

VALE

4Q25 Preview: Shipments miss; equity catch up complete

LatAm Metals & Mining

Main takeaways:

(i) Iron ore: Production of **90.4Mt** (+1.2% vs. Est.; -4.2% q/q; +6.0% y/y), reflecting the expected seasonal backtrend after a stronger dry-season 3Q; sales of **73.6Mt** (-3.5% vs. Est.; -1.9% q/q; +5.2% y/y), undershooting expectations and widening the production/sales gap to **81%** (-4p.p. vs. Est.); price at **US\$95.4/t** (-0.3% vs. Est.; +1.1% q/q), supported by the 62% Fe curve averaging **US\$106/t** (+4% q/q), while premiums compressed to **-US\$0.3/t** (flat vs. Est.; vs. +US\$0.7/t in 3Q25); **(ii) Pellets:** Production of **8.3Mt** (+4.5% vs. Est.; +4.1% q/q; -9.2% y/y), reflecting deliberate supply discipline amid structurally weak pellet profitability; sales totaled **9.1Mt** (+3.5% vs. Est.; +3.3% q/q; -10.0% y/y), closely tracking production; price at **US\$131.4/t** (-1.4% vs. Est.; +0.5% q/q), capped by depressed premiums and incremental Samarco supply; **(iii) Nickel:** Production of **46Kt** (+5.0% vs. Est.; -1.1% q/q; +1.5% y/y), indicating stability; shipments rose to **50Kt** (+3.3% vs. Est.; +15.6% q/q; +5.3% y/y), driven by planned inventory drawdown; price at **US\$15,015/t** (-1.9% vs. Est.; -2.8% q/q), tracking a weaker LME curve; **(iv) Copper:** Production of **108Kt** (+10.3% vs. Est.; +19.2% q/q; +6.0% y/y), reflecting outperformance; shipments of **107Kt** (+11.4% vs. Est.; +18.8% q/q; +8.0% y/y), indicating a balanced production-sales dynamic; price at **US\$11,003/t** (+3.2% vs. Est.; +12.1% q/q), following the upshift in the LME; **(v) Net Revenue** projected at **US\$10.9bn Est.** (+4.8% q/q; +7.8% y/y), slightly below prior expectations due to weaker iron ore fines sales conversion; **(vi) C1/t ex-third parties** at **US\$21.3/t Est.** (+2.7% q/q; +13.0% y/y); **EBITDA at US\$4.5bn Est.** (+2.3% q/q; +17.8% y/y), slightly below prior estimates as weaker ferrous realization; **(vii) NEUTRAL** rating (downgraded at previous report), with our **12M Target Price** at **US\$17.00 ADRs-NYSE** and **R\$90.00 VALE3-B3**, implying a **upside of just +3.4%**.

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Company

VALE US Equity
Neutral

Price: US\$ 16.44 (27-Jan-2026)
Target Price 12M: US\$ 17.00 (NYSE)

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

Vale released its **4Q25 Production and Sales Report** yesterday, **Jan. 27**, after the market closed. We believe that the **negative highlight** goes to **iron ore fines shipments**, which were recorded at **73.6Mt** (-3.5% vs. Genial Est.; -3.7% vs. BBG Consensus), contributing to a decrease in previous assumptions of **Proforma EBITDA** to **US\$4.5bn Genial Est.** (-2.9% vs. Old Est.; +2.3% q/q; +9.3% y/y). The financial results will be released on Feb. 12, also after the market closes.

