

VALE

1Q26 Preview: Sales outrun rain, thesis anchors bulls

LatAm Metals & Mining

Main takeaways:

(i) Iron ore production of **69.7Mt** (+0.9% vs. Est.; -22.9% q/q; +3.0% y/y), reflecting rainy season constraints across all systems, with S11D (PA) setting a 1Q record at 19.8Mt and Capanema (MG) on track for full ramp-up in 2Q26E; fines shipments of **59.4Mt** (+2.4% vs. Est.; -19.2% q/q; +4.7% y/y), with 5.5Mt of inventory drawdown from in-transit stocks built in 2H25; realized price at **US\$95.8/t** (-0.3% vs. Est.; +0.5% q/q; +5.5% y/y), fines premium recovering to **US\$4.1/t** (+US\$2.6/t q/q), with high-silica products nearly eliminated at 1.2% of mix; **(ii)** Pellet production of **8.2Mt** (+13.1% vs. Est.; -1.5% q/q; +13.7% y/y), with Oman impact contained via Tubarão (ES) redirection, though restart delayed to end-3Q26E; shipments at **7.7Mt**; realized price at **US\$133.8/t** (-1.5% vs. Est.; +1.8% q/q; -5.0% y/y), still pressured by weak mill margins and Samarco supply; **(iii)** Nickel production of **49Kt** (+2.1% vs. Est.; +6.5% q/q; +12.3% y/y), with Voisey's Bay (NL) and Onça Puma (PA) both setting 1Q26 records; shipments at **45Kt**, below production as inventory built ahead of 2Q26E maintenance; realized price at **US\$17,015/t** (+13.3% q/q; +5.6% y/y); **(iv)** Copper production of **102Kt** (+8.7% vs. Est.; -5.5% q/q; +12.5% y/y), with Sossego (PA) at 29.0Kt ahead of planned 110-day SAG mill stoppage in 2H26; shipments at **91Kt**; realized price at **US\$13,143/t** (+3.8% vs. Est.; +19.4% q/q; +47.8% y/y); **(v)** Net revenue of **US\$9.4bn Est.** (-15.2% q/q; +15.5% y/y); **(vi)** C1/t ex. third parties at **US\$23.8/t Est.** (+12.0% q/q; +13.5% y/y), reflecting FX headwind, CPP carryover and Aliança drag; **(vii)** Proforma EBITDA of **US\$4.1bn Est.** (-15.8% q/q; +26.8% y/y); **(viii)** 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 **+3.4%**.

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Company

VALE US Equity
Neutral

Price: US\$ 17.43 (16-Apr-2026)
Target Price 12M: US\$ 17.00 (NYSE)

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

Vale released its **1Q26 Production and Sales Report** yesterday, **Apr. 16**, after the market closed. We believe that the positive highlights go to **(i)** VBM operations, where both copper and nickel delivered production and price beats on the back of a sharp LME-driven upshift, and **(ii)** iron ore fines shipments, which came in ahead of our estimate (+59.4Mt; +2.4% vs. Est.; +1.3% vs. BBG Consensus), supported by a **larger-than-expected inventory drawdown**. On the financial side, these operational beats contribute to an **upward revision** in our **Proforma EBITDA** to **US\$4.1bn Est.** (+2.6% vs. Old Est.; -15.8% q/q; +26.8% y/y). The financial results will be released on **Apr. 28**, also after the market closes.

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

(Thousand Tonnes - kt)	Reported	Genial Est.		Reported	Reported		Reported	
Summary	1Q26	1Q26E	% Diff.	1Q26	4Q25	% q/q	1Q25	% y/y
Iron Ore Production	69,675	69,085	0.9%	69,675	90,403	-22.9%	67,664	3.0%
Iron Ore Fines Shipments	59,436	58,055	2.4%	59,436	73,566	-19.2%	56,762	4.7%
Pellets Production	8,169	7,220	13.1%	8,169	8,325	-1.9%	7,184	13.7%
Pellets Shipments	7,699	7,506	2.6%	7,699	9,056	-15.0%	7,493	2.7%

