

# USIMINAS

## 3Q25 Preview: Cost tailwinds will fail to lift margins

LatAm Metals & Mining

**(i) DM:** shipments of **975Kt Genial Est.** (+0.2% q/q; -8.9% y/y), with a realized price of R\$5,275/t Genial Est. (-3.0% q/q; -3.6% y/y); more intense competitive environment, selective discounts, and partial reversal of price adjustments; **(ii) EM:** Shipments at **107Kt Genial Est.** (+0.5% q/q; +90.5% y/y), with a realized price of **R\$5,053/t Genial Est.** (-6.0% q/q; -17.4% y/y); mix worsens due to lower exposure to Argentina (premium) and higher Asia/Africa/LA; USD/BRL devaluation -4% q/q limits profitability; **(iii) Steel (DM+FM):** Total shipments of **1,082Kt Genial Est.** (+0.2% q/q; -3.9% y/y), with consolidated price of **R\$5,253/t Genial Est.** (-3.3% q/q; -4.5% y/y); flat volumes sequentially, prices under pressure and mix deteriorating; **(iv) MUSA:** Shipments of **2,465Kt Genial Est.** (+0.3% q/q; +7.7% y/y); realized price at **R\$376/t Genial Est.** (+1.5% q/q); up from 62% Fe +4.1% q/q index offsetting the BRL appreciation; **(v) Net Revenue of R\$6.5bn Genial Est.** (-2.4% q/q; -5.2% y/y), driven by weakness in steel; in steel, R\$5.7bn (-3.1% q/q; -8.3% y/y); in mining (MUSA), R\$926mn Genial Est. (+1.7% q/q; +20.7% y/y); **(vi) In steel, COGS/t of R\$4,977/t Genial Est.** (-3.0% q/q; -4.2% y/y), passing on cheaper inputs (metallurgical coal and iron ore, for example) with partial relief from logistics/maintenance/taxes; in mining, COGS/t at **R\$307/t Genial Est.** (+0.6% q/q; +0.2% y/y); **(vii) EBITDA of R\$411mn Genial Est.** (+0.6% q/q; -3.6% y/y) with a margin of **6.4%** (+0.2p.p. q/q; +0.1p.p. y/y); in steel, **R\$284mn** (-1.0% q/q; -24.8% y/y); in MUSA, **R\$122mn** (+6.2% q/q; +1.8x y/y); **(viii) Net income of R\$104mn Genial Est.** (-18.8% q/q; -43.9% y/y), overshadowed by a net financial loss; **(ix)** we maintain our **bearish sentiment** due an unpromising scenario for flat steel between 25-26E in Brazil; and the insufficient reduction in COGS/t. Therefore, we reiterate our **NEUTRAL** rating with a **12M Target Price of R\$4.75**, implying an **upside of +11.76%**.

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### Company

**USIM5 BZ Equity**  
**Neutral**

**Price:** R\$ 4.25 (10-Oct-2025)  
**Target Price 12M:** R\$ 4.75

**Table 1. Shipments Summary (3Q25 Genial Est.)**

(Thousand Tonnes - kt)	Genial Est.	Reported		Reported	
Summary (Shipments)	3Q25E	2Q25	% q/q	3Q24	% y/y
Steel	1.082	1.079	0,2%	1.126	-3,9%
Iron Ore	2.465	2.458	0,3%	2.288	7,7%

Source: Usiminas, Genial Investimentos

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

(R\$ millions)	Genial Est.	Reported		Reported	
Income Statement	3Q25E	2Q25	% q/q	3Q24	% y/y
Net Revenue	6.466	6.626	-2,4%	6.817	-5,2%
Adjusted EBITDA	411	408	0,6%	426	-3,6%
Net Income	104	128	-18,8%	185	-43,9%

Source: Usiminas, Genial Investimentos

Usiminas will release its **3Q25** figures on **Oct. 24**, before the market opens. Our estimates point to a **consolidated result** that is **basically stable sequentially**, marked by **(i)** flat volumes q/q; **(ii)** price deterioration in the steel division (-3.3% q/q Est.) slightly more intense than the drop in COGS/t (-3.0% q/q Est.); and **(iii)** a marginal increase in mining revenues, driven by the rise in the 62% Fe reference price (+4.1% q/q), partially offset by the contraction in the USD/BRL FX rate. These factors should contribute to stagnant EBITDA of R\$411mn Genial Est. (+0.6% q/q; -3.6% y/y), reflecting a still adverse environment.

