3Q21 Nexa's Transcript Earnings Call and Q&A

Participants:

T - Mr. Tito Martins – CEO of Nexa Resources
M - Mr. Rodrigo Menck – CFO of Nexa Resources
R - Ms. Roberta Varella – Head of IR of Nexa Resources
O - Operator

O - Good morning and welcome to the Nexa Resources Third Quarter 2021 Conference Call. [Operator Instructions] The presenters on this call are Mr. Tito Martins, CEO of Nexa Resources; Mr. Rodrigo Menck, CFO of Nexa Resources; and Ms. Roberta Varella, Head of Investor Relations. Please also note, this event is being recorded.

I would now like to turn the conference over to Mr. Tito Martins. Please go ahead.

T – Thank you. Good morning and good afternoon, everyone. Welcome to Nexa's earnings conference call and thank you for taking the time. Today, we will be talking about our results for the third quarter of 2021. Please let's move now to slide three, where we will begin our presentation. I will start by briefly making some comments about our results. In the third quarter of 2021, we have continued to benefit from favorable base metal prices. Our adjusted EBITDA was US$155 million, up 141% year-over-year. Note that adjusted EBITDA in the quarter was affected by silver streaming and by the recovery of undue GSF energy costs with a total negative impact of US$9 million. Excluding these effects adjusted EBITDA would be US$164 million. Planned and unplanned maintenance shutdowns affected our operational performance, but operations are already at normal levels of utilization rates, and we expect to deliver our guidance. In terms of zinc production, we estimate we will be closer to the midpoint of the guidance range, while copper is moving toward to the upper end range. In addition, we have revised our cash cost guidance, which we will comment in more detail during this presentation. In the first nine months of the year, we generated approximately US$570 million of adjusted EBITDA, strongly recovering from 2020 and a record-high for the 9 months period. This performance not only reflects favorable market conditions, but also the commitment of our team to operational and financial performance. Global demand for our products remains strong and is expected to continue to expand, supported by governments stimulus packages and the transition for a greener economy. Growing global concern on rising inflation rates, logistics bottlenecks and energy shortages are risks to this scenario. We ended the quarter with total cash around US$800 million and leverage of 1.2x, relatively flat to the previous quarter. We continue to monitor COVID-19 evolution and all protocols to mitigate the spread of the virus remain in place in our operations, exploration activities and projects, and we believe they have been very effective. Most of our employees and contractors have already been vaccinated at least with one dose. We also continue providing support to our host communities and to the governments in the regions where we operate. We remain fully committed on delivering our first greenfield mining project, Aripuanã. Moving to the next slide, slide four, I will discuss it in more details.

On October 7, the operating license for the Aripuanã project was granted. Construction works continue to advance and overall physical progress has reached 96.5% at the end of September. In June it was 89%. Several systems from the beneficiation plant reached mechanical completion and have started commissioning at the end of the third quarter, these delivered systems allow the cold commissioning of the front-end equipment. We are on track to conclude mechanical completion in 4Q21, as well as most of the cold commissioning. Hot commissioning is estimated to start next month, and first production is estimated to start during the 1Q22. In addition, the qualification program for future mining operators continues to progress. There are currently 161 students in the fourth training class of which 46% are women. Aripuanã will be one of the few mines in the world with a strong presence of women in its total workforce. We believe the new mining will start production with at least 35% of women in its workforce. We are planning to move it up 50% along with two years of production. With respect to our exploration program, exploratory drilling has been focused on northwest extension at Babaçu and new drilling continues to confirm a high-grade mineralization area, supporting our belief that Aripuanã will be a long-life mine. Moving now to slide five please.

Mine development activities in Arex and link mines have continued to progress and reached an accumulated 13.4 thousand meters at the end of September. Approximately 435kt of ore has already been stockpiled, which corresponds to roughly two regular months of production. We plan to have three months of ore stockpiled ahead of the start-up of the plant. We have today 443 employees working on the mine, plant, environment, safety and health, and administrative facilities. This number should continue to increase as we are preparing ourselves for the start-up.