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

(Thousand Tonnes - kt)	Reported	Genial Est.		Reported	Reported		Reported	
Summary	4Q25	4Q25E	% Diff.	4Q25	3Q25	% q/q	4Q24	% y/y
Iron Ore Production	90.403	89.335	1,2%	90.403	94.402	-4,2%	85.280	6,0%
Iron Ore Fines Shipments	73.566	76.213	-3,5%	73.566	75.020	-1,9%	69.912	5,2%
Pellets Production	8.325	7.970	4,5%	8.325	7.997	4,1%	9.167	-9,2%
Pellets Shipments	9.056	8.746	3,5%	9.056	8.769	3,3%	10.067	-10,0%

Source: Genial Investimentos, Vale

The **Iron ore production** totaled **90.4Mt** (+1.2% vs. Genial Est.), down **-4.2% q/q**, but accelerating **+6.0% y/y**, consistent with the expected seasonal back trend after the stronger dry-season performance in 3Q25 (rainy season onset constraining mining fronts by year-end). In the **North System**, production clocked in at **44.8Mt** (-12.7% y/y), reflecting lower ROM availability at **Serra Norte** (PA) — partly offset by the ongoing mine plan adjustment toward mid-grade Carajás (~63% Fe) — and scheduled maintenance at S11D (PA). Even so, we note that S11D achieved a record 86Mt in full-year view (+4% vs. 2024), reinforcing its flagship status despite quarterly volatility.

In the **Southeast System**, production increased to **23.9Mt** (+4.4Mt y/y or +22.5% y/y), explained by higher ROM availability at Brucutu (MG) and the continued acceleration of the Capanema (MG) ramp-up, which reached **3.0Mt** (+5.6% vs. Genial Est.), remaining the key operational highlight and on track to reach full capacity in **2Q26E**. In the **Southern System**, output rose to **13.5Mt** (+4.6Mt y/y or +51.6% y/y), driven by improved performance at the Vargem Grande Complex (MG) (VGR1 ramp-up and solid results at Pico) and enhanced delivery at the Paraopeba Complex (MG), with higher production at Fábrica and Mutuca, as reduced maintenance downtime and bottlenecks translated into above-expectation performance.

As previously stated, in **iron ore fines**, the company reported **shipments** at **73.6Mt** (-3.5% vs. Genial Est.), decelerating **-1.9% q/q** and up **+5.2% y/y**. Despite mid-single digit growth on an annual basis, an improvement in sales levels was expected on a sequential basis (which did not occur), since the 4Qs are typically the most favorable for shipments, as inventories in transit from the 3Qs (seasonally better in terms of production) are usually converted into sales. The **sales/production ratio** reached **81%** (-4p.p. vs. Genial Est.), reflecting a **wider gap than anticipated**. As a result, inventories should remain more elevated at **~2.7Mt Est.** (from the couple of quarters), since the company used only 1.8Mt of previous inventory (vs. 4Mt as we had assumed).

The **realized price** was reported at **US\$95.4/t** (-0.3% vs. Genial Est.), in line with expectations, increasing **+1.1% q/q** and **+2.6% y/y**, following the appreciation of the 62% Fe benchmark to US\$106/t (+4% q/q), while **premiums compressed** to **-US\$0.3/t** (vs. +US\$0.7/t in 3Q25). On mix, we highlight BRBF at 36.3Mt (+0.6% q/q; -16.7% y/y) and a stronger focus on PFC at 8.1Mt (-4.9% q/q; +127% y/y), alongside the continued deprioritized of higher-grade IOCJ (5Mt; -45.7% y/y), consistent with company's medium-grade/blended portfolio strategy.

On **pellets, production** reached **8.3Mt** (+4.5% vs. Genial Est.), up **+4.1% q/q** and down **-9.2% y/y**, reflecting continued supply discipline amid depressed premium economics and the ongoing shutdown of São Luís (MA). **Shipments** totaled **9.1Mt** (+3.5% vs. Genial Est.), up **+3.3% q/q**, but decreasing **-10% y/y**. Pricing was slightly below expectations, with **realized price** at **US\$131.4/t** (-1.4% vs. Genial Est.), almost flat at **+0.5% q/q** and down **-8.1% y/y**, capped by premiums at US\$12.3/t of the 65% Fe reference (US\$1.7t less vs. Genial Est; historical lows) and the gradual recovery of Samarco (15Mt in 25E) keeping the market more supplied.