We project total **Net Revenue** of **R\$6.5bn Genial Est.** (-2.4% q/q; -5.2% y/y), considering that the **steel** division should continue to weigh negatively on the consolidated results, while mining (MUSA) tends to partially mitigate the decline, given a slight increase in realized prices. We expect **stable volumes** in steel, but with **pressure on prices** and **lower quality sales mix**. In the domestic market (**DM**), we estimate shipments of **975Kt** (+0.2% q/q; -8.9% y/y) and prices at **R\$5,275/t** (-3.0% q/q; -3.6% y/y), amid competition with imports (~26% of apparent consumption) and a more aggressive stance by local players.

In the foreign market (FM), we project sales of 107Kt (+0.5% q/q; +90.5% y/y) and a price of R\$5,053/t (-6.0% q/q; -17.4% y/y), reflecting a **worsening of the mix** – inferior preponderance of Argentina in the portfolio, with more opportunistic destinations and reduced prices – and the effect of the **USD/BRL devaluation** (-4.0% q/q) reducing the profitability of exports. In aggregate (DM+FM), we estimate shipments of 1,082Kt (+0.2% q/q; -3.9% y/y) and a price should clock in at R\$5,253/t (-3.3% q/q; -4.5% y/y). On the cost side, COGS/t in the steel division is pointed to reach R\$4,977/t (-3.0% q/q; -4.2% y/y), with sequential decompression driven by destocking inputs (mainly metallurgical coal and iron ore) at lower prices.

In **mining (MUSA)**, we believe that the quarter should be characterized by **slight price gains** and stable shipments. We project sales of **2,465Kt** (+0.3% q/q; +7.7% y/y) and a realized price of **R\$376/t** (+1.5% q/q; +12.1% y/y), sustained by a sequential increase of **+US\$4/t** in the 62% Fe reference curve. We do not expect major fluctuations in COGS/t, which is marked in our model at R\$307/t (+0.6% q/q; +0.2% y/y).

### 3Q25 Preview: In detail!

**Steel: DM with price pressure q/q; flat volumes.** We project domestic market (DM) shipments of 975Kt Genial Est. (+0.2% q/q; -8.9% y/y), basically flat without the typical seasonal boost for this period and realized prices contracting to R\$5,275/t Genial Est. (-3.0% q/q; -3.6% y/y), reflecting a more intense competitive environment. The light automotive chain should continue to be the main growth driver, maintaining a steady pace y/y, while yellow line, pipes, and agricultural machinery should decelerate a bit. On the other hand, white goods and road implements (trailers) will likely continue to be under pressure due to restrictions in the credit environment (SELIC at 15%) and weaker domestic demand.

We believe that this scenario should lead the company to reallocate part of its volumes to less profitable channels, mainly distribution in the North and Northeast regions, which should partially compromise the mix. We also highlight strong competition from imported steel, whose penetration in flats remains at ~26% of apparent consumption, and a more aggressive stance by domestic players. Despite a slight upward adjustment observed at the end of the quarter, HRC has accumulated a -16% YTD decline. Given this scenario, we believe that the company has adopted a more defensive approach, granted selective discounts and reversed part of the adjustments made at the beginning of the year.

**Steel: FM with worsening mix.** The performance in the foreign market (FM) should reflect stable volume and falling prices, impacted by the worsening mix and the effect of the sequential softening of the USD/BRL FX (-4% q/q). We project shipments of 107Kt Genial Est. (+0.5% q/q; +90.5% y/y) and a realized price clocking in at R\$5,053/t Genial Est. (-6.0% q/q; -17.4% y/y), reflecting a quarter of tactical recovery in exports, but with lower profitability. In our view, there will be a significant mix deterioration.

