Equity Research

VALE

3Q25 Review: Enjoying a good momentum

LatAm Metals & Mining

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Company

VALE US Equity
Buy

Price: US$ 11.89 (30-Oct-2025)
Target Price 12M: US$ 14.00 (NYSE)

VALE3 BZ Equity
Target Price 12M: R$ 75.00 (B3)

Main takeaways:

(i) Iron ore fines: Record production of **94.4Mt** (+0.5% vs. Est.), growing +12.9% q/q and +3.8% y/y, driven by S11D (PA), which reached 23.6Mt (+7% y/y), and by ramp-ups in Capanema (MG) and Brucutu (MG); shipments totaled **75Mt** (+3.7% vs. Est.), an increase of +10.8% q/q and +8.2% y/y, with the gap narrowing to 79.5% (+2.5p.p. vs. Est.); price of **US$94.4/t** (-0.3% vs. Est.), up +10.9% q/q, with return of premiums to positive territory (+US$0.7/t vs. -US$1.1/t in 2Q25); **(ii) Pellets:** Production of **8.0Mt** (-11.8% vs. Est.), a slight increase of +1.9% q/q, but a sharp drop of -22.8% y/y, reflecting the deliberate moderation of supply; shipments of **8.8Mt** (-1.2% vs. Est.), +17.2% q/q, but -13.5% y/y; price reached **US$130.8/t** (+1.3% vs. Est.; -2.5% q/q), pressured by premiums of ~US$12/t; **(iii) C1/t ex-third parties** of **US$20.7/t** (-1.4% vs. Est.), down -6.8% q/q and flat y/y, reflecting dilution of fixed costs via increased shipments and the positive effect of inventory turnover; freight reached **US$18.8/t** (-3.6% vs. Est.), +2% q/q and -9% y/y, with efficiency of the long-term chartering strategy (-US$5/t below the C3 Brazil–China index); **(iv) EBITDA** of **US$4.4bn** (+1.8% vs. Genial Est.), up +28.5% q/q and +17.6% y/y, sustained by the fines division (+5% vs. Est.), benefiting from lower fines costs; **(v) Net income** of **US$2.7bn** (+3% vs. Est.), growing +25.8% q/q and +12.3% y/y, reflecting higher operating income offsetting the net financial loss of -US$340mn (vs. expected profit of +US$200mn); **(vi)** Upward curve adjustment, still considered conservative, and the materialization of the **C1/t 25E** guidance at **US$20.5–22/t**, which is quite feasible (US$21/t Est.), we believe there is a clear improvement in profitability assumptions, which supports the **second** consecutive **increase in** the **12M Target Price** to **US$14.00 ADRs–NYSE** (vs. US$13.00 previously) and **R$75.00 VALE3–B3** (vs. R$70.00 previously), with a **BUY rating,** implying an **upside** of **+17.7%.**

Vale released its **3Q25 results** yesterday, **Oct. 30**, after the market closed. Proforma **EBITDA** reached **US$4.4bn**, rising sharply by +28.5% q/q and +17.6% y/y, which was practically in line with our expectations (+1.8% vs. Genial Est.) and slightly above market expectations (+4% vs. the Street). We note that the company's stock is **enjoying a good momentum**, with **(i)** clarity in the macro environment due to the recently announced US-China agreement (more on this further down) and **(ii)** a 62% Fe curve at a much higher price level (US$107/t spot) vs. what we projected at the beginning of the year for 2H25 (average of ~US$90/t previous Est.). We have also revised this curve upwards, as we will discuss in the report.

Table 1. Income Statement Summary (3Q25 vs. Genial Est.)

