe that the strategy seeks to optimize the use of **high silica** materials, which previously went to waste but can now be transformed into commercial products, especially with the planned launch of a **new medium grade product** from **Carajás (PA)**, with a content of ~**63% Fe**.

This adjustment will simplify operations in **Serra Norte** and free up mass, in addition to potentially reducing losses in the process. On the other hand, losses are expected to increase due to the blending process (we will comment more on this further down). The initiative for a **medium grade** of iron ore fines (without blending) is part of the pursuit of **circular mining**. The company told us that it is already running up, but without a specific label for it. So, it currently appears on "other" iron ore fines 60-62% Fe line, which stood at 8.3Mt (+45.5% y/y) in 1Q25. The plan is to structure and launch this standard product soon.

More blends, less high silica. Continuing to explore changes in the product portfolio, we see that the company is prioritizing blends, mainly BRBF with 63% Fe (southeast low-grade system + high grade Carajás) and reducing the direct sales of high silica products (which declined -73% y/y in 1Q25). The **mass loss volume** this year– which involves the blending process – could be **2x as much vs. 2024**, reaching ~6Mt. Thus, we estimate that the **gap between production and sales** may approach **20%** (vs. 15% previously) in the full year 25E outlook, with **5-6% coming from mass loss**. However, there is still uncertainty regarding the expected magnitude for 2026, given that the total portfolio adjustment may take more than 12M to complete.

The company emphasized the success of its circular mining initiatives, with the reuse of waste piles and lower Fe-grade materials. In 2024, ~12Mt were reused, with the potential to **reach up to 30Mt by the end of 2030**. These operations are already part of the production plan – therefore already included in the guidance – allowing reserves to be preserved and operational efficiency to be improved. We see management constantly emphasizing the importance of **commercial flexibility** and adjusting product supply to evolving market conditions.

This is very important to us, as Vale seems to be adopting a **more honest approach with analysts**, in line with market reality, where demand for high-quality products is not quite strong nowadays. Reducing high silica and thereby improving the mix is undoubtedly a positive sign. On the other hand, the improvement in the mix will only progress to a certain extent. This is because it seems to us that the company **does not intend to incorporate** much **more IOCJ volume** (Carajás fines – 65% Fe), since there is no large-scale absorption of this product today. Therefore, **focusing on medium grade**, either through blends or Carajás fines with the new 63% Fe product, is the **right path in the current** demand environment.

Why bet on medium grade? The decision to prioritize **medium grade** was supported by multiple factors: **(i)** compressed margins for high-end products, especially due to the low price of metallurgical coal (currently US$101/t, down -19.2% YTD). In our view, coal prices at this level reduce appetite for premium iron ore.

The **premium paid** for iron ore fines from **Carajás (IOCJ)** is on a downward trajectory to **US$12-15/t**. We believe that a **feasible reference point** would be in the range of **US$15-16/t**. With lower premiums being paid, adding more IOCJ to shipments does not seem to be the solution. In addition, **(ii)** there is a need to maintain the competitiveness of Vale's high silica, which is an important input for steel mills to blend with high alumina Australian ores in blast furnaces; and **(iii)** preparation for the Simandou start-up, which will bring more high-grade supply to the seaborne market.

In addition, Mr. Pimenta highlighted the trend toward expanding **blending in China**, taking advantage of capacity exceeding **150Mt** in Chinese ports, with **~80% of capacity** currently being utilized. Blending in China **adds +US$1/t to costs** but makes it possible to capture quality premiums and optimize margins, as the company can offer the mix desired by clients with greater precision. We believe that this strategy allows for flexibility, taking advantage of **regional premiums in different ports** and reducing the need for blending in Brazil. The trend in the industry is to intensify **blending at destination rather than at origin**, maximizing logistical and commercial efficiency. Therefore, we see this movement being adopted by other players in the sector, such as BHP and Rio Tinto.

