

CSN

Infrastructure stake sale

LatAm Metals & Mining

What changed?

CSN has stepped up the sale of a minority interest in its infrastructure arm, a perimeter the company values at up to **R\$21bn** and that groups its stake in the MRS Logística railway, the Tecar (iron-ore) and Tecon (container) terminals at Itaguaí, and the Grupo Tora trucking business. Management intends to place **20–40%** of the platform while keeping control, an operation that would raise an estimated **R\$5–8bn** in cash. The transaction sits inside the broader **R\$15–18bn** asset-recycling program announced on **Jan/15**, which also includes the sale of control of CSN Cements.

We treat this as an event to be sized, **not a thesis change** (for now). The question that matters for our numbers is narrow: with the equity now a thin, highly levered sliver — an R\$8bn market cap against R\$40.5bn of net debt — value accrues to shareholders almost entirely through the balance sheet. So, we run the cash through one lens: what R\$5–8bn of proceeds does to leverage and, from there, to recurring FCF. We stop at the FCF line and leave the rating, estimates and TP unchanged pending signed agreements.

The transaction in context

The infrastructure leg is the more tractable half of the recycling plan. It is a partial sale to a known buyer pool — infrastructure funds and strategic partners — rather than a change of control, and the assets are mature and cash-generative, which shortens the path to signing. Management has guided MOUs within roughly a month of late-Mar commentary, a shortlist about 2M later, and **definitive agreements** between **3Q26–4Q26E**. Citi and Bradesco are advising.

Liquidity has already been bridged. In mid-Apr, CSN signed a 5Y syndicated loan of **US\$1.2bn** (expandable to US\$1.4bn) priced at US rates +6.4% p.a., secured on the cement operation, explicitly to pre-fund part of the expected proceeds and term out 2026–27E maturities. That removes near-term refinancing risk but introduces a senior secured claim ahead of existing creditors — a reason CSN and even CSN Mining debentures have traded under pressure while the sale remains unsigned. **Execution timing, not liquidity, is now “the variable”**.

Deleveraging: where leverage lands

Applying proceeds in **full debt reduction**, the infrastructure sale alone takes net leverage from **3.4x** toward the **high-2x area Est**. It is a dent rather than a cure: the full R\$15–18bn program is what carries leverage back below ~2x Est., the level consistent with management's medium-term ambition.

Analysts

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

Company

CSNA3 BZ Equity
Hold

Price: R\$ 6.17 (15-Jun-2026)
Target Price 12M: R\$ 9.00

Proceeds scenario	Implied stake sold	Proforma net debt	Proforma leverage
Current (1Q26)	—	R\$40.5bn	3.4x
Low (R\$5.0bn)	24%	R\$35.5bn	3.0x
Mid (R\$6.5bn)	31%	R\$34.0bn	2.8x
High (R\$8.0bn)	38%	R\$32.5bn	2.7x
Full program (R\$15–18bn)	—	R\$22.5–25.5bn	1.9–2.1x

Pro forma net debt = 1Q26 net debt less proceeds applied to amortization; leverage on R\$12.1bn LTM adjusted EBITDA (consolidated, control retained); stake implied on R\$21bn perimeter valuation.

The free-cash-flow read

This is where the transaction earns its keep. CSN's cash profile is dominated by the cost of carrying debt: the financial result was **-R\$6.5bn in 2025**, and free cash flow was negative **-R\$1.6bn in 1Q26**, dragged by **(i)** working capital, **(ii)** still-heavy interest and **(iii)** the start of debt amortization. Every real of gross debt retired is a direct, **recurring reduction in that cash drag**.

Sizing the relief is straightforward. Management's own program math, a **R\$1.5–1.8bn** annual financial-expense cut against **R\$15–18bn** of debt reduction, implies a blended **~10%** cost on the debt being repaid, broadly consistent with the marginal cost of the bridge facility. On that basis, the infrastructure proceeds alone should free up **~R\$500–800mn Est.** of cash interest per year, equivalent to about **8–12%** of the 2025 financial result, and enough to offset between a third and half of the 1Q26 cash burn, for example.

