Q4 2020 Earnings Call

Company Participants

- Benjamin Steinbruch, Chief Executive Officer and Board Chairman
- Edvaldo Rabelo, Cement Business Director
- Helena Guerra, ESG Manager
- Luis Fernando Barbosa Martinez, Executive Officer
- Marcelo Cunha Ribeiro, Investor Relations Executive Officer

Other Participants

- Caio Ribeiro, Analyst
- Carlos de Alba, Analyst
- Daniel Sasson, Analyst
- Leonardo Correa, Analyst
- Thiago Lofiego, Analyst

Presentation

Operator

Good afternoon, ladies and gentlemen, thank you for holding. At this time, we would like to welcome everyone to CSN's Conference Call to present the results for the Year 2020.

Today we have with us the company's Executive Officers. We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the company presentation. Ensuing this, we will go on to the question-and-answer session when further instructions will be given.

(Operator Instructions) We have a simultaneous webcast that may be accessed through CSN's Investor Relations website ir.csn.com.br, where the presentation is also available. The replay will be available for one week. You can flip through the slides at your own convenience.

Before proceeding, we would like to state that forward-looking statements herein are mere expectations or trends, based on the current assumptions and opinions of the Company management. Future results, performance and events may differ materially from those expressed herein as they do not constitute protections. In fact, actual results, performances or events may differ materially from those expressed or implied by forward-looking statements, due to general and economic conditions in Brazil and other countries, interest and exchange rate levels, future rescheduling or prepayment of debt denominated in foreign currencies, protectionist measures in the US, Brazil and other countries, changes in laws and regulations and general competitive factors at global, regional or national basis. We will now turn the floor over to Mr. Marcelo Cunha Ribeiro, Investor Relations Executive Officer who will present the operating and financial highlights for the period. You may proceed, sir.

Marcelo Cunha Ribeiro {BIO 4997029 <GO>}

Hey, good afternoon to all of you and thank you for participating in the fourth quarter and full year 2020 results call for CSN. This has been a special year for CSN, where we attained record results in several dimensions. We began the year with concern because of the pandemic, sanitary problems, financial problems but we are ending it in a very positive situation. We have the health of our associates and the impact of the pandemic has enabled us to attain positive results, we have had very few serious cases in the company, thanks to the stringent protocols.

Financially, we prepared for a war. These are the words that Benjamin tends to use, a war that did not materialize and that was turned into a bonanza very stringently in cost expenses, investment and working capital. We were able to gain twice. We were rewarded with a quick recovery of volume and prices. We got to BRL11 billion EBITDA. And this year, BRL4.8 billion and margins of approximately 80%. EBITDA also was transformed into cash. We had a cash generation record from operational improvement and working capital and we were able to reduce the debt. In this quarter, the debt reduction was BRL5 billion and in general, it obtained BRL10 billion, just before the third highlighted point, which is the IPO of CSN Mineracao.

The conclusion of a very-long period, where we try to attain sustainable leverage. Now this process is over as we are now going towards 1.0 net debt-EBITDA. But we are at a very sustainable debt level at present. These are the highlights for the period. We will now speak about the EBITDA evolution on Page four of the presentation, where we observed one more quarter with consistent growth in margins and EBITDA for the company. In the first quarter of the year, the production was below normal in mining due to rainfall. We had two years of growth of EBITDA per semester reaching BRL11.5 billion and 70% growth vis-a-vis the previous year.

The great news in this quarter, when we see the contribution of each business is that the business that most contributed was steel. Since 2019, it was a year of recovery, a very difficult year for steel. And this year we had a speed up in the performance of the business. We had exceptional performance in mining and in the cement segments, with a 35% growth for the semester obtaining EBITDA BRL4.2 billion. On the next page we continued to speak about the main financial indicators. Our investors were continuous during the year, highly focused on sustaining the business as we were preparing for a pandemic that ended up not coming and in still we had a productivity project, until we had the resumption of the blast furnace 2, increasing the CapEx in the fourth quarter.