Source: Genial Investimentos, Vale

First, **iron ore production** totaled **69.7Mt** (+0.9% vs. Genial Est.; -22.9% q/q; +3.0% y/y), reflecting the expected sharp seasonal step-down consistent with the rainy season constraining mining fronts across all systems, while the y/y expansion continues to be supported by the Capanema (MG) and VGR1 (MG) ramp-ups. S11D (PA) reached a new 1Q production record of **19.9Mt** (+0.5Mt y/y), reinforcing its flagship status. Iron ore fines shipments totaled **59.4Mt** (+2.4% vs. Est.; -19.2% q/q; +4.7% y/y), coming in ahead of our estimate with 5.5Mt of inventory consumption — larger than anticipated — reflecting the drawdown of in-transit stocks built up during 2H25, with the total production-to-sales gap tracking more closely than expected at **1.4%** (vs. **2.2% Est.**).

The **realized price of iron ore fines** reached **US\$95.8/t** (-0.3% vs. Est.; +0.5% q/q; +5.5% y/y), basically in line with our estimate, with the fines premium (adj. for the 61% Fe index) recovering to **US\$4.1/t** (+US\$0.5/t vs. Est.; +US\$2.6/t q/q), reflecting higher market premiums for low-alumina products and the company's medium-grade/blended portfolio strategy, only partially offset by provisional pricing adjustments from the prior period. In the sales mix breakdown, IOCJ continued to be deprioritized at 3.8Mt (-24% q/q; -16.6% y/y), while **high-silica products** were nearly eliminated at 0.7Mt (-83.8% q/q; -65.2% y/y), accounting for **just 1.2% of sales mix** (down -2p.p vs. Est.; -2.3p.p y/y), reflecting the company's deliberate exit from lower-value material.

On **pellets, production** totaled **8.2Mt** (+13.1% vs. Est.; -1.5% q/q; +13.7% y/y), well above our estimate as the redirection of Oman feed to Tubarão (ES) contained the disruption impact more effectively than assumed, with company's **guidance of 30–34Mt 26E** remaining unchanged. **Shipments** reached **7.7Mt** (+2.6% vs. Est.; -15% q/q; +2.7% y/y), closely tracking production, while the **realized price** averaged **US\$133.8/t** (-1.5% vs. Est.; +1.8% q/q; -5.0% y/y), recovering sequentially on higher pellet premiums but still capped vs. historical levels by weak demand in Europe and Japan.

Within **VBM, copper** stood out as the strongest performer, with **production of 102Kt** (+8.7% vs. Est.; -5.5% q/q; +12.5% y/y), led by Sossego's (PA) pre-maintenance throughput push to its second-highest 1Q output ever, alongside a **realized price of US\$13,143/t** (+3.8% vs. Est.; +19.4% q/q; +47.8% y/y), clearly tracking the LME upshift. **Nickel production** reached **49Kt** (+2.1% vs. Est.; +6.5% q/q; +12.3% y/y), with Onça Puma (PA) also achieving its highest 1Q output ever and Voisey's Bay (NL) delivering a record 1Q at Long Harbour, though **shipments of 45Kt** (+4.7% vs. Est.; -9.7% q/q; +15.2% y/y) came in below production as the company deliberately built inventory ahead of planned 2Q26E refinery maintenance. The **realized price** clocked in at **US\$17,015/t** (-2.3% vs. Est.; +13.3% q/q; +5.6% y/y) tracked the LME recovery but fell slightly short of our estimate.

Subtle changes in the 1Q26 projection

As operational data came **ahead of expectations** across (i) production, (ii) shipments (both on all metals) and realized price (only in copper), we have revised our estimates upward relative to our prior projections. **Net Revenue** is now projected at **US\$9.4bn Genial Est.** (+2.8% vs. Old Est.; -15.2% q/q; +15.5% y/y), reflecting stronger-than-expected contributions from copper and nickel, partially offset by the seasonal ferrous step-down.

C1/t ex-third parties remain unchanged at **US\$23.8/t Genial Est.** (flat vs. Old Est.; +12.0% q/q; +13.5% y/y), as the cost drivers outlined previously remain unrevised. Sales of third-party iron ore totaled 6.7Mt (flat vs. Est.; +9% q/q; -15.9% y/y).

