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Metals & Mining

From Macro to Micro: Slowdown after order book anticipation

LatAm Metals & Mining

Main takeaways on China:

(i) Manufacturing PMI rises to 49.5pts (+0.5pts m/m), but remains in contraction; slight improvement in production and domestic orders, but exports remain under pressure from tariffs and external uncertainties; **(ii) High tech and state-owned companies remain resilient**, with PMI above 50pts; Small businesses face compressed margins and reduced access to stimulus measures amid the 90-day tariff truce with the US; **(iii) Services PMI falls to 50.3pts** (-0.1pts m/m), reflecting an uneven recovery; construction continues to grow, but weak consumption and declining employment require additional stimulus measures; **(iv) Composite PMI advances to 50.4pts** (+0.2pts m/m), but reveals fragile and unbalanced expansion; **(v) Caixin Manufacturing PMI falls to 48.3pts** (-2.1pts m/m), the worst level in 20 months; sharp decline in exports and small industry production exposes fragility of Chinese industrial recovery; **(vi) Labor market contracts**, with layoffs accelerating; rising inventories and falling prices confirm deflationary pressure and intense competition; **(vii) Trump doubles tariffs on steel to 50%**, raising trade tensions; decision puts pressure on Asian exporters, creating global excess and threatening margins and investments; **(viii) Iron ore: inventories rise to 124Mt** (+0.2% w/w), with imports still strong and domestic demand sluggish; more conservative management by mills limits withdrawals at ports; **(ix) Iron ore prices fall to US$93.8/t** (-3.0% w/w), with a drop in Chinese demand, future production cuts (~35Mt) and fears of a deterioration in China-US relations; **(x) Steel production falls -7% m/m**, while exports soar (10.5Mt) and inventories decline -0.7% w/w; mills prioritize discipline and external sales to preserve margins; **(xi) BFs utilization rate falls to 90.7%** (-0.6p.p. w/w; +2.5p.p. y/y); **(xii) EAF falls to 59.0%** (-0.5p.p. w/w; +3.1p.p.y/y), after rising in early May; **(xiii) The OECD projects a global capacity surplus of +721Mt by 2027**, with new additions in polluting routes; utilization rates may fall to ~70%.

This is another edition of our weekly report on the **Metals & Mining** sector, focusing on **Macroeconomics in China**, **market sentiment**, and **Iron Ore and Steel** data. This week's series is part of the **"From macro to micro"** series. This report refers to the **week of June 1, 2025**.

In this report, we discuss **(i)** the Chinese industrial and non-manufacturing PMI readings released in recent days **(ii)** our **expectation** of **interest rate cuts in China** (1-and 5-Y LPRs) of **-30bps by the end of the year**, **(iii)** the labor market, where sentiment **remains bearish**, and **(iv)** the addition of a **50% tariff on steel** imposed by the **Trump administration** (vs. 25% after the withdrawal of Section 232 exemptions and the duty increase in March). In addition, we comment on the **(v)** slowdown in **BFs utilization rates** after the **end of the advance order period**, which was in effect before Liberation Day (April 2).

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Companies

VALE US Equity
Buy

Price: US$ 9.58 (09-Jun-2025)
Target Price 12M: US$ 10.50 (NYSE)

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

CMIN3 BZ Equity
Neutral

Price: R$ 4.92 (09-Jun-2025)
Target Price 12M: R$ 5.75

GGBR4 BZ Equity
Buy

Price: R$ 17.76 (09-Jun-2025)
Target Price 12M: R$ 19.00

CSNA3 BZ Equity
Neutral

Price: R$ 8.30 (09-Jun-2025)
Target Price 12M: R$ 9.50

USIM5 BZ Equity
Neutral

Price: R$ 5.25 (09-Jun-2025)
Target Price 12M: R$ 6.00

China

Macroeconomics

Manufacturing PMI: Up m/m but remains in contraction territory. The official industrial PMI, measured by the NBS and released at the end of last week for May, **rose to 49.5pts** (+0.5pts m/m; in line with consensus), remaining technically in **contraction territory** (<50pts), but with a marginal recovery, suggesting a partial relief in the industrial slowdown, after **last month's indicator interrupted** the flow of **eight readings above the 50-point line**. The current composition reflects a still challenging environment, marked by **(i)** weak external demand, with an appetite decline to order books for durable goods exports after the end of the anticipated period observed from Jan-Mar — before the implementation of the Liberation Day tariffs; **(ii)** advancing uncertainties regarding US trade policy; and **(iii)** ongoing structural adjustment of the Chinese economy to reduce dependence on heavy industry sectors.