(US$ millions)	Reported	Genial Est.		Reported	Reported		Reported	
Income Statement	**3Q25**	**3Q25E**	**% Diff.**	**3Q25**	**2Q25**	**% q/q**	**3Q24**	**% y/y**
Net Revenue	10.420	10.422	**0,0%**	10.420	8.804	**18,4%**	9.553	**9,1%**
Proforma EBITDA	4.399	4.319	**1,8%**	4.399	3.424	**28,5%**	3.741	**17,6%**
Net Income	2.685	2.616	**2,6%**	2.685	2.135	**25,8%**	2.391	**12,3%**

Source: Genial Investimentos, Vale

Rear-view mirror: Production and Sales

Iron ore: Record at S11D; Gap narrows. Iron ore production reached 94.4Mt (+0.5% vs. Est. at the time), rising +12.9% q/q and +3.8% y/y, driven by more favorable seasonality with less rain and ramp-ups in progress. The highlight was S11D (PA), which reached 23.6Mt (+7% y/y), the highest historical level for a Q3, offsetting the decline in Serra Norte (26.2Mt; -5% y/y). Despite depletion, the effect has been partially mitigated by the new mining plan, with mid-grade Carajás (~63% Fe). In the Southeast System, the +1.1Mt y/y (+5%) increase reflected the good performance of the 4th line at Brucutu (MG) and the higher-than-expected ramp-up at Capanema (MG), which produced 2.9Mt (+6% vs. Est. at the time), offsetting the weakness at Itabira (7.3Mt; -16% y/y). The South System saw an increase of +1.0Mt y/y (+8%), sustained by Vargem Grande (MG) and lower impacts from maintenance downtimes.

Iron ore fines shipments totaled 75Mt (+3.7% vs. Est. at the time), advancing +10.8% q/q and +8.2% y/y, with the gap narrowing as the sales/production ratio rose to 79.5% (+2.5p.p. vs. Est. at the time), reflecting improved logistics conversion. The gap narrowing exceeded expectations, benefiting from the cargo flow that was retained in Chinese ports for concentration, with PFC sales on the rise (8.6Mt; +55% q/q). Even so, the formation of inventories in transit (~4.5Mt) will likely be converted into sales between 4Q25–1Q26E.

Iron ore fines: Realized price with strong sequential increase. The realized price of iron ore fines was US$94.4/t (-0.3% vs. Est. at the time), registering an acceleration of +10.9% q/q and +4.2% y/y, and capturing gains above the 62% Fe curve (+4% q/q). The increase reflected both the appreciation of the benchmark and the return of premiums to positive territory (+US$0.7/t vs. -US$1.1/t in 2Q25).
Sales reinforced the average blend strategy, with BRBF remaining the flagship product (~50% of the portfolio; +6% y/y) and a reduction in high-silica products (-43% y/y), while Mid-Grade Carajás and PFC accelerated above expectations. IOCJ (~65% Fe) fell to 5.7Mt (-52% y/y), below our estimates, which already considered a reduction on an annual basis, ultimately limiting the mix gain. Thus, we believe that the price increase came mainly from the repricing of BRBF (+US$3/t q/q premium), in line with the +US$400mn/year incremental EBITDA.

Pellets: Weak production; sales in line. Pellet production totaled 8.0Mt (-11.8% vs. Est. at the time), with a slight increase of +1.9% q/q, but a sharp drop of -22.8% y/y, reflecting the continued deliberate moderation of supply amid low business profitability. The deviation from estimates is explained by the greater than initially projected redirection of pellet feed to sales as iron ore fines and by the temporary shutdown of the São Luís (MA) plant, which is costly and less attractive in a margin-pressured environment. Shipments reached 8.8Mt (-1.2% vs. Genial Est.), rising +17.2% q/q, but still down -13.5% y/y.

The realized price was US$130.8/t (+1.3% vs. Est. at the time), down -2.5% q/q and -11.7% y/y, reflecting compression of premiums and renegotiations on lower bases in view of weak demand in Europe and Japan. We believe that this dynamic reinforces the company's focus on optimizing its ferrous division, even with average premiums at ~US$12/t (vs. ~US$30/t on average over the last 2Y) and the gradual recovery of Samarco (+6Mt 25E), which adds supply and increases market saturation.

Review 3Q25: In detail!

Revenue in line with estimates. Consolidated Net revenue totaled US$10.4bn (flat vs. Genial Est.), advancing +18.4% q/q and +9.1% y/y, sustained by the performance of iron ore fines, whose revenue grew +22.8% q/q and +12.7% y/y, reflecting stronger volumes and prices. Production reached 94.4Mt (+0.5% vs. Est.), benefiting from favorable seasonality and operational progress at S11D (PA) and Capanema (MG). Fines shipments totaled 75Mt (+3.7% vs. Est.), with the production/sales gap narrowing to 79.5% (+2.5p.p. vs. Est.), driven by improved logistics conversion and the flow of concentrated cargoes in Chinese ports.