Subtle changes in the 4Q25 projection

As operating and commercial data came in slightly below expectations, we have revised our estimate for **Net Revenue** to **US\$10.9bn Genial Est.** (-0.8% vs. Old Est.; +4.8% q/q; +7.8% y/y), reflecting a weaker contribution from iron ore fines, partially offset by stronger performance in VBM. **C1/t ex-third parties** stayed the same at **US\$21.3/t Genial Est.** (flat vs. Old Est.; +2.7% q/q; +13.0% y/y), reflecting the compensatory force between total iron ore fines sales being below expected and third-party sales being higher (8Mt; +19% vs. Est.).

As a result, we now project **Proforma EBITDA** clock in at **US\$4.5bn Genial Est.** (-2.9% vs. Old Est.; +2.3% q/q; +9.3% y/y), slightly below our previous estimate, reflecting a softer revenue realization than initially assumed, while the cost base remains flat. Finally, **Net Income** is expected to reach **US\$2.4bn Genial Est.** (-4.6% vs. Old Est.; -12.5% q/q; reversing loss y/y), slightly moving down on previous projection, reflecting the EBITDA slightly decrease vs. Old Est.

Table2. New 4Q25 Est. vs. Old one

(US\$ millions)	Genial Est.	Old Est.	
Income Statement	4Q25E	4Q25E	% Diff.
Net Revenue	10.916	11.005	-0,8%
Proforma EBITDA	4.501	4.636	-2,9%
Net Income	2.357	2.472	-4,6%

Source: Genial Investimentos

Table3. New 4Q25 Est. vs. 2Q25 and 3Q24

Genial Est.	Reported	Reported	
4Q25E	3Q25	% q/q	4Q24
10.916	10.420	4,8%	10.124
4.501	4.399	2,3%	4.119
2.357	2.695	-12,5%	(872)
			% y/y
			7,8%
			9,3%
			-

Source: Genial Investimentos

Preview 4Q25: In detail!

Iron Ore Production: Seasonal effect; Capanema remains the highlight. Iron ore production totaled 90.4Mt (+1.2% vs. Genial Est.), a bit higher than anticipated (+1Mt vs. 335Mt 25E guidance) and increasing +6.0% y/y, despite declining -4.2% q/q, consistent with the expected back trend following the stronger dry-season performance in 3Q25. We assess the sequential decline reflects the onset of the rainy season by year-end, which typically constrains mining fronts, while the annual growth continues to be supported by ramp-ups and structural efficiency gains. In the Northern System, production decreased by -6.5Mt y/y (-12.7% y/y), totaling 44.8Mt, reflecting **(i)** lower run-of-mine (ROM) availability at Serra Norte (PA), partly offset by the ongoing adjustment of the mine plan toward mid-grade Carajás (~63% Fe), and **(ii)** scheduled maintenance activities at S11D (PA). Even so, S11D achieved a record output of 86.0Mt in 2025, driven by continuous improvements in asset reliability and operational performance, reinforcing its role as Vale's flagship asset despite quarterly volatility. In the Southeastern System, production increased by +4.4Mt y/y (+22.5% y/y), reaching 23.9Mt in the quarter, supported by higher ROM availability at Brucutu (MG) and the continued ramp-up of the Capanema project (MG), which delivered 3.0Mt (+5.6% vs. Genial Est.). The project continues to exceed our estimates and will reach full capacity in 2Q26, reinforcing the system's structural growth profile. Finally, in the Southern System, output increased by +4.6Mt y/y (+51.6% y/y), totaling 13.5Mt, driven by **(iii)** improved performance at the Vargem Grande Complex (MG), supported by the VGR1 ramp-up and solid results at Pico, and **(iv)** enhanced performance at the Paraopeba Complex (MG), with higher output at Fábrica and Mutuca. The reduction in maintenance downtime and operational bottlenecks continues to translate into above-expectation delivery in the region.

