

Nexa Reports Third Quarter 2022 Results including Adjusted EBITDA of US\$103 Million

27.10.2022 | [Accesswire](#)

LUXEMBOURG, October 27, 2022 - [Nexa Resources S.A.](#) ("Nexa Resources", "Nexa", or "Company") announces today its results for the three and nine months ended September 30, 2022.

CEO Message - Ignacio Rosado

"Market expectations for a global recession driven by rising inflation resulted in aggressive monetary policy tightening, increasing commodity price volatility, and which has put base metal prices under significant pressure since mid-second quarter. Although we believe the fundamental value for zinc will be strong in the coming months, given low inventory levels and a decrease or shutdown of production in smelters in Europe, we are taking appropriate measures to maintain a healthy balance sheet through consistent execution of our cost reduction programs, CAPEX optimization and improved cash flow generation strategy.

The adaptability of our organization as well as our operational efficiencies, have helped us overcome obstacles during the pandemic. We expect this resilience to help us navigate the current global macroeconomic challenges that our industry is facing. In 3Q22, we have delivered on production and costs guidance, however, our financial results have been impacted by the decrease in metal prices.

As we continue the ramp up process at Aripuanã, we are focused on optimizing process plant stability and recoveries while steadily increasing the plant throughput rate. We believe we are on track to commence commercial production in December. We are proud to have completed our first greenfield project during an extremely challenging global environment.

We remain confident about the long-term fundamentals of our industry. Our solid balance sheet and our ability to adapt to the ever-changing circumstances will enable us to generate sustainable cash flow. In the short-term, we are prioritizing to deliver on guidance, the extension of our life-of-mines and cash flow generation.

Lastly, we recently updated our ESG program and have issued targets and long-term commitments aiming at our new purpose - 'mining that changes with the world', which will guide all our initiatives."

Summary of Financial Performance

US\$ million (except per share amounts)	3Q22	3Q21	9M22	9M21
Net revenues	703	655	2,254	1,944
Gross profit	89	148	555	539
Net income) (loss)	(40)	(9)	158	145
EBITDA (1)	111	156	614	568

Basic and diluted earnings per share ("EPS")	(0.11)	(0.14)	0.99	0.85
Adjusted net income (loss)	(48)	(9)	141	145
Adjusted EBITDA	103	155	598	568
Adjusted basic and diluted EPS	(0.37)	(0.14)	0.86	0.85
Cash provided by operating activities before working capital	93	137	561	546
Cash	85	144	265	344
Free cash flows	(87)	(260)	(226)	(300)
Total cash	588	807	538	807
Net debt	115	908	1,115	908

(1) Refer to "Use of Non-IFRS Financial Measures" for further information. Adjusted EBITDA, adjusted net income (loss) and adjusted EPS exclude the non-cash impact related to the offtake agreement. Please refer to the adjusted EBITDA reconciliation and "Offtake agreement" on pages 14 and 38 of this earnings release. For details on segment definition and accounting policy, please refer to explanatory note 2 - "Information by business segment" in the Condensed Consolidated Financial Statements ended on September 30, 2022.

(2) Working capital changes in 3Q22 had a negative impact of US\$23 million, totaling a negative variation of US\$203 million in 9M22. Working capital in 3Q21 had a negative impact of US\$21 million, totaling a negative variation of US\$43 million in 9M21.

(3) Cash, cash equivalents and financial investments.

