genial | Equity Research

CSN

Strategic Update Meeting: Right direction, but unconvincing market

LatAm Metals & Mining

Main takeaways for CSN:

The company announced that its Board of Directors authorized the start of a **structured asset divestment process** aimed at definitively rebalancing the holding's capital structure. **Beginning in 2026**, the company intends to implement strategic asset sales with the objective of **reducing net debt** by **R$15–18bn,** causing leverage to decrease to **1.7-2x Net Debt/EBITDA 26E** (vs. 3.2x at 3Q25), allowing the company to refocus its portfolio on businesses with higher profitability, growth, and operational synergies. We clarify that debt reduction estimate is **net of taxes**, supported by a tax shield created by large financial expenses and other deductible items. This initiative is part of a broader long-term strategy under which CSN aims to potentially achieve **2x EBITDA growth within 8Y** and reach a sustainable leverage level of **1.0x Net Debt/EBITDA in the long run** (including P-15 ramp-up uplifting the EBITDA).

Any asset sales will be subject to customary legal, regulatory, and antitrust approvals, and the company stated it will keep shareholders and the market informed about relevant developments. As the use of proceeds will be overwhelmingly focused on **debt reduction**, annual **interest expense could be lowered** by **R$1.5–1.8bn** (a cut of between 21-25% on what is paid today). Combined with ongoing liability management over the next 3Y, we assess that this will redesign company's capital structure for the better, reinforcing, for the first time in a while, a more credible guideline for achieving deleveraging. We believe, if executed well, this **could restore a perception of better capital allocation** back to the equity story.

Deleveraging in motion; market still seems unconvinced

On the other hand, **investors may become more wary about** the **(i)** stakes in each business that may be sold (something that was not made explicit during the presentation), and **(ii)** whether the company will be able to execute all of this debt reduction in the short term — depends on finding buyers at good price terms that justify pocket gains vs. maintaining the stake—, considering also that this promise to sell business' parts is already old news discussed by company. We believe that this may have justified a **negative reaction from the shares in today's trading session** (-3.12%), even though we viewed the overall idea as positive. However, we chose not to alter any assumptions in our model until material announcements/results appear on the horizon. Therefore, we decided to maintain our **12M Target Price** at **R$9.50,** implying a **downside** of **-4,1%**, reiterating our **NEUTRAL rating**.

Analysts

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

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

Ygor Bastos
+55 (11) 3206-1457
ygor.araujo@genial.com.vc

Companies

CSNA3 BZ Equity
Neutral

Price: R$ 9.95 (15-Jan-2026)
Target Price 12M: R$ 9.50

Strategic Update Meeting: In detail!

Strategic reset anchored on deleveraging and value unlocking. Mr. Rabello initiated framing the update as a structural **recalibration of its strategy**, following the reflections initiated at the previous CSN Day 2024. The company reaffirmed deleveraging as the central priority, now paired with a **more explicit portfolio rotation agenda** aimed at unlocking value already embedded within the holding. In management's view, this reset is supported by a favorable operating backdrop, with **(i)** price recovery across segments, **(ii)** operational records, and **(iii)** higher FCF generation, creating the window to address the capital structure decisively.

The approved plan foresees **asset sales in 2026 totaling R$15–18bn**, enabling a rapid transition to a healthier balance sheet and opening space for a new growth cycle. Based on the renewed asset mix, the company believes it can achieve **2x EBITDA growth** in **8Y**, while reducing leverage toward **~1.0x Net Debt/EBITDA**. We assess the capital raised will be almost entirely allocated to gross debt reduction, reinforcing discipline and setting the foundation for long-term value creation rather than short-term expansion. The deleveraging proceeds are basically **cement** (control sale) **+ infrastructure** (minority sale). Importantly, the **stake in MRS that was announced for sale** (for R$3.3bn; 11% total capital) **is not part of this plan** to raise R$15-18bn in funds, as it was already **cash-in in late 2025** (we will see the effect in 4Q25) and therefore sit on top of the 2026 monetization plan. On mining, **new block trades of CMIN shares are ruled out**. We believe that mining is the holding's key growth platform and requires capital to deliver the 60–65Mt trajectory, so any additional monetization of the mining stake is not on today's agenda and would only be a future discussion if the strategy changes.

Mining as the primary growth engine. We believe that CMIN will remain the holding's core growth avenue. The company ranks as the 7th largest iron ore exporter globally, with more than **2.5–3.0Bt of reserves**, ensuring long mine life. Historical performance underscores its quality: EBITDA margins have consistently ranged between 40–50%, supported by strong operational execution and a portfolio increasingly skewed toward high-grade products (65% Fe). Growth visibility is anchored by the accelerated P-15 expansion, expected to deliver **+R$4bn/year of incremental EBITDA** (full capacity, US$85-88/t 62% Fe long term), alongside tailings recovery projects (Pires, B4, CdP and ultrafines). Management's projections show total company production ramping up to **60–65Mt 30E** (vs. 43–47.5Mt 26-27E) supporting EBITDA potential approaching ~R$10bn (vs. R$6.7bn LTM), while preserving margins at ~45%.