Iron Ore Fines: Gap widens as sales misses estimates. Iron ore fines shipments totaled 73.6Mt (-3.5% vs. Genial Est.; -3.7% vs. BBG Consensus), declining -1.9% q/q and rising +5.2% y/y, undershooting our expectation and the consensus. The sales/production ratio reached 81% (-4p.p. vs. Genial Est.), indicating a wider-than-expected gap between production and sales, contrary to our base-case assumption of almost entirely inventory realization that had been formed in the previous quarter. In our view, the gap expansion reflects the combination of slightly stronger-than-expected production and weaker shipments conversion, rather than operational or logistics bottlenecks. As a result, inventories build-up should remain elevated at ~2.7Mt Est. (vs. ~4.5Mt in 3Q25), since in this quarter the company uses only 1.8Mt of previous inventory, that may be pushed into 1H26E, instead of ~4Mt as we assumed.

Table 4. Production Summary Vale (4Q25 vs. Genial Est.)

Production Summary (Kt)	4Q25	4Q25E	% R/E	4Q25	3Q25	% q/q	4Q24	% y/y
	Reported	Genial Est.		Reported	Reported		Reported	
Iron Ore ¹	90.403	89.335	1,2%	90.403	94.402	-4,2%	85.280	6,0%
Pellets	8.325	7.970	4,5%	8.325	7.997	4,1%	9.167	-9,2%
Nickel	46	44	5,0%	46	47	-1,1%	46	1,5%
Copper	108	98	10,3%	108	91	19,2%	102	6,0%

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

Source: Genial Investimentos, Vale

Table 5. Shipments Summary Vale (4Q25 vs. Genial Est.)

Shipments Summary (Kt)	4Q25	4Q25E	%R/E	4Q25	3Q25	% q/q	4Q24	% y/y
	Reported	Genial Est.		Reported	Reported		Reported	
Iron ore fines	73.566	76.213	-3,5%	73.566	75.020	-1,9%	69.912	5,2%
Pellets	9.056	8.746	3,5%	9.056	8.769	3,3%	10.067	-10,0%
ROM	2.251	1.216	85,1%	2.251	2.028	11,0%	1.216	85,1%
Nickel	50	48	3,3%	50	43	15,6%	47	5,3%
Copper	107	96	11,4%	107	90	18,8%	99	8,0%

¹ Including third-party purchases

Source: Genial Investimentos, Vale

Table 6. Realized Price Vale (4Q25 vs. Genial Est.)

Realized Price (US\$/t)	4Q25	4Q25E	% R/E	4Q25	3Q25	% q/q	4Q24	% y/y
	Reported	Genial Est.		Reported	Reported		Reported	
Iron ore fines	95,4	95,7	-0,3%	95,4	94,4	1,1%	93,0	2,6%
Pellets	131,4	133,3	-1,4%	131,4	130,8	0,5%	143,0	-8,1%
Nickel	15.015	15.302	-1,9%	15.015	15.445	-2,8%	16.163	-7,1%
Copper	11.003	10.663	3,2%	11.003	9.819	12,1%	9.188	19,8%

Source: Genial Investimentos, Vale

Iron Ore Fines: Realized price up as expected. The realized price of iron ore fines was reported at US\$95.4/t (-0.3% vs. Genial Est.), in line with our estimate, advancing +1.1% q/q and +2.6% y/y, confirming a sequential acceleration driven primarily by the upshift of the 62% Fe reference curve. We believe the positive price performance reflects the higher benchmark level, which averaged US\$106/t in the quarter (+4% q/q), while product premiums behaved as anticipated. The premium stood at -US\$0.3/t (flat vs. Genial Est.), reflecting a sequential compression vs. +US\$0.7/t 3Q25 but no deviation from our assumptions. As previously quoted in our operational preview report, the weaker premium environment was driven by a compression from low-alumina price references amid softer market premiums during the quarter.