Annual, R\$m	Low (R\$5.0bn)	Mid (R\$6.5bn)	High (R\$8.0bn)
Cash interest saved (~10% cost)	500	650	800
Memo: at ~12% marginal cost	600	780	960
Less: infra cash ceded to partners	(260–360)	(340–460)	(420–570)
Net recurring FCL effect (~10% cost)	140–240	190–310	230–380
Interest saved as % of FY25 fin. result	8%	10%	12%
Interest saved as % of 1Q26 FCL burn	31%	41%	50%

Cash interest saved = proceeds × blended cost of repaid debt; infra cash ceded = implied stake × estimated R\$1.1–1.5bn annual cash generation of the infrastructure platform.

CSN will keep control, so it keeps fully consolidating 100% of the assets it controls (Tecar, Tecon, Grupo Tora). Consolidated revenue and consolidated EBITDA are unchanged by selling a minority stake. So is consolidated free cash flow as CSN defines it in the release (the EBITDA-based number). On that measure, nothing leaks. The leakage should happen **below EBITDA, at the share-of-cash-attributable-to-CSN level** — i.e. it's a minority interest (non-controlling interest, "NCI") effect, not a loss and not an EBITDA effect.

So, the right way to read my "Less: infra cash ceded to partners" line is that I shifted the **unit of analysis** for that one row, from consolidated FCF (unchanged) to FCF attributable to CSN equity (FCF to the parent), which is what feeds investors. Concretely, if the platform throws off R\$1.3bn of cash-to-equity a year and CSN sells 38%, CSN's entitlement drops to R\$810mn; the R\$490mn difference is the "ceded to partners" figure (the R\$420–570mn high-scenario range in the table).

On MRS specifically, there's a wrinkle worth flagging. MRS isn't line-by-line consolidated, it's a jointly controlled/equity-method holding (CSN's effective 37.49%), so it already comes in only as **equity income and dividends received**, not in EBITDA. Selling down that stake simply lowers CSN's look-through ownership, so the equity income and the dividend cheque from MRS **shrink proportionally**. Same economic result, just a different accounting route than the consolidated terminals.

And the timing is why I separated the two rows rather than just netting them. On "day one", the proceeds repay debt, interest falls, and both consolidated and attributable FCF improve, and that's the **clean win**. The leakage only bites once the partners start receiving distributions, so it **builds with a lag**. Hence "**relief now, leakage later**," and the net R\$100–400mn/year is really the **steady-state benefit to CSN equity holders**, not a consolidated-FCF number.

The catch: relief now, leakage later

The headline interest saving is real and lands first, because the proceeds repay debt while any distribution to the new partners lags. But the underlying picture is more even-handed, and this is the tension worth naming. CSN is selling minority economics in its best cash-generating assets — railway and ports running above 40–50% EBITDA margins — to relieve the balance sheet. Because control is retained, consolidated free cash flow does not fall on day one; over time, though, the partners take their pro-rata share of the platform's cash, which we size at **~R\$300–600mn** a year across the scenarios.

Netting the two, the steady-state improvement in free cash flow attributable to CSN is closer to **R\$100–400mn** a year than to the gross interest line. That is the number that ultimately feeds a valuation: positive, but modest on its own. The transaction's larger value is optionality and risk reduction, **lower refinancing risk**, a longer maturity profile and a credible path **below 2x leverage** if the full program completes, rather than a step-change in attributable cash. We see the read-through to the equity as primarily a **function of de-risking the capital structure**; we leave that quantification for a model update once terms are signed.

