

Vale

Downgrade Vale's belly to MW

Rating Change - Credit

Downgrade belly to MW

We downgrade VALEBZ 32s, 33s, 36s and 39s bonds to Marketweight (MW) from Overweight (OW) as we see less upside given yields of 5.8%-6.0% being inside Codelco's belly (6.2-6.3%), SQM 33s (6.1%) and Gerdau 44s (6.5%). We affirm our MW for the other bonds on the curve. Moreover, we think the headlines on Fundão's liabilities are a short-term overhang (see: [New Mariana overhang yet too soon to assume any financial impact](#)). Vale has a solid balance sheet, with expanded net leverage (including Brumadinho and Samarco's provisions) of 0.95x as of 3Q23.

New potential R\$47.6bn (\$9.7bn) Fundão's liability

The first instance of a Brazilian federal court ruled against Vale, BHP and Samarco on a lawsuit requesting collective moral damages from the Fundão's dam rupture in 2015. The judge ordered the payment of R\$47.6bn (\$9.7bn), with interest accrual since 2015 to be applied over the amount. Vale said it will appeal the decision. This potential new liability was a surprise, and it is not related to current negotiations for the settlement of the R\$155bn lawsuit from public prosecutor from Fundão's dam collapse. The balance sheet provision for it (50% Vale / 50% BHP) would be booked under NPV with limited effect on Vale's leverage, as the full amount (\$4.8bn) represents 0.3x of LTM EBITDA.

BoD deciding on renewal of current CEO's term

Vale's Board of Directors (BoD) has until the end of the month to decide whether to renew the current CEO's term (Mr. Eduardo Bartolomeo) or appoint a new CEO. The current CEO's three-year term ends in May '24. Local news (Estadão newspaper on Jan 25th 2024) suggested that the government may appoint Brazil's former Finance Minister, Mr. Guido Mantega, as the company's new CEO. As Vale has no controlling shareholder group today, the BoD composed of 13 members (eight independents) would vote for the election of a new CEO if the term is not renewed. The main shareholders include: Capital Group (10.5%), Previ (8.7%, pension fund), Mitsui (6.3%), Blackrock (6.1%) and Cosan (4.9%). The Brazilian government holds golden shares in Vale, with veto powers over certain decisions, but not over the election of the CEO.

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Global Emerging Markets | Corporate Credit
LatAm | Brazil
Metals & Mining

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[See Team Page for List of Analysts](#)

Exhibit 1: Indicative pricing

As of 01/25/2024

Bonds	Rec	Bid-P	YTW	OAS
VALEBZ 26	MW	102.18	5.25	106
VALEBZ 30	MW	90.09	5.55	150
VALEBZ 32	MW	108.09	5.85	175
VALEBZ 33	MW	101.43	5.89	176
VALEBZ 34	MW	118.07	5.79	167
VALEBZ 36	MW	108.18	5.93	172
VALEBZ 39	MW	107.88	6.06	176
VALEBZ 42	MW	97.66	5.81	140

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

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Refer to important disclosures on page 4 to 8. Analyst Certification on page 3. Valuation & Risk on page 2.

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Timestamp: 26 January 2024 09:11AM EST

