Nexa Resources S.A.

1Q19 Nexa's Transcript Earnings and Q&A

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	Participants
T	Mr. Tito Martins - CEO of Nexa Resources
M	Mr. Rodrigo Menck - CFO of Nexa Resources
P	Presenter

P – Good morning and welcome to Nexa Resources conference call.

All participants will be in a listen-only mode. (Operator Instructions) After today's presentation, there will be an opportunity to ask questions. (Operator Instructions) Presenters in this call are Mr. Tito Martins, CEO of Nexa Resources; and Mr. Rodrigo Menck, CFO of Nexa Resources. Also joining the call, Nexa's Executive Team and Ms. Roberta Varella, Head of Investor Relations. Please note this event is being recorded. I would now like to turn the conference over to Mr. Tito Martins, CEO of Nexa Resources. Please go ahead.

T – Thank you, good morning, everyone and thank you for participating in another Nexa's earnings conference call. Today, we will be talking about our results for the first quarter of 2019. Please, let's move to slide 3 where we will begin our presentation. Before we present our first quarter results and despite many of you are already familiar with Nexa, I would like to take the opportunity to reinforce who we are and our strategy for value creation. Since before our IPO in 2017, we have been addressing the market with what we believe a very consistent speech.

Our strategy was set looking for basically two targets. First, Nexa become self-sufficient in zinc concentrate. And second, we want to produce more copper concentrate and have it as our second product. Of course, you understand our advantage in being for a long time in Brazil and Peru. So our priority is to grow our mining production in both countries through brownfield and greenfield projects. We have a very good pipeline of greenfield projects. And as you know, we are moving on with its development. Smelting remains important in our portfolio, mainly because we enjoy numerous benefits for being the sole producer of zinc metal in LatAm, below Mexico.

We are committed to being recognized as one of the safest, low-cost, and sustainable mining company in the world, contributing to the development of the community and regions where we operate. Important to mention, in March 2019, all of our tailings dams in Brazil, received declarations of stability. In other words, all of them were formally certified as safe and stable. Please move to the next slide.

Here, I will comment on our main projects. Aripuana, located in Brazil, is our most advanced greenfield project and is already in construction. With an estimated CAPEX of $392 million, Aripuana is an underground polymetallic project containing zinc, copper and lead. The life of a mine is of 13 years and has the potential to be extended to at least six more years. Deepening project at Vazante reached 80% of physical completion. Project is evolving according to our plan, and we expect to extend the mine life from 2022 to 2027. Also in Vazante, the dry-stacking project has also advanced and is going to be in operation during the second quarter. We are glad to inform that the operations license for the new system was granted last week.

The Cajamarquilla project is advancing. The conversion of the process to Jarosite is expected to be completed in the second half of the year. The conversion will improve the recovery and economics of the smelter.

Let's go to the next slide, please. I will comment a little bit about the zinc market. In the first quarter of 2019, average zinc price was $2,702 per ton, down 21% year-over-year, but up 2% when compared to the previous quarter. Low stocks levels, easing trading war between China and US and ongoing deficit in the refined market reversed the zinc price downward trend. Uncertainties around smelters in China continue to persist and consequently, metal supply has decreased, while zinc concentrate supply increased along the quarter. As a result of this, treatment charges have moved up, improving smelters margins. As we can observe, in the upper right graph of this slide.

Nexa also benefits from higher TCs. As you know, 40% of our concentrate needs we buy from the market. It's worth mentioning, however, we have long-term contracts based on the average benchmark price of the last 3 years, which helps us to mitigate cost volatility, meaning the increase in TCs now, we'll have a positive impact in our business, but will not be fully realized in 2019. For the year, we expect the refined zinc market to remain at a deficit, which should benefit price. Actually, along the last few months price have been very resilient in between $2,500 per ton and $3,000 per ton.

Now, please move to the next slide. Copper and lead price had a similar behavior. In the first quarter, copper price averaged $6,215 per ton, down 11% from first quarter of 2018 and up 1% compared to the previous quarter. And softer economic policy from Fed and other central banks, supply issues in Australia, Chile and Peru contributed to the price increase. Going forward, we still expect the positive scenario for copper price motivated basically by the gap in mine supply. Now, I would like to pass to Rodrigo Menck, our CFO, who will comment on our quarter results. Menck, please.

M – Thank you, Tito and good morning everyone. On page 7, we have our first quarter consolidated results. Beginning with the first chart on the left, regarding mine production. We've had higher treated ore volumes supporting a 3% increase of our zinc production year-over-year, partially offsetting lower zinc grades. Our Cerro Lindo mine had a better performance after all mine development initiatives carried out since last year.