In mining the concentration was in the replacement of what we did and our CapEx this year was somewhat lower vis-a-vis last year because of the filtration units. And net working capital we use this leverage to allow for a robust cash generation. Once again, we worked with inventory reduction. We had robust sales in steel, good cash generation and once again we're renegotiating our terms with suppliers. We converted EBITDA into cash in an accentuated way, the BRL4.7 million in EBITDA, BRL3 million became cash generation of more than BRL8 billion in cash.

Now what we see in the following page, resulted in a reduction of our indebtedness in this quarter, we were benefited by the exchange rate variation, it ended September at BRL5.6 per dollar ended the year at about BRL5.2 per dollar and this helped us to reduce our debt and we reduced our debt by BRL5 billion more specifically in the fourth quarter. We have had another reduction of BRL3 billion in previous quarters. In the last six months, we were able to reduce our indebtedness by BRL8 million, without the IPO and that's how we got to the EBITDA that we see of BRL2.2 billion [ph] in the fourth quarter. And because of this we have become very bold offsetting forth a new goal BRL1.15-million [ph] EBITDA for the end of 2021.

In the next page, another immediate impact of the IPO, which is to improve the debt profile, even before the IPO, we have increased our liquidity position by BRL10 billion because of our excellent cash generation. Now cash coverage did not go beyond two figures. After the IPO, we will implement this exercise repeatedly and the average term of the debt will increase to five years or 60 months and cash coverage will go beyond 60 months completely eliminating that pressure of liquidity on cash and making the amortization much smoother in following years. And we can already feel this on our credit rating, we had in -- on Friday, we had better upgrade but new upgrades will come as our level of indebtedness will continue to become stronger and we will have a longer debt profile. We would now like to speak about the business highlights on Page nine, we begin with the steel performance that had exceptional performance.

We ended the year with growth, in mid-2020 we had foreseen, a drop of 20% in volumes. We were the first to see this recovery in the beginning of May and June. And we had the will and the aggressiveness to seek this growth, since the beginning of the second quarter in the second semester, we had a reduction of inventory significant reduction. We have higher volumes than those of the fourth quarter, but in the fourth quarter, we had the benefit of a significant increase in prices, an increase of 19% and also due to the transfer of costs of raw material, but we were able to increase the profitability of the business with good profitability with prices 19% higher. We had a record EBITDA at a margin of 25%, almost close to 30%. In the next page, to speak about the productivity of the steel company. The production of steel increased during the quarter, we had the resumption of blast furnace number two. We could have had higher figures were it not for the unscheduled stoppages because of energy blackouts that led us to relevant losses, but we had better commercial volumes vis-a-vis the other quarter.

Our cost contention was very successful, slab cost increased only 3%, we had coal, pet coke and others increasing at higher levels and the cost per ton was more than BRL1,000 almost -- $200 per tonne. On Page 11, we show you the mining results. Nowadays this is an open company in the stock exchange and we show you a record level of revenues, a record generation of EBITDA, a margin of 71% thanks to an excellent price realization slabs with prices increasing, favorable conditions and all of this offset the volumes that were impacted by rainfall with enormous volumes and once again due to the problem of

COVID. These are one-off effects that have been resolved and they do not alter our outlook for the year 2021.

We should have volumes of 38 million tons to 40 million tons and of course this quarter will be much stronger than the quarter in 2020. In terms of the cement performance, once again a very strong year not only for CSN cements but for the entire market. We had the civil construction market that sped up because of the lower interest rates. The Corona emergency aid, there was a growth of 7% in the year and we grew more than the market. We had a growth of 13%. This is the eighth year that we grow more than the market with a growth of 8% and with these new scales, we benefit from a new level of prices, reaching an EBITDA of BRL130 million, a margin of 46% and EBITDA generation above BRL500 million, which already gives us a completely different dimension in the business and allows us to seek a new jump that is why we created the subsidiary, as CSN SA and we're going to be a platform to grow organically and to consolidate the sector.

These are the main operational and financial highlights. As of now, every quarter we're going to update you in our ESG system. And I would like to ask Helena Guerra to present this.