Minas-Rio: Third-party purchases may increase. We also note that the **third-party purchase** strategy has undergone adjustments. The guidance for **2025** is around **25-26Mt**, which could reach **28-29Mt** with the entry of the off-take from the **Minas-Rio** operation (JV with Anglo American, with a 15% stake held by Vale). This purchase represents **4Mtpy**, with ~15% of the volume, being a **medium/high quality** product. The decision should be opportunistic and dependent mainly on **(i)** the i.o. price level, **(ii)** spot freight, **(iii)** silica content, and **(iv)** premiums/discounts. We emphasize that despite the common perception that third-party purchases are of lower quality, the company reinforced in our meeting with investors that its **third-party purchase portfolio has ~60% Fe** and that the Minas-Rio asset will contribute marginally to raising this level. Furthermore, despite the higher cost of this higher quality volume from Minas-Rio (uplifted C1/t), the impact is marginal on the consolidated basis, as the purchase represents only 10% of the total volume.

It was clarified that the JV holds a **15% stake**; Anglo American finances all expansion CAPEX, and the **partners receive dividends** in proportion to their stakes. If CAPEX occurs, the 15% dividend will be reduced, but we expect the increase in production to raise total dividends y/y, when there was no distribution. The contract includes an **off-take right** equivalent to the equity interest, allowing the purchase of iron ore to supply third parties purchases. Therefore, the acquisition of third parties in the JV becomes part of this off-take, strengthening access to **additional volumes** without changing the equity interest.

Pellets at the guidance bottom and briquettes are seen more as R&D. Rainfall in the North and unscheduled maintenance at the Cauê plant (MG-Itabira) impacted feed creation and, consequently, pellet production in Tubarão (ES). The **pellet production** guidance for **2025E** remains between **38-42Mt**, but management suggested analysts to model at **38Mt** – the **lower end of the guidance range**.

As for briquettes, development has been more challenging than initially expected by the company, mainly due to the **retrofit of existing pelletizing plants**, which caused operational difficulties. The Tubarão 1 and 2 plants are nearing completion and have already begun the first commercial tests with clients for blast furnace usage and direct reduction procedure.

It is important to mention that the **lower-than-expected briquette production does not affect the guidance**, as the idle pelletizing capacity is sufficient to absorb any deviations. However, the company argues that technology is essential to achieve the target of **70Mt of agglomerates by 2030**. Even so, in our conversation with investors, some questioned why Vale had made such a big “advertisement” about the product, given that there is a difficulty in operationalizing it and Chinese mills seem to be increasingly postponing the use of premium mix. In response, the company says it recognizes that initial over-optimism led to expectations that were **out of touch with the real complexity**, which is now seen as **large-scale R&D**.

Capacity cuts in China may be marginal. The crude steel production cut agenda in China, anticipated by the central government, is projected by Vale at **-30Mt in steel capacity** (-3% vs. 2024 production). **Our estimate is more bearish**. We believe that an impact would generate a **reduction of -45Mt in iron ore demand** in the seaborne system over the next 12M. For management, there is a clear trend toward mills consolidation in China, concentrating production in more efficient players, with Baowu Steel leading the process. Despite uncertainties related to tariff policy, we note that mill utilization rates remain high (currently above 90%, +2.8p.p. y/y), and there have been supply constraints in Australia (impacted by cyclones).

In addition, Mr. Pimenta noted that there are signs that **China may again cut obsolete capacity**, as it did in past cycles (2016-2018), which would sustain a **higher utilization rate and support prices**. Vale does not expect large mandatory cuts in steel production but sees solid demand in sectors such as manufacturing (+9% y/y) and infrastructure (+5.5% y/y). The real estate segment remains depressing, but the stabilization presented during the meeting is only from 2027 onwards (in line with our estimate).

