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USIMINAS

1Q26 Preview: The real prize is still ahead

LatAm Metals & Mining

(i) DM: Shipments of **925Kt Est.** (-3.5% q/q; -7.6% y/y), margin-over-volume strategy; realized price of **R$5,193/t Est.** (+3.9% q/q; -6.3% y/y), on automotive mix normalization post-4Q25 disruptions; **(ii) FM:** Shipments of **111Kt Est.** (-9.0% q/q; +21.1% y/y), retaining higher-value niches only; realized price of **R$4,844/t Est.** (+3.6% q/q; -17.6% y/y); **(iii) Steel (DM+FM):** Total shipments of **1,036Kt Est.** (-4.1% q/q; -5.2% y/y); consolidated realized price of **R$5,155/t Est.** (+3.9% q/q; -7.4% y/y), net revenue/t rising faster than unit costs, margin expanding q/q; **(iv) MUSA:** Shipments of **2,167Kt Est.** (-12.0% q/q; -2.3% y/y), above-average seasonal rainfall in Minas Gerais compressing throughput; realized price of **R$381/t Est.** (-5.1% q/q; -8.0% y/y), benchmark softening and BRL appreciation (-3% q/q) compressing BRL realization; **(v) Net revenue** at **R$6.0bn Est.** (-2.4% q/q; -12.1% y/y), steel near-flat q/q as price offsets volume, mining the primary drag; **(vi) COGS/t:** Steel at **R$4,866/t Est.** (+2.5% q/q; -4.2% y/y), mix-driven with no slab or met coal passthrough in 1Q26; mining at **R$331/t Est.** (+8.0% q/q; +8.2% y/y), lower dilution, within seasonal variation; **(vii) EBITDA** at **R$367mn Est.** (-12.0% q/q; -49.9% y/y); steel R$285mn Est. (+25.8% q/q; -46.0% y/y) on mix/price recovery; mining R$81mn Est. (-56.2% q/q; -60.8% y/y) on volume, price and cost headwinds; **(viii)** Net income of **R$64mn Est.** (-50.1% q/q; -80.9% y/y), genuine operational compression, net margin at **1.1%** (-1.0p.p. q/q); **(viii)** In this context, while trade defense continues to evolve constructively, import overhangs through 1H26E and unresolved HRC uncertainty should partially offset the positive signals, keeping FCF generation (with less WC being released in 26E vs. 2025), clarity limited in the near term. Therefore, we maintain our **NEUTRAL rating** with a **12M Target Price** of **R$7.00**, implying a marginal **upside** of **+0.1%**.

Analysts

Igor Guedes
+55 (11) 3206-8286
igor.guedes@genial.com.vc

Luca Vello
+55 (11) 3206-1457
luca.vello@genial.com.vc

Vitor Sousa
+55 (11) 3206-8244
vitor.sousa@genial.com.vc

Company

USIM5 BZ Equity
Neutral

Price: R$ 6.98 (15-Apr-2026)
Target Price 12M: R$ 7.00

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

(R$ millions)	Genial Est.	Reported		Reported	
Income Statement	**1Q26E**	**4Q25**	**% q/q**	**1Q25**	**% y/y**
Net Revenue	6,029	6,175	**-2.4%**	6,858	**-12.1%**
Adjusted EBITDA	367	417	**-12.0%**	733	**-49.9%**
Net Income	64	129	**-50.1%**	337	**-80.9%**

Source: Usiminas, Genial Investimentos

Table 2. Income Statement Summary (1Q26 Genial Est.)

(Thousand Tonnes - kt)	Genial Est.	Reported		Reported	
Summary (Shipments)	**1Q26E**	**4Q25**	**% q/q**	**1Q25**	**% y/y**
Steel	1,036	1,081	**-4.1%**	1,093	**-5.2%**
Iron Ore	2,167	2,463	**-12.0%**	2,218	**-2.3%**

Source: Usiminas, Genial Investimentos

Usiminas will release its **1Q26** figures on **Apr. 24**, before the market opens. We believe the quarter should be defined by a **strategic inflection in steel**, with volume levels deliberately sacrificed in favor of margin, with both **mix and price edging up**, while mining (MUSA) absorbs a double hit from seasonal rainfall and benchmark softening, swinging from earnings buffer in 4Q25 to the primary consolidated drag in 1Q26E.

