genial | Equity Research

Metals & Mining

From Macro to Micro: Production cuts hit mining companies

LatAm Metals & Mining

Main takeaways on China:

(i) M2 grows +7.9% y/y. Loan stock rose +7.1% y/y, the lowest level in the historical series, and new financing came in 27% below expectations, reflecting **restrained appetite for credit** and weak response to PBoC stimulus measures; **(ii) FAI slows to +3.7% y/y:** Public investment grew +5.9% y/y, but private investment remained stagnant (~0% y/y), with infrastructure standing out positively, offsetting the decline in the real estate sector; **(iii) Real estate prices fall again.** Secondary market real estate recorded its worst **decline in 8M**. New real estate prices fell by **-0.2% m/m,** driven by low confidence and excess supply, especially in smaller cities; **(iv) Retail sales rose +6.4% y/y.** The increase was driven by subsidies and promotions during the 618 festival (+15.2% y/y), but daily consumption fell -6.9% y/y, reflecting selective purchasing behavior and uncertainty about household spending; **(v) Port ore stocks rose +0.4% w/w:** Port volumes reached 123.9Mt with tactical purchases at low prices; Consumption at sinter plants rose +2.4%, but did not keep pace with supply; **(vi) Iron ore prices fell -1.5% m/m with higher supply and low spot** demand, standing at **US$93.3/t** (-1.5% m/m); **(vii) Steel inventories fell -1.3% m/m with production cuts**: Weekly production fell to 8.6Mt (-2.5% w/w), reflecting deliberate efforts to reduce capacity; sales remain weak (-6.6% w/w); **(viii) BFs utilization rate** remained basically **stable at 90.6%** (-0.1p.p. w/w). Selective shutdowns in key regions explain the marginal decline; **(ix) EAF utilization rate fell** to **56.7%** (-2.0p.p. w/w), given the disincentive to production, with metal spreads heavily compressed, considering low demand for price pass-through capacity in steel and scrap shortages raising input costs.

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 **week 3 of June 2025**. We believe that the Chinese central government was slow to begin coordinating **capacity cuts in crude steel** production, as the market initially expected the first effects to be felt at the end of April, but they are only now becoming more prominent. Daily hot metal production among integrated mills operating via **blast furnaces** (BF) recorded a further deterioration last week, marking the **fifth consecutive weekly decline**.

We have been emphasizing for some time now that **installed capacity** at steel mills could be cut by **~30Mt over the next 12M** (started counting in May). We emphasize that a cut of ~30Mt represents 4-5% of China's total steel production last year. This means that we expect production over the next 12M to be 965-970Mt of crude steel, which, according to our calculations, would imply a **reduction of -45Mt in seaborne demand for iron ore** (significant at current levels). Although the cut in crude steel production was something that investors had been on the radar since the beginning of the year, there was **uncertainty about when mills would start to reduce production**.

Analysts

Igor Guedes
+55 (11) 3206-8286
igor.guedes@genial.com.vc

Luca Vello
+55 (11) 3206-1457
luca.vello@genial.com.vc

Iago Souza
+55 (11) 3206-1455
iago.souza@genial.com.vc

Companies

VALE US Equity
Buy

Price: US$ 9.18 (23-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 (23-Jun-2025)
Target Price 12M: R$ 5.75

GGBR4 BZ Equity
Buy

Price: R$ 16.09 (23-Jun-2025)
Target Price 12M: R$ 19.00

CSNA3 BZ Equity
Neutral

Price: R$ 7.74 (23-Jun-2025)
Target Price 12M: R$ 9.50

USIM5 BZ Equity
Neutral

Price: R$ 4.35 (23-Jun-2025)
Target Price 12M: R$ 6.00

As there was a delay (the expectation was in April, but it only started in May, at a slow pace), the impact on mining companies' share prices has only been felt in the last few days. In our view, this is the **factor that best explains the decline in mining stocks last week** (Vale, Rio Tinto, BHP). Another factor that seems to have had an impact, penalizing Vale in particular compared to other *majors*, is the **outflow of foreign investors from emerging markets in recent days**, given the escalation of the conflict in the Middle East. When tensions arise, investors seek safer assets and markets.