We assess that the company continued to prioritize medium-grade and blended products. Even so, something that caught our attention was BRBF's figures, which stood at 36.3Mt (+0.6% q/q; -16.7% y/y), with a double-digit reduction on an annual basis. On the other hand, the company seems to have opted for fewer blends made in Brazil this quarter vs. 4Q24, with a strategy more focused on Pellet Feed China (PFC), which was reported at 8.1Mt (-4.9% q/q; +127% y/y), in addition to Mid-grade Carajás, which is clearly gaining more share on sales this year, since in 2024 it was included in the "others" category, with a much smaller volume. As mentioned earlier, isolated sales of higher-grade products are being deprioritized, with the company adapting to a new market reality, resulting in IOCJ figures of 5Mt (-11.1% q/q; -45.7% y/y).

Pellets: Volumes higher q/q; prices slightly below expectations. Pellet production totaled 8.3Mt (+4.5% vs. Genial Est.), above our estimates and advancing to +4.1% q/q, despite declining -9.2% y/y, reflecting the continued deliberate moderation of supply amid structurally weak pellet profitability. Even with the sequential increase, we believe output remains constrained by portfolio optimization, with pellet feed redirected toward iron ore fines sales and the São Luís (MA) plant remaining shutdown due to its high-cost structure and limited economic attractiveness under the current premium environment.

Pellet shipments reached 9.1Mt (+3.5% vs. Genial Est.), increasing +3.3% q/q, but still down -10.0% y/y, closely tracking production and confirming the absence of a demand-driven recovery. The realized price averaged US\$131.4/t (-1.4% vs. Genial Est.), rising +0.5% q/q but falling -8.1% y/y, supported by higher iron ore reference prices, but still capped by depressed pellet premiums at 10% of the reference 65% Fe (vs. ~US\$30/t on average over the 2Y), amplified by the gradual recovery of Samarco (15Mt 25E), putting more pellets on the market and leading to market saturation.

In our view, pellet pricing remains under pressure due to weak demand in Europe and Japan, where steel mill margins continue to be squeezed by Chinese steel exports. In addition, the gradual reintroduction of Samarco volumes further weighs on the pellet balance, reinforcing Vale's strategy of preserving value by limiting pellet output and prioritizing iron ore fines whenever relative margins are more attractive.

Nickel: Higher shipments on inventory drawdown; prices pressured. Nickel production totaled 46Kt (+5.0% vs. Genial Est.), above our projections but declining -1.1% q/q and increasing +1.5% y/y, confirming operational stability after the maintenance cycle earlier in the year.

On a regional basis, Canada continued to show mixed dynamics, with higher output at Voisey's Bay (NL) supported by steady underground mine performance and solid throughput at the Long Harbour refinery, partially offset by lower volumes at Sudbury and Thompson due to maintenance and lower downstream demand. In Brazil, production remained resilient, with Onça Puma (PA) sustaining volumes as the 2nd furnace reached full capacity toward the end of the quarter, supporting y/y growth.

Shipments reached 50Kt (+3.3% vs. Genial Est.), rising +15.6% q/q and +5.3% y/y, reflecting a planned inventory drawdown that reversed the build observed in 3Q25 and allowed sales to temporarily exceed production. This movement was consistent with management's strategy to normalize inventory levels and meet stronger contractual flows toward year-end. The realized price averaged US\$15,015/t (-1.9% vs. Genial Est.), declining -2.8% q/q and -7.1% y/y, pressured by the weaker LME nickel curve (-1% q/q) and the persistent global oversupply of Class II nickel, particularly from Indonesia. Despite stable operating conditions, we believe the unfavorable pricing environment continued to weigh on margins, reinforcing the view that nickel remains the most challenged segment within VBM's portfolio.

Copper: Strong volumes; prices following upshift in LME curve. Copper production totaled 108Kt (+10.3% vs. Genial Est.), accelerating +19.2% q/q and +6.0% y/y, reflecting a broad-based operational outperformance across Vale's copper assets. In Brazil, performance was led by Salobo (PA), which delivered its highest quarterly output on record, supported by stable mine-mill operations and sustained throughput gains, while Sossego (PA) also contributed positively, benefiting from high asset utilization and operational stability. In Canada, production advanced as well, supported by stronger availability at the Clarabelle mill and higher output at Voisey's Bay (NL), with Sudbury recording its strongest production since 2016. In our view, the solid performance in both regions reinforced the positive deviation vs. our estimates and confirmed the favorable operational momentum.