Simandou: Management tends to downplay influence on price declines. The Simandou project is expected to **start up in 2027,** according to Vale (Rio Tinto mentions 2026). Management believes that the market will adapt, as it did with the entry of **S11D**. At the time, many analysts had signaled that there would be more supply than demand, but there was adequate absorption. In the company's view, part of the market tends to overlook the difficulties that players may face in ramping-up those types of assets. In addition, Simandou iron ore would tend to replace part of the volume produced domestically in China (average grade of **62% Fe** for **260Mtpy**), which is expensive to produce – **up to US$120/t** – and faces **environmental restrictions**. Therefore, the **depletion** of Chinese mining should continue to favor the entry of new capacities.

On this point, Mr. Pimenta seems to have **downplayed Simandou threat to iron ore pricing**. As an argument, the company says that although Simandou's entry could add +50-60Mtpy after ramp-up, new projects face growing regulatory and environmental difficulties.

Vale believes that the impact will be more of a replacement than a net addition to supply. Chinese demand should gradually decline, but other regions, such as South Asia, will offset part of this reduction. From the pushbacks that we have had with investors, **management's expectations sound very bullish** (and it should not be regarding this matter). Many **fund managers** with whom we are in contact with are pricing iron ore at ~**US$80/t already in 2027E** (vs. ~US$95/t currently), and a significant portion of this decline is correlated with the entry of Simadou. On the other hand, in Mr. Pimenta's view, Simandou iron ore **is unlikely to be sold purely**, but will undergo blending and becoming a more mid-grade product, with **limited impact on the high-quality market structure**. On this specific point, we tend to agree with the company's way of thinking.

VBM – Base Metals

Nickel: Selling assets may be a way forward. Nickel was classified by management as a **structural challenge**, mainly due to abundant supply in Indonesia. The company is considering maintaining the optionality of the business but is **willing to reduce or exit assets** that do not show significant return potential. The focus is on reducing costs and making the operation sustainable. Alternatives such as partnerships or divestments are being considered, as may be the case with the Thompson (MB) asset.

Our perception is that the company has shown caution stance regarding the nickel market, recognizing the massive government support in countries such as Indonesia and the competitive challenges this creates. While spotting the long-term potential, management is more comfortable focusing on commodities where Vale has a clear competitive advantage, avoiding risky moves. Mr. Pimenta was transparent in acknowledging the encounters with nickel assets in Canada, **classified as "high cost."** Therefore, we believe there is a strong likelihood of **(i)** optimization through asset sales, or **(ii)** combination with other local operators to reduce costs and improve efficiency. However, **no concrete decision has yet been made**.

Copper: Partnerships are being considered to operate in Hu'u. The plan is to achieve **2x copper production** capacity, uplifted to **700ktpy** (vs. 350ktpy nowadays), and that was one of the main points discussed when the subject of VBM came up. Mr. Pimenta acknowledged that investors **have not given the company enough credit** in this segment due to its **history of underperforming**. The company is now focused on new projects with a timeline through 2030, counting on significant improvements in its technical team and asset quality. The priority is to accomplish a robust and economically attractive copper portfolio.

The progress of copper projects was reviewed, with emphasis on the **Hu'u asset** in Indonesia, considered one of the most significant discoveries in the sector in recent years, with a capacity of **~350ktpy**. Due to logistical and engineering challenges, the company is exploring **potential partnerships to share risks** and accelerate development. In Brazil, partnerships are seen as less likely, given the greater familiarity and control over the operating environment.

Our Take on Vale

CAPEX

Another revision may be ahead. In 1Q25 CAPEX was subdued, reaching US$1.2bn (-16% y/y). However, we expect an **acceleration in 2H25**, following the historical trend, barring extraordinary events. In addition, there is **an internal review of capital costs for the nickel assets**, with estimated CAPEX of US$90–100mn. The **25E guidance**, which was US$6.5bn, had downshifted to **US$5.9bn** (in February). Even if he has already suffered a cut, **it may still undergo a new update stemming**, for example, from the Thompson (MB) asset review process, which should be completed in 1H25, with possible announcements in 2H25.