Despite the still contractionary reading, **some subcomponents of the index showed positive signs**. The **production** subindex **crossed the 50-point line**, reaching 50.7pts, indicating marginal expansion in manufacturing activity, driven by inventory regularization and a temporary resumption of demand in some clusters. The new order sub-index (domestic consumption) rose to 49.8pts, still in contraction territory (below 50pts), but on an improving trajectory m/m. On the other hand, **new export orders were under pressure**, reflecting US trade tariffs and slowing global demand.

Table 1. China PMIs

March, 2025	Actual	Consensus	diff	Prior	diff
Manufacturing	49,5pts	49,5pts	+0,0pt	49,0pts	+0,5pt
Non-Manufacturing	50,3pts	50,6pts	-0,3pt	50,4pts	-0,1pt
Caxin Manufacturing	48,3pts	50,8pts	-2,5pt	50,4pts	-2,1pt

Source: Bloomberg, Genial Investimentos

Manufacturing PMI: Tariffs are highly correlated with volatility. On the positive side, when we looked at the sub-indices, we saw that **high-tech manufacturing remains resilient**, given the central government's mandate to expand capacity in the high-end segment and **reduce dependence on the US technology sector** in the context of heightened trade tensions. The indicator sustained **expansion for the 4th consecutive month**, reaching 50.9pts, also supported by large companies (most of them state-owned) which returned to the expansion zone — with a PMI of 50.7pts, showing greater capacity to absorb shocks related to declining export demand in new orders. Small and medium-sized companies, on the other hand, continue to suffer from **(i)** compressed margins, **(ii)** high financial costs, and **(iii)** limited access to government incentives.

In the macroeconomic arena, the partial improvement in the manufacturing PMI (+0.5pts m/m) coincides with the temporary truce in tariffs between China and the US, with a partial reduction in rates for 90 days (cooling down to a minimum of 10% vs. 145% previously).

Even so, the geopolitical environment remains volatile—the Trump administration again accused China of violating trade arrangements, reintroducing uncertainty in the medium term about the possible interruption of the 90-day period for negotiations following the Geneva agreement. This scenario, combined with the slow recovery of the real estate sector, reinforces our view that **additional stimulus will be needed** to sustain industrial recovery — whether through more flexible monetary policy, following the **cut in** the **1-Y LPR** to **3.0%** (vs. 3.1% previously) and the **5-Y LPR** to **3.5%** (vs. 3.6% previously), or fiscal measures targeting infrastructure and corporate credit.

Non-manufacturing PMI: Marginal expansion reinforces fragility. The **official non-manufacturing PMI**, also released by the NBS, **fell to 50.3pts** (-0.1pts m/m, -0.3pts vs. BBG consensus), signaling marginal growth in the services and construction sectors (expansion zone, slightly above the 50-pt. line). Although technically in expansion territory, the pace of growth slowed and **frustrated expectations**, whose importance has grown as China attempts to rebalance its economy, historically dependent on heavy industry and state investment, and now begins to turn more toward services.

The reading reflects an environment of **uneven domestic recovery**. The **services** sector **registered 50.2pts**, with modest growth influenced by **(i)** consumption still at a **cautious pace among households** (given the uncertainty about the economy), **(ii)** low mobility in rural areas, and **(iii)** lagged effects of still conservative monetary policy. The **construction sector** reached **51.0pts**, indicating moderate expansion, but at a **slower pace m/m**—a result of weak demand for housing and continued deleveraging sector. May marked the last seasonally favorable month for the residential construction sector in China. With the arrival of summer between Jun-Aug, torrential rains tend to further slowdown the formation of construction sites.

On the demand side, the **new orders** subindex **for the services sector** fell to 46.1pts, a warning sign of **insufficient domestic demand**, especially in non-essential services. The **employment subindex** remained in **contractionary territory at 45.5pts**, reinforcing the diagnosis that the recovery has not been sufficient to sustain net job creation, especially among small urban service providers.

In contrast, the business expectations subindex remained robust at 55.9pts, suggesting that companies are gaining confidence that future stimulus measures and macroeconomic stabilization will reverse the slowdown trend. More broadly, the weakness of non-manufacturing activity reinforces the challenges facing the Chinese government in driving growth through the service sector, a vital component for a sustainable transition that is less dependent on the export industry. In addition, with the persistence of **external pressures via US tariffs**, domestic consumption becomes even more strategic as an engine for recovery.