Now, I would like to pass to Roberta Varella, our Head of Investor Relations, who will comment on our financial results. Roberta, please.

R – Thank you, Tito. Good morning and good afternoon, everyone. Please, let's move to slide seven. Beginning with the chart on your upper left, consolidated net revenue in 3Q21 was US$655 million, up 22% compared to the same period a year ago, mainly driven by higher metal prices and by-products contribution, which was partially offset by lower metal sales volume and the silver streaming adjustment. In the third quarter, Nexa recognized a reduction of US$19 million as a re-measurement adjustment in its silver streaming revenues, given forecasted higher long-term prices and the updated mine plan for Cerro Lindo. Also in the quarter, Nexa recognized a recovery energy cost of US$10 million related to undue costs paid by our energy power plants in the past. These non-recurring items had a negative net impact of US$9 million in our adjusted EBITDA of US$155 million. Compared to 3Q20, adjusted EBITDA increased by 2% mostly driven by the mining segment performance. In the next slides, we will discuss in further detail our segments performance.

On slides eight and nine, I will comment on our mining segment results. Zinc equivalent production reached 136kt, down 1% year-over-year, while remaining flat compared to the previous quarter. Zinc production in the quarter decreased by 2% compared to both 3Q20 and 2Q21, mainly driven by lower zinc head grade and planned and unplanned maintenance shutdowns in Peru during the period. As Tito mentioned earlier, we are already operating at normal levels. In terms of net revenue, we reached US$276 million in 3Q21, up 34% year-over-year, explained by: (i) higher average LME prices; and (ii) lower benchmark treatment charges; (iii) which offset the negative impact of the silver streaming adjustment of US$19 million in the quarter. Adjusted EBITDA for the mining segment was US$92 million compared to US$67 million a year ago.

As you can see on slide 9, this performance was mainly explained by the positive net price effect of US$46 million due to higher zinc prices; lower treatment charges with a positive variation of US$25 million; and higher by-products contribution; which were partially offset by the increase in operating costs driven by increased maintenance and mine development costs in the period; higher workers participation provisions due to better results; higher exploration and project evaluation expenses; and the negative effect of US$17 million with respect of silver streaming and energy cost adjustments. In the first nine months of the year, adjusted EBITDA amounted to US$331 million, strongly recovering from a year ago. Consolidated mining cash cost was US$0.23/lb in 3Q21, down 32% compared to last year. This decrease was primarily driven by higher by-product credits and lower treatment charges, which were partially offset by lower zinc volumes and higher operating costs. Note that operating costs in 3Q20 were temporarily reduced as operations in Peru were still ramping up after the mandatory shutdown due to COVID-19. Compared to 2Q21, cash cost increased by US$0.09/lb due to lower volumes and increased operating costs. We have revised our full year cash cost guidance for the mining segment. Although, we are starting to see additional inflationary pressure in our mining operations, cash costs at Cerro Lindo and Atacocha mines have been better than expected due to continued higher by-products metal prices. Consequently, cash cost guidance for these two operations have been reduced. Consolidated cash cost guidance is now US$0.23/lb compared to our previous guidance of US$0.33/lb. Now, let us turn to the smelting segment results.

On slides ten and eleven, we will discuss our smelting segment operational results. In 3Q21, metal sales amounted to 156kt, down 2% year-over-year and 1% from 2Q21. The decrease in production was partially offset by the increase in resale of metal from third parties. Net revenue in the quarter was US$523 million, totaling US$1.5 billion in the first nine months of 2021, positively impacted by higher LME prices and sales volumes. Adjusted EBITDA for the smelting segment in 3Q21 stood at US$65 million compared with US$86 million a year ago driven by lower treatment charges and higher operating costs.