Executive Summary

Operational Performance

- Zinc production of 76kt in 3Q22 decreased by 5% compared to 3Q21, due to the expected decrease in Cerro Lindo production driven by an anticipated lower average head grade and lower treated ore. Compared to 2Q22, zinc production decreased by 4% also mainly driven by Cerro Lindo. Zinc production totaled 222kt in the first nine months of 2022, compared to 239kt in the comparable period of 2021.
- Run of mine mining cost in 3Q22 was US\$43/t compared to US\$41/t in 3Q21 reflecting inflationary cost pressure, including energy and labor, partially offset by our cost control initiatives and higher treated ore. Compared to 2Q22, run of mine mining cash cost was relatively flat.
- Mining cash cost net of by-products ¹ in 3Q22 was US\$0.57/lb compared with US\$0.22/lb in 3Q21 and US\$0.16/lb in 2Q22. In both comparisons, this increase was mainly due to lower by-products credits and zinc volumes.
- The smelting segment performed as planned, with metal production of 158kt increasing by 10% from 3Q21, which was affected by scheduled and unscheduled roaster maintenance and the reduction in calcine availability. Compared to 2Q22, production increased by 1%.
- In 3Q22, metal sales were 162kt, up by 4% and 7% from 3Q21 and 2Q22, respectively.
- Smelting conversion cost was US\$0.26/lb in 3Q22 compared with US\$0.23/lb in 3Q21 due to inflationary impacts on costs, including energy. Compared to 2Q22, conversion cost decreased by US\$0.03/lb due to the decrease in other variable costs, such as input costs, and higher volumes.
- Smelting cash cost ¹ in 3Q22 was US\$1.36/lb compared with US\$1.16/lb in 3Q21, mainly explained by market-related factors, such as higher zinc prices with a negative impact of US\$0.22/lb. LME zinc price averaged US\$3,271/t (US\$1.48/lb) in 3Q22, up 9% year-over-year. Compared to 2Q22, smelting cash cost decreased by 6%, due to lower operating costs and higher volumes.

Mining production (metric tons in concentrate)	3Q22	2Q22	1Q22	9M22	1Q21	2Q21	3Q21	4Q21	2021
Zinc	76.0	79.2	66.3	221.5	77.4	81.6	79.9	81.1	319.9
Copper	7.4	9.6	6.9	23.9	7.9	6.9	7.8	7.0	29.6
Lead	5.3	14.2	12.4	41.8	10.4	11.7	10.8	12.7	45.6
Silver	12.6	2.6	2.2	7.4	2.1	2.2	2.2	2.3	8.8
Gold	1.1	6.9	6.4	20.3	4.8	6.1	6.4	8.2	25.5
Smelting sales	3Q22	2Q22	1Q22	9M22	1Q21	2Q21	3Q21	4Q21	2021
Metal	152.3	152.1	134.3	448.8	148.4	156.6	155.5	158.4	618.8
Zinc metal	151.7	141.4	124.0	417.0	138.5	146.7	144.6	148.1	577.9
Zinc oxide	10.7	10.8	10.4	31.8	9.8	9.9	10.9	10.3	40.9

Financial Performance

- Net revenues in 3Q22 were US\$703 million compared with US\$655 million in 3Q21 due to higher LME zinc price, metal sales and lead volume. Compared to 2Q22, net revenues decreased by 15% as a result of lower prices across all metals, partially offset by higher metal sales. In 9M22, net revenues were US\$2,254 million, up 16% over 9M21 due to higher zinc prices.
- In September 2022, consistent with Nexa's silver streaming accounting policy, the Company recognized a non-cash reduction of US\$11 million as a remeasurement adjustment in its silver stream recognized revenues given higher forecasted long-term prices and an updated mine plan for Cerro Lindo mine ("the silver stream effect").
- Adjusted EBITDA ² in 3Q22 decreased to US\$103 million, compared with US\$155 million in 3Q21 and US\$286 million in 2Q22, driven by a decrease in both the mining and smelting segments, as further explained below. Adjusted EBITDA for the nine months ended September 30, 2022, was US\$598 million compared with US\$568 million in 9M21.

