VALE

4Q25 Review: Remember, it's still an iron ore story…

LatAm Metals & Mining

Main takeaways:

(i) Iron ore fines: Production totaled **90.4Mt** (+1.2% vs. Est.; -4.2% q/q; +6.0% y/y), reflecting seasonal normalization after 3Q25 and rains by year-end, with Capanema (MG) ramp-up offsetting maintenance at S11D; shipments reached **73.6Mt** (-3.5% vs. Est.; -1.9% q/q; +5.2% y/y), with sales/production at 81% (-4p.p. vs. Est.), implying ~2.7Mt inventory build; realized price of **US$95.4/t** (-0.3% vs. Est.; +1.1% q/q), following the 62% Fe benchmark, while premiums turned negative at -US$0.3/t; **(ii) Pellets:** Production of **8.3Mt** (+4.5% vs. Est.; +4.1% q/q; -9.2% y/y), reflecting supply discipline; shipments of **9.1Mt** (+3.5% vs. Est.; +3.3% q/q; -10.0% y/y); price at **US$131.4/t** (-1.4% vs. Est.; +0.5% q/q), still capped by weak premiums; **(iii) C1/t ex-third parties** at **US$21.3/t** (in line vs. Est.; +2.9% q/q; +13.2% y/y); **(v) EBITDA** reached **US$4.8bn** (+7.4% vs. Est.; +9.9% q/q; +17.4% y/y), supported by Copper at **US$1.1bn** (+35% vs. Est.; +73% q/q; +1x y/y), Nickel at **US$358mn** (+1.7x vs. Est. ; +2x q/q; +5x y/y), and slight increase in Fines at **US$3.4bn** (+3.7% vs. Est. ; flat q/q; +7.5% y/y); **(vi) Loss of -US$3.8bn** (vs. +US$2.4bn Est.), reflecting a -US$3.5bn nickel impairment, and a -US$2.8bn deferred tax write-off — all non-recurring and non-cash; **(vii)** Iron ore supply should rise **+2–2.5% in 26E** (~+40Mt), led by Vale, Rio and new projects, with limited short-term offset from depletion. With Chinese demand softening and India unlikely to fully compensate, we see continued oversupply and downside price risk toward our **US$95/t 26E** forecast; **(viii)** Despite solid execution, **ferrous division** still accounts for ~**80% of EBITDA**, leaving results highly exposed to iron ore. After a **+30% rally in 3M**, we see limited room for further upside; Therefore, we reiterate our **NEUTRAL rating**, as the stock now trades in line with our fair value assumptions, with limited fundamental catalysts to justify further upside from current levels, with our **12M Target Price** at **US$17.00 ADRs–NYSE** and **R$90.00 VALE3–B3**.

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Company

VALE US Equity
Neutral

Price: US$ 17.04 (12-Jan-2026)
Target Price 12M: US$ 17.00 (NYSE)

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

Vale released its **4Q25 results** yesterday, **Feb. 12**, after the market closed. Proforma **EBITDA** reached **US$4.8bn**, rising by +9.9% q/q and +17.4% y/y, even **surpassing our expectations** (+7.4% vs. Genial Est.) and the street (+5% vs. Consensus). As **C1/t ex-third-party** reached **US$21.3/t** (fully in line vs. Est.; +2.9% q/q; +13.2% y/y) and it was consistent with 25E guidance, what ultimately supported a performance that exceeded our glance was the **VBM operations**.

Table 1. Income Statement Summary (4Q25 vs. Genial Est.)

(US$ millions)	Reported	Genial Est.		Reported	Reported		Reported	
Income Statement	**4Q25**	**4Q25E**	**% Diff.**	**4Q25**	**3Q25**	**% q/q**	**4Q24**	**% y/y**
Net Revenue	11.060	10.916	**1,3%**	11.060	10.420	**6,1%**	10.124	**9,2%**
Proforma EBITDA	4.834	4.501	**7,4%**	4.834	4.399	**9,9%**	4.119	**17,4%**
Net Income	(4.243)	2.357	-	(4.243)	2.695	-	(872)	-

Source: Genial Investimentos, Vale

For that matter, **Nickel** underpinned by cost efficiencies at Voisey's Bay (NL) and robust output at Long Harbor (NL). Additionally, we noticed an **increased gold revenue**, following unusual surge in prices (+20% q/q), mainly due to due to macroeconomic conditions in the global scenario, and also the increase in **gold volumes** sold as a **byproduct of copper concentrates**. Even though we were expecting an expansion, we were still surprised.

