

VALE

1Q26 Operational Preview: Iran truce bounces rally, thesis stays grounded

LatAm Metals & Mining

Main takeaways:

(i) Iron ore production of **69.1Mt Est.** (-23.6% q/q; +2.1% y/y), reflecting seasonal step-down, heavy rains in the Northern System and planned maintenance, with y/y growth supported by Capanema (MG) and Vargem Grande (MG) ramp-ups; shipments at **58.1Mt Est.** (-21.1% q/q; +2.3% y/y); realized price at **US\$96.1/t Est.** (+0.8% q/q; +5.8% y/y), with blended premium of **~US\$3.7/t Est.**; (ii) Pellet sales at **7.5Mt Est.** (-17.1% q/q; flat y/y), reflecting Oman's ~45-day maintenance and geopolitical disruptions, with feed redirected to Tubarão (ES); realized price at **US\$135.9/t Est.** (+3.4% q/q; -3.5% y/y); (iii) Nickel sales at **43Kt Est.** (-13.7% q/q; +10.0% y/y); realized price at **US\$17,417/t Est.** (+16.0% q/q; +8.1% y/y), tracking LME at US\$17,273/t; all-in cash cost at US\$10,805/t Est. (-31% y/y); (iv) Copper sales at **86Kt Est.** (-20.0% q/q; +4.4% y/y), with a major Sossego (PA) shutdown planned for 2Q26E; realized price at **US\$12,665/t Est.** (+15.1% q/q; +42.5% y/y); (v) **Net revenue of US\$9.1bn Est.** (-17.5% q/q; +12.4% y/y); (vi) **C1/t at US\$23.8/t Est.** (+12.0% q/q), reflecting USD/BRL FX and CPP headwinds and Aliança deconsolidation drag; (vii) **Proforma EBITDA of US\$4.0bn Est.** (-17.9% q/q; +23.6% y/y), with margin at **43.5%** (-0.2p.p. q/q; +3.9p.p. y/y); (viii) **Net income of US\$2.8bn Est.** (+99.6% y/y), provisional pending the Production and Sales report on **16/Apr**; (ix) However, we would like to emphasize that, even though there is volatility in the stock price, this appears to us to be a **macro issue related to the reallocation of passive funds**, rather than an active change in the company's fundamentals or equity story. Therefore, we reiterate our **NEUTRAL rating**, with **12M Target Price of US\$17.00 ADR** (NYSE) and **R\$90.00 VALE3** (B3), implying an **upside** of just **+3%**.

Vale will release its **Production and Sales Report** for **1Q26** on **Apr. 16**, after the market closes. We expect a **sharp sequential decline** in iron ore production (-23% Est. q/q), consistent with the typical 1Q pattern, compounded this year by a **particularly heavy rainy season** (especially in the southeast system). On the other hand, volumes are expected to be **slightly higher on a yearly basis** (shipments at +2.3% Est. y/y), considering ramp-ups such as Capanema (MG) and Vargem Grande (MG), adding +4-5Mt Est. in production y/y. **Proforma EBITDA** is projected to clock in at **US\$4.0bn Est.** (-17.9% q/q; +23.6% y/y), compounding **double-digit y/y growth** with price support both in iron ore fines and in copper/nickel by VBM.

Table 1. Operational Summary (1Q26 Genial Est.)

(Thousand Tonnes - kt)	Genial Est.	Reported		Reported	
Summary	1Q26E	4Q25	% q/q	1Q25	% y/y
Iron Ore Production	69,085	90,403	-23.6%	67,664	2.1%
Iron Ore Fines Shipments	58,055	73,566	-21.1%	56,762	2.3%
Pellets Production	7,220	8,325	-13.3%	7,184	0.5%
Pellets Shipments	7,506	9,056	-17.1%	7,493	0.2%

Source: Genial Investimentos, Vale

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Company

VALE US Equity
Neutral

Price: US\$ 17.45 (13-Apr-2026)
Target Price 12M: US\$ 17.00 (NYSE)

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

To go into a little more detail about the numerical dynamics, we project **iron ore production of 69.1Mt Est.** (-23.6% q/q; +2.1% y/y), with the dual effect on **iron ore fines** of a recovery in **realized prices to US\$96.1/t Est.** (+0.8% q/q; +3.3% y/y), benefiting from the 61% Fe benchmark (changing from 62% Fe reference, as we explore further down) rising **+US\$2/t q/q** and a meaningful improvement in product premiums to **+US\$3.7/t Est.** (vs. +US\$1/t q/q), as both the Low Lumina and Carajás 65% Fe indices moved favorably, and shipments at **58.1Mt Est.** (-21.1% q/q; +2.3% y/y), tracking production closely with a **2% production-to-sales gap** in line with prior-year 1Q levels.

