genial | Equity Research

USIMINAS

3Q25 Review: The taste of almost...

LatAm Metals & Mining

Main takeaways:

(i) Steel **sales** (DM+FM) totaled **1,104Kt** (+2.1% vs. Genial Est.), advancing +2.3% q/q and declining -2.0% y/y, slightly above expectations, driven by the partial redirection of volumes to exports and the resilience of the domestic automotive segment; **(ii)** The realized **price** (DM+FM) was **R$5,239/t** (-0.3% vs. Genial Est.), down -3.6% q/q, reflecting the combined effect of a less favorable geographic mix in exports and the USD/BRL devaluation (-4% q/q), which put pressure on the conversion to BRL; **(iii)** The **mining** division (MUSA) reported **shipments** of **2,503Kt** (+1.5% vs. Genial Est.), growing +1.8% q/q and +9.4% y/y, slightly above projections, and **price** of **R$380/t** (+0.2% vs. Genial Est.), expanding +2.5% q/q, sustained by the partial pass-through of the 62% Fe IODEX index increase (+4% q/q); **(iv)** The **steel COGS/t** was **R$4,980/t** (+0.1% vs. Genial Est.), down -2.9% q/q and -4.2% y/y, benefiting from lower input prices and the USD/BRL devaluation, partially offset by operational recovery; **(v) EBITDA** reached **R$434mn** (+4.5% vs. Genial Est.), advancing +6.3% q/q and +1.8% y/y, driven by higher-than-expected volumes in both divisions and controlled costs in steelmaking; **(vi)** Bottom line with a **Loss** of **-R$3.5bn** (vs. +R$108mn Genial Est.), reversing the net income from 2Q25-3Q24, affected by **non-cash impairment** and tax reversal effects, which totaled R$3.6bn; excluding these effects, **adjusted Net income** would be **R$108mn** (+3.8% vs. Est.); **(vii)** The bias on **anti-dumping** measures commented on by management confirmed our assumption that **there will be no decisions by the MDIC this year**; we reiterate our **NEUTRAL rating** with a **12M Target Price** of **R$4.75**, implying a **downside** of **-2.9%.**

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) 3206-8244
iago.souza@genial.com.vc

Company

USIM5 BZ Equity
Neutral

Price: R$ 4.94 (24-Oct-2025)
Target Price 12M: R$ 4.75

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

(Thousand Tonnes - kt)	Reported	Genial Est.		Reported		Reported	
Summary (Shipments)	**3Q25**	**3Q25E**	**% R/E**	**2Q25**	**% q/q**	**3Q24**	**% y/y**
Steel	1.104	1.082	**2,1%**	1.079	**2,3%**	1.126	**-2,0%**
Iron Ore	2.503	2.465	**1,5%**	2.458	**1,8%**	2.288	**9,4%**

Source: Usiminas, Genial Investimentos

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

(R$ millions)	Reported	Genial Est.		Reported		Reported	
Income Statement	**3Q25**	**3Q25E**	**% R/E**	**2Q25**	**% q/q**	**3Q24**	**% y/y**
Net Revenue	6.604	6.473	**2,0%**	6.626	**-0,3%**	6.817	**-3,1%**
Adjusted EBITDA	434	416	**4,5%**	408	**6,3%**	426	**1,8%**
Net Income	(3.503)	108	-	128	-	185	-

Source: Usiminas, Genial Investimentos

Usiminas released its **3Q25 results** on **Oct. 24**. The **EBITDA** reached **R$434mn** (+4.5% vs. Genial Est.; +6.3% q/q and +1.8% y/y), slightly above expectations. The positive operational highlight was in volumes in both segments, with realized prices and Steel COGS/t reported broadly as expected. **FCF generation** was also a **high point**, reaching **+R$613mn** (+1.2x vs. Genial Est.), accelerating +1.2x q/q and +94% y/y, beginning the reversal of -R$370m burn in 1H25, allowing the company to accumulate **+R$245mn YTD.**

The company reported a **Net revenue** of **R$6.6bn** (+2.0% vs. Genial Est.), down **-0.3% q/q** and **-3.1% y/y**, but slightly above expectations, **supported by marginally better volumes** in both divisions — steel (1.1Mt; +2.3% q/q; +2.1% vs. Est.) and mining (2.5Mt; +1.8% q/q; +1.5% vs. Est.) — which partially offset the contraction of steel prices (DM+FM down -3.6% q/q, in line vs. Est.). On the cost side, **Steel COGS/t** reached **R$4,980/t** (+0.1% vs. Est.), with a decompression of **-2.9% q/q** and **-4.2% y/y**, reflecting cooler input prices passing through the P&L and the devaluation of the USD/BRL FX rate (-4% q/q). In mining**,** COGS/t stood at R$313/t (+2.1% vs. Genial Est.), advancing +2.8% q/q and +2.3% y/y, explained by the increase in international sea freight to US$23.4/t (+13.5% q/q).