Valuation

Exhibit 2: Indicative pricing

As of 01/25/2024

Ticker	Issuer/Bond	Rec	O/S (US\$ mn)	Coupon	Ask Price	YTW	Effec. Dur.	OAS	Z-Spr	Ratings
ANTOLN	ANTOLN 30	Overweight	500	2.375	82.8	5.47	6.0	141	173	NR/BBB/BBB+
ANTOLN	ANTOLN 32	Overweight	500	5.625	99.7	5.66	6.4	155	191	NR/BBB/BBB+
CDEL	CDEL 25	Restricted	397	4.500	98.7	5.37	1.5	94	101	Baa1/BBB+/BBB+
CDEL	CDEL 27	Restricted	1268	3.625	94.5	5.38	3.1	131	153	Baa1/BBB+/BBB+
CDEL	CDEL 29	Restricted	1100	3.000	88.1	5.47	5.0	145	172	Baa1/BBB+/BBB+
CDEL	CDEL 30	Restricted	1000	3.150	87.9	5.56	5.3	153	181	Baa1/BBB+/BBB+
CDEL	CDEL 31	Restricted	800	3.750	88.9	5.70	5.9	163	195	Baa1/BBB+/BBB+
CDEL	CDEL 33	Restricted	900	5.125	94.6	5.91	6.8	180	215	Baa1/BBB+/BBB+
CDEL	CDEL 34	Restricted	1300	5.950	99.1	6.08	7.3	195	230	//
CDEL	CDEL 35	Restricted	500	5.625	96.0	6.11	8.2	194	231	Baa1/BBB+/BBB+
CDEL	CDEL 36	Restricted	500	6.150	99.2	6.24	8.6	204	243	Baa1/BBB+/BBB+
CDEL	CDEL 48	Restricted	600	4.850	80.8	6.42	11.2	171	264	NR/NR/NR
CDEL	CDEL 43	Restricted	950	5.625	92.2	6.32	11.4	189	250	Baa1/BBB+/BBB+
CDEL	CDEL 42	Restricted	750	4.250	77.5	6.34	11.9	193	251	Baa1/BBB+/BBB+
CDEL	CDEL 44	Restricted	980	4.875	82.7	6.39	12.1	194	257	Baa1/BBB+/BBB+
CDEL	CDEL 53	Restricted	1200	6.300	96.9	6.54	12.7	218	281	Baa1/BBB+/BBB+
CDEL	CDEL 47	Restricted	1250	4.500	77.5	6.35	12.8	193	257	Baa1/BBB+/BBB+
CDEL	CDEL 49	Restricted	1300	4.375	76.4	6.25	13.2	184	248	Baa1/BBB+/BBB+
CDEL	CDEL 50	Restricted	2680	3.700	67.6	6.23	14.0	183	248	Baa1/BBB+/BBB+
CDEL	CDEL 51	Restricted	500	3.150	61.1	6.11	15.2	171	238	Baa1/BBB+/BBB+
GGBRBZ	GGBRBZ 27	Overweight	427	4.875	98.6	5.30	3.3	124	146	NR/BBB-/BBB
GGBRBZ	GGBRBZ 30	Overweight	500	4.250	94.7	5.30	5.1	123	154	NR/BBB-/BBB
GGBRBZ	GGBRBZ 44	Marketweight	481	7.250	108.5	6.48	10.8	204	264	Baa3/BBB-/BBB
SCCO	SCCO 25	Overweight	500	3.875	98.1	5.49	1.2	92	88	Baa1/BBB+/BBB+
SCCO	SCCO 35	Marketweight	1000	7.500	115.8	5.61	8.0	146	182	Baa1/BBB+/BBB+
SCCO	SCCO 40	Marketweight	1100	6.750	111.3	5.68	10.0	137	185	Baa1/BBB+/BBB+
SCCO	SCCO 42	Marketweight	1200	5.250	94.3	5.75	11.6	134	192	Baa1/BBB+/BBB+
SCCO	SCCO 45	Marketweight	1500	5.875	99.7	5.90	12.0	147	209	Baa1/BBB+/BBB+
SCCOMX	SCCOMX 50	Overweight	1000	4.500	78.0	6.22	13.7	182	247	Baa1/BBB+/BBB+
VALEBZ	VALEBZ 26	Marketweight	470	6.250	102.3	5.25	2.2	106	121	Baa3/BBB-/BBB
VALEBZ	VALEBZ 30	Marketweight	1500	3.750	90.3	5.55	5.5	150	180	Baa3/BBB-/BBB
VALEBZ	VALEBZ 32	Marketweight	279	7.200	109.0	5.85	6.3	175	208	Ba1/BBB-/BBB
VALEBZ	VALEBZ 34	Marketweight	641	8.250	118.4	5.79	7.0	167	201	Baa3/BBB-/BBB
VALEBZ	VALEBZ 33	Marketweight	1500	6.125	101.6	5.89	7.0	176	212	Baa3/BBB-/BBB
VALEBZ	VALEBZ 36	Marketweight	1335	6.875	108.4	5.93	8.6	172	212	Baa3/BBB-/BBB
VALEBZ	VALEBZ 39	Marketweight	1146	6.875	108.2	6.06	9.7	176	223	Baa3/BBB-/BBB
VALEBZ	VALEBZ 42	Marketweight	491	5.625	97.9	5.81	11.2	140	198	Baa3/BBB-/BBB

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Valuation & risk

Vale (VALEBZ)

Our MW for Vale's bonds (26s, 30s, 32s, 33s, 36s, 39s and 42s) reflect our view that spreads are fairly valued vs. LatAm IG Metals & Mining peers.