On copper, we ran into copper contaminants in the mining process and the copper production was also affected, decreasing 15% when compared to the first quarter of 2018. On the smelting side, in the first quarter of 2019, sales were relatively stable, as you can see on the second graph from the left and we continue to see a stable operational performance in our three smelters. In Peru, Nexa Cajamarquilla is increasing production year-over-year and has built up inventory in anticipation of our plans on shut down in the second half of the year when we will convert the plant process back to Jarosite. In Brazil, Tres Marias production was affected by technical issues in the purification process in January, which was partially offset by better performance of the roaster Juiz de Fora.

On the next graph, mainly as a result of lower LME prices, Nexa's revenues were down 16% compared to one year ago. Adjusted EBITDA, then totaled $108 million in the quarter, driven by lower revenues and higher mining costs, which were partially offset by the Brazilian real depreciation against the dollar. Looking forward, we are confident that our mining plan is on track and that we will deliver both our annual production and sales guidance.

Let's please move to slide 8. Regarding our debt profile and cash position, we continue to report a healthy balance sheet with extended debt profile and low leverage. As of March 31st, the average maturity of our total debt was 5.9 years, with an average cost of 4.8% per annum in US dollar terms. On the pie charts on the lower left, you can see the debt breakdown, both in terms of category and currency. This profile remains unchanged from previous periods. On the right side, we show net debt increasing from December 2018, mainly due to the reduction in our cash position. This was caused mainly by working capital changes, as well as dividend payments, which I will explain in more details when describing the cash flow. As a result, at the bottom you can see our financial leverage, measured by net debt to last 12 months adjusted EBITDA ratio which stood at 1.07 times, an increase compared to the 0.5 times reported last quarter.

Let's please move now to slide 9. Here on this page, you can see the breakdown of our $65 million CAPEX both by category and segments. We confirm our guidance of $420 million for the year. Regarding OPEX, which amounts to $20 million we continue our efforts to increase reserves and resources, aiming an average life of mine of 12 years for our current operations and also confirm guidance of $128 million for the year.

Let's please go to the following slide number 10. On this slide we demonstrate the free cash flow generation of Nexa. In the first quarter, our EBITDA was $108 million. Negative working capital change was $112 million. Considering the usual payments we have, tax, sustaining CAPEX and interest paid, free cash flow before dividends was negative $63 million. It's worth mentioning, working capital was affected by some very specific events, namely, payments to suppliers and bonuses to employees related to the year of 2018. And increasing inventories at Cajamarquilla in anticipation for the maintenance stoppage to finalize the Jarosite conversion. Excluding these effects, working capital would have been around $29 million and operational cash flow would have been positive in $20 million.

Finally, as a result of our commitment to our expansion projects which will contribute to additional cash generation in the future, as well as our practice of returning capital to the shareholders, Nexa recorded a negative straight free cash flow of $169 million in the first quarter of 2019.

Let us move to page 11. Regarding mining performance in the quarter, as already mentioned, treated ore volume increased 5.5% year-over-year and production of contained zinc was 2% higher compared to first quarter of 2018, mainly driven by several units production, up 14% year-over-year as there was an increase in both treated ore and zinc grade on the site. Guidance is maintained.

Net revenue for the mining segment amount to $272 million, down 17% year-over-year, primarily as a result of lower average zinc, lead and copper prices, less than compensated by an increase of the zinc production volume. Financially, adjusted EBITDA for the mining segment amounted to $82.5 million in the quarter, 48% lower than the previous year, compounded both by the mentioned decrease of net revenues, as well as higher production costs in Peru. These impacts were partially offset by the depreciation of the Brazilian currency, positively impacting cost in Brazil. As such, cash costs net of byproducts credits increased to $881 per ton, caused mainly by the increase of the processed volumes, as well as less byproduct credits at Cerro Lindo and at Atacocha.

Moving to slide 12, we present our smelting segment performance. The sales volume of metallic zinc in the first quarter remained relatively stable compared to the first quarter of '18. Our smelting business had the benefit of the flexibility of its sales strategy. With the economic slowdown in Argentina and maintenance shutdown of two main customers in Peru, we're able to redirect our sales to Brazil as well as other regions. Thus, guidance for smelting is also maintained. Additionally, adjusted EBITDA for smelting amounted to $26 million, down 14% on the same quarter of last year, impacted mainly by the drop in zinc metal prices year-over-year. This effect was partially offset by FX related gains in Brazil and higher treatment charges. On the other hand, the same effects of lower LME prices in the Brazilian real devaluation cost the smelting cash cost to be improved by 20%.