As a result, **Proforma EBITDA** is now projected at **US\$4.1bn Genial Est.** (+2.6% vs. Old Est.; -15.8% q/q; +26.8% y/y), modestly above our prior estimate, reflecting the stronger revenue realization from VBM while the cost base remains in line with what our model already predicted. Finally, **Net Income** should reach **US\$2.9bn Genial Est.** (+3.1% vs. Old Est.; reversing loss q/q; +105.8% y/y), moving slightly above our previous projection as well, reflecting the EBITDA improvement vs. Old Est. and the normalization of the non-recurring, non-cash charges that depressed 4Q25.

Table2. New 1Q26 Est. vs. Old one

(US\$ millions)	Genial Est.	Old Est.	
Income Statement	1Q26E	1Q26E	% Diff.
Net Revenue	9,378	9,124	2.8%
Proforma EBITDA	4,073	3,969	2.6%
Net Income	2,873	2,785	3.1%

Source: Genial Investimentos

Table3. New 1Q26 Est. vs. 4Q25 and 1Q25

Genial Est.	Reported		Reported	
1Q26E	4Q25	% q/q	1Q25	% y/y
9,378	11,061	-15.2%	8,119	15.5%
4,073	4,835	-15.8%	3,212	26.8%
2,873	(4,243)	-	1,396	105.8%

Source: Genial Investimentos

Preview 1Q26: In detail!

Iron ore: Rainy season weighs; Capanema full ramp-up in 2Q26E. Iron ore production totaled 69.7Mt (+0.9% vs. Genial Est.), coming in slightly above our estimate despite the expected sharp seasonal step-down of -22.9% q/q, in harmony with the rainy season constraining mining fronts across all systems in 1Q. On an annual basis, output advanced +3.0% y/y, supported by ongoing ramp-ups at Capanema (MG) and Vargem Grande (MG), partially neutralized by rainfall-related disruptions and the temporary suspension at Fábrica (MG) and Viga (MG) following the water outflow incident in late Jan.

In the Northern System, production totaled 33.2Mt (-1.2Mt y/y), reflecting lower ROM availability at Serra Norte (PA), partly offset by portfolio optimization within the mine plan. S11D (PA) reached a new 1Q production record of 19.9Mt (+0.5Mt y/y), driven by ongoing asset reliability initiatives and increased utilization of mobile equipment, reinforcing its flagship status.

In the Southeastern System, output rose to 19.2Mt (+3.1Mt y/y), despite higher rainfall and a 5-day railway interruption, supported by **(i)** the continued ramp-up of Capanema (MG), on track to reach full capacity in 2Q26E, lifting up Mariana complex (MG) to reach 9.6 Mt (+1.2% vs. Est; 18.8% y/y); **(ii)** stronger performance at Brucutu (MG), also setting its highest 1Q output since 2018 following the increased throughput of the 4th and 5th processing lines, and **(iii)** reduced downtime at the Itabira Complex (MG). In the Southern System, production downgraded -2% y/y, at 10.4Mt with above-average rainfall weighed on the Paraopeba Complex (MG) — particularly at Viga and Fábrica — with the impact partially cushioned by the VGR1 ramp-up at the Vargem Grande Complex (MG).

Iron Ore Fines: Inventory drawdown tracks output. Iron ore fines shipments totaled 59.4Mt (+2.4% vs. Genial Est.), coming in ahead of our estimate, despite declining -19.2% q/q (consistent with typical 1Q seasonality) while advancing +4.7% y/y. Unlike the inventory dynamics seen in 2H25 (build-up of 6.3Mt), we have modeled a more seasonal relationship between output and sales, with some level of inventories release.

However, the company surprised us slightly with total shipments (fines + pellets) tracking production more closely than predictable (1.4% vs. 2.2% Est.), with 5.5Mt (vs. 1.5Mt at 1Q25) of inventory consumption reflecting the drawdown of in-transit inventories built up during 2H25. Although we had already expected a greater proximity between sales/production (0.6p.p closer vs. 1Q25), due to the release of inventory, the magnitude was greater than anticipated.

Table 4. Production Summary Vale (1Q26 vs. Genial Est.)