Adjusted EBITDA totaled **R$434mn** (+4.5% vs. Genial Est.), advancing **+6.3% q/q** and **+1.8% y/y**, in line with our projection. Finally, the company reported a **loss** of **-R$3.5bn** (vs. +R$108mn Genial Est.), reversing the profit from 2Q25 and 3Q24, due to the **non-cash effects** of **impairment** and tax reversal, which totaled +R$3.6bn. Excluding these impacts, **adjusted Net income** would have been **R$108mn** (+3.8% vs. Genial Est.), flat q/q, with a decline of -42% y/y.

3Q25 Review: In detail!

Steel (DM): Shipments rose slightly q/q; prices contracted. Steel shipments to the domestic market (DM) reached 991Kt (+1.6% vs. Genial Est.), advancing +1.9% q/q and declining -7.4% y/y, slightly above expectations, due to higher sales derived from the automotive segment, which increased its share to 33.1% (+1.9p. p. q/q). The sector's positive performance was surprising and offset the lower level of momentum in home appliances and capital goods, as well as the volumes redirection to less profitable channels in the North and Northeast regions.

The realized price was R$5,280/t (+0.1% vs. Genial Est.), down -2.9% q/q and -3.5% y/y, reflecting the domestic deterioration, especially in the distribution and industry segments, where the competitive environment intensified. Although the automotive sector sustained the mix, the high level of imports (+33% 9M25 vs. 9M24) and the accumulated decline in HRC prices (-16% YTD) limited the ability to passthrough. In this context, the company maintained a more defensive stance, prioritizing long-term contracts and applying selective discounts on less profitable channels, which resulted in a final price practically in line with our estimates, which already considered this more bearish scenario.

Steel (FM): Price pressured by mix and FX rate. Steel shipments to the foreign market (FM) totaled 112Kt (+5.0% vs. Genial Est.), up +5.5% q/q and +100% y/y, slightly exceeding our projections due to the greater recovery of exports to destinations outside Argentina, whose share fell to 46% (-29p.p. q/q), reflecting the tactical strategy of allocating volumes in view of the lower attractiveness of the domestic market in Argentina and the increase in imports.

shipments to North America expanded to 10% (+4p.p. q/q) and “Other” destinations reached 41% (+24p.p. q/q).

The realized price was R$4,929/t (-2.5% vs. Genial Est.), down -8.3% q/q and -19.4% y/y, pressured by the worsening geographic and product mix, given the greater weight of lower value-added markets (Asia, Africa, and South America ex. Argentina), in addition to the effect of the USD/BRL FX rate softening (-4% q/q). As anticipated, the reduction in sales to Argentina, traditionally the most premium destination for contracts, compromised the profitability of exports and reduced the average ticket.

Steel (DM+FM): Shipments slightly above estimates; prices compressed. Consolidated steel sales (DM+FM) totaled 1,104Kt (+2.1% vs. Genial Est.), advancing +2.3% q/q and declining -2.0% y/y, a result slightly above expectations, driven by higher export volumes (+5.5% q/q) and the resilience of the automotive segment in the domestic market (DM). We see that these movements offset the weakening of other segments that are also sensitive to credit (home appliances and capital goods), confirming the part of production redirection to foreign markets (FM), a movement that was already anticipated, but whose intensity exceeded our projections given the competitive domestic scenario.

The consolidated price (DM+FM) clocked in at R$5,239/t (-0.3% vs. Genial Est.), down -3.6% q/q and -4.8% y/y, in line with our estimates, reflecting the compression in FM vis-à-vis the unfavorable geographic mix and the USD/BRL FX rate softening.

MUSA: Volumes and realized prices up q/q. Iron ore shipments totaled 2,503Kt (+1.5% vs. Genial Est.), up +1.8% q/q and +9.4% y/y, basically in line with projections, with a sequential increase reflecting higher operating yields from the mining fronts, which boosted production to 2,412Kt (+1.3% vs. Genial Est.), growing +4.2% q/q and +10.3% y/y.

