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VALE

Meeting with CEO: VBM's IPO later; Iron Ore still rules

LatAm Metals & Mining

Main takeaways:

(i) VBM being "IPO-ready" refers to governance and reporting preparedness; management stressed that **a near-term IPO is not part of the current strategy**, aiming to avoid crystallizing value before the asset base and growth pipeline are fully reflected in output; **(ii)** Vale continues to position VBM as a **copper-led long-term growth platform**, prioritizing operational execution and production expansion rather than monetization through capital markets; **(iii)** Copper production potential could reach **~700Kt** over time (**~2035**), supported mainly by projects in the Carajás system (Bacaba, Alemão) and leveraging existing regional infrastructure; **(iv)** The copper expansion plan appears **fully financeable internally**, with ~**US$3.5bn** CAPEX to 2030 and **>US$5bn** to 2035, supported by VBM's low leverage and growing cash generation; **(v)** The Carajás copper system shows structurally higher grades (~2% vs. ~0.6–0.7% global), reinforcing the competitiveness and long-term scalability of Vale's copper platform; **(vi)** Nickel was described as less strategic relative to copper, with Vale evaluating portfolio optimization alternatives such as partnerships or selective divestments while preserving optionality; **(vii)** On **iron ore**, management indicated commercial conditions with Chinese buyers remain broadly normal, while freight exposure appears largely contained through >90% medium- and long-term charter coverage, with natural depletion (~3% p.a.) continuing to offset part of new supply additions; **(viii)** Given the sharp valuation re-rating and limited near-term catalysts, we continue to believe the equity catch-up is largely complete. We therefore reiterate our **NEUTRAL rating**, with **12M Target Price** of **US$17.00 ADR (NYSE)** and **R$90.00 VALE3 (B3)**, implying an upside of **+8.8%** from current levels.

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Company

VALE US Equity
Neutral

Price: US$ 15.64 (10-Mar-2026)
Target Price 12M: US$ 17.00 (NYSE)

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

Vale called a **meeting** with **sell-side analysts** today (Mar 10) at São Paulo (SP). The roundtable was attended by **Mr. Gustavo Pimenta** (CEO). Just day earlier, **we also organized a proprietary event** between the company and a group of investors in Rio de Janeiro (RJ). In this report, we comment on the insights gathered from both meetings, highlighting our impressions regarding the reflections brought up by management and investors.

At a strategic level, the discussions were largely centered on two main narratives: **(i)** the company's effort to **reinforce execution** and **growth levers within VBM**, particularly around its Copper expansion strategy, while clarifying that being "IPO-ready" does not imply a near-term intention to list the business; and **(ii)** the current operating environment for Iron Ore Solutions, which management described as stable, with Chinese demand conditions remaining resilient — despite we are inclined toward the bearish side — and freight exposure better contained through hedging and long-term chartering arrangements.

To organize the discussion, we structured the report into two main sections — **VBM** (this time, coming first in order given that it has become a hot topic) and **Iron Ore** — where we present the key operational and strategic takeaways from the meetings. Given that this report consolidates insights from two separate conversations with management and investors, we believe the discussion below provides a comprehensive overview of Vale's current strategic positioning and priorities.

VBM

IPO readiness does not mean IPO intention. A central message from the discussion was management's effort to de-link the idea of being "**IPO-ready**" from any near-term intention to list VBM. The company was explicit that "IPO ready" should be understood as having the **governance, processes, reporting standards and internal structure** necessary to execute a transaction if it ever chooses to do so, **rather than as a signal that a listing is imminent**. In fact, the current stance appears to be the opposite: today, **Vale does not want to pursue a VBM IPO**, and management acknowledged that the phrase itself (reported in specialized press news) may have contributed to market confusion by creating expectations that are not aligned with the company's present strategy.

The reasoning is strategic rather than procedural. Management argued that VBM, in its current form, is fundamentally a **Copper-led growth platform**, and listing it prematurely could crystallize value too early, before the market is willing to properly pay for the embedded reserve base and the still-unfolding production growth pipeline. In their view, executing an IPO now, simply because copper prices are supportive (~US$12k; +40% vs. 5Y historical), would **risk leaving value on the table**, especially when a large part of the Copper thesis still sits in future delivery rather than in current output. We left the meeting with a clear impression: the priority is to execute and grow, not to force a capital-markets event.

