Metals & Mining

2Q26 Results: The Beat Is A One-Off, The Bid Is Not

Metals & Mining

Q: How did the results compare vs. expectations?

Above on the headline, in line once cleaned — and the distinction is the whole note. Adjusted EBITDA of R$2.8bn came 16% above our estimate, but the entire gap sits in Energy, where a favourable ANEEL ruling on the Jacui plant allowed retroactive recognition of revenue provisioned on the balance sheet since October 2025; the company itself calls the effect exceptional. Normalising that segment to its run rate leaves clean EBITDA of R$2.4bn, essentially on top of our number and roughly 10% lower q/q — precisely the modest sequential decline management guided to in July. Steel and Cement printed within a rounding error of our estimates, so the operating quarter held no surprise whatsoever. Below EBITDA the print deteriorates, with the net loss materially wider than consensus on a heavier financial result. With the shares 3% off a 52-week low set the day before the release and halved year-to-date, we expect a positive but contained reaction, and would not rule out a flat-to-adverse one once the Energy item is stripped.

Q: What were the most noteworthy areas in the results?

(+) Mining delivered the quarter's only genuine operational beat, and for a reason that repeats: sales volume was the fourth-highest in the company's history while unit cost fell sharply, because the company sold more than it produced and shifted the mix toward own ore and away from margin-diluting third-party purchases. **(=)** The Energy recognition is the optionality our preview flagged as explicitly not incorporated, and it landed — but a retroactive accounting entry is not a source of enterprise value and we decline to capitalise it. **(-)** The balance sheet moved the wrong way in a quarter presented as an inflection. Reported free cash flow turned positive, yet the release discloses that the figure embeds bridge-loan funding, which is financing rather than generation; net debt still rose to R$42.1bn and leverage to 3.49x, absorbing prepayment amortisation, currency effects and a R$495mn capital advance to Transnordestina. Beyond the reported figures, R$1.5bn of drawee-risk and forfaiting payables sits outside both debt definitions the company publishes. Walking the bridge makes the quality of the print clearer: adjusted EBITDA of R$2.8bn met a working capital release of roughly R$852mn, as capital allocated to the business fell to R$3.0bn from R$3.9bn, against capex of R$1.4bn that rose a quarter sequentially on the mining and cement programmes. What converts that into a positive figure is the financing line rather than the operation, and the balance sheet records the difference: obligations grew even as the cash line improved. The inflection we projected for the second half has not yet reached the debt stock.

Q: Has the outlook ahead changed?

Yes, in both directions, and the constructive leg is the more important. For the first time the divestment programme produced hard evidence: binding proposals for the full sale of CSN Cimentos are in hand and under evaluation, on the timetable set in January — the step that turns deleveraging from an intention into price discovery. Against it, the liability management came expensive. The exchange offer settled with 77% participation, retiring the existing notes into new 2030 paper at 11.00% against 6.750%, with cash paid out and no proceeds received. In the operating businesses, the steel recovery is less secure than the volume trend suggests: import penetration has fallen, but peers report the flow rerouting through Korea and Vietnam rather than normalising, while coking coal and slab costs build into 3Q26. In mining, the reference price sits at its lowest of the year, though the largest producer puts roughly 120mt of global supply below cash cost at that level, which argues for a floor rather than a slide.

Q: Valuation and recommendation

We resume coverage at HOLD with a 12-month target price of R$7.00, from the R$9.00 reference carried while under review. The target implies substantial upside and we deliberately decline to translate that into a buy: equity is roughly a tenth of enterprise value here, so the distribution of outcomes is wide and skewed to the downside — the point estimate says where the value is, the rating says we are not yet confident the balance sheet reaches it. Inverting the exercise is the honest framing. At the current price the market pays about 5.2x our 2026 EBITDA once the minority interest in the listed mining subsidiary is added to enterprise value — a step most screens skip, and without which the discount looks wider than it is. Consensus carries net debt rising through 2027, which is to say the street prices no deleveraging whatsoever. Our target does not require the plan to complete; it requires the first asset to clear at a defensible multiple.

The equity story has moved from the quarter to the queue: HOLD, target price R$7.00, with the binding proposals for CSN Cimentos clearing at or above the ~5.2x the market currently pays for the whole group as the test that decides the thesis.

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COMPANY

CSNA3 BZ Equity
HOLD
Price: R$4.32 (Aug 12, 2026)
12M Target Price: R$7.00 (from R$9.00)

MARKET DATA	
Market cap	R$5.7bn
Free float	~46%
ADTV (3m)	R$84mn
52-wk range	4.19–11.32
Net debt (2Q26)	R$42.1bn
Net debt/EBITDA	3.49x (2Q26)

MULTIPLES	
EV/EBITDA 26E	5.2x
EV/EBITDA 27E	4.9x
Div. yield 26E	0.0%
Net debt/EBITDA 26E	3.8x

PERFORMANCE	
Year to date (YTD)	−52%
12 months (LTM)	−43%

2Q26 REPORTED	
Net revenue	R$11.3bn
Adjusted EBITDA	R$2.8bn
Adj. EBITDA margin	23.4%
Adj. EBITDA ex-Jacui	R$2.4bn

