

Nexa Reports Fourth Quarter and Full Year 2023 Financial Results

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Full Year Net Loss of US\$289 million and Adjusted EBITDA of US\$391 million

LUXEMBOURG, February 21, 2024 - [Nexa Resources S.A.](#) ("Nexa Resources", "Nexa", or the "Company") announces today its results for the three and twelve-month periods ended December 31, 2023.

CEO Message - Ignacio Rosado

"In 2023, we continued to focus on increasing efficiency across our organization. We deployed several initiatives, which streamlined our cost base and supported our strategic priorities. Significant effort was also made on overcoming the challenges we encountered in the ramp-up of our Aripuanã mine, which is now firmly on track to reach nameplate capacity in mid-2024. We closed the year achieving operational guidance with strong financial and operational discipline despite a very challenging environment. Metal production and sales were at the high-end and mid-range, respectively, while mining and smelting costs were in line.

On the ESG front, we hold a strong belief in our commitments, and we are confident that our ongoing efforts will catalyze our journey to a low-carbon, climate-resilient economy, fostering a future where our business practices and products seamlessly coexist with the environment.

We expect 2024 will likely be another challenging year for zinc price, due to a sluggish global economic growth, mainly driven by geopolitical instabilities and uncertainties about the easing of monetary policy by central banks in key economies. However, we will remain focused on our priorities, including completing the Aripuanã ramp-up, making meaningful progress in the Cerro Pasco integration project, maintaining discipline in capital allocation, and aiming for continued operational efficiency and positive cash flow generation.

We firmly believe that the long-term strong fundamentals of our business, together with the unique quality of our assets and the resilient performance culture we are developing will allow us to continue to improve our performance in the coming years. With this aim in mind, we will keep focused on identifying and capturing opportunities and strengthening our execution capabilities, advancing our sustainability agenda, and creating value for all our stakeholders, including the communities in which we operate."

Summary of Financial Performance

US\$ million (except per share amounts)	3Q23	4Q22	2023	2022
Net revenues	649	780	2,573	3,034
Gross profit	67	84	296	639
Net income (loss)	(63)	(81)	(289)	76
EBITDA ⁽¹⁾	67	36	143	650

Basic and diluted earnings (loss) per share ("EPS")	(0.56)	(0.62)	(2.18)	0.37
Adjusted net income (loss) (1)	(49)	3	(41)	187
Adjusted EBITDA (1)	82	120	391	760
Adjusted basic and diluted earnings (loss) per share (1)	(0.43)	(0.04)	(0.41)	1.14
Cash provided by operating activities before working capital (1) (2)	47	141	315	733
Capex	82	116	309	381
Free cash flows (1)	14	(20)	(41)	(246)
Total cash (3)	422	516	468	516
Net debt (1)	1,269	1,161	1,269	1,161
Net Debt/LTM Adj. EBITDA	3.24 x	3.06 x	1.53 x	3.24 x
			1.53 x	

(1) Refer to "Use of Non-IFRS Financial Measures" for further information. Adjusted EBITDA, adjusted net income (loss) and adjusted EPS, exclude the items presented in the "Net income (loss) reconciliation to Adjusted EBITDA" section for further details on page 16 of this earnings release. For details on segment definition and accounting policy, please refer to explanatory note 2 - "Information by business segment" in the "Consolidated financial statements at December 31, 2023".

(2) Working capital had a positive impact of US\$50 million in 4Q23, totaling US\$101 million in 2023. Working capital in 4Q22 had a negative impact of US\$10 million, totaling negative US\$235 million in 2022.

(3) Cash, cash equivalents and financial investments.

