

The US rare earths industry comeback has begun as MP Materials announces a NYSE listing via a merger with FVAC

Recent advancements in the US Senate with several critical materials and rare earths Acts currently under consideration has led to a renewed spark in the US rare earths sector, a sector that had been on life support and left for dead. Now investors have a chance to join the US rare earths revival with the announcement today that leading US rare earths miner MP Materials intends to list in a US\$1.5 billion merger deal with Fortress Value Acquisition Corp. (NYSE: FVAC).

MP Materials announced yesterday:

“MP Materials, a leading producer of rare earth materials, to be listed on NYSE through merger with Fortress Value Acquisition Corp. (NYSE: FVAC).”

Details of the release include:

- MP Materials supplies materials essential to electric vehicles, wind turbines, defense systems and many other advanced technologies, produced at its world-class, “green” mine and processing facility in Mountain Pass, CA.
- MP Materials poised to become the Western champion of rare earth magnetism, onshoring a critical sector that will power a sustainable future.
- Combined company to have an estimated post-transaction equity value of approximately \$1.5 billion with over \$500 million in net cash to fund growth strategy.....

- Current MP Materials shareholders, JHL Capital Group and QVT Financial, will roll 100% of their existing equity holdings into equity of the combined company.
- Board of Directors to include former Chairman of the Joint Chiefs of Staff General Richard Myers, former Omnicom Group CFO Randy Weisenburger, and shareholder representatives.
- Upon completion of the transaction, the combined company will be named MP Materials Corp. and will remain NYSE-listed under the new ticker symbol "MP".....
- Cash proceeds raised will consist of FVAC's \$345 million of cash in trust and an additional \$200 million investment, led by institutional investors including Slate Path Capital, Chamath Palihapitiya and Omega Family Office, at \$10.00 per share in the common stock of FVAC immediately prior to closing of the merger.
- The business combination is expected to close in the fourth quarter of 2020, subject to regulatory and stockholder approvals, and other customary closing conditions.

An aerial view of the Mountain Pass rare earths mine and separation facilities in California USA



Source: MP Materials

The implications for the rare earths sector and investors

This is big news for MP Materials, the US rare earths sector, and especially for investors wanting to get involved. MP Materials own the Mountain Pass Mine which is the 'only' rare earth mining and processing site of scale in North America, making it a highly strategic asset. This one mine currently produces 15% of global rare earths supply, noting China produces 70%+ of global rare earths supply. MP Materials has been sending its rare earths to China for processing which is not ideal given the US is now looking to control the supply chain as I discussed here – Control the supply chain – Control the world.

Co-Chairman of MP Materials James Litinsky stated:

“This business combination and becoming a public company is a key milestone in MP Materials’ mission to restore the full rare earth supply chain to the United States of America.”

The raised ~US\$500 million plus of net funds are expected to be used to “retrofit and fully recommission its existing on-site refining facilities and will further enable the Company to pursue additional downstream growth opportunities in the magnetics industry”. Once completed MP Materials will have a total equity value of US\$1.5 billion. MP Materials expects to deliver over \$100 million in estimated revenue and nearly US\$30 million in estimated Adjusted EBITDA in 2020, rising to US\$250 million forecast adjusted EBITDA in 2023.

Investors can essentially buy into MP Materials now via the merging entity Fortress Value Acquisition Corp. (NYSE: FVAC). As mentioned in the news release above certain institutions and early investors will be in FVAC at US\$10.00. Other investors can buy in now directly via the NYSE ticker FVAC, currently trading at US\$11.39. This is a ~14% premium which seems ok for long term investors given the uniqueness and

potential of MP Materials.

Closing remarks

This decision from MP Materials is an industry leading move to bring back the rare earths supply chain to the USA. MP Materials' Mountain Pass Mine will now become an even more valuable US strategic asset, especially once the rare earths processing into refined rare earth products is achieved.

The good news for investors is that they can now buy into the Company, compared to before when it was private and not accessible to most investors. The icing on the cake should hopefully be some positive news from the US Senate in regards to several Acts that aim to support a US rare earths supply chain.

Note: The author intends to purchase FVAC.