Infra as a scalable value platform. Looking at the infrastructure business, it is important to acknowledge that it is an integrated platform, comprising rail, port, and multimodal assets, strategically located to support Brazil's main commodity export corridors. The asset base is difficult to replicate, and benefits from contracted and captive demand. We believe that infrastructure mirrors mining's profitability, with EBITDA margins between 40–50% and steadily rising results. Management's projections indicate **EBITDA expanding** to **>R$10bn** in the long term (vs R$1.7bn LTM), driven entirely by assets already within the group (Tecar, TLSA, Nelog, and others). As part of the deleveraging roadmap, the company will **sell a significant equity stake of the infrastructure business in 2026**, launching the process in Jan and targeting signing between **3Q-4Q26E**, unlocking what management sees as the highest potential EV within the holding.

Leadership in cement as catalyst for selling stake. The cement business is end-up combining lower cost vs. peers, superior margins, and nationwide footprint (market share leader in the southeast, ahead of Votorantim). The unit benefits from differentiated access to raw materials since CSN is an integrated player, with self-sufficiency in energy, and highly efficient logistics, resulting in **EBITDA margins** around **30%**, the **highest in the sector**. We assess that growth optionality is substantial, with **+12Mtpy of greenfield** projects and **+1.4Mtpy of brownfield** expansions already advanced. Importantly, market fundamentals are turning supportive, with price recovery by last year-end, which should translate into materially stronger results in 2026.

Management intends to **sell control of cement business in 2026**, a transaction that, together with infrastructure monetization, underpins the R$15–18bn in debt reduction. It is important to remember the company had previously prepared for a cement IPO, but the equity window is not attractive today. Conversely, management claims to have received meaningful inbound interest from strategic players pointing to strong private-sale multiples, which support prioritizing a negotiated transaction over an IPO route.

Steel recovery with FCF focus. In the steel division, management steered the market by drawing attention to a clear recovery mode. The business has a diversified portfolio, increasing exposure to higher value-added products, and maintains a strategic presence not only in Brazil but also in Europe and the USA. Recent quarters have already shown sequential **EBITDA margin recovery** (9,4% in 3Q25LTM vs. 6,9% in 2024), reversing some of the prior pressure. Nevertheless, we believe that company's strategy is not expansionary in the short term.

Although some anti-dumping measures are being evaluated to support price adjustments for flat steel (which we do not believe will be material pass-thoughts), the market is still experiencing difficulties with the penetration of imports, which are not expected to decrease substantially even if the measures are approved. Management is evaluating strategic alternatives and partnerships aimed at maximizing short-term FCF generation, supporting the holding's deleveraging effort. By stabilizing steel profitability and freeing cash, we assess that the steel unit plays a complementary role in enabling reinvestment into mining and infrastructure, where returns are structurally higher.

Energy as a stabilizing cash-flow pillar. The energy business stands as one of Brazil's largest and most competitive renewable energy platforms, with 2.0GW of installed capacity, predominantly hydro, complemented by cogeneration, wind, and solar. Since 2023, the holding has achieved energy self-sufficiency, materially reducing industrial costs across all businesses. According to the presentation, the platform combines high returns and low risk, delivering **EBITDA margins** between **30–40%** (37,5% in 3Q25LTM vs. 27,4% in 2024) and resilient FCF generation. Since 2024, CSN has also entered the free gas market, and enhanced industrial competitiveness while reinforcing its commitment to the energy transition. Energy thus acts both as a value generator and a structural cost hedge for the group

Our take on CSN

Why infra minority + cement control sale? Management framed **infra and energy** as the “stabilizers” of the portfolio — assets with more resilient, **predictable results** that balance the cyclical exposure of steel and mining (which are more volatile and may fluctuate with commodity prices). That is why the management wants to **keep control of the infrastructure** platform while still monetizing value via a **minority stake at the holding level** (not asset-by-asset): the business is viewed as a high-EV vehicle built over many years, and the current transaction is positioned as the **first cluster** (4 assets) within a broader seven-asset platform. **Cement**, in contrast, was justified on **valuation efficiency**: recent transactions suggest **high EV deal multiples**, and management argued that a **control sale** is the most effective way to maximize proceeds per unit of deleveraging.

For steel, the “strategic alternatives/partnerships” theme is mostly about bringing capital, technology, and modernization capability (potentially via Asian or European partners) to accelerate FCF generation and address the CAPEX necessary vs. technology gap of Brazil’s Southeast steel base (including environmental upgrades), without forcing steel to compete for capital against mining/infra growth.