- Adjusted EBITDA for the mining segment in 3Q22 was US\$45 million compared with US\$145 million in 2Q22. Of this decrease, US\$95 million was driven mainly by lower volumes and the negative price effect variation related to lower base metal prices and changes in market prices that result in mark-to-market ("MTM") adjustments. The silver stream effect noted above, and pre-operating expenses related to Aripuanã also affected the quarter's result. Compared to 3Q21, adjusted EBITDA decreased by 51%.
- In 9M22, adjusted EBITDA for the mining segment totaled US\$318 million compared with US\$331 million last year, including in both periods the pre-operating expenses related to Aripuanã and the silver stream non-cash impact.
- Pre-operating expenses related to Aripuanã were US\$15 million in 3Q22 compared to US\$3 million in 3Q21 and US\$18 million in 2Q22. In 9M22, Aripuanã pre-operating expenses totaled US\$44 million.
- Adjusted EBITDA for the smelting segment in 3Q22 was US\$59 million compared with US\$140 million in 2Q22. This decrease was mainly driven by (i) the net negative price effect of US\$60 million related to lower zinc prices and changes in market prices resulting in quotation period adjustments; and (ii) net negative hedge effect of US\$18 million - primarily due to hedge mark-to-market adjustments resulting from lower LME prices mainly in 2Q22 - which is required to be recognized in the Company's results in advance of the physical sale of finished products. Compared to 3Q21, adjusted EBITDA decrease by 9%.
- In 9M22, adjusted EBITDA for the smelting segment was US\$282 million, up 17% compared to 9M21.
- In 3Q22, adjusted net loss was US\$48 million and adjusted net income totaled US\$141 million in 9M22. Adjusted net loss attributable to Nexa's shareholders was US\$49 million in 3Q22 and adjusted net income was US\$114 million in 9M22, which resulted in adjusted losses per share of US\$0.37 and adjusted earnings per share of US\$0.86, respectively.

Financial Position and Financing

- Total cash ³ decreased to US\$538 million at September 30, 2022 from US\$763 million at December 31, 2021 mainly due to Aripuanã investments (sustaining and expansion CAPEX, pre-operating expenses and working capital) of approximately US\$205 million. Our current available liquidity remains strong at US\$838 million, including the revolving credit facility.
- In 9M22, cash flows from operating activities excluding working capital changes amounted to US\$561 million. Interest and income tax payments amounted to US\$194 million, while we invested US\$186 million in sustaining (including HSE and sustaining of Aripuanã of US\$28 million). As a result, cash flow before expansion projects and working capital was positive at US\$181 million.
- In 9M22, Aripuanã CAPEX was US\$63 million. Cash used in financing activities totaled US\$66 million, including the investment in Tinka of US\$7 million and the net cash used for the early redemption of our Notes 2023 of US\$38 million. Pollarix, Nexa's energy subsidiary, paid dividends to non-controlling interests of US\$12 million. We paid dividends and share premium of US\$50 million in 1Q22. The foreign exchange effect on cash and cash equivalents had a positive effect of US\$12 million.
- Working capital changes were negative at US\$203 million in 9M22, mainly due to the increase in inventory levels, including the ore stockpile built in Aripuanã to secure the ramp up period, and the decrease in trade payables.
- Consequently, free cash flow in 9M22 was negative US\$226 million. Refer to our "Net cash flows from operating activities excluding working capital changes and free cash flow - Reconciliation" section for further details.
- Net debt to Adjusted EBITDA ratio for the last twelve months increased to 1.52x compared with 1.33x at the end of June 2022 and 1.23x a year ago.

ESG and Corporate Highlights

- As previously announced, Mr. José Carlos del Valle was appointed as Nexa's Senior Vice President of Finance and Group Chief Financial Officer ("CFO"), effective October 3, 2022. With over 12 years of experience in the metals and mining industry and more than 25 years in finance and planning, José Carlos joins Nexa after spending nine years as CFO at Compañía Minera Antamina.
- On October 6, 2022, Nexa updated its ESG program, announcing its new long-term environmental, social, and governance commitments. In line with the Paris Agreement and focused on reducing the impacts of climate change, we plan to reach net-zero greenhouse gas emissions ("GHG") by 2050, and net neutrality - the balance between carbon emissions and absorption by 2040. The 8 long-term commitments are segmented into 4 main topics: Emission Reduction and Neutrality; Safety; Water Usage and Disposal; and Plurality aimed at creating value and emphasizing the Company's new Purpose. Additionally, a new website was launched. Find out more information and details about Nexa's ESG strategy and commitments at www.nexaresources.com/esg.
- On October 13, 2022, Nexa hosted its first Investor Day at the New York Stock Exchange, which marked the five-year anniversary of the Company's IPO.

