

Nexa Resources S.A. Announces 4Q19 and 2019 Results

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[Nexa Resources S.A.](#) (“Nexa Resources” or “Nexa” or the “Company”) (NYSE and TSX Symbol: “NEXA”) has published its 4Q19 and 2019 results.

4Q19 Highlights | Operational and Financial

- Consolidated net revenue reached US\$586 million in the fourth quarter compared with US\$583 million a year ago driven by lower LME prices, which were partially offset by higher metal sales volume.
- Zinc production of 83kt in 4Q19 was mainly affected by the temporary reduction in Vazante processing capacity for 30 days for the repair of the trunnion used in the concentration plant and lower production in Cerro Lindo.
- In 4Q19, metal sales increased by 2% to 162kt compared to 4Q18, positively affected by the improvement of smelter recovery rates.
- Adjusted EBITDA excluding non-recurring expenses was US\$90 million in 4Q19 compared with US\$131 million in 4Q18, which included a tax credit of US\$34 million recognized in the quarter.
- Mining cash cost in 4Q19 was US\$0.41/lb compared with US\$0.31/lb in 4Q18 due to higher TCs and an increase in operational costs. Compared to 3Q19, mining cash cost decreased by 1% positively affected by higher by-products credits.
- In 4Q19, smelting cash cost was US\$0.89/lb, down 19% and 10% compared to 4Q18 and 3Q19, respectively, due to lower concentrate costs.
- In October 2019, Nexa concluded its acquisition of [Karmin Exploration Inc.](#) for US\$71 million to consolidate its ownership interest in the Aripuanã project to 100%.

2019 Highlights | Operational and Financial

- In 2019, net revenue totaled US\$2,332 million, down 6% from 2018 (US\$2,491 million). Higher metal sales volumes were offset by lower LME prices.
- Zinc production in 2019 was 361kt, down 3% from 2018 due to lower zinc average grades and the decrease in ore processed volumes in our Peruvian mines.
- In 2019, mining cash cost was US\$0.43/lb compared with US\$0.28/lb a year ago. Smelting cash decreased to US\$1.01/lb compared to US\$1.23/lb in 2018.
- Adjusted EBITDA excluding non-recurring expenses was US\$402 million in 2019 compared with US\$605 million in 2018 (including the US\$34 million positive effect of tax credit recognition) primarily driven by lower prices and an increase in operating costs.
- Net debt to adjusted EBITDA for the last twelve months excluding non-recurring expenses stood at 1.96x.
- Liquidity remains strong. Total cash amounted to US\$757 million at December 31, 2019 and our current available liquidity is US\$1,057 million.
- Nexa recognized a non-cash US\$142 million impairment loss related to the Cerro Pasco cash-generating unit in 3Q19.
- Net loss totaled US\$159 million, US\$1.11 per share, in 2019.

Corporate Highlights

- Nexa declared and paid in March 2019 a cash dividend to shareholders of approximately US\$70 million related to the fiscal year 2018.
- The share buyback program, announced in September 2018, was concluded in November 2019. Nexa repurchased 881,902 common shares at an average price of US\$10.7/share, totaling a cash expenditure of US\$9 million in the period.
- We continue to strengthen our governance and two new directors were elected in June, 2019. In addition, the sustainability committee of Nexa’s board of directors (the “Board”) was created to assist and advise Nexa’s Board in supporting safe and sustainable business practices in the conduct of the Company’s activities.

- On February 13, 2020, Nexa's the Board approved, subject to ratification by the Company's shareholders at the upcoming annual shareholders' meeting in accordance with Luxembourg laws, a cash dividend distribution to Nexa's shareholders of record on March 16, 2020 of US\$0.38 per common share or approximately US\$50 million to be paid on March 30, 2020.

Operational efficiency initiatives program | Nexa Way

- In mid-2019, Nexa initiated a program to enhance its operational performance. The program comprises a revision of certain of our internal procedures in order to capture opportunities and structurally improve our business model, and changes in our organizational culture.
- During 2H19, we implemented initiatives that we expect to generate at least US\$120 million in annualized EBITDA improvements throughout 2020 and 2021 at a non-recurring cost of approximately US\$41 million, which is included in our 2H19 general and administrative expenses.
- The program continues until the end of September 2020 and potential new initiatives are under analysis. Their implementation should generate additional gains, with some non-recurring additional costs, as well.

Projects

Vazante

- The dry-stacking tailings project was completed and started operation in 2Q19. As a result, over 80% of our total tailings are no longer disposed in wet tailings dams.
- The Vazante mine-deepening brownfield project advanced according to the project plan and US\$28 million was invested in 2019.

Aripuanã

- Construction works continue to advance and 28% of physical progress was achieved by the end of 4Q19.
- We are working on a new rebaseline schedule and we expect a final report during 2Q20. We are also revising our original ramp up of 12 months and we expect to accelerate this period compared to the initial estimates.
- Over 1,400 people actively working at the site.

Cajamarquilla

- In December 2019, Nexa announced the temporarily suspension of the Jarosite conversion process in Cajamarquilla. Smelter recovery rate, however, improved by 35bps to 94.1% under the current process and production was 340kt, 3% higher than 2018.

Guidance

- Mining production guidance for 2019 was achieved. We produced 361kt of zinc in concentrate, 38kt of copper in concentrate and 51kt of lead in concentrate in the year.
- Metal sales volume of 621kt increased by 1% in 2019 versus 2018, reaching the midpoint of the guidance range.
- In 2019, CAPEX amounted to US\$410 million compared with US\$420 million guidance. We also continued to invest in our future with an additional US\$113 million of exploration and development investments in our greenfield and brownfield projects.
- Nexa continued to achieve exploration success and approximately 221,000 meters of mineral exploration drilling were executed in 2019. The results of the ongoing campaigns are aligned with our strategy to replace and increase mineral reserves and resources.
- On January 15, 2020 Nexa published its three-year period 2020-2022 operational guidance. The Company also provided cash cost, capital expenditures and other operating expenses guidance for 2020.

CEO Message ‐ Tito Martins

“We have been attentive to the changes in the global scenario and we understand the need to adapt

to this challenging new world. Based on that, we initiated in 2019 the Nexa Way Program, not only to improve the efficiency of our operations and maximize our returns, but also to transform our culture. We believe the operational and culture changes enabled by Nexa will allow us to continue building the mining of the future.

With a unique portfolio of assets in Latin America, the largest zinc underground mine (Cerro Lindo) and also the largest smelter in the Americas (Cajamarquilla), Nexa is strategically well-positioned to capture the best opportunities in the region.

Nexa is the fourth largest zinc producer in the world and we are building a world-class underground mine at Mato Grosso, Brazil, the Aripuanã project. Nexa continues to be optimistic about the long-term prospects and market fundamentals of zinc and copper and its strategy remains unchanged. We are confident that we will be able to create value for all our stakeholders by maximizing the returns of our operations and by delivering on growth with capital discipline.”

For full details, please visit our Investor Relations webpage at: <http://ir.nexaresources.com/resultscenter>

About Nexa Resources

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 developing the Aripuanã Project as its sixth underground mine in Mato Grosso, Brazil. Nexa was among the top five producers of mined zinc globally in 2019 and also one of the top five metallic zinc producers worldwide in 2019, according to Wood Mackenzie.

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