Exports remained at ~74% of total sales. The realized price clocked in at R$380/t (+0.2% vs. Genial Est.), advancing +2.5% q/q and +13.2% y/y, in line with forecasts, reflecting the partial pass-through in the IODEX index 62% Fe index to US$102/t (+4.4% q/q), in addition to the reduction in commercial discounts and better freight parity, offsetting the devaluation of the USD vs. BRL (-4% q/q), which limited part of the nominal gain.

Net Revenue: Decline forced by lower prices. Consolidated Net Revenue reached R$6.6bn (+2.0% vs. Genial Est.), declining -0.3% q/q and -3.1% y/y, mainly due to price dynamics in the steel division, but still slightly above projections, driven by better volumes in both divisions, reflecting marginal growth in steel sales (+2.1% vs. Genial Est.) and mining (+1.5% vs. Genial Est.).

In the steel division, revenue reached R$5.8bn (+1.8% vs. Genial Est.), slowing down -1.3% q/q and -6.6% y/y, despite a slight increase in shipments, which suffered from prices still under pressure in the domestic market and a less favorable export mix. In mining (MUSA), revenue was R$950mn (+1.8% vs. Genial Est.), advancing +4.4% q/q and +23.8% y/y, reflecting higher sales volume (+1.5% vs. Genial Est.), due to slightly better-than-expected production (+1.3% vs. Genial Est.).

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

(R$ millions)	3Q25 Reported	3Q25E Genial Est.	% R/E	2Q25 Reported	% q/q	3Q24 Reported	% y/y
Net Revenue	**6.604**	**6.473**	**2,0%**	**6.626**	**-0,3%**	**6.817**	**-3,1%**
Steel	5.784	5.682	1,8%	5.862	-1,3%	6.196	-6,6%
Mining	950	934	1,8%	910	4,4%	767	23,8%
Eliminations	(130)	(142)	-8,9%	(146)	-11,0%	(146)	-10,9%

Source: Usiminas, Genial Investimentos

COGS/t: Decompression via lower input costs. In the steel division, COGS/t reached R$4,980/t (+0.1% vs. Genial Est.), down -2.9% q/q and -4.2% y/y, in line with estimates, with decompression linked to a reduction in raw material prices (-R$61/t) and the USD/BRL FX rate softening (-R$81/t), partially neutralized by higher mix costs (+R$26/t) and regular operating expenses recap, such as maintenance and services, after a compressed 2Q base, as previously assumed.

In mining (MUSA), COGS/t was R$313/t (+2.1% vs. Genial Est.), accelerating +2.8% q/q and +2.3% y/y, explained by the increase in international sea freight to US$23.4/t (+13.5% q/q) and higher production costs in BRL (+1.2% q/q), resulting from operation and transportation services. Still, the effect was moderated by the partial dilution of fixed costs with higher volumes.

EBITDA: Steel momentum sustains marginal increase. Consolidated Adjusted EBITDA totaled R$434mn (+4.5% vs. Genial Est.), rising +6.3% q/q and +1.8% y/y, due to higher shipments in both divisions and the reduction in Steel COGS/t. The steel division posted EBITDA of R$308mn (+8.4% vs. Genial Est.), up +7.4% q/q, but down -18.5% y/y, reflecting the shipments increase (+2.1% vs. Genial Est.) and cost dynamics in line with expectations.

In Mining (MUSA), EBITDA totaled R$130mn (+2.2% vs. Genial Est.), growing +12.8% q/q and +2x y/y, in line with expectations of a recovery after a weaker 2Q25 iron ore price base, reflecting a boost via sales, which more than offset COGS/t slightly above expectations.

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

(R$ millions)	3Q25 Reported	3Q25E Genial Est.	% R/E	2Q25 Reported	% q/q	3Q24 Reported	% y/y
Adjusted EBITDA	**434**	**416**	**4,5%**	**408**	**6,3%**	**426**	**1,8%**
Steel	308	284	8,4%	287	7,4%	378	-18,5%
Mining	130	127	2,2%	115	12,8%	44	195,5%
Eliminations	(4)	4	-	6	-	4	-

Source: Usiminas, Genial Investimentos

Loss: Bottom line impacted by impairment and tax reversal. The company reported a loss of -R$3.5bn (vs. +R$108mn Genial Est.), reversing net income of +R$128mn in 2Q25 and +R$185mn in 3Q24, reflecting extraordinary non-cash effects of impairment and reversal of tax assets, which together totaled R$3.6bn.

Excluding these non-recurring effects, adjusted net income would be R$108mn (+3.8% vs. Genial Est.), slightly above our estimate, supported both by EBITDA growth (+6.3% q/q; +1.8% y/y), and by the reduction in net financial losses to -R$72mn (-12.6% vs. Genial Est.), reinforcing that the deterioration in the bottom line is purely accounting and not operational.

