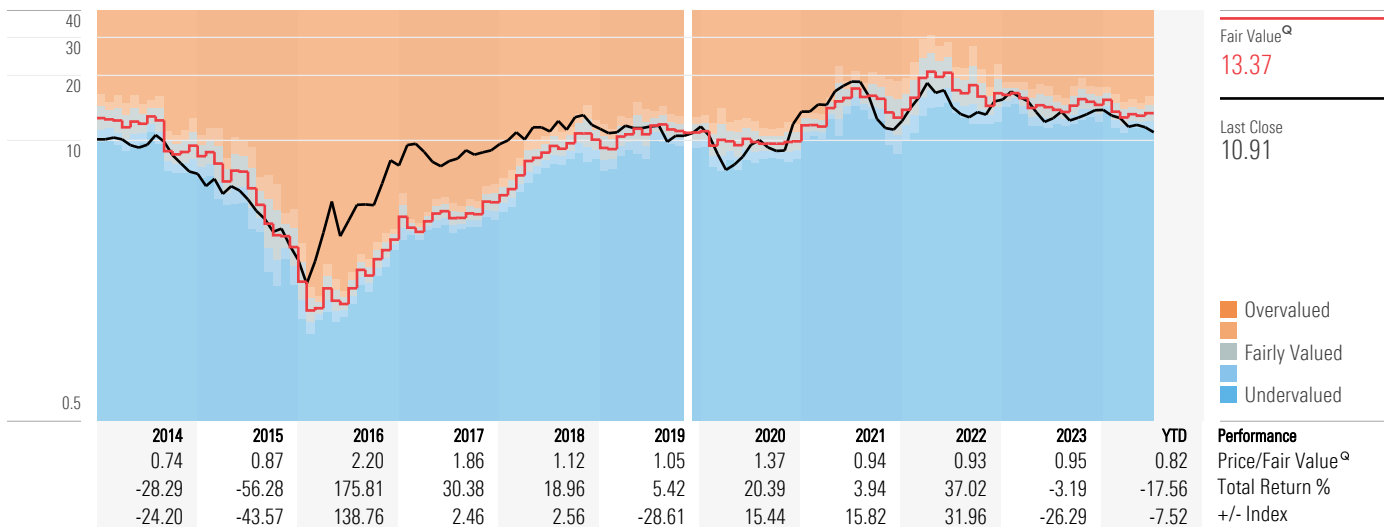


# Vale SA XVALO ★★★★★ Q 14 Jun 2024, 22:36 UTC

<b>Economic Moat</b> <sup>Q</sup>	<b>Uncertainty</b> <sup>Q</sup>	<b>Price/Fair Value</b> <sup>Q</sup>	<b>ESG Risk Rating Assessment</b> <sup>1</sup>	<b>Trailing Dividend Yield %</b>	<b>Market Cap</b>	<b>Investment Style</b>	<b>Sector</b>	<b>Industry</b>
None	High	0.8	5 Jun 2024 05:00, UTC	11.85	44.4933 Bil	Large Value	Basic Materials	Other Industrial Metals & Mining



As of 14 Jun 2024 | Index: Morningstar Brazil GR BRL. Fair Value data as of 14 Jun 2024, 22:36 UTC.

<sup>1</sup>The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating. Lee Davidson, Chief Analytics Officer for Morningstar, Inc, oversees the methodology that supports Quantitative Fair Value Estimates and Quantitative Star Ratings. Mr. Davidson is guided by the Morningstar, Inc. Code of Ethics in carrying out his responsibilities. For information regarding Conflicts of Interests, visit <http://global.morningstar.com/equitydisclosures>.