Production Summary (Kt)	1Q26			4Q25			1Q25	
	Reported	Genial Est.	% R/E	Reported	Reported	% q/q	Reported	% y/y
Iron Ore ¹	69,675	69,085	0.9%	69,675	90,403	-22.9%	67,664	3.0%
Pellets	8,169	7,220	13.1%	8,169	8,325	-1.9%	7,184	13.7%
Nickel	49	48	2.1%	49	46	6.5%	44	12.3%
Copper	102	94	8.7%	102	108	-5.5%	91	12.5%

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

Source: Genial Investimentos, Vale

Table 5. Shipments Summary Vale (1Q26 vs. Genial Est.)

Shipments Summary (Kt)	1Q26			4Q25			1Q25	
	Reported	Genial Est.	% R/E	Reported	Reported	% q/q	Reported	% y/y
Iron ore fines	59,436	58,055	2.4%	59,436	73,566	-19.2%	56,762	4.7%
Pellets	7,699	7,506	2.6%	7,699	9,056	-15.0%	7,493	2.7%
ROM	1,578	1,969	-19.9%	1,578	2,252	-29.9%	1,887	-16.4%
Nickel	45	43	4.7%	45	50	-9.7%	39	15.2%
Copper	91	86	6.7%	91	107	-14.7%	82	11.4%

¹ Including third-party purchases

Source: Genial Investimentos, Vale

Table 6. Realized Price Vale (1Q26 vs. Genial Est.)

Realized Price (US\$/t)	1Q26			4Q25			1Q25	
	Reported	Genial Est.	% R/E	Reported	Reported	% q/q	Reported	% y/y
Iron ore fines	95.8	96.1	-0.3%	95.8	95.4	0.5%	90.8	5.5%
Pellets	133.8	135.9	-1.5%	133.8	131.4	1.8%	140.8	-5.0%
Nickel	17,015	17,417	-2.3%	17,015	15,016	13.3%	16,106	5.6%
Copper	13,143	12,665	3.8%	13,143	11,003	19.4%	8,890	47.8%

Source: Genial Investimentos, Vale

Iron Ore Fines: Price in line; premiums recover more. The realized price of iron ore fines reached US\$95.8/t (-0.3% vs. Genial Est.), in line with our estimate, advancing +0.5% q/q and +5.5% y/y. The sequential improvement was driven primarily by the upshift in the 61% Fe reference curve — a benchmark the market is increasingly relying upon as transaction quality gravitates toward slightly lower-grade material — alongside a meaningful recovery in product premiums. Fines premium (adj. for the 61% Fe index) totaled US\$4.1/t (+US\$0.5/t vs. Est.), also increasing +US\$2.6/t q/q, reflecting the company's portfolio strategy and higher market premiums for low-alumina products, only partially neutralized by the negative impact of provisional pricing adjustments carried over from the prior period.

On the product mix, the company's medium-grade and blended strategy remains firmly in place, with BRBF still the dominant product at 30.2Mt (-17.0% q/q; -15.7% y/y), accounting for ~51% of iron ore fines sales (in line vs. Est.). Notably, we found the sharp acceleration in Pellet Feed – China (PFC) to 9.1Mt (+11.2% q/q; +130.9% y/y) and Mid-Grade Carajás to 7.7Mt (-27.1% q/q; +140.3% y/y), to be slightly above expected, with the latter declining sequentially from an exceptionally strong 4Q25. Consistent with the portfolio optimization trend observed throughout 2025, IOCJ continued to be deprioritized at 3.8Mt (-24.0% q/q; -16.6% y/y), while high-silica products were nearly eliminated at 0.7Mt (-83.8% q/q; -65.2% y/y), accounting for just 1.2% of sales mix (down -2p.p vs. Est.; -2.3p.p y/y), reflecting the company's deliberate exit from lower-value material in the current market environment.

Pellets: Oman limits less output than assumed; prices recover. Pellet production totaled 8.2Mt (+13.1% vs. Genial Est.), coming in meaningfully above our estimate but declining -1.5% q/q and advancing +13.7% y/y, driven by higher output at the Tubarão (ES) pelletizing plants on the back of greater pellet feed availability from Itabira (MG). The outperformance vs. our estimate reflects a less severe-than-anticipated impact from the Oman plant disruption.