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

(R$ millions)	3Q25 Reported	3Q25E Genial Est.	% R/E	2Q25 Reported	% q/q	3Q24 Reported	% y/y
Net Revenue	**6.604**	**6.473**	**2,0%**	**6.626**	**-0,3%**	**6.817**	**-3,1%**
COGS	(6.158)	(5.881)	4,7%	(6.133)	0,4%	(6.403)	-3,8%
Adjusted EBITDA	**434**	**416**	**4,5%**	**408**	**6,3%**	**426**	**1,8%**
EBITDA Margin (%)	6,6%	6,4%	0,2p.p	6,2%	0,4p.p	6,3%	0,3p.p
EBIT	**(2.070)**	**246**	**-**	**134**	**-**	**151**	**-**
EBIT Margin (%)	-31,3%	3,8%	-35,1p.p	2,0%	-33,4p.p	2,2%	-33,6p.p
D&A	(323)	(317)	1,9%	(316)	2,0%	(307)	5,2%
Financial Result	(72)	(83)	-12,6%	(56)	29,0%	56	-229,5%
Net Income	**(3.503)**	**108**	**-**	**128**	**-**	**185**	**-**
Net Margin (%)	-53,0%	1,7%	-	1,9%	-	2,7%	-

Source: Usiminas, Genial Investimentos

Our Take on Usiminas

FCF: Well above expectations; WC release. The company recorded strong **FCF generation** of **+R$613mn** (+1.2x vs. Genial Est.), with an increase of +1.2x q/q and +94% y/y. This movement can be explained by **(i)** the release of **working capital** (WC) of **+R$586mn**, well above the level we expected (+20% vs. Est.; +29% q/q and +3x y/y), reflecting the reduction in inventories – mainly metallurgical coal, coke, slabs, and iron ore – at high prices established in 4Q24–1Q25; and by **(ii)** lower **CAPEX** disbursements, which totaled **R$266mn** (-11% vs. Est.; -20% q/q and +32% y/y), but still in line with the **guidance** of **R$1.2–1.3bn 25E.** It is worth noting that this FCF generation contributed to the company's leverage ratio reaching a historic low of 0.2x (-0.3x q/q).

However, even though the vector intensity differed from our estimates, the previously assumed direction was accurate. The company reported positive FCF, beginning its trajectory of **reversing the burn of -R$370mn in 1H25** – accumulating **+R$245mn YTD** – even though the macroeconomic scenario imposed mitigating restrictions on FCF generation. In other words, we continue to believe that the company's focus should be on weathering the spread compression phase, paving the way for a **possible recovery** starting in **26E**, should the vectors of trade defense and global steel normalization advance, which for now is not our base scenario.

Weakened picture with light at the end of the tunnel. The Sep. **IABr** data reinforces a still weakened picture for the domestic steel market. Even so, there was a **positive point**: the **penetration of imports fell** to **16.4%** (-3.8p.p. y/y), accompanying the reduction in **imports** to **446Kt** (-32% y/y), representing a light at the end of the tunnel for an environment with less price competition.

However, we reiterate that the domestic market continues to be challenged by imports, which are still up **+33% in 9M25 vs. 9M24.**

Nevertheless, we emphasize that, with apparent consumption declining to 2.8Mt (-3.2% y/y), part of the slowdown in imports was not absorbed by domestic mills due to the contraction in demand. This calls into question the **slowdown sustainability** in the import penetration rate. It is possible that if demand improves again, the level of imports will also increase. It is too soon to tell. Data from ANFAVEA and ABIMAQ reinforce the escalation of imports and the competitive pressure faced by the sector. According to **ANFAVEA**, registrations of **imported light vehicles** grew **+10.8% in 9M25 vs. 9M24**, a movement that contrasts with the stagnation of domestic automakers and highlights the loss of market share by domestic production. In the same period, **ABIMAQ** reported a cumulative increase of **+9.1% YTD** in imports of machinery and equipment.

Anti-dumping measures: Decisions are expected only by 2026. During the earnings conference call with analysts, management stated that the Ministry of Commerce (MDIC) is expected to conclude its anti-dumping assessments of **cold-rolled** (CRs) products by the maximum deadline for investigations **in Feb/26** vs. the initial estimate in Nov/25. The assessment of **coated steel** should be completed in **Mar/26**, and that of **hot-rolled** (HRs) in **Dec/26**. Although we know that some investors were more hopeful about the November dates, we had previously published our view that the MDIC would use the maximum possible time available to push the decision further ahead.