On **pellets**, we estimate **production of 7.2Mt Est.** (-13.3% q/q; +0.5% y/y) and **shipments of 7.5Mt Est.** (-17.1% q/q; +0.2% y/y), reflecting the planned downtime at Oman and geopolitical disruptions (Iran war) that forced vessel rerouting in the region. Realized pellet prices are expected at **US\$135.9/t Est.** (+3.4% q/q; -3.5% y/y), supported by a combined **+US\$4.5/t** improvement from the 61% Fe reference and the 65% Fe vs. 61% Fe spread, though the absolute level remains below on y/y basis.

As a result, we project consolidated **Net Revenue of US\$9.1bn Est.** (-17.5% q/q; +12.4% y/y), driven by higher realized prices across **VBM** and supported by both firmer iron ore fines sales and prices, partially offset by lower pellet prices. On the cost side, we project **C1/t ex-third parties at US\$23.8/t Est.** (+12.0% q/q; +13.5% y/y), reflecting the combined **(i)** effect of USD/BRL FX rate appreciation, **(ii)** CPP (production cost) carryover from 4Q25, and **(iii)** the Aliança Energia deconsolidation drag. Consequently, **Proforma EBITDA** is projected at **US\$4.0bn Est.** (-17.9% q/q; +23.6% y/y), with margins at **43.5%** (-0.2p.p. q/q; +3.9p.p. y/y). Finally, we estimate **Net Income of US\$2.8bn Est.** (+99.6% y/y). These figures remain provisional and will be updated following Vale's Production and Sales report on **16-Apr**, after the market closes.

1Q26 Operational Preview: Production and sales in detail

Iron Ore: Downward seasonality q/q but still up y/y, shipments track output.

We project iron ore production to total 69.1Mt Genial Est. (-23.6% q/q; +2.1% y/y), reflecting the typical seasonal step-down from 4Q into 1Q, compounded by a particularly **(i)** rainfall season, typical for 1Qs, and **(ii)** suspension of operations at Fabrica and Viga (MG) due to the water outflows incident (25/Jan). On an annual basis, we believe the y/y expansion remains modest but positive, as the incremental contributions from Capanema (MG) and Vargem Grande (MG) ramp-ups (+4–5Mt Est y/y) are partially absorbed by weather-related interruptions across mining fronts. We noticed that the rainfall was heavier than last year, especially in the southeast system.

On the commercialization side, we estimate iron ore fines shipments at 58.1Mt Genial Est. (-21.1% q/q; +2.3% y/y), tracking production closely with a production-to-sales gap in line with prior-year levels (~2% Est.), as the company typically draws down inventories in 1Qs. Unlike the inventory dynamics seen in 2H25 (build-up of 6.3Mt), this quarter we expect a more seasonal relationship between output and sales, with some level of inventories release.

Table 2. Production and Shipments Summary Vale (1Q26 Genial Est.)

Production Summary (Kt)	1Q26E	4Q25	% q/q	1Q25	% y/y
	Genial Est.	Reported		Reported	
Iron Ore ¹	69,085	90,403	-23.6%	67,664	2.1%
Pellets	7,220	8,325	-13.3%	7,184	0.5%
Nickel	48	46	4.3%	44	10.0%
Copper	94	108	-13.0%	91	3.6%

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

Shipments Summary (Kt)	1Q26E	4Q25	% q/q	1Q25	% y/y
	Genial Est.	Reported		Reported	
Iron ore fines	58,055	73,566	-21.1%	56,762	2.3%
Pellets	7,506	9,056	-17.1%	7,493	0.2%
ROM	1,969	2,252	-12.6%	1,887	4.4%
Nickel	43	50	-13.7%	39	10.0%
Copper	86	107	-20.0%	82	4.4%

¹ Including third-party purchases

Source: Genial Investimentos, Vale

Iron ore fines: Price accelerates; improved premiums. Our model points to a realized price of US\$96.1/t Genial Est. (+0.8% q/q; +5.8% y/y), reflecting a modest sequential improvement in the 61% Fe curve alongside a meaningful recovery in product premiums. On the benchmark side, the 61% Fe reference rose +US\$2/t q/q, providing a positive pricing floor. We believe it is important to note that the market is starting to rely more on this benchmark vs. 62% Fe standard, which served as the basis for decades, since this would better reflect current transactions involving iron ore of slightly lower quality vs. previous years.