Although production at the Oman facility was halted in mid-March for planned annual maintenance — compounded by logistical constraints stemming from geopolitical tensions in the Middle East, which are expected to delay the restart to end-3Q26E — pellet feed originally allocated to Oman was successfully redirected to Tubarão (ES), keeping the overall production impact contained. Company's guidance of 30–34Mt 26E remains unchanged. Pellet shipments totaled 7.7Mt (+2.6% vs. Genial Est.), declining -15.0% q/q but advancing +2.7% y/y. The realized price averaged US\$133.8/t (-1.5% vs. Genial Est.), rising +1.8% q/q and -5.0% y/y, supported by higher quarterly pellet premiums and the upshift in the 61% Fe reference curve, though still below the US\$141/t reported in 1Q25 as the demand backdrop in key consuming regions (particularly Europe and Japan) remains challenged, with steel mill margins under continued pressure from Chinese export competition and Samarco's gradual volume recovery keeping the pellet market well supplied.

Nickel: Production up by double digits y/y; inventory build ahead. Nickel production totaled 49Kt (+2.1% vs. Genial Est.), coming in above our estimate and advancing +6.5% q/q and +12.3% y/y, reflecting broad-based operational improvement across VBM's portfolio. At Voisey's Bay (NL), own-sourced finished nickel production reached 10.5Kt (+4.0Kt y/y), underpinned by strong ore output at the underground mines and record 1Q26 performance at the Long Harbour refinery.

In Brazil, Onça Puma (PA) delivered 8.9Kt, its highest 1Q26 output ever (+3.5Kt y/y), driven by solid performance of the second furnace. Partially offsetting these gains, Thompson (ON) production declined to 1.2Kt (-2.4Kt y/y), impacted by a pipeline blockage aggravated by weather conditions, which has since been resolved. We note that in Feb, VBM signed an agreement to create a new consortium for the Thompson Nickel Belt, in which VBM will retain an 18.9% stake — a transaction expected to close by end-2026.

Shipments totaled 45Kt (+4.7% vs. Genial Est.), declining -9.7% q/q and advancing +15.2% y/y, coming in below production by 4.5Kt as the company deliberately built inventory ahead of planned refinery maintenance in 2Q26E. We emphasize that this dynamic is the inverse of 4Q25, when a planned drawdown temporarily pushed sales above output. The realized price averaged US\$17,015/t (-2.3% vs. Genial Est.), advancing +13.3% q/q and +5.6% y/y, tracking the LME nickel curve higher over the period, though falling slightly short of our estimate.

Copper: Sossego pre-stoppage pushed production up; prices upshift. Copper production totaled 102Kt (+8.7% vs. Genial Est.), clocking in at above our estimate, despite declining -5.5% q/q and advancing +12.5% y/y, reflecting the expected seasonal step-down from 4Q25 alongside a broad-based operational delivery across VBM's copper assets. In Brazil, Sossego (PA) was the standout performer, reaching 29.0Kt (+13.0Kt y/y), consolidating its second-highest 1Q output ever, driven by strong mill throughput as the operation maximized production ahead of the planned 110-day SAG mill maintenance in 2H26.

Salobo (PA) contributed steadily at 52.8Kt (+0.5Kt y/y), supported by stable mine-mill operations throughout the quarter. In Canada, production declined to 20.4Kt (-2.2Kt y/y), impacted by unusual snowstorms at Sudbury and unplanned maintenance at the Clarabelle mill (both of which have since been resolved), with the disruption isolated to copper concentrate, as nickel production was buffered by sufficient concentrate inventories.

Shipments totaled 91Kt (+6.7% vs. Genial Est.), down -14.7% q/q but accelerating +11.4% y/y, closely tracking production and reflecting a balanced production-sales dynamic with no material inventory distortion. The realized price reached US\$13,143/t (+3.8% vs. Genial Est.), advancing +19.4% q/q and +47.8% y/y, clearly following the LME copper curve higher over the period, driven by **(i)** uptrend benchmark prices, **(ii)** favorable final settlements within the current pricing environment, and **(iii)** lower TC/RC discounts.