The company has indicated that it will maintain this level of CAPEX (~US$6bn) if **regulatory conditions** (licensing) **do not evolve**, especially for the development of **new copper projects**. The acceleration of investments is conditional on obtaining environmental licenses. The potential for **discontinuation** is considered, since the asset requires investments of around **US$90mn** to become viable and is not aligned with the company's strategic focus on copper. The decision will be based on the asset's ability to generate sustainable FCF. Furthermore, at the meeting we had with investors, the company mentioned that in the sensitivity analysis, a **+R$0.10 appreciation in the USD/BRL FX rate** reduces **CAPEX by -US$60mn**. In addition, Mr. Bacci indicated that ~US$4bn would be allocated to maintenance, while US$2bn is related to growth and, therefore, may be adjusted according to the price scenario. In the event of persistently low prices (~US$80/t for iron ore), the **company may postpone or slow down projects**, preserving efficiency and discipline in capital allocation.

Legal proceedings, licensing, and relationship with government

Proceedings in the UK courts and taxation of foreign subsidiaries. A decision on **BHP**'s liability in the UK proceedings is expected in **June-July 2025**, with a possible extension until December. If liability is recognized, a second phase will begin to quantify the amounts due. The Brumadinho agreement is in its final stages, awaiting only **approval by the TCU** – Brazilian Federal Court of Accounts. **R$4bn** (~US$700mn) has been advanced, while the company is claiming, outside the agreement, an additional **+R$6bn** (~US$1.1bn), which will be negotiated based on **counterparties**.

In addition, the company is monitoring a **tax dispute** in the Supreme Court (STF) related to the collection of **income tax on a foreign subsidiary** in countries that have agreements of no double taxation with Brazil. The trial date will be **between June 6 and 13**. The impact of the case on Vale is **~R$22bn**, but at this stage **there is only upside**. Mr. Pimenta explained that the **amount has already been provisioned** and that, if the ruling is favorable, it will bring financial benefits in **amount reversal through P&L**. The issue affects other Brazilian companies and is considered systemic. The current score is **2-1 against Vale**. This indicates that, although the company had already won in the Superior Court of Justice (STJ), the Brazilian government appealed to the Supreme Court (STF)and may reverse the decision.

The company's proximity with government bodies. Mr. Pimenta commented that the **flexibility** in the **law** for the exploration of mineral resources in **natural underground cavities in Carajás** (PA) is under government control and may **take time to be reassessed**, depending on regulatory instructions and processes from the Ministry of the Environment (MMA). The company's institutional proximity to the agencies responsible for reassessing the potential impacts of extraction in the cavities, including the participation of scientists and geologists, may help to facilitate progress. However, Vale does not see any significant changes in the short term. **Perhaps something may happen in 2H25, but it is not certain**.

The company is seeking solutions to ensure the continuity of operations regardless of regulatory changes, acting on three fronts: **(i)** evaluating plans without relying on exploration in cave areas; **(ii)** accelerating licensing through technical support and partnerships, mainly in S11D in Carajás (PA). On the other hand, many investors fear that **the company's increased proximity to the government** will generate negative externalities, beyond the positive ones such as unlocking production through licensing. One of the **negative points speculated** in the market is the **acquisition of Bamin's operations**, with assets in Bahia (BA), a state with electoral appeal for the Lula administration.

Many investors consider that acquiring Bamin is a veiled licenses cost. The Brazilian government has a strong interest in unlocking this deal, since Eurasian Resources Group (ERG), a Kazakh company and current operator, has done virtually nothing on the build-up of the railroad that would connect the mine to the port. There is a stream of news indicating that Vale is in talks with Brazilian authorities. The government's support would come from the BNDES, which would participate in financing the purchase—in a consortium with Vale and Cedro Mineração—and in releasing funds for the construction of section 1 of the **railroad**, known as **Fiol**. Without this progress, the bidding for section 2 remains stalled. Although Vale is not alone on the bid, with **Brazil Iron** having made an offer of US$1bn (~R$5.7bn), the government seems to treat this alternative as a secondary option, keeping **Vale as the favorite**.

