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CSN & CMIN

2Q25 Review: Not so different after all...

LatAm Metals & Mining

Main takeaways for CMIN:

(i) Shipments reached **11.8Mt** (+7.0% vs. Genial Est.), with strong acceleration of +22.7% q/q and +9.6% y/y, favored by increased purchases from third parties in a quarter with less impact from weather conditions; **(ii) Realized price** was **US$51.9/t FOB** (+4.8% vs. Genial Est.), despite a decline of -16.2% q/q and -11.5% y/y, sustained by a lower effect of the provisional price; **(iii) C1/t** stood at **US$20.8/t** (-0.7% vs. Genial Est.), down -1.0% q/q and -1.9% y/y, reflecting greater dilution of fixed costs with higher volumes, offsetting part of the negative FX rate effect (-3% q/q); **(iv) Adjusted EBITDA** totaled **R$1.3bn** (-2.2% vs. Genial Est.), down -11.2% q/q, reaching a margin of **31.4%** (-5.1 p.p. vs. Genial Est.); **(v) Net income** was **R$116mn** (-72% vs. Genial Est.), reversing the loss in 1Q25; **(vi) FCF** totaled **+R$768mn** (-1.1% vs. Genial Est.), an increase of +40.6% q/q, benefiting from the release of **WC** of **+R$180mn,** even with higher **CAPEX (R$500mn)**; **(vii)** The company distributed **R$1.5bn** in earnings, equivalent to a **dividend yield** of **11%**,; **(viii)** We maintained our **NEUTRAL** rating, with a **12M Target Price** of **R$5.75**, implying an upside of **+14.3%**; we continue to see fragile iron ore fundamentals, with global oversupply and sluggish Chinese demand, understanding that the recent price movement was speculative in nature.

Main takeaways for CSN:

(i) Steel: Sales totaled **1.0Mt** (-6.6% vs. Genial Est.), down -11.5% q/q and -9.8% y/y, reflecting the strategy of prioritizing profitability over volume expansion; **realized price** stood at **R$5,323/t** (-0.2% vs. Genial Est.), practically stable q/q, even in a challenging quarter for flat steel, while **COGS/t** reached **R$4,804/t** (-0.9% vs. Genial Est.), down -3.0% q/q, benefiting from the deflation of inputs and better production allocation in Presidente Vargas (RJ); **(ii) Cement: Sales** reached **3.5Mt** (-3.5% vs. Genial Est.), growing +8.1% q/q, but declining -4.0% y/y; **realized price** reached **R$350/t** (+0.9% vs. Genial Est.), up +1.8% q/q, reflecting a defensive strategy and partial pass-through of price adjustments in markets with greater exposure to low-income housing; **(iii) Consolidated Net Revenue** of **R$10.7bn** (+2.6% vs. Genial Est.), down -2.0% q/q and -1.7% y/y, sustained by strong performance in mining and railways + Tora, offsetting lower-than-expected results in steel and cement; **(iv) Adjusted EBITDA** reached **R$2.6bn** (+7.4% vs. Genial Est.), growth of +5.3% q/q and flat y/y, with a margin of **24.7%** (+1.1 p.p. vs. Genial Est.), driven by the good performance of mining and railroads; **(v) Net loss** of **-R$130mn** (-51.7% vs. Genial Est.), reversing part of the loss in 1Q25, still pressured by financial results (-R$1.9bn); **(vi) Leverage** fell to **3.24x** (-0.1x q/q), contrary to expectations of a slight increase, despite the burn of FCF; **(vii)** We maintained our cautious view for the case, given the still fragile fundamentals for iron ore, with a speculative scenario and persistent oversupply; a challenging environment for steel, with rising imports and loss of strategic differential; and more modest growth in cement in 2H25, limited by high interest rates and a pressured cost structure; we reiterate our **NEUTRAL** rating, adjusting the **12M Target Price** to **R$9.00** (vs. R$9.50 previously), implying **upside** of **+12.2%.**

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Companies

CSNA3 BZ Equity
Neutral

Price: R$ 8.02 (31-Jul-2025)
Target Price 12M: R$ 9.00

CMIN3 BZ Equity
Neutral

Price: R$ 5.04 (31-Jul-2025)
Target Price 12M: R$ 5.75

Table 1. Shipments Summary (2Q25 vs. Genial Est.)