Net Revenue: Seasonality offsets VBM pricing strength. We are projecting the consolidated Net revenue clocking in at US\$9.4bn Genial Est. (-15.2% q/q; +15.5% y/y), reflecting the sharp seasonal step-down in ferrous volumes from 4Q25, only partially offset by continued strength in VBM. We draw attention to copper performance, where the LME upshift delivered a materially stronger realized price. On a sequential basis, the decline is driven primarily by iron ore fines, where revenue is expected to compress to US\$5.7bn Est. (-18.8% q/q; +10.5% y/y), reflecting the combination of **(i)** lower seasonal shipments (-19.2% q/q) and just a **(ii)** soft realized price increase (+0.5% q/q). Pellets also contribute negatively at US\$1.0bn Est. (-13.4% q/q; -2.4% y/y), weighed down by lower volumes, despite a modest price recovery q/q.

Within VBM, copper operations are projected at US\$1.4bn Est. (-9.3% q/q; +57.8% y/y), with the sequential softening explained by shipments going down on seasonality, neutralizing the strong pricing tailwind. Nickel operations are estimated at US\$1.3bn Est. (-4.5% q/q; +30.9% y/y), as lower sales levels are partially cushioned by the sharp recovery in realized prices. In the annual comparison, growth should be broad-based, with copper, nickel and iron ore fines leading the expansion, as higher sales and realized prices across VBM and iron ore fines (+5.5% y/y) should drive the overall revenue uplift.

Table 7. Net Revenue Vale (1Q26 Genial Est.)

(US\$ millions)	1Q26E	4Q25	% q/q	1Q25	% y/y
	Genial Est.	Reported		Reported	
Net Revenue	9,378	11,061	-15.2%	8,119	15.5%
Iron Ore Fines	5,694	7,016	-18.8%	5,154	10.5%
Pellets	1,030	1,190	-13.4%	1,055	-2.4%
Others	(35)	(38)	-8.6%	41	-
Nickel Operations	1,269	1,328	-4.5%	969	30.9%
Copper Operations	1,420	1,565	-9.3%	900	57.8%

Source: Genial Investimentos, Vale

C1/t: FX headwind and CPP carryover drive y/y pressure. Our model points to C1/t ex-third parties at US\$23.8/t Genial Est. (+12.0% q/q; +13.5% y/y), with no change to our prior assumptions. The y/y increase should reflect three compounding factors as said before: **(i)** the average USD/BRL FX rate dropped -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 upshift relative to 1Q25; **(ii)** the CPP (production cost) deteriorated in 4Q25 to US\$21.4/t (+US\$3.5/t y/y), with 30–40% of that flowing into the following quarter's C1 via inventory turnover, adding a further +US\$1/t carryover drag; and **(iii)** the deconsolidation of Aliança Energia (effective 3Q25) continues to contribute a structural +US\$0.3–0.4/t move per quarter.

EBITDA: Sharp seasonal q/q decline; strong y/y expansion. Consolidated Proforma EBITDA should total US\$4.1bn Genial Est. (-15.8% q/q; +26.8% y/y), reflecting the sharp seasonal step-down in ferrous volumes from 4Q25 alongside higher unit costs, only partially offset by VBM strength, particularly copper's robust pricing environment. On a sequential basis, the decline should be led by iron ore fines, which despite remaining the largest EBITDA contributor in absolute terms, probably will compress to US\$2.5bn Est. (-26.6% q/q; +7.4% y/y), driven by lower seasonal shipments and the higher C1/t base. Our model points to Pellets contribution at US\$482mn Est. (-8.5% q/q; -10.0% y/y), with profitability remaining constrained by still-depressed premium economics vs. historical levels, although it has improved slightly q/q.

Within VBM, copper operations are set to provide a meaningful offset at US\$937mn Est. (-11.6% q/q; +71.6% y/y), benefiting from the strong LME-driven price realization despite lower sequential shipments. Nickel operations should clock in at US\$279mn Est. (-22.2% q/q; +5.8x y/y), with the sharp y/y expansion reflecting the low base of 1Q25, when margins were severely compressed by the Indonesian oversupply. In the annual comparison, EBITDA growth should be broad-based and robust, with VBM leading the expansion and iron ore fines contributing positively on higher prices and sales, more than offsetting the structural weakness in pellets.