What we are watching

(i) Signed agreements and headline price: confirmation that proceeds land in the R\$5–8bn range, and how close the perimeter prices to the R\$21bn mark; **(ii)** Stake size and control terms: governance, tag/drag and any cash-distribution or capex commitments to partners that change the leakage math; **(iii)** Use of proceeds: full application to gross-debt reduction (and repayment of the bridge) versus redirection to capex such as the P15 mining expansion; **(iv)** The cement leg and credit spreads: progress on the control sale, and whether CSN / CSN Mining debenture spreads normalize as the senior secured bridge is taken out.

Bottom line

The infrastructure sale is a **genuine deleveraging step**, it lifts net debt off 3.4x toward the **high-2x area** and frees **R\$500–800mn Est.** of annual cash interest, but it is not, by itself, the fix. Stripped to free cash flow, the gross interest relief is partly given back as the platform's cash is shared with new partners, leaving a net recurring uplift we size at **R\$100–400mn Est.** a year. The bigger prize is **risk reduction** and the credibility of the full **R\$15–18bn** program, which is what takes leverage below 2x. I must point out that we will revisit our estimates on signed terms.

Disclosure Section

1. GENERAL DISCLAIMER

This report has been produced by the research department ("Genial Institucional Research") of Genial Institucional Corretora de Câmbio, Títulos e Valores Mobiliários S.A. ("GENIAL INSTITUTIONAL CCTVM"). Genial Institucional is a brand name of Genial Investimentos CCTVM.

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%

This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of GENIAL INSTITUTIONAL CCTVM. GENIAL INSTITUTIONAL CCTVM accepts no liability whatsoever for the actions of third parties in this respect.

This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither GENIAL INSTITUTIONAL CCTVM nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report

GENIAL INSTITUTIONAL CCTVM may rely on information barriers, such as "Chinese Walls" to control the flow of information within the areas, units, divisions, groups, or affiliates of GENIAL INSTITUTIONAL CCTVM.

Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.

The value of any investment or income from any securities or related financial instruments discussed in this research report denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related financial instruments.

Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by GENIAL INSTITUTIONAL CCTVM with respect to future performance. Income from investments may fluctuate. The price or value of the investments to which this research report relates, either directly or indirectly, may fall or rise against the interest of investors. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.

The locally listed shares of Brazilian companies may only be purchased by investors outside of Brazil who are "eligible investors" within the meaning of applicable laws and regulations.

2. ANALYST(S) DISCLOSURES AND CERTIFICATION

The principal analyst, IGOR GUEDES, is responsible for the content of this report and for meeting the requirements of Securities and Exchange Commission of Brazil (CVM) Instruction 598/2018.

The analysts hereby certify that the views expressed in this research report accurately reflect their personal views about the subject securities or issuers and it was prepared in an independent manner, including with respect to the person and to GENIAL INSTITUTIONAL.

The analyst hereby certifies that he (she) has no connection with any individual who works for the issuer(s) discussed in this report.

The analyst hereby certifies that he (she), or his (her) spouse or companion, either directly or indirectly, in his or her own name or on behalf of a third party, does not hold any of the securities covered in this report.

The analyst hereby certifies that he (she), or his (her) spouse or companion, is not directly or indirectly involved in the purchase, disposal or brokering of the securities covered in this report.

The analyst hereby certifies that he (she), or the his (her) spouse or companion, has no direct or indirect financial interest in the issuer covered in this report (other than trading shares in investment funds, in which the analyst cannot control, directly or indirectly, the administration or management of the fund, or which do not concentrate investments in sectors or companies that are covered by reports produced by the analyst).

The analyst's compensation is, directly or indirectly, determined by income from GENIAL INSTITUTIONAL's business and financial operations.

In addition, the analysts certify that no part of their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

The compensation of the analyst who prepared this report is determined by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking revenues, however, compensation may relate to the revenues of GENIAL INSTITUTIONAL CCTVM, its affiliates and/or subsidiaries as a whole, of which investment banking, sales and trading are a part. Compensation paid to analysts is the sole responsibility of GENIAL INSTITUTIONAL CCTVM.

The analyst hereby certifies that he (she), or his (her) spouse or companion, does not serve as an officer, director, or advisory board member of the subject company.