The realized price of fines reached US$94.4/t (-0.3% vs. Genial Est.), up +10.9% q/q and +4.2% y/y, exceeding the 62% Fe reference (+4% q/q), reflecting the curve appreciation and the return of premiums to positive territory (+US$0.7/t vs. -US$1.1/t in 2Q25). The mix composition remained focused on medium blends, with BRBF (~50% of sales; +6% y/y) and Mid-Grade Carajás offsetting the decline in high silica products (-43% y/y) and IOCJ (-52% y/y).

Table 2. Net Revenue Vale (3Q25 vs. Genial Est.)

(US$ millions)	3Q25 Reported	3Q25E Genial Est.	% R/E	2Q25 Reported	% q/q	3Q24 Reported	% y/y
Net Revenue	**10.420**	**10.422**	**0,0%**	**8.804**	**18,4%**	**9.553**	**9,1%**
Iron Ore Fines	7.078	7.082	-0,1%	5.762	22,8%	6.281	12,7%
Pellets	1.147	1.147	0,0%	1.004	14,2%	1.502	-23,6%
Other Ferrous	99	107	-7,3%	68	45,6%	107	-7,5%
Nickel Operations	1.010	1.021	-1,0%	1.012	-0,2%	904	11,7%
Copper Operations	1.086	1.066	1,9%	958	13,4%	759	43,1%

Source: Genial Investimentos, Vale

C1/t below expectations; freight rates falling more sharply. C1/t ex. third-party purchases reached US$20.7/t (-1.4% vs. Genial Est.), showing more efficiency than projected, downshifting -6.8% q/q, mainly due to the gain in fixed cost dilution via increased shipments of iron ore fines (+10.8% q/q). Furthermore, costs remained flat on an annual basis, in line with the typical seasonality of operational recovery in 2H. We note that the figure showed **(i)** improved inventory turnover vs. 3Q24, offset by **(ii)** increased maintenance costs and **(iii)** mine and port materials, aimed at improving asset reliability. The all-in cost of fines and pellets clocked in at US$60.8/t (-3% q/q; -4% y/y), also slightly below expectations (-0.8% vs. Est).

Even so, C1/t remained within the guidance of US$20.5–22.0/t 25E. Sea freight reached US$18.8/t (-3.6% vs. Genial Est.), below expectations, despite accelerating +2% q/q, but declining -9% y/y, reflecting the effectiveness of the long-term chartering strategy, which smooths costs and reduces volatility (-US$5/t below the C3 Brazil–China index), even with greater exposure to spot rates due to the intensification of sales under CFR conditions (90% of the total), reinforcing the high standard of commercialization and confirming the consistent execution of the company's logistics policy.

EBITDA with double-digit increase. Consolidated Proforma EBITDA reached US$4.4bn (+1.8% vs. Genial Est.), with a strong increase of +28.5% q/q and +17.6% y/y, slightly better than expected, sustained by the iron ore fines division, which reached US$3.4bn (+4.8% vs. Est.), up +43% q/q and +19% y/y. We believe that profitability was driven by the decline in C1/t ex. third parties in sequential movement (-1.4% vs. Est.; -6.8% q/q), remaining flat y/y, and should even positively surprise the market (-5% vs. the Street). Freight expenses also came below expectations (-3.6% vs. Est.) and reinforce a contractionary bias in total costs.

Pellet EBITDA was reported at US$512mn (-0.7% vs. Est.), with a sequential increase of +7.3% q/q driven by seasonality, but with a sharp decline of -35.2% y/y, derived from the discouragement of production due to low premium conditions at ~US$12/t (vs. ~US$30/t on average over 2Y). For VBM, Nickel posted EBITDA of US$114mn (+7.1% vs. Est.), with a slowdown of -43.3% q/q due to higher costs. In Copper, EBITDA reached US$614mn (-1.4% vs. Est.), representing an increase of +14.1% q/q and +70.6% y/y, driven by a slight improvement in sales, rising realized prices (+9.3% q/q), and lower costs, given the upward in gold prices as a reducing agent in byproducts.

Table 3. Proforma EBITDA Vale (3Q25 vs. Genial Est.)

