

# Nexa Reports Fourth Quarter and Full Year 2020 Results Including Adjusted EBITDA of US\$403 Million

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[Nexa Resources S.A.](#) ("Nexa Resources" or "Nexa" or the "Company") (NYSE:NEXA) (TSX:NEXA) has published its 4Q20 and 2020 Results.

CEO Message - Tito Martins

"Nexa delivered solid and sustainable operational results, overcoming the challenges and restrictions imposed by the COVID-19 global outbreak.

We believe that the Nexa Way program, which aims to structurally improve our business model and transform our culture, has assisted us in adeptly navigating this unprecedented scenario. We would not have been able to achieve these results without our team and their enthusiasm to transform.

Following the end of government-mandated temporary suspension of our Peruvian mines and limited smelters production, we safely resumed our activities during the second semester and we are currently running at normal levels. In Brazil, we operated our mines at higher throughput that allowed Nexa to partially compensate the Peruvian reduced volumes.

Our main development project, Aripuanã, is progressing according to the updated project schedule and we are on track to begin production in early 2022.

Moving forward, we remain committed to our capital allocation discipline. With a unique portfolio of projects, we continue to build a path to grow steadily in zinc and copper in the Americas in the long-term.

In addition, we have strengthened our inclusion and plurality program and we are establishing some metrics to enhance the disclosures of our social and environmental programs.

Our balance sheet remains solid and we have proactively adopted measures to continue to strengthen our business and protect our people, contractors and host communities. We are confident that we will be able to continue to create value for all our stakeholders by maximizing the returns of our operations and growth projects, building the mining of the future."

4Q20 Highlights | Operational and Financial:

- Consolidated net revenue reached US\$635 million in the fourth quarter compared with US\$586 million a year ago mainly driven by higher zinc and copper prices.
- Zinc production of 92kt in the quarter was 11% higher than in 4Q19, primarily driven by higher production in Cerro Lindo due to better zinc head grade and in Vazante, which was negatively impacted in 4Q19 by the temporary reduction in processing capacity in response to the trunnion repair. Compared to 3Q20, zinc production increased by 12%.
- In 4Q20, metal sales were 162kt, relatively flat year-over-year and 2% higher from 3Q20, mainly driven by the continued demand recovery in our home markets.
- Adjusted EBITDA was US\$167 million in 4Q20 compared with US\$65 million in 4Q19 and US\$152 million in 3Q20.
- Mining cash cost in 4Q20 was US\$0.33/lb compared with US\$0.41/lb in 4Q19 mainly driven by higher by-products credits and lower operating costs. Compared to 3Q20, mining cash cost decreased by 1%.

- In 4Q20, smelting cash cost was US\$0.92/lb compared with US\$0.89/lb in 4Q19 mainly driven by higher operating costs and LME prices, partially offset by higher TCs and the Brazilian real depreciation. Compared to 3Q20, smelting cash cost increased by 13%.
- Incremental costs related to COVID-19 amounted to US\$5.6 million in 4Q20, which were partially offset by other costs savings.
- Nexa also recognized a non-cash US\$10 million pre-tax impairment loss in 4Q20 primarily related to the suspension of Ambrosia pit (Morro Agudo mine), which was reaching the end of its life of mine.
- Net income in 4Q20 totaled US\$53 million or US\$0.38 earnings per share, including the impairment loss effect.

#### 2020 Highlights:

- In 2020, consolidated net revenue totaled US\$1,951 million compared to US\$2,333 million a year ago explained by lower average metal prices and lower volumes.
- Zinc production in 2020 was 313kt, down 13% from 2019 mainly driven by the decrease in processed ore volumes in our Peruvian mines, which were affected by the government-mandated temporary shutdown in response to the COVID-19 outbreak.
- Metal sales volume of 585kt in 2020 was 6% lower versus 2019 driven by the decrease in production in the Cajamarquilla and Juiz de Fora smelters, which were partially offset by Três Marias' solid performance.
- Adjusted EBITDA in 2020 was US\$403 million compared with US\$349 million in 2019, positively affected by the decrease in costs and exploration and project evaluation expenses, and the depreciation of the Brazilian real against the U.S. dollar.
- Net debt to Adjusted EBITDA for the last twelve months stood at 2.29x compared to 3.23x at the end of September, reflecting the improvement in the results of our operations and cash generation.
- In response to the COVID-19 outbreak, we proactively managed our liquidity position by assuming additional debt during 1H20. We added about US\$300 million to our cash balance through export credit notes in March and April. In June, we issued a 7-year bond of US\$500 million and the net proceeds were fully used to refinance certain existing financial indebtedness.
- Liquidity remains strong. Total cash amounted to US\$1,121 million at December 31, 2020 and our current available liquidity is US\$1,421 million, including the revolving credit facility.

