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Vale's performance in 1Q17

Costs and expenses, net of depreciation charges, totaled US$ 4.207 billion in 1Q17 vs. US$ 4.621 billion in 4Q16

Vale delivered production records for a first quarter in iron ore at 86.2 Mt, with the production record of 36.0 Mt for the Northern System, and in Mozambique with the quarterly coal production record of 2.4 Mt.

Vale's CFO comments on 1Q17 financial results

Net revenues totaled US$ 8.515 billion in 1Q17, 8.1% lower than in 4Q16, negatively impacted by seasonally lower sales volumes for Ferrous Minerals (US$ 1.271 billion) and planned maintenance shutdowns and operational disruptions in Base Metals (US$ 203 million).

Costs and expenses, net of depreciation charges, totaled US$ 4.207 billion in 1Q17 vs. US$ 4.621 billion in 4Q16. Costs, ex-depreciation, decreased by US$ 263 million in 1Q17 vs. 4Q16 driven by lower sales volumes (US$ 594 million), partially offset by lower dilution of fixed costs on seasonally lower production volumes, unfavorable impact of exchange rate variations, higher price-related cost factors such as the leasing of pellet plants, royalties, feed purchased from third-parties and higher bunker oil prices.

Operational issues at Thompson had a one-off negative impact of US$ 32 million, including deleterious elements in the smelter feed and a hot metal leak in the smelter. Expenses, ex-depreciation, decreased by US$ 151 million in 1Q17 vs. 4Q16 with reductions in SG&A, R&D, pre-operating expenses and others.

Adjusted EBITDA was US$ 4.308 billion in 1Q17, 8.8% lower than in 4Q16, mainly because of seasonally lower sales volumes (US$ 828 million), out of which US$ 774 million from Ferrous Minerals. Iron ore sales volumes were planned to take into account the build-up of inventory due to the enhanced blending activities. Higher prices contributed positively with US$ 672 million. EBITDA margins at 50.6% in 1Q17 were in line with margins in 4Q16.

Capital expenditures totaled US$ 1.113 billion in 1Q17. Investments in project execution totaled US$ 587 million and sustaining capex totaled US$ 526 million. The S11D project continued its successful ramp-up, advancing according to plan. Physical progress on the duplication of the railway reached 66% with 367 km completed up to March 2017. Physical progress on the onshore expansion reached 89%.

Net income totaled US$ 2.490 billion and free cash flow US$ 2.424 billion in 1Q17. Cash generated from operations totaled US$ 4.056 billion despite the increase in iron ore inventories along the supply chain to support the enhanced blending activities and the payment of variable compensation in 1Q17. Cash proceeds from net disposal/acquisition of asset and investments totaled US$ 770 million, mainly as a result of the conclusion of the divestment of part of our interest in the Moatize coal mine and the Nacala Logistics Corridor to Mitsui & Co, Ltd (Mitsui).

Net debt totaled US$ 22.777 billion, decreasing substantially by US$ 2.265 billion vs. the US$ 25.042 billion as of December 31st, 2016, with a cash balance of US$ 6.793 billion as of March 31st, 2017.

EBITDA from the Ferrous Minerals business segment in 1Q17 remained practically in line with 4Q16, despite the seasonally lower sales volumes

- Adjusted EBITDA for Ferrous Minerals was US$ 3.967 billion in 1Q17, US$ 142 million lower than the US$ 4.109 billion achieved in 4Q16, mainly as a result of seasonally lower sales volumes (US$ 774 million), exchange rate variations (US$ 84 million) and higher bunker oil prices (US$ 51 million), which were partially offset by higher realized prices (US$ 721 million).

- Adjusted EBITDA per ton for Ferrous Minerals excluding Manganese was US$ 50.4/t in 1Q17, 19% higher than the US$ 42.2/t recorded in 4Q16, mainly as a result of higher CFR/FOB wmt prices and higher pellet premiums.

- Iron ore fines and pellets EBITDA break-even remained in line vs. 4Q16 totaling US$ 30.5/dmt in 1Q17.

- Pellet CFR/FOB prices increased by US$ 23.7/t to US$ 116.0/t in 1Q17, whereas the Platt's IODEX iron ore reference price (CFR China) increased by US$ 14.9/t in the quarter, mainly as a result of the renewal of sales contracts with a higher pellet premium.

EBITDA from the Base Metals business segment decreased with seasonally lower volumes and the one-off cost normalization in Thompson

- Adjusted EBITDA for Base Metals was US$ 410 million in 1Q17, decreasing US$ 133 million vs. 4Q16, negatively impacted by lower volumes (US$ 82 million), a one-off cost normalization in Thompson after the aforementioned operational issues (US$ 32 million) and unfavourable exchange rate variations (US$ 19 million).

- In 2Q17, nickel and copper production will be impacted by the transition to a single furnace operation at Sudbury and the three-week long surface plant wide schedule maintenance shutdown, which occurs every 18 months. We took one of the furnaces off-line in mid-March and we are rebuilding and expanding the furnace. The rebuilt furnace will remain in operation post the transition to one furnace in the second half of the year.

EBITDA from the Coal business segment was US$ 61 million in 1Q17, reaching a positive result for a second consecutive quarter despite lower coal prices

- Adjusted EBITDA for the Coal business segment was US$ 61 million in 1Q17, US$ 95 million lower than the US$ 156 million recorded in 4Q16, mainly due to lower sales prices (US$ 104 million) with the decline in market reference indexes.

- Sales volumes of metallurgical coal totaled 1.54 Mt in 1Q17, increasing 11.2% vs. 4Q16, as a result of the quarterly production record achieved with the successful ramp-ups of Moatize II and the Nacala Logistics Corridor.

- Production cost per ton of coal shipped through the Nacala port[2] decreased 14% to US$ 83.9/t in 1Q17, as a result of the production record in 1Q17.

Production Report

Infographics

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More information

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