Some parts of the good result were already priced in by the market, but unlike the mainstream product portfolio (iron ore fines, pellets, copper and nickel), by-products such as gold are not disclosed in Vale's Production and Sales Report, commonly known as the Operational Preview (released on 27-Jan). Another piece of information that is not disclosed relates to the cost line, since this operational preview focuses on prices and volumes. But as we mentioned, the C1/t was delivered without any major surprises.

On the other hand, which fell short of expectations was the **bottom line**. The company reported a **massive loss** of **-US$3.8bn** (vs. expected Net income of +US$2.4bn Genial Est.), reversing the +US$2.7bn profit of 3Q25 and +3,9x worse than loss marked at 4Q24. However, this is largely explained by **(i)** the **US$3.5bn impairment** on VBM's nickel assets in Canada, triggered by a downward revision in long-term nickel price assumptions; and **(ii)** a further impact by a **-US$2.8bn write-off** computed in **deferred tax assets** accumulated from subsidiaries. It is important to mention that these items should **not generate negative repercussions from investors**, since they are non-recurring and have no cash effect.

The company reported a **robust FCF** generation of **US$1.7bn** (+12% vs. Genial Est.), above projections, reflecting an increase of **+8% q/q** and **+1x y/y**, mainly driven by **(i) EBITDA** reaching **US$4.8bn** (+7.4% vs. Est; +9.9% q/q;+17.4% y/y), which ended up more than offsetting **(ii)** slightly lower working capital (**WC**) release, which reached**+R$179mn** (-4% vs. Est.), expanding +7% y/y.

What else is interesting to know?

Beyond the quarter result, we thought about emphasizing our **iron ore price outlook**. We point that **supply is set to accelerate** in **2026–27E**, with seaborne volumes from major listed miners expected to rise **+2–2.5% y/y in 26E** (~+40Mt), broadly in line with last year upshift intensity, but from a higher base. Vale and Rio Tinto should deliver similar absolute gains, while incremental volumes from ArcelorMittal (Liberia), Mineral Resources (Onslow) and the initial ramp-up of Simandou add to the expansion pipeline. Although **(i)** depletion and **(ii)** selective high-cost closures probably will remove capacity over time, we see **limited offset** in the **short-to-medium term**. Installed iron ore capacity could approach **~2.7Btpy within 5Y** (+15% vs. nowadays), marking one of the most significant **supply step-ups in two decades.**

At the same time, **demand dynamics** should remain uneven. **India's** structural **steel expansion** may gradually shift the region toward **net importer** status of iron ore by **2030**, partially absorbing seaborne supply. However, this is **unlikely to compensate** for the expected downturn in Chinese demand, which we estimate could contract materially through the end of the decade. As a result, we believe the iron ore **market** will remain **skewed toward oversupply** over the next few years, reinforcing **downside price risks** from current levels.

As such, we continue to see further room for price drops in iron ore, after quickly falling to US$102/t (down -8% vs. peaking in mid-Jan), in line with our average forecast of **US$95/t 26E**, which remains more bearish than other sell-side firms.
We draw attention to the fact that, even though VBM performed very well in this quarter, the ferrous division still carries an extremely significant weight in consolidated EBITDA, representing ~80% of the result. Therefore, we diverge from part of the consensus in measuring VBM's good performance as a solo effect to offset the **still very uncertain scenario for iron ore**.

Although we believe that Vale's operational execution is at its peak, it should be noted that the **sharp rise in the company's shares** (+30% in 3M) has already been priced in this effect. From here on, from a fundamentalist point of view, we see almost no triggers for the continued appreciation of the stock. We strongly **encourage to read the "Our Take" section**, where we delve deeper into what we have discussed here with a more numerical approach.

Rear-view mirror: Production and Sales

Iron ore: Shipments seasonal reversal; Capanema stands out. Iron ore production totaled 90.4Mt (+1.2% vs. Est. at the time), slightly above expectations (+1Mt vs. 335Mt 25E guidance), rising +6.0% y/y but declining -4.2% q/q, reflecting the expected normalization after the strong 3Q25 dry season and the onset of rains by year-end. Annual growth remains supported by ramp-ups and structural efficiency gains.