We believe that the lower volume destined for Argentina — traditionally the company's premium market, as it concentrates automotive and Oil & Gas contracts — should be offset by shipments to other destinations with lower added value, such as Asia, Africa, and other LatAm regions, where competition is more intense and trading prices are lower. We believe that this dynamic reinforces the view that the company continues to prioritize operational liquidity and production capacity utilization over price.

**Steel: DM+FM with contracting prices.** The consolidated performance of the steel division (DM+FM) should reflect stable shipments and pressured prices amid a more intense competitive environment and gradual mix deterioration. We project total shipments of 1,082Kt Genial Est. (+0.2% q/q; -3.9% y/y) and a realized price of R\$5,253/t Genial Est. (-3.3% q/q; -4.5% y/y), reflecting the combination of resilient domestic volumes, but without additional traction, and exports that remain at the previous quarter's level, but with lower profitability. Although exports help preserve capacity utilization, the redirection to lower value-added destinations — especially outside Argentina — tends to deteriorate the consolidated mix and reduce prices. Both the domestic (DM) and foreign (FM) markets should contribute to the consolidated decline.

**MUSA: Price acceleration q/q, even with FX softening.** The performance of the mining segment (MUSA) should reflect flat volumes in sequential movement and a slight increase in prices. We project shipments of 2,465Kt Genial Est. (+0.3% q/q; +7.7% y/y) and a realized price of R\$376/t Genial Est. (+1.5% q/q; +12.1% y/y). It is important to mention that we do not see much room for production increases, considering the run rate of ~9Mtpy, which the company has maintained since the beginning of the year. Since last quarter, the post-rainy season and operational efficiency gains resulting from the new mining fronts opening have ensured a continuous flow of iron ore to the processing units. The east treatment unit (UTM-Leste) remains deactivated, but the relocation of mining operations and internal logistical reorganization have made it possible to offset this restriction and sustain the current shipments' level.

As for prices, we believe that there should be a slight sequential increase, reflecting the the increase in the i.o. grade and the recent expansion of the 62% Fe index, which closed 3Q25 at US\$101.4/t (+4.1% q/q). Although the decline in the USD/BRL FX rate (-4% q/q) had a negative impact, reducing the conversion into BRL, the effect was more than offset by the marginal increase in the USD sales price (+4.1% q/q) and by the improved international freight parity, which declined on some spot routes (-2.3% q/q).

**Net Revenue: Sequential decline driven by the steel division.** Consolidated Net Revenue is expected to decline to R\$6.5bn Genial Est. (-2.4% q/q; -5.2% y/y), mainly reflecting the weakness of the steel division, partially offset by a slight increase in the mining unit's performance. We believe that the consolidated movement is largely explained by the contraction in steel prices and the deterioration of the commercial mix, factors that are partially offset by the positive mining contribution. In the steel segment, we project revenue of R\$5.7bn (-3.1% q/q; -8.3% y/y), impacted by the weakened domestic demand and competitive pressure from the increase in flat steel imports (~26% of apparent consumption), in addition to the deterioration of the commercial mix in the volume shipped via exports.

In mining (MUSA), we project revenue of R\$926mn Genial Est. (+1.7% q/q; +20.7% y/y), sustained by a realized price of R\$376/t Genial Est. (+1.5% q/q), driven by gains in the 62% Fe index (+4.1% q/q) and a one-off reduction in spot freight rates (-2.3% q/q), which partially offset the impact of the softening USD/BRL FX (-4% q/q).