Vale should remain with very low leverage levels despite volatility of iron ore prices given its strong capital structure and competitive position in the global cash cost curve of the industry. Excess cash generation should remain being used for distribution to shareholders and for liability management. Company's very low leverage ratios offers a large cushion from 1) potential extra liabilities from the ongoing renegotiation with authorities on Samarco's accident, 2) new liabilities, 3) SEC charges and/or 4) lower iron ore prices.

Upside risks to our call are: 1) higher demand & metals prices, 2) ratings upgrade, 3)



additional sale of non-core assets and 4) settlement and agreement with authorities on pending litigations. Downside risks are: 1) volatility and lower demand and prices, 2) increased costs, 3) higher leverage, 4) ratings downgrade, 5) problems on tailing dams, 6) declined growth in China, 7) legal proceedings and contingencies/liabilities.

Vale Canada (VALEBZ)

Our MW for Vale's bonds (26s, 30s, 32s, 33s, 36s, 39s and 42s) reflect our view that spreads are fairly valued vs. LatAm IG Metals & Mining peers.

Vale should remain with very low leverage levels despite volatility of iron ore prices given its strong capital structure and competitive position in the global cash cost curve of the industry. Excess cash generation should remain being used for distribution to shareholders and for liability management. Company's very low leverage ratios offers a large cushion from 1) potential extra liabilities from the ongoing renegotiation with authorities on Samarco's accident, 2) new liabilities, 3) SEC charges and/or 4) lower iron ore prices.

Upside risks to our call are: 1) higher demand & metals prices, 2) ratings upgrade, 3) additional sale of non-core assets and 4) settlement and agreement with authorities on pending litigations. Downside risks are: 1) volatility and lower demand and prices, 2) increased costs, 3) higher leverage, 4) ratings downgrade, 5) problems on tailing dams, 6) declined growth in China, 7) legal proceedings and contingencies/liabilities.

Vale Overseas Ltd (VALEBZ)

Our MW for Vale's bonds (26s, 30s, 32s, 33s, 36s, 39s and 42s) reflect our view that spreads are fairly valued vs. LatAm IG Metals & Mining peers.

Vale should remain with very low leverage levels despite volatility of iron ore prices given its strong capital structure and competitive position in the global cash cost curve of the industry. Excess cash generation should remain being used for distribution to shareholders and for liability management. Company's very low leverage ratios offers a large cushion from 1) potential extra liabilities from the ongoing renegotiation with authorities on Samarco's accident, 2) new liabilities, 3) SEC charges and/or 4) lower iron ore prices.

Upside risks to our call are: 1) higher demand & metals prices, 2) ratings upgrade, 3) additional sale of non-core assets and 4) settlement and agreement with authorities on pending litigations. Downside risks are: 1) volatility and lower demand and prices, 2) increased costs, 3) higher leverage, 4) ratings downgrade, 5) problems on tailing dams, 6) declined growth in China, 7) legal proceedings and contingencies/liabilities.

Analyst Certification

I, Carlos Assumpcao, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

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BofA Securities is currently acting as exclusive Financial Advisor to Manara Minerals Investment Company LLC in connection with its proposed strategic partnership with Vale S.A. on Vale Base Metals Limited, which was announced on 27 Jul 2023.



Security/Loan pricing

Vale Canada Ltd / VALEBZ

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)
7.2, Senior, USD, 2032:B	297	15-SEP-2032	Ba1/BBB-/BBB	108.31	25-Jan-2024	5.95	185

For pricing information refer to "Other Important Disclosures" below.

B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Vale Overseas Ltd / VALEBZ

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)
6.875, Senior, USD, 2036:B	1,616	21-NOV-2036	Baa3/BBB-/BBB	107.65	25-Jan-2024	6.01	176
6.875, Senior, USD, 2039:B	1,331	10-NOV-2039	Baa3/BBB-/BBB	107.96	25-Jan-2024	6.08	172
8.25, Senior, USD, 2034:B	478	17-JAN-2034	Baa3/BBB-/BBB	118.38	25-Jan-2024	5.80	165
6.25, Senior, USD, 2026:B	1,706	10-AUG-2026	Baa3/BBB-/BBB	101.92	25-Jan-2024	5.43	120
3.75, Senior, USD, 2030:B	1,500	08-Jul-2030	Baa3/BBB-/BBB	90.13	25-Jan-2024	5.59	154
6.125, Senior, USD, 2033:B	1,500	12-JUN-2033	Baa3/BBB-/BBB	101.39	25-Jan-2024	5.93	181

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B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Vale / VALEBZ