In the Northern System, output reached 44.8Mt (-12.7% y/y), impacted by lower ROM at Serra Norte (PA) and maintenance at S11D (PA), partially offset by the shift toward mid-grade Carajás (~63% Fe). Still, S11D delivered a record 86.0Mt in 2025, reinforcing its flagship status. The Southeastern System totaled 23.9Mt (+22.5% y/y), supported by stronger Brucutu (MG) performance and the Capanema (MG) ramp-up, which delivered 3.0Mt (+5.6% vs. Est. at the time) and remains on track for full capacity in 2Q26. The Southern System reached 13.5Mt (+51.6% y/y), driven by improved performance at Vargem Grande and Paraopeba complexes, with fewer maintenance bottlenecks. Iron ore fines shipments totaled 73.6Mt (-3.5% vs. Est. at the time), declining -1.9% q/q and rising +5.2% y/y. The sales/production ratio reached 81% (-4p.p. vs. Est. at the time), indicating a wider gap than we expected, as weaker shipments conversion more than offset stronger production. According to our calculations, inventories should remain elevated at ~2.7Mt (sum-up for the last couple of quarters), as only 1.8Mt of prior stock was realized, with remaining volumes likely shifting into 1H26E.

Iron ore fines: Realized price up; premiums back to negative. The realized price was US$95.4/t (-0.3% vs. Est. at the time), advancing +1.1% q/q and +2.6% y/y, in line with expectations and reflecting the upshift of the 62% Fe benchmark, which averaged US$106/t (+4% q/q). Premiums returned to negative territory, clocked in at -US$0.3/t (flat vs. Est. at the time), compressing sequentially from +US$0.7/t in 3Q25, as softer low-alumina references weighed on the sales mix. In this topic, we observe the company adopting the same stance, continuing to prioritize medium-grade and blended products. BRBF totaled 36.3Mt (+0.6% q/q; -16.7% y/y), with a double-digit annual decline, while the strategy shifted toward Pellet Feed China (PFC), which reached 8.1Mt (-4.9% q/q; +127% y/y), and Mid-Grade Carajás, which gained further share. Higher-grade IOCJ was reported at 5.0Mt (-11.1% q/q; -45.7% y/y), reflecting the ongoing deprioritize of isolated high-grade sales.

Pellets: Higher volumes q/q; premiums still pressured. Pellet production clocked in at 8.3Mt (+4.5% vs. Est. at the time), up +4.1% q/q but declined -9.2% y/y, reflecting continued supply discipline amid structurally weak profitability. We assess that, despite the sequential increase, output remains constrained by portfolio optimization, with pellet feed redirected to iron ore fines and the São Luís (MA) plant still shut due to its high-cost structure under the current premium environment.

Shipments reached 9.1Mt (+3.5% vs. Est. at the time), accelerating +3.3% q/q but down -10.0% y/y, in line with production and signaling no material demand recovery. The realized price averaged US$131.4/t (-1.4% vs. Est. at the time), up +0.5% q/q but falling -8.1% y/y, supported by the stronger 65% Fe benchmark but capped by depressed pellet premiums (~10% of the 65% Fe reference vs. ~US$30/t 2Y average). We believe pricing remains pressured by weak demand in Europe and Japan, squeezed steel margins amid Chinese exports, and the gradual recovery of Samarco (~15Mt 25E), which adds supply and reinforces company's strategy of prioritizing iron ore fines over pellets whenever relative margins are more attractive.

VBM: Great surprise on Copper. Nickel production totaled 46Kt (+5.0% vs. Est. at the time), down a bit q/q (-1.1%) and up +1.5% y/y, reflecting operational back to normal trend after earlier maintenance. Canada showed mixed trends — stronger Voisey's Bay and Long Harbour offset by softer Sudbury and Thompson — while Onça Puma (PA) in Brazil supported y/y growth as its second furnace reached full capacity. Shipments reached 50Kt (+3.3% vs. Est. at the time), rising +15.6% q/q on a planned inventory drawdown, temporarily exceeding production. However, the realized price averaged US$15,015/t (-1.9% vs. Est. at the time), down -2.8% q/q and -7.1% y/y, pressured by a weaker LME curve and persistent global oversupply, reinforcing nickel as the most challenged segment within VBM.

