genial Equity Research

VALE

4Q25 Operational Preview: No gap left to close

LatAm Metals & Mining

Main takeaways:

(i) Iron ore production of **89.3Mt Est.** (-5.4% q/q; +4.8% y/y), reflecting a seasonal slowdown after a stronger 3Q and the onset of the rainy season; shipments at **76.2Mt Est.** (+1.6% q/q; +9.0% y/y), driven by the conversion of inventories accumulated in prior quarters (~4.5Mt); **realized** price at **US$95.7/t Est.** (+1.4% q/q; +2.9% y/y), supported by the 62% Fe (+4% q/q), while premium turns slightly negative at **-US$0.3/t Est.** (vs. +US$0.7/t in 3Q25); **(ii)** Pellet production of **8.0Mt Est.** (-0.3% q/q; -13.1% y/y), reflecting structurally weak pellet profitability; shipments estimated at **8.7Mt Est.** (-0.3% q/q; -13.1% y/y); realized price at **US$133.3/t Est.** (+1.9% q/q; -6.8% y/y), driven by a modest recovery in the 65% Fe reference curve. while pellet premiums remain compressed at historically low levels (US$14/t); **(iii)** Nickel production of **44Kt Est.** (-5.5% q/q; -3.0% y/y), while shipments rise to **48Kt Est.** (+11.9% q/q; +1.9% y/y), supported by partial inventory release toward year-end; realized price at **US$15,302/t Est.** (-0.9% q/q; -5.3% y/y), tracking a weaker LME curve amid global oversupply; **(iv)** Copper production of **98Kt Est.** (+8.0% q/q; -3.9% y/y), shipments projected at **96Kt Est.** (+6.4% q/q; -3.3% y/y), indicating a balanced production–sales dynamic; realized price at **US$10,663/t Est.** (+8.6% q/q; +16.1% y/y); **(v) Net revenue of US$11.0bn Est.** (+5.6% q/q; +8.7% y/y); **(vi) C1/t ex-third parties at US$21.3/t Est.** (+2.7% q/q; +13.0% y/y), reflecting USD/BRL FX softening; **(vii) Proforma EBITDA of US$4.6bn Est.** (+5.4% q/q; +12.5% y/y); **(viii) Net income of US$2.5bn Genial Est.** (-8.3% q/q); **(ix)** A stock price now trading close to our assessed intrinsic value leads us **downgrade** the company to **NEUTRAL** (vs. BUY previously), even with an **upward revision** of our **12M Target Price** to **US$17.00 ADRs–NYSE** (vs. US$15.00 previously) and **R$90.00 VALE3–B3** (vs. R$80.00 previously), implying a **upside of just +5.1%.**

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Company

VALE US Equity
Neutral

Price: US$ 16.18 (23-Jan-2026)
Target Price 12M: US$ 17.00 (NYSE)

VALE3 BZ Equity
Target Price 12M: R$ 90.00 (B3)

Vale will release its **Production and Sales Report** for **4Q25** on **Jan. 27**, after the market closes. Despite the increasingly constructive equity story presented by the company, after a **significant rally of +48% in 6M** (with ~2/3 concentrated in the last 60 days), we are **no longer finding a gap to be closed**, from a fundamentalist point of view, that supports the continued rise in share prices. Given this scenario, we are **downgrading the company** to **NEUTRAL** (vs. Buy previously). More details on the downgrade further down.

Table 1. Operational Summary (4Q25 Genial Est.)

(Thousand Tonnes - kt)	Genial Est.	Reported		Reported	
Summary	**4Q25E**	**3Q25**	**% q/q**	**4Q24**	**% y/y**
Iron Ore Production	89.335	94.402	**-5,4%**	85.280	**4,8%**
Iron Ore Fines Shipments	76.213	75.020	**1,6%**	69.912	**9,0%**
Pellets Production	7.970	7.997	**-0,3%**	9.167	**-13,1%**
Pellets Shipments	8.746	8.769	**-0,3%**	10.067	**-13,1%**