Composite PMI: Modestly expansion, but with imbalances between sectors. Composite **PMI** advanced marginally to **50.4pts** (+0.2pts m/m), remaining on the threshold of expansion territory for the third consecutive month. In our view, the indicator reveals an **asymmetrical and fragile recovery**, with the services sector sustaining the aggregate indicator while industry continues to operate in contractionary territory.

Overall, the composite PMI pts to an economy that is avoiding recession, but whose expansion remains weak and dependent on localized stimulus. The temporary truce in tariffs with the US (currently reduced for 90 days) may have helped ease the business environment in the short term, but the Trump administration's unstable rhetoric—with recent criticism of China for violating agreements—reintroduces volatility to the external scenario.

The **outlook suggests** that further stimulus measures—both fiscal and monetary—will be needed to consolidate a more robust recovery. We expect the Chinese government to focus its efforts on **strengthening domestic demand and boosting employment** in services and small businesses, as well as promoting greater liquidity and investment in digital and urban infrastructure.

Caixin Manufacturing PMI: Unexpected contraction. The manufacturing PMI, released by Caixin/S&P Global **fell to 48.3pts** (-2.1pts m/m; -2.5pts vs. consensus). This is the **first contraction recorded in 8M** and the lowest level since September 2022, reflecting a sharp deterioration in industrial conditions, especially among smaller private and export-oriented companies. The downturn was largely driven by a decline in exports, with the foreign orders subindex reaching its weakest level since July 2023, under the direct impact of the trade war, despite the **90-day temporary truce** agreed in May between the US and China.

As we have already commented in previous reports, one of the biggest differences in the calculation methodology between the official indicator measured by the NBS and that measured by Caixin is the weighting of exporting companies, which is higher in Caixin. Therefore, in our view, the **stronger contraction reading is rational**, given the **slowdown in companies' order books** after the period of anticipation of tariffs came to an end. As a result, **total new orders shrunk at the sharpest pace in 2.5Y**, suggesting a widespread weakness in demand, both domestic and, above all, external (via exports). **Industrial production** – as measured by Caixin **– fell for the first time in 19M**, the sharpest contraction since November 2022.

In short, the sharp decline in the Caixin PMI highlights the fragility of China's industrial recovery and raises warning signs in the export sector, especially among smaller private companies that are more exposed to global trade. The **divergence from the official PMI** (49.5pts; +0.5pts m/m) is justified by the **difference in sampling** (private companies vs. state-owned companies are included in the survey, and the weight of exports changes, being more prevalent in Caixin vs. NBS).

Policy Updates and Market Sentiment

The labor market remains negative. According to data from a survey conducted by Caixin/S&P Global, the **labor market in China remained under pressure**, with job cuts for the second consecutive month—and at the fastest pace since January—affecting mainly industrial capital goods companies. The finished goods inventory index rose again after 4M, reflecting a decline in sales and delays in shipments.

Amid intensifying trade tariffs with the US—which exceeded +145% before the start of the 90-day negotiation period—Chinese authorities announced new guidelines aimed at preserving jobs and supporting exports, sectors directly impacted by the orders decline and production disruptions.

The **unemployment rate among urban youth** remains high at **16.5%**, while the **overall rate fell** to **5.1%** in April (-0.1p.p. m/m), with May data yet to be released by the NBS. The government has announced subsidies for companies that hire recent graduates, as well as initiatives designed at professional training level, encouraging entrepreneurship, and providing direct financial support to exporters. Given this scenario—with an estimated **~16 million jobs** linked to exports to the US—we expect the **PBoC to adopt further monetary easing measures**, including interest rate cuts and reductions in RRR later this year. We believe there will be an **additional cut** of **-30bps in LPRs by the end of the year**, in line with our comment on -40bps in 25E from April (-10bps already cut in May).

US raises steel tariffs to 50%. Effective **June 4**, there is a **new increase in steel import tariffs**, representing a significant escalation in US protectionist policies. The measure, which **doubles tariffs to 50%** (vs. 25% previously), is justified by the Trump administration as a mechanism to "shield" domestic industry from foreign competition, which is understood—from the perspective of this administration—that the 25% previously in effect under Section 232 would not be sufficient.

