



# Delbrook Capital Advisors Inc. | Vale S.A. *(NYSE: VALE / BOVESPA:VALE3)*



# DELBROOK CAPITAL ADVISORS

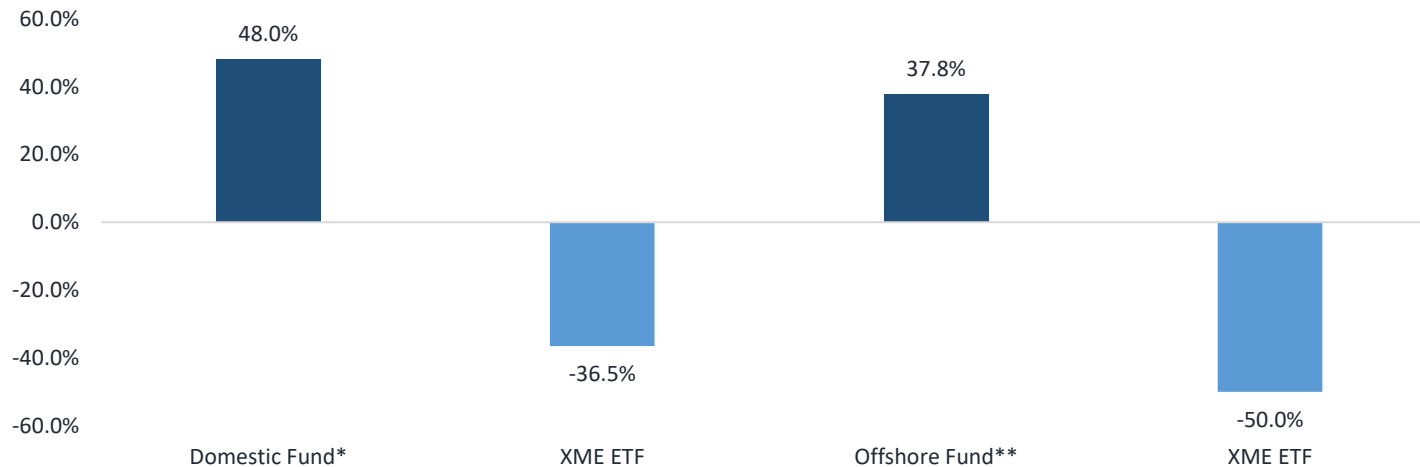
## Equity Long/Short Funds

RELATIVE VALUE  
25-35%

EVENT-DRIVEN  
25-35%

LONG DURATION  
20-30%

## Since Inception Performance



\*Inception Date of December 2013. As of February 2020

\*\*Inception Date of September 2018. As of March 2020

# IRON ORE MARKET

## Iron Ore Price Movement: January 1, 2018 – April 15, 2020

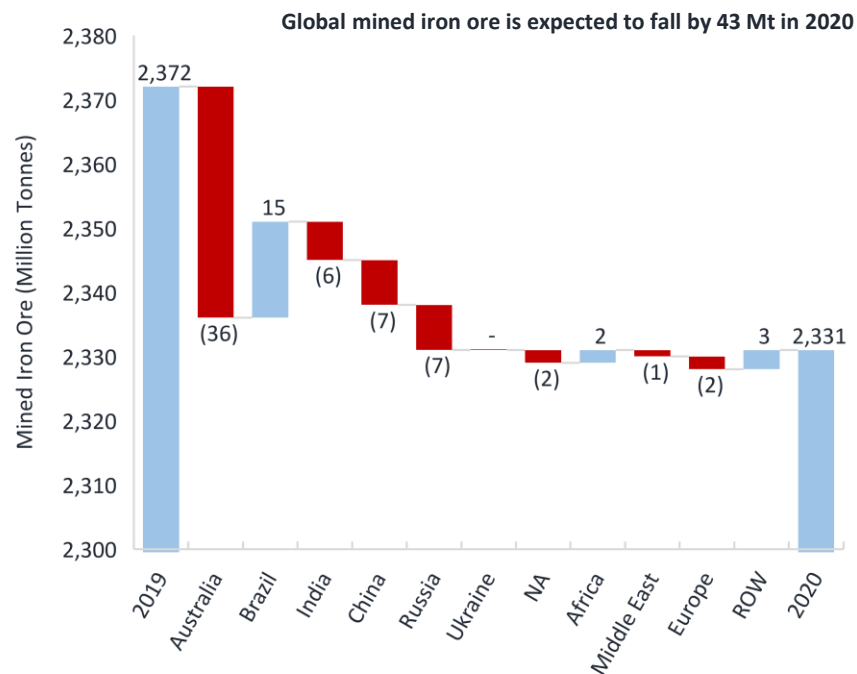
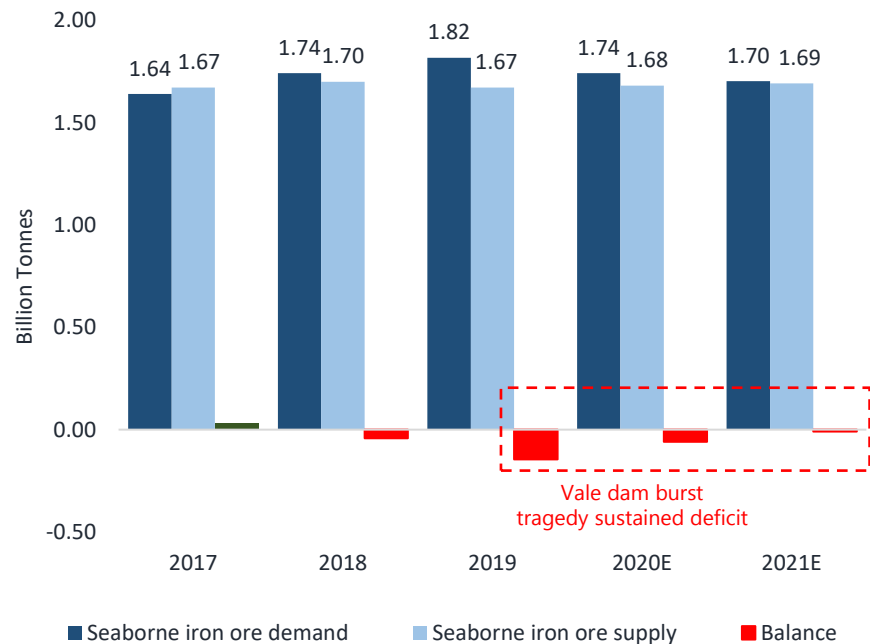


Source: CIQ / Bloomberg / Delbrook Capital

- Iron ore prices have been strong despite the global economic fallout triggered by the COVID-19.