Helena Guerra

Hi, good afternoon to all of you, it is a pleasure to be able to speak about social and environmental management. These are the pillars that we work on. And it is very gratifying to not only speak about very expressive financial and operational results, but also other results. We began to deliver these operational results because we have a very good background, we had a reduction of 19% in the frequency rate of reportable accidents. And of course we do prize our lives, our safety, we have an important change in communication. You know that we do great deal, more than we truly communicate and of course we base ourselves on good communication and transparency, we really like to offer information on our side.

And here you will see some of the indicators that we have for 68,000 hectares that we preserve and protect, we have our operations in water. In 2020, we become signatories of the UN Global Pact and we're already working with all of the UN alignment and protocols, where we have become fully independent from Dams, in terms of mining. We have decharacterized the first dam and we invested more than BRL420 million in the environment and social investments in the CSN foundation. We have a sustainability board that reports directly to the CEO and works with the different area directors and this director will set forth goals, speak about diversity, work with emissions, water and other material issues in the company.

We have enhanced our rating and we remain with the FTSE4Good Group and we ended the quarter and the year with all of these and the outlook is that 2021 will be even better, we want to be a model a benchmark for all of the other companies and all of the segments in which we are active.

With this we would like to end the presentation and we can go on to the question-and-answer session. Thank you.

Questions And Answers

Operator

Thank you. We will now go on to the question-and-answer session for investors and analysts. (Operator Instructions) The first question is from Caio Ribeiro from Credit Suisse. You may proceed.

Q - Caio Ribeiro {BIO 18420483 <GO>}

Hi, good afternoon to all of you and thank you for taking my question. The first question is about sustainability and the margins that you delivered in the steel business, which will be the evolution of this margin in the first quarter and the price transfers that you have for this quarter. What will happen with your margins?

Secondly, in terms of dividends, you have a pay out of 25% of net revenues, until you are able to conclude your deleveraging, presently your rate is at 2.2 times and with the conclusion of the IPO, this should drop even further, which will be the ideal timing to review your dividend policy and begin to distribute your cash surplus to shareholders, which would be an ideal level of indebtedness that would give you this cash surplus for the company.

A - Luis Fernando Barbosa Martinez {BIO 17456025 <GO>}

Hello, Caio this is Martinez. In terms of the 25% margin that we had in the fourth quarter, we'd like to explain what is happening in this first quarter. We have a price carryover that is given of about 25% only, the price carryover. In the fourth quarter, it was 19% and in the first quarter the carryover prices will be 25%. There is a favorable world situation, it is very difficult to import in Brazil, the US market and the Asian markets are working domestically with very few imports.

Besides this we need to keep in mind that account that I always mentioned to produce 1 tonne of steel, you need 1.6 of iron ore and 0.6 of coal, in January of 2020 iron ore was 94 at present it is 73, coal was 144, it now stands at 149. And the exchange rate, which was 4.06 is now 5.50. If you put all of this together and include it in general calculations, we would have to increase our prices 105% in the first quarter, besides the price carryover, we will probably have another increase in March for distribution, focused on the cold and hot products.

And there is a part of the assembly parts that will be part of the first quarter, in the second semester, because of the CSN contracts that are somewhat different from local competitors, we signed quarterly contracts and we will have this carryover for assembly plants of about 20%. This is a given, there is nothing we can do it refers to the past. This is what we have in terms of prices and margins for the first quarter. The second question refers to dividends Caio. When we test and the results of the year 2020, you will see that we allocated 25% of the results of the year. BRL900 million in dividends that will be paid after the General Assembly at the beginning of May. And going forward, we're going to continue to maintain that 25% policy, while we don't seek out the new goals that have been disseminated BRL15 billion in debt and BRL1.0 billion, net debt-EBITDA. With the IPO, we have BRL20 million in net debt, which means we have to reduce our net debt by BRL5 billion before we can debate the issue of dividends.