As you can see on slide 11, this performance was mainly explained by: (i) lower treatment charges with a negative impact of US$21 million; and (ii) higher operating costs, driven by higher consumption of imported material, inflation, maintenance and energy costs; which was partially offset by (iii) the positive net price effect of US$15 million related to higher LME prices and changes in market prices resulting in quotation period adjustments; and (iv) the energy cost adjustment of US$8 million. And before proceeding, I would like to further discuss the treatment charge impact. As you know, for the majority of our third-party contracts, which are renewed during different periods throughout the year, we use the 3-year benchmark TC as a reference. So, for this year, the reference price considers the treatment charge of 2021, 2020 and 2019. At the beginning of the year, we tend to receive raw material referenced at oldest TCs, and as the months evolve, our reference is closer to the treatment charge of the current year. Consequently, we are seeing a higher negative treatment charge impact in the third quarter compared to the previous quarter. Going back to our results, in the first nine months of the year adjusted EBITDA increased by 29% to US$241 million. In terms of cash cost, as you can see on the bottom right, consolidated smelting cash cost of US$1.16/lb in 3Q21 increased by 47% year-over-year, mainly driven by market-related factors such as higher zinc prices and lower treatment charges. We also updated our full year smelting cash cost guidance to US$1.14/lb compared to our previous guidance of US$0.95/lb, primarily driven by higher zinc prices. Operating costs have also been affected by higher energy prices due to the current Brazilian scenario, as well as an increase in maintenance costs, which has also been affected by inflation.

I will now turn over the call to Rodrigo Menck, our CFO, who will provide more detailed information about our balance sheet. Menck, please.

M – Thank you, Roberta. Good morning and good afternoon, everyone. I am now on slide 12. As demonstrated in the upper left graph, our liquidity remains strong as we continue to report a healthy balance sheet with extended debt profile. By the end of the first quarter, our current available liquidity was US$1.1 billion, which includes our undrawn revolving credit facility of US$300 million dollars. As of September 30th, the average maturity of our total debt was 5.5 years, with a 4.96% average debt cost. Our leverage, measured by the net debt to adjusted EBITDA ratio increased to 1.24z from 1.19x mainly driven higher net debt as a consequence of reduce cash. The debt breakdown by category and currency, is shown on the right side of the slide. In light of our strong balance sheet, during the quarter we continued to advance with our liability management program and have prepaid additional existing financial debt, reducing our gross debt by US$177 million. Now moving on to slide thirteen.

On this slide, we present Nexa's free cash flow generation. During the quarter, our free cash flow generation was negative in US$260 million. Describing it further, and starting from our US$155 million EBITDA, we had a US$21 million loss in working capital, US$57 million dollars of sustaining capex and US$39 million from interest paid and taxes. Still, Nexa has generated US$39 million dollars of cash before expansion projects during the analyzed period. After that, we invested US$80 million dollars in non-sustaining CAPEX, which includes mainly our Aripuanã development project, which is US$79 million we also had a negative net effect of US$172 million as we have prepaid, as mentioned, debt during this quarter. Finally, dividends payment of US$9 million in our energy subsidiary Pollarix and other non-operational impacts, including foreign exchange effects, of US$38 million conclude the free cash flow of negative US$260 million dollars. Now, I will turn to the next slide, slide fourteen.

As previously disclosed, our 2021 capex guidance remains unchanged at US$510 million. In the second quarter, we have invested US$144 million in Capex, being US$79 million directly to the Aripuanã project. In the period of nine month in 2021, we have invested a total amount of US$344 million dollars and 52% directly to Aripuanã and the remaining 48% to other projects, including sustaining and HSE. As projects advance, we estimate we will have a higher disbursement in 4Q21 compared to the previous quarters due to mine development, mine equipment purchase, planned maintenance shutdown at the Três Marias smelter, among other less material events. In regard to the mineral exploration and project evaluation, we have invested a total of US$18 million in the quarter, totaling US$49 million in the period of nine month of 2021. For the whole year, we expect to continue our mineral exploration and project evaluation investments as we will maintain our efforts to replace and increase mineral reserves and resources, supporting our business growth. On October 21st, we published our Exploration Report for the third quarter 2021. We hope it could provide further clarity over our results and exploration program strategy.