The principal analyst is responsible for the content of this report and for meeting the requirements of Securities and Exchange Commission of Brazil (CVM) Instruction 598/2018.

Unless otherwise stated, the individuals listed on the cover page of this report are research analysts.

3. ADDITIONAL DISCLOSURE

- (i) This document was prepared by GENIAL INSTITUTIONAL Research and is hereby supplied for the sole purpose of providing information about companies and their securities.
- (ii) The information contained herein is provided for informational purposes only and does not constitute an offer to buy or sell, and should not be construed as a solicitation to acquire, any securities in any jurisdiction. The opinions expressed herein regarding the purchase, sale or holding of securities, or with respect to the weighting of such securities in a real or hypothetical portfolio, are based on careful analysis by the analysts who prepared this report and should not be construed by current or future investors as recommendations for any particular investment decision or action. The investor's final decision should be made considering all of the risks and fees involved. This report is based on information obtained from primary or secondary public sources, or directly from companies, and is combined with estimates and calculations prepared by GENIAL INSTITUTIONAL CCTVM. This report does not purport to be a complete statement of all material facts related to any company, industry, security or market strategy mentioned. The information has been obtained from sources believed to be reliable, but GENIAL INSTITUTIONAL CCTVM does not make any express or implied representation or warranty as to the completeness, reliability or accuracy of such information. The information, opinions, estimates and projections contained in this document are based on current data and are subject to change. Prices and availability of financial instruments are indicative only and subject to change without notice. GENIAL INSTITUTIONAL CCTVM is under no obligation to update or revise this document or to advise of any changes in such data.
- (iii) The securities discussed in this report, as well as the opinions and recommendations contained herein, may not be appropriate for every type of investor. This report does not take into account the investments objectives, financial situation or particular needs of any particular investor. Investors who wish to buy, sell or invest in securities that are covered in this report should seek independent financial advice that takes individual characteristics and needs into consideration, before making any investment decision with respect to the securities in question. Each investor should make independent investment decisions after carefully analyzing the risks, fees and commissions involved. If a financial instrument is denominated in a currency other than an investor's currency, changes in exchange rates may adversely affect the price or value of, or the income derived from the financial instrument, and the reader of this report assumes all foreign exchange risks. Income from financial instruments may vary, and therefore their price or value may rise or fall, either directly or indirectly. The information, opinions and recommendations contained in this report do not constitute and should not be interpreted as a promise or guarantee of a particular return on any investment. Past performance does not necessarily indicate future results, and no representation or warranty, express or implied, is made herein regarding future performance. Therefore, GENIAL INSTITUTIONAL CCTVM, its affiliated companies, and the analysts involved in this report take no responsibility for any direct, indirect or consequential loss resulting from the use of the information contained in this report, and anyone using this report undertakes to irrevocably indemnify GENIAL INSTITUTIONAL CCTVM and its affiliates from any claims and demands.
- (iv) Prices in this report are believed to be reliable as of the date on which this report was issued and are derived from one or more of the following: (i) sources as expressly specified alongside the relevant data; (ii) the quoted price on the main regulated market for the security in question; (iii) other public sources believed to be reliable; or (iv) GENIAL INSTITUTIONAL CCTVM's proprietary data or data available to GENIAL INSTITUTIONAL CCTVM.