When questioned on this point, **management says it is maintaining a neutral stance**, arguing that it will only move forward if the project demonstrates **clear economic viability**. During the conversation, we felt that the company sees that there would be **a high need for CAPEX** in infrastructure (mainly with Fiol) and that it would be unjustifiable from a NPV standpoint given the amount of iron ore that would be found there. The Bamin project includes the operation of the **Pedra de Ferro mine** in Caetité (BA), a **section of the West-East Railway** (Fiol) and a **port terminal in Ilhéus** (BA), called Porto Sul. Some news reports say that the amount being discussed for the **acquisition** is **~R$30bn** (~US$5.3bn), well above the figure offered by Brazil Iron.

Becoming a chameleon

In response to the current scenario, where Chinese mills are not – broadly speaking – paying a premium for quality, the company has **pragmatically reconfigured its portfolio**: it has intensified production of **medium grade fines (62-63% Fe)**, reusing materials previously discarded with higher silica content, but extracted on a higher quality basis in the northern system (Carajás – PA), compared to the high silica volume coming from the southeastern system (MG). The new product line, already visible in the volumes classified as "others" (8.3Mt in 1Q25, +45.5% y/y), is likely to **gain prominence throughout 2025**. Operationally, **C1/t ex. third parties stood at US$21/t in 1Q25**, with prospects of reaching the **lower end of 25E guidance** (US$20.5/t) — bringing the company back to a competitive level with its peers (Rio Tinto, BHP, and Fortescue) in this regard.

The -10.4% y/y reduction in C1/t was made possible by **(i)** efficiency gains, **(ii)** lower cost destocking, and **(iii)** the positive impact of the USD/BRL FX rate (for every +R$0.10 in the FX, C1/t declines by -US$0.25). For now, we believe that C1/t should remain stable sequentially in **2Q25E**, but show a **reduction of -15% y/y.** Even in scenario still marked by a **bearish bias** — with iron ore prices fluctuating **between US$95-100/t** in 1H25 and **a significant portion of investors** with whom we are in contact pricing a **drop to US$80/t** in **2027E** — we continue to see **attractive key valuation metrics**. While we agree that the **outlook is not positive**, we believe that the **shares have been penalized beyond what is fair**. From a fundamental perspective, we deem that the company remains **clearly discounted**, trading at **3.6x EV/EBITDA 25E**, well below its historical average of **5.0x**.

In addition, we have maintained our **FCF yield 25E** projection of **~14%** (deleveraged) – which is **well above peers** (BHP at ~7% and Rio Tinto at ~6%) – and should support a **Dividend yield 25E** of **~9%** even in a less favorable price environment (US$94/t average for 25E). Looking further ahead, we believe that the **dividend yield** could rise marginally to **~10% in 2026.** There would be room for an even more elastic increase, however, management signaled at yesterday's meeting **a preference for increasing the share buyback program** over dividend distribution.

The fact is that the **equity story has not shown significant progress** after overhangs eliminations (the Mariana agreement, the renegotiation of the EFVM and EFC concessions, and the appointment of Mr. Pimenta as CEO). Since November last year, when the Mariana (MG) agreement was signed, the **share price** has fallen by **-13%**. **Even so**, the case remains **anchored in attractive valuation**, operational discipline, and the ability to adapt to a new market cycle. We are confident in the company's portfolio repositioning and **increased transparency of its strategy** towards the market, something we made criticisms on the previous management mandate (regarding commercial strategy). In this context, we maintain our **BUY rating**, with a **12M Target Price** of **R$61.50** for **VALE3-B3** and **US$10.50** for **ADRs-NYSE**, implying an **upside** of **+15.2%**.

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**

Disclosure Section

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	Definition	Coverage
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under Review	Under review	**5%**

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