Executive Summary

Operational Performance

- Zinc production of 90kt in 4Q23 rose by 21% compared to 4Q22, mainly explained by the increase in treated ore volume from all the mines and higher production at the Aripuanã mine. Compared with 3Q23, zinc production increased by 3%, mainly due to the higher volumes from Cerro Lindo, Atacocha, and Morro Agudo, in addition to further production from the Aripuanã ramp-up.
- Run-of-mine mining cost in 4Q23 was US\$48/t, up 3% from 4Q22, mainly explained by higher operational costs and higher variable costs. Compared to 3Q23, run-of-mine mining cost was up 10% due to higher variable costs.
- Mining cash cost net of by-products¹ in 4Q23 increased to US\$0.45/lb compared to US\$0.20/lb in 4Q22. This increase was primarily due to lower by-products credits from our Peruvian mines with a negative impact of US\$0.25/lb, higher operational costs explained by mine development in Cerro Lindo and El Porvenir and higher TCs. Compared to 3Q23, cash cost was up US\$0.10/lb due to lower by-products credits from Cerro Lindo and higher operational costs.
- The smelting segment delivered total production (zinc metal and oxide) of 144kt in 4Q23, down 8% from 4Q22, mainly driven by lower volumes in Cajamarquilla and Três Marias. Compared to 3Q23, production was down 4%, also impacted by lower volumes from these two smelters units.
- In 4Q23, zinc metal and oxide sales were 143kt, down 14% from 4Q22 following lower production volumes, in addition to a slowdown in demand, particularly for zinc oxide in the period. Compared to 3Q23, metal sales were down 7%, explained by the aforementioned reasons.
- Smelting conversion cost was US\$0.29/lb in 4Q23 compared with US\$0.25/lb in 4Q22 explained by higher maintenance and energy costs, and FX impact, which were partially offset by lower personnel costs. Compared to 3Q23, conversion cost was relatively flat.
- Smelting cash cost¹ was US\$1.00/lb in 4Q23 compared to US\$1.20/lb in 4Q22. This decrease was driven by lower cost of raw materials explained by lower zinc prices, which was partially offset by lower by-products contribution. Compared to 3Q23, cash cost decreased by US\$0.01/lb.

Financial Performance

- Net revenues in 4Q23 were US\$630 million compared with US\$780 million in 4Q22. This decrease was mainly due to lower zinc prices and smelting sales volume. Compared to 3Q23, net revenues decreased by 3% due to lower smelting sales volume, which was partially offset by higher zinc prices and higher mining production volumes. In 2023, net revenues amounted to US\$2,573 million, down by 15% compared to 2022 due to the aforementioned reasons.
- In 4Q23, net loss was US\$108 million, totaling US\$289 million in 2023, resulting in basic and diluted loss per share of US\$0.71 and US\$2.18, respectively.
- Adjusted EBITDA² in 4Q23 was US\$105 million, compared with US\$120 million in 4Q22 and US\$82 million in 3Q23. Compared to 4Q22, the decrease was mainly driven by lower smelting sales volume and zinc prices (zinc down by 17%). Compared to 3Q23, the increase was due to higher zinc LME prices, partially offset by lower smelting sales volume. In 2023, Adjusted EBITDA amounted to US\$391 million, down by 49% compared to 2022, mainly due to lower LME metal prices, the impact of Aripuanã's ramp-up and lower smelting sales volume.
- Adjusted EBITDA for the mining segment in 4Q23 was US\$47 million compared with US\$40 million in 3Q23. This increase was mainly driven by higher volumes from Cerro Lindo and higher zinc prices. Compared to 4Q22, Adjusted EBITDA decreased by 40%.
- In 2023, Adjusted EBITDA for the mining segment totaled US\$149 million, down 66% compared to US\$440 million in 2022, mainly driven by lower zinc prices and the impact of the Aripuanã's ramp-up.
- Adjusted EBITDA for the smelting segment in 4Q23 was US\$58 million compared with US\$49 million in 3Q23. This increase was mainly driven by higher zinc prices, positive raw material inventory effect (higher inventory consumption in addition to lower raw material costs) and higher by-products contribution, which were partially offset by lower sales volume. Compared to 4Q22, Adjusted EBITDA increased by 27%.
- In 2023, Adjusted EBITDA for the smelting segment was US\$247 million, down 24% compared to 2022, mainly due to lower zinc prices and sales volume, as well as higher operating costs.
- Adjusted net loss in 4Q23, was US\$7 million, totaling US\$41 million in 2023. Adjusted net loss attributable to Nexa's shareholders was US\$1 million in 4Q23 and US\$54 million in 2023, resulting in adjusted basic and diluted loss per share of US\$0.01 and US\$0.41, respectively. Refer to our "Net income (loss)" section for further details.