Growth Strategy

- In the short term, we continue to work to improve our operational performance while generating cash in our mines and smelters, expanding our current resources through infill and exploratory drilling in all our mines.
- We continuously evaluate our capital allocation strategy, our existing project portfolio, and the jurisdictions in which we operate.

Aripuanã

- Ramp-up activities have continued to progress and are currently focused on steadily increasing the plant throughput rate and increasing asset reliability. In 3Q22, we produced our first tonnes of copper, lead, and zinc in concentrate. The milling capacity utilization reached 32% at the end of 3Q22 and we believe we are on track to reach 70% by the end of December 2022 with our stability work to continue into 2023. We expect commercial production to commence in December 2022, subject to risks around the ramp-up of a new mine, among other factors.
- We continue with mine development activities in both the Arex and Link mines. At the end of September, approximately 646kt of ore was available in stockpiles, which is enough to cover five months of plant production in the ramp-up period.
- We invested US\$9 million, totaling US\$63 million in 9M22, including the negative FX impact of US\$5.4 million in 9M22. The cumulative CAPEX since the beginning of construction is US\$629 million. Our 2022 Aripuanã expansion CAPEX is expected to be slightly higher than our annual guidance and we expect our 4Q22 Aripuanã investment to be approximately US\$5 million depending on FX and inflation, due to additional contract expenses.
- Refer to our "Aripuanã project" section for further details.

Outlook

Production, Sales and Cash Cost Guidance

- As of the date of this report, Nexa has not experienced significant disruptions to production, sales, or its supply chain due to COVID-19, the Russia-Ukraine war, communities' blockages, weather conditions or inflation in 9M22.
- Nexa reiterates its 2022 production guidance for all metals, which is outlined below. We believe we are on track to achieve the mid to the upper range of the production guidance for all metals. Further details are outlined below.
 - Cerro Lindo: in 4Q22, zinc and copper production are expected to be slightly higher compared to 3Q22 due to an estimated increase in treated ore and relatively stable feed grade for both metals. Lead and silver production are expected to be slightly lower than in 3Q22.
 - Vazante: mine throughput is expected to be slightly lower, and zinc production for the last quarter of the year is expected to follow this trend as well. Average zinc grade is expected to be similar to previous quarters.
 - Aripuanã: ramping up is progressing well. However, due to adjustments to stabilize the metal recovery process, 2022 production is currently tracking toward the low end of the guidance range. Production remains subject to risks around the ramp-up of a new mine, among other factors.
 - El Porvenir: based on mine sequencing, zinc production in 4Q22 is expected to slightly increase compared to 3Q22. Lead and silver production are estimated to decrease, due to estimated lower head average grades.
 - Atacocha: zinc production is estimated to increase in 4Q22 compared to 3Q22, when it was affected, albeit not materially, by host communities illegally blocking the road access to the plant.
 - Morro Agudo: zinc production in the next quarter is expected to remain at a similar level of the average of 9M22. Lead production is expected to decline compared to 3Q22, due to estimated lower head average grade and production is currently tracking toward the upper guidance range.
- Zinc metal sales guidance also remains unchanged at 565-590kt and is tracking to achieve the upper range of the guidance.
 - Peru: we expect production in 4Q22 to remain stable and at the same levels as last quarters.
 - Brazil: in Três Marias we estimate production in 4Q22 will increase following production stability. As a result, smelters production in Brazil should be slightly higher in the next quarter compared to 3Q22.