Shipments reached 107Kt (+11.4% vs. Genial Est.), rising +18.8% q/q and +8.0% y/y, closely tracking production and indicating a balanced production-sales dynamic, with no material inventory distortion. The realized price reached US\$11,003/t (+3.2% vs. Genial Est.), increasing +12.1% q/q and +19.8% y/y, clearly following the LME curve (+13% q/q), driven by **(i)** higher benchmark prices, **(ii)** lower TC/RC discounts, and **(iii)** the favorable impact of final price point within the current upshift in the commodity curve. Without a doubt, copper stood out as company's strongest performer within VBM, combining volume growth with a robust pricing environment.

Net Revenue: Sequential acceleration driven by VBM. Consolidated Net revenue is expected to total US\$10.9bn Genial Est. (+4.8% q/q; +7.8% y/y), slightly below our previous projection, primarily by the lower contribution from iron ore fines. On a sequential basis, the increase should be led by copper (+30.9% q/q Est.) and nickel (+17.1% q/q Est.) operations, reflecting higher shipments and, in copper's case, a materially stronger realized price following the LME curve.

In the ferrous division, pellets should provide a modest positive contribution (US\$1.2bn Est.; +3.7% q/q), while iron ore fines revenue is expected to decline slightly to US\$7bn Est. (-0.8% q/q), reflecting weaker sales conversion and a wider-than-expected production-sales gap, despite marginal increase in prices. In the annual comparison, growth should be driven by the sharp expansion in VBM, especially copper clocking in at US\$1.4bn Est. (+47.5% y/y), and the contribution from iron ore fines (+7.9% y/y Est.), both reflecting higher prices and sales, more than offsetting the structural weakness in pellets (-17.4% y/y Est.).

Table 7. Net Revenue Vale (4Q25 Genial Est.)

(US\$ millions)	4Q25E	3Q25	% q/q	4Q24	% y/y
	Genial Est.	Reported		Reported	
Net Revenue	10.916	10.420	4,8%	10.124	7,8%
Iron Ore Fines	7.018	7.078	-0,8%	6.503	7,9%
Pellets	1.190	1.147	3,7%	1.440	-17,4%
Other Ferrous	202	198	2,0%	208	-2,9%
Nickel Operations	1.183	1.010	17,1%	1.067	10,9%
Copper Operations	1.422	1.086	30,9%	964	47,5%

Source: Genial Investimentos, Vale

C1/t: Slightly higher y/y; FX and freight offset dilution gains. C1/t ex-third parties estimated in our model at US\$21.3/t Genial Est. (+2.7% q/q; +13.0% y/y), in line with our prior assumptions once it was a counterbalance force between total iron ore fines sales being below expected (-3.5% vs. Est.) and third-party sales being higher (8Mt; +19% vs. Est.), and consistent with the US\$21,3/t 25E guidance. Interestingly, the annual weighted average results in the same figure as the quarterly estimate.

We assess that, on a sequential basis, the increase mainly reflects the lower fixed cost dilution from higher iron ore fines sales (-1.9% q/q) and the soft USD/BRL FX rate (-1% q/q). In other words, there were no operational dilution and the FX effect dominates the quarterly movement. In the annual comparison, the y/y increase is largely explained by the FX softening vs. last year's stronger USD level (-8% y/y). As a reminder, we estimate that a -R\$0.10 move in the USD/BRL FX rate implies a +US\$0.25/t increase in C1/t, and vice versa.

EBITDA: Modestly rise q/q; double digits y/y. Consolidated adjusted EBITDA is expected to total US\$4.5bn Genial Est. (+2.3% q/q; +17.8% y/y), slightly below our previous projection (-2.9% vs. old Est.), reflecting a marginally softer revenue realization than initially assumed, while costs remain broadly stable. On a quarterly basis, performance should continue to be anchored by the iron ore fines division, which remains the largest EBITDA contributor despite a sequential decrease to US\$3.2bn Est. (-3.6% q/q; +3.7% y/y), driven by lower shipments and premiums returning to negative territory (-US\$0.3/t vs. +US\$0.7/t in 3Q25), following the exceptionally strong 3Q25, especially on the volume side.