(US$ millions)	3Q25 Reported	3Q25E Genial Est.	% R/E	2Q25 Reported	% q/q	3Q24 Reported	% y/y
Proforma EBITDA	**4.399**	**4.319**	**1,8%**	**3.424**	**28,5%**	**3.741**	**17,6%**
Iron Ore Fines	3.418	3.262	4,8%	2.396	42,7%	2.877	18,8%
Pellets	512	516	-0,7%	477	7,3%	790	-35,2%
Nickel Operations	114	106	7,1%	201	-43,3%	(66)	-
Copper Operations	614	622	-1,4%	538	14,1%	360	70,6%
Others	(259)	(187)	38,5%	(188)	37,8%	(220)	17,7%

Source: Genial Investimentos, Vale

Net income grows with operations offsetting financial results. The company reported Net income of US$2.7bn (+3% vs. Genial Est.), accelerating +25.8% q/q and +12.3% y/y, reflecting **(i)** operational improvement and **(ii)** more elastic pricing conditions for iron ore fines, whose profitability was driven by lower-than-expected C1/t (-1. 4% vs. Est.), flat y/y, which more than offset a negative financial result of -US$340mn vs. an expectation of +US$200mn, explained by higher expenses from FX rate and monetary variation (-R$195mn vs. +R$30mn in 2Q25).

Table 4. Income Statement Vale (3Q25 vs. Genial Est.)

(US$ millions)	3Q25 Reported	3Q25E Genial Est.	% R/E	2Q25 Reported	% q/q	3Q24 Reported	% y/y
Net Revenue	**10.420**	**10.422**	**0,0%**	**8.804**	**18,4%**	**9.553**	**9,1%**
COGS	(6.632)	(6.458)	2,7%	(6.085)	9,0%	(6.281)	5,6%
Proforma EBITDA	**4.399**	**4.319**	**1,8%**	**3.424**	**28,5%**	**3.741**	**17,6%**
EBITDA Margin (%)	42,2%	41,4%	0,8p.p	38,9%	3,3p.p	39,2%	3,1p.p
Adjusted EBITDA	**4.369**	**3.969**	**10,1%**	**3.386**	**29,0%**	**3.615**	**20,9%**
EBIT Margin (%)	41,9%	38,1%	3,8p.p	38,5%	3,5p.p	37,8%	4,1p.p
D&A	(761)	(725)	5,0%	(780)	-2,4%	(748)	1,7%
Financial Result	(339)	203	-	167	-	(374)	-9,4%
Net Income	**2.685**	**2.616**	**2,6%**	**2.135**	**25,8%**	**2.391**	**12,3%**
Net Margin (%)	25,8%	25,1%	0,7p.p	24,3%	1,5p.p	25,0%	0,7p.p

Source: Genial Investimentos, Vale

Our Take on Vale

FCF stretches, expanded net debt falls; extraordinary dividends gain traction. The company reported **FCF** generation of **US$1.6bn** (+11% vs. Genial Est.), above projections, reflecting an increase of **+55% q/q** and **+2x y/y**, with **(i)** lower working capital (**WC**) burn, which reached **-R$230mn** (-40% vs. Genial Est.), retracting -50% y/y; **(ii)** decrease **CAPEX** expenditure to **R$1.3bn** (-4% vs. Genial Est.); and **(iii)** shorter cash interest expense of -R$95mn (-15% vs. Genial Est.). This performance increases our expectation that the company should deliver a **FCF Yield** of **25E** of **~14%** (+2x vs. *peers* such as BHP and Rio Tinto). For next year, we maintain a projection of **~15% 26E** (a very attractive indicator), based on the reduction in cash outflow for the Mariana (MG) settlement if compared to what we are witnessing this year (-39% y/y Est.).

In addition, we are already beginning to see a greater likelihood of **extraordinary dividend distributions** in 1H26 vis-à-vis the reduction in expanded **Net Debt** to **US$16.6bn** (-5% q/q), justified by the contraction in expenses related to provisions for Brumadinho (-8% q/q) and Samarco (-27% q/q), which is closer to the **trigger** for extraordinary disbursement (**US$15bn**). We grant that it may be reached sooner than we had anticipated. As a counterpoint, the cash outflow effect for the repurchase of the 6th issue of participating debentures (CVRDA6) may make it difficult to reach this trigger within this shorter time horizon.

