Q3 2021 Earnings Call

Company Participants

- Benjamin Steinbruch, Chairman & Chief Executive Officer
- Edvaldo Rabelo, Business Director
- Luis Martinez, Executive Director
- Marcelo Cunha Ribeiro, CFO

Other Participants

- Carlos De Alba
- Daniel Sasson
- Leonardo Correa
- Rafael Barcellos
- Thiago Lofiego

Presentation

Operator

Good morning, ladies and gentlemen, and thank you for holding. At this time, we would like to welcome everyone to CSN's Conference Call to present Results for the Third Quarter 2021. Today we have with us the company's executive officers. We would like to inform you that this (Operator Instructions) We have simultaneous webcast that may be accessed through CSN's Investor Relation website www.ri.csn.com.br where the slide presentation is also available. The replay of this event will be available soon after the closing for one week. You can flip through the slides at your own convenience. Before proceeding, we worked like to state that some of the forward-looking statements herein are mere expectations or trends based on the current assumptions and opinions of the company's management and these events may differ materially from those expressed herein as they do not constitute protections. In fact, actual results, performance or events may differ materially from those expressed or implied by forward-looking statements as a result of several factors such as general and economic conditions in Brazil and other countries, interest rates and exchange rate levels, future rescheduling or prepayment of debt denominated in foreign currencies, protectionist measures in the US, Brazil and other countries, changes in laws and regulations and general competitive factors at a global, regional or national basis. I will now turn the conference over to Mr. Marcelo Cunha Ribeiro, Investor Relations Executive Officer who will present the operating and financial highlights for the period. Mr Ribeiro, you have the floor.

Marcelo Cunha Ribeiro {BIO 22375061 <GO>}

Hey, good morning to all of you and thank you for joining us in this conference call for the third quarter of CSN we have Mr. Rabelo and Luis Martinez here with us. We're going to speak about the period highlights and then go on to the questions and answers. The highlights of the period, first of all, a sudden drop in iron ore prices significantly impacting our results. But what is important is that CSN showed its resiliency of the business model. Based on diversification, we had excellent results in steel and cement helping to offset the trough and mining prices. Cash generation was strong, and this enabled us to maintain our leverage at historically very low levels, showing the sustainability of our balance of payment. And in terms of our capital allocation, we integrated in -- we invested in Elizabeth Cimentos and are now working with the integration of the LafargeHolcim assets. We go on to Slide number 3, you'll see a drop of 47% and EBITDA that went from BRL2.4 million to BRL4.2 in the third quarter. Once again due to this negative variation in iron ore prices, this interrupted seven quarters of growth in uninterrupted growth, but we should underscore the non-recurrent nature of this negative result in mining. We will explore this during the presentation. BRL1.4 billion, the result of the mining is a non-recurrent impact during the provisional prices with the floating loads in the previous quarter, without that the results would be very similar to the EBITDA levels of the first quarter, which is a recurrent figure for the company.

We will now speak about the evolution of our investment. Our CapEx that is still in line with the expectations of an annual CapEx of BRL3 billion, we have increased investment in the broad repairs in steel, and coke and centering material. And we continue on with our investments in mining ending the projects to enhance quality. And our expectation is that CapEx will be maintained at this level, perhaps speeding up the coming year. We're going to present our future expectations at CSN Day in the next 30 days. In terms of our working capital, which is important in the cash generation for this quarter, we had a significant evolution of stocks due to our commercial strategy. We did not want to force volumes neither in mining, nor in steel production. Stocks represent BRL2 billion, but this was fully offset by increases in accounts payable and in accounts receivable. So, in working capital, there was no impact on our cash. And working capital continues at high levels, with BLR4 billion for the period, Our second, best quarter in history. And in this makeup, we see that this is due to the working capital that helped a great deal and because of financial results that are aligned with what we expected. This cash flow, as you can see in the next page, was determinant to maintain the evolution of deleveraging. We had deleveraging of 0.6 times below our guidance of 1.0 net debt-to-EBITDA that we attained before what was foreseen. Our net debt has grown, but not because of cash generation that was broadly positive, but yes, because of the payment of dividends and the purchase of shares via acquisition of the Elizabeth and the exchange rate. Despite all of these factors our indebtedness is below our limit.