A - Benjamin Steinbruch {BIO 1499059 <GO>}

This is Benjamin speaking Caio. The question you posted is very important in terms of price. It may seem surprising to have price increases, they may seem to steep but what Martinez mentioned about the 25% carryover and the outlook of new price increases for March. All of this is due to the moment in which we are. At present, If you go to market, you will have slabs that cost $750. But we have none for delivery. If you want to buy slabs, it is probable that they will only be available for delivery in May and they would arrive in Brazil in June or July.

The increase in the raw material is maintaining a high and continuous price in what we deem to be a reference of slab this is almost a third quarter in which this happens. It's very little probable that we will have to have these increases in the first quarter and in the second quarter as well aside from this carryover. And in terms of iron ore, for example, the average price for the first quarter of 2021 is a $170. In the stock market, you will close for March $169, the quarter will be above $170 and then we have the second quarter, even higher.

So the prices are given in terms of the near future at least, which means that mandatorily we are not having price increases, we're having cost updates to be able to remain competitive and within the market margins. Brazil is part of the international price standards. And I see the need to have a new price increase in March and probably another one in the second quarter. Once again due to the reality of the international market.

Q - Caio Ribeiro {BIO 18420483 <GO>}

Thank you. Thank you very much, Benjamin, Marcelo and Martinez. Very clear answers.

Operator

Our next question comes from Daniel Sasson from Itau BBA. You may proceed, Mr. Sasson.

Q - Daniel Sasson {BIO 19234542 <GO>}

Good afternoon to all of you. Thank you for taking my question. My first question is a follow-up of the previous question, when it comes to prices Martinez, the increase that you will announce for March. If you could comment on the parity of imports in Mexico for example, where you work with imported products and if this level of premium could be even higher than the 5% or 10% historical level, because of the difficulty of importing products.

My second question refers to the cement business. We saw an improvement of prices, volumes and margins. But without a doubt, there is still room for a greater increase in margins and volumes this year as well, which is the potential that you believe this business group can obtain. When you speak about price and the use of capacity, once all of this has been fully normalized.

A - Luis Fernando Barbosa Martinez {BIO 17456025 <GO>}

Hello, Danielle, I will respond to the first question referring to prices. This is important. And to add to what was said by Benjamin, the price increase is due to a re-composition of costs and we take into account four points. The supply-demand equation, which is very favorable, all markets have growth, the automobile market, agricultural, civil construction, packaging all have a favorable supply-demand equation from the viewpoint of cost. Coal was at $110, we now buy it at a $140 or $150. Additionally, CSN buys pet coke and pays $480 to $500 for it, highly appreciated and iron ore, of course, in the range of $170 to $175. When it comes to imports to give more color to what is happening.

The Chinese blast furnaces work with the level of utilization of 84%. And in China, there is a reduction of the tax rebate for the imports of about 13%, which will also benefit the world market. They will have to stop importing and faster, internal growth. And in the retail market in the automobile sector growth is still strong. In terms of prices, I'm considering our BQ in China, although it is not available for sale at $640 -- $650 if you calculate the premium, it's 12% to 15%. And an galvanized material where we have a greater share, it is 15% or 16%. Regarding your question about price elasticity, there is elasticity. In Brazil, we had premiums of more than 20% with a good demand-supply equation, we have to recompose the prices in Brazil.

And while the market is favorable and the import equation is favorable, we're going to work with the highest profitability possible. This is a challenge we have in the steel business, always focusing on the full production of focus on the domestic market, added value, fragmentation, we don't want to have all of our eggs in the same basket. And in the United States, Europe and Portugal, we will work as local players. This is how we plan to work during the year 2021. I don't know, if this is clear or if you have additional doubts.

Q - Daniel Sasson {BIO 19234542 <GO>}

No, that's excellent Martinez

A - Edvaldo Rabelo {BIO 18024264 <GO>}

Daniel, this is Edvaldo. Let me give you a panorama of what we are thinking. We ended the fourth quarter with a run rate of above BRL4 million. And obviously as in the steel business, we have a cost pressure. The pet coke, which is imported had a significant increase in the second semester, with an impact this year. This means that in cement, as well we're going to have to continue to recover our prices, as we are working with prices that are still below the historical levels.