In the domestic market (**DM**), we estimate **shipments** of **925Kt Est.** (-3.5% q/q; -7.6% y/y), with a downtrend as we believe the company closed the tap on low-margin volumes previously directed at large distributors in the north and northeast regions. **Realized prices**, however, recover to **R$5,193/t Est.** (+3.9% q/q; -6.3% y/y), supported by the normalization of automotive exposure following 4Q25's collective vacations and Toyota production disruptions at Porto Feliz (SP) in Nov last year. In the foreign market (**FM**), **shipments** are set to decline sequentially to **111Kt Est.** (-9.0% q/q; +21.1% y/y), with the company retaining only higher-value export niches (primarily Argentine automotive segment) while shedding lower-value destinations. In aggregate (**DM+FM**), we project steel shipments of **1,036Kt Est.** (-4.1% q/q; -5.2% y/y) and a consolidated realized price (**DM+FM**) of **R$5,155/t Est.** (+3.9% q/q; -7.4% y/y). On the cost side, steel **COGS/t should rise** to **R$4,866/t Est.** (+2.5% q/q; -4.2% y/y), driven purely by costly mix mechanics as neither slab nor metallurgical coal upward price movements are flowing through the P&L this quarter.

In mining (**MUSA**), we forecast shipments of **2,167Kt Est.** (-12.0% q/q; -2.3% y/y), reflecting above-average seasonal rainfall in Minas Gerais (MG) compressing throughput — a decline somewhat above double digits q/q vs. a record 9.6Mt base in full year 2025 , a figure that we do not expect the company to repeat. **Realized prices** are set to soften to **R$381/t Est.** (-5.1% q/q; -8.0% y/y), as the benchmark averaged lower q/q and USD/BRL softened (-3% q/q). Mining **COGS/t** edges up to **R$331/t Est.** (+8.0% q/q; +8.2% y/y) on lower dilution, within normal seasonal variation.

As a result, we project total **Net Revenue** of **R$6.0bn Est.** (-2.4% q/q; -12.1% y/y), with consolidated **Adj. EBITDA** of **R$367mn Est.** (-12.0% q/q; -49.9% y/y). Among business units, **steel EBITDA** recovers to **R$285mn Est.** (+25.8% q/q; -46.0% y/y) on mix and price improvement, while **mining EBITDA** collapses to **R$81mn Est.** (-56.2% q/q; -60.8% y/y) under the combined pressure of lower volumes, softer prices, and modestly higher costs. EBITDA margin should settle at **6.1%** (-0.7p.p. q/q; -4.6p.p. y/y). Finally, **Net Income** should reach **R$64mn Est.** (-50.1% q/q; -80.9% y/y), reflecting genuine operational compression, unlike the 4Q25 recovery, which was driven by the absence of 3Q25's impairment distortions, with net margin at 1.1% (-1.0p.p. q/q; -3.8p.p. y/y).

1Q26 Preview: In detail!

Steel: DM with volume pressure q/q; mix recovery on price. We project domestic market (DM) shipments of 925Kt Genial Est. (-3.5% q/q; -7.6% y/y), reflecting a deliberate strategic shift toward margin preservation over volume, following the post-antidumping environment. We believe the company closed the tap on low-margin volumes previously directed at large distributors in the north and northeast regions, where usually traded below-target pricing solely to clear output. As a result, DM volumes should decline sequentially, even as underlying end-market demand holds steady.

We estimate realized prices recovering to R$5,193/t Genial Est. (+3.9% q/q; -6.3% y/y), supported by a meaningful improvement in product mix. The back-to-normal pace of production on the automotive segment in this quarter, following the extended collective vacations and Toyota production disruptions in Porto Feliz (SP) that weighed on 4Q25, should restore the contribution to the sales mix of higher value-added steel products in 1Q26. Combined with the shedding of low-margin and more commoditized steels, this sales mix improvement should drive realized price higher even as total shipment volumes contract.