**Table 3. Net Revenue Usiminas (3Q25 Genial Est.)**

(R\$ millions)	3Q25E	2Q25	% q/q	3Q24	% y/y
	Genial Est.	Reported		Reported	
<b>Net Revenue</b>	<b>6.466</b>	<b>6.626</b>	<b>-2,4%</b>	<b>6.817</b>	<b>-5,2%</b>
Steel	5.682	5.862	-3,1%	6.196	-8,3%
Mining	926	910	1,7%	767	20,7%
Eliminations	(142)	(146)	-2,4%	(146)	-2,3%

Source: Usiminas, Genial Investimentos

**COGS/t: Moderate sequential decline.** In the steel division, we believe that COGS/t will contract to R\$4,977/t Genial Est. (-3.0% q/q; -4.2% y/y), reflecting the P&L processing of lower-priced inputs – particularly **(i)** metallurgical coal (-6% q/q vs. 1Q25), **(ii)** the carryover reduction of more expensive inventories of iron ore purchased in 4Q/1Q (-5% q/q vs. 1Q25) and **(iii)** a more stable operation after recent adjustments.

Even so, our assessment is that the relief is only partial: items such as logistics/freight, maintenance, and tax credit effects tend to limit the full capture of the downward movement in input prices — in line with our reading that costs should contract, but at a rate similar to the slowdown in realized steel prices, sustaining only flat margins. In mining (MUSA), we project COGS/t of R\$307/t Genial Est. (+0.6% q/q; +0.2% y/y), essentially stable, reflecting, on the one hand, operational adjustments and small variations in internal logistics, with no change in the operational run rate (~9Mtpa) and, on the other hand, the softening of the USD/BRL FX rate (-4% q/q).

**EBITDA: Mining offsetting the steel compression.** Consolidated adjusted EBITDA is expected to reach R\$411mn Genial Est. (+0.6% q/q; -3.6% y/y), reflecting a relatively flat sequential performance, with the improvement in the mining business basically offsetting the slight decline in the steel unit, for which we estimate EBITDA of R\$284mn (-1.0% q/q; -24.8% y/y), reflecting the combined effect of falling prices (-3.3% q/q) and partial relief in costs (-3.0% q/q), marking margin stability (5.0% Est. vs. 4.9% in 2Q25) in a context of fierce competition with imports and shipments redirection to less profitable channels.

Despite support from the automotive chain and stable domestic volumes, the deterioration in the mix and the effect of the softening USD/BRL FX rate on exports should limit profitability growth. The mining division (MUSA) is expected to report EBITDA of R\$122mn (+6.2% q/q; +1.8x y/y), benefiting from the marginal increase in the realized price (+1.5% q/q), combined with COGS/t without major changes (+0.6% q/q).

**Table 4. EBITDA Usiminas (3Q25 Genial Est.)**

(R\$ millions)	3Q25E	2Q25	% q/q	3Q24	% y/y
	Genial Est.	Reported		Reported	
<b>Adjusted EBITDA</b>	<b>411</b>	<b>408</b>	<b>0,6%</b>	<b>426</b>	<b>-3,6%</b>
Steel	284	287	-1,0%	378	-24,8%
Mining	122	115	6,2%	44	178,1%
Eliminations	4	6	-32,3%	4	0,0%

Source: Usiminas, Genial Investimentos

**Net Income: overshadowed by the financial downturn.** We project that consolidated net income will reach R\$104mn Genial Est. (-18.8% q/q; -43.9% y/y), reflecting the flattish nominal EBITDA combined with the deterioration in net financial results, which should more than offset the slight operational expansion. The main negative factor for the quarter should come from net financial results, which tend to deteriorate significantly, reaching -R\$83mn Genial Est. (-47.7% q/q), reflecting both lower FX results — given the appreciation of the BRL vs. the USD — and higher interest expenses, associated with the debt profile and the effect of monetary restatement on liabilities. This movement should offset the incremental EBITDA gain and limit accounting profit. Finally, we estimate a net margin of 1.6% Genial Est. (-0.3p.p. q/q; -1.1p.p. y/y).