- The strength in Chinese rebar prices has been crucial in keeping iron ore values at elevated levels.
- As China continues its recovery from COVID-19, we expect demand for iron ore to increase.

# IRON ORE MARKET

## Supply / Demand Fundamentals of Iron Ore



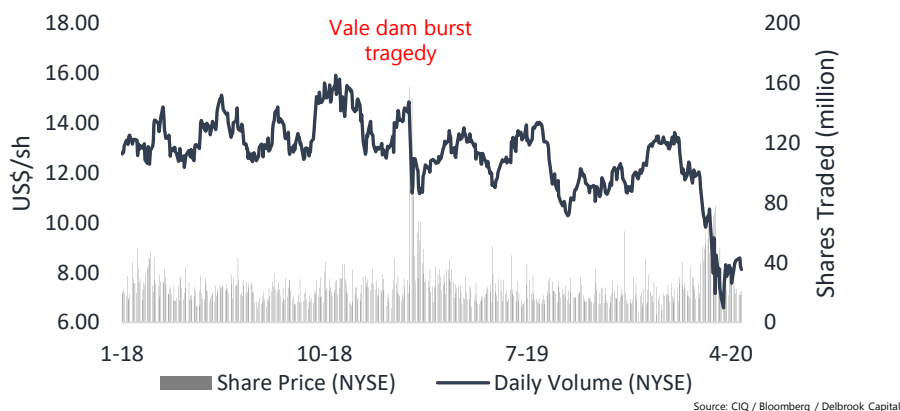
Source: CIQ / Bloomberg / Delbrook Capital

- Strong Chinese steel mill margins and better than expected Chinese economic data has led to increased price stability.
- Iron ore stocks at Chinese ports have been falling of late, mostly due to supply disruptions in Australia and Brazil.
- Global mined iron ore is expected to fall by 43 Mt in 2020, sustaining current deficit.