Financial Position, Investments and Financing

- Total cash³ at December 31, 2023, was US\$468 million compared to US\$516 million at December 31, 2022. Our available liquidity in 4Q23 remained at US\$788 million, including our undrawn sustainability-linked revolving credit facility of US\$320 million.
- At December 31, 2023, our free cash flow was negative US\$41 million, impacted by the reasons explained above and partially offset by the positive impact of working capital variations of US\$101 million, as a result of initiatives deployed throughout the year relating to inventories levels, as well as trade account receivables payment terms. Our investments in sustaining CAPEX (including HS&E investments) amounted to US\$309 million, including US\$80 million related to Aripuanã. Refer to our "Net cash flows from operating activities excluding working capital variations and free cash flow - Reconciliation" section for further details.
- Net debt to Adjusted EBITDA ratio for the last twelve months ("LTM") increased to 3.24x compared with 3.06x at the end of September 2023 and 1.53x at the end of 4Q22. This increase was mainly explained by lower LTM Adjusted EBITDA, impacted by the reasons explained above. Total debt slightly increased due to a new US\$50 million export financing line effective in 4Q23.

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

2 Adjusted EBITDA exclude the items presented in the "Net income (loss) reconciliation to Adjusted EBITDA" section on page 16 of this earnings release - US\$101 million in 4Q23, totaling US\$248 million in 2023.

3 Cash and cash equivalents and financial investments.

Environmental, Social and Governance ("ESG") and Corporate Highlights

- During 2023, we advanced the waste dry disposal system on an industrial scale at our Três Marias smelting unit, which consists of filtering the waste pulp for subsequent disposal through the dry stacking process, as waste disposal in this unit was going directly to its tailings deposit. The initiative achieved excellent results, filtering an average of 74% of the operation's material throughout the year. In December 2023, filtration reached more than 90%. And from 2024 onwards, we expect filtration to reach between 95% and 100%.
- In 2Q23, we obtained the authorization from the Regional Superintendence for the Environment of the State of Minas Gerais to use biofuel to replace fossil fuels, used in all 47 furnaces in the zinc oxide operation in Três Marias. At the end of 2023, we achieved our goal for the year, to expand the use of biofuel to 12 furnaces. This initiative supports our goal to reduce scope 1 CO₂ emissions by 20% until 2030.
- In July 2023, we registered our carbon emissions on "LMEpassport", the London Metal Exchange platform which promotes sustainability and transparency across the base metals sector. Nexa's zinc production has one of the lowest carbon footprints recorded in the sector, with an emission intensity of 0.36 tons of CO₂ equivalent (scopes 1 and 2) according to the GHG protocol methodology, an achievement that positions Nexa as a global leader in carbon reduction within the zinc industry.
- In September 2023, Nexa was recognized as a leader in Social Governance and awarded "Company of the Year - Mining Sector 2023" by Brasil Mineral (a Brazilian magazine specializing in the mining sector). This recognition was partly in acknowledgement of our training program for 1,987 people in Aripuanã, which focused in giving support to participants to get back into the job market.
- In October 2023, Nexa announced the successful closing of a US\$320 million sustainability-linked revolving credit facility. The applicable margin is subject to compliance with carbon reduction key performance indicators, reflecting the company's unwavering commitment to reducing its carbon footprint. Such efforts are consistent with Nexa's ESG ambitions, targeting net-zero greenhouse gas emissions by 2050, in alignment with the Paris Agreement.
- Also in October 2023, Nexa delivered school material kits to more than 2,700 students from schools in the Cajamarquilla region, from kindergarten to high school. This initiative aims to foster local development and contribute to the academic degree of children, embracing our commitment to quality education.
- In 4Q23, Nexa carried out medical services campaigns benefiting more than 1,600 individuals in the Cerro Pasco region in Peru, focusing on vulnerable groups such as children and the elderly. These campaigns offered General Medicine, Geriatrics, Pediatrics, Gynecology, Dentistry, Ultrasound, Nutrition, Psychology, Laboratory, and Pharmacy. Our support of these medical initiatives reaffirm our commitment to enhance the quality of life and health of the communities in the areas where we operate.
- In February 2024, CDP ("Carbon Disclosure Project") concluded its 2023 evaluation for the cycle of the year 2022 and announced that our rating in the Climate Change questionnaire was upgraded, changing from C to B. This result reflects the efforts, disclosure, and transparency of Nexa related to governance, strategy, risk management, metrics, and targets.