In addition, in this report we comment on **(i)** the greater propensity to save, reducing Chinese household consumption, reflected in the **M2** metric; **(ii)** the loss of momentum of the **FAI**; **(iii)** the new **drop in prices of new and used real estate**, driven by high inventories and low confidence in Tier II and III cities; **(iv)** the **increase in iron ore stockpiling** in Chinese ports to **123.9Mt** (+0.4% w/w), with high cargo arrivals from mining companies and moderate withdrawals by mills; **(v)** the correction of **iron ore prices** to **~US$93/t** (-1.5% s/s); in addition to **(vi)** the **decline in steel inventories** at mills (-1.3% w/w), driven by production cuts rather than higher consumption.

We believe it is necessary to analyze the macro without losing focus on the micro. We consider this series of reports will be essential for monitoring the fundamentals that reverberate in the investment theses of the companies we cover in the sector **(Vale, CMIN, Gerdau, CSN, and Usiminas)**.

China

Macroeconomics

M2: Growth linked to weak credit demand. The monetary aggregate (**M2**) of China — current account + immediate settlement investments by households — **grew +7.9% y/y in May**, totaling **¥325.8 trillion** (~US$45.6 trillion), according to data released by the PBoC on June 13. The pace of expansion was slightly lower than in April (+8.0% y/y) and below market projections (-0.2p.p. vs. BBG consensus). We still view the PBoC's stance as accommodative, with a low level of intervention even considering that the figures reinforce our perception that the liquidity available to consumers has not translated into effective economic momentum.

This means that although the PBoC reduced the reserve requirement ratio (RRR) by -50bps and maintained regular operations via MLF to stimulate monetary expansion, **households are not significantly increasing their borrowing**, which indicates **low propensity in consumption** and high tendency in saving, raising M2. In turn, this makes the increase in M2 an indicator that the economy is weak. **Loan growth grew only +7.1% y/y in May**, the **slowest pace in the historical series**, showing clear signs that demand for credit remains anemic, especially in the corporate, private, and housing segments. New financing totaled ¥620bn in May (~US$87bn), well below expectations (-27% vs. BBG consensus), reflecting both credit supply constraints and hesitation on the demand side.

We believe that the deflationary environment discourages productive investment and, consequently, reduces **credit uptake by companies**. The real estate sector — traditionally the largest liquidity absorber in the Chinese economy — remains in structural slowdown, with sales and new launches falling by double digits.

With M2 not translating into increased household spending, coupled with weak bank lending, we maintain our estimate that the PBoC will promote **(i)** further **interest rate cuts** (1-Y and 5-Y LPRs) totaling **-30bps by the end of the year** and **(ii)** additional RRR reductions in 2H25. However, we note that there are clear limits to monetary policy acting alone: without complementary fiscal measures and, above all, an improvement in business confidence, the effectiveness of money supply should remain low.

FAI: Up +3.7% y/y but increase pace slowdown. Investment in fixed assets (**FAI**), excluding the rural sector, grew **+3.7% in Jan-May**, totaling **¥19.19 trillion** (~US$2.7 trillion), as reported by the NBS last week. The result represents a **slowdown in the growth pace** vs. 4.0% through April and was below market expectations (-0.3p.p. vs. BBG consensus), reflecting the exhaustion of the marginal momentum generated by the fiscal stimulus measures adopted at the beginning of the year. We believe that the FAI composition reveals a clear mismatch between public and private investment. While public sector investment grew by +5.9% y/y through May, private investment — which accounts for more than 50% of the total — remained stagnant, with no significant growth (~0% y/y).

Among the segments that make up the FAI, the positive highlight was investment in infrastructure, with an emphasis on energy and transportation, which maintained a robust growth leap, with an increase of +25.5% y/y in energy and +11.7% y/y in the industrial sector in the up to May. These categories offset the persistent downturn in real estate investment, which is still under pressure from tight liquidity and low consumer confidence. Foreign direct investment (**FDI**) in fixed assets **declined -13.4% y/y through May**, reflecting not only geopolitical tensions and trade restrictions. This downturn further increases the need for domestic stimulus. We see that **business confidence remains limited by industrial goods deflation**, weak domestic demand, and an uncertain regulatory environment, undermining the multiplier effect of liquidity on the real economy.

Real Estate Prices: Decline in both categories. Despite initiatives such as mortgage rate cuts and more flexible down payment requirements for buyers, the average price of new homes fell again after a brief stabilization in April. According to data released by the NBS, prices of **new homes** in 70 monitored cities **contracted** by -**0.2% m/m** (-0.1p.p. m/m), while prices of **used properties** fell by -**0.5% m/m** (-0.1p.p. m/m), marking the **sharpest decline in 8M**. Of the cities included in the data collection, the deterioration mainly affects smaller municipalities (Tier II and Tier III), reflecting the uneven nature of the response to support policies and greater exposure to private construction companies, which are currently weaker vs. state-owned.

