

# Nexa Reports Fourth Quarter and Full Year 2021 Results including Adjusted EBITDA Record of US\$704 Million

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LUXEMBOURG, February 15, 2022 - [Nexa Resources S.A.](#) (NYSE:NEXA) ("Nexa Resources", "Nexa", or "Company") announces today its results for the three and twelve months ended December 31, 2021. This Earnings Release should be read in conjunction with the audited consolidated financial statements of Nexa and the notes thereto for the financial year ended December 31, 2021 (the "2021 Consolidated Financial Statements"). This document contains forward-looking statements.

## CEO Message - Ignacio Rosado

"I am delighted to be introducing Nexa's fourth quarter and full-year 2021 results, my first earnings release as the Company's new CEO. I would like to say thank you to Nexa's Board of Directors for trusting me with this important responsibility and to stress my commitment to building on what Nexa has achieved. I plan to continue promoting an increasingly competitive, agile, and innovative organization with sustainable shareholders' returns.

At Nexa, we believe that progress is always possible, and we are proud to have our products play a prominent role in promoting the transition to a green economy. We see the company well-positioned for continued growth due to its unique position in Latin America with flagship assets and a solid balance sheet.

In 2021, we delivered a record-high Adjusted EBITDA and we made strong progress with the Aripuanã project where mechanical completion is nearly concluded. Commissioning is underway in parallel, and we plan the ramp-up in the third quarter of this year. We are confident that Aripuanã will be a long-life mine that will contribute importantly to our future cash generation.

As the global economy improves, we believe that demand for our products will remain strong. We expect to continue investing and growing to generate value for all of our stakeholders by focusing on initiatives that consistently maximize our yearly cash flow in our operations, implementing a clear growth strategy that extends the life of mine of our assets and creates growth opportunities in our portfolio of projects, and actively assessing opportunities in the market."

## 4Q21 Highlights | Operational and Financial

- Consolidated net revenue reached US\$678 million in the fourth quarter compared with US\$635 million a year ago and US\$655 million in 3Q21, mainly driven by higher metal prices.
- Zinc production of 81kt in the quarter decreased by 12% compared to 4Q20, primarily explained by lower zinc average head grade year-over-year. Compared to 3Q21, zinc production increased by 2%.
- In 4Q21, metal sales were 158kt, down 2% year-over-year, following lower production volumes. Compared to 3Q21, sales increased by 2%.
- Adjusted EBITDA was US\$136 million in 4Q21 compared with US\$167 million in 4Q20 and US\$155 million in 3Q21. Adjusted EBITDA for the mining was US\$110 million and Adjusted EBITDA for the smelting segment was US\$27 million in 4Q21.
- Mining cash cost<sup>1</sup> in 4Q21 was US\$0.25/lb compared with US\$0.33/lb in 4Q20, mainly driven by higher by-products credits and lower TCs. Compared to 3Q21, mining cash costs increased by US\$0.02/lb driven by higher third-party services and increased maintenance costs in the quarter.
- Smelting cash cost<sup>1</sup> in 4Q21 was US\$1.28/lb compared with US\$0.92/lb in 4Q20, mainly affected by market-related factors such as higher zinc prices and lower TCs. Compared to 3Q21, smelting cash cost increased by 10% also driven by the same factors.
- In 4Q21, smelting conversion cost of US\$0.22/lb was down 2% and 7% compared to 4Q20 and 3Q21, respectively.

- Incremental costs related to COVID-19 in 4Q21 amounted to US\$4 million and US\$18 million in 2021, and we expect them COVID-19 related costs to last at least throughout 2022.
- Net income in 4Q21 totaled US\$11 million. Net income attributable to Nexa's shareholders was US\$1 million in 4Q21, resulting in earnings per share of US\$0.01.

## 2021 Highlights

- In 2021, net revenue was US\$2,622 million compared with US\$1,951 million in 2020 due to higher prices and volume.
- Zinc production totaled 320kt in 2021, up 2% compared to 2020. Higher treated ore volume compensated for lower zinc average grade. Copper, lead and silver production followed the same upward trend and increased by 5%, 20%, and 29% to 30kt, 46kt, and 8,808koz, respectively.
- Sales volumes of 619kt in 2021 increased by 6% year-over-year following higher production.
- Mining cash cost<sup>1</sup> in 2021 was US\$0.21/lb compared with US\$0.39/lb in 2020, mainly driven by higher by-products credits and lower TCs. These factors more than compensated for the increase in operating costs driven by higher volumes, and increased maintenance and third-party services, which were also affected by inflationary cost pressures.
- Smelting cash cost<sup>1</sup> in 2021 was US\$1.13/lb compared with US\$0.81/lb in 2020, mainly affected by market-related factors such as higher zinc prices and lower TCs with a negative impact of US\$0.31/lb.
- Adjusted EBITDA in 2021 reached a new high of US\$704 million, up from US\$403 million in 2020 due to the mining segment's results. Adjusted EBITDA for the mining segment increased to US\$441 million in 2021 from US\$140 million in 2020, while Adjusted EBITDA in 2021 for the smelting segment was US\$268 million similar to the US\$269 million generated a year ago.
- Total cash<sup>2</sup> decreased to US\$763 million at December 31, 2021, due to continued investment over the year in excess of operating cash flows, as well as debt repayment during 2Q21 and 3Q21. Our current available liquidity remains strong at US\$1,063 million, including the revolving credit facility.
- As a consequence, the net debt to Adjusted EBITDA ratio for the last twelve months increased to 1.37x compared with 1.23x at the end of September and decreased compared with 2.29x a year ago.
- In 2021, net income was US\$156 million, net income attributable to Nexa's shareholders of US\$114 million resulting in an earnings per share of US\$0.86.
- On January 24, 2022, S&P affirmed its "BB+" rating and "stable" outlook for Nexa.