On the next page, you see how we manage our liquidity. We had a cash level that is quite comfortable with almost BRL17 billion, a reduction of the record levels that we had in the second quarter of BRL22 billion, but we continue to reduce our net debt. We had an event this quarter, the payment of the perpetual bond of BRL5 billion. And we're strengthening our credit ratings once again on the path toward maintaining our metrics for leverage the average term of debt, debt coverage, or maintain that investment class. And we will maintain our policy for capital allocation in a very conservative way. Now, what is important in this quarter, we issued a debenture in mining for infrastructure, and we have announced a next institutional debenture at CSN. This is a new strategy to have a balance sheet, less exposed to foreign currency. Cash generation in reais will increase, and we will then make use of the domestic capital market. But the goal in the short term is to attain investment grade. We will speak about each of the businesses beginning with steel, where we had a very clear commercial strategy that reflects on our volumes. We have levels of 1.3 million tons in the last quarters taking advantage of the excellent demand after the pandemic. And we felt some hesitation in the market. We hesitated in forcing the market. We maintained finished product in stock, which was essential to maintain our profitability.

In the evolution of average prices, we had an average price that increased 20% this quarter helping us in that record EBITDA of BRL2.8 billion and 37% margin. We should have done more in the foreign market. This quarter specifically is a quarter impacted by seasonality of maintenance in Germany, but there was also interruptions caused by the pandemic in Europe, delay in the release of ports in the United States. These are volumes that will help us positively in the fourth quarter. Regarding the recovery of steel, it was very good. We had the best lab production in the last three years with their very efficient operations of mining. This contributed for good behavior of costs. And in coke and coal, we had prices but more increases, but more contained increases. And all of this enabled us to reach the best unit for our history about $500. We go on to mining where we had a truly unique quarter when it comes to price volatility at the beginning and at the end of the quarter, plant had a variation of over 50% because of this we had to change our commercial strategy, despite a production of more than 10 million tons as expected our own production growing quarter-on-quarter, we increased our stocks and we avoided closing sales, whether the price levels that were below what we had deemed to be ideal, that is why the volumes this quarter were lower. However, they will be (inaudible) the results in the next quarter.

The great effect of this quarter was price realization that was quite impacted by a different aspect, which is a rapid evolution in freight costs. We have gone back to somewhat more normal positions, but we had sales and provisional prices with high floating loads. This is a non-recurring effect, this quarter, a very expressive effect that ended up in the drop of average prices of $153 to $76. In the next page, you can see this when we separate the price effects for the quarter and the price effects for previous quarters. That is to say without this non-recurring effect that impacted the third quarter and is due to the second quarter load. We would have had BRL2.5 billion showing you the capacity of mining to generate results. We go on to cement where we had an excellent quarter. We were able to grow more than 8% with volumes that are records and articles and both are redundant and we have the Elizabeth plant as well. And of course, the message is one of stability after very strong growth quarter-on-quarter, very ambitious base of comparison this quarter, the domestic market is less, but we were able to increase our own volumes, increase price realization, and results.

Final EBITDA impacted by non-recurring costs, referring to integration and due to cost pressure, the price of fuel, coke and coal, but we kept our EBITDA record. If we consider these nonrecurring effects, we had pleasant surprises with the integration of Elizabeth. It proves our thesis for the acquisition, and this makes us very enthusiastic with the acquisition of Holcim that we will refer to. Now we're very quickly going to speak about our strategic priorities, which is an efficient and disciplined capital allocation, innovation and ESG. And we will refer to each of this while we speak about capital allocation. The most important update is the announcement of the acquisition of LafargeHolcim. We communicated this to the market. We held a conference call and what we would like to update is that we have made a preliminary filing that should come into force very soon. And we're quite optimistic with the approval of this transaction (inaudible). We're also optimistic with our ability to create value because we see what happened with Elizabeth bid that proves our commercial capacity of added value through cost and efficient management in CSN Inova. We had announced important investments, an innovative company that has a technology as focus. And this quarter we took one step towards de-carbonization and CSN Inova invested in S1 Energy, a company that specializes in the production of green hydrogen through electrolysis. This is a highly promising technology to reduce our carbon footprint. Finally, not less important and in terms of innovation, we have a great deal of evolution, periodically we would like to report this to the market. In terms of transparency, we have deployed efforts to adhere to several global parts and indices. We have the B3 ICO2, TCFD, e FTSE4GOOD Index and ACT. We're going to discuss this at large and the CSN day announcing even more ambitious goals for our decarbonization. In terms of environmental management, we continue to reduce the use of water in the production of steel, reduce the production of (inaudible) sludge that goes to landfills. In terms of dams, we have a stability certificate that shows us stability and a 100% of the dams used in mining and the continuity of the de-characterization works at the (inaudible) dam. And our only dam has a stability certificate. It is being discussed with the national steel agency to see which is the best way to create stabilization. And they have corroborated our (inaudible) coal strategy, and we hope to accelerate our stabilization work very soon.