This dynamic ultimately reflects the persistence of **(i)** high inventories; **(ii)** lower appetite among households to purchase more real estate; and **(iii)** continued low confidence in the sector, especially in private construction companies. The price dynamics weakening was **more intense in Tier III cities**, where the average decline in **new property prices** was down **-0.3% m/m**, according to complementary data from China Index Academy. **Only 3 of the 70 cities monitored recorded stability** or increases in used property prices, which were the lowest number in 9M. The secondary market, as it directly reflects the value perception of owners and buyers, remains under pressure from structural factors such as **(iv)** excess supply; **(v)** lower credit demand; and **(vi)** affected liquidity in the resale market.

Retail Sales: Above consensus, but with skewed data. Retail sales in May rose **+6.4% y/y** (+1.4p.p. y/y, +1.6p.p. vs. BBG consensus), in response to **(i)** recent subsidies in programs encouraging domestic consumption, the so-called **"**cash for clunkers**"**, for household appliances and electronics, and **(ii)** the series of holidays in May. The combination of government subsidies and early promotional campaigns for the **618 Shopping Festival** contributed directly to the increase in commercial activity during the month.

The 618-festival ended with **record total sales**, reaching **¥855.6bn** (~US$120bn), up **+15.2% y/y**, but revealed a **slowdown in the daily pace**, reflecting the extended promotional period and a change in consumer behavior. We found that although order volume grew significantly, **average daily spending fell** to **¥23.1bn** (-6.9% y/y). However, the continued extension of these events and the exhaustion of subsidy programs in some regions raise questions about the sustainability of consumption in the coming months. We observed a **growing indifference among consumers towards promotional dates**, resulting from the calibration of discounts and greater selectivity in the face of an economic scenario still weakened by wage stagnation.

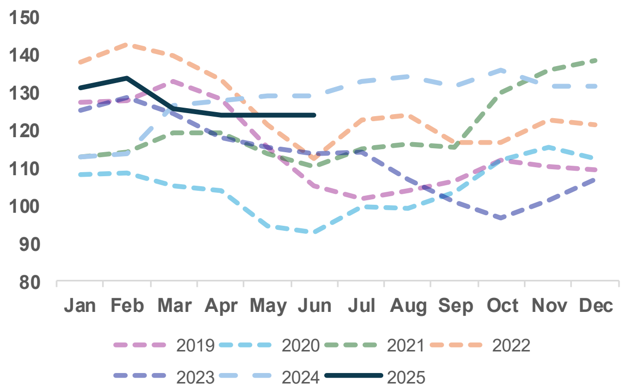
On the other hand, national holidays throughout the period also increased mobility and propensity to consume, which appears to have **skewed retail sales** growth figures, **temporarily boosting demand** for goods in stores and consumption of services. Even so, this performance comes amid a **slowdown in industrial production** of -0.3p.p. y/y in May (-0.2p.p. vs. BBG consensus), indicating that the economy is gradually moving toward a pace where the marginal productivity of capital has already plateaued, leading to a heating up of the service sector at the expense of the industrial sector.

Iron ore and Steel

Iron Ore: Port inventories increase, driven by shipments. Iron ore inventory in the 45 main Chinese ports **returned to growth zone**, reaching **123.9Mt** (+0.4% w/w) after five consecutive weeks of decline. The increase reflects a tactical replenishment of port stocks. As futures prices fell, there was an increase in orders from mills to fill cargo volumes at lower prices. Chinese ports received ~**26.1Mt during the week**, the highest volume since March. Therefore, we believe that the upsurge is because of contracts signed in May, when 62% Fe ore was trading below US$95/t, stimulating advance purchases by mills and traders. The withdrawal pace of port stockpiles by mills remained limited, even with a slight increase in daily consumption at sinter plants to 609Kt/day (+2.4% w/w), insufficient to absorb the new cargo flow.