On the premium side, the picture improves further: **(i)** The Low Lumina index rose +US\$0.9/t q/q (~70% of company's sales), while **(ii)** the Carajás 65% Fe (Metal Bulletin) index gained ~US\$2.5/t q/q (~10% of company's sales), resulting in a blended premium improvement of roughly +US\$1/t Est. q/q. Due to the change in the use of benchmarks, to facilitate comparison, we calculated the normalized figure for 4Q25 premium to a 61% Fe reference (vs. 62% Fe basis yields), with a starting point of +US\$2.7/t at 61% Fe (analog to -US\$0.3/t at 62% Fe), to which the +US\$1/t q/q improvement adds, implying a realized premium of ~US\$3.7/t Est for the 1Q26E. On the product portfolio then, we are assuming the company should continue to prioritize medium-grade blends, notably BRBF (~63% Fe), Mid-Grade Carajás (SSCJ) and Pellet Feed – China (PFC1), as part of its portfolio optimization strategy. As such, we do not expect seasonality to materially alter the mix composition.

Pellets: Oman maintenance and geopolitical disruption cap. We estimate pellet production to reach 7.2Mt Genial Est. (-13.3% q/q; +0.5% y/y), reflecting a combination of the planned ~45-day maintenance shutdown at the Oman plant (middle east) – which began mid-March and is a recurring annual event – and logistical disruptions stemming from geopolitical tensions in the region (war in Iran), which forced vessel rerouting and temporarily halted port operations. Feed that would ordinarily be processed at Oman has been redirected to Tubarão (ES), which carries sufficient spare capacity (55Mt) to absorb the swing, keeping the overall production impact contained.

In recent discussions with the company, we found that the Oman facility is expected to be reassessed for reopening by end-April.

Pellet shipments are expected to total 7.5Mt Genial Est. (-17.1% q/q; +0.2% y/y), closely tracking production and reflecting the logistical constraints rather than any demand-driven shift. We estimate a realized price of US\$135.9/t Genial Est. (+3.4% q/q; -3.5% y/y), with the sequential increase driven by a combined improvement of +US\$4.5/t, comprising a +US\$2/t rise in the 61% Fe reference and a +US\$2.5/t gain in the 65% Fe reference curve vs. 61% Fe. Despite the sequential improvement, the absolute level remains below the US\$141/t reported in 1Q25, as the demand backdrop in key consuming regions (particularly Europe and Japan) stays challenged amid margin pressure on steel mills and competition from Chinese exports.

Nickel: Production up y/y, but shipments lag on seasonal gap. We project nickel production of 48Kt Genial Est. (+4.3% q/q; +10.0% y/y), consistent with our annual production direction growth (+10% y/y Est.). Shipments are expected to reach 43Kt Genial Est. (-13.7% q/q; +10.0% y/y), reflecting a typical 1Q seasonal gap of 4–5Kt, as the company manages contract performance into 2Q as it carries out scheduled maintenance during that period.

On pricing, the realization should clock in at US\$17,417/t Genial Est. (+16.0% q/q; +8.1% y/y), tracking the LME nickel curve, which rose over the period to US\$17,273/t (+16% q/q). Moving to the cost side, the all-in should track slightly at US\$10,805/t Est. (-31% y/y), benefiting from higher gold and cobalt by-product credits (both of which rose q/q) as well as operational productivity improvements that helped compress unit COGs.

Copper: Volumes down q/q on seasonality, but prices surge. We project copper production of 94Kt Genial Est. (-13.0% q/q; +3.6% y/y), reflecting a seasonal step-down from 4Q25, with the annual guidance broadly flat y/y as a major planned downtime at Sossego (PA) in 2Q26E is expected to weigh on the full-year profile, implying the remaining three quarters should run above the annual average to compensate. Shipments are set to reach 86Kt Genial Est. (-20.0% q/q; +4.4% y/y), with the production-to-sales gap tracking in line with prior-year levels.

We estimate a realized copper price of US\$12,665/t Genial Est. (+15.1% q/q; +42.5% y/y), following the strong upshift in the LME copper curve over the period to US\$12,871/t (+16% q/q). On the cost side, the all-in probably will remain negative (net of by-product credits) though we access the benefit may be partially diluted by mix effects between mining fronts, as Sossego (PA) carries a higher unit cost and a less favorable gold-to-copper ratio relative to Salobo (PA). With gold prices rising q/q, the by-product credit tailwind is meaningful, but the pre-stoppage production push at Sossego (PA) introduces some offset at the mix level, keeping the net all-in cost negative but closer to the -US\$905/t Est.

Table 3. Income Statement Vale (1Q26 Genial Est.)

(US\$ millions)	1Q26E	4Q25	% q/q	1Q25	% y/y
	Genial Est.	Reported		Reported	
Net Revenue	9,124	11,061	-17.5%	8,119	12.4%
COGS	(5,970)	(6,780)	-12.0%	(5,451)	9.5%
Proforma EBITDA	3,969	4,835	-17.9%	3,212	23.6%
Margin (%)	43.5%	43.7%	-0.2p.p	39.6%	3.9p.p
EBIT	2,380	(697)	-	1,799	32.3%
Margin (%)	26.1%	-6.3%	-	22.2%	3.9p.p
D&A	(761)	(860)	-11.6%	(704)	8.0%
Financial Result	218	(1,039)	-	185	18.0%
Net Income	2,785	(4,243)	-	1,396	99.5%
Margin (%)	30.5%	-38.4%	-	17.2%	13.3p.p

Source: Genial Investimentos, Vale

Our Take on Vale

EBITDA leveraged by both price and volumes. We project consolidated Net Revenue of US\$9.1bn Genial Est. (-17.5% q/q; +12.4% y/y), mostly reflecting **VBM** at a yearly basis, given the much higher realized prices in both metals, and the support that iron ore fines should propose into the ferrous division by both higher sales and prices levels.