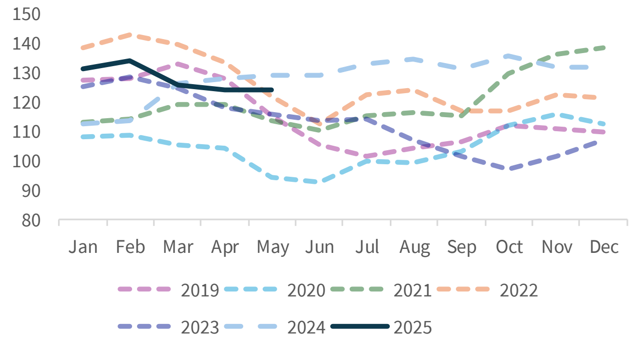
The tariff increase was met with strong criticism. The **European Commission** classified the imposition of the additional tariff as a factor of global economic instability and signaled that the bloc is considering **countermeasures**. **South Korea** called an emergency meeting with the country's main steelmakers (POSCO, Hyundai Steel, SeAh Steel, among others) to assess the immediate impacts, especially after the **20.6% y/y decline in South Korean steel exports to the US** in the first three weeks of May alone. Although **Japan**—the second largest supplier of steel to the US—remains silent on the sensitivity of bilateral negotiations, recent history already reveals concern. When the 25% tariff was initially applied, Nippon Steel's chief operating officer (COO), Mr. Tadashi Imai, warned that **the** measure could bring Japanese production to its **lowest level in more than 50Y**. Now, with the rate doubled, the risk is likely to intensify.

We believe that this decision will have significant repercussions on the global supply chain. Indirectly, exporters such as **Japan, South Korea, and China** will lose competitiveness in the US market and **redirect their volumes to other destinations**, which will increase global supply and **put pressure on steel prices**. At the same time, domestic competition in exporting countries is likely to intensify, squeezing margins and driving **consolidation**. The measure also raises the risk of trade retaliation and increases regulatory uncertainty.

Iron ore and Steel

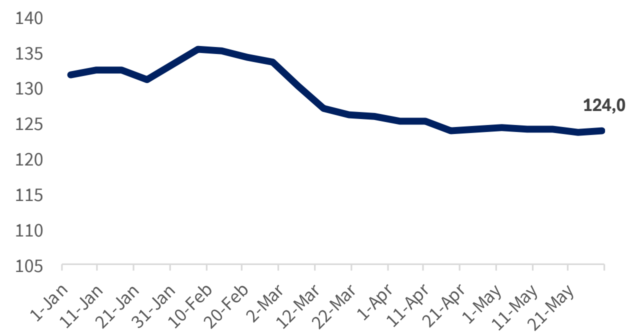
Iron Ore: Port inventory advanced smoothly. Last week, inventory ports we monitor for iron ore in China advanced, reaching **124Mt** (+0.2% w/w). The slight growth interrupts the marginal decline observed in the previous three weeks and reflects a combination of logistical, tactical, and commercial factors, in a scenario of robust supply and moderate domestic absorption. Among the main drivers, we highlight the significant increase in imports in April, which totaled ~103Mt, because of advance purchases amid uncertainty regarding US tariff policy..

Graph 1. Iron ore port inventory 2025 (Mt)



Source: Bloomberg, Genial Investimentos

Graph 2. Iron ore port inventory vs. 5Y (Mt)



Source: Bloomberg, Genial Investimentos

This high flow maintained the pace of cargo arrivals at ports, even in the face of still subdued domestic demand, contributing directly to the recovery of inventories. We note the normalization of Australian mining shipments after the weather impacts. At the same time, we believe that Chinese steel mills have been adopting a more conservative stance in inventory management, with **average coverage levels** falling to 28 days since March vs. 35 days previously. This move has slowed the pace of removal of accumulated cargo from ports, temporarily increasing the stockpile of iron ore.