- Nexa also estimates 2022 consolidated cash cost guidance for mining and smelting segments will be achieved.
 - Mining and smelting volumes are expected to increase in 4Q22 compared to 3Q22 and to be in the guidance range, as noted above.
 - Continuous improvements in operational efficiency and cost management are expected to continue to offset some of the ongoing inflationary pressures.
 - We do not expect significant changes in commodity prices in 4Q22 from current levels. Nexa's C1 cash cost is sensitive to by-products prices and volumes, which may affect our final costs results.
 - Foreign exchange rates assumptions are maintained (BRL/USD: 5.10 and Soles/USD: 3.75).
 - Zinc treatment charges ("TCs") assumptions of US\$230/t.
- Nexa continues to monitor risks associated with global supply chain disruptions, which could be exacerbated by the Russia-Ukraine war, unusual weather conditions and/or increased restrictions related to the COVID-19 pandemic; global recession, and the potential impact on the demand for our products; inflationary cost pressure; lower metal prices; communities protests and changes to the regulatory framework in the countries we operated that could affect our production levels; among others. Refer to "Risks and uncertainties" and "Cautionary Statement" for further information.

Mining segment - production

Mining production (metal in concentrate)		9M22	2022e		
Zinc	kt	222	287	-	318
Cerro Lindo		64	81	-	86
El Porvenir		39	49	-	53
Atacocha		6.9	8.5	-	9.4
Vazante		98	118	-	127
Morro Agudo		14.1	16	-	19
Aripuanã		-	14	-	23
Copper	kt	24	28	-	35
Cerro Lindo		23.7	26	-	33
El Porvenir		0.2	0.3	-	0.3
Aripuanã		-	1.6	-	2.3
Lead	kt	42	46	-	55
Cerro Lindo		12.5	11	-	12
El Porvenir		16.9	15	-	18
Atacocha		7.1	10	-	11
Vazante		0.8	1.0	-	1.2
Morro Agudo		4.5	4.3	-	4.8
Aripuanã		-	5.0	-	7.7
Silver	MMoz	7.4	8.6	-	10
Cerro Lindo		3.3	3.9	-	4.1
El Porvenir		3.0	3.1	-	3.6
Atacocha		0.7	1.0	-	1.1
Vazante		0.3	0.3	-	0.4

Aripuanã - 0.3 - 0.5

Mining segment - costs

Cost ROM	Cash cost ⁽¹⁾ net of by-product (US\$/lb)		
9M22	2022		e
Operating costs (US\$/t)			
Miraflores	0.31	0.28	
Cerro Lindo	(0.22)	(0.26))
El Porvenir	0.43	0.39	
Atacocha	(0.35)	(0.03))
Vale	0.55	0.55	
Morro Agudo	0.89	0.94	

(1) 2022 C1 Weighted Cash cost net of by-products credits is measured with respect to zinc sold per mine.

Smelting segment - sales

Smelting sales	9M22	2022e		
Metal sales	kt			
Zinc metal	449	565	-	590
	417	528	-	551
Zinc oxide	32	37	-	39

Smelting segment - costs

Conversion cost	Cash cost ⁽²⁾ net of by-product (US\$/lb)		
9M22	2022		e
Operating costs (US\$/lb)			
Smelter	1.39	1.37	
Cajamarquilla	1.32	1.38	
Trés Marias	1.51	1.44	
Juiz de Fora	1.44	1.34	

(2) 2022 C1 Weighted Cash cost net of by-products credits is measured with respect to zinc sold per smelter.

Capital Expenditures ("CAPEX") Guidance

- Nexa made investments of US\$85 million in 3Q22, totaling US\$265 million in 9M22. Of this amount, 28% was allocated to expansion projects, mainly driven by Aripuanã. The Brazilian real appreciation against the U.S. dollar had a negative impact of US\$1.6 million in the quarter and approximately US\$14 million in 9M22.
- Sustaining investments were US\$160 million, including US\$28 million of Aripuanã.
- 2022 CAPEX guidance remains unchanged at US\$385 million.

CAPEX
(US\$ million) 2022 e

Expansion projects	75
Arquandã	59
Others	16
(1)	
Non-Expansion	
Sustaining	256
(2)	
H&S	36
Others	18
(3)	
Reconciliation to Financial Statements	-
(4)	
TOTAL	385

(1) Including Vazante LOM extension. Greenfield project portfolio is under review.

(2) Investments in tailing dams are included in sustaining expenses.

(3) Modernization, IT and others.