US–China: Tariff truce removes overhang. Yesterday (Oct. 30), a formal **1Y trade agreement** between the **US-China** was officially announced, with **average tariffs reduced** to **47%** (-10p.p. vs. previous) and **temporary removal** of **restrictions on exports** of **rare earth metals** and semiconductors. We believe this should ease the geopolitical tensions that had been penalizing global cyclical assets, especially those linked to investment theses with a strong correlation to the Chinese economy (such as Vale). The gesture of bilateral cooperation—albeit tactical in nature—reduces the perception of systemic risk, especially regarding the Chinese industrial chain, the main driver of demand for steel and iron ore.

The improvement in sentiment occurs through three main channels: **(i)** reduction of trade uncertainty, which tends to unlock industrial investment plans in China; **(ii)** recompositing of expectations about global trade, favoring metal and energy commodities; and **(iii)** repricing of risk for emerging exporters, with a marginal improvement in foreign capital flows and compression of relative discounts.

In this context, we believe that the company is likely to benefit from **improved investor buying flow**, which has already begun to return due to the removal of the overhang (a +3% rise in the share price, anticipated 2 days before the announcement), since the stabilization of US-China trade relations tends to **sustain prices** for **iron ore** in the short term, **with a speculative bias**, without fundamentals in the real economy (at least not yet). Although the agreement does not structurally alter the fundamentals of supply and demand, it seems to us that the simple relief of tariff risk has already proven sufficient to reactivate bullish market sentiment.

Iron Ore Scenario: 4Q-1Q seasonality vs. fundamentalist deterioration. The US$100/t support for 62% Fe iron ore may be broken in the next 6–12M. We believe that short-term backing will depend on **seasonal restocking** before the **Lunar New Year** (Nov–Feb) and supply disruptions caused by **monsoons** in **4Q25–1Q26**, considerably increasing rainfall intensity, which traditionally limits production — already priced in the Jan futures contract price on DCE (~US$110/t; +3% vs. spot). However, signs of **deteriorating demand in 25–26E** may reproduce the directionality observed in 2024, bringing the 62% Fe curve back to levels <US$100/t. We highlight **(i)** the return of steel mill margins in China to negative territory (-US$15/t), with prices ~10% below the 2018 average; **(ii)** the spread cooling down between quality curves (+US$13–15/t in 4Q25 vs. a peak of +US$19/t in 3Q25); and **(iii)** the intensification of contango in futures contracts starting in May/26 (-US$3/t vs. the previous 6M) — all **indicative of a market** still **oversupplied**.

Additionally, data on **fixed asset investments** (FAI) for **9M25** released by the NBS showed a **decline of -0.5% y/y** (vs. +0.5% in 8M25), reinforcing the picture of weakening activity and expectations of more subdued demand. This trend adds to the risk of iron ore stockpiling, driven by **higher Brazilian supply** (shipments of 41Mt in Jul; +5% y/y vs. +2% y/y BBG consensus), while the majors are expected to increase **production 25E** by **+2% YTD**. We note that Australia's exports remain stable (flat in 8M25 vs. 8M24; Rio Tinto is likely to reach its guidance of 323Mt 25E), and also the start of Simandou operations in Nov. with shipments of 2Mt should accelerate the perception of oversupply in 2026.

Cut in copper and nickel cost guidance. The company has revised its **All-in** cost estimates once again. For **Copper 25E**, it moved to **US$1,000–1,500/t** (-17% vs. Genial Est. – lower band of previous guidance of US$1,500/t), reflecting higher gold prices (by-product), which reached **US$3,458/oz** on average in 3Q25 (+5% q/q, +70% y/y), given the increased demand for assets typically classified as safe havens in a more complex and volatile global market environment, which is periodically hit with news about Trump administration tariffs and wars (including the one in the Middle East).

If this stable environment remains, the gold prices tend to remain at this more robust level, having already risen +30% YTD. It is important to clarify that gold is included as a by-product in the Copper operation, due to the way the portfolio is divided.