Now I would like to hand it over to Tito for his final remarks.

T – Thank you, Menck. Please let's move to slide 13, where we highlight some of our key initiatives for this year. We remain positive about the industry fundamentals and we are confident that once again, we will achieve our guidance for the year. Under the current macro scenario, we can continue to start gains in efficiency, productivity, and costs. We do not see any issues that would prevent Nexa to advance the Aripuana project. Mine development and plant constructions are moving as planned.

In the short term, we expect to conclude Vazante's dry stacking project. And with it 70% of our mines will be operating with the dry-stacking methodology. Also, after completing the second semester, with the Jarosite conversion in Cajamarquilla, we intend to reach 97% of the zinc recovery in the smelter. New technical reports of the Hilarion project and Cerro Lindo complex should be released to the market sometime in the next month. We are expecting to conclude FEL2 of the Magistral and Pukaqaqa projects in the second half of the year when we should also file an update of their technical reports.

Before I finish. I'm happy to announce our Board has just approved the creation of the sustainability and CSR committee, showing once more Nexa's concerns and intentions in being a next generation mining company.

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

P – Thank you. We will now begin the question-and-answer session. The first question will come from Arthur Suelotto with Bradesco. Please go ahead.

Question – Thank you. My first question is regarding zinc TC levels. We continue to see zinc TC at record high levels, but we started to see some, some reduction, mostly due to some additional smelting capacity in China. So if there's anything you could share with us regarding TCs, and if you expect this decline to continue in the coming months. And then my second question is regarding CAPEX reported $60 million CAPEX for this quarter but you maintained your guidance for $420 million for the year. So I was wondering when we should expect to see an acceleration in CAPEX for Nexa? That's it, thank you.

T – Oh. Thank you, Arthur, for your questions. Regarding TCs, what we are seeing right now is, as you said, TCs, they went up significantly along the last, I would say 5 to 6 month and since December. As you know, the benchmark is $245 today. But we have seen spot transactions with numbers above it, actually close, almost to $260 per ton. We made a comment that we may see a decline in those TCs along the year. We haven't seen that yet. I personally, I've been following some researchers and they are saying that they are believing that except -- more capacity will be available in China in the second half. But according to our source, we have not seen that happening yet. And we don't think that with the speed that the market is working with for more capacity, we will actually beat the one that needs -- should send to the end of the year. I mean we are not believing that we should have a surplus of metal in China or anywhere, at least until 2020. In terms of the CAPEX, yes, the CAPEX execution was a little bit below our expectations in first quarter, but we should be back on track on the second quarter. We are not expecting to see the level of growth in the CAPEX spending, growing only at the last, the last quarter of the year as we saw last year. Our budget for CAPEX is more balanced along the next three quarters. Thank you.

P – The next question comes from Caio Ribeiro with Credit Suisse. Please go ahead.

Question – Hi, good morning and thank you for the opportunity. So my first question is on the zinc and copper grades, where there was a decline across most of the operations this quarter. I just wanted to see if you could talk a little bit more about what your expectations are going forward regarding these grades and what initiatives the company is taking to stabilize or boost zinc and copper grades?

And then secondly on the cost front, there were also few factors here that impacted the cash cost per ton on the mining side this quarter, including the maintenance stoppages that we saw, the higher treatment charges, lower byproduct revenues as well. If you could provide some more color on how you see the cash cost per ton evolving in the coming quarters that would be very helpful. Thank you.

T – Thank you, Caio. About the grades, what we are seeing is the following. Since last year, we are seeing a drop in the grades mostly in Cerro Lindo, which is the main mine we operate, right. And we, in order to compensate that, we are increasing the throughput in the plant. That's one of the reasons why we saw our costs going up, and we have to consider as well that as we mentioned last year, by the end of the first semester of the last year, we decided to move with the more aggressive program in order to increase development of the Cerro Lindo mine, exactly to increase the throughput and exactly to help us to balance the drop in the grades.

So basically, what happened there was we are performing more than 3,000 meters a month in Cerro Lindo, exactly to have more ability to deal with the dropping grades. According to the report we have released, the technical reports we have released in the past, we expect them to have the grades being at the level they are today. So this drop was already expected. Of course, from time to time we may have some increase both in the copper grade, as we develop the mine along the years. In terms of cost I'll pass to Menck, he will answer the question.