Source: Genial Investimentos, Vale

We expect a **sequential back trend in production,** something seen as normal, due to the seasonality of the start of the rainy season at the year-end. As such, we project **iron ore production** of **89.3Mt Est.** (-5.4% q/q; +4.8% y/y). We believe that the quarter should be marked by **(i)** a upshift in **Proforma EBITDA**, clocking in at **US$4.6bn Est**. (+5.4% q/q; +12.5% y/y), reflecting the dual effect on iron ore fines, with **(ii)** acceleration in realized prices up to **US$95.7/t Est**. (+1.4% q/q; +2.9% y/y), benefiting from the 62% Fe benchmark recovery to an average of **US$106/t** (+4% q/q), partially offset by a **slightly negative premium** (-US$0.3/t Est. vs. +US$0.7/t in 3Q25), as weaker Low Lumina reference did not favor price point this quarter**.** We should also note **(iii)** shipments on the rise to **76.2Mt Est.** (+1.6% q/q; +9.0% y/y), supported by inventory releases in transit from last quarter (~4.5Mt).

On **pellets**, we estimate **production** of **8.0Mt Est.** (-0.3% q/q; -13.1% y/y) and **shipments** clocking in at **8.7Mt Est.** (-0.3% q/q; -13.1% y/y), sketchily flat sequentially and reflecting company's continued supply discipline in a structurally less attractive market. We believe the absence of a seasonal ramp-up reinforces the strategy of preserving margins and reallocating pellet feed toward the iron ore fines, given still-weak premiums and challenging demand conditions in Europe and Japan, compounded by the reintroduction of Samarco's incremental supply. As a result, **realized pellet prices** are expected at **US$133.3/t Est.** (+1.9% q/q; -6.8% y/y), with modest sequential support from the 65% Fe benchmark, but limited upside given expected flat premiums.

As a result, we project consolidated **Net Revenue of US$11.0bn Est.** (+5.6% q/q; +8.7% y/y), driven mainly by higher iron ore fines shipments and prices, partially offset by weaker premiums. In addition, it is worth noting that VBM's improved figures, particularly in copper operations. On the cost side, **C1/t ex-third parties** is estimated at **US$21.3/t Est.** (+2.7% q/q; +13.0% y/y), remaining broadly in line with guidance, with slight pressure from freight costs. Consequently, **Proforma EBITDA** is projected at **US$4.6bn Est.** (+5.4% q/q; +12.5% y/y), with roughly stable margins, as iron ore fines and VBM net revenues dynamics should dominate the quarter. Finally, our model points to the **Net Income** of **US$2.5bn Est.** (-8.3% q/q; reversing the financial loss of 4Q24). These **figures remain provisional** and **will be updated** following Vale's Production and Sales release on **Jan 27**.

4Q25 Operational Preview: Production and sales in detail

Iron Ore: Production down q/q, while shipments accelerate. We project iron ore production to total 89.3Mt Genial Est. (-5.4% q/q; +4.8% y/y), reflecting a sequential back trend after a seasonally stronger 3Q, but still sustaining solid growth on an annual basis. At year-end, the rainy season begins, which slows down the pace of activities on the mining fronts, while the y/y expansion reflects the continued outstanding work across S11D (PA) and Capanema (MG) ramp-ups, allowing the company to remain broadly aligned with its ~335Mt 25E production guidance (old target up-trench of 325-335Mt). On the commercialization side, we estimate iron ore fines shipments clocking in at 76.2Mt Genial Est. (+1.6% q/q; +9.0% y/y), with sales being driven by the inventory process in transit from the previous quarter (~4.5Mt). In our view, the gap between production and sales — which had widened earlier in the year due to the concentration of inventories in Chinese ports — should narrow to 15% Est. (-6p.p.q/q; -3p.p.y/y), since we believe in a rearrangement of logistics flow leading to an almost full conversion of the accumulated inventories into shipments.

Table 2. Production and Shipments Summary Vale (4Q25 Genial Est.)

Production Summary (Kt)	4Q25E Genial Est.	3Q25 Reported	% q/q	4Q24 Reported	% y/y
Iron Ore[1]	89.335	94.402	-5,4%	85.280	4,8%
Pellets	7.970	7.997	-0,3%	9.167	-13,1%
Nickel	44	47	-5,5%	46	-3,0%
Copper	98	91	8,0%	102	-3,9%

[1] Including third-party purchases, run-of-mine and feed of other pelletization plants.