We emphasize that Copper was the clear highlight. Production reached 108Kt (+10.3% vs. Est. at the time), surging +19.2% q/q and +6.0% y/y, driven by record output at Salobo, solid performance at Sossego, and improved Canadian operations, including Sudbury's strongest levels since 2016. Shipments totaled 107Kt (+11.4% vs. Est. at the time), closely tracking output, while the realized price climbed to US$11,003/t (+3.2% vs. Est. at the time), up +12.1% q/q and +19.8% y/y, following the upshift in the LME curve. The combination of stronger volumes and a favorable pricing environment made copper VBM's best-performing segment in the quarter.

Review 4Q25: In detail!

Net Revenue: Slight beat, driven by VBM. Consolidated Net Revenue totaled US$11.1bn (+1.3% vs. Genial Est.), advancing +6.1% q/q and +9.2% y/y, coming slightly above our projections mainly due to a stronger-than-expected contribution from VBM. In Iron Ore Fines, revenue reached US$7.0bn (flat vs. Est.), declining -0.9% q/q but rising +7.9% y/y, consistent with our previous view reflecting the upshift of the 62% Fe benchmark offset by a weaker shipments conversion vs. 3Q. Pellets revenue clocked in at US$1.2bn (flat vs. Est.), up +3.7% q/q but down -17.4% y/y, reflecting the still-pressured premium environment.

On the other hand, VBM was the clear upside driver. In one hand, Nickel operations delivered US$1.3bn (+12.3% vs. Est.), accelerating+31.5% q/q and +24.5% y/y, supported by a planned inventory drawdown. In the other hand, Copper operations stood out even more, reaching a revenue of US$1.6bn (+10.1% vs. Est.), jumping +44.1% q/q and +62.3% y/y, reflecting both stronger shipments and a materially higher realized price, consistent with the strength in the LME curve.

Table 2. Net Revenue Vale (4Q25 vs. Genial Est.)

(US$ millions)	4Q25 Reported	4Q25E Genial Est.	% R/E	3Q25 Reported	% q/q	4Q24 Reported	% y/y
Net Revenue	**11.060**	**10.916**	**1,3%**	**10.420**	**6,1%**	**10.124**	**9,2%**
Iron Ore Fines	7.016	7.018	0,0%	7.078	-0,9%	6.503	7,9%
Pellets	1.190	1.190	0,0%	1.147	3,7%	1.440	-17,4%
Others	(38)	103	-	99	-	150	-
Nickel Operations	1.328	1.183	12,3%	1.010	31,5%	1.067	24,5%
Copper Operations	1.565	1.422	10,1%	1.086	44,1%	964	62,3%

Source: Genial Investimentos, Vale

C1/t: Slingshot upwards, but within the guidance. The C1/t ex-third-party purchases reached US$21.3/t (fully in line vs. Genial Est.), increasing +2.9% q/q and +13.2% y/y, exactly in line with our forecasts and consistent with the US$21.3/t 25E guidance. On a sequential basis, the uptick mainly reflects lower fixed-cost dilution, as iron ore fines shipments declined -1.9% q/q, combined with the negative impact from USD/BRL FX rate depreciation during the quarter (-1% q/q). and the soft USD/BRL FX rate (-1% q/q). 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.

On a y/y comparison, the increase was primarily explained by **(i)** the FX effect, as the stronger USD/BRL FX rate devaluation (-8% q/q) vs. last year inflated USD-reported costs; **(ii)** a higher concentration of maintenance activities in the Northern System aimed at improving asset reliability; and **(iii)** a less favorable production mix, with greater contribution from the Southeastern and Southern Systems, which structurally carry higher unit costs than the Northern System. These effects were partially offset by positive inventory turnover, as the company consumed part of inventories built in prior quarters at lower unit costs.

EBITDA: VBM and Fines supporting growth. Consolidated Proforma EBITDA totaled US$4.8bn (+7.4% vs. Genial Est.), advancing +9.9% q/q and +17.4% y/y, above our predictions, driven by stronger performance both in VBM and Iron Ore Fines divisions. Nickel EBITDA totaled US$358mn (+1,7x vs. Est.), increasing +2,1x q/q and +5,6x y/y, greatly above our assumed figures, underpinned by cost efficiencies at Voisey's Bay (NL) and robust output at Long Harbor (NL), which contributed to fixed cost dilution.

In addition, Copper EBITDA reached US$1.1bn (+35% vs. Est.), accelerating +72.5% q/q and +1x y/y, materially above our estimates, mainly driven by increased gold revenues, following **(i)** unusual surge in gold prices (+20% q/q) due to macroeconomic conditions in the global scenario, and also **(ii)** the increase in gold volumes sold as a byproduct of copper concentrates.