No need to raise capital, yet. It was emphasized that copper is a core long-term strategic pillar, which helps explain why the company is **unwilling to dilute exposure to the asset base through an early IPO**. The ambition discussed remains to lift Copper production from roughly the current level to **~700Kt** over time (**2035**), supported primarily by projects in Brazil, where the company already benefits from existing infrastructure. Bacaba Project (PA) was quoted as the first major step, with the installation license already granted and construction advancing, while Alemão project of +60Ktpy has also entered the licensing path after a redesign intended to improve execution feasibility.

Just as important, management stressed that there is no funding gap forcing a transaction. We believe the copper expansion plan appears to be fully accommodated within VBM's own balance sheet and Vale's broader capital allocation framework. The meeting points to **~US$3.5bn** of **Copper CAPEX** through **2030** (Carajás-PA expansion) and roughly **US$5bn+** through **2035**, but with **Net debt/EBITDA** ratio **near zero** for VBM operations and **FCF** of **~US$1.1bn 26E** already sufficient to support the ramp-up. So, there is no need (at least for now) to raise capital (shareholder funding or an IPO), as the operation itself can support CAPEX for growth.

Vale's quality above global Copper projects. Management also highlighted the geological quality of the Carajás (PA) Copper system, noting that several intersections are showing grades significantly above industry averages. While many global copper projects operate **~0.6–0.7% grades**, in the case of Vale, deposits and reserves could average closer to **~2%**, with some drilling results reaching as high as **~5–10% Copper content**. This geological advantage helps explain company's confidence in expanding production while maintaining competitive capital intensity vs. peers.

At the same time, exploration efforts have been significantly expanded in the region. Mr. Pimenta indicated that copper exploration in Carajás has increased from **~20km** of drilling historically to **~60km currently**, with plans to reach **~100km this year**. Early results appear encouraging and reinforce the company's confidence that the region could support a much larger Copper platform over time. The only asset where the figures were more on the **deficient side** was in **Thompson** (MB-Nickel, mainly), but the **partnership solution** (Exiro, Orion Resources and Canada Growth Fund), in Vale's view, should **equate the situation**. The consortium partners have committed to investing up to **US$200mn**. VBM will be a minority shareholder, with an 18.9% stake, while the other partners will hold 81.1%.

Nickel placed on the "less strategic" shelf. The company seemed vocal in describing **Nickel as less strategic** (vs. Copper) and left the door open to a range of future portfolio alternatives. We assess that Vale is not necessarily focused on one single asset sale, but rather on the broader question of **how much Nickel exposure it wants to retain over time**. In that sense, while a Copper-led **VBM IPO is off the table for now**, Nickel remains the business where different structures could eventually be considered, including **(i)** partnerships in addition to that used in Thompson (already discussed in the report) and Sudbury (with Glencore, mainly in Copper), **(ii)** selective divestments or **(iii)** other ways of reducing exposure**.**

Even though investors' perception remains skewed toward the bearish side, the company was not negative on Nickel operations themselves. The remarks suggest the business has improved materially operationally, with the cost base trending lower and the potential for meaningful FCF generation if Nickel prices stabilize at healthier levels. They mentioned **all-in** sustaining economics potentially reaching **~US$15k/t or lower** (vs. ~US$17k spot price; in line with 5Y historical), which would make the business considerably more attractive in a **>US$20k/t price environment** (price peaked at ~US$26k in 2023).

Thompson transaction as a clear illustration of new portfolio logic. Management noted that the Thompson asset (MB-Nickel, mainly), had historically operated with an **all-in cost** structure **~US$30k/t**, well above the company's long-term cost target of **~US$15k/t**, partly due to **underutilization** and **reliance on third-party feed**. In that context, Vale concluded that the operation partnership (with Vale holding an 18.9% stake) could be better positioned under a consortium structure, where partners could provide capital support, operational focus and stronger local stakeholder engagement. The transaction therefore allows Vale to retain exposure while transferring operational responsibility to investors positioned better to unlock value from the asset.

The message thus seems nuanced: **Nickel is strategically less essential** (vs. Copper)**, but not operationally unattractive.** Rather than exiting the business entirely, Vale appears focused on optimizing the portfolio, by improving cost competitiveness, selectively partnering where appropriate, and maintaining optionality should market conditions become more supportive over time.