- Nexa declared in February 2023 and paid in March 2023 a distribution to Nexa's shareholders of US\$25 million in respect of fiscal 2023. Given current low zinc price scenario, Nexa will evaluate and may consider a dividend payment for fiscal 2024 subject to market conditions and Company's performance.
- In April 2023, Ms. Renata Penna was promoted to the position of Vice President of Legal & Governance at Nexa. Ms. Penna joined Nexa as Chief Legal Counsel and Head of Governance in 2017. Nexa is committed to continue strengthening its leadership, aligned with its business strategy and objectives towards an efficient organization, promoting a more collaborative, ethical and diverse culture.
- In September 2023, Fitch Ratings affirmed its 'BBB-' rating and 'stable' outlook for Nexa.
- In December 2023, S&P changed Nexa's rating and outlook from 'BB+' 'positive' to 'BBB-' 'stable', upgrading the company to investment grade level.
- In January 2024, S&P has affirmed its 'BBB-' rating and 'stable' outlook for Nexa, while Moody's has affirmed its 'Ba2' rating and changed Nexa's outlook from 'stable' to 'negative'.

Growth Strategy and Asset Portfolio

- We remain focused on free cash flow generation and continue to evaluate our capital allocation framework, which includes priorities related to ESG and HS&E, while ensuring that Nexa's capital is appropriately allocated to the highest return assets.
- The strategic review of our assets continues with initiatives to optimize the portfolio. We continue to assess risk-return alternatives for our Magistral copper project in Peru and for our Morro Agudo mine in Brazil.
- In 4Q23, we continued to advance the technical studies of the Pasco Integration project. As previously mentioned, this project is expected to develop a robust organic growth option for Nexa. Technical studies cover a range of work, from mine planning to major projects to sustain and expand production, such as mine design and studies for underground interconnection, shaft upgrade and plant engineering assessment, as well as key routes to improve capacity to provide a long-term solution for tailings storage facilities ("TSF"). Furthermore, we continue to advance with the necessary environmental studies and permits. We expect to start and complete the project approval process with our technical committee and board of directors in 2024.

2023 Results and Guidance

Production, Sales and Cash Cost Guidance

As previously disclosed in our press release dated February 01, 2024, we reported solid 2023 operational results, and provided our production and metal sales guidance for the three-year period 2024-2026, as well as cash costs, capital expenditures and other operating expenses guidance for 2024.

- 2023 mining production guidance was achieved, with all metals in the upper range of the guidance. Zinc production totaled 333kt in 2023. Cerro Lindo and Morro Agudo mines achieved the upper range of the guidance, while El Porvenir and Vazante mines exceeded the annual guidance, and Atacocha mine was slightly below the lower range. Aripuanã reached the middle range of the guidance (following the guidance revision disclosed in October 2023).
- We achieved the upper range of the annual guidance for copper, lead, and silver production of 33kt, 65kt and 10MMoz, respectively.

Mining segment - production

Mining production (Metal in concentrate)		2023	Guidance 2023	
Zinc	kt	333	299	- 334
Cerro Lindo		78	69	- 79
El Porvenir		56	51	- 55
Atacocha		8.2	9	- 11
Vazante		146	131	- 144

Morro Agudo		23	17	- 23
Aripuanã		22	20	- 23
Copper	kt	33	29	- 33
Cerro Lindo		29	25	- 28
El Porvenir		0.4	0.2	- 0.3
Aripuanã		4.4	4.2	- 5.0
Lead	kt	65	53	- 65
Cerro Lindo		13	11	- 13
El Porvenir		25	20	- 26
Atacocha		11	10	- 12
Vazante		1.4	1.1	- 1.2
Morro Agudo		8.3	4.9	- 6.1
Aripuanã		6.3	5.7	- 6.9
Silver	MMoz	10	9.1	- 10
Cerro Lindo		3.5	3.5	- 3.8
El Porvenir		4.3	3.7	- 4.5
Atacocha		1.4	1.0	- 1.2
Vazante		0.6	0.3	- 0.4
Aripuanã		0.5	0.4	- 0.5

Smelting segment - sales

Smelting sales 2023 Guidance 2023

Metal Sales	kt	590	580	- 605
Zinc metal		556	545	- 565
Zinc oxide		34	35	- 40

Metal sales of 590kt in 2023 achieved the middle range of the annual guidance driven by lower production volumes of our smelters compared to 2022, in addition to overall lower demand. Zinc metal sales of 556kt were also in the middle range of the guidance, while zinc oxide sales of 34kt were slightly below the lower range, mainly explained by a slowdown in domestic demand.