## Key Metrics as of 13 Jun 2024

Metrics	Value	Percentile in Sector
Earnings Yield (%)	16.0	96.0
Sales Yield (%)	85.3	71.0
Book Value Yield (%)	77.5	55.0
Return on Assets (%)*	8.7	90.0
Revenue(Bil)*	41.8	99.0
Market Value (Bil)	47.6	99.0
Enterprise Value (Bil)	61.0	99.0
EV/MV Ratio	1.3	77.0
Volatility TTM (%)	23.5	17.0
Drawdown TTM (%)	27.5	32.0
Volume (Mil)	23.2	98.0

\*31 Mar 2024

## Business Description

Vale is a large global miner and the world's largest producer of iron ore and pellets. In recent years the company has sold noncore assets such as its fertilizer, coal, and steel operations to concentrate on iron ore, nickel, and copper. Earnings are dominated by the bulk materials division, primarily iron ore and iron ore pellets. The base metals division is much smaller, consisting of nickel mines and smelters along with copper mines producing copper in concentrate. Vale has agreed to sell a minority 13% stake in energy transition metals, its base metals business, which is expected to become effective in 2024, and which is likely the first step in separating base metals and iron ore.

## Valuation <sup>Q</sup> as of 14 Jun 2024

Morningstar affirms a 4-star quantitative rating for Vale. We calculate this outcome using the company's underlying model-driven valuation and uncertainty scores.

The stock's last closing price was 10.85, a discount of 17.11% to its Quantitative Fair Value estimate of 13.09. The stock has been trading between a 25.16% discount and 0.57% premium to its quantitative fair value over the past year. The stock's price to fair value ratio is at the 66th percentile in our global equity coverage universe for this methodology and at the 80th percentile relative to its peers in the basic materials sector.

Vale furthermore holds a High quantitative uncertainty rating.

The company's quantitative star rating dates to after 03/14/2024, before which it was 3-star. Similarly, the firm's uncertainty rating changed from Medium to High after 06/06/2024.

We examine the financials and market statistics for Vale to determine these ratings. Its earnings yield is 15.99% and its trailing 12-month average volume

(primary share) is 23,177,432 shares. These fall at the 94th and 95th percentiles in the equity universe respectively and are both at the 95th percentile in the basic materials sector.

## Economic Moat <sup>Q</sup> as of 14 Jun 2024

Quantitatively, we do not believe Vale has an economic moat. Its moat score of 0.03 sits below the 5th percentile in the basic materials sector. Furthermore, this rating last differed from its previous rating of Narrow on 11/23/2023, when the company's moat score fell from its maximum of 0.73 (score of 1 indicates greatest economic moat).

The company also maintains a quantitative financial health rating of Moderate. Its score sits at the 50th percentile overall and the 65th percentile in the sector.

Examining the company's financials and market statistics, we find these ratings are principally driven by its book value yield and enterprise value-to-market value ratio. The book value yield is 77.50%, sitting at the 55th percentile in the basic materials sector. The company's enterprise value-to-market value ratio is 1.28, corresponding to the 69th percentile in the equity coverage universe and the 77th percentile in the sector.


## Fundamentals as of 14 Jun 2024

Vale maintains earnings per share of 1.81. The company further earns a return on invested capital of 16.2%. The shares offer a dividend yield of 11.23%. These values are calculated over a trailing 12-month period.

As of last market close, Vale has a price-to-earnings ratio of 6.44, falling below the 12th percentile in its sector (where a lower percentile means a lower ratio) and ranging between 4.35 and 7.57 over the past year. The company's price-to-free

# Vale SA XVALO ★★★★★

14 Jun 2024, 22:36 UTC

<b>Economic Moat</b> <sup>Q</sup>	<b>Uncertainty</b> <sup>Q</sup>	<b>Price/Fair Value</b> <sup>Q</sup>	<b>ESG Risk Rating Assessment</b> <sup>1</sup>	<b>Trailing Dividend Yield %</b>	<b>Market Cap</b>	<b>Investment Style</b>	<b>Sector</b>	<b>Industry</b>
None	High	0.8	 5 Jun 2024 05:00, UTC	11.85	44.4933 Bil	Large Value	Basic Materials	Other Industrial Metals & Mining

## Earnings as of 13 Jun 2024

Earnings	%	Percentile in Sector
Dividend Yield*	11.2	97.0
Payout Ratio*	78.1	76.0
Price to Earnings	6.4	12.0
Price to Cash Flow	7.3	23.0
ROIC**	16.2	94.0

\*31 May 2024

\*\*31 Mar 2024

cash flow ratio is 7.26, falling at the 23rd percentile in its sector and ranging between 7.12 and 14.97 over the past year.