Iron Ore

Freight risk looks better contained. On the ferrous side, one relevant takeaway is that management does not appear to be seeing material commercial stress in China at this point. Despite headlines around **Chinese centralization efforts** (CMRG) and negotiations involving Australian iron ore supply (BHP, mainly), Vale indicated that its conversations with counterparties remain on normal basis, with **(i)** healthy demand, **(ii)** cargoes moving according to schedule, and **(iii)** no major abnormal requests from CMRG. We emphasize that the company's iron ore retains a strategic commercial role because it is used as a **corrective blend to Australian ones**, which in practice reduces the likelihood of Chinese buyers materially sidelining both sources at once.

Another issue raised by investors is related to freight. Management suggested that Vale has meaningfully reduced exposure to the spot shipping market, with nearly all freight requirements now covered by medium- and long-term chartering arrangements (above 90%), leaving bunker fuel/oil as the main residual variable rather than freight-rate volatility itself. The sensitivity discussed was roughly **+US$1/t in all-in freight for each +US$10/bbl move in Brent oil**, which we assess to be a **modest C1 effect**.

In practical terms, this means that near-term freight risk relating to the war in the Middle East and the closure of the Strait of Hormuz seems less about freight spot costs dislocation and more about oil-linked bunker expenses. Mr. Pimenta also indicated that **~75% of its fuel exposure is hedged**, which further limits the immediate impact of oil price volatility on operating costs.

Geopolitical tensions may tighten seaborne supply. When discussing current market dynamics, Mr. Pimenta briefly touched on the potential implications of geopolitical tensions involving Iran for the seaborne iron ore balance. Data indicates that **Iran typically exports 20Mt** of **iron ore** to the seaborne market while **importing 7–10Mt**, implying a net contribution of +10Mt to global seaborne supply. In a scenario where geopolitical developments disrupt these export flows, the net effect would be a modest tightening of the seaborne market.

While the company did not frame this as a central driver of pricing dynamics, our remark suggests that geopolitical disruptions affecting marginal exporters could incrementally increase market tightness, partially offsetting a system facing depletion and gradual grade degradation across aging mines.

Ramp-ups vs. depletion. We believe that institutional and licensing environment has improved in the last couple of years, even if management was careful not to overstate it. They highlighted recent permit **progress for S11D ramp-ups**, including the installation license for Bacaba (PA-Copper) and advancements on other fronts, while emphasizing that the company has become more pragmatic in project design, not just asking what the "best" engineering solution is, but whether the **chosen design is licensable and executable**.

It seems to us that it is a subtle but important shift, because it suggests the project pipeline is being optimized not only for returns on paper, but for real-world deliverability.

We assess that this is also linked this to Mr. Pimenta's more active institutional approach since taking over as CEO, with greater engagement across federal and regional stakeholders. On depletion, the company pointed to a natural decline of **~3% per year** (we use 3.7% Est. in our forecast) in the seaborne system, equivalent to **roughly 50–60Mtpy**, with both **(i)** depletion and **(ii)** grade degradation acting as medium-term offsets to new supply (Simandou and others). Serra Norte (also in Carajás, PA) was quoted as the clearest internal example of an aging asset, even as Vale continues to compensate through S11D ramp-up and better performance in the Southeast system. This does not invalidate the supply-growth story in coming years, but it is a useful reminder that gross additions should not be viewed in isolation from the system's natural erosion.

Water outflow and EFC recent issue do not appear dramatic. Regarding the water overflow situation in Minas Gerais (MG), management's comments were consistent with the earlier company messaging: the issue appears operationally manageable and financially immaterial, **(i)** without casualty or soil/river basin contamination, and **(ii)** no dams involved (it was an earthen water retention structure located inside the pit). So, although the Federal Prosecutor's Office (MPF) requested that the company's accounts be frozen, Vale managed to have the freezing order overturned in the local courts.

In terms of volume, as we have already mentioned in previous publications, the potential impact is **~2% of total output** (Fábrica and Viga mines) in a more stressed scenario. The company indicating it had **already complied with the relevant requirements** and was awaiting the decision of the competent authorities to return operating licenses (no date set at this time). On **the recent railway issue** discussed about **EFC** (on a 16km stretch), with also de MPF requesting the suspension of operations, Mr. Pimenta indicated that **operations remain ongoing** because the affected section sits within **a double-track branch**, allowing continued use of the alternate line even if with some impact on efficiency, but nothing major. Management characterized the matter more as a bureaucratic / licensing issue than an operational fault, which again suggests limited near-term impact on the business.