In Iron Ore Fines, EBITDA clocked in at US$3.4bn (+3.7% vs. Genial Est.), almost flat sequentially (-0.1% q/q) and up 7.5% y/y, mainly explained by lower freight expenses, reported at US$18.8/t (-7% vs. Est.), which reduced costs structure vs. our model and lifted EBITDA more than expected.

Table 3. Proforma EBITDA Vale (4Q25 vs. Genial Est.)

(US$ millions)	4Q25 Reported	4Q25E Genial Est.	% R/E	3Q25 Reported	% q/q	4Q24 Reported	% y/y
Proforma EBITDA	**4.834**	**4.501**	**7,4%**	**4.399**	**9,9%**	**4.119**	**17,4%**
Iron Ore Fines	3.415	3.293	3,7%	3.418	-0,1%	3.176	7,5%
Pellets	527	548	-3,9%	512	2,9%	770	-31,6%
Nickel Operations	358	133	170,0%	114	214,0%	55	550,9%
Copper Operations	1.059	784	35,0%	614	72,5%	526	101,3%
Others	(525)	(258)	103,4%	(259)	102,7%	(408)	28,7%

Source: Genial Investimentos, Vale

Net Income: Loss driven by impairment and weaker financial result. The bottom line came in as a loss of -US$3.8bn (vs. expected net income of +US$2.4bn Genial Est.), reversing the +US$2.7bn in 3Q25 and +3,9x worse than 4Q24, mainly reflecting **(i)** a sharp deterioration in operating profit, with EBIT at -US$697mn (vs. +US$2.8bn Est.), largely explained by the +US$3.5bn impairment on VBM's nickel assets in Canada, triggered by a downward revision in long-term nickel price assumptions; and **(ii)** a worse financial line, with financial result at -US$1.0bn (+1,3x worse vs. Est.), essentially explained by "Other Financial Itens" line that came in +3x greater than predicted.

In addition, the quarter also was further impacted by a -US$2.8bn write-off computed in deferred tax assets accumulated from subsidiaries, recorded under "Income Taxes", which deepened the even more reported loss. We believe that these items should not generate negative repercussions from investors, since they are non-recurring and have no cash effect.

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

(US$ millions)	4Q25 Reported	4Q25E Genial Est.	% R/E	3Q25 Reported	% q/q	4Q24 Reported	% y/y
Net Revenue	**11.060**	**10.916**	**1,3%**	**10.420**	**6,1%**	**10.124**	**9,2%**
COGS	(6.779)	(7.055)	-3,9%	(6.632)	2,2%	(6.268)	8,2%
Proforma EBITDA	**4.834**	**4.501**	**7,4%**	**4.399**	**9,9%**	**4.119**	**17,4%**
Margin (%)	43,7%	41,2%	2,5p.p	42,2%	1,5p.p	40,7%	3p.p
EBIT	**(697)**	**2.817**	**-**	**2.791**	**-**	**790**	**-**
Margin (%)	-6,3%	25,8%	-	26,8%	-	7,8%	-
D&A	(860)	(907)	-5,2%	(761)	13,0%	(802)	7,2%
Financial Result	(1.039)	(435)	139,1%	(339)	206,5%	(1.760)	-41,0%
Net Income	**(4.243)**	**2.357**	**-**	**2.695**	**-**	**(872)**	**386,6%**
Margin (%)	-38,4%	21,6%	-	25,9%	-	-8,6%	-29,8p.p

Source: Genial Investimentos, Vale

Our Take on Vale

Iron ore supply 26-27E is on the rise, price downside risk. As we analyze the seaborne iron ore market, our view is that **supply** from major listed miners should rise **+2–2.5% 26E** (equivalent to **+40Mt**), something similar to last year's growth rate (+2% y/y). We assess that Vale and Rio Tinto should post similar absolute gains, keeping the **seaborne market well supplied** and shifting **price risks to the downside**, favoring our average forecast of ~**US$95/t 26E** vs. **~US$100/t spot**. To be more descriptive, additional volumes are expected from **(i)** Vale at +8–11Mt y/y; **(ii)** ArcelorMittal expansions in Liberia (up to +15Mt y/y in 26E); **(iii)** MinRes' Onslow (+4Mt y/y); and **(iv)** the initial ramp-up of **Simandou** (+5-10Mt in 26E), partly offset by reductions at Anglo's Kumba in South Africa (after logistical setbacks over the past year) and other depletion in mines globally (but mostly in Pilbara, Australia).