- (v)** No representation or warranty, either express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, except with respect to information concerning GENIAL INSTITUTIONAL CCTVM, its subsidiaries and affiliates. In all cases, investors should conduct their own investigation and analysis of such information before taking or omitting to take any action in relation to securities or markets that are analyzed in this report.
- (vi)** GENIAL INSTITUTIONAL CCTVM makes no representations herein that investors will obtain profits. GENIAL INSTITUTIONAL CCTVM will not share with investors any investment profits nor accept any liability for any investment losses. Investments involve risks and investors should exercise prudence in making their investment decisions. GENIAL INSTITUTIONAL CCTVM accepts no fiduciary duties on behalf of recipients of this report and in communicating this report is not acting in a fiduciary capacity. This report is not to be relied upon in substitution for the exercise of recipient's independent judgment. Opinions, estimates, and projections expressed herein constitute the current judgment of the analyst responsible for the substance of this report as of the date on which the report was issued and are therefore subject to change without notice and may differ or be contrary to opinions expressed by other business areas or groups of GENIAL INSTITUTIONAL CCTVM as a result of using different assumptions and criteria. The information, opinions and recommendations contained in this report do not constitute and should not be interpreted as a promise or guarantee of a particular return on any investment.
- (vii)** Because the personal views of analysts may differ from one another, GENIAL INSTITUTIONAL CCTVM, its subsidiaries and affiliates may have issued or may issue reports that are inconsistent with, and/or reach different conclusions from, the information presented herein. Any such opinions, estimates, and projections must not be construed as a representation that the matters referred to therein will occur. Prices and availability of financial instruments are indicative only and subject to change without notice. Income from financial instruments may vary, and therefore their price or value may rise or fall, either directly or indirectly.
- (viii)** This document may not be: (a) photocopied or duplicated in any manner, in whole or in part, and/or (b) distributed without GENIAL INSTITUTIONAL CCTVM's prior written consent. GENIAL INSTITUTIONAL CCTVM accepts no liability whatsoever for the actions of third parties in this respect.
- (ix)** Neither GENIAL INSTITUTIONAL CCTVM nor any of its affiliates, nor any of their respective directors, employees or agents, accepts any liability for any loss or damage arising out of the use of all or any part of this report.
- (x)** GENIAL INSTITUTIONAL CCTVM (or its affiliates, officers, directors or employees) may, to the extent permitted by law, have acted upon or used the information herein contained before the publication of this report and may have a position in securities issued by the companies mentioned herein and may make a market or act as a principal in any transactions in any such securities. Genial Institucional may from time to time perform investment banking or other services to, or solicit investment banking or other business from, the companies mentioned herein.

4. IMPORTANT DISCLOSURES FOR U.S. PERSONS

This research report was prepared by Genial Institucional CCTVM, a company authorized to engage in securities activities in Brazil. Genial Institucional CCTVM is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not being provided pursuant to a soft-dollar arrangement.

Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through Auerbach Grayson & Company LLC ("AGCO"), a registered broker dealer in the United States with an office at 20 West 55th Street New York, NY 10019, (212) 453-3523 . Under no circumstances should any recipient of this research report effect any transaction to buy or sell securities or related financial instruments through Genial Institucional CCTVM.

If the report is to be distributed to anyone other than Major U.S. Institutional Investors in the United States. AGCO accepts responsibility for the contents of this report as provided for in relevant SEC releases and SEC staff no-action letters.

The analyst whose name appears in this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA") and may not be an associated person at Auerbach Grayson & Company LLC ("AGCO") and, therefore, may not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

The disclosures contained in research reports produced by GENIAL INSTITUTIONAL CCTVM and distributed by Auerbach Grayson & Company LLC ("AGCO") in the U.S. shall be governed by and construed in accordance with U.S. law. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose, without the prior written consent of GENIAL INSTITUTIONAL CCTVM. Additional information relative to the financial instruments discussed in this report is available upon request.

UK Disclaimer:

(i) This document is STRICTLY CONFIDENTIAL to the recipient, may not be distributed to the press or other media and may not be reproduced in any form. This document is directed only at persons who are "INVESTMENT PROFESSIONALS" falling within article 19(5) of the FSMA 2000 (FINANCIAL PROMOTION) ORDER 2005, or HIGH NET WORTH BODIES falling within ARTICLE 49(2) of that order (together THE "RELEVANT PERSONS"). This document must not be acted on or relied on by persons who are not RELEVANT PERSONS.

(ii) The distribution of this document in other jurisdictions may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of any such other jurisdiction.

Copyright 2024 GENIAL INSTITUTIONAL CCTVM