#### Corporate highlights

- Nexa declared in February 2020 and paid in March 2020 a cash dividend to shareholders of approximately US\$50 million.
- We continue to focus on maximizing the efficacy of our governance practices, and the mandate of the sustainability committee of our Board of Directors (the "Board") was updated to broaden capital projects oversight. The committee assists and advises the Company's Board in supporting safe and sustainable business practices in the conduct of the Company's activities, as well as in reviewing technical, economic and social matters with respect to the Company's projects.
- In 2020, Mr. Gianfranco Castagnola was elected as the newest member of Nexa's Board and Mr. Jaime Ardila was appointed as the new Chairman of the Board.
- The extraordinary general meeting of the Company's shareholders approved the cancellation of the 881,902 common shares held in treasury, repurchased under the Nexa repurchase program concluded in November 2019.
- On February 11, 2021, Nexa's Board approved a cash dividend distribution to Nexa's shareholders of US\$0.264273 per common share or approximately US\$35 million to be paid on March 26, 2021.

#### Operational efficiency initiatives program | Nexa Way

- The Nexa Way program generated an estimated annualized positive impact to EBITDA of US\$98 million in 2020, based on the initiatives implemented in 2019. We continue to target an improvement of at least US\$120 million in annualized EBITDA from initiatives by the end of 2021.
- In light of COVID-19, new Nexa Way initiatives have emerged and during 2H20 some of these initiatives have been implemented at a cost included in our selling, general and administrative expenses ("SG&A") of US\$12 million.
- We expect additional initiatives to be implemented in 1H21 at an estimated cost of US\$3 to 13 million, temporarily increasing SG&A. The new initiatives should generate a potential additional EBITDA contribution of approximately US\$60 million by the end of 2021.
- Our ability to achieve this target through 2021 depends on future metal prices, production and demand recovery, among other factors.

#### Guidance:

- Mining production guidance for 2020 was achieved. We produced 313kt of zinc in concentrate, 28kt of copper in concentrate and 38kt of lead in concentrate in the year. Silver production exceeded guidance totaling 6,826koz.
- Metal sales of 585kt exceeded 2020 guidance.
- Mining cash cost of US\$0.39/lb in 2020 was 14% lower than 2020 guidance, positively affected by higher by-product credits and cost reduction initiatives from the Nexa Way program.
- Smelting cash cost of US\$0.81/lb in 2020 was 4% above 2020 guidance mainly driven by higher zinc prices (2020 zinc price estimates of US\$0.99/lb versus 2020 actual LME average zinc price of US\$1.16/lb).
- In 2020, CAPEX before tax credits amounted to US\$354 million compared with US\$350 million guidance. We have accrued tax credits of US\$18 million with respect to our ongoing projects. Consequently, CAPEX totaled US\$336 million in 2020. We also continued to invest in our future with an additional US\$38 million of exploration and US\$15 million project evaluation investments in our greenfield and brownfield projects.
- On January 19, 2021 Nexa published its three-year period 2021-2023 operational guidance. The Company also provided cash cost, capital expenditures and other operating expenses guidance for 2021. Refer to our "Nexa | Guidance 2021-2023" section for further details.

#### Projects:

- In response to our commitment to capital discipline to navigate this uncertain scenario, Nexa has maintained its revised project portfolio and timeline, subject to additional COVID-19 related-measures.
- The Vazante mine-deepening brownfield project progressed as planned and the investment amounted to US\$13 million in 2020. In 2021, we plan to complete the excavation of phase 2 of the EB-140. The EB-140 is the main stage of the mine deepening project and its final assembly is estimated to be concluded by 2022.
- Exploration activities at the Bonsucesso project were resumed as planned. Engineering studies (FEL3) are resuming in 1Q21. Bonsucesso is expected to extend the life of mine of Morro Agudo and to use the existing infrastructure and mine facilities of the complex, reinforcing the integration of our mines and smelters in Brazil.
- Magistral engineering studies (FEL3) continue to progress. In 2021, we expect to advance further detailed engineering and optimization opportunities to mitigate the risk of project execution, before consideration of project approval.
- Exploration activities at the Hilarión project restarted and in 4Q20 we executed 4,603 meters of exploratory drilling.
- The pre-feasibility studies at Shalipayco and Pukaqaqa remain on hold. Exploration activities at Florida Canyon are also on hold.
- The Jarosite conversion project for Cajamarquilla should be reassessed in 2021.

#### Aripuanã

- Construction works continue to advance and 70% of physical progress was achieved by the end of 4Q20. We are on track to conclude mechanical completion in 4Q21 and to start production in early 2022.
- In 2020, we invested US\$187 million, with cumulative incurred CAPEX of US\$312 million since the beginning of the construction. Estimated CAPEX for 2021 is US\$232 million.
- The pre-operational equipment is mobilized and stopes are under development phase for Arex and Link mines. Mining activities are starting in February. We have 186 employees from mine operations actively working on mine development.
- The qualification program for future mining operators has continued to progress and the second class with 104 students will graduate in March 2021.
- Refer to our "Aripuanã project" section for further details.

For full details, please visit our Investor Relations webpage at:

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#### 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 2020 and also one of the top five metallic zinc producers worldwide in 2020, according to Wood Mackenzie.

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