(4) The amounts are mainly related to capitalization of interest net of advanced payments for imported materials.

Exploration & Project Evaluation and Other Expenses Guidance

- In 3Q22 we invested US\$24 million in exploration and project evaluation, for a total of US\$64 million in 9M22.
- Total planned exploration and project evaluation expenditures are expected to be US\$82 million in 2022 and remain unchanged.
- As part of our long-term strategy, we will maintain our efforts to replace and increase mineral reserves and resources. We expect in the future to continue advancing our exploration activities, primarily focusing on identifying new ore bodies and upgrading resources classification through infill drilling campaigns. As a result, we expect sustaining investments to be above our initial estimates.
- We have expanded our commitment to the social and economic development of our host communities, progressing with certain projects, and investments are expected to be around US\$15 million in 2022.

Other Operating Expenses	2022 e
(US\$ million)	
Exploration	64
Mineral Exploration	43
Mineral rights	8
Sustaining (mineral development)	13
Project Evaluation	18

Exploration
& 64 82
Project
Evaluation
Other 18
Technology 12
Communities 10

For a full version of this document, please go to our Investor Relations website at:
<http://ir.nexaresources.com>

About Nexa

Nexa is a large-scale, low-cost integrated zinc producer with over 60 years of experience developing and operating mining and smelting assets in Latin America. Nexa currently owns and operates five long-life underground mines - three located in the Central Andes of Peru and two located in the state of Minas Gerais in Brazil - and is starting the Aripuanã project as its sixth underground mine in Mato Grosso, Brazil. Nexa also currently owns and operates three smelters, two located in Brazil and one in Peru, Cajamarquilla, which is the largest smelter in the Americas. Nexa was among the top five producers of mined zinc globally in 2021 and also one of the top five metallic zinc producers worldwide in 2021, according to Wood Mackenzie.

Contact: Roberta Varella - Head of Investor Relations | ir@nexaresources.com
+55 11 94473-1388

¹ Our cash cost net of by-products credits is measured with respect to zinc sold.

² Adjusted EBITDA excludes the non-cash impact related to the offtake agreement - US\$8 million in 3Q22, totaling US\$17 million in 9M22.

³ Cash and cash equivalents and financial investments.

SOURCE: [Nexa Resources S.A.](#)

View source version on accesswire.com:

[https://www.accesswire.com/722793/Nexa-Reports-Third-Quarter-2022-Results-including-Adjusted-EBITDA-of-US103-](https://www.accesswire.com/722793/Nexa-Reports-Third-Quarter-2022-Results-including-Adjusted-EBITDA-of-US103-Million.html)

Dieser Artikel stammt von [GoldSeiten.de](#)

Die URL für diesen Artikel lautet:

<https://www.goldseiten.de/artikel/556807--Nexa-Reports-Third-Quarter-2022-Results-including-Adjusted-EBITDA-of-US103-Million.html>

Für den Inhalt des Beitrages ist allein der Autor verantwortlich bzw. die aufgeführte Quelle. Bild- oder Filmrechte liegen beim Autor/Quelle bzw. bei der vom ihm benannten Quelle. Bei Übersetzungen können Fehler nicht ausgeschlossen werden. Der vertretene Standpunkt eines Autors spiegelt generell nicht die Meinung des Webseiten-Betreibers wieder. Mittels der Veröffentlichung will dieser lediglich ein pluralistisches Meinungsbild darstellen. Direkte oder indirekte Aussagen in einem Beitrag stellen keinerlei Aufforderung zum Kauf-/Verkauf von Wertpapieren dar. Wir wehren uns gegen jede Form von Hass, Diskriminierung und Verletzung der Menschenwürde. Beachten Sie bitte auch unsere [AGB/Disclaimer!](#)

Die Reproduktion, Modifikation oder Verwendung der Inhalte ganz oder teilweise ohne schriftliche Genehmigung ist untersagt!
Alle Angaben ohne Gewähr! Copyright © by GoldSeiten.de 1999-2024. Es gelten unsere [AGB](#) und [Datenschutzrichtlinien](#).