Shipments Summary (Kt)	4Q25E Genial Est.	3Q25 Reported	% q/q	4Q24 Reported	% y/y
Iron ore fines	76.213	75.020	1,6%	69.912	9,0%
Pellets	8.746	8.769	-0,3%	10.067	-13,1%
ROM	1.216	2.028	-40,0%	1.216	0,0%
Nickel	48	43	11,9%	47	1,9%
Copper	96	90	6,4%	99	-3,3%

[1] Including third-party purchases

Source: Genial Investimentos, Vale

Pellets: Nothing new vs. 3Q25. We estimate pellet production to reach 8.0Mt Genial Est. (-0.3% q/q; -13.1% y/y), reflecting the guidance of 31Mt 25E, broadly stable sequential output and the continuation of company's disciplined supply stance in a market with structurally weaker pellet profitability. In our view, the absence of a stronger seasonal ramp-up indicates a strategic decision to avoid expanding pellet production, preserving margins amid a still unattractive premium environment, while redirecting part of pellet feed toward the iron ore fines market.
Pellet shipments are expected to total 8.7Mt Genial Est. (-0.3% q/q; -13.1% y/y), closely tracking production and remaining within the 8–9Mt range. The limited q/q variation reinforces the view that the quarter does not mark a demand-driven recovery, but rather a period of operational stability, since there is a trade-off in allocating feed between pellets and fines, depending on relative attractiveness margin.

We estimate a realized price of US$133.3/t Genial Est. (+1.9% q/q; -6.8% y/y), with the sequential increase explained by the modest improvement in the 65% Fe reference curve, which averaged US$119/t (+1% t/t), while pellet premiums are expected to remain very depreciated (US$14/t Est.; historical lows). On the demand side, we continue to see a challenging backdrop in key consuming regions, particularly Europe and Japan, where steel mills face margin pressure amid rising competition from Chinese steel exports. In addition, the reintroduction of Samarco's incremental pellet supply continues to weigh on the global balance (15Mt 25E), limiting Vale's ability to extract higher premiums.

Nickel: Shipments up; but margins should remain constrained. We project nickel production of 44Kt Genial Est. (-5.5% q/q; -3.0% y/y), reflecting the guidance (175Kt 25E). Despite the q/q decline in production, shipments are expected to reach 48Kt Genial Est. (+11.9% q/q; +1.9% y/y), benefiting from a partial inventory release, which typically occurs toward year-end, allowing sales volumes to temporarily exceed production.

The realized price is expected to reach US$15,302/t Genial Est. (-0.9% q/q; -5.3% y/y), reflecting a marginal sequential adjustment in line with the LME curve, averaged at US$14,885/t (-1,5% q/q), which remained under pressure due to persistent global oversupply — particularly from Class II nickel production in Indonesia.

However, we emphasize that, while average prices faced a slightly negative effect during the quarter, provisional pricing mechanisms should provide some offset, resulting in a largely neutral price outcome overall. Additionally, we believe that cash costs should remain basically flat, with the annual average at the guidance of US$13,000/t 25E, bringing it closer to US$12,000/t on a quarterly weighted basis. Even so, margins should remain compressed, given the combination of subdued pricing and the absence of meaningful cost tailwinds.

Copper: Higher volumes q/q and firmer prices. Our model points copper production of 98Kt Genial Est. (+8.0% q/q; -3.9% y/y), reflecting a sequential recovery embedded in the seasonality factor following a softer 3Q. In line with guidance (370Kt 25E) and commercial dynamics, shipments are expected to reach 96Kt Genial Est. (+6.4% q/q; -3.3% y/y), indicating a balanced production–sales relationship, with no material inventory build or release in the quarter.

On the price side, we estimate a realized copper price of US$10,663/t Genial Est. (+8.6% q/q; +16.1% y/y), following the strong upshift of the LME copper curve, averaged at US$11,040/t (+13% q/q). We believe copper remains the main positive contributor within VBM, benefiting from tighter short-term supply conditions and positioning adjustments in global markets, which supported prices sequentially and reinforced the favorable y/y comparison. From a cost perspective, our analysis presumes adherence to the low end of the updated cost guidance at US$1,000/t 25E, supported by the continued contribution of gold by-products that climbed for US$4,152/oz (+20% q/q), which are deducted from operating expenses and help compress unit costs.