**Table 5. Income Statement Usiminas (3Q25 Genial Est.)**

(R\$ millions)	3Q25E Genial Est.	2Q25 Reported	% q/q	3Q24 Reported	% y/y
<b>Net Revenue</b>	<b>6.466</b>	<b>6.626</b>	<b>-2,4%</b>	<b>6.817</b>	<b>-5,2%</b>
COGS	(5.881)	(6.133)	-4,1%	(6.403)	-8,2%
<b>Adjusted EBITDA</b>	<b>411</b>	<b>408</b>	<b>0,6%</b>	<b>426</b>	<b>-3,6%</b>
EBITDA Margin (%)	6,4%	6,2%	0,2p.p	6,3%	0,1p.p
<b>EBIT</b>	<b>240</b>	<b>134</b>	<b>79,5%</b>	<b>151</b>	<b>58,6%</b>
EBIT Margin (%)	3,7%	2,0%	1,7p.p	2,2%	1,5p.p
D&A	(317)	(316)	0,1%	(307)	3,2%
Financial Result	(83)	(56)	47,7%	56	-
<b>Net Income</b>	<b>104</b>	<b>128</b>	<b>-18,8%</b>	<b>185</b>	<b>-43,9%</b>
Net Margin (%)	1,6%	1,9%	-0,3p.p	2,7%	-1,1p.p

Source: Usiminas, Genial Investimentos

## Our Take on Usiminas

**FCF should rise with WC management.** We expect costs close to normal levels and, above all, **better working capital (WC)** management, which should ensure the release of funds and **increase FCF to ~R\$300mn Genial Est.** (+7.1% q/q; burn reversal y/y) — even in a context of depreciated realized prices in the steel division. We expect a decline in COGS/t processed by P&L when destocking inputs — mainly metallurgical coal and iron ore — since last quarter reflected destocking still at high levels, even though spot prices for inputs had declined at the time, considering that these inventories were built up in 4Q24–1Q25.

In addition, we believe that **CAPEX** should reach **R\$300mn Genial Est.** (-10.4% q/q; +48.4% y/y), in line with the guidance of R\$1.2–1.3bn 25E, after the revision announced in 2Q25. Overall, despite the adverse scenario, we believe that the company should report positive FCF, beginning its trajectory of reversing the burn of -R\$370mn in 1H25, even though the macro scenario imposes restrictions on incremental FCF generation due to operational bias. Finally, we believe that the company's focus should be on weathering the spread compression phase, preparing the ground for a **possible recovery from 2026E onwards**, if the vectors of trade defense and global steel normalization advance, which for now is **not our base-case scenario**.

**Anti-dumping measures: Not a base scenario, but it could happen.** In recent conversations we had with the company, we assessed **cautious optimism** after the **renewal of the anti-dumping on thick plate**, with an increase in tariffs and formal recognition of the continuation of unfair practices, which opens space for similar decisions on other fronts, currently underway — hot-rolled (HR) and cold-rolled (CR) products, for example. We note that the most relevant decisions should occur between Nov-Jan, and although the process is technical, the history of slowness and political interference keeps us conservative.

In other words, **we do not consider approval** by the Ministry of Commerce (MDIC) to be **the base-case scenario**. The expectation is that, even in the event of a favorable decision, the pass-through will occur gradually, via a reduction in imports and a upshift of domestic premiums.



It is important to note that anti-dumping proceedings do not overlap with the quota system of the Brazil Steel Institute (IABr), as they are conducted directly by the companies. Even so, we believe that there is no “silver bullet” in the short term: trade defense measures, if implemented, should only initiate a correction of imbalances, with no immediate impact on price or volume, but paving the way for a more sustainable improvement from 26E onwards.

Another critical point we would like to highlight is the fact that Brazil is recording record steel imports, with 6.3Mt of annualized imports 25E. In addition to the high volume, the import mix has changed: flat steel grew to ~26% (+15p.p. in 5E); long steel reached ~17% (+8p.p. in 5E); and the total in relation to apparent consumption reached ~23% (+13p.p. in 5E). Logically, this change has been putting pressure on profitability and creating a more challenging competitive environment. The tariff quota regime implemented by the MDIC over a year ago, which underwent a review with the addition of more NCMs in Jun, remains ineffective in practice, supporting the discussion of more effective instruments, such as formal anti-dumping measures.

