

# Nexa Reports First Quarter 2021 Results Including Adjusted EBITDA of US\$180 Million

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[Nexa Resources S.A.](#) ("Nexa Resources" or "Nexa" or the "Company") (NYSE:NEXA) (TSX:NEXA) has published its 1Q21 Results.

CEO Message - Tito Martins

"We have been able to safely operate and deliver robust results. Nexa has recorded the third-highest-quarter Adjusted EBITDA in its history, overcoming the challenging scenario.

While people around the world are being vaccinated, the recent increase in COVID-19 cases in Brazil and Peru is a concern. All protocols to mitigate the spread of COVID-19 in our operations and projects remain in place.

We believe that we are well positioned to continue to deliver sustainable operational and financial results. Our balance sheet remains solid. We continue to focus on protecting our people, ensuring business continuity and delivering the Aripuanã project. Furthermore, we are enhancing our practices in ESG and, from this year on, we have established metrics for our executives on their bonus.

Nexa has a unique portfolio of projects, and we are building a path to steady growth in zinc and copper in the Americas in the long-term. 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."

## Highlights

### 1Q21 Operational and Financial

- Consolidated net revenue reached US\$603 million in the first quarter compared with US\$442 million a year ago, mainly driven by higher metal prices and volumes.
- Zinc production of 77kt in the quarter increased slightly (+0.7%) compared to 1Q20, primarily driven by higher production in Cerro Lindo and El Porvenir, which were impacted in 1Q20 by the temporary operating restrictions, due to COVID-19, imposed by the Peruvian government in mid-March 2020.
- In 1Q21, metal sales were 148kt, up 2% higher from 1Q20, mainly driven by the strong demand in our home markets.
- Adjusted EBITDA was US\$180 million in 1Q21 compared with US\$44 million in 1Q20 and US\$167 million in 4Q20.
- Mining cash cost in 1Q21 was US\$0.24/lb compared with US\$0.52/lb in 1Q20, mainly driven by higher by-products credits and lower operating costs. Compared to 4Q20, mining cash cost decreased by 27%.
- Smelting cash cost<sup>1</sup> in 1Q21 was US\$1.00/lb compared with US\$0.80/lb in 1Q20, mainly explained by higher zinc prices and the increase in operating costs as a result of higher production. Compared to 4Q20, smelting cash cost increased by 8% due to higher prices and lower by-products credits.
- Incremental costs related to COVID-19 in 1Q21 amounted to US\$4.2 million, which were partially offset by other costs savings.
- Net income in 1Q21 totaled US\$32 million or US\$0.17 per share.
- Nexa declared in February and paid in March a cash dividend of US\$0.26 per common share to its shareholders for a total payment of approximately US\$35 million.
- Net debt to Adjusted EBITDA for the last twelve months maintained its downward trend and stood at 1.73x, reflecting the improvement in the results of our operations.

- Liquidity remains strong. Total cash amounted to US\$1,034 million at March 31, 2021 and our current available liquidity is US\$1,334 million, including the revolving credit facility.
- On March 17, 2021 Nexa announced the acquisition of 29,895,754 common shares of [Tinka Resources Ltd.](#) ("Tinka") from an arm's length shareholder in a private transaction at a price of C\$0.26 per share. A second tranche of 654,758 common shares was acquired in April 2021 for the same price. As a result, as of the date of this release, Nexa owns approximately 9% of the issued and outstanding common shares of Tinka.
- In April, we published our 2020 Annual Report according to the Integrated Reporting Council (IIRC) standard and to the Global Reporting Initiative (GRI) standard.
- In April, Moody's affirmed its "Ba2" rating on Nexa and changed the outlook from "negative" to "stable". The change reflects (i) the normalization of production levels after the disruptions caused by the lockdowns in Peru in 2020; (ii) the efficiencies and costs savings achieved by the Nexa Way program; and (iii) adequate liquidity.

#### Operational efficiency program | Nexa Way

- Nexa Way program was initiated in mid-2019, aiming to structurally improve our business model and change our organizational culture. In that same period, we implemented initiatives that we expected to generate at least US\$120 million in annualized EBITDA until the end of 2021. In 1Q21, these initiatives generated an estimated annualized impact to EBITDA of US\$105 million.
- As previously-disclosed, new opportunities have emerged in 2020. New initiatives were implemented in 2H20 and additional initiatives are expected to be implemented until the end of 2Q21 with some non-recurring additional costs, temporarily increasing our sales, general and administrative expenses ("SG&A"). In 1Q21, new initiatives have been implemented at a cost included in our SG&A of US\$3 million. These new initiatives are estimated to generate an additional annualized positive impact to EBITDA of US\$60 million.
- Our ability to achieve this target through 2021 depends on future metal prices, production and demand recovery, among other factors.

#### Guidance

- We are maintaining our 2021 production guidance for copper, lead and silver and updating guidance for zinc. We are reducing zinc production by 10kt due to ongoing suspension of the Extremo Norte mine and lower production at Atacocha in 1Q21.
- Sales, cash cost and investment guidance for the year remain unchanged.
- Refer to our "Nexa | Outlook" section for further details.

#### Projects

- The Vazante mine-deepening brownfield project continues to progress. Phase 2 of the EB-140 excavation is underway as planned and is expected to be concluded by the end of 2021.
- Bonsucesso engineering studies (FEL3) continue to progress. We continued brownfield expansion drilling in the central zone of Bonsucesso and scout drilling in Carrancas. Bonsucesso is expected to extend the life of mine of Morro Agudo.
- Magistral engineering studies (FEL3) phase continue to progress. We concluded the mine refinement study.
- With respect to Hilarión, the exploratory drilling program to drill test the Hilarión Sur target has started at the end of 1Q21, aiming to confirm the southwest continuity of the deposit.
- The pre-feasibility studies at Pukaqaqa remain on hold. The first phase of the metallurgical testing was concluded and the second phase is expected to start in 3Q21. Exploration activities at Florida Canyon project are also on hold.

#### Aripuanã

- Construction The project's physical progress reached 78.8% at the end of March, 2021. We are on track to conclude mechanical completion in 4Q21 and to start production in early 2022.
- In 1Q21, we invested US\$40 million, with cumulative incurred CAPEX of US\$353 million since the beginning of the construction.
- We continue with mine development activities in both Arex and Link mines. In March, we also initiated stoping (trial mining) activities at Arex, in line with the timeline presented in October 2020. We have 250 employees working on mine development at Aripuanã.
- Over 90% of long lead equipment has already been delivered to site.

- The qualification program for future mining operators has continued to progress. We trained 285 in the first two classes, and currently have a third class undergoing training.
- 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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