Steel: FM with sharper volume decline; niche mix preserved. Foreign market (FM) shipments are projected at 111Kt Genial Est. (-9.0% q/q; +21.1% y/y), reflecting a more selective export strategy consistent with the margin-over-volume approach adopted for the quarter. In our view, the company is retaining exposure to higher-value export niches (primarily Argentine automotive segment) while reducing lower-value destination volumes. As a result, FM representativeness in the overall mix remains limited, but its quality improves.

We project realized prices at R$4,844/t Genial Est. (+3.6% q/q; -17.6% y/y), recovering modestly q/q as the exit from lower-value destinations supports average realization, even as the y/y comparison remains unfavorable (mainly linked to USD/BRL FX rates softness). We believe that Argentina, traditionally treated as closer to a domestic market given its automotive exposure, should anchor the export mix and partially offset the drag from reduced volumes elsewhere.

Steel: DM+FM with price recovery offsetting volume contraction. According to our view, the consolidated steel division (DM+FM) will be defined less by volume and more by repricing and mix rotation. We project total shipments of 1,036Kt Genial Est. (-4.1% q/q; -5.2% y/y), with sequential compression driven by the deliberate reduction in low-margin domestic and export redirection sales. We estimate a consolidated realized price (DM+FM) of R$5,155/t Genial Est. (+3.9% q/q; -7.4% y/y), with the q/q recovery underpinned by automotive mix regularization in DM and niche-only export retention in FM, consistent with our perception that the margin-over-volume pivot should translate into better price dynamics even as total shipments decline.

MUSA: Volume pressure from seasonality; price softer. The mining division (MUSA) should reflect a more pronounced sequential decline in shipments this quarter, driven by the seasonally heavier rainfall in the Minas Gerais (MG) region — which, came in more intense than the prior year — compressing operational throughput in the period. We project shipments of 2,167Kt Genial Est. (-12.0% q/q; -2.3% y/y), a decline somewhat above double digits q/q, consistent with a return to a more normalized seasonal baseline after a record-setting 2025 (9.6Mt in full year) that the company does not expect to repeat in 2026E.

We estimate realized price declining to R$381/t Genial Est. (-5.1% q/q; -8.0% y/y), reflecting two concurrent dynamics: **(i)** the benchmark softened on average during the quarter, with the quarter-end modestly above the mean but the period tracking lower values q/q; and **(ii)** the average USD/BRL FX rate dropped to R$5.26 (-3% q/q), compressing even more the realization in BRL.

Net revenue: Steel pricing offsets volume decline; mining drags. We project consolidated Net Revenue of R$6.0bn Genial Est. (-2.4% q/q; -12.1% y/y), with the sequential contraction now driven primarily by the mining division, while steel probably will deliver a flat top-line level despite lower shipments, with revenues of R$5.3bn Genial Est. (-0.4% q/q; -12.3% y/y), as the recovery in consolidated realized prices (+3.9% q/q Est.), underpinned by automotive mix normalization and the exit from low-margin volumes, largely offsets the sequential decline in shipments (-4.1% q/q Est.).

In mining (MUSA), we project revenues of R$825mn Genial Est. (-16.5% q/q; -10.1% y/y), with both volumes (-12.0% q/q Est.) and realized prices (-5.1% q/q Est.) declining simultaneously, the former driven by seasonal rainfall intensity in Minas Gerais (MG), and the latter by the softening of the iron ore benchmark and the appreciation of the BRL (-3% q/q), which compresses realization in local currency terms.

Table 3. Net Revenue Usiminas (1Q26 Genial Est.)

(R$ millions)	1Q26E Genial Est.	4Q25 Reported	% q/q	1Q25 Reported	% y/y
Net Revenue	**6,029**	**6,175**	**-2.4%**	**6,858**	**-12.1%**
Steel	5,343	5,364	-0.4%	6,089	-12.3%
Mining	825	988	-16.5%	917	-10.1%
Eliminations	(138)	(177)	-21.6%	(149)	-7.0%

Source: Usiminas, Genial Investimentos

Steel COGS/t: Upscaled by costly mix, not inputs. In the steel division, we project COGS/t of R$4,866/t Genial Est. (+2.5% q/q; -4.2% y/y), reflecting a sequential uptick driven primarily by the shift toward a more noble product mix rather than by raw material inflation. We believe that 1Q26E is not being affected by slab or metallurgical coal price increases, neither input has flowed through to unit costs in the quarter. The cost increase is therefore a mix-driven phenomenon: as the company rotates toward higher value-added products, particularly automotive, unit costs rise mechanically.