We estimate **C1/t ex-third parties** at **US\$23.8/t Est.** (+12.0% q/q; +13.5% y/y), reflecting three compounding factors: **(i)** the USD/BRL FX rate dropped sharply by -10% y/y (R\$5.26 vs. R\$5.85 in 1Q25), given the well-established sensitivity of -US\$0.25/t per +R\$0.10 move (with the converse being true), this alone implies a **+US\$1.5/t Est. upshift**, lifting the starting point to US\$22.5/t (vs. US\$21.3/t in 1Q25); **(ii)** the CPP (production cost) deteriorated sharply in 4Q25 to US\$21.4/t (+US\$3.5/t y/y), given that 30–40% of this flows into the following quarter's C1 via inventory turnover, this adds a further **+US\$1/t Est.**; and **(iii)** the deconsolidation of Aliança Energia (effective from 3Q25) continues to contribute **+US\$0.3–0.4/t** drag per quarter on efficiency.

As a result, our model indicates Proforma EBITDA **projected at** US\$4.0bn Genial Est. (-17.9% q/q; +23.6% y/y), with margins at 43.5% (-0.2p.p. q/q; +3.9p.p. y/y). Finally, we estimate Net Income of US\$2.8bn Genial Est. (+99.6% y/y). 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 **Apr. 16**, after the market closes.

Iran War: Bunker fuel as the main residual variable. The company 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 we came across is roughly **+US\$1/t in total freight cost** for each **+US\$10/bbl** move in **Brent oil**, which we assess to be a modest cost effect.

In practical terms, this means that near-term freight risk relating to the conflict seems less about freight spot cost dislocation and more about oil-linked bunker expenses, with ~75% of the company's freight cost exposure tied to fuel.

To address this residual exposure, the company executed a **zero-cost collar** at year-end (12M period), structured when Brent was trading at **US\$70/bbl**, with the upside **protection struck at US\$79/bbl**. The hedge was **not applied to the full fuel exposure**, as the company deemed a full hedge unnecessary at the execution time. One modelling nuance worth flagging: the collar does not flow through freight cost/tonne and therefore does not benefit EBITDA directly, **gains or losses on the instrument are recorded in the financial result line**, creating a bifurcated P&L effect.

Iran truce bounces rally, thesis stays grounded. Our stance on Vale consolidated remains unchanged. **I.O. Solutions** still represents **~80% of consolidated Adj. EBITDA**, and the copper growth that would shift this balance structurally is a 2028–35E story, not a 2026 one. On valuation, **FCF Yield 26E** sits at **6%**, **EV/EBITDA 26E** at **5.7x** (above the 5x historical average) and **Dividend Yield 26E** at **4%**. Copper is already near historical highs, VBM's current earnings contribution reflects a peak input, not a depressed base. Our **iron ore assumption for 26E remains below spot** (~US\$110/t), as seaborne supply accelerates into 26–27E and Chinese demand stays uneven, with crude steel production down 42Mt (-4.4% y/y) in 2025.

In addition, the **1Q26E operational preview** we present here reflects **(i)** an iron ore production constrained by weather, **(ii)** pellets disrupted by Oman maintenance and regional geopolitics, and **(iii)** costs moving higher on FX and inventory carryover. Fundamentals have not improved, but equity flows have. From **25/Feb-20/Mar**, company **shares dropped -16%** as fundamentals reasserted against a stock — in our view — with **no valuation support above ~R\$90** (or ~US\$17.50 at ADRs-NYSE). Since then, the **share pricing has recovered +16% in just 20 days**, driven almost entirely by Iran-US geopolitical de-escalation (a truce has been agreed upon, and the chances of a deal have increased), which **improved risk appetite toward emerging markets assets and pulled foreign flows back into Brazilian large-caps**. However, we would like to emphasize that, even though there is volatility in the stock price, this appears to us to be a macro issue related to the reallocation of passive funds, rather than an active change in the company's fundamentals or equity story. Therefore, we reiterate our **NEUTRAL rating**, with **12M Target Price of US\$17.00 ADR** (NYSE) and **R\$90.00 VALE3** (B3), implying an **upside of just +3%**.

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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	Definition	Coverage
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under Review	Under review	5%

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