There is room to increase the prices effectively and we also have to allow for room for volumes to grow. We work with a million tons and we have the room to grow 15% or 18%

and this year and then coming years, if we have the demand of course, basically we are working with very limited cost, with a very high efficiency in terms of SG&A. And we're going to be working with EBITDAs above BRL500 million, despite the price pressures that we feel and that we have mitigated through our internal efforts.

A - Benjamin Steinbruch {BIO 1499059 <GO>}

Daniel, simply to complement what was said by Edvaldo, the historical cement prices in the Southern region and historical means a series that began in 2011 up to present it is BRL320 per ton.

At present, this is 22% below what we practice and BRL of course, we have the exchange rate working against us. In Brazil, we have the lowest cost cement in the world and the US $110, Europe [ph] by $120, in Europe $90 to $140 -- 22% to return to historical levels. In the North and Northeast regions, this would be 24%, 28%. We believe that as the market moves toward a better supply and demand cost relationship, we will be able to recover historical levels this year still.

Operator

Our next question is from Leonardo Correa from BTG Pactual. You may proceed, sir.

Q - Leonardo Correa {BIO 16441222 <GO>}

Can you hear me?

A - Marcelo Cunha Ribeiro {BIO 4997029 <GO>}

It's a bit muffled, but we can hear you.

Q - Leonardo Correa {BIO 16441222 <GO>}

I do apologize for that. The first question is for Marcelo. In the introduction, you made it very clear that the market has always requested from you and of course, the scenario was favorable to deliver a very good EBITDA in 2021. Now the cost debt still continues to be very high. If we work with comparables, if you could speak about your expectation going forward. Which is the type of debt reduction that you expect in the future. And beyond this, if you could speak about the outlook for M&As I believe. A -- second question, that is more strategic.

Of course, you are working in a very strategic way and cement seems to be opening up a new avenue. But I would like to understand which are your priorities with steel because steel is generating very good results, with a significant improvement and in terms of your priority list. What is it that you would like to begin doing simply so that we can understand which is your strategic thinking.

And another quick question. You're speaking about a carryover of 25% in the first quarter with the price increase that has already been announced, simply to dissipate confusion, you're speaking about net revenues in the domestic market. Your net revenues are going to increase 25% in the domestic market, is this what you're saying?

A - Marcelo Cunha Ribeiro {BIO 4997029 <GO>}

Well, let's begin with your last question Leo, it's exactly what we are discussing to review this fourth quarter '19, the average price was BRL319 [ph] then we went to BLR357 [ph] in the fourth quarter BRL226 [ph] and based on this BRL226, we're going to apply this 25% increase

The average price will increase 25% in the quarter. And of course, we will have an increase in cost. The slab will go from BRL1,200 per ton to BRL2,900 per ton, because of the raw materials that I just mentioned. Now, the increase will offset -- the increase we will have in cost and go beyond that. In terms of our debt profile that we have a great deal to gain. Our indebtedness is ever more concentrated in the capital market, there is a reduction of debt with the banks. We began, this 3.5 years, 4 years ago and the bonds that we are going to issue have coupons of about 8%. We're going to market now for these coupons of less 5% for much longer terms. We're referring to 300 basis points on BRL20 billion, BRL600 million a year of savings. Basically, which is quite significant, when it comes to the priorities in cement and steel.

The issue of raising capital in mining was very specific, it was specific because of its size, this could be used to deleverage CSN and because it had several years and which had increased the volumes threefold and it needed this capital to grow. Now, it seems that cement will be next because they also have a growth plan and a market moment that is in accordance with this organic projects that are very special, with limestone reserves that have already been reserved and very attractive markets where there is little competition.

I'm referring to markets is in the south and north and northeast, where the prices are higher. And if you recall, we have plans in Sepetiba and another in Holland [ph] that could begin to work -- come into operation with projects in approximately 30 months. These are highly interesting organic projects and on the other hand, there is a possibility of a consolidation in the sector. There are minor players with limited financial capacity to grow and CSN has its national natural vocation to work and consolidation and we see that still is an exceptional moment and we're going to use the cash to sustain for productivity.