I will now handle the call back to Tito. Tito, please.

T – Thank you, Menck. We are now at slide sixteen. Here, we will make some comments about the market fundamentals. Zinc price maintained its upward trend and increased by 28% when compared to 3Q20 and 3% when we compared to 2Q21. Despite price volatility during the quarter, the planned stimulus package in infrastructure in the United States, and the positive signs from the FED to maintain economic funding, boosted sentiment in equity and commodity markets and supported zinc price at high levels. In the short-term, we expect zinc prices to remain at the levels they are today, mostly because of the tight balance between supply and demand. In the mid-long term, zinc fundamentals also remain attractive. As you can see on the chart on the upper right despite the estimated increase in supply there is an unbalance between supply and demand. With respect to copper, price volatility was driven by some signs of slowdown in the Chinese economy, which was intensified by a potential downturn in the real estate sector, as well as concerns about the Delta variant of COVID-19. In the mid to long-term, the outlook for zinc and copper also remains positive given their role in the energy transition. Moving now to our last slide.

As many of you may know, we will start my transition process during this quarter. First of all, I would like to extend my sincere gratitude to our employees for the constant dedication and professionalism that allow us to innovate our business, transform our culture and achieve our goals. It has been an honor and a pleasure to be part of this outstanding team. I also want to thank our board for its incentive and support in all initiatives and decisions along these years. I have witnessed the remarkable evolution of the company and the expansion of its operations in mining and smelting. In 2019, we launched the Nexa way program, implementing continuous improvements that have resulted in operational efficiency, cost optimization and cultural transformation. Nexa way helped us to navigate during this pandemic scenario, while generating value for our shareholders. We have closely monitored the progress of the Nexa way, and we believe this is now part of our DNA, it´s our day-to-day work. Another milestone for us is Aripuanã. As i mentioned earlier, we are close to deliver our first world-class greenfield project. Last but not least, we continually endeavor to create shared value through pursuing ESG initiatives that are aligned with community's needs, our business strategies and our customers priorities. We are also finalizing our corporate ESG goals and metrics, which will be presented soon. I am very proud of what our company has become today, and I believe we are on the right track to build the mining of the future. It was a privilege to lead this company as CEO for nearly a decade.

Thank you all for your time, and let's move to the Q&A session.

Q&A Session:

O – Thank you. We will now begin the question-and-answer session. [Operator Instructions] Today's first question comes from Orest Wowkodaw with Scotiabank. Please go ahead.

Question – Hi, good morning. And firstly, Tito, want to wish you best of luck in your next endeavors. We will be missing you here. But wanted to get a better understanding of what is happening at the Aripuanã mine? It sounds like you have already started commissioning some parts of it and you expect to finish mechanical completion by year-end. And then I am confused so why you do not anticipate first production until the end of the first quarter? Can you maybe give us some color on what is happening there?

T – Hi, Orest. Thank you very much for your words. I hope we can be together sometime in the future. About Aripuanã, what is happening? We have been very cautious. You are right, we have already started commissioning part of the plant. Actually, the mine is on track, on schedule. So, the development of the mine is according to the original schedule. So, we would be ready to start production as soon as the plant is completed commission. While we have been cautious, you have to see that we are entering right now in the rainy season and there will be the holidays at the end of the year. Based on our experience about what happened last year during this period, we decided to be more conservative in our plans. When we stated that we should see production start sometime by the second half of the quarter, let's put it this way, it is because we may see good things happen even before that, but we did not want to pass the idea that everything is going to be fine in the ramping up. I do not know if Menck or Roberta has another thing to say about this. But clearly, it's a conservative approach.

Question – Okay. And Tito, just as a follow-up, your disclosure seems to reference that you plan to revise your Aripuanã guidance, I guess, in January. Should we be interpreting? So, does that suggest that you plan to lower the Aripuanã guidance for 2022?