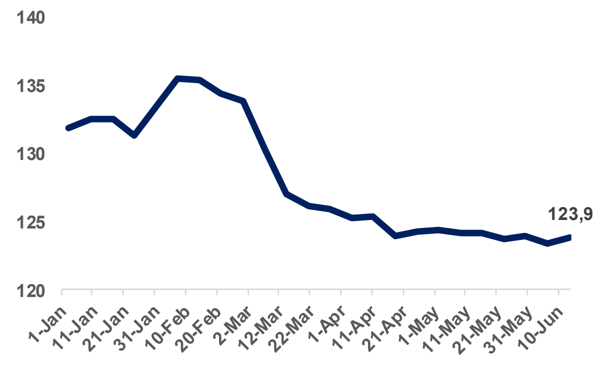
In addition, inventory levels in the previous week (123.4Mt) had reached a **16M low**, which favored a one-off restocking movement by mining companies. Still, on the demand side, doubts about resilience remain. **Crude steel production** remains under pressure, falling **-6.9% y/y in May**, and downstream activity continues to be weakened by structural weakness in civil construction and private investment. Therefore, in our view, the increase in port inventories reflects a temporary mismatch between higher physical inflows and moderate consumption.

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

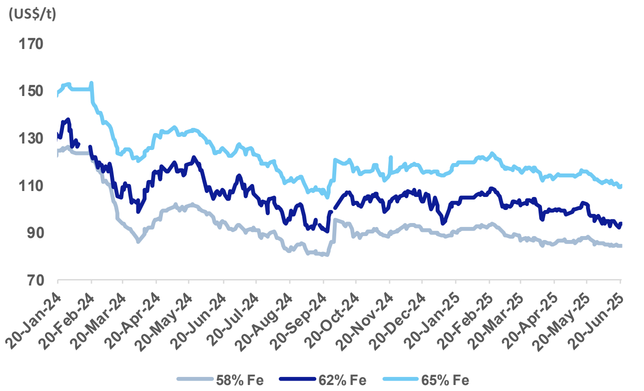
Iron Ore: Prices have fallen with increased port supply. 62% Fe iron ore ended last week quoted on the Dalian Commodity Exchange (DCE) at **US$93.3/t** (-1.5% w/w), continuing its downward trend below the US$95/t range. We believe that the weekly correction reflects a technical movement in light of **(i)** fading demand; **(ii)** recent replenishment of port inventories via increased supply from mining companies, due to the recovery of volumes in Australia after the cyclones at the beginning of the year; **(iii)** compression of operating margins at mills in China; and **(iv)** renewed risk aversion in **iron ore futures markets**, especially in view of the **reduction in demand from the seaborne system** due to capacity cuts at mills, which will gain momentum in the coming months along with increased supply from mining companies, which will enter in the period of 3Q and 4Q production season.

On the demand side, construction activity continued to be impacted by seasonal weather, with increased rainfall at the start of the summer period (May-Sep), which ultimately limited the progress of residential and infrastructure projects, in addition to reducing mill activity in key regions such as Hebei, Jiangsu, and Shandong. With demand for steel still subdued — especially for long products — and daily crude steel production operating at reduced levels, mills opted to maintain a restrained pace, without triggering new rounds of iron ore replenishment.

At the same time, as mentioned above, **port inventories rose again in the previous week,** in line with strong port arrivals (~26Mt/week). According to our analysis, this environment of abundant supply and moderate output eliminated the urgency for spot purchases, giving traders room to pressure spot prices. In addition, **margins at mills remained compressed**, especially those that are integrated and operate with lower value-added products. Even with slight relief in logistics costs, the metal spread remains very narrow, despite the increase in scrap prices. As for BFs mills, we found that many continue to use **lower quality fines (~58% Fe)** to reduce costs given the low prices of metallurgical coal, limiting demand for high-grade iron ore.

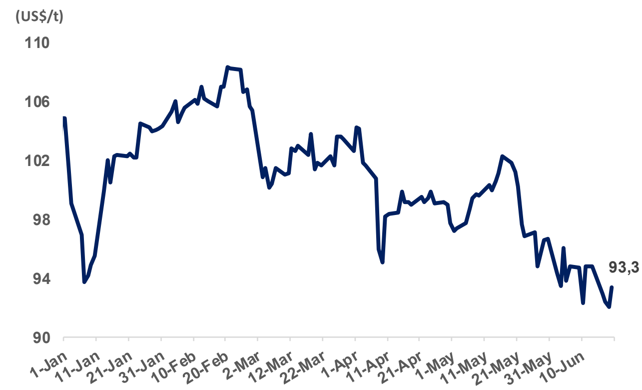
On the DCE futures market, the **September** contract (most traded) ended last week's session at **US$96.3/t** (-0.7% w/w), extending a streak of five consecutive declines. In **Singapore** (SGX), the **July** contract closed at **US$92.35** (-1.4% w/w), reaching its **lowest level since early April**.