## 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. Since then, we implemented initiatives that we expected would generate at least US\$180 million in annualized recurring EBITDA by the end of 2021. At the end of 4Q21, these initiatives generated an estimated annualized impact to EBITDA of US\$209 million. As the program is now completed and the improved culture is duly embedded in our operations' daily activities, we will henceforth cease to report further achievements on a segregated basis.

## Corporate highlights

- As previously announced, as part of our executive succession plan, on January 01, 2022, Mr. Ignacio Rosado replaced Mr. Tito Martins as Chief Executive Officer ("CEO").
- Nexa declared in February 2021 and paid in March 2021 a cash dividend to shareholders of US\$35 million.
- In 1H21, Nexa acquired 30,550,512 common shares of [Tinka Resources Ltd.](#) ("Tinka") and owns approximately 9% of the issued and outstanding common shares of the company. Tinka is progressing towards development of the Ayawilca project (100% owned), one of the largest zinc projects in Peru with excellent resource expansion potential.
- In November 2021, Nexa announced the voluntary delisting of its common shares from the Toronto Stock Exchange ("TSX") in Canada, and the last trading took place on November 30<sup>th</sup>, completing the delisting process.
- We continued to support our host communities with respect to COVID-19 throughout 2021. We donated oxygen plants and hospital equipment in Peru, and food baskets to vulnerable communities in Brazil.
- We also made additional contributions (food, toiletries and cleaning, drinking water, among others) to the communities nearby our operations, which were impacted by the heavy rainfall levels that reached Minas Gerais state in January 2022.
- In 2021, Nexa achieved its gender equity goal of having 16% of its workforce comprised of women (950 employees). According to Women in Mining, this index is higher than the global average of 8%. Employees with disabilities also increased to 169, accounting for 3% of the workforce.

- On February 15, 2022, Nexa's Board approved a distribution to Nexa's shareholders of US\$50 million, US\$44 million as dividend and US\$6 million as share premium, or approximately US\$0.331275 per common share and US\$0.046258 per common share, respectively, to be paid on March 25, 2022.

#### 2022-2024 Guidance

- In 2022, zinc production at the mid-range of the guidance is estimated to decrease 5% over 2021 (320kt) driven by expected lower grades in Cerro Lindo (from 1.79% to 1.49%) and the temporary capacity reduction of daily production in Vazante due to heavy rainfalls in the state of Minas Gerais. For 2023, zinc production is estimated to increase 16% over 2022 due to full ore throughput at the Aripuanã mine, with a further 1% in 2024 over 2023.
- At the midpoint of 2022 guidance range, metal sales are estimated to decrease 7% over 2021 (619kt), due to the forecasted decrease in production primarily driven by long-term reduction in calcine availability due to the stoppage of one of our calcine third-party suppliers, and lower production from Vazante mine in Brazil. For 2023-2024, metal sales are estimated to slightly increase to 580-605kt.
- Mining segment cash cost is estimated to increase year-over-year from US\$0.21/lb to US\$0.23/lb of zinc sold in 2022. We are experiencing inflationary cost pressures on energy prices, consumables, logistics, and labor expenses, which should be partially offset by the contribution of by-products.
- Smelting cash cost is estimated at US\$1.15/lb in 2022. The estimated cost increase in Brazil, also affected by higher inflation rates, should be partially offset by the reduction of Cajamarquilla smelter cash cost, which is expected to be positively impacted by higher by-product prices.
- Capital expenditures ("CAPEX") in 2022 are estimated to be US\$385 million, including US\$59 million in investment to conclude the Aripuanã project.
- 2022 exploration and project evaluation expenses are estimated at US\$64 million and US\$18 million, respectively. We plan to drill a total of 123,300 meters, including 63,500 meters in Peru (52%), 49,800 meters in Brazil (40%), and the remaining 10,000 meters in Namibia (8%).
- Refer to our "Nexa | Guidance 2022-2024" section for further details.

#### Aripuanã

- The project's overall progress reached 99.3% at the end of December 2021. As of the date of this earnings release, the mechanical completion is almost concluded, and the beneficiation plant commissioning is more than 40% complete. As previously disclosed, in October 2021 we obtained the operating license for the project.
- We continue with mine development activities in both the Arex and Link mines. Approximately, 552kt of ore has been stockpiled, accounting for 2.5 months of production.
- In 4Q21, we invested US\$80 million, for total CAPEX of US\$258 million in 2021 and cumulative CAPEX of US\$566 million since the beginning of construction.
- The total estimated CAPEX for the Aripuanã project has been revised to US\$625 million compared to US\$575-595 million. Heavy rainfall levels and the necessary protocols to combat the surge of the COVID-19 have impacted our productivity (fewer workers than planned), putting additional pressure on costs and the project timeline. The ramp-up is now scheduled for 3Q22.
- Refer to our "Aripuanã project" section for further details.

For a full version of this document, please go to our Investor Relations webpage 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 developing 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

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

<sup>2</sup> Cash and cash equivalents and financial investments

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