On the other hand, **Shipments**, from majors could increase by **+25Mt 26E** and **+35Mt 27E**, as we are expecting milder cyclone seasons in Australia. The rainy season in Brazil started off strong this year, but we are not changing our assumptions for now, while Simandou may only reach 120Mtpy by 2030, although near-term logistical and weather constraints suggest only a modest 2026 impact. Meanwhile, **Vale's S11D** performance supports output toward **340Mt 26E**, potentially 360Mt 30E. We sense that **iron ore mid-tier players'** output heading to seaborne supply system should remain flat at **~300Mtpy Est.** for the next couple of years, with new projects balancing depletion

Depletion is unlikely to offset new capacity. We still believe that **downward pressure on prices** could materially **curtail higher-cost supply**, a logic that has already been widely debated in the market. Over the longer term, we expect **(i)** structural i.o. depletion (~3.7% globally; with higher exposure in Pilbara/Australia) and **(ii)** potential high-cost mine closures at **US$85-75/t** (our price range for 2028E onwards) could **cut off ~600Mt Est.** compounded **over 10Y** (seaborne + domestic consumption). Even so, we assess that global iron ore supply will go through a substantial step-up over production in the medium-term, with around **285–345Mtpy** of **gross new capacity in 5Y**.

Our base case scenario points to an incremental **~310Mtpy Est.** by the **early 2030s**, underpinned by large-scale developments such as **(i)** Simandou, **(iii)** Vale's projects in Brazil, like Serra Sul 120/Vargem Grande/Apolo and **(ii)** continued Pilbara expansions (Rio Tinto's Western Range +others, Fortescue's Iron Bridge +Belinga, Mineral Resources' Onslow Iron, BHP incremental and RoyHill upgrades). If major projects proceed on schedule, total installed capacity could approach ~2.7Btpy in ~5Y (vs. ~2.35Btpy today), representing one of the most profound supply expansions in the past two decades. So, over these 5Y, it is possible to assume that a portion of the ~600Mt will be cut from the supply system, and this would have to offset at least the ~310Mt of new capacity coming online.

That said, we still find it difficult to believe that this will be neutralized, as **depletion is likely to accelerate only after this period** rather than in the short/medium term. Therefore, we continue to reinforce our view that the iron ore market will be skewed toward **oversupply in next few years**. Combined with uncertain demand, especially as China's steel consumption fade its peaks, **downside price risks is prevailing** for years ahead (~US$100/t currently → US$75 in 5Y).

Can India's upshift demand offset China's downtrend? It is worth noting that **India's** tightening domestic balance **may partially offset** global iron ore oversupply. Despite +3% y/y production growth in 2025, exports to seaborne system fell to 28Mt (-22% y/y) and imports elevated to 12Mt (+2x y/y), driven by **steel capacity expansions** (+20Mt between 2026-27E) and a shift in demand toward higher-quality iron ore and pelletized material, in addition to being a growing market for blends (Vale's BRBF has good sales penetration).

We believe that India could transition from a **large exporter to a net importer** of **~32Mt 30E**, in fact easing some seaborne unbalance. Even so, this increase is unlikely to offset the **compression in demand** from **China**, which we estimate will decline by **-40Mt/year** (average) **by 2030**. As such, we continue to see further room for price drops in iron ore, after already falling to US$102/t (down -8% vs. peaking in mid-Jan), in line with our outlook, which remains more bearish than the consensus.

MG Water outflows: Cash value blocks were legally reversed. Following the Jan/25 overflows at Vale's Fábrica (Ouro Preto, MG) and Viga (Congonhas, MG) units, authorities filed precautionary lawsuits requesting asset freezes totaling **R$2.8bn**, of which three have **already been denied by local court**, with only **R$200mn still pending**. The incidents resulted from heavy rainfall and involved runoff of water and sediments from mining areas (not tailings dams) with **(i)** no release of mining waste; **(ii)** no casualties; and **(iii)** no impact on local communities. Therefore, in our view, comparisons with Brumadinho or Mariana accidents remain analytically misplaced and disproportionate from a risk standpoint.