In the mining division (MUSA), we estimate COGS/t at R$331/t Genial Est. (+8.0% q/q; +8.2% y/y), rising q/q on lower volume dilution and a slight mix improvement toward higher-quality iron ore areas. We should emphasize, however, that this increase is characterized as within normal operational variation seeing last year in the 1Q25 (+11% q/q).

EBITDA: Steel recovery; mining going down. Our model points to an adjusted EBITDA clocking in at R$367mn Genial Est. (-12.0% q/q; -49.9% y/y), with the divisional composition shifting materially relative to last quarter. In steel, we project EBITDA of R$285mn Genial Est. (+25.8% q/q; -46.0% y/y), reflecting the combined benefit of higher realized prices and improved product mix, which more than offsets the sequential decline in shipments. We believe the margin-over-volume strategy should translate into a some level of recovery in steel profitability (4.7% Est. margin; +1p.p q/q), as realized prices rises more than unit costs, in our model, with the latter increasing purely on mix mechanics rather than raw material pressure, given that neither slab nor metallurgical coal upward costs are flowing through in the P&L this quarter.

EBITDA: Steel recovery; mining going down. Our model points to an adjusted EBITDA clocking in at R$367mn Genial Est. (-12.0% q/q; -49.9% y/y), with the divisional composition shifti ʒ materially relative to last quarter. In steel, we project EBITDA of R$285mn Genial Est. (+25.8% q/q; -46.0% y/y), reflecting the combined benefit of higher realized prices and improved product mix, which more than offsets the sequential decline in shipments. We believe the margin-over-volume strategy should translate into a some level of recovery in steel profitability (4.7% Est. margin; +1p.p q/q), as realized prices rises more than unit costs, in our model, with the latter increasing purely on mix mechanics rather than raw material pressure, given that neither slab nor metallurgical coal upward costs are flowing through in the P&L this quarter.

The mining division (MUSA), on the other hand, is expected to report EBITDA of R$81mn Genial Est. (-56.2% q/q; -60.8% y/y), bearing the combined weight of a pronounced volume decline (-12.0% q/q Est.) driven by above-average seasonal rainfall and softer iron ore realized prices (-5.1% q/q Est.), as the benchmark softened on average during the quarter and BRL/USD appreciation compressed BRL realization further. With both the top-line drivers moving adversely and costs rising modestly q/q, the mining division swings from being the earnings buffer in 4Q25 to the primary drag in 1Q26E. At the consolidated level, EBITDA margin should settle at 6.1% (-0.7p.p. q/q; -4.6p.p. y/y).

Table 4. EBITDA Usiminas (1Q26 Genial Est.)

(R$ millions)	1Q26E Genial Est.	4Q25 Reported	% q/q	1Q25 Reported	% y/y
Adjusted EBITDA	**367**	**417**	**-12.0%**	**733**	**-49.9%**
Steel	285	227	25.8%	528	-46.0%
Mining	81	185	-56.2%	206	-60.8%
Eliminations	1	6	-79.9%	(2)	-

Source: Usiminas, Genial Investimentos

Net Income: Operational compression drives sequential decline. We project consolidated Net Income of R$64mn Genial Est. (-50.1% q/q; -80.9% y/y), reflecting a genuine operational contraction rather than any accounting distortion. Unlike the 3Q25 → 4Q25 transition — which was a normalization from impairment charges and tax asset reversals — the sequential decline from 4Q25 is driven by weaker EBITDA (-12.0% Est. q/q), compounded by a deterioration in the financial result to -R$29mn Est. (+2.7% Est. q/q), as the favorable debt-reduction dynamics that supported 4Q25 should not repeat at the same magnitude.

Net margin should settle at 1.1% (-1.0p.p. q/q; -3.8p.p. y/y), a thin but positive result, consistent with a company navigating a challenging operating environment with a largely “delevered" balance sheet (-0.2x Net Debt/EBITDA) providing a floor to bottom-line losses.