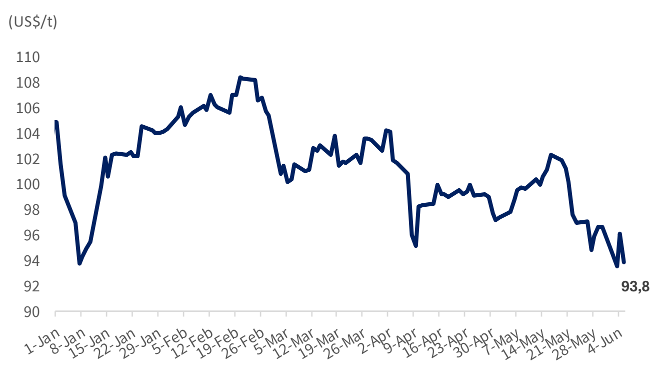
On the demand side, daily steel production remained resilient, reaching **2.8Mt/day in May** (+7.7% vs. Jan/25), driven by marginal improvements in infrastructure activity and expectations of stimulus measures. However, this recovery, while positive, remains insufficient to offset the excess iron ore available in logistics hubs.

Iron Ore: Price down -3.0% w/w. The **reference price for 62% Fe** on the spot market fell to **US$93.8/t** (-3.0% w/w), consolidating the third consecutive week of decline and deepening the corrective movement that began in May. We believe that the weakness in prices reflects, predominantly, the weakening of Chinese demand, associated with the deterioration of sentiment in the global market in the face of regulatory uncertainties regarding the possibility of an agreement with the US and its effects on the macroeconomic slowdown.

The main downward driver remains subdued domestic demand in China, especially after new evidence of contraction in the real estate sector and cooling infrastructure activity. In addition, asset pricing already reflects expectations of **new restrictions on steel mill production cuts**, reaching **~35Mt in the next 12M,** implying a **reduction of -45Mt** in **seaborne iron ore demand**, reinforcing caution on the part of mills and reducing buying the momentum in the market. On the external front, trade tensions with the US have returned to the forefront. The withdrawal of the suspension of **tariffs on steel**, added to **+25% under Section 232** (which carried 25%), ended up bringing the **total tariff to 50%**, effective as of June 4, reigniting doubts about the stability of bilateral relations and dampening speculative appetite in the markets.

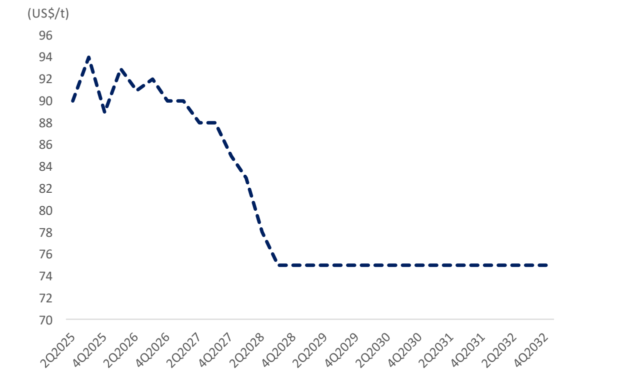
This dynamic added volatility and drove sell orders, especially in Singapore. On the **supply** side, although cumulative Chinese imports continue to fall by -5.5% YTD, the standardization of Australian shipments after the end of the rainy season **puts pressure on the marginal balance between supply and demand**, contributing to the formation of a **short-term negative bias**. Our average support range for **3Q25E** remains at **US$94/t**, with limited upside potential in the short term.

Graph 3. Iron ore price (Genial Est. 25-32E)



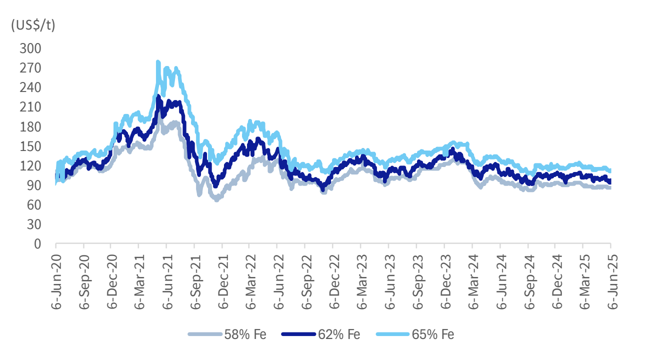
Source: Genial Investimentos

Graph 4. 30 Days Iron ore prices (Spot - S&P Platts)



Source: S&P Platts, Genial Investimentos

Graph 5. Iron ore price (Spot - S&P Platts)