Copper is set to provide a relevant offset, going up to US\$784mn Est. (+27.7% q/q; +49.1% y/y), benefiting from stronger realized prices tracking the LME curve and solid shipments, while nickel should clock in at US\$133mn Est. (+16.3% q/q; 1.4x y/y) contributes on the back of higher sales levels driven by inventory drawdown. Pellets business is pointed out in our model at US\$548mn Est. (+7.1% q/q; -28.8% y/y), with a modest sequential improvement, although profitability remains structurally constrained by weak premiums. Overall, EBITDA should remain well supported, albeit at a slightly lower level than previously anticipated.

Table 8. EBITDA Vale (4Q25 Genial Est.)

(US\$ millions)	4Q25E	3Q25	% q/q	4Q24	% y/y
	Genial Est.	Reported		Reported	
Adjusted EBITDA	4.471	4.369	2,3%	3.794	17,8%
Iron Ore Fines	3.293	3.418	-3,6%	3.176	3,7%
Pellets	548	512	7,1%	770	-28,8%
Nickel Operations	133	114	16,3%	55	141,1%
Copper Operations	784	614	27,7%	526	49,1%
Others	(288)	(289)	-0,3%	(733)	-60,7%

Source: Genial Investimentos, Vale

Net income: q/q compression. We now expect Net income to reach US\$2.4bn Genial Est. (-12.5% q/q; reversing loss y/y), reflecting a softer operational contribution than initially assumed. On a sequential basis, the decline should be driven primarily by the increase in net financial result (+28.2% q/q), only partially offset by the strong EBITDA driven by copper and nickel operations.

In parallel, in the annual comparison, net income turning positive vs. the loss recorded in 4Q24, should be supported by a materially stronger EBITDA and a normalization of extraordinary financial expenses since that quarter was marked by a substantial increase in USD/BRL FX rate EoP (+19% q/q), contributing to an increase in the USD-denominated debt and a respective loss in the P&L.

Table 9. Income Statement Vale (4Q25 Genial Est.)

(US\$ millions)	4Q25E	3Q25	% q/q	4Q24	% y/y
	Genial Est.	Reported		Reported	
Net Revenue	10.916	10.420	4,8%	10.124	7,8%
COGS	(7.055)	(6.632)	6,4%	(6.268)	12,6%
Proforma EBITDA	4.501	4.399	2,3%	4.119	9,3%
Margin (%)	41,2%	42,2%	-1p.p	40,7%	0,5p.p
Adjusted EBITDA	4.471	4.369	2,3%	3.794	17,8%
Margin (%)	41,0%	41,9%	-1p.p	37,5%	3,5p.p
D&A	(907)	(761)	19,2%	(802)	13,1%
Financial Result	(435)	(339)	28,2%	(1.760)	-75,3%
Net Income	2.357	2.695	-12,5%	(872)	-
Margin (%)	21,6%	25,9%	-4,3p.p	-8,6%	-

Source: Genial Investimentos, Vale

Our Take on Vale

Water outflows in MG are not dam related, with limited impact. Recent water overflow incidents (25-Jan) at Vale's Fábrica (MG) and Viga (MG) operations generated short-term press headline noise, but we do not believe they warrant a precautionary reassessment of the equity story. The events were caused by heavy rainfall and originated from mining pits, not tailing dams, **(i) involved no mining waste, (ii) resulted in no casualties, and (iii) did not affect local communities.** As such, any comparison with past dam-related tragedies (Brumadinho and Mariana) is, in our view, **misplaced and should not be considered** from an analytical or risk-assessment standpoint.