M – Hi, Caio. Regarding our cash cost, we don't provide guidance to the market. But in looking throughout the year, you could assume that we will be keeping this type of level because we are within this context of lower rate -- grades. It's pretty much maintaining throughout the year.

T – Yeah, I think you mentioned something about the smelting cost?

M – No.

P – The next question comes from Carlos de Alba with Morgan Stanley. Please go ahead.

Question – Yes, hello. Thank you very much. So for me, something that is quite sort of important to understand is how does management and maybe the Board and the controlling shareholder sees the liquidity of the stock? This is a constant theme of conversation with investors. And I understand that returning cash flows to shareholders is quite important, but also your -- the company only has a low liquidity. So how do you see Tito solving this situation? I mean clearly the stock price is quite low and so issuing more shares at these levels, I don't think is what Votorantim Group would like to do. On the other hand, the liquidity doesn't allow a lot of investors to participate in the stock as much as they would like. So I would like to understand how you and the Board and maybe the controlling shareholders, see this happening.

And second, is there a -- an expectation to change your 3 year contract term for TCs anytime in the short term? And finally, sorry, since -- and finally, regarding cost, cash cost, particularly on the mining side, if you didn't -- there where a -- mining and smelting there were a series of incidents during the quarter that may have affected -- that affected costs as you described in your -- in your press release. Is there any estimate or at least a ballpark figure that you can give us how much these issues affected the cost or what your cash costs would have been. In other words, without these non-recurrent incidents?

T – Okay, Carlos. Thank you -- thank you for the questions. The first one, actually is the most difficult one among all the -- all of them. We've been discussing a lot about the liquidity issue at the Board level. And we also understand that Votorantim Group of course would like to see more liquidity in our shares. Everybody understands that the liquidity would help a lot for us. We've been talking to some investors, investors say you know, I would love to buy your share, but I can't do that because of the sort of the level of liquidity you are showing today. But the -- on the other hand, we have the problem with the price perception. I tend to be an optimist person. So, I think is, if prices go up, as we think that they should go up, our share price should go up, based on their what we will be delivering not only in terms of production but in terms of what we, we believe -- the guidance we have provided to the market. If this perception about the performance of the company increases. And I'm not talking about the first quarter isolated OK, I am talking about the full year of 2019. If everything goes as expected, the price of the share should go up. With the price of the shares going up, there will be opportunities for us to think concretely about increasing liquidity. That's my view. That's a discussion we have had with the Board. The problem today is that our price is too low in our view. The price of our share is too low. So as it is today, even when you compare with other companies that are -- have a similar portfolio of production or similar size of ours. I mean our multiples based on the other companies is they are much lower. So we need to see something, a recovery in this position or a better -- a perception of the market in order to make an additional movement in the future about liquidity. In terms of the contracts, we discussed this in the past, we have a -- most of our concentrate conference are what we call bricks. A three-year contract with the -- every year one-third of the contract is renewed based on the reference TC. Of course, when TCs goes up, it affects negatively us because not all of the contracts will be -- not of -- the full contract will not be renewed, only one-third. But on the other hand, when the TCs come down, we are also protected. So it's a way actually to avoid volatility. I don't think that it would, it would be good for us to have all the contracts in one -- covering just one year. We would be under a lot of volatility. We already have the volatility of the price of the zinc and copper and we will also have -- would have the volatility of the TCs. If you look back in the last 20 to 30 years, the TCs not necessarily reflected the variation of the price of the zinc. It's a little bit different when you compare that with the copper. TCs, they had a kind of independent behavior, vis-a-vis zinc price. Cash cost, I'll now pass to Menck.

M - Hi, Carlos. On cash costs, as we don't provide guidance to the market on that, I won't be able to provide you more color on the specific item. But considering that the incidents were cured, I expect you would see this difference in the second quarter on.

T – Yeah. The incidents, most of the affected volumes produced, I mean, if we had not have the setbacks in Vazante and in Atacocha, production, we would be higher than the one we -- we show you in the first quarter. I mean we -- all production increase in zinc in 3% could be higher if we had not have those problems. Naturally the costs would be lower, right.

P – The next question comes from Orest Wowkodaw with Scotiabank. Please go ahead.

Question – Hi, good morning. I wanted to get a little bit more clarity on the zinc TCs and how to think about that with respect to Nexa. And just given we've had such a huge move in the benchmark from one year to another, when we look at your cash cost per pound in mining. I assume that is including, even though that's intercompany, you're sending your concentrate to your own smelters. I assume you're reporting your Zinc cash costs at kind of market terms.