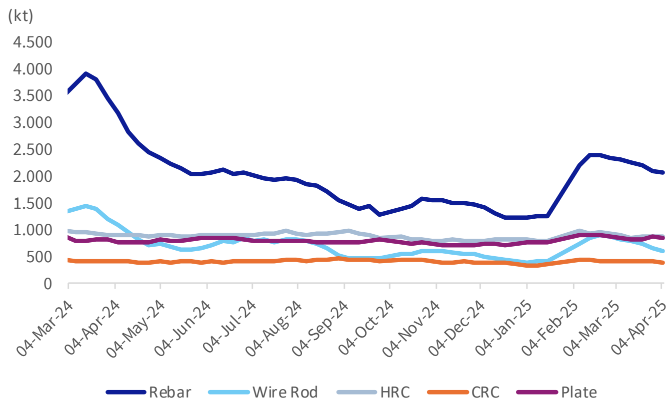


Source: Genial Investimentos

Steel: Mill yard inventory declined by -0.7% w/w. According to data from the mills we monitor, we also observed steel inventories in mill yards falling to **4.35Mt** (-0.7% w/w). On the **production** side, official data from the NBS indicated that China produced **~86Mt of crude steel in May 2025**, down **-7% w/w**, reflecting a deliberate move to contain supply, initiated by mills in response to pressure on profit margins and the volatile external environment. This reduction contributed directly to preventing further accumulation in storage areas. At the same time, Chinese steel exports skyrocketed, reaching **10.5Mt**, the **highest monthly volume since 2016**. Combined with moderate domestic sales — driven by infrastructure projects in northern and central provinces — outflows exceeded net available production in the last week of May, leading to a reduction in inventories at mills.

This movement therefore signals supply discipline in the face of squeezed margins, while highlighting the role of foreign trade as an outlet for excess capacity. The continuation of this trend will depend on the stability of international demand and the imminent introduction of **domestic production cuts in 2H25E**. By product, the **reduction in supply was widespread. Rebar** inventories fell **-0.7% w/w** to **1.9Mt**; **(ii) wire rod** declined **-1.0% w/w** to **436kt**; **(iii) HRC** fell **-2.5% w/w** to **750kt**; **(iv) cold-rolled coils** contracted **-1.6% w/w**, reaching **416kt**; and **(v) medium plates** declined **-0.7% w/w**, totaling **864kt**.

Graph 6. Steel mills inventory (130 major cities)



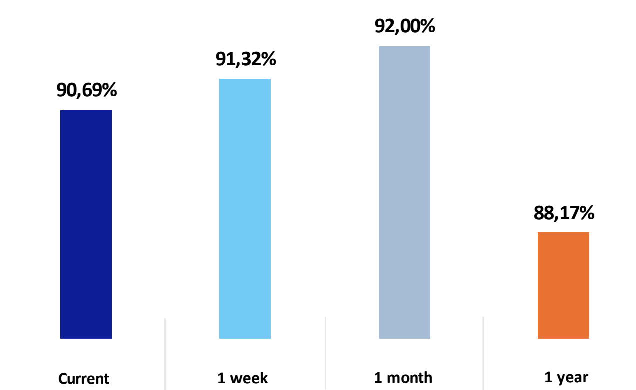
Source: My Steel, Genial Investimentos

Steel: BFs utilization rate declines w/w, but remains higher y/y. In the week ending May **30, 2025**, steel production at integrated **Blast furnace (BF)** plants in China declined for the third consecutive week, mainly due to an increase in the number of units that began **scheduled maintenance**. The **utilization rate** of BF capacity **declined** to **90.7%**, a drop of **-0.6p.p. w/w**, but still higher **+2.5p.p. y/y**. This operational adjustment reflects on the one hand, recurring technical practices for asset preservation and, on the other, a deliberate strategy in response to **weak domestic demand**. The intensity of maintenance, which was above the seasonal standard, suggests that steel mills opted to reduce their activity preventively, avoiding excessive inventory buildup.

We note that, despite the recent adjustment, the BF utilization rate remains high vs. 2024, suggesting that mills continue to operate with relative resilience. However, the **reduction observed in recent weeks** signals a change in production behavior, driven by the **need to adapt** to an environment of **depressed domestic demand**, given the **end of the tariff anticipation period**, which between January and April was responsible for feeding the downstream industry's order book.