From an operational perspective, although the municipality of Congonhas (MG) has temporarily suspended operating licenses until investigations and repairs are carried out at the mine site, the **impact also remains limited.** Fábrica and Viga together account for ~8Mtpy (2% of the unchanged output guidance 26E – we are assuming 340Mt, mid-point), implying that even a full-quarter suspension would translate into a manageable production loss of ~2Mt. The swift reversal in yesterday's trading section of the downfall in share price on Monday, 26-Jan (which coincided with our downgrade, but these are unrelated factors) further reinforces the investor's assessment that there is **no structural risk** embedded in these events.

We therefore expect any financial implications to be restricted to cleanup, monitoring, and incremental compliance costs, with negligible liability risk given the clear technical distinction from tailings incidents. While increased regulatory scrutiny and negative press headlines may persist in the near term, we see the episode as **purely transitory and non-fundamental**, with no bearing on company's operational integrity, risk profile, or FCF capacity.

Shipments miss; equity catch up complete. We assess that **investors may not react well to lower-than-expected shipment figures.** Although the divergence was not alarming, we believe it could add to the fact that stocks have already risen sharply in recent months, and there may be room for a correction. We believe the **equity catch up is fully complete.** 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.

In this context, the recent share price appreciation has effectively **neutralized the upside we previously identified.** For example, we now calculate the **FCF yield 26E at 9%** (vs. 14% previously), creating a compression of **-5p.p. in 60 days.** Looking at multiples, the **EV/EBITDA 26E** is now at **5.3x** (slightly above the historical average of 5x), also indicating that the previous discount has been purged. On the dividend side, there was also a decline to a **26E dividend yield of ~8%** (vs. 12% previously). We see this phenomenon as a normal way for the market to cover up a gap that previously existed for fair value (as stocks rise, yields compress). Clearly, this also correlates with how well the company performed in strategically directing its product mix, improving FCF with three consecutive CAPEX reductions in 2025, and yet still returning to record production levels. So, **there is nothing problematic with the equity story**, but rather with its own materialization reflected in share prices.

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). Therefore, the combination of **(i)** a more skeptical view on iron ore pricing vs. consensus – although we still 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; **(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 to maintain our **NEUTRAL** rating (downgraded in previous report), with our **12M Target Price** at **US\$17.00 ADRs–NYSE** and **R\$90.00 VALE3–B3**, implying a **upside of just +3.4%**.

Appendix: Vale

Figure 1. Vale – Income Statement in US\$ Millions (Genial Est. 2025-2028)

Income Statement	2025E	2026E	2027E	2028E
Net Revenue	38.259	39.346	41.232	42.560
(-) COGS	(25.223)	(26.272)	(28.329)	(30.428)
Gross Profit	13.036	13.074	12.902	12.132
(-) Expenses	(3.625)	(3.813)	(3.998)	(4.149)
Proforma EBITDA	15.536	15.339	15.268	14.548
(-) D&A	(3.040)	(3.126)	(3.276)	(3.382)
EBIT	9.411	9.261	8.904	7.983
(+/-) Financial Result	(422)	(793)	(874)	(888)
(-) Taxes	(724)	(476)	(431)	(385)
Net income	8.583	8.656	8.302	7.445
Profitability				
Net margin (%)	22,4%	22,0%	20,1%	17,5%

Figure 2. Vale– Cash Flow in US\$ Millions (Genial Est. 2025-2028)

Cash Flow (FCFF)	2025E	2026E	2027E	2028E
Net Revenue	38.259	39.346	41.232	42.560
(-) COGS	(25.223)	(26.272)	(28.329)	(30.428)
Proforma EBITDA	15.536	15.339	15.268	14.548
EBIT	9.411	9.910	10.173	9.253
(-) Taxes	(724)	(476)	(431)	(385)
(+) D&A	3.040	3.126	3.276	3.382
(+/-) Δ WK	105	88	878	721
(-) Capex	(5.496)	(5.725)	(6.040)	(6.243)
FCFF	6.335	6.923	7.857	6.727

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under Review	Under review	5%

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