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

(US$ millions)	4Q25E Genial Est.	3Q25 Reported	% q/q	4Q24 Reported	% y/y
Net Revenue	**11.005**	**10.420**	**5,6%**	**10.124**	**8,7%**
COGS	(7.020)	(6.632)	5,8%	(6.268)	12,0%
Proforma EBITDA	**4.636**	**4.399**	**5,4%**	**4.119**	**12,5%**
EBITDA Margin (%)	42,1%	42,2%	-0,1p.p	40,7%	1,4p.p
Adjusted EBITDA	**4.606**	**4.369**	**5,4%**	**3.794**	**21,4%**
EBIT Margin (%)	41,8%	41,9%	-0,1p.p	37,5%	4,4p.p
D&A	(905)	(761)	19,0%	(802)	12,9%
Financial Result	(435)	(339)	28,2%	(1.760)	-75,3%
Net Income	**2.472**	**2.695**	**-8,3%**	**(872)**	**-**
Net Margin (%)	22,5%	25,9%	-3,4p.p	-8,6%	-

Source: Genial Investimentos, Vale

Our Take on Vale

EBITDA leveraged by both price and volumes. We project consolidated **Net Revenue** of **US$11.0bn Genial Est.** (+5.6% q/q; +8.7% y/y), reflecting **higher shipment volumes across iron ore fines and VBM**, partially **supported by firmer realized prices**. Sequential growth should be mainly driven by iron ore fines, as sales benefit from the conversion of inventories accumulated in prior quarters, while pricing reflects the upshift in the 62% Fe curve, but partially offset by a slightly negative premium.

The **C1/t ex-third parties** is set to clock in at **US$21.3/t Est.** (+2.7% q/q; +13.0% y/y). As the USD/BRL FX rate has a reverse effect on the cost base, we believe that the -8% y/y softening in the FX suggests an increase in C1/t (a decrease -R$0.10 in the USD/BRL rate, C1/t rises +US$0.25/t). In the full-year outlook, coincidentally, the figure should also remain at US$21.3/t (-2% y/y), in line with the 25E guidance. In addition, we emphasize that we expect modest pressure from freight costs as well. Even so, higher iron ore fines and VBM shipments should support earnings.

As a result, our model indicates **Proforma EBITDA** projected at **US$4.6bn Genial Est.** (+5.4% q/q; +12.5% y/y), with margins sketchily stable at **42.1%** (-0.1p.p. q/q; +1.4p.p. y/y), as volume-driven should set the quarter narrative. Finally, we estimate **Net Income** of **US$2.5bn Genial Est.** (-8.3% q/q). We remind investors that **these figures are provisional**, as **we will update our estimates** as soon as Vale reports its Production and Sales report on **Jan. 27**, after the market closes.

Increasing FCF downpayments by 25E, next year flat vs. previous target. Mandatory **FCF disbursements** for **Brumadinho** (+) **Samarco** (+) **dam decharacterization** (+) expenses incurred were reshaped to **US$4.2bn 25E** (+14% vs. previous guidance), but steps down to **US$2.6bn 26E** (flat vs. previous guidance), then **US$1.9bn 27E** (+19% vs. previous guidance), and eventually stabilizes below **US$1bn later**. As these obligations fade, the company regains capital flexibility that had been structurally constrained for years. The **expanded net debt** framework output is **US$10–20bn**. As payments for 2026 have not been changed, we maintain the **FCF Yield** of **9%** at **26E** – vs. 14% previously, given that the stock has risen +17% in the last 30 days –, but still more than Rio Tinto and BHP. On top of that, the company announced +**US$1bn in additional dividends**, reaffirming a commitment to shareholder remuneration that outperforms peers on a free cash flow basis.

Simandou with a slower ramp-up. The discussion on Simandou underscored a nuanced view. From a volume perspective, the ramp should be gradual (5-10Mt in 26E), reaching 120Mt only by decade-end — and partly offset by depletion elsewhere. The quality story is more interesting: despite its high Fe content, Simandou's **alumina-to-silica ratio mirrors IOCJ**, meaning it still requires blending to hit the blast furnace (BF) sweet spot. We believe this opens a strategic door for Vale. With its own portfolio flexibility and blending capabilities, the company can counterbalance Simandou's entry and reposition its products as the market adapts. Geopolitics adds another tailwind. As the US and Europe tighten import restrictions — Section 232 in the US, new quotas and tariffs in the EU — the expected decline in Chinese steel exports shifts production closer to regions where Vale is structurally advantaged. More Western-world steelmaking also raises demand for high-grade iron ores and agglomerates.