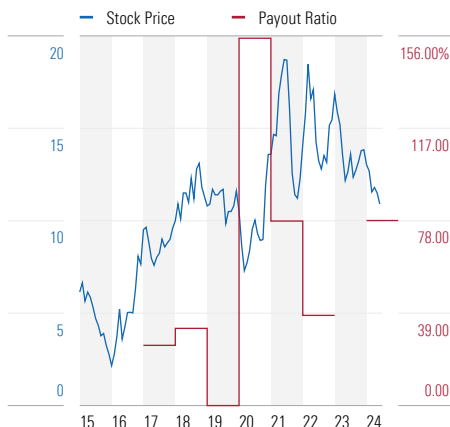
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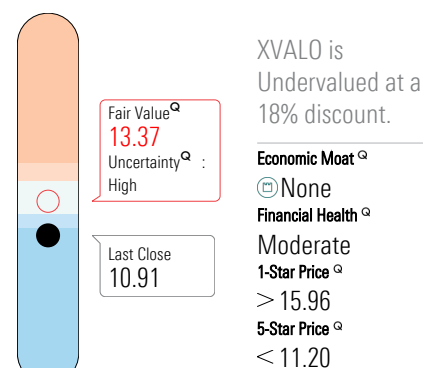
+55 2134853900

<https://www.vale.com>

## Dividends as of 14 Jun 2024



## Valuation <sup>Q</sup> as of 14 Jun 2024



XVALO is Undervalued at a 18% discount.

**Economic Moat** <sup>Q</sup>

None

**Financial Health** <sup>Q</sup>

Moderate

**1-Star Price** <sup>Q</sup>

> 15.96

**5-Star Price** <sup>Q</sup>

< 11.20

## Financials as of 14 Jun 2024 (Fiscal Year End 31 Dec 2024)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Fiscal
35.12	23.38	27.49	33.97	36.58	36.55	39.55	54.50	43.84	41.78	8.46	Revenue (Bil)
8.99	2.54	8.43	11.41	13.07	15.02	19.59	30.84	17.79	15.86	2.61	Operating Income (Bil)
25.61	10.88	30.66	33.59	35.74	41.08	49.54	56.59	40.57	37.95	30.81	Operating Margin (%)
0.66	-12.13	3.98	5.51	6.86	-1.68	4.88	22.45	18.79	7.98	1.68	Net Income (Bil)
0.13	-2.33	0.77	1.05	1.32	-0.33	0.95	4.47	4.05	1.83	0.39	Diluted Earnings/Share
13.10	3.93	6.40	12.45	12.90	12.11	14.32	25.68	11.49	13.17	3.58	Operating Cash Flow (Bil)
-11.78	-8.11	-4.95	-3.83	-3.78	-3.46	-4.23	-5.03	-5.45	-5.92	-1.40	Capital Spending (Bil)
1.33	-4.18	1.45	8.62	9.12	8.65	10.10	20.65	6.04	7.25	2.18	Free Cash Flow (Bil)
5,153	5,197	5,197	5,197	5,178	5,128	5,133	5,017	4,642	4,370	4,290	Avg Shares Outstand(Mil)

## Valuation as of 14 Jun 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar
0.74	0.87	2.20	1.86	1.12	1.05	1.37	0.94	0.93	0.95	0.82	Price/Fair Value <sup>Q</sup>
1.05	0.55	1.63	1.73	1.87	1.80	2.42	1.25	1.73	1.67	1.22	Price/Sales
—	—	—	8.75	15.21	18.30	33.42	3.99	4.24	7.29	6.51	Price/Earnings
3.30	3.62	7.74	5.19	5.06	5.37	7.96	2.34	6.79	6.59	3.89	Price/Cash Flow
1.12	0.82	1.05	1.32	1.62	1.59	2.48	2.03	2.22	1.73	1.34	Price/Book