Table 5. Income Statement Usiminas (1Q26 Genial Est.)

(R$ millions)	1Q26E Genial Est.	4Q25 Reported	% q/q	1Q25 Reported	% y/y
Net Revenue	**6,029**	**6,175**	**-2.4%**	**6,858**	**-12.1%**
COGS	(5,621)	(5,704)	-1.5%	(5,961)	-5.7%
Adjusted EBITDA	**367**	**417**	**-12.0%**	**733**	**-49.9%**
EBITDA Margin (%)	6.1%	6.8%	-0.7p.p	10.7%	-4.6p.p
EBIT	**115**	**134**	**-14.4%**	**438**	**-73.8%**
EBIT Margin (%)	1.9%	2.2%	-0.3p.p	6.4%	-4.5p.p
D&A	(301)	(325)	-7.4%	(311)	-3.2%
Financial Result	(29)	(9)	228.7%	20	-
Net Income	**64**	**129**	**-50.1%**	**337**	**-80.9%**
Net Margin (%)	1.1%	2.1%	-1p.p	4.9%	-3.8p.p

Source: Usiminas, Genial Investimentos

Our Take on Usiminas

A challenging year ahead, even with anti-dumping measures. The notable weak spot in steel demand at domestic compositions remains **(i)** agro-linked machinery (-6.2% y/y in 26E), and although household debt is at an all-time high (80.4% in March, with 30-50% of total income committed), the **(ii)** automotive sector is expected to grow +3.7% y/y in 26E, data by AFAVEA (vs. 1.5% Genial Est., as we are more conservative). On volumes, we still believe in **near-term constraints through 2Q26E**, driven by the overhang of imported material front-loaded **ahead of anti-dumping measures** — we saw a particularly sharp influx (+34% y/y) in Feb — though Mar expected arrivals moderated to below year-ago levels.

Our base case is that this **stockpile gets absorbed throughout the year**, with contracted import volumes already declining, pointing to a **progressively better market at 2H26E.** Even so, the full-year outlook does not seem very positive to us. Domestic sales could downtrend -1.7% y/y Est. to ~20.8Mt (semi-finished products + laminates), with apparent consumption growing just +1% Est. to 27Mt, as we expect imports to remain at elevated levels during 1H26E.

Anti-dumping effectiveness and triangulation risk. The company was notably less biased towards a no-go on anti-dumping measures related to election-year on inflation concerns (point we had raised) but flagged instead the **risk of trade triangulation** as the key vulnerability. **Egypt** is an **emblematic case**, given Brazil's bilateral zero-tariff agreement, which has allowed Chinese-origin material to re-route via Egyptian export channels; similar patterns are emerging from Korea and Vietnam.

That said, the company expressed confidence that the **government has its own institutional interest** in seeing the **measures prove effective**, given the technical effort invested in implementing them. On Korea specifically (11.4% of total steel imports into Brazil in 2025; +7.8p.p y/y), the commercial logic was seen as self-correcting over time. Korean mills, operating at negative margins, are unlikely to indefinitely price at Chinese-state-subsidized levels and will eventually seek a margin above spot, which would represent a meaningful improvement for domestic producers.

The net read was one of vigilance rather than alarm, with export mix also improving as the company pivots toward higher-value niches such as Argentine automotive.
We maintain a **cautious stance nonetheless**: while management's confidence on enforceability is noted, we see limited probability that implementation intensity will be sufficient to materially alter competitive dynamics, especially for more tradable products, such as HRC, with the Ministry of Trade (MDIC) set to rule on the anti-dumping measure in Dec. So, for us the risks are still skewed toward **softer-than-needed enforcement**, and insufficient to fully offset structural Chinese competitiveness.

HRC: The key remaining catalyst. Our thought is that **HRC anti-dumping measure is viewed as the real prize,** given its substantially larger volume exposure. For context, **60–65%** of Brazil's **4Mt of flat steel imports** in 2025 were sourced from China, with cold-rolled coil and coated shipments alone exceeding 1.5Mt over the past 12M. The company was candid about the **difficulty of calling the outcome** — the preliminary report opened the door to a mid-year decision (Jun/Jul), though the **formal deadline** runs to **Dec**, leaving significant uncertainty. The addition of +4 NCMs to the scope of existing measures was also highlighted as a constructive development, even if its downstream implications remain to be seen. With current quota system measures up for renewal in Jun, the government's next move on that front adds another layer of near-term policy optionality to monitor.