Graph 3. Iron ore price (Spot - S&P Platts)



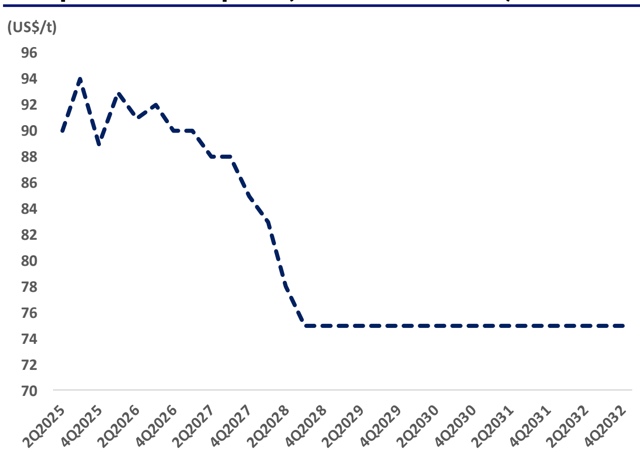
Source: Genial Investimentos

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



Source: S&P Platts, Genial Investimentos

Graph 5. Iron ore price (Genial Est. 25-32E)

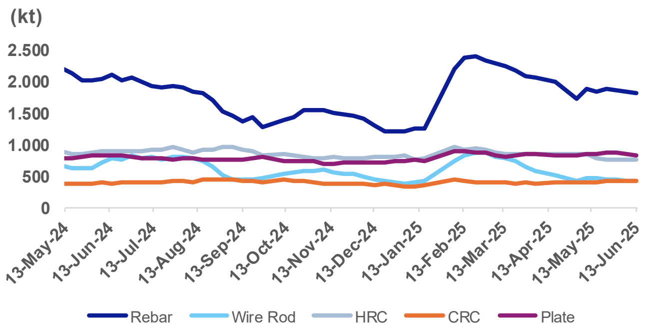


Source: Genial Investimentos

Steel: Total inventories in mill yards are falling. According to the data we monitor, **steel inventories** in Chinese mill yards fell to **4.27Mt** (-1.3% m/m), marking the largest drop in the last six weeks. In our view, the **contraction of -55Kt m/m** was driven by **cuts in crude steel production**, rather than an increase in consumption. In other words, weekly production fell to **8.6Mt** (-2.5% m/m), reflecting deliberate supply adjustments by mills, as we had anticipated. We have been emphatic for some time about the **cut in installed capacity** of steel mills of **~30Mt in 12M**, coordinated by the Chinese central government.

At the same time, domestic sales volume remained negative, falling **-6.6% m/m** with daily average **sales of** ~**102Kt**, below the recent standard (~156Kt). These data suggest that the depletion of inventories resulted from lower material inflows into yards, rather than an acceleration in demand. By product, we observed a decline in almost all five product types, with long products standing out, such as **(i) rebar** at 1.8Mt (-1.1% w/w) and **(ii) wire rod** at 415Kt (-4.0% w/w). **(iii) medium plates** reached 837 Kt (-2.3% w/w); **(iv) cold-rolled coils (CRC)** at 424 Kt (-0.4% w/w) and **(v) HRC** at 765 Kt (+0.2% w/w).

Graph 6. Steel mills inventory (130 major cities)

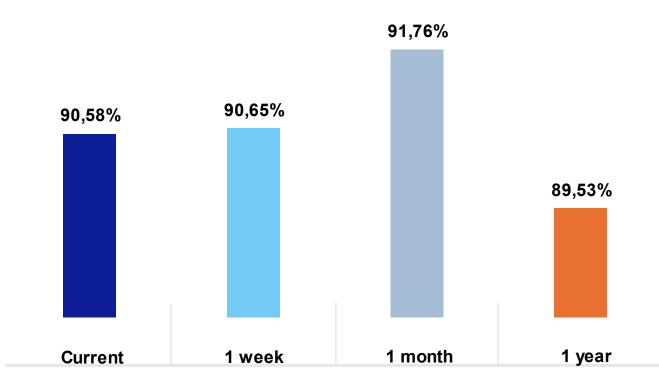


Source: My Steel, Genial Investimentos

Steel: Blast furnace utilization rate remained virtually unchanged w/w. Daily hot metal production among integrated mills operating via **blast furnace** (BF) recorded a further decline last week, marking the fifth consecutive weekly decline. However, the **utilization rate** among the 247 mills monitored remained **basically flat** at **90.6%** (-0.1p.p. w/w), while **daily pig iron production** was **reduced slightly** by **-2Kt**, reaching **2.4Mt/day** (-0.1% w/w). The decline in production was mainly due to shutdowns in furnaces and rolling mills, potentially reflecting weak demand and margin pressure, in line with the crude steel production cut mentioned above.