Our view was corroborated by management, which may have **disappointed investors who were more hopeful**, generating **selling pressure on the shares** (-2% drop in trading section) even in the face of results that delivered **(i)** slightly better operating performance and **(ii)** FCF generation well above expectations. Given the extent of the **inflationary impacts** resulting from anti-dumping measures in basically all flat steel subgroups (CRs, HRs, coated and thick plates), we believe it is **unlikely that measures** will be **sufficiently intense** to generate substantial benefits in the depreciated steel scenario.

On this specific point, **management adopted a more confident tone**, diverging from our thinking. In the view of Mr. Miguel Homes (Commercial VP), despite the extension of the deadline from the initial dates, the implementation of tariffs should occur due to the recognized existence of dumping (mainly of steel from China), reinforcing the need for trade defense measures similar to those implemented by the US, Europe, and Mexico, in order to restore competitive equality and protect jobs and domestic production.

Anti-dumping measures: We do not consider approval as base scenario. The change in investor sentiment regarding the overall outlook for the Brazilian steel market due to the possible approval of various measures under evaluation by the Ministry of Commerce (MDIC)**,** comes in the wake of the **renewal of the antidumping measure on thick plate**, with an increase in tariffs and formal recognition of the continuation of unfair practices, which could open the way for similar decisions on other fronts currently under review—hot-rolled (HRs) and cold-rolled (CRs) steel, for example. We note that the most relevant decisions should only occur **throughout 2026**, and even though the process is technical, the history of **(i)** slowness and **(ii)** political interference maintains our **conservative bias**.

The taste of almost. Still within the guidelines provided by management during the conference call with analysts, the **steel division** is expected to show a sequential decline in domestic volumes in **4Q25E**, in line with the negative seasonality of the period, partially offset by **price transfers** in distribution contracts – (1/3 of the DM portfolio) between **+4-7%** increases in Oct/25 – and by a more contained decline in COGS/t vs. 3Q25 (-3% q/q), sustaining a **relatively stable EBITDA q/q**. In **mining**, the expectation is for a **slight decline in sales** and alternatives for the **Compactos** project – continuation of another company initiative, called **Friáveis**, launched shortly after the acquisition of the plant by MUSA, which plans to expand iron ore production capacity to **29Mtpy** – with a decision by the board of directors expected in 26E.

The bias on **antidumping measures** commented on by management confirmed our assumption that **there will be no decisions by the MDIC this year** – contrary to what some investors believed – with the authorities taking full advantage of the deadlines in the technical evaluation process. This means that, as we detail throughout the report, the situation will only be resolved in 2026, **disappointing investors who were more hopeful** and leading to selling pressure on the shares (-2% drop in trading). In other words, the company delivered FCF generation 1.2x higher than Est., but the market reaction was negative. It left a taste of "almost" ...
Our perception is that it is **unlikely** that measures will be approved **sufficiently intensely** to generate significant benefits in the depreciated steel scenario. Considering our expectation of relatively stable EBITDA q/q in 4Q25E, even if the company continues to trade at attractive multiples, with an **EV/EBITDA 25E** of **~2.9x** (vs. 4.8x on historical average), we reiterate our **NEUTRAL rating** with a **12M Target Price** of **R$4.75**, implying a **downside** of **-2.9%.**

Appendix: Usiminas

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

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	**27.539**	**30.836**	**31.833**	**33.007**
(-) COGS	(24.792)	(27.861)	(28.571)	(30.124)
Gross Profit	**2.747**	**2.976**	**3.263**	**2.882**
(-) Expenses	(1.203)	(1.151)	(1.199)	(1.245)
Adjusted EBITDA	**2.225**	**2.149**	**2.442**	**2.073**
(-) D&A	(1.247)	(1.223)	(1.222)	(1.205)
EBIT	**1.544**	**1.824**	**2.063**	**1.638**
(+/-) Financial Result	(139)	(193)	48	90
(-) Taxes	(274)	(408)	(1.098)	(815)
Net income	**1.166**	**1.224**	**1.013**	**913**
Profitability				
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
Net Revenue	**27.539**	**30.836**	**31.833**	**33.007**
(-) COGS	(24.792)	(27.861)	(28.571)	(30.124)
Adjusted EBITDA	**2.225**	**2.149**	**2.442**	**2.073**
EBIT	**1.544**	**1.824**	**2.063**	**1.638**
(-) 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)
FCFF	**(79)**	**1.299**	**1.057**	**1.090**

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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