Energy stays; infra must remain linked to mining logistics. We assess that **energy remains in the portfolio because it is low-risk**, supports a smoother earnings mix, and — crucially — company’s self-production generates structural benefits by reducing costs that can be shared with industrial operations. They also see room to expand sales to third parties as Brazil’s demand for clean energy grows. On **infra**, management was explicit that the stake sale is in the holding, preserving an integrated platform with all seven assets over time. The strategic constraint is that infrastructure is deeply intertwined with mining (rail/port advantages), especially in the Southeast corridor, so the company views **control as important to sustain mining’s ramp-up** and export competitiveness.

They also signaled a roadmap with two clusters: **Southeast now** (2026) and **Northeast later** (2027), with management emphasizing that the Northeast block has significant embedded value after years of investment pressure and is now materially de-risked (cash committed to completion, execution advanced). The **four assets** in the Southeast cluster were explicitly named: **Tora** (road transport), **TECOM** (container port), **TECAR** (bulk terminal for iron ore/coal/coke), and CSN’s **full stake in MRS** (as positioned within the infra platform discussion). The other three in the Northeast were described as **two railways and a private terminal**, still finishing construction, which is why management prefers not to bundle all seven assets immediately (due diligence complexity and timeline). At the same time, there is a strategic preference to end up with one single holding in the future. They suggested they may either **(i)** bring the second cluster later to market; or **(ii)** discuss terms with the incoming minority partner so that valuation premises for the second cluster are incorporated within the broader process if feasible.

CAPEX flexibility vs growth: deleveraging first, but mining projects can be accelerated. On **CAPEX**, management said the new strategic plan triggers a fresh annual **CAPEX review**, implying more assertive capital allocation and potential reprioritization. However, they also argued that a **successful deleveraging cycle** could enable faster acceleration of the highest-return mining projects, rather than postponement — particularly **P-15**, which they tied to a **potential +R$4bn EBITDA** uplift and said they want to bring into the holding “as early as possible.”

We believe the key message was that the deleveraging plan is meant to **unlock, not choke, growth**: once balance sheet pressure eases, the company expects to push high-margin mining projects forward. That said, the company did not provide **CAPEX 26E figures** — only that it will be revisited and reshaped under the new plan.

Subsidiaries can still be listed, but execution comes first. Regarding the even more traditional idea of going private on holding company's capital, but having all businesses operating independently, with their respective IPOs (steel, cement, logistics, and energy would be missing), management said there is no objection to listing subsidiaries in the future, but the practical constraint is the **lack of an IPO window** today. In the company's view, infra minority partner’s future exit as something that could be an IPO later, depending on timing and valuation (without committing). Strategically, they emphasized the holding’s medium-term value creation will come from expanding higher-margin pillars — **mining, infrastructure, and energy** — which carry structurally stronger margins (energy **>30%**, mining/infra typically **>40–50%**, with some infra-assets above that). We assess that steel remains a “work-in-progress” where partnerships and modernization are being evaluated so that it stops absorbing capital and starts generating FCF in line with its asset base.

WC release, prepayments stance, and other liquidity levers. Beyond asset sales, there are some internal FCF levers to push, especially working capital (**WC**), with **R$12bn in inventories** (raw materials, WIP, finished goods) the company is working to reduce capital tied up and improve margins, focusing attention on areas that have historically burned cash. On mining **prepayments**, management signaled a clear policy: **keep the current level**, but **do not increase** it — nothing planned for this year. It was also emphasized the company are “turning the balance sheet upside down” across multiple lines (inventories and other accounts) to generate liquidity and reinforce deleveraging without relying on additional mining monetization.

Appendix: CSN

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

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	**44.968**	**47.050**	**49.679**	**52.844**
(-) COGS	(32.737)	(35.278)	(39.334)	(43.584)
Gross Profit	**12.231**	**11.772**	**10.345**	**9.260**
(-) Expenses	(6.016)	(6.249)	(4.968)	(4.584)
Adjusted EBITDA	**11.156**	**13.220**	**13.692**	**15.094**
(-) D&A	(3.996)	(4.200)	(4.596)	(5.099)
EBIT	**6.215**	**5.523**	**5.377**	**4.676**
(+/-) Financial Result	(6.775)	(6.653)	(6.695)	(6.800)
(-) Taxes	25	384	448	722
Net Income	**(535)**	**(746)**	**(869)**	**(1.402)**
Profitability				
Net Margin (%)	-1,2%	-1,6%	-1,8%	-2,7%

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

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	**44.968**	**47.050**	**49.679**	**52.844**
(-) COGS	(32.737)	(35.278)	(39.334)	(43.584)
Adjusted EBITDA	**11.156**	**13.220**	**13.692**	**15.094**
EBIT	**6.215**	**5.523**	**5.377**	**4.676**
(-) Taxes	25	384	448	722
(+) D&A	3.996	4.200	4.596	5.099
(+/-) Δ WK	1.349	1.412	1.490	1.585
(-) Capex	(5.153)	(5.041)	(5.041)	(5.041)
FCFF	**6.431**	**6.477**	**6.871**	**7.042**

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