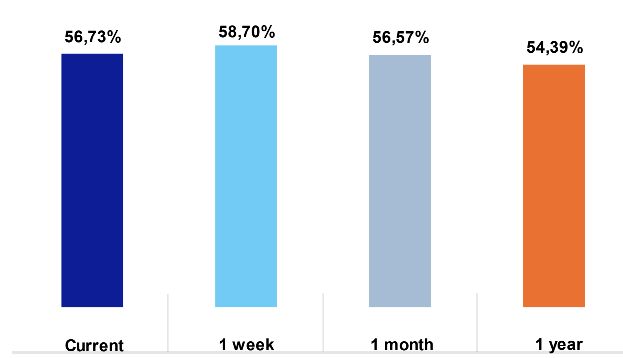
We believe that the movement was particularly visible in industrial hubs such as Hebei and Shandong, where older furnaces are located. As we mentioned, capacity cuts should come in more outdated facilities. In addition, the start of the rainy season in southern China, coupled with high temperatures in northern regions as summer (May-September) approaches, has **negatively affected the pace of residential construction** and infrastructure works, in addition to weaker industrial activity. These factors, in turn, have reduced the need for faster production, as was the case at the beginning of the year. In short, we believe that these consecutive declines in production reflect the seasonal slowdown in demand in response to the deterioration of short-term fundamentals.

Graph 8. BF capacity utilization % (weighted average)



Source: My Steel, Genial Investimentos

Graph 9. EAF capacity utilization % (weighted average)



Source: My Steel, Genial Investimentos

Steel: EAF utilization rate falls. Last week, the utilization rate of **electric arc furnaces** (EAF) in the mills we monitor fell to **56.7%** (-2.0p.p. w/w). This marks the second significant drop in three weeks and signals an **operational adjustment by producers**, driven by a combination of **(i)** adverse margins with metal spread compression; **(ii)** lower availability of scrap metal; and **(iii)** low demand predictability.

Despite some recent stability in spot prices for rebar and HRC, the spread between input costs (mainly scrap and electricity) and the final selling price remains insufficient to ensure profitability for most mini-mills. According to our understanding, a considerable portion of the **EAF mills reported negative margins** in the first weeks of June 2025, which led to the suspension of furnaces or a reduction in the number of shifts in operation, reflecting a real downturn in manufacturing activity. In addition, the availability of scrap metal, the main input for EAF mills, was severely impacted by weather and logistical factors. In provinces such as Zhejiang, Jiangsu, and Fujian, heavy rains in the last two weeks reduced collection volumes and delayed deliveries, while lower recycling rates in urban areas affected mill supply. As a result, even mills with some operating spaces are facing **objective input constraints**, which prevent immediate resumption of production, even when economically viable.

Finally, the continuation of seasonally wet weather coupled with weakening activity in the construction sector — especially in housing and light infrastructure — limited consumption of long steel and thin plates, typical products of EAFs. Average daily sales in major **consumer regions fell** to **~100Kt/day** vs. the average for the last 3 years in May of ~115Kt/day. Without a recovery in spreads and/or normalization in the scrap chain, the trend for the coming weeks is still one of instability, with a downward bias in effectively utilized capacity.

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%

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

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	**15.275**	**15.345**	**16.464**	**18.209**
(-) 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**

Disclosure Section

1. GENERAL DISCLAIMER

This report has been produced by the research department ("Genial Institutional Research") of Genial Institutional Corretora de Câmbio, Títulos e Valores Mobiliários S.A. ("GENIAL INSTITUTIONAL CCTVM"). Genial Institutional is a brand name of Genial Investimentos CCTVM.

Genial Rating

	Definition	Coverage
Buy	Expected return above +10% in relation to the Company's sector average	**49%**
Neutral	Expected return between +10% and -10% relative to the Company's industry average	**41%**
Sell	Expected return below -10% in relation to the Company's sector average	**5%**
under Review	Under review	**5%**

This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of GENIAL INSTITUTIONAL CCTVM. GENIAL INSTITUTIONAL CCTVM accepts no liability whatsoever for the actions of third parties in this respect.