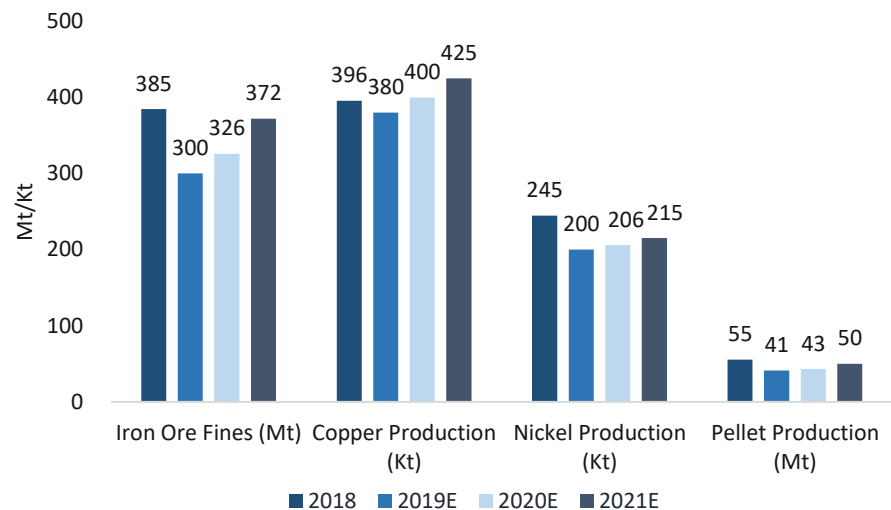
# BEST IDEA: VALE (NYSE: VALE / BOVESPA: VALE3)

## Description and Share Price

**Vale S.A.** is a Brazilian multinational corporation engaged in metals & mining and one of the largest logistics operators in Brazil. It is the largest producer of iron ore and nickel in the world.



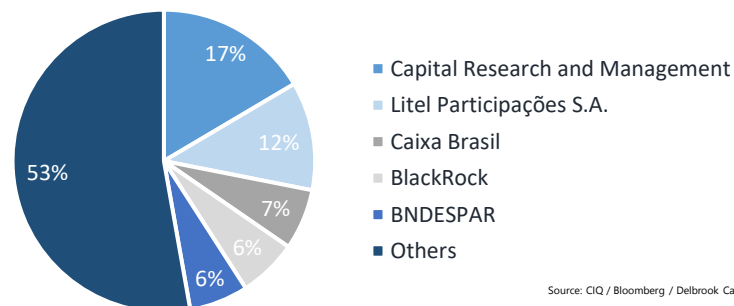
## Production Profile



## Company Information (As of April 16, 2020)

Listing	NYSE / BOVESPA:VALE
Share Price (US\$)	\$8.23
Shares Outstanding (M)	5,128.3
<b>Market Capitalization (US\$M)</b>	<b>\$42,206</b>
Less: Cash (US\$M)	\$6,374
Plus: Debt(US\$M)	\$15,048
Plus: Minority (US\$M)	\$825
<b>Enterprise Value (US\$M)</b>	<b>\$51,705</b>