No gap left to close. Despite the increasingly constructive equity story laid out by the company, we believe the recent performance of the stock has largely closed the valuation gap that previously underpinned our positive stance. Following a **sharp rally of +48% in 6M** (~2/3 of that in 60 days), largely driven by **(i)** strong foreign inflows into Brazilian equities and **(ii)** iron ore upshift (+11% in 6M), the company's market cap now stands broadly in line with what we view as fair value under our model.

To be clearer, our **62% Fe iron ore price** assumptions **remain more bearish vs. consensus** (US$95/t 26E Est. vs. consensus priced >US$100/t), anchored at levels below prevailing **spot prices ~US$110/t at DCE**. Therefore, we continue to assess that such price levels are **not fundamentally justified in the near term**, given the still-unfavorable supply-demand balance, elevated inventory and subdued steel consumption. As a result, while consensus appears increasingly comfortable embedding higher-for-longer iron ore prices into valuation frameworks, we remain cautious and prefer to anchor our estimates to a downside-skewed commodity curve.

In this context, the recent share price appreciation has effectively **neutralized the upside we previously identified**. The combination of **(i)** a more skeptical view on iron ore pricing vs. consensus; **(ii)** a rapid compression of the valuation discount following strong foreign inflows; and **(iii)** a stock price now trading close to our assessed intrinsic value leads us **downgrade** the company to **NEUTRAL** (vs. BUY previously), even with an **upward revision** of our **12M Target Price** to **US$17.00 ADRs–NYSE** (vs. US$15.00 previously) and **R$90.00 VALE3–B3** (vs. R$80.00 previously), implying a **upside of just +5.1%**, giving the that we improved our i.o. forecast to **US$90/t 27E** (+3% vs. Old Est.), acknowledging a slower-than-expected ramp-up of new supplies such as Simandou.

That said, it is important to stress that our shift should **not be interpreted as a negative call on the equity story itself**. We remain structurally constructive on the company's strategic direction and execution trajectory. Should market conditions — whether through a correction in the share price or a reassessment of what remains unpriced by the market — recreate a meaningful disconnect between our intrinsic value and the current price, **we would not hesitate to revisit a more constructive rating**. For now, however, we believe the recent rally has largely priced in the improvements underway, warranting a more neutral stance.

Appendix: Vale

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

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	**38.348**	**39.291**	**40.851**	**41.731**
(-) COGS	(25.188)	(25.996)	(27.625)	(29.204)
Gross Profit	**13.161**	**13.295**	**13.227**	**12.527**
(-) Expenses	(3.628)	(3.794)	(3.944)	(4.046)
Proforma EBITDA	**15.671**	**15.571**	**15.589**	**14.921**
(-) D&A	(3.040)	(3.115)	(3.238)	(3.308)
EBIT	**9.533**	**9.501**	**9.283**	**8.481**
(+/-) Financial Result	(422)	(793)	(874)	(888)
(-) Taxes	(734)	(488)	(450)	(410)
Net income	**8.698**	**8.889**	**8.668**	**7.924**
Profitability				
Net margin (%)	22,7%	22,6%	21,2%	19,0%

Figure 2. Vale– Cash Flow in US$ Millions (Genial Est. 2024-2029)

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	**38.348**	**39.291**	**40.851**	**41.731**
(-) COGS	(25.188)	(25.996)	(27.625)	(29.204)
Proforma EBITDA	**15.671**	**15.571**	**15.589**	**14.921**
EBIT	**9.533**	**10.150**	**10.552**	**9.750**
(-) Taxes	(734)	(488)	(450)	(410)
(+) D&A	3.040	3.115	3.238	3.308
(+/-) Δ WK	24	(170)	652	519
(-) Capex	(5.513)	(5.716)	(5.984)	(6.122)
FCFF	**6.350**	**6.891**	**8.008**	**7.046**

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	Definition	Coverage
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under Review	Under review	**5%**

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