## Operating Performance as of 14 Jun 2024 (Fiscal Year End 31 Dec 2024)

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Q3	Fiscal (%)
0.55	-11.83	4.25	5.56	7.32	-1.87	5.31	24.74	21.31	8.82	1.81	Return on Assets
1.81	-57.03	30.11	18.54	15.69	-4.0	12.88	63.93	53.42	21.2	4.36	Return on Equity
2.37	-23.57	11.42	12.29	12.19	0.53	11.61	44.01	36.88	16.65	3.15	Rtn on Invested Capital

## Dividends as of 14 Jun 2024

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Current	Calendar (%)
1.89	0.98	0.17	1.33	0.49	1.41	2.41	14.65	7.58	6.08	1.62	Dividend Per Share
8.81	9.71	0.62	3.81	1.99	1.92	2.68	18.84	4.78	—	11.85	Trailing Dividend Yield
—	—	—	—	—	0.75	—	7.15	7.36	—	4.59	Buyback Yield

# Appendix

**Economic Moat** <sup>®</sup>History as of 14 Jun 2024 (No Moat: 0.00-0.70, Narrow Moat: 0.70-0.99, Wide Moat: 0.99-1.00)

Year	January	February	March	April	May	June	July	August	September	October	November	December
2024	0.06	0.01	0.02	0.03	0.04	0.05	—	—	—	—	—	—
2023	0.07	0.14	0.16	0.22	0.08	0.15	0.12	0.04	0.11	0.12	0.09	0.16
2022	0.06	0.04	0.06	0.07	0.06	0.08	0.05	0.04	0.03	0.01	0.08	0.11
2021	0.11	0.06	0.04	0.06	0.85	0.26	0.12	0.10	0.04	0.07	0.04	0.08
2020	0.03	0.04	0.06	0.09	0.11	0.14	0.15	0.07	0.08	0.17	0.06	0.07
2019	0.04	0.03	0.02	0.05	0.04	0.15	0.12	0.05	0.04	0.04	0.03	0.03

## Quantitative Equity Report Overview

The quantitative report on equities consists of data, statistics and quantitative equity ratings on equity securities. Morningstar, Inc.'s quantitative equity ratings are forward looking and are generated by a statistical model that is based on Morningstar Inc.'s analyst-driven equity ratings and quantitative statistics. Given the nature of the quantitative report and the quantitative ratings, there is no one analyst in which a given report is attributed to; however, Mr. Lee Davidson, Head of Quantitative Research for Morningstar, Inc., is responsible for overseeing the methodology that supports the quantitative equity ratings used in this report. As an employee of Morningstar, Inc., Mr. Davidson is guided by Morningstar, Inc.'s Code of Ethics and Personal Securities Trading Policy in carrying out his responsibilities.

### Quantitative Equity Ratings

Morningstar's quantitative equity ratings consist of: (i) Quantitative Fair Value Estimate, (ii) Quantitative Star Rating, (iii) Quantitative Uncertainty, (iv) Quantitative Economic Moat, and (v) Quantitative Financial Health (collectively the "Quantitative Ratings").

The Quantitative Ratings are calculated daily and derived from the analyst-driven ratings of a company's peers as determined by statistical algorithms. Morningstar, Inc. ("Morningstar", "we", "our") calculates Quantitative Ratings for companies whether or not it already provides analyst ratings and qualitative coverage. In some cases, the Quantitative Ratings may differ from the analyst ratings because a company's analyst-driven ratings can significantly differ from other companies in its peer group.

i. **Quantitative Fair Value Estimate:** Intended to represent Morningstar's estimate of the per share dollar amount that a company's equity is worth today. Morningstar calculates the Quantitative Fair Value Estimate using a statistical model derived from the Fair Value Estimate Morningstar's equity analysts assign to companies. Please go to <http://global.morningstar.com/equitydisclosures> for information about Fair Value Estimate Morningstar's equity analysts assign to companies.

ii. **Quantitative Economic Moat:** Intended to describe the strength of a firm's competitive position. It is calculated using an algorithm designed to predict the Economic Moat rating a Morningstar analyst would assign to the stock. The rating is expressed as Narrow, Wide, or None.