Our Take on Vale

Investors' attention is now focused on VBM. One of the most interesting strategic communication points of the two meetings we had (both the one we organized and the one with other sell-side firms) is that management seems increasingly aware that a large part of **Vale's valuation gap** (to fair value) may come from the **market's incomplete understanding of VBM**, rather than only from pure operational execution.

Mr. Pimenta explicitly said that a large share of market meetings today wave around matters related to base metals — which we agree have certainly become a hot topic in our discussions with investors —, as Iron Ore story is already well understood (at this moment, there is nothing particularly disruptive happening).

That helps explain why the company is investing more effort in disclosure, management access and asset visibility regarding Copper and Nickel operations. Importantly, Mr. Pimenta did not present this increased interest in discussing the subject as a substitute for execution; rather, the message was that both things are needed: VBM must deliver operationally, but Vale can also do a better job of making the business legible to the market.

To sum up… Putting all the pieces together, the meetings we had in recent days reinforce what is probably the most important strategic conclusion: the company is prioritizing **execution over monetization**. Management **does not want to rush a VBM IPO**, because **(i)** Copper is viewed as a core long-duration growth avenue, **(ii)** the CAPEX is financeable internally through the operation itself (without the need to raise external capital), and **(iii)** an early transaction could under-monetize embedded value. By contrast, Nickel remains the area with more strategic optionality (for equity sales, spin-offs, consortium structuring, and similar transactions), even though the business is improving operationally and may deserve better recognition if prices remain supportive (+23% recovery in 4M, after a long period of depressed prices).

From an equity-story perspective, the most actionable read-across is that the company wants the **market to re-rate VBM** (the business should run at ~8x EV/EBITDA vs. 4-5x Vale's range) **through better understanding and better execution**, not through a forced structural event (like an IPO). Meanwhile, the legacy ferrous business still looks stable operationally in management's view, while freight exposure appears better protected even in the face of uncertainties related to war in Iran.

VBM's IPO later; Iron Ore still rules. We believe a meaningful portion of Vale's recent bullish bias reflects macro positioning among investors rather than a structural improvement in iron ore fundamentals. The rotation of foreign capital into Brazilian equities has disproportionately benefited large-cap names, with Vale standing out as a primary recipient of passive and macro-driven inflows given its weight in the IBOV. Operationally, we do not deny that the company delivers near-peak performance, returning to record production levels while completing three consecutive CAPEX reductions. Even that the shares have depreciated in the last 1M (-7.5%, in a period similar to the one in which we downgraded to Neutral), the strong rally in the last 4M (+19%) favors an enhance in the company's market cap, meaningfully compressing valuation metrics, with **FCF Yield 26E** at **9%** (-5p.p. vs. 3M ago), **EV/EBITDA 26E** at **5.4x** (still above its historical average of 5x); and **Dividend Yield 26E** at **6%** (-6p.p. vs. 3M ago), suggesting the prior discount has largely closed.

More importantly, as we already have said in our 4Q25 review report, **Iron Ore Solutions** represents **~80%** of **consolidated EBITDA**. So, even if management wants to convey the idea to the market that VBM should be better priced (which we agree with), Mr. Pimenta's own stated position that IPO is now off the table supports the idea that execution is the only way forward. So, we emphasize that **Vale's equity story is still about iron ore** at this stage and will continue to be so for quite some time (VBM in at only ~20% of EBITDA, with Copper prices already at historical highs). Mr. Pimenta's own stated position that an IPO is off the table today supports the idea that execution (increasing Copper production in 10Y to 700kt vs. 380kt nowadays) must come first. Along the way, we believe the IPO may become a funding tool for CAPEX, but not in the short term.

Therefore, we continue to see **iron ore seaborne supply** accelerating into **26–27E**, while demand should remain uneven amid China's deceleration, as crude steel production fell by 42Mt (5% worse vs. Genial Est.) in 2025, implying -4.4% y/y. With China's macroeconomic data getting worse each day (GDP target for 26E between 4.5-5% vs. 5% last year), we maintain our iron ore price assumption at **US$95/t 26E**, below both spot (~US$104/t) and consensus (~US$100–105/t). Given the sharp valuation re-rating and limited near-term catalysts, we continue to believe the equity catch-up is largely complete. We therefore reiterate our **NEUTRAL rating**, with **12M Target Price** of **US$17.00 ADR (NYSE)** and **R$90.00 VALE3 (B3)**, implying an upside of **+8.8%** from current levels.

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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under Review	Under review	**5%**

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