1. Financial scorecard — 2Q26 reported vs. Genial Est., R$ mn

CSN (R$ mn; IFRS)	Reported vs. Est.			q/q change		y/y change	
2Q26 financial scorecard	2Q26	2Q26E	Δ vs. Est.	1Q26	q/q	2Q25	y/y
Net revenue (IFRS)	**11,306**	**11,309**	**(0.0%)**	**10,606**	**6.6%**	**10,696**	**5.7%**
COGS	(8,375)	(8,804)	(4.9%)	(8,084)	3.6%	(7,970)	5.1%
Gross profit	**2,931**	**2,505**	**17.0%**	**2,522**	**16.2%**	**2,727**	**7.5%**
Gross margin	*25.9%*	*22.1%*	*3.8 pp*	*23.8%*	*2.1 pp*	*25.5%*	*0.4 pp*
SG&A	(1,644)	(1,605)	2.4%	(1,338)	22.9%	(1,522)	8.0%
Other operating inc./exp.	(660)	—	—	(914)	(27.8%)	—	—
Adjusted EBITDA	**2,773**	**2,398**	**15.6%**	**2,646**	**4.8%**	**2,643**	**4.9%**
Adj. EBITDA margin	*23.4%*	*21.2%*	*2.2 pp*	*23.9%*	*(0.5 pp)*	—	—
Adj. EBITDA ex-Jacuí	**2,391**	**2,398**	**(0.3%)**	**2,646**	**(9.6%)**	**2,643**	**(9.5%)**
Equity income	138	114	21.1%	24	—	167	(17.1%)
Financial result	(1,843)	(1,321)	39.5%	(1,307)	41.0%	(1,900)	(3.0%)
Net loss	**(773)**	**(567)**	**36.4%**	**(555)**	**39.3%**	**(130)**	**—**
Cash and capital structure							
CAPEX	(1,414)	(1,429)	(1.0%)	(1,126)	25.6%	(1,331)	6.2%
Working capital	3,046	—	—	3,898	(21.8%)	2,853	6.8%
Free cash flow	**808**	**—**	**—**	**(1,000)**	**—**	**—**	**—**
Net debt	42,138	—	—	40,505	4.0%	35,655	18.2%
Net debt/EBITDA	*3.49x*	—	—	*3.36x*	*0.13x*	*3.30x*	*0.19x*

2. Operational scorecard by segment — adjusted EBITDA, 2Q26, R$ mn

Adj. EBITDA by segment (R$ mn)	Reported vs. Est.			q/q change		y/y change	
2Q26 segment scorecard	2Q26	2Q26E	Δ vs. Est.	1Q26	q/q	2Q25	y/y
Steel	**636**	**634**	**0.3%**	**393**	**61.7%**	**581**	**9.5%**
Margin	*10.5%*	*10.1%*	*0.4 pp*	*7.0%*	*3.5 pp*	*10.8%*	*(0.3 pp)*
Mining	**930**	**797**	**16.7%**	**1,374**	**(32.4%)**	**1,231**	**(24.5%)**
Margin	*32.0%*	*27.3%*	*4.7 pp*	*43.1%*	*(11.1 pp)*	*36.1%*	*(4.1 pp)*
Cement	**427**	**427**	**0.1%**	**392**	**8.8%**	**293**	**45.5%**
Margin	*30.8%*	*31.3%*	*(0.5 pp)*	*31.2%*	*(0.4 pp)*	*24.2%*	*6.6 pp*
Logistics	**548**	**516**	**6.2%**	**448**	**22.4%**	**519**	**5.6%**
Margin	*45.2%*	*43.7%*	*1.5 pp*	*41.8%*	*3.4 pp*	*44.1%*	*1.1 pp*
Energy	**427**	**48**	**795.0%**	**62**	**589.7%**	**90**	**374.3%**
Margin	*62.1%*	—	—	*30.5%*	*31.6 pp*	—	—
Corporate/eliminations	(195)	(23)	—	(24)	—	(73)	—
Adjusted EBITDA	**2,773**	**2,398**	**15.6%**	**2,646**	**4.8%**	**2,643**	**4.9%**

3. Reported vs. Bloomberg consensus — 2Q26, R$ mn

CSN	2Q26		
Reported vs.	Reported	Consensus	Δ
Net revenue	11,306	10,981	3.0%
Adjusted EBITDA	**2,773**	**2,476**	**12.0%**
Adj. EBITDA margin	*23.4%*	*22.5%*	*0.9 pp*
Adj. EBITDA ex-Jacuí	2,391	2,476	(3.4%)
Net loss	(773)	(450)	71.8%

4. Annual projections — Genial Est. vs. Bloomberg consensus, R$ mn

CSN	Genial Est.			
Annual projections	2026E	2027E	2028E	2029E
Net revenue	44,200	45,300	47,500	49,800
Adjusted EBITDA	**11,100**	**11,800**	**13,000**	**14,300**
Net income	(100)	700	300	900
BLOOMBERG CONSENSUS				
Net revenue	44,432	45,771	48,066	52,585
Adjusted EBITDA	**11,035**	**11,845**	**13,069**	**15,384**
Net income	(1,561)	(75)	161	2,204

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under Review	Under review	**5%**

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