(Thousand Tonnes - kt)	Reported	Genial Est.		Reported		Reported	
Summary (Sales)	**2Q25**	**2Q25E**	**% Diff.**	**1Q25**	**% q/q**	**2Q24**	**% y/y**
Steel	1.013	1.084	**-6,6%**	1.144	**-11,5%**	1.123	**-9,8%**
Iron Ore	11.833	11.062	**7,0%**	9.640	**22,8%**	10.792	**9,6%**
Cement	3.465	3.590	**-3,5%**	3.204	**8,1%**	3.608	**-4,0%**

Source: CSN & CMIN, Genial Investimentos

Table 2. Income Statement Summary CMIN (2Q25 vs. Genial Est.)

(R$ millions)	Reported	Genial Est.		Reported		Reported	
Income Statement	**2Q25**	**2Q25E**	**% Diff.**	**1Q25**	**% q/q**	**2Q24**	**% y/y**
Net Revenue	4.038	3.557	**13,5%**	3.911	**3,2%**	4.514	**-10,5%**
Adjusted EBITDA	1.268	1.297	**-2,2%**	1.427	**-11,2%**	2.018	**-37,2%**
Net Income	116	414	**-72,0%**	(357)	**-132,4%**	516	**-77,6%**

Source: CMIN, Genial Investimentos

Table 3. Income Statement Summary CSN (2Q25 vs. Genial Est.)

(R$ millions)	Reported	Genial Est.		Reported		Reported	
Income Statement	**2Q25**	**2Q25E**	**% Diff.**	**1Q25**	**% q/q**	**2Q24**	**% y/y**
Net Revenue	10.693	10.418	**2,6%**	10.908	**-2,0%**	10.882	**-1,7%**
Adjusted EBITDA	2.643	2.461	**7,4%**	2.509	**5,3%**	2.645	**-0,1%**
Net Income	(130)	(270)	**-51,7%**	(732)	**-82,2%**	(223)	**-41,4%**

Source: CSN, Genial Investimentos

CSN and **CMIN** released their **2Q25 results** yesterday, **July 31**, after the market closed. In terms of leverage, CSN ended the quarter with a **Net Debt/EBITDA ratio of 3.24x** (-0.1x Genial Est.)**, representing** a **-0.1x t/t** decline. The performance contradicted our expectation of a slight increase in the indicator, which was supported by a supposed compression in LTM EBITDA — which, in practice, remained virtually stable y/y — and by a modest strengthening in the cash position via a prepayment agreement. The **improvement in the indicator** was driven by a **reduction in gross debt**, which fell by **-R$2.1bn**, accumulating **R$5.7bn in amortizations in 1H25**, a move that more than offset the FCF burn of -R$1.5bn in the period. Although still high, especially compared to peers, there is a clear effort to meet the leverage guidance by the end of the year (3x EBITDA).

CMIN reported solid operating results, with **net revenue** reaching **R$4.0bn** (+13.5% vs. Genial Est.), exceeding our estimate, growing +3.2% q/q, but declining -10.5% y/y. This positive deviation is explained by a double effect: **shipped volumes above forecast** and **slightly higher realized prices**. **Shipments totaled 11.8Mt** (+7.0% vs. Genial Est.), accelerating **+22.7% q/q and +9.6% y/y**, driven by the increase in the pace of third-party purchases and greater logistical efficiency via TECAR, in a quarter characterized by lower rainfall. This increased movement exceeded our forecast, which already included significant expansion. The **realized price** stood at **US$51.9/t FOB** (+4.8% vs. Genial Est.), even with the decline of **-16.2% q/q and -11.5% y/y**, and was also delivered above our estimates, reflecting a more favorable sales mix combined with the lower impact of the provisional price compared to what we had anticipated, in a scenario of a decline in the 62% Fe reference curve (-5.8% q/q).

On the **cost** side, **C1/t was US$20.8/t** (-0.7% vs. Genial Est.), basically in line with our expectations, with a reduction of **-1.0% q/q and -1.9% y/y**, justified by the **greater dilution of fixed expenses**, provided by the significant increase in shipments, which partially offset the softening of the USD/BRL FX rate (-3% q/q) — a factor that, as we highlighted in our preliminary report, tends to limit operating gains in the indicator reported in USD. **Cash COGS/t**, despite remaining at **R$174.6/t** (+4.3% vs. Genial Est.), fell significantly by -12.9% q/q, reinforcing the gains in scale and improvements in operating efficiency. **Adjusted EBITDA** totaled **R$1.3bn** (-2.2% vs. Genial Est.), slightly below our projections, with a **margin of 31.4%** (-5.1 p.p. vs. Genial Est.). Finally, **net income** was reported at **R$116mn** (-72% vs. Genial Est.), reversing the loss observed in 1Q25, with a negative impact from exchange rate variation on USD cash retained earnings.