With higher profitability on shipments, the company excludes revenue from gold sales from the cost of pure copper operations**.** As for **Nickel 25E,** the **All-in cost** fell to **US$13,000–14,000/t** (-7% vs. Genial Est. – midpoint of the previous guidance of US$14,500/t), reflecting the division's improved operating performance.

Enjoying a good momentum. Given the more resilient behavior of iron ore prices in 2H25, we have decided to revise our assumptions for the future 62% Fe curve again. Following the adjustment made in the last report, in which we raised the **4Q25E** reference to **US$98/t** (vs. ~US$90/t previously), we now started from a higher base for 2026E in our model, so we had to incorporate the readjustment of the **1Q26E** curve to **US$100/t** (vs. ~US$93/t previously), reflecting the typical seasonal effect of restocking prior to the Lunar New Year and the temporary reduction in supply caused by monsoons between 4Q25-1Q26, already fairly priced in the Jan futures contract on the DCE (~US$110/t; +3% vs. spot). As a result, our average has moved to **US$95/t 26E** (+3% vs. previous), containing this less depreciative bias in the short term.

Despite the revision, however, we **remain cautious**. Signs of weakening remain clear: negative margins at Chinese mills (-US$15/t), compression of the quality spread, steeper contango in the futures curve, and a decline in China's FAI (-0.5% y/y in 9M25). Added to this are **higher Brazilian supply** (shipments of 41Mt in Jul; +5% y/y vs. +2% y/y consensus BBG), stable Australian exports, and the imminent entry of Simandou, whose operational start in Nov/25 tends to reinforce the scenario of oversupply in 2026.

That said, with **(i)** an upward curve adjustment, still considered conservative, and **(ii)** the materialization of **C1/t 25E** guidance at **US$20.5–22/t** well feasible (US$21/t Est.), we believe there is a clear improvement in profitability assumptions, which supports the **second** consecutive **increase in** the **12M Target Price** to **US$14.00 ADRs–NYSE** (vs. US$13.00 previously) and **R$75.00 VALE3–B3** (vs. R$70.00 previously), with a **BUY rating** implying an **upside** of **+17.7%.**

Appendix: Vale

Figure 1. Vale – Income Statement in US$ Millions (Genial Est. 2025-2029)

Income Statement	2025E	2026E	2027E	2028E	2029E
Net Revenue	**27.686**	**37.473**	**37.812**	**38.572**	**39.240**
(-) COGS	(17.877)	(24.166)	(25.301)	(26.453)	(27.660)
Gross Profit	**9.809**	**13.307**	**12.511**	**12.118**	**11.581**
(-) Expenses	(1.165)	(1.481)	(2.504)	(2.171)	(1.742)
Adjusted EBITDA	**15.174**	**14.754**	**13.977**	**13.619**	**13.111**
(-) D&A	(2.209)	(3.095)	(3.138)	(3.191)	(3.245)
EBIT	**12.965**	**11.659**	**10.839**	**10.428**	**9.866**
(+/-) Financial Result	(1.186)	(3.012)	(2.748)	(2.515)	(2.165)
(-) Taxes	(906)	(648)	(520)	(547)	(575)
Net income	**10.873**	**7.999**	**7.572**	**7.366**	**7.126**
Profitability					
Net margin (%)	39,3%	21,3%	20,0%	19,1%	18,2%

Figure 2. Vale– Cash Flow in US$ Millions (Genial Est. 2025-2029)

Cash Flow (FCFF)	2025E	2026E	2027E	2028E	2029E
Net Revenue	**27.686**	**37.473**	**37.812**	**38.572**	**39.240**
(-) COGS	(17.877)	(24.166)	(25.301)	(26.453)	(27.660)
Adjusted EBITDA	**15.174**	**14.754**	**13.977**	**13.619**	**13.111**
Adjusted EBIT	**12.965**	**11.659**	**10.839**	**10.428**	**9.866**
(-) Taxes	(906)	(648)	(520)	(547)	(575)
(+) D&A	2.209	3.095	3.138	3.191	3.245
(+/-) Brumadinho and Samarco	(1.017)	(989)	(661)	(831)	(199)
(+/-) Δ WK	762	189	(647)	69	(318)
(-) Capex	(4.087)	(4.188)	(4.117)	(4.272)	(4.272)
FCFF	**9.926**	**9.118**	**8.033**	**8.037**	**7.747**

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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