	Amt		Ratings			Yield	Spread
Security		Maturity date	Moody's/S&P/Fitch	Price	Price date	(%)	(bps)
5.625, Senior, USD, 2042:B	520	11-SEP-2042	Baa3/BBB-/BBB	97.65	25-Jan-2024	5.83	138

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B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); CDS=Credit Default Swap; EP=Equity Preferred

Disclosures

Important Disclosures

Credit opinion history

Vale Canada Ltd / VALEBZ

Security	Date ^{R1}	Action	Recommendation	Price
7.2, Senior, USD, 2032:B	31-Dec-2022		Marketweight	
	28-Apr-2023	Upgrade	Overweight	107.75
	27-Jul-2023	Restricted	NA	NA
	31-Jul-2023	Coverage Resumed	Overweight	
	26-Jan-2024	Downgrade	Marketweight	108.31

Table reflects credit opinion history as of previous business day's close.^{R1} First date of recommendation within the last 36 months, if for an issuer or within the last 12 months, if for a security or loan. The investment opinion system is contained at the end of the report under the heading "BofA Global Research Credit Opinion Key."

Pricing information in the table is provided for each action where available. In the case of bonds, loans, capital securities and equity preferreds, the price shown reflects the nominal cash price for the security; and in the case of CDS, the price shown reflects the spread, on the date of the relevant action.

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Vale Overseas Ltd / VALEBZ

Security	Date ^{R2}	Action	Recommendation	Price
6.875, Senior, USD, 2036:B	31-Dec-2022		Overweight	
	27-Jul-2023	Restricted	NA	NA
	31-Jul-2023	Coverage Resumed	Overweight	
	26-Jan-2024	Downgrade	Marketweight	107.65
6.875, Senior, USD, 2039:B	31-Dec-2022		Overweight	
	27-Jul-2023	Restricted	NA	NA
	31-Jul-2023	Coverage Resumed	Overweight	
	26-Jan-2024	Downgrade	Marketweight	107.96
8.25, Senior, USD, 2034:B	31-Dec-2022		Overweight	
	22-Feb-2023	Downgrade	Marketweight	117.27
	28-Apr-2023	Upgrade	Overweight	116.19
	27-Jul-2023	Restricted	NA	NA
	31-Jul-2023	Coverage Resumed	Overweight	
	01-Aug-2023	Downgrade	Marketweight	116.55

Vale Overseas Ltd / VALEBZ

Security	Date ^{R2}	Action	Recommendation	Price
6.25, Senior, USD, 2026:B	31-Dec-2022		Marketweight	
	22-Feb-2023	Upgrade	Overweight	102.12
	28-Apr-2023	Downgrade	Marketweight	103.07
	27-Jul-2023	Restricted	NA	NA
3.75, Senior, USD, 2030:B	31-Jul-2023	Coverage Resumed	Marketweight	
	31-Dec-2022		Overweight	
	28-Apr-2023	Downgrade	Marketweight	88.75
	27-Jul-2023	Restricted	NA	NA
6.125, Senior, USD, 2033:B	31-Jul-2023	Coverage Resumed	Marketweight	
	01-Aug-2023	Initial	Overweight	100.50
	26-Jan-2024	Downgrade	Marketweight	101.39

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B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); EP=Equity Preferred; CDS=Credit Default Swap

Vale / VALEBZ

Security	Date ^{R3}	Action	Recommendation	Price
5.625, Senior, USD, 2042:B	31-Dec-2022		Marketweight	
	27-Jul-2023	Restricted	NA	NA
	31-Jul-2023	Coverage Resumed	Marketweight	

Table reflects credit opinion history as of previous business day's close.^{R3}First date of recommendation within the last 36 months, if for an issuer or within the last 12 months, if for a security or loan. The investment opinion system is contained at the end of the report under the heading "BofA Global Research Credit Opinion Key."

Pricing information in the table is provided for each action where available. In the case of bonds, loans, capital securities and equity preferreds, the price shown reflects the nominal cash price for the security; and in the case of CDS, the price shown reflects the spread, on the date of the relevant action.

B=Bond; L=Loan; CS=Capital Security (Not including Equity Preferred); EP=Equity Preferred; CDS=Credit Default Swap

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Overweight: Spreads and /or excess returns are likely to outperform the relevant and comparable market over the next three months.

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Neutral: No purchase or sale of CDS is recommended.

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Corporate Credit Issuer Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R4}	Count	Percent
Buy	144	37.21%	Buy	119	82.64%
Hold	193	49.87%	Hold	163	84.46%
Sell	50	12.92%	Sell	37	74.00%

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