And I'm just curious whether that's already been reflected in the Q1 mining cash cost or whether that we'll start to see that in Q2 with then the flipside being an increase of profitability of the smelters with respect to their treatment charges.

M – Hi, Orest. This is Rodrigo. TC's evolution and its application within our base is different in the units we do have. For Vazante, we use the benchmark once it is defined for the whole quarter. Cajamarquilla as well. But on the 40% that we buy from third parties, the benchmark of 2019 will make part of the average, the 3-year average that Tito was mentioned in the answer before, right. This $445 per ton was substituted in 2016 reference, which was $211. So this increases in the average only $11, approximately.

T – Correct yourself. You said $445. $245.

M – $245 substituted $211. So the average increased by $11 per ton. Right. This is applied to all the base of contracts that we have with third parties, which will not be effective immediately because each contract has its term. Okay. So it will be reflected throughout the year.

Question – Right, but are you. Well, no, it's not from my perspective. For example, if you reported in Q1, you reported $881 a ton for mining cash costs or $0.40 a pound. Does that reflect the new TC or the old TC?

M – Yes. In this case. Yes.

T – Yes. But for 60%. Yeah, I know, I know but at what 100% of the mine, you are right. Yeah, yeah, you are right. A 100% of the mine. And in the case of the smelting would be 60% of the consumption of the smelting.

Question – Okay, so sorry if I'm hearing you correct, the Q1 cost assume on the mining the new TC already in that $0.40 a pound.

M – Yes.

Question – Okay. And then at the smelter level with respect to TC, I understand about the 3-year rolling contracts, but my understanding, also was that there was a discount that was applied to the benchmark because of how low TCs were in the spot market. And I'm just curious if that discount also is fixed for like a 3-year rolling average or does that move around?

T – No, no, no, no, we have the 3-year average. There is no discounts on that. 90% of the -- approximately 90% of what we buy from third parties is under those contracts. We have only 10% of our purchases under the spot basis. So maybe this discount you're referring to was related to this specific base, but no, we don't, we don't really have the discount.

Question – Okay. So -- so 90% of the third-party concentrate purchases are effectively priced on the 3-year rolling benchmark?

T – Yes, which will have its effect throughout the year.

P – The next question comes from Peter Chrischenco with Barclays. Please go ahead.

Question – Good morning and thanks a lot of taking my question. So I guess first I wanted to hear maybe any updates on your capital allocation strategy. I mean given zinc prices are likely to remain lower for the entire first half of this year and you maybe are not getting much relief on the treatment charges like how are you thinking about your leverage and liquidity targets? And then on this year, are you thinking of any -- any steps to protect your liquidity, maybe cutting exploration CAPEX or dividends comes to mind. I'm just curious how you're thinking of those two variables.

M – Hi, Peter. Concerning liquidity and leverage, we are according to plan, considering our long-term CAPEX program. Right. So we are, we are now with 1.1 times net debt to EBITDA, which we believe is the appropriate number for this. As you might recall, we do have a financial policy, which can be accessed in our sites and there you can see that we have a ceiling of two times net debt to EBITDA. So we will always be looking for this type of limits throughout the investment cycle that we have in our many projects.

T – Yes, and the second -- the first question was about the, how we see the capital allocation is at its price situation, price conditions. First, price are actually around where we were expecting before. Actually in our view, this should be a little bit higher than they are today, given the stocks, not only the stocks of metal available in the world, but also the stocks of concentrate. People keep saying that the stocks in concentrate are high already in China and that this is made up because it's the smelting capacity in China has -- was not there, as expected. But we are still seeing the lack of concentrate. I mean if we have an increase in demand above 1% -- the demand for zinc above 1% in 2019, there will be a deficit of metal and also deficit of concentrates based on what we've seen so far. So we should not change any of our plans along this year, and surely next year. Thank you.

Question – Got it. And then maybe another question I had is, I'm just curious, do you have any conversations with the credit rating agencies and the reason I am asking, looking at your Votorantim complex Nexa bond. If I'm not mistaken, it's the only high-yield paper across the, across the complex. I mean (inaudible) is much higher levered but rate at one notch above, are you interested in getting to investment grade at all any sort of color will be helpful.

M – Well, Peter, we do have constant conversation with all rating agencies. We are eagerly pursuing our investment grade rating. That's how we see it, especially the way we handle our finances. And each one of them has their specific pointing methodologies that hinders us from that. But we have a clear communication with them and we understand that their analysis are detailed -- described in their, in their reports. But our intention is to have our investment grade in all three rating agencies as soon as possible.