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither GENIAL INSTITUTIONAL CCTVM nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report

GENIAL INSTITUTIONAL CCTVM may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of GENIAL INSTITUTIONAL CCTVM.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by GENIAL INSTITUTIONAL CCTVM with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

The locally listed shares of Brazilian companies may only be purchased by investors outside of Brazil who are "eligible investors" within the meaning of applicable laws and regulations.

2. ANALYST(S) DISCLOSURES AND CERTIFICATION

The principal analyst, IGOR GUEDES, is responsible for the content of this report and for meeting the requirements of Securities and Exchange Commission of Brazil (CVM) Instruction 598/2018.

The analysts hereby certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers and it was prepared in an independent manner, including with respect to the person and to GENIAL INSTITUTIONAL.

The analyst hereby certifies that he (she) has no connection with any individual who works for the issuer(s) discussed in this report.

The analyst hereby certifies that he (she), or his (her) spouse or companion, either directly or indirectly, in his or her own name or on behalf of a third party, does not hold any of the securities covered in this report.

The analyst hereby certifies that he (she), or his (her) spouse or companion, is not directly or indirectly involved in the purchase, disposal or brokering of the securities covered in this report.

The analyst hereby certifies that he (she), or the his (her) spouse or companion, has no direct or indirect financial interest in the issuer covered in this report (other than trading shares in investment funds, in which the analyst cannot control, directly or indirectly, the administration or management of the fund, or which do not concentrate investments in sectors or companies that are covered by reports produced by the analyst).

The analyst's compensation is, directly or indirectly, determined by income from GENIAL INSTITUTIONAL´s business and financial operations.

In addition, the analysts certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

The compensation of the analyst who prepared this report is determined by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of GENIAL INSTITUTIONAL CCTVM, its affiliates and/or subsidiaries as a whole, of which investment banking, sales and trading are a part. Compensation paid to analysts is the sole responsibility of GENIAL INSTITUTIONAL CCTVM.

The analyst hereby certifies that he (she), or his (her) spouse or companion, does not serve as an officer, director, or advisory board member of the subject company.

The principal analyst is responsible for the content of this report and for meeting the requirements of Securities and Exchange Commission of Brazil (CVM) Instruction 598/2018.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

3. ADDITIONAL DISCLOSURE

(i) This document was prepared by GENIAL INSTITUTIONAL Research and is hereby supplied for the sole purpose of providing information about companies and their securities.

(ii) The information contained herein is provided for informational purposes only and does not constitute an offer to buy or sell, and should not be construed as a solicitation to acquire, any securities in any jurisdiction. The opinions expressed herein regarding the purchase, sale or holding of securities, or with respect to the weighting of such securities in a real or hypothetical portfolio, are based on careful analysis by the analysts who prepared this report and should not be construed by current or future investors as recommendations for any particular investment decision or action. The investor's final decision should be made considering all of the risks and fees involved. This report is based on information obtained from primary or secondary public sources, or directly from companies, and is combined with estimates and calculations prepared by GENIAL INSTITUTIONAL CCTVM. This report does not purport to be a complete statement of all material facts related to any company, industry, security or market strategy mentioned. The information has been obtained from sources believed to be reliable, but GENIAL INSTITUTIONAL CCTVM does not make any express or implied representation or warranty as to the completeness, reliability or accuracy of such information. The information, opinions, estimates and projections contained in this document are based on current data and are subject to change. Prices and availability of financial instruments are indicative only and subject to change without notice. GENIAL INSTITUTIONAL CCTVM is under no obligation to update or revise this document or to advise of any changes in such data.

(iii) The securities discussed in this report, as well as the opinions and recommendations contained herein, may not be appropriate for every type of investor. This report does not take into account the investments objectives, financial situation or particular needs of any particular investor. Investors who wish to buy, sell or invest in securities that are covered in this report should seek independent financial advice that takes individual characteristics and needs into consideration, before making any investment decision with respect to the securities in question. Each investor should make independent investment decisions after carefully analyzing the risks, fees and commissions involved. If a financial instrument is denominated in a currency other than an investor's currency, changes in exchange rates may adversely affect the price or value of, or the income derived from the financial instrument, and the reader of this report assumes all foreign exchange risks. Income from financial instruments may vary, and therefore their price or value may rise or fall, either directly or indirectly. The information, opinions and recommendations contained in this report do not constitute and should not be interpreted as a promise or guarantee of a particular return on any investment. Past performance does not necessarily indicate future results, and no representation or warranty, express or implied, is made herein regarding future performance. Therefore, GENIAL INSTITUTIONAL CCTVM, its affiliated companies, and the analysts involved in this report take no responsibility for any direct, indirect or consequential loss resulting from the use of the information contained in this report, and anyone using this report undertakes to irrevocably indemnify GENIAL INSTITUTIONAL CCTVM and its affiliates from any claims and demands.