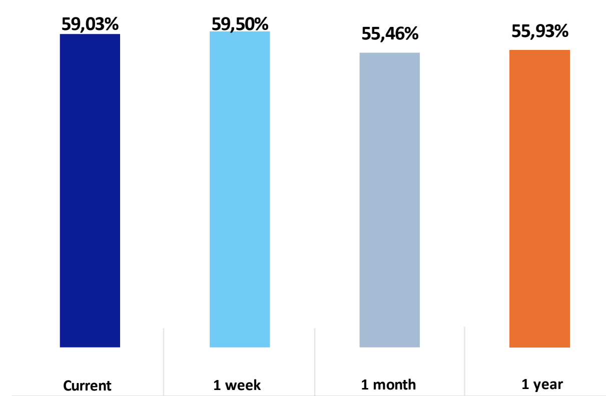
Steel: EAFs utilization rate also declines. In the **electric arc furnace (EAF)** segment, the **utilization rate** also slowed to **59.0%**, down **-0.5p.p. w/w**, but still above the same period last year, up **+3.1p.p. y/y**. After the significant advance observed between the **beginning and middle of May** (+3.6p.p), the indicator now suggests a **temporary slowdown** in the pace of production recovery along this route. In short, we believe that the decline in Chinese mills' operating rates in the recent period represents not only a technical need for **asset management**, but above all a strategic response to **adapt to market dynamics**. By **constraining supply**, mills seek to mitigate the risk of further price declines and preserve margins, which remain under pressure amid a context characterized by **(i)** the continued slowdown in the real estate sector and **(ii)** adverse weather conditions, which have been limiting the pace of construction and, consequently, demand for steel.

Graph 8. BF capacity utilization % (weighted average)



Source: My Steel, Genial Investimentos

Graph 9. EAF capacity utilization % (weighted average)



Source: My Steel, Genial Investimentos

Global excess capacity puts pressure on margins and threatens green transition. According to the OECD, global excess steel production capacity is expected to reach **721Mt by 2027**, driven by new projects concentrated mainly in China, India, ASEAN, and MENA, where public subsidies have encouraged expansion.

Between 2025 and 2027 alone, **+165Mt** will be added, of which **~40%** will come from carbon-intensive technologies such as blast furnaces (BF). With global demand growing by only +0.7% y/y until 30E, and with the expected downturn in China and stagnation in OECD countries, the utilization rate may fall to ~70%, putting pressure on margins and financial viability, even for efficient players. At the same time, the increase in Chinese exports — **which hit a record 118Mt in 2024** — has triggered a wave of **anti-dumping** investigations: 81 cases in one year, 5x vs. 2023. We believe that this structural imbalance will compromise the sector's profitability and **slow down investments in low-carbon technologies**, jeopardizing the progress of the energy transition in the global steel industry.

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**

Appendix: CMIN

Figure 1. CMIN – Income Statement in R$ Millions (Genial Est. 2025-2028)

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	**15.275**	**15.345**	**16.464**	**18.209**
(-) COGS	(8.243)	(8.441)	(8.746)	(10.221)
Gross Profit	**7.032**	**6.905**	**7.718**	**7.988**
(-) Expenses	(1.801)	(2.311)	(2.310)	(2.337)
Adjusted EBITDA	**5.230**	**5.442**	**6.382**	**6.684**
(-) D&A	(1.293)	(1.631)	(1.982)	(2.355)
Adjusted EBIT	**3.938**	**3.810**	**4.400**	**4.329**
(+/-) Financial Result	(425)	(720)	(1.105)	(1.307)
(-) Taxes	(1.261)	(1.036)	(1.118)	(801)
Net income	**2.251**	**2.055**	**2.177**	**2.221**
Profitability				
Net margin (%)	14,7%	13,4%	13,2%	12,2%

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(-) COGS	(8.243)	(8.441)	(8.746)	(10.221)
Adjusted EBITDA	**5.230**	**5.442**	**6.382**	**6.684**
EBIT	**3.938**	**3.810**	**4.400**	**4.329**
(-) Taxes	(1.261)	(1.036)	(1.118)	(801)
(+) D&A	1.293	1.631	1.982	2.355
(+/-) Δ WK	(136)	134	177	588
(-) Capex	(4.087)	(4.499)	(5.001)	(5.613)
FCFF	**(254)**	**41**	**440**	**859**

Appendix: Gerdau

Figure 1. Gerdau – Income Statement in R$ Millions (Genial Est. 2025-2028)