T - Yeah. If we have these delays that we are mentioning about the ramping up, of course, it will be affecting the production. The reason why we are not saying anything right now is exactly because of the level of uncertainty we have about how the end of construction and the commissioning will behave in the next two to three months. We are going to be more assurance of how the ramp-up will perform when we end this period of time, this last quarter of the year, I should say.

R – Sorry Orest, just to say, we will as always provide guidance probably in the second half of January. Until then, we will have more certainty of what Tito is mentioning and we will be able to compound our three-year guidance in our 2022 guidance with Aripuanã on reckon.

Question – Okay. And just finally, do you see any knock-on impact here in 2023 at Aripuanã? Or should just there only be 2022 impact?

T - No, no. We have not seen any impact in 2023, not at all. The plans have not changed. We should be operating in full capacity sometime along 2022. The concerns we are having today are much more related with the capacity to start commissioning at the time, we believe that we should start, based on the plans we are running right now we are still working with the full capacity production sometime in the second half of the year. For 2022, it should be 100%. No problem at all.

Question – Thank you, Tito.

T – Thank you.

O – [Operator Instructions] Our next question today comes from Jackie Przybylowski with BMO Capital. Please go ahead.

Question – Thanks. Thanks very much for taking my question, and I will echo Orest's comments. Tito, we will miss you, and that is the work as you move on. Maybe if I can ask about the zinc market because it has been such a roller coaster lately. I know you are in a bit of a different situation for things like power, just given your smelters are located in South America. Does that provide you with an advantage? Are you able to capitalize on the current shortages and closures that we are seeing in the rest of the world and how do you guy's approach that?

T – Thank you, Jackie, for your question and for your words. It is interesting you have mentioned that, our dream would be to be more able to capitalize on this shortage we are seeing in other places. The problem is we cannot produce more. If we were able to produce more, probably would be selling more, no doubt about that. What we are seeing is clearly, the announcements made in Europe about the cut in production, they helped the price. That is why we saw that with the volatility prices moving up so aggressively. But demand in Latin America and North America is still very strong. So, if we could be able to produce more, for sure we would be selling more. We saw some impact in premiums, mostly in in Europe and Asia witch in some ways may favor us along the next few months. It is a marginal gain, of course. And talking about the problems with the energy we are seeing in Asia and in Europe. Fortunately, in our case, there is a slight impact in Brazil because of the hydro generation was suffering along the last few months. But in general, we have not seen the impact we were seeing before. The reservoirs in Brazil, they were in lower levels, that is why the energy cost increased. But once more, it is not comparable with what we are seeing in Europe and Asia, not at all. Seems that in energy probably the world is affecting everybody. But fortunately, our impact has been lower than the ones we see in other places. I would say, in general, we are still very optimist about the market. I mean, we are already working with the first quarter of next year and it seems that the demand, even when we say of China, we may see a reduction in the demand in China probably but given other factors. But demand for zinc is still very high, very strong and it doesn't look like it is going to change. If I had to bet today, I will bet 2023 it is going to be a similar year to 2022, sorry, 2022 will be a similar year to 2021 in terms of supply and demand. And there is one additional information, we are not seeing additional concentrate being supplied in China. Everything we have been saying along the last few years is proven to be right. I mean, most of the additional concentrate in the Chinese market is coming from abroad. So, if we have a lack of metal today, we may see a lack of concentrate sometimes in the near future.

Question – And does that help on your smelter side with treatment charges? I know, obviously, some of that is going to be inter-company, but the stuff that you are buying from third parties. Are you able to get it better terms on?

T – Probably, probably. If it happens, it is probably going to have a better condition to negotiate with our suppliers. It is interesting, we haven't seen yet the impact in the concentrate market given the announcements made in Europe for the production cuts. Actually, some of the commodity analysts were saying that some of them were not believing that the producers in Europe actually would cut production. The only way we will see, is when we see more concentrate availability in Peru, right? If it happens, we will benefit from that for sure in the next TC negotiation.