We're going to invest and centering and the maintenance of the steel mill in methodology. We're going to add more value, but this doesn't require a structural movement like an IPO. This is our strategy for the time being.

Q - Leonardo Correa {BIO 16441222 <GO>}

Okay, thank you very much.

Operator

Our next question comes from Thiago Lofiego from Bradesco BBI. You may proceed, sir.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Thank you. Good afternoon. Martinez, if you could remark on the dynamic of demand in the short and long term. When we think about your inventory, you have been speaking about the inventory for some months and we were thinking that in the fourth quarter this of course would be reduced, which is your order book for the coming months and what will happen going forward.

The second question refers to long steel, more specifically, if there is room for price increases, according to our accounts there would be this room, but of course the supply dynamic is somewhat different?

A - Luis Fernando Barbosa Martinez {BIO 17456025 <GO>}

Thiago simply to review, this 2020 the Brazilian market for flat steel stood at 12,000 tons, which is very good considering the pandemic. Now CSN with poor market figures they could have been worse because of the pandemic, have a 2% growth in long steel, the market was different the market grew 5% vis-a-vis 2020 because of construction, because of the decrease in interest rates, the market was stronger than it usually is.

In terms of the restocking in the market, what do we see for 2021, we are projecting, while the IABr is projecting a growth of 5.3%. CSN will grow from 12% to 15% in 2021. In 2021 yeah, there is 6%, CSN is limited to 230,000 -- 240,000 tons a year and we're working at full steam in terms of sectors to justify what happens in the market.

Industry in general has a forecast for growth of 68%. The automotive sector with the sales increase of 15% approximately, and the production increase of 25%; other sectors like trucks, agricultural machinery with a growth of two digits. Two digits -- what the market has presented and this was consolidated yesterday in the AIBr figures is that the market is growing strongly. If we look at the figures yesterday from INDA, the inventory hasn't been set up yet. We have a lack of raw material inventory, intermediate raw material this goes all the way to the vehicle. If you go to buy a vehicle, today you have a waiting period. So this restocking hasn't even begun, it should go beyond the first quarter now because of the steel we have a slowdown in the first quarter, but there will be an accommodation in the second quarter. What is more positive is that all markets have a growth as Edvaldo said in terms of cement because of civil construction in long steel flat steel and cement we're beginning a new real estate cycle in Brazil and we believe the market will grow continuously 6% a year. In long steel, we had an increase of 15% in January and 15% in February. CSN has the highest market price for long steel, because we have a limited capacity. And the long steel depends on iron ore and we also have historical levels in terms of well, what we're doing is recomposing costs because the scrap is even higher than the increase in iron ore. I don't know if you have understood the dynamic that we have in terms of prices. I would like to confirm the following CSN will grow 15% in volume this year. Long steel in 2019, we produced 3 million tons in 2020, 3200 and this year we will end at 3.6 million tons for the domestic market. For exports, we're going to supply the amount of galvanized products to the US and we're going to continue to supply what Lusosider needs. If the market is stronger. We're going to leave the material here instead of exporting to low. So sell-side there. So, we're going to be working full with the blast furnace with a volume of 4,500,000 tons for 2021.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Very good, Martinez, if you allow me another question. In terms of premiums. The premium today. In my accounts and is above 10%. Do you think that a higher premium will bring you higher prices because in January, you had a plan of exports of 14% of the demand. I believe if I'm not mistaken. I don't see any concern in this, there is a distortion in the figure of January some slabs were return from the United States. They were in the free zone.

A - Luis Fernando Barbosa Martinez {BIO 17456025 <GO>}

We have brought them to the domestic market to service the national market. There is 50,000 that is CSN that will become material for the local market. Now, when it comes to the premium, we're working with 640, 650 for the Chinese BQ. And it's not available to buy and as Benjamin said you won't be able to place any products before May. The premium is somewhat higher than 10%, standing at 12% or 15%, according to the exchange rate with this premium and with the supply and demand situation and with controlled imports, with the exception of galvanized material.

