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Vale's performance in 3Q17

Performance shows improvements in price realization and the initial results of the cost management matrix approach

Chief Executive Officer Fabio Schvartsman commented on the first results fully under his management: "3Q17 performance shows improvements in price realization and the initial results of the cost management matrix approach. In addition, strict discipline in capital allocation will have a direct impact on future cash flows". He concluded that: "This is a new phase for Vale in terms of efficiency, sustainability and corporate governance. Now we are able to go to the Novo Mercado listing segment well in advance of our original plans with the support of all our shareholders. We are ready to transform Vale into a true corporation".

- Adjusted EBITDA was US\$ 4.192 billion in 3Q17, 53.6% higher than in 2Q17, mainly as a result of: (i) higher prices (US\$ 851 million), (ii) better premiums^[1] (US\$ 447 million) on Vale's high quality iron ore products, (iii) higher volumes (US\$ 219 million) on the back of the successful ramp-up of S11D and (iv) lower costs (US\$ 70 million).
- Free Cash Flow was US\$ 1.438 billion and net debt decreased by US\$ 1.056 billion totaling US\$ 21.066 billion.

The reduction was not greater due to effects of the BRL appreciation over Vale's debt, which increased BRL-denominated debt when translated to USD by US\$ 667 million, and due to the temporary effects of iron ore price volatility on accounts receivable. Working capital needs increased by US\$ 981 million, but we expect reversal and a positive impact on cash flows in 4Q17 as sales collections increase throughout the quarter. "4Q will accelerate debt reduction. It is traditionally a very strong quarter in sales and collections, and on top of that we will sign the Project Finance for the Nacala Corridor on November 22nd, 2017, with proceeds to Vale north of US\$ 2 billion. The cash will be entirely available to reduce debt, enabling us to achieve the US\$ 15 to 17 billion net debt target of 2017", highlighted Chief Financial Officer Luciano Siani Pires.

- Capital Expenditures were US\$ 863 million in 3Q17, once again breaking through the sub US\$ 1 billion mark. Vale's capital expenditures should total US\$ 4.0 billion in 2017.

- Iron ore price realization increased by US\$ 15.9/t mainly due to the US\$ 8.0/t increase in the Platts IODEX and the US\$ 4.1/t increase in premiums¹. The increase in premium was a result of: (i) higher market premiums for Carajás ore, (ii) higher share of Carajás sales linked to the MB65% index; (iii) our decision to reduce high silica products; and (iv) improved management of the global supply chain with the implementation of the Integrated Operations Center (COI), which will increasingly provide faster and more effective responses to market dynamics, enhancing asset productivity and margins. "Vale is focused on maximizing its margins, and by advancing inventories offshore it is well positioned to manage production and sales of lower and/or higher quality ore, according to market demand, with the sales/production volume ratio totaling 95% in 3Q17. Looking forward, the sales/production volume ratio in 2018 should average around the same levels seen in 3Q17, as offshore blending capacity is ramping up and will stabilize in 2018", commented Mr. Peter Poppinga, Executive Officer for Ferrous Minerals and Coal.

- Iron ore C1 cash cost decreased by 7.1% to R\$ 45.8/t (US\$ 14.5/t). Costs are back to the BRL average levels of 2015 and 2016, as forecast in the 2Q17 earnings release.

- Competitiveness increased further with adjusted EBITDA per ton for Ferrous Minerals^[2] reaching US\$ 40.2/t in 3Q17, 49.4% higher than in 2Q17, and iron ore fines and pellets EBITDA break-even^[3] decreasing by US\$ 4.4/dmt^[4] when compared to 2Q17, totaling US\$ 30.0/dmt in 3Q17, the lowest level since 3Q16.

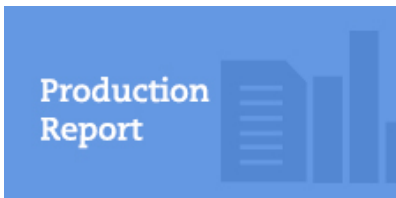
- Adjusted EBITDA for Base Metals was US\$ 561 million, an increase of US\$ 175 million when compared to 2Q17 as a result of higher prices (US\$ 180 million) and lower costs (US\$ 44 million). Jennifer Maki, Executive Officer for Base Metals, stressed that "We are very happy with the sequential improvements in performance of our copper assets, and we are committed to improve cash flow generation in all of our nickel assets. In 3Q the successful transition to one furnace in Sudbury and the progress of the ramp-up of Long Harbour set the conditions for sequential improvements".

- Adjusted EBITDA for Coal was US\$ 46 million in 3Q17, recording a positive result for a fourth consecutive quarter, US\$ 111 million lower than in 2Q17 as a result of lower prices (US\$ 97 million) and the net impact of the higher tariff for the Nacala Corridor (US\$ 13 million), which were partially offset by lower costs at the mine (US\$ 16 million). Realized prices were mainly impacted by provisional prices set in 2Q17, which considered stability in the future price environment, and were later adjusted by lower realized prices upon cargo delivery in 3Q17.

- Nacala Project Finance is on track, with both NEXI and JBIC approvals being granted by their respective boards during 3Q17. Now with all lenders (including AFDB, ECIC and commercial banks) having concluded their approvals, the next step is the signing of the Project Finance, which will take place on November 22nd, 2017.



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