The real prize is still ahead. While the steel division will probably execute a deliberate price-over-volume pivot (+1p.p q/q Est. gain in EBITDA margin), shedding low-profitability distributor exposure in favor of a better mix, on the other hand, mining (MUSA) swings from earnings buffer last quarter to the primary consolidated drag this one, under above-average seasonal rainfall for a 1Q negative affecting shipments and a softer iron ore benchmark. The net result points to consolidated Adj. EBITDA decreasing instead, with the full-year setup equally challenging: elevated **front-loaded imports**, surging +34% y/y in Feb (IABr data) ahead of anti-dumping implementation, should **sustain volume overhangs through 1H26E**, though contracted import volumes are already declining, pointing to a **progressively better market at 2H26E.**

On **trade defense**, the conversation has evolved in a meaningful direction. **Triangulation risk** — most visible via Egypt's zero-tariff bilateral agreement enabling Chinese re-routing—, with similar patterns emerging from Korea and Vietnam — has emerged as the **central structural vulnerability**, partially displacing election-year inflation concerns as the primary enforcement constraint. Our energy, however, stays at **the real prize**: **HRC anti-dumping**, given its substantially larger volume exposure, where a preliminary ruling could arrive by Jun/Jul/26, though the **formal deadline extends to Dec** (we believe that the full term will be used). As before, we opted to be prudent. Our base case is still related to enforcement intensity (we expect it to be below 25%), which we assume is **unlikely to be sufficient** to materially reshape competitive dynamics, particularly for more tradable products.

In this context, while trade defense continues to evolve constructively, import overhangs through 1H26E and unresolved HRC uncertainty should partially offset the positive signals, keeping FCF generation (with less WC being released in 26E vs. 2025), clarity limited in the near term. Therefore, we maintain our **NEUTRAL rating** with a **12M Target Price** of **R$7.00**, implying a marginal **upside** of **+0.1%**.

Appendix: Usiminas

Figure 1. Usiminas – Income Statement in R$ Millions (Genial Est. 26-29)

Income Statement	2026E	2027E	2028E	2029E
Net Revenue	**26.106**	**26.139**	**26.294**	**26.688**
(-) COGS	(24.439)	(24.154)	(23.899)	(24.270)
Gross Profit	**1.667**	**1.985**	**2.394**	**2.418**
(-) Expenses	(1.296)	(1.244)	(1.250)	(1.260)
Adjusted EBITDA	**1.613**	**1.983**	**2.394**	**2.417**
(-) D&A	(1.263)	(1.257)	(1.261)	(1.274)
EBIT	**371**	**741**	**1.144**	**1.158**
(+/-) Financial Result	(149)	(145)	(145)	(147)
(-) Taxes	(49)	(112)	(152)	(154)
Net income	**172**	**483**	**847**	**863**
Profitability				
Net margin (%)	0,7%	1,8%	3,2%	3,2%

Figure 2. Usiminas– Cash Flow in R$ Millions (Genial Est. 26-29)

Cash Flow (FCFF)	2026E	2027E	2028E	2029E
Net Revenue	**26.106**	**26.139**	**26.294**	**26.688**
(-) COGS	(24.439)	(24.154)	(23.899)	(24.270)
Adjusted EBITDA	**1.613**	**1.983**	**2.394**	**2.417**
EBIT	**371**	**741**	**1.144**	**1.158**
(-) Taxes	(49)	(112)	(152)	(154)
(+) D&A	1.263	1.257	1.261	1.274
(+/-) Δ WK	771	261	263	267
(-) Capex	(1.600)	(1.300)	(1.300)	(1.300)
FCFF	**755**	**847**	**1.216**	**1.246**

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Genial Rating

	Definition	Coverage
Buy	Expected return above +10% in relation to the Company's sector average	**49%**
Neutral	Expected return between +10% and -10% relative to the Company's industry average	**41%**
Sell	Expected return below -10% in relation to the Company's sector average	**5%**
under Review	Under review	**5%**

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