**Cost tailwinds will fail to lift margins.** Although mills managed to implement one-off adjustments of **+7.5–8% on flat steel** (2 weeks ago), we see this move as more of an attempt to **signal resistance to further declines** than a reflection of structural improvement in demand. Distributors' behavior remains heterogeneous, and, outside the Southeast, excess inventories keep spreads compressed. In addition, the automotive sector remains **below ANFAVEA's expectations**, especially in heavy vehicles, given lower liquidity in agribusiness and weaker industrial production. For the company, which is highly exposed to the domestic flat steel cycle, the situation is likely to remain under pressure. Although the recent increase in anti-dumping tariffs on thick plates (US\$211/t→US\$678/t) reinforces the mills' attempt to preserve prices, the practical impact should be limited. We believe that the Ministry of Commerce (MDIC) should postpone revisions to the processes for virtually all products, including cold-rolled and HRC, until the last possible moment, with the deadline expiring in Feb/26.

Looking now at the micro components, our projection of a **-3.0% q/q** reduction in **Steel COGS/t**, reflecting the devaluation of the USD/BRL (-4% q/q) and the lagged effect of the downtrend in input prices in 2Q25 and accounted for in 3Q25E, should be insufficient to boost the division's margins (just +0.1p.p. q/q Est.). In other words, even if the company continues to trade at attractive multiples, with an **EV/EBITDA 25E** of **~3.0x** (vs. 4.8x on historical average), we maintain our **bearish sentiment** due to **(i)** investors' negative perception; **(ii)** an unpromising scenario for flat steel between 25-26E in Brazil; and **(iii)** the insufficient reduction in COGS/t. Therefore, we reiterate our **NEUTRAL rating** with a **12M Target Price** of **R\$4.75**, implying an **upside** of **+11.76%**.

## Appendix: Usiminas

**Figure 1. Usiminas – Income Statement in R\$ Millions (Genial Est. 25-28)**

Income Statement	2025E	2026E	2027E	2028E
<b>Net Revenue</b>	<b>27.539</b>	<b>30.836</b>	<b>31.833</b>	<b>33.007</b>
(-) COGS	(24.792)	(27.861)	(28.571)	(30.124)
<b>Gross Profit</b>	<b>2.747</b>	<b>2.976</b>	<b>3.263</b>	<b>2.882</b>
(-) Expenses	(1.203)	(1.151)	(1.199)	(1.245)
<b>Adjusted EBITDA</b>	<b>2.225</b>	<b>2.149</b>	<b>2.442</b>	<b>2.073</b>
(-) D&A	(1.247)	(1.223)	(1.222)	(1.205)
<b>EBIT</b>	<b>1.544</b>	<b>1.824</b>	<b>2.063</b>	<b>1.638</b>
(+/-) Financial Result	(139)	(193)	48	90
(-) Taxes	(274)	(408)	(1.098)	(815)
<b>Net income</b>	<b>1.166</b>	<b>1.224</b>	<b>1.013</b>	<b>913</b>
<b>Profitability</b>				
Net margin (%)	4,2%	4,0%	3,2%	2,8%

**Figure 2. Usiminas– Cash Flow in R\$ Millions (Genial Est. 25-28)**

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
<b>Net Revenue</b>	<b>27.539</b>	<b>30.836</b>	<b>31.833</b>	<b>33.007</b>
(-) COGS	(24.792)	(27.861)	(28.571)	(30.124)
<b>Adjusted EBITDA</b>	<b>2.225</b>	<b>2.149</b>	<b>2.442</b>	<b>2.073</b>
<b>EBIT</b>	<b>1.544</b>	<b>1.824</b>	<b>2.063</b>	<b>1.638</b>
(-) Taxes	(274)	(408)	(1.098)	(815)
(+) D&A	1.247	1.223	1.222	1.205
(+/-) Δ WK	(1.295)	(40)	(90)	102
(-) Capex	(1.300)	(1.300)	(1.040)	(1.040)
<b>FCFF</b>	<b>(79)</b>	<b>1.299</b>	<b>1.057</b>	<b>1.090</b>



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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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