Cash Costs

Mining Operating costs	Cost ROM (US\$/t)	Cash Cost (US\$/lb)	Cost ROM (US\$/t)	Cash Cost (US\$/lb)
	2023	2023	2023e	2023e
Mining ⁽¹⁾	45.2	0.40	43.9 - 46.4	0.35 - 0.38

Cerro Lindo

40.6 (0.06) 40.1 - 42.1 (0.12) - (0.10)

El Porvenir	62.8	0.29	57.3 - 60.7	0.26	- 0.28
Atacocha	32.9	(0.44)	33.1 - 35.4	(0.45)	- (0.38)
Vazante	57.1	0.61	57.2 - 59.0	0.59	- 0.65
Morro Agudo	37.9	0.82	35.0 - 38.2	0.80	- 0.94

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

Smelting Operating costs	Conversion cost (US\$/lb) 2023	Cash Cost (US\$/lb) 2023	Conversion cost (US\$/lb) 2023e	Cash Cost (US\$/lb) 2023e	
Smelting ⁽²⁾	0.30	1.10	0.29	- 0.32	1.07 - 1.12
Cajamarquilla	0.28	1.03	0.27	- 0.29	1.04 - 1.08
Três Marias	0.26	1.16	0.27	- 0.30	1.08 - 1.13
Juiz de Fora	0.50	1.21	0.45	- 0.49	1.19 - 1.28

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

- In 2023, run-of-mine mining costs of US\$45.2/t was in line with our 2023 guidance, and C1 cash cost of US\$0.40/lb, was slightly higher than our 2023 guidance. For further information, please see the section "Business performance - Mining segment".
- Smelting C1 cash cost of US\$1.10/lb and Conversion cost of US\$0.30/lb in 2023 were in line with our 2023 guidance. For further information, please see the section "Business performance - Smelting segment".

Capital Expenditures ("CAPEX") Guidance

- Nexa invested US\$111 million in 4Q23, totaling US\$309 million in 2023. Of this amount, 95% of the investment was classified as sustaining, which includes CAPEX to sustain operations, HS&E and mine development.
- At Aripuanã, sustaining and HS&E CAPEX in 4Q23 accounted for US\$28 million, totaling US\$80 million in 2023. Of this amount, US\$6 million was invested in mine development in the quarter, totaling US\$23 million in 2023.
- The appreciation of the Brazilian real against the U.S. dollar had a negative impact of US\$1.7 million in the quarter, totaling a negative impact of US\$5.4 million in 2023.

CAPEX
(US\$ Guidance 2023
million)

Non-Expansion

Sustaining 268
(1) 293

HS&E 26

Others 10
(2) 7

Expansion
projects 7
(3)

Reconciliation
to
Financial -
Statements
(4)

TOTAL 310

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

(2) Modernization, IT and others.

(3) Including Vazante deepening, among other several projects to improve operational performance.

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

Exploration & Project Evaluation and Other Expenses Guidance

- In 4Q23, we invested US\$24 million in exploration and project evaluation, totaling US\$92 million in 2023. This was US\$8 million below our guidance due to our optimization initiatives throughout the year.
- In addition, we have invested US\$7 million in technology, related to projects to improve our current operations and US\$13 million to continue contributing to the social and economic development of our host communities.
- As part of our long-term strategy, we will maintain our efforts to replace and increase mineral reserves and resources. We expect to continue advancing with exploration activities, primarily focusing on identifying new ore bodies and upgrading resources classification through infill drilling campaigns.

Other Operating Expenses (US\$ million)	2023	Guidance 2023
Exploration	57	49
Mineral Exploration	39	30
Mineral rights	5	5
Sustaining (mine development)	14	14
Project Evaluation	35	50
Três Marias Project	14	15
Exploration & Project Evaluation	92	100
Other	21	20
Technology	7	6
Communities	13	14

Note: Exploration and project evaluation expenses consider several stages of development, from mineral potential definition, R&D, and subsequent scoping and pre-feasibility studies (FEL1 and FEL2).

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 65 years of experience developing and

operating mining and smelting assets in Latin America. Nexa currently owns and operates five long-life mines - three located in the Central Andes of Peru and two located in the state of Minas Gerais in Brazil - and it is ramping up Aripuanã, its sixth mine in Mato Grosso, Brazil. Nexa also currently owns and operates three smelters, two located in Minas Gerais, 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 2022 and one of the top five metallic zinc producers worldwide in 2022, according to Wood Mackenzie.

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