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	**72.335**	**77.762**	**78.069**	**79.442**
(-) COGS	(63.044)	(67.492)	(67.137)	(66.822)
Gross Profit	**9.291**	**10.269**	**10.932**	**12.620**
(-) Expenses	(2.340)	(2.506)	(2.530)	(2.580)
Adjusted EBITDA	**11.178**	**12.012**	**12.506**	**13.953**
(-) D&A	(3.869)	(4.131)	(4.370)	(4.590)
EBIT	**7.620**	**8.541**	**9.182**	**10.834**
(+/-) Financial Result	(545)	(686)	(471)	(1.105)
(-) Taxes	(1.595)	(1.946)	(2.408)	(2.684)
Net income	**5.480**	**5.909**	**6.303**	**7.046**
Profitability				
Net margin (%)	7,6%	7,6%	8,1%	8,9%

Figure 2. Gerdau– Cash Flow in R$ Millions (Genial Est. 2025-2028)

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	**72.335**	**77.762**	**78.069**	**79.442**
(-) COGS	(63.044)	(67.492)	(67.137)	(66.822)
Adjusted EBITDA	**11.178**	**12.012**	**12.506**	**13.953**
EBIT	**7.620**	**8.541**	**9.182**	**10.834**
(-) Taxes	(1.595)	(1.946)	(2.408)	(2.684)
(+) D&A	3.869	4.131	4.370	4.590
(+/-) Δ WK	186	(6)	(193)	169
(-) Capex	(6.000)	(6.075)	(6.150)	(6.226)
FCFF	**4.081**	**4.645**	**4.802**	**6.684**

Appendix: CSN

Figure 1. CSN – Income Statement in R$ Millions (Genial Est. 2025-2028)

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	**46.277**	**46.932**	**50.995**	**55.773**
(-) COGS	(32.882)	(33.046)	(36.652)	(40.128)
Gross Profit	**13.394**	**13.886**	**14.343**	**15.645**
(-) SG&A and others	(2.664)	(2.205)	(1.416)	(720)
Adjusted EBITDA	**10.730**	**11.681**	**12.927**	**14.925**
(+/-) Financial Result	(4.799)	(5.590)	(4.912)	(5.655)
EBT	**1.608**	**1.440**	**2.759**	**3.402**
(-) Taxes	(547)	(493)	(938)	(1.157)
Net Income	**1.061**	**947**	**1.821**	**2.246**
Profitability				
Net Margin (%)	2,29%	2,02%	3,57%	4,03%

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

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	**46.277**	**46.932**	**50.995**	**55.773**
(-) COGS	(32.882)	(33.046)	(36.652)	(40.128)
Adjusted EBITDA	**10.730**	**11.681**	**12.927**	**14.925**
Adjusted EBIT	**6.407**	**7.030**	**7.671**	**9.058**
(-) Taxes	(547)	(493)	(938)	(1.157)
(+) D&A	4.324	4.651	5.256	5.867
(+/-) Δ WK	(161)	(4)	(1.094)	(467)
(-) Capex	(4.341)	(5.041)	(5.041)	(5.041)
FCFF	**5.681**	**6.142**	**5.853**	**8.259**

Appendix: Usiminas

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

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	**26.433**	**27.532**	**28.735**	**30.001**
(-) COGS	(24.416)	(25.081)	(25.672)	(26.988)
Gross Profit	**2.017**	**2.451**	**3.064**	**3.013**
(-) Expenses	(876)	(814)	(851)	(881)
Adjusted EBITDA	**2.440**	**2.956**	**3.564**	**3.501**
(-) D&A	(1.181)	(1.250)	(1.256)	(1.242)
EBIT	**1.141**	**1.637**	**2.212**	**2.132**
(+/-) Financial Result	4	(65)	302	421
(-) Taxes	(327)	(393)	(1.308)	(1.149)
Net income	**818**	**1.179**	**1.207**	**1.404**
Profitability				
Net margin (%)	3,1%	4,3%	4,2%	4,7%

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

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	**26.433**	**27.532**	**28.735**	**30.001**
(-) COGS	(24.416)	(25.081)	(25.672)	(26.988)
Adjusted EBITDA	**2.440**	**2.956**	**3.564**	**3.501**
EBIT	**1.141**	**1.637**	**2.212**	**2.132**
(-) Taxes	(327)	(393)	(1.308)	(1.149)
(+) D&A	1.181	1.250	1.256	1.242
(+/-) Δ WK	83	204	(198)	4
(-) Capex	(1.413)	(1.413)	(1.130)	(1.074)
FCFF	**665**	**1.285**	**833**	**1.156**

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