CSN Holding reported more satisfactory operating results, with **consolidated net revenue** of **R$10.7bn** (+2.6% vs. Genial Est.), above our initial projection, despite a slight decline of **-2.0% q/q and -1.7% y/y**, reflecting the strong performance of the mining division (CMIN), which reached **R$3.4bn** (+9.4% vs. Genial Est.), and the **rail + multimodal** division (including Tora)**, which** reached **R$1.1bn** (+44% vs. Genial Est.). Both divisions more than offset the below-expected performance in the steel division (-6.8% vs. Genial Est.) and cement (-2.6% vs. Genial Est.).

In the **steel division**, **shipments** totaled **1.0Mt** (-6.6% vs. Genial Est.), a significant drop of **-11.5% q/q and -9.8% y/y**, in line with the strategy of prioritizing profitability over volume expansion, especially in view of the growing penetration of imports. Despite the lower volume, the **realized price** was **R$5,323/t** (-0.2% vs. Genial Est.), practically flat q/q even in a quarter marked by difficult dynamics among flat steel players (Usiminas saw a -2.5% q/q decline in realized prices). On the **cost** side, **COGS/t of steel** fell to **R$4,804/t** (-0.9% vs. Genial Est.), slightly below our estimates, registering a contraction of **-3.0% q/q**, as a direct effect of greater production efficiency after the operational reorganization of the Presidente Vargas plant (RJ) — with gains associated with the concentration of production in a single blast furnace, better allocation of resources, smoothing of the USD/BRL FX rate, and deflation in input prices, such as coal (-5% q/q) and iron ore (-5% q/q). In **cement**, the company shipped **3.5Mt** (-3.5% vs. Genial Est.), up **+8.1% q/q,** but down **-4.0% y/y**. The **realized price** was **R$350/t** (+0.9% vs. Genial Est.), slightly above our previous estimate, with an increase of **+1.8% q/q** and **+2.0% y/y**, reflecting a defensive strategy and partial passing on of price adjustments in markets with greater exposure to low-income housing (MCMV).

The **adjusted consolidated EBITDA** result surprised us positively, reaching **R$2.6bn** (+7.4% vs. Genial Est.), growing **+5.3% q/q** and **flat y/y**. The better-than-expected result was due to the strong operating performance of the **mining** division (CMIN), which reached **R$1.2bn** (+20.6% vs. Genial Est.), even with a contraction in realized iron ore prices (-16.2% q/q and -11.5% y/y). In addition, the **railways + multimodal** division (with the incorporation of Tora), which reached **R$513mn** (+17.9% vs. Genial Est.), more than offset the larger-than-expected decline in the cement division, which reached **R$293mn** (-7.1% vs. Genial Est.). Like EBITDA, the margin also surprised us, reaching **24.7%** (+1.1 p.p. vs. Genial Est.), with a gain of **+1.4p.p. q/q and +0.4p.p. y/y**.

Despite its operational resilience, the company **remained in the red,** with a **loss of R$130mn** (-51.7% vs. Genial Est.), reversing part of the losses seen in the previous quarter, but still pressured by negative financial results of -R$1.9bn (+13.9% vs. Genial Est.), affected by lower returns on investments and the FX rate impact on CMIN's financial instruments in USD, in addition to high interest expenses.

Our take on CSN and CMIN

CMIN

CMIN: Positive FCF, even under a challenging price environment. FCF totaled +R$768mn (-1.1% vs. Genial Est.), slightly below our estimate, but with a significant increase of **+40.6% q/q**, reflecting **(i)** the decompression of working capital (WC) of +R$180mn, even in the face of **(ii)** a contraction of **-11.2% q/q** in **EBITDA** and **(iii)** an increase in **CAPEX,** which reached -**R$500mn** (+33% q/q). In addition, **iv)** pressure from financial expenses was less intense sequentially, reaching **-R$76mn** (-70% q/q), contributing to the generation of cash flow. In this context, we can say that the company benefited from favorable factors to more than offset the cyclical downturn in the iron ore market.

CMIN: Projected dividend yield remains at ~12% 25E. In terms of shareholder remuneration, on July 15, 2025, CMIN paid the dividends approved at the Board of Directors' meetings held on December 27, 2024, and May 8, 2025, totaling R$1.5bn in distribution. The amount consisted of: **(i) R$1.1bn in interim dividends**; **(ii) R$210mn in interest on capital** approved in May; and **(iii) R$211mn in interest on capital** approved at the end of December 2024. Considering this total amount of R$1.5bn and the current market cap of R$27.6bn, the payment is equivalent to a dividend yield of 5.5%. Annualizing this distribution (given the company's history of semi-annual payments), the annualized **dividend yield** reaches **~11%,** which reinforces our previous thesis of **~12% 25E,** confirming the continued attractiveness of the stock from a shareholder return perspective, especially in a context of still high interest rates and greater market selectivity for cash generation and capital discipline.