In terms of the social and diversity part, an important award make a difference award shows us that we're on the right path of increasing diversity. We have an increase in female participation 50% increase in PCD and a continuous reduction in the rate of accidents. With this, I would like to conclude the presentation and we can now go on to questions and answers.

Operator

Thank you. We will now go on to the question-and-answer session. (Operator Instructions) Our first question is from Daniel Sasson from Itau BBA.

Questions And Answers

Q - Daniel Sasson {BIO 19234542 <GO>}

Hey, good morning to all of you, and thank you for taking my question. My first question refers to your price realization in mining. If you could help us to think about the potential impact of these volumes that have provisional prices in the third quarter, and with a look towards the fourth quarter, the curve of future prices used to work with these provisional prices was lower in the third quarter. And do you think it's reasonable to think that the impact on the fourth quarter will be very small practically zero, depending on the price averages in the coming weeks. My second question refers to the cement business. You gave us an update that you have just carried out a filing with CADE. Do you have a best guess and expectation of when you will be able to consolidate these assets? If you could share with us your expectation for the cement market in 2022 timing to capture these synergies that you mentioned in the presentation referring to a whole seat. Thank you very much.

A - Benjamin Steinbruch {BIO 1499059 <GO>}

Well, thank you for the questions, Daniel. And when it comes to these floating loads at the end of the third quarter and the impact of the price evolution on the results of the fourth quarter, you're right. The important part of the quarter has gone through and the average prices are very similar to those of the end of the third quarter. At present day prices, we have lower volumes of these open volumes; so the impact will be lower. Now, if the prices remain as they are, the impact will be less than $50 million. It's a fraction of what it was in the third quarter. And we hope to show you that this impact was non-recurrent in terms of cement. I would like to ask, Edvaldo, to help me with the answer.

A - Edvaldo Rabelo {BIO 18024264 <GO>}

Good morning, Daniel, and thank you for the questions. The first regarding CADE, we just carried out a filing with CADE a few days ago, and we're quite optimistic and confident that this process will be approved in a very short period of time. The CADE based on its rule has us to 11 months to approve this process. Obviously we do not believe that it will take all this time, that it will end faster than the 11 months. Evidently, we cannot set forth any dates because it depends on the CADE process, due to the complexity we have seen, we're very confident and optimistic. The cement market for 2022 and perhaps Martinez can add to my comments. We're still very optimistic. There are bumps along the way. We have observed this at the end of the year, because of seasonality. It is normal in this period of rainfall in Rio de Janeiro. It has rained quite a bit in the last 30 days, but this is a natural process. We have a market seasonality at present, but we're confident regarding 2022, the fundamentals are there. Now, the intensity and housing continues at record levels. And when it comes to infrastructure and sanitation and other areas, all of these could bring a positive impact to the market. This isn't a closed forecast, but we think that we could have a 4% growth coming year, when it comes to the synergies with LafargeHolcim, evidently we need to wait for the approval of CADE to be able to take over the company and begin our management. We have already explored this in the due diligent and in the operations we carried out during this process.

There are short term synergies of performance improvement, operational efficiency, few -- all of these are synergies that we can capture, logistic synergy, as well and optimization of the delivery network to consolidate our operations and in the commercial part as well. We believe that with a price recovery, this would be necessary and healthy for the segment. And this is something we're going to seek out many synergies that we will be able to consolidate in the short and medium term and more complex synergies, such as the improvement of technology of one or another plan; but this way we'll do in greater detail. We're optimistic that we can implement all of this with great speed.

Q - Daniel Sasson {BIO 19234542 <GO>}

Thank you, Edvaldo. Thank you, Marcelo.

Operator

The next question is from Thiago Lofiego from Bradesco BBI.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Good morning to all of you. Marcelo, can you hear me?

A - Marcelo Cunha Ribeiro {BIO 22375061 <GO>}

Yes, I can hear you perfectly.

Q - Thiago Lofiego {BIO 16359318 <GO>}

We have two questions. I don't know, if Martinez is on the call. I would like to ask him about the domestic market and what he foresees as a demand and the medium term in a sector, which sector is more problematic or doing better and also to remark on the prices. This is a classical question that we always ask you, Martinez. My second question refers to the cost in coal and steel, which will be the impact of the cost of coal in the steel production?

A - Luis Martinez {BIO 15854055 <GO>}

Good morning, Thiago or good afternoon in truth. Let's speak a bit about the market. First of all, we have to celebrate what happened in the market this year. The apparent consumption to give you an idea is returning to the levels of 2010, 15,000 tons in the flat steel. We had difficult moments between 2015 to 2020 we are now at this level. Another important point, all of the markets grew during this year. And I believe that the outlook continues to be positive. If we look at the automotive sector that is facing a crisis in semiconductors, despite this, they have had a growth of 5.2%. I agree, business, trucks, railroad or highway transportation all have had a growth of 10% for buses. And in the white line of home appliances, although there is a drop due to seasonality, the growth has been 8%. In packaging, we are conditioned in metal packaging for food. There has been a growth of 4.8%. So there's not very much to say about the market this year. It was very positive. And it is a reason for celebration, not pessimism. When it comes to imports, which is another important data this year, specifically, it was a more difficult year because the imports reached 20%.

We had 1 million tons last year, this year we will be closing with 2 million tons of imports. It's also been positive because the trend is toward a fall in imports. In terms of supply and demand in the fourth quarter, we normally are faced with seasonality. It will happen and the markets are quite supplied. Some markets have stock, so we will no longer have to run around to buy steel. When it comes to the cost, which is important, despite the drop in iron ore, there's an increase in the cost of coal going to $380 per ton, and an increase in coke. Although there was growth of imports during the year up to September, the trends that we face now because of what is happening worldwide with freight and the restrictive measures of Russia and China have a trend toward dropping. This is for exports and the cost $560 will favor our market in premiums.

If we imagine a BQ in China, that price had a minor drop compared to what happened with iron ore. The BQ price is around $900 and the premium in the Brazilian market varies from 0% to 2%. If we imagine that it is healthy to maintain a 10% premium, without a doubt, there will be room in the near future to recover margin. Another important point that I would like to analyze, regardless of what is happening in the market is the CSN strategy. At the last call, I mentioned that we implemented a change in the pricing criteria. Our sales profile is 75% -- 80% of spot prices and the contracts that we have are quarterly contracts. Another point that we discussed is to make more profitable, the volumes that we have working at full capacity and we have reached that margin of $550 per ton. Additionally, to this, if we look at the business in U.S., Germany and Portugal, all of them had a positive impact on our results. In the U.S., we complied with our quotas, we had minor exports or plates to the U.S. for tolling in Portugal. We supplied part of the volumes and in integrated merchants. They were able to work with positive values and in Germany, the growth of the European market had very interesting results. On December 8 on CSN Day, we will be able to discuss this important data in Brazil. We're at a completely different level of demand for those who had demand of BRL10 million or BRL11 million. Brazil is in a more positive level of 50 million tons per year in 2022, because of the Chinese situation of rebates and Russia of having an export tariff for some products means that exports will drop. Exchange rate increasing freight, increasing will be positive for markets and to speak about markets as a whole, with rare exceptions, all continue to be very healthy, all point toward growth and nothing points to negative growth coming year. Of course, growth will be more limited, because we had a year with the growth of 25%, but the outlook is positive for 2022 and CSN will continue on whether it's strategy working full in the company, preserving the domestic market to focus on technology, innovation, added value, maximum of fragmentation, 80% of our price is linked to the spot market. We're going to participate in all sectors and act very aggressively in the markets in the U.S. and Portugal. I think this is the portrait that I have at present of the market.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Thank you, Martinez. If you allow me a follow up question, the premium is close to zero, given the level of demand and the dynamic of demand. Is it going to continue at zero? We had seen premiums between 0% and 10% now, zero for that level of demand.

A - Luis Martinez {BIO 15854055 <GO>}

Well, there are two important things here Thiago. CSN, when we speak about imports, we have to be very careful because what has grown in imports is now competing with our portfolio. The coded material, we have doubled what we had vis-a-vis last year to speak about price increase in products with higher added value. Well, this premium would not hold if we speak about supply and demand. Now imports were lower in reais because we maintain the premium in a tighter position at the beginning of the year in January. If this situation continues, we're going to have to seek a price recovery in the domestic market to maintain the quality. It's no longer a 25% or 20% premium that we used to have, but it should be around 10% in the domestic market if we imagine quality service logistics and other factors.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Thank you, Martinez.

Operator

Our next question in English comes from Carlos De Alba from Morgan Stanley.

Q - Carlos De Alba {BIO 15072819 <GO>}

Yeah. Good morning, everyone. Thank you very much. My first question is coming back to cement, is it possible because maybe it's out there, but I haven't really seen them or remember them. Can you tell us about the expected synergies in the cement business from the recent two acquisitions, what is the amount in reais or dollars per year that you expect to achieve? And when do you think how the progression toward that target-what is that progression? How does it look like please? And the other question will be on working capital. What are you expecting in the fourth quarter, given all the moving pieces that we're seeing? And what is the progression in terms of your inventory, steel inventories? Have you been able to offload them during the fourth quarter or do still remain with a relatively the same levels that you ended up the third quarter with? Thank you.

A - Luis Martinez {BIO 15854055 <GO>}

Thank you, Carlos for the questions. Well, in terms of the synergies, I will reiterate, what we discussed with the market when we acquired the Holcim asset. We spoke about the results of Holcim as being BRL540 million as a year, a very conservative of course, the monthly EBITDA have been higher than that, but we were saying that our expectation of being able to increase these results through (inaudible) with constant volume and price would be about BRL300 million. Well, this reverted in terms of synergies, such as commercial strategy, where we would increase the customer base and change the products, avoid the use of distributors, synergy and distribution as mentioned before, making use of a more intelligent distribution radius plant by plant, administrative areas and cost synergies as well. The cost of electrical energy that we could reduce immediately considering our access to a lower cost energy.

When you look at Holcim and Elizabeth, several synergies amounting to approximately BRL540 million being conservative without including a growth in volume and price, regarding working capital we're expecting a rather neutral behavior in the coming months. We have this consolidated at CSN. We have a volume of inventory. We're going to just speak up the decrease in the coming months. This will generate cash and in mining we have that effect of revenues, invoice and receive that provisional prices. We will account for this as a client advance, and this will be reversed in the coming months. So, the working capital will neither help or hamper cash generation in the coming months.

Operator

The next question is from Rafael Barcellos from Santander.

Q - Rafael Barcellos {BIO 20593721 <GO>}

Thank you for taking my question. I would like to speak about capital allocation. You're very close to your goal of EBITDA net debt. What are you considering in terms of the limit of net income? If CSN will have any limitations in terms of cement, if the company will be somewhat above its goal during a certain period in terms of net debt EBITDA ratio?

A - Benjamin Steinbruch {BIO 1499059 <GO>}

Thank you, Rafael for the question. Well, we have three lines in our capital allocation. The first, the most important is maintaining leverage below 1.0 net debt EBITDA, and we are seeking investment grade and we have to have an evolution in this. This is something we will not negotiate. We're going to work so that next year we can attain this level. Secondly, the exercise of these investment plans that have already been announced, especially in mining, BRL30 million c\Committed to ensure that our production capacity will increase three-fold in the coming decade. This will enhance the CapEx and the company besides cements of course, that has led to a consolidation in the sector. So we have had a significant evolution in steel. Yes, we will have disbursements, but in terms of efficiency gains and productivity in the park, we are holding internal discussions that we need to share more with the market when it comes to adding value in terms of galvanized products. Our international presence, reinforcing our footprint in Portugal, United States and Germany, all of this is under discussion as part of this framework of one-time net debt EBITDA. Third, the payment of dividends in mining, we maintained the policy of 80% to a 100% and CSN, a minimum dividend of 25% until we obtain investment grade. This is how we allocate capital.

Q - Rafael Barcellos {BIO 20593721 <GO>}

Excellent. Thank you very much, Marcelo.

Operator

(Operator instructions) The next question is from Leonardo Correa from BTG Pactual. Leonardo, your audio?

Q - Leonardo Correa {BIO 16441222 <GO>}

Good afternoon to everybody. Martinez, your strategy for steel is very clear and while we have heard a great deal about iron ore, you have been developing your market share, and we have heard a great deal about your commercial strategy. Now your realized profit was 8% above what we had expected. Are you going to continue on with this strategy? And if you're going to continue to attempt to protect prices, I would like to hear a bit more about this. And I would like to hear your rationale and much more in terms of what you are doing? Thank you, Martinez.

A - Luis Martinez {BIO 15854055 <GO>}

Hello, Leo. Good afternoon. What we have decided to do, we were working at full. I don't know if you noticed this, Marcelo showed a leap in production. In the third quarter, we went from 900,000 to 1,100,000 tons produced. Now the strategy is slag. And what we have to do is to make this profitable, make the bottleneck profitable. We're working with a full production at present. We're working with a higher added value mix with a best quality with a spot price. So everything has been done as the delivery from the plant is better and as our strategy is to supply Portugal as well, and to have good results in Portugal, and the U.S., the strategy is to recover volumes in the fourth quarter and the beginning of 2022. We think the production volume will stabilize at 1,100,000. The product sales were going to produce everything that sells and we're going to do whatever we can to maximize the company value.

And when we spoke about profitability a year and half ago, it was a $100 EBITDA, now it's $150. Leonardo, the great leap for CSN will be in the reduction of imports. This is where we have more added value. We have a great deal of material for civil construction, which is a segment that is still growing. We're going to recapture this because of the availability of the international market with Brazil, of course, some problems with China and Russia and the freight in dollars. We will be able to maintain excellent profitability working with larger volumes. This is a challenge, but this is what we do day after day, sell the very best production that is available. And going forward, we will recover a volume in the fourth quarter and in 2022.

Q - Leonardo Correa {BIO 16441222 <GO>}

Another point on my side to take advantage of your time, if you have steel contracts for the industry, and this is a profitable strategy. You confirmed in the conference call that you had already transferred a significant readjustment. Now this perhaps for annual contracts, now the entire market is expecting a price readjustment. And I would like to confirm with you, if there's any sort of lag or something that will allow you to make more strides in terms of this. I would like to confirm if you have already captured everything in the price, or if there's anything additional that you could capture.

A - Luis Martinez {BIO 15854055 <GO>}

Leo, what I have observed in the market, I, once again, refer to our share in the automotive industry differently from competitors that have assets devoted to that segment. We do have a state-of-the-art automotive plant that is completely full and sometimes it's more interesting to produce or export produce for the domestic market than work with long-term contracts. The price we have at present is very similar in distribution and in the sector that requires contracts, assembly plans and home appliances. The home appliance segment and the automotive segment represent 15% to 20% of our output. My greater focus will always be on distribution on small industries, on something fragmented and civil construction. This is one of the focuses regarding the price and the price in the third quarter increased 20.08%. And if there are opportunities, our competitors' prices much lower. So I have already captured some prices way ahead of the competitors, but even so at the beginning of 2022, there will be more to do with some of the industry clients, industries from the automotive sector and home appliance sector. We were quite flexible this year with these clients to be able to fulfil what we had promised. There was no break between CSN and these clients. We work jointly to have something more aligned to our new commercial policy. I do believe that in the fourth quarter, if everything works out in our strategy, we will have a positive price carry over zero or slightly positive. And for the coming year with this dollar, with a cost and the premium respecting supply and demand, and the galvanized zinc that is very important for CSN. I think there will be room to have a firm premium of 10%. This is one of the achievements of the steel segment that should be maintained. There was a deterioration for some years, and we paid a high cost for that. And that's why in the third quarter, we had the best third quarter for CSN in terms of results working with 200,000 less tons. I have 200,000 carryover stock that I will be able to sell in the fourth quarter and in the coming year, this is what I can share with you about our strategy.

Q - Leonardo Correa {BIO 16441222 <GO>}

Thank you, thank you very much Martinez.

Operator

(Operator instructions) Ladies and gentlemen, we will now return the floor to Mr. Marcelo Cunha Ribeiro, the IRO and CFO for his closing remarks.

A - Marcelo Cunha Ribeiro {BIO 22375061 <GO>}

Once again, I would like to thank all of you for your presence at this call. And we invite you to participate in our CSN Day at the beginning of December. We will be sending out invitations to all of our shareholders, and we reinforce our optimism with the company results in the coming quarters. Our commitment with the strategies, capital allocation, innovation, de-leveraging and much more. Thank you very much. The conference call of CSN ends here. We would like to thank all of you for your participation. Have a good afternoon. You can now disconnect.