Question – Okay, thank you. And if I could just ask a separate question on the management transition, it is unfortunate, I guess we are not able to speak with the incoming CEO. I guess, he starts the role working for Nexa next week. So, this may not be a fair question, but since it is the only time, we will have an opportunity to talk to this before you leave. I guess, I am going to ask anyways, do you have any sense, Tito, when the new incoming CEO joins if there is going to be any strategic shift of the company or in terms of the new projects pecking order, I guess if there is going to be any change to the way he moves things forward? Are you able to give any color at all on what we can expect?

T – What I can tell you is the following. Our Board has been very concerned about the strategy and we have strategic discussions on a regular basis. Actually, 2021 is the year when we had a chance to promote what we call our 'internal strategic dialog'. Every three years we do it. Okay? So, every three years, we check the strategies and revise what needed to be revised, and we validate or not the original plans. Every three years, we do it and we just finished that. In the last call we had, you raised the questions about if we would look for new geographies, geopolitical mitigation things like that. And I said, yes, we are doing that. We are not leaving our projects aside, but we have the obligation to look at other opportunities in the market. If you ask me today, do you think it is going to change dramatically? No, I don't think it will. I mean, Nexa has been very consistent. We may have some setbacks with those projects, but we have been very consistent in telling the market that we would pursue the result of our projects. Ignacio coming in, doesn't mean that this is going to change. I don't think it is going to change at all. But it is my point of view. And I am sure, Ignacio, when he steps in here, we have a chance to speak with you even before the next quarter release, the results release. So, he will be with you sometime at beginning of the year, probably.

M – I can confirm that. Sometime during the beginning of the year, you can revert to me on that it's a promise.

Question – Okay, thank you very much. I think that is all my questions. Thanks very much. Congrats on the quarter.

T – Thank you.

M – Thank you.

O – Thank you. And our next question today comes from Alex Hacking with Citi. Please go ahead.

Question – Yeah, good morning. And let me be the third to add my thanks, Tito, and wish you best of luck in your new endeavors.

T – Thank you.

Question – You are welcome. My question let's say is come back to Aripuanã. Any update on how you are thinking about the operating cost there. I mean, I think since the technical report, obviously, cost of something's consumables have gone up, there has also been movements in exchange rates. So, any update on the cost guidance will be helpful. Thank you.

M – Hi, Alex, its Rodrigo here. We have not this type of information so far in detail. That is part let's say of what we included in the earnings release and that we will revise guidance, there is also cash costs changes as you mentioned. But in any case, Aripuanã is really well placed within the cash cost curve and will remain being so with some impact here and there, but I wouldn't expect a major shift on that. As you said, consumables are more expensive, FX has gone a bit wider than anticipated which offsets part of this impact. So, although you will see at our annual guidance probably for the year of 2022, especially considering this slight potential delay that Tito described. I would be thinking about having it in the same range that you were considering.

Question – Okay, thank you very much. And then just one follow-up question. Has the new Peruvian government provided any sort of framework yet in terms of how they are thinking about changes to mining taxation? Thank you.

T – It's an interesting question. Actually, this week the new government, the process to get the confidence vote from the Parliament from the Congress. But this week, there were some, I would not say announcements, but the government released some information about potential plans to increase taxes in general and those tax increase of course, it would also affect the mining industry there. But the big question mark is if the government actually will be able to do anything, given its position, they don't have the Congress majority. And the Congress has been very tough on the government. The government is already in place for the last three months, almost four months. And they haven't got yet the vote of confidence. I mean, the government needs the vote to allow the ministry to work and they haven't got that yet. So, we do not think that the life of the new government will be very easy, seems to us that probably will see pretty much what it has seen there along the last 10 to 15 years when Congress had a very strong position, and the presidency was supposed to negotiate on a case-by-case basis. And we don't believe the tax increase will be favorable by the Congress. So, we are still looking at that and being skeptical about any major change happening during this period of time. I mean, in the next month or in the next years. So, it's still time to pay attention.