T – Yes. I would add to that on thing. Clearly, we are not fairly treated by them. When you look at our operations being in Peru and Brazil, most of our dependence on cash generations is done in Peru. There was investment grade and we should be treated as an investment grade company. Thank you.

P – The next question is from Oscar Cabrera with CIBC. Please go ahead.

Question – Thank you, operator. Good morning, everyone. I was wondering if we can get back to the question on the breakdown of the mill in Vazante and the tertiary crusher in Atacocha? Are these problems being solved and if not, when do you expect these operations to be back to normal throughput levels?

T – Hello, Oscar. Good to talk to you. I tell you what, the two problems we had was actually the replacement of the mill in Vazante had been planned already.

Unfortunately the mill stopped before we actually start to make the substitution. It was done in 15 days, sorted out. Everybody is back on the regular base. The case of Atacocha was with one of the crushers, it took a little bit more time, around 30 days to fix it, but is also fixed already, so should not be a problem anymore. So production was, at the end of March was back in the regular level, yeah.

Question – Okay, great. Now, that's great color, Tito, thank you. So cost should be coming down. Now, just wanted to clarify, you know, in the answer to or as you said that the, on the mining side, your treatment charges are effectively just the benchmark but don't those have bricks attached to them as well. Maybe they're now 3-year rolling average. But is there a component to like delayed impact on the current year benchmark?

M – Hi, Oscar. It's Rodrigo here. No, on the mining side, TCs are applied, the benchmark ever since the beginning of the year. So that's it. So, there's no -- they are averaged and there is no timely, let's say, implementation of that. It's ever since generic.

Question – Okay, great. Now that's very helpful. And then lastly, if I may, you noted in your, in your opening remarks that you want to be sole integrated zinc producer in South America. I missed when you said your updated technical report for Hilarion was going to be ready. I'm just wondering, from that perspective, when do you think you can achieve the goal that you, that you set out to be sole integrated zinc producer and if that's going to affect the way that you are viewing Magistral and your plants.

M – Oscar, we are planning to have Hilarion to actually report sometime along the year. I would say it's going to be, probably at the end of the first semester. Okay. And we are also planning to renew the Cerro Lindo. Cerro Lindo should be ready by June or July. And on second half, when we finished the sell through for Magistral and Pukaqaqa, we would release as well a technical report. We want to update the market about all the -- all the resources and reserves that we have available.

Question – I mean, is there a time frame where you think you can achieve your goal of full integration on the zinc side?

T – No, no, no. Our plan is based on the projects we have today, in terms of zinc equivalent because some of those projects are a couple of projects we should be reaching there in the next 5 to 7 years. Yeah. . But with zinc equivalent. Okay. The prob -- if we, for example, I keep saying that we are going to have a good problem by 2020 because we should reach 2020 with Pukaqaqa and Magistral ready for construction. And of course, we do not plan to have both constructions happening at the same time, right. Following those two projects, we have Hilarion. So Hilarion should be ready for construction by 2023. If we -- when we'll be actually finishing one of those two copper projects? When we'll finish one of those two copper projects? We have to choose either, one, new copper project or the Hilarion one. Production from Hilarion actually will give us a lot of the room and depending on the size of Hilarion actually can be almost there -- almost with 100% integrated.

So Hilarion plus -- Hilarion plus Aripuana will give us almost -- and some debottlenecking in our current production could give us the full integration.

P – Ladies and gentlemen, this concludes our question-and-answer session. I would like to return the conference to Tito Martins for any closing remarks.

T – Thank you. First of all, I would like to thank all of you for being with us here today.

Secondly, I also want to thank you for the hit you gave in our price -- share price yesterday. I think up to some point was deserved. But I want to guarantee you that we kept our guidance because we really believe that we will perform, and we will have a very good 2019.

Things that happened in the first quarter should not be repeating itself along the year. We will be increasing mining production; we will be increasing smelting production. So we are confident that we can achieve the guidance. And the maximum you will see it very soon. Once more thank you very much. Have a good day. Bye, bye.

P – And thank you, sir. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

Participants of the Q&A:

Last Name	Name	Company
Suelotto	Arthur	Bradesco
Ribeiro	Caio	Credit Suisse
De Alba	Carlos	Morgan Stanley
Wowkodaw	Orest	Scotiabank
Chrischenco	Peter	Barclays
Cabrera	Oscar	CIBC