As we have pointed before, the Federal Public Prosecutor's Office (MPF) argued the environmental license restricted containment structures in the pit, which should have added procedural complexity to the case. However, based on disclosures to date, we see minimal evidence of dam failure, tailings release, or confirmed breach of license terms. Importantly, the denial of most asset freeze requests materially reduces the probability of relevant financial contingencies. Fábrica and Viga together represent ~**8Mtpy** (2% of our **340Mt 26E** guidance mid-point), implying that even a full-quarter suspension would translate into a manageable impact of ~**2Mt**.

Remember, it's still an iron ore story… We believe that a meaningful portion of Vale's recent bullish bias is driven more by macro positioning than by a structural improvement in the iron ore market. The rotation of foreign capital into Brazilian equities have hugely benefited large-cap companies, with Vale standing out as a primary recipient of passive and macro-driven inflows, since it is the heaviest name in the Ibov index.

We strongly advocate that Vale is at peak operational performance, returning to record production levels, with three consecutive CAPEX reductions. Conversely, following a sharp rally in recent months, the company's market cap now reflects a significant compression in valuation metrics, with **FCF yield 26E also declining** (again) **to 7%** (-2p.p in just 2W; -7p.p vs. 3M ago) and **EV/EBITDA 26E converging to 6x**, above its historical average of ~5x. **Dividend yield** also squeezed further to **5.5% 26E** (-2.5p.p in just 2W, -6.5p.p vs. 3M ago) indicating the prior discount has been fully absorbed. In other words, it is not that the equity story has worsened, but rather that the shares have simply risen and closed the gap to fair value.

It is worth noting that **Iron ore** still accounts for **~80% of consolidated EBITDA**. While execution remains strong and VBM delivered a solid contribution, we diverge from the view that non-ferrous commodities strength alone can materially offset iron ore market uncertainty. We continue to see supply accelerating into 26–27E, while demand remains uneven amid structural deceleration in China. Therefore, we maintain our more bearish price assumption of **US$95/t 26E** (year average), below current spot levels (-7% vs. US$102/t) and also consensus estimates (US$100-105/t 26E), as we already quoted.

Against this backdrop, and given the significant compression in valuation metrics, we believe the equity catch-up is largely complete. Therefore, we reiterate our **NEUTRAL rating**, as the stock now trades in line with our fair value assumptions, with limited fundamental catalysts to justify further upside from current levels, with our **12M Target Price** at **US$17.00 ADRs–NYSE** and **R$90.00 VALE3–B3**, implying a marginal **downside** of just **-1%**.

Appendix: Vale

Figure 1. Vale – Income Statement in US$ Millions (Genial Est. 2026-2029)

Income Statement	2026E	2027E	2028E	2029E
Net Revenue	**39.346**	**41.667**	**43.579**	**44.410**
(-) COGS	(26.012)	(27.763)	(29.501)	(30.067)
Gross Profit	**13.334**	**13.904**	**14.078**	**14.342**
(-) Expenses	(3.813)	(4.033)	(4.229)	(4.325)
Proforma EBITDA	**15.600**	**16.301**	**16.568**	**16.862**
(-) D&A	(3.126)	(3.311)	(3.463)	(3.529)
EBIT	**9.521**	**9.871**	**9.849**	**10.017**
(+/-) Financial Result	(793)	(874)	(888)	(890)
(-) Taxes	(490)	(479)	(478)	(488)
Net income	**8.903**	**9.225**	**9.226**	**9.412**
Profitability				
Net margin (%)	22,6%	22,1%	21,2%	21,2%

Figure 2. Vale– Cash Flow in US$ Millions (Genial Est. 2026-2029)

Cash Flow (FCFF)	2026E	2027E	2028E	2029E
Net Revenue	**39.346**	**41.667**	**43.579**	**44.410**
(-) COGS	(26.012)	(27.763)	(29.501)	(30.067)
Proforma EBITDA	**15.600**	**16.301**	**16.568**	**16.862**
EBIT	**9.521**	**9.871**	**9.849**	**10.017**
(-) Taxes	(490)	(479)	(478)	(488)
(+) D&A	3.126	3.311	3.463	3.529
(+/-) Δ WK	(77)	714	495	246
(-) Capex	(5.475)	(5.463)	(5.367)	(5.112)
FCFF	**6.606**	**7.955**	**7.963**	**8.193**

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Buy	Expected return above +10% in relation to the Company's sector average	49%
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under Review	Under review	5%

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