CMIN: Much speculation in iron ore, fundamentals remain weak. The mining environment has begun to show preliminary signs of a more constructive turnaround, driven by factors such as **(i)** the trade agreement between the US and China on rare earth exports — a sign that a broader agreement may be in the works — and **(ii)** the Chinese central government's signal, through the Central Economic Affairs Commission, of production capacity cuts in the steel industry. **Market sentiment** may have **shifted from bearish** to **slightly constructive**, but the **change in scenario still seems incipient**, both in terms of breadth and duration.

We do not believe that recent news — such as the **hydroelectric dam project** in the eastern Tibetan Plateau (an investment of ¥1.2 trillion or ~US$170bn) — will dismantle the scenario of excess iron ore supply. In our view, this news flow is more linked to **speculative factors**. As such, we have maintained our projected curve for **3Q25E** at **US$94/t** (vs. ~US$104/t currently) and **4Q25E** at **US$89/t** — as well as **C1/t with no reduction in the annual view**, remaining **stable at US$21.5/t 25E** – reflecting **(iii)** favorable seasonality of shipments in 2H, expanding supply, which will already include **(iv)** increased volume vs. reduced demand in China (-45Mt in iron ore in 12M), once again creating an **unfavorable environment for iron ore prices.**

On the fundamentals side, we continue to see an imbalance between supply and demand for the coming years (new capacity coming online, including Simandou). We therefore reiterate our **NEUTRAL** rating, with a **12M Target Price** of **R$5.75**, implying an **upside** of **+14.3%.**

CSN Holding

CSN Holding: FCF burn much worse than expected. FCF totaled -R$1.5bn (vs. -R$150mn Genial Est.), a result significantly worse than projected in our preliminary report, also deteriorating vs. burn of -R$172mn in the previous quarter. The difference from the estimate is explained by the combination of **three negative factors that were more intense than anticipated**. Firstly, **(i)** the robust consumption of working capital **(WC)** was more pronounced than expected, totaling **-R$991mn** vs. net release of **+R$75mn Genial Est.**, associated with an increase in inventories and a mismatch in the financial cycle; Second, **(ii)** high **CAPEX** expenditure, which reached **R$1.3bn** (+8.3% vs. Genial Est.), also exceeding our projection, due to the stronger pace of investments, especially those related to the progress of CMIN's P15 (MG) project and other expansion investments. In addition, we saw **(iii)** high net financial expenses, which reached **R$1.3bn** (+8.3% vs. Genial Est.), an amount higher than projected, reflecting the group's high leverage combined with a scenario of still high interest rates.

CSN Holding reduces the stake in Usiminas, but relief should be limited. CSN Holding sold **35.2 million ON shares and 27.3 million PN shares of Usiminas** to Globe Investimentos at R$4.20 (closing price on 07/29/25). As a result, its stake fell from **12.9% to 7.9%** of the total capital, but still above the regulatory limit of **5%** - a condition that will require further disposal. The transaction totaled +**R$263mn – 0.7% of net debt**, and ~**2% of the market cap of CSN Holding**. Although the current price is lower than at previous times, we believe that the sale should be understood more as a **mitigation of regulatory risks** that may permeate this litigation imbroglio than as a factor favoring a possible reduction in the leverage ratio – it would reduce the current level of **3.24x** by **-0.05x**.

CSN Holding: Not so different after all... In a consolidated analysis, we decided to maintain a **cautious outlook for the company**, based on three main factors. In **(i) mining**, despite initial signs of a turnaround in prices, derived, for example, from signals from the Chinese government about industry capacity cuts, in addition to the announcement of the construction project for the world's largest hydroelectric dam, we believe that the **situation still lacks structural confirmation** for us to remodel our direction towards the 62% reference curve Fe 25E. In **steel**, we continue to expect a challenging scenario due to a combination of slowing domestic demand (-0.8% y/y) and **rising imports** (+26.8% y/y through May), which have offered products up to 20% cheaper in the domestic market. Although apparent consumption remains on a slightly positive trajectory (+1.5% y/y), we believe that this increase will continue to be mostly absorbed by imported steel, which should continue to squeeze margins due to the price war and competition for market share, especially in the flat steel segments.

Our previous outlook assumed that profitability would be maintained at the expense of market share retention, which is indeed what happened. Prices remained flat q/q and shipment volumes declined by 11.5% q/q. However, we did not expect Gerdau to stand out with a commercial strategy like that adopted by CSH Holding's management.