Table 8. EBITDA Vale (1Q26 Genial Est.)

(US\$ millions)	1Q26E	4Q25	% q/q	1Q25	% y/y
	Genial Est.	Reported		Reported	
Proforma EBITDA	4,073	4,835	-15.8%	3,212	26.8%
Iron Ore Fines	2,505	3,415	-26.6%	2,333	7.4%
Pellets	482	527	-8.5%	536	-10.0%
Nickel Operations	279	358	-22.2%	41	579.6%
Copper Operations	937	1,060	-11.6%	546	71.6%
Others	(130)	(525)	-75.2%	(244)	-46.6%

Source: Genial Investimentos, Vale

Net income: Turnaround as normalized non-recurring items. Net income should reach US\$2.9bn Genial Est. (reversing loss q/q; +105.8% y/y). On a sequential basis, the turnaround should be driven primarily by the absence of the non-recurring, non-cash charges that depressed 4Q25 — namely **(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)** the US\$2.8bn write-off of deferred tax assets from subsidiaries recorded under income taxes — both of which have no cash effect and should not repeat in 1Q26. In the annual comparison, the more than doubling vs. 1Q25 should be supported by a materially stronger EBITDA, reflecting higher realized prices and VBM volume growth across copper and nickel, alongside favorable financial result normalization.

Table 9. Income Statement Vale (1Q26 Genial Est.)

(US\$ millions)	1Q26E	4Q25	% q/q	1Q25	% y/y
	Genial Est.	Reported		Reported	
Net Revenue	9,378	11,061	-15.2%	8,119	15.5%
COGS	(6,141)	(6,780)	-9.4%	(5,451)	12.6%
Proforma EBITDA	4,073	4,835	-15.8%	3,212	26.8%
Margin (%)	43.4%	43.7%	-0.3p.p	39.6%	3.9p.p
EBIT	2,451	(697)	-	1,799	36.2%
Margin (%)	26.1%	-6.3%	-	22.2%	4p.p
D&A	(785)	(860)	-8.8%	(704)	11.5%
Financial Result	233	(1,039)	-	185	25.7%
Net Income	2,873	(4,243)	-	1,396	105.8%
Margin (%)	30.6%	-38.4%	-	17.2%	13.4p.p

Source: Genial Investimentos, Vale

Our Take on Vale

Railway concession renovations updates. Company's Board of Directors approved on 16/Apr the continuation of negotiations with Department of Transportation (MT), National Land Transport Agency (ANTT), Infra S.A., and the Attorney General's Office (AGU) on the **optimization of the concession contracts** for the Carajás railway (**EFC**) and Vitória/Minas railway (**EFVM**), both extended through 2057 under terms agreed in Dec/2020 (under the previous federal administration).

The update follows the general framework established on 30/Dec of 2024, under which Vale committed up to **~R\$11bn** toward asset base reviews, contractual obligation optimizations, and **investment replanning** across the two railways, part of a broader **~R\$17bn** package that includes an upfront **R\$4bn** payment to the federal government and **~R\$6bn in cross-investments** earmarked for new railway infrastructure. Conclusion of the optimization process **remains contingent on ratification by authorities**. Until that approval is secured, a **degree of regulatory overhang persists** over company's logistics backbone.

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.

Sales outrun rain, thesis anchors bulls. 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 **1Q26 operational results** reflected **(i)** iron ore production constrained by the rainy season, though fines shipments came in ahead of estimates on a larger-than-expected inventory drawdown, **(ii)** pellets disrupted by Oman maintenance, with the redirection of feed to Tubarão (ES) containing the impact more effectively than assumed, and **(iii)** VBM delivering beats on both copper and nickel, driven by a sharp LME-led upshift in realized prices. On balance, the operational report was **better than predicted**, contributing to an **upward revision** in our **Proforma EBITDA** (+2.6% vs. Old Est), but also insufficient to change our narrative for now.

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 25 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 markers** 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 **+3.4%**.

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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