**Narrow** – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 70% but less than 99%.

**Wide** – assigned when the probability of a stock receiving a "Wide Moat" rating by an analyst is greater than 99%.

**None** – assigned when the probability of an analyst receiving a "Wide Moat" rating by an analyst is less than 70%.

iii. **Quantitative Star Rating:** Intended to be the summary rating based on the combination of our Quantitative Fair Value Estimate, current market price, Quantitative Uncertainty Rating, and momentum. The rating is expressed as One-Star, Two-Star, Three-Star, Four-Star, and Five-Star.

★ – the stock is overvalued with a reasonable margin of safety.

*Log (Quant FVE/Price) < -1\*Quantitative Uncertainty*

*Micro-Caps: Log (Quant FVE/Price) < -1.5\*Quantitative Uncertainty*

★★ – the stock is somewhat overvalued.

*Log (Quant FVE/Price) between (-1\*Quantitative Uncertainty, -0.5\*Quantitative Uncertainty)*

*Micro-Caps: Log (Quant FVE/Price) between (-1.5\*Quantitative Uncertainty, -0.75\*Quantitative Uncertainty)*

★★★ – the stock is approximately fairly valued.

*Log (Quant FVE/Price) between (-0.5\*Quantitative Uncertainty, 0.5\*Quantitative Uncertainty)*

*Micro-Caps: Log (Quant FVE/Price) between (-0.75\*Quantitative Uncertainty, 0.75\*Quantitative Uncertainty)*

★★★★ – the stock is somewhat undervalued.

*Log (Quant FVE/Price) between (0.5\*Quantitative Uncertainty, 1\*Quantitative*

*Uncertainty)*

*Micro-Caps: Log (Quant FVE/Price) between (0.75\*Quantitative Uncertainty, 1.5\*Quantitative Uncertainty)*

★★★★★ – the stock is undervalued with a reasonable margin of safety.

*Log (Quant FVE/Price) > 1\*Quantitative Uncertainty*

*Micro-Caps: Log (Quant FVE/Price) > 1.5\*Quantitative Uncertainty*

After the initial calculation for the star rating, there is a final filtering step based on the momentum of the company. We rank the companies based on their 12-1 month momentum, then restrict those below the 30th percentile to a maximum of 3 stars.

iv. **Quantitative Uncertainty:** Intended to represent Morningstar's level of uncertainty about the accuracy of the Quantitative Fair Value Estimate. Generally, the lower the Quantitative Uncertainty, the narrower the potential range of outcomes for that particular company. The rating is expressed as Low, Medium, High, Very High, and Extreme.

**Low** – the interquartile range for possible fair values is less than 10%

**Medium** – the interquartile range for possible fair values is less than 15% but greater than 10%

**High** – the interquartile range for possible fair values is less than 35% but greater than 15%

**Very High** – the interquartile range for possible fair values is less than 80% but greater than 35%

**Extreme** – the interquartile range for possible fair values is greater than 80%

v. **Quantitative Financial Health:** Intended to reflect the probability that a firm will face financial distress in the near future. The calculation uses a predictive model designed to anticipate when a company may default on its financial obligations. The rating is expressed as Weak, Moderate, and Strong.

**Weak** – assigned when Quantitative Financial Health < 0.2

**Moderate** – assigned when Quantitative Financial Health is between 0.2 and 0.7

**Strong** – assigned when Quantitative Financial Health > 0.7

### Other Definitions

i. **Last Close** – Price of the stock as of the close of the market of the last trading day before date of the report.

ii. **Quantitative Valuation** – Using the below terms, intended to denote the relationship between the security's **Last Price** and Morningstar's quantitative fair value estimate for that security.

**Undervalued – Last Price** is below Morningstar's quantitative fair value estimate.

**Fairly Valued – Last Price** is in line with Morningstar's quantitative fair value estimate.

**Fairly Valued – Last Price** is in line with Morningstar's quantitative fair value estimate.

**Overvalued – Last Price** is above Morningstar's quantitative fair value estimate.

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Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree

of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit [sustainalytics.com/esg-ratings/](https://sustainalytics.com/esg-ratings/)

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