## Shareholder Structure

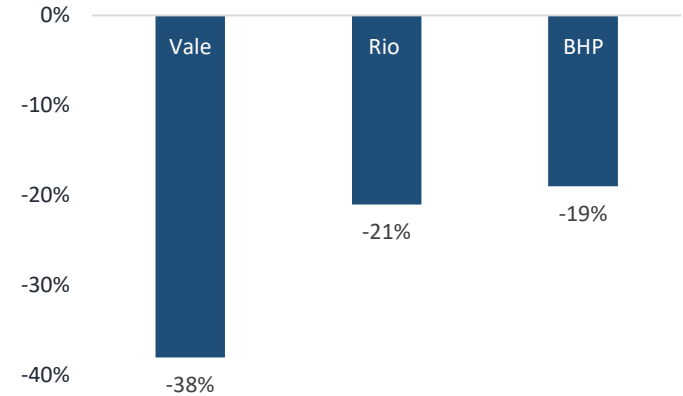


# BEST IDEA: VALE (NYSE: VALE / BOVESPA: VALE3)

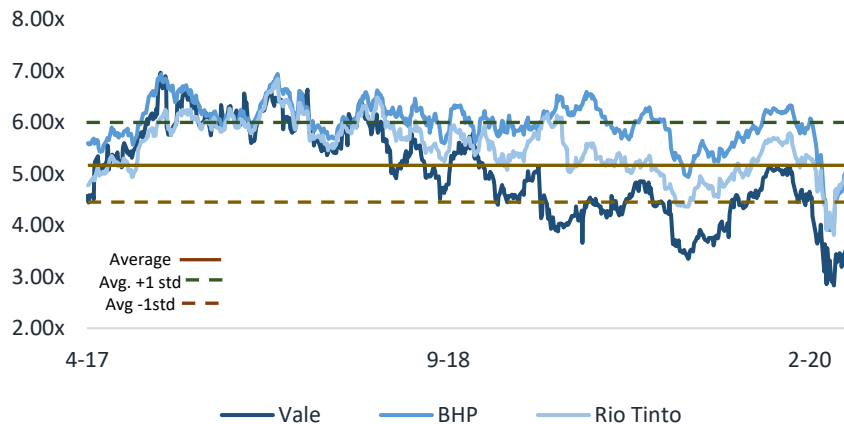
## Investment Thesis Summary

- The recent sell-off has created a good entry point for investors.
- Shares are now trading at a very attractive valuation which already prices most of the company's operational risks related to Brumadinho and COVID-19.
- The stock is trading at 3.5x EV/ 2020 EBITDA, which is 35% below 10-year historical average and 15% below the multiples seen the day after Brumadinho's dam accident.
- Strong 10-13% FCF yield in 2020/21 including non-recurring expenses (Brumadinho provisions). Excluding these cash expenses, FCF yield would reach 17-20%.
- Expected to pay full dividends next year – **10% dividend yield.**
- Solid balance sheet at 1.0x net debt / EBITDA.

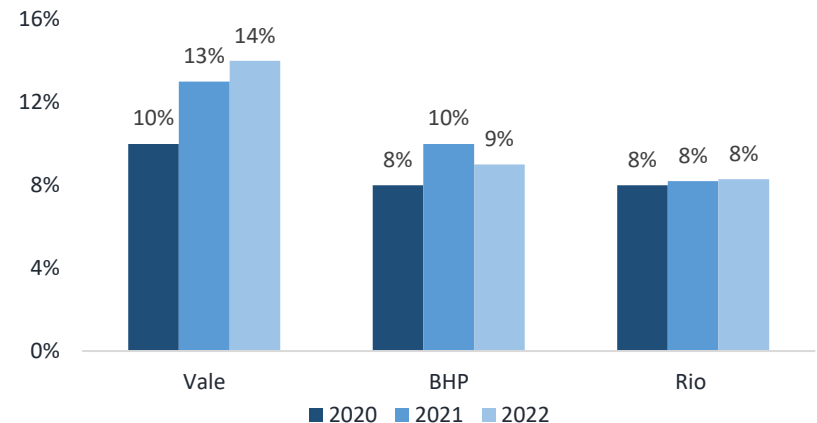
## Year-to-Date Performance



## Enterprise Value to 1YR Forward EBITDA



## Free-Cash-Flow Yield



Source: CIQ / Bloomberg / Delbrook Capital

# CONTACT DETAILS



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