M – I would complement what Tito saying, there is a process there. So, they need the vote of confidence and need to discuss, fully discuss the proposal that was sent this week, and let me remind that they have to approve anything until December 31 to have it valid for 2022. Otherwise, it's going to be an additional year of discussions to make it valid for 2023. So, it doesn't necessarily go on the urgent, the size of the Congress matters that you could potentially follow the Chile ambient. These are all possibilities that are on the table such as that.

T – I would pay attention to what is going on in Chile. At least to try and guess what may happen in Peru later on, good point.

Question – By that comment, do you mean that the tax framework that eventually emerges out of Chile could be a benchmark for Peru? Or are you talking more on the procedure of.

T – Yeah. They may try to do a similar thing. That is what I am saying.

M – My comment was rather on the process, Alex, because it takes time, and Chile was really hot and then the reality check was that this was not so easy to do. But also, of course, they are neighbors, and they are some of the practices they might be followed.

T – There is a good example. The Chileans who want to have a new constitution, there were some pools in Peru asking about that, but they don't want to change the constitution. This is just an example, okay. But in terms of tax increase, the Peruvian government may pursue something similar to what the Chileans wanted. That is what I am saying.

Question – Okay, thank you. And good luck with.

T – Thank you very much.

O – Thank you, this concludes our question-and-answer session. Now we will hand over to Tito for his final remarks. Mr. Martins, please go ahead.

T – Thank you. Before I make my last statement, Roberta and Menck, do you want to say something else or something that we are missing here or something that should be?

M – I think we have covered everything, maybe Roberta has something.

R – So what I would like to add in terms of highlight that we included some information in our earnings release in terms of the outstanding metal. So, with this we believe it will help you in order to update your models and thinking forward. So, one thing that I would like to pay attention, for example, with the outstanding price adjustment that we have, for example, in our mining segment. When we compare the second quarter of 2021 with the third quarter, that we have a net price effect. It was negative in US$24 million. So, it will depend in terms of the pricing moving forward the current prices. So only like to pay attention to you guys on that topic, because we believe with the information that we are now providing with the table of how much metal we have outstanding both mining and smelting segments. It will help in the future valuation.

T – Thanks, Roberta. And besides that, I would address we have increasing costs in the smelters along the last quarter, but you should pay attention that the margins are still very high. I mean, margins in the smelters, traditionally, they vary between 8% and 12% in the up right now around 12%, which is still good. Besides that, I know that the quarter was a disappointment for most of the analysts. I think that you should look at the big picture. The nine months of 2021 have been very good, despite a lot of problems we faced. Of course, prices are helping us, no doubt about that. But in terms of performance, we have blockages in the first half of the year. We had the issue of not having available calcine in the Peruvian market because of Doe Run was shutdown. We had a blockage on the third quarter. The price was good, that is why we decided to move to keep up the level of production in the first half in order to enjoy prices. Of course, in doing so, we had to replan some maintenance shutdowns, which happened in the third quarter. But looking at the big picture, I would say that we tend to have a very good year. I mean, it must become the best year of Nexa ever, given the prices and given the performance we foresee for the last quarter of the year. So, I ask you to pay attention to that because we may see again the analysts not very happy with us because the models will forecast the fourth quarter looking like the third quarter. I would ask you to get the answer to that. Having said that, that is my last call. I thank you all for your attention, your support along these years. I am not sure what I am going to do but hopefully we can meet in the future. And I am really confident that Nexa can deliver, I have no doubt about that. We have a very strong team which knows where they want to be in the future and what they need to do in order to get there. The company's very well structured, has a very good strategic plan with a very knowledgeable Board, which has been very supportive to us and a very energetic management team. So, I am really confident that Nexa will be able to deliver what it intends to deliver. And I wish you all the best for all of you and once more thank you very much. Have a good day. Have a good weekend.

O - [Operator Closing Remarks]

Participants of the Q&A:

Orest Wowkodaw – *Scotiabank*

Jackie Przybylowski – *BMO Capital Markets*

Alex Hacking – *Citi*

(Call Duration: 48 Minutes)