I don't think, we will have any problems in working with premiums that are higher than the historical ones. We're not going to allow for an invasion of imported products in Brazil. The import penetration at the most has to be 10%. It will not reach 14%, we suffered in 2010 when they reach 30%. So, we're going to work with this favorable equation for the domestic market.

Q - Thiago Lofiego {BIO 16359318 <GO>}

Very good. Thank you, Martinez.

Operator

Our next question in English comes from Carlos de Alba from Morgan Stanley. You may proceed, sir.

Q - Carlos de Alba {BIO 15072819 <GO>}

Thank you very much. Just a question regarding the liability management program. Marcelo has these been completed and what you highlighted in the second part of that chart, for the first quarter is that done or is something that USG is work on, and you will give us a little bit more details what banks are involved on these and when should we expect the closure of these initiatives. And then as a company you continue to do a good job in significantly and rapidly reducing the leverage. Now why wouldn't the company change the dividend policy to over something closer to cash flow generation.

And the Company manages working capital quite well. It also has lower CapEx than peers and we have seen global peers in particular, but also Vale moving towards a dividend policy much closely aligned with cash generation. Why wouldn't CSN do that throughout 2021 or in 2022 once your balance sheet is definitely much stronger and you reach your target, and if you are not prepared to do that. Is it because the Company has plans for expansion into other businesses or in the current core businesses of the company, but you want to expand further. Thank you very much.

A - Marcelo Cunha Ribeiro {BIO 4997029 <GO>}

Thank you, Carlos for the questions. Now the conditions that we set forth in the simulation, are things that we have in hand. These are discussions that we have been holding with the banks and you are aware of the banks, we have three or four relevant banks that in 2017 we worked with and in different conditions we could work with a new stage at present, we already have this in hand and we will implement this in the coming 45 days.

This also applies to the capital market, where we have been very active. It's open to all the companies with our profile. We're going to seek the best moment as the coming week we will have a positive action in terms of our ratings. Regarding the dividend policy, as I responded previously once we comply with the 1.0 net debt-EBITDA and BRL15 billion in debt, our distribution of dividends will be equivalent to our cash generation. And this is something that CSN will consider, but beyond the 2022 horizon, this will be done without the leveraging as Benjamin said we are going to grow, we're going to grow sustainably using the equity, and the individual businesses. I hope that I have responded to your question.

Q - Carlos de Alba {BIO 15072819 <GO>}

Yeah. That's clear, Marcelo. And just coming back to the cement business and maybe Edvaldo, in this call. It wasn't very clear to me whether or not the cement business is -- the comp, if the company is considering to IPO of the cement business or not. And if so, why [ph] do you are the times that you are contemplating. Thank you.

A - Edvaldo Rabelo {BIO 18024264 <GO>}

The IPO is not a goal in itself. The IPO is something that will enable us to grow, healthy and sustainable way to grow and growth projects are moving forward. They are organic projects, as well as consolidation projects and is -- it is the pace of the projects that will dictate the potential of IPO. It could happen this year because we have favorable wins, but where we can control this. We are prepared, that company has been created legally. We have done the work for this, we could have an offer in the short-term, but it is the pace of growth that will dictate the pace of the IPO.

Q - Carlos de Alba {BIO 15072819 <GO>}

Well. Thank you very much.

Operator

With this, we would like to end the question-and-answer session. We will return the floor to Mr. Marcello Cunha Ribeiro, the CFO and IR Manager for his closing remarks. You may proceed, sir.

A - Marcelo Cunha Ribeiro {BIO 4997029 <GO>}

I would like to thank all of you, who have been with us today in a day of celebration for CSN. We listed CSN Mineracao, we have very special results to celebrate. I would like to thank all of you for your presence. Have a good afternoon.

Operator

Thank you. The CSN conference call ends here, you may now disconnect and have a good day.