(iv) Prices in this report are believed to be reliable as of the date on which this report was issued and are derived from one or more of the following: (i) sources as expressly specified alongside the relevant data; (ii) the quoted price on the main regulated market for the security in question; (iii) other public sources believed to be reliable; or (iv) GENIAL INSTITUTIONAL CCTVM's proprietary data or data available to GENIAL INSTITUTIONAL CCTVM.

(v) No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning GENIAL INSTITUTIONAL CCTVM, its subsidiaries and affiliates. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this report.

(vi) GENIAL INSTITUTIONAL CCTVM makes no representations herein that investors will obtain profits. GENIAL INSTITUTIONAL CCTVM will not share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. GENIAL INSTITUTIONAL CCTVM accepts no fiduciary duties on behalf of recipients of this report and in communicating this report is not acting in a fiduciary capacity. This report is not to be relied upon in substitution for the exercise of recipient's independent judgment. Opinions, estimates, and projections expressed herein constitute the current judgment of the analyst responsible for the substance of this report as of the date on which the report was issued and are therefore subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GENIAL INSTITUTIONAL CCTVM as a result of using different assumptions and criteria. The information, opinions and recommendations contained in this report do not constitute and should not be interpreted as a promise or guarantee of a particular return on any investment.

(vii) Because the personal views of analysts may differ from one another, GENIAL INSTITUTIONAL CCTVM, its subsidiaries and affiliates may have issued or may issue reports that are inconsistent with, and/or reach different conclusions from, the information presented herein. Any such opinions, estimates, and projections must not be construed as a representation that the matters referred to therein will occur. Prices and availability of financial instruments are indicative only and subject to change without notice. Income from financial instruments may vary, and therefore their price or value may rise or fall, either directly or indirectly.

(viii) This document may not be: (a) photocopied or duplicated in any manner, in whole or in part, and/or (b) distributed without GENIAL INSTITUTIONAL CCTVM's prior written consent. GENIAL INSTITUTIONAL CCTVM accepts no liability whatsoever for the actions of third parties in this respect.

(ix) Neither GENIAL INSTITUTIONAL CCTVM nor any of its affiliates, nor any of their respective directors, employees or agents, accepts any liability for any loss or damage arising out of the use of all or any part of this report.

(x) GENIAL INSTITUTIONAL CCTVM (or its affiliates, officers, directors or employees) may, to the extent permitted by law, have acted upon or used the information herein contained before the publication of this report and may have a position in securities issued by the companies mentioned herein and may make a market or act as a principal in any transactions in any such securities. Genial Institutional may from time to time perform investment banking or other services to, or solicit investment banking or other business from, the companies mentioned herein.

4. IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Genial Institutional CCTVM, a company authorized to engage in securities activities in Brazil. Genial Institutional CCTVM is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to “major U.S. institutional investors” in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”) and is not being provided pursuant to a soft-dollar arrangement.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Auerbach Grayson & Company LLC ("AGCO"), a registered broker dealer in the United States with an office at 20 West 55th Street New York, NY 10019, (212) 453-3523 . Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Genial Institutional CCTVM.

If the report is to be distributed to anyone other than Major U.S. Institutional Investors in the United States. AGCO accepts responsibility for the contents of this report as provided for in relevant SEC releases and SEC staff no-action letters.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority (“FINRA”) and may not be an associated person Auerbach Grayson & Company LLC ("AGCO") and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

The disclosures contained in research reports produced by GENIAL INSTITUTIONAL CCTVM and distributed by Auerbach Grayson & Company LLC ("AGCO") in the U.S. shall be governed by and construed in accordance with U.S. law. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of GENIAL INSTITUTIONAL CCTVM. Additional information relative to the financial instruments discussed in this report is available upon request.

UK Disclaimer:

(i) This document is STRICTLY CONFIDENTIAL to the recipient, may not be distributed to the press or other media and may not be reproduced in any form. this document is directed only at persons who are “INVESTMENT PROFESSIONALS” falling within article 19(5) of the FSMA 2000 (FINANCIAL PROMOTION) ORDER 2005, or HIGH NET WORTH BODIES falling within ARTICLE 49(2) of that order (together THE “RELEVANT PERSONS”). This document must not be acted on or relied on by persons who are not RELEVANT PERSONS.

(ii) The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction.