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DRAFT: Companhia Siderurgica Nacional Downgraded To 'B+' On Timing And Execution Risks To Leverage Reduction; Outlook Negative

January 19, 2026

Rating Action Overview

- Companhia Siderurgica Nacional (CSN) announced on Jan. 14, 2026, a plan to reduce its leverage through divestments . We currently forecast adjusted leverage to stay above 5.0x in 2026 absent the asset sales.
- While we acknowledge the company's efforts to improve its capital structure and reduce interest burden, we believe there are risks in executing these material transactions on a timely manner, which may delay improvements in leverage.
- On Jan. 19, 2026, S&P Global Ratings lowered its ratings on CSN to 'B+' from 'BB-'.
- The negative outlook reflects a one-in-three chances of another downgrade in the next 12 months if the absence of asset sales and the worsening operational performance keeps leverage above 5.0x, while mounting short-term debt and substantial cash outflows with capital expenditure (capex) and interest pressure liquidity.

Rating Action Rationale

CSN's plan aims to improve leverage, but uncertainties over its execution, timing, and effect on cash flow currently outweigh the upside. The company's plan is based on a series of divestments, namely the sale of a stake in Newco CSN Infraestrutura and its cement subsidiary, CSN Cimentos. CSN assumes to raise R$16 billion – R$18 billion to be used to reduce gross debt and related debt burden. On Sept. 30, 2025, CSN's financial gross debt reached R$52.1 billion (or R$73.5 billion considering our adjustments).

After the sale of an 11% stake in CSN Mineração (CMIN) in 2024, the company's strategy incorporates streamlining its heavy capital structure by selling assets, a considerable shift in management's approach after a cycle of significant M&As that expanded the scope of operations but now demands sizable capex for ongoing expansion and improvements amid persistently high interest rates and a history of dividend payouts.

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Based on the company's expectation in terms of sale amounts and timing, once both sales are completed, CSN would be able to reduce its debt by about one-third by 2027. Besides improving leverage, the interest burden could drop by about R$2.5 billion by 2027 from our estimate of close to R$5.7 billion in 2025. However, the sale of the cement division would also shrink EBITDA accordingly, which would limit the improvement in metrics. We assume the cement business to generate EBITDA of R$1.8 billion in 2026 and close to R$2.0 billion in 2027.

Nevertheless, we believe the complexity of these transactions, considering the potential approval from regulatory bodies, introduces high uncertainties regarding their timing and execution. Also, given its sizable debt and ongoing large cash outflows, the company's initiatives could fail to reduce leverage to the 'BB-' rating level, with adjusted debt to EBITDA at 4.0x-4.5x in the 2026-2027, if the sale occurs in 2026. This potential leverage improvement is incorporated in a positive adjustment assigned to the rating build-up.

Our metrics differ significantly from those reported by the company because of the following adjustments:

- Our debt metrics include the Transnordestina project's debt guaranteed by CSN, pension adjustments, iron ore prepayments, leasing obligations, asset retirement obligations, and tax installments. These added R$21.3 billion to CSN's debt as of Sept. 30, 2025.
- Our adjusted EBITDA does not include the contribution from MRS Logistica S.A. and excludes some nonrecurrent factors, such as gains/losses from asset sales and the recognition of the PIS/COFINS tax credits.

We forecast improving operating performance in all divisions, but well-executed asset sales remain key to reduce leverage. In a scenario of still heightened competition from imports in Brazil, CSN has been able to work on improving its cost structure by focusing on greater efficiency to support margins. This, coupled with increasing volumes and some room to adjust prices given better product mix and recent quota implementations, should enable the company to raise its steel margins in 2026.

Iron ore prices have remained at higher levels than our price deck, with spot prices of about $104 - $ 107 per ton in the first weeks of January. Still, we believe persistent challenges in the global steel markets and higher global iron ore supply will likely prevent prices from remaining at current levels for an extended period. S&P Global Ratings forecasts iron ore prices at US$90 per ton in 2026 and 2027. However, the company's solid volumes, some hedged contracts, and cost-efficient operations will continue to support the mining division's solid performance.

This, coupled with fairly stable results in cement, infrastructure, and energy units, will enable nominal EBITDA to rise to R$11.7 billion and EBITDA margin to 24.9% in 2026, compared with our forecast of R$10.3 billion and 24.0% for the end of 2025. However, absent other material cash inflows, adjusted leverage will be at 5.2x in 2026, compared with our forecast of 5.7x in 2025.

High investments will continue to consume CSN's cash generation in the next two years. Together with its divestment strategy, the company will continue to invest more than R$5 billion per year, mainly in the P15 project. With its completion expected by the end of 2027, the company aims to increase the mining capacity by about 16.5 million tons after the ramp-up, while increasing the exposure to 65% quality iron ore. Management believes that the project could add up to R$4 billion per year to the group’s EBITDA, but only by 2029-2030.

We forecast annual capex to peak at R$6.2 billion for the next two years for the P15 project. This, coupled with still sizable interest burden at about R$5.1 billion in 2026 and R$4.5 billion in 2027, will continue to pressure free operating cash flow (FOCF), which should result in a R$1.0 billion shortfall this year and generate positive R$80 million in 2027, after consuming R$4.9 billion in 2025. Nevertheless, we recognize that the potential sales, if and once completed, could benefit cash generation stemming from lower interest expenses resulting from reduced debt and potentially lower capex because of sold operations.

We continue to assess the company's liquidity as adequate, although with a tighter cushion. CSN's significant cash outflows last year had taken a toll on its consolidated cash position, which we forecast at about R$14 billion by the end of 2025, down from R$23.4 billion in 2024. This, coupled with close to R$8 billion in maturities in the short term, has reduced the liquidity cushion, now slightly above 20%. Still, factors such as CSN's ability to reduce capex if needed, no payment of dividends other than the minority outflows from CMIN, and its access to credit markets for refinancing continue to support our assessment.

However, we note that the larger portion of the company's debt, and consequently, interest burden is at the parent level; while most of its cash position and cash generation are under its subsidiary, CMIN. CSN controls the subsidiary through a 69% stake, and we believe that it has access to CMIN's cash. However, for any potential upstream in the form of dividends, CSN would have to account for the minority stake in the subsidiary. Therefore, we apply a 31% haircut to CMIN's cash available to support the company's overall liquidity position.

Outlook

The negative outlook reflects a one-in-three chance of another downgrade in the next 12 months if worsening business conditions, such as lower-than-expected prices in mining and persistently pressured steel margins, and no asset sales further erodes leverage and liquidity.

Downside scenario

We could lower our ratings on CSN in the next 12 months if a delay in the planned asset sales, weaker-than-expected operating performance, such as lower profitability and high cash consumption, or a more aggressive approach to capex and growth stall CSN's deleveraging, with debt to EBITDA persistently above 5.0x . We could also downgrade CSN if its liquidity weakens because of lower-than-expected cash flow or mismanagement of working capital, affecting its ability to refinance its short-term debt in a way to maintain an adequate liquidity position, in particular at the parent company level.

Upside scenario

A positive rating action would depend on CSN's ability to reduce leverage, with debt to EBITDA trending to 4.5x or below in 2026 and 2027. We would also need to see a conservative approach toward working capital management, capex, and dividends, while CSN reduces its interest burden. Maintenance of an adequate liquidity cushion would also be key.

Company Description

CSN is a Brazil-based integrated steel producer controlled by the Steinbruch family through the Vicunha Aços and Rio Iaco holding companies, which own 41.7% and 3.5% of the voting shares of CSN, respectively. Most of the remaining shares are publicly traded at the São Paulo Stock Exchange and through American Depositary Receipts at the New York Stock Exchange. CSN generates the bulk of its EBITDA through its steel and mining businesses, but with increasing contributions from other businesses such as logistics, cement, and energy.

Its main steel mill is the Presidente Vargas plant in Brazil, but the company has additional steel processing capacity in Germany and Portugal. CSN primarily produces flat steel products, but also long steel, although at smaller capacity, in Brazil and Germany. The company also produces more than 40 million tons of iron ore annually from its mines in the Brazilian state of Minas Gerais through CMIN, in which CSN has an approximately 70% stake.

In the cement business, CSN is now the second-largest player in the country with total production capacity of almost 17 metric tons (MT) per year. The logistics business consists of CSN's port operations, with container terminals, coal import terminals, and iron ore export terminals.

CSN also has a noncontrolling stake in MRS Logistica S.A. (BB/Stable/--), the largest iron ore transporting railroad company in Brazil, and in the Transnordestina project, a large railroad project under development in northeastern Brazil.

Our Base-Case Scenario

Assumptions

- Brazil's real GDP to grow 1.7% in 2026 and 2.1% in 2027.
- Brazil's inflation of 4.4% in 2026 and 3.7% in 2027.
- Average exchange rate of R$5.50-$5.57 per $1 in the next few years.
- CSN's steel sales volumes of 4,700 tons in 2026, and 4,800 - 4,900 tons in 2027.
- Average domestic steel prices affected by the foreign exchange and international prices, but still with limited room for adjustments considering the continued high competition from imports.
- Total iron ore sales of 45-46 MT in 2026 and 47-48 MT in 2027.
- Capex of about R$6.2 billion per year in 2026 and 2027, mainly for expansion projects in mining.
- Dividend payout of about R$720 billion in 2026 and R$808 million in 2027 to CMIN minority shareholders.
- We do not include any of the planned sales that CSN has recently announced, given execution risks and uncertain timing.

Key metrics

Companhia Siderurgica Nacional (CSN)--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. BRL)	2021a	2022a	2023a	2024a	2025e	2026f	2027f	2028f
Revenue	47,912	44,362	45,438	43,687	42,871	46,980	47,579	50,752
Gross profit	24,293	16,186	15,342	15,488	13,086	15,324	15,322	17,396
EBITDA (reported)	22,758	10,519	8,566	8,061	10,343	11,742	11,655	13,490
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--	--
Plus/(less): Other	(2,342)	744	486	(643)	(36)	(36)	(36)	(36)
EBITDA	20,416	11,263	9,052	7,418	10,307	11,706	11,619	13,453
Less: Cash interest paid	(2,225)	(2,451)	(3,612)	(4,259)	(5,073)	(4,747)	(4,161)	(4,169)

Companhia Siderurgica Nacional (CSN)--Forecast summary

Less: Cash taxes paid	(3,062)	(2,506)	(214)	(216)	(348)	(964)	(1,112)	(1,699)
Plus/(less): Other	--	--	--	--	--	--	--	--
Funds from operations (FFO)	15,129	6,307	5,226	2,943	4,886	5,995	6,346	7,586
EBIT	18,754	9,571	7,075	5,273	7,952	8,605	8,129	9,794
Interest expense	2,181	2,730	3,924	4,895	5,671	5,144	4,459	4,167
Cash flow from operations (CFO)	15,390	2,370	2,318	2,161	1,091	5,160	6,280	7,354
Capital expenditure (capex)	2,777	3,217	4,225	5,288	6,000	6,200	6,200	5,000
Free operating cash flow (FOCF)	12,613	(847)	(1,907)	(3,127)	(4,909)	(1,040)	80	2,354
Dividends	3,291	3,757	3,981	2,535	973	719	808	970
Share repurchases (reported)	1,516	411	--	336	--	--	--	--
Discretionary cash flow (DCF)	7,806	(5,015)	(5,888)	(5,998)	(5,881)	(1,760)	(728)	1,384
Debt (reported)	32,508	40,919	44,859	56,915	52,260	52,943	53,243	53,243
Plus: Lease liabilities debt	612	694	734	840	876	921	962	995
Plus: Pension and other postretirement debt	--	82	80	--	--	--	--	--
Less: Accessible cash and liquid Investments	(16,908)	(12,263)	(16,086)	(23,361)	(14,257)	(12,135)	(11,050)	(12,080)
Plus/(less): Other	7,663	7,541	13,164	19,349	19,488	19,488	19,488	19,488
Debt	23,874	36,972	42,751	53,743	58,367	61,216	62,642	61,646
Equity	23,374	21,816	19,685	15,459	16,109	17,640	19,426	22,420
FOCF (adjusted for lease capex)	12,031	(1,492)	(1,981)	(3,141)	(5,164)	(1,300)	(171)	2,114
Interest expense (reported)	2,094	2,595	3,741	4,688	5,671	5,144	4,459	4,167
Capex (reported)	2,865	3,352	4,408	5,494	6,000	6,200	6,200	5,000
Cash and short-term investments (reported)	19,291	13,448	17,579	24,222	14,257	12,135	11,050	12,080
Adjusted ratios								
Debt/EBITDA (x)	1.2	3.3	4.7	7.2	5.7	5.2	5.4	4.6
FFO/debt (%)	63.4	17.1	12.2	5.5	8.4	9.8	10.1	12.3
FFO cash interest coverage (x)	7.8	3.6	2.4	1.7	2.0	2.3	2.5	2.8
EBITDA interest coverage (x)	9.4	4.1	2.3	1.5	1.8	2.3	2.6	3.2
CFO/debt (%)	64.5	6.4	5.4	4.0	1.9	8.4	10.0	11.9
FOCF/debt (%)	52.8	(2.3)	(4.5)	(5.8)	(8.4)	(1.7)	0.1	3.8
DCF/debt (%)	32.7	(13.6)	(13.8)	(11.2)	(10.1)	(2.9)	(1.2)	2.2
Lease capex-adjusted FOCF/debt (%)	50.4	(4.0)	(4.6)	(5.8)	(8.8)	(2.1)	(0.3)	3.4
Annual revenue growth (%)	59.4	(7.4)	2.4	(3.9)	(1.9)	9.6	1.3	6.7
Gross margin (%)	50.7	36.5	33.8	35.5	30.5	32.6	32.2	34.3
EBITDA margin (%)	42.6	25.4	19.9	17.0	24.0	24.9	24.4	26.5
Return on capital (%)	41.6	18.1	11.7	8.0	11.1	11.2	10.1	11.8
Return on total assets (%)	26.3	11.6	8.0	5.4	7.9	8.6	8.0	9.3
EBITDA/cash interest (x)	9.2	4.6	2.5	1.7	2.0	2.5	2.8	3.2
EBIT interest coverage (x)	8.6	3.5	1.8	1.1	1.4	1.7	1.8	2.4
Debt/debt and equity (%)	50.5	62.9	68.5	77.7	78.4	77.6	76.3	73.3

Companhia Siderurgica Nacional (CSN)--Forecast summary

Debt fixed-charge coverage (x)	9.4	4.1	2.3	1.5	1.8	2.3	2.6	3.2
Debt/debt and undepreciated equity (%)	50.5	62.9	68.5	77.7	78.4	77.6	76.3	73.3

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. R$--Brazilian real.

Liquidity

We continue to assess CSN's liquidity as adequate’ with our expectation of the A/B ratio remaining above 1.2x in the next 12 months. Currently, more than 60% of the company's cash is at CMIN. To reflect the risks of accessing this cash, we place an approximately 30% haircut (accounting for the minority stake at the subsidiary) to CMIN's cash available to support the company's overall liquidity position.

Still, we continue to expect CSN to maintain an over 20% liquidity cushion for the next 12 months, supported by its large cash balance, ability to reduce capex if needed, no payment of dividends other than the minority outflows from CMIN, and its access to credit markets for continuous refinancing.

Principal liquidity sources	Principal liquidity uses
• Unrestricted cash position of about R$13.9 billion as of Sept. 30, 2025. We apply a haircut of 31% on CMIN's cash (adjusted by the amount paid to CSN for the stake of MRS). Total available cash position is about R$17.1 billion. • Projected funds from operations of about R$5.1 billion for the next 12 months from Sept. 30, 2025.	• Short-term debt of R$8.9 billion as of Sept. 30, 2025; • Working capital outflows of about R$1.3 billion for the next 12 months from Sept. 30, 2025; • Capex of R$4.0 billion for the next 12 months from Sept. 30, 2025. This is lower than our base-case scenario reflecting CSN's ability to reduce capex if needed; • Acquisition payables of R$185 million in the next 12 months from Sept. 30, 2025; and • Dividend payout of R$782 million for the next 12 months from Sept. 30, 2025.

Covenants

CSN has debt payment acceleration covenants that require a net debt to EBITDA ratio below 4.5x, measured at the end of each fiscal year (which ends Dec. 31).

There are significant differences between the covenant requirements and our net debt calculation, which includes Transnordestina's debt, pension adjustments, tax installments, iron ore prepayments, as well as to our adjusted EBITDA, which excludes the proportional contribution from MRS Logistica and some nonrecurrent effects such as asset sales.

We expect CSN to have comfortable headroom over its financial covenants because it would only breach them if projected EBITDA plummets more than 25% for the next two years.

Environmental, Social, And Governance

Governance factors are a moderately negative consideration in our credit rating analysis of CSN, while environmental and social factors are negative considerations. In our view, decision-making is overly concentrated in a single person--the main shareholder--while decisions historically have increased volatility in CSN's credit metrics. These decisions include ones involving acquisitions, expansion projects, shareholder structure, and shareholder remuneration. Capital structure and liquidity were significantly weaker several years ago and we see currently under increasing pressure given the above, coupled with the uncertainties around steel and iron ore. CSN is also exposed to the low-probability, high-impact risks associated with potential collapses of upstream tailings dams. Nevertheless, following new regulations, CSN has deactivated its tailings dams and has two ongoing projects in Casa da Pedra, due in 2028 and 2031.

Rating Component Scores

Rating Component Scores

Component	
Foreign currency issuer credit rating	B+/Negative/--
Local currency issuer credit rating	B+/Negative/--
Business risk	Fair
Country risk	Moderately high risk
Industry risk	Moderately high risk
Competitive position	Fair
Financial risk	Highly leveraged
Cash flow/leverage	Highly leveraged
Anchor	b
Modifiers	
Diversification/portfolio effect	Neutral/Undiversified
Capital structure	Neutral
Financial policy	Neutral
Liquidity	Adequate
Management and governance	Moderately negative
Comparable rating analysis	Positive
Stand-alone credit profile	b+

Related Criteria

- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019

- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings List

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.