In Brazil BD, the company reported a price increase (+3% q/q), with a less intense contraction in sales volume (-5% q/q Gerdau vs. -11.2% CSN), thus contradicting our previous understanding that this strategy would be the only one applied among the listed domestic mills, which should provide a relative competitive advantage for CSN Holding. Even though we have maintained our projection for operational expansion in the division at **+70% EBITDA 25E vs. 2024,** the potential turning point for the steel division has cooled its preponderance.

Finally, in **mining**, although sales in 1H25 surprised positively (+3.5% y/y), the **outlook for 2H25 is less optimistic**, with more modest growth (+1.5% y/y; 65.5Mt Genial Est. 25E), limited by factors such as the still high SELIC rate (15% p.a.), a cost structure pressured by the possible acceleration of the USD/BRL FX rate derived from the uncertainty inherent in the Trump administration's tariffs on Brazilian products. Even so, initiatives such as Minha Casa, Minha Vida (MCMV) and the resilience of the labor market should continue to offer some support, even if the division is unable to perform at a level like that of 24A. Therefore, given the lack of clearer catalysts to justify a significant repricing of the shares, we reiterate our **NEUTRAL** rating, with a cut in the **12M Target Price** to **R$9.00** (vs. R$9.50 previously), implying an **upside** of **+12.2%.**

Appendix: CMIN

Figure 1. CMIN – Income Statement (Genial Est. 2025-2028)

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	**15.091**	**15.205**	**16.609**	**18.149**
(-) COGS	(8.506)	(8.457)	(8.445)	(9.730)
Gross Profit	**6.585**	**6.748**	**8.163**	**8.419**
(-) Expenses	(1.581)	(2.569)	(2.637)	(2.739)
Adjusted EBITDA	**5.003**	**5.115**	**6.352**	**6.429**
(-) D&A	(1.196)	(1.244)	(1.320)	(1.421)
Adjusted EBIT	**3.807**	**3.871**	**5.032**	**5.008**
(+/-) Financial Result	(1.246)	(1.080)	(942)	(773)
(-) Taxes	(563)	(907)	(612)	(436)
Net Income	**1.998**	**1.884**	**3.478**	**3.799**
Profitability				
Net margin (%)	13,2%	12,4%	20,9%	20,9%

Figure 2. CMIN – Cash Flow (Genial Est. 2025-2028)

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	**15.091**	**15.205**	**16.609**	**18.149**
(-) COGS	(8.506)	(8.457)	(8.445)	(9.730)
Adjusted EBITDA	**5.003**	**5.115**	**6.352**	**6.429**
EBIT	**3.807**	**3.871**	**5.032**	**5.008**
(-) Taxes	(563)	(907)	(612)	(436)
(+) D&A	1.196	1.244	1.320	1.421
(+/-) Δ WK	20	113	139	646
(-) Capex	(1.584)	(1.807)	(2.078)	(2.409)
FCFF	**2.877**	**2.514**	**3.800**	**4.231**

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Appendix: CSN

Figure 1. CSN – Income Statement (Genial Est. 2025-2028)

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	**46.933**	**48.471**	**53.148**	**57.772**
(-) COGS	(35.088)	(34.893)	(37.992)	(40.810)
Gross Profit	**11.845**	**13.578**	**15.155**	**16.962**
(-) SG&A and others	(559)			
Adjusted EBITDA	**11.286**	**13.709**	**15.414**	**17.354**
(+/-) Financial Result	(5.927)	(5.315)	(4.948)	(5.465)
EBT	**1.177**	**4.144**	**5.926**	**7.055**
(-) Taxes	(588)	(1.409)	(2.015)	(2.399)
Net Income	**589**	**2.735**	**3.911**	**4.657**
Profitability				
Net Margin (%)	1,25%	5,64%	7,36%	8,06%

Figure 2. CSN – Cash Flow (Genial Est. 2025-2028)

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	**46.933**	**48.471**	**53.148**	**57.772**
(-) COGS	(35.088)	(34.893)	(37.992)	(40.810)
Adjusted EBITDA	**11.286**	**13.709**	**15.414**	**17.354**
Adjusted EBIT	**7.104**	**9.459**	**10.874**	**12.521**
(-) Taxes	(588)	(1.409)	(2.015)	(2.399)
(+) D&A	4.182	4.250	4.540	4.833
(+/-) Δ WK		(11)	(1.039)	(528)
(-) Capex	(4.908)	(5.041)	(5.041)	(5.041)
FCFF	**5.850**	**7.248**	**7.319**	**9.386**

Disclosure Section

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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%**

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